

London Borough of Hackney
Working in Hackney Scrutiny Commission
Municipal Year 2017/18
Date of Meeting Wednesday, 29th November, 2017

Minutes of the proceedings of
the Working in Hackney
Scrutiny Commission held at
Hackney Town Hall, Mare
Street, London E8 1EA

Chair	Councillor Anna-Joy Rickard
Councillors in Attendance	Cllr Mete Coban (Vice-Chair), Cllr Patrick Moule, Cllr Deniz Oguzkanli, Cllr M Can Ozsen, Cllr Clare Potter and Cllr Nick Sharman
Apologies:	
Officers In Attendance	
Other People in Attendance	
Members of the Public	
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Councillor Anna-Joy Rickard in the Chair

1 Apologies for Absence

None.

2 Introduction

The Working in Hackney Scrutiny Commission is commencing a scrutiny review looking at the changing London economy and the skills needed over the next 5-10 years. As part of this review the Commission wants to consider how the Council should be preparing for the future economy and how residents could be supported to acquire the skills and knowledge needed for the future London and local economy over the next 5-10 years.

The speakers covering Future World of Work were:

- Daniel Tomlinson, Research and Policy Analyst at Resolution Foundation
- Cameron Tait, Head of the Changing Work Centre and Senior Research Fellow at Fabian Society

The speakers covering Future World of Skills were:

- Joe Dromey, Senior Research Fellow at Institute for Public Policy Research (IPPR)
- Bill Davies, Head of Policy at Central London Forward.

The discussion covered:

- Future of London's economy and the business environment in the next 5-10 years
- Nature of employment and work
- Skills devolution and the adult skills system
- Increasing polarisation and inequalities in employment (economic and social).

3 Future World of Work

Presentations on the Future World of Work from

- Daniel Tomlinson from the Resolution Foundation
- Cameron Tait from the Fabian Society.

Resolution Foundation

Resolution Foundation opened their presentation by highlighting that bold claims have often been made about the future sometimes without strong evidence to support the statement. 'Brexit will lead to 300,000 new jobs'



Resolution Foundation outlined 5 reasons for the impact on the future world of work.

- Housing
- Inequalities
- Pay freeze
- Employment rate
- Automation.

Housing

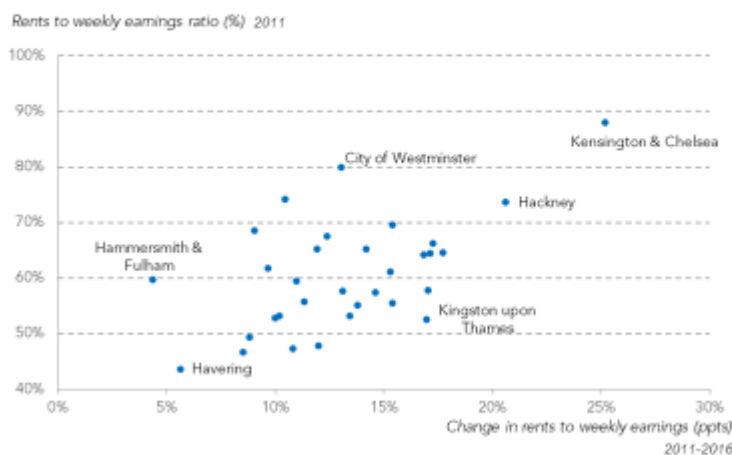
1. Housing is and will remain a big issue due to the gap between the average earnings and house prices/rental values in the housing market.
2. The average earnings for London have not increased substantially since 2005 compared to house prices and rental values. This is the reason why housing is a big factor.
3. If house prices were to fall there is still a big gap between the earnings and affordability so this will remain a big issue for some time.
4. For Hackney the weekly rent to earnings ratio shows rental prices are currently $\frac{3}{4}$ of the average person's earning.
5. The places that had high house prices and rental value in 2011 are still the locations with the higher values and have seen the biggest increases. The graph below (figure 1) shows there is not an even distribution as expected.
6. Housing will become central to London's politics.

Figure 1

Hackney has one of London's most acute housing cost challenges



Housing will become even more central to London's politics



@resfoundation

5

Inequalities

1. London's inequality is higher than the inequality for the whole of the UK. This has been the trend since 1996.
2. Inequalities rose steeply in the 1980s and has been flat since. London has always been higher and has had a steeper increase compared to the rest of the UK. It is expected that this inequality will increase further. The rise is expected to be due to the tax cuts and benefits cuts. Tax cuts at the top and benefit cuts at the bottom are disproportionately benefiting higher earners and affecting lower income households.
3. Predictions for London is that low income will fall by up to 4% and high income will rise slowly.
4. The continuation of the welfare reform will mean people at the low income end of the market will struggle to make ends meet.

Pay Freeze

1. London to see a 17 year pay freeze. London has seen the deepest pay freeze than other cities in the UK. This is mainly driven by women experiencing the deepest pay freeze of all.
2. Although the predication is earnings will rise over the next few years. It is anticipated that earnings will rise slower than previously because they UK's productivity and growth have downgraded.
3. It is forecasted that pay will not return to its peak levels until the mid-2020s. So in the short term pay will still be an issue.

Employment rate

1. The gap has closed between inner and outer London. London's strong employment has been driven by people born outside the UK who are now living in London.
2. The Government's policies have helped people who were not so close to the labour market get closer and migration has seen a number of people migrating moving to London for work.
3. May see changes to the employment challenge being in outer London as opposed to inner London in the future.

