

Skills, Economy and Growth Scrutiny Commission

All Members of the Skills, Economy and Growth Scrutiny Commission are requested to attend the meeting of the Commission to be held as follows:

Monday, 16th September, 2019

7.00 pm

Room 102, Hackney Town Hall, Mare Street, London E8 1EA

Tim Shields

Chief Executive, London Borough of Hackney

Contact:

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Members: Cllr Mete Coban (Chair), Cllr Polly Billington (Vice-Chair),
Cllr Richard Lufkin, Cllr Sam Pallis, Cllr Steve Race and
Cllr Gilbert Smyth

Agenda

ALL MEETINGS ARE OPEN TO THE PUBLIC

- 1 Apologies for Absence**
- 2 Urgent Items / Order of Business**
- 3 Declarations of Interest**
- 4 Minutes of Previous Meeting** (Pages 1 - 32)
- 5 Cost of Living and Public Sector Recruitment** (Pages 33 - 124)
- 6 Skills, Economy and Growth Scrutiny Commission
2019/20 Work Programme** (Pages 125 - 130)
- 7 Any Other Business**

Access and Information

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Further Information about the Commission

If you would like any more information about the Scrutiny Commission, including the membership details, meeting dates and previous reviews, please visit the website or use this QR Code (accessible via phone or tablet 'app')

<http://www.hackney.gov.uk/individual-scrutiny-commissions-governance-and-resources.htm>



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Providing oral commentary during a meeting is not permitted.

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Skills Economy and Growth Scrutiny Commission 16 th September 2019 Minutes of the previous meeting and Matters Arising	Item No 4
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OUTLINE

Attached are the draft minutes for the meeting on 8th July 2019.

Action 1 page 24 - Chair to submit a formal submission on behalf of the Commission.

Response - Formal response submitted. Formal response on pages 27-32.

Action 2 page 24 - SEG Commission to be invited to workshop on metrics for the Inclusive Economy Strategy.

Response - Date to be advised

Action 3 page 25 - Chair to confirm the timescales for the development of the Community Infrastructure Levy proposals.

Response – This will be a verbal update at the meeting.

ACTION

The Commission is requested to agree the minutes and note any matters arising.

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London Borough of Hackney
Skills, Economy and Growth Scrutiny Commission
Municipal Year 2019/20
Date of Meeting Monday, 8th July, 2019

Minutes of the proceedings of
the Skills, Economy and
Growth Scrutiny Commission
held at Hackney Town Hall,
Mare Street, London E8 1EA

Chair Councillor Mete Coban

Councillors in Attendance Cllr Polly Billington (Vice-Chair), Cllr Sam Pallis,
Cllr Steve Race and Cllr Gilbert Smyth

Apologies:

Officers In Attendance Sonia Khan (Head of Policy and Partnerships), Andrew Munk (Head of Employment and Skills), Stephen Haynes (Director – Strategy, Policy and Economic Development), Olga Vandenberg (Business Communications & Engagement Manager, Regeneration Delivery Team) and Matt Clack (Public Health Head of Service)

Other People in Attendance Emily Reves (HM Government Cabinet Office)

Members of the Public

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Councillor Mete Coban in the Chair

1 Apologies for Absence

- 1.1 Apologies from Cllr Lufkin and Cllr Nicholson Cabinet Member for Planning, Culture and Inclusive Economy.

2 Urgent Items / Order of Business

- 2.1 There was no urgent items or changes to the order of business.

3 Declarations of Interest

- 3.1 There was no declaration of interest.

4 Minutes of Previous Meeting

- 4.1 The minutes were agreed subject to the following amendment below.
- 4.1.1 Item 7 of the minutes to insert the following text under the discussion item for the work programme.

‘Members suggested a discussion on the Community Infrastructure Levy – how it is distributed and a one off technical session about the CIL to develop their understanding of how to apply it is applied. Members suggested inviting community stakeholder to participate in this discussion item too.

Members suggested adding to the work programme an update on the apprenticeship programme.’

RESOLVED	Minutes were approved subject to amendment under point 4.1.1.
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5 Inclusive Economy Strategy Consultation

- 5.1 The Chair welcomed to the meeting Emily Reves – Head of Sector: Energy, Manufacturing and Construction (Business Partnerships Team) from HM Government Cabinet Office; Stephen Haynes – Director Strategy, Policy and Economic Development, Sonia Khan – Head of Policy and Partnerships, Andrew Munk – Head of Employment and Skills and Matt Clack - Public Health Head of Service from London Borough of Hackney.
- 5.2 The Chair opened the item by explaining this item would be split into 2 sections. Section 1 will be a presentation from HM Government Cabinet Office from the Business Partnerships Team about their inclusive economy partnerships work being carried out nationally. Section 2 will be a work shop session with officers from Hackney Council. The Commission Members will provide feedback and comments on the draft inclusive economy strategy currently out for public consultation.

5.3 Section 1 of item 5

- 5.3.1 The Inclusive Economy Partnership (IEP) is a new way of working pioneered over the last 18 months. It looks at combining the mutual strengths of Government, Civil Society and Businesses; aimed at working together to help create a more inclusive economy in the UK.
- 5.3.2 The IEP work aims to utilise the power of partnership to help solve some of the UK’s most entrenched social and economic challenges.
- 5.3.3 The ethos of the partnership is about empowering the leaders from the 3 groups (outlined in point 5.3.1) to work together to make a bigger impact for those most affected by the deeply entrenched challenges.

“Together, as the Inclusive Economy Partnership, we can actively join together the growing desire of the private sector, civil society and government to find, invent and deliver on-the-ground solutions to some of the hardest challenges facing those of us who are most in need of help, and feel less included.”

- 5.3.4 The IEP is looking to utilise the expertise of civil society, the connecting power and credibility of central government and seeking support from businesses with the resources or skills in these areas.
- 5.3.5 The IEP is working with leaders from across a number sectors such as financial services, retail, telecommunications, technology and utilities. The partnership is working with CEOs from various companies e.g. Unilever, Nationwide and with Government departments like the Department for Digital Culture Media and Sport, Cabinet Office, DWP, HMT and other levels of Government.
- 5.3.6 The officer advised the previous Prime Minister (Theresa May) had a passion for making the economy more inclusive. The IEP has been looking at the most entrenched social challenges that affect hard working families in the UK. They wanted to find a way to combine these 3 key groups and get the CEOs to work together to break down silos and work more effectively and collaboratively.
- 5.3.7 Through engagement with stakeholders across the UK they not only looked at innovative solutions to position the UK as an innovative country in this space and globally to be at the forefront of inclusive growth.
- 5.3.8 The partnership established the following 3 key challenge areas
1. Financial inclusion and capability – looking at people who are on the edge of traditional banking services and in problem debt.
 2. Mental health at work – The vision is for every employee in the UK to have access to mental health support at work. The relationship between finance and mental health is proven.
 3. Transition to work for young people – looking at the gap between the ages of 16-25, where often they lose young people who may not have followed the traditional path. This considers how they can help ensure the path of young people from the education system to employment.
- 5.3.9 These areas were considered the issues that would primarily affect the entrenched social challenges faced by the UKs hard working families.
- 5.3.10 The work to date has been as follows. In March the IEP identified the 3 themes. They held 9 stakeholder workshops across the UK for the different challenge areas. For example for the mental health challenge area they spoke to larger organisations like Mind and the Samaritans and smaller social start-ups that have developed innovative solutions in this area; as well as leading employers to explore the barriers preventing them from providing more robust solutions. They also talked to policy leaders inside Government to understand what work could be done in this area and how to work together.
- 5.3.11 Commenced 4 big projects that they could start working on to tackle the 3 challenge areas.
- 5.3.12 They also identified an opportunity to help accelerate the smaller social innovators that had good ideas but did not have access to the right resources or people in other organisations to help propel the idea to the next stage of growth. For example from one of the IEP partnership accelerator the Mental Health Policy Institute had an idea to help large and small organisations look at accessibility for vulnerable customers. Working with the IEP gave them a

small financial grant as well as helped curate introductions to big employers to develop standards. The standards were launched 2 weeks ago as a pilot with Lloyds Group for a 10 step programme to help big firms and small firms look at accessibility standards for vulnerable customers. Their research shows for those with mental ill health making a telephone to the bank or an energy provider can often triggering an experience. Through this work the social innovator offered an opportunity to help counsel and coach these companies to help manage accessibility issues better. This will not only help people experiencing mental ill health but will also help employers to understand what they could do better and; develop a set of standards that are applicable across a range of industries and different size organisations.

- 5.3.13 Another area of success was with mental health reporting. In November 2018 the UK government published a set of voluntary frameworks for reporting on mental health disability and wellbeing. This is the first time Government has publically announce a framework that encourages companies to start thinking about data and transparency around their workforces and incentives companies to go above and beyond what government is asking them to report on. It also helps them to think about how well they understand the gaps for those who may have additional needs or identify within a protected characteristics in their workforce.
- 5.3.14 This was the journey up to September 2018 when they viewed this as proving their model and established case studies to prove their concept. This is viewed as an innovative way to work in government. This was sending a message across Whitehall that this is a possible way of working and their stakeholders have embraced this way of working.
- 5.3.15 Their social innovators are the smaller organisations they worked with through their accelerator programme in partnership with Nesta. An example is the Lord Mayors 'This is me' campaign about breaking the stigma around mental health. They have introduced them to LandSet (one of the biggest real estate companies in the UK) LandSet worked with the This is Me campaign to talk about how to break the stigma in their workforce. Their workforce is predominately male in the construction industry and operating in regions that are identified as areas at risk of mental ill health. Senior members of staff made videos talking about their own experiences with mental ill health. The videos were shown on their intranet and across other content platforms. It was the most engaged content they have shared on their internal communications. For an organisation of that size this proved to be a powerful case study for the IEP.
- 5.3.16 At the end of the accelerator programme they recorded some good success. They concluded 50,000 people have benefited from the outputs from the accelerator programme. This is a strong indication that this way of working was interesting and benefiting to the citizens they were targeting for engagement. This has been a positive story to tell across government.
- 5.3.17 The IEP has come to the end of phase 1 of the project and about to launch phase 2. Phase 2 is about growing the event. This means engaging more companies, more civil society stakeholders and broadcasting this wider across government. The aim is to grow the impact from 50,000 to 100,000 by the end of phase 2.

- 5.3.18 Phase 2 will still focus on the same 3 priority areas but in this phase it will be championing the IEP as a way of working to develop an inclusive economy. The model has been piloted for the last 18 months and for the IEP this is a good story they can tell confidently across the UK and globally.
- 5.3.19 In the last few weeks the IEP has been talking to Organisation for Economic Co-operation and Development (OECD) in detail about their inclusive economy programme they are running and now looking regionally across the UK at what they can do more. Therefore some the IEP social innovators are working nationally across the UK. For example on transition to work they are working on a pilot in the West Midlands. This phase of the project is about how to ensure the global reach as well as being effective regionally across the UK.
- 5.3.20 There will be a new administration entering 10 Downing Street shortly, so for the project it's about ensuring this way of working or thinking is still valid in the new administration's strategy. They are confident that this way of working is not just about inclusive economy but also includes society, social impact and is about inclusive growth, future of work and the future of the workforce. For corporates the story they are telling government is that this is important not only for innovation and new ways of working but also for recruitment and retention. Through their stakeholder work they have found that the buy-in could be different and the ask and offer could be different. For the smaller innovators they found having the creditability stamp of working with Government - saying 'UK government supported' on their website - can often bring partnerships they found difficult previously. For example for the Money and Mental Health Policy Institute informed the IEP, through working with the partnership they were given the opportunity to work and partner with the Lloyds Group.
- 5.3.21 A question the IEP is often asked is if this is a new programme for Government. The IEP explain they find great ideas and programmes of work and then amplify and scale up the programmes. This creates an environment where that innovation can flourish in the UK. A role for Hackney council in this area of work is to highlight any community work or particular ideas that they think could benefit from working with the IEP.
- 5.3.22 Through the IEP they talk about the power of partnership but the Government sees themselves as a convenor, enabler and helping to curate these ideas to grow.

5.4 Discussion, Questions and Answers

- (i) **Members enquired what was unique about the IEP partnership that could not be replicated by anyone else and why it was successful.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office advised it was having that big picture insight in terms of what is on the horizon, what is interesting and creating a global narrative. For some of the companies they are working with they look at how this might fit into the sustainable development goal plan and their company's corporate social responsibility narrative. From a government prospective it is

about being able to help feed the voice of stakeholders into central government policy. For example it would help employers to see that bad debt is preventing people from entering into the workforce. They could channel the voice from civil society into government policy. The fact that this is being driven from a national prospective is helpful and uniquely enables the government to help support this. On a regional basis this can be different but what helps is that creditability stamp.

- (ii) **Members referred to the West Midlands project and enquired if there was a place for local authorities in certain areas or was this a model that could work for all local authorities in their own area; potentially in partnership with their stakeholders?**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office informed the government is looking to increasingly engage with local authorities and LEPs on particular projects. For example in Cornwall there is a project called the Beacon Project. This is looking at mental health specific to that region and its challenges related to their economic situation and jobs in that region. For Hackney it might provide a good opportunity to look at specific projects or pilots.

This way of working is something that they are hoping others will replicate as a juncture of working between government, civil society and businesses.

- (iii) **Members asked what challenges have they found along the journey that might have hindered its success and may have stopped all stakeholder from being on the same page.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office explained one of the key challenges is the language barrier – business, government and civil society often speak very different languages. Therefore trying to identify areas of mutual interest to get all the stakeholder in the same room was the biggest hurdle. Also finding how to fit into all the strategic agendas and ensure there was sufficient grounds to do so was a challenge too. However once they were all in the same room and had an approved model, it is looking at what would incentive them to make the commitment. For the Lloyds Group and Money Mental Health Policy Institute it was about being one of the first companies to champion accessibility standards and a narrative that was really compelling. For Money Mental Health Policy Institute it was about having a creditable partners that was deeply committed. Being able to trust that the big name corporate would follow through on the commitment and that they were not just doing it for PR promotion.

- (iv) **Members asked the officer to confirm the process they go through to ensure the partnerships are not superficial. Members were interested in the role the IEP plays in shaping that partnership.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office explained they ensure there is a senior level champion as well as a working level lead. If it was just a senior person nominated it could be perceived as tokenistic or a vanity project. Having multiple supporters at different levels within the organisation is often what

helps to drive the work forward. This can help to ensure there is real buy-in across the organisation and will enable them to get a sense of how this work fits into their broader priorities. This shows the whole organisation is open to having a changed mind-set and willing to consider new way of working and thinking.

- (v) **Members referred to the work about access to affordable credit. Members enquired how the partnership provided access to affordable credit.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office informed Members the team was seeking to understand why those who are in a position of needing access to credit opt for a pay day loan. They explored other possible opportunities that could provide them better access to credit. The IEP looked at how they could release funds from government to help improve financial education, literacy and open banking for good. This data can help unlock more innovative solutions. So that it is not just a careful management of questions about payday lenders and the Government's responsibility for responsible practice from those organisations. But also about how to empower people to make informed decision even when they are in a difficult position.

Financial inclusion capability is a really interesting challenge. There are many different reasons leading a person to make difficult decisions at a time when they are potentially not in the best head space to make those decisions. The IEP considers this to be a multifaceted problem and is considering what they can do to help advertise creative solutions or help to ensure there is better information and education for consumers to make better choices.

- (vi) **Members enquired if there were specific trials or credit unions within the programme that were explored or was this still at a phase exploring how the different stakeholders can come together.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office referred to access to affordable credit and advised there is a pot called dormant assets. After their consultation with stakeholders the IEP lobbied decision makers across government to help unlock some of the dormant asset funding to use that funding to help improve what the government can offer in terms of solutions in this space. There is a pot of dormant asset funding being used for fairer access to finance.

ACTION	The officer offered to send further details to the Commission further details.
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- (vii) **Members enquired how much influencing the insight had on national government policy. Members pointed out all three priority areas have a direct relationship with the welfare and benefits system. Members were interested in finding out what insights were being drawn from this work that might influence decisions made in DWP – might enhance the chances of people managing the benefits systems and their mental health; managing their finances in relation to the benefits systems and**

manage their access to work and the benefits system? Members pointed out the benefit system is not currently optimal in that way.

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office confirmed DWP cuts across all 3 priority areas in different ways. While the partnership seeks to influence and channel the voice of stakeholders into government. For DWP they have been speaking about the challenges faced by people taking periods of leave from their employment for mental ill health. They have noted that for those taking a period of time off (up to 6 months) they are less likely to return to the workforce. They heard from employers there is not sufficient support available to encourage people to find manageable ways to remain in employment and not end up on long term sick leave.

One of the outcomes from their work is a consultation that is expected to be published mid-July. This will be a public consultation on work and health. A consultation whereby all employers can feed in about long term sick leave, occupational health and broader issues around mental health and wellbeing. They want to understand what prevents corporates from doing more to support those who are experiencing mental ill health or taking a period of sick leave to remain in the workforce.

It was highlighted that the consultation is one avenue publically for corporates to feed in. More generally they are doing a research project to look at what levers or incentives would encourage employers to do more, particularly SMEs who often say there is not sufficient support or financial support to provide staff with support in this area.

These are particularly challenging areas that they do not claim to have the solutions to but want their work to inform a more coherent government policy that better reflects the needs of the stakeholders.

In relation to mental ill health many employers say that the tax break or financial incentives are not sufficient to cover the upfront costs to make support more readily available. The IEP is considering how they can channel the views of SMEs to communicate this.

- (viii) **The Director of Strategy, Policy and Economic Development from LBH referred to the current fluid, dynamic, political environment and asked what safety net or measure the IEP had in place to make sure this work is sustainable across government.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office advised it was an ongoing conversation. The officer was of the view they are in a positive position because they have a good bank of case studies from phase 1 and really clear outcomes. The IEP is in the day one briefings for the new Prime Minister and Secretary of State for DCMS and Secretary of State for the Cabinet Office, who are their sponsoring departments. They also have buy-in for the partnership from CEOs across businesses and civil society. They are also prepared to have conversations about moving to other government departments or how they would fit into a new agenda. For the partnership they are clear they have a

model that is proven to work and are committed to ensuring it remains in central government and is key to the inclusive growth agenda going forward.

Another interesting conversations they are having is about Conference of the Parties 26 (COP) and the new challenges facing the UK economy e.g. climate change. This new way of working could be expanded to other areas and has commonalities with other live issues. Increasingly they are finding other government teams are contacting them about how this works and wanting to start a similar programme.

- (ix) **Members followed up on the points above and highlighted if it has not influenced any changes at DWP why would other government departments follow.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office explained in their view the IEP hopes it has helped to inform the DWP consultation and inform a government policy released in November 2018. The officer was of the view they have champions across Whitehall.

- (x) **The Head of Employment and Skills from London Borough of Hackney enquired what the relationship was with the IEP and other government spend like the industrial strategy, devolved working health programme and the cross government prosperity fund. Is the IEP seeking to influence these areas so you are able to scale up the transition to work area?**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office confirmed they are having live conversations with those areas. The officer explained there are other areas of government this programme of work can influence and many opportunities for this to fit into other programmes of work.

The Head of Employment and Skills from the London borough of Hackney commented it would be good to have further conversations about London and East London.

- (xi) **Members referred to the sustainable development goals and enquired if the partnership was doing work with big corporates to support sustainable business. Members enquired if the partnership is working with finance to encourage capital flow into sustainable business models? Members commented there is an accelerating global shift in how businesses are doing business as a force for good.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office confirmed they are working with colleagues in DCMS and other departments that host programmes like tech for good. They ensure all the responsible businesses that are part of the IEP contribute to this.

The IEP has hosted an event called Impact 19. This event had responsible business leaders from across the globe who came to speak about the importance of championing these values across businesses. For the

sustainable development goals they have been supporting government, engaging with businesses from the Prime Ministers Business Council and all areas with live issues that are encouraging businesses to do more.

There are different parts of DCMS that work on impact investing, responsible businesses and a whole range of policy areas. They are trying to ensure this point of view is feeding into those policy discussions.

The officer highlighted this is an area where they can really champion more responsible business practices from a senior government position.

- (xii) **Member pointed out it is not just about profit. This would give a positive impact for employees from the communities, for the environment, reduced inequality, lower levels of poverty, build stronger communities, high quality jobs with dignity and purpose.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office agreed and advised they are also talking to those that are championing the B Corp movement. Also generally to organisation like the Centre for Social Justice who are looking to adopt a new inclusive economy unit. They are also talking to the OECD and UN. The team supporting the IEP aims to ensure they are linked into as many of those movements as possible and leaders in this space.

- (xiii) **Member enquired how the IEP is measuring success in terms of outcomes to provide evidence to scale up.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office explained monitoring and evaluation is an area they are taking some time to build in phase 2. For phase 1 they focused on the end user and achieving a target number. The officer acknowledged that achieving the number does not tell the broader story about the impact. Their conversations with big corporates about incentives in relation to mental health led to a full strategy in this area. They have developed a more robust framework for phase 2. They are considering how broad the outputs and outcomes can be, the end user and how strategies have changed as a result of this work. They are also speaking to professional evaluation companies to robustly assess this.

- (xiv) **The Head of Policy and Partnerships commented it was great to see public sector as a convenor in bringing people together. This was replicated locally. The officer enquired with the knowledge base that local government has if there were practical ways to promote or sign post local organisations to this work? The officer asked how the partnership selected the organisation that were involved in the partnership for phase 1. The officer also enquired if there be an opportunity for other organisations to be involved in phase 2.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office informed there will an opportunity for organisations to participate in phase 2. They will be putting out a call to the nation for applications. Hackney can share/promote this to local organisations and encourage them to apply. The partnership also works with Nesta

business in the community who look for different stakeholders with a different reach to make sure they are speaking to as many interesting groups as possible.

The officer pointed out they have a limited source of financial funding and can only support a few through this channel. However the partnership could help in other ways like curating introductions, provide opportunities to network with other social innovators or an introduction to the right policy lead in the Treasury – the right officer can be difficult to find if you are external. These introductions can be just as valuable as financial support. The officer encouraged Hackney to put organisations forward.

- (xv) **Member referred to the transition to work in West Midlands and enquired if there was a role for a place based pilot for a work area like access to mental health support. Members pointed out Hackney does not have big corporates and most businesses are SMEs and start up. Therefore developing an infrastructure that will support people through these stressful times would be a project of interest to Hackney. This would also benefit other parts of the country and they could draw some conclusions from this work too.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office advised this is an area they have had conversations about particularly in relation SMEs and support for high achievers and under achievers. Without a HR team staff are often more at risk of being more severe or falling out of the work place completely.

- (xvi) **In reference to the response above Members commented that Hackney borough is good at understanding the complexities of their demographics. Therefore the variety of Hackney's SMEs would allow the IEP to see the complexities.**

- (xvii) **Members asked how the IEP perceived inclusive economy.**

The Head of Sector: Energy, Manufacturing and Construction from the Government's Cabinet Office advised their definition is where they have an economy and society that actively engages all of its citizens. For the partnership inclusive growth has to bring all citizens up in the community. This is not just financial or salary but in terms of their sense of purpose, corporate impact or then impact on a neighbourhood. It aims to get individuals to think broader than their society.

- (xviii) **Members commented regardless of how fairly or unfairly growth is created, inclusive growth is about what happens when we have growth. By contrast an inclusive economy offers a progressive conceptual framework by which greater consideration is given to social benefits to flow from and feed into economic activity. In essence inclusive growth comes after it has happened whereas inclusive economy is before.**

For the national narrative they are hoping to have a growing economy that is inclusive. Therefore an inclusive economy is their conceptual framework.

5.5 Section 2 of item 5

- 5.5.1 This section of the meeting was a workshop discussion about the council's Inclusive Economy Strategy out for Consultation until 18th August 2019.
- 5.5.2 Members of the Commission provided their comments about the proposed strategy.
- 5.5.3 The Head of Policy and Partnerships outlined the key points in relation to the draft strategy. The main points from the presentation were:
- There has been growing recognition, nationally and globally that existing models of economic development that focus solely on economic growth and expect the benefits to trickle down to the wider community have not worked.
 - The council has decided to develop a strategy that aims to shape an inclusive economy and tackling inequality. The view is if the council does not adopt this strategy Hackney could continue to see increasing inequalities. This strategy responds to high level concerns from residents about poverty and inequality. This drawn on previous work developing the Community Strategy which sets a new vision linked to the Mayor's manifesto commitments.
 - The view is local authorities are well placed to work with others to create and improve economic opportunities in and around the borough.
- 5.5.4 This strategy outlines the council's vision for an inclusive local economy. The council wants to set realistic expectations so this strategy highlight where they need to advocate for change and use their levers to work with other partners. It also identifies the limitations to the changes the Council can affect alone.
- 5.5.5 The strategy highlights where the Council is leading by example and uses its resources and levers to promote a more inclusive economy. It identifies the multiple ways the council needs to work with partners and the local community to shape the local economy.
- 5.5.4 This strategy has been developed drawing on the evidence about the local economy, trends, data on the shape of the economy and workforce including the needs of the people furthest from the labour market.
- 5.5.5 This strategy draws on various insights like that Equality Trust's Spirit Level work, the scrutiny Commission's work. The Hackney Wick report through young eyes, the Young Black Men programme and various resident and local evidence.
- 5.5.6 The vision is partly about the economy and how they can achieve a more balanced economy. This has been developed with officers and at the core of this strategy is the employment and skills service, area regeneration and all council services that can help deliver this agenda (e.g. public health).
- 5.5.7 The council has appreciated being involved and participating in the Commission's review work on inclusive economy. This has been reflected in the strategy insight and referenced directly.
- 5.5.8 This strategy aims to tackle poverty and inequality and to achieve a balanced economy with access to the economic opportunities in the local economy and

the wider London economy. Specifically tackling disadvantage in the labour market to make it easier for people to fulfil their potential regardless of background.

