A Lasting Legacy: How can London fully exploit the opportunities created by the Olympic Games in the recovery and to 2030?

the work foundation

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Summary

London needs to make the most of the opportunities created by the Olympics to strengthen its long-term competitiveness and ensure that all Londoners have an opportunity to benefit from economic growth. Work is ongoing to capitalise upon the Olympic Games to make a difference to the physical infrastructure and socio-economic outcomes in East London. However, the economic legacy of the Olympics remains an area where a vision for the long-term legacy of the Olympics could be articulated in greater detail. In the context of economic recovery and the growing importance of knowledge intensive jobs and industries, London faces two challenges – capitalising upon its strengths as a global knowledge city in order to grow the economy and managing the risk that some individuals and places in London will be left behind without intervention.

London's economic competitiveness needs to be understood in the context of the global shift to increasingly knowledge intensive economies. London has been a significant beneficiary of this shift and there is a case for arguing that it was the global capital of the knowledge economy in 2008. Its recent productivity, innovation and competitiveness have been driven by significant growth in knowledge intensive industries and an increasingly highly skilled population, which in turn has fuelled demand and employment rises in other sectors such as tourism, retail and construction. It meets or exceeds The Work Foundation's criteria to be an 'Ideopolis': a sustainable knowledge intensive city that drives growth in the wider city region.

As the economy moves into recovery, we can predict that it will reshape primarily around industries making use of knowledge based assets – and this will create both opportunities and challenges for London. London already has many of the assets a 21st century knowledge city requires: high skill organisations, world-class universities, a large pool of talent, connectivity, quality of life and a strong reputation. Yet it constantly needs to sustain these strengths at the same time as managing its weaknesses. Post recession, London's high costs, congestion and its reputation as a financial centre all need to be dealt with – as do high levels of youth unemployment and entrenched spatial disadvantage in areas such as East London.

The Olympics creates a specific opportunity for London's future competitiveness because it is a moment in time when London will be on show to the world. The experience of previous host cities suggests that the Olympics have the potential to create a lasting legacy for physical infrastructure, economic outcomes, social outcomes, sustainability and/or the international reputation of the host city – although it cannot be regarded as a panacea.

Lessons can, should and are being learned from the experience of other host cities and London's partners are already undertaking a wide range of activities that will support both the acceleration of the transformation of East London, making it a more integral part of the wider London economy, and strengthen London's brand. Yet more needs to be done to pull all these activities together to ensure they are complementary and that physical, economic and social regeneration plans all aim to achieve shared objectives.

It is also vital that London is much more explicit about the opportunity created by the Olympics both to strengthen its competitiveness as a global knowledge city and to respond to the risk that the ongoing shift to a more knowledge intensive economy will leave behind whole sections of the population. Future economic growth is likely to come from knowledge intensive industries: advanced manufacturing services; low carbon goods and services; creative and cultural industries, and high tech and business services – and London is in a strong position to capitalise upon this, with the Olympics creating a chance to showcase its strengths. However, London also needs to manage the risk that, as the long term shift towards a more knowledge intensive economy continues, many Londoners will not have the skills – hard and soft – to benefit.

The Olympics needs to ensure that its multiple initiatives add up to sustainable and comprehensive change that will benefit London's knowledge economy and enhance the opportunities for East London residents. This means having a clear vision for London's future that considers how to build on its strengths as a whole, and in particular on the isolated business strengths in East London such as Canary Wharf, ExCel and the Dome. It requires assessing how current Olympic activities – the Strategic Regeneration Framework and its focus on skills and social outcomes, the plans for the Olympic land, infrastructure and environmental outcomes – can best work together to achieve that vision. And it requires the various bodies responsible for legacy to work together to pool funding and build capacity to deliver lasting change.

For London to achieve its aspirations in the knowledge economy, we would recommend:

Aim 1. Further develop London as a world capital of the knowledge economy: a magnet for knowledge workers and a cluster of knowledge activity.

1. **Work with BIS and UKTI on their plans for a national innovation competition to ensure that London showcases its distinctive strengths:**
    a. Exhibit the national innovation competition winners;
    b. Hold an Annual National Innovation Careers Fair;
    c. Host a standing 'Crystal Palace' style exhibition of innovation from 2013, using the Olympic infrastructure.

2. **Convert the Olympic infrastructure into a creative industries showcase** to allow East London to host London Fashion week, a London version of the Frankfurt Book Fair and a programme of creative industries events.

Aim 2. Showcase London's environmental credentials and build a green jobs strategy.

3. **Build a green jobs strategy for London and the UK that explicitly uses the 'greenest games in modern times' as an opportunity to develop demand, skills and infrastructure:**

a. Develop a detailed 'green jobs' strategy for the next three years, to capitalise upon the Olympics, building on existing initiatives;
b. Understand the green market better;
c. Develop detailed plans for East London and the Thames Gateway building on the 2008 eco region plans.

4. **Showcase the UK and London's credentials as a 'green' knowledge economy city.** UKTI, working with Think London, should develop a clear proposition about the UK and London's experience as a provider of green goods and services.

5. **Use a 'Carbon Offsetting Fund' – money invested by people off-setting the carbon footprint of being involved with the Olympics – to invest in green technologies, wildlife habitats and Low Carbon Apprenticeships.**

Aim 3. Enable people in East London to more easily participate in London's future knowledge economy and success by accelerating bringing the knowledge economy to East London and investing innovatively in their skills, hard and soft.

6. **Accelerate existing plans to develop East London as a hub of the green economy through the Olympics:**
   a. Rigorously review the market and existing evidence about opportunities in the green economy;
   b. Link existing initiatives (eg the Green Enterprise District and the Thames Gateway eco-region) to ongoing work to ensure that the Olympics is a 'Green Games' – and that London as a whole learns lessons from the experience of the host boroughs;
   c. Host a Jubilee year competition for green technologies linked to the proposed national innovation competition.

7. **Pilot innovative ways of supporting East Londoners to develop hard and soft skills that will enable them to participate in a more knowledge intensive economy, linking this to businesses through the Olympics and after the Games:**
   a. Invest in careers advisers who can provide an 'skills healthcheck' for residents in the context of the more knowledge intensive economy;
   b. Extend volunteering to the retail, hospitality and tourism sectors;
   c. Review whether JobCentre Plus can locate in the middle of East London housing estates to provide careers advice.
   d. Ensure that Olympic Park planning considers how to link more deprived communities to the areas which are likely to have the most employment growth.

8. **Prioritise high-speed broadband to Olympic boroughs to help to attract knowledge intensive businesses to the host boroughs.**

Aim 4. Capitalise on the Olympics to catalyse the 're-branding' and reinvention of London to reflect its diversity, values and its status as a capital of the knowledge economy, enabling it to attract associated investment.

9. **Develop a shared proposition for London 2012 to be used as the basis of re-branding London, informing all marketing, promotion and briefings**.

10. **Develop a proposition for East London to re-brand itself and enhance its attractiveness as a place to invest, live or visit.**

Aim 5. Strengthen the shared framework of thinking, funding and delivery around legacy, particularly the economic dimension of the Olympic legacy.

11. **Develop a shared legacy framework agreed by all partners as the basis for developing and promoting the Olympic legacy:**
    a. Agree a shared framework for the Olympics that sets out in one place how the Olympics will deliver for the UK, London and East London, ensuring that there are economic, social and physical objectives;
    b. Clarify the roles and responsibilities of stakeholders, including the local community, on coordinating the various legacy objectives and sustaining the momentum from the Games after the closing ceremony;
    c. Establish a more effective process to allow engagement and practical input from all bodies charged with reshaping London's economy, cultural and business growth.

12. **One lead organisation should conduct an audit of ongoing activities to prepare for the Games and secure Olympic legacy and update it monthly.**
    a. Audit activities so everyone is aware of the multiple initiatives already underway;
    b. Develop a long term evaluation, going beyond the LDA's current 2015 endpoint of evaluation and focusing on young people.

Note

This report examines how the London economy might emerge from the economic downturn to 2030 and how London can fully exploit the opportunities created by the 2012 Olympic and Paralympic Games in the recovery. For the purpose of brevity the 2012 Olympic and Paralympic Games are referred to throughout the report as the Olympic Games or the Olympics.

This report reviews how the Olympics might contribute to London's future in a more knowledge intensive economy. It was commissioned by the Government Olympic Executive in November 2009 and the research was undertaken in January and February 2010. It reviews how recession and recovery is likely to affect London's economy and the opportunities created by the Olympics. It sets out a series of recommendations about how the government and its partners might capitalise upon the Olympics to enhance London's economic success and to improve the life chances of its residents

The London 2012 Olympic and Paralympic Games was won at a time of economic growth and prosperity, but the Games will now take place during recovery from a global economic downturn. Whilst London has not been hit as hard by the recession as some other places in the UK[1], it still needs to manage the impact of recession on people and places, and to adapt to a new global economic climate if it is to continue to be one of the most dynamic and competitive cities in the world. The Olympics would always have created an opportunity to continue and accelerate the regeneration of East London and support future growth. The lingering impacts of recession make it even more important that London capitalises upon this opportunity to support recovery from the most significant recession since the 1930s.

The importance of seizing the opportunity created by the Olympics, particularly in the current context, is well recognised. It is highlighted as one of the key objectives for London in the Mayor's draft London Plan[2] and London's draft economic development strategy.[3] Additionally, a wide range of projects and companies seeking to generate a strong legacy already exist.[4] Clear objectives for legacy have been set out at national, regional and local level (see Box A on the next page). Plans for the physical legacy of the Olympics are well developed, with recent announcements about the development of an urban park to add to the sporting arenas, housing, transport and business infrastructure. The socioeconomic legacy is also being planned, with the Olympics having been purposefully targeted on East London to accelerate planned regeneration. The Five Boroughs' Strategic Regeneration Framework sets out the target of convergence within 20 years.[5]

[1] Lee, N. et. al. (2009) How can cities thrive in the recovery? The Work Foundation, joint with OECD LEED; The London Economy- Responding to changing economic circumstances, HMT, BERR and GOL, September 2008
[2] Mayor of London (October 2009), *The London Plan: Spatial Development Strategy for Greater London (consultation draft replacement plan)* Greater London Authority
[3] Mayor of London (October 2009) *Rising to the Challenge: The Mayor's Economic Development Strategy for Greater London (public consultation draft)* Greater London Authority
[4] *Before, during and after: making the most of the London Olympic Games (2008)* DCMS
[5] *Strategic Regeneration Framework: An Olympic Legacy for the Host Boroughs:* Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest

Box A: Legacy commitments at national, regional and local levels

National commitments

The six legacy commitments communicated to the public in the *Before, during and after: making the most of the London 2012 Games* document are as follows:

1. To make the UK a world-leading sporting nation;
2. To transform the heart of East London;
3. To inspire a generation of young people;
4. To make the Olympic park a blueprint for sustainable living;
5. To demonstrate the UK as a creative, inclusive and welcoming place to live in, visit and for business;
6. To draw on the unique and inspirational power of the Games to promote inclusion, positive attitudes towards, and the active participation of disabled people.

Regional commitments

London's five legacy commitments defined by Mayor Ken Livingstone in January 2008 and endorsed by Mayor Boris Johnson.

1. To increase opportunities for Londoners to become involved in sport;
2. To ensure Londoners benefit from new jobs, businesses and volunteering opportunities;
3. To transform the heart of East London;
4. To deliver a sustainable games and develop sustainable communities;
5. To showcase London as a diverse, creative and welcoming city.

Local commitments

The Strategic Regeneration Framework focusing on convergence: 'within 20 years the communities will have the same social and economic chances as their neighbours across London'. There is also a Multi-Area Agreement (MAA) focusing on[6]: worklessness and skills; housing; and the public realm.

The economic legacy of the Olympics has been considered in various documents, including the London Plan. But it remains an area where a vision for the long-term legacy of the Olympics could be articulated in greater detail, particularly in the context of the new model of economic growth likely over the next decade and the increased importance of the knowledge economy. Considering London's strengths and weaknesses as a competitive city now, particularly post recession, and its prospects are in recovery, what opportunities and challenges are created by the Olympics to enhance London's economic competitiveness? And how best can the work already being undertaken on legacy, from the focus on socio-economic outcomes to the work on the Thames Gateway eco-region, be capitalised upon in order to make the most of these opportunities?

[6] MacRury, I. & Poynter, G. (forthcoming). *London's Olympic Legacy*, Report prepared for the OECD and the Department of Communities and Local Government by the London East Research Institute

About this report

This report was commissioned by the Department for Culture, Media and Sport in late 2009. The Work Foundation was asked to strategically review how the London economy might emerge from the economic downturn to 2030 and how London can fully exploit the opportunities created by the Olympic Games in the recovery.

More specifically, the aims of the project were to:

- **Assess how London will adapt to the changing economy** by assessing London's role in the knowledge economy and 'horizon-scanning' to analyse future sources of employment and growth and how they will impact on the London economy;
- **Consult and work with Olympic legacy stakeholders to identify current challenges and future opportunities** created by the Olympics Games in the context of the economic downturn;
- **Review the opportunities created by, and the likely impact of, the 2012 Games** on job creation, skills, businesses and the wider economy in London in the short, medium and longer term, learning lessons from other host cities and reviewing how this might help London to adapt to the changing economy;
- **Review the potential economic opportunities** of being a host city and the lessons provided by other host cities.

The research, including econometric modelling work by Oxford Economics, was undertaken and completed in January and February 2010 and reflects the most up to date economic and labour market data available at that time. More details about the modelling approach can be found in Section 5.

This report is set out as follows:

- **Section 2** reviews the long term shifts towards a more knowledge intensive economy, highlights the associated benefits and challenges, and assesses London's strengths and weaknesses in this context;
- **Section 3** assesses the impact of recession on London's role in the knowledge economy;
- **Section 4** reviews the likely shape of recovery, the implications for London and the barriers to London achieving its potential;
- **Section 5** sets out the opportunities created by the Olympics and how these could be capitalised upon to help overcome barriers to London's future competitiveness;
- **Section 6** outlines an agenda for London and our recommendations.

> *In recent decades London has begun to establish itself as the most successful city in the world. It has overtaken New York as the world's most important financial centre. It won the competition to host the 2012 Olympic Games. It is a world leader in tackling climate change. It is the first major city in the world to see a significant shift from the private car to public transport, walking and cycling. London is universally recognised as one of the most culturally dynamic and creative centres in the world and it enjoys excellent community relations in a city of unparalleled diversity.*[7]
>
> GLA, March 2008

During London's 2,000 years of existence it has constantly re-invented itself and adapted in order to thrive.[8] It combines cutting edge innovation in science, industry and creativity with world-famous heritage; wealth with poverty; urban areas with green suburbs. One of the most cosmopolitan cities in the world and a magnet for global talent, London is seen as an exciting, diverse, successful city in which to live, work and invest – and its economy reflects this ability to attract talent and investment in a wide range of sectors.

Whilst many international observers might believe that London's economy relies primarily upon its financial services cluster, the reality is that London's economy is highly diverse, ranging from manufacturing to creative industries, business services to personal care. And what is striking about London's economy is not just this diversity but also how important 'knowledge intensive industries' – including not just finance but also high to medium tech manufacturing, telecommunications, business services, education and health – are to its economy.[9]

2.1 More knowledge intensive economy

London has been one of the largest beneficiaries from the shift in the economy over the past thirty years towards a more knowledge intensive economy. This shift is observable in three main ways:

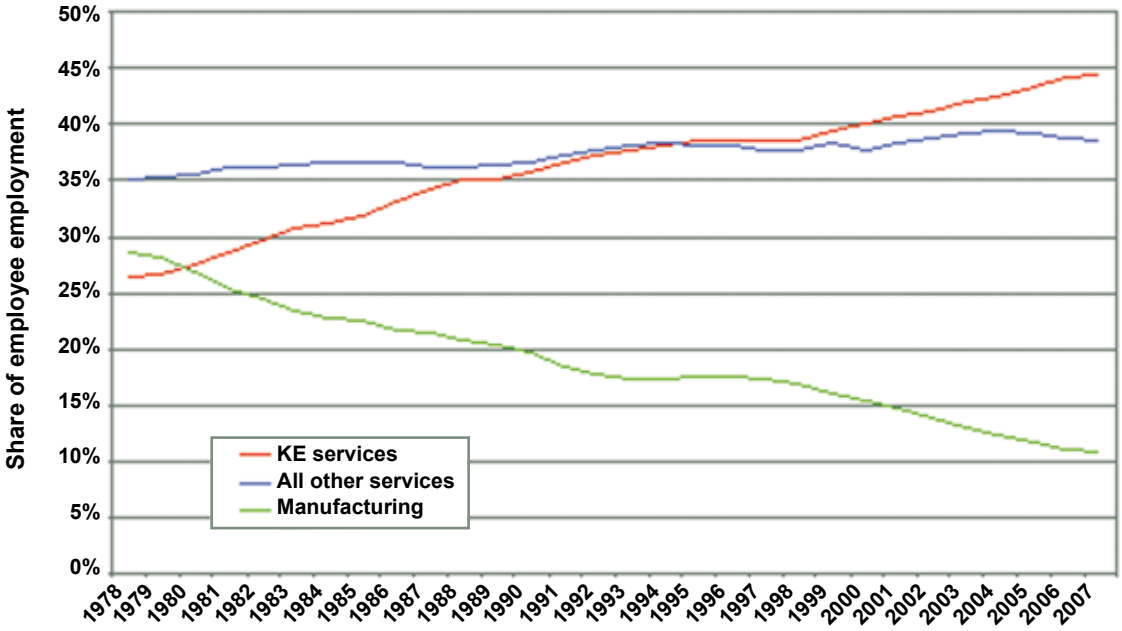
- **The rise of knowledge intensive services** as the major creators of new jobs and value added (see Graph A), and a shift away from reliance on physical capital and low cost labour for competitive advantage. Whilst there has been a longstanding shift towards more employment in all service sectors, the rise in employment in knowledge intensive services is particularly significant. Between 1995 and 2005, 12 new jobs were created in knowledge intensive services[10]

[7] http://www.london.gov.uk/who-runs-london/mayor/publications/society/facts-and-figures
[8] London Plan p.15
[9] The Work Foundation adopts the OECD industry definition of the knowledge intensive industries (high to medium tech manufacturing, finance, telecommunications, business services, education and health). Our occupational definition of the knowledge economy workforce is the top three occupational groups of managers, professionals, and associate professionals
[10] Based on the Eurostat definition and including financial services, professional services, high tech manufacturing, education and healthcare

for every one new job created in other industries and nearly half of all UK employment was in knowledge intensive industries by 2007.[11]

- **The shift to a workforce where almost all people are qualified**, many to degree level and above, with a consequent increase in the knowledge content of work; and
- **Changes in business investment priorities** away from physical goods towards intangible knowledge based assets – assets and factors which support knowledge intensive work (including research & development, software, design, brand equity, as well as human and organisational capital[12]).

