

Tower Hamlets  
Local Economic Assessment

**Volume 1: Story of Place**





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# Introduction

Tower Hamlets is a remarkable and unique area with substantial challenges and substantial opportunities.

The new duty requiring local authorities to prepare a local economic assessment of their area came into effect on 1st April 2010. This local economic assessment provides a comprehensive picture of the local economy, pulling together a wide range of data and evidence which the council and its partners will use to inform economic policies and interventions.

As well as supporting the Community Plan priorities, the LEA will be inform emerging strategies including a new Enterprise Strategy, a refresh of the Employment Strategy and future Local Development Framework documents.



The assessment has been prepared in line with published guidance by Government and the Local Government (LG) Improvement and Development. Our local partners, including the private sector, have also made a significant contribution to the development of the council's first local economic assessment. This process of data collection, analysis and interpretation has provided the council and its partners with a timely opportunity to review and revise its understanding of the borough's economy and what will drive it in the future.



# 1

## Structure of the LEA

- 1.1 This document forms part of a suite of documents prepared as part of the Tower Hamlets LEA. These are:

<b>Volume 1: The Story of Place</b>	A narrative overview of Tower Hamlets economy, history and prospects, and a summary of the findings of the Local Economic Assessment;
<b>Volume 2: Economy and Enterprise</b>	Describing the structure and drivers of the local economy, enterprise and innovation, including the outputs of a survey of business needs;
<b>Volume 3: Employment and Skills</b>	Analysis, forming the Worklessness Assessment, which assesses drivers of employment and worklessness including skills;
<b>Volume 4: People and Places</b>	This document considers the 'place' drivers of the local economy, including transportation, town centres, housing, land use and buildings, alongside other factors including the natural and historic environment;
<b>Appendices</b>	Provides other supporting information, including more detailed findings of the business survey.

- 1.2 The Council's brief for developing the LEA defines a series of key outputs:

- Inform and strengthen the evidence base for the Community Plan, Local Development Framework and Local Area Agreement;
- Provide evidence for emerging enterprise and economic development strategies;
- Improve understanding of how economic development can support regeneration priorities;
- Consider the borough's "strategic fit" with sub-regional markets and functional economic areas;



- Identify the comparative strengths and weaknesses, challenges and opportunities of the borough's economy;
- Provide a spatial understanding of the borough's economy;
- Provide a better understanding of how other services such as health, education and crime can influence economic development;
- Consider the impact of the low carbon economy, and how the local economy will be impacted by the transition to the low carbon economy;
- Provide a shared evidence base to support wider sub-regional economic development activity.

1.3 In developing this assessment, account has been taken of statutory guidance from the Department for Communities and Local Government (CLG) and advice prepared by PAS/I&DeA on undertaking Local Economic Assessments.



# 2

## Top Ten Facts and Figures – What Stands Out in Tower Hamlets Economy

- 2.1 Tower Hamlets' economy is worth over £6 billion per annum, larger than any other 2012 Host or East London borough, and bigger than Monaco, Malta or Jersey.
- 2.2 The economy provides 204,000 jobs, 5% of London's total and 30% of all the jobs in East London. There are 60,000 more jobs than there are residents of working age.
- 2.3 Less than a fifth of jobs in the borough are taken by residents; the others are filled by people commuting in.
- 2.4 Two-thirds of working residents are employed outside the borough, more than half in Central London - mainly in the City and Westminster. A third of out-commuters work in business services.
- 2.5 A third of all jobs in the borough are in financial services and another fifth are in business services, a combined total of 55% and comparable with Central London. In contrast, manufacturing – if newspaper publishing is excluded – accounts for just 2% of jobs.
- 2.6 More than anywhere else in London, large firms dominate the economy – with over 45% of jobs in firms with 500 or more employees, and over 70% in Canary Wharf itself.
- 2.7 Unemployment at 13% is close to twice the London average of 7.6%. Only 70% residents are in work or looking for work and for female residents the figure is less than 60%. A quarter of borough residents - twice the London average - have no qualifications and over 40% of these are not in work.
- 2.8 The borough has the 4th highest population turnover in London and this is in part driven by a lack of housing choices in the borough. House prices are six times mean earnings and over 80% of accommodation is flats, compared with 50% for London as a whole.
- 2.9 Tower Hamlets is the 3rd most deprived authority in the country and the 2nd in London. But more than a tenth of employees earn over 100K, compared to 2% for London.
- 2.10 The last decade has seen jobs growth of 60% in Tower Hamlets – four times the rate for London. Over the next twenty years employment is expected to grow by at least 50,000 - faster than in all but one other London borough.

**Tower Hamlets' economy is worth over £6 billion per annum, larger than any other 2012 Host or East London borough, and bigger than Monaco, Malta or Jersey.**



Organic  
**Hawthorn Granary**  
400g  
£2.20

Organic  
**Focaccia**  
Tomato, Onion & Rosemary  
£2.70

Organic  
**Wholemeal**  
£2.20

Organic  
**Wholemeal**  
£2.20

Organic  
**Wholemeal**  
£2.20

# 3

## A place like no other – A narrative overview of the Tower Hamlets Economy

### The Making of the Place

- 3.1 The London Borough of Tower Hamlets stands alone within the UK. Indeed, with its economy, social structure and demography, it has no parallels within the European Union, or possibly in the world. With one of the world's most important financial districts sitting cheek by jowl with one of the most disadvantaged and diverse communities in Western Europe, Tower Hamlets is a place like no other.
- 3.2 In this extraordinary context the council faces both challenges and opportunities like no other local authority. Tower Hamlets Council serves its communities, meets its statutory duties and manages its resources in a policy framework increasingly shaped by localism and an economy shaped by globalism. A Local Economic Assessment of and for Tower Hamlets is of global significance. It will not just inform local or even national government: it will influence the decision-making of international investors at a critical time for the UK economy.
- 3.3 Of course, for this historic and iconic place in London this is the second chapter of globalisation. The names 'Canary Wharf' and 'East India Dock' speak eloquently of the global reach of an economy and a society which rose and fell with the trajectories of imperial trade and shipping. The economy which grew up around the docks to a large extent was the East End, but it was also significantly different from that of the collection of hamlets that made up the traditional East End. Although many local industries typical of the East End were carried on here – the rag trade, retail, artisan and factory production – the docks and their hinterland were also part of the global economy. This unique feature of the area that would become Tower Hamlets attracted uses not desired or allowed in central London, and economic activity not regulated by the traditional City Guilds. The labour force assembled in this area reflected these differences, with a prevalence of low skilled, low-waged workers dependent on casual earnings from port-related activities (ware-housing, loading, processing) rather than regular wages through enterprises organised on an industrial basis.
- 3.4 The urban morphology and hierarchies of the area also differed from other parts of London, with the twin poles of the City and the docks acting to inhibit the development of a single town centre. The result was the hasty expansion of existing hamlets around dynamic foci of economic activity. Between 1801 and 1910 the population of what is now Tower Hamlets increased almost twenty-fold to just under 600,000. By 1981 that had shrunk to under 150,000 – a demographic boom and bust with few parallels in the developed world.

- 3.5 While shifts in world trade and the advent of containerisation played a significant role in this transformation, the changes in public policy frameworks and a World War also shaped the result. While flight from a bomb-scarred landscape and towards new jobs and opportunities was actively chosen by many, the depopulation of Tower Hamlets and the dispersal of its communities eastward to new suburbs and the New Towns was also a conscious act of policy. Abercrombie's famous London Plan of 1944 proposed the 'de-concentration' of the inner city: massive slum clearance and facilitated transfers out made it so.
- 3.6 In the relatively depopulated Tower Hamlets, what remained of housing investment came in the form of local authority built social housing. By 1981, 80% of the stock was council housing, the highest proportion of any local authority in England. It was in this context that something traditional in the East End itself took on a more global aspect; immigration. The East End has always been the recipient of successive waves of domestic and international immigration – from landless Essex farm labourers, through Huguenot artisans, Eastern European retailers and factory workers to Irish dockworkers and Chinese and Somali sailors. Traditionally, these groups had settled first in the East End before moving elsewhere on as they prospered.
- 3.7 By the 1960s a new demographic trend was established as Bengali immigration rose. By the 1980s a substantial proportion of the local population was of Bengali origin, including a very high proportion of first generation immigrants. The growth of such a sizeable and concentrated new community in an old place whose economy had peaked in 1914 raised new questions about the traditional pattern of East End migration. In the context of a declining population and a large stock of social housing, it was no longer inevitable that migrant groups would, in due course, take the high road to opportunity by leaving the borough. And just as a new demographic pattern began to emerge, the second chapter of Tower Hamlets' globalisation was beginning.
- 3.8 The transformation from 'East End' to 'City Fringe' and from exhausted docklands to dynamic global financial district was made possible by the secular shift in the UK towards the service economy, by the deregulation of the banking and finance sectors associated with the 'Big Bang', and by an innovative partnership between the public and private sectors seeking the regeneration of the area.
- 3.9 With the government commitment in the early 1980s to regenerate the docklands, important investment in



infrastructure and transport links, and new delivery mechanisms which between them gave the private sector confidence to migrate eastwards. In this way Canary Wharf and the London Docklands Development Corporation, working increasingly closely with local government, came to symbolise and in turn create the new East London on the old sites of the Tower Hamlets.

- 3.10 An important role has been played by innovative and strategic state intervention in creating the conditions for the global market to invest locally. The local authority too, has played a growing role in helping to plan enabling development consistent with the continued advance of Canary Wharf, investing in supporting social infrastructure, and in managing and balancing the needs of development with the needs of local communities.
- 3.11 It is often forgotten that the first phase of Canary Wharf floundered while developers went bankrupt. A re-commitment to the Jubilee Line extension by central government was fundamental to the re-floating of the project and the return of the developers. From that point on, in less than 20 years, Canary Wharf went from zero world class jobs to 90,000, many in the upper reaches of salary. And in the wake of this boom in financial services investment came massive investment in other businesses services. At the turn of the millennium fully 40% of new office development in London was taking place in one borough - Tower Hamlets.
- 3.12 At the same time, and for the first time in a century, new private housing investment returned to the area with the borough hosting over 15% of London's new housing stock – on just over 1% of London's development land. With the local authority leveraging significant Section 106 payments from this development for investment in supporting infrastructure and to meet local needs, the area also saw major social housing investment, in both the existing stock and new supply.
- 3.13 As the population consequently stabilised and then surged it changed in character and profile. A combination of continued migration and family growth strengthened the Bengali population of the borough. At the same time the new economic forces also brought in a new community with a new housing typology: younger, single employees of financial and business services, living typically in one and two bedroomed flats, either owner-occupied or privately rented.
- 3.14 As employment boomed in high-skilled modern occupations and declined in more traditional lower skilled, lower paid sectors (the rise in restaurant-based employment around Brick

Lane being an exception), polarisation became the dominant feature of the new Tower Hamlets. Although tens of thousands may have been earning £100,000, some 47% of those living in the borough were on benefits - even at the height of the development boom and employment in 2006/7. Today, although there may be a thriving informal economy in the borough (that will include some of the formally economically inactive); the overall picture remains one of deprivation existing amidst plenty.

- 3.15 Underpinning the structural divide is a well documented phenomenon already well established in London. This is the population churn by which those residents who are or have become successful enough to exercise a choice over where they live, leave an area seeking better jobs, more appropriate housing and more affluent neighbourhoods. By leaving they create space for others, typically migrants with similar or more challenging socio-economic profiles at the start of their economic career in London – and so the same pattern of deprivation re-asserts itself. Consequently area-based indices such as health, wealth and skills may seem unusually resistant to improvement over time, whereas in fact significant social mobility has taken place via individuals exiting the area.
- 3.16 For centuries Tower Hamlets has exemplified this traditional East London pattern, in which the aspirants have to 'get out to get up'. But there is now some evidence that the Bengali community in particular is showing 'staying power' and an aspiration to break this cycle of deprivation by leveraging the extraordinary opportunities of economic growth and development locally, creating better outcomes across the board within Tower Hamlets. This is certainly the aspiration and approach of the local authority which has inspired improved educational performance despite the local challenges. The council's commitment to the ambitious goal of convergence with the London average in key outcomes indicators is now shared by the other Olympic Host Boroughs, the Mayor of London and central government.

### This Unique Place in 2010

- 3.17 Tower Hamlets economy is worth over £6 billion and provides some 204,000 jobs or 5% of London's total employment – in a borough that contains just 1% of its land area and 3% of its population.
- 3.18 Canary Wharf has seen exceptional employment growth over the last two decades and now provides two-fifths of the borough's employment – some 90,000 jobs, with a heavy

**The economy provides 204,000 jobs, 5% of London's total and 30% of all the jobs in East London. There are 60,000 more jobs than there are residents of working age.**

concentration in financial services and to a lesser extent in business services. The City Fringe to the west of the borough accounts for a further 15% of jobs, with business services slightly dominant over financial services.

- 3.19 Canary Wharf is now the UK centre for large internationally active banks and financial services. Operating as part of London's Central Business District it is vital to London's status, with New York, as one of two global financial centres. These businesses act as a magnet for related "support" industries like law, accountancy, and management consultancy, and in turn draw in linked "consumption" based sectors – such as retail and leisure. While strongly focussed on Canary Wharf and the City Fringe there is evidence that these associated industries are becoming more widespread and this is clearly of special local significance. The possibility for local employment and supply chain benefits are clearly enhanced by this key sector. Deepening and widening the positive impact of the sector on local communities remains one of the challenges facing the council and its partners. But it is of fundamental importance to the future direction of public policy and economic management that the effects of financial and business services development are understood to be different



across the different parts of this now 'multi-speed' borough. For example the varying rates of change and differential absorption of specific neighbourhoods into this new economy - some parts of the borough are demonstrating much slower changes in skills levels and in employment outcomes than others.

- 3.20 Taken as a whole, the industry mix of Tower Hamlets has much in common with Central London with financial and business services combined amounting to around half of the economy of each. In contrast, financial services barely register in the other Olympic Host Boroughs or the rest of East London, though business services remain significant. In a number of other ways, Tower Hamlets behaves economically less like an East London borough and more like part of central London.
- 3.21 There are many more jobs in Tower Hamlets than residents of working age and this "jobs density" is higher than for all but four central London boroughs. Commuting patterns are typical of Central London. Tower Hamlets imports labour from across the capital and beyond with 85% of jobs filled by in-commuters and only 15% by residents. Two-thirds of working residents are employed outside the borough – a quarter in the City, and many others in Central London.
- 3.22 Larger firms – with upwards of 500 employees – dominate Canary Wharf, and account for around half of the borough's employment as they do in Central London (compared with a quarter for London as a whole). The dynamics of business creation and death, a measure of enterprise, operates at an intensity typical of inner London and at a much higher level than the wider region of East London.
- 3.23 Taken together, these indicators suggest that Tower Hamlets' economy is in many respects more like that of the City and the wider City Fringe, and functionally is a part of the Central London Business District.
- 3.24 Beyond the financial industries, the rest of the borough's sectoral composition quite closely resembles that of the Olympic host and East London boroughs. Other sectors, though dwarfed by the dominance of the financial-business services axis, remain of real relevance to the current economy and particularly so in some localities.
- 3.25 After decades of retrenchment (and a 40% drop since 1998), manufacturing amounts to only 5% of employment, but at 10,000 jobs this is twice that of the closest Olympic Host Borough, Hackney – but a good number of these jobs reflect News International's presence at Wapping. Hotel and





restaurant employment has almost doubled since 1998, bolstered by Canary Wharf and the City Fringe, and provides 5% of employment, as does the transport and communications sector. Creative industries, with a focus around the City Fringe, provide in the region of 30,000 jobs.

