

Economy Committee – 15 October 2015

Transcript of Item 9 – London’s Changing Economy Since 2008 – Productive, Flexible, Inclusive?

Fiona Twycross AM (Chair): Finally after all the preamble we are at the main item of discussion today. Welcome again to our guests. I wonder if you could introduce yourselves and tell us who you are representing. We will start with Andy.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): Andy Prendergast from the GMB trade union.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry):
Colin Stanbridge, London Chamber of Commerce and Industry.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): Sue Terpilowski, Federation of Small Businesses, London.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): Ian Brinkley, Senior Economic Adviser at The Work Foundation.

Fiona Twycross AM (Chair): The first question is a very broad opening question. It is around how you think the London economy has performed since the 2008 crash and whether there is anything notable about the economy’s performance that is relevant to the investigation.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): London has done pretty well in terms of growth and employment. The unemployment rate has come down, the inactivity rate is down. It is a pretty impressive performance there. When you think about the structure of employment its basic impact has been quite limited.

When you are thinking about changes you really need to take account of the recession. Recessions always wipe out huge numbers of fulltime and permanent jobs and every recovery puts them back. That is a temporary cyclical change. You have to differentiate that from the long-term structural changes.

Looking at the structure of the national labour market - and to the extent that we can look at the structure of the London labour market on the same basis - I am not convinced there has been a huge change in the structure. The share of permanent jobs is probably much the same as it was in the mid-1990s. It may be down a bit but you are talking one or two percentage points over that time period. Self-employment up a bit, temporary work down. We have got a chart back at the [Work] Foundation that I must say is the most boring chart in the world because it shows the shares in 1995 and 2015 and basically nothing is moving. There have been lots of changes going on underneath that in terms of the structure of employment and the structure of occupations. However, that fundamental structure of the labour market has really not changed as much as people think it has.

Fiona Twycross AM (Chair): Sue, does that chime with what your impression would be?

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): What we saw was a lot of people bedding down and employers and employees working together. We did not see the mass amount of redundancies that people predicted. There was lot more of a grown-up attitude in this recession than we have seen in any others. Companies actually talked it through and said, “Right, either we make somebody redundant or we are going to part-time working or people take wage cuts”. We saw a lot more of that with our

members. Employment figures were slightly down but then at other times it went up again. We did not see what was predicted which was mass reductions in staffing levels.

The biggest impact there has probably been since the recession is business rates. That is seeing our members downsizing their space and therefore not having the physical space for a number of workers and constricting down. That has had much more of an impact and, going forward, is going to be probably the biggest problem we face.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): We have been monitoring - as you would expect us to do - the London economy for many, many years, probably over 100 years I suspect. We input into a nationwide survey done by British chambers of commerce. We have been able to track business confidence - which is the main statistic that we track - with our quarterly survey. If you look at the end of quarter four in 2007 it just dives down to minus 40%. However - and I think this is what people say about London and the recession - it has nearly bounced back by the end of 2008. There was bit of a dip but certainly into 2009 it is right up there. It gets to its highest level in quarter one 2014 from minus 40% to [positive] 60%. You could say if there is such a thing as a good recession - and of course there is not - London had it. For many people it was over relatively quickly.

I want to echo what Sue [Terpilowski OBE] says. For me, what I take away from the recession is the fact that at the start - the end of 2008 - people were making very dire predictions about unemployment and mass redundancies which did not come to pass. That is due to - as Sue quite rightly said - a more grown-up attitude on both sides, both employers and employees, about the nature of work during a recession and also a desire from employers to hang onto skilled labour. This is the thing that we need to be discussing going forward. What we are seeing now when we are talking to our businesses regarding their issues, up there - if not top but certainly very close to the top - is the inability to find a skilled workforce. What we saw during the recession was a recognition that if you spent time, effort and money training your workforce - because you had to train your workforce because the world of work even in the smallest business, and of course many businesses are very small, has changed - then you want to do all you can to hang onto that workforce.

I hope, and I am sure, that the majority of employers did that because they were good employers and they wanted to hang onto their workforce anyway. However, there was also this factor that said if you did not hang onto them then you had lost something that was really very, very valuable to your workforce. What we are seeing now is a fear that we are not going to be able to have those skills. That is obviously a big issue for London, a big issue for the world of education, and a big issue for the world of business.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): From our point of view although the recovery is undoubtedly underway it has been one of the slowest recoveries on record. The real issue for a large number of people in London - and what we are seeing from our members - is that the recovery actually hides a number of things and the 'hourglass economy' has really come to the fore.

We have seen huge numbers of jobs go in the public sector often which are skilled and managerial. They are largely being replaced by large numbers of minimum wage, insecure, low-skilled jobs, often which involve self-employment but self-employment which I would almost class as bogus self-employment. These are people who - for example, if you look at courier drivers - will be doing the same job that they were doing last week but last week they were on the books, they had sick pay, they had pensions. Now they are now self-employed but they are self-employed with one employer. We are seeing that more and more throughout the economy.

What this means is that while some people at the top are doing very, very well those at the bottom are not. This is being reflected in the tax take. It is being reflected in a number of areas which is causing a concern long-term for London because fundamentally all societies need to have a pyramid. The fact is the middle of

the pyramid is being whittled away, the bottom is expanding and the top is expanding. That is going to have problems for us as a society later down the line.

Fiona Twycross AM (Chair): Could other guests comment on what you have seen as the key changes in London's labour market since the start of the recession? Some of this would have been covered in your opening comments but if there is anything else you would like to add to that.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): London is pretty much following the national trends. One of the things I particularly wanted to keep an eye on is what is happening around self-employment. It went up very rapidly and very unexpectedly over the course of the recession, particularly post-2010. That is largely because people were staying longer in self-employment rather than more people going into self-employment - a slow-down in exits rather than more people actually entering self-employment. That is now starting to reverse itself so self-employment is now coming down. It is predominately becoming part-time. You are much more likely now to work part-time if you are self-employed than if you are an employee. It is part of a long-term shift and it is starting to accelerate. That is the part of self-employment which we have tended to associate with low paid and low skilled work. Certainly we have seen a pretty explosive growth in self-employment in areas like cleaning services. I would love to think that was an indicator of a burst of entrepreneurial enthusiasm in the cleaning industry but I suspect that has got something to do with people trying to shift the costs and risks onto the workforce. That is something I certainly want to keep a sharp eye on.

The other thing which we have almost no hard evidence on but is something people have been worrying about over the last few years is the impact of online digital platforms on work. McKinsey [Global Institute] has got this really clumsy way of describing it. They call it, "Online contingent workforce platforms". The 'gig economy' is the more popular term for it. There is not much hard evidence on that. That is something which is increasingly going to influence how employment is developing. It could well change the nature of self-employment quite markedly. It will certainly increase this blurred line we have got between employees and self-employed which is becoming a major issue, both in employment and tax law.

Those are the two areas I have been looking at the moment and keeping an eye on in terms of future development.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): Picking up on your point on self-employment, a lot of this has to do with the burden that businesses are facing in employing somebody with the extra regulation coming in. The biggest one - particularly in cleaning companies - that we are hearing about is the employer pension. A lot of those companies have come in over the 18 months because they tend to be fairly large employers even though there are a lot of part-time workers. It is certainly the first time ever in my life that I have had all my members emailing me before something happens. Usually the day after it happens it is, "Why have you not done something about this? This is happening to me." They are actually petrified about next year when the majority of them come in to pay this. They are saying it will mean they have to make redundancies to pay for it.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): From the point of view of employment and legislation, huge numbers of Acts [of Parliament] around supporting people at work have actually been downgraded or taken away by this Government. For many employers it is actually easier to employ than it has been for a long period of time. There is a longer period to wait for [an] unfair dismissal [hearing], it is easier to make people redundant than it was, it is quicker to make people redundant. There are huge benefits to employers that these regulations have done. Unfortunately, what we are finding is that it is skewing the relationship in favour of the employer.

On the point about self-employment, the wages for self-employed people have gone down 22% since 2008 - 2009.

Tony Arbour AM: How do you know? Do self-employed people declare what they earn rigorously?

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): Through taxes.

Tony Arbour AM: That is from the tax returns?

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): Yes, from the tax returns.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): It has gone down 22% which is a significant fall and really shows the way the self-employed workforce is changing. That was alluded to earlier. Once upon a time self-employed people were either builders or what have you and now it is cleaning companies and delivery drivers, there is any number. Of course, what this is then feeding into is insecurity. There is a huge amount of insecurity for those people because it is harder for them to get loans and it is harder for them to get housing because they cannot guarantee their earnings. From the employers' point of view it is wonderful. Ultimately all liabilities of employment are put on the individual and not themselves. That is one of the things we are seeing. Employers are being emboldened and yet - as we heard a minute ago - even really small amounts of money on pensions is causing - often very profitable - employers to have heart attacks. That, quite frankly, is unreasonable from our point of view.

Fiona Twycross AM (Chair): We are going to explore the impact of increasing flexibility a bit more with Darren's [Johnson AM] question a bit later on. Has anybody else got anything to add on that?

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): I would like to make a point about industrial tribunals. We did a lot of work on industrial tribunals and the problems they were causing before the Government changed the legislation and lobbied very hard for the Government to change the legislation. In fact, we arranged for the Prime Minister to meet about half a dozen employers. All of them had not lost an employment tribunal. Some of them had had five or six. All of them had cost them in the region of £20,000 to £26,000 to fight those tribunals. We felt that was an unfair burden on the system and the system needed to be changed. Actually - you talk about the point of it going in favour of the employer - the point had certainly gone in favour of the employee in an unfair way and was causing difficulties for those companies. There are swings and roundabouts, just as there are swings and roundabouts in self-employment. There are a lot of people who welcome the opportunity to be self-employed. You made a joke about entrepreneurial activity but some are going into entrepreneurial activity. Also, we must not forget, the vast majority of people are not self-employed. The vast majority of people work. Our members are employed and paying national insurance, getting training and getting all the benefits of being in fulltime employment in a company.