Figure 1: More jobs in knowledge based services 1978-2007



Source: The Work Foundation

Note: Share of employees in employment, GB. Knowledge based services Work Foundation estimates from Office for National Statistics figures based on OECD definitions and includes communications, financial services, business services, education and health. All other services includes retail, hospitality, transport, public administration and other community, social and personal services. Manufacturing includes both knowledge based and other sectors.

The importance of 'knowledge' affects all sectors: for example, although retail is not defined as a 'knowledge intensive sector' because it does not demand high skills levels from most of its workers, the sector relies heavily upon a small number of 'knowledge workers' designing 'just in time' production systems or adapting services to customer preferences in a way that affects all of those working in retail.

[11] Brinkley, I. (2006) *Defining the Knowledge Economy: knowledge economy programme report*, The Work Foundation

[12] In 1970 firms invested just £4 on 'intangible' investments - research and development, software, marketing, training and design - for every £10 on traditional investment in 'tangible' machines, tools, computers and buildings. By 2004, for every £10 that firms invested in traditional tangibles, they invested £13 on the intangible investments like R&D and workforce skills to foster innovation and help create comparative advantage

The knowledge economy also encompasses many different types of jobs. Workers in knowledge sectors include leaders and innovators, experts and analysts as well as servers and sellers, maintenance and logistics operators, and assistants and clerks.[13] Of workers in the UK knowledge economy, 30 per cent are in jobs with high knowledge content, 30 per cent are in jobs with some knowledge content, and 40 per cent are in jobs with less knowledge content.[14]

There are four main drivers of this more ideas and innovation led, knowledge intensive economy. These are: growing 1) consumer and 2) business demand for knowledge intensive goods and services, as well as 3) the accelerated pace of technological development and 4) globalisation. These are set out in more detail in Box B below.

Box B: Drivers of the knowledge economy

The Work Foundation's research[15] has identified four drivers of change which will promote the continued development of knowledge economy over the coming decade:

- **Growing consumer demand for knowledge intensive services and high tech goods**: There has been a shift towards demand for higher value added goods and services from consumers, from business, and through collectively provided services such as health and education. In practice there has been strong consumer demand for telecommunication services, financial services, cultural services and health and education services and for the products of high technology industries associated with consumer electronics and medical products. Demand for knowledge based goods and services is expected to increase faster than other goods and services to 2020.

- **Growing organisational demand for knowledge intensive business services and high tech goods**: Business and organisational demand for these services is expected to continue to rise strongly, driven by the continued shift in business investment towards intangibles and by exports towards knowledge intensive services and by changes within sectors such as the further expansion of 'manu-services'.

- **Accelerated pace of technological developments**: A wave of new general purpose technologies (especially ICT technologies developed during the late 1970s and early 1980s) have operated as supply side enablers, enhancing the more cognitive and analytical roles associated with knowledge work. Whilst we do not anticipate major technological disruption over the next decade, we expect the more intensive application of existing technologies and low carbon technological applications to feature prominently.[16]

Cont.

[13] Brinkley, I. (2008) Knowledge Workers and Knowledge Work. The Work Foundation: London
[14] Brinkley, I. (2008) Knowledge Workers and Knowledge Work. The Work Foundation: London
[15] Brinkley, I. (2009) Recession and Recovery to 2020. The Work Foundation: London
[16] In light of the time taken for new General Purpose Technologies to become established and dispersed, our 2020 forward look assumes that there will be no major technological disruption over the next decade.

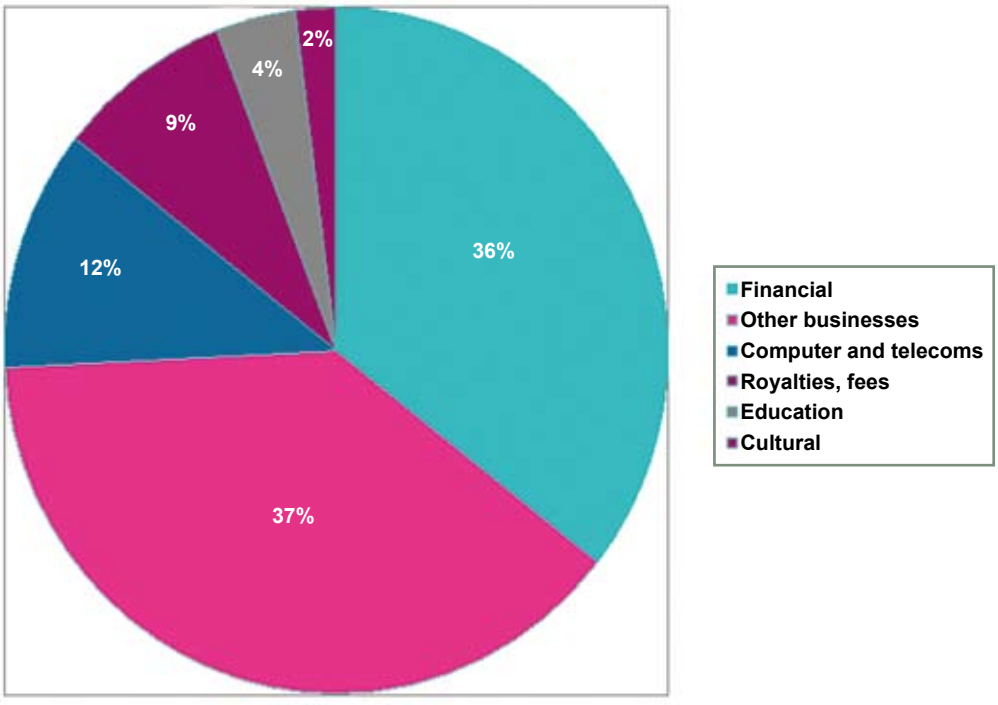
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- **Globalisation and increased trade across national borders**: This has allowed new ideas, practices, and technologies to spread faster than they otherwise would do, supporting the creation of new markets for knowledge economy goods and services. This growth has in part been driven by an expansion of middle class demand in developing economies: global demand for high value services is likely to rise across the non-OECD nations and may be especially strong if economies such as China see domestic demand as a more important source of growth in the future. The UK has been successful in winning share from a growing global trade in knowledge services and we expect the UK to continue to exploit its competitive advantage.

Source: Heritage in the 2020 Knowledge Economy, forthcoming

To date the UK has led the world in exports of knowledge intensive services, ahead of the United States and Japan, with financial services, other businesses, ICT, royalties, education and cultural industries contributing most to these exports.[17]

Figure 2: Knowledge service exports in 2006, share of total knowledge service exports



Source: Work Foundation analysis of Pink Book 2007

[17] Brinkley, I. (2007) *Trading in Ideas and Knowledge*, The Work Foundation

Looking forward, despite the recession, we expect knowledge intensive services to continue to grow and to lead the recovery. Employment in knowledge based industries (as defined by the OECD) have dominated job creation in advanced industrialised economies since at least the early 1970s and evidence from previous recessions shows that it was the expansion of employment in knowledge intensive market services that drove economic recovery in the 1980s and 1990s.[18] There is no reason to think that these powerful structural changes towards a more knowledge intensive economy will not continue and play a key role in driving the post-recession economy.

There will also be opportunities in other sectors. Other sectors will continue to grow and create opportunities at different levels. The growth of the knowledge economy is associated with increased demand for jobs in services such as retail, hospitality and tourism[19] (this is discussed in more detail in Section 4).

2.2 London's place in the knowledge economy

Within this more knowledge intensive economy, the world is not 'flat' but 'spiky': economic activity still clusters in particular places, as is clear from the ongoing growth of cities in the UK and abroad, as well as the existence of industrial clusters such as Silicon Valley and Canary Wharf.[20] One of the most extreme examples comes from advertising agencies in Madison Avenue in New York where firms cluster within a mile of one another, despite higher rents, because of the advantages of doing so.[21] Duranton and Puga[22] argue that places, and in particular cities, are important to firms because they offer:

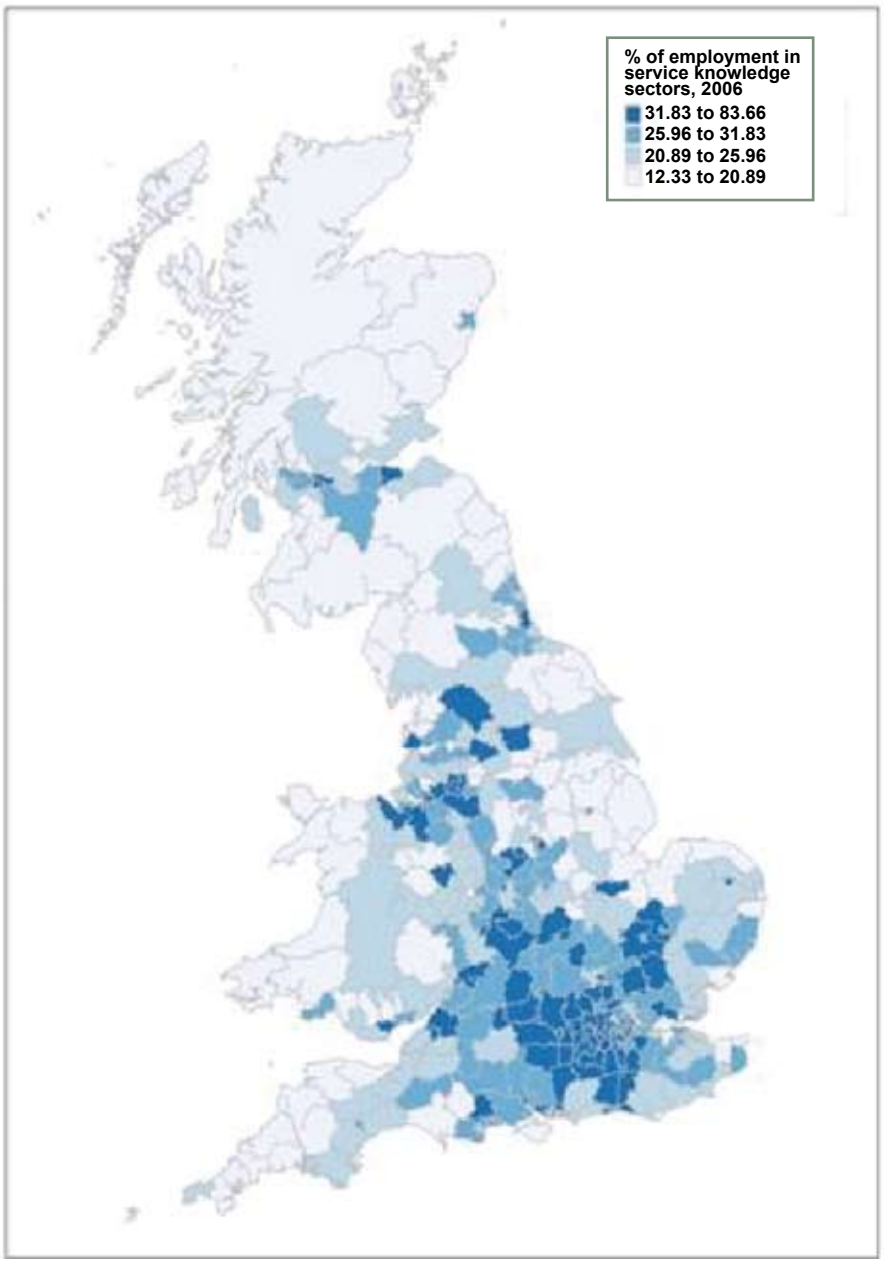
- **Sharing:** cities enable firms to share the cost of infrastructure (roads, airports, leisure amenities etc), production facilities and marketplaces, so reducing the cost for each user;
- **Matching:** the scale of a city provides firms with access to a large and diverse pool of customers, suppliers and highly skilled labour. This enables people and firms to develop specialised products and skills with the confidence that they will be able to find a market;
- **Learning:** close proximity to other firms and individuals in similar industries provides opportunities for face to face contact and exchange of information, technological spillovers and new ideas and innovation.

Within the UK, London has been a significant driver of, and beneficiary from, the shift to a more knowledge intensive economy. London accounts for a disproportionately large proportion of national knowledge employment (see map below): in 2007, more than a quarter (26.7 per cent) of all jobs in private knowledge service sectors (financial services, business services, telecoms, creative industries)

[18] Brinkley, I. (2010) Recession and Recovery to 2020. The Work Foundation: London
[19] Brinkley, I. (2009) *Knowledge Economy 2020*: paper presented to Knowledge Economy Steering Group
[20] Graham, D. (2007) Agglomeration Economies and Transport Investment. OECD & International Joint Transport Forum: Discussion Paper 2007-11
[21] Arzaghi, M. & Henderson, J. (2006) Networking off Madison Avenue, Brown University July 2006.
[22] Duranton, G. & Puga, D. (2003) 'Microfoundations of agglomeration economies', Centre for Economic Policy Research

were based in London, compared to 17.5 per cent of jobs across all sectors. It is also highly skilled, with 41 per cent of London's workforce employed in private sector knowledge industries in 2007 compared to 27 per cent nationally. And London has made a significant contribution to the UK's exports of knowledge intensive industries.

Figure 3: Map of employment in private knowledge intensive services, 2006



Source: Work Foundation analysis of Annual Business Inquiry

Indeed, London is not only a successful knowledge intensive city: it is *the* knowledge city in the country that – at least before the recession – was leading the world in exports of knowledge intensive services. There is a case for arguing that London was operating as the global capital of the knowledge economy in 2008 – although its reputation has been hit hard by the recession:

- London's attractiveness to both businesses and talent means London is regularly ranked as one of the top places to do business in the world. Before the recession London was been voted as the number one city to do business in across Europe and is number one on the Mastercard index of 75 of the most significant cities in the world. The Global Financial Centres index last year ranked London first in human capital capital – although its rank has slipped since then – and on the Mastercard Worldwide Centres of Commerce Index, London ranked number one in knowledge creation and information flow in 2009.
- One third of Fortune 500 companies were located in London in 2008[23] and London was voted the best city from which to 'globalise' in 2008.[24]
- In recent years, London has outperformed and outclassed its other rivals in many areas and consequently has a brand premium over other major economic hubs including New York, Singapore, Shanghai and Paris[25] although its status has slipped in recent months.[26]
- It is a world centre for advertising, design, media and broadcasting, music, theatre, accounting, law, medicine and higher education, as well as financial services.
- Over 300 languages are spoken in London, with nearly two in five of those living in inner London born overseas.[27]
- Its vibrant international reputation as a great place to visit – it brought in £10bn of visitor spending in 2008 – helps London to continue attracting and retaining talent and investment within the UK and from abroad.[28]

In addition, London meets, and in many cases exceeds, all The Work Foundation's 2006 criteria of being an 'Ideopolis': a sustainable knowledge city that drives growth in the wider city region[29] (see Box C on the next page).

[23] Think London, 2008. http://www.thinklondon.com/dynamic/downloads/Think_London_reports/London_Focus/secure_Globalisation_London_Focus_2008.pdf
[24] Think London, 2008. http://www.thinklondon.com/dynamic/downloads/Think_London_reports/London_Focus/secure_Globalisation_London_Focus_2008.pdf
[25] Think London, 2008. http://www.thinklondon.com/dynamic/downloads/Think_London_reports/London_Focus/secure_Globalisation_London_Focus_2008.pdf
[26] See Citi Private Bank and Knight Frank report, March 2010
[27] www.london.gov.uk
[28] The London School of Economics and Political Science, *London's Place in the UK economy 2009-10*, October 2009
[29] The framework used here is taken from The Work Foundations work on knowledge-cities *Ideopolis – Knowledge City-Regions* (2006).

Box C: Ideopolis: A sustainable knowledge city that drives growth in the wider city region

Conditions of success and drivers of growth:

- **Economy and people:** High skill organisations and investing in universities, further education and schools;
- **People:** Investing in communities to link economy and regeneration;
- **Sustainable economy:** Building on what's there and 'diverse specialisation';
- **Leadership:** Strong leadership around a knowledge city vision and a distinctive knowledge city vision;
- **Sustainable place and distinctiveness:** Leveraging connectivity and having appropriate physical and residential accommodation.

Source: 'How can cities thrive in the changing economy?' The Work Foundation, 2008

London is classified as an 'Ideopolis' – a thriving and successful knowledge intensive city – because:

…London builds on and plays to its strengths and recognises its weaknesses. London understands and plays to its strengths as a centre of finance, creative and cultural industry, information technology and business services: it publicises the access that locating in London provides to these firms and their talent pool, helping it to attract more firms. London also understands that it benefits greatly from its cultural diversity, which pays dividends in creativity, innovation, international business links and attractiveness to global talent. The success of London is reflected in its international status: in 2008, London and New York were perceived as the most competitive cities in the world[30] – although more recent surveys suggest that London may be slipping down the rankings.[31] It continues to be a city of international interest to travellers and brought in £8bn in visitor spending in 2008 from overseas visitors, half of all spending in the UK.

…London has a diverse range of economic specialisms for which it is known. Much of London's workforce is concentrated in a few high skill, knowledge intensive industries. Almost one-third of the UK's financial services jobs are located in London, along with 23 per cent of business services employment. Overall more than 30 per cent of London's jobs are in these two sectors.[32] London also dominates the UK's creative and cultural industries. Almost one-third of the creative and cultural sector workforce, including 70 per cent of England's advertising workforce, is based in London and the sector contributed £8.7 billion to the economy in 2006/07.[33]

…London is a city of high skill organisations that deliver productivity through high quality jobs and highly skilled people. Professional services are responsible for one million jobs in London and its main exports are knowledge based services including financial and business services, management

[30] Think London, *The world via London: Where will your company be in 2012*, November 2008
[31] See Citigroup and Knight Frank survey, March 2010
[32] GLA, 2008
[33] Creative and Cultural Skills, 2008. http://www.ccskills.org.uk/Industrystrategies/Industryresearch/tabid/600/Default.aspx

consultancy and information communication technology.[34] 54 per cent of London's population in employment are in knowledge occupations including 17 per cent in manager or senior official positions.[35] London's workforce is a significant asset with 39 per cent of its working age population – working across all sectors – holding qualifications at NVQ Level 4 or above.[36] This is a full ten per cent above the UK average (a gap that has widened in the last three years) and almost five percentage points above the next highest region (Scotland).

Table 1: Percentage graduates by sector, October 2008 – December 2008

Percentage graduates by sector, October 2008 – December 2008		
	London	**United Kingdom**
Agriculture	34%	9%
Extraction	62%	28%
Manufacturing	42%	18%
Utilities	51%	29%
Construction	15%	9%
Distribution	22%	10%
Hotels	13%	9%
Transport and communications	25%	13%
Finance	64%	35%
Business	53%	39%
Public administration and defence	45%	31%
Education	53%	48%
Health	42%	28%
Other personal services	41%	25%
Total	**40%**	**24%**

Source: Oxford Economics

[34] GLA, 2009

[35] The Work Foundation (2006) found that the 'tipping point' beyond which knowledge intensive occupations make a real difference is if 14 per cent of the working population are senior managers

[36] The Work Foundation (2006) notes that cities that have more than 19 per cent of their workers with degree level qualifications see a significant increase in their economic success, and this increases further when more than 29 per cent of the working population have a degree

…London has a vibrant education sector embedded in its community and economy. A strong education system and particularly universities are vital to successful knowledge intensive cities in the 21st century – and London has many strengths in this area. Three of London's universities were in the top 25 universities in the world in 2008 because of their world class research.[37] Other universities such as South Bank, London Met and the University of East London recruit high numbers of students from their local communities, addressing the HE deficit in these deprived areas and helping to improve participation rates for working class and BME groups. London's high quality research and development contributes greatly to its knowledge-led industries and attracts elite researchers and students from across the globe.

