

# Waltham Forest's strategy for enterprise, employment and skills

# 2009-14



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# 1 INTRODUCTION AND SUMMARY

## What is the purpose of this strategy?

This integrated enterprise, employment and skills strategy for Waltham Forest sets out the analysis and policy framework *to create a strongly entrepreneurial Borough in which profitable business will thrive and create good quality employment for our residents.*

This strategy outlines how we shall prepare the Borough for economic recovery and tackle the inter-related problems of worklessness, low skills and poor business competitiveness. It identifies ways in which the Council and its partners will achieve the following outcomes by 2014:

- Raise the Borough's overall employment rate from 65% to at least 70%;
- Reduce the Borough's overall rate of people relying on out-of-work benefits from 15% to 12% or less;
- Narrow the gap between the workless rates in our most disadvantaged neighbourhoods and the Borough average so that the overall workless rate in these neighbourhoods falls from 27% to 23% or less;
- Reduce the number of people who are low skilled or have no qualifications from 37% to at least 30%;
- Contribute to a reduction in child poverty from 31% to at least 28% of all children;

- Increase by 24% the number of new businesses formed and registered for VAT or PAYE – so that the Borough improves to match the current outer London average
- Improve the survival rate of start-ups and help existing firms to expand;
- Increase the number of firms who locate into the Borough.

## Lifetime of this plan

This is a 5 year plan which covers a period during which we expect that London's economy will recover from recession and return to a pattern of growth. At the time of writing this strategy, our Borough has begun to experience the full effects of a recession that has seen a sharp rise in the number of residents who are unemployed and has placed considerable strain on struggling businesses. Although this strategy responds to the immediate effects of the current recession, it also addresses the deep-rooted, long-term problems faced by the Borough. It is a forward-looking plan that prepares Waltham Forest for economic recovery.

We expect that London's long-term growth dynamic will return quite quickly because economic expansion in London is driven by population growth and by the continuing importance of the capital as an international city in which innovative and high value service industries are concentrated. We expect the current recession to lead to some longer-term structural changes, for example a reduction in the overall scale and importance of financial services.

However, we remain certain that London will retain its position as a centre for business services, an international tourist destination, a pre-eminent city for higher education, research and science and technology and a major location for media production and other cultural industries. It also remains a highly internationalised city with some of the best global transport connections, substantial overseas investment, significant flows of trade and a population drawn from across the globe.

### **The Borough's Sustainable Community Strategy**

This Enterprise, Employment and Skills Strategy is one of the Borough's twelve Key Strategies which are the most important plans for delivering the Council and LSP's vision and priorities which were set out in the principal strategy in the Borough's hierarchy of plans and strategies – the Sustainable Communities Strategy (SCS). The SCS and key strategies are owned by the Council's Leadership Team and Cabinet collectively and have been agreed by the Cabinet and the LSP Board.

The suite of principal strategies linked to this enterprise and employment strategy are the Housing Strategy<sup>1</sup>; Child Poverty Strategy, Regeneration and Investment Strategy;<sup>2</sup> Culture and Leisure Strategy;<sup>3</sup> Climate Change Strategy;<sup>4</sup> and a Transport

Strategy.<sup>5</sup> Additionally, this plan contributes towards the outcomes identified in the Local Development Framework which is the spatial expression of the SCS.<sup>6</sup>

The guiding principles underpinning this Enterprise, Employment and Skills Strategy flow directly from the vision contained in the SCS which was formulated during 2008 following a comprehensive process involving very fundamental thinking about the upcoming two decades and the potential change scenarios that the Borough could face.<sup>7</sup> The SCS ensures that Waltham Forest's long-term strategic direction is shaped and managed through a planning process to align the Borough's economic, social and spatial plans around one primary vision "to make the most of London's opportunities and grow prosperity for all our residents now and in the future."

The SCS recognises that the main drivers for change are "significant population growth and diversity" serviced by "the required number of good quality homes and support services" in an environment of "tolerance, cohesion, high liveability and achievement." Achieving this vision particularly requires the Borough to create more wealth, retain wealth and reduce the out migration of more prosperous households by improving schools, health services, community safety and a better urban environment.

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<sup>1</sup> "Waltham Forest's Housing Strategy 2008-2028" LBWF, 2008  
[www1.walthamforest.gov.uk/ModernGov/mgConvert2PDF.asp?ID=8135](http://www1.walthamforest.gov.uk/ModernGov/mgConvert2PDF.asp?ID=8135)

<sup>2</sup> "Draft Regeneration Strategy", LBWF, July 2009

<sup>3</sup> "Waltham Forest's Culture strategy (version 12)", July 2009  
[www.walthamforest.gov.uk/index/leisure/cultural-strategies-forwaltham-forest.htm](http://www.walthamforest.gov.uk/index/leisure/cultural-strategies-forwaltham-forest.htm)

<sup>4</sup> "Waltham Forest's Climate Change Strategy", Sept 2008  
[www.walthamforest.gov.uk/index/environment/climate-change/climate-change-strategy.htm](http://www.walthamforest.gov.uk/index/environment/climate-change/climate-change-strategy.htm)

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<sup>5</sup> "Transport in Waltham Forest: Local Implementation Plan"  
[www.walthamforest.gov.uk/index/transport/transport-planning/local-implementation-plan.htm](http://www.walthamforest.gov.uk/index/transport/transport-planning/local-implementation-plan.htm)

<sup>6</sup> "Waltham Forest Local development framework"  
[www.walthamforest.gov.uk/index/environment/planning/planning-policy/local-dev-framework](http://www.walthamforest.gov.uk/index/environment/planning/planning-policy/local-dev-framework)

<sup>7</sup> "Waltham Forest: Our Place in London" LBWF, 2008  
[www.walthamforest.gov.uk/index/community/ourplace.htm](http://www.walthamforest.gov.uk/index/community/ourplace.htm)

The key driver for change in the Borough, according to the SCS, is the need to manage a changing and growing population by better planning the supply of new housing, workplaces and new infrastructure. It proposes to increase the wealth and opportunity for all residents by taking advantage of East London's regeneration including the Olympic site and the Lea Valley and by improving access to employment, increasing skills and educational attainment.

The SCS anticipates that future levels of investment into East London, the borough's proximity to Stratford and improved links to central London will effectively move the Borough closer to the economic centre of London. This reinforces a policy shift within London too. Recently published draft revisions to the London Plan suggest that the Mayor of London intends to pursue a growth model for the Capital which will strengthen the economies of the outer Boroughs. The emerging London Plan is likely to encourage a more polycentric form of development across the London conurbation and connect the Capital's growth more closely to the adjoining regions in the East and South East of England.

The SCS also recognises that policies are required to tackle deprivation and encourage mixed income communities in order to close the gap between the poorer neighbourhoods and the rest of the Borough. Inequalities should be reduced by the introduction of more accessible forms of home ownership complemented by health, education, skills and employment programmes.

The SCS commits the public agencies in the Borough to deliver the vision by developing new housing, particularly affordable homes for families and by maintaining more of the existing family housing stock. It pledges to eradicate child poverty and to achieve full employment by improving educational performance and by helping

more residents into work. The Borough will contribute to the regeneration of east London by the adroit use of publicly owned land and premises to leverage private investment. The SCS also promises to transform the Borough's town centres into places that have a more diverse and metropolitan feel – to improve their overall attractiveness for work, leisure and retail and to retain more of the spending power of a growing and more affluent population.

### **Turbulent economic times**

This enterprise and employment strategy was prepared during a period of considerable economic uncertainty for the Borough. The London economy experienced a very severe downturn in the middle of 2008 and this caused a sharp rise in unemployment in Waltham Forest. Between May 2008 and August 2009, the number of people on Jobseeker's Allowance rose by 3,200 and this represented a 61% increase. Although this is marginally better than the average across London, it is the largest continuous increase in our Borough since 1991 and we expect worse to come – especially when the 2009 and 2010 cohorts of school leavers and college graduates start seeking work.

It is still not clear whether we have experienced a significant structural adjustment, a very acute downturn in demand or a combination of both. It transpires that the UK economy went into a very sudden and severe recession during the early part of 2008 with the economy shrinking at a rapid pace that is unprecedented in modern times. As a result, during the latter part of 2008 and the first half of 2009, the economic situation worsened significantly across London – although some indicators show that London's economy was proving to be more resilient than the rest of the country. GLA

Economics reported at the end of Summer 2009 that London's annual growth in output (GVA) fell by 1 percent in the final quarter of 2008 compared with a decline of almost 2 percent for the UK as a whole. Similarly, in the first quarter of 2009, London's economy shrank by 3.6% compared with 5.2% in the UK.<sup>8</sup>

The GLA Economics assessment shows that the rate of (annualised) employment growth also turned negative at the very end of 2008. But London has experienced a less severe contraction in its workforce than the rest of the country. In the final quarter of 2008, the number of jobs in London shrank by 0.2% and this was considerably less than the decline elsewhere in the UK where employment declined by just over one percent. Similarly, in the first quarter of 2009, London's workforce shrank by 0.6% compared with 2.1% elsewhere in the UK.

However, many other indicators have underlined how difficult the economic situation facing London is. Consumer confidence has fallen sharply; economic output has declined; land values, house prices and other assets are falling; retail sales declined consistently; and growth in public transport usage has slowed down.

Despite Government guarantees to underpin the banking sector combined with an unprecedented level of public borrowing and easing of money supply, the effects of national policies have remained uncertain due to the global nature of the financial crisis and the particular character of the recession in the UK.

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<sup>8</sup> "London's Economy Today 84", GLA, August 2009  
[www.london.gov.uk/mayor/economic\\_unit/docs/londons\\_economy\\_today\\_no84\\_27\\_0809.pdf](http://www.london.gov.uk/mayor/economic_unit/docs/londons_economy_today_no84_27_0809.pdf)

If London has indeed weathered the financial storm rather better than the rest of the UK, evidence suggests that we are experiencing something different to previous recessions. During the period from the mid 1970s to the mid 1990s, London saw most of its industrial base disappear and its replacement with a very buoyant service economy. The restructuring of London's manufacturing capacity led to massive layoffs and triggered the growth of a population who became long-term unemployed. It was especially noticeable that, in Waltham Forest, most of the effects of industrial restructuring were not fully felt during the 1980s but occurred during the early 1990s thereby coinciding with another period of downturn. This double effect meant that Waltham Forest suffered a very significant loss of jobs at a time when many of the Borough's residents worked locally.

In scale terms, the latest recession is far worse than anything previously experienced. In the first quarter of 2009, the UK economy shrank by almost 2½ percent and, as a result, economic output had fallen by almost 5 percent during the first 12 months of the recession. This was the fastest and largest economic contraction in the post-war period and it was triggered by a unique sequence of problems caused by a crisis in the global financial sector. It is now very clear that corporate banking and investment banking, in particular, collapsed as a result of excessive borrowing against some asset classes which were seriously over-valued. The systemic failings in the banking system resulted in three types of recessionary pressures which were felt very quickly throughout London and were particularly marked in many of the outer London Boroughs.

Firstly, there was a very sharp reduction in bank lending to businesses so that many firms have found that their normal sources

of day-to-day working capital have dried-up. Secondly, the emergency restructuring of large financial institutions located in London led to many thousands of layoffs in the financial services sector with much of the impact being felt by back-office and support staff. Waltham Forest has an established pattern of commuting into the City. Many of our residents work in the financial services sector and they have experienced the effect of layoffs, restructuring, wage cuts and uncertainty.

Thirdly, there was a resulting collapse in confidence amongst consumers, lower spending by people who have lost their jobs and a marked shift in sentiment amongst people who remain employed but still feel financially vulnerable. The significant mood of uncertainty amongst consumers has also been worsened by a mixture of other complex economic pressures such as the sharp rise in food and energy costs which began in mid 2008. Many of our residents have been affected by this down-turn in consumer spending especially those employed in retail and personal services.

### **Preparing for recovery and growth**

Initially the effects of recession on Waltham Forest were quite mixed. JSA unemployment had begun to rise sharply by early 2009 and, during the first 12 months of the recession, it had risen by 3,000. Although this was a dramatic increase, this count remained at less than half the level recorded in the mid 1990s. The caseload for Housing Benefit and Council Tax Benefit increased from 28,000 in mid 2008 to just over 30,000 by Summer 2009 and this increase was predominantly a result of private tenants making claims for benefits. Encouragingly, it appeared that the numbers of workless

lone parents and people receiving incapacity benefit did not worsen significantly during this period.

The receipt of Business Rates by the local authority is an indicator that is very sensitive to the overall health of local businesses. By mid 2009, the Borough's data showed that year-on-year collection rates had declined by about 2%. The number of commercial properties becoming vacant showed a sharp rise in the early months of 2009 but this had reduced just as quickly by Summer of 2009. Similarly, year-on-year data for Council Tax collection showed only a very small reduction during 2009. However, the Citizens Advice Bureau in the Borough reports a 15% rise in caseload relating to welfare, benefits and debt management – increasing from 2,600 to 3,000 in the year since April-June 2008.

It therefore remains uncertain what the longer-term implications might be for London generally and Waltham Forest in particular. By the turn of the decade, the Borough landscape may reveal many small business closures, a further rise in the numbers of people on JSA and an increase in the totals of Incapacity Benefit/ESA and Lone Parents on Income Support.

Early estimates for London's economy predicted that the recession reached its low point during the latter part of 2009 with recovery beginning in early 2010 followed by a reasonably healthy growth rate in 2011. Forecasts prepared by GLA Economics suggested a drop in London's Gross Value Added (GVA) by 2.7 per cent in 2009 and by 0.2 per cent in 2010. Subsequent, positive growth of 1.7 per

cent was forecast for 2011.<sup>9</sup> Later economic assessments have suggested that an economic recovery had already begun during the early Summer of 2009.<sup>10</sup>

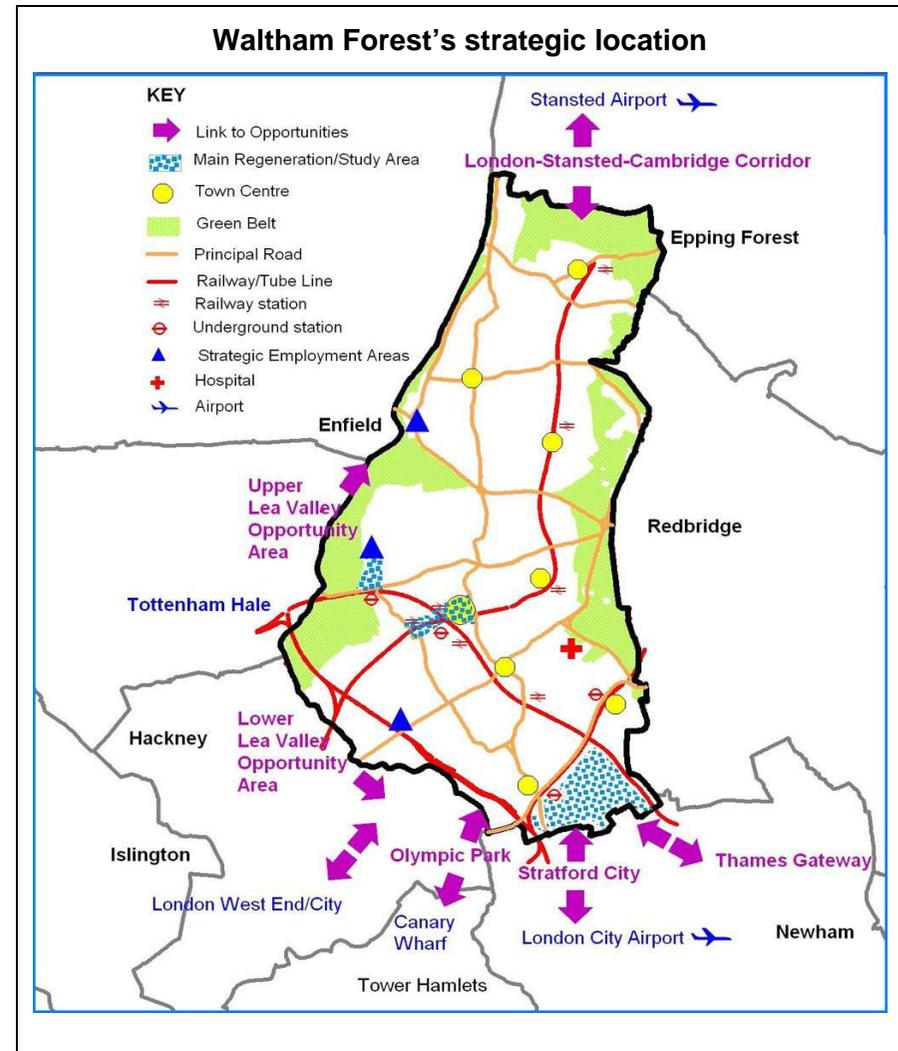
But even after the overall economy returns to growth, the long term effects will last well throughout the period covered by this strategy. Experience from previous recessions shows that unemployment tends to “lag” even after jobs growth has begun. The small business sector also tends to recover rather slower than larger and more international firms.

The Borough responded very quickly to the onset of recession and, in late 2008, the Council adopted a 10 point recession plan. This has subsequently been revised to contain ten "strategic commitments" designed to help residents and businesses survive recession pressures.

This strategy is intended to mitigate the longer-term effects of recession on our labour market and business base and to prepare the Borough for long-term recovery and growth.

### Our ambition

The arrival of an economic downturn does not mean that Waltham Forest's ambitions are put on hold. Instead we need to make more determined and carefully focussed efforts to take advantage of economic recovery and the unique opportunities available to us.



A succession of economic and social forces have already affected Waltham Forest. In the past decade these have dramatically altered the Borough and its economy at a rapid pace and on a large scale.

<sup>9</sup> "London's Economic Outlook: Spring 2009: The GLA's medium-term planning projections April 2009" [www.london.gov.uk/mayor/economic\\_unit/docs/leo-spring2009.pdf](http://www.london.gov.uk/mayor/economic_unit/docs/leo-spring2009.pdf)

<sup>10</sup> "Estimates of monthly GDP: First three-month rise in GDP", National Institute of Economic & Social Research, Sept 2009 [www.niesr.ac.uk/pdf/080909\\_142815.pdf](http://www.niesr.ac.uk/pdf/080909_142815.pdf)

Further change is coming as London prepares for 2012 and the massive investment in north and east London that has been triggered by London's emergence as a leading global city. The fundamental dynamics of London's economy have not been significantly altered by the recession.

So, we are ready to grasp the opportunities that will emerge as London accommodates a growing population and an expanding economy. The Borough finds itself strategically positioned across both of the two corridors earmarked to accommodate London's expansion – in the Lower Lea Valley and in the Upper Lee part of the London-Stansted-Cambridge-Peterborough growth corridor. In each of these growth areas, a population increase equivalent to a whole new London Borough is anticipated over the next 20 years.

Our economic strategy therefore seeks to harness the economic forces and to exploit the new economic geography of north and east London so the Borough benefits from growth in population and employment. Our vision is to generate more wealth in the Borough and to create opportunities so our residents share the fruits of economic growth.

### **Stimulating business growth and employment**

Despite a period of expansion during the past decade – and encouraging levels of growth in business services – the Waltham Forest economy remains structurally weak. Four factors appear to underpin the Borough's vulnerability.

Firstly, the sectors that have grown strongly in the London economy are under-represented in the Borough. For example, financial and business services which remain a powerful growth driver in London

represent a relatively small proportion of the economy – just 19% compared with 34% London-wide. Conversely, the Borough has more businesses within sectors that are expected to decline.

Secondly, small and medium sized businesses form a particularly high proportion of activity in the Borough, but entrepreneurship is comparatively weak. For example, self employment represents 13% of the Borough's employed population compared with rates approaching 18% in some adjoining Boroughs. Furthermore, the rate of new enterprise formation is well below the London average – or the rates seen in adjoining Boroughs. Over the last decade, new businesses were formed at only about two thirds of the rate seen throughout London. This reflects a poor enterprise environment and many obstacles to business formation and growth.

Third, the skills base of the resident population is poorly configured for the needs of an economy that must increasingly attract and create jobs and businesses that are in the kinds of high productivity sectors that drive London's growth as a global city. Firms located in Waltham Forest tend to recruit their workforce from the Borough itself. Partly this is because our transport infrastructure is poor and this discourages people from commuting to workplaces in our Borough. However, the local labour pool has low levels of skills, poor labour market attachment and is characterised by high levels of worklessness. The presence of a low-paid or workless resident population places limits on the retention and recirculation of consumer spending which in turn holds back the potential of retail, personal services and hospitality in the town centres.

Lastly, it matters how we encourage physical development in the Borough – new homes, business premises, transport infrastructure and public realm. Badly configured, poor quality infrastructure is a

severe constraint to growth – with limits caused by transport capacity and the shortage of suitable business premises.

The Borough has many locations where extra homes can be built and places where new business parks and industrial estates can be accommodated or existing ones upgraded. Many of the Borough's industrial and commercial areas are old and were not developed to the operational standards now required by most companies. Over a quarter of Waltham Forest's carbon footprint derives from industrial and commercial activities. Many of the older commercial buildings are environmentally sub-standard and, if we are to make headway towards an 80% cut in CO<sup>2</sup> emissions by 2050, these will need to be substantially modified.

The Borough's businesses are also relatively small and require considerable flexibility in the size, design and cost of accommodation, not least as they expand and requirements change. There is particular under-provision of offices: the Borough only has around 200,000 m<sup>2</sup> which is 50% less than in Enfield.

Substantial improvement in this supply will be required if the business services sector is to grow – especially in the town centres and around transport hubs. The ability to bring commercial sites forward is dependent upon the recycling of brownfield land and the many complications that arise from redundant industrial land. The Borough can still release former industrial land to other uses such as housing because the new types of employment that are forecast for the Borough are considerably more labour intensive and can be developed at very much higher densities.

We have identified three main areas within the Borough that have significant investment and growth potential: Blackhorse Lane,

Walthamstow Town Centre and the Northern Olympic Fringe.<sup>11</sup> Each of the three main areas will be developed according to detailed masterplans drawn-up to ensure a good mixture of new homes, businesses, open space, amenities and transport links. Our other town centres will also play a very important role in revitalising adjoining neighbourhoods and ensuring that a growing population is well served by retail, leisure, personal and business services. We need to exploit the comparative competitive advantage resulting from the relatively low cost of land and buildings in our key regeneration areas, town centres, industrial and businesses parks.

However, we also foresee a very positive impact on our Borough from infrastructure in adjoining Boroughs – including investment at the Royal Docks and other parts of the Lower Lea along with continued growth at Canary Wharf and the Isle of Dogs. Of particular significance is the 2012 Olympic Park and its legacy of re-purposed buildings for business, media, sports, leisure and other event uses. Alongside the Olympic Park, we are also witnessing the construction of Stratford City with over 5,000 new homes and accommodation for 30,000 jobs alongside major transport improvements including the international station. In the Upper Lee Valley, the Borough can also benefit from major developments at Central Leaside and at Tottenham Hale based on its emerging importance as another sub-regional transport hub.

Road transport is increasingly constrained by congestion and makes many business sites difficult to access and slows travel times to other parts of London – especially on lateral routes to north London and to much of East London. Public transport routes are

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<sup>11</sup> "Draft Regeneration Strategy", LBWF, 2009

also restricted – especially for fast transit – to radial routes into central London. Reinstatement of the Hall Farm Curve railway line will provide a route into Stratford from the Chingford line and would radically improve the travel patterns to and from the northern two thirds of the Borough. Further rail improvements will flow from TfL upgrading the London Overground line to metro-rail status, further extensions to the DLR and the growing potential of Crossrail 2 serving the southern part of the Borough. We also recognise the growing importance of Stansted airport as a regional economic driver (with or without a second runway) with growth in passenger and freight operations increasing significantly.

### **Waltham Forest's legacy is mixed**

There is a wide gap between the Borough's aspiration and our current position – not least because the 2008-9 recession caused things to worsen. We are a Borough with sharp contrasts between wealth and relative poverty. To the north of the Borough are relatively affluent suburban communities whilst, in the centre and south of the Borough, we have poorer neighbourhoods. As a result, Waltham Forest still does not have the characteristics of a competitive and inclusive Borough.

First, Waltham Forest has an economic profile that is unlike the rest of London. It is a relatively small economy containing fewer businesses and jobs than most other outer Boroughs and it has the lowest commercial taxbase of any Borough in London. Although it has benefited from reasonably healthy jobs growth over the past decade, this has mainly been underpinned by substantial expansion of the public sector. Waltham Forest also has a low rate of self employment and one of the lowest rates of new business formation.

Paradoxically, we are Borough where most of our residents work outside the Borough but the majority of jobs within the Borough are filled by local people. The earnings of our residents are amongst the lowest in London; and the wages paid by firms located in the Borough are also amongst the lowest in London.

Secondly, we are a Borough with low employment rates, high levels of benefit dependent households and a population that has lower than average levels of skills and is disproportionately employed in the lower occupational categories. This is especially true for the Borough's ethnic minority population and for our young adult population where amongst those aged 20-24 around 40% are either unemployed or economically inactive.

These factors mean that we are faced by some serious challenges: to match the London average for employment, we need to help another 7,000 residents into work. But, if we want to meet the latent demand for employment amongst our residents, there are 17,000 people in the Borough who want to work and these make-up 12% of our working age population. An even more challenging fact is that we have just over 24,000 individuals (almost 16% of the working age population) and their dependents who rely on state benefits. The majority of these are lone parents on Income Support and people receiving sickness or disability related benefits – three quarters of whom have been on benefits for over 2 years. Just over 30,000 households (more than a quarter of all households) claim Housing Benefit and/or Council Tax Benefit.

This entrenched worklessness is a major cause of poverty in our Borough and we estimate that over 40% of children are likely to live in households that are below the official poverty level. The most recent figures (August 2007) showed that about 18,000 children

(nearly a third) live in households that rely entirely on out-of-work benefits.<sup>12</sup> The Borough ranks 9<sup>th</sup> worst overall in London for child poverty on this measure.

## Change is underway

The Borough is changing rapidly and, having shifted from an economy heavily dependent on manufacturing, it has begun to grow a replacement service-based economy – although much of that growth is amongst public sector employers. Thirty years ago, 1 in 3 jobs were in manufacturing-based industries whilst today it is less than 1 in 12. As the Borough experienced this structural adjustment over the last two decades, total employment fell sharply. The stock of jobs had peaked at almost 60,000 in the mid 1980s but by the mid 1990s there were just 45,000 jobs. The Borough recovered in the late 1990s and the total stock of jobs rose to almost 60,000 by the beginning of this decade. However, the jobs began to shrink again in 2006 and, even before the recession started, the Borough had lost another 2,500 jobs.

Much of the growth in employment that occurred during the last decade was in sectors such as retail, leisure and hospitality. These expanded steadily to now account for almost a third of the Borough's jobs. Retail alone accounts for around 1 in 7 jobs and has grown by around a fifth in the last decade and accounts for more jobs than the entire manufacturing sector. However, business services – which represent 1 in 3 of London's jobs – only account

for 1 in 5 jobs in Waltham Forest although this sector has grown by around two thousand in the last decade.

The Borough's economy is heavily dependent on small (and very small) firms for the bulk of employment and business activity. Only 20 private firms in the Borough employ more than 200 people – and half of these are retailers. The number of larger and mid-sized firms has declined whilst the number of small and very small firms has grown. Furthermore, the workforce employed by the medium and larger firms has also declined whilst the number of employees in very small firms (less than 5 employees) has grown. However, many of these firms are sole traders and two-person partnerships which may have limited ambitions to grow and increase their workforce.

The Borough also has a relatively low proportion of jobs that are located in high technology or knowledge intensive sectors – business sectors that are increasingly important to London's international competitiveness. Excluding those public sector jobs that are classed as knowledge intensive, only a third of Waltham Forest's employment falls into this category – compared with just over a half of all London's employment.

## Looking forward

The key factor that has constrained economic growth in the Borough is the limited presence of sectors that have proved so valuable elsewhere in London – especially financial and business services which have been a powerful growth driver for over 20 years. The worldwide banking crisis hit financial and business services very hard in 2008 so the continued future strength of these

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<sup>12</sup> "Client Group Analysis - Children in families on key benefits (5% sample)  
Percentage of population: Local Authority by Out-of-work statistical group", DWP  
(Aug 2007) Tabulation Tool <http://statistics.dwp.gov.uk/asd/tabtool.asp>

types of business remains a little uncertain. Assuming that London returns to growth by 2010 or 2011, it is probable that other high value service industries will continue to provide London with the bulk of its economic output.

In preparing our Borough for recovery, this strategy anticipates a small net increase in employment over the next decade. We strongly expect however that, without robust intervention policies, the number of jobs in the Borough may continue to decline. Waltham Forest will never attract the kind of internationally-facing firms that have chosen to locate in central London over the past two decades. But we do expect to grow a strong service economy based on our town centres, industrial and business parks. Much of the business that we expect to grow indigenously or to attract into the Borough will be drawn by three factors which our SCS identifies:

- the Borough's locational advantages arising from its position at the London end of the London-Stansted-Cambridge-Peterborough growth corridor; its position within east London notably the proximity to Stratford City, the Lower Lea and Canary Wharf; radial transport routes permitting rapid access to central London
- the availability of relatively low cost development land combined with a permissive planning framework which will provide new homes and workplaces for a growing population
- the Borough's increasing attractiveness as a place to live and work – driven by commitments to create a high quality public realm and cohesive society with safe neighbourhoods, good schools and vibrant town centres.

