

Response from the Greater London Authority to The Future "EU 2020" Strategy

Summary

- London is overall supportive of the general priorities in the Commission's working document and looks forward to further clarification about how partnership work with all stakeholders, including cities and regions, will be taken forward to deliver the full potential of EU 2020.
- Whereas London can support the Commission's 2020 aims for creating a competitive, connected and greener economy in general, the working document does not seem to recognise the importance of the financial, creative and legal industries in terms of strengthening EU's competitiveness. The financial services industry in London has over 300,000 employees and generates a GVA of over £35 billion. As such, it makes a major contribution to the economy of London, the UK and the EU.
- The EU must make it a priority to support the deployment of low-carbon technologies in cities. With 75% of EU greenhouse gas emissions coming from cities, it is clear that the objective of decarbonising Europe's economy cannot be achieved without substantial efforts in cities.
- Many EU cities are rapidly becoming experts on reducing greenhouse gas emissions. London is building on its established expertise in finance, trading and legal services, as well as its strengths in the university sector, to help develop a range of clean technologies and boost its low carbon economy. The Mayor is also using his mitigation and adaptation programmes to promote green sectors and green jobs and build a tradable expertise.
- London fully supports the Commission's focus on skills and life-long learning as key elements in Europe's economic and productivity growth as well as for job creation and social inclusion in general. London's challenges include high levels of worklessness and a polarised labour market with intense competition at the lower end of the job market and a lack of people with high skills. As in the rest of the EU, London must boost the skills of its workforce to remain a competitive city.
- The ESF and ERDF are currently vital instruments, helping to tackle the challenges related to Londoner's skills and to deliver on the objectives for the low carbon economy.

1. Introduction

The Greater London Authority (GLA) welcomes the opportunity to respond to the Commission's consultation on the future "EU 2020" Strategy. London largely supports the priorities identified in the Commission's working document. This response provides a London perspective on some of the key issues raised in the Commission's working document, as they affect London as a world city.

London has established itself as one of the world's most exciting, dynamic and diverse cities. It is the most attractive business location in Europe and by many measures the world's commercial capital. Its population and its job market are growing at an unprecedented rate with significant new employment opportunities linked to major developments, including the 2012 Olympic and Paralympic Games. The projected growth of the city means that continued investment in London's infrastructure is essential, not least through the construction by 2017 of Crossrail, a new rail link across London. Crossrail will connect the City of London's financial districts, Canary Wharf, the West End and Heathrow Airport to commuter areas east and west of the capital. Apart from the direct link with Heathrow, Crossrail will substantially improve international connections with Gatwick, Stansted and London City airports and with the Eurostar service.

With an output of £251 billion a year, London's economy is bigger than that of Sweden and Austria, and larger than Denmark's and Portugal's combined. If London were a country, its economy would be the ninth biggest in the EU.

London's population is growing and is likely to continue to do so, due to both a strong natural growth (the surplus of births over deaths) and a high level of immigration. The current population of 7.63 million people is projected to grow to 8.37 million by 2021 and 8.89 by 2031. Similarly to the rest of the EU, London's population of older people will increase, but at the same time, the overall population will continue to be younger than elsewhere in Wales and England. There will be more school age Londoners and more aged 35 – 74. London will have to plan for the facilities need by more young people, while also addressing the needs of an ageing population.

A third of London's population is from black or other minority ethnic origin, nearly 1.2 million people are aged over 60 and one in ten Londoners have some form of disability. 300 languages are spoken, over 14 faiths are practised and 42 communities of over 10,000 people born in countries outside Britain live in London. London's population will continue to diversify and this diversity is one of London's greatest strengths, helping to account for its world city status.

2. Strengthening competitiveness – key to a successful exit of the crisis

The Mayor is currently revising his Economic Development Strategy for London: "Rising to the Challenge" (<http://lda-consult.limehouse.co.uk/portal/eds/eds>). His overall aims are to:

- Position and promote London as the undisputed business capital of the world
- Ensure that it has the most competitive business environment in the world
- Make it a leading global low carbon capital
- Give all Londoners the opportunity to share in London's economic success; and
- Invest to ensure growth is spread across London, and in particular outer London

London's private sector accounts for 76 per cent of employment in London's economy, of which half is in SMEs. A major aim in revising the Economic Development Strategy is to gain a greater understanding of challenges to London's

competitiveness, and what can be done to overcome them. Some of the key factors affecting London's competitiveness include:

- Availability of skilled labour: an open immigration policy and welcoming attitudes to migrants and immigrants alike is important to London's continued economic success.
- Cost of labour: London specialises mostly in high value-added activities, so staff costs are likely to remain high compared to other locations although the recent depreciation of the pound has improved the situation for international business.
- Transport system: London's transport system is extensive but urgently needs improving. Major expansions are planned for the near future.
- Access to markets: London is a large market place in itself and is well placed to continue to provide excellent access to a wide range of markets elsewhere in the UK and in Europe.
- Regulation: currently, the regulatory burden is comparatively light, however, there are concerns about the potential impact of future EU legislation both regarding financial services and employment conditions.
- Tax system: a major determinant of competitiveness, there are some concerns as to whether London will be able to retain its position of relative strength in the future, in view of recent changes to the UK tax system.
- Research and development: London has a relatively low level of research and development expenditure in the private sector compared to the rest of the UK but the highest level in the higher education sector.