…London leverages strong connectivity within and outside the city-region through good communications and transport infrastructure. London benefits from significant spatial efficiencies in communication and transport. Since 2000, Transport for London has invested in modernising London's significant transport infrastructure including the Underground and Docklands Light Rail as well as implementing schemes to reduce transport congestion and pollution. London has well developed inter-city and inter-continental rail services and 59 per cent of overseas visitors arrive to the UK via one of London's airports. However, despite success, London's transport system has faced financial and operational problems which have hampered its ability to keep pace with increasing demand.[38]

…London has strong leadership to support its vision as a knowledge city, supported by a host of networks and partnerships. The re-introduction of London government in 2000 has been vital to London's development in recent years. The creation of the Mayor's Office has provided London with more political autonomy and institutions such as the London Development Agency and Greater London Authority continue to support businesses and communities in London as well as implementing their vision of a sustainable economy. The objectives of the London Plan include making London a prosperous city with diverse economic growth while tackling deprivation and discrimination and the Mayor's Economic Development Strategy aims to promote London as a world capital of business and give all Londoners the opportunity to share in its success.

…London invests in its communities to ensure that the benefits of knowledge intensity are experienced by the whole community. While the city has invested and led on a number of large regeneration projects, including the Thames Gateway development, London has struggled to share the proceeds of its growth equitably. This has led to sustained socio-economic inequalities. Although a high percentage of London's workforce has graduate level or above qualifications, the London population as a whole suffers from a lack of skills to

600,000 adults in London lack basic skills

London's economy is highly successful with a thriving labour market, but some Londoners are missing on this prosperity because they lack the skills that employers are looking for. London Assembly Annual Report 2007-08

[37] THE-QS World University Rankings, 2008

[38] The total number of journeys has grown by 20 per cent between 1993 and 2006.

meet employer demand[39] and London suffers from a lower employment rate and higher unemployment rate than any other region.[40]

Within London, these inequalities are manifested in the spatial concentration of deprivation, with some areas benefiting significantly from the shift to a more knowledge intensive economy – and others struggling to do so. The five Olympic Host boroughs, for example, are some of the most deprived boroughs in London and Great Britain, suffering from high levels of economic inactivity, unemployment, poor quality housing, lack of skills and below average health outcomes. Significant inequalities also exist between London's white and ethnic minority population. Prior to the recession, the working age employment rate for whites in London was 75 per cent compared to 61 per cent for ethnic minorities. This is particularly significant for the Olympics since 35 per cent of London's working age population and 50 per cent of residents in the Olympic boroughs are from ethnic minority backgrounds.[41] This means that the host boroughs – with the exception of Tower Hamlets' Canary Wharf area – are currently not well placed to take advantage of some of the opportunities created by a shift towards a more knowledge intensive economy – but that the Olympics might create chances to change this.

2.3 Conclusion

London's recent productivity, innovation and competitiveness have been driven by significant growth in knowledge-intensive industries and an increasingly highly skilled population. In the context of ongoing trends towards a more knowledge intensive economy, London's future economic success and recovery from the recession will be built upon its many strengths: high levels of employment in knowledge intensive sectors such as business services and creative industries, its access to talent, its connectivity and its university strengths. This will also create opportunities in other sectors. The combination of small and large businesses, access to capital and access to decision-makers will continue to make London an attractive place to locate for businesses of all sizes and sectors and for talented individuals.

However, the recession and ongoing global shifts have intensified competition from other countries, both long-standing competitors such as the United States, Germany and France and the 'BRICs' – Brazil, Russia, India and China. Recent surveys suggesting that London may have slipped down international business rankings make it more urgent that London address its weaknesses. Sustaining its reputation, retaining the critical mass of companies that make it such an attractive place to locate, investing in the skills of its residents and improving connectivity will all be vital to London sustaining its success over the next decade.

[39] *National Employer Skills Survey 2007*, Learning and Skills Council, May 2008
[40] Prior to the first quarter of negative growth, London's working age employment rate was 70.1 per cent, 4.4 per cent lower than the GB average. The unemployment rate was 6.8 per cent, 1.5 per cent higher than the GB average
[41] LFS prior to the first quarter of negative growth (Apr 2007– Mar 2008)

Whilst London should take advantage of economic growth through investment in knowledge intensive industries and jobs, it also needs to ensure that less highly skilled individuals are not left behind. The ongoing structural shifts in the UK economy have left those without skills facing real difficulties in accessing sustainable employment. London faces significant challenges in this regard, particularly some of the boroughs in East London which are not yet in a position to capitalise upon some of the opportunities created by the knowledge economy. London needs to combine its efforts to grow its knowledge economy with sustained investment in ensuring that this does not increase polarization. This also means that London needs to capitalise upon existing investment plans in the context of declining public expenditure – in other words, where there are plans to invest in physical infrastructure, these need to be complementary to and supportive of a broader economic strategy.

The Olympics is an opportunity to support London in both growing its knowledge economy and addressing the real risk of leaving people behind. The Olympics could benefit London if it could contribute towards sustaining its status as the capital of the global knowledge economy. However, the Olympics need to do this by reinforcing and sustaining London's strengths, recognising and supporting its weaknesses and helping to manage the risk that there are many people who lack the skills to benefit from the jobs that the knowledge economy creates.

> *Maintaining London's position as a leading world financial centre whilst reaching parts of London untouched by prosperity is a long-term challenge for all in London government. The coming of the London 2012 Olympic and Paralympic Games presents a real opportunity to revive the economy in some of the poorest parts of London.*
>
> London Assembly Annual Report, 2007-08

This means that understanding the impact of the recession on London, and the likely shape of recovery will help identify how best to capitalise upon the opportunities created by the Olympics. The next section considers how the recession has impacted upon London's status as a global knowledge city.

3. New challenges created by the recession for London as the capital of the global knowledge economy

The opportunity created by London's position as the knowledge economy capital of the world is self evident – but this position was occupied before the global recession. What impact has this has had upon the UK as a whole, and upon London's status as the global capital of the knowledge economy?

3.1 The scale of the recession: the UK as a whole

The recession took almost everyone by surprise in its severe scale and widespread impact.[42] The year 2009 saw the greatest annual contraction in UK economic output since the Great Depression of the 1930s and, whilst the UK economy has now emerged from recession, economic challenges persist and businesses and organisations across all sectors face years of stringency.[43] Private sector demand is likely to be held back as consumers re-build their savings and businesses their balance sheets. Banks remain highly risk averse, and the Coalition Government has set out its plans to eliminate the structural deficit over the five year period to 2015-16, with the bulk (77 per cent) of the fiscal consolidation coming from spending reductions rather than tax rises.

Governments across the world have responded with unprecedented measures to prevent economic collapse, stem job losses and return their economies to growth. Discussions continue about how to limit future fallouts, achieve sustainable growth and ensure financial institutions are no longer 'too big to fail'.

The UK has experienced a particularly severe recession. Economic output began to shrink in the second quarter of 2008 and the economy only returned to meagre levels of growth in the last quarter of 2009.[44] While indicators such as the Purchaser Managers Index (PMI) are signalling a return to confidence there are still long term concerns about the labour market and short term concerns that, in the absence of the government's emergency support, the economy is still frail.

Most sectors of the economy have lost jobs, but knowledge intensive industries have been affected less than other areas. Analysis by The Work Foundation's Knowledge Economy programme highlights that, overall, the fall in employment in knowledge based services has been modest compared with either manufacturing (reflecting longer term trends)[45] or more traditional services such as retailing and hospitality, as Table 2 on the next page shows shows.

But there are big differences between public sector based knowledge services (education and healthcare) and market based knowledge services (telecoms, high tech services, business, and financial services). Education and healthcare grew by 130,000 jobs between March 2008 and March 2009, whereas market based knowledge services experienced significant job losses in both absolute

[42] Prior to the collapse of Lehman Brothers in Sept 2008, many forecasters felt a much milder recession was likely
[43] Hutton, W. (2009) The Landscape of Tough Times. The Work Foundation: London
[44] Based on ONS preliminary estimate of 0.1 per cent growth in the final quarter of 2009
[45] The manufacturing sector saw employment fall by 6.2, 1.7 and 6.4 per cent in 2007, 2008 and 2009 respectively. Oxford Economics, 2009

and percentage terms, mainly in financial services and labour supply agencies.[46] However, as Section 4 discusses, in recovery the public sector may feel the effect of public spending contractions.

Table 2: UK employment change 2008 - 2010

UK employment change	
	2008-2010 (000's)
Agriculture	-6
Extraction	-4
Manufacturing	-359
Utilities	-6
Construction	-203
Distribution	-203
Hotels	-31
Transport and communications	-11
Finance	-54
Business	-202
Public administration and defence	-19
Education	92
Health	163
Other personal services	-15
Total	**-848**

Source: Oxford Economics

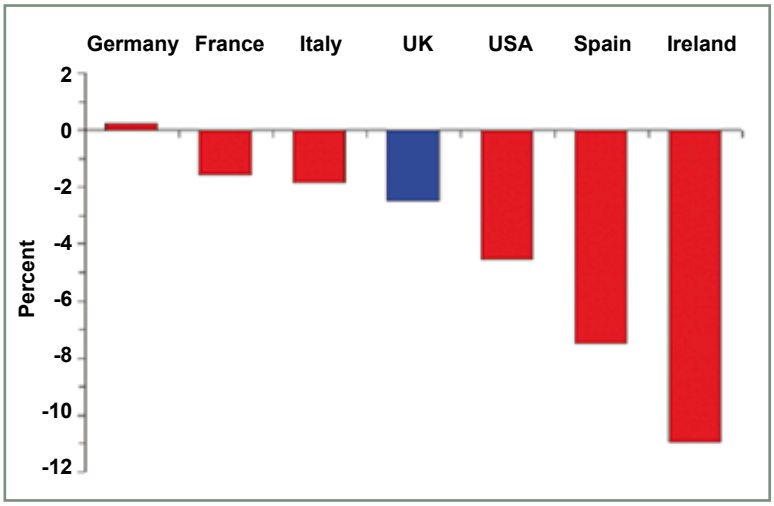
Note: Total includes land forces and government supported trainees.

Despite significant job losses, however, the increase in unemployment across the UK as a whole has been lower than previously anticipated. At 1.7 million the claimant count in the last quarter of 2009 was lower than predicted.[47] This was a major contrast with many other countries, where unemployment rose more rapidly, even where GDP falls have been less severe. This may be because of measures undertaken by the government or because employers are retaining staff through use of flexible hours and contracts.

[46] For example, employment in financial services dropped by 3.8 per cent for the year to mid 2009 - Oxford Economics. The Economic Outlook for London. October 2009

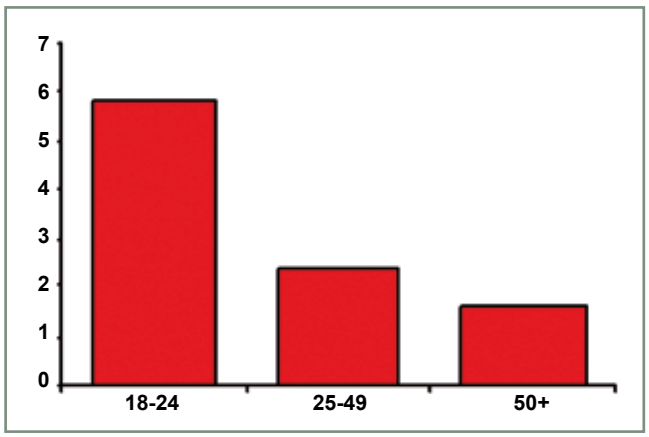
[47] As recently as May 2009 the consensus forecast for claimant count unemployment in 2009Q4 was 2.1 million.

Figure 4: Employment change, 2008Q1-2009Q3



Source: Oxford Economics

Figure 5: UK: Change in ILO unemployment rate by age, 2008Q1-2009Q3



Source: Haver Analytics

Younger age groups have been particularly affected by the recession. In employment terms, the recession has been an under-25s phenomenon with only modest falls being recorded for those aged between 25 and the state retirement age.[48] There has also, in contrast to previous recessions, been only a limited increase in those who are long-term unemployed, creating hope that this recovery could be quicker than from previous recessions.

3.2 The impact of the recession on London[49]

London has been more resilient than many other areas in the UK. Consistent with the tendency for stronger economic growth in London in comparison to the UK, the London economy entered the recession later than the UK economy as a whole[50] and economic output contracted at an annualised rate of -3.6 per cent against -5.2 per cent in the UK.[51] Despite initial predictions that this would be a recession of the middle classes and the South East, it was a traditional recession with the biggest impact felt in the North, Wales and the Midlands.[52]

The labour market in London has been less affected than in previous recessions – partly because it has high numbers of highly qualified jobs and people. The recession has been more marked in GVA terms than the 1990s, similar to the 1980s, but the labour market impact has been much more modest. Employment in London dropped 2.6 per cent in the year to September 2009 slightly below the

[48] LFS, 2009
[49] An in-depth analysis by Oxford Economics of the impact of the recession on London has been the basis of this work
[50] London's annual rate of growth turned negative in the final quarter of 2008
[51] GLA. London's Economic Outlook, October 2009
[52] Clayton, N. (2009) The Geography of Unemployment, The Work Foundation

UK rate of 2.8 per cent[53] – although the number of Londoners claiming Jobseekers Allowance rose by 65 per cent between July 2008 and July 2009.[54]

Table 3: Recessions compared – total job losses (change 000's)

	1980-1983	1991-1993	2008-2010
South East	-37	-93	-102
London	-268	-215	-102
East	-65	-58	-86
South West	-62	-80	-54
West Midlands	-238	-119	-107
East Midlands	-75	-79	-76
Yorkshire & Humber	-195	-59	-80
North West	-368	-101	-82
North East	-144	-24	-32
Wales	-131	-21	-39
Scotland	-175	-60	-77
Northern Ireland	-32	-13	-31
United Kingdom	-1,790	-924	-848

Source: Oxford Economics

Table 4: Recessions compared – London (percentage change)

	1980-1983	1991-1993	2008-2010
Employment	-6.2	-9.9	-2.1
GVA	-4.5	-2.7	-4.2
House prices	18.0	-15.2	-11.1
Unemployment	147.6	120.9	62.7
Population	-1.5	0.7	1.0

Source: Oxford Economics

Given the origins of the recession, and the well publicised impacts on the global finance sector, the modest impact on the labour market may appear surprising, This is because the losses did not fall disproportionately on the financial and business sectors that are so important to London's economy, possibly because so many of the businesses in London are headquarters (it did not affect these sectors

[53] According to the latest quarterly employee data, September 2009
[54] Across Great Britain the number of claimants increased by 83 per cent in the same period. http://www.london.gov.uk/assembly/reports/econsd/edcst-skills-report.pdf

outside London and the South East).[55] A further factor in London's performance has been the growth in self employment.[56]

The recession in London had the most significant impact on those not working in knowledge intensive industries or jobs.[57] Initially expected to be a white collar recession as the downturn hit the financial sector, it had the greatest impact on relatively low value added jobs.[58] London overall lost 104,000 jobs between September 2008 and 2009, but it was young people and the unskilled who were affected the most.

However, the impact of the recession on places in London has been slightly different to the national trend. Looking at a national level, areas with high unemployment pre-recession tended to be the places that saw unemployment increase the most. If this relationship held true across the economy, we would have expected East London boroughs to be more vulnerable to the recession's effects. This is because the lowest employment rates continue to be in Olympic boroughs such as Tower Hamlets (57 per cent), Newham (58 per cent) and Hackney (63 per cent).[59] These boroughs also have the highest unemployment rates (Tower Hamlets has the highest unemployment rate of all local authorities in Great Britain).[60]

However, although the national experience would suggest that the Olympic boroughs suffered most in recession, this was not the case in practice. These boroughs continue to have very high levels of unemployment but unemployment did not rise as much during the recession as their skills profiles suggest it could have done. This may be partially due to the job creation arising from the build up to the Olympics. Across the UK it was the places with the lowest levels of skills – in other words, places similar to the Olympic boroughs – that were hit hardest by the recession.[61] The Olympics boroughs, however – with the exception of Tower Hamlets where a significant amount of employment is in financial services – have had quite a different experience and saw either positive or only marginally negative growth in jobs during the recession period.

