Housing in London:
Future Perspectives

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Executive Summary

- London's population is growing more as a result of indigenous growth than of net in-migration.
- However, past and current in-migration are changing the structure of the population – which is relatively young and includes a growing proportion of non-white ethnic minorities.
- Household numbers are projected to rise by around 20-25,000 p.a. If the economy thrives this is likely to be an underestimate, implying higher levels of gross and net international migration.
- The needs of the London economy for large scale in-migration appear to be long term, implying continuing expansion of population and growing numbers of both single people and young families.
- The available housing stock is inadequate to provide for current requirements, even in numbers terms, let alone quality. Capacity studies suggest a growing shortfall. These studies anyway do not address questions of financial viability and timing of investment.
- Income growth and growing disparities in income are putting increasing pressure on housing demand. House prices are almost certain to rise in real terms and professionals with buying power will help to gentrify many accessible areas of both inner and suburban London.
- The two big issues are therefore (i) can enough more, and higher quality, housing be obtained both through from the existing stock and (ii) how are those unable to compete for market housing to be accommodated.
- Evidence with respect to structural changes in employment suggests five main categories of demand for housing:-

  (i) the growing numbers of professionals with financial clout, who will increase the demand for quality, and accessibility as well as generate higher levels of commuting;
  (ii) the lower to middle income employed, who are going to find it more and more difficult to afford family housing, at least in Inner London and who are likely to move into currently relatively low income boroughs as well as out of London completely;
  (iii) low waged employees who may already live in social housing but if they do not and cannot gain access will face major affordability problems;
  (iv) young immigrants, both in personal services and young professionals who want the attributes of London and who may be prepared to live at higher densities close to work and recreational attractions. This group will be housed mainly in the private rented sector or as sharers in owner-occupied accommodation;
  (v) unskilled workers, including many younger people and single parents who will find it difficult to find stable work even in a growing economy, whose only option is social housing or private renting with housing benefit.

- In addition there are large numbers of those outside the labour force who must continue to depend on government assistance.

- Perhaps the ideal scenario is that London follows New York during the 1990s, with ten years stable growth in employment. This could reduce unemployment levels even in areas of high concentrations of urban deprivation. The more likely scenario is that the potentially greater volatility of the London economy is likely to generate problems both of rising prices and higher risk of unemployment thus exacerbating housing market difficulties.
- The pattern of change over the last few years suggests that there is potential for an urban renaissance – a growing urban population, an expanding private rented sector, fewer and shorter journeys by those living in Inner London and greater use of public transport.
- There are however, many offsetting factors – including in particular lower density investment in both regeneration and new developments, greater congestion and increasing costs of public transport as well as increasing crime, concern about the quality of services including notably education, and large concentrations of urban deprivation.
- The urban renaissance cannot occur unless the quality of the environment, neighbourhoods and transport improves at least in line with general economic growth, so that people with a general predilection for urban living continue to wish to live there. The two housing conundrums are to provide greater housing space per person as well as higher densities of population per square kilometre and how to provide for those who stay as well as for new demands.
- To generate balanced communities requires maintaining employed households on high and medium incomes as well as low incomes in the inner areas although not necessarily in traditional social housing. The evidence continues to show that in the social sector those with other opportunities are the least satisfied with social housing and so are the most likely to move away.
- Social housing must not continue to be seen as separate from market housing. It must aim to provide a much wider and more flexible range of opportunities, including accommodation for the young and more mobile employed.
- The growing disparity in incomes presents the greatest challenge to the provision of adequate housing and communities. Social housing has to address these needs but, at the same time, ensure that those who are accommodated are not forced to remain in unsuitable accommodation for the rest of their days once the circumstances change. The London housing system needs to become far more flexible, if changing demands are to be addressed. Moving on has to become an important element of mainstream social housing policy, not just part of addressing homelessness.

1. Introduction: General Trends

London is a city of immense contrasts and change. Perhaps the most striking aspect of this propensity for change has been the capital's population movements during the twentieth century. From about 5.8 million in 1900, Greater London grew to over 8.5 million by 1939 but thereafter fell to 6.7 million in the early 1980s. By 2000 the population had bounced back to around 7.3 million, with most projections suggesting a population of between 7.5 and 8 million by the year 2020. Within the current total some 2.8 million (38%) live in Inner London and 4.4 million (62%) in Outer London. (Annex 1: 'The London Context' with its statistical appendix provides more detailed analysis.)

This revival since the early 1980s is unusual by both British and international standards. Many older cities, particularly in Britain and the United States have suffered steep population declines which have mainly been concentrated in the inner parts of the urban area, leading to a hollowing out of the centre and 'edge cities' developing in the hinterland. Instead, London, like New York, is now in the unusual position that its inner city, outer suburbs and metropolitan region are simultaneously experiencing population growth. Within the central area international migration is a major element in net population growth. At the same time, people are, as they have done for generations, moving out to the outer suburbs and from London to the South East and further afield - but the net in all cases is up. This revival is of profound importance for housing provision in London, putting the emphasis back on providing additional good quality accommodation rather than managing decline.

Two important aspects of this population are its youth and its ethnic diversity, both of which are closely related to the capital's history of in-migration. London is, and will continue to be, a relatively young city - in-migrants are generally among the youngest age groups and those moving out tend to be more mature. In 1997 85% of Londoners were aged 64 or below as compared to 82% in the country as a whole. By 2011 this difference is expected to have increased, with 86% and 80% respectively aged 64 and under.

In ethnic terms the extent of change is even more fundamental. By 1996 London's non-white ethnic population had risen to some 23% of the city's total from as little as 3% in 1961. This proportion is expected to increase further to over 26% by 2011. Although the non-white population is still heavily concentrated in inner London and in particular boroughs, the relative increase is now greater in outer London, as ethnic minority households, like the rest of the population, spread out across the capital and beyond.

Incomes in London are more polarised than in other parts of the country. Low incomes are concentrated particularly to the east of the city, while richer households tend to live more in west central, north west and south west London. Median incomes in the poorest boroughs are less than half those in the richest boroughs. There are equally large differences within many boroughs, reflecting the extent to which rich and poor live side by side, as well as concentrations of ethnic minority groups and disadvantaged households, particularly single parents. Households in London overall are more likely to be on social security, but in outer London the proportion, at 13%, is similar to the rest of the country, while in inner London the proportion is almost a quarter, rising to over 30% in Hackney.

Another important attribute of London is its rapidly changing employment structure with large scale growth in professional jobs and even larger declines in manufacturing. This changing structure was a major reason for the rapid rise in unemployment in London in the early 1990s to over 10%, as London was hit particularly hard by the recession. While the capital is now recovering, unemployment remains heavily concentrated in the inner boroughs and among unskilled workers. The rates differ far more than with respect to income - with Hackney having a rate nearly five times that of boroughs such as Richmond and Kingston upon Thames.

This diversity particularly with respect to incomes put great pressure on the housing market, generating very large differences in house prices and in affordability across the city. Average house prices are around £125,000, while a two bed flat in London costs over £100,000 with a lower quartile price of £79,000, itself above the national average of £72,000. Even within inner London prices vary enormously - the average house price in Kensington and Chelsea, at over £275,000 is over four times that in Newham at £65,000. In boroughs such as Hackney, prices - at an average of almost £115,000 - clearly reflect the diversity of incomes in the borough rather than average capacity to pay increasing problems of social exclusion. The same is true of private rents, which vary from almost £240 per week for private sector rents for those on housing benefit in Kensington and Chelsea to under £100 in Newham, with Hackney around the London average at £118. Large number of households outside the labour market and on low pay find it very difficult indeed to find affordable housing in the capital.

In international terms one of the most spectacular aspects of London is its very low density of population in inner London, a reflection of policies of slum clearance and rebuilding as well as of the historic built form of the capital and of the declining size of households and growing incomes. In the wider London region (London and the South East) population and employment densities are very similar to wider New York at 617 per sq k for 27,000 sq k in London as compared to 699 for almost 29,000 in New York. Employment densities are also similar at 265 and 279 respectively. But in the central areas, of 27 sq k and 22 sq k respectively, population density in London is only 6,300 per sq k as compared to almost double that at 12,000 per sq k in New York. Employment densities on the other hand remain quite similar, at 38,000 and 44,000. The same general pattern can be seen in the inner area and to a lesser extent in outer London. London is a very low residential density city - which has important implications for travel and commuting as well as for the capacity to expand the housing stock to accommodate a growing population with increasing aspirations.

Finally, what is the position with respect to housing? The housing stock in London in 1996 was estimated to be about 3 million units, almost exactly in balance with the number of households. The stock has increased by about 450,000 since 1971, rather more rapidly than the growth in household numbers - but this still implies an absolute shortage once turnover vacancy and second homes are taken into account. Some 1.2 million dwellings are in inner London, with 1.8 million in the outer boroughs.

Within this stock some 72% of dwellings are in the private sector - 81% in outer London and 59% in inner London. Local authority housing accounts for 20% of the total stock in the capital as a whole, 30% in inner London but only 13% in outer London. Registered social

landlords provide a further 10% in inner London and 5% in outer London. Social housing thus plays a much larger part in housing the population of the nation's capital than is the case in England as a whole, accommodating perhaps 28% of London households, as compared to 22% in England.

In terms of households in 1997 some 56% were owner-occupiers in 1997, and a further 17% in the private rented sector. The proportion of owner-occupiers has been stable in the 1990s but the number of households in the private rented sector has increased from 12% - again a very different profile to the country as a whole where private renting has increased by only 1% to 11% over the same period.

House prices in London have been rising rapidly during the last few years significantly increasing the costs of owner-occupation across the capital. However user costs are still lower than at the peak of the 1980s boom because interest rates have fallen, reducing mortgage costs.

In all parts of the capital there are large gaps between social sector rents and both private rents and owner-occupied costs, resulting in major afffordability problems for those unable to access social housing. The differences are at their greatest mainly in central and west London where both price and income differentials tend to be largest. The differential between RSL and local authority rents however tends to be higher in east and south London where local authority rents are relatively low.

2. Themes and Issues

The objective of our research was to draw out key themes and issues that are likely to be important in determining longer term (i.e. 5 to 10 years) housing strategies in London and to identify important gaps in our understanding of how the system can work to achieve the housing necessary for all London households.

In this context our research identified twelve main drivers which will help to determine the ways in which the housing system operates. Many of these are attributes and processes which will indirectly and directly affect the housing policy that will be appropriate, but where housing can only respond to these pressures and moreover where predicting these relationships can be problematic. The availability of good quality affordable housing will, of itself, have little effect on these pressures, but it is essential that policy takes them into account. Others are areas where appropriate housing policy and implementation can effectively interact with other policies to generate a better operating economy and society.

The key drivers that we have identified include:

- population growth;
- the diversity of that population;
- income and employment changes;

- the extent of the division between rich and poor;
- the changing patterns of work and leisure.

These five drivers affect the numbers of dwellings which will be required in London, their cost and quality, the varying pattern of demand throughout the capital and the extent to which affordable housing will be required.

The next group of drivers affect the quantity of housing likely to be made available and the extent to which that housing will meet the needs and aspirations of London households. They include:

- the impact of urban regeneration particularly on employment and housing;
- the success of policies to modify the built environment and to increase the density of housing and population - the Urban Renaissance;
- the growing importance of neighbourhood and environmental issues;
- the quality of urban services to households notably with respect to education;
- the impact of crime and policing.

Finally, there are a group of overarching issues which will help determine the relative desirability of living in particular locations in London, as well as that of living in London rather than moving out and perhaps commuting back to the capital. These include in particular:

- changes in the transport infrastructure and in the pricing and availability of public transport;
- changes in the governance of London.

These themes and issues are not fully separable from one another - modifications in one, and particularly successful polices to achieve specific aims, will impact on the effect of others and jointly on the ways in which housing is provided, its desirability and its price. Moreover it cannot be stressed too often that London is spatially very diverse - so that the distribution of outcomes may often be as important as the overall impact on the capital as a whole.

To try to address these issues we have divided our findings into six main groupings, which bring together these drivers in different contexts, starting with those most directly associated with housing demand and moving on through supply side issues and concerns about the wider framework in which housing policy operates. We therefore look in turn at:

- Housing and Households;
- Housing and Employment;
- Housing and Balanced Communities;
- Housing and Urban Regeneration;
- Housing, Urban Infrastructure and the Urban Renaissance; and
- Housing and London Governance.

3. Housing and Households

The fundamentals of housing demand and need relate to the size of the population and how this is changing, the numbers of households that form from the population, and the make-up of these households. (Annex 2 provided the detailed analysis.)

The most important trend in terms of population is the apparent reversal of the downward pressure which has been the experience of the post-war period. The population of London ceased to fall in the early 1980s and the increase has accelerated during the 1990s. Table 1 shows that by 1998 the population is thought to have increased significantly in both Inner and Outer London - and that the rate of increase was greater in Inner than Outer London. Projections of future increases suggest a similar pattern but a lower rate of growth in the first decade of the twenty-first century. New 1998 based national population projections suggest however that overall these figures may well be an underestimate although at the local level where the households will locate will be affected by housing availability.

Table 1a **Total Resident Population**

	Inner London	Outer London	Total
1961	3,481	4,496	7,977
1981	2,550	4,255	6,806
1991	2,627	4,263	6,890
1998	2,761	4,427	7,187

Table 1b **Annual Increases in Population**
(% annual change)

1991-1997	+ 0.6	+ 0.5
1997-2011	+ 0.4	+ 0.3

Sources: Registrar General: Focus on London '99, LRC, Table 2.2

3.1 Sources of Population Growth

There are two main sources of this increase in population: indigenous growth and the net impact of immigration.

In 1997 London's natural increase in population (the excess of births over deaths) was 41,800 - equal to 44% of the figure for England as a whole as compared to London's share of total population of 14 - 15% (ONS 1999b, table 3.8). However, birth rates are only modestly higher in London than elsewhere and death rates only slightly lower. The main reason for this disproportionate increase is the age structure of London - which has a higher proportion of women of child-bearing age and a lower proportion of older men and women. London is on all the evidence a relatively young city, with 85% plus below the age of 65 as compared to little over 80% for the country as a whole.

This has both substantive and monitoring implications: other things being equal, the younger age structure implies a greater requirement for family homes and a lower turn-over in the housing stock; equally, monitoring age structure is the most effective way of understanding what is likely to happen to indigenous growth into the medium term.

