



4. Economy

Tower Hamlets is home to the country's third largest economy and some of the fastest economic growth in the UK.

Chapter Summary:

- Tower Hamlets has the 3rd highest economic output of any local authority area in the UK, next to Westminster and the City of London. In 2015, the borough's economic output was around £29 billion – accounting for 2 per cent of the UK economy.
- The borough has experienced some of the fastest economic growth in the country: economic output increased by 71 per cent in the past ten years, the number of enterprises increased by 55 per cent in the past five years, and the number of workers increased by 49 per cent between 2001 and 2011.
- There are around 16,800 businesses based in Tower Hamlets. While the borough is home to some of world's largest financial institutions, 98 per cent of local enterprises are small businesses which employ fewer than 50 people.
- Tower Hamlets has the 6th highest job density in London. There are an estimated 278,000 employee jobs in the borough – more than the number of working age residents.
- Employment is dominated by the finance industry. 44 per cent of jobs are concentrated in Canary Wharf and 26 per cent are in the finance and insurance industry, making it the borough's largest employment sector.
- 30 per cent of working residents are employed in Tower Hamlets and 14 per cent of workers in Tower Hamlets are borough residents.
- The median earnings for a full-time worker in Tower Hamlets was £849 per week in 2016 – the second highest in the UK, next to the City of London.
- Workers in the borough earned around £180 per week more than borough residents working full-time. This is the largest gap between workers and residents in London.
- Whilst the borough is expect to gain 11,000 jobs in the next decade – accounting for one in five new jobs in London – there are significant uncertainties about the future as a result of Brexit.
- Jobs growth is likely to be in the professional sectors, indicating an increased demand for highly qualified workers.

How big is the Tower Hamlets economy?

The economic output of local areas is generally measured by gross value added (GVA) ¹, which attempts to measure the value of all goods and services produced in an area. This is a similar measure to Gross Domestic Product, or GDP, which is commonly used to measure the size of the economy of a country.

In 2015, Tower Hamlets had a total economic output, or gross value added, of around £29 billion.² This was the 3rd highest economic output out of 391 local authority areas in the UK, next to Westminster and the City of London (see [Figure 4.1](#)). In 2015, the borough accounted for 8 per cent of the economic output in London and 2 per cent of the economic output in the UK.³

Figure 4.1: Total Gross Value Added for Top Ten Local Authorities, 2015



Source: ONS, *Regional Gross Value Added (Income Approach) by Local Authority in the UK*.

The borough's high economic output reflects the significant role that Canary Wharf and the City Fringe play in the UK and global economies. Over half of our economic output in 2015 came from financial and insurance activities.⁴

Over the past decade, the borough's economic output has grown by 71 per cent (up from around £17 billion in 2005).⁵ This was significantly faster growth than in London as a whole (53 per cent) and twice as fast as growth in the UK (36 per cent). It also ranks Tower Hamlets as having the fourth highest growth out of 173 areas in the UK.⁶

How many businesses are based in Tower Hamlets?

In March 2017, there were around 16,800 local enterprises⁷ based in Tower Hamlets.⁸ The number of businesses based in the borough has increased by 55 per cent in the past five years (up from 10,900 enterprises in 2012). This is higher growth than in London as a whole (41%) and the 8th highest out of all London boroughs.

Tower Hamlets also has the 7th highest number of new business 'births' in London. In 2015, 3,920 new businesses started up in the borough, making up around one in five of all local businesses.⁹

What types of businesses are based in the borough?

While the economic profile of Tower Hamlets is dominated by some of the world's largest financial and professional service organisations based in Canary Wharf, the borough has a wide range of local businesses including small family companies, creatives, start-ups, light manufacturers and small-to-medium-sized enterprises.

The vast majority of businesses based in Tower Hamlets are small businesses. 98 per cent of enterprises employ fewer than 50 people and nine in ten are 'micro' businesses which employ fewer than 10 people.¹⁰ 7 per cent of enterprises are sole traders. On the other hand, only 0.5 per cent of the borough's enterprises are large businesses which employ 250 employees or more.