[55] Lee, N. et. al. (2009) *Recession and Recovery: How UK cities can respond and drive the recovery:* The Work Foundation and OECD

[56] The sustained growth in self employed numbers in London is in contrast to the contraction in the neighbouring South East. The resourcefulness of London workers, the need to work in such an expensive region, the lay off of temporary workers in a range of sectors and the possibilities for self employed construction workers (not least in Olympic work) may be reasons behind this impressive self employment performance

[57] Although most knowledge intensive industries, including banking and professional services, did suffer some job losses (with the exception of education and health), these were not as great as job losses in less knowledge intensive sectors

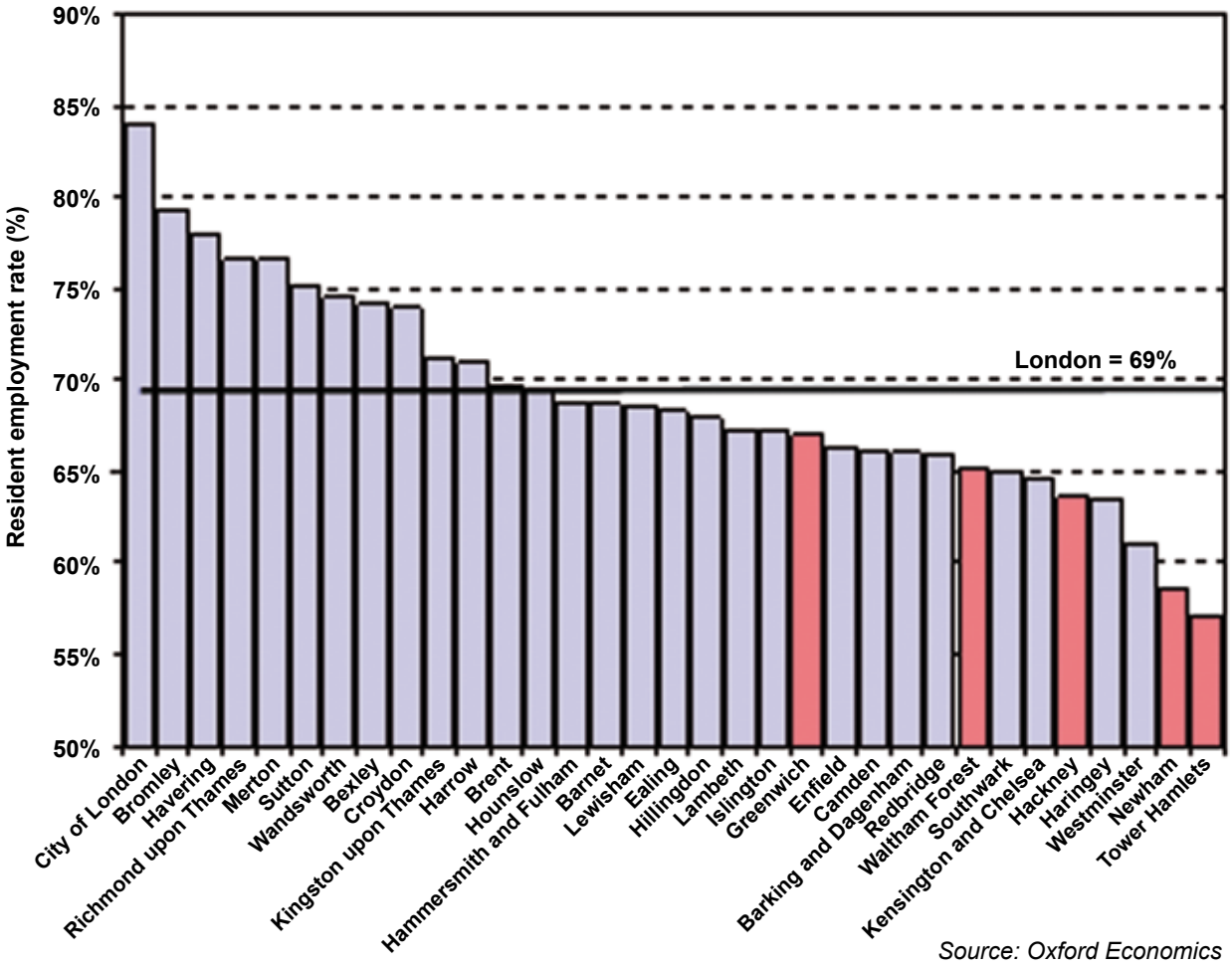
[58] Based on separate analysis conducted by The Work Foundation and Oxford Economics

[59] GLA. Focus on London. 2009. p. 41

[60] Greater London Authority. Focus on London. 2009. p. 46

[61] Lee, N. et al (2009) *Recession and recovery: how UK cities can respond and drive the recovery*: The Work Foundation and OECD

Figure 6: Resident employment rate in London boroughs



Source: Oxford Economics

One of the reasons for this difference may be the Olympics. Analysis by Oxford Economics suggests, for example, that Newham was not affected as much by the recession as many other boroughs. The concentration of new Olympic venues and construction related employment opportunities in Newham may have been one of the factors contributing to the estimated rise in employment in the area over the period, despite national trends for areas with low skills to lose employment.

It is important to note, however, that even with the investment being generated by the Olympics, lack of skills remains a significant barrier to employment for many individuals in these communities. The establishment of Skills Academics for retail, construction and business services in the Olympic host boroughs in the last few years will be a vital part of responding to this challenge.

As highlighted in the previous section, it is also important to note that business surveys seem to suggest that London has been hit harder by the crisis than competitor cities such as New York.

Table 5: Latest unemployment rate and increase from December 2007

	November 2009	PP increase
Barking and Dagenham	5.5	1.8
Barnet	3.3	0.9
Bexley	3.5	1.3
Brent	5.1	0.9
Bromley	3.2	1.3
Camden	3.5	0.6
City of London	1.9	0.6
Croydon	4.3	1.5
Ealing	4.5	1.6
Enfield	5.0	1.4
Greenwich	**4.9**	**1.1**
Hackney	**6.8**	**1.3**
Hammersmith and Fulham	4.4	1.2
Haringey	6.3	1.2
Harrow	3.3	1.1
Havering	3.6	1.7
Hillingdon	3.8	1.6
Hounslow	3.7	1.4
Islington	5.7	1.6
Kensington and Chelsea	2.9	0.9
Kingston upon Thames	2.4	1.2
Lambeth	5.9	1.4
Lewisham	5.1	1.1
Merton	2.9	0.8
Newham	**6.2**	**1.4**
Redbridge	4.3	1.5
Richmond upon Thames	2.2	0.9
Southwark	4.9	0.9
Sutton	3.0	1.2
Tower Hamlets	**6.7**	**1.2**
Waltham Forest	**5.8**	**1.4**
Wandsworth	3.2	0.9
Westminster	3.0	0.8
London	**4.4**	**1.2**

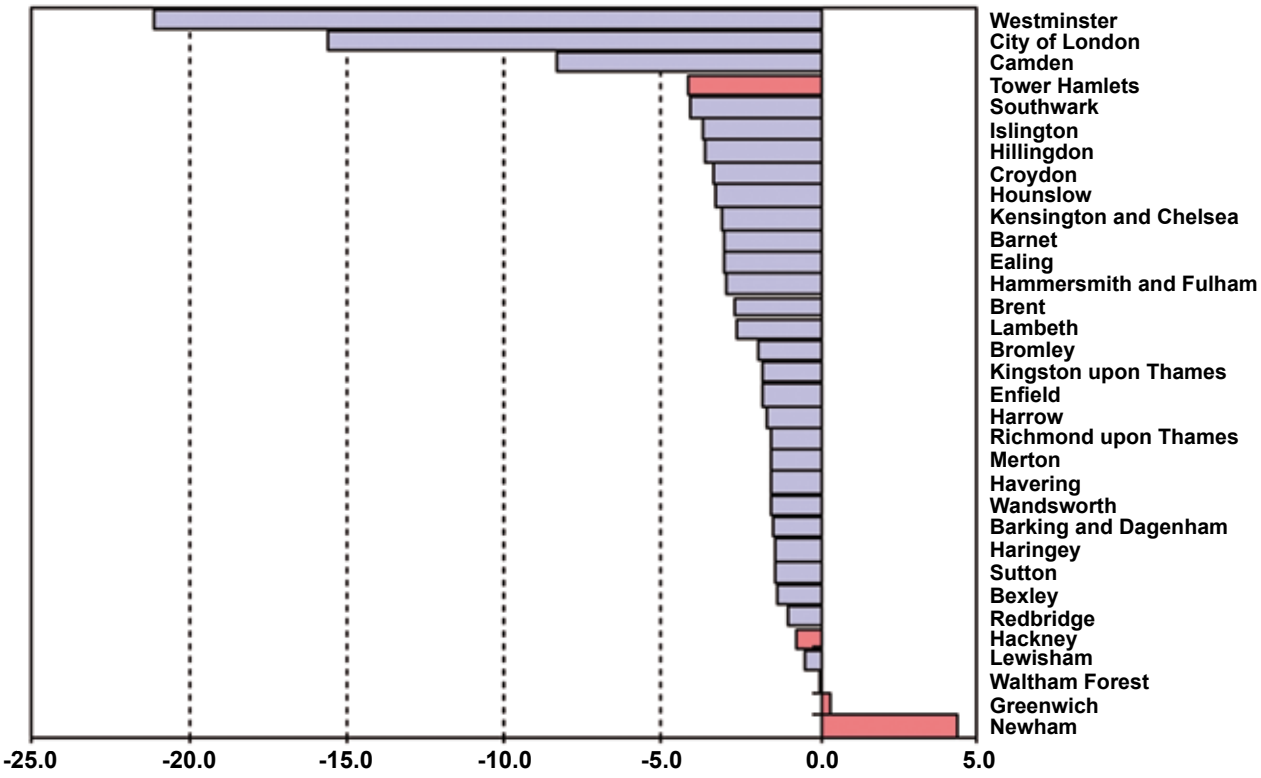
Source: Nomis, claimant count

Note: Top five biggest increase highlighted in red and bottom five in blue. Olympics boroughs are presented in bold.

London is now ranked behind New York for the quality of its people, for the 'business environment' and for infrastructure according to one global survey.[62] This suggests that London needs to act quickly to ensure it remains the leading global knowledge city.

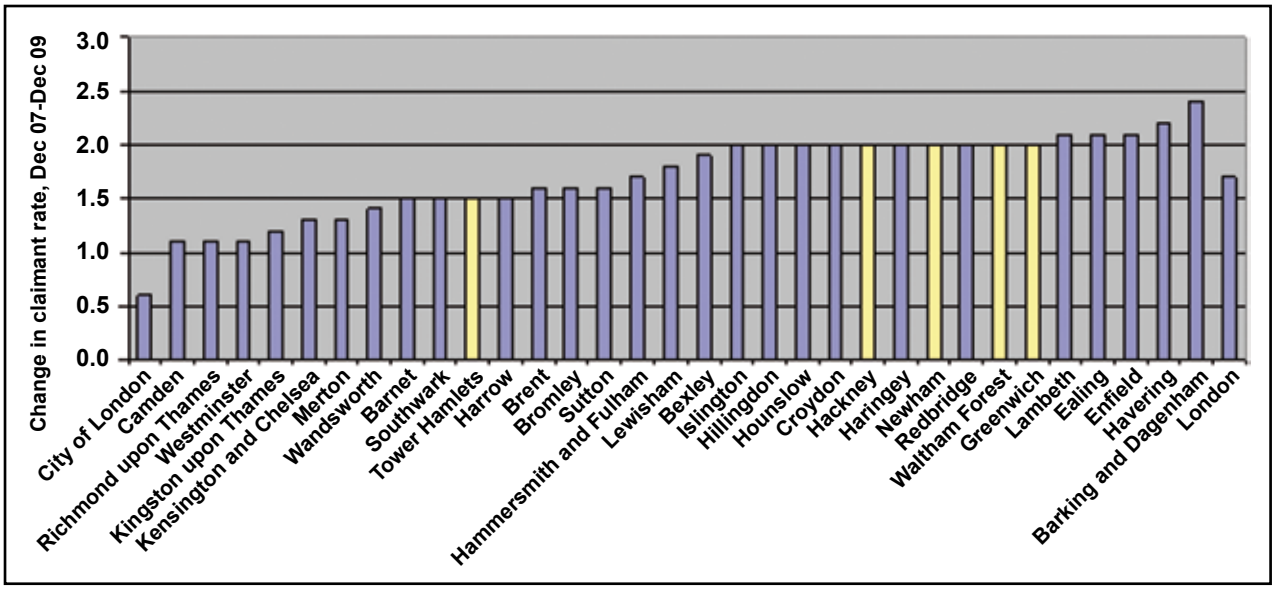
[62] Evening Standard, March 2010

Figure 7: Estimated job loss, 2008-2010 (000's)



Source: Oxford Economics

Figure 8: Change in claimant rate, December 2007 to December 2009



Source: Work Foundation analysis of Labour Force survey, claimant count, Dec 07 - Dec 09 NOMIS

3.3 Conclusion

The recession had a significant impact across the UK but London experienced a less severe recession than many other areas, mainly because of its strengths as 'a global capital of the knowledge economy', its strengths in knowledge intensive industries and its preponderance of headquarters. The Olympic investment may also have provided a possible boost to some parts of the capital, although establishing a 'counterfactual' – what would have happened without the Olympics – remains challenging, as illustrated in Section 5. Given the strengths of the UK and London in particular, however, what are the UK and London's prospects for growth in recovery?

As the economy moves into recovery we can predict it will reshape around industries making use of knowledge based assets. After the 1980s and 1990s recessions, market based knowledge intensive sectors led recovery and this can be expected again, reinforced by devaluation.[63] The sectors likely to grow over the next decade are non-financial knowledge and technology based sectors, including high tech manufacturing, the creative and cultural services, ICT services, and higher education and healthcare.[64] Demand for social care and other services created by an ageing population across England, Wales, Northern Ireland and Scotland are also likely to grow.

One difference between this recession and previous recessions is the development of the low carbon economy. This is already a central feature of future development for the manufacturing and energy sectors and will also shape future employment. Consumer demand for low carbon products and services has increased[65] and research for PriceWaterhouseCoopers shows that sales of sustainable goods in the UK accounted for 4 per cent of total consumer expenditure on retail goods in 2007. According to some studies the global growth of the low carbon environmental goods and service market will increase at a rate of 5.3 per cent per year from 2007/08 to 2014/15. The UK is believed to be in a position to achieve similar growth (5.5 per cent p.a.) towards a market worth £155bn in 2014/15. BERR (2008) estimates that one million jobs will be created in the low carbon environment goods and services sector by 2030.

The shift to a more knowledge intensive economy over the next decade will have implications across the UK. Over the last decade, knowledge intensive employment has grown in the English core cities – Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield – as well as Edinburgh, Glasgow, Cardiff and Belfast.[66] These cities have both benefited from the opportunities, jobs and productivity associated with the growth of knowledge intensive industries and knowledge intensive jobs, and faced the challenges of ensuring that the local population have the skills and opportunities to access these growing jobs. In recovery, both these opportunities and challenges will be further reinforced in these cities. In addition, economic growth in London is likely to have an impact upon trade of goods and services with other cities in the UK; research has shown that London imports a high proportion of businesses and financial services and manufactured goods from elsewhere in the UK.[67]

London is particularly well placed to withstand and recover from the recession. Although London is a city with a highly diverse and creative economy, its international reputation is mainly as a centre of finance – and the financial sector was at the heart of the downturn. As a result, the recession has had a

[63] Brinkley, I. (2009) 2020 Macro economic outlook, The Work Foundation
[64] Growth of higher education and healthcare is likely to be more from sources other than the taxpayer (eg corporate /individuals), although changing demographics will mean that healthcare spending is likely to increase even in a climate of constrained public spending
[65] Research for PriceWaterhouseCoopers (2008) found three-quarters of the population have made significant changes to their lifestyles over the past two years as a result of their environmental concerns
[66] Morris, K. (forthcoming) *Is the British Knowledge Economy becoming More Urbanised?* The Work Foundation: London
[67] Lucci, P. & Seex, P. (2007) *London Links: Who benefits from London's success?* The Centre for Cities: London

detrimental impact on its international reputation as a place in which to live and invest.[68] However, London's knowledge-driven economy, international links and highly skilled workforce give it a significant productivity advantage that make it likely it will emerge strongly from recession. London remains a world centre for many industries and an attractive place in which to do business, with easy access to highly skilled individuals. At the same time, London's significant socio-economic inequalities – marked by place, class and ethnicity – in addition to considerable skills issues mean that London will not emerge unscathed from recession. In other words, the impact of recession and the trends shaping the future development of the economy create **both opportunities and challenges for London.**

4.1 London's future economy – key opportunities

A number of opportunities will be created for London during economic recovery:

There will be growing demand for knowledge intensive goods and services

- **After 2010, GVA growth in London is forecast to exceed the UK average because of the importance of knowledge intensive industries to London's economy**: Recovery in London is expected to gather pace in 2011 and 2012 and London is forecast to outperform the UK average in each year beyond 2010 because of its strengths in knowledge intensive industries (highlighted in Section 1). Nonetheless longer term growth is expected to be more modest than the past, averaging closer to 2 per cent than 2.5 per cent. Prospects for global recovery and thus for UK and London exports lie behind optimism over London's economic recovery and medium term growth.

- **London is already an 'Ideopolis' and can capitalise upon this to strengthen its position:** Its position as the global capital of the knowledge economy before the recession means it is in a strong position to capitalise upon this reputation in recovery. The position of a global capital relies on the recognition that it is known for its diverse strengths, with financial services one of a number of areas in which the city excels.

There will be growing demand for environmental goods and services

- **Awareness of the impact of climate change is creating growing demand for low carbon goods and services** through the implementation of existing technologies, the expansion of advanced manufacturing processes and the development of new and existing services.[69] Predictions about growth of this sector do need to be treated with caution – some demand will be filled through existing professions learning new skills, and not all areas will have 'green hubs'. Nonetheless, this is likely to be an area of growing demand and should be considered as a potential source of future employment and growth.

[68] *How can London bounce back? London's response to the economic downturn*: (January 2009) London Assembly: London
[69] Brinkley, I. (forthcoming) *Towards a Knowledge Economy for 2020:* The Work Foundation

- **London's scale creates opportunities**: As the most densely populated and built up location in the UK, with concentrations of design and construction expertise, there are opportunities to become a world leader in sustainable design. Emerging low carbon sectors in London are worth £20.93 billion representing 20 per cent of the national total.[70] Demand is likely to increase, whilst population growth in London[71] will also increase demand for services such as retail and hospitality, and mean continued pressure on London's infrastructure and on sustainability.

London's labour market will recover more quickly than other cities

- **The London labour market will recover faster than elsewhere in the UK**: London is expected to return to its pre-recession employment peak before other UK regions and then experience faster than average rates of employment growth in the long-term. This is tied to expectations of global recovery and increased export opportunities for London's knowledge intensive service sectors.

London, and in particular East London, is gaining significant infrastructure investment, creating opportunities to link it more to London and grow its economy

- **London's international connectivity will increase**: Crossrail will further improve London's international connectivity by bringing the West End, Stratford and Canary Wharf within 31, 40 and 43 minutes respectively of Heathrow Airport.

- **The Olympics, Crossrail and the Thames Gateway are opportunities to link East London more effectively to the rest of the capital.** The Olympic site is situated 'at the western edge of the Thames Gateway – the biggest regeneration project in Europe'.[72] If managed carefully, the infrastructural impact that the Olympics bring can add to a successful ongoing redevelopment strategy for east London. The Olympic Park will deliver new homes, in addition to new retail, business and public space. This is not to suggest that businesses are likely to relocate at large scale out of the centre of London and into the East; the centre is likely to remain highly important. However, the investment does allow London to expand in the only area in which there is significant land available – the east – and to enhance its attractiveness as a place to do business or to live. The Olympics have made this expansion occur more quickly.

- **Based on current investment plans, East London's transport infrastructure offer will be much improved over the next five years**: Lack of connectivity has been a persistent barrier to growth in East London. Committed public and private spend on transport infrastructure over the next decade and beyond will significantly improve east-west connectivity within London and

[70] Innovas (2009) *Low Carbon and Environmental Goods and Services: An industry analysis*
[71] The London Plan highlights the wisdom of planning for population growth in London, and associated with this is a demand for infrastructure and services
[72] London 2012 Sustainability Plan (2nd Edition) December 2009

its surrounds. The extension of the East London Line and the DLR, road improvements and the creation of new walking and cycle routes should also enhance East London's connectivity and London's overall transport offer for individuals, households and businesses.

- **There is a real opportunity, created by the Olympic land, environment and transport plans, by the Strategic Regeneration Framework skills and social agenda, and building on East London's existing strengths (Canary Wharf, Excel) to produce real and sustainable change.** As discussed in Section 5, the investment created by the Olympics creates a chance for London to rise to the challenge of benefiting from the growth of the knowledge economy and managing the risk that areas such as East London will be left behind.