A study commissioned by the Mayor in 2009 to carry out a review of London's overall business competitiveness concluded that safeguarding financial services and nurturing London's world-beating creative and legal industries are vital in retaining London's status as the number one business destination. Whereas London can support the Commission's 2020 aims for creating a competitive, connected and greener economy in general, the working document does not seem to recognise the importance of those sectors in terms of strengthening EU's competitiveness.

The financial services industry in London has over 300,000 employees and generates a GVA of over £35 billion. As such, it makes a major contribution to the economy of London, the UK and the EU. While the recent economic crisis has demonstrated that reform of the current financial regulatory system is necessary, London is concerned that the number of proposals for legislation made recently at EU level, and the speed at which they have been generated, is likely to result in legislation that will damage the competitive position of London, the UK and the EU without actually achieving its aims.

The proposal for a Directive on Alternative Investment Fund Managers (AIFM) is a clear example of regulation that, by threatening to impose disproportionate and inappropriate restrictions on a wide range of investment activities, would actually restrict the flow of capital to and from the rest of the world at a time when it is needed most. It is essential that any proposals for legislation, including forthcoming proposals on derivatives, are based on thorough consultation with the business sectors that would be affected - both directly and indirectly - to minimize the risk of negative impact.

The GLA is currently undertaking further work to understand and tackle the various competitive strengths, weaknesses, opportunities and threats London is facing. The Mayor has vowed to continue to protect and maintain London's number one business destination position.

3. Transforming to a low carbon economy

With 75% of EU greenhouse gas emissions coming from cities, it is clear that the objective of decarbonising Europe's economy cannot be achieved without substantial efforts in cities. It is essential that the EU makes it a priority to support the deployment of low-carbon technologies in cities as the potential to cut greenhouse gas emissions is huge.

For its part, London has adopted a comprehensive climate change action plan, which aims to reduce carbon emissions by 60% by 2025 compared to 1990 levels. The Mayor of London is committed to address the challenge and has signed up to the Covenant of Mayors. London offers a striking example of the considerable opportunity that cities offer to cut carbon emissions, by improving energy efficiency in buildings, generating demand for low carbon energy, recovering energy from waste and switching to low carbon transport solutions at significant scale. London has the ambition to become a world-leading low carbon capital and to take advantage of the huge economic opportunities that are associated with the low carbon economy.

Unlocking the low carbon economy in London will create sustainable jobs and opportunities for Londoners. It is estimated that London's share in the global market of environmental goods and services is worth £3.7 billion per annum. London already has some key strengths in this new green economy sector. It is currently the global market leader in carbon permit trading, with over 80 per cent of all carbon market brokering firms. There are 80 departments at 17 London universities focusing on climate change research, many of them world-renowned. London banks have £19 billion invested in global renewable projects. London is home to 75 clean-technology firms listed on AIM - the stock exchange for smaller growing companies - and over 90 per cent of the UK's venture capital funds back clean-technology firms.

The London Development Agency (LDA) is developing an action plan to assess how best to capture the economic opportunity of a low carbon economy. The LDA is working towards winning large-scale inward investment in London from organisations operating in the low carbon sector and exploiting the potential of London's existing economy to supply and buy from the green economy. In addition, the LDA is also developing a range of policies to ensure that London's disadvantaged communities can also benefit from the opportunities associated with the low carbon economy.

The LDA is also working to realise the potential of the low carbon economy within the Green Enterprise District, with the aim to transform East London into a world-renowned centre for green industry and sustainable development, in the same way as Canary Wharf is a global financial centre and Silicon Valley is internationally recognised as a centre for hi-tech businesses. The District will be designed to generate a critical mass of green economy in a collection of well-designed 'hot spots' to make it a place that green businesses from around the world will want to co-

locate. It will feature new green industries, low carbon infrastructure, education and training facilities and visitor attractions alongside communities where the environment and quality of life will be just as important as economic growth.

As regards delivering on the objective of 60 per cent carbon reduction by 2025, the Mayor is developing ambitious climate change programmes and committing unprecedented levels of funding (over £100 million over the next 3 years) to make buildings more energy efficient, build waste and recycling plants, introduce low carbon vehicles and the building of a decentralised energy network across London ([Climate change and London](#) and [London Climate Change projects](#))¹.

The GLA Group, comprising the Mayor, the GLA, the LDA, Transport for London (TfL), the Metropolitan Police Authority (MPA) and the London Fire and Emergency Brigade (LFEPA), is working with London Boroughs and other partners to develop these programmes. According to an Ernst and Young's report commissioned by the London Development Agency ([Prospectus for London, the Low Carbon Economy - PDF only](#))², the Mayor's plans could bring 10-15,000 jobs and contribute £600 million a year to the capital's economy by 2025.

