

TOWER HAMLETS

TIME TO ACT

Is Tower Hamlets rich or poor?
Part I: Poverty, Income and Employment
Evidence Pack

FAIRNESS
COMMISSION



LUTFUR RAHMAN | MAYOR OF
TOWER HAMLETS

Is Tower Hamlets rich or poor?

Part I: Poverty, income and employment evidence pack

This evidence pack provides background reading for the second public meeting of the Tower Hamlets Fairness Commission on poverty, income and business in the borough. It covers a series of topics and provides key facts and data, an overview of some of the challenges and opportunities within each topic and an introduction to some of the key policy debates. Where relevant, some useful reports are included, with summaries.

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Section One

Income Inequality in Tower Hamlets

Key facts

Over a tenth of working residents earn in excess of £100,000 a year, compared to only 2% for London as a whole.

The median income in Tower Hamlets is £29,550, broadly in line with the London median. Yet 50% of households have an annual income of below £50,000 and over 20% an income of just £15,000 a year or less. Nearly half of the borough's residents are claiming some kind of benefit.

12% of households earn around £60,000 a year and 3.7% of households earn around £100,000 a year. The borough has proportionally more people earning over £85,000 a year than the London average and a lower proportion earning a medium wage of between £30,000 and £85,000 a year.

The missing middle

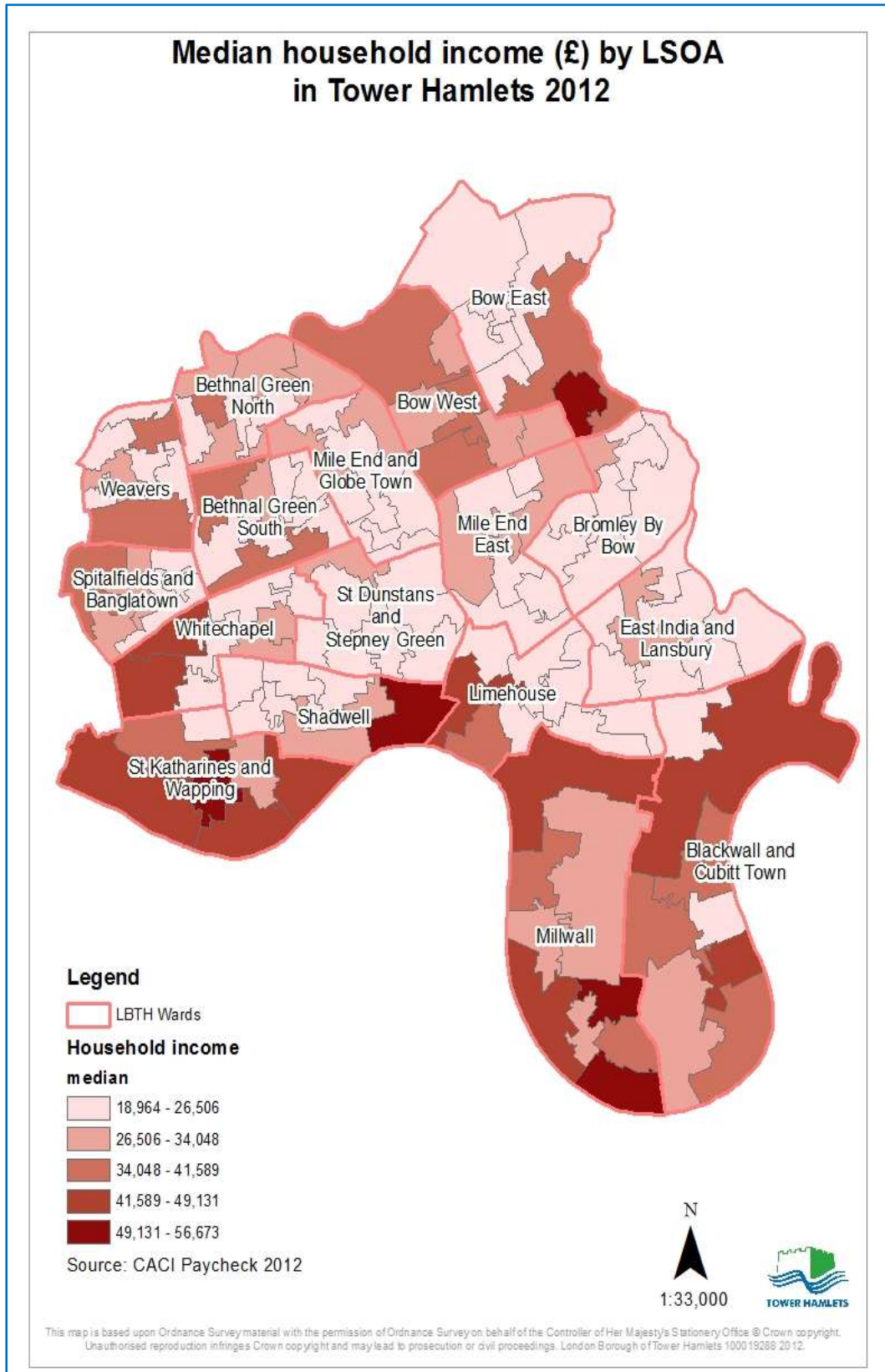
One of characteristics of household income in Tower Hamlets is the lack of any clear 'middle' between rich and poor. This is evidenced by the fact that Tower Hamlets has a much higher proportion of both low earners and high earners than the rest of London, but proportionally less medium earners. Half of the 30,000 residents who work in the borough are in the three highest occupational sectors, with no change in the last decade. Low-ranking sales and elementary roles have increased over this period, with no corresponding increase in middle-ranking roles. This is noted in the Local Economic Assessment:

As Tower Hamlets changes and modernises its employment base it remains a place of extremes. Notable by its relative absence, by comparison with the London average, is what might be called the middle or intermediate range of skills, employment prospects and jobs. This 'missing middle' effect is linked to the particular pattern of housing tenure and the pricing of accommodation, and its interface with household incomes and wealth. The very wealthy and the very poor predominate in Tower Hamlets, with little bridging them economically or socially. At its worst, this represents a kind of bi-polar world in which two distinct groups are separated as much by psychological or cultural space as by physical or spatial barriers.¹

As Map 1 illustrates, the inequality of the borough is most stark when considered geographically.

¹ Tower Hamlets Local Economic Assessment 2010

Map 1: Median household income in Tower Hamlets



The map illustrates the strong link between location and household income. The higher household incomes are concentrated overwhelmingly around Canary Wharf and the City Fringe. In the St. Katherine's and Wapping ward, almost a third of households have an

income in excess of £60,000, whereas in East India and Lansbury a third of households receive only £15,000 or less per year. In Bromley-by-Bow the average weekly income is £360 compared with £630 in St. Katherine's and Wapping.

Health inequalities

As discussed in the introductory evidence pack health inequalities are significant in Tower Hamlets. The difference in life expectancies between the richest and poorest residents is 11.2 years for men and 6.5 years for women. Furthermore, Tower Hamlets has the fifth highest disabled population in London and around 17% of the population are affected by a long-term illness or disability which prevents them from working, much higher than the national average. Over 12,000 residents of Tower Hamlets receive incapacity benefits, this is a 1,300 increase since 2000. Almost four-fifths of claimants are men.

The economic downturn and its links to mental health problems and alcohol abuse, as well as changes to the welfare system may have serious implications for the health and wellbeing of the borough's residents. The latest health needs assessment highlights the link between socio-economic status and health and wellbeing, emphasising that maintaining income, providing opportunities for skill development, sustaining good quality employment and providing affordable high quality housing are in themselves critical health interventions. It states that the way to achieve these interventions is through strong and broad joint working across health, social care and wider council services, as well as employment agencies and housing bodies.

Section Two

Poverty and deprivation

This section considers different ways of measuring poverty and deprivation and the different types of poverty that are discussed in public policy. It also considers efforts by the council and its partners to tackle poverty in Tower Hamlets.

In discussing fairness in Tower Hamlets, it is important to consider absolute measures of poverty and deprivation as well as inequalities. The Indices of Multiple Deprivation² combines a number of indicators, chosen to cover a range of economic, social and housing issues, into a single deprivation score for each area in England. This allows each area to be ranked relative to one another according to their level of deprivation.

One measure is the *degree* of income-related deprivation in a given area. This is based upon the number of residents in receipt of income-related benefits (including income support and tax or pension credits). On this measure, Tower Hamlets is currently the 10th most deprived borough in the UK. This is an improvement though since 2007 when Tower Hamlets was ranked the 3rd most deprived area on this measure.

Another measure considers the *extent* of deprivation, looking at how widespread it is across the borough. Tower Hamlets is currently ranked 3rd in the country on this measure.

Finally, there is the *severity* of deprivation in the most deprived areas, and how this compares in the most deprived parts of other boroughs. Tower Hamlets ranked 38th in 2010 on this measure. This is a significant improvement since 2007 when the borough ranked 21st.

