



# London Good Work Commission Investigation into Poverty and Bad Work: Interim Findings



## **The London Good Work Commission**

The London Good Work Commission is the first major attempt in the capital to explore how we create a city of good work for all by 2030.

Established and run by London Plus, the hub body for the capital's 120,000 voluntary organisations, the Commission will pull together a compelling amount of research and insight into the state of poverty and bad work in the city.

It will also develop a series of proposals on:

- ending low pay in the capital;
- creating good work-life balance through a reduced working week;
- helping Londoners to become lifelong learners;
- preparing people for an increasingly tech driven world of work;
- supporting people to volunteer in their communities;
- curbing unjust pay;
- recognising good business models

These are all elements essential to making good work for all a reality.

The Commission will draw heavily on evidence from London Plus's network of frontline organisations, that tackle: unemployment; low pay; financial hardship; insecure work; digital exclusion; poor skills; and barriers faced by disabled people and those from an ethnic minority background.

We have also established an expert advisory group of over 20 London leaders, carefully selected from civil society, local government, business, the trade union movement, and think-tanks. Their role is to provide advice, guidance, and challenge to the Commission's activities and its final recommendations.

Any research, proposals, recommendations, and oral or written outputs we produce, does not represent the collective view of the advisory group, or any member of it, or organisation they represent. They reflect only the views of the named author(s).

The Commission's final ideas and report will be presented at a specially convened event during London Challenge Poverty Week in October 2019.



## **About the author**

Rayhan Haque is the Convener of the London Good Work Commission.

## **About this paper**

Over the past four months, the Commission has been investigating the problems of poverty and bad work across the capital. This has involved five community-based roundtables, several site visits, an extensive literature review, and interviews with charity leaders, frontline professionals and experts.

This paper pulls together our research and findings, along with a larger body of evidence, to show the shocking extent and nature of poverty and bad work in London today.

The paper does not represent the collective view of the advisory group, or any member of it, or organisation they represent. They reflect only the views of the named author.

We welcome any responses to this paper. And we would encourage you to share it.

## **Acknowledgements**

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## London 2030 Vision - A City of Good Work for All

### London faces a poverty emergency

London is one of the great cities in the world. It is dynamic, diverse, and open. It's a place that generates huge amounts of prosperity and opportunity. And it is the beating heart of the national economy.

But London is also shamed by vast and chronic levels of poverty.

In fact, we have the highest levels in the country, with 28% of people (2.4 million), currently languishing in poverty (after accounting for housing costs).<sup>1</sup> That shockingly includes 700,000 children.<sup>2</sup> This is the relative poverty measure, which is defined as the number of individuals living in a household with less than 60 per cent of contemporary median household income.

Worryingly, a large amount of this poverty is chronic, with 16% of Londoners in persistent low-income (defined as individuals who have been in relative poverty for three of the past four years).<sup>3</sup> Roughly half a million children find themselves in this state.<sup>4</sup>

The government has announced plans to trial a new measure of poverty from next year that will include not just household income but "inescapable costs", such as mortgage payments or rent, childcare and those associated with being a disabled person. It also includes levels of liquid assets, such as savings, stocks and shares.

Under this new measure developed by the social metrics commission, levels of poverty are still alarming, with 14.2 million people living in poverty in the UK. And 7.7 million individuals are in persistent poverty (have been in poverty for at least two of the last three years).<sup>5</sup>

Last year, Philip Alston, the UN's special rapporteur on extreme poverty and human rights, conducted a two-week fact-finding mission to the UK, and concluded that child poverty levels were "not just a disgrace, but a social calamity and an economic disaster".<sup>6</sup>

A constant refrain we have heard in our community evidence sessions, is the "dire cost of living in the capital" and "how grossly unaffordable the city has become". Rough sleeping has now hit a record high, with 8,855 people recorded as sleeping on the streets last year. This is an 18% year-on-year rise in 2018-19 and two and half times levels recorded in 2009-10 (3,673).<sup>7</sup>

The human tragedy of poverty isn't just limited to a lack of income though. During the course of our research, the Commission has heard desperate accounts of people being "forced to live on just bread, butter, and water for a year", children not eating outside of school hours, and in one instance, an individual resorting to "eating cigarette butts just to survive".

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<sup>1</sup> Department for Work and Pensions, Households Below Average Income, 2016/17.

<sup>2</sup> GLA Intelligence

<sup>3</sup> Ibid

<sup>4</sup> Ibid

<sup>5</sup> A new measure of poverty for the UK: The final report of the Social Metrics Commission, September 2018.