The second most important source of growth is net international immigration. The figures on actual immigration into England show a sudden structural increase in the early 1990s, particularly as compared to the recession years of the late 1980s and early 1990s. The evidence suggests that immigration, particularly from Europe and probably from other industrialised countries, is fairly closely tied to the UK economic cycle. Immigration from the less developed world, notably with respect to refugees and asylum seekers shows no similar pattern but does show a structural increase in the 1990s which is projected to continue into the twenty first century. In the 1996 based projections out of a total of net international migration into England of some 60,000 per annum, 31,000 a year is going into London. By 1999, net international migration to London is estimated to have reached 100,000.

The picture of net migration in London is not complete without looking at the net migration out of London to the rest of the South East and to England more generally. This picture is one of continuing out-migration from London which in itself impacts on further migration from the rest of the South East widely defined to the regions further away from London (see Holmans et al, Housing Needs in the South East, 1999). These outward pressures appear relatively constant, so at least in the short run it is the increase in immigration rather than any

slowing down of out-migration which is leading to the observed growth in population, and slight changes in the mix of that population.

Table 2 The Make-Up of Population Change in the 1990s (000s) - 1997

Starting population	1991 (mid-year)	6,889.9
Natural change		229.1
Net migration		-195.0
(of which international migration		+ 87.8)
Asylum seekers and visitor switchers		178.5
Total migration		- 16.5
Other changes		+ 19.6
Final population		7,122.2

Table 2 puts these elements together to show the make-up of population change in the early 1990s. In particular it is worth noting that out-migration to the rest of the country offsets the international in-migration both by non-refugees and asylum seekers.

The overall picture suggests a number of important dynamics - first, the decades of consistent inward immigration of younger people is one reason for the age structure of the indigenous population; second, to maintain the levels of net migration of certain categories of population, particularly EU, implies significant continuing inflows - these could be reversed were the relative economic position of the UK and London in particular to deteriorate; third, among these immigrants there are undoubtedly people who either prefer or will be forced to remain in London. If out-migration to the rest of the country continues with its current pattern these inflows will modify the structure of the population implying higher proportions of younger migrant households, and ethnic minorities.

3.2 Household Growth

Population growth is the main driver of increases in the numbers of households. The evidence shows that the number of households started to rise in the 1980s from a minimum of about 2.6 million, rising to over 3 million in 1996. The 1996-based projections suggest there will be a further increase of around 350,000 households over the fifteen years to 2011 with continued expansion of 2.5 million between 2011 and 2021 - generating a total of 3.65 million in 2021.

One reason for the growth in households is the increase in the numbers of one-person households. However, although the current proportion in London, at one third in 1996, is higher than in the country as a whole (at 29%), within the projected increase in household

numbers the proportion is less, at 64% rather than 68%. Thus the proportion of one-person households will continue to rise but more slowly than in the rest of the country. Again this reflects the younger age structure in the capital. Just as important in terms of the housing requirements the evidence shows that the demand for housing from one person households is as much a matter of income as it is of demographics. If, therefore, London becomes richer, the demand for housing will increase in relation to that income growth rather than be mitigated by the relatively large proportion of one person households.

3.3 Impact on Housing Demand

The increase in refugees and asylum seekers tends to add directly to the need for affordable housing, either in London, or elsewhere in the country, although there is every reason to think that large proportions of these households will be able to contribute to the economy and to pay for their own accommodation in the longer term.

Otherwise the impact on demand and need can be expected to be as diverse as the households making up the increase. The impact is not just in terms of the numbers of additional dwellings required, (especially if these households are to be enabled to live separately), but also in the increases in the demand for space and other amenities which are linked to higher incomes and wealth. At one end of the market the high incomes earned by professionals in the City and London more widely are seen to have a significant impact on house prices at the upper end of the market. This ripples through the housing system, increasing prices throughout the capital. It also affects prices in the South East as people take their increased equity and move out. At the other end of the scale, increased demands and prices make it harder to obtain affordable housing in the market sector and thus increases the need for government-assisted housing for lower income households.

3.4 The Balance between Housing and Households

The size of the dwelling stock in London is difficult to determine with accuracy because of the heterogeneous nature of that stock and the extent to which the built form can be modified to change the number of units and their use. The evidence that there is suggests that London is the tightest housing market, with the number of households very close to the number of dwellings - while in most of the country the numbers of dwellings significantly exceeds the number of households. In 1971 there were about 150,000 more households than dwellings in London. Over the next two decades the number of dwellings grew more rapidly than the number of households. However during the 1990s this trend appears to have been reversed - so that in 1996 the estimated number of units was 3,003,000 while the number of households was 3,002,000. This reflects the relative growth in households rather than a decline in the rate of growth of dwelling numbers. However, it is not clear whether this has been taken up by falling vacancies, increases in sharing or indeed a greater number of conversions.

The capacity to add to the housing stock in London depends on three elements: the provision of additional dwellings, how much of the existing stock has to be replaced, and the extent to which the existing stock of housing and other buildings can be modified to increase the numbers of units.

The LPAC capacity study suggests that there is capacity to provide about 580,000 units between 1992 and 2016, made up of 480,000 additional and converted dwellings, with the rest coming from vacancies and an increase in non-self contained accommodation. This is a gross estimate. Against this there will be losses arising from conversions in the other direction, change of use from housing and demolitions, especially those relating to urban regeneration.

There therefore appears to be a gap of perhaps 150,000 to 200,000 dwellings between the prospective capacity as estimated by LPAC and the projected increase in households between 1991 and 2016. While the outcome will undoubtedly be different from the projections there is almost certainly going to be increased pressures on the housing system. What is clear therefore is that, without significant change in the rate of growth of the housing stock over the next decades, the projected number of households cannot be adequately housed in the capital. If this does not occur then there will be a mixture of higher prices, lower standards, including more sharing and greater out-migration of those who can do better in the South East. Moreover the problem is greater than implied by the raw numbers. Housing demand will additionally increase as a result of growing incomes and aspirations.

4. Housing and Employment

The fundamentals with respect to employment are very similar to those for population: continuing large scale job losses in manufacturing and goods handling services, increasingly offset by growth in office activities and service industries leading to absolute reductions in employment over the last forty years. (Annex 3 provides the detailed analysis.) As the relative importance of the two sectors has changed the absolute reduction in jobs has slowed down, so that by the 1990s the outcome is roughly that employment overall is constant. The forecasts, from NIERC, Cambridge Econometrics and others point to either stable or a slight increase in employment between 1995 and 2010, which is as far ahead as such forecasts predict.

Although the patterns are similar there does not appear to be a causal relationship between job losses and population losses. Instead the underlying pressures in both cases are the cost of space but in one case this is productive space and in the other residential. Equally there is no close link between labour demand and supply even at the London level because requirements can be met by commuting and in-migration as well as from the local population and local unemployment. This is reflected very clearly in the increasing concentration of unemployment in six inner boroughs at the same time as employment opportunities close to these areas increase.

Table 3 gives some details with respect to gains and losses in employment over the last decade. It shows that, in proportionate terms, the losses in manufacturing and related industries have tended to be higher in London than in Great Britain as a whole - as, in addition to the general downward trend, routine jobs have been squeezed out of the capital. Even in areas where London is seen to be strongest, such as IT, R & D, telecommunications and other business services, the proportionate increases in employment have tended to be less than in the country as a whole. Only in catering has London led the way.

Table 3: Changes in Employment 1987 - 97 (%)

	London	Great Britain
Engineering	- 54	- 16
Other manufacturing	- 40	- 14
Utilities	- 73	- 42
Construction	- 20	- 5
Catering	+ 29	+ 22
Other business services	+ 38	+ 46
IT, R&D, telecoms	+ 14	+ 34
Retail	+ 5	+ 18

These figures transpose into large changes in the mix between male and female and between full time and part time employees with male full-time employment falling by 14% in the ten year period and female full time employment by 2%, while part -time employment increased by 59% for males and 39% for females. How this transposes into numbers of people employed is less clear as we do not know how many part-time jobs people tend to have.

One of the most important pressures determining these trends is the high cost of floor space together with changes in technology which means that more floor space per worker is required. This means that it is mainly higher-valued jobs and those which are location specific, such as personal services, which tend to remain in the capital, especially in the inner areas. This is clearly reflected in the observed shifts in the nature of labour demand, with rapid growth in the share of professional and managerial workers and a loss of unskilled work in both manufacturing and office employment. This has led to a shift in the mix of employment towards higher income employees and substantially increased earnings inequality in the upper half of the income distribution. These types of household have greater demands for housing in terms both of space and quality of services.

At the other end of the earning scale is the growth in personal service jobs which are often part-time and poorly paid. This growth has been far less than that observed in New York, arguably because of the lack of supply of people willing to take these often insecure and ill paid jobs. It is here that the increase in-migration is seen to be of particular importance: arguably it is the growth in a new type of supply of labour that has started to increase the numbers of 'Pret-a-Manger' type work in the city. This involves employing slightly different people from the traditionally unskilled population, pre-university19 year olds, for example, and students and visitors with the right to work. Thus even among low waged employment there are two groups, an increase in those who do not mind about security but also reduced stability of employment and economic security for those without the formal qualifications for managerial jobs. This in turn again implies greater inequality between rich and poor even among those in employment.

Between the two extremes are the problems of those, many of whom are public sector workers on nationally negotiated scales, who are needed to work in the capital but do not have the resources to compete for adequate housing. The lack of competitiveness in their salaries suggests a scenario where people are still prepared to work in London when they are young and benefit from the range of activities available in London. Such households can find accommodation, as they always have, sharing or at relatively high density. However, when they wish to settle down they have little choice but to move out or even to leave London - making it particularly difficult to maintain an adequate range of fully trained workers in jobs such as teaching, nursing and public services more widely, especially as housing costs in the South East rise so that commuting is less of an option. This has important implications for the wider agenda of raising educational attainment and improving health and other services and sustaining neighbourhoods because of the impact on the supply of trained and experienced workforce.

Within the housing system the social sector plays a more important role in London than elsewhere in the country in accommodating those in employment, partly because it is anyway larger, 28% as compared to 22% in the country as a whole, and also disproportionately category by category in terms of employment status. Thus for instance a slightly higher proportion of London household heads are in full-time employment and within that group a significantly larger proportion are in the social sector. To this extent the social housing sector can play a larger role in meeting the needs of the lower income employed - particularly those with incomes of less than £300 per week. It also means that this group is rather less likely to move out of the city. However above this level the role of social housing in its traditional forms is inherently limited. Yet house prices and rents in the market sector make it extremely difficult for those with even reasonable incomes to achieve adequate housing. This puts particular pressure on households slightly further up the income scale to move further out as their housing needs increase.

The gap between social sector rents and housing costs in the private sector is very much greater in London than in the country as a whole. The average rent of a local authority two - bedroom flat in London at £54 per annum in 1998/99 was about 25% above the average for England, while the private rent, at an average of £121, was 40% higher, as was the average price of an owner-occupied two bedroom flat at £79,000. Those without access to social housing must therefore consume less housing, pay a higher proportion of their income on housing or move to cheaper areas within or outside London.

Even within London here are large variations in prices and rents between different parts of London both in terms of availability of housing and its cost. In this context London must be seen as a single labour market with some boroughs, both inner and outer, playing an important role in providing accommodation for those who work across the city. Although the average house price in London in 1998/9 was £124,000 there were five boroughs, mainly in the East and South East where average prices were below £100,000 - Newham, Lewisham, Bexley, Barking and Dagenham and Waltham Forest. Bexley and Newham, together with Greenwich also have relatively low private rented sector rents. These are mainly boroughs with relatively large private and owner-occupied sectors, which have a continuing potential to house workers across London, although the acceptability of this option depends on the quality and cost of the transport system.

Looking to the future, there is concern at the national level about whether the labour supply is adequate to meet demands after the middle of the first decade of the twenty first century. This could imply significantly greater rates of in-migration which will continue to be channelled through London. Even though the numbers being bandied about by the United Nations are extremely unlikely to come about because of supply adjustments arising from increased pressure in the labour market through, for instance, changes in working practices and the level of participation in the existing population, the tensions and tendencies are predictable. All the evidence points to increasing economic growth, if it occurs, being compared to increased in-migration.

Secondly, the evidence suggests considerably greater volatility in the London labour market overall which will, in turn, impact on house prices and activity. This volatility is itself an important attribute of structural change which must be addressed when determining housing policy. One, highly desirable, scenario under discussion is that London could match New York, with ten years of stable growth in both higher paid and personal service sectors. This would tend to reduce unemployment especially in the most difficult inner urban areas - but it would also put immense strain on the housing system as demand both for higher quality accommodation and for lower priced but more flexible accommodation increased. The alternative scenario is more one of cyclical variations, exacerbated by structural change in which, while the pressures from in-migration would be reduced, house prices and activity would both be lower and more volatile. In this scenario the large concentrations of unemployment and deprivation which have emerged since the early 1980s (which exist in all urban areas, but which are simply bigger areas in London), would be likely to be maintained.

Thirdly, the continuing increases in income associated with economic growth and greater disparity of income must put pressure on prices and rents, generating wider dispersal of professional households across London boroughs and considerable pressures for increased gentrification, not only in central London but also in the outer suburbs. The most likely scenarios suggest that even the lower cost boroughs will become more expensive, limiting the capacity of lower income workers to achieve adequate housing. The case for emphasising housing policies, such as shared ownership of one form or another and the social provision of market housing which can help fill the very large emerging gaps is very strong indeed.

5. Housing and Balanced Communities

All of the material so far discussed suggests that it is likely to be more and more difficult to ensure balanced communities at whatever spatial level. Even now London incomes are more polarised than in the country as a whole, with lower incomes concentrated in inner London, particularly to the east of the city and higher incomes in the west central, north-west and south west London. Median incomes in the richest boroughs are more than twice those in the poorest areas, and many boroughs have pronounced differences within their own boundaries. These disparities have in many ways been relatively stable over the century - but this does not mean that the same people have remained poor. The picture is rather one in which those who have greater opportunities tend to be able to move away from these poorer areas only to be replaced by others who are in relative terms, equally poor. In this context it is important to clarify the objectives of policy - is it to ensure that particular households are not socially

excluded, or is it to raise the incomes and opportunities of those living in particular areas? The first can, at least in principle, be done without changing the spatial profile. The second appears a far more difficult task, given the very long run stability of the basic locational pattern.

Across London some 18% of households are in the lowest income bands. In Hackney, Islington, Lambeth, Newham, Southwark and Tower Hamlets that proportion is above 25%. At the other end of the spectrum 20% are in the highest band but in Bromley, Hammersmith and Fulham, Kensington and Chelsea, Kingston upon Thames, Richmond upon Thames, Wandsworth and the City of Westminster the proportion is over twenty five percent. The greatest disparities are concentrated in inner London, but Barking and Dagenham, Greenwich and Waltham Forest stand out as having particularly low incomes in the outer areas.

