



Inner London's economy

a ward-level analysis of the business and employment base

by Dmitry Sivaev, October 2013

Inner London is a key economic hub of the UK. Over 200,000 businesses employing over 2,000,000 people are located within the 14 Inner London local authorities. Earlier this year 12 out of 14 Inner London boroughs were granted exemption from the new planning regulation allowing the conversion of offices to homes, highlighting the strong business focus of the area.

Understanding the business geography of Inner London is the first step to understanding how this business powerhouse of the national economy operates, and how policy can support it for the benefit of the capital and the country as a whole.

This briefing presents statistical evidence¹ on the nature of the business and employment base of Inner London. The data shows geographical patterns of business activity in total and by sector and the way these patterns have evolved between 2008 and 2011.

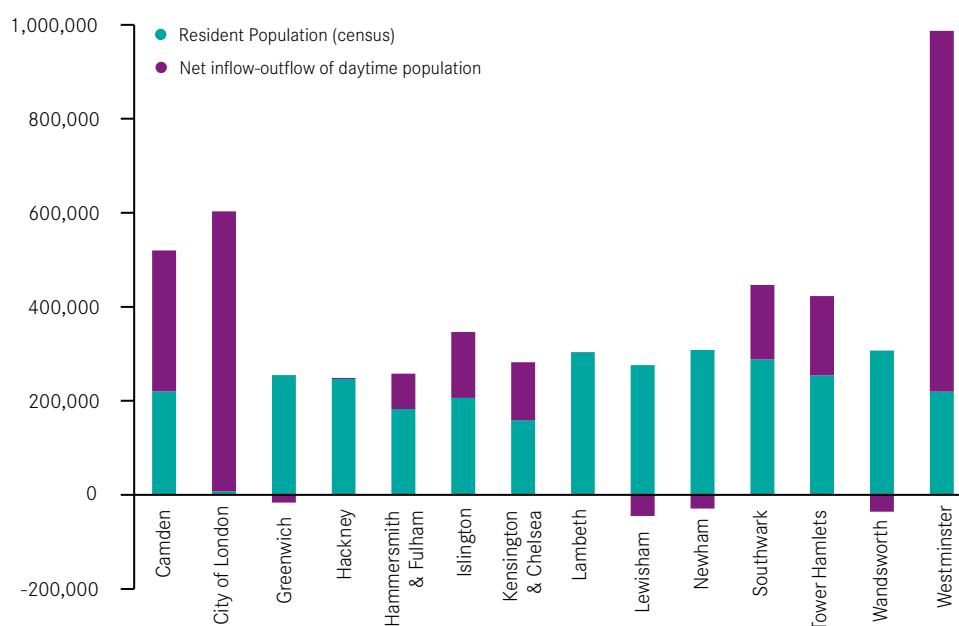
1. This work contains statistical data from ONS which is Crown Copyright. The use of the ONS statistical data in this work does not imply the endorsement of the ONS in relation to the interpretation or analysis of the statistical data. This work uses research datasets which may not exactly reproduce National Statistics aggregates.

Figure 1: Inner London – boroughs and wards²

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Commuting patterns

- Every day thousands of people from Outer London and from the Greater South East commute into Inner London's boroughs to work.
- Inner London accounts for 40 per cent of Greater London's population, but 56 per cent of private sector jobs.
- The daytime population of Inner London is 68 per cent higher than its resident population; most of the boroughs import workers daily. (Figure 2)

Figure 2: Net inflow/outflow of population during the day

Sources: NOMIS 2012, 2011 Census, resident base; London Data Store 2012, Daytime population 2011, borough level; NOMIS 2012, Business Register and Employment Survey (BRES), New Private Sector BRES, employment status, 2010-11 data and Annual Business Inquiry (ABI), workplace analysis, 1998-2008 data; NOMIS 2012, Business Register and Employment Survey (BRES), 2011 data.

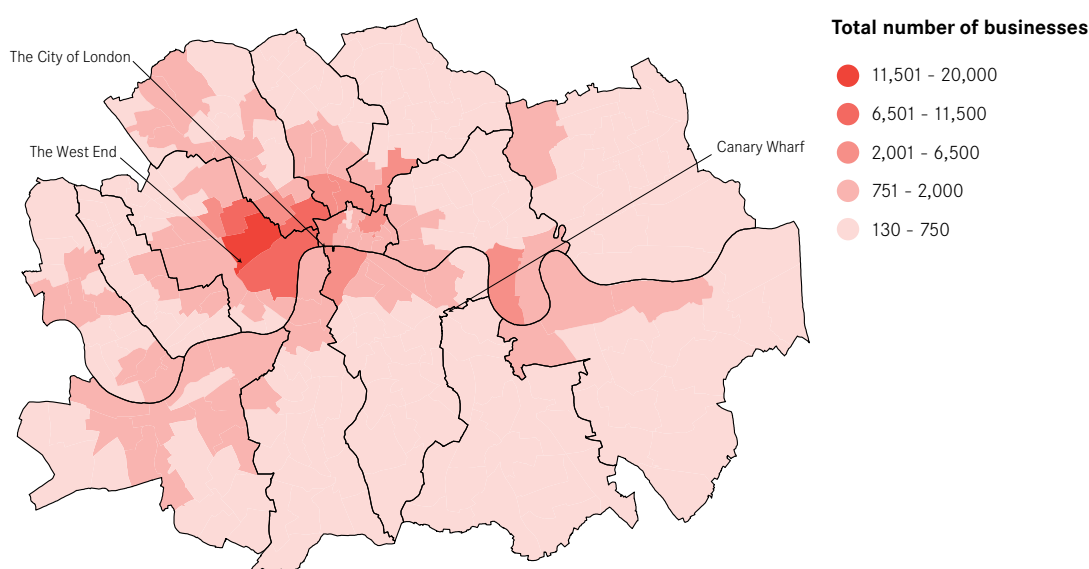
2. Wards are defined as: "the key building block of UK administrative geography, being the spatial units used to elect local government councillors in metropolitan and non-metropolitan districts, unitary authorities and the London boroughs in England; unitary authorities in Wales; council areas in Scotland; and district council areas in Northern Ireland. Population counts can vary substantially, even within a single local authority, but the national average is about 5,500."

Figure 2 shows how the population of local authorities in Inner London changes during working hours. A negative value for the outflow (purple bar) indicates that the daytime population is smaller than nighttime population, as more people commute out of the borough than into it.

Location of Businesses

- Businesses in Inner London are distributed unevenly, with many more being based in the traditional Central Business District (CBD) than elsewhere (Figure 3).
- Within the CBD, the largest concentration of businesses is in the West End, which includes the West End ward itself, St. James' ward (Mayfair and Soho) and Covent Garden and Holborn. The concentration of businesses is also very high in the City of London (this is less visible in Figure 3 because the wards in the City are very small. For more detail see the density analysis in Section 3).
- There are also higher than average concentrations of businesses on the fringes of the CBD and on the Isle of Dogs in Tower Hamlets, reflecting the location of Canary Wharf.

