

LEWISHAM POVERTY COMMISSION 2nd MEETING, 4th MAY 2017

EMPLOYMENT, SKILLS AND THE ROLE OF ANCHOR INSTITUTIONS

1. Introduction

- 1.1 This paper focuses on the work and skills agenda as well as the role of the Council and other anchor institutions in tackling poverty and promoting inclusive growth. In particular, it looks at:
- Work, skills and benefits in Lewisham and London
 - Lewisham's Work and Skills Strategy
 - The role of anchor institutions
 - Examples of best practice and other suggestions
 - Conclusion and further questions
- 1.2 The challenge for the Commission is to identify areas where the Council and its partners can do more to support residents into work, to improve residents' skills so they can take advantage of London's job market, and to cooperate with its partners to support the growth of the local economy. The Commission may also wish to consider wider recommendations that could form part of the Council's national lobbying strategy on work and skills.

2. Work and skills in Lewisham and London

- 2.1 Unemployment in Lewisham has fallen steadily for more than a decade and now stands at 7.5% of the working population. However, the same period has seen rising levels of in-work poverty, with many residents cycling in and out of insecure low-paid work. In 2015, it was estimated that 27% of Lewisham's residents were earning less than the London Living Wage (£9.40 per hour) and 11% less than the National Living Wage (£6.70 per hour). Both figures are higher than at any time since 2008, suggesting that wages are not keeping pace with rising living costs. Many residents are employed on zero-hours contracts, and many struggle with constantly changing circumstances, which in turn has knock-on effects on benefit entitlements and financial resilience¹.
- 2.2 These dynamics reflect broader trends across London and the UK. Across the country, the proportion of children in poverty in families where one parent is working has reached its highest level in almost two decades.² A recent report by the RSA's Inclusive Growth Commission, *Making Our Economy Work for Everyone*, identifies a particular problem for low-skilled workers close to the labour market who 'often find themselves cycling in and out of employment in low paid, insecure jobs. The current skills and employment support system prioritises labour market entry rather than access to training and upskilling opportunities or progression into the high quality jobs that matter for improved living standards and economic productivity'.³ An earlier report by the Joseph Rowntree Foundation on the 'low-pay, no-pay cycle' found that a third of low-paid workers experienced a spell of worklessness and around half remained 'stuck' on low pay every time they were employed over a four-year period.⁴
- 2.3 The Inclusive Growth Commission's report champions wrap-around support for those looking for work and emphasises the importance of moving to an approach that priorities job quality and opportunities for progression to secure long-term sustainable growth in the labour market. A recent report by the Institute for Public Policy Research, *Skills 2030: Why the adult skills system is failing to build an economy that works for everyone* points in a similar direction, recommending a shift 'away from the market-led approach to skills and towards a more

¹ See Appendix with data presented to the Commission on 27 February

² <http://www.jrf.org.uk/data/child-poverty-parent-work-status>, based on data from Households Below Average Income (HBAI), United Kingdom, Department for Work and Pensions, UK, 2017

³ https://www.thersa.org/globalassets/pdfs/reports/rsa_inclusive-growth-commission-final-report-march-2017.pdf (p. 28).

⁴ <https://www.jrf.org.uk/report/low-pay-no-pay-cycle>.

strategic, coordinated approach that drives collective commitment to skills among employers, employees and the state'.⁵

- 2.4 Local authorities can play their part in supporting this more coordinated approach. The challenge for the Council and its partners is to equip residents with the necessary skills to ensure that they can benefit from the projected growth of London's economy by finding secure well-paid jobs. The main employers in the borough are its public sector organisations, such as the Council, Lewisham hospital and the local police force. However, about 60% of Lewisham residents are employed across London and beyond, and only 1.9% of London's businesses are based in Lewisham. The jobs that are on offer in the wider London economy are therefore vital for Lewisham's residents.
- 2.5 London's 'hourglass economy' continues to hollow out, with an increasing concentration of jobs both at the very high end of the skills spectrum and at the extreme lower end. GLA Economics has forecast⁶ that just over one third of all the employment increase in London in the period to 2041 will be in the professional, real estate, scientific and technical activities sectors. Information and communication, administrative and support service activities, and accommodation and food service activities are also expected to see large increases. Their estimates suggest that by 2041 the proportion of jobs in London requiring an ordinary or higher degree will increase to 54%.
- 2.6 This presents a particular challenge for Lewisham. Our residents tend to have intermediate level qualifications and we have significantly lower levels of residents with NVQ4+ qualifications than the inner London average. Research conducted for the Council by the Centre for Economic and Social Inclusion in 2014 suggests that even Lewisham residents with a degree often struggle to find work or are forced to enter the job market at a lower level. This raises questions about how far the degrees undertaken by Lewisham young people effectively prepare them for the capital's growing labour market and about what kind of access young people in the borough have to quality careers advice.
- 2.7 The planned migration of existing cases to Universal Credit in Lewisham, due to start in April 2018 and finish by 2012/22,⁷ will present a major change to the work and skills landscape. On the one hand, Universal Credit represents a welcome simplification of the benefits system and a shift away from the perverse incentives created by the 'cliff edge' of the 16 hours threshold. On the other, some residents may be worse off under the new system, especially lone parent households. There is a further danger that, with UC paid as a single lump sum and housing benefit paid directly to tenants rather than landlords, some claimants will struggle to manage their finances. There is a growing body of evidence from existing pilots that claimants in receipt of UC are more likely to fall into housing arrears.⁸
- 2.8 The in-work conditionality element of Universal Credit will require UC claimants who are working fewer than 35 hours to increase their hours or pay rates. The House of Commons Work and Pensions Committee has called this 'potentially the most significant welfare reform since 1948'⁹ and the associated promise of a personalised in-work service could help break the 'low-pay, no-pay' cycle. However, its success will depend on the design of the in-work service: the current system and staff are not designed to deal with people already in work and there is little support for people to upskill or reconsider their career options. Subject to the outcome of trials by DWP, in-work conditionality is set to be rolled out in 2018 and will affect

