5. Employment

While the borough’s employment rate has been rising over the last decade, some groups continue to face significant disadvantage in the local labour market.

Summary

- The borough’s employment rate has risen considerably over the last decade, from 56 per cent during 2005-08 up to 68 per cent in 2014-17, bringing it closer to the rate in Great Britain (74 per cent).

- The proportion of residents who rely on out-of-work benefits has also seen a sharp fall over the last decade, dropping from 16 to 9 per cent between 2007 and 2016 - levels in Tower Hamlets are now on a par with those nationally.

- Despite these improving trends, inequalities within the labour market persist and certain groups of residents continue to face a higher risk of worklessness than others. These include:
  
  - **Black and minority ethnic residents, particularly women.** During 2014-16, less than half of the borough’s BME women were in work (48 per cent). Rates were lowest for Bangladeshi and Somali women: just one quarter of these women were in employment at the time of the 2011 Census.
  
  - **Those with poor proficiency in English:** In 2011, residents whose first language was English were almost three times as likely to be in work compared with those with poor proficiency in English (71 vs. 25 per cent). Older Bangladeshi and Somali women were the most likely to have poor English proficiency.
  
  - **Those with no qualifications:** During 2014-16, just one third of residents with no qualifications were in work compared with 87 per cent of those who held higher level qualifications.
  
  - **Disabled residents:** During 2014-16, less than half of all working age disabled people were in work compared with three quarters of the non-disabled population (48 vs. 74 per cent).
  
  - **Older residents aged 50 and over:** The employment rate for older workers in Tower Hamlets is relatively low: 58 per cent of borough residents aged 50-64 were in work compared with 69 per cent across London.

Note: All employment rates relate to people aged 16-64 unless otherwise specified.
Summary (continued)

- Once in work, White workers were far more likely than BME workers to be employed in professional and managerial jobs (65 vs. 45 per cent of workers). Bangladeshi workers were the least likely to be employed in professional and managerial jobs (25 per cent), while Indian workers were the most likely (80 per cent).

- BME workers were far more likely than White workers to work part-time: in 2011, almost four in ten BME workers were employed part-time compared with just 15 per cent of White workers.

- Part-time working was very prevalent within the Bangladeshi population: six in ten Bangladeshi workers were employed part-time, and within the community, men were as likely as women to be employed part-time (60 and 58 per cent of workers). Across all other groups, part-time working was more prevalent among women.

- Disabled people were also more likely to work part-time: in 2011, 39 per cent of disabled workers were employed part-time compared with 24 per cent of non-disabled workers.

- In 2015/16, around one in five (19 per cent) Tower Hamlets residents earned below the London Living Wage, just below the London average (21 per cent). Within the workforce, pay rates were lowest for part-time workers, whose hourly pay was half that of full-timers (£8.83 vs £17.94).

- Residents earn less than those who work in the borough, reflecting the different sort of jobs done by residents and workers: more than half of the jobs based in the borough were in the finance and professional sectors, while just under one third of resident workers are employed in these sectors (55 vs. 31 per cent).

- Projections of future demand for skills and qualifications in London suggest a continued trend in favour of highly skilled, white collar occupations, with increasing demand for jobs requiring higher level qualifications.
Overview
Chapter 4 of the Borough Profile presented analysis about the local economy - this highlighted that the number of businesses and jobs across London has been growing strongly in recent years, and that this growth is projected to continue. The analysis presented here focuses on Tower Hamlets residents and the extent to which they are successfully accessing the job opportunities offered in the London labour market. The analysis explores the level and nature of labour market participation among residents, and how this varies across different population groups.

Labour market participation
Note: The data presented below are survey based estimates. These have been averaged over three years to improve the reliability of the estimates.

During the period 2014-2017, just over two thirds of the Tower Hamlets working age population were in employment (68 per cent - the employment rate). Just under one third of the working age population were not in work. This group comprised those who were unemployed and actively seeking work (7 per cent of the working age population) and those who were economically inactive (25 per cent). Those classed as economically inactive include: those caring for family, those too sick to work and those in full time education. While not ‘active’ in the job market, around one in five (22 per cent) of the economically inactive population say they would like to work.

