

Tower Hamlets
Local Economic Assessment

Volume 3: Worklessness Assessment







Nathaniel Lichfield
and Partners

Planning Design Economics

**Local Economic
Assessment:
Worklessness
Assessment**

London Borough of
Tower Hamlets

23 August 2010

Nathaniel Lichfield
and Partners
14 Regent's Wharf
All Saints Street
London N1 9RL

nlppanning.com

The Mackinnon Partnership
2A Walpole Court
Ealing Green
London
W5 5ED

themackinnonpartnership.co.uk

Contents

1.0	Executive Summary	1
2.0	Introduction	5
	What is worklessness?	6
	Report Structure	8
3.0	Current Demand for Labour	9
	Historical trends	9
	Current employment	10
	Current vacancies	13
	Indications & Issues	17
4.0	Future Demand for Labour	19
	The demand for labour	19
	Occupational change	22
	Skills requirements	23
	Indications & Issues	27
5.0	The Workless Population – An overview	29
	Introduction	29
	Economic Activity	30
	A statistical overview of worklessness	32
	The geography of worklessness	35
	Barriers to the labour market	37
	Indications & Issues	47
6.0	The Workless Population – The unemployed	49
	ILO unemployed	49
	JSA Claimants	50
	Indication & Issues	54
7.0	The Workless Population – IB claimants	57
	Indications & Issues	60
8.0	The Workless Population – Lone parents	61
	Indications & Issues	62
9.0	The Workless Population – Young people	63
	Educational attainment	63
	Young people who are NEET	66
	Young people joining the labour market	70

	Indications & Issues	71
10.0	The Workless Population – Concluding comments	73
11.0	Conclusions & Indications	75
	Key themes	75
	Linking demand with supply	78
	Issues for further consideration	82

Figures

Figure 2.1	Structure of the Labour Market	7
Figure 3.1	Tower Hamlets Employment Growth 1998-2008	9
Figure 3.2	Percentage of residents employed in different occupations 2001-2009 within Tower Hamlets	10
Figure 3.3	Size and predominance of sectors within Tower Hamlets compared to the London average	11
Figure 3.4	Out-commuting flows	12
Figure 3.5	% of the Tower Hamlets workforce and residents employed in each sector	12
Figure 3.6	Tower Hamlets JCP Notified Vacancies	13
Figure 3.7	Proportion of Unfilled Vacancies, by occupation	15
Figure 3.8	Proportion of employers with skills gaps in each occupation	16
Figure 4.1	Expansion and replacement demand for employees within London, 2007-2017	21
Figure 4.2	Expansion and replacement demand for employees within Tower Hamlets, 2007-2017	22
Figure 5.1	Economic activity of working age population	30
Figure 5.2	Economic inactivity rates within Tower Hamlets, by sex and age	31
Figure 5.3	Economic inactivity rates within Tower Hamlets, by ethnicity	31
Figure 5.4	Number of working age population claiming an out-of-work benefit	32
Figure 5.5	Change 1999 to 2009 in scale of working age worklessness population, by benefit type (those to the left have had greatest overall increase)	33
Figure 5.6	Age of claimant and age of population, for Tower Hamlets and London	33
Figure 5.7	Proportion of out-of-work claimants out of work by duration (to scale)	34
Figure 5.8	Out-of-work benefit claimants by duration of claim, by borough	35
Figure 5.9	Number of working age population claiming an out-of-work benefit	36
Figure 5.10	Proportion of working age population claiming an out-of-work benefit	37
Figure 5.11	% net gain for working, by benefit type for Tower Hamlets	39
Figure 5.12	Public Transport Accessibility Levels (PTAL)	46
Figure 5.13	What, if anything, is stopping you from getting the type of work that you want?	47
Figure 6.1	The unemployed within Tower Hamlets	49
Figure 6.2	Claimant count and rate, 2000 to 2010	51
Figure 6.3	Claimants unemployed for 2 years or more, by borough	51
Figure 6.4	Concentrations of JSA claimants	53
Figure 7.1	Number of IB claimants within Tower Hamlets, 1999-09	57
Figure 7.2	Concentrations of IB/SDA claimants	58
Figure 7.3	Proportion of IB/SDA claimants, claiming for 5 years or more	59
Figure 7.4	Number of IB/SDA claimants, claiming due to poor mental health	60
Figure 8.1	Number of working-age population claiming lone parents	61
Figure 9.1	Primary school attainment and performance	63

Figure 9.2	Secondary school attainment and performance	65
Figure 9.3	Higher education applications and acceptances for Tower Hamlets schools and colleges	66
Figure 9.4	% and numbers aged 16-18 Not in Education, Employment or Training, 2006-08	68
Figure 9.5	Destination of Year 11 leavers in Tower Hamlets 2005-09	68
Figure 9.6	Destination of 2007 school leavers in Tower Hamlets in 2007 and 2009	69
Figure 9.7	Young people becoming NEET and young people claiming Jobseekers Allowance	70
Figure 10.1	Who are the workless? (Boxes are to scale)	74
Figure 11.1	Period out of Work	80
Figure 11.2	Policy choices for supporting the unemployed	80
Figure 11.3	Scale of the employment rate challenge (to scale)	82
Figure 11.4	Routeways into Employment	83

Tables

Table 3.1	Percentage of residents employed in different occupations, a comparison of change between London and Tower Hamlets (2001-09)	10
Table 3.2	Type of skills gaps identified by those Tower Hamlets employers reporting skills gaps	16
Table 4.1	Employment forecasts by sector 2010-18	20
Table 4.2	UK High growth occupations by sector, 2007-17	23
Table 4.3	Future skill needs in key sectors relevant to Tower Hamlets	26
Table 5.1	Proportion of age group, claiming an out-of-work benefit	34
Table 5.2	Highest qualification of the resident population	40
Table 5.3	Likelihood of being in employment, per level of highest qualification	40
Table 5.4	Likelihood of being in employment, per level of highest qualification for men	41
Table 5.5	Likelihood of being in employment, per level of highest qualification for women	42
Table 6.1	The unemployed within Tower Hamlets	50
Table 6.2	Job Seeker Allowance claimants, by ethnicity	52
Table 7.1	Job Seeker Allowance claimants, by ethnicity	57
Table 9.1	Where do local residents go to University?	66
Table 11.1	SWOT Analysis	77
Table 11.2	JCP Notified Vacancies, by type and type of occupation sought by claimants	78

Appendices

Appendix 1	Data Sources
Appendix 2	Glossary
Appendix 3	Data Tables
Appendix 4	Benefits Trap Methodology

1.0 Executive Summary¹

- 1.1 This Worklessness Assessment is designed to help the Council and its partners to make informed decisions. It goes beyond the provision of plain information to offer an analysis of the labour market, covering the perspective of both employers and those seeking work.

Demand for labour

- 1.2 The number of jobs within Tower Hamlets has doubled in the last 20 years and the borough is now, once again, one of the largest employment centres in London. Demand for labour within the borough is now significantly greater than the size of the local workforce, and Tower Hamlets is a net importer of labour: in-commuting is a major feature of the economy with labour coming from all over London and the wider South East.
- 1.3 Demand for labour within the borough appears to have rebounded since the recession, though clearly worse may still be to come. Jobcentre Plus currently records around 1,500 vacancies in the borough, indicating a total demand for labour of at least 4,500: the true figure is almost certainly higher.
- 1.4 There are very good prospects for continuing employment growth. New developments at different stages of completion including the 22 acre Wood Wharf site which will put Tower Hamlets amongst the top six boroughs in London for likely employment growth.
- 1.5 Using national employment projections we estimate that there will be 94,000 vacancies within the borough for the period 2007-17. Over three-quarters will be for highly-qualified individuals who are professionals, 'associate professionals', or managers.
- 1.6 Although there will be replacement opportunities in low-level elementary occupations these opportunities are decreasing fast as the national economy continues its shift towards high-value services and high-value manufacturing, both of which require high-level skills.
- 1.7 The challenge for residents therefore - both those currently out of work and those who might become so - is to get the qualifications which employers want, and the other skills and qualities needed to get and keep jobs, so that they are able to keep up with the changing labour market and benefit from economic growth.

The workless population

- 1.8 The workless population is defined as working-age residents who both do not have a job, and want one. (The analysis below, however, will show that the

¹ To keep this summary succinct, we have left out much supporting detail - such as the source of facts quoted. All of it is in the main report below.

reality is more complicated, more fluid, and harder to define precisely, than this implies).

- 1.9 The workless population of Tower Hamlets is 21,000: 14,600 are currently unemployed (using the standard International Labour Organisation (ILO) measure: Job Seekers Allowance (JSA) claimants plus those looking for work but not claiming benefits). The remainder (6,400) are currently economically inactive but want a job.
- 1.10 Most of the unemployed are claiming JSA and these individuals are primarily men under 29 years old. Receipt of JSA requires people to be actively looking for a job so JSA claimants are relatively close to the labour market. Despite this, 8% of claimants have been claiming for over two years, the highest proportion in London.
- 1.11 In November 2009 12,240 residents were claiming Incapacity Benefit (including Severe Disablement Allowance and the Employment and Support Allowance) and over half have claimed for more than five years. Almost four-fifths were men and almost a quarter were under 34 years old. IB claimants typically face multiple and complex barriers to finding work. However a study of 2,000 incapacity claimants by the National Centre for Social Research found that over half of IB claimants wanted to return to work.
- 1.12 Over a quarter of the working-age population (41,100 people) do not want a job. Two-thirds of them are women. Almost two-thirds of Bangladeshi women residents are economically inactive compared to a quarter of White women residents.
- 1.13 The number of young people in Tower Hamlets becoming NEET (Not in Education, Employment or Training) is falling, but the number of young residents aged 19 and under claiming Jobseekers Allowance has remained relatively static since 2008, and increased by over a third for the 20-24 age group.

Drawing supply and demand together

- 1.14 The problem is not one of lack of demand for labour, or of scale: on the most conservative estimate, enough jobs may well be created in Tower Hamlets alone in the coming years to provide for all those who are out of work and want a job, to say nothing of additional opportunities in surrounding boroughs.
- 1.15 There are two central problems for Tower Hamlets: structural weaknesses on the supply side, exacerbated by the intense competition for lower-skilled jobs which comes with the high unemployment which is expected to be a feature of the London labour market for several years.
- 1.16 Too many of those who are unemployed and seeking work lack the skills which London's employers want, both in terms of formal qualifications (academic and vocational) and, in many cases, the essential English language skills which underpin everything else.

- 1.17 Jobseekers with poor skills and poor qualification levels are seeking jobs where qualifications are not so important: almost a quarter of JSA claimants want to work in 'elementary occupations' and a fifth in 'sales' (which includes shop jobs).
- 1.18 There are jobs in London for low-skilled people, and in Tower Hamlets, and indeed in Canary Wharf (as the most demanding labour market in the borough), but demand for those jobs far exceeds supply, even where there is high turnover. The position will get worse as the supply of jobs for low-skilled people continues to decline, and though they will never disappear, most will go to those who can both demonstrate good inter-personal skills and who have the confidence to do so: demonstrating confidence commonly poses a problem for people who have been out-of-work for some time.
- 1.19 Moreover, too few of those looking for work are prepared to travel to work (even within Tower Hamlets): travel to work is the norm in the London labour market. In addition, large proportions of recipients of out of work benefits are caught in the 'benefits trap', facing real or imagined barriers to leaving the security of benefits to take a job.
- 1.20 If Tower Hamlets is to raise its employment rate to the London average around two thirds of its 21,000 working age population who are both out of work and interested in working need to find a job. With national unemployment forecast to rise to just under 3m and stay there until 2015 that may look like a tall order, but the total is smaller than the most conservative estimate for jobs growth in the borough, to say nothing of expected growth in the wider London labour market.
- 1.21 The short-term challenge is to reduce levels of worklessness at a time when many local jobseekers are in a poor position to compete and yet competition for jobs both within and beyond the borough is very high.
- 1.22 The longer-term challenge is to address those low levels of skills and qualifications, so that all residents of Tower Hamlets can compete effectively for the many good jobs within the borough, and within easy reach of it.

2.0 Introduction

- 2.1 The London Borough of Tower Hamlets contracted with Nathaniel Lichfield and Partners (NLP) and The Mackinnon Partnership in May 2010 to develop a Local Economic Assessment (LEA) for the borough.
- 2.2 In developing this assessment, account has been taken of statutory guidance from the Department for Communities and Local Government (CLG) which identifies the need to undertake a Worklessness Assessment as part of the LEA process. This document forms that Assessment.
- 2.3 CLG guidance sets out a series of indicators for use in the preparation of a worklessness assessment (Appendix 1). It is important to note, however, that the assessment is not intended to provide an evaluation of past or current initiatives to tackle worklessness within the borough.

Box 2.1: The point of a worklessness assessment is...

Worklessness has come under increasing scrutiny from both local and national government in the last two years through the Worklessness Review published in 2009 and led by Stephen Houghton, Leader of Barnsley Council. The concept extends the much narrower previous focus on unemployment, combining it with economic inactivity.

Partnerships are now required to undertake Worklessness Assessments, as part of the Local Economic Assessment. They should include analysis of the following:

- i Workless population
- ii Characteristics of workless population
- iii Geography of worklessness
- iv Employer demand
- v Identification of barriers

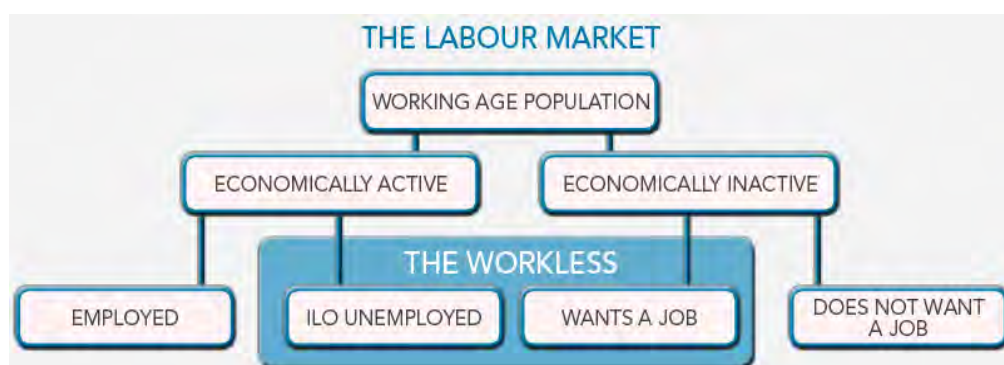
The assessment will be used as the evidence base for the Borough's Work and Skills Plan and will inform the next version of the Employment Strategy.

- 2.4 Any assessment of this nature depends on the latest available data, which hinders precise analysis when some of that data predates the 'credit crunch' and recession, though the key issues are clear. Although all data in this report is the latest available, the analysis explains where it may mislead for this reason.
- 2.5 All rates within the report use the 'Mayhew' population estimates done for the borough by Mayhew Harper Associates unless it is inappropriate to do so.
- 2.6 When describing the geography of worklessness we use the places identified within the Tower Hamlets Core Strategy.

What is worklessness?

- 2.7 People are generally less familiar with the term 'worklessness' than with 'unemployment'. As Figure 2.1 illustrates the workless includes those who are economically active, but not in employment and those who are economically inactive, but would like a job.

Figure 2.1 Structure of the Labour Market



Source: IDeA Work and Skills Plans draft guidance

2.8

Essentially, the workless population can be seen as consisting of four groups:

- 1 The unemployed – this is the **ILO unemployed**, meaning both individuals in receipt of Jobseekers' Allowance and those who are looking for work but are not claiming benefits. (The ILO - International Labour Organisation - approach is designed to exclude the otherwise distorting effect of different countries benefits policies when comparing unemployment counts).
- 2 Those who are in receipt of **incapacity benefits**. This category encompasses people receiving a range of benefits, including:
 - i Incapacity Benefit (IB);
 - ii Income Support (where they are eligible for IB, but have made insufficient National Insurance contributions);
 - iii The new Employment and Support Allowance, which is currently being phased in and will replace IB entirely by 2011; and
 - iv Severe Disablement Allowance.

Many individuals receiving incapacity benefits are unable to work in any circumstances. However, qualification for incapacity benefits does not necessarily mean an *inability* to work, just evidence of sufficient ill health not to be *required to look* for work. Consequently, a large number of those on incapacity benefits are 'hidden unemployed', who would be able to work in the right circumstances. As the Exchequer cost of these benefits has risen very fast in recent years, they are a key focus for Government attention.

- 3 Those claiming Income Support for **Lone Parents** (IS-LP).
- 4 Those who are available for work, but who are **not claiming unemployment-related or incapacity benefits**. This group includes people for whom it is not worthwhile signing on (for example because JSA is means tested after six months and partners' earnings or former employer pension receipts may disqualify them). It also includes some young people not in education, employment or training (NEET), who may be living with parents and not claiming any benefit.

- 2.9 As Figure 2.1 illustrates, the normal definition of worklessness does not include those who do not want a job. In reality boundaries between categories are not fixed, for example because people change their views depending on changes to their own circumstances and the attractiveness of the employment on offer. As far as possible, this assessment therefore includes those who are not (at least in statistical terms) looking for work.
- 2.10 The glossary at Appendix 2 provides further definitions.

Report Structure

- 2.11 The Worklessness Assessment is structured as follows:
- Section 3: Current demand for labour
 - Section 4: Future demand for labour
 - Section 5: The workless population – An overview
 - Section 6: The workless population – The unemployed
 - Section 7: The workless population – IB claimants
 - Section 8: The workless population – Lone parents
 - Section 9: The workless population – Young people
 - Section 10: The workless population – Concluding comments
 - Section 11: Conclusions and indications

3.0

Current Demand for Labour

3.1

This chapter identifies the demand for labour within Tower Hamlets, covering:

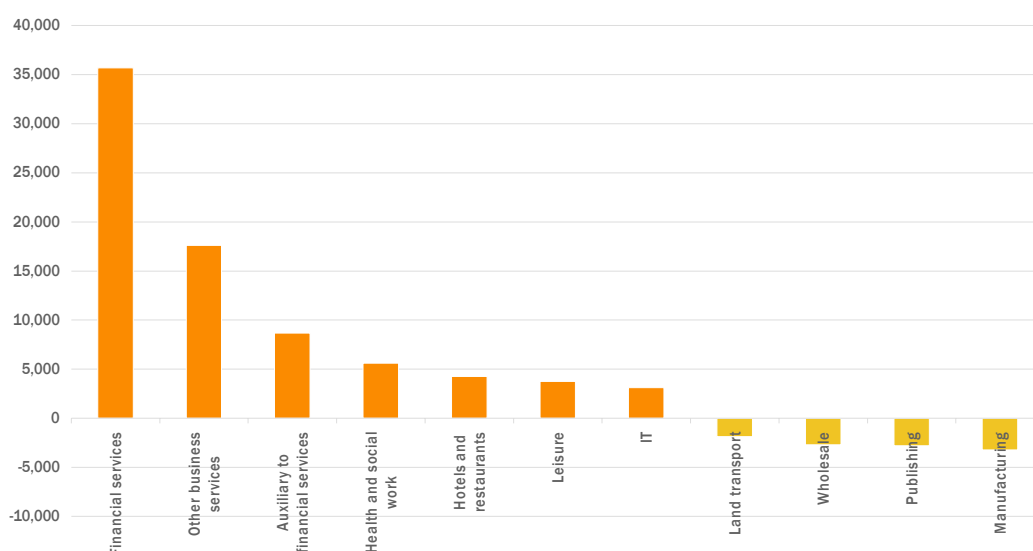
- a An overview: historical trends by sector and by occupation
- b Scale of current demand: JCP vacancies, hard to fill vacancies
- c Characteristics of demand: focusing on skills and qualifications

Historical trends

3.2

Employment opportunities within Tower Hamlets have grown significantly. The number of jobs increasing from 105,000 in 1991, to 140,000 in 2000, to 204,000 jobs in 2008². Figure 3.1 below shows that the greatest employment growth within the borough over the last 10 years has been in financial and business services.

Figure 3.1 Tower Hamlets Employment Growth 1998-2008



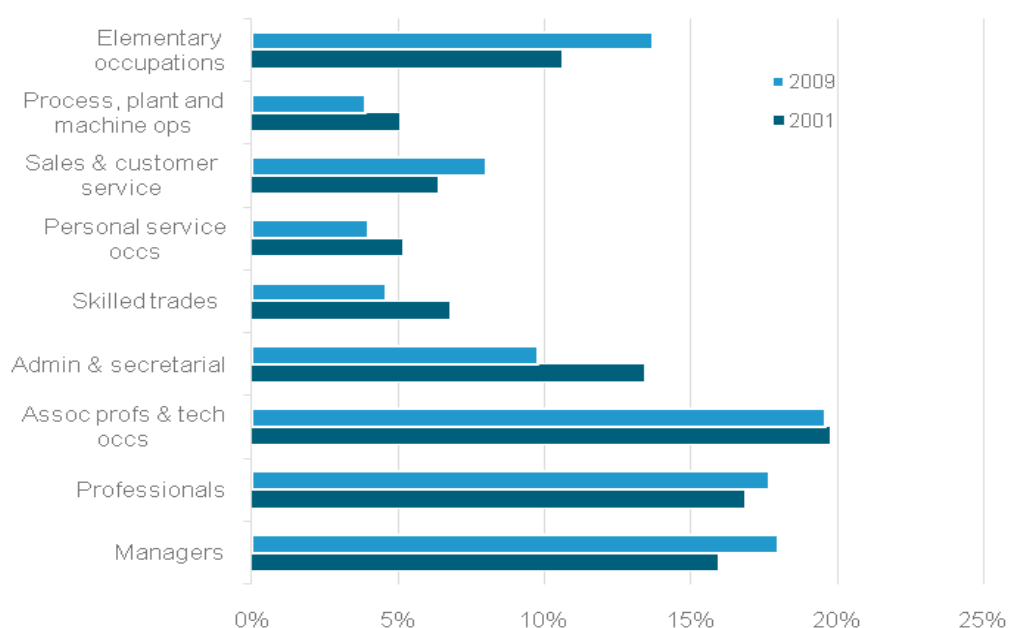
Source: Annual Business Inquiry 1998 and 2008, ONS

3.3

Over half of working residents (52%) are employed (as either employees or self-employed) in the three highest skilled occupations. This proportion has remained relatively static since 2001. However, the proportions of residents employed in low skilled elementary (15%) and sales (7%) occupations have also increased and are higher than the London average. The number of residents employed in these occupations has increased by around two thirds since 2001.

² Census of Employment 1991, ABI 2000, ABI 2008

Figure 3.2 Percentage of residents employed in different occupations 2001-2009 within Tower Hamlets



Source: 2001 Census of Population, Annual Population Survey 2008-09

Table 3.1 Percentage of residents employed in different occupations, a comparison of change between London and Tower Hamlets (2001-09)

Occupation	Change within Tower Hamlets	Change within London
Elementary occupations	+3% points	No change
Process, plant and machine	-1% point	-1% point
Sales and customer service	+2% points	-1% point
Personal service	-1% point	+1% point
Skilled trades	-2% points	No change
Admin and secretarial	-3% points	-4% points
Associate professional and technical	No change	+1% point
Professionals	+1% point	+2% points
Managers	+2% points	No change

Source: 2001 Census of Population and Annual Population Survey 2008-09

Current employment

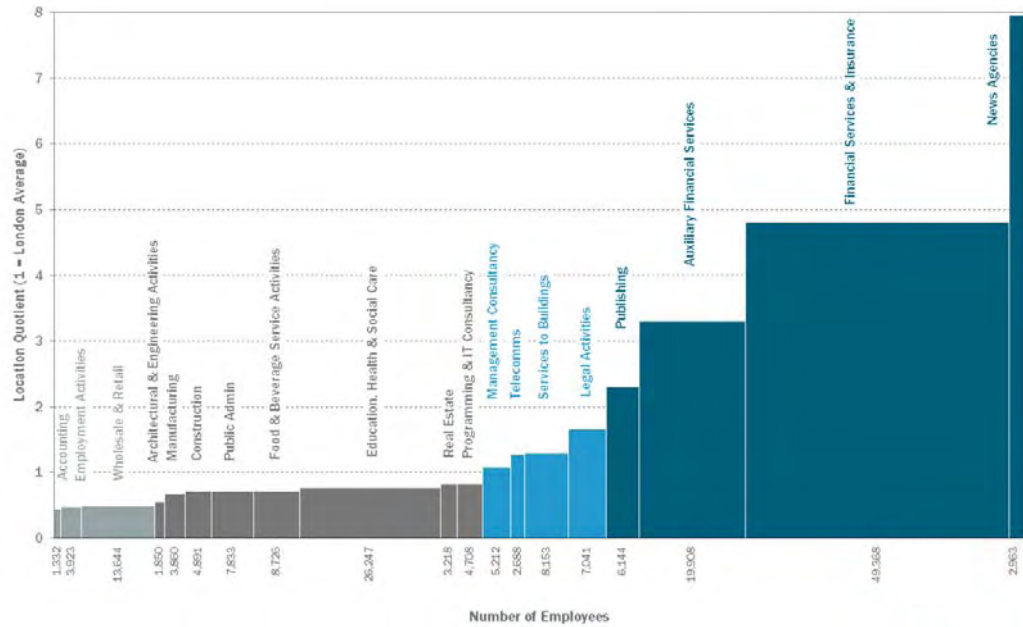
3.4

‘Financial, IT and other business activities’ now provide over half of employment in the borough (55%), compared to 35% in London as a whole. ‘Public administration, education and health’ is the second largest sector, providing 17% of employment (compared to 23% in London) and ‘distribution, hotels and restaurants’ now provides 12% of employment³.

³ The proportion of employment, as well as any change over time, may not apply equally to all aspects named in the category.

3.5 Figure 3.3 below illustrates the scale and proportion of representation within Tower Hamlets compared to the London average.

Figure 3.3 Size and predominance of sectors within Tower Hamlets compared to the London average



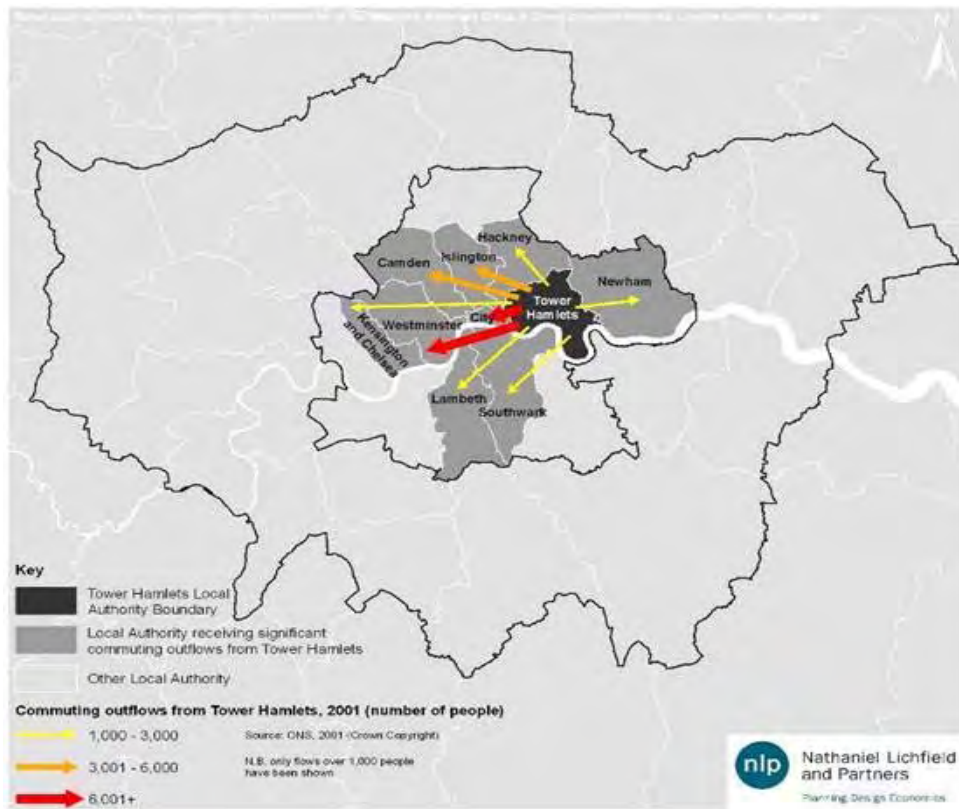
Source: Annual Business Inquiry 2008 (NLP analysis)

3.6 There are many more jobs than working-age residents in Tower Hamlets and it has one of the highest job densities in the country (1.4 jobs per working-age population). However high levels of unemployment and worklessness still persist. As highlighted later, this partly reflects the suitability of local residents to take these jobs, but it also illustrates the level of commuting in and out of the borough. Less than a third (31%) of working residents work in the borough with the rest working outside it: 25% commute to the City, 13% to Westminster and 7% to Southwark⁴. The net result of all commuting flows is that residents account for just 15% of all those working in Tower Hamlets⁵.

