

The unspoken decline of outer London

Why is poverty and inequality
increasing in outer London and
what needs to change?

By Paul Hunter



The Smith Institute

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Why is poverty and inequality increasing in outer London and what needs to change?

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This report draws on data from a range of sources including:

Data from the Northern Ireland Statistics and Research Agency, Central Survey Unit, Office for National Statistics, Social Survey Division. (2018). Quarterly Labour Force Survey, April - June, 2018. [data collection]. UK Data Service. SN: 8381, <http://doi.org/10.5255/UKDA-SN-8381-1>.

Department for Communities and Local Government. (2018). English Housing Survey, 2016-2017: Household Data. [data collection]. UK Data Service. SN: 8384, <http://doi.org/10.5255/UKDA-SN-8384-1>

Department for Work and Pensions, National Centre for Social Research, Office for National Statistics, Social and Vital Statistics Division. (2018). Family Resources Survey, 2016-2017. [data collection]. UK Data Service. SN: 8336, <http://doi.org/10.5255/UKDA-SN-8336-1>

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Foreword

This report by the Institute's deputy director, Paul Hunter, follows on from previous research by Paul on poverty in suburbia and on housing and low pay in London. It also complements the excellent London Poverty Profile by the Trust for London, as well other studies on poverty and inequality in London by the GLA, JRF and the London Fairness Commission. What is distinctive about this report is the focus on understanding the extent to which poverty and inequality have worsened in outer London in recent years, especially relative to inner London.

Paul provides a critique of agglomeration theory and so-called 'city centralism' that dominates the current policy landscape around economic development. Whilst acknowledging the benefits this approach has brought, he carefully documents the downsides for those on low incomes in many outer London boroughs. His detailed statistical analysis is enriched with insights gathered from focus group discussions with low-income residents from outer London as well as interviews and meetings with experts and key stakeholders. This blend of data, information and opinion underpins Paul's agenda for change, which is presented in the final section of the report in the form of a series of policy recommendations and ideas to rebalance London's economy.

In presenting a range of possible solutions, mostly directed at the London Mayor and outer London boroughs, Paul hopes to provoke a broader debate around the challenges facing outer London (and London as a whole). Some of the proposals, such as redirecting the funding for Crossrail 2, are highly controversial, others, such as promoting the London Living Wage, are widely supported. What matters is that they challenge the status quo and seek to counter rising poverty and inequality in outer London.

London is now entering a new era and its leaders will need to plan ahead carefully to deliver the shared prosperity its citizens want. A poorer and more divided city, with an ever-widening gap between a wealthier inner London and a poorer outer London is not an option. As this report argues, renewed efforts are required to secure inclusive and sustainable growth across all London's boroughs – not a displacement from one area to another.

We would like to thank all those who submitted evidence and took part in the interviews and roundtable discussions. In particular, our thanks go to CRPE London and the Future of London for co-hosting the roundtable event on 'The future of Metroland and London's suburbs – is outer London changing for the better?' in September 2018. We would also especially like to thank the Trust for London for supporting the project. We hope the report helps improve our common understanding of what is happening in outer London and most importantly offers some new thinking on what needs to change.

Paul Hackett
Director, the Smith Institute

Preface

Outer London, comprising 20 boroughs, is home to over five million people – much larger in population than Wales and similar to Scotland. Two of the outer London boroughs – Barnet and Croydon – have populations of close to 400,000 – bigger than most UK cities. Moreover, outer London in absolute terms is expanding at a faster rate than inner London. Some 65% of London's population growth over the period 2016–41 is predicted to be in outer London and will come off the back of a decade of austerity.¹

Within an area with a population as large as this there have always been places with relatively higher rates of poverty. Much of this is down to history. Richmond upon Thames, for example, has had a very different past to Havering or Barking and Dagenham. Nevertheless, for much of the post-war period concentrations of poverty and the worst forms of multiple deprivation were to be found in inner London. Even if poverty rates are still higher in inner London, this simple description is no longer the case. As this report and related research by the Trust for London shows, poverty rates in outer London have been increasing.

The changing and ever more complex economic geography of London challenges how we spatially view poverty, inequality and social exclusion. Judging by the key indicators, such as incomes, benefit claims and jobs growth, as well as qualitative evidence from focus groups, the situation is worsening, especially relative to the performance of inner London. If the trends identified in this report continue then aggregate prosperity gaps between inner and outer London will widen, making it harder and ever more costly for the Mayor to deliver his vision for: "A city that meets the challenges of economic and population growth in ways that ensure a sustainable, good and improving quality of life and sufficient high quality homes and neighbourhoods for all Londoners and help tackle the huge issue of deprivation and inequality among Londoners".²

Austerity and cuts have been a major driver of the problems facing outer London, but not the sole reason. As the research in the report shows, economic growth in inner London has been higher than outer London for some time. Furthermore, the quality of growth (not least in terms of higher skilled work), investment in transport and place making, new businesses and housing wealth have all generally favoured inner London – a trend evidenced in previous Smith Institute work and in growing concerns about English towns.³ That is not to suggest that outer Londoners are all disadvantaged. Poorer outer Londoners also told us that they are relatively happy with where they live. But they felt things weren't improving and many are struggling with housing costs and a labour market that no longer works for them. Furthermore, the sentiment was that more needed to be done to provide a better future for their children.

Poverty creeping outwards in the way described in this report raises serious questions about what is happening to outer London and where it is headed. Is the policy adherence to agglomeration economics causing or at least exacerbating the spread of poverty in outer London? To what extent does growth concentrated in the centre trickle out to outer areas, and to whose benefit? Are the changes in current policy sufficient to deliver inclusive growth across London? And what different solutions (and extra resources) are needed to support those outer London places that are being left behind? The report places the spotlight on what is happening in outer London to address these questions.

The report is a mix of data analysis, opinion and policy recommendations. It is intended to draw attention to the future of outer London and to stimulate debate, particularly around poverty, inequality and social exclusion. The commentary recognises the scale, complexity and difference of outer London boroughs, but seeks to highlight the general trends and patterns of development in regard to the growing number of outer Londoners who feel "left behind".

The report is in four parts. The first section briefly discusses the inner-outer London relationship and how outer London has been impacted by agglomeration policies and a market-led policy bias towards city centralism. The second part provides an evaluation of some of the data on poverty and growth in outer London, with a focus on the world of work and housing. The third part gives an insight into how outer Londoners perceive their area and what opinions and ideas they hold (based around focus group meetings in four outer London boroughs). The fourth section draws on the data analysis and focus groups to discuss what could be done. It offers suggestions and makes recommendations on specific policy issues, such as town centre renewal and affordable housing, to wider concerns regarding major projects, like Crossrail 2. Taken together the four sections are intended to help stimulate a debate on what a new agenda for inclusive growth in outer London might look like.

London's boroughs
Populations in '000s (2016)

Outer boroughs	Population	Inner boroughs	Population
Barking and Dagenham	206.8	Camden	246.2
Barnet	386.2	City of London*	7.4
Bexley	245.0	Greenwich	279.8
Brent	325.1	Hackney	273.9
Bromley	327.4	Hammersmith and Fulham	180.0
Croydon	382.3	Islington	233.2
Ealing	345.5	Kensington and Chelsea	157.1
Enfield	331.5	Lambeth	328.2
Haringey	279.3	Lewisham	302.5
Harrow	249.3	Southwark	313.9
Havering	253.1	Tower Hamlets	305.5
Hillingdon	303.1	Wandsworth	316.7
Hounslow	275.1	Westminster	247.6
Kingston upon Thames	176.1		
Merton	205.1		
Newham	342.4		
Redbridge	299.4		
Richmond upon Thames	195.8		
Sutton	202.6		
Waltham Forest	276.5		

Total 8,799.0

*City of London is an inner London 'council'

Source: ONS, Mid-year estimate

Executive summary

Poverty spreading to outer London

Outer London has traditionally been viewed as a place of relative affluence with low levels of poverty. Whether this was ever really the case is debatable, but what is apparent are telling signs of poverty increasing and de-gentrification taking hold in some outer London areas. This report, based on data analysis, focus groups with low-income outer Londoners and interviews and discussions with practitioners and experts seeks to understand what might be driving these changes, what the impacts and consequences are and what interventions might be needed to tackle poverty and achieve inclusive growth in outer London.

The report calls for an urgent review of how politicians and policy makers approach prosperity and wealth creation in London. Rather than simply rewarding growth in inner London and encouraging commuting from a cheaper outer London to an ever more expensive inner London, the report calls for an alternative policy approach to strengthen outer London and rebalance London's economy and housing markets. The report warns that failure to act will lead to a widening divide between inner and outer London and risk displacing poverty to outer London.

Agglomeration

- London's approach to economic development has in recent history focused on growing central London areas to increase agglomerations/clusters of business activity and boost growth.
- The evidence in the report highlights the downsides to this city-centralist approach for outer London, which overall has suffered from sluggish productivity growth in recent years behind not only inner London but also the UK average.
- The current approach also has potential downsides for Londoners, with people on lower incomes facing higher housing costs while those on higher incomes in inner London benefit from appreciating housing values.
- The uneven costs and benefits of agglomeration and city centralism appear to be changing the spatial pattern of economic growth and driving poverty levels up in outer London while inner London experiences reductions.

Rising poverty levels

- 1.4 million people are living in poverty in outer London – 60% of London's total.
- The number of people in poverty in inner London has risen by 180,000 over the last 15 years.
- Whilst the proportion of people in poverty remains higher in inner London, the gap is converging, with rates narrowing from a 12-percentage point difference 15 years ago to seven percentage points in the latest dataset.
- In 2004 outer London had 32% of London's most deprived wards, by 2015 it had risen to 47%.

Intensifying housing pressures

- London's low-income households are at the sharp end of the capital's housing affordability crisis. This is not solely about market prices but also due to the relative decline of social housing. As a consequence, the private rented sector (PRS) is now home to more people in poverty than social housing.
- Over the last ten to fifteen years inner London's housing has become relatively more expensive than outer London. Prior to 2006 housing in inner London was around 20% more expensive than outer London. Today it is over 30% more expensive.
- This rise in housing costs, alongside welfare reforms, seems to have driven more low-income people into renting privately in outer London. Housing Benefit claims in the PRS are up 17% in outer London but down 13% in inner London. The list of local authorities with the highest number of housing benefit claimants in the PRS is dominated by outer London boroughs.
- Those in the PRS in outer London are most likely to be in overcrowded homes.

A changing labour market

- While inner London has seen considerable job growth, outer London has experienced a decline in job density rates (jobs per working-age population). The current job density rate is now below the UK average.
- Whilst unemployment is often considered a problem concentrated in inner London, there has been convergence in the rates over recent years – so much so that there is now no discernible difference between employment and unemployment rates between inner and outer London.
- Low pay is increasingly an outer London issue, with low pay rates a third higher in outer London than inner London. Ten years ago rates were similar.
- Evidence suggests that local jobs matter for employment prospects, with low-income workers unlikely to commute to inner London.

- A regression analysis for the report showed that geography is an important factor in employment prospects. Holding for personal characteristics, the analysis shows that outer Londoners are 15% less likely to be in employment, 40% more likely to be low paid and 50% more likely to be unemployed.
- Employment in industries that are more likely to provide poor quality working conditions are disproportionately found in outer London.
- The evidence suggests creating good quality work close to where people live matters a lot to low-income Londoners.

Views of outer Londoners

To understand the views of outer Londoners the Institute held four focus groups in four different outer London boroughs. The groups comprised a mix of lower income, working-age Londoners.

Housing and local area

- People were settled in their areas and valued most the diversity and connectivity of the place they live in.
- However, there was a sense that outer London was mirroring inner London, including increasing concerns about crime.
- This extended to concerns that population growth from international migration and young professionals is creating pressure on local housing markets and leading to higher housing costs.
- A social tenancy was seen as highly desirable, but hard to access for younger people.

Labour markets

- Participants bemoaned the lack of good jobs locally (jobs that were stable and permanent with good pay, advancement prospects and a sense of purpose).
- Their personal priorities focused on better jobs close to home (and ensuring those jobs go to local people). There was little appetite for better/cheaper transport or housing in inner London to access higher quality central London jobs.

Regeneration

- Outer Londoners saw the possible benefits of regeneration for an area, but there was pronounced scepticism as to whether new jobs, leisure activities or housing will benefit them.
- There was a sense that regeneration could actually make things worse – increasing house prices and the cost of living and placing extra pressure on services. Some expressed fears that they will be pushed out of the area.

Recommendations for reform

Blending the data analysis, interviews and focus groups studies the report puts forward an agenda for change.

A new vision for outer London, a new focus on poverty and inclusive growth

- Outer London needs a new vision to ensure it is not squeezed between the new appeal of urban living and the draw of the prosperous home counties.
- This needs to play to outer London's strengths and rekindle the vision of outer London as a place of opportunity. It also needs to play on its strengths: as places with a sense of community and cultural diversity identified in the focus groups.
- There is a need for a new set of metrics to help achieve sustainable inclusive growth for outer London with a strong policy focus on creating new jobs, reducing poverty and delivering affordable housing (and not just from social landlords but also within the private sector).

Crossrail 2 funding should be redirected to support inclusive growth for outer London

- It is not clear how Crossrail 2 will help deliver inclusive growth across London. The benefits disproportionately benefit inner London.
- The GLA should urgently review the £30bn of Crossrail 2 funding with a view to redirecting investment in support of inclusive growth in outer London.
- Such a bold move would begin a shift away from city centrism and provide significant funding to tackle poverty and support good growth in outer London.

Outer London Deputy Mayor and Inclusive Growth taskforce

- The Mayor should appoint a Deputy Mayor for outer London to be a champion within the GLA, help deliver a new vision for outer London, and ensure growth across the capital is fair and balanced.

- The Mayor should reboot the Outer London Commission (currently dormant) as an Outer London Inclusive Growth Taskforce.
- This Taskforce should have a broader remit with a strong emphasis on reducing poverty and increasing opportunity in outer London.
- Membership of the Taskforce should reflect this broader remit, with more members from civil society.

Regeneration that works for all

- Concerns about the impact of regeneration from outer Londoners was not confined to estate renewal (notably because so many outer Londoners on low income live in the PRS). The GLA and boroughs should assess the likely impact on people's rents and the affordability of an area subject to regeneration schemes, beyond those living in social housing estates.
- To help ensure regeneration works for local people a 'first dibs' housing and jobs policy for existing residents should be introduced.

Tackling low pay in outer London

- There should be a 'fair work' convention for outer London which brings together small and larger employers and trade unions to promote better employment practices and tackle low pay.
- Good employment standards should be integrated into all publicly funded programmes and the GLA and boroughs should seek to create an accredited list of suppliers.
- Skill levels of outer London are lower than in inner London. To ensure skills training translate into changes to outer London's low productivity economy, measures should be introduced to ensure those businesses engaging and benefiting from skills provision and business support programmes meet good employment standards.
- A future strategy for good growth should also be aimed at growing the sectors that are likely to deliver good employment for lower skilled outer Londoners.
- GLA and other public funding should where possible be contingent on employers paying staff the London Living Wage.

Revitalising outer London town centres

- Town centres are at the heart of the economic and civic life of outer London but have been under severe strain as they adapt to changing consumer patterns.
- Building on previous initiatives, a dedicated Outer London Town Centres Transformation Fund should be created to help town centres adjust during a period of changes.
- Strategies and measures to help town centres adapt should include ways of reducing low pay, such as making town centres Living Wage areas.
- The GLA could seek to work with outer London boroughs to see whether there is scope for councils to increase ownership of property within town centres, possibly through their own trading companies.
- Outer London has been disproportionately affected by permitted development rights to convert office space to residential use. Central government urgently needs to reverse this reform which deprives outer London of office space and of planning gain contributions for jobs and community benefit.

A decent, affordable home

- Outer London has huge potential for delivering additional housing which is more affordable for Londoners on low to middle incomes. This needs to be supported by a vision for outer London housing which plays to the traditional strengths of suburbs but for a modern mixed income, mixed tenure communities.
- The GLA and boroughs could pilot affordable housing zones using their land to seek to create areas where housing is more affordable, including new forms of low-cost homeownership where the prices are kept low in perpetuity.
- More radically the Mayor should push ahead with his initial backing of rent controls which could help stop or reduce the displacement of low-income communities.
- The GLA should undertake a review of why house prices have grown so rapidly in the capital. This should go beyond examination of supply issues so that potential demand-side causes (such as mortgage lending, tax breaks) are addressed.
- The GLA should introduce an affordable homes bonus scheme whereby those boroughs not delivering their fair share of affordable housing receive less GLA support.
- The GLA and boroughs should look at the means and feasibility of increasing affordable housing contributions on small sites.
- The GLA should do more to address outer London's poor-quality housing stock, including extra support for home improvements for low-income homeowners and landlords letting to low-income renters.

Connecting outer London

- There should be a much greater focus from the GLA and TfL on orbital transport networks in outer London to enable inclusive growth and create new jobs in outer London.
- The GLA and TfL should undertake a review of blackspots where public transport links to training, education and employment are weakest and where new routes may be required.
- The majority of Londoners with a disability that limits their day-to-day activities live in outer London. Investment to improve accessibility should be focused on outer London where accessibility is often worst.

Funding for inclusive growth in outer London

- To help outer London tackle low pay and poverty the GLA should look to develop alternative funding and financing tools.
- The Mayor could support outer London town centres by raising extra funds from higher business rates in international retail centres in inner London.
- Helping people out of low pay delivers additional revenue to the government as it increases the tax take and reduces tax credits and means tested benefit payments. To incentivise efforts to tackle low pay, the GLA should seek to strike a devo deal with central government where the fiscal benefits are shared.
- Following the EU referendum vote there has been uncertainty about EU funding. Any replacement funds allocated to London by the UK Government should be devolved to the GLA to support policies for inclusive growth.
- Despite outer London seeing a growth in the proportion of London's most deprived areas, funding per head from central to local government has been cut more per head in outer than inner London. Alongside wider efforts to secure funding for London as a whole, a specific case should be made for additional grant funding for outer London boroughs experiencing rising poverty levels.

