

# CLOSE THE GAP:

## How London's Mayor can extend opportunity

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*In January 2016, NIACE and the Centre for Economic and Social Inclusion  
merged to form Learning and Work Institute*

**Learning and Work Institute**

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Learning and Work Institute is a new independent policy and research organisation dedicated to lifelong learning, full employment and inclusion.

We research what works, develop new ways of thinking and implement new approaches. Working with partners, we transform people's experiences of learning and employment. What we do benefits individuals, families, communities and the wider economy.

We bring together over 90 years of combined history and heritage from the 'National Institute of Adult Continuing Education' and the 'Centre for Economic & Social Inclusion'.

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## INTRODUCTION

London is one of the world's truly great and iconic cities. It draws in people and ideas from around the world, offering unprecedented opportunity. It is a vital engine of the UK economy and a job and prosperity creating machine.

However, too many Londoners are locked out of these opportunities. Some of the richest parts of the country sit alongside some of the poorest parts. For many, the gleaming towers of Canary Wharf are another city entirely.

The pressures are growing. Too many people, including those on middle incomes, are struggling to get by with the high cost of living. Buying a house is a distant dream for most and rents are rising. London still has a lower employment rate than the UK average. This leaves a tale of two cities: one of people on higher incomes, with great opportunities and able to make the most of all London offers; the other of people battling to make ends meet, locked out of employment or trapped in low paid work.

London's challenge is to help more people to find work, support people to improve their incomes, and tackle the cost of living. The Mayor has a great opportunity to do this, holding some crucial levers of power and wielding significant influence. Learning and Work Institute identifies five priority areas:

**Services that work for London.** The Mayor should, with the London Enterprise Panel, oversee employment and learning services, identifying gaps and integrating delivery, and agree an open data approach so London's employers and people have the information they need;

**Full employment.** Support 300,000 Londoners into work through devolution of employment programmes and creating Mayor's Employment Zones in unemployment hotspots;

**Raising living standards.** A London Career Ladders programme to help low paid Londoners progress, and a new Skills for Londoners partnership to increase investment in skills and the number of employers paying the London Living Wage;

**Better opportunities for young Londoners.** Working towards a guaranteed job, Apprenticeship or training place for all young Londoners; and better financial support including the option of a Learning Allowance for care leavers and young adult carers; and

**Making London the Apprenticeship capital.** Ensuring a fair share for London from the Apprenticeship Levy and focusing on quality and access; working with employers and using public procurement to create 200,000 Apprenticeships over the Mayoral term.

London has been a success story for centuries. It has achieved this by adapting to new times and providing opportunities for its citizens. By extending opportunity where it is currently limited, and ensuring all Londoners can achieve their ambitions, the Mayor can play a crucial role in ensuring London's success for the 21<sup>st</sup> century.

## THE CHALLENGE: A TALE OF TWO CITIES

London is an engine of opportunity, accounting for one quarter of the UK economy, and rivaling global cities like New York and Tokyo

London creates large numbers of jobs, but too many Londoners miss out on these opportunities.

800,000 Londoners are paid below the London Living Wage, with many becoming stuck in low pay for years

Groups such as young people and care leavers particularly miss out

Equipping all Londoners to grasp the opportunities living in a global city creates should be the Mayor's priority

### London is an engine of growth and opportunity...

London is a global success story, an engine of opportunity that acts as a magnet to people and businesses. London accounts for almost one quarter of the UK economy and by 2030 its population is likely to exceed 10 million.<sup>1</sup> This ongoing success has been founded on London's, and the UK's, flexibility and openness. As a result, London looks to cities such as New York and Tokyo as its direct comparators.