Fiona Twycross AM (Chair): I want to go on to talk about levels of employment and employment growth in London before we go back to some of the issues around flexibility that Darren [Johnson AM] is going to pick up on in a moment.

Ian, London has got a lower overall employment rate than the rest of the United Kingdom (UK). I wonder if you could comment on what you think the reason for that might be.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): One reason is you have got an awful lot of students. Students have a lower employment rate than non-students in the labour market. That certainly tends to push it down. You also have an above average share in the population of some ethnic minorities with

quite low employment rates, particularly women. Those are probably two of the more important factors in trying to explain why London - rather oddly - had this rather low employment rate. If you look across the various regions outside London, in the rest of southern England you are pretty much at full employment and have unemployment rates of 4% and employment rates pushing 80%. That is as near a definition of a full employment labour market as you will get. London - on unemployment and employment rates - looks a bit more like northern England. Not as bad as the worst bits of northern England but rather similar to the north-west and elsewhere. Those two, I suspect, are probably going to account for a fair bit of the difference between where you think the London rate ought to be and where it is at the moment.

Fiona Twycross AM (Chair): The 'hourglass effect' has been mentioned previously. Would you please explain why the growth has been primarily in the lowest and highest skilled roles in London?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): You will probably think that I am bit contrary on some of these things. The 'hourglass' is describing half the change. It has undoubtedly happened.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Half an hourglass!

Ian Brinkley (Senior Economic Adviser, The Work Foundation): Yes, it is actually a cocktail glass. It is not an hourglass at all. The bulk of growth over time is in the top three occupational categories. It looks more like a cocktail glass. You have got some growth down at the bottom and contraction in the middle. That has been going on for a very long time. It is very well documented. It is because the big growth has been in higher skilled industries where the UK has some competitive advantages. We are seeing tonnes of jobs in areas like professional and business services. There are lots of jobs in the education sector and a lot of expansion in healthcare. Those are contributing a lot of jobs into the top three categories. It is a structural change which we can see here. We can also see it in lots of other Organisation for Economic Co-operation and Development (OECD) economies.

The reason why I say it is half a change is that if that was really happening on the scale it was then we would expect wage inequality to really take off in a way it has not. What that tells me is the middle - which is disappearing with fewer skilled labour jobs and fewer administrative process jobs - is now being recolonised. It is probably being recolonised by jobs which are paying roughly in the middle but they are coming down from those top three groups and up from some of the bottom groups. You are thinking particularly of people like managers in retail and hospitality and you are talking about people who would fall into the associate and technical categories in those top areas. This is very, very poorly documented. The only research I have seen on it is from America. That is why I am citing those occupations because that is what the American research tends to show you. It is why I think it is half a story. We have had the polarisation but now it is what is refilling that middle bit in the economy.

The polarisation is much less marked for self-employment than employer employment. In self-employment you see the same effect of lots of high-skilled self-employment jobs and lots of low-skilled self-employed jobs. The middle is much stronger. I have also seen expansion there in skilled manual work. You have seen a little bit of expansion in the sort of administrative functions. The self-employed bit of the labour market looks much less hourglass than the employer bit of the labour market.

Fiona Twycross AM (Chair): The next question I was going to ask was about the impact of the hollowing out of the labour market for employers and employees. You are saying that bit in the middle is being repopulated?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): Otherwise you would see wage inequality growing much faster than it has. We cannot see that. That tells me it is being recolonised. However, as I say, very little work has actually been done on that bit.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): One of the things we saw historically throughout the period in our confidence index was that people were nowhere near capacity. Therefore there was resilience within the company to do lots of things that possibly they would have used somebody in that middle section to do but because the capacity was there they were getting people to do those jobs within the company. The average – if I remember rightly – was like 62% capacity, if you take the whole five years and animate it across. There was the space within the company to actually occupy those jobs. It was not necessarily the right person to do the job but they were getting them done internally.

Murad Qureshi AM: Just a few observations generally. Tony [Arbour AM], to reassure you, I have got more and more friends who are having to spend January putting in their tax returns as self-employed. That is something I certainly have noticed during my time here at the Assembly.

Ian, what impact has the financial crash had on the cash economy? One of the things I observe from here is, for example, we had Transport for London (TfL) not accepting cash. If I go to my local street market – Church Street – most people are operating in cash. Does that get picked up in the overall scheme of things? It is still very important to neighbourhoods that I have lived in and represented over the years.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): We can only infer what that means for employment. The use of cash is going down but it is still used quite frequently, particularly by people on lower incomes and people doing day-to-day shopping. If you look at the overall statistics the use of notes and coins in transactions is falling all the time.

We cannot say too much on how that impacts on employment very much, other than presumably the people who are making bank notes --

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): We are going to plastic now so they will have double trouble.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): -- will have to either do it for governments overseas or seek employment elsewhere.

Murad Qureshi AM: If I call a black cab down I am often given the choice. They will say they will only take cash or not. It makes me feel there may be – as some would suggest – a cash economy and a cashless economy. I am not sure how they interact in the job market.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): You might reasonably conclude if we are using less cash there is probably less scope for the informal economy. It is much harder to operate in the informal economy when it is cashless. It is much easier to trace the payments and therefore there is less incentive.

Murad Qureshi AM: Another observation, as a region we are less dependent on the public sector and have been historically. Andy, the observation you made about what is happening in the public sector, does that mean that we are actually more reliant on the public sector as a result of what is happening in the public sector?

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): It is difficult to say. Certainly there is no argument that there has been huge job losses in the public sector. As I said, a large

number of those being professional and reasonably well paid jobs. There is also the increasing rate of privatisation. Privatisations out of the public sector tend to involve those at the bottom being employed on less and those at the top being employed on more.

Obviously the public sector has a huge role. Are we becoming more reliant on it? The Government's best intention is that we cease to be reliant on the public sector. We are going for either a voluntary big society approach or people doing things for themselves. There are areas that are very reliant on the public sector. In other areas you are seeing local authorities moving towards what they have to do and statutory requirements. Unfortunately, that is going to see a lot of the public sector being aimed more and more at those on the very bottom and those that are most vulnerable, moving away from the leisure services and voluntary things that councils like to do which tend to involve a lot more middle class and better off people. The worry with the public sector is some people become more reliant on it as other people simply cease to interact with it. That is going to cause long-term questions about the viability of it from a tax take point of view.

Murad Qureshi AM: An observation again, I was under the impression it was 70/30 between private and public. It sounds to me you are suggesting about 80/20. I believe Scotland is more like 50/50.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): It was 70/30. It is going down. As I said, you have also got an increasing number of the 'grey sector'. Is someone who works for a Veolia bin depot a public sector worker or not? Technically they are a private sector worker but actually their wages are basically paid by the local council. You have increasing numbers of people who are paid by the public sector but appear as private sector employees although they are delivering public services.

Fiona Twycross AM (Chair): That is a really helpful point so thanks, Murad, for raising that.

Before we move onto Darren's [Johnson AM] question, I have got a question for Colin and Sue [Terpilowski] primarily around what you anticipate the impact of the Government's recent announcement on the devolution of business rates might be. Sue, you mentioned it in your comments as something that has been a particular issue for your members. Have you got any thoughts about what the impact might be?

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): How long have you got on business rates for Sue because this is going to take quite a long time.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): This is my pet subject. For devolution of business rates obviously the devil is going to be in the detail. We are waiting to see what is going to come forward.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Shall we just finish that bit? Before Sue goes onto business rates - because she is very expert on business rates and it hits harder, I suspect, on her members than anybody else as a proportion - let us just talk about the devolution of business rates. We probably both welcome the devolution of business rates. We hope that this is the start of a number of fiscal devolutions that will happen for London. We fully supported the London Finance Commission in that. We hope that more will come out.

We will have to see what the effect is really going to be. My fear - as has always been about fiscal devolution - is that because of the borough structure even if you devolved all those property taxes to London, the Mayor and the boroughs it would become so piecemeal that you would never be able to achieve Crossrail 2, 3, 4 and 5 - those big things that I suspect we need - or in terms of skills which is a huge, huge problem. We are highlighting the money that we should be investing in that. It is how that money is used and what the relation with business is.

There is an interesting discussion that keeps happening. I was in Manchester for a party conference discussing what the role of business can be in making sure that that money goes towards things that business feels is going to be productive. Business is as interested in skills and education – all those public sector things – as anybody else. There has to be that breakdown. Business is never going to get a vote. There was the bit about the Mayor being able to have a supplementary tax if he has a business referendum which seemed to be translating to the London Enterprise Panel (LEP). We would be very nervous – with all due respect as Sue is on the LEP – if the LEP suddenly became a mechanism as nobody really understands what they do, who they are and why they are there. Those sort of details are the bits.

Before Sue goes on about it, we were promised a review by this Government of the business rate system and whether you could actually scrap the business rates altogether and have a different type of tax. We want to know what has happened to that review post the election. It seems to have been very quiet.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): It is coming out the beginning of December I think.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): We feel there should be a root and branch review although we have little hope that HM Treasury will ever give up what is for them a great tax that they can rely on.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): Backing up Colin's point regarding devolution, as I said, the devil is in the detail. If it is going to go right down to borough level and it is going to pocket some money then how are we actually going to get the real benefit of this? Perhaps there needs to be a step back slightly to look at it more in a holistic way, the same way as we did with the New Homes Bonus. When that came into the LEP we first thought it was not a good idea but actually getting four or five councils to work together and pool their money actually got some very, very good innovative projects going that none of us perceived beforehand. I would like to see that type of working with the money rather than small little pockets of money being spent locally and not actually achieving an awful lot.