⁵ http://www.ippr.org/files/publications/pdf/skills-2030_Feb2017.pdf.

⁶ <https://www.london.gov.uk/sites/default/files/lmp-2016.pdf>

⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/571711/universal-credit-transition-rollout-schedule-phase-4-to-6-2017-to-2018.pdf

⁸ See, for example, <http://www.insidehousing.co.uk/universal-credit-tenants-in-arrears-increases-to-86/7018394.article>.

⁹ <https://www.publications.parliament.uk/pa/cm201516/cmselect/cmworpen/549/549.pdf>.

up to 1 million UC claimants in the UK. It is not yet clear how many Lewisham residents will be affected.

3. Lewisham's Work and Skills Strategy

- 3.1 Lewisham is working to ensure we are in the strongest possible position to influence and shape the local skills training offer and meet labour market demand, as outlined in the Council's Work and Skills Strategy.¹⁰
- 3.2 Our first priority is getting residents into work. Working with Lambeth and Southwark, Lewisham has established the *Pathways to Employment* programme, which delivers employment support services across all three boroughs in partnership with Jobcentre Plus. The programme aims to prevent residents with complex needs from becoming or remaining long-term unemployed or cycling in and out of different programmes. Individuals are supported by a key worker who helps them to address barriers to work, including skills, housing, debt, family and childcare. The Pathways programme has enabled Lewisham to build productive working relationships with Job Centre Plus, supporting residents with information and advice about changes to benefit entitlements and the introduction of Universal Credit. Pathways is an award-winning programme which is now in its second phase and has become a model for the devolution of the London Work and Health Programme.
- 3.3 Pathways exists alongside other employment and pre-employment support offered by the Council and its partner organisations (especially housing associations) such as training, digital workshops, jobs clubs etc. The Council's benefits team is also running an *Engagement into Employment* project, funded via the Flexible Support Fund, which is designed to mitigate the effects of the benefit cap on households by providing support into employment and advice on money management to improve financial resilience.
- 3.4 With unemployment at record low levels, in-work poverty and lack of job progression are arguably bigger obstacles to inclusive growth than worklessness. Policy in Practice has identified the in-work cohort as a group that local authorities struggle to identify and often have limited contact with. Lewisham is currently participating in Policy in Practice's 'Low Income Londoners' project, funded by Trust for London, which will use local authority data to track and identify dynamics among in-work households.¹¹ Lewisham is now looking to build on the success of Pathways to shift its focus to in-work poverty, looking to secure better jobs and more in-work progression for clients to help them escape the 'low-pay, no-pay' cycle.
- 3.5 In order for residents to take advantages of the opportunities that London affords, residents must have the right skills base. Lewisham schools are a vital part of the skills picture and improving secondary school results is an urgent challenge for the borough. In April 2016, the borough-wide Education Commission recommended a customised programme of intensive support for schools via a Lewisham Challenge Programme. Even in a context of increased autonomy for individual schools, the Commission felt strongly that the Council should continue to play an active role in supporting schools to improve.¹²
- 3.6 The Council and its partners can also raise aspirations and awareness of career opportunities in schools. In a recent initiative coordinated by the Council's Public Health team, doctors from Lewisham hospital, local GPs and medical students from King's College visited Lewisham secondary schools to speak to young people about becoming a doctor.¹³ In addition to its work with schools, the Council works with further and higher education institutions in the borough

¹⁰ <http://councilmeetings.lewisham.gov.uk/documents/s40520/Strategy%20Appendix%202016-18.pdf>.