- 3.26 Having grown by 40% over the last decade, employment in the public sector (spanning local government, health and education) accounts for a sixth of jobs in the borough, but now faces a period of significant reversal. Manufacturing, Transport and Communications and to a small extent wholesale and retail, are the only main sectors to have declined over the decade of economic growth to 2008, but recent recessionary impacts on these sectors are less clear.
- 3.27 Overall, employment has grown by nearly 60% over the last decade, five times that of London, yet levels of resident employment remain low. Economic activity levels – those in employment or wanting work – have risen to 70% over the last decade, and are now in line with the other Olympic host boroughs but remain below the London average (75%). A particularly large proportion of Bengali women are outside the labour market, and residents over 55 are twice as likely to be on incapacity benefits as in London as a whole.
- 3.28 There is an acute mis-match between residents' skills and employment opportunities in the growth sectors of the new economy, with a quarter having no qualifications (against 12% for London as a whole). As the skills bar rises the competition for elementary occupations intensifies. Only 40% of those with no qualifications are in employment. A fifth of employers report difficulties in filling vacancies, with a lack of basic skills including language barriers as areas of concern. Other factors limit opportunity including ill-health and an unwillingness to travel for work despite the strong transport connections in most parts of the borough. In some areas also, there are still concentrations of insecure employment and casual work, with residents drifting in and out of the 'grey economy'. Such issues are common across inner London and other areas, but are both more prevalent and more intractable in Tower Hamlets than most other places. These persistent features mean that pockets of deprivation and economic exclusion are likely to remain, despite the best efforts of the Council and its partners. Nonetheless, it is also the case that Tower Hamlets has far more opportunities to overcome such problems and enhance social mobility than many other places.
- 3.29 Education will be critical in surmounting these challenges, albeit in the medium term. Educational performance has been rising: primary schools now equal the national average, and a third of

secondary school pupils achieve 5 good GCSEs (but two-thirds do not). Access to higher education has increased dramatically over time, which combined with migration has raised the percentage of residents with degrees to close to the London average. But the progress has not kept pace, let alone caught up, with the radical reshaping of the employment market attendant on Canary Wharf's rise. Many local residents remain at home while studying, effectively restricting their choice of university, and there is a tendency for some local graduates to similarly restrict their career aspirations after graduation.

- 3.30 As Tower Hamlets changes and modernises its employment base it remains a place of extremes. Notable by its relative absence by comparison with the London average is what might be called the middle or intermediate range of skills, employment prospects and jobs. This 'missing middle' effect is linked to the particular pattern of housing tenure and the pricing of accommodation, and its interface with household incomes and wealth. The very wealthy and the very poor predominate in Tower Hamlets, with little bridging them economically or socially. At its worst, this represents a kind of bi-polar world in which two distinct groups are separated as much by psychological or cultural space as by physical or spatial barriers.



**Less than a fifth of jobs in the borough are taken by residents; the others are filled by people commuting in.**

- 3.31 There are both economic and housing drivers to this polarity. Economically, a greater diversity of jobs within the borough could help to bridge the gulf between labour supply and demand. The 're-balancing' of the UK economy being mooted may mean that some of the office space in Tower Hamlets currently taken by global-facing enterprises that recruit internationally will be replaced by more diverse business services with more 'intermediate level' jobs recruiting at the local, sub regional or London-wide level. Some Canary Wharf capacity and future lettings there may move in that direction. But with a labour market integrated with that of Central London and the capital more widely, employment opportunities – from the City to Stratford – and their take-up - may be more critical than changes within the borough.
- 3.32 The housing challenge is an acute one in a borough with such developmental and demographic pressures. In recent decades Tower Hamlets has experienced the sharp end of the structural flaws in the UK housing system, in particular the insufficient delivery of family housing. The borough has been home to among the highest land values, the highest densities and the 'highest-rise' development in the country, producing a massive supply of small, one and two bedroom flats in both private and affordable sectors. There has consequently been an under supply of the private family housing that might anchor aspirational 'intermediate' or middle income groups or emergent families in the borough. At the same time, middle income groups generally cannot access social housing. Without being able to buy or rent appropriate affordable stock in the borough, they exit. Policy may have worsened the structural problems they were designed to respond to: the London Plans stretching housing delivery targets coupled with Section 106 requirements for affordable housing have the effect of driving densities up and housing size down, as more private flats are needed to cross subsidise the affordable element. Delivery targets and a grant regime that value unit numbers over everything else similarly favour high rise blocks of smaller flats, and increase the polarisation of housing supply between private and social rented accommodation.
- 3.33 The inflation of land values, driven by the recent housing bubble and accentuated by the policy framework, was at its most extreme in Tower Hamlets. This raised barriers to enabling other key uses for the available land in the borough. In particularly short supply has been appropriate business space on affordable terms for business start ups and Small and Medium Enterprises. While there has been a relative downturn in land prices since the credit crunch this is not likely to create significant space for the reassertion of other economic uses over continued high density residential development.

## The Future

- 3.34 In the wake of the financial crisis the stellar growth of Canary Wharf has been temporarily arrested. And the dependence on financial and (to a lesser extent) business services means the short-term pace of recovery in the borough will most likely be modest. In the medium to long-term, however, different forecasters concur that Tower Hamlets should resume its role as an engine of employment growth with anything from 50,000 to 100,000 additional jobs projected over the next 20 years. This is by no means certain, and significant risks remain – not least the potential restructuring of the financial sector.
- 3.35 As the UK economy, and indeed the developed world, works through the challenges brought on by the credit crunch and the recession, the future of the financial services sector is under stringent scrutiny. However, although there have been some signs of reduced employment in the sector, it has not yet experienced the full scale decline many forecast at the height of the crisis. Nevertheless, Canary Wharf is uniquely exposed to the banking sector, with present uncertainties in relation to tax and regulation that may test the commitment of some to the Wharf, or more positively drive some diversification albeit mainly within the financial and business services sectors.
- 3.36 The particular role of Canary Wharf within London's global cluster of financial and business services is not a given for the future. With the City now welcoming high-rise development, competition will intensify.
- 3.37 There has been much talk of re-balancing the national economy away from its dependency on financial services but the UK has few other globally competitive sectors on whose tax base a modern society can rely. This is likely to remain the case for decades ahead. It is of huge national importance for the City and Canary Wharf economies to stay vibrant, and indeed to re-assert themselves. The council will play a significant role as a local authority working with all other partners in the public and private sectors to support and reinforce this internationally competitive part of the UK economy. This is a place like no other – and needs to continue to be recognised as such. Public intervention was required to take the Wharf to 80,000 employees. New impetus will be required to maintain that profile and build on it, not least through Crossrail's Southern spur to the jobs markets of South East London.



- 3.38 In seeking to ensure the continuing economic success of Tower Hamlets – surely a vital national as well as a local aim – the borough clearly faces significant challenges. But it also starts with huge advantages, primarily its unique location alongside the City and incorporating the second pole of what still remains a globally dynamic sector, albeit one that is in the process of reinventing itself. The international reach of its communities, confirm that more than any other municipality in the western world, Tower Hamlets’ future is intricately bound up in the nexus between global economic forces, national policy making, and local leadership.
- 3.39 In seeking to ensure the continuing economic success of Tower Hamlets – surely a vital national as well as a local aim – the borough starts with huge advantages despite the challenges: its location alongside what still remains a globally dynamic sector albeit one reinventing itself; the international reach of its communities and their vital links to emerging economies; and an already impressive transport infrastructure that is now being enhanced by the historic investment in Crossrail. This last will intensify Tower Hamlets’ links with the international economy via speedier access to Heathrow, while also enabling London to tap further employment resources in the wider Thames Gateway via the Whitechapel – Stratford route and the Canary Wharf – Abbey Wood route.
- 3.40 Further development opportunities at Canary Wharf, most notably at Wood Wharf, could double the high value employment levels there in twenty years. The borough has a housing market which will be a real focus for whatever private or public investment is available to London. And this is 2010. In 2012 Tower Hamlets is a Host Olympic Borough and will have immediate access to legacy facilities and public realm which will reinforce the borough’s overall offer to investors and residents alike while particularly strengthening the attractions and vitality of neighbourhoods directly linked to the Olympic Park.
- 3.41 The challenge is to achieve this for the nation and for local communities so that social cohesion and social mobility are strengthened with the economy. This is the mission that the Authority has set itself. This Local Economic Assessment is a vital tool for all in achieving this common objective for this uncommon place.



PORT  
WEST  
INDIA  
EAST  
QUAY

PORT  
WEST  
INDIA  
EAST  
QUAY

WINE BAR

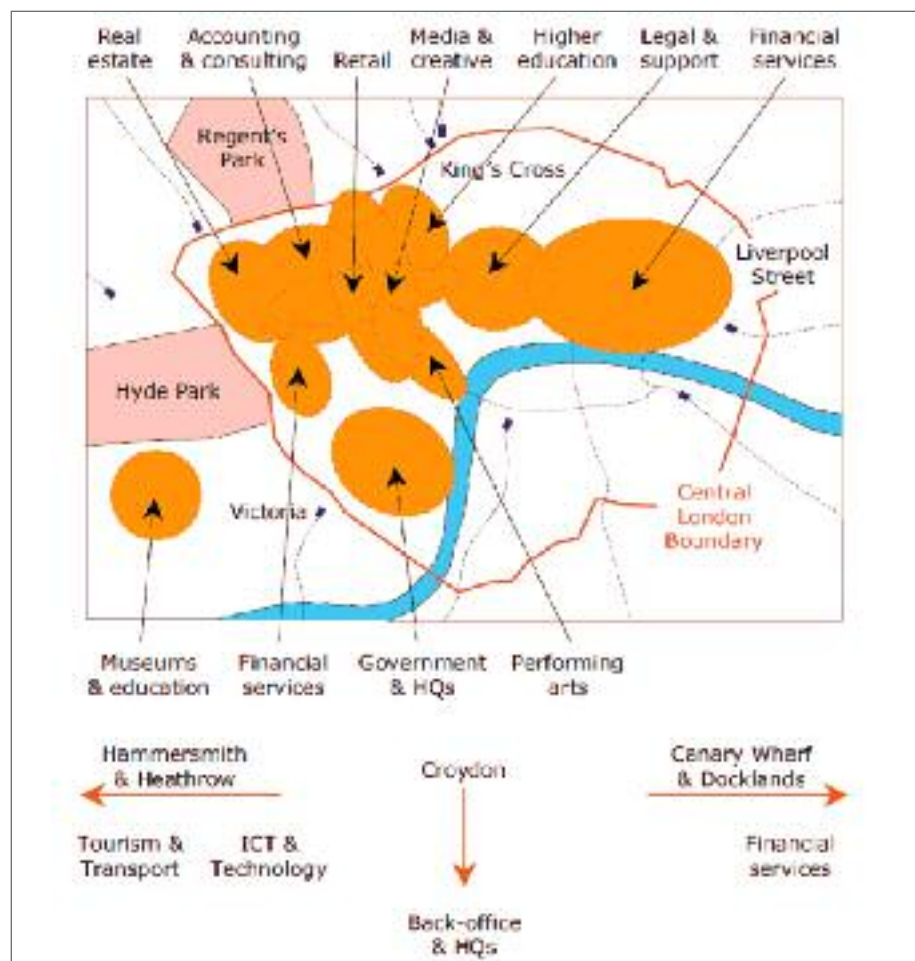
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# 4

## Summary Local Economic Assessment

### The Role of Tower Hamlets in London's Economy

- 4.1 The commanding presence of Canary Wharf within Tower Hamlets is fundamental to an understanding of the role of the borough's economy in London.
- 4.2 Canary Wharf is functionally a part of London's Central Business District (CBD) which is home to many of the Capital's core activities and businesses – encompassing the leading retail and creative quarters as well as financial, legal, and other business services. One and a half million people are employed across the area – one-third of London's total, with half of these in finance and business services. The concentration and critical mass of activities and functions is mutually reinforcing producing an "agglomeration" effect with like and linked businesses securing competitive advantage through location within the District. The intensification of business activity has also led over the last twenty years to an out-growth of such activities into City Fringe areas, including into the Western zone of Tower Hamlets.



Map 1: London's Central Business Districts

(Source: NLP)

- 4.3 The economic geography of the CBD has distinct areas of concentration, from the retail and cultural offer of the West End, to the prevalence of legal practices in Holborn and the concentration of globally-oriented financial services including major international bank headquarters at Canary Wharf. Indeed financial services account for two-thirds of employment at Canary Wharf followed, at some distance, by business services which provides a sixth of jobs. In Tower Hamlets City Fringe, the relationship is reversed with two-fifths of employment in business services and a quarter in financial services.
- 4.4 There is evidence to suggest that the concentration of financial and business services within Tower Hamlets generates a local “tiered” clustering effect within the borough. At the apex there is top tier of banks and other financial institutions. These in turn support auxiliary functions - major legal, accountancy and management consultancy companies have gravitated to Canary Wharf and other smaller practices have been drawn to the City Fringe and to the South and West of the borough. In turn, other businesses based on both business and personal consumption – including real estate, retail and leisure activities – have clustered in the borough with a more even distribution across it with the potential to offer economic and employment opportunity more widely.

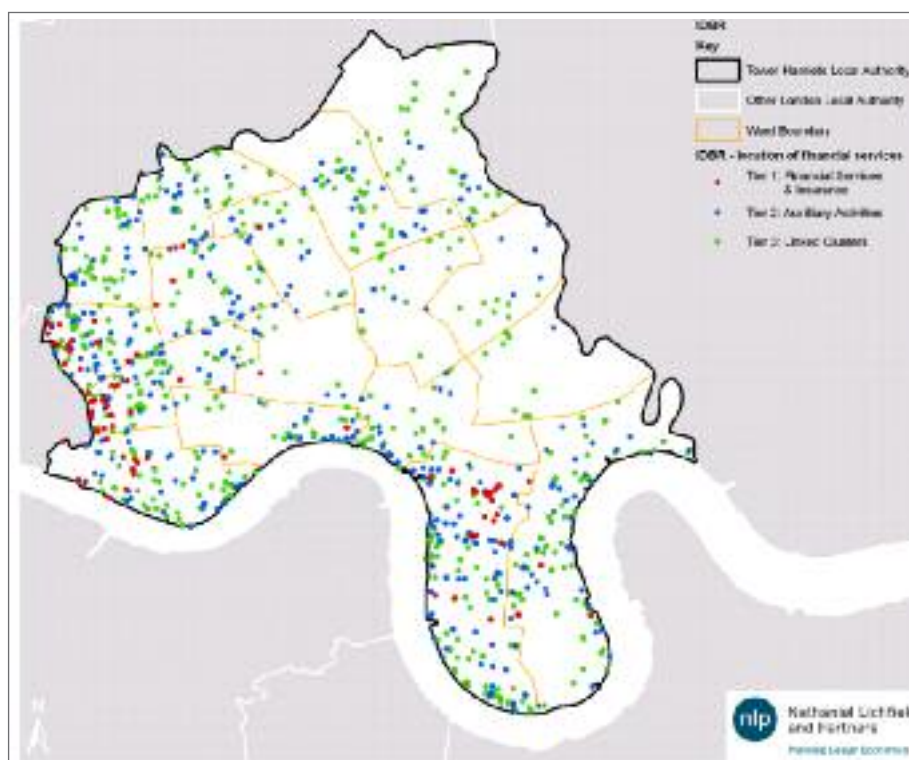


Figure 1.1  
Distribution of financial and  
business services cluster

(Source: IDBR)