What we are, obviously, very worried about is you do not want to go back to the 1970s when boroughs were fighting each other over business rates and all you got was people just moving from place to place and not actually generating anything to the local economy or being alive to what was happening.

From that point of view, as I said, it is the devil in the detail. Let us see what happens. We totally do think that London should have devolution but it should be much more on a holistic basis so slightly at a more 'super borough' controlled level.

From a business rate point of view it is holding back London. A lot of our members are now saying the business rates are higher than their rent. It certainly has, over the last two years, resulted in companies downsizing which is stopping growth and stopping employment opportunities. Not many companies made that many people redundant, you are talking ones and twos. What they are saying is that it is stopping them taking on, probably in the next five years, more staff which is quite scary because most of the rents are three to five years that they have committed themselves to. A lot of our members are now saying that when their rent comes up they are thinking of leaving London completely because of the cost. They do not think that the 'London effect' has the same kudos that it used to have where it was perceived that a London business had some added value to their own business. They are not getting that feeling. In fact, some people are saying it is an 'anti' thing they are seeing. Tenders are going out excluding London businesses because they are perceived to be too expensive.

Business rates, from our point of view, is a failure tax. It is a tax that does not work for the city. It should be completely scrapped and looked at again. There has to be way of actually making sure that – whatever

happens with business tax - it is good for the local community. What we do not want to see is pawns all moving around the city jumping to the cheapest place all the time. That is not healthy for anybody.

Fiona Twycross AM (Chair): No, that is really helpful.

Darren Johnson AM: This is on flexibility in the labour market and the flexible workforce jobs that we have been talking about and that Andy has mentioned. Part-time self-employed contract work and zero-hours contracts now account for a higher share of the labour market than ever before. What do each of you think has caused this change?

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): You mean a change in the rise of a flexible workforce? The majority has been pushed by employers. It has been pushed by employers for their benefit. There is a perception - which is relevant to small numbers of people - that zero-hours contracts are things they like to have. To be fair, there are small numbers of students and retired people for whom a true zero-hours contract - where your employer does not have to give you hours and you do not need to take them - works for both parties. Obviously in certain parts of industry, somewhere like The O2, where you have shows, you only need a workforce when you have a show on. It stands to reason.

Darren Johnson AM: That is more of a casual labour contract rather than a zero-hours contract.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): To be honest with you, it has been going on for many years. Casual labour is zero hours.

Darren Johnson AM: There is an equal commitment on both sides. It is a level playing field compared to a zero-hours contract where all the cards are in the employers' hands.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): Both parties can understand why you have it. The frightening thing for us is the proliferation of zero-hours contracts in areas that do not have that fluctuation of demand. If you look at places like McDonalds and Wetherspoon's pubs and a huge number of the warehouse industries you have very, very fixed levels of demand. Yet in somewhere like Wetherspoon's and McDonalds you have 80% to 90% of your staff on zero-hours contracts. This does not work for 80% to 90% of the workforce. What this means technically is they have no guarantee of earnings. They have no guarantee of work. It puts them in a very, very vulnerable position. We have members in some distribution companies who will only be told they have not got a shift when they are on their way to work. That involves the employee having to pay for childcare, having to pay for public transport and all of these things. It gives them no stability whatsoever. Unfortunately, this is becoming more and more common. We are seeing it very strongly in a lot of areas of hospitality and huge numbers of privatised services within the public sector: hospital cleaning; portering. Whereas you once would have people guaranteed a level of hours - either full or part-time - they are now often on contracts which are either zero hours or on a pitiful number of hours which they have to make up.

That also creates instability and a fear on the part of the worker. It allows the employer to use what you could almost class as unofficial sanctions. If you have someone on the books and that person has committed a disciplinary act you have to take action. If they are on a zero-hours contract then people often find their shifts have just disappeared. It is very, very difficult to then take any kind of action because technically nothing has happened to them. That, once again, puts the employer in the driving seat.

More and more we are seeing these zero-hours contracts come in. People have not got stability. Fundamentally people like to have stability. They like to have shift patterns they understand. They like to know at the end of the month there is going to be enough money to pay the rent. Unfortunately, they are living in a precarious state.

This is also exacerbated by something called the 'Swedish derogation' which affects agency workers particularly. There is an agency workers directive in the European Union (EU) that requires agency workers to get the same terms, conditions and pay as permanent members of staff. The employers have come up with this very clever thing called the 'Swedish derogation'. It basically involves an employer - because they have to offer the same levels as staff - to employ people directly via the agency often on one, two, three or four hour contracts to get around it. The effect, once again, is exactly the same. It ends up with people being in a precarious position. Unfortunately we are moving back to the position - a little bit like the docks in the 19th century - when the workforce would turn up outside, put their hands in the air and some of them would be lucky enough and others would not. Obviously that ends with corruption, it ends with favouritism and it ends with the workforce simply being disempowered and abused.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): We are painting this picture of this Victorian London which I have to say I do not recognise and I do not think a Martian coming down would recognise if the Martian had also been to Victorian London. I am sorry, I am getting into time travel which is probably not a good idea.

Let us get this into perspective. I am glad Andy said there were a number of people who welcome the zero-hours contract and the freedom and flexibility it brings. I am sure there are employers who misuse that and that is wrong. That should not happen. Let us be clear - and it will be interesting whether Ian [Brinkley] has got any other figures - the last figures that we had showed the vast majority did not even know about zero-hours contracts, 76% of the companies had no zero hours and no intention of having them.

Darren Johnson AM: Is it mainly larger companies that are using this then?

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Our survey goes from the very largest to the very smallest. The great thing about - a little advertisement for the Chamber movement - the Chamber of Commerce is that we have at one end the very large companies and at the other end sole traders. Sue [Terpilowski] has lots of sole traders and small companies. The Confederation of British Industry (CBI) has lots of large ones. We have everybody. We hope that our survey shows that. Ian probably has some much better survey work than we do so I will be interested to know what he says about it.

We are talking about a small number of companies. Of the companies asked - you mentioned about increase - only 7% of the businesses were saying, "We want to increase the number of zero hours". Let us get that in perspective. If there are things being done wrong they should be stamped on. People should not be allowed to do that.

Also the flexibility of the labour force is one of the great benefits that London has. That has, I would argue, worked in favour of the fact we were able to get out of recession in such a quick way. In most cases the relationship between employers and employees is extremely good and worked out to the benefit of both sides.

Yes, there may well be areas where it is wrong but there is a danger of over-emphasising this zero hours' thing as if it is somehow a plague that has swept over London.

Darren Johnson AM: You accept the advantages of that flexibility are only realised if it is reasonably evenly matched on both sides in terms of the employer benefits and the employee benefits?

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Any good employer will want to make sure their workforce - even if they are on zero-hours contracts and come and go as it were in a flexible way - is not disgruntled. You talk about people making Big Macs, I am sure McDonalds do not want a workforce that is completely disgruntled and if they are being badly treated they will be

disgruntled. You are absolutely right. It has to work on both sides and in many cases it does work on both sides.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): From our members point of view obviously they are much closer to the coalface so most of the time they are sitting opposite the person that is being employed. They tend to find it is much more of a family feeling so you do not get that same tension. We have had it where a lot of our members say their staff are saying, "Can we have a zero-hours contract? We like this idea of flexibility." They are the ones that are saying, "No, we want to keep you" because they are worried about - as was said before - keeping hold of skilled workforces and that sort of thing. Some of it has been in reverse, instead of refusing zero- hours contracts they are being demanded by people.

A lot of it - particularly on our side of the thing - is probably less. We have a percentage that pay probably far higher than anybody else the London Living Wage. Our last survey showed 65% of our members are paying the London Living Wage which proportionately for small businesses is extremely good. As I said, because you are so close to the people, you feel their pain and you feel what is going on when you are a small business. It is a different environment. As Colin says, if there are bad people then we would not condone that at all. It has to be done on a win-win basis for both sides.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Exclusivity clauses are wrong in this area because it seems to go against the nature of flexibility.

Darren Johnson AM: They have to be available but there is no guarantee to provide it and you cannot take a contract with someone else.

In terms of the Living Wage then, are employers you have surveyed who are using it finding the business case for that as well rather than it simply being an additional cost burden?

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): It leads to housing costs. What we have now is the 'generation rent'. When I first started work you were aspiring to own your own house. 'Generation rent' - it goes back to what Colin [Stanbridge] said - is much more flexible in saying, "I will go and live somewhere else. I do not have those grounded roots to a building because I have not got a mortgage and all the other things that go with that on a personal ownership basis." We are getting members citing that their staff are having rents now at £1,200 and £1,400 a month. They are finding they have got to be much more flexible because what that is doing - going back to what we said before - is that they are looking at that and pensions and everything else and saying, "These are the core people. We really want to keep hold of them and we are going to pay them the money but we will shed these jobs on the outside to pay for that." The Living Wage is because it is getting so expensive and housing is cited as the number one issue.

Darren Johnson AM: Ian, have you got anything to add from your research?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): There are three basic reasons why employers want to use flexible contracts. One is the volatility of demand. One is retention and recruitment, particularly for people with caring responsibilities. Lastly, of course, reduced costs and obligations. It can be a way of forcing down wages and conditions.

Zero-hours [contracts] are a really troublesome area for policymakers because it is one of the most polarised pieces of employment we have got in the labour market. Roughly speaking, 40% of people on them seem to quite like them, 40% of people find them really tough and want to be on something else urgently and 20% seem to be pretty indifferent. There are not many forms of employment where you get that complete split between people who quite like them and people who loathe them.

