

## Proposal for a scrutiny review by Skills, Economy & Growth Scrutiny Commission - Scoping Document

**Report title:** Making the Local Economy Work for Hackney Residents

**Municipal year:** 2018-19

### 1. Terms of Reference

- 1.1 The EU referendum exposed not only the division about the UK relationship with Europe but also the widening chasm between those for whom globalization is not working and those who prosper from it or have built resilience to weather its worst effects. It also highlighted how too many people are left behind and excluded from the prosperity in the economy. All levels of government are under pressure - with businesses - to find economic solutions that spread prosperity, opportunity and reward more fairly. The idea of "fairness" is heavily contested, varying between reward for effort and meeting needs of those less successful. The idea that a more equal society is healthier is still not widely accepted, despite the evidence.
- 1.2 Traditionally, local economic development prioritised attracting new large businesses to a local area and historically economic success has been defined by the number of jobs created or the amount of new investment entering a region. The quality of those jobs, in terms of security pay and skills, has rarely been quantified or factored into the calculation of the impact on the local community and the economy. The concept of retaining value locally has also been overlooked. Our traditional assessment of economic success does not tell us if the local community is benefiting from apparent economic prosperity.
- 1.3 In Hackney the scale of growth and change over the last decade has been significant but there is concern that there is an underrepresentation of specific groups of local residents (black and minority ethnic groups (BAME), disabled people and older workers) in high skilled local employment and, for them, a disconnection from the emerging growth sectors and job progression opportunities the growth sectors (such as Professional, Scientific and Technical sector, Information and Communication sector and Caring, Leisure and other services sectors) in the borough have to offer.

- 1.4 In London the demand for skills has increased in recent decades, and is projected to continue doing so. There are currently 5.8 million jobs in London, up from 4.1 million 20 years ago. The GLA Economics forecast that there will be 6.8 million jobs in London in 20 years' time (a significant but smaller rate of growth compared to recent decades). Jobs growth in London in the last two decades has been concentrated in Business Services, in other services (Health, Education) and in Retail and Accommodation and Food. Jobs growth has been highest in higher-skilled occupations, with largest growth in the Professional Services category. This has meant a significant increase in demand for people with degree level qualifications.<sup>1</sup>
- 1.5 Although there has been substantial progress made in improving the skill levels of residents, the Council's work on economic development has identified there is a skills gap for Hackney residents (both technical and soft) - despite improvements in the attainment of young people growing up in the borough - to be able to work in growth sectors like tech and the creative industries. In short, we attract skilled workers from outside, and do less than we could to grow our own talent and connect them to new opportunities.
- 1.6 At the same time, the borough has experienced a reduction in relative deprivation (noted in point 2.2.2)<sup>2</sup>, but this has more to do with the demographic moving into the borough than a fundamental shift out of poverty into better quality work of longer-term residents.
- 1.7 The Council recognises the importance of ensuring the borough is shaped locally by the people and businesses around them. Over the last 2 years the Council has focused on developing a new approach to economic development in partnership with residents, local businesses and partners. The Council's Community Strategy outlines its vision for economic development and this aims to reduce inequalities across communities to share the benefits of growth in a more equitable way.
- 1.8 It is important to ensure people feel they have a stake in their local community, and do not feel side lined or 'forgotten', which can lead to feelings of disengagement, exacerbates existing inequalities and is likely to generate greater inequality and threaten community cohesion. It is argued that where community wealth-building (as defined in points 2.5.2) is encouraged and inequalities between communities tackled, there are less likely to be tensions and conflicts as people become more socially and economically empowered; thus reducing the need to be employed within their own community, having skills that are relevant to the wider economy (London) and creating more opportunities for genuine interactions with others in more mixed working conditions.

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<sup>1</sup> GLA Economics - Skills Strategy for Londoners Evidence based <https://www.london.gov.uk/sites/default/files/skills-strategy-evidence-base.pdf> (June 2018)

<sup>2</sup> Indices of Multiple Deprivation 2015 Briefing (<https://www.hackney.gov.uk/local-economic-assessment>)

- 1.9 The Commission wishes to look at disconnection, job progression and pathways to explore and understand why and how, some parts of the community remain perpetually disconnected from the wider economic success and to identify solutions, policies or practices that could help to bridge this gap.
- 1.10 In this review the Commission will be exploring the barriers facing residents, from various equality groups (Women, people with a disabled people, young people, people from a lower socio-economic backgrounds, first generation immigrants and black and minority ethnic groups) to accessing the opportunities in growth sectors (like Professional, Tech and Creative industries). As part of this review the Commission will also hear from academics and think tanks currently researching and making recommendations for this policy area, to find out about best practices and the policies that can help connect areas of high economic growth and emerging jobs sectors with the local communities in the area that may be experiencing deprivation. The Council fundamentally wants to challenge mainstream concepts of trickle-down growth benefiting all and look to develop policy interventions that can promote equality and inclusivity.
- 1.11 This paper proposes that the Commission conducts a review which seeks to identify the policies and strategies needed locally to help connect particular growth sectors with the local communities around them. This review will focus on the role the Council can play in creating inclusive economies.
- 1.12 This review will aim to understand the local barriers to inclusive growth for residents and businesses to help the Council understand why local communities in growth areas are not taking advantage of the economic growth and how we might better enable people to consider working in them to access the job opportunities in growth sectors.
- 1.13 The purpose of the review is to investigate how the Council can continue to create better connections between local people, the economy and employment opportunities to ensure local growth is more inclusive. The Commission will also explore the actions that can be taken to help businesses better connect with the local communities around them.
- 1.14 Core Questions

