Industry Cluster Analysis

A report by Lightcast for BIG South London

Executive summary

Located close to the heart of London's economy, the South London Partnership (SLP) sub-region is ideally placed to attract people and businesses. Its working age population of approximately 1 million people tends to be younger and more diverse than the national average and the area has historically outperformed the national average in terms of employment and earnings, though it is yet to fully recover from the economic impact of the pandemic.

The economy of the South London Partnership area is particularly skewed towards local services activities. These are activities such as health and education as well as retail that aim at serving the demand of the people living in an area. They tend to be labour intensive, however, they are less likely to generate growth and innovation. In contrast, the SLP area tends to have fewer jobs in tradable activities, such as professional services or manufacturing. This matters as these activities tend to be the ones that generate and attract growth and innovation in a local economy. The fact that the area has fewer of these jobs is reflective of the way economy activity is distributed across the capital with most of the high-skilled, knowledge intensive jobs locating in the city centre while people live in the outer boroughs.

The findings from the cluster analysis carried out in this report closely mirror these trends in local services v tradable activities: many of the strengths of the SLP area are in local services clusters, particularly healthcare. The large presence of local services, combined with their projected growth nationally, means the SLP area is in a position of strength when it comes to local services, and this is true both at a pan-SLP level and at an individual borough level.

A number of tradable clusters, such as professional services, life sciences, creative and digital present areas of opportunities for the SLP area. These clusters do not yet have a large local presence, but positive growth projections nationally suggest the SLP could benefit from growing its local presence in these clusters. However, unlike local services activities which are evenly spread out across boroughs within the sub-region, tradable clusters tend to be highly-concentrated in very local areas.

TABLE A: Top three tradable and local services clusters by location quotient[1] for each borough

Tradeable Clusters (LQ)						
	Croydon	**Kingston**	**Merton**	**Richmond**	**Sutton**	**Wandsworth**
1	Passenger transport (3.1)	Downstream chemical (2.4)	Passenger transport (2.9)	Creative (2.5)	Printing and publishing (1.1)	Creative (1.8)
2	Civil engineering (1.3)	Education and knowledge creation (1.7)	Government (1.4)	Professional services (1.8)	Professional services (1)	Civil engineering (1.3)
3	Investment and insurance (1.3)	Maritime (1.6)	Professional services (1.3)	Precision technology (1.8)	Downstream chemical (0.95)	Professional services (1.3)
Local Services Clusters (LQ)						
	Croydon	**Kingston**	**Merton**	**Richmond**	**Sutton**	**Wandsworth**
1	Government services (2.7)	Retail (2.1)	Local transport (3.2)	Sports and leisure (1.8)	Local transport (2.6)	Health and care (1.9)
2	Household goods and services (1.6)	Household goods and services (1.5)	Commercial services (1.6)	Personal services (1.8)	Building services (2)	Local transport (1.9)
3	Personal services (1.4)	Personal services (1.4)	Food and drink services (1.6)	Education and childcare (1.6)	Health and care (1.7)	Food and drink retail (1.5)

Building on the cluster analysis, BIG South London, in consultation with stakeholders, selected four clusters for deep dive analysis and focus groups: healthcare, life sciences, the creative cluster and a construction and built-in environment super cluster created specifically for this research. These clusters were chosen for the different roles they play, and level of development they are at, in the SLP sub-region, as well as for their potential for growth and job creation. Each cluster has its own unique strengths and challenges, meaning they need their own tailored solutions to grow and succeed.

As the largest cluster in the area and one of the clusters with the highest local presence and job concentration both at the pan-SLP area level and at the individual borough level, the **Healthcare cluster** is the most advanced of the clusters analysed in the deep dive. The cluster is projected to continue to grow locally and nationally up to 2030, a point of strength for the SLP area. While the data points in a strong direction for this cluster, the focus group highlighted workforce, recruitment and skills as particular challenges that need to be addressed to ensure the long-term success of the cluster.

[1] The location quotient is a measure of the relative concentration of activity in a specific cluster compared to the national average. A value above 1 means the area has more jobs in the cluster than the national average.