Automation

It has been predicted for some time (decades) that robots will take all the work. Robots will not take over - if robots were to take over London would see an increase in productivity. To date London's productivity has been decreasing.

Fabian Society – Changing Work Centre

2 years ago the Fabian Society (FS) and Community Union set up the Changing Work Centre. The Changing Work Centre has been looking at trade union membership, industrial change, attitudes to work, and changes to work environment. An in-depth piece of work has focused on the retail industry and future of work and skills.

1. FS agreed with the impacts highlighted by the Resolution Foundation as the drivers to change and acknowledged that technology was a big part of the debate. Additional impacts were globalisations, labour markets integrating, demographic change and changing demand too.
2. Agreed with RS there would not be a rise of the robots. The most recent technology debate commenced in 2013 following a report that predicted 40% of jobs in the US and 35% of jobs in the UK were at risk of digitalisation over the next 20 years. But this is contested because:
 - a) It under estimates the ability of people to adapt to the changing world of work and technology.
 - b) Under estimates productivity improvements from more wide spread changes that can increase demand.
 - c) A lot of employers not investing in technology. This could due to not having access to finance or the risk of conversion. The OECD report estimates technological at 9% which is in line with previous periods of industrial changes.
 - d) There is also record levels of employment.

3. The FS pointed out the consensus is the world of work and the nature of work is changing rapidly and outlined the following risks that can arise as a result of the changes to the work environment.
 - a. **Risk of skills dislocation**
 - We are increasingly becoming more connected, people are making use of technology in their work, and global demands are changing across markets.
 - Nesta and other reports highlight a growth in demand for interpersonal skills and system skills and a decrease in demand for cognitive management skills like accounting and machinery operation.
 - Many parts of the Education system are not set up for these changes in work. Young people not getting the information they need that will allow them to make the transitions and to prepare for future world of work or the employability skills that will allow them to get the jobs of the future. FS highlighted that the Resolution Foundation carried out a piece of work to identify if young people were changing jobs more now than previously. There is evidence to suggest this is not the case: young people are staying in jobs for longer.
 - Some industries are experiencing big changes like the Steel industry. We need to make sure people at the sharp end of these job changes are able to come into the new jobs and the new growth areas.
 - It is not just the traditional industries that are experiencing change there are other sectors like retail going through changes too. In Hackney 22% of its jobs and 1 in 10 businesses are in retail.
 - The retail sector is experiencing changes and according to the British retail consortium 25% of retail jobs could be at risk in the next 3-4 years from a mixture of automation of tasks, growth of online sales and changing customer habits. The changes being experienced are not just on shop floors but the supply chain and logistics behind those retailers too. If these jobs are changing in this way consideration needs to be given to how we get people in these jobs and those who work in at-risk occupations into new lines of work.
 - The UK has a comparatively poor record for adult learning. The UK is behind in comparison to other places European countries for lifelong learning. In 2016 the levels of participation for 25-64 year olds for lifelong learning has fallen from 20% to 14% since 2010.
 - b. **Widening geographical inequalities - former industrial towns will bear the brunt of changes**
 - A report outlined where digitisation is likely to hit and the geographical distribution of the jobs at risk from automation. The report suggests the former industrial towns will bear the brunt of those changes.
 - We are seeing new tech hubs in the cities and high tech jobs in London. These changes present opportunities to increase productivity levels and can have a positive impact on the industries around them like hospitality and retail. Research has identified there were more new start-ups in 2015 in one London postcode than across all the towns in Yorkshire.

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- Politics is being changed by the differing views in towns and rural areas compared to more metropolitan areas. These views are coming through in things like the Brexit vote.
 - Londoners who did not vote for Brexit will be more likely to experience negative economic impacts from Brexit than people in other areas.
- c. **Rise of self-employment, insecurity and rapid agency at work**
- From their research looking at attitudes to jobs and how this has changed. The findings showed very little had changed and broadly people were happy in their job. The biggest change reported was feeling of job insecurity.
 - A rise in self-employment especially in Hackney where 1 in 5 workers in Hackney are self-employed this is higher than the average for UK and London.
 - The growth of the gig economy and self-employment has led to questions about how to protect this group, their access to employment rights like permanent employees and access to an insurance mechanisms to cover low periods of work.
 - There is a role for councils to think about setting up initiative to help facilitate an investment vehicle (like insurance) for when they are out of work and for other factors too.
- d. **Impact on public services**
- The impact on housing
 - Changes to the tax platform
 - The introduction of driverless cars.
- e. **The opportunities**
- Skills budget given to Mayor of London is being seen an opportunity to match skills locally. London Boroughs can play an important role in mapping the current skills and forecasting the skills gaps for their area.
 - Big growth in the premium on the human touch – some of the more interesting developments like highly digitalised stores like Amazon's people less store, that's happening yes but also a big growth in the human touch – personalised or luxury services.
 - Cited Manchester's development of a shopping area where they redesigned their Christmas market space. This created local jobs and reinvented the space.
 - There is an important role for employers and local authority to work together. Working with local employers and them having a dialogue with their employees about their job and if they feel their job can be automated. Giving the staff the skills to train for those roles.
 - The changes are not all about automation and technology.

Questions, Answers and Comments

1. *In reference to the comments about the hollowing out and filling in and the trend of high paid jobs staying and low paid jobs staying. Taking into consideration where Hackney sits on the chart that showed the housing rent to pay ratio and views about job insecurity what might this mean for a borough like Hackney?*

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It was pointed out that the Taylor review picked up on the fact that quality of work was not just about pay.

