OXFORD ECONOMICS

# THE FUTURE OF THE SOUTH LONDON ECONOMY POST COVID-19

## A REPORT FOR THE SOUTH LONDON PARTNERSHIP

JANUARY 2021

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**January 2021**



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# EXECUTIVE SUMMARY

**-12.1%**

Fall in GVA across the SLP+ economy in 2020.

*The SLP+ economy will see a sharper fall than both London (-10.4%) and the national economy (-11.4%).*

**The UK is on course to suffer its largest contraction in GDP in 300 years**, declining by 11.4% in 2020, significantly worse than the global economy which we estimate will have contracted by 4.3% in 2020. However, activity is expected to recover through 2021 and 2022, as the roll-out of effective vaccines enables the economy to slowly return to full capacity, allowing GVA to return to pre-crisis levels in 2023.

London has been the driving force of UK economic growth for many years, yet **the gap between London's growth and the UK was narrowing before the pandemic**. SLP+ boroughs have also tended to lag behind the London average.[1] **We estimate that this trend continued into 2020 with the SLP+ economy experiencing a slightly larger fall in GVA in 2020, of over 12%, than the 10.4% contraction forecast for London as a whole.**

The evidence available so far shows that on the whole, SLP+ **residents have been somewhat less affected by the pandemic** than Londoners as a whole but more affected than the UK average. The claimant count rate has risen sharply since March 2020 (from 2.8% to 6.7% in November 2020) but not as markedly as in London as a whole over the same period (3.1% to 8.1%).

However, there is also a degree of variation between the SLP+ boroughs: those with higher claimant rates at the beginning of the crisis have been most affected in November 2020, including Croydon (9.4%) and Merton (7.3%), whereas the remaining boroughs within SLP+ have generally seen less drastic changes in their claimant rates.

**The economic consequences are being felt by some groups of the SLP+ population more than others**. Younger, self-employed, part-time, and less well-qualified workers have been disproportionately exposed to the economic impacts of the crisis—as well as ethnic minorities—resulting in relatively deprived communities being more affected. This is partly a reflection of the characteristics of workers: for example, firms may view younger workers to be less valuable due to less experience and/or qualifications, while the self-employed have suffered from a mix of weaker job security and poorer access to government income support. UK data show that the over-50s have accounted for 30% of redundancies since the start of the pandemic. This group finds it much harder to find work than younger age groups. Another factor has been the varying composition of the workforce in different sectors: many of the population groups mentioned above are more likely to work in the sectors that are most exposed to the crisis. There may therefore have been a worsening of existing inequalities within the population.

**We estimate that over 11,000 jobs will have been lost in in the SLP+ boroughs in 2020, with the loss of a further 21,000 jobs likely in 2021**. Cumulative job losses will be concentrated in accommodation & food (31%) and administrative & support services (23%), alongside arts, entertainment & recreation (13%), and professional services (13%). The total number of jobs

[1] The five boroughs of the South London Partnership plus Wandsworth.

**11,000 jobs**

Lost jobs in the SLP+ boroughs in 2020.

*We forecast a further 21,000 jobs are likely to be lost in 2021.*

should return to pre-pandemic levels some time in 2023, after which we expect the rate of employment growth to slow markedly.

Future GVA growth will increasingly be dependent on productivity growth driven by improved technology, and hence a continuing tendency for some jobs to be automated across the economy. We expect the growth in **artificial intelligence** to lead to a 'hollowing out' of the labour market: workers in routine, mid-skilled jobs are disproportionately affected, with jobs spread out to the lower- and higher-skilled ends of the jobs market. However, ONS analysis of occupations at risk of automation suggests that the SLP+ boroughs are at a relatively low risk with 39% of jobs at risk, compared to 46% elsewhere in England.

Over the 2019 to 2030 period, GVA growth (1.1% per year) and workplace-based job growth (0.4% per year) in the SLP+ economy is forecast to lag that of London (1.5% and 0.7% respectively).

Although the pandemic represents a significant shock to the SLP+ economy, it **will not significantly alter the composition of the economy** but as an increasing share of life is lived 'online', demand in the **digital economy will grow**. Our forecast indicates that information & communication will be the SLP+'s fastest growing sector to 2030, while most SLP+ boroughs are forecast to grow broadly on-par with London as a whole in this sector.

**Behaviour will change** however. Working from home will continue to different degrees, and online shopping will persist, but we do not expect widespread relocations of people away from cities, including London.

Another shift following the pandemic is expected in the **low carbon and renewable energy economy**. Green jobs are expected to be a source of significant employment growth as investment in the low-carbon economy increases. The SLP+ has potential to support employment growth in the green jobs sector, which is implicitly factored into our baseline forecast. But if this opportunity is further released, there may be an upside for job creation locally. According to LGA projections, the SLP+ will support over 10,000 green jobs by 2030, largely concentrated in low-carbon heat, energy efficiency, and low-carbon services.

**Business services will remain key to supporting growth across the SLP+ economy in our forecasts**. Information & communication is expected to be the fastest growing sector in GVA terms, averaging 1.9% per year between 2019 and 2030, reflecting further growth in the tech sector. Although somewhat underrepresented locally, professional services (1.5% per year) will be the third-fastest growing sector. Across both sectors, GVA growth will largely arise through productivity improvements, although the workforce of both sectors will continue to expand, adding 3,100 and 3,800 additional jobs respectively, by 2030. Real estate will be the second fastest growing sector in GVA terms (1.5% per year) but will have a limited tangible effect on the local economy, adding just 1,000 additional jobs to 2030.

Administrative & support services (1.3% per year) will also be among the faster-growing sectors in GVA terms, and as opportunities for automation are less apparent in this sector, it will add 6,000 jobs by 2030—the second-largest increase in employment, behind health (9,200 jobs). Construction and arts, and

entertainment & recreation are both expected to contribute a further 2,700 jobs each over the period.

However, **some sectors will not completely recover** and will lose jobs over the decade to 2030. Accommodation & food services is expected to achieve only modest GVA growth and shed 1,700 jobs over this period. This sector is among the most affected by lockdown and social distancing measures implemented to reduce transmission of the coronavirus, and employment will only partly recover as the economy returns to full capacity.

Manufacturing will be among the weakest performing sectors. We forecast that over the period to 2030 GVA will contract by 0.8% a year, shedding 3,300 jobs—equivalent to a quarter of the pre-pandemic manufacturing workforce. This outlook is the result of various headwinds in the short-to-medium term, including the pandemic and Brexit, alongside the wider shift towards more capital-intensive modes of production, and the increased automation of processes.

**The economic recovery will also be affected more widely by Brexit** which is likely to have an impact on London in three broad areas: financial regulation, migration and skills availability, and reputation. Together, these help to explain why London's future growth is likely to be weaker than it has tended to achieve over the past two decades and more. This too will weigh on the prospects for South London.

# 1. INTRODUCTION

## 1.1 INTRODUCTION

South London Partnership (SLP) has commissioned Oxford Economics to provide an assessment of the economic impact of the Covid-19 pandemic on the South London economy and its prospects after the pandemic.

Our study area consists of the five SLP boroughs—Croydon, Kingston-upon-Thames, Merton, Richmond-upon-Thames, and Sutton—alongside Wandsworth (referred to as 'SLP+'). In order to benchmark the SLP+'s performance, and understand its interdependencies with neighbouring areas, we also consider the outlook for Outer London, London[2], and the UK, alongside areas mostly outside of London such as the Coast to Capital Local Enterprise Partnership (C2C LEP) where appropriate. As elsewhere in Outer London, the fortunes of the SLP+ economy are closely linked to the performance of Inner London boroughs, particularly those that form the Central Activities Zone (CAZ).

London has historically been the UK's best performing region, supporting a skilled workforce that enables faster employment growth in generally highly productive sectors. But while the capital's economy has continued to outperform the UK as a whole in recent years, the performance gap has narrowed over time. London faces various headwinds, most notably the damaging effects of the Covid-19 pandemic, alongside broader factors such as Brexit, which may make London a less attractive proposition for migration and investment, harming its international standing. At the same time the economic growth of the SLP+ boroughs has continued to lag the London average.

**Fig. 1. Historical performance of headline indicators, 2000 to 2019**

| % y/y | 2000 to 2019 | | 2010 to 2019 | | 2014 to 2019 | |
|---|---|---|---|---|---|---|
| | GVA | Jobs | GVA | Jobs | GVA | Jobs |
| Croydon | 0.7 | -0.5 | 0.5 | 0.7 | -0.3 | 1.4 |
| Kingston-upon-Thames | 1.7 | 0.4 | 1.5 | 0.8 | 1.9 | -0.1 |
| Merton | 1.1 | 0.7 | 1.4 | 2.2 | -0.1 | 0.5 |
| Richmond-upon-Thames | 2.4 | 1.4 | 3.8 | 1.6 | 3.5 | 0.8 |
| Sutton | 0.9 | 0.3 | 0.4 | 0.7 | 0.0 | -0.4 |
| Wandsworth | 2.5 | 0.7 | 2.5 | 1.7 | 1.0 | 1.0 |
| **SLP+** | **1.6** | **0.4** | **1.7** | **1.3** | **1.0** | **0.6** |
| Outer London | 1.6 | 0.6 | 2.0 | 1.6 | 0.9 | 0.6 |
| London | 2.7 | 1.4 | 2.9 | 2.6 | 2.2 | 1.8 |
| UK | 1.9 | 1.0 | 1.9 | 1.4 | 1.7 | 1.3 |

Source: ONS, Oxford Economics

This report provides an assessment of the prospects for the global, UK, and London and South London's expected growth within this context.

[2] Here and in the rest of the report London is used to mean Greater London

### 1.2 REPORT STRUCTURE

This report is structured as follows:

- **Chapter 2** provides a high-level commentary on the current and future performance of the global and UK economies, and what this means for London, with particular focus on the impact of Covid-19;
- **Chapter 3** explores the structure of the SLP+ economy,
- **Chapter 4** presents the disruption and challenges caused by Covid-19 to the SLP+ economy;
- **Chapter 5** presents the recent performance of the SLP+ economy, and our baseline forecast to 2030;
- **Chapter 6** summarises the key issues identified, providing a series of recommendations.

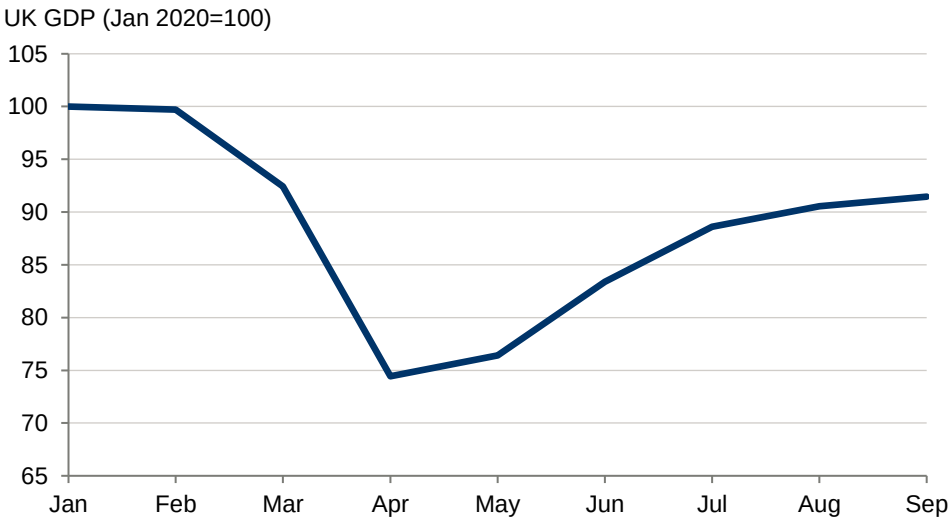
# 2. GLOBAL, UK AND LONDON HISTORY AND FORECASTS

## 2.1 GLOBAL AND UK ECONOMIC CONTEXT

Evidence at both a national and international level highlights the unprecedented challenges the Covid-19 crisis caused for businesses and people in 2020, both across the UK and globally.

Initially, UK monthly GDP[3] slumped sharply as a result of lockdown measures that were introduced to try to limit the spread of the virus, with the UK economy operating at around 75% of pre-pandemic levels in April 2020. With the easing of lockdown restrictions through the summer, GDP then recovered sharply, although the Office for National Statistics' (ONS) release for October 2020 indicated that output was still around 8% lower than in February, just before the crisis took hold.

**Fig. 2. GDP, UK, 2020**




Source: ONS

8.0%

GDP in September remained significantly below pre-pandemic levels.

*GDP in April fell to three-quarters of pre-crisis levels.*

The summertime 2020 upturn in GDP arose through growth across all sectors of the UK economy. Sectors that had been most affected by social distancing measures, most notably accommodation & food services, saw the greatest rebounds as a result of lockdown restrictions easing. Manufacturing, construction, wholesale & retail, and transportation & storage all saw activity recover to varying degrees as a result of the easing of restrictions, having experienced significant initial falls in activity as a result of lockdown in April.

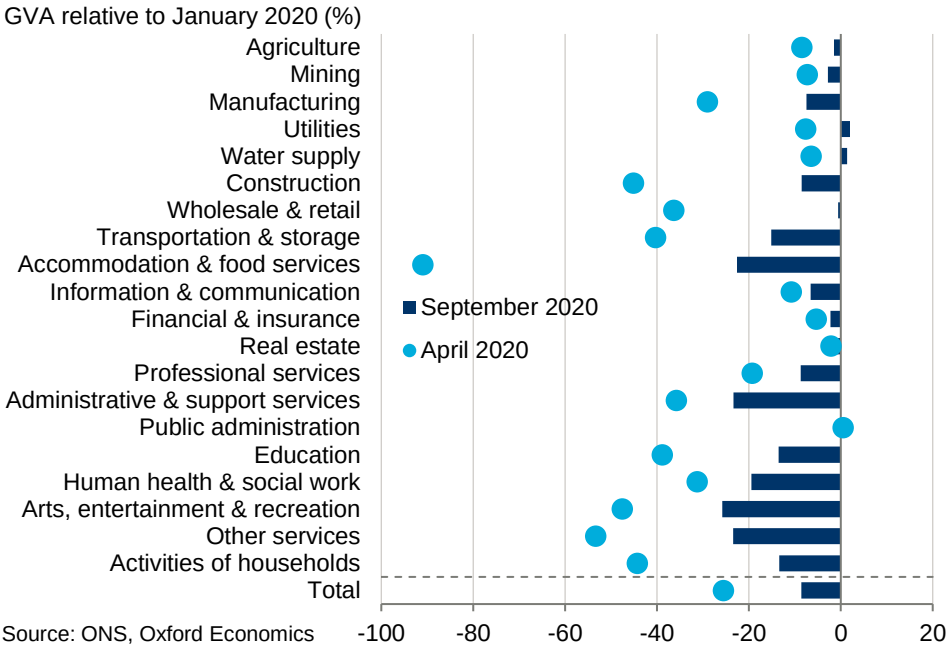
In general, sectors with a high proportion of desk-based employment, including business services such as finance & insurance, information & communication,

[3] Gross domestic product (GDP) is the value of all final goods and services produced within a country. Gross value added (GVA) measures the contribution to GDP made to an economy by an individual producer, industry, sector or region.

and professional services tended to be insulated from the most severe aspects of the crisis. The disruption caused by lockdown measures to schools and universities, and also to the number of medical operations and similar major interventions by hospitals, have led to lower GVA across the education and human health & social work sectors respectively.

*The summertime upturn in GDP arose through growth across all sectors of the UK economy.*

**Fig. 3. GVA by sector, UK, 2020**




Source: ONS, Oxford Economics

Unfortunately, the reintroduction of lockdown measures in November 2020 and the return to the tiered system in December leads to an expectation that UK GDP fell through the final quarter of 2020. On this basis, we expect GDP to have fallen by approximately 1% q/q in Q4 2020. This is less than in the spring, partly as the lockdown measures were less restrictive, with sectors such as manufacturing, construction and education remaining open—the latter avoiding the substantial indirect impact of leaving many parents unable to work, as was the case in the first lockdown. Similarly, as many sectors continued to operate well below pre-pandemic levels, the lower base left less scope for output to fall as sharply.

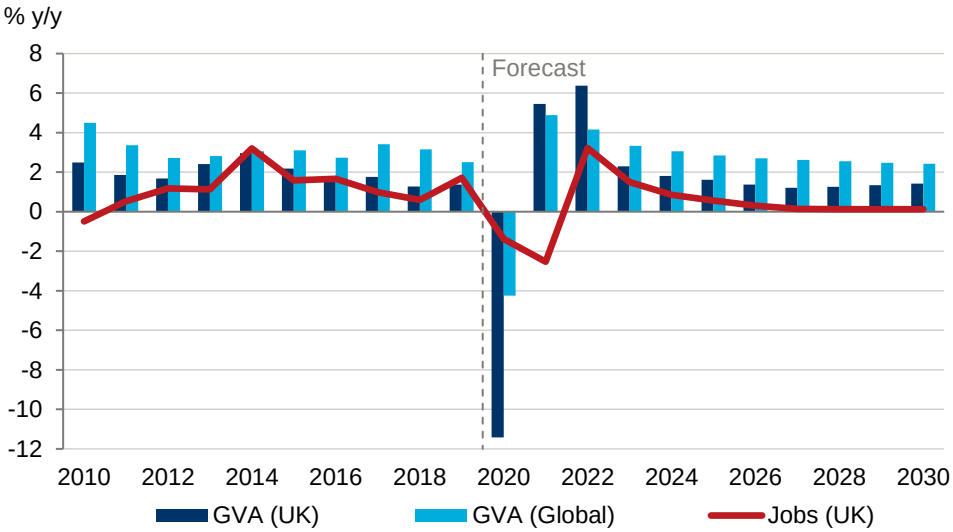
Overall, we therefore expect UK GDP to have contracted by 11.4% in 2020, amounting to a loss of £219 billion (in 2018 prices). We estimate that the UK will have been more affected than the global economy, with GDP contracting by 4.3%.

We expect the introduction of a third lockdown in January 2021 to cause GDP to fall more than 4% q/q in 2021Q1. This is a much smaller drop than seen in Q2 2020, which is due to the less stringent restrictions this time and our expectation that output falls in manufacturing, construction, and retail will be much milder.

The rapid rollout of vaccinations should allow GDP to rebound strongly in 2021 Q2 and continue to recover through 2021 and 2022, allowing GVA to return to pre-crisis levels in 2023. However the near-term forecasts have become more skewed to the downside (see Box 1).

Employment has to some degree been protected by government support, and as such we expect the loss of just under 500,000 jobs in 2020 (-1.4%). We expect a further loss of around 900,000 jobs in 2021, as businesses adjust to new trading conditions once income support schemes expire, before returning to growth thereafter. Like GVA, employment is expected to return to pre-pandemic levels in 2023.

**Fig. 4. GVA and job growth, UK and Global, 2010 to 2030**




Source: ONS, Oxford Economics

**-11.4%**

Contraction in UK GVA in 2020, with employment falling by 1.4%.

*The UK is more severely affected by the crisis than the global economy (-4.3%).*

The UK's economic recovery from the pandemic will be affected by Brexit. The free-trade deal agreed between the EU and the UK in December 2020 will not stop new trade frictions arising from 1 January 2021 but it will reduce the extent of those frictions. However, there remains a high degree of uncertainty as to how it may hinder firms' ability to export both goods and services to nearby EU markets.

### 2.2 LONDON'S ECONOMIC CONTEXT

All regions of the UK will be severely affected by the Covid-19 pandemic. Owing to the underlying strength of the London economy, we expect it to have been the UK's best performing regional economy in 2020. Although GVA is estimated to have contracted sharply in 2020: by 10.4%, amounting to the loss of £47 billion (in 2018 prices).

The characteristics of London's workforce are also relatively favourable: it supports a high proportion of 'desk-based' employment across sectors generally less affected by the pandemic. As a consequence, we currently estimate that London shed just 0.9% of its workforce in 2020 (59,000 jobs); only the South East (-0.8%) will see employment less affected.

**BOX 1: THE HIGH DEGREE OF UNCERTAINTY**

There remains a great deal of uncertainty over the nature and extent of the economic impacts of the crisis. Recent labour market data suggest that the outturn for the London workforce may be less optimistic than our estimate for 2020 suggests.

Monthly payroll data imply that the London workforce is more affected than the rest of the UK, with estimates for October suggesting that the number of payrolled employees was around 5% down on February this year, amounting to a loss of 200,000 jobs.[4] And recent Workforce Jobs data corroborate this view, with employment in professional services and administration & support services particularly affected.[5] However, ONS attribute much of the decline in administrative & support services to employment agencies.

While GVA has remained comparatively resilient in these sectors, across the UK at least (see Fig. 3), there are various reasons why jobs may be lost. These sectors are typically reliant on business-to-business sales, and hence may be suffering from the slowdown of the economy as a whole, while firms seeking to cut overheads may deem some of these services expendable. Similarly, many of London's professional services relate to supporting transactions (e.g. legal services) and may suffer from firms being less able or willing to do so through the crisis.

While the incentives provided by income support schemes might cause firms to instead reduce hours and/or pay of workers as a temporary measure, payroll data suggest that, a slight dip in the spring aside, both mean and median earnings across London have continued to grow month-on-month, and are 5% and 3% above pre-crisis levels (in February) respectively. A further possibility is that the fall in employment reflects a suspension of graduate recruitment.

There is also some evidence from the Labour Force Survey (LFS) that suggests a significant outflow of migrants from the UK this year, equivalent to around half a million working non-UK born residents.[6] London supports a highly international workforce, and would be disproportionately affected by such an exodus: around two-in-five workers in London are non-UK born, while London accounts for over a third of all non-UK born workers across the UK.

Many foreign workers, particularly those younger, who are more likely to have been laid off may have moved back to 'sit out' the crisis. However, it may be partly due to a sampling error—the ONS notes an underrepresentation of households in rented accommodation, in which the non-UK born population are overrepresented; the ONS are adjusting their method accordingly.

It therefore remains to be seen whether this is a statistical anomaly, or if foreign workers choose or are entitled to return to London as the economy recovers through 2021 and beyond. Clearly the loss of a large number of highly-skilled foreign workers would represent a significant risk to the outlook for both the SLP+ economy and London as a whole.

[4] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted

[5] Recent trends in the data have been somewhat erratic, and as such have not been incorporated into our forecasts, although we continue to monitor the situation and adapt our outlook as further information becomes available.

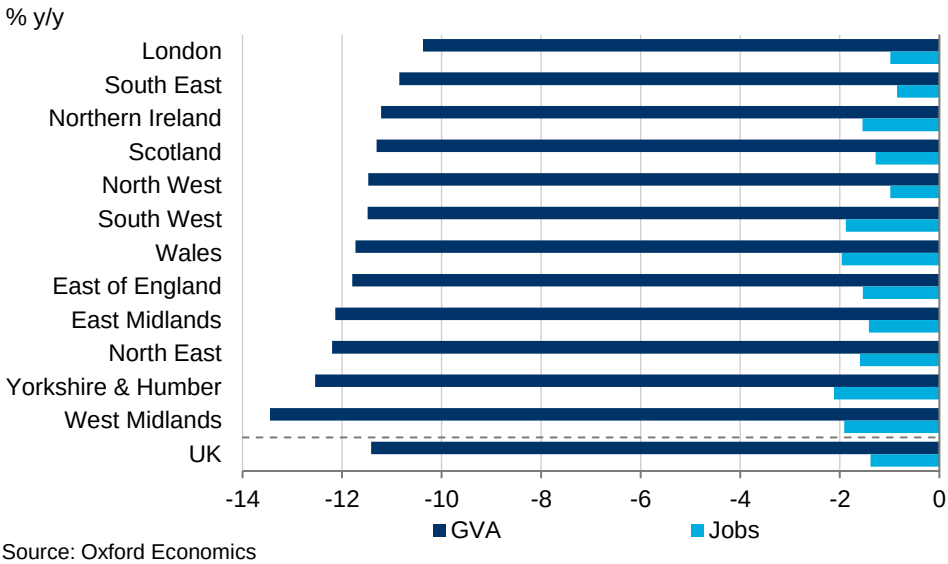
[6] https://ukandeu.ac.uk/labour-force-survey-the-mystery-of-the-shrinking-migrant-workforce/

**-10.4%**

Contraction in London's GVA in 2020.

*London remains the UK's best performing region this year.*

**Fig. 5. GVA and job growth, UK regions, 2019 to 2020**




Source: Oxford Economics

Looking forward, the coronavirus pandemic will probably make London a less attractive place to live relative to some other UK cities and towns, but only very marginally so. We do not see this as a serious threat, and we expect London to continue to be the UK's fastest growing region over the coming decade. GVA is forecast to grow by 1.5% per year on average over the period 2019 to 2030. London will account for a quarter of all additional GVA generated by the UK economy over this period. Although this marks a continuation of longer-term trends, the extent to which London will outperform the UK economy will be less than observed historically.

London's strong performance is in part due to the sectoral composition of its economy. London is a global financial hub, and benefits from a high concentration of the types of business services, such as information & communication and professional services, that will continue to drive growth nationally. We expect that more than half of London's GVA growth over the coming decade may be attributed to business services sectors.

London will also continue to benefit from relatively strong population growth.[7] Although changes to UK migration policy and the underlying ageing of the population will lead to weaker population growth across all regions, London is less exposed to these factors: it supports an overall younger population, and will continue to be an attractive destination for migrants, both domestic and international. London will continue to achieve the fastest population growth across the UK (0.6% per year[8])—accounting for over a third of UK population

[7] Note that population is a derived variable in our forecasting model, to ensure a sensible relationship between economic and demographic variables. We also assume a fall in net migration to the UK in the long run, reflecting government policy to end free movement of labour and actively reduce levels of immigration, which broadly aligns to the ONS' 'low migration' population projection variant. Therefore, our population estimates do not necessarily align to ONS or GLA projections. (See Appendix A for further detail on our forecasting approach).

[8] The GLA 2018-based trend projections for London project average total population growth of 0.8% per year over the same period, with similar figures for the housing-led projections. Oxford Economics slightly weaker forecast would mean that London's population is 1.5% lower by 2030 than implied by both GLA projections. See p.43 for a comparison of the growth projection across the SLP+.

growth. It will also be the only region that can expect the working age population (aged 16 to 64 inclusive) to increase over the coming decade.

Across the UK, falling net migration, coupled with an ageing population, will place further pressures on the labour market. While London will continue to support the fastest employment growth, averaging 0.7% per year, our baseline forecast suggests that future employment growth will lag rates seen historically across all regions.

Brexit will also impact the prospects for London's economy. The free trade deal agreed with the EU covers only goods not services. As a result particular uncertainty surrounds what will happen to trade in services. London's recent growth has been particularly driven by export-orientated service sectors, particularly information & communication, professional services, and real estate, and with a strong bias towards EU trade. A source of concern is that the ongoing negotiations concerning financial and professional services will result in poorer access to firms in these sectors, and that this could therefore result in an outcome that is less favourable to London than to some other regions of the UK.

Overall, Brexit is likely to have an impact on London in three broad areas: financial regulation, migration and skills availability, and reputation. Together, these help to explain why London's future growth is likely to be weaker than it has tended to achieve over the past two decades and more.