Darren Johnson AM: Is there any evidence that that varies according to the type of industry and the type of employment pattern such as Andy was talking about, where we have seen a trend for more employers using these that were not involved in seasonal work and those sorts of changes? Is there more disgruntlement in those industries that are less seasonal or with less fluctuation?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): Yes, there is bit of a split here. Basically the better the job the more likely people are to say they quite like the zero hours' arrangements. That is because they have got bargaining power so they can settle conditions on a more even basis. People with very little bargaining power have to accept what they get in terms of zero hours.

There are some exceptions. McDonalds is an odd one. I have had McDonalds actually explain to me what their system is and it sounds to me like it is a very sophisticated shift system so why they are calling it zero hours I do not know. It seems to me they could move to that very easily and not call it zero hours at all so I am not quite sure why they are still doing that. McDonalds also gets quite high ratings from its employees in terms of their satisfaction with the company. For some things which are labelled zero hours - even at the low end the labour market - the way they actually operate in practice may not be quite as bad as we think. That said there are some terrible examples taken from the Citizens Advice Bureau about exploitation which is something I am sure no one would support.

The big changes that have been going on inside the workplace are the shift in flexible working away from things where it is more obvious that there is a balance between the employee and employer. For example, job sharing employment has been in decline for some years now and is becoming very rare in the labour market, but flexible systems that allow employers to manage hours and quantities have actually increased. That looks more like a shift towards the interests of employers directly rather than the interests of employees.

Lastly - of course it has already been alluded to - the really big change is in wage flexibility. We saw it over the course of the recession but it has carried on even though the economy has been expanding. While some of that is to do with what has been described as a more grown-up attitude, it is obviously reflecting a long-term shift in the balance between capital and labour in the labour market. It is quite hard to imagine - say in the 1960s and 1970s - that we would have got to this wage flexibility we have been seeing in this labour market. There are pluses and minuses from that. It means more work and more employment but it also probably means that wages have not grown as strongly as they should have done.

Darren Johnson AM: In terms of hours - firstly zero-hours contracts - does your research show that employees want greater guarantees on the number of hours of work that they receive?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): It depends very much whether you want to be in it or you do not want to be in it. What people who do not want to be in it really want is stability. If people have done it out of choice presumably they are not too bothered about it so we tend to get that sort of split. We do know the under-employment measures we have are showing very high levels. For example, the share of part-time workers who say they would like more work is at the highest level on record.

Darren Johnson AM: Have you got a figure for that?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): Yes. At the moment I do not have them for the London economy but I certainly have them nationally.

Darren Johnson AM: If you could let us have those that would be useful.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): Can I just come back on one point Colin [Stanbridge] made a little bit earlier about the number of companies involved in zero hours? It

is fair to say huge parts of the economy are not directly affected by zero hours. What we have moved to with a lot of businesses is almost an arms-length approach to a number of things they used to have in-house. For example, now more and more businesses will contract out cleaning and they will contract out security. Although sometimes large numbers of businesses do not themselves have zero hours contracts often the contractors they use to provide services will.

Also, in terms of portraying a Dickensian workplace it is true that large parts of the economy are not affected. However, in sectors like care, warehousing, cleaning and security it is endemic. That shows that while a number of businesses are very good for other parts it is a really, really difficult problem. Unfortunately, the 40% from Ian [Brinkley] is a low estimate, in our experience certainly in areas of hospitality, cleaning and what you call soft facilities management services. Large numbers of people in there want guaranteed hours, way above the 40%.

Darren Johnson AM: In terms of the overall growth in flexible employment contracts are we seeing that growth concentrated more in the lower end or are we seeing it fairly uniformly across all job types?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): It depends what form of flexibility. For self-employment it is the 'hourglass effect'. You have got lots of good self-employed jobs and lots of poor ones. Temporary work tends to be largely down at the bottom end with some administrative workers thrown in as well. Zero hours, again, is predominately towards the bottom half of the labour market. You get some at the top end but it is predominately in the bottom end. It does vary quite a bit depending on what you are looking at. Overall - if you add it all up - you would probably find a bias towards the bottom half of the labour market rather than the top half.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): You talk about flexible working and of course there is 'zero hours'. There is also flexible working in terms of more and more companies are saying to their employees, "If you want to work at home we will make it easier to do that" which is to the benefit of especially women returning to the workplace.

Fiona Twycross AM (Chair): We are just about to come onto this point actually in the next session.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): Can I say something on the thing about flexibility? Where we are seeing it come in quite a bit is for very high-skilled coding jobs in the technology sector where it is a very specific need for a very specific period of time. It is dependent on other people doing bits around it so flexibility has to come in because they can only work when they are needed. That tends to be more highly paid stuff. A lot of that is actually very highly skilled and they are quite happy to do that because they go hopping around Tech City and Soho.

Darren Johnson AM: I absolutely see the benefits of flexible employment patterns and that is the world we are living in. My concern is ensuring that there is a proper balance between flexibility on the part of the employer and flexibility on the part of the employee. Unless there is that balance it is not going to meet people's needs.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): As I said, we are probably at the margin on this but that is one area where I can say we are seeing that within our members.

Murad Qureshi AM: One comment really. Ian, coming back to your observation about things from the 1960s and 1970s, how much of this flexibility of the labour market is being demanded by the newer sectors of the economy in London like hospitality and retail which have increasingly become more important - certainly in central London - where, for example, at the weekends there is suddenly a lot more happening. On a Sunday it would have been pretty dead up until the change in shopping restrictions and hours. Now actually you can go

to the West End and the Westfield sites at the either side of town and they are jam packed. It is not just people shopping. There are also people working there. You mentioned McDonalds but is it essentially the retail sector and hospitality - hotels and what have you - which have been demanding this increased flexibility or is it right across the sectors? I would be surprised if, for example, banking is asking for that unless you tell me otherwise.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): We have seen it across the board. Banking has been pretty slow on being flexible, at least as far as its customers have been concerned. The big drivers of flexibility - volatility of demand, need for retention and recruitment and also, in some places, to shift risk and cost onto workers - are pretty constant across most sectors and most industries. I would say they are fairly common. The share of hospitality and retail in the economy has certainly increased but so has high value added business as well. We have seen growth at both ends and we have seen flexibility increase in both ends. At the top end you are probably seeing greater flexibility inside the firms in terms of flexible work arrangements rather than people being put on insecure contracts. Further down the labour market it is bit more of a mix between the two.

Fiona Twycross AM (Chair): We will move on to talk a bit now about inclusion in London's labour market. We will have an opportunity to talk about women returning to work and issues like that in a moment.

Ian, I wondered if I could ask you firstly about youth unemployment. The unemployment rate amongst 16 to 24 year olds has fallen since 2008 but remains stuck around 17%. What could explain why this is so much higher than overall unemployment rates?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): It is even worse than that. The actual gap between youth and older rates is getting wider. For older workers we are getting closer and closer nationally to this full employment labour market. For young people, particularly those without degrees, it is actually marching in the opposite direction. There is a big structural change here. We did some work looking at that. For young people without degrees the structure of the labour market has really turned against them. If you looked at the sort of jobs that young people went into in the mid-1990s a lot were going into skilled and administrative jobs, into that middle bit. It is much more likely to be unskilled work today than it was in the 1990s. That is the complete reversal of the rest of the labour market. For the rest of the labour market unskilled jobs are becoming much less common. For young people without qualifications that is what they are going into, rather than the skilled and administrative jobs that used to feature in that middle.

We are also seeing quite a strong degree of disconnection. Although a lot of government policies tend to focus on young people claiming benefits, most young people who are unemployed are not. They are outside the benefit system altogether so the levers you have got to get hold of them are really not there. We do have this worrying persistent number of people who are classified as not being in employment, education or training (NEETs). Some of those we should not worry too much about. If they are the children of middleclass families wondering what to do next then perhaps that is not a big worry for policymakers. It is those who are going to stay in that position for a long time where you really do see the long-term scarring effects coming through. It is not so much they remain unemployed for a long time but over time they actually drop out of the labour force altogether.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): What we are also finding is that because the pension age has moved on there are lots of people at the top end who have come towards the end of the career who actually say, "I do not want that stressful job". They are taking a lot of the jobs that those youngsters would have occupied because they are downsizing into a job that would be the 'end of year' job type of thing.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): End of life job.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): That was largely what I was going to say but I thought it sounded a bit awful. However, it is. They are saying, "I am going to go downwards the chain of my career path" to do an administrative job or whatever.

Fiona Twycross AM (Chair): Do you think that is going to increase as an issue with the pension age rising as well?

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): As it gets to 68 for women, yes.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): Adding to that there is also the simple fact of less downsizing but just not moving. There are jobs people would automatically have been forced out of at the age of 65 which would create a vacancy. People are now staying longer and longer. Unfortunately, because of house prices, particularly in London, people are having to take mortgages with an expectation now that they are going to be working until their early or late 70s. Ultimately it is a matter of supply and demand. If people are hanging around in jobs at one end and downsizing, as you say, there simply are not the vacancies at the other end for people to go into.

That is going to create problems long-term because now we have no clear idea of what work expectancy we have from people. Beforehand - as both employers and unions - you would have quite a lot of workforce planning because you knew that person would be going on that day. Now you have no idea when they are going to be going. How do you assess when you need the skills necessary to replace a skilled worker and to start an apprenticeship if you are thinking, "Well I can put them on an apprenticeship for three years but I might not need the skills for six or seven years because we have not got clarity as to when that person is going to be leaving at the far end".

Ian Brinkley (Senior Economic Adviser, The Work Foundation): If I could just say a word in defence of old codgers, being one myself.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): I am just going to make you our spokesman, Ian!