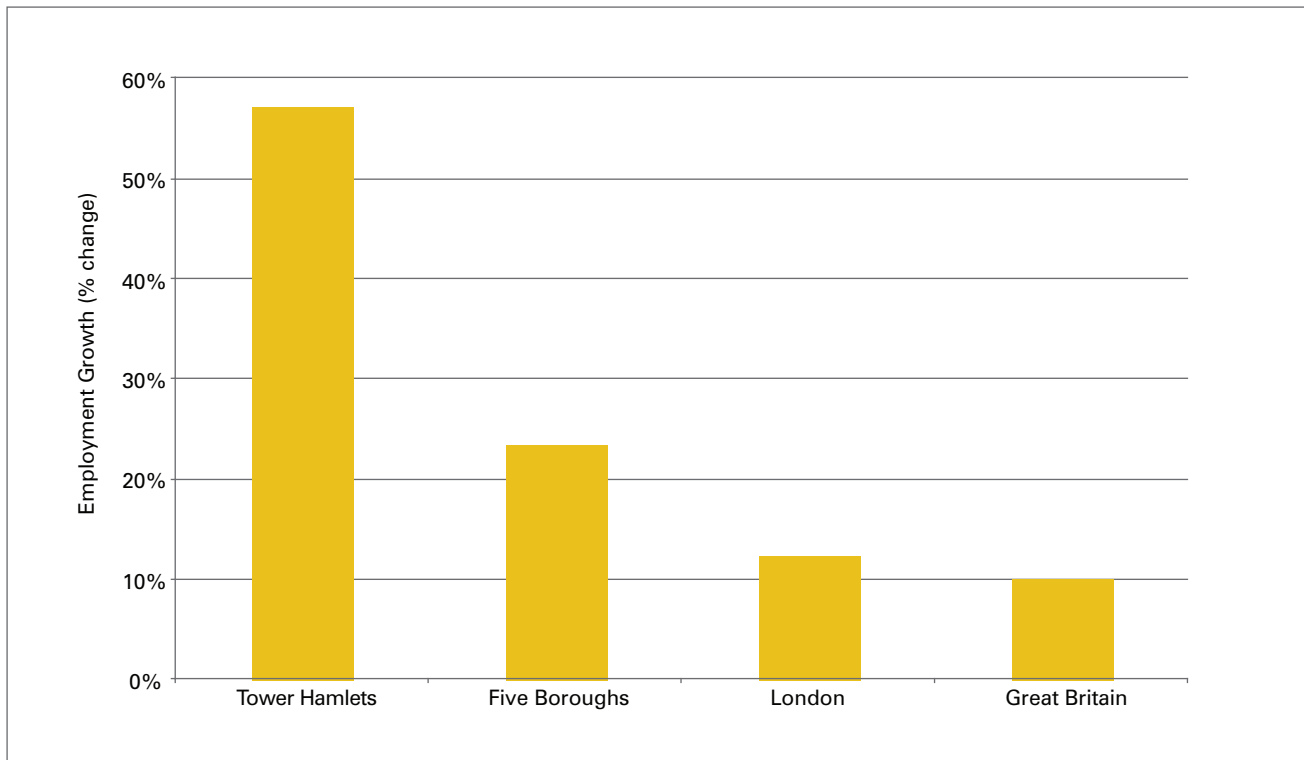


Figure 1.2 Total Employment Change, 1998-2008

(Source: ABI)

- 4.5 Just as the borough’s new economic role within London and the CBD has been forged over the past twenty years, so too has its renewed significance as a major employment centre. In the decade to 2008 employment in the borough grew by around 75,000 jobs, or by almost 60%, some four times the rate for London as a whole.
- 4.6 By 2008, the borough was home to some 200,000 jobs or 5% of London’s total employment, in a borough that constitutes just over 1% of the capital’s land area. Within East London Tower Hamlets represents some 30% of total employment across the area.
- 4.7 The rise of Canary Wharf since the 1980s has been the prime engine of this employment growth, providing a current total of 80,000 jobs, constituting some two-fifths of the borough’s employment total. There has also been significant development and intensification in Tower Hamlets’ City Fringe especially in Spitalfields and Aldgate: this area now provides some 15% of the borough’s jobs.
- 4.8 The borough’s population has also grown over this period – with estimated growth of around 45,000 since 2001, but employment growth has been much greater. In consequence there are now 3 jobs in Tower Hamlets for every 2 residents of working age in the borough – an “excess” of 60,000. Indeed, Tower Hamlets has the fifth highest “job density” in London, with only the Central London boroughs of the City, Westminster, Camden and Islington ahead.

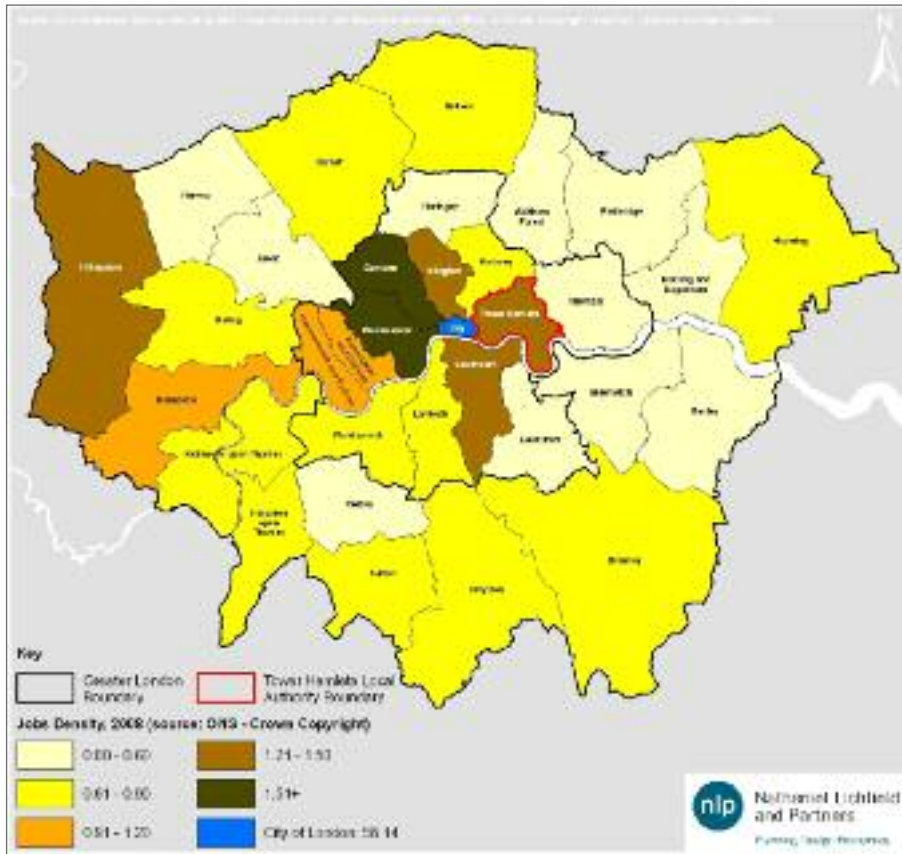


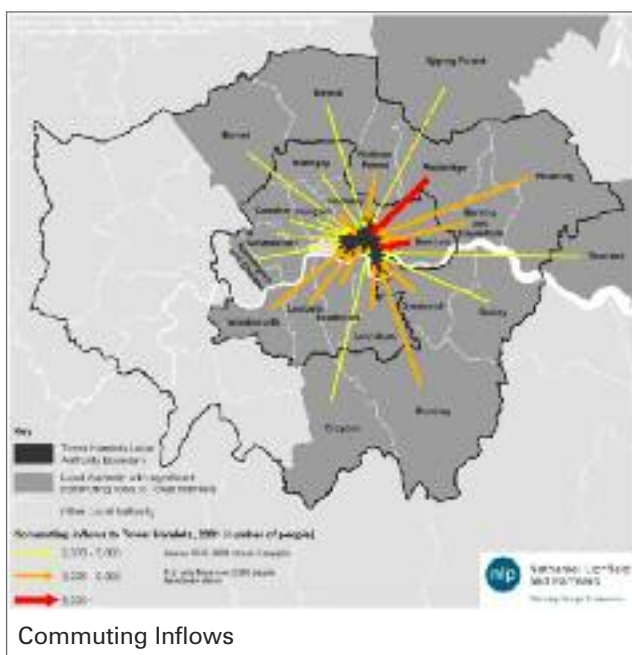
Figure 1.3 Jobs Density, 2008

(Source: ONS)

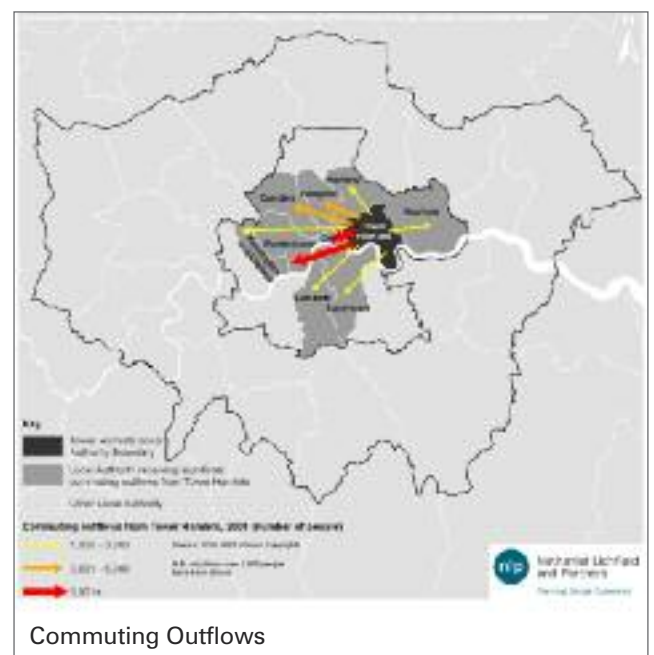
4.9 The borough's high job-density ratio means of necessity that there is a large net inflow of people resident outside the borough to fill local employment opportunities. The degree of specialisation within the Tower Hamlets economy, with a concentration of employment in the financial services sector, has the effect of further exacerbating demand for people from outside the borough - a third of those commuting in are employed in financial services enterprises. Over 80% of jobs in the borough are taken by non-residents – this is well above the London average but very similar to the fellow City Fringe

Figure 1.4 Tower Hamlets Commuting Flows

(Source: ONS)



Commuting Inflows



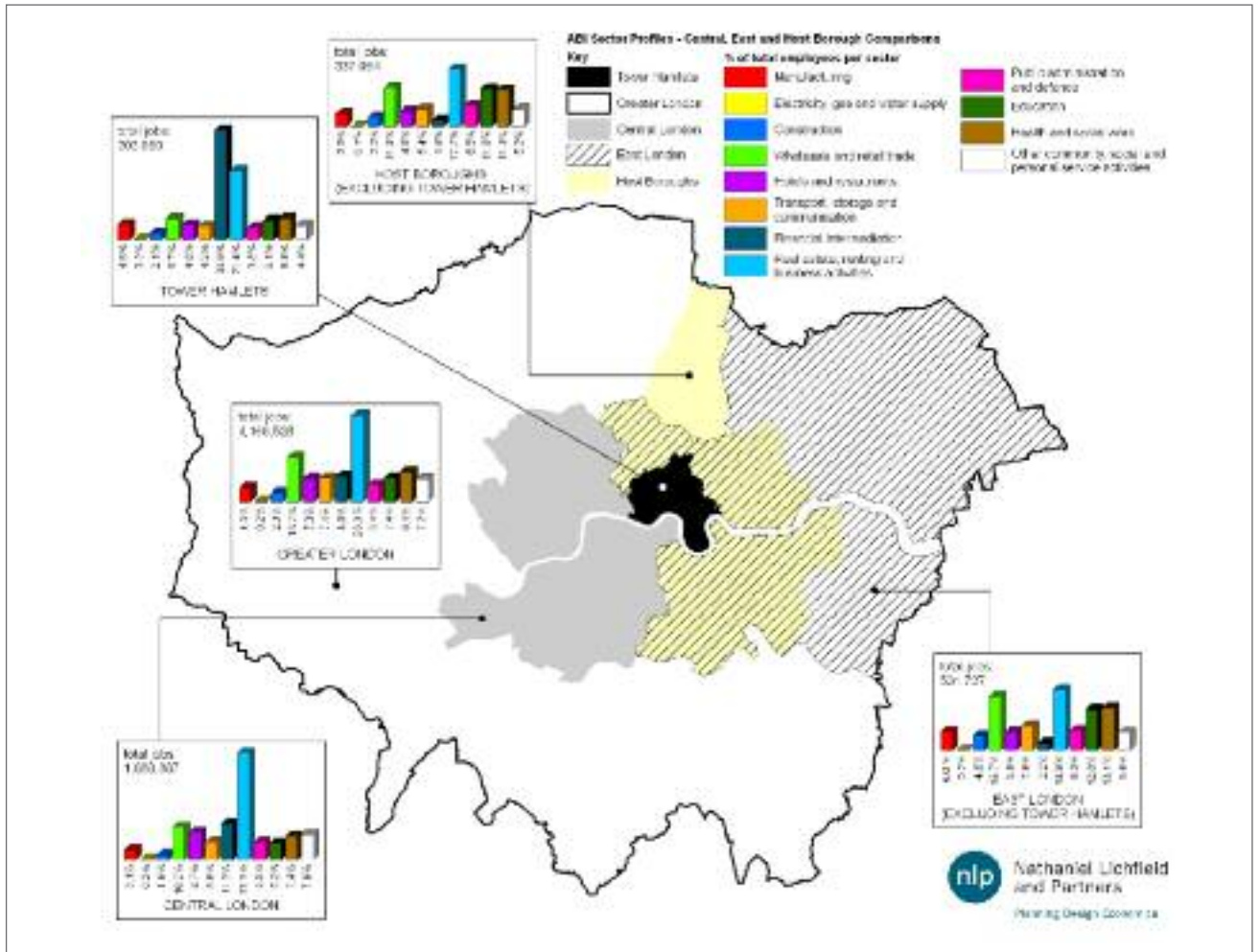
Commuting Outflows

boroughs of Camden and Islington and only behind Westminster and the City itself. Commuters come from across London and, indeed, from other parts of the South-East.

- 4.10 Less than a fifth of jobs in Tower Hamlets are taken by those living in the borough – providing employment for just one-third of working residents. Two-thirds of residents in employment travel outside the borough to work. A quarter of all employed residents work in the City, and a sixth in Westminster. Employment opportunities outside the borough are, then, of greater significance for residents than those within the borough.
- 4.11 Aside from financial services where there is a major net inflow, the imbalance between inflows and outflows is most notable for the business services sector with many more residents travelling out of the borough (to the City and wider City Fringe) than travelling in. In terms of occupational level there is a broadly similar profile for in and out commuters.
- 4.12 This level of commuting exchange is typical for a Central London borough and shows that Tower Hamlets is predominantly part of the central London labour market.

## Economic Structure and Employment profile

- 4.13 In addition to the integration of Canary Wharf in London's Central Business District and of the borough's labour market with Central London, Tower Hamlets is more typical of Central London borough in the relative proportion of different sectors in its economic make up and their significance for employment.
- 4.14 A third of all jobs in Tower Hamlets are 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. In contrast this sector barely registers in the other Host Boroughs, or in the rest of East London. Business Services account for a further fifth of the economy by employment, equal to the Greater London average. Taking these two sectors together, they amount to 55% of Tower Hamlets' economy by employment. This can be compared with an equivalent figure of 45% for Central London (but only around 20% for the other Host Boroughs and the rest of East London).
- 4.15 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 are critical to the resilience of the borough's economy and the diversity of employment opportunity it provides.



4.16 Financial and business services have led in generating employment growth over the last decade but, as the diagram below illustrates, a number of other sectors have enjoyed significant growth and at a faster rate than in London generally, whilst a small number have declined both in absolute terms and/or relative to the capital as a whole.

Figure 1.5 Central, East and West Borough Comparisons of Employment Structure, 2008

(Source: ABI / NLP Analysis)

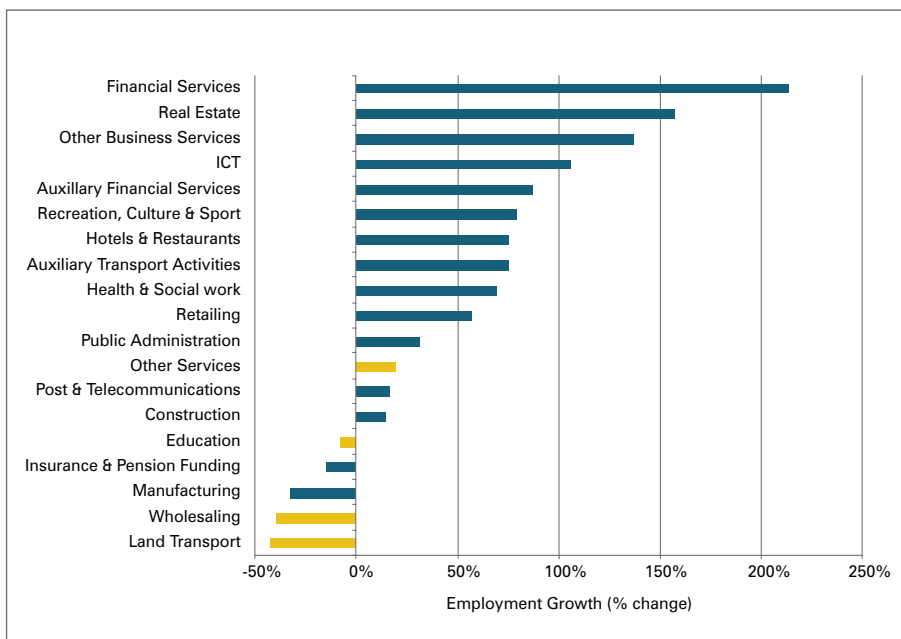


Figure 1.6 Tower Hamlets Sector Employment Growth, 1998-2008

Note: Blue bars indicate rate of change above London average, yellow below.