**Fig. 6. Headline indicators, UK regions, 2010 to 2030**

| | 2010 to 2019 (% y/y) | | | 2019 to 2030 (% y/y) | | |
|---|---|---|---|---|---|---|
| | GVA | Jobs | Population | GVA | Jobs | Population |
| **London** | **2.9** | **2.6** | **1.2** | **1.5** | **0.7** | **0.6** |
| South East | 1.5 | 1.2 | 0.8 | 1.2 | 0.4 | 0.4 |
| East of England | 2.1 | 1.6 | 0.8 | 1.0 | 0.3 | 0.4 |
| North West | 1.5 | 1.4 | 0.5 | 0.9 | 0.2 | 0.1 |
| South West | 1.5 | 1.2 | 0.7 | 0.9 | 0.1 | 0.3 |
| East Midlands | 1.6 | 1.2 | 0.8 | 0.9 | 0.2 | 0.3 |
| Scotland | 1.4 | 0.8 | 0.4 | 0.9 | 0.2 | 0.0 |
| Northern Ireland | 1.6 | 0.9 | 0.5 | 0.9 | 0.1 | 0.1 |
| Wales | 1.6 | 1.0 | 0.4 | 0.7 | 0.0 | -0.1 |
| Yorkshire & Humber | 1.3 | 0.9 | 0.5 | 0.7 | 0.0 | 0.0 |
| West Midlands | 2.2 | 1.3 | 0.7 | 0.7 | 0.0 | 0.2 |
| North East | 0.5 | 0.6 | 0.4 | 0.6 | -0.1 | -0.2 |
| **UK** | **1.9** | **1.4** | **0.7** | **1.1** | **0.3** | **0.2** |

Source: ONS, Oxford Economics

# 3. SOUTH LONDON'S ECONOMY

## 3.1 INTRODUCTION

The SLP+ is a significant part of the UK economy: home to 1.5 million residents in 2019, generating almost £40 billion in GVA (in 2018 prices), and supporting a workforce of 662,000 jobs. However, the SLP+ economy punches below its weight relative to the rest of London: despite supporting one-in-six residents, and an equivalent proportion of the workforce, it contributes just 9% of the city's overall GVA. At £26,500 (in 2018 prices), GVA per capita is around half the London average (£50,800).

The SLP+ economy is on average less productive than London. We explore the scale and nature of the productivity gap, before exploring the factors that help to explain it: to the types of businesses that operate locally, the sectors they operate in, and other structural characteristics of the SLP+ economy, including the labour market and population. We also assess the emerging impacts of the Covid-19 pandemic.

## 3.2 STRUCTURAL CHARACTERISTICS OF THE SLP+ ECONOMY

### 3.2.1 Productivity gap

The SLP+ economy is typically less productive than London as a whole: in 2019, each job generated £60,200 of GVA on average (in 2018 prices), lagging both Outer London (£62,900) and London as a whole (£75,400), although above the national economy (£53,700).

The productivity gap to the London economy can in part be explained by the **sectoral composition** of the SLP+ (outlined further in Section 3.2.2). In general, the SLP+ supports a greater share of activity in generally less-productive sectors than across London, and is underrepresented in higher-value sectors. Around a third of the productivity gap may be explained by sectoral mix alone: if the SLP+ were to reflect London's sectoral mix, productivity would be £5,100 (in 2018 prices) or 8% higher. Indeed, Richmond-upon-Thames is the only SLP+ borough more productive than London as a whole (£77,700 per job), and is the only borough to benefit from a more favourable sectoral mix.

The remaining two-thirds of the productivity gap with London as a whole can be explained by an **underperformance within sectors**: firms in the SLP+ are on average less productive than their counterparts elsewhere in the city. Were the SLP+ workforce able to match London's productivity within sectors, but retain its sectoral mix, productivity would be £10,000 (in 2018 prices) or 17% higher.

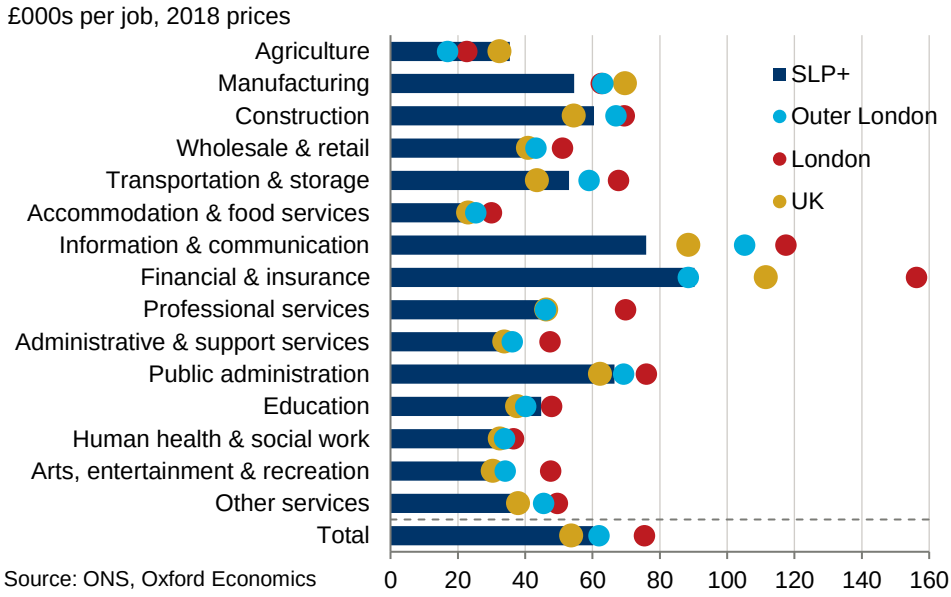
The SLP+ exhibits higher productivity than London in just two of the 15 sectors presented in Fig. 7. The productivity gap is notably highest in business service sectors, information & communication, and professional services—the SLP+ also tends to underperform the UK economy within these sectors. This comparative disadvantage is of particular concern as many business services are expected to be among the fastest-growing sectors into the future, both across London and nationally.

**£15,200**

Productivity gap to London (in 2018 prices).

*The SLP+ is more productive than London as a whole in only two sectors.*

**Fig. 7. Productivity by sector, 2019[9]**




Source: ONS, Oxford Economics

### 3.2.2 Sectoral structure

The sectoral structure of the local economy can both help to explain the productivity gap to the rest of London, and provides an indication of the extent to which the SLP+ economy will be impacted by the Covid-19 crisis.

**Real estate** is the SLP+ economy's largest sector, accounting for over a quarter of total GVA (£10.4 billion in 2018 prices) in 2019—far exceeding the share across London (15.1%) and almost twice that across the UK (13.5%). Real estate is also the largest sector across each of the SLP+ boroughs.

Real estate GVA includes rental income and the imputed rents of owner-occupiers, and the dominance of this sector is largely a reflection of the comparatively high housing costs across the SLP+. A recent GLA study estimated that around just 16% of London's GVA in the real estate sector is attributable to the workforce.[10] Indeed, this sector is among the smaller employers across the SLP+, supporting just 2.1% of the workforce in 2019 (14,000 jobs).

The relative concentration of GVA in real estate may also indicate an absence of other dominant sectors in the local economy, reflected in the SLP+'s comparatively low levels of GVA per capita. Sectors that support the local population tend to be well represented: **wholesale & retail** is the SLP+'s second largest sector in GVA terms (9.7%), alongside a high share of sectors dominated by the public sector such as **human health & social work** (8.3%) and **education** (7.5%). These sectors also tend to support much of the SLP+

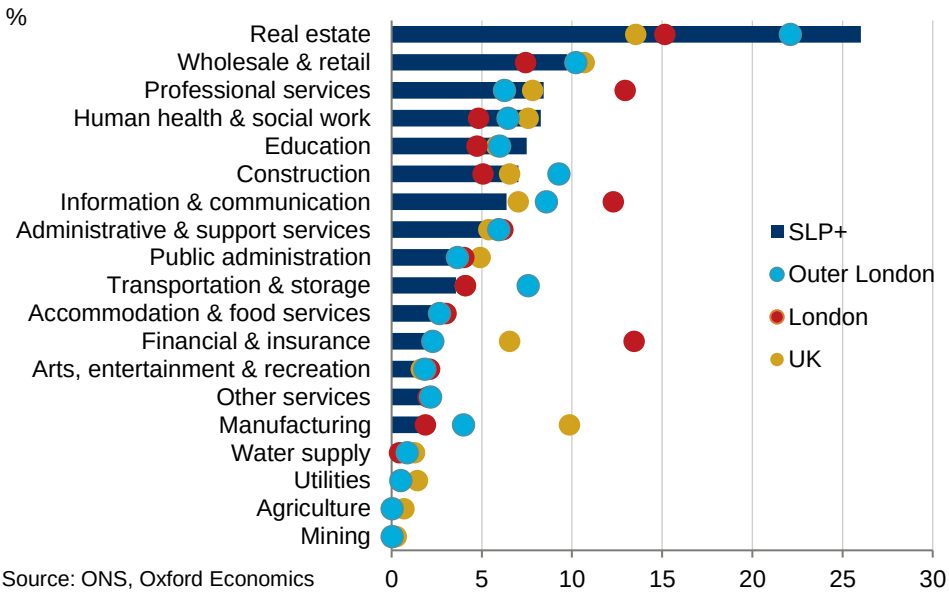
[9] Note that GVA per job estimates are not necessarily reflective of the average output of labour in highly capital-intensive sectors such as mining & quarrying, electricity, gas, steam & air and water supply, while GVA figures for the real estate activities sector are largely a reflection of imputed rents, rather than productive economic activity. All four sectors are therefore excluded.

[10] https://www.london.gov.uk/sites/default/files/glae_working_paper_-_gva_per_workforce_job_in_london_and_the_uk_-_february_2015_-_final.pdf

workforce. Wholesale & retail is the SLP+'s largest sector in employment terms, supporting 94,000 jobs or one-in-seven across the workforce, followed closely by human health & social work (88,000 jobs). Education (67,000 jobs) also supports a relatively large workforce.

Hospitality sectors, comprising **accommodation & food services** and **arts, entertainment & recreation**, account for 6.0% of GVA across the SLP+, indicating a greater reliance on these sectors than both London (5.1%) and the UK (4.6%). Collectively, these sectors support 74,000 jobs locally, 11.2% of all jobs. The prevalence of these sectors is partly linked to tourism and the high levels of disposable income of the SLP+'s comparatively wealthy residents. However, these sectors are among the most exposed to the economic consequences of the pandemic, with lockdown measures restricting operations and social distancing limiting capacity when firms can operate.

**Fig. 8. GVA by sector, 2019**




Source: ONS, Oxford Economics

**26%**

Share of SLP+ GVA in the real estate activities sector in 2019.

*A reflection of the SLP+'s large population, high house prices and rental costs.*

The SLP+ economy tends to support a smaller share of the types of business services that characterise the London economy. Although London is a global financial hub, and **finance & insurance** is the second-largest across the city, it formed just 2.6% of SLP+ GVA in 2019, and supported a similarly modest 1.7% of employment (11,000 jobs).

**Professional services** (8.4%) and **information & communication** (6.4%) are similarly underrepresented locally in GVA terms, while **administrative & support services** (6.1%) broadly in line with elsewhere. Both professional and administrative services support the third-largest workforces, totalling 71,000 jobs each, while information & communication supports a further 33,000 jobs.

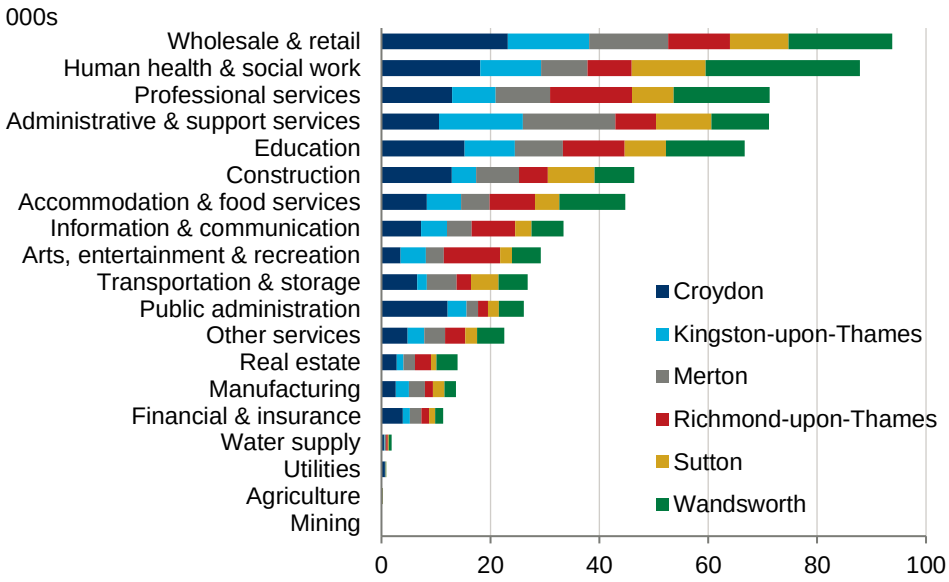
Collectively, business services support more than a quarter of the SLP+ workforce (187,000 jobs). These sectors employ high proportions of desk-based workers, who have largely been able to transition to home working throughout the crisis. So the economic impact of the crisis in this sector has been modest compared with many other parts of the economy.

**Fig. 9. Jobs by sector, 2019**

94,000

Wholesale & retail jobs in 2019.

*The SLP+'s largest employer.*




Source: ONS, Oxford Economics

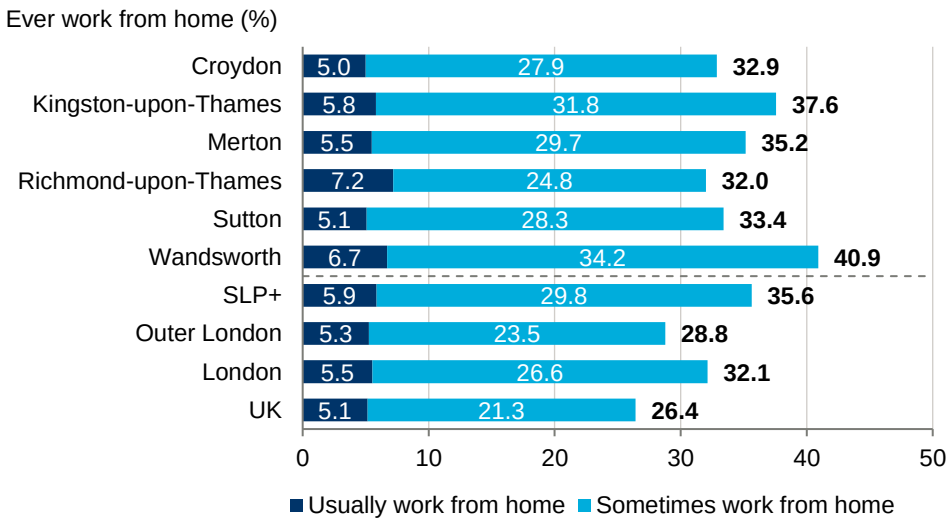
Even prior to the crisis, the SLP+ economy is estimated to have supported a high proportion of home working. Drawing on regional estimates of home working, and the characteristics or regional and local economies, we estimate that 35.6% of workers either usually (5.9%) or sometimes (29.8%) worked from home in 2019. This share outperforms both Outer London (28.8%) and London as a whole (32.1%), and the national average (26.4%). In April 2020. the ONS estimated that 57% of London workers had done at least some of their work from home in the week of the survey—the highest rate across all regions, and some 11 percentage points higher than the UK average. Together these points suggest that some workers in the SLP+ may have found it easier to adapt to home working from the onset of the coronavirus pandemic earlier this year, relative to other areas.

**Fig. 10. Home working estimates, 2019**

36%

SLP+ residents who usually or sometimes worked from home in 2019.

*A higher share than regionally or nationally.*




Source: ONS, Oxford Economics

### 3.2.3 Priority sectors and areas of expertise

The SLP's refreshed Growth Proposition highlights a range of **priority sectors** for the sub-region, within which it hopes to attract high value jobs.

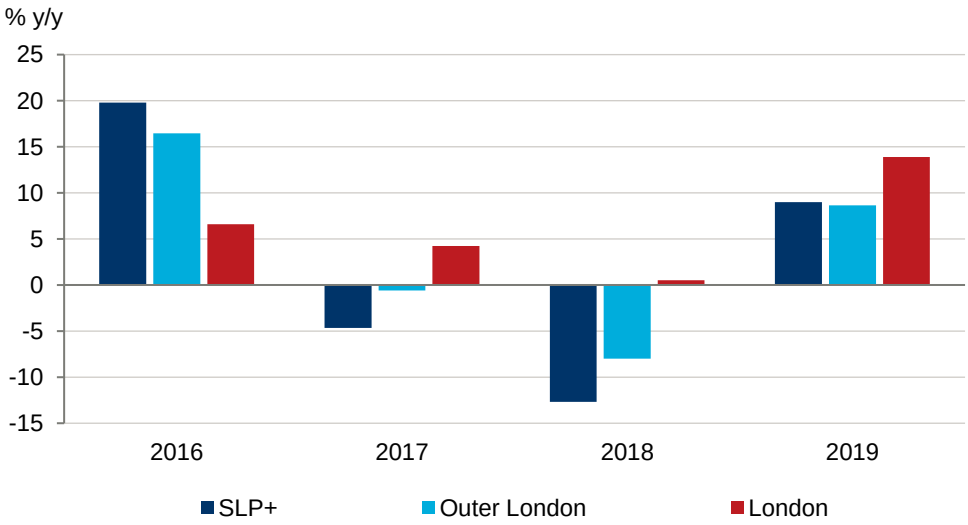
The evidence suggests the existence of a significant local **technology** sector. Drawing on a NESTA definition,[11] we observe that the tech sector has experienced significant employment growth over recent years: although data are only available for a short period, and are subject to fluctuations, the tech workforce grew to over 23,000 workers in 2019, an increase of 1,800 jobs since 2015. Indeed, tech alone accounted for almost half (45%) of employment growth across the SLP+ economy over this period, compared to under a quarter across London (23%), and under a fifth across Outer London (19%).

**Fig. 11. Employment growth in the tech sector, 2019**

45%

Contribution of tech to additional employment, 2015 to 2019.

*The SLP+ workforce added 1,800 tech jobs over this period.*

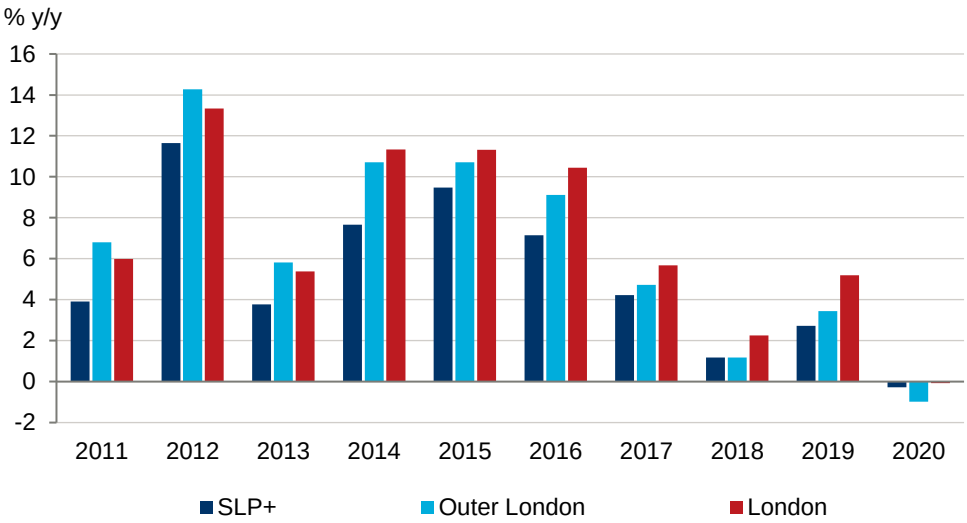



Source: ONS, Oxford Economics

The tech sector has played an important role in driving business growth. In 2020, more than 8,000 enterprises were operating in the tech sector across the SLP+, and this number has grown significantly over the preceding decade, increasing by nearly 3,500 enterprises at an average of 5.1% per year. However business growth has lagged both Outer London (6.5% per year) and London as a whole (7.0% per year) over this period.

[11] https://media.nesta.org.uk/documents/tech_nation_2016_report.pdf

**Fig. 12. Business growth in the tech sector, 2010 to 2020**




Source: ONS, Oxford Economics

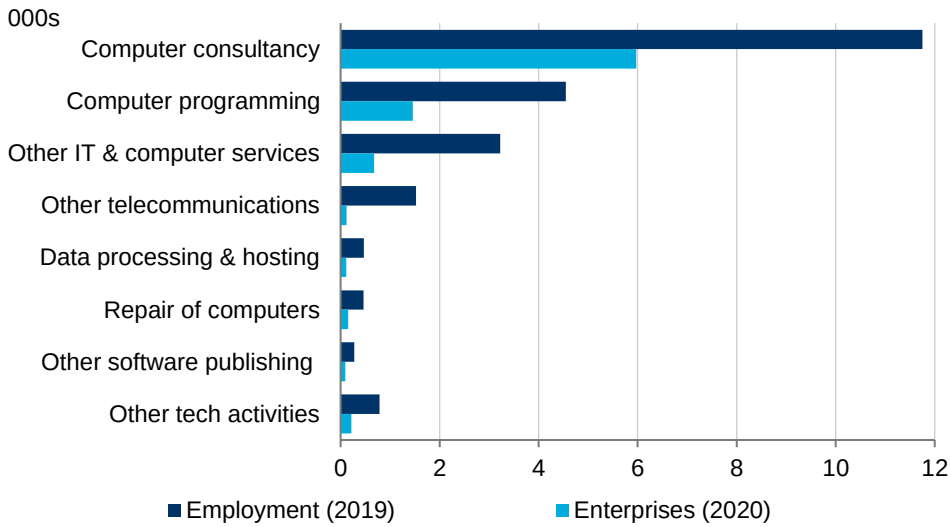
**5.1%**

Annual growth in tech businesses from 2010 to 2020.

*The SLP+ supported a net increase of 3,500 tech firms over this period.*

The SLP+'s tech sector is dominated by computer-related activities. Computer consultancy alone accounts for more than half of employment (11,800 jobs) and two-thirds of businesses (6,000), while computer (4,600 jobs) and other IT & computer services (3,200 jobs) are the other larger tech sector activities locally.

**Fig. 13. Tech sector by activity, SLP+**




Source: ONS, Oxford Economics

**11,800**

Jobs in computer consultancy, 2019.

*Computer-related activities dominate the SLP+'s tech sector.*

An analysis of employment at a more granular level helps to identify other specialisms within the local economy, which largely reflect the sub-regional priority sectors that underpin the refresh of the SLP Growth Proposition. Fig. 14 presents a selection of more granular sectors within which the SLP+ specialises relative to Outer London, the sub-region with which the SLP+ is most likely to compete with to attract investment.

As identified in the Growth Proposition refresh, activities in **creative industries** such as creative, arts & entertainment (3,500 jobs), and amusement & recreation (2,000 jobs) are well represented in the local workforce. The strength in these activities may be linked to the tourism economy—travel agency & tour operators (3,300 jobs) are also well represented locally—and the large and relatively affluent resident population, whose higher disposable incomes may lead to greater spending on cultural activities.

**Life sciences** such as research & experimental development on natural sciences & engineering (2,200 jobs) are well represented in the local workforce, linked to the London Cancer Hub at The Royal Marsden in Sutton. And opportunities exist to build on this asset to enable growth in the related **health & care** sector, further strengthening this cluster.

**Construction engineering** is also highly represented most notably in architectural & engineering activities, which supported almost 12,000 jobs across the SLP+ in 2019, alongside associated activities such as technical testing & analysis (1,100 jobs) and specialised design activities (1,900 jobs).

Other notable specialisms not specifically identified in the forthcoming Growth Proposition include **higher education** (7,900 jobs), reflecting the presence of institutions such as the universities of Kingston and Roehampton (London Campus), and the American International University. **Financial services** such as trusts & funds (500 jobs), and **insurance** (800 jobs) are also prevalent locally.

**Fig. 14. Selected list of specialisms, SLP+ relative to Outer London[12]**

| Specialism | Sector | Employment (2019) | | Enterprises (000s, 2000) |
|---|---|---|---|---|
| | | 000s | Location quotient | |
| Trusts, funds & similar entities | Finance & insurance | 0.5 | 2.8 | <0.1 |
| Insurance | Finance & insurance | 0.8 | 2.4 | <0.1 |
| Conventions & trade shows | Administration & support | 2.2 | 2.4 | 0.2 |
| Passenger rail transport (interurban) | Transport & storage | 2.6 | 2.0 | <0.1 |
| Publishing activities | Information & communication | 2.8 | 2.0 | 0.4 |
| Amusement & recreation activities | Arts, entertainment & recreation | 2.0 | 1.9 | 0.2 |
| Higher education | Education | 7.9 | 1.9 | <0.1 |
| Architectural & engineering activities | Professional services | 11.8 | 1.9 | 2.5 |
| Technical testing & analysis | Professional services | 1.1 | 1.8 | 0.1 |
| Creative, arts & entertainment | Arts, entertainment & recreation | 3.5 | 1.7 | 1.5 |
| Travel agency & tour operators | Administration & support | 3.3 | 1.7 | 0.3 |
| Specialised design activities | Professional services | 1.9 | 1.7 | 1.1 |
| Natural sciences & engineering R&D | Professional services | 2.2 | 1.6 | 0.1 |

Source: ONS, Oxford Economics

[12] To identify the SLP+'s specialist sectors, we have used Location Quotients (LQs), a measure of the relative concentration of employment: LQ above one indicates that a certain sub-sector is more prevalent across the SLP+ economy, while a higher LQ indicates an increasing degree of specialisation. We consider the 273 'three digit' sectoral groups defined by the Standard Industrial Classification (SIC) 2007.

### 3.2.4 Businesses

The productivity gap within sectors may be linked to the composition of the local business base. The SLP+ supports proportionately fewer large firms, which are typically able to benefit from greater economies of scale. Data for this year indicate that over 93% of the enterprises operating in the SLP+ economy are 'micro'-sized, employing nine or fewer workers. The equivalent rate is around 91% across London as a whole, and even lower again across the UK. As a consequence, the SLP+ economy supports proportionately fewer 'small', 'medium' and 'large' firms. This characteristic is common among each of the six boroughs.

