

## **Dialogue I: Liveability of London**

*Summary of an event held under the Chatham House Rule on 9 May 2016 at St Paul's Chapter House*

The overall objective of the Dialogues programme is to give senior City figures a safe place to talk where we can look at subjects from new perspectives. We hope that this will build interest and support both for the Institute and the wider life of the Cathedral.

The theme this evening – the Liveability of London – is part of a series of four events devoted to this city. The first was called 'A Shared Vision for London' which was held on the 19<sup>th</sup> of April, followed by a survey. This helped inform our views on key priorities, as did a recent Clergy Learning Day. Last of all will be an event on resilient cities in September around the anniversary of the Great Fire. The issues highlighted at these events, alongside the survey results, will go to the new Mayor of London, as well as being published on our website.

There is much positive about London. Here are just some of the city's strengths:

- Unprecedentedly international city,
- Laboratory of what the coming world could be like – if we find ways of living cohesively.
- A place where strangers interact and ideas circulate with a velocity otherwise impossible, with new ways of working remotely and digitally;
- Vibrant mix where culture, business and politics meet with a great diversity of people;
- London is a global city, where people can feel at home very quickly. It is fantastic in terms of job opportunities, amenities, culture, sport, education.
- It is the greenest major city in the world in terms of open space, and one of the least densely occupied.

But London also has many challenges, including:

### **Housing**

*There was a significant difference of opinion on this subject which this summary reflects*

- Building communities is rather different from simply providing residential units.
- Housing was at the top of everybody's agenda during the mayoral campaign but the candidates' ideas were remarkably similar.
- The recent Housing Bill: poor legislation with a disconcerting concept of affordability.
- The market has done precisely what the policy makers have told it to do. The policy makers have encouraged demand but subsidies have constrained supply.
- The city attracts bright, young people in their 20s but loses them in their 30s when they want a family and housing becomes unaffordable.
- We need to produce more affordable housing for everybody – i.e. more housing across the board. Most people will never qualify for subsidised housing, for example those paid £25,000/£35,000.
- Housing needs to be looked at more radically: higher density, consideration of the green belt (just do the golf courses?) Most of the green belt is not green, and most greenery is not in the green belt.
- Take housing out of the political spectrum. Housing developers want clarity. They were told to build housing, they built housing and then they get their hands slapped for making profits.
- Affordability and viability reports, that cost fortunes to develop and which planners don't understand, are an issue. We need a fixed number or a fixed percentage for affordable housing. Every day that we delay, we are creating a larger problem for the next generation to solve.

- Regulatory capture is a significant issue.
- Housing markets are one of the chief mechanisms by which central banks transmit monetary policy. They are re-priming the housing market in order to up aggregate demand and pull the economy out of a recession. The consequence of that is a great deal of housing price instability.
- The countries with highest aggregate home ownership rate in 2004 were the slowest to recover from and had the deepest financial crisis. Is home ownership actually the solution to the housing crisis? Home ownership has a downside, particularly for low-income people who need housing as it limits spend on other essential such as food and clothing. At the same time, it may not be economically desirable for young people who may change jobs several times before they get established to be committed to a mortgage. Alternatives to home ownership need to be taken seriously, particularly because social housing in this country has become almost a bad word.
- If you were advising people about their personal finances, their life, work and savings, you wouldn't encourage them concentrate so much of their income in a commitment to funding one single asset. It's not good financial advice.
- Insist on mixed tenure. Otherwise organisations will be funding work within less than a generation in those areas, which have then turned into ghettos.

### **Income and Wealth Inequality**

- A graduate who comes out in the trough of a bubble that has been exacerbated by housing markets will earn 30% less over the course of their working life than somebody who comes out at the peak. That's magnified by the fact that they can't get on the housing ladder, or if they do get on the housing ladder and the bubble bursts they end up underwater on their mortgages and unable to move. That further restricts their labour market options.
- We span 3x the EU average income in London, to having Cornwall and parts of South Wales under 75% of the EU average; which qualifies a region as one of the poorest areas in need of EU aid.
- The difference between some London boroughs and wards, richest and poorest, is as extreme as between the poorest areas of the country and London. It is important to disaggregate and look at inequality statistics at the ward level.
- 30% of the London population are currently living at less than £20,000 a year.
- 600,000 young people in London live below the poverty line.
- In many ways, we are seeing a return to the nineteenth century in terms of income and wealth inequality. However, it is not the case with respect to housing – for most of the nineteenth century – housing took up 15-20% of a working class household income. Food, on the other hand, took up 80%. In a period in which population was rising in this country from eight million people to 20 million (in 1848), people were nevertheless able to find cheap housing. Food, however, was more difficult to find. Today, it's just the opposite. Young people in London trying to start families end up spending up to 75-80% of their take home income on housing and just 10% on food and entertainment, if that.
- Childcare costs in London are also particularly and restrictively high.

### **Employability & Social Cohesion**

- There is a deep suspicion of London and some hostility from the rest of the country. People feel that the capital of our country is not really like the rest of the country. Global megacities are becoming detached from the countries around them.
- London will potentially see a hollowing out, as effectively the middle-band of employees disappears because those jobs won't exist. Who will do the more menial work – unless you are going to robotics – and actually how do you create a society?
- At one level, mid-career employees can be satisfied with the progression they have made and the financial reward on a peer group benchmark basis. Then they look at what they've actually got

for it, and find that they are paying the vast majority of their money in rent and are not having that great a life. Many people experience a sort of cognitive dissonance around their lifestyle, impacting their morale and state of mind.

