

**REPORT OF THE WORKING IN HACKNEY SCRUTINY COMMISSION****The Future of the World of Work  
and Skills in Hackney**

Working in Hackney Scrutiny Commission –  
September 2018  
Cabinet – November 2018

Classification

**Public**

Enclosures

**Appendices 1 - 4**

## 1. FOREWORD

There is much discussion about the changing face of employment and how the world of work, and therefore skills needed for jobs, is changing at a faster pace than we have ever known. This is not solely due to automation, technology and artificial intelligence. There are also demographic changes, the global picture of climate change and globalisation, and the rise of the gig economy, self-employment and portfolio careers. In London, housing and land values are distorting the economy and there is a hollowing out of mid-level jobs, leaving behind high-skilled and low-skilled jobs and therefore greater inequalities. Productivity is not growing as it should be compared to other European economies which affects wage growth, and Brexit is predicted to impact London significantly.

The education and skills system, long recognised not to be meeting the requirements of employers and the economy, has a momentous task ahead – to prepare young people and to upskill adult workers of all ages for a new world of work. Fortunately, this urgency is being met in London with a devolution of skills which can hopefully allow it to re-invent how it supports people into work and through increasing inevitable transitions in their careers. This scenario is echoed across other trends; opportunities and challenges exist in equal measure which require the council and other actors to work hard to ensure that these opportunities are open to all.

As the Commission assessed this landscape, we decided to structure our enquiry and our report around six key characteristics or trends that are amplified in Hackney. These are:

- Growing inequality
- The rise in self-employment
- The impact of high land and property values
- The predicted impact of Brexit
- Opportunities for employers to contribute
- Opportunities to lead in a revolution of skills

This allowed us to make recommendations in areas where the council must be proactive given the nature of Hackney.

I would like to convey heartfelt thanks to the residents, businesses, workspaces, think tanks, council officers and Councillors who grappled with the challenging issues and themes in this report. We know that we do not collectively have all of the answers yet, but by working together we can support the council to best anticipate the changes. This will enable it to position itself to be able to best support residents to respond to these dynamic and increasing changes in the world of work and skills. I commend this report to the council.

A handwritten signature in black ink, appearing to read 'AJR', written over a horizontal line.

**Cllr Anna-Joy Rickard**

Chair- Working in Hackney Scrutiny Commission

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## 1. INTRODUCTION

- 1.1 The world of work is changing in response to a number of factors such as: technology advancement, an ageing population, automation and artificial intelligence, globalisation, climate change, urbanisation and increasing inequality.
- 1.2 The UK labour market is changing and employers are reporting rising skills shortage vacancies in London and skills gaps in their workforce<sup>1</sup>. The job growth in central London represents 2/3<sup>rd</sup>s of London's job growth and 1/5 of the jobs growth in the UK. Central London Forward's economic assessment reported that businesses that rely on skilled labour (tech companies, R&D functions etc.) are agnostic to where their operations are based.<sup>2</sup> This could have a huge impact on local economies. This behaviour is very different to the way business behaved two decades ago, where previously skilled individuals were expected to move to where companies were based. But now in the global fight for a limited pool of skilled talent businesses are thinking differently.
- 1.3 Over the last decade Hackney has experienced improved public services, better transport links and a much improved quality of life. With population growth by a third and a larger proportion of affluent, higher skilled residents moving into the borough, Hackney has experienced rapid economic growth and a change that has also led to it becoming an attractive location for businesses.
- 1.4 Changes in the workplace and to the nature of work will mean people will change employers, jobs, employment status and professions numerous times and at faster paces than ever before. While some have the tools and mindset to embrace this flexibly, not all are equipped with the skills, competences and support system to be able to respond to these changes. The Working in Hackney Scrutiny Commission conducted this review to explore the implication of the changing world of work and skills to Hackney.

### **World of Work**

- 1.5 The UK economy is heavily service based both in output and employment. Over the last decades there has been a shift in the economy from manufacturing to services particularly towards professional, real estate, scientific and technical services. It was reported in 2014 this accounted for a 1/3<sup>rd</sup> of output and 1/4 of total employment.<sup>3</sup> Economic success has been increasingly driven by London's connected and global economy specialising in financial, professional and technical services. This created a strong demand for highly skilled, highly productive labour and is expected to continue to rise at a fast rate.

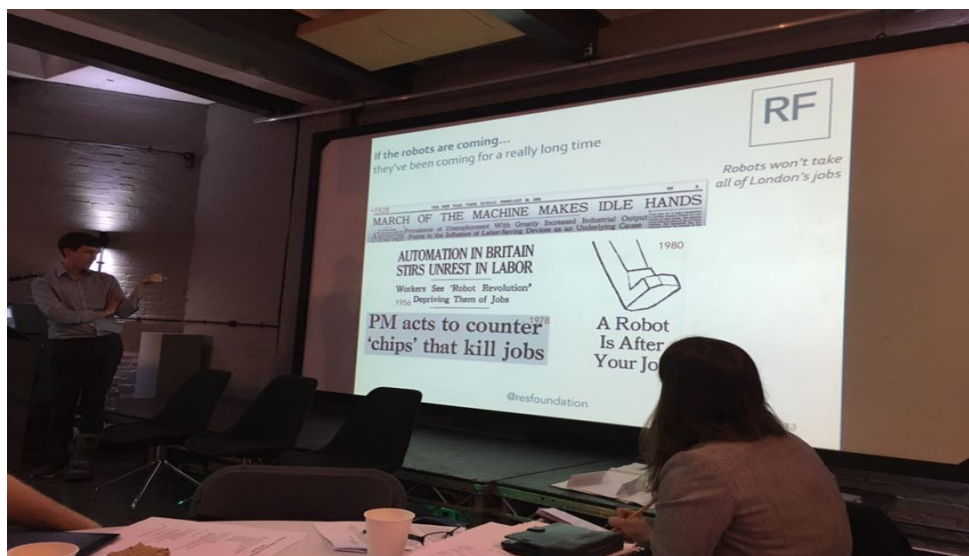
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<sup>1</sup> Bridging the Gap report page 11 - UKCES (2015) 'Employer Skills Survey 2015'

<sup>2</sup> Central London Forward: Final Analytical Report, Central London Forward, May 2017

<sup>3</sup> [https://www.keepeek.com/Digital-Asset-Management/oced/employment/employment-and-skills-strategies-in-england-united-kingdom\\_9789264228078-en#page22](https://www.keepeek.com/Digital-Asset-Management/oced/employment/employment-and-skills-strategies-in-england-united-kingdom_9789264228078-en#page22)

- 1.6 At just over 65 million<sup>4</sup> the UK population is at its largest level and the UK employment levels are at their highest rate with unemployment is at its lowest level. Between 2006 and 2016 the British employment rate increased from 72.6% to 74% and London's employment rate increased from 68.1% to 73.8%. Over the past ten years the UK's unemployment dropped to 4.6% and London's to 5.5%. In the same period Hackney's employment rate has increased from 58.3% to 69% and Hackney's unemployment rate is 5.6%.<sup>5</sup>
- 1.7 To date a strong proportion of London's labour demand has been filled by migrant labour and an increasing trend for London's economy is the hollowing out and departure of the middle skilled. Many middle skilled jobs are reducing as we see an increase in jobs that are either high skilled or low skilled. This is coupled with people aged 30-45 years leaving London in large numbers, resulting in a new decrease and loss of middle skilled workers.
- 1.8 Employment is changing as organisations adopt a different business model in this open competitive market. Since the financial crisis in 2008 there has been a rise in different forms of precarious work but to date full time employment is still the most common form of employment. A significant change has been the increase in part time work from 16.8% in 2006 to 27.9% in 2016<sup>6</sup>. In addition to this Hackney has been experiencing fluctuating self-employment rates with a low of 10.8% in 2007 to a high of 18.9% in 2015.<sup>7</sup>
- 1.9 At our opening event on 29<sup>th</sup> November 2017 we heard for decades it has been widely anticipated that automation and robots (artificial intelligence) will take a significant number of jobs but in this review we found although there has been an increase in technology. Productivity in the UK had not vastly improved like it has with previous advancements in technology in the labour market. This is in spite of an increase in skills and better qualification levels for the population.



<sup>4</sup><https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/july2017#the-uk-population-is-at-its-largest-ever>

<sup>5</sup> [www.hackney.gov.uk/statistics-evidence-plans-and-strategies](http://www.hackney.gov.uk/statistics-evidence-plans-and-strategies)

<sup>6</sup> Employment, economic activity and self-employment LBH Policy Paper

<sup>7</sup> Employment, economic activity and self-employment LBH Policy Paper

- 1.10 Previous industrial revolutions have shown that where some jobs are lost usually others are created. Many of the jobs, such as health and social care which are in demand now did not exist a decade ago. In addition to these changes, there are trends such as the gig economy and the increase in precarious work. While there is no legal definition, the term precarious is used to refer to a type of work which is poorly paid, unprotected, and insecure. This is believed to have contributed to the changes in the nature of how people work. In the future it is predicted that these significant changes to the way people are employed and the types of contracts they are employed on is likely to continue.
- 1.11 Hackney is the 11th most deprived area in the country but over the last decade it has experienced improved public services, better transport links and a much improved quality of life. With population growth by a third and a larger proportion of affluent, higher skilled residents moving into the borough, Hackney has experienced rapid economic growth and a change that has also led to it becoming an attractive location for businesses.
- 1.12 The number of workless households in Hackney has almost halved since 2005 down by 42%, nevertheless for the first time in this country there are more people in poverty living in households where someone is in work rather than out of work. A key challenge for workers (particularly those with low or no qualifications) currently is stagnating wages and adverse work conditions. The proportion of Hackney employees earning below the London Living Wage has increased and this suggests a growing need for in-work support to help people progress out of poverty particularly for part time workers.
- 1.13 The nature of work and how it is performed has changed many times over the course of the decade. However, the pace of change and advancement of technologies has raised concern about the rise of contingent work – self-employment, zero hours contracts and the shared and gig economy. In addition there are population changes affecting the nature of work such as an aging population and people choosing to work past retirement age – whether through choice or need.

### **World of Skills**

- 1.14 The UK has the most centralised employment and skills systems in the developed world – with central government and its agencies directly responsible for employment and skills policy, design, funding and oversight.
- 1.15 Until recently there was greater emphasis on central government control of local government with an overwhelming fiscal reliance on central government. Successive government strategies have moved towards a more flexible, locally determined and needs-led approach in both the skills system and the employment service. The Department for Work and Pensions (DWP) training providers and the National Careers Service are expected to work more collaboratively to meet local skills and employment needs, building on previous initiatives to create a more integrated employment and skills system.<sup>8</sup> Yet the responsibilities of employment and skills for adults remain with various

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<sup>8</sup> J Oakley, B Foley and J Hillage, Department of Works and Pension Research Report No 830, Employment, Partnership and Skills

central government departments. Overall the employment and skills landscape is characterised by complexity and reform. This fragmentation is exacerbated by services often having different objectives, priorities, eligibility criteria, accountabilities and ways of working – with limited scope to align these with local priorities or to join services up locally. Although local authorities have no formal role in the provision of employment and skills, it is good practice to work in partnership with statutory providers and all key local stakeholders for employment and skills.

- 1.16 Despite the high levels of employment, employers are complaining of a shortage of skilled labour. This is reflected in a mismatch of skills provision with too many Londoners acquiring skills that are not in demand locally. This is further compounded by having an employment and skills system not designed to address the skills shortages and challenges.
- 1.17 The employment and skills challenges are expected to be further complicated by Britain's exit from the European Union in relation to the loss of access to workers, loss of passporting rights and VISA policy changes. This anxiety is affecting businesses' behaviour. At the same time the current structures for skills development and employment support are inept at meeting the needs of local economies or the needs of employers. A skilled workforce is vital if London's economy is to continue to grow.
- 1.18 At least £1.6 billion of public investment went into skills development in London in 2015/16<sup>9</sup>. However, London is not getting a return on its investment due to a series of system failures. There are a number of information failures in the system, for example insufficiently granular Labour Market Intelligence. In addition to the patchy careers information, advice and guidance hampers the ability to assess need and help learners identify suitable opportunities. However, the Government is bringing in employer-led training in the hope that it will develop a skills system that meets employer's needs.

### **Purpose**

- 1.19 In spite of positive improvements to the local economy and the higher level of qualification of local residents, the borough has experienced a decline in lower skilled occupations and Hackney's local economic assessment data suggests there is a significant proportion of residents in low skilled and low paid work. This puts them in a situation with limited access to career transition support or upskilling opportunities.
- 1.20 The Working in Hackney Scrutiny Commission decided to conduct this review to explore the trends of the changing labour market, changing skills system and its impact on London's economy; to consider what the council could do to prepare and support residents.
- 1.21 The purpose of the review was to consider how residents might be supported to help prepare for the future economy both in London and locally. The review aims to identify the policies and practices that could help to overcome the challenges ahead in addition to looking at what skills support would be needed

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<sup>9</sup> Bridging the Skills Gap – How Skills devolution can secure London's future prosperity, Report by APPG for London July 2017

to enable local residents to prepare, progress and/or change careers if required for the future world of work and skills.

- 1.22 While we recognise certain groups experience even more disadvantage and barriers in the world of work and skills, we did not explore in detail the barriers faced by equality groups. The Commission acknowledges the barriers faced and will explore the barriers faced in more detail in its work looking at inequalities at work.

### **What we looked at**

- 1.23 The Commission explored the predications on the changing world of work and skills and the impact of these changes over the next 5-10 years to London and the local economy.

- 1.24 The headlines we heard were:

- The changes are not all about automation and technology. The work environment, types of employment contracts and patterns of work are all changing from the atypical norm.
- There is a hollowing out of London's economy and a rise in inequalities as the jobs being created are highly skilled and low skilled.
- Brexit will have a key impact on London and Hackney
- Self-employment has been increasing
- Earnings will rise over the next few years but it is anticipated that earnings will rise slower than previously because the UK's productivity and growth have been downgraded. London's productivity levels have not increased in line with the level of growth among the population in skills qualifications.
- Housing and land values are distorting London's economy and impacting on its demography.
- The education and skills system is not fit for purpose.

- 1.25 To build on the information obtained from the academics and think tanks, the Commission visited work space premises to look at new types of working environment businesses are choosing to use, and they spoke to local businesses about operating in the current business climate and future trends.

- 1.26 The Commission also spoke directly to local workers to get their views on the changing world of work and skills.

### **Methodology**

- 1.27 The core questions the review set out to answer were:

- Is the Council knowledgeable and prepared for the future world of work and skills?
- Can the Council help prepare residents for the future world of work?
- Does the adult skills system support residents to develop their skills and retrain to change their career?
- Is there more the Council can do to leverage resources and planning powers e.g. through regeneration programmes and use of land values through economic development.



- Is there more the Council can do to encourage local employer involvement in the upskilling and training of the workforce?
- 1.28 Within this overarching aim a number of component objectives were explored.
- 1) What will be the key impacts in the future world of work on Hackney's economy?
  - 2) Does the hollowing out of London's workforce affect Hackney's economy and residents and are there quality jobs as a result of the economic growth in Hackney's economy?
  - 3) Can the Council help or support the vulnerable workers at the low end of the labour market or business market?
  - 4) Can local people be upskilled for future jobs and do they have the skills required for future jobs?
  - 5) What does an effective adult's skills system look like and does the adult community learning provision enable workers at risk to develop their skills for the future labour market?
  - 6) What is the Council's vision for economic development?
- 1.29 A range of data gathering methods were used by the Commission. These included:
- Public and stakeholder information event
  - Evidence sessions in commission meetings
  - Site visits and focus groups
  - Desk top research.
- 1.30 Ultimately, through its investigation, the Commission's review aims to feed into the development of Hackney's new Economic and Community Development Strategy.
- 1.31 The Commission will produce recommendations aimed at supporting the Council's preparations and planning for Brexit and employment and skills support services locally. The Commission wanted to highlight the key questions the Council should be asking itself and the key areas where joint working could maximise results for local residents e.g. housing regeneration programme.
- 1.32 Desk based research was undertaken to help the Commission understand the statutory role and responsibilities of councils in relation to employment and skills service provision and the work to date the council has been doing to prepare.
- 1.33 A public evidence session was held with local residents, stakeholders, national think tanks and academics in November 2017 to commence the review and define the focus of the review. The site visits, focus group sessions and a scrutiny commission meeting were held from February through to March 2018. At these sessions, the Commission discussed a range of issues pertaining to the changing world of work and skills and the impact of the changes over the next 5-10 years to London and the local economy.
- 1.34 External stakeholders who contributed to this review included:
- **Resolution Foundation**
  - **Fabian Society**

- **Institute for Public Policy Research (IPPR)**
- **Central London Forward.**

### **Focus Groups with Local Residents**

- 1.35 The Commission spoke to 21 residents from a range of professions (*please see appendices for full details*) and held 2 focus groups in the following work categories:
- Part time employment and zero hours / casual / temporary employment
  - Self-employed and Full-time.
- 1.36 The discussion covered people's choice of employment and why, the concerns they may have about employment, the changing work environment and their views on the future of work and skills in the next 5-10 years.

### **Site Visit to Work Spaces in Hackney**

- 1.37 The Commission wanted to engage with local businesses to hear their views on the changing world of work and skills. The Commission chose to visit shared workspaces to understand why businesses were choosing this type of business environment. The Commission visited Bootstrap in Dalston and The Brew in Shoreditch.
- 1.38 The Commission spoke to 5 business owners from a range of sectors: retail, media, IT/science, IT and construction industry. The businesses that engaged were:
- **Sliverfish Films** (Media Industry)
  - **Supawell** - online company selling sustainable products (Retail industry)
  - **Senaphore** – software solutions for science sector (IT/Science Industry)
  - **Angel** – creative digital services agency (IT Industry)
  - **Graphic Structures** - structural engineering and building design (Construction Industry).
- 1.39 The discussion covered the business model's they operate, changes to the work sector, future of their work sector and the employment types for businesses in this work space. There was also a dialogue about the opportunities and challenges for their business now and in the future.
- 1.40 This report details the main findings of the Commission. The detailed information of the evidence at meetings and site visits will not be repeated and can be found as an appendices and at the following meetings (Feb 2018 and November 2017).
- 1.41 The Commission would like to thank all our key witnesses, residents and business owners for giving evidence and participating in this review.

## 2. SUMMARY, RECOMMENDATIONS AND OUTCOMES

### Summary

#### 2.1 Chapter 1 Inequalities / in work poverty and under employment

- 2.1.1 As jobs become more specialised and the nature of work changes the workers we spoke to expressed concern about the growth of zero hours contracts, part time and freelance (self-employed) work, and that this could mean less job security. Workers wanted to see the Council lead by example and develop a work experience programme for older job seekers. We heard how some workers did volunteering to work in the areas they desired. The view is having a work experience programme that older workers could access would enable those job seekers to try out jobs and benchmark their skills to identify future training needs. They also wanted an opportunity to 'prove themselves' and demonstrate their transferrable skills. However we recognise introducing a programme that focusses on older workers, would require a change in local employers' views about work experience and there would also need to be a rebranding exercise to promote this.
- 2.1.2 Central London Forward's report on the economy highlighted that some local residents have missed out on the opportunities created and a significant core have not participated in the growth experienced. It is therefore a priority to reconnect economic growth to some of the residents who have missed out in the last decade to address the issue of low wage growth and the polarising labour market.

#### *Recommendation 1*

- a) *The Commission recommends the Council explores the development of a work experience programme aimed at older job seekers. We recommend it provides work experience that enables workers to explore jobs opportunities and benchmark their skills to identify future training needs.*
- b) *To promote this new type of work experience programme we recommend the Council undertakes a rebranding exercise to promote work experience for this cohort.*

- 2.1.3 The key negative impact of automation is where people are not prepared and ready to transition. Even with automation, the demand for work and workers is likely to increase as other sectors experience growth. The pace of change due to automation and AI was the main concern expressed by workers in our focus group discussions when we talked about automation. Therefore consideration needs to be given to how the Skills system and employers can support career change for those individuals impacted by automation and Artificial Intelligence in the future.

*Recommendation 2*

*The Commission recommends the Council lobbies for the Skills system to encourage employers to take the need for digital training for employees seriously. We ask the Council to use its influence to encourage local employers to provide digital training beyond basic IT to enable employees to be adept and transition in the work place as their job or industries evolve.*

## **2.2 Chapter 2 – Self employment**

- 2.2.1 Self-employment in its best form provides flexibility and earnings to the desire of the individual. However there are emerging business models being operated by businesses which blur the lines between worker and the self-employed. We found there was a gap in knowledge locally about self-employment. The Commission is of the view the Council should explore ways of sign posting self-employed individuals to information about being self-employed, the implications of self-employment and what to do about pensions, saving, tax returns, legal advice etc. The Commission thinks this will fulfil a dual purpose of building up local knowledge about self-employment and help workers to understand the implications of self-employment.

*Recommendation 3*

*We recommend the Council adds information on its business engagement tools the ‘Landing Pad and Launch Pad’ for the self-employed, providing information about being self-employed or sign posting to that information. We would like to see the provision include information about pensions, saving, tax returns, legal advice etc.*

- 2.2.2 The noticeable rise in self-employment is a key area of change in the world of work. At our future world of work and skills event experts advised there was a role for councils to think about an initiative to help facilitate a vehicle for the self-employed. This type of vehicle would provide assistance when they were out of work and help to protect their rights.
- 2.2.3 We noted a new project being launched in Walthamstow by the Community Trade Union and IndyCube setting up a union as a means of supporting freelancer workers, to help resolve issues like late payment of invoices (uncertainty of income) and then expand to other areas of need if successful.
- 2.2.4 The voice of the workers and their rights in the work place are rapidly changing and historically trade unions were the main mechanism for driving worker/employer engagement. As businesses are found to be using the networks of self-employed workers more we would encourage the Council to explore this union scheme and consider if Hackney could be a future location for a collective union like this to support the increasing number of workers becoming self-employed.

*Recommendation 4*

*We recommend the Council explores the possibility of Hackney being a location for a self-employed union to provide collective support and purchasing power to support this growing cohort of workers.*

- 2.2.5 The Commission explored if there was something the council, its partners and local employers could do to support residents in precarious work - so that the flexibility and choice of employment is not just beneficial to employers but workers too.
- 2.2.6 As pointed out in the Taylor review, employment law needs to catch up with the changing world of work. Until primary legislation is changed we would encourage the council to explore ways of opening up access to skills development for the self-employed and vulnerable workers who may be under employed at the low end of the labour market. We noted the Council is expanding its employment service to include support to workers in under employment.