This strategy identifies the actions needed to attract and grow businesses and to tackle a weak labour market. Central to this ambition is the need to help local people benefit from new jobs and to assist growing businesses by providing people with the right skills for the range of new jobs that will come to the Borough. We clearly recognise that Waltham Forest is currently comparatively over-represented by sectors that are expected to shrink. Manufacturing and construction are projected to decline sharply and partly offset any expansion in retail, leisure and business services. Equally, growth in financial and business services across London will not benefit the Borough as significantly as many other Boroughs. But we can expect to enjoy some growth in health, education and other personal services.

Although there is only likely to be a modest expansion in the *net* stock of jobs in Waltham Forest, the Borough's economy and labour market will not be static. We project that the combination of structural change and replacement demand will generate around 21,000 job openings over the next decade. Much of this demand will be caused by natural turnover as people in existing jobs retire or move occupation whilst a substantial amount of churn will be caused by firms responding to new patterns of demand for products and services and the consequent changing skill requirements.

Of these new vacancies, we predict that 45% will be in wholesale/retail and in business services, another 30% in education and healthcare whilst about 10% will be in the leisure and hospitality sector. The majority of these new openings will be in higher level occupations and require higher level skills. For example, we predict that almost 40% of all new jobs will require qualification at level 4 or higher; just over a half of all the new vacancies will be in the top 3

occupational categories (managers, professionals and associate professional and technical occupations). However, we also identify that about 1 in 5 of these new openings will be suitable for people who are either skilled to level 1 only or those who are unskilled. The majority of these lower skilled openings will be for jobs in the lower occupational categories and in the retail/wholesale sector or in some public sector jobs.

### **Social and demographic change**

The key driver of recent change in Waltham Forest is population change. The overall population of the Borough has not risen quite so fast as many adjoining Boroughs. But it has become increasingly young – both in the number of teenagers just beginning to leave education and in the significant number of prime working-age adults (those aged 25-45). Migration has had a very marked impact – with an older population leaving and a younger population arriving. Indeed, the Borough has experienced one of the most rapid rates of decline amongst the over 60s anywhere in London as younger people replace out-migrating older people. In 1981, people of retirement age made up 1 in 6 of the Borough's population. Today they account for just 1 in 10. With this younger and ethnically more diverse population comes different consumption patterns and different modes of employment.

Until very recently, most of the international migrants that settled in the Borough have been from South Asia, the Caribbean and more recently from west Africa. Poor skill levels, a low propensity for women to work combined with discriminatory employer behaviour all resulted in low employment rates amongst the first generation of arrivals. Very recently, the Borough has experienced another type of

migrant worker arriving in the Borough – those from eastern Europe and from southern hemisphere countries like South Africa and Australia – who are generally expecting to settle only temporarily. These migrant workers have extremely high employment rates – indeed many of them are only entitled to be in the country on condition that they have employment and few are entitled to receive social security.

Much of the Borough's structural adjustment and resulting rise in economic inactivity and unemployment occurred during the 1990s as the shift towards a service based economy had its impact. The shift towards lower paid service sector jobs and the growth in non-employment have contributed towards a worsening of economic chances for many of the Borough's residents.

The effects are still felt today. Although the unemployment rate is just under 7%, another 29% of the working age population is currently economically inactive. The Borough's employment rate had deteriorated significantly during the early part of this decade and fell to just 63% in 2003. Although the Borough's employment rate recovered significantly by 2006 – and almost reached the London average – it fell back subsequently.

In parallel, the total number of residents receiving working age benefits continued to increase. It has now risen to just over 24,000 and this represents 1 in 6 of the adult population. Over the last decade, the number of people claiming Jobseeker's Allowance dropped sharply – from around 14,000 to a little over 6,000 – but this was offset by increases in the population claiming incapacity benefits and lone parents on Income Support. The current recession has made this number increase quite sharply with 3,000 more people claiming JSA during the first 12 months of the recession.

Furthermore, non-employment is unevenly distributed across the Borough with some neighbourhoods having nearly a third of their adult population claiming a working age benefit. In some neighbourhoods less than 10% of working age adults rely on out-of-work benefits. In other neighbourhoods, the percentage has risen to almost 40%.

A critical driver underpinning the high dependence on benefits in the Borough is the relatively low levels of skills. In Waltham Forest, less than 4 out of 10 people who have no qualifications are in work compared with almost 9 out of 10 people who hold a level 4+ qualification. However, the Borough has proportionally more people who are "low/no skilled" (32%) than the London average (22%). And, whilst the proportion has declined in recent years, it has begun to worsen. The gap between the Borough and the London average has begun to widen – not least because the London figure has continued to improve.

The occupational structure of the Borough is also one that differs significantly from the London average. Far fewer of the Borough's residents are in the top occupational categories (managers, senior officials, professional and technical occupations) compared with London as a whole. Rather more people in the Borough are employed in administrative and secretarial occupations and in skilled trades than the London average whilst the Borough is particularly over-represented amongst lower level occupations.

The ethnic diversity of the Borough has a marked impact on employment rates. Factors described above are determinants of low employment. The growing diversity of the Borough means that about 45% of the working age population is now of a non-white background.

Amongst this non-white population, the employment rate is just 59% which is almost 8 percentage points adrift of the Borough average – and 15 points adrift of the employment rate for the Borough's white population. This strategy therefore gives a high priority to reducing the gaps faced by Black, Asian and minority ethnic people with a particular focus on South Asian, Caribbean and West African women for whom workless levels are particularly high.

Unlike the situation a generation ago when the majority of Borough residents worked locally, most people now work elsewhere (almost two thirds). With just 57,000 jobs located in the Borough but almost 100,000 residents employed, pressure on public transport is especially severe. The mismatch is particularly evident in the following sectors:

- Hotels and restaurants where the 15,000 employed residents in this sector outstrip the 2,800 Waltham Forest jobs in this sector;
- Business and financial services which has 17,000 Borough residents employed in the sector compared with 10,000 jobs within the Borough

Although most residents travel out of the Borough to work, the majority of jobs *located in the Borough* are still filled by local people: almost 60% of jobs are held by people who live in Waltham Forest. This means the Borough therefore has to adopt a dual-facing position:

- Policy aimed at getting more Waltham Forest residents into work means the Borough has to engage with the wider London labour market. This is partly because there is an established pattern of travelling to work but also because

the Borough's future jobs growth is relatively constrained. Put simply, the Borough cannot generate enough new openings to help all its residents who want to work.

- But, when thinking about the needs of the Borough's businesses, the dominant pattern of local recruitment means that Waltham Forest's employers have a very clear interest in improving the local supply of labour. Our policy towards enterprise support therefore has to concentrate on improving the employability of local residents and to help firms recruit locally.

## The policy context

The Borough's response to its poor competitive position and to the challenges of economic growth and population change need to be set alongside the policy context for the economy, enterprise and employment at a regional and national level.

Most significant is the Mayor's policies for sustainable economic growth and employment in London. The Mayor's London Plan sets out the framework for accommodating London's growing population, improving its infrastructure and retaining its competitive economic position.<sup>13</sup> The Economic Development Strategy is the Mayor's blueprint for business growth, tackling worklessness, raising skills and extending opportunity and prosperity. The new Mayor's approach differs a little from his predecessor notably a new emphasis on securing economic development in the outer

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<sup>13</sup> "The London Plan (consolidated with Alterations since 2004)", 2008 [www.london.gov.uk/thelondonplan/](http://www.london.gov.uk/thelondonplan/)

Boroughs.<sup>14</sup> The latest strategies also place a greater emphasis on making the transition to a low carbon economy and exploiting some of the economic benefits to London from acquiring market leadership in climate change technology and expertise.<sup>15</sup> Mayor Johnson has also embraced the policy intention to create a more integrated labour market system in London – initially through a joint investment plan for the LDA and LSC's employment and skills funding.

Integration of labour market services is also a principal ambition of the Government's reform programme for welfare, employment and skills. A succession of policy statements which culminated in a White Paper published in 2008 that sets-out the Government's intention to reform and integrate welfare-to-work and skills.<sup>16</sup> This should provide a more flexible and responsive services for both employers and individuals and ensure better job retention, progression and improve longer term earnings. Significant changes have also been introduced into the benefit system to "activate" many more claimants by requiring or encouraging them to move closer to the labour market. In practice this has led to a strong emphasis on encouraging lone parents and people on disability benefits to improve their employability and look more actively for work. The DWP's main national employability programmes have

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<sup>14</sup> "A new plan for London. Proposals for the Mayor's London Plan", GLA, April 2009 [www.london.gov.uk/mayor/publications/2009/05/london-plan-initial-proposals.jsp](http://www.london.gov.uk/mayor/publications/2009/05/london-plan-initial-proposals.jsp)

<sup>15</sup> "Rising to the Challenge: Proposals for the Mayor's Economic Development Strategy for Greater London", GLA, May 2009

[www.london.gov.uk/mayor/publications/2009/05/rising-challenge.jsp](http://www.london.gov.uk/mayor/publications/2009/05/rising-challenge.jsp)

<sup>16</sup> "Raising expectations and increasing support reforming welfare for the future" Cm 7506, DWP, Dec 2008 [www.dwp.gov.uk/welfarereform/raisingexpectations/](http://www.dwp.gov.uk/welfarereform/raisingexpectations/)

been redesigned and commissioned through a new generation of prime contractors with greater incentives to deliver better outcomes.

The onset of recession – and a sharp rise in unemployment – has prompted the Government to significantly increase the level of resources to support an increase in claimants. The Rapid Response service of Jobcentre Plus has been expanded and given a wider remit to cover all types of redundancies. Train to Gain funding has been extended to provide replacement skills for people experiencing layoffs. Local Employer Partnerships have been actively developed in every Jobcentre Plus district as a mechanism to work with a large number of employers who are committed to recruitment through public employment agencies. Additional funding has been allocated to provide guarantees of employment or skills training to all longer term unemployed 18 to 24 years olds. The Future Jobs Fund was launched by the Government that will mainly help local authorities to fund temporary waged work for 150,000 young adults. Along with the other Olympic Host Boroughs, Waltham Forest has successfully bid to deliver this programme to workless young residents.

The Government has also decided that it can achieve better outcomes by devolving more responsibility for employment and skills to local authorities, in particular, to groups of local authorities working alongside other public agencies. The principle of greater economic devolution was outlined in the Review of Sub-National Economic Development and Regeneration (SNR) in July 2007.<sup>17</sup> The SNR argued that local government should play a greater role in promoting prosperity and, in particular, ensure a better integration

between neighbourhood renewal and economic development. It said that local government should provide clear transparent leadership for raising prosperity; develop a vision for the local economy; and use their resources and powers to manage economic change and develop the local economy. There will be an economic assessment duty placed upon local authorities and a power to establish sub-regional “Economic Prosperity Boards” on a statutory basis.<sup>18</sup> These will allow groups of local authorities “to permanently pool responsibilities for the delivery of economic development through Multi-Area Agreements (MAAs) across a functional economic area”.

The City Strategy partnerships have been an initial trial for this approach and the Government is working with over a dozen groups of local authorities to draw up Multi Area Agreements (MAAs) to take devolution further. The five Olympic host boroughs, Waltham Forest, Hackney, Newham, Greenwich and Tower Hamlets are working together to create an MAA to maximise the local opportunities resulting from the Olympics and to create a sustainable economic legacy in east London. The host boroughs' MAA has 3 broad themes: improving housing supply, tackling worklessness and improving the public realm and built environment. Building on the City Strategy experience, the five host boroughs are seeking flexibilities from the Government to establish a more integrated set of labour market services through the MAA – to commission and deliver employment, skills and training services in

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<sup>17</sup> “Review of Sub-National Economic Development and Regeneration”, HM Treasury, 2007 [www.hm-treasury.gov.uk/d/subnational\\_econ\\_review170707.pdf](http://www.hm-treasury.gov.uk/d/subnational_econ_review170707.pdf)

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<sup>18</sup> “Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration” DCLG, Nov 2008 [www.communities.gov.uk/publications/citiesandregions/govresponseprosperousplaces](http://www.communities.gov.uk/publications/citiesandregions/govresponseprosperousplaces)

the 5 Borough area through a new system of joint planning, commissioning, oversight and accountability.

Skills policy has also changed significantly towards a more demand-led system in which individuals have greater choice over their training whilst employers benefit from a system of brokerage to provide in-demand skills. Train to Gain is the main vehicle for employers to acquire skills they need for their current and future business needs. The Government has encouraged changes in priority for funding to give a greater emphasis on basic skills (literacy, numeracy and ICT), essential employability skills and on improving the vocational relevance of available training. Free learning is now available to all people who lack a level 2 qualification or who have basic skill needs. For under 25s, the Government has introduced another free learning entitlement for those lacking a level 3 qualification.

A new adult careers and advancement service has been given the role of ensuring that there will be a "single customer journey" from poor skills or unemployment into higher paid and more secure employment. The architecture of skills funding will also change in 2010 when the LSC and its functions divided between local authorities (for learning up to the age of 19) and a new national body responsible for apprenticeships and adult learning, the Skills Funding Agency. Overwhelmingly the agency's funds will be routed through skills accounts (for individuals) and through a demand-led brokerage structure for firms.

The Government has also sought to integrate labour market services with business support. Train to Gain brokerages are being integrated with Business Link to provide firms with simplified access to a wide range of publicly funded business support, recruitment

and skills services. Government funded enterprise support services have also undergone a rationalisation exercise to reduce the number of business support services "to no more than 100" by 2010. As a result, Business Link has been given the prime role as the primary access channel for firms seeking support from a portfolio of simplified services.

### **The integrated enterprise, employment and skills strategy**

The Borough's strategy has therefore been framed against a background of policy and evidence. Our local priorities for enterprise growth and employment support are designed to complement and strengthen national and regional priorities. The strategy is marshalled around 6 broad objectives (detailed more fully in the following section) which also reflect the core objectives from the Borough's 2006 Enterprise Strategy and the 2005 Employment and Skills Action Plan.

We have two broad goals: to create an environment in which profitable businesses can thrive and create good quality employment in Waltham Forest; and to ensure that all our residents have fair and equal access to jobs within the Borough and in the wider London labour market.

- Our **first** ambition is to *strengthen the sectors* that have growth potential and are supported by the Borough's physical regeneration and investment goals.
- Our **second** goal is to encourage more self employment and to enhance the growth of small and medium sized firms – and we will encourage business expansion in our town

centres, industrial and business parks through the vehicle of *Business Improvement Districts*.

- The **third** objective is to provide the *infrastructure and an environment* that will make the Borough an accessible and attractive place to invest in and for firms to grow.
- The **fourth** goal is to make sure that our business and labour market services deliver what employers want, namely responsive services that clearly meet their business needs so that firms can hire the skilled workers they require.
- The **fifth** objective is to make sure that the current recession does not lead to a repeat of previous downturns which resulted in a large population of long-term unemployed and economically inactive. We shall target enterprise and employability initiatives on low employment localities and hard-to-reach populations through an *integrated outreach service* bringing together all employability services through the single branded entity of *Worknet*.
- **Lastly**, we intend to improve the Borough's skills base so that residents can get access to the new jobs in the Borough and beyond.

## Delivery

The Local Strategic Partnership consists of the Council and its partners drawn from business, the voluntary sector, further education and other public bodies including the NHS, Learning and

Skills Council, the Police Service and Jobcentre Plus.<sup>19</sup> It is charged with shaping the long term vision, direction and ambition for Waltham Forest and has developed the Sustainable Community Strategy, the Borough's Local Area Agreement and the 5 Borough Multi Area Agreement with central government. The LSP has been responsible for allocation, monitoring and management of the Borough's neighbourhood renewal funding of which the Working Neighbourhood Fund is currently the largest single source of external finance for regeneration.

Governance of the LSP rests with a Board which has 5 theme partnerships reporting to it – including Enterprise and Employment. The theme partnership is the body responsible for securing delivery of this integrated enterprise and employment strategy. Chaired by a local business leader, the theme partnership brings together the Borough Council with Jobcentre Plus, the LSC, North London Strategic Alliance, the London Development Agency, Voluntary Action Waltham Forest, a representative from Housing Associations and Waltham Forest College. It therefore brings together all the main commissioning and strategic decision-taking agencies in the Borough with responsibility for business and the labour market.

Alongside the theme groups, the LSP supports a successful arrangement for engaging with the Borough's business leaders. The Waltham Forest Business Board was formed in late 2006 and is made-up primarily of representatives from the Borough's Business Chamber and from the associations and forums in the Town Centres, industrial estates and business parks.

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<sup>19</sup> Waltham Forest Local Strategic Partnership  
[www.walthamforest.gov.uk/index/community/lsp/lsp-board.htm](http://www.walthamforest.gov.uk/index/community/lsp/lsp-board.htm)

The Board brings together the most influential business leaders in Waltham Forest to address strategic issues affecting the Borough's economic competitiveness and well-being and the quality of life of its residents. The Board champions entrepreneurship and is tasked with providing the leadership necessary to drive sustainable economic growth and prosperity through inward investment, business start-up and expansion of existing firms. It also articulates business views about strategic decisions on transport, communications and infrastructure affecting the Borough by engaging with decision takers at the regional and local level. The LSP theme partnership and the Business Board therefore take the lead for delivery of this strategy.

## **Conclusion**

The Borough's civic and business leadership are clear that the economic transformation of the Borough is a key to improving the life chances of our residents. We have a legacy of slow economic decline which we have begun to turn around. The Borough has an opportunity that occurs only once in a generation to grasp the opportunities flowing from London's "eastwards shift" and we intend to use every lever of influence available to us.

These changes are the key drivers that will deliver great changes to our Borough. We will improve our schools, revitalise our town centres, improve our housing stock and provide a high quality of life in the Borough. At the heart of our ambitions is a determination to grow a successful, profitable economy that offers jobs and a decent living to all our residents particularly those who are currently excluded from the wealth and prosperity that London has to offer.

## 2 THE ENTERPRISE, EMPLOYMENT AND SKILLS STRATEGY

2.1 Over the period to 2014 and beyond, our priorities for enterprise and employment in the Borough reflect the vision of our Sustainable Community Strategy and the conclusions of the economic and social trends identified in this report. The key objectives of this strategy are to leverage the effects of inward investment and a growing population, create conditions that are favourable for economic growth and ensure that the Borough's residents have fair access to the jobs in the Borough and elsewhere. This strategy aims to encourage businesses to grow, employ more people and to secure an appropriately skilled workforce from amongst the Borough's resident population.

### **Objective 1: Support growth sectors and strengthen business leadership**

#### **Why?**

2.2 Net employment growth over the next decade is likely to be very modest. Indeed, the most recent data shows that Waltham Forest actually lost about 2,500 jobs during 2006 and 2007. The rest of London did rather better in these couple of years so we entered the recession in poorer shape than the rest of London. At the time of writing this strategy, we do not know how badly the recession has affected the Borough's businesses. But it seems very likely that several more thousand jobs will have been shed by the time the economy begins to recover during 2010. The reason we

have such a fragile employment base is simple: we already have too many firms in sectors that are likely to contract and not enough firms in the sectors that have demonstrated healthy growth elsewhere in London – and are likely to continue expanding in future years.

2.3 For example, the Borough has a relatively small share of total employment in business services. However, business services are strongly represented amongst the Borough's rapidly expanding base of micro-businesses – they make-up a third of all firms. Helping these very small firms to grow will have a marked impact on the total number of jobs in the Borough. We have identified a number of target sectors that have also been recognised as important to London's competitive position according to every recent iteration of the Mayor's London Plan and Economic Development Strategy.

2.4 Some of these sectors – including retail and personal services – have shown a strong growth trend in recent years. Our estimates for replacement demand in the Borough – new openings created by employers – over the next decade forecast that around 45% of all new vacancies will be in business services and retail/wholesale. However, we also believe that the Borough's economy needs to become better balanced and we should not place too much reliance on sectors that, even in the best of times, are less likely to locate in the Borough on a significant scale.

- 2.5 There is a strong argument in favour of strengthening our manufacturing sector and helping it to survive and adapt through a period of great change. If the Mayor's aspiration to build a low-carbon economy in London is to become credible, then Boroughs like Waltham Forest should be leading the shift towards new environmental technologies and to low waste, low energy production industries. However, this will require a marked upgrade to the technological base of our manufacturing sector.
- 2.6 The Borough's Sustainable Community Strategy identifies population growth as a key driver of the Borough's economy and sees the town centres as important areas for growth – particularly retail, leisure and cultural services. The Borough's draft Culture Strategy has begun to identify ways to achieve the SCS's ambition for a "vibrant cultural offer". This will include efforts to generate wealth in the borough through culture particularly by accelerating the growth of a creative industries sector – particularly by supporting landmark cultural events and providing more low cost workspace for cultural businesses.
- 2.7 A key factor in supporting growth sectors will be our ability to supply the right range of skilled personnel. The Borough's colleges and work-based learning providers are already re-shaping their provision to match the forecast needs of growth sectors, occupations and skill levels and we shall continue to make sure that funding supports the emerging growth sectors and occupations.

## What?

- a) *Support the leadership role taken by the Borough's business people* – through the Business Board, the Business Chamber and in the town centres, industrial estates and business parks. We shall encourage entrepreneurial organisations particularly Business Improvement Districts to deliver most of our business-facing support services including Town Centre Management.
- b) *Encourage inward investment* through a new marketing offer that demonstrates the Borough's attractive town centres, improved business parks, transport accessibility and a ready, employable workforce particularly targeting potential investments that will boost the our niche industries particularly the creative sector, retail, leisure, personal and business services.
- c) *Strengthen the creative sectors* especially in the town centres but also support the growth of firms in the emerging aggregation of broadcast media, printing, publishing and reprographics. We will encourage firms that can exploit the Borough's cultural diversity to promote Waltham Forest as a place to develop internationally facing arts and media services and a new centre for global cuisine that will attract visitors.
- d) *Develop a greener, low carbon economy* aiming for a business base that, overall, uses significantly less CO<sup>2</sup>, produces zero effluent and has 100% waste recycling.

The ambition for the Borough must be to encourage higher levels of productivity through use of cleaner processes and lower energy consumption. We shall work with businesses to lessen their carbon footprint particularly by reducing vehicle movements and retrofitting the Borough's existing stock of commercial buildings.

- e) *Increase the supply of skills for growth sectors* – by encouraging the Borough's colleges and work-based learning providers to deliver vocational lines of learning that support the target sectors and occupations, in particular, through the Borough's 14-19 Strategy.

## **Objective 2: Support SME expansion and self employment**

### **Why?**

- 2.8 Over the last decade, our business base has been growing – especially amongst small firms – although not all of this growth is reflected in the orthodox measures such as VAT registration rates. The evidence shows that the number of firms in the Borough is at an all-time high and there is a dynamic for creating new business. In Leytonstone we have the first specialist school dedicated to business and enterprise and there is evidence that we have a young population that is highly motivated and attuned to entrepreneurship. We also have signs that more women and members of our diverse population groups see enterprise as a viable way to be economically active. However, we recognise there are many obstacles to business formation

and growth and we intend to develop services that are dedicated to helping these new potential entrepreneurs.

- 2.9 Through the Business Board, private sector leadership in the Borough is well organised, influential and has an effective voice and an over-arching ambition to develop an enterprise culture in the Borough. In two areas, there have already been successful ballots to establish Business Improvement Districts (BIDs) and we believe that these will successfully help to galvanise more individual business owners and managers to improve the competitive environment of their areas. There is a healthy interest in two other areas (Walthamstow and Blackhorse Lane) to establish further BIDs. These business-led bodies have the potential to generate new revenue streams in addition to their business rate levy and develop new locally delivered business growth services using these resources. When fully functioning, these should become the preferred vehicles for delivery of many business support services in the Borough.
- 2.10 One major commitment to local business has already been made by the Council as part of its 10 point recession plan. It will help local businesses to compete effectively for Council contracts and will provide extra support and awareness-raising to help local business to compete for local public sector contracts with the aim of increasing the proportion of spending with local suppliers to over 50% within 3 years.

## What?

2.11 We intend to support our businesses and help them grow with the following actions:

- a) *Strengthen the Borough's enterprise culture* especially amongst younger people, women and ethnic minorities – through business education in schools and colleges; improving opportunities for women to turn enterprise ambitions into functioning businesses; services aimed to overcome growth obstacles faced by businesses owned or managed by people from black and minority ethnic backgrounds; improving the management and leadership skills of existing businesses through a combination of formal learning and mentoring; identify opportunities to convert not-for-profit activities of community organisations into functioning social enterprises.
- b) *Use public sector procurement to strengthen local firms* by actively committing the Borough Council, the PCT, health trusts and RSLs to purchase wherever possible from local firms; and by assisting local companies to compete effectively for public sector business
- c) *Support Business Improvement Districts* for the town centres and main business parks and industrial estates of the Borough by encouraging and supporting further successful proposals and helping to strengthen existing BIDs. We will encourage them to fully exploit the potential offered by BIDs as vehicles to deliver growth

services, generate income streams, attract capital investments and to mobilise local business leadership. We will particularly emphasise the niche roles of the town centres such as leisure and sports in Leyton, niche retailing and leisure in Leytonstone and cultural, retail and leisure services in Walthamstow.

- d) *Business growth services* delivered through a network of "one stop" enterprise centres initially developed in Leyton, Leytonstone and Walthamstow. The services which shall be provided by the *Waltham Forest Business Support Centres* network should cover each stage of business growth from pre-start up to the early stages to growth and diversification and include both generic and functional business growth (technology, finance, ICT, product development and marketing), premises, recruitment, skills acquisition, personnel and workforce development. We shall particularly support businesses in product, service, retail and business-to-business markets to expand by trading online especially those that have the potential to export.
- e) These centres should also have co-located *start-up and incubation premises* providing good quality accommodation available on short-term flexible leases co-located with business support services in enterprise centres. A key emphasis should be on accommodating the expansion potential for ambitious micro-businesses aiming to grow into the 5+ employee sizeband.

- f) *Enterprise outreach services* delivered primarily in the Borough's target disadvantaged neighbourhoods particularly providing access to business start-up and support for Black, Asian and ethnic minority groups. Alongside *Worknet*, the City Strategy/MAA focus on self-employment should deliver enterprise preparation services for currently non-employed people considering self employment, small business start-up or converting informal economic activities into legitimate business. Self employment should target sectors such as childcare, creative and artisan crafts, construction trades, clothing design and making, hair care, beauty and personal services.

### **Objective 3: Improve the Borough's infrastructure and environment**

#### **Why?**

- 2.12 The Borough has already begun to benefit from major physical investments particularly in our town centres that have improved transport interchanges, created a safer and more attractive environment and provided much stimulus for businesses to invest. To achieve the first two objectives of this enterprise and employment strategy, we recognise that the pace of investment has to be maintained and new improvements sought. To counter the effects of the current recession, we want to secure a greater share of public sector investment and encourage the acceleration of long term infrastructure projects such as Crossrail 2.

- 2.13 Sub-regional plans emphasise the importance of Waltham Forest's main town centres and the Sustainable Community Strategy envisages town centres providing a new family-oriented evening economy in addition to a competitive retail offer. It also sees our town centres and business parks being suitable locations for new office developments especially those that can accommodate small firms.
- 2.14 The evidence shows that the majority of our residents travel out of the Borough to work but that a majority of jobs in the Borough are filled by people who live locally. Most of the out-commuters work in Central London and it is essential that we develop more varied routes to work so that our residents can access the new jobs in the east of London, particularly at Stratford, the Royals and Isle of Dogs. We also need to encourage more people to travel into the Borough for work so that employers are confident they have a wider catchment area for their workforces. Future business growth therefore relies on our town centres and business parks being attractive places that are easily accessible.
- 2.15 We anticipate that revisions to the London Plan will put a greater emphasis on economic growth in the outer Boroughs and suburban centres. So, we must prepare to acquire transport investment that will make Waltham Forest's centres of economic activity more accessible from other London Boroughs and from places in south Hertfordshire, west Essex and beyond.

## What?

- 2.16 The priorities for infrastructure and the environment will be:
- a) *Prepare for a fresh investment impetus by revising the Borough's 2004 investment strategy* through the Local Development Framework and the Borough's new Regeneration Strategy to identify opportunity sites in the Borough's gateways, business parks, industrial estates and Town Centres and to further encourage landmark investments that sustainably develop new commercial and residential locations.
  - b) *Develop a new accessible transport strategy* to decongest local roads, increase capacity north/south through the Borough and acquire new orbital public transport routes to other outer Boroughs in the London-Stansted-Cambridge-Peterborough corridor and create new capacity for movement into and beyond the Thames Gateway. A key priority for the Borough must be to increase firms' access to markets and customers whilst also expanding the accessible travel to work area for Waltham Forest residents and opening-up the Borough to more inward commuting.
  - c) Through the *Local Development Framework* align the Borough's land use and spatial planning frameworks to reflect this Strategy's business growth ambitions so that land uses support the accommodation needs of higher productivity SMEs, in particular, small and flexible office

accommodation and for leisure, retail and personal service uses.

## Objective 4: Improve skills and supply what employers need: demand-led, integrated services

### Why?

- 2.17 In Objective 1 we identify the need to concentrate our efforts on the Borough's growth potential sectors and we therefore need to make sure that our labour market infrastructure supplies the right recruitment and skills services for these priority sectors. We need to encourage more people to think about improving their skills – to get a job in the first place or to improve their earnings and job security if they are already in work. We also need to persuade more employers to train and to benefit from the advantages of a higher skilled workforce. This is consistent with the Mayor's emerging strategy for learning and skills in London. We must tailor this approach to the circumstances of Waltham Forest's population and the needs of businesses in the Borough and beyond.
- 2.18 The projections of new demand contained in this strategy indicate that, over the next decade, employers in the Borough will fill 4 out of 10 jobs with employees qualified to at least level 4. Although almost 1 in 5 new openings will be filled by people who have low level qualifications, it remains highly likely that employers will require good employability skills, not just formal qualifications. We therefore have to modify the current suite of services so that growth potential

firms – especially in priority sectors – receive bespoke training and job entry services.