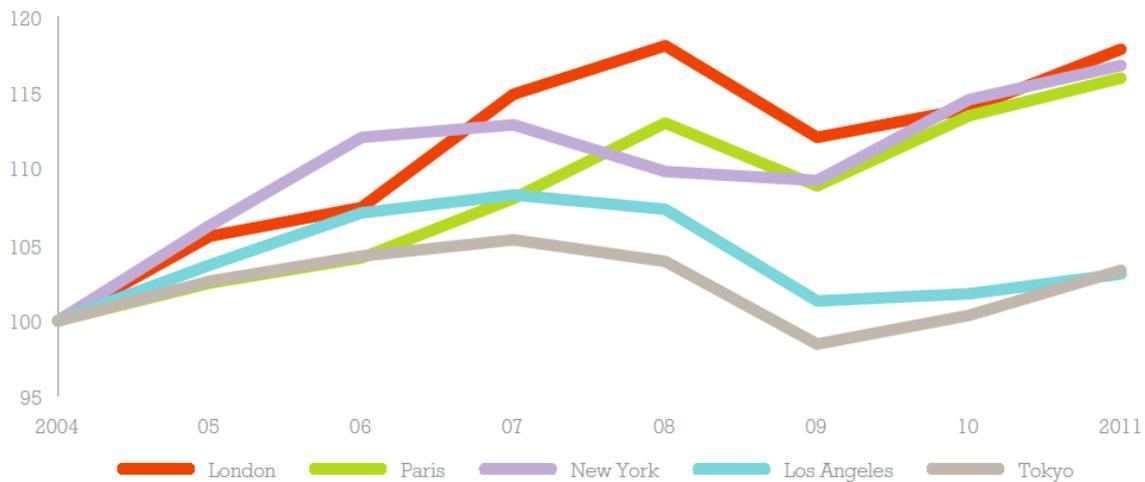
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<sup>1</sup> London 2036: an agenda for jobs and skills, London Enterprise Panel, 2016.

## Chart 1: Comparative size of city economies

### COMPARISON OF LONDON WITH OTHER CITIES

Real GDP/GVA  
Indexed to 2004=100



Note: Tokyo defined at the 1 precinct level (population ~13m)

SOURCE: Eurostat; BEA; Moody's; Japan Bureau of General Affairs; IMF national deflators

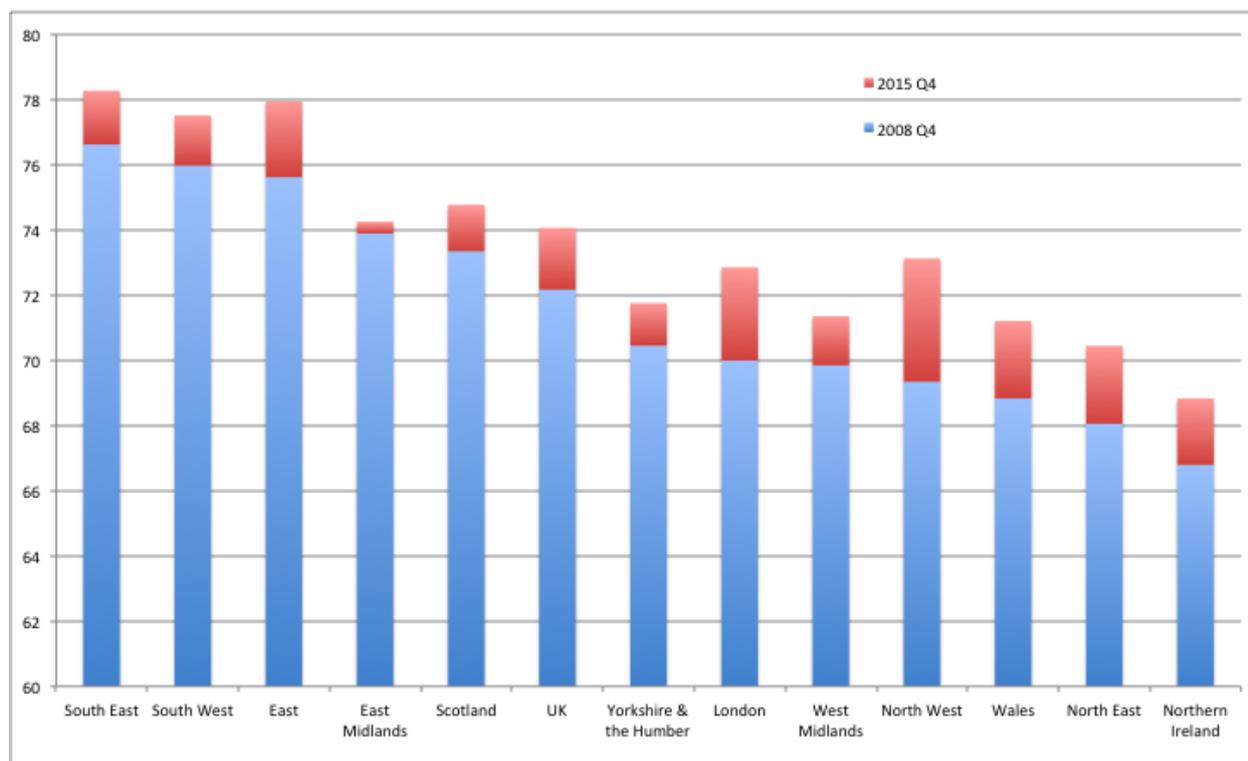
Source: London 2036: an agenda for jobs and skills, London Enterprise Panel, 2016.