In response it was explained there is the hollowing out and filling in and automation will take some jobs but history shows that new jobs are created to take their place. Although we are seeing a decline in manufacturing jobs new jobs will be created to replace them. There used to be thousands of typists and people working in routine manufacturing jobs. All typist have gone and routine manufacturing replaced with automation. Now there are so many more new jobs that have been created that were not around before e.g. social care jobs.

The key is to focus on labour market policy. It would be prudent for Hackney to think about if local people have the skills needed and to be concerned about the quality of the jobs. Are the jobs rewarding and valuable for people to do.

One of the challenges going forward in relation to the hollowing out and middle management jobs reducing is progression especially in sectors like retail where you have quite flat structures. Limiting the ability of people to move on and move up. There are people who go into the retail sector when they are young thinking that they will not do this for long time but get trapped in low paid roles for some time. That is a key issue.

The retail sector is a good example of how some of these changes are manifesting in the world of work. People can now go into stores scan their items and have very little interaction with staff. These changes will have an impact on the demand for cashiers and the people manning the self-service checkouts. This rapidly growing and changing industry used to allow people to work in their local area and had an emphasis on people skills.

It is worth considering where those good quality flexible jobs in local areas will come from in the future. These are jobs have created flexibility for people so they can manage other responsibilities like childcare or caring responsibilities by working part time.

2. *The retail sector has been a good creator of flexible local jobs, this is why the decline in retail is worrying. Not just in London but former industrial towns too. In the discussion the following questions were asked:*
 1. *What initiatives can local authorities /government implement to help create job flexibility?*
 2. *How do we fill the gap and what do we need to do?*
 3. *What is the future of organised labour (the use of the internet for this type of work) and how do we avoid people from being exploited?*
 4. *There were questions about the experience of work and how that will change. Considering the gig economy - although this is a very small part of the economy – and taking into consideration the potential for growth of this sector is quite strong. Will the changes to the nature of work change the experience of work very much, the relationships of who you work for, how you receive your money and piece meal work?*
 5. *Bearing in mind Universal Credit is based on people getting money monthly however but not all work is paid monthly. What do you see as the changes of the ways of working and the implications of that?*

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In response to the role of local authorities and the role they can play.

It was pointed out the Manchester model was cited as an example because of their work on retail and the impact it had on the social space. They started from the point of seeing a decline in footfall to venues as people are shopping online more. This impacted on the viability of retail businesses in Manchester. They started to see fewer people going to shopping centres and mixing with people in shopping centres. Their response to this problem was to work with employers to revamp retail places and investment in the infrastructure to the industrial space. The space was transformed into a place where people wanted to come – they created a social space with the human touch. It created growth, opportunities and saved retail businesses that may not have survived.

In response to the future of organised labour it was explained trade unions are having a hard job maintaining memberships because of the rise in smaller work places and self-employed workers. They have seen a huge fall in union membership particularly for private sector employees. There has been some work on the future of the private sector and trade unions. People are more disparate and there are fewer opportunities for people in this sector to come together and apply upwards pressure on wages, conditions of employment etc. The recommendations have been made that outline what local government and businesses can do.

In response to gig economy, ways of work and what can be done in that space.

We know that zero hours contracts has risen quite significantly. The number of people on these contracts is 900,000 / 3%. A rise in different forms of precarious work has risen e.g. agency workers permanent agency workers. The amount of time people are spending as agency workers is increasing. So it is worth thinking about how work has changed since the crisis, the different ways and the different type of contracts people are on. People should be on zero hours contracts for no more than 3 months and if they are still employed after 3 months they should have a right to move off them.

It was highlighted that Belgium have a support model recognises people working in the gig economy are self-employed and have high and low income. They have created a space to invest in co-operatives for support and services to. It was recommended that councils should review this model.

There has been a rise in part time work and an evening out on the gender mix of people doing part time work, it is not predominantly women as it used to be. This is welcomed. 1 in 5 men are in part time work but would like to work full time. Not sure if this is London wide trend or as a result of higher earners wanting to do other things outside of work and so cut down their hours.

Self-employment is another area of notable rise. It is estimated to be 19% in London, this is a bit higher than the rest of the country.

To recap the 4 big changes have been:

- A rise in part time work
- Agency work
- Zero hours contract
- Self-employment.

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Another noticeable change is that precarious works has risen since the 2008 crisis.

Before the crisis the statistics showed that 65% were full time jobs (employees) this is currently 63%. Everything is not radically different for employees. There are changes but on the whole not major changes. The changes are being felt more by people in the industries that are experiencing change.

Currently there are 5 million on low pay wages, this problem is growing, so there needs to be support for people in low / minimum wage jobs.

As Universal Credit comes in force and more people are migrated to it. This will have a really big impact on the incentives for people to work. It will impact on the decisions taken in relation to hours worked. There used to be an incentive in the system to work 16 hours or more, this is not the case now as this has been reduced. Unless a person gets sanctioned. It is not productive to sanction people but it would be more productive for employers and local businesses to help encourage people to progress in terms of hours worked.

3. *Questions were asked about the Government's health and work programme and if it will deliver the quality jobs as expected?*

The experts did not think the new programme would deliver quality jobs.
The audience asked for more information about the Belgium model?

