State of the Economy in Westminster

March 2024

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Foreword / Executive Summary

Home to more than 53,000 businesses and one-eighth of London's job market, Westminster is a world-leading city and an important centre of economic activity in London and the UK. We boast a rich heritage, a vibrant culture, excellent connectivity, and a highly skilled workforce, making our region a place of immense opportunity. From Mayfair to Maida Vale, Paddington to Pimlico, and Harrow Road to Harley Street, our diverse neighbourhoods contribute to a city that is truly unique.

Despite our many strengths, we also face numerous challenges. Businesses grapple with soaring costs, disruptions in the supply chain, and difficulties in finding the necessary workforce. In the context of changing consumer habits and global shifts, the West End and our local high streets face unique challenges to remain a destination of choice for locals, visitors, and workers. Meanwhile, emerging business sectors require distinct approaches to support their growth, in light of structural changes to our economy and evolving ways of working.

This report aims to provide a comprehensive overview of the current economic landscape, analysing key indicators, trends, and challenges that impact the city of Westminster. Furthermore, it aims to outline the biggest opportunities to drive sustainable, inclusive growth and ensure a fairer Westminster for our residents. To this end, the report is divided into three sections: The Business Landscape; Deprivation and Inequality; and The Westminster Economy Today. The first chapter aims to convey the size of the Westminster economy, its significance within London and the UK, and highlight the diverse "ecosystem" of businesses operating within the area. The second section paints a vivid picture of a city characterized by striking contradictions, while the final section gives an indication of the current challenges facing the economy overall, exploring the impact of both recent shocks and longer-term changes.

This report follows our overarching strategy for a Fairer Westminster, which puts a strong, inclusive, and green economy at its core. Our Fairer Economy Plan builds on recommendations from the independent Future of Westminster Commission and other intelligence and insights. Our plan aligns with key regional strategies and initiatives such as the mayor's priorities for Good Growth, London Skills and Improvement Plan and The Skills Roadmap for London, as well as key national strategies such as the UK's Net Zero Strategy: 'Build Back Greener.' It also complements regional initiatives such as the Mayor's Good Work Standard, The No Wrong Door Programme, and the Skills Academy. It builds on the Night Tsar's work on innovative licensing and the London Sustainable Development Commission's work on delivering social value.

We are at the start of the journey to work with partners to create a longer-term strategic approach for Westminster. Our Fairer Economy Plan provides a framework for further engagement with our businesses, residents and partner organisations. A key part of this will be making sure that good quality evidence and data remains at the heart of this process, and together, we will create the right conditions for inclusive economic growth.

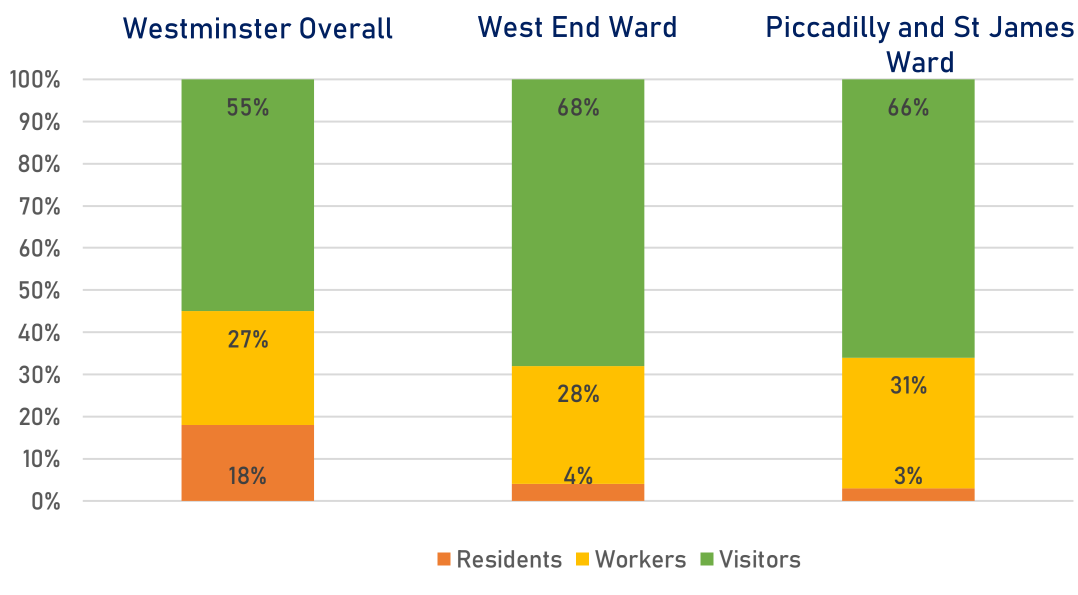
1. The Business Landscape

Westminster is an engine room for the wider London and national economy, having enjoyed immense economic success over the last decade, including steady increase in the number of local jobs. While Westminster makes up just over 1% of London's physical area, it contributes nearly 16% of London's GVA.[1] In 2021, Westminster generated £76bn in Gross Value Added (GVA), the second highest GVA of any local authority.

Residents, Workers, and Visitors

While Westminster is home to almost a quarter of a million people, the influx of workers and visitors from across the globe can increase this to over one million on any given day. With its vibrant retail, cultural and hospitality offer and its iconic landmarks, parks and green spaces, Westminster also plays a large role in London's £18.6bn tourism industry, attracting 25 million visitors per year.[2] The West End and St James are at the centre of such activity (Figure 1), with residents accounting for less than 5% of footfall in these wards, while wards such as Queen's Park and Harrow Road have significantly smaller shares of non-resident footfall. The dynamic atmosphere of Westminster demands that businesses adapt and respond to the ever-changing demographic landscape of the area.

Figure 1: Average share of residents, workers, and visitors, 2022-2023



Source: BT Footfall Data, 2023

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[1] ONS, 2023. ONS GVA estimates are measured using the income approach, which involves adding up the income generated by individuals or corporations in the production of goods and services. It is calculated gross of deductions for consumption of fixed capital (i.e.: the amount of fixed assets used up in the production process in any period). Regional GVA estimates are compiled at three levels of Nomenclature of Units for Territorial Statistics (NUTS):

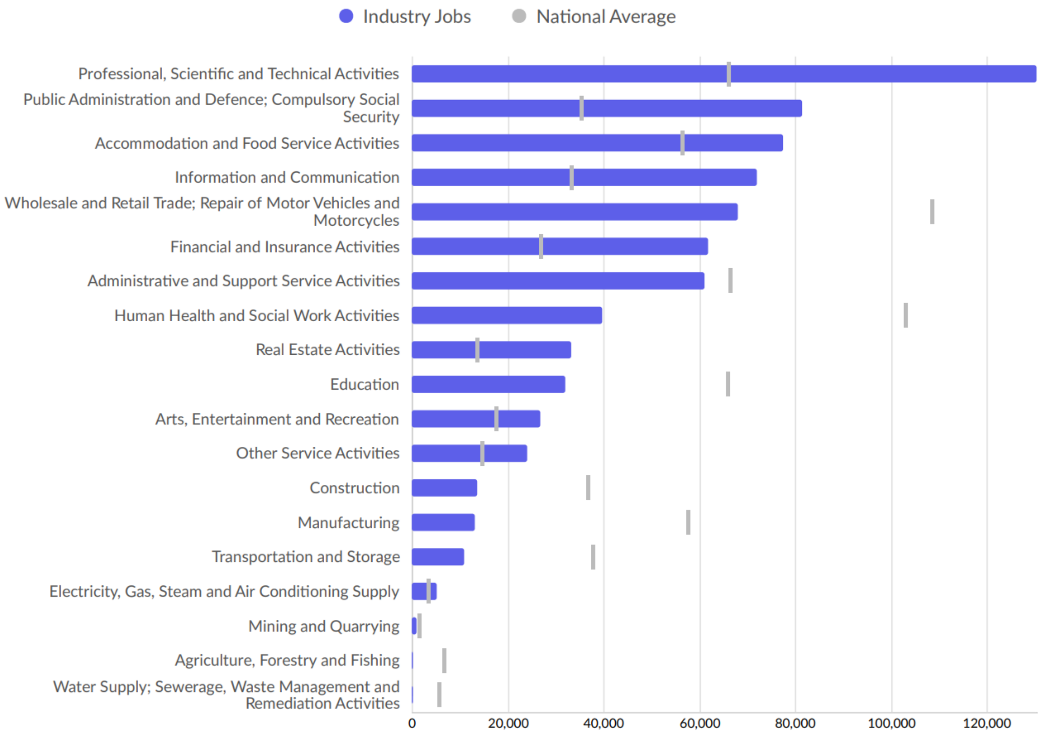
- NUTS1: 12 regions
- NUTS2: 40 sub-regions – groups of counties and unitary authorities
- NUTS3: 173 local areas – individual counties and unitary authorities

[2] Visit Britain, 2017 – 2019

Employment

Westminster hosts approximately 767,000 jobs in its dense and dynamic economy, equivalent to one-eighth of London's job market. The biggest sector is Professional, Scientific, and Technical Services, employing nearly 18% of Westminster's workforce. This accounts for 140,803 jobs in Westminster, just over twice the national average for this industry. This is followed closely by Public Administration and Defence (11%), and Accommodation and Food Services (10%)[3], which highlights the importance of Westminster in supporting hospitality and leisure, and as a major tourist destination.