- 5.5.9 The key point is that everyone stands to benefit from a fairer community. Building an inclusive approach to change, regeneration and growth is key. The council recognises if they do not look at this; whilst it may produce economic benefits on one hand it may deliver negative impacts on the other hand. The links between mental health and structural inequalities is of paramount concern.
- 5.5.10 This strategy is not just about economic opportunity, it is also about how people feel, their sense of belonging and how included and safe they feel. It's about making sure they are really valuing Hackney's community spirit and diversity. The council recognises if the changes are quick people can experience a sense of loss of place and belonging.
- 5.5.11 An inclusive economy is also a green economy. The challenges of climate change promoting a green, decarbonised economy, minimising energy, sustainable transport, cleaner processes, and conserving and reusing resources will all be key.
- 5.5.12 There are 3 intersecting priorities in the strategy.
- Priority 1 - supporting local neighbourhoods and town centres to thrive, a focus on places where there is a business base and economy to shape
 - Priority 2 – champion local business and social enterprise in Hackney, protecting and maximising the delivery of affordable work space
 - Priority 3 – connecting residents to high quality support and opportunities to learning new skills, get good quality work and to make progress in work over their career.
- 5.5.13 The priorities intersect because a number of businesses are place based. The strategy aims to build their sense of belonging in an area and their interest in being part of an inclusive economy.
- 5.5.14 The 3 key areas the strategy covers are:
1. Taking an area regeneration approach
 2. Businesses
 3. Connecting people to opportunities.
- 5.5.15 Talked about how they focused on maximising their assets, levers and influence. Really important is their social infrastructure. As a council driving a local economy strategy they are in an ideal position to make use of their social infrastructure – the social support that underpins and is essential. E.g. looking at an approach that starts with making sure children have the best chance in the early years and in their first few years at school. There would be an in built disadvantage for those who do not. Therefore regardless of how good the institutions and opportunities we would have lost a cohort of children.
- 5.5.16 The strategy focuses on the change we want to see and works backwards to consider the best way to get there, based on evidence and on different perspectives.

- 5.5.17 At this stage the council is outlining the range of ways they would like to measure inclusivity. Currently the council is looking at the metrics they would like to use to measure if the economy is more inclusive. The council is considering a broad range of metrics they would like to measure such as education and skills, health and wellbeing, quality of life, housing, security and affordability, jobs, income and economic productivity and the environmental and physical infrastructure.
- 5.5.18 The council will be drawing on the work of the London Prosperity Board. The UCL and London Prosperity Board have done a lot of work to look at all the metrics available including what can be accessed at a local level.
- 5.5.19 The officers provided examples of work that demonstrated using their assets. For example in Hackney Central council owned sites were used as levers to influence and place shape. Focusing more on the new surroundings benefiting for all.
- 5.5.20 Hackney's apprenticeship network was another example of where the council has created high quality apprenticeships and now they are working with other employers to create the same.
- 5.5.21 The Wick Works was an example of property assets and business in a place. This work is creating opportunities for businesses. In this example they are aiming to create a system and not just project based work.
- 5.5.22 The officer explained an Inclusive economy means:
- Doing what they can to achieve a more balanced economy within and around the borough
 - Investing in the economy and community to tackle poverty and inequality
 - Enabling fairer access to the economic opportunities in the borough, in Inner London and beyond
 - Addressing disadvantage in the labour market through partnerships which offer more high quality apprenticeships, skills and training, jobs and business opportunities
 - Making it easier for anyone, whatever their background, to fulfil their potential
 - Working with education providers and businesses to ensure that residents are equipped for the workplace of the future.
- 5.5.23 The officer advised the public consultation launched in July 2019 and will close mid-August 2019. There will be a modest engagement to build on the existing insight. There will be focus groups with the citizen's panel to sense check what is being proposed with a group of residents. Public engagement will build on the existing insight.
- 5.5.24 Members were asked to provide their views on the draft strategy based on their experience of the local economy in Hackney. Members were asked to respond to the following questions:
- Any big issues you think are missing from the Strategy?
 - Any suggestions on how to improve the document overall?

- Any suggestions on how to develop a new set of measures to help monitor and track how inclusive Hackney's local economy is?

5.6 Discussion, Questions and Answers

(i) In response to Members questions about the timescales for the metrics.

The officer advised the workshop would be after the strategy has been finalised. It was important for the council to capture what they do and communicate how they lead by example and this strategy captures this.

(ii) Members enquired if they could be involved in the further work on metrics.

Officers confirm they could be involved in a workshop and that this would probably be in the autumn.

(iii) Members pointed out, the strategy document used the words 'thrive and more' a number of times but not the words 'grow or growth'. Members asked why the strategy does not make reference to growth and enquired if this was deliberate?

The Head of Policy and Partnerships explained the strategy started as an inclusive growth strategy and shift from this to an inclusive economy strategy was a deliberate decision by the Mayor of Hackney. The shift is a message to say the council does want to help shape the economy. An inclusive growth strategy suggests they are letting growth happen and they are responding to that. Whereas this is saying we want to be proactive to help shape it. The council sees itself as part of that economy wishes to use its levers. The officer confirmed they had decided to make a shift in language used.

The Head of Employment and Skills explained their emphasis would depend on the audience. The officer highlighted if the council was talking about this strategy to big business owners in the borough, they would talk about the importance of wanting to see the Hackney economy succeed, and how they could derive benefits through employment and skills plans, jobs and apprenticeships.

(iv) Members acknowledged and recognised the need for the shift but pointed out you cannot rebalanced an economy without a growing economy. Members pointed out it makes it difficult to talk about these points without growth. Growth is an important part and we need growth too. Members highlighted this strategy should not be too political where it alienates local businesses who do wish to grow and employ people. Members commented an inclusive economy will need more jobs and growth. Throughout the vision and strategy growth is implied but not explicit.

The Head of Policy and Partnerships clarified that the council expects growth to continue. The council recognises that they do not need to develop growth. However with the increase in business rates and rents they could see a stagnation but the economy could also see a different type of business moving into the borough. For Hackney corporately and politically they are accepting

growth will happen but acknowledged they could be more explicit in the document and recognise growth is the context.

The Head of Employment and Skills added there is a focus on good growth and quality jobs in the strategy. For example in Hackney Wick the council is using its levers and property to provide peppercorn rent to a few local SMEs and have written into their contract opportunities like apprentices. This is helping an enterprise to grow who might otherwise not be able to do so.

- (v) **Members referred to the Islington Fairness Commission in 2010. This identified 2 Islington's; a wealth Islington and a second Islington that had high child poverty. Members enquired if the council has reviewed the fairness commission work in relation to Hackney? Members commented that the income equality and gentrification now is changing the fabric and culture of the place. And some communities are feeling marginalised and some feeling forced out through the high rents and unaffordability.**
- (vi) **Secondly Members enquired if the council was harnessing the powers of planning authority to secure office, workspace and affordable housing?**

The Head of Policy and Partnerships explained a few years ago the idea of 2 Hackneys was floated. They challenge the idea that there was 2 Hackney's. However, they do acknowledge there is growing polarisations and inequalities but the dynamics around this is more complex. The officers pointed out there are people living in the borough that would appear to be wealthy but still feel less belonging. There are also people that are economically disenfranchised. Therefore the council is taking a more nuanced approach to tackling people's sense of belonging and practical ability to stay in the borough. At the heart of the council's community strategy is tackling poverty and part of the rationale for the inclusive economy strategy is to address the concern about growth polarisation and economic disadvantage.

The Head of Skills and Employment explained at the core of the strategy is the council's levers. They have robust policies in place which includes affordable workspace. They are using these to look for solution for the local community.

- (vii) **Members commented this strategy is good at linking up many policies seen as disparate and bringing them together. However if the strategy is to be embodied we need to see more about how the council is practically shaping an inclusive economy. There a number of aspirations in the document but Members pointed out it does not clearly articulate the new shaping that will take place to achieve an inclusive economy. There are references to policies like the Local Plan. Members also referred to a statement in the strategy "we will explore ways to prevent ground floor retail space from remaining empty in town centres, local centres and in new developments". Members advised they were aware the council could action an article 4 because this was implemented within the local plan. However it was unclear to them what levers were being deployed as a result of this strategy to take this to another level.**
- (viii) **Members were unsure beyond the policies in place where the shaping is and what is garnering it?**

- (ix) **Members commented when residents see the document and engage with it they are likely to ask questions about the action being taken by the council and the levers to shape it. Members also referenced another statement in the policy about the council leasing its non-residential units within its housing regeneration schemes to voluntary and community organisations and referenced 2 pilots coming in 2019. Members asked if the council had an indication now as to how it can create a letting policy that can really shape what it does. In section 7 the aspiration is there and civil society is playing a greater role in this. But considering examples are cited Members were still not clear how the inclusive economy prism would be using the levers available and deploying them in a different way to the framework and policies already in use.**

The Head of Policy and Partnerships explained what the council is trying to do, is identify all of the work going on and bring them under one strategy. Secondly, to push and stretch further. At this stage the council is setting the principles and direction rather outlining all the deliverables. If the council waited to get to this stage it would take them longer and they would not have tested whether the approach worked. For example the Council's Voluntary Community Sector lettings policy needs to work with the property market and move on from a lettings policy that was aimed at regularising a number of individual arrangements into one strategic overview. The current policy helped to deliver the council's key priorities but now needs to develop further.

- (x) **Members acknowledged that the aspirations and framework was important and correct.**
- (xi) **Members made reference to the new litmus test and enquire if there was going to be a litmus test in the form that a) peoples understand and b) how it can be applied in a meaningful way. Members commented the difficulty with the document in its current form is the lack of clarity about (a) and (b). And lastly an indication of when this will implemented. E.g. over the manifesto period or within the next 2 years.**

The policy is still in development and the officers noted the comments made.

The officers explained initially they have tried to set out the principles and direction and have not defined the deliverables. The officer reiterated it would take the council longer to get to this stage and they would not have tested if the overall the approach was successful.

The officer referred to the VCS lettings policy and explained the initial policy aimed to regularise VCS letting to enable the council to deliver its corporate priorities. Having achieved this the council is now considering how this policy will fit in with the inclusive economy strategy. They have not worked out the policy they need. This strategy shows the link between the aims of the policy instead of viewing the policy in silo.

The Head of Employment and Skills advised Hackney's principle is to main stream activities. Whereas the government has not main streamed activities but established a pot of funding to challenge. In contrast the council's view is to adopt a strategic response to everything they do with property services.

The Head of Policy and Partnerships informed Members for the Community Strategy and the single equality scheme they developed a 25-30 page table that outlined the commitment and demonstrated how they delivered against each target. The officer explained it was at that point they could see if the principles were correct.

The officers agreed to look at how to better communicate the points explained for the final version.

(xii) **Members raised the following points:**

1. **Members commended the focus on perception and a metric on how people feel. But were interested in how this outcome would be measured. Members wanted to ensure the metrics were not just concerned with people feeling safe or confident but that any perception metric is accompanied by a material metric.**
2. **There are a number of references to pre-existing policy or case study success which does have a value but the full document has better detail than the summary section and reads quite bland in comparison to the detailed sections.**
3. **Members suggested adding some additional information to the summary section about crime, safety and security; as featured in the main document. Members suggested it should be clarified if crime is an indicator of an inclusive economy or an indicator of a non-inclusive economy. Members enquired if the council has decided to use crime as an indicator, why does it not feature in the summary section or was this an oversight?**
4. **It was pointed out that the externalities are woven throughout the document and they are not all in one place. It was recommended this should be in one place and suggested there could be a brief analysis of the externalities and how the government's industrial strategy struggles to meet some of the challenges.**
5. **Members made reference to growth and advised the Council needs to decide if it is going to acknowledge growth. In addition to this if the council assumes growth but growth does not happen, what plans are in place to manage this. Equally if there is growth the council needs to actively outline how it plans to shape it and identify the levers to do this.**
6. **Members referred to the growth of the Tech industry in the borough and how the Council did not foresee this coming. Pointing out the Government's Industrial Strategy does not help communities like Hackney horizon scan and identify the next equivalent of the tech industry. Members recommended Hackney develops a skills strategy to meet future needs. A strategy that can be used to communicate to areas like lifelong learning.**
7. **Members also pointed out if there is a strong position on apprenticeships this needs to be articulated better in the strategy.**
8. **Members referred to the references about support to local businesses and commented all references started with the following opening 'we will continue...' Members pointed out there has been a number of challenges about the council's current methods of communication with local businesses – including the work of the commission. Members advised local businesses have informed the council is not adequately or effectively engaging with them. It would appear there is**

an assumption that all businesses are the same. Members commented they are not, as identified through their engagement session with BMAE businesses. Members enquired what type of expert advice the council is planning to commission to improve this.

9. Members added the top line for business engagement is good and picks up on the points that came out of their engagement event with BMAE businesses. However, the detail about the new approach is missing. Taking into consideration the points raised by local businesses whereby they expressed the current engagement process was not inclusive or provided them with access to the local opportunities. Members queried how the council will address the problem?
10. In reference to the first priority on place shaping, what collaboration is there with other London boroughs. Some the Council's biggest growth nexus are on the border of other boroughs. Members referred to the devolved adult skills budget for London and commented it will be important for the council to be working in partnership with other London boroughs like Tower Hamlets, Newham, Haringey and Islington to draw down funds.
11. Members queried what the key headlines would be about strategy when it is communicated to the local press? Members commented there was no clarity on what the key headlines about this strategy would be when it was communicated. Member highlighted the communications should inform people about the work the Executive is doing that is different, interesting and impactful? Members added it was difficult to identify the headlines when the metrics were being developed after the strategy was launched.

In response to the points raised the Head of Policy and Partnerships advised they have not developed a set of metrics but would be testing a proposed suite of metrics. These would be different to traditional measures. E.g. the number of jobs created.

The Head of Employment and Skills agreed place shaping work with other boroughs was important and the officer advised he would check this was emphasised adequately in the strategy. One of the challenges is related to the structure of the three pillars and identifying where the information would sit better. However the officer agreed that areas like adult education, practical work with other borough and investments in managing things like devolved business rates should feature.

- (xiii) **Members highlighted through their work one of the biggest areas of challenge is the decisions made related to the 14-18 age group. This is outside the remit of this Commission but this does have implications for lifelong learning particularly as people will need to reskill throughout their lifetime. The national industrial strategy has identified these as big challenges but the skills process that goes with this is still broadly leaving it up to the market and big employers. Members pointed out Hackney does not have many large employers. Therefore how will the council use its supply chain to help SMEs facing these challenges to understand?**

The Head of Employment and Skills advised they will align the £2million investment with the strategy and the apprenticeships network to better influence.

The Head of Policy and Partnerships advised in terms of the metrics they have outlined the different domains linked to the work the council has been doing with the London Prosperity Board. This has enabled the council to consider metrics that measure people's actual circumstances and their perception. It will be combination of drawing on the information at a local level from existing national data and a set of questions that have been developed and tested with partners in the East London boroughs and other places. It will provide a combination that drills down further than the council's resident survey and other survey data.

(xiv) **Members enquired if the new measures will enable the council to bench mark and see progress?**

The Head of Policy and Partnerships it is expected to. But if they use national data and local survey information, then it would be difficult to track progress. If the council does use local data they would advocate using this in conjunction with national trends.

(xv) **Members commented the strategy highlights existing projects that are already in place and enquired if there was bench marking for these before they started? Members referred to the specific work done locally and enquired if the council has the ability to demonstrate the progress? E.g. is there a measure that illustrated the number has fallen for people far from employment and training?**

The Head of Employment and Skills informed the new set of metrics adopted would go further than seek to identify the number of people as a measure. The officer pointed out for the Gascoyne estate project (people affected by debt) the council was looking to have a measure that can assess how a person is doing year on year and if they are reaching the target audience.

Officers advised if they are bring existing activity together under one strategy and pushing what is achievable, they will not have a consistent set of bench marking data. This is because they would have different sets of objectives. The idea of establishing a consistent set of metrics, is that over time they can start to look at a project that may have been measured in a more traditional way (like the number of business space created); but ask questions of that project to establish the impact on other areas like the use of their levers. Over time this information will develop.

The Head of Policy and Partnerships responded to the comment about the externalities being in one place. The officer confirmed the council have a critic of the national industrial strategy up front.

Officers agreed they could do more with the summary to address the points Members made about the introduction and the framing of the policy context in the summary. Officers also agreed they could add more information from the main body of the document like the hollowing out of the labour market and externalities.

In response to the points raised about businesses, officers advised they will review this based on the perception Members have from reading the document. This feedback will be given to the officer covering that section. It was pointed out the council has reflected the risk and issues in documented but if Members read this as continuity of the same approach this will need to be reviewed for the final draft.

- (xvi) **Members enquired how the council proposed to capture and engage residents who did not work in the borough or own their own business in the borough. Member highlighted there is a lot of change happening to people quite quickly and expressed concern about the resilience of local people to understand the changes without necessarily having a business or employment in the borough. Members queried how residents would be engaged about the changes?**

The Head of Employment and Skills advised the shift in the strategy should mean more upstream confidence building. This will need to be measured but is a soft area that can be challenging to measure and talk about and will have its own journey.

In first priority a new focus on recognising the role for voluntary organisations or localised statutory sector organisation linking the types of programmes that come under employment and skills service area better with the local organisation. The Council recognises the government is not good at reaching the people Members are referring to and secondly the council needs to look at who is reaching this cohort and build the partnerships. Officers pointed out the Hoxton case study is a good example of this, but this is more of a community development approach. This will be more a localised approach to get that reach and recognises where people might engage. The council will look at where it is doing this work and where it is not to build on the areas of gap.

- (xvii) **Members referred to the neighbourhood Community Infrastructure Levy (CIL) and the promotion of this by the Cabinet Member. Members asked if the document could mention that there will be a reconceptualization of how the neighbourhood CIL will be considered and how it would be distributed. Members commented there is a change coming and queried how the council sees this change benefiting the community? Members pointed out the CiL is applied to every new development and a direct application back in the local community. Members suggested this is one of the ways the Council could show they are trying to deal with the change and benefit the community. Members recommended the strategy includes the use of CIL and how it is used to benefit community.**
- (xviii) **Members referred to growth and advised it was important to think about deliberative growth choosing areas like social care and mental health to grow. Members enquired if the council has worked with the Mayor of London's London Economic Action Partnership (LEAP) as this talks about good growth areas.**

The Head of Employment and Skills confirmed the council has worked with LEAP. Where the council can lead they need to emphasize this more.

(xix) **Closing comments from Members**

- There are very good top line strategies but it is unclear what the approach will be to achieve these
- What does the council define as diversity and inclusion? They are two different areas and it is important to be clear about the definition for each one.
- In relation to smaller business they referred to the wellbeing of business owners. Taking into consideration the view about gentrification and feeling left behind. Members suggested there should be consideration about the mental health support for business owners
- Digital inclusion was another area of the strategy referred to and again Members informed they were unclear about how the ambition matches with the approaches to achieve.
- Overall it is a very positive strategy.

(xx) The Chair informed officers the Commission would make a formal submission.

(xxi) The Chair asked officers if the commission could be involved in a workshop about metrics because they have more questions about the metrics.

Officers agreed to involve Members in a workshop about metrics.

ACTION	Chair to do a formal submission on behalf of the Commission.
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ACTION	Policy and Partnerships to set up a workshop on metrics for the Commission.
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6 Skills, Economy and Growth Scrutiny Commission 2019/20 Work Programme

- 6.1 In reference to the work programme the Chair provided the following update.
- 6.2 The Cost of living and recruitment strategies for public sector employment item was moved to the September meeting.
- 6.3 The licensing and night time economy meeting was moved to the October meeting date.
- 6.4 The Hackney Young Futures Commission is currently carrying out a 6 month consultation with young people aged 10-25 years old. The Commission will send over a few question and ask them to share the findings from their consultation. The Chair and Vice Chairs have been invited to the September and October meetings.
- 6.5 The new scrutiny review on Just transition will commence once the terms of reference has been drafted. The Chair and Overview and Scrutiny Officer attended a private round table discussion with New Economics Foundation

and Friedrich-Ebert-Stiftung this covered the national and international context on the topic area.

The participants stressed the urgency for recognising climate change as the primary challenge of the 21st century. It was emphasised that the shift to a low-carbon economy must go hand in hand with providing jobs and supporting local communities in order to be genuinely sustainable. To deliver a socially just transition, policy makers must take into account all sectors of the economy, with costs and benefits shared equally across society.

6.6 Members enquired if wellbeing would be covered. The Chair advised this would be covered in the scrutiny review on Just Transition.

6.7 Members referred to a paper on CiL being developed by the Council's Executive and asked the Chair to enquire if the Commission could make a contribution to the development of the CiL distribution. Members commented the current process is opaque and community organisations are interested in understanding how they can access this pot of money for community benefit. A Member from the Hoxton East and Shoreditch Ward advised Shoreditch had received CiL funding which renovated Shoreditch park.

The Chair advised he would find out the timescales and plans for development to see when and how the Commission could feed into the development of the CiL proposals.

ACTION	The Chair to confirm the timescales for the development of CiL proposals.
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7 Any Other Business

7.1 None.

Duration of the meeting: 7.00 - 9.10 pm

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Skills, Economy and Growth Scrutiny Commission

Hackney Council
Room 118
Town Hall
Mare St E8 1EA

Reply to:
tracey.anderson@hackney.gov.uk

19th August 2019

Councillor Nicolson
Cabinet Member, Planning, Culture and Inclusive Economy
by email

Dear Councillor Nicholson

Consultation response from Skills, Economy and Growth Scrutiny Commission to the Council's Inclusive Growth Strategy consultation.

The Draft Inclusive Economy Strategy sets out the Council's vision for a more inclusive local economy, and sets out the approach the Council is taking to promote this over the next five years.

The Commission is pleased the Council's proposed Inclusive Economy Strategy identifies the work the council needs to do with partners and the local community to shape the local economy so that it benefits everyone in our borough.

There is growing recognition, nationally and globally that existing models of economic development which focus solely on economic growth and expect the benefits to trickle down to the wider community have not worked. They have allowed inequality to increase. Although the Government has issued a national industrial strategy the Commission believes the Government's Industrial Strategy does not help communities like Hackney horizon scan and identify the next equivalent of the tech industry thus enabling adult learning services to better prepare and provide courses relevant to future needs. We are pleased the Council has acknowledged this in the strategy. This draft strategy is a response to community concerns about the high levels of poverty and inequality in our borough and to the sense of disconnection some residents feel about recent economic changes in Hackney. This strategy aims to shaping Hackney's economy to be an inclusive economy that helps to tackle inequality.

Overview & Scrutiny

There is no national framework for measuring inclusive economic growth but we note the development by London Prosperity Board of a local framework that aims to give a more rounded picture of a local economy that goes beyond measuring the number of jobs, business growth and GDP. The Council plans to develop at a local level a set of measures that will help it understand the wider range of factors and dynamics in an inclusive economy. The Commission has requested to host a workshop about metrics to explore this further and contribute to the development of the new measures.

The Commission has worked in partnership with the Executive as they have developed the Inclusive Economy Strategy. As part of our scrutiny review we have held a number of engagement events with stakeholders and local businesses considering this topic area. The Commission is submitting this response as a contribution to the development of the strategy.

After a special workshop with officers at the start of the consultation period the Commission would like to submit the following comments for consideration.

- **Any big issues that you think are missing from the Strategy?**
 - An area missing from the strategy is clarity about the action that will be taken to achieve the aspiration in the strategy. The strategy is good at linking up many policies seen as disparate and bringing them together. However, if the strategy is to be embodied there needs to be more about how these policies will be used that is different to their current operation. There are references to policies like the Local Plan and for example the strategy states “we will explore ways to prevent ground floor retail space from remaining empty in town centres, local centres and in new developments”. We are aware the council could action an Article 4 and this is available through the Local Plan. But it is unclear what other levers would be deployed as a result of this strategy to take this to another level.
 - There a number of aspirations in the document but it does not clearly articulate practical examples of the action being taken to achieve an inclusive economy that is different to current practices.
 - The summary section appears to be low key in comparison to the body of the document. There are a number of references to pre-existing policy or case study success which does have a value but the full document has better detail than the summary section and this reads quite bland. We would suggest adding some additional information to the summary section like crime safety and security. This information features in the main document but does not appear in the summary section.

Overview & Scrutiny

- The top line for business engagement is good and picks up on the points that came out the engagement event the commission held with BAME businesses. However in the detail about the support for local businesses all references to this start with the opening 'We will continue...' We challenge this statement and think it gives the perception that the council will continue to communicate and engage with local businesses using its current practices and approaches. When the Commission engaged with businesses we identified that businesses owners (particularly BAME business owners) felt that the processes used by the council to engage with businesses was not inclusive or that they had access to the local opportunities and that the council is not adequately or effectively engaging with them.
 - The strategy does not identify the key headlines for the local media to focus on. What will be the headline communications about this strategy? The Commission is unclear about the key headlines being communicated about this strategy to the local press and we would suggest this strategy should communicate what the Council Executive is and will be doing that is different, interesting and impactful.
 - The Cabinet Member with responsibility for the Neighbourhood Community Infrastructure Levy (CIL) has been promoting this. Currently the Executive are working on reconceptualising how the Neighbourhood CIL will be considered and distributed. We would suggest the strategy includes recognition of the use of CIL and how it will be used to benefit community.
- **Any other suggestions on how we could improve the document overall?**
 - The strategy document uses the words '*thrive and more*' a number of times but not the words '*grow or growth*'. We understand the Council wishes to be more proactive in the shaping of the local economy and that the Council has shifted its message to say it wants to help shape the economy, instead of just letting growth happen and the council responding. However, growth is an important part and the council should talk about this too. A rebalancing of the local economy cannot happen without a growing economy and an inclusive economy will need more jobs and growth. The Commission is of the view this strategy should not be too political where it alienates local businesses who wish to grow and employ people. SEG recommend throughout the vision and strategy growth should be more explicit and not just implied.