All but one of the boroughs identified as having particularly low incomes also have high proportions of social and especially local authority housing. Social housing is thus the location for much of the poverty of London, in part because of its concentration in areas of slum clearance and lower prices, in part because it houses a larger proportion of households than elsewhere in the country.

Another area of concern is the extent of unemployment in London and the concentration of that unemployment. Unemployment doubled in the first half of the decade and is only now beginning to return to traditional levels. Unemployment is twice as high in inner London than in outer London and the highest rates in outer London, in Brent at 14%, would still rank as one of the lowest in inner London. Hackney with 23% in 1996 had the highest proportion of unemployed. It also has the largest proportion of households receiving income support at over 30% in 1994, and, at 34%, the largest proportion of dependent children in households with no income earner.

A rather different approach to examining deprivation is with respect to educational attainment. Again the inter-borough pattern is rather similar, with far lower averages in inner than in outer London, and with outer London having an average similar to the country as a whole. Boroughs with particularly low educational attainment include Hackney, Haringey, Islington, Lambeth, Southwark, Tower Hamlets and Barking. Again these are areas with high concentrations of poverty, unemployment and single parents, as well as, in the main, high proportions of social housing stock.

More generally the proportions of 16 and 17 year olds in education have increased although in inner London the proportions are still well below the national average. Equally, only half the numbers of 16 and 17 years olds in London are likely to be in training than in the country as a whole.

Similar patterns can be found in relation to health – people in inner London have a 10% higher chance of limiting long term illness than in the country as a whole and this proportion rises to between a quarter and a third in Hackney, Newham and Tower Hamlets. In fact mortality rates are 20% higher in inner London than outer London and the rate of conception at ages under 16 in inner London is almost double that in outer London and the country as a whole.

Another aspect of deprivation is the incidence of crime and anti-social behaviour and its impact on the quality of life and the acceptability of neighbourhoods. Recorded notifiable offences have increased by 60% since 1980, but during the same period offences against the person have increased by 800%, with particular increases in the 1990s. Against general perception crime has increased faster in outer London than in inner London, although both the level of crime and the perceptions of problems are concentrated especially in poorer inner areas and on social housing estates.

In the context of crime the projections look bleak. The Home Office has warned of further rises in crime because of changes in the age structure and the relative importance of adolescent and young adult males in the population. There is also growing concern about ghettoisation of crime and other poverty related problems. Given the tensions discussed above with respect to both employment and housing opportunities it will be hard enough to stem the tide let alone improve conditions.

Housing is seen as a major factor in generating urban deprivation because the housing system acts as a key intervening variable by which national structural change is translated into local patterns of area disadvantage. Thus, the root causes of area concentrations of deprivation and unemployment in particular are non-local but they have real local impacts which are intensified by the effect of negative externalities.

It is relatively clear how the market system can be expected to generate polarisation and concentration - in unpopular areas rents and prices will fall, reducing the incentive to invest and increasing the incentive for those with the opportunity to move out. Such households are replaced by those with few other opportunities and the process continues. What is of equal concern is that the administered system generates very similar patterns. Those able to exercise choice, either market based or within the social sector move out to be replaced by those in the highest priority need who have no other options. Such households are likely to be outside the labour force or even if they include some members who might participate they are likely to be dislocated from the labour market.

Over the last few years it has become increasingly understood that areas of urban deprivation tend to have particular concentrations of particular types of households and of neighbourhood problems. On the household side this tends to include not only single parent households but also large households and single person male households, low educational attainment, high unemployment and non-participation in the labour force and poor links to the rest of the community. Educational attainment is particularly low. In income terms the levels of welfare dependency are high as are the problems of making ends meet financially. There is usually very low satisfaction with the accommodation and particularly with the neighbourhood and the area is regarded as lacking facilities and being a poor place to bring up children. People tend to see themselves as having little choice about moving into the area and few opportunities to move out. These areas often have relatively good accessibility to shops, transport and other activities, notably in London, but also suffer from serious location based problems including crime, including in particular drugs, vandalism, and traffic problems (Whitehead and Smith, 1999). Such areas are by no means confined to those with high levels of social housing and indeed the interface between deprivation and poor housing

is also not as strong as most commentators suggest, particularly at the ward level. In particular, housing problems are much more widespread than the incidence of urban deprivation. The relationship between deprivation, social housing and unemployment is much stronger, especially in London but even so, concentrating policies solely on areas of poor social housing will exclude some areas with the greatest problems.

A rather different aspect of balanced communities relates to ethnic mix. The proportion of Londoners who come from non-white ethnic minorities has risen from around 3% in 1961 to over 23% in 1996. This proportion is expected to continue to increase to over 26% in 2006. There are 35 groups of non-English nationals living in London with populations of over 10,000 and the range of groups represented is also expected to expand.

One way to examine the extent of concentration is to look at school rolls. Over the capital as a whole almost 60% of children are white, but this proportion falls below 40% in Hackney, Lambeth, Tower Hamlets, Brent and Newham, while in inner London overall the proportion is only 47%. In Tower Hamlets Bangladesh students make up over 50% of all pupils. In Brent, Ealing and Hounslow Indian students account for about 25% of all pupils while in Lambeth 'black Caribbean' account for 23% of pupils.

The evidence therefore is of large concentrations - of poverty, deprivation, unemployment, ethnicity and of social housing. These exist in most urban areas in the country. The difference in London is with respect to the relative depth of deprivation, the size of the areas and the extent to which they are economically and socially separated from high income and opportunity areas nearby. To a significant extent housing is the location of these problems rather than their cause, except that there is considerable evidence that where there are particular problems of high levels of unemployment and weak attachment to the labour market leading to an absence of networks for accessing job opportunities and of a cultural milieu that promotes and supports work-readiness.

The trends in employment, income and housing pressure discussed above suggest that the most likely scenario is one in which relative deprivation increases in concentrated areas unless those living in high unemployment, deprived areas can be brought into the labour force. The more likely scenario is one in which the educational attainment of most of those in social housing is mainly inadequate to enable them to take the types of jobs available in the growing sectors of the economy outside catering and personal services. In this part of the employment market, lower income, especially younger, employed households are likely to live mainly in the private rented sector or in the bottom end of the owner-occupied sector mainly to the east of the city. Higher and medium income professional households will be able to outbid traditional households in many parts of the capital leading to greater diversity of incomes in many boroughs, but at the expense of access to private sector housing for those lower down the scale.

6. Housing and Regeneration

Housing processes have a marked impact on the outputs and outcomes of regeneration policy. Notably simply measuring unemployment rates in an area subject to a regeneration initiative which has been successful in employment terms is likely to give a very partial picture

because of the extent of differentials in and out migration. A study of Harlesden City Challenge for instance found that those who had improved their position very considerably tended to move out but had been replaced by in-movers who were more likely to be unemployed. This was particularly true for black respondents among whom in-movers were more than three times as likely to be unemployed than out-migrants. Similar patterns were found with respect to job satisfaction, working conditions skill levels and pay. In all cases out-migrants did well, often, encouragingly, as a result of training - allowing them the opportunity to move to more desirable areas.

These adverse attitudinal effects are very place specific often relating to particular estates - and could in principle at least be modified by successful housing regeneration policies - notably those that reduce the incentive to move out as soon as possible or which modify the attributes of new entrants. The difficulty here is that satisfaction both with the area and to a lesser extent with the accommodation tends to be disproportionately concentrated among those with relatively higher incomes - aspirations rise with opportunity and appear only to be offset by strong social ties in the area.

The government's objectives of urban regeneration seek to promote - equally and jointly - social, economic environmental and physical improvements. In practice however there are often conflicts between these different objectives. In particular major regeneration schemes tend to reduce the size of the social sector stock in both absolute and relative term - as a result of reductions in densities, changes in built form on large local authority estates, the promotion of home ownership and now forms of rented housing, policies to lever in private investment or through the disposal of land and property directly to the private sector. There is however growing emphasis on urban form and the morphological features of regeneration with increasing emphasis on physical as well as economic integration. Policies of deliberate gentrification are also now being encouraged by several authorities raising important issues of equity with respect to the existing population.
Housing is thus a major land use in regeneration but the are problems: in more desirable areas there tend to be competing uses to the point that housing can lose out, while in less desirable areas there tends to be no alternative so that too much often inappropriate housing may be sought. This can lead to increasing problems of social exclusion as such sites tend to include high proportions of social housing.

A second major attribute of regeneration is the extent to which existing, usable housing is lost as part of the regeneration process. Densities are almost always reduced – so the net effect on supply can be very limited indeed. This works against the objectives of urban renaissance.

A further important question is the location of replacement housing which may be able to be achieved through section 106 agreements. The emphasis at the present time is on ensuring that housing is built on the same site. This may reduce what can be provided and may in some circumstances lead to less rather than more tenure diversity within the relevant catchment area.

Finally, regeneration calls for complex partnership arrangements as well as the need to achieve a wide range of objectives. In the current climate where so much of the emphasis is

on other, often revenue, services housing may find it is losing out in terms of available resources.

7. Housing, Urban Infrastructure and Urban Renaissance

One of the most important factors determining the acceptability of housing is the quality of access to employment and services. London is very different from the rest of the country because of the low levels of car ownership and car use. Only two thirds of journeys are made by car as compared to over 80% in Britain as a whole. Moreover travel by bus, underground and train is rising, bus by 18% since 1981 and underground by over 50% - while car use is almost stable. Inner Londoners also travel shorter distances than in the past, as compared to both those in outer London and the rest of the country where average distances are increasing. Whether this is a function of problems or possibilities is an important element in understanding what might be possible over the next decades.

Nearly a million people commute into inner London every day with a further 380,000 into outer London. Westminster, Camden and the City are the main recipients, while all outer boroughs except Hounslow have met commuting outflows. Road is still the most likely means of travel, at over 50% in outer London and 30% in inner London, but bus rail and underground are all increasing.

London is already seen as having a serious transport problem – made up of congestion, pollution, overcrowding on public transport and high prices. There is little chance of significant investment coming on stream over the next few years – except for the Croydon tramlink and extensions of the East London line. Even so the opening of the Jubilee Line extension and improvements to the Docklands Light Railway are helping to open up parts of London where transport has been difficult – with predictable impacts on house prices and rents.

Congestion charging is one important possibility over the next few years. This might reduce congestion and increase the incentive to live nearer work and recreation – but the effects are likely to be relatively small. Changes in fare structures and better management of the existing transport system – including the road system – which could be introduced by the Mayor could have rather more immediate impacts. Better buses would have the greatest positive effects in both inner and outer London.

Overall there are some pressures towards reducing travel distances and living at somewhat higher densities – a trend which is already reasonably well established. But it is difficult to be optimistic that this will be enough to offset the increased demands for both space and transport, arising from a growing economy with a larger population. If it is to have this effect it must be in combination with policies to increase residential densities, while at the same time enabling people to obtain more space in more desirable neighbourhoods.

As professional and other employees find that they have to move further away from their place of employment in order to find accommodation they can afford the efficiency and cost of the London transport system is going to become an even more important factor in determining both the quality of life and the decision about residential location.

This approach is clearly consistent with the vision of an Urban renaissance spelled out in the Rogers Report. This calls for much larger proportions of residential development to be on brownfield sites within the urban area, sustainable communities in terms of reducing the need for transport and better access to services, higher density developments which will in turn make public transport and local services more sustainable and a changed attitude to urban living.

There are factors which help to make such a scenario more likely – the increased importance of international in-migration, the prevalence of younger households, the likelihood that much of the growth in population will have to be accommodated in more flexible ways, notably in the private rented sector, and the evidence on the growing popularity of public transport at least in inner London and shorter trips made by those living in the central area.

But there are also factors which tell against this scenario – notably the likely increase in the demand for space, the difficulties in providing high quality services in many parts of London especially in inner London, rising crime and the prevalence of concentrations of urban deprivation in many parts of the city, the continuing emphasis on lower densities in urban regeneration schemes and new developments alike and most fundamentally the still very limited extent of building and change of use observed in the capital. If better housing at greater densities in the central area is to be acceptable there is a need for a far more flexible approach to planning, far more housing will have to be provided in London, especially inner London and far greater flexibility in the use of existing stock.

Providing affordable housing in this context is likely to be as such a process of assisting private sector provision – both rented and owned – as it is of new developments of social housing. Section 106 agreements are likely to provide some of the subsidy required – but again it is important that the approach is flexible and that a realistic view is taken about the definition of community. The use of difficult brownfield sites is also likely to reduce the extent of funding available, as are the many other calls on the subsidy for other investments and services. The Urban renaissance agenda may in some cases reduce the amount of affordable housing that can actually be produced.

8. Housing and Governance

The Mayor and the Greater London Authority will have no direct responsibilities for housing. However the Mayor in particular will have a remit to assist Londoners as well as having the largest individual democratic mandate in the country. The Mayor will also have the power to commission research while the assembly will have the powers to inquire into any aspect of life in London. Planning and transport policy, both of which are fundamental to effective housing provision will be within their remit, as will questions of residential and workplace densities, the spatial balance of development and issues such as tall buildings. At the least it will be essential that housing policies are consistent with these wider policy approaches.

As importantly the election of the Mayor and GLA will change the nature of the London political system bringing in more personality drive politics, greater interest in local government, more community based politics, more patronage, concerns about conflicts

between the Mayor and GLA, and the boroughs and/or central government and potentially greater accountability. There will be new opportunities to develop integrated policies and to recognise that housing policy is about housing and its environment in the broadest sense, not just about a roof over one's head. But it must not be forgotten that the most likely scenarios of the next few years set out here all suggest that the difficulties in ensuring that those in need of affordable housing do actually have a place to live in London are likely to increase significantly.

Annex 1: The London Context Tony Travers and Christine Whitehead

London is, as it always has been, a city of immense contrasts and change. Perhaps the most striking aspect of this propensity for variation is the capital's population movements during the twentieth century. From about 5.8 million in 1900, Greater London grew to over 8.5 million by 1939 and then fell back to 6.7 million in the early 1980s. By 2000, the population had climbed back to 7.2 million, with most projections now suggesting a population of between 7.5 million and 8 million by 2020. (Appendix 1 provides the detailed statistics which support this annex.)

