

# Opportunity Knocks?

Unemployment and social immobility of young people in East London

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November 2011



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This short report has been prepared by Renaisi to draw together some of the current thinking and information around the issue of youth unemployment in East London, specifically looking at the boroughs of Hackney, Haringey, Islington, Newham and Tower Hamlets. It is not based on any new primary research, and presents our views on the issues, together with some recommendations about what needs to be changed.

# Executive Summary

The current economic climate is creating a wealth of figures about how challenging life is for young people in the UK today. This report tries to stand back from those immediate headlines and bring together those figures with the context of life for young people in East London.

Young people in East London are leaving school more qualified than their parents. The latest school results show year on year improvements in many East London schools. Yet for these young people and others struggling in low income households - unable to find good work or training - university is often not an option. They are not being rewarded for their hard work.

At the same time there are important sectors of the economy, such as digital technology, that are growing quickly in East London. This sector is important to the future prosperity, not just of London, but of the whole of the UK. It seems, however, this is also a sector suffering from a skills shortage of 'work ready' developers and technicians. The demand for skilled labour outstrips supply and that threatens London's competitiveness. However meeting this demand from local talent is not at all straightforward. Social immobility is a barrier faced by too many young people preventing them from accessing the better paid jobs their qualifications and ambition deserve. It also matters where you are from. If you are young and live in the poorer parts of East London not only is it difficult to get a job but many, if they are available, are poorly paid and insecure. Inequality is embedded in the labour market. Who you are and where you are from have big implications for the opportunities you have. Despite improving educational attainment, poverty and culture still create a significant 'divide' between East London's young people and the opportunities being created around them.

Many employers say there are two skills in short supply: softer employability skills such as confidence and ambition, as well as industry related, technical skills. If successful, initiatives like 'Tech City' in East London will stimulate demand for specialist technology skills in an industry where there is already a skills shortage according to some. If the financial and business services sectors lead London's recovery, as many think, they will also add to the demand for these skills. For many young people living on the estates in East London that edge the city it will be important that Tech City learns the lessons from the past when local economic growth, in the City and Canary Wharf, failed to deliver the scale of opportunities local communities demanded and deserved.

On one side of this opportunity divide there are capable and talented young people who are out of work or training or are in low-paid insecure jobs. They lack the support that would help them get opportunities that their skills deserve. On the other side there are signs of a growing local economy in East London, stimulating the demand for skilled labour. These businesses need technically skilled workforces if they are to compete and continue to grow. There is an opportunity here to do something new.

This situation is not unique. The American not-for-profit Year Up has been successfully tackling these very issues for over a decade with its employer driven training programme for urban youth. Year Up coined the term 'Opportunity Divide' and the economic and social rationale for its programmes is the same here as it is in New York or Boston. Indeed some of Year Up's key corporate partners are the same global brands found here in London. Combining the best elements of Year Up with the UK's Apprenticeship scheme provides the opportunity to design a new programme aimed at closing the 'opportunity divide' this side of the Atlantic for the young people of East London.



In Britain today, life chances are narrowed for too many by the circumstances of their birth: the home they're born into, the neighbourhood they grow up in or the jobs their parents do. Patterns of inequality are imprinted from one generation to the next.

*Nick Clegg MP – Deputy Prime Minister*

*Opening Doors, Breaking Barriers: A Strategy for Social Mobility – April 2011*

## Social mobility in East London

The Government's social mobility strategy lists a number of depressing facts as it sets out its vision for a more socially mobile country.<sup>1</sup> These statistics are simultaneously shocking and unsurprising for anybody who works in, or with, the more deprived communities of our country. Two in particular stand out, revealing how strong the link remains between where you come from in your life, and where you end up:

- Just one in nine of those from low income backgrounds reach the top income quartile
- The influence of parental income on the income of children in Britain is among the strongest in the OECD countries.

The strategy rightly focuses on a life cycle approach to dealing with social mobility, dividing its thinking into Foundation Years, School Years, Transition Years and Adulthood. The questions it asks are about why inequality persists and does not go away throughout the lives of individuals, families and communities. Whilst the temptation can often be to focus all effort on the foundation years, where greater impact can be made, inequality gets deeper and more entrenched as young people grow up and so much of the focus needs to be on these years too. This short report is interested in the third of those strands – the transition years from education to employment – and the challenges posed for 16-24 year olds in East London, who too often are let down by the system and situation they find themselves within.

