



PEG: Economy, Cost of Living and Levelling Up - September 2022





Tower Hamlets Economy: Quick Reminder

- 220,300 residents of working age
- 294,600 jobs in the borough
- More jobs than residents of working age
- But only circa 15% taken by local residents
- 17,000 firms; 19,000 places of employment
- 95% employ under 50
- £116,000 GDP per head – 3rd highest in the country
- Overall employment rate in line with London
- But masks significant differences
- Young, well educated – one of the youngest populations in the country with a median age of 31.6
- Main sectors – financial, insurance; admin & support; prof, tech and scientific



Trends

- National/Global issues – inflation
- Cost of Living Crisis
- Changes to working patterns
- Employment rate
- Unemployment rates – London =4.6%
- Vacancies
- Skill Shortages
- AI and IR4



Economic Situation for Business

citi

**ENERGY PRICES: SMALL
BUSINESSES FORCED TO
SACK STAFF AND TURN
OFF FREEZERS TO AVOID
CLOSURE AS BILLS DOUBLE**
(I, 30 August 2022)

**PUBS CLOSURE WARNING:
'MY ENERGY BILL WENT FROM
£13,000 TO £35,000**
(BBC, 31 August 2022)

Britain's Labor Shortage Is Helping Drive Its Inflation Problem
Many of Britain's employers, faced with a
labor shortage, are raising wages to attract workers.
That's sowing the seeds of faster inflation.
(New York Times, 23 August 2022)

**CITY OF LONDON OFFICES STILL NOT
AS BUSY AS BEFORE OMICRON**
Workers yet to return in numbers seen prior to strain
emerging. Rising living costs may be deterring
commuters from returning . . .
(Bloomberg, June 2022)

**CINEMA CHAIN
CONSIDERS BANKRUPTCY . . .
PICTUREHOUSE OWNS
CINEMA AT WEST INDIA QUAY**
(East London Advertiser, Aug 2022)



Five Horsemen of the Economic Apocalypse:

Cost of living crisis is also a cost of doing business crisis

Inflation / stagflation → costs go up, prices go up with no profit

Recession → demand goes down

Overheated job market → wage costs go up, retention falls

High energy costs → costs go up – outside business model

High business rates → costs high

Levelling Up Impact

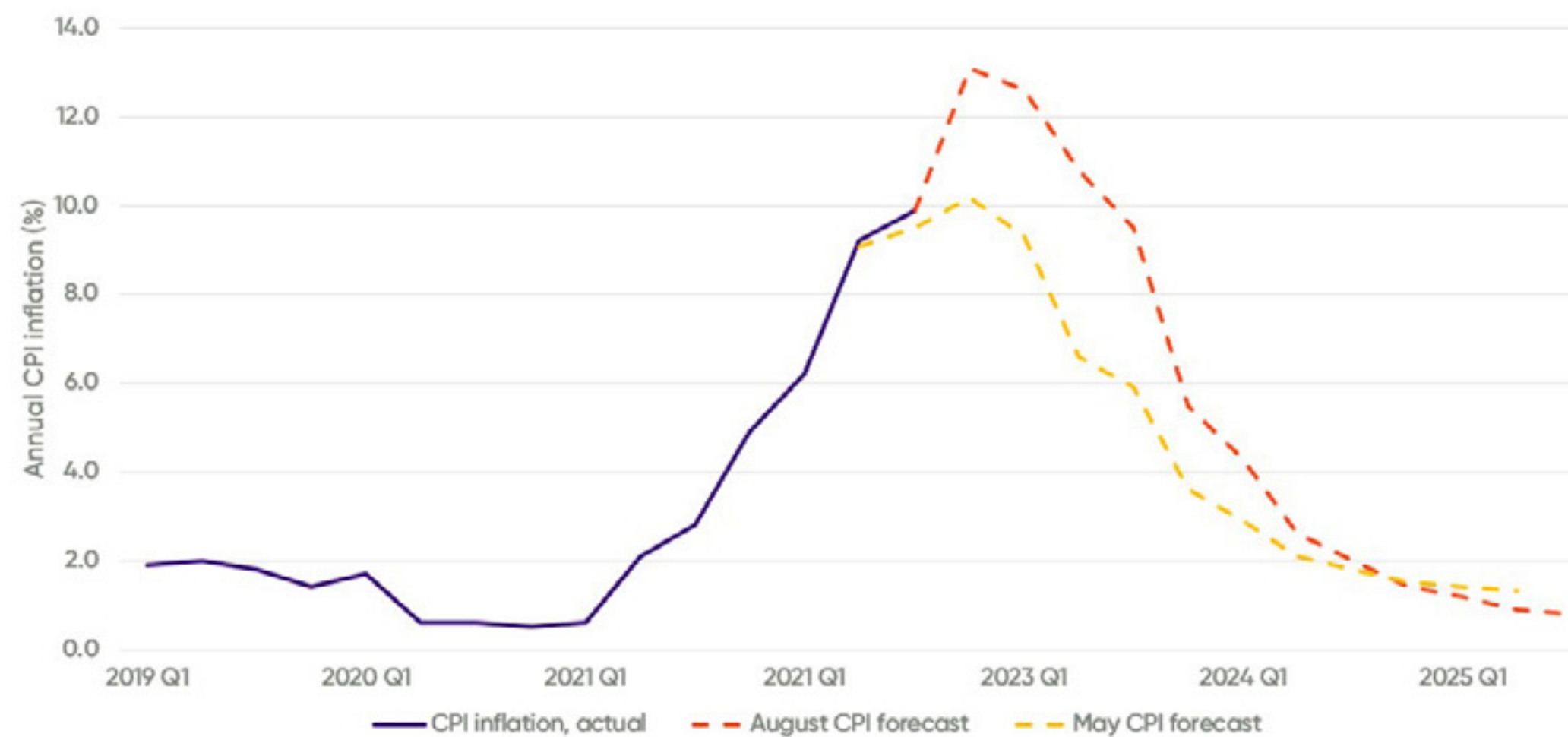
Brexit, international situation (Russia / Ukraine), political uncertainty, global economy all driving these issues



Inflation – now higher than since early 1980s

- Bank of England increased Inflation Forecast in August
- Goldman Sachs predict possible 22% in January 2023
- Citi predict possible 18.6% in January 2023
- Currently 9.9% and rising
- “Stagflation” possible – high inflation, low growth