4.2 London's future economy – key challenges

Analysis of trends affecting London over the next 20 years suggests the following key challenges:

Protracted labour market recovery

- **The London labour market will take time to recover and unemployment will remain higher than in the early 2000s, potentially making it harder to attract talent**: Recovery within the London labour market will be protracted despite slower than expected growth in unemployment during the recession. Oxford Economics forecast that employment levels in London will not return to their pre-recession peak until 2016, with high ongoing social and financial costs. Unemployment levels in London – traditionally higher than in some other UK regions – are also forecast to remain above the lows of the early 2000s. This is due to the slower anticipated growth in the number of jobs, public spending cuts and redundancies and mismatch between the skills of the newly unemployed and the skills required for the new jobs that are created in the decade to 2020.

- **Youth unemployment represents a real challenge**: Businesses in London and elsewhere have shed fewer than expected jobs in the recession but compensated by cutting back or holding off on recruitment – with knock on effects on the number of opportunities available to young people. 16 - 24 year olds make up just 15 per cent of the working age population – but more than 20 per cent of JSA claimants in all London boroughs and nearly 30 per cent in Havering, Tower Hamlets, Hounslow, Bexley, Barking and Dagenham and Newham. As in previous recessions, unemployment is most volatile for 18-24 year olds.[73] This is an ongoing and real challenge to the future success of London as long periods of unemployment have a scarring effect on young people.[74]

[73] *Recession Britain:* (September 2009): Economic and Social Research Council
[74] Gregg, P. & Tominey, E. (2004) The Wage Scar from Youth Unemployment. CMPO Working Paper Series No. 04/097

- **London will remain a high cost location, putting off potential talent from locating there**: Demand to live and work in London remains high and so the costs of living in the capital will remain high. Although it has become a more affordable city – dropping from the third most expensive city for expatriates to the 16th most expensive in a 2009 survey[75] – costs of living remain high and are likely to rise as illustrated by the buoyancy of the capital's housing market.

There is a real risk that East London will not benefit from London's future economic growth because of its lack of skills

- **Economic recovery in East London will be slowed by structural weaknesses and low knowledge intensity, making it challenging for these boroughs to participate in the sectors that are growing most rapidly**: Employment growth is expected in all London boroughs over the next decade but at variable rates. Boroughs with concentrations of highly skilled jobs such as Tower Hamlets, Southwark, the City of London, Islington and Richmond upon Thames are likely to experience the greatest percentage growth in employment over the next decade, linked to the growth of knowledge intensive services and employer demand for skills. With the exception of Tower Hamlets, the Olympic boroughs are towards the lower end of the employment growth forecasts for the period 2010 to 2020. This reflects the underlying structural weaknesses that the base model suggests will largely remain post Olympics and highlights the challenges involved in achieving a 'step change'. There remains a real risk, acknowledged in the Five Boroughs' Convergence plans, that despite recent improvements in educational outcomes and skills levels in the Five Boroughs, East London will not fully benefit from the Olympics if it does not further increase its skills levels.

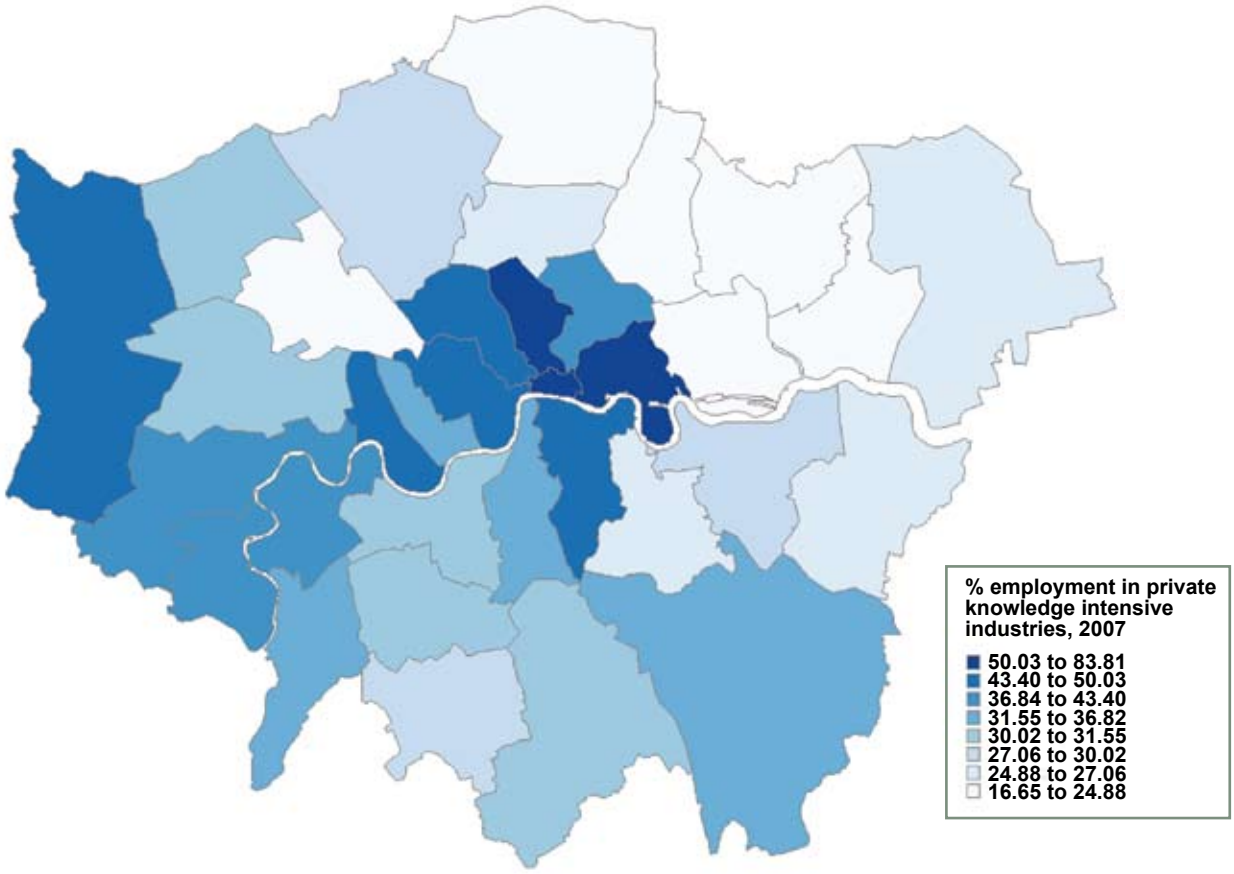
- **Entrenched spatial disadvantage**: Social and economic disadvantage in East London and other deprived boroughs remains entrenched and there are real challenges associated with creating opportunities for East Londoners in a more knowledge intensive economy in light of the skills base. Highly concentrated deprivation within an otherwise successful city was a challenge during periods of buoyant growth. It will be a particularly difficult challenge in a slower economy.

4.3 Realising London's potential in recovery

London has a real opportunity to position itself, post recession, as the global capital of the knowledge economy. Previously it has not marketed itself in such an explicit way. Nor has the city highlighted the impact that knowledge intensive jobs and industries have upon the rest of the city's economy, whether through direct job creation or through fuelling demand in retail, construction and leisure. Given the likelihood of knowledge intensive industries and jobs fuelling economic recovery[76], and the importance of these industries and jobs to London already, focusing on this vision would make the most of London's assets in a global economy.

[75] Mercer Worldwide Cost of Living survey, 2009
[76] Based on analysis from The Work Foundation and Oxford Economics

Figure 9: Percentage employment in private knowledge intensive businesses, 2007

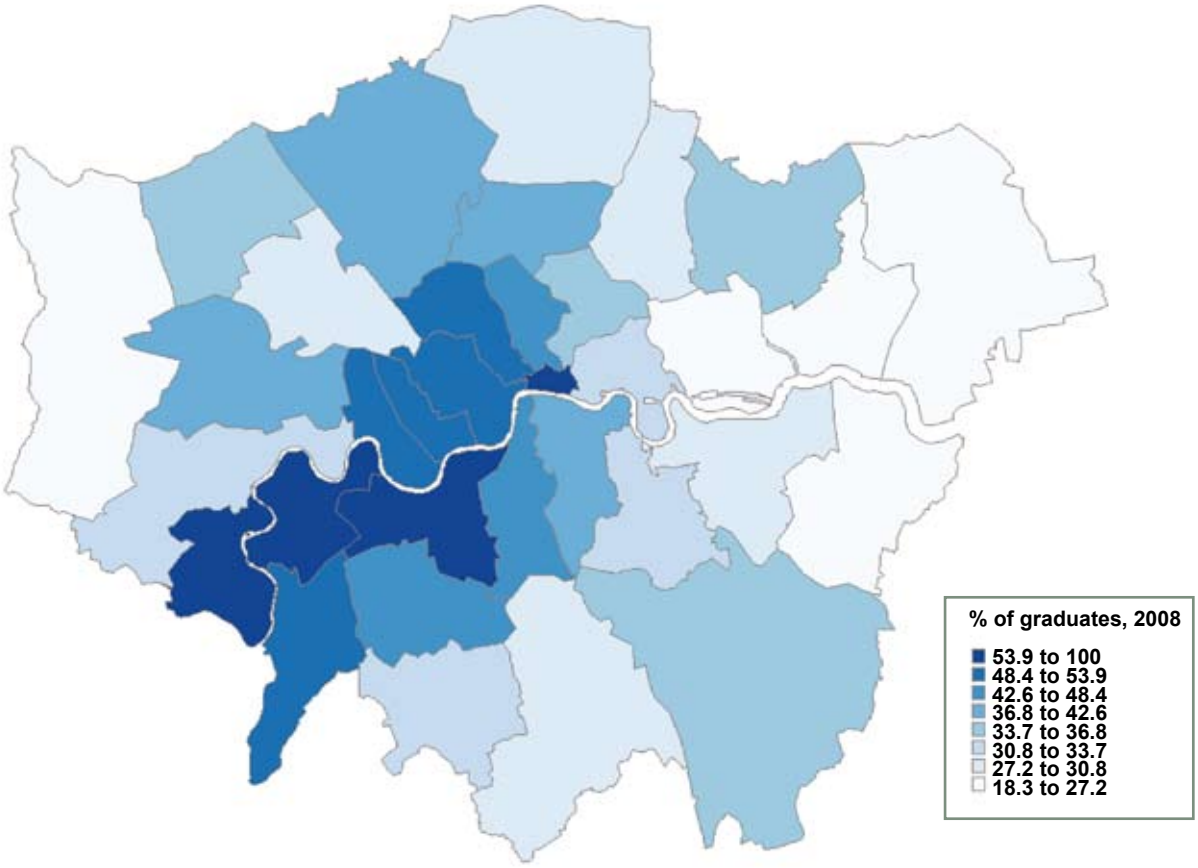


Source: Work Foundation analysis of Annual Business Inquiry

London also has an opportunity to position itself as a leading green knowledge city, building on the assets in East London. As discussed in the next section, there is considerable international interest in how London is staging a 'green' Olympic Games, creating an opportunity to showcase London's strengths and build what is likely to be a growing sector. There is also an opportunity to do this in East London, with the Olympics accelerating investment there. It is already an energy production centre and the location for green economy activities such as Ford's Green Engine Plant, the Thames Gateway eco-region (with more than £35m of associated investment) and the Institute for Sustainability. East London is also the mouth of the river Thames and a major flood plain as well as the site of 'water engineering'.[77] This creates an opportunity to create a 'centre' for the green economy in the way that finance is located in the City, advertising in the West End, Film and TV in Soho etc.

[77] Thames Gateway Eco-region: a prospectus (2008) Communities and Local Government

Figure 10: Percentage of graduates, 2008



Source: Work Foundation analysis of Annual Business Inquiry

But to realise this vision, London has to overcome a number of barriers, including:

- The impact of the recession on London's reputation – there is a need for London to reposition itself as a global capital of the knowledge economy;
- The need for investment – London has to continue attracting private sector investment to develop the knowledge economy;
- Creaking infrastructure – particularly transport and broadband – which needs to be world-class to keep attracting mobile knowledge intensive businesses;
- Reliance on talent – London needs to continue to attract world-class talent from which knowledge intensive businesses can draw employees;
- Risk that many local residents, particularly in deprived boroughs in East London, will not be able to participate in economic recovery – lack of access to the skills (hard and soft) and opportunities required continues to be a concern;
- Need to make the most of capacity and infrastructure in other cities – the English core cities, for example, can complement growth in London through providing additional capacity, access to skills, research intensive universities and infrastructure. However, to do this requires thinking at a UK as well as a city level about where complementarities lie and how to make the most of these.

There are many ways in which London is already working to make the most of its opportunities and address its weaknesses. The London Plan and the Mayor's Economic Development Strategy, as well as individual local authority plans, work by the five host boroughs and work by organisations such as London councils, all demonstrate this. Yet our research suggests that London could still do more to reposition itself as a global capital of the knowledge economy and to make the most of a forthcoming opportunity to showcase itself to the world – the Olympics – making the most of opportunities to coordinate activities and deliver a lasting legacy for East London, London as a whole and the rest of the UK. It is to the question of how the Olympics might help London overcome some of the barriers to achieving a long term vision – being recognised as the global capital of the knowledge economy – that this report now turns.

The Olympics creates a specific opportunity for the UK and London to enhance its competitiveness in a more knowledge intensive economy, because it is a moment in time when the UK and London will be on show to the world. Given the likely shape of economic recovery and the UK's strengths as a knowledge economy – and particularly London's strengths as a knowledge city – it will be vital to take advantage of this opportunity. This is not to suggest that the Olympics can solve long-term problems or achieve radical transformation overnight – but it is an opportunity to make a difference to some of the longstanding challenges that London faces, particularly in the five host boroughs.

London's legacy is likely to be different to that of other cities which have hosted the Olympics. It is important to learn lessons from the experience of previous host cities and regions. Yet at the same time it is clear that as a global city with high levels of private sector investment, London will need to capitalise upon the Olympics in different ways to other cities, making the most of its opportunity to invest in a highly deprived area – East London – and re-position the city, and the UK as a whole, as a capital of the knowledge economy. This means identifying where the Olympics might contribute to future competitiveness and overcome barriers to realising London's future as a global knowledge capital as well as examining best practice amongst former host cities.

5.1 Previous impacts and opportunities associated with hosting the Olympics

The experience of previous host cities, from Barcelona to Sydney, suggests that that the Olympic Games have the potential to create a lasting legacy. In previous host cities, regions and nations, this legacy – defined by the OECD as the 'tangible' and 'intangible' economic, social and environmental benefits and 'disbenefits' created post-event[78] – can range from the local; such as improved infrastructure and services, to the global, such as the reputation of the host city or nation. For host cities, the potential to impact on physical infrastructure, economic outcomes, social outcomes, sustainability and/or the international reputation of the host city[79] is invaluable.

Past experience suggests that the timing of benefits associated with hosting the Olympic Games will vary. Some are short and medium term impacts, created by simply preparing for and hosting the Games, such as:

- Immovable deadlines and the disciplines that come with them;
- Showcasing the city to a global audience and professional evaluators;
- Catalysing additional investment from external sources;
- Increased visitors who will pass judgement, including intense media exposure;
- Intensified local engagement with citizens, firms and institutions;
- A chance to celebrate human skill and endeavour. [80]

Some are longer term and lasting benefits, with the host city or region benefiting from the investment and profile associated with hosting the Games. Box D summarises these benefits.

[78] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD
[79] A summary of the impacts can be found in Table 1.
[80] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD

Box D: Benefits of hosting the Games

Primary

1. Alignment of event with sector and business growth strategies
2. Private-public investment partnerships
3. Image and identity helps attract population/investment/ trade
4. Structural expansion of visitor economy and supply chain development and expansion
5. Environmental impacts (built and natural)

Secondary

1. Post event usages of improved land and buildings
2. Connectivity and infrastructure
3. Labour market impacts and social/ economic inclusion
4. Secondary impacts in property market
5. Global positioning, events strategy going forward and project management capability

Source: OECD

Hosting the Olympics comes not only with opportunities to realise these benefits, but also with challenges. There is potential for the Olympics to displace individuals from communities, create 'white elephant' structures that remain unused after the Games, generate high costs and fail to attract the business investment and tourism that will ensure there is a lasting and positive legacy. This makes it particularly important that there is a focus on legacy from an early stage. In addition, the intensity of the media coverage means that the Games need to be well run and staged, and that small mistakes may be amplified in the eyes of the world.

In the context of London's future as a knowledge capital, understanding how the Olympics might help overcome barriers to that future, and benefit the city in a more knowledge intensive economy, will help to capitalise upon the event. This section reviews the lessons learned from previous Games and the opportunities likely to be created by the Games, whilst the next sets out what could be done in the future.

5.2 Potential impact of the Olympics on the 'knowledge economy'

Lessons from previous Olympics suggest that impacts of the Olympics can include:

Attracting private investment and generating positive economic outcomes

- **The Olympic Games have the potential to have positive outcomes on the economy – although it can be challenging to fully capture the tangible and intangible impacts.** Studies aiming to measure this suggest that the economic impact of the Los Angeles 1984 Games on Southern California was $2.3 billion in 1984 dollars and supported 73,375 jobs.[81] However, the Games need to be well run and have tightly managed budgets to achieve this, as illustrated by

[81] Blake. (2005). The Economic Impact of the London 2012 Olympics, Nottingham University

the case of Montreal 1976 which made a loss of £692 million.[82] The debt from the Games was finally paid off by the people of Quebec in 2006, 30 years after the Games.

- **A host city attracts a high degree of private sector investment in the period leading up to the Games and, if managed strategically, can leave lasting business networks that may leverage investment over a longer period of time even after the Games have left the city.** The Sydney Games was the first to take a strategic decision to capitalise upon the investment opportunities created by winning the Games. In response to winning the 2000 Games, Austrade, the Australian Trade Commission launched the Business Club Australia (BCA) to make new connections for Australian exporters.[83] This contributed to Australian firms successfully winning contracts for development in Beijing.

This suggests there is an opportunity for the UK to showcase the UK and London's strengths and build new relationships with organisations who could invest in London and other UK cities over the longer term.

Contributing to physical infrastructure and quality of life amenities required for successful knowledge cities

- **The experience of other host cities highlights that the Games' investment in a city's physical infrastructure is beneficial for a future knowledge economy, notably in terms of sports facilities, transport, the public realm and housing.** A modern and well-integrated transportation system is a priority in the preparation stages of a mega event and, if the infrastructure is embedded within a longer term redevelopment strategy, it can stimulate lasting improvements and regeneration. In Barcelona (1992), a grand plan for regeneration was implemented before the Olympic bid was made; this was a key step towards achieving a successful event. Twenty years after the Olympic Games (which acted as a catalyst for investment and infrastructural improvements), regeneration work continues in Barcelona as part of the three phase plan and it has transformed its economic base.[84]

- **'Beautification' projects and town centre rejuvenation strategies designed to improve the experience of participants, staff and spectators in the short term can leave lasting improvements to the cultural and entertainment facilities within a city.** This was the case in Turin (2006) where the Games led to a large scale cultural regeneration of the city.