¹¹ <http://policyinpractice.co.uk/understanding-drivers-poverty-london/>.

¹²

<http://councilmeetings.lewisham.gov.uk/documents/s43917/04Lewisham%20Education%20Commission%20Report.pdf>.

¹³ See <http://www.stmatthewacademy.co.uk/42/latest-news/article/62/leading-doctors-come-to-mentor-students>.

and local skills training providers, especially Lewisham Southwark College and Goldsmiths. It also encourages local employers to provide opportunities for residents in the form of apprenticeships, training or pre-employment programmes.

4. Anchor institutions

- 4.1 Lewisham's public sector organisations are the main employers and biggest spenders in the borough. They have the potential to have a major impact on the work and skills landscape. The RSA approach to inclusive growth suggests that investing in social infrastructure (including early years support, education, skills and lifelong adult learning, early intervention, community development and capacity building) can itself drive growth, since growth and social reform should be seen as two sides of the same coin. The report champions a wider place-based strategy that promotes skills, housing, transport and the quality of the lived environment. Lewisham recognises the importance of ensuring a strong connection across our approaches to housing, school places, business growth, planning, work and skills, corporate assets and regeneration, an approach outlined in the Council's Sustainable Community Strategy.¹⁴
- 4.2 The Joseph Rowntree Foundation's 2016 report, *We Can Solve Poverty in the UK*, highlights the role of 'anchor institutions' in tackling poverty and promoting inclusive growth. Anchor institutions are bodies such as local authorities, hospitals, universities, housing associations and large private sector organisations with headquarters in a locality. They make significant contributions to the local economy through the large amounts they spend procuring goods and services, their investment in real estate, the number of people they employ and their contribution to the strategic development of the local economy. There are a number of ways in which Lewisham is already using its status as an anchor institution to promote inclusive growth.

As an employer

- 4.3 Lewisham pays all of its employees the London Living Wage and was one of the first two local authorities in the UK to earn accreditation from the Living Wage Foundation.
- 4.4 The Council actively encourages Lewisham-based employers to become Living Wage accredited and has held two Living Wage events for local businesses over the past year: a conference in March 2016 and a business breakfast in November 2016. At the latter, it launched a new initiative offering a discount worth up to £5,000 on business rates to businesses that signed up to become a London Living Wage employer in the following tax year. The Council has repeated this offer in 2017/18. There are now 22 London Living Wage accredited employers in the borough.¹⁵
- 4.5 Since 2009, Lewisham has been running a successful apprenticeship scheme. 413 young residents (16-24 years old) have been employed through the programme, with over 80% going on to full-time employment or university. We have collaborated closely with partner organisations, especially housing associations, to create new apprenticeships. The programme is due to expand over the coming year to meet the government's new apprenticeship target, which requires public sector employers to have 2.3% of their workforce as apprentices. Going forward, the scheme will be open to applicants of all ages, giving older residents and existing Council staff the opportunity to retrain and upskill.
- 4.6 The new apprenticeship levy, which was introduced in April of this year, will require employers with a payroll bill of more than £3m to pay 0.5% of their total bill into a digital account which will be ring-fenced for approved apprenticeship training programmes. There are concerns that Lewisham and other London boroughs will struggle to spend the full amount raised through

¹⁴ <http://www.lewisham.gov.uk/mayorandcouncil/counciljobs/executive-recruitment/Documents/SustainableCommunityStrategy2008-2020.pdf>.

¹⁵ <https://www.lewisham.gov.uk/myservices/business/london-living-wage/Pages/Accredited-employers.aspx>.

the levy. It is vital that Lewisham and other London councils lobby the government to ensure that they do not lose out under the new system and to investigate what alternative arrangements might be made for the levy funds.

As a procurer of services and partner of local businesses

- 4.7 Lewisham is committed to using its procurement processes to promote inclusive growth and to seeking opportunities for residents through our supply chain, including apprenticeships, pre-employment support, training opportunities and jobs. 98% of contractors in our supply chain also pay the London Living Wage. For the procurement of services over £200,000 one of the method statements completed by bidders must relate to social value. Social value targets have now been embedded in the contracts for highways, footpaths, catering, security, facilities management and cleaning services. The Council has recently appointed a Social Value Officer to coordinate this work and to help secure opportunities for residents as part of the development and regeneration projects in the borough.
- 4.8 Lewisham's Local Labour and Business Scheme helps residents who are looking for work and/or skills-related training, and supports local businesses to take advantage of new developments and regeneration projects. Lewisham has set up and delivered several bespoke programmes with Job Centre Plus to help residents into work, such as the 'Train the Traffic Marshall' programme, which supports residents to find work on construction sites in the borough. We have also helped local businesses to secure contracts worth almost £5.5 million since 2014.
- 4.9 £7.3 billion of investment in construction is expected across Lewisham, Lambeth and Southwark over the next 10 years. This presents a range of economic opportunities for local residents. In order to make the most of these, the Council has recently agreed to establish a construction skills hub. The main aim of the new Lewisham Construction Hub (LCH) is to address existing training and skills gaps by working with highly experienced service providers to link Lewisham residents and businesses with the training, learning, employment and contracting opportunities generated by development activity. The project has been developed in partnership with Southwark and Lambeth Council, Lewisham Southwark College, Lambeth College, South Thames College, London South Bank University and the Construction Industry Training Board.
- 4.10 The Council hopes that LCH will grow to deliver additional benefits: providing services to other London boroughs; securing learning, training, employment and contracting opportunities for local people and businesses from the occupiers and operators of commercial spaces on new developments; and engaging with new strategic opportunities, such as planned introduction of the Apprenticeships Levy in April 2017.

