

Economy Committee – 5 March 2015
Transcript of Item 6: Supporting Microbusinesses in London

Jenny Jones AM (Chair): That brings us to today's main item on supporting microbusinesses. First of all, we have Simon Pitkeathley, who is Chief Executive of Camden Town Unlimited. We are awaiting Benedict Dellot, who is Senior Researcher at The RSA. We have Diana Sterck, Chief Executive of the Merton Chamber of Commerce; Paul Mayhew, who is a business consultant; and Dr Jessica Ferm from The Bartlett at University College London (UCL). Thank you very much for coming.

This is an opening question if you feel you have something to say about the overall emphasis of our work. Has there been a downside to policymakers focusing on high-potential microbusinesses, ie, those that could expand quite quickly and show much greater growth, rather than on everyday lower-growth businesses?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): Just to say, we are also a business support agency and have been running business support services for start-up, micro and growing businesses for over 14 years. My experience is that the aspiration for growth for businesses is usually much more of a slow burner. There are some that are accelerating businesses that are going to grow very quickly, but generally microbusinesses are slow burners. They will gradually build from a foundation and hopefully then go on to recruit people and grow the business. For me, it is about supporting those businesses that have potential for growth but maybe are not going to be growth businesses within the Government's definition of 'growth'.

Jenny Jones AM (Chair): Thank you.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): That is true. It is also true, though, that the people who are running the sorts of businesses that will grow quickly and will put real growth in the economy are probably going to find ways of doing things anyway. Although the focus on getting more growth out of them is good, we do not yet understand enough about the value of one person being employed by one microbusiness across an area. I run a hub. We have 300-odd start-ups in there. If 100 of them employ one more person, the impact on the local economy is great. The value in return to the landowner who has this space is something, certainly in London, that they would struggle to account for. Really understanding the impact and the value of that to local and regional economies is something that is getting missed a bit by this focus on high growth.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): I agree with both of these people. My view on the concentration on 'high-growth start-ups' is that, first of all, the definition of a high-growth start-up is somewhat vague. How do you recognise it anyway?

Quite often people are in business by accident, not by design. In other words, they found themselves unemployed and were asked by the Jobcentre, etc, to do something - they were introduced to the New Enterprise Allowance and that sort of thing. Many of these people are starting very simple businesses, mainly working from home. In other words, work space is secondary to them. The figure is already at about 70% of people who are in small businesses. They are working from home. As far as I am aware, there is no focused support for these people at all once they have been through the New Enterprise Allowance process or something like that. In other words, that is it.

That is a little bit of a time-bomb sitting there for the future. Unless these people get support later on just to keep their businesses going - it is a lifestyle business, in other words - let alone grow their business, within five

years more than 50% or 60% of them will cease to trade. At the moment, it seems to be an area that is almost completely ignored. I feel that that is a very serious little bit of a ticking time-bomb for the future.

Jenny Jones AM (Chair): Thank you. Welcome to Benedict.

Benedict Dellot (Senior Researcher, The RSA): Yes. Sorry I was late.

Jenny Jones AM (Chair): We are talking about the support for high growth potential versus low growth potential microbusinesses.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): I would just add that in terms of the space that we are looking to provide for these different businesses, we also need to understand the different types of businesses we are catering for. I wonder with the high growth whether we are mostly talking about the tech sector. I am not quite sure. Certainly we have heard in the Open Workspace Providers Group that, for example, as soon as a tech company moves next door to an artist's studio, their rent trebles. This is a real problem. A lot of those high-growth sectors can cram people into smaller spaces and they have lots of jobs in a small space, which is of course more lucrative and more attractive to developers. They are quieter, cleaner and that sort of thing.

Jenny Jones AM (Chair): We are going to come to the issue of space for businesses.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): We can park that, then.

Jenny Jones AM (Chair): What you are saying is that it is difficult. First of all, there is a lot of support for potential high growth, but it is a matter of spotting them. That is not easy.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): Yes. What Simon [Pitkeathley] and I are saying is that the slow burners may not give the high growth but they will give sustainability if they get the right support.

The other thing with growth is business models. Many businesses from what I see these days - particularly those in the creative sector, which is obviously a growth sector - are actually expanding their businesses through self-employed associate models. They are not employing people within their business: they have a network of other self-employed or single-person businesses that they work with on projects. I do not know how we measure that growth because actually they are growing businesses. They are winning more business but they are not employing the staff in the traditional models.

Benedict Dellot (Senior Researcher, The RSA): I would agree with that as well. We did a piece of research last year that looked at how you could encourage self-employed sole traders - so just a business owner and no other staff - to take on employees. One of the things that we realised straight away was that we needed to redefine what we meant by 'recruitment' because 15 or 20 years ago it may have meant taking on a member of staff on the payroll, but today it increasingly means using freelancers on a project-by-project basis. We did a survey with Populus that asked people about their recruitment plans. We asked them, "If possible, would you prefer to use freelancers as opposed to taking people on the payroll?" About 40% of people said, yes, freelancers were preferred. I am not sure that that shows up in the Government statistics.

Jenny Jones AM (Chair): Did 60% say that they would not or the remainder a mix of views?

Benedict Dellot (Senior Researcher, The RSA): I cannot remember the exact wording of the question, but there was quite a high proportion who said they preferred to take on freelancers as opposed to payroll staff.

Jenny Jones AM (Chair): What support can we give those sorts of slow-burner businesses that do not appear to be high growth potential?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): You have to come on to it with work space because that is absolutely crucial. It is about understanding it. It is a dated term now, the 'long tail', but that is what you are really looking at. Within that long tail, there are going to be survivors and there are going to be casualties, but taking them as a whole and understanding the impact they have on the economy is a way of justifying the public sector intervention here. It is recognising that there are market failures there, particularly in London because of the value of land. The more you can understand that, the more you can justify the intervention and the more you can understand what sort of interventions you need. Those interventions are mostly about aggregation and work space.

Andrew Dismore AM: I was going to say, Chair, that I very much recognise this pattern. When I left Parliament, this is exactly what I did. I set up a small consultancy out of my front room. When I needed people to support it, I took on people on a self-employed freelance basis. When you work on a project, you cannot employ somebody full time or give them a permanent job because you only have one project. You work from one project to the next. You do not have a whole plethora of things going on all at once. It is inevitable that we have to recognise that that is a model for this sort of consultancy-type of businesses, unless they are going to suddenly grow very rapidly and have some brilliant ideas.

The real challenge that I faced at that time was not so much the business support but the technical support. Business space was not a problem: if you need a meeting room, you go to a café. Is that how it happens, really?

Benedict Dellot (Senior Researcher, The RSA): One of the really interesting things that we found as well was that a lot of small businesses are using zero-hour contracts but on a very genuine basis. They cannot afford to take somebody on fulltime and they have to be very careful. I do not know if this is something that you want to explore here, but that is why we need to be quite careful when we are dismissing zero-hour contracts, when we know that small businesses need some flexibility with their labour. It is a case of having the right balance.

Dr Onkar Sahota AM: We are making the assumption that all businesses want to grow. There could be some businesses that do not want to grow. The people who want to be in a growth industry have different skills and different business models to look at. How do we support the people who do not want to grow but who want to be sustainable in those businesses?

Jenny Jones AM (Chair): Like a corner shop.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): That is exactly the point I was making. There are literally hundreds or thousands of these businesses out there, running from their own front room, as you say. They do not necessarily even think they are a growth business. They do not even recognise themselves like that. When they see something that says 'high-growth start-up' or 'high growth', they think it is not them. They think it does not apply to them because they are working from their front room, as has been said. They have a collaborative arrangement with someone working down the road that can, if they get ill, help them and things like that. They expand their business by in effect contracting to them, as has been pointed out. However, they do not see themselves as growth businesses. In many cases, that is not their objective. It is a lifestyle operation. It is to keep the wolf from the door.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open

Workspace Providers Group): A recent Workspace Group briefing said that only 10% of small and medium-sized enterprises (SMEs) grow at all, which is quite an extraordinary figure. My question there was to wonder how many of those are microbusinesses and whether microbusinesses are more or less likely than that to grow. I do not know the answer to that.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): In southwest London we are privileged to have a lot of very qualified people who during the recession set up businesses using their technical professional skills. From our experience, what they struggle with is what I call the 'isolation factor'. Working from home is very isolating. When you work in a shared environment - and this is where shared workspaces come into being - there is a lot of banter that goes on, there is a lot of shared learning and there is a lot of networking.

What we try to do is to bring that through our Chamber of Commerce activities to support businesses to network and connect. The added value for those businesses, as well as giving them training on skill areas of the business that perhaps they do not have because they are very technical in their ability, actually helps them to sustain themselves, which is terribly important, and also potentially to grow if they have that desire to do so.

Stephen Knight AM: I was just interested in this idea of this focus on growth coming through microbusinesses. Really, from what I am hearing, it is leading to an undermining of things like job security and certainly benefits like health, maternity leave, pensions and all the sorts of things that people might like to get out of employment. To what extent is relying on this type of growth actually undermining an awful lot of the social benefits of employment that most of us want to get, I suppose, and most families need?

Tony Arbour AM: Is that what entrepreneurs want?

