

Just Space Economy and Planning

Review of GLA Economics' draft Economic Evidence Base (February, 2016)

This document has been prepared by Jessica Ferm (Bartlett School of Planning, UCL) with particular thanks to other members of JSEP who have either directly contributed text and analysis, or taken an active part in this process, in particular Patria Roman (Latin Elephant), Michael Edwards (UCL), Myfanwy Taylor (UCL), Rachel Laurence (NEF), Mark Brearley (CASS Cities), Roy Tindle (Charlton Riverside), Richard Lee (Just Space), Ilinca Diocenescu (London Gypsies & Travellers), Lucinda Rogers and Krissie Nicholson (East End Trades Guild).

<http://www.london.gov.uk/business-and-economy-publications/draft-economic-evidence-base-2016>

In August 2015, GLA Economics (GLAE) invited the Just Space Economy and Planning (JSEP) group for a consultation meeting as they worked on a draft of a new Economic Evidence Base which would inform the next London Plan and other Mayoral plans after the election. JSEP held meetings with GLAE on 15th September 2015, 19th November 2015, where JSEP responded to the initial scope of the EEB presented by GLAE. The Draft was issued in February 2016 and a further meeting was held on 18th April 2016 to discuss JSEP's initial comments. The draft will be revised by GLAE after the election in the light of informal consultation comments and steers from the new Mayor.

The aims of JSEP in this work have been, and are

1. to contribute evidence and interpretations to the GLAE team reflecting the knowledge and experience of community and business groups in London including those of small and social enterprises;
2. to question and in some cases to challenge the framing and formulation of 'economic' objectives and processes which are considered to be unduly influenced by the interests of corporate big business, especially financial and property interests and to pay inadequate attention to the needs of Londoners — especially low- and middle-income Londoners— and the potentialities of parts of economic and social activity which contribute strongly to the welfare and wellbeing of citizens and the robustness of our economy;

JSEP is currently putting together a written representation on the draft EEB, pulling together issues raised at all three meetings. Below is a summary of the five key topic areas where we are focusing our critique.

1. The nature and purpose of the document

The Economic Evidence Base has been prepared as part of a process of "evidence-based" analysis, which can then be used to inform other policy documents, most importantly the next London Plan. The implied assertion is that such work is 'objective', 'neutral', 'factual' - in contrast to 'policy' positions, 'values' and 'distributional considerations' which are the proper sphere for politicians (or perhaps planners), not economists.

Our challenge to this is that the EEB is fundamentally value-laden in two respects:

- (i) through its selection of topics, sectors, variables to focus upon
- (ii) through the framing of the narrative in an implicit theorisation which accords merit to market processes and outcomes.

Under (i), there is:

- Still a strong focus on export-oriented and high value-added sectors; very little attention to complementary and other parts of the economy. Nothing on ethnic or other specialised economies
- An emphasis on specialization as the driver for London's global city status, with no acknowledgement of the importance of diversity or the interdependence of sectors.
- A strong spatial focus on central London, in particular the CAZ, with little attention paid to the rest of London and its economies
- A focus on clustering and the geography of some sectors – though nothing at the neighbourhood scale
- No research or discussion of what happens to the wealth generated through London's economy. For example how much of the profits generated by businesses based in London are a) paid in tax; b) re-invested into business (as opposed to paid out into shares); c) spent on wages (and whether this is rising over time, as growth goes up, or not); and d) distributed across socio-economic 'classes' within the population.
- Lots on startups but nothing on sustaining the jobs we have. No broader analysis of the contribution and characteristics of SMEs, social enterprises, self-employment.

On (ii) occasionally the implicit theorisation shows, as in the following phrase on losses of employment land:

The loss of employment land in London's industrial estates is seen as a risk by *some commentators*, as they can be valuable sources of employment in sectors such as distribution, manufacturing, construction, catering and other light industrial uses. The alternative perspective is that the market should determine the optimal use of industrial land through price signals and these industrial premises may be better located elsewhere in terms of economic efficiency. (p.170)

Some commentators in this context are defined in the endnotes as JSEP, not acknowledging that the same critique has been made by organisations such as the British Property Foundation, Barton Wilmore.