⁴ Source: Census 2001

⁵ Source: Annual Population Survey 2008

Figure 3.4 Out-commuting flows

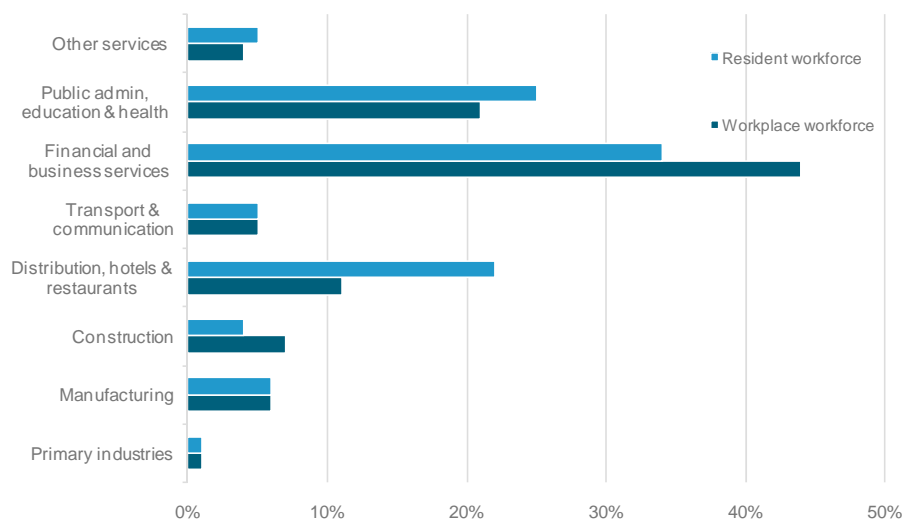


Source: Census 2001

3.7

The influence of commuting is highlighted in figure 3.5 which shows the disparity between the resident workforce and the workplace workforce by industry.

Figure 3.5 % of the Tower Hamlets workforce and residents employed in each sector

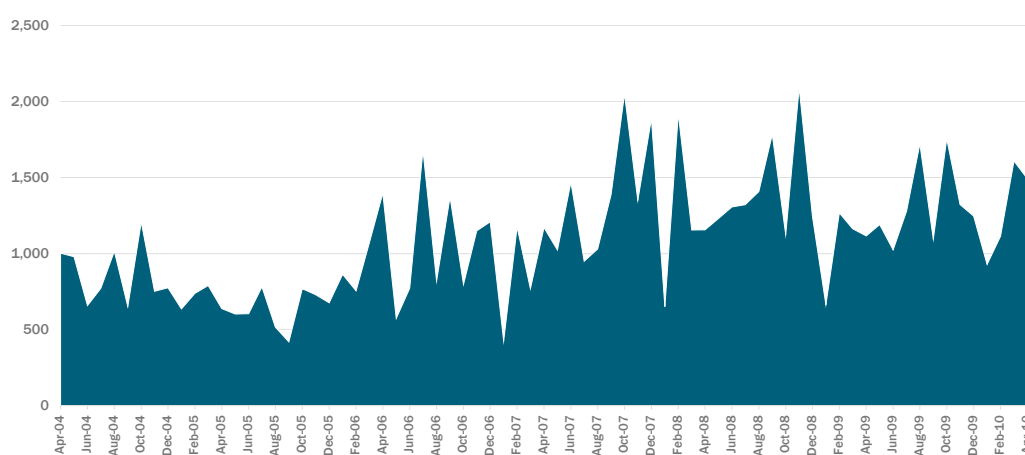


Source: Annual Population Survey 2008-09

Current vacancies

- 3.8 National DWP research⁶ suggests that the prospects of a recession centred on financial and business services employment in London have been proved relatively unfounded. Although employment within the borough was hit by the recession, many of the high-profile job losses such as Lehman Brothers were not as severe as news coverage suggested. This was because:
- 1 failed firms were taken over with the majority of the workforce staying on (Nomura bought Lehman Brothers), and
 - 2 where downsizing occurred these individuals rapidly rejoined the labour-force⁷.
- 3.9 The 2009 National Employer Skills Survey (NESS) reports that nearly one fifth of employers (19%) had vacancies at the time of the survey, slightly higher than the London (14%) and England (12%) average.
- 3.10 In addition, although the number of Jobcentre Plus (JCP) notified vacancies fluctuates widely in response to seasonal demand and other administrative factors (see Figure 3.6 below), the data shows that in April 2010 there were 1,493 vacancies within the borough. Figures for any individual month should be treated with caution, and it should also be noted that the best available estimate is that JCP vacancies only account for at most a third of all vacancies.
- 3.11 Vacancy data must also be treated with caution as the data can imply job creation where this may not be occurring – individuals may be moving between jobs creating vacancies rather than employers expanding their workforce.

Figure 3.6 Tower Hamlets JCP Notified Vacancies



Source: ONS Jobcentre Plus Notified Vacancies

⁶ DWP (2010): Evaluation of First Phase of City Strategy

⁷ Stakeholder consultations

- 3.12 A recent survey of London employers⁸ shows that when recruiting the majority of employers consider general employability skills (92%), basic literacy and numeracy (81%) and English fluency for speakers of other languages (76%) to be important or very important.
- 3.13 In addition 70% highlight work experience as an important factor when considering someone for interview, whilst half identified the level of the qualification as important.

Recruitment difficulties

- 3.14 A survey of London employers⁹ in 2010 suggests few expect that difficulties recruiting key staff will worsen over the next three years. It also suggests that the majority of employers recruit people employed elsewhere (90%) whilst 70% recruit those that are out of work. Around half recruit university and college leavers whilst around one third recruit school leavers.
- 3.15 According to the 2009 National Employer Skill Survey (NESS)¹⁰, although more employers in Tower Hamlets were recruiting in 2009 compared to the London and England average they are slightly less likely to report recruitment difficulties.
- 3.16 Within the borough, 19% of employers are actively recruiting, of which nearly one quarter (23%), or 4% of all employers, reported having hard to fill vacancies. This compares with 28% of all recruiting employers reporting difficulties across England and London.
- 3.17 The results from the NESS contrast with the results from the business survey carried out for the LEA (reported more extensively in Volume 2). When asked 'do you find it difficult to recruit appropriately qualified staff from the local area?' about 20% of respondents reported difficulties. We believe that some of this discrepancy between 4% for the NESS and 20% for our own survey is that the LEA survey asked about recruiting *from the local area*. Many employers within the borough meet their skills needs by hiring people who live outside Tower Hamlets.
- 3.18 From the NESS, where employers in Tower Hamlets do have hard to fill vacancies, nearly all (95%) report that this is because of skill shortages rather than other reasons. This compares with the London average of 86% and 76% across England. Across London the main skills employers' found difficult to obtain were technical, practical or job specific skills (67%), customer handling skills (45%) and management skills (43%). In addition two fifths found it difficult to recruit people with oral communication, problem solving and teamwork skills.

⁸ London First (2010): The Voice of London Employers

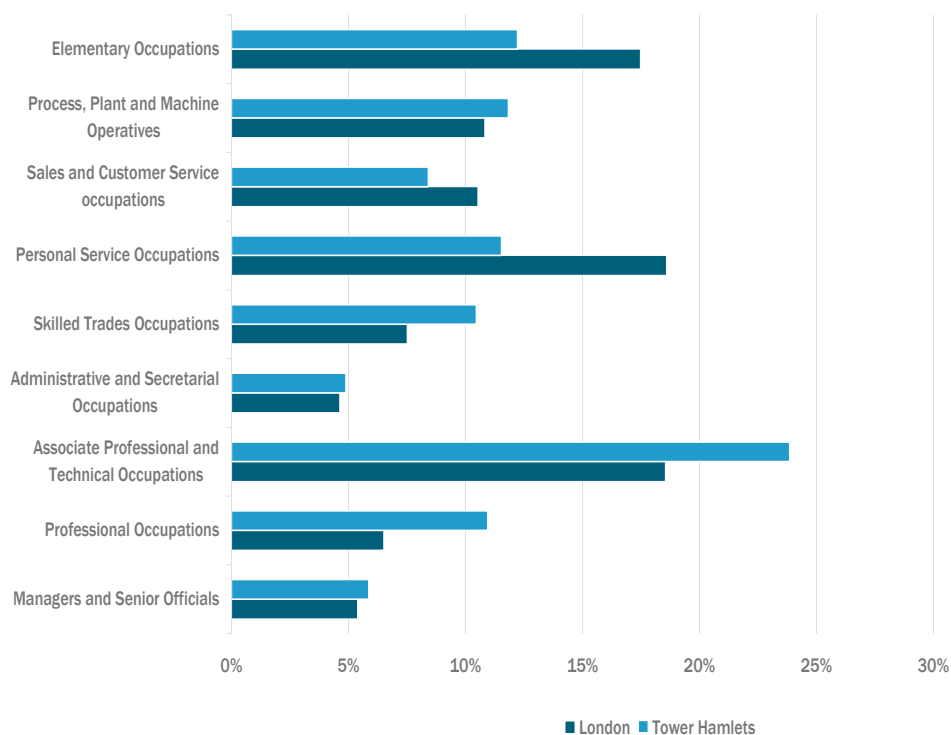
⁹ London First (2010): The Voice of London Employers

¹⁰ Data from the National Employer Skills Survey is unfortunately not available below borough level.

3.19

These difficulties may reflect the high number of high-level skilled jobs in the borough. Analysis of Job Centre Plus vacancies shows that on average nearly a quarter (24%) of live unfilled vacancies in 2009 was in associate professional occupations and two fifths were in the three high skilled occupational groups. This position is higher than the London average.

Figure 3.7 Proportion of Unfilled Vacancies, by occupation



Source: Jobcentre Plus Notified Vacancies 2009, ONS

3.20

Further disaggregation for the three high skilled occupational groups shows that these vacancies were for: sales representatives (accounting for 22% of the combination), vocational and industrial trainers and instructors (7%), police officers (5%) and social workers (5%)

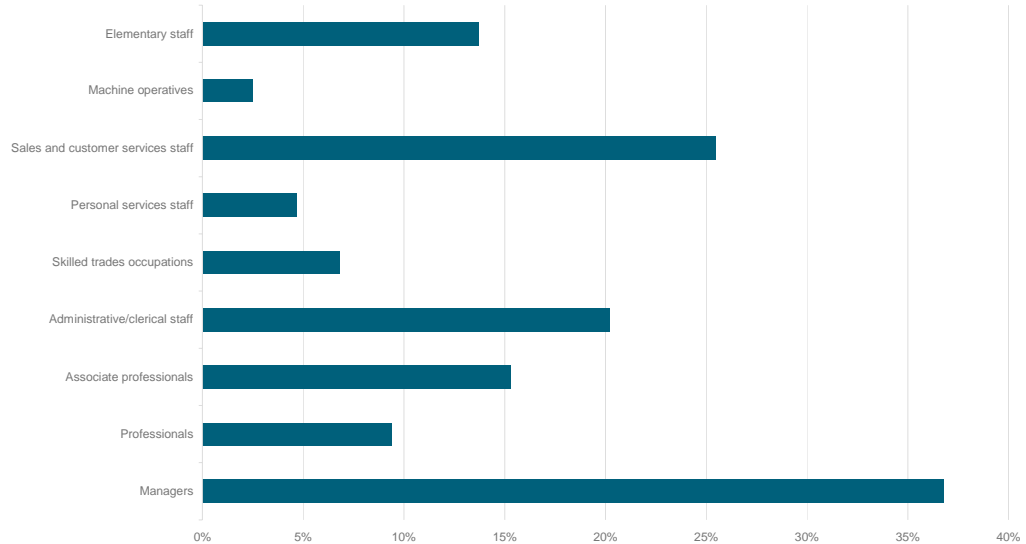
Skills gaps

3.21

Employers are described as having a 'skills gap' where they have staff who they believe to be not fully proficient at their job¹¹. In the 2009 NESS, 18% of employers in Tower Hamlets reported skills gaps amongst their existing workforce, which is similar to the London (17%) and national (19%) averages. Although care should be taken because of the sample size, the NESS suggests the highest proportion of employers in Tower Hamlets have identified skills gaps amongst their managers (37%), sales and customer service staff (26%) and administrative staff (20%).

¹¹ Employers may, of course, see other 'gaps' in the performance of their staff which they would like to see addressed, such as attitude and confidence. These do not conventionally count as "skills" gaps.

Figure 3.8 Proportion of employers with skills gaps in each occupation



Source: NESS, 2009

3.22

Although the sample size for Tower Hamlets is small the 2009 NESS survey suggests the most common skills gaps are related to technical, practical and job specific skills (61% of those with skills gaps identified this). The next most common skills gaps, identified by just under half, were oral communication, problem solving, management skills and team working. These reflect the skills gaps identified London wide, with the exception of customer handling skills where many more firms across London (over half) identified it as a skills gap compared with Tower Hamlets (around a third).

Table 3.2 Type of skills gaps identified by those Tower Hamlets employers reporting skills gaps

Type of skills gap	% of employers reporting skills gaps
Technical, practical or job-specific skills	61%
Oral communication skills	45%
Problem solving skills	43%
Management skills	43%
Team working skills	43%
Office admin skills	40%
Customer handling skills	34%
General IT user skills	33%
Numeracy skills	28%
Written communication skills	26%
IT professional skills	19%
Literacy skills	17%

Type of skills gap	% of employers reporting skills gaps
Foreign language skills	16%
Unweighted base	85
Weighted base	1,264

Source: NESS, 2009

- 3.23 In response around 70% of Tower Hamlets employers with skill shortages intend to increase their training. Around one quarter will increase staff appraisals and performance reviews and one sixth will undertake more supervision of staff.

Effect of poor skills on current employers

- 3.24 Research by the Institute of Directors (IoD)¹² suggests that skills gaps, skills shortages, lack of innovation and a lack of access to finance were the main causes of lack of growth.
- 3.25 Research by the Federation of Small Businesses on SMEs' skills requirements¹³ suggests a number of issues relating specifically to small business growth. Expanding small firms have more skill gaps in their staff than firms not looking to grow. Given that 15% of businesses within the borough that have only existed for two years are actively growing, this would suggest that poor skills could be acting as a brake on economic performance for some SMEs within the borough.¹⁴
- 3.26 The 2009 NESS suggests skills shortages are having a range of impacts on employers within the borough. Nearly two-thirds of employers with skills shortages report that skills shortages have led to an increase in workload for other staff, over one-third report that it has caused difficulties introducing new working practices and around one-quarter report increased costs or have lost business to competitors due to skills shortages.

Indications & Issues

- 3.27 Vacancies within the Borough are much more likely to be within skilled occupations, within both service industries (associate professionals and professionals) as well as non-service industries (skilled trades).

Issues

- 3.28 Residents' occupations are becoming less varied. There are more residents working within elementary occupations and at the other end of scale as professional and managers. The occupational structure is in-effect losing the

¹² IOD (2007): The SME glass ceiling

¹³ FSB (2008): Putting the economy back on track – Skills and training

¹⁴ ONS (2009): UK Business Demography

middle ground and hollowing out. If this trend continues income inequality between residents may increase.

3.29

Like London as a whole, employers within the borough have skills gaps resulting in them not reaching their economic potential. Although a city-wide issue, the Council may want to ensure that training, learning and development providers within the borough understand what local employers require by facilitating the relationship between providers and employers.

4.0 Future Demand for Labour

4.1 This chapter details the future demand for labour and is structured as follows.

- a Future demand – the numbers: expansion and replacement demand by sector and occupation
- b Future demand – the quality: skills and qualifications requirements for important sectors

The demand for labour

4.2 Many parts of the service sector are predicted to bounce back quickly from the recession. The economic projections applicable to Tower Hamlets are considered more generally in Volume 4, but a summary of the implications for employment are set out here.

4.3 Across London, GLA Economics forecast greatest employment growth between 2011 and 2016 in business services, other services (eg media, recreation and leisure) and hotel and restaurants. Manufacturing, construction and public services will see the greatest decline over the same period.

4.4 Given that Tower Hamlets is a prime location for many of these growth sectors it is unsurprising that forecasters predict further job growth in the borough. Future demand is quantified in three recent employment growth projections:

- a *Oxford Economics* predicts 12,900 new jobs (2010-18)¹⁵;
- b *GLA Economics* predicts 45,000 new jobs (2007-16)¹⁶; and
- c *Working Futures 2007-2017* predicts 21,500 new jobs (2007-17)¹⁷.

4.5 Clearly the projections vary significantly. The main reason is that they were developed at different times, before and after the economy began to turn down. GLA Economics may therefore be over optimistic about the amount of new growth, but Oxford Economics may be too pessimistic, particularly as recent ONS data¹⁸ shows that the economy is recovering more quickly than initially thought. The Working Futures forecasts were undertaken before the recession. For the purposes of this analysis, it is reasonable to regard these projections as ‘bookends’ for potential employment growth and take an approximate mid-point.

GLA Economics

4.6 GLA Economics forecasts that borough employment will grow by 16% between 2011 and 2016, and 29% between 2011 and 2021 gaining approximately:

¹⁵ Oxford Economics (2008): The economic outlook for Tower Hamlets

¹⁶ GLA Working Paper 39 (2009): Borough employment projections to 2031

¹⁷ UKCES: Working Futures 2007–2017 (2008). We have applied Borough weighting to London estimates produced in the research

¹⁸ ONS (Q1 2010): Quarterly Growth Report

- a 21,000 new jobs created between 2007 and 2011;
- b 24,000 new jobs created between 2011 and 2016;
- c 28,000 new jobs created between 2016 and 2021;
- d 11,000 new jobs created between 2021 and 2026;
- e 11,000 new jobs created between 2026 and 2031.¹⁹

Oxford Economics

- 4.7 The Oxford Economics forecasts suggest that between 2010 and 2018 business services will lead the growth in jobs in the borough. Employment in the sector is expected to grow on average by 3.4% per year (a total of 13,300 jobs).
- 4.8 Financial services will create another 9,200 jobs. In contrast employment is expected to continue to fall in manufacturing.

Table 4.1 Employment forecasts by sector 2010-18

Sector	Change	Average annual % change
Primary industries	-200	-1.2%
Manufacturing	-2,800	-3.2%
Construction	2,100	3.9%
Distribution	2,300	2.1%
Hotels	1,600	2.2%
Transport & communications	-100	-0.1%
Financial services	9,200	1.9%
Business services	13,300	3.4%
Public Admin	5,700	1.4%
Total	31,200	1.8%

Source: The economic outlook for Tower Hamlets, Oxford Economics

UKCES Working Futures

- 4.9 Forecasts produced as part of UKCES Working Futures project, illustrate changes in occupational employment between 2007 and 2017²⁰. Although undertaken before the financial crisis they show long-term trends in occupational employment. They show that in London the vast majority of new jobs will be in the high skilled managerial, professional and associate professional occupations, while employment in administration will show the largest decline (see figure 3.9 overleaf).
- 4.10 However when considering future growth it is too easy to focus on new job creation alone, ignoring the requirement to replace workers who leave the workforce, for example as a result of retirement or ill-health. Combining all

¹⁹ GLA Working Paper 39 (2009): Borough employment projections to 2031

²⁰ UKCES (2008): Working Futures 2007 - 2017

occupations within London together, replacement demand is about six times larger than new job creation projected between 2007 and 2017.

Figure 4.1 Expansion and replacement demand for employees within London, 2007-2017

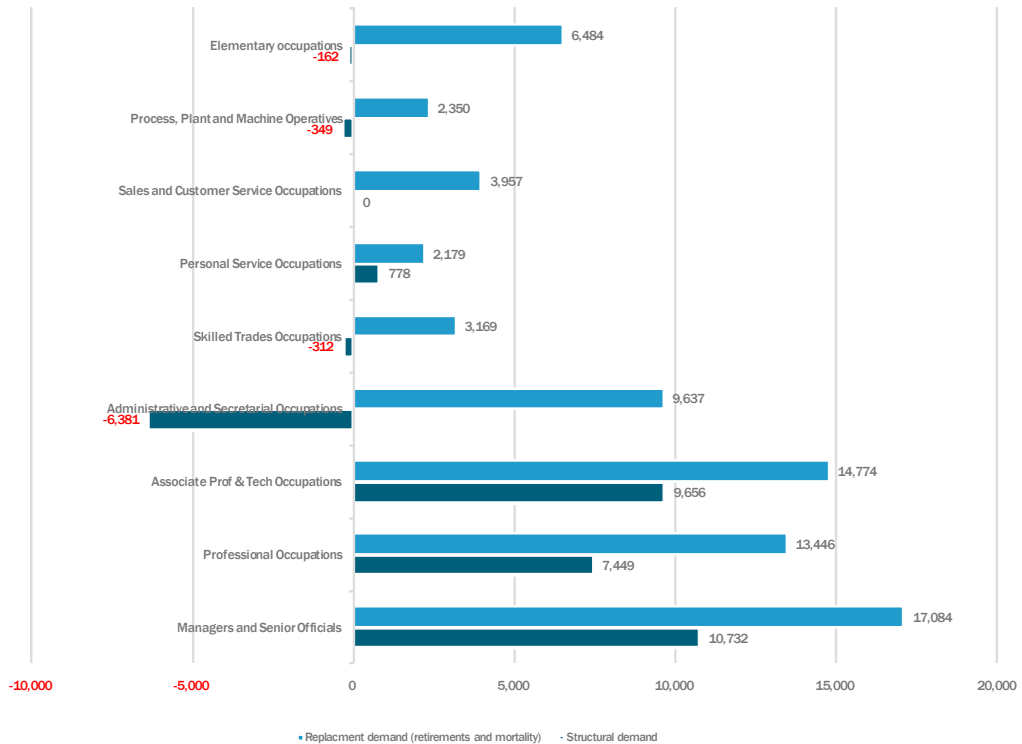


Source: UKCES Working Futures 2007-2017

- 4.11 Two broad groups of occupations with different patterns of expansion and replacement demand are identifiable. For some groups replacement demand outweighs net falls in the numbers employed. This applies, for example, to administrative, clerical, secretarial and related occupations, skilled metal and electrical trades, and elementary occupations.
- 4.12 For many others, replacement demand will add to expansion demand to create a need for even more new entrants. This applies, for example, to managers and senior officials, associate professionals, and other professionals.
- 4.13 For illustrative purposes, replacement and expansion demand have been calculated for each occupation employed in Tower Hamlets by applying the London-wide changes to the current occupational structure of the borough. To ensure reasonably robust results the analysis uses the same timelines that Working Futures uses (2007 to 2017) even though this means these 'projections' start in the past. Our model shows a structural demand of 21,412 coupled with replacement demand of 73,080 gives a net demand for employees of 94,492 for the period 2007 to 2017.
- 4.14 Although the age profile of Tower Hamlets is significantly younger than the London average (and this may overstate the level of replacement demand) the analysis (shown in Figure 3.10 below) suggests that there will be a need for

new entrants across all occupations over the next seven years, although there will be many more vacancies in higher skilled occupations.

Figure 4.2 Expansion and replacement demand for employees within Tower Hamlets, 2007-2017



Source: UKCES Working Futures 2007-2017, (Mackinnon Partnership analysis)

4.15 These positive projections are complemented by the LEA business survey. Almost half the respondents believed that they would grow their workforce over the next two to three years.

Occupational change

4.16 Working Futures does not provide London forecasts of replacement demand by sector, so it is not therefore possible to say in which sectors these replacement jobs are associated with. However the UK National Strategic Skills Audit²¹ summarises likely areas of most significant future occupational change in the UK in more detail. Table 3.4 shows many of these sectors are important in Tower Hamlets.

²¹ Skills for Jobs (2010): Today and Tomorrow The National Strategic Skills Audit for England

Table 4.2 UK High growth occupations by sector, 2007-17

High growth occupations in large sectors with expanding employment	High growth occupations in sectors with expanding employment
<ul style="list-style-type: none"> • Corporate managers and science and technology professionals in computing and related services and other business services. • Corporate managers in the health and social work sector. • Business and public service professionals, associate professionals, health associate professionals, culture/media/sport occupations, caring/personal service occupations and customer service occupations in other business services. 	<ul style="list-style-type: none"> • Teaching and research professionals and business/ public service professionals in hotels and catering. • Teaching and research professionals and business/public service professionals in computing and related services. • Culture/media/sport occupations and business/public service associate professionals in hotels and catering. • Culture/media/sport occupations and business/public service associate professionals in computing and related services. • Personal service/caring occupations in hotels and catering and computing and related services. • Customer service occupations in hotels and catering and computing and related services.
High growth occupations in large sectors	High growth occupations in multiple sectors
<ul style="list-style-type: none"> • Corporate managers in distribution relating to motors and wholesale distribution, transport and storage, professional services, public administration/defence and education. • Teaching and research professionals in education. • Business/public service (associate) professionals and health associate professionals in health and social work. • Business/public service associate professionals in banking/insurance. • Caring/personal service occupations in education, health and social work and miscellaneous services. 	<ul style="list-style-type: none"> • Teaching and research professionals. • Culture/media/sports occupations. • Caring/personal service occupations. • Customer service occupations.

Source: Skills for Jobs: Today and Tomorrow, The National Strategic Skills Audit for England 2010

Skills requirements

4.17

In addition to changing numbers of people employed in different roles there will be changes in the skills required. The analysis uses national research and reports from Sector Skills Councils to provide some indication of sector specific needs.

- 4.18 Important sectors for employment both now and in the future for Tower Hamlets include the; digital industries, creative and cultural industries, financial services and retail.
- 4.19 The digital industries can be divided between individuals who create content (for instance film, animation, commercials, interactive media, and advertising) and those who create and maintain IT infrastructure.
- 4.20 There is an over-supply of people who want to work in content creation. Despite this, employers report considerable skill mismatch in both technical skills (for instance producing content on different IT platforms) and generic business skills (primarily sales, marketing, and how to protect/copyright content)²².
- 4.21 Within the latter group (those who create and maintain IT infrastructures) there is a considerable deficit in terms of quantity and skills. Nationally, 550,000 new individuals are required to work in this sector (2010-15) and given current numbers of young people on relevant courses only 20% of this need can be met through new entrants. This suggests the remainder will need to come from the working population who will have to re-train to meet this need²³. In terms of skills, employers require more individuals with the right mix of technical and generic business skills including programme management, supplier management and service management.
- 4.22 Although there will be a growth in the number of highly skilled jobs in the digital industries, this sector will also increase its off-shoring/outsourcing of lower skilled jobs as the emerging economies' workforce become better skilled and able to perform these functions. Network administration will become more automated resulting in a consequential loss of employment as well²⁴.
- 4.23 Skillset, the SSC for the creative media industries, also drew attention to generic skills in its research, which showed that some 40% of employers in its sector are experiencing skills gaps in sales and marketing and 32% in general business skills. Creativity and innovation skills was also mentioned but much less often, with one in six firms (17%) indicating that they are a problem.²⁵
- 4.24 In the creative sector more widely, despite an oversupply of new entrants skills mismatches, have been identified with regard to production skills, intellectual property knowledge, commercial acumen (e.g. enabling the monetisation of content), broadcast engineering, visual effect skills (where there is a strong global recruitment element) and managerial leadership²⁶.
- 4.25 The future of financial services is unclear; predictions vary from a 5% increase by 2020 to a 25% decrease in the workforce²⁷. However the long-term trends

²² Skills for Jobs (2010): Today and Tomorrow - The National Strategic Skills Audit for England 2010 - Volume 2

²³ ibid

²⁴ E Skills (2009): IT & telecoms Insights 2010

²⁵ Skillset (2009): Recession to recovery and Skillset: Strategic skills assessment for the creative media industries

²⁶ Skills for Jobs (2010): Today and Tomorrow - The National Strategic Skills Audit for England 2010 - Volume 2

²⁷ PWC (2010): National Skills Audit financial services

around skills will continue irrespective of workforce expansions or contractions. There are two drivers: tighter regulation and personal banking becoming more 'digital' and more automated.