The aim of this review is to inform and support the council's inclusive growth agenda. Specifically, the review will be seeking to understand how local interventions can help shape the nature of employment opportunities, assess the demand for skills (partnership working between skills and all levels of education), influence the levels of pay and improve the terms and conditions of employment contracts.

The Commission intends to complete a review to answer the following core questions covering jobs, education/training and cohesion and to

investigate if innovative approaches like the Preston Model (like procurement, modes of ownership and investment in staff) can provide a key contribution to inclusive growth.

- How can the council and private sector organisations work together to support inclusive leadership culture and diversity in the workforce to ensure it is inclusive and provides good quality sustainable employment?
- Can the devolution of adult education create better training opportunities to enable people to progress into good quality sustainable employment?
- How can the emerging employment sectors (noted in points 1.3) in the borough play a significant role in supporting cohesion in the wider community?

1.15 In addition to the core questions above. The questions we will be asking are:

- 1.15.1 What can we learn from any successful examples of getting local people into employment in Tech City and other growth sectors to ensure that inclusive growth is core to future large scale economic regeneration projects?
- 1.15.2 What pathways existing into good quality and sustainable work for growth sectors (both London in point 1.4 and local in point 1.3) for low skill / entry level jobs for progression into high skilled jobs?
- 1.15.3 Can Council led initiatives be used to develop an adequate and appropriately skilled local labour workforce?
- 1.15.4 How can Hackney work better with employers to ensure there are pathways into high-level sustainable and good quality employment for those who begin at entry-level or are in low income jobs?
- 1.15.5 What do local businesses see as the opportunities and challenges to employing people from the local community?
- 1.15.6 What mechanisms need to be in place to guide local employment as the preferred option?
- 1.15.7 How can the council and private sector organisations work together to support sustainable social and economic growth?
- 1.15.8 How can the Council work with private sector organisation to develop a metric about social impact for inclusion in their business model?
- 1.15.9 How can the local communities near growth sector areas be supported and encouraged to connect better with the local businesses/economy/growth sectors?
- 1.15.10 Is it possible to progress from entry level jobs to high level jobs through access to on the job training?
- 1.15.11 What role can adult education play in creating better opportunities for local people to retrain for new job sectors to enter into more secure and financially sustainable employment?

- 1.15.12 Can the devolution of adult education budget ([Skills for Londoners Framework](#)) be used to provide residents with access to relevant careers advice and training?
- 1.16 This review will not explore how to maintain economic growth and will not seek to define the Council's relationship with local businesses.

## 2. Background

Key headline national statistics:

- 9.2 m low skilled people are chasing 3.1 m low skilled jobs. This leaves a surplus of 6.2 m people.
- 12.6 m people with intermediate skills are chasing 10.7 m jobs. This leaves a surplus of 1.9 m people
- 6.1 m high skilled jobs but there is only 1.9 m high skilled workers. This leave a deficit and 4.2 m vacancies for these skills.
- 1.2 million EEA workers qualified to degree level or higher; and 740,000 working in high skilled jobs.
- 16% of the workforce either want a job or more hours.
- 9 million adults lack basic literacy and numeracy.
- 13 m lack basic digital skills.
- 97% of apprentices already qualified to that level.
- Low pay and insecure work is rising – 1/5 low paid, 1/10 insecure.
- With wide variation between areas – in demographics, labour markets, economies, needs and priorities. LGA have identified a need for local areas to drive local growth, employment and skills.<sup>3</sup>

Source LGA Skills, employment and inclusive growth conference

- 2.1 The impact of the 2008 economic crisis and global recession was felt by all. Since the crisis local council budgets have been cut by approximately 40% over the last Parliament. This has also had an effect on changing the composition of funding so that spending has become increasingly reactive, rather than being focused on prevention.
- 2.1.1 As the global economy continues to recover we are seeing slower growth, widening inequalities, and not enough jobs to keep up with a

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<sup>3</sup> Source LGA Presentation skills, employment and inclusive growth conference

growing labour force. According to the International Labour Organisation, more than 204 million people were unemployed in 2015.<sup>4</sup>

