A year on: An update on the economic legacy of the London 2012 Olympic and Paralympic Games
Dmitry Sivaev, October 2013

It has been a year since the London 2012 Olympic and Paralympic Games. The excitement has ebbed away and the focus for both public and press has shifted to what the Games have left behind.

A year ago Centre for Cities published A Marathon, Not a Sprint, which analysed the potential economic benefits of the Olympics for London compared to several Olympic cities of the past. The report showed that London needs to be realistic in what it can expect from the Games, but should act to make the most of the opportunities that the Olympics have provided.

The examples of Barcelona and Sydney showed that, whilst the Olympics can significantly boost economic performance in a host city, for a number of reasons economic benefits are unlikely to be on a similar scale in London.

The London Olympics were staged in a much more difficult economic climate, which has limited the initial catalysing effect of the Games in terms of attracting investment and supporting the growth of local businesses.

Views about what the Olympic Legacy for London might be, changed throughout the preparation period for the Games; there was never a clear, dominant goal as there was in Sydney and Barcelona

The size of London’s economy means that the Olympic effect will be less significant than in Barcelona or Sydney, both much smaller cities.

Nevertheless, the Olympics were a great opportunity for the city. Last year we recommended that, in order to maximise economic benefits of the Games, London should:

• Develop a legacy strategy and stick to it.
• Be ready to spend more to build on the success of the Games.
• Develop a clear vision for the Olympic Park.
• Do more to deliver a social legacy for East London
• Learn from the success of organising the Games by expanding policy initiatives that worked.

It is still too early to evaluate the economic legacy of the Games. A year after the Games it is even more important than before to recognise that, as the initial economic impulse provided by the Games starts to fade, hard work is required to take it forward.

However, in the last 12 months, a number of short-term outcomes of the Games have been documented, and new statistical data released. This short update summarises recent evidence that adds to our understanding of the economic benefits that London can expect from the Olympic legacy, and revisits the actions that need to be prioritised to maximise them.

Achievements so far

Our original report focused on the long-term economic benefits of hosting the Games, however it acknowledged that short-term benefits, such as increased tourism inflows, consumer spending and additional jobs, as well as the experience gained by private and public sector bodies involved in organisation, can lay the foundations for long-term success. Since 2012, a number of Olympic assessment reports have been published. They have largely confirmed the success of the Olympics and have drawn valuable lessons from them:

• The National Audit Office (NAO) Olympic Evaluation report shows that:\(^2\)
  • LOCOG sold 11 million tickets to the Olympic and Paralympic Games, which was over 97 per cent of all tickets that were made available to the public. This generated £660 million of income.
  • LOCOG efficiently recruited and deployed 70,000 volunteers, and thousands were more attracted by the Greater London Authority and Transport for London.
  • The opening and closing ceremonies were a great success largely due to the introduction of innovative administration and management structures.

• The Mayor of London Olympic Jobs Evaluation report shows that:\(^3\)
  • More than 20,000 previously workless Londoners secured employment with the London Olympic Games Organising Committee (LOCOG). Overall up to 70,000 unemployed people secured Games-related jobs, although most of these were short-term.
  • The Legacy Corporation and the Growth Boroughs Unit will continue supporting East Londoners to make sure that skills gained through working and volunteering at the Olympic Games help them acquire permanent employment.

• A post-Olympics report produced by Transport for London (TfL) points out that:\(^4\)
  • The Games have supported the delivery of crucial infrastructure that will have a significant impact on East and South-East London.
  • The Games have helped TfL to develop new approaches to transport and behaviour management, which resulted in high levels of customer satisfaction during the Olympics and the Paralympics and will be applied in the future.

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The Visit Britain report shows that:

- Overall there was only a very slight increase in the number of foreign visitors coming to the UK in the Olympic year, but there was been a 5 per cent growth in visitor spending, which may been largely explained by Olympic ticket purchases.
- However the Olympics allowed VisitBritain to run an innovative, worldwide marketing campaign and improve its presence on social networks.
- An improved image for the UK has been the most significant and lasting positive outcome. An expert survey has suggested that the improved perception of Britain will encourage more people to visit in the future.
- Overall the excellence of the Games organisation has been acknowledged across the board. Last year we argued that it is important to learn from this positive experience, and it is encouraging to see that organisations like TfL and Visit Britain have used the Olympics to develop and introduce new practices. It is also good to see that the CompeteFor procurement system, which was widely praised during the Olympics preparation phase, was sustained.

