The Logic of Concentration

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London’s working age population is growing faster than England and Wales

Change in the working age population from 2001

<table>
<thead>
<tr>
<th>Year</th>
<th>London</th>
<th>Eng &amp; Wales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>11.8%</td>
<td>6.4%</td>
</tr>
<tr>
<td>2026</td>
<td>14.4%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Source: GLA
Indeed, we forecast that financial and business services will dominate London’s employment growth in future.

Employment growth by sector 2002 - 2016

- Other Services
- Health & Education
- Public Administration
- Business Services
- Financial Services
- Transport & Comms
- Hotels & Restaurants
- Retail
- Wholesale
- Construction
- Manufacturing
- Primary & utilities

**Note:** The chart shows the millions in employment for each sector across the years 2002, 2011, and 2016.

**Source:** GLA Economics
Past economic growth has been concentrated in the centre

Change in total employees 1989 – 1999

[Map showing change in total employees with color codes for different ranges: 40,000+, 20,000 to 40,000, 10,000 to 20,000, 5,000 to 10,000, 0 to 5,000, and Below 0]
80% of future employment growth will be concentrated in and around central London…
Detailed projections...
Agglomeration

- Advantages of market size
- Effectiveness of competition
- Benefits in acquiring knowledge
- Ability to find suppliers/customers and to occupy niche markets
- Achieving a critical mass to exploit economies of scale
Conceptual Distance from UK average
Distance from UK average, 1983 against 2001

(Straight line indicates equality between 1983 and 2001. Blue circles = outer London boroughs, red squares = central London boroughs)
Percentage change in distance from UK average distribution of employment between 1983 and 2001
Agglomeration has persisted and intensified

- Inner London becoming more different
- City of London becoming, if possible, more unique
- Most places becoming more like the average, though this partly reflects the industrial classification we use
Earnings differential and employment density, 2001
Importance of getting together!

Earnings differential and log of employment density, 2001

earn01

log(emp01)
Another persistent effect

Earnings differential and log of employment density, 1989

![Graph showing earnings differential and log of employment density, 1989.](image)
Improving earnings go with density

Changes in earnings differential and log of employment density
1989-2001
Central London has the most productive economy in the UK

GVA per head, £

The services industries show the biggest productivity rise from agglomeration

Average elasticity of output with respect to city size, by industry sector*

* Orange bars show elasticities that are statistically significant

London makes a significant net contribution to the rest of the UK

- Globalisation means that London’s economic gains and losses tend to be national ones, as London competes in the international economy more than the national one.
  - It is the location for 1/3rd of the European HQs of the world’s largest 500 companies. Other UK cities less likely to compete than Paris, Frankfurt e.t.c.