- 2.19 We also need to help the people who have been adversely affected by the current recession which has caused many of our residents to lose their jobs. Most of these newly unemployed people have a long track record of employment and possess good work skills and motivation. So it is essential that we help them back into work as speedily as possible and, where necessary, make sure they can refresh their existing skills or learn a new skill that is required for alternative employment. The Council's 10 point recession plan has already pledged to help residents who have lost their jobs as a result of the downturn to speedily find alternative employment and support is now available from Worknet Outreach staff. With Jobcentre Plus, the Borough's newly unemployed are assisted by a redundancy response team offering advice and support to both employers and employees. "Fast track" services are also available for some people who have the skills to quickly fill available vacancies.

#### **What?**

- 2.20 To make sure that the Borough's current and new employers have access to a higher skilled workforce with the specific skills required by their type of business, we shall:
- a) *Strengthen sector specific initiatives* – target growth potential firms especially in the priority sectors of construction, hospitality, retail, health and social care – to provide bespoke training and job entry services.

Through S106 mechanisms, secure local labour agreements with new inward investors, especially in the retail sector and firms recruiting for 2012 development.

- b) *Engage employers and strengthen relationships* and links between public agencies (including schools), the private sector and providers of employment support and business growth services – via the Business Board and the LSP theme group. Improve the networking, learning and intelligence sharing potential of various forums for providers of employment and business related services.
- c) *Provide a responsive redeployment and vacancy filling service* to ensure that firms with vacant positions can speedily recruit highly capable and job ready staff whilst also helping firms that may need to reduce their workforce.
- d) *Enhance the Train to Gain (TTG) offer* in the Borough by encouraging demand in the priority sectors and amongst smaller firms; incentivising new and existing providers to offer bespoke packages of training that meets new and identified demand. Key activities are to offer employers skills diagnosis, recruitment and access to specific services in addition to TTG: adult apprenticeships, high technology training and basic employability skills.

## Objective 5: Target low employment localities and disadvantaged populations

### Why?

- 2.21 Waltham Forest's employment rate has improved in recent years but the Borough still has a large workless population that is disproportionately concentrated in some of the more disadvantaged neighbourhoods. In this Borough, we have about 5,500 lone parents on Income Support and another 10,000 people receiving sickness or disability related benefits – in addition to the 8,500 people on Jobseeker's Allowance. The vast majority of our population want to work – at least 17,000 people – so even before the current recession hit the Borough we had a major worklessness problem to solve.
- 2.22 The Council has also identified the reduction of child poverty as one of its highest political commitments. The Cabinet agreed a child poverty strategy in December 2008<sup>20</sup>. This argued that "poverty is the single greatest threat to the well-being of children and families in Waltham Forest" and that "growing up in poverty can affect every area of a child's development - social, educational and personal". There are at least 18,000 children living in poverty – some 31% of all children in the Borough.<sup>21</sup> The Child Poverty Strategy

identifies adult worklessness in the Borough's more deprived neighbourhoods as the principal cause of child poverty.

- 2.23 In this strategy, we set out a plan to integrate the many services for workless people. Significant changes have been implemented in the DWP's mainstream services and benefits. Pathways to Work, a programme for incapacity benefit claimants is now running throughout North and North East London by Reed in Partnership. Meanwhile, the benefit rules for lone parents have changed as those parents with children age 12 or over will be required to look for work. In October 2008, a new benefit, the Employment and Support Allowance replaced Incapacity Benefit for new claimants with a disability or health problem.
- 2.24 The evidence shows that most of our workless population has been stuck on benefits for a very long time. About 80% of people on incapacity benefit have been claiming for 2 years or more; just under three quarters of lone parents claiming Income Support have been continuously receiving this benefit for 2 years or longer. This level of entrenched worklessness is a major determinant of poverty in our Borough and we estimate that 40% or more of children in our Borough live in households that are below the official poverty level. For these reasons, we will make it a top priority to reduce worklessness in the Borough and ensure that people entering employment do not simply become *working poor*.

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<sup>20</sup> "Child Poverty Strategy 2009-2020", LBWF, 2008  
[www1.walthamforest.gov.uk/ModernGov/mgConvert2PDF.asp?ID=8131](http://www1.walthamforest.gov.uk/ModernGov/mgConvert2PDF.asp?ID=8131)

<sup>21</sup> National Indicator NI 116

2.25 We have successfully piloted the *Worknet* approach in the last two years as part of the City Strategy pathfinder for East London and believe this is a robust model for integrating into-work and skills services.<sup>22</sup> It is a proven way to deliver outreach through neighbourhood-based access points in the Borough's lowest employment localities. Through our neighbourhood renewal strategy, we linked these employability services with other interventions relating to housing, health, education and anti-crime measures.

2.26 Employability has been at the heart of the Borough's approach to combating multiple deprivation but we have ensured that we are tackling the causes of low employment comprehensively. We have already taken decisive steps with a new proposal to deliver our part of the 5 Borough Multi Area Agreement which we hope will provide a robust delivery vehicle through which we can continue to integrate employment and skills services.

### **What?**

2.27 Our approach will combine the following measures:

a) *Deliver an integrated outreach service* bringing together all employability services – including the Future Jobs Fund, the Multi Area Agreement, Pathways to Work, Jobs Pledge and other new mainstream services – through the single branded entity *Worknet*. This will be

delivered through neighbourhood-based access points that are mainly located in the Borough's lowest employment localities and are targeted on the population groups facing the most severe barriers to work particularly lone parents and people on disability benefits. This will actively address barriers to work faced by Black, Asian and minority ethnic people; by ex-offenders and people at risk of offending; and raise the aspirations of young women to work in a wide range of occupations; and enable disabled people to live independently. It will engage clients through community and healthcare facilities and in school and nursery settings and deliver our services alongside other neighbourhood renewal services, particularly health improvement and childcare initiatives.

- b) *Develop new retention and progression services* to help clients after starting work to help improve their earnings, reduce reliance on in-work benefits and tax credits and to secure promotion and access to more stable and permanent employment.
- c) *Enhance the role of voluntary, community and faith organisations* to help meet the needs of harder-to-reach population groups and to offer work placements and volunteering opportunities.
- d) *Encourage neighbourhood level role models and mentors* to help find opportunities for workless families,

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<sup>22</sup> "Waltham Forest *Worknet* Business Case & Appraisal" July 2009

to motivate their return to work and help overcome problems and barriers.

### **Objective 6: Improve the Borough's skills base to ensure that residents can benefit from new economic opportunities**

#### **Why?**

- 2.28 In Waltham Forest, the evidence shows that we have an under-qualified population and that we have low employment rates amongst those with the least qualifications. Approximately forty thousand of our population have high level qualifications and 85% of these residents have a job. But, amongst our residents who hold no qualifications at all, only 40% are in work.
- 2.29 Almost a third of our residents are "low/no skilled" and only a half of the population has a level 2 qualification or better. Just under sixty percent of the population have a level 2 qualification or better. This percentage has improved in recent years but, to match the London average for people who have risen above the "low/no" skill level, we would still need to improve the skills of about 14,000 of our residents.
- 2.30 Our expectations of future labour demand in the Borough and beyond show that higher levels of skills will be required if our residents are to access the new types of opportunities that will arise. We therefore need to urgently address this problem and bring many more of our residents up to a level 2 qualification. The first steps towards this will involve more

basic learning – especially literacy, numeracy, language and essential ICT. We also need to address potential future problems by improving the educational performance of young people, firstly by reducing the stock of young people *not in education, employment or training* – and focus on the population aged 18 to 25 not just the core group aged 16 to 18. We want to develop a strong offer of *vocational learning* to help young adults to make the transition from education into the labour market.

#### **What?**

- a) *Reduce the numbers of residents who lack a first level 2 qualification* by stimulating demand from potential learners (especially those who are unemployed and economically inactive) and by encouraging employers to engage through TTG; develop more pathways offering intermediate training at level 1 or below en route to achieving a level 2 qualification.
- b) *Increase the supply of basic skills, ESOL and essential ICT* – recognising the need to offer Skills for Life provision that is more vocationally oriented and is delivered alongside into-work services.
- c) *Safeguard the 2009 and 2010 cohorts of young people leaving school and college* by encouraging more young people to consider delaying their entry into the labour market by remaining in full-time learning, raising their skill levels and employability or considering entry into higher education.

- d) *Continue to reduce the numbers of NEET young people amongst the core 16-18 age group but also amongst those young adults up to age 25 who make poor transitions from education into the labour market and experience recurrent spells of unemployment. As part of the Borough's 14-19 strategy, extend and improve the advice and guidance services available to young people, develop new vocational lines of learning towards Diplomas.*

### 3 WHAT THE EVIDENCE SHOWS – ECONOMY

- 3.1 The Treasury's Review of Sub-National Economic Development and Regeneration (SNR)<sup>23</sup> published in July 2007 argued that "globalisation and technological change mean that regions and localities need the tools and incentives to build on their indigenous assets so that they can respond quickly to changing economic circumstances if they are to increase prosperity." The SNR identified that diversity in the UK economy means that "different areas are affected in different ways as further global integration and technological progress changes the economic landscape." It concluded that uneven economic growth between and within different regions requires a combination of national, regional and local actions.
- 3.2 The SNR sought to improve the Government's policies and interventions by "strengthening economic performance in regions, cities and localities throughout (England)" and "to tackle deprivation at every level". It outlined the Government's intention to refocus powers and responsibilities to further encourage economic growth and regeneration principally by better connecting deprived areas with growth.
- 3.3 It is for this reason that Waltham Forest's LSP has produced this enterprise, employment and skills strategy for the Borough. The great forces of globalisation and technological change make it increasingly important that places can respond quickly and flexibly to economic change if they are to increase prosperity and tackle effectively concentrations of disadvantage. The unique comparative advantages enjoyed by local and regional economies are important factors that affect the economic vitality of a region, city or a place as individually distinctive as Waltham Forest.
- 3.4 But equally, the fortunes of a small Borough like ours also depend on the dynamics of London and the health and vitality of the UK economy – a national economy of which London itself has proven to be an essential powerhouse of growth. No matter how enterprising, innovative or skilled we are in Waltham Forest, our future depends critically on the economic prospects of this capital city and the rest of the UK. But, equally, many of the actions that will make Waltham Forest a truly prosperous and competitively entrepreneurial borough will only be achieved by us grasping the opportunities that arise from London's dynamic and successfully growing economy. To do so requires us to fully understand the dynamics of change affecting the Borough and by identifying both the barriers we face and the comparative advantages we can exploit.

#### **Recession has hit the UK economy**

- 3.5 After a period of unprecedented growth and stability, the UK economy experienced towards the end of 2007 a series of dramatically dislocating economic shocks. Along with most other developed economies, the UK has now begun a period of recession, the extent and depth of which remains difficult to forecast. Britain had enjoyed the longest unbroken period of economic expansion in modern times. Over the preceding decade,

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<sup>23</sup> "Review of Sub-National Economic Development and Regeneration", HM Treasury, 2007 [www.hm-treasury.gov.uk/d/subnational\\_econ\\_review170707.pdf](http://www.hm-treasury.gov.uk/d/subnational_econ_review170707.pdf)

the UK had enjoyed more stability in terms of GDP growth and inflation than in any decade since the war. Much of the policy outlook reflected an assumption that the UK would experience long-term growth rates of just below 2½ per cent per annum and that London's growth rates would probably exceed this. It now transpires that the UK economy went into a very sudden and severe recession during the early part of 2008 with the economy shrinking at a rapid pace that is unprecedented in modern times.

3.6 The 2009 Budget fully acknowledged the severity of the economic downturn and the impact on business and employment. The Budget set out a plan for a large counter-cyclical fiscal stimulus which requires the largest ever level of government borrowing during peacetime.<sup>24</sup> In its Budget Statement, the Government also admitted that, in the medium term, this will require higher levels of taxation combined with a contraction of public spending.

3.7 At the time of writing this strategy, a clutch of economic indicators for London were overwhelmingly negative – although there were also some hints that the worst period of recession might be over:

- The GfK/NOP's consumer confidence index had declined to -29 in December 2008 – meaning there was a large deficit of pessimists compared to optimists; by April 2009 this had recovered slightly to -25 and over this period London consistently recorded “less bad” results than the UK as a whole which, by July 2009, had fallen to -39.
- The output of goods and services by London's firms decreased throughout the latter part of 2008 with the Purchasing Managers' Index (PMI) of business activity recording falling to 43 in December 2008 from 51 in September. The Index began to improve and registered 47 in April 2009 and by July 2009 it had risen to 52. The Index is a better “forward” indicator and presents growth versus decline. Any rate of less than 50 indicates a decrease in business activity from the previous month.
- The PMI also records that employment is falling in London – with the Index falling to 39 in January 2009 and a very slight rise to just over 40 in the periods between March and July 2009.
- House prices fell rapidly – the annualised rate of house price inflation decreased to -16% in the 4<sup>th</sup> Quarter of 2008 according to estimates by the Halifax and Land Registry records; prices continued to fall in the 1<sup>st</sup> Quarter of 2009 but evidence from the Royal Institute of Chartered Surveyors showed that by June 2009 surveyors were reported expectation of London values beginning to rise.
- The BRC-KPMG London Retail Sales Monitor showed that annual like-for-like value retail sales in central London declined consistently throughout the latter part of 2008 to -2% at the year end. Subsequent data showed that, by March 2009, like-for-like annual sales had increased by 5% whilst sales for the UK as a whole declined by 1% in the same period. However, the GLA has begun to report the

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<sup>24</sup> “Budget 2009: Building Britain's future”, HM Treasury, April 2009 [www.hm-treasury.gov.uk/bud\\_bud09\\_repindex.htm](http://www.hm-treasury.gov.uk/bud_bud09_repindex.htm)

Synovate Retail Traffic Index which, by mid August 2009, was significantly lower than 2008 levels.

- Towards the end of 2008, annual growth in passenger numbers on tubes and buses began to slow down sharply. By March 2009, the rate of growth had slowed to +3% and by August 2009 it had dropped to just below +2%. Almost a year earlier the growth rate was +4% and, a year before that, it was +6%. Of particular note, the number of tube passengers began to decline by the middle of 2009.

## London was performing well

- 3.8 Until early 2008, there had been a firmly held expectation that the London economy would continue to expand and to outperform the UK significantly in terms of annual GVA growth and employment growth. Annual output in London had expanded by over 4% between mid 2006 and mid 2007 when the equivalent figure for the UK as a whole was under 3%. Annual economic growth had been positive in London since 2002 and had been consistently stronger than the rest of the UK since the end of 2004.
- 3.9 The London economy has evolved rapidly in the last 20 years – as the capital has consolidated its position as a leading global city – Europe's premier financial and business centre, a magnet for tourism, creative and cultural industries, a city of higher education, research, science and technology. It is also a thoroughly internationalised city – with some of the best global transport connections, substantial overseas investment, significant flows of trade and a population drawn from every country of the globe.
- 3.10 This puts London amongst the most economically powerful cities in the world – a place described by the last Mayor as one where “new ideas, where innovators, thinkers, scientists, artists, entrepreneurs and business people come together to make great things happen”. This results in a concentration of internationally facing businesses in financial and business services combined with rapidly expanding sectors providing cultural and aesthetic services and strongly growing retail, hospitality and personal service sectors.
- 3.11 By mid 2009 the country was firmly gripped by a deep recession, but it was noticeable that London had fared less badly than the rest of the UK. And it seems likely that the Capital will emerge from recession ahead of other regions during 2010 although employment will probably continue to shrink until 2011 according to GLA forecasts.<sup>25</sup> These predict that London's economic output will contract by -2.7% in 2009, by -0.2% in 2010 and return to reasonably health growth of +1.7% in 2011.
- 3.12 The total volume of jobs in London is forecast to shrink by almost 4% in 2009, by 2.2% in 2010 and by 0.4% in 2011 although the GLA has also published a set of "consensus" figures which reflect the average of a number independent forecasts. This is a little more optimistic - it predicts that the decline in employment will have flattened out in 2010 and returned to growth of almost 1% in 2011.<sup>26</sup> It might also be expected that London will

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<sup>25</sup> “London's Economic Outlook: Spring 2009 - The GLA's medium-term planning projections”, GLA Economics, 2009  
[www.london.gov.uk/gla/publications/economy.jsp](http://www.london.gov.uk/gla/publications/economy.jsp)

<sup>26</sup> These forecasts provide an indication of what is most *likely* to happen, not what will *definitely* happen.

experience a significant additional boost to output and jobs from the run-up to the 2012 Olympic Games.

- 3.13 With around two thirds of the Borough's population working beyond the Borough's boundaries, the wider London labour market matters considerably to Waltham Forest.<sup>27</sup> That labour market had been especially buoyant in the last decade. The total number of jobs in London climbed above 4 million in 2007 having risen by just over 450,000 jobs over the previous decade. However, between 2005 and 2006 (the latest dates for which reliable estimates are available), the number of employee jobs in London declined very slightly, but the long term upwards growth trajectory seems well established. The Annual Business Inquiry only provides data to the end of 2007 but the Annual Population Survey confirms (on its "workplace" measure) that jobs in London continued to grow until the middle of 2008 with a slight reduction recorded in the 3<sup>rd</sup> Quarter of 2008.
- 3.14 Alongside the growth in the headline number of jobs over the last decade, there has also continued to be considerable sectoral adjustment. Manufacturing shed over 100,000 jobs in the last decade with construction and transport/communication making-up only around a third of the loss in skilled, mainly blue collar jobs. Hospitality grew by 50,000 whilst financial and business services expanded by 340,000 and the public sector grew by 185,000. Rather surprisingly, the retail and wholesale sector declined slightly over the decade and the specialist financial intermediation sector grew only modestly. Altogether, the London labour market grew strongly – expanding by 15% between 1997 and 2008 – although an earlier and more benign downturn adversely affected overall job totals between 2000 and 2003.

<b>Employment by broad sector in London</b>					
	<b>1997</b>	<b>2000</b>	<b>2008</b>	<b>Change 1997-08</b>	
Manufacturing	285,300	282,300	178,200	-107,100	-38%
Construction	111,900	134,200	122,500	+10,600	+9%
Wholesale and retail	589,300	623,000	570,900	-18,400	-3%
Hotels and restaurants	248,800	264,800	303,000	+54,200	+22%
Transport & communication	280,100	317,900	307,400	+27,300	+10%
Financial intermediation	318,400	342,600	331,900	+13,500	+4%
Business services	787,900	1,017,700	1,116,200	+328,300	+42%
Public administration	213,000	218,200	223,500	+10,500	+5%
Education	210,900	254,200	309,600	+98,700	+47%
Health and social work	314,500	326,200	390,400	+75,900	+24%
Other services	242,300	261,100	300,300	+58,000	+24%
<b>Total</b>	<b>3,620,300</b>	<b>4,060,700</b>	<b>4,168,500</b>	<b>+548,200</b>	<b>+15%</b>

- 3.15 Before the recession hit London, the GLA and other public bodies had relied on a set of workforce growth estimates (published in February 2007) which had predicted a healthy

<sup>27</sup> Census 2001, Theme table T107

expansion in jobs over the decade from 2006 to 2016.<sup>28</sup> Admittedly these did not predict growth would be as rapid as in the preceding decade but they anticipated that London would experience further significant expansion in business services, retail, hospitality and other services such as media and a range of personal and consumer services. The recent sharp contraction in financial services almost certainly suggests there will be fewer jobs in financial intermediation and some of the associated business services.

- 3.16 Revisions to the London Plan published in April 2009 are based on the clear assumption that London's economy will recover reasonably soon. It argues that "globalisation driven by mass production, technological innovation, reducing transport and communication costs" and increased international trade "will support resumed economic growth." It concludes that London is "likely to experience a cyclical recovery following the current recession, followed by longer term positive job growth."<sup>29</sup>
- 3.17 The next stages of the London Plan's revision will be accompanied by new and more detailed estimates of employment growth but the long-term outline figures already published in the Mayor's "Initial Proposals" project forward long term growth of around 650,000 extra jobs between 2007 and 2031 and of this about 200,000 growth would be expected by 2016. About three quarters of the long-term growth would be in business services with the remainder in hospitality, retail, other services and public services. These projections are therefore not significantly different to the GLA's estimates published in 2007 which estimated the 2006-16 changes in employment by sector as shown below:

	2006	2016	Predicted change (number)	Predicted change (percent)
Manufacturing	237,000	164,000	-73,000	-31%
Construction	216,000	183,000	-33,000	-15%
Wholesale	235,000	243,000	+41,000	+17%
Retail	406,000	439,000		
Hospitality	327,000	421,000	+94,000	+29%
Transport & Communications	340,000	327,000	-13,000	-4%
Financial services	331,000	354,000	+23,000	+7%
Business services	1,142,000	1,453,000	+311,000	+27%
Public administration	244,000	222,000	-22,000	-9%
Health & Education	710,000	728,000	+18,000	+3%
Other services	384,000	494,000	+110,000	+29%

<sup>28</sup> "Working Paper 20: Employment Projections for London By Sector and Borough", GLA Economics, Feb 2007 [www.london.gov.uk/gla/publications/economy.jsp](http://www.london.gov.uk/gla/publications/economy.jsp)

<sup>29</sup> "London Plan Initial Proposals", GLA, April 2009 [www.london.gov.uk/mayor/publications/2009/docs/london-plan-initial-proposals.pdf](http://www.london.gov.uk/mayor/publications/2009/docs/london-plan-initial-proposals.pdf)

- 3.18 The key difference is that this scale of growth except is now more likely to occur in the 10 year period starting between 2010 and 2020 rather than 2006 to 2016. In other words, roughly the same growth prospects, just delayed by 4 years.
- 3.19 If these sectoral results are correct and there is a continuation of the most recent occupational trends, then the majority of employers in these sectors will need well skilled people. Over half of all the new vacancies being filled in the “core” area of central London have been taken by individuals possessing a level 4 qualification. Many of these are filled by employers requiring high calibre personnel into exceptionally demanding jobs that require extensive knowledge combined with analytical and communication skills. Competition for jobs has clearly become more intense recently, many employers may seek ever higher levels of skills – both to assure themselves of higher productivity but also because qualification levels tend to be an easy “tie-breaker” when choosing between suitable candidates.
- 3.20 Most of the new growth nodes in London – like Cricklewood/Brent Cross, Stratford City, Isle of Dogs, the Royals, Paddington and London Bridge – will require a workforce where a half of all employees require a level 4 qualification and just over 90% will need at least a level 2 qualification. In 2006, the LSC had predicted that, by 2010, some 46% of all jobs in London will require at least a level 4 qualification. Even for those jobs that do not need highly qualified workers, good employability attributes will be increasingly important: excellent customer skills combined with good language, ICT and numeric competence.
- 3.21 On the face of it, London’s resident population is quite well skilled to fill such high level positions. Almost 1.9 million Londoners possess a level 4 or 5 qualification – accounting for 37% of the working age population. However, nearly 30% of the population has only a level 1 qualification (or less) and half the workforce does not have basic numeracy competence. Barely 40% of 16 year olds achieve a level 2 qualification. Competition for entry-level jobs is very intense and London’s size, complexity and its constantly evolving nature has allowed the more skilled and adaptable to thrive.
- 3.22 But such a labour market exposes the less skilled and more constrained to greater risks of labour market exclusion. The arrival of a harsh recessionary downturn has made those risks very much worse – especially for the lower skilled and less adaptable. For example, many affluent and highly skilled workers have lost their jobs since mid 2008. But many of these people have had little difficulty reconciling themselves to lower paid work temporarily. And, in doing so, they cause take-up positions that would previously have been filled by lower skilled and less flexible workers in a more tight labour market.
- 3.23 Low skills are a part of the problem but are not the only barriers. London has a high proportion of lone parents and people from Black and Minority Ethnic groups who have lower employment rates on average. In addition, many Londoners face multiple barriers to work which are related to their age, gender, health or family circumstance. As a result, London has the highest rates of worklessness in the UK – with just over a million people (1 in 6) who are of working age not employed (excluding students). There is a close relationship between parental employment rates and child poverty outcomes – more so

than anywhere else in the country. A half of all children living in poverty in London are in households where the parents are not in work – and this also is the highest in the UK.

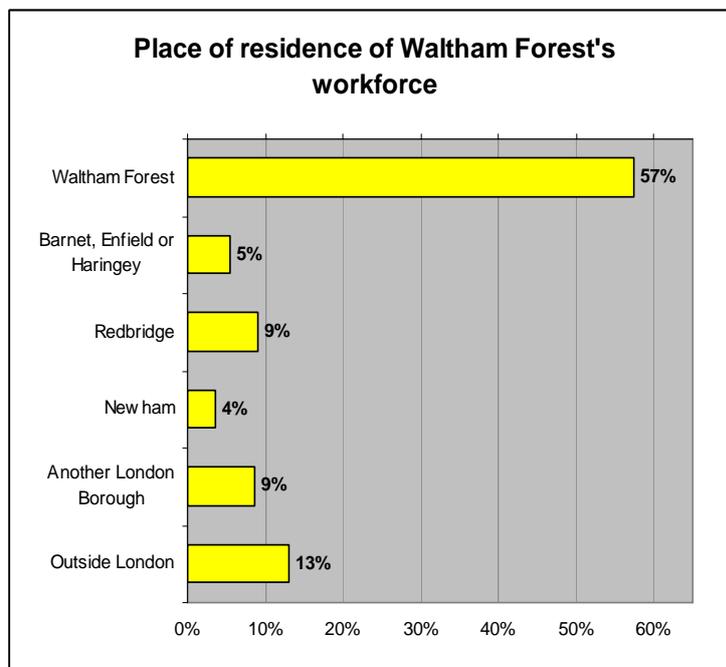
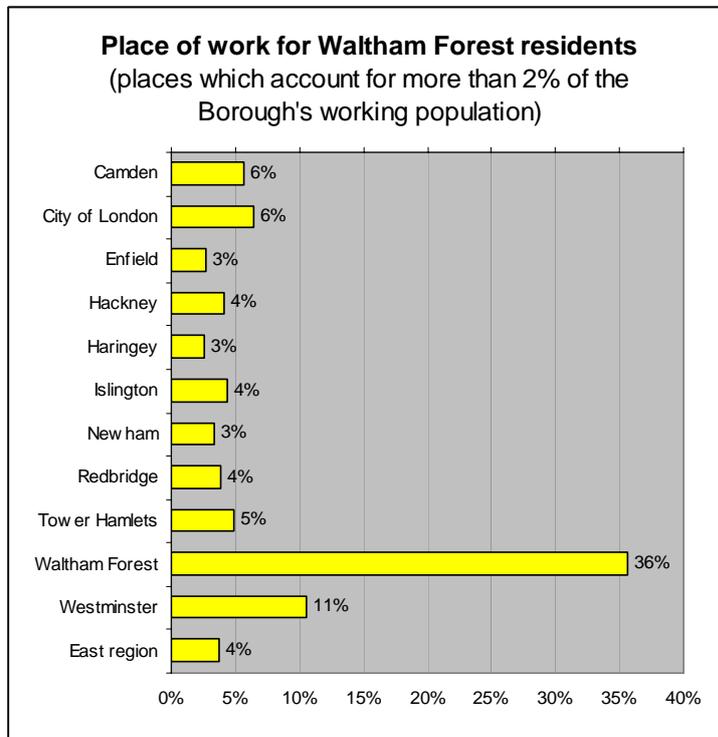
- 3.24 Overwhelmingly, skill levels correlate very closely with worklessness with 85% of all graduates being employed compared with barely 40% of those who lack qualifications. London has a particularly high proportion of lone parents and people on disability benefits and London has high living costs (especially child care) which mean that non-employed Londoners face a more severe benefits trap than elsewhere. In other words, Londoners face fewer incentives to leave benefit and enter work – especially at the lower end of the labour market.
- 3.25 Furthermore, the demographics of London lead to the persistence of population groups that lack many of the fundamental skills required for the capital's new economy. Continuing international migration brings a wide range of people and skills – some highly qualified and very work-ready; many arrivals possess a strong work ethic, professional qualifications and good technical skills but have poor English competence; others arrive in London with little experience of a modern labour market, lack literacy and numeracy and face many complex barriers to employment.

### **So, how is Waltham Forest doing?**

- 3.26 The fruits of London's economic growth have not been evenly divided and the capital has not grown uniformly over recent years. Whilst central and west London have benefited from an almost continuous boom since the early 1990s, it has been argued that spatial policy and infrastructure decisions have favoured the centre at the expense of the outer Boroughs. Despite some fluctuations, the central Boroughs have seen rapid growth in economic output and employment. The central Boroughs' have 1½ million jobs and account for almost 40% of London's entire workforce. And these Boroughs grew by 17% in the last 10 years. West London has done even better having expanded by 24% between 1995 and 2005 and, despite a small loss of jobs in the last two years, accounts for almost 700,000 jobs.
- 3.27 Some of the East London Boroughs have also witnessed very strong jobs growth. For example, as the central activities zone has extended eastwards, Tower Hamlets has increased its jobs base by over 60% in the last decade. In just two sectors alone (financial services and business services) the Borough had grown in the last decade by 67,000 jobs – an *increase* that is about ten thousand greater than Waltham Forest's *entire* workforce. Newham has also done well having grown by 24% in the last decade.
- 3.28 By contrast, Waltham Forest has a relatively small economy containing fewer businesses and jobs than most other outer Boroughs and it has the lowest commercial taxbase of any Borough in London – although this partly reflects a strength, namely the lower cost of premises in the Borough. Waltham Forest also has one of the lowest rates of entrepreneurial activity – as measured by VAT registrations.
- 3.29 Recent growth is only part of the story for Waltham Forest. Over the last 20 years the Borough's history has been characterised by significant economic and social adjustment. The rapid transformation of the Borough reflects change that has occurred throughout

London and the other north London Boroughs as industries have restructured and the population has undergone massive upheaval.