In light of the recent riots, awareness of the lack of opportunities faced by young people is greater than ever. There is a rush to identify the root causes of why the riots started across many deprived areas not only in London but in cities across the country.

Yet a desire to solve this problem for young people is not new. Different governments have tried different approaches, but in many ways some of the overarching conditions remain the same. Young people from the more deprived communities of our country continue to be less likely to enter into sustained employment or access higher paid jobs. History also tells us that where there have previously been concerted efforts to enable a private sector led economic strategy for growth in deprived areas of East London, such as Docklands and Canary Wharf, the employment opportunities created have not resulted in increased employment in those communities in the immediate vicinity. East London will once again be subject to new economic policy as the Coalition Government and the Mayor of London attempt to stimulate private sector growth and capture the economic benefits of the 2012 Olympic Games. A major policy challenge will be to stimulate economic growth and implement policies to advance economic opportunity and social mobility for the communities of East London. Only then will we avoid the mistakes of the past and achieve economic justice for local communities and success for businesses.

<sup>1</sup> 'Opening Doors, Breaking Barriers: A Strategy for Social Mobility' HM Government, April 2011

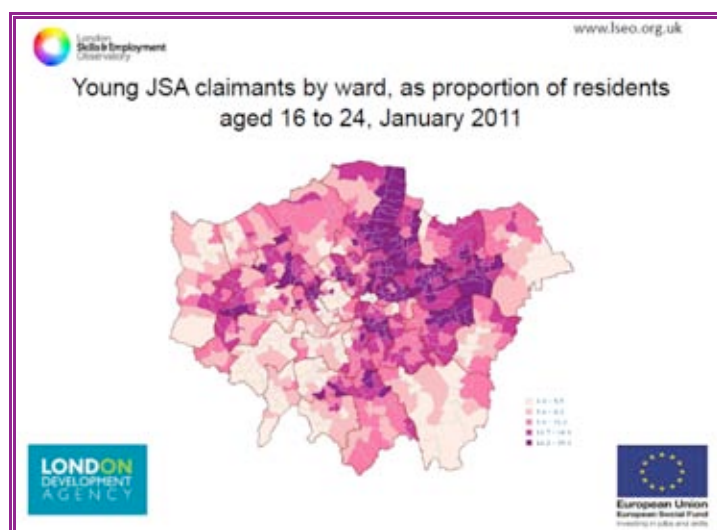
## The London labour market for young people

There are two big challenges for young people seeking work in the capital. The first challenge is one of unemployment, and the difficulties young people face finding a job.

Youth unemployment has been a challenge for politicians and policy makers for many years. In good years and bad, there has been a lag in the employment rate for young people when compared to adults. The unemployment rate for under-25s in London is far higher than the average of all working age adults, at around 22% compared to 9%. It is also higher than the national rate of youth unemployment. As well as being higher for this age group, the unemployment rate for 16-24s is growing faster than for all adults.<sup>2</sup>

In the year to September 2010, 106,000 young people were unemployed in London. This is equivalent to nearly a quarter (23%) of 16-24 year olds in London who are 'economically active' compared to less than one in five (18%) young people in the rest of the UK. Youth unemployment in London has continued to rise after the recession, and national data from October 2011 highlights that there are now 1 million young people in the United Kingdom.

The reason for the focus on East London is because that is where the problem of unemployment and disadvantage mainly persists in the capital. The map below highlights the areas (in darker purple), which have particular concentrations of youth JSA claimants.



In September 2011, 22.3% of the 16-24 year olds in Greater London who claimed JSA were from five East London boroughs (Hackney, Haringey, Islington, Newham, Tower Hamlets). As well as volume, these boroughs also have a higher rate of their young people claiming. In Inner London (where the rate is higher than outer London) 15.5% of 16-24 year olds claim JSA. Yet, over 20% of Hackney, Newham and Tower Hamlets' young people claim JSA.<sup>3</sup>

The second challenge is the type of employment that young people are currently obtaining. For all the efforts to support young people from East London, in school and out, their ability to get jobs in the full range of careers in the London labour market is limited. The challenge for London is that its labour market is strikingly different to that of the rest of the UK, and this brings with it opportunities as well as risks for its young people.