Trickle out economics and poverty in outer London

Economic growth and agglomeration inequalities

London's growth record is something to behold. Since the turn of the century the capital's population has grown by over 20%, output per head is up by 70% and GVA has more than doubled.⁴ On current trends London's population is forecast to reach 10m by 2030. If Edward Glaeser's *Triumph of the City*⁵ has manifested itself anywhere, then on the face of it London is one of the most prominent examples.

Yet, as this chapter outlines, the development of London over the past decade is uneven. It is true that some areas of outer London remain prosperous and many of the issues facing inner and outer Londoners are the same. However, overall there are clear signs of poverty and deprivation increasing in outer London, while they are declining in inner London.

The Mayor of London has pledged to address this and called for a step-change in the GLA's approach, focusing more on achieving co-ordinated, inclusive growth: "...that works for all Londoners". To an extent his vision embraces a stronger focus on outer London, especially for housing provision (the Draft New London Plan, for example, stresses the importance of: "Increasing housing provision in accessible parts of outer London"). The GLA is also proposing new Strategic Outer London Development Centres (SOLDCs), designed to support the growth of business and employment opportunities beyond central London, as well as improvements to outer London's town centres.

How big a priority and how much extra funding will be invested in SOLDCs and new growth initiatives in outer London is unclear, especially relative to the scale of support for the Central Activities Zones. The GLA is clearly committed to continue supporting large housing and regeneration projects in places like Barking Riverside. Major new transport links, like the Elizabeth Line and Crossrail 2, will also feature strongly in local and London-wide plans for investing in outer London area but are likely to disproportionately benefit inner London.

The evidence presented in this report suggests a significant shift in effort and resources will be needed to secure more balanced sustainable growth between inner and outer London, especially so if commercial investment is to be drawn to outer areas. Many outer London high streets are struggling to survive while new office space growth in outer London is anticipated to be much less than in inner London, where according to the Draft New London Plan, "values are sufficient to make new office development viable".

A major realignment in planning and policy towards outer London is arguably long overdue. However, any such shift will be a direct challenge to the current national policy approach, which remains largely shaped by agglomeration economics and city centralism.

The economic orthodoxy

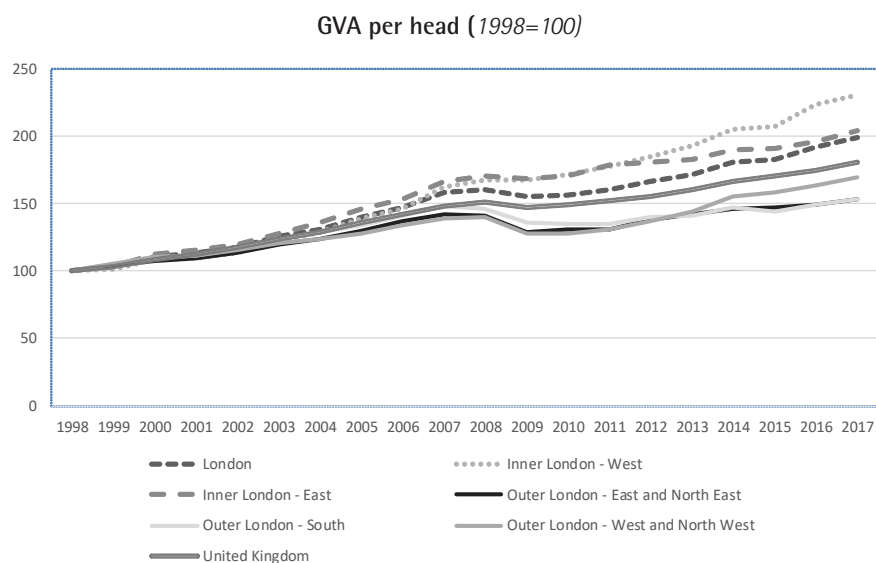
The dominant approach to economic development has focused on economic concentration and 'city centrism'⁶ as a source of growth. The New Economic Geography school of thought posits that 'spatial concentration itself creates the favourable economic environment that supports further or continued concentration'.⁷

This school of thought emphasises the linkages to a large market to both sell to and buy from and thereby secure related multiplier effects and increasing returns. Agglomeration is also seen as providing knowledge spill-overs. With information communicated easily between different economic actors more quickly within an area which can drive innovation and productivity by improving learning among workers, particularly for skilled or specialised employees. Proponents emphasise agglomerations as having thick markets for specialised skills; that employers have a bigger pool from which to find employees with the appropriate specialised skillset. Co-location is believed to facilitate the sharing of public goods that serve a number of firms or individuals – such as universities. And finally, firms will themselves become more specialised allowing finer inter-firm divisions of labour.⁸ As the former Chancellor, George Osborne, noted: "In a modern, knowledge-based, economy city size matters like never before... Over recent decades economists have explored all the different reasons why cities raise their residents' productivity: specialisation is greater, competition and economies of scale increase, ideas and innovation spread faster. Crucially, cities are also where clusters of successful industry are created."⁹

This view continues to shape much of the government's economic policy, characterised by Whitehall's preoccupation with City Deals and the notion of cities (and inner cities) first. The government's Industrial Strategy White Paper, for example, states: "We will prioritise areas with the potential to drive wider regional growth, focusing on clusters of expertise and centres of economic activity."¹⁰

City centralism has a longer history in London, including support for large scale projects such the development of Canary Wharf, major refurbishment of mainline railway stations and Crossrail. Whilst these multi-billion schemes offer some benefits to outer London areas (not least in the uplift in property values from sites near to new transport nodes), their primary economic purpose is to service the central London economy and its clusters or agglomerations of businesses.

The evidence highlights the concentration of economic activity and productivity within inner London. GVA per head, for example, has increased since 1998 at a rapid pace in inner London, outstripping growth both nationally and that of outer London. Likewise, over a similar period inner London has experienced high job growth (around 40%), above that of the region (28%) and the country (17%).¹¹



Despite the impressive economic success of London there is a tendency amongst advocates of agglomeration to underplay the diseconomies of agglomeration. These range from high rents for businesses in central areas to high land values that negatively impact on housing costs. There are also diseconomies of traffic congestion making the cost of doing business more expensive as it takes longer for goods and people to travel between one area and another (not to mention the impact on the environment). There are also the downsides for individual workers' productivity, with people suffering stressful and costly journeys into work. This congestion also acts a push factor in where people want to live and work. Arguably as economies become overwhelmed by the congestion effects, firms and people can escape the consequences by relocating away from the centre.¹² Indeed, investment in new transport links and continued liberalisation of the planning system (evidenced by permitted development rights allowing developers to freely convert designated office space to housing development) has been an attempt to contain these diseconomies.¹³

Density or size is by no means all that matters. Looking between cities, rather than within them, we can see that London is the largest and most productive UK city. However, the next largest cities (Manchester, Glasgow, Sheffield and Newcastle) all have considerably lower productivity and are in fact below the national average. Despite the common assertion, the data suggests a very weak statistical relationship between size and productivity.¹⁴ This is not to suggest that agglomeration does not matter. It is just that it can be overplayed beyond other factors and to the detriment and sometimes exclusion of other geographies (such as parts of outer London). The locations of economic growth are varied, agglomeration happens at different scales in different places, and the potential for additional development exists in a range of places outside the economic core.¹⁵

What also matters is that development and the success of places goes beyond just aggregate economic growth. It covers issues such as poverty, inequality, unemployment, life chances and education. Indeed, it would be strange to describe a place as successful if these things worsen, even if per capita income rises.¹⁶ Part of that equation must include the spatial distribution of growth, poverty and inequality not just between cities but also within them. It also includes the capacity and capability of an area to combat poverty and support those who are vulnerable and in most need (in this regard, the impact of austerity on public services and the sharp decline in the number of outer London charities is a serious concern).¹⁷

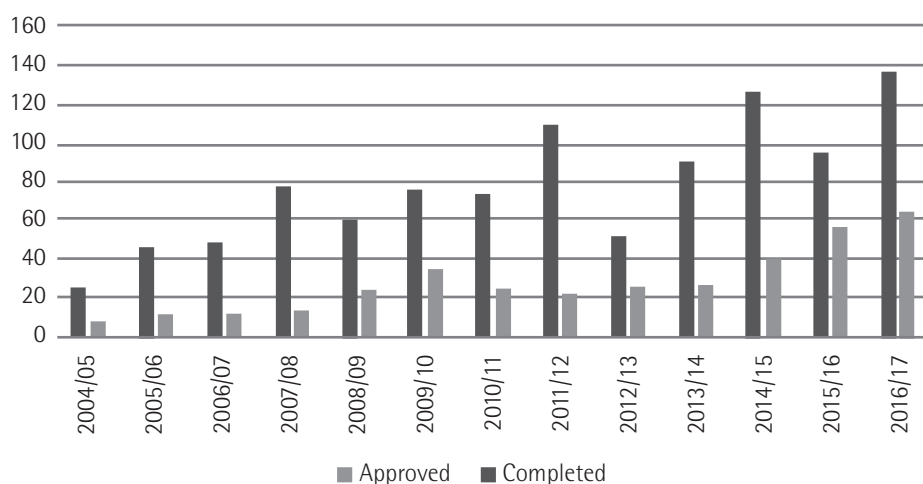
The research suggests that just as neo-liberalism may be defined by 'trickle down' economics, so agglomeration often supports the notion of 'trickle out' economics. Indeed, as research for this report suggests, neo-liberalism and agglomeration combined seem a driver behind the displacement of poverty to outer London. Furthermore, certain groups are likely to feel the downsides of agglomeration more acutely, while others benefit disproportionately. For example, workers who face a long commute because they cannot afford high house prices close to the centre are likely to have a different experience of agglomeration to those who own a higher value property centrally, which is appreciating and means they have a short commute.

It also appears that the major interventions to contain or mitigate the diseconomies of growth in London have disproportionately benefitted more skilled workers. Not only do major infrastructure projects disproportionately benefit wealthy people as housing values rise, there is evidence that agglomeration results in high rates of income inequality with 'superstar' workers benefiting most.¹⁸ Other

research from the USA backs this finding up with the benefits of working in cities concentrated amongst higher skilled workers, with cities no longer delivering higher paid work for lower skilled workers that they once did.¹⁹

Economic development approaches have at times specifically sought to support growth based on high productivity industries and workers over and above developing and increasing the productivity of others. So relaxation of planning guidance, alongside transport investment, has supported the finance and professional services sector – a sector known for high levels of wage inequality.²⁰ When it comes to housing, it has been noted by a housing expert that: "There is a direct correlation between height of building, high density and the low proportion of social rented family homes."²¹ And this is because: "The higher the density, the higher the land value and the higher the land value, the less affordable the homes produced."²² Over 70% of the new pipeline of tall buildings, for example, are set to be in inner London.²³

Tall buildings – residential housing

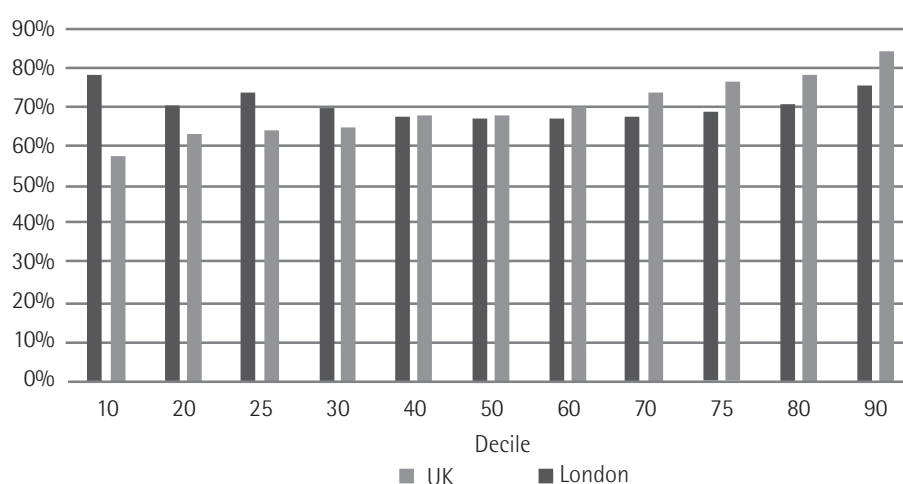


Source: London Development Database; Approvals and completions of schemes containing at least one tall building (10+ storeys) in London

Widening wage inequality within London

We see a stark difference in weekly wage growth within London by income level, with the bottom end of the labour market growing far more slowly than those on higher incomes. As the graph below shows, this contrasts with what has happened across the UK where pay rises were more evenly distributed.

Pay rises by income percentile, 1997–2017



Source: ASHE 1997 and 2017, workplace figures

What is more, there has been a growing divergence in pay rates between inner and outer London, with mean weekly pay growth in inner London outstripping that of outer London by some distance.

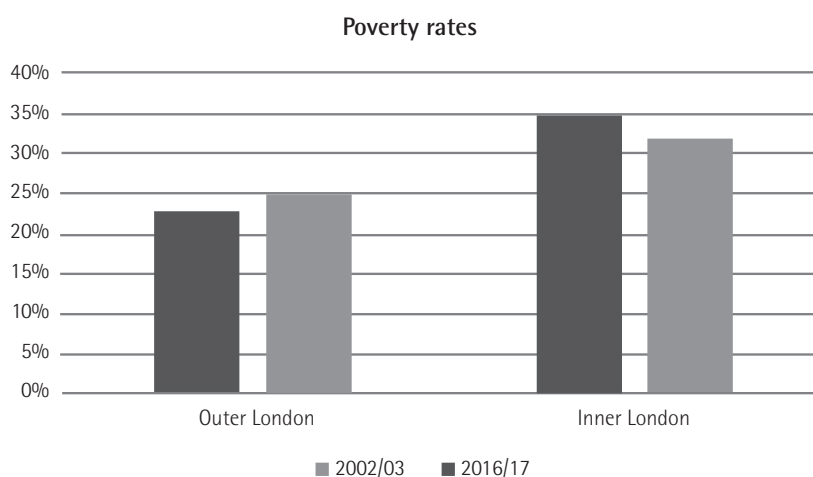


Source: ASHE 1997 and 2017, workplace figures

As the data in the next section shows, this appears to generate particular pressure on low to middle income households and is resulting in a changing economic cityscape.

Rising poverty in outer London

As Trust for London's Poverty Profile shows, the past decade has seen a rise in poverty rates in outer London.²⁴ This shift is also seen in official data on poverty which shows that whilst inner London still has higher poverty rates than outer London they appear to be converging. The chart below demonstrates that the 12-percentage point gap in poverty rates in 2002/03 has now narrowed to 7 points. And while inner London poverty rates have fallen, they have increased in outer London (across the UK they have remained flat).²⁵



Source: DWP, Households Below Average Income

There is also a noticeable rise in working-age outer Londoners in poverty.



Source: DWP, Households Below Average Income

Over the decade and a half, in absolute terms poverty is up by 180,000 in outer London versus 50,000 in inner boroughs. Overall there are now 1.4 million people living in poverty in outer London – 60% of London's total.²⁶

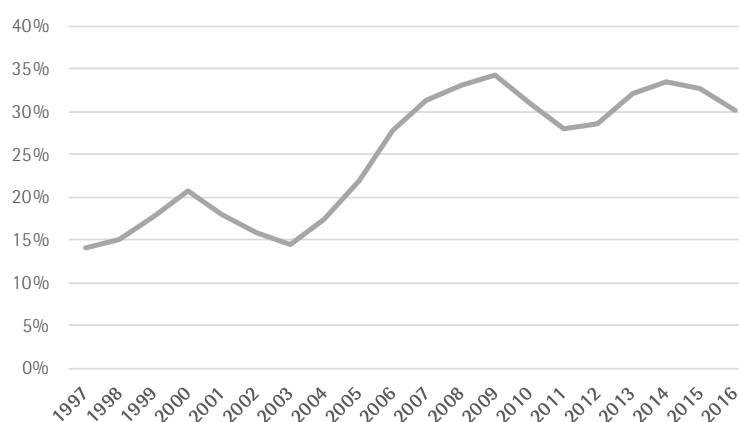
This shift can also be observed in wider measures of social exclusion. The Indices of Multiple Deprivation documents that whilst 32% of the most deprived areas in London were in outer boroughs in 2004, by 2015 this had shot up to 47%.

	2004	2015	Difference (percentage points)
10% most deprived	32%	47%	+15%
20% most deprived	37%	46%	+9%
50% most deprived	57%	62%	+5%
All areas	65%	65%	

Source: Ministry of Housing, Communities & Local Government, English indices of deprivation 2004 & 2015

This could be viewed positively in the sense that poverty rates are becoming more balanced across London rather than highly concentrated in a few areas of inner London. However, it may also be seen as signalling the start of a trend which could lead to yet higher rates in outer London. Even if the situation were to stabilise it highlights the difficult challenges facing some outer London boroughs. These challenges may be harder as the income gap between inner and outer London has widened (see graph below).

Growing income gap inner v outer London?