Bank of England inflation forecasts

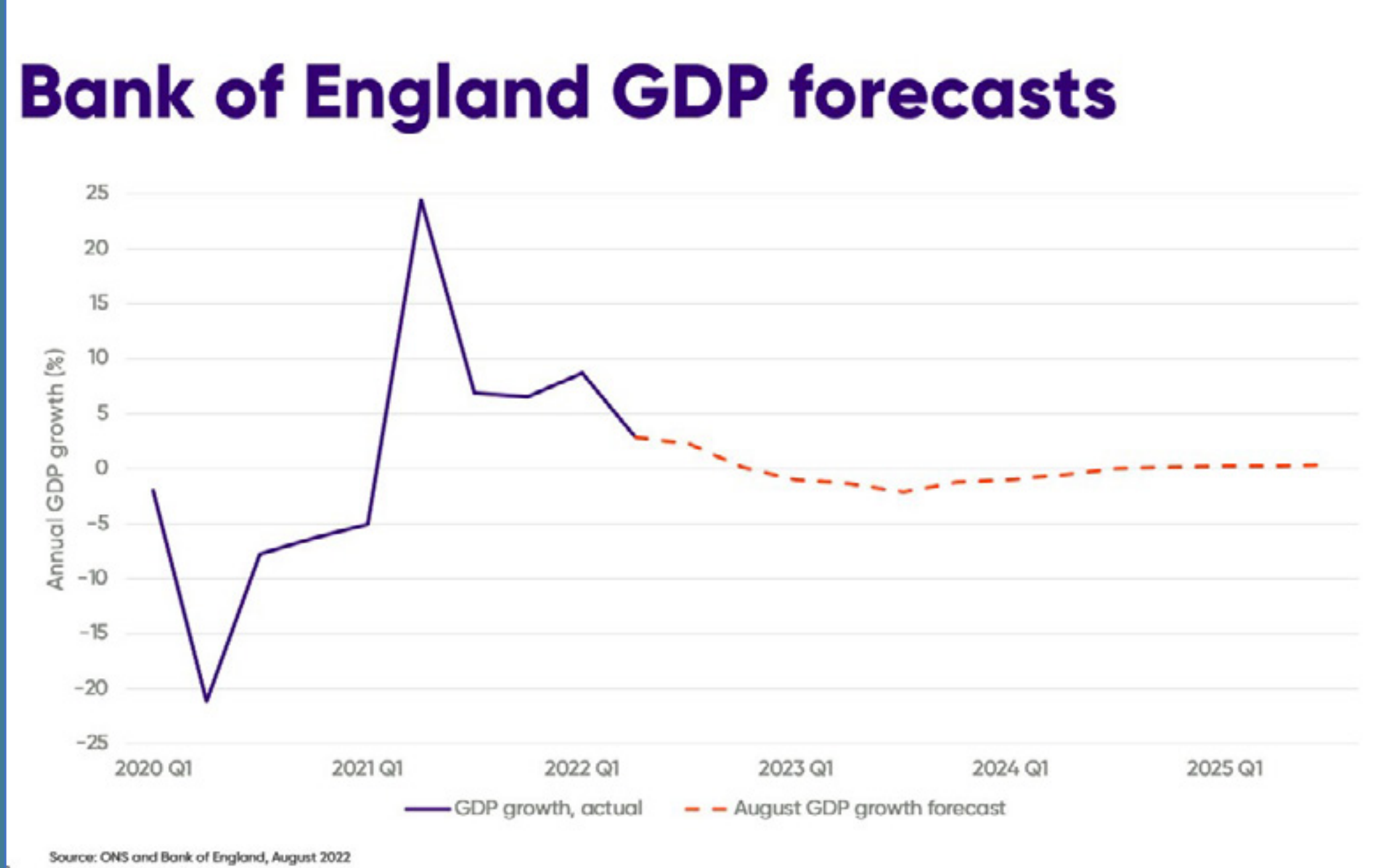


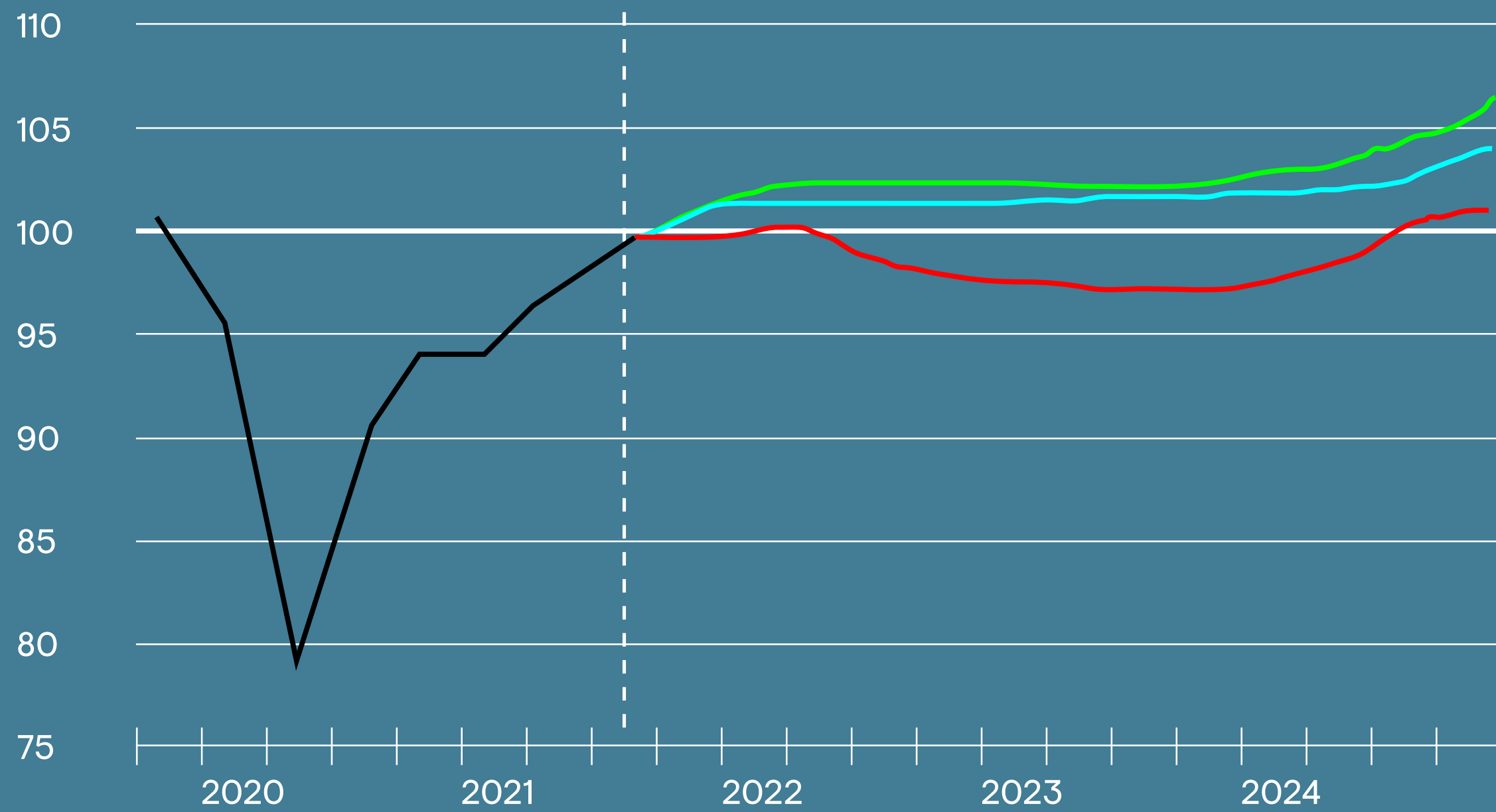
Source: ONS and Bank of England, August 2022