- 2.1.2 Inclusive growth is a growing area of debate and viewed as the approach decision makers, policy makers, local authorities and third sector organisation should be taking to reduce inequalities and better connect local communities to the employment opportunities. Research by various economists on growth identified that economic growth has not been reducing inequalities and raising the standards of living for all as expected. Joseph Roundtree Foundation (JRF) also reported the current Government policies and approaches have not sufficiently bridged the gap between growth and poverty alleviation strategies.
- 2.1.3 In the last decade Hackney has experienced significant economic growth but not all residents in the borough are feeling the benefits of the Borough's prosperity. The Council carried out a year-long engagement exercise called '[Hackney a Place for Everyone](#)' with local residents to hear their views about the development of the borough over the last 10 years. The summary report published revealed residents were split over whether or not they agreed if jobs available were accessible to them personally, and/ or to the population equally in Hackney. This reflected a feelings among residents about being left behind and excluded from new and emerging opportunities. This view was stronger among residents not currently in full-time work and who live in social rented housing, and among residents from a BME background, younger residents aged 16-24 and those aged 45-54, as well as disabled residents.<sup>5</sup>
- 2.1.4 The Council is aware that waiting for economic growth to filter down and benefit the wider community will allow inequality and income disparity to increase across the borough. Hackney Council has been developing its inclusive growth agenda and strategy for economic development. We acknowledge the work the Council has been doing to maintain cohesion, identify the issues and ensure all residents have access to the opportunities being afforded from the economic growth locally and across London. Notwithstanding, some parts of the borough have remained disconnected from the wider economic success.
- 2.1.5 The Council's inclusive growth agenda and strategy for regeneration and economic development will focus on an areas based approach, considering how the council can use its assets, powers and influence to harness the opportunities within the local economy so that everyone can benefit in an inclusive way. The desire is to see all residents benefit from the economic opportunities available.

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<sup>4</sup> United nations development plans – decent work and economic growth goal - <http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-8-decent-work-and-economic-growth.html>

<sup>5</sup> Hackney a Place for Everyone summary findings report

## 2.2 Deprivation

2.2.1 There has been large decreases in a number of London Boroughs with the proportions of their neighbourhoods that are highly deprived and Hackney was no exception but the most significant. In 2015, Hackney's average score (based on LSOAs) rated the borough as the 11<sup>th</sup> most deprived local authority district in England. Whereas by the same measure in both the 2007 and 2010 Indices of Deprivation, Hackney was ranked as the 2<sup>nd</sup> most deprived local authority in the country.

2.2.2 There are a range of measures that summarise deprivation in local authorities and each leads to a different ranking of these areas. In Hackney the borough went from 42% of neighbourhoods being highly deprived in the Index of Multiple Deprivation 2010 to 17% in 2015. However, the movements recorded all indicate that Hackney is becoming less deprived relative to other areas. But in terms of geographical variation, there are some particular concentrations of deprivation in the borough.

- 1) In the eastern part of the borough around Kings Park and Hackney Wick,
- 2) In the north-west of the borough, around Manor House and Woodberry Down
- 3) The borders between Victoria and Homerton wards
- 4) The borders between Springfield and Lea Bridge wards.

2.2.3 A key manifesto commitment for the Mayor of Hackney is to tackle poverty. A poverty reduction strategy with an action plan is being developed by the Council to set out a clear case for tackling poverty. The Poverty Reduction Strategy will enable the Council to focus on a collective set of changes and interventions looking across the whole system and taking a long term view. This review will provide the views of residents to highlight their experiences of in work poverty and the barriers to accessing opportunities to progression. This review will also capture the voice of businesses to understand the challenges they face employing locally.

## 2.3 Industrial changes and the local economy

2.3.1 Historically Hackney's local economy was traditionally factories covering confectionery, furniture making (carpenters, cabinet factories) and clothing (employing seamstress, tailors, dressmakers and shirt makers' milliners and artificial flower makers). The industry ranged from factories with their own retail outlets to homeworkers paid by contractors. In the past the manufacturing industry provided Hackney residents with a decent living and opportunities to progress in the local labour market.

2.3.2 Over the last decade there has been an evolution of businesses and sectors operating in the borough. In a rapidly globalising economy, technological progress has played an important role. While global trade has created new opportunities, it has also created job losses, especially for workers and communities that specialised in industries that provided a decent living and opportunities to progress.