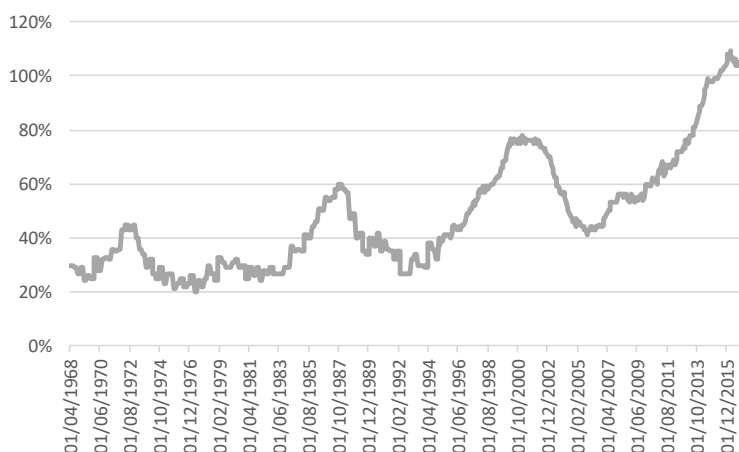


Source: Based on ONS, Regional Gross Disposable Household Income (GDHI) by Local Authority

London's housing markets and the low-income shift to outer London

The shift in poverty rates has taken place within the context of a house price boom alongside changes in tenure patterns. The scale of that boom in London can be seen in the chart below. It shows that although London's housing has historically been higher than the rest of the country, in recent years it has become much more so. London has moved from being around 20% more expensive in terms of house prices in the 1970s to 100% (i.e. double the price) today. This is likely to place severe housing affordability pressures on Londoners.²⁷

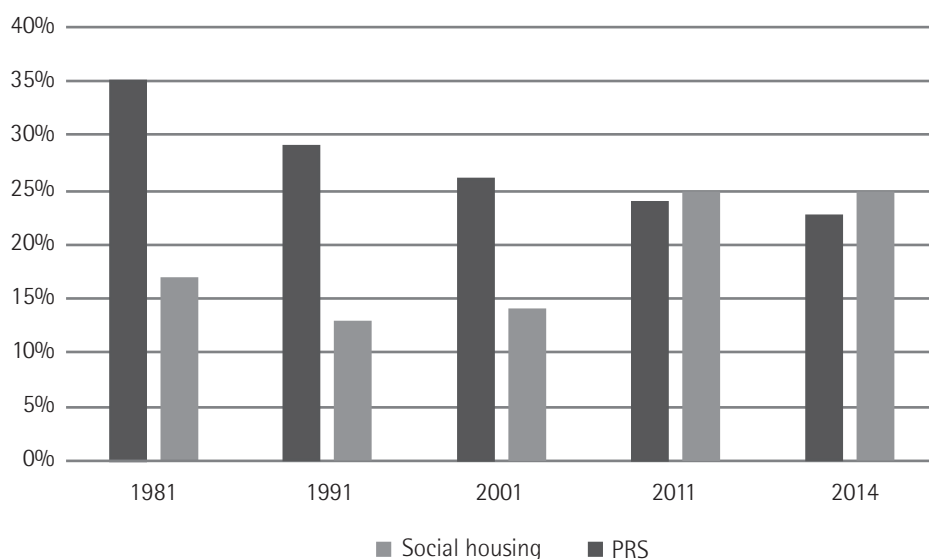
Percent that London is more expensive than English average



Source: Based on MHCLG Live Table data

In the past, for low-income households the additional expense of housing in London would not have been too noticeable for those who could turn to sub-market social housing. However, changes to public provision of affordable housing (a 10% drop in the social stock coupled with increasing growth of the PRS) has meant that those on lower incomes are more reliant on private housing and therefore must pay market rents.

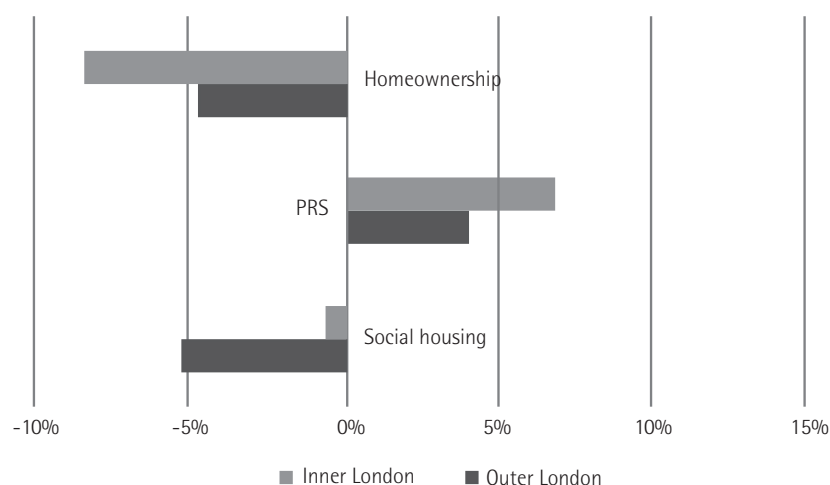
Housing tenure in London for renters



Source: 1981, 1991, 2001 and 2011 Censuses and 2014 APS from GLA Datastore

This greater reliance on the PRS is evident in both inner and outer London. Over the census decade there was a marked shift away from the dominant tenure in inner and outer London (social renting and homeownership respectively).

Change in housing tenure, 2001–2011



Source: 2001 and 2011 Censuses

And some tenure convergence, albeit still with distinct tenure mixes.

Housing tenure in inner and outer London, 2001 and 2011



Source: Census 2001 and 2011

Alongside these different tenure shifts there has also been different movements in housing costs. The data (adjusted for housing characteristics to ensure compositional factors are accounted for) shows how inner London has become relatively more expensive over recent years. Despite the gap narrowing in the last two years, average house prices are now over 15 percentage points higher in inner London than in 2003.

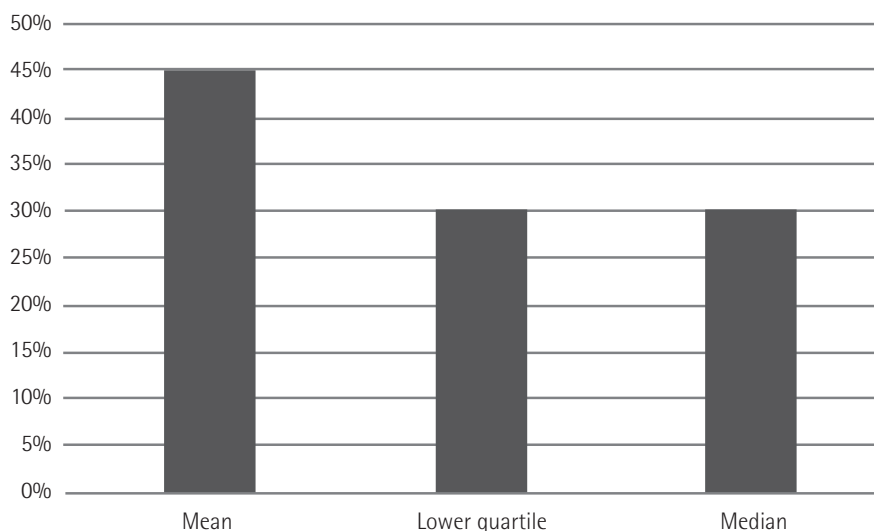
Price gap (percentage that inner London is more expensive than outer London)



Source: Based on Land Registry, UK House Price Index data

Although data from the Index of Private Housing Rental Prices (which factors in compositional issues) is not available for inner and outer London, the divide in prices can be tentatively observed through comparative rental price data for two bed properties. London rents are over double that of the English average. And within London, rents are substantially more expensive in inner London. Lower quartile rents, for example, are 30% more expensive in inner London than outer London.

Gap in rents between inner and outer London



Source: Valuation Office Agency, Private rental market summary statistics - April 2017 to March 2018 (2018)

To put that into perspective, the difference is £260 per month. That is equivalent to around 25 hours of paid work at the London Living Wage or 33 hours at the minimum wage. In short, a week's worth of work. This becomes more pronounced for renting larger properties. Whilst the proportionate gap in rents remains similar (around a third) for a three-bedroom property, the gap is around £400, equivalent to 48 hours work at the minimum wage.

This gap is also apparent at a borough level. The top 10 cheapest boroughs to rent (lower quartile rents) are in outer London. The top 10 most expensive boroughs for rents are in inner London.

Top ten least expensive boroughs (two-bed LQ rents)	Rents	Top ten most expensive boroughs (two-bed LQ rents)	Rents
Bexley	950	Kensington and Chelsea	2,275
Havering	1,000	Westminster	2,080
Barking and Dagenham	1,100	City of London	2,050
Bromley	1,100	Camden	1,712
Croydon	1,100	Islington	1,650
Sutton	1,100	Tower Hamlets	1,560
Redbridge	1,145	Hammersmith and Fulham	1,504
Greenwich	1,150	Wandsworth	1,500
Hillingdon	1,150	Hackney	1,475
Hounslow	1,195	Southwark	1,408

Source: Valuation Office Agency, Private rental market summary statistics - April 2017 to March 2018 (2018)

This growing divide in rents appears to be showing up in the shifting rates of Housing Benefit claims. For example, since 2008 Housing Benefit claims have fallen overall in London, probably reflecting falling unemployment rates. Given that Housing Benefit levels are closely correlated with poverty rates, this is clearly good news for the capital and low-income residents. However, the fall has been strongest in inner London – down 5% versus 2% in outer London.

The reason for the difference is the declining rates in the PRS (falls in social housing have been the same in inner and outer London). Over the last seven years, whilst there has been a rapid fall in the number of people claiming Housing Benefit in the PRS in inner London – down 13%. The opposite is true in outer London which has seen a 17% rise.

The data also suggests if you are on a low income and in the PRS the chances are you live in outer London (76% of PRS Housing Benefit claims are now made by those in outer London). Moreover, you are more likely to live in certain outer London boroughs, in particular Enfield, Brent and Barnet. Indeed, the top ten boroughs with the highest proportion of London's Housing Benefit PRS claims is dominated by outer London boroughs.

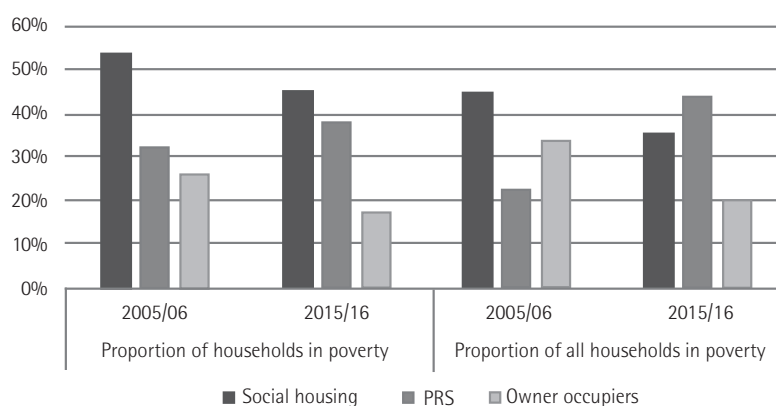
The proportion of London's HB PRS claims by borough

Proportion of London's HB PRS claims	
Enfield	8%
Brent	7%
Barnet	7%
Ealing	6%
Newham	6%
Haringey	5%
Croydon	4%
Redbridge	4%
Harrow	4%
Hackney	4%

Source: DWP Stat-Xplore

Although the data is not available below the pan London level, information about rates by tenure show a shift towards the PRS. With private housing in outer London likely to be more affordable alongside low levels of social housing being built, then we might expect more households in poverty to be living in private housing and more people in poverty to be living in outer London. This is an assertion made more likely since the introduction of welfare reforms, such as changes to LHA and the benefit cap.

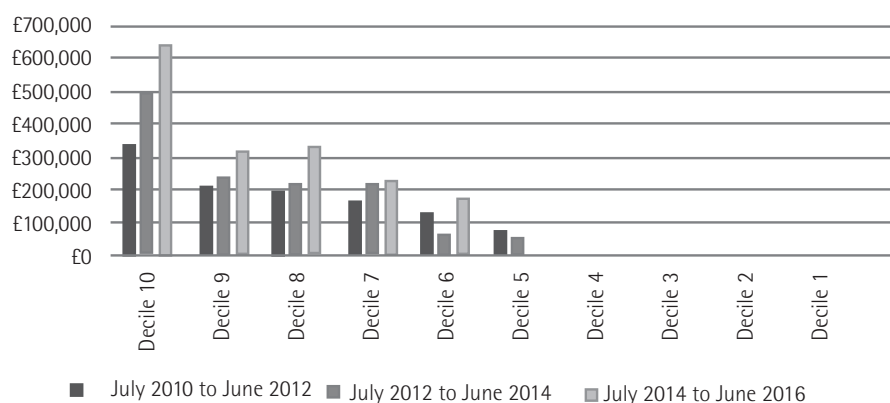
Poverty and tenure in London



Source: English Housing Survey, 2005/06 and 2015/16

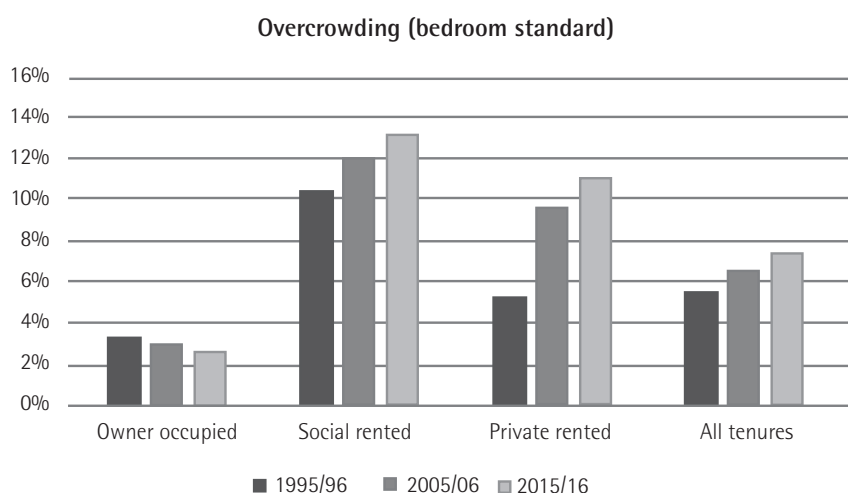
The interplay of the tenure shift and rising house prices is creating a stark wealth divide within the capital. Whilst the data is not broken below the London region, official statistics highlight the gulf between those able to buy in the capital and see their asset rapidly rise and those locked out of the housing market, with even those in the 5th decile having almost no property wealth.

Property wealth in London



Source: ONS, Wealth and Assets Survey

The uneven impact of agglomeration is also leading to the capital moving backwards on some measures. For example, overcrowding has been on the rise across the capital over the last two decades.



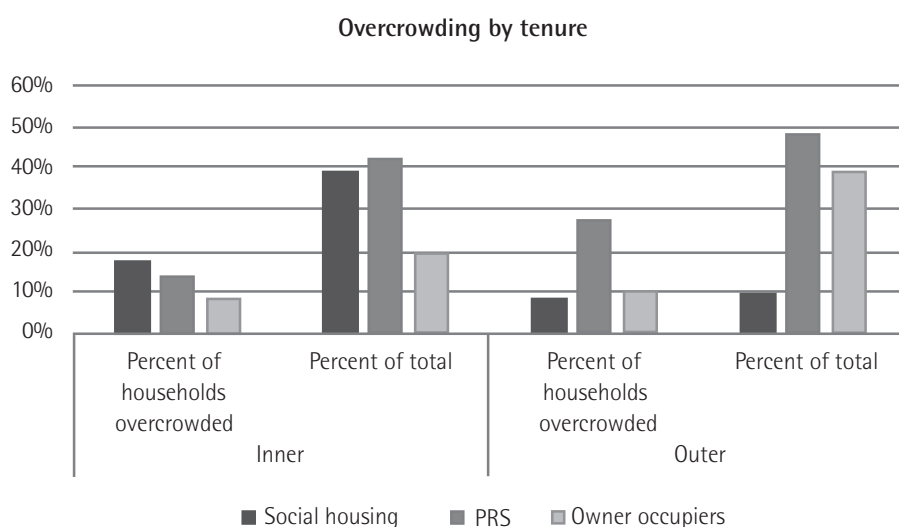
Source: GLA Datastore, from EHS data

This has been impacting both inner and outer London. Figures in the 2011 census suggest that the numbers of overcrowded homes may be higher at 11%, with rates up at 14% in inner London and 10% in outer London. Once again, we see those on the lowest incomes bearing the brunt of London's unbalanced growth. According to the English Housing Survey (EHS) those in the bottom income quintiles are more likely to live in overcrowded homes, and increases in overcrowding affect those on low to middle incomes far more than those with more.²⁸

	Proportion in overcrowded property (2016)	Growth since 2008
1	16%	118%
2	12%	220%
3	11%	133%
4	2%	61%
5	0%	-37%

Source: Author's analysis of EHS survey data

The EHS does not split the data below London level, but examination of the Family Resources Survey suggests that the proportion of overcrowded families (as opposed to homes) is higher. The proportion is up at around 14% with outer London having a slightly higher rate of overcrowding. Using this data we can see that those in the PRS in outer London are most likely to be in overcrowded homes.²⁹



Source: Author's analysis of the 2016/17 Family Resources Survey

London's labour markets

The economic prospects of outer Londoners is not simply set by the housing market but also the incomes they receive through work. The analysis in this section suggests convergence on some measures such as unemployment where outer London has historically had lower rates than inner London. However, where inner London has outstripped outer London, for example in pay rates and the number of jobs, disparities have widened. This appears to be similar to shifting spatial patterns seen in poverty rates and for housing.

Converging rates of economic activity

There are around 3.9m economic active people in London. Of these, around 63% are in outer London. Over the last decade the numbers have increased significantly by 18% in outer London (although a slower growth rate than inner London) or 450,000 people.

There has also been population growth. And job growth appears to have benefitted inner London most and as a result there has been a convergence in economic activity and employment rates across London. The economic activity rate (those economically active as a proportion of those aged 16-64) of outer London residents has increased over the last decade from 75% to 78%. However, a rapid rise in inner London now means the activity rate is the same in inner and outer London. This pattern is replicated on employment rates (proportion of economically active in employment), which is 74% in outer London (the same as in inner London). Whilst over the last decade there has been a 4-percentage point rise in the employment rate in outer London there was a 9-percentage point rise in inner London.

Whilst outer London is home to most working Londoners, equally its size means there are more people unemployed in outer London than inner London (159,000 versus 105,000 in inner London). Even though unemployment has fallen over the last decade, it has done so at a slower pace in outer London (down 1.5 percentage points as opposed to three points lower in inner London).

Workforce position

Being in work is of course critical to helping people exit poverty, but employment does not guarantee that a household will do so. The type of work undertaken is therefore a critical determinant in low pay rates and income inequality across the capital.

