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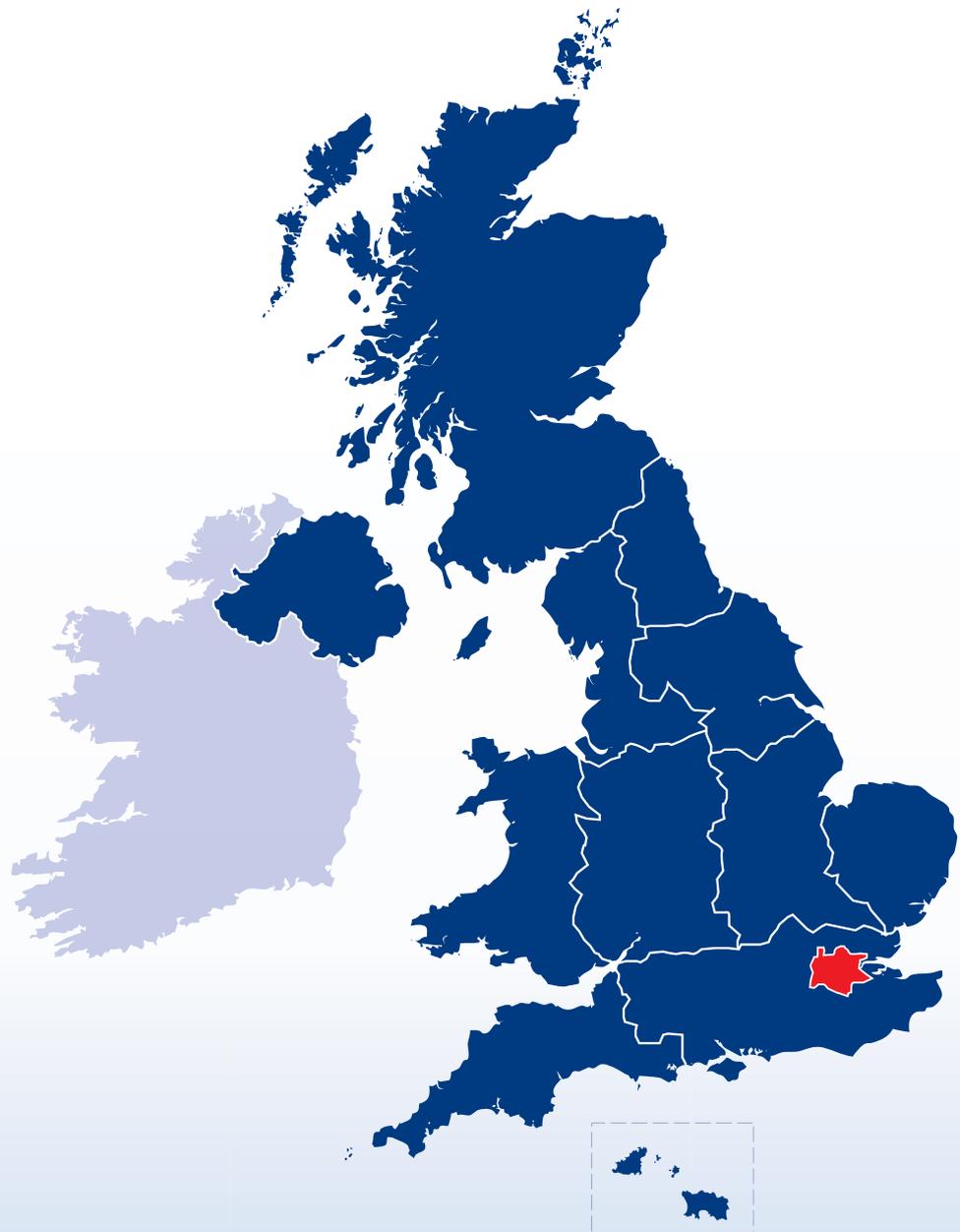
Close Invoice Finance Limited



Regional Profiles

London

Regional Labour Market Information for Recruiters



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Overview

London has taken the pole position in the growth of the UK economy, dominating the financial and business service sector which has led the expansion of UK plc.

London's population has grown and diversified ethnically, becoming increasingly highly skilled overall. Nevertheless, there are areas of deprivation and worklessness which represent lost potential.

London is an important focus for the recruitment industry with a quarter of all agencies based in the region. Optimism for the future is tempered by uncertainty about the sustainability of regional growth and the impact of recent financial crises.