- 2.3.3 We should not forget the night time economy. In the 21st century, the growth of leisure activity and the 'post-industrial' age, has given way to an evening and night economy that has appeared to grow in importance. Economic development over time has shown that towns and cities have had some manifestation of an 'economy' that operates in the evening and at night. In Hackney borough there is a large concentration of licensed premises and a growing night-time economy in Shoreditch and Dalston.
- 2.3.4 The evolution of businesses in Hackney has made it home to a spectrum of businesses of different sizes and types from small businesses who provide local services to start ups and large companies at the forefront of the tech sector. The top 3 sectors with the largest number of enterprises have been recorded as:
1. Professional, scientific & technical sector (3,700 / 25%)
  2. Information & communication (2,505 / 17%)
  3. Arts, entertainment, recreation & other services (1,350 / 9%).<sup>6</sup>
- 2.3.5 The concentration of business growth has been in the 'City Fringe' area around Old Street and Shoreditch and this is the major sub-economy of the borough – which accounts for 43% of all employment in Hackney.
- 2.3.6 The number of business enterprises in Hackney has been growing steadily over the last decade. There has been a significant increase in the number of businesses in Hackney between 2010 and 2015, when the overall business stock grew by 41% (up 4,275 from 10,450 in 2010). This was significantly higher than the growth in the number of enterprises across London which was only 13%. According to ONS business data, in 2015 there were 14,725 businesses in Hackney. Hackney has the 9th largest business stock across all London boroughs with 3.3% of all of the capital's businesses based in Hackney.<sup>7</sup>
- 2.3.7 Hackney's economic activity has transitioned to be predominately knowledge and services based businesses. Globalisation and technology change is shaping a more polarised labour market with more high and low skilled jobs and fewer mid skilled jobs. Leaving fewer opportunities for progression. In addition businesses are operating new business models that have been increasing the number of insecure jobs on flexible contracts. The Council has recognised the need for a strong employment support provision locally to help residents adjust to the skills sets needed in the local labour market today.
- 2.3.8 The Council's Community Strategy sets out the vision for Hackney's future and what the council would like to see for their communities. The Council's Community Strategy is seeking to address the issues highlighted by residents in the year-long engagement exercise and will aim to empower and better connect people with their communities. This strategy also lays out the steps it will take to achieve this. The Council is developing a new approach to economic development which focuses on securing inclusive economic growth and sharing the benefits of growth in

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<sup>6</sup> Hackney policy paper - Understanding Hackney's economy – A focus on business and enterprise

<sup>7</sup> Hackney policy paper- Understanding Hackney's economy – A focus on business and enterprise



a more equitable way. The finding from this review will feed into the council's work in this policy area.

- 2.3.9 In a bid to address the fragmentation of employment support services locally the Council is engaged in various areas of work related to employment and opportunities. This ranges from being part of the sub regional group Central London Forward enabling the Council and other Central London boroughs to co-ordinate economic development activities. The Council is also expanding its own employment support service (Hackney Works) - that provides holistic employment support services to residents who have found it harder to access the labour market - to provide employment services which include careers advice, access to a benefits advisor, apprenticeships and employment support. The Council is also working with schools and colleges on a programme called Hackney 100. The Council recently piloted a pre-apprenticeship scheme which is being evaluated.
- 2.3.10 Through the Council's economic and community development work they identified a gap in support for people in precarious and poor quality work. This work also gave recognition to the fact that the journey for the resident to obtain employment and quality of work is just as important as tangible outcomes such as the number into work. The new supported employment service has embedded a new set of metrics that focuses on quality and journey tracking. Hackney Works is also considering how they can support people who are underemployed and in precarious work to progress and take advantage of high skilled job opportunities available.
- 2.3.11 Hackney has experienced significant economic growth. However, the surrounding communities in close proximity to these growth sectors seem to be disconnected and underrepresented in the local workforce in the high skilled growth sectors in the borough. As noted in point 1.3, there is concern about the underrepresentation of the local community in the emerging job sectors and the view that some local residents do not see the jobs being created are for them. The commission will explore if the work profile of Hackney residents matches that of the workforce profile required by businesses with the high skilled jobs.
- 2.3.12 One of the perceptions is the tech industry is a closed industry and employers in this sector employ people from within their network. In this review we want to find out the reasons why communities feel disconnected and the reasons for their exclusion in the local workforce. But by speaking to employers and key stakeholders in this sphere we hope to hear their views on how they can better connect to the local community and how pathways can be created into their industry.
- 2.3.13 The change and growth of local businesses is particularly prominent in Shoreditch (the emergence of Tech City) and now there is a similar trend developing in the Hackney Wick. Shoreditch - located in Hoxton West and Hoxton East and Shoreditch Wards - is now home to a growing tech sector (tech city) and home to some of the big corporations operating in growth sectors (such as Amazon). HereEast in Hackney Wick is fast becoming a hub of employment and business opportunity. We propose

to use these two Wards as case study areas to look at the local businesses and their connection with the local community around them.

- 2.3.14 In this review we want to understand the reasons for that disconnection by exploring the views and perceptions of residents and local businesses in the growth sectors of employment. It may be their conventional employment practices might need adjustment to facilitate local employment entry, or there may be a need for better publicity of the various job roles available within the industry or that local people need access to the right, education, training and skills to facilitate progression into the industry. These areas will be explored with residents and businesses.
- 2.3.15 The commission has previously heard about the work of the council aimed at addressing the fragmentation of the skills and employment support services. Locally the council has developed an employment support offer that addresses the needs of a cohort not currently supported by the national employment support programmes.
- 2.3.16 Locally the council has made efforts to build relationship with local businesses to develop a 2 way relationship that supports and encourages the adoption of socially responsible business models. The aim is for this work to put the council in a position whereby they can proactively influence and shape the local economy.
- 2.3.17 We believe there are lessons that can be learnt from the economic growth in Shoreditch and success of the council's work getting people into employment, that can be harnessed and implemented to maximize employment opportunities for local residents in Hackney Wick particularly with a big employers like HereEast located in that section of the borough.
- 2.3.18 By showing employers that inequality of opportunity limits their ability to find talent and limits the supply of new businesses to a region - to create a thriving local economy – we hope it will enable all to see that inclusive growth is a problem for both workers and employers.
- 2.3.19 By looking at Inclusive growth we are seeking to identify how people can fulfil their potential, whether that is the unemployed seeking work and gaining employment or the underemployed utilising their full potential.