As a networker

- 4.11 Lewisham is now looking to cooperate more closely with other key anchor institutions in the borough to promote inclusive growth. The Council recently signed a Memorandum of Understanding with Goldsmiths College in which they agreed to co-operate more closely in pursuit of a shared vision for the borough. As part of the agreement, students at Goldsmiths will be encouraged to engage more widely in local communities through voluntary schemes and by working with local assemblies. Goldsmiths will also take a lead role in the Lewisham skills economy by supporting and encouraging young people and adult learners in the borough to progress to higher education with a clear application route to university. The agreement will also see Goldsmiths become a key driver of Lewisham's economy by working with the Council to help support business start-ups and the creation of enterprise hubs. Goldsmiths is committed to supporting the development of Creative Digital and Information Technology (CDIT) sectors as part of a drive to enhance the appeal of the borough as a place to do business.

4.12 There is room for the development of a broader network of anchor institutions in the borough. This would build on existing partnerships with housing associations, the police and the Lewisham and Greenwich NHS Trust to create opportunities for residents, ensure that more money is spent locally and support the growth of the local economy.

5. Examples of best practice and possible solutions

5.1 Local authorities are increasingly thinking creatively about how best to make the most of their roles as anchor institutions. Preston, Nottingham and Birmingham have focused on developing a network of local anchors and looking at money flows to try to ensure that more procurement spend goes through the local economy and benefits residents. This is a means of tapping into the wealth of cities by preventing it from 'leaking out' of the local area. The Social Value Act has provided a framework for local authorities to use their status as anchors to encourage business to improve conditions for employees and provide more opportunities for local residents, in the form of apprenticeships, for example.

5.2 Islington Council was the other local authority to be first accredited as a LLW employer. It has since had some success in convincing other organisations to do the same. It is also accredited as a Living Wage Friendly Funder, which means Islington support charities they grant-fund to pay the Living Wage to any grant-funded staff posts. Even some small charities with very severe budgetary constraints have responded positively to this. Islington has also managed to convince a number of small local businesses to start paying the LLW. One other step Islington has taken is to use the influence of its pension's investment fund (worth roughly £1bn, similar to Lewisham) to open discussions with large employers across London. Members of its Pensions Sub Committee, specifically its Councillors, have attended AGMs of FTSEs 100 corporations to discuss their decision regarding pay. A small number of corporations have since considered becoming LLW employers. The (live) testimony of someone who isn't paid a living wage and the impact that has on their life have been the most convincing to external partners and businesses. Over time, Islington Council has been able to expand on these relationships with local businesses to include conversations about, for instance, flexible working.

5.3 Following the report of its own Fairness Commission, Islington has also focused on debt management. It acquired a £1m grant from the Heritage Lottery Fund to work on financial literacy among Islington residents. It has used some of these funds to engage young people in the borough and residents living on its council estates. Its enforcement team has done mystery shopping in local payday loan companies, which has resulted in one of them being shut down and others being required to improve their practice. Islington Council also allows its staff to pay into a credit union via payroll reduction. Lewisham Council offers similar staff benefits with its local credit union, which is open to anyone who works in in the borough.

6. Conclusion and further questions

6.1 Many Lewisham residents are in work but are earning less than the London Living Wage. The introduction of in-work conditionality under Universal Credit will increase the need for Lewisham residents to improve their skills and employment opportunities. The skills and employment support that is currently offered (both by the Council and its partners) will be vital to enable Lewisham residents to take full advantage of London's labour market opportunities, as the majority of residents are employed outside the borough. The biggest employers within Lewisham are public sector organisations and the Council will need to work closely with its public sector partners to shape the work and skills landscape in the borough.

