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Economic and social change and inequality in global cities: the case of London

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ECONOMIC AND SOCIAL CHANGE
AND INEQUALITY IN GLOBAL CITIES:
THE CASE OF LONDON

The argument to be made in this paper regarding the changing social structure of global cities is very straightforward. It is that we cannot understand the changing structure of the housing market and residential social segregation independently of changes in the economic base of cities and their role in the national and international economy, and the related changes in occupational structure, earnings and incomes. In this respect, my argument is closely related to that of Friedmann and Wolff (1982) and Sassen (1991, 2001) on the role of world and global cities. Friedman and Wolff argue that capitalist institutions, particularly transnational corporations, have increasingly freed themselves from national constraints and have begun to organise global production and markets for their own purposes. They argue that different localities are enmeshed with the global system in a variety of ways, and that:

“at the apex of the urban hierarchy of influence and control are found a small number of massive urban regions, that we shall call *world cities*. Tightly inter-connected with each other through decision-making and finance, they constitute a worldwide system of control over production and market expansion” (p. 2).

They note that the notion of a world economy articulated through urban structures is not new but they argue that recent decades have seen the emergence of a truly global world economy controlled from what Wallerstein termed the core areas of the global economy: the older, already industrialized and possibly post-industrial regions that contain the vast majority of corporate headquarters and are the major markets for world production. They argue that:

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“World cities are a material manifestation of this control, and they occur exclusively in core and semi-peripheral regions where they serve as banking and financial centres, administrative headquarters, centres of ideological control... Without them, the world spanning system of economic relations would be unthinkable” (pp. 311-312).

For Friedmann and Wolff, world cities play a dual role, lying at the junction between the world economy and the territorial nation state. They point out that there is nothing inevitable about either the structure of the world economy or its exact materialization in world cities, and that the driving forces of competition, the need for accumulation and political struggles make the intersection of the world economy and world cities a point of intense conflict. Nonetheless, they put forward the central hypothesis that:

“the mode of world system integration will affect in determinate ways the economic, social, spatial and political structure of world cities and the urbanising processes to which they are subject” (p. 313).

THE CHANGING STRUCTURE OF THE ECONOMY AND URBAN SOCIAL STRUCTURE

Friedmann and Wolff suggest that a primary fact about emerging world cities is the impact which shifts in the structure of their economy and employment will have on the social composition of their population. They suggest that the dynamism of the world city economy results chiefly from the growth of a primary cluster of high-level business services which employs a large number of professionals – the transnational elite – and ancillary staffs of clerical personnel:

“The activities are those which are coming to define the chief economic functions of a world city: management, banking and finance, legal services, accounting, technical consulting, telecommunications and computing, international transportation, research, and higher education” (p. 320).

They also point out that a secondary cluster of employment, which serves the first, and which employs fewer professionals, is also growing. This includes real estate, construction activities, hotel services, restaurants, luxury shopping, entertainment, private security and domestic services. This cluster is also linked to, and overlaps with one which focuses on international tourism. The growth of all three clusters is taking place at the expense of manufacturing employment which is in declining. Importantly, Friedmann and Wolff go on to argue that:

“The primary social fact about world city formation is the polarization of its social class divisions.... Transnational elites are the dominant class in the world city, and the city is arranged to cater to their life styles and occupational necessities.... The contrast with the third (or so) of the population who make up the permanent underclass of the world city could scarcely be more striking.... (emphasis added pp. 322-323)”.

In terms of income and wealth, they note that world cities have major concentrations of both wealth and poverty, and finally they note that: “in its internal spatial structure, the world city may be divided into the ‘citadel’ and the ‘ghetto’. Its geography is typically one of inequality and class domination” (p. 325).