REC Regional Profile: London

Introduction

This regional profile has been produced by the REC for the benefit of its members. Its aims are to provide a summary of the relevant information and assist agencies in planning for and developing their businesses in the region.

Comments and contributions for future profiles are welcome. Contact details are given at the end of this document.

Population

The population of London was 7.5m in 2005, 89,100 more than mid-2004 and a rise of 10.5% since 1981. As at July 2007, there were 6.15m adults over 16 years of age in the region, of whom 4.0m were economically active - a rate of 75.2%, slightly behind the national rate of 78.8%.

Where Great Britain and most other regions are experiencing an ageing workforce, London sustains a somewhat younger workforce profile, as shown below.

Age group	Great Britain	London
20 - 24	7.70%	9%
25 - 34	16.30%	22%
35 - 49	27.50%	29.70%
50+	19.20%	15.90%

In the last 10 years, there has been a net gain of 800,000 people in London as a result of strong inward migration. This has also led to a more cosmopolitan and varied mix of nationalities, with the foreign-born population up from 1m to 2m over a 20 year period, originating from 15 different countries.

Between 1998 – 2005, 22% of immigrants came from Asian countries, 19% from Africa, 18% from Western Europe, 14% from Central/Eastern Europe, 9% from Australasia; the remaining 18% mainly from the Americas but including 4% from the Middle East.

Ethnically, 70% of London's working population is white, much less than the 90+% in the UK. The remaining 30% in London is split between 11% classed as black, 11% from India, Pakistan and Bangladesh; and 8% of all other origins.

Employment

Employment in London rose 47,000 (1.0%) in the year to December 2006, adding to 140,000 (3.1%) in the previous year. This growth has been driven by strong economic performance across the region.

London has recently benefited from significantly faster than other UK regions, which averaged 1.1% during 2005 and 2006, and has increased its share of UK employment. Almost all this growth in jobs has been in the service sector, as may be expected.

Despite this growth, the employment rate (for people of working age) in London is 69.9% - the lowest in the UK. Tower Hamlets had the lowest employment rate in London. At 62.8% the rate for women in London was also the lowest in the UK and well behind the 74.1% for the South East.

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London also has the highest unemployment rate in the UK, at 7% in July 2007, and the three highest unemployment rates at local authority level.

Working men in London also seem to enjoy slightly shorter hours than those in England and Wales, where the average hours worked per week is 42.21. In London, the corresponding figure is 41.90. However, women in London work harder than their English and Welsh counterparts (34.31 hours per week compared to 31.37).

Earnings

Average (median) gross weekly earnings for full-time employees on adult rates in London were £579.00 for men, £498.70 for women, in April 2006. These amounts were 19% and 29% higher than the UK levels.

The same positive image is reflected in London's household income per head of population, which was 20% above the average for the United Kingdom in 2005 (while the North East was 14% below, according to government statistics in March 2007). The average weekly household income (from all sources) in London was £304 per person.

At the same time, two out of five children in London live in households officially classified as low income. Housing costs are the key problem for these residents.

It has been calculated that an hourly wage rate 20% over the National Minimum Wage (NMW) rate of £5.35 is needed to live above the poverty level. Adding in a 15% margin for unanticipated costs, it has

been calculated that a realistic Living Wage for London in 2006 should have been £7.20 per hour. This figure is 2.1% higher than the previous year.

According to the GLA, about "one in seven of London's full-time workers and almost half of our part-time workers are paid at a rate below this Living Wage". The 2005 Annual Population Survey (APS) for 2005 suggested around 14% of full-time employees in London were under that level.

Education and skills

London has a good record in educational skills. In 2006, 52% of working age people had qualified to GCSE A level or equivalent and above, compared with 51% for the UK.

In terms of higher education, London leads the UK with 28% of workers having degrees or above (national average 18.6%). As a result, there is a lower proportion that only have GCSEs or A levels, etc. On the other hand, the proportion of working age people with no qualifications - 13% - is little better than the UK average of 13.6%.