Stephen Knight AM: What we have heard this morning is that an awful lot of microbusinesses are there almost by need rather than desire because they are people who have lost their jobs and have gone into consultancy. Perhaps what they really want to do, rather than necessarily to grow and take on employees, is to get another job. Would the witnesses like to comment?

Benedict Dellot (Senior Researcher, The RSA): I agree with the point about risk and the fact that if you work for yourself you take on a lot of the risk that an employer would have taken on if you were an employee.

On the point about being forced into it, there is some truth in that but it may be slightly exaggerated through newspaper headlines. Coming back to the poll that we did last year with Populus, we asked a sample of about 1,500 self-employed people how many of them had been forced into it and how many chose self-employment because of the prospect of unemployment. About 27% who started up in the last five years did so to escape unemployment. That is quite a large proportion, but it is a minority. That leaves about three-quarters or so who started up in the last five years and did so for other reasons: meaning, creativity and so on. That is not to excuse the fact that it is very precarious.

One of the things that we keep talking about and arguing is that the Government has done a lot to support businesses to become profitable through deregulation, Corporation Tax cuts and all those kinds of things that focus on the business. However, if you look at the individual who sits behind that business, there is not much in the way of support for things like accessing mortgages if you are self-employed, pensions, training, insurance and all these key things that we forget about, which are focused on the individual.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): That is right. It is easy to forget a couple of things. One is that self-employment is sometimes a route to a different type of work environment. We have lots of people who come in and start businesses - sometimes because they do not have any other options - and then find a route into more permanent employment. Sometimes they pass the business on to someone else who then goes and does the same thing. We have seen that a few times. It is developing your skill base as much as it is just adding to the economy.

The second thing is that this is not new: people had been running businesses long before any of us were alive. Inherent in that is the fact that you have to take risk. You are not going down normal, conventional routes of employment. Sometimes it is because you do not have as many choices. That is absolutely right. Sometimes it is because you have a high risk profile. Sometimes it is because you just want to have a go at something and you have had an idea for a while. These things are inherent in the nature of start-ups. We have to be careful that we do not try to wish things upon that start-up world that will in fact take away what makes it so interesting.

Stephen Knight AM: Is there a difference between the actual entrepreneur or business owner who is starting that and the person they are employing on a freelance basis, on a zero-hours contract or whatever? If you are an employee, the risk you face as an employee of a single individual is rather different than if you are employed by IBM or Tesco or somebody. You face a completely different --

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Of course it is, but all jobs are different.

Stephen Knight AM: They are, but if we are relying on one particular type of job for our growth, then we are changing the nature of job security across the economy, are we not?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): That is about seeing these things as static. They are not. They are constantly evolving and changing and we have to see them as a collective, not as a series of individuals, from a public policy perspective.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): If I can just add to that, we have heard about zero-hour contracts, but actually many people who work for small businesses are what I call 'portfolio workers'. They may be working part-time for one business, doing a bit of their own business somewhere else and all sorts. How we measure that from a policy perspective is incredibly difficult. It shows the changing world that we operate in, particularly for young people coming through because so many do a number of different jobs just to get into the employment market and they are part-time or zero-hours or whatever. It is very difficult to get a handle on that and obviously you [Benedict Dellot] have done some research on it.

Andrew Dismore AM: This is about business premises, really. We have already talked about the tech side and the creative industry side, but what about other small businesses, micro-manufacturing and that sort of thing? How easy is it for them to find business premises? Jessica started on this when she was answering the previous question.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): The answer is that it is becoming harder and harder because our powers through policy are not what they were and so it is harder to protect vulnerable premises through the planning system. Deregulation of the planning system means that a lot of these premises change use. The stock is

shrinking and it is becoming harder. Those particular businesses have to compete not only with potential redevelopment for housing but also with other higher-value, higher-growth businesses.

We mentioned in a couple of places in the briefing 'low growth' and then 'low value'. I just felt we perhaps needed to understand what we were talking about.

Andrew Dismore AM: What are the problems facing them or particular impediments? You talk about planning policy. Presumably that is the permitted development rights, which may mean a lot of light industrial and indeed office space both being converted into housing with a loss of employment space. There is a big block in Camden that went like that.

Office space is particularly relevant to the tech industry, media and that sort of thing, but I am now looking at the other side of small businesses like microbreweries or people who want to set up small manufacturing. How do they cope? What are the barriers in their way apart from permitted development rights? Is it just a lack of supply or are there other things as well?

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): I have been working mostly on supply. I do not know if others have been looking at other aspects.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): Supply is a big issue and finding suitable premises. We work with a number of businesses that are wanting to grow and have to move out of one premises into another. It is particularly difficult finding suitable premises. The stock is often not available. It may be low quality or the pricing may be unaffordable because obviously all of this steps up the fixed costs that the business is then carrying. There is that.

However, the other important element is what we call the 'property ladder'. If you have incubation workspace or whatever you want to call it, how do those businesses move on from that into what I would say is more of a commercial business space? For example, five years ago we took on a centre that the local authority wanted to be an incubation space but it could not continue the subsidies into it. We have had to turn that into what I would call a 'managed workspace' with onsite business support. We do very affordable rents, but we have to charge enough to make the place viable. We do not make a profit, but we run it at cost, really. That is great but the next challenge is, when those businesses want to move on from there, where do they go? There will be a differential in the cost. I do not think the property ladder is a clear escalator within a very complex London market. Obviously, many local authorities have an aspiration to achieve business growth and job growth and so losing these businesses to that local authority area is not something they want to see, but it actually happens all the time because businesses operate in regions, I suppose, rather than in local authority areas.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): Also, what perhaps is not always understood when, say, one of those businesses might be displaced because of redevelopment for another use or something like that is the interconnectedness of that business with the customers, suppliers and employees that are located in the vicinity. They might well be able to access and afford a similar type of premises ten miles away, but that might seriously affect their business.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): For me, this comes back to the point I made earlier about understanding the economy enough to justify public sector intervention where the market is failing because the value of property in

London makes all of this stuff so incredibly difficult. The more we can understand it, the more we can justify the kinds of interventions that we might need to make to solve some of these problems.

A second point is about aggregation. The more you bring this stuff together, the more other stuff that helps happens. We certainly have examples in our space of people who have had tech businesses in Shoreditch and they move into our hubs in Camden because we make it very advantageous for them. Also, they are working in an environment where they may be developing an operating system for Google Glass and they are sitting next to someone with a sewing machine. That kind of environment is actually much more conducive to developing them across a broader range of business opportunities rather than sitting next to a person who is reading the same book, who is after the same set of investors and who has the same exit strategy. Again, the more you aggregate, we find, the more all kinds of additional benefits come out of that, including the opportunity to have the less-profitable stuff alongside the really interesting, high-growth stuff.

That is not to say that I do not understand the Government's intervention in and around the Silicon Roundabout because in a recession you do want to pump-prime those higher-growth businesses. I get that. However, it does not mean that it is not now time to focus on the rest.

Andrew Dismore AM: How do we incentivise developers or have some form of intervention? As there has been market failure, what do we actually need to do?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Without a big gun, do you mean?

We have to look at the way in which local authorities interact with developers. Sometimes perhaps the wool is pulled over planners' eyes by developers who say things are not affordable when in fact they might be.

Andrew Dismore AM: Viability, yes.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): However, it is also a part of this understanding of the broader economic benefits. That is going to be my stuck record, I am afraid. Also, as we start looking for opportunities to create more and more affordable housing, we also need to include in that affordable workspace. We have to, again, aggregate and we have to try to bring as much of this stuff together as we possibly can. Of course, the peripheral benefits on your transport system of doing that are not to be ignored, either.

Jenny Jones AM (Chair): There is something in the London Plan about affordable shops and so on. It is in there already. Jessica, you mentioned before something about cleaner, quieter companies being preferred.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): Yes. Developers are, understandably, going to prefer those types of businesses because they are focusing on the residential element if it is a mixed-use scheme and they want businesses that will complement that residential element. They do not want someone knocking away on the ground floor. However, planners also have to be much clearer about what it is that they want to achieve and deliver. We now know that the term 'affordable workspace' can be manipulated and planners do not always know what it is that they want. In Camden, I know that the planners there have done some very good work around Hatton Garden and the jewellery industry. They had done a lot of research and were very clear about exactly the sector they wanted to support. That has probably been more successful than other attempts.

Jenny Jones AM (Chair): I visited an aggregate plant in Charlton, a fantastically well-organised company with access to the river and a little train as well and so on, and they have just built a huge block of flats next to

it. You assume those people are not going to want that aggregate plant next door to them for very long. It is a case of industrial land being driven out, perhaps. Where do they go? How far out do they have to go? Do you have a view on that? Where is affordable space?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): How big is London?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): Obviously, on the industrial estates or in the industrial areas designation there, permitted development has unfortunately meant that some of those properties have gone to housing, which in my opinion is completely wrong. As you say, how many people want to live next to heavy industrial works I do not know, but I guess they will be able to sell those properties. However, my view is that we have to safeguard jobs in London and we have to create jobs for local people. Therefore, we have to find a balance between reaching the very necessary housing targets and actually safeguarding employment land for businesses to continue and grow and create the job growth that we need within London.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): I could not agree with that more. That is absolutely spot-on. It is a perpetual issue, but 'mammon speaks', does it not? If you make the spaces available, a property developer will come along and use the space to make as much money as possible. That does not necessarily including providing premises for somebody to do something chemical or to have a microbrewery, as someone mentioned, or, as you mentioned, someone banging away on metal or something like that. It is just not going to happen like that. I could not agree more. That is spot-on.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): It is also just worth clarifying that it is not just an issue of permitted development. That is a very recent problem, but this has been going on for quite a long time. When I was doing my research in the early 2000s in Hackney, there were lots of mixed-use developments being granted in defined employment areas, partly from an ideological view that mixed use is what we want and partly from just sheer development pressure.

