

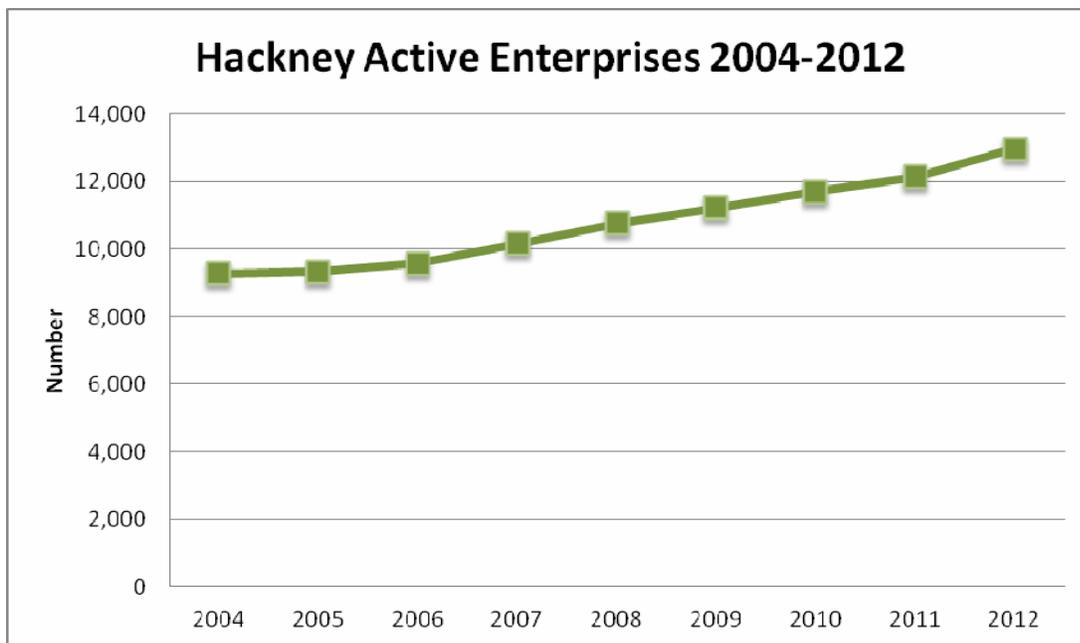
### Business and Enterprise in Hackney

Hackney’s economy has grown rapidly over the past decade. A large foundation of firms in the borough are older, growing steady and earning sizeable profits. Hackney’s economy is defined by high rates of entrepreneurial activity primarily generated by micro and small businesses made of 1-4 employees. This section of Hackney’s LEA illustrates the dynamics within the business community in the borough. We explore size, age, turnover and self-employment of local firms and analyse the most common industrial sectors. All data comes from the Office for National Statistics (ONS) Interdepartmental Business Register 2013 unless otherwise noted.

#### Business Growth

Graph 1 shows the total number of firms in Hackney is 12,980. Between 2004 -2012, the growth rate for businesses in Hackney was 40%, this is 17% higher than London as a whole.