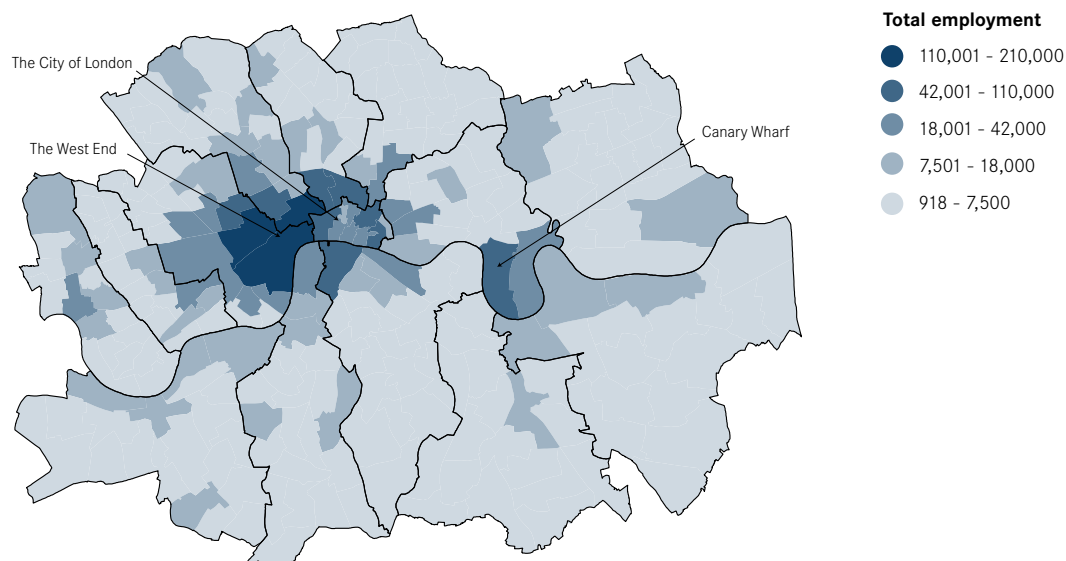
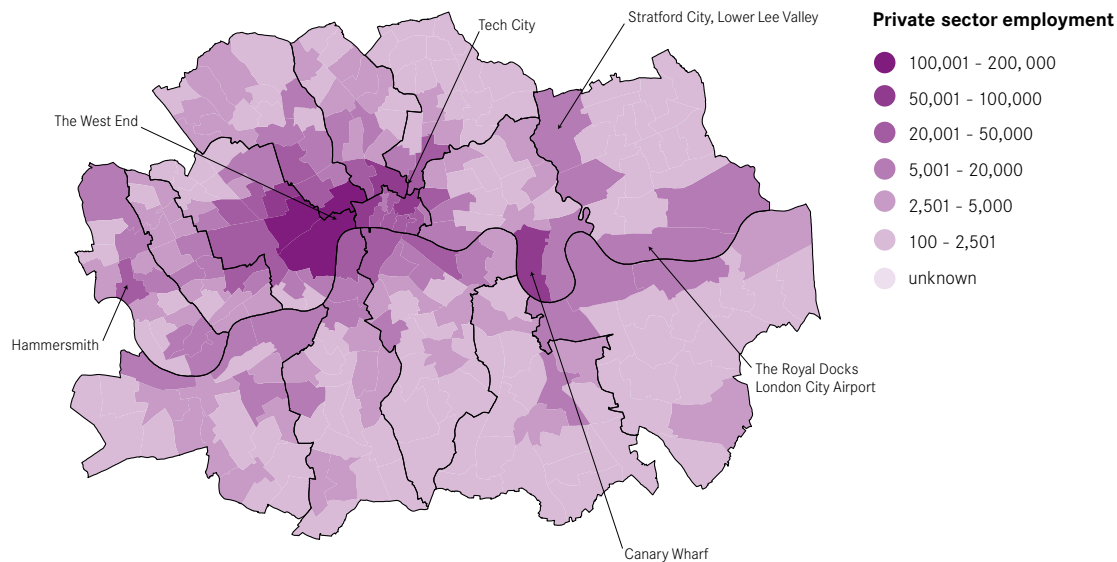
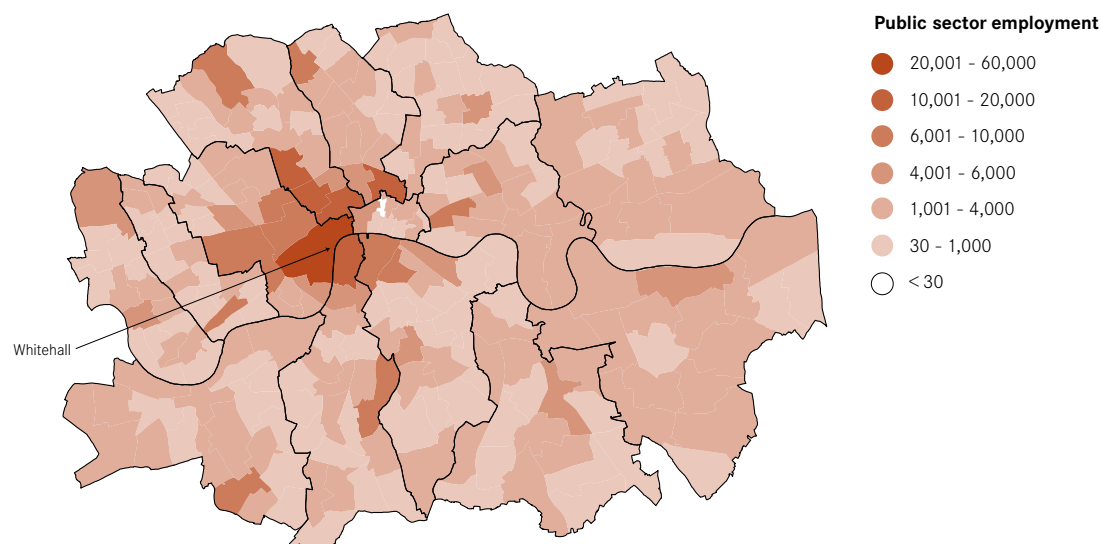
Figure 3: Business location in Inner London



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Location of Employment

- Employment concentrations follow a similar pattern to the location of businesses (Figure 4).
- The largest concentration of public sector employment is found in the St. James' ward, which includes Whitehall and Victoria. This one ward accounts for 10 per cent of all public sector employment within Inner London.
- Private sector employment, while more dispersed, also has significant concentrations in the CBD and in Canary Wharf. The West End wards – St. James, Covent Garden and Holborn – account for 21 per cent of private sector employment in Inner London. By comparison, the entire City of London only accounts for 16 per cent.