Moving on from these general measures of poverty and deprivation, the sections below consider different types of poverty which are often discussed when developing policies to reduce inequalities and tackle poverty.

Child Poverty

The child poverty rate measures the percentage of children who live in families in receipt of out of work (means tested) benefits or tax credits where income is less than 60% of median income. The government is signed up to the target of eradicating (reducing to 10%) child poverty by 2020, a target set down in law. The latest data shows that:

- 24,655 children in Tower Hamlets live in poverty, a child poverty rate of 48%.
- All wards in Tower Hamlets have higher rates of child poverty than the national average of 21% and London average of 28%.
- The ward with the highest child poverty rate is East India and Lansbury (54%) and the lowest is St. Katherine's and Wapping (34%).
- High levels of child poverty are also evident in the high proportion of children entitled to free school meals (FSM) in Tower Hamlets at 57 per cent.

² Data for Tower Hamlets is taken from Tower Hamlets Council, Indices of Deprivation 2010 Research Briefing 2011-03, June 2011

- Around one third of all children in poverty in Tower Hamlets are from families with four or more children – the highest proportion of all UK local authorities. The percentage of children in poverty rises with family size: 41 per cent of children who live in one child families are in poverty compared with 66 per cent of those who live in families with four or more children.
- In Tower Hamlets, 54% of all children in poverty live in couple families and the remaining 46% live in lone parent families. Tower Hamlets is unusual in this respect, in other areas more children in poverty live in lone parent than couple families.

Considering the national picture, a 2010 report by the Institute of Fiscal Studies³ found that 2.5 million children and 2.1 million working-age parents in the UK were living in absolute poverty. The report warned that the number of children in absolute poverty will rise by 600,000, peaking at 3.1 million, along with 2.5 million working-age parents and four million working-age adults without children, by the end of 2013. Despite some predicted reductions in child poverty, the report forecasts that the targets set in 2010, to cut absolute child poverty by 2020 to 5%, are likely to be missed by a wide margin with rates likely to be at 23%.

The poverty premium

Research by Save the Children has demonstrated that families on a low income pay more for their basic goods and services than better-off families. In 2010 they calculated that this annual 'poverty premium' can amount to more than £1280 for a typical low-income family. This has risen by over £280 since their original research in 2007. They highlight the extra cost of gas and electricity bills, which account for 20% of the premium. This is an expense that no family can avoid if they want to ensure their children's health and wellbeing. The highest charges for gas and electricity are paid by families who have a prepayment meter or who pay by standard credit. Meters are often installed for families on a low income who want to budget weekly or have been in debt. Many households do not have access to a bank account or other banking facility which would allow them to pay by direct debit which is often the cheapest option. Furthermore, some low-income families have a poor credit history which means they have no access to affordable, low or no interest credit. The credit they can access is therefore charged at the highest interest rates in the market.

For more information on the poverty premium and steps to address it see the Save the Children report:

http://www.savethechildren.org.uk/sites/default/files/docs/UK_Poverty_Rip_Off_Brief_1.pdf

Fuel Poverty

Fuel poverty is defined as having to spend more than 10% of a household income on the provision of a decent level of heating. In Tower Hamlets, 11.2% of all households are in fuel poverty compared to 10.9 percent of households in London. Government data⁴ shows a link between fuel poverty and other types of deprivation in England:

³ Institute of Fiscal Studies, Child and working-age poverty from 2010 to 2020, October 2011
<http://www.ifs.org.uk/publications/5711>

⁴ Department of Energy and Climate Change, Annual Report on Fuel Poverty Statistics 2012, May 2012

- 82% of households in the lowest income decile are in fuel poverty compared to the average of 16% of all households and 1% of all households in the top four income deciles.
- 49% of all those in fuel poverty are in the lowest income deciles whereas only 3% are in the top four income deciles.
- 52% of households where the main earner is unemployed are in fuel poverty compared to 7% of households where the main earner works.

In-work poverty

Another angle from which poverty can be assessed is the growing phenomenon of *in-work* poverty. In-work poverty among adults has become more prevalent due to the above-inflation increase in benefits for pensioners and children, and the relative stagnation of benefits for those in work.⁵ The Trust for London's Poverty Profile cites in-work poverty as one of the most serious aspects of poverty due the scale and because it has got steadily worse *despite* increasing financial support via tax credits. Overall, there are around 610,000 children and 1.28 million adults living in low-income households in London. Over the last ten years the proportion of working-age adults in low-income, working households has risen from 12% to 17%. The rise in the number of children in working families over the last decade has largely been households where one adult, and possibly the sole earner, works part-time and the risk of poverty is high. Children in poverty are more likely to live in working households.

Low pay industries are defined as those in which workers are paid at minimum wage or less. These jobs are almost always in the private sector and tend to be in small and medium sized enterprises rather than large organisations. Low-paid jobs are particularly prevalent in certain sectors including retail, residential care, bars, cafes and restaurants, cleaning and private security.

Whilst Tower Hamlets compares favourably with the London average, in that only 20% of jobs are low-paid, against a London mean of 27%, and the average annual wage for those *working* in the borough is £58,000, less than one fifth of jobs in the borough are taken by residents, many of whom work in low-paid employment. It is also important to remember that employment in the borough is dominated by highly-paid work in Canary Wharf that is largely inaccessible to all but a small section of the borough's residents.

Poverty and disability

National data⁶ shows that disabled people are much more likely to live in poverty. Given the high level of deprivation and the relatively large number of disabled people in Tower Hamlets, it is likely that this is the case here too. UK-wide, around a third of all disabled adults aged 25 to retirement live in low-income households. A disabled adult's risk of being on a low income is much greater than for non-disabled adults, whatever their type of family, by at least 10 percentage points. This means a roughly doubled risk for a disabled adult. The reason is that disabled people are less likely to be in work, rather than because they are more likely to be in low income if not in work.

⁵ Joseph Rowntree Foundation, *Monitoring Poverty and Social Exclusion*, November 2012

⁶ <http://www.poverty.org.uk/index.htm>

A 2011 report from the Citizens Advice Bureau concluded that people with disabilities face extra difficulties addressing debt problems because many creditors do not comply with the Equality Act. They give an example of a visually impaired man who received his bank statements in braille, but important communication regarding being overdrawn was sent in a standard print letter⁷.

The council's 2011 Supporting People Commissioning Strategy acknowledges the relationship between disability and poverty and includes a focus on delivering health and support services that reduce poverty, promote social inclusion and improve access to independent living opportunities for disabled people.

Tackling poverty in Tower Hamlets

For some years, the vision of Tower Hamlets Council and its partners is that no child or family is held back by poverty and that Tower Hamlets is a place where everyone has the same access to opportunities and the chance to achieve their potential. In 2009 the borough launched its first child poverty strategy, and from 2009 until 2012 various indicators of poverty show we have had success in mitigating the impact of poverty as well as tackling the underlying causes and drivers of poverty. This includes substantial improvement in GCSE attainment, reducing the proportion of young people not in education, employment or training (NEET), and an impressive reduction in teenage pregnancy rates. The child poverty strategy is focused around four key themes:

Removing barriers to work

This includes supporting parents who are job-ready or close to job-readiness to find work, developing strategies to reduce systematic disincentives to work, providing high quality childcare options, and offering top-up skills and training.

Developing pathways to success

This means investing in longer term training and development, for example around basic skills and English language needs, working with community organisations to create more accessible local and supported work or volunteering opportunities, and actively supporting parents with disabilities and poor mental health into sustainable work options.

Breaking the cycle of poverty

This incorporates the continued and strong focus on education, personalised strategies to prevent young people from becoming not in employment, education or training (NEET), targeted intergenerational work with families with a history of worklessness, interventions to reduce youth offending, raising community aspirations and active parental engagement in young people's learning.

Mitigating the effects of poverty

This includes opening up cultural, sporting and leisure opportunities to those who would not normally access them, maximising the take-up of benefits, improving access to health services and health promotion opportunities, developing localised extended services, and making the greatest use of the borough's green spaces.

⁷ http://www.citizensadvice.org.uk/index/policy/policy_publications/double_disadvantage-2.htm

The London Living Wage

The Living Wage campaign was launched in 2001 by parents in East London, who were frustrated that working two minimum wage jobs left no time for family life. The Living Wage is now an hourly rate set independently and updated annually. It is calculated according to the basic cost of living in the UK. The London Living Wage is currently £8.55 per hour. This figure is set by the Greater London Authority and covers all boroughs. Over 45,000 families have been lifted out of working poverty as a direct result of the Living Wage.

Employers pay the Living Wage on a voluntary basis. An independent study of the business benefits of implementing the London Living Wage found that more than 80% of employers thought it had enhanced the quality of the work of their staff, whilst absenteeism had fallen by approximately 25%. Two thirds of employers reported a significant impact on recruitment and retention. For employees, it allows them to provide for themselves and their families and 50% of employees said that the Living Wage made them more willing to implement changes in their working practices. 75% reported increases in work quality as a result of the Living Wage.