- 4.26 Tighter regulation is likely to result in more emphasis on skills relating to risk management including; industry and product knowledge, and complex mathematics and statistics²⁸. Personal banking is increasingly being provided online or over the phone reducing demand for low-skilled customer facing jobs. Routine enquires will increasingly be automated and be asked and resolved digitally. The flip-side to this is that workers will only be required for complex customer issues, and will require higher skills as a result so that they can deal with more complex issues. Similarly, higher skilled, managerial jobs will need more technological expertise to understand and manage the same processes²⁹.
- 4.27 Skillsmart Retail, the SSC for the retail sector, predicts a number of changes irrespective of the recession. An increasing focus on customer service is required to compete with online stores as well as an increased use of IT to make in-store processes more efficient and low cost. This means staff must have an excellent knowledge of products and services, be able to problem solve and up-sell so customer service is excellent and profit is maximised. IT skills must also be improved so staff can use computerised cashier and stock software to reduce costs³⁰.
- 4.28 Workers in the retail sector have comparably lower levels of qualifications than other sectors. Instead employers value generic skills such as customer handling, problem solving, team working and communication. Currently, half of employers in England identify skill gaps in customer handling and communication skills, two fifths in team working and a third in problem solving³¹.
- 4.29 The table below is an extract from the National Skills Audit and summarises future skill needs in sectors most relevant to Tower Hamlets.

²⁸ ibid

²⁹ FSSC (2008): London Market Skills Review

³⁰ Skillsmart Retail (2007): Sector Skills Agreement, Stage 1: Assessment of current and future skill needs

³¹ ibid

Table 4.3 Future skill needs in key sectors relevant to Tower Hamlets

Sector or sub-sector	Skills Demands within occupations
Professional/ Financial Services	Level 4 qualification for 60,000 investment advisors by 2012; financial services professionals may require expertise in carbon trading, financing emerging market growth and Islamic banking; risk management, understanding of capital markets, corporate risk, ethical management and influencing corporate stakeholders among senior managers in financial services.
Engineering/ Construction	Management and leadership skills required will include design management, multi-discipline team and technical leadership; contract and relationship management; leadership and supervision onsite, including operating plant, construction and maintenance.
Digital Economy	<p>There will be increasing demands to deliver creative content using multi-platform capability which will suit a range of devices including HD television, portable display units, e.g. telephones and more conventional PC displays. Managers will need project management skills for multi-platform development; mixing conventional leadership skills with innovation, creativity and understanding of technology. Collaboration will be needed between telecommunications, technology and creative content organisations requiring strong management skills in forming, brokering and maintaining networks and alliances.</p> <p>Technology professionals will need greater skills in the application of technology to improve business performance. As well as continuing to have very strong technical skills in areas such as systems architecture and security, they will also need to develop greater expertise in networking, and more will need skills in areas such as multi device management and design, to take advantage of converged technologies. Web and internet specialist skills will be increasingly in demand, as will the project management and supplier management skills to manage outsourced work.</p>
Creative	Skills in the use of digital media, ICT skills. advertising and visual arts, marketing skills.
Retail	Management/professional skills in online retailing development through web design, front line administration, data analysis, logistics and distribution and seamless transition of customers between multiple channels; customer handling and team working skills in customer service roles; entrepreneurship, commercial acumen/awareness and leadership skills, understanding supply chains to meet customer expectations for information about ethical sourcing and fair trade among Managers.
Tourism, Hospitality, Leisure	Customer service roles in hospitality/retail – basic communication, literacy/numeracy, team working, problem-solving, and empathy to enhance customer experience.
Care	ICT literacy among care assistants to support care users in learning to manage assisted living technologies.
Low Carbon	Additional skills relating to installation and maintenance of new equipment in building services/engineering sectors including electrical trades, heating/ventilation and air conditioning fitters related to developments in the low carbon economy Skills in resource management across the rest of the economy from more efficient use of fuel in driving, to reducing waste in food production and land management.

Source: Skills for Jobs: Today and Tomorrow The National Strategic Skills Audit for England 2010

Indications & Issues

- 4.30 Projections of future demand vary significantly, but it is clear that there will be many new jobs created within the borough over the next decade, probably ranging between 1,600–5,000 additional jobs per annum (though not at an even rate).
- 4.31 Even excluding the creation of new jobs, there will be considerable demand for employees because of natural wastage in the form of retirement and mortality (ie replacement demand). Using *Working Futures 2007-2017* figures for London extrapolated to Tower Hamlets, this projects replacement demand of some 94,500 vacancies (2007-17).
- 4.32 Although there will be opportunities for individuals joining the labour market in elementary occupations, over time these opportunities will likely become fewer. The challenge for residents is to gain the appropriate skills so that they are able to access the higher-skilled occupations that will be in greater demand rather than the declining numbers of lower-skilled jobs.

Issues

- 4.33 Modelling future demand for labour requires assumptions about growth and the general economic environment, and those assumptions affect the result. Economic pessimism during a recession is likely to produce more pessimistic assumptions – so though models produce precise numbers, they should always be treated with caution.
- 4.34 What is much more certain is which sectors will grow and which will decline, and what personal skills will be in demand.
- 4.35 Even that deserves a caveat however, for though a sector may be declining, if it exists some firms are likely to be doing well within it. The currency exchange market was dealt a big blow by the advent of the Euro, but Travelex bought failing rivals and now dominates its sector, profitable despite the smaller overall size of the market.

5.0 The Workless Population – An overview

5.1 This chapter provides an overview of the workless population within Tower Hamlets covering:

- a Economic activity and inactivity rates;
- b The characteristics of workless benefit claimants, including disaggregation by age and duration of claim;
- c The geography of worklessness; and
- d The barriers the workless face in re-entering the labour market.

Defining the workless

5.2 The 'workless' population are people of working age who do not have a job. The great majority of those without work want a job, though many are so discouraged by their assessment of their prospects that they have stopped looking. The analysis below sets out what the data reveals about all those who are workless.

Introduction

5.3 The economic activity rate for those of working age is 70%, much lower than the London (76%) and UK (79%) averages. Over a quarter (26%) of those of working age are economically inactive and (say that they) do not want a job.

5.4 Economic activity rates for men (81%) are similar to the London and UK average (83% for both), but rates for women (58%) are much lower than London (68%) and the UK (74%). This is because over a third of women of working age (37%) are economically inactive and do not want a job. Nationally this is only second to Newham (39%) and is much higher than the London (24%) and UK (20%) average.

5.5 61% of all those of working age are in employment, an increase from 54% in 2004. Those from ethnic minorities have lower employment rates than those from white backgrounds. Employment rates for women are much lower.

5.6 13% of the working age economically active are unemployed, nearly twice the UK average (7.6%) and higher than London (8.6%).

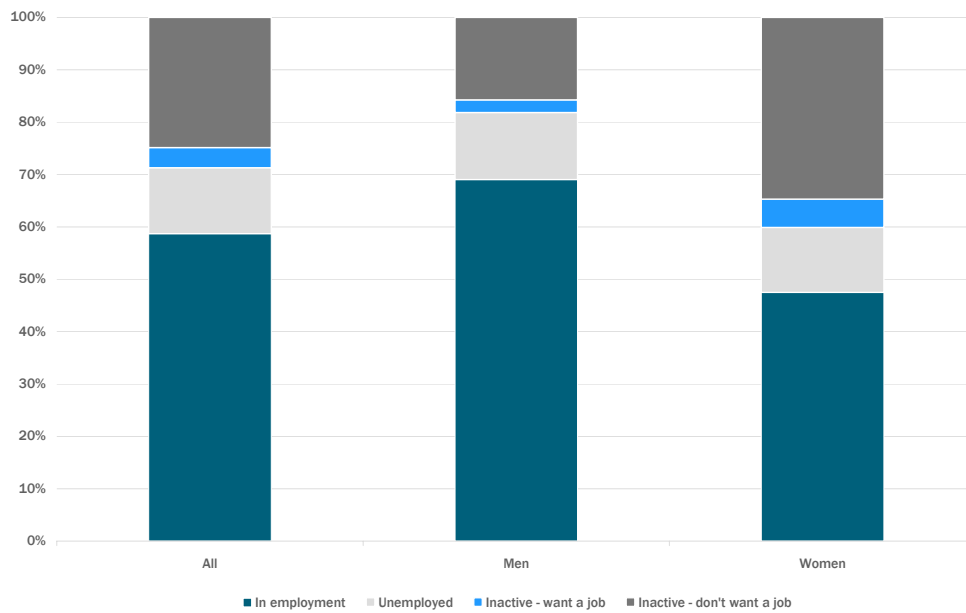
5.7 In February 2010 the unemployment benefit claimant rate was 6.7%. Although this is higher than the London average (4.4%) the gap has declined slightly over the last two years. This is because male unemployment has risen slightly less in Tower Hamlets. However, the proportion of male claimants (9.1%) is more than double that of women (4.1%) and the gap has grown over the last two years.

5.8 The paragraphs below explore and analyse these factors in more detail.

Economic Activity

5.9 The economic activity rate is low, but the borough average is heavily skewed by the high proportion of economic inactive women who do not want a job. Unemployment rates are higher among men than women and the gap has grown over the last two years.

Figure 5.1 Economic activity of working age population



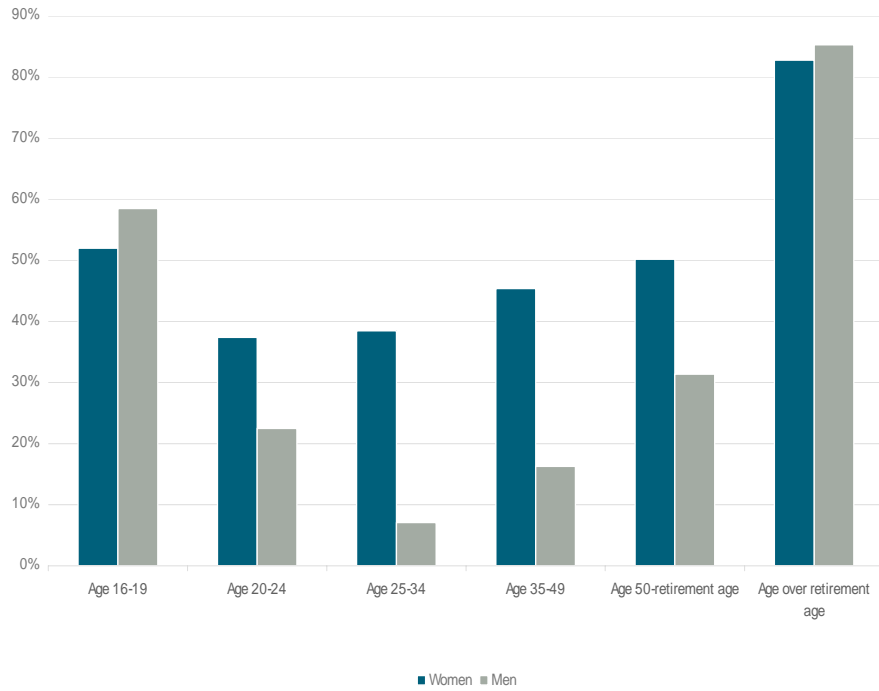
Source: Annual Population Survey, 2009

The economically inactive

5.10 Through the Annual Population Survey (APS) it is possible to disaggregate 'economically inactive' for both sexes by age. However, due to the nature of the APS, confidence levels vary significantly, in some cases as poor as 20%, indicating that the statistics may be very inaccurate. Consequently no robust data is available for any smaller area than the borough as a whole.

5.11 42% of women are economically inactive within the borough compared to 19% of men. The variance between women and men is most stark at age 25 to 34 where the difference is approximately 30% of the working age population. This partly reflects women leaving the labour market to start a family. However given that economic inactivity rates increase from 20-24 onwards it would seem that only a small proportion of them return to the labour force after raising their family.

Figure 5.2 Economic inactivity rates within Tower Hamlets, by sex and age

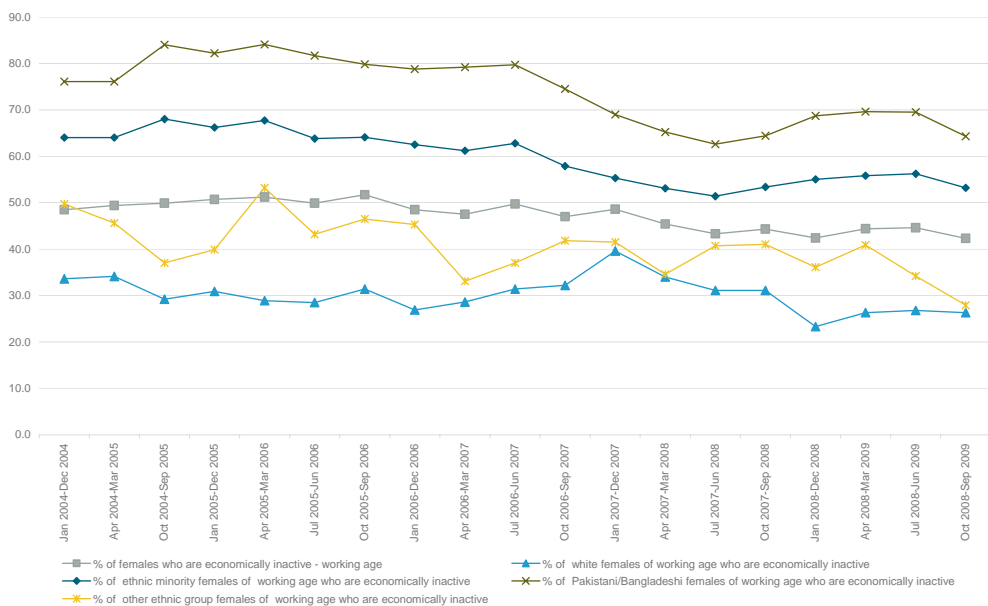


Source: Annual Population Survey, 2009

5.12

It is also possible to disaggregate by ethnicity (although again, in some cases the confidence level is around 20% indicating that the statistics may be very inaccurate). Figure 5.3 shows that almost two-thirds of Bangladeshi female residents are economically inactive compared to a quarter of White female residents.

Figure 5.3 Economic inactivity rates within Tower Hamlets, by ethnicity

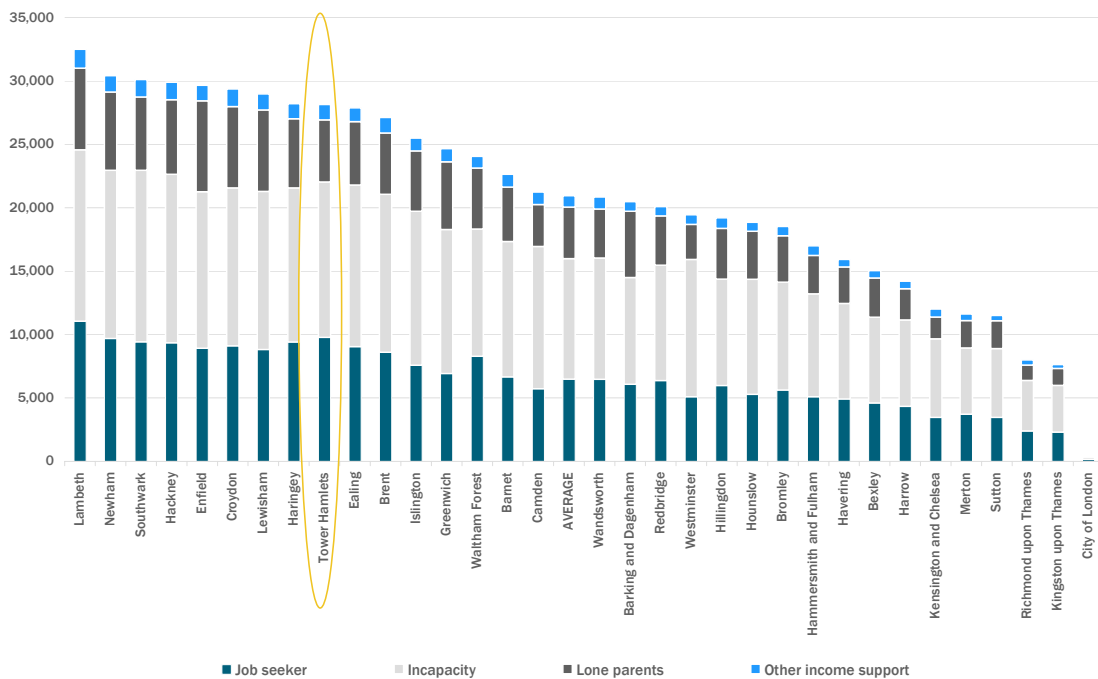


Source: Annual Population Survey, 2009

A statistical overview of worklessness

5.13 The overall scale of worklessness within Tower Hamlets has been steady during the last decade. In February 2000 there were 28,110 residents claiming an out-of-work benefit and although this did decrease to 25,950 in August 2008 the count has now increased back to its usual level. Currently there are 28,160 residents claiming an out-of-work benefit within the borough (this is the 9th highest count in London).

Figure 5.4 Number of working age population claiming an out-of-work benefit



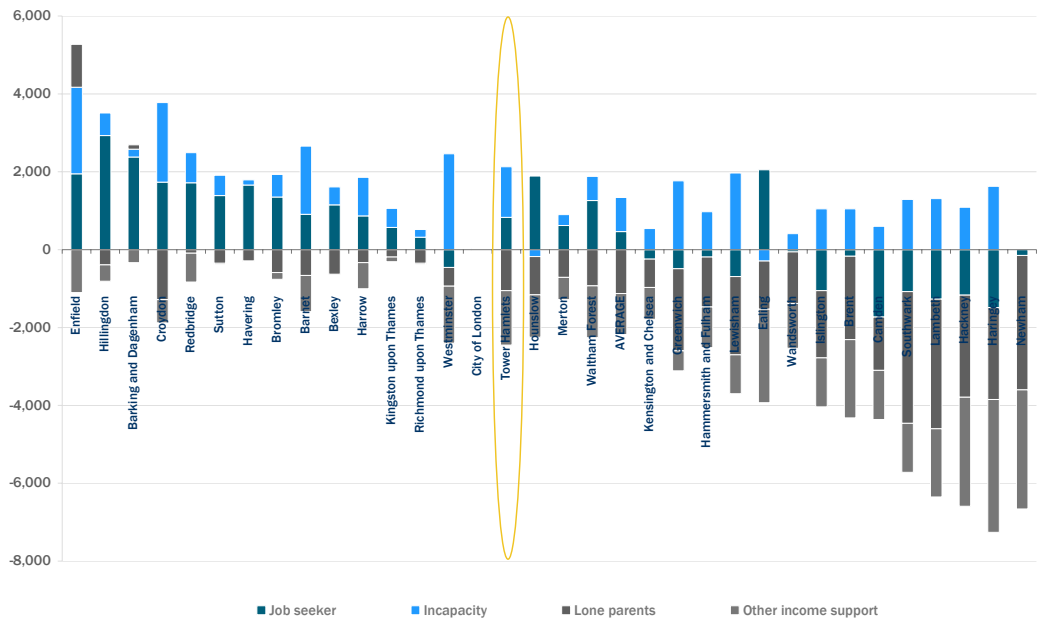
Source: DWP working age data Nov 2009

Characteristics

5.14 Although the overall numbers of those claiming benefits has remained steady the benefit breakdown has altered.

5.15 There are fewer lone parents claiming than was the case in 1999 and there are fewer individuals claiming income support that is not linked to jobseekers, incapacity, lone parent or carer benefits. The largest increase in the same period has been in the numbers claiming incapacity benefit (+1,300) and job seekers allowance (+830). These changes follow the London-wide trend.

Figure 5.5 Change 1999 to 2009 in scale of working age worklessness population, by benefit type (those to the left have had greatest overall increase)

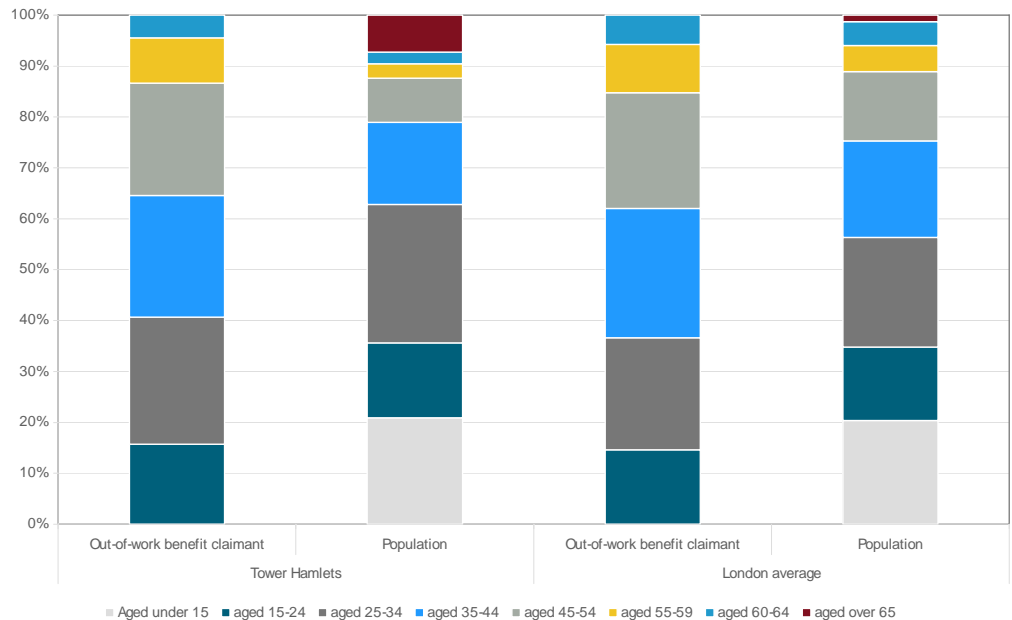


Source: DWP working age data Nov 2009

5.16

In general London boroughs have a similar age profile of claimants e.g. 16% of all claimants in Tower Hamlets aged 15-24 compared to a London average of 15%.

Figure 5.6 Age of claimant and age of population, for Tower Hamlets and London



Source: DWP working age claimants Nov 2009, Mayhew 2010 Population estimate for Tower Hamlets, Mid-year population estimates 2008 for London

5.17 The incidence of worklessness varies considerably for different age bands: 11% of borough residents aged 25-34 are claiming an out-of-work benefit, over a third of residents aged 55-59 are claiming an out-of-work benefit.

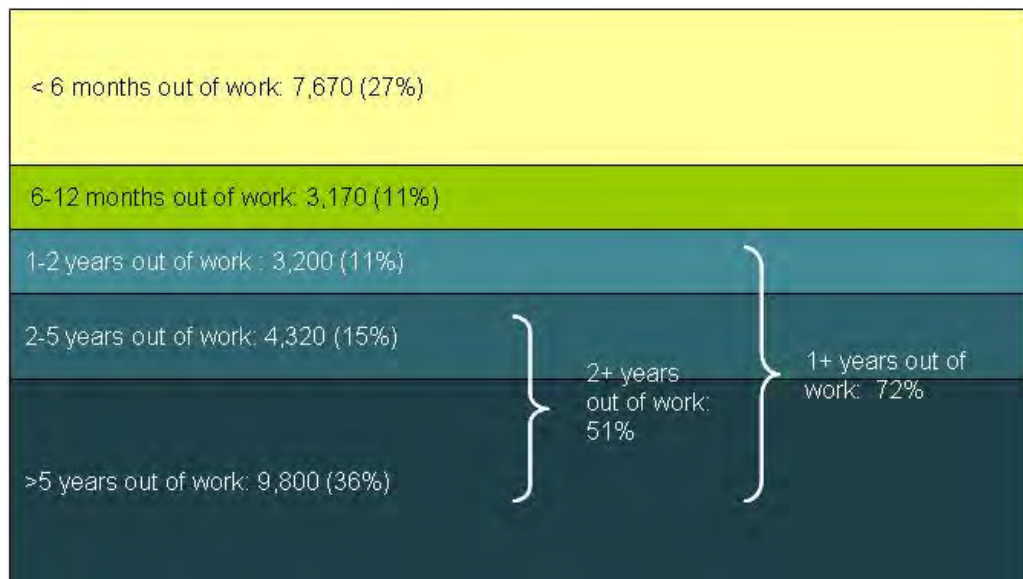
Table 5.1 Proportion of age group, claiming an out-of-work benefit

Age band	Within Tower Hamlets	Within London
Aged 15-24	13%	10%
Aged 24-34	11%	10%
Aged 35-44	18%	14%
Aged 45-54	31%	17%
Aged 55-59	37%	19%
Aged 60-64	24%	13%

Source: DWP working age claimants Nov 2009, Mayhew 2010 population estimate for Tower Hamlets, Mid-year population estimates 2008 for London

5.18 In terms of duration of claim the borough follows the London average (with a maximum of 1% difference within some categories). Figure 4.7 shows that around three quarters of those on an out-of-work benefit have been out of work for over a year. Generally the longer someone is out-of-work the more difficult it is for them to compete successfully to gain a job.

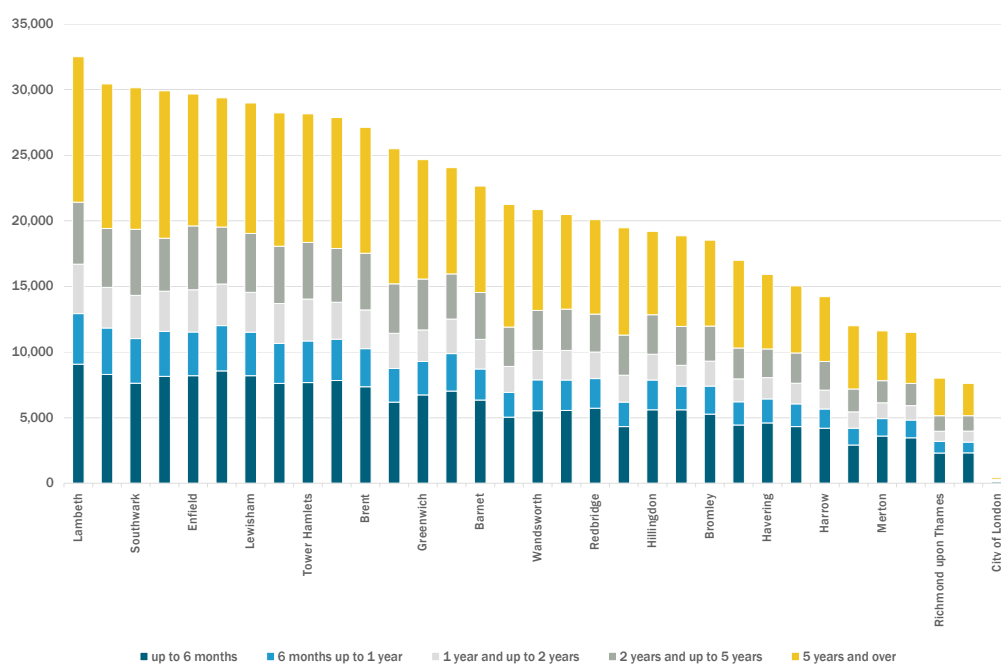
Figure 5.7 Proportion of out-of-work claimants out of work by duration (to scale)



Source: Source: Mackinnon Partnership analysis

5.19 When claimants are disaggregated into their benefit type this picture varies. For example the borough has many more long-duration JSA claimants than London, but fewer long-duration claimants amongst IB claimants. This is explored in following chapters.