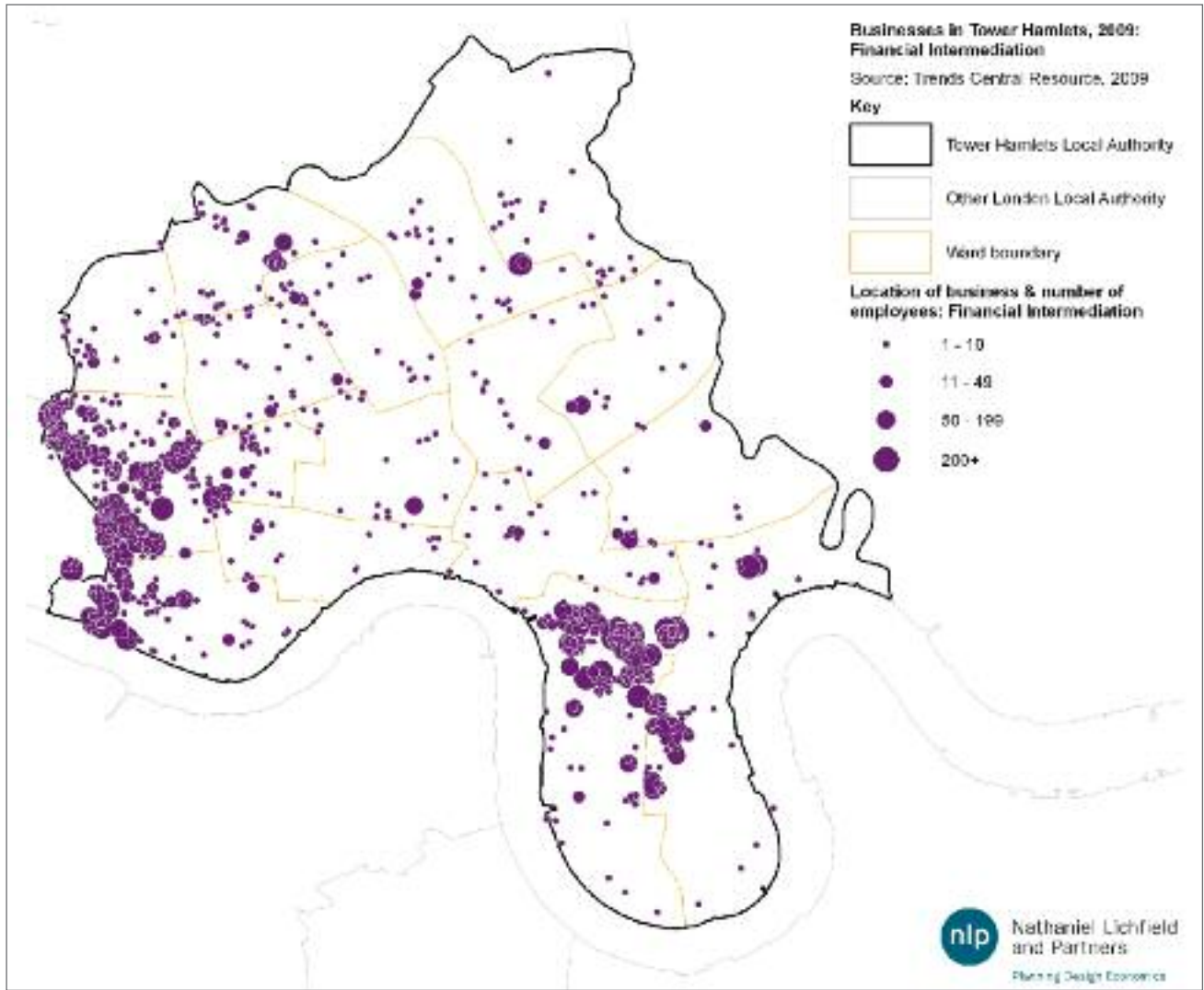
(Source: ABI)

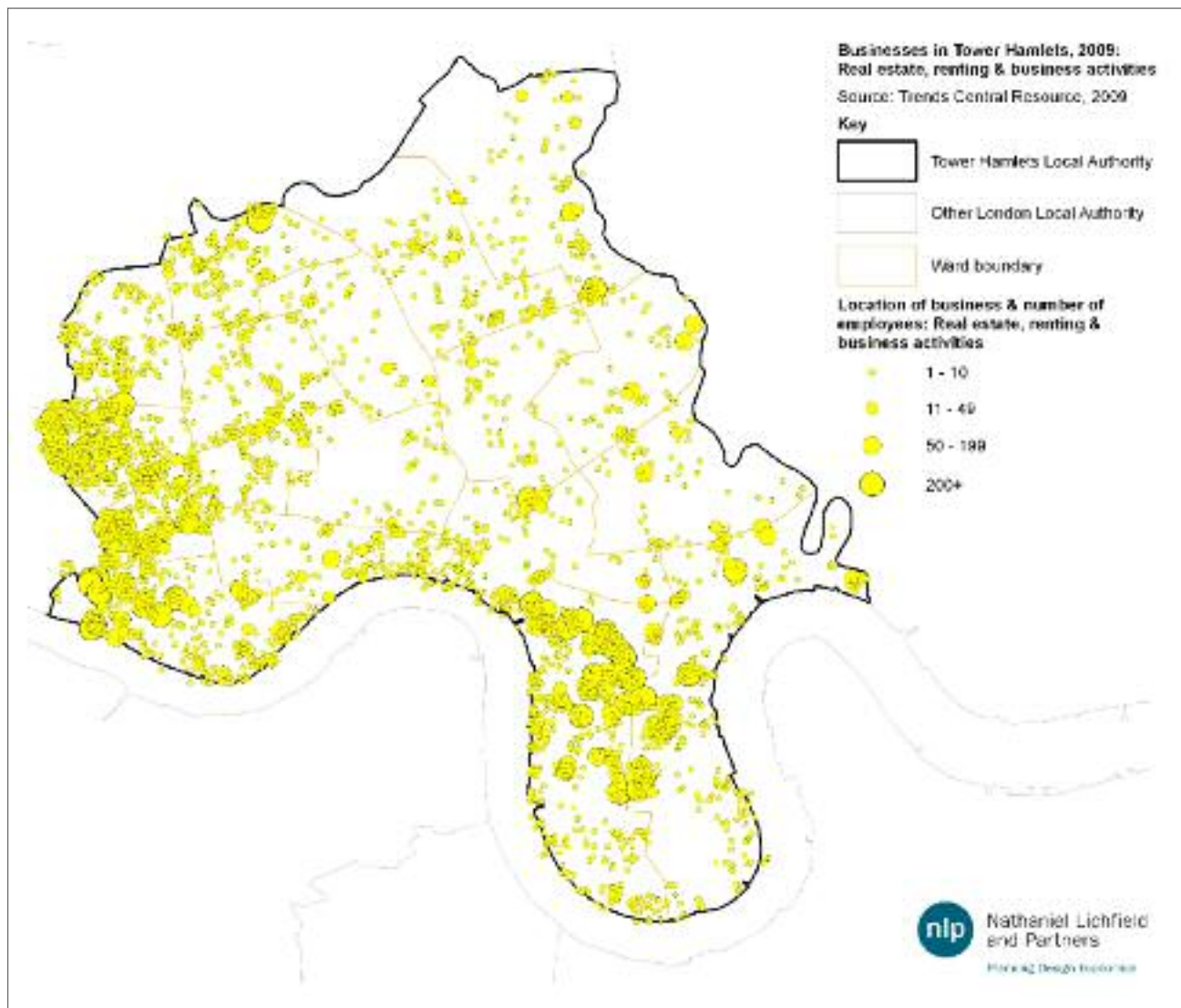
4.17 Financial services have grown spectacularly and dominate the Tower Hamlets' economy accounting for almost 70,000 jobs across the borough. Financial intermediation (including banking), brokerage and fund management are the dominant sub-sectors. Activities are heavily concentrated in Canary Wharf and the City Fringe but with some wider dispersal (as the map illustrates). The relatively low number of firms is reflective of the small number of large firms in this sector.

4.18 The business services sector is the 2nd most significant sector in the borough, providing a fifth of employment. This sector is diverse and ranges from high value activities (e.g. legal and management consultancy) that are part of the CBD economy, to lower end ancillary services to businesses within the borough. As such this sector provides employment at a wide range of skill levels. There is some greater dispersal of these businesses than for financial services beyond the twin foci of the City Fringe and Canary Wharf.

Figure 1.7 Distribution of Financial Intermediation Businesses

(Source: Trend Central Resource 2009)





4.19 Manufacturing has declined markedly over the decade to 2008 but still represents 5% of the borough's economy and provides 10,000 jobs, which is twice the number in Hackney which has the next highest level among the Host Boroughs. However, this headline is potentially misleading as over 6,000 of these jobs are in newspaper publishing – with News International's plant at Wapping the most significant contributor, and if these are excluded manufacturing represents around 2% of Tower Hamlets' employment – below the proportion in other Host Boroughs (3.9%) or in East London (6%). Manufacturing businesses are mainly concentrated in the Western wards of the borough, the Southern loop and along the Eastern edge.

Figure 1.8 Distribution of Real Estate, Renting and Business Activities

(Source: Trend Central Resource 2009)

4.20 Wholesale and Retail activities has also seen significant decline over the last decade but still accounts for some 7% of employment or almost 14,000 jobs across 1,700 businesses which in absolute terms is larger than for the other Host Boroughs and in proportionate terms similar to Camden and Islington. As expected there are concentrations within the town centres and in particular in the City Fringe.

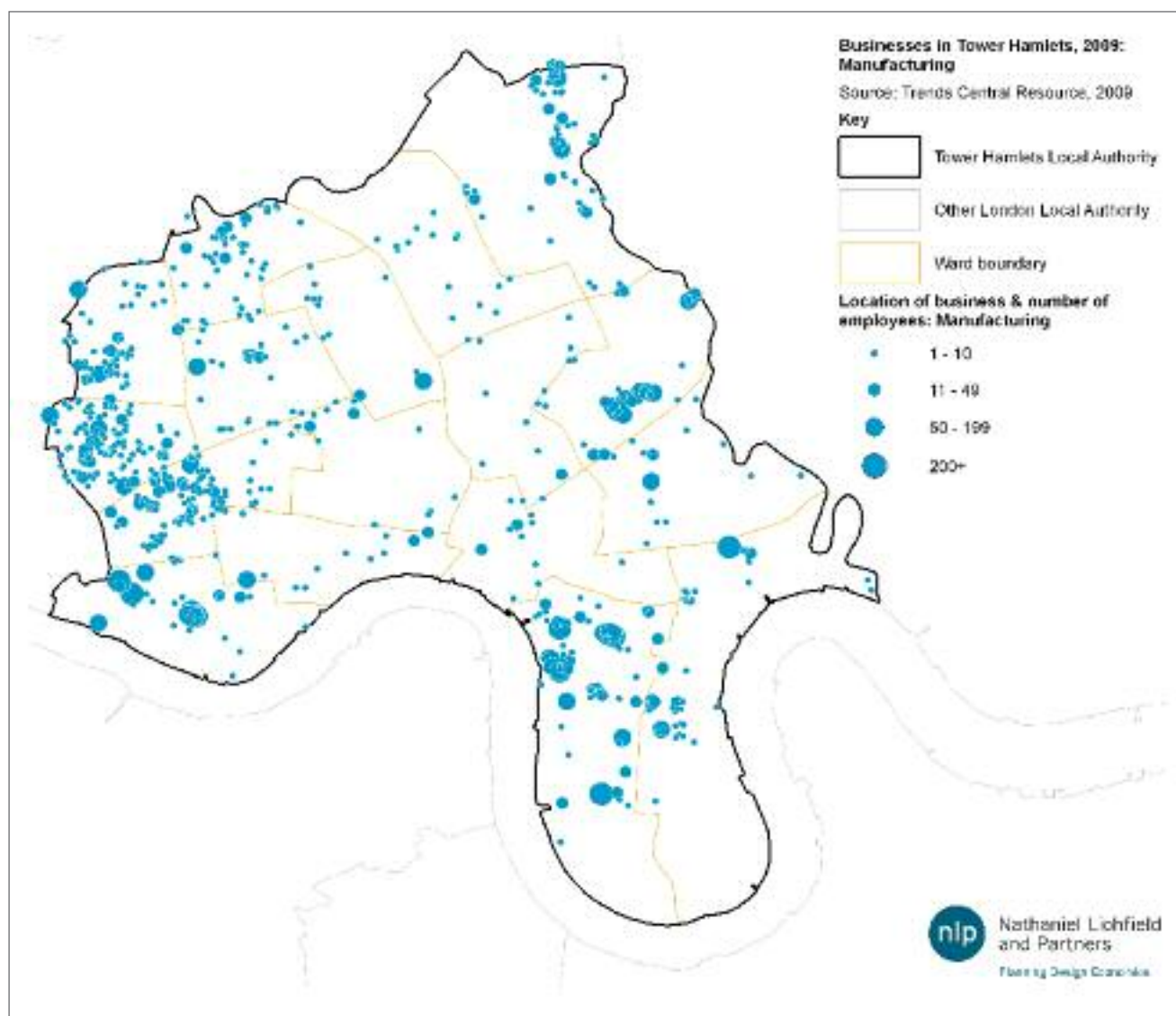
4.21 Public sector employment – spanning public administration, education, and health and social work – has grown by two-