Ian Brinkley (Senior Economic Adviser, The Work Foundation): Being one myself I would be very cautious about this idea that there is some sort of labour market 'bed blocking' going on, and that because the participation rate of older worker is going up that is somehow blocking the ability of young people to come into the labour market. There is not a fixed number of jobs there. It does not mean that just because more numbers of older people are filling jobs there must automatically be fewer jobs for younger people. By and large younger people are not good substitutes for older workers so there is seldom a direct substitution between the two.

It is much more to do with the mismatch between the skills and qualifications of young people and the sorts of entry jobs which are now available for them to do. I hope it is nothing to do with people like me hanging on to employment too long. If you took that to its logical end you would say therefore the way to cure youth unemployment is to get all of these older people out of the labour market. Both historically and internationally that is not a sensible set of policies.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Having just arrived at 65 I am slightly worried at this particular stage that culling is on the agenda.

Can I go back to my first point which is that the biggest problem facing London is skills. If lower paid workers had more skills they would be getting more money. If young people had the right skills and also were work ready - we will probably come onto this work ready bit I hope - then there would be less of a problem.

Fiona Twycross AM (Chair): Murad [Qureshi AM] might touch a bit on skills in a moment. I will come back to the point you started to raise earlier, Colin, about female unemployment which, as you will be aware, is higher in London than the rest of the UK. You did start to expand on this previously. I wondered if you could say a bit about what you think the key barriers are to the inclusion of women, particularly mothers, in London's labour market.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): That is changing. It all goes back to skills. These are people who have been working for a company who will have skills that you want back. If you take a company like BT, it has this fantastic statistic that says something like 98% of maternity leavers come back to BT which I find stunning. Maybe I have misquoted but it is certainly a very large number. Certainly as an employer myself that is absolutely right. I am very keen that the time and effort that we have invested in an employee - and also the time and effort the employee has invested in us - should come back to us. That is certainly true of many employers.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): One of the big things we hear is childcare costs. They are virtually exactly the same as what they are getting in salary. The incentive for women to come back to employment is far less. Childcare cost in London is very expensive and is coupled with all of the other costs of being in London such as renting. That is a barrier to some women returning who would want to return. Therefore their expectation of a job to come back to is much higher because they need to cover those childcare costs. Those are the jobs in the middle of the hourglass that are diminishing.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Housing comes into this. Many would have moved out[wards] as their family grows for all sorts of reasons, it may be to do with education or getting a bigger property for the price. Then, of course, transport costs are huge. That is why the Chamber was - to go back to flexibility - so pleased so many years ago to fight for rates on the Underground to be lower for part-time workers at those times of day to make it easier for people to go back to work.

Childcare costs are especially important. When I was employed at the BBC we had a senior editor - someone in charge of the South East - who told me it was touch and go whether she wanted to come back to work because she was going to lose money. This was someone earning a reasonable salary. That is really a bar and a problem.

Fiona Twycross AM (Chair): Is there a particular pattern about the level of pay and skills or different sectors where we see the highest and lowest rates of employment for women? What is the pattern of employment for women?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): This is something, to be honest, I am less expert on. The barriers are clearly going to be in the economic incentives area. If most of your wage is going to be taken up in transport, housing and other costs - and you add in very, very expensive childcare on top of that - then the incentive to go back to work is greatly reduced. This is an area I would not claim any great expertise on.

Fiona Twycross AM (Chair): Thank you for that anyway. I do not have children but quite a lot of my friends have children - and they have said they returned to work and have not particularly found their employers as flexible. Almost universally friends of mine going back to work after having children have had issues. I wonder, Andy, whether you have any experience of information that would shed light on whether employers

are making sufficient efforts to respond to employees' requests to work flexibly, for example, from women wanting to return to work after having children.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): It is worth mentioning at the start - before I respond - that by working for a union we see it more often when it does not work than when it does. The experience we have is usually the person saying, "I have not got my request". They do not contact us to same extent when they have got their request. I have got to caveat and say our experience is slightly skewed.

However, it is fair to say - and it is borne out by the paper that has been given - certainly once you get out of a lot of very low skilled and low paid jobs that there is a reluctance on the part of a lot of employers to look at flexible working, particularly the kind of flexible working a lot of women returning from maternity leave or women with children want. One of the most popular things people like is term time working, when you can get it. Obviously there are a large number of jobs where it is very, very difficult for an employer to give term time working because unless they happen to support schools unfortunately your customers will expect someone there all year round. However, we do find at times there is almost a mind-set that refuses to look at it from some employers. There is this perception that for me to employ that person they have to be sat on a seat between 9.00am and 5.00pm Monday to Friday. That is the expectation. We found in a number of areas it is not that important nowadays. Certainly with mobile phones, smart technology and rest of it a lot of employers have the ability of being a lot more flexible which works for the individuals. Unfortunately, a lot of the ones we deal with are simply failing to look at it. There is a 20th century mind-set for a 21st century problem.

Some employers we have seen are being very innovative with it. As you were alluding to beforehand, they are keeping skills and they are keeping dedicated members of staff. Those members of staff often - after a short period of working less hours - have their hours going up as the child gets older and as the commitments go. Those businesses are starting to see the benefit. We are hoping that will feed into the rest of the economy.

Certainly for the large numbers of the ones we deal with - outside of the bottom - the requests are just simply ignored.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): One of the things we are finding a lot of members saying is when they have looked into the flexibility side of things a lot of people are on home broadband. With a home broadband coming into a commercial server there are lots of security issues because the home broadband has not got the same security area around it. A lot of this could be fixed - dare I say it with the broadband issues that we all talk about - because that is a major problem for flexibility. If you have got to get somebody to come into your server and you run the risk that actually your whole company could be wiped out then you are much less likely to turn around and say to somebody, "You can work from home". There are security issues with this home working that could be fixed very easily by the providers if they put some additional security on home broadband. Cyber attacks are getting much, much higher up the agenda with all companies.

Fiona Twycross AM (Chair): That is a really interesting point. I do not think it is one that has come up with any of the things we have done. We have done quite a lot on connectivity - obviously it is a massive issue - but that has never come up as a particular issue. That is an incredibly helpful point.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): This all came about with the last Tube strike when lots of members looked to do home working. We were getting information technology (IT) issues all over the place because they were saying a lot of people are on free Sky broadband at home because it does not cost anything which is a very open system. If that then comes into servers it can cause lots of IT issues.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): You also need to get in perspective, of course, 86% of London companies employ fewer than ten people. When you get to that size of company somebody wanting flexible working - whether male or female, mother or father, whatever it is - it can be a real difficulty for that company. If there are say nine people and one person comes - whether male or female - and wants flexible working and you make some changes for them then immediately what you get - it happens on a number of occasions - is the rest of the workforce saying, "Hang on a second, how come this person is getting that?" It is not quite as simple as saying, "This person has come to us and everyone will back them when they come about flexible working". In many cases they will not back them at all, they will be very angry and it will cause some problems.

In a big company you should be able to solve all of that and there is less excuse for it. However, in the vast majority of London companies - which are small - this can lead to all sorts of problems that - seen from the helicopter view of a union - may not be as easy to solve for the person actually trying to drive the car or the company.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): Just coming back on that, there is an obligation on you as an employer to make reasonable adjustments for people --

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Absolutely. You are absolutely right and that should happen. I am saying if you are a small company just to say, "There is a law, this you must do" is not necessarily the most helpful thing you can do. If that small company goes under - at the most extreme - then all the jobs go. You have to get that balance right. If you are running a small company - as Sue [Terpilowski] does - there are many sleepless nights about filling in small gaps in your workforce.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): My initial point was not that every employer should grant every request. There will be very good business reasons why sometimes it is simply not feasible. The problem we have at the moment with flexible working is the legislation. The legislation on flexible working is you have a right to ask for flexible working. I was under the impression I had a right to ask for flexible working before the law told me I had a right to ask. The law then goes on to say, "Here are a number of reasons you, as an employer, can use to turn down that request". What we have is a law that is completely meaningless. Obviously you will have examples of businesses that do an awful lot to maintain skills and to try to assist the individual while maintaining harmony with the rest of the workforce. Unfortunately, for a lot of other businesses it is simply a kneejerk reaction, "No, I need someone there fulltime" and there is even a reluctance to look into the possibility of, "Can we do this another way?"

I know you could argue as a business person you have a million and one things to do at any one time and sometimes that is not going to be top of the agenda when it is not something you want to do. We do need to look at how we can encourage individuals to go back into the workforce. The fact is 30 or 40 years after the Equal Pay Act women are still paid significantly less than men. One of the reasons are these barriers that are put in front of women in the workforce which fundamentally mean that wages are still significantly lagging behind after 40 years of legislation on the issue.

Fiona Twycross AM (Chair): I am going to ask a little bit about the unemployment rate for ethnic minorities which clearly is above the London average and in some groups - particularly young black men - is a particularly difficult area with very high levels in some parts of London. Are there particular barriers that these groups face, be it skills gap or challenges in raising capital to start personal businesses? What is that explains the higher levels of unemployment among ethnic minority groups?

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Business): I have not done any research on that. I have a gut feeling but I do not have anything concrete.

Fiona Twycross AM (Chair): If nobody has got a particularly strong answer on this then we can find other sources of information in it. Obviously in terms of inclusion and London and it is quite a significant area.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): There are a million and one social and economic factors. One of the problems with black and minority ethnic (BAME) individuals is a lot of them now are migrants. One of the difficulties with migrants is there is a mind-set – not just amongst employers but many people – that limit their prospects.