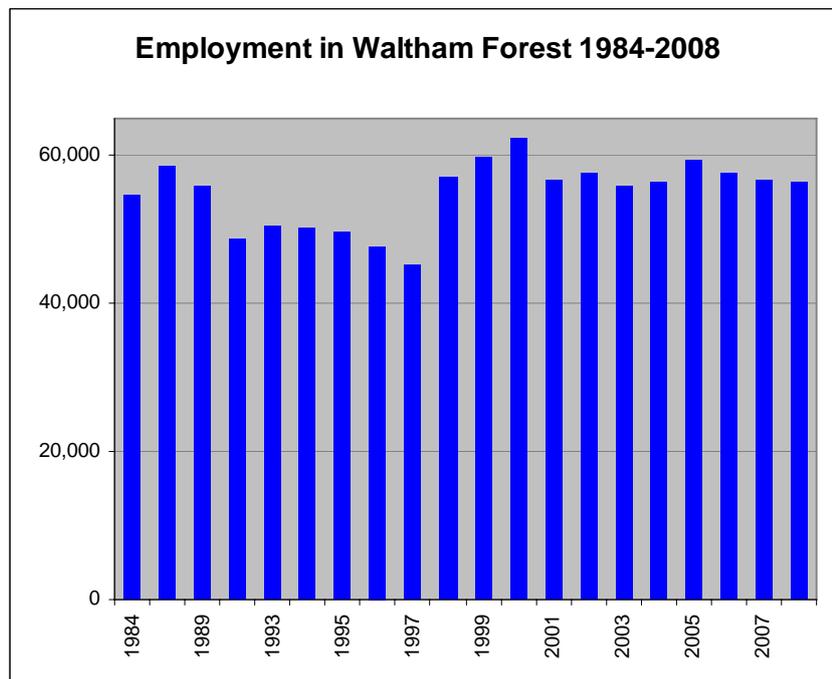
- 3.30 Waltham Forest no longer has the relatively self-contained labour market that lasted until about a generation ago. Only about a third of residents (36%) work within Waltham Forest whilst a larger proportion (40%) work in the Boroughs that are in London's Central Activities Zone.



- 3.31 The remainder of residents mainly work in adjoining Boroughs including those in East London (Redbridge, Hackney and Newham) and to a lesser extent in North London

Boroughs (Haringey and Enfield). However, a different picture emerges when asking the question “where does the Borough’s workforce come from”? Two thirds of the jobs located within Waltham Forest are filled by local people. Only 5% are filled by residents of Barnet, Haringey or Enfield but 14% are filled by residents of Newham and Redbridge.

- 3.32 Less than a tenth of the Borough’s jobs are filled by people living in another London Borough but 13% are filled by people living outside Greater London – with the vast majority living in one of the adjacent districts in Hertfordshire and Essex. The ebb and flow of Waltham Forest’s workforce reflects the great changes that have occurred, particularly in the loss of local employment.
- 3.33 A restructuring of the Borough’s economic base saw an employment peak of almost 60,000 in the mid 1980s plunge by the mid 1990s to just 45,000 jobs. Healthy growth from around 1997 was halted briefly in 2000 but total employment subsequently recovered slightly. Overall, the Borough has about 9,500 more jobs than in 1997 – an increase of 20% over the decade.
- 3.34 Underlying the overall figures is a story of restructuring – from an economy heavily characterised by manufacturing to a Borough extensively dependent on services and public sector jobs. Twenty years ago, manufacturing accounted for almost a third of jobs in the Borough. Now it represents 7% of jobs – although this is still about twice the concentration of industrial jobs to be found elsewhere in London.



- 3.35 Consequently, retail, distribution, hospitality and leisure represent just over a quarter of all jobs in the Borough – and this exceeds the London average of 21%. The public sector has a substantial footprint of the current economy – accounting for 32% of all employment compared with a 22% average for London. Conversely, financial and business services which have been a powerful growth driver in London represent a very much smaller proportion of the economy – only 20% compared with 34% London-wide.

### Employment by broad sector in Waltham Forest 1997-2008

	1997	2000	2008	Change 1997-08		Per-cent of all jobs in the Borough
Manufacturing	7,200	7,500	3,500	-3,700	-51%	6%
Construction	2,800	4,300	2,200	-600	-21%	4%
Wholesale and retail trade	11,900	12,700	12,300	+400	+3%	22%
Hotels and restaurants	2,600	2,700	2,600	0	0%	5%
Transport, storage and communication	2,300	2,400	2,100	-200	-9%	4%
Financial intermediation	800	1,000	800	0	0%	1%
Real estate, renting & business activities	6,100	9,600	10,700	+4,600	+75%	19%
Public administration and defence	2,100	3,200	2,400	+300	+14%	4%
Education	3,100	6,600	6,700	+3,600	+116%	12%
Health and social work	5,400	8,600	8,800	+3,400	+63%	16%
Other community, social & personal services	2,700	3,300	4,100	+1,400	+52%	7%
<b>Total</b>	<b>47,200</b>	<b>62,200</b>	<b>56,300</b>	<b>+9,100</b>	<b>+19%</b>	<b>100%</b>

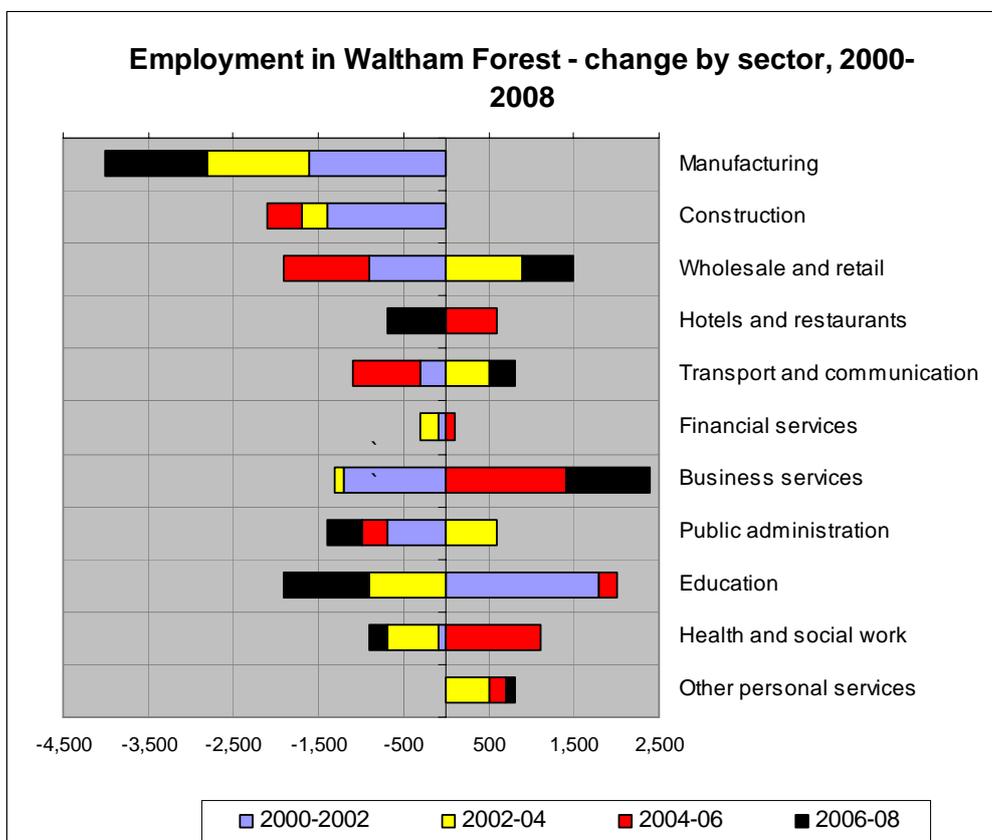
Note: Four sectors are excluded: A: Agriculture, hunting and forestry; B: Fishing; C: Mining and quarrying; E: Electricity, gas and water supply. These account for less than 100 jobs in Waltham Forest.

- 3.36 At a more detailed level of analysis – using the 92 categories available at the “2 digit” SIC level – Waltham Forest has a higher than typical concentration of several industry sectors. For example, of the Borough's total jobs which are in manufacture, the location quotient is 1.49 compared with the London average – meaning that the Borough has 49% more employment in manufacture and primary industry than is typical for anywhere in London.
- 3.37 Within manufacturing, the Borough has strength in food and drink manufacture with a thousand jobs and a location quotient of 2.56 – there is therefore about two and a half times as much employment in this sector as might be found elsewhere in London. Just as significant, is the evidence showing this sub-sector of manufacture has grown by a quarter since 1998. Printing, publishing and media manufacture represents another 1,000 jobs, but although this is considered to be an important niche industry for the Borough, its total workforce has declined by about 40% since 1988.
- 3.38 The retail sector has a dominant position with 7,000 jobs accounting for 12% of all jobs in the borough, a location quotient of 1.35. Jobs in wholesale have declined a little and with 3,800 jobs or 7% of the Borough's employment total have a location quotient of 1.74. The motor vehicle trade accounts for another 1,000 jobs and has a location quotient of 1.75 but has grown slightly since 1998. The hotels and restaurants sector account for 2,800 jobs and has a LQ lower than the London average, accounting for only 4% of jobs in the Borough.
- 3.39 The most concentrated job sectors are in public institutions, however. Education accounts for 7,700 jobs and has a location quotient of 1.78 meaning it is significantly more concentrated in Waltham Forest than elsewhere in London. Health and Social work account for 8,800 jobs and has a slightly lower LQ calculated at 1.64. Recreational,

cultural and sporting employment is well placed too – with 2,400 jobs and growth of 60% between 1998 and 2007.

3.40 Perhaps more worryingly, the gains made in recent years seem to be unevenly distributed with some sectors not growing particularly well. The chart below shows how each main sector has fared in the last 8 years.

3.41 Manufacturing shed most of its jobs in the earlier part of this decade with the sector staying reasonable stable before further losses after 2005. Construction followed a similar pattern albeit on a smaller scale with a consistent rate of decline throughout the decade. Wholesale and retail has also lost jobs fairly continuously with a very slight expansion mid decade (most of the loss has been in wholesaling rather than retail however).



3.42 The hospitality sector has lost and gained a few hundred jobs erratically with its main period of sustained growth around 2001 to 2005. Despite gaining a few hundred jobs between 1999 and 2001, the transport and communications sector recorded a loss in 2005 and 2006. Financial services are a small sector, currently employing just 800 people and it contracted a little between 2001 and 2003. Business services recorded losses between 2001 and 2003 but benefited from substantial increases in employees since 2003.

3.43 In the public sector there have been some job losses as well as significant increases. Health and social care has been the largest net gainer although the bulk of increases were recorded in the early and middle part of the decade with reductions in the most

recent two year period. Education has followed a similar pattern with expansion between 2001 and 2005 but some compensating reductions in the most recent two year period.

- 3.44 Much of the strategic assessment of London's economy has emphasised the importance of businesses in high technology or knowledge intensive occupations and industry sectors. Using the Eurostat and European Commission <sup>30</sup> definitions of "Knowledge Intensive" and "High Technology" sectors, it is evident that London has slightly over 6 out of 10 jobs located in these sectors – one of the highest concentrations anywhere in Europe and significantly higher than any other city or region in the UK. However, as the following two tables show, Waltham Forest has a reasonable share of these kinds of sectors but is very heavily dependent on the public sector as a source for this type of employment.

<b>Knowledge intensive &amp; high technology employment compared</b>			
<b>London</b>	<b>All knowledge intensive jobs</b>	<b>share of London's total employment</b>	<b>1998-2007 change</b>
Extractive and manufacturing	41,700	1%	-48%
Transport & telecommunications	136,400	3%	-6%
Financial & business services	1,397,100	34%	18%
Education	302,300	7%	27%
Health and social work	385,600	9%	25%
Other services	228,000	6%	28%
<b>All</b>	<b>2,491,100</b>	<b>61%</b>	<b>17%</b>
<b>Knowledge intensive (excl public sector)</b>	<b>1,803,200</b>	<b>53%</b>	<b>+14%</b>

<b>Waltham Forest</b>	<b>All knowledge intensive jobs</b>	<b>share of Borough's total employment</b>	<b>1998-2007 change</b>
Extractive and manufacturing	500	1%	-69%
Transport & telecommunications	800	1%	+14%
Financial & business services	10,800	19%	+20%
Education	7,500	13%	+19%
Health and social work	8,800	16%	+1%
Other services	2,800	5%	+56%
<b>All</b>	<b>31,200</b>	<b>55%</b>	<b>+11%</b>
<b>Knowledge intensive (excl public sector)</b>	<b>14,900</b>	<b>37%</b>	<b>+14%</b>

- 3.45 Waltham Forest has 55% of all its employment in high technology or knowledge intensive sectors compared with 61% for London as a whole. But, excluding public sector jobs, the Waltham Forest share drops to 37% of employment compared with 53% across London. The Borough loses out mainly because, although Waltham Forest has more manufacturing than elsewhere, very little of the Borough's manufacturing jobs are in the

<sup>30</sup> "Employment in the Knowledge Based Economy", in European Commission, 'Employment in Europe', 2000, pp. 55-65.

higher technology sub-sectors. Equally, the huge contribution made by financial and business services across London is not repeated in Waltham Forest.

- 3.46 The level of earnings paid by Waltham Forest employers is amongst the lowest in London, according to the Annual Survey of Hours and Earnings.<sup>31</sup> This shows that people employed in workplaces within the Borough have gross median earnings of just £400 per week – compared with a London-wide equivalent of almost £540. This ranks poorly even when compared with adjoining Boroughs as the table below shows.

<b>Median gross weekly earnings – by Borough of workplace</b>				
	<b>Median earnings</b>	<b>Median earnings rank (out of 32 Boroughs)</b>	<b>Bottom decile</b>	<b>Top quintile</b>
Enfield	£386	30	£128	£662
Greenwich	£432	21	£96	£723
Hackney	£541	8	£173	£862
Haringey	£418	26	£158	£658
Newham	£474	16	£147	£703
Tower Hamlets	£767	2	£310	£1,358
Waltham Forest	£401	29	£142	£650
London	£538		£172	£884

- 3.47 These data demonstrate the impact of higher paid financial and business services in the City Fringe (Hackney) and the Canary Wharf and docklands effect in Tower Hamlets and, to a lesser extent, in Newham. The two other Upper Lee Boroughs of Haringey and Enfield have wage levels that are more comparable with Waltham Forest.

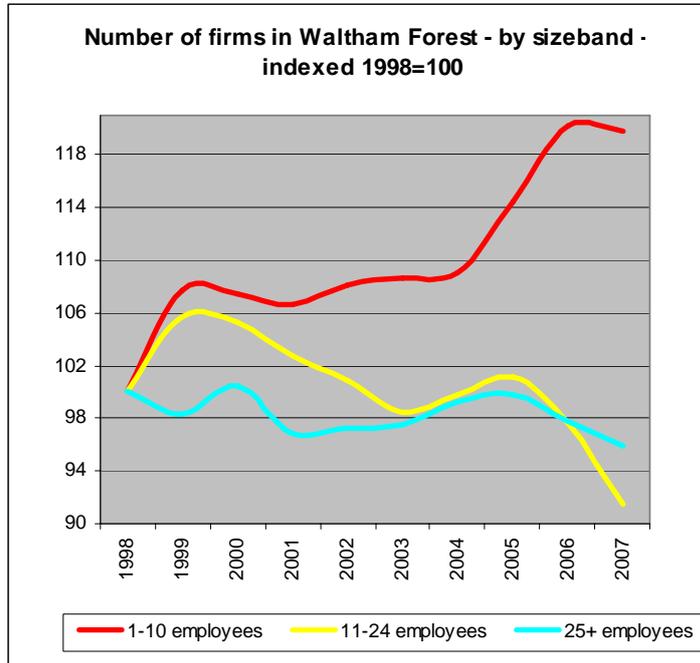
## **Business creation**

- 3.48 Over the course of a quarter century, Waltham Forest has changed from an economy in which a relatively small number of larger private sector firms predominated. Today, of the Borough's 7,000 employers, there are only 25 firms that employ more than 200 people.<sup>32</sup> Of these, a third are retailers. The overwhelming majority of firms in the Borough are very small indeed. Those with less than 5 employees make-up 77% of the total stock of all businesses – although these firms account for only 16% of all people employed. At the other end of the scale, the 18 largest private sector employers (with 200+ staff) accounted for 13% of all jobs in the Borough. On average, each workplace in the Borough accounts for just 9 employees – a figure which falls to just 6 amongst private sector enterprises.

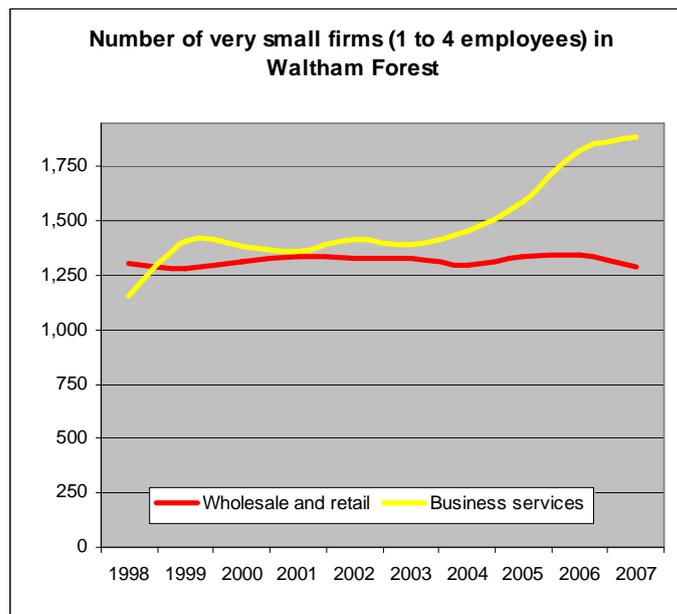
<sup>31</sup> "Annual Survey of Hours and Earnings 2008" (Table 7), Office for National Statistics.  
[www.statistics.gov.uk/StatBase/Product.asp?vlnk=13101](http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=13101)

<sup>32</sup> The description "firm" is used here as a convenient shorthand; the Annual Business Inquiry ("ABI") counts "data units" which means, in simple terms, a "workplace" rather than an individual business. For most private businesses this will mean a branch, depot, individual store or office. For public sector employers, the definition can cause some confusion: for example, most of the Council's offices or access points will count as separate data units. Finally, it should be noted that business that are not VAT registered are not counted by the ABI.

3.49 Furthermore, it has been the smaller firms in the Borough that have increased in number over the period from 1998 to 2007. As the chart below shows, firms with less than 10 employees have increased by about a fifth whilst the number of “mid sized” firms and firms employing more than 25 people have declined.



3.50 The total number of very small firms (less than 5 employees) grew from 4,300 to almost 5,400 between 1988 and 2007 with business services and retail/wholesale together accounting for 3,200 firms – or almost sixty percent of all firms of that size. As the chart below shows, the total number of very small firms in these two sectors has grown – business services increasing by 730 new firms but retail/wholesale growing only slightly.

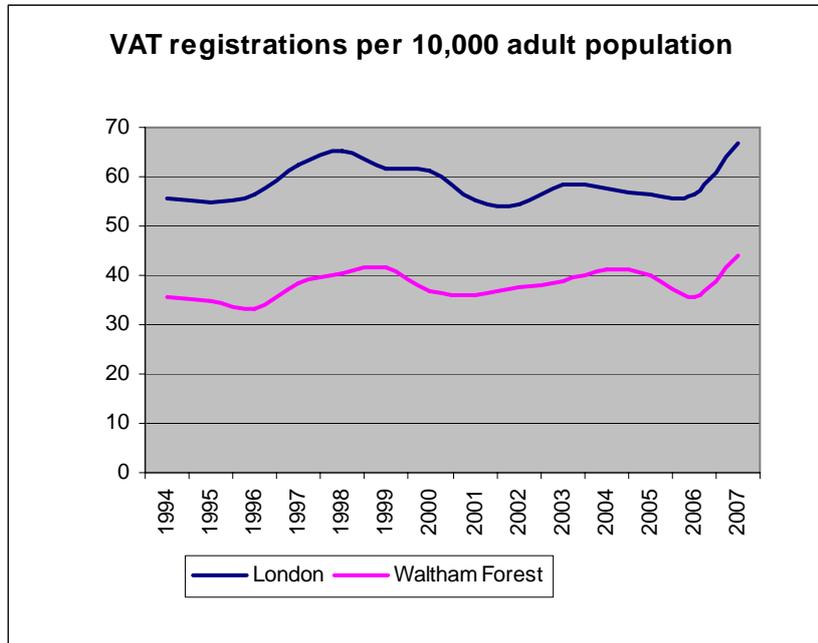


- 3.51 The number of firms employing 5 to 10 people has declined – from 910 to 800 whilst the number of firms employing 11 to 24 people has fallen slightly. Amongst firms in the size-band 25 to 49 employees, there has been a reduction from 225 to around 200 firms.
- 3.52 The number of people *employed* by the very smallest firms (1 to 4 employees) has also increased – from 8,500 to 9,100. However, the total workforce of firms in the 5-10 employee size-band fell from 6,600 to 5,800 whilst the 11-24 size-band workforce has declined slightly to about 6,400. Amongst firms in the 25-49 range, there was a reduction of a thousand employees – and these types of firms now account for about 7,000 of the Borough's total employees. The number of larger workplaces (50+) has increased slightly unchanged and their total workforce has also grown – from 26,800 to 28,400 although about two thirds of this net increase is attributable to growth in public sector workplaces.
- 3.53 The most significant sectors are those in business services which make-up 28% of all firms in the Borough although they account for only 16% of all jobs. Retail/wholesale firms represent 25% of workplaces and about 20% of jobs. This particularly emphasises the extent of sole traders and very small enterprises in these sectors. The same is true in construction where the sector accounts for 11% of firms but only 4% of jobs – the average construction firm having just 3 employees. The reverse is seen for the public sector: education, health and social services make-up 10% of workplaces but account for 34% of all jobs in the Borough. Consequently, the average public sector workplace has 26 employees (although this ranges from 63 for public administration to 23 for health and social service establishments).
- 3.54 Over the last decade, the private sector in Waltham Forest has consistently accounted for about 90% of all workplaces. But the share of jobs has fallen - private business accounted for 71% of the Borough's total employment in as recently as 2001 but, by 2007, this had fallen to 66%. Despite this, the total number of private sector firms has increased – from 5,500 to 6,300 – but the average size of firm has declined slightly. Whilst this may partly reflect improved productivity amongst firms in the Borough, it also points towards the growth of small, and potentially, more marginal firms.
- 3.55 The overall poor health of the Borough's entrepreneurial environment is emphasised by the low number of new firms established annually in the Borough. The data for VAT registered businesses reveals that Waltham Forest has one of London's lowest new business formation rates. In 2007, the Borough had 785 new VAT registrations and this is considerably more than in the previous year. However, these data are potentially misleading because there have been significant changes to the method of counting VAT registrations – and every part of London has seen an increase of about 4% between 2006 and 2007.
- 3.56 The Borough's rate is significantly below the London average of 67 registrations per 10,000 although in 2007, it was roughly comparable to Enfield and Newham (respectively 44 and 39 per 10,000 adult population).<sup>33</sup> However it is also worth observing that the Borough's stock of VAT registered firms is at an historically high point. Because the rate

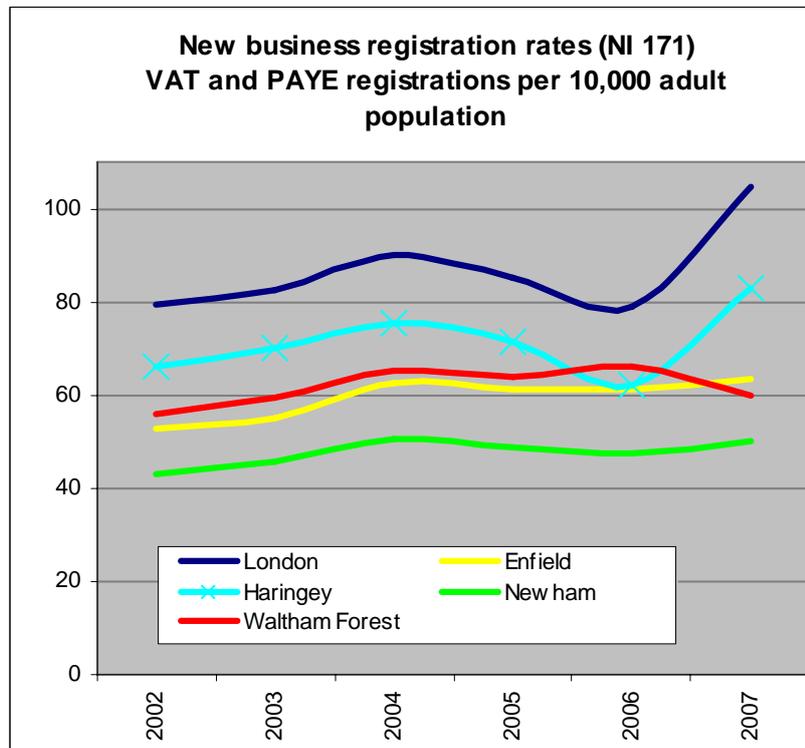
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<sup>33</sup> VAT registration data for 2008 should be released in October 2009

of de-registrations has also been falling, the retention and survival rate of VAT registered firms is improving. In 2007, the Borough had 5,400 VAT registered firms compared with 4,300 ten years earlier. So, more firms are remaining in the Borough and more of the newly registered firms are staying in business.

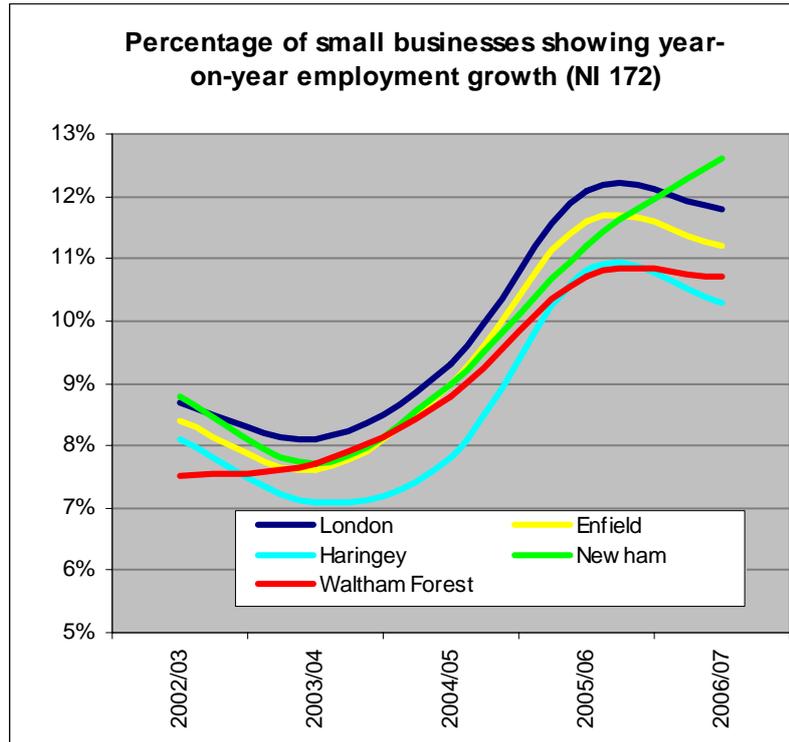


3.57 The Government has established a new measure of business registration which augments this series and is one of the National Indicators. This includes firms registering for PAYE thereby including businesses that may be below the VAT threshold but which have employees.

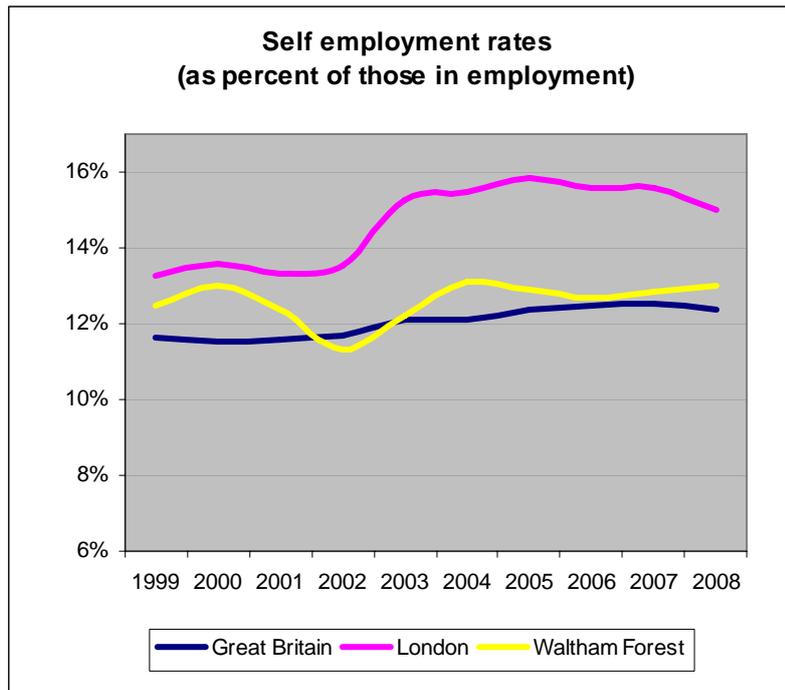


3.58 This series demonstrates that the pace of new business registration in the Borough remains low – at 60 new registrations per 10,000 adult population. This rate has declined in the past two years – in significant variance to the rate for London which has risen very sharply over the same period.