*Recommendation 5*

*The Council to explain how they will target the under employed to provide them with in-work support and outline the support and training that will be available to enable them to transition into more secure and quality employment.*

### **2.3 Chapter 3 – housing and land values**

- 2.3.1 Currently the Council has the ability to offer affordable housing and commercial rental space at 80% of the current market rental value. In Hackney for most families and businesses this is still unaffordable. It is important for the Council to consider how they can make current workspaces more affordable to businesses in the borough to help existing employers remain in the borough.
- 2.3.2 To maintain Hackney's diversity in employment, from the rising property prices driven by a strong housing market, we suggest the Council considers taking a stronger lead and uses their planning and land purchasing powers more proactively and strategically to preserve land for industry and workspace activities. We heard how the Council was considering offering a further reduced affordable rental value rate for commercial space to help combat rising rental values in London, particularly inner London.
- 2.3.3 The Section 106 agreement with a cap on commercial rent charges is a good example of the Council's use of planning powers, and the Commission is of the view more work like this will need to be supported by the right planning policies.
- 2.3.4 The Commission supports the development of a proposal to offer new development workspaces (retail, office and industrial) at 40% of the current market value to help combat rising land values. Hackney has a long history of being a location for manufacturing and continues to see businesses producing products in Hackney and doing prototype development before mass build. We

therefore urge the Council to prioritise and protect industrial space in the Local Plan alongside units for community, retail and workspace.

*Recommendation 6*

If the provision for cheaper rents is introduced we recommend the Council prioritises and protects industrial space in the Local Plan alongside units for community, retail and workspace. The Commission recommends the Council explores the possibility of inclusion in its planning policy the use of Section 106 agreements to create more workspaces with capped rent to keep employer diversity in the borough.

- 2.3.5 While the affordable workspace proposal is welcomed the Commission did express concern about large organisations taking advantage of the lower rental values. In turn the Council should require all businesses to provide some social return to the local community. Our dialogue with businesses earlier in the year revealed the council had no formal mechanism in place to follow up on the social value commitments made by businesses as part of their rental agreement. We suggest the Council develops a social value criteria, including the implementation of the London living wage in staff contracts, employing an apprentice and employment of local residents through the Hackney Works programme, as a means of local businesses supporting their local community. There should then be a mechanism in place to monitor the progress of the commitment by the business.

*Recommendation 7*

- a) The Commission wants to be assured there are mechanisms in place to check that the social value commitments by local businesses are followed up by the Council to ensure implementation.
- b) The Commission recommends the Council explores the ability to introduce a social value criteria for new affordable workspace developments. We would like to see it include implementation of the London living wage for staff contracts, employ an apprentice and employment of local residents through the Hackney Works programme.

- 2.3.6 In the last 10 years, the average house price in Hackney have increased by 111% compared to an 80% increase in house prices in the last 10 years across London. The average earnings for London have not increased substantially since 2005 compared to house prices and rental values.
- 2.3.7 Hackney is one of the top 10 most expensive London boroughs to rent in. The Commission would like the excellent work being done on housing regeneration extend to include a systematic commitment to the creation of jobs and employment in the specification. An example of this is the proposed Marion

Court development. This development has allocated the entire ground floor space of the site to commercial use with a mix of retail, community and commercial workspace units. Regeneration schemes could also be more ambitious in the number and type of apprenticeships that are required of developers.

*Recommendation 8*

*The Commission recommends for all new regeneration and housing developments this includes in the specification a systematic commitment to the creation of jobs and employment on the sites, for example by allocating a section of the build to commercial use with a mix of retail, industrial, community and commercial workspace units.*

## 2.4 Chapter 4 – Brexit

- 2.4.1 Construction and Hospitality are the two areas where Hackney and London are exposed from a reduction in EU workers. Both of these sectors provide significant employment in Hackney.
- 2.4.2 Hackney's economy and population has been fuelled by international migration. Hackney has many highly skilled EU residents (who work outside the Borough) and local businesses dependent on low skilled EU staff (who live outside the Borough). As the government develops its plans for Brexit we would encourage the Council to facilitate / sign post EU citizens to relevant information about their rights to remain.
- 2.4.3 In relation to the loss of passporting rights the Commission learnt that businesses were nervous about the loss of access to workers and potential VISA policy changes. This anxiety is affecting businesses' behaviour. The view is that any changes to the VISA policy will have a dramatic effect especially on replacement labour. Changes to the VISA policy will impact a large number of sectors. Research and dialogue with local employers has highlighted VISA policy changes as a concern.

*Recommendation 9*

- a) *The Commission recommends communications by Hackney Council continues to encourage EU citizens to remain and sign posts to relevant information about their rights.*
- b) *The Commission recommends the Council's Landing Pad and Launch Pad gives advice on how to adapt and where to go for business support as the impact of Brexit on businesses unfolds with decisions and policy development.*

- 2.4.4 Restrictions on future migration from the EU potentially poses the greatest threat to Hackney businesses and public services. However the Commission is of the view this threat could provide the incentive employers need to invest

in local people to fill the skills gap and engagement with the skills system to make it more responsive to employer needs.

*Recommendation 10*

*The Commission recommends the Council lobbies Central London Forward and the Government to encourage employers to view Brexit as an opportunity to re-examine how to improve skills in the capital and provide support to do more to nurture UK talent.*

## **2.5 Chapter 5 – Contribution by local businesses to the local economy and the skills system**

- 2.5.1 As support needs for local businesses develops we wanted to highlight that social enterprises have business support needs too and are often contributing significant social value to our borough. The businesses we spoke to talked about the benefits and potential from having access to collaborative working with other businesses. We would like to see the Council's relationship building work include supporting and facilitating the business support needs for social enterprises e.g. access to the latest computers and software for those that teach girls coding.

*Recommendation 11*

*The Commission recommends the Council's relationship-building work includes supporting and facilitating the business support needs of social enterprises e.g. helping social enterprise businesses to access collaborative working opportunities where possible.*

- 2.5.2 The Government introduced the apprenticeship levy to boost employer investment in apprenticeships. The apprenticeship levy was introduced a year ago to encourage employer engagement and help create three million apprentices by 2020. Under the new apprenticeship system employers are responsible for designing the content of apprenticeship standards.
- 2.5.3 The large volume of micro businesses in Hackney means for local businesses developing apprenticeships would be more of a business choice rather than being affordable through the apprenticeship levy. In these instances the Council's lever of influence would be to have a role in sign posting and/or supporting businesses to set up apprenticeships.
- 2.5.4 The Commission was informed the Council's corporate apprenticeship programme was now established with a target delivery of 100 apprenticeships across the Council. However, we learned there are a large number of low



level apprenticeships that do not necessarily lead to higher level jobs or a career path.

- 2.5.5 The Commission hopes the Council is working with the apprenticeship training providers locally to ensure employers are designing apprenticeships for all levels especially for higher level employment. It is important local businesses are supported to design apprenticeships at higher levels to create quality jobs. The Commission sees this as a means to creating a stepping stone towards better paying roles for workers in lower skilled jobs.

*Recommendation 12*

- a) *The Commission wishes to receive a report on how the Council can provide support to SMEs in the borough to set up apprenticeship placements and an outline of the Council's understanding of apprenticeship support needs for local businesses.*
- b) *We recommend the Council explores the development of higher level apprenticeships (level 3 and 4) for all ages and encourages the development of apprenticeships for more experienced workers looking to transition or embark on a career change.*

- 2.5.6 The Council has taken a lead role in championing the implementation of the London Living Wage across the Borough and leading by example by becoming an accredited London Living Wage employer. In a similar way, we would like to see the Council take the LLW work and principle and apply it to the championing of quality jobs in the borough.

*Recommendation 13*

*We recommend the Council applies the principles it used to champion the implementation of the London Living Wage locally to encourage quality jobs and upskilling by employers for their workforce.*

## **2.6 Chapter 6 – Hackney leading a revolutionary redesign of the skills system**

- 2.6.1 Local authorities are now seen as an anchor institution and major employer in local economies and expected to play a role in shaping demand through local procurement policies. Our WiH event revealed how a local provider felt government contracts were out of small providers reach and designed for large organisations to acquire regardless of their knowledge and expertise. If this is the case the Commission views this as an ineffective use of resources and that procurement contracts need to be more accessible to local SMEs.

*Recommendation 14*

*The Commission recommends the Council's procurement process in relation to employment and skills openly supports and encourages small and medium*

*sized businesses to bid for local government contract work in Hackney.*

- 2.6.2 Lifelong learning needs to be inspiring to encourage people to aspire to achieve and progress. There have been comments about the difficulty measuring success particularly for adult community learning (for the hard to reach groups accessing adult education). It is often hard to produce tangible results. It is recognised the journey for those furthest from the job market is not linear therefore can be hard to measure. However experts have pointed out that it is important for there to be measureable outcomes so people can determine the benefits of the initiatives and work to local people. The progress of the journey needs to be measureable.

*Recommendation 15*

*The Commission recommends the Council looks at developing measureable outcomes for the journey of residents going through adult learning, Hackney Works programme and the Council's apprenticeship scheme and reports back on the measurements put in place.*

- 2.6.3 The most important insurance for the world of work ahead is having skills. Lifelong learning needs to be supported by career information and clear progression pathways to further learning, employment and self-employment, as well as progression within the world of work. Education, training and the opportunity for retraining throughout one's life need to be the starting point. An employability framework could capture transferable skills needed for job transitions and ensure skills development was meeting these needs.
- 2.6.4 Adult community learning would be better placed if it was a provision of learning, training and employment support. In its current form the Adult Community Learning service is not best placed to support people to retrain or develop their skills to help them become more flexible in the work place or resilient in times of change. The Commission believes there needs to be a policy outlining the Council's role for adult learning through to in-work support.

*Recommendation 16*

- a) *The Commission would like the Council to explore the possibility of better aligning the adult community learning provision to its employment support service to provide a seamless service covering learning, training and employment support.*
- b) *The Commission suggests the Council's employment and skills service adopts an employability skills framework that supports people in and out of work to prepare and develop transferable skills for future job roles.*

### **3. FINANCIAL COMMENTS**

- 3.1. This report outlines 16 recommendations to improve the future of work and skills in Hackney. The recommendations potentially have financial implications for the Council across various service areas, and these will need to be developed and considered, before the recommendations are progressed further.

### **4. LEGAL COMMENTS**

- 4.1. This report provides a number of recommendations from the Working in Hackney Scrutiny Commission with regards to the local economy and the provision of skills and employment development and opportunities.
- 4.2. Part 2, Section 21 of the Local Government Act 2000 stipulates that Executive Arrangements by a Local Authority must include provision for the appointment by the authority of one or more committees of the authority, referred to as Overview and Scrutiny Committees.
- 4.3. Overview and Scrutiny committees established by Local Authorities are the process in which the Executive is held to account, ensuring transparency in decision making and the development of policy making.
- 4.4. The scope of the Working in Hackney Commission, is highlighted in Part 2, Article 7 of the Council's Constitution. This stipulates that the Commission has oversight of economic development and employment within the borough.
- 4.5. This report outlines that Local Authorities have no formal powers in respect of the provision of employment and skills, although it highlights that the Council should work collaboratively with other organisations in respect of this. In this regard, this report seeks to achieve this aim by providing recommendations to implement positive change in the provision and development of skills and work experience programmes, together with supporting the local economy. There are no other matters that require legal comment at this stage.

## 5. FINDINGS

- 5.1 The future world of work and skills is a broad topic that encompasses many different areas. In order to make sense of it from a Hackney perspective, we held a stakeholder engagement event on 29<sup>th</sup> November 2017.



This highlighted the key themes for Hackney. We have ordered our findings into 5 chapters based on the characteristics or trends that are amplified in Hackney. These are:

- Growing inequality/polarisation
- The rise in self-employment
- Land and property values
- The impact of Brexit
- Opportunities for employers to contribute
- Opportunities to lead in a revolution of skills

- 5.2 The Commission commenced this review to consider how the council was preparing for the future labour market and how or if they could prepare residents for the changes to the labour market particularly those at the front end of change.

### 5.3 Context to Review

#### London's Economy

- 5.3.1 London is a major global city with total economic output in 2014 of approximately £364 billion. Accounting for 22.5% of the UK's total Gross Value Added (GVA), up from 18.9% in 1997.<sup>10</sup> The structure of London's economy has changed over the last 40 years with a significant increase in jobs in the service sector activities and a fall in manufacturing sector jobs since 1971.
- 5.3.2 As markets have opened and trade expanded, the size of the market that businesses can sell into has made it more economically viable to specialise in services that London can do best – the services sector. Economic success of

<sup>10</sup> <https://www.london.gov.uk/sites/default/files/chapter1-economic-evidence-base-2016.pdf>

the capital has been driven by a growth of specialisation (in terms of jobs) in the Information and Communications sector and the Financial and Insurance sectors.

- 5.3.3 Employment in London's top economic sectors is concentrated in inner London. Whereas employment in the outer London boroughs tends to concentrate in sectors that serve the local population. The Financial and Insurance sector accounts for 66.6% of the total output in the City of London.<sup>11</sup>

#### Local Economy and Businesses

- 5.3.4 There is a strong presence of the services sector in London's economy with the Finance and Professional services as the major provider of high value and high productivity jobs in London. £26.1 billion annually of financial services are exported to the EU.<sup>12</sup>
- 5.3.5 The City of London is known as London's finance centre. Hackney's economy has a close relationship with the City of London. The City Fringe area around Shoreditch and Old Street is the biggest sub-economy in Hackney and is home to 43% of employment in the borough. Employment in this area is concentrated in the professional, scientific & technical, information & communication and business administration & support services sectors.
- 5.3.6 Hackney's economy has changed over the last 5 years but the top 3 employment sectors in the borough have not changed since 2010, however the number of businesses in those sectors has increased sharply:
1. Professional, scientific & technical sector (3,700 / 25%)
  2. Information & Communication (2505 / 17%)
  3. Arts, entertainment, recreation & other services (1350 / 9%).
- 5.3.7 The number of annual business births in Hackney has significantly increased since the financial crisis in 2008/9. The number of businesses in the Information & communication sector in the borough have almost doubled since 2010 (up 97%) and the Professional, scientific & technical sector has seen an increase of 1,550 businesses (72%). In 2015, the 4,105 business births in the borough was over 160% higher than the 1,570 of 2010. In 2017, LBH hosted 18,070 businesses, a 68% increase from 2004. This growth is 23% higher than London as a whole<sup>13</sup>.
- 5.3.8 In relation to the income generation by businesses in Hackney (annual turnover) 30.5% of businesses are generating between £100k and £249k per annum. Over a quarter (26.7%) of Hackney's businesses are generating £59-99k turnover.<sup>14</sup> Therefore a large proportion of businesses in Hackney have a turnover less than £2m per annum.

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<sup>11</sup> <https://www.london.gov.uk/sites/default/files/chapter1-economic-evidence-base-2016.pdf>

<sup>12</sup> Hackney Council Policy Paper – preparing for Brexit

<sup>13</sup> From Hackney's Local Economic Assessment: [www.hackney.gov.uk/Local-Economic-Assessment](http://www.hackney.gov.uk/Local-Economic-Assessment)

<sup>14</sup> From Hackney's Local Economic Assessment: [www.hackney.gov.uk/Local-Economic-Assessment](http://www.hackney.gov.uk/Local-Economic-Assessment)

**A breakdown of Hackney's enterprise by sector – ONS Enterprise / local units by industry, 2015 (excl. agriculture, forestry & fishing and Public administration & defence)**

Sector	Hackney	London
Professional, scientific & technical	25.1%	23.9%
Information & communication	17.0%	13.2%
Arts, entertainment, rec & other services	9.2%	7.4%
Retail	7.7%	7.2%
Business admin & support services	7.7%	9.7%
Property	6.6%	4.8%
Accommodation & food services	5.7%	4.8%
Construction	5.3%	9.0%
Production	3.8%	3.2%
Health	3.8%	4.5%
Wholesale	3.4%	4.3%
Education	1.5%	1.6%
Finance & insurance	1.3%	2.9%
Transport & storage (inc. postal)	1.1%	2.1%
Motor trades	0.6%	1.4%

5.3.9 There has also been significant growth in some sectors which were originally smaller in size, notably accommodation & food services (up 41%) and business administration and support services (up 51%). The changes in Hackney's economy has resulted in an increasingly important tech sector in the borough, as well as an increase in the number of hospitality venues.

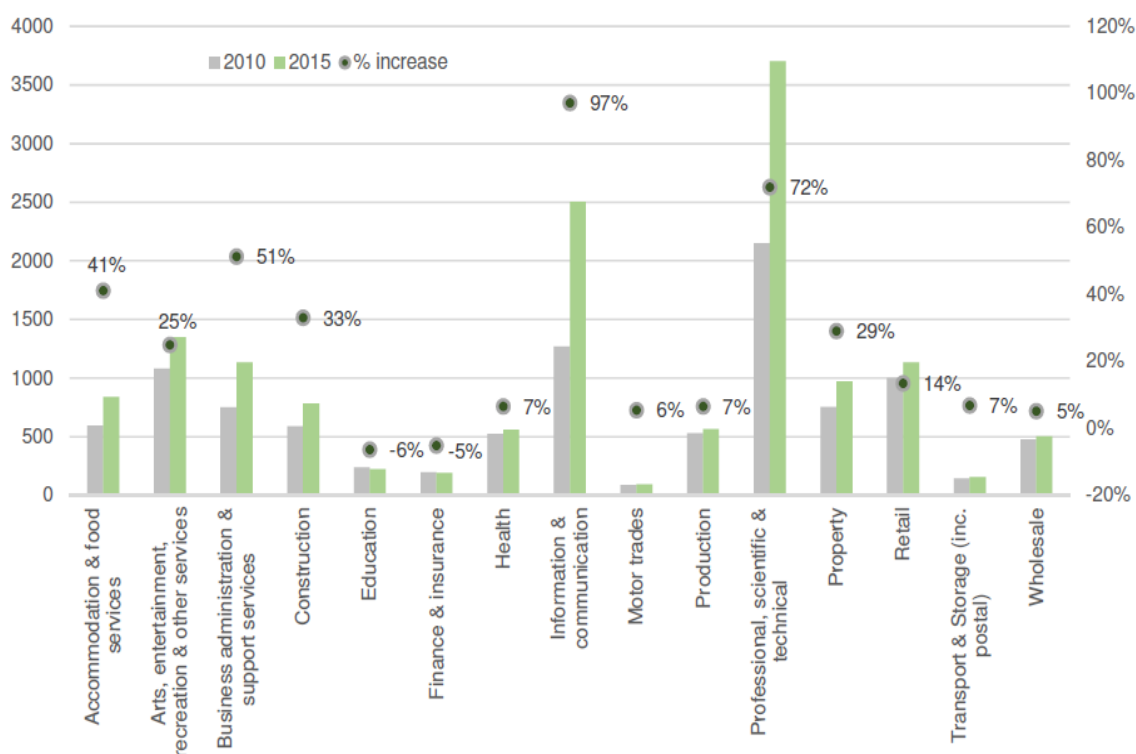
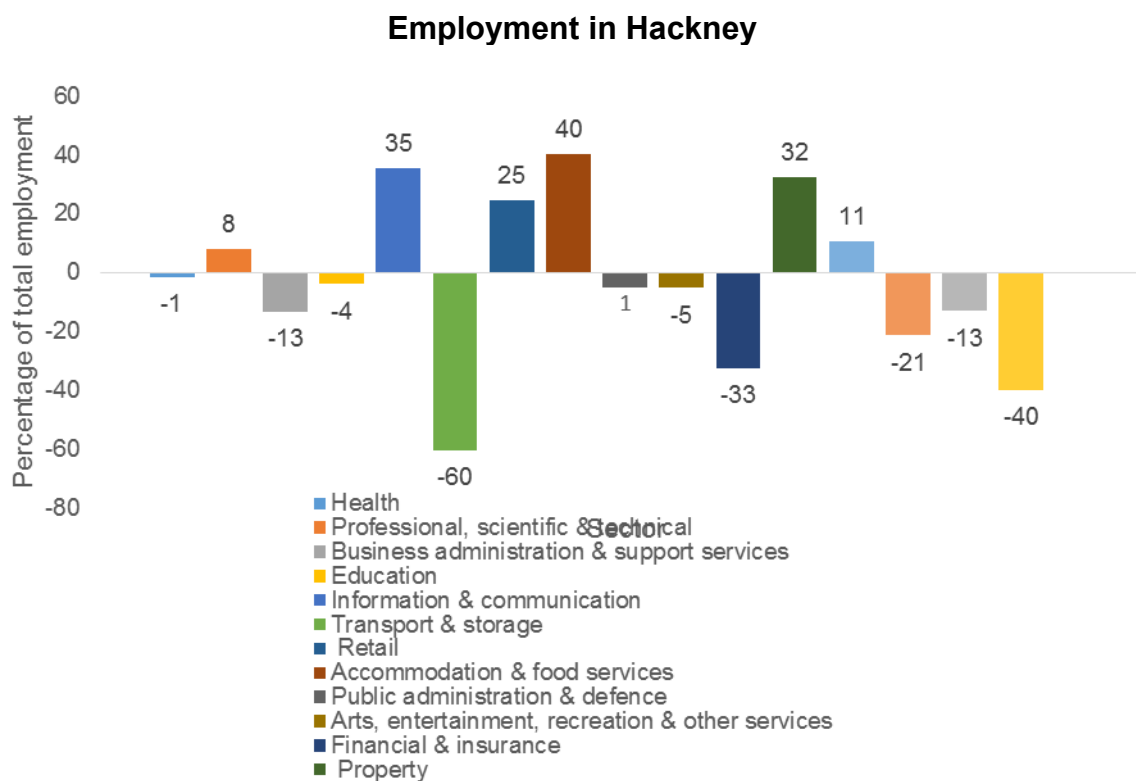


Figure 2 - ONS Enterprise/local units by Industry, 2010-2015

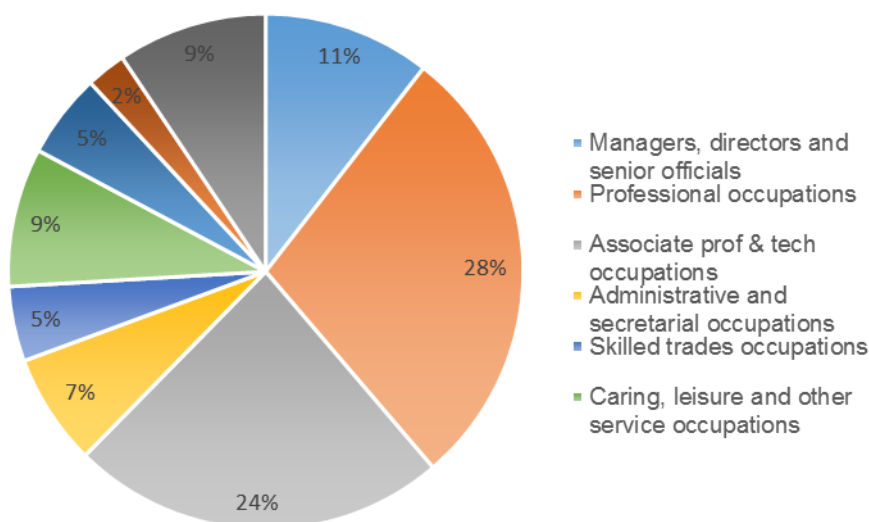
5.3.10 Central London is seen as a core aspect of future employment and tax receipts for London. The main employers in Central London are large corporations. However, in contrast for Hackney there has been a growth of SMEs and a loss of large employers. In 2005 1.2% of all businesses employed more than 100 people, in 2015 this had fallen to 0.7%. This is a similar trend to London and across the UK.<sup>15</sup>



5.3.11 The sectoral profile (below) of Hackney matches that of London exactly. The occupations of Hackney residents are dominated by three sectors: Professional occupations (28%), Associate and technical professions (24%) and Management, directors and senior officials (11%). In total these three sectors make up just under two-thirds (63%) of all employment in the borough.