Addressing the long-term legacy challenges

The experiences of previous Olympic cities show that a successful Games does not guarantee a successful legacy. In order to maximise the economic benefits of the Olympics, London needs to concentrate on targeting the key challenges that we highlighted in last year’s report. Recent evidence suggests that, while there are positive developments, there is still a lot of work to be done.

Plans rather than forecasts

A year ago we argued that legacy success would require a lasting commitment from the Government and the Mayor of London. It is good to see that the legacy debate still captures the attention of political leaders. However it is more of a concern that the Olympic legacy report published by the Government and the Mayor’s office focuses on evaluating and forecasting the legacy outcomes, rather than on setting out a programme of action for the future.

The report claims that by 2020 the economic impact of the Games will have added over £28 billion to economic output and created over 600,000 years of employment. The methodology and assumptions behind these numbers are one potential cause for concern, but it is more significant that public officials are focusing on numbers rather than actions. The Olympics are not and have never been an investment project with decisions based on expected returns, and the majority of benefits that the Olympics deliver are intangible. A view of the Olympic legacy that focuses on GVA gains only, does not reflect the wider benefits that the Olympics can deliver. and suggests a more short-term view of the legacy as a whole. A Government action plan that sets out how to make the most of various economic benefits of the Olympics in the years ahead would be more helpful in the longer term than the benefit forecasts.

Legacy for East London

One of the main claims of the London 2012 Olympics was that it would change the face of East London. Last year we showed that the direct impact of the Games was concentrated in the Olympic Park, and spreading the benefits of the Games to the broader area remained a challenge. An even more complicated task is using the Games to address the needs of the local population, improving their livelihoods and economic opportunities. Even the most successful Olympics of the past have failed to reach their convergence targets. The Olympic Park is surrounded by some of the most deprived neighbourhoods in the country, which makes this challenge more than relevant for London.

The Growth Borough Unit (previously known as the Host Borough Unit) was set up prior to the Games with the challenge of narrowing the gap between the six East London Boroughs that hosted the Games and the rest of the Capital. Some of the targets it set have been achieved ahead of schedule, including reductions in crime, improved school attainment, and a lowered share of the population without formal qualifications. Yet it is recognised that these improvements are in part a result of population growth and gentrification, which has been accelerated by the Olympics.

As a result of local government cuts the Growth Borough Unit has been downsized, which presents challenges in adjusting to new ways of working, and increasing the involvement of council staff in social legacy initiatives. Sustaining the Growth Boroughs is extremely important for maximising the social legacy of the Olympics. The Unit acts as an advocate for further interventions to target social challenges in Olympic Boroughs and as a coordinator of activities of the London Legacy Development Corporation (LLDC) and the six borough councils. Now the Unit is working to secure EU funding to expand its activity and this is likely to be important to securing the legacy.8

**Doing business in the Park**

Last year we suggested that London needs a clear vision for the future of the Olympic Park. The Olympic Park is the most visible legacy of the Games. If the Olympics were to have an impact on the economic performance of the Capital and on the lives of people in East London, it would start with the Park. This is a good reason to revisit progress on its future. The success in securing legacy venues, as well as the performance of the private sector in and around the Park in the build-up to the Games, suggests that the area has significant potential for becoming a new business hub.

In the last 12 months, transformation of the Park was the main focus of the LLDC. So far securing the tenancy of all permanent venues and reopening the Park to visitors are the main results. The upcoming priorities include infrastructure upgrades to improve connections between the Park and surrounding areas. Plans also include using the Community Infrastructure Levy (CIL) on new developments to fund further infrastructure upgrades.9

This autumn the LLDC will be publishing the Local Plan that will introduce the updated vision for development of the Olympic Park and its surroundings. While it was always suggested that the Park should combine residential commercial and recreational uses, the focus was previously on creating communities based around family housing and this may change. The success of Westfield and the iCity project that has already brought BT Sport, Loughborough University and the Infinity Data Centre in to the Broadcast Centre have increased the interest of commercial office developers in the opportunities that the Park has to offer. With great transport connections and modern infrastructure, the Park is no longer seen as on the London periphery and this change of perception could prove to be a driver of future growth.