3.59 Other data is available to show the extent to which small firms in the Borough have increased their workforce. Since 2002, the percentage of small firms taking on additional workers had risen from a little over 7% to almost 11% by 2007. As the graph below demonstrates, this pace of increase has been less than the London average and a little slower than some of Waltham Forest's comparator Boroughs.



3.60 A further indicator of entrepreneurship is the extent of self-employment in the Borough. However, on this measure, Waltham Forest is not performing well.



3.61 Between 2002 and 2006, the proportion of Waltham Forest's employed population of working age who are self-employed improved slightly. However, the proportion of people working for themselves has remained fairly static at around 13% (see chart below). The equivalent rates for adjoining Boroughs are 15% in Enfield, 18% in both Haringey and Hackney.

### Future jobs growth

3.62 As we have shown above, the Borough has benefited from a growth trajectory that has been driven by three factors: the overall expansion of economic activity in London; specific regeneration and investment activity in the Borough; and by growth in Waltham Forest's population which has been accelerated because there is cheap housing and low costs for commercial property and available sites.

3.63 The Borough has considerable potential for economic growth providing the policy framework is permissive. However, it is likely that the Borough's net growth in employment will remain fairly modest and this was reflected in the GLA's last attempt to model growth by sector and Borough across London.<sup>34</sup> Many of this strategy's underlying assumptions probably remain true but, as we observe in relation to the GLA's May 2009 revised overall growth forecasts, a trend of employment expansion is not likely to resume until 2011 or 2012.

3.64 On this basis, the forecast of *net* growth in jobs for Waltham Forest remains quite modest with the Borough growing by no more than about 2,000 jobs overall. Considering that the Borough actually *lost* about 2,600 jobs in 2006 and 2007 – well before the recession's

<sup>34</sup> "Working Paper 20: Employment Projections for London By Sector and Borough", GLA Economics, Feb 2007; "Current Issues Note 13: Updated borough-level employment projections to 2026", GLA Economics, Feb 2007). [www.london.gov.uk/gla/publications/economy.jsp](http://www.london.gov.uk/gla/publications/economy.jsp)

effects were felt –this level of forecast growth might not prove to be so unwelcome. The GLA's methodology is subject to regular review and revision<sup>35</sup> so it is conceivable that the predicted growth for the Borough may be revised upwards in due course. This would especially be the case if any significant transport changes are brought forward (such as Crossrail 2), significant inward investment decisions or changes in the overall capacity of employment sites.

- 3.65 Even if the Borough's growth is limited by the capacity constraints identified by the GLA, the total demand for additional workers over the next decade will not be for 2,000 extra people. That number is simply the net change in total employment – some sectors will grow and others will contract. This is normally termed "expansion growth" resulting from structural change in the overall levels of employment and is only a small part of the overall demand for employees. Even within sectors that will continue to shrink in overall size, employers will hire people. They will be replacing those workers who leave their jobs – due to retirement, career moves or other reasons. This type of demand is known as "replacement demand" and, in Waltham Forest over the next 10 years, this is likely to represent just over 19,000 openings for new entrants and re-entrants to the labour market. So, we estimate that the total demand for people to fill jobs in Waltham Forest over the next 10 years will be slightly over 21,000. We estimate the demand for labour over the decade – by sector – will be:

	Expansion demand 2012 to 2022	Replacement demand 2012 to 2022	Net requirement 2012 to 2022	
Manufacturing	-1,300	+1,500	+200	1%
Construction	-400	+800	+400	2%
Wholesale and retail	+600	+4,100	+4,700	22%
Hotels and restaurants	+900	+1,000	+1,900	9%
Transport & comm.	-100	+700	+600	3%
Financial intermediation	0	+200	+200	1%
Business services	+1,600	+3,100	+4,700	22%
Public administration	-200	+800	+600	3%
Education	+200	+2,800	+3,000	14%
Health and social work	+200	+3,100	+3,300	15%
Other services	+500	+1,200	+1,700	8%
<b>Total</b>	<b>+2,000</b>	<b>+19,300</b>	<b>+21,300</b>	<b>100%</b>

- 3.66 It should be noted that 45% of vacancies will be in business services and in wholesale and retail. Almost 30% will be in education, health and social work despite these sectors being relatively unchanged in net terms. The net requirement for 21,300 openings equates to demand for the following skill levels in the new workforce (by sector):

<sup>35</sup> The GLA methodology relies on a "triangulated" set of estimates based on available site capacity; transport accessibility; and a forward projection of historic trends. Each of these variables are highly sensitive to a number of underlying assumptions about, for example, phased transport improvements or acceptable development densities. The methodology is explained in "Borough employment projections to 2026: The detailed methodology", GLA Economics Working Paper 18, October 2006. [www.london.gov.uk/gla/publications/economy.jsp](http://www.london.gov.uk/gla/publications/economy.jsp)

	Net additional require- ment	of which:	Level 4+	Level 3	Level 2	Other quals	"Low & no" quals
Manufacturing	200		100	0	0	0	0
Construction	400		100	0	0	100	200
Wholesale and retail	4,700		900	700	800	700	1,300
Hotels and restaurants	1,900		300	200	200	200	500
Transport & comm.	600		100	100	100	100	200
Financial intermediation	200		100	0	0	0	0
Business services	4,700		2,400	500	400	300	600
Public administration	600		300	100	100	100	100
Education	3,000		1,400	400	400	400	500
Health and social work	3,300		1,600	400	500	400	500
Other services	1,700		1,000	200	100	100	200
<b>Total</b>	<b>21,300</b>		<b>8,200</b>	<b>2,700</b>	<b>2,700</b>	<b>2,500</b>	<b>4,100</b>
Percent of total			38%	13%	13%	12%	19%

3.67 We estimate the occupational and skill level make up of these 21,300 new openings will be as follows:

	Net additional requirement		of which:	Level 4+	Level 3	Level 2	Other quals	"Low/no" quals
Managers and Senior Officials	3,700	(17%)		1,800	500	400	400	500
Professionals	3,100	(15%)		2,400	200	100	200	100
Associate Professional/technical	4,100	(19%)		2,000	600	500	400	400
Administrative and Secretarial	3,200	(15%)		1,000	500	500	300	700
Skilled Trades	1,200	(6%)		100	200	100	300	300
Personal Service s	900	(4%)		300	100	200	100	200
Sales & Customer Services	2,100	(10%)		300	300	500	300	600
Process Plant and Machine Operatives	600	(3%)		100	100	100	100	200
Elementary	2,400	(11%)		200	200	400	700	900
	<b>21,300</b>	<b>(100%)</b>		<b>8,200</b>	<b>2,700</b>	<b>2,700</b>	<b>2,900</b>	<b>4,100</b>
				38%	13%	13%	14%	19%

3.68 Key features of these data show that, overall, almost 40% of all jobs will require a level 4 qualification. About a quarter will be jobs in which a level 2 or 3 qualification is sufficient. Nearly a fifth will be in jobs where employees only possess level 1 or have no qualifications at all. About 1 in 6 new jobs will be filled by people with other qualifications – notably those with skills or qualifications obtained in another country.

3.69 Of the total 21,300 new openings, just over half will be created in the top 3 occupational categories. And slightly more than a half of these 11,000 new and replacement jobs will be qualified to level 4 or above. Almost a third of the 3,200 administrative and secretarial

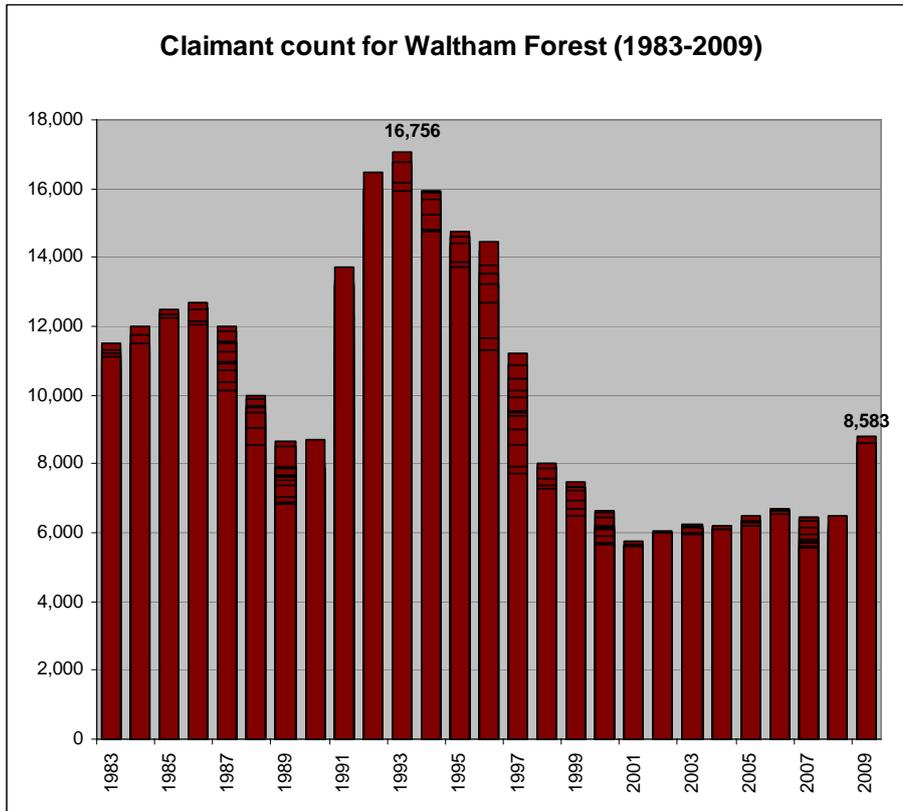
jobs will also require people skilled to this high level. The majority of openings that only require low skills or can be filled by people with no qualifications are in the lower occupational categories. We estimate that only 1 in 6 of the 2,400 openings that are categorised as elementary occupations will be filled by job entrants who are skilled to level 3 or higher.

- 3.70 In these estimates, the GLA's forecasted growth assumptions for individual sectors were applied to Waltham Forest – but constrained to stay within what the GLA assumes to be the 2,000 growth “cap” facing Waltham Forest. It is assumed that this will mainly inhibit growth in wholesale and retail, in business services and other services. The GLA predicts for London as a whole strong growth in business services, hospitality and other services; modest growth in retail, education and healthcare but a net decline in manufacturing, construction, a slight reduction in transport & communication and some shrinkage in parts of the public sector. We assume manufacturing in Waltham Forest will decline at a slightly slower pace than the GLA forecasts for the rest of London. This is because the Borough's manufacturing sector seems to be clustering around sub-sectors such as speciality printing, media reproduction and food & drink processing. Indeed, there is evidence that such firms are relocating from places elsewhere in London and consolidating in locations such as the Upper Lee Valley.

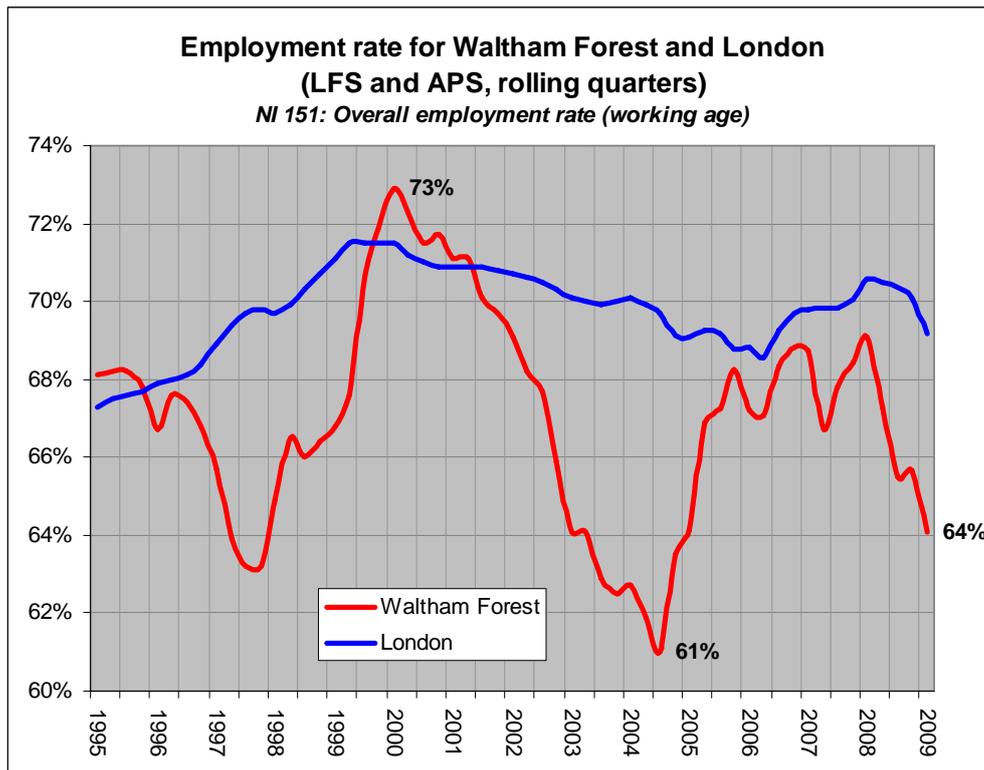
## 4 WHAT THE EVIDENCE SHOWS - PEOPLE

- 4.1 Over the course of two decades or more, Waltham Forest changed from a Borough dominated by manufacturing to one that is based on a broader service sector economy. As a result, previously stable communities that had relied on steady semi-skilled blue collar employment found themselves dislocated and disadvantaged. Factories closed, unemployment rose and, increasingly, people decided to leave. This was especially true in the parts of the Borough that were formerly the municipalities of Leyton and Walthamstow where a new population drawn predominantly from overseas replaced older generations and this has created the rich pattern of highly diverse neighbourhoods that characterise much of the Borough today.
- 4.2 In the early 1980s another pattern of migration began which saw the arrival of many younger, well qualified people drawn to the Borough by many factors: comparatively low house prices, the availability of family-sized homes, standards of schooling better than those in the inner London Boroughs and good transport access to central London. In contrast to the inward migration of many people from overseas, this younger and more affluent population was mainly educated to degree level and employed in professional and associate professional occupations.
- 4.3 And, in the most recent two to three years, the Borough has also become an attractive place for another wave of arrivals – mainly from eastern Europe. These predominantly young and single people are generally well educated and have a high propensity to work. They form part of a large migrant workforce in London that fills basic level jobs in hospitality, leisure and some construction trades.
- 4.4 Many of the early migrants coming to the Borough were attracted by industrial employers who had realised that their competitive advantage was declining and their markets shrinking. These employers saw the new workers as a cheaper source of labour and a way to reduce their costs amidst worsening business conditions. However, these firms ultimately were facing profound competitiveness problems and a host of difficulties related to systemic low productivity. Simply reducing wage costs was not enough and the structural problems faced by these manufacturing firms proved so overwhelming that the new population also found itself facing layoffs and long term unemployment.
- 4.5 The eventual impact of this decline in local jobs and traditional male occupations was exacerbated by two other factors. First, the Borough had a strong *employee* culture and very little experience of *entrepreneurism*; second, only a minority of women worked. So, as male employee jobs declined, the Borough had little to replace the earnings power of the old jobs. Waltham Forest began a cycle of decline which led to low rates of economic activity and employment.
- 4.6 As the graph below shows, claimant unemployment rose to over 12,000 during the 1980s recession but most of the damage was caused by the 1990 recession which saw the claimant count almost triple after the short period of recovery in the late 1980s. In mid 1993, the claimant count peaked at just over 17,000 which was equivalent to 12½

percent of the working age population. By mid 2008 this percentage had dropped to just 3½ percent. It subsequently rose to 6 percent by December 2009.



4.7 As we show further below, the improvement to claimant unemployment numbers from the mid 1990s was also accompanied by a rise in other types of claimants – mainly those on incapacity benefits and lone parents. So, although the claimant count totals fell significantly from the mid 1990s and into this decade, there has been a rise in worklessness amongst the economically inactive. As a result, during the early and mid 1990s the Borough's employment rate sunk to about 63%. It recovered briefly in the late 1990s, dropped sharply to about 61% in the middle part of this decade.



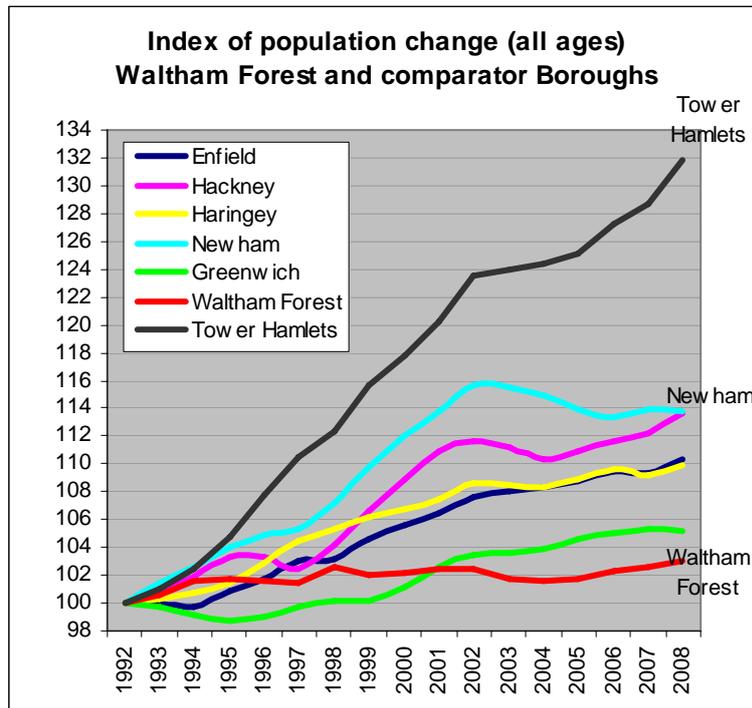
- 4.8 Despite an improvement towards the end of the decade, the employment rate began to fall once more during 2008. By the most recent date (mid 2009) it had fallen to just 64% which is five percentage points adrift of the London average and about 9 percentage points below the national average. The shift towards lower paid service sector jobs and the growth in non-employment have contributed towards a worsening of economic chances for many of the Borough's residents.

### Population change

- 4.9 During, the last decade, further major changes have occurred. In the south of the Borough, a substantially younger and more ethnically diverse population has arrived to replace families and older people that have migrated from the Borough.
- 4.10 Waltham Forest's population had been falling continuously since reaching a peak almost 60 years ago.<sup>36</sup> Slow decline accelerated during the early 1980s when the Borough's total population had slumped to just 214,000. This changed by the latter part of the decade although the pace of growth has been relatively slow.
- 4.11 Since 1992, the Borough's total population has grown by just 6,600 – a 3% rise compared with the London average of 16%. As the chart below demonstrates, this is also considerably less than the pace of growth in neighbouring and other sub-regional Boroughs of Enfield (10%), Hackney (14%), Haringey (10%), Newham (14%), Tower

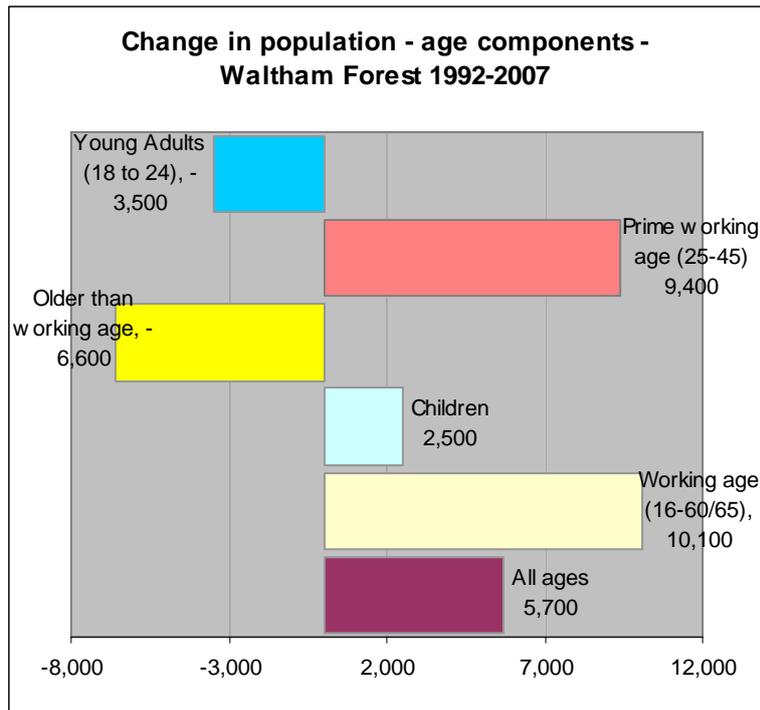
<sup>36</sup> "Focus on London's Demography", DMAG Briefing 2005/17, GLA, June 2005  
[www.london.gov.uk/gla/publications/factsandfigures/dmag-briefing-2005-17.pdf](http://www.london.gov.uk/gla/publications/factsandfigures/dmag-briefing-2005-17.pdf)

Hamlets (32%). Only Greenwich's pace of net population growth has been as low as Waltham Forest's (at almost 5%).<sup>37</sup>



- 4.12 However, this *net* population measurement hides considerable change *within* the Borough's overall total. Firstly, the population of children – which had been declining during the 1980s – began to rise at the end of that decade. As a result, between 1990 and 1998, the number of children grew by almost 6,000 – an increase of 14% - although during the subsequent decade the total has slipped back slightly from that peak.
- 4.13 Secondly, the population who are not of working age (60+ for women and 65+ for men) has fallen dramatically – by over a quarter since 1991 and by almost 40% since 1981. This age group now accounts for just 1 in 10 of the Borough's total population compared with 1981 when this age group was 1 in 6. Surprisingly, the total number of young adults has also declined – by 3,500.
- 4.14 Thirdly, there has been an increase amongst the working age population – especially those in the prime age group of 25-45. The whole working age population grew by 17,000 between 1981 and 2007 and this represented an increase of 13% - in line with the London average rate of growth which was 15%. This age group now makes up 69% of the whole – although the growth trajectory amongst this population seems to have levelled off at around 153,000 in the last four years.

<sup>37</sup> "Mid Year Population Estimates", ONS, 2008 [www.statistics.gov.uk/StatBase/Product.asp?vlnk=601](http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=601)



- 4.15 The future projections for population growth in the Borough are based on 5 year trends. Because the previous 5 years showed little significant increase nor decrease in population, Waltham Forest is officially predicted to have a stable population over the next 10 years.<sup>38</sup> However, this seems fairly unlikely considering the pipeline of new house-building within the Borough, London Plan projections and the Mayor's newly renegotiated targets for further housing supply to 2016.
- 4.16 The Borough's employment rate collapsed between 2000 and 2004 but a modest improvement in the middle part of the decade coincided with the increase in population groups that tend to have high rates of employment: young adults migrating to the Borough from elsewhere in the UK or from abroad who are attracted by the Borough's relatively cheap and flexible housing tenures.
- 4.17 There is relatively little comprehensive information available about this new group of migrants. However, there is quite accurate data available drawn from a source which inevitably provides only partial coverage – namely those non-UK Nationals who have been allocated National Insurance Numbers.<sup>39</sup> This shows that, in the year to May 2007, there were 9,680 registered foreign workers resident in the Borough. These represent about 7% of the Borough's adult population and this percentage is higher than the London average (5%) and comparable to Haringey (also 7%) but significantly more than other adjoining Enfield (both 3% only).
- 4.18 Of this population, almost a half is from eastern Europe. No other Borough in London, except Haringey, has such a high proportion of its NI registered foreign workers who are

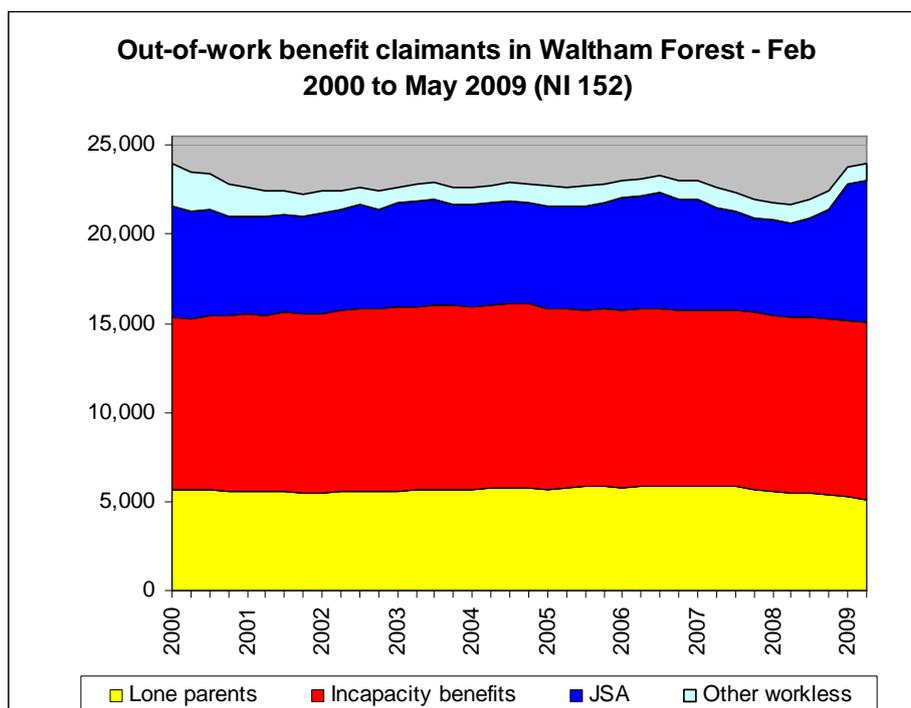
<sup>38</sup> "Subnational Population Projections for England", ONS, 2007 [www.statistics.gov.uk/statbase/Product.asp?vlnk=997](http://www.statistics.gov.uk/statbase/Product.asp?vlnk=997)

<sup>39</sup> "National Insurance Number Allocations to Overseas Nationals entering the UK" Department for Work and Pensions, 2007 [www.dwp.gov.uk/asd/asd1/niall/nino\\_allocation.asp](http://www.dwp.gov.uk/asd/asd1/niall/nino_allocation.asp)

from eastern European countries. Waltham Forest also has the 3rd highest number of registered foreign workers from South Africa (only Merton and Wandsworth have more).

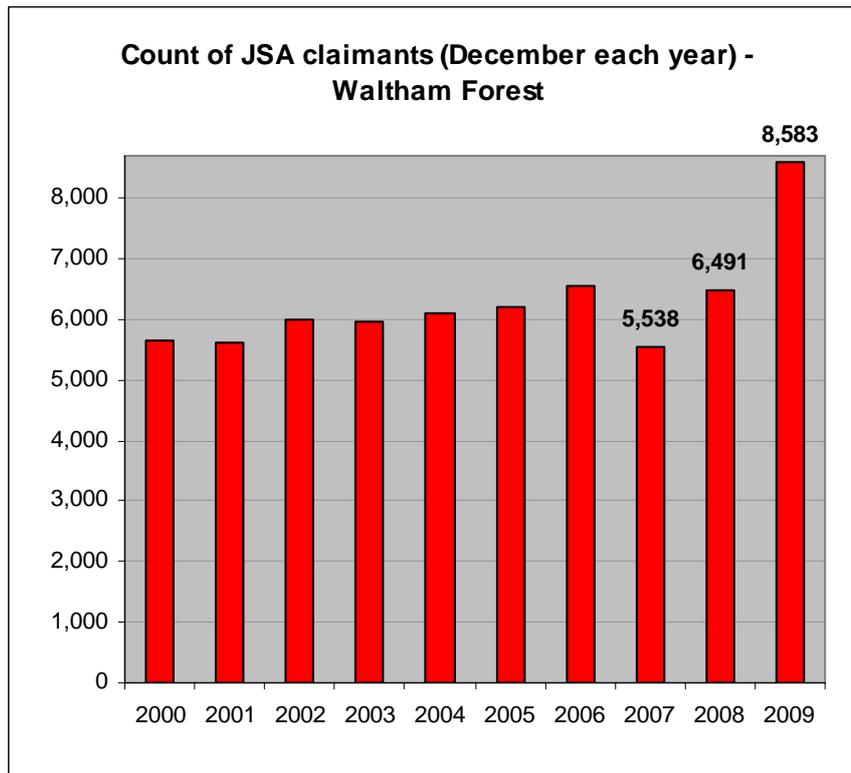
### Worklessness

- 4.19 Until mid 2008, Waltham Forest faced just one problem, albeit a large and complicated one. Although the Borough's employment rate was increasing throughout most of the decade, the numbers of people who were not working and claiming benefits had also been slowly increasing.<sup>40</sup> Most of these were claimants of Incapacity Benefits and Lone Parents on Income Support.
- 4.20 As the Borough's employment rate turned downwards in the middle of 2008, the numbers on benefit began to accelerate. By February 2009, there were almost 24,000 people claiming DWP working age benefits – and this represented 16% of the working population. The graph below shows the relative size of each of the workless claimant population groups and the change in caseloads over the last decade.
- 4.21 However, the Borough faces a second and, arguably, more urgent problem. The number of JSA claimants has risen sharply since the middle of 2008. The number of people receiving JSA increased by 3,240 between May 2008 and December 2009 – and this represents an increase of about 60% over that period. The total of around 8,500 is the highest since 1997 although it is almost exactly half the level recorded in August 1993 when the equivalent measure peaked at 17,000.