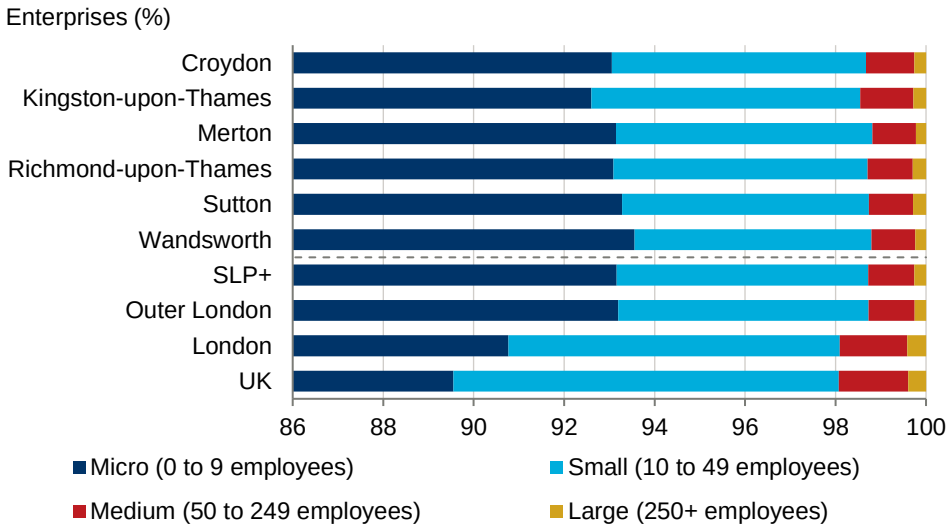
A high proportion of 'micro' firms may also result from the prevalence of self-employment within the SLP+ economy. The 105,000 self-employed workers amounted to 15.9% of the workforce in 2019, exceeding the rates across London (13.0%) and nationally (13.1%). Self-employment is increasing as a share of the workforce: one-in-four jobs generated across the SLP+ economy through the 2010s were self-employed. However, self-employed workers have typically found themselves more exposed to the negative consequences of the Covid-19 pandemic than employees, suffering from weaker job security and more stringent conditions on government income support.

**Fig. 15. Businesses by size band, 2020**

93%

Proportion of firms with fewer than 10 employees in 2020.

*The SLP+ supports a high proportion of 'micro' firms and self-employment.*



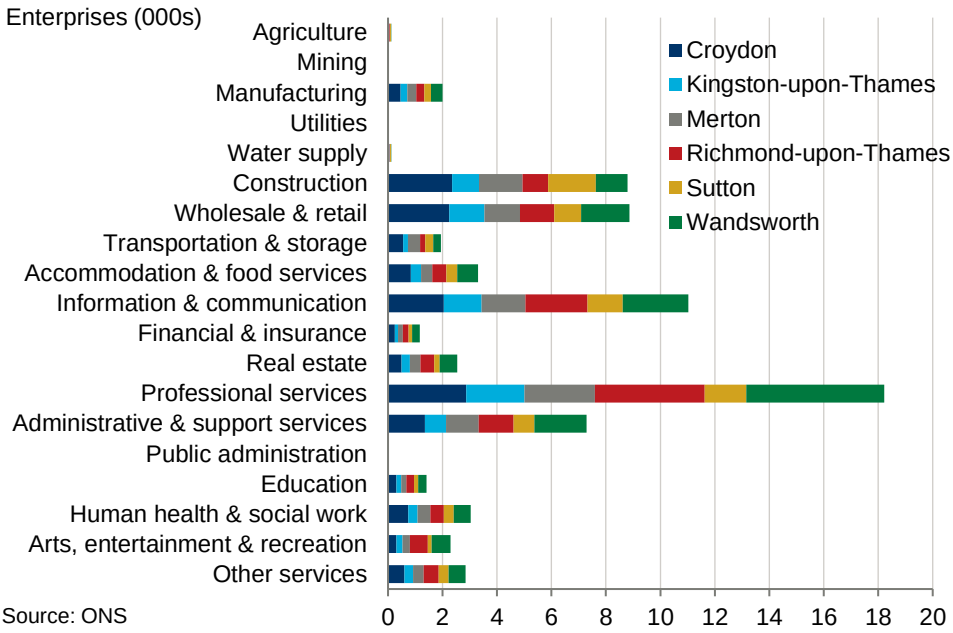

Source: ONS, Oxford Economics

Business services are well represented among the SLP+'s business base. Professional services alone account for 18,200 firms, or 24% of the total, followed by information & communication (11,000 firms). In both instances, almost all firms (97%) are 'micro'-sized.

However, ONS statistics understate the true business population. Drawing on the Inter-Departmental Business Register, they exclude firms that operate below the VAT and/or PAYE threshold. Estimates by the Department for Business, Energy, and Industrial Strategy (BEIS) suggest that around 54% of firms operating in London in 2020 were 'unregistered'. However, owing to their lack of size, they make a more limited contribution to the economy: unregistered firms account for just 12.1% of employment, and 2.1% of turnover.

The prevalence of information & communication and professional services firms in ONS data may therefore reflect the generally higher productivity of these sectors, enabling more firms to achieve a turnover sufficient to exceed the thresholds to appear in business statistics, while smaller firms in other sectors remain uncaptured.

**Fig. 16. Businesses by sector, SLP+, 2020**




Source: ONS

**18,200**

Firms in the professional services sector.

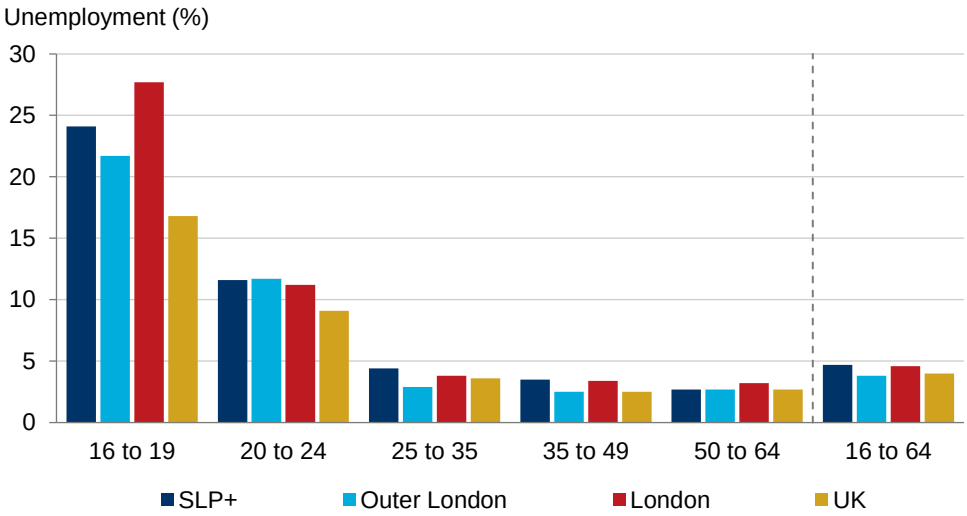
*Almost one in four businesses.*

### 3.2.5 Labour market and connectivity

Prior to the coronavirus pandemic, the SLP+ benefitted from low rates of unemployment. In 2019, 31,200 working age residents were unemployed, 3.8% of the total. The unemployment rate was lower than both London (4.6%) and the UK as a whole (4.0%).

A comparison of the unemployment rate by age band shows that it tends to fall by age, although generally this variation is more pronounced in the SLP+: it has relatively high rates of unemployment among under 25s, by national standards, but typically lower rates within older age groups.

**Fig. 17. Unemployment by age group, 2019**




Source: ONS, Oxford Economics

**4.6%**

Working age residents who were unemployed in 2019.

*Both absolute and relative unemployment tends to be higher among younger age groups.*

The SLP+ is also home to a large outflow of commuters, who take up employment elsewhere. While around 850,000 residents of the SLP+ were in employment in 2019, the economy supports just 590,000 people-based jobs,[13] implying a significant *net* outflow of around 258,000 residents commuting elsewhere to work.

Evidence on *gross* commuting flows (i.e. both the origin and destination of workers) drawn from the 2011 Census indicates a significant outflow of workers to central London,[14] amounting to 219,000 residents in employment, or 37% of the total. Residents retained within the SLP+ workforce only marginally surpasses the outflow to central London, totalling 243,000 residents, or 41% of the total.

Conversely, the fewer jobs in the SLP+ workforce tend to be taken up by local residents. In 2011, 71% of the SLP+ workforce (384,000 workers) also lived in the area. However, commuting across SLP+ boroughs was somewhat limited: just 17% of the workforce (90,000 workers) commuted to another SLP+ borough to work, while 54% (294,000 workers) lived in the same borough as they work.

The SLP+ also exhibits relatively limited commuting flows to and from the rest of the Coast to Capital (C2C) LEP (i.e. excluding Croydon). Just 29,000 residents (5%) out-commuted to the rest of the C2C LEP, while 31,000 workers (6% of the workforce) made the reverse journey in to the SLP+. Instead, Central London (43,000 workers) was a greater destination for residents of the rest of the C2C LEP.

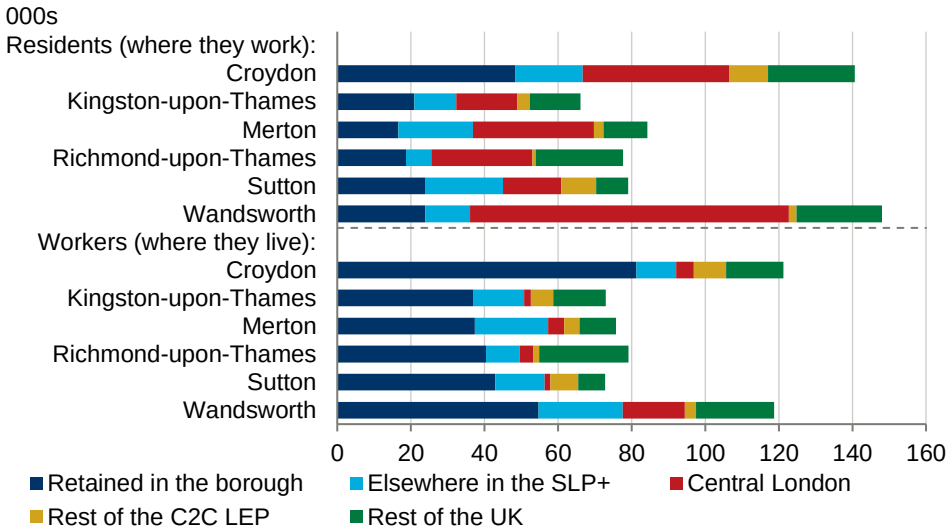
[13] A measure of employment that accounts for the propensity for some workers to support two or more jobs.
[14] Defined for this purpose as the London Boroughs of Camden, Hammersmith & Fulham, Islington, Kensington & Chelsea and Southwark, and the Cities of Westminster and London—a broad approximation of the Central Activities Zone (CAZ).

**219,000**

Outflow of commuters to Central London in 2011.

*Equivalent to 37% of all residents in employment.*

**Fig. 18. Gross commuting flows, 2011[15]**




Source: ONS, Oxford Economics

The significant outflow of commuters to take up typically higher-paid jobs in central London is demonstrated in the earnings differential between residents and the workforce of the SLP+.

Many SLP+ boroughs to benefit from among the highest resident earnings of all local authorities across the UK. In 2019, the median weekly earnings of SLP+ residents was £776, greater than across London (£716). Richmond-upon-Thames (£987) supports the fourth-highest resident earnings across all London boroughs, while Croydon (£634) is the only SLP+ borough where resident earnings lag London as a whole.

By contrast, resident earnings are around a third higher than the equivalent median workplace earnings (£584 per week). This earnings gap is common across Outer London as a whole, albeit of a lesser magnitude.

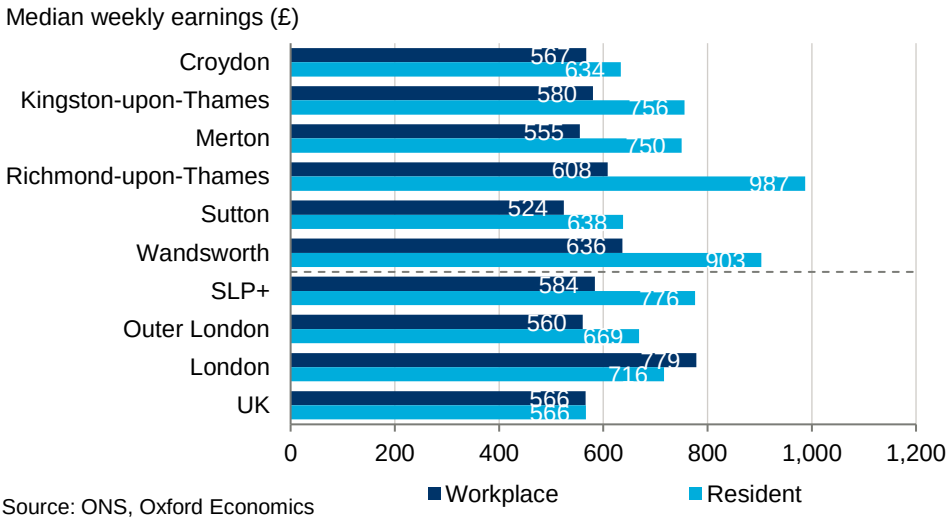
[15] Workers retained in the borough (i.e. who also live locally) include those that mainly work at or from home, or in no fixed place.

**£776**

Median weekly resident earnings in 2019.

*Median resident earnings are around a third higher than equivalent workplace earnings.*

**Fig. 19. Median weekly workplace and resident earnings, 2019**




Source: ONS, Oxford Economics

High resident earnings are also a reflection of a highly-skilled population: in 2019, 57% of the SLP+'s working age population were qualified to NVQ level 4+ (i.e. degree or above), three percentage points greater than across London (54%), and significantly above the national rate (40%). And 70% are qualified to NVQ level 3 or above.

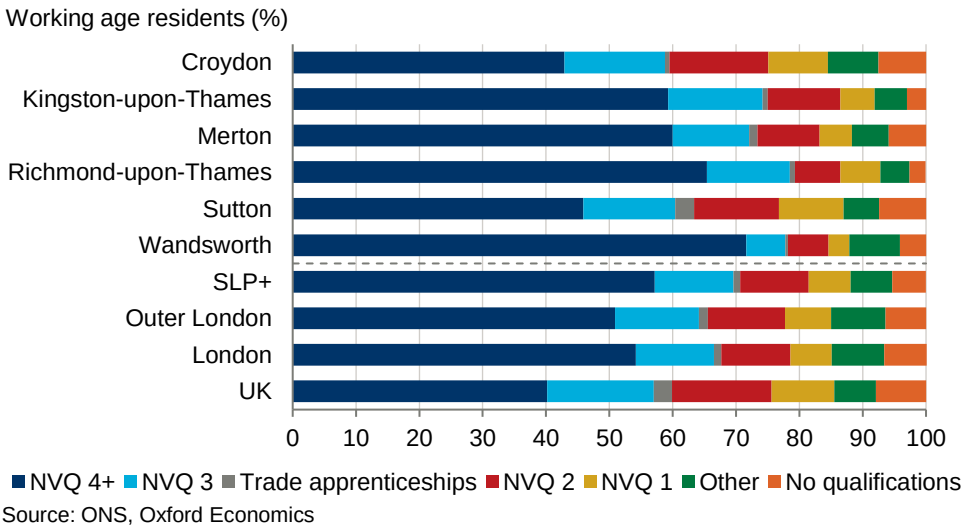
The large commuting outflows to central London help to explain why the highly-skilled population does not manifest itself in a larger and more productive local economy. It may also reflect the choice of highly-qualified workers to move to the SLP+ in order to benefit from access to the central London labour market, who might otherwise live in other parts of the city. Indeed, Wandsworth, the borough that benefits from the largest outflow of commuters and some of the best transport links with central London, also has the most well-qualified residents. That the SLP+ is able to attract these highly-qualified workers to live locally, as opposed to other areas of London or the South East, is also indicitive of the relative good quality of life experienced by its residents, explored further the following sub-section.

**57%**

Residents qualified to NVQ 4+ in 2019.

*The SLP+ population is generally better qualified the rest of London.*

**Fig. 20. Resident qualifications, 2019**




Source: ONS, Oxford Economics

### 3.2.6 Potential impact of automation on employment

Clearly, increasing automation affects the types of jobs required by employers. As reflected in our baseline forecasts, automation affects different sectors to differing degrees: manufacturing is among the most immediately exposed, although sectors such as wholesale & retail, finance, and other business services will also see significant changes to how they operate as a result of increasing use of technology.

Although focussed on the US labour market, Oxford Economics' research on the AI paradox highlights many of the changes to the nature of work that that are applicable to the SLP.[16] It is expected that technological change will lead to a significant number of workers seeking out new professions in the coming decade. But history has shown that technological change leads to job creation as well as automation, and fears that technology will gradually squeeze workers out of the production process altogether are likely to be unfounded.

Instead, our analysis indicates that technology is likely to change the nature of work, rather than the number of jobs. As technology becomes increasingly good at automating more cognitive tasks, we expect a 'hollowing out' of the labour market: workers in routine, mid-skilled jobs are disproportionately affected, with jobs spread out to the lower- and higher-skilled ends of the jobs market. But for many, technology will increasingly take on the most repetitive and regimented tasks, paradoxically freeing people up to work on the things that people do best. With regard to the SLP's business services, such as information & communications and professional services, our baseline forecasts reflect continued growth in the workforce as a result.

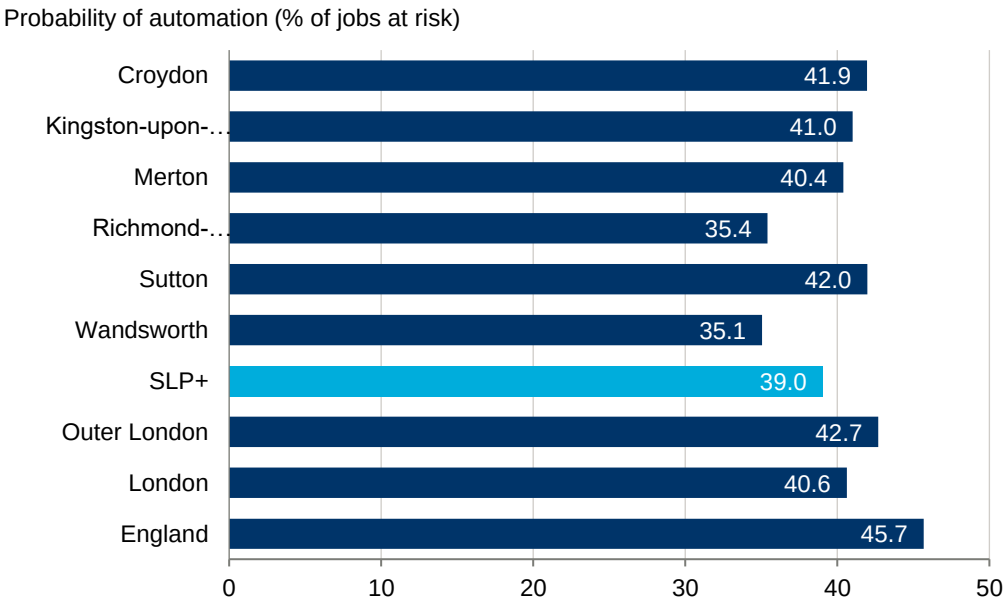
The ONS recently published an analysis looking at the spatial implications of automation, through matching the characteristics of jobs vulnerable to automation to the occupational mix of each local authority area.[17]

According to this analysis, relatively few jobs in the SLP+ are at risk of automation (39%), compared to elsewhere in England (46%). The SLP+ average outperforms both Outer London (43%) and London as a whole (41%) on this measure. Wandsworth and Richmond-upon-Thames both (35%) support workforces among the least exposed to automation nationally, ranking fourth and fifth lowest respectively. And at the other end of the scale, both Croydon and Sutton (both 42%) rank among the 20% most exposed local authority areas in England.

[16] https://www.oxfordeconomics.com/recent-releases/the-AI-paradox

[17] ONS, (2019); *Which occupations are at highest risk of being automated?* https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/whichoccupationsareathighestriskofbeingautomated/2019-03-25

**Fig. 21. Probability of automation, 2017**

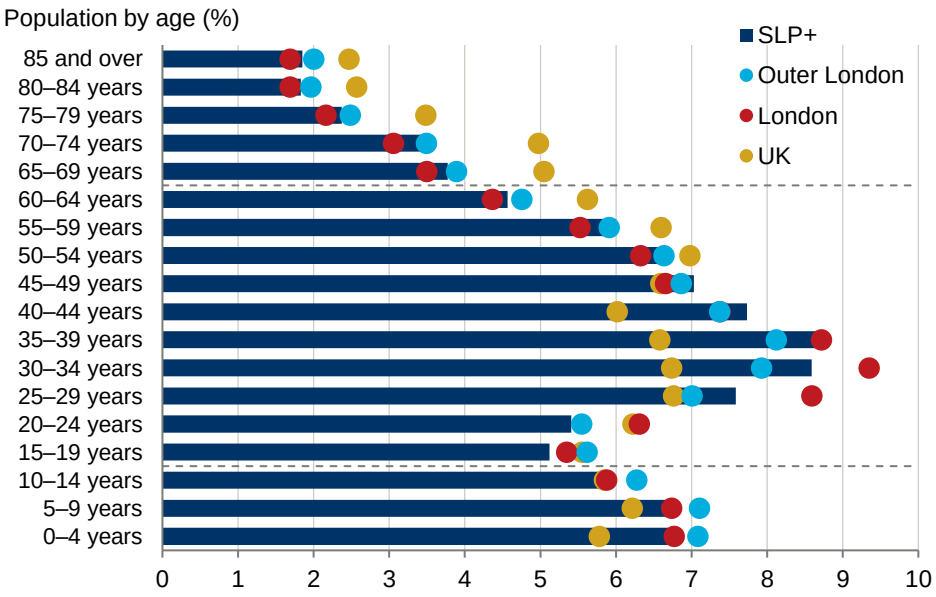



Source: ONS, Oxford Economics

### 3.2.7 Population and quality of life

The SLP+ is home to 1.5 million residents, of which around two-thirds (996,000) are of working age (16 to 64 inclusive). The SLP+ has a slightly older population than London as a whole—it has a lower share of working age residents than aross the city (67.4%), and a higher population aged 65 and over (13.2% compared to 12.1%)—although the population is relatively young by national standards.

**Fig. 22. Population by age band, 2019**




Source: ONS, Oxford Economics

**67.4%**

Residents of working age (16 to 64 inclusive).

*Both the SLP+ and London have a younger population than the UK.*

Earnings data demonstrate that the SLP+ supports a relatively affluent population and deprivation is also relatively low. According to the English Indices of Deprivation, fewer than 7% of the SLP+'s neighbourhoods are among the top fifth most deprived in England, while around two-thirds are among the least deprived.

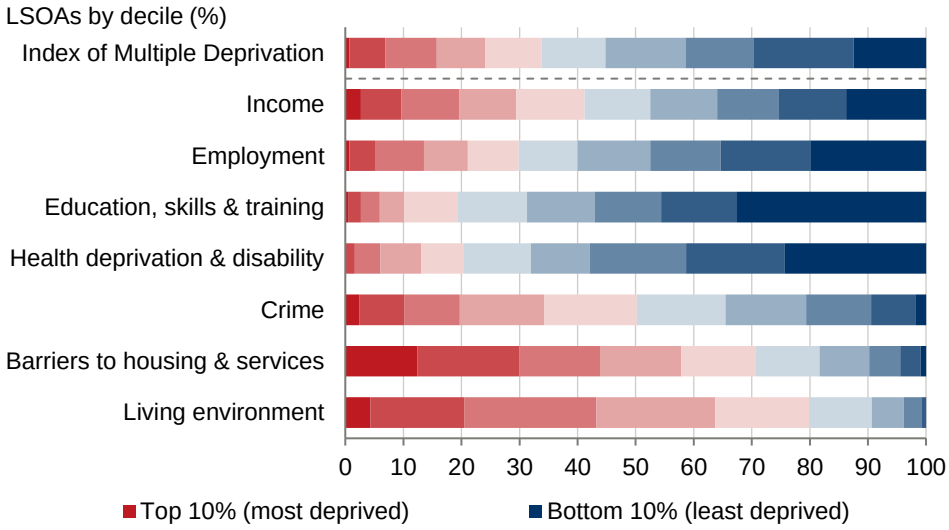
The overall Index of Multiple Deprivation comprises seven domains. Neighbourhoods in the SLP+ perform comparatively well across the health deprivation & disability, education, and skills & training domains, while strong employment prospects and high earnings manifest in both the income and employment domains. The other two domains are crime and barriers to housing services.

**Fig. 23. Domains of deprivation, SLP+, 2019**

66%

Neighbourhoods less deprived than the England average.

*The SLP+ has relatively few areas that suffer from the most acute relative deprivation across England.*




Source: MHCLG, Oxford Economics

However, the SLP+ tends to perform less well on the barriers to housing & services and living environment domains. The former is influenced by housing costs and the relative affordability of housing locally.

Across the SLP, the average house costs £488,000, twice the national average, equivalent to more than 12 times the median annual resident earnings. Recent house price growth has far outstripped earnings: the equivalent rate a decade ago was just nine times annual earnings.

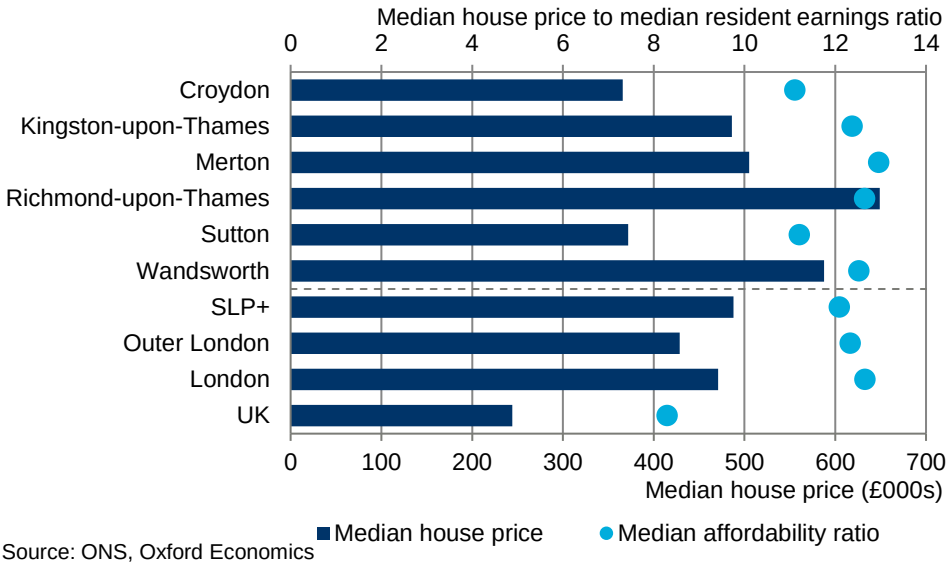
This affordability ratio is also broadly consistent among the SLP+'s six boroughs, and only slightly lags London as a whole. By contrast, the equivalent median house price equates to only eight times median earnings across the UK.

**£496,000**

Average house prices in 2019.

*Equivalent to around 12 times the median annual resident earnings.*

**Fig. 24. Median house prices and affordability ratio, 2019**




Source: ONS, Oxford Economics

# 4. ECONOMIC IMPACTS OF COVID-19 ON THE SLP+ ECONOMY

### 4.1 EMERGING EVIDENCE

While the bulk of economic and labour market data required to fully assess the implications of Covid-19 across the SLP+ are not yet available, administrative statistics indicate that the crisis has led to a sharp rise in unemployment.