Employment rate trends
The borough’s employment rate has risen significantly over the last decade: from 56 per cent during 2005-08, up to 68 per cent during 2014-17 - a rise of 12 percentage points (Figure 5.2).

In London, rates also rose, but less sharply from 69 to 73 per cent. The rate for Great Britain also showed less change over the period, consequently, the gap in rates between Tower Hamlets and Great Britain has narrowed considerably from 17 to 6 points.

However, at the time of writing, the most recent annual survey estimate indicates a marked fall in the borough’s employment rate down to 64 per cent (for the period July 2016 to June 2017). Annual survey estimates are known to be volatile, so it remains to be seen whether this recent fall is a ‘blip’ in the survey data or the start of a downward trend.
Trends in worklessness
Consistent with rising employment levels, the proportion of residents who rely on out-of-work benefits has seen a sharp fall over the last decade, dropping from 16 per cent in 2007 down to 9 per cent by 2016. The proportion also fell nationally, but less sharply, meaning the historical gap in rates between Tower Hamlets and Great Britain has now disappeared - levels in Tower Hamlets are now on a par with those nationally (Figure 5.3).

Figure 5.4 shows the fall in terms of claimant numbers, which started to decline quite sharply from 2011, dropping from 28,020 down to 19,354 by 2016. This was mainly due to all fall in the number of unemployed claimants who halved in number between 2011 and 2016; unemployed claimants now make up just 2 per cent of the working age population.

Meanwhile, the number claiming disability-related benefits (Employment and Support Allowance or Incapacity Benefit) has remained fairly stable in terms of numbers, and now comprises almost two thirds (62 per cent) of the total claimant population. When expressed as a proportion of the working age population, which has been growing over this period, the percentage claiming Employment and Support Allowance or Incapacity Benefit has fallen from 7 to 5 per cent over the period 2007 to 2016.

While these trends reflect changing labour market conditions, they are also likely to reflect welfare reform changes which have made it more difficult to qualify for out-of-work benefits. These have included: the introduction of the Work Capability Assessment to determine eligibility for Employment and Support Allowance; the increased use of benefit sanctions; stricter conditionality rules for unemployment related benefits; and also, more restrictions to the benefits lone parents can claim.
Labour market participation by age

Employment levels vary considerably across different population groups. By age, employment rates tend to peak for people in the 25-49 age group: during 2014-16, almost four in five adults in this age group were in work (78 per cent).

Employment rates begin to fall as people get older: just 58 per cent of Tower Hamlets residents aged 50-64 were in work during 2014-16, lower than the proportion regionally or nationally (69 and 70 per cent). This is consistent with the relatively high claim rate for out-of-work benefits in this age group: in November 2016, 25 per cent of those aged 55-64 were in receipt of out-of-work benefits in Tower Hamlets compared with just 14 per cent across London (Figure 5.6). Most of this group were in receipt of disability-related benefits such as Employment and Support Allowance.

The employment rate in Tower Hamlets is also lower for those aged 65 and over: around 8 per cent of these residents are still in work compared with 13 per cent in London.

Labour market activity among young people

Employment rates are typically low for young adults, many of whom are students. In Tower Hamlets, less than half of those aged 16-24 were in work during 2014-16. The 2011 Census found that over one third (36 per cent) of residents aged 16-24 were not in work because they were in full-time education.3

Young people are also more likely to be unemployed than other age groups. At the time of the 2011 Census, 14 per cent of young residents aged 16-24 said they were unemployed compared with 7 per cent of those aged 25-64.

More recent statistics, which are benefits based, suggest lower levels of youth unemployment. In November 2016, only 2 per cent of young people aged 16-24 were in receipt of unemployment-related benefits (ie Jobseeker’s Allowance and Universal Credit). However, these data are known to underestimate the true level of youth unemployment: some young unemployed do not qualify for these benefits (eg those aged 16-17), while others are subject to benefit sanctions. Research by the Council found that young claimants were far more likely than older claimants to
face benefit sanctions and to be missed by benefit counts. Indeed, a comparison of Census and benefits counts in 2011, found that the Census counted more than twice as many young unemployed people in Tower Hamlets compared to the number claiming unemployment-related benefits at that time (6,010 vs. 2,740, March 2011).