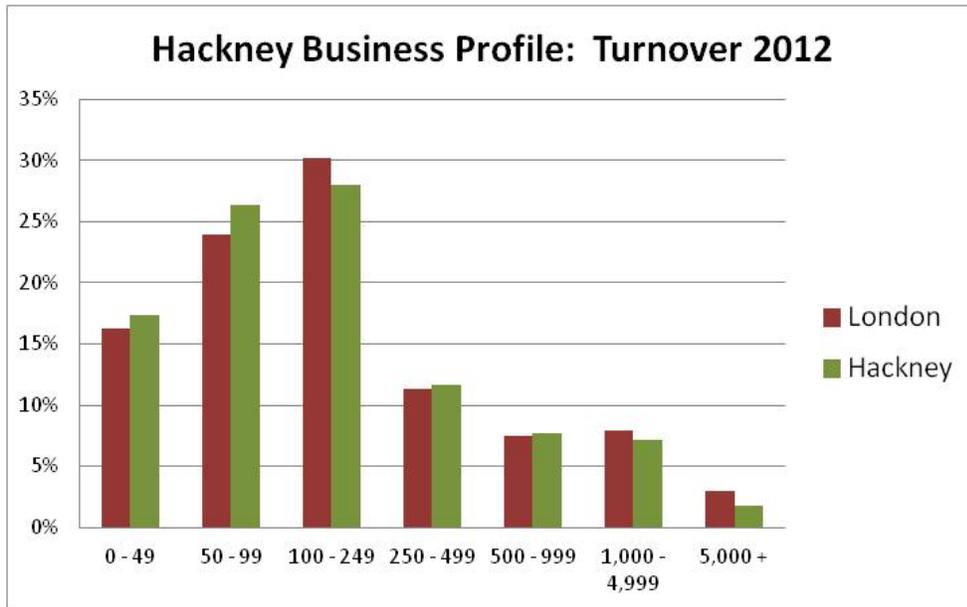
**Graph 1 Active Businesses 2004-2012**



Source: Inter Departmental Business Register, ONS, 2014

Graph 2 shows that 56% of Hackney businesses earn an annual income over £100,000. While there are slightly more businesses earning under £50,000 or less in Hackney than in London as a whole, Hackney has about the same proportion of businesses earning over £100,000 as London.

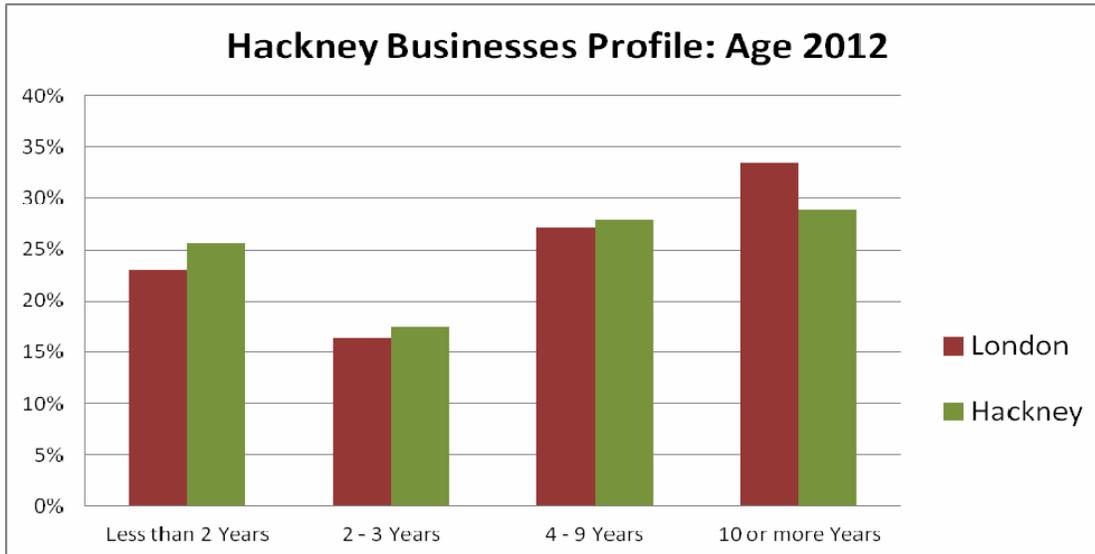
**Graph 2 Hackney Business Turnover 2012**



*Source: Inter Departmental Business Register, ONS, 2014*

In 2012, Hackney had about the same number of businesses that have been operating for 3 years or less as London. Graph 3 below demonstrates that the majority (57%) of firms in Hackney are older than 4 years old. Only 29% of firms in Hackney have been in business for 10 years or longer, 5% lower than London as a whole.