Jenny Jones AM (Chair): Do they work?

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): It depends what you mean by 'work'. Those spaces are occupied, but you are not replacing like with like. You are not accommodating the businesses that might have been there before.

Jenny Jones AM (Chair): Like garages.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Yes, they can work and they can fail. It depends on who is doing them and how well they have done. If you expect to make a simple intervention and leave it alone and it will all be fine, chances are it will not. If you have consistent local management involved in it, it can work very well.

Tom Copley AM: Are artists, for example, becoming victims of their own success? They move into an area that might have very low values at the moment and make it quite trendy and attractive, larger businesses move in, people want to move and live there, and then they get pushed out. Is that what we are seeing? How can you protect against that? There is always going to be an element of that, but how do you stop the complete removal of people who have actually helped to make an area very desirable?

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): It is very hard. A lot of the premises are on very short leases. There is increasing interest in how we can support artists' studios or workspace providers to actually purchase premises because, whilst they have an asset, they can start borrowing against that asset to do other things. In terms of the group we are on, that seems to be quite a high priority.

Jenny Jones AM (Chair): The London Enterprise Panel (LEP) has an Open Workspace Providers Group. Simon, do you know what their priorities are?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): That is the group that we were just referring to there. It is a subgroup of a subgroup of the LEP. It is specifically trying to work out where and how you justify public sector intervention in workspace and what the value of it is. It is absolutely the sorts of things we are talking about. You are absolutely right that without some kind of long-term interest in an asset, ideally ownership, it is increasingly hard to justify or to make these kinds of provisions work.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): The business model they have often relies on having quite a lot of workspace units together so that they can get the networking going and economies of scale. They are not always that interested in pepper-potted mixed-use workspace.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): It is hard work collecting rent from an awful lot of small, disparate businesses. It really is. It is much easier to get one big company in there and get a 25-year lease out of it.

Tom Copley AM: That actually leads quite nicely into my question, which is about what the Mayor and local authorities can do to support workplace provision for microbusinesses. Can I start with you, Simon? The Camden Collective is funded by the Mayor. Is that right?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): It is funded by the Business Improvement District (BID), Camden Town Unlimited, and we deliver it on behalf of the other funders, which include the Mayor and Camden Council.

Tom Copley AM: That would presumably mean it would be an example of best practice, would you say?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): I would like to think so. One of the things that has helped us in our success has been the fact that it is based fundamentally within a BID. It is the business community of Camden Town that has set itself up as a BID, has volunteered to tax itself in order to improve the area, has had enough vision to recognise that this sort of stuff is going to get washed away if they do not do something about it and has put some of their own cash in to subsidise it and to get it off the ground. Without that, we certainly would not have created as many jobs and won as many awards. However, it does come back to this point about how the right kind of local management is absolutely essential to this stuff, as well as funding.

Tom Copley AM: Absolutely. Sometimes they work and sometimes they do not work.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): We have to accept that some of them will fail. You are talking about a sector that has an incredibly high failure rate anyway. The fact that some workspaces will fail is just part of that landscape as well.

Tom Copley AM: Diana, do you have any more thoughts on how support could be provided by the Mayor and by councils?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I agree entirely with that. Businesses can go into a workspace, but if they do not have what I call the 'nurturing services' surrounding them that help them with their business development and help them connect with other businesses, then it is not going to work as well. That is the real added value that Government intervention can bring. It is about local ownership of businesses, in my opinion, rather than them just performing on their own two feet. All these networks are there; it is just how they are assisted to connect with them. Everywhere you go in London there will be networks of business in one form or another and people who are there to support businesses, whether professional, legal, accounting or whatever, but it is how these people are enabled to connect to that network. That is why property is one part of a much bigger picture, but it is a very critical part because it is about the cost base, being in the right place, shared learning and all of that.

Tom Copley AM: Am I right in thinking that the Mayor has some sort of scheme on studio space? I do not know why I have that in my head. Does anyone else know? Have I made that up?

Jenny Jones AM (Chair): No, I do not know.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I do not know, but workspace is part of the new European Structural & Investment Funds (ESIF) prospectus, which is the European Regional Development Fund. It is in that plan.

Tom Copley AM: That is right, yes.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): However, that is not out quite yet.

Tom Copley AM: Jessica, do you have anything to add?

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): I seem to remember that the Mayor is directly funding or supporting a Makerspace in Waltham Forest.

Tom Copley AM: Maybe that is what I am thinking of.

Jenny Jones AM (Chair): We will find out about that, yes.

Tom Copley AM: How do you think the Mayor and the boroughs could share good practice in this area? Is there scope for them to bring people together and actually get good practice shared?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): One of the things that intrigues me is how local authorities have used their New Homes Bonus and how some of them are using it for very enterprising activities and things like workspace and others are using it for different things.

Tom Copley AM: Can you give any specific examples?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): There are some local authorities that are definitely putting money into enterprise support in one way or another through their New Homes Bonus, which is great. However, I do not know how they share that learning because obviously it is a decision that is

made at a local authority level in terms of what they want to do with that bonus. In some localities there are collectives of local authorities. In south London we have the South London Partnership, which is a collective of the six local authorities, and I would assume there is some shared learning through that.

Benedict Dellot (Senior Researcher, The RSA): Just a quick point in general about evaluation and sharing of best practice. I do not think there is a very good amount of evaluation that happens of business support schemes. You need to have that before you can start to share best practice. You need to know what works before you can do that.

A good example of a workspace that does this quite well is Cockpit Arts, which I believe is based in Camden. Those guys seem to be rigorous in evaluating what works in terms of their workspace. They have mentorship schemes. They have implemented a new thing called the Employment Carousel, which basically has businesses within that workspace sharing employees. They have all of these kinds of schemes and they are trying to work out what works through surveys and evaluations. Whether they then share that I do not know, but I know that is a good example of a workspace that really does think about tracking its impact.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): I would agree with that. The issue with the New Homes Bonus is that it came across very quickly and local authorities had to make decisions in a very short space of time and did not have too much opportunity to engage locally. I do not know whether people have used the money inappropriately, but I assume because it has to be approved by the LEP that it is broadly in keeping with its enterprise agenda. Whether they have cheated on that, I have no idea. It is more to do with timing, I suspect. There was a very quick turnaround on that particular scheme.

Benedict's [Dellot] point about understanding what works and what does not is probably best picked up through the evaluation of the funding that has already been administered. When we get funding from the Mayor's Regeneration Fund or from a local authority, we have to account for every penny of that and we have to deliver outputs upon it. The process of that evaluation should be able to flag up the things that are working and the things are not and to create the opportunity to share best practice. There is a lot of it already there and that seems to be the obvious mechanism through which to draw the knowledge out.

Dr Onkar Sahota AM: Space is part of the journey, but from the conception of a business idea, who is there working with these people and saying, "Look, you may need space somewhere. Is this idea possible? Is it worth pursuing? Is the business worth going on with? What sort of support is there for those people who just have an idea for a business and want to develop it before they even realise that they need to have a space somewhere? Even if they do not get to a business then, they will need some support.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): It is totally fragmented across London, from my perspective. Obviously, the Government when it stepped back from Business Link has really gone towards online support through the Great Business website, which has fabulous resources on it. However, then, in some localities because of different funding streams or local authority priorities, you will get funding for business start-ups. We have already heard about the Enterprise Allowance for unemployed people, which is obviously delivered by one or two organisations across London, but it is terribly fragmented.

In Merton, for example, we are privileged. We do have a business support start-up scheme and a growth scheme, which is part-funded by the local authority. We are the contracted deliverers for that. We work in association with the private sector to lever in expertise. It is a real privilege for those businesses in that borough, but that is because the local authority does have an objective to achieve business growth and job growth.

Some local authorities fund it in different ways or they may get money through other funding channels, but at the moment my view is that it is totally fragmented across London. Therefore, businesses do not really know what is there.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): I could not agree, again, with you more. There is a plethora of different things out there. Most people in very small businesses do not even know where to start to look. If they look on the internet, it is just a mist of dozens and dozens of different things.

Dr Onkar Sahota AM: Putting up a business plan on the internet does not answer how you fill the boxes in.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): With Business Link, the concept - especially in the later years when it was there for all businesses, rather than the initial concept, which was just for the 4% of those on the cusp of growth - was basically a good idea. These people knew where to look. Unfortunately, it failed for a number of reasons to do mainly with management, costs and a failure to recruit the appropriate people. However, the basic idea that there is one place that pretty well everybody can go to is a good idea. Unfortunately, how do you implement it and how do you apply it without it again turning into a massive top-heavy organisation that operates to its own particular agenda rather than looking after businesses specifically?

Jenny Jones AM (Chair): Thank you for giving us a solution and then knocking it down again!