<sup>15</sup> Hackney's business and enterprise LBH policy paper LEA -

### Resident Occupations by sector



5.3.12 Between 2010 and 2015 there was an increase of 24,000 jobs (27%) in Hackney.<sup>16</sup> The jobs in Hackney have a similar profile to the occupation profile of residents. The trend is moving in the direction of higher skilled roles that require high levels of qualification to access. This reflects the changes in the population profile of the borough in the last decade.

5.3.13 Hackney has a young working age population and in recent years the employment rate has increased from 58.3% to 69% from 2006-2016. However in this same period full time employment has fallen. Since 2006 full time employment in Hackney has dropped from 83% to 71.8% in 2016. Over the same period and since the recession part time employment has increased from 16.8% to 27.9%.

5.3.14 Despite record levels of employment the perceived security of job tenure is in decline, particularly for the lower skills occupations.

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<sup>16</sup> Occupations and employment LBH Policy Paper



## Chapter One – Growing Inequality / in work poverty and underemployment

### A widening gap between high and low paid jobs for Hackney workers

#### 5.4 Nature of work

- 5.4.1 Despite record levels of employment, the perceived security of job tenure is in decline, particularly for the lower skilled occupations. Full time employment still remains the most common employment status. Before the 2008/9 recession statistics showed that 65% were full time jobs (employees) and this is currently 63%<sup>17</sup> - nevertheless there are changes.
- 5.4.2 For many, work and social safety nets, of all sorts, are interdependent. Yet, as work has become less predictable the safety net has weakened. Part-time work, low hourly pay, temporary or precarious employment, are simply not enough to provide financial stability and independence for an individual or a family. The changes are being felt more by people at the forefront of changing industries like retail and steel.
- 5.4.3 In relation to the nature of work the stakeholders we engaged with told us:
- Zero hours contracts have risen quite significantly. The number of people on these contracts was 900,000 / 3%.
  - A rise in different forms of precarious work and the amount of time people are spending as agency workers is increasing - agency workers are becoming permanent agency workers.
  - London's jobs are becoming high skilled and low skilled and there is a hollowing out of mid skilled jobs
  - Self-employment is another area of notable rise. This is estimated to be 19% in London slightly higher than the rest of the country. Hackney has 1 in 5 self-employed.
  - There has been a growth in employment of organised labour and self-employment and smaller work places.
  - London's increasing land and house values are impacting on employment and the economy.
  - The skills and education systems in its current form is not equipped to respond to the changing world of work and skills.
- 5.4.4 Anxiety about the nature of work led to the commissioning of the [Taylor review](#).<sup>18</sup> Concerns were raised about the formal rights and responsibilities of employers and workers not keeping pace with the growth and impact of the new or modern business models. The review considered how employment practices needed to change in order to keep pace with modern business models. The review covered:
- Security, pay and rights

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<sup>17</sup> WiH Event 29 November 2017

<sup>18</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf)

- Progression and training
- The balance of rights and responsibilities
- Representation
- Opportunities for under-represented groups
- New business models.

5.4.5 The recommendations from the review focused on 3 areas of challenge:

- Tackling exploitation and the potential for exploitation at work
- Increasing clarity in the law and helping people know and exercise their rights
- Over the longer term, aligning the incentives driving the nature of the labour market with our [modern industrial strategy](#) and broader national objectives.

5.4.6 The Taylor review found that the fundamental core of the UK labour economy should be protected (flexibility) but that employment legislation required updating to keep pace with the changing nature of work. This point was also echoed by residents in our focus group discussion.

## 5.5 Polarisation

5.5.1 The economy is seeing a growth in high-income cognitive jobs and low-income manual occupations. In addition to technology changing the way people work, London's economy is hollowing out and the polarisation of jobs is expected to get wider between high and low skilled particularly for London.

5.5.2 London's inequality is higher than the inequality for the whole of the UK. This has been the trend since 1996.<sup>19</sup> The hollowing out of London's economy is creating an hour glass workforce; a workforce and economy that has high end services supported by low end services.

5.5.3 The Taylor review found some suggestion that a polarised labour market is developing particularly where a decrease in middle-income roles has occurred. It was reported by Central London Forward (CLF) that middle workers were moving out of London due to fewer mid skilled jobs in London. CLF reported higher employment rates for residents with no or low level qualifications compared to those with level 2/3. This has led to a competitive labour market for those with mid – low skills as they compete with higher level and low level. This suggests that adults in London with low – mid level skills face greater labour market disadvantage.

5.5.4 We were told London has experienced a 17 year pay freeze and this is a deeper pay freeze than other cities in the UK, although the predication is that earnings will rise over the next few years. Pay is not expected to return to its peak levels until the mid-2020s, so in the short-term pay will still be an issue. It is anticipated that earnings will rise slower than previously because the UK's productivity and growth was downgraded.

5.5.5 Hackney is characterised like much of Inner London by high levels of inequality. In Hackney there are Wards that are rank amongst the 10% most deprived nationally next to areas that are ranked in the 10% least deprived.

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<sup>19</sup> WiH Hackney event 29<sup>th</sup> November 2017

Despite more affluent residents moving into the borough the average income remains relatively low (the fourth lowest in London) and the proportion of households living in social housing remains high at 44%. Hackney also has a higher rate of people employed in caring, leisure and other service occupations and elementary occupations. It has been reported that this demonstrates that significant sections of the population are in low skilled and low paid employment, a profile which reflects that of London dominated by high end services supported by low end services.

- 5.5.6 We noted that the proportion of people earning below the London living wage has risen sharply and this trend it is not expected to reverse any time soon. In Hackney the proportion of Hackney employees earning below the London Living Wage increased from 18% to 31%. In 2016 8.2% of residents in Hackney had no qualifications compared to 6.6% in London and 8% in Great Britain. It has been reported that this suggests a growing need for in-work support to help workers progress out of low paid employment and poverty. This is particularly acute for part-time workers.
- 5.5.7 The demand for high level skills in Hackney seems to be more polarised and for the period of 2006-2016 the borough experienced a decline in lower skilled occupations such as skilled trade occupations, process, plant and machine operatives. For London, in particular, people have not been making those successive steps in their career because of the polarised labour market. It has been difficult for people in low skilled jobs to progress into high skilled roles.
- 5.5.8 It is not just traditional industries like Steel experiencing change, there are other industries like Retail and Banking going through changes too. According to the British Retail Consortium, 25% of retail jobs could be at risk in the next 3-4 years from a mixture of automation of tasks, growth of online sales and changing customer demands. The changes being experienced in retail are not just on shop floors but in the supply chain and logistics behind those retailers too.
- 5.5.9 In Hackney it was reported that 22% of its jobs and 1 in 10 businesses are in retail.<sup>20</sup> Joseph Rowntree Foundation research shows that four out of five workers on low pay are likely still to be in low paid employment after 10 years.<sup>21</sup> Reporting that many people go into retail or low skilled employment when they are young thinking it is for a limited period but get trapped in these roles for some time. This was echoed by residents in our focus group discussions where they explained employment support approaches were focusing people into jobs that were not suitable or utilising their skills – leading to frustration, poor morale and low productivity.
- 5.5.10 Hackney's Local Economic Assessment data suggests a number of residents are in low skilled and low paid work with limited access to transition in their career or to upskill. In the resident focus group of self-employed and fulltime workers, those in employment felt they had access to training and could transition to a higher position if they desired. Whereas the employees who worked part time or in contract work expressed the opposite. With the majority

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<sup>20</sup> WiH Hackney event 29<sup>th</sup> November 2017

<sup>21</sup> <https://www.jrf.org.uk/life-low-income-uk-today>

of businesses in the borough being micro businesses access to traditional employers with the means of supporting employment skills development is limited and we were informed the current education and skills system is not capable of supporting workers through changes like this in the world of work.

- 5.5.11 The self-employed workers we spoke to pointed out there was no training support for them and if they wanted training they needed to provide this themselves and any equipment needed to do the job.
- 5.5.12 Workers also pointed out there was no support to help people who were in under employed who wanted to progress into better paying roles. There are many low paid sectors that do not have clear progression routes such as cleaning, carer and catering. From the focus group discussion the Commission found there was little knowledge about the employment support agencies in the borough or how they could access support. If local employment support services are to help people progress from under employment and from low skilled roles the adult skills and FE training provision needs to provide workers with the skills that meet employer needs. The Commission is of the view that more needs to be done to create opportunities for the self-employed, older and vulnerable workers and those that are furthest away from training opportunities.
- 5.5.13 The changes to the retail sector is a good example of the changes to the world of work. For jobs changing in this ways consideration needs to be given to how to help people in these jobs and those who work in at-risk occupations transition into new lines of work. Currently the labour market does not service aspirations to move out of low skilled / low paid work. The barriers were perceived to be the employment and skills system providing no access to support, and employers having a narrow focus when looking at an applicant's skills and experience.
- 5.5.14 Midcareer retraining will become even more important as the skills mix needed for a successful career change. The provision of job retraining and enabling individuals to learn marketable new skills throughout their lifetime will be a critical. The Commission is of the view businesses can take a lead in some areas including with on-the-job training and providing opportunities to workers to upgrade their skills.
- 5.5.15 The Taylor review pointed out the challenge lies in how to adapt to these changes in the labour market. The shift toward variation in working patterns is likely to continue. The agility of the labour market poses the question about whether vulnerable workers or those with limited choice are adequately protected in different forms of work. The challenge put to government by the Taylor review is to balance access to flexibility with suitable protection for those that may be more vulnerable.
- 5.5.16 Central London Forward also identified low levels of employment for people with no qualifications and low levels of employment for adults with mid skill qualifications too. Similarly Hackney has experienced a decline in lower skilled occupations and is experiencing an increase in high skills and low skilled jobs with very little mid skilled jobs. Based on projections it is anticipated the polarisation will continue and this presents a huge problem for

people entering the labour market with mid-level (with A Levels or AS Levels) or without the skills they need.

- 5.5.17 It is worth considering where good quality flexible jobs in local areas will come from in the future. Retail jobs were highlighted as a good creator of flexibility for people so they can manage other responsibilities like childcare or caring responsibilities by working part time. The health and social care sector and gig economy are areas of growth that are expected to provide this type of employment flexibility. But for the healthcare sector, the quality of employment is being eroded as funding drives providers to be price competitive. Earnings are further depressed when Carers are only paid for contact hours. However we also noted an additional issue and challenge to the provision of quality jobs is the tenure of employment too.
- 5.5.18 Central London Forward's report on the economy highlighted that some local residents have missed out on the opportunities created and a significant core has not participated in the growth this region has experienced. It is therefore a priority to reconnect economic growth to some of the residents who have missed out in the last decade to address the issue of low wage growth and the polarising labour market.
- 5.6 In work poverty
- 5.6.1 A further feature of London's labour market is the number of people who are in-work and in poverty. There has been an increase in the number of low-paid jobs in the capital, with one in five are now paid below the London Living Wage, affecting 700,000 Londoners. In addition, just over one in five working families in London are in poverty.<sup>22</sup> The Local Government Association (LGA) and Learning & Work Institute (L&WI) research pointed out, for the first time since comparable records began, that rising costs of living and cuts in financial support for low income working households, had manifested itself as a significant growth in working poverty. Now more than half of all non-pensioners that are poor living in working households.
- 5.6.2 Linked to in work poverty is the cost of housing. The large proportion of rent to earnings is causing the shift in demography in Hackney; presenting the challenge that just getting a job is not a solution and may not provide enough income to live in the borough. Pay in Hackney is slightly lower than in London, both for residents and those travelling to and working full time in the borough<sup>23</sup>. The problem of in work poverty is growing, so there needs to be support for people in low / minimum wage jobs.
- 5.6.3 For many people in low-paid work, the changes to the social security system have impacted on their income more than changes to wages. At the same time as work tenure is changing rapidly, so is work-life balance preferences. Improving the experience of work for people requires tackling a number of issues that make work difficult to find or keep. Access to re-skilling opportunities that have currency on the job-market, and to adequate welfare protection, are the most fundamental challenges that workers and job seekers are confronted with in the changing world of work.

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<sup>22</sup> NPI and Trust for London (2015), 'London Poverty Profile'

<sup>23</sup> [www.hackney.gov.uk/statistics-evidence-plans-and-strategies](http://www.hackney.gov.uk/statistics-evidence-plans-and-strategies)

- 5.6.4 Our discussion with residents in the focus group and with local employers revealed that the job support market is complex and although there was some good training and support services for job seekers (the council's employment and skills support service), these were not widely known. Residents were not knowledgeable about which agencies they should apply to for help. The consensus was there should be more training and development support for those people that are 'under employed' and want to retrain or seek better working opportunities and for older workers to transition to new work sectors. At the moment, job support is focused on the unemployed.
- 5.6.5 It will be even more important for the council to ensure residents are getting into quality jobs and that, where possible, local businesses are supported to design apprenticeships at higher levels and not just level 2 or 3. It would be prudent for Hackney to think about whether local people have the skills needed and to be concerned about the quality of the jobs. Similar to the council's work championing the implementation of the London Living Wage locally. We urge the Council to explore the development of apprenticeships at higher levels (level 3 and 4) and for all ages.
- 5.7 Hollowing out
- 5.7.1 An increasing trend for London's economy is the hollowing out and departure of the middle skilled. There are proportionally fewer mid skilled job opportunities in London than in the UK and fewer mid skilled workers too. For the first time in over 20 years, in 2015 more young people (aged 25-35) left London than moved into London. This is remarkable as there has been a long trend of graduates moving to London as a rite of passage.<sup>24</sup>
- 5.7.2 The other area of challenge is progression in the labour market. The CLF economic assessment revealed that the CLF economy (Hackney is part of this region) is more polarised than London and the UK. One of the challenges going forward in relation to the hollowing out and middle management jobs reducing is progression, especially in sectors like retail where there is quite flat job structures. Flatter job structures appear to be an increasing trend across the labour market.
- 5.7.3 In the last 30 years London has become increasingly connected to the global economy, with high levels of specialisation in high value business services. Metro Dynamics noted a geographical concentration of jobs growth and that growth was primarily identified to be around the high value industries and low level industries that support them. The higher end is concentrated on specialised professional services e.g. financial sector.
- 5.7.4 The sectors that Hackney residents work in matches that of London dominated by professional occupations, associate professionals and technical occupations and managers, directors and senior officials. In total these sectors make up just under two-thirds (63%) of occupations in Hackney.
- 5.7.5 The resident workers we spoke to picked up that jobs were becoming more specialised and expressed the view that this would result in less job security and a growth in zero hours contracts, part time and freelance (self-employed) working. They wanted to see the Council lead by example and develop a work

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<sup>24</sup> Central London Forward Financial Analysis report by Metro Dynamics)

experience programme for older job seekers. This would enable workers older job seekers to try out jobs and benchmark their skills to identify future training needs.

## 5.8 Automation and Artificial Intelligence



- 5.8.1 Automation is by no means a synonym for work extinction. It has been predicted for some time -decades- that robots will 'take all the work'. But we found that it is was the pace of automation in relation to jobs that was the key issue for workers. The extent to which technologies will displace workers will depend on the pace of their development and adoption, economic growth, and growth in demand for work.
- 5.8.2 The workers we spoke to expressed anxiety about technology advancement and viewed this as a big change to the world of work. Workers viewed digital technologies and robotics as having a substantial impact on lower grade jobs and observed the changes in technology as exacerbating the segregation of workers. Although workers perceived technological advancement with scepticism, the local employers we spoke to highlighted how they used the advancement in technology to their business advantage. One of them had shifted the focus of their business towards building a brand that provided their clients with a unique customer experience - the premium human touch service. In some instances they also operate like a start-up - continuously reinventing themselves. Operating this type of customer service offered a service their clients could not easily replicate in house.
- 5.8.3 Automation in its true form brings increased productivity but the UK economy has not seen significant increases in productivity levels to suggest automation is taking over jobs. This is an indication that businesses are not taking advantage of technological advancement as anticipated or this could be down to investment costs. Where there has been advancement in Artificial Intelligence (AI), it has automated work that relies heavily on routine tasks such as low skilled manufacturing jobs and some clerical occupations.

Experts told us history that shows as some jobs decline others are created to take their place. An example of this is the growth of the health and social care sector – which has been as a result of an aging population.

- 5.8.4 Research by McKinsey<sup>25</sup> on automation and jobs found that very few occupations - less than 5 percent - consist of activities that can be fully automated and in about 60 percent of occupations, at least one-third of the activities could be automated, implying substantial workplace transformations and changes for all workers.
- 5.8.5 Future Advocacy, an independent consultancy organisation, is leading on a project looking at artificial intelligence and work. Their aim is advocate for the development of policy in relation to AI to minimise the impact and risks of AI. They have reported the following for Hackney's 2 constituencies:

**Constituency:** Hackney South and Shoreditch (*Ranked 530th out of 632 British parliamentary constituencies*)

- Percentage of jobs at high risk of automation (by early 2030s): 28.2%
- Number of jobs at high risk of automation: 22,815

**Constituency:** Hackney North and Stoke Newington (*Ranked 609th out of 632 British parliamentary constituencies*)

- Percentage of jobs at high risk of automation (by early 2030s): 26.1%
- Number of jobs at high risk of automation: 7,584.

- 5.8.6 Future Advocacy presented their data by parliamentary consistency. Their work has highlighted that jobs are changing and the key skills for jobs are changing too. Like the research by McKinsey they estimate 1/3<sup>rd</sup> of tasks in 2/3<sup>rds</sup> of jobs are automatable. There is increasing demand for skills like creativity, interpersonal skills and an increase in requirement for skills in the AI sector alongside the need to be more flexible in the work place. However they pointed out, there will be some jobs at the front end of a sector that will be less automatable for example in the hospitality sector a waiter, hairdresser or cleaner. For sectors like hospitability automation is likely to occur in the back office. In their research they found there is no guarantee the new jobs will be created in the areas that need new jobs and that the security of having a job for life is in decline.
- 5.8.7 While technical feasibility of automation is important, it is not the only factor that will influence the pace and extent of automation adoption. The other factors include the cost of developing and deploying automation solutions for specific uses in the workplace, the labour-market dynamics (including quality and quantity of labour and associated wages), the benefits of automation beyond labour substitution, and regulatory and social acceptance.

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<sup>25</sup> <https://www.mckinsey.com/global-themes/future-of-organizations-and-work/what-the-future-of-work-will-mean-for-jobs-skills-and-wages#part-4>



## 5.9 Adapting to automation and Artificial Intelligence

- 5.9.1 The changes in the world of work are not all about automation and technology. The key thing for businesses in the changing world of work is to give their clients a unique customer experience (human touch) and a service that sets them apart from their client's in-house staff and other organisations in the industry. We heard how one organisation used technology advancement to their advantage and created a reputation as being up to speed with technological advancement. This was at the heart of their offer to clients so their clients came to them to find out what was new in the market.
- 5.9.2 As some jobs decline there will be other growth sectors such as healthcare. The changes to the world of work by automation will mean that all workers will need to adapt, as their occupations disappear or evolve alongside increasingly capable machines. Some of that adaptation will require higher educational attainment, or spending more time on activities that require social and emotional skills, creativity, high-level cognitive capabilities and other skills relatively hard to automate. Likewise it is anticipated that trends like online retail will double in 10 years as accessibility to technology in the workplace increases, and there is more use of social media for work.
- 5.9.3 In terms of the future, resident workers in Hackney hoped and anticipated that human contact would not be completely replaced by technology and that people would still need a place to interact. This correlates with the work by Manchester City Council to increase the footfall to their shopping centre. They witnessed fewer people going into shopping centres and interacting with people in shopping centres.
- 5.9.4 Manchester's development of their shopping area redesigned their Christmas market space to create a place for people to interact. This created local jobs and reinvented the space. They started seeing a decline in footfall to venues and this impacted on the viability of retail businesses and units in Manchester. Manchester's response to this problem was to work with employers to revamp retail places and investment in the infrastructure to the space. The space was transformed into a place where people wanted to go – they created a social space. It created growth, opportunities and saved retail businesses that may not have survived.
- 5.9.5 Therefore we found that automisation is more likely to mean robots will become colleagues and change the nature of jobs. Even with automation, the demand for work and workers could increase as other sectors experience growth. The key impact of automation is where people are not prepared and ready to transition. Therefore consideration needs to be given to how the skills system and employer set up can support career change.

**Recommendation 1**

- a) *The Commission recommends the Council explores the development of a work experience programme aimed at older job seekers. We recommend it provides work experience that enables workers to explore jobs opportunities and benchmark their skills to identify future training needs.*
- b) *To promote this new type of work experience programme we recommend the Council undertakes a rebranding exercise to promote work experience for this cohort.*

**Recommendation 2**

*The Commission recommends the Council lobbies for the Skills system to encourage employers to take the need for digital training for employees seriously. We ask the Council to use its influence to encourage local employers to provide digital training beyond basic IT to enable employees to be adept and transition in the work place as their job or industries evolve.*

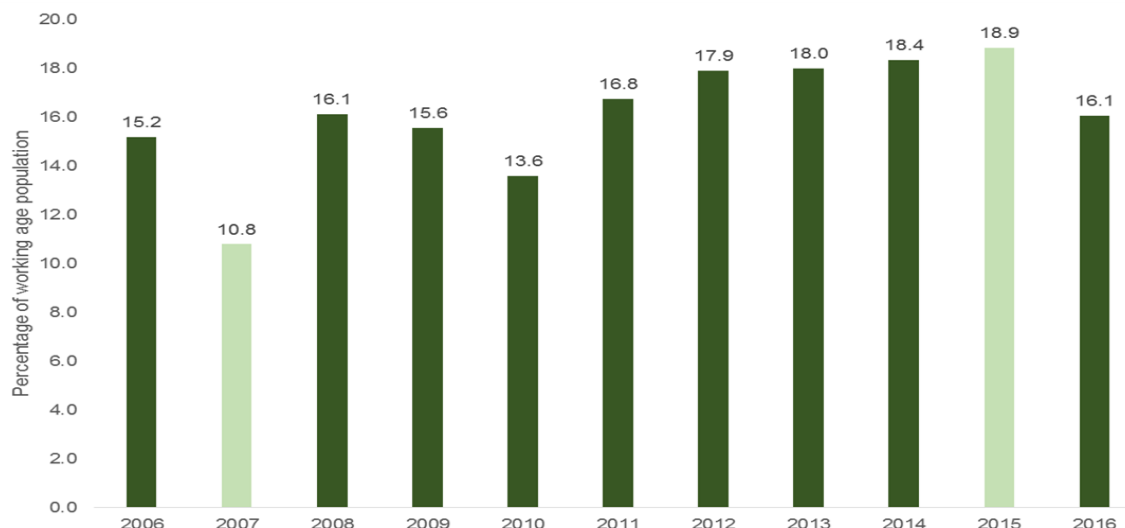
## Chapter Two – Self-employment

### How the council can better support the self-employed and vulnerable workers in Hackney

#### 5.10 Employment type

- 5.10.1 The UK labour market is characterized by flexibility. There are 3 forms of employment status in the current framework: employee, worker and self-employed.
- 5.10.2 In London's economy there has been a notable rise in part time work and self-employment. Self-employment is estimated to be 19% in London, this is slightly higher than the rest of the country. A review of skills by IPPR for the CLF region highlighted high levels of self-employment particularly in Hackney, where 1 in 5 workers in Hackney are self-employed. This is higher than the UK and London average. After speaking to residents and local business owners, the reasons for entering into self-employment varied from the industry norm to limited career opportunities.
- 5.10.3 The Commission heard from local workers a number of reasons as to why people chose their employment type. Apart from the income other considerations that impacted on their choice of employment was holiday entitlement and flexibility, there was also emphasis on work life balance and the ability to choose the work you do and your work location. These were also some of the reasons why workers choose self-employment or working part time.