However, it is also important to consider the ongoing context of poverty and deprivation in the east end, and how these continue to hold back young people in the capital despite the educational attainment of

<sup>2</sup> 'Young Adult Unemployment over time', London's Poverty Profile, October 2010.

<sup>3</sup> 'GLA Claimant Count Model Output' September 2011 claimant count.

London's young people.

The April 2011 work of the London Skills and Employment Observatory brought together a number of studies and data sets, and found the following conclusions about the situation for young people in London:

- Young people (16-24) are much more likely to be in learning in London than the rest of the county, particularly between the ages of 19 and 22, and so are less likely to be in employment.
- Sales and customer service jobs account for a greater share of employment amongst 16-24 year olds in London than in the UK. This is in direct contrast to the pattern of employment amongst people aged 16-64.
- The use and take-up of apprenticeships is relatively low in the capital
- Young women, people from all Black or Asian minority ethnic (BAME) groups, disabled young people, and those with higher level qualifications are all much more likely to be unemployed in London than elsewhere in the UK.

These four bullet points highlight the stark reality of the London labour market – it is a divided one. London has, crudely, both high skill jobs and low-skill jobs, and little in the way of progression routes in between. There is intense competition for the low-end jobs, due to the demographics of the capital, with more young people in education and more foreign-born residents, meaning that 'disadvantaged workers are more likely to be 'squeezed out'.<sup>4</sup> For those who grew up in the more deprived parts of the capital, the reality of work in the high-skill end of the labour market can appear a very long way away. The UKCES Youth Enquiry report also highlights that young people are more than twice as likely to be employed on temporary contracts, with declining numbers receiving job training, combined with reduced earnings.<sup>5</sup>



The polarisation of the UK economy, which has seen the loss of thousands of skilled and semiskilled jobs, has been most pronounced in London. The result is intense competition at the lower end of the labour market, as large numbers of people with low and intermediate skills compete for entry-level jobs.



IPPR – More than a foot in the door

It is clear that unless a new approach can be developed, East London's young achievers will continue to struggle to access the higher level and better paid jobs they deserve because of the structural barriers built into London labour market.

## Education achievement – rewarding success?

Education is the primary route of social mobility for many. Getting skills and qualifications allows for a greater likelihood of succeeding in the labour market. In England, only 20% of young people from the poorest families achieved 5 good GCSEs including English and Maths, compared to 75% of the wealthiest families.<sup>6</sup>

<sup>4</sup> Dalia Ben-Galim, Kris Krasnowski and Tess Lanning, 'More than a foot in the door: Job sustainability and advancement in London and the UK', ippr (March 2011).

<sup>5</sup> UK Commission for Employment and Skills, 'The Youth Enquiry: Employers' perspectives on tackling youth unemployment', March 2011.

<sup>6</sup> HM Government 'Opening Doors, Breaking Barriers: A strategy for social mobility' April 2011

GCSE and attainment results have been improving across London as a whole and are better than the national average. Boroughs such as Hackney, Haringey, and Tower Hamlets all had GCSE results in 2009 that were below the London average, but were on a positive trajectory.

Significantly, those boroughs delivered above London average results for children on free school meals (FSM).



Since the recession, the proportion of young people in London who are in work has fallen, but the fall has been more than matched by the increase in take-up of education and training. The rest of the UK has seen greater falls in the employment rate of young people which has not been matched by increased participation in learning.

<http://lseo.org.uk/youngpeople>



The very large proportion of children on FSM in these boroughs, (as high as 64.7% in Tower Hamlets) clearly has an impact on their results, but relative success demonstrates that they are developing positive approaches to support their more deprived families.

There are a range of factors affecting pupils' attainment across London. Pupils with English as a second language, on free school meals or with special educational needs, as well as looked after children are less likely to achieve.<sup>7</sup>

Factors affecting attainment are more evident in London schools due to the very different school population compared to the rest of England. More pupils are entitled to free school meals in London, with 25% of primary school children and 22% of secondary school children, compared to national averages of 13%. The pupil churn between schools is also higher, with about 14% of Inner London pupils changing school in an average year, and 5% elsewhere.<sup>8</sup>

Generally, the poverty rates of young people in London have not improved at the same rate of improvements in educational achievement. What is clear is that London has been successful at improving education results for poorer children, but these improvements are not being translated into supporting young people into employment – implying that there are deeper, more complex issues preventing so many young people in London from entering sustainable employment. Those who do well in school are not necessarily finding the opportunities their academic results should promise for them. The system is not rewarding them for their hard work.