Overview & Scrutiny

- If the strategy does reference growth we suggest the Council decides if it is going to acknowledge growth and have a plan in place to deal with it. The Tech industry in the borough was a major area of economic growth for the borough but the Council did not foresee this coming. The SEG Commission is of the view the Government's Industrial Strategy does not help communities like Hackney horizon scan and identify the next equivalent of the tech industry; to enable them to develop a skills strategy to meet the future skills needs and communicate these to areas like lifelong learning.
- If there is a strong position on apprenticeships this needs to be articulated better in the strategy.
- It is unclear what message is being communicated about the strategy for residents to engage with the strategy and understand the document. When residents see the document and engage with it they are likely to ask questions about the actions being taken and levers being used to shape it. The Council should better outline how it plans to shape it and identify the levers to do this whilst giving examples that demonstrate achievement of change. For section 7 the aspiration is there and we note that civil society is playing a greater role in this. But considering the examples cited we were still unclear how the inclusive economy prism is using the levers available and deploying them in a different way to the framework and policies used.
- We acknowledge the aspirations of the strategy and the framework is important and correct; but in its current form we query if it is clear enough that people will understand the aims of the strategy, or get a sense of how this will be implemented in a meaningful way and the period of delivery - during the manifesto period or over the next 2 years.
- Externalities are woven throughout the document and they are not all in one place. We recommend this should be in one place and suggest there is a brief analysis of the externalities and how the national industrial strategy struggles to meet some of the challenges.
- A big area of challenge is the decisions made related to the 14-18 year old age group. This has implications for lifelong learning particularly as people will need to reskill throughout their lifetime. The national industrial strategy has identified these as challenges but the skills process is still broadly leaving it up to the market and big employers. Hackney does not have a large number of big employers. For this strategy we suggest the council thinks about its supply chain and SMEs facing these

- challenges and how to develop this understanding to create solutions.
- Some the Council's biggest growth nexuses are on the border of other boroughs. Taking into consideration things like the devolved adult skills budget to London. It is important for the council to be working in partnership with London boroughs like Tower Hamlets, Newham, Haringey and Islington to draw down the funds and if we do not do this we may miss out. We suggest this is better articulated in the strategy.
 - There will be residents who live in the borough but do not own a business or work locally. There is a lot of change happening to people quite quickly and the resilience of local people to understand the changes without necessarily having a business or employment in the borough is key too. This strategy needs to capture and engage this cohort of local people too. It is unclear how the strategy will engage with this group.
 - What does the council define as diversity and inclusion? They are two different areas and it is important to be clear about the definition for each one.
 - In relation to smaller business there is reference to the wellbeing of business owners. Taking into consideration the view about gentrification and feeling left behind. We would suggest consideration is given to mental health support for local business owners too.
 - Digital inclusion is another area of the strategy but again we are unclear about how the ambition matches with the approaches to deliver.
- **Any suggestions about how we develop a new set of measures to help monitor and track how inclusive Hackney's local economy is?**
 - The Commission is pleased there is a focus on perception and a metric on how people feel in relation to the outcomes. However we are interested in how this will be measured. We hope the measurement will not just be concerned with if people feeling safe or confident but that the perception metric is accompanied by a material metric.
 - If the council plans to use crime, safety and security as a metric or indicator of an inclusive economy. We would suggest the Council considers if crime works against creating an inclusive economy and therefore is an indicator of a non-inclusive economy.

Overview & Scrutiny

Overall the Commission is of the view this is a very positive strategy and there are good top line strategies.

We look forward to hearing from you.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mete Coban'.

Cllr Mete Coban
Chair, Skills, Economy and Growth Scrutiny Commission

CC:

Stephen Haynes – Director • Policy, Strategy and Economic Development

Sonia Khan – Head of Policy and Partnerships

Andrew Munk – Head of Employment and Skills

Suzanne Johnson – Head of Area Regeneration

Rachel Duke – Policy and Insight Manager



<p>Skills Economy and Growth Scrutiny Commission</p> <p>16th September 2019</p> <p>Cost of Living and Public Sector Recruitment</p>	<p>Item No</p> <p>5</p>
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OUTLINE

The Commission noted the growing concern about the disparity between the cost of living (particularly for inner London boroughs) and public sector pay.

The Commission decided to explore this topic with the Council to understand the recruitment strategies being deployed or adopted to manage any challenges they face with public sector recruitment.

The Commission invited the following guest to this discussion:

- London Borough of Hackney
- Headteacher
- Trade Union
- Recruitment Agency for public sector workers.

All guests invited to the meeting were asked the following questions:

1. What evidence do you have about the economic drivers that result in the disparity between public sector salaries and the cost of living in inner London?
2. Are there specific drivers impacting on our local economy? Is Hackney borough in any way unique?
3. Is there an issue in relation to age and seniority? If yes, what are the issues around retention as staff gain in seniority? Is it harder to recruit and retain younger staff?
4. What relationship is there between private renting - the costs and the lack of security - and the challenges of recruiting and retaining staff?
5. What income brackets are most affected by this?
6. Are there particular roles that are hard to fill as a consequence?
7. Has anyone modelled what might happen if there was a rise in interest rates on the affordability of living in Hackney for public sector workers?
8. What is the definition of a key worker and what job roles are classed as a key worker?

To the Council

9. In reference to question 8. Does the Council apply this definition to its housing developments? If yes, how does the Council apply this?
10. Has or is the Council experiencing challenges in relation to recruitment? If yes, what job roles or incomes bands are most affected?
11. What is the Council's recruitment strategy to mitigate any negative impacts?

Background Information in the agenda

- London Borough of Hackney - **response to questions**
- Hackney Learning Trust - **response to questions**
- House of Commons Briefing Paper – **Public Sector Pay**
- Institute for Fiscal Studies – **briefing note on Public Sector pay: still time for restraint**
- Recruitment and Employment Confederation – **Is the Public Sector on the brink of a major recruitment crisis**
- TUC - **Public Sector Pay report.**

ACTION

The Commission is requested to note the reports, presentations and ask questions.

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SEG Meeting: Cost of Living and Public Sector Recruitment

Questions

1. What evidence do you have about the economic drivers that result in the disparity between public sector salaries and the cost of living in inner London?
2. Are there specific drivers impacting on our local economy? Is Hackney borough in any way unique?
3. Is there an issue in relation to age and seniority? If yes, what are the issues around retention as staff gain in seniority? Is it harder to recruit and retain younger staff?
4. What relationship is there between private renting - the costs and the lack of security - and the challenges of recruiting and retaining staff?
5. What income brackets are most affected by this?
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7. Has anyone modelled what might happen if there was a rise in interest rates on the affordability of living in Hackney for public sector workers?
8. What is the definition of a key worker and what job roles are classed as a key worker?
9. In reference to question 8. Does the Council apply this definition to its housing developments? If yes, how does the Council apply this?
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Responses

1. What evidence do you have about the economic drivers that result in the disparity between public sector salaries and the cost of living in inner London?

Overview of broad trends impacting on the local economy

The Draft Inclusive Economy Strategy looks at the broad trends impacting on London's Economy, on Hackney's local economy and its workforce. These include:

- In recent years London and Hackney's economy has continued to grow. Our borough has seen more new business set up here, higher rates of employment and lower levels of unemployment and economic inactivity. This is despite the financial crash in 2008 and more recently the uncertainties facing the economy as a result of Brexit and continuing trade tensions between the US and other countries. In the UK and London as a whole, unemployment and economic inactivity levels are now at record lows and employment levels at record highs.
- Changes to the labour market, including the hollowing out of London's jobs market with an increasing concentration in well paid, highly skilled jobs and in low paid, low skilled jobs.
- Low growth in household earnings since the recession in the UK, particularly amongst low earners and as a result it has experienced a rise in in-work poverty. In work poverty is now a bigger issue than pensioner poverty or poverty in households where no one works¹.
- Change seen in the nature of employment in the UK and London, with a rise in both part-time employment and in insecure forms of employment including temporary and zero hours contracts.
- Business leaders and residents share concerns about how affordable the borough will be for the next generation of residents and workers. Local Businesses are

¹ Institute for Fiscal Studies March 2018 Poverty and low pay in the UK: the state of play and the challenges ahead <https://www.ifs.org.uk/publications/11696>

concerned about recent rises in local business rates, the increasing unaffordability of workspace in our borough and the challenges of trading on the high street. These pressures on small businesses limit their ability to invest in their workforce.

- Poverty and inequality are still too high in our borough and some local neighbourhoods remain amongst the most deprived in the country.

The Draft Strategy looks at the structural inequalities in the labour market in Hackney - i.e. - at the groups of residents who are more likely to experience disadvantage in the labour market here.

A range of factors are changing the nature of skills and work opportunities in the UK including technological change and advances in automation and artificial intelligence and the need to respond to climate change, urbanisation, an ageing population, rising inequality and globalisation.

The draft strategy commits us to finding ways to better support the local workforce to keep pace with these changes and to learn new skills across their working life.

2. Are there specific drivers impacting on our local economy? Is Hackney borough in any way unique?

The broader changes impacting on London's economy are also impacting on the local economy.

Factors likely to have a particular impact in Hackney include:

- **Hackney and East London has seen continued strong growth in highly skilled, well paid employment in technical and professional business services.** Hackney, along with several East London Boroughs (Tower Hamlets, Newham etc) has seen good growth in businesses and employment in these sectors and this is expected to continue.
- **Housing affordability issues combined with lower earnings.** Hackney has experienced significant rises in housing costs, including rises in rents in the private rented sector, and a greater proportion of households are now private rented sector tenants than ten years ago.

What is notable for Hackney and some other East London boroughs (e.g. Newham, Barking and Dagenham), is that local residents and local workers here earn less than Londoners in general, so it is likely to be more challenging for residents to deal with sharp rises in housing costs and other rises in the cost of living.

Hackney residents in full-time work earned a median gross weekly income of £613.30—slightly less than full-time workers in Hackney who earned a median gross weekly income of £626.90. Both London residents and London workers earned more than Hackney residents and Hackney workers.²

- **National welfare and housing reforms have had a greater impact on household incomes here than in other local areas.** Household incomes in Hackney have been significantly affected by changes to national welfare and housing benefits; particularly the roll out of Universal Credit in October 2018 and the continued impact of the tightening of the benefit cap.

² Qualifications and Earnings, Local Economic Assessment London Borough of Hackney, 2017

Research by Sheffield Hallam University estimated that Hackney is in the top 50 districts in Great Britain (Scotland, England and Wales) affected by changes to welfare since 2015 with a £410 annual loss for each working age adult³.

Hackney is the sixth most affected Local Authority in Great Britain by the freeze to Local Housing Allowance with an annual loss of £120 for each working age adult⁴.

- **Impacts of Austerity on local spending** Hackney Council's government grant has been cut from £310m in 2010/11 to £180m in 2018/19. Next year it is expected to be just £170m - a total reduction of £140m, or 45%. Per head of population we have seen the biggest funding cut of any London borough at £512. Compounding the reduction in funding has been increasing demand for Council services, a demand which is forecast to continue growing. We have had to reduce management costs and back office costs, to avoid making significant reductions to local public services or increasing charges⁵.

3. Is there an issue in relation to age and seniority? If yes, what are the issues around retention as staff gain in seniority? Is it harder to recruit and retain younger staff?

The Council is keen to create accessible routes into our workforce for Hackney residents of all ages. Hackney monitors and publishes its workforce data on an annual basis so we can analyse this information as part of our commitment to supporting and harnessing a diverse workforce for the benefit of service users.

There are a wide range of initiatives to support a modern and diverse workforce and bring in young people, for example, apprenticeships and work experience. We've also started to introduce e-learning as a tool for staff with different learning styles and home workers

The Council's workforce is older than the profile of the borough as a whole. For instance, 53% of the borough are aged 20-39, whereas only 36% of council employees fall into this age bracket. 38% of our employees are aged 50-69, compared to only 19% of the borough⁶.

In terms of starters, 61% of all starters in 2017/18 (the last year for which data is currently available) were aged under 40, indicating that we do not have an issue with attracting younger employees. 49% of leavers during this period were aged under 40 and so, whilst the workforce is gradually ageing, we are still able to attract and retain younger employees⁷.

In terms of seniority, it does tend to be older employees who are more senior, as they gain in experience, which is a feature of the workforce as a whole.

We also publish both the gender and ethnicity pay gap. We are keenly conscious that there remains under-representation of certain communities in our workforce and there is still under-representation of BAME staff at senior levels. We have also taken the decision to undertake an ethnicity pay gap, despite the fact that this is not yet required by law, because of our commitment to fairness and to enhancing the diversity of our workforce.

We are committed to take practical action to address these disparities. We are taking steps to foster and promote an inclusive leadership culture, in which managers feel more confident in promoting equality and addressing workforce diversity.

Full data is available in the Council's workforce profile, published online in the "[knowing our workforce](#)" section of the Council's public website.

³ The uneven impact of welfare reform: the financial losses to places and people, Sheffield Hallam University, 2016

⁴ Ibid

⁵ Hackney's Corporate Plan 2018 - 2022, London Borough of Hackney, 2018

⁶ Hackney's Workforce profile report 2017/18

⁷ Ibid

4-6. What relationship is there between private renting - the costs and the lack of security - and the challenges of recruiting and retaining staff? What income brackets are most affected by this? Are there particular roles that are hard to fill as a consequence?

The high cost of housing in Hackney and London, both in terms of house purchase and rent, is having an impact on recruiting and retaining staff. High house prices, and barriers to securing a mortgage, mean that private renting is the main housing option available to staff on medium incomes. But private renting in the borough is also expensive and insecure, offering little stability to tenants, especially to families or those who plan to start a family.

Two in three businesses surveyed by London CBI reported that the costs and availability of housing were having a negative impact on recruitment. Three in five are struggling to retain mid-level managerial staff (CBI London, 2018). The recruitment and retention of entry-level staff in London is particularly challenging. Where businesses cannot access and keep the staff that they need, they will struggle to grow. With eighty percent of CBI firms surveyed pessimistic about housing affordability over the next one to three years, recruitment and retention difficulties could worsen.

High housing costs are also likely to be having an impact on recruitment and retention of Hackney's key public sector workers, who generally earn low and medium incomes. Research by Unison found that the average NHS porter in Hackney would need to spend 107% of their monthly take home pay to afford the average rent for a one bedroom flat in the borough. With nurses, PSCOs, teaching assistants and refuse drivers all requiring over 80% of their take home pay to afford a one bedroom rental property.

At a recent focus group with the Council's social workers, most were living in private rented housing outside Hackney borough, in relatively cheaper areas of North and East London. Although home ownership was still an aspiration for most, it was seen as out of reach in London.

Facts

- Despite the dampening effect of Brexit, the average house price in Hackney remains high, at £570,000, which is beyond the reach of most Hackney residents on medium incomes. Aside from the affordability of mortgage and service charge repayments, there are barriers to residents accessing home ownership, such as the requirement for a high deposit and mortgage providers' stringent lending rules.
- The lack of affordable housing to buy has contributed to a doubling in the size of the private rented sector in Hackney over 10 years, which now houses around a third of all Hackney's residents.
- But private renting is also expensive, with the average rent for a two-bedroom flat currently £1,800 per month. This means it is very difficult to save for a deposit and many younger singles and couples share larger private rented properties with others.
- As well as being expensive, private renting is currently insecure, with landlords being able to give notice to evict tenants after a fixed term, often only 6 months, without giving a reason. This is known as a S.21 'no fault' eviction (after the relevant section of the Housing Act 1988).

What income groups are affected by high private sector rents?

- This partly depends on what size of property is required (number of bedrooms) and whether a household is willing to consider sharing. It is estimated that an annual household income of £54,500 p.a. would be needed to afford an average one-bedroom privately rented flat, while £65,500 p.a. would be needed to afford an average two-bedroom flat.

- At the lower end of the scale, an estimated annual income of £25,100 p.a. would be needed to afford to rent an average room in a shared house.

What the Council is doing?

- Through its own housebuilding programmes and working with housing association partners, the Council is doing what it can to help address the current housing crisis in London and beyond, by increasing housing supply, and providing genuinely affordable housing for residents on low and medium incomes. Shared ownership housing (part rent, part buy), is available on most new housing developments in the borough.
- A Council-owned housing company has been set up, which will let new homes at private rent and Living Rent (rents set at one third of average ward incomes). Priority will be given to households living and working in the borough.
- Provides an interest-free tenancy deposit loan scheme for employees, up to a maximum of £3,000.
- For the last three years, the Council has campaigned for a better private rented sector, including greater security for tenants and more affordable renting (hackney.gov.uk/better-renting)
- The Council is developing an intermediate housing strategy that seeks to help meet the needs and aspirations of residents on medium incomes.

What is the Government doing?

After years of campaigning by the Council and others, the Government has:

- Banned most of the fees charged by letting agents and landlords to new private tenants, from June 2019.
- Capped tenancy deposits to a level of no more than five weeks' rent.
- Consulted on ending S.21 'no fault' evictions so that, if the new Government proceeds with the proposals, landlords would have to give a specified reason for evicting a tenant and enforce this through the courts.

7. Has anyone modelled what might happen if there was a rise in interest rates on the affordability of living in Hackney for public sector workers?

We will keep this under review should there be a change in interest rates. A rise in interest rates would impact on the affordability of mortgages, which would particularly affect homeowners on low and medium incomes, including many public sector workers. The effect on private rent levels is less predictable, but many landlords are also paying mortgages on their properties.

8 & 9. What is the definition of a key worker and what job roles are classed as a key worker? Does the Council apply this definition to its housing developments? If yes, how does the Council apply this?

Hackney does not have a 'key worker' policy but does have policies to prioritise households on low and medium income bands living or working in the borough. There is no universally agreed definition of what constitutes a 'key worker'. Most key worker schemes have focused on groups of public sector employees who provide essential services, and who may find it difficult to secure affordable housing in the local housing market. In many cases, employment of these workers is affected by recruitment and retention problems because of high housing costs.

Key worker schemes prioritise groups for affordable housing opportunities, usually including some or all of the following: nurses, teachers, police officers, firefighters and social workers. Most would agree that these are key workers. However, a problem with the concept of prioritising 'key workers' is that it inevitably excludes many other groups of workers who could claim, with good reason, to be providing essential services in the local community. Prioritising specified key worker groups for affordable housing opportunities may therefore be seen as unfair by the groups that are excluded.

In response to this dilemma, when prioritising households for intermediate housing, such as shared ownership and Living Rent, the Council gives priority to households on medium income bands living or working in the borough. A similar approach is taken by the Mayor of London to intermediate homes funded by the GLA.

Through development of an intermediate housing strategy, the Council will promote affordable housing opportunities to key worker groups and seek to understand and meet their housing needs and aspirations.

10 & 11) Has or is the Council experiencing challenges in relation to recruitment? If yes, what job roles or incomes bands are most affected? What is the Council's recruitment strategy to mitigate any negative impacts?

Introduction

The London Borough of Hackney is a large employer. We directly employ around 4,400 staff according to the draft workforce strategy in a wide variety of roles. Every year, we receive around 15,000 job applications and recruit to between 450-600 jobs at all levels of the organisation. The workforce profile, available on the Council's public internet site, gives more detail about the breakdown of our workforce and our new starters each year.

With the scale of our operation, a dedicated recruitment team is required and this team carry out a full recruitment service for our managers, from taking the brief to placing the adverts, sending the applications to management to shortlist, liaising with candidates and sending out offer letters, to completing pre-employment checks.

Detailed management information is collected on applicants and where posts are hard to fill, the recruitment team discusses the options with managers. Improvements have been made over the past 18 months to the processes in recruitment and in particular the way that the council deals with posts that require a Disclosure and Barring service check with the result that the time between a conditional offer being issued to a candidate and the time they start with the council is now down to less than a month on average. This is important to ensure that the Council does not lose good candidates.

Recent recruitment campaigns

In the main, our recruitment campaigns are successful. Appendix 1 shows data from 1st January to 31 May 2019 for the following categories of posts which are of particular interest to the Committee:

- A) Scale 1-6 posts excluding apprentices
- B) Apprentices specifically
- C) Social workers

As the data shows, our apprentice posts are particularly attractive to applicants, and there is not generally an issue with the volume of applications for most posts at scale 1-6. It should be noted that many of the posts with fewer applicants were advertised internally only as part of organisational change being implemented and thus lower numbers of applicants were expected.

Applicant numbers are also encouraging for most social work posts, and a highly successful bespoke campaign was run in 2018 to recruit social workers in adult services. There is also good practice in terms of bespoke campaigns that have been highly successful in ICT and Regeneration.

Areas of challenge

Over the past 12-24 months, there have been some posts which have been more challenging to recruit to. These posts and the action taken is detailed below:

- **Senior Infrastructure Engineers (ICT):** We were able to appoint at the Infrastructure Engineer level but not the senior level so have decided to train those at the junior level in preparation for the more senior roles.
- **Senior ICT Delivery Manager and ICT Delivery Manager:** Both have been hard to fill so we have started using different advertising routes, in these cases advertising the roles on the Civil Service Jobs board as secondments.
- **Category Leads (Procurement):** We offer a competitive salary in comparison to neighbouring Local Authorities, however it is still lower than the private sector and thus a market supplement is being considered to attract the desired calibre of applicant.
- **Programme Managers (Public Health/ CCG):** These have been hard to fill for both us and the CCG, we advertise these roles regularly on our sites and the NHS. This is being discussed with the NHS with a view to finding a solution.
- **Developers - (ICT):** This is a difficult role to recruit to. We have put in place bespoke recruitment campaigns and market supplements, however turnover remains relatively high. This is under discussion with ICT.
- **Strategic Property:** Building Surveyors and Assess Management - This is a long standing issue. Working as a consultant is very common in this area and salaries for permanent staff do not compete. This is being discussed with Strategic Property.
- **Senior Accountancy:** We are seeing employees move to jobs outside of London at the moment, and will be discussing the issues with Finance.
- **Planning:** The issue appears to be salary compared to what candidates can earn in the private sector and this is under discussion with planning.
- **Senior Practitioner- Adult Services:** This is the only Social Worker role that we struggle to recruit for across Children and Adult Services. This is the position between Social Worker and Consultant Social Worker. The issue is being discussed at the workforce development board with a view to finding a solution.
- **Asbestos Manager / Risk Assessors:** Initially calibre of applicants were low advertising through the Guardian. Successfully recruited using specialist media and market supplement.
- **Parking Technical Services Manager:** Initially calibre of applicants were low. Successfully recruited using specialist media.

Action taken so far

The Council recognises that recruitment in some areas is challenging and the challenges are highly likely to increase. We have already taken action, which has included launching a market supplement scheme to ensure we can compete with the market for salaries where individual roles demand it. This is used most widely in ICT, Regeneration and social work (in social work via an extended grade range) and is also used for specific posts in other areas where evidence shows it is needed. We have also very recently launched a new recruitment website with the capability to be far more advanced in terms of bespoke recruitment campaigns and attracting candidates.

Over the past four years we have invested in growing our suite of employee benefits, which is now sector leading with new benefits such as salaryfinance (low cost loans), wigestream (early access to pay), Vectis (wide ranging employee discount scheme) and loans for tenancy deposits being recent additions.

We have a rolling programme of updating HR policies, to proactively address specific issues. In 2015, we became a Timewise Council and transformed our flexible working policy in 2016 and, in 2018, we made changes to our leave for parents of premature babies and brought out bereavement leave policies up to date.

We are introducing more inclusive recruitment practices, in line with the Council's Inclusive Leadership Strategy, and aim to increase diversity at more senior levels in the organisation. As a first step we have recently introduced blind recruitment so that at the first stage of recruitment, managers will not see identifying features such as name and gender.

Planned work

A workforce strategy is in development that will address the challenges in more detail. This specifically recognises the recruitment challenge we are likely to face in the future, and will include actions such as a strategic council-wide approach to recruitment, bringing together like jobs to run bespoke campaigns as well as focussing on succession planning and talent development internally and growing our own. It will also focus on employee development so that we continue to train our employees and can reduce our reliance on the external market for our more senior roles. We aim to increase the attractiveness and visibility of our employer brand by improving our presence on social media recruitment sites such as LinkedIn.

We see local recruitment as important to increasing the stability and resilience of the workforce, as well as a way of potentially filling jobs in hard to recruit areas. Hackney has a highly skilled and educated resident base, and a high proportion of residents in social housing on affordable rents. We will be launching a local recruitment campaign, highlighting the benefits of local working, losing the commute, and contributing to local services. We will set targets for the proportion of applications that we get from Hackney residents for our jobs, as well as aim to increase the proportion of our workforce that lives in the Borough. We have already had success in this area with the local apprenticeship programme, which we are aiming to build upon.

We will keep the success of our recruitment campaigns under review and consider whether additional action is required, whether that be on a specific job basis or wider across the organisation.

Appendix

Jobs Scale 1-6

Job Title	Grade	Total Number of Applicants
Property Sales Assistant	Scale 5	54
Credit Controller	Scale 6	3
Highways Inspector	Scale 6 - SO1	3
Heritage (Schools) Officer	Scale 5	36
Labourer/Driver	Band 1 - 9 (Labourer)	46
Brokerage Assistant - Adult Services	Scale 6	2
Events Assistant	Scale 5	1
Corporate Business Support Officer	Scale 5	6
Financial Inclusion Officer	Scale 6	7
Technical Support Officer X 2	Scale 6	5
Land Charges Officer	Scale 6	3
Weekend Customer Service Assistant	Scale 3	196
Leasehold Finance Technician	Scale 6	12
School Crossing Patrol Officer	Scale 1	23
Education Co-ordinator	Scale 6	4
Administration, Finance and Funding Officer	Scale 6	3
Assistant Youth Worker	Scale 4	69
Project Support Administrator	Scale 5	4
Revenue Officer (Inspection)	Scale 6	17
Brokerage Assistant	Scale 6	5
Out of Hours Coordinators – The Integrated Independence Team	Scale 6	61
Out of Hours Coordinators – The Integrated Independence Team	Scale 6	61
Courier	Scale 4	56
Customer Services Officer	Scale 6	17
Pause and MNS Coordinator	Scale 6 - SO1	3
Operational Support Officer	Scale 6	57
Business Processing Officer	Scale 4 - Scale 6	49
Customer Service Agent	Scale 5	315
School Crossing Patrol Officer	Scale 1	7
Operational Support Officer	Scale 4	26
Contracts Monitoring & Support Officer	Scale 6	12
Administration Officer	Scale 6	103
Recycling Assistant	Scale 6	73
Library Assistant	Scale 4	4
Payroll Officer	Scale 6	2
Library Assistant	Scale 4	9
Energy Support Officer	Scale 6	12
Administration Officer (Civil Protection Service)	Scale 6	2

Job Title	Grade	Total Number of Applicants
Trainee Solicitor	Scale 6	4
Leasehold Services Officer	Scale 6	29
Markets Service Officer (22 hours per week)	Scale 5	22
Market Service Officer (15 hours per week)	Scale 5	12
Market Service Officer (36 hours per week)	Scale 5	14
TMA Permitting Officer	Scale 6 - SO1	25
Customer Service Agent	Scale 5	11
Storekeeper	Scale 6	56

Apprentices

Job Title	Grade	Total Number of Applicants
Hackney Apprenticeship Programme	Scale 2 - Scale 4	126
Hackney Council Apprenticeship Programme - Trades	Trade Apprentice	114
Hackney Council Apprenticeship Programme	Scale 2 - Scale 4	185
Hackney Council Apprenticeship Programme - Part Time Roles	Scale 2 - Scale 4	134

Social Workers

Job Title	Grade	Total Number of Applicants
Consultant Social Worker - Children & Families Service	PO6	13
Social Worker - Children & Families	PO2 - PO3	13
Consultant Social Worker - Children & Families Service	PO6	6
Senior Practitioner - Adult Services	PO4	11
Forensic Social Worker – Senior Practitioner	PO3 - PO4	1
Social Worker - Adult Services	PO2 - PO3	57
Consultant Social Worker - Adult Services	PO5	9
Senior Practitioner - Occupational Therapist	PO4	7
Independent Chair - Consultant Social Worker	PO6	2
Mental Health Social Worker	PO2	12
Qualified Children's Practitioner	SO1	29
Mental Health Social Worker - AMHP	PO3 - PO4	5

Senior Practitioner - Rehabilitation	PO4	1
Senior Practitioner - The Integrated Independence Team	PO4	1

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Overview & Scrutiny

Skills Economy & Growth Scrutiny Commission

Date of meeting: 16 September 2019
Title of report: Cost of living and public sector recruitment – response from Hackney Learning Trust (HLT)
Report author: Annie Gammon, Director of Education, Head of HLT and Jo Larkin, Head of HR
Authorised by: Annie Gammon, Director of Education, 3 September 2019
Brief: This is a response from Hackney Learning Trust (HLT) re cost of living and public sector recruitment. Questions set by the panel 8. What is the definition of a key worker and what job roles are classed as a key worker? To the Council officers 9. In reference to question 8. Does the Council apply this definition to its housing developments? If yes, how does the Council apply this? 10. Has or is the Council experiencing challenges in relation to recruitment? If yes, what job roles or incomes bands are most affected? 11. What is the Council's recruitment strategy to mitigate any negative impacts?