### Employment rates by gender & ethnicity

Employment rates vary considerably by ethnicity: the employment rate for White residents in Tower Hamlets averaged 83 per cent during 2014-2016, compared with just 59 per cent for BME residents - a gap of 24 points. The ethnic gap in rates in Tower Hamlets is almost twice as wide as the gap observed in London (13 points).

In common with most areas, women in Tower Hamlets have a lower employment rate than men (60 vs. 78 per cent). However, the size of the gender gap is a bit wider in Tower Hamlets than in London (66 vs. 80 per cent).

Within the BME population, employment rates are very low for women - just under half (48 per cent) of BME women are in work, compared with 70 per cent of BME men. While the gender gap in rates is also evident within the White population, it is far narrower (78 vs. 86 per cent).

Employment rates for BME women are lower in Tower Hamlets than in London (48 vs. 57 per cent), however, the opposite is true for White women, who have a higher employment rate in Tower Hamlets than London (78 vs. 72 per cent). Consequently, the ethnic gap in employment rates between White and BME women is twice as wide in Tower Hamlets than in London (30 vs. 15 percentage points).

![Figure 5.7: Employment rates by gender and ethnicity, Tower Hamlets and London, 2014-2016](image)

Diversity and employment

2011 Census data reveals that, within the BME population, there is significant diversity in terms of labour market outcomes (Figure 5.8). Employment rates were highest for White ethnic groups, with the White Other group having the highest rate of all (80 per cent). Most of this population were born outside the UK, coming from a wide range of different backgrounds (eg Eastern and Western Europeans, Australians, Americans). These residents are typically young, with few dependents and well qualified.

Employment rates were lowest among the Bangladeshi and Black ‘Other’ populations: less than half were in work (42 and 45 per cent). Within the BME population, employment rates were highest for Indian residents, who had the same employment rate as White British residents (74 per cent).

Employment rates are particularly low for Bangladeshi and Pakistani women (26 and 35 per cent) - these two populations have the widest gender gap in employment rates across all ethnic groups. Men have higher employment rates than women across all groups, except for the Black Caribbean population, where women are a bit more likely than men to be in work (64 vs 60 per cent).

The low employment rate in the Black Other population is likely to reflect the circumstances of the borough’s Somali population, who make up around two thirds of this ethnic group. In 2011, just one third of Somali-born residents were in work compared with two thirds of the borough’s population generally (34 vs. 64 per cent). Rates for Somali-born women were lower still at 26 per cent compared with 46 per cent for Somali-born men. Somali residents who were in work were more likely to be in lower paid occupations and to work part-time than other groups.

Figure 5.8: Employment rates by ethnic group and gender, Tower Hamlets, 2011

![Employment rates by ethnic group and gender](source: 2011 Census, Table CT0466)
Parenthood and ethnicity
Qualitative research with Bangladeshi and Somali women in Tower Hamlets has identified that women in these communities typically face a range of barriers in accessing work. These include: language barriers, a lack of relevant qualifications, racial discrimination and difficulties balancing work with caring responsibilities.9

Indeed, caring responsibilities can have a significant impact on levels of labour market participation, particularly for women, who are more likely than men to take time out of the labour market to care for children or other dependents.

In Tower Hamlets, parenthood is strongly related to ethnicity: BME households, particularly Bangladeshi and Somali households, are far more likely than other groups to have children (Figure 5.9). 2011 Census data revealed that just over two thirds of all Bangladeshi households (68 per cent), and just over half of all Somali households (53 per cent), had dependent children compared with just 13 per cent of White British households. Somali and Bangladeshi households were also more likely than other groups to live in extended families.10

Somali parents are more likely than average to be lone parents: 30 per cent of Somali households were lone parent households compared with 11 per cent of borough households.11

Qualifications and employment
Qualification levels are strongly associated with whether people are in work or not. In Tower Hamlets, 87 per cent of those who held higher level qualifications were in work compared to just one third of those with no qualifications. Those with no qualifications have a lower employment rate in Tower Hamlets compared with their counterparts in London or Great Britain (Figure 5.10).

Qualifications levels are inextricably linked with the ethnic differentials in employment observed in Figure 5.8. Just 16 per cent of Bangladeshi and Somali-born adults held

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higher level qualifications at the time of the 2011 Census, compared with 41 per cent of residents generally.\textsuperscript{12} In contrast, two thirds of Indian residents held higher level qualifications - the BME population with the highest employment rate.