### ...but too many Londoners miss out on these opportunities...

Until 2008, London's employment rate lagged behind the national average: London creates jobs, but Londoners are not always well placed to get them. Since 2008, employment has grown more quickly than elsewhere in the country, but London is still just 7<sup>th</sup> out of the 12 regions and nations of the UK.<sup>2</sup>

<sup>2</sup> Annual Population Survey, ONS, 2016.

**Chart 2: Employment rate**



Source: Annual Population Survey, ONS, 2016.

There are a range of reasons for lower employment rates in London and that hold back social inclusion. In particular, inadequate support for disabled people to find and keep work (nationally the employment rate for disabled people is 40 percentage points below the national average), along with lack of basic skills like literacy, numeracy, digital and English for Speakers of Other Languages (ESOL).

### ...too many people stuck in low pay...

Across London, there are 800,000 people paid below the London Living Wage, some one in five workers. Research shows that low pay is often persistent: in a national study, of every four people in low pay in 2001, three were still low paid a decade later.<sup>3</sup>

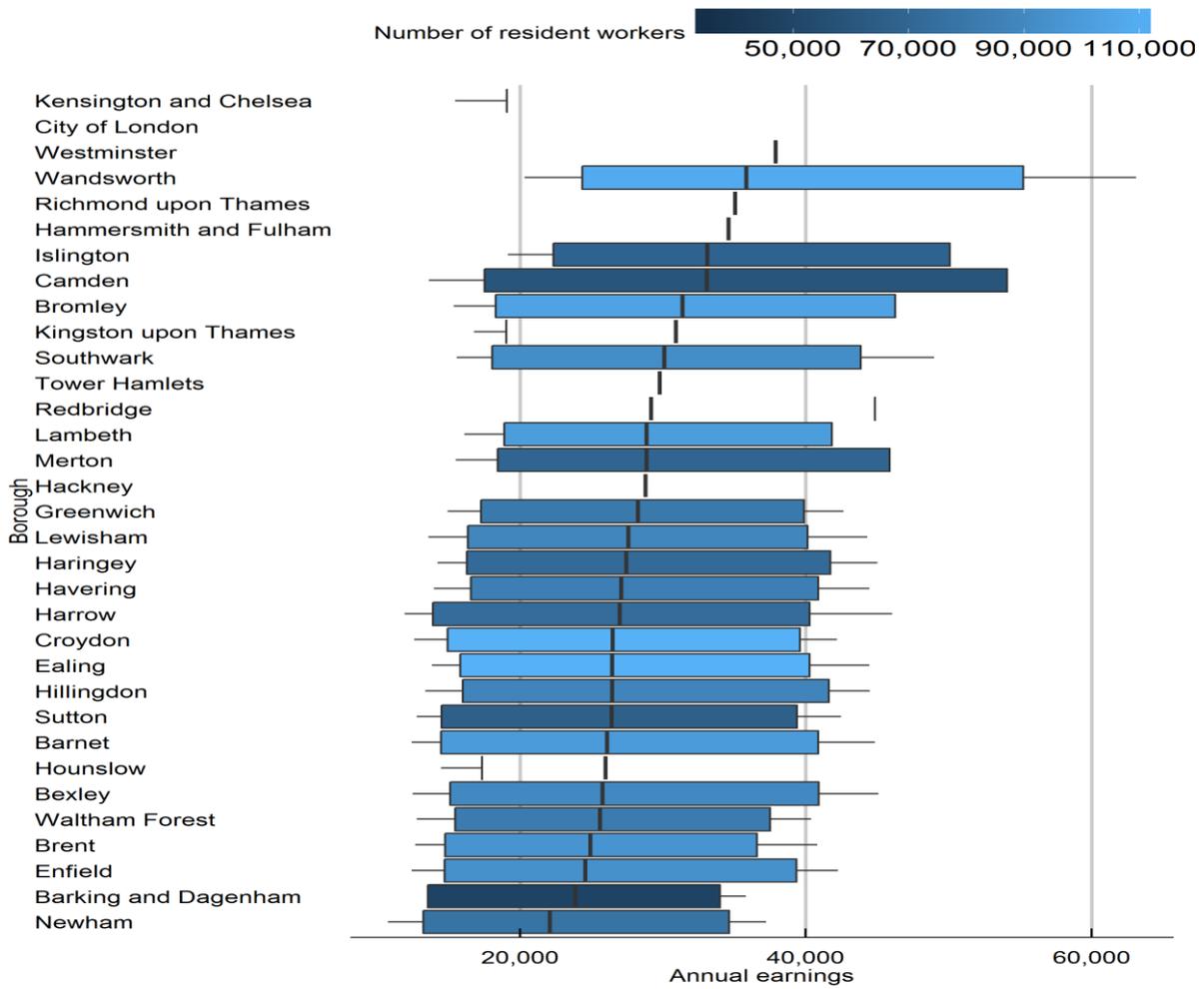
Low pay is linked to wider cost of living concerns around housing and transport: particularly for the latter, affordability would be improved if incomes for low earners were raised. Analysis by the Resolution Foundation showed that, after housing costs, Londoners had the biggest falls in real pay after the 2008 recession, reflecting in large part sharp rises in the cost of housing.<sup>4</sup> In addition, levels of pay vary significantly between and within Boroughs.

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<sup>3</sup> Escape plan: understanding who progresses from low pay and who gets stuck, Resolution Foundation, 2014.

<sup>4</sup> Living standards 2016: the experiences of low to middle income households in downturn and recovery, Corlett, Finch and Whitaker, Resolution Foundation, 2016.

**Chart 3: Pay distribution of residents by Borough**



Source: Annual Survey of Hours and Earnings, ONS, 2015.

### ...and some groups, such as young people, missing out in particular...

Almost 100,000 (10%) of 16-24 year old Londoners are Not in Employment, Education or Training (NEET), a slightly lower rate than the national average.<sup>5</sup>

However, some groups face more disadvantages than others. For example, in the last year around 1,700 young people left care. Nationally, care leavers are twice as likely as their peers of the same age to be unemployed, and far less likely to achieve good qualifications and progress to Higher Education.<sup>6</sup>

In addition, there are more than 50,000 Londoners aged 18-24 who have caring responsibilities for family members or others.<sup>7</sup> Together they provide around £1 billion of unpaid care each year. Yet they too often miss out on learning and employment opportunities: nationally, young adult carers are three times more likely to not be in education, employment or training (NEET) as other young people and achieve on average nine GCSE grades lower than their peers.