One aspect of this is the divide between full-time employment and part-time work, with the latter being more associated with low pay. There are similar rates between inner and outer London, with part-time work slightly more prevalent in outer London.³⁰ Furthermore, there are also similar levels of self-employment.³¹

The divide is more noticeable regarding job roles. Those in outer London are less likely to perform managerial or professional occupations. Whilst 34% of all outer Londoners in employment perform those roles, in inner London 43% do. Instead, those in outer London are more likely than their inner London counterparts to perform roles towards the bottom end of the labour market: elementary occupations (10% v 7%); process, plant and machine operatives (6% v 3%); caring, leisure and other service occupations (8% v 6%).³²

Over the last decade, inner London has seen a fall in the proportion undertaking professional occupations (down 3 percentage points) and an increase in administrative and secretarial occupations. Meanwhile inner Londoners are increasingly managers, directors and senior officials (up 2 percentage points), professional occupations (up 4 percentage points) and associate professional and technical occupations (up 3 percentage points) and less likely to be in roles in the middle and bottom of the labour market.

This is also reflected in the industries that inner and outer Londoners work in. Whilst similar overall, outer Londoners are more likely to work in construction (8% v 4%) and distribution, hotels and restaurant (17% v 13%) sectors, but much less likely to work in banking, finance and insurance (23% v 31%).

Over the last decade there have been divergent trends between inner and outer Londoners employment industry. In short, during the period there has been a shift towards lower productivity and lower paid work in outer London while the opposite is true in inner London.³³

This shows the changing spatial nature of London's labour market and where prosperity and poverty are likely to be located. It also indicates different house price and rent growth with wealthier people pushing up costs in inner London.

Low pay in outer London

Overall these shifts do not appear to have made too much difference to pay growth over the last decade.³⁴ However, averages can mask very different pay levels, especially incidence of low pay. Analysis of official data highlights the extent to which low pay is increasingly becoming an issue for outer Londoners. In 2007, the same proportion of inner and outer Londoners were low paid (12%) or paid below the London Living Wage (12% v 14%). By 2017, whilst the proportion of low paid workers in outer London remained the same, it dropped by a third in inner London (to 9%). Over the same period London Living Wage rates rose by two thirds meaning a quarter (23%) of outer Londoners were paid a level deemed enough to live on while rates rose only slightly for inner Londoners (up to 15%). This meant that by 2017 some 72% of Londoners paid below the London Living Wage and 76% of Londoners on low pay lived in outer London boroughs.

Proportion of employees that are low paid

	2007	2017	Change	Proportion of London's low paid
Inner	12%	9%	0	24%
Outer	12%	12%	+35,000	76%

Source: ASHE 2017 and 2007, hourly pay by home residence

The levels of low pay by borough are now highest in outer London boroughs. In fact, the top of the list is dominated by outer London boroughs, whilst the biggest falls in the proportion of residents that are low paid since 2008 was in inner London, in boroughs like Southwark and Lambeth.

Borough	Proportion of residents that are low paid	Change since 2008 (percentage points)	Borough	Proportion of residents that are low paid	Change since 2008 (percentage points)
Barking and Dagenham	19%	3%	Lewisham	11%	-5%
Newham	19%	-2%	Sutton	11%	2%
Enfield	18%	2%	Greenwich	11%	-2%
Brent	17%	-2%	Bromley	10%	1%
Waltham Forest	15%	-1%	Kingston upon Thames	9%	0%
Ealing	14%	0%	Merton	8%	-1%
Haringey	14%	-1%	Southwark	7%	-8%
Hounslow	13%	-2%	Westminster	6%	-2%
Bexley	13%	-1%	Tower Hamlets	6%	-5%
Redbridge	12%	4%	Hammersmith and Fulham	6%	-2%
Harrow	12%	-3%	Camden	6%	-5%
Hillingdon	12%	-2%	Lambeth	5%	-10%
Barnet	12%	-1%	Kensington and Chelsea	5%	0%
Croydon	12%	-3%	Richmond upon Thames	4%	-1%
Hackney	12%	-5%	Islington	4%	-2%
Havering	11%	0%	Wandsworth	4%	-4%

Source: Nomis

Jobs in outer London

The data so far has focused on employment undertaken by outer London residents, not where those jobs are located. However, the location of jobs could potentially have an impact on wage levels and employment opportunities for outer Londoners, especially as the data shows rapid growth concentrated in inner London.

It is perhaps not that surprising that most jobs in London are located in inner London boroughs. In total, 2.4m or 39% of jobs are in outer London compared with 3.7m in inner London. A decade earlier outer London was home to 43% of jobs. And while outer London has experienced job growth the rate of increase is double in inner London.³⁵

When factoring in population growth, the differences are starker still. Job densities, the number of jobs to population aged between 16-64, gives a sense of the local opportunities for finding work. For inner London there are 1.59 jobs per person aged 16-64. In outer London that figure is 0.64. What is more, over the decade this figure has remained very similar for outer London (up from 0.61 or three jobs per 100 people) but has increased from 1.32 in 2006-2007 for inner London (up by 27 jobs per 100 people). In short, whilst more jobs have been created in outer London the growth has been at the same pace as population increases.

The data also reveals that 80% of the increase in inner London were employee positions, in outer London it was lower at 66% with a higher proportion explained by expanding self-employment, a sector generally associated with lower pay.

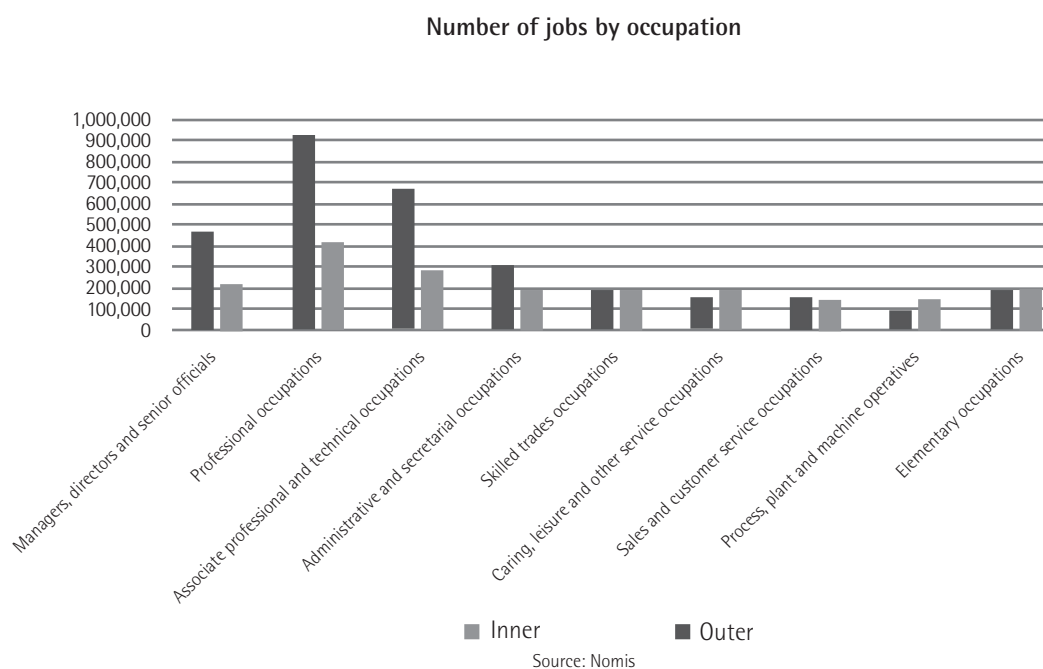
What's more, there are very big differences between outer London boroughs. For example, Waltham Forest saw the number of jobs rise only marginally and a number of other boroughs had modest increases. The highest were Ealing and Newham, with job growth of over 40,000. Where the job growth has been concentrated is instead in the City of London which has seen over half a million new jobs created, but also notably Westminster (100,000) and Southwark (93,000).

This means that today in places such as Redbridge there are three people (aged 16-64) to every job or one job to every two people in Barking and Dagenham, Sutton, Waltham Forest, Haringey, and still in Newham despite the job growth around the Olympic Park. In fact, Hillingdon (presumably related to the Heathrow) is the only outer London borough to have job density above the London average. Indeed, outer London jobs density is below the UK average (0.83) and 8 out of 10 outer London boroughs have job densities below the UK average. To further emphasise the point: for 2015, of the 10 county and unitary local authorities across Britain with the lowest job density, five are in outer London.

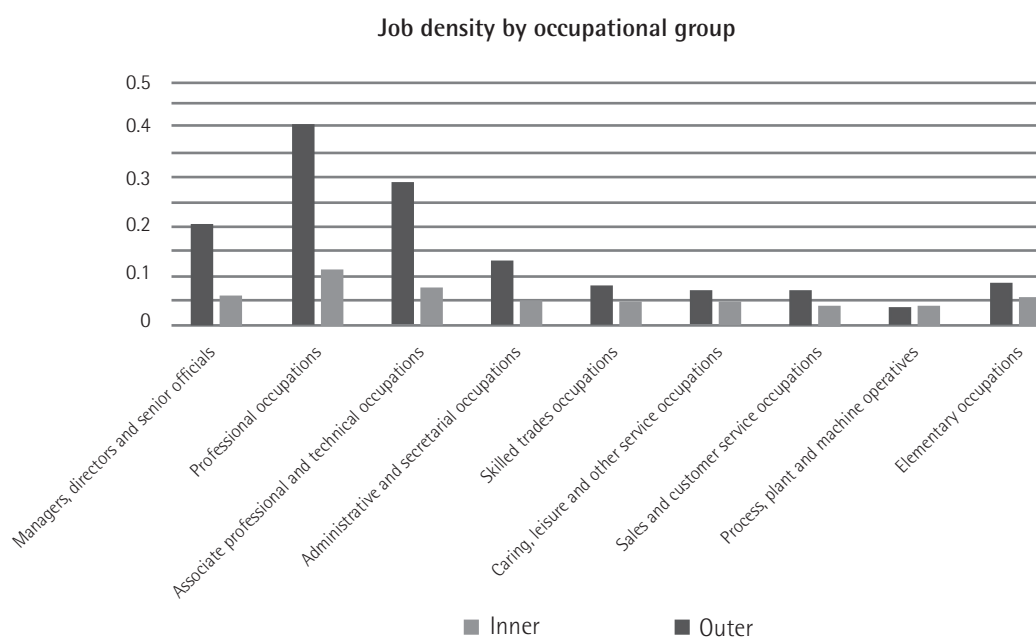
Types of work

The types of work available by place are likely to impact on who is likely to undertake them. A part-time job cleaning an office for 4 hours a day, paying minimum wages in the City, is unlikely to be financially rewarding for someone in outer London, when commuting time and costs are factored in. This contrasts with a highly paid, full-time work where travel costs are not a major concern.

In absolute job number terms inner London has far more positions in higher skilled roles and the difference at the bottom of the labour market is much less pronounced.



This means that the jobs available are disproportionately lower skilled in outer London compared with inner London. There is also likely to be more competition for lower skilled roles in outer London. For the four least skilled occupational groups, there are 0.27 lower skilled jobs per person in inner London and 0.18 per person in outer London.



Source: Nomis

Pay differences

There are also marked differences in pay levels. Around 16% of jobs in outer London are low paid compared with just 5% in inner London. However, if we compare low paid jobs per resident population then there are similar levels with around one low paid job for every 17 working-age person. In short, outer London has a similar number of low paid (and most probably) low skilled jobs per head than inner London, but fewer better paid roles.

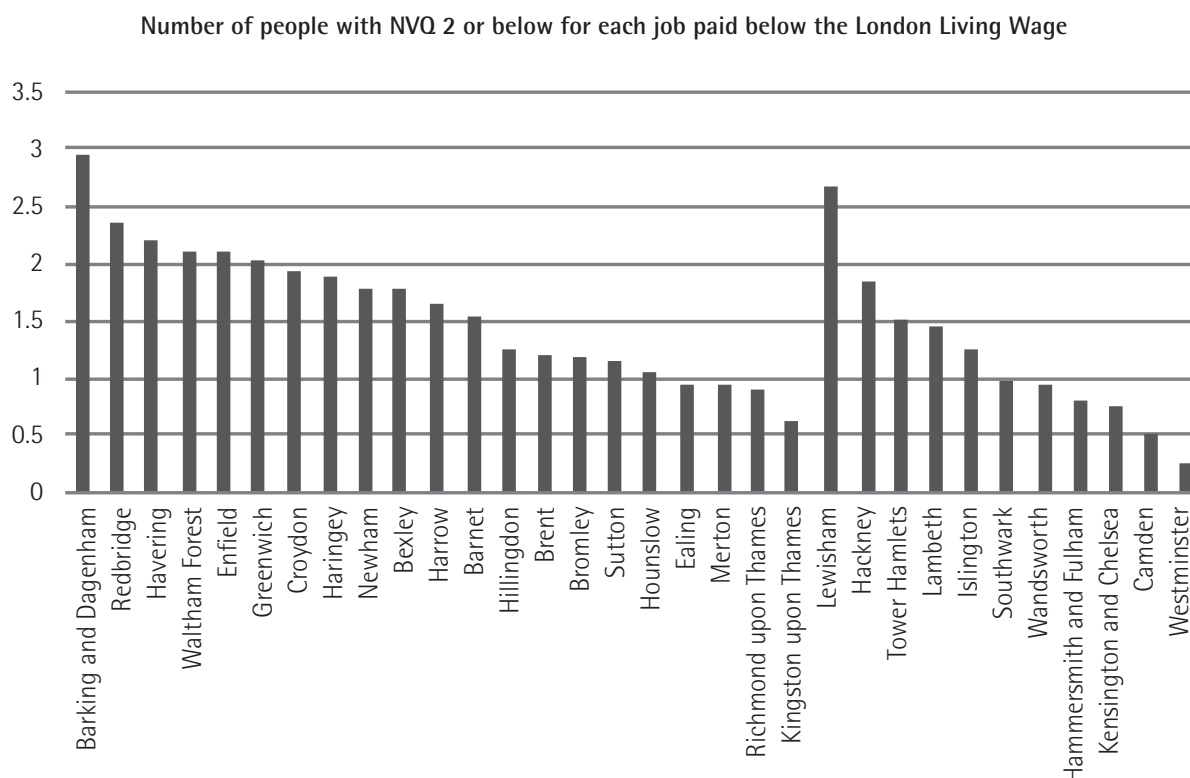
These better paid roles include those earning above the low pay rate (£8.33) but below the London Living Wage (LLW). The wage data until April 2017 reveals that whilst there is one job per ten workers in inner London, there is one job for every 17 workers in outer London. There is an even more noticeable gap for roles just above the Living Wage. The number of jobs paid between the LLW and £12 per hour stands at 1 per 11 people aged 16-64 in inner London and 1 per 25 people in outer London. All things being equal finding a decent, even if not high paid job, appears to be easier in inner London than outer London.

		Below £8.33	£8.33-£10.20	£10.20-£12.00	£12.00-£14.00
Number of residents per job	Inner	18	10	11	11
	Outer	16	16	24	25
Proportion of all jobs	Inner	5%	10%	8%	8%
	Outer	16%	16%	10%	10%

Source: Annual Survey of Hours and Earnings

In outer London there are 0.61 jobs paid below the LLW per person with no or NVQ Level 2 or below qualifications versus 1.03 jobs in inner London.

If we apply this to boroughs, then outer London areas like Barking and Dagenham (31%), Havering (29%), Bexley (26%), Enfield (25%), Redbridge (22%) and Hillingdon (22%) have relatively high levels of people with lower skills levels (NVQ2 or below). Adding this to the number of jobs paid below the London Living Wage then in Barking there are three people with NVQ 2 qualifications or below for every job paid below the Living Wage, and high rates in Redbridge, Havering, Waltham Forest and Enfield.



Source: Author's calculations based on data from Annual Survey of Hours and Earnings and NOMIS

Does geography matter?

The analysis so far has explored the labour and housing markets in outer and inner London, but does not shed much light on where the same people work *and* live.

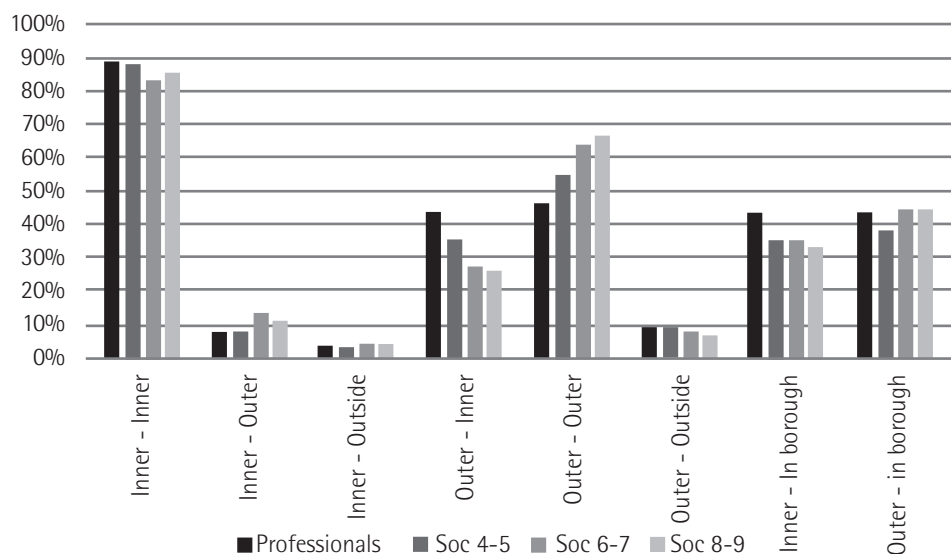
Some have argued that London's labour market is well connected and operates as a single labour market. Instead what matters are the skills of individuals rather than the location of jobs.

However, this argument runs contrary to what we heard from outer Londoners themselves (outlined in the next section) who generally worked close to where they live and for whom the idea of commuting to central areas did not resonate. This can also be seen in the data.

Analysis of the Labour Force Survey³⁶ shows that those working who live in outer London are more likely to live and work in the same borough (37%) than those in inner London (29%). Furthermore, whilst only 9% of people who live in inner London work in outer London, 37% of those in work in outer London commute to work in inner London.