Businesses in the financial and insurance industry only account for 3 per cent of enterprises in the borough (see [Figure 4.3](#)). The largest industries are 'professional, scientific and technical' which accounts for a quarter of our businesses and 'information and communication' which makes up 18 per cent of businesses. This industrial structure is largely similar to that in London as a whole.

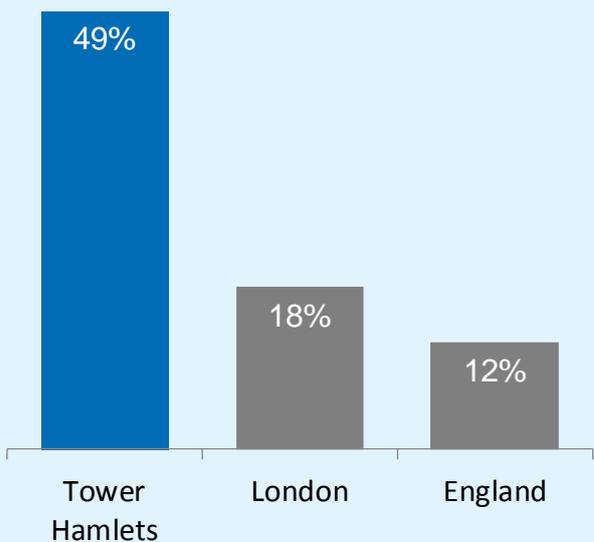
The vast majority of local enterprises (97 per cent) are in the private sector, 3 per cent are in the non-profit sector, and less than 1 per cent are public sector enterprises.

How many jobs are in the borough?

In 2016, there were an estimated 278,000 employee jobs in Tower Hamlets which is higher than the number of working age residents (225,300).¹¹ In 2015, we had 1.35 jobs for every working age resident.¹² This was the 6th highest job density in London, and well above the average in London (0.98) and in England (0.84).

The number of local jobs has increased substantially in recent years. Between the 2001 and 2011 censuses, the number of people working in Tower Hamlets increased by 77,600.¹³ This was a 49 per cent increase – the second highest out of all local authorities in England & Wales, next to Newham (+55 per cent). It is also more than double the rate of growth in London as a whole (+18 per cent) and four times the rate of growth in England (+12 per cent).

Figure 4.2: Percentage increase in the number of workers, 2001 to 2011



Sources: ONS 2001 Census (Table ST129) & ONS Business Register and Employment Survey (BRES) via NOMIS

What is the profile of jobs in Tower Hamlets?

While the large financial institutions in Canary Wharf only make up a small proportion of *businesses* in Tower Hamlets, they do account for a considerable proportion of the borough's *employment*.

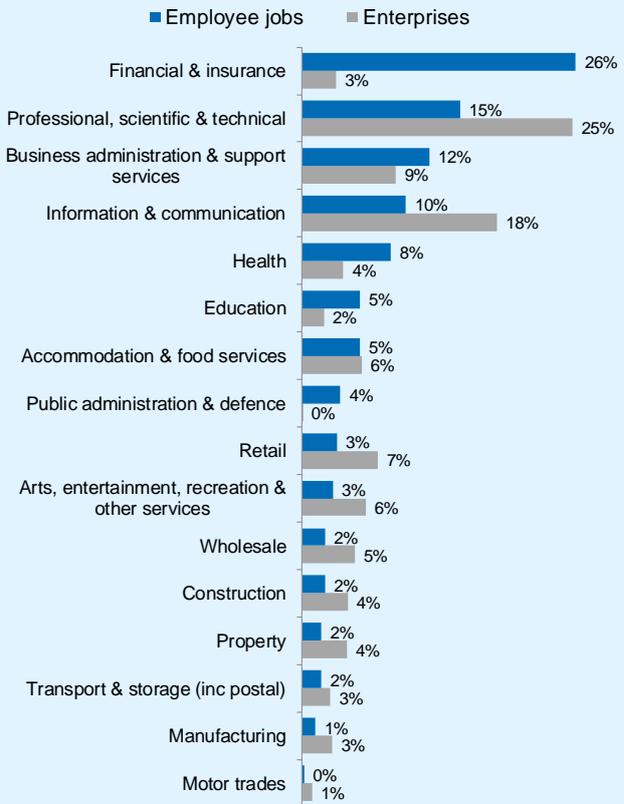
Figure 4.3 shows that while the finance and insurance industry makes up only 3 per cent of all business, it accounts for 26 per cent of all employee jobs, making it the largest employment sector in the borough.¹⁴ This is more than three times the proportion of finance and insurance jobs in London (8 per cent).