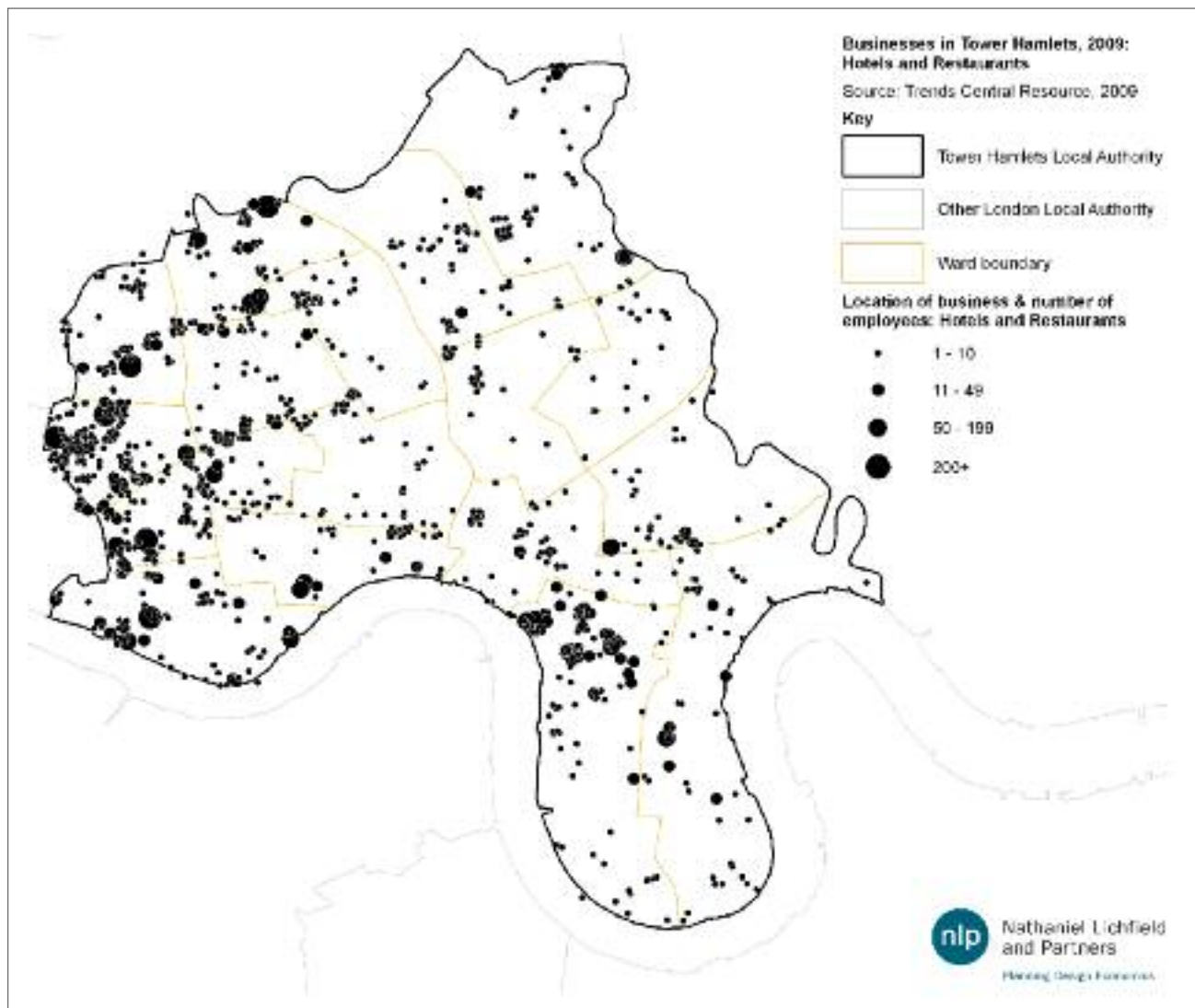
fifths over the last decade and provides a sixth (17%) of the borough's jobs. This is a very similar proportion to Central London (18%) and well below that for the other Host Boroughs and East London which are both around 30%. However, it should be noted that in absolute terms public sector employment is as high or higher in Tower Hamlets as in other Host boroughs. Within education, a third of jobs are in higher education; the health and social work sector includes the borough's largest employer in the Royal London Hospital in Whitechapel which provides 7,500 jobs.

Figure 1.9 Distribution of Manufacturing Businesses

(Source: Trend Central Resource 2009)

4.22 Employment in the Hotels and Restaurants sector has increased by over 75% over the decade, driven in particular by growth in Canary Wharf and the City Fringe, and provides close to 10,000 jobs across the borough, with concentrations around town centres and the City Fringe.





- 4.23 The Transport, Storage and Communications Sector supports over 8,500 jobs, having fallen by sixth over the last decade. Telecommunications, which supports business and financial services, represents a third of this total. Workplaces are mainly concentrated in the Coty Fringe and Canary Wharf with some grouping at the northern edge of Bethnal Green.
- 4.24 Construction provides just 2% of total employment within the borough (4,300 jobs) but has expanded by 20% over the past decade.
- 4.25 The Community, Social and Personal Services sector is a broad one – in aggregate it provides 9,000 jobs and has grown by 85% over the decade to 2008. A significant sub-sector is news agency activities.
- 4.26 The “Creative Industries” – where intellectual and cultural property is generated and exploited - cuts across a number of standard industry sectors. It is a significant source of employment in the borough, providing around 25,000 jobs and has grown rapidly in recent years. These activities are reasonably dispersed in the West and East of the borough.

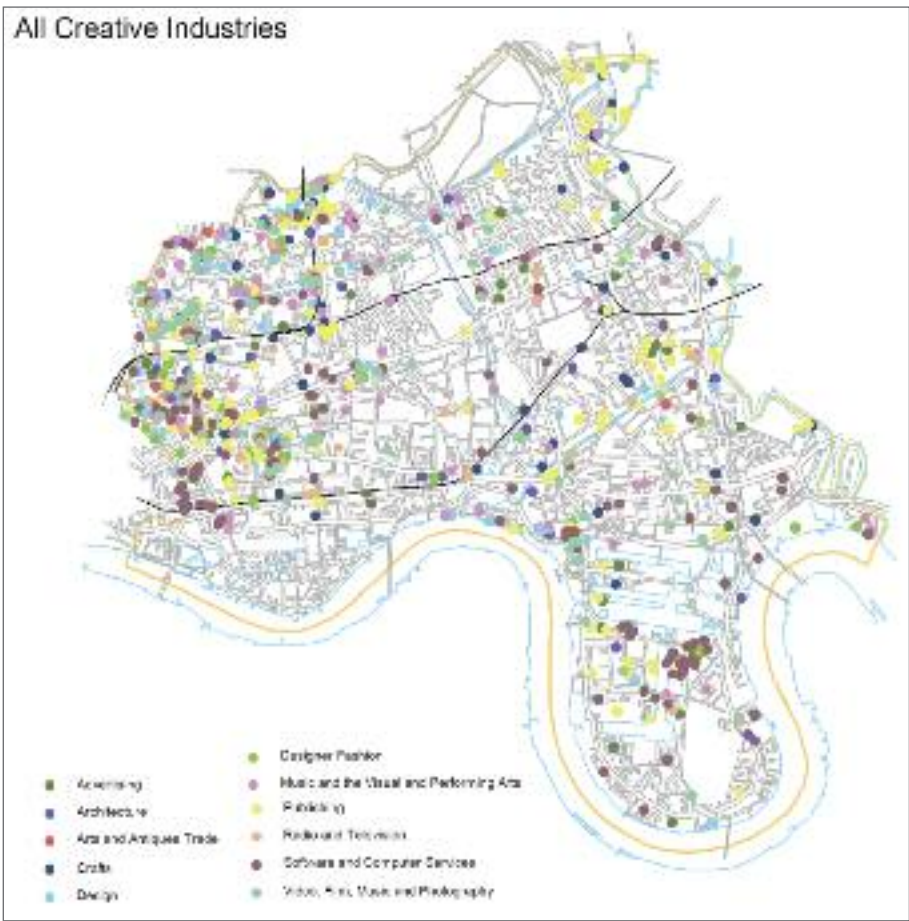
Figure 2.0 Distribution of Hotel and Restaurant Businesses

(Source: Trend Central Resource 2009)



Figure 2.1 Location of Creative Industry Sub-Sectors in Tower Hamlets, 2004

Source: Tower Hamlets Creative and Cultural Industries Report (2005)



4.27 The international investment banks and large financial institutions that have been drawn to Canary Wharf, and the large floorplate offices there, means that large businesses dominate the borough's economy in employment terms. Over 70% of employment in Canary Wharf is in businesses with 500 or more employees, and for the borough as a whole this equates to 50%, with a further quarter in firms of over 50 staff. This make up is close to that of the City of London, but markedly different to that of the other Host Boroughs, or of London as a whole.

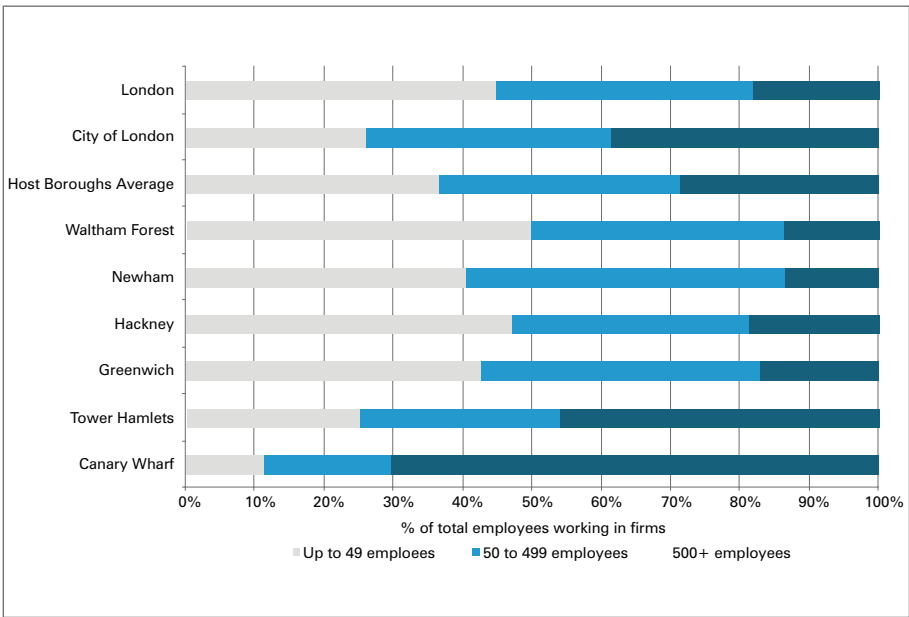


Figure 2.2 Proportion of Total Employees by Size of Firm, 2008

(Source: ABI)

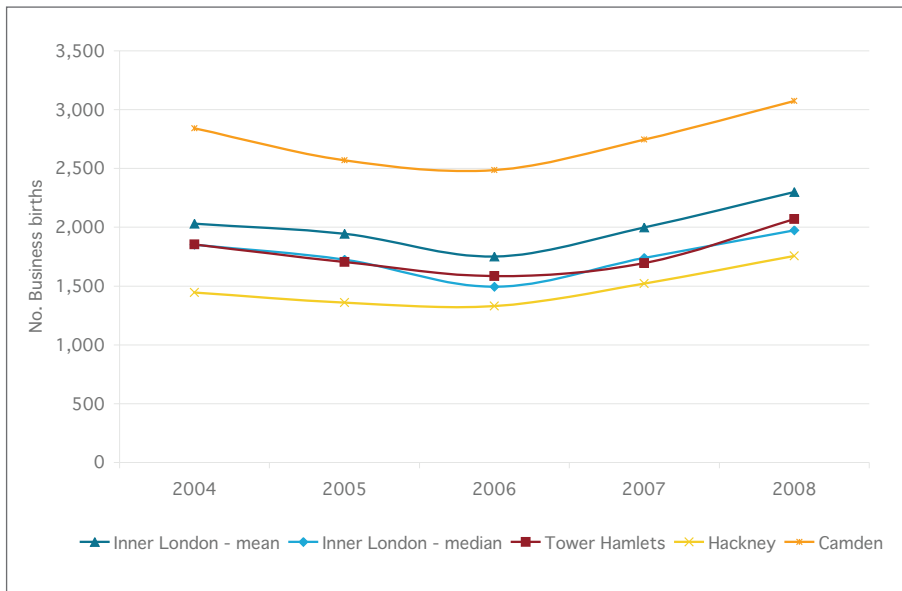


Figure 2.3 Business births, 2004-08

Source: BIS Business Demography

4.28 Business births and deaths are an indicator of the dynamism and enterprise of the economy as they suggest that competitive, productive businesses arise and remain while the less competitive ones fail, resulting in a progressively stronger stock of businesses within the borough. In these respects Tower Hamlets performs in line with the Inner London median but behind other City Fringe boroughs such as Camden.

4.29 Within London Tower Hamlets has the seventh highest rate of business births (relative to population) and the tenth highest business deaths; business survival rates are also consistent with the Inner London average.

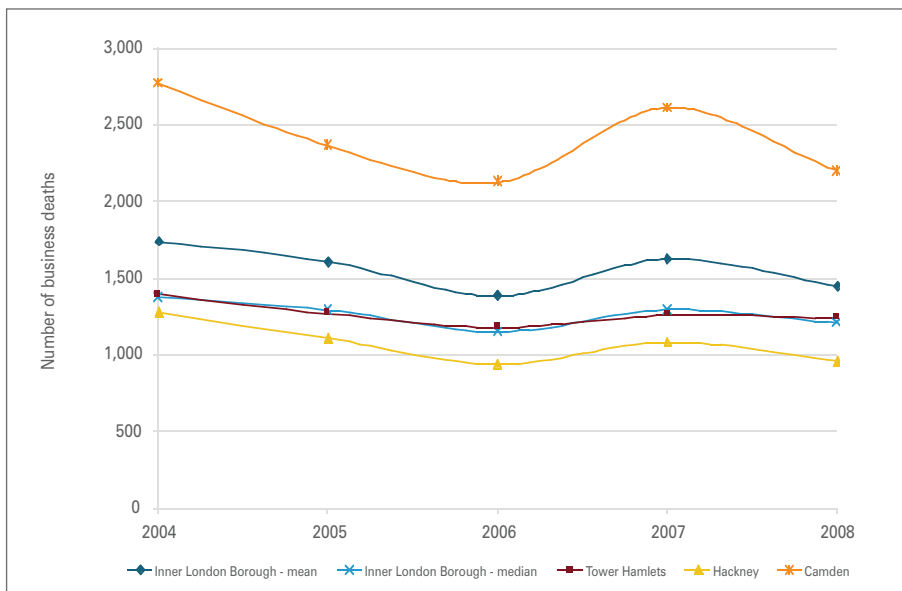


Figure 2.4 Business deaths, 2004-08

Source: BIS Business Demography

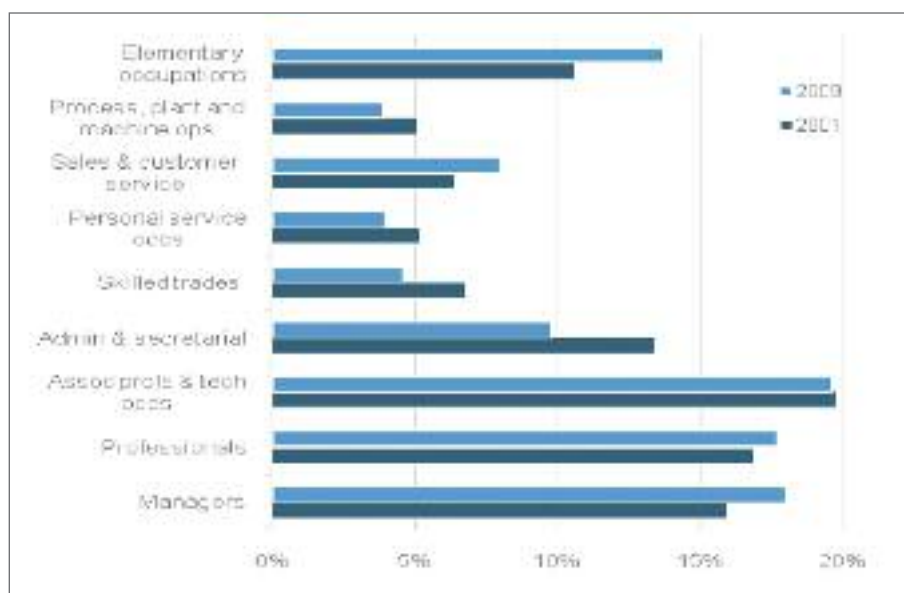
4.30 In overview, then, the borough's economic structure and employment profile, notwithstanding its unique features (above all the dominance of financial services), bears closer resemblance to Central London and City Fringe boroughs such as Camden and Islington, rather than to the other Host Boroughs and East London more generally, and this resemblance has been increasing over the past decade and more.

## Employment and Worklessness

- 4.31 The number of jobs within Tower Hamlets has doubled in the last 20 years and the borough is now, once again, one of the largest employment centres in London. There are significantly more jobs than residents of working age in the borough and Tower Hamlets is, as outlined earlier, a significant net importer of labour.
- 4.32 Around 30,000 residents are employed in the borough. Half work at the three highest occupational levels and this has remained static over the last decade. The proportion in elementary and sales roles has increased somewhat over the period as the proportion in middle-ranking occupations has declined creating something of a polarised picture.