Figure 5.8 Out-of-work benefit claimants by duration of claim, by borough



Source: DWP working age population statistics, Nov 2009

The geography of worklessness

5.20 There are two aspects to the geography of worklessness: simply mapping it, and recognising that living in an area with a high workless population can compound the problem, for example because fewer neighbours have the contacts to help someone else get a job.

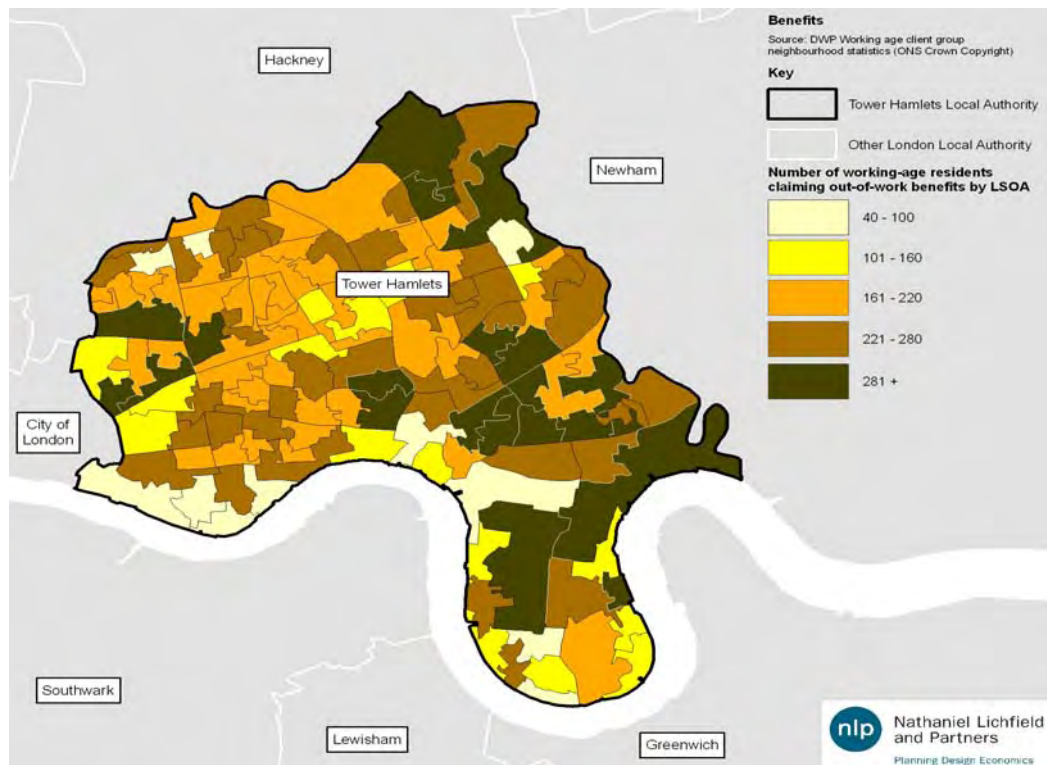
5.21 Figures 4.9 and 4.10 below show the number of people claiming an out-of-work benefit, and the percentage of the working age population who are workless. There are four geographical concentrations:

- 1 In the north-east of the borough starting to the east of Victoria Park extending down into Bow, there is both a large number of people claiming a workless benefit and a high proportion of the working age population who are workless.
- 2 In the west there are large numbers of workless residents in the south of Spitalfields extending into the west of Whitechapel and the southern half of Shoreditch. When these statistics are converted into a percentage of the working age population we see pretty much the same geography with some additional concentrations in the north of Shadwell and northern edge of Shoreditch.
- 3 There is a central concentration of worklessness on the border between Limehouse, Stepney and Bow Common as well as a concentration encapsulating much of Poplar and extending north into the east of Bow Common. In terms of worklessness as a percentage of the working-age

population the concentration expands to cover more of Poplar and Poplar Riverside and includes more areas in the east of Stepney.

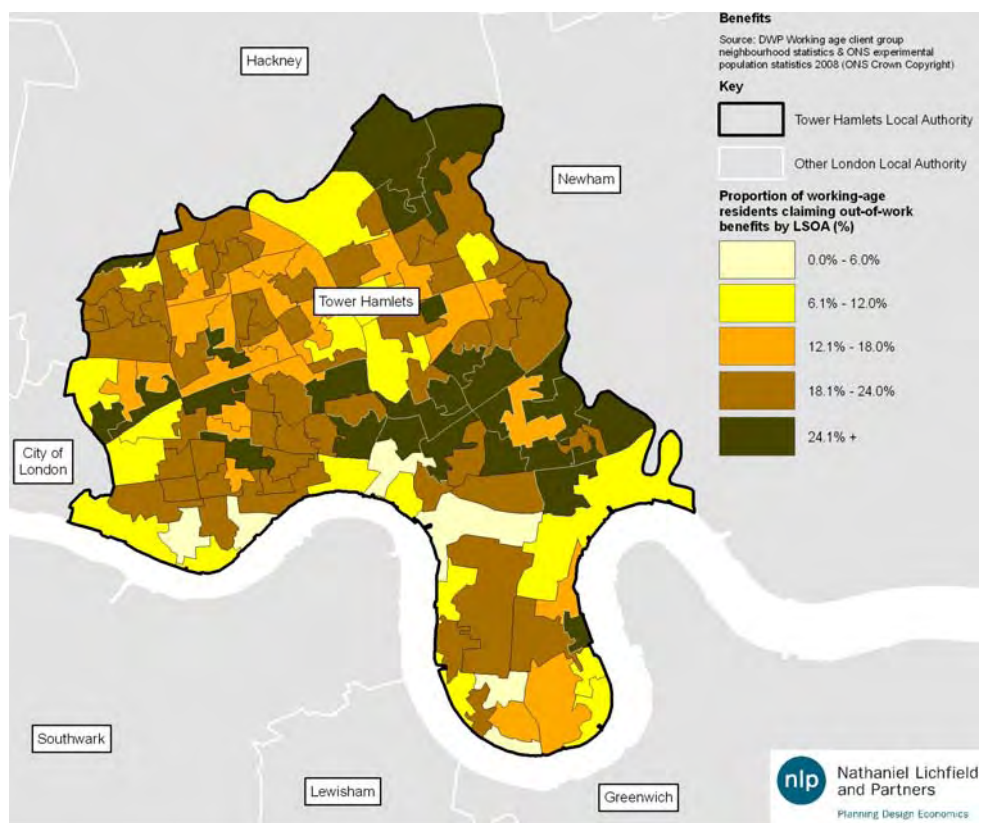
- 4 The final concentration in terms of counts of workless individuals occurs in the east and south of the borough beginning in Leamouth, extending south-west through the east of Blackwall and Canary Wharf, finishing with a concentration in northern and central Millwall with a small but significant concentration in the east of Cubitt Town. However when these counts are converted into a percentage the only area in the highest band is east of Cubitt Town.

Figure 5.9 Number of working age population claiming an out-of-work benefit



Source: DWP benefit claimants - working age clients for small areas, Nov 2009

Figure 5.10 Proportion of working age population claiming an out-of-work benefit



Source: DWP benefit claimants - working age clients for small areas, Nov 2009

Barriers to the labour market

- 5.22 Workless residents as a group face multiple barriers hindering them from finding work. The analysis below explores the following:
- The institutional benefits trap
 - Low skill levels
 - Poor language skills
 - Poor health
 - Psychological barriers
 - Poor transport links
 - Local barriers
- 5.23 Although each is explored on its own, many people face multiple barriers, which reinforce each other and make return to work harder to achieve.

The benefits trap

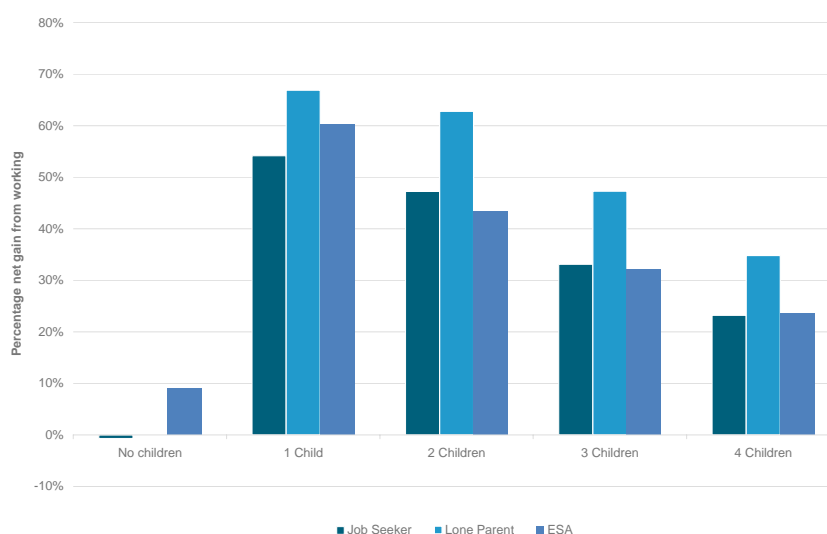
- 5.24 People fall into 'the benefits trap' if they are no better off in work than on benefits – or if they believe that they will be no better off (perception can be as powerful as reality).

- 5.25 The present Government is clear that there is a benefits trap and the Secretary of State for Work and Pensions has recently acknowledged that for some people it is a rational choice to stay on benefits rather than be worse off in work.
- 5.26 This view is based on research undertaken by the Centre for Social Justice³² in *Dynamic Benefits - Towards welfare that works*, which argues that:
The current benefits system disincentivises work - the swift withdrawal of benefits, offsetting any earnings from work, punishes the lowest earners trying to earn more. It makes leaving welfare a risky proposition.
- 5.27 The research identifies that as an individual enters employment, for every £1 they earn, they lose:
- 1 all of their JSA entitlement;
 - 2 39p of tax credits;
 - 3 and once tax has been taken into account 85% of their housing and council tax benefit.
- 5.28 The result is that an individual moving from unemployment into lowly-paid employment loses 75% of any net gain in income.
- 5.29 The analysis below calculates whether this is the case within Tower Hamlets for residents claiming Job Seekers Allowance, Lone Parents claiming income support and residents claiming Employment and Support Allowance (ESA). This takes into account both benefit and tax credits available to residents when out of work and when in employment. Data limitations meant we assumed that the claimants were claiming only one of the three benefits above rather than a combination³³.
- 5.30 It is calculated that a workless resident with no children is not significantly better off or only marginally better off when they move into work (defined as minimum wage 35 hours a week). This is largely the result of a sharp rate of housing benefit withdrawal. Claimants are 50-65% better off if they have one child and between 20-60% better off if they have more than one child.

³² The charity founded by Iain Duncan-Smith MP, now Secretary of State for Work and Pensions

³³ Given the complex nature of tax-credits and benefits these calculations are designed to illustrate a point rather than provide a definitive profile of the benefits trap within the Borough. For a more detailed explanation of the methodology please see Appendix 4 at the back of this document

Figure 5.11 % net gain for working, by benefit type for Tower Hamlets



Source: DWP, CLG, CESI, National Childminding Association (NCA) (Mackinnon Partnership analysis)

- 5.31 The benefits trap is more significant in Tower Hamlets, (and in London as a whole), than elsewhere in England because the cost of living is higher, especially for accommodation.
- 5.32 Another dimension to the benefits trap centres on the risks to short term cash flow that people experience, or believe they will experience, when moving in to employment due to delays in processing benefit changes³⁴. This is particularly the case around housing benefit and is a barrier in inner London due to:
- high housing costs and lower disposal income levels;
 - higher levels of non-permanent, freelance and self-employed work.
- 5.33 Significant effort has been made to reduce the processing delays: in 2001-02 in London new claims had typically taken over two months to process, and the average for all claims in Tower Hamlets is now 10 days, better than the London average. Even a 10-day delay poses a significant hurdle, however, for people on low incomes with no savings.
- 5.34 The second cash flow difficulty is that most employers pay in arrears, so a successful jobseeker has to finance the gap between leaving benefits and receiving their first pay packet. Some resort to debt to close the gap. Some delay telling the authorities that they have a new job. And, as with so much around worklessness, fear of the problem can be as great a barrier to action as the reality of it.
- 5.35 The Department for Work and Pensions is currently consulting on options for reform of the benefits system. Consultation runs to 1 October 2010 and the Council will no doubt respond to explain the reality of issues faced locally.

³⁴ Shelter (2008) Policy Briefing: Worklessness and Social Housing

Skills and qualifications

5.36 The biggest barrier faced by local residents looking for work is that their low level of skills makes them uncompetitive in a very competitive labour market.

5.37 A quarter of Tower Hamlets residents have no qualifications, well above the UK and London average. A third have high level qualifications (a rise of 10% over the last ten years). The table below shows the population disaggregated by highest level of qualification compared with London. (NVQ Level 2 equates to five A*-C GCSEs and NVQ level 4+ is degree level and above).

Table 5.2 Highest qualification of the resident population

Resident qualification levels	Tower Hamlets				London 2008
	2005	2006	2007	2008	
No qualifications	23%	24%	19%	23%	12%
Level 1	10%	9%	13%	6%	10%
Level 2	8%	9%	8%	10%	11%
Level 3	10%	12%	11%	9%	12%
Level 4 +	29%	28%	32%	36%	39%
Other	20%	19%	18%	15%	16%

Source: Annual Population Survey, Dec 2008

5.38 Qualification levels can have a major influence on the type of job a person is able to gain. Only 39% of residents with no qualifications have a job. In contrast, almost 9 out of 10 residents who have a degree are in employment.

Table 5.3 Likelihood of being in employment, per level of highest qualification

Highest qualification of resident population	Tower Hamlets				London	
	Number of residents	Proportion	Number in employment	Likelihood of being in employment	Proportion of residents	Likelihood of being in employment
No qualification	35,500	23%	9,700	39%	12%	41%
Level 1	9,500	6%	4,500	47%	10%	59%
Level 2	15,600	10%	7,800	50%	11%	64%
Level 3	13,500	9%	8,800	65%	12%	66%
Level 4	54,100	36%	48,100	89%	39%	85%
Other (inc trade apprenticeships)	23,400	15%	14,700	63%	16%	72%

Source: Annual Population Survey 2008

5.39 It is important to be clear that this is about the balance of advantage: it does not mean that people without qualifications cannot get jobs. Many do, and many use such jobs as stepping-stones to something better. But the message to jobseekers is clear: people with qualifications do better in the jobs market.

5.40 Disaggregating the table above by sex shows significant differences between the sexes and also between Tower Hamlets and London. For instance, as a proportion of the total there are more men in the borough with no qualifications than in London but this does not seem to constrain them: 66% of men with no qualifications are in employment in contrast to 53% of male Londoners. The situation reverses for men with a level 1 or a level 2 qualification with Londoners more likely to be employed than residents of Tower Hamlets. This may be because of the economic structure within the borough where there are high skilled jobs and low skilled jobs but few in the middle.

Table 5.4 Likelihood of being in employment, by level of highest qualification, for men

Highest qualification for men	Tower Hamlets				London	
	Number of residents	Proportion	Number in employment	Likelihood of being in employment	Proportion of residents	Likelihood of being in employment
No qualification	14,500	18%	9,600	66%	12%	53%
Level 1	4,400	6%	2,100	48%	9%	67%
Level 2	7,700	10%	3,900	51%	10%	66%
Level 3	8,800	11%	6,200	70%	12%	70%
Level 4	30,700	39%	27,700	90%	39%	89%
Other (inc trade apprenticeships)	13,600	17%	10,600	78%	18%	83%

Source: Annual Population Survey 2008

5.41 The qualification levels of women are more polarised than men, mainly because there are so many women with no qualifications. Comparing the same qualification level between the sexes shows that women are less likely than men to be in employment no matter what qualification they have. However the greater difference is not between the sexes, but between female residents of Tower Hamlets and female Londoners. 20% of Tower Hamlets women with no qualifications are in work compared to 30% of Londoners and 49% compared to 62% for those with a level 2 qualification. It is only amongst women with a level 4 qualification where the borough does better than the London average with 97% of women in employment compared to a London figure of 80%.

Table 5.5 Likelihood of being in employment, per level of highest qualification for women

Highest qualification for women	Tower Hamlets				London	
	Number of residents	Proportion	Number in employment	Likelihood of being in employment	Proportion of residents	Likelihood of being in employment
No qualification	21,000	29%	4,100	20%	12%	30%
Level 1	5,100	7%	2,400	47%	11%	52%
Level 2	7,900	11%	3,900	49%	13%	62%
Level 3	4,700	7%	2,600	55%	12%	62%
Level 4	23,400	33%	20,400	87%	38%	80%
Other (inc trade apprenticeships)	9,700	14%	4,100	42%	15%	58%

Source: Annual Population Survey 2008

5.42 Low qualification levels can be seen in the usual occupation that JSA claimants work. In February 2010 nearly half of unemployed claimants within Tower Hamlets reported that their usual occupation was in either elementary (24%) or sales (25%) occupations. Amongst those unemployed for over two years, over 36% were previously employed in elementary occupations. A 2005 study³⁵ also found that those employed in elementary and skilled trades were most likely to be recurring unemployment claimants (ie claimed more than once in 12 months).

5.43 There is a large gap therefore between the skills and qualifications that unemployed Tower Hamlets residents have and the skills and qualifications employers want. It is very difficult for someone who is unemployed or in a low skilled job with no (or low) qualifications to obtain 'associate professional' level jobs and above, that require a level 4 qualification.

Poor language skills

5.44 English language proficiency is the most important basic skill for employment. Although local data is limited, national research undertaken by Institute for Employment Studies in 2006³⁶ found that Pakistanis and Bangladeshis have the lowest level of English language proficiency of all the major ethnic minority groups. The research found that only four per cent of Bangladeshi and 28 per cent of Pakistani women aged 45-64 years spoke English fluently or well. Fluency in English has been found to increase people's probability of being employed by up to 25 per cent.

³⁵ SQW (2005): Targeting recurrent unemployment in Tower Hamlets

³⁶ IES (2006): Barriers to employment for Pakistanis and Bangladeshis in Britain

- 5.45 There is an obvious generation gap. Though some older, first generation, migrants have poor English language skills, those who went to school in Britain have grown up knowing English, and are commonly multilingual. Within Tower Hamlets in 2006 71% of school children speak English as an additional language and over 100 languages are spoken amongst the school population³⁷.
- 5.46 For the first generation the key differentiating factor is the age that they moved to England. Those aged over 25 are substantially more likely to have poor English skills - and to never improve their language skills – than those aged under 25. A secondary correlation for adult migrants is level of education when the migrant moves to England. If they are reasonably well educated in their birth country they are more likely to learn English: the research hypothesises that this is because an education provides the skills for continued learning³⁸.
- 5.47 Mapping by the Council shows 257 separate ESOL courses being delivered during 2010-11 by 10 different providers³⁹. Many providers believe that demand for ESOL courses significantly outstrips supply (not least in the wake of funding restrictions imposed by the previous Government), but it is worth distinguishing courses whose purpose is primarily social (such as helping mothers to communicate with their children's teachers) from those which are designed to help someone get into work. Both matter, but focused ESOL courses delivered with sufficient pace to help those who are keen to work, operate in a very different way from courses with a primarily social intent.
- 5.48 Robust information on the scale and nature of need is not available, and would seem an obvious priority for further work, not least as central Government resources for ESOL will remain under great pressure. The Council is currently poorly placed to make a case back to Government.

Poor health

- 5.49 There is a significant difference in life expectancy between the most and least deprived parts of Tower Hamlets. For men the difference is 4.9 years, and for women 8.3 years. The 2007 Index of Multiple Deprivation (IMD) shows that over a third of Lower Super Output Areas within the borough are within the top 10% most health deprived areas of England.
- 5.50 Poor health is most visible amongst incapacity benefit claimants. The most common reason for claiming incapacity benefit is poor mental health (which is imprecisely defined, but ranges from the most serious psychological conditions to stress). Currently 45% of IB claimants have poor mental health (an increase from 34% in 1999). The next largest group is 'muscoskeletal', which accounts for 14% of claimants.

³⁷ LBTH Equality Impact Assessment (2008): Community languages and primary MFL and first language assessment service

³⁸ IES (2006) *ibid*

³⁹ LBTH internal document: Total Place Partnership Executive 10 June 2010. Courses are provided at different levels to ensure that teaching is targeted to need.

- 5.51 Research by the University of York, investigating the relationship between mental health and employment⁴⁰ found that individuals with a mental health condition were likely to identify reasons other than their condition for restricting them outside the labour market. These were training and qualification needs, age barriers or local labour market conditions.
- 5.52 Research by the National Centre for Social Research for DWP analysing the work expectations of individuals involved in the New Deal for Disabled People⁴¹ found that of their 2,000 sample 42% said that they were not sure of working in the future or that they did not expect to work again. This figure increased to 60% for IB claimants who received Disability Living Allowance. Of those who want to work, there is a clear split between those who believe they would like to but cannot because of their illness and those who want to but feel that other barriers are keeping them out of the labour market. Like the wider workless population many also have poor skills and lack confidence.
- 5.53 In conjunction with poor health in some cases employer discrimination against those with either a physical or mental health problem will hamper particular individuals entering the labour market. There is no local data on the extent or nature of such discrimination.

Psychological barriers

- 5.54 It is well understood that the longer someone is out of work the more their self-confidence suffers, and the more they lower their aspirations when looking for work. Skills levels also suffer, in the absence of opportunities to keep skills sharp and up-to-date. National research by CLG⁴² has shown that a downward spiral can easily occur where aspirations continue to decline and the psychological barriers to work increase as time moves on.
- 5.55 Much of this is objectively so, but the perceptions of those involved can (and some say, do) go well beyond reality, reinforcing the impact of those objective circumstances.
- 5.56 This relates to wider worries about a 'culture' of worklessness, especially where two or more generations within a family are out of work ("inter-generational worklessness"): being unemployed becomes the norm, which makes it less likely that those looking for work will be encouraged by friends and family to keep trying.
- 5.57 Unfortunately local data is not available on inter-generational worklessness: further analysis would require new research.

⁴⁰ DWP (2008): Mental Health and Employment

⁴¹ DWP (2009): Disability Living Allowance and Work Expectations Analysis of the NDDP Eligible Population Survey

⁴² CLG (2009): Understanding and tackling worklessness volume 2: Neighbourhood level problems, interventions, and outcomes

- 5.58 Many stakeholders acknowledge a high level of complexity in the range of programmes available⁴³ - and Tower Hamlets has a particularly extensive a range. The apparent complexity of support arrangements may be a particular barrier for those who lack confidence, and are easily discouraged, but local evidence is not available.
- 5.59 The relationship between the informal economy and worklessness is under-researched. National research by CLG in 2009⁴⁴ suggests that informal economic activity is generally used to supplement more formal work. Other work suggests that it also takes place where people cannot get a normal mainstream job.
- 5.60 Though there has been some research into the informal economy in Tower Hamlets there is no robust data on the size, extent and role of the informal economy. Newham-based charity Community Links is the leading authority in this field, offering locally-focused consultancy to fill gaps in knowledge left by poor data. Its published research with the Joseph Rowntree Foundation highlights that⁴⁵:
- 1 Poor English has been cited by many studies as a reason why sometimes very highly skilled individuals are stuck at the bottom of the labour market.
 - 2 The main factor compelling individuals to undertake informal work was the cost of their housing and the need to keep their housing and other related benefits.
 - 3 Lack of knowledge about where to look for formal work, having the time to do so, and the ease at finding work amongst family and friends were reasons why people were pushed into the informal economy⁴⁶.
- 5.61 Though the informal economy is clearly a problem for central government which loses out on tax revenue, the issue is different at local level. The informal economy helps individuals, and their employers, to cope with their immediate economic circumstances, and keeps money circulating in the local economy: there *are* benefits to it. The problem is that it stops better things happening, for individuals and for their employers, most obviously because almost any initiative to help will expose to the wider view the central fact that work in the informal economy is illegal. Effective action on any scale therefore either requires explicit dispensation from the law through a pilot, or some deliberate turning of a blind eye: both need central Government endorsement.

Transport

- 5.62 Poor transport access is often cited as a barrier to employment. Transport for London (TfL) uses a measure called the PTAL (Public Transport Accessibility

⁴³ Report of the Scrutiny Review Working Group on Reducing Worklessness amongst Young Adults 18-24 (Tower Hamlets, February 2010)

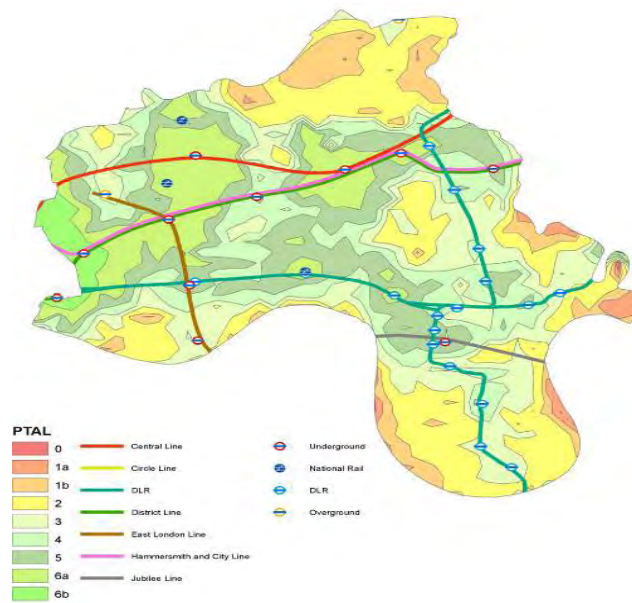
⁴⁴ CLG (2009): *ibid*

⁴⁵ *ibid*

⁴⁶ *ibid*

Level) to assess the access level of geographical areas to public transport. The calculation is based on the distance from any point to the nearest stop for all forms of public transport (tube, bus etc), and service frequency at those stops. The results are graded and mapped to allow easy interpretation where 0 (coloured red) is very poor, 6 (coloured bright green) is very good. This is shown below for the borough in Figure 4.12.

Figure 5.12 Public Transport Accessibility Levels (PTAL)



Source: LBTH Core Strategy Research Report, 2009

5.63 Accessibility of the borough has been greatly improved over the past thirty years (when there was no Docklands Light Railway, and a less extensive East London Line), with further improvements planned, notably Crossrail. Compared with most parts of the UK, and with other London boroughs, Tower Hamlets is now very accessible. There are variations within the borough, however: east-west public transport routes are good, but north-south bus links are considered poor, which is reflected by the lower PTAL rating.

5.64 Though much national research cites transport as a barrier, evidence for Tower Hamlets does not support the view that transport issues make a significant contribution to worklessness, partly because by national standards London has excellent public transport⁴⁷ and indeed, many thousands of people travel into and out of and through the borough every day for employment purposes.