Figure 2: Distribution of jobs by industry in Westminster, 2022



Source: Lightcast, 2023

Perhaps unsurprisingly these jobs are not evenly distributed across Westminster: almost 2/3 of jobs are located in just two of its electoral wards: West End and St. James'. By contrast, Harrow Road, Queen's Park, and Westbourne wards, in the north of Westminster, collectively account for only 1% of local jobs.

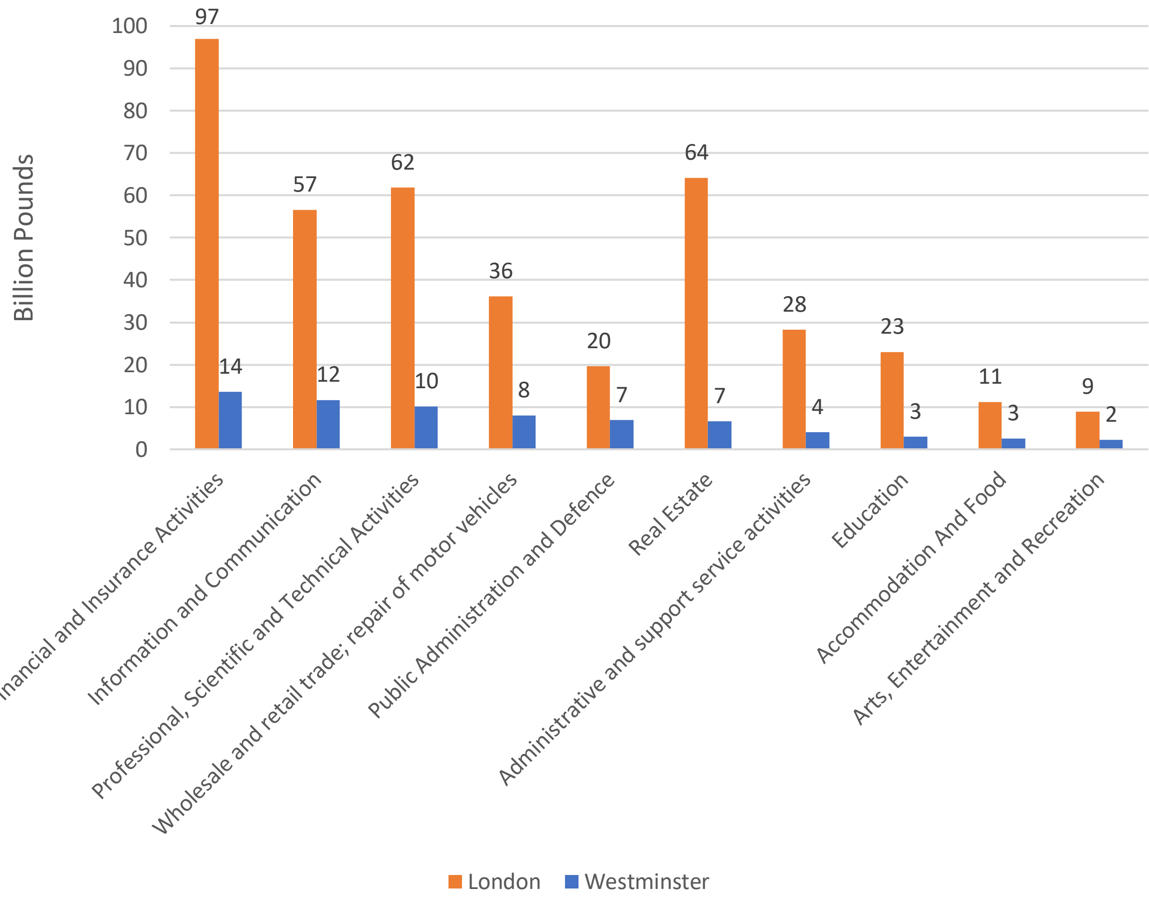
Business Demography

The business landscape in Westminster is significantly diversified. Of the £76 billion of GVA generated in Westminster, 18% comes from Finance and Insurance, 15% from Information and Communications and 13% from Professional, Scientific, and Technical Activities, all of which demonstrates the role that Westminster's businesses play in supporting these sectors across London (they collectively contribute 16% of London's GVA). More critically,

[3] Lightcast, 2023

23% of London's economic activity in Accommodation and Food Services, and 26% of London's economic activity in Arts and Recreation comes from Westminster, showing that what happens in Westminster matters for the success of arts, culture and tourism across the capital (Figure 3).[4]

Figure 3: GVA by Industry, 2021 (current prices, pounds billion)



Source: ONS, 2023

There are approximately 53,000 enterprises in Westminster.[5] In line with employment and economic output figures, almost a quarter of these (23%) are in Professional, Scientific, and Technical Services, representing the largest share of any local industry. Other industries with relatively high enterprise concentrations include retail and wholesale trade, information and communications, property, and business administration and support services.

In 2023, 84% of Westminster's enterprises are classified as "micro" (0-9 employees), and around 12% as "small" (10-49 employees), such that only 3% of local enterprises have 50 or more employees. This share is slightly higher than the London equivalent of 2%.[6] The micro-enterprises across the borough are highly concentrated in the Arts, Entertainment, and Recreation industry. This could be explained by the high number of people operating as sole traders or operating as freelancers within this sector. Meanwhile Accommodation &

[4] ONS, 2023a
[5] ONS, 2023b
[6] Nomis, 2023

Food Services has disproportionately higher shares of medium and large enterprises, which is likely due to the number of larger hotels, and the presence of food outlet chains.

This diversity is crucial to Westminster's success, particularly in the West End, which is an area of dense and varied economic activity. Unlike other areas, where hospitality and retail are ancillary to professional services, in the West End these are established sectors in their own right and are part of what draws business into the City. Westminster also performs well in terms of productivity, proxied by GVA per hour worked, the third highest amongst Local Authorities in England.[7]

Furthermore, there are notable pockets of business activity scattered throughout Westminster, often characterised by clusters of firms that group together either because they operate within the same sector or because they form part of the same supply-chain – or both. The Film and TV sector serves as a prime illustration, reaping the advantages of agglomeration by concentrating in specific geographic regions. These encompass well-established business hubs like the West End and St James' as well as smaller yet vibrant areas such as Marylebone and Hyde Park. Around 63% of the borough's businesses are in the West End and St. James'.[8]

Box 1: Film & TV: Competitive Advantage

The West End is a crucial site for the UK's national Film and Television sector. This industry is highly concentrated in London and the South-East of England: in 2019, 78% of UK film sector output was in London.[9] London's concentration in this industry is particularly high for distribution, production, and post-production activities, with Soho being the epicentre of post-production activity in London for film, television and advertising. In 2020, industry jobs in the region were 526% above the national average.

The local Film & TV cluster is world-renowned and award-winning: between 2004 and 2013, creative workers based in Soho have won nearly two hundred major awards, including 22 Oscars and 100 awards from the Cannes International Film Festival (BOP Consulting 2014; GLA Economics 2015).

Film & TV businesses are highly inter-connected and are deeply embedded in local (and external) supply-chains. There are large benefits to agglomeration in this sector, which derive from proximity to a critical mass of talent (to facilitate recruitment), proximity to industry partners (to foster knowledge-sharing and collaboration), and proximity to supply-chain partners.

Tax rebates for UK film and high-end TV have also helped to fuel a growth in local production activity, by strengthening the UK's relative attractiveness to international media companies seeking partnership opportunities. Production companies can claim up to 25p for each £1 spent on qualifying activity; this has resulted in about £4.4 bn in tax rebate eligibility since 2016. BFI considers that this policy has made the UK a "first port of call" for global media companies (FT, 2021).