In most respects, Friedmann and Wolff’s characterisation of the role, structure and nature of world cities is essentially accurate. They focus on the role of these cities in controlling, organising and running much of the world economy and financial system, on their consequent industrial, occupational and earnings structure and on the nature of their social and spatial organisation and they point to the leading role of the transnational elite in structuring these cities. I am less convinced by their claims that world cities inevitably have a “polarised” class structure, a term which they do not define. If they mean that there is a sharp distinction between the “transnational elite” and those at the bottom of the class structure I have no problem with their claim and there is very strong evidence that world cities are characterised by high levels of inequality. But if by polarization they mean an absolute and proportionate growth at both the top and bottom end of the class and earnings/income distribution combined with a “shrinking middle” the evidence is less clear. Sassen (1991) sees polarization as an inevitable outcome of the shift from manufacturing into services which she sees as characterised by a polarised occupational and earnings distribution but there is a quite considerable body of evidence which suggests that a dominant social characteristic of world cities is growing professionalisation of their workforce associated with the rise of the new transnational service class rather than polarisation (Hamnett, 1994a, 1996; Preteceille, 1995, 2000). This is associated with growing inequality as the earnings and incomes of this higher group steadily pull away from those of other groups.

The rest of this paper looks at the implications of the changing industrial, occupation and earnings structure of London for the housing market, residential segregation and gentrification. It will argue that there is a set of close linkages between the changes taking place in the economic structure of

the world's major cities, their occupational class structure, their earning and income structure, the housing market and the organisation of residential space which collectively tend towards greater inequality. It argues that the shift from manufacturing industry to financial and business services, and the associated shift from manual occupations to professional, managerial and technical jobs, which is linked to the shift from an industrial to a post-industrial city (Savitch, 1988) has led to a growth of earnings and income inequality. The greatly expanded middle classes are able to use their purchasing power to outbid other groups in the housing market and have expanded into previously working class areas of the inner city. As a result of this process of gentrification, what remains of the working class, along with disadvantaged ethnic groups, have become concentrated in residual areas of social housing, often in the poorest high rise and high density estates. At the other extreme, the professional and middle classes are colonising large parts of the inner city, dramatically changing the social geography of London in the process.

THE CHANGING ECONOMY OF LONDON: FROM INDUSTRIAL TO POST-INDUSTRIAL CITY

The economy of London, as one of the big three global financial centres, parallels the structure identified by Friedmann and Wolff, and subsequently by Sassen (1991) in her analysis of global cities with the shift from manufacturing to finance and business services. The period from the mid 1960s onwards has seen a dramatic contraction of London as a manufacturing centre. In 1961 London had 1.45 million manufacturing jobs, 684,000 in 1981 and 359,000 in 1991. In percentage terms, manufacturing has fallen from 34% of total employment in 1961 to 18% in 1981, 11% in 1991 and 8% in 1998. The decline in manufacturing employment in London appears to have stabilised in the 1990s. The sector employed 280,000 in 1998 compared to 282,000 in 1993. But over 50 percent of those employed in the manufacturing sector in London work in offices of manufacturing companies who produce elsewhere. London's manufacturing base is therefore now primarily one of command and control functions (see table 1).

Paralleling this decline in manufacturing employment has been a rapid expansion of jobs in the service industries. Like most other major global cities London has become a centre of service employment, particularly banking, finance, insurance and business services. From 1981-91 the service sector expanded from 74.6 per cent to 84 per cent and banking and finance grew from 16 per cent to 22.5 per cent of employment.

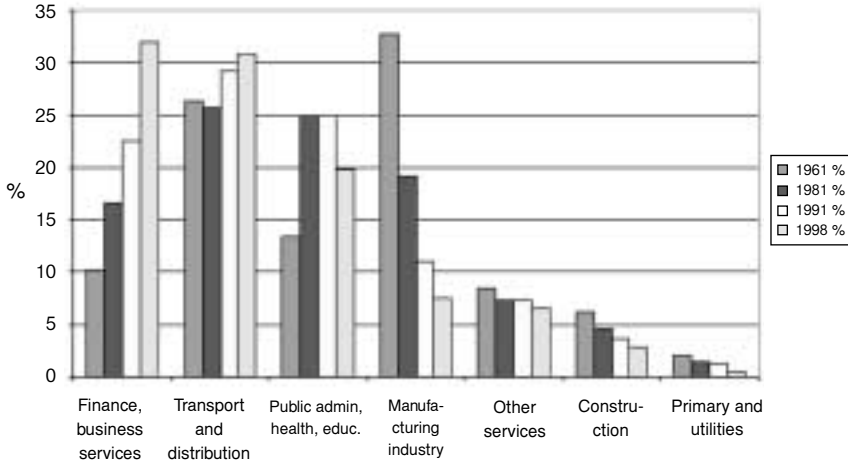
TABLE 1
The employment structure of Greater London, 1981 and 1991