The Belgium model is an insurance mechanism that provides services called Smart products. Basically it is a mechanism for self-employed people to pay into in when their income is high and the smart products support them with services when their income is low. Communities and trade unions are looking at this approach. A reports by the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) called [Boosting the standard of living for the self-employed](#) made recommendations about this model.

4. *Enquires were made about self-employment and if this type of employment could fill the employment flexibility gap and the role for Government in this?*

In response it was advised an ideal world self-employment allows a person to choose when they work, when they get paid and how much they get paid. However this type of work is not a direct comparison to the flexibility on offer through retail work. The experts cautioned against the view that self-employment could replace the flexibility offered by retail jobs.

People expressed the most important thing was job security and the ability to progress in their job. It was highlighted if you are self-employed you do not have this.

Businesses are expanding the use of self-employment contracts but this model is business decisions. Choosing this type of business model is driven by cost margins and maintaining their market share. Businesses are using the networks of self-employed workers more. If this is genuine and not cost related it is flexible working.

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The experts were asked for their predictions on what will be different in the next 5 years for example self-service tills, the iPad, changes behaviour and the way we work etc.

Their views on the older workers. Workers who are should have retired but still work and are choosing to work past retirement age.

We are already seeing more people choosing to work longer. There is a rise in employment for people past retirement age. Older people choosing to stay in work for longer will help to reduce ill health later in life so this should be encouraged.

The officer from FS agreed that older workers in work is changing. Need to improve ratio of people in work and out of work, to keep skills and the ability to transition in the labour market.

Final thoughts

The officer from RF advised his personal predications were we might notice the costs for items currently being delivered cheaply go up. This is because people will become more aware of why they can get things cheaply and come together to change this. Giving unions more power.

In summary:

- A revitalisation of trade unions in the private sector with enough strength to see change
- The cost of things being delivered cheaply going up.

The officer from FS advised his personal predications were retail would reach a greater divergence in high and low service. For low service there will be an increase of things like the amazon dash hub where something just gets delivered to you. Walking into a shop and scan everything with very little human contact.

More roll out of things like smart fridges that automatically tell you when to replace stuff in the fridge. That will change how we shop and in turn this may become cheaper.

For people who can afford it there will be the higher end retailers providing service and goods of a higher quality. More divergence in the quality of goods and services.

4 Future World of Skills

Presentations on the Future World of Work from

- Bill Davies from Central London Forward
- Joe Dromey from the Institute for Public Policy Research.

Institute for Public Policy Research (IPPR)

The presentation covered the following:

- The challenges with skills system
- The issues that will shape the future of the skills system

- The key reforms the Government are proposing to implement to address the issues.

Challenges with current skills system

1. **Over centralisation** – The skills system is currently highly centralised with little opportunity for local authorities to adapt the system to meet the needs of local learners, employer & employees.
2. **Under funding** – Further education (FE) hit hard by austerity. FE has received a 40% cut to the Adult Education Budget (AEB) and it is half the size it was in 2010 – held flat in cash terms. FE is starting to see the implications from the restrictions in funding and the impact on participation.

The Government introduced advance learner loans in 2012 these are similar to student loans for FE. Since learner loans were introduced participation in FE fell by a 1/3. It is thought the advance learner loans have suppressed participation and limited participation.

3. **There has been too much on boosting supply and not enough on the demand for skills** – A literature review 11 years ago set ambitious targets for improvements in qualification. The Government has hit the targets for NVQ level 4 (just below degree level) and is not far off NVQ level 2 target (GCSE level).

The percentage of people in the workforce with degree level qualifications has increased 11% however productivity over the same period has only increased by 1%. The number of people with GCSE qualifications has increased by 10% but productivity has not improved and wages have decreased. There has been too much focus on improving the number of qualifications and not enough attention paid to what qualifications are needed in the labour market. The Government has a 3 million apprenticeship target but has not focused on what they need to deliver for these qualification to meet employer's needs so that individuals can progress.

4. **Poor matching of supply and demand** – the skills system currently is not effective in meeting employer demand which is why we have this current perplexing problem of increasing qualifications and skills gaps for some areas. This is relevant to the choices made at school and university but also to FEs as they are output funded rather than outcomes for the courses they provide. It does not cover the number of people they get into employment, the numbers that progress to FE study further or how their wages increase thereafter.
5. **Lack of high quality vocational provision** - For too long the incentives in the system encourage providers to provide high volume and low level provision. This provision does not lead to further study, meet the needs of employers or allows people to progress. The vast majority of FE provision is delivered at low level.

It was reported that degree level apprenticeships represent 0.03% of 1% of apprenticeships – the reality is there are not many degree level apprenticeships. Most apprenticeships are at low level. There are too many

low level apprenticeships that do not necessarily lead to higher level provision or earnings.

6. ***There is low level participation in lifelong learning and it is unequal*** – The people who would most benefit from lifelong learning and should be participating in lifelong learning e.g. low level qualifications, those who left school early, low pay occupational groups and low social economic groups are the least likely to participate. Statistically it is the educational ‘haves’ who are participating in lifelong learning, and not the educational ‘have nots’ as required. Employers are more likely to see a business case and future investing in the skills of workers with higher education than their staff with lower qualifications (the skilled than the unskilled staff).

Future of the skills system and the potential impacts

1. **Brexit**

This is a risk for 2 reason:

- a) The potential competition and changes this will bring to the economy (unknowns)
- b) Meeting replacement demand - The percentage of European Union (EU) workers in London is far higher than the rest of the UK - although it has not been confirmed if the current EU workers will have to leave the UK after Brexit.