I was recently dealing with a Nigerian chap who worked in a warehouse. He has got a PhD in economics. He had had a long and successful banking career in Nigeria. He has come to Britain and every time he applies for a banking job he gets laughed out of the room because he is Nigerian and because there is a perception of Nigerians. This is something we are finding. Huge numbers of Eastern European migrants are very highly skilled and yet they tend to be doing jobs at the very lowest part of the economy. Whether you want to call it “racism with a capital R” or just a perception that employers and other people have they are unwilling to give the same opportunities to migrants as they are to white indigenous workers.

Murad Qureshi AM: I have got a few observations, Fiona. The success story of East African Asians, for example, when they came over here was actually not that they were able to bring capital here but they actually had a whole set of contacts. If you go to East Asia – when I was travelling there – it is surprising how many Barclays banks there are around there. It was relatively easy for them when they came over to actually go to a Barclays bank and probably come across people who knew them as business people to put loans up. That explains how they were able to get off their feet much more quickly than other minority communities.

There are other communities – like those involved in the Indian restaurant business – where they are still dithering in the cash economy/formal economy and they have not quite got there and have not responded. I do not think you see the actual figures they employ or do not employ. That is two extremes. Both of those examples are within the private sector and them adapting to their circumstances. It does critically depend on those kinds of opportunities.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): I have had loads of jobs over the last 27 years I have been in business; I can count on one hand the number of people who have applied for them in that sector. You cannot give a job to somebody if they are not applying.

Fiona Twycross AM (Chair): That probably goes back to careers and skills, and the grounding they are getting.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): Careers advice has been absolutely appalling over the last ten or 15 years, those people possibly might need more help on to write their *curriculum vitae* (CVs) and that sort of thing. I am fed up with CVs that come across my desk that, apart from the name at the top, are all exactly the same because the teacher sat there with all the kids in the class. They are all fantastic, they are all great communicators. Word for word, it is exactly the same thing. You do not read them anymore. It is just a factory churning out CVs.

Tony Arbour AM: I want to ask about job mobility. It is probably for you, Ian. It is suggested that job mobility, particularly amongst younger people, is much less than it used to be. Firstly, is that true? If it is, why?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): Job mobility in the sense of --

Tony Arbour AM: People changing their jobs, yes.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): There are two ways to look at it. One is whether you can break out of your social class or economic class over time. The chances now of someone from a working class background making it into a better job are actually lower than they were in the 1960s and 1970s. Social mobility in that sense has gone down.

It is not just young people who are not moving around quite as much; it seems to be true right up the age distribution. There are probably two things going on there. One is a temporary effect from the impact of the recession. That reduced job mobility for pretty much everyone and it has persisted much longer into the recovery than normal. That has something to do with the way the financial crisis affected the labour market. That is now starting to work itself out and we are now seeing the number of moves starting to pick up, although it still is not back to 2008 levels.

The second factor is that, even for young people, it is a much more highly educated and better-skilled workforce than it ever was. Therefore there is a bigger incentive for employers to try to hold on to the people they want to rather than being indifferent to them moving on. Certainly many more job openings now you can only go to if you have some sort of high-level professional qualification. These are, by and large, the people who are going to stay in jobs for a longer time. Over time, you are going to see that all age groups - in fact, you see it in the numbers - are going to stay longer in a job than they did in the past. That is partly because they are much more valuable.

Tony Arbour AM: Is there a difference between “job” and “employment”? What you are describing is an employer who has recruited someone who is young, who is better skilled and who has come in at a higher level. To keep such a person does the employer have to promote them - job mobility in that sense - or do they stay at the same level? What is happening to these characters?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): We have almost no good measures of what is going on inside companies. My guess would be that if you are recruiting highly skilled labour, and you cannot offer highly skilled labour a career, it is going to move. The fact that people are staying longer in the jobs is probably better described as a longer employment relationship because the measure is, “Have you stayed with your current employer?” You could have moved to a different job for the same employer quite easily. I suspect increased job tenure must be associated with the development of career paths inside companies, otherwise people would just move on to another company that gave you a better proposition.

Tony Arbour AM: Does anybody else have a view? It could be interpreted, could it not, that people who found a berth for themselves want the security of staying. It might be high-risk changing an employer? Might that be a factor why people are staying? It may be conservative with a small ‘c’.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): That is certainly very true in terms of the economic cycle. Job mobility is always countercyclical, it goes down when times are hard and goes up when times are good because obviously when unemployment is high people do not want to take the risk of moving. I do not think there is anything to suggest that that is a secular trend over time. We have no reason to think people are any more conservatively minded than they were 30 or 40 years ago.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): Are they financially risk averse?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): If anything, they have probably gone in the opposite direction because although there has been no long-term shift in the length of time people spend with an employer, my guess is there has probably been a bigger psychological change. People who were coming into secure jobs in the 1960s and 1970s really did think they were going to last forever, whereas

people coming into what in practice are quite secure jobs, even now, do not have that mind-set. I suspect the psychological shift has been rather more important than the change in the length of tenures over time.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Anecdotally we are seeing that that situation of people staying is changing. Certainly we, as a business, are finding our turnover in certain sections of our business is far faster than we ever expected it to be. Now, I hope it is not because we are a bad employer. I believe we are an extremely good employer but there are more opportunities in certain areas.

Certainly from my own experience of the television and media sector, mobility there has exploded over the last 20 years. When I started at the BBC there was only BBC, ITV and then Channel 4. Now, someone coming into the business has a myriad of different [options]. Of course, the whole technology explosion has increased that. In certain sectors there is a huge amount of mobility. Also, as the economy improves and people get stronger and feel that there are many jobs out there, that is going to change. Most small organisations are very flat in opportunities to move up the ladder of that particular organisation. The way you are going to move is to move to another company.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): Also what we are seeing is that 'Generation Rent' is much more likely to be mobile, mobile by moving away from London completely. "I have done my ten years in London. I have done all the clubbing or whatever. Now I am going to go out --"

Ian Brinkley (Senior Economic Adviser, The Work Foundation): To where I can afford a house.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): "-- to a rural area, have a house, a better quality of life and taking a drop maybe in income because I have done that bit." They do not have that passion and heart to stay in a community like we have done maybe in our generation where it is a different generation. I think 'Generation Rent' is completely different and there will be much more mobility as that gets more and more into the psyche.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): A few years ago housing was not a factor in terms of employers and employment. Then, thanks to Ric Blakeway [Deputy Mayor for Housing, Land and Property], we did some work on business and housing and this is going way up the agenda.

Sue Terpilowski OBE (London Policy Chair, Federation of Small Businesses): It is number one now.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): It is now becoming a real factor in terms of getting young people to be employed. I know from my own family that my brother's children, very well qualified, are saying, "I cannot afford to come to London. There is no way I can afford to come to London. I will stay in Bristol or wherever it is, and actually my lifestyle may be enhanced." That is becoming a huge factor. We have to do something about affordable housing.

Murad Qureshi AM: Can I get into international comparison? If you go to the United States, people will quite happily go from the East coast to the West coast with no problems. They do not even blink. You go to Germany and people are more flexible. It is connected to the housing market: they have a far higher majority of people happy to rent well into their 50s. If anything, I think the housing markets here - dare I say - because of the focus on home ownership are probably too inflexible to respond to where the jobs are.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): That is one of our themes coming out of our housing work. Yes, of course, we need to build more houses but there needs

to be an explosion in the rented sector to allow those sorts of people to be able to have somewhere decent to live within commuting distance. Then you get into all the other infrastructure issues, the Crossrail [projects] and everything else. All those sorts of things come together to make people think, "Maybe London is not the place that I really need to make my career".

Tony Arbour AM: We are looking at mobility spatially. What about somebody who leaves school at 16, someone who has been a NEET and comes in? What opportunity does such a person who joins a business have to receive promotion? Job mobility, in other words, in employment in a particular career, is that much less than it used to be?

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): Partially, it depends on exactly where they are. Certainly, if you look at a lot of people employed in the public sector with the loss of jobs, the vacancies freeze. Quite simply, as jobs are going up higher, where once upon a time you might think, "That is my career path" that job is not being replaced or, if it is being replaced, it is being replaced by someone from a pool of already displaced labour. There are those thinning, certainly in the public sector. That is also the case with some private sector employers where they are looking to cut costs so they are looking not to replace. Every time that happens that is an opportunity that disappears for an individual lower down the line.

In a lot of the contracted-out industries they work on a far thinner basis. You will have fewer managers and fewer specialists. Ultimately that tends to mean that the triangle starts very wide but ends up very thin. Every time you do that you cut down on the opportunities for the people behind because they cannot necessarily see the career path.

Tony Arbour AM: You are clearly talking about outsourcing. If you were directly employed by a local authority you would have this very long spine and, year after year, you would move up. Has that gone?

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): Overwhelmingly, yes. It has been across the public sector. They tend to have changed pay spines in various places anyway. Virtually all outsourcing will start on the basis that new starters will be on different terms and conditions. Those terms and conditions are universally worse than the ones that they would have had in the council. If you took someone who is a cleaner at a hospital, for example, technically speaking you could start as a cleaner in a hospital and end up as the chief executive. It did not happen very often but it was a theoretical possibility. Now you are working for a very small outsourcing company so the opportunities provided by working for a big employer simply are not there.

We are seeing exactly the same thing in schools as they become academies and are no longer part of the council and even for a large number of private employers, as I was saying earlier. There was an idea of the paternalistic employer that was typical of the 1960s and 1970s. They would employ cleaners, they would employ the security and they would employ the grounds maintenance. All of those jobs are now overwhelming delivered by contractors. That means you have a far smaller central workforce which therefore denies opportunities to those people who, I would argue, should be working for the company but are in fact working for Sodexo or some other outfit.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): Also what is happening is a lot of the back-office jobs are leaving London because of the cost. If you look at Deutsche Bank and people like that, a whole swathe of jobs have gone out of the company. Progression is now from that level to way up without having a nice linear thing through the company where you could go step-by-step and get up the chain. The jump is now much bigger because a lot of the middle chunk of jobs has gone from London because of the cost.