	Employment by industrial sector				Change in employment by		
	1981		1991		industrial sector 1981-91		
	Number	%	Number	%	Number	%	Change ppc
Primary industries	57275	1.6	41364	1.3	-15911	-27.8	-0.3
Manufacturing industry	683951	19.2	358848	11	-325103	-47.5	-8.2
Construction	161407	4.5	118367	3.6	-43040	-26.7	-0.9
Distribution, hotels and catering; repairs	686598	19.3	645955	19.8	-40643	-5.9	0.5
Transport and comms	368288	10.3	307682	9.5	-60606	-16.5	-0.8
Banking, finance, insurance, business services	565876	15.9	733513	22.5	167637	29.6	6.6
Other services	1034526	29.1	1049015	32.2	14489	1.4	3.1
Total services	2655288	74.6	2736165	84.1	80877	3	9.5
Total employment	3560688	100	3254744	100	-305944	-8.6	0

Source: Census of Population, 1981 and 1991.

Although job growth in London's financial sector in the 1990s was lower than in the previous decade, as a result of the job losses which have taken place in retail banking, business services and the financial sector continued to be the main driving force in the London economy in the 1990s, with business services adding 200,000 new jobs. By 1997, finance and business services accounted for 30.6 per cent of employment, more than any other sector and 4 times that of manufacturing industry. By comparison, finance and business services accounted for just 18 per cent of jobs in the UK as a whole, almost the same level as manufacturing. As a result of these changes the economy of London has been dramatically reshaped in the last forty years (Figure 1).

Over the period 1981-1998 employment in real estate, renting and business activities in Greater London increased by 376,000 or 92 per cent from 408,000 (11.6% of total employment) to 784,000 (22.1%). From just one in ten of jobs in Greater London in 1981, the business and professional services sector accounted for 1 in 5 jobs by 1998. (Daniels 2000). This is a major increase and highlights the importance of this sector for the London economy. It eclipsed the growth shown by the financial sector.

FIGURE 1*The changing employment structure of Greater London, 1961-1998***CHANGES IN OCCUPATIONAL STRUCTURE**

Not surprisingly, these changes in industrial structure have been reflected by changes in the occupational structure of London. As manufacturing industry has declined to be replaced by business and financial services and the cultural industries, so traditional manual work has declined to be replaced by service

TABLE 2*Employment change in London during the 1980s and 1990s expansion*

	Job change 1993-98	Job change 1983-88
Finance	25,000	58,000
Business services	210,000	126,000
Hotels and restaurants	56,000	16,000
Manufacturing	0	-142,000
All other	179,000	34,000
Total job change	470,000	92,000
Percentage change	15.2	2.7

Source: Banks and Scanlon (2000) from Annual Employment Survey, ONS 1998.

TABLE 3
Employment by Industry, 1997, (%)

	London	UK
Finance and business services	30.6	18.1
Distribution, hotels and catering	21.7	22.5
Education, social work and health	14.9	18.7
Transport, communications	8.3	5.7
Manufacturing	8.1	17.8
All other	16.1	16.5
Total	100	100

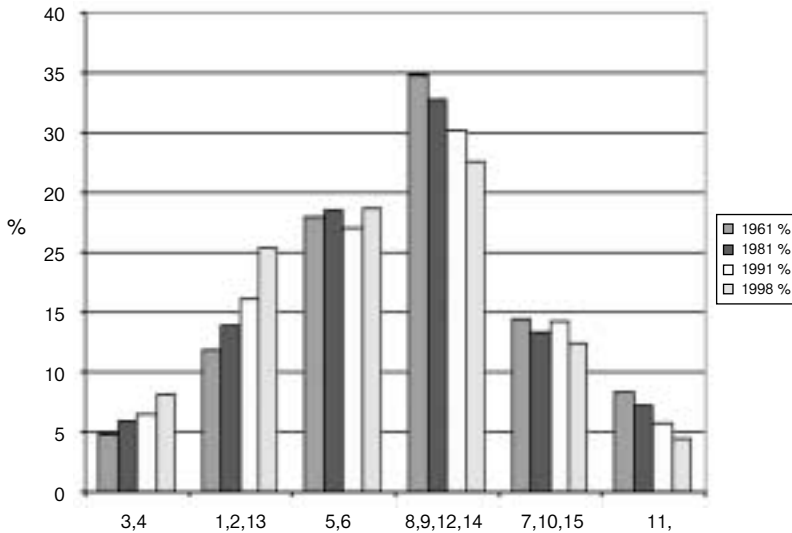
Source: Focus on London, 1999, ONS.