Figure 4: Employment in Inner London**Inner London total employment****Private sector employment****Public sector employment**

Business and employment density

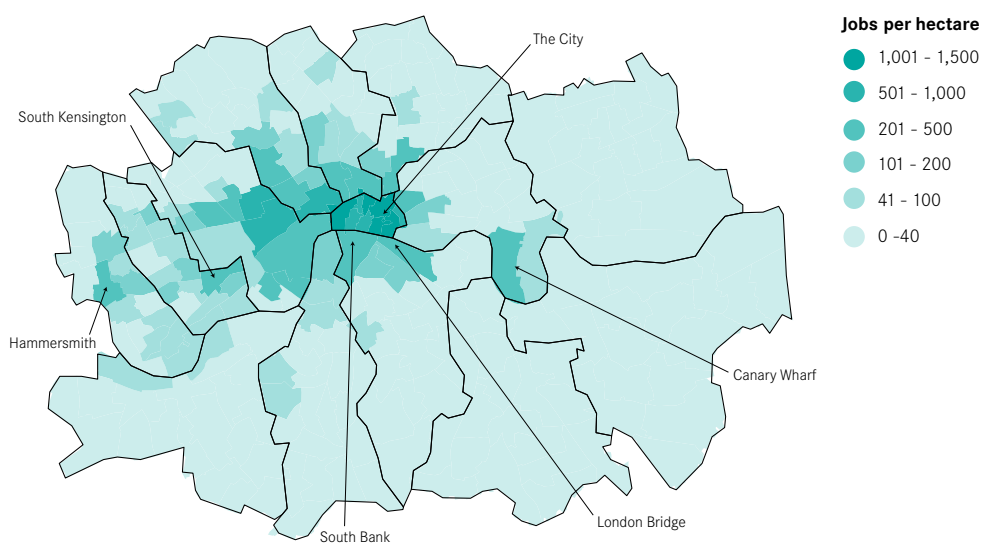
Business and employment density analysis allows us to create a picture of spatial distribution of economic activity that is not distorted by the size of the spatial units at which data is reported.

However it is important to note that density analysis can be deceptive in cases when areas of high and low concentration are combined within one ward. For example, Canada Square in Canary Wharf probably has the highest density of private sector employment in London. But because it is located in the Millwall ward which, beyond Canada Square, has a relatively low density of businesses, on average it has a lower business density than a number of wards in the City of London and the West End.

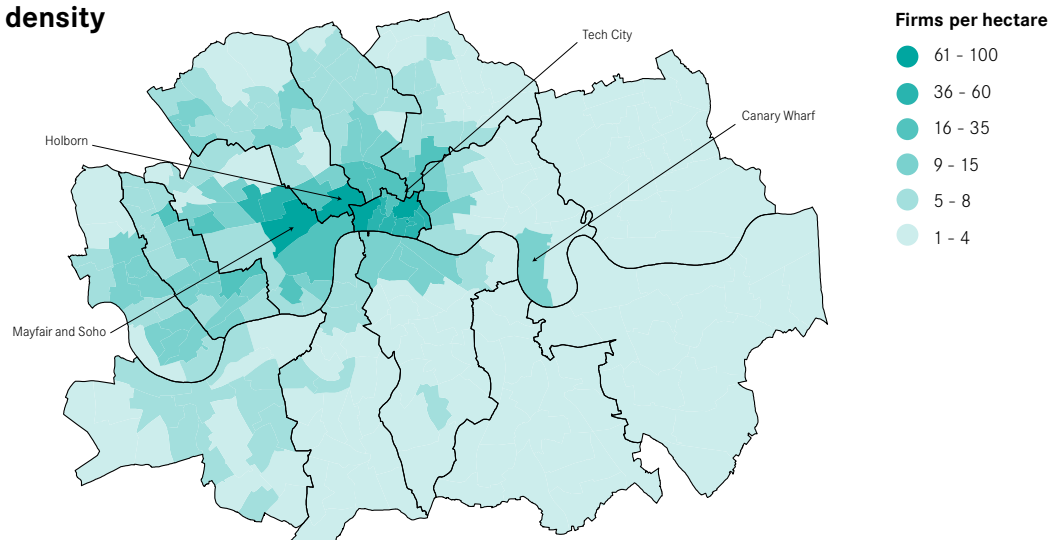
- The highest levels of private sector employment density are found in the City, Holborn, Mayfair and Marylebone (Figure 5).
- High levels of employment and business density also spread out into the fringe areas. Hackney, Islington, Camden, Lambeth and Southwark – the wards that border the City and the West End – have much higher densities of business and employment than the rest of the boroughs.
- There is a clear East-West divide in business activity across Inner London, with business activity in the West of Inner London being much higher than in the East.

Figure 5: Density of private sector activity in Inner London

Private sector employment density



Private sector firms density



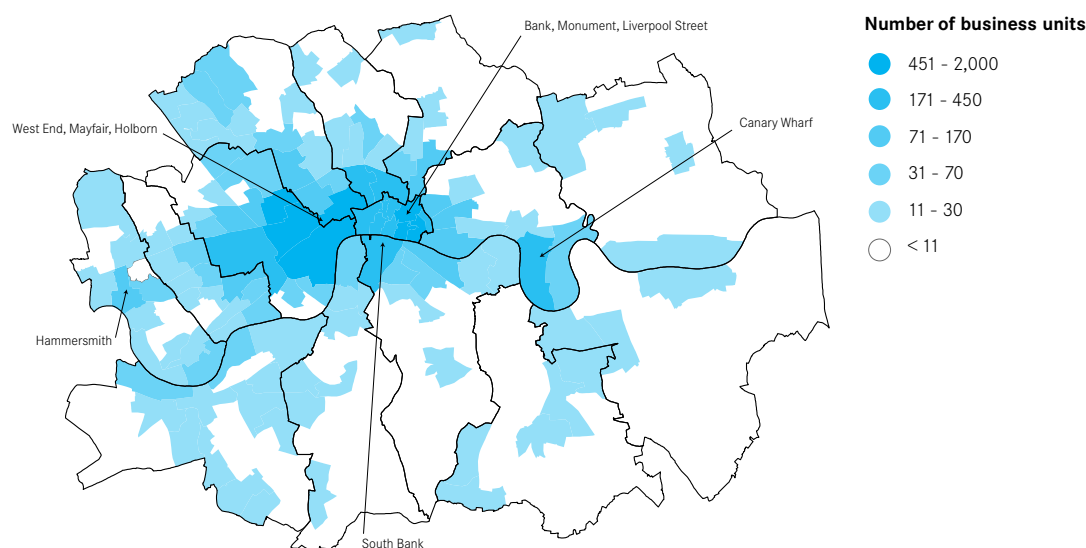
Distribution of business activity by sector

This section provides an overview of the spatial distribution of business activity in selected service sector industries. The findings from the sectoral analysis (Figure 6) highlight that:

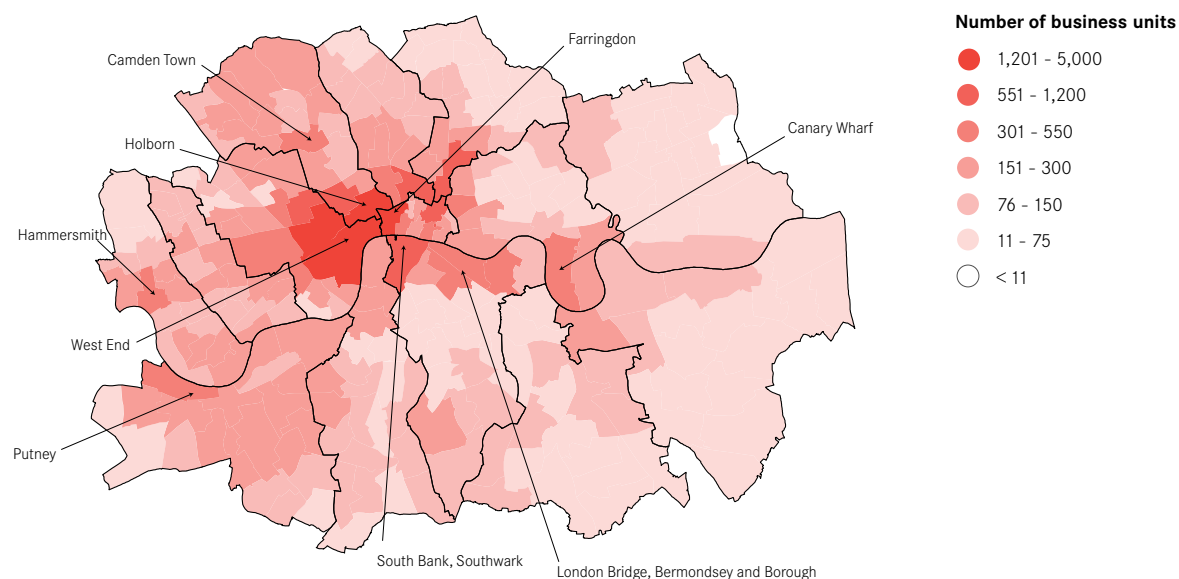
- The CBD has the largest concentration of businesses across all of the industries considered.
- Some industries are much more concentrated than others. Very few financial businesses are located outside the City of London or Canary Wharf, while retail businesses are located across Inner London.
- Each industry has a specific pattern of distribution. Arts and Culture businesses are concentrated mostly in the West End; Finance and Business Administration businesses are located in the City and Canary Wharf; Retail is concentrated in Mayfair, Soho and around large shopping malls like Westfield in Shepherd's Bush.