According to the latest claimant count data, the number of claimants across the SLP+ has risen to 67,000 in November 2020, an increase of 39,800 claimants, or 146%, since March (27,300 claimants).[18] Claimants have risen from 2.8% of the working age population in March to 6.7% in November. Although this represents a significant increase, both Outer London and London as a whole suffer from both higher rates of claimants, and a greater increase over this period. However, the claimant rate in November 2020 is higher than the UK having previously been marginally lower in March 2020.

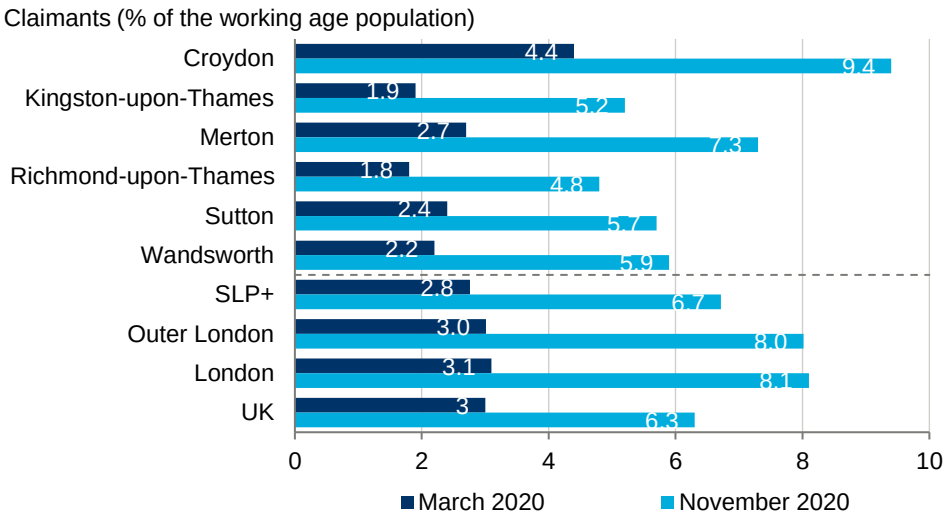
There is also a degree of variation between the SLP+ boroughs: those with higher rates at the beginning of the crisis have been most affected, including Croydon (9.4%) and Merton (7.3%), while the remaining boroughs have generally seen a less drastic change in the rate of claimants.

**Fig. 25. Claimant count, March 2020 to November 2020**

6.7%

Claimants as a proportion of the working age population in November 2020.

*A sharp increase since March (2.8%).*



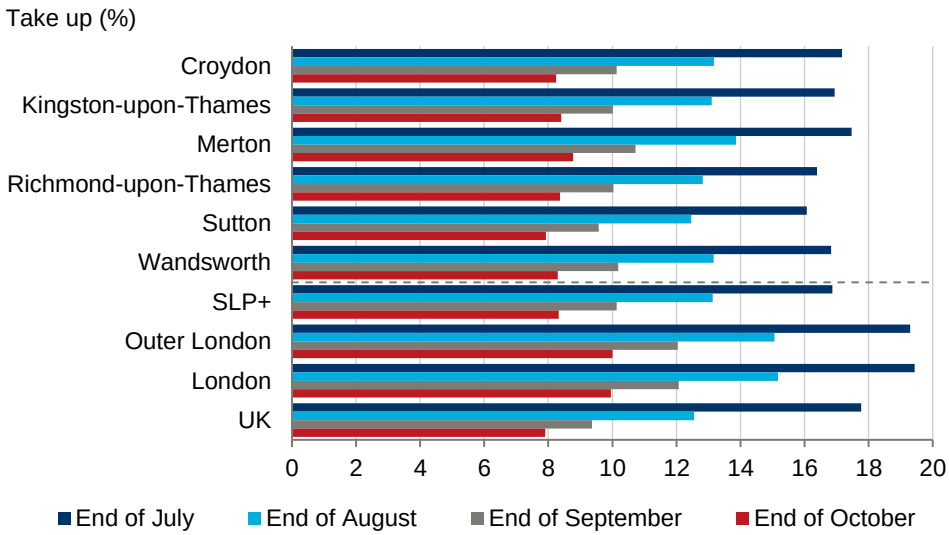

Source: ONS, Oxford Economics

HMRC provide data on the rate at which workers have been furloughed as a result of the Coronavirus Job Retention Scheme (CJRS). At the end of July 2020, the CJRS was supporting 17% of eligible employments, lower than the London average at over 19% but broadly in line with the UK. Data for the end

[18] Claimant count is a timely proxy for unemployment, particularly at a local level. However, due to measurement issues it is an imperfect measure, since June 2015 the Claimant Count is designated as an 'experimental statistic', and has included out of work Universal Credit claimants as well as Jobseeker's Allowance claimants.

of October 2020 indicate that over 8% of eligible employments were on furlough—somewhat down from the peak previously but slightly higher than the national average.

**Fig. 26. Coronavirus Job Retention Scheme, to end of October 2020**




Source: HMRC, Oxford Economics

17%

Workers on furlough at the end of July 2020.

*The CJRS was supporting over.*

A reduction in the number of furloughed workers was aided by the general recovery of the economy, as lockdown restrictions eased through the summer of 2020. Although conversely it may also reflect the loss of jobs, as businesses adjust to new trading conditions, or react to previous uncertainties over the future extent of income support schemes—LFS data estimate 370,000 redundancies took place across the UK in the three months to October 2020, equivalent to 1.2% of the workforce. (See further analysis of LFS employment data in Box 3 below). However, the redundancy rate for London at 12.1 per 1,000 employees for the period July to September 2020 was lower than the UK rate of 13.3. Only Yorkshire and the Humber (7.6) and Northern Ireland (8.9) had significantly lower redundancy rates than London for this period.

Evidence of the ongoing impact of the crisis extends beyond labour market data. Mobility indicators demonstrate the significant and continued fall in most activity throughout the SLP+, compared to a pre-pandemic baseline. Although the loosening of restrictions since the spring 2020 led to some recovery in mobility, as of October 2020 access to workplaces, transit, and retail & recreation remained around half of their pre-pandemic levels. The latter has seen a sharp fall since the imposition of lockdown measures commencing in early November.

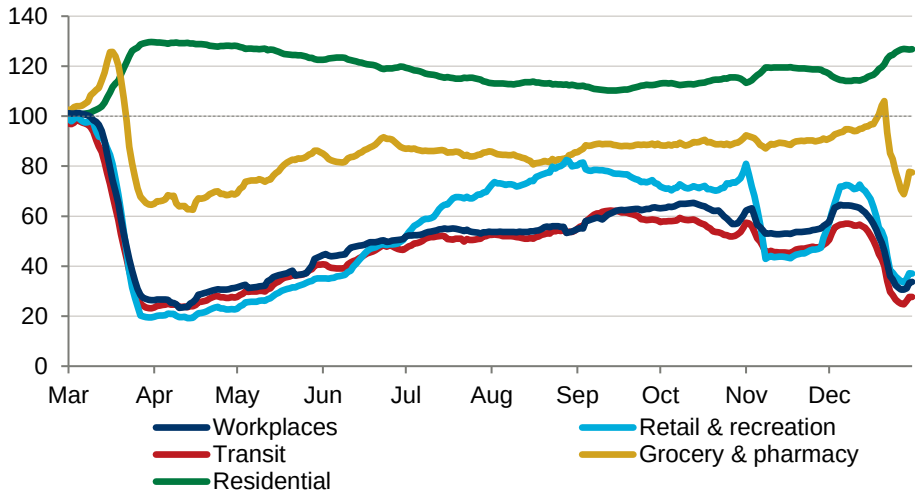
This is corroborated by the Centre for Cities' 'high streets recovery tracker', which suggests that in early November, London suffered the second-largest fall in town centre footfall across 50 UK towns and cities, which is around a third of pre-pandemic levels, and the fourth-largest fall in spending, at just over half of levels prior to the crisis.[19]

[19] https://www.centreforcities.org/data/high-streets-recovery-tracker/

*Mobility indicators demonstrate the significant and continued fall in activity throughout the SLP+…as of Novermber access to workplaces, transit and retail & recreation around half of their pre-pandemic levels.*

**Fig. 27. Google Mobility Index, SLP+, March 2020 to December 2020**

Seven-day rolling average (pre-pandemic baseline=100)




Source: Google Mobility Index, Oxford Economics

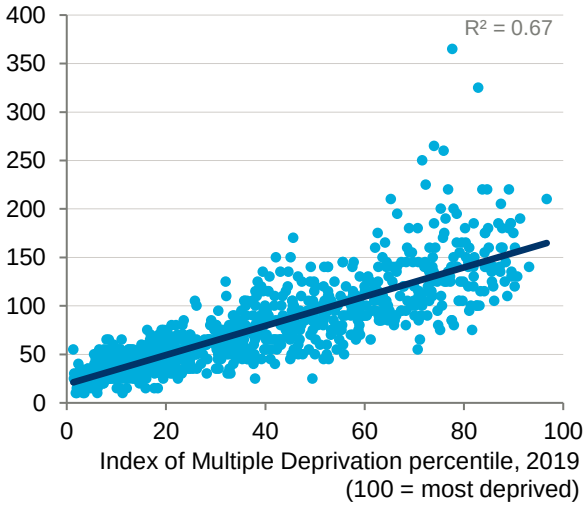
## 4.2 LIKELY VARIATIONS IN EMPLOYMENT IMPACTS BY POPULATION GROUPS

The emerging evidence suggests that the crisis may lead to a **worsening of existing inequalities** within the population. Inequality manifests itself in direct health implications of the pandemic: people within the most deprived areas of England and Wales are twice as likely to die of the disease than the population as a whole.[20] And emerging evidence from the claimant count suggests that more deprived communities tend to be hardest hit by the crisis: both the level of claimants, and increase over the period from March to November this year, are highly correlated with relative deprivation.

[20] https://www.bmj.com/content/369/bmj.m2389

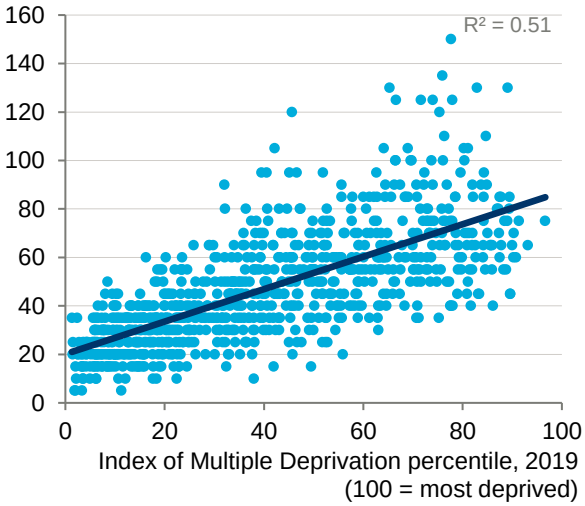
**Fig. 28. Deprivation and claimant count, SLP+ neighbourhoods (LSOAs), 2019 to 2020**

Claimants, November 2020




Source: MHCLG, ONS, Oxford Economics

Change in claimants, March 2020 to November 2020



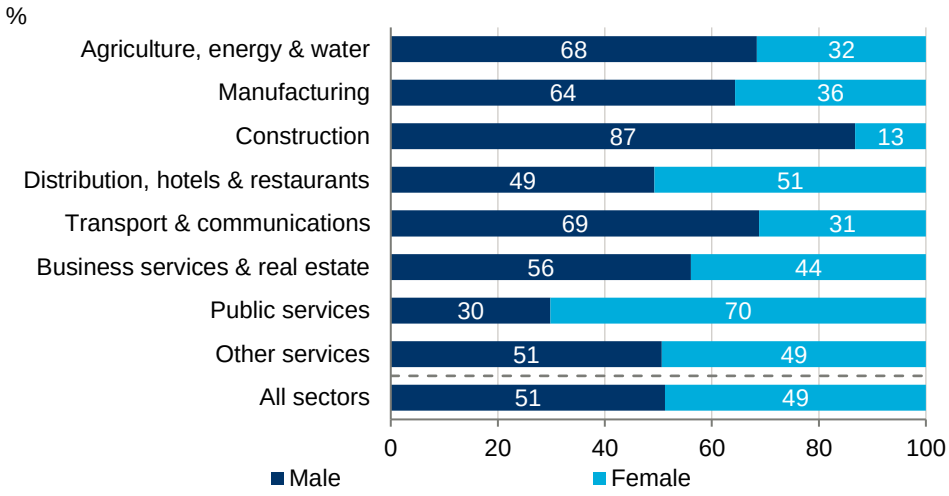

Source: MHCLG, ONS, Oxford Economics

The economic consequences of the pandemic also vary across different groups of the population. Linked to deprivation, wealthier households tend to have greater financial scope to manage a prolonged period of reduced income or unemployment. And the nature of the crisis means that certain sectors of the economy are more affected than others, meaning that different population groups are disproportionately exposed to the economic impacts of the crisis.

The characteristics of the SLP+ workforce indicate that purely in terms of numbers of people, and hence taking no account of relative wages or job security, **male workers** may have been more affected by the crisis than women. We observe a higher proportion of male workers in sectors immediately affected by lockdown and social distancing measures such as construction (87%) and manufacturing (64%), although this is offset to some degree by a more balanced gender mix in distribution, hotels & restaurants (49%)—many of whom are also employed on a part-time basis. By contrast, over two-thirds of the workforce in typically public sector services are female; we expect employment to be comparatively resilient in these sectors through the recovery (see Section 5.3).

*The characteristics of the SLP+ workforce indicate that purely in terms of numbers of people, and hence taking no account of relative wages or job security, male workers may have been more affected by the crisis than women.*

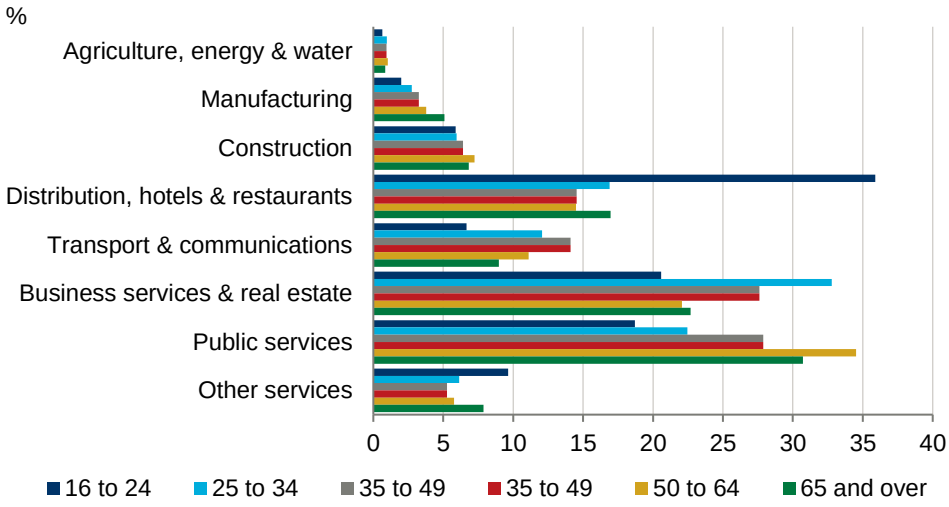
**Fig. 29. Employment by sector and gender, SLP+, 2019**




Source: ONS, Oxford Economics

Data from the 2011 Census also indicate that simply in terms of employment numbers, **younger workers** are likely to have been more exposed to the economic impacts of the crisis. More than a third workers aged 16 to 24 were employed in the distribution, hotels & restaurants sector, compared to less than a fifth across the workforce as a whole. Younger workers also typically form a lower share of employment in sectors that are dominated by the public sector, which have tended to be more resilient to job losses as a consequence of the crisis. This has been corroborated by emerging data on job losses by age across the UK.

**Fig. 30. Employment by sector and age, SLP+, 2011**




Source: ONS, Oxford Economics

**36%**

16 to 24 year olds working in distribution, hotels & restaurants.

*Younger workers are more exposed to the economic impacts of the crisis.*

Evidence on the composition of the existing workforce implies that **ethnic minorities** may be more affected by the crisis in terms of employment numbers than white workers. In 2019 a fifth of ethnic minority workers in the SLP+ boroughs were employed in the distribution, hotels & restaurants sector—the one most affected by the crisis—compared to 12% of white workers. Ethnic minorities are also underrepresented in the business services

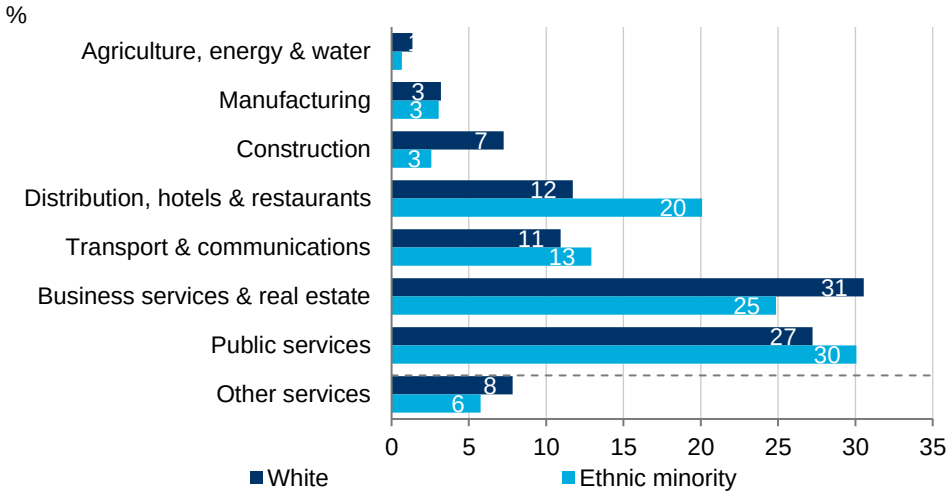
& real estate workforce (25%), although this will have been partly offset by greater shares of employment in public services (30%)

**Fig. 31. Employment by sector and ethnicity, SLP+, 2019**

20%

Ethnic minority workers in distribution, hotels & restaurants.

*Ethnic minorities are more exposed to the employment impacts of the crisis.*

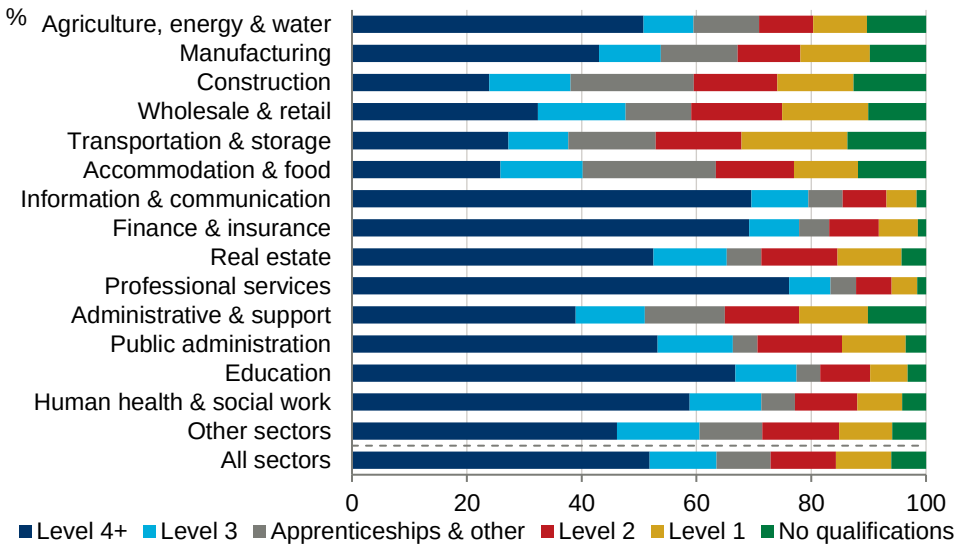



Source: ONS, Oxford Economics

Census data also indicate that **less qualified workers** are likely to be most affected by the crisis. Those sectors most immediately affected by lockdown and social distancing measures, including manufacturing, construction, transportation & storage, and accommodation & food services, all support greater than average proportions of less well-qualified workers. By contrast, sectors that support a higher proportion of desk-based working, such as business services, tend to be comparatively insulated from the greatest impacts of the crisis, and in general tend to support more highly qualified workforces. The same is true for mainly public sector services, notably health and education.

**Fig. 32. Employment by sector and highest level of qualification, SLP+, 2011**

*Census data also indicate that less qualified workers are likely to be most affected by the crisis.*

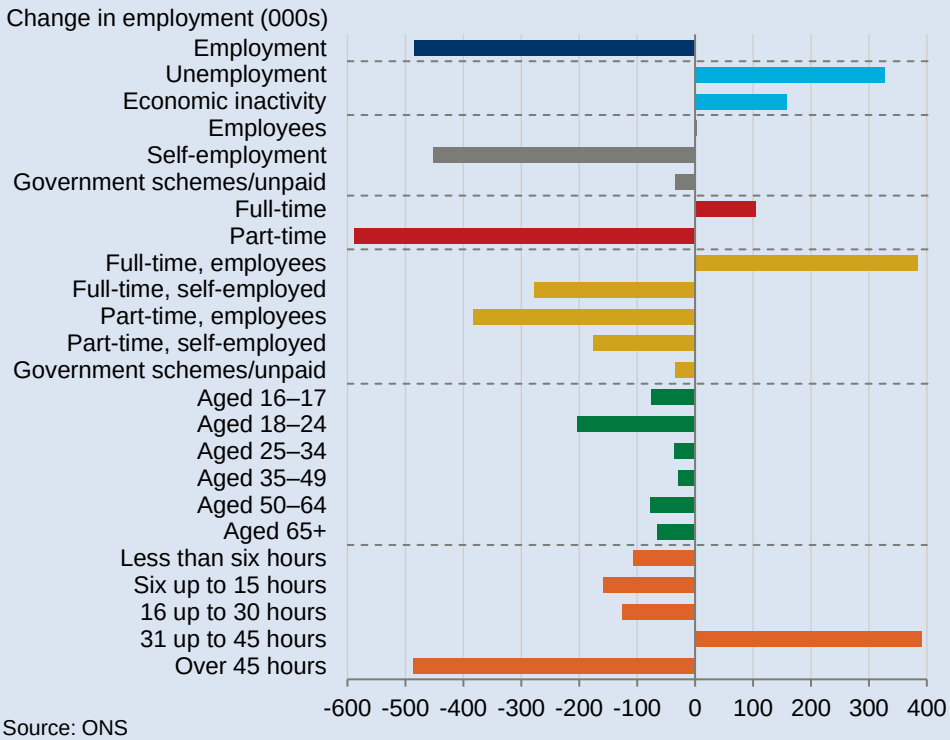



Source: ONS, Oxford Economics

**BOX 3: THE IMPACT OF COVID-19: EVIDENCE FROM THE LABOUR FORCE SURVEY**

It is likely that a rise in claimant count unemployment understates the damage to employment that has inflicted by the pandemic. Statistics from the LFS suggest that for the UK as a whole, half a million fewer workers were employed through August to October 2020, compared to January to March, and yet the survey also suggests that unemployment rose by only 326,000 workers. The reason is that 157,000 more people described themselves as 'economically inactive', so neither in employment nor looking for work—and it is only the latter who count as 'unemployed'. Some of these will not have been looking for work because they thought there was no point, some will have been prevented from doing so because of lockdown, and some will have decided to step out of the labour market. It is likely that the same will have been true for the SLP+.

**Fig. 33. Change in employment, UK, January–March to August–October 2020**




Source: ONS

The LFS also provides some indication of the characteristics of those most affected by job losses. The number of self-employed workers has fallen by 452,000 over the period January–March to August–October, or by around 9%, compared to just 34,000 fewer employees. Self-employed workers have typically found themselves more exposed to the negative consequences of the pandemic than employees, suffering from weaker job security and more stringent conditions on government income support.

Part-time workers have similarly been badly affected. Over this period, approximately 588,000 fewer workers were employed in part-time positions, many of whom were also self-employed (175,000 workers). In contrast, the number of full-time employees reportedly increased by 105,000 workers over this period, suggesting that some employers may have consolidated their workforces, perhaps encouraged by the distortive effects of government income support schemes. This may in part explain the sharp contraction in part-time employees over this period, and increase in those working 31 to 45 hours (391,000 workers).

# 5. OUTLOOK FOR THE SOUTH LONDON ECONOMY

## 5.1 RECENT PERFORMANCE OF THE SOUTH LONDON ECONOMY

To provide context to our baseline forecast for the SLP+ economy, we may first consider its historical performance. Over recent years, the SLP+ economy has underperformed both London and the UK. Over the period 2010 to 2019, the SLP+ economy grew by an average of 1.7% per year.

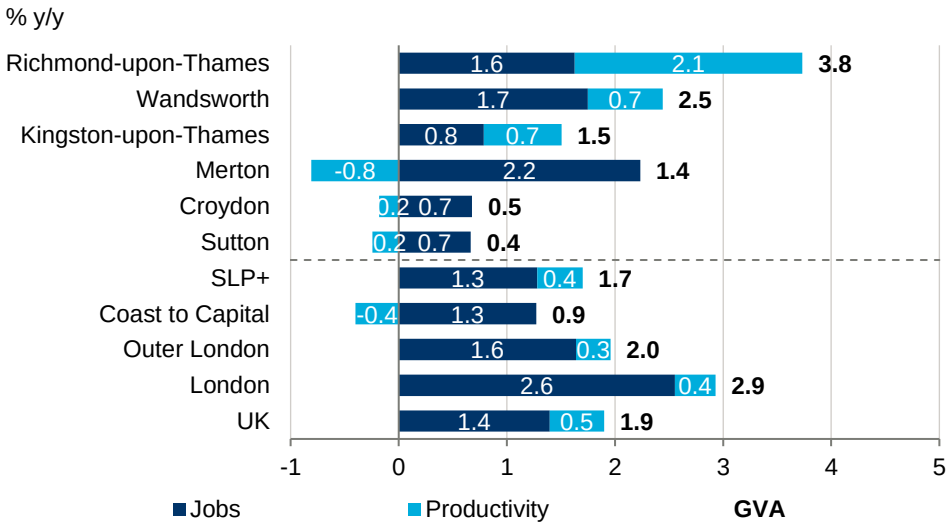
As observed both across London and nationally, GVA growth was primarily driven by an increasing workforce: employment grew by an average of 1.3% per year over this period, while productivity grew by just 0.4% per year. However, the SLP+ was unable to achieve the scale of job growth elsewhere in London: employment growth averaged just 1.3% per year, half the rate across the city (2.6% per year).

**1.7%**

Average annual GVA growth from 2010 to 2019.

*GVA growth was largely driven by employment (1.3% per year).*

**Fig. 34. Contributions to GVA growth, 2010 to 2019**




Source: ONS, Oxford Economics

Real estate and business services have been the SLP+'s greatest contributors to GVA growth over this period, each adding 0.5 percentage points to overall growth, although former has largely arisen due to house price growth. As across Outer London, business services are less represented in the SLP+ economy, and have made a lesser contribution to overall GVA growth than London (1.6 percentage points) or the UK (0.8 percentage points). By contrast, manufacturing has been the main drag on growth over this period.