## 2.4 Inclusive Growth

- 2.4.1 There has been national work to look at the inclusive growth agenda with recommendations made about the framework and policy approaches that could be adopted. The inclusive growth agenda was looked at in detail by the RSA.
- 2.4.2 The RSA set up the Inclusive Growth Commission which was an independent inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous. The Commission sought to devise new models for place-based growth, which enable the widest range of people to participate fully in, and benefit from, the growth of their local area. The report by the Inclusive Growth Commission '*Making Our Economy Work for Everyone*'

sets out their framework and recommendations for achieving inclusive growth.

2.4.3 The inquiry was completed and published its findings in April, 2017. The 4 key recommendation areas highlighted were:

**Place-based industrial strategies:** Delivering business-led productivity and quality jobs. The Commission recommended:

- City regions work together to form sectoral coalitions linking industry sectors and places in order to modernise industrial strategy.
- The creation of new institutions or civic enterprises to connect business and industry, training providers and universities.
- That cities become places of life-long learning, with a commitment to human capital development from ‘cradle to grave.’

**A fundamental reset of the relationship between Whitehall and the town hall, underwritten in new social contracts.** The Commission recommended:

- National standards with local flexibility so that combined authorities are able to pool budgets and co-commission public services for their place.
- Immediate, pragmatic action to spread co-commissioning – applying Greater Manchester’s model of joint place-based service commissioning for health and social care to other mayoral combined authorities and other public service areas such as education, skills and employment support.
- Maximising impact from total local resources. Over the long term, places with mature governance should take on full responsibility for the economic and social outcomes of their place, enabling local coordination of all public spending.
- Place-based budgeting and spending reviews that attribute the total amount of public sector spending and investment to places rather than departmental siloes.

**Inclusive growth at the heart of public investment.** The Commission recommended:

- Central government establish a new independent UK Inclusive Growth Investment Fund, incorporating repatriated ESIF funds and other relevant funding streams. Applications for funding would be based on their expected impact on broad based ‘quality GVA’ and the Fund would be overseen by a multi-stakeholder board.
- Central government should explore and encourage the establishment of regional banks.

**Making inclusive growth the working definition of economic success.** The Commission recommended:

- Central government commission an assessment of the social infrastructure gap
- Maximising the impact of national and local investment by mainstreaming inclusive growth in all public investments including physical infrastructure projects.
- Establishing inclusive growth as a regular, official statistic by publishing a quarterly national measure of inclusive growth alongside GDP.
- Places should define and be accountable for agreed inclusive growth metrics, and these should form part of the Gateway Reviews for mayoral investment funds.
- An appropriate evaluation timeframe should be developed as part of the new social contracts negotiated between city regions and central government.<sup>8</sup>

2.4.4 In addition the Mayor of London's [Economic Development](#) strategy has inclusive economy as a key theme and aims to ensure all Londoners can benefit from economic growth across the capital. The Mayor of London's strategy makes the case for a more flexible, place-based approach to prepare London's economy for the UK leaving the European Union (EU), as well as future, unpredicted, technological and economic changes. It also states strongly that boroughs and their expertise are key components towards delivering the strategy's vision.

2.4.5 In London Councils response they have highlighted how London has led the recovery since the financial crisis and how over the past decade it has created more than three quarters of a million jobs.

2.4.6 But despite its size, London has a varied economy, and Londoners face a distinct set of challenges in accessing the labour market. London Councils points out too many Londoners are workless and we need to do more to ensure our residents have the skills to compete effectively in a competitive global economy. Over recent years, London Councils has been making the case, in partnership with the Mayor of London and other partners both within the capital and nationally, that devolution and reform of public services will be essential to deliver clear benefits for Londoners, the economy in London and in the country as a whole.

2.4.7 The Joseph Roundtree Foundation (JRF) have been working on the inclusive growth agenda since 2013. Their work focused on what could be done at the city or city regional level to develop more inclusive local economies. Through their work they have highlighted 'what is inclusive growth and why it matters'. The JRF report [Overcoming deprivation and disconnection in UK cities](#) explored deprivation and disconnection at a neighbourhood level and focused on the poorest neighbourhoods in the UK. It examined how and why these areas remained disconnected from

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<sup>8</sup> Inclusive Growth Commission Making Our Economy Work For Everyone'

economic growth within their wider city regions. Their reports provided evidence which suggested a range of different policy responses was needed to help bridge the gap between city-regional economic growth and poverty alleviation strategies.

## 2.5 Community Wealth

2.5.1 Linking closely with inclusive growth has been Interest and momentum around local wealth building. Community wealth building has been suggested as a solution to achieving a more inclusive economic growth. CLES have been working in this area for the past 10 years with local areas and agencies on an alternative approach to the traditional economic model.