Housing needs and supply changed radically - and often - during this century. In 1900 there was virtually no "social" housing. Home ownership was restricted to a small number of affluent individuals. Private renting was the majority tenure. In so far as social housing developed in the early part of the twentieth century, it did so because of philanthropic and local authority action. Slum conditions were relieved in part by this new, social, sector and in part by the lower population densities that came with out-migration from what is now "inner" London.

The need for public - largely local authority - action to alleviate London's housing problems has continued and remains today. A number of economic and social trends have placed further new demands on the city's capacity to house all its citizens in reasonable conditions. These wider trends - in particular their impact on London in the period from 2000 to 2020 - are the focus of this section.

Population

London's "bounce back" in population in the years since the early 1980s is unusual by both British and international standards. Many older cities, particularly in Britain and the United States, have suffered steep population declines during the later part of the twentieth century. Often this decline has been concentrated in the central tracts of urban areas, with "edge cities" developing in the suburban hinterland.

London is now in the position that its inner city, outer suburbs and metropolitan region are all experiencing simultaneous population growth. Within the inner city (and some suburbs) immigration from overseas (see below) is a major element in the net population increase. People are still (as they have for generations) moving from inner to outer London and from London to the South East and beyond. However, the rate of out-migration is less than in-migration plus the net balance between births and deaths.

In recent years, the rate of net population change in inner and outer London has been running at the rates shown in Table A.1.1.

Table A.1.1 Population trends and projections: London and the South East

	% change per year	
	1991-1997	1997-2011
Inner London	+0.6	+0.4
Outer London	+0.5	+0.3

(Source: *Focus on London 99*, London Research Centre, Office for National Statistics, Government Office for London, TSO, 1999, Table 2.2)

Office for National Statistics projections suggest that both inner and outer London will continue to experience population growth in the years up to 2011. Of course, such growth will depend on increasing housing capacity and/or changing housing occupation patterns.

London is - and will continue to be - a relatively young city. In 1997, 85 per cent of Londoners were aged 64 and below. By 2011, this figure will be 85.6 per cent. The equivalent figures for the UK are 81.8 per cent and 80.3 per cent.

Other potential (and unpredictable) changes that could alter the population projections include:

- a significant worsening in transport capacity within the South East;
- a radical change in regional policy so as to shift population and jobs out of London and the South East;
- a total clamp-down on green land construction in the South East;
- a significant improvement in the GDP, growth and attractiveness of England's northern regions.

Immigration

There are broadly two kinds of immigration to London. First, there is the established trend of (generally younger) people moving from the rest of the UK into London. This movement has for many years been counter-balanced (and sometimes exceeded) by other (often older) people leaving the capital. Such trends are well-understood by housing market experts. Rather less understood is the impact of overseas immigration on London.

Modern, mass, immigration to Britain started as recently as 1948. Subsequently, more immigrants have arrived in the UK from the Commonwealth, European Union countries and, most recently as the result of political and economic migration. Trends in immigration and the development of established ethnic minority communities have turned London into one of the most diverse cities in the world.

Table A.1.2 shows the number of non-white immigrants living in London in 1961, 1971, 1981, 1991 and 1996. The basis of the statistics has changed somewhat from year to year.

Table A.1.2 Non-white ethnic minorities: Greater London

	numbers	% of London population
1961	242,000	3.0
1971	583,800	7.8
1981	945,148	13.9
1991	1,118,367	16.2
1996 (projection)	1,636,000	23.4

(Source: *Cosmopolitan London*, London Research Centre, 1996, Tables 2.1, 2.3 and 4.3)

By 1996, London's "non-white" population had risen to 23 per cent of the city's total. There were 35 groups of non-English nationals living in London with populations of over 10000. Over 50 groups of non-English nationals had populations of over 5000. Half the populations of two boroughs - Brent and Newham - recorded themselves as "non-white" in the 1991 census.

Projections suggest that London will become a more and more diverse city. In part, this change will result from the natural growth in earlier immigrant populations (largely because of relatively higher fertility rates among some ethnic groups). Table A.1.3 shows projections of the non-white population in London for 2001 and 2006.

Table A.1.3 Projections of London's non-white population

	numbers	% of London population
1996	1,636,000	23.4
2001	1,820,000	25.2
2006	1,921,000	26.2
2011	1,926,000	26.5

(Sources: *Cosmopolitan London*, London Research Centre, 1996 Table 4.3; Focus on London 99, LRC and others, 1999, Table 2.2 and *Demographic Review*, LRC, 1997)

Figures for the ethnicity of pupils within London schools give a further clue to how London will change in the years ahead. Table 4 shows the proportion of the school population (in 1999) made up by children from particular ethnic backgrounds. These are the top five boroughs in terms of individual non-white ethnic groups as a proportion of total school populations in 1999 (thus, for example, children of Indian origin make up 25 per cent of all Ealing pupils, though the overall "non-white" proportion is 59 per cent).

Table A.1.4 Ethnic make-up of pupil population, selected boroughs

Borough	Ethnicity	%
Tower Hamlets	Bangladeshi	53.0
Ealing	Indian	25.0
Brent	Indian	24.7
Lambeth	Black Caribbean	23.2
Hounslow	Indian	23.2

(Source: *Education in London Key Facts*, October 1999, LRC, 1999, Table 20)

The figures in Table A.1.4 suggest that particular boroughs will face rapid growth in certain ethnic populations. In some cases, for example where such populations tend to have larger families, there will be particular demands on local housing.

Table A.1.5 shows another, sometimes related, phenomenon: net inward migration to London in recent years. There has been a significant increase in the trend of immigration to London, particularly among two very different groups: EU nationals and asylum seekers. Unpublished Government data suggest a significant jump in net immigration in 1998-99.

Table A.1.5 Net international migration to London

	'000s
1991-92	24
1992-93	31
1993-94	43
1994-95	41
1995-96	69
1996-97	54
1997-98	69
(1998-99 projection)	(100)

(Source: *Focus on London 99*, LRC, 1999, Table 2.4; estimate for 1998-99 derived from ONS data))

It is by no means clear whether the increase in immigration in recent years represents a long-term change affecting London, or whether it is explained by the sustained economic boom over this period. At present, there is no reason to believe this relatively high level of inward migration will reduce in the years ahead.

A number of other factors are likely to influence the attractiveness of London (relative to today's conditions) to immigrants from overseas. Research into these influences is minimal.

- further growth in legal economic migration from EU and other rich countries as a result of London factors such as labour shortages, high earnings, flexible pay/conditions and "educational tourism";

- further growth in asylum seekers as the result of territorial disputes and repression overseas; continued trend of illegal immigration as a result of large GDP per

capita differentials between the UK and poor countries combined with London's reputation as a safe haven;

- "dispersed" legal migrants to the UK moving from the provinces to join established communities in London (following the processing of asylum papers).

Income distribution and deprivation

Incomes in London are more polarised than in other parts of the country. Lower incomes tend to be concentrated in inner London, particularly to the east of the city centre, while higher incomes are concentrated in west central, north-west and south-west London.

The highest incomes are earned in Kensington & Chelsea, Richmond, Kingston and Bromley. In each case, median gross weekly household incomes are around £400 or above (1997 prices). At the other end of the income spectrum are Tower Hamlets, Hackney, Newham, Barking & Dagenham and Southwark (all below £200 per week). Tower Hamlets, Southwark and Kensington & Chelsea are all areas with relatively pronounced levels of income inequality within their own boundaries. Barking & Dagenham and Bromley, by contrast, are areas with relatively consistent incomes.

There is no evidence that the disparities which exist between incomes in different parts of London are changing radically. Indeed, the map of high and low incomes in 2000 would look surprisingly similar to those drawn by Booth in his pioneering work on London poverty in the late 19th century. More recently, the *Health of Londoners* project (Figure 2.6) showed there was a relatively strong correlation between all age standardised mortality ratios in 1950-53 as compared with 1990-92. Areas where mortality ratios had improved over this period included Marylebone, Woolwich and Chelsea . Mortality ratios had worsened relatively in Battersea, Hackney and Hammersmith. (Mortality ratios were, in turn, very strongly correlated with the Jarman deprivation index).

Social housing has, by accident, become an element in retaining the past distribution of concentrations of relatively poor Londoners. As local authorities built council housing to replace slums, they unwittingly created immovable groupings of individuals who - for various reasons - found it difficult to move out of poverty. Councils (and later other social landlords) found themselves providing homes for virtually all the poorest Londoners. Other policies have, accidentally, reinforced this poverty.

Looking ahead, it is very unlikely that existing poorer boroughs and areas within them are likely to change very significantly in the next 10 to 15 years. Government policies aimed at reducing 'social exclusion' may alleviate poverty but they are unlikely radically to change the pattern of settlement and incomes within London over this period. Housing providers will face concentrations of low income households and chronic deprivation which, often for physical reasons (i.e. the location of social housing), are unlikely to change significantly.

Transport

Opinion polls consistently show transport as the most important issue for Londoners (a MORI poll conducted in October/November 1999 showed that 56 per cent of the population viewed "public transport" as one of the key issues to determine how they would vote in the 2000 mayoral election. "Health care" came second, mentioned by 51 per cent. By contrast, 24 per cent mentioned housing as a key issue.

London is seen as having a serious transport "problem". This problem takes many forms, including congestion on the roads, overcrowded public transport and pollution. The capital's "rush hour" now extends throughout the working day. There are also problems of cost, safety and a need for investment.

Table A.1.6 shows the distance travelled per person per year in inner London, outer London and Great Britain in 1985-86 and 1995-97. People in inner London travel about one third less than the Great Britain average and do so to a far greater extent by public transport. Outer London travel per person is greater than in inner London but less than for Britain as a whole.

More remarkable is the fact that the distance travelled per year by people living in inner London has declined sharply during the decade up to 1997, whereas for the country as a whole travel rose by a quarter in the same period. As the population of inner London has risen, it appears that relatively more people have been able to travel shorter distances to their work and recreation. It is also possible that people in inner London are gradually being discouraged from travelling by a combination of above-average fares increases and worsening traffic congestion. Traffic speeds are falling gradually but consistently in all parts of London at all times of the day.

Table A.1.6 Distance travelled per person per year (miles)

	All modes of travel		% change	% by public
	1985-86	1995-97	85-86 to 95-97	transport
Inner London	4644	4333	-6.7	(42)
Outer London	5263	5689	+8.1	(31)
Great Britain	5317	6666	+25.4	(18)

It appears likely that these trends will continue in the years ahead. There is relatively little chance there will be significant new rail or road capacity within London during this period. Croydon Tramlink will open early in 2000, linking Wimbledon and Beckenham. There are likely to be limited rail developments, including extensions to the East London Line towards Highbury and to the south. More ambitious schemes such as CrossRail, Thames Gateway Metro and a new Orbital Rail system seem too ambitious to be taken seriously within a 15 year timescale.

The only other significant possible changes to transport within the next five to 15 years would be the introduction of congestion charging and a radical improvement to the bus priority network. Modelling has suggested that congestion charging would probably lead to

slightly greater concentration of residents and jobs in inner London. Radical improvements to the bus system would particularly assist poorer Londoners but would also take some of the pressure off the Tube.

The relatively modest scale of possible transport improvements implies that - if London is to continue to grow economically - the city will have to continue to become more concentrated, with shorter distances between workplaces/leisure and homes. Such a trend appears to have become established in recent years. Alternatively, employment and residential accommodation could leave London for new sites. However, planning policy seems likely to stop any such decentralisation (at least within the South East).

Factors that could influence transport and mobility within London in the years ahead include:

- radical change of policies towards the car (though these seem unlikely;
- major increase in investment in new transport infrastructure (also unlikely on past trends;
- significant programme of bus priorities (more likely);
- effective policy to increase residential housing densities .

Law and order

In common with all large cities, London suffers a number of crime-related problems. Precise measurement of trends has been made extremely difficult by the regularity with which crime statistics are re-defined or re-tabulated. The figures in Table A.1.7 below are as they appeared in the Commissioner's annual report for the relevant years. Although there have been a number of definitional and other changes, the trends are clear: there has been a dramatic rise in "all notifiable offences" (this figure stood at under 150,000 as recently as the 1950s and has exceeded one million for the first time in 1999-2000).

Violent crime has risen far more rapidly than other categories, particularly during the 1990s. Crime increases have been faster in outer than inner London in recent years.

Table A.1.7 Recorded offences, 1990 and 1998-99

	1980	1990	1998-99
All notifiable offences	584,180	834,330	934,254
- of which			
- offences against the person	15,710	35,520	131,549

(Source: Reports of the Commissioner of Police of the Metropolis, 1990 and 1998-99)

There is no reason to believe that the upwards drift of crime will stop in the years ahead. Indeed, the Home Office has warned that further rises in crime appear inevitable because of

changes in the age structure (i.e. there will be more adolescent and young adult males in the population in the years ahead).

Crime - and perceptions of crime - are major quality of life issues, particularly in poorer inner city areas of London. These areas are often ones with high concentrations of social housing. Unless there are effective policies to create mixed areas of owner-occupied and rented property where people with different income levels co-exist, there is an inevitable risk of "ghettoisation” of crime and other poverty-related problems.

Key issues influencing the future include:

- effectiveness of the new local accountability of the Metropolitan police service to the GLA;

- the rise in the number of young males within the London population;

- changes in the scale and location of clusters of "excluded” households.

Governance

The Greater London Authority will be unlike any previous local authority in Britain. For a start, the mayor will be elected for a single constituency of "Greater London”, an area of 7.2 million people and over 5 million electors. The mayor will be an executive position, combining representative and executive functions. The mayor will make policies, set the GLA budget and make board appointments. The assembly will scrutinise the activities of the mayor.

The main responsibilities of the mayor and assembly will be transport, police, economic development, strategic planning and the fire brigade. Other functions will include the environment, culture, media & sport, public health and inward investment. The GLA will also have a general power to promote the economic and social development of the capital. Strategic planning, research and central administration will be handled in a small core GLA staff.

The GLA is explicitly precluded from providing housing, though it will be possible for the mayor to commission research and to make housing policy. Planning and transport policy could affect residential and workplace densities, the balance between development in the East and the West of the city and such issues as tall buildings policy. The assembly will be able to inquire into any aspect of life in London.

The mayor will also set the budgets of each service and for the GLA as a whole. This overall budget will be subject to a vote by the assembly, though it will only be possible to overturn the mayor’s budget if the assembly can produce a two-thirds majority for an alternative one.

In practice, the need to secure a two-thirds majority will be a very major hurdle for the assembly.

Thus the mayor will be powerful *vis-a-vis* the assembly. The latter's power will derive from the power to hold inquiries and to publish reports. The assembly will hold regular mayoral "question time" sessions, and there will be written questions to the mayor. There will be an annual mayoral "State of London" report and public meeting.

