

A City for All Londoners: The New Economics Foundation's response

Contents

<i>Inequality</i>	2
<i>Economic Development</i>	3
<i>Energy</i>	5
<i>Childcare</i>	6
<i>Housing</i>	6
<i>Work and Labour Markets</i>	7
<i>References</i>	8

The New Economics Foundation is the UK's only people-powered think tank. We combine on-the ground work, working alongside communities themselves as they develop new economic approaches, with expert, long-term systemic analysis of the overall economic structure. We exist to give people the tools they need to take real control of their own lives at a time when family finances, the spirit of community and the future of our planet are all severely threatened. And we work with communities to ensure that solutions on the ground today are not simply a temporary fix, but a building block for long term systemic change tomorrow.

London's economy doesn't work for many of its citizens and communities. People feel powerless in the face of institutions – from banks to government – that they feel do not represent or understand them. The Mayor should take an approach that gives Londoners real control back over their lives – the proposals in this submission outline some ways in which that could be achieved.

Inequality

In 2012, 82% of people surveyed in the UK agreed that the income gap between rich and poor was too wide.¹ London is by far the richest region of EU, yet it is also the most unequal one – with some parts having an income per head more than 5 times EU28 average and other parts below that average (see Figure 1).

Poverty is increasingly concentrated in outer London. Traditionally, the London poor are seen as those out of work and living in social housing in inner London. This is no longer accurate. The latest London Poverty Profile shows that 42% of those in poverty in London live in inner London and 58% in outer London, compared to an equal split ten years ago. There are now 1.3 million people living in poverty in outer London compared to 940,000 in inner London. Those living in poverty in London are now more likely to be working, though in low-paid jobs.² Without decreases in house prices and improvements in pay, it is likely that this demographic shift will continue.

London's poor face high transport costs. Those living in outer London and working in inner London in inflexible, low-paid service jobs are vulnerable to unaffordable transport costs. These Londoners are not likely to be able to work from home or work flexible hours, are locked into long (and relatively more expensive) commutes, and their incomes are unlikely to sustain any increased travel costs. Given London's increasing dependence on the service sector, the increased proportion of those living in poverty in outer London, and the increased centralisation of employment opportunities in inner London, this demographic is likely to increase in numbers.

The evidence suggests that inequality is corrosive to health and trust, and is associated with higher levels of crime and mental illness.³ This is a defining and crucial issue for the UK, and London in particular, that affects outcomes across the board. The proposals in the following sections are all designed with the objective of reducing inequalities in mind.