<sup>40</sup> The definition of *out-of-work benefit claimants* is as follows: (a) Claimants of JSA; (b) Claimants of IB, SDA or IS receiving a disability related premium and not also on IB/SDA; (c) Single people with children on IS, not also receiving a disability related premium nor IB/SDA; (d) Others such as IS claimants who are carers, short-term sick, men aged 60-64 receiving the Minimum Income Guarantee/Pension Credit

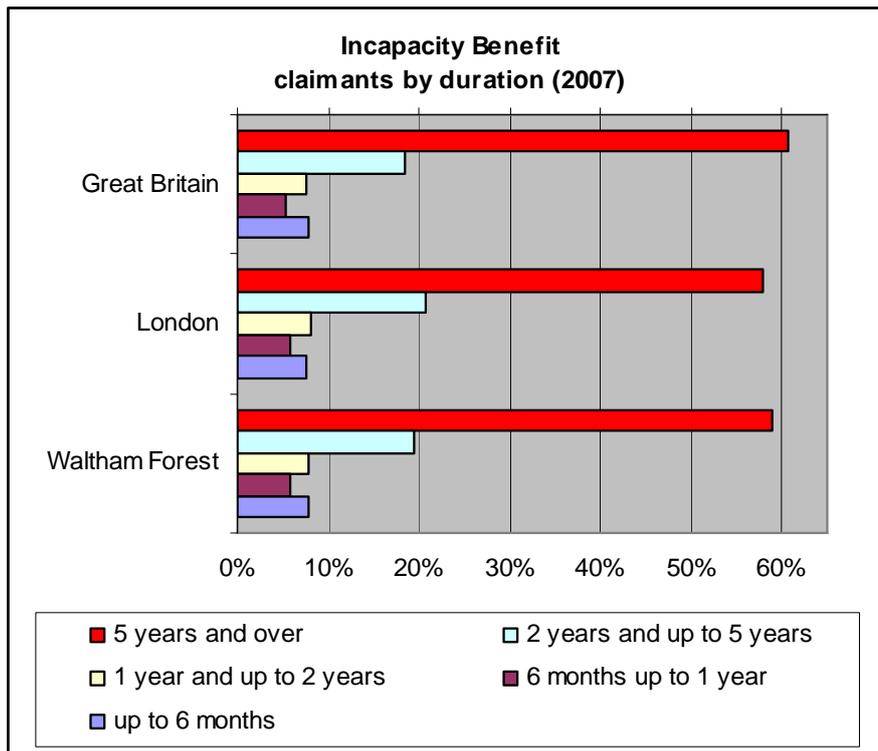
4.22 The increase in JSA unemployment has been particularly rapid in the past 2 years with totals rising by several hundred extra claimants each month.



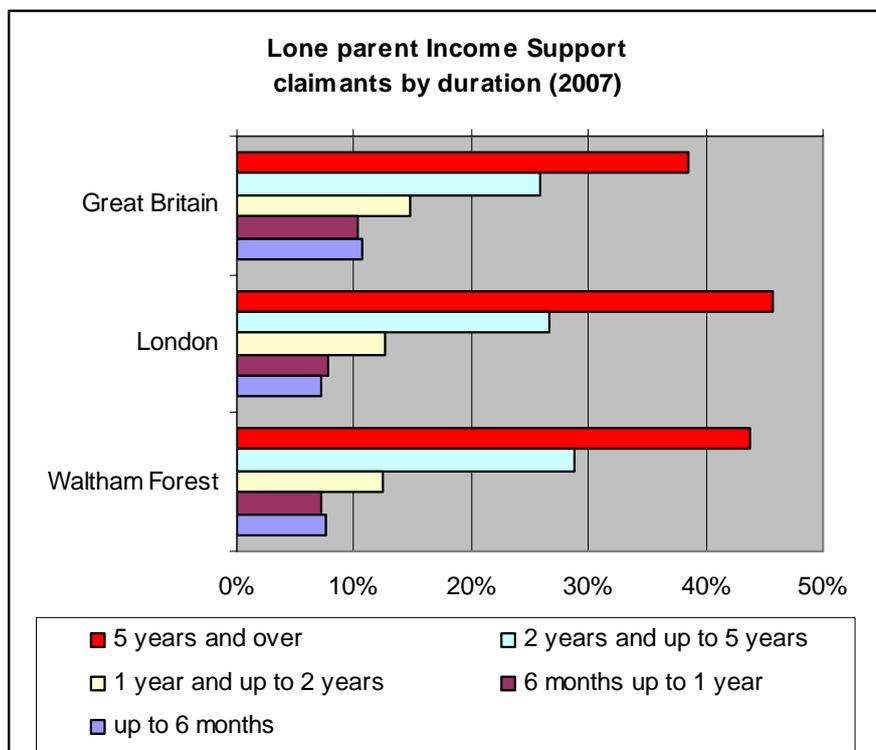
4.23 By the latter months of 2009, the monthly increases had begun to flatten-out and decline very slightly. However, it is very likely that the 2009 cohort of school and college leavers will find the labour market extremely bleak and a further rise in young JSA claimants may cause the overall totals to either move upwards or remain fairly static.

4.24 The increase in JSA has underlined the point that most JSA recipients are short term unemployed – over a half the current totals will have received benefit for less than 6 months and another fifth or so have claimed for between 6 and 12 months. A critical aspect of this strategy must be to ensure that Jobcentre Plus services are concentrated on quickly finding replacement work for the recently unemployed and providing re-skilling and other services that can ensure a speedy return to work. All the evidence from previous recessions shows that failure to quickly place people back into work will translate into a rise in the long-term unemployed population. The longer someone remains on benefit, the harder it is to return them to work: their skills will have become diluted, their motivation to work will be reduced and employers will become wary of hiring such candidates.

4.25 Generally, once a JSA claimant passes the 12 month threshold, return to work will become far more complicated and they will often need the same types of interventions as Incapacity Benefit Claimants and workless lone parents on Income Support. Claimants of these benefits tend to be very long-term workless, as the following two graphs show.

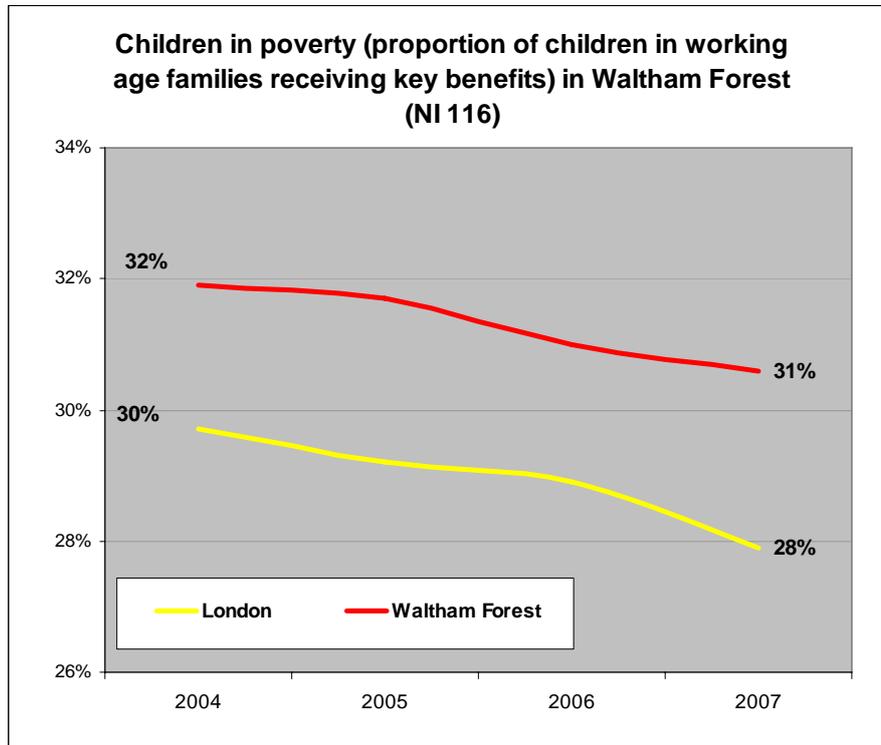


4.26 Almost 80% of those on incapacity benefits have received benefit continuously for more than 2 years. Nearly 60% have been claiming for over 5 years. As the graph above shows, Waltham Forest's position is very similar to both the London and national averages.



4.27 Similarly, almost three quarters of lone parents on Income Support have claimed benefits for more than 2 years. Compared with Incapacity Benefit, there are rather more Income

Support recipients who have been on benefits for relatively shorter periods. There are 29% who have claimed for between 2 and 5 years with another 44% who have been receiving benefits for 5 years or more.



4.28 As a result of this high level of benefit dependency, we estimate that at least 4 out of 10 of the Borough's children live in households that are below the official poverty line – in other words, those that have less than 60% of the median income.<sup>41</sup> This is underpinned by data showing the number of children living in households which rely on benefits. Although there has been some recent improvement, just under a third of all children in the Borough are in these circumstances.

4.29 The secondly major problem is the geographical distribution of the Borough's workless population. This is characterised by very marked concentrations in the more disadvantaged neighbourhoods. Shown by ward, this reveals that the Borough's average rate of 16% is distributed in a range from 11% to 20% of the adult working age population.

**Claimants of out-of-work benefits in Waltham Forest wards  
(February 2004 and February 2009)**

	Total, Feb 2004	Percentage of working age population, Feb 2004	Total, Feb 2009	Percentage of working age population, Feb 2009

<sup>41</sup> Source table 4.9 in "Households Below Average Income (HBAI)", DWP, 2008 [www.dwp.gov.uk/asd/hbai.asp](http://www.dwp.gov.uk/asd/hbai.asp); London Child Poverty Commission [www.londonchildpoverty.org.uk](http://www.londonchildpoverty.org.uk) and Child Poverty Toolkit (Child Poverty Action Group and Centre for Economic & Social Inclusion) [www.childpovertytoolkit.org.uk](http://www.childpovertytoolkit.org.uk)

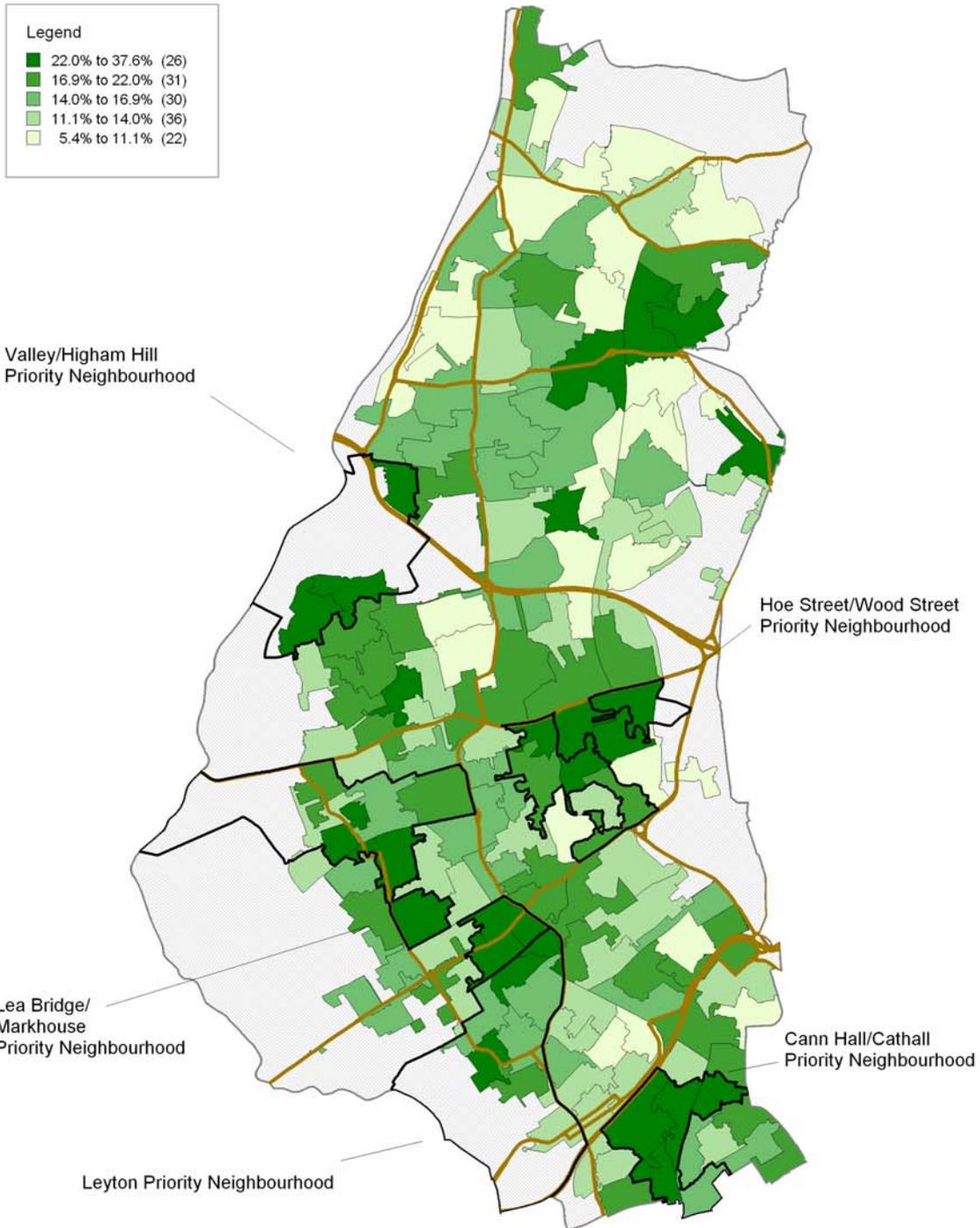
Cathall	1,440	20%	1,480	20%
Higham Hill	1,410	19%	1,470	20%
Wood Street	1,375	18%	1,465	19%
Hoe Street	1,395	18%	1,460	18%
Leyton	1,700	20%	1,560	18%
Markhouse	1,340	18%	1,345	18%
Cann Hall	1,375	18%	1,395	17%
Hatch Lane	885	15%	1,030	17%
Lea Bridge	1,400	16%	1,510	17%
High Street	1,225	16%	1,270	16%
Larkswood	865	14%	1,015	16%
Valley	930	15%	1,035	16%
William Morris Forest	1,205	15%	1,250	16%
Forest	1,055	15%	1,090	15%
Chapel End	850	11%	1,045	14%
Hale End & Highams Park	835	13%	915	14%
Leytonstone	1,120	15%	1,075	14%
Grove Green	1,065	13%	1,060	13%
Endlebury	650	11%	750	12%
Chingford Green	525	10%	615	11%
<b>Total</b>	<b>22,645</b>	<b>16%</b>	<b>23,835</b>	<b>16%</b>

- 4.30 The table above shows that, five years earlier, the Borough-wide totals were only slightly lower and the concentration of worklessness has changed very little. Most wards have worsened a little and although there have been two wards still showing a slight improvement: in Leyton and Leytonstone. In 2004, Leyton had the highest rate of workless benefits of all the Borough's wards but, by 2009, it was ranked 5<sup>th</sup>.
- 4.31 However, as the following map illustrates, the more detailed analysis at SOA level shows a much wider range of workless benefit claimants. Some wards that score low overall, nonetheless have one or two SOAs with a very high percentage of residents claiming a benefit. Conversely, the analysis confirms that the more disadvantaged wards contain proportionately more of the claimant population. Of the 20 wards in the Borough, the worst six wards contain over a third of all the Borough's claimants.
- 4.32 To demonstrate the acute level of concentration within wards, one area (the Drive) in Hoe Street has 38% of the adult population receiving workless benefits (although the ward average is rather lower at 18%). Similarly, Cathall has two areas that peak at 29% (Cathall Road Estate) and 27% (Cann Hall Road) whilst the ward as a whole averages 20%.
- 4.33 In William Morris the majority of neighbourhoods have rates which are less than the ward average of 16% but the average is skewed upwards because it has one SOA with a claimant rate of 28%. Similarly, Hale End and Highams Park has two areas at 18% and 24% but none of the other 5 SOAs in the rest of the ward exceed 13%. Higham Hill shows the reverse phenomena – of its 7 constituent SOAs, one has 13% of its adult residents claiming a benefit whilst every other one of the ward's 6 SOAs are between 17% and 26%. Similarly, Valley which averages 15% overall has one of its seven SOAs

(Billet Road) peaking at 27% whilst the ward's other SOAs range from 10% to no more than 15%.

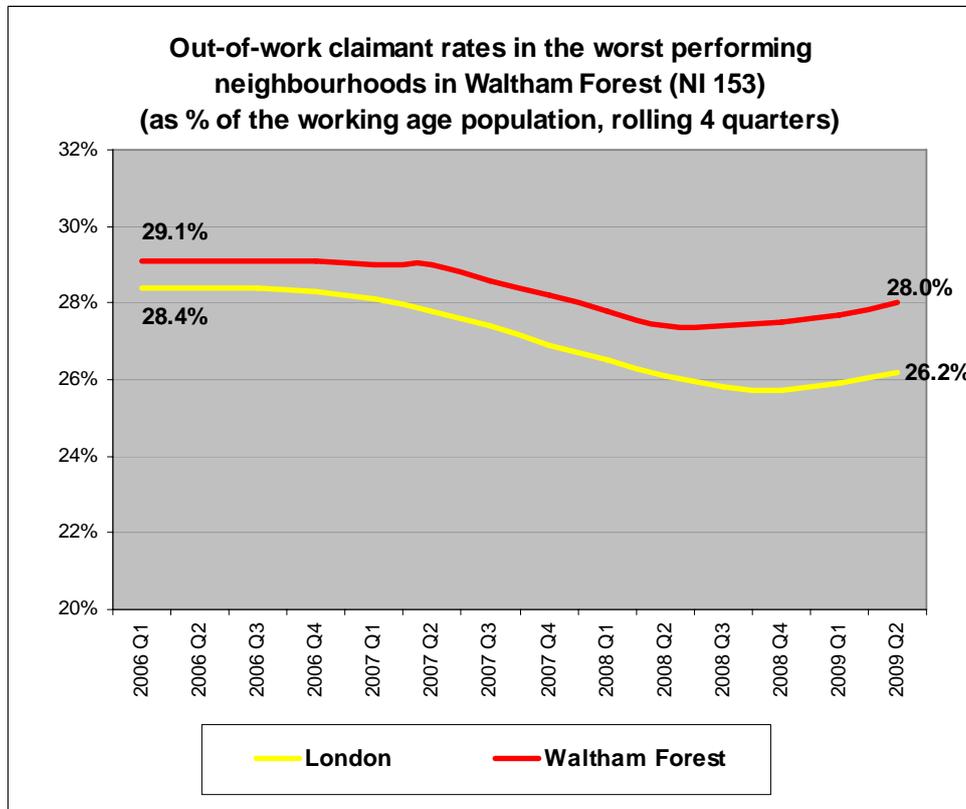
- 4.34 Other areas with very high levels of benefit claims are South Grove in Markhouse ward (35%) and the Avenue Road estate in Cann Hall (30%). In Wood Street, the neighbourhood around Valentin Road is 28% whilst the estates bordering Walthamstow Village in Wood Street are at 29%. In Higham Hill, the area around Folly Lane has a claimant rate of 26%. Hollydown Way in Cathall has a 25% rate whilst, on the Chingford Hall Estate, 25% of the adult population are claimants. Capworth Street in Lea Bridge registers 25% whilst the Markhouse Road Estate has 23% of its adult residents receiving benefits.

## Benefit Claimant Rates by LSOA, Feb 2009



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4.35 Altogether, there are 11 LSOAs that are deemed to be amongst the “worst performing neighbourhoods” in the country. This is because at the baseline date (May 2006 - Feb 2007) these LSOAs had a benefit claim rate of more than 25%. The definition of worst performing neighbourhood is carried forward into one of the National Indicators (NI 153).



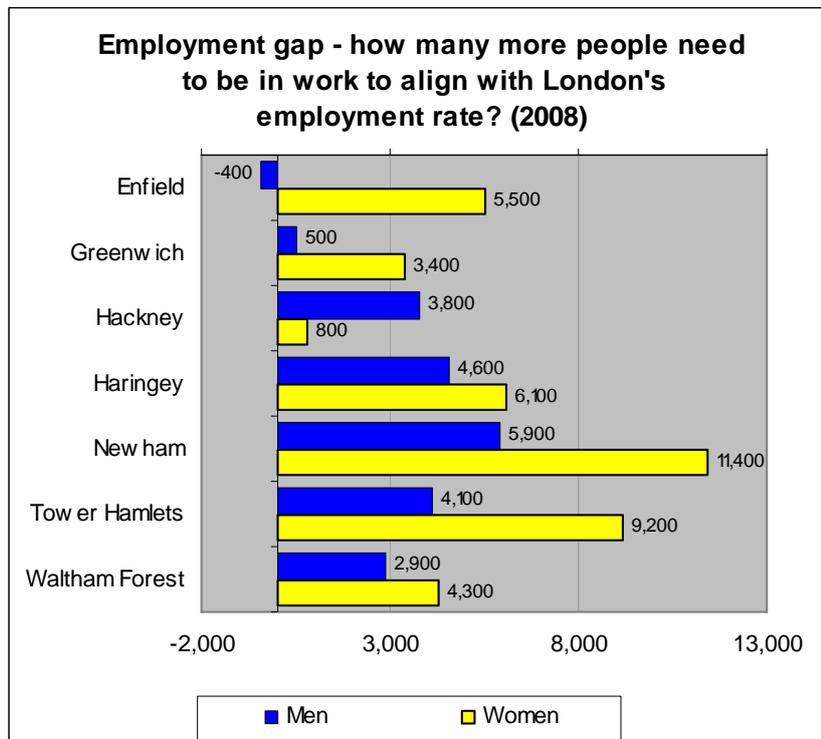
4.36 This shows that the neighbourhoods in Waltham Forest which count as “worst performing” had a combined claimant rate of 28% at the most recently available date (May 2009). As the table above shows, over the preceding 2½ years these areas of entrenched worklessness had experienced a small improvement – with the percentage of workless benefit claimants falling by about 1½ percentage points. However the pace of improvement was slower than elsewhere in London: the graph above shows that the rate has begun to worsen and the gap between Waltham Forest and London has widened.

### Addressing the scale of the problem

4.37 There are two principal ways in which we can be sure about the level of unmet demand for work in the Borough. The first is to assess how many more people would need to be in work for the Borough’s employment rate to meet the London average. To match the current employment rate for London would require about 7,200 more people entering employment (comprising 2,900 men and 4,300 women).

4.38 As the graph below shows, Waltham Forest’s position is considerably better than Haringey, Newham and Tower Hamlets but worse than Greenwich, Hackney and Enfield. However, for the Borough to match the current GB employment rate, would present a rather more demanding challenge. The GB rate is currently 74.2% compared with 65.5% in Waltham Forest. To bridge this gap of just almost 9 percentage points, Waltham

Forest would need to get almost 13,000 more people in work (3,600 men and 9,200 women). And, to reach the Government's long term policy objective of an 80% employment rate would require a further 21,400 of the Borough's residents entering work.



4.39 A second way to assess the “slack” in the Borough's resident workforce is to measure the unmet demand for work amongst the population. Altogether, the Borough has a population of 17,200 people who want to work and, as the table below shows, this represents 12% of the working age population. This percentage is very similar to the London average although a slightly lower proportion of women want work in Waltham Forest compared with the London average. This mainly reflects the fact that the Borough has higher levels of economic inactivity amongst women than is typical for the rest of London.

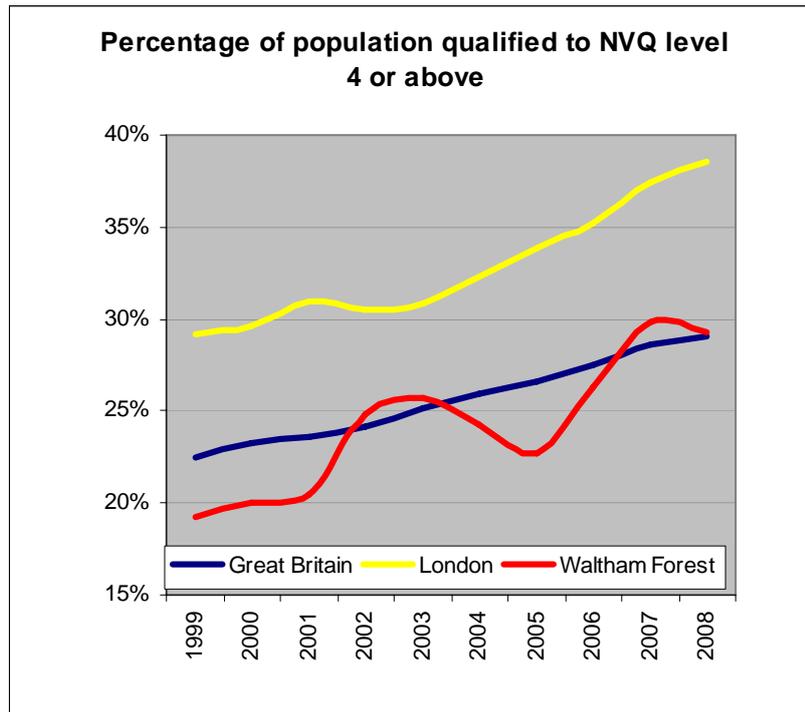
London	All		Men		Women	
Employed	3,578,900	70%	2,025,900	77%	1,553,000	63%
Want to work *	606,400	12%	286,000	11%	320,400	13%
Inactive	900,400	18%	313,700	12%	586,700	24%
<b>Waltham Forest</b>						
Employed	96,300	65%	56,000	73%	40,300	57%
Want to work *	17,200	12%	10,200	13%	7,000	10%
Inactive	33,700	23%	10,200	13%	23,400	33%

## Skills in the Borough

4.40 The skills profile of Waltham Forest residents shows that Waltham Forest has relatively fewer residents who are higher skilled compared with the average for London. Of

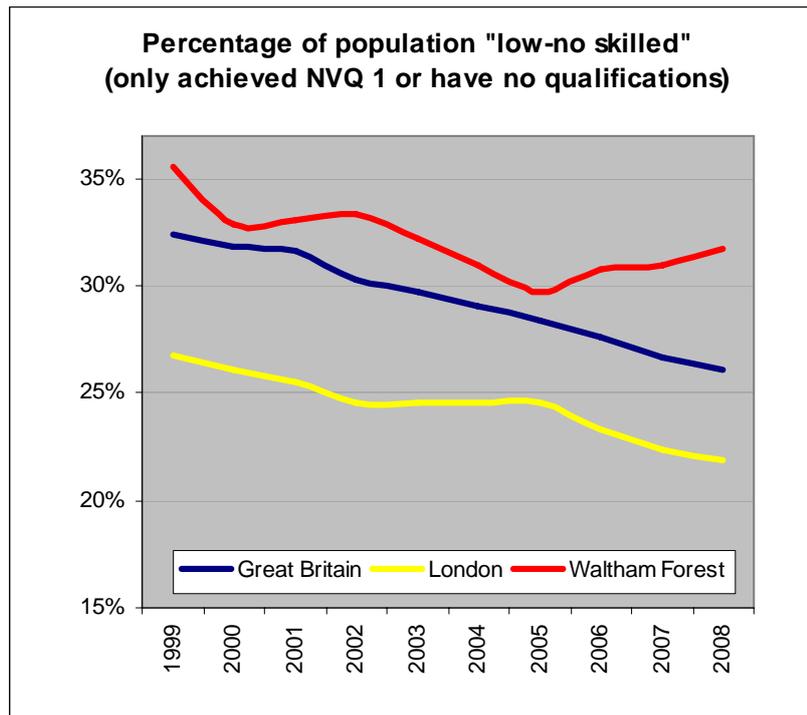
London's population, 39% hold a level 4+ qualification but only 29% of Waltham Forest population are skilled and educated to this level. Conversely, some 32% of the Borough's residents are "low/no skilled" because they only have a level 1 qualification or none at all – the London average is 22%.<sup>42</sup>

4.41 It is also important to recognise that Waltham Forest's higher skilled population is increasing – but it is not closing the gap on the London average. The proportion of people with level 4+ has risen from just 19% in 1999. As the graph below shows, the improvement rate is on a gradient that is not keeping pace with London's rate of gain. On current performance the gap may not be closed at all between Waltham Forest and the London average.