Tony Arbour AM: Is there any opportunity for people who are on zero-hours contracts to move up? They may start off, I do not know, as a burger-flipper. I do not know what is next. What do they call them, “the crew”?

Murad Qureshi AM: Yes, actually, at Burger King.

Tony Arbour AM: Does that happen?

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): McDonalds used to say that it has a very, very high retention rate through the ranks. I do not know if it is true or not but certainly in respect of all the press releases I see they always say lots of people do progress up. I do not know.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): A lot of people who employ [staff on] zero-hours contracts do it as a probation period but it is an unofficial probation period. They will do it for varying degrees of time. The worst offenders - a lot of care companies - people will be on zero-hours contracts for years. Some of them do not even know they are on zero-hours contracts until they get suspended, at which time the employer decides not to pay them but that is another matter. What a lot of companies do is you will be on that zero hours and, if you are good, you will eventually be offered some form of permanent contract.

The big issue we have as a union is that ultimately, if you look at employment law, an individual has to work somewhere for two years to have employment rights anyway. There simply is not a need for the zero-hours contract if it is properly managed. In some areas people on zero-hours contracts will ultimately get opportunities but it is not universal and it does make it a lot harder to get it.

Murad Qureshi AM: I am going to touch productivity because ultimately that is the thing that increases living standards. However bad we may think it is in France, they are known to do five days of our work in four days. I am quoting.

Tony Arbour AM: Really?

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): I would also say I am not sure we are comparing levels with levels --

Murad Qureshi AM: Line by line. OK, I understand.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): We will have to ask Ian [Brinkley] about the statistics.

Sue Terpilowski OBE (London Policy Chair, Federation of Small Businesses): I just do not get it.

Murad Qureshi AM: It is interesting. I am intrigued. That is why I brought up that comparison. There is a comparison within the UK but within Europe as well. It just appears London's productivity is poorer. It has not taken off in the way it should have done after 2008. Do you think there are particular issues we have got here in London?

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): There are issues. I have to say I start off in that very sceptical, I assume, position of, “Do I believe the figures?” Is it because there is more manufacturing in France and therefore the way you account for that is easier than financial services or whatever else? I will bow to Ian [Brinkley]. I am hoping Ian is going to tell us the answer to the productivity conundrum.

I would say there are factors that we would argue could increase productivity. Let us take the flavour of the month that you have been talking about, broadband. Broadband speeds in London for businesses are diabolical in many cases. Somebody who was telling me about this, a high-end video house doing work for Hollywood and it was delivering it by hand. How? If it had to go back to Hollywood then it had to go by plane. They could not get the bandwidth because what they were doing is high-end animation.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): My other point about that, those low speeds are ridiculous.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): It is impossible. It takes forever. It takes the next year and a half to send it. It is quicker to go by plane.

There is broadband and then there are the travel times within London, transport. There is a whole series of things there. You could argue that if you improved those - mainly to do with infrastructure and skill levels, those two together - then you would improve productivity. My starting point is that I put my hands up. I do not understand why the productivity is so low.

Murad Qureshi AM: Ian or Andy [Prendergast] can you help us with comparisons with other regions or other parts of Europe with London's productivity?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): The figures are correct. Productivity, output per hour, is much higher in France, Germany and the United States than it is here. That has been a very long-standing feature of the UK economy. In places like France and Italy - Italy also has high productivity - some of it is bit of a trade-off. They have lower employment rates than we do. We have more of the low-productivity jobs in the economy which will tend to pull down the average a little bit. For most people who have looked at this there are two broad reasons, and then one which is sometimes called the 'black box' which is the hardest to unpack.

Of the broader reasons one is around skills. Particularly countries like Germany have a very, very strong vocational training system which seems to serve them very well. The other is around the quality of management which seems to be a particularly strong feature of the United States. Therefore in different ways that skills advantage is coming through.

The second is investment. Our investment rates have typically lagged behind those of continental Europe and the United States. There are some things we cannot do very much about. One reason why productivity is very high in the United States is scale. They can scale up to a really big size that simply is not possible for some of our companies.

The bit we probably understand less about is that a lot of it seems to be what is going on inside firms rather than the broader economy. It does appear that British firms are less efficient at taking what is, after all, a well-educated workforce, and all the new technologies that are globally available, and putting them together in a way that produces high levels of productivity. Some people have pointed to the fact that we have more family-owned firms in the UK than in Germany and the United States and have said that is a factor in holding down productivity. Whether you believe that or not that is what some of the research is indicating. An awful lot of it is to do with what is going on within firms and the efficiency with which firms are using the factors of production that they have been given. I do not think we really understand quite what is driving it.

There have been, a long time ago, some sector-specific comparisons. Some researchers looked at why a hotel was more efficient in Germany than in the UK. It should not be: it is a standard industry. They found the reason was the German workforce is so much better skilled - even in areas like hotels - that they need far fewer

managers. That then increases the efficiency. They can let people get on with jobs and they can delegate more. It raised the whole thing.

It was a rather similar picture - this is not probably at the cutting edge of technology - was looking at biscuit making in the UK and Germany. Again, that showed that the skills of the workforce and the way it was organised were the critical factors. Why biscuit making? It was because they are using exactly the same technologies so you can take that out of the equation. It is not a technological difference, it is what you do with it and it is the skills of the workforce that you are trying to deploy.

Murad Qureshi AM: Thank you, Ian, for getting me out of that hole there when people were challenging that suggestion I was making. What you say with Germany is interesting. I had a personal experience where I once had to write a reference for someone who was going back to Germany. The requirements I had to write the reference were a lot tougher than the normal references I used to write which were one or two paragraphs. You had to detail everything they have done over two or three years.

Tony Arbour AM: Anecdote is not fact.

Murad Qureshi AM: I think it shows the differences between the labour markets. They specialise more is the point I am making.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): There are a couple of things. First, to echo Ian, the amount we invest in research and development (R&D) is criminally low compared to other countries. Unfortunately we seem to have got into a position with many of our companies where what is put into R&D in Germany and France here is given as management bonuses and share dividends.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): That is a political point rather than a factual point if we were going to challenge points.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): To be fair, if you look at the levels that have been taken out of firms and the levels in R&D.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): So how come London's economy seems to be doing so well against, probably, the British economy?

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): As I said, I am purely quoting Hui-Chu Chiang [Department of Economics and International Business, University of Central Oklahoma] who pointed to those figures that have shown that R&D has been down for a very long period of time.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): That is because we have less manufacturing in London.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): That was going to go on to the next point. Obviously, having less manufacturing it is far harder to get increases in productivity in the service sector and, in fact, at times it is not even desirable. There were a number of stories a few years ago about productivity going down in the National Health Service (NHS) after a huge amount of money going into it. It was true because a ward with two nurses had far better care than a ward with one nurse but productivity went down as a measure.

The other issue that I think is key is low pay. Low pay, unfortunately - because it is endemic - is having an effect of not making employers invest because they simply do not need to. A good example of that is car-

washes. In the 1980s in America, there was a perception that there would not be a single car-washer in 20 years because automated car-washers would be able to do those jobs. You only have to go around London and there are numerous – largely Kurdish or Turkish – people at the moment who will be doing car washes. As the wages are so cheap, it is easier to let them do that than to invest in the technology to replace it.

Ironically, you were talking about biscuits. We have had a dispute – admittedly it was in Liverpool – with someone who made custard creams. The custard creams were put in packets by women. It would be so much better to get a machine to do it but the wages on the minimum wage are such that it is easier to get a load of people doing it at a slower rate because it prevents them having to invest in the technology.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): That is the business rate question. If they go and buy the machine they have to pay so much more on the business rates that it actually does not make affordable. It is not just that.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): You are in favour, therefore, of sacking all those women who are packing those biscuits. I am not sure they would be in favour of that.

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): No, it is not a matter of sacking them.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): What do you do with them then?

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): The whole point is you make the thing more productive. My grandfather was a compositor. He had a five-year apprenticeship to put letters on a page. Now an eight-year-old child can do, in a fraction of time, what he could do. We are not Luddites and neither should we be Luddites. Ultimately, we need to develop the economy.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): In the printing industry there were a certain number of Luddites.

Murad Qureshi AM: You are right to emphasise apprenticeships and we need skills.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): Can I also bring in here a vital thing – what I mentioned earlier – which is capacity. We are seeing there is spare capacity in firms and therefore productivity cannot be as high because you do not have enough work coming in to make you be working 100% anyway. We are seeing there is a capacity shortfall in companies and people have managed that through this recession. That is a factor you have to look at. You are not going to get 100% productivity if you only have 60% capacity running through.

Murad Qureshi AM: I appreciate that point. Just coming back to skills and apprenticeships: that is something the Mayor has some kind of handle on. I do not know if you have any views or opinions about those programmes the Mayor has now on that front and whether they could be better utilised to help the productivity issues that we have in London.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): We welcome the £3,000 apprenticeship grants, the Mayor's £1,500 top-up. A lot of our members found that very helpful on the apprenticeship scheme. We have done some research and it costs our members, on average, £10,000 to take on an apprentice in the first year, in whole cost to the company.

Murad Qureshi AM: Businesses welcome that, do they?

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): I would say that actually there is a core problem - that goes back to the state rather than perhaps the Mayor - which is this relationship between business and academia which is something which has been obsessing us for many years.