<sup>6</sup> Office of the High Commissioner for Human Rights (UN Human Rights), 2018.

<sup>7</sup> Figures from CHAIN - Combined Homelessness and Information Network.



The levels of food hunger are so dire now, that parents and even teachers, regularly forgo meals to ensure their kids can eat. In the last year alone, the capital handed out 166,512 emergency food parcels.<sup>8</sup> That's a 74.1% increase from just five years ago.<sup>9</sup> As one charity CEO running a food bank service in south London said to us, "people are coming to us absolutely struggling".

### **What's causing this crisis?**

The causes of poverty are well known, and often, multidimensional: public service cuts; being out of work and lacking opportunities; deprived local economies; poor or no skills; going through family breakdown; suffering domestic abuse; being disabled; having physical and mental illness; and inadequate welfare support. But there are several unique issues in London, which have helped to create the grave poverty crisis we see today.

London is one of the most expensive cities in the world and those that reside here, have to cope with much higher housing costs. For instance, the average rent in the capital is more than double the national average and has been increasing at more than twice as fast over the last five years. And the situation in inner London is even more shocking, with average rents accounting for 72% of earnings compared to 29% in the rest of England.<sup>10</sup>

Childcare costs are also 27% higher in London than the rest of the UK.<sup>11</sup> Unsurprisingly then, 40% of unemployed mothers say unaffordable childcare is a barrier to them getting into work.<sup>12</sup> A further hurdle for many Londoners is finding a way to deal with the cost of transport, which is the highest of any city in the world (measured monthly).<sup>13</sup> And the average cost of household goods is 12% higher in the city than the rest of the UK.<sup>14</sup>

The capital has also been hit by huge spending cuts in the last nine years, which have brought many councils to breaking point. London boroughs face a 63% reduction in their core funding from 2010,<sup>15</sup> despite the city's population increasing by almost 1 million people. One crucial area that has been decimated is our youth services. London has seen the loss of 104 youth centres and projects along with 562 youth worker posts since 2011/12.<sup>16</sup>

The severity of the cuts has also led to some councils being forced to axe their Local Welfare Assistance Schemes, a last resort for many on the brink of destitution, with five boroughs shutting their schemes in 2015/16.<sup>17</sup>

The Commission visited several food banks across the city and heard how long delays to Universal Credit (UC) and a punitive culture of sanctions have pushed many into poverty. In one of our site visits in east London, we were told many people are wrongly denied their

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<sup>8</sup> End of Year Stats, The Trussell Trust, 2019

<sup>9</sup> Ibid

<sup>10</sup> New Policy Institute & Trust for London, London's Poverty Profile 2017.

<sup>11</sup> Resolution Foundation, London Stalling, 2018.

<sup>12</sup> IPPR, The future of childcare in London, 2017.

<sup>13</sup> Deutsche Bank, Mapping the World's Prices, 2017.

<sup>14</sup> Resolution Foundation, London Stalling, 2018.

<sup>15</sup> London Councils, 2017.

<sup>16</sup> London's lost youth services 2019, research by Sian Berry.

<sup>17</sup> Centre for Responsible Credit, The decline of crisis and community care support in England: why a new approach is needed, 2017.

benefits. And the process for rectifying these mistakes for claimants, could sometimes delay UC payments by up to 6 months.

There have also been major cuts to the levels of benefits, which have had a disproportionate impact on London. Two in particular, have hit the capital hard. First, the benefits cap, which limits the total amount of benefits a household can receive. This came into effect in 2013 with 49% of affected households estimated to be living in Greater London, with an average loss of £93 per week.<sup>18</sup>

The second is the under-occupancy rule or 'bedroom tax', which sees people having their housing benefits cut if the socially rented property they are living in is judged to have more bedrooms than is necessary. Government impact assessments suggested that 80,000 households in London would be affected with the average reduction in housing benefit in London estimated to be £21 per week; the highest in the UK.<sup>19</sup>

The Commission visited Tower Hamlets and one of its many food bank operations. The borough has the highest rate of child poverty (53%) in the entire country. We were told one of the most severe consequences of the rollout of UC has been to push countless people into rent arrears and into serious risk of eviction. The borough has recently said 80% of council tenants who were claiming UC were behind on their rent with average arrears of £1,245.<sup>20</sup>

It's also important to note that from early next year, remaining claimants of working-age benefits will be 'migrated' to UC. One welfare rights adviser described this as a "looming disaster" that will push many more into poverty, if the underlying problems with UC are not immediately addressed.