[7] Wong C. and Zeng W., 2023
[8] WCC, 2022
[9] GLA Economics, 2023

Nonetheless, while local job growth has historically been high, it has lagged national levels in recent years. Over 2015-2020, industry job growth in Westminster and Camden has been only 2%, compared to 12% nationally. Technological advances and socio-cultural trends (in particular, the rise of subscription-based streaming services) have transformed patterns of demand for the screen sector, catalysed by the pandemic, and have caused a boom in demand for visual media. This results in both need and opportunity for new forms of storytelling, and for greater cross-over among film, TV, and emerging media. While the West End's film and TV industry already is world-renowned, there is now an important opportunity for the West End to nurture industry leading new media firms that capitalise on these trends (Lightcast, 2023).

Business Rates in Westminster

Business Rates are based on estimates of Rateable Value (RV), which are produced every 5 years by the Valuation Office Agency (VOA)[10]. The total RV of non-residential property in Westminster in 2021 was £4.7bn, showing a 3.2% decrease since 2015[11]. This decline is mainly driven by significant drops in the value of shops, hotels, and retail sectors, which were particularly affected by the pandemic.[12]

Despite the increase in hybrid working, the RV for office properties in Westminster has risen by 8% since 2015, accounting for 59% of the Rateable Value in Westminster. This may potentially indicate longer-term growth in demand for office space (crowding out the pandemic effect), and/or growth in demand for higher-quality office spaces. Shops now account for 20% of Westminster's RV, but the total RV from this category has fallen by 18.4%. The negative impact on footfall of the pandemic played a significant role, but the rise of online retail competition before the pandemic contributed as well. Restaurants and hotels, making up 10% of RV, experienced a 29% decline (hotels alone saw a 42% decrease) due to the significant reductions in tourism (particularly international and long-haul).

While this fall was no doubt welcomed by many of those businesses struggling with the slow return of visitors to London, this effect was not felt universally across Westminster, with many retailers outside the West End seeing increases in their RV – and, therefore, business rates (see Box 2) - and Westminster still has the largest Rateable Value of any local authority.

Box 2: North Paddington Case Study: How have rateable values changed?

When looking at the changes in RV across the borough, we can see that most non-domestic premises in central Westminster have seen a fall in RVs. In contrast, we see a marked difference in the areas to the South and North-West of the Borough,

[10] Intended to move to every 3 years.
[11] PaddingtonNow, 2023
[12] Business Rates are based on Ratable Values (RVs), which are determined by the Valuation Office Agency (VOA) through a process called Revaluation. Revaluations are typically carried out every 5 years (although the government has committed to moving to a 3-yearly cycle), but the pandemic resulted in a year's delay to the latest Revaluation. Furthermore, there is a 2-year gap between the valuation date and the point at which these valuations take effect, so this Revaluation (taking effect from 1st April 2023) is based on property values on 1st April 2021 – a time of significant pandemic-induced economic turbulence - and it's likely that property values will have changed further since then (although this will have no bearing on bills).

including North Paddington. In these areas non-domestic premises are seeing much smaller decreases or increases in RVs.

Based on data from 185 non-domestic premises within North Paddington that could be identified in both 2017 and 2023, total rateable values went up by an average of 23%. This was a mixed picture overall, while most properties saw increases, and some properties saw decreases (around 7).

	North Paddington			
	No. of Matched Properties	Total Rateable Value (2017)	Total Rateable Value (2023)	% Change in Total Value
Industry	9	£ 45k	£ 63k	+40%
Office	10	£ 578k	£ 747k	+29%
Retail	135	£ 2.7m	£ 3.3m	+23%
Other	31	£ 453k	£ 504k	+11%
TOTAL	185	£ 3.7m	£ 4.6m	+23%
Westminster	29,257	£ 4.5bn	£ 3.6bn	-20%

The divergence in the changes in Rateable Values across different areas of the borough sheds light on the dynamic nature of property valuation trends within the context of a changing urban environment. With various forces at play, such as changing consumer behaviours, the COVID-19 pandemic, and the demand for office space, to name a few, different businesses and areas across the borough may be impacted in a different way. This in turn calls for bespoke measures to support a thriving business environment.

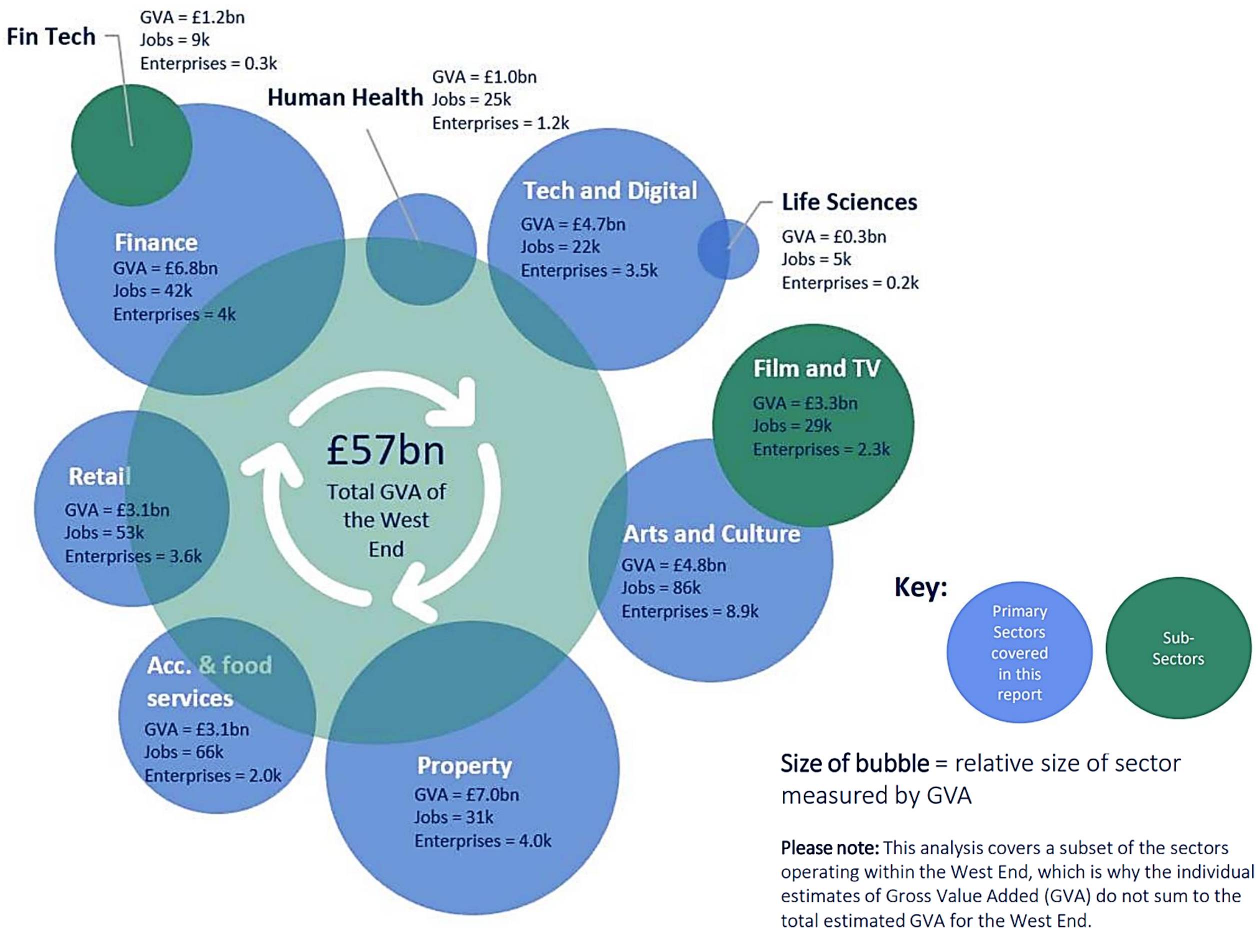
Sectoral Strengths – The West End

With the lion's share of the borough's economic activity concentrated here, the West End[13] is an economic powerhouse that punches above its weight in terms of its geographical size, contributing around £57 billion (3% of UK GVA) to the national economy. Its unique combination of culture, heritage, and infrastructure makes the West End a must-visit destination for visitors, and a central hub for businesses; it plays host to approximately 560,000 jobs and has one of the highest employment densities in the world. Home to a large number of important institutions across government, culture, education, research and not-for-profit, the West End has a significant concentration of high-value services within world-leading industry clusters. [14]

Two key features of its complex and highly valuable local economy are the variety of sectors represented, and the inter-dependencies that exist among them. The strength and diversity of such inter-connectivity serves as a primary attractor for firms seeking to locate in the West End. Employment is particularly concentrated in retail, food services, accommodation, film & TV, IT, finance, real estate, management, and consulting.

