

Sources about the likely economic impact of the Olympics 2012 on London

The potential economic impact of hosting the Olympics is very newsworthy, and receives a lot of attention in the press and other media at a local, national and international level. The current economic downturn has placed the issue in even greater focus, as pressure on government spending, and jobs, intensifies. But perhaps it's all too easy to get carried away by the tide of headlines and soundbites and lose sight of the underlying evidence.

This article looks at what is meant by economic impact, how much London 2012 is costing, and draws together a range of sources you can explore which give different views about the likely economic impact on London and the UK more widely. It is intended as an introduction to some of the issues which will stimulate you to explore further. It has been written by Sally Halper, Lead Content Specialist for Business & Management at the British Library, in March 2009.

What is 'economic impact'?

Economic impact is a measure of the spending and employment effects of a specific project - in this case the London 2012 Olympic Games. Usually, effects are generated by capital costs such as spending on construction and transport upgrades, operating costs such as policing and broadcasting, plus spending by tourists, or inward investment or trade.

The total economic impact is the sum of direct, indirect, and induced impacts resulting from the Games. The *direct impact* can be attributed to purchases of Games organisers in the preparation and execution of the Olympic and Paralympic Games. *Indirect impacts* are felt in the goods and service industries that *supply* the industries that receive expenditures by Games organisers. *Induced impacts* are generated from the spending by people employed indirectly or directly by Games expenditures (1).

Evan Davies, the BBC's economics editor, provides one view of how this works in practice (2).

How much is it all costing?

The budget for the London 2012 Olympics is currently £9.35bn, which includes a £2.7bn contingency fund. It has increased fourfold since Britain won the bid in July 2005. £6 billion is coming directly from government (3).

This level of public funding, at a time when public services are coming under increasing pressure as a result of the downturn in the economy, has been the subject of some criticism in the press (see for instance, **London Olympics was a mistake in light of**

recession, Daily Telegraph 12 November 2008). On the other hand, the Government's spending could be seen to stimulate the economy and generate jobs for local people.

What economic benefits are expected?

The government announced in January 2009 that more than 30,000 new jobs will be created between 2009 and 2012 (3, 4). Recent news coverage suggests the construction workforce for the Olympic site is expected to increase to around 6,000 by the end of 2009, despite the economic downturn which is affecting many other parts of the construction industry (5).

In terms of jobs, figures from the Olympic Delivery Authority from September 2008 show that 24% of the 2,701 workers are local residents, 58% are from London, and 9% were previously unemployed (6). However, the ODA's target of 10 to 15% of jobs going to people living in the five 'host' boroughs has been criticised by Diane Abbott MP as 'pitifully unambitious' (7) and the construction workers' union Ucat says the proportion of migrant labour employed on the Olympic site is at least 42% (the average for London) and 'there is a real issue of migrant workers being recruited by employment agencies and then exploited through low pay and excessive working hours' (7). These claims are supported by research by the New Economics Foundation (8).

The London Development Agency and the five 'host' London boroughs (Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest) have set out detailed plans (9) for the regeneration of the area around Stratford and Hackney Wick. The plans cover a 30-year development period after 2012. Other planned benefits include 10,000 new homes, in addition to up to 3,000 in the Olympic village; a National Skills Academy for Sports housed in the Olympic stadium, and a hub for creative and technology-based industries. The London Assembly has also published its own recommendations to help ensure that economic regeneration, skills and employment benefits are felt by people living locally (10)

Outside of London, regional development agencies are involved in skills development work linked to the Games. For instance, the East of England Development Agency (11) is working with the Legacy Trust to encourage unemployed people to take on volunteer roles in culture and sport in the build-up to the 2012 Games. The aim is that volunteers will gain skills and experience which will potentially help them back into paid work. There are also expected to be supply chain opportunities for up to 75,000 businesses across the country to supply goods and services to the Games (12).

Sources that suggest there will be a positive economic impact

The **Olympic Games Impact Study** (OGIS) (1) conducted by consultants PricewaterhouseCoopers for the Department for Culture, Media and Sport in 2005 assessed the net benefits that would arise from hosting the Olympics in 2012 in London. It compared two scenarios, 'with' and 'without' the Olympics. It concluded that London's GDP would increase by £5.9 billion between 2005-2016 if the Games went ahead, with £0.5 billion of this increase taking place in the five North East London boroughs around the Olympics site (Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest). The economic impact for the UK as a whole was estimated to be £1.9 billion.

In terms of when this benefit would be felt, the OGIS suggested that the greatest impact in GDP terms would occur in London during the pre-Games construction period. Whereas, for the UK as a whole, the impact on GDP would be greatest over the period of the Olympics (at around £1.067 billion). These differences reflect the assumption that in the 'with Olympics' scenario resources will be displaced from the rest of the UK to London compared to the 'without Olympics' scenario (during both the pre- and post-event Games periods).