**Graph 3 Hackney Business Survival 2012**



*Source: Inter Departmental Business Register, ONS, 2014*

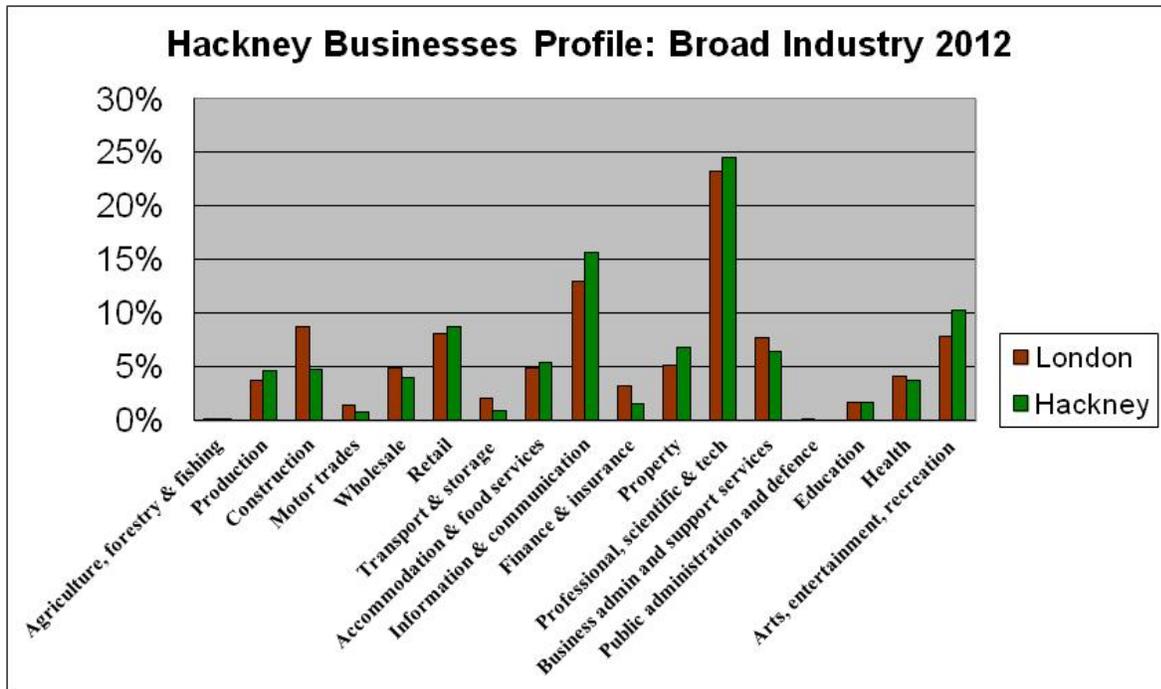
**Sectoral Dynamics**

The makeup of Hackney’s economy has changed significantly since 2000. Between 1994 -2004, Hackney saw a 27% drop in VAT registered businesses in manufacturing. Factory and warehouse space decreased by nearly 18% between 2000 and 2003, this was the 3rd biggest loss of factory space in a borough, in London. Over the past decade, Hackney’s old factories have become workspaces for a new boom in technology, media, and telecommunications, or more broadly, knowledge based industries.

Hackney is home to the centre of one of the largest clusters of knowledge industries in Europe. The cluster is London wide, but it began in Shoreditch where arts and entertainment, professional, scientific, technical, finance, business services, and information and communication firms have grown by 191% since 2003<sup>1</sup>. This compares to 97% growth of these industries in London as a whole.

Graph 4 shows that, in total, Information & Communication, Finance & Insurance, Property, Professional, Scientific & Technology Services, Business Administration & Support Services and Arts, Entertainment & Recreation comprise 55% of Hackney’s economy or 7,840 firms. This is 3% more than London as a whole.

**Graph 4 Hackney Businesses by Sector 2012**



Source: Inter Departmental Business Register, ONS, 2014

<sup>1</sup> SIC codes were converted by ONS in 2007 and first appear in the InterDepartmental Business Register data in 2009. To compensate for the difference in classification within the time series, the figure used here is estimated by comparing the following Broad sectors: 2003 Sic Post & Telecom, Finance, Property and Business Services with 2007 Information & Communication, Finance & Insurance, Property, Professional, Scientific and Technical, and Arts, Entertainment and Other services.

In 2009 the Office for National Statistics introduced new Standard Industrial Classifications including Information and Communications and Professional, Scientific and Technical sectors. Between 2009- 2012, the Information & Communications sector grew by 42% to a total of 1,815 businesses, and Professional, Scientific, and Technology sectors grew by 36% to 2,835 businesses.

Retail and Wholesale make up 14% of the business stock, although the proportion of these industries in the economy has decreased from 2003 when they made up 20% of firms. The majority of the decrease has been in Wholesale which has reduced by 14%. The percentage of retail firms in the economy has decreased by 3% since 2003.

Although the share of firms within the Hackney economy has reduced as new industries have come in to the borough, the Retail sector has grown at a robust 26% since 2003, with firm numbers increasing year on year through the 2008 Recession and after.

Accommodation and Food Service make up a small but rapidly growing industry of the economy. Firms in these sectors have grown 66% since 2003 although they have maintained a steady 6% of the economy. At 10% of total firms, Hackney has a 2% higher proportion of Arts, Entertainment and Recreation firms than London. Since 2009 (with the new SIC introductions), this sector has grown by 17% and includes over 1,300 businesses.