The election of Britain's first city-wide executive mayor is a radical change to the political system. A number of consequences may flow from the reform:

- explicitly personality-driven politics
- greater interest in local government
- higher electoral turnout
- growth of community-based politics
- powerful use of patronage
- risk of conflict with the boroughs
- conflict with government over funding
- demands for re-patriation of "London's money"
- vast levels of media attention
- greater accountability of transport, police etc.

Housing has already been the focus of some mayoral candidates' manifestos. It is almost certain it will be a key area of policy and debate for the GLA despite formal housing powers.

It is worth noting that the post-2000 arrangements will be the fourth system of London government within 35 years. This is unlikely to be the final reform.

Housing Costs and Affordability

Average house prices range from around £300,000 in Kensington and Chelsea to around £75,000 in Barking and Dagenham and Newham. Lower quartile differences follow a similar pattern although the gap is considerably less, from around £160,000 to £50,000.

These prices reflect income differences between boroughs ranging from £50,000 in Kensington and Chelsea to around £13,000 in Barking and Dagenham and Newham. Income

differentials (measured by mean to median incomes) are far higher in richer areas, with very little differentiation in the poorest areas. House price to income rates range from over 7.5 to as low as 4.5. Again the lowest ratios are in the poorest areas but the highest ratios are not directly related to high incomes.

Local authority rents are lower than RSL rents in all but a few areas. The differences range from over 50% in Barking and Dagenham to 0% in Westminster and -11% in Kensington and Chelsea. In all boroughs private sector rents are very much higher than social sector rents - as much as 180% above in Kensington and Chelsea to around 40% in Brent and Barking and Dagenham. These large gaps provide a measure of the problems of affordability for those unable to obtain social sector housing.

Annex 2: Population, Households and Dwellings in London

Alan Holmans

Current (1996 based) official population projections (ONS 1999a) show an increase of 660,000 in the population of London between 1996 and 2021. These population projections are the principal element of the official 1996 based household projections (DETR 1999a), which show an increase of 640,000 in the number of households living in London over the same period. Both the population and the household projections are trend based; as a consequence, the projected rate of increase of each is fairly uniform over the 25 year period. These projections imply a growing demand and need for housing in London. The all important questions are whether physical and other constraints are likely to prevent this demand and need from being met within London's boundaries and if so, what form the adjustments will take. There are two main logical possibilities, which are not mutually exclusive: less inward or more outward migration, or both due to insufficiency of housing in London, higher house prices and rents; or worse housing conditions with more sharing, multi occupation, crowding and homeless. In other words, would a continuation of past trends in population and households in London run up against sheer insufficiency of space in London for enough additional houses and flats to accommodate the increase in households without more multi occupation and crowding?

This note attempts to draw together the available information relevant to this question. It also attempts to assess how many of the net increase in households could probably be accommodated within London in dwellings that they purchase or rent on open market terms and how many will have to be accommodated in dwellings for which they either pay sub market rents or market rents with the aid of Housing Benefit, "affordable housing", in current usage. Affordable housing would not necessarily have to be provided within London's boundaries: planned provision outside London could be considered, perhaps in the Areas of Plan Led Expansion proposed by the Public Examination Panel on Regional Planning Guidance for the South East (DETR 1999b, Chapter 7). The way in which population and household trends might respond to constraints on housing supply depends partly on what are the sources of these trends, so a brief outline of changes in population and households in London is presented before discussing the potential supply of housing.

Population

London's population has undergone a pronounced change of trend. After falling continuously from the war years, the population ceased to fall in the early 1980s. The increase was at first fairly modest, but in the 1990s it accelerated. Table A.2.1 shows the total resident population of Inner and Outer London from 1961 onwards. That year has to be the starting point because figures for the population of London as currently defined were first produced from the 1961 census.

Table A.2.1 Total Resident Population of London (thousand)

	Inner London	Outer London	Total
1961	3,481	4,496	7,977
1971	3,060	4,470	7,529
1981	2,550	4,255	6,806
1983	2,523	4,242	6,765
1991	2,627	4,263	6,890
1996	2,708	4,366	7,074
1998	2,761	4,427	7,187

In the eight years from 1983 to 1991, London's population is estimated to have increased by 125,000, 16,000 a year; but between 1991 and 1998 by almost 300,000, 42,000 a year. Of the projected 141,000 net increase between 1996 and 2001 (according to the 1996 based projection) 113,000 is estimated to have already occurred by 1998. At national level, the 1996 based population projections that formed the basis of the household projections have been replaced by a 1998 based projection, which is higher. The projected population of England in 2001 has been raised by 420,000, in 2011 by 830,000 and in 2021 by 1,230,000. A new subnational population projection is understood not to be planned. But since a substantial part of the upward revision is due to more international migration, a considerable upward revision to the expected increase in the population of London would seem likely. For in the 1996 based population projection, out of a total net international migration to England of 66,000 a year, 31,000 a year is shown as going to London. Measures to accommodate asylum seekers in places away from London where there is spare housing seem unlikely to make a major difference. So when the implications of the official population projections for London are being considered, it is important to recall that as trend projections they are likely to be too low.

London's population growth comes from natural increase (excess of births over deaths) as well as international migration. In 1997 London's natural increase of population, 41,800, was equal to 44 percent of the figure for the whole of England (ONS 1999b, Table 3.8), as compared with London's 14 - 15 percent share of the resident population. Birth rates in London are only modestly higher (by just over 2 percent in 1997) compared with England as a whole and death rates modestly lower (also by 2 percent). The main reason why so high a proportion of the national excess of births over deaths is in London lies in the age structure of the population of London: a higher proportion are women of child bearing age (23 percent aged 16 - 44 in 1997 as compared with 20 percent for England as a whole) and a lower proportion of older men and women (13.1 percent as compared with 15.8 percent aged 65 and over in England as a whole).

The high proportion of migrants from overseas that go to London has already been remarked on. With the rise in the total of inward migrants (including asylum seekers) in the 1990s, the number of migrants from overseas that went to London was large enough to balance the net outward movement from London to the rest of Great Britain.

The brief sketch of the past and projected changes in London's population are very relevant to what might happen if a continuation of recent trends in population were to generate a demand and need for housing in London that could not be met owing to constraints. There is no reason to think that the purely demographic trends could be affected. Future births could affect the population of household forming age only far into the future; but the effect of deaths is much more immediate. Built into the 1996 based population projections are future falls in mortality rates. At national level their effect is discussed in Annex C of the 1996 based household projections volume (DETR 1999), which shows that almost 30 percent of the projected net increase between 1996 and 2021 in the population aged 15 and over is the consequence of assumed future falls in mortality rates. The same falls are assumed in the sub national projections. In present day circumstances, there is no way in which worsening housing conditions in London could significantly affect the fall in death rates. Any interaction between housing conditions and the increase in London's population would therefore have to be through migration. At first sight worsening housing conditions would seem unlikely to affect international inward migration; so less inward migration to London from the rest of Britain or more outward migration from London would have to be the channels through which population growth in London could be affected by constraints on the growth of London's housing stock. More outward migration to the regions adjacent to London (South East and Eastern) would exacerbate the problems caused by the housing demand and needs generated by projected increases in population and households there.

Households

The number of households depends on marital status and on headship rates (i.e. the proportion of members of a defined population group that are household heads or "household representatives"), as well as on the population and its age structure (see DETR 1999, Annexes A and B for full details of the projection method). But population growth is the main driver of the projected increase in households nationally and in London. The 1996 based household projections for London are summarised in Table A2.2, together with the estimated number of households in London in 1971, 1981, 1991 and 1996.

Table A.2.2 Households in London Since 1971, With Projections to 2021 (thousand)

1971	2,705
1981	2,635
1991	2,841
1996	3,002
2001	3,128
2006	3,245
2011	3,377
2016	3,520
2021	3,645

Source: DETR (1999), pages 35 and 46

The change of trend in total population shown in Table A.2.1 appears also in Table A.2.2. Between 1981 and 1991 the net increase in households averaged just over 20,000 a year; but between 1991 and 1996 over 30,000 a year. In the projection period the increase is put at around 25,000 a year. That the projected increase in households is very

similar in all of the five year periods is the consequence of the steady trend increase in population shown in Table A.2.1.

33 percent of households in London in 1996 were one person households compared with 29 percent nationally. But of the projected increase in households between 1996 and 2016, the proportion that are one person households is rather lower in London than nationally, 64 percent of the total net increase in households compared with 68 percent.

The Dwelling Stock

London is the most difficult of all areas for estimating the number of dwellings in the housing stock at a particular date (usually a census year) and recording gains and losses from the stock. There are a much larger number of buildings that were originally singly occupied dwelling houses but are not at the present time, where applying correctly the definition of a separate dwelling is very problematic. Conversions are frequently incompletely recorded in local authorities' returns from which official estimates of the dwelling stock are compiled. There is necessarily a degree of uncertainty about the dwelling stock figures and the comparison with households.

Table A.2.3 Dwellings and Households in London 1971 - 1996 (thousand)

	Dwellings	Households
1971	2,555	2,705
1981	2,661	2,635
1991	2,912	2,841
1996	3,003	3,002

Note: The household totals are all at mid year. The dwelling totals for 1971, 1981 and 1991 are at census dates (April). The figure for 1996 is the mean of the official estimates for end 1995 and end 1996 and so refers approximately to mid year.

Between 1971 and 1991 the housing stock in London increased relative to the number of households (Table A.2.3). But whether between 1991 and 1996 the dwelling stock really did increase by 70,000 less than the number of households is open to doubt, owing to incomplete recording of conversions. The smaller increase in the dwelling stock (as estimated) than in the number of households has been pointed to as a reason for scepticism about the household estimates and projections. But quite apart from any under estimation of the increase in the dwelling stock, a slower increase in dwellings than in households can be taken up by either or both of a reduction in vacant dwellings or an increase in sharing. Neither are reliably measured for London; there are indeed serious doubts about the numbers in 1991 nationally even though it was a census year (see Holmans 1995, Annex A for a discussion of the problem at national level). So there is no clear picture of what exactly has been happening in recent years to dwellings and the balance between dwellings and households in London while the increase in population and households in London has been accelerating.

Can London's Housing Stock Increase Sufficiently to Accommodate the Projected Increase in Population and Households?

Given present policies about the London Green Belt and the strength of the support that they command, the area within which the London dwelling stock can be increased is administrative London (the London Boroughs plus the City) excluding Green Belt land. The outward expansion of built up London stopped where it had got to in 1939. Within those bounds, the stock of dwellings has increased by at least 450,000 even since 1971 (pre 1971 figuring is difficult because of boundary changes due to reform of London government in the early 1960s and before that post war reconstruction). How much further can London's stock increase? Can the projected 640,000 increase in households by 2021 be accommodated? If that many households cannot be accommodated in decent conditions, how much before 2021 would the constraints begin to bite hard?

The London Planning Advisory Committee (LPAC) has carried out a study of capacity for adding to the supply of housing in London (*London Housing Capacity guidelines 1992 - 2016*, Report No 85/99, 7 December 1999). The estimate of capacity in 1992 - 2016 is 579,000, which LPAC compares with their estimate of need for 550 - 600,000 units (as compared with the official projected increase of 629,000 households in London in 1991 - 2016). The 1996 based household projections for London raised the projected increase in 1991 - 2016 to 679,000 (see Table A.2.2 above), but did not become available in time in sufficient detail for LPAC to rework its need estimates. Here it is appropriate to concentrate on the supply figures. The 579,000 figure consists of 483,000 conventional units (additional newly built dwellings and conversions) and 96,000 "other" (vacant dwellings with plans in place to bring them back into use and non self contained accommodation). The more detailed figures for 1997 to 2016 indicate that about 30,000 of the 96,000 "other" units are from planned reductions in vacancies and the rest non self contained accommodation. In concept these figures are net of losses from the housing stock, for instance reconversions of flats back into singly occupied houses. Losses are nevertheless a difficult area, particularly in regeneration schemes where some of the problematic local authority dwellings are demolished and replaced.

The planned reduction in vacant dwellings would contribute to housing the additional households and so may be added to the 483,000 additional houses and flats. The non self contained accommodation included in LPAC's total of 579,000 is taken out because it is outside the scope of land use planning and building land and subject to policy influence only through the way in which local authorities' powers over houses in multiple occupation are administered. The potential additional supply of houses and flats is thus put at 510 - 515,000. The estimated and projected net increase in households between 1991 to 2016 (Table A.2.2) is 679,000, which corresponds to 647,000 in 1992 - 2016.

A gap of 130 - 140,000 (or probably more in view of the upward revision to the national population projection) between the prospective capacity determined net increase in London's housing stock and the projected net increase in households between 1991 and 2016 does not, of course, imply that London will run out of housing capacity at any particular date. The increase in households will be spread through time (Table A.2.2), so the phasing of the additional capacity is important. Relevant here is how much of the capacity consists of large sites, as these are sometimes complex to organise and are subject to slippage. An analysis by type of capacity is provided by LPAC for 1997 to

2016 (LPAC (1999), Annex 1, Table I). "Large sites" have a capacity for 10 dwellings or more. "Windfalls" are capacity not specifically identified at the time of survey, but likely, on past evidence, to be identified during the period the study covers.

Table A.2.4 Components of Additional Housing Capacity in London 1997 - 2016

Conventional	
Large sites	115,000
Large windfalls	115,000
Identified offices	15,000
Office windfalls	25,000
Small sites	44,000
Small conversions	63,000
Living and working accommodation	3,000
Sub total	**381,000**
Other	
"Admissible" vacants	25,000
Non self contained	51,000
Total	**457,000**

Source: LPAC Report No 85/99, Annex 1, Table I

Of the total capacity for new dwellings (381,000) (Table A.2.4), 60 percent consists of large sites, which counts against there being a smooth flow of capacity becoming available to match the increase in households.

Shortage Symptoms

A number of signs can be discerned of growing pressure on housing in London, over and above what is happening nationally: rapidly rising house prices, reductions in vacancy rates in the local authority stock and fewer departures and more households accepted as homeless and in priority need.

House prices, as measured by DETR's all lenders mix adjusted index, rose by 60 percent in London between 1995 and the first three quarters of 1999, as compared with 37 percent for the United Kingdom as a whole. As an indication of more recent house price movement, the index values for the second and third quarters of 1999 may be compared with the corresponding quarters of 1998 (the third quarter of 1999 is the latest figure available - but at sub national level the quarterly figures are too variable for a third quarter to third quarter comparison to be meaningful). In London the increase was 20 percent, in the UK as a whole 10 percent.