After finance and insurance, the largest employment industries in Tower Hamlets are the 'professional, scientific and technical' sector (15 per cent of jobs), and 'business administration and support services' (12 per cent of jobs).

Two thirds of jobs in the borough (67 per cent) are in 'knowledge intensive' or 'high tech industries'.¹⁵ This is the third highest proportion in London (next to the City of London and Camden) and considerably higher than the London average of 56 per cent.

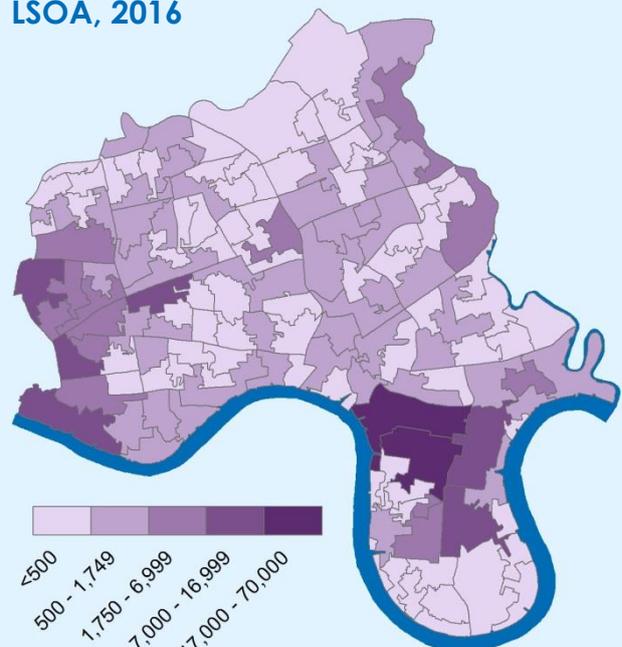
Employment in Tower Hamlets is also geographically concentrated in Canary Wharf and the City Fringe. In 2016, 44 per cent of the borough's jobs were concentrated in two small areas (LSOAs) in Canary Wharf which account for just 4 per cent of the borough's land area (see Map 4.1).¹⁶ A further 24 per cent of jobs are located in 11 small areas in the City Fringe, which account for 9 per cent of the borough's land area.

Figure 4.3: Employee jobs and enterprises by broad industry, 2016



Sources: ONS UK Business Counts (enterprises) via NOMIS; ONS Business Register and Employment Survey (BRES) via NOMIS