In part, this is due to the impact of policy. For example, Traineeships, which can be a route to Apprenticeships, are required to be full-time: this does not allow young adult carers to balance their caring responsibilities. Apprenticeships are expected to be full-time except in undefined 'exceptional circumstances': this creates a barrier for young adult carers and other groups such as parents. And financial support is limited: Carer's Allowance is only available to those learning for less than 21 hours per week (yet most courses are longer than this) and young adult carers are not identified as a priority group for the up to £1,200 per year Bursary for 16-19 year old learners.

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<sup>5</sup> Participation in education, training and employment by 16-18 year olds in England, DfE, 2015.

<sup>6</sup> Survival of the fittest? Improving life chances for care leavers, Centre for Social Justice, 2014.

<sup>7</sup> Census 2011, ONS, 2012.

Taken together, this means that there are significant groups of young Londoners who either lack wider support networks or provide substantial unpaid care or both who miss out on learning and earning opportunities.

### **...while employment, learning and skills services are complex and changing**

There are 50 Further Education, sixth form and specialist colleges in London, educating around 500,000 young people and adults each year and with a collective annual turnover of £1 billion.<sup>8</sup> Along with independent skills providers, they play a crucial role in meeting skills needs and helping people meet their ambitions. In addition, employment providers and Jobcentre Plus help support those out of work.

Combined with the role that London's Boroughs play in employment and skills, this means that the delivery landscape is complex. And too often services are focused on disjointed measures of success: given the twin challenges of helping more disadvantaged groups into work and boosting progression from low pay, the focus of the skills system on qualifications and Jobcentre Plus on benefit off-flows looks inadequate. The Mayor can play a role in bringing the system together and building a focus on the outcomes that really matter for London.

In addition, the policy landscape in which delivery takes place is changing rapidly. The new Work & Health programme to support disabled people into work, rollout of Universal Credit, Apprenticeship Levy, target for increasing Apprenticeship numbers in the public and private sectors, devolution of the Adult Education Budget. All of these and more will be impacting over the next Mayoral term.

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<sup>8</sup> London colleges' manifesto for the Mayor, AoC, 2016.

The Mayor does not have direct control over all of these levers or policies, and so needs to work in partnership with partners, Government and employers. For example, the Mayor will have a crucial role in the Area Reviews that are examining the provision and structures needed to meet the needs of the future. There is also an opportunity to agree with central Government a fuller role in commissioning employment programmes. And to argue for changes to policy where they do not work for London.

Lastly, the Mayor has a crucial role in bringing together employers and delivery bodies to ensure that services are integrated and meet the needs of London. This includes challenging where things fall short and agreeing joint plans. It also means working with employers both to encourage them to offer more opportunities (such as Apprenticeships) and to involve them in the design and delivery of services to make sure they meet employers' needs.

# THE OPPORTUNITY: GREAT EXPECTATIONS

The Mayor can play a vital role in extending opportunity to all Londoners: from direct levers such as forthcoming devolution of skills budgets; indirect levers such as public procurement and engaging employers; and lobbying central Government for greater devolution and to ensure policy meets London's needs. Each of these is best done in partnership with London's Boroughs, especially given that challenges and solutions will vary across the capital.

We have identified five priority areas for the Mayor to use these approaches.