- **Most Olympic Games require the reclamation of large amounts of land for an Olympic site, including the Olympic village and state of the art sports facilities.** It is important that sites being reclaimed are well managed, integrated into the city and that the new sports facilities and buildings do not become white elephants (underused). The Atlanta (1996) Games relied heavily upon constructing temporary venues to mitigate the potential negative consequences of this.

[82] Blake. (2005). The Economic Impact of the London 2012 Olympics, Nottingham University
[83] http://www.austrade.gov.au/BCA-Sydney-2000/default.aspx
[84] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD

Winning the Olympic bid has accelerated investment in infrastructure and the physical realm in East London. This creates an opportunity to ensure that this infrastructure is capitalised upon to leave a lasting positive legacy for the local community and London as a whole – an opportunity that has already been recognised and is the focus of multiple programmes across London. However, questions continue to be raised by the Five Boroughs about the lack of connectivity at the western edge of the Olympic Park, regarded as a barrier to creating legacy because it sustains the exclusion of deprived communities from the areas where jobs are most likely to grow.

5.3 Potential impact of the Olympics on the labour market

Job creation does not tend to be the most significant impact of Olympics

- **Previous Games have tended to have relatively small net direct employment benefits.**[85] Employment growth has been most marked during the pre-Games phases, with the majority of new jobs being short term construction and medium term service jobs.[86] After the Olympics some of these jobs are lost (for example, in the three months following the Athens 2004 Olympic Games the construction industry lost 70,000 jobs) and the number of net jobs created has previously been relatively small.[87] Similarly, although there is a significant increase in volunteering during the build up to the Games and during the Games themselves, it is difficult to find evidence of volunteer skills transferring to post Games economies. Training for the 40,000 volunteers in Athens, for example, focussed mainly on less skilled activities.[88]

- **Olympics related jobs in London assume greater significance in the current economic context.** Job creation figures associated with the build up, event and post-Games figures tend to be relatively modest . Nonetheless the impact of the recession sets the 2012 Olympics related jobs (for example in the construction and catering sectors) in London in a different light, even if it has made it more difficult to support local people who are distant from the labour market into work. Individuals who have completed Olympics associated contracts are more likely to obtain future employment than those unable to find work. Temporary and longer-term Olympics related jobs also provide the opportunity to engage and train a workforce in sectors such as construction and hospitality that are predicted to grow in London over the next two decades.

The Olympics has been an opportunity to create jobs in a recession but the long term impact is likely to be primarily around improving infrastructure, services and using the job opportunities that are created to focus interventions designed to provide local people with relevant skills and work experience. It is not yet

[85] UBS Investment Research. Winning by Taking Part: East London's Economy and the Olympics. London: UBS Limited. 2006
[86] Kornblatt (2006) Setting the Bar. Preparing for London's Olympic Legacy
[87] LERI. (2007, May). A Lasting Legacy for London? Assessing the Legacy of the Olympic Games and Paralympic Games
[88] London East Research Institute of the University of East London (2007) *A Lasting Legacy for London? Assessing the legacy of the Olympic Games and Paralympic Games*, London Assembly

clear whether the impact will be captured spatially in the five boroughs or whether it will be experienced more by higher skilled areas in London or the UK as a whole.

5.4 Potential impact of the Olympics on the 'green economy'

Environmental challenges associated with Olympics are considerable – raising demand for goods and services

- **The environmental impact of both preparing for and hosting an Olympic Games or mega event is considerable.** Desire to mitigate the impact of this is not new: improvements were made to the urban transport system in Rome (1960) and Montreal (1976) in order to reduce car usage and improve air quality.

- **The Sydney Games was the first summer event to adopt 'wholesale the IOC's environmental agenda'.**[89] This was in part a response to the large scale deforestation that took place in the 1992 Albertville Winter Olympics. Preparation for the Sydney Games was conducted in collaboration with environmental NGOs and it was the first to be audited by Greenpeace. 'Green' actions included decontamination of the land reclaimed for the construction of the Olympic Park; use of solar power for the Olympic Village; and the use of recycled water in the plumbing systems.[90] Nevertheless, there was difficulty in keeping to some of the environmental guidelines and the 'visitor carbon footprint will be of increasing importance' at future events.[91]

- **Short term initiatives that are often pursued include improvements to the local ecosystem, prioritisation of 'green construction' or investment in public transportation.** They can also have the effect of developing specialist knowledge and sustainable practices that can be of lasting benefit to a place – particularly in the context of the wider trends towards a more knowledge intensive economy that has increased demand for 'green' goods and services.

With increased attention on climate change and the environmental impact of the Olympic Games, London has the opportunity – through programmes such as the Thames Gateway eco-region – to become a global leader in sustainable living and 'green' construction.

5.5 Potential impact of the Olympics on international profile as a knowledge city

Re-branding and re-positioning a host city

- **A successful and well run Olympic Games has the potential to help to rebrand a city or even a nation, creating a potential opportunity for London to showcase its 'knowledge'**

[89] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD
[90] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD
[91] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD

credentials as a place to invest and live. Hosting a mega event such as the Olympic Games is an opportunity to showcase all the positive aspects of a country.[92] The Barcelona Games established the city on the world stage, whilst the Sydney Games showcased an already well-known city to the world. More recently, the Beijing Olympics showcased China in a positive way at a time when there was international protest against the Beijing Games and the country's social policies.

- **A strong international reputation may lead to lasting benefits for a country's economy by attracting investment, workers and visitors.** 'The international media coverage preceding and during the Games presents a tremendous opportunity to advertise themselves in a global marketplace'.[93]

- **There are opportunities to raise the profile of multiple activities associated with the Games – although host cities need to be creative.** The Olympic brand is restricted to the main sponsors, meaning that those organising associated activities need to be innovative about how they link events with the Games. Commercial sponsorship of the Olympics is contingent on only the sponsors having access to the brand. This means that organisers of events hoping to benefit from the profile of the Games need to be innovative about how they do this in a way that does not impinge on the intellectual property rights of these sponsors.

In London's case, the city already has a strong international reputation. However, difficulties in the financial sector have – to some extent – been negative for this brand. The Olympics provide an opportunity to refocus this image on a more diverse picture of the capital's economic strengths, both emphasising London's strengths in the knowledge economy and its strengths as a place to live based on its retail, hospitality, heritage and leisure facilities.

Impact on tourism

- **There is often a short to medium term increase in tourism and a medium term increase in conference visits (which may be important for London as a knowledge economy).** Tourist visitors to Sydney contributed to an additional £2.4 billion of income being raised in 2001-2002.[94] Meeting Incentives Congresses Exhibitions (MICE) visits have also been shown to increase in the longer term (MICE spend more than seven times more than conventional tourists).[95]

- **Non-Olympic tourists and residents may avoid the event – although they may visit afterwards.** For example, tourism rose from 2 per cent of GDP before the Barcelona Games to 12.5 per cent afterwards.

[92] Kasimati, E. Economic Aspects and the Summer Olympics; a review of the related research, University of Bath
[93] Kasimati, E. Economic Aspects of the Summer Olympics; a review of the related research, University of Bath
[94] IOC (2001) Sydney Games of the Olympiad: facts and figures: Lausanne: International Olympic Committee
[95] Smith, M. (2008) When the Games Come to Town: host cities and the local impacts of the Olympics

London already benefits from good levels of tourism, but the Olympics provide an opportunity to encourage more people to visit East London and perhaps other parts of the UK. Furthermore, London could capitalise upon the renewed interest in MICE visits and business tourism.

5.6 Potential impact of the Olympics on local communities

- **The Games can be a great rallying initiative for a city.** The Olympic and Paralympic games can bring people together from different communities to share positive experiences and manufacture a sense of national or community pride that transcends cultural differences. They can also bring people, businesses, other institutions and the city government together to focus on the long-term development of the city, which provides obvious economic implications.[96] This can build social capital and in some situations has fostered national reconciliation, as was the case with the South African Rugby World Cup in 1995.

- **Hosting a 'mega-event' has historically been an opportunity to build both social and human capital.** The United Kingdom has demonstrated that it can deliver such goals, with the Manchester Commonwealth Games of 2002 as a successful exemplar; 'it was the decision to invest time and money in redeveloping a large part of East Manchester that secured the success of the event both for the city and its people'.[97]

- **The social advantages to volunteering are both individual (in terms of confidence building and work experience) and for the whole community (bringing people together for a common cause).** While the labour market benefits of volunteering may be limited as many volunteers are trained for specific low-skilled, customer-focused service tasks[98], the social benefits are more significant. The reasoning behind Manchester's success was community involvement. Over 2,000 people from disadvantaged communities were given the chance to gain bespoke accredited qualification.[99] Current initiatives are designed to increase opportunities for women, individuals with disabilities and minorities (although more remains to be done to reach the employment targets for women and disabled people[100]).

- **However, in terms of housing, there is evidence of increased house prices in the run up to the Olympic Games, potentially pricing out the local population.** In Barcelona house prices jumped by 250 per cent between 1986 and the start of the Games.[101] Displacement of communities living near to or within the Olympic site has also been documented elsewhere (most notably in Beijing). After the event has passed, some host cities decide to convert their athletes'

[96] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD
[97] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD
[98] London East Research Institute. (2007, May). Lasting Legacy for London? Assessing the legacy of the Olympic Games and Paralympic Games. May 2007
[99] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD
[100] Jobs, Skills, Futures. (2010, January). Working to deliver the Olympic Park: Employment and skills update
[101] Clark, G. (2008) Local Development Benefits of Staging Global Events, OECD

villages into apartments. But unless this is carefully managed, with a balance of affordable housing, local communities may experience gentrification.

The Olympics creates an opportunity to bring all key partners together to reduce deprivation, although it cannot be regarded as a 'magic bullet'. The problems of deprivation in East London are complex and historically entrenched. While the Olympics can make an important contribution to reducing the deprivation in the Olympics boroughs, they cannot simplistically end these problems. The maximum benefits of the Olympics will only occur if existing outreach programmes, such as those operated by Jobcentre Plus, continue to target the boroughs and if there are efforts to encourage and support local businesses.

5.7 What is the estimated impact of the 2012 Games on employment?

Oxford Economics has used an economic model of the London and UK economy to estimate the potential impact of the 2012 Games on employment, focusing mainly on London in line with the focus of the rest of the study. They have done this using existing evidence of the expected direct impact of the Games, together with modelling of indirect and induced effects, to look at the likely scale of impact between the years 2005 and 2020.

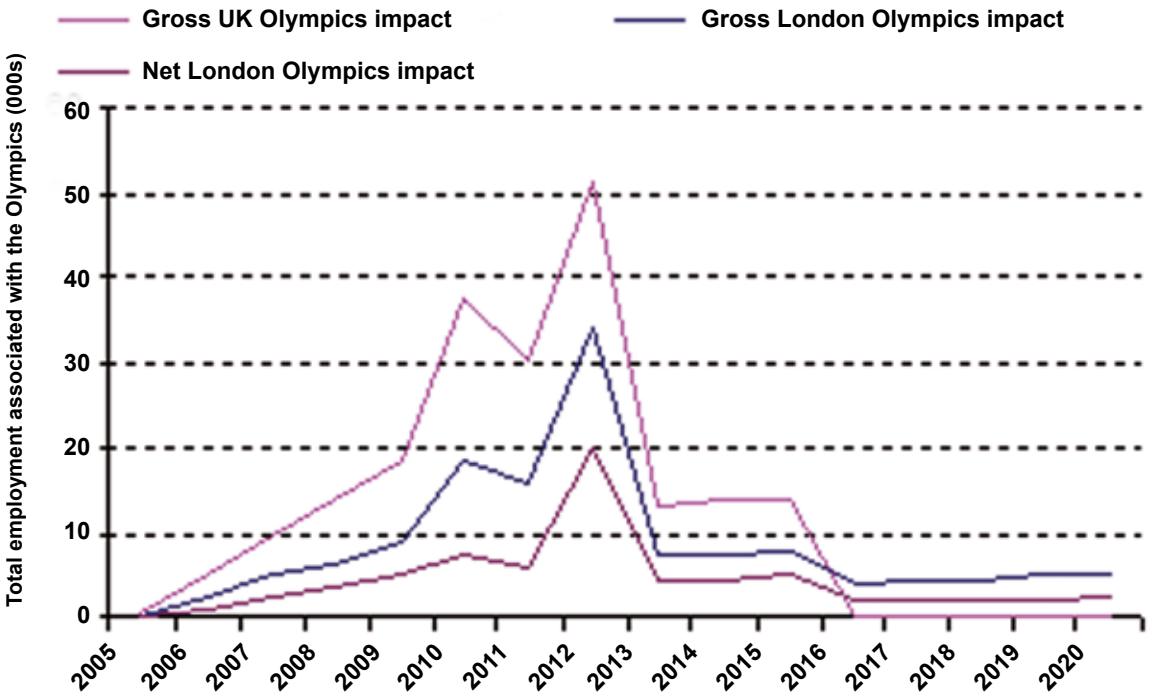
Oxford Economics found that, between 2005 and 2020, the Games are estimated to support a **gross** annual average of around 8,700 full-time equivalent (FTE) jobs in London.[102] When 'displacement' is taken into account – which accounts for the number of jobs likely to have been created in the absence of the Games – Oxford Economics estimates that the Games will support a net annual average of around 4,500 FTE jobs in London between 2005 and 2020.

Gross estimates were also produced for the whole of the UK, showing that the Games are estimated to support a gross annual average of around 13,000 FTE jobs in the whole of the UK over the period 2005 to 2020. Oxford Economics assumed as part of these estimates that the Games would have no impact on employment at the total UK level after 2016, because they did not feel it was obvious whether the estimated increase in jobs in London would necessarily create more jobs in the UK as a whole as opposed to increasing the relative attractiveness of London compared to other parts of the UK. This is a difficult question with possibly different answers for different sectors, beyond the scope and timescale for the work, and so a simplifying assumption was made to assume zero employment impact at the UK level post 2016. Net impacts were not estimated for the UK as this too was considered beyond the scope of the study, the main focus of which is on London.

Figure 11 reflects the estimates and assumptions described above, at the overall UK level as well as for London.

[102] The modelling estimates how many full-time equivalent jobs are supported in a given year; it is not possible to tell which ones are continuations from the previous year and which ones are new

Figure 11: Estimated/assumed impact of the Games on employment



Source: Oxford Economics

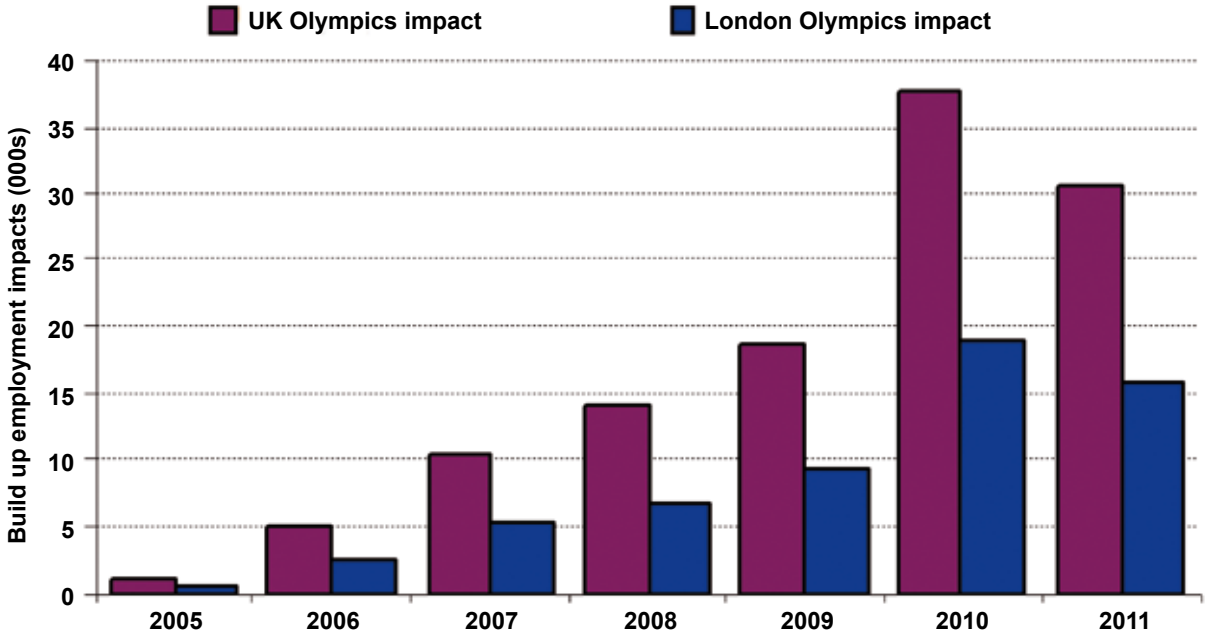
Note: The difference between London's gross employment estimate and the net employment estimate is the size of displacement. Post 2016, the line for 'gross total UK Olympic impacts' is an assumption rather than a modelling outcome, as explained in the text

The time period shown in Figure 11, 2005-2020, can be split into three different phases for further analysis: the build up phase (2005-2011), the event phase (2012) and the legacy phase (2013-2020). In reality the legacy impacts of the Games are likely to last well beyond 2020 but the 2020 date was chosen as the end time point for the purposes of this particular study

Analysis by time period

During the build up phase, Oxford Economics estimates that the Games will support gross employment of approximately 8,400 jobs per annum in London, with a peak of 18,900 in 2010 as construction of the venues nears completion; and temporary support activity from the business services sector is hired. The build up to this peak is shown in Figure 12 on the next page, which also shows the estimated impacts at the overall UK level.

Figure 12: Estimated gross impacts during the build up phase



Source: Oxford Economics

During the event phase in 2012, Oxford Economics estimates that the Games will support gross employment of around 51,000 full time jobs in the UK, of which around 34,300 full-time jobs are estimated to be located in London. When displacement is taken into account (ie accounting for jobs that are likely to have happened anyway), the analysis suggests that the 2012 Games will create an extra 20,200 net jobs in London in 2012.

In addition, there will be significant volunteer posts associated with hosting the Games, although these are not included in the Oxford Economics analysis given their voluntary nature. Nevertheless they are a potentially important benefit of hosting the Games, as they could provide a way of reconnecting people who are currently inactive to the labour market.

After the event and during the 'legacy' phase, Oxford Economics estimates that the Games will support a gross annual average of 5,800 jobs in London. The largest estimates are between the years 2013 and 2015 as construction jobs will be required to transform the infrastructure into housing and legacy buildings. The London figures for 2016 to 2020 are a combination of increased tourism, the estimated number of new employed residents that previously had not worked or resided in London, the on-going employment associated with running the venues and the increase in education employment associated with the new education facilities such as Chobham Academy.