5.10.4 Between 2006 and 2016 Hackney experienced a highly fluctuating self-employment rate with a low of 10.8% (11,800) in 2007 and a high of 18.9% (27,100) in 2015. In 2016 the self-employment rate was 16.1% - only slightly higher than the rate of 15.2% recorded in 2006.<sup>26</sup>



5.10.5 Self-employment in its purest form provides flexibility and earnings to the desire of the individual. However we have noted that the emerging business models being operated were found to be blurring the lines between worker and self-employed. The business models being adopted by organisations more recently are driving down costs to the organisation but are also producing a lower standard of living for individuals. The complexity of the system and blurring of employment status in the current labour market has left those on the margins of worker / self-employed vulnerable and open to exploitation. The workers we spoke to picked up on diminishing resources to do the job and suggested workers' rights in the UK needed to be strengthened to avoid exploitation of workers. They highlighted a growing trend of people being asked to do more and getting paid less.

5.10.6 The growth of part time is expected to continue and it was reported that data shows a more evenly balanced gender mix of people doing part time work - it's not predominately women like it used to be. 1 in 5 men are in part time work but would like to work full time, this would suggest there is some capacity in the labour market.

5.10.7 Self-employment is expected to continue to rise as the tenure of employment evolves and the world of work changes. The reported growth of the gig economy and self-employment led to questions about how to protect this group; for example their access to employment rights (like permanent employees) and access to an insurance mechanisms to help cover low periods of work.

<sup>26</sup> Employment, economic activity and self-employment LBH Policy Paper

- 5.10.8 In this review the Commission decided to explore how the council could build up the picture of self-employment and understand the growth of self-employment within the borough. We also wanted to find out if there was something the council, its partners and local employers could do to support residents in precarious work - so that the flexibility and choice of employment is not just beneficial to employers but workers too.
- 5.10.9 There was a gap in knowledge locally about the picture of self-employment and the reasons why Hackney was a big attraction for start-up businesses. The Commission conducted site visits to speak with local business owners and held a focus group including self-employed workers. The business owners we spoke to were not Hackney residents and had chosen to set up in Hackney either for staff reasons, commuting, convenience (central location for meeting clients) or as their industry dictates.
- 5.10.10 From our review we found that people going into self-employment through choice did so to have more control over their work, flexibility of hours and how they do their work. Another trigger was frustrations with their career development. The IPPR skills report for CLF identified significant diversity within the self-employed population. Notwithstanding this their research also identified that the self-employed tend to have lower levels of qualifications than employees<sup>27</sup>. The self-employed workers we spoke to pointed out there was no training support for them and if they wanted training they needed to provide it themselves and any equipment they needed to do the job.
- 5.10.11 In terms of businesses relocating or choosing Hackney as the location to start up their business, contributing factors were the location of the borough and that it was an easy location to commute to. Another key factor was their industry dictating (tech and media) the location because either it was the place to be or where staff wanted to work or lived. As the cost of commercial space increases rapidly in inner London affordable workspace becomes a big attraction too and provides the opportunity to collaborate with other businesses.
- 5.10.12 The Taylor review found evidence of persistent under employment despite the UK economy experiencing its highest levels of employment. The challenge for the labour market was outlined to be continuing poor real wage growth, poor productivity performance, new business models, skills mismatch and increasing automation going forward.
- 5.10.13 The Taylor review has asked the government to replace the minimalistic approach to legislation with a clearer outline of the test for employment status, setting out key principles in primary legislation and using secondary legislation and guidance to provide more detail and introduce a new name to refer to people who are eligible for “worker” rights but who are not employees. They recommend that this should be “dependent contractors”.
- 5.10.14 Until primary legislation is changed we would encourage the council to explore ways of opening up access to skills development for the self-employed and vulnerable workers at the low end of the labour market, this

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<sup>27</sup> CLF Skills report by IPPR 2017

might help the council to understand the picture of self-employment among its residents.

## 5.11 Nature of Work

- 5.11.1 The growth of organised labour / digital platform labour has seen a huge fall in union membership particularly for private sector employees. People have become more disparate and there are fewer opportunities for people to come together and apply upwards pressure on wages, conditions of employment etc.
- 5.11.2 The voice of the worker and their rights in the work place are rapidly changing as employers adopt different business models of on demand employment. Historically, trade unions have been the main mechanism driving worker/employer engagement, and there are, of course, examples of where this still happens effectively. However, membership of unions is disproportionately among public sector, older, and middle to high earners. Employers defend on-demand working models as providing flexibility. However, the imbalance in the share of (financial) risk means this claim is often a cover for insecurity. This also exacerbates the disadvantage that women continue to experience at all levels of employment and the changing nature of work is eroding the quality of employment. Some unions are working to grow their membership among vulnerable workers but there is a clear need for different approaches to frontline worker support and shared spaces.
- 5.11.3 The Fabian Society highlighted their work (report [Future Unions](#)) looking at the future of the private sector and trade unions and their report has made some recommendations on what local government and businesses can do to support workers.
- 5.11.4 Since commencing this review a new project by the Community Trade Union and IndyCube – borne out of the growth of freelancers, plunging union membership and concern that worker exploitation is creeping back as self-employment – will set up a scheme to support freelancer workers to resolve issues like late payment (uncertainty of income). To support freelance workers to tackle late payments the union membership will include a factoring service (normally only available to large corporation) for a small fee. This will mean freelancers are guaranteed invoices will be paid on time. It is estimated that this issue alone leaves freelancers and small business £26 billion out of pocket in the UK.<sup>28</sup> The modus operandi behind this project is to create a community so that workers in this area do not feel isolated or alone. The creation of the new system is seen as vital preparation for a radical new future of employment, with the rise of automation and flexible working. The first London location is opening in Walthamstow. The long term aim of this collective union is to eventually cover issues like holiday pay, sick pay and mortgage guarantees.
- 5.11.5 Businesses are found to be using the networks of self-employed workers more, we would encourage the Council to look at this scheme and consider if

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<sup>28</sup> <https://www.theguardian.com/politics/2017/aug/05/union-self-employed-workers-rights-freelancers>

Hackney could be a future location for a union collective like this to support the growing volume of self-employed workers.

- 5.11.6 In an ideal world self-employment allows a person to choose when they work, when they get paid and how much they get paid. If this is genuine it provides workers with flexible working to suit their needs and to earn their desired income. What became clearer in this review was that businesses were expanding the use of self-employment contracts in their business models, and this choice and type of business model was driven by cost margins and maintaining their market share. But this operating model is being seen more as a business decision to keep cost margins low as markets become more open and competitive.
- 5.11.7 In this changing world of work and skills, experts advised there was a role for councils to think about setting up initiatives to help facilitate a vehicle for the self-employed (like insurance) for when they are out of work and to cover other factors too.



- 5.11.8 They cited a Belgium model as an example. This is an insurance mechanism that provides services called smart products. This is a mechanism for self-employed people to pay into in when their income is high and the smart products support them with services when their income is low. Communities and trade unions are looking at this approach. A reports by the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) called [Boosting the standard of living for the self-employed](#) made recommendations about this model. It was highlighted that Belgium have a support model which recognises people working in the gig economy are self-employed and have high and low income. They have created a space to invest in co-operatives for support and services. It was recommended that councils should review this model.

## 5.12 Skills

- 5.12.1 The self-employed highlighted not only did they need good skills to develop their product or service but they also needed to acquire additional skills to run, promote and manage the business. The self-employed pointed out they had no support to acquire new skills or the place to obtain knowledge about what they should consider or think about in relation to becoming self-employed or running a business.
- 5.12.2 The restrictions to entitlement for public funding and limited access to Adult Education Budget means that self-employed workers are not currently well served by the Skills system. The direction of travel for the system is to be an employer led skills system but a focus on apprenticeships will offer little to no support to the self-employed or provide them with the opportunities to up-skill for the self-employed.
- 5.12.3 Our previous discussion in July 2017 with local business owners about support to local businesses highlighted their transition from being an employee to a business owner could have been smoother if they had access to business advice or was sign posted to business advice and support services that helped with setting up a business and becoming self-employed. The Commission is of the view new business owners could be better supported if they acquired information about the facts of becoming self-employed - pensions, what to do when earnings are low, savings, tax returns, legal advice etc. The Commission acknowledges the council is doing work to provide a better provision of support to local businesses in the form of their Landing Pad and Launch Pad. However, we ask the Council to ensure it includes information about the areas we noted above or sign posts self-employed workers to where they can obtain relevant information. The Commission is of the view facilitating this will provide a dual purpose of building up local knowledge about self-employed workers in the borough.

### *Recommendation 3*

*We recommend the Council adds information on its business engagement tools the 'Landing Pad and Launch Pad' for the self-employed, providing information about being self-employed or sign posting to that information. We would like to see the provision include information about pensions, saving, tax returns, legal advice etc.*

### *Recommendation 4*

*We recommend the Council explores the possibility of Hackney being a location for a self-employed union to provide collective support and purchasing power to support this growing cohort of workers.*

#### *Recommendation 5*

*The Council to explain how they will target the under employed to provide them with in-work support and outline the support and training that will be available to enable them to transition into more secure and quality employment.*

## **Chapter Three - Housing and land values**

### **The impact of land and property values on work and workspaces in Hackney**

#### 5.13 Land and property values in Hackney

5.13.1 Rising land values are warping job opportunities, the shape of the labour market and how it behaves, and presenting challenges to employers. As a result the way businesses are operating is affecting London's demography. More and more the businesses staying in London need to be high level and high performing to pay for the cost of being in London.

5.13.2 Housing has become central to London's politics due to its impact on employment. This is one of the key factors contributing to the hollowing out of London's economy / workforce. The average earnings for London have not increased substantially since 2005 compared to house prices and rental values. If house prices were to fall there would still be a big gap between earnings and affordability, therefore housing is expected to remain a significant issue for some time.

5.13.3 In addition the gap between the average earnings and house prices/rental values in the housing market is and will remain a key challenge too. Hackney is not immune to this change and challenge. Hackney is one of the top 10 most expensive London boroughs to rent in. In the last 10 years, the average house price in Hackney has increased by 111% compared to 80% increase in house prices in the last 10 years across London.<sup>29</sup>

5.13.4 The graph below shows the weekly rental prices to earnings ratio for Hackney. This is currently  $\frac{3}{4}$  of the average person's earning. It also demonstrates that the places that had high house prices and rental value in 2011 are still the locations with the higher values and these areas have seen the biggest increases.

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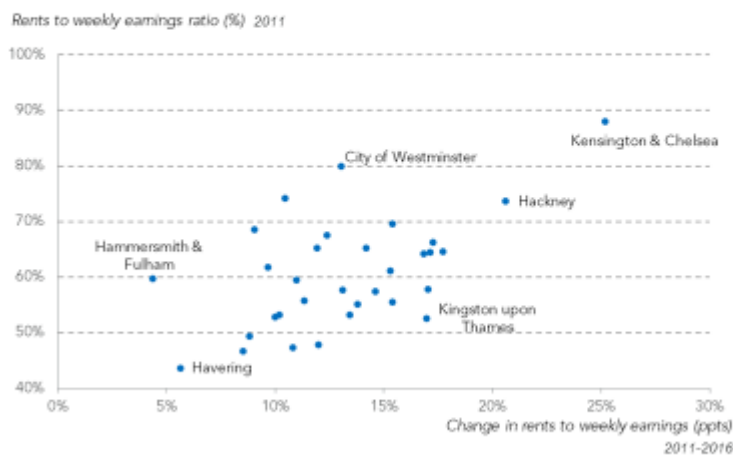
<sup>29</sup> Hackney a Place for Everyone Hackney Council's Corporate Plan to 2018



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



*Housing will become even more central to London's politics*



@resfoundation

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- 5.13.5 The affordability of properties and rental values in London has impacted on the demographic of the population. Central London Forward (CLF) reported following an assessment of the CLF economy, they found a net migration and exit for London; this revealed a sharp net increase in the number of people aged 30-45 years leaving London. The reasons for this is primarily believed to be the housing market as a result of the cost of properties and types of properties required not being available. The properties needed are affordable 2/3/4 beds for a growing family. These properties do not exist because London is not building the volume of properties needed for this population growth.
- 5.13.6 Increasing land values in London make the need for affordable work space more important. With Hackney borough seeing a decline in large employers from 1.2% to 0.7% of all businesses, this indicates that the protection of local commercial space will be key to maintaining the current diversity in local employment.
- 5.13.7 Hackney Council has recognised the challenge land values and house prices has placed on employment and its local population. Before the decline in manufacturing Hackney had a history of being a location for creative businesses and developing products. The Council is looking at what it can do to protect industrial space in the borough (particularly in the north) through the Local Plan. It is important for the Council to protect industrial space so that businesses can still produce prototypes before mass production.
- 5.13.8 Rising rents in London was a reoccurring theme from employers and this was a contributing factor in the draw towards operating out of co-working business spaces. Business owners pointed out the shared workspace also provided opportunities for collaboration with other companies and flexibility in relation to upscaling and downsizing. The businesses were also looking for premises

that did not tie them into a long lease contract – providing flexible and shorter contract termination notice periods. Business were of the view the demand for this type of business space would continue due to rising rental costs in London. All the businesses we spoke to chose to operate out of a shared work space because of its affordability and central location.

- 5.13.9 During this review the Commission found that in some instances the industry dictated the need to be located in Hackney – this was the case for the media and IT companies. One IT company highlighted each time he moved premises he relocated to the area he could attract the right staff. The business owner talked about needing to relocate to an area classified as ‘fun’. Over the years the location of his business had centred around where he could attract the right staff or where they were working. This echoed the research by Metro Dynamics for Central London Forward which identified that businesses were locating to the areas where the staff with the required skill sets wanted to work or lived.
- 5.13.10 One company (Media) viewed the future of work for their industry as short term. The result of this was it become harder to make long term plans for the business. The business owner pointed out the industry was producing more content for the internet and less documentaries. This change resulted in the need for flexibility in relation to their lease contract for their premises. This also impacted on their ability to offer permanent employment contracts. Instead the business mainly employed freelance workers to keep their operational costs low. Currently they needed approximately 40 projects per annum to remain operational each year. The workers we spoke too also thought that the affordability of business space would be one of the impacts on the world of work in the next 5 years.
- 5.13.11 One of the shared work spaces we visited - The Brew - explained they were able to provide affordable work spaces because of their capped rent with the landlord. This was created through a Section 106 agreement between the Council and the developer. In contrast the Bootstrap who occupies premises owned by a private landlord and the Council are trying to combat rising rental costs for their local businesses by creating a fund aimed at supporting local businesses in their shared work space. However this fund does not have the ability to support all the businesses in need.
- 5.13.12 The large number of SMEs classified as micro businesses makes it even more important for the Council to consider ways they can support local business to remain in the borough. Currently the Council has the provision to offer properties at 80% of the current market rental value but in Hackney this is still unaffordable for many businesses. We heard that one option being considered is to provide work space at 40% of the current market rental value for new property developments. The Commission would support this proposal and see it as a way of protecting commercial workspace in the borough and a means of keeping diverse employment. But we would urge the council to develop a social value criteria to ensure this is not taken advantage of by companies that can afford the market rent but rather it benefits the businesses it is aimed at e.g. social enterprise or small employers. We suggest the Council’s social value criteria includes provisions such as paying staff the London living wage, apprenticeships and

employment of local residents through the Hackney Works programme as a means of local businesses supporting the local community.

- 5.13.13 There is a demand for flexible work space and the Council should consider developing policies to combat rising rental costs. We suggest the Council considers taking a stronger lead and uses its planning and land purchasing powers more proactively and strategically to preserve land for industry and workspace activities. The section 106 agreement with a cap on commercial rent charges is a good example of the Council's use of planning powers. More work like this will need to be supported by the right planning policies. We recognise the need for economies of scale to apply such influence but would like to see a more inclusive regeneration developments with a systematic commitment across all regeneration and housing development sites to jobs and employment in the specification. An example of this is the proposed Marion Court development. This development has allocated the entire ground floor space of the site to commercial use with a mix of retail, community and commercial workspace units.
- 5.13.14 To maintain Hackney's diversity in employment from the tsunami of rising property prices driven by a strong housing market, it is important for the council to also consider how they can make current workspaces more affordable to businesses in the borough to help existing employers remain in the borough. In turn the council would require the new business to contribute socially. Our dialogue with businesses earlier in the year revealed the Council implemented social value vows on favourable rental agreements but there was no formal mechanism in place to follow up on the social value pledges by businesses as part of their rental agreement.

#### *Recommendation 6*

If the provision for cheaper rents is introduced we recommend the Council prioritises and protects industrial space in the Local Plan alongside units for community, retail and workspace. The Commission recommends the Council explores the possibility of inclusion in its planning policy the use of Section 106 agreements to create more workspaces with capped rent to keep employer diversity in the borough.

#### *Recommendation 7*

- a) The Commission wants to be assured there are mechanisms in place to check that the social value commitments by local businesses are followed up by the Council to ensure implementation.
- b) The Commission recommends the Council explores the ability to introduce a social value criteria for new affordable workspace developments. We would like to see it include implementation of the London living wage for staff contracts, employ an apprentice and employment of local residents through the Hackney Works programme.

### *Recommendation 8*

*The Commission recommends for all new regeneration and housing developments this includes in the specification a systematic commitment to the creation of jobs and employment on the sites, for example by allocating a section of the build to commercial use with a mix of retail, industrial, community and commercial workspace units.*

## **Chapter Four – Brexit**

### **The predicted impact of Brexit on the Hackney economy**

#### 5.14 Brexit and Hackney's economy

- 5.14.1 London faces significant skills challenges in the coming years, not least of which is the potential effects of the UK leaving the European Union. EU nationals play an important role in many of the capital's key sectors, including life sciences, construction, the National Health Service, hospitality, social care and financial services. Nearly one in three of London's workforce is non-UK born and 90% of London businesses recruit EU citizens (69% also recruit non-EU workers).<sup>30</sup> EU nationals make up 30% of the 300,000-strong workforce, while just half are UK citizens. Of the UK citizens that work in the capital, 38,500 (12%) are set to retire in the next 5-10 years.<sup>31</sup>
- 5.14.2 Inner London is expected to be more affected by Brexit than Outer London due to the presence of the top sectors driving London's economy. Many of the capital's key sectors, from construction and tech to hospitality and healthcare have a substantial volume of EU citizens in their workforces. Any drop in EU migration is likely to have a disproportionate effect in London.
- 5.14.3 Financial & Professional Services, Science and Technology, Creative and Construction, which make up a high proportion of economic activity in the UK, particularly in London, are among the sectors expected to be hardest hit by Brexit. Construction and Hospitality, which tend to require less skilled labour employs a larger proportion of EU nationals than other key sectors. These sectors are expecting to see the largest impacts on employment for their sector in London than in the UK.
- 5.14.4 Construction and Hospitality are the two areas where Hackney and London are exposed from a reduction in EU workers, increased costs and a more negative economic environment. Both of these sectors provide significant employment in Hackney. Brexit undoubtedly is expected to be negative for tech, creative and financial services industries but such industries are likely to be more resilient in dealing with change.
- 5.14.5 It is believed that London will not be as affected as the rest of the UK in terms of Brexit damage to productivity due to the presence of higher value sectors. It is anticipated it will be more affected by the introduction of migration controls affecting the ability to recruit staff from the EU.

<sup>30</sup> CBI (2016), 'London Business Survey 2016'

<sup>31</sup> Bridging the Gap report - Skills Match London: [http://skillsmatch.intelligentlondon.org.uk/skills\\_gaps](http://skillsmatch.intelligentlondon.org.uk/skills_gaps)

## 5.15 VISA Policy

- 5.15.1 The loss of passporting rights and barrier free access to the EU is a threat to London's position as the premier finance centre in Europe. The *GLA's Preparing for Brexit* report finds that the more severe the type of Brexit that is delivered the greater the negative impact will be for London and the UK. Brexit is expected to reduce the size of the UK economy and put it on a lower growth trajectory, lower employment numbers and greatly reduce the population growth compared to the current baseline. If there is a reduction in the population growth this will impact on current infrastructure planning for London and the local economies.
- 5.15.2 In relation to the loss of passporting rights, the Commission learnt that businesses were nervous about the loss of access to workers and potential VISA policy changes. This anxiety is affecting businesses' behaviour. The view is any changes to the VISA policy will have a dramatic effect, especially on replacement labour. Changes to the VISA policy will impact a number of sectors not just hospitality and construction. Research and dialogue with local employers has highlighted VISA policy changes as a concern.
- 5.15.3 The success of London's and Hackney's economies in recent years has been intrinsically linked to our membership of the European Union. If the City of London were to lose its position as European financial centre, this will have a detrimental impact for Hackney's economy and the local population.
- 5.15.4 The impact of Brexit for Hackney is negative overall. Estimates put the current EU population of Hackney (April 2017) at approximately 41,500 people (15% of the total population). However, Hackney's resident EU population are predominantly from 'old EU countries', are more highly skilled and tend to be younger than the UK citizens (population aged between 25-49). A 'Hard Brexit' has the potential to reduce the future population growth in Hackney which is currently forecast to grow to 346,098 by 2050. Current growth projections are based on trends of continued high EU migration to London. Any reduction to population growth could require a re-examination of future growth projections. Changes in future growth projections are important because it could affect Hackney Council's future plans around demand for additional housing and other infrastructure that caters to a growing population.
- 5.15.5 Hackney's economy and population has been fuelled by international migration. Hackney has many highly skilled EU residents (who work outside the Borough) and local businesses dependent on low skilled EU staff (who live outside the Borough). Restrictions on future migration from the EU potentially poses the greatest threat to Hackney businesses and public services. This threat could provide the incentive employers need to invest in local people to fill the skills gap and engagement with the skills system to make it more responsive to employer needs.
- 5.15.6 In terms of the risks of Brexit to the local economy, Hackney Council has summarised the following as concerns:
- 5.15.7 Finance and professional services – This sector is a major provider of high value and high productivity jobs in London and exports finance services to the EU. The loss of passporting rights and barrier free access to the EU is a

key concern and threat to London's position as the premier finance centre in Europe. Approx. 12% of workers in the industry are non-British EU citizens and any future requirements for visas/work permits would greatly impact on the ability to recruit in these sectors and have a wider knock-on effect for the economy.