Recession predicted by BoE and others

- IMF says growth in UK next year will be lowest in G7
- Economy contracted by 0.1% in Q2
- Even if no recession, growth will be low

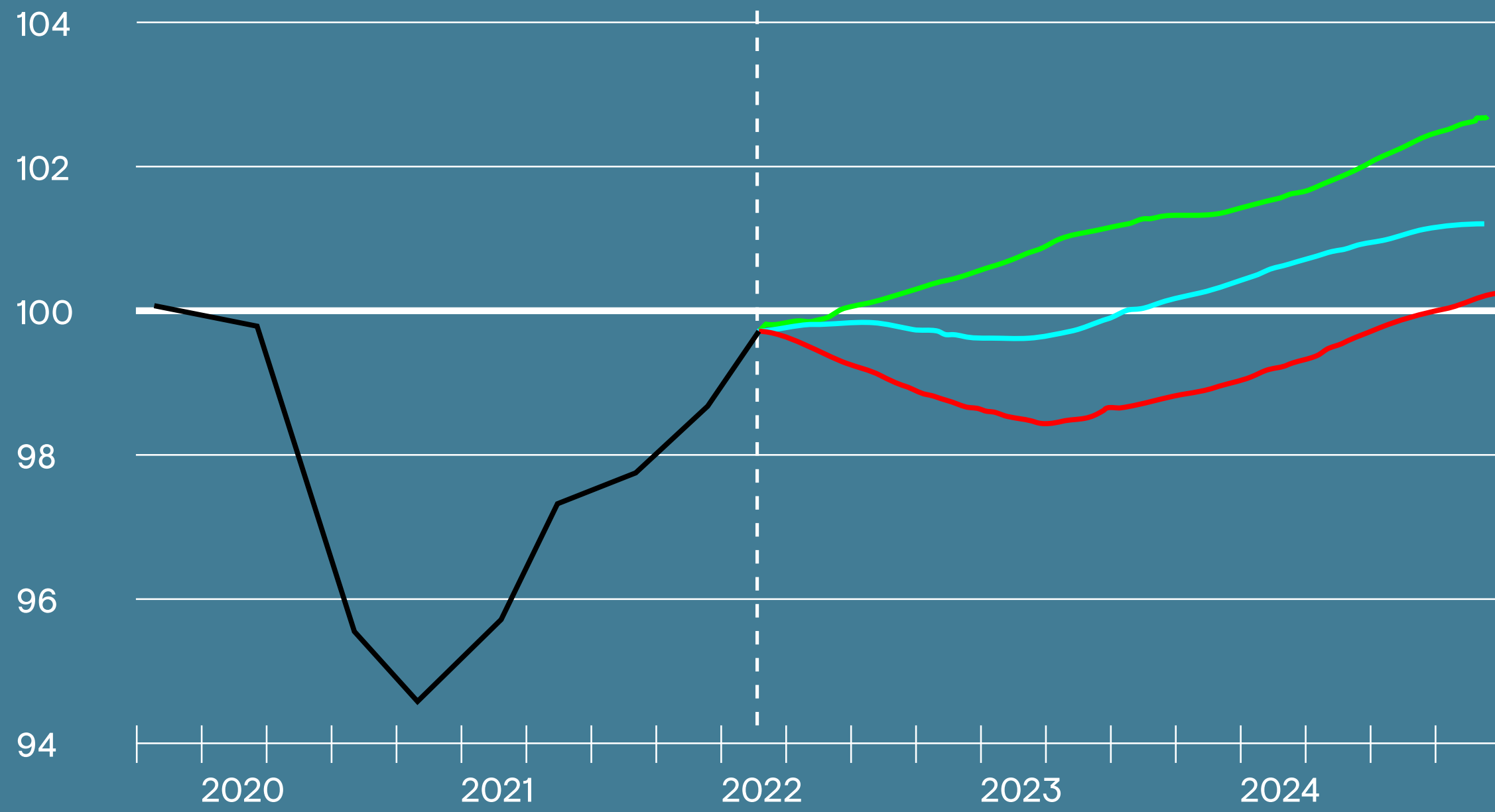




- Fast economic recovery
- Gradual return to economic growth
- Slow economic recovery
- 2020

Figure A1: Shape of the output recovery in London (index)

Source: GLA Economics: Note: Index uses 04 2019 level = 700. The 'triangle' indicates the quarter when the series reaches pre-crisis levels (if the triangle is above 100, pre-crisis levels were surpassed in the same quarter).



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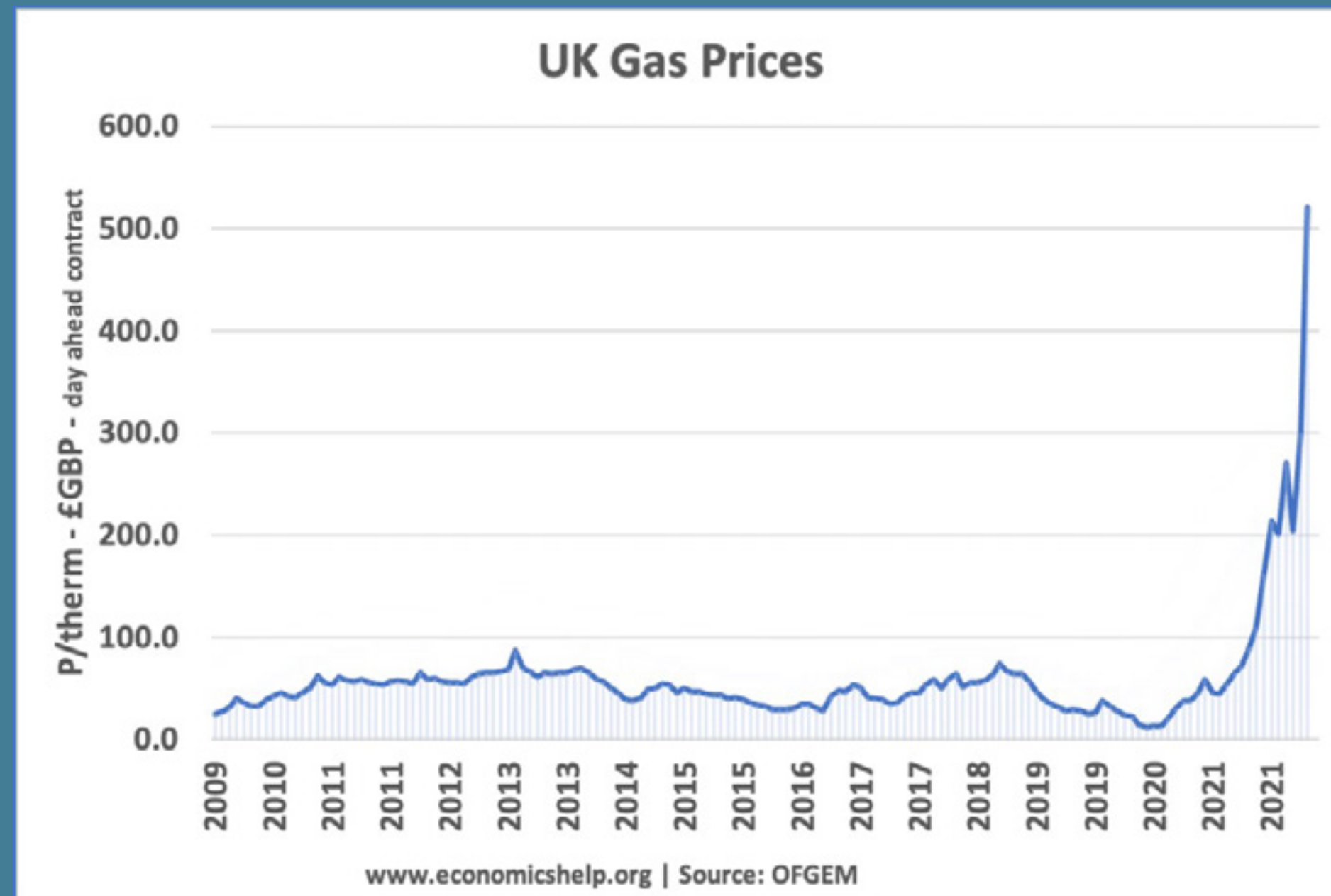
Overheated job market