sector jobs. But as is argued elsewhere (Hamnett, 1994b,1996) the changes in socio-occupational structure of the economically active workforce do not show evidence of any shift to polarisation as Friedman, Sassen and Castells suggest.

On the contrary, the changes show consistent long term growth in the professional (socio-economic groups SEGs 3 and 4) and managerial (1 and 2) non-manual labour force, stability in the junior and intermediate non-manual group (seg's 5 and 6), and sharp declines in both the absolute size and proportions of skilled (8, 9, 12 and 14), semi-skilled (7, 10, 15) and unskilled groups (11) (Figure 2). Similar trends can be seen for economically active females (not shown) although their occupational distribution is very different, with a far lower proportion of professional and managerial and skilled manual workers and a much higher proportion of junior and intermediate non-manual workers. In other words, the census shows no evidence of an absolute growth of low skilled service workers as the polarisation thesis suggests. On the contrary, this sector has shrunk. I interpret these trends as indicating a growing "professionalisation" rather than polarisation and similar work by Preteceille on Paris (1995) and Mollenkopf and Castells (1991) on New York confirms this trend.

These findings run directly counter to the conventional wisdom regarding polarisation of the occupational class structure of global cities and it is necessary to explain them. First the critics attempt to explain away the findings by arguing that official census and labour force statistics do not capture the "true" nature of labour force changes (to which they somehow have direct access not granted to those who use existing official data sources). They give two reasons. First, that many unskilled people work in the undocumented, informal economy and are not captured in the official statistics, and second that there is upwards occupational "creep" in job descriptions which conceals the true nature of jobs, many of which are being deskilled (Cox and Watt, 2002).

FIGURE 2
*Socio-economic groups (%), economically active males,
 Greater London, 1961-91*



Both points have some validity but there is no systematic empirical evidence for this view.

Second, they ignore the fact that, over the last 30 years or so, major economic change has dispensed with large number of less skilled manual workers in both services and manufacturing. In Britain, for example, large numbers of low skill service sector jobs as bus conductors, railway guards and porters have been lost on the railways and in public transport. These losses are likely to have more than offset any growth in low skilled catering and service sector jobs. As Ruth Glass (1973) pointed out almost thirty years ago:

“The image conveyed by the term ‘polarisation’ (alias the ‘rout of the middle classes’) is, first, that both the top and bottom groups in the society of London are becoming larger, at the expense of the middle strata; second, that the extreme groups are, or will be, located in sharp juxtaposition to one another – on either side of the ‘tracks’. Both these images are false. In fact, the upper and middle strata are becoming stronger, numerically, in Greater London, and the skilled manual group has remained stable, while the proportion of non-skilled workers has decreased” (Glass, 1973, pp. 423-424).

EARNINGS AND INCOMES

Sassen's polarisation thesis extends from occupational change to earnings and income as she argues that earnings in the expanded service sector are more bipolar than in the manufacturing sector which was characterised by a large number of middle pay jobs. The trend in services is towards an expansion of both highly skilled, highly paid jobs and an expansion of low skilled, low paid jobs in personal services. She argued that:

“Major growth industries show a greater incidence of jobs at the high- and low-paying ends of the scale than do the older industries now in decline. Almost half the jobs in the producer services are lower income jobs, and half are in the two highest earnings classes. In contrast, a large share of manufacturing workers were in the middle earnings jobs during the post-war period of high growth in these industries in the United States and the United Kingdom” (Sassen, 1991, p. 9).