- 5.15.8 Science and Tech – Loss in EU grants could be significant in the tech industry, as could the loss of EU collaboration, reduced trade and additional costs if border arrangements were to be introduced
- 5.15.9 Creative and Cultural – Arts, Fashion Design and other related industries are heavily reliant on a diverse workforce and tourism from the EU. The UK tech sector relies heavily on a foreign workforce. Sectors such as Artificial Intelligence (AI), data science and robotics, which the government has identified as potentially high-growth areas, already demand high level skills. The key question for Hackney is whether the UK will be able to continue to attract and retain a labour force with the relevant high calibre skills from the rest of the world, in order to maintain its reputation in these industries once the UK leaves the Single Market. Exports from the UK digital sector could also be adversely affected if new trade deals are not swiftly concluded (43% of these to the EU).
- 5.15.10 Food and Drink – This sector is highly exposed to the introduction of trade barriers - more than 60% of food and drink exports are to the EU. The sector also has a significant EU workforce which would be impacted by falls in net international migration. Investment is also likely to be affected if migration and trade controls are introduced. Hackney has experienced a significant growth in this sector in recent years and the Council is concerned about rises in costs and migration controls which could have a detrimental impact on this sector.
- 5.15.11 Construction – Recruitment of skilled construction workers and the current reliance on EU workers in particular creates a big challenge if migration controls are introduced. Around a quarter of construction workers in London and the South East are from the EU and another 25% from elsewhere abroad. Migration controls are likely to make it more costly and challenging to deliver new housing targets and other new infrastructure. Imported construction materials could also rise in cost if trade barriers are put in place. It was estimated that 60,000 more construction workers are needed in London and the South East in 2017 to keep up with demand.
- 5.15.12 Hospitality – Almost a third of hospitality jobs are filled by EU workers, with 75% of waiting staff being from the EU. Migration controls are likely to create staff shortages, rising costs and have implications for investment and growth. However the fall in sterling since the referendum has resulted in London becoming a more attractive tourist destination suggesting that for the time being the sector is resilient to the potential negative impact of Brexit.<sup>32</sup>

## 5.16 Brexit and skills

- 5.16.1 Employers are highlighting the skills gap in their workforce and lobbying government about their concerns in relation to Brexit. What employers have

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<sup>32</sup> LBH Policy paper Brexit

not been doing is stepping in to train local people to prevent the skills gap widening further after Brexit. At both the high and low skilled ends, if firms cannot recruit sufficient staff this will have an impact on the local economy. In at least the short to medium term the view is it is unlikely that such skills shortages can be met by UK citizens.

- 5.16.2 Employers are concerned about Brexit and lobbying Government but equally they are not putting into place plans to train people to fill the gap. Brexit could represent a significant opportunity to do things differently, re-examine how to improve skills in the capital and do more to nurture UK talent.
- 5.16.3 There are EU workers in both high and low skilled jobs across the London economy. The forthcoming exit from the European Union and limits on EU migration could exacerbate the skills challenges. It will be more important than ever to address these gaps by retraining and upskilling the current workforce.
- 5.16.4 If London fails to do more to grow its own talent, any fall in EU immigration following Brexit will hit the capital's businesses – with the effect likely to be more pronounced in key sectors such as hospitality, tech, finance and construction.
- 5.16.5 For the majority of businesses we spoke to, Brexit would have an impact especially on long term plans and their workforce. One business investment plans were put on hold as they were affiliated to an overseas company that had planned to make the UK their base but the company desires access to the EU. For the construction industry this means large scale build projects were being halted and for one local structural engineering company this impacted them because their work was generated from the start of the build process (design phase).
- 5.16.6 Brexit will impact both the low and high skilled sectors and for start-ups it is anticipated to be negative with a slowing of new business growth. But as noted above (in point 5.14.4) the tech sector is likely to be more resilient to change and when we spoke to one tech company they were not as concerned about Brexit and the potential limited access to EU workers unlike the other companies in the construction and media industry. We encourage Hackney Council to continue lobbying Government for the softest form of Brexit to protect jobs, growth and investment in the Borough.

*Recommendation 9*

- a) *The Commission recommends communications by Hackney Council continues to encourage EU citizens to remain and sign posts to relevant information about their rights.*
- b) *The Commission recommends the Council's Landing Pad and Launch Pad gives advice on how to adapt and where to go for business support as the impact of Brexit on businesses unfolds with decisions and policy development.*

*Recommendation 10*

*The Commission recommends the Council lobbies Central London Forward and the Government to encourage employers to view Brexit as an opportunity to re-examine how to improve skills in the capital and provide support to do more to nurture UK talent.*

## **Chapter Five – Hackney businesses contribution to local economy and skills**

### **The opportunities that could be harnessed for Hackney businesses to contribute to the local economy and skills-building of Hackney residents**

- 5.17 Employment is currently at its highest level, yet despite high employment levels there is still low productivity and high inactivity. However high employment disguises the concerns about the number of people on temporary contracts and under employment. For the first time there are more people living in poverty where someone is in work than out of work. It has presented the issue that work is no longer a sure exit out of poverty.
- 5.17.1 Employers are operating in global markets and are facing high levels of economic uncertainty. London needs a skills system that is dynamic, resilient, coherent and efficient. The Government is bringing in employer led training in a bid to develop a skills system that meets employer's needs.
- 5.18 Employment and skills locally
- 5.18.1 Currently employers have to engage with a plethora of organisations and services in order to get support to grow or to meet skills and employment needs. We note there have been various reforms and initiatives by governments to improve employment and skills:
- The **New Deal for Communities** in the late 1990s, which in many areas included neighbourhood-based job brokerage, 'one-stop shops' for careers advice and jobsearch, and access to local training;
  - **Action Teams for Jobs** with a strong focus on outreach, partnership working, colocation and cross-referrals
  - **Employment Zones** which were the first attempts to test outcome-based, contracted out and flexible employment support.
  - **Training and Enterprise Councils** from 1990 to 2001, where responsibility for training was held locally but in practice the key decisions were still made centrally.
  - From the mid-2000s, there was a far greater focus on trying to integrate and co-ordinate between the employment and skills systems – with **The Leitch Report** (2006) concluding that fragmentation of services was exacerbating poor outcomes both in the labour market and in productivity.
  - This led to a greater recognition of city regions and sub-regional partnerships as drivers of growth, and the development of new **Employment and Skills Boards** – with a loosely defined role to engage employers, assess labour market needs, review local provision



and make recommendations for how employment and skills could be aligned.<sup>33</sup>

- **2011 Local Enterprise partnerships (LEPs)** were established setting up a partnership between [local authorities](#) and businesses to help determine local economic priorities and lead economic growth and job creation within the local area. The LEP for London is called the Local Enterprise Panel.

Employers were to have a central role in working with colleges and universities to deliver internships, work experience, integrated workplace training and through Local Enterprise Partnerships (LEPs) defining the strategy for growth at a local level. LEPs were seen as crucial in involving local employers to identify labour market needs and in working with providers to give opportunities to both the employed and the unemployed to train and work.

- 5.18.2 Planned reforms to the skills system are aimed at making it employer-led to address the skills gap and provide qualifications that employers, want, need and value. Employment in CLF tends to be large employers but this is not the case for all the boroughs in the CLF region. Some, like Hackney, are characterised with much more employment in SMEs.
- 5.18.3 If an employee is at the high end of the labour market they are likely to get training but if they are at the low end they are not likely to get training. CLF reported employees in central London are more likely to receive work-related training while on the job, however access to this is polarised. The low-skilled and self-employed are furthest from training opportunities. As Hackney has a large number of SMEs as employers it would suggest that access to in work training for employees may be limited.
- 5.18.4 We noted access to in-work training remains highly dependent on the type of contract and employer and it is often the case that those who need lifelong training the most are those who have the least access to it. This is a key issue for Hackney because the data suggests Hackney residents lack the skills to access better paid jobs and this will be crucial if the council wants to see a reduction in the number of households in in-work poverty.
- 5.18.5 The data shows us that Hackney has a high number of people with high level and low level qualifications but with very little in between. The local analysis of data shows between 2006 and 2016 Hackney has experienced a considerable increase in the proportion of residents with higher qualifications and a decrease in the proportion of residents with no qualifications. We noted more residents in Hackney have acquired higher levels of qualifications. This is viewed to be associated with the population moving in and the success of local educational attainment over recent years. Local data also suggests there is still a proportion of Hackney residents in low-paid low-skilled jobs and these people would not be able to meet the skills gap if the impact of Brexit on migrant labour was to materialise. The question is, is there a possibility for people with high qualification and low skills to transition to higher skilled roles or to the roles with the skills gap? Our focus group with residents indicated

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<sup>33</sup> Work Local: Our vision for an integrated and devolved employment and skills service – Local Government Association and Learning and Work Institute

the job support market was complex and this would be a challenge to achieve in reality. In their view employers were reluctant to give older workers the opportunity to try jobs or view their skills as transferable to new positions.

- 5.18.6 The Commission decided to explore, with employers, the ability of workers to transition to better paying jobs and employer's views on skills and development.
- 5.19 Employer's views on training, skills and qualifications
- 5.19.1 The City Fringe area around Shoreditch and Old Street is the biggest sub-economy in Hackney and is home to 43% of employment in the borough. The employment in this area is concentrated in the professional, scientific & technical, information & communication and business administration & support services sectors.
- 5.19.2 Hackney's economy has a large volume of SMEs and has experienced a large growth of SMEs in the last decade. Almost all businesses in Hackney (99.8%) employ fewer than 250 staff and 9 out of 10 businesses in Hackney (90.3%) are defined as micro-businesses because they employ fewer than ten people. Since 2005 there has been a decrease in large employers (more than 100 employees) in Hackney falling from 1.2% to 0.7% in 2015. Therefore in Hackney approximately 91% of businesses are micro enterprises employing 0-9 people.
- 5.20 Training
- 5.20.1 From our discussion with workers the barrier to progression was perceived to be employers not being open to training applicants who do not present with the right skills immediately. The residents we spoke to expressed their aspirations were there but the system and employers forced them to lower their aspirations in terms of employment progression and development. Potential employers often viewed job applications too narrowly, not recognising skills and experience of older applicants which could transfer to suitable positions. For staff retention all businesses with employees expressed the difficulty in retaining staff, particularly those with the required qualifications, skills and experience for their sector.
- 5.20.2 The employers we spoke to largely employed graduates but pointed out they still needed to train them to acquire the work skills or experience needed to do the job. An article by the Telegraph reported an employer's survey<sup>34</sup> recorded comments from employers about graduates' lack of business etiquette and communication skills. We found a local employer in Hackney who echoed the same sentiments about the graduates he has employed. He pointed out it takes one year to get a graduate job-ready because they have to be taught basic communication skills - like how to write an email - and business professionalism.
- 5.20.3 We noted that digital literacy will be key to the future world of work and soon all workers will require a core knowledge in terms of digital literacy for all forms of employment. In relation to AI and automation, the key concern we picked up from workers was about the pace of the changes. Although resident workers considered the digital revolution would bring new

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<sup>34</sup> <https://www.telegraph.co.uk/education/2017/07/11/third-employers-unhappy-graduates-attitude-work/>

opportunities, the workers highlighted they would need to be given appropriate education and that access to training opportunities should be encouraged and supported at an early stage to make necessary adjustments. The Commission is of the view training of digital skills should be accompanied by an understanding and knowledge about why they are using digital devices for their work. The digital training needs to go beyond basic IT skills so that it enable employees to adapt and transition in the work place.

- 5.20.4 At the moment, job support is focused on the unemployed and age was perceived as a significant barrier to changing career paths or acquiring the training needed to transition - particularly if aged over 50. The Commission is aware there are some services offering good training and support for job seekers (the council's employment support service), but these are not widely known. The workers we spoke to were not knowledgeable about which agencies they could apply to for help.
- 5.20.5 The consensus was there are people with high level qualifications working in low paid jobs and employers are used to paying people with high qualifications a low wage. The opinion is that there is a danger that those in employment might get stuck in low quality jobs without the opportunities to gain new skills, to earn more money or progress in the labour market. There should be more training and development support for those people that are 'under employed' and older workers who want to retrain or seek better working opportunities. Training and development opportunities appear to be focused on younger people. Workers pointed out people aged 50+ may be required to work nearly 20 years more, but currently are unable to access training and support. A further challenge in relation to more training and development was for those in under employment or the self-employed.
- 5.20.6 One of the first steps in this area would be to get employers to view applicants differently and change their behaviour when it comes to employing people with lower skills for those roles that they currently have high skilled workers doing.

## 5.21 Development

- 5.21.1 For the media industry and construction engineer roles the applicants came through the academic route even though a vocational route existed. The media company we spoke was of the view that the prerequisite to be a graduate was deskilling the industry because the people entering the industry still needed to acquire experience. The industry norm was to build this up working for little or no money for a period of time. He found many graduates did not last long because graduates, coming out of university, have a debt to pay. This closed off the industry to anyone that was not a graduate from a well off family. For the media industry when you acquired the experience, skills and qualification, those workers were at a premium and often worked freelance. The local employer in the media industry hoped that being based in Hackney and working with the Bootstrap community programme they could expose the industry to more people from different backgrounds.
- 5.21.2 When we pressed employers about alternative routes to a career in their industry they explained these routes existed but they found that when

workers did not come from the academic route they were often at a disadvantage in their interview and presentation skills. In other instances being a graduate was a requirement to work in the industry. This meant quite often it was the graduate that was employed over the person who did not have the same level of qualification.

- 5.21.3 Employers were of the view workers did not hold long term career plans with any specific company - especially for the IT industry. Whereas workers interpreted this as less job security and the future of work including diminishing resources to do the job and people doing more work. So when staff acquired the right qualifications, skills and experience, the challenge for employers was retaining the talent. This often meant employers were offering more money or keeping the job interesting and not routine to hold on to employees. The competitive environment for employees with the right skills means employers were always looking for ways to attract staff from other companies.
- 5.21.4 The council is repositioning itself to cultivate new business relationships with local employers to support local businesses. The Council's work developing good business relationships is more challenging when working with small businesses whose capacity and potential to invest in staff development is more limited. Although this is an area of challenge the Commission acknowledges the aim of the council is to be in a position to challenge, influence and support local businesses to adopt the best business and work practices and encourage local employment. We recognise the difficulty lies in being able to convince small employers that investment in their workforce is beneficial for their business and should not be cut, especially in a time when other business priorities start to present themselves. We recommend the council's work in this area includes encouraging employers to produce quality jobs and supporting people into quality jobs. We recognise the council has limited powers in this sphere but they can seek to influence. We refer to the council's work on the London Living Wage and the implementation of this locally. We encourage the council to take the principles if applied in its work on LLW and apply it to the promotion of quality jobs to local employers. We urge the council to link this into their work of relationship building with local businesses.
- 5.21.5 Local authorities are good at outreach but their work needs to be supported by career information and clear progression pathways to further learning, employment, self-employment, as well as progression within the world of work.
- 5.22 Apprenticeships
- 5.22.1 Traditionally the take up of apprenticeships is lower in London than the rest of the UK and London has consistently generated fewer apprenticeship starts than the majority of other regions in England.
- 5.22.2 The changes to the skills system and devolution of the Adult Education Budget (AEB) provide the potential for employers to really engage with the skills of their workforce and should create the opportunities for people to work and train in the areas of skills needed in the economy. The hope is the current picture of oversupply - of learners studying for example electrical

installation in the construction and planning category, despite a significant undersupply in other areas of construction, such as bricklaying, carpentry and joinery, and plastering - will be eradicated.<sup>35</sup> However we note the Government has a 3 million apprenticeship target but this has not focused on what needs to be delivered for these qualification to meet employer's needs so that workers can progress.

- 5.22.3 We were pleased to note the Council's corporate apprenticeship programme is now established with a target delivery of 100 apprenticeships across the Council. The apprenticeship scheme currently employs 90 apprentices and the apprenticeships created are across a diverse range of Council service areas. All apprentices are aged 18+ and paid the London Living Wage. However the large proportion of micro businesses in the borough means developing apprenticeships outside of the council will be more of a business choice than being affordable or supported through the apprenticeship levy.
- 5.22.4 Residents were of the view apprenticeships were being branded as the way to get experience and skills but residents felt they excluded older workers. People aged 50+ may be required to work nearly 20 years more, but they are unable to access training and support. Residents wanted businesses to give older workers the opportunity to try out jobs so they can see how their skills match up. Residents were of the view the Council should lead by example to demonstrate to local employers the benefits of this option. More generally the workers were of the view there should be more training and development opportunities for older workers.
- 5.22.5 A recent report by the Independent stated that according to official figures, the number of people starting [apprenticeships](#) under the government's flagship scheme dropped by nearly a quarter. The levy was introduced a year ago to encourage employer engagement and help create three million apprentices by 2020. But figures are showing a 24 per cent drop in people starting in-work training in the first half of the academic year. The British Chambers of Commerce has stated employers have been left frustrated by the "restrictions and inflexibility" of the government's complex scheme since it was introduced in April 2017.<sup>36</sup>
- 5.22.6 Under the new apprenticeship system employers are responsible for designing the content of apprenticeship standards through trailblazers which are then approved by the Institute of Apprenticeships. The Government has introduced an apprenticeship levy to boost employer investment in apprenticeships. The apprenticeship levy is expected to raise proportionally more money in London than the rest of the UK because London has higher pay and a greater concentration of larger companies. Traditionally London has produced few apprenticeships than the rest of the country. Apprenticeships are predominately low level (level 2/3) currently degree level apprenticeships represent 0.03% of 1% of apprenticeships – the reality is there are not many degree level apprenticeships. There are too many low level apprenticeships that do not necessarily lead to higher level provision or earnings.

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<sup>35</sup> Bridging the Gap report - Skills Match London: [http://skillsmatch.intelligentlondon.org.uk/skills\\_gaps](http://skillsmatch.intelligentlondon.org.uk/skills_gaps)

<sup>36</sup> <https://www.independent.co.uk/news/education/education-news/apprenticeship-levy-uk-apprentices-british-chambers-commerce-department-education-a8312876.html>

- 5.22.7 The apprenticeship levy is expected to help manifest the apprenticeship vision. It was reported in the [Office for Budget Responsibility Economic and fiscal outlook report March 2018](#) that the apprenticeship levy will gross 10.7 billion in the first 4 years (by 2021)<sup>37</sup>. There is a fear that big employers might use the apprenticeships levy fund to finance the training they currently do instead of providing additional training as is the intention of the fund. The unique employer mix in Hackney means the apprenticeship levy is not straight forward. The number of apprenticeship starts recorded for Hackney are outlined in Table 1 below.
- 5.22.8 The Commission hopes the Council is working with the apprenticeship training providers locally to ensure employers are designing apprenticeships for all levels especially for higher level employment. The Commission sees this as a means to creating a stepping stone towards better paying roles for workers in lower skilled jobs.
- 5.22.9 We found even if the industry required graduates what the businesses wanted was a combination of both qualification with skills and experience. The most valuable employee was the person with the qualification and industry experience. The fluidity of work puts a premium on a person with initiative and professional resilience. For these reasons, training and reskilling will matter more throughout a person's working life. Education obtained before a person's professional career will have to be regularly 'topped-up'. Transitions will become more frequent and complex - particularly with regards to family and care responsibilities on the one hand, and employment and training on the other.
- 5.22.10 The council could have a role in sign posting and/or supporting businesses to set up apprenticeships. The Council may need to think innovatively about using its influence like in regeneration projects to maximise use of apprenticeships or the creation of apprenticeship[s] locally. The SMEs locally may need support in the form of facilitating a collective grouping to fund the establishment of apprenticeships for their industry. This is an area we think the Council would be well positioned to influence and facilitate.
- 5.22.11 The council should ensure it can practically demonstrate to employers the benefits of practicing good employment standards and investing in your staff. The Commission is of the view the council could lead by example by supporting local business to access funding or support to train staff which could convince local employers of the benefits to their business and give them access to a workforce with the right skills and qualifications. One area to start with is apprenticeships.
- 5.22.12 The risks of growing polarisation and displacement can be addressed by bolstering the resilience of workers through re-skilling and up-skilling opportunities throughout their life, especially at a time when their career transitions and because self or temporary employment are increasingly becoming the new norm. People at the front end of the change need to be supported to a) identify the displacement and b) transition to the growth sectors. These workers need supporting because it's likely that the sectors they are displaced from and their skills and experience will not be a straight

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<sup>37</sup> Office of Budget Responsibility Economic and fiscal outlook report March 2018

fit into the growth sectors. We need to make sure people at the sharp end of job changes (delivery drivers, retail workers, etc.) are able to transition into new jobs and the new growth areas. We believe employment support services should adopt an employability skills framework to help workers transition to new jobs in new sectors.