This shows that education matters, but so does where you came from, and where you go at age 16.

<sup>7</sup> YPLA (2010)

<sup>8</sup> London's Poverty Profile 'Low Educational Outcomes' 2007

## Poverty, culture and the 'Opportunity Gap'

From the perspective of social mobility, the question for 16-24 year olds in East London is how can the transition from school years to adulthood be made most effective given the array of factors influencing success.

Poverty and family circumstances have a huge impact on the chances of success in the lives of so many young people and these factors need to be taken into account and understood when trying to support young people through their school lives and through the transition period into work.

As the London Child Poverty Commission highlights: "Child poverty creates barriers to progress to a successful adult life and upward mobility at all stages – from before birth into the early years; through primary and secondary schooling and the transition into adulthood. Early physical, cognitive and emotional development – primarily within the family setting – sets the scene or later life and results in positive social, health and labour market outcomes".<sup>9</sup>

Poverty in London is still high for all age groups compared to anywhere else in England, and higher still in Inner London. Child poverty is around 40% in London, meaning that over 600,000 children in London live in low-income households. This figure is lower than a decade ago due to demographic change in Inner London as a whole, which is now at 44%, but in Outer London it is 37%.<sup>10</sup>

In September 2010 the YPLA identified that children are more likely to be living in poverty if they live in social housing, if they are from certain ethnic groups, and/or if they have a disabled parent or are disabled themselves. London not only has more of these groups who are at greater risk, but these groups also have a greater likelihood of living in poverty in the capital than nationally. Poverty traps are deeper in London because of higher housing, transport and childcare costs, combined with the fact that wages are worth less to low income families due to the higher costs of living, and also that some migrant families have particular difficulties in the labour market.<sup>11</sup> London also has a higher number of people in groups traditionally disadvantaged with 21% of London benefit claimants being lone parents (14% nationally), and 30% of those unemployed having multiple barriers (23% nationally).<sup>12</sup>

Not all poor children will grow up to be poor, but early poverty is associated with increased risks of poor outcomes in later life. Poverty has a negative effect on children's housing, health, the risk of crime and accidents, education and, in turn, employment.<sup>13</sup> In the English Indices of Deprivation 2010, it can be seen that over 40% of the 688 Lower Support Output Areas of Hackney, Haringey, Islington, Newham and Tower Hamlets are in the bottom 5% nationally in terms of income deprivation affecting children.



In London 28% of children live in families on at least one key benefit. This ranges from 9% in Richmond to 49% in Tower Hamlets. In 2008, 368,000 people in London were claiming Income Support. The highest numbers of claimants were in Hackney, Lambeth and Newham (18,000). Hackney has the highest rate in London with 126 claimants per thousand working age population, followed by Islington (112) and Barking and Dagenham (110).



YPLA, September 2010

<sup>9</sup> London Child Poverty Commission, 'Legacy Report: Achievements and further action needed' March 2010

<sup>10</sup> London's Poverty Profile, 'Recession Impacts Most on East and Outer London' October 2010

<sup>11</sup> YPLA (2010)

<sup>12</sup> LB Tower Hamlets 'Report of the Scrutiny Review Working Group on Reducing Worklessness amongst Young Adults 18-24' February 2010

<sup>13</sup> London Child Poverty Commission, 'Legacy Report: Achievements and further action needed' March 2010

In 2009, the Institute for Fiscal Studies looked at the drivers and barriers for educational success in young people in England.<sup>14</sup> This report looked at a range of 'transmission mechanisms', identifying that parental and other family background factors may affect educational and behavioural outcomes. These included schools and neighbourhoods, parents' attitudes and behaviours, and material resources. This shows that long term opportunities for young people largely depend on the opportunities available to them as they grow up.