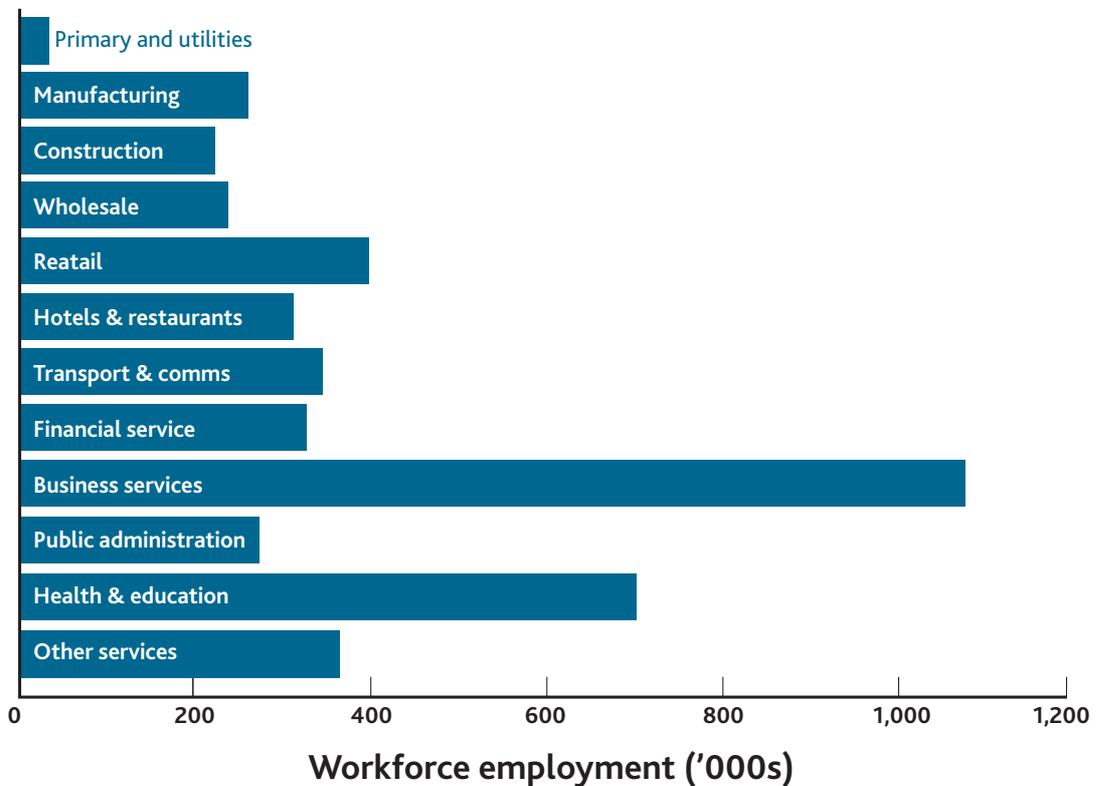
Just over 60% of employers in a CBI survey from 2006 reported skills shortages, especially those in property, professional services and transport. In November 2007, 58% of businesses said they were recruiting from abroad to fill skills gaps, very often for catering and transport jobs due to a shortage of local applicants. Otherwise, 39% say they want technical skills, 33% managerial skills.

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Occupations

London has become the leader in business and financial services employment in the UK, with a rapidly declining base in any kind of manufacturing activity. The last remaining production sector has been printing, itself now threatened by digital technology.

Other Services has also been a fast growing category in London, providing 364,000 jobs, being made up of a number of activities. One of these, Media Services, is an area where high skills levels and international success have distinguished London.



Taken together, financial and business services provide about 30% of all work in London, at about 1.4m jobs. By contrast, manufacturing only provides around 0.2m jobs. In 2004, around 30% of all financial services jobs in the UK were based in London, which had a share of 7% of UK manufacturing jobs.

Within the larger category, Business Services is by far the largest employment sector overall. It provided 1.07m workforce jobs in 2004, a quarter of London's total employment of 4.49 million at that time.

Leisure and Recreation are also classed as Other Services.

The importance of retailing is indicated by the fact that 361,000 people were employed in retail in London in March 2007, about 8% of the London workforce.

London dominates UK retail as 10% of all part-time jobs and 15% of all full-time jobs in retail were in London. In the year to March 2007, there was growth of 1.4% in London retail jobs, ahead of the 0.9% increase across the UK.

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The other key categories of work in London are - transport and communications with 340,000 jobs; wholesaling with 233,000 jobs; and construction with 222,000 workforce jobs. Planned projects such as the Olympics and Crossrail will boost demand – it is expected that 14,000 people will be working on Crossrail alone at its peak, in 2013. Terminal 5 at Heathrow will demand a further 5,000.

Finally, London enjoys the benefits of 950,000 workforce jobs in the public sector areas of health, education and public administration, including both central and local government.