#### *Recommendation 11*

*The Commission recommends the Council's relationship-building work includes supporting and facilitating the business support needs of social enterprises e.g. helping social enterprise businesses to access collaborative working opportunities where possible.*

#### *Recommendation 12*

- a) *The Commission wishes to receive a report on how the Council can provide support to SMEs in the borough to set up apprenticeship placements and an outline of the Council's understanding of apprenticeship support needs for local businesses.*
- b) *We recommend the Council explores the development of higher level apprenticeships (level 3 and 4) for all ages and encourages the development of apprenticeships for more experienced workers looking to transition or embark on a career change.*

#### *Recommendation 13*

*We recommend the Council applies the principles it used to champion the implementation of the London Living Wage locally to encourage quality jobs and upskilling by employers for their workforce.*

**Table 1**

**Apprenticeship starts by age, 2013/14-2016/17**

	Under 19				19-24				25+				Total			
	2013/14	2014/15	2015/16	2016/17	2013/14	2014/15	2015/16	2016/17	2013/14	2014/15	2015/16	2016/17	2013/14	2014/15	2015/16	2016/17
Hackney	220	230	290	100	370	400	370	90	500	650	640	110	1,090	1,280	1,300	300
London	9,510	9,990	10,650	4,190	14,350	14,130	13,800	3,840	16,190	21,430	21,830	4,430	40,050	45,550	46,280	12,460
England	118,200	124,300	129,800	57,400	157,100	158,500	152,400	44,700	159,300	211,500	221,700	51,300	434,600	494,200	503,900	153,300

**Notes**

1. Data based on academic year (August to July)
2. 2016/17 data only covers the period August to October 2016

**Source:** Department for Education (<https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships>)

Parliamentary Constituency data on Apprenticeship Starts									
Apprenticeship - Starts									
Level	Age	Geography	PCON/Region/England	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 Full Year (Provisional)
All	All	PCON	Hackney North and Stoke Newington	630	510	510	570	620	600
All	All	Region	London	47,230	45,070	40,050	45,550	46,280	44,220
All	All	National	England	515,000	504,200	434,600	494,200	503,900	485,500
All	All	<b>Total</b>	<b>Grand Total</b>	<b>520,600</b>	<b>510,200</b>	<b>440,400</b>	<b>499,900</b>	<b>509,400</b>	<b>491,300</b>
Intermediate	All	PCON	<b>Hackney North and Stoke Newington</b>	400	300	330	330	330	250
Intermediate	All	Region	London	30,120	26,310	26,080	26,660	24,750	20,790
Intermediate	All	National	England	325,500	289,300	282,900	295,000	288,200	256,200



Intermediate	All	<b>Total</b>	<b>Grand Total</b>	<b>329,000</b>	<b>292,800</b>	<b>286,500</b>	<b>298,300</b>	<b>291,300</b>	<b>259,400</b>
Advanced	All	PCON	Hackney North and Stoke Newington	230	210	170	200	250	270
Advanced	All	Region	London	16,900	18,150	13,080	17,050	18,730	19,010
Advanced	All	National	England	185,800	205,200	142,700	179,600	188,800	193,600
Advanced	All	<b>Total</b>	<b>Grand Total</b>	<b>187,900</b>	<b>207,700</b>	<b>144,700</b>	<b>181,800</b>	<b>190,900</b>	<b>195,800</b>
Higher	All	PCON	Hackney North and Stoke Newington	-	10	10	40	40	80
Higher	All	Region	London	210	600	890	1,840	2,810	4,430
Higher	All	National	England	3,700	9,700	9,000	19,500	26,900	35,700
Higher	All	<b>Total</b>	<b>Grand Total</b>	<b>3,700</b>	<b>9,800</b>	<b>9,200</b>	<b>19,800</b>	<b>27,200</b>	<b>36,100</b>

### Apprenticeship - Starts

Level	Age	Geography	PCON/Region/England	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 Full Year (Provisional)
All	All	PCON	Hackney South and Shoreditch	690	670	580	710	680	710
All	All	Region	London	47,230	45,070	40,050	45,550	46,280	44,220
All	All	National	England	515,000	504,200	434,600	494,200	503,900	485,500
All	All	<b>Total</b>	<b>Grand Total</b>	<b>520,600</b>	<b>510,200</b>	<b>440,400</b>	<b>499,900</b>	<b>509,400</b>	<b>491,300</b>
Intermediate	All	PCON	<b>Hackney South and Shoreditch</b>	450	410	390	410	360	300
Intermediate	All	Region	London	30,120	26,310	26,080	26,660	24,750	20,790
Intermediate	All	National	England	325,500	289,300	282,900	295,000	288,200	256,200
Intermediate	All	<b>Total</b>	<b>Grand Total</b>	<b>329,000</b>	<b>292,800</b>	<b>286,500</b>	<b>298,300</b>	<b>291,300</b>	<b>259,400</b>
Advanced	All	PCON	Hackney South and Shoreditch	240	250	180	250	280	340
Advanced	All	Region	London	16,900	18,150	13,080	17,050	18,730	19,010
Advanced	All	National	England	185,800	205,200	142,700	179,600	188,800	193,600
Advanced	All	<b>Total</b>	<b>Grand Total</b>	<b>187,900</b>	<b>207,700</b>	<b>144,700</b>	<b>181,800</b>	<b>190,900</b>	<b>195,800</b>

Higher	All	PCON	Hackney South and Shoreditch	-	10	10	50	50	80
Higher	All	Region	London	210	600	890	1,840	2,810	4,430
Higher	All	National	England	3,700	9,700	9,000	19,500	26,900	35,700
Higher	All	<b>Total</b>	<b>Grand Total</b>	<b>3,700</b>	<b>9,800</b>	<b>9,200</b>	<b>19,800</b>	<b>27,200</b>	<b>36,100</b>

**Source:** Department for Education (<https://www.gov.uk/government/statistical-data-sets/fe-data-library-apprenticeships> - Apprenticeships geography data tool: starts 2011/12 – 2016/17 reported to date)

## Chapter Six – A revolutionary redesign of the skills system

### How Hackney could lead a revolutionary re-design of the skills service

#### Current system and challenges

Changes in the workplace and to the nature of work will mean people will change employers, jobs, employment status and professions numerous times and at a faster pace than ever before. Given that people are living longer they are likely to work longer, either out of choice or necessity. Increasingly people will have to learn new skills to remain employable throughout their working life. While some have the tools and mindset to embrace this flexibly, not all are equipped with the skills, competences and support system to be able to respond to these changes.

#### 5.23 Adult education

- 5.23.1 In comparison to the EU and other countries the UK has poor levels of participation in adult learning.
- 5.23.2 Since the introduction of advance learner loans for adults aged 19 and over, as opposed to grants, participation in adult learning has dropped by 58,000 since 2012/13. In 2016 the levels of participation for 25-64 year olds for lifelong learning fell from 20% to 14% since 2010.<sup>38</sup>
- 5.23.3 The UK has the most centralised employment and skills systems in the developed world – with central government and its agencies directly responsible for employment and skills policy, design, funding and oversight. Responsibility for labour market and welfare policy sits with the Department of Work and Pension (DWP). The public employment service and job centre plus are part of DWP combined with job brokering, referral to active labour market policy and the administration of the welfare system. The Department of Business, Innovation and Skills has responsibility for investment in adult skills at FE and higher education, to promote trade, boost innovation and foster entrepreneurship. Prior to the 1990s local government had control of colleges and polytechnics but now local authorities have no statutory role or provision of powers in relation to employment and skills.
- 5.23.4 The Localism Act 2011 introduced a range of provisions with the aim of empowering and strengthening the role of local government. The Coalition's Government's skills strategies 'skills for sustainable growth' and 'investing in skills for sustainable growth' signalled a significant change to the delivery of employment and skills, by promoting an expectation of shared responsibility and partnership working. Local authorities are now seen as an anchor institution and major employer in local economies and expected to play a role in shaping demand through local procurement policies. Our WiH event revealed how a local provider felt government contracts were out of small providers reach and designed for large organisations to acquire regardless of their knowledge and expertise. If this is the case the Commission views this

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<sup>38</sup> WiH Event 29<sup>th</sup> November 2017

as an ineffective use of resources and that procurement contracts needed to be more accessible to local SMEs.

- 5.23.5 Recent work for the LGA finds that across the wider economic development landscape there are at least 70 different funding streams, managed by 22 delivery agencies or government departments responsible for £23.5 billion in public spending. Looking at employment and skills specifically, the analysis finds 20 funding streams managed by eight departments or agencies and £10.7 billion of spending.
- 5.23.6 From 2011 there was a series of changes to the skills system giving colleges and training organisations more freedoms and flexibilities to deliver programmes that are appropriate for local need, including a new simplified funding system. Aligned to these changes was an expectation of greater local accountability and encouragement of partnership working with local partners including LEPs and DWP. The aim was to create a more effective local market in training and to encourage providers to be more accountable to local customers, including Jobcentres.
- 5.23.7 The Government carried out area based reviews of post 16 education and training across England (2015-2017) aimed at achieving “better responsiveness to local employer needs and economic priorities”, yet this review focused primarily on securing the financial stability of the Further Education (FE) sector. This process stimulated relationships between groups of local authorities, LEPs and colleges about what provision was needed when and where so colleges could better match to local skills demand.
- 5.23.8 There have been high levels of qualifications output but they have been deemed not relevant to employer needs. We were told this is reflected in a mismatch of skills provision, with too many Londoners acquiring skills that are not in demand by employers. The matching to skills demand is still to be reflected in the design of the adult skills system. To meet these challenges, London needs an efficient skills system that is responsive to business needs but also supports learner progression.
- 5.23.9 Changes to the nature of work are increasing the demand for dynamic and adaptive skills. [Nesta's report](#)<sup>39</sup> on skills and other reports highlight a growth in demand for interpersonal skills and system skills, and a decrease in demand for cognitive management skills like accounting and machinery operation.
- 5.23.10 The Commission explored skills development and local service provision and found that despite not having statutory powers or duties, the council set up its own employment support service to meet the needs of the local economy. The Council has also been reviewing careers advice and adult learning provision in preparation for the Adult Education Budget devolution.
- 5.23.11 The Commission asked the Council to provide information about its employment support service Hackney Works (formally known as Ways into Work). Through this the Commission learned that the service receives no statutory funding. To date the service has been funded by external grant

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<sup>39</sup> The future of Skills employment in 2030 by Nesta

funding (European funding). This funding had dictated the focus and outputs achieved to date.

5.23.12 The Council's Employment and Skills service historically focused on ways into work offering job brokerage getting people into a job and viewing work as the solution. However the rise of in work poverty (from increased cost of living in inner London), under employment and welfare reform has caused this to become a local Mayoral priority. The current Mayor of Hackney has placed greater emphasis on employment and skills, and created a Cabinet Member role specifically focused on employment and skills. The Mayor has also committed to developing the Council's employment support service to include reaching those furthest from the job market and those in under employment.

5.23.13 The new focus means there are plans to move towards more partnership working. The service provision will broaden to include young people, all levels of apprenticeships, work experience, in work support (under employment) and supporting local employment but will still retain some focus on job output (*full details about the service provision are in the minutes for WIH meeting in September 2017.*) There will also be a strong focus on building relationships with local employers to encourage the highest standards of employment practices (for example London Living Wage employers, diverse work forces, Healthy Workplaces). Hackney Works also plans to focus on employability training and in-work support because employers have commented on the importance of soft skills.

#### 5.24 Local adult skills and employment services

5.24.1 Lifelong learning needs to be inspiring to encourage people to aspire to achieve and progress. The Commission investigated if the adult community learning provision could be used to support workers - particularly middle skilled workers with diminishing job roles - in transition.

5.24.2 The Council's Adult Community Learning service is at the very start of the lifelong learning journey. The Adult Community Learning service very much focuses on below level 2, covering personal and community development, neighbourhood learning, family, English, Maths and language (ESOL) and wider family learning (often basic digital training). The Education and Skills Funding Agency allocates LBH around £2m to deliver adult and family learning in Hackney. This has a crude outcomes target of 5,000 enrolments. We noted some of the challenges they face in relation to funding post-Brexit, changes to the commissioning model and Ofsted's model not being really supportive of adult community learning. We welcomed that among their priorities is to launch one-stop-shop hubs, to better align the local offer to school improvement priorities and to strengthen collaboration with employers.

5.24.3 The most important capital for the world of work ahead is skills. Education, training and the opportunity for retraining throughout one's life need to be the starting point. In its current form the Adult Community Learning service is not best placed to support people to retrain or develop their skills to help them to be flexible in the work place or become resilient in times of change.

5.24.4 The Commission is of the view the adult community learning provision should be a service that provides learning, training and employment support. There needs to be a policy outlining the Council's role for this service provision and a link from adult learning through to in-work employment support services. To provide a seamless journey from one service to the other.

5.24.5 It is crucial for the employment and skills system to be underpinned by a good independent careers advice and guidance system. Careers information, advice and guidance (IAG) in London (like the rest of the UK) is patchy, inconsistent and limits the ability of learners to make informed choices. There is significant fragmentation in the system with multiple schemes operating rather than a single unified offer. Work by London's Local Enterprise Partnership (LEP), the GLA and London Councils identified more than 240 careers providers in London, demonstrating a congested and confusing market place. In any one area, schools, colleges, councils and national agencies like the National Careers Service, Careers and Enterprise Company, JCP and Education and Skills Funding Agency deliver initiatives for different age ranges and groups. There is both duplication and inefficient targeting in the system. We were told many of these problems could be solved through greater local control over the provision of careers IAG.

#### 5.25 Current Adult Skills System

5.25.1 The Government focused on raising qualification attainment as a main driver of achieving prosperity but this has not produced the economic productivity boost hoped. Productivity is the key determinant of prosperity however the UK's productivity has only increased by 1% whereas the percentage of people in the workforce with degree level qualifications has increased 11% and GCSE qualifications has increased by 10%. The trend across the country is a rise in the proportion of working age adults with higher level qualifications (level 4) and a fall in the proportion of adults with no qualifications - Hackney experienced the largest proportional fall over a 10 year period. This trend was mirrored across the Central London Forward (CLF) region and in Hackney. Central London Forward covers 12 inner London boroughs including Hackney. CLF commissioned research to review the economy and skills for their region.

5.25.2 In CLF FE provision is heavily weighted towards level 3 and below. 22% of FE provision is delivered at level 3 or above compared to 28% across the rest of the UK. CLF predominately provides courses that are below level 2 excluding Maths and English. Similarly for Hackney (in the table below) the provision for qualifications is predominately level 3 and below with only 2 providers in the borough providing level 4.

5.25.3 The UK employment rate is at a record high which demonstrates little slack in the labour market but despite high employment levels there is still low productivity and high inactivity. More broadly, there have been concerns raised about the skills system not being responsive enough to employer needs and future demand.

5.25.4 The current system is complex and fragmented and driven by qualifications with little link to employers and labour demands. The shortcomings with the system were described to be:

- 1 **Over centralisation** – The skills system is currently highly centralised with little opportunity for local authorities to adapt the system to meet the needs of local learners, employer and employees.
- 2 **Under funding** – Further Education (FE) has been hit hard by austerity. FE has received a 40% cut to the Adult Education Budget (AEB) and it is half the size it was in 2010 – held flat in cash terms. FE is starting to see the implications from the restrictions in funding and the impact on participation.
- 3 The Government introduced advance learner loans in 2012 which are similar to student loans for FE. Since learner loans were introduced, participation in FE fell by a 1/3. It is thought the advance learner loans have suppressed and limited participation.
- 4 **There has been too much focus on boosting supply and not enough on the demand for skills** – A literature review 11 years ago set ambitious targets for improvements in qualification. The Government has hit the targets for NVQ level 4 (just below degree level) and is not far off NVQ level 2 target (GCSE level) but wages have decreased.
- 5 The view is that there has been too much focus on improving the number of qualifications and not enough attention paid to what qualifications are needed in the labour market. The Government has a 3 million apprenticeship target but has not focused on what they need to deliver to meet employer's needs so that individuals can progress.
- 6 **Poor matching of supply and demand** – the skills system currently is not effective in meeting employer demand which is why we have this current perplexing problem of increasing qualifications and skills gaps for some work areas. This is relevant to the choices made at school and university but also to FEs as they are output funded rather than outcomes for the courses they provide. The current system does not cover the number of people they get into employment, the numbers that progress to FE study further or how their wages increase thereafter.
- 7 **Lack of high quality vocational provision** - For too long the incentives in the system encourage providers to provide high volume and low level provision. This provision does not lead to further study, does not meet the needs of employers nor does it allow people to progress. The vast majority of FE provision is delivered at low level 2.
- 8 **There is low level participation in lifelong learning and it is unequal** – The people who would most benefit from lifelong learning and should be participating in lifelong learning e.g. low level qualifications, those who left school early, low pay occupational groups and low social economic groups are the least likely to participate. Statistically it is the educational 'haves' who are participating in lifelong

learning, and not the educational ‘have nots’ as required. Employers are more likely to see a business case and a future investing in the skills of workers with higher education than their staff with lower qualifications (the skilled rather than the unskilled staff).

5.25.5 Central London Forward also reported the regional skills system has:

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

5.25.6 The system in its current form offers little encouragement to lifelong learning and the system is not being accessed by the people who need it the most.

### **Opportunities**

London’s skills system is facing significant challenges and opportunities in the future and London needs the ability to take a strategic, all-age, whole-systems approach. The aim for London’s skills system is for it to be supported and funded to be more closely aligned to employment to secure jobs in the London and in local economies, both now and in the future.

5.26 Adult Skills - London and Devolution of the Adult Education Budget

5.26.1 The Government announced their intention to devolve the Adult Education Budget (AEB) to the Mayor of London for 2018/19 subject to readiness. In spite of this devolution, the AEB is being viewed as an opportunity for central London boroughs, employer and providers to rebuild the skills system to address the failures, skills gap and the specific challenges facing London’s workforce and economy. However the devolution of the Adult Education Budget is an unfunded mandate to meet increasing need.

5.26.2 In London, there will be considerable pressure on the Adult Education Budget when it is devolved by government. London is facing increased demand for training driven by a rapidly growing population, significant skills gaps in key sectors (almost a quarter of all vacancies in London are due to a lack of applicants with the right skills for the job) the new digital skills’ entitlement. It is also coping with the high demand in the capital for ESOL and basic skills training, and one in five London families stuck in in-work poverty.

5.26.3 In addition to the points above, other challenges at different levels include large numbers of adults with poor basic skills and capabilities; shortages of higher-skilled technical and vocational workers; geographical differences contributing to lower growth; poor productivity and low pay in many areas. The assumption is that Brexit will result in less access to EU migration - affecting both the supply of workers and demand for skills. The extent to which automation and technology will change the world of work and the jobs that we do remains to be seen.

5.26.4 In reference to Brexit and the skills gap for areas like London there will be a big role for the GLA to work with employers to boost the training provision for key sectors. Therefore it will be important for employers and the local



authority to work together and for employers to have a dialogue with their employees about their job roles and automation. It will be critical for staff to be given the skills and / or opportunity to train for those roles.

- 5.26.5 In April 2017, the Mayor of London launched the ‘Skills for Londoners’ taskforce,<sup>40</sup> which has a twin focus of ensuring that London’s skills system meets the needs of London’s businesses while supporting all Londoners to access the skills they need to find and progress in learning and work.
- 5.26.6 London’s local governments, supported by the Mayor, committed to creating Sub-Regional Skills and Employment Boards (SEBs). These boards were set up to provide an informed direction to local skills providers on the demand for skills locally to develop and oversee a sub-regional Skills Strategy. SEBs will ensure that boroughs and employers in each sub-region are able to develop a much clearer mechanism for articulating local skills demands to providers and holding them to account. The SEBs will also be well placed to strongly engage with the GLA, the Skills for Londoners taskforce and emerging proposals for devolved funding in London. Hackney is part of the Central London Forward SEB region.
- 5.26.7 As part of the approach to simplification the Skills Funding Agency introduced a new single Adult Skills Budget (ASB) to enable colleges and training organisations to make choices about the provision they deliver that best meets the needs of their local communities.
- 5.26.8 The question is whether the single ASB and the proposed changes to the skills system go far enough to address the problems in the system, the impact of Brexit or London’s specific challenges? At the time of the WiH event in November the Mayor of London was scheduled to release for consultation the draft economic strategy. The Mayor of London’s aim is to develop a system that is responsive enough to employer needs and future demand.
- 5.26.9 In this review highlighted increasing concerns about the precariousness of employment, in-work poverty and how the Council can support local residents to feel like they are achieving economic success through work. This led the Commission to ask about the Councils economic strategy and vision.
- 5.26.10 The Council informed us that they had set up a new internal Board called the Economic and Community Development Board (ECDB). This Board has the role of developing the Council’s economic strategy and ensuring the council’s services and its approach to economic development is joined-up and focused on ensuring the benefits of economic growth reach all of Hackney’s communities.
- 5.26.11 The work of the ECDB covers 3 thematic areas:
- Theme 1 - Helping to create liveable, sustainable and economically resilient places where economic growth and change can benefit everyone. The aim of this work is to ensure that the economic development work is sensitive to ‘place’ in all aspects.

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<sup>40</sup> Mayor of London (2017): ‘Mayor launches Skills for Londoners to boost training in the capital’

- Theme 2 - Encouraging and support diverse businesses to thrive across a dynamic borough. This area of work is seeking to ensure that the council strengthens its relationships with local businesses and then helps those relationships provide real benefits for local residents.
- Theme 3 - Supporting people to live well and develop skills that are fit for the future, allowing them to connect with employment opportunities across London. The focus of this work is to help those furthest from the labour market to successfully gain employment and to help residents progress into rewarding work.

5.26.12 A key aim of the Board's work is to focus on reducing inequality across our communities and sharing the benefits of growth and development in our borough in an equitable way.

5.26.13 The Commission is pleased the Council has recognised the need for locally specific employment support and has started to pull this together under their economic strategy work. The Commission recommends the targets are measurable to inspire further work so that the initiatives that work can be promoted with confidence.

5.26.14 The Commission is aware this is an area the council has no statutory powers over nor the authority to shape local statutory services. There is a gap between the council's and the community's aspirations for the services to the powers available to local government and local partners when it comes to developing services. We urge the council to take a strong and active role in the shaping of the adult skills system through the regional body and to lobby Government for more powers to develop services that meet local need. The Commission would like to see more co-ordination of strategy and investment by all the statutory and voluntary sector agencies locally.

5.26.15 We acknowledge the limitations of the Council's work in this area without statutory powers. Adult community learning in its current form of provision does not provide the council with the ability to address in-work poverty to enable the council to better support or help vulnerable workers at the low end of the labour market. Engaging those people with low skills and experience to develop a career plan supported by lifelong learning is greatly needed.

5.26.16 Lifelong learning is to be encouraged but needs to be supported by career information and clear progression pathways to further learning, employment, self-employment, as well as progression within the world of work. Adult community learning would be better placed if it was a provision of learning, training and employment support.

## **Proposals for the skills system**

### **5.27 The system**

5.27.1 Skills continue to be the best guarantor of social mobility and opportunity. It has been pointed out that the current system is not set up for the changes in the world of work. The key aim for London skills system is for it to be supported and funded to be more closely aligned to employment and secure jobs in the local economy both now and in the future.