Oxford Economics notes that the legacy impact may be greater than the estimates made, for example, because of volunteering jobs, wider regeneration activity and efforts to reduce worklessness – but this is difficult to model based on existing evidence.

Sectoral analysis

As well as looking at the impacts across time, Oxford Economics has done some further modelling to estimate the sectors in which the jobs are most likely to be created. The assumptions about direct sectoral job creation arising from the Games are taken from existing studies and do not take account of displacement (ie they are gross job estimates). Nevertheless they provide an indication of the possible spread of jobs across sectors of the economy

To account for the full impact of the Games, the analysis has considered not only the direct jobs (ie employment directly paid for to host the Games) but also the indirect and induced employment. Indirect jobs take account the supply chain of direct spending (eg the construction spend will create direct construction employment, but additional goods and services from other sectors of the economy, most notably manufacturing and parts of business services, will also be required and so this too will support jobs). Induced employment or 'third round impacts' refer to the employment supported or created by the expenditure of those employed in direct or indirect jobs.

This detailed analysis of likely employment creation by sector suggests that, during the **build up phase (Table 6 on the next page)**, most direct jobs in the UK and London will be in construction and business services. Indirect jobs are likely to be created in a range of sectors, although construction, business services and manufacturing are likely to benefit most. Induced jobs are also more widespread, with the majority expected to be created in health, business, education and hotels.

During the **event phase (Table 7 on the next page)**, most direct jobs in the UK and London will be in business services, public administration, hotels and distribution. Again, indirect jobs will be more widespread across sectors, with the highest numbers being in business services, manufacturing, transport and construction. Induced jobs will be highest in health, business, education, hotels and distribution.

During the **legacy phase between 2013 and 2020 (Table 8 on page 52)**, most direct jobs will be created in construction across the UK, and in construction, hotels, personal services and business in London. Indirect jobs are most likely to be in construction with London in particular likely to benefit from jobs in business services. Induced jobs are likely to be concentrated in education, health and business.

Table 6: Gross modelling results for the build-up phase

Build up phase								
	Direct jobs p.a. (2005-2011)		Indirect jobs p.a. (2005-2011)		Induced jobs p.a. (2005-2011)		Total jobs p.a. (2005-2011)	
	UK	London	UK	London	UK	London	UK	London
Agriculture	0	0	100	0	100	0	200	100
Extraction	0	0	100	0	0	0	100	0
Manufacturing	0	0	900	0	300	300	1,200	300
Utilities	0	0	0	0	0	0	100	0
Construction	3,700	2,900	1,500	300	0	0	5,100	3,300
Distribution	0	0	300	100	400	100	700	200
Hotels	0	0	0	0	600	200	700	200
Transport and communications	0	0	400	200	100	0	500	200
Finance	0	0	200	100	300	100	400	100
Business	3,200	2,200	1,300	600	700	200	5,200	3,000
Public administration and defence	200	200	0	0	0	100	300	300
Education	0	0	100	0	700	200	700	300
Health	0	0	0	0	1,100	400	1,100	500
Other personal services	0	0	100	0	200	0	300	100
Total	**7,000**	**5,300**	**5,000**	**1,500**	**4,600**	**1,600**	**16,600**	**8,400**

Source: Oxford Economics

Note: The direct impacts refer to the jobs directly created by spend on the Olympics. Indirect jobs are as a result of spending on the supply chain, whereas induced jobs include those jobs that are created from the additional earnings generated from direct and indirect employment. Components may not sum to totals as a result of rounding

Table 7: Gross modelling results for the event phase

Event phase								
	Direct jobs (2012)		Indirect jobs (2012)		Induced jobs (2012)		Total jobs (2012)	
	UK	London	UK	London	UK	London	UK	London
Agriculture	0	0	400	0	300	200	700	200
Extraction	0	0	100	0	0	0	100	0
Manufacturing	0	0	1,800	100	1,000	1,100	2,800	1,200
Utilities	0	0	100	0	100	0	200	100
Construction	1,000	900	1,500	400	100	0	2,500	1,300
Distribution	2,200	2,000	900	300	1,200	300	4,300	2,600
Hotels	2,500	2,300	200	100	1,900	700	4,600	3,000
Transport and communications	700	600	1,600	1,100	400	200	2,700	1,900
Finance	0	0	500	300	800	200	1,300	500
Business	13,800	12,400	4,000	2,300	2,300	700	20,100	15,400
Public administration and defence	3,000	2,700	100	100	0	300	3,200	3,100
Education	0	0	300	300	2,000	1,000	2,400	1,200
Health	0	0	100	100	3,300	1,900	3,400	2,000
Other personal services	1,300	1,200	600	300	600	200	2,600	1,700
Total	**24,500**	**22,100**	**12,400**	**5,400**	**14,100**	**6,800**	**51,000**	**34,300**

Source: Oxford Economics

Note: The direct impacts refer to the jobs directly created by spend on the Olympics. Indirect jobs are as a result of spending on the supply chain, whereas induced jobs include those jobs that are created from the additional earnings generated from direct and indirect employment. Components may not sum to totals as a result of rounding

Table 8: Gross modelling results for the legacy phase

	Legacy phase							
	Direct jobs p.a. (2013-2020)		Indirect jobs p.a. (2013-2020)		Induced jobs p.a. (2013-2020)		Total jobs p.a. (2013-2020)	
	UK	London	UK	London	UK	London	UK	London
Agriculture	0	0	100	0	0	0	100	0
Extraction	0	0	0	0	0	0	0	0
Manufacturing	0	0	300	0	100	200	400	300
Utilities	0	0	0	0	0	0	0	0
Construction	1,900	1,600	600	200	0	0	2,500	1,700
Distribution	0	100	100	100	100	100	300	200
Hotels	0	800	0	0	200	100	200	900
Transport and communications	0	100	100	200	0	0	100	300
Finance	0	100	0	0	100	0	100	200
Business	0	300	300	400	300	100	600	800
Public administration and defence	0	0	0	0	0	100	0	100
Education	0	200	0	0	200	200	200	400
Health	0	100	0	0	400	300	400	500
Other personal services	0	400	0	100	100	0	100	500
Total	**1,900**	**3,600**	**1,600**	**1,000**	**1,600**	**1,200**	**5,100**	**5,800**

Source: Oxford Economics

Note: The direct impacts refer to the jobs directly created by spend on the Olympics. Indirect jobs are as a result of spending on the supply chain, whereas induced jobs include those jobs that are created from the additional earnings generated from direct and indirect employment. Components may not sum to totals as a result of rounding

Creative industries are not highlighted separately above because of the challenge of definitions, but Oxford Economics has assessed the impact of the Olympics on creative industries. Their analysis suggests that the Games are likely to have a limited impact on creative industries in overall volume terms. There may be some additional employment in sectors such as software consultancy and supply, architecture, advertising, photographic activities, radio and TV, and news agency activities in the build up to the Games and during the hosting of the event. In addition the venues could have uses in the creative sectors (eg creative arts), but any legacy impact is likely to be modest unless businesses can use the experience of the Olympics to sell their expertise and services internationally. The five boroughs, which have seen faster employment growth in the creative industries than the London average over the last decade, may wish to capitalise upon these opportunities.

Table 9: Creative industries employment growth in the five Olympic boroughs vs. London (1998 – 2008)

Employment growth	1998-2008		
	000s	%	Annual average %
Greenwich	1.4	51.1%	4.2%
Hackney	2.0	22.1%	2.0%
Newham	1.2	47.4%	4.0%
Tower Hamlets	5.8	39.1%	3.4%
Waltham Forest	0.1	2.5%	0.2%
Five host boroughs	**10.6**	**32.5%**	**2.9%**
London	**120.3**	**30.8%**	**2.7%**

Source: Oxford Economics analysis of NOMIS

Conclusion

Net estimates of the impacts of the Games on employment take into account the jobs that are likely to have been created anyway, in the absence of the Games. The net estimates produced by Oxford Economics for this study suggest that the London 2012 Games is estimated to create an annual average of around 4,500 net jobs in London over the period between the years 2005 and 2020; and around 20,200 net jobs in London in 2012.

5.8 Learning from previous Olympics about delivering the required legacy

To make the most of the opportunities created by the Olympics requires learning lessons not just about the impacts and opportunities, but also about how to deliver a lasting legacy.

- **Lessons from previous Games suggest that achieving a strong legacy, managing budgets effectively and engaging with the community requires active management and a coordinated approach to legacy.** Games that have been regarded as a milestone event, rather than an end in themselves, and where different delivery bodies have sought to overcome barriers to work together have been most successful.

- **One of the key lessons noted by academics is that the legacy of an Olympic Games should be embedded within the existing socio economic context, and build on the knowledge base created during the preparation of the Games.** Preparation for the Barcelona Olympics (1992) was embedded within a three phase regeneration and investment strategy, in which the Olympic Games were just part of the wider development of the city. The Barcelona Olympics is a well documented example of developing a successful economic legacy from hosting a mega event. It is important to make sure 'the Games planning is complementary and synthetic within broader urban, national and regional policy and development strategies'.[103]

[103] London East Research Institute of the University of East London (2007) *A Lasting Legacy for London? Assessing the legacy of the Olympic Games and Paralympic Games*, London Assembly

6.1 Agenda for London

London's bid to host the Olympics was widely regarded as having been won because of its emphasis on a lasting legacy and regeneration of East London.[104] If London is to make the most of its tenure as host city over the decades to follow 2012, ensuring that legacy plans consider a vision for London's future, learn from the experience of previous host cities and build on London's strengths and weaknesses will be vital. To do this, London needs to have a clear vision for the future and to identify specific opportunities to use the Olympics to help London achieve this vision

The recent redraft of the London Plan sets out a draft vision for the future of London to 2031 that highlights the importance of focusing on economic, social, physical and environmental outcomes, whilst the Mayor's economic development strategy sets out five main objectives for the city's economy.

Box E: London Plan – draft vision

Over the years to 2031 – and beyond – London should: excel among global cities – expanding opportunities for all its people and enterprises**, achieving the highest environmental standards and quality of life** and **leading the world** in its approach to tackling the urban challenges of the 21st century, particularly that of climate change.

Achieving this vision will mean making sure London makes the most of the benefits of the energy, dynamism and diversity that characterise the city and its people; embraces change while promoting its heritage, neighbourhoods and identity; and values responsibility, compassion and citizenship.

London Plan

In addition, the Mayor's economic development strategy sets out that the economic objectives for the city are to:

1. Promote London as a city that excels as a world capital of business;
2. Ensure that it has the most competitive business environment in the world;
3. Drive London's transition to a low carbon economy and maximise the opportunities that this will create;
4. Give all Londoners the opportunity to take part in London's economic success, access sustainable employment and progress in their careers;
5. Maximise the benefits to London from investment to support growth and regeneration and from the 2012 Olympic and Paralympic Games and its legacy.

Building on this substantial body of work and our analysis of London's strengths and weaknesses in recession, this report uses the Ideopolis drivers to inform an agenda that will support London's future success and aim to capitalise upon the economic opportunities created by the Olympics.

[104] London Assembly. (2009, July). Towards a lasting legacy: A 2012 Olympic and Paralympics Games Update

This agenda is:

1. **Further develop London as a world capital of the knowledge economy: a magnet for knowledge workers and a cluster of knowledge activity.**

2. **Showcase London's environmental credentials and build a green jobs strategy.**

3. **Enable people in East London to more easily participate in London's future knowledge economy and success by accelerating bringing the knowledge economy to East London and investing innovatively in their skills, hard and soft.**

4. **Capitalise on the Olympics to catalyse the 're-branding' and reinvention of London to reflect its diversity, values and its status as a capital of the knowledge economy, enabling it to attract associated investment.**

5. **Strengthen the framework of thinking around legacy, particularly the economic dimension of the Olympic legacy.**

The remainder of this section sets out, under each issue, the activities already underway to support London's status as a knowledge capital – of which there are many – and suggestions for further action to ensure that London fully capitalises upon the potential of 2012.

Aim 1. Further develop London as a world capital of the knowledge economy: a magnet for knowledge workers and a cluster of knowledge activity.

Activities already in place to support London in becoming 'a world capital of the knowledge economy'

- **Showcasing creative industries through the Cultural Olympiad:** Started in September 2008, the Cultural Olympiad is a programme of activities that seeks to engage communities across the UK and to celebrate the diversity of the UK. It will showcase excellence in the arts and creative industries, while also leaving a lasting legacy that improves cultural life and promotes London as a major cultural capital. Some of the major projects include: Unlimited – celebrating disability art and culture; Stories of the World – exploring the meaning of objects in new ways; World Shakespeare Festival – celebrating Shakespeare through international collaborations; and Discovering Places – encouraging young people to explore the buildings and spaces around them.

- **Attracting investment through the UK Chairman's Club:** Learning from the Business Club of Australia, the UK has established the Chairman's Club to explore ways in which business sponsors could help shape the business legacy of the Games.[105] This has already met twice and further meetings are being scheduled to bring together the sponsor organisations and showcase the way in which the UK is running the Olympics.

- **Providing opportunities for local businesses through CompeteFor:** The 'CompeteFor' portal, has been set up allowing local businesses to compete for work. One estimate suggests that around 75,000 companies across the UK will win work related to the 2012 games.[106]

- **Sharing best practice with other host countries in the Host 2 Host programme:** A partnership programme that creates links and shares best practices in how host nations develop business opportunities and long-term economic benefits.[107]

- **Showcasing the UK's innovation:** Plans are already being discussed by ministers for a National Innovation competition during 2012 to create opportunities for individuals and businesses to showcase their ideas and the UK's innovation strengths. This will create opportunities for London to showcase its own distinctive innovation assets.

- **Improving infrastructure through Crossrail (linked to but separate from the Olympics) has the potential to reduce some of the downsides to locating in London:** London accounts for more than a quarter of all British jobs in private knowledge intensive services and success tends to breed success – but also 'disagglomeration economies' associated with congestion, high house prices and quality of life challenges. Infrastructure improvements and investment in East London have the potential to reduce the threat of 'disagglomeration economies'.

- **Working to generate employment as a result of the Games.** This Games seems on track to generate similar levels of jobs to previous Olympics. Looking specifically at a measure that is easy to capture, the Olympics is estimated to support a gross annual average of 8,700 jobs in London and 13,000 jobs in the UK between 2005 and 2020 – a total of 116,800 in London and 208,000 in the UK. When displacement is taken into account, a net annual average of 4,500 jobs are estimated to be created in London from hosting the Olympics. This excludes all volunteer posts created. Whilst it is not a large number of jobs against London's total employment figures, they are opportunities to encourage people back to work, re-skill individuals and engage with communities. This is an important impact at a time of recession, with the possible 'cushioning' effect on Olympic boroughs already noted in Section 3.

[105] http://www.thinklondon.com/media_centre/content/October_-_December_2009/London_2012_sponsors_head_to_Olympic_Stadium_.html
[106] London 2012. (2009, November). Building for 2012. http://www.london2012.com/documents/imported/building-for-2012.pdf
[107] DCMS. (2008, June). Before, during and after: making the most of the London 2012 Games

Aim 1 – Recommendations for further action

To respond to the trends shaping London's recovery and capitalise upon the opportunities created by the Olympics to further develop London as a world capital of the knowledge economy, the UK should consider the following:

1. **Work closely with BIS and UKTI on their plans for an innovation competition to ensure that London showcases it's distinctive strengths.** Plans are already underway to develop an innovation competition to showcase the UK's knowledge economy. London needs to take advantage of these plans and work closely with the government to investigate how London can make the most of this opportunity. London could, for example, offer to:
   - Work with BIS and UKTI to exhibit the innovation competition winners within London in the summers of 2011, 2012 and 2013;
   - Hold the Annual National Innovation Careers Fair for young people, to take place in East London to showcase the new infrastructure being developed there and link to opportunities in the knowledge economy;
   - Standing 'Crystal Palace' style exhibition of innovation to be created from 2013: After the Festival of Innovation, develop a standing exhibition of British talent and innovation to be housed in the Olympic Park infrastructure.

2. **Convert the Olympic infrastructure into a creative industries showcase:** Building on the Cultural Olympiad, after the Games, convert part of the Olympic infrastructure into a creative industries showcase to allow East London to host, for example, London Fashion week, a London version of the Frankfurt Book Fair and a programme of creative industries events. These should aim to begin in 2013 with a programme of planned events to make use of the infrastructure, linked to the O2.

Aim 2. Showcase London's environmental credentials and build a green jobs strategy.

Green jobs can best be understood as the range of activities which are materially supported by the need to reduce the release of carbon dioxide into the atmosphere.[108] They include activities:

- Focused directly on reducing the use of fossil fuels (such as hybrid vehicle technologies) and increasing the use of 'clean' forms of energy generation;
- That prevent the release of emissions into the atmosphere, or remove carbon dioxide from the environment (such as carbon capture and storage facilities);
- That support the transition to less carbon intensive operations (such as carbon finance, carbon trading activities, environmental legal services, low carbon product design and software and computer services that support carbon efficient applications eg energy management systems).

[108] Levy, C. (2010) Towards a Low Carbon Economy. The Work Foundation: London

Activities already in place to achieve benefits from the Olympics and manage challenges

- **Continuing London's commitment to sustainability, which was central to the bid for the 2012 Games and is guided by the WWF concept of 'One Planet Living'.** It aims to be 'the first sustainable Olympic and Paralympic Games'. The proposed legacy will be both local and national with the plan 'to make the Olympic Park a blueprint for sustainable living'.[109] To do this, a number of projects are underway which will generate demand within the 'green' economy, including:

  - **The Commission for a Sustainable London 2012 has the remit of ensuring the 2012 Olympics are the most sustainable Games to date.** It plays a role in advising the Olympic Board and reporting to the public,[110] and has already published a report into carbon emissions.

  - **The Biodiversity Action Plan sets out how the Olympic park will be developed.** The plans include development of 45 hectares of wildlife habitats to enhance biodiversity and create diverse parklands.[111]

  - **Other sustainable commitments** include reducing the environmental impact of the built construction and the sports venues using 40 per cent less water by using low flush toilets and rainwater harvesting.[112]

  - **Green Construction plans:** The Olympic Board identified five priority themes to run through the planning and construction process, the staging of the Games and the legacy. These are climate change; waste; biodiversity; inclusion; and healthy living.[113] Some of the important targets have already been achieved. For example, the first comprehensive carbon footprint study of a Summer Olympic and Paralympic Games was completed and over 60 per cent of materials have been delivered by rail or water.[114] The Games are set to be the greenest Games ever held.