HLT/education response

Point 9: The definition of a key worker in terms of housing priority is not used in Hackney for teaching or other school staff. We would welcome any support with housing that could be given by introducing this definition and related benefits.

Point 10: We do not have quantitative data re recruitment issues. However, based on feedback from headteachers the difficulties in recruitment and retention are particularly acute in the following areas:

- Secondary Maths and Science teachers
- Retaining teachers when they wish to buy a home and/or when they have children and want a larger home – there is an impact with retaining teachers who are approximately five years into their profession. A number of teachers also leave to work abroad for a period, often when they are in their mid/late twenties.

Point 11: Hackney schools generally have a good reputation so they are relatively popular in terms of recruiting newly qualified teachers (NQTs). Younger teachers are often from London or welcome the chance to work in London.

There are a number of key aspects of provision which could help teacher recruitment and retention:

	School based	HLT influence/provision	Possible developments
Training schemes for new teachers	<ul style="list-style-type: none"> • Apprenticeships are used in two federations. • Teach First and Schools Direct which provide school based training are used in a number of primary and secondary schools. • Links with Initial Teacher Training Institutes support recruitment of trainee teachers. • There are good NQT support schemes available in the teaching school alliances and via HLT. 	<ul style="list-style-type: none"> • Sharing good practice re recruitment. • Providing NQT scheme. • Providing strong financial planning advice so that schools know their recruitment envelope. 	<ul style="list-style-type: none"> • Working further to develop and make attractive teacher training schemes for Hackney residents.
Teachers in early stages of career	<ul style="list-style-type: none"> • Good professional development opportunities 	<ul style="list-style-type: none"> • Good professional development offer. 	<ul style="list-style-type: none"> • Continuing to develop the professional development offer – including visits to other schools in Hackney.

			<ul style="list-style-type: none"> Any council support for key workers would be helpful.
<p>Teachers five years in to career and beyond</p>	<ul style="list-style-type: none"> Good professional development opportunities Ensuring middle and senior leaders have a manageable work load. Some schools give preference to their own teachers' children for school places. Federations offer chances of promotion across their schools. 	<ul style="list-style-type: none"> Good professional development offer. Share good practice re workload management/wellbeing. 	<ul style="list-style-type: none"> Ensuring that Hackney jobs are advertised widely in Hackney schools. We are revising the leadership training route offered by HLT so that it offers an even more attractive path to senior leadership. Any council support for key workers would be helpful.

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BRIEFING PAPER

Number CBP 8037, 3 May 2018

Public sector pay

By Doug Pyper, Feargal
McGuinness & Philip
Brien

Contents:

1. Public sector pay policy
2. Finances of the cap
3. Trends in public sector pay
4. Pay Review Bodies
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Summary

Since 2013 the Government has funded public sector workforces for average pay awards of 1%. During the period 2011-2013, a public sector pay freeze was in place for public sector workers excluding those earning £21,000 or less, who received pay increases of at least £250.

The pay for many public sector workers is set in light of recommendations from Pay Review Bodies, covering pay in the armed forces, NHS; the Prison Service; teachers; senior public sector workers; the police; and the National Crime Agency. The Pay Review Bodies are issued with remits from the Government and report annually. The remits restate current Government pay policy, and it is within these constraints that the Pay Review Bodies issue their recommendations.

On 12 September 2017 the Chief Secretary to the Treasury, Elizabeth Truss, [indicated](#) that the 2018/19 remits for the Pay Review Bodies may allow flexibility to depart from the 1% cap in some cases.¹ At the Autumn Budget 2017, the Government [confirmed](#) the “end of the 1% pay policy”.²

When the Coalition Government introduced the two-year public sector pay freeze in Budget 2010 the Government suggested that it would “save £3.3 billion a year by 2014-15” relative to wages rising in line with the Bank of England’s 2% inflation target.³⁴ The Government estimated that the latest incarnation of the 1% cap, introduced in Summer Budget 2015 and covering the four years up to 2019/20, would save “approximately £5 billion by 2019-20”.⁵

Average pay is higher in the public sector than in the private sector: at April 2017, median weekly earnings for full-time employees in the public sector were £599 in the public sector compared to £532 in the private sector. However, public sector workers tend to be older and more highly-educated than for the private sector as a whole, so after controlling for differences in workers’ characteristics, the gap in pay is much less.

The experience of earnings *growth* across both the public and private sector is very broad and there are a substantial number of workers who see large rises or falls in pay each year. Nevertheless, since 2012 pay increases have been more positively skewed in the private sector than in the public sector.

This briefing provides an overview of public sector pay policy; the financial implications of the cap and the cost of removing it; trends in public sector pay; and recent debate on the subject.

¹ [Public services: Written statement - HCWS127](#)

² HM Treasury, [Public sector pay: Autumn Budget 2017 brief](#), 22 November 2017

³ HM Treasury, [Budget 2010](#), HC 61, June 2010

⁴ For those earning less than £21,000 a freeze wasn’t applied. Instead such workers received an increase of at least £250 per year.

⁵ HM Treasury, [Summer Budget 2015](#), HC 264, 8 July 2015

1. Public sector pay policy

Until September 2017, the Government's public sector pay policy was as set out at *Summer Budget 2015*:

the government will ... fund public sector workforces for a pay award of 1% for 4 years from 2016-17 onwards. This will save approximately £5 billion by 2019-20. The government expects pay awards to be applied in a targeted manner within workforces to support the delivery of public services.⁶

The 1% pay policy was restated in the *Spending Review and Autumn Statement 2015*:

As announced at Summer Budget, to help protect jobs and the quality of public services the Spending Review funds public sector workforces for an average pay award of 1% for 4 years from 2016-17. This will protect approximately 200,000 public sector jobs.⁷

On 12 September 2017 the Chief Secretary to the Treasury, Elizabeth Truss, indicated that the Government was abandoning the policy:

The last Spending Review budgeted for one per cent average basic pay awards, in addition to progression pay for specific workforces, and there will still be a need for pay discipline over the coming years, to ensure the affordability of the public services and the sustainability of public sector employment.

However, the Government recognises that in some parts of the public sector, particularly in areas of skill shortage, more flexibility may be required to deliver world class public services including in return for improvements to public sector productivity.

The detail of 2018/19 pay remits for specific Pay Review Bodies will be discussed and agreed as part of the Budget process and set out in due course.⁸

Autumn Budget 2017 gave a clearer statement that the Government had ended the policy.⁹ The Budget document explained:

In September 2017 the government announced its intention to move away from the 1% basic public sector pay award policy, which is paid to public servants in addition to any incremental pay progression and allowances. The government will ensure that the overall pay award is fair to public sector workers, as well as to taxpayers, and reflects the vital contribution they make to delivering high quality public services. In 2018-19, for those workforces covered by an independent Pay Review Body (PRB), the relevant Secretary of State will shortly write to the PRB Chair to initiate the 2018-19 pay round, before later submitting detailed evidence outlining recruitment and retention data and reflecting the different characteristics and circumstances of their workforce. Each PRB will then make its recommendations in the spring or summer, based on the submitted evidence. Secretaries of State

⁶ HM Treasury, [Summer Budget 2015](#), HC 264, July 2015, p28

⁷ HM Treasury, [Spending Review and Autumn Statement 2015](#), Cm 9162, November 2015, p72

⁸ [Public services: Written statement - HCWS127](#)

⁹ HM Treasury, [Public sector pay: Autumn Budget 2017 brief](#), 22 November 2017

will make final decisions on pay awards, taking into account their affordability, once the independent PRBs report.¹⁰

Thus, while the 1% pay cap applied to previous pay rounds, the 2018/19 pay round will not be subject to the cap.

The 1% cap applies as an average across workforces rather than on an individual basis. As such, departments may distribute pay in a manner they see fit according to their own priorities, so long as the average increase in the pay bill is limited to 1%. For many workers in the public sector, pay awards are informed by the recommendations of independent Pay Review Bodies (see below), which report annually in accordance with remits set by the Government, and in accordance with public sector pay policy.

Pay for individual public sector workers is determined by a number of factors, including contractual pay progression. While the Government's policy is to phase out automatic pay progression, many workers remain contractually entitled to it, which may see their pay exceed the 1% limit.¹¹ The Treasury does not collect data on pay for public sector workers on an individual basis,¹² and as such it is difficult to estimate the current coverage of contractual progression pay entitlement.

The pay policy applies to the Civil Service "including departments, non-ministerial departments and agencies, and for public sector workers in non-departmental public bodies".¹³ The Treasury's guidance note on public sector pay and terms provides further detail on the scope of the policy, stating that it applies to "government departments and their arm's length bodies" and indicating that local authorities, including fire and rescue authorities, fall outside its scope although are expected to "operate to the same standards as the rest of the public sector in relation to decisions on senior pay and reward".¹⁴

Previous pay policy

The 1% pay cap is a continuation of earlier public sector pay policy, announced at Autumn Statement 2011:

the Government will ... set public sector pay awards at an average of one per cent for each of the two years after the current pay freeze comes to an end. Departmental budgets will be adjusted in line with this policy, with the exception of the health and schools budgets, where the money saved will be recycled¹⁵

Budget 2013 announced the continuation of the policy in 2015-16.¹⁶ Prior to the 1% cap, there was, under the Coalition Government, a two-year public sector pay freeze, from 2011. The pay freeze, announced during *Budget 2010*, applied to all public sector workers excluding those earning £21,000 or less, who received pay increases of at least

¹⁰ HM Treasury, [Autumn Budget 2017](#), HC 587, 22 November 2017, pp68-69

¹¹ [Civil service pay guidance 2016 to 2017](#), section 1.3

¹² [Public Sector: Pay: Written question - 2338](#)

¹³ [Civil service pay guidance 2016 to 2017](#), section 1

¹⁴ [Guidance note: public sector pay and terms](#), 5 February 2016, section 2.11

¹⁵ HM Treasury, [Autumn Statement 2011](#), Cm 8231, November 2011, p6

¹⁶ HM Treasury, [Budget 2013](#), HC 1033, March 2013, p24

6 Public sector pay

£250.¹⁷ Successive governments have adopted varying approaches to public sector pay, as shown below.

Conservative governments

2015 - 2017 Continuation of the 1 per cent cap.

Coalition Government

2013 - 2015 Pay award limited to an average of 1 per cent per year.

2011 - 2013 Two-year pay freeze, excluding those earning £21,000 or less (who received a pay increase of at least £250).

Labour governments

2009 "The Government believes that senior staff should show leadership in pay restraint". Pay settlements of up to 1 per cent for public sector workforces excluding staff on 3-year pay agreements. No pay rise for senior staff. No limit for the Armed Forces.

1999 - 2008 No explicit pay policy.

1998 No explicit pay policy.

1997 "Public Sector pay settlements need to be fair, affordable within existing spending plans, consistent with the good inflation prospects, and responsible in terms of a general approach to pay throughout the economy" [HC Deb 11 June 1998 c703]

Conservative governments

November 1996 Chancellor announces continuation of previous pay policy.

November 1993 - 1996 Public sector pay increases intended to be self-financing through productivity or efficiency gains.

November 1992 - 1993 1.5 per cent cap.

November 1986 - 1992 No cap.

1984 - 1985 3 per cent cap for central government.

1983 - 1984 3.5 per cent cap for central government.

1982 - 1983 4 per cent cap.

November 1980 - March 1982 6 per cent cap for central government.

November 1980 6 per cent cap for local government.

January 1980 14 per cent cap for public services.

May 1979 - January 1980 No cap.

¹⁷ HM Treasury, [Budget 2010](#), HC 61, June 2010, p45

2. Finances of the cap

2.1 Savings from the cap

When the Coalition Government introduced the two-year public sector pay freeze in Budget 2010 the Government suggested that it would “save £3.3 billion a year by 2014-15” relative to wages rising in line with the Bank of England’s 2% inflation target.¹⁸¹⁹

In the years since the freeze ended, public sector pay has been limited to an average of 1% growth, although, as noted above, this policy has been abandoned in favour of a more flexible approach to pay.²⁰ The latest incarnation of the cap was introduced in Summer Budget 2015. The Government estimated that the policy would save “approximately £5 billion by 2019-20”.²¹

2.2 Cost of raising the cap

The cost of ending the cap is not necessarily the same as the original estimate of what it would save, i.e. £5 billion by 2019/20. This is because the cap has already had effect in some years so ending it now would not cost quite as much.

The Institute for Fiscal Studies (IFS) has carried out its own analyses of the pay cap. In an article for The Times on 4 July 2017,²² the IFS’s director Paul Johnson stated that:

We spend an awful lot on employing all those nurses and teachers and doctors and soldiers and civil servants — about £180 billion each year. So another 3 per cent on public pay could cost something like £5 billion. By the end of the parliament, increases in line with inflation, or with private sector earnings, could easily cost twice that.

In a September 2017 briefing note, the IFS estimated that increasing pay scales by 1.7% per year (the increase announced for the prison service on 12 September 2017) would cost £1.3 billion in 2018-19 and £2.6 billion by the end of 2019-20; increasing pay by either CPI inflation or private sector earnings growth would cost considerably more, as the below table shows.

¹⁸ HM Treasury, [Budget 2010](#), June 2010

¹⁹ For those earning less than £21,000 a freeze was not applied. Instead such workers received an increase of at least £250 per year.

²⁰ [Autumn Statement 2011](#) announced public sector pay awards at an average of 1% for two years (2013/14 & 2014/15). [Spending Review 2013](#) announced an extension of the 1% pay award into 2015/16.

²¹ HM Treasury, [Summer Budget 2015](#), 8 July 2015

²² Also available [on the IFS’s website](#).

Estimated costs of raising the public sector pay cap
 £ billions, relative to cost of 1% earnings growth

	Public sector earnings growth per year		
	1.70%	CPI inflation	Private sector earnings growth
Cost for one year of easing (2018–19)	1.3	3.5	2.9
<i>Approximate split:</i>			
NHS	0.4	1.1	0.9
Education	0.4	1	0.9
Public administration	0.3	0.7	0.6
Police (including civilians)	0.1	0.2	0.1
HM Forces	0	0.1	0.1
Other	0.1	0.4	0.3
Cost for two years of easing (to 2019–20)	2.6	5.8	6.4
<i>Approximate split:</i>			
NHS	0.8	1.8	2
Education	0.8	1.7	1.9
Public administration	0.5	1.1	1.3
Police (including civilians)	0.1	0.3	0.3
HM Forces	0.1	0.2	0.2
Other	0.3	0.7	0.7

Source: IFS, *Public sector pay: still time for restraint?*, Table 1, 20 September 2017

These figures reflect the *additional* cost of raising the cap, compared to the existing 1% pay increase remaining in place; this means, for example, that the cost for a 1.7% increase reflects the cost of the additional 0.7%. The IFS's estimate also highlights the fact that the cost burden of increasing public sector pay would not fall equally on all parts of the sector. The NHS, education and public administration would all see much higher costs than any other part, because more people are employed in those areas.

3. Trends in public sector pay

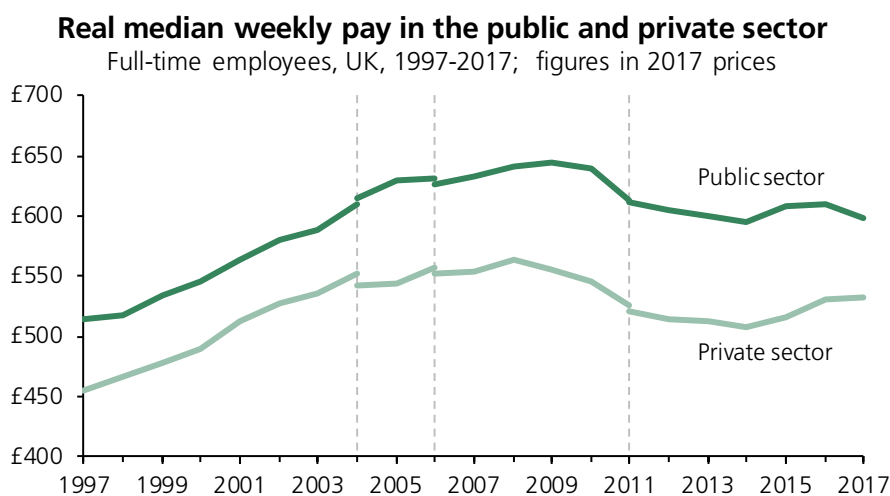
Summary

Average pay is higher in the public sector than in the private sector, but once we take into account differences in workers' characteristics, the gap narrows or is even reversed. In both the public and the private sectors, there is wide variation in earnings growth from one year to the next. Between 2008 and 2010, in the immediate aftermath of the economic downturn, pay increases were more positively skewed in the public sector than in the private sector. However, since 2012 this pattern has been reversed.

3.1 Average pay in the public sector

At April 2017, median weekly earnings for full-time employees were £599 in the public sector compared to £532 in the private sector.^{23 24}

The chart shows the trend in median pay in both sectors since 1997, adjusted for inflation. Changes between years may arise from changes to individuals' pay packets, but also from changes to the composition of the public and private sector workforces (discussed further below). The median is the middle point of the earnings distribution – the point at which half of people earn more and half earn less.



Note: Dashed lines indicate breaks in series. Figures adjusted for CPI inflation.

Source: ONS *Annual Survey of Hours and Earnings*

Earnings for those at the middle and bottom of the public sector pay distribution tend to be higher than for those at the middle and bottom of the private sector pay distribution. In particular, there is a higher share of jobs in the private sector paying close to the minimum wage than in the public sector. However, high earners in the private sector tend to be paid more than high earners in the public sector.²⁵

²³ All the figures in this section refer to employees only. The primary sources of earnings statistics do not include self-employed workers.

²⁴ ONS, [Annual Survey of Hours and Earnings, 2017 provisional results](#)

²⁵ Jenny Vyas, [Analysis of factors affecting earnings using Annual Survey of Hours and Earnings: 2016](#), Office for National Statistics, 26 October 2016, Figure 6

Why are average earnings different in the public and private sector?

Some of the difference in median earnings is attributable to differences in the workforce: employees in the public sector tend to be older and more highly-educated than those working in the private sector. Furthermore, many of the lowest paid occupations (for example, elementary sales occupations, bar and restaurant staff, hairdressers) are largely found in the private sector.

If we control for differences in workforce characteristics, then the gap in average earnings narrows or is even reversed. Analysis by the Office for National Statistics of data from the *Annual Survey of Hours and Earnings* indicates that mean hourly pay (i.e. simple average of hourly pay) in the public sector was around 1.0% less than in the private sector in 2016 after controlling for age, sex, region, occupation and job tenure. If we also control for organisation size, then mean hourly pay in the public sector was around 5.5% less than in the private sector.²⁶

Separate analysis by the Institute for Fiscal Studies (IFS) compared public and private sector pay using a different source dataset, the Labour Force Survey. Similarly to ONS, the IFS found the gap in average earnings between the public and private sector was smaller after controlling for workers' age, sex, region, education and experience. However, average pay remained slightly higher in the public sector by around 3% in 2016/17 (compared to a 12% gap before controlling for differences in workforce characteristics).²⁷

In recent years, the gap between public and private sector earnings (adjusted for differences in workforce characteristics) has widened then contracted. The gap increased between 2008 and 2011 as private sector pay fell sharply in the immediate aftermath of the recession. However, since 2011 the gap has reduced, most likely owing to pay restraint in the public sector.²⁸

However, just looking at earnings levels does not take into account more generous workplace pensions available to public sector employees. Findings from Treasury analysis, published in response to Written Questions, suggest that average total pay *including employer pension contributions* was around 9% higher in the public sector than in the private sector in 2016 (after controlling for age, sex, region, occupation, employment type and job tenure).²⁹ Excluding employer pension contributions, the Treasury analysis estimated that public and private sector pay was around the same level on average.³⁰

²⁶ Ibid, section 2

²⁷ Jonathan Cribb, [Public sector pay: still time for restraint?](#), Institute for Fiscal Studies Briefing Note BN216, 20 September 2017

²⁸ Ibid

²⁹ [PO HL1074 \[Pay\]](#), 24 July 2017

³⁰ [PO 10430 \[Pay\]](#), 9 October 2017

3.2 How has pay changed?

Common misunderstandings

In statistics on pay, most attention is paid to changes in average pay between one period and the next but these figures can easily be misunderstood. Average pay can change because individual workers see their pay change from one year to the next, but also because workers enter and exit the workforce. For example, if lots of high-paid people leave the workforce, this will push down median pay even if pay is unchanged for all those remaining in employment. Similarly, if lots of new workers enter employment on low levels of pay, this will also act to reduce the median.

Therefore, changes in average pay may not give an accurate account of how the public sector pay cap is being implemented, or how much individual workers saw their pay increase or decrease. As an alternative, we can look at the range of earnings growth experienced by employees between one year and the next.³¹ For those employees who were in work in both 2016 and 2017, there was wide variation in the amount by which their pay changed between years.

Experiences of earnings growth

A substantial number of workers in both the public and private sectors saw large rises or falls in pay between 2016 and 2017, as can be seen from the long 'tails' in the charts below. The charts show the proportion of employees working in both 2016 and 2017 who experienced different percentage changes in hourly pay, not adjusted for inflation.³²

For employees who were working in the **public sector** between 2016 and 2017, the most common pay rises were in the range 0-2%. Around 9% of employees saw no change in hourly pay (the dark green bar on the chart). Approximately 12% saw their pay increase by around 1%.³³

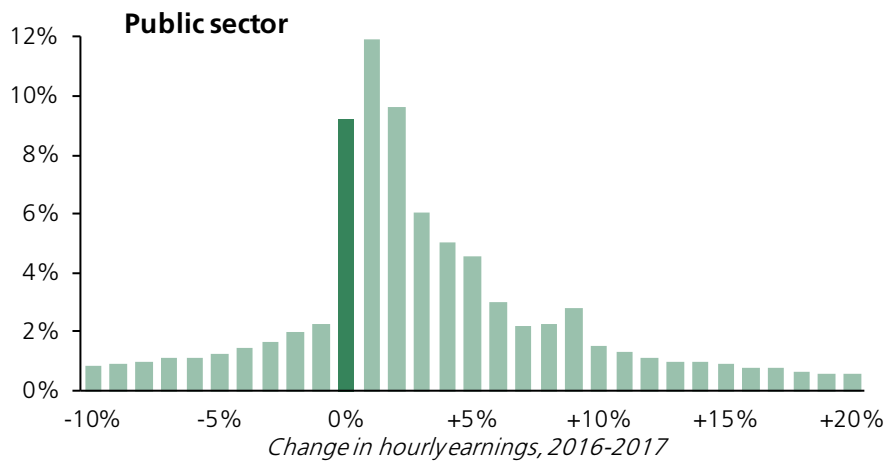
How does the wide variation in earnings growth for public sector employees reconcile with the pay cap? Some workers may have changed roles or got promoted. Others may have seen their pay increase as a result of pay progression. Public sector organisations have also taken different approaches to implementing the cap, for example to award larger pay increases to high-performing staff. Additionally, the cap does not automatically extend to all parts of the public sector: as noted in section 1, local authorities are technically outside the scope of the cap even if they are expected to operate in a similar fashion.

³¹ This sort of analysis is possible using the ONS Annual Survey of Hours and Earnings, although the survey methodology is not specifically designed to model earnings growth for individuals over time.

³² Office for National Statistics, *Annual Survey of Hours and Earnings*, [ad hoc data release](#) (reference number 007801, 30 November 2017). The original source for the data is the ONS Annual Survey of Hours and Earnings.

³³ The charts show the proportion of employees whose pay changed by within +/- 0.5% points of a given figure. For example, 9% of public sector employees in work in both years saw a change in hourly pay in the range -0.5% to +0.5%. 12% saw a change in hourly pay in the range +0.5% to +1.5%.

Share of employees by % change in hourly earnings, 2016-2017



N.B. Excludes employees who were not working in the same sector in both years.
 Source: Office for National Statistics, Annual Survey of Hours and Earnings

Turning to those employees who were working in the **private sector** in both 2016 and 2017, around 11% saw no change in hourly pay between years. More private sector employees saw large increases in pay (in excess of 10%) than in the public sector, as can be seen from the thicker ‘tail’ on the chart. The spike of employees seeing increases in hourly pay of around 4% reflects the increase in the National Living Wage in April 2017, from £7.20 to £7.50 an hour.

Shifting patterns of earnings growth

These distributions have shifted slightly from last year. 21% of public sector workers employed in 2016-17 saw their pay remain flat or increase by 1%, down from 26% of public sector workers in 2015-16.