Local authority vacant dwellings and departures were discussed in some detail in Holmans and Simpson (1999). These are annual data and at the time of writing the most recent are for 1997/98 and April 1998. The reported proportion of local authority

dwellings in London that were vacant fell from 3.3 percent in 1996 to 3.0 percent in 1997 and 2.6 percent in 1998. For housing associations the figures were 3.2 percent in 1997 and 2.9 percent in 1998. The number of departures from local authority housing are more uncertain estimates, but at face value they were 41,800 in 1995/96, 37,900 in 1996/97 and 34,300 in 1997/98 (Holmans and Simpson (1999), Tables 4.1, 4.3 and 4.4).

Households accepted by local authorities as homeless and in priority need in London in the first three quarters of 1999 were 20,960, 7 percent higher than in the first three quarters of 1998 (19,620). In the rest of England the number of acceptances in the first three quarters of 1999 was 2 percent lower than a year earlier.

Affordable Housing: What Proportion of the Total Demand and Need?

A higher proportion of households in London than in England as a whole are tenants of local authorities and housing associations, 28 percent as compared with 22 percent, on the evidence of the Survey of English Housing (SEH) for 1995/96, 1996/97 and 1997/98 combined. A further 4 percent in London were private sector tenants with the rent paid wholly or partly by Housing Benefit, as against 3 percent in England as a whole. In round terms, one third of households in London are in affordable housing, defined to include private renting with the aid of Housing Benefit, compared with one quarter in England as a whole. In looking to the future, one question is whether this difference is the result of differing mixes of types of households or whether it is the result of a higher propensity of all types of households to live in "affordable" housing in London than elsewhere in England. Table A.2.5 shows an analysis of the proportion of households of each type that are local authority or housing association tenants. Private sector tenants with Housing Benefit are not included because an analysis of household type for London is not immediately available.

Table A.2.5 Proportion of Households That Are Local Authority or Housing Association Tenants

Household type	London			England		
	Number of households ('000)	Percent of all households	Percent renting from LA or HA	Number of households ('000)	Percent of all households	Percent renting from LA or HA
Couple no dependent children	839	28.9	15.7	7,351	36.6	12.5
Couple with dependent children	597	20.5	23.1	4,535	22.6	15.8
Lone parent with dependent children	241	8.3	66.8	1,250	6.2	54.6
Other multi person households	312	10.7	21.8	1,374	6.8	23.1
One male never married	277	9.5	26.0	1,253	6.2	22.8
One male has married	177	6.1	36.2	1,181	5.9	30.1
One female never married	166	5.7	25.3	721	3.6	26.4
One female has married	297	10.2	40.1	2,441	12.1	38.3
All households	**2,905**	**100.0**	**27.7**	**20,101**	**100.0**	**21.9**

Source: Calculated from data from the Survey of English Housing supplied by DETR

In 7 out of 8 types of household distinguished, the proportions renting from local authorities and housing associations was higher in London than in England as a whole. A calculation of how much of the overall difference in the proportions of households that were social sector tenants was due to the mix of households can be made by working out a hypothetical proportion if the proportion of social sector tenants in each household type in London was as shown in Table A.2.5, but with the mix of household types as for England. This hypothetical proportion is 26.2 percent. Out of the total difference of 5.8 percentage point between the proportion of local authority and housing association tenants in London and the whole of England, 1.5 percentage points is due to the mix of household types being different and 4.3 percentage points to higher proportions renting from local authorities and housing associations irrespective of household type. In more realistic round terms, one quarter is due to differences in the mix of household types and three quarters to more renting from local authorities and housing associations.

How to interpret the higher proportion renting from local authorities and housing associations in London is far from clear cut. To a degree it could be the result of supply rather than effective demand (or lack of it). The housing stock in London includes proportionally more council and housing association houses and flats and fewer dwellings available for owner-occupiers, so that some households with the means to buy have to move out of London for their demands to be met. Another contributory reason is the exceptionally high house prices and rents in London which oblige households, whose opposite numbers outside London would buy, to rent from a local authority or housing association instead. That this is so is suggested by the high proportion of households in full time employment in London that are local authority or housing association tenants

than in England as a whole. Table A.2.6 shows the proportion of households in each employment status category that are local authority or housing association tenants.

Table A.2.6 Proportion of Households that are LA and HA Tenants by employment Status of Household Head

Employment status	London			England		
	Number ('000)	Proportion (%)	Percent LA or HA	Number ('000)	Proportion (%)	Percent LA or HA
Full time employment	1,549	53.3	14.4	10,492	52.2	9.7
Part time employment	159	5.5	38.4	1,073	5.3	27.0
Unemployed	185	6.4	56.2	886	4.4	49.5
Ec inactive, lone parent	123	4.2	74.8	579	2.9	67.5
Ec inactive, student	50	1.7	16.0	171	0.9	11.7
Ec inactive, other below retirement age	218	7.5	43.6	1,712	8.5	35.1
Ec inactive, above retirement age	615	21.2	35.3	5,177	25.7	31.6
All statuses, inc unknown	**2,905**	**100.0**	**27.7**	**20,106**	**100.0**	**21.9**

Source:Calculated from SEH data supplied by DETR

In all 7 employment status categories, the proportion of households that were LA and HA tenants was higher in London than in the whole of England. The difference in the mix of employment statuses contributes virtually nothing to the overall difference in the proportion of LA and HA tenants. A hypothetical calculation in which for each of the employment statuses the proportion of LA and HA tenants is the same as for the whole of England but with the London mix of employment statuses gives an overall proportion of 22.2 percent, as compared with the 21.9 percent for the whole of England shown in Table 6. The difference of 0.3 percentage points is only 5 percent of the overall difference in the proportion of households that are LA and HA tenants. There is a higher proportion of unemployed household heads in London, 6.4 percent of all households as compared with 4.4 percent in the whole of England and 10 percent of household with economically active heads in London as compared with 7 percent in England as a whole. But that is offset by only 21 percent of London households having economically inactive heads above retirement age compared with 26 percent in England as a whole.

Of particular note is that the proportion of household heads in full time paid employment who were LA and HA tenants is distinctly higher in London than in the whole of England, 14.4 percent as compared with 9.7 percent. An analysis by income range is shown in Table A.2.7. Income is the gross income of the household head and wife or partner. Where there is no wife or partner and where she has no income, the income is that of the household head.

Table A.2.7 The Proportion of Household Heads in Full time Employment Who Are LA and HA Tenants (percent)

Income (£/week)	London	England
Under 200	46	32
200 but under 300	33	20
300 but under 400	20	11
400 but under 500	11	6
500 but under 600	9	4
600 but under 700	6	2
700 or more	2	1
Unknown	15	8
Total	**14.4**	**9.7**

Source: As Table 7

As would probably be expected, the difference between the proportion of LA and HA tenants is greatest in the lower ranges of income, which is consistent with the high house prices and private sector rents in London obliging households there to rent whose opposite numbers in terms of income elsewhere in England could afford to buy.

A calculation may be made of the number of local authority and housing association tenants that there would be in London if, for each household type, the proportion of households that were local authority and housing association tenants remained as in the base year, but with the numbers of households changing according to the 1996 based household projections, which distinguish five household types, two of which (married couple and cohabiting couple household) have to be combined in order to use the data from which Table A.2.5 is constructed. The result is in Table A.2.8.

Table A.2.8 Number of Households Renting from Local Authorities and Housing Associations in London as Estimated from 1996 Based Household Projections (thousand)

	LA/HA percentage in base year	1996	2001	2006	2011	2016
Couple households	19	272	273	275	276	277
Lone parent households	67	155	169	177	181	185
Other multi person households	22	75	81	87	94	101
One person households	33	330	353	377	405	439
Total	**...**	**832**	**876**	**916**	**956**	**1,002**
Total as percent of all households		**27.7**	**28.0**	**28.2**	**28.3**	**28.5**

The projected change in the total and mix of households in London would increase the proportions of households renting from local authorities and housing associations by just under 1 percentage point. In absolute terms a net increase of 170,000 local authority and housing association tenants would be projected if for each type of household the proportion of local authority and housing association tenants remained unchanged. On that assumption, 33 percent of the projected net increase in total households in the two decades would be social sector tenants. The proportion is similar in each five-year period. Including the private sector tenants with Housing Benefit would raise proportions to about 37 percent of the net increase in households in London needing "affordable" housing.

Annex 3: Labour Market Developments and their Implications for London Housing Ian Gordon

Introduction

At a regional scale, employment changes are highly relevant to assessments of both housing need and housing demand, through effects both on the numbers of people seeking to live in the area and on the purchasing power of different groups of (actual or potential) households within the local population. In the London case, however, these effects are complicated by the area's openness to commuting flows, which means both that some part of the effect of employment growth/decline on population levels is channelled elsewhere, and that a proportion of local residents may meet changed housing needs outside Greater London.

This chapter outlines key features of change in the London labour market in relation to the level, predictability and character of housing demand in London, together with some of the locally concentrated problems of under-employment linked to the workings of the housing system. The discussion starts with overall employment trends, as a basic influence on the housing demand from London workers, before considering how supply-side adjustments in the labour market affect the spatial distribution of this demand, and then the issue of concentrated unemployment in parts of the city. A final section reviews the implications which may be drawn from this discussion for strategic thinking about the London housing system.

Employment Changes

Past and Current Trends

Over the past four decades the dominant factors in London employment change have been continuing large scale job losses in manufacturing and goods handling activities, off-set by more modest growth in office activities, principally financial and business services. As time has proceeded, and the goods-based sectors of the economy have shrunk in importance relative to office services, the balance between these two trends has shifted, tending to produce a more positive balance of overall change. Even in business services, however, employment trends in London have been less favourable than elsewhere, and London's share of national employment in all activities has tended to fall. This has been largely as a consequence of a relatively inelastic supply of floor-space, during a period when productivity growth has raised the amount of space required to accommodate a given number of workers, inhibiting in situ expansions of established firms and raising the relative costs of operating in London (Fothergill and Gudgin, 1982; Gordon and Harloe, 1991). These higher costs have been absorbed (i.e. passed on) by businesses with the strongest need to remain in the core of the region for frequent face to face contact with customers, suppliers and collaborators. Increasingly, however, they have led to a squeezing out of more routinisable activities, especially where these had relatively inflexible requirements for land to accommodate low-rise developments. Factors, such as the growth of globally-oriented services and control functions, which reinforced London's competitive advantage among the activities dependent on face to face contacts have

tended to intensify this pressure on the more routine and spatially extensive activities[1].

These broad trends have had important consequences for the nature of labour demand in London, with significant implications in turn for housing demand. The most notable of these shifts have been a rapid growth in the share of professional and (to a lesser extent) managerial workers, and a loss of manual jobs (highlighted in Chart 1), especially for skilled workers. **CHART** In the case of clerical workers the potentially expansionary effects of the shift toward an office economy have been off-set by an upgrading of the mix of jobs, partly associated with computerisation, but in London also reflecting a growing separation and dispersal of back-office functions. For the fourth major group of workers, namely those involved in personal service provision, decentralisation has been less feasible, with a need for some kind of face-to-face contact and growing demand for many services supporting some growth in employment. At least until recently this has been on a rather modest scale - particularly in relation to the growth reported in New York as a by-product of increasingly affluent and time-pressed professional workers - perhaps because of a lack of willing supply for these jobs which can be both insecure and poorly paid (Sassen, 1991; Fainstein *et al*, 1992). Coupled with an increasingly competitive economic environment these structural shifts have had two major effects on labour market outcomes:

- substantially increased earnings inequality in the upper half of the distribution; and
- reduced employment stability and economic security for those without the formal qualifications required for professional or managerial jobs.

Prior to the mid-1980s the London economy had been relatively protected from the major cyclical fluctuations of the national economy whose effects were concentrated in industrial areas serving investment or export demand (Buck *et al*, 1986). Since then, however, with a series of demand swings (two booms and a bust so far) more heavily concentrated in service activities, London has experienced proportionately greater swings in demand than other parts of the country (especially areas outside the South East). Unusual, possibly unique factors (such as Big Bang in the mid-1980s) may have been involved in these cases, but the combined effects of deindustrialisation and financial deregulation seem to have created conditions in which regionally focused, service based, and somewhat speculative swings in optimism and activity may be expected to recur, with particular implications for the London economy. The housing market plays an important role in these fluctuations, with (expected) growth in activity being reflected in more rapidly increasing house prices in the London region, leading to perceived wealth increases among the home-owning classes, which in turn stimulate credit-financed expansions of consumer expenditure in the regional economy (Gordon, 1997).

The other important consequence of enhanced volatility over this period has been to make interpretation of both short and medium term trends more difficult. In retrospect we can see the successive growth and recession phases of 1984-9 and 1989-93 as two sides of the same coin, with exaggerated expectations about growth in

[1] Although as Graham and Spence (1997) show in terms of the absence of spatial correlation, there was little direct transfer of industrial land to advanced service functions.

financial services, house prices, and demand for London office space - with an impact multiplied by financial deregulation (including that of the mortgage market) - succeeded by a sharp reversal in all of these and in the employment growth which they induced. For a realistic view of trends in the London economy during the period of heightened global city functions, it is necessary to look at changes between the onset of the boom and completion of the bust phase (say between 1984 and 1993), rather than at years within the 'bubble' period. What this shows for employment in London is in broad terms rather similar to trends over the previous decade or so, with continuing deindustrialisation, a modest acceleration of growth in financial and business services, off-set by more negative trends in public service employment. Over the cycle as a whole there was no major expansion of consumer service employment (Gordon, 1997).

Since 1993 employment growth has resumed and been sustained, with a scale of growth (involving a million extra jobs in the South East SSR[2] as a whole) matching that of the 1980s upswing, though many more of the jobs are now for part-timers, including a substantial growth in double job-holding, with more modest implications both for income growth and housing demand. In terms of the number of individuals employed the expansion has amounted to some 600 thousand for the region as a whole. London seems to have had a much larger share of the regional growth than in the 1980s boom, but the growth in double job holding seems to have been especially marked there, though it is not possible to say how many additional people are working in the city. In sectoral terms also there are significant differences from the 1980s upswing, with no significant increase in financial services employment, but substantial additions to consumer services (the greater part of it part-time) as well as to business services. The question is whether this expansion will prove as speculatively based as that in the 1980s, and as liable to reversal, or whether it marks the beginning of a new phase of sustainable employment growth in the city, reversing the direction of change established over the previous 40 years. Developments in London house prices are an ambiguous indicator, with a return over the past couple of years to rapid rates of increase, although the price: earnings ratio (which fell sharply in the last recession) remains well below its late 1980s level. It is also well to recall that few commentators on the London economy in that period actually foresaw the fragility of its recent growth in employment.