Figure 6: Concentration of business base by sector

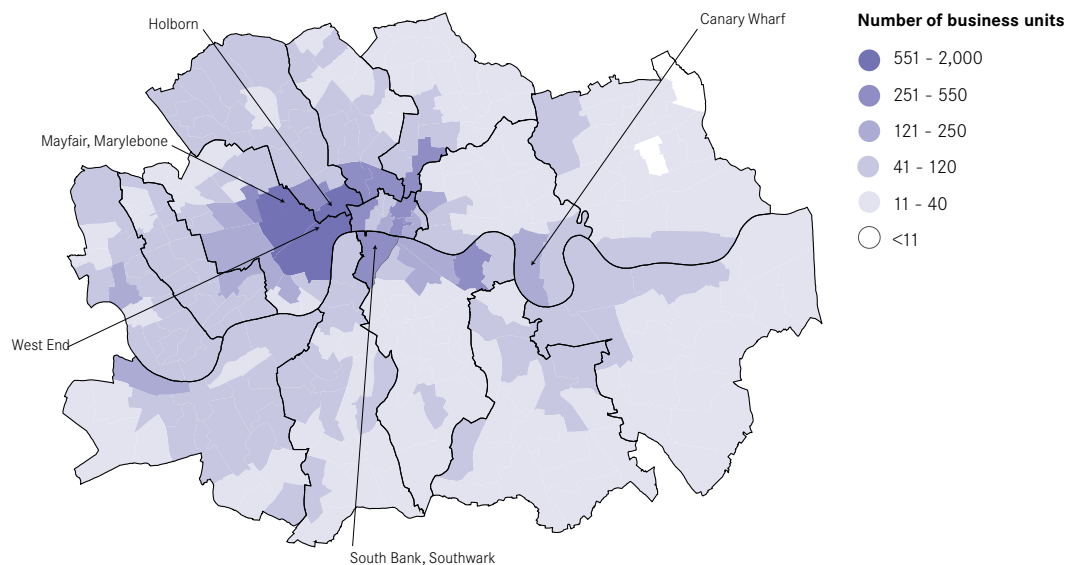
Financial services businesses



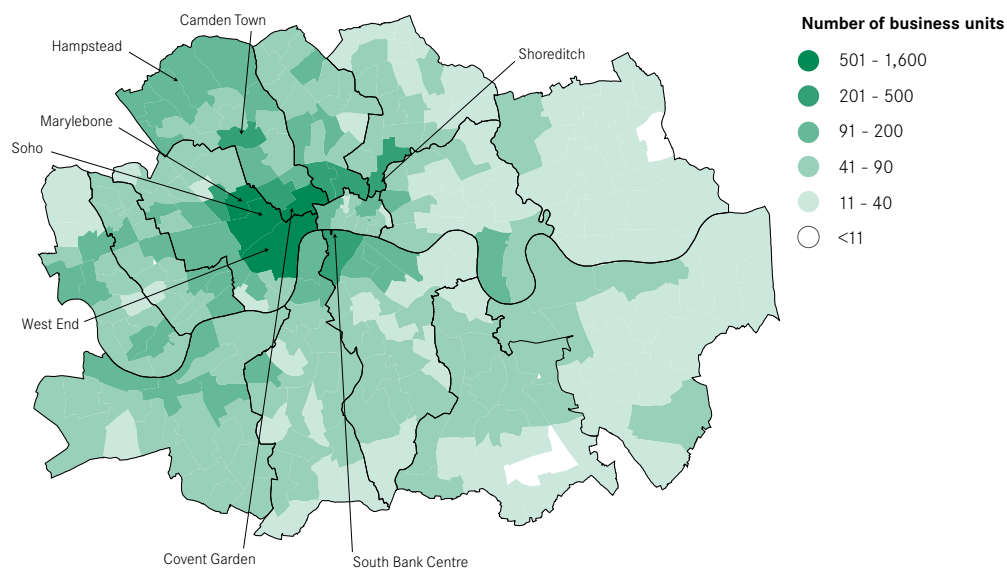
Professional services business



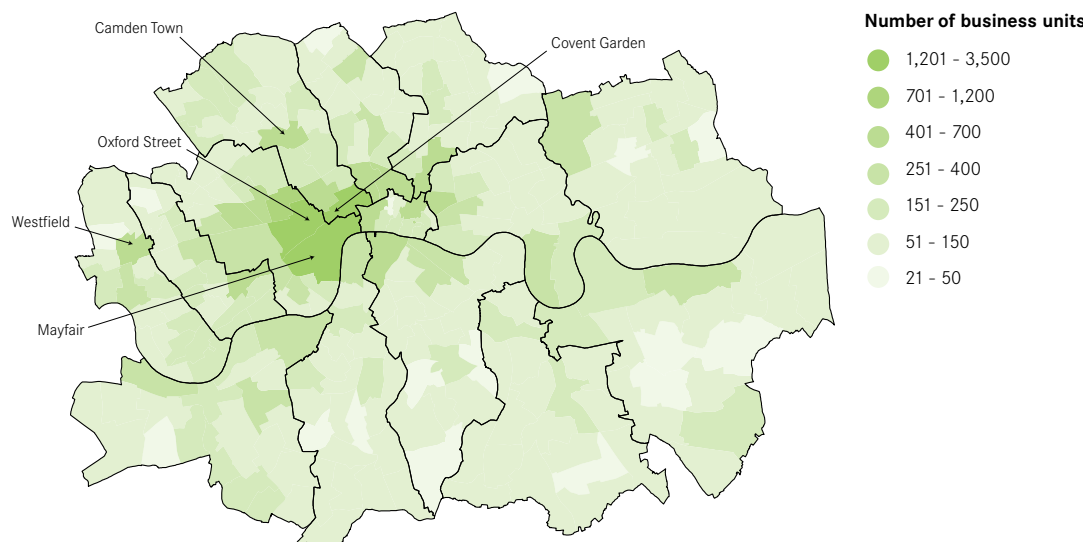
Business administration businesses



Arts, culture and other services businesses



Wholesale and retail business



Distribution of new businesses

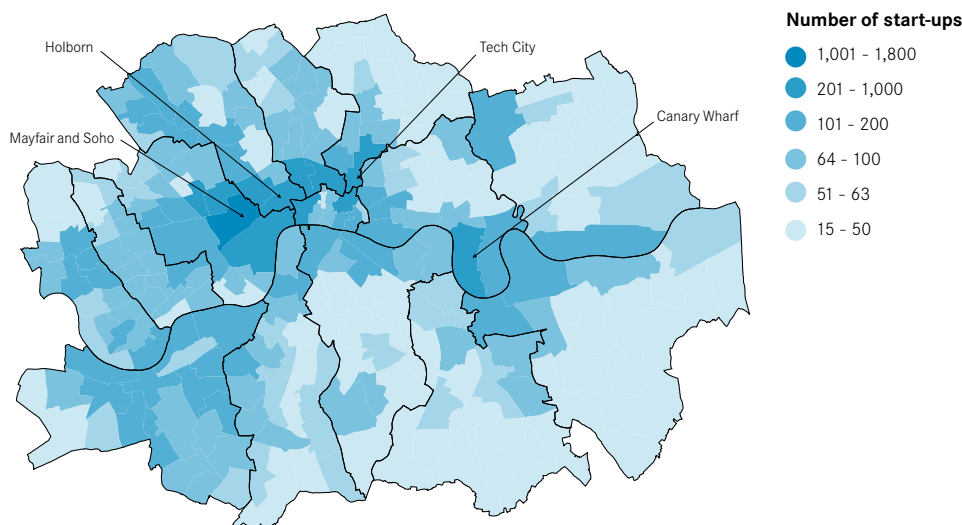
Analysis of business start-up geography allows us to look at the more dynamic segments of the business base and identify the areas which, due to high concentration of start-ups, have potential to expand their business base and create jobs. The sectoral dimension of the analysis highlights the emergence of new concentrations of certain types of economic activity in the city.

The analysis suggests that:

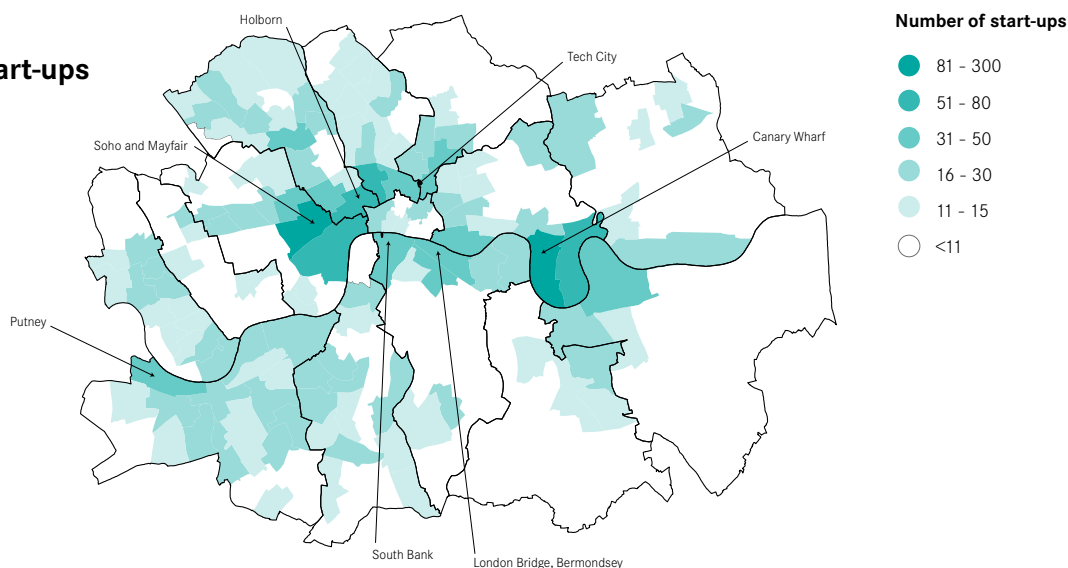
- The number of start-ups in the CBD is much larger than anywhere else in Inner London. This suggests that the attractiveness of central location for new businesses is not restricted (at least not significantly) by 'diseconomy' factors (e.g. high rents, congestion, etc.).
- High concentrations of start-ups can be found on the CBD fringes, particularly to the north of the CBD. This reflects the expansion of the CBD into these areas for push and pull reasons (e.g. overall expansion of the business base and increased competition within the CBD causing displacement).
- The East-West divide in start-up location, while still evident, is less stark when compared to the overall business geography analysis.
- Start-up activity in the finance, and culture and arts sectors is very concentrated, while in the professional services and ICT sectors it is much more dispersed.