Map 4.1: Number of employee jobs by LSOA, 2016



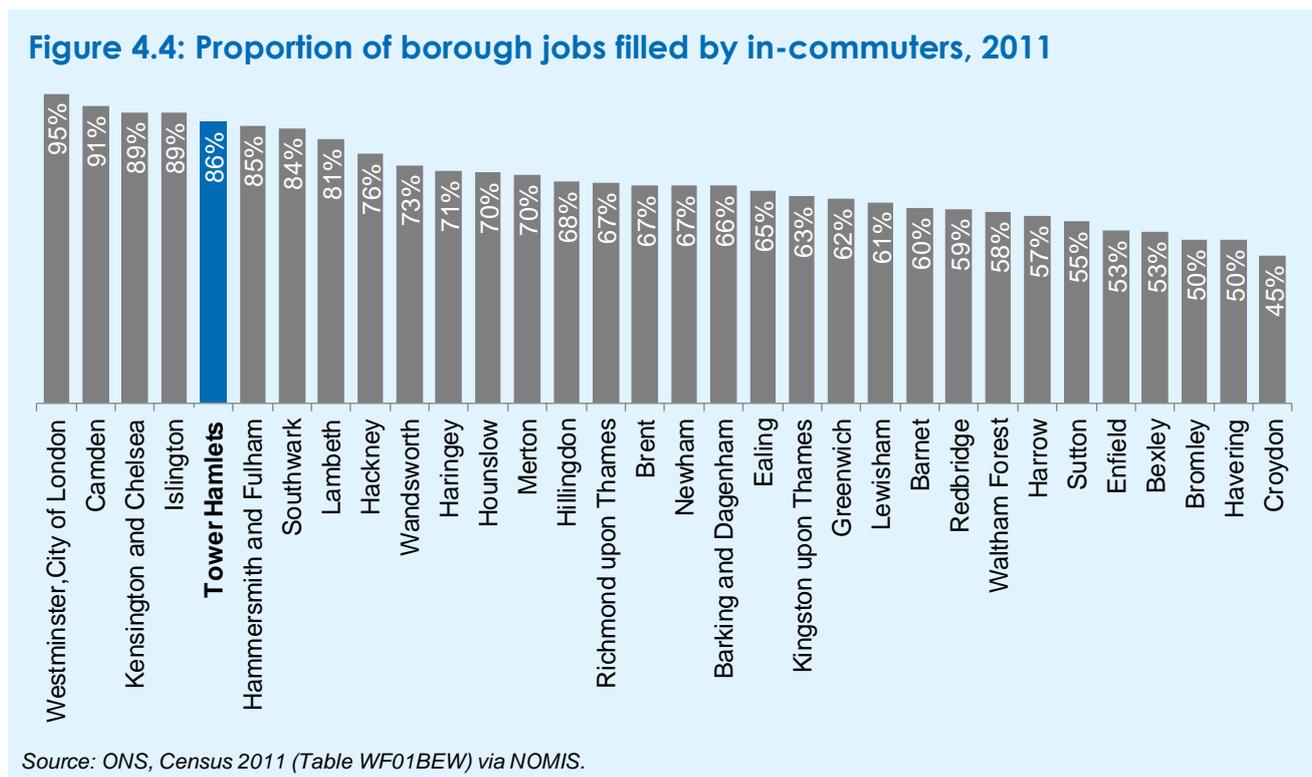
Source: Business Register and Employment Survey (BRES) via NOMIS. © Crown copyright and database rights 2017 Ordnance Survey, London Borough of Tower Hamlets 100019288.

Tower Hamlets has a slightly higher proportion of full-time jobs than the London average (81 vs. 75 per cent) and a slightly lower proportion of part-time jobs (19 per cent vs. 25 per cent). 85 per cent of jobs in the borough are in the private sector and 15 per cent are in the public sector which is the same as the London average.

How many local jobs are filled by Tower Hamlets residents?

At the time of the last Census in 2011 (which is the best data we have available), 30 per cent of working residents were employed in Tower Hamlets and 14 per cent of people who worked in Tower Hamlets were borough residents.¹⁷ This means that 86 per cent of our workforce commutes into the borough from elsewhere. Figure 4.4 shows that this is the 5th highest proportion of in-commuters in London.

Generally, the borough tends to import higher-qualified staff in some 'high-value' sectors from a wide catchment, and tends to export less-qualified labour in 'lower-value' sectors to work in the surrounding boroughs.¹⁸



Where do our workers commute from?

At the time of the 2011 Census, 14 per cent of workers in Tower Hamlets were based in the borough, and 62 per cent commuted in from other London boroughs.¹⁹ After Tower Hamlets, our borough's workers most commonly live in Newham (5 per cent), Redbridge (4 per cent) and Southwark (4 per cent).

A further 12 per cent of Tower Hamlets workers commute from the East of England, 10 per cent commute in from the South East, and 2 per cent commute in from other regions of the UK.

How much do workers in Tower Hamlets earn?