Table 1 shows the top 20 most common business sectors in Hackney and the number of firms in each of these sectors. The sectors shown in this table represent over half of all firms in Hackney. This was produced through analysis of 3 digit SIC codes.

Table 1 Number of Firms in the Top 20 Sectors in Hackney

Sector	No of Firms 2013
<b>M: Professional, scientific and technical activities</b>	<b>2,450</b>
Management consultancy activities	695
Specialised design activities	545
Advertising	320
Photographic activities	365
Architectural and engineering activities and related technical consultancy	355
Other professional, scientific and technical activities n.e.c.	170
<b>J: Information and communication</b>	<b>1,450</b>
Computer programming, consultancy and related activities	865
Motion picture, video and television programme activities	585
<b>G: Wholesale and retail trade</b>	<b>990</b>
Retail sale of other goods in specialised stores	330
Retail sale in non-specialised stores	315
Wholesale of household goods	180
Retail sale of food, beverages and tobacco in specialised stores	165
<b>L: Real estate activities</b>	<b>775</b>
Renting and operating of own or leased real estate	515
Real estate activities on a fee or contract basis	260
<b>R: Arts, entertainment and recreation</b>	<b>700</b>
Creative, arts and entertainment activities	700
<b>I: Accommodation and food service activities</b>	<b>405</b>
Restaurants and mobile food service activities	405
<b>N: Administrative and support service activities</b>	<b>350</b>
Business support service activities n.e.c.	350

This examination of lower level categorisations demonstrates the specific industries within Hackney's main business sectors. It reveals the most common businesses in Hackney are computer programming and management consultancy. While the broad category of Professional, Scientific and Technical activities has more businesses in it overall, the breakdown of the types of firms within this broad category shows that the highest concentration of firms within the borough boundary are technology, media and creative businesses.

Analysis of the lower level business categorisation data also shows a strong presence of Retail and Wholesale businesses. It is notable that retail emphasis in the borough is in the sale of specialised goods rather than a majority of general retail outlets.

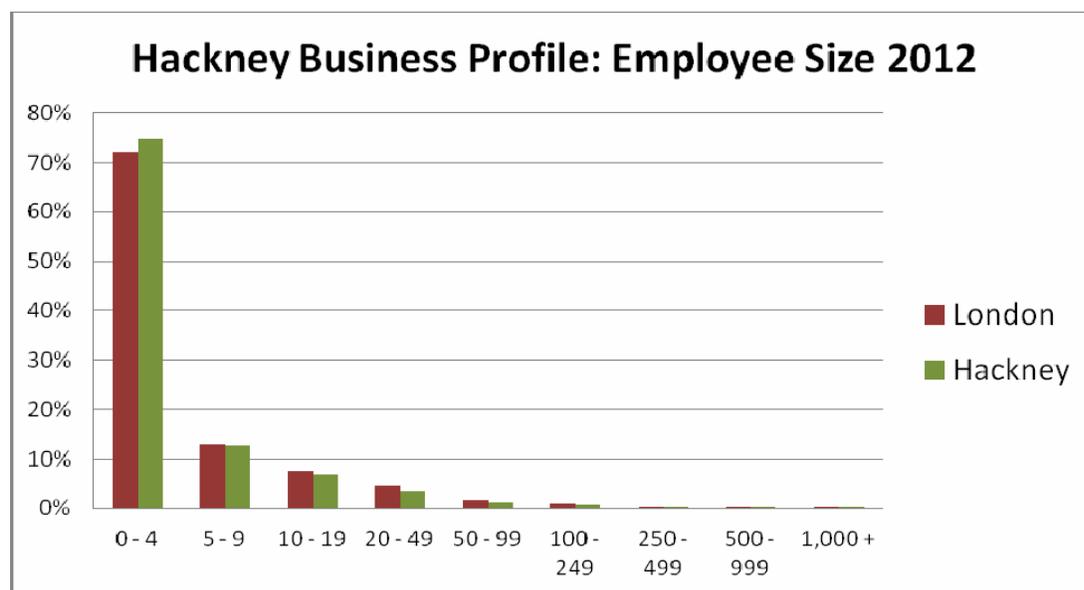
Real Estate and Property services also represent a significant proportion of businesses over the past decade. This sector has grown 16% since 2009. A majority of firms in this category are involved in renting of own properties.