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): There is a definite need for people to be focused on a particular direction. It may be that it has to be done by region or area or something like that, but they do need to know where they can go. There is also a fear factor. People do not particularly want to get involved with councils and institutions and things like that. Especially if they are small-businesspeople who perhaps do not have initially the confidence in themselves, it is one of the last places they want to go. They want to feel comfortable. Chambers of commerce can provide that or the Women's Institute, for example, especially for ladies getting into business. They can get to know other people and talk to one another and they can network in areas like that before starting a business.

Do not forget that there are a huge number of people who perhaps think they might want to start a business. We do not know who they are or where they are, but these people need to know if they go somewhere what it is going to cost them or not, as the case may be, but we definitely need to do something to help develop an entrepreneurial spirit in people. It may be the Polish lady around the corner running a cleaning business. She will not know where to go.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): The LEP SME Working Group is setting up a Growth Hub website that is supposed to bring together all of these bits of advice and so hopefully there is an attempt within this building to try to solve that problem, but understanding that it is extremely difficult and the internet does not actually always help. Hopefully, if it is not launched by now, it will be soon.

Picking up on Andrew's [Dismore AM] point, those of us who have actually started, grown and sold businesses know that it is not a linear process. Actually, there is quite a lot of advice out there, often from family and friends, not all of it good. When you are trying to start up something new, finding appropriate advice is quite tricky. What you really need is support. I come back to this point about space: if you can provide space for people and support within it - and I do mean support rather than advice - you enable people to get through two really important barriers when they are starting up a business.

The first is rejection. As soon as you start trying to test your idea in the market, you get knocked back an awful lot. Sitting on your own in your bedroom reduces your tolerance for that a great deal. When you are sitting in a room with other people doing it, your tolerance for it is a lot higher. That has an awful lot to do with the high success rates that we achieve compared to the national average.

The second thing - again, as anyone who has run a business knows - is that the minute you print your business plan, it is obsolete. It is never the idea you originally had. I started a business that was selling ringtones and ended up selling table-tennis tables. I have no idea how that journey worked! The opportunity to sit within a space with other people who can support you through that process and through that learning is far more valuable than - forgive me - a bank manager telling you how to put cash flow together or something.

Dr Onkar Sahota AM: That is what entrepreneurial businesses need: to test their ideas out, to be in that den and in their comfort zone to test those ideas out.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Yes, exactly.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): Also, enterprise agencies used to provide the business support services only through London Development Agency funding or other routes. When that funding ceased, they then turned to providing accommodation. A lot of them turned into workspace providers in order to fund their activities. They found that hard. I interviewed several business centres in Camden. They found it hard, but actually it creates another model for them that seems to be working as well and so we really need to support their work.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): Many of them started to also turn towards the Growth Accelerator Programme and Growth Vouchers and that sort of thing because their basic funding had disappeared. Do not forget the basic funding was very often the funding that helped the very business that wanted to get going. They have become almost bypassed or side-lined. It is a big issue.

I agree with this point that if you can get people into a space, it is fine, but there is a big step going from your bedroom to a lease with a competitive arrangement before you can get the space, as many of these things are. You are then tied sometimes to a contractor arrangement. Yes, they are easier and easier, but it is still a cost that you had not necessarily bargained for initially.

It is all good stuff, but the reality is that there is a whole swathe of people who are before that and those are the ones we do not seem to get to at all. They are the ones who pick things up from the internet and who do not know whether they are getting good advice or bad advice. There is no real process for making sure that the information and advice they are given is good information. There were efforts in the past through the Small Firms Enterprise Development Initiative and things like that to bring standards up, but even they became watered down in the end. Unfortunately, it is a big issue.

Benedict Dellot (Senior Researcher, The RSA): Just two quick points. When you think about business support, two questions arise: one is whether it is available and the second is whether people know about it. If you take the example of the Growth Vouchers, it was revealed recently that it had a very low take-up rate and --

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): Yes, it has. That is because it is seen as competitive and 50% get it while 50% do not. Why should you go through all the pain and aggravation, necessarily going away on a course, and then be told you do not have it? It is pointless.

Benedict Dello (Senior Researcher, The RSA): Yes. That is partly to do with the fact that they were trying to create a randomised controlled trial to evaluate it.

One of our suggestions is that the BBC takes on a role in terms of business support because it is widely trusted, it has a great brand, it has amazing resources, it appeals to people across the income spectrum and it has a remit to inform and educate. It does this through, for instance, Bitesize for people who are doing GCSEs. Given that now one-in-seven in the workforce is self-employed, is there not an argument for the BBC to start thinking about how it can actually support the business community, whether that is through the provision of advice or collating existing advice or just more informative and interesting radio and television programmes about business?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Yes, just to respond to Paul's point about space. You are absolutely right that taking on leases is a huge difficult problem and, as soon as you do it, you realise you are doing that rather than running a business. That is why we offer free space. It is exactly that point: to try to get people out of their bedrooms and give them the chance to start exploring this stuff. Free space is hugely important and really interesting.

Tony Arbour AM: First of all, can I comment on the point about fragmentation and all the rest of it? I would have thought the last thing we want is some additional centralised burden and I entirely agree with Simon [Pitkeathley] on that. That is the whole point about working on your own. You are breaking away and you are doing it for yourself and you have that kind of enthusiasm.

On the point about advice: how do you ever know whether the advice is good advice? Because you pay for it? Because the Government comes around and says, "I am from the Government. Here is some advice"? I do not think so.

On the point that was made about people getting together and discussing it - job clubs are what that was about - where you would run your business plan in front of others. Again on that point, the last time Jessica [Ferm] was here, I made the point that most local universities nowadays will have a business school and the guys who are doing their dissertations have jolly good projects and have a kind of 'Dragon's Den'. They love it. I cannot imagine that The Bartlett does not do that kind of thing. Does it?

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): UCL does.

Tony Arbour AM: Everybody has that kind of thing. I would have thought an entrepreneur who is worth his sale or a small-businessman who is worth his salt would go out and seek it. I am not sure you should go around knocking on their doors saying, "Here is a load of advice. Here is this. Here is that".

The key thing I wanted to raise with you is whether you are familiar with the report that was published by this place, by the Steve O'Connell AM in the GLA Conservatives here, which found that ten housing associations between them owned 3,275 empty garages. These are these blocks of garages and there must be thousands and thousands right across London owned by local authorities and things like that. There should be some sort of concerned move to deal with this.

On the other point about the great barrier, I accept that moving from your bedroom to a garage to a lock-up is a great thing, but the real jump is taking on an employee. On this point about how awful it is having zero-hours contracts and things of that sort: without the zero-hours contracts, you would never employ anybody. Once you formally employ someone, there is the red tape, there is the burden and there is the

bureaucracy. This is an extension of the point you made about how once you have a property apart from your bedroom, being an employer is a terrible burden, I have always found. That is a terrible thing.

First of all, can I ask if you are familiar with the report that was published about the empty garages?

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): Yes.

Jenny Jones AM (Chair): It is a very short report. It will not take you long to read it.

Tony Arbour AM: The best things come in small packages and make reasonable and acceptable points.

Jenny Jones AM (Chair): I have supported that particular report and have applauded Steve O'Connell [AM] for doing it. I thought it was very sensible.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): It was picked up, actually, as a precursor to what became the High Street Fund. A lot of the coverage around it led into the High Street Fund that has just been announced yesterday.

Tony Arbour AM: I am glad and I endorse that. However, listen to those key things - to bring us on to the fourth question here - that relate to regulation. Many of the reasons that people work for themselves are not so much that it is *force majeure* because they have lost their job or the electorate has rejected them or something of that kind. It is because they want to do something for themselves. Regulation is an absolutely terrible burden.

Do you think there is a point or that there should be some kind of level where there is absolute free play and where there should be no regulation at all, ie a business with a turnover less than X should be completely unregulated?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): You have to set the parameters of the playing field. Permitted development rights are a very good example of an attempt to take regulation away from an environment that has had a lot of unintended damaging consequences. I do not think, therefore, you can have a blanket answer to a question like that I am afraid. If you can constantly check the field on which you are applying these regulations against their outcomes and if you are prepared to adapt them when you see a need, then that can work fine. However, an environment free of regulation is likely to cause as many casualties as opportunities.

Tony Arbour AM: Can I give you an example? A very recent example, which suggested that small businesses were going to get stuck, was Mr Balls's [Shadow Chancellor of the Exchequer] ridiculous suggestion that everybody should be given a receipt. That would be a real killer for the average small --

Jenny Jones AM (Chair): Excuse me. Can you let the panel answer some of your questions before you go on to more questions?

Tony Arbour AM: I am really enthusiastic about this man. This is good stuff.

Jenny Jones AM (Chair): Yes. I was just astonished that the Conservatives came out with something that advocated less space for cars, and that I supported it.

Tony Arbour AM: That was an unintended consequence.

Gareth Bacon AM: He missed out the word 'disused' garages.

Benedict Dellot (Senior Researcher, The RSA): Just on Simon's [Pitkeathley] point, obviously you have to judge regulations on a case-by-case basis. The Organisation for Economic Co-operation and Development and the World Bank are always reviewing the level of regulations and how easy it is to do business across developed countries. The UK always scores highly. This notion that if you just pare back regulations somehow more businesses will flourish is too simplistic.