[13] Covering areas of both Westminster and Camden boroughs.
[14] WCC, 2021

Figure 4: West End's Economic Ecosystem



Source: WCC, 2021

The connections in this system may be economic (for example, increased expenditure on retail and hospitality generated by those working in and around the West End), but may also include other spill-over benefits, including instances in which knowledge and innovation is promoted by the co-location of many businesses (for example, in the Knowledge Quarter, where academic institutions enjoy rich integrations with the Life Sciences sector). Certain sectors (such as Film and TV) are further characterised by the co-location of different parts of the industrial supply-chain, which can improve productivity and innovation. Similarly, clusters of businesses in a sector enjoy benefits from greater collaboration and networking (network spillovers). More information on the economy of the West End, how it is changing, and the opportunities and challenges presented there can be found in our recently published 'Sectoral Analysis of the West End'.

Westminster also has the largest evening and nighttime economy in the UK, generating more economic output than Edinburgh, Manchester and Birmingham combined, and the highest share (6.8%) of night workers.[15] Many of the organisations operating at night

[15] London City Hall, 2018

require a license, and more information on the role of licensed premises can be found in our report[16].

Box 3: Focus on the Creative and Culture Sector

The Creative and Culture sector is one of the defining features of the West End. It is diverse, consisting of many sub-industries (including media; publishing; motion picture; broadcasting; news agencies; advertising; design and photography; performing arts; libraries, museums, historical sites and gardens) and is dominated by small firms *(*only 6.5% of businesses in the Creative and Culture sector across Westminster and Camden have more than 20 employees). The West End creative and culture sector's GVA was about £4.9bn in 2019.[17]

Internal WCC spatial analysis has shown that firms in this sector are closely clustered together and inter-connected[18], and are concentrated in London and the Southeast. They enjoy particularly large benefits from locating close to industry partners, which enables access to workers with specialised skills, clients, fixed capital (soundstages, event venues, heritage theatres and galleries etc.), and the ability to collaborate with partners.[19]

While this sector only makes up 13% of employment in the West End, it serves as a major driver of UK economic growth and can play an important role in levelling up the country. From 2010 to 2019, the Creative and Culture sector grew more than one and a half times faster than the wider economy and in 2021 it generated £108 billion in economic value. In 2021, the sector employed 2.3 million people, a 49% increase since 2011.[20] The Creative and Culture sector also has a strong link to the tourism industry, with cultural tourists in London spending approximately £7.3 bn per year, supporting over 80,000 jobs (Arup, 2020).

The sector's contribution to the UK stretches far beyond its direct economic contribution. A thriving West End creates and supports supply-chainsand associated employment throughout the whole of the UK (e.g., they make purchases from accounting, legal services, and various manufacturers for staging and production). Every £1 of direct GVA generated by the industry supports an additional £1.14 of GVA through indirect and induced[21] effects (CEBR, 2019). Further, creative arts jobs are three times less likely than the average UK job to be at risk from automation; thus, the sector shows strong resilience to the rapidly shifting and increasingly digital/automated landscape of work (Nesta, 2016).

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[16] Have Your Say Today - Exploring the Economic Dynamics of Westminster's Evening and Night-Time Economy - Westminster After Dark: An Inclusive And Dynamic City (commonplace.is)

[17] Heart of London Business Alliance, 2023

[18] To facilitate a deeper understanding of patterns of agglomeration among local enterprises in different industries, the analysis uses business data to identify key industry clusters across the borough. The criterion for classifying a cluster is a minimum size of 10 enterprises in a particular industry located within a specified radius. Machine-learning analysis was then used to identify clusters across 14 industries, based on standard industrial classifications. There are 9 clusters of arts-related industry in Westminster, spread widely across the borough. With an average of 52 employees, enterprises in Regent's Park/Abbey Road are the largest of any local arts cluster.

[19] Frontier Economics, 2022

[20] Department for Culture, Media & Sport, 2023

[21] While indirect effects occur when an initial change in economic activity influences other sectors or industries through the supply chain; induced effects result from changes in consumer spending and demand due to the initial economic activity, impacting other businesses and sectors.

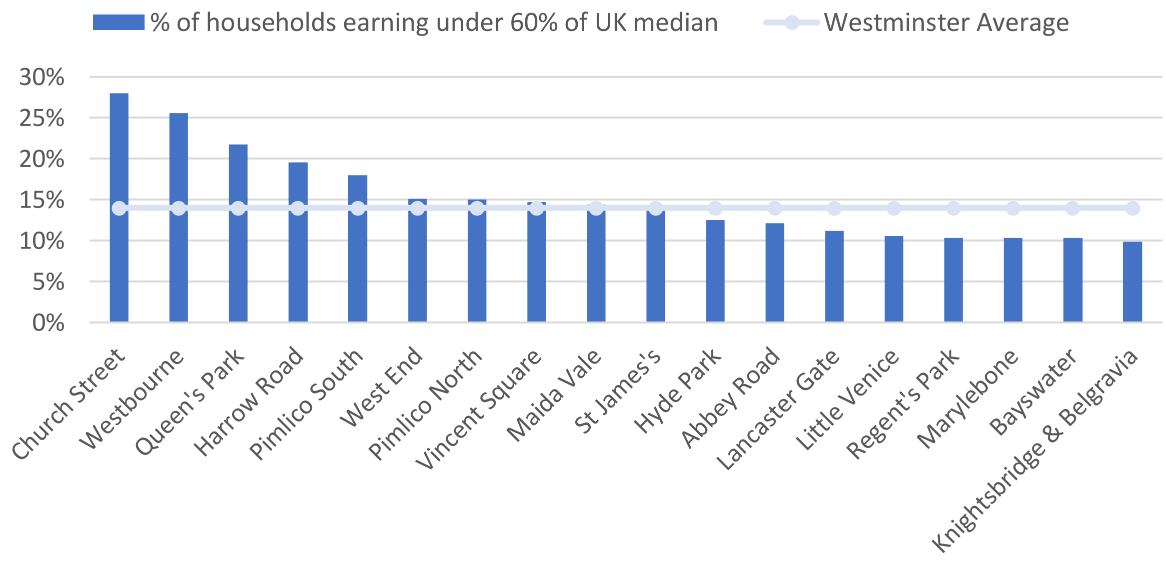
2. Deprivation and Inequality

Westminster: A tale of two cities

Westminster has enjoyed tremendous success over the last decade. However, this success has not been equally spread. On one hand, it boasts magnificent landmarks, prestigious institutions, and a thriving economy. On the other hand, it grapples with deep-seated social inequalities and persistent challenges, and has some of the highest disparities among residents of any local authority in the country.

The median household income across Westminster is £55,536, which is 42% higher than the UK median of £38,984. On average, 14% of households in Westminster are earning less than 60% of the UK median (£23,390). However, this figure varies significantly across the Borough. Eight wards, including Church Street, Westbourne, Queen's Park, Harrow Road, Pimlico South, West End, Pimlico North, and Vincent Square are above this average, with Church Street ward having twice the poverty rate of the borough at 28%.[22] This shows that success overall hides real financial hardship in parts of Westminster. Tackling this inequality is a key part of the Fairer Westminster Delivery Plan and Fairer Economy Plan.