Again, however, the evidence from London does not support this argument. On the contrary, London has seen a major expansion in the number of people in well paid white collar jobs in the service sector and a disproportionate increase in their earnings.

Dividing the distribution on earnings in 1979 in deciles, then adjusting the boundaries of each decile for changes in retail prices, and examining what proportion of earners in 1993 fall into each category we find that with the exception of the bottom decile of earners, which has grown very slightly, expansion has all been at the top end. To the extent it is possible to say there has been earning polarisation, it has been asymmetric polarisation, with far greater growth at the top end of the earnings distribution than at the bottom (Table 4). See Hamnett and Cross (1998) for a full analysis of the data.

There has, however, been a major increase in both individual earnings and household income inequality over the period. What has driven these increases in inequality? The answer is straightforward. It is not decreases in earnings or household incomes at the bottom end of the distribution, but the large increases in earnings and incomes at the top of the scale which have widened the gap between top and bottom. The earnings at the top end are particularly marked for those in non-manual occupations in the City of London. As a result of the faster growth at the top end of the distribution, particularly in the top two deciles, there has been an upwards shift of mean earnings.

Table 5 shows that earnings in both the top decile and the top quartile rose far more rapidly than in the bottom decile and quartile. In Great Britain as a whole, earnings for the top quartile of male full-time workers rose by 37%

compared to 15% for the bottom quartile, whereas earnings in the top and bottom deciles rose by 49% and 7% respectively: a difference of 7:1. The same pattern holds for both full-time and part-time females and indicates a considerable increase in earnings inequality over the period. In Greater London the discrepancy between increases in the earnings of full-time male workers in the top and bottom deciles and the top and bottom quartiles was less marked, largely as a result of the greater percentage increases in the earnings of these

TABLE 4
Changing proportions of earners by deciles, 1979 and 1993
(earnings adjusted to April 1993 prices using RPI)

Employed persons liable to social security (in 000s)					
Deciles	Gross weekly individual	Size of group (%)		Percentage point	
	Earnings in 1979 £s	1979	1993	change 1979-1993	
London Decile cutting points					
1	61.4	10	11.6	1.6	1.6
2	103.51	10	5.5	-4.5	
3	141.85	10	6.6	-3.4	
4	170.21	10	5.2	-4.8	
5	195.16	10	5	-5	-24
6	219.81	10	4.5	-5.5	
7	250.35	10	7.4	-2.6	
8	286.77	10	6.9	-3.1	
9	355.25	10	14.9	4.9	
10		10	32.4	22.4	22.4
Britain Decile cutting points					
1	44.39	10	11.1	1.1	1.1
2	79.55	10	9.8	-0.2	
3	115.3	10	7.8	-2.2	
4	145.95	10	7.1	-2.9	
5	172.91	10	6.8	-3.2	-16.1
6	200.33	10	6.7	-3.3	
7	230.5	10	7.7	-2.3	
8	267.31	10	8.4	-1.6	
9	325.74	10	9.6	-0.4	
10		10	25	15	15

TABLE 5

*Percentage increase in gross weekly pay, 1979-1995 (at April 1995 prices)
for Great Britain, the South East, and Greater London*

	Male full-time workers			Female full-time workers			Female part-time workers		
	GB	SE	GL	GB	SE	GL	GB	SE	GL
Top decile	48.6	62.4	73.1	69.5	76.5	83.4	82.3	97.3	97.2
Top quartile	37.3	48.3	55.9	66.4	72.9	77.9	45.9	55.8	65.5
Mean	34.6	46.9	57.2	56.1	65.5	73.5	44.8	55.7	60.9
Median	25.4	34.4	41.1	48	58.7	46.5	28.9	35.3	44.1
Bottom quartile	14.6	22.2	27	36.6	46.5	54.7	16.2	22.9	27.8
Bottom decile	7.1	11.7	17.8	26.6	36.1	45.4	10.8	14.3	16.7

Source: New Earnings Survey, 1979 and 1995.