The big questions surrounding the Government plans to stop the freedom of movement to the UK are:

- a) Will the Government introduce a more restrictive system for migration?
- b) How the skills gap - that is currently being filled by EU workers - will be met?

In relation to the migration policy IPPR advised there were releasing a report imminently on construction – this report identified that a 1/3 of construction workers were born in the EU and, fewer than half of the construction workers were born in the UK. This shows that the majority of new workers entering the sector are born in the EU. If half the supply is cut how will we train the new construction workers needed.

2. **Automation** - Automation will transform the labour market.

It is anticipated that robots will be in the form of a colleague and will work alongside workers, transforming occupations and roles. People will need to retrain to stay relevant.

Technological revolution have always created more jobs than destroys. However in this process some jobs will be lost. The key message to note is while there is likely to be a net increase in jobs there will be some job losses.

This will impact the people who are not ready to transition. Therefore consideration needs to be given to how the skills system is set up to support change.

Key changes to skills system

1. **Apprenticeship levy and wider apprenticeship reforms** – Apprenticeships were brought in in April to reverse the decline of employer training. Employers

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in the UK invest only half of the EU average in training. The levy is an attempt to boost employer investment and an attempt to mask government cuts and to shift the burden onto employers.

London has a fewer number of apprenticeships per capita than any region in the Country. The apprenticeship levy is half a percent of an organisations payroll bill. In terms of the impact on London, the apprenticeship levy is going to raise a vast amount of money. Experience shows that employers in London are far less likely to use the apprenticeship levy unless all stakeholders do something about it. In London just 1 in 6 use their levy.

London does have a demand for apprenticeship from employers and employees and there is a huge opportunity for the use of the apprenticeship levy fund. However traditionally there is low employment of apprenticeships locally.

Wider reforms to the system include putting employers in charge of the content for apprenticeships. Currently the process makes no provision for the voice of the employees.

There has been a decline of 59% in apprenticeship starts in the first quarter following the introduction of the apprenticeship levy.

There is a big role for Government, GLA and local authorities to ensure local employers are using their apprenticeship fund.

2. **Post 16 Skills Plan for T Level (technical education)** – the problem has been the vast array of vocational qualifications available. This volume of information presents a problem for policy makers let alone employers.

Following the [Lord Sainsbury review](#) in 2016 the Government outlined 15 technical pathways aimed at achieving the following:

- a) to bring occupations in similar areas together
- b) set a common core standard (defined by employers themselves)
- c) designed to bring simplicity and rigour to the system.

The first 3 T levels for construction, digital and education and childcare will be rolled out from 2019 based on these technical pathways T levels will be an alternative to A Levels.

3. **Institute for Technology** - there is a real lack of high quality, high level provision to deliver provision in a local area focused on specific industries.
4. **Devolution of the Adult Education Budget to GLA** – The devolution may be delayed but it presents an opportunity for the GLA to make better use of the AEB and to focus on outcomes and outputs. From 2019/20 but may be delayed.

Central London Forward

CLF covers 12 inner London boroughs including Hackney. CLF is a Board tasked with representing the economic interests of the 12 inner London boroughs. This group is run collectively by the Chief Executives and Borough Leaders. They make collective decisions and present these decisions to Government and external actors (local businesses). CLF commissioned research to review the economy and skills.

CLF region has been a jobs machine for the last 6/7 years is responsible for a large proportion of the jobs growth, output and employment in London. In particular the growth of highly skilled occupations.

Central London is being seen as a core aspect of future employment and tax receipts for London. The job growth represents 2/3rds of London's job growth and 1/5 of the jobs growth in the UK. Performance is linked to 2 primary things.

- a) A great place to do business. London is recognised globally - in the top 10 if not the top 20 - as the place to do business.
- b) Central London is the economic hub for greater London and has specialist sectors such as high value finance, banking etc. London is the second most visited city in the world, a magnet for people and it hosts a number of the world's leading universities; creating an enormous amount of jobs. London has the capacity to draw in a pool of skilled national and international labour.

The CLF region faces a number of structural challenges.

The CLF Board is keen to highlight that some local residents have missed out on the opportunities created, a significant core has not participated in the growth this region has experienced. The proportion of people earning below the London living wage has risen sharply and it is not expected that this trend will reverse any time soon. It is therefore a priority for CLF to try to reconnect economic growth to some of the residents who have missed out in the last decade to address the issue of low wage growth and the polarising the labour market.

Rising land values are warping, job opportunities, the shape of the labour market and the way businesses operate is impacting on London's demography.

After reviewing the statistics for net migration and exit for London there is a sharp net decrease in the number of people aged 30-45 years leaving London – they are leaving London in big numbers. There are a couple of reasons for this but primarily the driver is the housing market; the cost of properties and the type of properties. The properties needed are affordable 2/3/4 bed properties for a growing family. These properties do not exist because London is not building the volume of properties needed.

CLF's hour glass labour market is more polarised than London and the UK. There are proportionally fewer mid skilled job opportunities in London than in the UK and fewer mid skilled workers too. Based on projections it is anticipated the polarisation is going upwards and this a huge problem for people entering the labour market without the skills they need.

The growth of jobs in CLF centres around the higher and lower end job market. These are specialised professional services e.g. financial sector. From the work carried out by Metro Dynamics they noticed a geographical concentration of jobs growth.

Primarily the growth was identified to be around the high value industries and low level industries that support them.

The demographic profile of people in work

CLF has low levels of employment for people with no qualifications and low levels for adults with mid skill qualifications to. This is a huge problem for people with A Levels or AS Levels.