6.2 Given this, the Commission could consider the following questions:

- *How can the Council work with its partners as anchor institutions? Is the Memorandum of Understanding with Goldsmiths College a good example of this partnership working? Could this approach be extended to other partners?*

- *Can the Council and its partners work together on the implementation of the apprenticeship target? How can the apprenticeship target and levy be implemented to best support residents?*
- *How can the Council prepare for the introduction of in-work conditionality under Universal Credit? Can the introduction of the apprenticeship target for the Council and its partners be used to upskill staff?*
- *How can residents be supported in acquiring the relevant skills for London's job market? Can the careers advice services for young people be improved to focus on future employment? How can access to highly-ranked universities for our young people and older residents be improved?*
- *How can the Council do more to encourage businesses to pay the London Living Wage both locally or even more widely across London? Can the Council convince businesses to offer internships to local residents?*



Economy, income, employment and skills



Percentage of businesses by borough



	Lewisham	London	GB
1: Agriculture, forestry & fishing (A)	0	0	0.8
2: Mining, quarrying & utilities (B,D and E)	0.2	0.6	1.3
3: Manufacturing (C)	1.5	2.3	8.2
4: Construction (F)	4.5	2.8	4.5
5: Motor trades (Part G)	1.2	0.8	1.8
6: Wholesale (Part G)	2.3	3	4
7: Retail (Part G)	12.1	8.7	9.9
8: Transport & storage (inc postal) (H)	4.5	4.6	4.6
9: Accommodation & food services (I)	6.8	7.6	7.2
10: Information & communication (J)	3	7.8	4.2
11: Financial & insurance (K)	0.9	7.2	3.5
12: Property (L)	3.4	2.7	1.7
13: Professional, scientific & technical (M)	4.5	13.6	8.3
14: Business administration & support services (N)	10.6	10.7	8.8
15: Public administration & defence (O)	5.3	4.4	4.4
16: Education (P)	16.6	7.9	9.2
17: Health (Q)	19.6	10.2	13.2
18: Arts, entertainment, recreation & other services (R,S,T and U)	4.5	4.9	4.4

Percentage of all jobs in each sector for Lewisham, London and GB. Red indicates a small proportion, green indicates a large proportion of the overall economy for each industrial sector. Source: Nomis, 2016

Relative size of Industrial Sectors

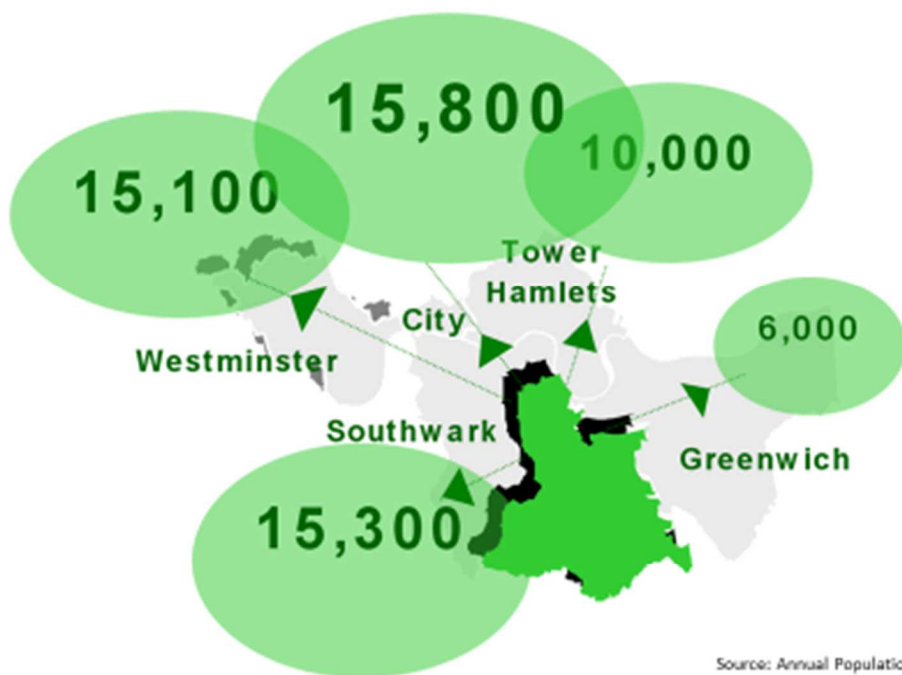


	Lewisham	London	GB
1: Agriculture, forestry & fishing (A)	0	0	0
2: Mining, quarrying & utilities (B,D and E)	-0.3	0	0
3: Manufacturing (C)	-0.6	-0.3	-0.5
4: Construction (F)	-0.6	-0.5	-0.1
5: Motor trades (Part G)	0	0	0
6: Wholesale (Part G)	0.2	-0.2	-0.2
7: Retail (Part G)	0.2	0.1	-0.4
8: Transport & storage (inc. postal) (H)	0.3	-0.5	0.1
9: Accommodation & food services (I)	1.7	0.5	0.6
10: Information & communication (J)	0.5	0.4	0.3
11: Financial & insurance (K)	-0.6	-0.6	-0.3
12: Property (L)	1.3	0.5	0.2
13: Professional, scientific & technical (M)	0.7	1.4	1.1
14: Business administration & support services (N)	-1.3	0.1	0.8
15: Public administration & defence (O)	-3.2	-1.3	-1.3
16: Education (P)	-0.4	-0.1	-0.3
17: Health (Q)	2.6	0.7	0
18: Arts, entertainment, recreation & other services (R,S,T and U)	-0.6	-0.4	-0.2