Figure 5: Relative Poverty: Percentage of Households Earning Below 60% of the UK Median Income



Source: CACI Paycheck, 2022

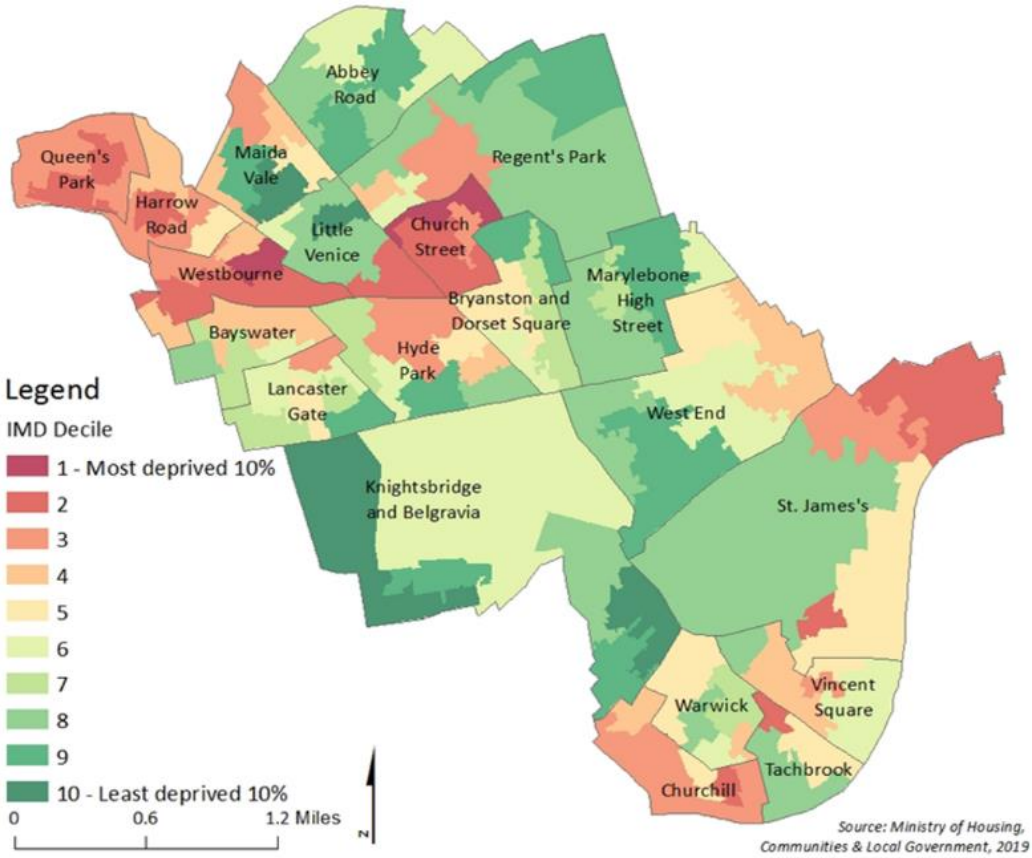
Polarisation, and localised deprivation

Additionally, there remain pockets of the borough that experience significant deprivation, where residents struggle to access the opportunities provided by the economic activity elsewhere. When taking housing costs into account, in 2021/22 an estimated 43% of households in Westminster lived in poverty. This is worse than the average across London.[23]

[22] CACI Paycheck, 2023
[23] Trust for London, 2023

The 2019 Department for Levelling Up, Housing and Communities (DLUHC) Index of Multiple Deprivation provides a starting point to improve understanding of the multi-faceted nature of poverty and localised income deprivation.[24] Of the 316 local authorities in England (excluding the Isles of Scilly), Westminster ranks the 100th most income deprived. Furthermore, of the 128 neighbourhoods in Westminster, 34 were among the 20% most income-deprived in England.[25] According to the IMD, in 2019, Church Street was ranked the most income-deprived ward in London, with more than 30% of its residents living in income deprivation. This serves to illustrate how much variation there is across the City of Westminster, with the most deprived neighbourhoods clustering mainly in the north-west and within Churchill Gardens Estate in the south.

Figure 6: Map of Index of Multiple Deprivation, 2019



Source: DLUHC, 2019
Note: Colour coding refers to IMD deciles with dark red representing the most deprived areas and green representing the least deprived areas. This map depicts historic ward boundaries.

The IMD index demonstrates that Westminster's deprivation profile has been steadily and significantly improving since 2010 (Westminster.

[24] The IMD is a measure of relative levels of deprivation for small areas in England (LSOAs). It is calculated using 7 domains of deprivation: Income, Employment, Health Deprivation and Disability, Education Skills and Training, Crime, Barriers to Housing and Services and Living Environment. It shows how different LSOA's in Westminster rank within all LSOA's in England, at the point in time of measurement.
[25] ONS, 2021

Table 1).[26] In 2004, the borough ranked as the 39th most-deprived LA in England, whereas in 2019, it ranked 137th. While the areas in Westminster that were the most deprived in 2004 have improved in relative terms, they remain the most deprived areas in Westminster.[27] It is not clear what is driving this change. On one hand, certain issues commonly associated with deprivation, such as unemployment rates, have improved during this period. Census data also indicates an overall increase in education levels, which may have contributed to easing deprivation. On the other hand, factors such as the high cost of living and high housing costs may have compelled low-income households to relocate outside Westminster.

Table 1: Westminster's Changing Deprivation Profile

Deprivation Domain Measures	% of WCC LSOAs in most deprived 10% in England			Net change since 2010
	2010	2015	2019	
Overall	12%	14%	2%	Improving
Low Income	17%	15%	11%	Improving
Employment	5%	10%	10%	Worsening
Health	2%	3%	1%	Improving
Education, Skills and Training	0%	0%	0%	No change
Barriers to Housing and Services	96%	36%	0%	Improving
Crime and Disorder	5%	13%	7%	Worsening
Living Environment	65%	77%	38%	Improving

Source: WCC own calculations

Within Westminster, the areas of particular concern are those with higher numbers of households (HH) on benefits and those that display higher levels of multiple deprivation. According to the Low-Income Family Tracker[28] in July 2023, the highest concentrations of households claiming housing benefit or council tax support were in Church Street (10%), Westbourne (9%) and Queen's Park (8.5%).[29] Furthermore, the households considered to be most 'at risk' are likely to be either workless households or lone-parent households, and to be concentrated in the social rented sector. While in 2021, across every ward in Westminster, at least 20% of respondents described themselves as 'just about managing'

[26] Note: the IMD only measures deprivation at a snapshot in time, rather than changes for the same cohort. Improvements may be caused by population turnover – for example, after DWP benefit reforms, low-income families are less able to settle in costly private rented housing. For Westminster, this means deprivation is further concentrated on less mobile groups (e.g.: those in social housing).
[27] WCC, 2023
[28] The Low-Income Family Tracker is a dataset of households in Westminster who are claiming housing benefit or council tax support.
[29] LIFT, 2023

when asked about their financial situation, figures were substantially higher in areas that experienced deprivation.[30]

Moreover, it is worth noting that the poor in London face greater economic hardship than their counterparts in other regions. After factoring in housing costs, the income levels of the poorest individuals in London are approximately 30% lower than those in the rest of the United Kingdom[31]. London has the highest rate of poverty of any region, with more than a quarter (27%) of its residents living in poverty in 2021, after taking housing costs into account. Income inequality is also higher in London than in the rest of the country.

While its full impact cannot yet be quantified, the COVID-19 pandemic has further exacerbated preexisting income disparities over the last few years, with declines in real wages impacting lower-paid sectors more than higher-wage professions.

Furthermore, in the context of the ongoing cost-of-living crisis, areas of historically high deprivation, where energy and food expenses represent a relatively larger share of overall household budgets, are experiencing disproportionate hardship. Nationally, food and energy costs account for 32% of the household budgets for those in the lowest income decile, compared to just 15% for those in the highest income decile (IFS).[32] To address this, Westminster City Council has provided £8.8m of financial support since the start of the Cost of Living crisis, on top of the support provided by Central Government – either directly to residents or by disbursing additional resources to organisations in the Voluntary and Community sector. However, addressing long-term poverty across Westminster, and ensuring that everyone has access to the economic opportunities that exist here, remains one of the key goals of the Fairer Economy Plan.