The performance of boroughs within the SLP+ has been mixed. Richmond-upon-Thames experienced the fastest growth, averaging 3.8% per year—the seventh-fastest growing of London's 33 boroughs, and only SLP+ borough to outperform London as a whole. Richmond-upon-Thames has benefitted from a large and growing professional services sector in particular.

Wandsworth (2.5% per year) was the only other borough to outperform the national economy over this period. Real estate made a significant contribution to growth—Wandsworth saw the 10th-largest increase in median house prices across the UK over this period—while public services have also made notable contributions to growth.

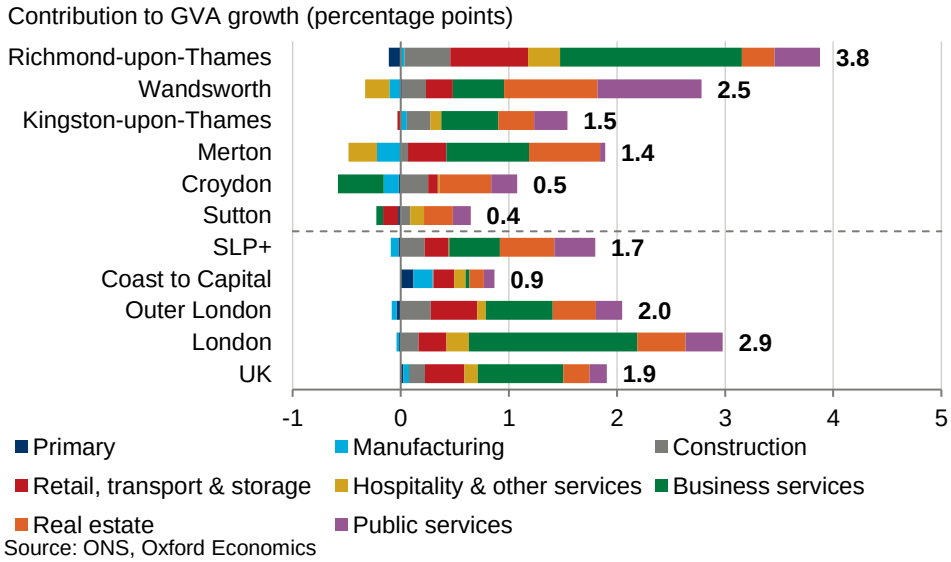
At the other end of the scale, growth in Sutton (0.4%) and Croydon (0.5%) has been sluggish—modest job growth has been partially offset by an overall decline in productivity. Croydon has tended to be a popular location for 'back office' functions of financial institutions based in central London, and has in particular suffered from falling activity in the finance & insurance sector.

**Fig. 35. Contributions to GVA growth by sector, 2010 to 2019**

0.3 pp

Contribution of business services to overall GVA growth from 2010 to 2019 (1.7% per year).

*The SLP+ underperformed London as a whole in these key growth sectors.*




Source: ONS, Oxford Economics

## 5.2 OUTLOOK FOR THE SOUTH LONDON ECONOMY

The coronavirus pandemic represents an unprecedented shock to the SLP+ economy. Overall, we anticipate a sharp fall in the SLP+'s economic output this year. In the baseline forecast, we estimate that **GVA will contract by 12.1% in 2020**, a loss of £4.8 billion of GVA (in 2018 prices) equivalent to the cumulative growth experienced across the SLP+ since 2011. The SLP+ is forecast to see a greater contraction in GVA than either London (10.4%) or the UK (11.4%) this year.

However, the development and rollout of medical treatments, and the vaccination programme, will allow the economy to slowly return to operating at full capacity in the second half of 2021. GVA is expected to grow by 4.9% in 2021, although the recovery will be dampened by the imposition of non-tariff barriers to trade with the EU, arising from the end of the transition period and move to the UK and EU's permanent trade relationship. GVA is expected to grow by a further 6.4% in 2022, before recovering to pre-pandemic levels in early-2023.

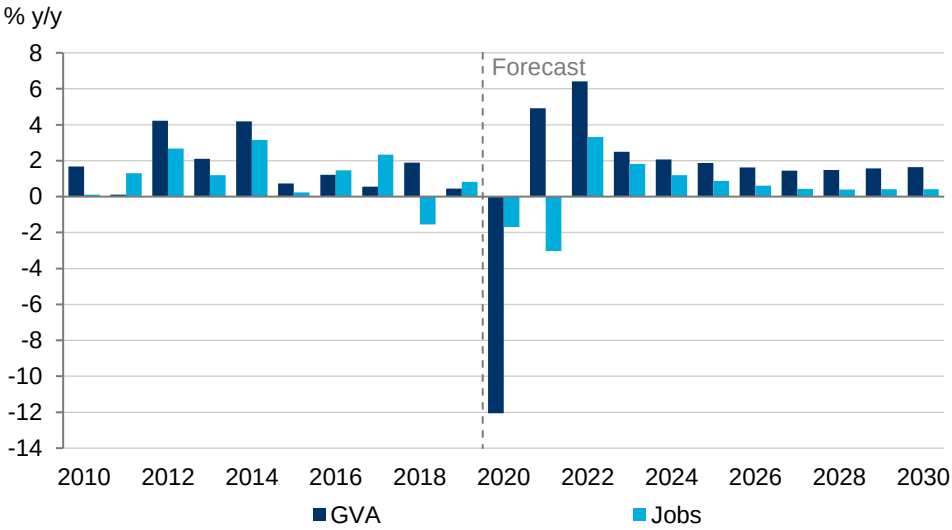
Support schemes such as the Coronavirus Job Retention Scheme, which has been extended through the first quarter of 2021,[21] have to some degree protected employment: **we expect the SLP+ workforce to shed 11,100 jobs, a 1.7% contraction in 2020.** We anticipate the loss of a further 20,700 jobs in 2021, as businesses no longer benefit from income support schemes and reduce jobs as they adjust to new trading conditions, before recovering thereafter, returning to pre-pandemic levels towards the end of 2023.

**Fig. 36. GVA and job growth, SLP+, 2010 to 2030**

-12.1%

Fall in GVA across the SLP+ economy in 2020.

*The SLP+ economy will see a sharper fall than both London (-10.4%) and the national economy (-11.4%).*




Source: ONS, Oxford Economics

The rate of growth is expected to slow thereafter. Over the period 2019 to 2030, **GVA growth will average 1.1% per year**, meaning that the SLP+ is expected to perform broadly in line with the national economy (1.1% per year), but underperform London as a whole (1.5% per year).

However, after the initial recovery period, we anticipate only modest further employment growth in the second half of the decade. Over the period 2019 to 2030, **employment growth will average 0.4% per year**, equivalent to 31,100 additional jobs. For reference total employment in the SLP+ boroughs on this basis will be 15,000 lower by 2031 than compared to the GLA 2017 long-term employment projections[22]. Productivity growth will therefore make a greater contribution to overall economic growth (0.7% per year), driven by improved technology and a continuing tendency for some jobs to be automated across the economy—for instance, in manufacturing, financial services, retail, logistics, and transport—enabling firms to substitute workers for capital to a greater extent into the future.

The overall scale of GVA growth, and its composition between increasing employment and productivity, are comparable between the SLP+, Coast to Capital LEP (1.1% per year), and Outer London (1.0% per year). And as set

[21] https://www.gov.uk/government/publications/extension-to-the-coronavirus-job-retention-scheme/extension-of-the-coronavirus-job-retention-scheme

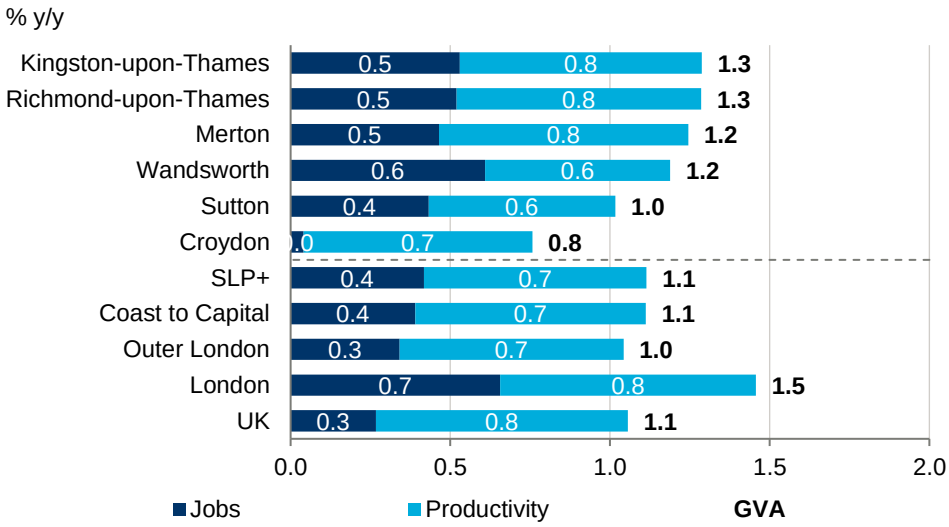
[22] https://data.london.gov.uk/dataset/long-term-labour-market-projections

out further in Section 5.3, the sectoral composition of growth will be largely similar.

The growth prospects for all three areas are linked to their proximity to central London. The sheer scale of the central London economy has a distorting effect on neighbouring areas, meaning that much economic activity is reliant on 'business-to-business' transactions with larger firms operating in the CAZ, alongside more 'local' activity supporting the resident populations. Access to this market is a large part of why the SLP+ and neighbouring areas are able to attract firms to locate in their areas, given the relative costs of doing so.

With growth increasingly concentrated in central London boroughs in our baseline forecast, these relationships will only strengthen, implying an increasing **interdependency with the central London economy**. And although specific data on business transactions are not available at a local level, commuting flows set out in Section 3.2 indicate relatively little movement between the SLP+ and C2C LEP, and other parts of Outer London—a reflection of demand as much as transport infrastructure. With little existing evidence of close interdependency between the SLP+, C2C LEP, or Outer London, our baseline forecasts imply limited evidence that these relationships will strengthen over time.

**Fig. 37. Contributions to GVA growth, 2019 to 2030**




Source: Oxford Economics

1.1%

Average annual GVA growth in SLP+ from 2019 to 2030.

*GVA growth will largely be driven by productivity (0.7% per year).*

## 5.3 GROWTH SECTORS AND OCCUPATIONS

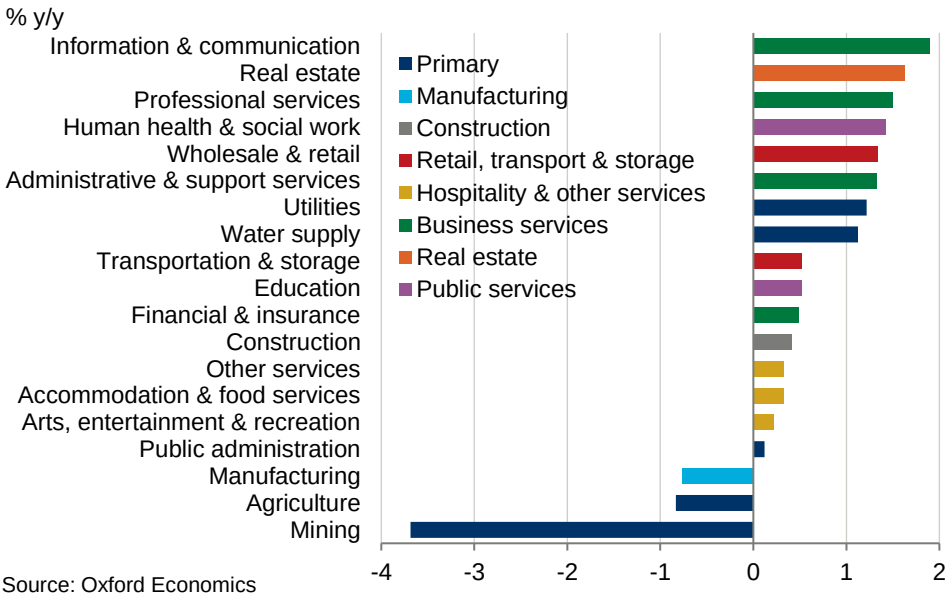
Although the coronavirus pandemic represents a significant shock to the SLP+ economy, it will not significantly alter the composition of the economy. The sectoral drivers of growth in the coming decade are expected to remain broadly as expected prior to the crisis, and indeed largely as observed historically. However, there is a possible exception to this, with the potential for the creation of a large number of green jobs (see box on page 44) supporting the shift towards net zero emissions.

Business services will remain key to supporting growth across the SLP+ economy. **Information & communication** is expected to be the fastest

growing sector in GVA terms, averaging 1.9% per year to 2030, while **professional services** (1.5% per year) will be the third-fastest. Although GVA growth will largely arise through productivity improvements, the workforce of both sectors will continue to expand, adding 3,100 and 3,800 additional jobs to 2030 respectively. **Administrative & support services** (1.3% per year) will also be among the faster-growing sectors in GVA terms, and as opportunities for automation are less apparent in this sector, it will add 6,000 jobs to 2030—the second-largest increase in employment, behind health.

**Finance & insurance,** however, is expected to underperform the SLP+ economy as a whole, with GVA growth averaging just 0.5% per year to 2030. Increasing automation in this sector will lead to a loss of employment of around 500 jobs. This weaker outlook reflects a slight reduction in London's competitiveness due to the loss of passporting—the ability of UK-based institutions to sell financial services across the EU.

**Fig. 38. GVA growth by sector, SLP+, 2019 to 2030**




Source: Oxford Economics

1.9%

GVA growth in the information & communication sector.

*The SLP+'s fastest growing sector from 2019 to 2030.*

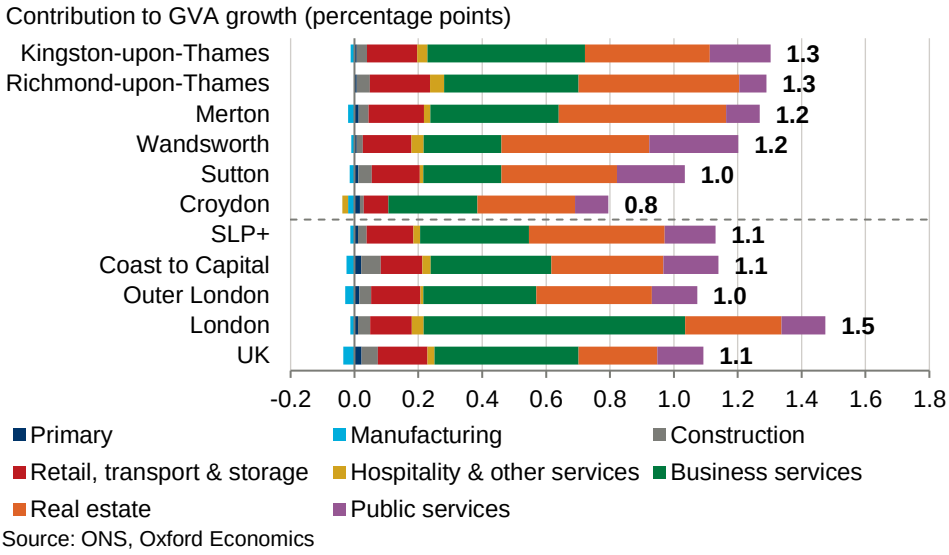
As set out in Chapter 3, the SLP+'s business service sectors are generally smaller (finance & insurance) or less productive (information & communication and professional services) than elsewhere. So while most rank among the fastest-growing locally, they will collectively add just 0.3 percentage points to overall GVA growth each year, less than across London (0.8 percentage points) or nationally (0.5 percentage points).

Largely through an expectation that house prices (and hence imputed rental income) will grow over the coming decade (see Section 5.4), **real estate** will be the SLP+'s second-fastest growing sector, averaging 1.6% per year to 2030. Owing to the relative size of this sector currently, it alone will add 0.4 percentage points to GVA growth each year. However, growth in the real estate sector will have a limited tangible effect on the local economy, adding just 1,000 additional jobs by 2030.

Public services, such as **human health & social work** and **education**, will also make a positive albeit modest contribution to overall GVA growth, in order

to support the SLP+'s growing population. Given the lesser scope for productivity growth in these sectors, overall growth is also reflected in the workforce: human health & social work will add 9,200 jobs to 2030, the most of any sector, while the education workforce will add 3,600 jobs.

**Fig. 39. Sectoral contribution to GVA growth, 2019 to 2030**




Source: ONS, Oxford Economics

0.3 pp

Contribution of business services to overall GVA growth, 2019 to 2030.

*Business services will however underperform London and the UK.*

**Manufacturing** will be among the weakest performing sectors. Over the period to 2030, GVA will contract by 0.8% per year on average. The SLP+ will shed 3,300 jobs, equivalent to a quarter the pre-pandemic manufacturing workforce. This outlook is the result of various headwinds in the short- to medium-term, including the coronavirus pandemic and Brexit, alongside the wider shift towards more capital-intensive modes of production, and the increased automation of processes.

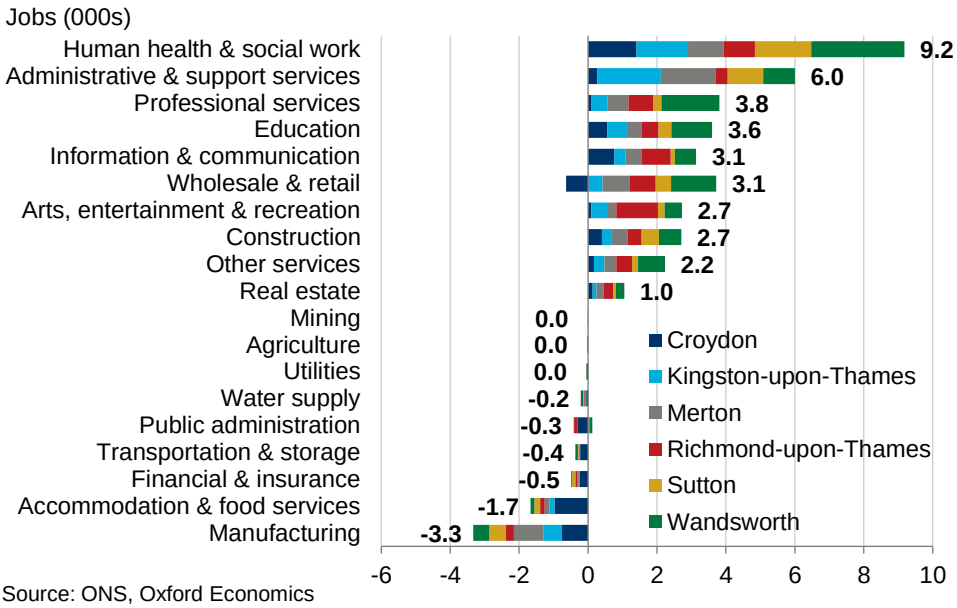
**Accommodation & food services** is expected to achieve only modest GVA growth, and shed 1,700 jobs over this period. This sector is among the most affected by lockdown and social distancing measures implemented to reduce transmission of the coronavirus, and employment will only partly recover as the economy returns to full capacity.

**9,200 jobs**

Human health & social work will see the largest increase in employment to 2030.

*The SLP+ workforce will expand by 31,100 jobs over this period.*

**Fig. 40. Change in jobs by broad sector, SLP+, 2019 to 2030**



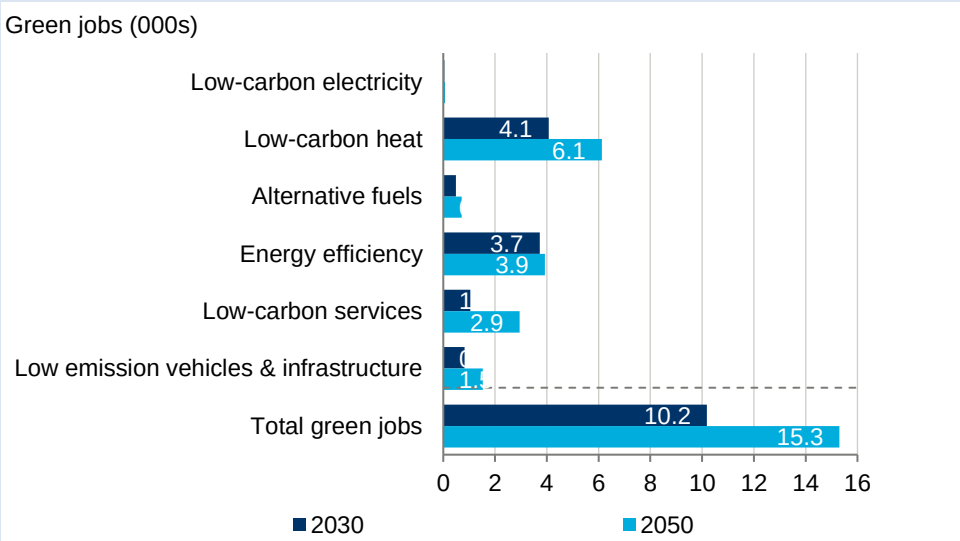

Source: ONS, Oxford Economics

**BOX 4: GREEN JOBS OFFER POTENTIAL FOR SLP+ EMPLOYMENT**

According to research commissioned by the Local Government Association (LGA), there were 185,000 full time workers in the low carbon and renewable energy economy across England in 2018.[23] Green jobs are expected to be a source of significant employment growth as investment in the low-carbon economy increases, with employment estimated to grow to 694,000 jobs across England by 2030, rising to 1.18 million by 2050.

The SLP+ has potential to support employment growth in the green jobs sector, which is implicitly factored into our baseline forecast. But if this opportunity is further released, there may be an upside for job creation locally. According to the LGA projections, the SLP+ will support over 10,000 green jobs by 2030, growing to 15,300 by 2050. Green jobs will be largely concentrated in low-carbon heat, energy efficiency, and low-carbon services.

**Fig. 41. Green jobs, SLP+, 2030 and 2050**




Source: LGA

The SLP+ is expected to have a relative concentration of green jobs across London. In 2030, it is expected to support 12.8% of all green jobs across the city, a share 2.1 percentage points higher than our estimate of its share of overall employment (10.7%). The SLP+ will have a particularly high concentration of jobs in alternative fuels (19.3%), low-carbon heat, and energy efficiency (both 17.2%).

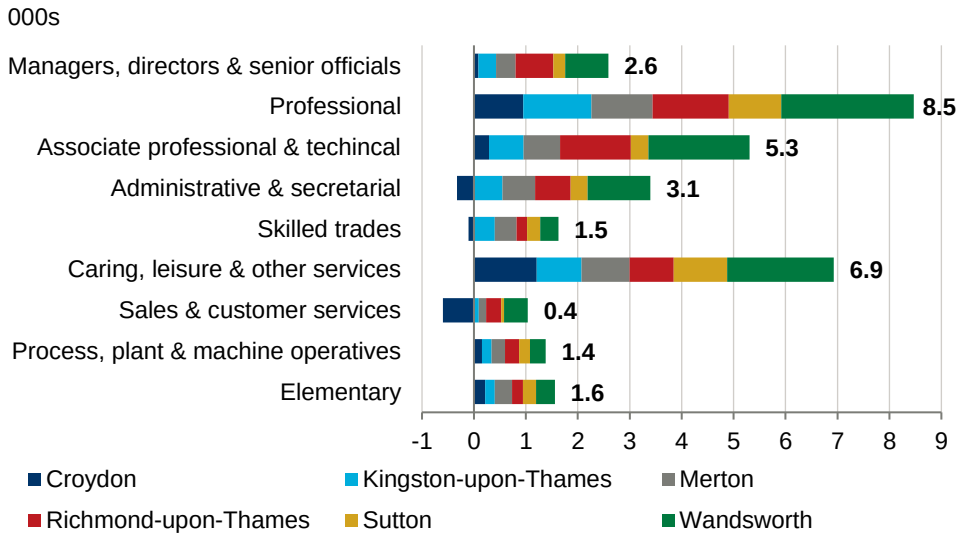
[23] https://local.gov.uk/local-green-jobs-accelerating-sustainable-economic-recovery

The evolving sectoral mix of employment will also affect the occupational structure of the workforce. All broad occupational groups will see an increase in employment, albeit to differing degrees. Increasing employment in business and public services will increase the requirement for typically higher-skilled occupations: almost half of additional employment will be in **professional** occupations (8,400 workers), **associate professional & technical** occupations (5,300 workers), or **managers, directors & senior officials** (2,600 workers).

Increasing employment in human health & social work will similarly increase the requirement for **caring, leisure & other service** occupations (6,900 workers), while growth in administrative & support services will underpin the additional requirement for **administrative & secretarial** occupations (3,100 workers).

And caring, leisure & other services aside, job growth tends to be concentrated in increasingly technology-intensive occupations, with implications for the skills and digital literacy of the future workforce, and provision of digital infrastructure throughout the SLP+.

**Fig. 42. Change in jobs by occupation, SLP+, 2019 to 2030**




Source: Oxford Economics

49%

Almost half of new employment will be in managerial, professional or associate occupations.

*Professional occupations alone will expand by 8,500 workers to 2030.*

### 5.4 POPULATION AND THE LABOUR MARKET

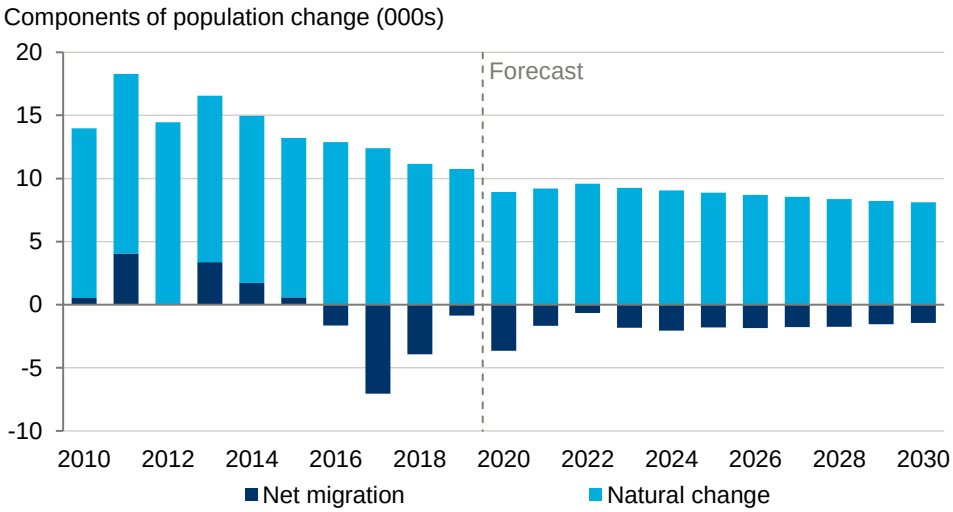
The SLP+ economy will benefit from a growing population, adding 77,000 residents to 1.58 million by 2030, at an average rate of 0.5% per year. The SLP+ population will grow at more than twice the rate of the UK (0.2% per year), although slightly lagging London as a whole (0.6%).

The SLP+ will continue to support a relatively young population: as across London, the working age population is expected to increase slightly as a share of the overall population (65,000 additional residents). And natural change—the number of births minus deaths each year—will continue to support population growth.