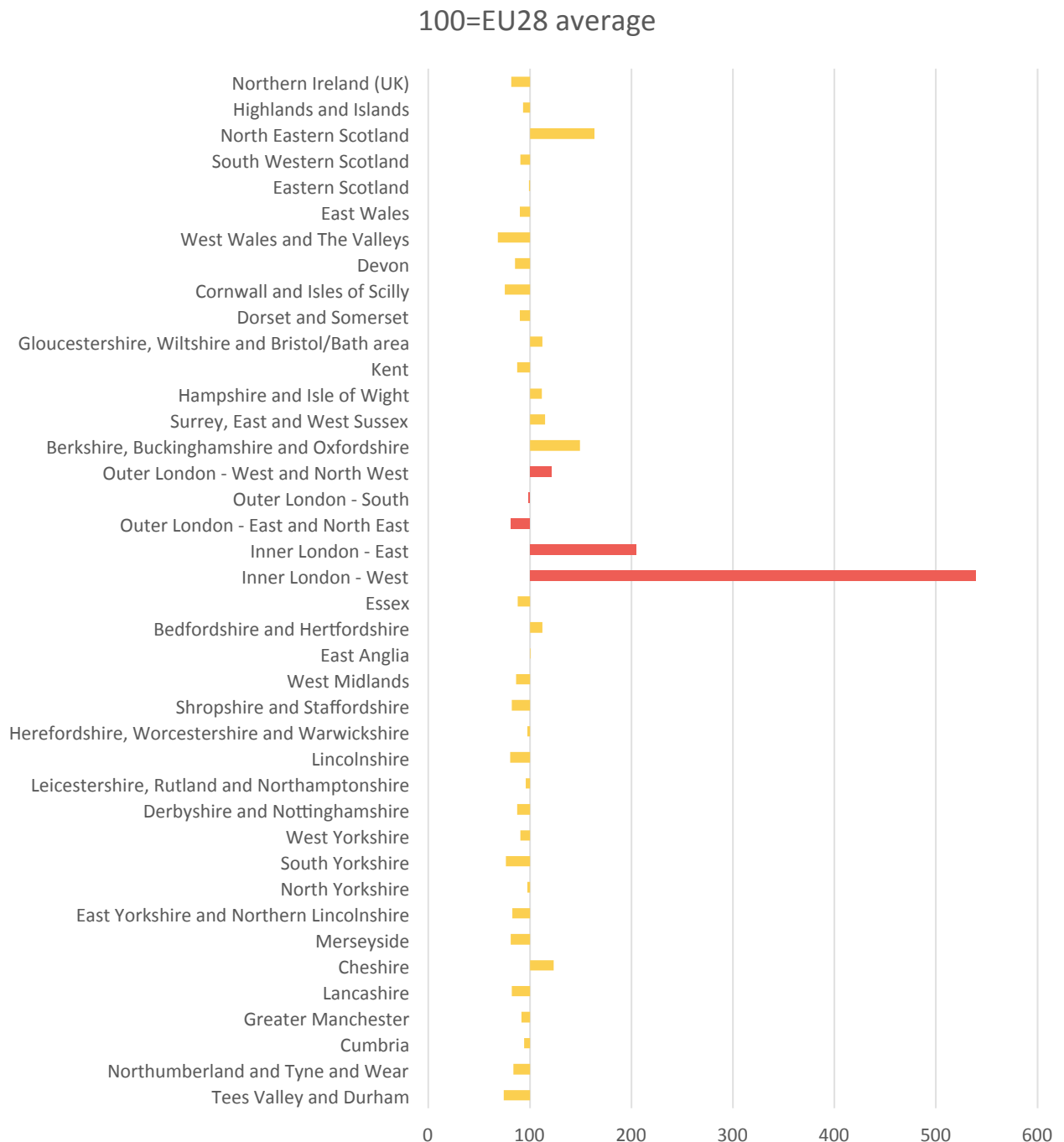


Figure 1. Economic output per capita in UK regions compared to EU average. Source: Eurostat

Economic Development

We advocate a Community Economic Development (CED) approach that drives the development of any area from the bottom up, rather than the top down.

This means:

- Growth strategies should be **designed from the outset** to generate social and environmental outcomes – **not** sit alongside various other strategies designed to mitigate the fall-out from growth (poverty, homelessness, housing, air quality, etc)
- The **broad base of the community** in any given area – including local business, community groups, social sector and public sector – should be well equipped to shape, contribute to, and benefit from, the area's local economy.

Where regional and local economic strategies fail to do this, it is often as a result of one or more of the following problems:

- the pursuit of growth in sectors which do not, in fact, benefit large sections of the existing population of an area;
- the failure to connect new and developing sectors of the economy with existing local economies or communities;
- basing economic priorities on labour, infrastructure or environmental resource needs which do not yet exist in the local economy, rather than on the existing asset base
- missing opportunities to build strategies around the economic knowledge and motivations of small and medium local enterprise, local community organisations, and neighbourhood level community representation structures

Growth – as measured through GVA – may be part of a regional economic strategy's objectives. But a focus on this measure exclusively, and without a nuanced approach to the kinds growth and how the local economy and community might link into new growth, fails both to measure, and to generate, **four crucial indicators** of a well-functioning local economy, that sit at the heart of any community economic development (CED) approach:

1. **People** in the local economy need to be doing well, financially through the incomes they earn, the kinds of jobs they access, or the amount of profit they are getting from the economic activity and the assets in their own local community. This means looking at the distribution of outcomes as well as the average.
2. **The make-up of local businesses**, and non-profit organisations, needs to be resilient, diverse and well connected – businesses buying from each other, a range of different sectors, and a range of different scales of businesses for example, rather than an economic mono-culture that makes the community vulnerable to external economic shocks.
3. The local economy needs to **work efficiently**, at generating and retaining wealth. This means that money invested locally circulates round as many businesses and people in the local area as possible, and does not flow straight out of the local

economy. It means that local supply chains are strong and sustainable and link up as many local organisations and businesses as possible.

4. Resources should be used **sustainably** – not only protecting the environment locally but also making good use of environmental assets within the local economy in a sustainable way, for example through building sustainable tourism opportunities from geographical assets, or maximising opportunities to build complementary sectors in an area that make use of each other's' waste or by-products.

Energy

The Mayor has committed to exploring the potential for a not-for-profit energy supplier for the capital. We believe that such a company could play an important role in combatting fuel poverty and its awful effects on health and social functioning. It could also champion the transition of London's energy supply to zero carbon sources and co-ordinate strategic investment in retro-fitting homes.

To achieve these goals the company should be:

- Fully licensed, so as to have the greatest degree of control over pricing and operations
- Able to supply to households, not just businesses or public sector organisations
- Democratically governed

The governance of the energy company is particularly important. People lose faith in institutions that they do not feel represent them and over which they feel they have no control. The viability of the energy company depends on avoiding this outcome.

A democratic system of company governance could include:

- Representation on the company board from local politicians, workers from the company, and ordinary Londoners
- Advisory Borough assemblies that give locals an opportunity to voice concerns to representatives of the company
- Digital democracy to enable the widest possible participation in the way the company operates
- Total transparency of data, finances and strategy

Childcare

The GLA should support the setup of more parent-led childcare. One of the key barriers young mothers face in entering the labour market is cost and access to childcare – UK families have the second highest childcare costs in the OECD.⁴

The New Economics Foundation is working with the Family and Childcare Trust to develop a new model of childcare which will enable groups of parents – especially those with low incomes – to set up childcare themselves and help to deliver it in communities where none currently exists or where it does not meet their needs.