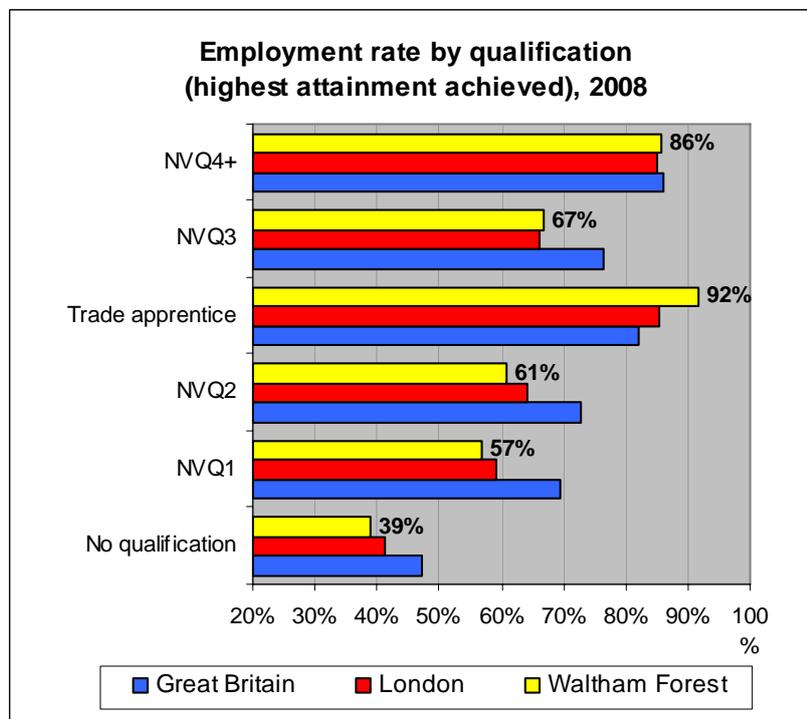


4.42 Equally, the proportion of low/no skilled people in Waltham Forest has been improving over recent years but the average for London has also been coming down, as the graph below demonstrates. Until the most recent year, the gap between the borough and the London average has been slowly narrowing. However, since 2006 there has been a slight increase in this population group. As a result, there are now nearly 47,000 working age residents of the Borough who are below the level 2 threshold.

<sup>42</sup> Latest data from the APS shows that 57% have a Level 2 qualification or better. However the DIUS data used as the basis of NI 163 shows that 63% of Waltham Forest's population are qualified to level 2 at least. This is because DIUS has opted for a looser definition of which "other qualifications" correspond to Level 2. Consequently, the DIUS data are not compliant with the "National Statistic" quality standard applied by ONS.



4.43 These data also confirm that higher level skills are closely correlated with higher rates of employment. In Waltham Forest, less than 4 out of 10 people are in employment if they have no qualifications whilst almost 5 out of 6 are in employment if they hold a level 4+ qualification.



4.44 Between these two extremes, employment rates improve with the level of qualification. Broadly, Waltham Forest's employment/qualification rates are consistent with the London

averages but not those of GB where lower qualification levels are less of a barrier to being in work.

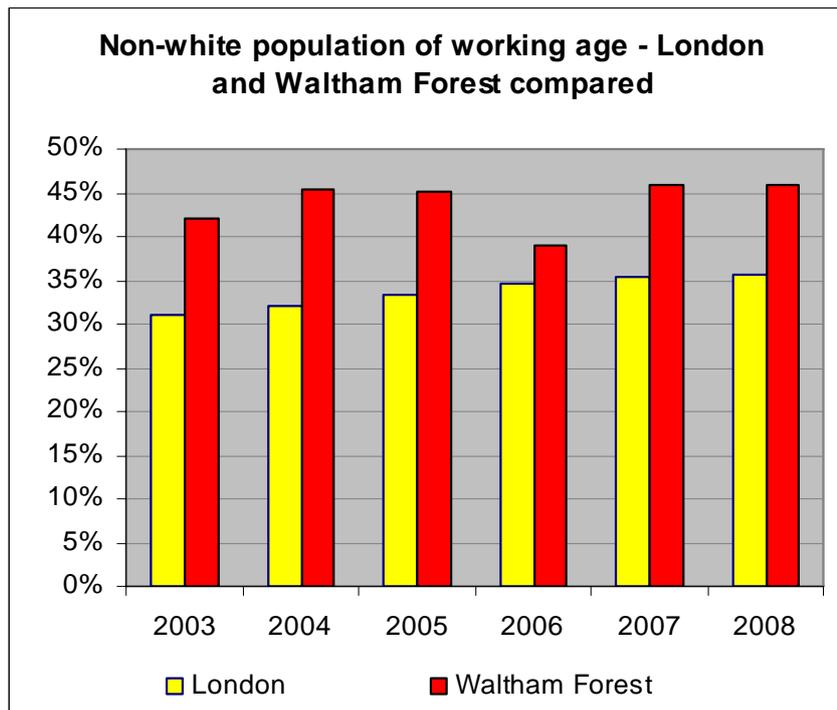
<b>Employment rates by highest qualification (working age population) 2008</b>						
	<b>All</b>		<b>Men</b>		<b>Women</b>	
<b>Great Britain</b>						
No qualification	2,152,300	47%	1,277,700	55%	874,600	39%
NVQ1	3,499,000	69%	1,819,900	75%	1,679,100	64%
NVQ2	4,270,000	73%	1,898,500	75%	2,371,500	71%
NVQ3	4,459,600	77%	2,519,300	79%	1,940,300	74%
NVQ4+	9,163,100	86%	4,744,100	88%	4,419,000	84%
<b>London</b>						
No qualification	252,300	41%	161,600	53%	90,700	30%
NVQ1	298,600	59%	165,200	67%	133,400	52%
NVQ2	366,500	64%	170,000	66%	196,500	62%
NVQ3	403,300	66%	225,400	70%	177,800	62%
NVQ4+	1,664,500	85%	916,300	89%	748,200	80%
<b>Waltham Forest</b>						
No qualification	10,300	39%	6,900	53%	3,300	24%
NVQ1	11,500	57%	6,200	61%	5,300	52%
NVQ2	8,500	61%	4,700	64%	3,900	59%
NVQ3	15,600	67%	9,000	71%	6,600	62%
NVQ4+	36,800	86%	20,200	88%	16,600	82%

4.45 The qualification and skill level data are reinforced by the evidence showing the Borough's occupational structure. Only 41% of Waltham Forest's employed population is in the upper 3 occupational categories (compared with 54% for London as a whole). By contrast, more of the Borough's population are employed in the lower two occupational groups – some 16% (after the effects of rounding) compared with 13% for London.

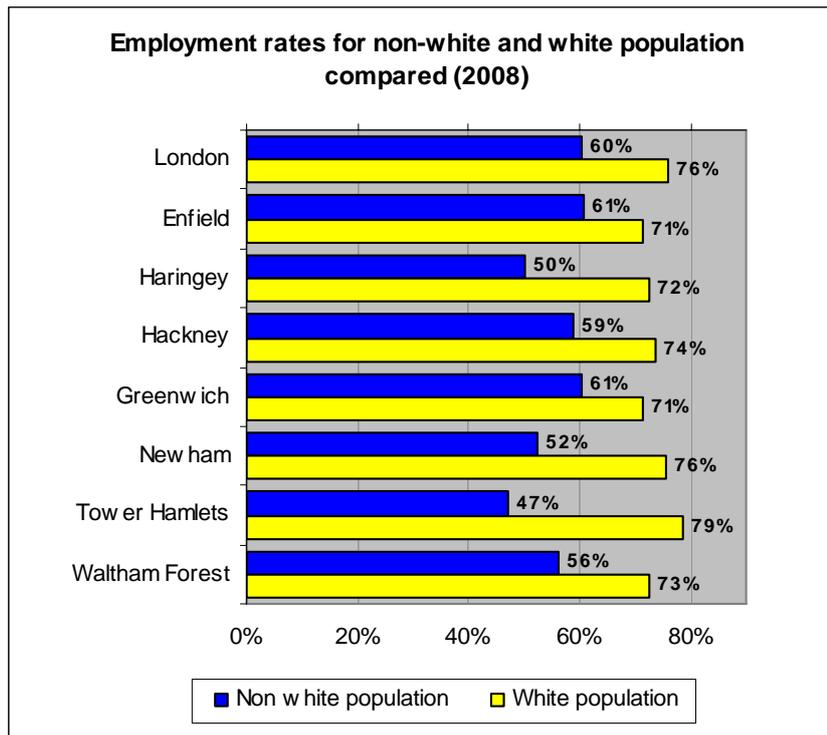
<b>Occupational composition of the workforce (2008)</b>				
	<b>London</b>		<b>Waltham Forest</b>	
Managers and senior officials	658,300	18%	11,800	12%
Professional occupations	627,000	17%	12,900	13%
Associate prof & tech occupations	697,400	19%	15,400	16%
Administrative and secretarial occupations	433,800	12%	16,200	16%
Skilled trades occupations	274,900	7%	10,400	11%
Personal service occupations	270,300	7%	7,500	8%
Sales and customer service occupations	228,800	6%	6,900	7%
Process, plant and machine operatives	156,800	4%	6,300	6%
Elementary occupations	345,700	9%	10,800	11%

## **Ethnic minority employment**

4.46 Between the 1991 and 2001 Census dates, the Borough's non white population has become an increasingly significant proportion of the total population. Since the turn of the decade, the diversity within the Borough has continued to grow slowly. The non-white population now makes up 46% of all residents in the Borough's who are of working age. This is a full 10 percentage points higher than the average for all of London.



- 4.47 In 2006 the proportion of non-white population seemed to decline slightly and the percentage slipped back to just under 40%. However, this may have reflected the increasing numbers of European migrants and other white foreign nationals moving into the Borough at that time. And it also would have reflected a slow demographic movement of many people who are the second generation of Asian heritage families who have begun to move eastwards and northwards from Waltham Forest into Essex and Redbridge.
- 4.48 Nonetheless, the non-white population of the Borough represents a significant minority and one which experiences poor labour market outcomes. Employment rates for Waltham Forest's non-white population is only 56% which is slightly below the London average. It is significantly below the employment rate for the Borough's white population employment rate – adrift by 17 percentage points – and almost 20 percentage points below the UK's average employment rate. The low employment rate for the Borough's non-white residents is only slightly better than Haringey, Newham and Tower Hamlets where the rates are closer to 50%.
- 4.49 The unemployment rate for Waltham Forest's non-white population is 8% which was about the average for London in 2008. However, at 36%, the economic inactivity rate amongst the non-white population of the Borough is rather higher than the London average – meaning that more than 1 in 3 of the working age population is neither working nor seeking work. In other words, a larger proportion of Waltham Forest's non-white population is distanced from the labour market than is the case for London or for elsewhere in Britain.



4.50 For reference, it should be noted that non-working people are classed as “unemployed” only if they have demonstrated an active engagement with the labour market – they will have looked for work and would be able to start a job if it was offered.<sup>43</sup> If they do not meet this definition they are classed as economically inactive even though they might still want to work.

### Income levels for Borough residents

4.51 Waltham Forest residents have some of lowest incomes in London according to two different primary data sources. The Annual Survey of Hours and Earnings shows that the average gross earnings for Waltham Forest residents is £470 per week (£440 for women and £524 for men).<sup>44</sup> As a result, the Borough is ranked 26<sup>th</sup> out of 32 London Boroughs for median earnings. Of particular note is the fact that Waltham Forest has a relatively small gap between the highest and lowest earners. The median earnings for the lowest 10% of earners is £156 per week and this is very close to the equivalent figure for London as a whole. However, the earnings for those in the top 20% of earners is about £100 a week less than the London-wide equivalent.

4.52 Household incomes prove to be rather worse in Waltham Forest than elsewhere. The CACI Paycheck data compiled for the GLA show annual household incomes for all

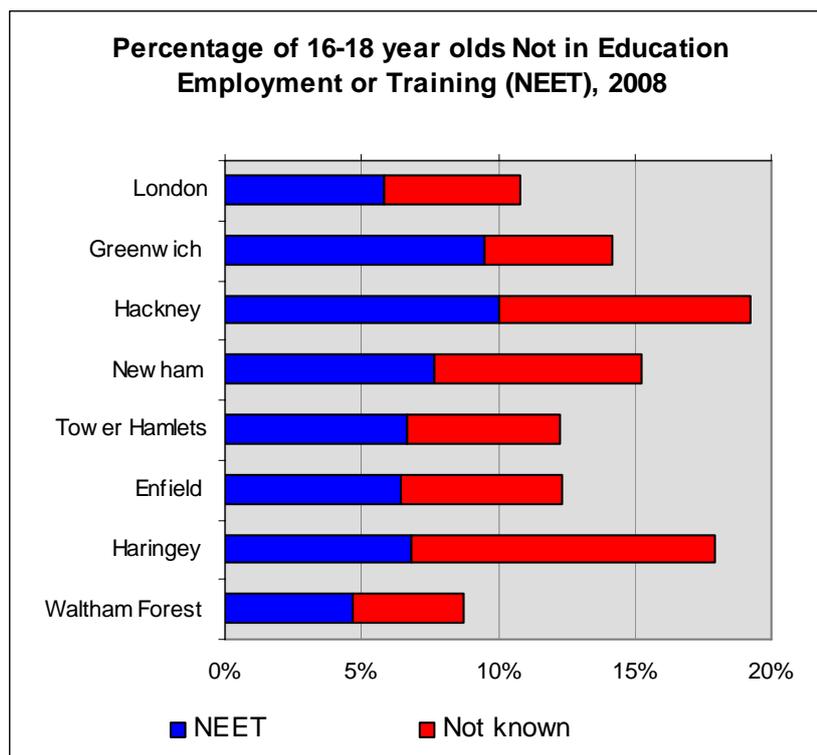
<sup>43</sup> The definition of unemployment used in the Labour Force Survey accords with the International Labour Organisation (ILO) standard. This counts as unemployed only those people who were without a job at the time the survey was conducted and who were able to start work within the next fortnight and had actively looked for work in the last four weeks or had recently found a job and were waiting to start.

<sup>44</sup> “Annual Survey of Hours and Earnings 2008” (Table 8), Office for National Statistics.  
[www.statistics.gov.uk/StatBase/Product.asp?vlnk=13101](http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=13101)

London Boroughs.<sup>45</sup> These show that Waltham Forest's median equivalised household income is just £27,700 a year and this ranks the Borough as the fifth worst in London. Only Barking & Dagenham, Brent, Hackney and Newham have lower household incomes. The 2008 figure for Waltham Forest shows a very slight reduction (of £200 per year) compared with 2007. Data are available for 2007 showing the same results on a ward by ward basis. These reveal that in 5 wards (Cann Hall, Cathall, Higham Hill, Lea Bridge and Leyton) median annual household incomes are between £2,000 and £4,000 less than the Borough average – and up to £7,000 less than the London median. The CACI Paycheck data also show that a fifth of Waltham Forest households have equivalised median household income of below £15,000 a year. This is the 4<sup>th</sup> highest proportion in London – only Newham, Barking & Dagenham, Brent and Hackney have a greater proportion of households in this extremely low income position.

## Youth unemployment

4.53 One key area of concern in the Borough is the risk of young people who are currently leaving full-time learning and making an uncertain transition from school to work. After several years of successfully addressing the numbers of young people becoming inactive after leaving school, the Borough now faces a serious risk that the cohorts of 2009 and 2010 school and college leavers will not find work.



4.54 This comes on top of a “legacy problem” faced by the Borough. A sizeable proportion of the Borough’s non-employed population consists of young adults who were failed by the education system earlier in this decade. This is reflected in the high level of

<sup>45</sup> “PayCheck 2008, DMAG Briefing 2008-33”, GLA, 2008 [www.london.gov.uk/gla/publications/factsandfigures/dmag-briefing-2008-33.pdf](http://www.london.gov.uk/gla/publications/factsandfigures/dmag-briefing-2008-33.pdf)

unemployment amongst the Borough's teenage and young adult population. Amongst 16-19 years olds, 14% are unemployed and so is a similar proportion of 20-24 year olds. Indeed, almost a further 27% of this age group is economically inactive – and it is likely that only a small proportion of this category will be accounted for by full-time students.

4.55 Secondly, there is a small but significant minority of young people who disengage from the system on leaving school. The population of young people who are NEET (not in employment, education or training) has been improving over recent years. As the graph below shows, 5% of Waltham Forest's 16 to 18 year olds are in this category whilst the status of another 4% is unknown.<sup>46</sup>

4.56 Waltham Forest's NEET percentage is better than the London average and the Borough is performing rather better than Enfield, Haringey and the other East London Boroughs. The position in Waltham Forest is that some 400 young people were in the NEET category at November 2008 (about 5% of the cohort) and there were about another 350 young people whose destination was unknown. This is a significant improvement on previous years: in 2006 for example, the Borough had NEET totals of 540 and a further 740 young people who were categorised as unknown.

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<sup>46</sup> "NEET figures for Local Authority areas 2008", DCFS, May 2009 [www.dcsf.gov.uk/14-19/index.cfm?go=site.home&sid=42&pid=343&lid=337](http://www.dcsf.gov.uk/14-19/index.cfm?go=site.home&sid=42&pid=343&lid=337)

## 5 THE POLICY CONTEXT

### The Mayor's strategies

- 5.1 The key external policy framework influencing change in the Borough is the Mayor's spatial strategy (the London Plan) and a sub-hierarchy of associated policies and plans which are designed to enable sustainable economic growth across London, accommodate a rapidly expanding population and meet the demands of the dynamic and rapidly growing economy of this global city. The Spatial Development Strategy for London ("The London Plan") is one of three core strategies which will shape the Capital's built environment and physical infrastructure.<sup>47</sup> Early in his term of office, Mayor Johnson announced his intention<sup>48</sup> to revise the London Plan and, in April 2009, he began his initial consultation with the London Assembly and the GLA Group.<sup>49</sup>
- 5.2 The new Mayor's proposed revisions carry forward many of the underlying assumptions in the existing London Plan. Mayor Johnson's policies for London remain geared towards the continuing growth and internationalisation of London – positioning the capital as a globally competitive city but also a place that welcomes a population of new Londoners. Shortly after his election in 2008, Mayor Johnson described London as “an exceptional, exciting and diverse city ...its people come from all continents, countries and cultures, bringing an unmatched vibrancy” and which his predecessor had expressed in the phrase “London is a world in one city”. Already home to over seven million people from two hundred or more nationalities London is a global city in which 800,000 more people are expected to move in the next decade. And by 2031, the Mayor anticipates that London will become even more diverse with a population expected to rise to around 9 million.
- 5.3 The Mayor's vision intends to “shape London's development over the next two decades, improve the quality of life for Londoners, and meet the major challenges of a growing population, a more competitive global economy and the effects of a changing climate.” The intended revisions to the Plan cover all the key areas for London's development over the coming two decades and it features new policies to improve access to jobs, housing and transport as well as “providing extra help to those facing the greatest disadvantage”.
- 5.4 Central to the vision is the commitment to “an improved quality of life for current and future generations of Londoners” with a new emphasis on mitigating climate change and providing for population growth with “the right type and level of housing”. The revised plan aims to ensure that London has sufficient schools, health facilities and infrastructure and develop a transport system capable of supporting the “huge increase in the number of trips expected to be taken by Londoners in the future.”

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<sup>47</sup> "The London Plan (consolidated with Alterations since 2004)", 2008

[www.london.gov.uk/thelondonplan/](http://www.london.gov.uk/thelondonplan/)

<sup>48</sup> "Planning for a Better London", GLA, July 2008

[www.london.gov.uk/mayor/publications/2008/07/plan-better-london.jsp](http://www.london.gov.uk/mayor/publications/2008/07/plan-better-london.jsp)

<sup>49</sup> "A new plan for London. Proposals for the Mayor's London Plan", GLA, April 2009

[www.london.gov.uk/mayor/publications/2009/05/london-plan-initial-proposals.jsp](http://www.london.gov.uk/mayor/publications/2009/05/london-plan-initial-proposals.jsp)

- 5.5 The Mayor's revisions recognise that London has world leading financial and business services and a significant lead in higher education. The plan will set out new policies to ensure London has enough workspace and the infrastructure to enable all types and size of business and enterprise to grow. It also "encourages economic development across the whole of the capital, acknowledging the crucial contribution that outer London can make to the capital's economic success." The Mayor has said that "by considering where people live, work and relax, we can work to reduce the need to travel long distances." The Mayor's Outer London Commission will play a key role in informing the policies to achieve this goal and the London Plan revisions will ensure the "network of town centres that make up London are better connected."
- 5.6 The Mayor has also published a draft Economic Development Strategy<sup>50</sup> that will supersede the current plan which was adopted in 2005.<sup>51</sup> The EDS is the core strategy for the London Development Agency and the economic blueprint for other agencies within the GLA "family". The EDS sets out a series of actions designed sustain London's economic growth and, in particular, to improve the labour market and grow the capital's stock of profitable and productive businesses. Business growth and employment support services remain central priorities identified in Mayor Johnson's revised EDS which will have five main objectives:
- *Making London the undisputed business capital of the world.* The Mayor says that London's specialisation and world leadership in several high value sectors has created a well established central agglomeration of economic activity. London must develop the "world's most attractive proposition for businesses, students and visitors".
  - *Maintaining and improving London's competitiveness.* Businesses can only thrive if the city remains nationally and globally competitive. Although London has huge advantages some are being eroded and improvement is needed. The new EDS will provide "a greater understanding of the competitive challenges we face and to determine how we can overcome them."
  - *Making the transition to a low carbon economy.* The new EDS will seize on CO2 reduction as both "an urgent environmental necessity" but also an opportunity with "sizeable economic benefits which can be turned to London's advantage". This will include developing market leadership in carbon trading, research and developing a tradable expertise in mitigation and adaptation programmes like retrofitting buildings, generating energy from waste, and recycling.
  - *Extending opportunities to all Londoners.* The new EDS will carry forward previous commitments to ensure that "all Londoners should have the opportunity to participate in and benefit from London's success". The Mayor proposes that new EDS will have three priorities: tackling worklessness; addressing the root causes of low skills; and promoting equality and tackling deprivation. This will maintain the commitment made by the London Skills and Employment Board to provide "more

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<sup>50</sup> "Rising to the Challenge: Proposals for the Mayor's Economic Development Strategy for Greater London", GLA, May 2009 [www.london.gov.uk/mayor/publications/2009/05/rising-challenge.jsp](http://www.london.gov.uk/mayor/publications/2009/05/rising-challenge.jsp)

<sup>51</sup> "Sustaining Success – Developing London's Economy, London's Economic Development Strategy" LDA, 2005 [www.lda.gov.uk/upload/pdf/EDS\\_Strategy.pdf](http://www.lda.gov.uk/upload/pdf/EDS_Strategy.pdf)

personalised support and improved delivery for Londoners facing complex and multiple barriers to participation.”

- *Investing in London's future.* The new EDS will be committed to “spreading prosperity across the capital, addressing areas of deprivation across the city and in particular fostering economic and employment growth in outer London.” This theme also underlines the Mayor's proposals for a new London Plan which concentrates on “two interlinked broad areas of investment” which are key to maximising London's potential and providing greater access to employment over the coming two decades. These are transport infrastructure and housing/regeneration.

- 5.7 The new EDS continues the approach to reconfiguring labour market services that is led by the London Skills and Employment Board. The LSEB strategy is to establish a “One Stop Shop Brokerage” for employers and this began in April 2009.<sup>52</sup> Based on the London Employer Accord concept and the Local Employer Partnerships this aims to create an “integrated service for employers covering employment services and skills training ... including a single point of contact for employers in London”.
- 5.8 The new Accord is also due to integrate the LDA's Business Link with the LSC's Train to Gain brokerage. This will mean that skills and vacancy filling will be available to firms alongside other types of business support but structured on a London-wide basis. The LSEB has declared that an integrated skills and employment infrastructure can only be achieved by “radically changing the funding and delivery agencies so employment and skills services are seamless for employers and individuals”. It is still rather unclear how this is going to be delivered and the April 2009 roll-out is likely to mainly be a branding exercise for existing delivery points.
- 5.9 The LSEB Strategy sees the establishment of an integrated system in London as a gradual process. The critical first stage is the commitment by the LSEB to a 2009/10 Joint Investment Plan for the employability and skills funding of the LSC and LDA. The Board particularly wants to “influence the commissioning of DWP and the significant resources available under the Flexible New Deal” to be sure these programmes “are responsive to the specific needs of Londoners ... because they have not been particularly successful in tackling worklessness in the capital”.

## **The Government's welfare reform and employment policies**

- 5.10 The landscape of employment and skills policy has undergone recent rapid change at the national level. In 2001, the Government committed itself to the long term ambition of achieving an 80% employment rate and to significantly improving educational and skills attainment. The principal long term goal of the Government is to halve child poverty by 2010 and eradicate child poverty by 2020. There are four major policy drivers will result in significant changes to the delivery of employment and skills services:

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<sup>52</sup> “*London's Future: The Skills and Employment Strategy for London 2008 – 2013*”, London Skills and Employment Board, July 2008 [www.london.gov.uk/lseb/docs/london-futures-report.pdf](http://www.london.gov.uk/lseb/docs/london-futures-report.pdf) and [www.london.gov.uk/lseb/docs/london-futures-imp-plans.pdf](http://www.london.gov.uk/lseb/docs/london-futures-imp-plans.pdf)

- Changes to the benefit system to “activate” many more claimants by requiring or encouraging them to move closer to the labour market;
- Re-designed national programmes delivered by a new generation of “prime contractors” with greater incentives to deliver better outcomes;
- Devolution of responsibility for employment and skills to local authorities, in particular, to groups of local authorities working alongside other public agencies;
- Creation of an integrated system of welfare-to-work and skills provision to provide a more flexible and responsive services for both employers and individuals; and to ensure better job retention, progression and improve earnings

5.11 The primary aim of Government policy on welfare reform is to raise the overall employment rate by moving people from economic inactivity into work – particularly disadvantaged population groups that have low employment rates. These are mainly people with disabilities, lone parents, ethnic minorities and the over 50s. All of these population groups have recorded significant improvements in their employment rates over the past decade but remain between fifteen and twenty percentage points adrift of the national average. A further key group are individuals with low or no qualifications – the only disadvantaged group where the employment rate gap has worsened in recent years. Additionally, the Government has clearly recognised that concentrations of worklessness are particularly evident in multiply disadvantaged urban areas.

5.12 As a result, policy has become increasingly geared towards a series of welfare reform packages unveiled over the last two years<sup>53</sup> designed to “transform the welfare state and end the legacy of benefit dependency and deprivation”. The Government expects to achieve an 80% rate of employment participation primarily by:

- achieving a lone parent employment rate of 70 per cent by 2010 (currently 57 per cent)
- reducing Incapacity Benefit claimants by one million by 2016 (currently 2.6 million)
- increasing the number of over-50s in employment by one million by 2016 (currently 2.6 million people aged between 50 and State Pension age do not work)
- closing the employment rate gaps between disadvantaged groups and the general working age population (currently 74%).

5.13 The chronology of Welfare Reform policy culminated in a White Paper published in December 2008.<sup>54</sup> This says that it “takes welfare reform to the next logical stage” and it clearly represents a very significant and decisive shift in Government policy towards achieving its main purposes. In addition to achieving an 80% employment rate and contributing towards the eradication of child poverty by 2020, the White Paper says it is creating a “fairer” welfare system “where no one is written off or left behind” and is contributing to the Government’s goal of disability equality by 2025.

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<sup>53</sup> “A new deal for welfare: Empowering people to work”, DWP, January 2006 [www.dwp.gov.uk/welfarereform/empowering\\_people\\_to\\_work.asp](http://www.dwp.gov.uk/welfarereform/empowering_people_to_work.asp) and “In work better off: next steps to full employment”, Cm 7130, DWP, July 2007 [www.dwp.gov.uk/welfarereform/in-work-better-off/in-work-better-off.pdf](http://www.dwp.gov.uk/welfarereform/in-work-better-off/in-work-better-off.pdf)  
<sup>54</sup> “Raising expectations and increasing support reforming welfare for the future” Cm 7506, DWP, Dec 2008 [www.dwp.gov.uk/welfarereform/raisingexpectations/](http://www.dwp.gov.uk/welfarereform/raisingexpectations/)

- 5.14 The Government intends to “explore” models to reform the benefits system, including a single income-replacement benefit for all people of working age which would have 3 tiers of conditionality:<sup>55</sup> a ‘*Work-Ready*’ group for those who are immediately job-ready. The requirements for this group would largely be based on the current JSA regime; a ‘*Progression to Work*’ group aimed at those where an immediate return to work is not appropriate but “possible with time encouragement and support”; a ‘*No Conditionality*’ group, who would not be required to undertake work-related activity or take steps back to work.
- 5.15 Benefit conditionality will be extended significantly with pilot schemes entitled “Work for Your Benefit”. Scheduled for 2010 these will require JSA claimants to work for their benefits after two years of unemployment if they remain jobless after participating on Flexible New Deal. There will also be greater “expectations placed on more partners of benefit claimants (starting from 2012-13) who will be required to look for work in the same way as the main claimant and only if the partner has a child aged less than 7 years old will this requirement be relaxed. Jobseeker’s Allowance will be the only benefit available to a couple if one member of the couple is capable of work. This means that over 300,000 partners may be brought closer to the overall conditionality regime.
- 5.16 There will also be pilots testing a new conditionality for workless parents of children. From October 2008 lone parents are now required to transfer to JSA (and therefore look for work) when their youngest child reaches 12 years old. By October 2010, the Government will have progressively reduced this threshold even further – to age 7.
- 5.17 The current stock of people on Incapacity Benefits will be “gradually” moved onto the Employment and Support Allowance (which was launched in August 2008 just for new and repeat claimants). This will require “better health assessments and individual Work Focused Interviews to arrive at the appropriate support and work-related activity”. The Government has pledged that “nothing will be required of people which would damage their health or put back their recovery.” However, for those who could work “there will be increased obligations on them to take up the help on offer, including activity to address their employment related skills needs, with better links to pre-employment and in-work training.” People receiving the payment will be subject to a ‘progression to work’ requirement and mandated to take steps to get back to work. There will also be new rules for problem drug users who will in future receive an allowance instead of their usual benefits and they will have to show they were addressing their addiction to receive the allowance.
- 5.18 The Government will also trial a single employment programme from March 2011 for combined client groups which should “meet the needs of job seekers and others with a more personalised support path”. These trials will bring together Pathways to Work and the Flexible New Deal. This single programme would mean a significant shift away from “categoric” services based on the type of benefit someone receives, their age, length of

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<sup>55</sup> “*Realising potential: A vision for personalised conditionality and support, an independent report by Professor Paul Gregg*”, DWP, Dec 2008 [www.dwp.gov.uk/welfare-reform/realisingpotential.pdf](http://www.dwp.gov.uk/welfare-reform/realisingpotential.pdf)

time on benefits or whether a claimant fits a particular priority group. The Government says it wants to move away from support that is a "centralised, one size fits all system".