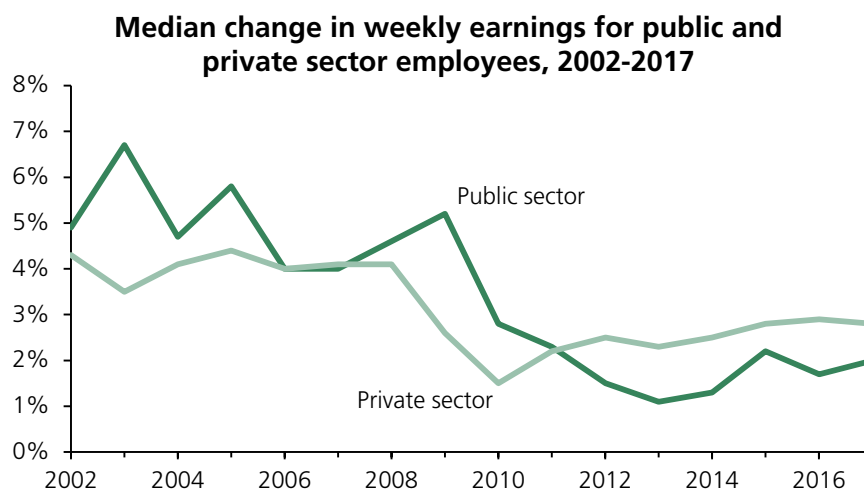
For private sector employees, the proportion of employees seeing different sizes of pay increases changed little between 2015-16 and 2016-17, with the exception that those paid at the National Living Wage saw a larger increase in pay last year.

To get a sense of how pay growth in each sector has evolved over the longer term, we can look at the trend in the median change in pay (i.e.

the point at which half of employees saw their pay increase by less, and half of employees saw their pay increase by more).

Between 2016 and 2017, median growth in weekly pay for all employees working in both years was 2.5%. The median change was 2.0% for those working in the public sector compared to 2.8% in the private sector. (These figures are for weekly rather than hourly pay, unlike the two preceding charts, so will be affected by changes in the number of hours people work.)

This continues a pattern seen since 2012, where the median increase in pay in the private sector has been larger than in the public sector. The opposite held true before 2011, when median pay growth tended to be higher in the public sector.³⁴



In other words, we can see that in the immediate aftermath of the economic downturn, the distribution of pay increases was more positively skewed in the public sector than it was in the private sector, but this pattern has been reversed since 2012. Nevertheless, median growth in pay in both sectors was considerably lower between 2010 and 2016 than it was prior to the downturn.

Of course, given the very wide range of earnings growth that employees experience, we need to be cautious about summing it up in a single figure such as the median. For example, the median change does not tell us what share of workers saw their pay decrease or remain flat.

³⁴ Office for National Statistics, *Annual Survey of Hours and Earnings*, [ad hoc data release](#) (reference number 007801, 30 November 2017). Updates analysis in ONS [Economic Review: December 2015](#), 1 December 2015. For consistency over time, employees of banks classified to the public sector in 2008 have been treated as if they were in the private sector throughout the whole period.

4. Pay Review Bodies

The Pay Review Bodies (PRBs) were introduced, over time, since 1971, and are responsible for providing independent advice to government on pay for certain groups of public sector workers. The first PRBs, established by the Heath Government in 1971, were the Doctors and Dentists Review Body, the Top Salaries Review Body (as it then was) and the Armed Forces Pay Review Body. There are now eight pay review bodies:

- Armed Forces' Pay Review Body
- Review Body on Doctors' and Dentists' Remuneration
- NHS Pay Review Body
- Prison Service Pay Review Body
- School Teachers' Review Body
- Senior Salaries Review Body (formerly the Top Salaries Review Body)
- Police Remuneration Review Body
- National Crime Agency Remuneration Review Body

The individual PRBs are supported by a secretariat - the Office of Manpower Economics (OME) - a non-departmental body sponsored by, but independent of, the Department for Business, Energy and Industrial Strategy. The OME's [page on Gov.uk](#) states that the PRBs currently

make recommendations impacting 2.5 million workers – around 45% of public sector staff – and a pay bill of £100 billion³⁵

While the specific PRB cycles vary somewhat, they all follow the same process year-on-year. Ministers issue PRBs with their remits; the PRBs commission research and receive representations, then evaluate this; the PRBs make their recommendations in a report submitted to Government and laid before Parliament; the Government then announces its response to those recommendations. The public sector pay policy is restated in the PRBs remits and they are expected to make recommendations within those constraints.

Even under the 1% cap there was flexibility for the Government to award pay settlements in excess of 1% in exceptional cases. For example, for the period 2016/17 the Prison Service Pay Review Body recommended, and the Government accepted, a 1.36% pay increase in recognition of challenges faced during a period of prison reform.³⁶ For the 2017/18 pay round, the Government stated the police would receive a 2% pay award, while the staff in prisons would receive a pay increase of 1.7% on average.³⁷

³⁵ Office of Manpower Economics, [About us](#), Gov.uk [accessed 7 July 2017]

³⁶ [Pay awards for over a million public sector workers](#), Gov.uk, 8 March 2016, [accessed 7 July 2017]

³⁷ [Public sector pay awards confirmed for 2017/18](#), Gov.uk, 12 September 2017 [accessed 6 October 2017]

Differing approaches are taken to public sector pay setting in areas not covered by PRB remits. For example, local government workers' pay and conditions are governed by a national framework – the Single Status Agreement – agreed through the National Joint Council for Local Government Services. Civil servants' pay is set at by individual departments. Firefighters' pay is set through negotiating machinery – the National Joint Council for Local Authority Fire and Rescue Services. Local government officials make up the employers' side while employees are represented by the Fire Brigades Union.

The Pay Review Body remit letters were sent out by Ministers on 7 December 2018. Each letter contained a similar statement, reiterating the move away from the 1% cap in favour of a “flexible approach”:

The Chief Secretary to the Treasury wrote to you in September setting out the Government's overall approach to pay. That letter confirmed that the Government has adopted a more flexible approach to public sector pay, to address any areas of skills shortages and in return for improvements to public sector productivity. The last Spending Review budgeted for one per cent average basic pay awards, in addition to progression pay for specific workforces, and there will still be a need for pay discipline over the coming years to ensure the affordability of the public service and the sustainability of public sector employment; review bodies should continue to consider affordability when making their recommendations.³⁸

The Pay Review Bodies are all due to report around April/May 2018.³⁹

³⁸ Rt Hon Damian Green MP First Secretary of State Minister for the Cabinet Office, [Senior Salaries Review Body 2018/19 Remit \(Senior Civil Service\)](#), 7 December 2018

³⁹ For example, the School Teachers' Review Body is due to report by “early May”, and the Police Remuneration Review Body is due to report by 31 May 2018

5. Recent debate

While public sector pay constraints have always been the subject of debate, this has intensified since the 2017 General Election. Labour moved [an amendment](#) to the 2017 Queen's Speech calling on the Government to end the pay cap:

but respectfully regret that the Gracious Speech fails to end cuts to the police and the fire service; commend the response of the emergency services to the recent terrorist attacks and to the Grenfell Tower fire; call on the Government to recruit more police officers and fire-fighters; and further **call on the Government to end the public sector pay cap** and give the emergency and public services a fair pay rise.⁴⁰

The amendment was defeated by 309 votes to 323.⁴¹

During Prime Minister's Questions on 5 July 2017, the Prime Minister was pressed repeatedly on the pay policy by the Leader of the Opposition, who asked for clarification on whether the cap remains in force:

On Monday, the announcement was that the public sector pay cap at 1% remains, and a rare moment of agreement between Nos. 10 and 11 was seen, but yesterday we heard news that firefighters will be offered 2% this year and 3% next year, so can the Prime Minister confirm whether the public sector pay cap will remain for all other public servants until 2020?⁴²

The Prime Minister responded:

For the information of the House, perhaps I can just set out what the current position is. Three public sector pay review bodies reported in March—they covered doctors and dentists, NHS staff including nurses, and the armed forces—and the Government accepted the recommendations of all three. The firefighters' award is not determined by the Government—it is determined by the employers—and is not subject to a pay review body. There are outstanding pay review body reports that cover teachers, prison officers, police officers and those on senior salaries.⁴³

Later that day, an [urgent question](#) tabled by the Shadow Chancellor of the Exchequer, John McDonnell, asked the Government to set out its public sector pay policy. The Chief Secretary to the Treasury, Elizabeth Truss, set out the policy as follows:

Government pay policy is designed to be fair to public sector workers, who work so hard to deliver these strong public services, but we must also ensure that we are able to provide those public services on a sustainable basis for the future. In many services, workers have received pay additional to the 1% national increase. Teachers had an average pay rise of 3.3% in 2015-16. More than half of nurses and other NHS staff had an average increase of over 3% in 2016. Military service personnel also saw an average additional increase of 2.4%. Salaries in the public sector remain comparable to those in the private sector. In addition, many

⁴⁰ [HC Deb 28 June 2017 c600](#)

⁴¹ [HC Deb 28 June 2017 cc699-702](#)

⁴² [HC Deb 5 July 2017 c1158](#)

⁴³ *Ibid.*, cc1158-1159

benefit from higher pension entitlements. They also benefit from the rise in the personal allowance, worth £1,000 to a basic-rate taxpayer.

We are currently completing the pay review process for 2017-18. We have accepted the pay review body recommendations made for doctors, the NHS and the armed forces. We will be looking very carefully at the recommendations on the remainder and making determinations in the usual way. As the Chancellor said on Monday, our policy on public sector pay has always been designed to strike the right balance of being fair to our public sector workers and fair to those who pay for them. That approach has not changed, and the Government will continually assess that balance.⁴⁴

Ms Truss confirmed later⁴⁵ that these pay awards in excess of the 1% policy were the result of progression pay, which, as noted above, is for many public sector workers a legal entitlement and not subject to the cap.

As noted earlier, in a written statement on 12 September 2017 the Chief Secretary to the Treasury, Elizabeth Truss, indicated that from 2018/19 public sector pay policy may allow for departure from the 1% average pay cap.⁴⁶ The end of the 1% policy was confirmed in *Autumn Budget 2017* (see above).⁴⁷

⁴⁴ HC Deb 5 July 2017 c1171

⁴⁵ Ibid., c1173

⁴⁶ [Public services: Written statement - HCWS127](#)

⁴⁷ HM Treasury, *Autumn Budget 2017*, HC 587, 22 November 2017, pp68-69;
HM Treasury, [Public sector pay: Autumn Budget 2017 brief](#), 22 November 2017

6. Related developments

6.1 Exit payment cap

[Section 41](#) of the *Enterprise Act 2016* amended the *Small Business, Enterprise and Employment Act 2015*, providing a power to cap public sector exit payments at £95,000. The section was brought into force in January 2017⁴⁸ although the regulations necessary to implement the cap have not yet been made.

On 1 March 2018 the Chief Secretary to the Treasury, Elizabeth Truss, said:

We are committed to ending six figure exit payments for public sector workers. We have legislated in the last parliament for a £95,000 cap and are currently in the process of drafting the necessary regulations to be laid in parliament.

To ensure the successful implementation of these changes, a consultation will be brought forward in the next few months.⁴⁹<http://www.legislation.gov.uk/uksi/2017/380/contents/made>

6.2 Gender pay reporting

From 2017/18, public and private sector employers with 250 or more employees are required annually to publish data on the gender pay gap within their organisations. The deadline for publishing gender pay data relating to 2017/18 has now passed. Public sector employers were required to report by 30 March 2018.

The reporting duty was given effect by the *Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 (SI 2017/353)*. The bodies subject to the duty are set out in [Schedule 2](#) to the regulations. The reporting requirements are discussed further in the Library's [briefing](#) on the gender pay gap.⁵⁰

⁴⁸ [Enterprise Act 2016 \(Commencement No. 2\) Regulations 2017](#)

⁴⁹ [Public Sector: Redundancy Pay: Written question - 129888](#)

⁵⁰ *The gender pay gap*, Commons Briefing papers SN07058

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Public sector pay: still time for restraint?

IFS Briefing Note BN216

Jonathan Cribb

Public sector pay: still time for restraint?

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This briefing note contains the author's analysis of the Labour Force Survey (LFS), which is produced by the Office for National Statistics (ONS). It is Crown Copyright, and is reproduced with permission of the Controller of HMSO and the Queen's Printer for Scotland. This briefing note builds upon previous work at IFS, in particular J. Cribb, 'Public sector pay in the next parliament', IFS Briefing Note BN210, 2017, <https://www.ifs.org.uk/uploads/publications/bns/BN210.pdf>. The author is grateful for support from the Economic and Social Research Council through the Centre for the Microeconomic Analysis of Public Policy at IFS (grant reference ES/M010147/1). The author would also like to thank Carl Emmerson and Paul Johnson for helpful comments.

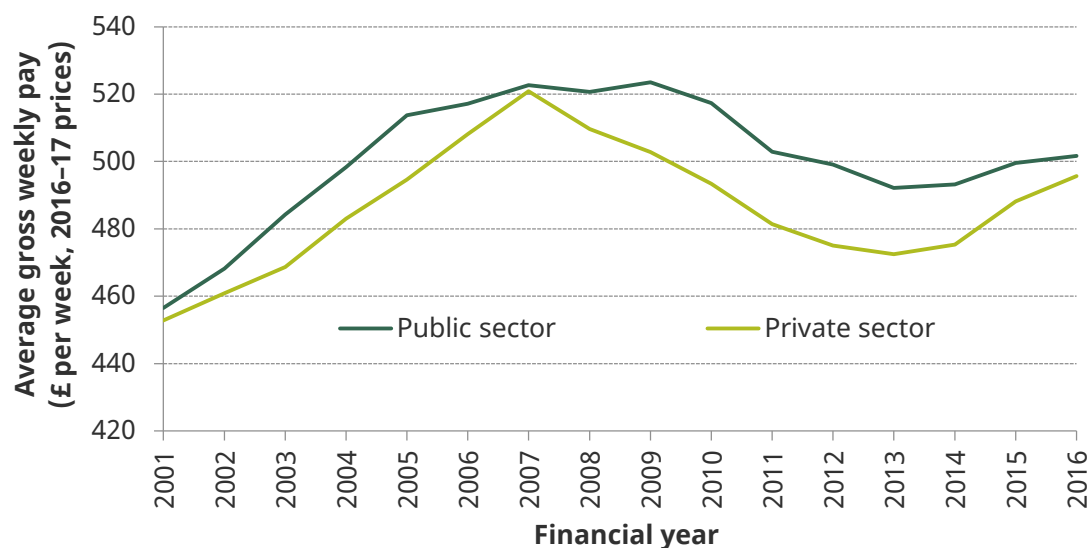
The government is considering easing the current restraint on the pay of public sector workers. It had previously announced in 2015 that public sector pay scales would only increase by an average of 1% per year up to and including 2019–20. This briefing note describes the trade-offs faced by the government when deciding how to set public sector pay.

Key findings

- Public pay restraint means that average pre-tax weekly earnings in the public sector in 2016–17 were 4% (£22 per week) lower in real terms than in 2009–10 (and in 2007–08). Mean private sector weekly pay in 2016–17 was 5% lower than in 2007–08.
- Public sector pay grew faster than private sector pay in the aftermath of the recession. Subsequent pay restraint in the public sector reversed that trend, meaning that by 2016–17 the difference between public and private sector pay had returned to its pre-crisis level. Controlling for workers' characteristics such as education and experience, average pay is quite similar in the public and private sectors.
- Continuing to increase public sector pay scales by only 1% per year in 2018–19 and 2019–20 would likely lead to growth in public pay falling significantly behind growth in private sector pay, exacerbating the emerging recruitment, retention and motivation problems in the public sector. Increasing public sector pay in line with prices or private sector earnings would likely mitigate these problems.
- Workplace pension provision in the public sector remains far more generous, on average, than in the private sector. This is despite automatic enrolment boosting pension coverage among private sector workers. 83% of public sector workers receive an employer contribution to their pension worth 10% or more of their salary, compared with only 11% of private sector workers.
- Compared with private sector pay, public sector pay is lower for highly educated workers than for low-educated workers. Indeed, the pay of lower-educated workers in the public sector is now higher relative to equivalent private sector workers than it was in 2007–08. However, graduates in the public sector have seen their pay fall relative to private sector comparators. Based on the performance of pay, it is among better-paid and higher-educated public sector workers that we might expect greater recruitment and retention issues and a more pressing need for pay increases, though there may well be cases where the converse is true. Public pay is also low relative to private pay in London and the South East and higher than private pay in most other regions.
- The public sector paybill was £181 billion in 2016–17. Therefore even small percentage increases in average pay can lead to significant extra costs for public sector employers. Increasing average public sector pay in line with either prices or private sector earnings would increase the cost of employing the 5.1 million public sector workers by around £6 billion per year by 2019–20. If the Treasury were not to provide extra funds to pay for higher pay, public sector employers would need to make cuts elsewhere. The Treasury could increase spending on departments by increasing taxes, cutting other spending or borrowing more.

Average weekly pay in the public sector in 2016–17 was 4% lower than its peak in 2009–10

Figure 1. Average real gross weekly earnings in the public and private sectors



Source: Author's calculations using ONS average weekly earnings series KAC4 and KAD8 (public sector excluding financial institutions). Adjusted for inflation using the Consumer Prices Index (CPI).

There has been significant pay restraint in the public sector since the formation of the coalition government in 2010. In 2011–12 and 2012–13, public sector pay was frozen for all but the lowest-earning workers, and since then pay scales have increased by only 1% per year on average. Under plans announced at the Summer Budget 2015, public pay scales would only rise by 1% per year up to and including 2019–20, though pay rises (for prison service staff and police officers) in excess of 1% were announced on 12 September 2017.

Figure 1 shows how mean public and private sector weekly earnings have performed over recent years, after accounting for inflation. Average public sector pay is 4% (£22 per week) lower than it was at its peak in 2009–10. It has actually recovered by a small amount (2%) since its recent trough in 2013–14, mainly driven by low inflation in 2014–15 and 2015–16. The pattern of changes in private sector pay has been very different. Average private sector pay fell sharply during and in the years immediately after the Great Recession, falling by 9% between 2007–08 and 2013–14, since when it has partially recovered. Mean private sector weekly pay was 5% lower in 2016–17 than in 2007–08. (Average public sector pay was 4% lower over the same period.)

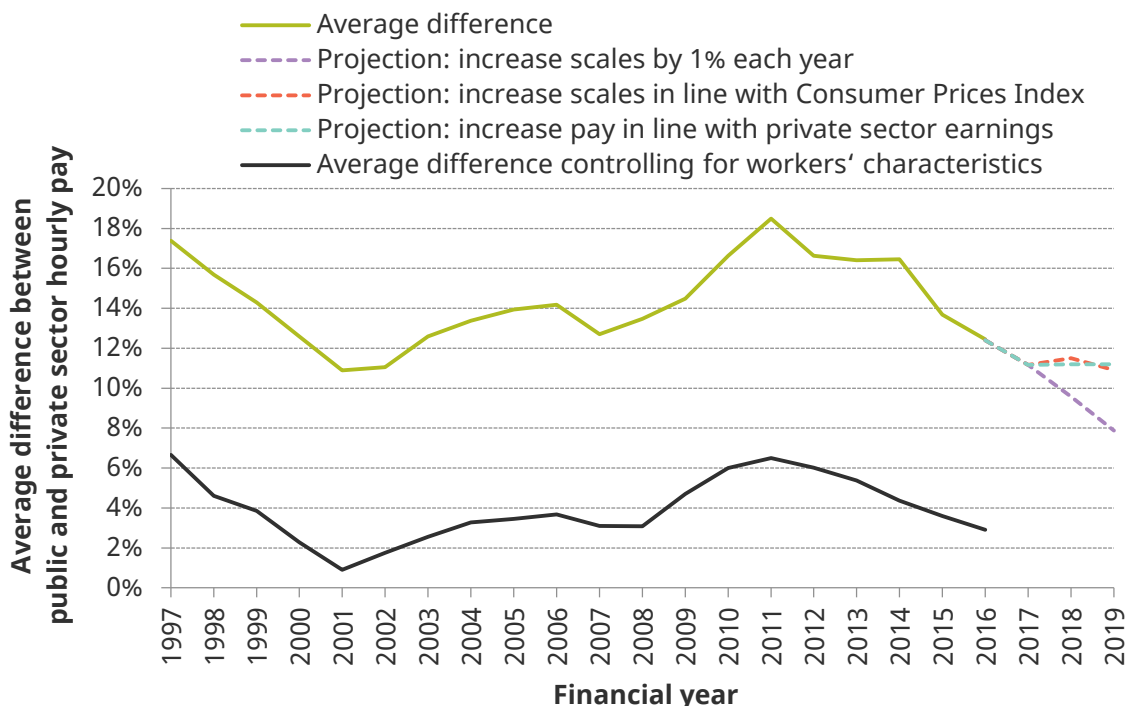
Of course, these are average changes in pay, and some types of employees will have seen bigger (or smaller) changes than this. On average, public sector workers are becoming more educated, which we would expect to push up average pay to some extent. However, this has been occurring at a similar rate in the private sector too, meaning that comparing changes over time between the two sectors remains sensible.

The statistics in Figure 1 do not account for the fact that private sector workers are more likely to work part-time and that, on average, public sector workers are more likely to be highly educated professionals who can command higher wages in the labour market. Therefore, in Figure 2, we compare average hourly pay rather than weekly. In addition, we

estimate the difference between public and private sector pay controlling for differences in the characteristics of workers in the two sectors.

Difference between public and private sector pay returned to pre-crisis level in 2016–17; differential set to fall significantly if 1% cap continues, prompting recruitment and retention problems

Figure 2. Difference between average public and private sector hourly pay, including projections under different scenarios



Note: A positive difference means that public sector pay is higher than private sector pay on average. Difference controlling for workers' characteristics controls for differences in age, sex, education, experience and region.

Source: Author's calculations using the Labour Force Survey. Projections based on author's calculations using OBR's Economic and Fiscal Outlook March 2017 and the Consumer Prices Index.

Figure 2 shows that average hourly pay in the public sector was 12% higher than in the private sector in 2016–17, but that once you control for differences between the workers in each sector, the estimated differential is much smaller. Pay restraint in the public sector has closed the gap that opened up between the public and private sectors during the recession, and the pay differential in 2016–17 was back to its pre-crisis level.

Using the Office for Budget Responsibility (OBR)'s forecasts for earnings growth from the Spring Budget 2017, we can project how the differential would change in coming years. If the government continues to increase public sector pay by only 1% per year, public sector pay is likely to fall substantially relative to private sector pay. It would mean that the difference in pay would be lower than at any point seen in the last 20 years, and well below the level seen in the early 2000s when there were shortages of nurses. Some Pay Review Bodies are currently reporting recruitment and retention problems, and further pay restraint would be likely to exacerbate such problems. If public sector pay were to

grow in line with either the CPI or private sector earnings, the pay differential would likely stabilise around its current level.

Far more public sector workers receive significant employer pension contributions than private sector workers, despite public sector pension reforms

Figure 3. Workplace pension participation and contributions in public and private sectors



Source: Author's calculations using the ONS Pensions Tables from the Annual Survey of Hours and Earnings, 2007 and 2016.

Wages and salaries are not the only form of payment that employees receive from their employers.¹ The largest and most widespread additional benefit is the provision of employer contributions to workplace pensions. Public sector employees receive much better pensions, on average, than their private sector counterparts. Figure 3 shows that while 88% of public sector workers were a member of a workplace pension scheme in 2016, only 60% of private sector workers were, although that had increased rapidly since 2007 due to automatic enrolment.

When we compare the proportion receiving substantial employer contributions to their pensions, the gap is even wider: 83% of public sector workers receive employer pension contributions worth at least 10% of their earnings, compared with only 11% in the private sector (where it has actually fallen from 17% in 2007). This difference is despite reforms to public sector pensions under the coalition government which reduced the value of public sector pensions (including replacing 'final salary' with 'career average' schemes).

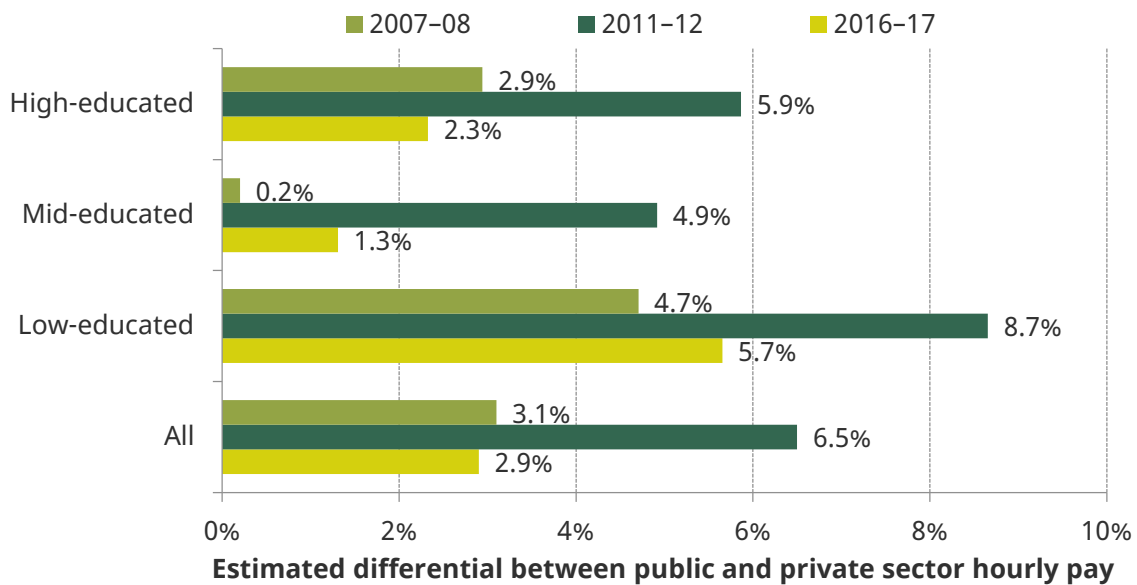
It is therefore important to remember that a significant proportion of remuneration for the public sector comes in the form of a pension, and that public sector pensions are on average worth a lot more than schemes in the private sector. Using data from 2012, Cribb and Emmerson (2016) found that including the value of workplace pensions increased the

¹ Note that the measures of pay in Figures 1 and 2 do include cash bonuses paid to employees.

public sector pay differential by 12 percentage points.² Although this effect will have fallen (potentially significantly) since then, given the differences in pension provision shown in Figure 3, the effect of including pensions on the public pay differential would still be to increase it substantially.

Differential between public and private sector pay lower for high-educated workers than for low-educated workers (and already below its 2007–08 level)

Figure 4. Differential between public and private sector hourly pay controlling for workers’ characteristics, by education group



Note: A positive difference means that public sector pay is higher than private sector pay on average. Difference controlling for workers’ characteristics controls for differences in age, sex, experience and region. ‘High-educated’ are those who have completed higher education. ‘Mid-educated’ are those with A levels or equivalents. ‘Low-educated’ are those who have completed at most GCSEs or equivalents, or have no qualifications.

Source: Author’s calculations using the Labour Force Survey.