Workers in Tower Hamlets have the second highest earnings out of all local authorities in the UK, next to the City of London. In 2016, the median earnings for a full-time worker in Tower Hamlets was around £849 per week.²⁰ This was considerably higher than the median earnings of full-time workers in London (£669 per week) and more than 1.5 times the median earnings of full-time workers in the UK (£539 per week).

Workers in Tower Hamlets also earn substantially more than residents in Tower Hamlets. In 2016, full-time median earnings were £180 per week (or 27 per cent) higher for workers when compared with residents.²¹

This is the largest gap between workers and residents in London. Out of the 33 London boroughs (and City), workers earn more than residents in 10 boroughs. After Tower Hamlets, Hounslow has the second largest gap with full-time median earnings for workers being £106 per week (or 18 per cent) higher than that of residents. In other London boroughs, the earnings of residents are higher than that of workers. This biggest gap there is in Kensington & Chelsea where the full-time median earnings of residents are £177 per week (or 24 per cent) higher than that of workers.

Figure 4.5 shows that our gap between the earnings of workers and residents has remained relatively constant over the past ten years. In 2006, full-time median earnings were £177 per week (or 33 per cent) higher for workers when compared with residents.

Figure 4.5: Median weekly earnings of full-time workers and residents in Tower Hamlets, 2006 to 2016



Source: ONS, Annual Survey of Hours and Earnings (ASHE) via NOMIS.

How will our economy grow in the future?

The future of the Tower Hamlets economy – as well as the London and UK economies – is relatively uncertain. The country's exit from the European Union may impact the role of London as a financial services hub for Europe which has serious implications for our employment centres in Canary Wharf and the City Fringe. Some large financial institutions based in the borough, such as HSBC and JP Morgan, have indicated that they may move jobs out of Tower Hamlets, but this decision will largely depend on the outcome of Brexit negotiations.²²

In addition, the Tower Hamlets economy has benefited from EU migration. One in ten workers in Tower Hamlets were from the EU at the time of the 2011 Census²³, and over the past five years, seven in ten economic migrants coming into Tower Hamlets were from EU countries.²⁴ These migrants most commonly come from Italy (22 per cent of all NINO registrations in the past five years) and Spain (13 per cent).

While it is impossible to predict the future, projections based on past trends as well as the borough's capacity to accommodate business (e.g. office space, transport accessibility) suggest significant employment growth for the borough.

The GLA project that the number of employee jobs in Tower Hamlets will increase from 277,000 in 2016 to 387,000 in 2026.²⁵ This would be an increase of 110,000 local jobs – the equivalent of 30 new jobs every day over the course of a decade. [Figure 4.6](#) shows that this is by far the biggest increase in the number of jobs out of all London boroughs. Out of the half a million jobs that are expected to be added to the London economy in the next decade, more than one in five (22 per cent) are expected to be located in Tower Hamlets.

In terms of proportional growth, Tower Hamlets is expected to have a 40 per cent increase in the number of employee jobs which is four times the growth rate of London as a whole (10 per cent) and the second highest of all London boroughs, next to Newham at 41 per cent. Based on past trends, our growth

Figure 4.6: Projected increase in the number of employee jobs, 2016 to 2026



Source: GLA, Long-term labour market projections (2017) - employee jobs

sectors are expected to be business and professional services, ICT, the creative industry, and science and technology.²⁶ The majority of these new jobs are expected to be focused in our existing world class employment hubs in Canary Wharf and the City Fringe, however a significant number of jobs are expected to be delivered around the borough.²⁷