- Brexit in Jan 2021 meant many EU nationals went home / stayed home after lockdown
- 69 per cent of chief executives said the availability of talent and skills was the most pressing threat facing their firm over the next 12-18 months (Survey reported in CityAM, 30 Aug 2022)
- Job vacancies rose to 1.3m in Q2 2022 – a new record
- Wages rising, more strikes, low staff retention, harder to find staff with skills
- Particularly bad in F&B sector



Energy prices – an unexpected shock

- Unexpected extra cost –energy prices have been relatively constant for last 20 years
- Price has doubled in last year and set to double again- some hospitality businesses facing 1400% increases
- Gas and electricity are core costs for pubs, bars, restaurants, cafés, hotels etc
- FSB reports many SMEs fear they will not survive winter



Business rates – higher than rent

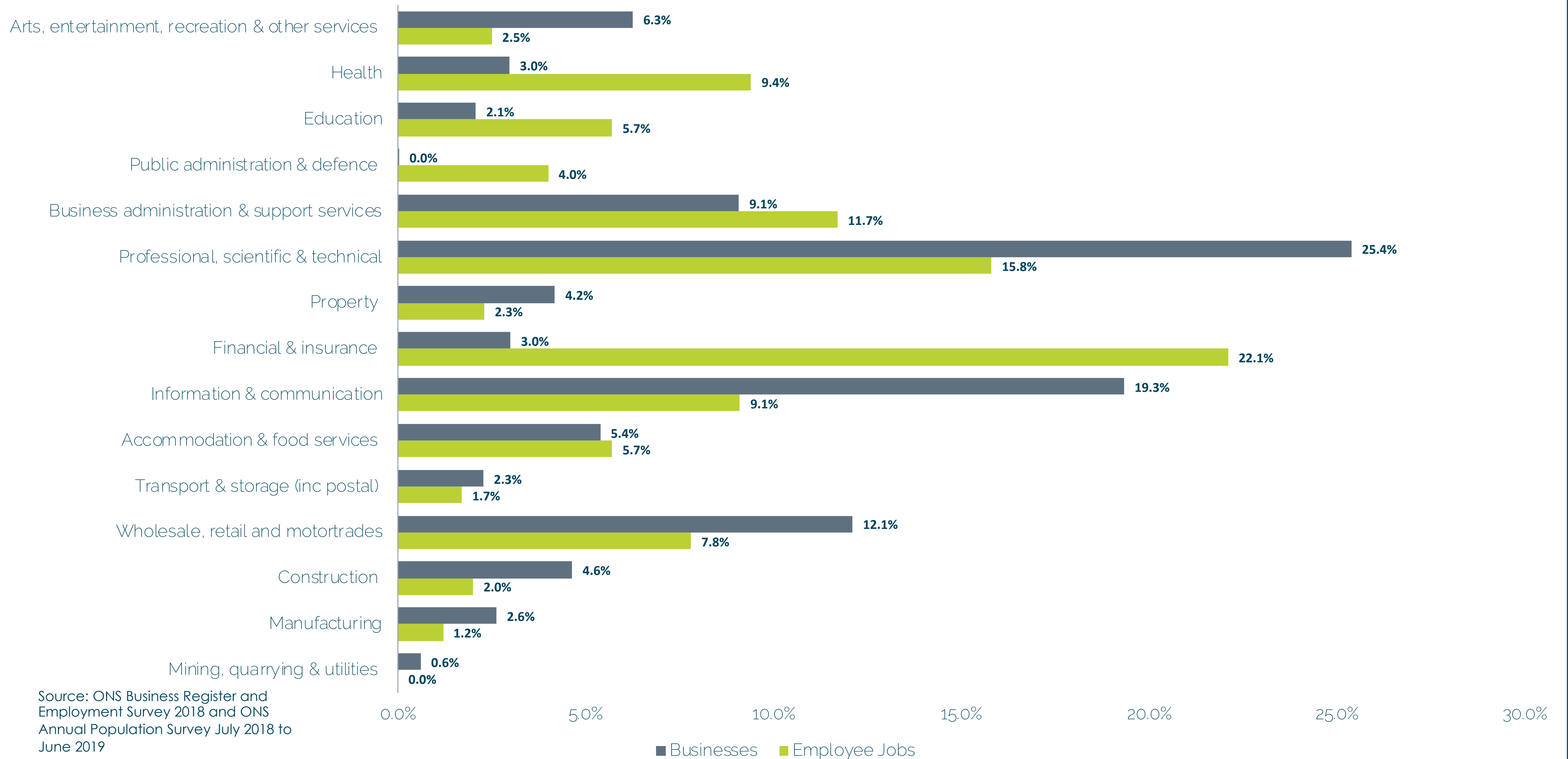
- Business rate revaluation in 2017 affected central London including LBTH more than rest of UK
- For many businesses in. LBTH, the rates are higher than the rent
- Landlords offering low rents / rent free deals for retailers but business still not viable in some cases
- Rates will go up by inflation next spring – another 10%
- Revaluation in 2023 will be vital – could be terminal for some SMEs
- Central London Boroughs have written to Conservative Leadership contenders calling for reform of business rates