The pay differential between the public and private sectors is not the same across the whole public sector. On average, pay at the top end in the public sector is not as high as it is in the private sector, and at the bottom end it is not as low as it is in the private sector. This can be shown by looking at the differential for groups of workers with different educational backgrounds. Most public sector workers are highly educated, with 64% of them having completed higher education, 16% having A levels as their highest qualification and 20% having at most GCSEs.

In 2016–17, the difference between public and private sector pay was considerably higher for low-educated workers (at 5.7%) than for high-educated workers (2.3%). Moreover, while the differential was not yet back to its 2007–08 level for low- and mid-educated

² J. Cribb and C. Emmerson, ‘Workplace pensions and remuneration in the public and private sectors in the UK’, *National Institute Economic Review*, 2016, 237, R30–7.

workers – that is, they are paid slightly *more* relative to private sector workers than they were in 2007–08 – for high-educated workers it is slightly below its pre-crisis level.

Particularly if this trend continues, we would expect it to become progressively harder for the public sector to recruit highly skilled and highly educated professionals, such as teachers, doctors and senior civil servants. In addition, increases to employee pension contributions in the public sector have affected higher-educated workers more than less-educated workers. For an NHS employee earning £25,000 per year, employee pension contributions have increased from 6.5% of salary in 2010–11 to 7.1% in 2016–17. For an NHS worker earning £50,000 per year, they have increased from 7.5% to 12.5% over the same period. Similar changes have occurred in other parts of the public sector.³ Coming alongside reforms that have reduced the value of public pensions (most obviously, the move from RPI to CPI indexation from April 2011), these increased contributions mean that remuneration for graduates in the public sector has fallen by more relative to the private sector than is implied by looking at pay alone, as is done in Figure 4.

While the trends on remuneration point to there being a good case to relax pay restraint for high skill workers in the public sector, there are also examples of where less well paid occupations that are struggling with recruitment and staff quality problems. This may particularly be the case where working conditions have changed and made certain jobs less attractive. For example, the 2017 Report of the Prison Service Pay Review body said,

“Staff motivation, morale and confidence in the Service are undoubtedly very low. Published figures on assaults and other forms of violence in establishments show that these are at the highest levels since 2000... In our view, the present state of the prison system means that all frontline prison staff currently face significantly greater, and growing, challenges, and this should be recognised in the pay award.”⁴

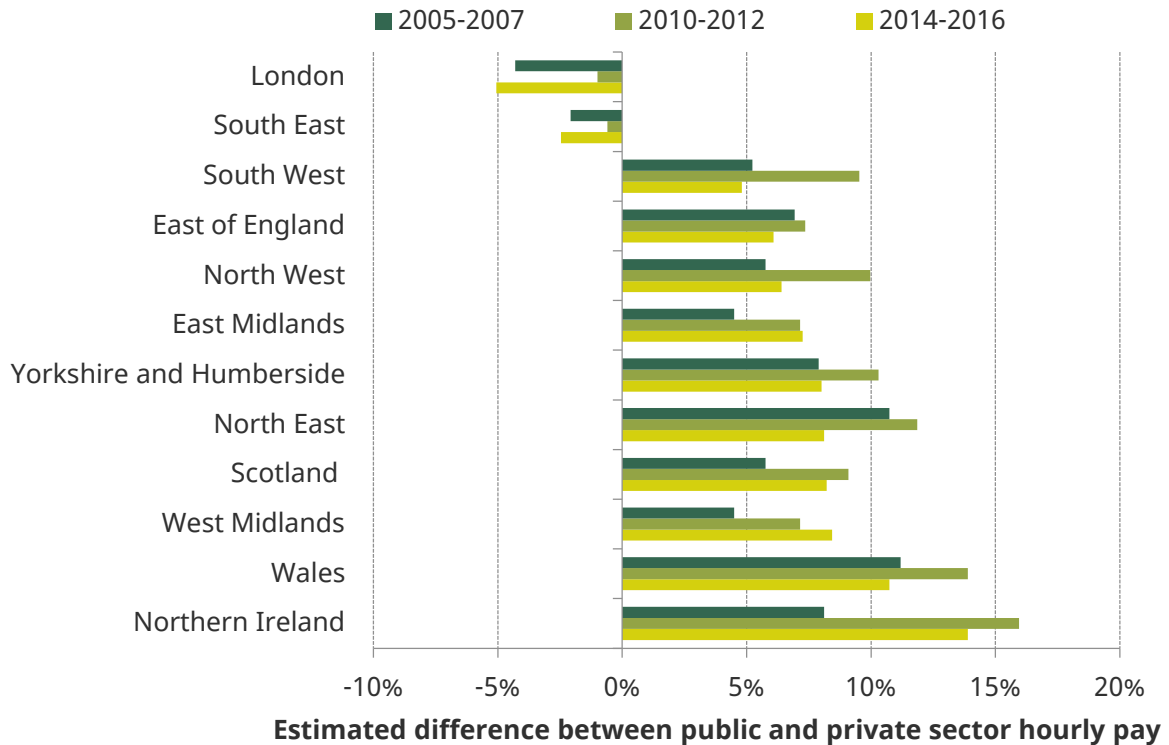
It is therefore likely that for some relatively low paid occupations, such as within prisons, higher pay could help to mitigate some of the current problems.

³ ‘Take-home’ pay will also have been reduced for many public sector workers by the ending of contracting out of National Insurance contributions for those contributing to defined benefit pension schemes in April 2016.

⁴ See pages xi-xiii of the Prison Service Pay Review Body Sixteenth Report on England and Wales 2017 Executive Summary (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/644121/60009_Exec_Summary_v0.2.pdf)

Public pay differential substantially lower in London and southern England, and below level seen prior to the recession

Figure 5. Differential between public and private sector hourly pay controlling for workers' characteristics, by region and nation of the UK



Note: A positive difference means that public sector pay is higher than private sector pay on average. Difference controlling for workers' characteristics controls for differences in age, sex, experience and education. Years are pooled together to ensure adequate sample size. Years are financial years.

Source: Author's calculations using the Labour Force Survey.

Public sector pay is much lower relative to private sector pay in southern England (particularly London and the South East) than it is in the other parts of the UK. Lower relative public sector pay in these areas has been shown to lead to lower-quality public services (specifically schools and hospitals).⁵ Moreover, while in many other areas of the country the pay differential is still well above its pre-crisis level, in southern England it is close to or below the level seen prior to the recession.

The analysis here suggests that it is likely that recruitment and retention problems are likely to be worse in southern England and for those in professional roles. A government that prioritises public service quality would therefore want to target pay rises in particular towards these groups.

⁵ See C. Propper and J. Van Reenen, 'Can pay regulation kill? Panel data evidence on the effect of labor markets on hospital performance', *Journal of Political Economy*, 2010, 118, 222-73 and J. Britton and C. Propper, 'Teacher pay and school productivity: exploiting wage regulation', *Journal of Public Economics*, 2016, 133, 75-89.

Increasing public sector pay in line with prices or private sector earnings would cost government around £6 billion per year by 2019–20, compared with keeping the 1% cap on public pay growth

There are 5.1 million employees working for the public sector (excluding nationalised corporations), employed at a total cost of £181 billion per year in 2016–17 (or 23% of all government spending). Therefore even small percentage increases in their pay imply large increases in the cost of employing these workers. Table 1 shows the increased cost to public sector employers per year in 2018–19 and 2019–20 under three scenarios, compared with if 1% pay growth remains in place. The three scenarios are: increases in public pay scales by 1.7% per year (the increase announced for the prison service on 12 September 2017); increases in line with the CPI; or for public sector pay to rise in line with private sector pay.

Increasing public pay in line with either prices or private sector earnings would imply a higher cost to employers of around £3 billion in 2018–19 rising to around £6 billion per year by 2019–20. The table also shows that, because of the size of the NHS, education and public administration (civil service and local government administration), the extra resources needed to fund pay increases for these sectors are much larger than those needed for the police or HM Forces.

Importantly, if government does increase pay faster than 1% per year but does not provide the funds to departments and local government to cover the additional costs, then the public sector employers would have to make cuts elsewhere, potentially including further reducing the number of people employed in the public sector. On the other hand, if the Treasury does provide more resources to fund higher increases in pay, then that would necessitate either higher taxes, lower spending elsewhere or higher borrowing to pay for them.

Table 1. Estimated increase in funding needed for central and local governments to increase public sector pay under different scenarios, compared with increasing pay scales by 1% per year in 2018–19 and 2019–20

Annual cost to public sector employers (£ billion)	Public sector earnings growth per year:		
	1.7%	CPI inflation	Private sector earnings growth
Cost for one year of easing (2018–19)	1.3	3.5	2.9
<i>Approximate split:</i>			
NHS	0.4	1.1	0.9
Education	0.4	1.0	0.9
Public administration	0.3	0.7	0.6
Police (including civilians)	0.1	0.2	0.1
HM Forces	0.0	0.1	0.1
Other	0.1	0.4	0.3
Cost for two years of easing (to 2019–20)	2.6	5.8	6.4
<i>Approximate split:</i>			
NHS	0.8	1.8	2.0
Education	0.8	1.7	1.9
Public administration	0.5	1.1	1.3
Police (including civilians)	0.1	0.3	0.3
HM Forces	0.1	0.2	0.2
Other	0.3	0.7	0.7

Note: Cost of increase in pay is split across parts of the public sector in line with the proportion of government employees working in each part.

Source: Author's calculations using ONS series NMXS (total compensation of general government employees), ONS public sector employment statistics, OBR's Economic and Fiscal Outlook March 2017 and the Consumer Prices Index.

Summary

Pay restraint in the public sector under the coalition and Conservative governments has reduced average public sector earnings by 4% since 2009–10. One justification for this pay restraint is that falls in private sector earnings during and after the recession meant that a gap had opened up between public and private sector pay. However, by 2016–17, the difference between average pay in each sector had returned to around its pre-crisis level. Some Pay Review Bodies have now begun to report problems of recruitment and retention.

If the government maintains the 1% pay restraint for most or all public sector workers, the difference between public and private sector pay would be likely to fall further. This would likely increase recruitment, retention and motivation problems in the public sector, and risk leading to lower-quality public services. Increases in line with prices (the Consumer Prices Index) or private sector earnings would be likely to mitigate some of these problems.

If pay restraint does continue, we might expect the recruitment problems to be particularly severe in areas where the equivalent pay in the private sector is now relatively higher. That is particularly the case for highly educated professionals and those in London and the South East. If these are the areas where recruitment problems are most severe, a government interested in public service quality should target any pay rises towards these areas.

Recruitment and staff quality problems may not be limited to occupations where pay is relatively low in the public sector. Particularly if working conditions have worsened in low paid occupations, reducing the attractiveness of these jobs – for example there has been increased violence in prisons – higher pay could help mitigate some of current problems too.

Increasing pay in line with prices or private sector earnings over the next two years rather than by 1% per year does imply a significant extra cost for public sector employers, at around £6 billion per year by 2019–20. If the Treasury does not provide these public sector employers with extra funds, they would need to make cuts elsewhere. If the Treasury does increase the funds available, to fund the higher pay settlements, it would need to raise taxes, reduce spending elsewhere or borrow more.

Is the public sector on the brink of a major recruitment crisis?



In association with:



Introduction

The REC and the Smith Institute conducted a survey of 64 agencies supplying workers into public sector organisations. The survey sought to highlight the serious and worsening recruitment challenges facing the public sector.

The respondents were agencies that supply into the healthcare, social care and education sectors. A small number supplied workers for local government services.

Key findings

- 85% of agencies supplying into the public sector rated filling vacancies as moderately difficult to very difficult.
- Over half (57%) said it is most difficult to recruit roles with higher pay – i.e. more highly skilled/specialist/experienced roles.
- 4 in 5 agencies who supply into the public sector expect demand for agency staff to increase this year. Only 5% of respondents expect demand to decrease.



85%



57%



4 in 5

Answers to public sector recruitment difficulties depend on longer-term solutions

Most recruitment agencies think longer-term solutions will help public sector organisations overcome candidate shortages and other workforce challenges.

When recruiters were asked 'What is the single most important change that would help ease recruitment difficulties in public services?' the top three answers were:

- ① Train more new entrants
- ② Improve morale in public services
- ③ Improve workforce planning and procurement

Training more new entrants

The UK is suffering from a major skills crisis. Candidate shortages are currently spanning all sectors and regions of the UK. Recruiters responded that the single most important change to ease recruitment difficulties in the public sector would be to train more new entrants. This long-term solution must be combined with a more sensible approach to skilled migration to help public sector organisations source the workers they need right now. The government must also consider whether there are enough routes into jobs in the public sector.

Improving morale in public services

This was chosen as the second most important change. Low morale isn't perhaps surprising, given that the public sector has faced cuts to funding and increased pressure to deliver services more effectively with less resource. The public sector must become more reactive to the changing labour market in order to appeal to the brightest and the best. The public sector must become a more attractive place to work. Although the removal of pay freezes and the addition of more flexible working conditions were not among the top three changes for this survey, it is possible that these would contribute to improving morale and act to entice more UK graduates into the public sector.

Improving workforce planning and procurement

Improving workforce planning and procurement was chosen as the third single most important change to help ease recruitment difficulties in the public sector. Recruitment agencies know that public sector organisations must be able to plan ahead in order to function effectively and safely.

It is most difficult to recruit for vacancies with higher pay grades

Respondents to the survey cited skilled, specialist and experienced roles as the most difficult vacancies to recruit for in the public sector. At a challenging time for the public sector, organisations are struggling to attract the talent they require to help them succeed. Doctors and senior nurses in the health service, senior HR and IT professionals, lawyers and accountants in local government and senior employees in schools and universities – who have gained vast experience, knowledge and expertise in their roles – are leaving their professions before they reach director level.

Conclusions and recommendations

**KEVIN GREEN,
CHIEF EXECUTIVE OF THE REC:**

This is a solid illustration from our members of how skills shortages are affecting all kinds of organisations, not just businesses in the private sector. Our members understand that the answer to candidate shortages rests in long-term solutions and is an indication to government that recruitment difficulties in the public sector cannot just be fixed with a sticking plaster.

Government must now focus on making public sector organisations an employer of choice, improving workforce planning and upskilling the UK's future workforce.

**PAUL HACKETT,
DIRECTOR OF THE SMITH INSTITUTE:**

As demand grows for public services we will need more public sector workers, especially those with more skills. This survey highlights the urgent need to invest in the future by supporting and training public service workers. The government must act now to head off a crisis in public sector recruitment. That means investing in training, ending the paybill freeze, and improving working conditions.

The Smith Institute

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If you want to know more about the Smith Institute contact us on: **020 7845 5847;**
info@smith-institute.org.uk;
www.smith-institute.org.uk



Methodology

The survey of 64 public sector recruitment agencies (from healthcare, social care, local government services and education) was conducted between June and September 2015. The survey was carried out online.

- Recruitment's biggest lobbying voice
- The source of recruitment knowledge
- Raising recruitment standards
- Developing successful careers in recruitment
- Exceeding members' expectations through business support.

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LIFT THE CAP

*A fair deal for public
service workers*

“Our economy should work for everyone, but if your pay has stagnated for several years in a row and fixed items of spending keep going up, it doesn’t feel like it’s working for you.”

Prime Minister Theresa May

Conservative Party Conference, October 2016

INTRODUCTION

It is 2017 and public sector workers are over half-way through a decade of government-imposed pay restraint.

The five million people delivering our public services, from job centres to hospitals, schools to local councils, have seen six years of pay freezes and pay caps that means many public sector workers will have seen their pay cut by over £2,000 in real terms.

The average public sector wage has been cut in real terms by three per cent between 2010 and 2016 using the government's preferred CPI measure of inflation, or seven per cent if we use the RPI measure that includes housing costs. However, for many public sector workers this will be significantly higher. And if the current public pay policy continues, most public sector workers will be earning over £1,000 less in real terms by the end of this parliament.

As a result, morale is plummeting and recruitment and retention of workers in many of our most in-demand services is becoming increasingly difficult. Public service staff have worked hard to maintain the quality of services. But it is an uphill struggle and many of those working in those services believe they are suffering as a result.

This short report takes a snap shot of the current situation by listening to the voices of workers employed in our schools, our NHS and our local council and emergency services.

For the sake of those services and those of us who rely on them, we hope that the prime minister and the chancellor listen to these voices and others – the employers, the providers, the independent experts – and take a new look at how we are treating the workers who are the lifeblood of the essential services at the heart of our communities.

“Morale is plummeting and recruitment and retention of workers in many of our most in-demand services is becoming increasingly difficult.”

SUMMARY OF KEY POINTS

- ▶ Six years of public sector pay restraint has had a significant impact on the living standards of five million public sector workers, with many public sector workers earning over £2K less in real terms than in 2010.
- ▶ Public sector pay is set to decline further as the government adheres to a one per cent pay cap on the public sector pay bill till the end of this parliament, resulting in cumulative real terms losses of pay of over £4k for nurses, midwives, civil servants, firefighters and a range of other public service occupations.
- ▶ Public sector pay is set to decline further in relation to private sector pay. As private sector pay awards outpace those in the public sector, public sector employers are facing an increasing recruitment and retention crisis.
- ▶ Pay stagnation is affecting the living standards of public sector workers, with increasing numbers failing to keep pace with cost of living and relying on other forms of income either through increased borrowing, seeking agency work or employment outside of the sector.
- ▶ Increasing numbers of public servants, particularly in local government and health, are working at or marginally above the national minimum wage.
- ▶ Pay restraint is reducing disposable income in local economies, exacerbated by large public sector job losses, particularly in regions in the North, Midlands and South West with higher reliance on public sector employment, weak local labour markets and higher unemployment.
- ▶ The TUC believes that the government should work with public service employers and unions to:
 - › lift the public sector pay cap and allow public service wages to be determined according to the needs of each sector through collective bargaining between employers and unions or through genuinely autonomous and independent Pay Review Bodies where appropriate
 - › reform Pay Review Bodies (PRBs) to ensure that relevant trade unions and employer voices are included within board membership and that PRBs are able to look at a wider range of issues than affordability – focusing on recruitment, retention, market comparisons, staff morale and the impact on services
 - › place more value on all employees delivering public services by adopting the widely supported voluntary Living Wage, which is currently £9.40 per hour in London and £8.25 in the rest of the UK
 - › increase the national minimum wage as quickly and strongly as can be sustained – the TUC’s medium-term goal is that all UK wage rates should reach at least £10 per hour
 - › develop fair and sustainable pay structures that are easy to explain, understand and operate, with shorter pay bands and that guarantee progression based on transparent and objective appraisal systems, agreed in partnership between employers and unions.

“Public sector pay is set to decline further in relation to private sector pay. As private sector pay awards outpace those in the public sector, public sector employers are facing an increasing recruitment and retention crisis.”

PUBLIC SECTOR PAY SINCE 2010

Pay policy within the public sector has been an integral part of the government's wider public sector reform since 2010.

Given that the public sector pay bill constitutes around half of current public spending, pay restraint has been an integral part of a deficit reduction programme primarily based on cuts to public expenditure.

In 2011/12, the government imposed a two-year pay freeze, which was followed by a one per cent pay cap on the public sector pay bill until 2015/16. All public sector employers have been required to adhere to this, either through conditions placed on negotiations between employers and unions, such as in the civil service, or through conditions placed on independent PRBs that determine pay awards in areas like health, education and the prison service.

In the Summer Budget 2015, the government announced that it will "fund public sector workforces for a pay award of one per cent for four years from 2016/17". In March 2017, CPI inflation is currently running at 1.8 per cent and RPI at 2.6 per cent and the OBR forecasts inflation growth to remain upwards of two per cent from 2017, suggesting an intensification of real terms pay cuts over the next five years.

In a letter from August 2015 to PRBs, the then Treasury Minister Greg Hands MP stated "the government expects pay awards to be applied in a targeted manner to support the delivery of public services, and to address recruitment and retention pressures. This may mean that some workers could receive more than one per cent while others could receive less; there should not be an expectation that every worker will receive a one per cent award".

At the same time, increases to the national minimum wage from April 2016 will put pressure on public sector employers that are subject to the pay cap and who have large numbers of low paid staff. This is particularly the case in local government where over 46,000 employees in local government will be covered by the government's "national living wage" as we progress towards to the 60 per cent of median earnings target in 2020. Increasing numbers of NHS staff will also require significant uplift from next year.

With the existing cap on the total pay bill, there is the real potential of thousands of public sector workers facing zero wage growth over the lifetime of this parliament.

"In 2011/12, the government imposed a two-year pay freeze, which was followed by a one per cent pay cap on the public sector pay bill until 2015/16."

THE IMPACT ON PUBLIC SECTOR WAGES

Treasury pay policy has led to significant cuts to real wages across the public sector.

Table 1: Real terms pay cuts by public sector worker, 2010–16

Type of worker	Pay in 2016 (£)	Pay in 2010 at CPI in 2016 prices (£)	Nominal real-terms pay cut at CPI (£)	Percentage real-terms pay cut at CPI (%)	Pay in 2010 at RPI in 2016 prices (£)	Nominal real-terms pay cut at RPI (£)	Percentage real-terms pay cut at RPI (%)
Midwife (Band 6)	35,225	38,405	3,150	8.2	40,112	4,857	12.1
Nurse (Band 5)	28,462	30,929	2,467	8	32,304	3,842	11.9
School teacher (outside London)	33,160	35,443	2,283	6.4	37,018	3,858	10.4
Firefighter (competent)	29,638	31,676	2,038	6.4	33,018	3,446	10.4
Ambulance driver (Band 3)	19,655	20,868	1,213	5.8	21,795	2,140	9.8

Note: Pay figures are for individual occupations at the top of the relevant pay scale

As Table 1 shows, six years of pay restraint has left public sector workers earning between £2K and £3K less per year in real terms compared to 2010 – when comparing public sector wage growth for different types of public service worker (as above) with the government’s preferred measure of CPI inflation.

As pay starts to recover in the private sector, increasing numbers of public sector employers are facing recruitment and retention issues, particularly in skilled and specialist roles.

Pay restraint, combined with excessive workloads, restructuring and job losses, has led to a crisis in staff morale across every part of the public sector, with pay cited among the primary reasons in most surveys of workers in health, education, local government and the civil service.

Other effects on public sector workers' income include:

- ▶ significant increases in pension contributions for public sector workers arising from changes to public sector pension schemes and increased NI contributions as a result of the ending of contracting out and the move to a single-tier state pension
- ▶ changes to in-work benefits through ongoing freezes in the value of tax credits and, towards the end of the parliament, changes to the Universal Credit – these will substantially reduce the incomes of families at the bottom end of the income distribution, with a worse impact on working families than out of work families, even when increases to NMW and income tax personal allowances are taken into account
- ▶ substantial increases in regulatory body registration fees that are mandatory for some public sector workers.

The pattern of real terms cuts in pay for public sector workers is set to intensify over the next four years under existing government pay policy, as public sector wage growth held at one per cent fails to keep track with inflation forecasted by the OBR to reach two to three per cent by 2017.

Table 2 shows the impact in terms of the real terms pay cut for a range of public sector workers, mapping their pay growth at one per cent from 2015/16 to 2020/21 against the OBR's inflation forecasts released at the time of the November 2016 Autumn Statement.

Table 2: Real terms cuts in wages by public sector occupation, 2015/16 to 2020/21

Occupation	Pay in 2015/16 (£)	Pay in 2020/21 at CPI in 2016 prices (£)	Nominal real-terms cut at CPI (£)	Pay in 2020/21 at RPI in 2016 prices (£)	Nominal real-terms cut at RPI (£)
Midwife	35,255	33,534	1,691	31,937	3,288
Teacher	32,831	31,255	1,576	29,767	3,064
Nurse	28,462	27,096	1,366	25,806	2,656
Firefighter	29,638	28,215	1,423	26,827	2,766
Jobcentre Plus supervisor	24,727	23,540	1,187	22,419	2,308
Social worker	37,858	36,041	1,817	34,325	3,533
UK Border Force officer	27,000	25,704	1,296	24,480	2,520
Ambulance driver	19,655	18,712	943	17,821	1,834

THE IMPACT ON PUBLIC SECTOR WORKERS

Pay restraint is having a negative impact on the living standards of public sector workers and is contributing to growing problems of morale, recruitment and retention.

A significant majority of respondents to union member surveys are feeling the pinch. In the NHS, 63 per cent of UNISON members and 79 per cent of Unite members responding to surveys said they felt worse off than they did 12 months ago.

Many of the 21,000 health service members responding to the UNISON pay survey of October 2016 stated that increased food, transport, utility and housing costs were having a serious impact on their cost of living.

Alarming, two-thirds of staff had used financial products or made a major change to their standards of living over the last year. Of that group:

- ▶ 73 per cent asked for financial support from family or friends
- ▶ 20 per cent used a debt advice service
- ▶ 17 per cent had pawned possessions
- ▶ 16 per cent used a payday loan company
- ▶ 23 per cent moved to a less expensive home or re-mortgaged their house
- ▶ Just over 200 respondents said that they had used a food bank in the last year.

In the same survey, over half of members stated that morale was low or very low in their workplace and 65 per cent claimed that it had worsened in the last 12 months. Over half had seriously considered leaving the NHS over the last year. The top factors were for staff considering leaving were:

- ▶ increased workload – 67 per cent
- ▶ stress at work – 67 per cent
- ▶ feeling undervalued by management – 59 per cent
- ▶ feeling undervalued due to low levels of pay – 58 per cent.

The largely low-paid and female workforce in local government has been particularly badly affected by pay restraint.

“70 per cent of respondents report that living costs have increased over the last 12 months, while just 26 per cent report an increase in their personal income.”

This is apparent in Incomes Data Research's survey for UNISON of over 2,000 local government members. In the survey, some 70 per cent of respondents report that living costs have increased over the last 12 months, while just 26 per cent report an increase in their personal income. Forty-two per cent of respondents have personal debt and a worrying proportion of those (24 per cent) owe £10,000 or more.

Respondents were asked how difficult it was to meet a range of living costs. A majority of respondents found it "more difficult" or "much more difficult" to cover food, general living costs, utility bills and travel costs. Between two-fifths and half of respondents found costs relating to housing, healthcare and credit cards or loans hard to pay.

In addition to the cap on public sector pay, additional costs have also intensified the squeeze on public sector workers' income. An obvious example of that is increased pension and National Insurance contributions.

In evidence to the STRB, the NASUWT points out that, from 2012 to 2014, teachers saw an average 3.2 per cent increase in pension contributions, which translated into an employee contribution structure of 9.6 per cent from 2014 onwards. This means that, in addition to a real-terms pay cut, in 2017/18 a teacher at the top of the main pay band will expect to pay an additional pension contribution of £589 when compared with their 2012 pension contribution.