  - **London Green Fund:** This fund – which is not 2012 specific but is likely to have an impact on the Games – is a £4m fund announced by the Mayor in July 2009 to boost London's low carbon economy. This includes plans to create a Green Enterprise District in East London (a showcase, forming the 'strongest cluster of 'clean tech' uses' in London[115]), turning London's

[109] DCMS. (2008, June). Before, during and after: making the most of the London 2012 Games
[110] Commission for a Sustainable London 2012. http://www.cslondon.org
[111] London 2012. (2009, February). Good news for the birds and bees in Olympic Park wildlife plan. http://www.london2012.com/press/media-releases/2009/02/good-news-for-the-birds-and-bees-in-olympic-park-wildlife-plan.php
[112] London 2012. (2009, December). London 2012 sustainability plans are track. http://www.london2012.com/press/media-releases/2009/12/london-2012-sustainability-plans-are-on-track.php
[113] London 2012 Sustainability Plan (2nd Edition) December 2009
[114] London 2012. (2009, December). Towards one planet 2012
[115] http://lda.odgers.com/docs/090511_GED_Booklet.indd.pdf

waste into a resource, developing exemplar new technology plants to tackle waste, retrofitting training, retrofitting of public buildings and a green transport system.[116]

Aim 2 – Recommendations

To respond to the trends shaping London's recovery and capitalise upon the opportunities created by the Olympics to showcase London's environmental credentials and build a green jobs strategy, the UK should consider the following:

3. **Build a green jobs strategy for London and the UK that explicitly uses the 'greenest Games in modern times' as an opportunity to develop demand, skills and infrastructure.** Capitalise upon the potential interest from foreign direct investors and the opportunities created by demand from the Olympics to:

   - Develop a detailed 'green jobs' strategy for the next three years, to capitalise upon the Olympics: Building on the LDA's existing work and existing initiatives such as the Thames Gateway eco-region, set out detailed measures and targets for development of the green economy in London over the next three years, with explicit targets to benefit from the skills and business experience being developed by the Olympics;

   - Understand the green market better: Use the Olympics as an opportunity to develop information about the growing 'green services' market – the sectors in which these businesses exist and where there may be skills gaps – and use this information to invest in additional skills;

   - Develop plans for East London and the Thames Gateway, building on the eco-region and low carbon initiatives already in place (see below).

4. **Showcase the UK and London's credentials as a 'green' knowledge economy city.** Use the Olympics to position London as a leading city in the global low carbon agenda:

   - UKTI, working with Think London, should develop a clear proposition about the UK and London's experience as a provider of green goods and services: This should draw on the ongoing work across the UK on developing the green economy and should provide detailed examples of how the Games has been delivered sustainably, in response to interest from foreign investors.

5. **Use a 'Carbon Offsetting Fund' to invest in green technologies.** Building on Vancouver's offsetting site[117], launch a fund to help visitors offset their carbon emissions associated with travel to London and, in 2012, the Olympics specifically. The size of their carbon emissions could be calculated on a London/Olympics website and the money would then be invested in the London Green Fund to:
   - Develop low carbon technologies;
   - Grow wildlife habitats as part of the Biodiversity Action Plan;
   - Set up Low Carbon Apprenticeships for people living in East London.

[116] www.london.gov.uk
[117] See http://www.offsetters.ca/offsetting-games. They are also offsetting athlete emissions: see http://www.g-forse.com/archive/news383_e.html

Aim 3. Enable people in East London to more easily participate in London's future knowledge economy and success by accelerating bringing the knowledge economy to East London and investing innovatively in their skills, hard and soft.

Activities already in place to achieve benefits from the Olympics and manage challenges

- **Improving the socio economic conditions for the host boroughs. The Strategic Regeneration Framework's overarching goal is to have, within the next 20 years, convergence for the communities that host the 2012 Games, which means providing the same social and economic chances to the host boroughs as their neighbours across London.** The Olympic development activities are embedding within the plan which continues beyond 2012 to carry forward the momentum generated by the Olympic Games. The framework outlines the plans for reaching convergence and focuses on developing the local area, education and skills, worklessness, housing, health and wellbeing, crime and anti social behaviour, as well as a sporting and participation legacy.[118] .

- **Reducing unemployment and worklessness and ensuring that the local population are able to share in the benefits of the Olympics by implementing The London Employment and Skills Taskforce (LEST 2012) Action Plan. The plan aims to reduce unemployment by 70,000 people across London by 2012[119] and within the five host boroughs to reduce unemployment by 20,000.[120]** As of December 2009, employment for Olympic Park construction was over 6,000, with about 20 per cent being residents from the five host boroughs and 33 per cent living in London.[121] Additionally 11 per cent of the contractor workforce was previously unemployed and 10 per cent are trainees. In November 2009, the Apprentice Hub was opened to provide guidance, career support, and study space for apprentices working on Olympic projects; currently 150 apprentices are working on the programme.[122] In addition, boroughs and JobCentre Plus have recently signed a Multi Area Agreement that builds on the City Strategy pilot in order to address worklessness.

- **Providing sector skills training in response to wider changes in the economy:** There have also been attempts to improve the employability of the people of London, especially those people from the five host boroughs. The Skills Academy for Construction established a construction plant training centre at the Olympic Park and two more in Newham and Waltham Forest. Westfield's plans to open a Retail Skills Academy in Stratford are also welcome and will make an important contribution to investing in skills in the local economy. Train to Gain has been another avenue to encourage skills development in order to support economic development related to the Olympic

[118] Strategic Regeneration Framework. (2009, October). Convergence: An Olympic legacy for the host boroughs
[119] DCMS. (2008, June). Before, during and after: making the most of the London 2012 Games. Following the recession, this is likely to include safe guarded jobs
[120] Experian. Employment and Skills for the 2012 Games: Research and Evidence. May 2006
[121] Jobs, Skills, Futures. (2010, January). Working to deliver the Olympic Park: Employment and skills update
[122] Jobs, Skills, Futures. (2010, January). Working to deliver the Olympic Park: Employment and skills update

Games. With the help of local employment partnerships and Compact for 2012, Train to Gain ensures that the staff from the organisations that have won London 2012-related contracts have the right skills and training.[123]

- **Preparing those in East London for a more knowledge intensive economy through skills investment:** Additional new facilities within the Olympic Park area include the Chobham Academy,[124] which is scheduled to open in September 2013. It will include spaces for 1,800 students and will specialise in the performing arts and English, as well as focusing on sports excellence.[125] The space will also provide a meeting area for local residents.[126]

- **Developing skills and engaging with the community through volunteering:** Action has been taken to encourage social engagement through volunteering. The Personal Best Scheme is a nation wide project that offers training for long term unemployed individuals, and opportunities to apply to be one of the 70,000 volunteers during the Games. As of January 2009, 19 per cent of participants continued onto some type of employment and 40 per cent of participants continued on to further education or training.[127] Accreditation for the volunteering programmes offers the potential that this leads on to further opportunities.

- **Planning for the future use of Olympic stadia and new facilities are being developed to avoid a legacy of under used buildings and stadia, and ensuring that they help to attract workers or investment.** The Aquatics centre, for instance, will remain an aquatics centre with two 50 metre pools and a diving pool for community and competing training use.[128] At the same time temporary structures are being built where 'no long term legacy could be assured'.[129] In addition, the Olympic Park will deliver around 10,000 – 12,000 homes[130] and the Olympic Village is likely to be converted into apartments (creating about 5,500 homes in the Village and Stratford City), with about half being 'affordable'. There will also be over a hundred hectares of new parkland.[131]

- **Energising the development of improved transportation links to East London, which will help enhance its strengths in the knowledge economy.** The aim, as outlined in the 2012 Transport Plan, is to improve connectivity by connecting the Lower Lea Valley with the rest of

[123] DCMS. (2008, June). Before, during and after: making the most of the London 2012 Games
[124] Oxford Economics slides
[125] London 2012. (2009, April). World-class educational legacy unveiled for Olympic Village. http://www.london2012.com/press/media-releases/2009/04/world-class-educational-legacy-unveiled-for-olympic-village.php
[126] http://www.london2012.com/press/media-releases/2009/04/world-class-educational-legacy-unveiled-for-olympic-village.php
[127] Commission for a Sustainable London 2012. (2009, January). A clear run to employment. A review of skills, employment and business capacity (Towards social and economic sustainability)
[128] DCMS. (2008, June). Before, during and after: making the most of the London 2012 Games
[129] London 2012 Sustainability Plan (2nd Edition) December 2009
[130] DCLG. (2009, September). London 2012 Olympic Legacies
[131] Olympic Delivery Authority. (2008, October). Biodiversity Action Plan

London through a new and more integrated transport infrastructure. In addition to public transportation, new cycle tracks and footpaths are being created and provided.[132] The improvements in transportation will provide links for local people to jobs and leisure space across London and the Thames Gateway[133] and also encourage greener transportation. The Mayor and London 2012 have set a target of getting 100 per cent of spectators to cycle, walk, or use public transport to get to and from the 2012 Games.[134] These developments will also help reach this goal.

Aim 3 – Recommendations

To respond to the trends shaping London's recovery and capitalise upon the opportunities created by the Olympics to enable people in East London to more easily participate in London's future knowledge economy and success, the UK should consider the following:

6. **Accelerate plans to develop East London as a hub of the green economy through the Olympics.** There is already a natural geography to growing a low carbon economy in east London. It is already an energy production centre, the location for green economy activities such as the Thames Gateway eco-region, the Institute for Sustainability and Ford's Green Engine Plant, as well as being the mouth of the River Thames and a major flood plain and site of 'water engineering'. East London should take advantage of the Olympics to:

   - Conduct a rigorous review of the market to fully understand potential opportunities in the green economy, and what East London's strengths and weaknesses are;
   - Develop the Green Enterprise District and the Thames Gateway eco-region in parallel with the ongoing work to ensure that the Olympics is a 'Green Games': Accelerate existing plans to develop the Enterprise District and Thames Gateway eco-region and link them to the ongoing work required to deliver a 'green' Games, ensuring that where there is demand for green goods and services, those organisations are linked to the Green Enterprise District. Good practice should also be recorded and shared across London, enabling all boroughs to learn from the host boroughs' experiences;
   - Host a Jubilee year competition for green technologies: Linked to the proposed innovation competition, ensure that one of the competitions is for new green technologies, goods and services. Work with UKTI and BIS to investigate having area-specific prizes for East London and other low carbon zones in the UK, and announce the results in summer 2012.

7. **Pilot innovative ways of supporting East Londoners to develop hard and soft skills that will enable them to participate in a more knowledge intensive economy, linking this to businesses through the Olympics and after the Games.** There remains a real risk that East Londoners will not be able to fully participate in London's shift towards a knowledge intensive economy as they will not have the skills – hard and soft – to gain the best paying jobs in all

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[132] DCMS. (2008, June). ibid
[133] DCMS. (2008, June). ibid
[134] DCMS. (2008, June). ibid

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sectors. This risk needs to be explicitly recognised. Building on the wide range of existing programmes aiming to support East Londoners to gain skills, government should:

- Invest in careers advisers in the run-up to the Olympics in East London, linked to JobCentrePlus and the Olympic volunteering programmes, who can provide an 'economic healthcheck' for residents in the context of the shift to a more knowledge intensive economy and the sectors and occupations – both knowledge intensive and other – in which there are current and future opportunities. This should focus on assessing individuals' current hard and soft skills, where there are gaps, and then seek to link them with volunteering opportunities, local skills courses and creating links with local colleges and universities.

- Volunteering should be extended beyond construction to the retail, hospitality and tourism sectors, with opportunities designed in such a way to provide a platform for individual progression and strengthen each sector.

- JobCentre Plus should review whether it can locate its offices in the middle of East London housing estates, or work with GPs surgeries to provide careers advice, to ensure that East Londoners are given full access to the range of opportunities being created by the Olympics.

- Ensure that Olympic Park planning considers how to link more deprived communities to the areas which are likely to have the most employment growth in terms of both transport and aspirations.

8. **Prioritise high-speed broadband to Olympic boroughs.** Aim to attract knowledge intensive businesses to the host boroughs, and knowledge workers, through improving the digital infrastructure of the host boroughs. This would build on the cluster of creative businesses in Shoreditch and help to ensure that creative and digital businesses are making use of the Olympic Park facilities after the Olympics are over. There may be potential to link this to BT being an official sponsor of the Olympics Games. Local jobs in installation could also be created.

Aim 4. Capitalise on the Olympics to catalyse the 're-branding' and reinvention of London to reflect its diversity, values and its status as a capital of the knowledge economy, enabling it to attract associated investment.

Activities already in place to achieve benefits from the Olympics and manage challenges

- **Showcasing London to the world by implementing the Winning: A tourism strategy for 2012 and beyond, which outlines activities put in place to optimise the benefits in tourism the Olympic Games offers.** The strategy focuses on the UK brand, business tourism, and visitors' experiences through improved quality and accessibility in accommodations and skills

of the workforce, as well as the sustainability of the tourism industry. It is estimated that in 2006 prices, the 2012 Olympic Games and Paralympic Games could generate £2.1 billion in additional tourism benefits between 2007 and 2017.[135]

- **Implementing various strategic plans have been put in place to make the most of the Olympics, including:**

  - **Tourism Strategy**, including elements such as **EventBritain**, a new dedicated events unit focusing on supporting sporting, cultural and business organisations, has been created to harness the rewards provided by hosting the 2012 Games. **Visit Britain** has also released a 2012 marketing plan focusing on five core themes: dynamic, classic, luxury, Generation Y, and gay and lesbian.[136]

- **Taking advantage of the opportunity the Olympics provides. UKTI, Think London and the Foreign Office are all implementing plans to raise the profile of the UK and its businesses.** UKTI and Think London have been highlighting investment opportunities to foreign direct investors and the Foreign Office has been supporting its embassies to provide information about the Olympics, particularly on sustainability and diversity issues, where there have been most enquiries.

Aim 4 – Recommendations

To respond to the trends shaping London's recovery and capitalise upon the opportunities created by the Olympics to catalyse the re-branding and reinvention of London as the global capital of the knowledge economy, the UK should consider the following:

9. **Develop a shared proposition for London 2012 to be used as the basis of re-branding London and informing all marketing, promotion and briefings.** There is a need for a shared 'proposition' that enables all partners to promote London, how it is preparing for the Olympics, what will be delivered in the Olympic Park, and what London's 'knowledge economy offer' is. Work is underway in different organisations responsible for legacy; this needs to be brought together and one shared set of slides and propositions developed that any organisation talking about the Olympics, its legacy, the investment opportunities in the UK and its exports can use.

10. **Develop a proposition for East London to re-brand itself and enhance its attractiveness as a place to invest, live or visit.**

    - East London's infrastructure investment creates the potential for London to 'expand' to the east. There is a need to ensure that East London makes the most of the investment in infrastructure, public realm and housing through ensuring that its assets are packaged and

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[135] DCMS. (2007, September). Winning: A tourism strategy for 2012 and beyond.
[136] http://www.visitbritain.org/aboutus/marketing/strategy/index.aspx

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promoted effectively to support London and the UK in gaining additional investment, tourism, conference income and showcasing its strengths.

- Ensure that physical infrastructure developed by the Olympics and legacy plans consider how to ensure that East London is a high quality place to visit and in which to live.

Aim 5. Strengthen the framework of thinking around legacy, particularly the economic dimension of the Olympic legacy.

Activities already in place to achieve benefits from the Olympics and manage challenges

- **The Olympic Park Legacy Company (OPLC) has already been established:** In April 2009, the OPLC was created by the Mayor and government. The general remit of the company was to secure a 'viable future for the venue that will remain post-2012, as well as (to create) distinctive new communities, ranging from buzzing urban centres to quieter areas for families surrounded by waterways and green open spaces[137].' The company will also guide the long-term development and regeneration programmes in East and South-East London.[138] The OPLC has been received positively.

- **Bringing together the transformation plans for the Olympic site after 2012 through The Legacy Masterplan Framework**, which is now being developed by the OPLC. Throughout the planning, local people, businesses and third sector organisations will have input into the plan[139] with an overall aim for the site to become a mixed use community for cultural and sporting activities.[140]

Aim 5 – Recommendations

To respond to the trends shaping London's recovery and strengthen the framework of thinking around legacy, particularly the economic dimension of the Olympic legacy and being a global capital of the knowledge economy, the UK should consider the following:

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[137] Baroness Ford appointed to steer London 2012 Legacy. (2009, April). Retrieved 1 February 2010 from http://www.london.gov.uk/view_press_release.jsp?releaseid=21661
[138] Baroness Ford appointed to steer London 2012 Legacy. (2009, April). Retrieved 1 February 2010 from http://www.london.gov.uk/view_press_release.jsp?releaseid=21661
[139] Department for Culture, Media and Sport. (2008, June). Before, during and after: making the most of the London 2012 Games
[140] Department for Culture, Media and Sport. (2008, June). Before, during and after: making the most of the London 2012 Games

Cont.

11. **Develop a shared legacy framework that is agreed by all partners as the basis for developing and promoting the Olympic legacy (see also 'brand' above):**

    - Agree a shared framework for the Olympics that sets out in one place how the Olympics will deliver for the UK, London and East London, ensuring that there are economic, social and physical objectives. There is a need to ensure that ongoing activities are delivering for the longer term vision, and to ensure that a stronger economic vision is developed that considers how the Olympics might support London in a more knowledge intensive economy.

    - Clarify the roles and responsibilities of stakeholders, including the local community, on coordinating the various legacy objectives and ensuring the momentum from the games continues long after the closing ceremony. Currently it is unclear who is accountable for the overall legacy of the Games rather than individual elements. This will help improve the chances of securing a positive social and economic benefit from the 2012 Olympic Games.

    - Establish a more effective process to allow engagement and practical input from all bodies charged with reshaping London's economy, cultural and business growth. Currently there are multiple groups, from public agencies to business groups to academics, and it remains unclear how best for individuals to engage with the overall agenda, as well as who will respond to their inputs.

12. **One lead organisation should conduct an audit of ongoing activities to prepare for the Games and secure Olympic legacy and update it monthly:**

    - Auditing activities: There are multiple activities happening to secure legacy but it is challenging to find a document that sets out all of these activities. One lead organisation should have the responsibility of documenting ongoing activities and keeping this updated (currently there are different lists in different organisations). This will create opportunities to identify spillovers between activities and reduce duplication.

    - Develop a long term evaluation, going beyond the LDA's current 2015 endpoint of evaluation and focusing on young people. This would be a longitudinal study of two cohorts: one from host boroughs and one from other London boroughs – measuring the impacts of the Olympics on young people aged 12 to 24 from 2012 to 2024. This would be a major legacy study tracking the direct benefits to individuals of the Olympics, as well as helping to monitor long term improvements in East London and the socio-economic opportunities created for young people living in London.

6.2 Conclusion

Partners at a national, regional and local level are already conducting a considerable amount of work to achieve a lasting legacy from the Olympics. For London, in the context of an increasingly knowledge intensive economy, the Olympics represents a significant opportunity to reinforce London's strengths as a 'global knowledge capital' and to respond to the risk that many of London's residents will not benefit from this shift. This report sets out some of the ways in which London can build on the Olympics and all the ongoing work on legacy in order to ensure that it realises this aspiration and continues to lead the world in its knowledge industries over the next twenty years.

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