Red indicates a negative change in the percentage of that industrial sector. Green indicates a positive change in the 2010 – 2015 period. Source: Nomis, 2016

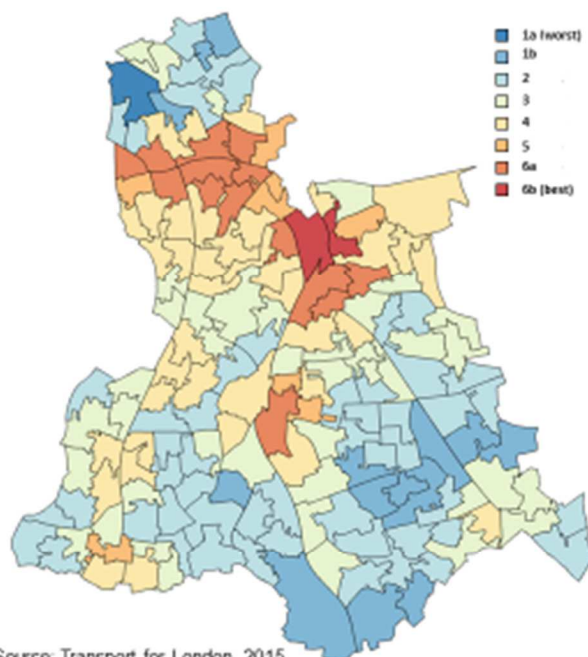
Point Change in Sectors (2010 – 2015)





Source: Annual Population Survey, 2011

Commuter flows



PTAL is a measure of connectivity by public transport, which has been used in various planning processes in London for many years. For any selected place, PTAL suggests how well the place is connected to public transport services.

A location will have a higher PTAL if:

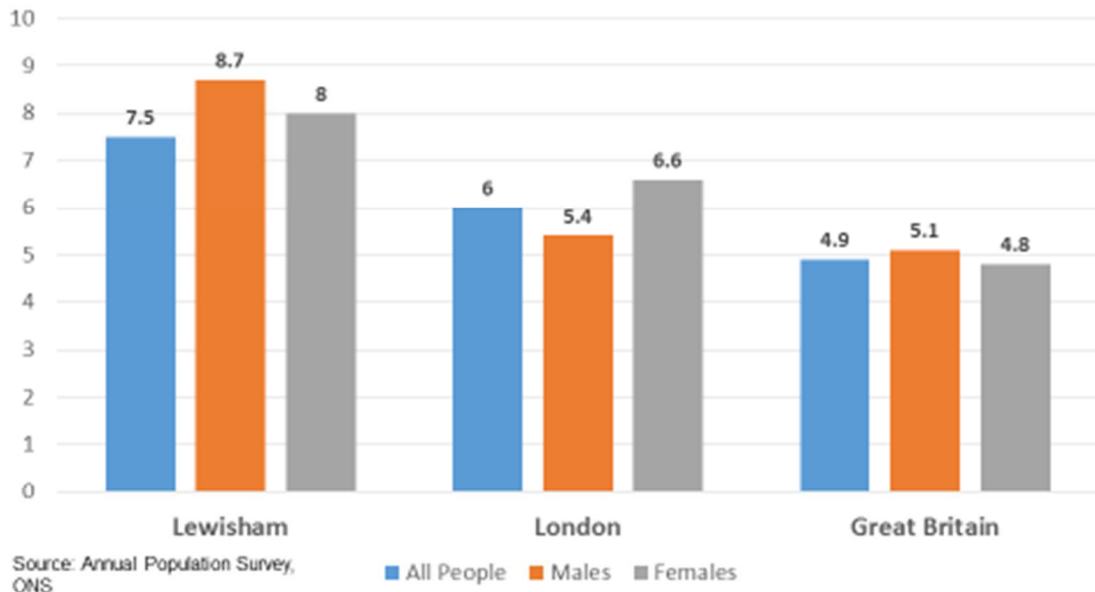
- It is at a short walking distance to the nearest stations or stops
- Waiting times at the nearest stations or stops are short
- More services pass at the nearest stations or stops
- There are major rail stations nearby
- Any combination of all the above.