### Business growth and employment

All this business growth has not resulted in employment growth. In fact, in some major knowledge industries there has been either no employment growth or it has been primarily part-time (*for a further explanation of employment growth trends please see the LEA Employment, Occupations and Skills paper.*) This is not necessarily a new trend or unique to Hackney.

Graph 5 shows that in 2012, 75% of Hackney firms employed 4 employees or less. This is 3% higher than London. The next largest proportion of businesses with employees (13%) is those with 5 - 9 employees. The 87% of businesses in the borough employing 9 or less people is a rate about even with London (85%). The Organisation for Economic Cooperation and Development reports that in all countries, 70-95% of all businesses are micro enterprises (those with fewer than 10 employees)<sup>2</sup>.

### Graph 5 Hackney Business and Employees

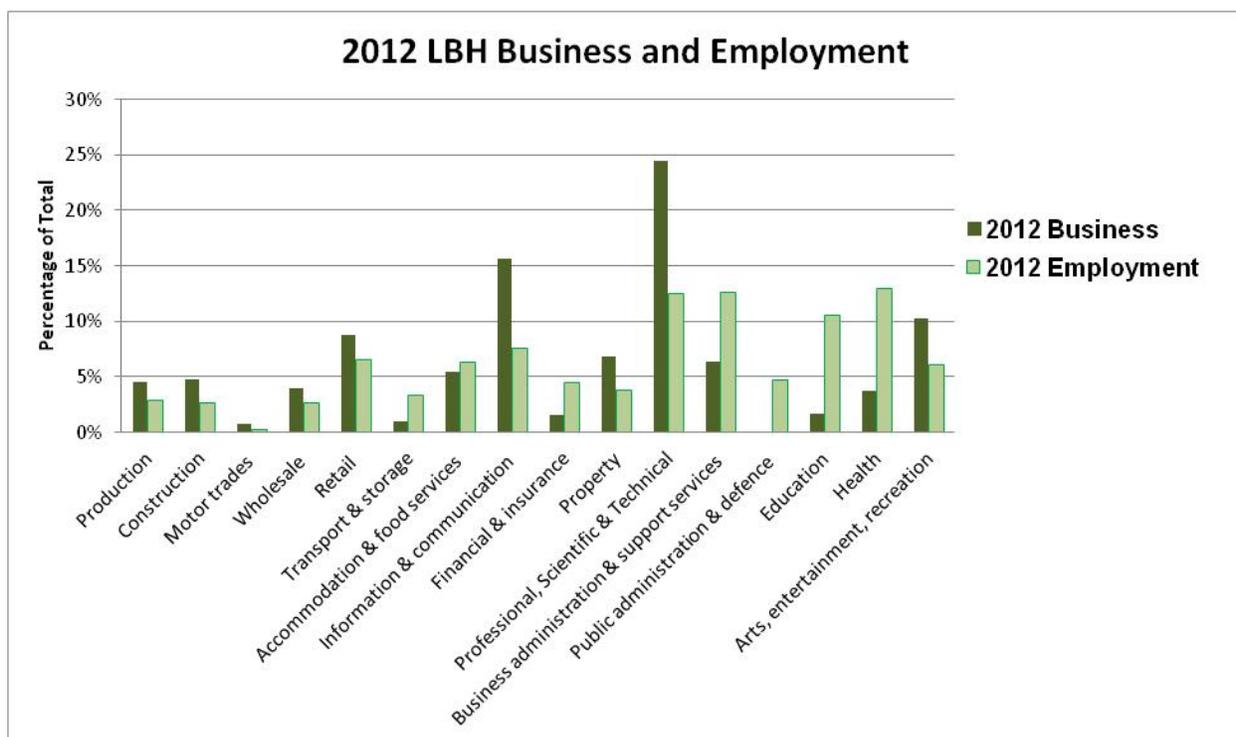


Source: Inter Departmental Business Register, ONS, 2014

Although business growth was 16% between 2009-2012, the total number of jobs in the borough increased by 6,000 between 2009-2012 or 6%. We see this trend of lower employment per business in the sectoral employment data as well. The difference between the sectors with a high concentration of employees and those with a high concentration of businesses is shown in Graph 6.