The other area of challenge is progression. Research by Spencer Thompson (working at CAB) explored how people step from low / mid skilled to high skilled. It found that for London, in particular, people do not make those successive steps because of the polarised labour market. It is difficult for people in low skilled jobs to progress into high skilled roles. It is not practical to say you do not have the required skills and you will go out there to get the skills you need, currently our labour market might not service those aspirations.

Employer requirements of qualifications will intensify where jobs require high level qualifications (level 4 or above). It is 58% now and this is expected to rise to 68% by 2036.

CLF Facts

The number of FE courses started by adults aged 19 and over has dropped. It is down by 58,000 since 2012/13. This is slightly lower than the London average.

FE provision

In CLF is heavily weighted towards the low level – level 3 and below. 22% of provision is delivered at level 3 or above compared to 28% across the rest of the UK. CLF predominately provides courses that are below level 2 excluding Maths and English. This provision is driven by demand.

Apprenticeships

There is low demand for apprenticeships from employers and prospective apprenticeship takers too. This is an area that needs to improve especially in light of the apprenticeship levy.

Work based training

Employees in central London are more likely to receive work related training while on the job, however, access to this is polarised. If you are at the high end of the labour market you are likely to get training if you are at the low end you are not likely to get training.

Higher Education

CLF has high levels of higher education qualifications and a high proportion of people in central London go onto higher education - 40% compared to 34% as the national average. However, young people in CLF are less likely to go onto the top universities.

The system seems to be partly to blame for this because it has the following:

- A lack of outcome focus for adult education provision
- Inadequate advice and guidance on what provision would be useful for central London
- A lack of funding with diminishing access.

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Devolution is an opportunity to address the areas mentioned above. But this is an unfunded mandate to meet increasing need. Devolution presents an opportunity for central London boroughs, employer and providers to rebuild the system.

The audience was informed the Greater London Authority (GLA) had launched a consultation on the skills strategy for London. The consultation is open until mid-January and urged boroughs and attendees to feed in their views. A consultation event would be held on 18th December 2017 for boroughs, providers and residents. At the event the GLA would be presenting their proposals for the GLA skills strategy. This will consider what this means for CLF and what CLF boroughs need to do together to address the skills gaps identified.

CLF has an Employment and Skills Board, this Board reviews the information and sets the work priorities. The Board have identified the following to feedback to the GLA for their skills strategy:

- To focus on an outcomes based approach – The skills system in London needs to be supported and funded to be more closely aligned to employment to secure jobs in the local economy both now and in the future. Through the provision of advice and guidance to steer demand through funding to support a more appropriate supply.
- Focus on CLFs key sectors – a number of key sectors have been identified by the Board these are financial services, tourism, tech and also the critical role of adult social care. People are getting older and their health needs are becoming complex. With the change in demographics CLF does not currently have the skills in place to deliver this.
- There are a host of sectors that will be impacted by Brexit from the loss of economic migrants from the EEA and the rest of the world and this is not just construction but many more.

From the GLA strategy they want to increase the number of high quality apprenticeships. To target and narrow the gap between central London and the London average.

Questions Answers and Comments

1. *The audience pressed for Hackney specific information and asked the speakers for their views on anything specific from their presentation they wished to highlight is relevant to Hackney.*

London is very distinct from the UK and CLF drives that distinction. Central London's economy looks different from outer London. Outer London looks similar to the rest of the UK. Analysis of the statistics by borough highlighted that Hackney and Lewisham some other boroughs in the south and east of the CLF region were slightly behind in the concentration of high level skills. The demand for high level skills in Hackney seem to be more polarised. There are people with high level and low level qualifications but with very little in between. It is anticipated this have been driven by the boroughs change in demographic over recent years.

2. *It was pointed out to some extent the driving growth in Hackney has been international migration of EU residents with high qualifications. In relation to Brexit the following questions were raised by the audience:*

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- a) *If they were anticipating contraction in key sectors in the London, central London and may be Hackney with particular reference to finance, construction, hospitality and retail?*
- b) *The positives of from Brexit e.g. driving wage growth the ability to do something different about skills gap?*
- c) *Do you think there is work that national and local government can do to influence policy in highlighting the value of working in the construction sector improving the rights and security of jobs?*
- d) *Considering the low skilled sectors, are these the types of sectors we want to encourage residents to work in taking into consideration the concerns about the quality of jobs?*

In response the audience was informed there is increased nervousness by businesses about Brexit. The City of London tracks businesses considering leaving central London post Brexit. Businesses are nervous about the loss of passporting rights, loss of access to workers and VISA policy changes. This anxiety is affecting businesses' behaviour. Any changes to the VISA policy will have a dramatic effect especially on replacement labour. This will lead to a contraction in the number of jobs available. Changes to the VISA policy will affect a large number of sectors. It is not just construction and finance that are at risk but sectors like leisure & tourism and hospitality too. It is anticipated that most sectors could lose 20 / 30% of their workers.

There is a large proportion of people with high level qualifications in low paid jobs. Employers are currently used to paying people with high qualifications a low wage. The question is, is there a possibility of people with higher qualification and low skills transitioning to high skills. This would require employers to change their behaviour and employ people with lower skills than they do currently.

Convincing people to enter the construction sector is difficult especially to the gender minority. At the last review this was 9-1.