Source: Transport for London, 2015

Public Access Transport Levels (PTAL)



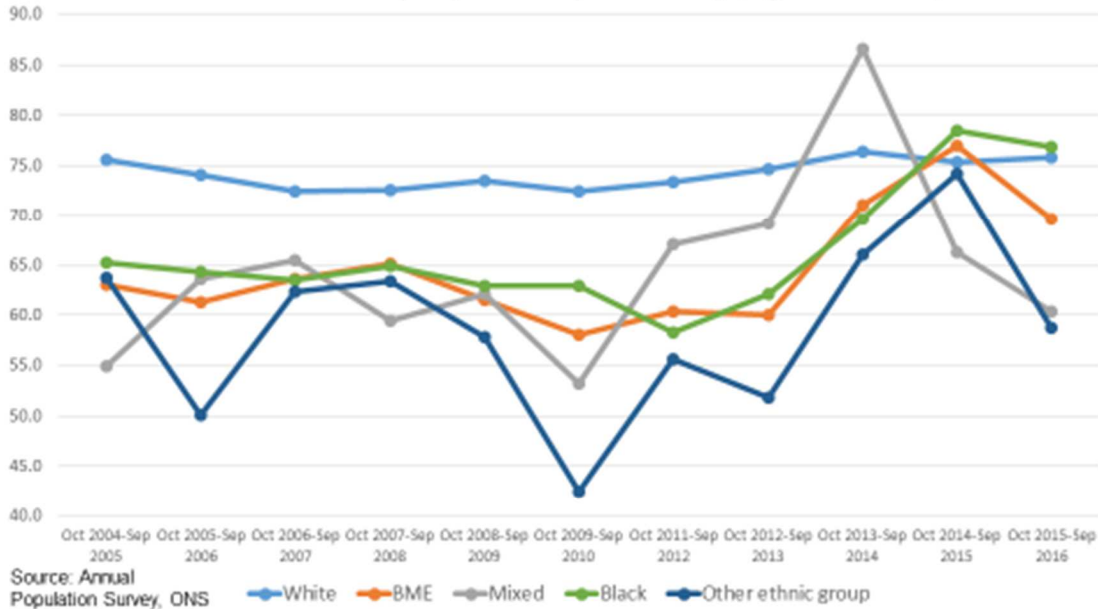
% Unemployment (Oct 2015-Sep 2016)



Unemployment



Employment by Ethnicity (ages 16 – 64)