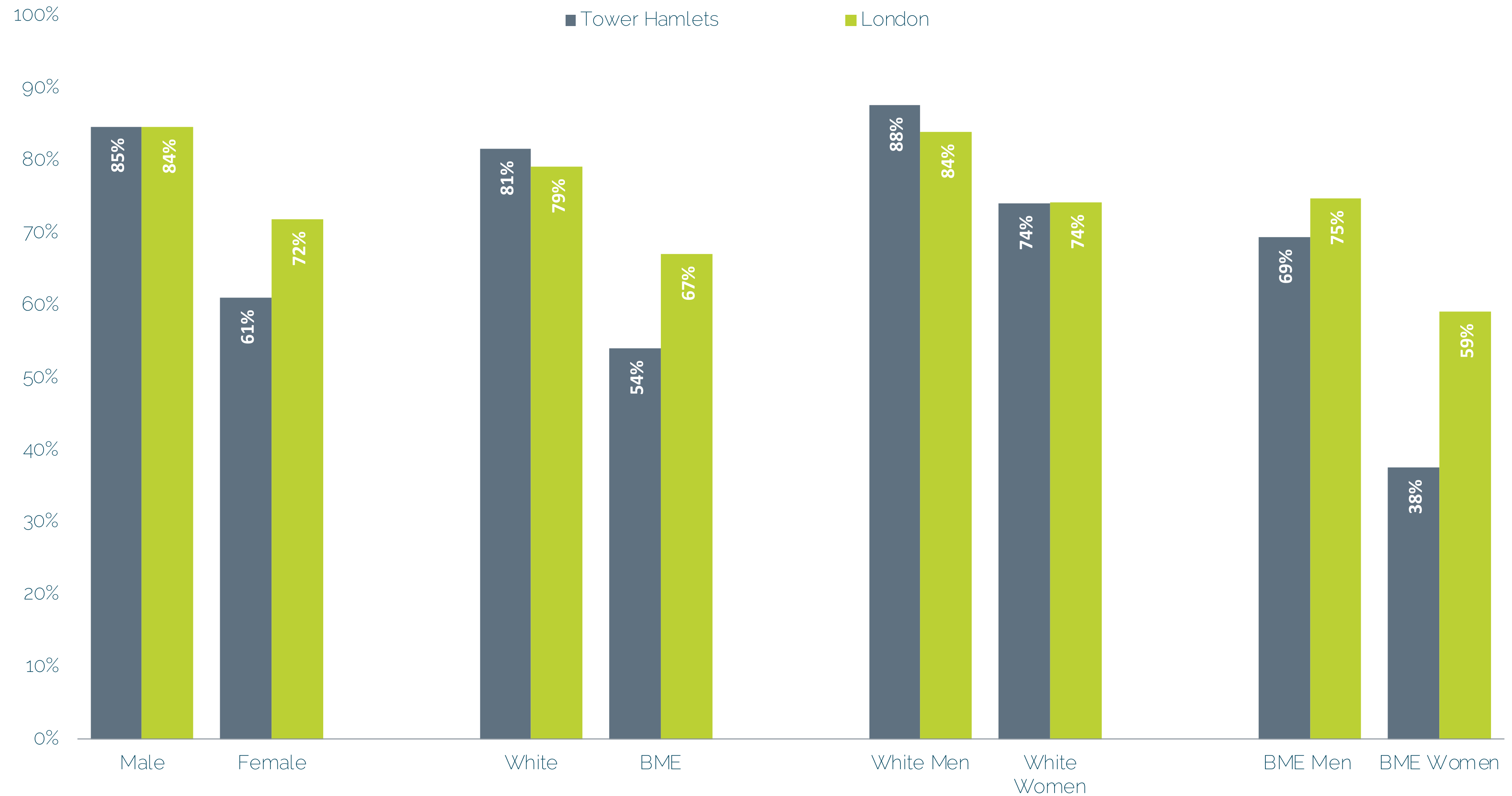
Looking at the residents'
side of the economy

Employee Jobs and Enterprises by Broad Industry, 2018



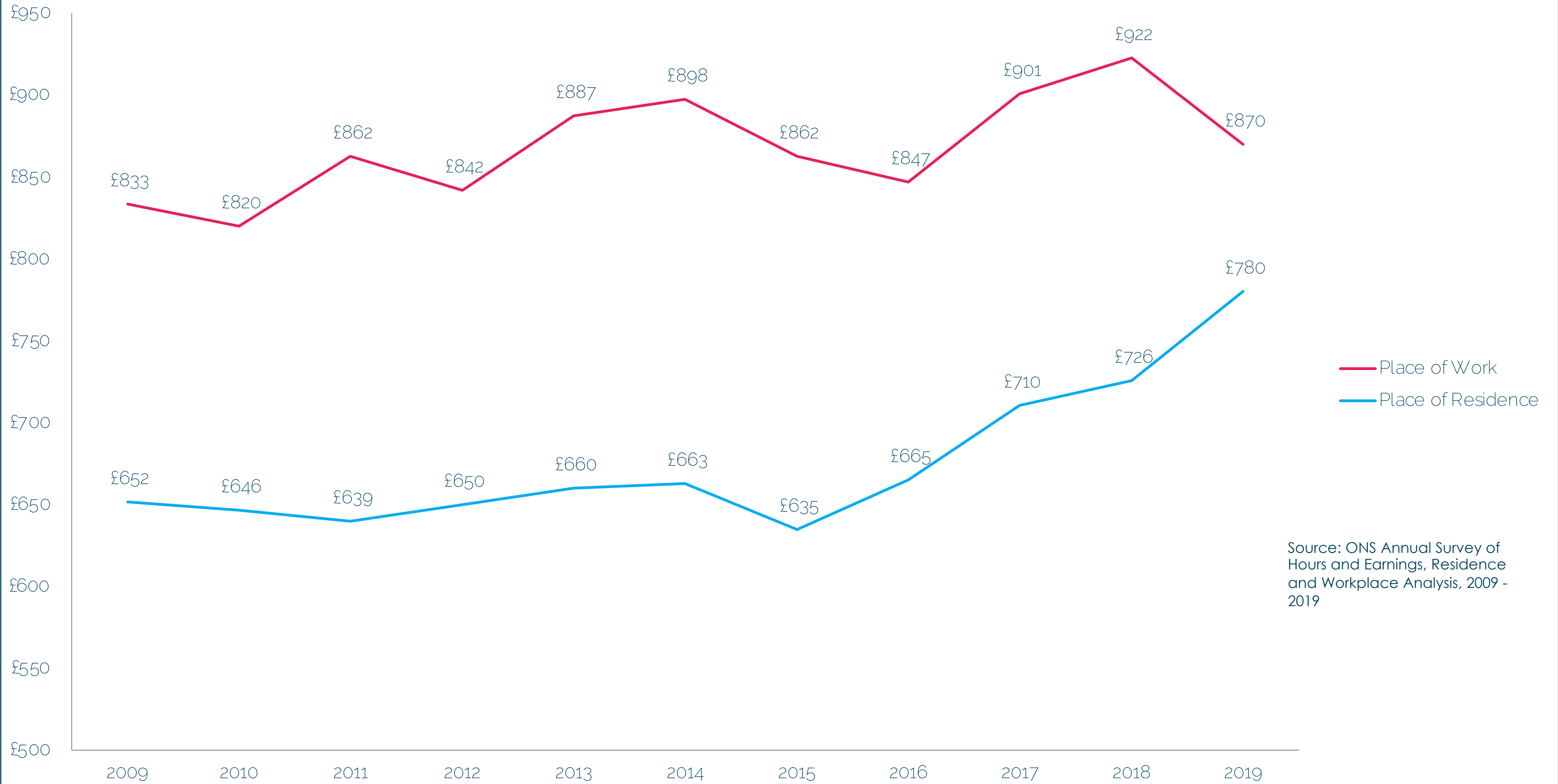
Source: ONS Business Register and Employment Survey 2018 and ONS Annual Population Survey July 2018 to June 2019

Employment Rates by Gender and Ethnicity, Tower Hamlets and London, 2016 - 2019.