After conducting interviews with employers from a cross section of sectors a reoccurring theme was the view they all faced a threat from Brexit and increased restrictions on immigration. This included the low skilled and low paid sectors which have a large reliance on EU workers. This is because a number of EU workers work below their qualification level.

In terms of what employers will do. Some argue they will increase wages (a key argument from the Brexit side) but the problem is there is very little slack in the labour market. Employment levels in the UK are at a record high but despite high employment levels there is still low productivity and high inactivity. Efforts by successive Governments to reduce work in activity - this includes welfare reform and the offer of welfare to work / support to work - has been poor and the development of support into work for people with a long term health or disability have been abject failures. There is very little slack in the London labour market that is available to employers to replace demand post Brexit.

In terms of construction a 1/3 of workers in London's construction sector were born in the EU and 20% were born in the rest of the world. Less than half of the current construction workers in London are born in the UK. IPPR modelled the current non EU migration policy on the current EU workers in the UK to assess

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the impact of policy change for EU Workers. They found that 7% of EU workers would be eligible under that system. Potentially this could reduce future migration to London by half; that is very significant for this sector. When employers in construction were asked about their plans the least likely response was to train. It was highlighted that employers are panicking and lobby Government but equally they are not putting plans in place to train people to fill the gap.

In reference to Brexit and the skills gap for areas like London there will be a big role for the GLA to work with employers to boost the training provision for these sectors.

3. *Queries from the audience were raised about the following:*
- a) *What do you think local government can do to help FE colleges and training providers to work with local businesses to make sure they are providing training courses that enable them to fill the jobs of the future and will stop young people going on courses that are generic and not equipping them for the jobs created?*
 - b) *In terms of the issues of changing employers. Who is the most appropriate stakeholder to change the behaviour of employers and what is the role for local authorities in this sphere?*
 - c) *In relation to the discussion about the polarised labour market we have talked about upskill and the delayering to flatter structures. Is the Government or other stakeholders in danger of generating a supply to the centre of that labour market and creating people with aspirations for that central London labour market with no jobs i.e. providing a supply with no demand?*
 - d) *In relation to property prices in Central London there is a notable change that these prices are spreading to locations like Hackney, resulting in the price per square foot for rents to increase substantially. This will mean that businesses in central London need to be high value and generating a high level of income - high performing. From the effects of this the questions are:*
 - *where will middle jobs reside?*
 - *what will they be?*
 - *will they naturally migrate to outer London?*
 - e) *Structurally London is changing. Can the Mayor of London propose anything in the London Plan to change this so London does not end up having people in a labour market servicing very high value services and properties?*
 - f) *Is the property market generating the polarisation of business and skills in the London market?*

In response to the queries it was advised there are some actions Local Authorities can take.

- 1) *Information, advice and guidance* - To have better careers provisions in schools to inform young's people's choices and the decisions they make about courses for future career options. It was acknowledge careers guidance and advice is an area this is likely to have been scaled back during austerity and this provision is now provided by non-experts. It is noted that increasingly this is being provided by teachers who do not have knowledge or experience of the

vocational route to understand the careers system. Local authorities should review this area.

2) *Local labour market information and the provision locally* – As careers advice and guidance is a non-statutory function for councils this likely to be an areas that has been reduced during austerity. However councils should be making sure information about the labour market is available to schools and educational training providers about employers on the changing demand for skills and steering the output from local providers to match local employment needs.

3) *The soft powers / influence of councils* – Use the council's influence to get employers and providers in a room together to talk. In light of the expectation that many businesses paying the apprenticeship levy will not use it. If councils have local businesses paying the apprenticeship levy they should encourage these local businesses to spend their levy on apprenticeships and consider how they can support businesses to use this fund locally. Connecting businesses with local people who wish to do apprentices and training providers who can help them spend the levy for the benefit of the business and local people.

4) *Lobby the GLA to ensure devolution helps to create an outcomes focused skills system* - There is the metaphor 'throwing good money after bad'. The current skills system is set up to encourage low skilled low level work. It's futile to complain about the system when the system is geared towards getting people into the nearest job and providing low skill opportunities. The policies being developed need to deal with land values as this is forcing the middle level workers to migrate out of the capital. If the provision of support to obtain skills remains at level 2, it is unlikely that we will have an hour glass labour market.

To get a different looking labour market will need a training provision that enables a person to move from low level skills to the level of skills required for the job. There are things that can be done to help with progression like helping employers to change their thinking so that they do not see the need to employ a person with a degree for those high skilled roles but become willing to take on a person with their A level or AS level.

4. *In the discussion there were points raise about commissioning and procurement. A provider in the audience highlighted that contracts were being given to prime contractors despite them not having the understanding or expertise to do the work. Whereas small contract providers have the understanding, knowledge and experience to provide the service but are not awarded the contracts. In his view it was a concern that providers with no experience were being given contracts to do the work. In his view it would be would more beneficial to give the contract to the providers that has the experience locally particularly in the case of information advice and guidance (IAG) for young people at school.*

In the discussion there were points raise by an employer about why they use of zero hours contracts. An employer in the audience explained for his business in the hospitality sector they use zero hour's contracts. This enables the business to contract or expand if they have a good or bad month particularly with operating in Shoreditch- one of the biggest night time economy areas. In these instances they cut back (this includes labour costs) to reduce the costs to the business and

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the impact on profits. The business paid the London Living Wage (LLW) to try to attract experienced staff. It was pointed out that in the hospitality sector it was hard to find people who want to do the work (bar / restaurant) and who have the experience. In his experience people with higher level qualifications have done this type of work because it pays the bills.