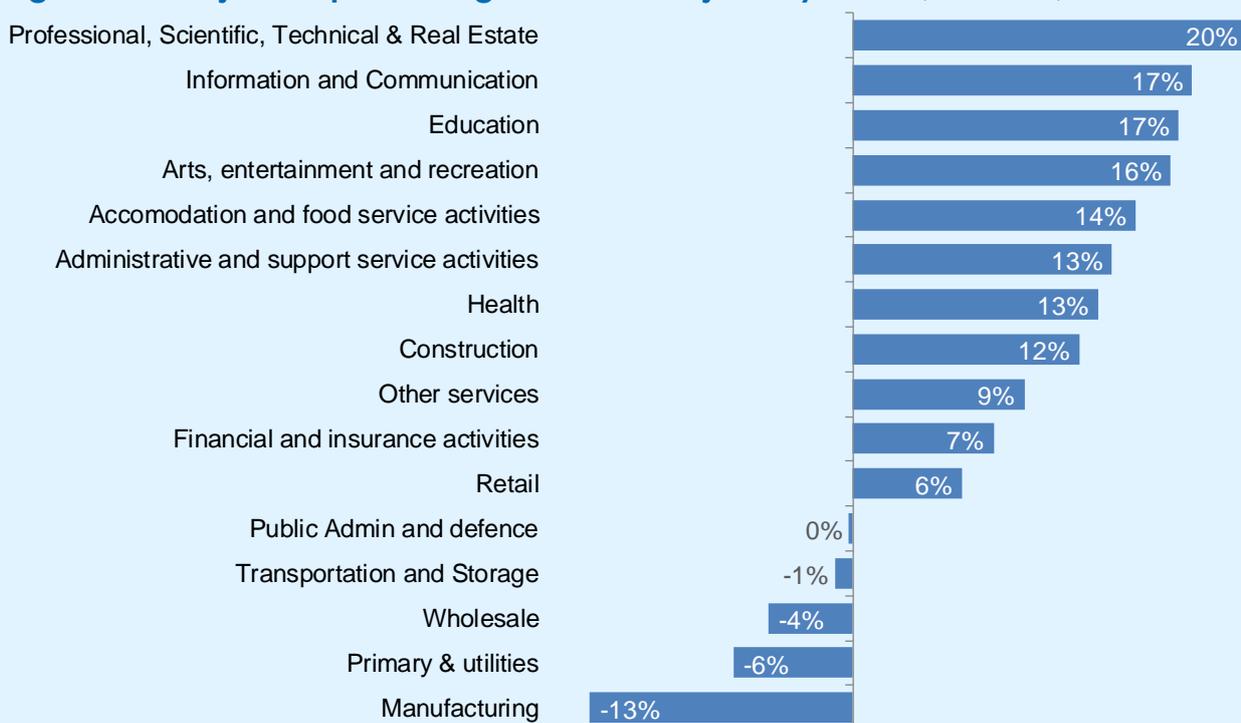
In addition, the council aims to maximise the potential of our visitor economy. The borough already draws in over 17,000 day visitors and 12,000 staying visitors on the average day²⁸ who come to Tower Hamlets for both business and to visit world-class attractions like the Tower of London. New hotels are being developed in the borough which will enable us to accommodate a greater number of visitors. In the past year alone, over 600 hotels rooms were built and over 1,700 additional hotel rooms are in the development pipeline.²⁹

What skills are needed to fulfil our future job growth?

While employment projections for Tower Hamlets only provide the *total number of jobs* expected to be available, projections for London as a whole provide detail on the sectors and skill types that are expected to grow in the future. [Figure 4.7](#) shows that the sector which is expected to have the highest growth is the 'Professional, Scientific, Technical & Real Estate'³⁰ sector which is projected to grow by 20 per cent between 2016 and 2026.

In addition, the occupational groups expected to grow most in London (and in the UK) are 'managers, directors and senior officials' and 'professional occupations'³¹, indicating that there will be increased demand for highly qualified workers.

Figure 4.7: Projected percentage increase in jobs by sector, London, 2016 to 2026



Source: GLA, Long-term Labour Market Projections (2017) for London by sector.



Find out more

This report was produced by the council's Corporate Research Unit as part of the [Borough Profile 2018](#). For more in-depth analysis about Tower Hamlets, please visit the [Borough Statistics](#) page on the council's website or get in touch with the team at cru@towerhamlets.gov.uk.

You can also find out more about the borough's economy in our [Local Economic Assessment](#).