<sup>2</sup> OECD, "Enterprises by size class", in Entrepreneurship at a Glance 2013, OECD Publishing

Graph 6 Business and Employment Comparison 2012



Source: Inter Departmental Business Register, ONS, 2014,

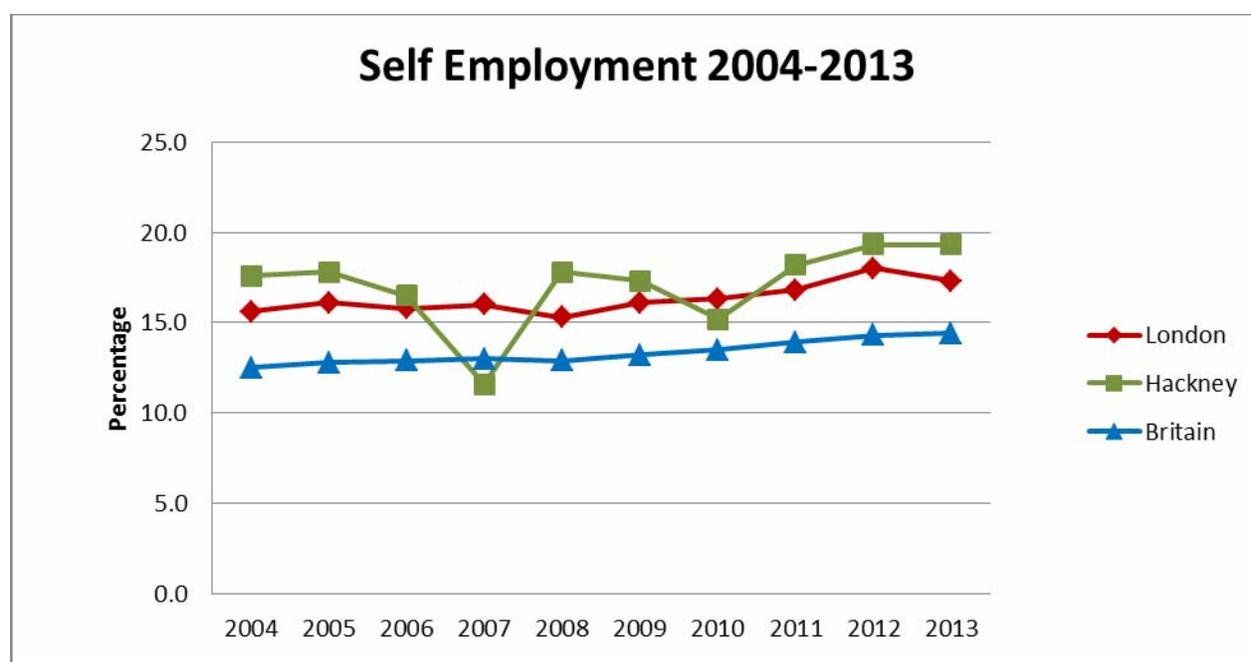
As explained earlier, the highest numbers of businesses are in the Information and Communication and Professional, Scientific and Technical sectors along with Arts, Entertainment and Recreation and Retail. However, the sectors with the highest numbers of employees are Health and Business Administration and Support Services, and Professional Scientific and Technical industries. When examined at a lower level categorisation, Accommodation and Food Service Retail and Property Management are also top employers.

Few sectors exhibit a balance between jobs and firms. Accommodation and Food Service comes close, as do Retail and Wholesale, but for most of the sectors, Hackney either has many businesses with few employees or a few organisations with many employees such as a hospital or educational facilities. Computer Consultancy is a good example. The sector ranks first in Hackney for the highest number of firms and 13<sup>th</sup> for highest number of employees in the borough. The Management Consultancy, Artistic Creation and Specialised Design sectors are similar, with high numbers of firms and moderate numbers of employees.

## Business and Self Employment

Part of the gap between the number of firms and employees is an increasing trend toward self-employment in some industries. A 2013 study of self-employment in London<sup>3</sup> found that the most common industries where self-employment increased were Professional, Scientific and Technical, Construction and Education. The latter two industries have seen structural shifts in the make-up of organisations, moving from large employee based single firms to collectives of self-employed contractors. In London, 15% of self-employed jobs are in Professional, Scientific and Technical industries and 8% are in Information Communication, as well as another 8% in Wholesale and Retail. As stated above, these are the most common industries in Hackney.