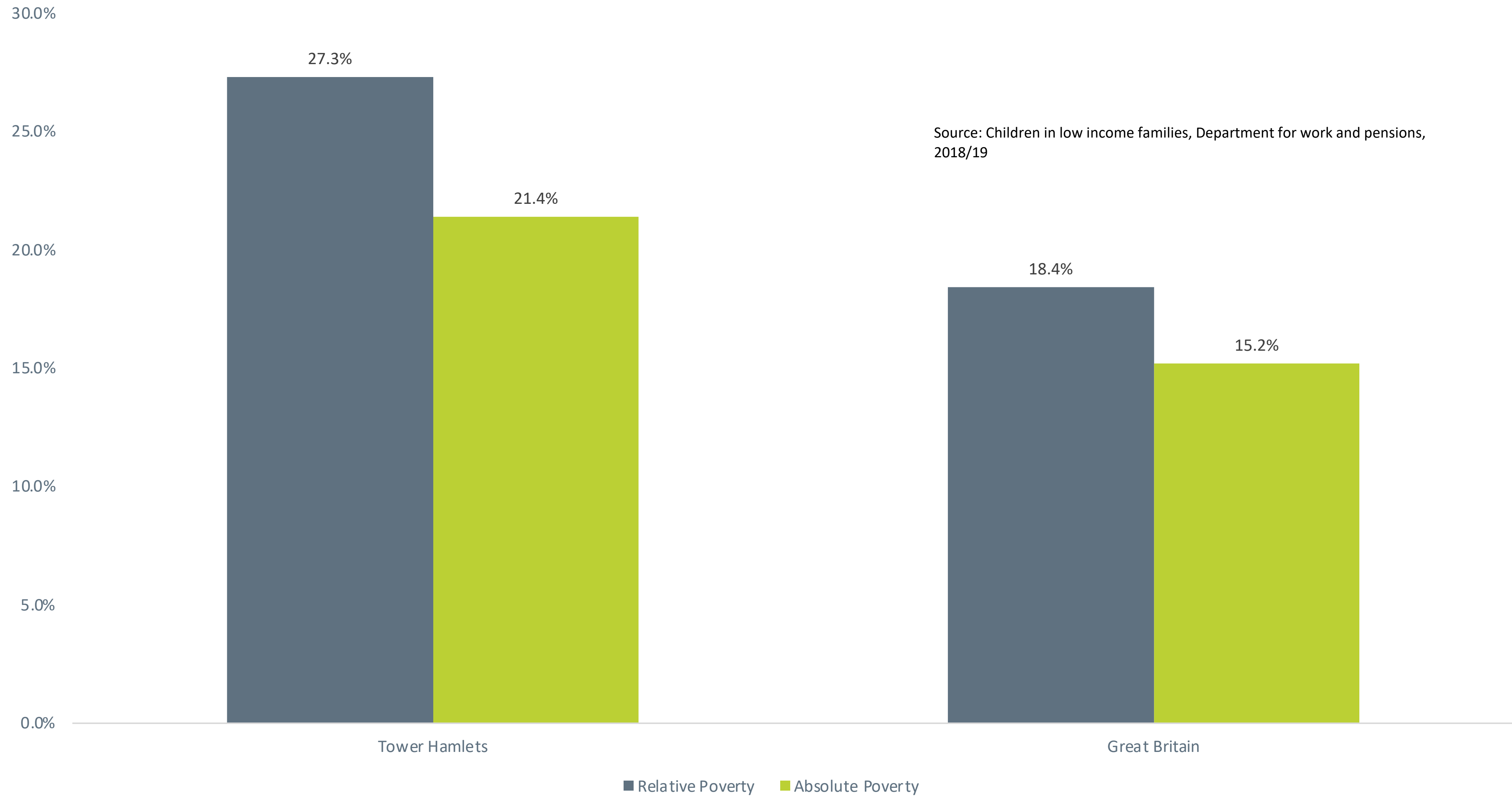
Source: ONS Annual Population Survey, June to July 2016-2019, 3 Year Average

Median Weekly Earnings of Workers and Residents in Tower Hamlets, 2009 - 2019



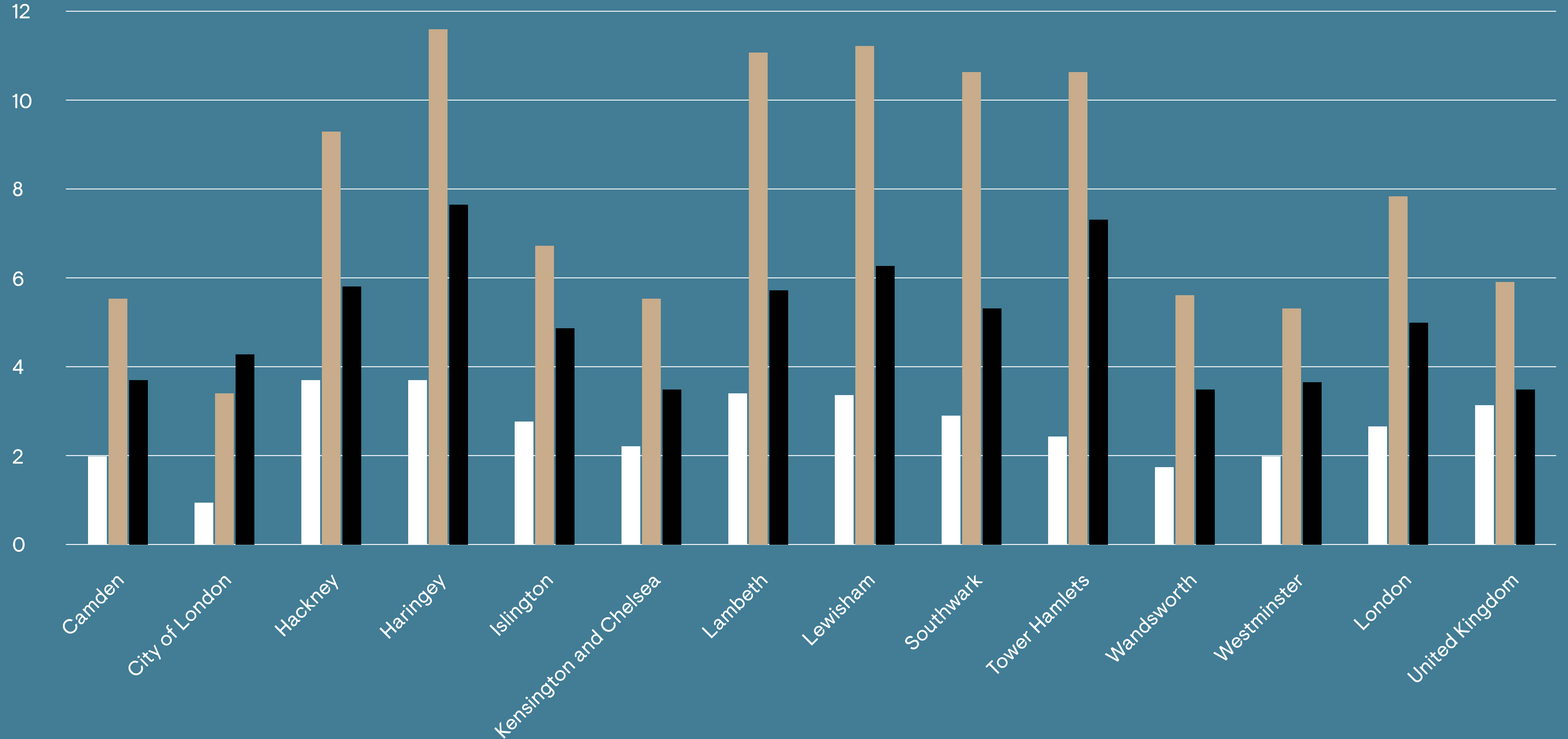
Source: ONS Annual Survey of Hours and Earnings, Residence and Workplace Analysis, 2009 - 2019