### **A rising tide of bad work**

But perhaps the most alarming feature of our city's poverty crisis, is that having a job is increasingly proving to be no means of escape. In fact, for many Londoners, work has become the principal source of impoverishment in their lives.

Just look at the explosion of poverty pay across the capital. Despite official figures showing near record high levels of employment and very low numbers out of work, the capital has seen in-work poverty soar in the last two decades. The majority of people who are in poverty now come from a working household (58%). The proportion is up from 44% a decade ago and 28% two decades ago.<sup>21</sup>

The government introduced the National Living Wage (NLW) in 2016, which has undoubtedly helped to boost the earnings of the lowest paid. But its impact in the capital has been limited, as workers here, are much less likely to be paid below NLW levels, reflecting the city's higher living costs.<sup>22</sup>

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<sup>18</sup> London: Working for Everyone? SMF, 2019

<sup>19</sup> Ibid

<sup>20</sup> London Borough of Tower Hamlets, Written evidence to the Work and pensions Select Committee (UCR0243', June 2018.

<sup>21</sup> New Policy Institute & Trust for London, London's Poverty Profile 2017.

<sup>22</sup> Peabody Index, 2019

In our site visits and community roundtables, we heard countless stories of, “how it’s simply not possible to survive, let alone live, on a minimum wage job in London”. And polling shows that only a third of those earning less than a real living wage are satisfied with their pay.

The government has committed to using the minimum wage to achieve the ‘ultimate objective of ending low pay in the UK’. If we use the international definition of low pay, that would mean a minimum wage worth two thirds of median earnings (66%). We are currently on course to reach 60% by 2020, which will equate to a minimum wage of around £8.60 an hour.

The Resolution Foundation think-tank has estimated that if economic conditions are broadly benign with a stable labour market. We could reach the two thirds threshold by the middle of the next decade. But this is a national target. In the case of London, the “bite” of this minimum wage would only be equivalent to 49% of hourly median earnings.<sup>23</sup> In other words, under these government plans, we would still be nowhere near ending low pay in the capital several years away from now. And we know that part-time workers, women, and those from a black and minority ethnic background, will suffer most from this low pay existence.<sup>24</sup>

The Commission has also heard many accounts of individuals getting stuck in these poorly paid jobs with little scope for pay rises and advancement. Their stories reflect the findings of a recent Resolution Foundation study for the Social Mobility Commission, which showed that just one in six (17%) of low paid workers managed to transition out of low pay between 2006 and 2016. With over a fifth of working Londoners paid below the real living wage, poverty pay has become a poverty trap.

A key factor behind this, is that a poorly paid job has become synonymous with poor skills. Back in 2011, just under half (47%) of adults with no qualifications were on low pay. But by 2016, this had risen to 71%. A similar picture can be seen among adults with level 2 (GCSE equivalent) and Level 3 (A-Level equivalent) qualifications.<sup>25</sup>

The capital has also seen a large proliferation of insecure work, such as zero-hour or short-term contracts, and bogus self-employment. Figures show 260,000 workers are on a temporary contract, which is a record high.<sup>26</sup> And new research from the Living Wage Foundation and New Economics Foundation has found 15% in London are in low paid (not real living wage), insecure work. That’s a staggering 807,430 Londoners.

Unpredictable pay and volatile hours are synonymous with these forms of work. TUC research found more than half (51%) of zero-hours workers have had shifts cancelled at less than 24 hours’ notice. And 73% have been offered work at less than 24 hours’ notice. That leaves the majority (54%) saying they find it difficult to pay bills because they can’t get enough work.

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<sup>23</sup> Low Pay Britain 2019 - Resolution Foundation

<sup>24</sup> Trust for London 2017

<sup>25</sup> Ibid

<sup>26</sup> Ibid



Tony, a security guard from Southall, summed up what this precarious existence feels like, "Being on a zero-hour contract is very challenging. I don't know when I will be asked to work. Or how much money I will have at the end of the month for my family".<sup>27</sup>

Throughout our community engagement, we repeatedly heard from people about their anxieties and frustrations in not having the necessary skills to succeed in a fast-changing jobs market. The official statistics also paint a worrying state of affairs. For instance, 2 million Londoners don't have a Level 3 qualification, equivalent to A-Levels; 1.3 million Londoners don't have a Level 2 qualification, equivalent to GCSEs; and 400,000 Londoners have no qualifications at all.<sup>28</sup> London also has the lowest levels of adult literacy of any region and lower levels of IT skills than the national average.<sup>29</sup>