Midwives have also seen their pension contributions rise substantially, with the majority of midwives seeing their contribution rise from 6.5 per cent to 9.3 per cent from 2012 to 2015. Additionally, the changes to the second state pension resulted in increases to National Insurance contributions for members of the NHS pension scheme by 1.4 per cent from 2016. Midwives have seen increases of over 30 per cent to their Nursing and Midwifery Council (NMC) registration fees (midwives must pay their fees to legally work as a midwife).

The following section features case studies of public sector workers from across different parts of England who told us about the impact that cuts to real terms pay cuts are having on their lives, their workplaces and the services they provide.

Case study

ASHLEY CLERICAL OFFICER

Ashley is a 28-year-old clerical officer in the health service. She says she enjoys her job because "I'm still making a difference through my work, even if I'm not on the frontline."

Her role involves general office work including administrative tasks such as sorting outpatient notes for doctors to use in their clinics.

She describes how "morale is at a lower ebb than it used to be" at work. One of the reasons for this is low pay as "colleagues will comment on how much of their wages go on bills and how their pay isn't going far enough". Short staffing is also an issue as there is no money to cover staff absence. Ashley describes her workplace as being run on "skeletal staff teams".

The biggest financial challenge she faces is paying her mortgage. She has also experienced the cost of food and petrol going up. She and her partner don't take holidays and organise Christmas on a budget. She isn't currently able to save any money. "I currently need my overdraft in order to be able to manage. I'm usually back into my overdraft two weeks after I've been paid." Ashley's take-home pay has effectively gone down due to a 50 per cent rise in her pension contributions. She is aware that

"I currently need my overdraft in order to be able to manage. I'm usually back into my overdraft two weeks after I've been paid."

people working in comparable roles in the private sector are being paid considerably more.

Ashley wants the government to give health sector staff fair pay, saying, "We work hard for little money and we're really dedicated to our roles." She warns against increasing staff shortages saying, "Don't expect us to provide the same service with fewer and fewer staff. It just can't be done."

Case study

ELEANOR HILL

BEHAVIOUR SUPPORT MENTOR

Eleanor has been a senior mentor for the Behaviour Support Service at Bolton Metropolitan Borough Council for the last eight years. Her job is interesting and she enjoys getting to know children and their families well.

Her work is mainly in schools with individual children. She supports children in class and takes them out of class for individual support. She focuses on helping children stay in a mainstream school setting and visits up to four schools per day. She also carries out home visits, generally while the children are out so their parents can talk openly. She says, "Parents value our role as we bridge a gap and can signpost other support services to them."

Morale in Eleanor's workplace is fairly low due to the unrelenting pressure. She says, "We see more deprivation and resulting pressure on families. Benefit cuts have impacted on a lot of families we work with. In the past parents would've given more time to their children, whereas now they're busy chasing work. The demand for our service is greater but with less resources. Alongside this, the threshold for social services involvement is going up – they won't now intervene unless a case is critical."

Eleanor continues, "There are always more cases to tackle when I get back to the office and the changes in schools are putting additional pressure on teachers and children. The children we work with can't deal well with things like SATS testing. It's not good for them at all. In addition, trying to find school places for excluded children is really hard as all schools are now under additional pressure."

Eleanor spends half if not more of her wages on childcare. University costs for her eldest son are an additional burden this year for the family finances. Eleanor says, "The lack of pay rises in line with inflation means that in effect, every year I'm being paid less. Everyone at work is very disgruntled about pay and pensions." Eleanor also says the difference between salaries for comparatively skilled jobs in the public and private sector is becoming increasingly stark.

Eleanor's message to government concerns valuing the importance of preventative measures in a healthy society. She says, "Make sure that people who are working so hard to help others are fairly rewarded. We help keep vulnerable children in school and ultimately help them to become functioning citizens. In the end we prevent more expensive outcomes."

"There are always more cases to tackle when I get back to the office and the changes in schools are putting additional pressure on teachers and children. The children we work with can't deal well with things like SATS testing. It's not good for them at all."

Case study

JANE LEICESTER PHYSIOTHERAPIST

Jane has worked for a healthcare trust in Bolton for nearly twenty years. She finds her role as an advanced neurological physiotherapist rewarding and enjoys feeling she can make a difference.

She says, "I had a patient with multiple sclerosis who was really struggling to walk. Working with her led to a dramatic difference as it enabled her to go further and reach her kitchen. Another patient had back surgery and as a result couldn't leave the house. We practised walking outside with her until she could get all the way to the local shops unaided."

Jane's role includes initially assessing patient needs and identifying what equipment or other care they need. Sometimes she devises exercise programmes to help patients get stronger. In other cases patients just need advice and equipment. Jane says, "Patients who are disabled or unable to walk can become stiff if they sit down for too long, which can lead to residual problems. We might invite relevant company representatives out to show them different seating equipment – this can help patients sit without support and make a huge difference to their quality of life."

"There's now a lot more paperwork to do and it's easy to forget to do things. The pressures on wards, the size of our caseloads and the level of pressure means we worry about making mistakes."

Jane is frustrated at the impact of long waiting lists on patient health. She says, "It's stressful as we're always looking at how long the waiting list is and that people's health may be deteriorating in the meantime. It's more difficult now to get relevant social service support as social care is being cut." She feels corners are being cut and getting carers to come in now and do exercises with patients is really difficult.

Jane describes staff morale as 'terrible'. She says, "There's now a lot more paperwork to do and it's easy to forget to do things. The pressures on wards, the size of our caseloads and the level of pressure means we worry about making mistakes." In addition, the health centre rarely gets staff cover in the event of maternity leave or sickness. Jane says the initial freeze and subsequent cap on staff pay,

during which time pension contributions went up, has led in effect to a pay cut. Jane says that even if pay just matched inflation over the year, it would help people feel more valued. The biggest challenge now facing Jane and her husband is funding their three children through university. They are currently paying £4,500 a year towards their eldest daughter's costs.

Jane warns that increased pressure on hospital A&E departments has had a detrimental impact on the economy. She says, "The longer we leave people sitting on waiting lists, the less likely they are to ever get back to work. Properly funded services will have a positive economic benefit in the long term."

Case study

MARK WATSON NEIGHBOURHOOD CARE OFFICER

Mark has been a neighbourhood care officer for over 20 years. His job involves making pavements safer and more accessible for the public.

Mark drives a small sweeper which clears pavements. His job also involves cleaning gutters, dealing with spillages and removing dead animals. Mark says his experience at work has deteriorated over the last couple of years, due to service cuts. "We're being asked to do more, but we're not getting any more pay or resources." He adds: "Morale at work really couldn't fall any lower." The team Mark works in used to have 14 small pavement sweepers, but now have to do the same amount of work with eight machines. Their large cleaning equipment has been reduced by half and there has been no staff recruitment for eight years.

Mark says the workload is unmanageable for six months of the year. "Because Bolton is full of trees, we can get piles of dead leaves up to two feet deep in autumn, and then sometimes snow in winter, which is even worse to clear." This has a knock-on impact on Bolton residents, as he says, "The public are complaining that the streets aren't getting swept enough." Mark spends nearly 70 per cent of his wages on basic living expenses. Mark has a health condition that drives-up his

"We're being asked to do more, but we're not getting any more pay or resources [and] morale at work really couldn't fall any lower."

gas and electric bills. Mark is struggling to make ends meet. He says, "My pay has only increased by one per cent a year, but my rent and council tax have increased considerably more, so in practice it's a pay cut."

Mark has a direct challenge for the government. He says, "Statistics can say many things, but real life experience is what really counts. Come and do my job for a month and see for yourself how frontline service cuts affect the public."

Case study

ANNA SZPAKOWSKA TEACHER

Anna Szpakowska is a 29-year-old teacher who lives and works in Harlow. She describes how during her training, she fell in love with teaching.

She says Harlow is a relatively deprived town where there's not a high level of engagement in education. Her school, therefore, focuses on actively engaging with pupils to increase their confidence in learning.

Anna describes how her job is incredibly rewarding but that there's not a day at work when she's not not rushed off her feet. She goes on to say "every year the workload has increased tenfold. It's getting worse, and though I love teaching, I wonder how long I can do this".

Staff recruitment and retention is a challenge which has a huge impact on classes. Maths and science teachers are particularly hard to retain. Students miss out on learning and this puts more pressure on new teachers as they have to pick up classes who've had long-term supply teachers, and there are often resulting gaps in learning.

Even though she is lucky enough to rent her home from a family member and benefit from low rent, she still says that over half of her pay goes on housing, bills and living expenses. It is even harder for other colleagues. Anna believes that teaching is a proud profession but lags far behind the pay of other professional occupations, saying that "the amount we receive in comparison is nothing". She says that teaching is failing to compete for the best talent because of it.

Anna says she's been tempted to leave her job due to working conditions. "Heavy workload, data and grade expectations and generally treating students as numbers are all issues." Anna goes on to say that her workload is unmanageable: "I'm tired when I prepare lessons in the evenings. I've made mistakes which have been pointed out by my pupils. It's hard to manage everything".

"Staff recruitment and retention is a challenge which has a huge impact on classes. Maths and science teachers are particularly hard to retain."

Case study

JULIE CHASE EDUCATIONAL PSYCHOLOGIST

Julie Chase has worked as an educational psychologist for eleven years. Her work focuses on children with special needs and mental health issues. She says, "From the beginning, I knew I wanted to do something worthwhile and change people's lives".

She describes the focus of her work as mainly providing support to teaching staff. "I work as a 'critical friend', identifying where things are going well and providing constructive feedback to help create better systems in schools, which give children a quality school life". Julie spends about a third of her time working in schools where an average work day includes reviewing a child's progress and joint working with other educational professionals to ensure child progress keeps improving.

However, Julie says her work experience has radically declined over the last two years, with additional work relating to a new code of practise but no extra staff provision to cover it. The overall amount of time educational psychologists offer to individual schools in Harlow has gone down, resulting in a shift from preventative work and early interventions to work in crisis situations. Julie says, "Before, we'd plan ahead and work in an integrated way across whole areas of need in a

"We don't have time to deliver a proper quality service, instead we find ourselves 'firefighting' situations".

school. Now unfortunately, it's likely to be crisis work focussing on an individual child when things go wrong".

She says colleagues are disgruntled about pay, but they're more concerned about workload. "We're not paid for the amount of work we're expected to do. Fitting it all in is the hardest thing and has a negative impact on staff health". She highlights how there simply aren't enough educational psychologists employed in Essex to meet the demand. As a result she says, "We don't have time to deliver a proper quality service, instead we find ourselves 'firefighting' situations".

Almost all Julie's earnings go on bills and basic living expenses and she's being forced into debt. Her profession has endured pay freezes and even when she has pay increases, they are not in line with inflation so Julie has suffered a cut to her wages in real terms. Alongside this, her pension has deteriorated.

Julie worries about mistakes being made. "In my team we peer review reports on individual children. We don't have time to do the role properly and yet we are professionally accountable for delivering good practise". In addition, her profession is concerned about the impact of testing and school league tables on the mental health of the school community and the equality of provision under the academy system. Julie says, "I'm really unhappy about the privatisation of the public sector and the shrinking of local authorities. I believe it is the wrong model for serving people's needs."

Case study

ROBERTA PHIPPIN MIDWIFE

Roberta Phippin is a 46-year-old hospital-based midwife. Her eldest daughter was born premature which prompted her to join the profession.

Roberta has worked in the community unit in the same hospital in Essex for nine years. She says, "My favourite part of my job is supporting women in the community. As a midwife, you build up a relationship with them and they often remember you afterwards. I had a phone call recently from a mum whose first child I'd delivered to see if I was still working, as she's expecting again. That's priceless, that's what you go into this job for."

She normally starts her working day with an antenatal clinic which can last up to three hours. Then she usually visits women in the community and ends the day in the office doing follow-up calls. Two or three times a month she's on call through the night either overseeing a home birth or in urgent cases, she might be in hospital supporting core staff.

Roberta says morale has been low for quite some time amongst colleagues at work, as the job has become more stressful. "We feel like the forgotten profession," she says. "A lot of the older midwives are coming up to retirement and we have trouble filling posts.

"Newly qualified midwives are burning out quickly and unfortunately I've seen people walk away from the profession because they can't take it anymore."

In addition, newly qualified midwives are burning out quickly and unfortunately I've seen people walk away from the profession because they can't take it anymore. It all affects the continuity of care for the women in our care," she concludes.

Roberta says her workload is unmanageable and she routinely does more than her agreed work hours. This means that important 'wraparound' parts of her work, like writing social care reports and personal updates, often have to be done in her own time.

In addition Roberta says midwives are dealing with more related social issues. "We have so many unofficial roles including signposting women to other support services from help with breastfeeding to mental health. In the wider community we've also been

affected by the huge issue of children's centres closing. Women are losing support and as midwives, we can only do so much. As extra support services are being cut, we increase the risk of women just being left with a skeletal service".

Married with two daughters, Roberta earns £24,000 per annum. She says most of her pay goes on basic living expenses so she can't routinely afford things like evenings out and gifts for friends and family. She is worse off than a few years ago and says "I know it's generally tighter for everyone in the profession".

Roberta is a member of the Royal College of Midwives. She calls on policy makers to "please appreciate the work we do and acknowledge the increased work we are having to take on. As Harlow redevelops, the population is increasing. We want to build the town up, but we also want to build up local support services alongside".

Case study

ANNA MILTON MATERNITY SUPPORT WORKER

Anna is a 28-year-old maternity support worker for Northumbria Healthcare Trust who says, "I love the job I do. The hands-on involvement with women and babies is amazing".

Anna's role involves directly caring for mothers and babies. She makes sure both of them are well fed and clean and also supports the mothers with breastfeeding. Anna also does some administrative tasks and is trained in venal puncture, enabling her to take bloods and assist midwives with delivering babies. She says "we see mothers regularly from their early ante-natal appointments until their babies are 10 days old, so that means we have really close relationships with both mothers and babies".

Anna works on a small maternity ward which has been struggling with both staffing issues and funding cuts in the last year. It has meant that the team struggle to cover wards and shifts. Due to the specialist nature of the work, it's not appropriate for newly qualified staff to work on the ward and it has proved difficult to attract experienced and qualified staff. Anna says, "we're all overworked so end up tired. We're constantly covering extra shifts and are doing more than we should". Staff are not being paid for extra hours under the new system, so now they can only accrue extra time off. Morale on the ward is quite low.

Anna earns £15,500 per annum. She lived independently for some years before recently moving back to live with her parents. She explains "when I lived on my own, over £900 a month was going on bills and rent, running a car and food. I only went out about once a month. I really struggled and would be in debt now if I hadn't moved back to live with my parents. I'm doing this so I have a chance to save to buy my own place".

Even so, Anna has been affected by the recent increase in fuel prices as living outside Hexham; she needs to use her car to get to work. She has also noticed that food prices are getting higher. She believes she should be paid more for the caring role she plays, saying, "some of us support workers are paid the same as cleaners. We don't feel this is right when we are directly responsible for the care of mothers and babies. We should get paid a bit more to acknowledge the caring role we play".

To give her a small amount of disposable income, Anna has a second job running a crèche for a few hours a week. Due to her sense of job insecurity, she has also just finished a qualification in nursery nursing.

"Some of us support workers are paid the same as cleaners. We don't feel this is right when we are directly responsible for the care of mothers and babies. We should get paid a bit more to acknowledge the caring role we play."

Anna doesn't feel her workload is manageable. She fears mistakes are going to be made because of staff overtiredness. She says, "we just want to have an adequately staffed ward so no one is forced to overwork and the unit can run smoothly and safely".

Case study

CAROLINE WATSON RURAL DEVELOPMENT MANAGER

Caroline has worked as a civil servant for over 30 years. As a rural development manager, she sees the direct impact of her role in rural communities, saying “all of our grants go to small business and the idea is that they go on to create new jobs”. The focus of Caroline’s work is to appraise proposals for small businesses. She analyses their business accounts, looks at the viability of their proposals and visits each business.

Caroline really enjoys complex case work, but in the last few years her role has become more streamlined and delivery-orientated. She says promotional opportunities are ‘non-existent’ and describes how the working environment has noticeably worsened, saying “sites are being closed and there’s penny pinching through measures like home working. Buildings are overcrowded, the loos are dirty, and offices are poorly heated and unventilated. These things affect morale”. In addition, she describes how Brexit – the June 2016 referendum whereby British citizens voted to exit the European Union (EU) – has had a huge impact on her workplace, as most of the department’s funding comes from the EU. Caroline describes how the resulting uncertainty has led to numerous staff leaving.

Caroline says “I never really feel that the money I earn is mine”, as most of her salary goes on her mortgage. As a result of having to contribute more to her pension and national insurance contributions, Caroline hasn’t noticed any increase in her income in the last few years. She doesn’t take holidays and drives an old car. She says “any savings have to go on fixing the car or on a future car lease and then I will have less to save. My big worry is paying off my mortgage and having enough money when I retire”. She highlights the worry for older civil servants who are facing a lower pension than expected due to the government’s policy of pay restraint. Caroline is currently undertaking training in singing and vocal coaching to give her a retirement income.

Caroline wants the government to understand the impact of cuts and pay restraint on public sector workers like her who are struggling to get by.

“Sites are being closed and there’s penny pinching through measures like home working. Buildings are overcrowded, the loos are dirty, and offices are poorly heated and unventilated. These things affect morale”.

Case study

DAVID FLAVELL AMBULANCE SERVICE CALL OPERATOR

David works as call operator for the North East Ambulance Service. He enjoys that his job as part of a professional caring service and says it keeps him on his toes.

David does shift work and spends his time on the phone, receiving up to 50 calls from the public in one shift. Most of the calls he takes are from people who want to identify whether they have a serious condition. David says "in effect we act as a gatekeeper for doctors, saving unnecessary appointments. We also rule out ambulance teams being sent out in many cases. We're trained to be instantly professional and completely focussed on the calls we take".

There are usually about 12 call operators on a daytime shift but this rises during the evening and reaches a peak of up to 60 at weekends. The number of call operators on duty has a direct impact on staff morale, as people become exhausted after an understaffed shift. There is a considerable pressure to get the caller diagnosis right and getting it wrong is a serious issue. Hours can be unsocial as it is a 365-day-a-year service. There is a 10 per cent absence rate across the service which is considerably higher than the national average.

"The skills we have as call operators and the quality of work we do is definitely of a higher quality than we are paid for. We're effectively being paid on the cheap."

David highlights how the quality of response to the public has been affected by service cuts. If a call from the public comes in out of hours, the caller can only be sent to a healthcare centre where a GP is available. The shortage of GPs and subsequent need to 'hunt around' for them slows down the response.

David works part-time and is paid 9p more an hour than a cleaner at the local hospital. He doesn't get paid for lunch breaks. He says 'money is a struggle. We prioritise things for the children and are helped out by other people including my parents. Without them we couldn't afford to run a car'. Without the car David would struggle to get to work as he sometimes does unsociable shifts. The family have also been affected by changes in tax credits, leaving them £200 per month worse off. David

continues "we have no chance of saving or putting money towards a house. We manage to keep the show on the road and just hope nothing breaks down". David doesn't believe the professional skills of call operators are adequately rewarded. He says "the skills we have as call operators and the quality of work we do is definitely of a higher quality than we are paid for. We're effectively being paid on the cheap".

David wants the government to recognise the current shortage of GPs and paramedics as an urgent issue. He recommends urgent public sector investment including into the emergency call service as it will save money later on. He warns that there will be future recruitment and retention problems if staff continue to be underpaid.

Case study

MARK DOWTHWAITE FIREFIGHTER

Mark has been a firefighter for nearly 20 years. He joined the fire service because he wanted to help people and has worked his way up to become a crew manager.

Aside from responding to emergency situations and routine regular checks of firefighting equipment, Mark spends a lot of time doing community work. This can vary from a visit to a vulnerable adult to make sure their smoke alarm works to inspecting the salvage plan for a historical building in the event of a fire, or a school visit to talk to children about fire safety.

Mark enjoys the operational side of his job but is concerned that the fire service has fewer and fewer staff to attend emergency situations. He says starkly, "Everything is being cut. The fire service is so lean, there is simply no fat to cut off operational crews." The official guidance firefighters adhere to is to have a minimum of nine crew operating breathing apparatus during the first 10 minutes of an incident, but Mark's crew manages with a maximum of five performing the role.

Mark works a 48-hour shift pattern and finds his mortgage and travel costs the biggest burden, the latter due to his 27-mile daily commute to work at the nearest full-time fire station. He says, "We have to watch what we spend and holidays are difficult to afford. We recently moved house which swallows up all the spare cash." Mark says his pay is effectively going down. His pension and national insurance contributions are increasing and he's taking a hit because of the current one per cent cap. He isn't able to save and is aware of people in other manual trades earning more money without the same hazards.

Mark would like the government to acknowledge the dedication of firefighters and the risks they face, end the pay cap and give fair pay for public service workers

"Everything is being cut. The fire service is so lean, there is simply no fat to cut off operational crews."

Case study

KAREN SMITH DENTAL NURSE

Karen is a special care dental nurse who joined the profession when she first left school.

She assists with the treatment of patients at the dental clinic, providing support or equipment that the dentist requires. Karen also assists in providing surgical treatment under sedation. She says, "We assess the patients and go through all the pros and cons of various forms of treatment approaches. I work in oral surgery where we do a large amount of wisdom tooth surgery." Karen also helps out in an evening assessment and assists with an out-of-hours emergency dental service at weekends and holidays.

She describes how her experience at work has worsened, saying, "The surgery service has become figures focussed. It never used to be – it used to be focussed on the patients and giving them that extra bit of time and attention. Now the appointments are shorter and as staff, we don't have time to talk to them about their fears and phobias as we used to. This is due to the constant push to do more with less."

Karen says morale is low and staff don't feel valued. She says, "There aren't enough staff to do all the jobs. We're constantly juggling and there's a lot of stress."

Karen says the vast majority of her wage goes on household bills. She has noticed the rise in the cost of living. She says, "We certainly don't have the money we used to have. Now we need to plan where we're going to spend our money." Karen says, "The 1 per cent pay increase just gets swallowed up." In addition, her national insurance contributions have risen by £28 per month and pension costs have risen by nearly £10 per month over the last four years.

Karen says, "I do fear mistakes are being made with my role because it's a struggle to complete everything in a timely manner." She wants an end to the pay cap and to see fair pay for public service workers.

"I do fear mistakes are being made with my role because it's a struggle to complete everything in a timely manner."

Case study

MARK HUNT FIREFIGHTER

Mark has been a firefighter for over twenty years. He finds his job very rewarding and enjoys serving the public.

Mark does shift work and emergency response call outs always take priority. These can range in seriousness from a small house fire to a fatality with a full investigation. Mark also undertakes security checks on equipment at the fire station and community premises visits. He sometimes visits schools to do fire awareness talks.

Mark says the current service cuts are "the worst I've known in over twenty years". He explains how they have led to a drop in morale across his team. He says his employer hasn't recruited any new firefighters in the last seven years. Mark explains "there used to be annual recruitment drives with thousands of applications. But now posts are being filled with retained (partially trained) firefighters as a cost saving measure. As firefighters, we're angry at the impact of service cuts on our ability to keep the public safe".

Mark says, "Equipment has been cut in three local fire stations and we now have four fire engines for the whole of Plymouth rather than the eight we had before. The engines are also smaller so can carry less equipment." He says staff posts

have reduced by two thirds at Camelford fire station where he works. He highlights how "another local fire station at Plympton and Plymstock is no longer staffed full-time and as a result, estimated response times have increased from 6 to 20 minutes. This is very worrying as seconds count where fires are concerned." He explains, "A hotel in Exeter burnt down last month. Exeter fire service was able to respond with one fire engine, but the next one was 20 minutes away. The loss of premises here could have been avoided."

Mark says the vast majority of his wage goes on basic living costs, including rent utility bills, food, medical expenses and his car. He describes it as "a complete drain". His income has decreased over the last 10 years. He says the one per cent pay increase he has received in the last four years isn't enough to match the steady increase in the price of living. Mark says, "The cost of pensions has gone up radically within the last four years and I've gone from paying 11 to 14 per cent, which is equivalent to an extra £100 per month. There have been massive reductions to firefighter pensions as a result of price indexes going up. In effect our predicted end lump sum has been cut by up to 40 per cent."

"Plympton and Plymstock [station] is no longer staffed full-time and as a result, estimated response times have increased from 6 to 20 minutes. This is very worrying as seconds count where fires are concerned."

Mark says, "I have no savings and no house... I'm starting again in a new relationship and it's impossible to get a mortgage. Things are very hard." He describes how most firefighters end up taking a second job to help pay for extras like holidays.

Mark would like the government to acknowledge the dedication of firefighters and the risks they face by improving conditions and giving fair pay for public service workers.

Case study

ROB DAVIES

SENIOR PHYSIOTHERAPIST

Rob has worked as a senior physiotherapist in an NHS trust hospital for nearly five years. He went into the profession to help people and to make a difference.

He says, "I treated a man who was anxious after falling. We worked together on simple daily exercises to build up his confidence. I got him walking a few steps, then several metres and then a few weeks later, far enough for him to be able to go home. In that short time he'd got back his quality of life."

Rob oversees a team within the hospital and as a senior physiotherapist most of his day is spent assessing patients' mobility and making a plan for their physiotherapy needs. He has a daily meeting with other hospital professionals including doctors and occupational therapists to talk through individual patients and make a plan of what they want to help the patients achieve.

Rob says his workload is not manageable. "We're literally chasing our tails. Ambulance crews can arrive at short notice to take patients home, resulting in us rushing around to sort out appropriate equipment instead of treating patients. I've resorted to dropping off equipment to discharged patients on the way home to avoid this happening. The danger is that patients go home without the things they need to keep safe and well."

"We're literally chasing our tails. Ambulance crews can arrive at short notice to take patients home, resulting in us rushing around to sort out appropriate equipment instead of treating patients."

High staff turnover is also an issue at the hospital. A junior vacancy in Rob's team has remained unfilled for several months, which Rob says "makes it trickier if a particular patient needs a second person to help with treatment". He also says, "We do a lot of unpaid work but don't make a fuss about it as we just want to do a good job for our patients."

Rob is engaged to a part-time teacher. He estimates that his rent and bills accounts for half of my wages. The couple are careful with their money as Rob says, "We're saving for our wedding, so we don't really go out. We don't have money to splurge and really have to think about what we buy. Our holiday last year was a week camping in Dorset."