Analysis of the performance of the private sector in and around the Park in the build-up to the Games also presents a positive outlook.

The Games preparation period (2005-2012) can be broken into three main phases, based on changes in the economic climate.

**The first phase (2005-2008) was a period of high economic growth.** During this period the economy of Greater London was performing strongly, gaining over 4 per cent of private sector jobs. Financial services were booming, which led to rapid jobs growth in Canary Wharf (Figure 1). The Host Boroughs, and the Olympic Park with its immediate surroundings, were underperforming during this phase with both seeing a contraction in private sector jobs. The poor performance of the Park and its surroundings can be explained in part by businesses moving out to avoid the anticipated havoc caused by Olympic regeneration.

**Figure 1:** Jobs growth in the Olympic Park, its immediate surroundings and Growth Boroughs 2005-2008.10

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8. Centre for Cities interviews
9. Centre for Cities interviews
10. Figure shows jobs growth in the LLDC designated area, one and two mile radiuses around this area, the 6 host boroughs and Greater London Authority area. Data has been
During the second phase (2008-2010) the private sector performed poorly in the aftermath of the credit crunch. Yet during the same period the fortunes of the Growth Boroughs seem to have reversed. While the national picture over this time shows a slight loss of private sector jobs, the six Olympic Boroughs combined increased local private sector jobs by 3 per cent. This period coincided with the beginning of the Olympic Park regeneration, which resulted in the displacement of businesses that previously occupied the site - reflected in a 30 per cent decline in employment within the LLDC boundary. At the same time significant jobs growth on the fringes of the Park suggests that some of the displaced businesses chose to relocate nearby.

Figure 2: Jobs growth in the Olympic Park, its immediate surroundings and Growth Boroughs 2008-2010

During the most recent phase (2010-2012) the Greater London economy returned to steady growth.
with private sector jobs increasing by 5 per cent. The Growth Boroughs outperformed London during this period, increasing private sector jobs by over 8 per cent. The strong performance of the Olympic Park and its surroundings during this period can be directly linked to the Games. The opening of the Westfield shopping centre and the expansion of other hotel and retail activities near the Park has led to an over 40 per cent increase in the number of jobs within the LLDC boundary. This means that the total number of jobs in the LLDC designated area has returned to its 2005, pre-Olympic level. The Park fringe areas (areas within one and two miles of the LLDC boundary) also performed exceptionally well, increasing private sector jobs by over 13 per cent.

Figure 3: Jobs growth in the Olympic Park, its immediate surroundings and Growth Boroughs 2010-2012.

This analysis is not sufficient to allow a full assessment of the potential of the Olympic Park as a business destination. In order to do this we need to wait until the employment data for the period after the Olympics is available and the employment swings that the Olympic Park experienced in the build-up to the Games were to be expected. But the strong performance of the Park fringes and the six Olympic boroughs between 2008 and 2012 is not an automatic consequence of the Games, and it is impossible to say how much of this effect is down to the Olympics. It may simply be that the economic potential of the area overall is improving gradually anyway, although the Olympics are of course very likely to have played an important part.

Conclusion

In the year since the end of the Olympic and Paralympic Games London can already report some legacy successes. However, it is still early days. It took Barcelona a decade to translate the boost from the 1992 Games into economic benefits. London should be ready to keep pursuing its economic legacy targets for just as long. This will require attention to move away from assessing what the Games may or may not have brought to London and the UK, to actions that will make the Olympic glow last. At the moment top priority should be given to helping the local population access economic opportunities provided by the Games and making the most of the Olympic Park.

We recommend that greater support is provided to the Growth Boroughs Unit to sustain its activity in transferring the attention that East London has gained through the Olympics into improved outcomes for the local population.

We also suggest that further analysis should be done to understand the potential of the Olympic Park as a

11. This data only captures jobs in business permanently located in the area and won’t capture temporary jobs associated with the Olympics.
business location, and greater flexibility in terms of allowing commercial development in and around the Park should be introduced into the LLDC local plan.

Contact

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