The other thing is that if we are talking about trying to attract really high quality labour - graduates, for instance - into small businesses, do they want to work in a small business where it is very easy to fire somebody, for example? I am not sure they do. Do not create a two-tier labour market where you have small businesses that are precarious and large businesses that are great. You have to be very careful with regulations.

Jenny Jones AM (Chair): Simon, do you want to come back?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Again building on the point, if you look at the history of law-making, it was all about enabling free trade. They were creating regulations in environments that allowed people who did not know each other to trade effectively. Therefore, be careful what you abandon.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I was just going to say that I do not like the compliance burden on businesses and I am sure there is some work that could be done about that. However, businesses do have to operate in an environment of regulation, firstly, to safeguard themselves and, secondly, to safeguard any employees they have. There is this big step-jump. We have talked about self-employed people, but we all know that once you employ more than five people, it becomes a much more serious game. That is the information, advice and guidance that businesses in London require because so many of them have never done any of that themselves. They do not understand what they should be doing and they do not understand the implications if they do not do it. That is terribly important because it is all part of the business journey. If you have an aspiration to grow a business into a large business, you have to go through those stages and understand it. I do support regulation, I am afraid, but the cost of compliance is enormous.

If I could just use an example, I visited a business the other day - a slightly larger business than we are talking about today - and it employs around 20 people, and it is about the Annual Business Survey, which you are legally required to do. Actually, I know an organisation that has just one person in it that has had it. You have to do this. To complete this form, I would say, even if you are self-employed, is probably three hours' work. If you are running a fairly complex business, it is probably a day's work. The feedback I had from the larger organisation was, "Yes, we are required to do it. No one ever says thank you. We never know what happens to it. Why do we have to do it?" That is why businesses get frustrated. There are these things that come through to businesses that none of us ever see. I was amazed when I saw it. The complexity of it is enormous, but you assume the Government uses that to inform its policy.

Dr Onkar Sahota AM: I was just hearing you talk and was listening here. There is a tension between the entrepreneur and the employee. The entrepreneur wants to maximise his profit. However, there is the process of being counselled, "Look, if you want to grow your business, this is the time when your profitability is going to go down as you expand the business and as you take on new employees. Your profitability is going to go down. The way you should expand your business is not by being bad to your employees", in order for the business to go through the process of considering growth.

That is where I was coming from with the question. Not all businesses need to grow and, when they do need to grow, there is a cycle of growth and they should not be growing by using zero-hours at the expense of screwing the employees. That is what I am saying. That process is very important. All companies, employers and entrepreneurs who want to grow are going through that process of what the implications of growth are. I come from a small business, a doctor's practice, and I know positively that I do not want to grow my practice because my bottom line will go down and growth is not good for me. That is a process --

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I will just add that it is what I call leadership and management skills. If they do want to grow their businesses, owner-managers really struggle with devolving the control that they have. Obviously, if you are running it with one or two people, you are so multifunctional that you have to do a bit of everything. Owner-managers quite often struggle to devolve control to someone who is not as trusted as they are. That is where the leadership and management skills come in.

Going back to the mention of the Growth Vouchers, we do just the front end and the diagnostic part of the Growth Vouchers, which is about an hour of really high-level analysis of all component parts of that business. Actually, that model works really well. It does identify a business where, if you are aspiring to grow that business, leadership and management skills - as well as getting finance, marketing, sales and technology in place - are absolutely fundamental. It is how businesses are equipped with this knowledge to enable them to take those steps to growth.

Andrew Dismore AM: Can I just pick up on this regulation argument that Tony [Arbour AM] has come up with? A lot of the regulation is there to protect the public. It is not just all about affecting employees. You would not want a microbusiness baking cakes not to have to comply with hygiene regulations or Onkar [Sahota AM] or me, as a one-man-band lawyer, not having compulsory insurance in case we screw things up or, indeed, not having professional qualifications at all, which is a statutory and regulatory requirement. This argument about regulation can be somewhat misleading. Then you have the question of the big 'health-and-safety monster', but in practice it is there to protect everybody. It is not just to protect employees; it is to protect the public and it is to protect the business owner as well. I just do not buy all of this, I am afraid.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): On the regulation thing, I am never quite sure what is meant by 'deregulation'. Where do you start and where do you stop? There are the laws of the land. You are not allowed to go out and kill people, even though you might want to test some of the arguments you make in that way, and so I do not think that is a valid argument. The thing is that the laws of the land have to apply and people need guidance as to how to deal with them.

One of the issues that you do get is if you have a business that is accidentally growing, shall we say, and you get to the point where you have four employees and think, "Do I really want to have another one? Do I want to do that? Do I want to get involved in all the rules and regulations that come with that?" What you do is you do collaborative arrangements with other businesses down the road. You ask them to do the work for you and you contract with people.

You have to appreciate that most people who start and run a business are on zero hours. That is how you start because you do not know what business you are going to get. Zero hours are a bit of a red herring, but the fact of the matter is that most people who run their own business are on zero hours. Consequently, if they employ people in that business, there are going to be times when they contract out to other people who happen to also be running their own business and they are on zero hours, too. Those arguments are a little bit aside from the main issues.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Just on the regulation point. I agree with what Paul [Mayhew] is saying about how owner-managers are on zero-hours contracts. That is absolutely right. We want them to take those risks in order that they might get the growth into the economy.

The tension that the state has in relation to business is this one between a desire for growth in the economy and all that that brings and the opportunity to put burdens on business that also help it. Diana [Sterck] had a good example there. If you are value-added tax registered, you are effectively a tax collector for the Government. If you employ people, you are an employer to National Insurance and you are a tax collector on behalf of the state.

The problem does come back to the fact that businesses are quite easy to impose more regulation on because they do not vote. You do not get the kind of reaction that you get if you penalise residents. I am not saying that businesses should have a vote, but there is an inherent tension there.

Jenny Jones AM (Chair): They do in the City.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Yes, in the City of London local elections workers do and indeed BID members have a vote as well. However, the state can easily forget the burden it is placing on business and how that can have impacts on growth and vice versa. It is always a tension with the state. The two sides sometimes work independently of each other and bringing the two together is quite important.

Jenny Jones AM (Chair): We are going to go to Gareth [Bacon AM], but if during any of this questioning you have an idea about what the LEP could do or what the Mayor personally could do, please suggest that. Jessica, you have an idea?

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): Responding to the garage point - I did read the report and my question was then why more of these garages are not being converted and what the barriers are to that. It seems that if you are a workspace provider you can get a mortgage to purchase a property but you cannot get a mortgage to cover the fit-out costs and the fit-out costs of converting garages are quite high. I wonder whether that is an area that you might be able to support.

The problem with housing associations is that they are not geared up to deliver workspace. We also need to bring the providers, the housing associations and the councils together.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): Housing associations do have a responsibility to help their tenants who are unemployed to become employed. We get a lot of referrals from various housing associations when they have gone and knocked on the doors of people who do not have jobs and ask them what they want to do and some do come along and say, "I want to start a business".

You are right as far as garages are concerned. You have sewerage, electricity, asbestos very often in the corrugated iron roofs and all sorts of things. It is not that easy, I am afraid.

Jenny Jones AM (Chair): Did your report - or Steve's [O'Connell AM] report - cover that, Tony?

Tony Arbour AM: It certainly did not cover the point about getting a loan to cover the fitting-out of a garage. I certainly take that one on.

Gareth Bacon AM: I was quite struck by some of the comments particularly by Simon [Pitkeathley] and Diana just a moment ago because they touched directly on what I want to talk about. It seems that a microbusiness - or any small business - is normally motivated by an idea: someone spots a gap in the market for either a service or a product that they want to sell. Their primary focus, certainly when they start up, is going to be trying to find a market for it and taking some market share. What they stumble into is a lot of the regulation that we have talked about and also some of the business-associated requirements: financial returns, for example, amongst others. Finding a way through that particular thicket, unless you have experience of doing it before, could be an absolute jungle and you do not realise what you are doing. Diana mentioned the form that takes three hours. If you are just one self-employed person running a company, it could take you all day and that is if you know what you are doing. It could take a lot longer.

What level of support is out there to help people find their way through this? Is this an area where public sector bodies - be they local government, national Government or regional government - could provide advice services and ways of helping people to do that?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): It is fragmented. There is online support through the Government websites, but many businesses think locally and they connect to friends and family and people they know.

Our experience is that you need to help people connect because most people do business on a people basis. If they meet someone, they will think, "Actually, I do need a bit of legal advice and that person does not seem too scary and they can help me. I will probably go for it". However, if they just do all of that online, they are really going into the unknown. Therefore, to me, it is about building connectivity for these businesses.

Gareth Bacon AM: The online thing goes back to the comment that Benedict [Dellot] made earlier on. It depends on you knowing that it is there and you would not always if you are starting out.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): The Government promotes its websites hugely but businesses - particularly small businesses - are very much getting on with their day-to-day stuff. Their ability to raise their heads and think bigger and think about where to go never quite gets achieved because they are busy doing the day-to-day stuff. That is the challenge.