Intergenerational inheritance has strengthened over the last decade rather than reduced, and there is evidence of continuing significance of family disadvantage, despite the extension and expansion of post-16 education. Men from high income backgrounds are almost three and a half times more likely than those from low income backgrounds to have high income as adults. Men and women in professional or managerial occupations are twice as likely as those with parents in part-skilled and unskilled occupations to end up in professional and managerial occupations themselves. If people are out of work or trapped in low paid jobs, it not only affects them but also their children, compounding a cycle of social immobility.<sup>15</sup>

Family beliefs impact on the education, work and family ethic of younger generations, and these beliefs are likely to affect both the behaviour of young people, and the level and type of emotional and economic support they provide on education and work transitions. Through transmitting beliefs about family life, education and work, families have a significant impact on whether young people will face disadvantage in their adult lives. Formal education cannot always overcome the effects of family influence.<sup>16</sup> This does

not mean that young people from disadvantaged background have low aspiration. Evidence points to the contrary finding that many young people in urban areas have high aspiration. What they don't have is knowledge of, or access to, pathways that enable them to realise their ambitions. What is needed are interventions that are locally designed to tackle very specific barriers that exist in some areas.<sup>17</sup>

Even where young people succeed at school, there are a number of cultural and deeper rooted barriers preventing them from accessing good life opportunities and sustainable employment. As well as ensuring young people are leaving school with good attainment levels, support should be provided to ensure young people are given the opportunities to overcome these. Furthermore a new approach is needed that engages employers more fully and more effectively.<sup>18</sup> But any new approach also needs to recognise the impact of their personal background on young people's life chances. It should also provide a means of bridging the barriers inherent in London's labour market that deny young people from low income areas the opportunities they deserve and their aspiration demands. But equally important it needs to be an approach that really understands what employer's want.

<sup>14</sup> Department for Education, 'Drivers and Barriers to Educational Success', April 2009.

<sup>15</sup> HM Government 'Opening Doors, Breaking Barriers: A strategy for social mobility' April 2011

<sup>16</sup> Joseph Rowntree Foundation 'The Youth Divide: Diverging Paths into Adulthood' July 2002

<sup>17</sup> Joseph Rowntree Foundation, 'The influence of parents, places and poverty on educational attitudes and aspiration'. October 2011.

<sup>18</sup> The Recruitment and Employment Confederation 'Avoiding a Lost Generation – preparing young people for work now and in the future' June 2010

## London's employers – what do they want?

To help improve the employment rates of young people in London, support needs to be provided to the young people themselves to help address some of the issues they face and the underlying causes of why they have fewer life opportunities. But they can't be looked at in isolation. Generating an understanding of the companies and organisations that can provide them with sustainable employment opportunities and the needs and skill requirements of these companies is equally as important.

Firstly, 60% of London employers are more likely to recruit direct from University or Higher Education compared to 43% nationally.<sup>19</sup> The 2010 Voice of London Employers Survey (VoLE) also stressed that most London employers recruit from workers already active in the labour market.<sup>20</sup> These two factors already make it difficult for the majority of school leavers in London to access employment, regardless of issues around social mobility, poverty and cultural hindrances faced by many young people in London.

The recession has also hit young people the hardest. A freeze on recruitment disproportionately affects the job opportunities for new entrants to the labour market; it is easier and cheaper to make less experienced employees redundant and employers may be more inclined to retain more experienced and trained employees in whom they have invested more.<sup>21</sup>

There is little evidence available outlining the skills employers in London look for, and research that is available covers skills of all employees, not just aged 16-24. Moreover, evidence from the 2010 VoLE survey,<sup>22</sup> whilst not wholly representative of young people, highlights key factors influencing employers' recruitment decisions:

- Work experience – most important - used to select candidates for interview
- Interview performance – demonstrating attitude, motivation and communication skills
- Literacy and numeracy, and general employability skills
- Specialist or technical qualifications – more so than GCSEs grades D-G
- A positive attitude
- Relative work placement/industrial placement
- Understanding the needs of customers
- Basic skills – particularly ability to analyse data and produce clear, structured written work

Often qualifications inform the screening process, and then are subsequently ranked beneath characteristics and soft skills such as communication skills, motivation, willingness to learn, appearance, behaviour and confidence. Where they are able to demonstrate these attributes then often qualifications, or lack of, will be overlooked.<sup>23</sup> So qualifications aren't everything. But if, because of your background and where you live, you don't have the information on what else is needed or knowledge of how you can get it, you are at an immediate disadvantage compared to those that do. And you are less likely to get a good job in the London labour market.

