

FACT SHEET

Volume 2: Economy and Enterprise



The second volume of the Local Economic Assessment focuses on the themes of economy and enterprise. It reviews background data to define how the borough's economy relates to the London economy more widely, its structure and growth, and assesses the borough's overall productivity and competitiveness.

Volume 2 also reports the findings of a survey of local businesses commissioned as part of the LEA process.

Tower Hamlets' Economy

Employment growth

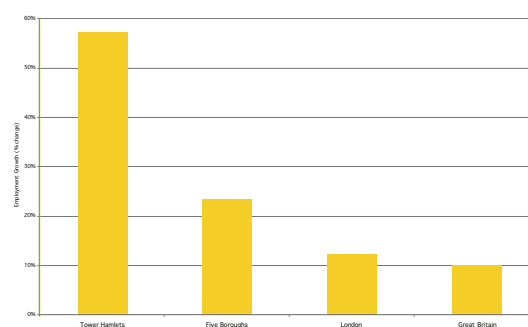
Tower Hamlets has seen exceptional economic and employment growth over the last twenty years. With 200,000 jobs it is now home to 5% of London's employment, in a borough that constitutes just over 1% of the capital's land area.

There are 3 jobs in Tower Hamlets for every 2 residents of working age in the borough – an "excess" of 60,000.

These jobs are concentrated in two areas that provide together 60% of the borough's employment. The development of Canary Wharf since the 1980s has acted as the prime engine of employment growth, giving rise to a current total of 90,000 jobs, constituting some two-fifths of the borough's employment total. There has also been significant development and intensification in Tower Hamlet's City Fringe especially in Spitalfields and Aldgate: this area now provides some 15% of the borough's jobs.

Only one-third of working residents are employed in the borough with the majority commuting outside, mainly to central London

Fig 1: Total Employment Change, 1998-2008



Source: Annual Business Inquiry / NLP analysis

Commuting

The degree of specialisation within the Tower Hamlets economy, with a concentration of employment in the financial services sector, has the effect of increasing demand for people resident outside the borough.

A third of those commuting in are employed in financial services enterprises. Indeed only 15% of jobs in the boroughs are taken by local residents – 85% are filled by those travelling in from across all quarters of London, and from other parts of the South-East.

Only one-third of working residents are employed in the borough with the majority commuting outside, mainly to central London: A quarter of residents work in the City, and a sixth in Westminster.

A third of all employment in Tower Hamlets is in financial services – this is the highest in London outside of the City itself – and three times higher than for Central London as a whole.

Economic Structure and Activity

Its concentration of financial and business services mean that Tower Hamlets plays a significant role within the London economy, contributing to London's wider clusters in financial and business services. See figure 2 for sectoral employment in Canary Wharf, City Fringe and Tower Hamlets as a whole.

There is an additional clustering effect within the borough with "support" industries – accountancy, legal services and management consultancy – drawn not only to Canary Wharf and the City Fringe but also more widely into the west and south of the borough.

In turn, other businesses based on both business and personal consumption – including real estate, retail and leisure activities – are clustered in the borough but with a more even distribution across it with the potential to offer economic and employment opportunity more widely.

The prominence of financial and business services sectors within Tower Hamlets means that the relative size of other sectors is diminished but these still account for 40% of employment – some 80,000 jobs - and

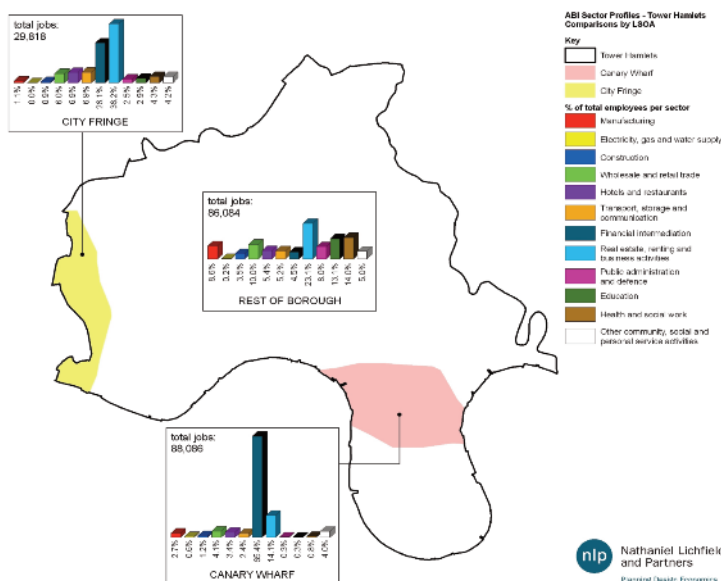


Figure 2: City Fringe, Canary Wharf and Rest of Borough Employment Structure, 2008

Source: Annual Business Inquiry / NLP analysis

will be critical to the resilience of the borough's economy and the diversity of employment opportunity it provides.