**Graph 4 Hackney Self Employment Rates 2004-2013**



*Source: Annual Population Survey, ONS, 2014*

Graph 4 illustrates a consistently high level of self-employment in Hackney, usually around 2% higher than London. In 2013, 19% of the population reported as self-employed.

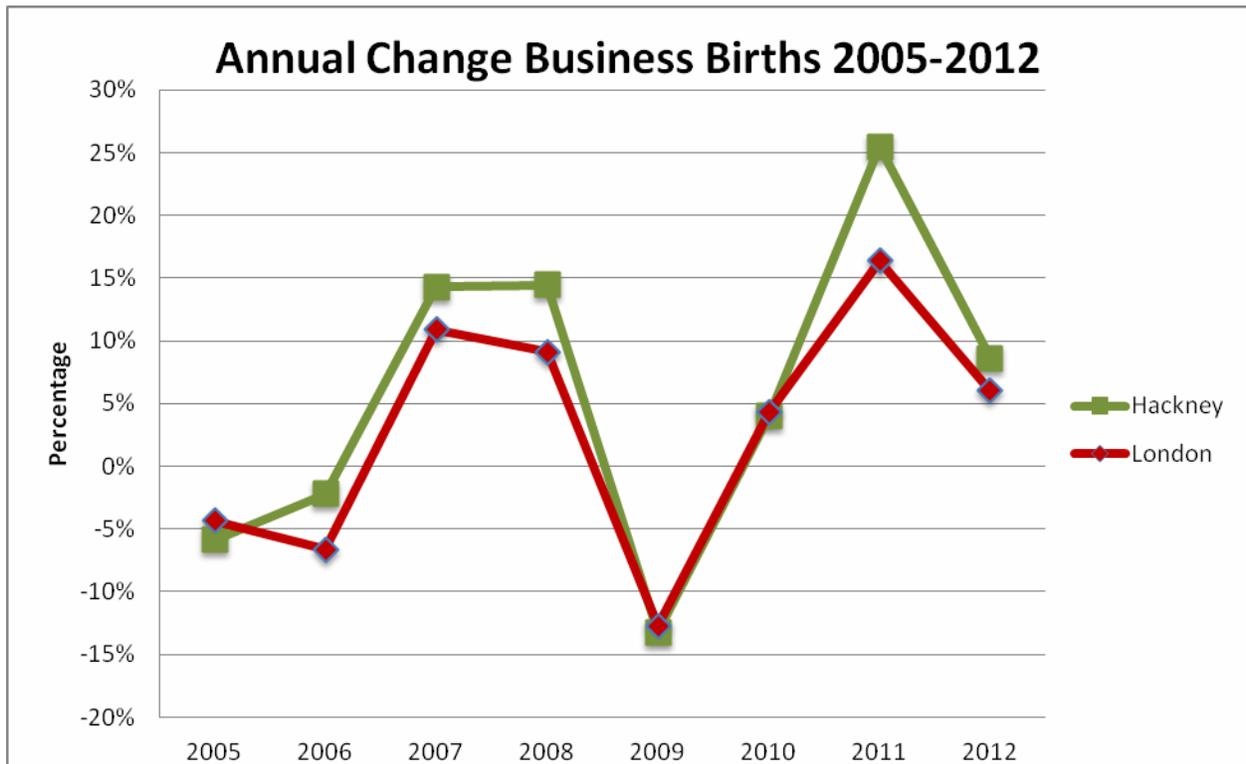
Hackney's self-employment rate is only one indicator of the active enterprise culture in the borough. The dynamics in firm start-ups and closures also suggest Hackney is a vibrant local environment for business creation. The average rate of business starts has increased by 6% since 2004, which is 2% higher than the rate for London.

<sup>3</sup> Melisa Wickham, 'Working Paper 56: Self-employment in London,' GLA Economics: London, April 2013

**Total Entrepreneurial Activity**

Graph 5 illustrates the robustness of start-up activity in Hackney, which remained strong both prior to and following the 2008 Recession. An initial 13% drop in activity in 2009 followed wider trends in the year after the crash, though business start-ups in the borough grew in 2010 and recovered to 2008 levels by 2012. The 2011 peak is the highest growth point in the time series with 2,140 firms starting up that year. While growth in the start-up rate reduced by 6% in 2012, it still remains above the London average.