groups than in Britain as a whole. Nonetheless, while earnings of the top decile in Greater London rose by 73% over the period, the earnings of the bottom decile rose by only 18%: a ratio of 4:1. The comparable quartile figures were 56% and 27% respectively: a ratio of 2:1. For female full-time employees, earnings in the top decile increased by a remarkable 83% but even in the bottom decile it was still 45%: much higher than the lowest decile of male workers. The male-female earnings gap has been narrowed, but it has not disappeared. This argument that the growth of inequality is driven by earnings growth at the top is strongly supported by Gordon (2000) who notes that:

“Earnings inequalities in the London labour market are greater than in the country as a whole, although this is almost entirely due to the top tail of the earnings distribution among male non-manual workers (where the top decile was 75 per cent above the average, and 4.3 times the lowest decile, compare with 3.7 times nationally). In other words, it reflects the presence of a disproportionately large number of very highly rewarded professional and managerial workers, rather than any larger number of poorly paid jobs” (Gordon, 2000, pp. 19-20).

The impact of these differential changes in earnings can be summarised using inter-decile and inter-quartile ratios. Table 6 shows that earnings inequality was more marked in London in 1979 than in South East or GB as a whole: the inter-decile ratio for male full-time workers in 1979 was 2.4 in GB, 2.5 in the South East and 2.6 in London. In other words the earnings of the top decile were 2.6 times the earnings of the lowest decile in London. By 1995

TABLE 6
Changes in Interquartile (IQ) and Interdecile (ID) ratios, 1979-1995

	Male full-time workers				Female full-time workers				Female part-time workers			
	IQ ratio		ID ratio		IQ ratio		ID ratio		ID ratio			
	1979	1995	1979	1995	1979	1995	1979	1995	1979	1995		
Great Britain	1.56	1.87	2.38	3.3	1.52	1.85	2.28	3.05	1.79	2.94		
South East	1.6	1.95	2.5	3.64	1.53	1.81	2.29	2.98	1.9	3.28		
Greater Lon	1.62	2.01	2.6	3.82	1.48	1.7	2.26	2.85	1.98	3.34		
GL/GB	1.04	1.07	1.09	1.16	0.97	0.92	0.99	0.93	1.11	1.14		

Source: Calculated from Hamnett and Cross.

these ratios had risen to 3.3, 3.64 and 3.82 respectively. This shows two things. First, that earnings inequality rose across the country as a whole, but second that it was particularly marked in London. For full-time female employees the picture was rather different. Earnings inequality increased across Britain as a whole but it was slightly lower in London than in Britain as a whole. This may reflect a greater demand for female labour in London. A similar picture for when manual and non-manual earnings although non-manual workers saw much greater rises than manual workers in virtually every category. Similar changes can be seen in the distribution of household incomes (not shown), which again show much larger increases at the top end of the distribution.

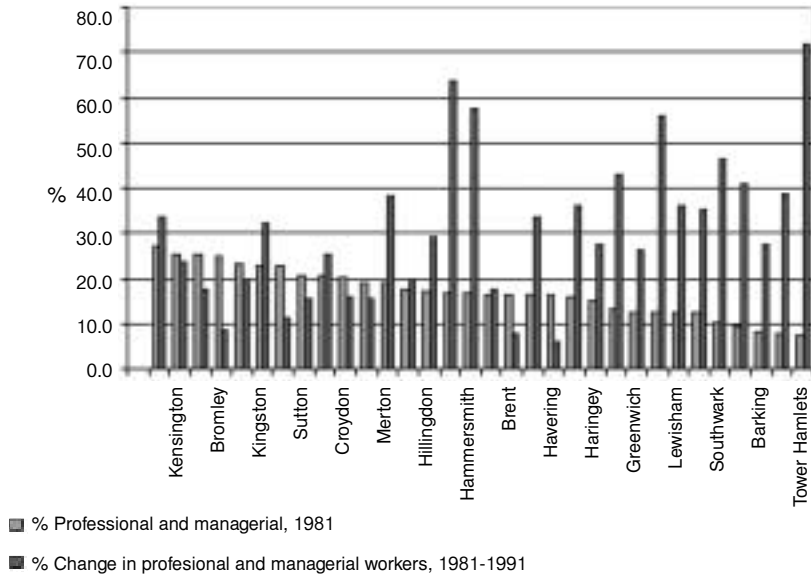
GENTRIFICATION AND THE HOUSING MARKET

The impact of these changes in occupational and earnings structure on the housing market and the socio-spatial structure of London since the 1970s have been dramatic. There has been a massive growth of home ownership in inner London and widespread gentrification as the growing middle class of professional and managerial workers has faced rising house prices particularly in the existing middle class residential areas. The solution for many middle class households has been to seek good quality, affordable homes in working class areas of the inner city (Figure 3). The changes were perceptively and accurately foreseen by Ruth Glass in the early 1960s. She stated that:

“London is now being ‘renewed’ at a rapid pace – but not on the model about which we are so often warned. Inner London is not being ‘Ameri-

FIGURE 3

Professional and managerial workers (%), by Borough 1981 -v- percentage change in profesional and managerial workers, 1981-1991



canised’: it is not on the way to becoming mainly a working class city, a ‘polarised’ city, or a vast ghetto for a black proletariat. The real risk for Inner London is that it might well be gentrified with a vengeance, and be almost exclusively reserved for selected higher class strata” [Glass, 1973 (1989, p. 178)].

“One by one, many of the working class quarters of London have been invaded by the middle classes-upper and lower- shabby modest mews and cottages –two rooms up and two down– have been taken over when their leases expired, and have become elegant, expensive residences. Larger Victorian houses, downgraded in an earlier or recent period – which were used as lodging houses or were otherwise in multiple occupation – have been upgraded once again...Once this process of ‘gentrification’ starts in a district it goes on rapidly until all or most of the original working class occupiers are displaced and the whole social character of the district is changed” (Glass, 1964, p. xviii).

The social consequences of gentrification are predictable. In a competitive housing market where access is ruled by price, the expansion of the middle classes in inner London has been association with the rolling back of the less

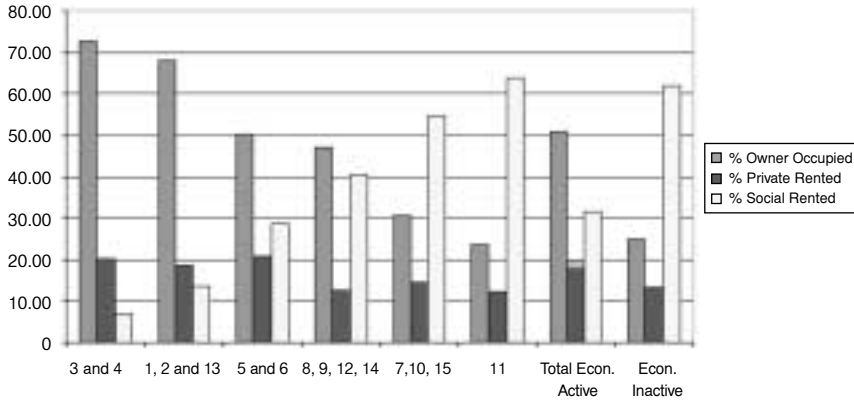
skilled, the unemployed, the poor and ethnic minorities who have been steadily concentrated into the remaining inner London local authority estates and the growing housing association sector. Once again the whole process was anticipated by Ruth Glass (1964, 1989) who noted that:

“any district in or near London, however dingy, or unfashionable, is likely to become expensive, and London may quite soon be a city which illustrates the principle of the survival of the fittest: the financially fittest, who can still afford to work and live there” (1989, pp. 177-178).

Average property prices in London have risen dramatically in recent years: by almost 100% from 1995-2001, but in the prestigious central London boroughs of Kensington and Chelsea, average prices rose by 152% and in Tower Hamlets, the borough which contains many of the new Docklands luxury apartments, prices rose by 160%. There have also been above average increases in most of the inner London boroughs while in suburban outer London, prices rose more slowly. On the other hand, social rented housing has become increasingly dominated by the economically inactive, the low skilled, the unemployed and a variety of minority groups. As a result, the housing market in London has become increasingly socially polarised between an affluent owner occupied sector and an increasingly impoverished social rented sector. Figure 4 shows the extent of social polarisation by housing tenure in 1991. The results are striking. The overwhelming majority of professional and managerial workers live in owner occupied housing, with less than 10 per cent in social housing. This contrasts to the unskilled and the economically inactive (retired, permanently sick etc) over 60 percent of whom are found in social housing. Similarly, certain ethnic groups are disproportionately concentrated in social housing.