Net migration will continue to act as a slight drag on population growth. The employment opportunities both within the SLP+ workforce, and strong transport

links to central London, mean that the SLP+ will continue to be an attractive place for migrants to move to, although the increasing unaffordability of housing risks 'pricing out' residents, to other parts of London or elsewhere.

**Fig. 43. Components of population change, SLP+, 2010 to 2030**




Source: ONS, Oxford Economics

**0.5%**

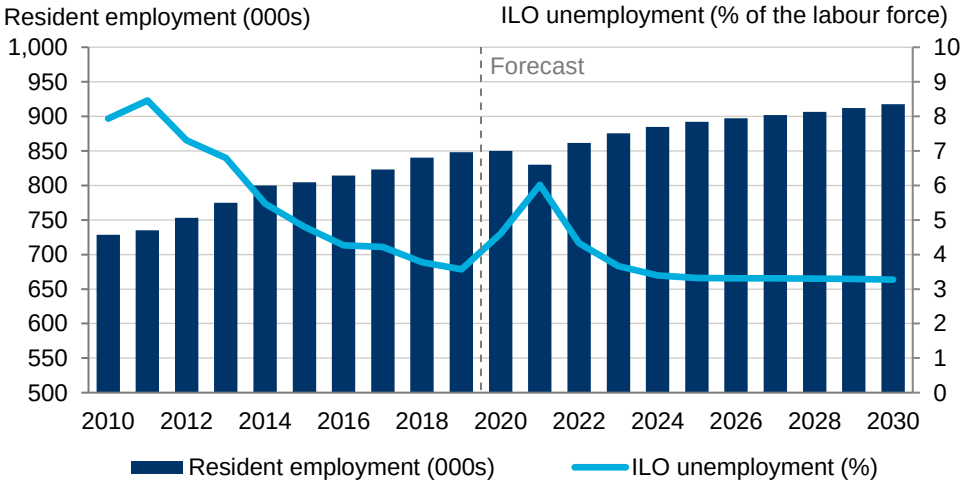
Average annual population growth across the SLP+ from 2019 to 2030.

*Natural change will continue to drive population growth.*

Residents will benefit from increasing employment opportunities in the SLP+ economy and elsewhere. We forecast resident employment to increase by 61,000 workers, or by 0.6% per year, to 909,000 workers by 2030. As a consequence of faster job growth particularly in Central London, resident employment will continue to outgrow workplace employment, leading to an increase in net commuting.

The recovery in employment through the early 2020s is also reflected in our unemployment forecast: although it is expected to peak at 6.3% of the labour force in 2021, unemployment will revert to the long-term trend thereafter, falling to 3.7% by 2030.

**Fig. 44. Resident employment and ILO unemployment rate, SLP+, 2010 to 2030**




Source: ONS, Oxford Economics

**60,900**

Additional residents employed across the SLP+ from 2019 to 2030.

*Unemployment will return to pre-pandemic rates by the mid-2020s.*

The SLP+ population will become increasingly affluent. Increasing employment prospects in growing and increasingly productive sectors will support **income** growth: both median workplace and resident earnings are forecast to grow by 2.5% per year over the period to 2030. And increased earnings will drive further **consumer spending**, which will grow by 0.6% per year on a per-capita basis in real terms, to £29,200 per resident by 2030 (in 2018 prices).

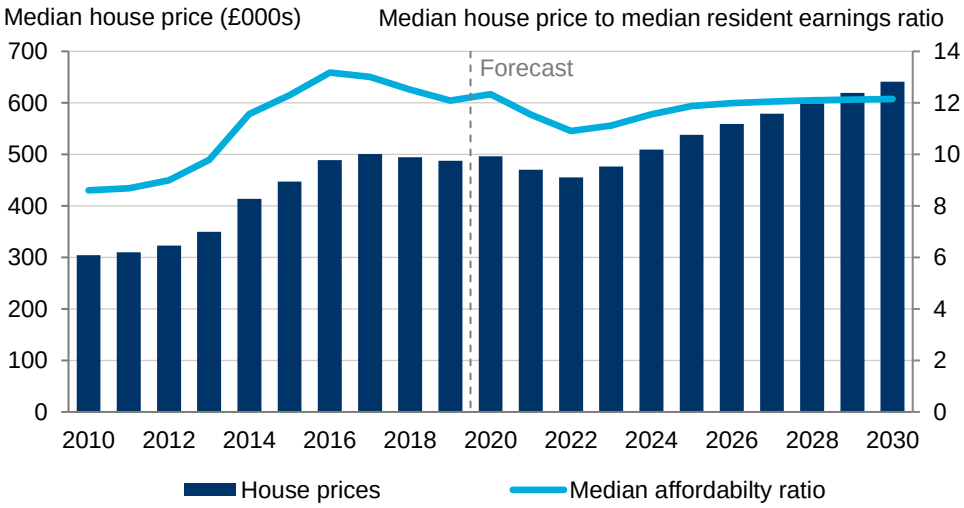
Our baseline forecast also estimates that **house prices** will increase through the mid-to-late 2020s. Overall, we expect median house prices to grow by 2.5% per year on average, to £628,000 in 2030, although growth will be in line with median earnings, meaning that the **affordability** ratio will remain broadly unchanged. Our forecasts are demand-driven, and hence do not explicitly account for supply-side constraints absent those inherent in historical data. However, the SLP+ will require an increase in the stock of housing to support the scale of projected population growth, without upward pressures on housing affordability.

**Fig. 45. House prices and affordability ratio, SLP+, 2010 to 2030**

2.5%

House price growth is expected to match earnings growth over the coming decade.

*Median house prices will remain at around 12-times median annual resident earnings.*




Source: ONS, Oxford Economics

# 6. KEY ISSUES AND RECOMMENDATIONS

The key issues that we have identified can be listed simply:

- London's growth was slowing more than elsewhere, long before Covid-19
- Covid-19 has strongly impacted South London
- The economic impact of the pandemic falls unequally across businesses and residents
- The South London economy has relatively lower levels of productivity
- Growth in South London to continue to lag the London average
- Working from home and online shopping will continue to some degree
- But we do not expect wholesale relocation of people away from London
- Growth in the low carbon economy and in renewables offers new job opportunities.

In the light of these, we have five key recommendations.

### 6.1 STRENGTHEN, DON'T ABANDON, YOUR EXISTING STRATEGY

Covid-19 represents a significant shock to the SLP+ economy, however it is unlikely it will change many of the fundamental features of the economy and its relationship with key economic centres so the priorities identified in your refreshed growth strategy remain relevant. However, we believe that the strategy can be strengthened and supplemented in some key areas in response to the crisis.

### 6.2 PROMOTE SOUTH LONDON AS A CENTRE OF HOME AND 'NEAR HOME' WORKING

As economies everywhere expand, competitive pressures will combine with improved health protection to allow a significant return to office working in Inner London and elsewhere. Nevertheless, we expect home working to be a greater feature of the London economy going forward than in the past. This is an opportunity for South London, especially since home working was already more common in South London than elsewhere. Residents and businesses can both benefit from more people working locally, either at home or in offices and flexible workspaces. Partners should aim to encourage a gradual shift to home and near-home working, by:

- Creating a new vision of South London as an Outer Activity Zone: a 'huburb' not just a suburb, a place to work not just live
- Selling this both to individuals and their employers

This is not directly about bringing new jobs: it is bringing some people's existing jobs to South London, even if only for a few days a week. But new jobs will follow—including for all parts of community. We call this Circular Jobs, as part of a shift in the direction of Circular Suburbs, because it involves:

- Bringing daytime spending power back to the local economy
- Raising quality of life
- Reducing travel congestion, without the need for major investments in expensive transport infrastructure
- Reduced environmental damage

It is an adaptation that makes more sense for individuals than moving away from London completely, to locations that lack the advantages that London continues to offer, and that make it difficult to people to travel into the CAZ either occasionally or two or three times a week.

We see this as a large shift that will involve changing perceptions and mindsets, and hence that will require a pan-South London approach. Working collectively, the boroughs can effectively market the sub-region, and target businesses to encourage the required shift in activity.

### 6.3 ADOPT A MORE LOCALISED TRANSPORT STRATEGY

The SLP is committed to securing major transport infrastructure projects that will benefit the sub-region including the Brighton mainline upgrades, Crossrail 2 and the Sutton Link Tram extension. These transport schemes are effectively now being postponed or abandoned because of the effect of the pandemic on the finances of London's transport operator, Transport for London, and Network Rail.

We believe that your ambitions for these schemes should not be abandoned. But we also recognise that these will come later than planned.

In the interim, we recommend that the SLP focus increased attention on:

- New and enhanced bus routes
- Technology improvements: smart bus stops; development of mobile apps; and other ways to improve the user experience
- More cycle routes/active travel
- Thinking ahead to autonomous taxis, and other new transport

This can be linked to the issue of near-home working.

The core idea is to promote South London for its internal and digital connectivity —not just external connectivity —seeking to change perceptions of the sub-region. Again, this needs to be done largely at the South London, not borough level, because it is in the nature of transport that it crosses local boundaries.

### 6.4 INVESTIGATE A VIRTUAL CAMPUS

We estimate large scale local job losses in 2020 and 2021, and fewer jobs (or less jobs growth) at Heathrow and in the CAZ than previously expected. And lower-skilled roles and lower-qualified workers are most at risk. There will therefore be a need to re-train and re-skill large numbers of residents.

Many of these will be over the age of 50. In 2020 the over-50s accounted for 30% of UK redundancies. But there is a sharp decrease in participation in training, when workers reach their mid-50s.[24] And partly in consequence, only a third of people aged over 50 who are made redundant find re-employment within three months, the lowest of any age cohort.[25] A major factor here is that mature workers are particularly resistant to going back to college. But the good news is that the pandemic has made people of all ages very accustomed to internet-based activities, and equally has also made universities, schools, and colleges more accustomed to delivering training and education remotely.

So we recommend that SLP consider creating a South London Virtual Campus in conjunction with Kingston University, Roehampton, FE colleges and other local education providers. This should involve local employers from a range of sectors including high-tech, hospitality, and social care, who are able to provide on-the-job training —delivered in conjunction with online-learning from the colleges —to offer something that goes well beyond what either party can offer individually. There could also be a particular focus on skills for Green jobs. LGA projections for the low carbon and renewables sector for the SLP+, show future job opportunities concentrated in low-carbon heat, energy efficiency and low-carbon services.

And we see this as a potentially very positive way of addressing the possible decline in employment at Heathrow and Gatwick. It is possible that skills acquired in airport related jobs—anything from engineering to retail management—can be repurposed for very different jobs within the SLP+ area. Thus, people engaged in engineering have strong knowledge of, for example, quality assurance, while those in retail management typically have strong people skills, and these are highly transferable.

But this is too big for any single borough to do, and will require a coordinated approach across the SLP+ boroughs, and across the different educational establishments. It would supplement what the latter already do-the whole point is distance learning combined with on-the-job-training for local residents.

### 6.5 PLACE EVEN GREATER EMPHASIS THAN BEFORE ON LOCAL ASSETS

Improving local assets—public realm, housing, the retail offer, schools, street cleaning, air quality, leisure opportunities, and so on—are absolutely at the

[24] https://www.policyconnect.org.uk/sites/site_pc/files/report/882/fieldreportdownload/spotlightonolderworksskillscommissionreport.pdf

[25] https://www.employment-studies.co.uk/news/what-next-older-workers-losing-their-jobs-coronavirus-0

heart of what all local authorities do. The need to provide these to a high quality has now risen markedly because of the pandemic, while the ability to finance what needs to be done has become even more problematic than it already was. The financial crisis facing local government is severe.

Part of the response to this should involve looking to see whether there are revenue-raising opportunities, however modest, embedded within the other suggestions that we are making. This might include, for example, the provision of managed office space, in conjunction with CAZ companies interested in providing satellite office space to near-home workers. Or it might involve desk-renting for individuals within libraries that might otherwise be threatened with closure.

And part of the response may involve seeking to build new voluntary organisations that can take responsibility for areas of community concern, with regard to, for example, the maintenance of the public realm—possibly a step towards the US model, possibly on the Business Improvement District model.

In addition, this focus on local assets may need to involve a reassessment of how sensitive planning decisions are to the impact on local identity and quality of place of employment-land decisions. If South London is to be a place where people spend more of their time, working locally as well as living locally, and if there is to be renewed emphasis on active travel, on air quality and other factors that contribute towards quality of life, then there may be less of an argument for permitting B2/B8/warehousing & light industrial developments, than would be the case under a regime which takes a less holistic approach.

**BOX 5: WHAT MIGHT HUBURBS LOOK LIKE?**

South London can market itself as a place which enables people to work at least some of their time at or near home. Benefits quality of life and the local economy.

Key steps:

- Prioritise support for food/convenience stores, cafes, delivery services, and child-care.
- Seek to strengthen community organisations and business partnerships to foster residents' / businesses' engagement in their local neighbours while improving those neighbourhoods.
- Boroughs should rent out space for individuals to hot-desk (within libraries perhaps, so resulting in revenue generation)
- Provide small serviced hot-desking offices for big CAZ employers in town centres e.g. Wimbledon, Sutton etc.
- Encourage landlords to repurpose some premises in high streets, shopping precincts etc as office space.
- Examine additional ways to foster more local bike-hire.
- Create more 'mini-Hollands' and widen the focus on quality of public realm so people want to stay local (particularly by encouraging community/business involvement).
- Publicise all of the above —attract attention, change perceptions, create a buzz.

What could it bring to the local economy?

Currently up to 250,000 residents work in CAZ. If 10% start working locally two days a week, the extra spending in the local South London economy, assuming £10 a day is spent locally, would be £25 million a year. Increase that after allowing for 'multiplier effects', with much of the benefit to people on low incomes in retail etc.

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# APPENDIX A BOROUGH OUTLOOK: CROYDON

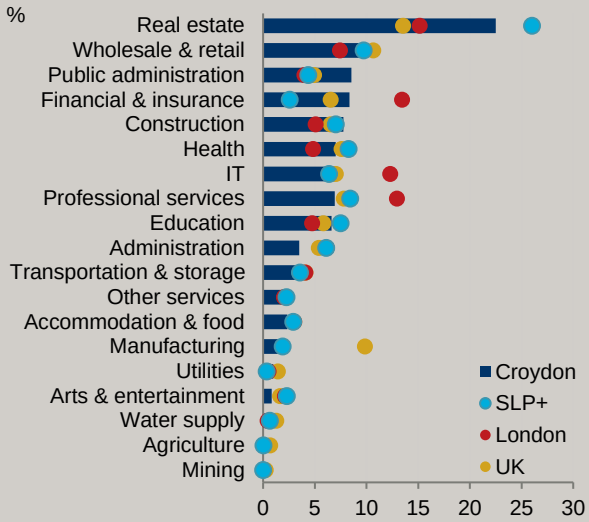
**EVIDENCE ON THE IMPACTS OF COVID-19**

- We estimate that the Croydon economy will **contract by 10.7% in 2020** alone, although Croydon is the least exposed of the six SLP+ boroughs to the crisis in simple GVA terms. As across the SLP+, the development and rollout of vaccines will allow the economy to slowly return to operating at full capacity: Croydon's GVA will grow by 4.4% in 2021, and a further 5.6% in 2022, returning to pre-pandemic levels in 2023.
- The pandemic has also affected the workforce. Croydon has suffered **a sharp increase in claimants** as a consequence of the pandemic, growing from 4.4% of the working age population in March to 9.4% in November—significantly above the London (8.1%) or UK (6.3%) rates. At the peak, almost **three-in-ten workers were furloughed** through the Coronavirus Job Retention Scheme, and data for the end of August indicate around one-in-eight remain so.
- We expect the Croydon workforce to **shed 3,000 jobs** this year, a 1.3% contraction, and **a further 4,800 jobs in 2021**, as businesses no longer benefit from income support schemes and adjust accordingly. However, employment is expected to recover thereafter, returning to pre-pandemic levels in 2024.
- Croydon's **hospitality** sectors are the most exposed to the crisis. Accommodation & food in particular will see GVA almost halve in 2020 alone, and will account for around a third of jobs lost in Croydon through 2020 and 2021. Arts, entertainment & recreation and other services will similarly see a sharp fall in output. We also expect Croydon to shed jobs in wholesale & retail trade, professional and administration & support services.

**BASELINE OUTLOOK FOR THE CROYDON ECONOMY**

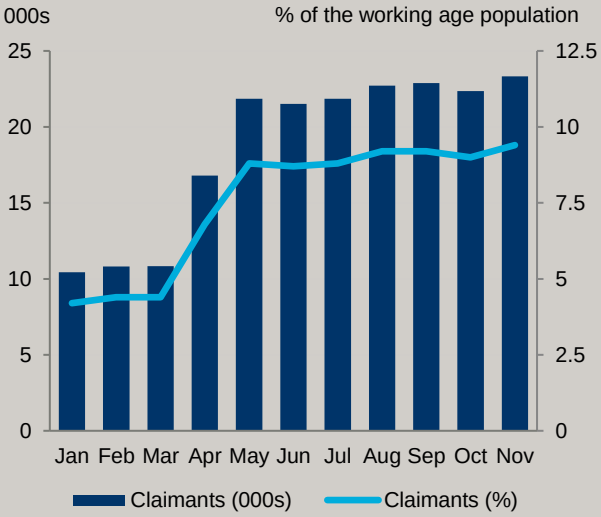
- Despite being less immediately exposed to the pandemic than elsewhere in the SLP+ in GVA terms, Croydon's prospects for growth are weaker—it is less exposed to the types of sectors that will drive the recovery across the SLP+, London and nationally. Croydon is forecast to be the **SLP+'s weakest performing borough** over the period 2019 to 2030.
- GVA will average growth of **0.8% per year**, almost half of the rate across London (1.5% per year), and the third-worst performing borough across London. This largely reflects a continuation of trends over the decade prior to the crisis, where Croydon's economy grew by just 0.5% per year, compared to 1.7% per year across the SLP+.
- Linked to the local digital/tech sector, we forecast **information & communication** to be Croydon's fastest growing sector in GVA terms, averaging 2.0% per year. Other business services, such as professional and administrative & support services, will similarly be among Croydon's faster growing sectors. Other faster-growing sectors are associated with Croydon's **growing population**, (0.3% per year) such as real estate, human health & social work, utilities and water supply, although only the former two will make significant contributions to overall GVA over this period.
- Growth will be almost entirely driven by productivity improvements (0.7% per year), with **little overall change in employment**. Job creation among Croydon's growing sectors will be offset by a loss of jobs elsewhere in the economy, most notably in accommodation & food services, where the workforce is not expected to recover from the crisis. Croydon will also shed jobs in manufacturing, reflecting an overall contraction in GVA, while increasing automation will lead to a reduction in the wholesale & retail trade workforce.

### Fig. 46. GVA by sector, 2019




Source: ONS, Oxford Economics

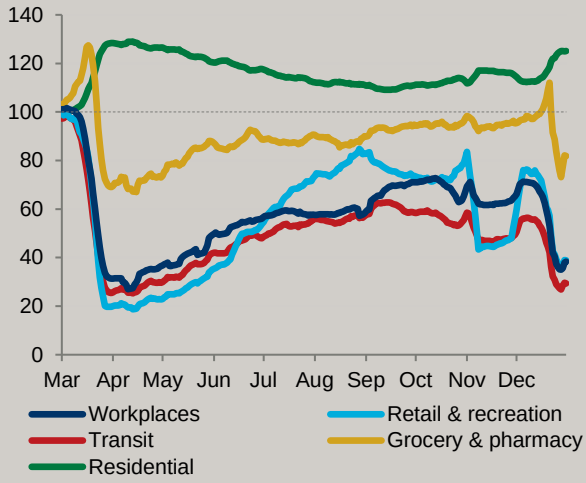
### Fig. 47. Claimant count, 2020




Source: ONS

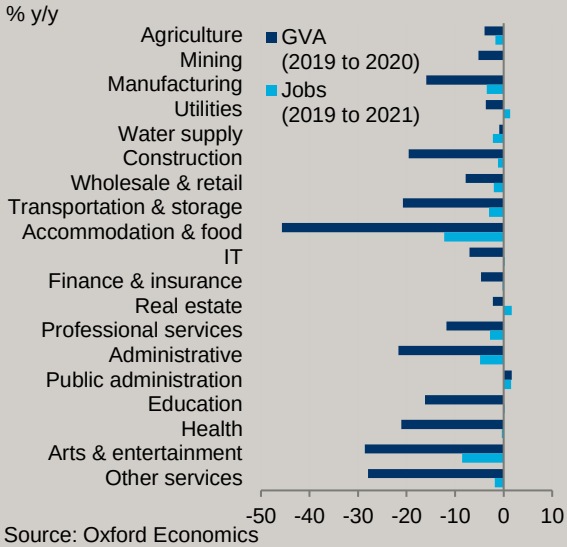
### Fig. 48. Google Mobility Index, 2020

Seven-day rolling average (pre-pandemic baseline=100)



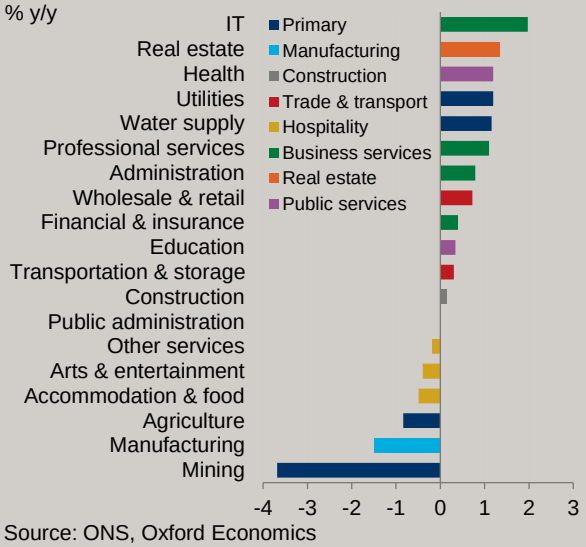

Source: Google Mobility Index, Oxford Economics

### Fig. 49. GVA and jobs by sector, 2019 to 2021



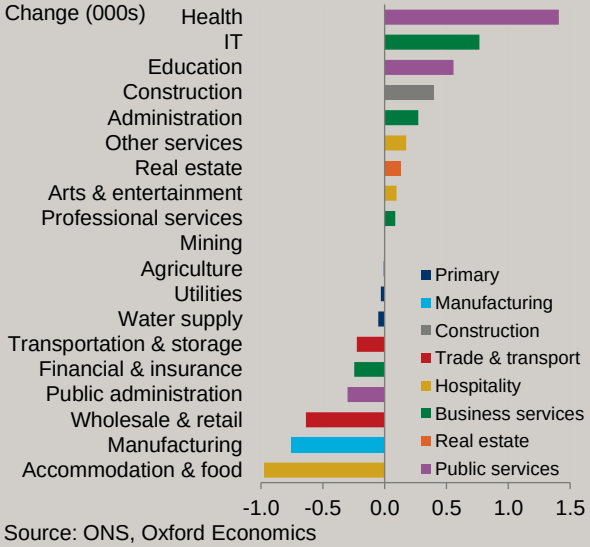

Source: Oxford Economics

### Fig. 50. GVA by sector, 2019 to 2030




Source: ONS, Oxford Economics

### Fig. 51. Jobs by sector, 2019 to 2030




Source: ONS, Oxford Economics

# BOROUGH OUTLOOK: KINGSTON-UPON-THAMES

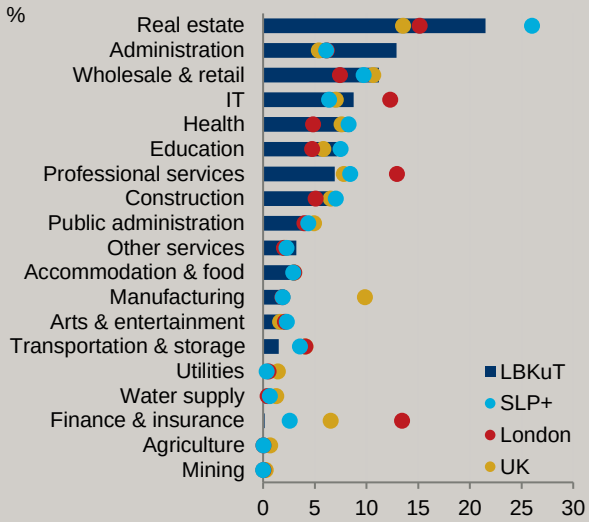
**EVIDENCE ON THE IMPACTS OF COVID-19**

- We estimate that the Kingston-upon-Thames economy will **contract by 12.8% in 2020** alone, a greater impact than across the SLP+ (12.1%), London (10.4%) or nationally (11.4%). As across the SLP+, the development and rollout of vaccines will allow the economy to slowly return to operating at full capacity: Kingston-upon-Thames' GVA will grow by 5.4% in 2021, and a further 7.1% in 2022, returning to pre-pandemic levels in 2023.
- Although Kingston-upon-Thames has suffered **a sharp increase in claimants** as a consequence of the pandemic, the rate of claimants is low relative to rates seen across London and nationally. At the peak, almost **three-in-ten workers were furloughed** through the Coronavirus Job Retention Scheme, and data for the end of August indicate around one-in-eight remain so.
- We therefore expect the Kingston-upon-Thames workforce to **shed 2,900 jobs** this year, a 2.0% contraction, and **a further 3,800 jobs in 2021**, as businesses no longer benefit from income support schemes and adjust accordingly. However, employment is expected to recover thereafter, returning to pre-pandemic levels in 2024.
- While Kingston-upon-Thames' **hospitality** sectors will be among the most exposed to the crisis, and accommodation & food in particular will see GVA almost halve in 2020 alone, the borough will be particularly exposed to a downturn in the **administrative & support services** sector, which will shed 1,600 jobs—the most of any sector—through 2020 and 2021.

**BASELINE OUTLOOK FOR THE KINGSTON-UPON-THAMES ECONOMY**

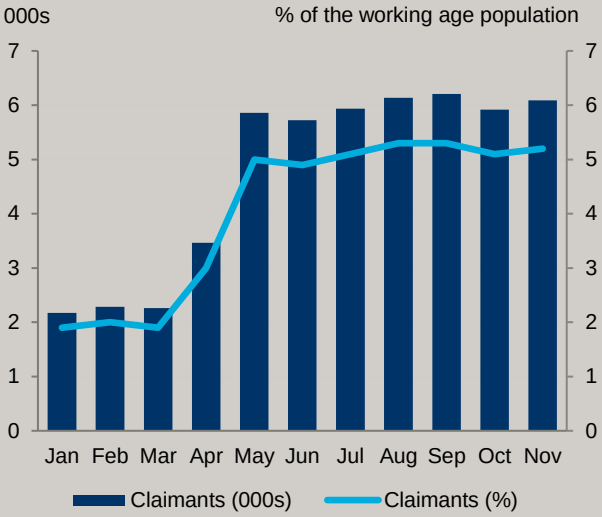
- As the economy recovers from the crisis, and returns to longer-run patterns of growth, Kingston-upon-Thames will perform comparably well. We expect the borough to average GVA growth of **1.3% per year** over the period 2019 to 2030, the joint-highest rate across the SLP+, although lagging London as a whole (1.5% per year).
- Kingston-upon-Thames' growth prospects benefit from its exposure to **business service sectors**, with information & communication, professional and administrative & support services all forecast to be among the borough's fastest-growing sectors (all 1.7% per year). Other faster-growing sectors are associated with Kingston-upon-Thames **growing population**, (0.5% per year and in line with the SLP+ average), such as real estate, human health & social work, utilities and water supply—although only the former two will make significant contributions to overall GVA over this period.
- While growth in more productive sectors, and an overall trend towards automation, will see **overall improvements in productivity** (0.8% per year), the Kingston-upon-Thames **workforce will add 6,000 jobs** over this period, averaging growth of 0.5% per year. Job growth will be mainly concentrated in administration & support services, which alone will account for a third of additional jobs across the borough, and human health & social work.

