

SEG Meeting: Cost of Living and Public Sector Recruitment

Questions

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

Responses

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

Overview of broad trends impacting on the local economy

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

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

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

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

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

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

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

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

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

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

Factors likely to have a particular impact in Hackney include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁴ Ibid

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

⁶ Hackney's Workforce profile report 2017/18

⁷ Ibid

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

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

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

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

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

Facts

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

What income groups are affected by high private sector rents?

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

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

What the Council is doing?

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

What is the Government doing?

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

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

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

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

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

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

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

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

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

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

Introduction

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

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

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

Recent recruitment campaigns

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

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

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

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

Areas of challenge

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

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

Action taken so far

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

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

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

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

Planned work

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

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

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