There are also 210,000 adults in the city of working age, who cannot speak English well. Public funding for ESOL has also been cut substantially.<sup>30</sup>

Progression isn't just about skills. It's about opportunities as well. London's jobs market is shaped like an hourglass. There are many high-skilled and low-skilled roles, but comparatively few mid-skilled positions. This is why fewer Londoners in low-skilled occupations progress to mid-skilled occupations each quarter compared to the national average.<sup>31</sup>

As we explained, a lack of work is a big problem for the city. But so is over-employment. Londoners work about three weeks more than the national average, with full-time workers clocking in an average of 38 hours a week.<sup>32</sup>

And a recent survey ranked the UK 24th out of 25 comparator economies for work-life balance, finding that three in five employees work longer hours than they would like to. A third of workers feel they have too much work, one in five workers say they cannot complete their tasks in their allocated hours, and one in twenty, feel completely overloaded by their jobs.<sup>33</sup>

The result is that in the three months to June 2018, there were 10.24 million people who said they wanted to work fewer hours, of which 6.66 million did not want less pay.<sup>34</sup> Making work-life balance even worse for Londoners, is the fact we also have the longest commute in the UK (on average 81 minutes a day)<sup>35</sup>. And a recent study found that 54% of commuters are regularly 'switched on', saying that they use the train's wi-fi to do work.<sup>36</sup>

Overworking can hugely affect organisational productivity, happiness, and overall levels of well-being and health. Official figures show that 15.4 million working days were lost to work-related stress, depression or anxiety in 2017/18, with workload cited as the biggest cause.<sup>37</sup>

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<sup>27</sup> Living Hours Report by LWF & NEF, 2019

<sup>28</sup> An Employment and Skills Action Plan for London, London First, 2018.

<sup>29</sup> Ibid

<sup>30</sup> GLA 2017

<sup>31</sup> IPPR 2016

<sup>32</sup> ONS, 2017

<sup>33</sup> UK Working Lives Survey 2019

<sup>34</sup> ONS: Labour market economic commentary, August 2018

<sup>35</sup> TUC analysis, 2019

<sup>36</sup> University of the West of England, 2018

<sup>37</sup> Work related stress depression or anxiety statistics in Great Britain, HSE, 2018.

Its impact on key frontline professions is huge. For example, more than half of Britain's teachers have a diagnosed mental health problem, according to a new study by Leeds Beckett University. The 'excessive workloads' on education staff was a key reason cited for the problems.

Workloads are also negatively impacting on people's participation in wider society. Volunteering levels have declined by 15 per cent over a decade,<sup>38</sup> with one in two people (51%) saying that work commitments are a barrier to them volunteering.<sup>39</sup>

One solution to managing demanding work schedules is flexible working. But only a minority fully benefit from this opportunity. The recently published Chartered Institute of Personnel and Development (CIPD) UK Working Lives survey found that, excluding the self-employed, one in five employees (21%) has no flexible working arrangements available to them in their current job and two-thirds (68%) would like to work flexibly in at least one form that is not currently available to them.

Wage growth, or the lack of it, is also another major problem. According to the Institute for Fiscal Studies, annual wages were still lower than a decade ago, with those in their 20s and 30s most affected. And a recent Social Market Foundation report found that "while wage inequality has decreased across the UK as a whole since the financial crisis, it has increased in London".<sup>40</sup>

London has also become a grossly unequal city. Some of these inequalities have become so large and entrenched, that we've become a 'tale of two cities'. To illustrate this, the richest 10% of households in London received 29% of total income. This is more than the bottom half of households put together.<sup>41</sup>

And figures released at the start of the year by CIPD and the High Pay Centre, show that the average FTSE 100 CEO, gets paid £3.9 million now, which marks an 11% increase year on year. That means in just three working days, the UK's top bosses will make more than an average full-time worker in the whole year.

But levels of wealth inequality are even worse. Trust for London analysis found the bottom 50% of households own just over 5%, whereas the top 10% owns over half. Wealth for someone just in the top 10% is 295 times higher than someone just in the bottom 10%. In 2010–12 it was 160 times higher.

### **Next stages**

Over the coming months, the Commission will be developing a vision of how we can create a city of good work for all by 2030. Our final report and recommendations will be presented at a specially convened event during London Challenge Poverty Week in October 2019.

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<sup>38</sup> ONS figures, 2017

<sup>39</sup> Community Life Survey, DCMS, 2018

<sup>40</sup> London: Working for Everyone? SMF, 2019

<sup>41</sup> Trust for London 2017