Business growth has been driven by the two dominant sectors in the borough's economy: financial services employment has more than trebled over the decade and real estate and business services have more than doubled.

If these sectors are excluded, the borough's job growth has been considerably more modest and in some sectors employment has declined, including transport (down by two-fifths) and in manufacturing by over a third) which has contracted at a faster rate than for London as a whole.

Business Needs

A key input to the LEA process was the commissioning of a business survey involving 750 businesses to understand current and future business needs in the Borough.

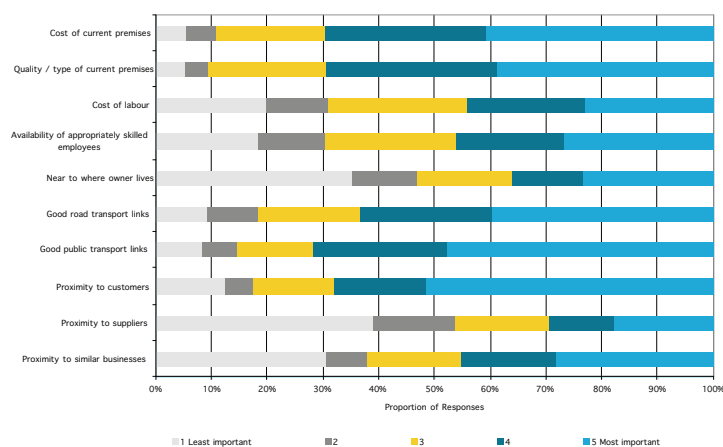
Respondents appear reasonably optimistic about future growth prospects in terms of increasing turnover, but are more cautious about increasing workforce levels.

More affordable business premises and improved environmental quality were identified as the main factors that would enhance business prospects in the borough.

Good public transport links, proximity to customers and premises are perceived as the most important factors for doing business within Tower Hamlets.

Current sites and premises were generally viewed as "fit for purpose", and the majority of respondents seeking to relocate would prefer to remain within the borough.

Fig. 3: Question: how important were the following factors influencing your decision to locate/remain in Tower Hamlets?



Source: NLP analysis



Future Economic Prospects

After over a decade of uninterrupted economic growth, the UK economy is now emerging from the longest and deepest recession for a generation. A key uncertainty over prospects in the short-term relates to the strength and sustainability of domestic private sector demand, particularly as a compensation for the planned cuts in public expenditure and jobs, and the potential for increased exports.

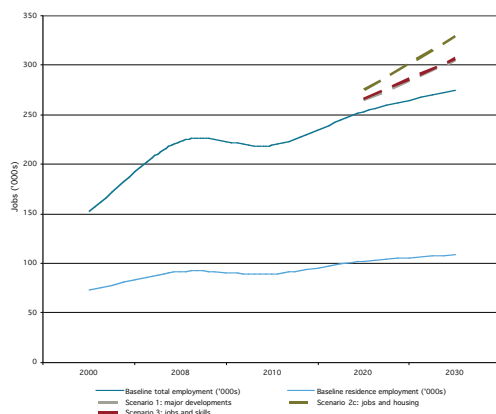
During the recession the London economy performed better than expected and relatively better than the UK as a whole. Despite the unprecedented and focused nature of the financial crisis from which the recession stemmed, there was a relatively limited retrenchment in employment in financial and business services, either in London or in Tower Hamlets.

The immediate prospects for economic recovery remain uncertain and will be contingent on an improvement in world trade. London is expected to return to growth more strongly than the country as a whole.

Financial services are one of the UK's major export sectors, but are susceptible to global trends and competition, and potentially a new system of regulation and taxation. Canary Wharf has a high degree of specialisation, both in financial services but also within this sector in relation to banking, where structural reform is currently being contemplated.

The borough's relative dependence on financial and business services will mean that the pace of recovery in the immediate term is likely to be modest, with business services returning to growth in 2010 (but at a lower speed than before) and financial services not rebounding with any substantial effect until 2014.

Fig. 4: Comparison of Baseline and Scenario Employment Forecasts for Tower Hamlets



In the public sector, significant cuts are expected over the next four years; in other sectors, continued decline in manufacturing and wholesale and distribution activities are projected. Some short term stimulus may, however, be obtained from construction and consumption-related activities associated with the 2012 Olympics.

In the medium-term, forecasts are much more positive with a range of forecasters predicting future employment growth in the borough of between 25% and 50% over the next twenty years.

More affordable business premises and improved environmental quality were identified as the main factors that would enhance business prospects in the borough

Contact

For further information about the Volume 2 'Economy and Enterprise' of the LEA please contact the Information and Equalities Team Development & Renewal.

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