Gareth Bacon AM: That is the point I am getting to, really. Although the Government will publicise various support things online that it is doing and will think, "We have done our bit now. There is our advice. It is out there. It sits in the internet sphere", it is not necessarily helping anybody. As you said, unless you can raise your eyes from what you are doing to know it is there, you are not going to know it is there and so you are not going to access it. It is relying on word-of-mouth.

Is there anything more that the state could be doing to make people aware of what it is doing? It could be done on a local level. It could be through BIDs. It could be through local authorities or something else where they are actually working proactively with microbusinesses in order to help them with this kind of thing.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): It is the network of local providers, whoever they may be. In different localities, there are different strengths. In Camden, they have Camden Unlimited. In Merton I would say we are that point as the Chamber of Commerce. We also have two BIDs as well. There are different access points, if you like. The way that we work is as a hub and then the spokes are all the people that we signpost people out to. We get a lot of very positive feedback about that added value.

You have to always take support for small businesses down to the grassroots level, really. Enterprise agencies always used to argue that. They are the ones who meet these people on a day-to-day basis. I am privileged in my job - I meet an enormous number of people, from those aspiring to set up and start-ups to the large corporates that we have. I am very privileged. What it gives me is a huge amount of what I call 'market intelligence', which is not necessarily operating within a policy framework but shows you the vast capabilities that are out there.

Actually, you have to give quite personalised responses to these organisations so that they meet their needs, not a catchall, fit-all type of approach. They all need the same information, but they need it different ways and at different times. For me, I would say that it is a local response model through whomever it is that is proactive in that locality. Actually, the localities should work together. I know the key agencies in the boroughs we work with. I am very happy to work with them and we work collaboratively to provide the best value to businesses that we can.

Gareth Bacon AM: Your argument is for something on a much more local level, rather than a national intervention that says, "This is how you do it and this is the one size that fits all"?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I am afraid that is my view and obviously, at the moment, we have gone national. Everything is being stripped out from the local. Some businesses will relate to that.

The other point I would make is that there are businesses that will help themselves, always. People who will help themselves will find the help that they need and will go forth. Then there are businesses that need help to make sure that they comply and do things in the right ways. They are the ones who do not know where to turn despite all the advertising and promotional activity that we can all spend hours doing. They will say, "I did not know you did that", or, "I did not know I could get that". They are the ones for whom it is really important that they get the support because otherwise they are at risk of going out of business or actually creating a business environment that is not suitable for people to be associated with or work within, which is not good for anyone.

Benedict Dellot (Senior Researcher, The RSA): I just wanted to say that 'business support' encompasses so many different things and it might be worth thinking about it in terms of a spectrum. At one end, you have very generic support in terms of advice like how to write a business plan if you want to, how to find customers and how to market your goods in a certain way. At the other end, you have technical support like how to file a tax return. The generic side of things I guess you can find out from your friends, family or business support practitioners occasionally. The other side, the technical side of things, is not something that you really want to rely on friends and family for.

That is when accountants become very useful. One of the things that comes across in our interviews with business owners time and again is the importance of accountants. A lot of people are saying that a good accountant made a whole world of difference to them.

One of our arguments or proposals is that accountants could take on a broader role in terms of not just helping people to file their tax returns but also encouraging them to think about their business more generally and about how it could grow if they want it to grow and providing general business support. What that means in practice I do not know exactly. Maybe a conversation could take place between the GLA and accountancy institutes around whether there a new course in accountancy training that tries to embed and encourage accountants to play a broader role in providing business support.

Gareth Bacon AM: There is a lot in that. Most of the accountants I know like to call themselves 'analysts' rather than 'accountants' because it is a lot sexier than 'accountant'. What a lot of them aspire to do is to move beyond merely being bookkeepers who file financial returns to being somebody who looks into the future and thinks about how you could change your business and make it better and reach out to new markets and so on. That is eminently sensible.

However, it is not always possible because microbusinesses will often deal with small practice accountants simply because they have to get their financial returns in and that kind of thing and those accountants are not geared up to do the kind of work you are talking about. Actually finding the right kind of accountant might also be something that would be useful and I am wondering if there are ways that that could be achieved, whether through the GLA dealing with the accounting bodies or in some other way.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): It is difficult for the state because the state's instinct is to find a one-size-fits-all and in these environments, you need to empower local leaders. Business Link was a great idea dreamed up by civil servants who wanted a one-size-fits-all. I know back in my days of accounting, if another spotty-faced youth told me I needed to write a 20-page business plan or go and attend a half-day workshop, I was in danger of doing real physical harm to them! Somehow the state has to try to work out where the local leaders are, not try to provide the solution to everything but to empower them to access it and find it for local people. I realise it is a challenge for the state but it is about thinking more like an entrepreneur and a generalist, than as a civil servant and a specialist.

Gareth Bacon AM: Yes. Personally, I agree. Sometimes it is a good idea for the state to provide the opportunity and then to get out of the way and let people who know what they are doing to do it.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): I was just going to make a comment that over the years I have provided management consultancy and supported literally dozens of accountants; many of them are quite good with numbers but most are not terribly good with business. From the point of view of being an imaginative entrepreneur, an accountant is probably not the best person for them to talk to. They are good to talk to from the point of view of your tax and that sort of thing and maybe looking at your moving average totals and that kind of stuff. They are very rarely very good with people; most businesses are people businesses and it is not their forte. That is not why they became an accountant. To convert current numbers of accountants to becoming business-support able would be a fairly large task and rather hit-and-miss.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): It is already in the market anyway. I know a number of larger accountants that are business advisers. The barrier for microbusinesses is the cost of accessing that because it does not come free.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): That is true; it is a huge cost.

Jenny Jones AM (Chair): Thank you. It is an RSA recommendation about expanding, is it not? Have you had much reaction to it so far?

Benedict Dellot (Senior Researcher, The RSA): Not really. We still need to have those conversations with accountancy bodies to see whether they are interested, but it is something we will probably take further in the next few months.

Stephen Knight AM: I want to move on to the whole area of business taxation and I will start with business rates in particular. We know there has been a temporary enhancement of the small business rate relief fairly recently but we are also familiar with a lot of organisations in London saying that the thresholds around the definition of 'small business' means that very few London businesses actually qualify, even the microbusinesses. I am familiar with a lot of shops and cafés saying they do not really qualify because their rateable value is way above the threshold.

What are the barriers around business rates for microbusinesses? Is it a big challenge?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): It is cost, obviously, and I would say that the small business rate relief has been enormously welcomed by businesses that do fall within those thresholds and it is a really positive move to help businesses probably survive in very difficult trading conditions. I would welcome any extension of that.

We are back to market values where in some parts of London rents are extremely high and obviously the business rates are linked to the rateable value and therefore they become disproportionate to the costs of running that business. Retail in certain localities is a great example of that. Some local authorities are giving business rate relief on a discretionary basis, which is a very good idea. I do not know what the solutions are because obviously it is a huge income for the Government, but to sustain businesses, if business rate relief can be given in appropriate circumstances, is only a good thing.

Stephen Knight AM: The Federation of Small Businesses has argued for a higher threshold in London.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): For the small business rate relief?

Stephen Knight AM: For small business rate relief than in other parts of the country. I guess we could have a system based on floor space rather than rateable value, for instance.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): That would be right, yes.

Stephen Knight AM: I do not have the figures in front of me but I think the figure nationally is that about a quarter of businesses qualify for small business rate relief but in London it is a much tinier proportion; about 6% or something. I would be interested in your take on whether the general national framework for small business rate relief is something that needs reform to benefit London.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): What has been achieved with the rate relief is probably as good as you are going to get. You could tinker with it but given the overall requirement of business rates by the Treasury and the benefit the rest of the country derives from business rates collected in London. It was a staggering thing I heard: that the uptake in business rates from the opening of the Westfield shopping centre in Hammersmith and Fulham was equivalent to the entire business rate take of Manchester. It is staggering the amount of money the rest of the country derives from London business rates. You are not going to tinker with it a huge amount, frankly, if anyone at the Treasury has a say in it. We have a review happening at the moment.

I am going to suggest something quite radical and, please, I understand it is radical and therefore I am not expecting immediate take-up of the idea, but Diana [Sterck] touched on it. The real issue here is about the rents. The difficulty that most of us who are involved in any kind of regeneration activity have is landowners. They are the concrete ceiling that prevents most of us doing things we would like to do and they tend not always to operate in a genuine free market. Upward-only rent reviews, long leases, personal guarantees and

those sorts of things prevent the market from making the natural corrections it would to things like property values and the rents they can get from them.

I would wonder whether it was worth swapping the liability of business rates from the occupier to the owner. Currently it is the business that sits in the premises, employs the people and pays the tax that picks up the bill for business rates. If you swap that liability to the owner, of course, they will pass it on to the occupier still because that is what they do and that is how the model works --

Tom Copley AM: But they would not leave them empty, would they?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): They would not leave them empty and you would force them out of the dark but you would bring them into the equation. You would make them have some skin in that game. That might be worth broader consideration. I know it sounds radical, but I wonder whether it might work.

Stephen Knight AM: You might find them using their permitted development rights to convert them into residential very rapidly.

It is a very interesting idea. I wonder if I can broaden the discussion a bit more to the whole gamut of business taxation because clearly businesses pay business rates, they pay employers' National Insurance contributions (NIC) if they employ anybody and, if they are profitable, they pay Corporation Tax as well. The focus of public debate around business taxation is almost always around Corporation Tax and headline levels and that is what governments compete with each other to minimise.