Tower Hamlets Council has been a signatory to the London Living Wage campaign since 2008 and since then has been paying all directly-employed staff and agency temps at London Living Wage or above. In December 2011 the council formally implemented a London Living Wage Policy. It is now a feature of all strategic contracts and is considered on a case-by-case basis for implementation. It is most likely to be applied where wages are thought to be below London Living Wage. These include contracts for catering, cleaning, social care, grounds maintenance and leisure management.

Section Three

The welfare system

The Coalition government is currently implementing the largest overhaul of the welfare system in over 60 years. The reform proposals were set out in a 2010 White Paper, *Universal Credit: welfare that works* and in March 2012 the Welfare Reform Act received Royal Assent. The stated aims of these welfare reforms are to make the welfare system fairer for both those claiming benefits and to the taxpayer by creating the right incentives to get more people into work, to simplify the benefits system, and to tackle administrative complexity whilst making it more affordable and better able to protect the most vulnerable in society.

The main elements of the Act are:

- The introduction of Universal Credit to provide a single streamlined payment that will improve work incentives.
- The Disability Living Allowance will be replaced by Personal Independence Payment from 2013 to meet the needs of disabled people.
- Council Tax Benefit will be abolished in April 2013 and replaced by a system of localised support.
- Pension Credit will be amended from October 2014 to include help with eligible rent and dependent children.
- Housing Benefit entitlement will be restricted for social housing tenants whose accommodation is larger than they need.
- Local Housing Allowance rates will be up-rated by the Consumer Price Index.
- The Employment and Support Allowance will be reformed, limiting the payment to a 12 month period.
- The Social Fund scheme will be reformed, abolishing certain elements and decentralising others to be delivered by local authorities.
- Changes to support a new system of child maintenance.
- Caps to the total amount of benefit that can be claimed will be introduced⁸.

The reforms will also introduce a stronger approach to reducing fraud and error with tougher penalties for the most serious offences as well as a new claimant commitment clearly setting out what is expected of claimants.

The benefit cap was due to come in to force in April 2013, but has been delayed until at least the summer. It will limit the total receipt of weekly benefits to £350 for a single person and £500 for other households. For those who currently exceed this cap, the excess will be specifically cut from their housing benefit. This means those who pay a higher amount of rent (and thus receive a higher amount of housing benefit) will suffer a larger cut in their benefits. Households are exempt if they receive Working Tax Credit – i.e. if a couple with

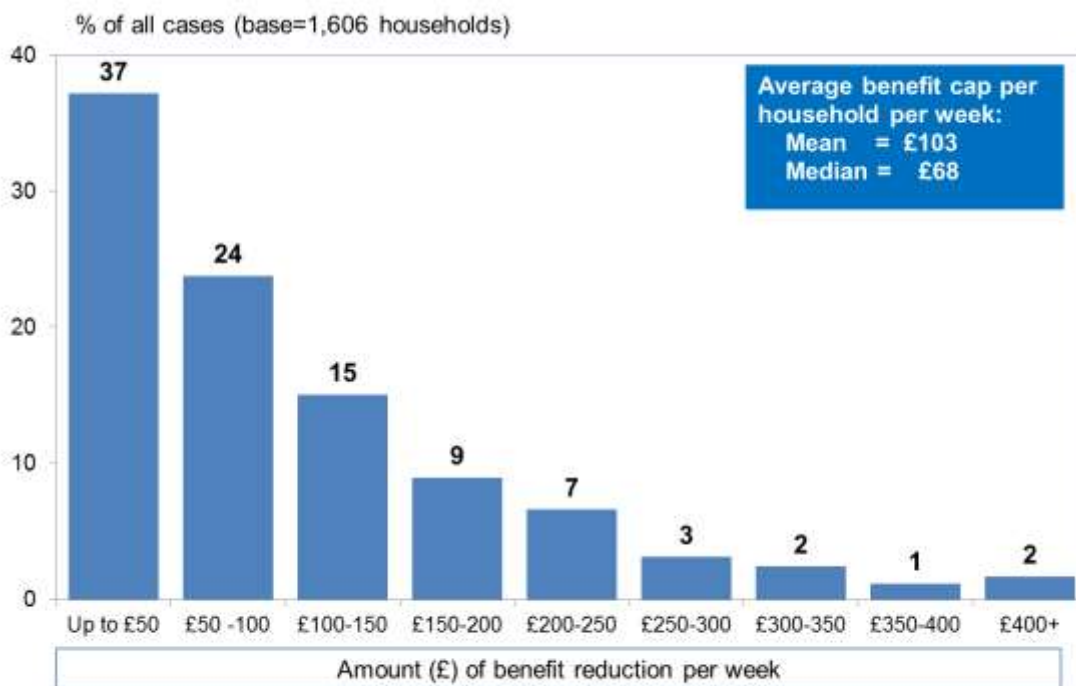
⁸ The cap won't apply to households where a partner or any dependent children qualify for Working Tax Credit or receive: Disability Living Allowance; Personal Independence Payment; Attendance Allowance; Industrial Injuries Benefits; Employment Support Allowance, if paid with the support component; Armed Forces Compensation Scheme payments; War Pension Scheme payments.

children works 24 hours week or more, or 16 hours if they are a single parent. Households are also exempt if they are not of working age, or they are receiving Disability Living Allowance Attendance Allowance or the support component of Employment Support Allowance.

To give an example of how the cap works, consider a couple who are unemployed but looking for work. They live in a three bedroom flat and have three children under 18. They currently receive £320 a week in Job Seekers Allowance, Child Tax Credit and Child Benefit. They also receive £340 a week in Housing Benefit to cover their rent. This gives them a total of £660 per week in benefits. However, once the benefit cap comes in, their total benefits will be capped at £500 per week. They will receive £160 less a week than they do now. This £160 is taken from their Housing Benefit.

The council estimates that 1,600 Tower Hamlets households will be affected by these changes, with an average loss of £103 per week per household. 40% of those 1600 households will lose more than £100 a week. For each household this reduction in income could affect their ability to afford their rent, putting their tenancy at significant risk. The shortfall in benefits across the borough is estimated at £8 million per year. The chart below gives a fuller picture of how different households will be affected. Most of these households are homeless families living in temporary accommodation, or those living in the private-rented sector.

Chart 1: Households affected by the benefit cap by size of reduction (£, weekly)



Source: DWP, Benefit Cap scan (September 2012) for Tower Hamlets.

Furthermore, the spare room or 'bedroom' tax will affect 2,861 families in the borough. This affects people of working age on Housing Benefit who are living in council or other social housing, and have more bedrooms than the Government says they need. If a household has

one spare bedroom their Housing Benefit will be cut by 14% of the weekly rent charged. If a household has two or more spare bedrooms the cut will be 25% of the rent charged.

The local response to welfare reform

The council has established a Welfare Reform Task Group to respond to this situation, co-ordinating a range of activities across the borough, to make residents aware of the changes, support households in their response and mitigate the impact where possible. This has included a home visit to every family affected by the benefit cap, training for front line staff to ensure they are aware of the changes and a series of events called 'Money Matters Month' for residents to discuss the changes and their money management.

Universal Credit

Universal Credit is a new single payment⁹ for people who are looking for work or on a low income. The Government's aim is that Universal Credit will be responsive, providing ongoing support as people on low incomes move in and out of work. This will give people an incentive to work for any period of time that is available. The new system also involves people applying online and managing their claim through an online account. Claimants will receive just one monthly payment, paid into a bank account in the same way as a monthly salary, including Housing Benefit which will now go direct to the claimant as part of their monthly payment, rather than the landlord. Universal Credit will be piloted in northwest England from April 2013. From April 2014, all new claims will be for Universal Credit. Claims for existing benefits and credits will be gradually phased out by the end of 2017.