**Graph 5 Business Start-up 2005-2012**



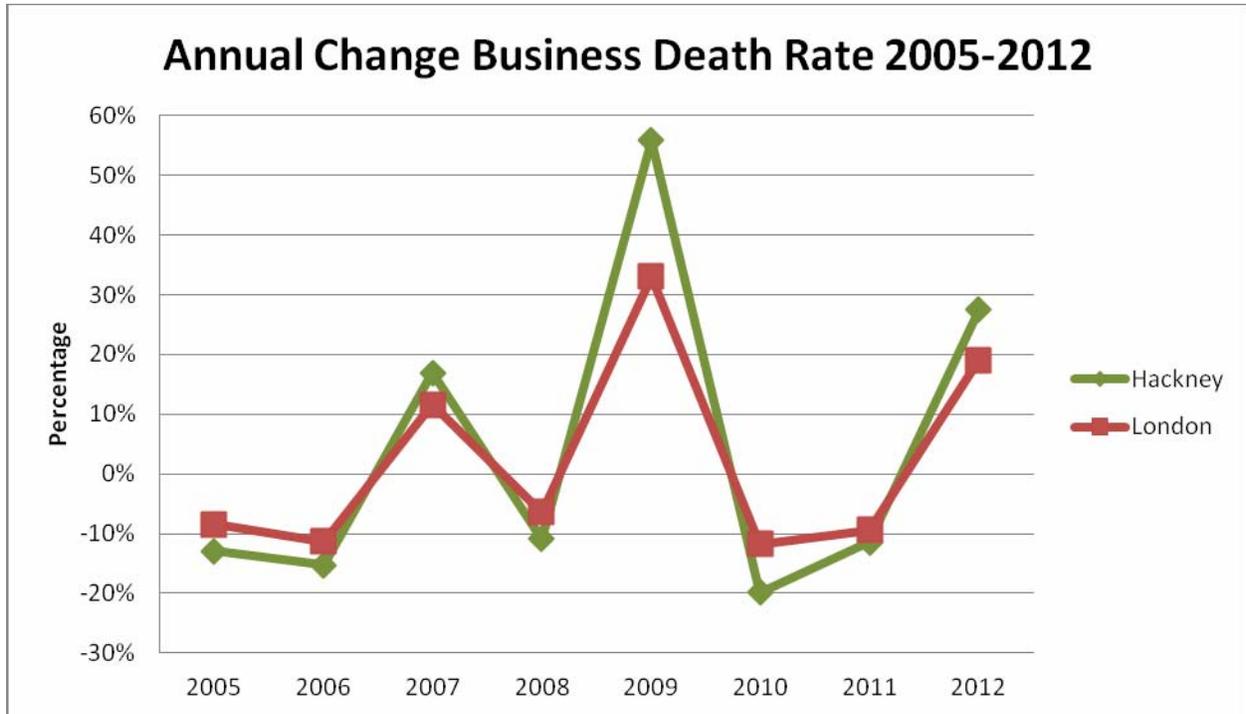
Source: Inter Departmental Business Register, ONS, 2014

Graph 6 shows the rates of change in business closures in the borough over the period. An average of 1,100 businesses closed every year in the years between 2004 -2012. Hackney had an average of 4% increase in business closures over this period compared to an average of 2% for London. Hackney’s highest increase in closures was in 2009 with a 56% increase in business deaths. Again, by 2012, dynamics had recovered to 2008 levels for closure rates.

Although at a lower magnitude, London mostly follows the same patterns of change. Hackney had a 23% higher closure rate in 2009 than London indicating a higher susceptibility to the macro economic conditions of the year.

With an increasing rate of start-ups, corresponding with higher self-employment rates, Hackney is an entrepreneurial borough with a healthy rate of failure, not too far above the London average.

**Graph 6 Business Closures 2004-2012**



Source: Inter Departmental Business Register, ONS, 2014

**Conclusions**

Hackney continues to expand the business base and diversify further into London’s growth sectors. Hackney firms are growing as a part of London’s Technology Media and Telecommunications cluster feeding into the largest hub of Technology Media and Telecommunications industries in Europe.

Hackney’s accommodation, food service and arts and entertainment businesses are also thriving as a part of this cluster and they provide a popular destination offer as well.

An even pattern of growth, turnover, and survival and employees size keeps Hackney in line with London’s economic growth trajectory.