The most reasonable basis from which to evaluate current trends remains that of changes over a period of 10 years or so, approximating to a whole economic cycle. For reliable and detailed comparisons (dependent on the availability of Employment Census data) the most recent bases for these are 1987-97 (see Table A.3.1). **CHART** Over this period the rate of employment growth in the South East SSR matched that in the country as a whole (at 5%), although in London it was more or less static, while it grew twice as fast in ROSE - and even faster in the fringe counties just beyond the South East border (between Cambridge and Dorset). Within London large scale job losses continued in (all) the goods-related sectors, while a large decrease also appeared in government employment (though some of this may simply have been transferred to the private sector). These were off-set by very large absolute growth, of

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[2] i.e. the South East standard statistical region, comprising the present London and South East Government Office regions, plus three counties (Beds., Essex and Herts.) from the Eastern GO region.

159 thousand jobs in 'other business services' - excluding both the professions and IT (which grew much faster in ROSE) - with an additional 50 thousand jobs also accruing to hotels/catering activities. In the latter case, a large part-time element inflates the figures, but a real acceleration is evident, which as for some other low-wage service activities may well reflect a more elastic supply of labour associated with faster rates of overseas immigration to London over the past decade and stronger financial incentives for students to seek paid work.

The occupational implications of these developments are indicated in Table A.3.2 which shows the strong shift from all other types of work into professional and managerial jobs during the 1980s being modified in the current upswing by emergence of significant growth in personal, protective and sales jobs as well. (More details are provided in A.3.3.)

Prospects

London is more or less inevitably a high cost location from which to operate, largely as a result of higher space costs both for business and for workers' housing (and/or commuting costs from cheaper locations). Its competitive advantage depends on the ability to respond to new and/or highly specialised (service) market opportunities with high quality products on the basis of a wide array of agglomeration economies, a concentration of highly skilled professional workers and superior international links. These advantages have become of increasing importance as competitive pressures have increased and business has increasingly internationalised (at European and international scales). At the same time these developments have served to weaken London's monopoly position as the one available supplier of high order services to the British market, exposing London businesses (most of which still primarily serve the UK national market) to potential competition not only from the other leading international centres but also potentially from smaller centres serving niche markets across the EU (Cheshire and Gordon, 1995; Gordon, 1999a). The range of possible outcomes in growth terms is greater than in the past, with the city's continuing success being likely to depend more on its ability to develop coherent strategies to assure mobility and a quality of life which can attract and retain mobile high skilled groups. These factors also have a bearing on how much of the extended region's competitive activity occurs within Greater London or further out - as is already evident in the high tech and business service clusters of the Thames Valley or the Cambridge sub-region – (LDP *et al*, 1997).

Given established advantages of the urban core and continuing space constraints, greater or lesser competitive success for Greater London may in the long term be reflected more in the mix of activities pursued in the city and levels of income/GDP achieved than in aggregate employment, since success intensifies the pressure to disperse routinisable activities. Over the short to medium term, however, these processes can produce quite unstable patterns of growth relative to the rest of the country, associated particularly with the property cycle, and delayed reactions to a widening of the London rent gap in periods of high demand. Differing views about the extent to which recent trends are influenced by these factors has provided one of the reasons for past differences of opinion between the various forecasting groups, about the scale and sometimes the direction of employment change to be expected in London. Currently, however, (as table A.3.4 indicates), **CHART** there is substantial

agreement between three of the main groups about the broad rate of employment growth to be expected during this decade, averaging around 0.5% p.a., somewhat slower than in the rest of the South East, but a little above the national average. It needs to be recognised, however, that the range of potential (and plausible) outcomes is much wider than this consensus about the most likely growth path suggests. Given, the much greater instability to which the London and South East economies have been subject since the mid-1980s, there are real and inescapable uncertainties surrounding medium term growth prospects for employment Greater London. For strategic housing policies this implies an emphasis on contingency planning and achieving flexibility in supply rather than a focus on calculating most likely requirements. In a volatile economic environment it is even more important to try to distinguish longer term trends from short term developments which are unlikely to be sustained (as must be true of the current boom). But recognising significant changes in those trends also becomes much more difficult.

Labour Supply Adjustments

The simple expectation that population change (and thus housing demand) in London ought to be strongly linked to rates of employment growth or decline seems to be supported by the fact that long run decline in London's share of employment in (particularly southern) England has been paralleled in terms of population - and that both trends seem to have been checked since the mid-1980s. However, there is no real evidence that job losses in London were responsible for past population losses, or that stronger economic performance caused the recent turnaround (or stabilisation) in population trends.

At an individual level the great majority of out-movers seem neither to have been motivated by employment concerns nor actually to be taking jobs outside London. And aggregate statistical evidence shows only regional (South East) employment trends to have a significant influence on the net balance of migration out of London (to other parts of the UK). Rather than a link between population and employment decentralisation each seems to have been linked to common, or closely related, causes in terms of pressure on space in London in the face of growth-based demands for lower densities of occupation, and the attraction of less constrained sites in outer parts of the metropolitan region. Changes in London's share of the South East population depend essentially on housing market factors - the strength of housing demand and house price differentials within the region - and the level of international migration into the UK, which is largely independent of the state of the London economy (Gordon, 1996a).

The reasons for this weak link between employment and population (hence housing demand) trends for Greater London is the openness of the city to commuting flows, particularly of white collar workers, and particularly inward along rail links into the main office centres. One effect has been that London workers can move out of the city (for housing/environmental reasons) without changing their job, though that may often follow. The other effect is that when London employment trends are more or less positive than those in ROSE the difference is very largely absorbed by changes in the volume of commuting into London (with very large cyclical swings in the net balance of flows being evident since the mid-1980s) rather than by increased migration into London. When economic performance in the region as a whole is

strong relative to other parts of the UK (and perhaps some overseas areas too) some of the effect is felt in migration to London, but relatively more is likely to accrue to ROSE given its more elastic housing supply (Gordon, 1996a).

From this perspective what matters for housing demand in London is the strength of the South East regional economy, although there is substantial flexibility as to how much of this demand has to be accommodated within the city. London's share would then reflect a combination of supply factors and residential preference. The main exception is for those groups of London workers (and non-workers) who lack the financial resources to enter owner-occupation in this region, and thus to choose decentralisation as an option. Within the *employed* London labour force this group has clearly been shrinking as the manual sectors of employment contracted. The recent emergence of substantial growth in - generally poorly paid and typically insecure - personal service employment (often with unsocial hours which limit commuting possibilities) may have halted this trend. At present, however, it is difficult at present to disentangle the role of students, other transients and agency workers in order to assess implications for the composition of housing demand. The substantially increased rate of international migration (particularly of asylum seekers) to London during the 1990s is one factor which seems to be contributing to this shift that is also of obvious significance in relation to London housing demand (Hollis, 1999, LRC, 1999).

Unemployment

One consequence of the responsiveness of commuting flows to employment changes within London is that levels of unemployment in the city are essentially independent of local employment changes except in relation to semi/unskilled jobs, and even there the link is rather weak. In fact, however, the trend of London unemployment rates has been strongly upward over the past 20 years, although with large cyclical swings (including substantial reductions since the early 1990s recession).

Much of this upward drift reflects the impact of job losses elsewhere in the country, particularly those affecting the regions of southern England to which the London labour market is most strongly linked. But it is also the case that London unemployment levels have risen substantially relative to those of other areas in the south, including the Rest of the South East (ROSE, i.e. the remainder of the old South East statistical region surrounding London). As recently as 1982 recorded unemployment rates in London were no higher than in ROSE[3] but a gap then started to open up which has widened throughout periods of less than full employment in the region (indicated by unemployment rates above 3% in ROSE), only starting to narrow in years of peak demand. This upward drift reflects changes in the competitive position of groups of inner London residents, who have been increasingly losing out in accessing jobs across the regional labour market to others, including in-commuters from ROSE. Spatially this has been reflected in a tendency for unemployment to become increasingly concentrated in a crescent of six inner London boroughs on the

[3] Strictly this is true only for the Department of Employment's (now DfEE's) published unemployment rate series which have always understated the incidence of unemployment in London relative to that in ROSE by expressing percentages relative to working population figures that classify the employed by their place of work rather than residence. In real terms London's unemployment rate was always a bit higher than that in ROSE, but the difference has become very much larger since the early 1980s.

eastern side of the centre. This geographic concentration principally reflects the position of the areas involved within the London/regional housing markets (and quasi-markets) providing accommodation opportunities to many of those who are in the weakest (and least stable) position in both the housing and labour markets. The historic concentration of public sector housing in this crescent has been an important contributory factor, given that tenants in social housing face roughly twice the risk of unemployment as compared with apparently similar people in other sectors. Job losses (of any kind) within this part of the city have made only a minor contribution to worsening relative levels of unemployment. However, the fact that the concentration of unemployment has become much more intense (and the distribution of household incomes in London consequently more unequal) is not itself a product of the housing market. Rather it reflects processes of sedimentation and marginalisation operating in and around the labour market during periods of deficient-demand which have produced increasing numbers of individuals with poor chances of getting and retaining worthwhile jobs (Buck and Gordon, 2000, Gordon 1999b).

The role of the housing system has been principally to determine where it is that these people will live, and thus where their problems will be counted, although it is possible that neighbourhood effects operating in areas of concentrated unemployment (and related forms of deprivation) may exacerbate these problems. To take the most obvious example, given the importance of informal personal networks in securing access to (particular sorts of) work, it may well be that residence in an area with particularly high levels of under-employment itself makes it significantly harder to achieve stable types of employment, or any work at all. It is also imaginable that attitudes to (formal) work, and training or other forms of human capital development are affected by residence in localities where there are few successful role models. There is very little hard evidence as yet, however, to back up such speculations in terms of their importance for employment outcomes, beyond the fact that since the early 1980s unemployment has become much more heavily concentrated in those areas within the city where it was already highest. (This seems to be true in other cities too, though the geographical and population size of the worst areas is naturally smaller than in London: thus the Social Exclusion Unit report on deprived neighbourhoods highlighted 7 wards in Sheffield on which employment had become concentrated, whereas in London a similar number of boroughs could be identified). Some scepticism about the importance of such neighbourhood effects is appropriate until hard evidence is forthcoming, given a long history of largely unsubstantiated speculation in this country about the benefits of living in more socially mixed communities. However, the circumstances of the past two decades have been different in terms of the levels of unemployment which have been experienced, and there are certainly more neighbourhoods in London (than before the mid-1980s) where people might be substantially disconnected in terms of local social networks from core areas of the labour market.

There is more tangible evidence about processes operating at more personal or household-level which serve to reproduce exposure to unemployment, in relation to health, education and family fragmentation. In particular, cross sectional comparisons across districts show that:

- a greater incidence of long term limiting illness among the working age population can be both a consequence and a cause of persistent or recurrent unemployment (Buck and Gordon, 2000); and
- higher rates of male unemployment are associated with a greater proportion of single parent families (and then, locally, with access to rentable housing), which in turn is associated with poorer GCSE results in local schools, and then greater risks of unemployment (Gordon, 1996b); and

In relation to schooling, the degree of local housing mix is of significance, given the likelihood that individual achievement will be depressed in schools with a high concentration of educationally disadvantaged groups.

Issues and Implications

In the London context it is unrealistic to base housing strategies on estimates of the numbers required to match future employment changes, given the volatility and uncertainty of employment trends (which makes it very difficult) and lack of closure of the London labour market (which makes it unnecessary).

There are some obvious limits to the ability of shifts in commuting patterns to absorb relatively faster or slower growth rates in London as compared with ROSE (set by the capacity of the major rail feeders on the one hand, and the relative difficulty of commuting *out* to exurban growth areas on the other). But within the likely range of future employment patterns commuting shifts can be expected to absorb imbalances in labour supply/demand within the region. For London, the migrational adjustments are much less important as a response to labour market developments, except in relation to those arising from (South East) regional growth.

The one exception is at the bottom end of the labour market among those without access to owner-occupation, whether because of low incomes or lack of stability in their employment relations. The number of *employed* people in this situation tended to fall, but may be on the increase at present with the growth of personal service work. It is difficult, however, to separate this issue from other housing issues associated with higher levels of overseas immigration (particularly of refugees).