Children in low income families - % of children in relative and absolute low income families, 2018/19 Before Housing costs



Claimant count as a proportion of adults aged 16 - 64

Jan-20 May-21 May-22

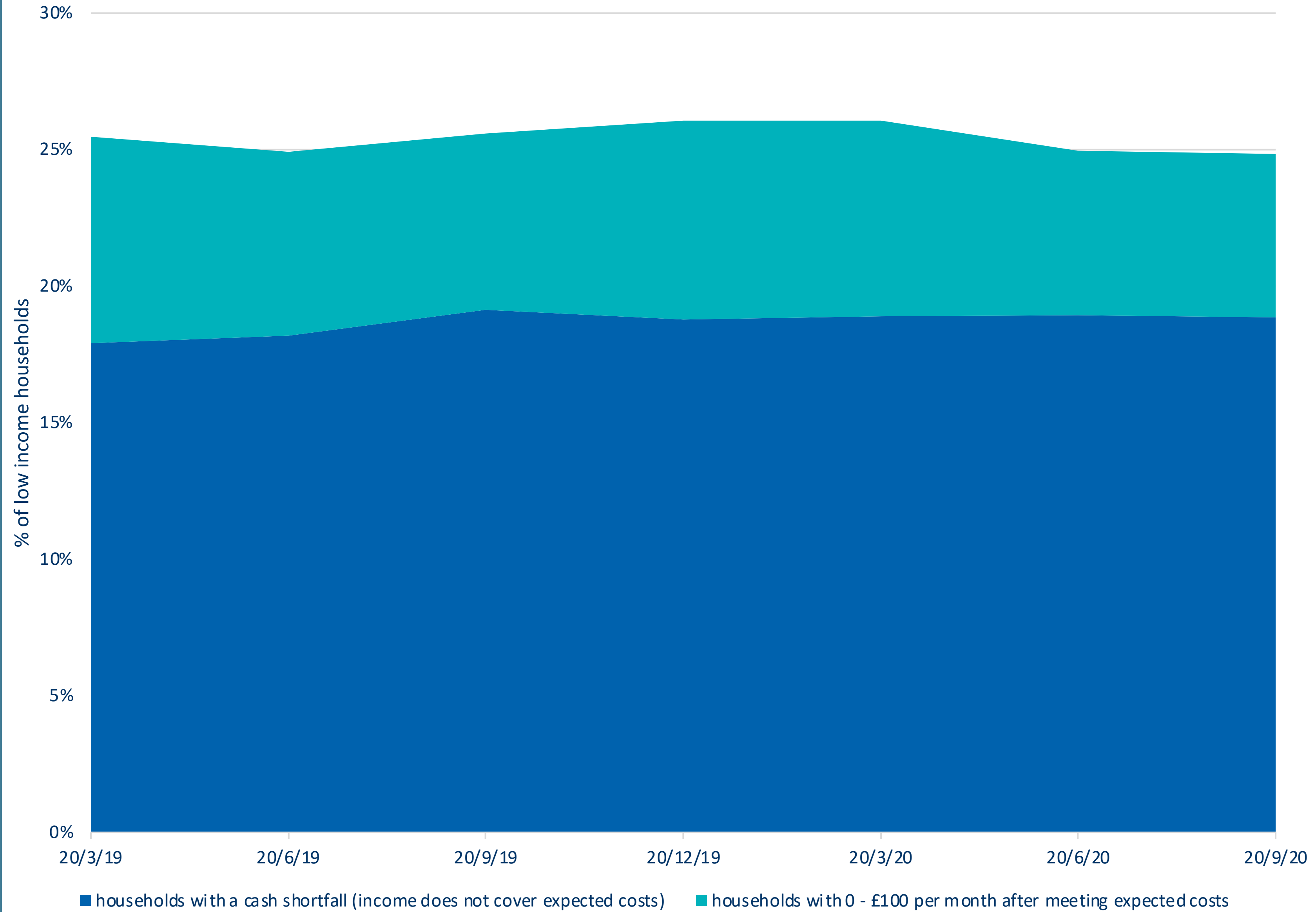


Cost of living issues

- Over 50% children in households below the poverty line (after housing costs)
- 72% of all children are in a family that receives either child tax credit or working tax credit.
- Financial resilience – Lloyds Bank – 60% customers have less than £500 savings
- Low earnings – working poor – 78% of children in poverty are in working households
- 29,000 employees earn less than the London Living Wage
- Pensioner poverty- 44% of older people live in income deprived households, the highest proportion in England and more than double the average.
- Older people are particularly sensitive to fuel poverty – overall 14.2% of Tower Hamlets households are in fuel Poverty but for households of older people this is almost certainly higher.