In the context of very small businesses and small employers, is Corporation Tax relevant or do we have the balance between the various different taxes right into supporting small businesses and growth?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): It is interesting that the business debate always focuses on that and yet, actually, most small businesses will pay no Corporation Tax at all and can manage that situation. However, as you say, employers' NICs and business rates come off the top. Before you have made any money, you are paying those taxes regardless of how much you are making. In terms of the burden on business, it is worth looking at.

I come back to my point about the state. Those taxes are so valuable and so important because they are under the radar. You get your businesses to collect them for you and they come off regardless of whether your business is successful or not. They are really difficult things to fiddle with but your point is absolutely well made.

Stephen Knight AM: Small businesses would presumably benefit from higher Corporation Tax and lower business rates.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Absolutely, they would. Try telling that to the Treasury, though.

Benedict Dellot (Senior Researcher, The RSA): Of the 4.5 million self-employed people in the UK, most of them are really only paying their own NICs and income tax. The self-employed currently pay lower NIC rates than employees when you take into account the employer NICs as well.

One of the things we have to grapple with is that there are a lot of calls for the self-employed to receive more social security protection. For example, statutory maternity pay, currently if you are self-employed, you do not

have; you just have a maternity allowance. There are various other benefits and there are a lot of calls for the self-employed to receive more protections. However, given the kind of state we are in and the state of the public finances, there is no way of extending social security protection without having a conversation about whether the self-employed might pay higher National Insurance rates, somewhat equal to employees or close to employees. It is worth thinking about that as well.

Stephen Knight AM: As soon as you start taking on an employee, you get into employers' contributions.

Benedict Delloit (Senior Researcher, The RSA): Yes. Just a quick other point about that. Taking on part-time staff usually means you do not have to pay employer NIC, which means you have a proliferation of people taking on part-timers rather than full-timers to avoid employer NIC.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I would just add that obviously we have pensions coming up. Microbusinesses have to embrace the new pension regulations in probably 2016/17, which will be another cost and may be at the cost of employees. All this does is reinforce what we always say: get yourself a good accountant because, if you have a good accountant, they will save you money in these ways.

Secondly, these business models will change. I do think the traditional business model of growth through employees will change because of these compliance and regulation issues. It is a huge barrier to business growth in the traditional way.

Stephen Knight AM: Would you like to see any shift in the burden between the various different business taxes?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I cannot see it happening because at the moment the Government has to get money in and businesses are the route. I say to businesses that it is not going to get easier when you have local authorities having massive cuts. The burden actually on running the country comes to business.

Stephen Knight AM: The question is not whether businesses collectively face lower or higher taxation but the balance of the various different taxes. If you were to lower business rates but increase Corporation Tax, for instance, obviously some businesses would pay more tax and others would pay less tax. In terms of small businesses, presumably they would be the beneficiaries from that.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): They would be, definitely. One is about actually being able to sustain your business and one is about running a profitable business and then paying something back on that profit. If we are after businesses sustaining themselves and being able to survive and employ people, then the front end cuts, if you like, through business rate relief would be much more welcome than Corporation Tax.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): Maybe have a sliding scale on Corporation Tax depending upon the profitability and size and turnover revenue of the company itself.

Also, it is taxation without representation, is it not? Maybe they should have a vote on local councils, not national, but for the sorts of people who actually levy the tax. That would probably make it a lot fairer all around.

The fact of the matter is that, as has been rightly pointed out, we cannot do without the money. These might be good ideas. Somebody said, "Sell it to the Treasury".

Stephen Knight AM: My question was not about the overall burden of tax but simply the balance between --

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): Have a sliding scale to reduce the burden on small business, but then you have a point where you have to deal with Corporation Tax coming back down to the level it is now. Otherwise, it becomes a disincentive to go any further. There is a balance to be struck.

Benedict Dellot (Senior Researcher, The RSA): I was just going to say that with the National Insurance system you can do certain things to make it more progressive. It currently involves Class 2 and Class 4 NICs as its standard. Class 2 NICs are the self-employed. Everybody, more or less, pays £143 a year regardless how much they earn. You could be a banker making £50,000, self-employed, and you pay that same amount. You could be a self-employed hairdresser; you earn £8,000 and still pay the same. Then you have Class 4 NICs, which operate in the standard way but pay more as they earn more.

You can tweak it in such a way that you can get rid of the Class 2 NICs and raise the Class 4 NICs' thresholds and you end up with a system where the lowest earners pay less and the highest earners pay more. There are certain things you can do with the class of NICs.

Stephen Knight AM: That is interesting and it presumably would help start-ups and small-businesspeople who are struggling.

Benedict Dellot (Senior Researcher, The RSA): That is the idea, yes.

Stephen Knight AM: Yes, that is interesting. Thank you.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): With any issues, any taxation seems to be fair and just. If you have something where it is the same for everybody regardless of how much they earn, it is clearly unjust. It is not rocket science to work that out, is it? Anything that has a scale that relates to the performance of the business in some manner, shape or form perhaps would be very helpful, but the overall tax take has to either stay the same or go up.

Stephen Knight AM: Yes, indeed. We tend to publicly debate Income Tax rates and Corporation Tax because they are easy to understand. National Insurance is such an opaque type of tax that it is only if you have to pay it that you understand the various different classes and bands and all the rest of it. It would be helpful to shine a spotlight on some of the thresholds of bands and classes of National Insurance that affect small businesses.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): Maybe National Insurance as a separate tax should be abolished and it should be just through Income Tax and Corporation Tax.

Stephen Knight AM: Clearly the Mayor should be lobbying on issues particularly as they have a particular effect on London businesses and that is why things like thresholds around business rates, given the rateable values in London, are obviously significant.

Jenny Jones AM (Chair): As I keep saying, he can actually put Bills through Parliament as the Mayor.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): Simon, there was some discussion at the first Open Workspace Providers Group meeting about businesses in work spaces and the kind of position they are in in relation to small business rate relief.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): That is right. There was, yes.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): There was a suggestion that perhaps they could apply collectively for small business rate relief, but it was never really taken forward.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): That is a very good point, yes. An individual SME can apply for small business rate relief but of course, as you say, in London it is actually a very small proportion of people but a workspace that is full of small people cannot apply for that relief in the same way. That would be a --

Stephen Knight AM: Would it be too big?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Yes. It would be treated as one entity. It perhaps should qualify for the relief as well and that is a very good point, Jessica.

Dr Onkar Sahota AM: We may have covered this in part already but the question is about the principal barriers to microbusinesses starting to employ other people. We may have touched on it but, just to bring it all together, what do you think are the barriers to small businesses employing other people?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Regulations and tax.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): Confidence is, actually. They aspire to it; they do not quite know how to make the first steps if they have never employed people before. It is understanding the implications for their business. Quite often many small businesses will probably go ahead and employ people and probably do not recruit the right people because they do not necessarily have some of those skills; they do not do job descriptions, they just get someone in, they pay them on a casual basis and they either work out or they do not. The cost to that business of inefficient human resources (HR) practices is extremely high. I see it all the time.

That brings me back to the management and leadership skills that a business owner has to equip them to become an employer, which is very different to being --

Dr Onkar Sahota AM: How can we help them?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): They need to understand that they need those skills and then the supply of the skills.

Dr Onkar Sahota AM: Yes, they need to, but who is going to help them understand these issues? What is out there?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): That is back to the fragmented supply; we do that but we do that through local connected agencies, if you like. It is down to who you go to. You can go to a lawyer and they will do all of that for you, but it is going to cost you quite a lot of money again. Different businesses approach things in different ways. I do not think it is a one-size-fits-all but they need to know they can go to someone to help them do that because actually, in the long run, it will save them money because the cost of recruiting is huge.

Benedict Dellot (Senior Researcher, The RSA): One slightly left-field idea is to encourage big public sector institutions in a given area to host the employee on behalf of the small business and therefore deal with all the HR and administrative side of things. I do not know whether that would really work in practice but it is just an idea we have been toying with. You might have a housing association that could do it on behalf of its tenants if they ever decided to take somebody on.

Jenny Jones AM (Chair): In the garage.

Dr Onkar Sahota AM: The risk would sit with the big employer.

Benedict Dellot (Senior Researcher, The RSA): I do not know how this would work in practice. It is more about handling the administrative side of things.

Jenny Jones AM (Chair): They could get a small fee for that.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): There was liability for transfer as well and therefore they were not going to do it.

Benedict Dellot (Senior Researcher, The RSA): Just a quick other point. Obviously, when you think about employment recruitment, you have to think about demand and also supply. You want to encourage people to take on staff but you also want to encourage decent staff to work within the small business and that means trying to encourage graduates to want to work in a small business. Could you have small business careers fairs? The kind of barrier here is that small business owners having the time to engage with universities and schools and so on.

Dr Onkar Sahota AM: Why should anyone work for small businesses?

Benedict Dellot (Senior Researcher, The RSA): You are at the coalface of the business and you see how it works.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): It is exciting!

Benedict Dellot (Senior Researcher, The RSA): Just walking past here and looking at PwC and EY - I would never want to work in an organisation like that because it is so abstract, corporate and vague and I would feel so distant. Sorry for anyone who has ever worked in those places.