The result of these two processes has perhaps led to a decline in social segregation at the macro scale in London. There is no longer a small middle class residential area in central London surrounded by a homogeneous sea of working class housing. Rather, the middle classes have expanded outwards into a number of hitherto working class areas. This has had the result of reducing social segregation at the borough and ward scale. The social class composition of inner London is now far more mixed than it was 30 years ago. But, and this is crucial, at the local or micro level, segregation has risen between wealthy home owners in one street, and low skilled, unemployed, low income council tenants a few blocks away. The contrasts in income and wealth are now sharper at the micro scale, even though they are lower at the wider geographical scale. Rich and poor, once almost invisible to one another by virtue of their residential segregation, are now highly visible. This has brought with it greater social tensions.

FIGURE 4
Socio-tenurial polarisation in Inner London, 1991



As Glass (1973) perceptively pointed out:

“the ‘colonising’ drive of higher classes in London has been accelerated; and so working class quarters are becoming more constricted. Apart from the very rich, it is mainly the young members (or aspiring members) of the middle-upper strata, single people or couples without family responsibilities, who are prepared to pay the exorbitant housing prices of the inner sector. As these people live mainly in one- or two-person households, they have a disproportionately large number of households, and a disproportionately large housing demand, in relation to the total population size of their group...There are few hurdles in their path. The working class population of Inner London, old timers or recent recruits, are in every respect ‘less equal’ not only in terms of income, status, expectations, but also in terms of age and dependency ratios. They have a higher share of old people, young children, large households. They find it more difficult to resist being displaced or hemmed in” (pp. 425-426).

She went on to add that:

“traditionally, the most elegant neighbourhoods... used to be socially mixed (or, as might be said nowadays, polarized). While in such areas the upper class was socially predominant, it was statistically in a minority... This kind of mixture is beginning to be much slighter; in such places, the top class (professional and managerial group) has already become, or is on the verge of becoming, the statistical majority. At the same time, a new kind of apparent class mixture is developing in inner areas which were

previously almost wholly working class, and which have now acquired a quite substantial middle-upper class component. But this is likely to be quite often only the first stage of the gentrification process, whereby the working class will be reduced, before long, to the status of a statistical minority in such areas” (Glass, 1973, p. 425).

Glass was remarkably preciscient in her ability to predict the future of social change in inner London. As she foresaw, gentrification has been accompanied by the departure or squeezing out of the working class from many of its traditional inner city bastions. David Ley (1981) has suggested that what gentrification has done is to shift the social structure of the late twentieth century city back in time, from an industrial to a post-industrial pattern which is, in some ways, reminiscent of the pre-industrial pattern.

“Present social, economic, and political trends are redefining the morphology inherited from the industrial city...If present trends accelerate, the social geography of the nineteenth century city may appear to urban scholars of the future as a temporary interlude to a more historically persistent pattern of higher-status residential areas adjacent to the downtown core” (Ley, 1981, p. 145).

Such radical changes do not happen without social costs, however, and there has been a major debate in the literature (Atkinson, 2000a and b; Marcuse, 1986; Smith, 1996) over the extent and implications of gentrification induced residential displacement of the original working class population. The academic consensus is that gentrification is accompanied by large scale working class displacement with substantial social costs. Whilst there is no doubt that there is some displacement, it can be argued that in cases such as London, where there has been a large scale and long term transformation in the economy and socio-economic composition of the city, it may be more appropriate to think of replacement rather than displacement. I have argued elsewhere (Hamnett, 2003a and b) that the last 40 years have seen a substantial contraction of the working class in London as a result of retirement, death and out-migration and replacement by an expanded middle class. As a result many inner city residential areas have seen a contraction in the size and proportion of their working class population, an expansion of their middle class population, and a change in housing tenure structure. It may be more appropriate to view these changes as two sides of a process of structural change rather than as a direct consequence of gentrification induced displacement.

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