However, according to Owen (13):

Economic impact studies have become standard operating procedure for supporters of public funding for sports teams or events. Their prevalence has led to acceptance of their findings by the public, media, and even academic circles with little or no critical evaluation. Because of the high profile of such events, large (and positive) economic effects are taken as given; the studies confirm what is already believed.' Owen goes on to point out several possible flaws in such studies, including: 'treating costs as benefits, ignoring opportunity costs, using gross spending instead of net changes, and using multipliers that are too large.

Academic studies which suggested that the impact of London 2012 would be positive for London and the UK include Blake (14), whose research was supported with funding and data from the Department of Culture Media and Sport, Greater London Authority and the London Development Agency.

Sources that found a positive economic benefit from hosting previous Olympics

Include:

- Brunet's study (15) of the 1992 Barcelona Olympics
- New South Wales Treasury and University of Tasmania's study of the 2000 Sydney Olympics (16)
- Intervistas Consulting's study of the 2010 Winter Olympics (17)

Sources that suggest a possible negative economic impact

Include:

- A study by the European Tour Operators Association which found that hosting the Olympics did not have a positive effect on tourism in either Greece or Sydney, in fact it had the opposite effect (18)
- Will 2012 deliver promised jobs boost? (7)
- Fool's Gold (8)

Unfortunately, the success of employment initiatives have been somewhat marred by allegations that construction jobs on the new stadium are going to people from outside the UK who are hired via unscrupulous agencies (19).

Conclusion

By setting the expectation of a positive and lasting economic impact, the organisers of London 2012 are setting themselves an ambitious target. Given that just about all of the Olympiads before Sydney in 2000 lost money, as Michael Payne points out in his book, **Olympic Turnaround** (20) – possibly this expectation is unrealistic.

It also means media and public expectations are all focused on economic issues, rather than other impacts – such as positive effects on civic community (21) and increased participation in sports which can help individuals' health and wellbeing over the long term - which perhaps are just as important.

Writing in spring 2009, it may be too early to say what the economic impact of the Games is going to be on London, despite the best efforts of many serious researchers, policymakers and commentators to forecast the outcome. The final proof will be in the legacy of sustainable jobs and skills – well beyond 2012.

REFERENCES

All of these references are available in print or digital format in the British Library's reading rooms in London, and many are available online. You need a reader pass to use the reading rooms, please see www.bl.uk for details.

1. PricewaterhouseCoopers and Department for Culture, Media and Sport. **Olympic Games Impact Study**. DCMS, 2005
London Reference Collection shelfmark: OPA.2006.x.73
Document Supply shelfmark: m07/.17417 DSC

Available online at

www.culture.gov.uk/images/publications/OlympicGamesImpactStudy.pdf

2. Davies, E. **The Olympics' economic benefits**. BBC News, 6 July 2005. Available online at <http://news.bbc.co.uk/2/hi/business/4657325.stm>

3. Department for Culture, Media & Sport. **Government Olympic Executive's second Annual Report - London 2012 Olympic and Paralympic Games Annual Report**. DCMS, January 2009. Available online at www.culture.gov.uk/reference_library/publications/5800.aspx

4. **Brown hails 2012 as 'job creator'**. BBC News, 16 January 2009. Available online at www.news.bbc.co.uk/1/hi/uk/7831847.stm

5. Booth, R. **Olympics to sprint ahead with workforce of 6,000**. The Guardian, 9 January 2009. Available online at www.guardian.co.uk/uk/2009/jan/09/olympics-2012-workforce

6. **Construction jobs and skills.** Olympic Delivery Authority. Available online at <http://www.london2012.com/get-involved/work-for-2012/construction-jobs-and-skills/index.php>
7. **Will 2012 deliver promised jobs boost?** BBC News, 26 August 2008. Available online at <http://news.bbc.co.uk/1/hi/uk/7563886.stm>
8. Ryan-Collins, J. and Sander-Jackson, P. **Fool's Gold: How the 2012 Olympics is selling East London short, and a 10 point plan for a more positive local legacy.** New Economics Foundation, 2008. Available online at http://www.neweconomics.org/gen/z_sys_PublicationDetail.aspx?PID=251
9. London Development Agency **Shaping the Olympic Park Legacy.** London Development Agency, 2008. Available online at <http://www.lda.gov.uk/server.php?show=ConWebDoc.2501>
10. London Assembly Economic Development, Culture, Sport and Tourism Committee. **London Olympic Games and Paralympic Games: The employment and skills legacy.** Greater London Authority, 2007. Available online at www.london.gov.uk/assembly/reports/econsd/games-skills-legacy.pdf
11. **Volunteering boost for 2012 Games.** BBC News, 12 September 2008. Available online at <http://news.bbc.co.uk/1/hi/england/7611881.stm>
12. **Olympic Games 2012: Greater London.** House of Commons Hansard, 24 Feb 2009 : Column 600W. Available online at <http://www.parliament.the-stationery-office.com/pa/cm200809/cmhansrd/cm090224/text/90224w0021.htm>
13. Owen, J. **Estimating the Cost and Benefit of Hosting Olympic Games: What Can Beijing Expect from Its 2008 Games?** The Industrial Geographer, Fall 2005. Available online at http://findarticles.com/p/articles/mi_qa4127/is_200510/ai_n15705690
13. Blake, A. **The Economic Impact of the London 2012 Olympics.** Nottingham University Business School Working Paper No. 5, 2005. Available online at www.nottingham.ac.uk/ttri/pdf/2005_5.pdf
14. Brunet, F. **The Economic Impact of the Barcelona Olympic Games, 1986-2004.** Barcelona: Centre d'Estudis Olímpics UAB, 2005. Available online at http://olympicstudies.uab.es/pdf/wp084_eng.pdf
15. New South Wales Treasury and Centre for Regional Economic Analysis, University of Tasmania. **The Economic Impact of the Sydney Olympic Games (Research & Information Paper No. 87).** Office of Financial Management, Treasury of New South Wales, 1997. Available online [www.treasury.nsw.gov.au/_data/assets/pdf_file/0020/6644/TRP97-10_The Economic Impact of the Sydney Olympic Games.pdf](http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0020/6644/TRP97-10_The_Economic_Impact_of_the_Sydney_Olympic_Games.pdf)