Universal Credit seeks to streamline benefit payments into one *single* monthly payment. This could place significant stress on the budgeting practices of those in receipt of benefits. According to research by the Social Market Foundation, the provision of a single payment removes the supply of clearly compartmentalised money which has allowed recipients to link specific benefit payments to particular outgoings. Under Universal Credit households could lose these reference points, making budgeting harder.¹⁰

The provision of a *monthly* payment could also create budgeting difficulties. The Social Market Foundation research suggests that more frequent benefit payments help households ration their income and restrain their spending. Those interviewed worried that the change to a large lump sum may lead them to spend too quickly given the competing demands on their low incomes. Furthermore, the change in housing benefit, so that it is paid to tenants rather than direct landlords, could add an extra burden of responsibility upon the budgeting practices of welfare recipients. Overspending could lead to rental arrears, possible eviction and further indebtedness.¹¹

The Government's expressed wish for a single monthly payment is based on the assumption that many workers today receive monthly pay cheques, and the Universal Credit will serve

⁹ Universal Credit will replace: income-based Jobseeker's Allowance; income-related Employment and Support Allowance; Income Support; Child Tax Credits; Working Tax Credits and Housing Benefit. For more details see DWP, Universal Credit (<http://www.dwp.gov.uk/policy/welfare-reform/universal-credit/>)

¹⁰ Nigel Keohane and Ryan Shorthouse, *Sink or Swim? The impact of the Universal Credit* Social Market Foundation, September 2012

¹¹ Keohane and Shorthouse, 2012

to introduce recipients back into the financial rhythms of employment. However, the Social Market Foundation research notes that only half of all employees earning under £10,000 per year are paid monthly.¹²

A 'budgeting portal' is one solution put forward by the Social Market Foundation. If recipients choose to do so, they could have their income paid into a government run portal which would allow them to make changes to the way their benefits are transferred to them *before* it arrives in their bank account. They could determine when and in what amounts their benefits are paid, allowing them to structure their income and outgoings over the course of the month. Whilst the scheme could be voluntary for most, it could be compulsory for those who had found themselves in difficulties with rent arrears, for instance.¹³

Promoting financial inclusion locally

Local schemes similar to this already exist, often called 'jam jar' accounts. Jam Jar accounts are bank accounts which allow people to subdivide their balance into different 'jars' for spending, saving and paying bills, and set up automatic processes like low balance warnings. They provide a structure built into the account to help people plan their monthly outgoings, clearly separating 'disposable income' from what is needed to meet regular bills. They also provide a prompt to automatically save a little each month. The Tower Hamlets Credit Union is currently exploring the potential of Jam Jar accounts as part of the borough's Financial Inclusion Strategy.

The Financial Inclusion Strategy is currently out for consultation and has been developed by the Financially Inclusive Tower Hamlets Network. This network is made up of local partners including the council, NHS, housing associations, community and voluntary groups. The strategy looks to address a range of areas including debt and money management, and outlines the borough's approach to improving financial inclusion over the next few years. Its three themes are: improving financial literacy and capability; increasing access to financial products and services; and improving access to free debt and money advice.

The Tower Hamlets Financial Inclusion Strategy is available to read online:

http://www.towerhamlets.gov.uk/lgsi/851-900/867_consultation/financial_inclusion_strategy.aspx

Downward pressure on all working-age benefits

There are a number of other policies introduced by the current government which will affect residents in Tower Hamlets. Benefits for those of working age will go up by only 1% for next three years. This will be much lower than the rate of inflation, cutting the welfare budget by an extra £3.7 billion in 2015-16. The linking of most benefits and tax credits to the Consumer Price Index rather than the Retail Price Index is also expected to have an effect on low income residents of Tower Hamlets. A Joseph Rowntree Foundation report highlights that 'inequality and poverty will rise primarily because earnings are forecast to grow in real terms over the decade, while benefit and tax credit rises typically will not (and some will fall in real terms through savings in social security spending). As earnings are a more important

¹² Keohane and Shorthouse, 2012

¹³ Keohane and Shorthouse, 2012

income source for those in the middle and top of the income distribution than those at the bottom, this causes inequality and relative poverty to rise.¹⁴

Disabilities and welfare reform

Under the welfare reforms, Disability Living Allowance (DLA) will become Personal Independence Payment (PIP). This will be piloted from April this year with full roll out from January 2014. PIP will be very similar to DLA with a daily living component and a mobility component. Despite these similarities, Disability Rights UK argue the main aim of PIP is to save money and that the tests are stricter. The Department for Work and Pensions has stated that it intends to save 20% of the current DLA budget through the change.

There are some well-founded concerns about the likely impact of these changes, particularly given the experiences of many disabled people and people with mental health problems in the Work Capability Assessments (for Employment Support Allowance). Up to 40% of appeals by disabled people against decisions have been successful. Following a survey of disabled people conducted by Disability Alliance, a number of risks were identified:

- 56% of people in work said they would have to stop or reduce work if they lost DLA (27% of the 1700 respondents were in work).
- 16% suggested cuts to their DLA would result in higher use of NHS services.
- 14% suggested they would have more need of council services, adult social care services in particular. Whilst not all would be eligible, this would at least mean increasing volume of assessments and demand on preventative services.

In Tower Hamlets, as of February 2012, it is thought there were 6,920 DLA claimants of working age. If there were a 20% reduction in DLA claimants, this would equate to 1,384 people losing their benefits.

So far the council has responded to these changes by working with providers to establish their preparedness for welfare reform and developing information and tools for frontline staff so they can respond to queries about welfare reform and signpost service users effectively.

Changes to Council Tax Benefit

The Government is abolishing Council Tax Benefit from April this year. Local authorities have been asked to devise their own local Council Tax Support schemes to replace it. However, the subsidy to be provided will be at least 10% less than is currently provided in Council Tax Benefit. For Tower Hamlets Council, this relates to a reduction in funding of approximately £3 million. Pensioners are protected and their entitlements are protected, but the new scheme will affect approximately 25,000 working age claimants of Council Tax Benefit across the borough.

Each borough must therefore decide whether to pass the 10% cut on to working age households, or continue to subsidise in some way. Tower Hamlets has agreed to introduce a means-tested Council Tax Support scheme which broadly mirrors the existing scheme. The

¹⁴ Joseph Rowntree Foundation, *The Impact of Employment Changes on Poverty in 2020*, May 2012

10% reduction will not be passed on to residents until 2014/15 at a cost of around £2.655 million per year, given the loss of Government funding.

Section Four

Debt and finance

Key facts

13% of London residents are in arrears with their debts, compared to 10% nationally. It is estimated 33,033 Tower Hamlets residents are in arrears with their debts.

Demand for financial advice services indicates that 72% of residents in a deprived ward such as Bromley-by-Bow are in need of financial advice, the highest level of financial vulnerability in London. Only 9% of residents are in need of financial advice in less deprived wards such as St. Katherine's and Wapping.

The average demand for financial advice in London is only 6%, much lower than all wards in Tower Hamlets demonstrating a considerable level of financial vulnerability across the borough.

Nationally, personal debt is set to rise from £1.5 trillion in 2010 to £2.1 trillion in 2015, or to from 160% to 175% of household income. The average household debt will stand at £81,000 in 2015, compared to £58,000 in 2010.

The rise in debt can be linked to the decline in wages in relation to the cost of living. People are forced to borrow to supplant falling wages in order to keep up with the cost of living. This rising debt is added to existing financial exclusion, whereby more than a third of the population have no savings, one in six social housing tenants have no bank account and nine in ten no insurance cover. Given this situation, many people could turn to high-cost creditors such as loan sharks and pay-day loan companies. There has been a fourfold increase in pay-day loan companies and a threefold increase in pawnbrokers. This proliferation of high-cost sources of credit is partly the result of high-street banks not engaging in high-risk, low-income credit markets.¹⁵

Mitigating debt

A report by the think tank Compass suggests there are some steps that the Government should take to address the debt issue. These include the guarantee of a free bank account to every person, the control of interest rates, levies on lenders and more careful attention to whether benefits and income are sufficient to protect recipients from unethical and/or very high interest money-lending. The Compass report also suggests two solutions, which could be delivered locally.

The first is an affordable credit scheme of sufficient scale to become a genuine, locally based alternative. Councils could assist in this aim by encouraging and providing material support to credit unions and other cooperative forms of community banking. For example the credit union could be connected to the post offices, or other local amenities. Secondly, social landlords could provide a greater range of financial inclusion services. This idea was informed by social housing tenants interviewed for the Compass study. Noting that many social landlords already provide such services, Compass suggested that landlords could

¹⁵ Cox *et al*, 2012

become more involved in developing bespoke money advice and debt counselling services and community finance initiatives to their tenants, or support existing services. In Tower Hamlets, as referred to above, there is a financial inclusion network which includes the council, housing associations and other local organisations such as the credit union, who are all working together to improve access to financial advice and improve the financial capability of residents.

Finally, the Compass report suggests that a levy could be placed upon uncompetitive areas of the lending industry, which could then be used to fund counselling, advocacy and negotiation services for debtors. Local areas could lobby for such legislation to be put into place.

A word with Joe Cox from Compass

The provision of affordable credit, easily accessible and available at a sufficient scale, given people's individual circumstances, are key factors for Joe Cox, author of the Compass report. He uses the example of when someone's car breaks down, and the owner needs £100 to get it fixed. Wonga or the Money Shop can offer quick and easy release of these funds, but at the disadvantage of high interest. Any new services provided on a local grassroots or council-driven level would need to rival these forms of credit by being readily available and accessible, not to mention visible in the same way that well-advertised firms such as Wonga are, without a multi-million pound advertising budget. Speed, suggests Cox, is essential in order to meet the frequently desperate circumstances that those in need of debt find themselves in.