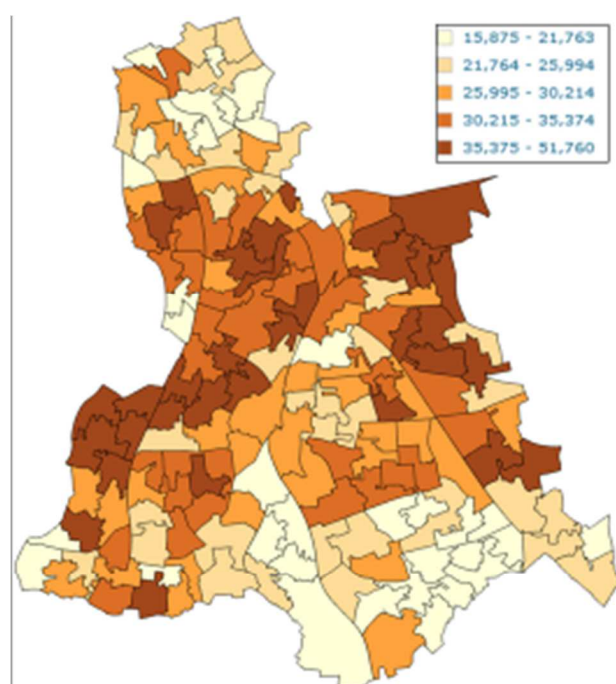


Ethnicity by Employment





Earnings



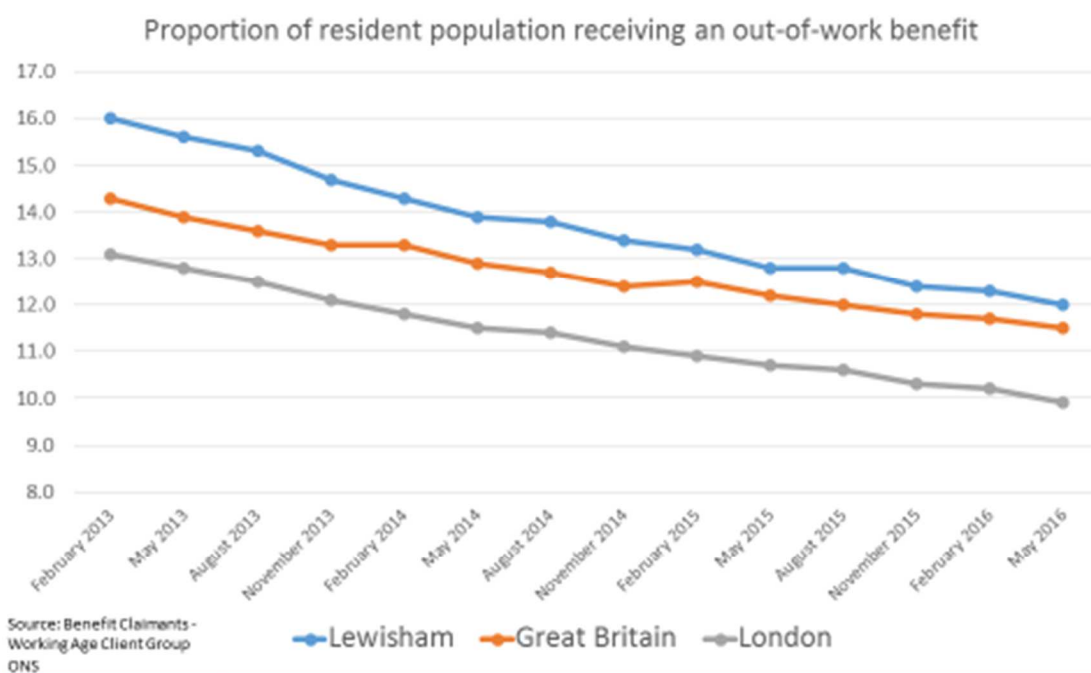
Equivalising data reflects the notion that a household of five, for example, will need a higher income than a single person living alone to enjoy a comparable standard of living.

The data provider CACI calculated an 'equivalence value' for each household, based on the number and age of the household members. Equivalised income is then calculated by dividing the actual income by this equivalence value.

Source: CACI, 2016

Equivalised median income





Out-of-work benefits

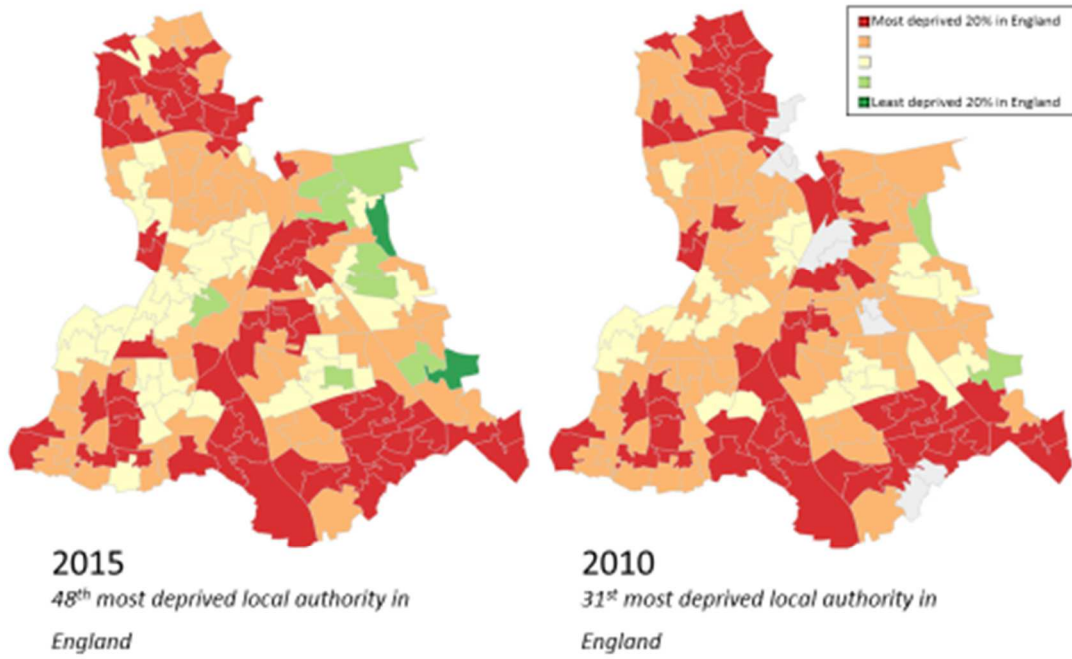


	Lewisham (numbers)	Lewisham (%)	London (%)	Great Britain (%)
Total claimants	24,420	11.7	9.6	11.3
Job seekers	4,070	2	1.4	1.2
ESA and incapacity benefits	12,130	5.8	4.9	6.1
Lone parents	3,290	1.6	1	1
Carers	2,550	1.2	1.3	1.7
Others on income related benefits	490	0.2	0.2	0.2
Disabled	1,630	0.8	0.7	0.8
Bereaved	250	0.1	0.1	0.2
Main out-of-work benefits†	19,990	9.6	7.5	8.6

DWP benefit claimants - working age client group, August 2016

Out-of-work benefits: Breakdown





Overall Index of Multiple Deprivation