**Language proficiency and employment**

Recent research by the Council, based on Census data, has also highlighted the strong association between language proficiency and labour market outcomes. The research found that residents whose first language was English were almost three times more likely to be in work compared with those who had poor proficiency in spoken English (71 vs. 25 per cent).\textsuperscript{13}

Those who used a first language other than English, but who were fluent in English had an employment rate of 61 per cent, more than twice as high as the rate for those with poor proficiency. The research also found that Bangladeshi and Somali residents were the groups most likely to have low proficiency levels, and that within these communities, proficiency was poorest among women and older people.

**Employment rates by disability\textsuperscript{14}**

Disabled people face a far higher risk of worklessness compared with the non-disabled population. Less than half of all disabled people aged 16-64 were in work compared with three quarters of the non-disabled population (48 vs. 74 per cent)- an employment rate gap of 26 percentage points. There was a similar gap across London and Great Britain (Figure 5.12).

There is considerable diversity within the disabled population and employment outcomes vary markedly depending on the type of disability people have. National research has found that disabled people with learning difficulties, and those suffering from mental health problems, experience the lowest employment rates across all groups: in the UK, typically just one quarter of both these groups were in employment in 2016.\textsuperscript{15}
Part time working

Of all residents in employment, 22 per cent work on a part-time basis, a bit lower than the national average (22 vs. 25 per cent), but the same as the London average (Figure 5.13).

In common with other areas, women are more likely than men to work part-time (29 vs. 18 per cent), though in Tower Hamlets the gender gap is far narrower. In fact, patterns of part-working by gender are fairly atypical in Tower Hamlets. The proportion of women working part-time is much lower in Tower Hamlets than in Great Britain (29 vs. 41 per cent) while the opposite is true for men: 18 per cent of men in Tower Hamlets work part-time compared with just 11 per cent across Great Britain.

Rates of part-time working are very high among BME workers. The 2011 Census revealed that 39 per cent of BME workers were employed part-time compared with just 15 per cent of White residents.

Almost six in ten Bangladeshi workers were employed on a part-time basis, the highest rate across all groups. Within the Bangladeshi population, men were as likely as women to be employed part-time (60 vs. 58 per cent). Across all other groups, part-time working was more prevalent among women (Figure 5.14).

Rates of part-time working were also relatively high for Black men and women. Part-time working was least prevalent among White and Indian men (9-12 per cent), most of whom are employed full-time. For women, part-time rates were lowest for White Irish and Indian women.

Disabled workers are more likely to work part-time than non-disabled workers. The 2011 Census found that four in ten of those in work who had a long term health problem or disability worked part-time, compared with one quarter of those without a health problem or disability (39 vs. 24 per cent).16

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16 Source: 2011 Census, Table CT0486
Occupation and ethnicity
White workers are over-represented in professional and managerial jobs while certain BME groups are particularly under-represented, especially those from the Bangladeshi and Somali populations.

The 2011 Census revealed that just 25 per cent of Bangladeshi workers, and 30 per cent of Somali-born workers, were employed in professional and managerial groups compared with 65 per cent of White workers. Indian and Chinese residents were the most likely to be employed in professional and managerial jobs (80 and 75 per cent).

How much do residents earn?
Earnings levels among residents in Tower Hamlets were just above the London average: in 2016, the median pay for residents in Tower Hamlets was £15.70 an hour - 5 per cent higher than the rate all Londoners (£14.94). However, within the workforce, there is a very wide pay gap between those who work full and part-time: the hourly rate for full-time workers is double that for part-timers (£17.94 vs. £8.83 per hour). Wage rates among residents working full-time are 9 per cent higher in Tower Hamlets than in London, while the opposite is true for part-timers, who earn 9 per cent less in Tower Hamlets compared with Londoners generally.