London is drawing on the European Regional Development Fund (ERDF) and will make use of the JESSICA facility to bring significant support to the Mayor's low carbon programmes and provide financing to investments in decentralised energy and waste infrastructure. The London Development Agency has been working with the European Investment Bank and the London Waste and Recycling Board to ensure that London becomes the first part of the UK to benefit from this initiative.

4. More effective education, training and support for employment for all

London fully supports the Commission's focus on skills and life-long learning as key elements in Europe's economic and productivity growth as well as for job creation and social inclusion in general. London also agrees that, although having a job is an important safeguard against poverty and exclusion, it does not alone secure a reduction in poverty levels or social inclusion. In London, like in other major European cities, there is also an issue of low earnings, as around half the children living in poverty in London have at least one parent in employment.

Tackling worklessness is a huge challenge for London. Around a third of working age Londoners are not in work and almost 650,000 people have no qualifications at all. London's labour market is polarised. There is intense competition at the lower end of the jobs market, in part driven by workers coming to London from the rest of the UK and abroad. London has over three low skilled residents for every low skilled job. At the same time, there is also an increasing requirement from employers for high-level skills. The demand for highly skilled workers (graduate level or above) is set to increase from the already high level of 43 per cent of its work force today, to 50 per cent by 2020, well above the current proportion of London residents with degree level qualifications of 37 per cent.

¹ <http://www.lda.gov.uk/server.php?show=nav.00100h00c> and <http://www.lda.gov.uk/server.php?show=nav.00100h00c005>

² <http://www.london.gov.uk/news/docs/London-low-carbon-report-09.pdf>

There is a need for thorough improvement in London's educational system, to ensure that all London's children will have the chance to compete and be successful in this increasingly competitive labour market. In addition, London must also increase opportunities for life-long learning. Around 75 per cent of London's 2020 workforce is already of working age. In a rapidly changing world, relevant continuing opportunities to learn and develop skills are essential.

The Mayor is taking forward a range of initiatives to widen opportunities, build motivation and raise aspirations for young Londoners, in particular through his Time for Action programme (www.london.gov.uk/mayor/crime/timeforaction/). The programme sets out the Mayor's vision for a programme of action for equipping young people for the future and preventing violence. Also, the Mayor will aim to maximise the skills and employment benefits from major events and investment he influences such as the 2012 Olympics and Paralympics Games and Crossrail.

The London Skills and Employment Board (LSEB, www.london.gov.uk/lseb/), which is employer-led and appointed by the Mayor, is responsible for setting the strategy for investment in skills and employment programmes for those aged 19 or over, and for overseeing the Learning and Skills Council's/Skills Funding Agency annual adult skills budget in London. The board's strategy, "London's Future", seeks to:

- work with employers to help them provide more jobs and skills opportunities to Londoners, to the benefit of their business and to keep London's economy competitive
- support Londoners in improving their skills, job and advancement prospects through integrated employment support and training opportunities
- create a fully integrated customer-focused skills and employment system

In its update of the Skills and Employment Strategy "From recession to recovery" (www.london.gov.uk/lseb/docs/strategy-2009.pdf) published in December 2009, LSEB concludes that London must boost the skills of its work force to remain a competitive city and find its way out of recession.

The European Social Fund, worth £375 million for the 2007 – 2013 period, is playing a vital role in supporting organisations that help equip and boost Londoners' skills. For example, the Mayor recently announced £11.5 million in ESF funding to help increase skills in London's workforce by preparing 8,000 young people for apprenticeships and training. The funding will be used to provide skills, training and mentoring for young Londoners and equip them with the skills and confidence they need to be successfully enrolled on an apprenticeship scheme. The funding is aimed at organisations that assist 15 – 19 year olds who are not in education, employment or training.

5. Delivering EU 2020 – a joint responsibility

London fully supports the Commission's ambition of establishing clear governance structures and is pleased that the Commission recognises that only partnership work between EU, national and regional level will allow the strategy to deliver its full potential. London looks forward to a further clarification of how the Commission foresees taking this forward. Clearly, this consultation should be only an initial step

towards a further continued engagement between the Commission and all stakeholders, including cities and regions.

In general, there is scope for improving the Commission procedures for consultation and impact assessment, so that cities and regions are involved at the start of policy development on a whole range of issues where they have key interests and responsibilities, including transport, environment, energy, climate change, economic regulation, regional policy, asylum, immigration, integration and police cooperation. There are a range of key policy objectives at EU level that cannot be achieved without the direct involvement of cities and regions.

Together with the Committee of the Regions, London is organising the round table discussion "Towards Competitive, Sustainable and Inclusive EU Cities 2020" on 24 February in Brussels. It will showcase some of the EU's larger cities' economic development plans and be another input into the current debate which of course also links to the forthcoming discussion about the priorities for the EU budget 2013 - 2020 and the review of the Cohesion Policy. London looks forward to playing a full role and contributing with evidence and good practice from London as appropriate to inform the debates and decisions about the way forward.

6. More information

For more information about the GLA and the Mayor's policies for London, please visit www.london.gov.uk

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