Figure 7: The Geography of start-ups in Inner London

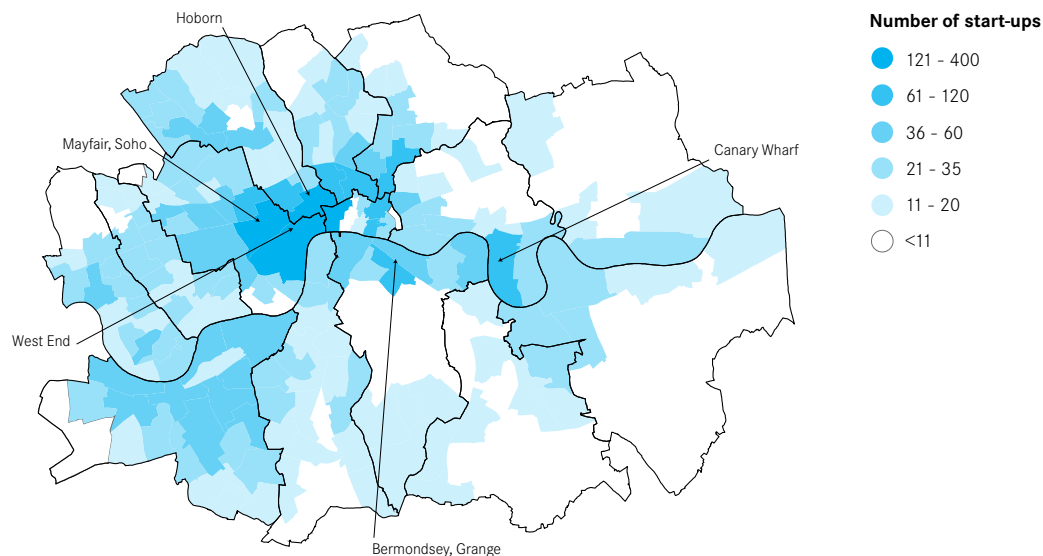
Total number of start-ups



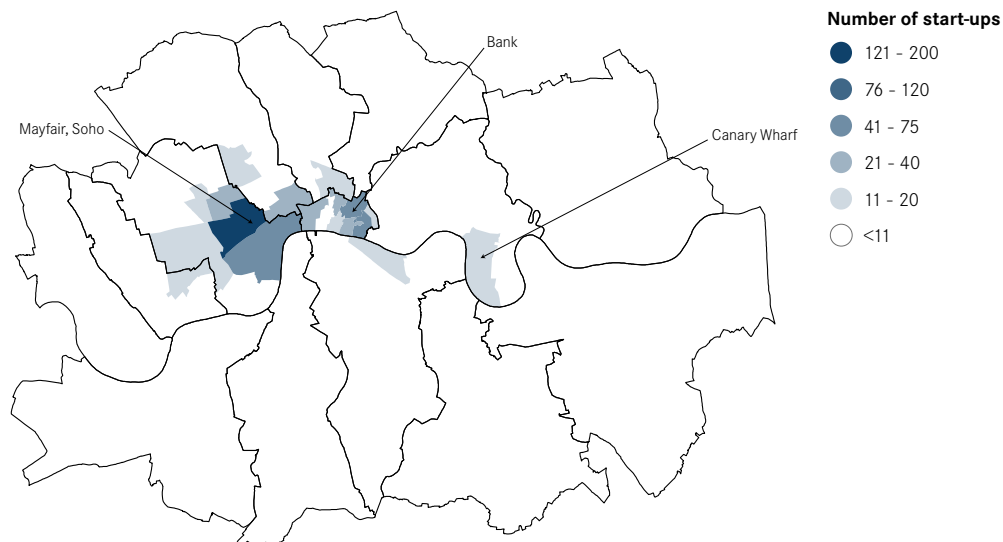
ICT start-ups



Professional services start-ups



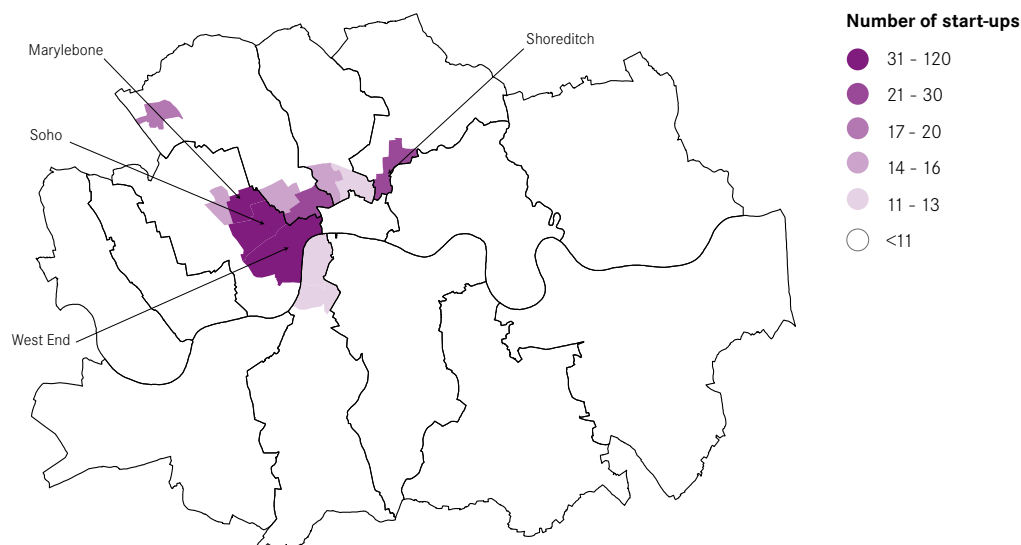
Financial services start-ups



Business administration start-ups



Arts and cultural services start-ups



Source: ONS, Business Structural Database, Contains Ordnance Survey data © Crown copyright and database right 2013.

Changes in the geography of the business base and employment

Analysis of changes in the geography of the business base and employment over the period 2008 to 2011 allows us to identify recent trends and to tentatively suggest what the possible patterns may be in the future.

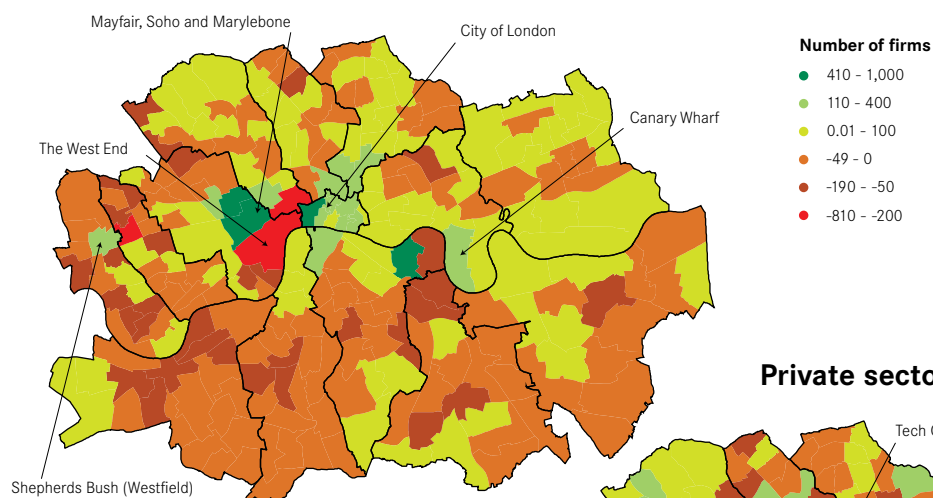
However the analysis needs to be read with caution and changes at the ward level may be misleading in some cases. At this small geographical scale, a one off event such as a large business moving out, would not represent the wider trend, yet may show a significant decline in a ward. This would say little about the attractiveness of an area.

The analysis suggests the following patterns and changes:

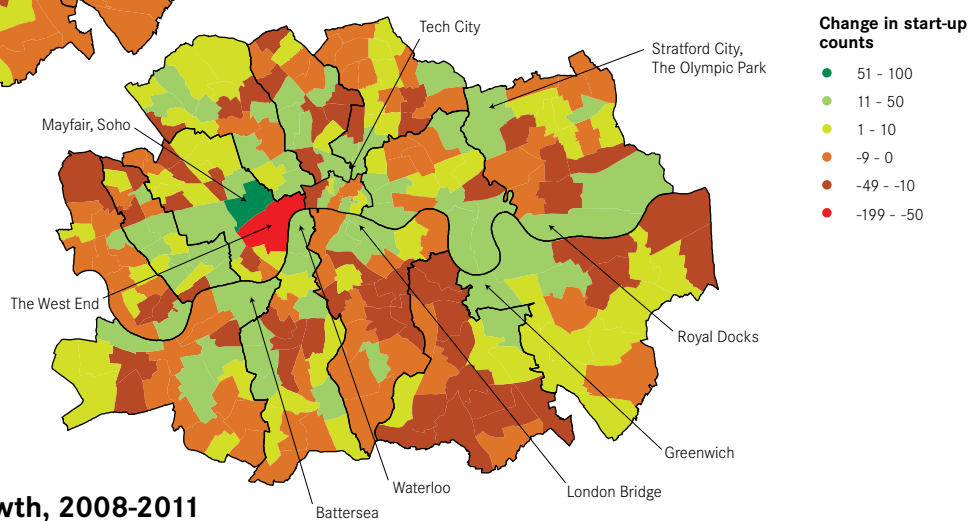
- The City of London has been the main driver of growth within Inner London. Both employment and the business base of the City grew by 13.5 per cent despite weak national performance over the same period.
- The Fringe boroughs of Hackney and Southwark enjoyed business base growth of over 5 per cent and most of it occurred in the wards neighbouring the City of London.
- Tower Hamlets and Newham also performed strongly. The highest growth was in Canary Wharf but a number of wards in both boroughs saw good business base and employment growth.
- The total number of start-ups in Inner London barely changed over the three year period. But this overall static picture hides significant variation between places within Inner London. While some areas saw a sharp decline in start-up activity (mostly in the West End), other areas experienced rapid increases in the number of start-ups (for example, London Bridge, Shoreditch, and Greenwich riverside).