Those Out of Work

While economic inactivity (those not actively seeking work) has fallen in Westminster over the last 2 years (down from 38% to 26.5%), it is still higher than across London (20.8%) and Great Britain (21.6%).[33] The biggest drivers of economic inactivity in recent years have been retirement and long-term sickness.[34] Notably, the number of people economically inactive because of long-term sickness has significantly risen since the start of the COVID-19) pandemic – and this is something not unique to Westminster, and also seems to be partly driven by a reduction of those in receipt of unemployment benefits and actively seeking work (3.1% for the year ending March 2023, down from 4.9% in the year ending in March 2022). Economic inactivity is also concentred in low-income households. One-in-three adults in the poorest tenth of households have a disability, compared to fewer than one-in-ten adults among the richest families.[35] In 2022, the percentage of workless households

[30] WCC, 2021
[31] Munro A., Allen J., and Marmot M., 2023
[32] IFS, 2023
[33] ONS, 2024a
[34] ONS, 2022
[35] O El Dessouky & C McCurdy, 2023

was higher in Westminster, at 14.9%, than in London and Great Britain, at 11.9% and 13.9%, respectively.[36]

Earnings

Westminster residents are overrepresented in higher-paying occupations and industries, such as managerial and professional occupations and the financial, IT, and real estate sectors, compared to London, England and Wales. As a result, full-time workers in Westminster earn, on average[37], £906 in gross weekly pay. This is 7 percent above the London average of £839, and 25 percent above the Great Britain average of £683.[38]

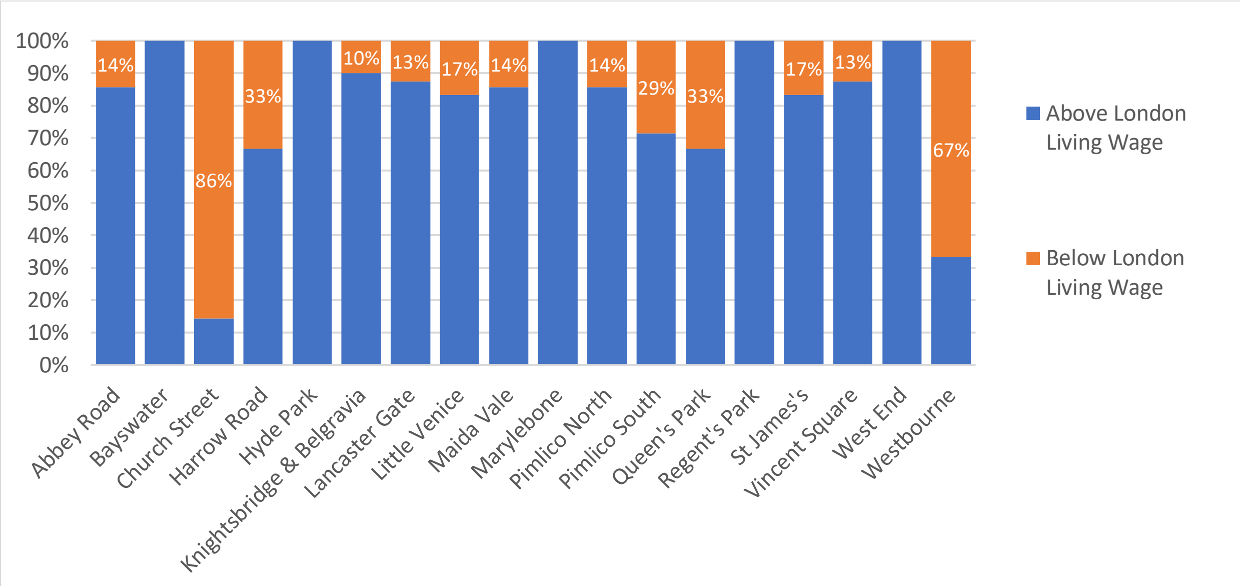
Despite the relative affluence of Westminster, a significant proportion of residents work in lower-paid occupations and in industries that struggled during the pandemic. Around 6% of residents work in elementary occupations (for example, building caretakers, cleaners, or telephone salespeople) and around 23% work in hospitality, retail, and the arts industries. These three industries particularly struggled during the pandemic and are now facing other challenges, including supply issues, and rising costs.

Further, the share of Westminster residents who earn below the London Living Wage is below the London equivalent and has fallen by 3.3 percentage points over 2018-2022. This fall has, however, been slower than at the London level, leading to the gap between Westminster and London closing over time.[39]

While over 90% of Westminster residents earn above the London Living Wage, certain wards experience starkly different outcomes. Notably, 86% of Church Street, and 67% of Westbourne, residents earn less than the 2022 London Living Wage.[40] This issue is exacerbated by the relatively high living (especially housing) costs in Westminster, as well as by recent inflationary pressures, which have significantly eroded real wages.

[36] Nomis, 2023
[37] Defined as median.
[38] ONS, 2023
[39] Ibid.
[40] CACI Paycheck, 2022

Figure 7: Percentage of People Earning Below the London Living Wage by Ward, 2022



Source: CACI Paycheck, 2022

In recent months, post-pandemic pay growth in the finance and business services sector has benefited high earners locally (6% of Westminster residents work in these sectors). Conversely, this further increases disparities in Westminster's pay distribution, as middle earners in London have seen little pay growth.[41]

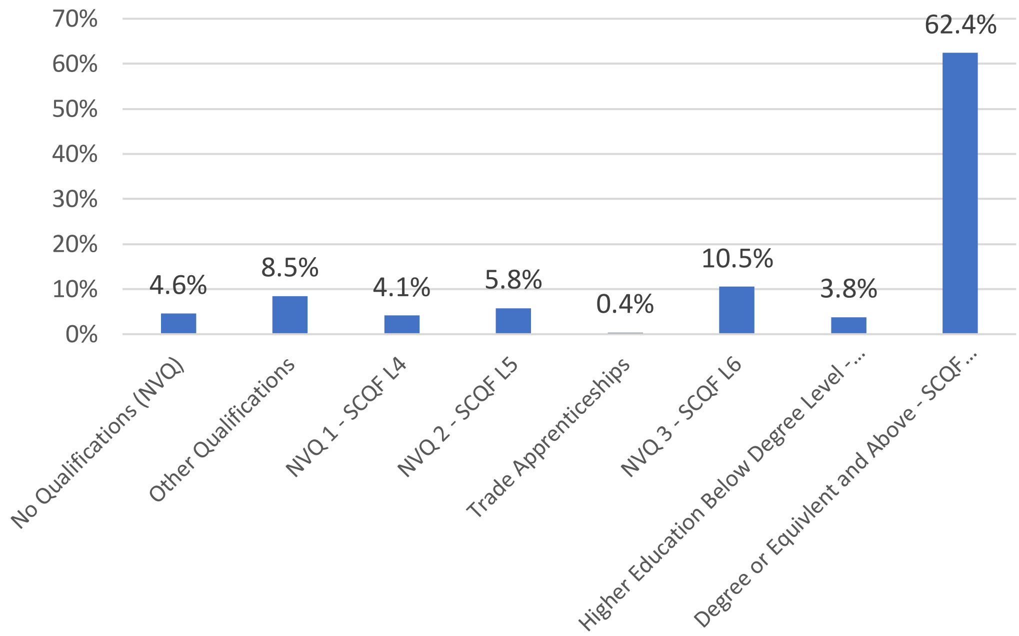
Furthermore, Westminster residents grapple with a disproportionately elevated house price-to-income ratio. Westminster is one of the most expensive boroughs in London, with average rental prices of around £2,700 per month. This housing cost burden (through both mortgage payments and rental costs) erodes a substantial portion of disposable incomes, which risks driving residents further into financial hardship.

Skills

Education and skills also vary widely across the borough. Looking at educational attainment, Westminster residents are, on average, more highly educated than those in the rest of the UK. In particular, around 62% of Westminster residents possess a degree or equivalent and above SCQF L9[42] - 29% above the national average, and almost 4% hold a higher education below degree level SCQF L7-8[43] - 4% below the national average. Notably, however, educational attainment varies significantly by Westminster ward, with certain wards, like Church Street, having over 25% of residents with no formal skills (Census 2021).

[41] IFC, 2023
[42] Examples of qualifications at SCQF Level 9 includes Bachelors/Ordinary Degrees, Graduate Diplomas, Graduate Certificates, Graduate or Technical Apprenticeships.
[43] Level 7 is equivalent to an Advanced Higher, Higher National Certificate, or first year of a degree programme. Level 8 is equivalent to a Higher National Diploma, Advanced Diploma.

Figure 8: Educational Attainment, 2021



Source: Census, 2021

Vacancies and unemployment often co-exist in labour markets, as a result of structural factors such as a mismatch between skills sought and supplied, and market frictions (e.g.: mismatched wage expectations, slow response times, imperfect information about job availability). Additionally, high barriers to work, in-work progression and training risk leaving people behind, unable to access and benefit from the economic opportunities within the borough. Over the past decade, there has been an increase in the number of children taking up free school meals, despite a concurrent fall in the overall number of families with dependent children. Inequality is directly associated with lower educational attainment: inner London children completing Key Stage 4 in 2022 who also claimed free school meals were 12.4 percentage points less likely to gain Level 3 qualifications (equivalent to A levels) than their peers. This is likely to be a driver of higher unemployment rates in some of the wards. Around 6.1% of 16–24-year-olds in Westbourne are unemployed, compared to 2.6% in Marylebone (even excluding full-time students), which translates into lower earnings. It is notable that children who claim Free School Meals have lower incomes throughout their working lives compared to their peers, even if they have the same educational attainment.[44]

Ensuring that people have access to good employment will be key to reducing poverty. Consequently, activities designed to provide employment opportunities for all is a key part of Westminster's Fairer Economy Plan.