Credit unions, despite having merits as an alternative way of organising credit provision and local banking, fall down on this count. They cannot release funds with the accessibility or speed necessitated because you have to pay in before you take out. Cox suggests that local authorities could provide credit unions with funds to build up savings in order to allow people to borrow without submitting an initial contribution to the union.

Cox also suggests that the UK, both national and local government, can learn from the German response to the economic crisis. For example, the local level at which banking takes place in Germany. Strong local and regional banks are underwritten by local public authorities and supported by regional and local institutions. Local banks and credit cooperatives are bound by local banking laws which require that local financial institutions take steps to satisfy the credit demands of local small businesses. Thus, in Germany, over 40% of small business loans come from these local institutions. In the UK business are dependent on the 'big four' banks. With similar regulations in the UK, a different sort of local banking would emerge.

Section Five

Employment and Unemployment

Key facts

There are 233,000 jobs in Tower Hamlets, 60,000 jobs more than the borough has residents, around three jobs for every two residents in the borough.

Tower Hamlets job density (the ratio of residents to jobs in the borough) is the fifth highest in London behind the four central boroughs.

Jobcentre Plus figures for September 2012 show that there were 900 unfilled vacancies in the borough, although it is estimated that these account for only 30% of the borough's total.

In September 2012, there were 15,900 unemployed people in Tower Hamlets. This is 12.5% of economically active residents, higher than the London rate of 8.9% and the national average of 7.9%.

28.7% of Tower Hamlets residents are economically inactive. 36% of this group are looking after their home or their family. 79% of this group do not want a job. All three of these figures are higher than the London averages.

In December 2012 10,632 residents were claiming out of work benefits.

The female unemployment rate is higher than the male rate at 13.9%, yet the JSA claimant rate is 4.4%, lower than the male claimant rate of 6.7%.

8.9% of 18-24 year olds in Tower Hamlets are claiming JSA compared to the London average of 6.3%. The borough has the second highest rate of 18-24 year olds who have been claiming JSA for over 12 months in London, four and a half times higher than the 2008 level.

Around a third of 45 to 59 year olds are out of work, twice the London average. Three quarters of those have been out of work for over a year.

These statistics demonstrate that the surplus of jobs in the borough is not enough to soak up the vast numbers of unemployed people. The main reason for this is the mismatch between the profile of these jobs and the skills, qualifications and expectations of the residents who are looking for work. Another reason often discussed is the geographical immobility of many residents and the effect this has upon their horizons and sense of aspirations.

For Tower Hamlets to match to the average London employment rate, two thirds of those presently unemployed would have to find work. Whilst this many jobs are likely to be

created in the coming years, the ability of local residents to access them will be woefully inadequate unless they gain the skills and qualifications required.¹⁶

The employment rate of women varies by ethnic group. In particular, a high proportion of Bangladeshi women are economically inactive in Tower Hamlets. Caring for family is the most common reason for this.

Age dimensions of unemployment

We know Tower Hamlets has a young population. It also has the fastest growing working population in the UK, increasing by 45% between 2001 and 2011, compared with growth of 17% in London and only 7% in England and Wales. The age dimensions of employment and unemployment in the borough are important to consider. Demographic shifts, whereby Tower Hamlets has a shrinking older population with a growing younger population, have tremendous implications for the present and future labour market. Furthermore, the relatively high unemployment among younger and older workers highlights particular issues with skills and qualifications of those groups and the changes to the local economy, exemplified in the redevelopment of the docklands and Canary Wharf.

There is an inequality in educational attainment between young and old, with 78.9% of those over 60 possessing no qualifications. Among those aged 16-24, on the other hand, only 15.3% lack educational attainment. Nearly half of 25 to 34 year olds have Level 4 or 5 qualifications, making them the most qualified group in Tower Hamlets.

The disparity in population between young and old is expected to lead to significant pressure upon the labour market to provide work for all. Comparing the number of 5-14 year olds (31,500) with those aged 55-64 (14,700), we can see there are more than double the amount of people entering the labour market in future years than there are leaving.

Although unemployment is typically considered less of an issue for the older members of the community, this does not mean that they should be excluded from an analysis of deprivation. Indeed, evidence suggests that half of all over-65s in Tower Hamlets are living below the poverty line.¹⁷

Youth unemployment

The Work Foundation have suggested that young unemployed people find themselves in a 'Catch 22' situation, whereby they have no work experience but need such experience in order to be considered for the roles available to them. Their report makes a number of policy recommendations aimed at reducing youth unemployment:

1. The creation of a dedicated government department for youth employment.
2. The coordination of disparate and disconnected local services and organisations with each other and with business.
3. The guaranteed provision of part-time jobs for the long-term unemployed.

¹⁶ Tower Hamlets Local Economic Assessment 2010

¹⁷ Sources for the above: Annual Population Survey 2012, 2001 Census, NOMIS Annual Population Survey 2006, GLA Round Projections 2007, NOMIS claimant count rate 2008, GLA Population Estimate 2011

4. The encouragement, by government and voluntary bodies, of unemployed young people to claim benefits and thus join the employment support system (over a third of unemployed young people don't).
5. Steps to assist young jobseekers with the immense burden of transport costs, through negotiation with public transport providers.
6. A focus on growth in overall employment.¹⁸

Growth and employment

Growth in employment is a benefit shared unevenly among the population. Chris Goulden From the Joseph Rowntree Foundation (JRF) describes this as a divide between those who are 'work rich' and those who are 'work poor'.¹⁹ A JRF report suggests that whether rising employment has a positive effect on poverty and inequality depends on the individuals and households who benefit from it.²⁰ If employment rises, but this rise is restricted to highly-skilled unemployed members of society who cohabit high income households, then this rise in employment may have severely detrimental effects upon inequality and relative measures of poverty. However, if employment rises were enjoyed more proportionally by unemployed people from workless or low-income households, this may improve inequality and poverty in the UK. Policy solutions therefore need to be more targeted, rather than raising employment rates or skill levels across the board.

¹⁸ Lee and Sissons, 2012

¹⁹ source: personal correspondence

²⁰ Joseph Rowntree Foundation, *Poverty and Inequality in 2020: Impact of Changes in the Structure of Employment*, May 2012

Section Six

Globalisation

Tower Hamlets is a unique place, exemplified by the presence of a global financial centre positioned right next to one of Europe's most deprived communities. It has a historic and present-day role as an important player in the global economy and in global flows of commodities and people. The establishment of Canary Wharf as a major financial centre is a 'second chapter' of globalisation in Tower Hamlets.²¹ Like those who work in Canary Wharf today, many of the residents of Tower Hamlets who laboured in the docks and the ports in the past had an immediate and everyday connection with a much wider world through their integration in global economic flows. Alongside trade, the global character of the area has been perpetually reinforced by successive new generations of migrants to Tower Hamlets, which has acted as a 'receiving area' for newcomers who later move elsewhere.

This link between Tower Hamlets and the global economy means that decisions made in the borough have an impact far beyond the immediate context of the local area. Similarly, any impact on London's status as a financial centre will have a domino effect on Canary Wharf and the City Fringe, and therefore the Tower Hamlets economy.

Implications of globalisation for Tower Hamlets

A JRF study²² has shown that globalisation and the role of the UK within a global economy has a marked effect upon the everyday lives of individuals living in the UK. However, the ways in which globalisation is experienced are diverse, and the advantages and disadvantages it brings are unevenly distributed. For those on low incomes, globalisation has meant a great deal of anxiety and insecurity. This is due in part to the contract and agency work which has proliferated in the UK - as many as two-thirds of Jobcentre vacancies are agency work. More traditional forms of employment have been relocated to other countries, whilst ascendant economies in Asia and elsewhere have increased the supply of high-skilled workers into the market. Furthermore, there is added competition for jobs from immigrants to the UK which has exerted significant downward pressure on wages for the existing workforce. It could be argued that Tower Hamlets, having a high degree of low income as well as migrant residents feels the increased mobility of global populations more acutely than other places in London and the UK as a whole.

Global factors also influence fuel and food prices in an increasingly interconnected global economy. Rising costs of living in the UK have had a significant impact upon the poorest sections of the population. The spread of food banks and other forms of local support are a testament to this fact. Indeed, over 100,000 people were fed by food banks in the UK from April-October 2012²³ and there are a number in Tower Hamlets. High fuel prices have a domino effect on food and other commodities due to the added burden on transportation costs. Whilst successive governments have displayed a willingness to consider controls on

²¹ Tower Hamlets Local Economic Assessment 2010

²² Joseph Rowntree Foundation, *Globalisation, UK poverty and communities*, March 2011

²³ source: <http://www.trusselltrust.org/resources/documents/Press/Foodbanks-feed-100,000-in-6-months.pdf> & <http://www.trusselltrust.org/foodbank-projects>

fuel prices, a more direct focus upon regulation of food (which everyone has to purchase) has not been forthcoming. The global context places severe limitations on the ability of local and national government to enact change in these areas. JRF therefore argue that more consideration is needed of the options open to the UK to ensure that globalisation does not result in price trends which exclude people on low incomes from affording a minimum standard of living. These options include measures to influence prices, or interventions to help people afford to buy certain things that are becoming more expensive. Price trends should be considered when making adjustments in benefits, tax credits, the minimum wage and public sector pay, taking more account of the rising real cost of living.²⁴

Finally, the JRF report recommends that the government take a flexible approach to welfare provision that accounts for the uncertainty and instability wrought upon work and life by globalisation. This is sometimes called 'flexicurity' and is offered in the welfare regimes of the Netherlands and Scandinavian countries. A high level of social security is provided to deal with the conditions faced by workers subjected to the flexible labour market.