Figure 8: Changes in business base and employment geography 2008-2011

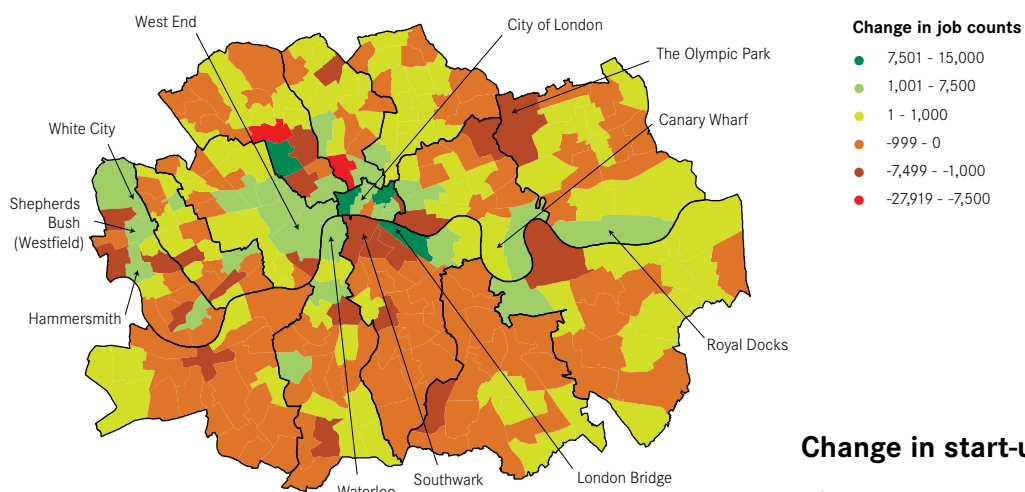
Business base growth, 2008-2011



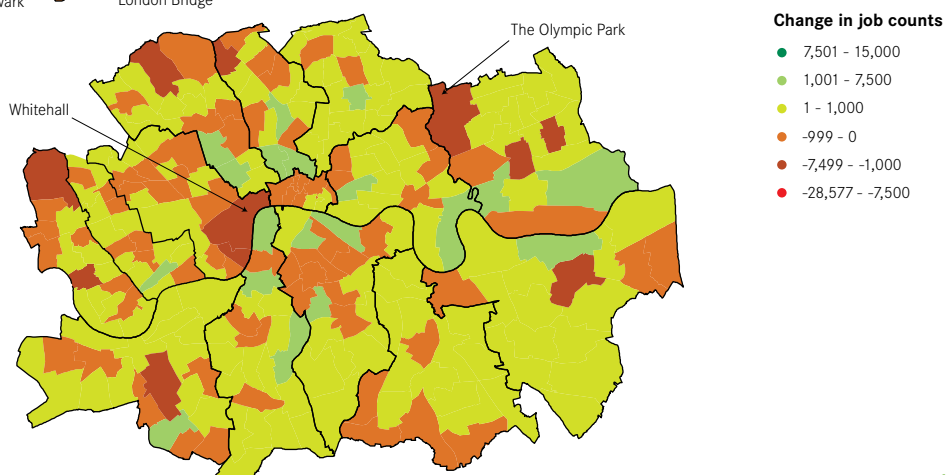
Private sector employment growth, 2008-2011



Public sector employment growth, 2008-2011



Change in start-up activity, 2008-2011



Source: ONS, Business Structural Database, Contains Ordnance Survey data © Crown copyright and database right 2013.

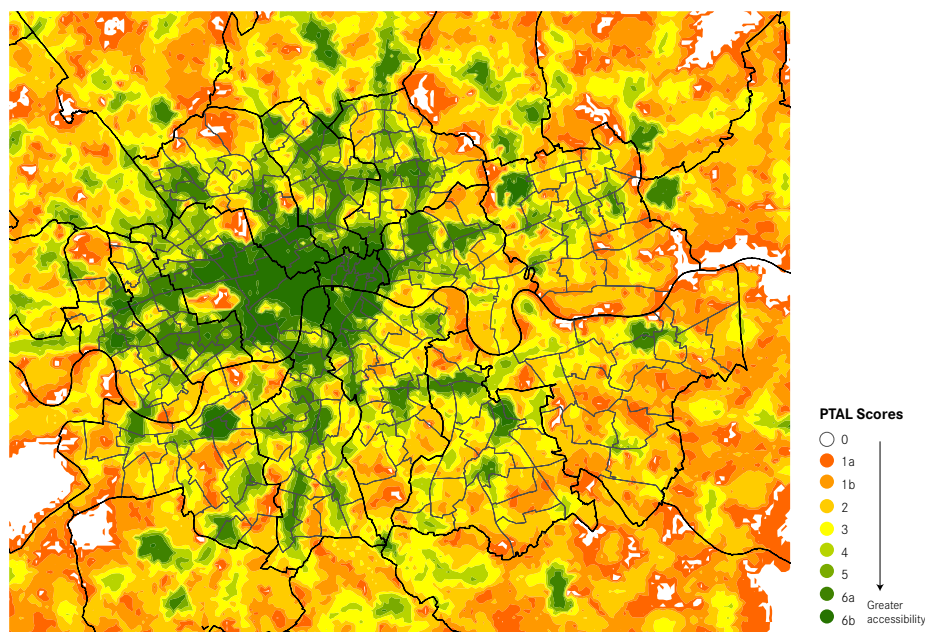
Transport accessibility and business concentrations

A recent Centre for Cities report highlighted that the concentrated pattern of growth in London puts high pressure on London's transport network.³ Figure 9 compares accessibility to public transport across Inner London with the geography of jobs density and shows that quality of public transport connections is one of the factors that has a strong effect on business location choices in central London.

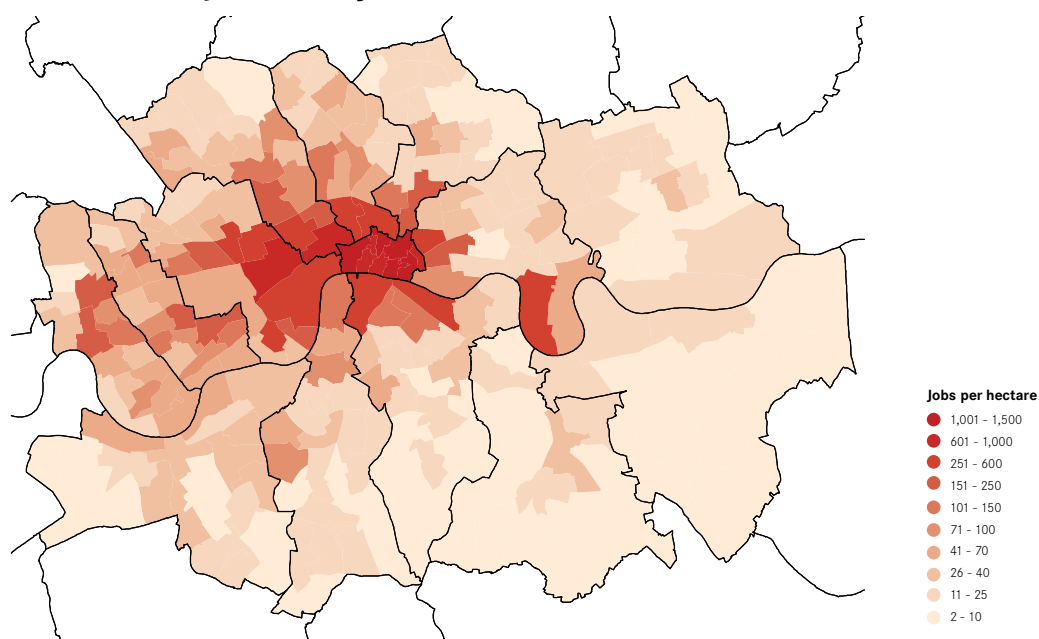
The transport accessibility map uses the Pedestrian Transport Accessibility Levels (PTAL) scores calculated by Transport for London. PTAL scores depict the ease of access to public transport from different points in space. They account for walking times to nearest stations and the frequency of services provided by the relevant modes of public transportation.