[44] ONS, 2022

3. Economic Landscape: Global Events and Forces at Play

Like the UK as a whole, Westminster has not escaped the bruising economic effects of the last decade. The events and changes of recent times – including the COVID-19 pandemic and related lockdowns, Brexit, supply-chain disruptions, inflation, and the cost-of-living crisis – all of which have put strain on parts of the Westminster economy. This risks widening the significant existing spatial disparities between affluent and deprived areas of the city. However, amidst these challenges, there are also opportunities for innovative solutions and policies to address these disparities, potentially fostering greater social cohesion and inclusivity.

The Covid-19 Pandemic

Covid-19 restrictions had a particularly marked effect on central London and the West End. Visitor numbers plummeted, not even reaching 50% of normal levels during the 2020 reopening, as West End and City office employees stayed at home, and international and domestic visitor numbers fell to near zero.[45] The lack of visitors and frequent lockdowns left West End businesses vulnerable. Analysis conducted by the New West End Company and the Brompton Road Partnership[46] estimates that turnover in the West End and Knightsbridge fell by over 80%, from £10bn in 2019 to under £2bn.[47]

Numbers have since rebounded, although they remain significantly below pre-Covid levels. According to BT's latest data, in December 2023, footfall in Westminster was almost 16% higher than in December 2022. This was largely driven by visitor footfall (Figure 9).[48] Similarly, at the national level, recovery of visits and spend remained below pre-pandemic levels. VisitBritain's estimate for 2023 is 37.8 million inbound visits to the UK with £31.7 billion spent, both representing around 92% of the 2019 levels. [49] The latest official ONS data shows average visitor spending in 2023 of £817 per visit, which is higher than the £684 estimate in 2019, with visitors also staying longer (7.3 nights) compared to 2019 (6.4 nights). In the future, we may expect inbound visits to the UK to continue to recover to pre-pandemic levels, driving footfall up. The inbound forecast for 2024 is 39.5 million visits, up by 5% compared to 2023 figures, yet still 3% shy of 2019 levels.[50]

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[45] UK Parliament Committees, 2021

[46] New West End Company and the Brompton Road Partnership represent businesses in the two International Centres designated in the London Plan (The West End and Knightsbridge). New West End Company is the Business Improvement District for London's West End, with over 600 retail, hospitality, and property companies as members in a district which incorporates Oxford Street, Bond Street and Regent Street. The Brompton Road Partnership is a new voluntary group of businesses in the Knightsbridge International Centre.

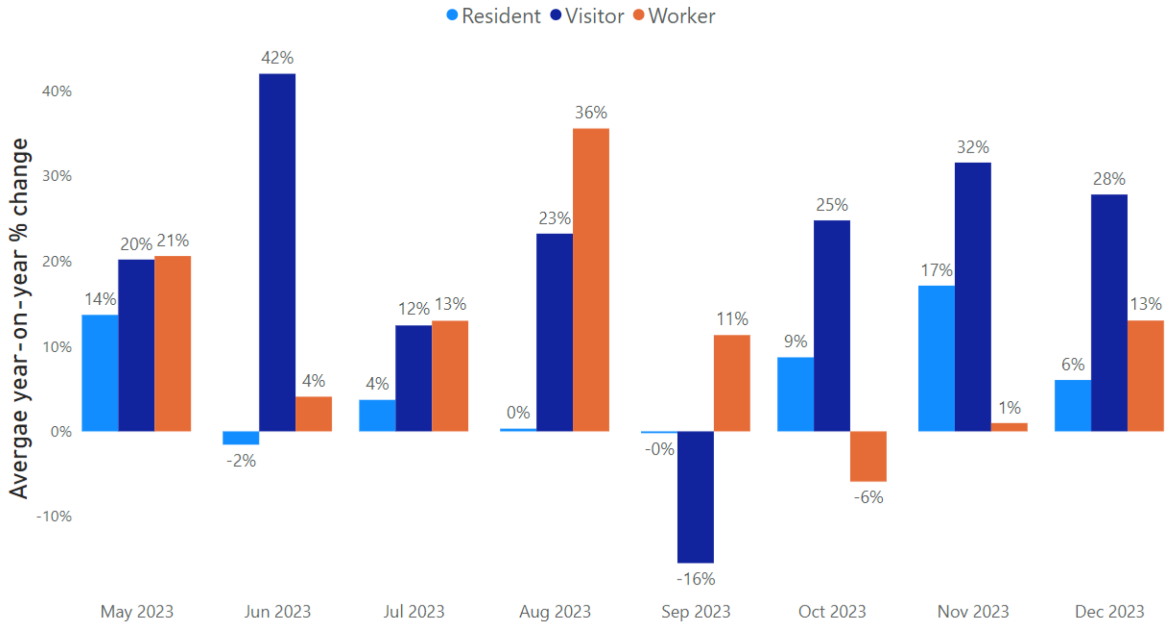
[47] UK Parliament Committees, 2021

[48] These figures exclude international visitors.

[49] The figure accounts for inflation.

[50] Visit Britain, 2024

Figure 9: Average year-on-year changes in footfall across Westminster between May – Oct 2023



Source: BT's Geolocated Mobile Network Data (GeoMND), 2023

Post-pandemic, visitors are also using the West End differently: footfall is returning to 2019 levels at evenings and weekends but is still depressed during the day and mid-week due to long-term alterations in working and travel patterns. Many retailers report an additional challenge presented by the lack of tax-free shopping, which places luxury retailers in the West End at a competitive disadvantage compared to other global retail centres.

Against the context of continuously changing consumer habits and current economic conditions, our local high streets will continue to face a challenge to remain a destination of choice for locals, visitors, and workers. The COVID-19 pandemic exacerbated long-term trends such as the decline of bricks-and-mortar retailers - online sales are expected to account for more than 50% of spending over the next 10 years (Retail Economics, 2019)- and the rise of agile working.

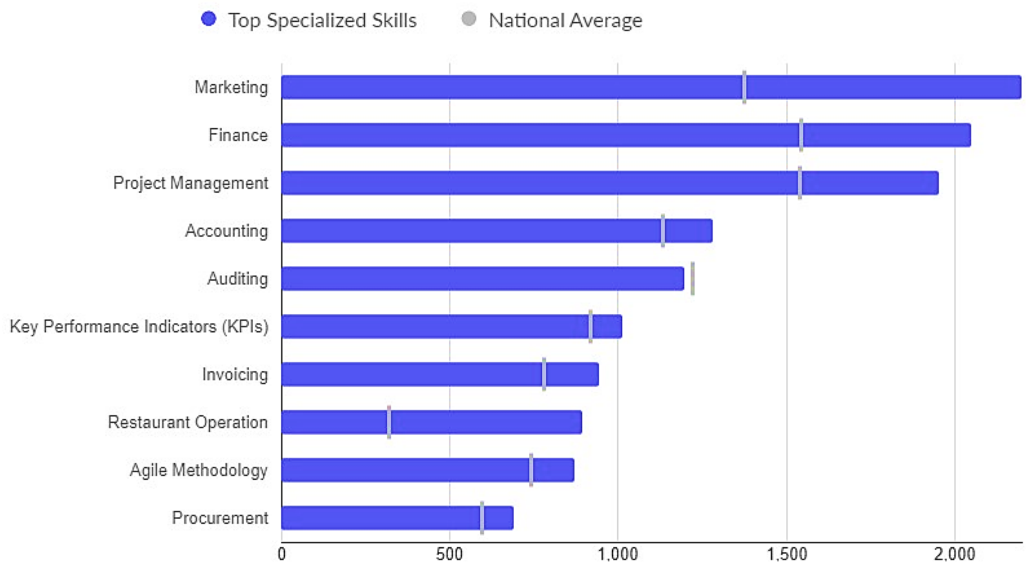
Brexit and Supply Chains Disruptions

The reverberations of the UK's departure from the EU have further compounded the challenges faced by businesses on our high streets. Many businesses are facing rising costs and supply disruptions, and a lack of skills and resources needed to thrive in an evolving landscape. According to the London Skills Survey (Oct 2022) two thirds of the London businesses surveyed reported struggling with skill shortages. Twenty-four per cent of businesses cited the lack of suitably skilled candidates in the job market as a barrier to meeting skills needs.