16. InterVISTAS Consulting. **The Economic Impact of the 2010 Winter Olympic and Paralympic Games: An Update**. British Columbia Ministry of Competition, 2002

Available online at

www.2010wintergamessecretariat.com/StaticContent/Downloads/Econ_Impact_2010_Games_Update.pdf

17. **Hosting Olympics can damage tourism**. The Financial Times, 26 January 2009. Available in print or electronic form in the British Library's reading rooms, or online at <http://www.ft.com/indepth/olympics2012>

18. **Foreign workers who are classed as 'local'**. The Independent, 17 February 2009. Available in the British Library's reading rooms in print and electronic forms, or online at <http://www.independent.co.uk/news/uk/home-news/foreign-workers-who-are-classed-as-local-1623788.html>

19. Payne, M. **Olympic Turnaround**. London Business Press, 2005.
London Reference Collection shelfmark: YC.2005.a.8825
Document Supply shelfmark: m06/.21376 DSC and m06/.21750 DSC

20. Glynn, M. **Configuring the field of play: how hosting the Olympic Games impacts civic community**. *Journal of Management Studies*, 45 (6) pp. 1117-1146 (September 2008).

Available in the British Library's Social Science reading room in print and electronic forms.

OTHER SOURCES

Factiva is a subscription database which offers powerful searching of over xxx full text news sources. You must have a British Library reader pass to use Factiva. It is available in the Business & IP Centre at the British Library, 96 Euston Road, London. Please see <http://www.bl.uk/bipc> for information about Factiva and how to apply for a British Library reader pass.

Department of Tourism and Small Business, Government of Alberta. **Economic impact of the 1988 Calgary Winter Olympic Games**. *Journal of Travel Research*, Vol. 22, No. 1 p.52. (1983)

Gold, J. and Gold, M. (eds) **Olympic cities : city agendas, planning and the world games, 1896-2012**. Routledge, 2007.
London Reference Collection shelfmark: YC.2008.a.11704
Document Supply shelfmark: m07/.34581 DSC

Preuss, H. **The Economics of Staging the Olympics**. Edward Elgar, 2004.
London Reference Collections shelfmark: YC.2006.b.1744

Document Supply shelfmark: m04/.36854 DSC

PricewaterhouseCoopers **Business and economic benefits of the Sydney 2000 Olympics: a collation of evidence.** New South Wales Department of State and Regional development, 2001. Available online at <http://fulltext.ausport.gov.au/fulltext/2002/nsw/benefitssydney2000.asp>

USEFUL WEBSITES

The British Library Integrated catalogue
<http://catalogue.bl.uk>

The Business & IP Centre at the British Library
www.bl.uk/bipc

Department of Culture, Media and Sport
<http://www.dcms.gov.uk>

Greater London Authority
www.london.gov.uk

London Development Agency
www.lda.gov.uk

Olympic Games Impact Study
www.culture.gov.uk/images/publications/OlympicGamesImpactStudy.pdf

The potential economic impact of hosting the Olympics is very newsworthy, and receives a lot of attention in the press and other media at a local, national and international level. The current economic downturn has placed the issue in even greater focus, as pressure on government spending, and jobs, intensifies. But perhaps it's all too easy to get carried away by the tide of headlines and soundbites and lose sight of the underlying evidence.

This article looks at what is meant by economic impact, how much London 2012 is costing, and draws together a range of sources you can explore which give different views about the likely economic impact on London and the UK more widely. It is intended as an introduction to some of the issues which will stimulate you to explore further. It has been written by Sally Halper, Lead Content Specialist for Business & Management at the British Library, in March 2009.