Local barriers

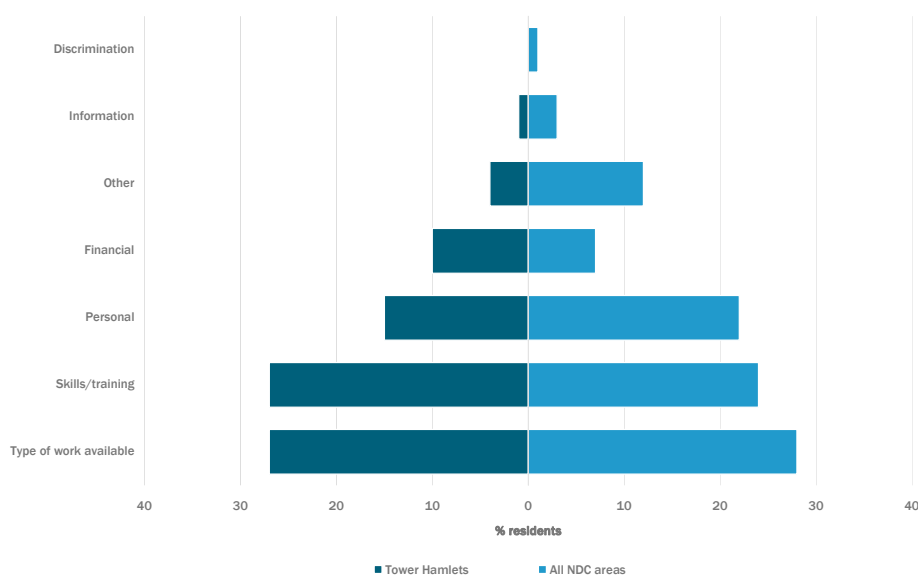
5.65 As part of the national evaluation of the NDC⁴⁸ programme an annual household survey has been distributed amongst households on the Ocean

⁴⁷ View expressed in stakeholder interviews

⁴⁸ New Deal for Communities

Estate. This enables us to localise some of these barriers in to a Tower Hamlets context. Figure 4.13 highlights that for Ocean residents there are no particular barriers affecting them more than the national NDC average. Indeed, some barriers, particularly ‘personal’ reasons including lack of childcare, are not as high a barrier as they are in other areas of the country.

Figure 5.13 What, if anything, is stopping you from getting the type of work that you want?



Source: NDC 2008 household survey

- 5.66 However, other research suggests that there are local barriers that are more significant than the national average. Research with unemployed people in Tower Hamlets in 2005⁴⁹ suggests that claimants had an under-developed awareness of employers’ expectations and had very little idea about their own training needs. They considered many jobs to be “out of their reach” even though they recognised that a significant number of vacancies did not require especially high level skills. This is clearly an issue in terms of job brokerage and increasing confidence among some worklessness people in cases where they in other respects have reasonable prospects for employment.

Indications & Issues

- 5.67 The characteristics of the workless population within Tower Hamlets continue to evolve. The proportion of residents who have become economically active has increased steadily in the last five years, as has the employment rate. A correlating decrease in the unemployment rate has not occurred, but it has not

⁴⁹ SQW (2005): Targeting recurrent unemployment in Tower Hamlets

been necessary to reduce the unemployment rate because more people are moving from being economically inactive to being economically active.

- 5.68 The biggest component of the workless population is women who do not want to work. It is important to note that by the Government's definition they are not 'workless' because they are not looking for work. That matters because central Government funds are most likely to be available for any activities targeted on these women.
- 5.69 Although the age profile of out-of-work claimants is similar to the London average, due to the different population structure within the borough the likelihood of particular age-groups claiming an out-of-work benefit varies widely with the London average. For some age groups, Tower Hamlets mirrors London – 11% of 24-34 year olds within the borough claim an out-of-work benefit in contrast to 10% for London. But in others there is a wide disparity – 37% of 55-59 year olds within the borough claim an out-of-work benefit in contrast to 19% for London⁵⁰.
- 5.70 Workless residents face similar barriers to workless residents within London as a whole. However, as an Inner London borough the intensity of some barriers within Tower Hamlets is greater than elsewhere – for instance due to high housing costs and the wish not to lose housing benefit as a result of returning to work.
- 5.71 The borough has some unique barriers because of the nature of its resident population – low skills and poor language skills both act as brakes on moving people in to employment.

Issues

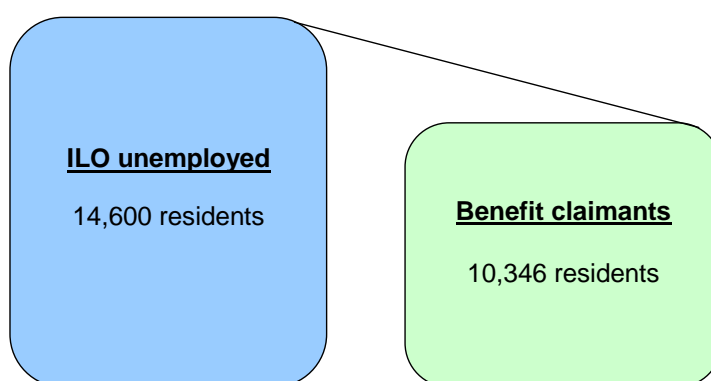
- 5.72 On 31 July 2010 the Government launched its consultation into what changes should be made to the benefits system. The consultation runs to 1 October 2010 and presents an opportunity for the Council to ensure that central Government has a better understanding of the complex issues round worklessness, and what needs to be addressed.
- 5.73 As part of the East and South East London City Strategy area Jobcentre Plus and the Skills Funding Agency have some flexibility with national regulations to reduce some of the barriers to work that their clients face. City Strategy ends soon (March 2011), so the Council may wish to identify which, if any, of those flexibilities have proven to be helpful.

⁵⁰ The data is unhelpful in indicating why this should be: more research is required.

6.0 The Workless Population – The unemployed

- 6.1 The unemployed are those who are not in employment but are looking for work. Most are eligible for Job Seekers Allowance and are categorised as claimants, but a number are not eligible.

Figure 6.1 The unemployed within Tower Hamlets



Source: Annual Population Survey Sept 2009 and DWP claimant data May 2010

ILO unemployed

Unemployed

- 6.2 There are 14,600 residents within the borough who are looking for work⁵¹. Based on the size of working age population ONS calculates the claimant rate as 13.1% for the borough⁵². This is nearly twice the England average (7.6%) and higher than London (8.6%).
- 6.3 Table 6.1 below disaggregates the ILO unemployed by gender, age and the two in combination⁵³. Please note that because the data is from a survey and has been rounded by breakdowns by age and gender may not total. Almost two-thirds of the ILO unemployed are men, and just under half are aged 16-24.

⁵¹ Source: Annual Population Survey Sept 2008

⁵² Using the Mayhew 2010 population estimate for Tower Hamlets, 168,629 residents are aged between 15-64 equating to a claimant rate of 8.7%

⁵³ Because ILO unemployed is calculated through a survey when results are disaggregated they do not always sum to the total, e.g. age sums to 14,500 but the total number is 14,600. For the same reason the ILO unemployed is subject to confidence levels, these can be very significant, e.g. the confidence level for age 16-19 is 22.5, and the confidence level for all the female-age combinations is also very poor

Table 6.1 The unemployed within Tower Hamlets

	Count	Proportion
GENDER:		
Male	8,900	61%
Female	5,700	37%
AGE:		
16-19	2,100	14%
20-24	4,200	29%
25-34	2,500	17%
35-49	4,400	30%
50 +	1,300	9%
DISSAGGREGATES IN COMBINATION: For men		
16-19	1,300	15%
20-24	2,100	24%
25-34	1,300	15%
35-49	3,100	35%
50 +	1,100	12%
DISSAGGREGATES IN COMBINATION: For women		
16-19	900	16%
20-24	2,100	37%
25-34	1,200	21%
35-49	1,300	23%
50 +	~200	4%

Source: Annual Population Survey, Sept 2008

JSA Claimants

- 6.4 For most of the decade the number of JSA claimants remained steady. The recent recession has caused a large increase in the number of unemployed but not to the degree seen in previous recessions⁵⁴, or in other countries, though this may still occur⁵⁵.
- 6.5 Studies into past recessions⁵⁶ and recent national research⁵⁷ conclude that higher unemployment is likely to persist for some years after the wider economy recovers.
- 6.6 In May 2010 there were 10,346 residents claiming Jobseekers Allowance (7,328 are male, 71%) within the borough.

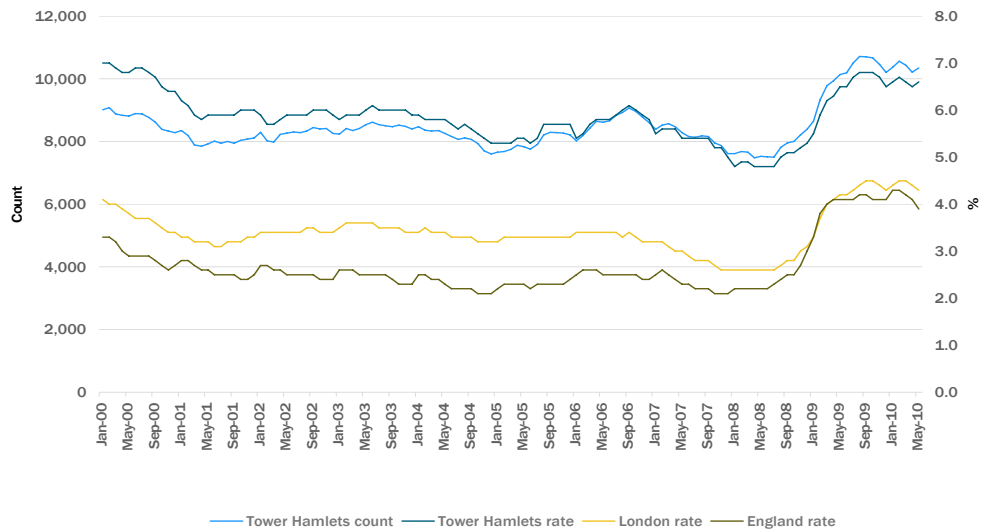
⁵⁴ Bank of England: Speech 378 (2009) 'Monetary policy in the current recession' and Speech 421 (2010) 'economic recovery, the housing market and inflation'

⁵⁵ Bank of England (2010): Quarterly Bulletin 2010 Q1 Monetary Policy Roundtable

⁵⁶ IMF Working Paper 08/274 (2008): What happens during recessions, crunches and busts

⁵⁷ Economic & Social Research Council (2009): Recession Britain

Figure 6.2 Claimant count and rate, 2000 to 2010

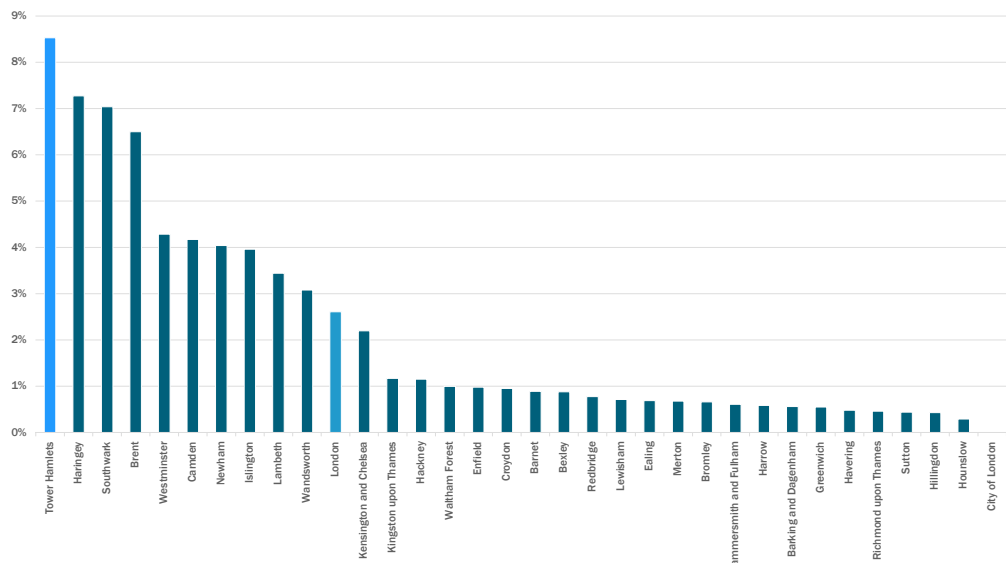


Source: DWP claimant count

6.7

A breakdown of claimants by duration shows some interesting differences between the London boroughs. In Tower Hamlets 8.5% of residents unemployed and claiming JSA have been doing so for over two years - worse than every other London borough. In terms of overall numbers - there are currently 880 claimants who have been claiming for two years or more (this is slightly above the five year average of 845 claimants).

Figure 6.3 Claimants unemployed for 2 years or more, by borough



Source: DWP claimant count May 2010

- 6.8 Tower Hamlets has the youngest jobseekers in London. 43% of JSA claimants are under 29 years old (though 39% of the borough's population is aged 15-29), 13% are over 50 with the balance in the middle.
- 6.9 The incidence of claiming JSA varies considerably in different age bands:
- i Aged 15-19: 5% claiming JSA (London, 3%)
 - ii Aged 20-29: 7% claiming JSA (London, 5%)
 - iii Aged 30-39: 4% claiming JSA (London, 4%)
 - iv Aged 40-49: 8% claiming JSA (London, 5%)
 - v Aged 50-59: 9% claiming JSA (London, 4%)
 - vi Aged 60 and over: 1% claiming JSA (London, 1%)
- 6.10 A breakdown of claimants by ethnicity (only available for the claimant count) shows a large amount of White and Bangladeshi residents claiming JSA. Bangladeshi residents have a proportionately higher claimant rate than the White population. However, it is Black African residents who are more likely to be claiming JSA than any other ethnic group.

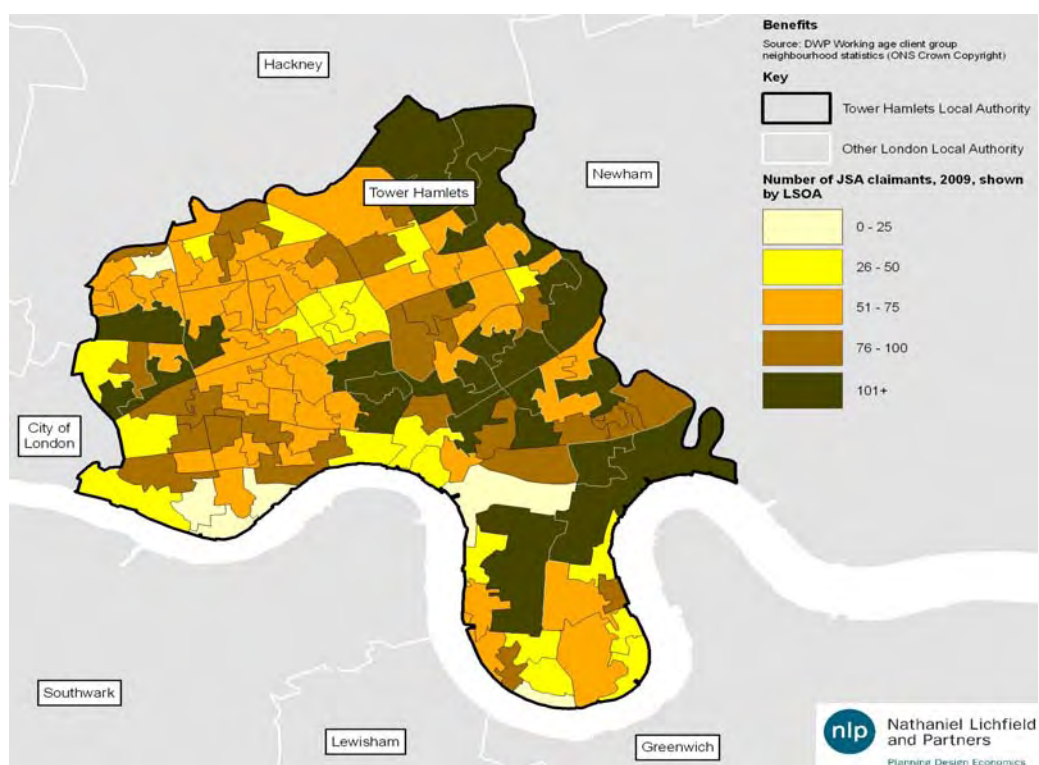
Table 6.2 Job Seeker Allowance claimants, by ethnicity

Ethnicity	Population (20-64)	Claimant count	Incidence
White (British/Irish)	48,179	2,875	6.0%
Bangladeshi	38,647	3,650	9.4%
White (Other)	6,961	560	8.0%
Mixed	8,199	330	4.0%
Other Asian	8,932	280	3.1%
Black (African)	6,484	725	11.2%
Black (Other)	7,638	650	8.5%
Other (inc Chinese)	7,472	355	4.8%
Unknown	25,569	740	2.9%
Total (using Mayhew data)	158,081	10,175	6.4%
Total (using claimant rate population)		10,175	7.8%

Source: DWP Claimant Count, April 2010, Mayhew 2010 population estimate for Tower Hamlets

- 6.11 Figure 4.17 shows the spatial distribution of JSA claimants. The locations mirror those found in the general assessment of out-of-work claimants.

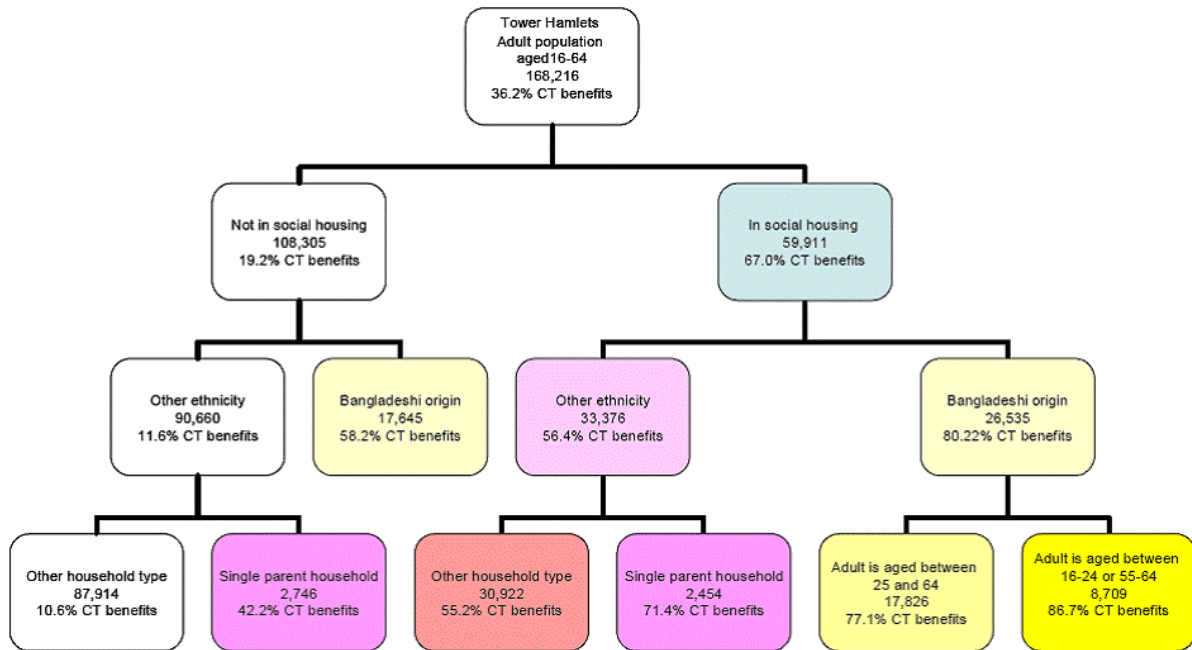
Figure 6.4 Concentrations of JSA claimants



Source: DWP working age client group, Nov 2009

- 6.12 JSA claimants do not face any additional barriers preventing entry in to the labour market beyond the generic ones (for Tower Hamlets) already outlined.
- 6.13 JSA claimant data cannot conveniently be mapped against housing tenure, but there is undoubtedly some correlation between the two. A resident in rented social housing in Tower Hamlets is 6.4 times more likely to be claiming council tax benefit than an individual not in rented social housing (Figure 6.5 below, taken from the Mayhew report, shows various correlations for claiming Council Tax benefit).
- 6.14 However when comparing the geography of rented social housing with the geography of worklessness at very local (Super Output Area) level the relationship is less clear cut. For instance, there are places in the borough where there are areas of majority social rented housing which have low levels of worklessness (DWP out-of-work benefits rather than council tax benefit), and there are also places where the opposite applies: the data does not point to a clear correlation (and certainly not one with any clear causal relationship). This is an area which would repay further research.

Figure 6.5: Deconstruction of adult population by most important risk groups by benefit take-up



Source: Mayhew

Indication & Issues

- 6.15 The unemployed are mostly men, and men are more likely to be unemployed and claiming Jobseekers Allowance than women.
- 6.16 The age profile of the unemployed is different for men and women. The largest age-band for male unemployed is 35-49 whereas for female unemployed the largest group is 20-24.
- 6.17 Possibly reflecting the high number of middle-aged men who are unemployed, Tower Hamlets has the highest proportion of JSA claimants who have been claiming for over 2 years within London.
- 6.18 Bangladeshi residents are more likely to be unemployed than White residents; however Black African residents are the ethnic group most likely to be claiming Jobseekers Allowance.

Issues

- 6.19 Reflecting the young population of the borough, Tower Hamlets has the highest number of young unemployed residents within London. The Council and partners need to ensure that these residents do not end up mirroring the current 35-49 year old population and become the long-term unemployed of the future.
- 6.20 Government welfare policy is still in flux. A traditional Conservative administration would have concentrated on the economic cost of welfare, focusing its efforts on those who either cost most, or offered most, to the

economy – but when in Opposition the Secretary of State for Work and Pensions showed as much interest in the social implications of worklessness as the economic. That makes it harder than usual to tell what national policy might emerge, and therefore what the implications might be for Tower Hamlets. It might also indicate more scope than usual for the Council to influence national Government thinking.

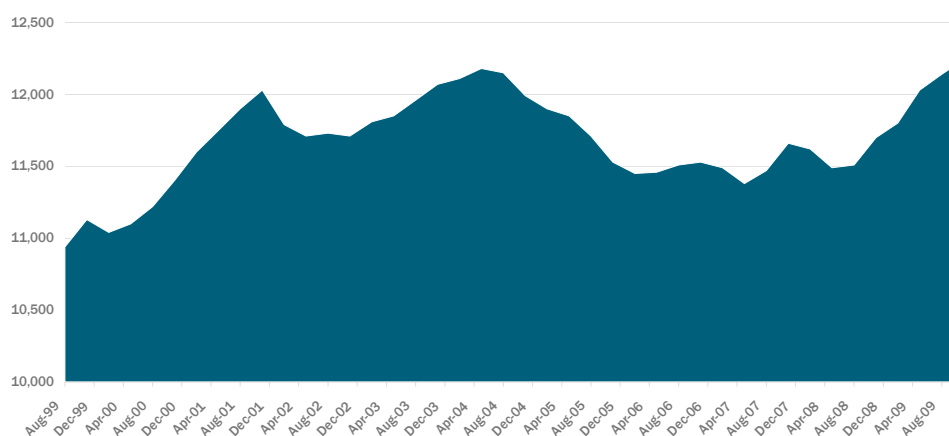
7.0

The Workless Population – IB claimants

7.1

In November 2009 there were 12,240 residents claiming Incapacity Benefit (including SDA and ESA). This is an increase from 10,940 in August 1999 but there have been rise and falls within the decade.

Figure 7.1 Number of IB claimants within Tower Hamlets, 1999-09



Source: DWP working age client group

7.2

Incapacity benefit/employment and support allowance (IB/ESA) is a longer-term benefit than JSA. The percentages of claimants who have been claiming for two years or more is considerably more than that for JSA - 75.4% of claimants in contrast to 8.5% of JSA claimants.

7.3

There is also a broadly homogeneous pattern within London with a relatively narrow variance between the borough that has the highest proportion of long-term ESA/IB claimants (Camden, 82%) and the lowest (Kingston upon Thames, 73%). Tower Hamlets is the eighth best performing borough in terms of this indicator (75% of claimants have been claiming for two years or more).

7.4

Using the DWP breakdown of IB/ESA claimants by age we can see that the proportion of claimants per age group remains roughly on-par with the London average. However, due to the differences in the age of the borough's population compared to London the incidence of claiming IB/ESA is in fact far higher than the average for those aged over 45.

Table 7.1 Job Seeker Allowance claimants, by ethnicity

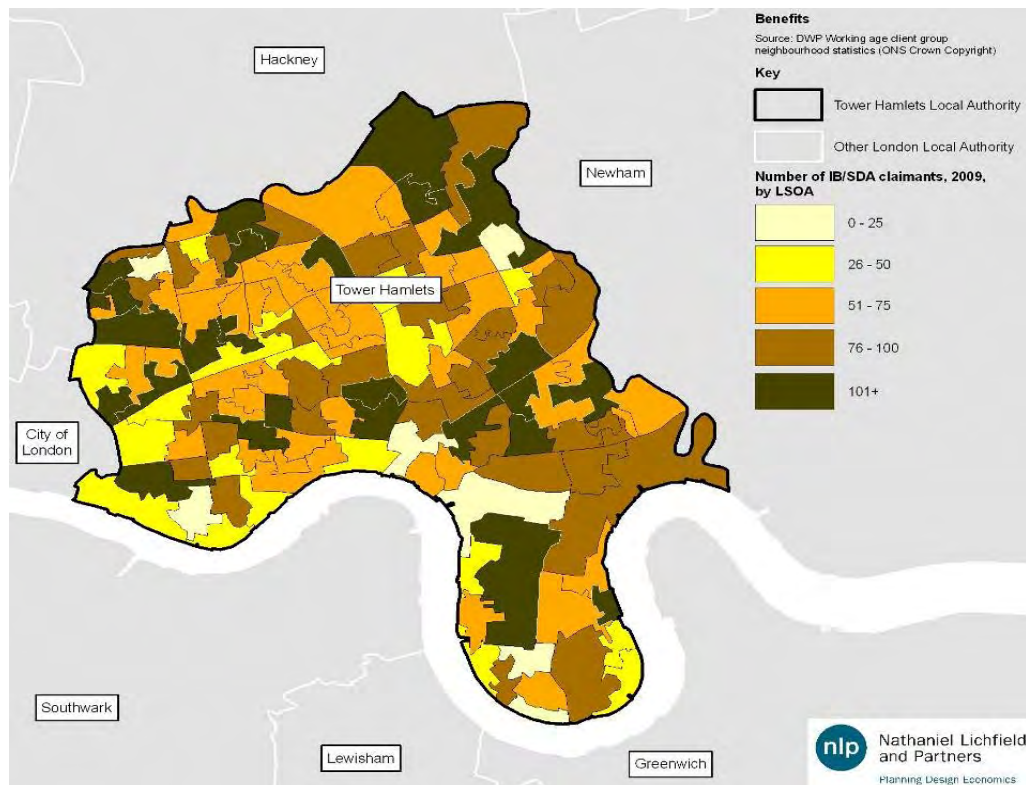
	Number claiming	Proportion	Population	Incidence
TOWER HAMLETS:				
Aged 15-24	710	6%	34,537	2%
Aged 25-34	1,980	16%	63,823	3%
Aged 35-44	3,060	25%	37,941	8%
Aged 45-54	3,910	32%	20,258	19%
Aged 55-59	1,830	15%	6,814	27%
Aged 60-64	760	6%	5,256	14%

LONDON:				
Aged 15-24	17,830	6%	986,400	2%
Aged 25-34	42,410	14%	1,468,400	3%
Aged 35-44	77,770	25%	1,291,000	6%
Aged 45-54	100,750	32%	927,200	11%
Aged 55-59	50,990	16%	354,100	14%
Aged 60-64	23,990	8%	316,600	8%

Source: DWP working age statistics, Nov 2009, Mayhew 2010 population estimate for Tower Hamlets, ONS mid-year pop'n estimate 2008 for London

7.5 Unlike the previous maps detailing the spatial concentration of out-of-work benefit claimants and JSA claimants there is less of a pattern to IB claimants. Areas with high IB claimants are relatively isolated, although there are concentrations running along Whitechapel Road, further north into Spitalfields and within Fish Island.