Figure 2.5 Percentage of residents employed by occupations 2001-2009 within Tower Hamlets (%)

(Source: APS)



- 4.33 In comparison with the borough's sectoral profile, resident employees are over-represented in distribution, and the hotels and restaurants sector where a greater local bias in recruitment is common, and to a small extent in the public sector. A third of working residents are employed in the financial and business services sectors but it should be noted that this is an under-representation in these crucial growth sectors relative to other sectors. This reflects the regional nature of the labour market in these sectors, and to some extent the gap between local labour skills and supply and the specialist demands within the financial services sector in particular.
- 4.34 As noted earlier, two-thirds of residents work outside the borough. This is not, primarily because of a gap between the occupational levels of employment and residents within the

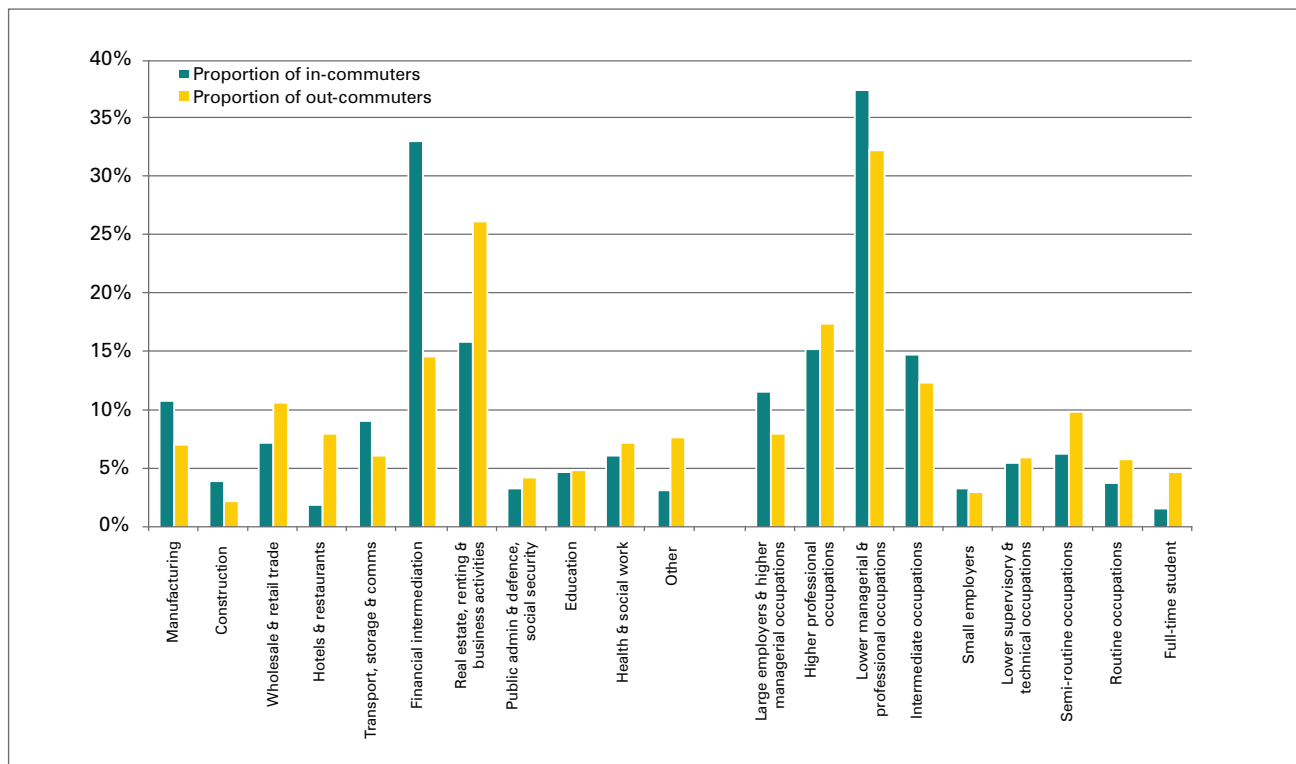


Figure 2.6 Commuting Flows by Industry and Occupation Group, 2001

(Source: ONS)

borough. As the diagram above shows there is a broad alignment between the profile of occupations being accessed by in-commuters and by those out-commuting. There are some divergences, however, including a higher proportion of residents exiting the borough for semi/routine occupations, implying some shortfall in skills levels against local opportunities. This is perhaps also reflected in the proportional net outflow to the hotel and restaurant sector. The other striking differences are the in-commuting bias towards financial services and the reverse out-commuting bias in the business services sector with residents travelling to the City, Westminster and wider City Fringe.

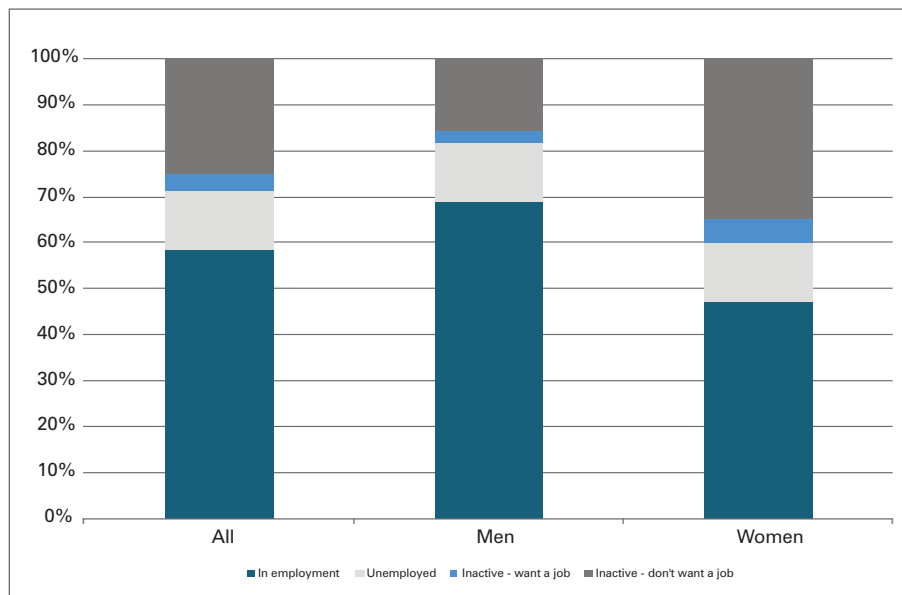
4.35 Labour markets are made up a number of defined groups as the illustration below illustrates. The economically active includes both those in work and those who are unemployed but seeking work (whether in receipt of benefits or not). The economically inactive are people who are not looking for work. The workless are both the unemployed and people not currently looking for work but who want a job.

4.36 Economic growth has raised levels of employment among residents of working age to 61%, from 54% in 2004.



Figure 2.7 Economic activity of working age population

(Source: APS)



4.37 The Economic Activity rate for Tower Hamlets is 70% which is significantly lower than for London as a whole (76%). The rate for men is 81% and is very similar to that for men in London and the UK. The rate for women residents, however, is much lower, at 58% than for London (68%) or the UK (74%). More than a third of women are not in work and do not want a job – which is more than half as high again as the London average.

4.38 The data suggests that there is a marked divergence in economic inactivity rates by ethnicity with two-thirds of Bengali women of working age inactive and disengaged from the labour market compared with a quarter for white female residents.

4.39 The workless population of Tower Hamlets is 21,000, of which two-thirds are currently unemployed, and a third are economically inactive but want a job. Unemployment levels are high at 13% compared with 7.6% for London, as are unemployment benefit claimant levels at 6.7% compared with 4.4% for London.

4.40 Most of the unemployed are claiming JSA and these individuals are primarily men under 29 years old. Indeed Tower Hamlets has the highest number of young unemployed residents in London. Almost a tenth of claimants have been claiming for over two years which is the highest proportion in London.

4.41 Incapacity Benefit (IB) is being claimed by over 12,000 residents, a rise of 1,300 over the last decade. More than half have claimed for over five years (but this is below the London average) and almost four-fifths were men.

4.42 Older residents are the more likely to be workless. Out-of-work benefits are claimed by a tenth of residents in the 25-34 year age group but by around a third over of those aged 45 to 59 and these levels are twice those for London as a whole. Three-quarters of those on such benefits have been out of work for over a year.

Age band	Within Tower Hamlets	Within London
Aged 15-24	13%	10%
Aged 24-34	11%	10%
Aged 35-44	18%	14%
Aged 45-54	31%	17%
Aged 55-59	37%	19%
Aged 60-64	24%	13%

Table 1.0 Claimants of out-of-work benefit by age (9%)

(Source: APS)

## Skills and barriers to employment

- 4.43 Despite twenty years of rapid, indeed exceptional, economic growth in the borough levels of labour market economic activity remain low and a fundamental reason for this is that many residents bring only low level skills and qualifications to contest in a highly competitive labour market.
- 4.44 A quarter of Tower Hamlet residents have no qualifications – which is well above the London or UK average. In contrast a third are qualified to degree level or above, consistent with the London average. With fewer residents at intermediate skill levels than in London, there is something of a polarisation of skill levels within the borough.
- 4.45 Almost 90% of residents educated to degree level are in employment. In contrast less than 50% of residents with no qualifications are in work but this figure disguises a marked gender difference: 66% of men with no qualifications are in work (higher than the London average) but only 20% of women. This shows that whilst skill levels are important, gender differences are also very significant and this may link to other barriers to work.

Resident qualification levels	Tower Hamlets				London 2008
	2005	2006	2007	2008	
No qualifications	23%	24%	19%	23%	12%
Level 1	10%	9%	13%	6%	10%
Level 2	8%	9%	8%	10%	11%
Level 3	10%	12%	11%	9%	12%
Level 4 +	29%	28%	32%	36%	39%
Other	20%	19%	18%	15%	16%

Table 1.1 Highest qualification of the resident population

(Source: APS)

Highest qualification of resident population	Tower Hamlets				London	
	Number of residents	Proportion	Number in employment	Likelihood of being in employment	Proportion of residents	Likelihood of being in employment
No qualification	35,500	23%	9,700	39%	12%	41%
Level 1	9,500	6%	4,500	47%	10%	59%
Level 2	15,600	10%	7,800	50%	11%	64%
Level 3	13,500	9%	8,800	65%	12%	66%
Level 4	54,100	36%	48,100	89%	39%	85%
Other (inc trade apprenticeships)	23,400	15%	14,700	63%	16%	72%

Table 1.2 Likelihood of being in employment, per level of highest qualification

(Source: APS)

- 4.46 Significant among these are language skills – with national data indicating very low levels of proficiency in English among Bengali women, highlighting the importance of ESOL course within the borough in this context. Poor health is another significant barrier to employment with a third of the borough among the 10% most health deprived areas in the UK. Amongst IB claimants 45% cite poor mental health. The “benefits trap” is a further factor, and a lack of preparedness to travel to work opportunities may be another factor.
- 4.47 Jobseekers with poor skills and poor qualification levels are seeking jobs where qualifications are not so important: almost a quarter of JSA claimants want to work in ‘elementary occupations’ and a fifth in ‘sales’ (which includes shop jobs).
- 4.48 There are jobs in London for low-skilled people, and in Tower Hamlets, and indeed in Canary Wharf (as the most demanding labour market in the borough), but demand for those jobs far exceeds supply, even where there is high turnover. The position will get worse as the supply of jobs for low-skilled people continues to decline.

## Population, Migration and Change

- 4.49 The population of Tower Hamlets has grown markedly over the past 20 years, spurred by the dynamic growth of Canary Wharf, and varying estimates put the current population between 220,000 and 240,000.
- 4.50 The 2007 Indices of Deprivation (IMD) rank Tower Hamlets as the third most deprived borough in the country, and the second most deprived borough in London. Tower Hamlets remains a place where deprivation is very real and inequality a pressing issue.
- 4.51 Over the last twenty years Tower Hamlets has evolved from a deprived borough to a deprived borough with an oasis of wealth, which is most obviously manifest in the polarisation of incomes and the “missing middle” that lies between. The

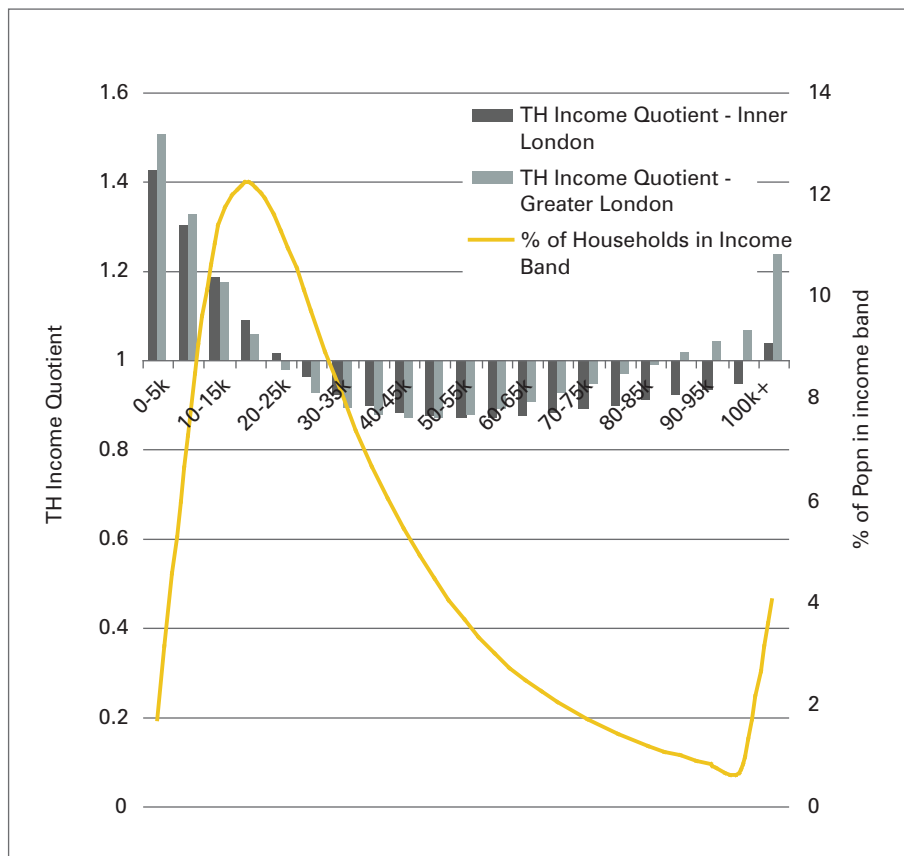


Figure 2.8 Income Distribution 2009

Source: CACI

Note: Data is Equivalised Paycheck data. Equivalised data takes account of household size and composition and its impact on household budgets

borough has proportionately more people earning less than £20,000 per annum than the Greater or Inner London averages, lower proportions earning between £30,000 and £85,000, and significantly more people earning over £85,000 than the Greater London average.