Having a high local presence and with growth projected nationally, the **Creative cluster** is potentially another area of strength for the SLP sub-region, provided jobs will continue to grow locally. The cluster includes a wide range of activities related to arts, publishing and production, and the area is particularly strong in advertising and market research. Activity in the creative cluster is not evenly distributed across boroughs but rather concentrates in Wandsworth and Richmond and in other South London boroughs closer to the centre of London, suggesting the SLP creative cluster could benefit from collaboration with other South London boroughs. However, as highlighted by the focus group, it is harder to systematically engage businesses in the Creative Cluster due to the large presence of micro businesses and high level of self-employment.

As a tradable cluster with growth projected to continue on a positive trend at the national level, the **Life Sciences cluster** presents an opportunity for the SLP sub-region, provided there is continued job growth locally. Due to its high-skill, knowledge intensive nature, this cluster presents opportunities for the area that can spill over from the cluster and benefit the wider economy in the sub-region. The main challenge for this cluster at the pan SLP level is its highly-concentrated nature. Of all the clusters analysed in the deep dives, Life Sciences has the largest disparities between boroughs, with existing activity particularly concentrated in Richmond and Kingston and a very small presence in all the other boroughs.

Lastly, the **Construction and the Built Environment super cluster** is an 'ad-hoc' cluster specifically created by BIG South London to look at the breath of activities in this space in the SLP sub-region, from building services to property development. Within this super cluster, the SLP area has a particular strength in Civil Engineering, however, while projections suggest the cluster will continue to grow nationally, if trends continue as they have been in the past, the cluster is projected to decline locally, with a knock-on negative effect on the wider economy. Given the breath of activities and stakeholders included in the cluster, greater collaboration at the pan-SLP level may be needed to maximise the potential of current activities and turn this cluster into an opportunity for the region.

TABLE B: Summary of key findings for each cluster deep dive

Deep Dive Cluster	Health & Care	Life Sciences	Creative	Construction & BE
Cluster Classification	**Strength**	*Opportunity*	**Strength**	*Opportunity*
Cluster 'Good' for	**Job Creation**	*Innovation*	*Innovation*	*Innovation* & **Job Creation**
No. of Jobs	74,000 (high)	9,500 (medium)	8,800 (medium)	40,000 (high)
'Do Nothing' Scenario (projections to 2030)	+20% 2020-2030 +17,000 overall jobs	+1% 2020-2030 +150 overall jobs	-7% 2020-2030 -950 overall jobs	-7% 2020-2030 -5,600 overall jobs
LQ at SLP Area	1.20 (high)	0.81 (average)	1.25 (high)	0.95 (average)
LQ Borough Presence	Wandsworth, Sutton, Kingston, and Croydon	Richmond, Kingston, and Wandsworth	Richmond, Wandsworth, Merton, and Kingston	Croydon, Wandsworth, and Sutton
Wider South London LQ Density/Connectivity	Southwark and Lambeth	Southwark and Lambeth	Southwark and Lambeth	Southwark and Bromley
Main Challenge	Workforce, skills, and recruitment	Cluster very localised and relatively small	Hard to reach (micro) businesses/sector diversity	Breadth and diversity of the cluster (large vs. SME)
Examples of Existing Strategic Growth & Investment Site Opportunities	The London Cancer Hub (Sutton) Roehampton University (Wandsworth)	The London Cancer Hub (Sutton) St. George's (Wandsworth)	Creative Enterprise Zone (Croydon) Battersea Design and Tech Quarter (Wandsworth) Twickenham Studios (Richmond)	Eden Campus (Kingston) The London Cancer Hub (Sutton) RuTC Stem Centre (Richmond)

The findings presented in this report as well as future projections have been produced by Lightcast. These projections are based on the assumption that future trends will continue in line with past trends and were included in the research to provide the reader with a baseline scenario of what may happen to each cluster going forward. In practice, a number of strategic developments are already underway in the area, such as the London Cancer Hub in Sutton and the Creative Enterprise Zone in Croydon and these are likely to affect the direction of travel and speed of development for the respective cluster.

To reflect on the work already underway on the ground and start mapping out future plan, BIG South London has started to use Lightcast research findings to produce a set of recommendations for next steps.