## Services that work for London

- Pushing open data on the future of work and performance of public services to drive up standards & promote choice
- Mapping current services & driving integration

## Full employment

- Support 300,000 Londoners into work through devolution of employment programmes & creating Mayor's Employment Zones
- Engage 600,000 Londoners in a Citizens' Curriculum programme to improve literacy, numeracy & digital skills

## Living standards

- Launch a new London Career Ladders programme to support low paid workers
- Build a Skills for Londoners partnership to increase investment in skills, including through more flexible Advanced Learner Loans

## Young people

- Work toward a guaranteed job, Apprenticeship or training place for all young people
- Explore how to deliver better financial support for young adult carers and care leavers

## Apprenticeships

- Ensure London gets its fair share from the Apprenticeship Levy and focus on access & quality
- Work with London's employers to create 200,000 high quality Apprenticeships in the capital

## Services that work for London

**Ambition:** The Mayor should work to ensure the employment, learning and skills systems work in a joined-up way that offers the best services for people and employers and value for money for taxpayers.

**Integrated services:** The Mayor, through the Local Enterprise Panel (LEP), should map the employment, learning and skills systems to identify key areas where greater integration is needed and any gaps in provision. The Area Reviews and forthcoming devolution of the Adult Education Budget (AEB), along with commissioning of the new Work and Health Programme, offer a great early opportunity for the Mayor to do this. The Mayor also has a key role in collating and spreading best practice and innovation, as well as potentially driving up social investment from employers and philanthropy.

**Open data:** The Mayor should work with Government and London providers to open up performance and outcome data both for commissioners and the public. This should include the performance of Jobcentre Plus in helping people find sustained employment, the success of skills and employment providers in increasing employment and earnings, and customer service standards. Taking an open data approach should allow individuals and employers better information to help them make decisions about their future careers, training and work choices.

## Full employment for London

**Ambition:** The Mayor should commit to delivering full employment, beginning with London's employment rate matching the national average by 2020. Given the projected growth in London's population, this would mean increasing employment by almost 300,000 over the Mayoral term. This is in line with employment growth in the last four years, although slower projected population growth in the coming years makes this a more challenging task.<sup>9</sup>

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<sup>9</sup> Annual Population Survey, ONS, 2016.

**Back-to-work programmes:** To do this, the Mayor should push for a greater role in back-to-work programmes. Scotland could provide a model: the new Work & Health Programme will be fully devolved to the Scottish Government, allowing them to join up support with other programmes and investment. At the very least, the Mayor should press for joint commissioning of the new programme by London and its sub-regions and a greater role overseeing the work of Jobcentre Plus.

**Mayor's Employment Zones:** The Mayor can also promote employment through: public procurement (for example, requiring those bidding for public contracts to commit to a number of previously-unemployed people who will be employed on the scheme); engaging with employers more generally; and as a co-financer of European Social Fund programmes. The Mayor should ensure ESF for those out-of-work is focused on the most disadvantaged groups, such as the long-term unemployed and those in receipt of Employment and Support Allowance (ESA). This should include building on the example of Working Capital, a back-to-work programme for ESA claimants in central London, to make the case for devolution and an Invest to Save model to pump prime provision. Given limited resources, the Mayor should focus these efforts in unemployment hotspots, creating Mayor's Employment Zones in partnership with Boroughs. Previous Mayoral employment programmes delivered better outcome than previous national programmes and more than repaid taxpayer investment.<sup>10</sup>

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<sup>10</sup> Great expectations: how London delivered in hard times, LDA, 2011.

## Working Capital

Working Capital is an £11m programme commissioned by Central London Forward, the grouping of eight central London Boroughs, to help up to 4,000 ESA claimants who have not found work through the Work Programme. Funded by London's ESF and forming part of London's Growth Deal, the programme will provide each claimant with a Case Manager, who will draw together health and employment support in a personalized package. The Growth Deal states that 'success will unlock a series of progressive steps toward further local service integration across London'.