However, this variation is explained by the different travel to work patterns of those in different occupational classes. There is very little difference for those in inner London – whether a manager or performing an elementary occupation the chances are they live and work in inner London. In outer areas just under half (44%) of managers, professionals and associate professionals travel to work in inner or central London, whereas just 26% of those in elementary occupations and 27% of caring, leisure and other service occupations and sales and customer service occupations.³⁷ In short, those on lower incomes travel less, suggesting a much more localised labour market.

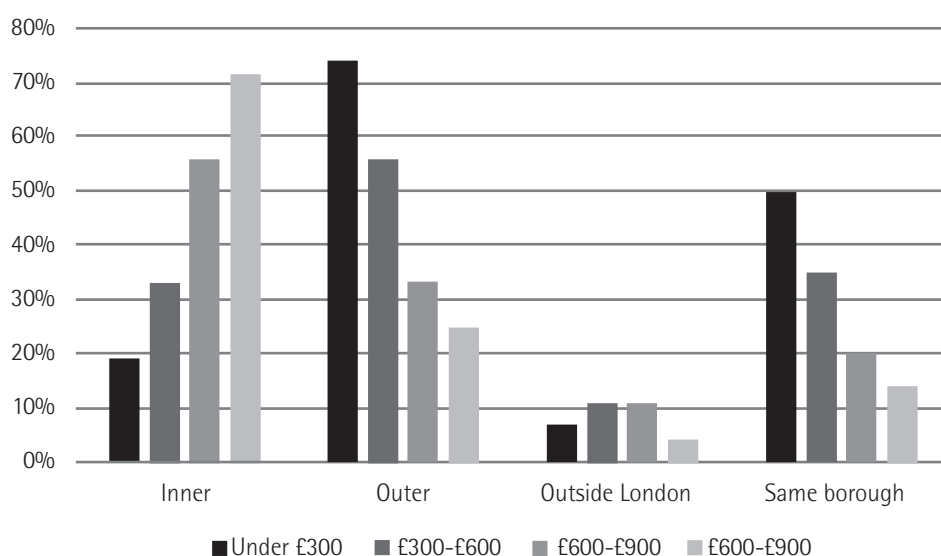
Commuting patterns by standard occupational classification



Source: Author's calculations based on data from the Labour Force Survey

Part-time workers are also less likely to travel far. 70% of part-time workers living in outer London work in outer London and 56% in the same borough. This pattern is observed when it comes to pay.³⁸

Place of work by weekly earnings bracket for outer London residents



Source: Author's calculations based on data from the Labour Force Survey

There appears to be a gender dimension to commuting patterns between men and women. Women in outer London are slightly more likely to work in their home borough (34% and 40%) than men and less likely to travel to inner London (35% v 39%). This gap widens if a woman has dependent children. Men and women without dependent children are as likely to travel to inner London (37% for women and 38% for men). However, for women with children the number falls to 33% while men with children are more likely to commute (41%). This means that 60% of women with children who live in outer London work in outer London.

Some would still contest that such examples do not fully compare like with like. So, for example, if inner London's population is comprised of more people who are likely to face other barriers to labour market participation relative to outer Londoners, then figures about employment rates would be non-comparable. This is an argument put forward by Professor Ian Gordon when it comes to unemployment rates by place. Evidence he presents suggests that individual factors are far more important, and difference attributable to spatial factors are only evident at a regional level.³⁹

This is certainly an important factor. If, for example, unemployment rates are no different between outer and inner London, then the

focus on creating more jobs in outer London as opposed to London as a whole would have no material impact on the job prospects of outer Londoners. But unemployment is only one facet of the labour market.

In order to further unpick individual characteristics from spatial issues (this in itself is highly contested as people's skills and characteristics will be impacted by their geography) a regression analysis of pay rates was undertaken for the working-age London population. This held for age, gender, tenure, health, ethnicity, marital status and highest qualification which all have significant influences on pay.⁴⁰ The results show that there is a statistically significant link between low pay rates and whether someone lives in inner or outer London. The data suggest that the likelihood of being low paid is over 40% higher for outer Londoners.

The analysis also revealed that outer Londoners were slightly less likely to be in work. Holding for these factors, the data indicated around a 15% higher chance of not being in employment amongst all those working or who would like work.⁴¹ When it comes to unemployment the regression analysis of more recent Labour Force Survey data also suggests that outer Londoners are around 50% more likely to be unemployed.⁴²

In addition, we can analyse the chances of being in good jobs in inner and outer London. Research has shown that caring and leisure, sales and customer service and elementary occupations are least likely to provide decent work for lower skilled workers. The table below shows that outer Londoners are more likely to perform those roles.

Furthermore, evidence from a team of academics from CURDs and the LSE suggests when controlling for individual characteristics the chances of being low paid, underemployed or in insecure work is higher in some sectors than others.⁴³ Worryingly for outer London boroughs, employment in these sectors is higher in outer London than London as a whole. They also note that certain occupations are associated with poorer working conditions, which again outer Londoners disproportionately perform: Caring, Leisure and Other Service Occupations (7% v 5%); Sales and Customer Service Occupations (7% v 5%); Elementary Occupations (10% v 9%).

Proportion of outer London jobs amongst five sectors with highest probability of being in poor quality work

	Outer London	London
Education	10.3	7.8
Accommodation and food services	6.5	7.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.1	11.9
Human health and social work activities	13.1	10.6
Arts, entertainment and recreation	2.6	2.7

Source: NOMIS, employee jobs 2017

Taken together this would suggest that there is a spatial dimension to the labour market within London. So while cost pressures may cause more people to move out to outer London, it could be resulting in people having worse prospects in the labour market.

Views from outer Londoners

Evidence presented in the previous chapter suggests that there are serious problems facing outer London, including growing rates of poverty, a higher proportion of London's most deprived areas and a low wage, low productivity economy all running alongside intensifying housing pressures. To gain deeper insights into how these issues relate to people's daily lives we conducted a series of focus groups with local residents in outer London boroughs. The core script used for the group discussions was designed to better understand people's perceptions and opinions and to see how they measure against the data analysis and views of policy makers and practitioners. In particular, the groups discussed: views of the local areas, local housing, working life, local priorities, and regeneration.

The focus groups were mixed gender with socio-economic groups C2DE (which covers people who are unemployed to skilled manual workers). It included a spread of ages between 21-64, and half in each group had children living with them. The groups were recruited, and meetings held in Wembley (LB Brent), West Croydon (LB Croydon), Edmonton (LB Enfield) and Becontree (LB Barking & Dagenham). The meetings were conducted in late June 2018.

Views of the local area

At the start of each group, we asked residents about how they viewed their area, both the positives and negatives. The vast majority of residents had no plan to move away, either in the near or distant future. The people we spoke to had typically moved to outer London from neighbouring inner London boroughs. Some had moved as children with their families and stayed in the area as adults, but more often they had grown up in inner London and moved to outer London in search of cheaper and higher quality accommodation and a better quality of life. They were generally settled and had little interest in other areas of London.

"I go to South London and I think, God I can't wait to get back to Brent". Female (F), Wembley

"There's more space here, more green". Male (M), West Croydon

"Everything is close together, you don't need to travel to go shopping and the train station will take you anywhere". M, Becontree

"I stayed in the area because I'm familiar with it. I've left for short times but I always come back." M, Edmonton

"You're going to have something from literally every part of the world and you don't have to travel far to find things". M, Wembley

Focus group participants said they valued the diversity of their areas, with all of the cultural richness that comes with it, but also the acceptance of people from different backgrounds. Transport links were valued, giving a feeling of connectedness. They also spoke of a 'community feeling' which they believed should be part and parcel of living in outer London, although some claimed that the sense of community was being eroded or diluted by new arrivals. Having family links nearby, often in the inner London boroughs they had left and a support network of friends, was crucial to a feeling of being settled and 'stable' in the area. These are also key anchors that will deter them from moving.

Lower cost housing and lower crime were historic factors for moving to outer London but were perceived to have diminished as differentiators now, as outer London was viewed as increasingly mirroring the inner London environment in which they grew up. The perception of rising violent crime and drug dealing in outer London was seen as a particular symbol of this phenomenon. Overcrowding and rising living costs (partly attributed to new comers) were also high on people's list of concerns, especially in Croydon and Edmonton.

"The violence is getting really bad in Croydon now. It's the younger generation. I fear for my older children a bit" F, West Croydon

"There's loads of stabbings around where I live, there was one this morning. It's really scary. I won't let my kids out...they are going stir-crazy to be honest". F, Edmonton

"I like the way the community comes together for big events including the children, and all the green areas" F, Edmonton

"Barking used to be much cheaper, now it's much more expensive" M, Becontree

Taken together these negative factors paint a picture of gradual decline. The crime levels they originally believed they had left behind in inner London, seemed to have followed them to outer London, through the behaviour of the younger generation.

"Robberies, drug dealing, stabbing...it's got worse" M, Wembley

"There weren't many people around here 23 years ago when I moved in. Now there's loads more people and that's caused the crime"
F, Becontree

Concerns were also raised about the quality of local services. The people we spoke to believed that there had been a decline in availability of good quality affordable housing. They also thought there were fewer public services available to local people as a result of austerity and cuts. But beyond austerity, the four groups had a dim view of the quality of their local councils and the political process.

"The people make the community, not the Council. They don't spend the money wisely into the community" F, Wembley

There were concerns about what the future holds for them and their families. What will the next generation do when they grow up; will they make a home here? Can they afford not to? Although participants were unwilling to explicitly say that the trajectory of their area is downward, their comments suggest they do not believe things will improve for them, although people remained broadly optimistic for their children.

Local housing

Housing was usually a critical factor in their migration from inner London, either through their parents seeking larger more appropriate socially rented homes for their family or moving as adults seeking affordable homes to rent or (perhaps) buy.

"I grew up in Brixton. Mum still lives there. But economically there is only so much you can look to, so that's why we moved here" M, West Croydon

"We did mutual exchange with our Council flat. There were two murders in Stockwell and we thought, nah, that's enough. The Council moved everyone, all the poor families out to Croydon. Then it felt like moving way out here, but now it's like Brixton. I walk down the road and see people I know from Brixton days" F, West Croydon

Despite the fact many privately rent, they decry the effect the PRS has had on their areas, with complaints about the constant turnover of tenants who maintain properties poorly and at the extreme end, 'doss-houses' for immigrant labourers sleeping in shifts. This was especially strongly felt to be the case in Becontree.

"There's a lot of transience, it's hard to build a community with your neighbours when they keep changing. There's an elderly couple next to me and they are selling up. Who will replace them?" M, West Croydon

"They don't look after it because it's not their home. They've got no respect for their neighbours. We've got a three-bed flat next door. There's twelve of them living there and they have parties every night. The old man downstairs moved out to Woodford because he couldn't take any more." F, Edmonton

All of the groups felt that their areas had recently seen a wider influx of new people, putting pressure on local housing market. This included immigrants (especially in Edmonton and Becontree) and 'young professionals' priced out of inner London Boroughs who are moving to the areas to both rent and buy.

"There are migrants, more affluent people, little spots of those...they started off in Islington and Hackney and now they're here. Edmonton is starting to get like that because of the house prices. They are extortionate now" M, Edmonton

Gaining a social tenancy was still seen as highly desirable, although people felt it was less achievable for the next generation due to lack of availability of units and long waiting lists. There was also a lack of clarity over the supply of sub-market housing in new developments. How many are available to local people?

There was a strong desire to see more 'council housing' built and allocated to local people. Those living in overcrowded social housing were aware they were on long waiting lists. They were bidding for properties but have almost given up hope of success. Some had been offered properties outside London by their local councils, or had been encouraged to move into the PRS but were highly resistant to both ideas.

"Lots of single mums out here looking for social housing. Private has got so expensive now but so many people need housing." F, West Croydon

"Housing is very expensive...there are big and nice houses if you can afford them. They've built so many but oh my God they are so expensive" F, Wembley

"I know seven people in a two-bed flat and they are still bidding for a bigger flat. The wait is far too long" F, Becontree

"I've been advised to go private, I've been bidding for three years...they are persuading you to move out of the Borough, then you can move right away. You can say yes or no. At the moment I'm in one room with my two children and my missus" M, Becontree

"Your housing is dictated by your pocket. Edmonton is the poorer part of Enfield. Very hard to move." F, Edmonton

Some of those we spoke to talked about aspiring to move within their borough to more 'desirable areas'. However, only in isolated cases did people have realistic plans to increase their income, so moving appeared more an aspiration than a definite plan.

Working Life

Those who were employed said they were stable and relatively secure in their work, although in most cases people said they have little opportunity to move forward and progress. The most common ambition mentioned was to become self-employed and 'be in control'. But when probed, there was often little awareness or detail on how to achieve this. Stability and maintaining their current standard of living was seen as more important than striking out or taking risks for a better job.

"The ladder doesn't go very quickly upwards. It takes ages promotion wise. They come very slowly." F, Wembley

"Finances, circumstances, as a single mum, I've got my son. What am I going to do, the best job may never come? You've got to do what you've got to do." F, Edmonton

"I'd like to expand my business, offer jobs to the community" F, Wembley

"I really want to work for myself. I've done interior design before. I want to buy properties and do them up, but start with interior design. But I'm worried about not being there for my children. I've got to pick: is it my job or my children? But really it has to be both" F, West Croydon

For those who had a desire to start their own business, the lack of start-up capital and the cost of renting commercial premises were seen as major barriers. Mentoring and coaching were seen as potentially beneficial but there was very little notion of who might do this other than the job centre, which most participants did not have a positive view of.

"It's the set-up process, the costs, finding premises that I need help with." F, West Croydon

"I'm a fully qualified car sprayer and I want to go back to that and get a unit in the area but it's so expensive. It was more of a hobby but when I got qualified, I thought I could maybe do it. I need the finances to get started and some advice. All the units are taken as well – they're not free." M, Edmonton

Public sector jobs were seen as high-quality, highly desirable employment due to the perception that they offer stability and beneficial pay and conditions, despite some ambivalence about how effectively the council or the education system actually works for them as consumers. There was a sense from some that there were now fewer jobs in the public sector, so they were less obtainable for local people.

"I did want to work for the Council. When I was growing up it was a steady job, good income." M, Edmonton

"I'm happy to be a teaching assistant, being a teacher is too much pressure. I'm happy to move up in my school...I'm better than what I am if that makes sense. That's my stepping stone." F, Edmonton

People commented that the local employment market only seems to offer new jobs that are part-time or seem precarious, more suited to unskilled young people or immigrants. They bemoaned the lack of local jobs that are stable, permanent, with good pay, the opportunity for advancement, with flexible positive employers and a sense of 'purpose'.

"They want part timers, students, they don't want to employ people like myself. Sometimes the teenagers can be more flexible than us because we have families." F, Wembley

"The job centre is the worst place to get a job. Go to the agencies first. People in the job centre, they are civil servants not trained to help people find jobs." M, Edmonton

Regarding support for advancement, employment related assistance is believed to have vanished as a result of local government cuts. There was an appetite for training and new qualifications but only in a few isolated cases have people been able to organise this for themselves. In Wembley, a number of the participants had knowledge or direct experience of using adult education hubs, which have now closed. Participants in Croydon and Edmonton felt that there were good jobs around, but you could only get to them if you were 'in the know'.

"There used to be a lot of adult education at Brent Council but three or four years ago they stopped it. I did the fashion design courses in the evenings and the sewing courses, which were very useful for me. They stopped all of that. I don't know why and there were no answers." F, Wembley

"I just have to sort it all out myself. There's nobody that can help me" F, West Croydon

Local priorities

All groups felt that their area got a raw deal in terms of government funding, but they offered little analysis as to how or why. They were as likely to cite waste and corruption as cuts from central government as causes for the lack of funding in the area.

"When I was younger you had the group that went drinking and the group that went to the youth club. But it's closed down, they moved it, so the kids can't go there no more" M, Becontree

Many examples of cuts were offered, some of which related to leisure (libraries, sports facilities) but many related to key public services. All areas felt that youth services had suffered cuts and linked this to the increase in crime. They believed that the wealthier areas of their boroughs and beyond get better services (for example, the frequency of street cleaning and bin collection), especially in Wembley, Croydon and Edmonton, perhaps reflecting the polarity of wealth between borough wards.

"Funding cuts for housing, the jobs office, projects for mums and young people. Cut all those. There's no youth clubs anymore." F, Wembley

"This used to be a nice area, a clean area. I've seen the change here, no youth clubs, no play schemes like when we grew up. Sports centre closed down community centres closed down." M, Edmonton

To understand people's preferences about the location of jobs we asked whether they would prefer to have access to good jobs locally, move to central London to be nearer good jobs available now or remain where they are but with better and more affordable transport to inner London. Their preference was overwhelmingly that better jobs should be provided close to home and finding ways to make sure those jobs go to local people rather than outsiders. There was no appetite for prioritising investment in transport or housing to enable them to access the inner London jobs market.

The benefits of accessing those jobs in inner London were thought to be outweighed by the costs, the stress and inconvenience for family life of the commute. The Edmonton group were most open to travelling to work in other areas, but usually within nearby north London Boroughs (Islington, Haringey).

"I'd travel a certain distance. I'm a carer as well so I have to think about my work life balance" F, Edmonton

"After you pay for the train and the time it takes, it isn't worth it." F, West Croydon

An open question on local priorities showed that most people are looking to the next generation. They don't believe things will get much better for them, but they believe their children can and should do better.

"Spend money on training and education, facilities for the youth. Activities for children. Community spirit for young people is important." F, Wembley

Regeneration

Regeneration remains a controversial issue within London. Much of the media attention has been around estate renewal programmes in inner London, but in the groups concerns were expressed about the impact of wider regeneration schemes. In Wembley, for example, where there has been significant development, local experiences of the regeneration were negative. The new jobs created were believed to have gone to outsiders through large contracting companies.