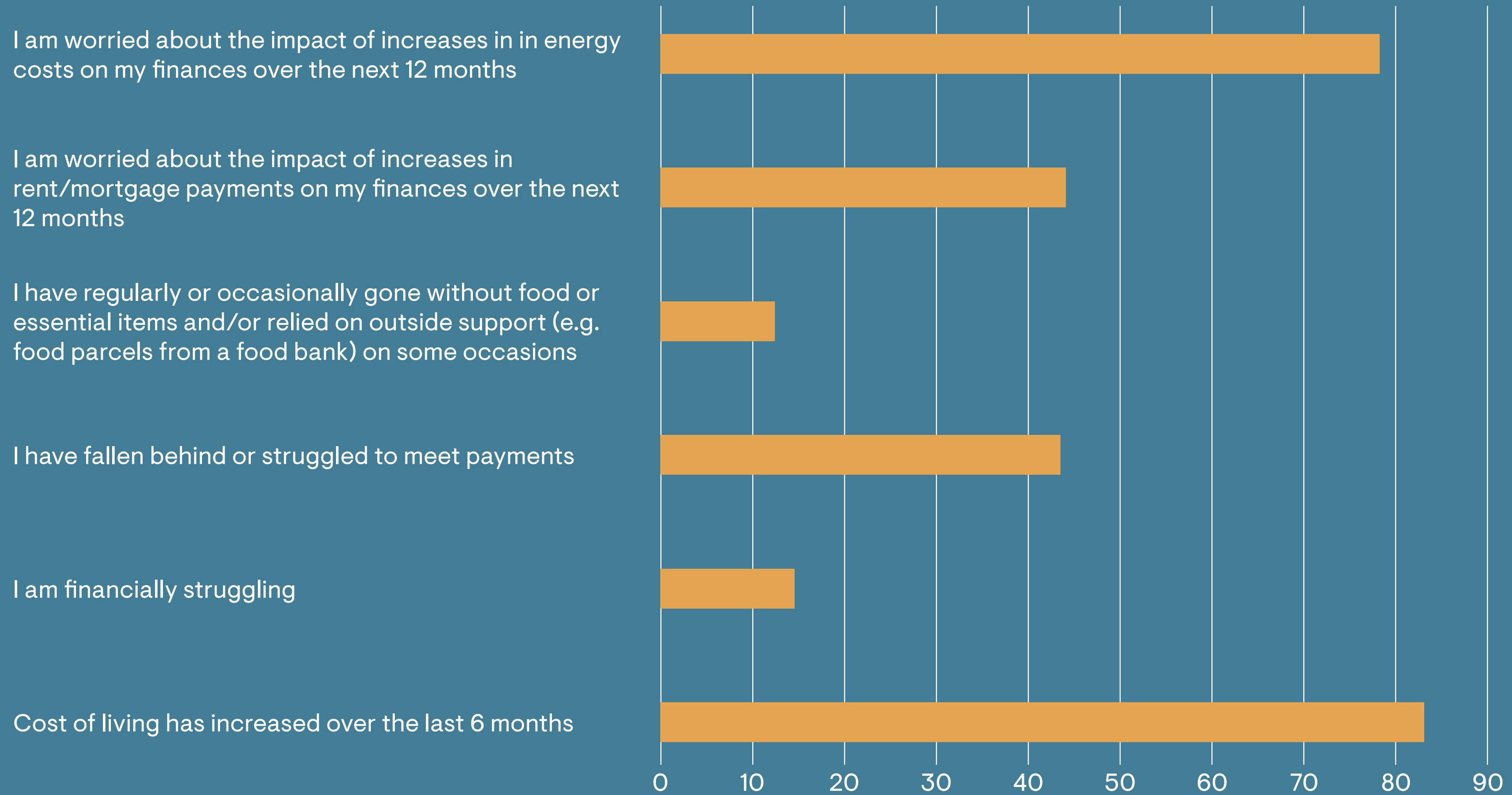
Proportion of low income households in Tower Hamlets with a disposable take-home income of less than £100 per month



- Nearly a third (30 per cent) of Londoners say they are ‘just about managing’ and almost one in five (19 per cent) are ‘financially struggling’.
- Nearly a third of Black Londoners (31 per cent), a quarter of Asian Londoners (24 per cent), and nearly a third of Deaf and Disabled Londoners (31 per cent) are financially struggling.
- Black Londoners are nearly three times more likely to have fallen behind on rent or mortgage bills, with Deaf and Disabled Londoners 1.7 times more likely, and Asian Londoners more than one a half times more likely.
- Paying energy bills is the top concern for Londoners (41 per cent), followed by wages not matching rising prices (31 per cent), then affording other household bills (26 per cent)
- 327 people a day were declared insolvent or bankrupt in England or Wales in April to June 2022. this was equivalent to one person every 4 minutes and 25 seconds



Figure 2 - Four in ten Londoners are worried about the increase in their energy costs
Polling commissioned by the GLA on public attitudes and behaviours in relation to the cost of living - May 2022



Levelling Up

- Levelling Up has meant increased Government spending outside London compared to in London and South East
- Attempt to secure support for under-resourced North of England, demonstrate a benefit from Brexit
- Rishi Sunak: “diverting money from deprived urban areas to spend in Tunbridge Wells”
- In reality, impact has been limited to Public Sector
- Has not actually worked – according to June 2022 Bloomberg study of UK economy
- But messaging has been damaging to London
- “Levelling Up” name may be over but principle will not die when Boris Johnson is replaced



Levelling Up

- Jacob Rees Mogg announced plans this week to close many London Government offices and send Civil Servants to “towns and country”
- New Conservative Leader not likely to suddenly be pro-London at expense of rest of UK, even if she lives in Lewisham
- Social mobility commission – indicators do not “favour” Tower Hamlets
- The new Levelling up Goals act in TH favour





Looking forward



COVID Recovery – requires flexibility

- Flexible planning
- More outdoor and temporary activity
- Temporary use of empty units
- More green space
- Support for SMEs – we should all use local SME suppliers
- Support for job-specific skills and training to help job seekers / under-employed people as well as companies



Looking Forward – Strengths

- Density of employment opportunities
- Canary Wharf
- Health and life sciences cluster
- Well educated, young workforce



PEG Action

Opportunities: Growing sectors and skills

- Health and Life Sciences
High end science skills, maths, IT skills, engineering, data
- Food and Beverage / hospitality
Waiting staff, kitchen staff, customer services, restaurant management, event management
- Green Industries / Energy sector
Engineering, sustainability, air source heat pumps, gas and electrical engineers
- Tech
Coding, customer services, sales & marketing, data



Inclusive Growth

Who is excluded:

- Young people from Black, Asian and Ethnic Minorities
 - despite high qualifications
- Digitally excluded
- Adult Women from Black, Asian and Ethnic Minority backgrounds
- People with disabilities

Address the barriers faced by specific groups



Partnership Action: Cost of Living Response

- Short term – help with costs now
 - Food
 - Energy
 - Transport
 - Family basics (clothes, household necessities)
 - Digital connectivity
- Medium Term – more money coming in
 - Job
 - Better job
 - Progression and promotion
- Long Term – building wealth
 - Tackling structural barriers
 - Building social capital
 - Housing



Partnership Action: Employment and skills

Promote London Living Wage – own staff and supply chain

Work with young people to help develop job skills

Targeted Approach to specific barriers:

- Digital Inclusion
- Excluded Groups
- Underemployed Groups
- Health Careers Pathways
- Life Science Skills
- Get under the surface of “green jobs”
- Continue and step up work with young people
- Focus on in-work progress for adults



Partnership Action: Support for business

- Suggest we work together and commit to a medium term recovery plan to help LBTH economy through next 2-3 years
- Support our SMEs with contracts, advice and networking
- Council and large landowners can provide space for temporary retail / pop ups / leisure activity
- Flexibility on, eg planning and licensing
- Keep talking –and listening – to business and employers





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