²⁴ Joseph Rowntree Foundation, 2011

Section Seven

Mobility and immobility

Tower Hamlets possesses a highly globalised identity as discussed in the previous section. The flipside to this is what some suggest is a crippling immobility of its poor and unemployed residents. The term 'social claustrophobia' has been used by Toynbee Hall to describe the phenomenon whereby locals display a reluctance to travel beyond their immediate locality for work, education, social interaction or even to secure better housing. Because of this, some residents are failing to move on, up or out of the borough as other groups have.

Many of the jobs in Tower Hamlets are highly-skilled and are taken by workers commuting into the borough. Employment opportunities for lower-skilled residents of Tower Hamlets are often to be found outside the borough. Yet many residents show an unwillingness to travel for work, in spite of strong transport connections to other parts of Tower Hamlets and the rest of London, which will only be improved by Crossrail. This sense of immobility is also seen in the high number of young people applying to local universities.

The Local Economic Assessment suggests it is perceptions inhibiting local residents from travelling to find work. It could also be the expense of public transport, dissuading residents from travelling and thus setting a limit on the local population's labour mobility. Paul Sissons of the Work Foundation suggests that reduced rates for jobseekers and those just starting employment is entirely feasible. Indeed, some such initiatives are already in place through Jobcentre Plus. However, whilst the financial reasons behind people's reluctance to travel for work can be resolved, other barriers are more difficult to address, such as childcare or caring arrangements.²⁵

In this way, Tower Hamlets exhibits a contradictory character of mobility and immobility, insecurity and stasis. There is considerable turnover of the population, with around a third moving on each year, yet sections of the population are relatively immobile and unlikely to venture beyond the boundaries of their community.

The informal economy

Beyond Canary Wharf, Tower Hamlets is viewed by some as a relatively self-contained borough populated by communities who remain socially and economically within narrow geographical limits. Reports suggest that there is a thriving informal economy, yet due to its very nature this is difficult to evidence. In June 2009 a London School of Economics study estimated there were 442,000 irregular residents living in London, many of whom work in the informal economy²⁶, although many illegal residents don't work, and many in the informal economy are legal residents, so this figure is just an indication.

²⁵ source: personal correspondence

²⁶ LSE,

http://www.london.gov.uk/mayor/economic_unit/docs/irregular-migrants-report.pdf

The EU defines informal work as that which involves the paid production and sale of goods or services which are unregistered by, or hidden from the state for tax, benefit and/or labour law purposes, but which are legal in all other respects. Past research undertaken by Toynbee Hall and Community Links²⁷ revealed that workers in London's Brick Lane restaurants were locked into relative poverty as cash-in-hand payment gave them a minimum income and funds to send home to Bangladesh but offered few opportunities for the acquisition of new skills and advancement. Most of those interviewed had no contract, paid no tax and worked between 50 and 65 hours a week, six days a week. The long anti-social hours made it almost impossible for workers to access mainstream education to improve their language and other skills. The majority said they would like to change their situation, but with poor English language skills, few savings, a subsistence level of income and difficulty accessing credit, they had little hope of breaking into an alternative career in the formal economy or setting up their own business.

Participants in the informal economy are likely to make up at least a small portion of the economically inactive residents of the borough who show up in statistics. Networks of enterprises and business operations in the borough remain elusive because they rarely enter into contact with other community economies or the mainstream business world.

Social mobility

Perhaps the most negative type of immobility relates to social status. A large body of evidence suggests that social mobility is in decline, especially among younger generations. Whereas the generations born in the 1950s and 60s have enjoyed a high degree of social mobility between classes and occupations, the same cannot be said of the generations who followed in their wake. It is hard to evidence though as it often relates to a sense of prestige and access to social networks and cultural practices that cannot be concretely demonstrated in statistics and diagrams.

²⁷ Toynbee Hall & Community Links, *Waiting for change: Restaurant workers and the informal economy in Brick Lane*, February 2009

Bibliography

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- Tower Hamlets Enterprise Strategy January 2012
- Tower Hamlets Local Economic Assessment 2010
- Corporate Research Unit Factsheet 2012-02, May 2012: UK Economic Indicators and economic forecast for London and Tower Hamlets
- Corporate Research Unit Research Briefing 2011-04, August 2011: Employment and Enterprise in Tower Hamlets Evidence from National Statistics Business Demography and Business Register & Employment Survey
- Tower Hamlets Fairness Commission Communities and Housing Evidence Pack, 2012
- Joint Strategic Needs Assessment Summary, 2011
- Tower Hamlets Borough Council Quarterly Research Bulletin, August 2012
- Tower Hamlets Child Poverty Needs Assessment, June 2011
- Corporate Research Unit, Indices of Deprivation 2010 Research Briefing 2011-03, June 2011

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- Annual Population Survey 2012
- 2001 Census
- NOMIS Annual Population Survey 2006
- GLA Round Projections 2007
- NOMIS claimant count rate 2008
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Where stated, some opinions and suggestions quoted in the evidence pack have been sourced from personal correspondence.

Background Reading

Summary of reports

Joseph Rowntree Foundation:
Building a sustainable quality part-time recruitment market
March 2012

<http://www.jrf.org.uk/publications/sustainable-quality-part-time-recruitment>

Given the unfeasibility of full-time work for all, the division of existing employment more equitably might be achieved through the encouragement of part-time work. For complex and varying reasons, many people choose to take on part-time work, or are forced to by their circumstances. Making part-time work more attractive to both employers and employees may open up new routes into (and out of) the labour market.

Part-time work tends to be recompensed with a much smaller relative wage than full-time work, with a high proportion (20%) of part-time employees receiving below the Full Time Equivalent of £20,000 per annum where 97% of those working full-time hours earn over £20,000 FTE. In an economy where the level of unemployment cannot be satisfied by the amount of full-time vacancies available, it is not unusual for people to take on part-time positions as a stopgap, or take on multiple part-time positions in order to accumulate enough work and wages to get through the week. This 'portfolio' working proves elusive in the published data, which is usually based around measures such as individuals in work or number of jobs, rather than the distribution of work between individual workers. The figures show that part-time work, despite being a necessity rather than a choice for many who are engaged in such employment, does not possess the level of material reward that full-time work can be seen to enjoy.

Evidence suggests that the part-time and flexible labour market is populated by a significant section of skilled workers. However, the reluctance of some areas of the business world to embrace part-time and flexible working is depriving the economy access to these individuals.

The part-time jobs market is subject to a struggle between competing high-skilled candidates, which inevitably squeezes out a number of these well-equipped potential employees. The skills and qualifications they can provide go to waste in either unemployment or lower-skilled jobs ill-suited to their competencies. This only serves to worsen the skills shortage in UK industry, and disappoint the expectations of those who would otherwise be capable of filling the gap. Furthermore, lower-skilled workers are completely left behind by the competition between skilled candidates for the existing quality part-time jobs, unable to compete for the high-skilled part-time roles and excluded in the rush for the remaining low-skilled work. Three negative effects stem from this: a loss of skills, a loss of earning capacity, and the added burden of welfare provision.

This report notes some of the wider benefits of part-time working. Perhaps most significantly, it can allow women to balance childcare and employment and make the transition back into work after having children. It can also allow older people to carry on working, which may help mitigate the poverty experienced among pensioners. Also, in a jobs market where there are simply not enough vacancies to meet the expectations of the number of unemployed job seekers, part-time work may provide a means by which the

available roles can be distributed more evenly and efficiently among those who want to work.

In order to encourage business to embrace part-time working and spread its social benefits, the report suggests that more government support is given to industry in order to facilitate access to a pool of skilled potential part-time workers and supply businesses with information and guidance as to the pros and cons of recruiting in the market for flexible and part-time labour.

Joe Cox, Compass

Plan B: What Britain Can Learn from the German Economic Recovery (2012)

<http://www.compassonline.org.uk/publications/item.asp?d=6928>

This report suggests that policymakers in the UK turn towards the German example for an illustration of how new approaches to working hours can help remedy unemployment and other economic and social issues, not least around health and wellbeing. In 2010, workers in Germany worked an average of 228 hours less than their British counterparts. Due to lower working hours, Cox suggests, the paid work available is distributed more evenly among the population as a whole, lowering unemployment even in the face of massive economic turmoil worldwide. Whilst those who are without employment benefit from a more equal spread of work, those who are in employment can enjoy a better work/life balance. Furthermore, evidence shows that these workers are actually more productive when working a shorter working week.