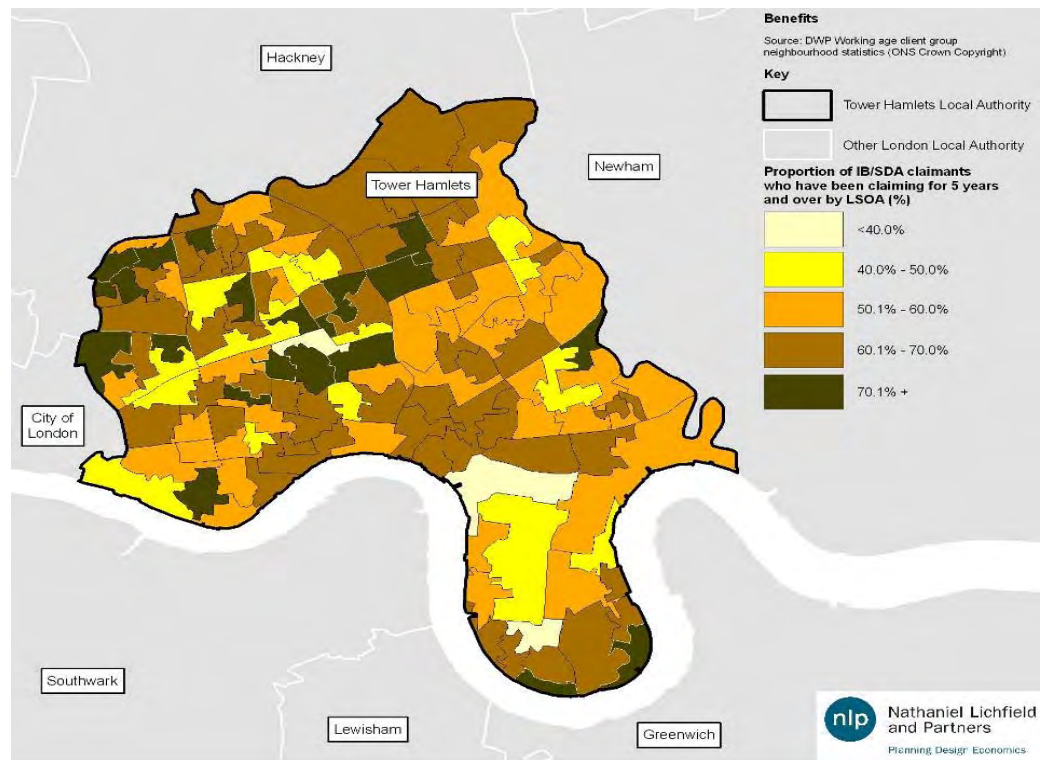
Figure 7.2 Concentrations of IB/SDA claimants



Source: DWP working age client group, Nov 2009

7.6 The map below (Figure 4.20) illustrates where the concentrations of long-term claimants are located. The map shows a quite different geography to the one of counts. Pockets of high counts and high concentrations are visible in Shoreditch, but there are also other areas that have low counts but high proportions of residents claiming for long durations - such as in Millwall and Cubitt Town.

Figure 7.3 Proportion of IB/SDA claimants, claiming for 5 years or more

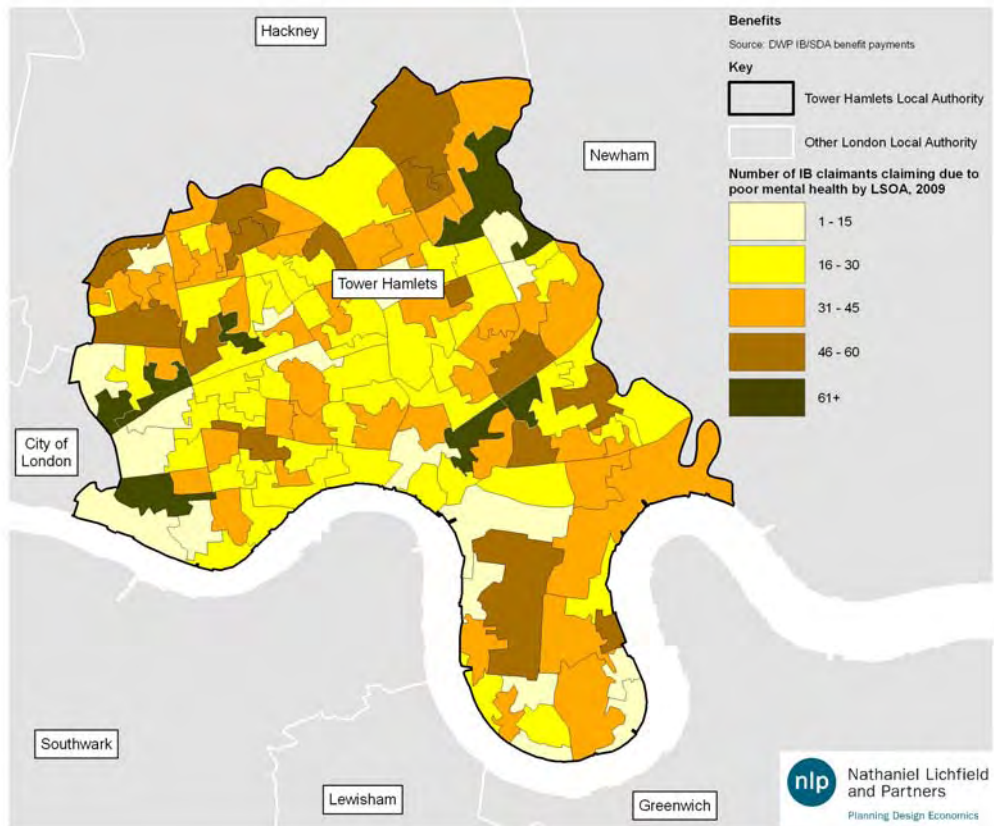


Source: DWP working age client group, Nov 2009

7.7

The most common reason for claiming incapacity benefit is poor mental health (which is imprecisely defined, but ranges from the most serious psychological conditions to stress). Currently 45% of IB claimants have poor mental health (an increase from 34% in 1999). IB claimants' claiming due to poor mental health is mapped below. It shows a significantly different geography to Figs 7.2 and 7.3 above, the overarching impression being that there is no pattern.

Figure 7.4 Number of IB/SDA claimants, claiming due to poor mental health



Source: DWP working age client group, Nov 2009

Indications & Issues

- 7.8 In November 2009 12,240 residents were claiming Incapacity Benefit (including Severe Disablement Allowance and the Employment and Support Allowance) and over half have claimed for more than five years. Almost four-fifths were men and almost a quarter were under 34 years old.
- 7.9 IB claimants typically face multiple and complex barriers to finding work, but a study of 2,000 incapacity claimants by the National Centre for Social Research found that over half of IB claimants want to return to work.

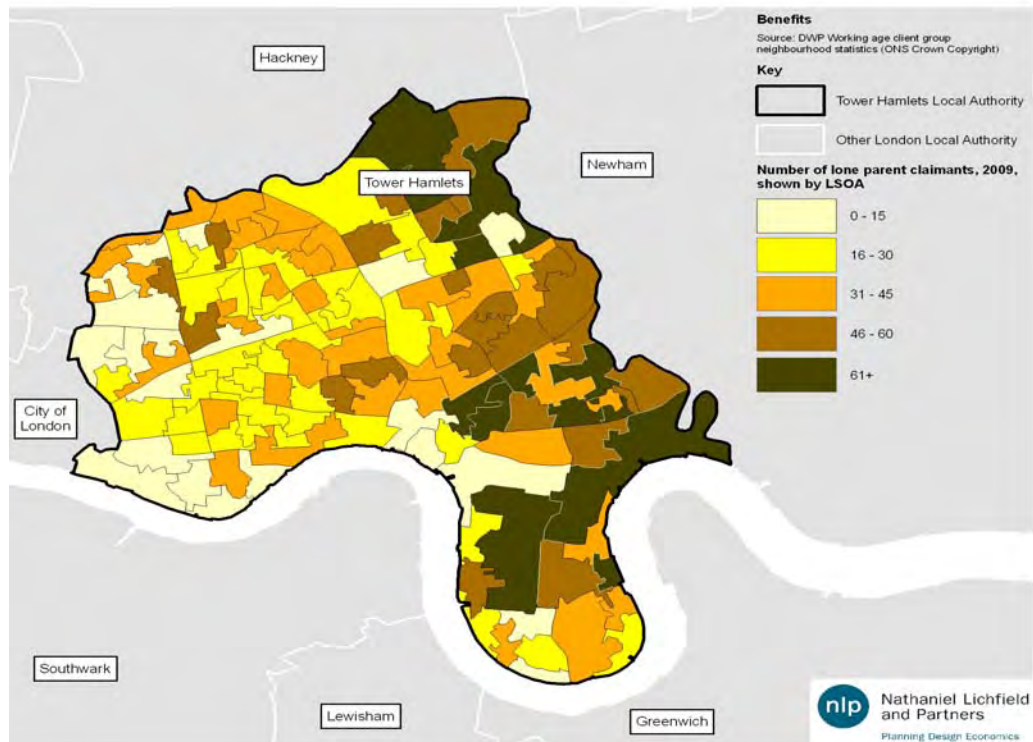
Issues

- 7.10 Incapacity benefit claimants are increasingly a target for a Government keen to cut the cost of welfare. Their competitive position in the labour market is poor and they typically have poor prospects of getting (and, in some case, keeping) a job. They are therefore amongst the hardest to help, and for agencies paid by results, amongst the least rewarding and most hard-to-reach. In addition, IB claimants are very much at risk of the unintended consequences of Government change, as recent high muddles over the transition to the Employment Support Allowance have shown.

8.0 The Workless Population – Lone parents

- 8.1 The number of lone parents within the borough remained very steady between 1999 and mid 2006 at around 6,000. Since August 2006 the number has fallen steadily and by November 2009 there were 4,900 lone parents claiming income support: the third consecutive quarter with the figure below 5,000.
- 8.2 Of those claiming out-of-work benefits, just under one in six (17.4%) in Tower Hamlets are lone parents (4,900 people) compared with 19.4% for London and 25.5% for Barking and Dagenham (5,200 people and the highest percentage in London).
- 8.3 The borough follows the London average in terms of duration of claim. Once a lone parent is claiming income support there is a high chance that they will claim for two years or more, the average for both London and Tower Hamlets is 68%. Of those claiming for five years or more, Tower Hamlets is slightly higher than the London average: 42.9% compared with 42.2%.
- 8.4 Tower Hamlets has fewer young (aged <25) lone parents than the London average. Lone parents within the borough are more likely to be aged between 25 and 34 than elsewhere in the capital.
- 8.5 The spatial concentration of lone parents is very different to the other workless groups. Lone parents are concentrated towards the east of the Borough.

Figure 8.1 Number of working-age population claiming lone parents



Source: DWP benefit claimants - working age clients for small areas, Nov 2009

Indications & Issues

- 8.6 There are fewer lone parents within Tower Hamlets than there are JSA claimants, IB claimants and unemployed residents who are not claiming a benefit. The number of lone parents is also decreasing.
- 8.7 National research undertaken by the Joseph Rowntree Foundation⁵⁸ has found that whilst acquiring skills is important, lone parents face particular barriers in accessing the labour market. The most obvious barrier is availability and cost of childcare. Formal childcare is expensive, particularly in London. JRF also identified some reluctance to use formal childcare for moral reasons as well as the more obvious financial ones and also a lack of jobs that allow lone parents flexibility to fulfil their parenting responsibilities making it difficult for lone parents to access the labour market.
- 8.8 This was also the conclusion in a University of Bath report for DWP *Work and well-being over time, lone mothers and their children*. This research found that flexibility is paramount for mothers and to ensure this flexibility mothers were often working part-time and school hours, and developing and maintaining strong social networks for informal childcare. Indeed, even once in work their opportunities typically remain constrained by their need for flexibility.

⁵⁸ JRF (2009): Work and worklessness in deprived areas

9.0 The Workless Population – Young people

- 9.1 Our fourth workless group is young people. We first assess educational attainment within the borough (because having qualifications make you more competitive in the labour market), and then focus on young people who are Not in Employment, Education or Training (NEET).

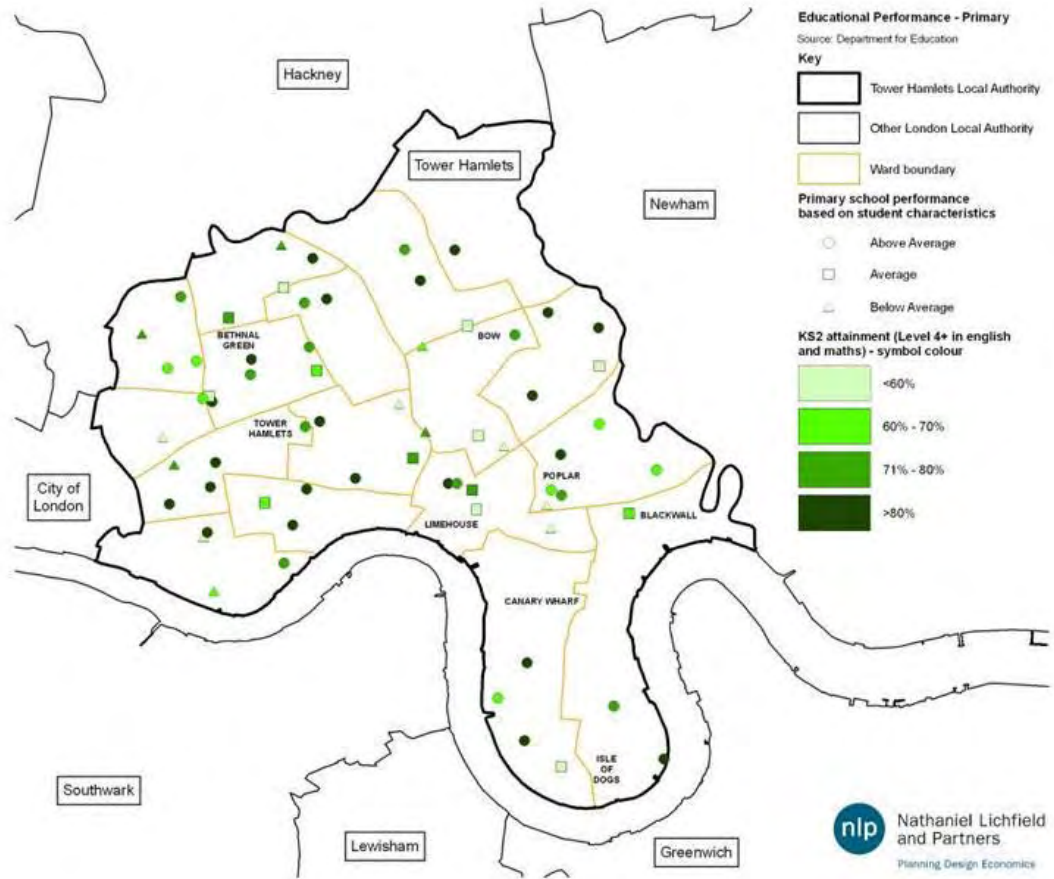
Educational attainment

- 9.2 This analysis presents achievement of qualifications by school, summarising both attainment and school performance. School performance based on student characteristics is measured by the Department for Education using a measure known as CVA (Contextual Value Added). CVA provides a measure of how effective a school's teaching is given factors outside a school's control, such as gender, special educational needs, movement between schools, and family circumstances. The measure therefore nullifies these background differences to allow more meaningful comparisons between schools.

Primary

- 9.3 Department of Education figures show that primary school pupils are performing better than the national average. For 2009 the borough average for KS2 attainment at Level 4+ in Maths and English was 74% compared to the England average of 72%. The borough's primary schools have consistently achieved better results than the England average.

Figure 9.1 Primary school attainment and performance



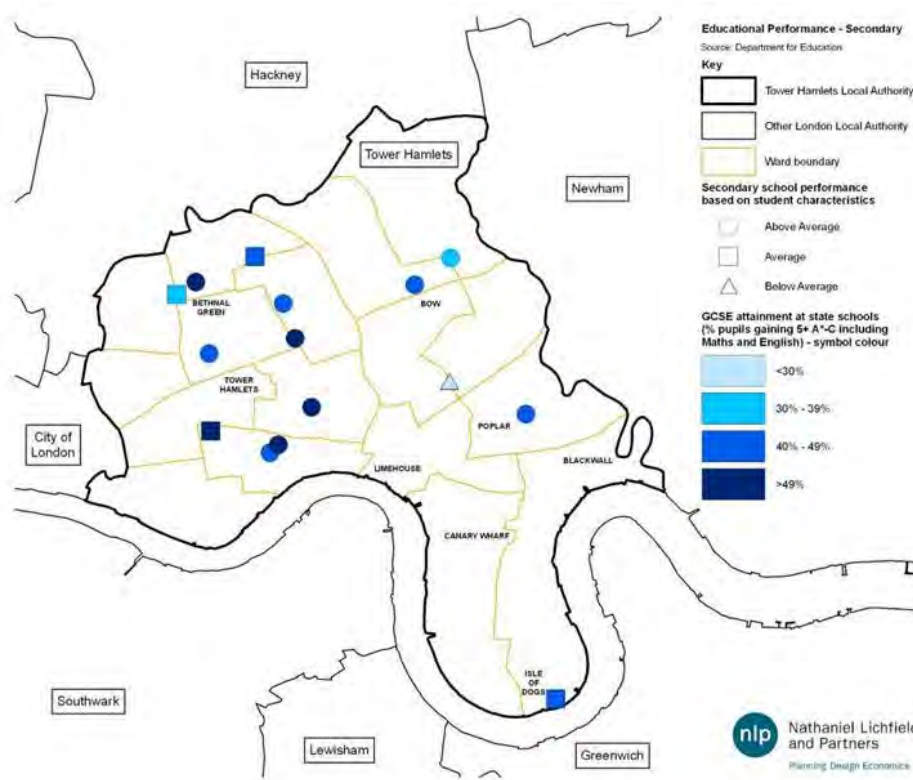
Source: DfE

- 9.4 Primary schools are also performing well on the DfE’s measure of school performance (CVA). There are 65 primary schools with the borough. Almost two-thirds of them are performing better than student characteristics would predict. Less than a fifth are performing worse.

Secondary

- 9.5 The England average for GCSE attainment (5+ A*-C including Maths and English) is 50% of students. Just under a third of the secondary schools in the borough beat the national average, and the borough average is 46%, four percentage point below the national average.

Figure 9.2 Secondary school attainment and performance



Source: DfE

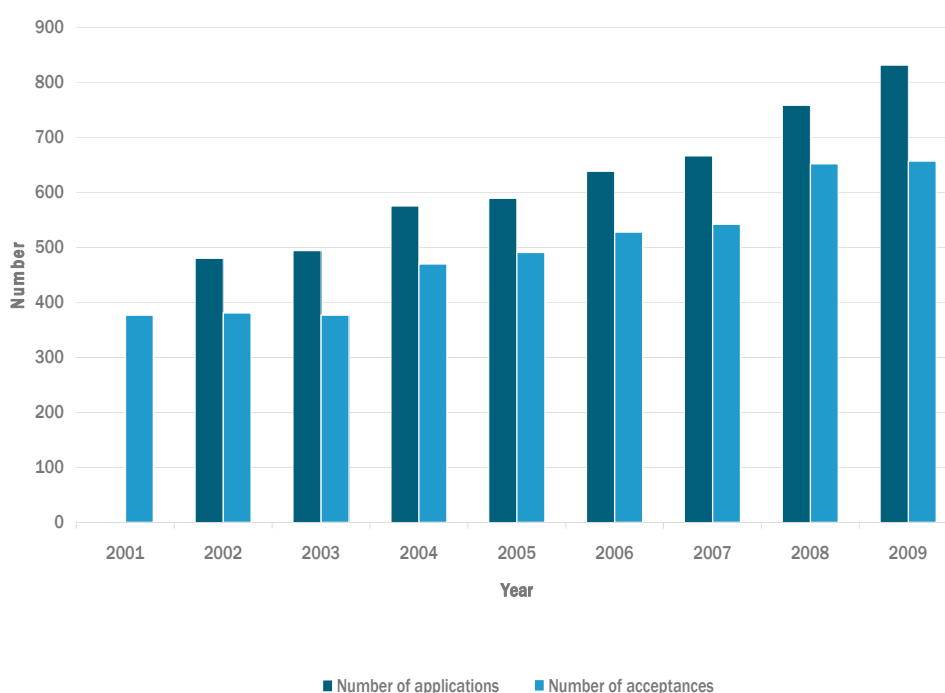
- 9.6 It should also be noted that young residents are not necessarily educated within the borough. A recent Board paper⁵⁹ for the Education Improvement Partnership showed that almost two thirds of year 11 leavers who planned to continue their education were accessing providers outside the borough.

Higher Education

- 9.7 There has been a year-on-year increase in the number of young residents who are continuing their learning with higher education.
- 9.8 Current statistics show that many young people choose to go to university close to their home. This may suggest a lack of aspiration, either by young people themselves, by their teachers and parents, or both. So though increasing numbers going to university is clearly a success, there may be a further job to do in encouraging those who are able and suitable to apply to more prestigious universities further afield.

⁵⁹ Tower Hamlets Education Improvement Partnership Hub Board paper July 2010

Figure 9.3 Higher education applications and acceptances for Tower Hamlets schools and colleges



Source: Tower Hamlets Education Improvement Partnership Hub Board paper 7 July 2010

Table 9.1 Where do local residents go to university?

Local Authority	Number of people going to University	% of students attending University within 30 mins of their home	% of resident students living with parents
Tower Hamlets	2,760	71%	71%
Hackney	2,920	49%	51%
Southwark	3,460	40%	36%
Leicester	6,510	30%	27%
Waltham Forest	4,570	28%	49%
Leeds	13,400	23%	20%
Nottingham	3,120	20%	21%

Source: HEFCE

Young people who are NEET

Introduction

- 9.9 After sustained effort within the borough, the absolute numbers of young people (16-18) who are NEET is now fairly small, a little under 400 on the latest count. Though there are obvious advantages in addressing NEET

problems at an early stage before they damage young people badly, it has been argued⁶⁰ that public policy should not over-focus on young people to the detriment of others. The evidence prompts three important caveats however:

- 1 The most recent published data is for 2008: a good deal has happened to the economy since then, and 2008 data may no longer be a useful guide to current reality.
- 2 The problem does not stop when young people become 18. Indeed, the evidence is that 18 year olds are more likely to be NEET (17% of the national age cohort) than 16 year olds (4%), and that the problem is getting worse for 18 year olds, not better. Moreover, as it is education and training, rather than jobs, which have stopped more young people being NEET, the problem re-emerges when they complete their studies. There has therefore been increasing concern about those who are 18-24 and “not in education, employment or training”, and the term ‘NEET’ is increasingly being applied to them. The traditional policy of dividing young people into two groups, pre- and post-18, does not fit the reality of the NEET problem.
- 3 Many more young people have a period when they are NEET than ‘snapshot’ figures imply. *Against the odds*, the Audit Commission report on young people who are NEET, just published, records research which shows that as many as a quarter of young people experience a period when they are NEET.

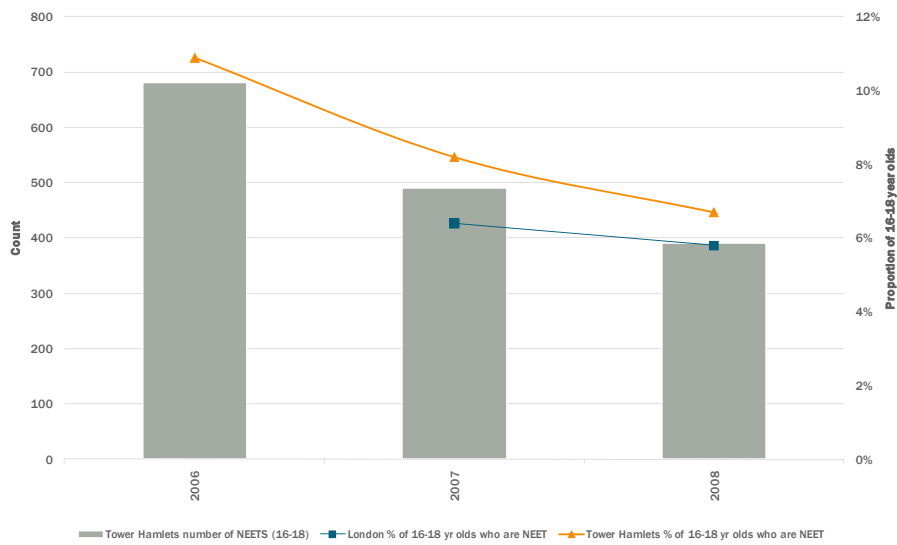
9.10 The Commission explored the reality behind the national average that 9% of the 16-18 age cohort are NEET, and found that of those who do experience a period when they are NEET, 43% are NEET for six months or more, 21% for 3-6 months, and 25% for 1-3 months, with the remainder for shorter periods. The research is national and provides no reliable guide to the position in Tower Hamlets, but from other data it would be reasonable to assume that young people in Tower Hamlets fare no better than the national average.

Analysis

9.11 The proportion of 16-18 year olds who are NEET has fallen significantly in recent years from 10.9% in 2006 to 6.7% in 2008. However, the rate is higher than the London average (5.8%).

⁶⁰ Stakeholder consultation

Figure 9.4 % and numbers aged 16-18 Not in Education, Employment or Training, 2006-08

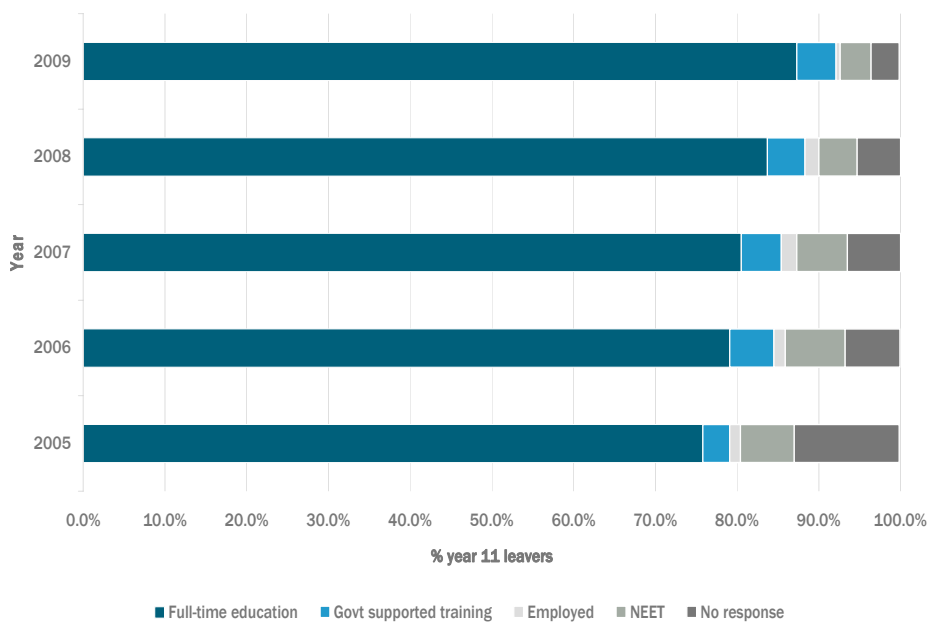


Source: NEET figures for Local Authority Areas, DCSF

9.12

The 2009 VT Enterprise survey of year 11 leavers suggests this rate has continued to fall, with 3.8% of 2009 year 11 leavers NEET (though NEET flows in-year are complex, and vary between years, so it would be wrong to assume that the trend is resolutely downwards). This equates to 98 young people and reflects a continued increase in young people continuing in learning (92.7%), particularly full-time education (87.3%), and increased knowledge about what young people are doing (i.e. reducing the number of 'don't knows').