“

Findings indicate that, while both experience and qualifications are seen as important, young people attach greater, and perhaps too much, importance to qualifications

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LSEO 2011

<sup>19</sup> London Skills and Employment Observatory, 'The Skills and Employment of Young People in London' April 2011

<sup>20</sup> London First 'The Voice of London Employers' 2010

<sup>21</sup> London Skills and Employment Observatory, 'The Skills and Employment of Young People in London' April 2011

<sup>22</sup> London First 'The Voice of London Employers' 2010

<sup>23</sup> The Institute for Employment Studies, 'What Employers Look for When Recruiting the Unemployed and Inactive: Characteristics, Skills and Qualifications' November 2005

## Rebalancing the East London economy – opportunities and threats

In order to drive economic development in a period of downturn, much focus has been on the Knowledge Economy as a way to boost future economic growth. London is recognised as a global hub for knowledge-based industries, and the emerging tech-corridor of East London, located in one of the more deprived areas of London, makes it an attractive place to be as it further develops as an area of digital and creative entrepreneurship. The Tech City initiative, committed to by the Government, will potentially play a significant role in building a digital cluster in East London to the benefit of the UK and the global digital economy.<sup>24</sup> Digital Technology has been claimed to be the single lever for productivity and competitiveness across every sector of the economy, underpinning the future of job creation in Western Economies.<sup>25</sup>

The Government has referred to Tech City as one example of a way to rebalance the economy, which, as well as the north/south divide and public/private sectors, can also be viewed in terms of east and west London.<sup>26</sup>

The technology industry contributes to 8.4% of the total GVA in the UK per annum, and 1 in 11 of the working population are employed in these sectors.<sup>27</sup> With such high levels of youth unemployment in East London, Tech City could be well placed to help improve the situation for young people, improving their prospects by providing them with long term employment opportunities in a growing sector of the economy. But this is far from guaranteed.

Research undertaken by McKinsey and Company shows that a competitive cluster such as this will display the following attributes:

- **Presence:** Active promotion and outreach – co-ordinating the promotion of opportunity to entrepreneurs and investors in the UK and overseas. Market stimulation will fuel the digital market place in East London, and competitive infrastructure will ensure it is world-class
- **Connectivity:** Accessible internal business and social networks – creating a single point of access to the existing local people and skills networks. It will improve collaboration with academic partners including UK, international and local universities.
- **Capability:** Distinctive pipeline of talent – encouraging more people to set up start-ups in East London and facilitate the talent flow within the cluster. Practical, applied business and management training will be provided in East London to teach the core business skills required
- **Support:** Financing – improving access to growth capital.

Whilst the McKinsey report has outlined the potential for significant opportunities created by Tech City in East London, it has failed to mention the opportunities of the potential workforce on its doorstep, with the extent of higher education provision based in and around East London, and the talent and skills of its local community. Companies establishing themselves will be well placed to recruit a wealth of talent from the local community. It is important that this attribute is not forgotten when considering the advantages of the technology cluster.

Tech City will attract companies that are likely to need specialist skills such as engineers, research analysts or software developers, and there are currently concerns of a technology skills shortage in the UK. 43% of technology industry employers have reported insufficient applicants for technology posts.<sup>28</sup>

<sup>24</sup> McKinsey and Company 'East London: world-class centre for digital enterprise' March 2011

<sup>25</sup> Creative and Cultural Skills 'Strategic Skills Assessment for the Digital Economy' E-Skills UK January 2010

<sup>26</sup> BOP Consulting, 'Tech City: Creating a new digital and media cluster in London's East End' December 2010

<sup>27</sup> Creative and Cultural Skills 'Strategic Skills Assessment for the Digital Economy' E-Skills UK January 2010

<sup>28</sup> Creative and Cultural Skills 'Strategic Skills Assessment for the Digital Economy' E-Skills UK January 2010

There are plans to overcome this barrier by working with the HE and FE sectors to identify opportunities and enhance skills in the local labour market, and so it is important that local young people are given access to these opportunities. It is estimated that over 555,000 new technology professionals will be needed in the next 5 years and so it is important these young people are supported to meet this demand.<sup>29</sup>

Tech City will run through some of the most deprived areas with some of the highest unemployment rates in London, and the question posed is how it will benefit the people who live there? It will be important to ensure that Tech City doesn't make the same mistakes made by many previous large scale economic interventions, where investment made to improve the local economy results solely in an influx of professionals from outside of the area, failing to benefit local residents. The Development of London Docklands and Canary Wharf has been criticised by many for its failure to create new jobs for local people.