### Fig. 52. GVA by sector, 2019




Source: ONS, Oxford Economics

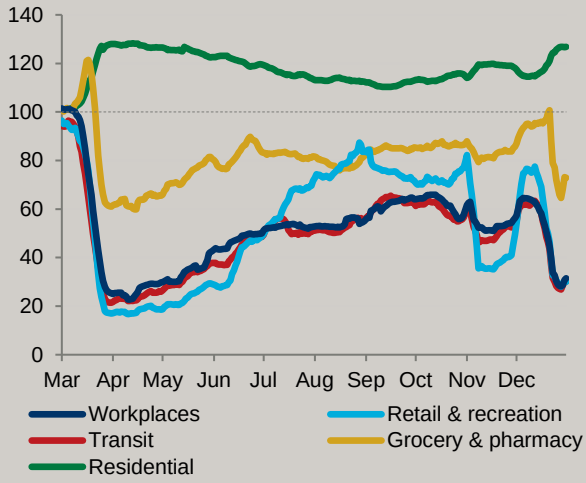
### Fig. 53. Claimant count, 2020




Source: ONS

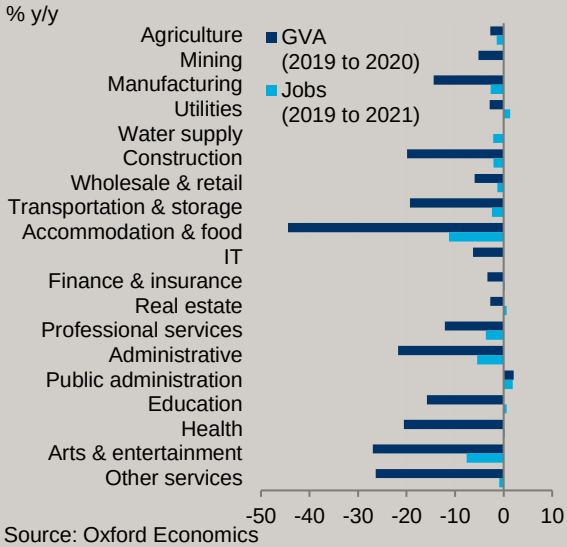
### Fig. 54. Google Mobility Index, 2020

Seven-day rolling average (pre-pandemic baseline=100)



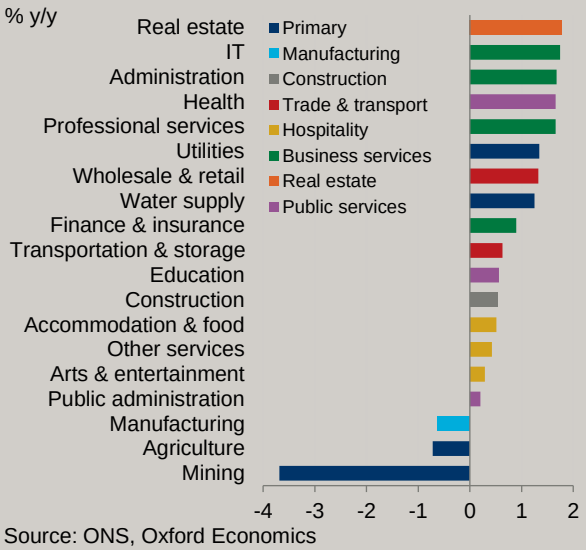

Source: Google Mobility Index, Oxford Economics

### Fig. 55. GVA and jobs by sector, 2019 to 2021



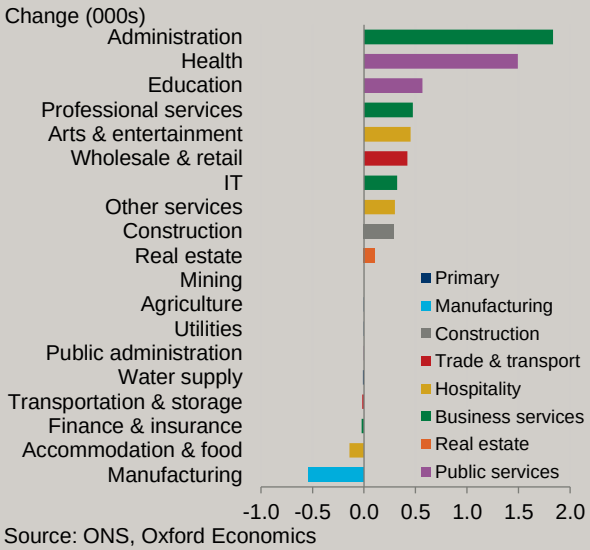

Source: Oxford Economics

### Fig. 56. GVA by sector, 2019 to 2030




Source: ONS, Oxford Economics

### Fig. 57. Jobs by sector, 2019 to 2030




Source: ONS, Oxford Economics

# BOROUGH OUTLOOK: MERTON

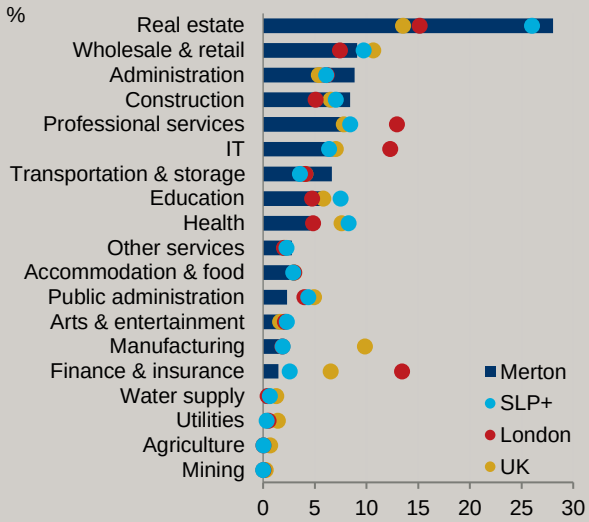
## EVIDENCE ON THE IMPACTS OF COVID-19

- We estimate that the Merton economy will **contract by 12.4% in 2020** alone, a greater impact than across the SLP+ (12.1%), London (10.4%) or nationally (11.4%). As across the SLP+, the development and rollout of vaccines will allow the economy to slowly return to operating at full capacity: Merton's GVA will grow by 4.8% in 2021, and a further 6.5% in 2022, returning to pre-pandemic levels in 2023.
- Merton has suffered **a sharp increase in claimants** as a consequence of the pandemic, growing from 2.7% of the working age population in March to 7.3% in November. At the peak, more than **three-in-ten workers were furloughed** through the Coronavirus Job Retention Scheme, and data for the end of August indicate around one-in-eight remain so.
- We therefore expect the Merton workforce to **shed 2,100 jobs** this year, a 2.1% contraction, and **a further 3,100 jobs in 2021**, as businesses no longer benefit from income support schemes and adjust accordingly. However, employment is expected to recover thereafter, returning to pre-pandemic levels in 2024.
- While Merton's **hospitality** sectors will be among the most exposed to the crisis, and accommodation & food in particular will see GVA almost halve in 2020 alone, the borough will be particularly exposed to a downturn in the **administrative & support services** sector, which will shed 1,700 jobs—the most of any sector—through 2020 and 2021.

## BASELINE OUTLOOK FOR THE MERTON ECONOMY

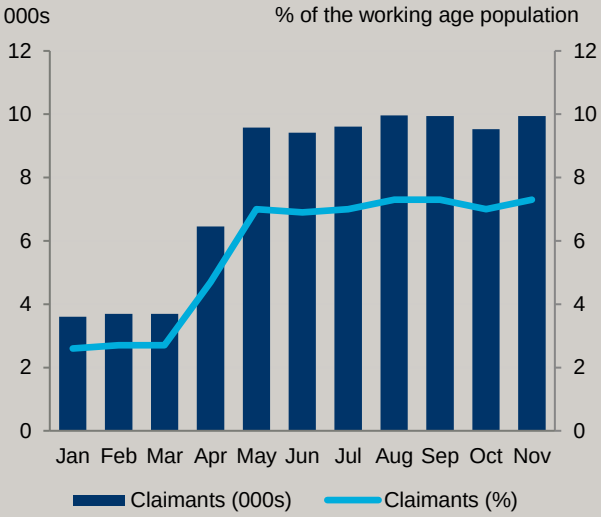
- As the economy recovers from the crisis, and returns to longer-run patterns of growth, Merton will perform comparably well. We expect the borough to average GVA growth of **1.2% per year** over the period 2019 to 2030, outperforming the SLP+ as a whole (1.1% per year), although lagging London as a whole (1.5% per year).
- We forecast that **information & communication** will be Merton's fastest growing sector over this period, averaging GVA growth of 2.0% per year. Other business services including professional services (1.6% per year) and administrative & support services (1.3%) will also be among the borough's better-performing sectors. The Merton economy is well represented in the real estate and wholesale & retail sectors, both of which are expected to see faster growth into the future (1.9% and 1.5% per year respectively), alongside human health & social work (1.6% per year).
- While growth in more productive sectors, and an overall trend towards automation, will see **overall improvements in productivity** (0.7% per year), the Merton **workforce will add 5,000 jobs** over this period, averaging growth of 0.5% per year. This represents a significant slowdown in job creation relative to the decade before the crisis, where Merton added almost 18,000 jobs at 2.2% per year. Job growth will be mainly concentrated in administration & support services, which alone will account for a third of additional jobs across the borough, and human health & social work. Although additional jobs in these sectors will be partially offset by a contraction in manufacturing, and to a lesser extent, arts, entertainment & recreation and finance & insurance.

### Fig. 58. GVA by sector, 2019




Source: ONS, Oxford Economics

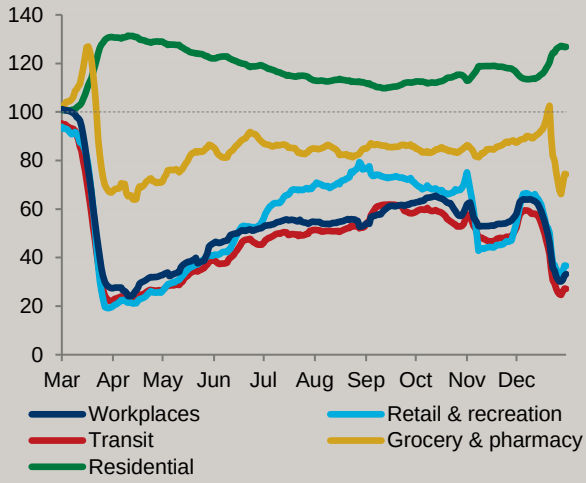
### Fig. 59. Claimant count, 2020




Source: ONS

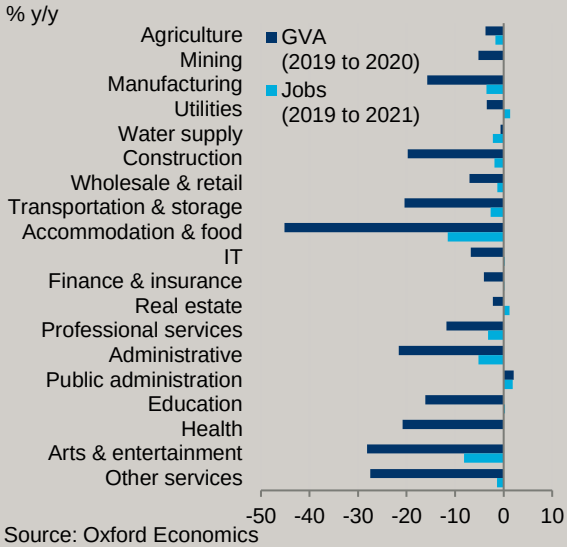
### Fig. 60. Google Mobility Index, 2020

Seven-day rolling average (pre-pandemic baseline=100)



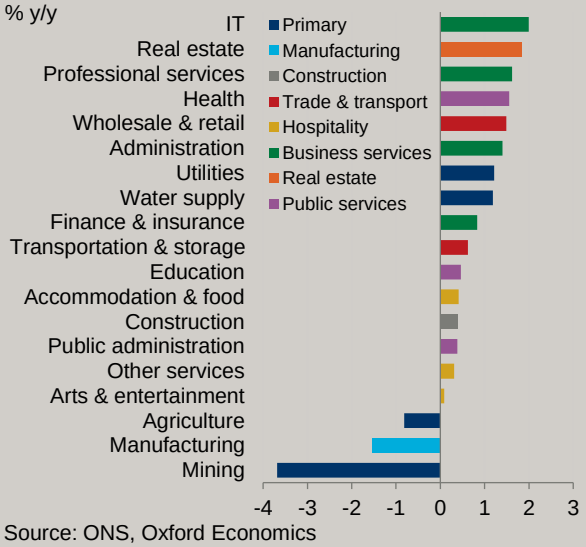

Source: Google Mobility Index, Oxford Economics

### Fig. 61. GVA and jobs by sector, 2019 to 2021



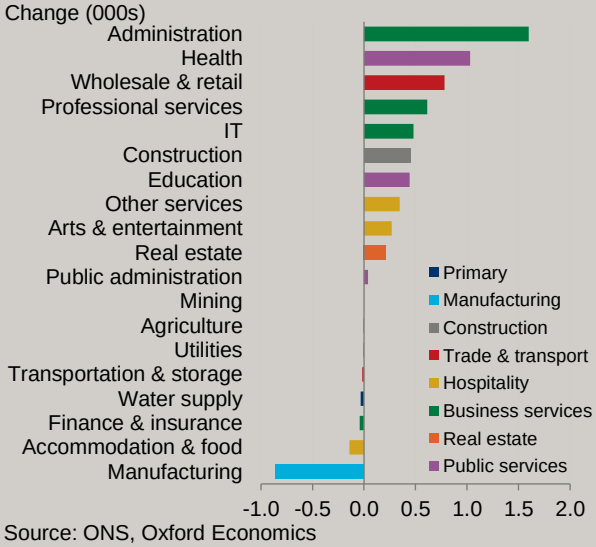

Source: Oxford Economics

### Fig. 62. GVA by sector, 2019 to 2030




Source: ONS, Oxford Economics

### Fig. 63. Jobs by sector, 2019 to 2030




Source: ONS, Oxford Economics

# BOROUGH OUTLOOK: RICHMOND-UPON-THAMES

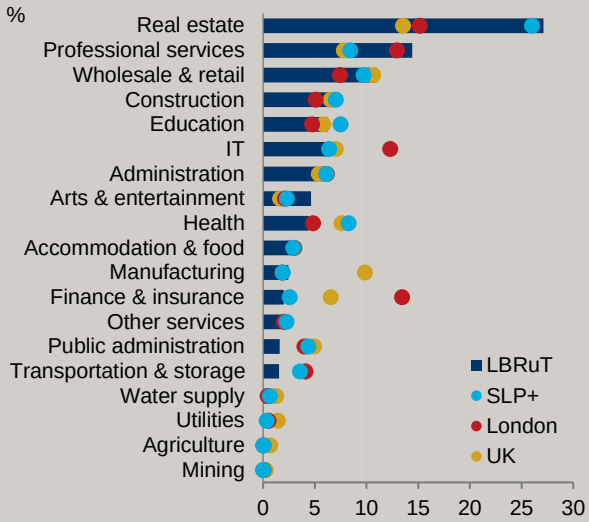
**EVIDENCE ON THE IMPACTS OF COVID-19**

- We estimate that the Richmond-upon-Thames economy will **contract by 11.5% in 2020** alone, less than across the SLP+ (12.1%), although a sharper loss of GVA than across London (10.4%) or the UK (11.4%).
- As across the SLP+, the development and rollout of vaccines will allow the economy to slowly return to operating at full capacity: Richmond-upon-Thames' GVA will grow by 5.0% in 2021, and a further 5.6% in 2022, returning to pre-pandemic levels in 2023.
- Although Richmond-upon-Thames has suffered **a sharp increase in claimants** as a consequence of the pandemic, the rate of claimants remains low relative to across London and nationally. At the peak, over **a quarter of workers were furloughed** through the Coronavirus Job Retention Scheme, and data for the end of August indicate around one-in-ten remain so.
- We therefore expect the Richmond-upon-Thames workforce to **shed 2,600 jobs** this year, a 1.6% contraction, and **a further 4,700 jobs in 2021**, as businesses no longer benefit from income support schemes and adjust accordingly. However, employment is expected to recover thereafter, returning to pre-pandemic levels in 2023, in-line with the recovery in GVA.
- The borough benefits from a concentration of activity in sectors that tend to support greater **desk-based employment**, such as professional services, which are less exposed to the crisis. Although Richmond-upon-Thames supports a large **hospitality** sector, which has been hit hard by social distancing measures to limit the spread of the virus—the accommodation & food services and arts, entertainment & recreation sectors will together account for three-in-five job losses across the borough through 2020 and 2021.

**BASELINE OUTLOOK FOR THE RICHMOND-UPON-THAMES ECONOMY**

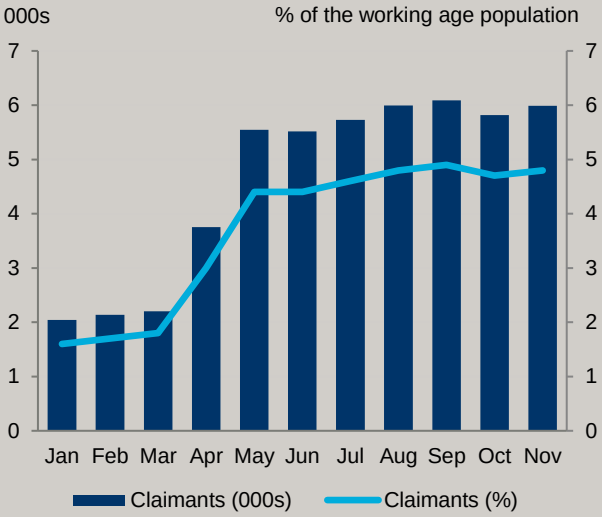
- As the economy recovers from the crisis, and returns to longer-run patterns of growth, Richmond-upon-Thames will perform comparably well. We forecast GVA growth to average **1.3% per year** over the period 2019 to 2030, the joint-highest rate across the SLP+, although lagging London as a whole (1.5% per year). However, this represents a slowdown on the borough's historical performance: in the decade prior to the crisis, GVA grew by 3.8% per year, more than twice the SLP+ average (1.7% per year).
- We forecast that **information & communication** will be Richmond-upon-Thames' fastest growing sector over this period, averaging GVA growth of 2.0% per year. Other business services including administrative & support services (1.6% per year) and professional services (1.5%) will also be among the borough's better-performing sectors. The borough is well represented in the real estate and wholesale & retail sectors, both of which are expected to see faster growth into the future (1.8% and 1.6% per year respectively), alongside human health & social work (1.5% per year).
- While growth in more productive sectors, and an overall trend towards automation, will see **overall improvements in productivity** (0.8% per year), the Richmond-upon-Thames **workforce will add 6,000 jobs** over this period, averaging growth of 0.5% per year. Despite being among the sectors most exposed to the crisis, arts, entertainment & recreation will recover to see the largest overall increase in employment. We also expect job growth across the human health & social work, information & communication, wholesale & retail and professional services sectors.

### Fig. 64. GVA by sector, 2019




Source: ONS, Oxford Economics

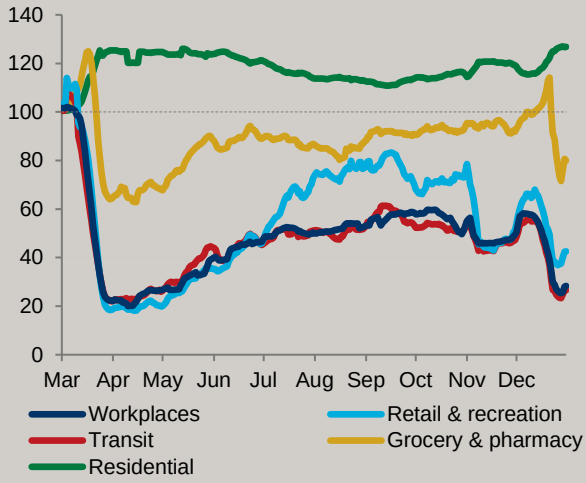
### Fig. 65. Claimant count, 2020




Source: ONS

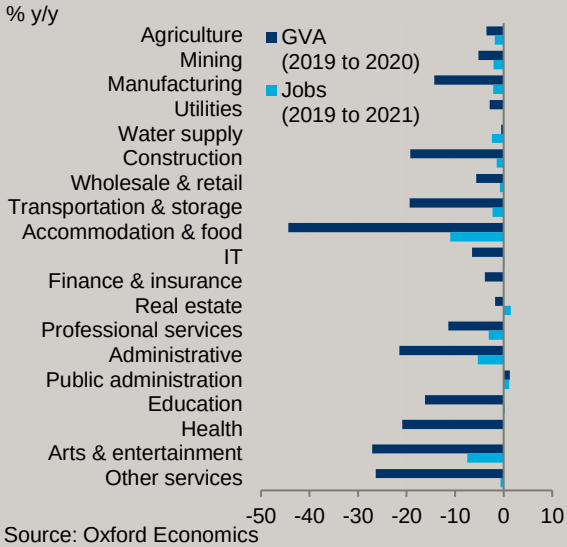
### Fig. 66. Google Mobility Index, 2020

Seven-day rolling average (pre-pandemic baseline=100)



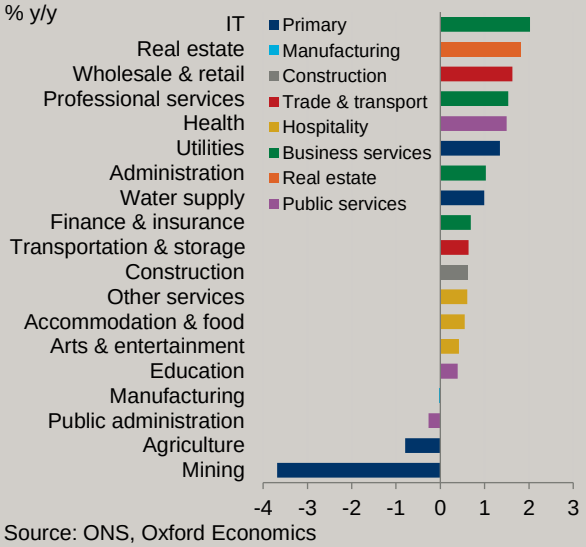

Source: Google Mobility Index, Oxford Economics

### Fig. 67. GVA and jobs by sector, 2019 to 2021



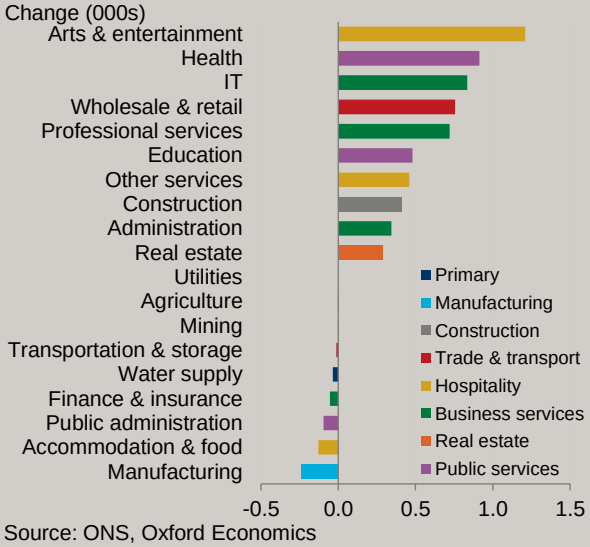

Source: Oxford Economics

### Fig. 68. GVA by sector, 2019 to 2030




Source: ONS, Oxford Economics

### Fig. 69. Jobs by sector, 2019 to 2030




Source: ONS, Oxford Economics

# BOROUGH OUTLOOK: SUTTON

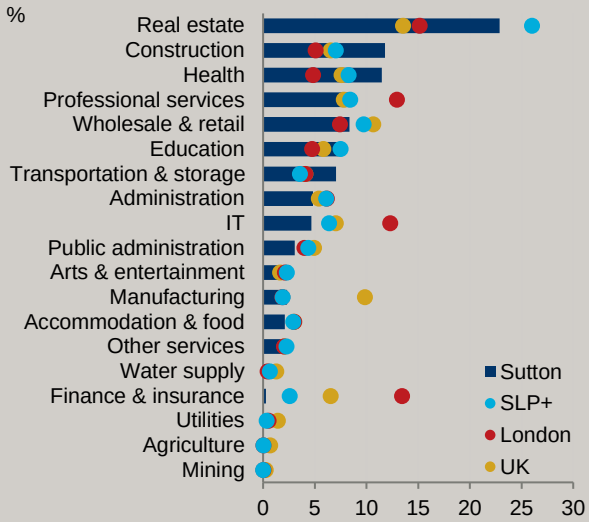
## EVIDENCE ON THE IMPACTS OF COVID-19

- We estimate that the Sutton economy will **contract by 13.9% in 2020** alone, the largest fall of all SLP+ boroughs. By contrast, the SLP+ will see a fall of 12.1% of GVA in 2020. However, as across the SLP+, the development and rollout of vaccines will allow the economy to slowly return to operating at full capacity: Sutton's GVA will grow by 5.2% in 2021, and a further 7.6% in 2022, returning to pre-pandemic levels in 2024.
- Sutton has suffered **a sharp increase in claimants** as a consequence of the pandemic, growing from 2.4% of the working age population in March to 5.7% in November, although the rate of claimants lag the SLP+, London and UK averages. At the peak, almost **three-in-ten workers were furloughed** through the Coronavirus Job Retention Scheme, and data for the end of August indicate around 11% remain so.
- We therefore expect the Sutton workforce to **shed 2,600 jobs** this year, a 1.9% contraction, and **a further 3,300 jobs in 2021**, as businesses no longer benefit from income support schemes and adjust accordingly. However, employment is expected to recover thereafter, returning to pre-pandemic levels in 2023, ahead of the recovery in GVA.
- The Sutton economy is well represented in activities such as **construction** and **human health & social work**, which have seen a sharp fall in GVA as a consequence of the crisis—although in the latter case, this is largely due to diverting resources towards dealing with the pandemic, and has not led to a drop in employment. **Administrative & support services** is Sutton's largest employer, and will shed 1,600 jobs through 2020 and 2021—over a third of overall job losses across the borough.