2.5.2 Local wealth building comprises of several interconnected strands revolving around Community Land Trusts - to lock in wealth for local people and a foundation economy - where care, utilities and retail are repatriated to local cooperatives. London's local boroughs are part of a regional economy, therefore councils could look at wealth building through making better use of local anchor institutions to drive inclusive growth.

2.5.3 Anchor institutions commonly include local authorities, further and higher education providers, and housing organisations. As employers and holders of land and property assets the view is their purchasing power - and through their links to the local community - these anchor institutions could be the organisations upon which new local economic approaches and social improvements can be based. Progressive use of commissioning and procurement by anchor institutions is now acknowledged as a means to developing a dense local supply chain of local enterprises, including SMEs, employee-owned businesses, social enterprises, cooperatives and other forms of community ownership. Work on anchor institutions has been led by CLES. Examples of areas engaged in the forefront of policy and practice in this field include work in Belfast, Birmingham, Calderdale, Manchester, Oldham, Preston and Salford.

2.5.4 We will explore the possibility of using under utilized community and anchor institution assets to connect

## 2.6 What is inclusive growth and why is it important

2.6.1 Economic growth has not delivered the increases in living standards that policy makers intend or economists expect for all sections of society. In many countries, including the UK, average incomes have stagnated in recent years and the gap between rich and poor has widened. For Hackney the 2017 Economic Assessment noted that those living in the borough earn less than those who work in it, and less than the average for both London residents and London workers. By adopting an inclusive growth approach this would seek to proactively redistribute the benefits of economic growth.

2.6.2 There is no set definition to describe inclusive growth but it has been described by the RSA Inclusive Growth Commission as:

Inclusive growth is described as broad-based growth that enables the widest range of people and places to contribute to economic success, and to benefit from it too. Its purpose is to achieve more prosperity alongside greater equity in opportunities and outcomes.<sup>9</sup>

2.6.3 Another description of inclusive growth by The Brookings Institution policy report is:

Inclusive growth is to put a regional economy on a trajectory of higher growth that increases the productivity of organisations and workers (prosperity) and raises standards of living for all (inclusion) thus achieving deep prosperity – growth that is robust, shared and enduring.<sup>10</sup>

2.6.4 Despite there being no set definition, there is an opportunity to deliver a more inclusive approach to economic development and growth. What defines an inclusive growth agenda is the dual emphasis on outcomes as well as opportunities. One that seeks to combine a prosperous economy, with an approach where intervention influences the growth side of the equation to create a more equal society.

2.6.5 Research shows that when the fortunes of a deprived neighbourhood are improved the challenge is to ensure that the original residents benefit. If people are unable to access the new jobs being created, the risk is they are displaced elsewhere as an area's economic fortunes improve. If this happens the perception may be that the distribution of benefits from economic growth is limited to the few and not the many.

2.6.6 A thriving local economy needs a labour market that involves the supply of local workers and meets the demand of local organisations. Inclusive growth is important because employers need skilled, productive workers to maintain their profitability. If an economy can offer greater equality of opportunity it is believed it can achieve sustainable economic success.

## 2.7 Barriers to inclusive growth

2.7.1 To commence this review it is key to explore and understand what the potential barriers to inclusive growth might be. The main barriers to inclusive growth have been described by the RSA<sup>11</sup> as:

- *Impact of changes to the economy* – de-industrialisation and structural economic change. Changes to areas or regions hit by de-industrialisation and structural economic change can suffer long term effects on their labour market.

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<sup>9</sup> RSA Inclusive Growth Commission – Inclusive growth for people and place finding from deep dive research Sept 2016

<sup>10</sup> The Brookings Institution | metropolitan policy program | 2016 [https://www.brookings.edu/wp-content/uploads/2016/02/BMPP\\_RemakingEconomicDevelopment\\_Feb25LoRes-1.pdf](https://www.brookings.edu/wp-content/uploads/2016/02/BMPP_RemakingEconomicDevelopment_Feb25LoRes-1.pdf)

<sup>11</sup> RSA inclusive-growth-for-people-and-places-challenges-and-opportunities

- *A lack of proactive transitional support* – the results of a disjointed education, skills and training support system that fails to sufficiently provide people with pathways into the new industries of work and progression can leave sections of the population behind. People find it difficult to achieve labour adjustment without access to the right education, skills and training support to help create pathways and progressions to work. The lack of proactive transitional support at the time when people are affected by structural economic change can make it much more difficult to achieve labour market adjustment.
- *Labour market challenges* - a low skills equilibrium, low-wage jobs and employment polarisation, are recognised as barriers to more sustainable, inclusive and higher quality growth for all. Labour market mobility can also be a key challenge for workers in low paid jobs. Workers in low paid jobs many not want to incur the expense and the extended time of commuting long distances to get to work. It is viewed that better commuting connections generally benefit high skilled workers.

2.7.2 Connecting people to the opportunities in the labour market through better education, transport and employment support was seen as vital ingredients. Although infrastructures for the above may be in place it has been recognised by academics and economists that communities near to areas of economic growth or emerging job sectors can still feel disconnected from the growth being experienced.