Figure 9.5 Destination of Year 11 leavers in Tower Hamlets 2005-09



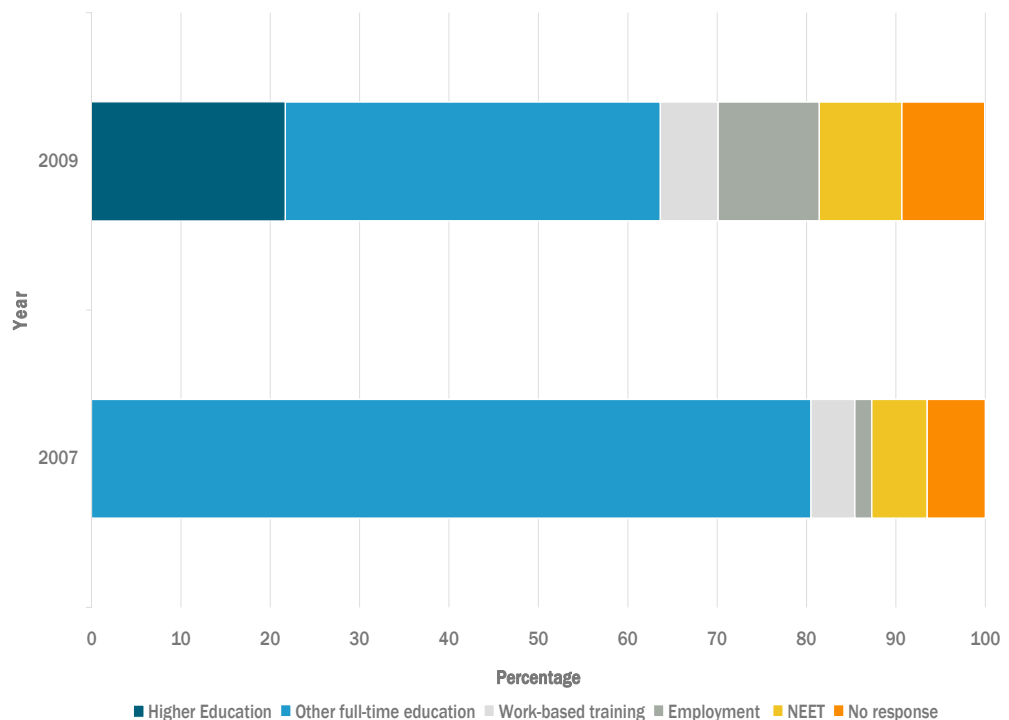
Source: Activity Survey 2009, Year 11 leavers from Tower Hamlets, VT Enterprise

9.13 Amongst young people who are NEET:

- 1 80% are available to the labour market. Reasons for others not being available include pregnancy, being in custody or illness
- 2 Males account for 60%. Overall 3.9% of males are NEET
- 3 Bangladeshis are the largest ethnic group (46%). Overall 3.3% of Bangladeshis are NEET
- 4 White people are most likely to be NEET: 8.5% of the White cohort are NEET, and they account for 43% of all those NEET

9.14 A separate 2009 VT Enterprise Survey investigated the current activity of 2007 school leavers (ie 18 year olds). It found that 9.2% of 2007 school leavers were NEET two years later. This is an increase of nearly 50% since the cohort first left school (6.2% were NEET in 2007). This partly reflects an increase in the numbers who are NEET and not available to the labour market (2.7% of 18 year olds), for example because they are teenage parents, ill or in custody. Unsurprisingly the survey also suggests that more of the cohorts are now in employment than two years ago and fewer are in full-time education (including higher education which was not separated out in the 2007 survey).

Figure 9.6 Destination of 2007 school leavers in Tower Hamlets in 2007 and 2009



Source: 18+ Activity Survey 2009, 2007 Year 11 leavers and Activity Survey 2009, Year 11 leavers from Tower Hamlets, VT Enterprise

9.15 The survey suggests the same groups are likely to be NEET aged 18 as aged 16. For example:

- 1 10% of males are NEET aged 18 and account for 58% of all those NEET
- 2 14% of White young people are NEET, accounting for 35% of those NEET
- 3 44% of 18 year olds that are NEET are Bangladeshis. They account for 8% of all 18 year old Bangladeshis

9.16 A recent national study for DCSF⁶¹ found that 40% of young people who are NEET, had negative experiences of learning and are likely to remain NEET in the long term. They tended to have no or low qualifications, did not know what they wanted to do and had not received any careers advice other than from their parents. A further 20% were classed as undecided NEET. This group did not face any specific barriers to employment and training, but were dissatisfied with the options available.

Young people joining the labour market

9.17 Research by the Centre for Economic Performance at LSE⁶² found that although the young had fared badly during the current recession, with larger increases in their unemployment than adults (and higher levels of NEET as a consequence) young people always do worse in downturns. There is no evidence that they are doing relatively worse during this recession compared to previous recessions.

9.18 It is interesting to compare the incidence of young people becoming NEET with incidence of claiming Jobseekers Allowance. Although there is some discontinuity⁶³ in the data Figure 4.28 shows that the number of 16-18 year olds becoming NEET has been decreasing 2006-08 and the numbers of 15-19 years old claiming JSA has also been decreasing – though at a slightly slower rate and from a higher count⁶⁴.

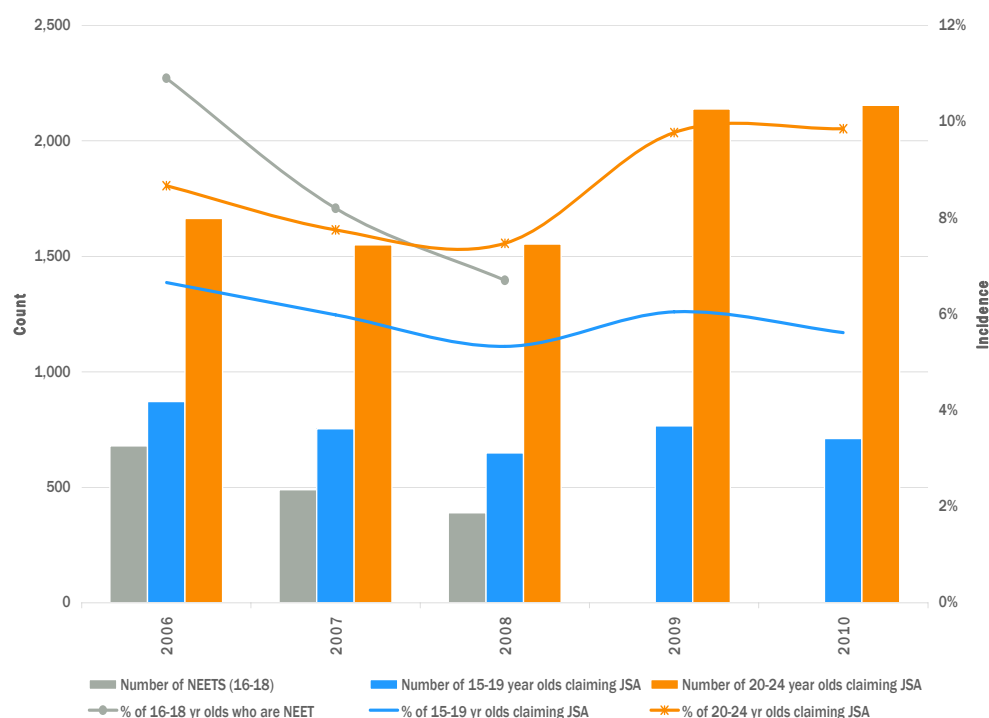
Figure 9.7 Young people becoming NEET and young people claiming Jobseekers Allowance

⁶¹ National Foundation for Educational Research (2009): Understanding young people who do not participate in education or training

⁶² LSE (2010): Jobs and youth unemployment – It's bad, but not as bad as you might think

⁶³ There is a discontinuity between 2008 and 2009 for data on claiming JSA because years 2006 to 2008 use mid-year population estimates from ONS, whilst years 2009 and 2010 use Mayhew 2010 population estimates.

⁶⁴ The trend lines are positioned above the bars to make them easier to read.



Source: DfE NEET data, DWP claimant count, ONS mid-year population estimates, Mayhew 2010 population estimate for Tower Hamlets

- 9.19 Interestingly, the number of 20-24 year olds claiming JSA has not decreased as much as the number of 15-19 year olds. This may indicate that although interventions are having some success in reducing the likelihood of young people becoming NEET, once the same young people are in their early 20s they drop out of the labour market.

Indications & Issues

- 9.20 Educational attainment has now increased so that primary and secondary schooling is now roughly on par with the national average. However it would seem that although many young people are furthering their education by going into University they settle for local universities instead of trying to enter more prestigious establishments.
- 9.21 The borough, and London as a whole, has been effective at reducing the number of young people becoming NEET however worklessness amongst 20-24 year olds remains static. This may suggest that young people are being propped up by NEET reduction interventions and when they are no longer eligible they drop out of the labour market.
- 9.22 The research shows that there is a correlation between young people being NEET for a long time and low qualifications levels. Chapter five shows that there is a similar correlation between likelihood of being workless and low qualifications levels. Clearly, in order to reduce the incidence of NEET and the incidence of young people joining the workless population, ensuring that young people get the qualifications they need is paramount.

Issues

- 9.23 The Council may want to research why resident young people are applying for local universities rather than more prestigious ones further away.
- 9.24 The Council should keep a very close eye on the incidence of worklessness of school leavers, and the 15-19 and 20-24 in general. National research shows that the young suffer in a recession and worklessness amongst an age-group with little work experience and other work-skills will almost certainly have a greater time-lag than other age groups once the economic recovery is in full swing.

10.0 The Workless Population – Concluding comments

10.1 The proportion of residents who have become economically active has increased steadily in the last five years, as has the employment rate. A correlating decrease in the unemployment rate has not occurred, but it has not been necessary to reduce the unemployment rate because more people are moving from being economically inactive to being economically active.

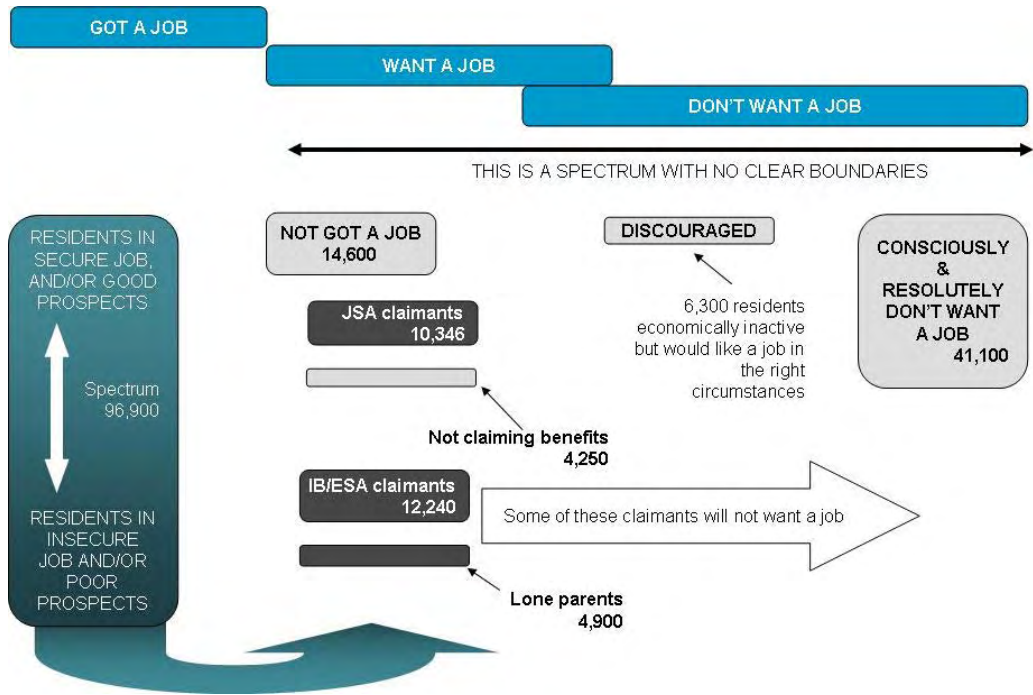
10.2 Despite these improvements the borough compares poorly with London in terms of quantity of workless per working age population. To reach the London average rates Tower Hamlets needs:

- a 9,022 additional residents to be economically active,
- b 13,287 additional residents to be in employment.

10.3 The workless population can be segmented in various ways, as shown in figure 4.29 below. The key points are:

- 1 The largest group comprises those who have consciously and adamantly decided that they do not want a job, the 'economically inactive and don't want a job'.
- 2 The second largest group of workless residents is those who are claiming ill-health benefits (IB/ESA). Most (53%) are aged over 45 and most (58%) have claimed benefit for over five years, with poor mental health the most common cause cited (45%). Some people in this group are both willing and able to work: many are neither (but no data is collected on the distinction because IB/ESA claimants are not required to be available).
- 3 The third largest group, and arguably the group closest to the labour market is those claiming Jobseekers Allowance. Claimants tend to be male (71% of total) and under 29 years old (43% of total). They all formally declare that they are willing and able to take suitable jobs offered to them, but in reality the extent of their willingness and availability is affected by various factors, including the extent to which they are discouraged by a long period of unemployment.
- 4 A fourth group, not conventionally included has also been considered in the diagram below: those who are currently in work, but work which gives them little or no opportunity to build their employability (and particularly their skills), and which is likely to see them back amongst the unemployed in the near to middle term. It is worth including people in this group in the consideration of worklessness, on the basis that prevention is better (and usually cheaper) than cure.

Figure 10.1 Who are the workless? (Boxes are to scale)



11.0 Conclusions & Indications

11.1 Chapter five draws together all analysis within the previous chapters. The chapter considers:

- 1 Strengths, weaknesses, opportunities and threats to employment in the borough
- 2 The link between demand and supply
- 3 Next steps

Key themes

11.2 In order to summarise the issues associated with worklessness and employment in the borough we present a SWOT analysis detailing the key themes that have emerged. Some of these issues have been drawn from the wider LEA. These are summarised in Table 5.1.

Strengths

11.3 The main strengths of the borough are associated with the demand for labour:

- 1 The borough has a large number of jobs, many more than the size of its working population. Despite the concentration of financial and business services there is still a wide range of jobs on offer in terms of occupation and sector.
- 2 The financial and business services sector appears to have emerged from the recession relatively quickly suggesting the jobs based in the borough are fairly robust.
- 3 Transport links mean that businesses in the borough are able to attract employees from a wide travel to work area and are therefore in a good position to get not only a person for the job, but the best person.

11.4 On the supply side the strengths mainly relate to the potential of the local workforce to meet needs:

- 1 A relatively young workforce means there may be less of an issue for employers in terms of replacing workers that retire.
- 2 The low economic activity rate means there is a potential large pool of untapped labour which could be beneficial if the labour market tightens again.

Weaknesses

11.5 In contrast the weaknesses tend to reflect the supply of labour in the borough:

- 1 There is a mismatch between the skills and qualifications employers within Tower Hamlets demand and the skills and qualifications people

have. Many of the jobs in the borough, and the new ones likely to be created, are generally filled by people with a level four equivalent qualification whereas a high proportion of the resident workforce do not have a level two and many have no qualifications.

- 2 Many fewer women work (or seek work), particularly in the Bangladeshi community, than the London average.
- 3 Many residents have poor English, which severely limits their options.
- 4 Many residents lack a realistic understanding of the labour market and the opportunities available to them, which means that many are not taking advantage of those opportunities.
- 5 Good transport links means that residents face strong competition for jobs in the borough from those living elsewhere and willing to commute.

11.6 On the demand side, there is limited retail employment in the borough: the sector is often considered to provide good entry level jobs. However there are many retail jobs easily accessible in other boroughs.

Opportunities

11.7 There are clear opportunities for residents to gain employment in and out of the borough. Employment is expected to grow within Tower Hamlets and developments such as the Olympics and Stratford City will expand the accessible opportunities and the range of jobs available. In addition qualifications levels amongst young people are rising and this should filter through into the general qualification level of the working population.

Threats

11.8 There are also clear threats to employment in the borough. These are primarily associated with uncertainty about the future of financial services and London's global position in the sector. And though the borough is less dependent on public sector jobs than London as a whole, public spending reductions are also likely to reduce the number of those jobs (as well as potentially affecting services of value to people looking for work).

11.9 A major threat to the borough is that inter-generational worklessness is not tackled and indeed gets worse making it consistently more difficult to improve incomes and employment. Furthermore anecdotal evidence suggests that in some cases when residents are successful in gaining employment and developing their career they move elsewhere, partly as a result of the unavailability of affordable housing. New residents may not be as well-positioned in the labour market and as a result the level of worklessness in the borough does not change.

Table 11.1 SWOT Analysis

STRENGTHS	WEAKNESSES
<p>Demand:</p> <p>Lots of jobs</p> <ul style="list-style-type: none"> -Wide range of jobs (by both sector and occupation) -High replacement demand creates vacancies -Financial and business services have come out of the recession relatively quickly -There is a large untapped labour supply -Large TTWA⁶⁵ means opportunities outside the borough can be harnessed 	<p>Demand:</p> <ul style="list-style-type: none"> -Highly accessible job market means residents face significant competition for local jobs -Limited retail economy means few opportunities in relatively low skilled jobs
<p>Supply:</p> <p>Young population</p> <ul style="list-style-type: none"> -Young people are reasonably well qualified (national average) 	<p>Supply:</p> <ul style="list-style-type: none"> -Mismatch between skills and jobs -Very polarised achievement of qualifications -Reluctance amongst some women to enter the labour market -Some residents are unwilling to travel -Residents with poor English cannot access even low-skilled jobs -Lack of aspirations amongst some residents -Lack of knowledge jobs -Benefits trap is more of an issue in the borough
OPPORTUNITIES	THREATS
<p>Demand:</p> <ul style="list-style-type: none"> -Expected job growth in Tower Hamlets and London -Range of jobs increasing, especially in retail -Young educated residents entering the labour market 	<p>Demand:</p> <ul style="list-style-type: none"> -Dependence of financial services -TTWA becomes even bigger due and increases competition for jobs -Public sector cuts mean fewer services for workless -Public sector cuts mean fewer job opportunities for workless residents
<p>Supply:</p> <ul style="list-style-type: none"> Aspirations are increasing The Olympics (apprenticeships and work experience) 	<p>Supply:</p> <ul style="list-style-type: none"> Inter-generational worklessness Lack of knowledge of jobs available Residents move out of the borough when they are successful Continuous in-migration (national and international) continually increases competition Residents not always gaining the qualifications that employers want

⁶⁵ Travel To Work Area: the statistical area for which unemployment data is calculated.

Linking demand with supply

The short-term challenge

11.10

The recession has resulted in an increase in unemployment in Tower Hamlets as with the rest of London. This has led to an increasingly competitive labour market with more people looking for fewer jobs. There are indications of a recent large increase in the number of vacancies in the borough (and nearby, available to the borough's residents), but table 5.2 shows the short-term problem is quite clearly one of scale: when looking at the borough only there are too few job vacancies for the number of people who are actively seeking work. Clearly, other areas can be a source of employment for residents but it is incorrect to assume that the wider London labour market can be a provider of eg entry level occupations. Expanding the spatial area of a labour market merely increases the competition for jobs, it does nothing about making the applicants from Tower Hamlets more appealing to employers

Table 11.2 JCP Notified Vacancies, by type and type of occupation sought by claimants

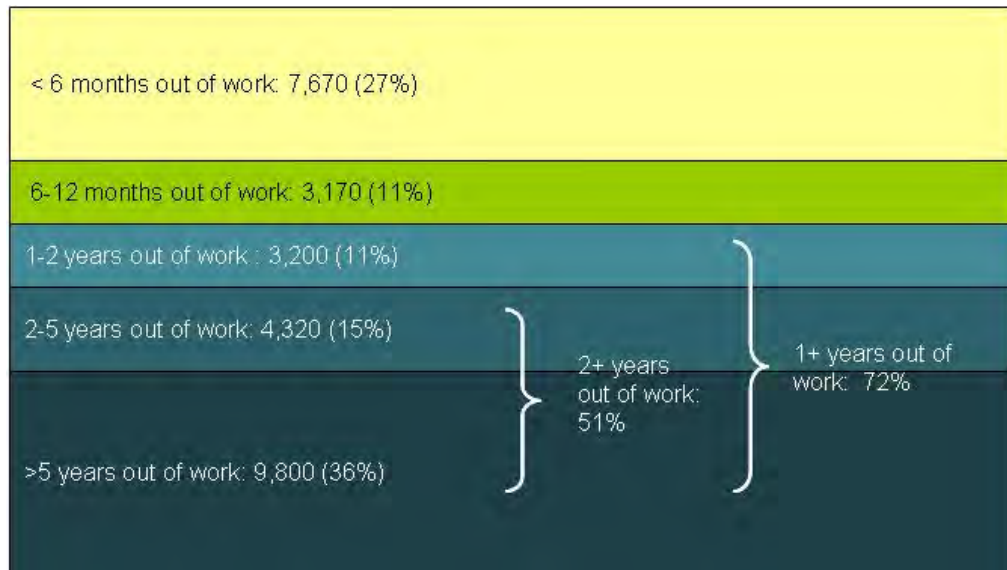
	Vacancies	Unemployed seeking a vacancy	Unemployed per vacancy
Corporate Managers	47	185	4
Managers and Proprietors in Agriculture and Services	20	95	5
Science and Technology Professionals	17	95	6
Health Professionals	3	5	2
Teaching and Research Professionals	71	115	2
Business and Public Service Professionals	22	140	6
Science and Technology Associate Professionals	21	110	5
Health and Social Welfare Associate Professionals	24	105	4
Protective Service Occupations	9	15	2
Culture, Media and Sports Occupations	15	430	29
Business and Public Service Associate Professionals	213	260	1
Administrative Occupations	67	1,215	18
Secretarial and Related Occupations	21	240	11
Skilled Agricultural Trades	48	50	1
Skilled Metal and Electronic Trades	12	155	13
Skilled Construction and Building Trades	43	325	8
Textiles, Printing and Other Skilled Trades	15	470	31
Caring Personal Service Occupations	63	320	5

	Vacancies	Unemployed seeking a vacancy	Unemployed per vacancy
Leisure and Other Personal Service Occupations	33	150	5
Sales Occupations	253	2,160	9
Customer Service Occupations	110	340	3
Process, Plant and Machine Operatives	32	230	7
Transport and Mobile Machine Drivers and Operatives	146	465	3
Elementary Trades, Plant and Storage Related Occupations	86	795	9
Elementary Administration and Service Occupations	102	1,670	16

Source: ONS Jobcentre Plus Notified Vacancies April 2010

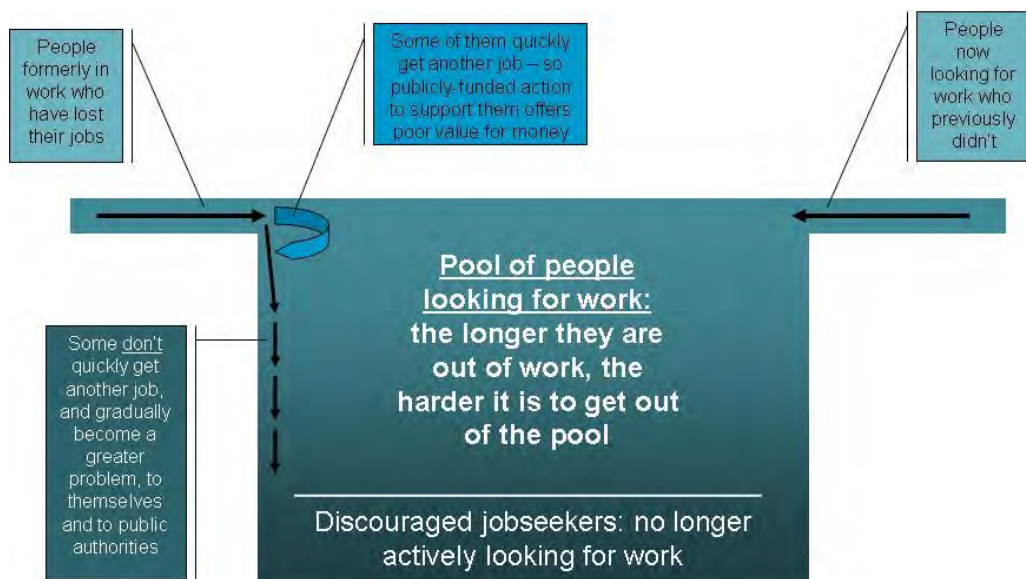
- 11.11 However, this table does not tell the whole story. Competition is likely to be even greater as:
- 1 There are 4,250 residents who are not eligible for JSA who are actively looking for a job;
 - 2 Good transport links and the number of employers within the borough attract people who live outside the borough to apply for these jobs. Typically, the higher level the job the more willing people are to commute, but individuals' willingness to travel tends to increase when jobs are scarce.
- 11.12 More positively:
- 1 By no means all vacancies are notified to Jobcentre Plus. The standard assumption is that vacancies notified to JCP account for at most one third of all vacancies. JCP is less likely to be notified of higher level vacancies.
 - 2 Currently only 30% of residents work in the borough. Good transport links mean that residents are able to compete for jobs elsewhere.
- 11.13 Even with expanded horizons, many workless residents (and particularly those who have been workless the longest) may struggle to access the labour market. The high level of long-term worklessness in the borough means that large numbers of unemployed will find it more difficult to compete successfully for the available jobs with people who have recently lost their job and have more recent work experience and higher skills. As figure 5.1 shows around three quarters of those on an out-of-work benefit have been out of work for over a year. Generally the longer someone is out of work the more difficult it is for them to get a job.

Figure 11.1 Period out of Work⁶⁶



11.14 The short-term challenge for the borough is therefore to reduce levels of worklessness amongst the resident population at a time when competition for jobs both within and outside the borough is high and large proportions of workless residents are in a poor position to compete. Additionally there is a challenge to ensure that those recently made unemployed do not remain out of the labour market for too long and join the pool of long-term workless. In the latter case the policy choice is to consider when to offer help. As figure 5.2 illustrates: ‘too early’ and public resources may have been used unnecessarily, ‘too late’ and it becomes much more difficult to help someone back to work as they lose skills and become discouraged.

Figure 11.2 Policy choices for supporting the unemployed



⁶⁶ Originally seen as Fig 5.7 above

The long-term challenge

- 11.15 The long-term challenge for Tower Hamlets is primarily associated with the supply of labour rather than the availability of jobs. The issue is how to ensure greater numbers of the resident working age population are able and willing to compete with others from outside the borough to gain the new jobs being created. This includes the new jobs created within the borough and outside as a result of developments such as the Olympics, Stratford New City and on the Greenwich Peninsula.
- 11.16 These developments will provide job opportunities in elementary level occupations, but in the long-term the changing structure of work will mean the number of jobs at this level will become less. Elementary level jobs provide important stepping-stones for those returning to work, and for those in transition such as students, but low pay and poor prospects mean that they provide a weak basis for making a living long-term.
- 11.17 The main challenge for residents, irrespective of other barriers, is to gain the appropriate skills so that they are able to access the high-skill occupations that will be in greater demand rather than the declining numbers of lower skilled jobs.

The skills story

- 11.18 Throughout the worklessness assessment we keep on returning to the issue of having the skills that employers require. National analysis⁶⁷ and our analysis of qualifications and employment all show the importance of being a highly qualified individual and that there is a positive correlation between qualification level and likelihood of being in employment. Given that Tower Hamlets has a large number of residents with low level, and in a high proportion of cases no qualifications it is unsurprising that the borough's employment rate is therefore below the London average.
- 11.19 It is only by meeting employers demand, both in the short- and in the long-term that workless residents will be able to move into sustained employment.