Through this programme, young mothers will not only benefit from improved access to affordable childcare, but will be supported to come together in a socially mixed community and build confidence and skills. The structure of the service will enable participation through a number of routes, from a ‘light touch’ contribution to running the service that helps parents to address skills gaps to well-designed formal apprenticeships. The model will specifically seek to engage with young parents at the greatest distance from the labour market, such as those who are NEET. Alongside high quality early education, the co-op model will seek to influence good child outcomes by building strong links between the setting and the home learning environment and promoting positive parenting skills in a non-stigmatised context.

The GLA should evaluate the potential for this model of childcare provision to more effectively meet the needs of Londoners.

Housing

The housing crisis in London is unprecedented. Both house prices and rents are clearly unaffordable for too many people. Part of the problem is inadequate growth in the types of housing that would alleviate cost pressures for those who need it; the other part of the problem is inflated demand for property as a speculative investment, driving up the cost for ordinary Londoners.

An initial step to mitigating this crisis would be to make the most of the assets we already own. Numerous pieces of public land across London, including Brixton Prison site in Lambeth and St Ann’s NHS Trust site in Haringey, are due to be sold off to private developers, who may not deliver the kind of housing we desperately need. These sites should be retained in public ownership and used to build 100% genuinely affordable social housing.

Analysis by the New Economics Foundation concludes that over 2,000 affordable homes could be built on the Brixton Prison and St Ann's NHS Trust sites alone, saving £150 million in housing benefit payments over 30 years.⁵

Work and Labour Markets

Work is becoming increasingly casualised and insecure across the country, but London's labour market is particularly vulnerable to this trend due to the concentration of platform companies providing employment for gig workers. This is evidenced by the sudden rise of companies such as Uber and Deliveroo.

The evidence suggests that the rise of precarious work will be detrimental to Londoners' wellbeing – for example, workers with short-term contracts have significantly lower wellbeing compared to other types of contracts, even after controlling for income (see Figure 2).

Across the UK, research by the New Economics Foundation has shown that only 61% of the labour force has a secure job that pays at least the living wage, and this has been deteriorating in recent years.⁶ Low pay is bad for local and national economies since it reduces demand and spending.⁷

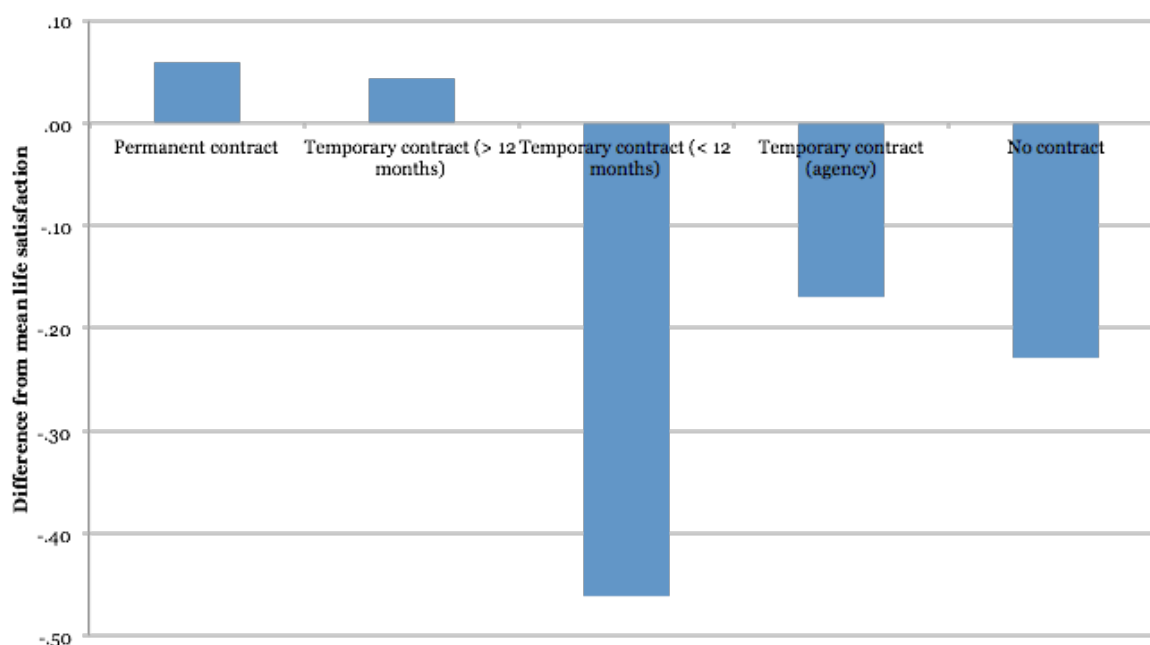


Figure 2. Wellbeing impacts of temporary work. Source: European Quality of Life Survey, 2011

What is more concerning is that workers in the platform economy have few rights, and less power to organise themselves to collectively bargain for better conditions. The GLA should

recognise and support the efforts of platform workers and particular trade unions to organise the workforce in the interests of countervailing excessive employer power.

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