Although working hours have typically been shorter in Germany for some time, the recession presented an opportunity to alter working time patterns even further. Firms managed to protect themselves against widespread redundancies by retaining on a short-time basis. This provided welcome flexibility when an intensification of production was demanded by improving economic conditions, enabling the companies to bring workers back into full-time employment without having to reemploy them or seek and train new workers for the roles. Even more impressive, the workers who were placed on the 'Kurzarbeit' short-hours scheme suffered little or no loss in wages. The company were only liable to pay the workers for the hours they actually worked. Government subsidies topped up this wage so that the workers enjoyed the same income as they did when working full-time. The scheme is said to have saved 400,000 jobs over the course of the recession; whilst the government subsidies may have cost the treasury a significant amount, it is ultimately a saving when the potential cost of 400,000 newly unemployed benefit claimants is taken into account.

One of the everyday ways in which working hours are closely regulated and monitored in Germany is through the use of working time accounts, whereby employees record overtime so that they build up a reserve of paid leave for use when production declines. This introduces a great deal of both security *and* flexibility, so that the ebb and flow of the economy can be dealt with in a way that provides stability to the worker and a relatively pain-free range of options to the employer. In the UK, TUC estimates suggest that over *two billion* hours of unpaid overtime were worked last year. This is enough to constitute a *million* extra jobs. If working time accounts were introduced, this massive surplus may be addressed. Combined with government subsidies, like those found in Germany, to support short-hours working in times of economic downturn, policy innovations to this effect would make the UK economy and labour market much more durable in the face of the constant threat of financial crisis, and insulate the country's coffers against spiralling benefit bills in the event that the economic picture does worsen. Shorter hours more generally, as in the

German example, may allow Britain to overcome the persistently high level of structural unemployment that it has been subject to in recent years.

Anna Coote, Jane Franklin and Andrew Simms, New Economics Foundation

21 Hours: Why a shorter working week can help us all to flourish in the 21st century (2012)

<http://www.neweconomics.org/publications/21-hours>

The New Economics Foundation's research on the feasibility of a twenty-hour week can be seen as an attempt to think through the implications presented by different modes of organising time. They suggest that considerable benefits could be gained with respect to the more equitable distribution of jobs throughout society and with regard to health and wellbeing. Indeed, recent government proposals to alter UK clocks to year-round British Summer Time suggest a willingness to engage with new ideas of how our time may be structured. Although it might be contended that to take this forward the value and worth of activities outside the formal labour relation must be appreciated as important elements of both social and economic life.

This report attempts to integrate a new model of work time into an overall picture of an economy that is better on three counts: economically, socially and ecologically. As their *21 Hours* report states,

A 'normal' working week of 21 hours could help to address a range of urgent, interlinked problems: overwork, unemployment, over-consumption, high carbon emissions, low well-being, entrenched inequalities, and the lack of time to live sustainably, to care for each other, and simply to enjoy life.

A 21 hour week would 'safeguard the natural resources of the planet' by 'breaking the habit of living to work, working to earn, and earning to consume.' The move away from this cycle would allow society to move towards a less carbon-dependent economy driven by excessive and arbitrary growth targets. The time freed up for sustainable activities such as growing, learning, repairing and creating would further enhance the environmental benefits of the new working time.

Where 'social justice and well-being for all' is concerned, a 21-hour week would spread work more equitably among the 'work rich' and 'work poor' of the population as a whole and improve happiness and wellbeing by giving people more control over their own time to work on their own projects and realise their potentials outside of work. Furthermore, it may break the continuing imbalance between men and women both in the domestic sphere and the world of employment. Significantly, a shorter working week would allow the 'core economy' to develop in place of the currently commodified range of services that do the things that we have no time to do ourselves, such as caring for children and other loved ones. People would have the time to do these things themselves without the financial burden they presently incur.

Whilst the 21-hour scheme might seem to be taking away from the economy, it could actually bear significant economic benefits, by allowing more women to enter the labour market, reducing stress, raising connection and pleasure with one's work, and decreasing

the spiralling level of debt and credit-driven ceaseless growth in favour of a low-carbon, sustainable economy.

The goal of 21 hours has a strong basis in actual trends of time use in play at present. Taking the population as a whole, the average hours worked in paid employment per week per person comes to just below this number. However, the report recognises that the spread of mobile communications technologies can create work-time where previously there was none, such as in the home and in one's leisure time, and that any mooted reduction in working hours could lead to new pressures. Therefore, a new appreciation of the value of time, both work-time and spare time, is needed in order to ensure against this. One example is the way in which housework and childcare is not valued as part of GDP, despite playing an essential role in the economic prosperity of the nation. If the hours spent per year carrying out such tasks were valued on the basis of the National Minimum Wage, the report suggests, they would amount to nearly 21 per cent of the total UK GDP.

However, the report forecasts significant resistance to the plan from all quarters of society, employees and employers alike. There are also notable reforms that would need to be made to the way the economy and everyday life is structured in order to make 21 hours a feasible proposition, either on a national level or on an organisation-by-organisation basis, specifically in local government and other areas of the public sector:

- Reducing hours gradually over a number of years in line with annual wage increments.
- Changing the way work is managed to discourage overtime.
- Providing active training to combat skills shortages and to help long-term unemployed return to the labour force.
- Managing employers' costs to reward rather than penalise taking on extra staff.
- Ensuring more stable and equal distribution of earnings.
- Introducing regulations to standardise hours that also promote flexible arrangements to suit employees, such as job sharing, extended care leave and sabbaticals.
- Offering more and better protection for the self-employed against the effects of low pay, long hours, and job insecurity.

One of the chief points of contention would be the lower wage that shorter working hours would bring about. A suite of potential options for how this might be mitigated in preparation for the 21 hour week is suggested:

- Redistribution of income and wealth through more progressive taxation,
- an increased minimum wage,
- a radical restructuring of state benefits,
- carbon trading designed to redistribute income to poor households,
- more and better public services,
- encouraging more uncommodified activity and consumption.

In order to ensure that the 21-hour week has positive impacts upon gender inequality rather than reinforcing existing disparities, other measures will need to be taken:

- Flexible employment conditions that encourage more equal distribution of unpaid work between women and men;
- universal, high-quality childcare that dovetails with paid working time; more job-sharing and limits on overtime;
- flexible retirement;
- stronger measures enforcing equal pay and opportunity;
- more jobs for men in caring and primary school teaching;
- more childcare, play schemes and adult care using co-produced models of design and delivery;
- enhanced opportunities for local action to build neighbourhoods that everyone feels safe in and enjoys.

All of the above measures require a change in mindset than that we currently have in the UK. Policymakers and governing bodies can help assist this shift, addressing the following issues:

- The development of a more egalitarian culture,
- raising awareness about the value of unpaid labour,
- strong government support for uncommodified activities, and
- a national debate about how we use, value, and distribute work and time.

Andrew Simms and Molly Conisbee, New Economics Foundation: *National Gardening Leave: Why Britain would be better off if we all spent less time at the office (2012)*

<http://www.neweconomics.org/publications/national-gardening-leave>

Following its *21 Hours* report the New Economics Foundation has been keen to emphasise the wider implications of the reorganisation of work time and the way in which it links in to a broader vision of where our society and economy can go in order to be happier, more sustainable and much better off.

One of the key proposals is 'National Gardening Leave', which ties in a reduction in working hours with the increasing popularity of allotments and organic, localised food production and provision. The recession has stirred interest in food growing, due to the fact that growing your own fruit and vegetables is by far the cheapest means to acquire these goods. For the cost of some seeds and an allotment pitch if needed, people can stay on top of rising food prices. However, many waiting lists are already oversubscribed, and more action is needed to both provide and open access to plots of land for growing. Of the 330,000 allotments in the UK today, 90% are owned by local authorities, who face continued pressure to give them up for development.

Some local food growing initiatives which have taken place in deprived urban areas similar to Tower Hamlets include the following:

- Sandwell in the West Midlands, where a pioneering Director of Public Health tackled the link between obesity and access to good quality nutritious food by introducing 1,600 allotment plots and a dairy farm.
- Detroit in the USA, which has a cooperative of 37 market gardens and a programme which supplies seeds and other garden essentials to the city's 1,200 vegetable gardens. Urban agriculture has played a central role in allowing the city to overcome rapid deindustrialisation and social decay in the face of the destruction of its car industry. In the most direct examples, empty former factories have been transformed into urban farms that provide food at low or zero cost to the city's most deprived residents.
- There are several examples in London, where there are 100 community gardens and 16 city farms. In Hackney, the Growing Communities project teaches local people in a poor part of London about food growing, preparation and conservation, including the sharing of recipes for and knowledge about the food they grow.