2.7.3 JRF reported disconnection can come in a number for different forms such as social, economic, physical, institutional or digital (to name but a few).

- **Economic disconnection:** a lack of demand-side growth caused by economic shocks (e.g. deindustrialisation) and market failures combined with a shortage of suitably skilled labour.
- **Social disconnection:** Individual or collective cultures within disadvantaged areas that act as barriers to work. For example, residents have fewer opportunities to find out about, or access, employment through networks of family, friends and neighbours. The resulting deprivation may, in itself, reinforce disconnection through loss of employment-related skills which leave the individual experiencing the negative consequences of health, emotional and/or financial wellbeing as a result of poverty, worklessness or insecure work.
- **Physical disconnection:** Disadvantages caused by location, such as a lack of suitable transport connections to centres of economic opportunity.
- **Institutional disconnection:** a lack of horizontally or vertically integrated structures or partnerships that leads to sub-optimal economic outcomes.

- 2.7.4 It is important to recognise that unequal patterns of growth do not just reflect a failure in helping struggling economies adapt to a post-industrial context but that inequality and exclusion also affects the affluence in cities. It has been reported that the rising prosperity within cities such as London, Bristol, Manchester and Leeds has taken place alongside increasing inequalities in income, health and housing. The economic growth being experienced at the moment is not providing job security but instead is increasing job insecurity which makes it difficult to sustain a decent standard of living.
- 2.7.5 Hackney wants a fairer local economy that enables all local residents to benefit from the economic growth. There is a concern that if local residents continue to be disconnected, without the skills needed to take advantage of new and emerging employment opportunities they will be left behind. Therefore it is imperative to ensure local policies and the benefits of economic growth better link to the communities around them.
- 2.7.6 Previously, government policies were designed so that economic growth would create the opportunities in the labour market through better education, transport and employment support. But, whether by design or by accident, it has been highlighted that this has not been resulting in an equal distribution of prosperity for all. Traditionally economic development policy has focused on building wealth through attracting inward investment seeking the relocation of large corporations or growth sectors to the local economy. However the profits made by these investors are usually taken straight back out of the local community and are not necessarily reinvested or of the benefit to the local community i.e. creating jobs for local people. Thus resulting in an economy failing to work for everyone.
- 2.7.7 This review aims to identify the local barriers to economic inclusion for residents and identify how inclusive growth can be integrated into the strategies of local stakeholders and the mission statements of local businesses.

### 3. Key Stakeholders

- 3.1. Below is a list of Stakeholders who will be consulted during the review.

Sector / organisation	Stakeholder
Service users / general public	<ul style="list-style-type: none"> <li>• Engagement with Local Businesses</li> <li>• Engagement with residents</li> </ul>
Council depts. and services	<ul style="list-style-type: none"> <li>• London Borough of Hackney Inclusive Growth Steering Group</li> </ul>
Other London Boroughs / Councils	



Government departments and executive bodies	<ul style="list-style-type: none"> <li>• London Councils</li> <li>• LGA</li> </ul>
Non-governmental organisations / lobby groups	<ul style="list-style-type: none"> <li>• Trade Unions</li> <li>• GLA</li> </ul>
Academics and think tanks	<ul style="list-style-type: none"> <li>• Joseph Roundtree Foundation</li> <li>• London Prosperity Board</li> <li>• RSA Inclusive Growth Commission</li> <li>• CLES (think tank)</li> </ul>
Private sector	<ul style="list-style-type: none"> <li>• Here East (Plexal and other companies based at the site), WeWork, Amazon, Stansted, BT Sport, Higgins Homes,</li> <li>• Tech Nation</li> <li>• Salford (Media City)</li> </ul>
Representatives of target groups	
Other external	<ul style="list-style-type: none"> <li>• Homerton Hospital</li> <li>• Adult Education providers</li> </ul>

## 4. Methodology

- 4.1 The Commission will undertake a range of evidence gathering processes to support the Commission in meeting the review's objectives as set out in section 1. The programme for evidence gathering could include the following:
- Desk based research;
  - Evidence presented in person at SEG Scrutiny Commission meetings;
  - Primary research (e.g. engagement session with residents and local businesses)
  - Site visits (as appropriate).
- 4.2 The review will be conducted through two scrutiny meetings, one evidence session in February 2019 and a second evidence session in

March 2019 where the Commission will collate and gather evidence. Information and evidence submitted will be published at the meetings.

- 4.3 The Council's vision in the Community Strategy related to its economic development work will be delivered through 3 themes working across the organisation.
- Creating great places where economic growth and change can benefit everyone
  - Encouraging and supporting diverse businesses to thrive in Hackney
  - Supporting people to live well and develop skills that for the future, allowing them to connect with employment opportunities in Hackney and beyond.
- 4.4 The findings from this review will feed into the Council's process in developing their inclusive growth strategy.

<b>Dependencies</b> (what other activities could impact on achieving timelines etc.)	<b>Impact</b>
The holding a joint engagement sessions with Executive, businesses and residents to link into the Council's work on inclusive growth and economic development.	There would be a duplication of engagement sessions with local residents and businesses on the same topic.