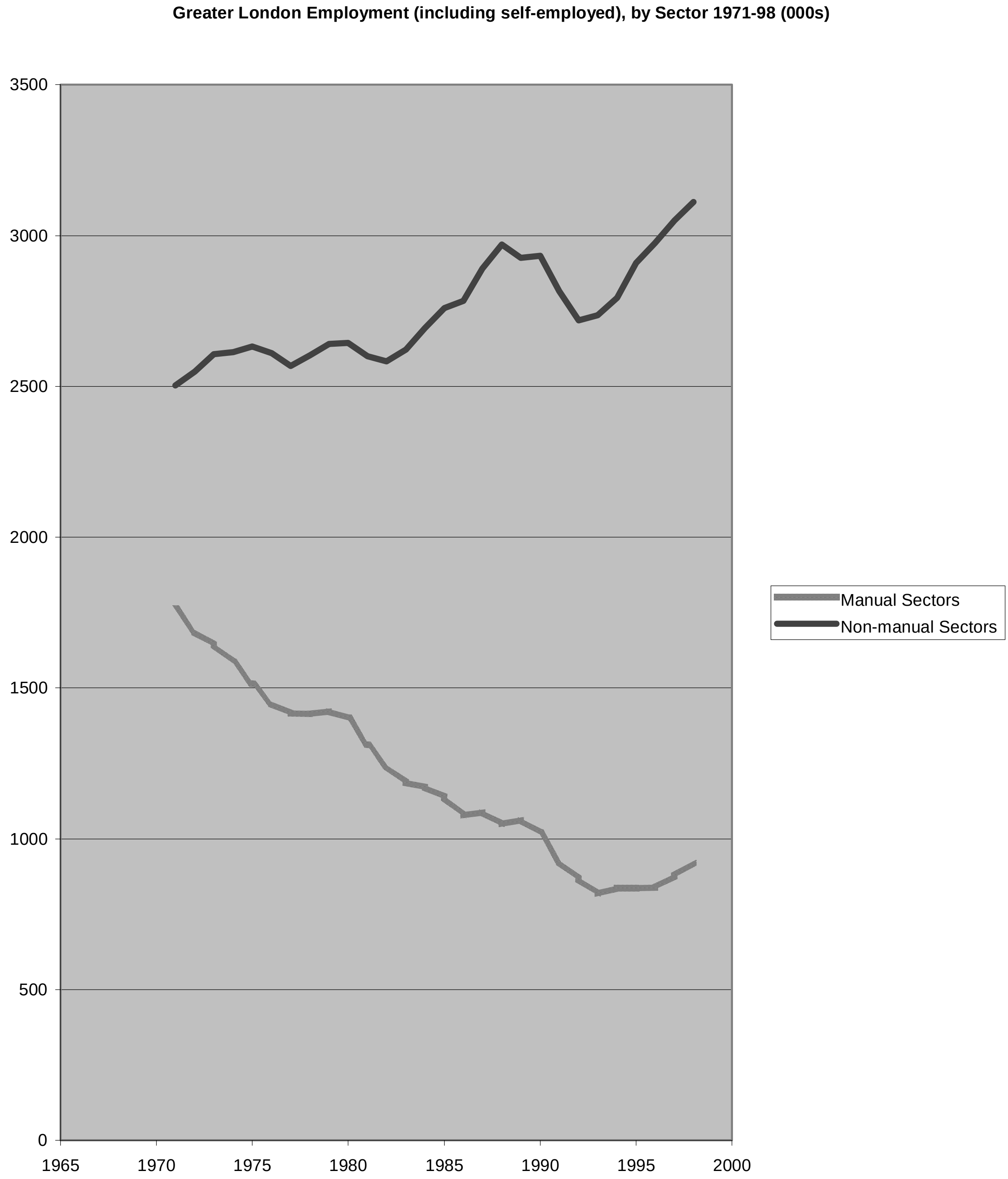
With this exception, it is much more important for housing provision to be flexible in relation to unpredictable shifts than to seek to compute levels of provision required to match employment growth. This is particularly so given the natural temptation to project employment growth scenarios on the basis of short-term trends which are liable to be quickly reversed. In particular, it should not be assumed that London employment growth rates of the 1990s (even for full-time employment) will continue.

Qualitatively, however, it is very likely that employment growth in London will continue to be skewed towards managerial and (especially) professional jobs, where part of the city's economic advantage rests on its ability to attract a large proportion of recent graduates to training level jobs in the city. Given the apparently stronger preference for residence in London among this group than among other sectors of the workforce (including managers) there are a series of implications in relation to housing. These include:

- the likelihood of continuing gentrification of an increasingly wide range of areas in outer as well as inner London;
- continuing upward pressure on house prices, presenting cost of living problems for others in parts of the labour market where demand is less strong, or salaries are based on out-dated estimates of the London cost premium;
- a continuing need for suitable privately rented accommodation to house young migrants to the city whose savings and job tenure will not yet support purchase in this market.

The major economic problem relating to housing need and affordability is that of concentrated urban unemployment, which has become more acute in parts of London over the past decade or so, for reasons which have very little to do with employment demand within London. Essentially this has been the result of general slack in regional and national labour markets leading to a marginalisation of various groups, who (for obvious reasons) are concentrated in areas of cheap and socially accessible housing. There is some reason to believe that this spatial concentration (reflecting a high degree of residential segregation) may make continued exclusion from the labour market more likely, although the evidence for this is not yet strong. The key processes reproducing concentrations of unemployment probably operate at an individual/household level, and are most likely to be relieved through employment/labour market initiatives, and maintenance of a favourable macro-economic climate. The extent to which this is achieved will be a key influence on the need for social housing provision in London.

Chart 1



Source: estimates based on data from NOMIS and the Northern Ireland Economic Research Centre regional economic data-base.
Note: the manual sectors comprise the production industries plus transport and wholesale distribution, in each of which there is a majority of manual jobs.

Table A.3.1
Employment Change by Sector 1987-97

Sector	**Greater London**		**South East region**		**Great Britain**
	000s	**%**	**000s**	**%**	**%**
Production and Goods Handling	-233	*-24*	-348	*-13*	-9
Sales and Consumer Services	77	*12*	238	*19*	*19*
Public Services	-70	*-14*	-40	*2*	*5*
Business and Producer Services	178	*18*	545	*35*	*29*
TOTAL	-49	*-1%*	395	*5%*	*5%*
Of which:					
Male full-time	-258	*-14%*	-242	*-7%*	*-6%*
Part-time	83	*59%*	191	*59%*	*53%*
Female full-time	-26	*-2%*	119	*6%*	*8%*
Part-time	149	*31%*	320	*24%*	*23%*

Source: Census of Employment data from NOMIS.
Notes: 1. sectoral employment change estimates are based on the splicing together of data for 2 sub-periods, 1987-91 and 1991-97, using classifications from the 1992 SIC for the latter, and the closest available approximation from the 1980 SIC for the former.
2. sectoral groups include the following industries: *Production/Goods*, primary activities, manufacturing, construction, utilities, transport and wholesale distribution; *Sales/Consumer services*, retail, catering and recreation/culture; *Public services*, government, education and health; *Business/Producer services*, finance, business services, telecommunications and other community services. *[More disaggregated figures are shown in Annex Table A].*

Table A.3.2
Changing Occupational Composition of London Employment 1981-99

Thousands

Social Class by Workplace in London				**Occupational Group by Residence in London**			
	1981	**1991**	change		**1992**	**1999**	change
I. Professional etc	193	230	37	**managers & administrative**	562	608	47
II Managerial and technical	901	1179	278	**professional**	371	437	67
III. Skilled: non-manual	985	879	-106	**assoc prof and technical occ.**	381	482	101
Skilled manual	585	524	-61	**clerical**	557	558	1
Partly skilled	460	349	-111	**craft and related**	284	274	-10
Unskilled	156	139	-17	**personal and protective**	280	347	67
Inadequately described	34	49	15	**selling**	213	240	28
				plant and machine oper.	182	175	-8
				other	210	191	-19
TOTAL	**3315**	**3349**	**34**	TOTAL	**3172**	**3409**	**237**

Sources: workplace data from 1981 and 1991 Population Censuses; residence data from Quarterly Labour Force Survey, averaging March and June quarters.

Table A.3.4
Forecast Rates of Increase in Employment in South East England (percent per annum)

	NIERC/OEF			Cambridge Econometrics		IER
	1999-2003	**2003-2009**	**1999-2009**	**1999-2000**	**2000-2010**	**1997-2006**
Greater London	0.3	0.4	0.4	0.5	0.6	0.4
RoSE	0.5	0.6	0.6	0.4	1.1	0.9
South East SSR	0.4	0.5	0.5	0.5	0.9	0.7

Sources: NIERC/OEF (2000), IER (1999) and CE (1999).
Note: NIERC/OEF projections in the second row relate only to the GOSE region (excluding 3 counties of ROSE; the corresponding figures for the SSR in row 3 are estimates based on the London and GOSE figures. The CE projections for 1999/2000 are averages of growth rates in the two calendar years.

Table A.3.3

Employment Change by Sector 1987-97

	Greater London		**South East region**		**Great Britain**
Sector	**000s**	**%**	**000s**	**%**	**%**
Primary	1	*22%*	-53	*-67%*	*-73%*
Engineering	-92	*-54%*	-201	*-33%*	*-16%*
Paper, Printing	0	*0%*	-7	*-3%*	*-1%*
Other Mfg	-72	*-40%*	-114	*-26%*	*-14%*
Utilities	-22	*-73%*	-39	*-53%*	*-42%*
Construction	-27	*-20%*	-20	*-6%*	*-5%*
Wholesale	-10	*-4%*	70	*14%*	*15%*
Retail	17	*5%*	111	*16%*	*18%*
Catering	47	*29%*	93	*27%*	*22%*
Air	0	*-1%*	19	*31%*	*32%*
Other Transport	-11	*-6%*	-3	*-1%*	*4%*
Finance	-16	*-5%*	3	*1%*	*4%*
Professions	5	*6%*	13	*9%*	*14%*
IT, R&D, Telecom	17	*14%*	95	*39%*	*34%*
Other Business.Servs	159	*38%*	386	*53%*	*46%*
Government	-90	*-30%*	-136	*-24%*	*-21%*
Education	19	*10%*	43	*8%*	*14%*
Health	1	*0%*	53	*8%*	*20%*
Recreation/ Culture	13	*11%*	34	*17%*	*14%*
Other Community	13	*18%*	48	*35%*	*24%*
TOTAL	-49	*-1%*	391	*5%*	*5%*

Source: Census of Employment data from NOMIS.
Note: these sectoral employment change estimates are based on the splicing together of data for 2 sub-periods, 1987-91 and 1991-97, using classifications from the 1992 SIC for the latter, and the closest available approximation from the 1980 SIC for the former.

Statistical Appendix

POPULATION
1. London total population 1991, 1996, 2001, 2006: Inner, Outer, Greater London
2. London population projections by age group: 1991, 1997, 2001, 2006, 2011, 2016
3. Population projection buy ethnic group 1991, 1996, 2001, 2006: Greater London
4. Population by ethnic group 1991: Inner, Outer, Greater London
5. Population projections by ethnic group 1991, 1996, 2011, 2006: Inner, Outer, Greater London
6. Residents born in Commonwealth or Pakistan 1971, 1981, 1991 by borough
7. Ethnic minorities 1991, 1996, 2001, 2006 by borough

WEALTH
8. Households in receipt of social security benefit 1996-97
9. Infant mortality rates
10. Conceptions under age 16
11. 16 and 17 year olds in education or training
12. Self-reported unemployment by ethnicity 1991
13. Social deprivation 1991 by borough
14. Examination results GCSE and A level

TRANSPORT
15. Distance travelled 1999
16. People entering London in morning peak period 7-10am
17. Bus and underground traffic
18. Commuting patterns 1991 by borough

CRIME
19. Offences borough, actual numbers
20. Offences by borough, percentages

HOUSING
21. Tenure: Inner, Outer London
22. Tenure: London, Great Britain
23. Vacant housing stock
24. Households in poor housing
25. Type of dwelling
26. Housing stock by tenure 1997 by borough, actual numbers
27. Housing stock by tenure 1997 by borough, percentages
28. Differential between mean and median incomes 1996/97
29. Ratio of mean income to mean house prices by borough 1998/99
30. Differential between local authority and RSL rents 1998/99
31. Differential between RSL and private sector rents 1998/99

CHARTS
1. Average and lower quartile house prices 1998/99
2. Average weekly housing costs 1989 - 1999
   a) Westminster; b) Redbridge; c) Sutton; d) Newham; e) Barking and Dagenham

POPULATION

TABLE 1

London population - Source: Focus on London 99 for 1991, Cosmopolitan London for other years

	1991	1996	2001	2006
Inner London	2,504	2,681	2,736	2,747
Outer London	4,175	4,313	4,342	4,337
Greater London	6,679	6,994	7,078	7,084

TABLE 2

LONDON POPULATION PROJECTIONS - TOTALS AND BY AGE GROUP, Source: LRC

GREATER LONDON	1991	1997	2001	2006	2011	2016
Total population	**6,889,951**	**7,127,217**	**7,204,775**	**7,267,696**	**7,274,405**	**7,288,315**
0-14	18%	20%	20%	19%	19%	19%
15-24	15%	14%	14%	15%	15%	15%
25-39	27%	27%	26%	24%	23%	23%
40-64	26%	26%	28%	30%	31%	31%
65+	14%	13%	12%	12%	12%	12%

INNER LONDON	1991	1997	2001	2006	2011	2016
Total population	**2,627,396**	**2,730,314**	**2,757,070**	**2,776,157**	**2,776,819**	**2,786,457**
0-14	18%	19%	20%	20%	19%	19%
15-24	16%	14%	15%	15%	16%	16%
25-39	30%	31%	29%	26%	25%	26%
40-64	24%	24%	26%	29%	30%	30%
65+	13%	11%	11%	10%	10%	10%

OUTER LONDON	1991	1997	2001	2006	2011	2016
Total population	**4,262,555**	**4,396,904**	**4,447,705**	**4,491,539**	**4,497,586**	**4,501,858**
0-14	19%	20%	20%	19%	19%	19%
15-24	14%	14%	14%	15%	15%	15%
25-39	25%	25%	24%	22%	21%	22%
40-64	28%	28%	29%	31%	32%	31%
65+	15%	14%	13%	13%	13%	13%

LONDON-WIDE ETHNIC DATA								

TABLE 3								
Population projection by ethnic group - Source: Focus London 99 for 1991; Cosmopolitan London other years								
	GREATER LONDON %				**GREATER LONDON, '000**			
	1991	**1996**	**2001**	**2006**	**1991**	**1996**	**2001**	**2006**
White	79.8%	76.6%	74.3%	72.9%	5,331	5,358	5,258	5,163
Black Caribbean	4.4%	4.7%	5.0%	5.2%	294	331	356	371
Black African	2.4%	3.4%	4.1%	4.4%	160	240	288	313
Black Other	1.2%	1.5%	1.8%	2.0%	80	108	129	143
Indian	5.2%	5.7%	6.0%	6.3%	347	398	427	443
Pakistani	1.3%	1.6%	1.8%	1.9%	87	110	126	136
Bangladesh	1.3%	1.5%	1.7%	1.9%	87	107	123	133
Chinese	0.8%	0.9%	1.0%	1.0%	53	66	71	74
Other Asian	1.7%	1.9%	2.0%	2.1%	114	132	142	147
Other	1.8%	2.1%	2.2%	2.3%	120	144	158	162
All non-white	20.1%	23.4%	25.7%	27.1%	1,343	1,636	1,820	1,922
All persons ('000)	6,680	6,994	7,078	7,085	6,680	6,994	7,078	7,085

TABLE 4				
Population by ethnic group 1991 - Source: Focus on London 99				
	Inner London	**Outer London**	**Greater London**	**Great Britain**
White	74.4%	83.1%	79.8%	94.5%
Black Caribbean	7.1%	2.7%	4.4%	0.9%
Black African	4.4%	1.3%	2.4%	0.4%
Black Other	2.0%	0.7%	1.2%	0.3%
Indian	3.0%	6.5%	5.2%	1.5%
Pakistani	1.2%	1.4%	1.3%	0.9%
Bangladesh	2.8%	0.4%	1.3%	0.3%
Chinese	1.1%	0.7%	0.8%	0.3%
Other Asian	1.8%	1.6%	1.7%	0.4%
Other	2.3%	1.5%	1.8%	0.5%
All persons ('000)	2,504	4,175	6,680	54,889

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