Figure 9: Transport Accessibility and employment density of Inner London

Public transport accessibility in inner London



Private sector jobs density



Source: ONS, Business Structural Database, TFL, Contains Ordnance Survey data © Crown copyright and database right 2013.

3. Bolton T (2013) *London 2030: a series of events exploring the future growth of the Capital* London: Centre for Cities

The map suggests that the way the public transport network is developed may have direct implications for geographic patterns of economic growth within the city. However, it also shows that certain locations outside the CBD do not have high job densities, even though their accessibility score is very high. The link between public transport accessibility and job density in locations further away from the CBD seems to be rather weak.

This reflects the evidence that, whilst transport accessibility is an important factor, it is only one of many factors that influence business location decisions. Property values, agglomeration benefits and even where business owners live are among other factors that drive location decisions of businesses, which differ significantly across industries and business size.

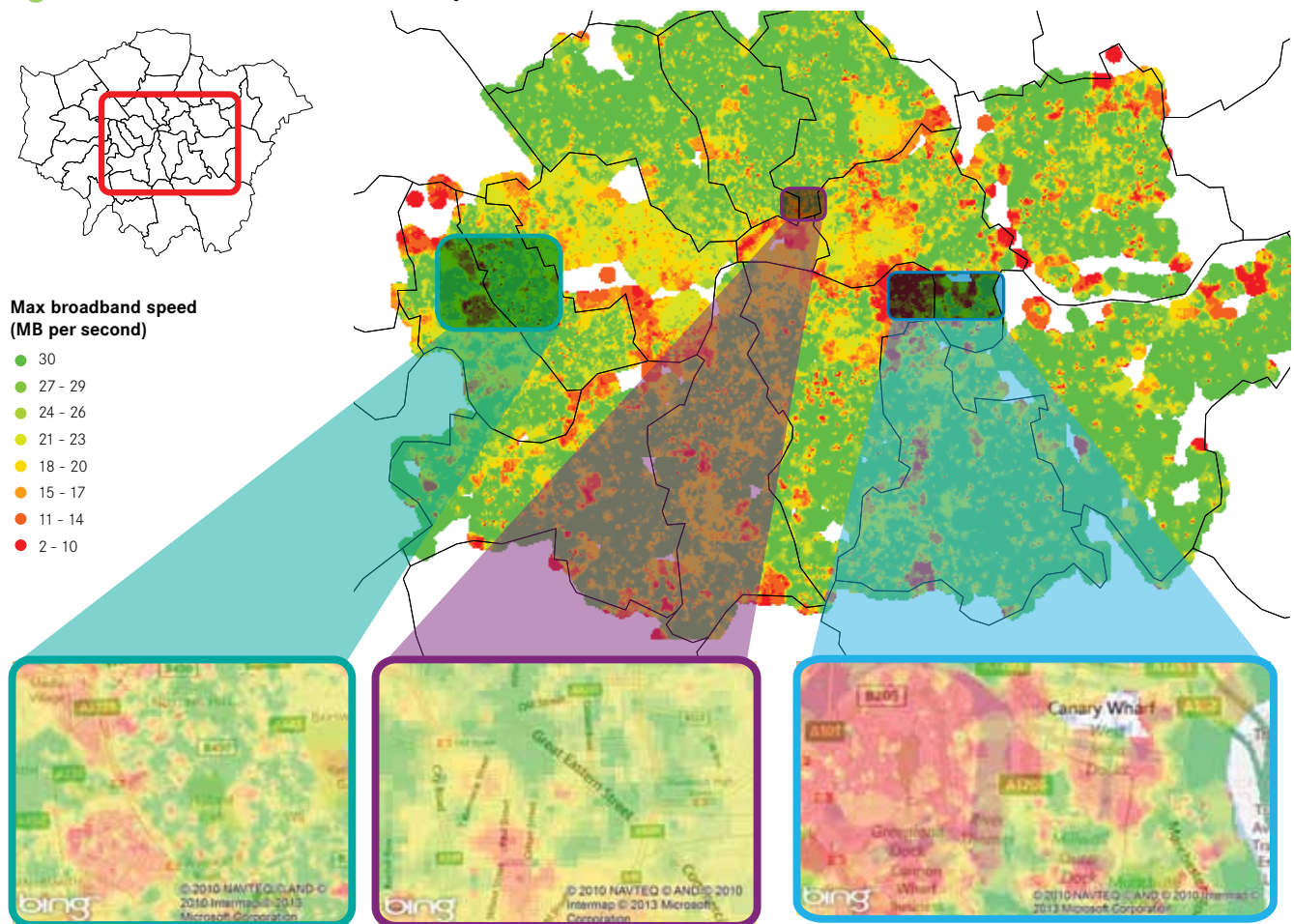
Broadband speeds as a possible restriction to growth

Speed and reliability of internet connection is one of the factors that many businesses take very seriously when choosing where to locate.

Figure 10 shows broadband speed data at postcode level. The data presented is collected by OfCom via a survey of household and small business providers.

Low connection speeds in areas where large corporate offices are concentrated (City of London, West End, Canary Wharf) should be treated with caution, as data for such areas tends not to be representative. Despite its limitations, the data can be used to compare connection speeds in different areas on the fringes of central London or outer parts of Inner London. The zoom-in maps highlight slow internet connections in Bermondsey-Canada Water and Shepherd's-Bush-Hammersmith areas. The third zoom-in map shows connection speeds in Tech City.

Figure 10: Maximum broadband speeds



Even though the data potentially under accounts for broadband speeds in commercial premises, it still shows that, even when mostly residential areas are compared, connection appears to be faster outside the CBD and its immediate surroundings than within them. This suggests that this issue needs to be studied in more detail in order to make sure that poor broadband infrastructure doesn't restrict London's growth prospects.

Concluding comments

This briefing presents an overview of the economic geography of Inner London. The main findings are:

- London's CBD dominates the economy of the capital and is growing stronger over time.
- Employment in Inner London is dominated by Knowledge Intensive Business Services (KIBS) industries that benefit the most from agglomeration.
- Even within Inner London there are strong sector based patterns of business location and growth.
- The most significant pattern of the last five years is the expansion of the CBD into new fringe locations.
- The evidence and analysis provided in this briefing should be used to inform policy decisions taken by the Greater London Authority (GLA) and individual London local authorities with regard to planning, infrastructure investment, business support and procurement amongst other policy areas.

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