If you take the German example, the Hamburg Chamber of Commerce started its own university - much to the anger of the Hamburg University which had been there for hundreds of years - from the starting point of, "What does business want?" It still provides a fully rounded education, Bachelor of Arts (BA) courses and that sort of thing. It has grown from 170 students and I think this year they are going to take 800 students. Basically the companies take them on, as it were, at the start of their degree. They work three months in the company and three months at university. There is a whole change in attitude in terms of education. We had yesterday a report from the British Chamber of Commerce about the scrapping of compulsory work experience.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): Meaningful work experience.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Yes, meaningful.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): You need the word "meaningful" with it.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Yes. It should be brought back in because - you talk about productivity - if you talk to employers about what is their major problem in terms of education of skills, it is that a graduate or a school-leaver takes so long to be a useful component of your workforce that it is a real cost to your business. For a graduate it could be one or two years before they are useful.

We have to find a way of bridging that gap between the world of exams, academics and that sort of thing and the world of work. We are not doing that. That needs a whole revolution and it needs flexibility - to use the word - on both sides. I am not saying it is all the fault of academics who do not care about work, who think that "work" is a dirty word and "business" is a dirty word. I am not saying any of that. What I am saying is that both sides have to say, "It is not working at the moment". You could improve productivity if people who came out of school and university were work-ready in a much shorter time than they are at the moment. It is a key problem for British business.

Murad Qureshi AM: That is the beginning of that graduate's working life and they could be in work for 30 or 40 years. This is right across the board, not just at the beginning of people's careers. You have mentioned the £3,000 that has been useful for employers.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): What this goes back to - dare I say it - is that we desperately need people to talk up apprenticeships. There is still a parent problem. If a child goes back home and says, "I want to take up an apprenticeship" a parent's first reaction is, "No, you need to go to university".

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): One of the things I was going to say is about the misuse of apprenticeships. We have a big issue with Next. Next have suddenly decided that they are offering an apprenticeship in stockroom management for which they pay the grand total of £3.30 an hour. [The purpose of] apprenticeships, I always understood, was that people would leave with meaningful, transferable skills. Historically, you were looking at your gasfitters, your electricians and your

engineers, who would be able to go out and do things. I used to work in the back of a Gateway. I did not need a qualification in stockroom management to haul a load of boxes. Effectively this is what has been happening with Next. It is being used by this particular employer to circumvent minimum wage rules by offering the most derisory training and support going.

That does, unfortunately, have the impact of undermining apprenticeships, as you were saying. We do need apprenticeships, but an apprenticeship has to be meaningful. Each time they are misused it supports that perception that you have. It is almost like the difference between a secondary modern and a grammar.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): To go back to your point about you only seeing what you allege would be the worst examples. There are thousands and thousands of examples that would completely sink --

Tony Arbour AM: Colin, we are able to discriminate between --

Andy Prendergast (Senior Organiser for South East London and Kent, GMB): We work very closely with the utility business which is the most unionised part of the country. To be honest with you, the work we have done with the likes of British Gas and SGN on apprenticeships is, quite frankly, the gold standard for apprenticeships. We have worked with companies in manufacturing and utilities very successfully around getting apprenticeships in and about providing real support.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): I agree with Andy. It has to be a proper apprenticeship because if you do downgrade the apprenticeships you are doing everybody a disservice. I must get four phone calls a week from a university or a service provider saying to me that they have a customer service apprentice that I could have [for my] company. What is a customer service apprentice? It is easy for them to get the money from the Government and all the things. Apprenticeships do need to be meaningful and they to be job-centric.

What I would like to see also is that if somebody comes into my company, it does not fit into a box, but I am going to spend four or five years educating that person. They are going to leave with some really good business life skills. However, I cannot give them any sort of accreditation to go on to the next employer with because I am not recognised as being a trainer even though they are probably going to have the most bespoke training they are ever going to get in their lives. We need to be much more realistic about apprenticeships, training and what people actually get and less hung up on some of the things that are totally meaningless.

Yes, apprenticeships are very good. We all have a job to do in that the right apprenticeships should be talked up. We have to do something with a parent's perception because if you do not change the parent's perception you have had it. The other thing is - it goes back to what Colin [Stanbridge] said - we should be starting at the age of five. We should have entrepreneurship in our schools.

Tony Arbour AM: The Ladybird Book of Entrepreneurship?

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): Yes.

Murad Qureshi AM: You are almost pointing it now to Lord Sugar [Entrepreneur] but I would not personally want to work with him.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): Do not go there.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): Just to add one thing to that it is not simple for a small company to take on an apprentice and for it to work. It can be a burden and a significant financial burden.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): We had one of our members who could not work for four months while he was training the apprentice.

Murad Qureshi AM: That is interesting. That is obviously a one-off as well, as you were suggesting Andy's cases were. Your point about academia is quite interesting because we have world-class academic institutions. As far as I know, we do not have any private colleges and ones that we may have here are aimed at foreign students. I will ask Ian [Brinkley] if you could give us your observations of where you think skills and apprenticeships are. We have heard it from trade unions and employers. It would be useful to hear where the Work Foundation is.

Fiona Twycross AM (Chair): Also maybe skills throughout the period of employment as well not just simply on the apprenticeships? Maybe we could talk about life-long skills.

Murad Qureshi AM: Did you catch that, Ian?

Ian Brinkley (Senior Economic Adviser, The Work Foundation): I think so, yes. Basically we have this two-tier system where we have a world class university system which does very well, produces education to a very high standard and is a huge export industry. Then we have the vocational training system which is an utter mess and has been for a long time. We have some patches of very good apprenticeships and we have swathes of very low-quality ones.

My heart sunk looking at the party political manifestos in the last election which all seemed to be competing for the maximum number of apprenticeships to be created. That is the wrong target. You create fewer apprenticeships but you make them very good quality. That is the only way to build it up over time. If you go for big numbers you will end up with low quality and that will help no one. It does not help the individual, it does not help the employers and it does not help others.

I was impressed by the measure in the Budget which called for a training levy. They were going to try to introduce a training levy. It seems to me this is the first time anyone has tried to grasp this nettle. While many companies do invest in their workforces a significant minority do not and nothing we have done has changed the position fundamentally. We have coaxed, we have bribed, we have provided graduates in huge numbers and nothing has basically shifted it. Moving towards something that looks more like a levy system on a central basis could be a potential game-changer if we get it right.

There have been some academics who very patiently - you would think we would know this but we did not - pieced together what the volume of investment in training has been since the 1990s. They found that it has fallen by between 30% and 40%. Some of that is because we have got better at training. A lot of that is to do with the fact that we have now substituted people who used to be trained by firms with graduates so the demand for labour has changed. Some of it is because the chronic problem of under-investment has gotten worse, not better. I cannot think of any other way forward than introducing an element of compulsion to the system. That will then move things along.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): There is also online training now which probably is not even monitored.

Ian Brinkley (Senior Economic Adviser, The Work Foundation): Most of it is captured. Admittedly there is a margin of error but the figures are so stark something has clearly gone wrong here. Unless we shift things the good employers are going to find themselves undermined by the bad employers. It is a very familiar story.

The last thing to say is trying to think about how we manage the transition from school to work. We have been trying to get this right for about 30 years and it seems to be worse now than it has ever been. Just trying to sort out that career path so people at least get into the right occupations, select the right qualifications and go on the right sort of courses still seems to be beyond our grasp. It sounds rather an old-fashioned point but maybe we should think about going back to what we had through the National Career Service.

Sue Terpilowski OBE (London Policy Chair, The Federation of Small Businesses): The London Ambitions plan we launched with the LEP and London Councils is probably the best plan that has hit the education system across the UK. It is only just starting but part of that is looking at what jobs over the next five, ten, 15 and 25 years are going to be available in London and then how we can mirror that in the system to get our children ready for those jobs.

It does not take an Einstein to know construction is the biggest employer in London. It does not take an Einstein to know that London is on the building site of Crossrail and anything else and yet we did not upskill any of our children to take London jobs. It is bonkers why, ten years ago, construction jobs were not being put forward in schools. Now, as I understand it, bricklayers are getting £100,000 a year because there are not enough of them.

Colin Stanbridge (Chief Executive Officer, London Chamber of Commerce and Industry): There is a disconnect. We did a lot of work on the construction skills pipeline using a model from Manchester, a very successful model, which last year said there is a 20% gap if you want to build the number of houses that we want to do. One of the problems that came out of that was that of the changing nature in the industry - building information modelling (BIM) and factory construction being erected - was not being captured by the further education (FE) colleges. There was a complete mismatch in many cases between what the industry wanted and what the colleges were funded to produce and kept on producing. That is something that has to be addressed, not just in construction but in many areas.

Then there is that thing about construction especially, the attitude of schools. We have a very good member who has turned his painting and decorating business basically into a training business. He has this fantastic woman who works with him and who runs the thing who, during apprentice week a year ago, asked me to speak at a warehouse where they had Dulux and lots of employers there.

She rang six schools in North London and they said, "We are not sending our children along to painting and decorating. We do not want our kids to be in painting and decorating." She went absolutely - quite rightly - mad and said, "I want to go to your school". She went to the school and that place was rammed with children who were looking at things and saying, "This is not what I thought. It is not just stock stuff. It is computers. It is all sorts of things." There is an attitude in the world of education that is quite snooty, in some cases, towards things like construction. They have not understood that construction has completely changed. It is not just hairy-arsed builders. Excuse me: I am typecasting. The world of work is changing and I am not sure the world of academia has caught up with it. That is partly our fault as well, and organisations like mine, and Sue's, and the CBI and London First, should be doing a hell of a lot more. In fact, we are working now on a whole series of projects that we hope will bring in businesses - especially small businesses - to try to take a more active part. Businesses need to play a much more active part but schools and universities need to be much more receptive to the idea that this is going to be. We need to try to destroy those barriers that have been there for years and years.

[Meeting became inquorate; Appendix 2 contains the remainder of the discussion.]