A key recommendation of the project is that all types of organisation offer spaces for gardening and growing to their employees, such as roofs, window sills and portions of car parks. Simms highlights the advantages and incentive value of shared activity, which impacts positively upon the cooperation and morale of the workforce.

The report makes another recommendation as to how policy can open space for National Gardening Leave to become a reality. This is that all employers in both the private and

public sectors offer new employees (and, potentially, existing employees) the option of working four days a week. This could mean that they work the same amount of hours, but over the course of four rather than five days, freeing up a whole extra day in which to do as they wish. However, some may simply wish to reduce their hours to pursue other projects or to save money on care and other services, for instance. The extra time need not necessarily be used for gardening, but employers who introduced these changes would be recognised as 'National Gardening Leave Employers', making them attractive on the labour market, and give them an innovative, modern and trusting image in relation to their competitors, whilst having the benefit of the increased commitment, morale and motivation of their staff.

In the meantime there are two ways that public and private bodies can pave the way for such a transition. One is that public policy should seek to prevent one or two large companies dominating the provision of food and other goods, such as supermarkets. Local planning regulation can act to stem the tide in this area. A second is that the procurement policies of organisations should be geared towards 'locally based and owned horticultural and food provision'. This promises a significant 'multiplier effect' upon the local economy:

The loop of localism provides for a reciprocal economy, both in terms of consumption and content of goods and services provided. This will increase the value of spending to the local economy through the local multiplier effect. This happens because less spending tends to leak out of the local economy.

Andrew Simms and Ruth Potts, New Economics Foundation
The New Materialism: How our relationship with the material world can change for the better (2012)

<http://www.thenewmaterialism.org/>

Following on from the *21 Hours* report, and his work on National Gardening Leave, Simms links a move to lower working hours with the development of a more sustainable economy which, in breaking the vicious cycle of work and consumption, 'devotes more effort and attention to care, maintenance, re-use, recycling and repair.' Put simply, 'there will be more genuinely useful things for people to do' with the extra time they are afforded, lowering the cost of living in the process by treating the material world in a more sustainable way. This is referred to by Simms as a 'closed-loop system' in which goods stay in circulation for much longer than their originally anticipated shelf-life or built-in time of expected obsolescence. As Simms writes,

With the advent of disposability, built-in obsolescence, the introduction of constant upgrades [...] and mass advertising, the market learned to earn more money by persuading people to throw things away.

The accumulation of needlessly consumed goods, which keeps people in debt and bound to lives of endless work to pay the bill, is such that Yellow Box, a company which offers extra storage facilities for those who cannot fit all their possessions in their houses, has enjoyed a 40 per cent expansion in the UK in the last year (although this could be a symptom of downsizing).

This type of economy is a legacy of the post-war years, in which the excess productive capacity built up by Western nations over the course of the war effort had to be put to use in some way once demand for guns and bombs had ceased. This is combined with the discovery of a glut of new sources of oil. The markets for this oil had to be created, and as such the plastics that were subsequently synthesised from oil had a large part to play in the new consumer boom that followed. We feel the effects of these changes today. In the fifties and sixties, 'the spread of consumer financial services like hire purchase was the early glimmer of a debt-fuelled consumer culture that would grow beyond recognition in the coming decades'.

Simms calls for a shift from this consumer society that today leaves us bearing the burden of debt, out-of-control growth and multiple economic, social and ecological crises. What should replace it, he suggests, is something closer to a 'producer society'. Here, as mentioned above, the emphasis would be upon making and creating, on the one hand, and repairing, reusing and recycling on the other. This follows from the current vogue for re-skilling and craftwork, which Simms attributes to 'economic necessity and a rejection of impoverished consumerism'. The learning of new skills and crafts related to the maintenance of ourselves, those around us and the things we own places us in a stronger position in an unstable and constantly changing world, and 'leaves us less at the mercy of

disposable goods and built-in obsolescence'. He suggests that one manifestation of this new attitude is the Transition Town movement.

This approach to handiwork and skills that allow us to spend less and use more may pay obvious dividends to the most deprived sections of society, especially when one considers the rising cost of living and the relative fall in wages for workers at the bottom and middle of the employment spectrum. Indeed, the roots of Simms's 'New Materialism' are already in evidence among contemporary reactions to the effects of the recession upon our buying habits:

More people are making and mending their own clothes, with a 500% rise in the sale of sewing machines seen in the aftermath of the 2008 financial crash. Haberdashery sales from the cooperatively owned John Lewis store rose by 30%. The sharing market, sometimes called 'pay-as-you-live' is estimated to be worth £22 billion in Britain and 80 per cent of British people say that sharing makes them happier. In thinking about whether to hire or buy, the majority of people work out the likely cost per use of an item and around 1 in 6 people already opt to hire over buying.

Indeed, Tower Hamlets already has a rich heritage to draw upon in this approach to remaking and reusing. Tower Hamlets was one of the most notable early homes to the UK's Jewish community, a large number of whom made a living selling clothes in the absence of their admittance to the trade guilds of the time. The selling of second-hand clothes was a major part of east London's economy right up until the twentieth century. Today, the vogue for second-hand and vintage clothing is very much a feature of east London's economy, once again 'generating employment in collecting, renovating and then selling-on loved garments'. Although partly in response to the recession, partly in response to fashion, this could become the norm in our future buying habits, leading to a much more sustainable economy.

Other examples abound of the actual or potential form that the New Materialism could take in the UK. Furniture recycling projects where disused furniture is repaired and sold for small amounts to people on low-incomes is one example. The gardening programmes mentioned previously are another example.

Guy Standing

The Precariat – The new dangerous class

Policy Network (May 2011)

Book: <http://www.amazon.co.uk/Precariat-New-Dangerous-Class/dp/1849663513>

For Guy Standing, contemporary capitalism has witnessed the creation of a new class, the *precariat*. The traditional proletariat was produced through a process of 'proletarianization' whereby the worker was welded to a life of 'endless drudgery' in fixed, boring occupations in fixed, boring workplaces. Through the process of 'precariatization', however, millions are wedded to a life of unstable, fleeting labour. This results in a state of perpetual insecurity. Locked into jobs with no prospect of progression, work is treated as instrumental and nothing more. The precariat is emotionally and psychologically detached from the labour they perform. Unlike the traditional proletariat, the precariat lacks a sense of occupational identity around which to articulate a narrative about their lives.

The precariat has no control over its time, subject to a working structure whereby one might work irregular hours, have multiple overlapping jobs and carry out a range of other activities that can be considered as work but might not fit on the company balance sheet. Standing cites the figure that 15% of the average worker's year is spent retraining. The precariat are underemployed with reference to the competencies and skills acquired in education, and overemployed in the amount of activities they have forced upon them in their daily life. This absence of control over one's time needs to be resolved.

Two recommendations arise from Standing's work, one theoretical and one practical. The theoretical implication concerns the differentiation between 'labour' and 'work'. The language and rhetoric of 'labour' symbolizes a narrow representation of productive activity bound to standard notions of the employment relationship as fixed in a specific time (the statutory working day) and place (the clearly defined factory or office) that are no longer sustainable in contemporary capitalism. 'Work', however, presents a more radical concept appropriate to the twenty-first century.

According to Standing, every age has 'had its silliness' about the definition of work and labour. The example of women's domestic labour and housewifery is used to illustrate the way in which these definitions tend to relegate some forms of activity to a subordinate position in comparison to the 'proper' productive activity carried out in the workplace. A rhetoric of 'work' rather than labour, however, situates productive activity as taking place in every corner of life.

The statistics on the amount of 'work' carried out external to the workplace show the futility of a perspective restricted solely to 'labour' traditionally considered. Standing criticizes the way in which 'industrial citizenship' was geared purely around 'labour rights' confined to the workplace. A new ideal of 'occupational citizenship', however, would embrace a model of *work* rights applicable outside the workplace in the whole sphere of life itself. This would reinstate work as central to the identity of precariat, rather than as something external and restricted to a labour process that appears to the individual precarians as instrumental and

personally insignificant. The implication for the political programmes endorsed by trade unions is that demands for 'decent labour' should be replaced by demands for 'dignified work'.

The practical recommendation that Standing makes is perhaps most important. This is the basic income, a guaranteed minimum amount that would be paid to all citizens. This would offer a level of security as a right to all members of society. Historically, trade unions have opposed such moves. Rather than free people up to pursue other aims and outlets for their energies, unions have preferred to maximize the numbers in standard employment in order to swell the ranks of their memberships. However, the basic income could actually improve workers' bargaining position.

Most governments pay out massive subsidies and tax credits to top up declining wages. Standing calls this the 'Faustian bargain'. As part of this bargain, social democratic governments opened up markets and trebled the world's labour supply in the east and in Africa, which drove down wages in their own countries. This was not sustainable politically, so tax credits and other 'labour subsidies' were introduced to top up the below-subsistence wages paid by employers.