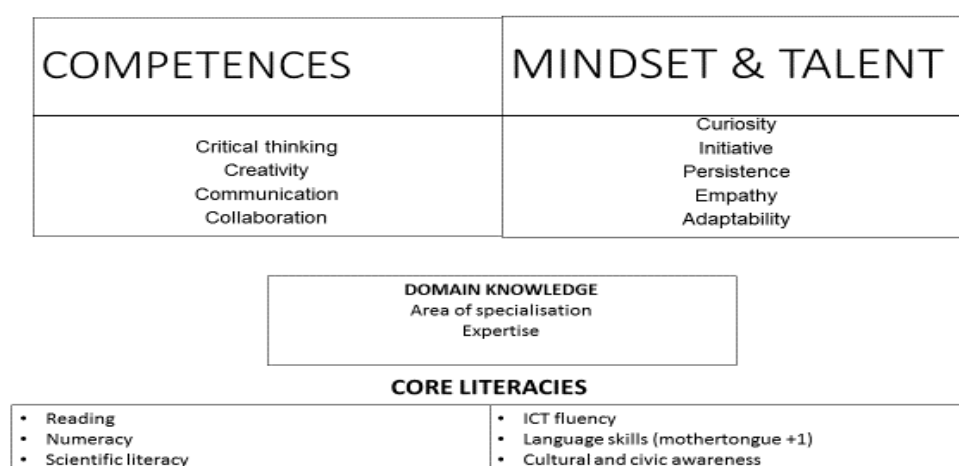
- 5.27.2 Today skills are not static and need to be updated and fine-tuned throughout working lives. Life-long learning will be critical to support the numerous transitions that are likely to become the norm in future employment.
- 5.27.3 With a third of all workers estimated to be over-50 by 2020, meeting the future needs of the economy means investing in the skills of those who are in work today – not just in the future skills of young people. Workers told us there was limited training and development opportunities particularly if aged over 50, and training and development opportunities appear to be focused on younger applicants. Age was perceived as a significant barrier to changing career paths and obtaining the training to enable a transition in careers. The skills system needs to take seriously the importance of providing digital training, beyond basic IT skills to enable employees to transition to new sectors in the economy.
- 5.27.4 Think tanks and academics told us meeting these challenges will require the employment and skills systems to be well co-ordinated, high performing, responsive to the needs of employers and local areas. It will also require being focused on growth and productivity with an ability to anticipate and respond to change quickly. Alongside this, the system needs to have incentives to keep employers engaged so that employers will still participate even when they have significant other budgetary demands.
- 5.27.5 The LGA reported the current employment and skills system is disjointed across employer engagement, business support, local growth, careers services, employment support, adult skills, apprenticeships support and employment programmes. They have recommended a new model called [Work Local](#)<sup>41</sup> to reduce costs, complexity and duplication; improve services; and respond to local need.
- 5.27.6 Work Local would be a locally integrated employment and skills system that will be effective in meeting the labour market and skills challenges of the future. At the heart of this reformed model would be a new, ‘one stop’ service bringing together information, advice and the delivery of employment, skills and wider support for individuals and for employers. This system would enable local design and delivery to reflect the needs of local residents – for example by changing rules that get in the way of reaching specific groups; or by creating incentives to support those most in need locally.
- 5.27.7 The report claims this model will better align funding to local priorities and services, and can be more responsive to local employment and skills needs. For residents the service would be more personalised and joined-up so they can be better targeted, more effective and less duplication.
- 5.27.8 For employers, better alignment should open up the potential for a skills system that responds better to demand and employer’s needs. Improving the employment and skills outcomes also has wider benefits – in terms of residents’ wellbeing, social cohesion, improved educational attainment, better housing, and reduced pressure on health services and so on.

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<sup>41</sup> Work Local: Our vision for an integrated and devolved employment and skills service – Local Government Association and Learning and Work Institute

- 5.27.9 This proposed system would allow a more localised approach that works at two levels – tackling pan-London issues and allowing more targeted activity at a sub-regional level to take into account the variations across the capital. It is thought that councils are better placed to take this convening and leading role due to their ability to do high quality outreach and their partnerships links locally. The Commission suggests that the Council explore the possibility of this model further and the government’s response.
- 5.27.10 The Learning and Work Institute also reviewed international employment and skills models and found in Michigan and the Netherlands the central focus to the system was the employer and labour market needs. They reported there is learning from these systems that can be applied to the adult skills system in London – like customised training programmes to meet industry-wide skills needs and the creation of career ladders to help workers progress. The Commission suggests the council considers the key elements of these programmes and if they can be incorporated locally.
- 5.28 Skills for the future
- 5.28.1 The skills system needs to provide people with a scaffolding structure (a framework around them) that enables them to move up, down, sideways and to progress in the work place.
- 5.28.2 The skills system should enable people to develop skills that help them to be flexible in the work place providing workers with the skills and ability to evolve, adapt to survive and be strong in the current climate and future world of work.
- 5.28.3 As the jobs of the future are not known, the system should be designed to help people become more resilient to the following: hired, fired, made redundant and retrained. Therefore the recommendation is that skills training in the adults skills system should not be job specific but transferable across sectors. An example of these skills are below.
- 5.28.4 The LGA’s report outlines the skills for the future world of work are:

### Skills and Resilience for a World of Change



- 5.28.5 The Commission suggests the Council’s employment and skills service adopts an employability skills framework to help people in and out of work

prepare and develop transferable skills, as outlined above, for the jobs of the future.

#### 5.29 Measuring outcomes

- 5.29.1 London needs the ability to take a strategic, all-age, whole-systems approach. There should be greater engagement with employers and better access to, and use of, data.
- 5.29.2 There have been comments about the difficulty measuring success particularly for the initial stage in community learning (for the hard to reach groups accessing adult education). It is often hard to produce tangible results. It is recognised the journey for those furthest from the job market is not linear so this can be hard to measure. However the progress of their journey needs to be measureable.
- 5.29.3 The authors of the All Parliamentary research for the Adult Education Inquiry pointed out that it is important that the impact of adult learning is measurable and that there is a national system for measuring development. The system may need to have higher expectations of the group at the low end of lifelong learning to make it measureable. Nationally there needs to be consideration given to how this can be measured.
- 5.29.4 The Commission believes the Council's employment and skills work and their economic strategy are working towards the right goals. At the time of this review the council was formulating their objectives, actions and targets in relation to the economic strategy. The Commission wants to be assured the objectives and target will be backed up by appropriate resources and actions. The Commission also wants to caution against the dangers of spreading resources thinly on to many initiatives. We would like to see the evaluation of the initiatives to date so the learning can be shared and the council gains an understanding of the tangible outcomes.
- 5.29.5 As the experts have pointed out it is important for there to be measureable outcomes so people can determine the benefits to local people. This we believe is important to maintain momentum, to inspire and inform further work in the area of employment and skills support.

#### *Recommendation 14*

*The Commission recommends the Council's procurement process in relation to employment and skills openly supports and encourages small and medium sized businesses to bid for local government contract work in Hackney.*

#### *Recommendation 15*

*The Commission recommends the Council looks at developing measureable outcomes for the journey of residents going through adult learning, Hackney Works programme and the Council's apprenticeship scheme and reports back on the measurements put in place.*

***Recommendation 16***

- a) *The Commission would like the Council to explore the possibility of better aligning the adult community learning provision to its employment support service to provide a seamless service covering learning, training and employment support.*
- b) *The Commission suggests the Council's employment and skills service adopts an employability skills framework that supports people in and out of work to prepare and develop transferable skills for future job roles.*

## 6. CONCLUSION

- 6.1 We concluded that the security of having a job for life is in decline and that workers will be having portfolio careers throughout their working life. What is needed is a skills system that will encourage people to develop a career plan with continuous development at the heart of the plan. This we believe will enable workers to keep their skills up to date and relevant to employer's needs.
- 6.2 A key challenge in this time is in-work poverty and the rise of under employment. We learned that people are feeling trapped with no ability to upskill. The Government's focus on apprenticeships and an employer led skills system will offer little to no support to the self-employed, under employed or provide opportunities up skill for older workers. The restrictions to entitlement for public funding and limited access to adult education means workers are not currently well served by the skills system.
- 6.3 The direction of travel for the skills system is for it to be an employer led system, but for Hackney's economy having a large volume of SMEs the capacity for employers to invest in their workforce may be limited and we are of the view a different approach encompassing influence and support will be needed for Hackney employers.
- 6.4 If the skills system was system looking at the future of work it would be more relevant to the world of work and workers. We conclude the only way to support workers would be to have a skills system that is under pinned by an employability framework, providing workers with the ability to develop transferable skills for the jobs of the future. We have recommended the Council's employment support service implements such a framework to enable residents to adopt the mindset of skills development throughout their career.
- 6.5 As pointed out in the Taylor review changes to employment law must catch up to the changes in the world of work. The Government needs to define a clearer outline of the test for employment status, setting out key principles in primary legislation and using secondary legislation and guidance to provide more detail. In the meantime we believe the Council should lobby the Government, CLF and the GLA for more locally controlled employment and skills support services to provide a system that meets the needs of the local economy. This review has shown us that addressing the skills system alone is not the single solution. Changes also need to focus on labour market policy and needs to be led by the Government.

## 7. CONTRIBUTORS, MEETINGS AND SITE VISITS

The review's dedicated webpage includes links to the terms of reference, findings, final report and Executive response (once agreed). This can be found at [Working in Hackney Scrutiny web page](#).

### Meetings of the Commission

The following people gave evidence at Commission meetings or attended to contribute to the discussion panels.

Date 29<sup>th</sup> November 2017<sup>42</sup>

#### Future World of Work and Skills Event

Daniel Tomlinson, Resolution Foundation

Cameron Tait, Fabian Society

Bill Davies, Central London Forward

Joe Dromey, Institute for Public Policy Research.

### Site Visits

The Commission made the following site visits for this review.

Date 19<sup>th</sup> February 2018<sup>43</sup>

#### The Bootstrap

- **Sliverfish Films**
- **Supawell** - online company selling sustainable products
- **Senaphore** – software solutions for science sector

#### The Brew

- **Angel** – creative digital services agency
- **Graphic Structures** - structural engineering and building design.

Date 19<sup>th</sup> February 2018

**Resident Focus Group<sup>44</sup>**

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<sup>42</sup> web address:

<http://mginternet.hackney.gov.uk/documents/g3971/Public%20reports%20pack%2005th-Feb-2018%2019.00%20Working%20in%20Hackney%20Scrutiny%20Commission.pdf?T=10>

<sup>43</sup> Appendix 1 and 2 of the report

<sup>44</sup> Appendix 3 and 4 of the report



## 8. MEMBERS OF THE SCRUTINY COMMISSION

Councillor Anna-Joy Rickard (Chair)

Councillor Mete Coban (Vice Chair)

Councillor Clare Potter

Councillor Deniz Oguzkanli

Councillor M Can Osen

Councillor Nick Sharman

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Relevant Cabinet Member: Councillor Guy Nicholson

Relevant Cabinet Member: Councillor Carole Williams

## 9. BIBLIOGRAPHY

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## 10. GLOSSARY

Below is a list of abbreviations used within this report and their full title.

Abbreviation	Definition
CLF	Central London Forward
DWP	Department of Work and Pensions
EU	European Union
IPPR	Institute of Public Policy and Research
LLW	London Living Wage
SME	Small and Medium Enterprise
WiH	Working in Hackney
GVA	Gross Value Added
UK	United Kingdom
FE	Further Education
LGA	Local Government Association
L&WI	Learning and Work Institute
AI	Artificial Intelligence
RSA	Royal Society for the encouragement of Arts

GLA	Greater London Assembly
LEP	Local Enterprise Partnerships
AEB	Adult Education Budget
ESOL	English for Speakers of Other Languages
IAG	Information, Advice and Guidance
JCP	Job Centre Plus
NVQ	National Vocational Qualification
SEB	Skills and Employment Boards
ECDB	Economic and Community Development Board

**Appendix 1****Working in Hackney Scrutiny Commission  
Site Visit – Bootstrap  
Monday 19<sup>th</sup> February 2018**

**In attendance Councillors:** Cllr Anna-Joy Rickard and Cllr Clare Potter

**Officers:** Tracey Anderson, Corey Defoe, Bjorn Simpole, Ambrose Quashie

The Bootstrap was established in 1977 to support people to set-up their own businesses and improve employability skills. The charity's activities developed through working with unemployed residents on estates in Hackney, Lambeth and Camden.

Over time, the activities grew to include the provision of managed workspace at the Print House on Ashwin Street. The Bootstrap manages 60,000 sq ft of workspaces serving over 500 social and creative entrepreneurs with just over 150 tenant businesses across 3 buildings - the Print House, Fitzroy House and Colourworks, in addition to the Bootyard (a converted car park with shipping containers). In 2015/16 the Bootstrap had approximately 168 organisations and the breakdown was 53% of the tenants were creative organisations, 31% are social or community focused and 16% work in the service industries.

The Bootstrap offers a range of different spaces from desk spaces, to small and medium-sized studio spaces. Their objective is to provide support to tenants to be socially enterprising, grow into sustainable businesses and contribute to the wider community. They leverage their tenant community to run skills and training events for the local community to connect the Bootstrap tenants with the wider community and networks.

Hackney has become a more desirable place to live and work in the last few years. As a result the Bootstrap has experienced significant rent increases and has needed to charge their tenants market rent. This led the Bootstrap to establish a fund called the **Bootstrap Fund** to support its operation and the impact of the introduction of market rent rates to its tenant community. Bootstrap commit a percentage of the market rent charge to the Bootstrap Fund. This fund provides a subsidy to tenants paying market rent for their workspace. The fund is awarded to a proportion of tenants that demonstrate social and cultural impact in line with the charity's objectives which are: community and diversity; training, employment & education and the cultural economy. Bootstrap consider this model is expandable because they believe it provides the answer to the question being asked 'How can creative businesses, social enterprises and charities survive in London?'

The Working in Hackney Scrutiny Commission toured the buildings and spoke to a few tenants/businesses based in the premises. Below is a summary of the points made in these discussions: -

### **Mark Lucas – Silverfish Films**

Mark runs a film making company and has been based at Bootstrap for only 5 weeks. They make documentaries and online content predominately (but not exclusively) for the not for profit sector.

He explained the industry was experiencing falling budgets and squeezed profit margins. Highlighting it was a very competitive industry which lots of people want to work in but organisations, increasingly have less money to spend on promotion/advertising/marketing. They were previously based in Farringdon and moved to Bootstrap for a number of reasons including: -

- Affordable rent and flexibility with a shorter lease
- Location – staff want to work in Hackney. Dalston is great. Market with affordable food – try and keep it this way! Proximity to key transport routes important
- World of work is changing and more flexible arrangements are needed to meet the company's needs and business model
- Bootstrap made it easy for us to move
- Client were less likely to come to Dalston than Farringdon but this was viewed as a positive not negative!
- Loved the Bootstrap concept – want to engage in community initiatives and film on the roof top.

He explained that the film industry was very elitist, dominated by white Oxbridge educated men. He wants to help promote Bootstrap's Social Mobility agenda, offering work experience opportunities to local people etc. It was a big motivator in relocating to Hackney.

### **Future Trends**

There is lower and lower value placed on skills, with lower budgets and greater demands. People think they can become highly skilled in film making in a matter of weeks. He expressed concern that the trend was leading to a deskilling in the industry linked to higher expectations and lower funding envelopes. In a highly competitive industry a firm must compete to secure commissions which range hugely in value from £500 to £600,000.

The business has six permanent members of staff and this was complemented by a number of employees on fixed term contracts and freelance workers, taking the number of workers up to 20 at any one time. There is an over-supply of people in such a competitive industry but the industry does not have an over-supply of highly skilled and experienced people.

It was highlighted that a worker's preference was permanent roles or freelance working but freelance working depended on their age. Younger less experienced workers preferred employment security whereas when workers become more experienced they tended to work freelance as they were in a stronger position to gain

employment and varied experience. Employees from late 30s onwards again tend to prefer security of employment as they have more responsibilities (family, mortgages etc.) and prioritise a secure income over flexibility. Mark explained that the market generated a huge number of film and media graduates, but very few actually ended up with a successful career in the industry. Of ten 23 year olds entering the industry today, in a few years' time nine were likely to be working outside of film/media industry.

Silverfish views itself as a Social Enterprise in its culture and value but also needs to obtain commercial work/income to remain profitable – a constant balancing act! The Silverfish was looking forward to using the Bootstrap rooftop for filming/screenings and bringing more local people in to engage with their work and provide opportunities to local people outside the elite group.

### **Skills**

Mark felt that the academic route was not working for the industry, churning out many graduates who want to work in the sector but lack the skills and experience they are looking for. He valued experienced staff without degrees over those with a degree and a lack of experience. They receive approximately 20 applications a day from abroad and all over the UK. An issue of concern is the lack of applications from young people in Hackney. Those who work in the industry need to better reflect the society in which they operate.

It is an industry for younger people, very hard to have a successful career as an older person in film/digital content. Hours are inflexible and challenging for those with family commitments and the pace of change with technology is considerable.

### **Brexit**

Silverfish were heavily involved in the 'remain' campaign making content for Better In. They receive an estimated 10% of their funding from EU grants currently. The issue about EU staff returning home is a concern, they have one German member of staff making plans to do so in the near future. Any restrictions with EU migration could have a negative impact on the business but the precise implications of Brexit for the industry were unclear at present.

### **Tadhg White - Supawell**

Tadhg runs an online Wellbeing lifestyle store from Bootstrap. They specialise in sustainable products. Tadhg pointed out Bootstrap is a good network of skilled people who he can work with to develop Supawell into a success. Bootstrap has a great mix / range of skills he can draw on. Seeing it as a good positive environment to work in and being surround by people with similar interests and priorities.

In terms of his industry he highlighted that there was an issue in relation to people with technical skills such as coding and these skills are in high demand. In his view ensuring the skills gaps was met by training people in areas where they can forge successful careers is of paramount importance. Buying British is better for employment, the economy and the environment. Smaller/ local businesses might mean more attractive jobs for UK residents. It was his view the Government needed to invest in Britain's manufacturing and industrial pride to make sure working for British manufacturers was sufficiently rewarding and to ensure we don't have businesses that can only afford to pay minimum or below minimum wage.

Tadhg explained that his costs had risen recently as he traded within the Eurozone and if trade barriers were to be introduced between the UK and Europe this would have a huge impact on his business. He pointed out the US is very difficult with import duties making it too expensive to sell US products when dealing directly with a US company. Costs have risen with an increase FX differential since the Brexit announcement, but when Britain leaves the EU import duties and the speed of supply from outside the UK is likely to have an impact on the business.

The changes in Hackney were a threat to existing businesses. Rising rents and overhead costs meant that people will look to move to a cheaper location. Bootstrap has been a good bulwark against this offering affordable workspaces and opportunities to start ups. The Council should consider the social value that businesses add to the area and develops policies to retain employers providing a positive social impact to the local community.

### **Michael Gillis – Semaphore Solutions**

Michael explained that he worked for a Software solutions firm for the Science sector. It was a London base for a Canadian company. They had plans to open a London based European office but the Brexit result has halted these plans. Bootstrap/Dalston was a good place to base themselves due to its location in London, the services available, cost, links to local community and generally a positive place to be.

He highlighted how it was important to have somewhere to come to work rather than working from home and to be based in a location with a social aspect as well as catering to your business need.

### **Future trends**

In his view the need for flexible work spaces would continue and that flexibility in workplace/day's schedule is a key issue for staff and this will grow further in importance. People have a desire to work around others and that as such co-working spaces were likely to become more popular and in demand in the future leading to a need for more places like Bootstrap.

Brexit is creating such uncertainty at the moment that the parent company is waiting before they make any decision about their long term future in London/Europe. If Brexit creates barriers for European trade they will have to consider alternatives countries such as Ireland.

It is a very specialist field so recruitment can be challenging but the UK is a good place for DNA sequencing and has a growing market. However the skills are usually transferable.



## Appendix 2

### Working in Hackney Scrutiny Commission Site Visit – The Brew Monday 19<sup>th</sup> February 2018

**Councillors in attendance:** Cllr Rickard, Cllr Potter, Cllr Ozsen and Cllr Oguzkanli

**Officers:** Tracey Anderson, Corey Defoe, and Ambrose Quashie

#### The Brew



After identifying there was little in the way of good affordable workspace for start-ups in London, Andrew Clough founded The Brew in 2011. The Brew provides co-working membership at a low monthly price with everything a startup needs. The staff at The Brew can provide back office support to businesses too.

The Brew is a shared work space in the following locations: Shoreditch Stables, Eagle House, Leonard Street and Commercial Street. The Commission visited Eagle House on City Road.

The provision covers: virtual office, hot-desking, co-working and private offices. They have a mix of companies operating in the work space from a training company through to video gaming company. Their tenants are predominantly tech companies but The Brew does encourage other companies to consider their work space.

At the front of Eagle House is a café referred to as the Coffice / lounge. The Coffice is purposefully designed to give workers access to free Wi-Fi and a desk. There is also a small meeting areas attached to the café which is also used by local businesses in the area. The Coffice is part coffee emporium, part collaborative community of small business owners, freelancers, creatives and tech entrepreneurs. There is no membership fee to access this provision.

This provision was set up as an open work space for people who cannot or do not have a business premises to work from. This work space is funded by the purchases at the café and people who use this space are asked to purchase from the café. The

Coffee forms part of The Brew's marketing tools because users start to enquire about other facilities in the premises.

The rents at the Brew are capped through a Section 106 agreement which was established between the Council and the developer. This means the landlord is capped on the amount of rent they can charge and so is The Brew. This means The Brew is able to offer co-working and private office space from £296 per person per month.

The Brew has noticed a changing trend, with co-working spaces moving from being mainly individual freelancer workers in small teams of 2/3s to businesses with larger teams. They are finding that a variety of businesses want to engage in co working space and partnership work but also wish to have their own office space too. The Brew pointed out demand is changing from teams of 1, 2 and 3 people to teams of any size.

## **Business 1 - Angel (creative and digital services agency) Trevor Rudduck**

### **The business and industry trends**

The Angel works mainly with big corporations such as Coca Cola, Pearson Education and Chelsea Football Club. Their work includes marketing communications, digital creative work and website builds.

The Angel has been in operation for 20 years and started life in Battersea. Since their first location the business has relocated to Camden, Islington and in the last 2 years they have been based in Hackney at The Brew in Shoreditch.

One of the reasons the Angel chose to relocate to Shoreditch in Hackney was because it is considered to be a 'cool' place to work and being based in this location enable them to attract the right calibre of staff they need to work in their organisation. Trevor advised in the industry it is beneficial to have your business located in an area that makes it easy to attract the right talent. Hackney is considered to be the place for digital and creative businesses.

The IT industry is fast pace and the Angel has noticed that their clients are pushing for more creativity with tighter budgets. They have found that their clients are reducing their budgets and spend and becoming more aware of their spend costs. Trevor pointed out clients have become more aware of the costs due to the information being accessible on the internet.

The competitiveness of the market is a big challenge because they have to charge certain fees to be able to employ highly skilled staff. Nonetheless clients are scrutinising their budgets more and at the same time up skilling their in-house staff to do digital work. This means the services Angel provides needs to be an area of work their clients cannot replicate. The Angel has had to ensure its services are unique and something that their clients cannot easily recreate in house. Therefore as an organisation it is important that they upskill and train to keep their knowledge up to date with the latest technological advancements. Key to this success is training and learning about the new technology as it is released.

In relation to a query about building a sustainable business. Trevor explained he operates the business like a start-up. By reinventing themselves it helps them to stay relevant. The Angel is a technology driven business and the advancements in

technology has provide their clients will the ability to build their own websites - although they are quite basic they look good. The business has adapted to this by offering a design service that enables their clients to take it away and build it themselves.

The Angel market themselves as creative people providing a service their clients cannot replicate – the human touch and unique customer service. Clients will pay for this service. In response to a query about how they acquire new business. Trevor explained it is largely through word of mouth and recommendations from past clients.

Even though there are technological challenges they have embraced technology and view it as a positive challenge. Angel's clients come to them to find out what is new in the market. To stay competitive in the industry their business focus has been on client servicing and providing the human touch (unique customer service).

### **Staffing**

The Angel currently has 11 staff and they are all on permanent contracts. The staff at the Angel are multicultural and there is a 50/50 gender split.