- 4.5 To explore practical solutions to overcome the barriers to inclusive growth and disconnection by the local communities in close proximity. 2 locations within the borough (Hoxton / Shoreditch and Hackney Wick) have been selected to use as case studies. There will be a group session with residents from the case study areas to identify specific barriers, lesson to learn and the perceptions/ experiences of residents about the local growth sectors.
- 4.6 A business engagement event will be arranged to speak with a variety of local businesses about their views on the barriers to engaging the local community and the mechanisms they have in place to support, encourage and guide local employment within their organisation.

## 5. Timetable

5.1 The table below provides a schedule of when different aspects of the review are likely to be completed.

<b>Task</b>	<b>Envisaged Timetable</b>
Draft Terms of Reference, desktop research, consulting experts, confirming Executive Link Officer/Members	November 2018
Agreement of terms of reference	February 2019
Formal / informal committee meetings	February 2019
Site visits	TBC
Report drafting	April 2019
Consult Executive Link Officer/Members on draft findings and recommendations	June/July 2019
Schedule for Legal/Finance comments	July 2019
Consideration by Commission/Cabinet. Consideration by Full Council (if applicable)	September – November 2019

5.2 Below is a provisional list of which topics will be considered at each meeting, and who will be responsible for providing the information. These are subject to change depending on availability of officers and stakeholders.

<b>12<sup>th</sup> February 2019</b>	
<b>Topic</b>	<b>Responsible Officer/Partner</b>
Evidence session with academics and think tanks	Dr Saffron Waldron – London Prosperity Board Atif Shafique - RSA
2 Engagement session with residents outside the meeting	Overview and Scrutiny Officer
<b>18<sup>th</sup> March 2019</b>	
<b>Topic</b>	<b>Responsible Officer/Partner</b>

Engagement with businesses	Overview and Scrutiny Officer

5.3 In addition, Members will focus this review on 2 case study areas in the borough (Hoxton/Shoreditch and Hackney Wick) and hold an engagement session with local residents.

## 6. Background Papers

6.1 The following reports and papers have been used as background reading for the review. The list is not exhaustive.

- GLA Economics - Skills Strategy for Londoners Evidence based <https://www.london.gov.uk/sites/default/files/skills-strategy-evidence-base.pdf> (June 2018)
- Indices of Multiple Deprivation 2015 Briefing (<https://www.hackney.gov.uk/local-economic-assessment>)
- <http://future.lambeth.gov.uk/inclusive>
- <https://www.londoncouncils.gov.uk/members-area/member-briefings/our-response-mayor%E2%80%99s-economic-development-strategy>
- Opportunity for growth: how reducing barriers to economic inclusion can benefit workers firms and local economies – Joseph Parilla Metropolitan Policy Program at Brookings September 2017
- Bridging the Gap: Inclusive Growth update Report 2017 - OECD - September 2017
- Community pulse 2018: the economic disconnect - Committee for Economic Development of Australia - June 2018
- Mott Macdonald delivering inclusive growth September 2017
- Overcoming deprivation and disconnection in UK cities - by Alasdair Rae, Ruth Hamilton, Rich Crisp and Ryan Powell – Joseph Rowntree foundation – January 2018
- Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression – Anne Green, City REDI (Regional Economic Development Institute), University of Birmingham, Paul Sissons, Coventry University, Neil Lee, LSE
- Inclusive growth for people and places – RSA Inclusive Growth Commission – September 2016
- Inclusive Growth Commission Making our Economy Work for Everyone - RSA Inclusive Growth Commission – 2017
- Inclusive Growth Putting Principles Into Practice - - RSA Inclusive Growth Commission - March 2017

- The Framework for Policy Action on Inclusive Growth - Meeting of the OECD Council at Ministerial Level - Paris, 30-31 May 2018
- London Councils Member briefing, Our Response to the Mayor’s Economic Development Strategy – March 2018
- United Nations development plans – decent work and economic growth goal - <http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-8-decent-work-and-economic-growth.html>
- London Borough of Hackney: Hackney a Place for Everyone summary findings report
- Equality Framework for Local Government – London Borough of Hackney Self-Assessment.
- London Borough of Hackney Local Economic Assessment (Understanding Hackney’s economy – A focus on business and enterprise) <https://www.hackney.gov.uk/local-economic-assessment>
- London Borough of Hackney Local Economic Assessment - Understanding Hackney’s economy – A focus on employment, economic activity and self-employment <https://www.hackney.gov.uk/local-economic-assessment>
- London Borough of Hackney Local Economic Assessment - Understanding Hackney’s economy – A focus on occupations and employers <https://www.hackney.gov.uk/local-economic-assessment>

## 7. Executive Links & Response

7.1 The following corporate stakeholders have been consulted on this Terms of Reference:

Contributor	How have they been consulted on proposal
Council Lead Director	Stephen Haynes
Council Lead Officers	Sonia Khan / Suzanne Johnson
Executive Member(s)	Cllr Williams / Cllr Nicholson

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