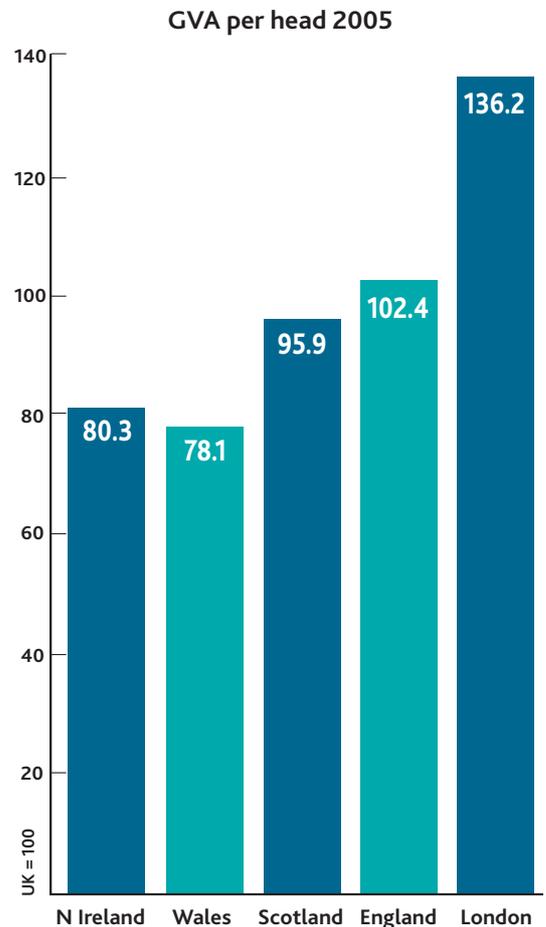
Productivity

In recent years, London has to a large extent powered the UK economy. It generated 17% of UK GVA (gross value added), the highest of any region, as at December 2006. GVA per head in the region in 2005 was £27,088, compared with £17,677 for the UK as a whole.

The 4.4% growth achieved in 2005 vs 2004 was well above the 3.9% for the UK. Inner London data exceeds the Outer London figures substantially, marking the success of the financial services and other sectors based there.

As might be expected given the low levels of employment, manufacturing in London accounted for 7% of GVA in 2004, compared with 14% for the UK as a whole. Meanwhile, property and business activities accounted for 36% of GVA, above the 25% UK figure.

There has been some concern expressed about the apparent lack of innovation in London's businesses and the impact this may have on long term growth. The record is poor on two innovation indicators, which are geared to manufacturing activity. Not surprisingly, London does not do well on these factors.



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Social issues

Two social issues that affect the London employment sector are worth noting. Research into self-reported work-related illness (SWI) carried out in 2005/06 estimated that there were 200,000 people in London who had illness they believed was caused or made worse by their employment situation.

This incidence translates to a rate of 3.9% of those ever employed, which is significantly less than the rate for Great Britain as a whole (4.5%). London people may be less affected by such illness or less concerned about reporting it.

Employment conditions also affect family life. The lone parent employment rate within London has increased from 38% to 43%, while outside London it has risen even higher, from 45% to 58%.

At the same time, the proportion of two parent families with children in London out of work in 2005 was 11%, twice the rate for the rest of the UK. Nationwide, 70% of two parent families were work-rich, versus 56% of couple families in London.

The recruitment sector – agencies

London has the highest proportion of single site agencies in the UK: 71%, according to the REC 2006 Agency Census, and the largest share by region of agency businesses, with 25% of the UK total. There is also a higher than average proportion of sites with more than 10 staff. London agencies tend to be longer established, with 41% over 10 years old.

Looking at the operation of the recruitment sector, the REC Tracking Survey shows that the work rate at London agencies is higher than in the UK – 45% placed 11+ permanent staff in the three months before the last survey (mid 2007), versus 39% in the UK.

Agency respondents to the survey give a slightly higher priority to quality of service (77% consider this to be important, against a national figure of 75%) and are more concerned with brand image (very important to 61% versus 54% across the UK).

The temporary workers themselves are more likely to be well qualified. 58% have a degree or higher qualification, well above the 39% across the UK.

The recruitment sector – employers

London has a high proportion of employers who employ both permanent and temporary staff though agencies – 36% did so in 2007, compared to 23% in the total UK, according to the Tracking Survey produced by the REC. Agencies are important to London employers – 38% always use them for temporary staff, above the 28% nationally.

The Survey also indicates that Quality of Service is of greater importance in London (72% say this is very important versus 69% UK wide). Brand image and size of agency are less significant.