2. The lack of connectivity between different chapters and themes in the EEB

The draft EEB is made up of seven chapters, as follows:

1. State of London's economy, trade and London's specialization
2. The spatial characteristics of London
3. London's attractiveness as a location for business and people
4. The outlook for London's economy and risks
5. London's environment
6. London's people
7. Socio-economic issues

The chapters have different authors and currently few connections have been made between the chapters and different themes. The most glaring is that little connection seems to be made between the acknowledgement that London in fact performs pretty badly on most socio-economic indicators (apart from education attainment levels) and the assertion that its economy is extremely successful in

terms of productivity. These two messages in the report appear unlinked and unexplained; and certainly, there is no indication that the economic performance and structure of the economy might be responsible for the problematic socio-economic indicators. For example, in listing the future risks of agglomeration effects, whilst high costs of housing and competition over space use is mentioned, this is only in the context of it ultimately slowing growth down – not making the connection also that this increased trend is likely to further worsen the socio-economic indicators.

3. The nature of the economy

The first chapter that describes the nature of London's economy and frames the report focuses almost exclusively on specialization as a driver of London's growth and competitive advantage. It does not acknowledge the body of theoretical and empirical work, which looks at economic diversity as a driver of urban growth (e.g. Jacobs, Duranton & Puga, Glaeser, Buck et al). Nor does it acknowledge that London's growth has historically been driven by its diverse economy. Although increasing specialization in certain sectors has been a feature of its growth in more recent years, this specialization co-exists alongside diverse economic sectors. The EEB should acknowledge the range of evidence and explore in more detail diversity as a source of long-term success for London. The loss of diversity in London's economy could be a real threat in itself, but this is not explored.

By focusing on sectors in London that are specialised, on the 'globally significant' parts of the economy, and on agglomeration in central London, the EEB ignores the majority of the rest of the economy. If more than half of the economy is outside the centre, what does this economy look like, what is the nature of these jobs?

4. The spatiality/geography of the economy

The EEB is mostly de-coupled from the geography of London, there is a skewed focus on notable agglomerations and specialisations in the CAZ and Isle of Dogs, and an under-emphasis on the geography of the more generic majority of the economy. In particular there is no mention of the accommodation challenges we face.

There is some sector based analysis and mapping, but there is no spatial illustration of London's economy as a whole, showing where the jobs outside the CAZ are located, the importance of High Streets and industrial areas, revealing the dispersal of employment across the capital. There is no mention anywhere of the changing geography of London, which has seen the suburbanisation of London's poverty and lower-value jobs, which has been driven by accommodation challenges, particularly affordability.

While there is some mention of the potential negative consequences of agglomeration and emerging accommodation shortages in Chapter 4, this does not come across as a major matter. Through the presentation of Alonso's bid rent model, there is an inference that the matter is somehow self-correcting. There is no real acknowledgement that the provision of accommodation for various activities in cities is slow to respond to market changes and that, in London, the market for accommodation is distorted, intervened in, differentially subsidised, and partially managed by layers of government.

Most of the second chapter of the EEB is on spatial patterns and clusters, and on transport. This is informative but does not grapple with the important issue of the implications of the economic geography of London's projected growth for worker travel patterns, including emissions and access to work for low-paid/part-time workers, those with caring responsibilities, and for local supply chains, including emissions and road congestion. It entirely avoids the distributional, gender and environmental effects of this emerging geography.

5. London's people and socio-economic issues

The two chapters on London's people (Chapter 6) and Socio-economic issues (Chapter 7) need to be more effectively integrated into the rest of the report, rather than appearing as an add-on. The discussion needs to be framed in the context of the rest of the EEB and connections made between the success of London as a global city and the poor performance across many of these socio-economic indicators. The sections on affordability need to be discuss in spatial terms (see earlier commentary).

The analysis on inequality focuses only on income distribution, all sections are generally missing detail and breakdown by ethnicity, gender, disability. There is nothing on the quality of jobs or in-work poverty. The Index of Multiple Deprivation 2015 maps are provided, but there is not much analysis beyond listing the boroughs with high deprivation.

Mention of migrants/migration tends to be in the context of the negative impact of migration, for example the impact on UK workers - falling earnings coinciding with migration increase and the displacement of UK workers by migrants. There needs to be more emphasis on the positive impact of migration; the importance of migrant and ethnic owned businesses to the capital, the relatively high-skill levels of migrant workers and the positive influence on businesses. Again, the discussion comes across as value-laden.