In the discussion reference was made to the current policies boosting skills but not boosting demand on the employer side. The speakers were asked to describe what would boosting demand would look like?

The Chair asked for thoughts on the squeeze to employers from paying the London Living Wage and the impact on a business's profit margin?

The draft London Skills Strategy is seeking views on how the skills provision should be provided in the future. Participants at the event were encouraged to submit their views to the consultation and do the same for the CLF Skills Strategy too.

In relation to the comments about the LLW a key driver for this increase is the cost of housing. The current land values are distorting the London labour market, how it behaves and the challenges employers are facing. It is a complex web of drivers that cannot be dealt with at the same time for example the skills gap is one driver that needs a particular policy approach. There will not be one policy approach to solve all.

The Government is planning to issue a document or strategy on careers so there is acknowledgement that this is area that needs development (from primary school through to the provision of advice available for adults on future career options).

Successive Governments have focused on setting targets covering the numbers of qualifications for skills because it is measureable e.g. they have a 3 million target for apprenticeships. Having these targets has not resulted in an increase in productivity and harder economic outcomes to go with the increase in supply of qualifications.

The Government is trying to make the skills system more employer focused and the idea behind this is to make sure the qualifications being delivered are economically valuable. This should ensure the system meets the demands of employers. Although there are some concerns about implementation. It was suggested we should move away from the view that there will always be bad jobs at the lower end of the job market. A review by Zeynep Ton looking at the 'Good Job Strategy' in the US economy has highlighted how some low skilled employers have pursued a different business model for business success. In the USA a number of employers in the low wage sectors like retail and hospitality have pursued a business model which has implemented high levels of training. This includes cross training staff and high levels of employee discretion to invest in technology for their roles. This has resulted in a high skilled workforce, improved retention, better pay and higher levels of productivity.

For the UK Ikea was cited as an example of an employer paying the LLW and through creative job redesign have succeed in creating quality jobs in the low skilled low paid sector.

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Final comments from the audience noted the following points.

There are challenge with how much time local businesses have available to work with local colleges and schools as suggested. There is also challenges for the self-employed about the time they have available for them to up skill.

There was discussion about the opportunities the devolution of adult skills to the GLA will create for a slightly more active State in up skilling of the workforce and in better working with employers, particularly in the context of 'in work' training?

Comments received from the self-employed have highlight that up skilling is a real issues due to making time to upskill.

Many employers need employees who can hit the ground running the cost of the time and training is a real challenge for smaller businesses.

There were comments about how the revamping of qualifications e.g. the carpentry (there are several different routes to become a carpenter) to suit the employer demand has led to the deskilling of the trade and the qualification course becoming boring. This has resulted in a devaluing the qualification. There were questions about the opportunities, in these instances, to lobby for change back to the old qualification system.

There were comments from attendees about the challenges with finding employees with the right attitudes and the British born expressing a sense of entitlement to certain jobs. Many small employers have employed EU nationals because they have the work attitude and aptitude and get on with the job. Many small employers have found that British born people do not have the right attitude or aptitude or wish to get on with the job.

The audience discussed the construction sector and the potential big impact following Brexit. Reference was also made to other sectors like customer services, hospitality and retail who also employ and rely on the employment of EU nationals.

Comments also centred around how the attitudes of young people could be changed to give them the soft skills needed – this applied to adults too - and how collectively stakeholders should work together to resolve the issue. It was highlighted that going on a course does not provide the solution. There is also the need for emotions intelligence too. There are traditional routes to finding employment and non-traditional factors such as your ability, your energy and aptitude. These are all soft skills that are important too not just your CV or linked in profile.

There was discussion about aspirations and the loss of basic skills like communication. Comments were raised about the being in low paid work but having a sense of what you are aspiring to achieve. In addition there is the issue soft skills like communication and basic interaction is getting lost due to the increase in digital use and how informal communication is becoming the formal use of communication for young people.

Closing comments and predictions from the speaker for the future of skills in the next 5 years.

In response to soft skills and attitude to work. There is research by the Gatsby Foundation which highlights that 4 points of contacts (quality contact) with employers during a young person school years means they are 80% less likely to become NEET. This is contact with employers in the form of work experience or employers coming

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into to speak about their profession. This contact was relevant to children from working class backgrounds more than children from middle class backgrounds. Children from the middle class background are likely to come in contact with people who work in a variety of professions. Children from working class are less likely to have these encounters. Working class children are more likely to come in contact with employers or professions at school. This helps them to understand the huge opportunities available in the economy.

In response to the points about self-employment and skills training. The Government is moving towards an employer led system to stimulate employer participation whilst at the same time public funding has been cut. This will become an issue for self-employed people or people who have no employer because they will be no one to invest in them. There are a number in this group that have high qualifications and skills but there is also a significant number of in this group that are on low pay with low skilled working in insecure job roles. These people will have no access to training or progression opportunities.

In response to active state there is an opportunity to influence how active you want the GLA to be - this is not a calcified position. Their position is not fixed particular if the requirement is for an outcomes focused system.

Local authorities in London should look to hold employers to account for the spending on their apprenticeship fund. In addition to linking up young people and other people interested in apprenticeships with employers. Making clear the standard of invest you expect employers to make in their workforce.

In response to predictions IPPR suggested the Government will achieve its 3 million target.

5 Working in Hackney Scrutiny Commission 2017/18 Work Programme

This item was cancelled.

Duration of the meeting: 3.00 - 6.00 pm