Despite receiving a recent pay rise due to a promotion, Rob says, "My tax, national insurance and pension contributions went up, so I didn't really see a difference." Rob predicts he and his fiancé will need to pay off their wedding on the credit card. He explains, "It's really hard to pay for even though I'm working as much overtime as I can to meet the costs. It will take us years after that to save for a deposit to buy a house."

Rob urges politicians to treat public sector workers fairly by paying them a fair wage for what they do. He says, "We make a difference to people's lives and our pay and conditions need to reflect this."

Case study

BARRY DOWNEY FIREFIGHTER

Barry has been a firefighter for nearly thirty years and finds his job very rewarding.

Barry does shift work and highlights the daily uncertainty of each shift saying, "You never know if you'll get any emergency calls." His role includes doing vital safety checks on protective equipment and fire vehicles. He says, "This is never skipped – we always do the safety checks as it could be a matter of life or death." Barry also does fire awareness community visits to schools, regular visits to high risk buildings in the area and home visits to vulnerable people to discuss fire safety.

Barry says his job has become more stressful in the last five years. He says, "There are significantly less of us doing the same work as before. In Stafford, nearly a hundred firefighter jobs have gone and recruitment is at an all-time low." Barry continues, "Our ability to deliver the best service we can is impacted by low staff numbers."

Barry describes how the cuts have severely reduced capacity at his workplace, saying, "My station used to have fifteen firefighters and two vehicles on each day. Now there are only six firefighters and one frontline vehicle. However the risks haven't changed." He says, "It's getting to the point where

"There are significantly less of us doing the same work as before. In Stafford, nearly a hundred firefighter jobs have gone and recruitment is at an all-time low."

it could become unmanageable due to the reduced numbers on shifts. If there's a major incident, we're stretched beyond capacity." Barry says there's been a 25 per cent funding cut to the Staffordshire fire service. He highlights the impact of this as "constant station closures, vehicles being removed and a request for us to work ever more flexible hours".

Barry says his pay is "not even close" to rewarding the work he does. In addition, he has a big mortgage and has found the rising cost of basic living and bills a challenge to meet. He and his wife are careful not to go overdrawn and plan well in advance for holidays and Christmas. However, he is also paying higher pension contributions and says, "The pay freeze seems to have gone on forever." Barry describes how far more firefighters are taking second jobs now to make

ends meet. He says this means firefighters are not coming into work rested, and as such could be putting colleagues and the public at risk.

Barry wants the government to recognise the value firefighters provide to their communities, through paying them a fair wage. He urges them to "look away from the headlines about the numbers of fires falling as it's something the fire service has achieved over years". He says, "If you don't start valuing and rewarding firefighters, you'll turn around one day and they simply won't be there."

Case study

GAIL CARTWRIGHT MIDWIFE

Gail has been a midwives team leader for the last 13 years, having wanted to go into the profession since she was a teenager. She says, "I have the best job in the world."

Gail works a ten-hour day, starting at 6.30am when she meets her team at their hospital base, before they start visiting expectant mothers. Gail coordinates the team's work and also does the same hands-on job as they do. She says, "We see expectant mums from eight weeks into their pregnancy until they're discharged postnatal. We also deliver babies at home." Gail describes the personal bond between her team and the people they look after, saying, "We have a big impact on their pregnancies and if a pregnancy is lost, it really impacts on us. We're normal human beings after all."

Gail's experience at work has worsened over the last two years. She says, "My job has changed remarkably from being a service for women to being all about paperwork and targets. We used to visit women in their homes but now we have to ask them to come to hospital as a cost-saving measure. The service feels like it's being dumbed down to the detriment of the women we're looking after." Gail describes how midwives are leaving because they can't give the care

they want to give expectant mothers. She says, "We're not well paid for what we do and there's no acknowledgement of how stressful our work is." She describes how "colleagues talk about their pay packets in terms of 'nothing being in it' as it's already accounted for in terms of paying for basic living expenses".

Gail describes recruitment as a big problem, resulting in a national shortage of midwives across the UK. She says, "We can't train enough people as lots of midwives are coming up to retirement." There is also a high rate of dropouts with Gail describing how "lots of people start the three-year training but find the unsocial hours and low pay a challenge". She also says there's a high rate of depression amongst midwives. She says, "When people go off on long-term sick, we don't get bank staff in to cover their absence. It falls on their colleagues to cover their absence."

Gail is concerned about the long hours worked by her colleagues, saying, "I worry about midwives who are doing twelve-hour shifts. This can mean working well into the night, sometimes without a break if they are at a homebirth." She also worries about the implications of cost-saving measures such as relocating services into hospitals, saying, "We only really

"My job has changed remarkably from being a service for women to being all about paperwork and targets."

identify vulnerable women when we see them at home. We may well miss identifying this when they come into hospitals. We therefore fear the most vulnerable women will go unsupported."

Gail used to earn extra income through working unsociable hours on call and during weekends. Her pay reduced by £300 per month when this extra work was no longer available. In addition, her professional fees have increased to £120 per year. Gail says she has had no proper pay rise since 2010. She describes how "the world is moving on and the midwives profession seems to be stagnating – yet we have mums and babies' lives in our hands every minute of the day".

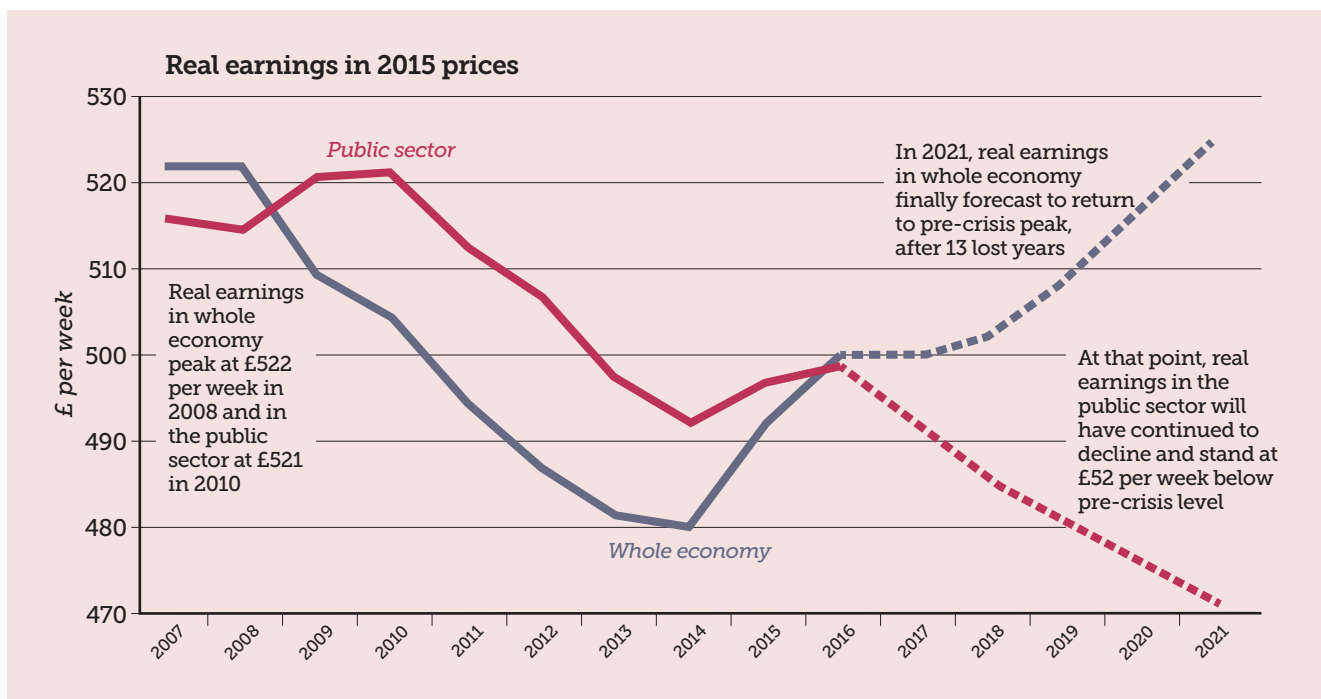
Gail wants to see the government acknowledging the important role of midwives through paying them a fair wage. She urges them to "see the worth in what we do and give us the recognition

PUBLIC AND PRIVATE SECTOR PAY

Analysis by the TUC shows that real terms pay growth in the public sector is set to decline significantly against real wage growth in the wider economy, according to OBR forecasts at the time of the Autumn Statement.

Figure 1 below shows that public sector pay will have declined by 15 per cent from its pre-crisis peak, lagging behind growth in the wider economy from 2016 onwards.

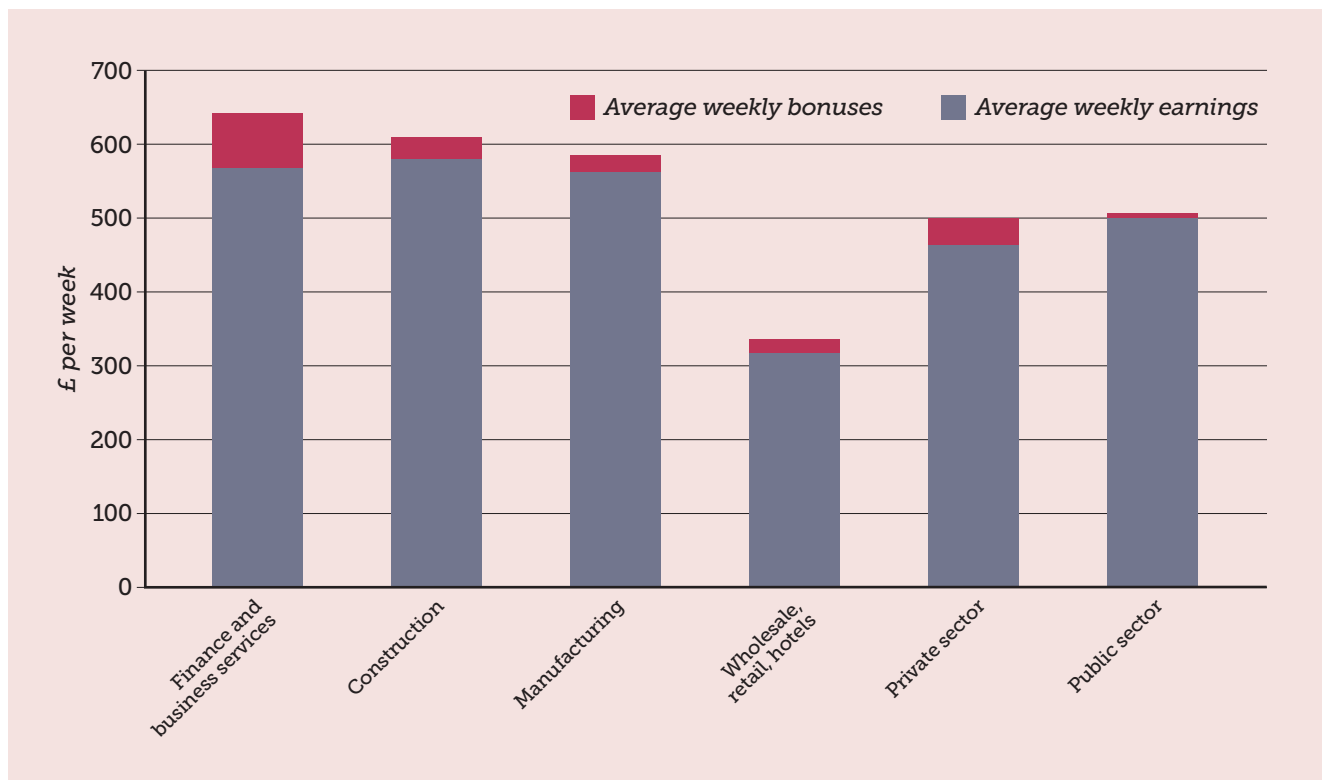
Figure 1: Public sector versus whole economy real earnings growth, 2007–2021



This is borne out by a number of other studies.

Analysis by Incomes Data Research and the OME (see Figure 2) shows that in September 2016 public and private sector average weekly earnings had achieved parity. Furthermore, this was largely due to the impact of very low paying parts of the private sector pulling down the private sector average. Average public sector earnings are less than those in finance and business services, construction and manufacturing.

Figure 2: Average weekly earnings by sector, June 2016, IDR and OME



This is echoed by the Institute of Fiscal Studies. Using projections based on one per cent growth in public sector pay bill, the IFS estimates a very significant decline in the uncontrolled public sector pay differential, indicating that the controlled differential will likely fall below that of the private sector for the next four years.

In their Green Budget of February 2016, the IFS state that:

The government's announced one per cent limit on annual pay increases for a further four years from 2016-17 is therefore expected to reduce wages in the public sector to their lowest level relative to private sector wages since at least the 1990s. This could result in difficulties for public sector employers trying to recruit, retain and motivate high quality workers, and raises the possibility of (further) industrial relations issues.

It is our view that this will exacerbate growing recruitment and retention pressures in the public sector.

RECRUITMENT AND RETENTION

There is a growing consensus that the government's public sector pay policy is unsustainable, particularly given the twin aim of restraining pay while seeking workforce engagement in transforming services and developing new delivery models.

This is reflected in the findings and recommendations of Pay Review Bodies, informed comment from key public service think tanks and commentators and from representatives of public service employers.

Commenting on the increasing teacher recruitment and retention problems, the **School Teachers Pay Review Body 2016** made a clear connection with the deterioration of the relative position of teacher pay:

Recruitment and retention pressures have become more acute, creating a challenging climate for schools. We have noted significant shortfalls in recruitment to ITT (initial teacher training) for the secondary sector and an increase in vacancy numbers, including in all the core subjects. Figures show a significant increase in the number of teachers resigning from the profession (including higher wastage in early years) at a time when pupil numbers are increasing, adding to the demand for teachers. Our analysis of earnings data showed that the relative position of teachers' earnings

has deteriorated further this year and they continue to trail those of other professional occupations in most regions. We are concerned about this further deterioration in the recruitment and retention position when set against strong demand in the graduate labour market and continuing concerns in the profession about workload ... Based on our assessment of recruitment and retention considerations alone, there is a case for an uplift higher than one per cent to the national pay framework, to strengthen the competitive position of the teaching profession at a time of growing demand for graduates.

The growing problem of teacher retention was highlighted by the results of the **School Workforce Census of November 2015**.

This showed that nearly one in ten teachers left the profession last year – the highest proportion for a decade – and almost a quarter of teachers now leave within three years. The figures show that after three years, teachers are leaving faster than they were before: 75 per cent of teachers who started

in 2012 were still in post three years later, which is the lowest since records began in 1996.

Responding to these figures, the **National Association of Head Teachers (NAHT)** stated:

Figures show a further deterioration in retention after three years, which is a source of great concern for school leaders. We lose a quarter of those who enter service by this point. This has been steadily worsening over the past four years, and the government needs to look at the drivers – workload, stagnant pay and an over-bearing accountability system – behind this worrying trend.

The NAHT point to the impact that this is potentially having on quality:

Official statistics mask the reality that school leaders are still sometimes forced to appoint staff who are less experienced or able than they would like because of a lack of applications for a post; it is about quality, not just the numbers in post.



The NHS Pay Review Body 2016

flagged up the implications for recruitment and retention that may arise due to NHS staff feeling undervalued due to pay restraint at a time of increasing workloads:

NHS staff are highly motivated and committed to delivering high quality patient care; for the majority this is what attracts them to work in the health sector. However, the pressures within the system are high and increasing and appears to be having an effect. Coupled with low pay awards this all serves to make many staff feel undervalued ... considering the implications of the type of pay restraint envisaged by the UK government over the next four years much will clearly depend on the overall economic picture. There are shortages

and recruitment and retention problems already emerging for particular groups in the NHS. Resolving these, so that the NHS continues to offer a good service to patients, will hinge in large part on the quality of the employment proposition, of which pay is one of many factors alongside others such as career progression, development, workload, wellbeing and pension.

NHS Employers had made this point in their own submission to the Pay Review Body in the previous year:

Over the longer term it will be important to balance affordability considerations with the risk that the value of the NHS employment proposition will erode. This may eventually have some impact on staff engagement

as well as employers' ability to recruit and retain skilled staff from wider labour markets.

This point was strongly reinforced by **Chris Hopson, Chief Executive of NHS Providers**, who claimed in an interview with the *Health Service Journal* in November 2016 that one NHS Trust found lower paid staff quitting the NHS to work in supermarkets because pay in the health service was becoming uncompetitive. He commented that:

If we try and maintain that one per cent to the end of the parliament, we are seriously worried that we will not be able to maintain the staff we need or recruit new ones.

In their report *Staffing Matters, Funding Counts* of July 2016, **The Health Foundation** pointed to the counter-productive nature of pay restraint when the NHS was seeking to maximise staff engagement in the process of change required through the Five Year Forward View:

Pay determination should be a lever to improve performance and service delivery. It should also recognise the contribution of staff, and motivate them to continue to contribute. The longer the centralised 'freeze' goes on, the less pay and associated reward can be a policy lever to achieve these objectives, locally or nationally. NHS England's plan to deliver the Forward View rests in part on implementing the government's one per cent cap on public sector pay by 2019/20. However, there is a risk that continuing to constrain pay through national public sector pay restraint will backfire as it will undermine the ability to use pay to recognise, reward and motivate NHS staff and encourage them to work productively.

The Nuffield Trust made similar points in their June 2015 report *Health and Social Care Priorities for the Government*, stressing the need to empower, value and reward staff in order to engage staff in the challenges of transforming health services:

Table 3: Civil service recruitment and retention: SCS Pay Survey 2015

Question	Answer	All respondents (%)
Are you aware of recruitment difficulties in your organisation?	Yes	52.3
	No	47.7
Are you aware of retention difficulties in your organisation?	Yes	57.1
	No	42.9

The effect of five years of pay restraint, growing demand for health care services and increasing complexity of patient need has left the NHS workforce feeling undervalued. Many NHS organisations are struggling to recruit and retain clinical staff and staffing costs are being inflated by the use of agency and locum staff. An engaged and empowered NHS workforce will be crucial for meeting the multiple challenges ahead for the health service, including the efficiency challenge and the move to seven-day services. However, staff burnout is becoming a significant risk in many settings. Politicians must think carefully about how to reconcile the need to develop and encourage the workforce with the inevitable political desire to maintain 'grip' on the NHS when the financial situation continues to deteriorate. We recommend that the government prioritises reconnecting with the NHS workforce and ensuring staff feel valued in their work.

Recruitment and retention problems are growing in other areas of public service too.

For the first year in recent times more than half of the respondents to the **Senior Civil Service Pay Survey 2015** said they are aware of recruitment difficulties in their organization with a number pointing to the need to re advertise some jobs due to a lack of qualified applicants. For retention the situation is even worse with nearly 60 per cent of people reporting retention difficulties in their organisation compared with 46 per cent last year, as the table above illustrates.

THE IMPACT OF PUBLIC SECTOR PAY RESTRAINT ON REGIONAL ECONOMIES

As well as the impact on public sector workers' living standards and its contribution to growing morale, recruitment and retention problems, public sector pay restraint also has a significant macro-economic impact.

As the government attempts to stimulate economic growth in different parts of the country, it is worth noting the impact that public sector wage restraint has had by taking disposable income out of local economies.

Table 4 below provides an indication of this.

Looking at different regions of England, we mapped the average real terms loss of earnings of public sector workers over the last six years (using CPI inflation) against the number of FTE public sector jobs in 2016 to estimate the total loss of disposable income from those local economies.

Table 4: Total loss of disposable income in regional economies 2010–2016 through public sector pay restraint

Region	Real terms pay gap in 2016 per worker (£)	Cumulative loss of real terms earnings 2010–2016 per worker (£)	Total public sector FTE jobs in 2016 (000s)	Total loss of disposable income 2010–2016 (£bn)
North East	689	7,666	243	1.8
North West	584	5,740	643	3.7
Yorkshire & the Humber	819	6,101	489	3.0
East Midlands	1,805	9,974	303	3.0
West Midlands	828	6,825	441	3.0
East	1,140	4,533	461	2.1
London	2,202	11,997	756	9.1
South East	680	5,109	617	3.1
South West	1,220	7,464	420	3.1

This loss of purchasing power was raised in the Staff Side submission to the NHS Pay Review Body which stated that:

By combining pay lost per point with the number of full-time equivalent staff in post the scale of cuts becomes apparent. In total, over £4.3bn has been cut from NHS staff salaries in England alone between 2010 and 2016. This also represents lost purchasing power to the UK economy at a time of slowing economic growth as the disposable income of NHS staff has reduced.

This loss of purchasing power through pay restraint has been exacerbated by a substantial fall in public sector employment within each region. This will have a particularly hard impact in those regions with a greater reliance on public sector employment, higher unemployment and weaker labour markets in the North, Midlands and South West as Table 5 illustrates.

Table 5: Public sector employment change by region 2010–2016

Region	Public sector jobs 2010 (000s)	Public sector jobs 2016 (000s)	Loss of jobs 2010–2016 (000s)	Negative growth (%)
North East	316	243	73	23
North West	757	643	114	15
Yorkshire & the Humber	595	489	106	18
East Midlands	362	303	59	16
West Midlands	562	441	121	22
East	464	461	3	1
London	848	756	92	11
South East	705	617	88	12
South West	508	420	88	17

“In total, over £4.3bn has been cut from NHS staff salaries in England alone between 2010 and 2016.”

CONCLUSION AND RECOMMENDATIONS

The TUC welcomes the prime minister's statement of intention for an economy that works for all and her recognition, made in her party conference speech this year, of the alienation felt by those workers faced with several years of pay stagnation.

Pay stagnation has been acutely felt by public sector workers – manifested in a growing crisis of morale, recruitment and retention in many parts of our public services. In recent years these issues have led to industrial action, with some unions such as the Royal College of Midwives taking strike action for the first time in their history.

Pay stagnation has also come at a time of rising demand, major restructuring and reform of public services and a number of other reforms that have affected the total reward package of public servants, including changes to pensions and exit payments.

Given the growing pressures on recruitment and retention and the knock-on effects on service quality and the need to stimulate economic growth, particularly in the north and midlands, the TUC believes that the government should signal a change of direction on public sector pay.

The TUC believes that the government's public sector pay policy has become unsustainable and that employers and unions should be able to negotiate wages that reflect the needs of our public services, through collective bargaining or genuinely independent Pay Review Bodies as appropriate.

In our submission to the Autumn Statement, the TUC called on the government to work with public service employers and unions to:

- lift the public sector pay cap and allow public service wages to be determined according to the needs of each sector through collective bargaining between employers and unions or through genuinely autonomous and independent Pay Review Bodies where appropriate
- reform Pay Review Bodies (PRBs) to ensure that relevant workforce and employer voices are included within board membership, for example through the appointment of PRB members with trade union experience, and that PRBs are able to look at a wider range of issues than affordability – focusing on recruitment, retention, market comparisons, staff morale and the impact on services.

"The TUC believes that the government's public sector pay policy has become unsustainable and that employers and unions should be able to negotiate wages that reflect the needs of our public services."

- ▶ place more value on all employees delivering public services by adopting the widely supported voluntary Living Wage, which is currently £9.40 per hour in London and £8.25 in the rest of the UK
- ▶ increase the national minimum wage as quickly and strongly as can be sustained – the TUC’s medium-term goal is that all UK wage rates should reach at least £10 per hour
- ▶ develop fair and sustainable pay structures that are easy to explain, understand and operate, with shorter pay bands and that guarantee progression based on transparent and objective appraisal systems, agreed in partnership between employers and unions.



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Skills Economy and Growth Scrutiny Commission 16 th September 2019 Skills, Economy and Growth Scrutiny Commission Work Programme for 2019/20	Item No 6
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Outline

Attached is the work programme for the Skills, Economy and Growth Scrutiny Commission for 2019/20. This is a working document that is regularly updated.

Action

The Commission is asked for any comments, amendments or suggestions for the work programme.

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Overview & Scrutiny

Skills, Economy and Growth Scrutiny Commission

Rolling Work Programme June 2019 – April 2020

All meetings take place at 7.00 pm in Hackney Town Hall unless stated otherwise on the agenda. This rolling work programme report is updated and published on the agenda for each meeting of the Commission.

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action
Mon 17th June 2019 Papers deadline: Wed 5 th June	Work Programme Discussion	Chief Executive Directorate Overview and Scrutiny - Tracey Anderson	To agree a review topic and discussion items for the work programme.
	Update on Inclusive Economy Strategy	Chief Executive Directorate Director - Stephen Haynes	update on the development of the Council's Inclusive Economy Strategy, proposed timescales for implementation
Mon 8 July 2019 Papers deadline: Thurs 27 th June	Inclusive Economy Strategy Consultation Workshop	Chief Executive Directorate Head of Policy and Partnerships - Sonia Khan	Review of the strategy out for consultation and the development of metrics. Presentation from HM Cabinet Office on Inclusive Economy Partnership
Mon 16 Sept 2019 Papers deadline: Wed 4 th Sept	Cost of living and public sector recruitment strategies	Various	<i>Recognising how the growing disparity between cost of living and public sector salaries are going to pose a real tension for recruitment strategies and talent management.</i> Looking at the cost of living and the ability to fill key public sector roles.

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action
Wed 16 Oct 2019 Papers deadline: Fri 4 th Oct	Night Time Economy Seminar	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	Review of new policy, jobs, sustainability of sector, implications for residents and growth.
	Hackney Young Futures Commission	Chief Executive Directorate	Update on Young People's Consultation Feedback of young people's views on employment, opportunities and the economy.
Mon 11 Nov 2019 Papers deadline: Wed 30 th Oct	Crossrail 2 Update from Transport for London	Transport For London – Crossrail 2	<i>Update on the progress of Crossrail 2 In response to the government's call to make Crossrail 2 more affordable, TfL are reviewing the scheme, design and delivery in order to ensure best value for money. TfL is currently awaiting a decision from the Government about next steps for the scheme. Update to Commission about the progress of Crossrail2 will be provided at a later date.</i>

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action
Mon 6 Jan 2020 Papers deadline: Wed 18 st Dec	Cabinet Member Question Time sessions -	Mayor's Office – Head of Mayors Office and Support Officer Cllr Williams	
	Cabinet Member Question Time sessions	Mayor's Office – Head of Mayors Office and Support Officer Cllr Nicholson	
Thur 12 Mar 2020 Papers deadline: Mon 2 nd Mar	TBC		
Mon 20 Apr 2020 Papers deadline: Wed 8 th Apr	Work Programme 2018/19 and Work Programme Planning for 2019/20	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action