## BASELINE OUTLOOK FOR THE SUTTON ECONOMY

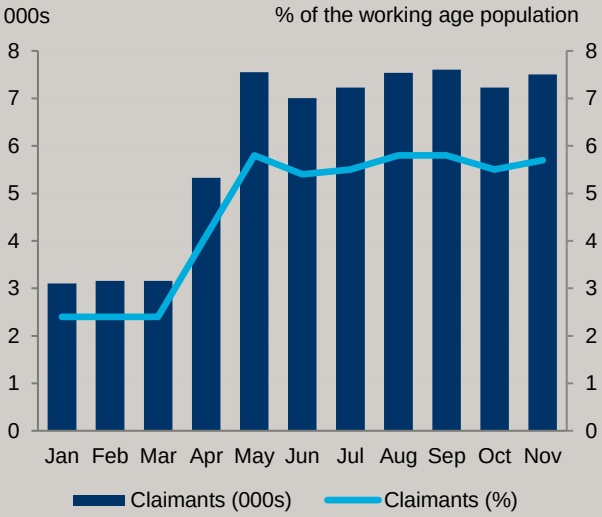
- Sutton has historically been the SLP+'s slowest growing borough, averaging GVA growth of 0.4% per year in the decade preceding the crisis. And coupled with a sharper downturn than other SLP+ boroughs in the short term, we expect Sutton to continue to underperform the SLP+ over the period to 2030. Sutton will be the second weakest performing borough, averaging GVA growth of **1.0% per year.** Only six of London's 33 boroughs are forecast to underperform Sutton over this period.
- As a reflection of wider trends across the SLP+ and London, **business services** such as information & communication, administrative & support services (both 1.4% per year) and professional services (1.3% per year) will be among the borough's faster-growing sectors, although the Sutton economy has less of an advantage in these sectors, and the magnitude of growth will generally lag elsewhere in the SLP+ and across London. Instead, **real estate** and **human health & social work** (both 1.6% per year) will be Sutton's fastest-growing sectors.
- A gradual transition in the sectoral composition of the Sutton economy towards more productive sectors, and an overall trend towards automation, will see **overall improvements in productivity** (0.6% per year), albeit to a lesser extent than elsewhere in the SLP+. The Sutton **workforce will also add 4,000 jobs** over this period, averaging growth of 0.4% per year. Human health & social work will support around two-in-five additional jobs, while administrative & support services, construction and wholesale & retail will support a further half of new jobs.

### Fig. 70. GVA by sector, 2019




Source: ONS, Oxford Economics

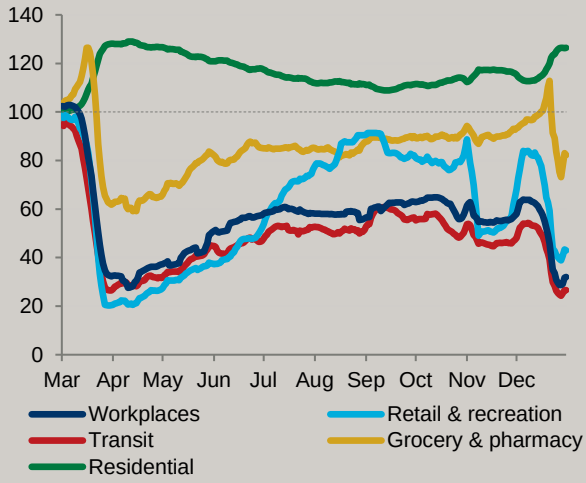
### Fig. 71. Claimant count, 2020




Source: ONS

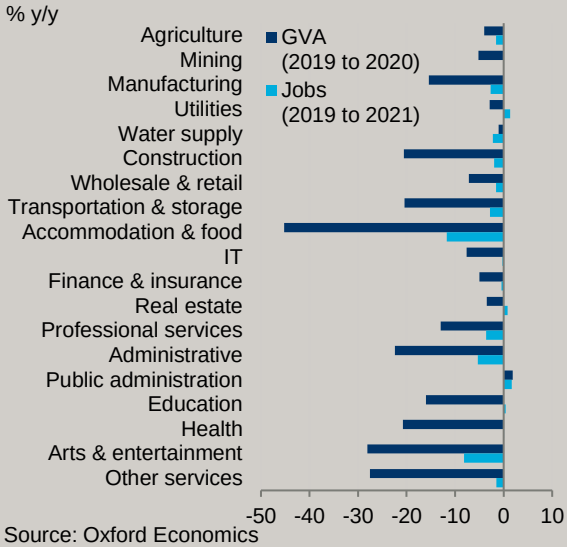
### Fig. 72. Google Mobility Index, 2020

Seven-day rolling average (pre-pandemic baseline=100)



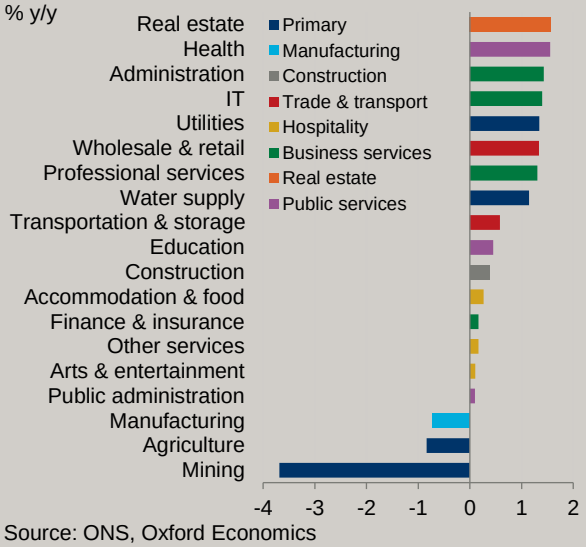

Source: Google Mobility Index, Oxford Economics

### Fig. 73. GVA and jobs by sector, 2019 to 2021



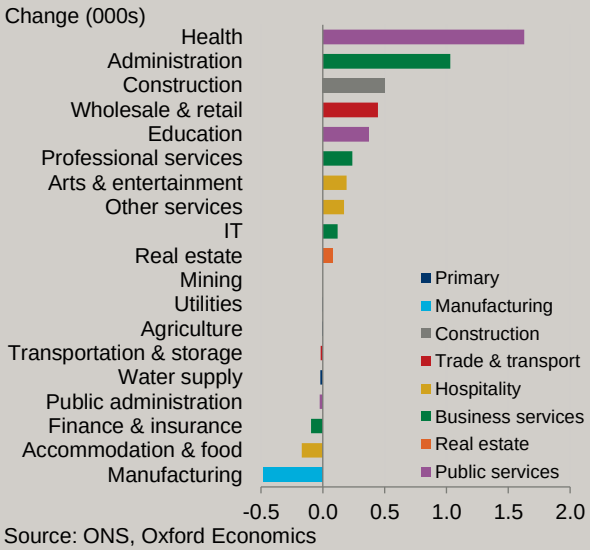

Source: Oxford Economics

### Fig. 74. GVA by sector, 2019 to 2030




Source: ONS, Oxford Economics

### Fig. 75. Jobs by sector, 2019 to 2030




Source: ONS, Oxford Economics

# BOROUGH OUTLOOK: WANDSWORTH

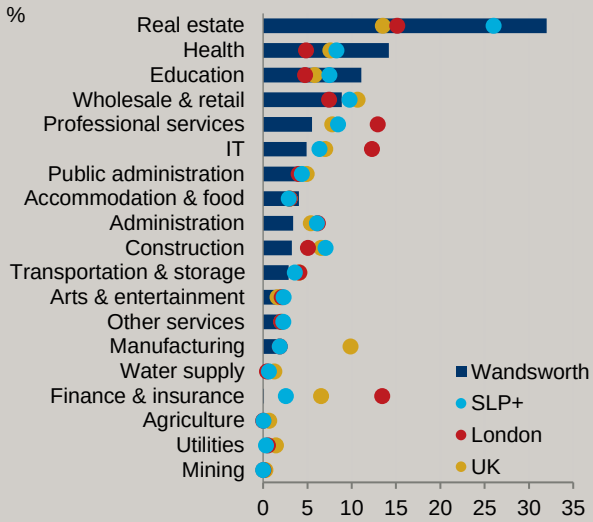
## EVIDENCE ON THE IMPACTS OF COVID-19

- We estimate that the Wandsworth economy will **contract by 12.3% in 2020** alone, a greater impact than across the SLP+ (12.1%), London (10.4%) or nationally (11.4%). As across the SLP+, the rollout of vaccines will allow the economy to slowly return to operating at full capacity: Wandsworth's GVA will grow by 5.1% in 2021, and a further 7.0% in 2022, returning to pre-pandemic levels in 2023.
- Wandsworth has suffered **a sharp increase in claimants** as a consequence of the pandemic, growing from 2.2% of the working age population in March to 5.9% in November, although it lags the SLP+ (6.7%), London (8.1%) and UK (6.3%) rates. At the peak, **over a quarter of workers were furloughed** through the Coronavirus Job Retention Scheme, and data for the end of August indicate 11% remain so.
- We therefore expect the Wandsworth workforce to **shed 3,000 jobs** this year, a 1.4% contraction, and **a further 5,000 jobs in 2021**, as businesses no longer benefit from income support schemes and adjust accordingly. However, employment is expected to recover thereafter, returning to pre-pandemic levels in 2023, in line with GVA.
- The Wandsworth economy has a relatively large exposure to **public services**, such as education and human health & social work sector, which has seen a sharp fall in GVA as a consequence of the crisis—although in the latter case, this is largely due to diverting resources towards dealing with the pandemic, and has not led to a drop in employment. Indeed, while shedding jobs through 2020 and 2021, Wandsworth is expected to lose a smaller proportion of its workforce (4.2%) than all other SLP+ boroughs bar Croydon (4.0%).

## BASELINE OUTLOOK FOR THE WANDSWORTH ECONOMY

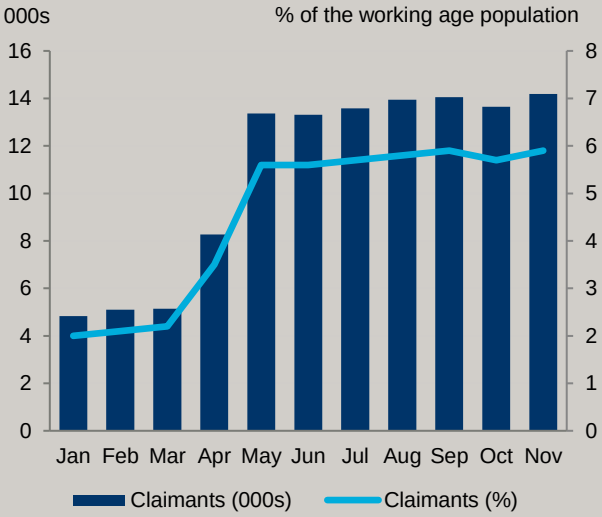
- As the economy recovers from the crisis, and returns to longer-run patterns of growth, Wandsworth will perform comparably well. We expect the borough to average GVA growth of **1.2% per year** from 2019 to 2030, slightly outperforming the SLP+ as a whole (1.1% per year), although lagging the London economy (1.5% per year).
- We forecast that **information & communication** will be Wandsworth's fastest growing sector over this period, averaging GVA growth of 2.0% per year, while **professional services** (1.9%) will be the borough's second fastest-growing sector. In both instances, Wandsworth will outperform the SLP+ average (1.9% and 1.5% per year respectively). The borough is also expected to see the fastest **population growth** across the SLP+ (0.7% per year), and largest increase in population (26,000 additional residents). Linked to this growing population, wholesale & retail trade (1.6% per year), real estate and human health & social work (1.5% per year) are expected to also be among Wandsworth's better performing sectors.
- While growth in more productive sectors, and an overall trend towards automation, will see **overall improvements in productivity** (0.6% per year), the Wandsworth **workforce will add 10,000 jobs** over this period, averaging growth of 0.6% per year—the fastest employment growth across the SLP+. Wandsworth's large **human health & social work** sector will see the greatest increase in employment (2,700 jobs), alongside professional services (1,700 jobs), wholesale & retail trade (1,300 jobs) and education (1,200 jobs).

### Fig. 76. GVA by sector, 2019




Source: ONS, Oxford Economics

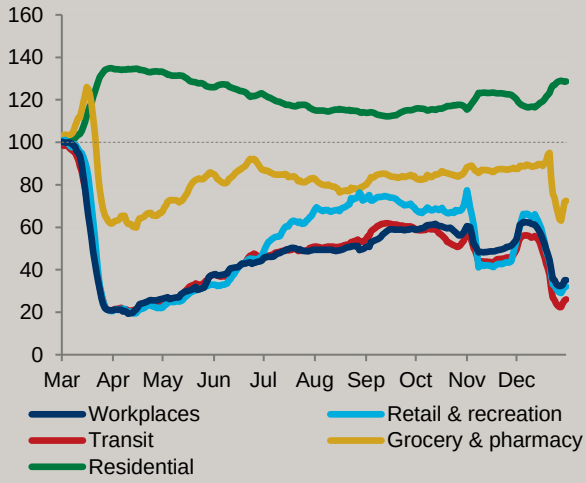
### Fig. 77. Claimant count, 2020




Source: ONS

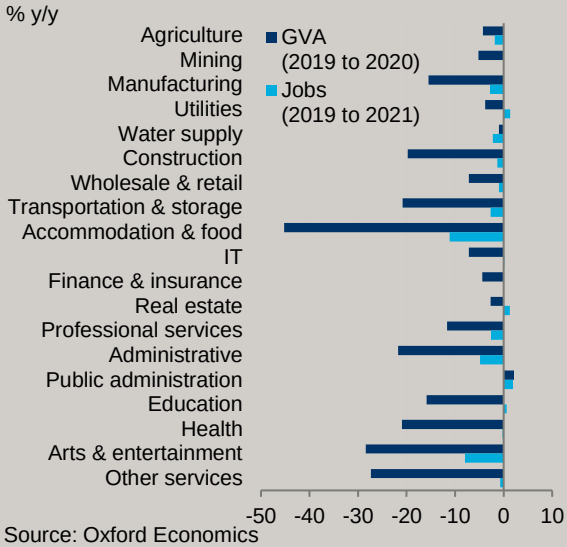
### Fig. 78. Google Mobility Index, 2020

Seven-day rolling average (pre-pandemic baseline=100)



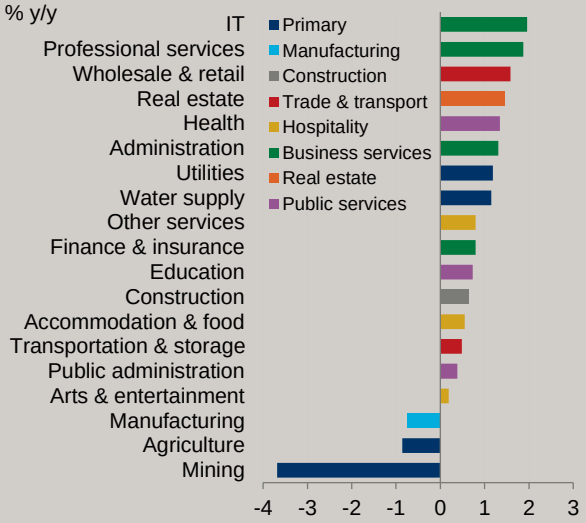

Source: Google Mobility Index, Oxford Economics

### Fig. 79. GVA and jobs by sector, 2019 to 2021



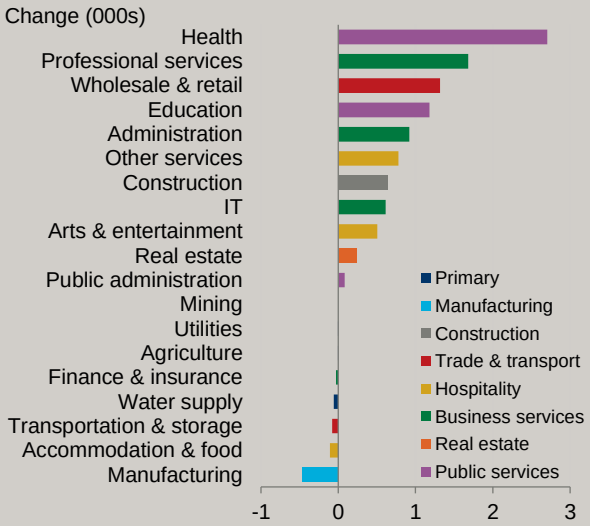

Source: Oxford Economics

### Fig. 80. GVA by sector, 2019 to 2030




Source: ONS, Oxford Economics

### Fig. 81. Jobs by sector, 2019 to 2030




Source: ONS, Oxford Economics

# APPENDIX B FORECAST METHOD

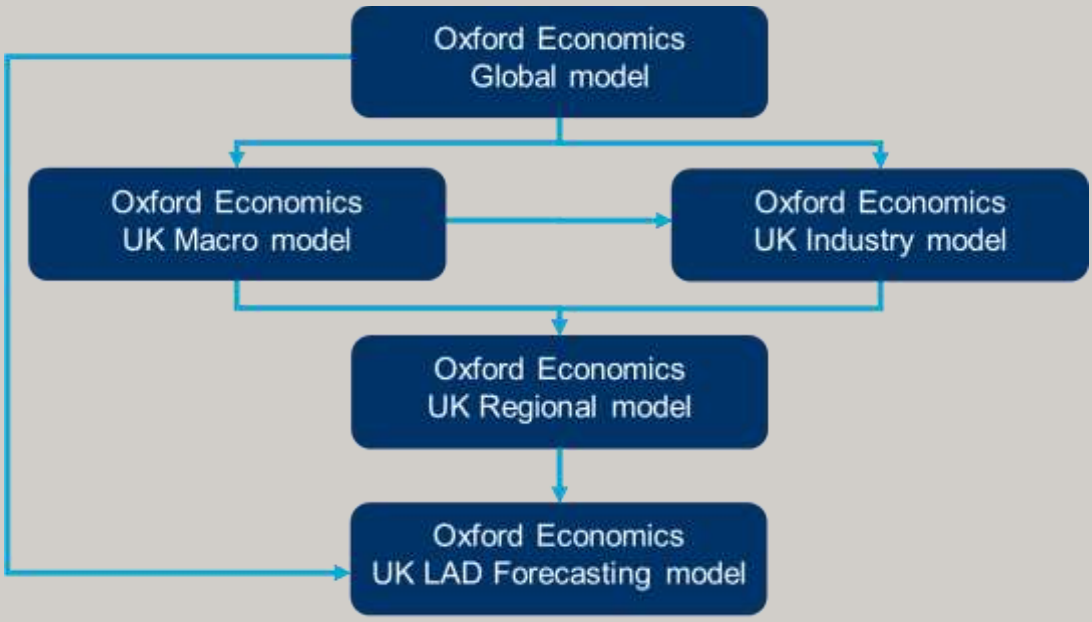
**MODEL OVERVIEW**

This annex provides technical information on the structure of Oxford Economics Local Authority District Forecasting Model and details of the data sources and definitions of variables within the model. The model should be viewed as one piece of evidence in making policy decisions and tracking economic and demographic change. It is not intended to be used on its own to set employment targets for local authority areas. Such targets will need to take account of local opportunities, constraints and community aspirations. As with all models it is subject to margins of error, which increase as the level of geographical detail becomes increasingly granular and relies heavily upon published data.

Models, though predominantly quantitative, also require a degree of local knowledge and past experience, or more generally forecasting art, to make plausible long-term projections. To this end the Oxford model has been developed by a team of senior staff who have a long history in model building and forecasting at both local and regional levels.

The Local Authority District Forecasting Model sits within the Oxford suite of forecasting models. This structure ensures that global and national factors (such as developments in the Eurozone and UK Government fiscal policy) have an appropriate impact on the forecasts at a local authority level. This empirical framework (or set of 'controls') is critical in ensuring that the forecasts are much more than just an extrapolation of historical trends. Rather, the trends in our global, national and sectoral forecasts have an impact on the local area forecasts. In the current economic climate this means most, if not all, local areas will face challenges in the short-term, irrespective of how they have performed over the past 15 years.

**Fig. 82. Hierarchal structure of Oxford Economics' suite of models**




The Local Authority District Forecasting Model produces base forecasts, which can be compared with other published forecasts (though care should be taken over data definition issues), and as a guide to aid commentary or analysis of the LCR and its local authority economies. These forecasts can in one sense be considered to provide baseline 'policy off' projections with which the actual outturn under policy initiatives could be compared. However, there are inherent difficulties in using the forecasts as

a 'policy-off' baseline. In particular the base projections are 'unconstrained' in the sense that they make no allowance for constraints on development which may be greater than in the past.

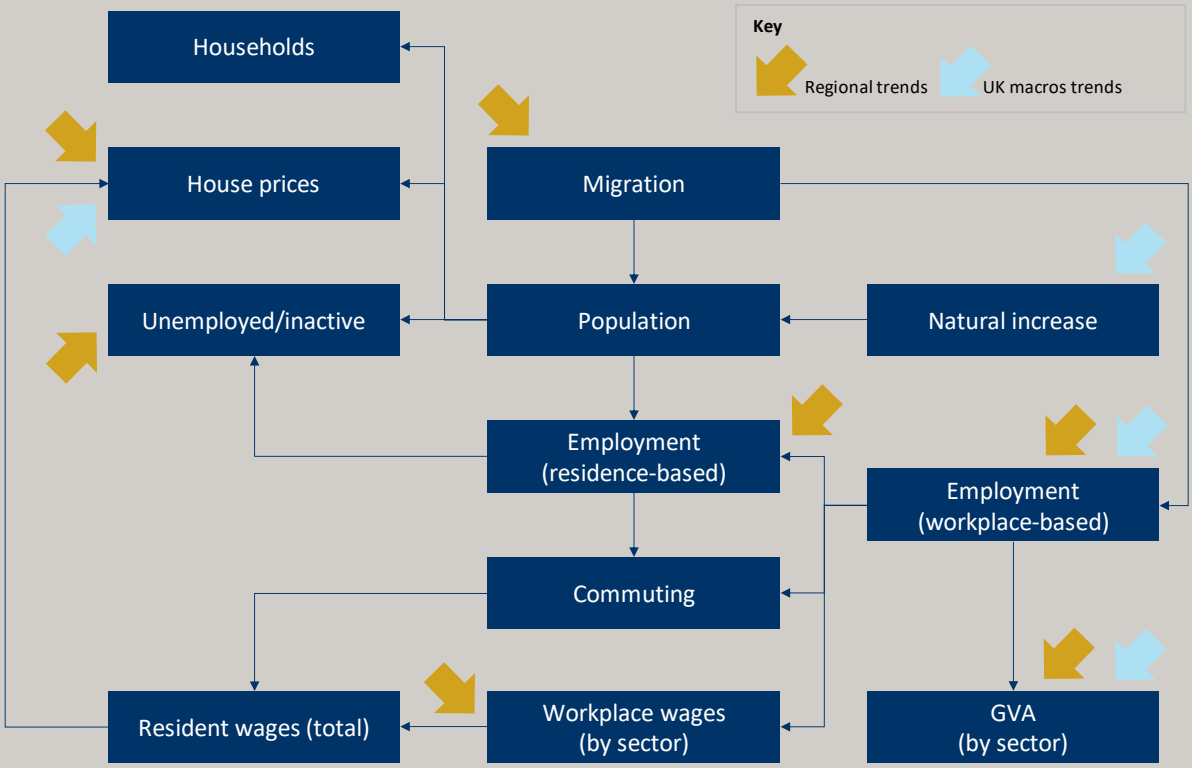
Our local forecasting model depends essentially upon three factors:

- **National/regional outlooks**: all the forecasting models we operate are fully consistent with the broader global and national forecasts which are updated on a monthly basis.
- **Historical trends** in an area which implicitly factor in supply side factors impinging on demand), augmented where appropriate by local knowledge and understanding of patterns of economic development built up over decades of expertise, and
- **Fundamental economic relationships** which interlink the various elements of the outlook.

## MODEL STRUCTURE

The main internal relationships between variables are summarised in Fig. 83. Each variable is related to others within the models. Key variables are also related to variables in the other Oxford Economics models.

**Fig. 83. Main relationships between variables in the LAD Forecasting Model**




Source: Oxford Economics

# APPENDIX C POPULATION PROJECTIONS – A COMPARISON

While GLA population projections are largely an extrapolation of historical trends, population is a derived variable in our forecasting model. While the rate of births and deaths are taken from ONS projections, at a local level, migration is linked to the resident employment rate forecast: if the employment rate within an area is falling too fast, net in-migration slows as the model assumes fewer people would be attracted into this area to live, given weaker local employment prospects. This ensures a sensible relationship between economic and demographic variables. (See Appendix A for further detail on our modelling approach.)

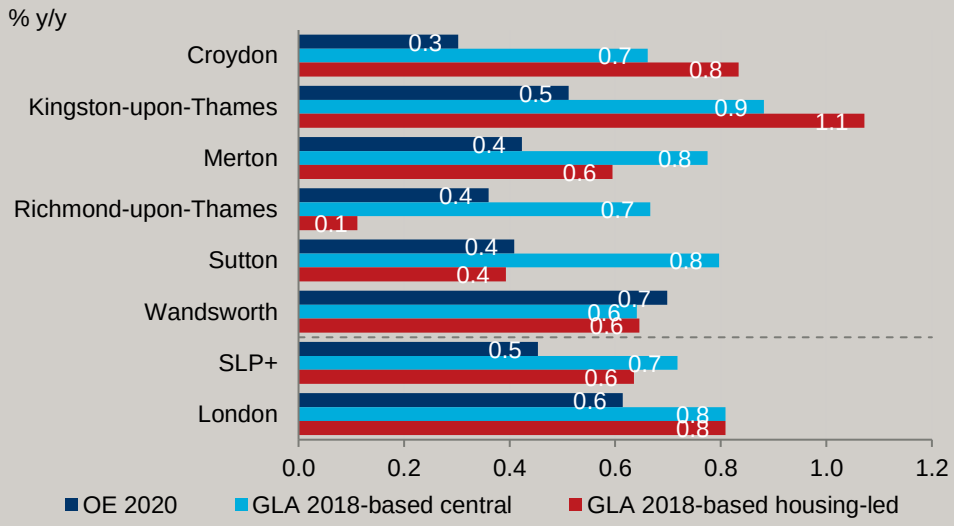
Our net migration assumptions also vary from official projections at a national level. We expect levels of net migration to fall in the long run, as a reflection of the government's policy to end free movement of labour, and actively reduce levels of immigration. We therefore expect net migration to fall to around 90,000 per year from the mid-2020s onwards. This is broadly similar to the scale of population growth in the ONS' 'low migration' population projection variant.

Our baseline forecast therefore estimates a lower rate of population growth across the SLP+ than either the GLA's most recent central or housing-led projections. The SLP's average rate population growth (0.5% per year) to 2030 lags both the central (0.7% per year) and housing-led (0.6% per year) scenarios.

Wandsworth (0.7%) is the only SLP+ borough expected to generate faster population growth over this period in our forecast than either of the GLA projections. Although across all other boroughs, average population growth lags between 0.3 to 0.4 percentage points below the GLA central projections.

Overall, our population projections suggest that the SLP+ will support 46,100 fewer residents than the GLA's central projection (2.9% difference), and 31,500 fewer than the housing-led projection (2.0%) by 2030.

**Fig. 84. Population growth, 2019 to 2030**




Source: GLA, Oxford Economics

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