Endnotes

- ¹ ONS measure GVA by adding together employee wages, income from self-employed people, gross operating surplus, taxes on production, then subtracting subsidies on production.
- ² ONS, [Regional GVA by local authority in the UK](#). See 'Total GVA'.
- ³ ONS, [Regional Gross Value Added \(Income Approach\) Reference Tables](#). See Table 1.
- ⁴ *Ibid.* See Table 6.
- ⁵ *Ibid.* See Table 1.
- ⁶ Refers to *Nomenclature of Territorial Units for Statistics level 3*, or NUTS3, areas. These are single or grouped counties, unitary authorities or districts in the UK. Tower Hamlets is a single unitary authority in the NUTS3 areas, though some other London boroughs are grouped together, for example Camden and the City of London.
- ⁷ An enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy. This is usually a head office which may, or may not, have multiple sites, or 'local units'.
- ⁸ ONS, *UK Business Counts (enterprises)* via [NOMIS](#), based on the Inter Departmental Business Register (IDBR).
- ⁹ ONS, [Business Demography 2015: Enterprise births, deaths and survivals](#). See Table 1.1b.
- ¹⁰ ONS, *UK Business Counts (enterprises)* via [NOMIS](#), based on the Inter Departmental Business Register (IDBR).
- ¹¹ ONS, *Business Register and Employment Survey (BRES)* via [NOMIS](#); ONS, [2016 Mid-year Estimates](#). Note that 'employee jobs' does not include the self-employed.
- ¹² ONS, *Jobs Density* via [NOMIS](#).
- ¹³ ONS, 2001 Census, Table ST129 via [NOMIS](#); ONS 2011 Census, Table WP101EW via [NOMIS](#).
- ¹⁴ ONS, *Business Register and Employment Survey (BRES)* via [NOMIS](#).
- ¹⁵ Knowledge intensive or high-tech industries, as defined by [Eurostat](#). Derived from ONS, *Business Register and Employment Survey (BRES)* via [NOMIS](#).
- ¹⁶ ONS, *Business Register and Employment Survey (BRES)* by Lower Super Output Area (LSOA) via [NOMIS](#).
- ¹⁷ ONS, Census 2011, Table WF01BEW via [NOMIS](#).
- ¹⁸ Bivand, P. 2016. [Tower Hamlets Local Economic Assessment: Data Refresh 2015/16](#).
- ¹⁹ ONS, Census 2011, Table WF01BEW via [NOMIS](#).
- ²⁰ ONS, Annual Survey of Hours and Earnings (ASHE) – workplace analysis via [NOMIS](#). Figures for 2016 are provisional. Extracted September 2017.
- ²¹ *Ibid.* & ONS, Annual Survey of Hours and Earnings (ASHE) – resident analysis via [NOMIS](#). Figures for 2016 are provisional. Extracted September 2017.
- ²² Reuters, 16 June 2017, [HSBC sees fewer London jobs move on softer Brexit hopes](#) & Guardian, 11 July 2017, [JP Morgan: We'll only move jobs from UK after Brexit if EU forces us](#).
- ²³ ONS, Census 2011 Table WP203EW via [NOMIS](#).
- ²⁴ DWP, *NINo Registrations to Adult Overseas Nationals Entering the UK* via [Stat-Xplore](#).
- ²⁵ GLA, [Long-term Labour Market Projections 2017](#) (employee jobs).
- ²⁶ Regeneris Consulting *et al*, 2017. [Tower Hamlets Growth Sectors and SME Workspace Study](#).
- ²⁷ Tower Hamlets Council, 2017, [Draft Local Plan](#).
- ²⁸ GLA, [Daytime Population by Borough](#). Figures are for daytrip visitors, and the sum of overseas and domestic staying visitors in 2014.
- ²⁹ London Development Database as of 31 March 2017.
- ³⁰ These categories are based on the Standard Industrial Codes ([SIC 2007](#)). 'Real estate' refers to the buying/selling or letting of properties rather than property development.
- ³¹ UKCES, [Working Futures 2014-2024](#) – See Annex Table D.15.