

<b>Committee</b> Overview and Scrutiny	<b>Date</b> 5 <sup>th</sup> April 2011	<b>Classification</b> Unrestricted	<b>Report No.</b>	<b>Agenda Item No.</b> 7.1
<b>Report of:</b>  Corporate Director Development & Renewal  <b>Originating Officer(s):</b>  Nick Smales, Service Head - 2012 Olympic and Paralympic Games		<b>Title:</b>  Draft Employment Strategy  <b>Ward(s) affected: All</b>		

## 1. Summary

- 1.1 This report provides the Overview and Scrutiny Committee with the draft Employment Strategy, setting out how London Borough of Tower Hamlets will meet its strategic aim of increasing the employment rate of residents in the borough, towards convergence with the London average rate, over the next 5 years.

## 2. Recommendation

- 2.1 The Overview and Scrutiny Committee is asked to consider and comment on the draft strategy and action plan contained in Appendix 1.

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### LOCAL GOVERNMENT ACT, 2000 (SECTION 97) LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Background papers

Name and telephone number of and address  
where open to inspection

None

N/A

### **3. Background**

- 3.1 During the first half of the 2010/11 financial year a comprehensive Local Economic Assessment (LEA) was undertaken in response to the duty placed on local authorities to complete one under the Local Democracy, Economic Development and Construction Act 2009. The LEA was however not solely conducted to discharge the statutory duty but more significantly to develop the evidence base and enhance understanding of economic and labour market dynamics in the Borough to provide the foundation for a refreshed Employment Strategy.
- 3.2 During the process of preparing the LEA significant changes in the national welfare to work policy approach were introduced by the coalition government which will impact significantly on the implementation of nationally funded back to work programmes going forward. The Employment Strategy refresh therefore is opportune in being able to consider and respond to the changes to the policy environment.
- 3.3 The LEA is structured in to four principal volumes as follows;
- Volume 1: Overview and Summary
  - Volume 2: Economy and Enterprise
  - Volume 3: Worklessness Assessment
  - Volume 4: People and Places
- 3.4 The Worklessness Assessment forms a strong evidence base for the refreshed Employment Strategy and has helped to enhance the understanding of the local labour market dynamics. The local labour market operates well beyond the Borough boundaries with large in and out flows of commuters - indeed over two thirds of working Tower Hamlets residents out commute whereas only 15% of work-based employment in the Borough is taken by Tower Hamlets residents.
- 3.5 Employment has grown massively and there are significantly more jobs in the Borough than working age population and the employment projections suggest that around 94,000 jobs will be recruited for during the period 2007 – 2017. This figure includes replacement demand (turnover) as well as expansion demand. Although around 77% of these jobs are projected to be in higher order occupational categories.
- 3.6 However there remains a disconnect between the labour demand and the labour supply with the workless population of Tower Hamlets given as 21,000 of which 14,600 are unemployed and 6,400 are economically inactive but want a job. A further 41,000 working age residents do not want a job of which two thirds are women. Indeed economic inactivity rates for men in Tower Hamlets do not diverge from London averages however economic inactivity rates in women diverge greatly from London averages.
- 3.7 Supply side barriers include reference to skills both formal (academic and vocational) and basic (notably from the employer survey essential English language skills) and these remain a significant theme for those not working together with other barriers including health barriers, psychological issues including preparedness to

travel to work (a major feature of the inner London labour market) and the benefits of working / benefits trap.

- 3.8 In responding to the worklessness challenge in the Borough the consultation draft strategy seeks to state the aim of the strategy straightforwardly to provide coalescence around a clear purpose and this is given as to increase the employment rate in Tower Hamlets.
- 3.9 This strategic aim can also be placed within the wider strategic context of convergence with the London average employment rate. Currently the Tower Hamlets employment rate is 60.1% of the working age population (up from 54.7% three years ago) against a London employment rate of 69.1% which means that on current population and worklessness rate around 13,3000 more Tower Hamlets residents would need to be in employment just to converge
- 3.10 In developing the strategy further, in response to the aim of increasing the employment rate, posing the question “how” supports the development of the draft strategy strategic objectives and these are provided and described in the table below;

<i>Strategic Objective</i>	<i>Rationale</i>
Making the mainstream services work better for local residents	<p>Services for residents delivered through national programmes form the core of service provision in Tower Hamlets, as they do elsewhere.</p> <p>The DWP’s introduction of the new single Work Programme together with the changing policy context around working age benefits means that the volume of local residents served by mainstream provision will be between 15,000 – 25,000 people depending on ratios of assessment and the impacts of welfare reform definitions. Ensuring that mainstream services are operating as responsively, effectively and efficiently as possible is significant as incremental improvements in the volume programme generate strong returns and impact for Tower Hamlets’ residents.</p> <p>The “black box” approach to the Work Programme also means that the providers delivering the programme will be designing services to overcome the barriers and challenges identified in this strategy to achieve sustainable job outcomes. Therefore, ensuring their responsiveness to local needs and conditions will again generate stronger return.</p> <p>Finally it is essential that Tower Hamlets Council and its partners maximise the return from the national mainstream investment as other funding streams have been significantly reduced.</p>
Engaging workless residents detached from the labour market and complementing the work of the mainstream	<p>If maximising the impact of and return from the mainstream programme is the first objective, then to support those that find it difficult to access the mainstream (i.e. complementing mainstream delivery) logically follows.</p> <p>Complementary work to enhance accessibility to mainstream services or to facilitate access to jobs directly would allow the Council and partners to target those groups or communities of interest or concern as identified earlier.</p> <p>Furthermore, by developing key programmes which complement and thus improve mainstream work there is a reduction in duplication of services and increased value for money.</p> <p>This objective also allows for programme design outside of the working age groups, for example, preparatory work with young people on skills and experience or specific projects to support employability and access to information.</p> <p>Programmes of a complementary nature can also identify and address structural issues relating to unemployment.</p>