- 5.19 The White Paper signals further significant movement towards devolution of labour market services. The principle of greater devolution was first outlined in the October 2006 Local Government White Paper<sup>56</sup> and reinforced in the Review of Sub-National Economic Development and Regeneration (SNR) in July 2007.<sup>57</sup>
- 5.20 The SNR argued that local government should play a greater role in promoting prosperity and, in particular, ensure a better integration between neighbourhood renewal and economic development. It said that local government should provide clear transparent leadership for raising prosperity; develop a vision for the local economy; and use their resources and powers to develop their local economy and manage economic change. These roles might therefore be bundled within a new statutory economic assessment duty for individual local authorities.
- 5.21 Powers to implement some of the SNR's recommendations are contained in the Local Democracy, Economic Development and Construction Bill, 2008.<sup>58</sup> These include the economic assessment duty placed upon local authorities and a power to establish sub-regional "Economic Prosperity Boards" on a statutory basis.<sup>59</sup> These will allow groups of local authorities "to permanently pool responsibilities for the delivery of economic development through Multi-Area Agreements (MAAs) across a functional economic area.
- 5.22 The concept adopted for this central/local split is the idea of a common 'spine' of centrally determined and delivered services across the country "so that Government provides common standards and services wherever people live". Within that framework, localities can exercise flexibility either at the local authority or sub-regional level. The Government is also very keen to devolve some of the operational burdens such as the contractual relationships the DWP now has with a large number of providers – notwithstanding the rationalisation that will occur as a result of its new commissioning strategy.
- 5.23 The first places that will try out the devolved arrangements are the City Strategy areas and the sub-regions that are developing Multi Area Agreements. The DWP and DIUS Green papers set out three levels of devolution and these were amplified by the DWP's White Paper in December 2008.
- 5.24 Firstly there is a core model in which local partners are involved and consulted on the commissioning of Flexible New Deal – to help ensure that contracts "are tailored to communities" and contract specifications would be localised. Partnerships will provide "local input in choosing who should win contracts and in monitoring performance" and this

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<sup>56</sup> "Strong and prosperous communities - The Local Government White Paper", DCLG, October 2006

[www.communities.gov.uk/publications/localgovernment/strongprosperous](http://www.communities.gov.uk/publications/localgovernment/strongprosperous)

<sup>57</sup> "Review of Sub-National Economic Development and Regeneration", HM Treasury, 2007 [www.hm-treasury.gov.uk/d/subnational\\_econ\\_review170707.pdf](http://www.hm-treasury.gov.uk/d/subnational_econ_review170707.pdf)

<sup>58</sup> The Bill was introduced in the Lords in December 2008. It had its third reading in the Lords on 29-04-09 and a Commons first reading on 30-04-09 [www.commonleader.gov.uk/output/page2664.asp](http://www.commonleader.gov.uk/output/page2664.asp)

<sup>59</sup> "Prosperous Places: Taking forward the Review of Sub-National Economic Development and Regeneration" DCLG, Nov 2008 [www.communities.gov.uk/publications/citiesandregions/govresponseprosperousplaces](http://www.communities.gov.uk/publications/citiesandregions/govresponseprosperousplaces)

level of devolution is the expected minimum for City Strategy areas. Delivery organisations would be expected to “play a full role within the delivery of employment and skills plans worked up by City Strategy Partnerships, Multi-Area Agreements and Local Area Agreements”.

- 5.25 There is a second tier in which DWP will “co-commission” mainstream services and align these with the funded services of local authorities, RDAs and the LSC. This would essentially be a shared plan in which local services “supplement the spine of national provision with additional wraparound services to address specific local issues”. A small number of areas have been selected to try this approach and this has been augmented by some further City Strategy partnerships. In its 2008 White Paper, the Government says it wants to see this level of devolution “with better joining up of services, better alignment of funding and possible joint funding arrangements operating” in a number of initial areas by 2010 and be “fully embedded by 2015.”
- 5.26 A more ambitious third level of devolution would see a “joint venture” model of risk shared between Government Departments and local/sub-regional partners with funds devolved to a single pot for commissioning by an MAA partnership. Central Government would “become a partner in a local procurement exercise, specifying the outcome requirements” but devolving some or all of the commissioning, funding and contract management arrangements to a local partner or joint commissioning body. In East London, an MAA is under negotiation which may opt for one of these more ambitious levels of devolution.

## Policy responses to recession

- 5.27 The rise in JSA unemployment has caused the Government to open a second priority in its employment policy. In addition to assisting the long-term economically inactive population, the Government is now having to absorb the impact of new layoffs. However, it does not yet have to deal with any evident rise in the long-term, workless population.
- 5.28 In the first measure to be unveiled, in October 2008, the Government announced an “injection” of £100m over the next 3 years to support people who lose their jobs.<sup>60</sup> The money will be for people who are currently facing redundancy and looking for work to help them retrain and develop skills so that “they can quickly move back into sustainable employment, either in their existing sector or a new one.” Funds will be used to pay for “anything from new skills or qualifications to get people ready for work, to on-the-job training in an entirely different field.” The money will be targeted to help, for example, people from sectors experiencing significant job losses and people who need support to move back to work.
- 5.29 In November 2008, the Pre-Budget report announced a series of detailed supply side measures worth a total of £1.3 billion, over two years, to address rising unemployment and the risk of a decline in overall employment.<sup>61</sup> Funding has been used by Jobcentre Plus to

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<sup>60</sup> “£100m cash boost to help Britain's unemployed” DIUS, 15/10/08  
<http://nds.coi.gov.uk/environment/fullDetail.asp?ReleaseID=381377>

<sup>61</sup> “Pre-Budget Report 2008: Facing global challenges: supporting people through difficult times”, HM Treasury, Nov 2008, [www.hm-treasury.gov.uk/prebud\\_pbr08\\_repindex.htm](http://www.hm-treasury.gov.uk/prebud_pbr08_repindex.htm)

manage higher volumes of new claims and some is augmenting delivery of the Flexible New Deal to cope with any potential increase in the stock of longer term claimants.

- 5.30 To cope with increased layoffs, the Rapid Response Service has been expanded to cover all redundancies not just major ones. Jobcentre Plus has established “skills hubs” for large-scale redundancies which will be networks of local partners providing job brokerage services, training and other support. Train to Gain has been extended to provide training and support to people in pre-redundancy situations. The Local Employment Partnership system (groups of employers committed to hiring disadvantaged jobseekers) is being actively used to increase the overall proportion of vacancies that become available through Jobcentre Plus.
- 5.31 The 2009 Budget extended some of these initiatives further with another £3bn of funding. This included an additional £1.7bn to support core Jobcentre Plus provision and the delivery of Flexible New Deal. It also funds a guarantee for everyone aged between 18 and 24 who has been claiming JSA for 12 months a job, work placement or work-related skills training for at least six months.
- 5.32 The budget announced £260m of new money for training and subsidies to help young people obtain the skills and experience needed by growth potential sectors. There was also a further extra investment to ensure that every 16 and 17 year old who wanted to stay in education or training could do so – £250m this year and £400m in 2010-11.
- 5.33 The Budget announced the creation of the Future Jobs Fund which will provide Local Authorities with a wage subsidy to create 100,000 new jobs in socially useful activity and funding for a further 50,000 jobs created in areas of particularly high unemployment and places most affected by recently rising unemployment. This commitment was partly a response to the Houghton enquiry which identified a package of measures that local authorities should deliver on.<sup>62</sup>
- 5.34 The Houghton enquiry also set out the argument that tackling unemployment and worklessness “must become a mainstream business for local government”. By planning, commissioning, coordinating and delivering more integrated solutions towards unemployment and worklessness, local authority led partnerships can make a significant difference to the rate of sustained job entry. Equally, at a local level, policy is increasingly encouraging new delivery vehicles which can provide integrated services that are reflect locality and labour markets and which are responsive to the individual needs of jobseekers and employers.

## Government skills policy

- 5.35 The current policy framework for skills was set out by an enquiry chaired by Lord Leitch whose final report was published in December 2006<sup>63</sup>. Leitch highlighted the looming skills

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<sup>62</sup> “Tackling Worklessness: A Review of the contribution and role of local authorities and partnerships - Final Report”, DCLG, March 2009 [www.communities.gov.uk/publications/communities/tacklingworklessnessfinal](http://www.communities.gov.uk/publications/communities/tacklingworklessnessfinal)

<sup>63</sup> “Prosperity for all in the global economy – world class skills”, HM Treasury, 2006 [www.hm-treasury.gov.uk/media/6/4/leitch\\_finalreport051206.pdf](http://www.hm-treasury.gov.uk/media/6/4/leitch_finalreport051206.pdf)

gaps facing the economy; he forecast that, even if the Government manages to achieve its ambitious targets, considerable problems will still remain in 2020 with at least 4 million adults lacking the literary skills expected of an 11 year old, whilst 12 million adults will be devoid of comparable numeracy skills. Leitch argued that it was necessary to strengthen skills at the top, middle and bottom ends of the labour market: tackling the stock of low skilled adults who lack qualifications, basic literacy and numeracy; investing more in intermediate skills; and increasing further the proportion of adults holding a level 4 qualification.

- 5.36 Leitch also recommended that the bulk of publicly funded, adult vocational skills funding in England should go through "demand-led routes" by 2010. The Government did not fully adopt this recommendation but committed itself to a system of individual skills accounts (for individuals) and a customer-led brokerage system (for employers) of which Train to Gain is the vehicle and which has seen a planned doubling in funding to just over £1bn by 2010.
- 5.37 The Government also believes it can address the acute problem of adults at the lowest skill levels by introducing entitlement for free learning up to Level 2 for any adult without this qualification and free training in literacy, language and numeracy skills for those with basic skill needs. At the intermediate level, there is also an entitlement towards a first Level 3 qualification for anyone aged under 25 including those who are being trained to this level whilst at work.<sup>64</sup>
- 5.38 In its response to the Leitch report the Government said that a new system was required so that there will be "no point where 'job-search' ends and 'up-skilling' begins" and in future, there should be a "single customer journey, from poor skills or worklessness to sustainable employment and the skills to progress."<sup>65</sup>
- 5.39 This would be a "professional and seamless customer service, underpinned by consistent employment and skills information, advice and guidance for individuals and employers". Consequently, non-employed people should benefit from a new universal adult advancement and careers service to deliver a "tailored employment and skills offer"; the new service would be created from the current mix of learndirect and nextstep providers.
- 5.40 Skills Accounts were announced that would give individuals "ownership and choice" over the type of training they use – and these will become the primary vehicle for unemployed individuals to access training. These are effectively a voucher system for training and the Government said it will "trial aspects of Skills Accounts" nationally in 2009-10 with a transition towards being completed by 2010-11. However, the design and timing will depend on "what emerges from the Learner Accounts pilot" which began in late 2008 in the South East and East Midlands.
- 5.41 Non-employed people will also benefit from a statutorily strengthened entitlement to free training in basic literacy and numeracy and a first level 2 qualification through Train to

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<sup>64</sup> "Workskills", Cm 7415, June 2008 [www.dius.gov.uk/policy/work-skills.html](http://www.dius.gov.uk/policy/work-skills.html)

<sup>65</sup> "World Class Skills", July 2007 [www.dius.gov.uk/worldclassskills.pdf](http://www.dius.gov.uk/worldclassskills.pdf)

Gain. Additionally, a new Employability Skills Programme began in late 2008 to provide a literacy, language and numeracy qualification which Jobcentre Plus personal advisors now refers individuals towards.

### **Integrating skills, employment and business support**

5.42 Integration pilots began early in 2009 in three areas (including central London) – and the assumption is that locally devolved arrangements will also support employers' skills and recruitment needs. The "Workskills" White Paper announced that, from April 2009, the Train to Gain skills brokerage service will be integrated with Business Link to provide simplified access to a wide range of business support and skills, including links to recruitment support through Jobcentre Plus. Business Link currently provides a range of specialist support for businesses ... and this too has undergone a simplification exercise in the past 18 months.

5.43 Integration is expected to work through closer working between Jobcentre Plus, the LSC and the new universal Adult Careers Service. The aim is that there will no longer be any discontinuity between employment and skills – with no longer a divide between "work-first" job-searching versus skills development for those claiming out-of-work benefits. Instead there will be a single customer journey from poor skills or worklessness to sustainable employment and progression in work "with accessible support being delivered throughout the journey". Partnership between Jobcentre Plus, the LSC and the new adult careers service will offer:

- adult skills, employment and employer services that are integrated and demand-led;
- more opportunity for those both in and out of work to gain the skills and qualifications they need to get jobs and stay and progress in employment;
- clearer financial support for those with the lowest skills and qualifications and those inactive in the labour market;
- professional and seamless customer service, underpinned by consistent employment and skills information, advice and guidance for individuals and employers; and
- measures to stimulate demand and to overcome low levels of individual and employer engagement with active referral of people needing most help.

5.44 Train to Gain brokerage will play an important part in ensuring individuals can continue learning once they stay in work, supporting their progression in employment. Jobcentre Plus has a new role in the skills agenda to serve people who are in-work, individuals claiming out-of-work benefits and employers.

5.45 The Government's announcement of funding priorities for the LSC has subsequently emphasised that the LSC must "continue its work with Jobcentre Plus to develop approaches which integrate employment and skills to help jobless people into

employment".<sup>66</sup> This includes "maximising the potential from ESF by aligning it with economic priorities". Reflecting this new imperative, the LSC's Statement of Priorities document says the LSC will "work closely with Jobcentre Plus through initiatives such as LEPs to join up our employment and skills services".<sup>67</sup>

5.46 The Government also wants to ensure that larger employers will also be able to access the kind of skills support currently available through the Train to Gain brokerage service as part of the Business Link's information, diagnostic and brokerage service. Larger businesses with many operational sites will benefit from a national point of contact and a nationally specified consistent service. Joint services are now being provided by account managers from the Jobcentre Plus National Sales Team and Learning and Skills Council National Employer Service. However, some local customisation is also envisaged so that large national employers can choose one or both of two options:

- A national integrated recruitment and training plan with nationally sourced funding, and/or
- Sign up to a Local Employment Partnership.

### **The DWP's new commissioning approach**

5.47 The DWP has adopted a new approach to the procurement of labour market services which causes some potential confusion when viewed alongside the commitments to integration and devolution. A new Commissioning Strategy has been developed and the first round of new services that are being externalised are the Flexible New Deal.<sup>68</sup> The goals behind the commissioning strategy are to improve performance through economies of scale and a more competitive market. As the Secretary of State, James Purnell said when launching it in February 2008 "in the past, our contracts have been too small and we've told providers how to do their jobs ...instead, we will have a system where we free them from direct control and allow them to innovate ... we are going to reward providers for their success (and) they will be rewarded not for getting people into a job, but for getting people into a sustainable job." He sees "contestability" as the key to achieving these objectives and by securing joint commissioning of skills services alongside the re-structured New Deal.

5.48 The DWP's preferred contracting model is to establish "a stable core of reliable providers" whilst also "leaving space for new entrants to the market." The Department says it is even handed about whether these providers could be from the "private, third or public sector including FE colleges". However it is pretty clear that contracts will be structured on relatively large geographic areas – "smaller than English regions but larger than single Jobcentre Plus Districts". And the Department anticipates that "as the market matures"

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<sup>66</sup> "LSC Grant Letter: 2009-10", DIUS, Nov 2008

[www.dius.gov.uk/publications/documents/Further%20Education/FE%20Strategy-reports/LSC%20GRANT%20LETTER%20FINAL%2018%20NOV.pdf](http://www.dius.gov.uk/publications/documents/Further%20Education/FE%20Strategy-reports/LSC%20GRANT%20LETTER%20FINAL%2018%20NOV.pdf)

<sup>67</sup> "Government Investment Strategy 2009–10, LSC Grant Letter and LSC Statement of Priorities", LSC, November 2008 <http://readingroom.lsc.gov.uk/lsc/National/nat-statementofpriorities200910-nov08.pdf>

<sup>68</sup> "DWP Commissioning Strategy", Cm 7330, DWP, Feb 2008 [www.dwp.gov.uk/publications/dwp/2008/com-strategy/cs-rep-08.pdf](http://www.dwp.gov.uk/publications/dwp/2008/com-strategy/cs-rep-08.pdf)

there will be “fewer larger contracts covering an increasing range of welfare to work provision.”

- 5.49 In practice this is likely to result in a small number of large “prime contractors” the majority of which are likely to be from the private sector and several delivery organisations such as Work Directions, A4e, Reed in Partnership and Serco have invested in significant capacity to win such contracts. Whilst this approach represents consolidation rather than fragmentation, it means that our Borough will have one or two large (probably private sector) providers delivering a significant volume of employability services with a contractually based line of accountability direct to Whitehall.
- 5.50 Results of the contracts awarded under the first phase of Flexible New Deal were announced on 29<sup>th</sup> May 2009 and reveal a wide range of existing and new delivery organisations from the private, voluntary and statutory sectors.<sup>69</sup>
- 5.51 The DWP's Commissioning Strategy also says their contract structure “will allow for packages based on city regions” and that DWP “will develop a set of geographic boundaries for the flexible New Deal, taking into account existing structures such as City Strategy Pathfinders”. Furthermore, DWP has promised that “contracts will increasingly link with the appropriate local delivery infrastructure” and that “top-tier providers will operate alongside Jobcentre Plus District Managers as key players in local partnership arrangements” and this will include the Boards of Multi Area Agreements and City Strategy Pathfinders.
- 5.52 However, the separation of these large mainstream service contracts from the operational activities of Jobcentre Plus also requires some better join-up. It is Jobcentre Plus that administers benefits to claimants and is a first point of access for claimants who either voluntarily express an interest in employment or who will undergo Work Focused Interviews as a new condition of their entitlement to benefit.

## Changes to post-16 planning and funding

- 5.53 There is significant rationalisation and change underway in the post 16 environment which has significant consequences for devolved planning and funding of employment and skills services.
- 5.54 The Government announced the restructuring of post-16 funding so that, by 2010, the LSC will be wound-up and its functions divided between local authorities and a new national agency. Overall, about £7 billion of funding will transfer to local authorities whilst about £4 billion will be directed to the new agency to provide training and skills for adults. The proposals were set out in a White Paper jointly published by DCSF and DIUS in March 2008.<sup>70</sup>

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<sup>69</sup> “Notice to Providers. List of Phase One Flexible New Deal – Preferred Bidders”, DWP, May 2009 [www.dwp.gov.uk/supplyingdwp/what\\_we\\_buy/fnd\\_preferred\\_suppliers\\_final.pdf](http://www.dwp.gov.uk/supplyingdwp/what_we_buy/fnd_preferred_suppliers_final.pdf)

<sup>70</sup> “Raising Expectations: enabling the system to deliver”, Cm 7348, March 2008 [www.official-documents.gov.uk/document/cm73/7348/7348.pdf](http://www.official-documents.gov.uk/document/cm73/7348/7348.pdf)

- 5.55 These plans confirmed the decision first announced in June 2007 that local authorities will become responsible for delivering the full range of 14-19 entitlements (the transfer of 14-16 funding to local authorities was announced in 2006). These include the new Diplomas, Apprenticeships and the Foundation Learning Tier alongside GCSEs and A levels. Local authorities will “**commission provision**” to meet demand from young people and the requirements of employers. The White Paper sets out the implementation arrangements for the transfer of responsibility. This includes a Young People's Learning Agency providing budgetary supervision and strategic support for Local Authority 16 – 19 commissioning plans and the commissioning of 16-19 FE provision.
- 5.56 The White Papers also requires local authorities to “work together with national agencies and their Regional Development Agency who will co-chair the regional level, to provide a coherent planning and funding system for FE colleges and providers.” In London this regional function is being undertaken by the London 14-19 Regional Planning Group which is led by London Councils with the LSEB's vice chair Harvey McGrath as a deputy chair. Its purpose is to “ensure the successful transfer of 16-19 education commissioning to local authorities” and its terms of reference include proposing and establishing transition arrangements; regional and cross-borough arrangements and how the strategic commissioning model for London will operate.<sup>71</sup>
- 5.57 Adult learning will transfer from the LSC to a “streamlined” Skills Funding Agency which will be “a smaller, lighter touch body, focused on funding not planning”. This will “**route funding**” to colleges and other providers who will supply learning “in direct response to customer choices through Train to Gain and Skills Accounts”.
- 5.58 The new Agency will also manage the creation and management of the new adult advancement and careers service and it will take over management of the recently established National Apprenticeship Service thereby giving the SFA “end-to-end responsibility for the Apprenticeships programme”. The SFA will also take responsibility for the National Employer Service responsible for the Skills Pledge, Apprenticeships and Train to Gain for large scale (5,000+) employers.
- 5.59 Because the new funding models are based on employer brokerage and individualised Skills Accounts, the White Paper argues that this model of funding “needs less central planning because demand will lead supply”. Providers will need to adjust their own business organisation to adapt to this new environment. Many institutions will have to move away from a “predict, plan and adjust approach” to a more responsive model that delivers more training in employers' own premises in a manner which delivers more training on employers' premises and in ways that match employer requirements. The main funding model will be like the current Train to Gain arrangements whereby colleges and training providers “earn” funds by successfully winning business from employers up to an indicative budget ceiling. Providers will have to show that they have achieved the promised outcomes but will have considerable flexibility in how they use funding to deliver these.

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<sup>71</sup> “Terms of reference for the London 14-19 Regional Planning Group”, 2008, London Councils  
[www.londoncouncils.gov.uk/London%20Councils/TermsOfReferenceForTheLondonRPG.doc](http://www.londoncouncils.gov.uk/London%20Councils/TermsOfReferenceForTheLondonRPG.doc)

- 5.60 Skills Accounts will also help “demand to lead supply” by giving individuals “purchasing power” and consequently have greater ownership and choice over their learning. This will require them to be “empowered, well-informed and well-supported”. It is hoped that the new advancement and careers service, working in partnership with Jobcentre Plus, will deliver this degree of informed choice. By 2010/11, learners with Skills Accounts should be able to access around £500m of funding for learning, rising to nearly £1.5bn in 2015. Learners will be able to offer a “virtual voucher” representing their entitlement, which can be taken to an accredited provider of their choice.
- 5.61 Change was already underway in the FE sector following a White Paper<sup>72</sup> which proposed to make colleges more responsive to the needs of local economies and communities by “driving up the quality of teaching, rewarding colleges for success and making the sector more responsive to the skills needs of individuals and employers.” The White Paper proposed a clear mission for the FE system focused on helping people gain the skills and qualifications for employability. It outlined measures to implement these recommendations and committed to move all FE providers in “another decisive shift towards a system that is driven by the needs of service users”. It proposed that all Colleges and providers should have at least one specialist centre of excellence and be part of new national sector-based networks led by Skills Academies.
- 5.62 The White Paper addressed the recommendations originally outlined in a review of further education prepared by Sir Andrew Foster in 2005.<sup>73</sup> This identified that further education requires a clearer vision to improve skills and employability. He recommended colleges should adopt specialist roles, focus on employers’ and learners’ demand and undergo a “relentless drive for quality improvement”. Sir Andrew’s review proposed that colleges should operate within a framework of local commissioning, led by local LSCs, and “influenced very strongly by links with employers and informed by regional and national priorities and objectives.” This should be reflected in governance arrangements that “incorporate the interests of the communities that colleges serve”.
- 5.63 Colleges will therefore face a more rapidly changing environment than has previously been expected – as 14-19 funding moves towards commissioning at a local authority level and 19+ funding moves towards a demand-led system.

## **The Government’s enterprise policies**

- 5.64 The policy framework for business growth in deprived areas has evolved over the past decade with four landmark publications setting out the Government’s assessment and proposals.<sup>74</sup> These broadly concluded that “business development works best when clearly focused on a limited number of objectives and complement related regeneration initiatives” and these are more effectively delivered when locally coordinated. Equally, the

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<sup>72</sup> “Further Education: Raising Skills, Improving Life Chances” DfES, 2006

[www.dfes.gov.uk/publications/furthereducation](http://www.dfes.gov.uk/publications/furthereducation)

<sup>73</sup> “Realising the Potential: A review of the future role of FE Colleges” DfES, 2005

[www.dfes.gov.uk/furthereducation/uploads/documents/REALISING06.pdf](http://www.dfes.gov.uk/furthereducation/uploads/documents/REALISING06.pdf)

<sup>74</sup> “Policy Action Team report 3, Enterprise and Social Exclusion”, HMT, 1999; “Productivity in the UK 4: the local dimension”, HMT, 2003; “Jobs and Enterprise in Deprived Areas”, SEU, 2004; “Business-led regeneration of deprived areas”, NRU/SBS, 2004

reviews concluded that optimal benefits for deprived areas are best achieved by linking *place-based business strategies* with *place-based people strategies* making sure that local recruitment and access to jobs is developed in tandem with inward investment and physical redevelopment.

- 5.65 The Government also judged that “business growth initiatives in deprived areas are most successful when targeted and selective according to sector and business type” and this approach is widely evident in most regional and sub-regional strategies throughout the country. It is not necessarily adopted in the approach taken by mainstream business support services however which tend to be sector unspecific.
- 5.66 The Government’s evidence review also concludes that new business investment is most likely to come from firms that are already located in a local or regional economy. Although many places put considerable effort into acquiring business re-locations, the evidence suggests that investment by indigenous firms investment or ‘follow-on’ investments by previous inward investors are more important.
- 5.67 Other key evidence identifies the key ingredients for successful business development in disadvantaged areas.<sup>75</sup> A landmark evaluation study of the Phoenix Development Fund concluded that “every community has people in it now that either want to be entrepreneurs or become better entrepreneurs” and these entrepreneurs are the key to business success in disadvantaged areas.
- 5.68 Services should therefore be focused on identifying and supporting individuals with good business ideas and the determination to put their ideas into practice. It also identified that “there are trade offs between inclusion, under represented groups and disadvantaged areas” and there was “no magic bullets that do all three”. This conclusion should inform different strategies and that policy should differentiate between these three different objectives which are often folded into one broad objective. Each strand of inclusive business support should therefore have a clear objective relating to one of: disadvantaged areas, under represented groups, and disadvantaged people.
- 5.69 In it’s analysis of the effectiveness of different interventions and the impact of entrepreneurship on disadvantaged areas, the evaluation concluded that:
- Self employment is very important for groups that are most discriminated against
  - Specialist approaches are needed to reach significant numbers of particular groups of potential or actual entrepreneurs
  - The mainstream business support services are not used by disadvantaged groups and often ignore disadvantaged areas
  - Intense support is often needed as individuals make the first steps towards business
- 5.70 The evaluation concluded that business support services in disadvantaged areas should be “more accessible, people centred and proactive” and recommended a ‘braided’

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<sup>75</sup> “Evaluation of the Phoenix Development Fund”, Small Business Service, 2005, [www.berr.gov.uk/files/file37787.pdf](http://www.berr.gov.uk/files/file37787.pdf)

structure that would link specialist providers into the mainstream. It also warned policy makers and public agencies that they need to “make things easier” for entrepreneurs by creating a pro-enterprise climate, adopting a can-do attitude and making fast decisions. Public agencies should not themselves try and substitute for entrepreneurs or try to initiate or grow businesses. The review also concluded that support services should not simply “result in a business plan or a referral” but have some of the following characteristics:

- Genuinely client focused
- Open ended not rationed
- Accessible and free at the point of delivery
- Recognise the “diversity of diversity”
- One stop shop

5.71 During 2007, the Government embarked on a major review designed to “rationalise the business support landscape” to reduce the number of business support products and services delivered at national, regional and local level to no more than 100 by 2010. The simplification exercise recognised that business support needed to minimise customer confusion, reduce the clutter of different agencies and brandings but also to achieve economies of scale. The Government had argued that the mix of support schemes across all levels of government act as a barrier to business and those wishing to start a business because many firms “struggled to navigate the numerous public bodies and brands involved.” Businesses representatives had strongly argued that firms are confused by the “complicated and cluttered landscape.”

5.72 The Government estimates that about £2.5 billion is spent across the whole of the public sector on (non-tax) support for existing businesses and helping people to start up in business. A simplified and better coordinated framework for business support will also ensure greater efficiency in the spending of public resources as economies of scale in delivery and procurement are realised, meaning more support reaches business and less is lost in administration costs.

5.73 The Government has finalised proposals for a new “portfolio” of services and published its interim decisions in December 2007.<sup>76</sup> The Government has decided initially that:

- Business Link will be developed as the primary access channel for business support although questions remain about how to organise access points and locally tailored and co-branded services.
- The business support portfolio will be available to all types of business including social enterprises – rather than have a specialist sector-based service for these types of business.
- There will be an initial portfolio of 18 “high-level business support offers” structured across start-up phases; access to finance; HR; operational efficiency; product development; and sales and marketing.

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<sup>76</sup> [www.berr.gov.uk/consultations/page40113.html](http://www.berr.gov.uk/consultations/page40113.html)