"Wembley is going away from being a residential area. It's an area just like the West End where you take your family out for the day. It's good for you if you can afford it, but it's too much. It's not for the community as such." M, Wembley

"There's 10,000 homes going in Barkingside, but there's no shops there, nothing, no train station." M, Becontree

Whilst seeing the positive case for regeneration in terms of cleaning up derelict sites and making them useful, clean and safe places, there was pronounced cynicism as to whether new jobs and houses will bring any benefits to local people.

In fact, the increased cost of housing and cost of living which they believe will follow new developments makes them feel negative about the implications of regeneration in their areas. They also fear the pressure on local amenities and public services such as schools, GP surgeries and hospitals.

"Around Wembley central they've cleaned it up, it is better now there...it looks a bit nicer." F, Wembley

"The trouble is that if you get better jobs here then the area will become even more expensive and there'll be a knock-on effect" M, West Croydon

Some questioned whether regeneration will mean that they (or perhaps more likely their children) will be forced out of this area for the same reasons they had to leave inner London in the 1980s and 90s (because of the cost of housing and overcrowding).

"If you own a property here you can rent it to the Council for £200 a week or rent it privately for £400 a week. What are you going to do?" M, Wembley

"I fear that it loses its soul around here and becomes like Brixton" M, West Croydon

"Most people aren't threatened by new people coming in, it's the increased prices that come with it – the price of rent and the price of food. That's the problem." M, Edmonton

In order to win support for development there must be a significant housing offer to local people, but there is still suspicion about new build housing. Whilst arguing that housing is too expensive, there is a commonly held belief that there is not a shortage of housing; rather that the wrong people access the housing that is currently available. In Croydon people felt that the area was so overcrowded now that any new housing should only be built further out to the south.

The overall impression was that regeneration needs a clear offer for young people in order to win local support, as people do not currently believe there will be a part of the offer that will benefit them or their family. Women were more likely to want to 'make it work' with new people moving into the area, in order to maintain the sense of community they value.

"It should benefit the area across the board, more schools, hospitals. When they regenerate the area it never benefits the community." M, Edmonton

"Local people should be given the opportunity to apply for the jobs first." F, Edmonton

"They need to build more council housing first, local people can't afford these new flats they build" M, Wembley

"We need better education and training for young people that will end in a real job" M, West Croydon

Summary

The people we spoke to seem relatively happy with their current living situation. However, there is a noticeable lack of optimism about their area. Many say the barriers they face in advancing professionally and socially are insurmountable. Looking forward, most seem to have transferred their hopes and ambitions to the next generation.

Creating more jobs in inner London seems unlikely to benefit lower income people from outer London. The trade-offs involved in a commute to a job in central London are not seen as being worthwhile in terms of time, financial cost, stress and being around to keep their children safe and well. Therefore, investing in job creation in outer London was the clear priority for these participants. Furthermore, they placed an emphasis on the need for 'good quality' jobs rather than just more part-time, precarious, low-paid jobs.

The entrepreneurial instincts of some of the locals could also be developed and incubated so they can benefit from changing demand in the local economy. This would be an interesting element to integrate in new commercial developments with access to affordable workspace and training facilities for local people.

These outer Londoner's cynicism and low expectations are reflected in their negative attitudes towards regeneration and its wider impact on outer London. However, there is an opportunity to build support for development in outer London by investing in skills and training for those on low incomes, and high-quality education, services, housing and jobs for the next generation. Such an approach would need much stronger evidence and messaging to demonstrate that new jobs, training and housing were for local people first and foremost.

The low expectations were also evident in discussions around housing. Many were facing serious affordability issues with their current housing situations and there was virtually no expectation that any of them would be able to buy or even move to a bigger or better property. Yet, it was often mentioned that one of the main attractions of outer London for them or their parents, was its housing, especially low cost and family housing.

Towards a new policy agenda: delivering growth, reducing poverty

The outer London residents in our focus groups told a compelling story about how they or their parents had moved to outer London for a better life. Their aspirations are not unique in the story of suburbia; that outer London was offering more affordable housing, more open space, safer communities and new opportunities for them and their children.

The current reality is falling short of this suburban dream. Housing costs are high and ladders to homeownership or even moving to a bigger or better property within the same tenure have been removed. The labour market is also falling short of the ideal, with many lamenting the paucity of well paid, secure jobs. Large employers that dominated some areas of outer London which offered secure and meaningful work have been replaced by work that people feel they have little control over. The data reinforces the point, showing relatively fewer good employment prospects in outer London than inner London.

In addition to these individual concerns, there were consistent anxieties voiced about the level of crime and about the urban fabric feeling tired and dirty. The traditional vision of outer London offering a better life seems to be fading, and is yet to be replaced with an attractive offer fit for the 21st Century. Outer London perhaps risks being squeezed between the new appeal of urban living and the draw of the prosperous home counties. The perception of decline can also become self-fulfilling as the next generation envisage better prospects elsewhere. A suburban flight could quickly lead to outer London having fewer mixed communities and higher concentrations of deprivation and poverty.

This malaise is set to be compounded as outer London underperforms economically. Productivity per head is both significantly below inner London and behind the national average. Both the quantitative and the qualitative research paint a picture of relative decline. The danger is that the pressures of high rents in inner London and reliance on relatively cheaper privately rented accommodation in outer boroughs will mean issues with poverty are not tackled but displaced and concentrated in some outer areas.

At the macro-policy level these trends raise serious questions about whether the economic development orthodoxy of agglomeration and city centralism has not come at a significant cost to those on low incomes who live (and moved to) outer London. While higher rents have impoverished low-income households, rising asset prices have benefited those buying. At the same time employment creation has been predominantly in inner London, especially for higher skilled jobs. Not only have those on highest incomes benefited most but the data presented in the report also highlights that for lower skilled Londoners the probability of being paid a decent wage are higher in inner London.

This is not to say that poverty is no longer an important concern in inner London. As the Trust for London's poverty research shows, much of London has poverty rates above the rest of England and there remain concentrations of poverty in traditional poorer areas, such as East London. Nevertheless, poverty in outer London is often downplayed. Even if rates were to remain static, outer London will still be home to the majority of Londoners in poverty and it will have growing numbers simply by virtue of the high rate of population growth in some areas.

The evidence suggests it is time to move away from growth focused just on the Central Activities Zone which fetishises agglomeration at all costs. This should be replaced by an alternative and more balanced, inclusive approach to economic development that concentrates more resources on growing outer London. This approach rejects the race to the bottom on employment standards and moves on from a situation where the housing market runs roughshod over communities.

This rebalancing would be aimed at reducing the displacement of poorer communities in all parts of London. Such an approach recognises the economic potential of all areas, but acknowledges the need to consider (and counter) the negative externality costs of 'rewarding success' of relatively prosperous areas. The Draft New London Plan goes some way towards creating a new inclusive growth agenda for outer London, but arguably a much more robust and proactive pan-outer London strategy is needed. And one which places more emphasis on preventing poverty and inequality in areas which are under greater stress.

The following recommendations suggest ways which might help to achieve this, some of which blend existing and proposed GLA and borough plans and strategies.

Inclusive growth

Outer London is varied in many regards and local authorities and neighbourhoods have their own distinct set of challenges, opportunities and policy priorities. The objective is not to undermine them, but to set out ways in which the GLA and pan-London interventions could help support local authorities and communities deliver changes to economic development, housing and other policies which tackles issues of poverty, inequality and deprivation.

As a first step, metrics of success need to be set with a clear focus on achieving sustainable inclusive growth, including measuring:

- The levels of good jobs and new jobs with good employment standards, which is benchmarked against both inner London and predicted population growth;
- Targets for affordable housing, not just new social housing but also a more affordable private sector to rent and buy;
- Forecasts on the likely levels of poverty in outer London based on current policies and without further intervention;
- A target for reducing poverty and inequality in outer London.

Sitting alongside these targets GLA should set a new vision for outer London, with specific targets for poorer outer London areas. Some outer London areas will remain relatively wealthy, but there are significant and new challenges facing poorer boroughs. Some boroughs are grasping the nettle and working with local communities to set an inclusive vision for the future. This arguably needs to be complemented at a city-region level, built bottom up from outer Londoners.

As the views we heard demonstrate, outer London has many selling points – providing more affordable private (family) housing and more open space. Its diversity is also valued and treasured. Building on these aspects may be a starting point. This would mean taking into account not just socio-economic measures of success, such as housing affordability and the adequacy of local labour markets. It would also encompass the place dimension, including how people experience their community and their sense of well-being (so-called 'liveability' of a place).

Ending funding bias in favour of agglomeration: time to rethink Crossrail 2?

To make a clear break with previous approaches to economic development, the GLA should undertake a fair funding review of how infrastructure spending and programmes are likely to benefit not just London as a whole but also the boroughs and areas within them. The impact should be assessed to understand the extent to which investment is actually beneficial to people on lower incomes. Conventional metrics on which decisions are made are often criticised for displacement of economic activity, new models should also include metrics for forecasting the displacement of poverty.

Such an assessment may well mean that plans for Crossrail 2 would be scaled back or halted. This is not to say that the centre does not matter, just that it has and will benefit disproportionately from Crossrail, the Jubilee line, and HS2. It is perhaps now time for other areas of the capital to receive support. As such the financial rationale for Crossrail 2 should be balanced against the diseconomies of agglomeration and assessments of who benefit and where.

Under the current plans Crossrail 2 is set to cost £30bn, half of which will be met by Londoners. Whilst North-South routes are suffering from overcrowding, providing additional infrastructure may simply create additional congestion issues. It is also clear that the areas set to benefit most will be those in inner London. The table below outlines projected business rate receipts of Crossrail 2 for new developments in zones around various stations. It emphatically demonstrates the extent to which business activity will be concentrated in the centre.

Total nominal Incremental Business Rate Income by station zone

Station Zone	Total Nominal IBRI Income (£m) 2025-2050
Kingston	20.7
Wimbledon	13
Victoria	376.1
Tottenham Court Road	492.8
Total	902.6

Source: PwC, Crossrail 2 Funding and financing study (2014)

A question mark must hang over whether huge resources should be dedicated to such a single large infrastructure project. Funding is predicated on the project itself. However, if it is part-funded through taxes such as the Business Rate Supplement (BRS). There is a strong argument that such funding would be better invested in projects which aim to directly support not just business growth in outer London, but also business growth that furthers regional development objectives of creating more inclusive growth.

Under the current guidance the BRS can cover not just transport infrastructure, but also investment in skills, business support, and other measures aimed at growing the economy. Indeed, the terms suggest that it needs to meet two criteria: "a clear link between the project and the economic development of the area and (ii) that the supplement will be funding additional expenditure."⁴⁴ At the moment it is not clear how Crossrail 2 will meet an economic development objective of making growth in the capital more inclusive and reduce poverty.

Outer London Deputy Mayor and Inclusive Growth Taskforce

Outer London has its own distinct challenges from inner London. The Mayor should therefore consider appointing a Deputy Mayor for outer London and establishing an Outer London Inclusive Growth Taskforce, tasked with ensuring that growth within London is fair and balanced across the city. Outer London can lack a coherent voice and vision which having a Deputy Mayor could help overcome. Their role would be to listen to the concerns of outer London and be a champion for these concerns within the GLA and the 'GLA family' of agencies.

Unlike the previous Outer London Commission (OLC), the Taskforce should have clear social terms of reference, advising on reducing poverty and inequality in outer London alongside other economic development objectives (such as transport and employment – see below). It could for example, map where public bodies, charities and social enterprises are located in outer London and work with national and London charities and agencies to target areas where support is weakest. Besides local authority leaders, the GLA and the business community, membership of the taskforce should be broader than the OLC to include trade unions and representatives from civic society.⁴⁵

Outer London spatial strategy

Given its size and complexity there is a strong case for outer London to have its own spatial strategy, designed to strengthen outer London's economy. This should be aimed as much at supporting connections between outer and inner London areas as well as beyond the GLA boundaries, especially if outer London is being squeezed between productive central London and a prosperous commuter belt outside the capital.⁴⁶

Preliminary work on an outer London strategy could be undertaken by the outer London Taskforce, which would work closely with the wider GLA planning team. It could cover the broad policy themes, such as achieving inclusive growth, as well as specific issues facing outer London such as housing costs, transport issues, low pay and poverty.

Regeneration that works for all

Whilst regeneration can help meet economic objectives (densification, updating commercial space, delivering additional housing) it can have negative implications for local people on low incomes. Indeed, in our focus groups there was at best scepticism about the local and personal benefits of regeneration.

Much of the focus on regeneration has been on large housing estates. However, there was little sense that concern about regeneration was confined to public housing. A major fear is that the uplift in property values from regeneration will lead to higher rents.

The GLA should commission a study into how local authorities might be able to assess the likely impact of regeneration on rents within an area and what impact this will have on housing affordability for local residents. This could help local authorities assess whether plans will result in existing residents being priced out. This review could also cover local price inflation associated with regeneration more generally.

Regeneration for local people

The Mayor's new ballot requirements for estate regeneration are likely to prove popular with local residents.⁴⁷ The view from the focus groups was very much that regeneration schemes should as a minimum result in additional social housing. It was felt that the council must ensure that development includes low-income residents, with the allocations system prioritising local residents.

Equally, outer Londoners felt they should benefit from regeneration schemes regarding their job prospects. As such the GLA, working with the boroughs, should seek to build up expertise about how to increase the delivery of apprenticeship and work opportunities for local residents as part of the planning agreement. This could follow the example of the Olympic Park, where the vast majority of apprenticeships were taken by local people.⁴⁸

To meet the needs of local people, local authorities could operate a 'first dibs' policy for jobs being created in regeneration schemes. This could include a recruitment drive for suitable positions amongst those within the immediate area, perhaps tied to training and skills support.

Densification

Outer London covers 80% of the capital's land but only around 60% of the total population and total housing stock. There are of course town centres and some housing estates in outer London where densities are similar to inner London, but overall the scope for increasing housing densities lies in outer London areas. Indeed, both the previous and current Draft London Plan advocate increasing housing density in outer London boroughs.

The GLA's Planning Committee estimated that addressing suburban under-occupancy and increasing density could add an additional ten years supply of new homes.⁴⁹ London's HTA architects, who promote the concept of 'Supurbia', believe they could intensify 10% of outer London boroughs every 10 years. Assuming a mere doubling of density per plot, this realises 16,800 new homes per year, or 40%

of London's projected housing needs for the next 20 years.⁵⁰

The Draft New London Plan calls for a stronger design-led approach to optimising densification. The outer London boroughs also recognise the potential for increasing densities around their town centres and transport nodes. However, as our focus group work shows, lower income local people are sceptical how regeneration (to increase housing densities) or new development (at higher than previous densities) would benefit them.

The GLA and outer London boroughs should seek to engage more with the public over the case for increasing housing densities. In particular, communities need to be convinced that development to house more people will benefit them and green spaces and the suburban built environment will be protected or enhanced.

Tackling low pay

Fair work convention for outer London

Improving the quality of people's lives goes beyond the power and resources of the boroughs and GLA, especially as employment regulations are not a devolved function. Most employees in outer London work in the private sector, many of whom are employed by small firms. This means that enabling change requires working in partnership with business to improve employment standards. One way of enabling this change could be through an independent fair work convention for outer London.

Similar fair work commissions and conventions in Scotland and Wales successfully bring together trade unions, employers and civic society to develop social partnership agreements and spread best practice.⁵¹ A similar approach could be developed for outer London, with a particular focus on engaging so-called 'anchor institutions' – large and well-established local employers. Applying pressure on anchor institutions to adopt good work practices and publicly identifying those employers which are failing to meet their corporate social responsibility could make significant difference to the working lives of poorer Londoners.

Understanding the cost of low pay

As the data showed, low pay is disproportionately found in outer London. Low productivity, low pay jobs do not just come at a cost to the economy but also have wider social costs which are often picked up by local authorities and local services. For example, there is a clear evidence that low pay and insecure work are harmful to health. As Professor Sir Michael Marmot has noted, "jobs that are insecure, low-paid and that fail to protect employees from stress and danger make people ill."⁵² Other studies have shown low pay as a predictor of obesity, anxiety and depression, low birth weights and hypertension.⁵³ There are also likely to be a wider range of costs beyond the health implications. For example, the JRF has estimated that poverty is costing the country around £69bn a year when including costs to schools, police and criminal justice system, children's services and housing.⁵⁴

The Mayor should commission a review to fully understand the true costs of low pay to public services and local growth in both outer and inner London. The review could build on existing research and best practice, such as the toolkit developed by Greater Manchester's New Economy unit to assesses the cost and benefits of public spending interventions to tackle low pay.

Employment standards and power of procurement

The GLA's 'Good Work' standard, 'Healthy Workplace Charter', the London Living Wage and other initiatives are helping to improve employment conditions and reduce in-work poverty. The GLA should work with the outer London boroughs to integrate these standards more fully into local commissioning and contracting. The GLA should also work with outer London boroughs to use the power of procurement to promote local sourcing. There is already collaborative working between London boroughs to deliver back-office savings and economies of scale. These initiatives could be extended to support a network of local suppliers which meet good employment standards. This could be supported through initiatives in Business Improvement Districts seeking to review buying and procurement practices to reduce the number of trips made to sites,⁵⁵ with preferred supplier status predicated on meeting good employment practices.

Up skilling

Outer London trails not just inner London but also the UK average on productivity. This highlights the importance of improving the range of skill levels of outer Londoners. The boroughs and GLA need to work closer with employers, trade unions and others to better understand local markets for skills, especially for intermediate-level qualifications and trade apprenticeships.⁵⁶

To help ensure that there are changes to business practice the GLA and boroughs should ensure that firms benefiting from skills training support are compliant with good employment standards.⁵⁷ Such business support could also provide information and support to small business owners, many of whom will be on modest incomes. This could help them make the most of new opportunities and adapt (rather than accept that they will fail) as the demographics within local markets in outer London change, sometimes rapidly.

In the rush to meet housing need there is a danger that the socio-economic needs of an area are being overlooked. To ensure that this does not happen the GLA and boroughs should look to establish a set of standards for new housing developments regarding and new jobs and employment standards. Just as the planning process aims to ensure there is adequate provision of local services, so there

should be scope to ensure development is creating good local jobs and contributing to the local economy.