**Citizens' Curriculum:** Functional literacy, numeracy and digital skills are increasingly essential for life, work and accessing public services. The Mayor should use the devolved Adult Education Budget to roll out a Citizens' Curriculum programme to ensure all Londoners get the opportunity to gain these skills. Learning & Work Institute's pilots of such a programme have shown benefits to individuals and savings to public services such as the police.<sup>11</sup> The programme should aim to engage 600,000 Londoners over the Mayoral term.<sup>12</sup>

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<sup>11</sup> <http://www.learningandwork.org.uk/our-resources/life-and-society/citizens'-curriculum-case-studies>

<sup>12</sup> Based on around 150,000 adults taking up adult literacy or numeracy courses each year over recent years.

## Raising living standards

**Ambition:** The Mayor should focus on raising living standards for Londoners on low to middle incomes.

**London Career Ladders:** The Mayor should commission a London Career Ladders programme, focused on engaging low paid Londoners and supporting them, through training, advice and other support, to boost their earnings.<sup>13</sup>

### The building blocks of a Career Ladders programme

**Ambition London.** Learning and Work Institute's programme to test new ways of helping low paid workers in retail and social care to progress. This will include new ways of engaging people using behavioural insights; tailoring training to employer needs; and additional support to help people ensure learning leads to earning.

**Employment Retention & Advancement (ERA) pilots.** Operating in the US and UK, these had some success in helping people boost their earnings. Key lessons included the need to ensure appropriate financial incentives, to engage people through trusted intermediaries, and that many people progressed by moving job rather than through role re-design with the same employer.

**Step Up.** This Trust for London is working with six community-based organisations in Southwark, Lambeth and Wandsworth to test new ways to help people progress from low pay. L&W are supporting delivery and evaluation of the programme.

**Skills Escalator.** Hounslow and Harrow Councils are trialling Advisers co-located with Housing Benefit teams to offer a wraparound service including advice, training and employment support to help around 260 people in low paid work to advance.

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<sup>13</sup> No limits: from getting on to getting by, Evans, NIACE, 2015.

This would mirror New York's Career Pathways approach.<sup>14</sup> It would build on existing London programmes, such as the Skills Escalator in Hounslow and Harrow, Learning & Work Institute's (L&W) Ambition London programme in central and east London, and Step Up, operating in South London and evaluated by L&W. It also fits with Universal Credit in-work conditionality, which will provide support for people in low paid work to increase their earnings. The London programme could be funded through a mixture of ESF, matched funding with Boroughs and central Government, and Adult Education Budget.

**Skills for Londoners:** The Mayor should work with colleges, providers and employers to better match investment in learning by Government, employers and individuals. For example, Advanced Learner Loans offer a university-style loan for skills training. But take-up has been low to date. The Mayor should lead a coalition of providers and employers to agree a plan to increase take-up. This should include work to ensure that providers' offer matches what employment and Londoners need, as well as working with central Government to build greater flexibility into the system (for example, for the system to fund modules that London's employers need as well as full qualifications, or ESOL learning beyond foundation level to expand the number of people able to gain these skills).

It could also look at incentives to increase take-up of the London Living Wage, matching investment in skills and people with support to improve productivity and access public contracts. This partnership approach has been successful to date: for example, London Citizens have been at the heart of the campaign to extend the reach of the London Living Wage.<sup>15</sup>

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<sup>14</sup> <http://www1.nyc.gov/site/careerpathways/index.page>

<sup>15</sup> [http://www.citizensuk.org/living\\_wage](http://www.citizensuk.org/living_wage)

**Cost of living:** Expanding the supply of housing, especially affordable housing, and keeping transport costs as low as possible are crucial. Within this, there are some areas that should arguably be a particular priority: for example, maintaining the current free and subsidized travel arrangements for students and considering ideas such as a one-hour bus ticket to benefit those more likely to need to take multiple bus journeys to get to and from work and college, and flexible Travelcard for those working or learning on a less than full-time. In addition, the Mayor should commission research of the impact of tax and benefit changes on London and work with Government to ensure Universal Credit works for Londoners.

### **Better opportunities for young Londoners**

**Ambition:** All young people should have an equal opportunity to make the most of their talents and build a career, aimed at reducing the 100,000 young Londoners who are currently NEET.