The Angel employs young workers and there is a strong need in the IT industry for employers to provide a social environment at work – work needs to be fun too. Trevor highlighted it's the employers responsibility to make it fun.

Trevor is of the view workers in the industry have a short term attitude to employment. He found that the young workers they employed did not have a long term employment plan with any specific interest in a particular company. He speculates that this is a London thing. He highlighted usually their vision is to work somewhere for 3 months and then move on. The IT industry suffers from high staff turnover and the biggest challenge is salaries. Trevor highlighted that workers have an idea of what they need to earn but sometimes this did not correlate to the job you want them to do. This can be a real challenge for companies like his.

Trevor informed us that all his employees were graduates but this was not a prerequisite to work in the industry. He explained IT designers need to have a portfolio to showcase their work and this is reviewed. However from his experience when a person has not been through the academic route they tend to be at a disadvantage to the applicants that have. They do not have the interview skills or the knowledge of how to present themselves compared to the other candidates that have taken the academic route. However the Angel does do work experience placements and this includes schools. If they take on work experience the person is paid for the period of time they are employed. Trevor pointed out if they take on a person for work experience they inform them from the start it may lead to a permanent job at the end of the placement but they do keep their contact details on file for future openings. The value in the placement is industry knowledge and experience they can use to get a job.

The longest serving member of staff in the Angel is 4 ½ years. They also have 2 members at 2-3 years and the rest at 18 months – 2 years. To retain staff they have to ensure the work is interesting. If the worker is doing interesting work they tend to be happy and do not want to move on. In the IT industry if staff have a routine job with no variety they tend to start thinking about another job or start looking for other projects.

At the Angel their staff travel from various locations in London – some from Essex and some live in Hackney. The business relocations have been influenced by the place they can attract the right staff.

### **Location**

This company moved out of their own private office – which they had for many years - in Clerkenwell because rental costs almost doubled in the space of a year. They could no longer afford the rising rental costs and the impact of reduced client spend. Moving to a shared workspace has provided them with the space needed, at a price they could afford with the option to upscale. It has given them the flexibility to grow when they want to. Since relocating to the shared work space they have doubled in size. In the last 3 years the business owner has not needed to worry overhead costs and landlord responsibilities. The scaling up and down sizing works well for them because they only need desk space.

The company is happy with office provision at The Brew in terms of affordability and the office environment. The move from their own premises to a shared work space is not the typically direction you would expect from an established company. They plan to stay until they outgrow the location.

In reference to a query about their clients views in relation to them being in a shared work space. Trevor advised they explain to their clients the co-working space enables them to offer good value for money and keep costs low.

### **Brexit**

Brexit has not impacted this business. They do not employ any EU citizens and their clients (in retail industry) are still progressing with plans.

## **Business 2 – Graphic Structures** (structural engineering and building designs) **Mark Mawby.**

### **The Business and trends**

Mark and his business partner worked from home for 6 months before acquiring the work space at The Brew. The business partners lived in different location in London (Surrey and South London) and this resulted in them spending large amounts of time commuting and sitting in coffee shops in between meetings. They decided to acquire a workspace they could both commute to. They wanted an office environment that would provide them with a mix of people and a good atmosphere in the office - both came from large organisations and worked in big open plan offices. The Brew offered this environment.

In relation to career progression Mark explained he and his business partner had been working for their respective organisations for 10 years but were encountering limited opportunities for career progression. Following a period of stagnation in their career, they were faced with 2 options a) go self-employed or b) stay. They decided to leave and start their own business.

In the engineering industry to remain competitive and build the business they have to do a lot of networking. Building awareness of the brand is a slow and patient process. Currently this means attending 2/3 networking events a week, having face to face meetings then follow up meetings. They need to raise awareness of their brand in the industry to win the trust of companies to give them projects.

In response to queries about technological advancement in the industry and the impact of this on the business. Mark explained there are programmes and software that claim to save design time and produce more sophisticated designs. There is a misconception among clients that they can use this technology and get high quality information from their design team and compress the design time – using an automated process - thus making it cheaper. However there still needs to be human thinking time to get the design right. The challenge in the industry at the moment is to convince clients that they still need to pay for quality design time - the best designs although simple can take time to create. The company is adapting by using the technology to enable them to be more efficient and offer a slightly different service compared to their competitors.

Mark informed their company was part of the housing framework with RSLs. In response to a query about working with local authorities on their housing framework. It was pointed out until recently it was hard for a new company to bid for government contract work. The Government recently changed the SME credit score requirements for a bid from the provision of 3 years' accounts. This means they can now provide bank statements or a letter of good standing. Whereas previously it was not easy to become part of the local authorities housing framework. Mark advised they recently became part of Tower Hamlets housing framework through sub contraction for a project.

In reference to a query about their clients views in relation to them being in a shared work space. Mark advised they do not bring clients to the workspace because in their industry traditionally organisations should have their own premises. This is their key future objective.

### **Staffing**

Graphic Structures recently employed 2 permanent staffs (from Tottenham and Ealing) and they were in the final stages of the recruitment process. This will take the organisation up to 4 members of staff.

In response to a query about future challenges in their industry and to the business, this was described to be attracting and keeping good talented graduates. The company operates in a very competitive market and they need to look for ways to attract talent from their competitors. They do this by offering something different in the way they work, how they work and what is on offer in the work environment. For them a key attraction to The Brew was the offer of cycle storage space and showers giving their staff flexibility in how they get to work.

They currently have 2 senior staff members running the business and they recently recruited 2 graduates to bring in new talent. It was pointed out at some stage they will need staff at the intermediate level to manage junior members of staff. When this is implemented it will free up senior members of staff to acquire new projects for the business.

In response to a query about the staff they employ and the qualifications required Mark explained they employ university graduates with engineering degrees. The reason they employ graduates is because they need to obtain their professional charter accreditation. The industry requires this accreditation.

Having a degree does not mean they do not require on the job training. From his experience even though the person is educated to a degree level they do not have the professional etiquette and he as to teach them how to be effective in the work

place. On the job training involves acquiring technical knowledge to put their theory into context alongside soft and basic communication skills such as how to write an email or letter. Graduates still need to be taught the basics while gaining experience. It was pointed out a graduate takes a year to fully train and acquire the skills to do the job after academic qualification.

In response to a query about access to vocational training. Mark pointed out there is the option of a vocational route but this is slower. However to acquire your professional charter accreditation you need a degree. It was acknowledged that the vocational route would give a person a better understanding of the skills they need to do the job but this was a slower route and did not lead to the industry accreditation. Therefore people do not choose the vocational route.

For this industry a worker needs to have technical skills. Therefore if they do not have maths and science they will not be able to do the job. However they do have other technicians that do drawings and they do not need a degree to do this job. Generally they have a HND or on the job training. The business is currently not in a position to employ non graduates.

### **Location**

Most of their clients are in central London and The Brew was chosen for its ideal location to see clients and it's easy to commute to. Initially when they started the business both owners worked from home. After a while they wanted a work space where they could interact with people.

Mark highlighted the offer by The Brew is unique but they do not see their business as occupying the work space long term. Their aim is to have their own premises because traditionally the industry dictates they have an office and their own presence.

### **Brexit**

Brexit is having an impact on a company's decision to start a project. Structural engineering is the first stage of a project (essentially the planning permission stage) and as a result of Brexit there has been uncertainty in relation to making financial commitments.

Graphic Structures has 2 members of staff from the EU. So Brexit could potential impact their staffing levels. They have also been receiving a number of applications from people in Italy.

### **Overall**

In the changing world of work and skills, both businesses have focused on providing their clients with a service that provides the human touch to set them apart from the rest of the organisations in their industry.

## Appendix 3

### Working in Hackney scrutiny Commission Residents Focus Group 19<sup>th</sup> February 2018

Chair: Cllr Rickard

Group 1 – Part time employment, zero hours / casual / temporary employment

#### Attendees:

- Female H: Works mainly in the NHS providing temporary reception and administrative cover for GP surgeries. Has been working through an agency, but hopes to do this more on a freelance basis. Working through an agency provides choice of where to work and how best you use skills and experience.
- Female J: Was not currently working but was looking for work in the food industry. Was willing to look outside of this if a suitable opportunity came up.
- Male B: Was currently in full-time education training to be an accountant. Has been working in the voluntary sector to gain experience ahead of qualification.
- Male S: Was made redundant in 2016, and has had a range of working contracts since including zero-hours contract, temporary work and part-time work. Currently works at a pupil referral unit (was a previous manager of a pupil referral unit).
- Female M: An ex-teacher who was medically retired. Now works as NHS advocate translator on a zero-hours contract, but can generally work as many hours as would like, as this is 24 hour service.
- Female R: Works part time at a primary school as a teaching assistant. Has been in this position for a number of years. Would like to go full-time.
- Male J: Was made redundant from HR field a few years back and has found it difficult to get a new job as he has had low level mental health issues to deal with. Has retrained in social care and has worked on a zero-hours contract in this field. It's flexible, though doesn't suit all his needs so works in a voluntary capacity elsewhere for additional job satisfaction.
- Female G: Works as University Lecturer on a zero-hours contract providing sessional lecture support. Not sure what will happen after March when this contract expires.

#### Key themes

The following is a summary of the key items of discussion at the focus group.

1. It is difficult for people to retrain and switch to another career path, particularly if those aged over 50. Job Centre + does not help as its approach is to drive you to job search, job applications and interviews with your current skill set, and there's little opportunity to retrain or switch careers. As a result, people get forced into jobs to which they are not suited and are not using all their skills – which can lead to frustration, poor morale and low productivity.
2. Age was perceived as a significant barrier to changing career paths. At 50 and above, many people may be thinking about changing their career path, but it is very difficult to get the training to enable this transition. Many of the training and

development opportunities appear to be focused on younger applicants. One attendee had attended a recruitment fair and noted that there was no one there aged over 40. It was also felt that there was a lot of ageist stereotyping among employers.

3. Attendees also suggested that potential employers often viewed job applications too narrowly, and not recognising skills and experience of older applicants which could transfer to suitable positions. There was a perception that employers were reluctant to undertake or support recruits through additional training to help them in to work. Indeed, some indicated that employers were reluctant to give prospective employees a chance, even on a trial basis where they can showcase their skills. In this context, prospective employees felt that they were being pigeonholed out of a job. With so many people applying for jobs, employers have a wide recruitment choice and generally opt for those candidates who can slot in the job quickly without any costly training overheads.
4. It was clear that some people get stuck in zero-hours contracts and other poor working conditions as its difficult to job hunt and move out of these positions. People cannot afford not to work and do not want to return to the benefits system which was often complicated, and overly penalising.
5. There was some evidence of 'job diversification' where employees were holding a number of working positions as a fall back in case a particular job didn't work out. It was felt that many 'lower end' jobs did not necessarily have the security that employees wanted therefore they needed to diversify their work to keep their job (and income) prospects open.
6. A number of services were highlighted as providing good support for local job hunters. These included the local libraries, which provided a wealth of information as well as PC access and free Wi-Fi – all of which are essential for searching for job opportunities and completing applications.
7. Other notable sources of local help was Hackney Works which offers employment support and training opportunities. More individualised job coaching was also available (e.g. LGBT) which was greatly appreciated. One service user felt that the support provided through the service was very positive, had helped them to overcome a number of social barriers to employment and provided 'critical friend' advice to their approach to job hunting.
8. Attendees noted that whilst there were lots of training and development opportunities, it was difficult to navigate the multitude of courses and to access them; finding out about training opportunities, did they meet eligibility criteria and of course, course costs. Finding time to undertake training when you are out of work was also difficult, especially when you are tied to job hunting regimens of the Job Centre + (e.g. when you have to demonstrate hours of job hunting and submitting applications - which can take many hours).
9. There was a strong sense that being unemployed was isolating and people need to be supported through this, particularly when unemployment was prolonged. Taking up voluntary work was seen as a coping mechanism, as this helped to maintain links as well as developing and maintaining skills and experience. In addition, there was some evidence of 'networking' among unemployed/ under employed in which training, development or employment opportunities were shared among fellow job hunters. There was support to encourage and support this ethos further.



10. There was some anxiety as to how the future of work may pan out for some sections of the labour market. It was felt that digital technologies and robotics could have a substantial impact on lower grade jobs that could be easily substituted by new and emerging technologies. Although change will be gradual, retaining and development opportunities will need to be considered - and perhaps likely to focus on the service and creative industries.
11. There was some trepidation about the future of work, particularly in the growing use of zero-hours contracts in some sectors. A university lecture noted that zero hours contracts were growing in this field, which was unsettling given the number of years of study and training that's needed for such positions. With no job security, this impacted on other areas of life e.g. mortgage and other financial commitments.
12. There was some feeling that employers had unrealistic expectations of employees, particularly when the conditions of employment were so tenuous like for zero-hours contracts. It was unreasonable for employers to expect the same level of commitment from staff on zero- hours contracts or part time workers compared to those employed on permanent basis – especially when they are the most likely to be let go in a down turn and have fewer employment rights. It was difficult for those on such employment terms to feel engaged and committed when the terms of those employment were so precarious and they did not feel valued by employers. Conversely, those people who feel valued within their job will engage with the work more and be more productive.

#### World of work in the future

13. There was some anxiety about what the future of work may look like and how this may impact on workers. There was a perception that there would be less security in future jobs market:
  - Growth of zero-hours contracts
  - Growth of part-time work and freelance – self-employed ways of working
  - Changes in technology will exacerbate segregation of workers - highly skilled (doctors, lawyers etc.) from those whose jobs can be supplanted by technology;
14. Not all prospects will be negative, there will be more positive developments in the future of work. There will be new opportunities created by digital revolution – but people will be need to be given appropriate education or training opportunities to enable them to adapt to new job markets in digital and robotic age. People need to be encouraged and supported at an early stage to make necessary adjustments.
15. There was a perception that jobs will get more specialised or at least appearing to be so. The job titles and person specifications were often complex which left potential recruits not knowing what position was being advertised and deterred potential applicants.

#### What should change in the future of work?

16. Apprenticeships were felt to exclude older people. Older people 50+ may be required to work nearly 20 years, but were unable to access such training and support. There should be apprenticeships for older people as well.
17. It should be easier to determine those employers that offer the London Living Wage (and above), so that job seekers are clear about future levels of income.

18. More training on IT should be available to help people adapt to new ways of working. The courses need to be accessible – particularly in respect of timing.
19. Local companies and businesses should be encouraged and supported to take on older job seekers aged over 50 years. Local businesses should give older people the opportunity to try out jobs so they can see how their skills match up. More generally, there should be more training and development opportunities for older people.
20. There should be more coordination of training and development opportunities locally. Some services are offering good training and support services for job seekers, but these are sometimes not widely known. It's also not always clear as to which agency people should apply to for help - the job support market is complex.
21. There should be more training and development support for those people that are 'under employed' and want to retrain or seek better working opportunities. At the moment, job support is focused on those not in employment, but there are many in part-time work or zero hours contracts who may need support to upgrade employment but there is little support for them.
22. It was suggested that the Council could lead by example, and develop a work experience programme for older job seekers. This would enable older people to try out jobs and benchmark their skills and identify future training needs. This could help to engage and involve other employers to follow suit.

**Appendix 4**

**Working in Hackney Scrutiny Commission  
Residents Focus Group  
19<sup>th</sup> February 2018**

Chair Cllr Clare Potter

Group 2 - Self-employed and Full-time.

Attendees were from the following professions:

- Digital consultant
- Digital retail
- Lecturer (College)
- Teacher (Secondary school)
- Special educational needs support manager
- Self-employed with portfolio career (childminder, teaching assistant and journalism)
- Fitness instructor
- Primary school worker
- Youth worker (health and social care)
- Recruitment consultant
- Potter

**Question 1 - Why did you choose the job you do?**

1. To help the younger generation and to change the lives of young people. To be an advocator of skills.
2. Works for a diverse company with all different ages and people. I work for an international organisation that hires globally.
3. Always liked to make things and I have a degree in chemistry. Likes her current profession as a potter because there is no age restrictions.
4. Considered primary and secondary schools when qualified as a teacher. Decided she wanted to make a difference in the lives of young people aged 11-16. Enjoys the passion of young people and making a difference in their lives.
5. My work is flexible and I can work abroad and in the UK.
6. Introduced to health and fitness through parent. Loved physical education at school. Travelled for 1 year and did fitness routine regularly and found people wanted to join her. Loves helping people to be the best they can be.
7. Studied to be a teacher in Sweden and came to the UK as part of studies. When she came to the UK she wanted to be a journalist and studied journalism. Obtained qualification and worked in the industry for a short while but quickly realised the industry did not provide secure work and the pay was not enough to live on. After having her child she decided to become a qualified childminder / nanny and now works around the needs of her child. Has a portfolio career which is part necessity (pays the bills) and part passion. Resident pointed out the work culture in the UK is very different to Sweden. In the UK you are expected to work for long hours with no extra pay.

8. Became a special education needs (SEN) worker in a college because he was given the opportunity and it provided a challenge to develop skills in SEN. Started in the role as a consultant and then became a permanent member of staff. Has worked in the field for 15 years and continues because he likes making a difference in the lives of young people and their families. In his role he plays a part in helping them to get access to the opportunities available.
9. As a young person she wanted to become a chemical engineer but was told by her parent that that was not a job for a girl. She was told she could not pursue that path and stopped studying computer science. Entered her current field of health and social care / youth worker through church. Currently works in the mental health field with 16-25 years for drug and alcohol misuse. Provides support to help them back into education and training. Worked in Camden to support drug users and as an activity co-ordinator in Hackney for learning disabilities.
10. Started a career in retail and went into recruitment sales. Left his employment because it became all about numbers and not about the people. Set up his own business to pay the bills but enjoys his volunteering work more.

**Question 2 - When choosing your job or career what factors are important to you in your job e.g. Income, flexible working, conditions, holiday, location etc.**

1. The holidays (in the education system) was a key motivator for doing the job. The holidays enable him to pursue other interests
2. The culture of the organisation is key along with income and holidays.
3. Flexibility and having the freedom to choose. Finance an issue for an artist but it is rewarding in other ways - no two days are the same.
4. Holidays (in the education system) was one of the key considerations (her children are in primary school) and variety in the job role - no two days are the same.
5. An employee for the last 30 years and recently went self-employed over the last 16 months. Enjoys the creativity of the job but acknowledges money is important when living in London. Became self-employed to follow his passion. Currently has a portfolio career with flexibility and the ability to choose the projects he works on. Does projects he enjoys. In his 50s with a partner so income is not the biggest priority.
6. Flexibility and helping people. Tried to do an office job, as was the norm, but did not like being stuck inside. Did a degree in health and fitness and left office work to pursue her passion.
7. Flexibility. Being self-employed gives her the ability to choose how she works and the variety in her job roles. Working for an employer you end up doing things you do not want to do or are not supposed to do.
8. Holidays and time commuting are important. Do not want to spend too much time travelling.
9. Making a difference in children's lives and the location of the job. Her own circumstances has dictated the type of job too. Has changed to part time hours.
10. Work life balance and flexibility. Takes children to school and nursey and can take his holiday as desired.

**Question 3 - What skills are needed to work in your job and how easy is it for you to progress to a higher position or transition to another job?**

1. Patience and listening. Yes I have support to progress with training to a higher position.
2. Has access to behaviour management and the ability to cater for individual needs.
3. Communication skills and digital skills.
4. Career progression encouraged. Is of the view the skills learnt will make getting a new job easier.
5. In her profession patience is important. Need the ability to manage things when they have not turned out as planned. Does voluntary work within the arts because it is very competitive and difficult to get opportunities. Managing rejection is key.
6. As a teacher being calm and patient and managing reactions. Having positive regard for pupils because the way they are behaving now does not dictate their future.
7. Flexible and building good relationship skills.
8. It is relatively easy to move up but very political. Teacher pay has different hierarchy. If you remain in the same place you get drawn into the internal politics.
9. In terms of skills: learning new skills, negotiation and influencing and digital skills – using social media, marketing.
10. Soft skills – listen, understand the need and respond.
11. In the digital industry you are always learning new skills and developing your skills.
12. People skills, psychology and knowing the body. Having the ability to advertise and all the add-ons to running your own business.
13. A real change for small businesses is the number of things you have to do when running your own business. Photos, social media, Instagram and marketing. Having to spend more time doing things that do not make money because it is not the job.
14. For the self-employed there is no career progression. Although career progression could be seen as winning more contracts or working for a company. For the latter I earned a better income working for myself than for an organisation doing my line of work. I worked in an organisation for 2 years but did not like being tied down.
15. Being organised, prepared and knowledgeable about your area. Being self-employed you do your own social media, source you own equipment and your own training. Being self-employed you need to be much better at the job than an employee. In journalism there is a structure but you have to network to progress. So chooses to do this as a hobby and not as a career.

Need some degree of patience and skills to transition into another activity when working with children and behaviour turns bad. Listening skills and learning how to reason with a child.

Careers are linked because in journalism you tell a story with childcare you help them with their story.

16. Need to be diplomatic and follow procedures and know how to react to a person unable to communicate.

The ability to engage with colleagues at a higher and lower level.

Being able to research changes and safeguarding management.

You are a teacher and a mentor.

Ability to learning skills on the job and through experience

Understanding how to interact with parents, listening and supporting.

17. You need patience. Working with young adults is like working in school you become protective. Could access training to work in other areas but not able to progress.
18. Being a recruitment consultant in technology you need to know the technology industry. Need the ability to learn quickly. Communication skills - writing a decent email. To be able to listen and be honest. Being self-employed I can give myself a promotion.

**Question 4 - What do you think your work sector / industry will look like in the next 5-10 years?**

**Question 5 - Thinking about your work sector / industry and the jobs in that sector, have you noticed any significant changes in the industry you work in the last 5 years?**

Changes in the next 5-10 years

- Key changes will be technology and social media.
- In the future people will be out of shape so they will need a person to help them get back in shape.
- Classrooms will have a lecturer in one location and the students in another location.
- No matter how much digital takes over you will still need human interaction.
- Online retail will double in 10 years
- The accessibility of technology
- In real life people will still need people.
- Providing space for people to engage
- Hope that human contact remains and we do not succumb to digital tech.
- Will be asked to do more and get paid less.
- Teaching has changed and will continue to change. They are operating the third curriculum change since 2010. With changes in 2014 and 2017/18 again. Education needs stability.
- Technology will not fully replace people.

### Changes to your work now and in the future

- There will still be a role for HR recruitment but utilising AI and matching people to job spec.
- They will need to be computer literate
- More online training and less practical will be required.
- Voice data
- Machine learn
- Voice search and online will take over
- Software development will be a key skill
- Affordability of space for business, keeping a website up to date is a key issue.
- Increase in virtual learning
- More virtual learning but it will be difficult to eliminate a human teacher from the classroom for 11-16 year olds
- Employment law in the UK is low and workers' rights in the UK needs to be improved.
- Diminishing resources to do job and provide support. Need more funding within SEN to support as people become more aware of their rights. Will need people to understand human requirements.
- One staff member is doing 2/3 people jobs in health and social care.