Creating good jobs for low skilled outer Londoners

Outer London has natural advantages, not least relatively low land values (compared with the Central Activities Zones and inner London), a good supply of family housing and access to central London. Nevertheless, as noted, sub-regional productivity data shows that outer London areas' GVA per head is not only lower than inner London but also below the English average.

The challenge facing outer London is to boost productivity by growing those sectors that deliver good jobs and add value to the local economy. As proposed in the Draft New London Plan, the boroughs should work with the GLA to identify areas for potential science parks and incubator hubs (so called 'Strategic Outer London Development Centres').

The GLA (in part through its promotional agency London & Partners) also needs to make more effort to attract inward investment into outer London's tech sector. Much of the foreign investment to date in outer London has been in property, while inner London accounts for the vast majority of venture capital funding into financial technology and AI.

Job matching

As the data in the previous section highlights, those performing low wage roles are least likely to commute. This finding was supported in our focus groups, with people showing little appetite to commute into central London given the costs and lost time of doing so, even if pay was higher.

The quality of the jobs in the (immediate) local labour market is likely to determine the quality of the working lives of lower income outer Londoners. Yet, there was a deep frustration amongst those that we spoke to that there were not enough good quality jobs. This is reinforced by labour market data which suggests that outer London jobs are more likely to be low paid than in inner London.

However, too much of the debate about solutions focuses on the supply-side (the only way to improve employment prospects is to increase skills) and not enough on the demand side (the creation of good quality jobs). As studies have shown, certain jobs are likely to provide lower-skilled workers more security and better pay than others – for example in manufacturing and information and communication sectors.⁵⁸

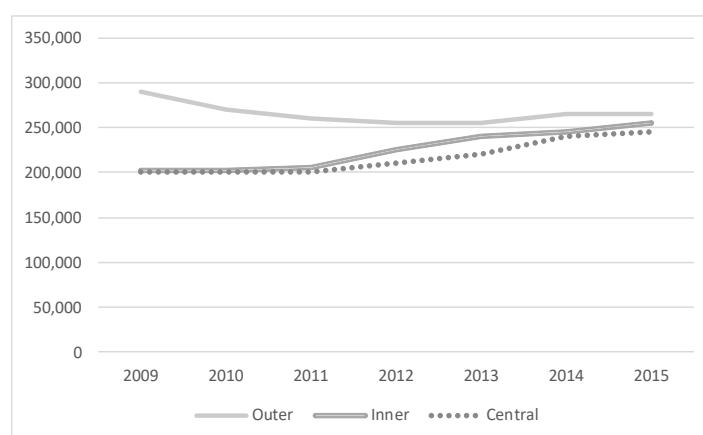
This finding is of particular importance to outer London, which has a higher proportion of jobs in sectors less likely to offer good work. As such, one of the first roles of an Outer London Inclusive Growth Taskforce could be to identify which sectors, in which places, could be supported to increase growth but also deliver good jobs for local people.

Revitalising outer London town centres

Outer London is a collection of towns with their own civic identity and social and economic characteristics. The town centre and high street are prized by local people. However, most have struggled to adapt to changing consumer patterns and online shopping (despite on-going support from the GLA).⁵⁹

Although large international shopping centres have been growing, retail floorspace (especially for smaller outlets) is declining – and especially so in outer London.⁶⁰ Besides the damaging impact this has on local communities and the urban fabric, there are worrying employment affects. Outer London town centres and high streets are major local employers (accounting for around half of all the jobs in London's retail sector) and nearly half of all businesses outside central London are located on a high street.⁶¹

Total base employment estimates in town centres by locations, 2009–15



Source: ONS / GLA

The Draft New London Plan continues to prioritise town centres, stating that: "Town Centre Strategies should be produced in partnership at the local level in a way that is inclusive and representative of the local community." However, it is unclear as to how much extra effort and resources will be dedicated to outer London town centres or to the extent to which the Strategies will incorporate anti-poverty actions.

Given their importance and the scale of the challenge, the GLA could create an outer London Town Centres Transformation Fund, aimed at helping town centres during a period of transition. This fund could build on the positives of the previous Outer London Fund for town centre renewal, which was judged to have delivered local economic uplift.⁶² The new fund could also help improve the public realm, including pedestrianisation and improved street design.

To ensure they promote inclusive growth public funding should be contingent on having a town centre strategy which clearly states how it will reduce poverty. The GLA could go further by making it contingent on the town centre being a good employer or London Living Wage area.

London Living Wage town centres

Research by the Smith Institute for the Living Wage Foundation showed how increasing pay levels beyond the statutory minimum wage could boost local economies and raise employment standards – especially in low paid sectors such as retail. In London, for example, extending the London Living Wage would not only boost the incomes of low paid workers but also provide an economic boost and benefit the public finances.⁶³

Local authorities should work with employers in town centres to encourage better paid work. Under the 2011 Localism Act councils have discretion to locally fund business rate relief.⁶⁴ The GLA and boroughs could look at the financial and legal feasibilities around offering transitional business rate relief for employers paying the London Living Wage. This could support outer London boroughs who wanted to become accredited London Living Wage town centres. Such an accreditation scheme (linked to broader efforts to raise employment standards) could help improve the wages of local people, put money back into the local economy and give the town centre a unique selling point.

Pooling leaseholds

It is often hard to shape the offer of outer London town centres. Property ownership is diffuse and high streets often have too many of the same types of shops. In order to avoid fragmentation of ownership, the British Property Federation, suggests a pooling of leaseholds.⁶⁵ The GLA could pilot the idea in outer London, linking pooling to its good work standard. Boroughs could also establish trading companies (similar to local housing companies) to buy commercial space using low cost Treasury loans so that they have greater control of their high streets with any surplus invested back into the local community.

Office space and permitted development

Although outer London town centres tend to be seen as centres of retail, office space is a critical component of their economic vibrancy. In outer London district centres, a quarter of commercial floor space is for office use. Yet, town centres in outer London appear to be most affected by the loss of office space.⁶⁶ This has become an issue as government reforms to permitted development rights have allowed unhindered conversions of office space to residential use. Councils not only lose valuable commercial/employment space, but are also denied planning gain from developer contributions.

Although some Planning Authorities, such as Croydon and Merton, have managed to restrict office to residential conversions (through Article 4 Directives), many outer London boroughs are still under pressure to release sites against their wishes. Local planning would be improved if the government scrapped permitted development rights and helped resource planning teams properly.⁶⁷

Local authorities are also concerned that ministers may also seek to weaken the planning rules protecting affordable work space. The Draft New London plan offers some protection of low-cost workplace, but more could be done to help outer London boroughs.

Housing

One of the more dispiriting aspects of discussions with low-income outer Londoners was the way in which they felt they would not be able to improve their housing situation. This included moving tenures from the PRS into social housing or homeownership or simply moving to a home that was slightly bigger or had a garden. This was the case despite the fact many of their parents had moved to outer London to buy or have a bigger house to live in. Whilst affordable housing across London is a challenge for all boroughs, outer London potentially offers those on lower incomes greater prospects of accessing larger, family housing as well as the land to provide more affordable housing.

As the GLA's housing policy notes, outer London is "where market prices may be within reach of more Londoners." And: "Areas in outer London can support new homes for market sale at mid-market prices, while small scale intensification and redevelopment in such areas is much less capital-intensive and can therefore provide cheaper homes". However, housing growth in outer London has been

significantly below inner London. Over the ten years to 2016, the total numbers of homes in London increased by 11%, but rose by just 6% in outer London.

Outer London could position itself as the place of opportunity for low to average income working Londoners looking to buy a home. The GLA should explore this in more depth and undertake a review of the potential costs and benefits of concentrating more investment in affordable housing developments across outer London (including private development which is more likely to be affordable for first time buyers). Such a review should include a full and open consultation with local people on the type and density of development and on ways of ensuring new affordable homes are made available to local people.

This might include reviewing definitions of affordability in the London plan to match households circumstances and experience of affordability so that new development are genuinely for local people. The GLA might also look to increase the supply of affordable homes in Opportunity Areas. At present the Draft New London plan states that Opportunity Areas should, where possible, exceed affordable housing threshold of 35%. Given the strong sense that regeneration did not work for those on low incomes, there could be merit for increasing this to a minimum of 50%, roughly in line with the Mayor's strategic affordable housing target, which currently applies for public land.

Perhaps just as importantly it could include looking at how housing design and space standards can be supported to ensure the attraction of suburbs is maintained as densities increase. This could include running a design competition which factors in wider placemaking, and creating diverse, mixed income, mixed tenure communities.

Achieving this could mean revisiting rules around planning contributions for smaller sites. In the Draft New London Plan some outer London boroughs are expected to deliver the vast majority of new homes on smaller sites and 75% of new homes from small sites are expected to be in outer London.⁶⁸ In many cases these will be exempt from affordable housing contributions. The GLA and boroughs should look at ways of addressing the issue to increase the supply of affordable housing available for poorer outer Londoners.

Housing Zones and rent controls

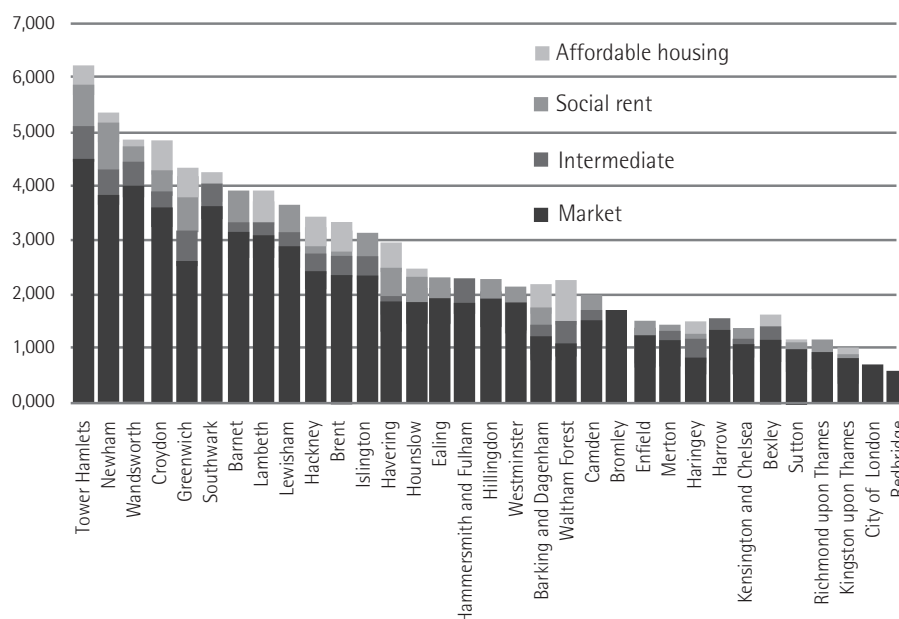
The GLA is investing £400m in 30 Housing Zones spread across the capital, providing some 23,000 affordable homes – some 30% of the total expected build rate. The majority of these new homes are in outer London boroughs, such as Barking, Havering, Brent, Enfield and Haringey. These zones could pilot new models of delivery, such as low cost homeownership schemes where homes for sale are made affordable in perpetuity, co-operative housing and community-led housing projects.

In the context of what we heard in the focus groups and issues of displacement that the data highlights, the Mayor's interest in rent controls should be welcomed. Whilst there are concerns about the potential negative impacts, including disinvestment in housing and poorer standards, there is a case for rent controls to ensure housing affordability in both inner and outer London for those on lower incomes. The GLA should undertake a thorough study of how rent controls would reshape London's housing markets, including the impacts on outer London boroughs. It could also examine other interventions to secure more affordable homes, such as changes to the Right to Buy and housing grant regime. The review might also look at the demand side issues facing London, including agglomeration and financialisation of housing, with a view to pushing national government to intervene to improve housing affordability in London or give London greater fiscal powers to do so.

A London-wide affordable homes bonus

At present London boroughs are delivering high variances in social housing supply. As the graph below shows, the highest proportions of affordable housing were in Barking and Dagenham and Waltham Forest (43% and 42% respectively), while the lowest was in lowest in Bexley (-1% due to loss of social housing).

Net conventional completions by borough and tenure, 2013/14 to 2015/16



Source: GLA, 'Housing in London 2017: The evidence base for the Mayor's Housing Strategy'

In order to improve the provision of sub-market housing the Mayor should consider introducing a London affordable homes bonus scheme. This would work in a similar way to the government's New Homes Bonus Scheme, but focus on the delivery of affordable and social housing. Funds earmarked for housing and regeneration could be adjusted according to a borough's contribution to meeting the Mayor's affordable housing targets.

Upgrading the private housing stock

The condition of the existing housing stock is particularly important for outer London, which is much more residential than inner London. Indeed, people often prioritise improvements to existing housing and their local environment over new development.

Whilst there have been major improvements to public housing across London, the quality of private housing remains a serious concern. According to the English Housing Survey 80% of homes in London that are non-decent are in the private sector, with owner-occupation contributing most in absolute terms and the PRS having the highest proportion of non-decent homes.⁶⁹

The outer London boroughs offer some support for home improvements (cheap loans for insulation, boiler replacements etc) to private landlords and homeowners, alongside means tested government-backed schemes like the Disabled Facilities Grant, and help from charities and energy companies. However more needs to be done to improve housing conditions, especially for vulnerable people whose health is at risk. The GLA could, for example, consider establishing a decent homes fund for homeowners and landlords, offering grants or low interest loans linked to employment standards (with works carried out by approved providers). More radical ideas include linking Housing Benefit in the PRS to home improvements.

Transport

Outer London is car reliant. As the Mayor's Transport Strategy states: 'parts of outer London are cut off from the opportunities the rest of the city has to offer by poor Tube, rail and bus links.'⁷⁰ However, travelling by car is often beyond the means of poorer Londoners so ensuring a decent and affordable public transport offer is essential.

Increasing the number of routes, speed and frequency of public transport will require more outer Londoners of all incomes to switch from car use to public transport. Improving information about transport choices will be key. Evidence from the JRF also shows that helping people better navigate transport choices can lower the barriers to employment.⁷¹

The GLA should work closely with the outer London boroughs to develop toolkits for managing transport demand, including best practice examples of workplace charging and road space reallocation. It could also work with employers to reduce workplace charges for changes in working hours practices to reduce peak congestion levels. Other measures could include tougher fines for parked cars obstructing bus lanes, developing smart technology so parking spaces can be pre-booked to avoid unnecessary congestion, car sharing and more and better cycle lanes and cycle parking.⁷²

Improving bus services

Reducing traffic for bus users and offering low cost bus fares is particularly important to low-income people in outer London. As the Mayor's Transport Strategy notes: "Demand for buses is expected to increase in outer London, where the potential for mode shift to buses and for housing growth is greatest. TfL will therefore re-shape the bus network to increase its focus on outer London."⁷³ This will be welcome news to those who attended our focus groups, some of whom felt the bus service was slow and crowded.

Outer London growth could also be helped by orbital express bus services with fewer stops. This is also recognised in the Mayor's Transport Strategy, but extending the routes offered should be seen as a priority. The GLA could seek arrangements with employers in Opportunity Areas serviced by the new routes to offer reduced fares for low paid workers.

Improving access

Accessing training and employment services was identified as problematic by our focus groups. Particular mention was made to the difficulty of getting to colleges, something backed up by the data.⁷⁴ To ensure fair access and enable lower skilled Londoners to gain support in their careers, the GLA and TfL should review transport links to training, education and employment services to identify where additional routes may be needed.

The accessibility of public transport remains a barrier to getting to services and employment opportunities. According to the last census some 69% of Londoners that had a disability that limited their day-to-day activities a lot or a little were located in outer London. This would suggest a specific need for those in outer boroughs to access public transport. Yet accessibility to public transport is worse in outer London.⁷⁵ The GLA is seeking to address this. However, there is a need to prioritise support in outer London areas.

The main measure of public transport coverage is the Public Transport Accessibility Level (PTAL) which assesses access. Levels range from 0 and 6b, with a score of 0 indicating very poor access to public transport, and 6b excellent access. For many lower paid Londoners, the cost of rail and tube fares is beyond their means for commuting purposes. As such, TfL could look at developing a measure which integrates an affordability matrix into separate PTAL scores through the WebCAT tool to highlight realistic accessibility data for those on lower incomes. This could help ensure that there are not areas in outer London which look as though they have good accessibility but actually do not due to cost constraints. This should be applied to new developments to give a truer reflection of access to jobs in designated employment areas.

Funding for inclusive growth

Supporting inclusive growth and reducing low pay and poverty in outer London will demand new approaches to funding, including a rethink of financing major transport schemes such as Crossrail 2 as well as expanding the remit of existing lenders, such as the London Housing Bank.

The Mayor continues to push for additional powers and funding as well as greater fiscal freedoms and flexibilities.⁷⁶ However, in terms of achieving inclusive growth there is a need to examine in more depth how new funding arrangements such as the localising of stamp duty receipts would impact on outer London boroughs (something which perhaps a future London Finance Commission report could look at).

In a post Brexit world, careful consideration would also need to be given to the replacement of EU funding, which amounts to around £500m a year.⁷⁷ The government has pledged to use the funding that comes back to the UK as a result of Brexit to reduce inequalities and "deliver sustainable, inclusive growth".⁷⁸ However, the details of replacement funding under the so-called 'Shared Prosperity Fund' have yet to be agreed at national or London-wide level. Consultation on the Fund could give the GLA an opportunity to redirect more resources to outer London. In addition, the GLA in coordination with the outer London boroughs could mount a strong case for additional grant spending in outer London boroughs. Despite the indicators in the report showing that the proportion of the most deprived areas in the capital is moving to outer boroughs central government grant funding for local authorities per head has been cut more in outer than inner London.⁷⁹

Business rates: supporting outer London town centres

London has been piloting 100% business rates retention since April 2018. Under the arrangement no council should be worse off than under the previous system. In addition, there are objectives to incentivise growth in more deprived areas. As the new system develops there may be scope for looking at an equalisation formula between town centres to ensure that all areas share in the prosperity of the capital. Longer term if the GLA gains full control of business rate policy it would be possible to redistribute extra tax revenues from the successful 'international centres' which have seen sustained growth.