Hourly pay rates for women are 15 per cent lower than those of men (£14.69 vs £17.33 per hour). The gender pay gap is driven by pay differentials among full-time workers: women working full time earn 16 per cent less than men working full-time (£16.41 vs. £19.65). However, the gender gap is reversed for those working part-time, as women part-timers earn 11 per cent more than men working part-time (£9.06 vs. £8.19); this is also the case across London, where women working part-time earn 8 per cent more than their male counterparts.
The London Living Wage
The average hourly rate of pay (£8.89) for part-timers is well below the London Living wage - currently £9.75 per hour. The London Living Wage takes into account the costs of living in London and is designed to provide residents with enough income for essentials and a cushion against unforeseen events.

Trust for London has estimated that, in 2015-16, around one in five (19 per cent) Tower Hamlets residents in work earn below the London Living Wage - this was just below the London average (21 per cent). The Trust for London analysis also finds that certain groups of Londoners were more likely than others to earn less than the London Living Wage. These included: young Londoners, women, disabled people and those from BME groups, particularly Bangladeshi Londoners.19

Chapter 4 of the Borough Profile focused on the economy and this analysis explored how earnings of residents compare with those who work in Tower Hamlets. The analysis found that typical earnings levels for residents lag well behind those who work in the borough. Indeed, in 2016, the hourly pay rate of borough workers averaged £21.15 an hour in 2016 - a third higher than the pay rate for resident workers (£15.70 an hour). The wage gap between residents and workers is likely to reflect the different profile of work done by residents and workers in Tower Hamlets.

Type of jobs: residents v. workers
By industry sector, over one half (55 per cent of the jobs) based in Tower Hamlets are in the financial, professional and technical sectors, while just under one third of resident workers are employed in these sectors (Figure 5.17). Conversely, residents are more likely to work in the distribution, hotels and restaurants sector than workers based in the borough (20 vs. 11 per cent). Residents are also more likely than workers to be employed in the public administration, health and education sectors.

Future demand for jobs and skills
While the impact of Brexit on the London labour market is difficult to predict, economic projections remain upbeat. The GLA’s latest employment projections suggest that the number of jobs in London will grow by half a million over the period 2016-2026 and more than one in five of these are expected to be based in Tower Hamlets.20

The UK Commission for Employment and Skills is projecting that in London there will be a continued trend in favour of more highly skilled, white collar occupations.
It also finds that the number of jobs requiring higher level qualifications is expected to continue to grow.\textsuperscript{21}

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.

Endnotes

1 Figures presented here are survey estimates drawn from the Annual Population Survey. Estimates for London Boroughs are based on fairly modest samples (around 400-500 annually) so to improve the reliability of data, all APS data presented here are based on 3 year averages.
2 Tower Hamlets Council, Employment and Support Allowance in Tower Hamlets, 2014
3 2011 Census, table DC6107EW.
4 Tower Hamlets Council, Jobseeker’s Allowance Sanctions in Tower Hamlets, 2014
5 For this analysis, the White Gypsy/Irish Traveller ethnic group, which is very small in number has been include in the White Other total.
7 As Somali is not classed as a separate ethnic group on the Census, data on country of birth were used instead to provide insight about this population. Census returns suggest that in Tower Hamlets, two thirds of people who identified as Black Other described themselves as Somali or Somalian.
10 2011 Census tables DC1201EW and CT037.
12 2011 Census, Table DC5209EW (higher level qualifications = NVQ level 4 and above).
13 These estimates provide a proxy measure for the working age employment rate (which expresses the number in employment aged 16 and over as a proportion of the population aged 16 to 64). This is a reasonable proxy as in Tower Hamlets, only one per cent of those in work are aged 65 or over.
14 Statistics are based on the Annual Population Survey definition of disability, where a person is classed as disabled if they have: a long-term disability which substantially limits their day to day activities (in accordance with the Equality Act); and/or they have a work-limiting disability.
16 2011 Census, Table DC6302.
17 ONS, Annual Survey of Hours and Earnings 2016, resident analysis, gross hourly pay excluding overtime (data extracted September 2017)
18 The gender pay gap is the difference between male and female earnings expressed as a percentage of men’s earnings.
19 Trust for London / New Policy Institute, London’s Poverty Profile, Low Paid Jobs by borough
20 GLA, Long-term Labour Market Projections 2017 (employee jobs).
21 UK Commission for Employment and Skills, Working Futures 2014-2024, Evidence Report, April 2016 (See Annexes table d.15 and figure d.13).