- The whole fabric of society is changing, and we're seeing it in terms of co-working. Some of the best parts of London are where people are collaborating in these spaces. Are we consciously experimenting here, or are we just allowing market forces to dictate?
- We're seeing more stresses with mental health issues in young people. If you feel that you are never going to get out of the sinking environments, where is your escape route and how does it fit society? If we are going to move forward, we need to be improving everybody's situation.
- There is a very serious decrease in social mobility in some industries. What is expected in terms of entry-level qualifications and experience is only realistically available from a moneyed background. Housing problems further inhibit social mobility.
- A lot of organisations, not just in finance, are now focused on internships. You can only do an internship if you've got someone to stay with, because you can't afford the rent, and in the worst instances interns are expected to work for free.
- The composition of key London university faculties is becoming less diverse socioeconomically, and more diverse otherwise in the sense of pulling faculty from all over the world to London to work in mid or late career positions. Many of our PhD students and Post-Docs are saying there is no way they can afford to take a job in academia.

## Transport & Infrastructure

- There is a connection between the housing problem and the transport problem. Coming into London is exhausting for anyone who lives outside and has to commute. London is a victim of its own success in this respect, as there is a great premium to being close to all the things that everyone loves. Do we go to forced planning of decentralisation without actual transport links to make that possible? There is a striking difference between London and continental European cities in this regard.
- The Municipality of Rome made the decision decades ago to offer free/cheap buses to its citizens in order to get cars off the road. The cost of transportation there is not keeping anybody from a job whereas, in metropolitan London, studies show that the first 90 minutes of a person on the living wage is spent recovering the cost of travel. Incentivising employers to subsidise transport should be considered.
- Build a runway, anywhere...preferably two.
- Delivering infrastructure is difficult, because when you take a decision about spatial rebalancing such as growing the north of England with a high speed rail link, or supporting London with an additional runway, you are making decisions about the common good that have specific and clear local impact.

## The Role of Business

- There's a fundamental question to be asked about returns. Organisations make huge returns but sometimes our expectations of returns are unrealistic, and at what price socially and nationally? If people are laid off to make a business more efficient, what's the cost of that? Who pays for it? What happens to those communities?
- Appropriate rates of return: If we want to invest in something that will have a social and financial return, as an organisation, what should we be expecting as returns? When a private equity firm gets in and buys something, it's probably going to asset strip it and lay off a lot of people. What's the net return as a consequence? The benchmark that we use on expectations of returns doesn't make sense, particularly when interest rates are virtually negative.

**Ideas:**

- A festal calendar for the whole of London. Develop a round of celebrations which are accessible to all and build up a sense of being a Londoner which transcends all ethnicities. Such a calendar could recognise parts of London beyond the centre.
- The idea of being a Londoner is interesting to explore, whether one can create/recreate the concept of 'I'm a Londoner'. Partly a public relations exercise, but also the bringing together and building of an identity. At a time when nationalist politics takes us in one direction and the information age takes us in another, many don't really know who they are anymore.
- We subsidise wealthier elderly with free travel while young people on their first jobs can't afford the full fare they're charged. The equivalent of a youth railcard that makes at least the bus network, and possibly the tube network, nearly free would be extremely helpful.
- Land itself should be in the common good, in the commons. What you should be able to own privately is the right to build on it, to develop it and to occupy it for a period of time. The planning gain should accrue to the public. As an example, if the value of land increase along the Jubilee line extension is greater than the public cost of building it, should all that private gain go into private pockets because residential land is untaxed?
- Why does public land need to be sold? Can't there be an alternative use in ownership so that building is available, but not the land? Local authorities and statutory agencies could do that.
- We need more courageous leaders and they need backing and support. Many businesses won't allow their staff to get involved in local politics.
- We need a champion in policy. There's a void which is causing a lot of the problems.
- It takes generations to make a community but it can be destroyed overnight. If we want to be part of London we have to be, and feel, as if we are part of London. That takes engagement.
- Covenanting land to ensure delivery over a shorter time frame – which might have an impact on land value, but it would certainly be in the public good. We should think more about the public sector take on delivery partners and deliver a private rental stock. For example, selling the income to an institution on a twenty-year basis and then taking it back...or retaining the freehold to the land, covenanting what arrives there to impact on value and then managing it in the longer term in the same way that great estates did for central London.
- Educate the public and bring people into the discussion in a less binary, less oppositional way so that we can actually overcome some of these hurdles and people can have the confidence to make brave and courageous decisions.
- Pedestrianizing large parts of Zone 1 is a possible solution, particularly because that would make it easier to scale up the bus network and bicycles.
- Listed home builders working in partnerships with the state to produce social infrastructure, for example, Harris academies. The listed builders are actually helping to subsidise the Harris academies, partly because they are building homes in places like Elephant & Castle where there actually haven't been reasonable schools for quite a long time. If they want to sell them to lower or middleclass workers they have got to produce some decent educational provision.
- Mortgages secured only by the value of the property, without recourse to the person who is a mortgage holder. Although not everyone is comfortable with that on an ideological basis, it does do a lot to increase labour market mobility. In the US, if you end up with a house that is \$100,000 under water, and no hope of paying the deficiency at sale, you can at least send the keys back to the bank and move to take a job in an adjacent state where there is employment. It may damage your credit, but it's certainly not the same as being trapped in a house.
- Make childcare tax deductible.
- More power to the mayor and localities and small funds, with a strong preference for reclaiming neighbourhood's funds. Local community associations can be transformative.