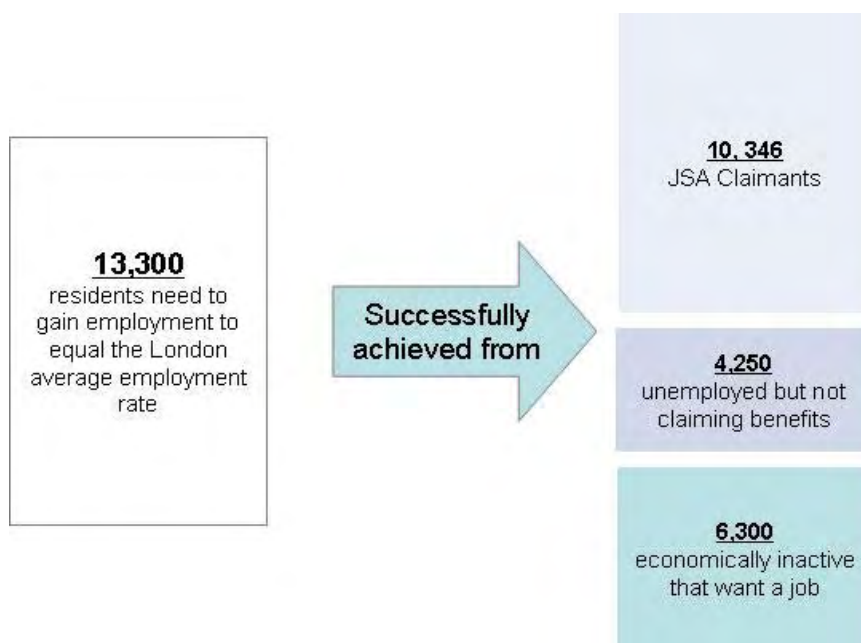
Scale of the challenge

- 11.20 Tower Hamlets has a significant challenge in trying to increase the very low employment rate. To reach the London average employment rate Tower Hamlets needs 13,300 additional residents to be in employment. Given that there are only 14,600 residents unemployed looking for work this will be a very significant challenge.
- 11.21 The scale of the challenge becomes even more obvious when you consider that almost a quarter of JSA claimants (who form almost three-quarters of the unemployed) have been unemployed for over 12 months.

⁶⁷ Leitch review (2006): Prosperity for all in the global economy - world class skills

- 11.22 In order to converge with the London employment rate Tower Hamlets will have to look beyond the unemployed who are looking for work. In addition to the 14,600 residents who are unemployed there are 6,300 economically inactive people reporting that they want a job totalling ~21,000 residents who could be moved into employment.
- 11.23 To reach the London employment rate 13,300 residents out of a stock of 21,000 will have to start working – just short of 66%. Whilst this requires a very high (and probably unrealistic) success rate it illustrates the scale of the problem facing the borough. The sources of this are shown below in Figure 5.4.

Figure 11.3 Scale of the employment rate challenge (to scale)



Issues for further consideration

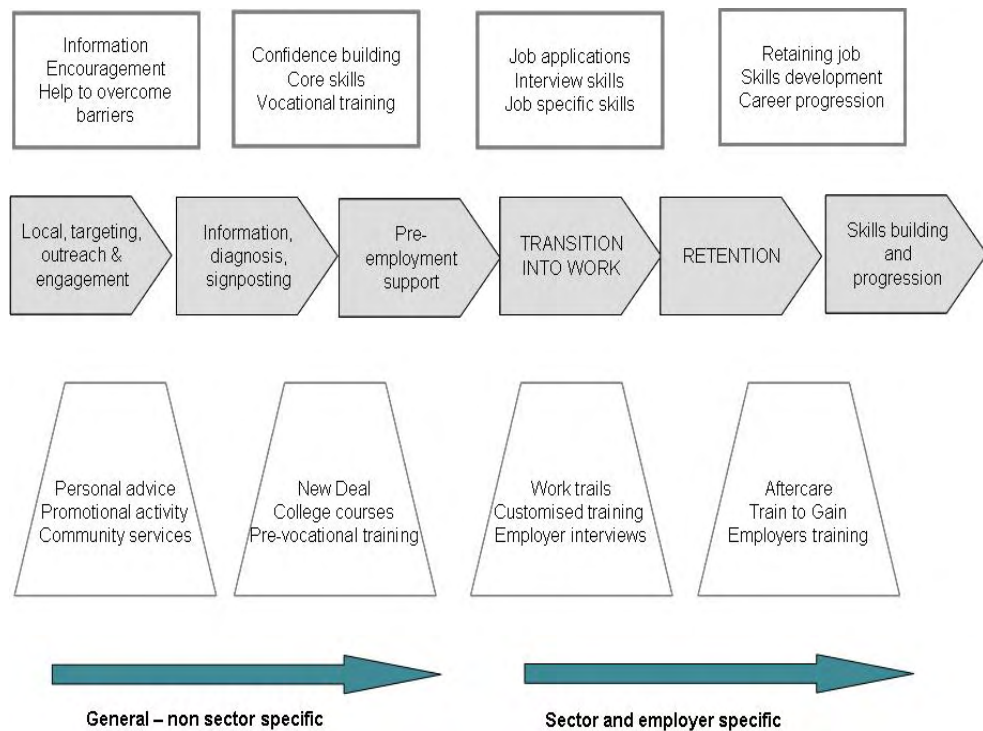
- 11.24 Out-of-work residents face multiple barriers to work and it is difficult to generalise what needs to be alleviated and/or improved to meet the aim of converging with the London employment rate. Key barriers to tackle are:
- Low skill levels. Tower Hamlets has many residents with no or low level qualifications, who are consequently poorly placed in a competitive labour market, more likely to be out of work, or at risk of losing their job, and whose prospects will get worse as employers demands rise.
 - Poor health - many of those on sickness benefits in Tower Hamlets suffer from some form of mental illness. Exactly what that means, and what scope there is to do something to help some of these people back to work, would require further research.
 - Psychological barriers - at its most extreme feeding a culture of worklessness which reinforces the original problem.

- d The benefits trap. This is a high priority for national Government, which alone can alter the benefits system. Local action can, however, illuminate the problem, and the gains to be won from tackling it.

11.25

For its Total Place analysis, the Council is compiling information on existing provision. Headline analysis of the work done so far shows a complicated map of provision, with no fewer than 207 employment projects delivered by 146 organisations, with 43% of the projects focused exclusively on Tower Hamlets. Figure 11.4 may provide a potential framework for identifying gaps in support and where national programmes are continuing.

Figure 11.4 Routeways into Employment



Source: Adapted from Liverpool City Region City Employment Strategy

Options:

11.26

In considering who and how to target the 13,300 residents who need to be moved in to jobs to reach the London employment rate, it would be worth considering the following:

- 1 Residents who have the right skills and are “job-ready” are the easiest to get into employment. Typically these are people with good work experience who have not been unemployed for very long. Getting them back into work is likely to have an immediate impact on the local economy through better operated business and increased earning power. However they may not need public financed support to gain a job and the additionality of any support may be limited. National Government has traditionally shied away from providing more than basic support to the newly unemployed for this reason.

- 2 In contrast, supporting individuals who are furthest away from the labour market such as those that have been on benefits for a long time or who are unregistered and not obviously seeking work, is likely to cost a good deal more and be much more difficult. The rationale for taking action to help them may therefore more obviously be social, and centred on the cost of benefits, rather than likely early benefit to the local economy.
- 3 Experience of previous recessions is that the group to watch is those who fall from the “under six months unemployed” group (whose chances of getting back into work are generally high), into the 6-12 months unemployed group, whose prospects get rapidly worse. It would be possible to design an initiative to review the prospects of all those who become, say, four months unemployed (using well-understood means of identifying prospective problem cases), to see if targeted intervention is both required and likely to be effective.
- 4 Job (and broader economic) opportunities for residents are not limited to the borough’s boundaries. Good transport links provide access to jobs in neighbouring boroughs and further afield which may better match the skills of workless residents. The challenge for those offering support is to help raise awareness of these opportunities and help overcome barriers to travel whether they be real or perceived.
- 5 It is clear that the benefits system is a barrier to people gaining employment and that it is a bigger barrier for people in London and Tower Hamlets in particular. Changing the system is beyond the power of the Council, but it could seek to work closely with national Government which is newly tackling the problem.

Appendix 1 Data Sources

IDEA Guidance establishes the relevant and available data sources for carrying out a worklessness assessment, including the degree of confidence available at different spatial scales. In effect, there are a number of limitations that make it difficult to secure granularity on causal issues at a sub-local authority level.

Worklessness assessment, key indicators

EXAMPLES OF KEY INDICATORS:	SOURCE	LOWEST AVAILABLE GEOGRAPHY	FREQUENCY	CONFIDENCE ISSUES
EMPLOYMENT, UNEMPLOYMENT AND ECONOMIC INACTIVITY				
Employment totals and rate	Annual Population Survey	District	Quarterly	Fairly robust at County / UA level
Employment rate by Gender	Annual Population Survey	District	Quarterly	Fairly robust at County / UA level
Employment rate for ethnic minorities	Annual Population Survey	District	Quarterly	Not very robust at County / UA level
Employment rate by age group	Annual Population Survey	District	Quarterly	Fairly robust at County / UA level
Unemployment Rate	Annual Population Survey	District	Quarterly	Fairly robust at County / UA level
Unemployment by Age Band	Annual Population Survey	District	Quarterly	Not very robust at County / UA level
Economic Inactivity	Annual Population Survey	District	Quarterly	Fairly robust at County / UA level
Economic Inactivity by age group	Annual Population Survey	District	Quarterly	Fairly robust at County / UA level
Composition of economic inactivity	Annual Population Survey	District	Quarterly	Possibly wide confidence intervals
Trends over time for employment, unemployment & economic inactivity	Annual Population Survey	District	Quarterly	Fairly robust at County / UA level
NEET number and proportion	DCSF 14-19 website	County / Unitary Authority	Annual	No known confidence issues
DWP CLAIMANT COUNT AND WORKING AGE CLIENT GROUP				
Claimant Count total and rate	Claimant Count	Super Output Area	Monthly	None - complete count
Claimant In-flows and Off-flows	Claimant Count	Super Output Area	Monthly	None - complete count
Composition of Claimant Count (by occupation)	Claimant Count	Super Output Area	Monthly	None - complete count
Claimant Count by duration of claim	Claimant Count	Super Output Area	Monthly	None - complete count
Claimant Count by Age	Claimant Count	Super Output Area	Monthly	None - complete count
Claimant Count trend analysis	Claimant Count	Super Output Area	Monthly	None - complete count
Out-of-work benefit claimant totals and rates	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
Trends in out-of-work benefit claimants	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
IB/SDA totals and rates	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
IB/SDA by age	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
IB/SDA by duration of claim	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
IB/SDA by medical condition	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
IB/SDA trend analysis	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
Lone parents on Income support totals and rates	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
Lone parent claimants by duration of claim	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
Lone parent claimants by age	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
Lone parents on Income trend analysis	Work and Pensions Longitudinal Study	Super Output Area	Quarterly	None - complete count
SKILLS AND QUALIFICATIONS				
Qualifications of the working age population	Annual Population Survey	District	Quarterly	Fairly robust at County / UA level
Qualifications of the working age population by age	Annual Population Survey	District	Quarterly	Not very robust at County / UA level
Percentage of 15 year olds achieving 5+ A*-C grades at GCSE, including English and Maths	DCSF SFR	County / Unitary Authority	Annual	None
Average points score per entry at A Level	DCSF SFR	County / Unitary Authority	Annual	None
Proportion of 16-17 year olds in education and training	DCSF SFR	County / Unitary Authority	Annual	None
VACANCIES AND RECRUITMENT DIFFICULTIES				
Number of jobs	Annual Business Inquiry	Super Output Area	Annually	Possible wide confidence intervals
Employees by sector	Annual Business Inquiry	Super Output Area	Annually	Possible wide confidence intervals
Trends in employee jobs by sector	Annual Business Inquiry	Super Output Area	Annually	Possible wide confidence intervals
Jobs density (num of jobs/working age population)	Annual Business Inquiry and ONS Mid-year Population estimates	Parliamentary constituencies	Annually	Fairly robust at County, UA and PC
Notified & Unfilled Vacancies	JCP vacancy data	Super Output Area	Monthly	None - complete count
Vacancy levels by Sector	JCP vacancy data	Super Output Area	Monthly	None - complete count
Vacancy levels by Occupation	JCP vacancy data	Super Output Area	Monthly	None - complete count
Claimants per Vacancy	JCP vacancy data and Claimant Count	Super Output Area	Monthly	None - complete count
Hard-to-fill vacancies	National Employers Skills Survey	Local LSC Level	Annual	Fairly robust at LLSC
Skill-shortage vacancies (SSVs)	National Employers Skills Survey	Local LSC Level	Annual	Fairly robust at LLSC
% of all vacancies which are Skill-shortage vacancies	National Employers Skills Survey	Local LSC Level	Annual	Fairly robust at LLSC
Types of skills lacking in connection SSVs	National Employers Skills Survey	Local LSC Level	Annual	Possibly wide confidence intervals

Appendix 2 Glossary

Worklessness

Defined as the proportion of working age population who are not employed. This includes people who are unemployed and people who are economically inactive, e.g. people who are sick/disabled, students, people looking after the family and home, and retired people. This definition can be understood as the inverse of the employment rate.

Hard to fill Vacancy (HtFV)

Those vacancies classified by respondents as hard-to-fill.

Skills shortage vacancy (SSV)

A subset of hard-to-fill vacancies where the reason given for the difficulty filling the position is a low number of applicants with the required skills, work experience or qualifications.

Skills gap

These exist when the employer indicates that staff at the establishment are not fully proficient at their jobs. NESS records only whether staff are fully proficient or not.

Sector Skills Council (SSC)

Sector Skills Councils (SSCs) are independent, employer-led, UK-wide organisations designed to build a skills system that is driven by employer demand. There are currently 25 SSCs covering over 90% of the economy and they all work towards the following four key goals:

- 1 reduced skills gaps and shortages
- 2 improved productivity, business and public service performance
- 3 increased opportunities to boost the skills and productivity of everyone in the sector's workforce
- 4 improved learning supply through National Occupational Standards, apprenticeships, and further and higher education.

National Employer Skills Survey (NESS)

The NESS is an employer survey that asks a representative sample of English employers about recruitment issues and problems, the skills that are lacking in their current workforce, and their approach to providing training.

Appendix 3 Data Tables

Out-of-work claimants

Out-of-work benefit claimants within Tower Hamlets, disaggregated by duration and age

Duration of claim	Age of claimant	Count	Incidence	Incidence for London
Less than 6 months	15-24	2,470	7%	5%
	25-34	2,310	4%	3%
	35-44	1,490	4%	3%
	45-54	1,030	5%	3%
	55-59	280	4%	3%
	60-64	100	2%	1%
	TOTAL	7,680	5%	4%
6-12 months	15-24	620	2%	1%
	25-34	920	1%	1%
	35-44	720	2%	1%
	45-54	660	3%	2%
	55-59	170	2%	1%
	60-64	80	2%	1%
	TOTAL	3,170	2%	1%
12-24 months	15-24	500	1%	1%
	25-34	930	1%	1%
	35-44	810	2%	1%
	45-54	610	3%	2%
	55-59	220	3%	2%
	60-64	130	2%	1%
	TOTAL	3,200	2%	1%
2-5 years	15-24	490	1%	1%
	25-34	1,170	2%	2%
	35-44	1,020	3%	2%
	45-54	940	5%	2%
	55-59	370	5%	3%
	60-64	320	6%	3%
	TOTAL	4,310	3%	2%
Over 5 years	15-24	340	1%	1%
	25-34	1,720	3%	3%
	35-44	2,670	7%	5%
	45-54	2,970	15%	8%
	55-59	1,470	22%	10%
	60-64	630	12%	6%
	TOTAL	9,800	6%	5%

Source: DWP working age claimants Nov 2009, Mayhew 2010 population estimate for Tower Hamlets, ONS mid-year pop'n estimate 2008

Out-of-work benefit claimants within Tower Hamlets, disaggregated by age and duration

Age of claimant	Duration of claim	Count	Incidence	Incidence for London
15-24	< 6 months	2,470	7%	5%
	6-12 months	620	2%	1%
	12-24 months	500	1%	1%
	2-5 years	490	1%	1%
	Over 5 years	340	1%	1%
	TOTAL		4,420	13%
25-34	< 6 months	2,310	4%	3%
	6-12 months	920	1%	1%
	12-24 months	930	1%	1%
	2-5 years	1,170	2%	2%
	Over 5 years	1,720	3%	3%
	TOTAL		7,050	11%
35-44	< 6 months	1,490	4%	3%
	6-12 months	810	2%	1%
	12-24 months	810	2%	1%
	2-5 years	1,020	3%	2%
	Over 5 years	2,670	7%	5%
	TOTAL		6,730	18%
45-54	< 6 months	1,030	5%	3%
	6-12 months	660	3%	2%
	12-24 months	610	3%	2%
	2-5 years	940	5%	2%
	Over 5 years	2,970	15%	8%
	TOTAL		6,210	31%
55-59	< 6 months	280	4%	3%
	6-12 months	170	2%	1%
	12-24 months	220	3%	2%
	2-5 years	370	5%	3%
	Over 5 years	1,470	22%	10%
	TOTAL		2,510	37%
60-64	< 6 months	100	2%	1%
	6-12 months	80	2%	1%
	12-24 months	130	2%	1%
	2-5 years	320	6%	3%
	Over 5 years	630	12%	6%
	TOTAL		1,250	24%

Source: DWP working age claimants Nov 2009, Mayhew 2010 population estimate for Tower Hamlets, ONS mid-year pop'n estimate 2008

JSA claimants

Please note totals may not total because statistics are to the nearest 5.

JSA claimants within Tower Hamlets, disaggregated by duration and age

Duration of claim	Age of claimant	Count	Incidence	Incidence for London
Less than 6 months	15-19	535	4.2%	2.5%
	20-24	1,445	6.6%	5.1%
	25-34	1,735	2.7%	2.4%
	35-44	1,125	3.0%	2.3%
	45-54	755	3.7%	2.4%
	55-59	210	3.1%	1.8%
	60-64	15	0.3%	0.3%
	TOTAL	5,820	3.5%	2.5%
6-12 months	15-19	120	0.9%	0.4%
	20-24	405	1.9%	1.1%
	25-34	650	1.0%	0.9%
	35-44	450	1.2%	1.0%
	45-54	370	1.8%	1.2%
	55-59	100	1.5%	0.8%
	60-64	10	0.2%	0.1%
	TOTAL	2,105	1.2%	0.9%
12-24 months	15-19	5	0%	0%
	20-24	160	0.7%	0.2%
	25-34	435	0.7%	0.5%
	35-44	410	1.1%	0.7%
	45-54	395	1.9%	1.0%
	55-59	100	1.5%	0.8%
	60-64	0		0.1%
	TOTAL	1,505	0.9%	0.6%
2-5 years	15-19	0		0%
	20-24	40	0.2%	0%
	25-34	150	0.2%	0.1%
	35-44	200	0.5%	0.1%
	45-54	235	1.2%	0.2%
	55-59	75	1.1	0.2%
	60-64	0		0%
	TOTAL	700	0.4%	0.1%
Over 5 years	15-19	0		<0.1%
	20-24	0		<0.1%
	25-34	15	0%	<0.1%
	35-44	40	0.1%	<0.1%
	45-54	70	0.3%	<0.1%
	55-59	40	0.6%	<0.1%
	60-64	0		<0.1%
	TOTAL	165	0.1%	<0.1%

Source: DWP claimant count May 2010, Mayhew 2010 population estimate for Tower Hamlets, ONS mid-year pop'n estimate 2008

JSA claimants within Tower Hamlets, disaggregated by age and duration

Age of claimant	Duration of claim	Count	Incidence	Incidence for London
15-19	< 6 months	535	4.2%	2.5%
	6-12 months	120	0.9%	0.4%
	12-24 months	5	0%	0%
	2-5 years	0		0%
	Over 5 years	0		0%
	TOTAL		670	5.3%
20-24	< 6 months	1,445	6.6%	5.1%
	6-12 months	405	1.9%	1.1%
	12-24 months	160	0.7%	0.2%
	2-5 years	40	0.2%	0%
	Over 5 years	0		0%
	TOTAL		2,050	9.4%
25-34	< 6 months	1,735	2.7%	2.4%
	6-12 months	650	1.0%	0.9%
	12-24 months	435	0.7%	0.5%
	2-5 years	150	0.2%	0.1%
	Over 5 years	15	0%	0%
	TOTAL		2,980	4.7%
35-44	< 6 months	1,125	3.0%	2.3%
	6-12 months	450	1.2%	1.0%
	12-24 months	410	1.1%	0.7%
	2-5 years	200	0.5%	0.1%
	Over 5 years	40	0.1%	0%
	TOTAL		2,240	5.9%
45-54	< 6 months	755	3.7%	2.4%
	6-12 months	370	1.8%	1.2%
	12-24 months	395	1.9%	1.0%
	2-5 years	235	1.2%	0.2%
	Over 5 years	70	0.3%	0%
	TOTAL		1,810	8.9%
55-59	< 6 months	210	3.1%	1.8%
	6-12 months	100	1.5%	0.8%
	12-24 months	100	1.5%	0.8%
	2-5 years	75	1.1%	0.2%
	Over 5 years	40	0.6%	0%
	TOTAL		525	7.7%
60-64	< 6 months	15	0.3%	0.3%
	6-12 months	10	0.2%	0.1%
	12-24 months			0.1%
	2-5 years			
	Over 5 years			
	TOTAL		35	0.7%

Source: DWP claimant count May 2010, Mayhew 2010 population estimate for Tower Hamlets, ONS mid-year pop'n estimate 2008

ESA/IB claimants

IB/ESA claimants within Tower Hamlets, disaggregated by duration and age

Duration of claim	Age of claimant	Count	Incidence	Incidence for London
Less than 6 months	15-24	160	0.5%	0.4%
	25-34	300	0.5%	0.4%
	35-44	340	0.9%	0.6%
	45-54	310	1.5%	0.8%
	55-59	100	1.5%	0.9%
	60-64	20	0.4%	0.2%
	TOTAL	1,230	0.7%	0.5%
6-12 months	15-24	80	0.2%	0.2%
	25-34	200	0.3%	0.2%
	35-44	210	0.6%	0.4%
	45-54	250	1.2%	0.6%
	55-59	90	1.3%	0.6%
	60-64	10	0.2%	0.2%
	TOTAL	830	0.5%	0.3%
12-24 months	15-24	90	0.3%	0.2%
	25-34	210	0.3%	0.3%
	35-44	270	0.7%	0.5%
	45-54	240	1.2%	0.8%
	55-59	110	1.6%	0.9%
	60-64	30	0.6%	0.4%
	TOTAL	950	0.6%	0.5%
2-5 years	15-24	160	0.5%	0.4%
	25-34	420	0.7%	0.6%
	35-44	520	1.4%	1.1%
	45-54	630	3.1%	1.8%
	55-59	270	4.0%	2.3%
	60-64	90	1.7%	1.1%
	TOTAL	2,100	1.2%	1.1%
Over 5 years	15-24	220	0.6%	0.6%
	25-34	850	1.3%	1.3%
	35-44	1,720	4.5%	3.4%
	45-54	2,470	12.2%	6.9%
	55-59	1,260	18.5%	9.7%
	60-64	600	11.4%	5.7%
	TOTAL	7,140	4.2%	3.5%

Source: DWP working age claimants Nov 2009, Mayhew 2010 population estimate for Tower Hamlets, ONS mid-year pop'n estimate 2008

IB/ESA claimants within Tower Hamlets, disaggregated by age and duration

Age of claimant	Duration of claim	Count	Incidence	Incidence for London
15-24	< 6 months	160	0.5%	0.4%
	6-12 months	80	0.2%	0.2%
	12-24 months	90	0.3%	0.2%
	2-5 years	160	0.5%	0.4%
	Over 5 years	220	0.6%	0.6%
	TOTAL		710	2.1%
25-34	< 6 months	300	0.5%	0.4%
	6-12 months	200	0.3%	0.2%
	12-24 months	210	0.3%	0.3%
	2-5 years	420	0.7%	0.6%
	Over 5 years	850	1.3%	1.3%
	TOTAL		1,980	3.1%
35-44	< 6 months	340	0.9%	0.6%
	6-12 months	210	0.6%	0.4%
	12-24 months	270	0.7%	0.5%
	2-5 years	520	1.4%	1.1%
	Over 5 years	1,720	4.5%	3.4%
	TOTAL		3,060	8.1%
45-54	< 6 months	310	1.5%	0.8%
	6-12 months	250	1.2%	0.6%
	12-24 months	240	1.2%	0.8%
	2-5 years	630	3.1%	1.8%
	Over 5 years	2,470	12.2%	6.9%
	TOTAL		3,910	19.3%
55-59	< 6 months	100	1.5%	0.9%
	6-12 months	90	1.3%	0.6%
	12-24 months	110	1.6%	0.9%
	2-5 years	270	4.0%	2.3%
	Over 5 years	1,260	18.5%	9.7%
	TOTAL		1,830	26.9%
60-64	< 6 months	20	0.4%	0.2%
	6-12 months	10	0.2%	0.2%
	12-24 months	30	0.6%	0.4%
	2-5 years	90	1.7%	1.1%
	Over 5 years	600	11.4%	5.7%
	TOTAL		760	14.5%

Source: DWP working age claimants Nov 2009, Mayhew 2010 population estimate for Tower Hamlets, ONS mid-year pop'n estimate 2008

Appendix 4 Benefits Trap Methodology

We compared the financial impact of moving into work for Tower Hamlets residents against the national average. Three claimant groups were considered; Job Seekers Allowance (JSA), Lone Parent on Income Support and claimants of Employment Support Allowance (ESA). We only consider the main benefit claimer within the household and don't consider how couples benefits interact.

We calculated the maximum amount that could be claimed when out of work in addition to the main benefit and so considered Child Benefit, Housing Benefit, Council Tax Benefit and Child Tax Credits.

We then compared this to a person in work, on minimum wage, working 35 hours a week. Means tested benefits, such as housing and council tax benefit were adjusted for the change in income using Tower Hamlets online benefit calculator. Working tax credit was also included in the income calculation. Costs of working were calculated including; childcare costs, in work costs such as transport and food and increased rents and council tax as a result of withdrawal of benefits, the data sources for these costs is provided below.

Figures	Source
RSL/LA housing rents	Available from DCLG here .
Average council tax bill	Available from DCLG here .
In work costs (including transport and food)	Available from previous research done by CESI ⁶⁸ and available here . Because this research was published in 2003 we adjusted their costs in line with inflation.
Childcare costs	DWP costs of childcare used in tax/benefit models available here . Adjusted for regional variations using National Childminding Association membership survey available here .

Using this data we calculated the amount of income a hypothetical individual would if receiving benefits and the income they would receive if they started working a 35hour week. This data was fed into two equations, see below.

	Equation
Calculating receiving benefits income	Main Benefit + Child Benefit + Child Tax Credits
Calculating in work income	(Pay + Child Benefit + Child Tax Credit + Working Tax Credit) - (In-work costs + Cost of withdrawal of Housing and Council Tax Benefit + Cost of Childcare)

⁶⁸ CESI (2003): Making work pay in London

The results were compared to assess the net gain of moving from being on benefits to having a 35hr a week job. This was done for the three main claimant groups: JSA claimants, IB claimants and lone parents with additional disaggregation based on the claimants number of children.

Monday - Friday
9:00am - 5:00pm

80076



For free translation phone

Për një përkthim falas telefononi

للترجمة المجانية الرجاء الاتصال هاتفياً

বিনাখরচে অনুবাদের জন্য টেলিফোন করুন

Za besplatne prevode pozovite

欲索取免費譯本，請致電

Pour une traduction gratuite, téléphonez

Για δωρεάν μετάφραση, τηλεφωνήστε

મફત ભાષાંતર માટે ફોન કરો

निःशुल्क अनुवाद के लिए कृपया फोन कीजिए

بو ته رجومه كردنى به خورايى ته له فون بکه بو

Del nemokamo vertimo skambinkinte

സൗജന്യമായ തർജ്ജിമയ്ക്കായി ബന്ധപ്പെടുക

Po bezpłatne tłumaczenie prosimy dzwonić

Para uma tradução grátis, telefone

ਮੁਫਤ ਅਨੁਵਾਦ ਲਈ ਫੋਨ ਕਰੋ

Перевод – бесплатно. Звоните

Para obtener una traducción gratuita llame al

Turjubaan lacag la'aan ah ka soo wac telefoonka

இலவச மொழிபெயர்ப்புக்குத் தொலைபேசியில் தொடர்புகொள்ளவும்

Ücretsiz çeviri için telefon edin

Đề có bản dịch miễn phí hãy điện thoại

مفت ترجمے کے لئے فون کریں

Also for Audio, Large Print and Braille, phone

0800 952 0119

© The Language Shop

Prepared by
Nathaniel Lichfield and Partners
The Mackinnon Partnership
And Navigant Consulting