- 4.52 Although population growth from 2001-2010 has averaged around 4,500 additional people per annum, the borough has generally been a net exporter of population to the rest of the UK (with the exception of 2008/09), with positive inflows from international sources on top of natural demographic increases driving population growth. Tower Hamlets performs a role as one of London's 'receiving areas' for in-migrants from outside the capital. Using new national insurance registrations as an indicator of international migration the diagram below shows that Tower Hamlets has experienced one of the highest levels over the past ten years, lower only than the City (which is low in absolute terms given its small population), Newham and Brent.
- 4.53 The borough has a relatively high level of population turnover. In 2009, there was a gross flow of population of over 52,000 people moving into or out of the Borough. This is not the highest in the capital as a percentage of total population, but is similar to the rate in Central London Boroughs (Westminster, Camden, Islington, Hammersmith and Fulham) and much higher than in eastern Boroughs.
- 4.54 The borough draws in those under 30 and exports those aged 30-45, reflecting perhaps constraints in the availability of family accommodation for this latter group. The Isle of Dogs is the



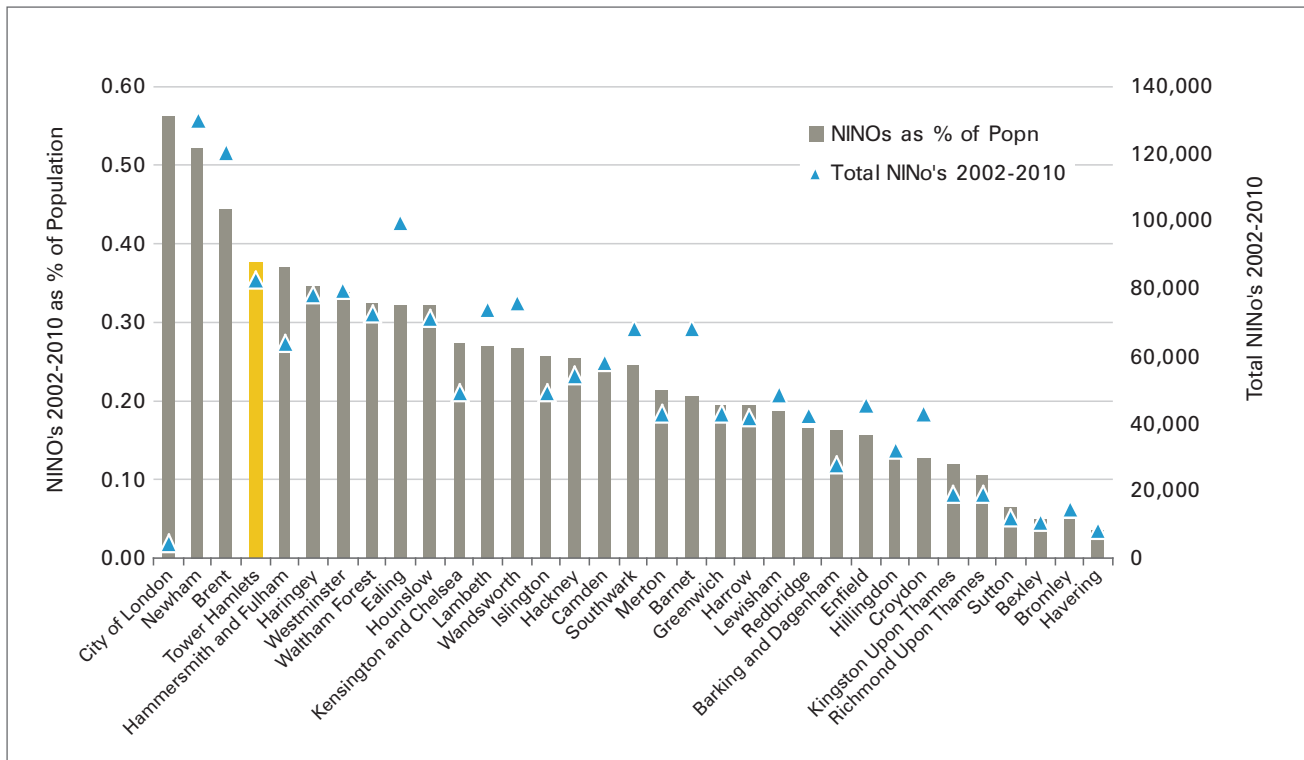


Figure 2.9 NINo Registrations 2002-2010 (total and as a % of Population)

(Source: DWP)

leading area of choice for new residents from outside London, potentially reflecting the nature of the housing offer, and these residents are the most transient in the borough. Within London there was a degree of net in-migration (in 2008) was from Central London and significant out-migration mainly to East London boroughs.

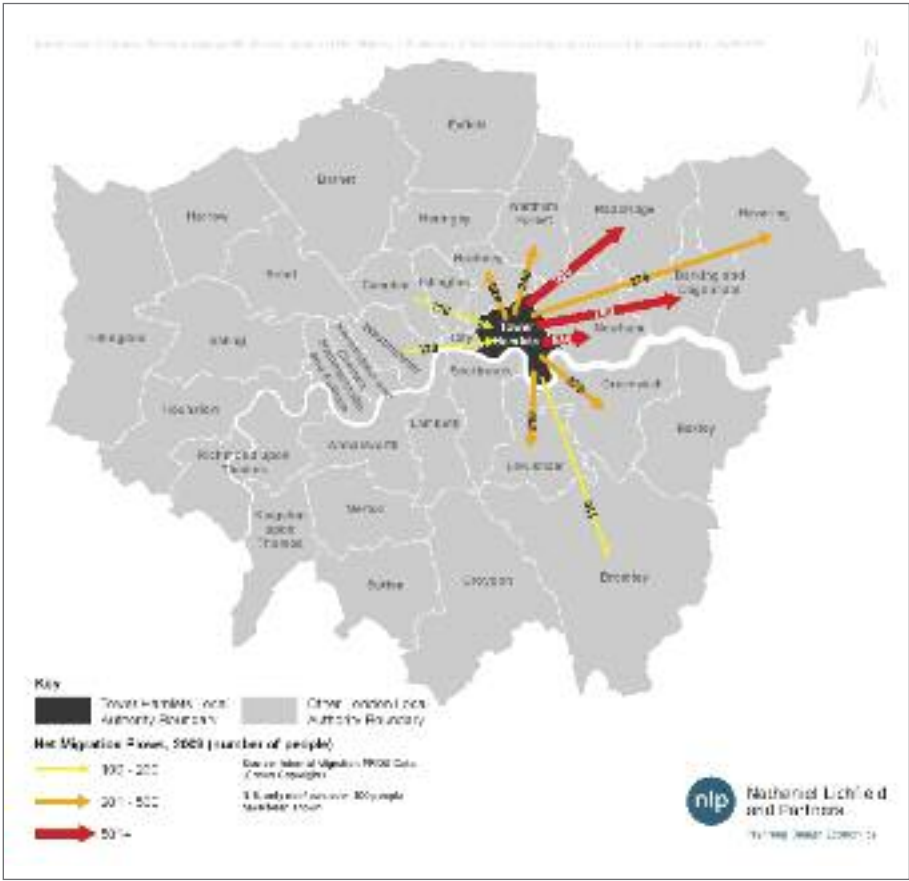


Figure 3.0 Migration Flows Year Ending June 2008

(Source: ONS)

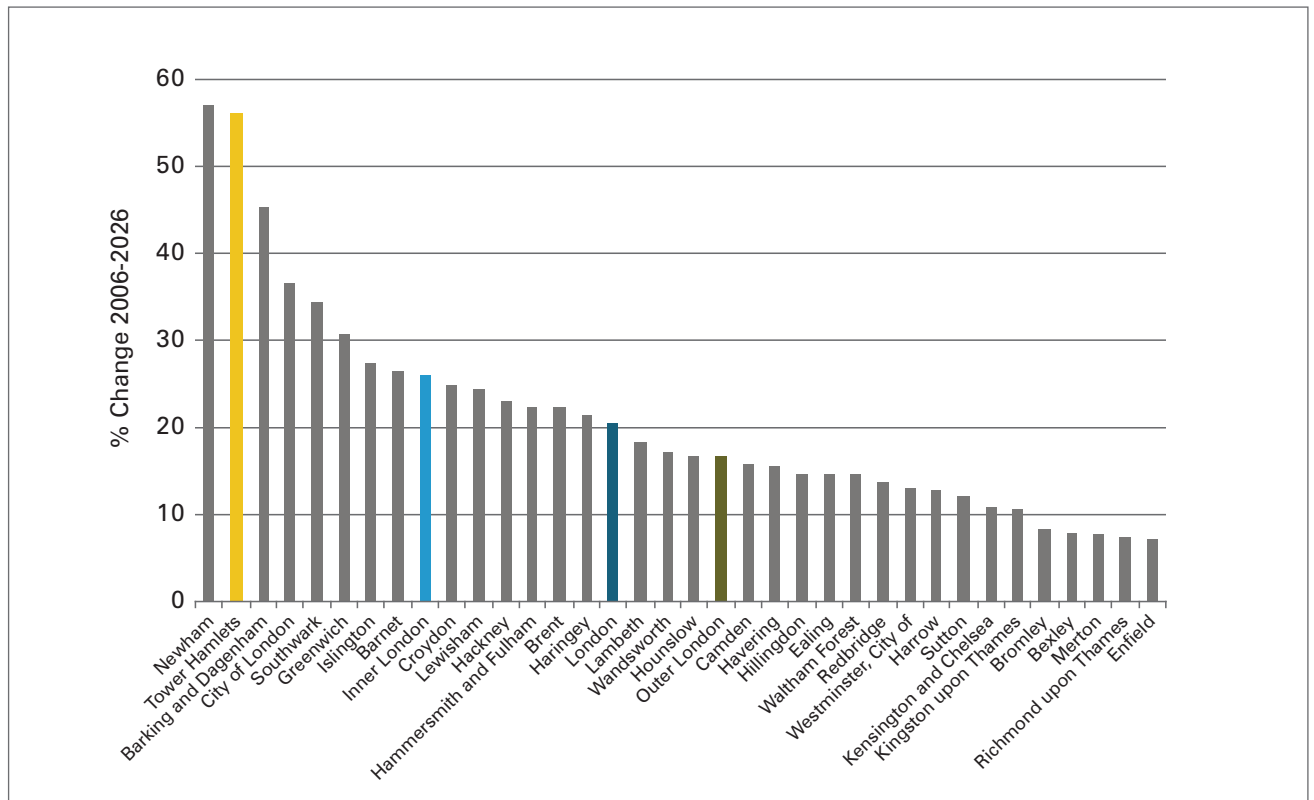


Figure 3.1 % Household Growth 2006-2026 by London Borough

(Source: TSA / NLP analysis)

4.55 There is a consensus that population growth will continue over the next 20 years – to anything from 280,000 to over 330,000 with much of this growth expected to arise from natural change within the existing population. This scale of increase is greater than that projected anywhere else in London except in Newham and will have significant economic implications. Household growth (of up to 80% by 2026) is expected to predominantly be of single person households – some 60% of the increase – with significant implications for housing type and tenure.

## Housing and the Economy

4.56 The relationship between housing and economic development is complex and multi-faceted, and this is particularly so because so many Tower Hamlets residents work outside the borough and so many jobs in the borough are occupied by those who commute in each day. It is important to understand to what extent the housing offer of the borough, which is very distinct, provides the type of accommodation that is more or less likely to match the aspirations and realisable demand of those who are economically active and seeking to move up through their housing 'career'.

4.57 The fundamental dynamics of the borough's housing market mean that middle earners look outwards, and poorer households face more limited choices and may experience adverse housing outcomes.

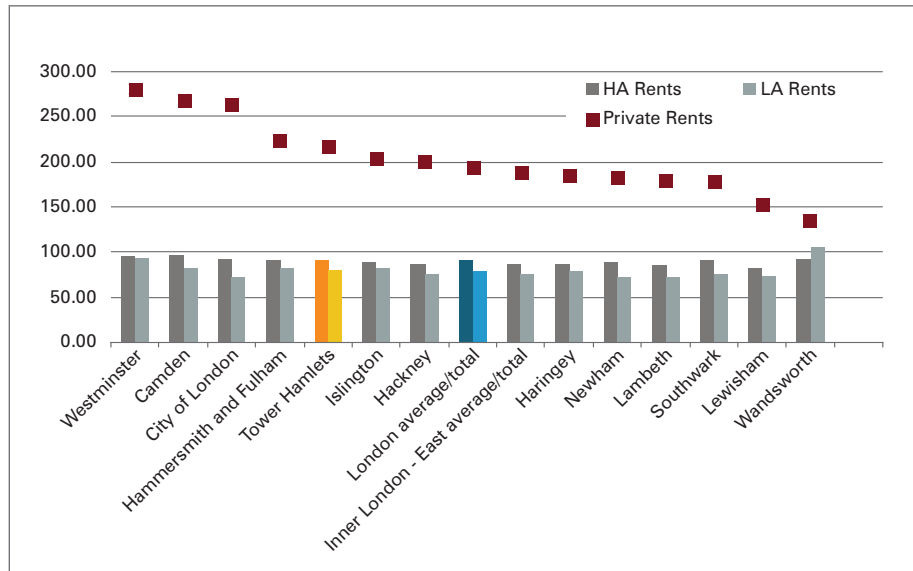
4.58 Overall house prices are higher in the borough than in East London and London-wide averages, and though prices fell

during the course of the recession they have stabilised and, despite short-term uncertainty, are projected to return to growth in the medium and long-term.

- 4.59 The house price to mean income ratio in the borough is 6.6 to 1, but this is based on mean income of £39,000 which is heavily skewed by the high wages of a minority. The largest group of residents earn in the £15-20,000 band and face a far higher affordability ratio.
- 4.60 For those who cannot afford to buy, and are unable to access social rented housing, the private sector is a major source of housing but rental levels in the sector are higher than the London average.

Figure 3.2 Rents by Tenure

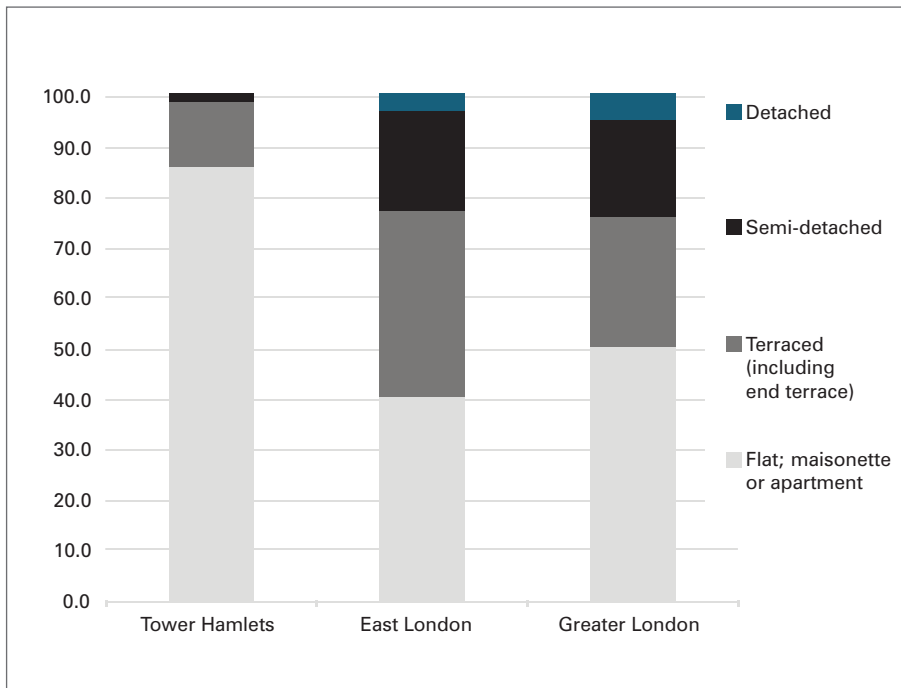
Source: TSA / NLP analysis



- 4.61 Housing tenure has diversified significantly over the past 20 years, mainly through the construction of new private flatted accommodation – in 1985 13% of housing in the borough was in private ownership, and this had risen to 58% by 2005. But this diversification of tenure has changed the outcomes only for certain parts of the population, with social tenure dominating for all but cohabiting adults without children and single adults.
- 4.62 There is also significant concentration and segregation of housing by tenure. Much of the social rented stock is configured in insular post-war estates and this has been mirrored in contemporary forms of “gated” high density private development.
- 4.63 The housing stock is heavily skewed to smaller properties with over 80% flats and a great scarcity of semi-detached family homes.

Figure 3.3 Housing Type

Source: ONS/NLP analysis



4.64 Correspondingly, residential properties in the borough are smaller than in the rest of London, with 70% of dwellings having four rooms or less compared to 49% in London as a whole, and new supply is likely to add to rather than diminish this imbalance. Residential densities for new housing in the borough in recent years have been the second highest in the capital and in the current development pipeline over 80% of properties are 1 or 2 bed. Upwards pressure on densities is likely to be sustained through economic growth and population and household increases.

### Future Economic Prospects

4.65 After over a decade of uninterrupted economic growth, the UK economy is now emerging from the longest and deepest recession for a generation. The UK economy continued to grow in the first quarter of 2010, although at a slow rate of 0.3%. While two consecutive quarters of positive growth have now been recorded, GDP remains over 5% lower than at its peak in early 2008.