**London promise:** The Mayor should work with London's schools, colleges, training providers and employers to work towards a guarantee of a job, Apprenticeship or training place. This could build on North Hertfordshire College's Guarantee that all young people who join on a study programme will progress into a job, Apprenticeship or further learning, or be paid £1,000.<sup>16</sup>

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<sup>16</sup> <http://www.nhc.ac.uk/>

**Better financial support:** The Mayor should lobby Government for young adult carers to be exempt from the 21 hour rule in Carer's Allowance that too often leaves them with a choice between caring for their family members or learning the skills they need for life and work. The Mayor should also work with employer, providers and the Government to increase the availability of flexible Apprenticeships and Traineeships.

### **Flexible Apprenticeships in Camden**

Camden Council's Adult Apprenticeship Pilot is supporting parents aged over 25 into flexible hours Apprenticeships. Camden has engaged local employers, offered ongoing support to employers and individuals, and offered financial support to ensure people are paid the London Living Wage. To date, Apprenticeships have been in a range of sectors, from document controllers in a large construction firm to catering assistants with the Quakers. Camden is now exploring how this model might be scaled up and extended to other groups.

In addition, the Mayor should explore the options for bringing together different forms of discretionary financial support into a clear and open offer of financial support, in particular for young adult carers and care leavers – two groups who often need additional support but too often have inadequate access to it. This could include the option of a Learning Allowance for these groups, a weekly payment based on attendance and achievement in learning. This could be funded from a combination of existing financial support (including the Bursary), the devolved Adult Education Budget, or a hotel tax in line with many other major cities.

## Making London the Apprenticeship capital

**Ambition:** To make London the country's Apprenticeship capital by creating 200,000 Apprenticeships over the next Mayoral term. London created 40,000 Apprenticeships last year, matching Yorkshire and the Humber's take-up rate would have meant more than double this number.

**Apprenticeship Levy:** Working with Government, providers and employers to ensure London benefits from a fair share of the new Apprenticeship Levy. Considering the introduction of an Apprentice Charter quality measure to ensure Apprenticeships are world class and meet the needs of individuals and employers.

**Working with employers:** The Mayor should also launch a London Apprenticeship Campaign, working with employers, Boroughs and others to increase the number of Apprenticeships in the capital. In addition, the Mayor should require firms bidding for public contracts to commit to employing Apprentices as part of their contracts.

### London Apprenticeship Campaign

The London Apprenticeship Campaign, launched by the Mayor in 2010, worked to engage employers through a range of media, as well as boosting take-up through public procurement.<sup>17</sup> The number of Apprenticeships in London doubled over a two-year period, a more rapid rate of increase than the national average, with a bigger rise in Advanced Apprenticeships.

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<sup>17</sup> Apprenticeship in London, Evans, OECD, 2011

## CONCLUSION

London is a truly global city, but faces big challenges. Employment is lower than the national average. Too many people are stuck in low pay and struggling to make ends meet. The world of work is changing, creating great opportunity for many but risking leaving too many behind.

The Mayor should be ambitious for London and commit to: 300,000 more Londoners in work to close the employment gap; 200,000 more Apprenticeships to build skills and careers; and ensuring the 100,000 young Londoners not in education, employment or training get a job, Apprenticeship or training offer.

To deliver these ambitions, the Mayor should:

**Use direct levers** already under the Mayor's control to target investment and effort in new Mayor's Employment Zones and to require those delivering public contracts to offer more Apprenticeships and job opportunities;

**Work for greater devolution** of services, including the Adult Education Budget and employment programmes. London began this century leading the devolution revolution; it now risks falling behind other UK cities and nations; and

**Bring together employers, colleges and providers** to build partnerships for change and ensure employment, learning and skills systems that meet London's needs.

London is a great city. The Mayor has a golden opportunity to ensure that everyone can share in this.