TIFs and gainshare arrangements

Supporting the types of industries which will deliver secure, decent paid jobs for those with lower levels of skills will require upfront investment in enabling infrastructure. One such mechanism for securing such investment is tax incremental financing (TIF), used, for example, to help fund the extension of the underground at Battersea Nine Elms.⁸⁰ Making such schemes work depends on the scale of

the project and high (and rising) land values to ensure the value uplift is enough to deliver additional tax revenues to repay the loan. As such TIFs will not be suitable everywhere, but could be viable in some outer London areas.

Most of the fiscal benefits of tackling low pay overwhelmingly return to the HM Treasury. Increasing wages raises revenue for the Treasury through income tax, national insurance as well as reductions in tax credits and means tested benefits. To incentivise take up of the London Living Wage and support other inclusive growth strategies, the GLA should look to negotiate 'gainshare arrangements' with central government so that those local authorities tackling low pay are rewarded.

Conclusion

The London Mayor and the outer London boroughs are developing strategies to combat poverty using the powers and resources they have, albeit constrained by a decade of austerity and cuts. Nevertheless, the evidence in this report suggest there is a need to do a lot more to reduce poverty and inequality in outer London and rebalance (and localise) growth across London as a whole. This is particularly important given the demographic changes in outer London and the problems in the local housing and labour markets. Providing the good quality jobs and suitable, affordable housing in the fast-growing outer London boroughs will be difficult, but by no means impossible.

It is also important to think ahead about how resilient outer London is. How prepared are the boroughs to achieve inclusive growth in an economic downturn? In some places, the social welfare infrastructure is already weak and under-resourced. In others there are serious capacity and capability concerns. This does not bode well for low-income households and vulnerable people.

A more interventionist and inclusive policy approach is needed. An approach which reduces rather than increases commuting and which includes opportunities for good work. There seems to be widespread public support for this. As previous Trust for London studies have shown, Londoners are calling for a fairer, more equitable city.⁸¹ The sentiment from the focus groups in this report also demonstrated a growing sense of spatial injustice between wealthier and poorer areas, as well as a desire for more local growth and 'local living'.

The evidence in the report suggests that the sense of unfairness is being played out between inner and outer London. Over recent years poverty has been spreading out from central London. The privatisation of housing has meant accessing social housing is difficult for many, while high house prices in central areas mean that those on low incomes have little choice but to seek accommodation in outer London boroughs. Housing charities also report a sharp increase in homelessness in outer London. The focus policy on agglomeration and city centralism appears to be largely driving this shift, with employment and investment opportunities ever more concentrated in inner London.

This report has therefore argued for a mix of policy interventions to support inclusive growth across the capital, with a strong bias towards more support for outer London. The suggestions are by no mean exhaustive and in some cases take forward proposals in the Draft New London Plan and borough local plans. However, a change in policy is needed and one which challenges the status quo on funding for major transport projects, such as Crossrail 2. Rather than stoking the fire of 'exclusive growth' in inner London the funding for Crossrail 2 could arguably be better spent on creating an inclusive growth fund to ensure prosperity is spread across the capital, helping poorer people in outer London. The priority would be to rebalance growth, rather than simply reward it.

There is also a strong case that the defunct Outer London Commission should be refashioned into an Outer London Inclusive Growth Taskforce with a remit which includes tackling poverty and inequality as much as securing economic growth. Sitting above this must also be a vision for outer London, developed by outer Londoners, which makes the most of its assets of space and relative affordability. Of those we spoke to, moving to outer London was a positive choice – a move for a better life – but one where this dream has often not materialised. This new vision for London's suburbs and town centres urgently needs to be more clearly brought together to guide strategic decisions at a pan-London level.

An inclusive growth strategy for outer London should also seek to hardwire best practice on tackling low pay and poor employment practices – linking good work standards to policies and practice in both public, voluntary and private organisations. The aim is to narrow the divide between inner and outer London and improve the living standards and quality of life of all Londoners.

Any plan for outer London should seek to join centres of economic activity in outer London together to help spread growth more evenly. It should also involve an industrial strategy which is not just focused on crude measure of economic growth or job creation, but on ensuring new jobs are good ones for outer Londoners. This could include focusing on sectors which are best at delivering decent paid, secure work for those with lower level skills.

But if the economic development strategy of London is to break out of the current orthodoxy then tackling the housing market will be critical. The GLA will need to do more in outer London to increase affordable housing supply (and choice) for local people. Given how unaffordable house buying is for the majority of Londoners there is also an urgent need for stronger national government intervention to take the heat out of the housing market.

Delivering more inclusive growth and ensuring outer Londoners benefit will also be reliant on economic regeneration not causing more displacement. It should be incumbent on local authorities and the GLA to understand the social implications that economic regeneration and rising land values will have. It is also necessary that low-income Londoners have the support and access to training to ensure they are able to benefit from growth. As mentioned, this is clearly not the case in all outer London boroughs at the moment. And more generally, as poverty moves out that the social infrastructure in outer London is up to the task of supporting ever larger

numbers of people in poverty. At the moment the demand for public services continues to far outstrip the support available, despite the talk of austerity easing.

For those low-income outer Londoners we spoke to, the support they needed was felt to be lacking. Many were experiencing the strains of having low incomes in outer London and talked openly about housing pressures, concerns about violent crime and a labour market that wasn't delivering from them. They also signalled that their area was in decline. This report has placed the spotlight on these concerns and outlined some possible actions that could help.

London will surely continue to prosper and weather the storms of austerity and Brexit. However, the type and form of that prosperity will be shaped by how much more of a divided metropolis London becomes. If city centralism continues in the way it has then outer London will inevitably see higher rates of poverty, which are likely to be concentrated in the most deprived outer London neighbourhoods, with resentment intensifying further. The change may not happen overnight but if ignored now we are storing up much larger economic, social and political problems in the years to come.

Notes

- 1 According to London Councils over the decade to 2020 London local government will have seen its core funding from central government reduced by 63% in real terms
- 2 Mayor's vision and objectives to 2036 (Draft London Plan)
- 3 See for example, the work of the Centre for Towns
- 4 Nomis, mid-year population estimates; ONS, Balanced Gross Value Added (GVA(B))
- 5 Glaeser, E *Triumph of the City* (Picador, 2012)
- 6 Pyke, A "The limits of city centrism? We need to rethink how we approach urban and regional development", LSE, 2018
- 7 Fujita, M et al *The Spatial Economy: Cities, Regions and International Trade* (MIT, 1999). From this perspective, the initial growth in economic activity tends to concentrate in a few dominant urban areas. The initial concentration which creates further growth results from natural advantages: talent, location, natural resources. It also reflects history and past policy decisions: capital city status, fiscal incentives, and decisions to locate certain industries in a region. After this, the very presence of their being an agglomeration of economic activity induces firms and labour to co-locate.
- 8 Fujita, M et al op cit and Andrés Rodríguez-Pose, Andy Pike, and John Tomaney, *Local and Regional Development* (2016) and Pike A, Rodríguez-Pose A, Tomaney J. "Shifting horizons in local and regional development" *Regional Studies*, 2016
- 9 Osborne, G "We need a Northern powerhouse", 23 June 2014
- 10 HMG Industrial Strategy: Building a Britain fit for the future (2017)
- 11 Author's calculations based on data from NOMIS
- 12 Richardson, H "Economies and Diseconomies of Agglomeration" in ed. Giersch, H *Urban Agglomeration and Economic Growth* (Egon-Sohmen-Foundation, 1995)
- 13 The TCPA and others (such as Zac Goldsmith MP) have long claim that the permitted development is spreading in outer London and creating 'dormitory suburbs'. According to the GLA, there is evidence that the conversion of occupied or partially-occupied offices to residential use, through permitted development rights, is having a particular impact on secondary space in outer London (Draft New London Plan, 2017)
- 14 McCann, P *The UK Regional-National Economic Problem: Geography, Globalisation and Governance* (Routledge, 2016)
- 15 Parkinson et al *Second Tier Cities in Europe: In An Age of Austerity - Why Invest Beyond the Capitals?* (Liverpool John Moores University, 2012); OECD, *Promoting Growth in All Regions* (2012); Dijkstra, L et al "The Economic Performance of European Cities and City Regions: Myths and Realities" *European Planning Studies*, Volume 21, 2013
- 16 Seers, D "The Meaning of Development" IDS Communication 44, Institute of Development Studies, 1969
- 17 Research by the Centre for London in 2018 showed a sharp fall in the number of outer London charities
- 18 Behrens, K and Robert-Nicoud, *Survival of the Fittest in Cities: Agglomeration Polarization, and Income Inequality* (CIRPÉE, 2009)
- 19 Autor, D "Work of the Past, Work of the Future", Richard T Ely Lecture, AEA Annual Meeting (2019); Badger, E and Bui, Q "What if Cities Are No Longer the Land of Opportunity for Low-Skilled Workers?", *New York Times* 11 January 2019
- 20 Analysis of ASHE data shows that 90-10 ratio for the finance and insurance sector in London is 5.5 (hourly wages at 90th percentile are five and a half times that of those at the 10th percentile) compared with 4.0 for the information and communication sector and 3.1 for transportation and storage sectors
- 21 Hill, D "Glistening towers can beguile but won't provide the homes London most needs" *The Guardian*, 16 March 2014
- 22 Bowie, D "Metropolitan Dynamics, Urban Change, Markets and Governance" *European Network for Housing Research*, 2016
- 23 London Development Database, Pipeline schemes including at least one tall building in London, as at April 2017
- 24 See Trust for London *London's Poverty Profile*
- 25 After Housing Costs rates, data taken from DWP, Households Below Average Income
- 26 After Housing Costs rates, data taken from DWP, Households Below Average Income
- 27 According data from the Annual Survey of Hours and Earnings (ONS, 2018), median hourly pay for a full-time employee was 30% higher in London than the English median in 1997 and is still at that level today. The graph on housing shows that house prices in 1997 were 50% more expensive and by 2017 were 100% more expensive.
- 28 Department for Communities and Local Government. (2018). English Housing Survey, 2016-2017: Household Data. [data collection]. UK Data Service. SN: 8384, <http://doi.org/10.5255/UKDA-SN-8384-1>
- 29 Department for Work and Pensions, National Centre for Social Research, Office for National Statistics, Social and Vital Statistics Division. (2018). Family Resources Survey, 2016-2017. [data collection]. UK Data Service. SN: 8336, <http://doi.org/10.5255/UKDA-SN-8336-1>
- 30 77% of those in employment in inner London were in full-time work marginally lower than those in inner London (80%). With conversely slightly more in part-time work in outer London (23% v 19%). Part-time work is slightly up in both outer and inner London over the last decade (by 2 and 1 percentage points respectively) but nothing to indicate any radical change in the labour market
- 31 Equally there are similar if a marginally higher proportion of people who are self-employed in outer London (19%) than in inner London (17%), with self-employment growing in inner London growing at a faster rate (by 4 percentage points to 2 percentage points)

- 32 ONS, Annual Population Survey data accessed via NOMIS (Crown Copyright)
- 33 Whilst 3 percentage point less of the workforce are employed in banking, finance and insurance, 3 percentage point more do in inner London. Meanwhile more outer Londoners work in manufacturing. The increase in the number of inner Londoners rise in numbers employed in financial services has come from a proportionate fall in those employed in manufacturing, construction and distribution, hotels and restaurants.
- 34 Both inner and outer London have seen average pay growth up by 13% over the last decade, with women doing very marginally better than men (more so in inner London). This has meant that average pay for outer Londoners (£18.59) lagging their inner London neighbours by over £4 an hour, and £5 for men (£20.09) and £3 for women (£16.71). A similar pattern is evident in weekly wages (which adds into the mix hours worked), with gross pay up 10% in inner and outer London, but with average wages lower for outer Londoners by £155 per week. So, whilst the growth has been similar in proportionate terms there is a considerable pay gap, which in nominal terms has widened by £15 per week.
- 35 ONS, Annual Population Survey data accessed via NOMIS (Crown Copyright). Outer London has added 435,000 and inner London 1m between 2006/2007 to 2016/2017. While outer London has experienced a 22% growth in jobs, inner London had a 40% increase.
- 36 Office for National Statistics. (2018). Quarterly Labour Force Survey Household Dataset, July - September, 2018. [data collection]. UK Data Service. SN: 8413, <http://doi.org/10.5255/UKDA-SN-8413-1>
- 37 Equally, those working in these lower skilled occupations (45%) in outer London are more likely to work in the same local authority than managers and professionals (32%). And are also less mobile than their inner-city counterparts – whereas just under half (45%) of those with elementary occupations work in the same borough as they live in outer London this drops to a third (33%) in inner London. Suggesting greater connectivity for lower paid workers in inner London.
- 38 Around three quarters (74%) of those earning less than £300 a week that live in outer London, work in outer London. When it comes to those outer London residents earning over £1000 a week the picture is reversed with three quarters (72%) working in inner London.
- 39 Gordon, I "Local Unemployment through Boom and Bust: an examination of personal and spatial components of variations with the 2004-2010 APS" Spatial Economics Research Centre, London School of Economics, December 2011
- 40 The Nagelkerke pseudo-R-squared value was 0.295 and the odds ratio was 1.417. This examined those aged between 16-60 within London. Data was from the Northern Ireland Statistics and Research Agency, Central Survey Unit, Office for National Statistics, Social Survey Division. (2018). Quarterly Labour Force Survey, April - June, 2018. [data collection]. UK Data Service. SN: 8381, <http://doi.org/10.5255/UKDA-SN-8381-1>.
- 41 The Nagelkerke pseudo-R-squared value was 0.224. This analysis covered those in work (employed and self-employed), those unemployed and those inactive but seeking or would like work. The list of factors held for excluded part/full-time work. The odds ratio was 1.142
- 42 It should be noted that the Nagelkerke pseudo-R-squared value was 0.097 so not as accurate as Gordon's model. The odds ratio was 1.496.
- 43 Pike, A Job creation for inclusive growth in cities (JRF, 2018)
- 44 HM Treasury / DCLG 'Business Rate Supplements: guidance for Local Authorities' (2010)
- 45 The former Outer London Commission had included four voices from business (and six if you include two mayoral advisers) and just one member from civil society.
- 46 LSE London Briefing, 'Inner and outer London: a tale of two cities' (2011)
- 47 GLA, 'Better homes for local people', 2018
- 48 <https://www.queenelizabetholympicpark.co.uk/work-with-us/apprenticeships>
- 49 London Assembly, Planning Committee report 'Up or out: a false choice', 2016
- 50 See hta.co.uk/projects/supurbia
- 51 The Scottish Fair Work Convention (2015) seeks to "offer effective voice, opportunity, security, fulfilment and respect; that balances the rights and responsibilities of employers and workers and that can generate benefits for individuals, organisations and society".
- 52 Marmot Review, *Fair Society, Healthy Lives* (2010)
- 53 Pfeffer, J *Dying for a Paycheck* (HarperCollins, 2018)
- 54 Bramley, G et al *Counting the cost of UK poverty* (JRF, 2016)
- 55 *Mayor's Transport Strategy* (GLA, 2018)
- 56 There is evidence that low-paying sectors in the UK are significantly less productive than other European countries see Dolphin, T and Hatfield, I The Missing Pieces: Solving Britain's Productivity Puzzle (IPPR, 2015)
- 57 This could help London exit the low skills equilibrium: Finegold, D. and Soskice, "The failure of training in Britain: analysis and prescription", *Oxford Review of Economic Policy*, 1988
- 58 Pike, A et al *Job creation for inclusive growth in cities* (JRF, 2017)
- 59 Regeneris Consulting, 'Outer London Fund – round 2 evaluation', 2015
- 60 2017 London Town Centre Health Check Analysis Report (GLA, 2018)
- 61 LSE, 'High streets for all', 2017
- 62 Regeneris Consulting, 'Outer London Fund – round 2 evaluation', 2015

- 63 Hunter, P, *The local living wage dividend – an analysis of the living wage impact on ten city regions* (Smith Institute, 2018)
- 64 Section 69 of The Localism Act 2011 amends Section 47 of the Local Government Finance Act 1988 and allows the Council to grant locally determined business rate discounts
- 65 BPF, *Town Centre Investment Zones: Getting investment back into the high street* (2016)
- 66 Due to exceptions in some inner London areas, over 80% of the office floorspace affected in town centres is in outer London
- 67 See TCPA, 'The Raynsford Review of Planning', 2018, which gives a damning critique of permitted development rights
- 68 New Draft London, Plan Policy H2 Small sites
- 69 Ministry of Housing, Communities and Local Government. (2018). English Housing Survey, 2016: Housing Stock Data. [data collection]. UK Data Service. SN: 8350, <http://doi.org/10.5255/UKDA-SN-8350-1>
- 70 Mayor's Transport Strategy (GLA, 2018)
- 71 Crisp, R et al, *Tackling transport-related barriers to employment in low-income neighbourhoods* (JRF, 2018)
- 72 Other ideas are advocated by the Campaign for Better Transport, *Transport in Outer London and affordable measures to improve it* (2012)
- 73 *Mayor's Transport Strategy* (GLA, 2018)
- 74 International Transport Forum: *London's Accessibility Indicators: Strengths, Weaknesses, Challenges* (2018)
- 75 International Transport Forum: *London's Accessibility Indicators: Strengths, Weaknesses, Challenges* (2018)
- 76 See House of Commons Library Briefing Paper, 2018
- 77 This includes European Structural and Investment Funds, Erasmus Plus, Social Funds and Horizon 2020 Funds. London is also at risk of losing European Investment bank funding
- 78 See the 'UK Shared Prosperity Fund', 2018 (final version is subject to consultation and the 2019 Spending Review)
- 79 House of Commons Library *Local government finances* (2018)
- 80 TIFs enable the GLA to take out a loan to fund a project, with the repayment of the loan made through capturing future business rate revenue from the area, alongside planning gain receipts
- 81 See London Fairness Commission report (2016)