Mirroring these results, vacancies in Westminster rose dramatically near the end of 2021, with certain local industries facing particularly acute recruitment challenges: firms in the restaurant trade, healthcare, and teaching are expending relatively high "recruitment effort", as measured by the number of times a single role is advertised simultaneously on different platforms.[51]

Furthermore, data from online job postings (which draw disproportionately on professional occupations) during Jan-March 2022 highlights a number of potential skills mismatches even within the market for highly skilled roles: e.g. there is strong demand for marketing, finance, project management, accounting, auditing, and restaurant operations in job postings, but a lower frequency of such skills recorded in the profiles of local jobseekers. A potential driver of skills mismatch is the fact that structural changes in the economy (e.g. technology, changing patterns of consumption) alter the types of skills most in demand, while it takes longer for jobseekers to align their skills with such shifts in employer needs.

Figure 10: In-Demand Skills across Westminster



Source: Lightcast, 2023

The scale of this challenge is one of the reasons that 'Providing Employment Opportunities for All' is one of the three pillars of Westminster's Plan for a Fairer Economy. The Plan includes a range of short-term and longer-term initiatives that involve working with partners to increase skills, provide support and guidance, and remove barriers to employment.

Inflation and the Cost-of-Living Crisis

The Covid-19 pandemic likely reduced the financial resilience of many vulnerable residents and has closely been followed by a period of high inflation rates. The Consumer Price Index (CPI) rose by 3.9% in the 12 months to November 2023, down from 4.6% in October and a 41-year high of 11.1% in October 2022.[52]

In particular, over the two years from October 2021 to October 2023, food prices rose sharply, by 28.0%. UK food and non-alcoholic drink prices were 10.1% higher in October 2023

[51] Lightcast, 2023
[52] ONS, 2024b

than in the previous year, based on the CPI measure of inflation.[53] Wholesale prices for gas and electricity also reached new record highs in the UK and have not returned to their earlier levels. Under the October-December 2023 direct debit price cap, the average annual bill for typical gas and electricity consumption is £1,834. This is below the £2,380 level under the Energy Price Guarantee from October 2022 to June 2023, but 51% higher than in Winter 2021/22.[54]

Consequently, the use of foodbanks and the number of households in fuel poverty have both increased. Around 4 in 10 energy bill-payers said they were struggling to afford payments in January 2024, and 44% of adults in Great Britain are using less fuel, such as gas or electricity, in their homes because of the rising cost of living. Food bank charities are reporting an increase in demand: the Trussell Trust reported that, between April and September 2023, they provided 1.5 million emergency food parcels, a record high for this period and a 16% increase from the same period in 2022. [55] Similarly, the Office for Budget Responsibility forecasted that living standards, as measured by real household disposable income (RHDI) per person will be 3.5% lower in 2024-25 compared to pre-pandemic levels.[56]

Additionally, the Bank of England has raised base interest rates at fourteen consecutive policy meetings, from 0.1% in December 2021 to 5.25% in August 2023, to try to combat inflation. However, at its November and December 2023 meetings, the Bank of England's Monetary Policy Committee left interest rates unchanged at 5.25%.[57] High rates have led to higher borrowing costs for households, including mortgages and other loans, putting a further strain on household budgets. The Resolution Foundation estimates that, by the end of 2026, almost all British households with a mortgage (7.5m) will have moved on to a higher rate, with annual mortgage bills that are £2,000 higher on average compared to December 2021.[58]

In Westminster, only 12% of occupied properties in the Census were categorised as shared ownership/mortgaged, which is the lowest percentage of any lower-tier authority in the UK. Even though a smaller proportion of households are likely to be directly impacted by mortgage rate increases, increases in interest rates can feed through to higher rents. Private rents have reached record highs, rising by 6.2% (ONS provisional estimate) in the year to December 2023.[59] Rising housing costs are a significant factor in driving financial hardship and homelessness. Research by StepChange finds that private renters are twice as likely to be in problem debt than the general population, with the number of renters in problem debt rising by 300,000 from January to May 2023.[60]

Over this period of historically high inflation, the impact on resident households has been challenging, with some groups being more harshly affected by the rise in prices as they spend greater shares of their income on fuel and food. The council's cost-of-living strategy

[53] Bank of England, 2023a
[54] UK Parliament, 2024
[55] The Trussel Trust, 2023
[56] ORB, 2024
[57] Bank of England, 2023b
[58] Pittaway S., 2023
[59] ONS, 2024c
[60] Step Change, 2023

estimates that around 31,000 households are acutely vulnerable to the cost-of-living crisis, drawing particular attention to single people in and out of work, families with children, pensioners, and those with disabilities.

Climate Emergency

As across the whole country, Westminster faces the imperative to address sustainability and mitigate the impact of climate change. Recognising that climate sustainability is critical to the resilience of our city, the Council aims to become a net-zero Council by 2030 and a net-zero borough by 2040. Nevertheless, Westminster is subject to some of the highest emissions and air pollution in the UK. Buildings (especially of the non-residential kind) are responsible for 86% of Westminster's emissions, and many older buildings in the West End create energy efficiency challenges, which is both a cost and an environmental issue. As such it is imperative to support and encourage businesses to move to environmentally friendly practices, reduce carbon emissions, and contribute to the overall resilience and sustainability of the area.

This challenge is expected to create many opportunities for both businesses and individuals in Westminster. It is estimated that there were 1.5m jobs in occupations affected by greening in London in 2019, over a quarter (28%) of all jobs in the capital. The rate of job growth in occupations affected by greening was higher than for non-green occupations in the years leading up to the COVID-19 pandemic. The number of jobs in green occupations increased by 4.1% per year from 2015 to 2019, against an average of 0.6% in non-green occupations.[61] The transition to a greener economy will have wide-ranging and variable impacts on skills and training requirements. Workers in a range of occupations will need to carry out new or enhanced green tasks, with implications for education provision and workforce training.

Current Economic Outlook and The Way Forward

The London and Westminster economies continue to enjoy significant advantages over many other cities and places in the UK, including high rates of innovation as captured by the high rate of business start-ups in new sectors. However, there are a lot of negative forces currently at play across the economy.

The London economy has grown little recently, and growth is expected to remain weak in 2024 (1%) and 2025 (GLA Economics). Further, productivity remains a problem in London, whose economy grew just 0.3% per annum between 2010-2021, which is lower than the national average of 0.6% and, more significantly, below its long-term trend.

London's low productivity levels were caused in part by a major expansion of jobs (29% between 2010-2022), which resulted in more employment in lower-skilled jobs and not the 'good jobs' the economy needs. The most recent jobs data has seen a decline in employment levels, and now the story is more about how a lack of skills is stymying London's economy. Across London, 'skill shortages' are increasingly cited as a reason for

[61] Rocks C., 2022

listing job vacancies – increasing from 21% to 32% between 2019 and 2022 – and there are very significant worker shortages in manufacturing, hotels and restaurants and the arts sector.[62]

Poverty and inequality have also been rising in London. For example, the large increase in lower-skilled jobs has contributed to an increase in the share of children living in relative poverty in London (2.3% Centre for Cities), with 'in work' households an increasing share of this group (up 8.9 percentage points as a share of all households in poverty). Furthermore, the richest 10% of households in London now have a disposable income (after housing costs) that is ten times more than the poorest 10% households – this disparity is double that experienced by the rest of the country. This increasing disparity will be a drag on the ability of the economy to grow. Furthermore, while London has seen falling house prices over 2023 (against a trend of house price growth in many other regions), this has not yet translated into falling rents, and while the rate of growth in average asking rents is starting to slow, they are still increasing. As a result, rents on new tenancies in London now account for 38.8% of tenant incomes, a rise of close to 4 percentage points year-on-year since October 2022[63].

Finally, the general macro position of the UK remains challenging. The UK tax take is around its highest level since the 1940s, despite the recent national insurance cut, while the central government is expected to make significant spending cuts over the next few years, and investment levels in the UK compared to similar economies are low. Furthermore, some elements of core inflation, which affect the essential goods bought by the poorest households, remain stubbornly high.

It is against this backdrop that we have developed the Fairer Economy Plan for Westminster, and this report and its implications will feed into further refreshes of this plan.

[62] DfE, 2023
[63] GLA Housing and Land, 2023

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