Dr Onkar Sahota AM: It was a serious question because they have to have people who want to work for small employers rather than working for big corporations and I was seeing the advantage in working for a small employer.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): Some people will just want to work locally, will they not? They go to an employer who will employ them.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): There are companies out there already that are doing exactly what has just been described.

Jenny Jones AM (Chair): Really?

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): They also provide insurance if you do it wrong. They have been going for about 100 years; they are fairly experienced at it and they will actually do all the administrative side of it for you and they will make sure you comply with the law. The only thing --

Jenny Jones AM (Chair): Are these called accountants? Analysts?

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): They are not accountants. They are actually companies that specialise in that particular activity. Compass, for example, does it. There are other companies that do it too, dozens of them, and so that is not a big issue in itself. The problem is in knowing it is there and so it comes back to where we have been before.

As far as why people want to work for small businesses, precisely as Diana [Sterck] said, it is local. It is around the corner. They may know the owner of the company. If, for example, it is a carpenter, you can learn a bit more about your trade from someone who is very skilled. It is things like that. You are more hands-on; you start to realise that a company needs to make a surplus or it dies. You start to learn an entrepreneurial spirit, even if you have not had it in the first place and perhaps do not even want to get it, but you get it anyway.

It is very often working for someone whom you know and most people in small companies end up knowing the boss, the lady working next to them, the guy who goes out delivering in the van or whoever it is. It can be a much healthier place to work than in a big corporation where nobody generally gives a damn.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): I suppose on reflection there are a lot of those. Local authorities do that. Diana's [Sterck] organisation employs people for the BIDs. Anyway, local authorities can do that. I know in some BIDs the chief executive of the BID will be employed by the local authority. As you were saying, these things exist, but getting the advice you need comes back to this point about empowering local leaders. You have to find the people on the ground who are in direct contact to give the information to. Whether that is taxation, whether it is employment, whatever it is about general business advice, it is finding those people and empowering them that is going to make the difference to all these things.

Just on the point about why work for an SME, in an SME you get to do a lot. Your scope is very broad. When you work for EY, it is deep and narrow and different personalities suit different environments.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I would just add to that. I always say that anyone who does a marketing function with us gets the whole breadth of the marketing function rather than just being in advertising or whatever. I just wanted to add that I do not know. Did Compass employ the people on behalf of the other --

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): No, they do not employ them.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): No? OK. An example of where people have been employed but placed into other businesses is through apprenticeships and the organisations that

were essentially training agents but I cannot remember their correct title. I personally do not think that works because it is really important that an employer takes responsibility for its employees and that employee is part of that business function. You need the support and help to employ people correctly and all of that, but I do not think giving someone else the responsibility of employing your person is the right thing to do.

Dr Onkar Sahota AM: Just looking at the welfare system changes, have they helped people working in microbusinesses or have they hindered working in microbusinesses? The recent welfare changes.

Benedict Dellot (Senior Researcher, The RSA): I am not sure. Was it just being on the ones that will happen, you mentioned pensions?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): Do you mean Universal Credit?

Dr Onkar Sahota AM: Yes, because incompatible volatility is a great phenomenon and people's incomes in microbusinesses are unpredictable from month to month and maybe from week to week. How is it impacting on the welfare changes we have had?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): I have not seen an impact yet. It is a bit early to say.

Benedict Dellot (Senior Researcher, The RSA): Diana raised a good point about pensions.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): That is the big one.

Benedict Dellot (Senior Researcher, The RSA): In a few years microbusinesses will have to start paying contributions for their employees, which will make a big incentive not to employ someone on a typical basis and force a self-employment increase.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): Yes, and it is not only paying it, Benedict; it is also the administrative burden because there is an opt-in/opt-out. You have to keep on monitoring your employees and encouraging them to opt back in if they have opted out and it is quite complicated. There is a whole learning curve there for employees. They say, "Who is going to do this now?" It is another resource that you have to bring into your business and therefore a cost.

Benedict Dellot (Senior Researcher, The RSA): In terms of Universal Credit and thinking more about the business-owner or the self-employed person, it will affect a lot of people when it fully comes into place. It is quite complicated, which is one of the issues in itself, but essentially the biggest issue is this thing called the minimum income floor, which is an assumed level of earnings against which entitlements will be pegged. Under the current system of working tax credits, essentially, the less you earn, the more tax credits you get. The concern of the Department for Work and Pensions (DWP) is that a lot of people are saying they are self-employed running pseudo-businesses and they do not earn a lot and then they can take a lot of tax credits. What the DWP has done is create this minimum income floor. What that means is say that is pegged at £950 a month; if you earn £800, £700 or £600 as a self-employed person you will not get any more Universal Credit to make up the difference, whereas in the old system you would. The whole point is to try to encourage the self-employed to grow their business and to turn a profit, which is a good thing in itself but there are lots of parts of the system which do not really go with the grain of how self-employed lives work and operate.

For instance, you have a year-long start-up period under the Universal Credit before the minimum income floor kicks into place. You have a year more or less to operate under the old system. That assumes people can earn

what is effectively the minimum wage within a year. Obviously, for some self-employed people, it takes a lot longer than a year to earn a profit first of all, but to ask them to earn the minimum wage within a year in terms of business is quite an ask. There are lots of different issues with it. As you can tell, it is massively complicated. Asking self-employed people, in particular low income self-employed people, to understand how it works is going to be quite a stretch.

Dr Onkar Sahota AM: It will be a disincentive for some.

Benedict Delloit (Senior Researcher, The RSA): Yes. Once it is implemented for the self-employed, which will be in a year or so, everything going to plan, what you will see is quite a substantial decrease in self-employment in the UK.

Jenny Jones AM (Chair): A near final question. The Government employment programmes tend to go for the bigger employers. Is there more they could do for microbusinesses? I presume yes, but is that partly about advertising? Do they deal with very small businesses?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): What sort of Government programmes?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Do you mean apprenticeships?

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I was going to say apprenticeships.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): Most one-man or one-woman businesses operate from home. An apprenticeship is somewhere over the horizon. It is not something they would consider, generally, not unless there was some huge incentive to do so.

Jenny Jones AM (Chair): It is not a fit.

Paul Mayhew (Business Consultant, Association of Community Based Business Advice): It is not a big issue.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): We do a lot on apprenticeships in the smaller business market and we use that as a way of supporting the business in terms of developing their HR practices and, if it is the first time they have ever employed someone, helping them with job descriptions and the like and actually using young people to help grow the business. It works incredibly well. Of course, with apprenticeships, although they are employed, it is a year and so they really have a year of a testing period. It is a fabulous way of helping small businesses grow their business using the attributes of young people.

Jenny Jones AM (Chair): Thank you.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): That is right. I can understand the Government wants big numbers and therefore it goes for the big employers. You can understand it is much easier with a long tail; it is harder to reach. It can work extremely well. There was an organisation called The Apprenticeship Company. It seems to have disappeared but it was doing what we were talking about earlier on in terms of taking the burden of employing a new apprentice away from the smaller businesses, which would be very helpful.

Jenny Jones AM (Chair): My final question is whether there is any advice you think we can give to the Mayor, any recommendations you feel we have not covered or any areas for the LEP or for the Mayor.

Benedict Dellot (Senior Researcher, The RSA): Just one quite specific one. Has anyone heard of City of Learning? It is something that was set up in Chicago by Rahm Emanuel [Mayor of Chicago]. The idea there was to try to build a culture in the city of upskilling and getting people involved in training. Part of it involved, as I understand it, these things called 'open badges', which on the internet is a system where you display all the qualifications and skills you have developed. It is an interesting way of trying to encourage people to up-skill and train because it is a way of showing what they have learned. I am not sure of the finer details of it but it might be worth exploring this City of Learning initiative.

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): I think that the GLA recently joined it because it came up at one of the LEP subgroups and across a whole range of areas. Learning from how other cities have dealt with a series of problems is very valuable. Let us not reinvent the wheel if someone else has learnt --

Jenny Jones AM (Chair): How many subgroups does the LEP have?

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Four main ones. Do not ask me to name them all.

Jenny Jones AM (Chair): No, I want to know but --

Simon Pitkeathley (Chief Executive, Camden Town Unlimited and Member, Open Workspace Providers Group): Beneath each of those, they will have different speciality areas like the Open Workspace Providers Group and so on.

Dr Jessica Ferm (Senior Teaching Fellow, The Bartlett, UCL and Ex-officio Member, Open Workspace Providers Group): Just to make a point, an awful lot of diverse small businesses occupy space on industrial land. It is back to our point that we need to continue supporting industrial land in London because it is providing a lot of cheap space for a very diverse range of small businesses as well as the manufacturing and industrial occupiers.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): I just want to make one last point, which is about housing versus employment land. I understand the housing challenges, but please do not let us lose jobs for all those people. We need to also retain employment land.

Tony Arbour AM: The Mayor has been very strong on that one, very strong.

Jenny Jones AM (Chair): Yes, but industrial land is being lost at an incredible rate, I am afraid, and he is not even aware of it.

Diana Sterck (Chief Executive, Merton Chamber of Commerce): It is.

Jenny Jones AM (Chair): Thank you so much to all our guests. This was very interesting stuff and we will, of course, send you a copy of our final output.