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Despite the fact that London employers are generally less satisfied with agencies than their UK colleagues (only 53% very satisfied versus 67%), they tend to stay with the agency longer – 58% have been with their supplier over 3 years (46% for the UK).

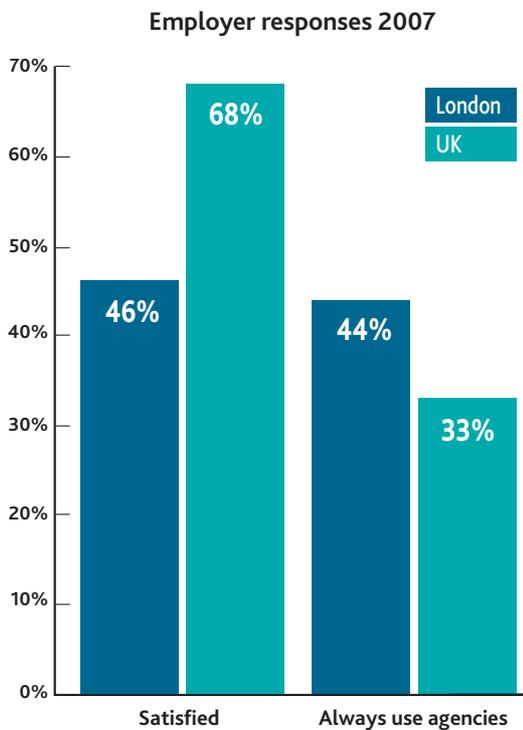
Overall, two thirds of employers expect their use of agencies to remain the same in the next year, while around 1 in 5 expects to see an increase. Three quarters expect their workforce to remain the same size, and their use of temporary workers to be the same next year as it is now.

Prospects for the future

London employers responding to the REC Tracking Survey in 2007 were slightly less optimistic about the future use of temporary staff than those in other regions. This view of recruitment prospects sits well with the cautious optimism among London’s business leaders.

Oxford Economics projected in April 2007 that over 570,000 new jobs would be created for London in the next decade. Whilst decline is expected in manufacturing jobs and possibly central government, there is likely to be expansion in other sectors.

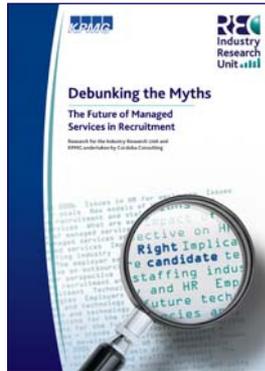
As noted above, many sources expect employment in construction, hotels/leisure, transport and business services to grow, while retail and distribution may be more subdued economically as consumer spending becomes restrained, limiting job creation in that sector.



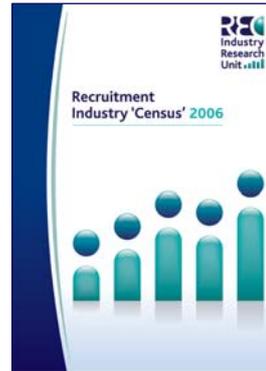
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Other reports available from REC, include:

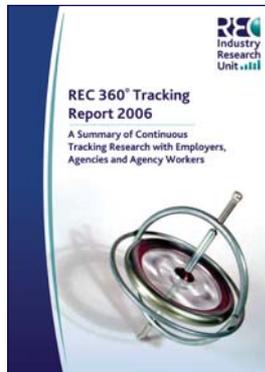
Debunking the Myths



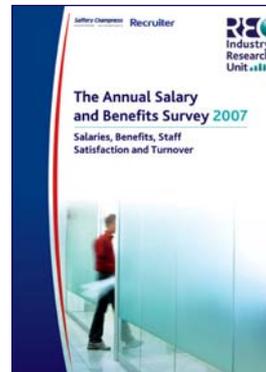
Recruitment Industry 'Census' 2006



REC 360° Tracking Report 2006



The Annual Salary and Benefits Survey 2007



Annual Industry Turnover and Key Volumes Survey 2006/7



These are available from www.rec.uk.com/research



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The Recruitment and Employment Confederation (REC) is the only professional body dedicated to representing the interests of the recruitment industry in Parliament, Whitehall, the European Commission and to press and opinion formers.

The REC has nearly 8,000 recruitment agency offices in membership and over 5,500 recruitment professionals.

The REC is committed to raising standards and highlighting excellence throughout the recruitment industry.

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