<p>Encourage increased aspirations to engage with the labour market, particularly for inactive groups</p>	<p>The first two objectives seek to ensure that there is a suitable range of services providing access for local residents but these need to be placed in the context of the Borough having approximately 47,000 residents classed as economically inactive. There is a need to raise aspirations to work and promote the benefits of work: this is reflected in this objective.</p> <p>It is essential that economically inactive groups are encouraged to engage in the routeway and are offered the opportunity to access information and guidance relating to skills and the labour market.</p> <p>Only by increasing aspiration and furthering a culture of work amongst Tower Hamlets' residents can the longer term goal of employment rate convergence be achieved.</p>
<p>Ensure investment is co-ordinated and focused</p>	<p>Complex delivery arrangements in the Borough often provide overlapping and conflicting services resulting in a dissipation of public investment and inefficiency in service delivery. With the expected reduction in public sector funding and availability of grants, particularly in the third sector, it is essential that resources to increase employment are better co-ordinated. With a newly introduced Work Programme, it is essential that the programme's prime and sub contractors participate in local networks which in turn need to be better coordinated and less fragmented.</p> <p>Better coordination locally and the engagement of Work Programme providers will enable resources to be aligned to the strategic aim of the strategy and allow for better design of both mainstream and complementary services.</p> <p>Additionally it is hoped that better co-ordination across partner organisations will go some way to mitigate the large reduction in outputs against the proportionate reduction in available funding.</p> <p>A revised LSP task group membership could also steer, manage and monitor progress against an annual action plan which will focus activity and thought collectively toward a common goal.</p>
<p>Capture employment opportunities for Tower Hamlets residents within the borough and wider London labour market</p>	<p>The previous objectives are focused on the supply side i.e. the readiness and ability of the local resident labour supply to access the labour market, participate in it and progress. However it is also important for the strategy to support the demand side, reflecting the skills requirements of employers and capturing opportunities for the local resident labour force.</p> <p>This objective therefore seeks through engagement with the public and more importantly the private sectors to identify, incentivise, capture and create the opportunities which local people can access in progressing toward and subsequently achieving their career aspirations.</p> <p>This area of work operates in parallel with the Enterprise Strategy which has as its strategic aim the promotion of enterprise and entrepreneurship in Tower Hamlets to provide opportunity and social mobility, i.e. it seeks to support economic and employment growth in the Borough.</p>

3.11 Again posing the “how” question develops the intermediate objectives and actions of the consultation draft strategy and these can be found in the attached strategy at pages 50 to 61.

#### **4. Concurrent Report of the Assistant Chief Executive (Legal)**

4.1 The Council is empowered under section 2 of the Local Government Act 2000 to do anything which it considers likely to promote the social, economic or environmental well being of Tower Hamlets, provided the action is not otherwise prohibited by

statute. This power includes the ability to incur expenditure or to give financial assistance to or enter into arrangements or agreements with any other person. The power may be exercised in relation to, or for the benefit of: (a) the whole or any part of Tower Hamlets; or (b) all or any persons resident in Tower Hamlets. In exercising the power, regard must be had to the Community Plan.

- 4.2 Achieving a prosperous community is one of the key themes in the Council's Community Plan. Under this theme, reducing worklessness, supporting excellent learning opportunities and fostering enterprise are priorities. It is open to the Council to adopt an employment strategy if it is satisfied there is sufficient evidence that the strategy will help to achieve its Community Plan priorities.
- 4.3. It will be for officers to ensure that actions taken under the employment strategy are carried out lawfully. A key consideration in this regard will be the restrictions placed on positive action by the Equality Act 2010. The Act states the general position on positive action and deals separately with what an employer may do when employing staff. Generally, the Council may take positive action in circumstances where the Council reasonably thinks that: (1) persons who share a protected characteristic (PC) suffer a disadvantage connected with the PC; (2) persons who share a PC have needs that are different from the needs of persons who do not share it; or (3) participation in an activity by persons who share a PC is disproportionately low. The Act permits positive action that is a proportionate means of addressing the matters in (1) to (3). The protected characteristics are: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.
- 4.4. The strategy will need to be the subject of an equality impact assessment prior to adoption, which should include consideration of the matters in paragraph 4.4.

## **5. Comments of Directorate Financial Officer**

- 5.1 The objectives contained within the draft Employment Strategy set out a range of activities and priorities for the Council and key partners providing a clear focus for ensuring that available resources are targeted to and in line with these priorities.
- 5.2 Whilst there are no specific financial consequences arising from the recommendations in the report, delivery of the strategy will be extremely challenging in the current economic climate, and will require a co-ordinated approach and aligning of funding from all major partners. It will also require that best value for money is obtained from limited sources of external funding, given that the Council's mainstream resources to support the Employment Strategy are extremely limited.

## **6. Legal Comments**

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- 6.4. The strategy will need to be the subject of an equality impact assessment prior to adoption, which should include consideration of the matters in paragraph 6.3.

## **7. One Tower Hamlets Considerations**

- 7.1. The draft Employment Strategy considers employment issues facing different equalities group and makes a number of recommendations to address this. There is a greater focus on unemployment amongst Bangladeshi Women and will be tied in with research being undertaken by the Corporate Equalities Team. It will be important that future development of the action plan clearly identifies key vulnerable groups that would require support across the equalities strand.

## **8. Risk management Implications**

- 8.1. There are no direct risk management implications arising from this report.