4.66 The economic outlook remains subject to significant uncertainties across a broad range of factors, including the continued fall-out from the global financial crisis and its impact on market confidence and activity, and the longer-term impact of the implementation of the global policy response to the recession. 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. In overall terms, it is expected that the national economy will follow a lower-growth trajectory in the short to medium-term, as outlined by the post-Budget forecasts produced by the Office for Budget Responsibility (OBR).<sup>1</sup>

<sup>1</sup> Budget forecast, Office for Budget Responsibility, June 2010

4.67 During the recession the London economy performed better than expected and relatively better than the UK as a whole. Overall employment in London fell by only 2% and despite the unprecedented and focused nature of the financial crisis from which the recession stemmed, retrenchment in employment in financial and business services was limited to 4% (whereas manufacturing declined by 8,5% across the capital).

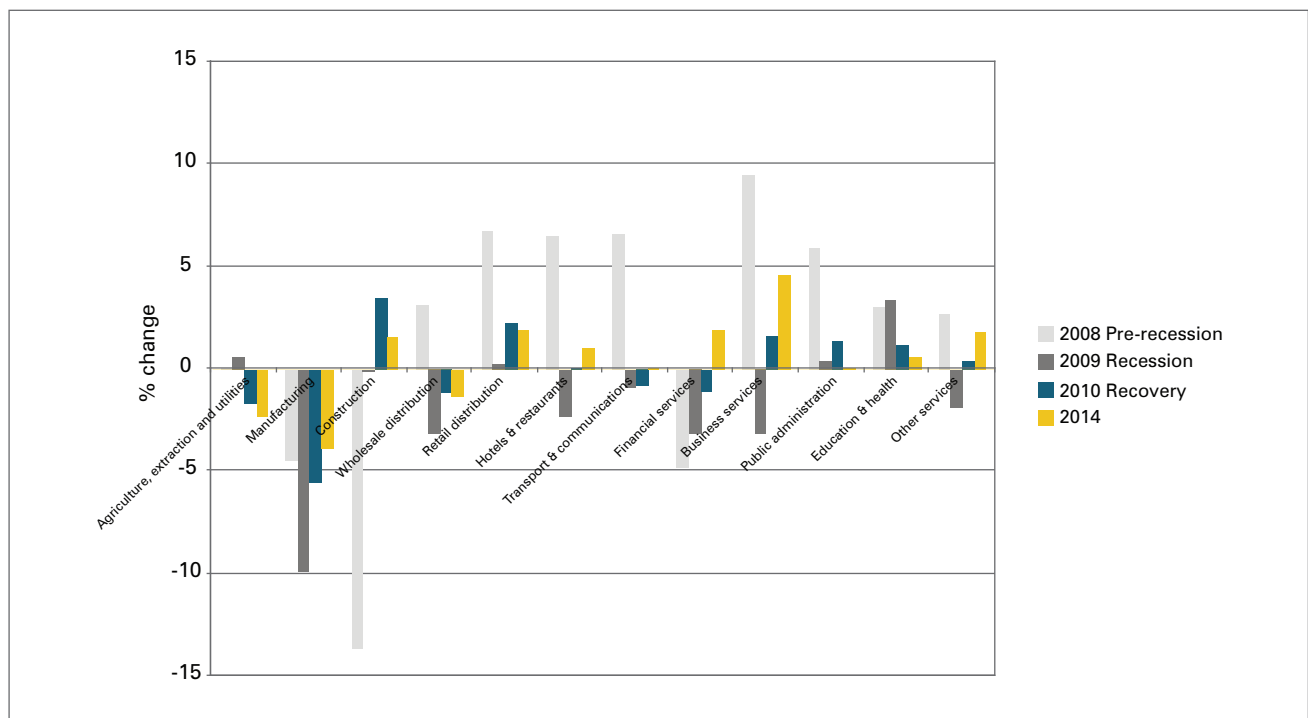
4.68 The immediate prospects for economic recovery remain uncertain and London has a number of downside risks to recovery. Nevertheless, after a muted 2010, it is forecast that London will return to growth more strongly from 2011, and will outperform the country as a whole.

4.69 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.

4.70 The borough's relative dependence on financial and business services will mean that the pace of recovery in the short term is likely to be modest, with business services returning the main growth sector but at a lower level than pre-recession, and financial services not rebounding with any substantial effect until 2014. Retail and the other services sector also recover, but again at modest levels in relative terms.

Figure 3.4 Employment Growth by Sector, 2008-2014

Source: Oxford Economics, 2010  
 Note: actual figures for 2008/09, projections for 2010 onwards



- 4.71 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.
- 4.72 In the medium-term, employment is forecasted to grow strongly and faster than in all but one other London borough. On a range of different scenarios, employment growth is projects to be between 25% and 50% over the next twenty years.

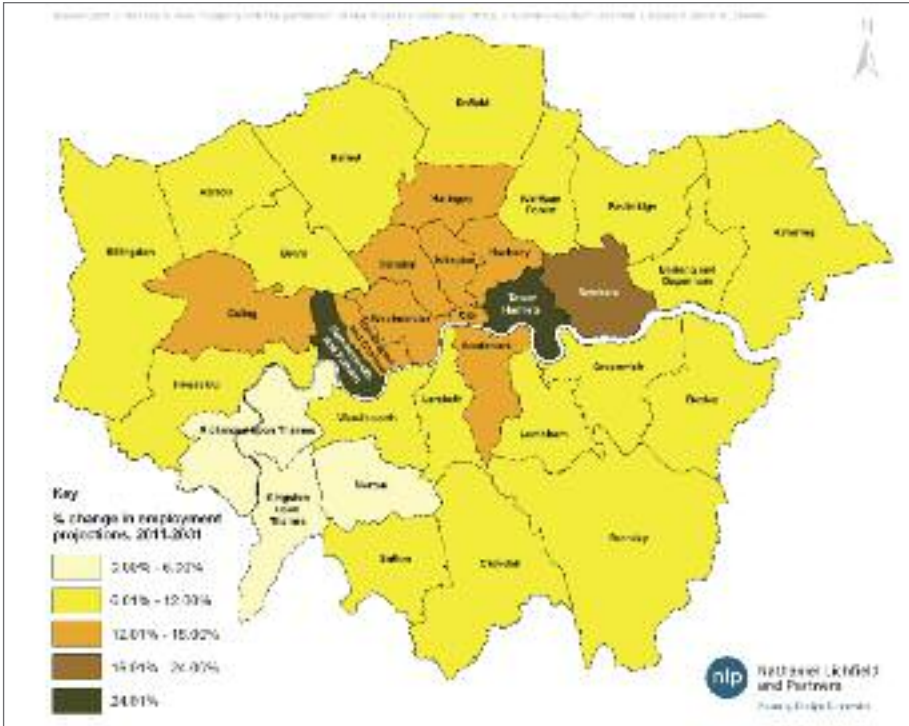


Figure 3.5 Relative Change in Employment Projections 2011 - 2031

Source: GLA/NLP Analysis

4.73 The expansion of Canary Wharf at Wood Wharf has the potential to provide 25,000 new jobs and will be an important stimulus to growth. So too will be higher levels of housing delivery across the borough including developments in Aldgate and Poplar. As an Olympic Host Borough, Tower Hamlets has a key role to play in the transformation of the 'Olympic Fringe'. The opportunity provided by the facilities of the Olympic Park and surrounding new infrastructure will be key for housing and economic growth in the Lower Lea Valley, and particularly for the development of Fish Island, part of the Olympic Legacy Masterplan Framework area. Some of these developments do, however, face a number of challenges to their progress and realisation including a changed economic landscape, heightened developer risk aversion and public sector funding cuts.

- 4.74 The extent to which the greater number of jobs will translate into increased resident employment is uncertain and it likely that work opportunities will grow more quickly than the ability of residents to access them.
- 4.75 For Tower Hamlets to raise its employment rate to the London average around two thirds of its 21,000 working age population who are both out of work and interested in working would need to find a job. This is not challenging because of a lack of demand for labour, now or in the future. Indeed on the most conservative estimate, enough jobs may well be created in Tower Hamlets alone in the coming years to provide for all those who are out of work and want a job many times over, to say nothing of additional opportunities in surrounding boroughs.
- 4.76 The challenge is to address low levels of skills and qualifications, and other barriers so that all residents of Tower Hamlets can compete effectively for the many good jobs within the borough, and within easy reach of it.
- 4.77 Using national employment projections it is estimated that there will be 94,000 vacancies within the borough for the period 2007-17. But over three-quarters of these will be for highly-qualified individuals who are professionals, 'associate professionals', or managers.
- 4.78 Although there will be replacement opportunities in low-level elementary occupations these opportunities are decreasing fast as the national economy continues its shift towards high-value services and high-value manufacturing, both of which require high-level skills. And this trend has been and will continue to be even more marked in Tower Hamlets.
- 4.79 The challenge for residents therefore - both those currently out of work and those who might become so - is to get the qualifications which employers want, and the other skills and qualities needed to get and keep jobs, so that they are able to keep up with the changing labour market and benefit from the resurgence of economic growth and opportunity the borough is poised to enjoy.





# 5

## Key Questions and Issues for Policy Consideration

### Economic Structure

- There is a fundamental disconnect between what Tower Hamlets offers as a workplace and the profile of its resident workers. This is unlikely to change, and the gap may continue to widen. Do the solutions lie in trying to encourage growth of other sectors which provide a wider range of job opportunities for local residents?
- Financial and business services have driven the borough's considerable economic expansion, but other growth in other sectors has been less impressive, while more traditional industries have declined. To what extent can, and should, the borough seek to achieve a more balanced model of growth in the future?
- While the growth of financial and business services is well provided for (for example Wood Wharf, Aldgate), planning for the needs of other sectors is likely to become more important in the future. This will be particularly important in the context of increasing competition from elsewhere, such as Stratford. In this context, how can the borough's other development opportunities, such as Fish Island, be harnessed to match the growth aspirations and requirements of other sectors?
- Public Sector employment growth has been important over the last decade, and has provided jobs across the spectrum of skills and qualifications. With significant retrenchment signalled, how can skilled staff be retained within the borough, and replacement opportunities in the private and 3rd sector be stimulated?
- The global financial crisis and recession have significantly changed some of the conditions for growth. It will be important to consider how key sectors have been affected and to identify those that will provide a platform for future growth – the business models which they operate and growth prospects may be different.
- 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. In headline terms, it is also the most important sector in Tower Hamlets, but what will London's role as a financial centre look like in the future and how will this affect the dynamics of the City Fringe and Canary Wharf?
- Will Canary Wharf continue its integration within London's Central Business District, and its specific role within it or



could it become a more diversified business district in its own right?

- Will relaxations on high-rise development in Central London, and the rise of other areas such as King's Cross and Paddington create a more competitive environment for Canary Wharf in coming years?
- To what extent can the underlying worries that Canary Wharf (and to significant extent, the borough as a whole) is too dependent on a weakened financial services sector be addressed? If the result of the global financial crisis and potential future changes in regulation means a 'new look' sector, is Tower Hamlets well placed to reflect this?
- The government's review of banking and regulation could impact on the international attractiveness of London as a pre-eminent Global Financial Centre, and impact on retention and recruitment of international banking and associated businesses at Canary Wharf.

## Businesses and Growth

- The business survey indicates that a lack of lower-level skills is a major barrier to improving the borough's competitiveness. How can these be improved in order to help improve the ability of residents to access jobs, and the scope for employers to increase local recruitment?
- Tower Hamlets is an entrepreneurial borough and becoming more so. How can the borough support the creation of businesses and ensure they have the means to expand and grow?
- The supply of workspace for SMEs is particularly constrained in Tower Hamlets. The consequence may be to limit growth potential and the range of local employment opportunities. Are the workspace needs of SMEs sufficiently well understood, and can the difficult balance of cost/quality be provided within Tower Hamlets so these types of businesses are not forced to move beyond its boundaries?
- More affordable business premises and improved environmental quality are regarded as the main factors that would enhance business prospects in the borough.
- Tackling language barriers and a lack of basic skills are crucial to encourage greater local recruitment. How can the



Borough's future strategies on work and skills overcome these?

- Are other East London boroughs able to offer greater choice/lower cost alternatives for business premises, and if so, can Tower Hamlets aim to compete with these locations?
- If current business needs are well provided for, are future requirements (e.g. premises, labour) as well understood and being planned for?

## Employment and Skills

- The government is expected to make significant changes across the welfare benefits system and these will have major impacts on household incomes, housing affordability, work incentives and more generally and the council will want to examine the profound implications of these and how best to respond.
- Reflecting the young population of the borough, Tower Hamlets has the highest number of young unemployed residents within London. The Council and partners need to ensure that these residents do not end up mirroring the current 35-49 year old population and become the long-term unemployed of the future.
- Educational attainment has now increased so that primary and secondary schooling is now roughly on par with the national average. But why are young people settling for local universities instead of trying to enter more prestigious establishments. The Council may want to research why resident young people are applying for local universities rather than more prestigious ones further away.
- The Council should keep a very close eye on the incidence of worklessness of school leavers, and the 15-19 and 20-24 in general. National research shows that the young suffer in a recession and worklessness amongst an age-group with little work experience and other work-skills will almost certainly have a greater time-lag than other age groups once the economic recovery is in full swing.
- There is a mismatch between the skills and qualifications employers within Tower Hamlets demand and the skills and qualifications people have and this is likely to intensify. How can skills and qualifications be raised to, at least, the London average?

- How can the critical lack of even basic skills be addressed, and English language skills be raised?
- Many residents lack a realistic understanding of the labour market and the opportunities available to them, which means that many are not taking advantage of those opportunities. How can this be overcome?
- A major threat to the borough is that inter-generational worklessness is not tackled and indeed gets worse making it consistently more difficult to improve incomes and employment
- How can residents, irrespective of other barriers, gain the appropriate skills so that they are able to access the high-skill occupations that will be in greater demand rather than the declining numbers of lower skilled jobs?
- Many of those on sickness benefits in Tower Hamlets suffer from some form of mental illness. Exactly what that means, and what scope there is to do something to help some of these people back to work, would require further research.
- Why have improvements in education and skills attainment and in the provision of relevant services been insufficient to enable a sizeable minority of local residents to make a real difference to their economic prospects?

## People and Places

- How can services be attuned to address the root causes of inequality and quality of life factors, and overcome the practical challenges of service delivery in a diverse society?
- Crime is having a significant impact on perceptions of quality of life in the borough, although its levels are high but broadly equivalent to other central London Boroughs – what can be done to both address crime but also the perception of crime in Tower Hamlets?
- Should the borough continue to maximise housing delivery in order to meet, as far as possible, household projections, but accept limited diversification of stock through development, and an accentuation of the current polarized pattern of housing and population mix?
- Should it actively promote development including of more family homes at a moderate (rather than high density) that diversifies mix of property, particularly within areas with



concentrated tenure, but accept much lower levels of house building?

- Could it focus regeneration on diversification and urban design solutions in a small number of neighbourhoods dominated by single tenure and/or adverse social and economic outcomes?
- In view of limited funding, should it explore financing options to release equity in social housing to support relocation of tenants out of areas with tenure/type concentrations in order to deliver regeneration and changed mixed of accommodation?
- How far does the Spatial Vision and Strategy for the Town Centres embrace the economic functionality and business and employment base of each town centre, and does it accord with realistic prospects for demographic change?
- What can be done to enhance the business base in each Town Centre and increase the prospects for town centres serving neighbourhoods with higher levels of worklessness to provide more entry-level employment opportunities
- Is Tower Hamlets positioned to maximize the benefits of Olympics legacy for its population and overcome the barriers to securing them?
- In a more challenging economic and fiscal environment, will new tools be needed in order to deliver regeneration and development? How prepared is the Council and its partners to address the technical, legal, financial and governance issues associated with them?
- How might priorities (over the content or type of scheme) need to change in order to realise the economic potential from regeneration during the period of austerity and risk aversion. Is it better to deliver 'sub-optimally' now or wait for the conditions to be right to secure the best scheme?
- Despite good quality public transport generally, are there areas where perceptions need to change in order to break down perceptions and increase labour mobility? Is cost of transportation a barrier to movement for those in employment but on lower incomes, and prevents them from moving up the employment ladder?
- To what extent are transportation or pedestrian solutions needed to address urban 'grain' issues (e.g. the relationship between Poplar and Canary Wharf)?



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