#### **Canary Wharf and the failure of 'trickle down' – The Work Foundation**

Canary Wharf and London Docklands was one of 38 Enterprise Zones established between 1981 and 1996, and in many ways was one of the most successful. The Docklands area had fallen into decay following London's decline as a port, losing 150,000 jobs in 10 years. The interventions stimulated by its status as an enterprise zone brought in significant investment to the area, with Canary Wharf becoming the site for a brand new financial services hub in east London. On the surface, Canary Wharf appears to represent a major success story for Enterprise Zones.

By 1993, however, a year after the Enterprise Zone designation expired, Canary Wharf had a working population of just 7,000, compared to 90,000 today. The area had suffered from high unemployment rates since the decline of the industry, yet many of these local people did not have the skills to take the jobs from the businesses in the financial sector who benefitted from the enterprise zone.

One assessment of the scheme totalled the up-front costs at £1.6bn in today's money, and - creating just 58,000 jobs - poorer value for money than other job creation schemes. It was also identified that up to 80% of the jobs created were simply displaced from other areas.

*The Work Foundation 2011*

Whilst Tech City has the potential to bring so many opportunities to East London, further work needs to be done to ensure local young people and school leavers can access opportunities, providing them with the skills and expertise to work in the businesses moving into the area. And this needs to happen urgently if previous mistakes are not to be repeated.



Apprenticeships offer a fantastic opportunity for people to gain the skills they need for the jobs of the future, equipping the country for our goal to build long-term sustainable growth

*David Cameron – February 2011*

## Tech apprentices and bridging the divide

The Coalition Government has confirmed plans to increase the number of apprenticeships available to adults and young people, increasing numbers by over 100,000 over the next five years, emphasising the sense of both social and economic worth that apprenticeships provide. The government will work with learning providers, employers and academics to drive this forward.

Research carried out between 2007 and 2010 identified that only around a third of London employers recruit apprentices or interns, and are less likely to offer apprenticeships to young people in London than the rest of the country.<sup>30</sup> As part of their plans for Tech City, the Coalition Government has reasserted support for apprenticeships, internships and college and work-based training programmes, aiming to build on existing technology companies and to work with higher education institutions in East London to ensure the jobs it creates can be accessed by local people. It has plans to invest £150m to create more than 50,000 apprenticeships for SMEs.

The apprenticeships will also act as a key entry route for the more vocational and semi-skilled technical roles. The issues around social mobility and the importance of social networks towards gaining access to sustainable employment, as discussed earlier, highlight a need for community internship programmes providing placements for local young people – including both school leavers and graduates – to help address the problem. The Data Service highlights that Hackney, Haringey, Islington, Newham and Tower Hamlets all deliver more business-based Employer Responsive courses (employer led-programmes, including apprenticeships) than residents from these East London boroughs are taking up. With the exception of Newham, under half (49%) of the total number of business-based employer-led courses being delivered in these boroughs are taken up by residents, compared to 70% across Inner-London boroughs.<sup>31</sup>

Currently only 41% of residents enrolling on a business-based Employer Responsive course from these East London boroughs go on to achieve the course, compared to an inner-London borough average of 72%. This suggests a high drop-out rate, demonstrating a need to ensure these programmes are targeted to address the deep-rooted problems of social mobility for these residents.

It will be important for the new hub to work with local schools, either as part of Education Businesses Partnerships or to promote the industries and motivate young people to aspire to work in these sectors.<sup>32</sup>

Similar to the situation of high youth unemployment rates in the UK, America has for a long time identified long term issues around its shortage of educated and skilled workers, along with high unemployment rates

<sup>30</sup> London Skills and Employment Observatory, 'The Skills and Employment of Young People in London' April 2011

<sup>31</sup> MI Library Local Authority Demographics 2009/10 [http://mireportslibrary.thedataservice.org.uk/demographics/geography\\_reports/local\\_authority.htm](http://mireportslibrary.thedataservice.org.uk/demographics/geography_reports/local_authority.htm), 2009/10

<sup>32</sup> BOP Consulting, 'Tech City: Creating a new digital and media cluster in London's East End' December 2010

and low-skilled and disenfranchised youth. As a way to try and address some of these issues, a successful partnership of community and corporate organisations was implemented in cities across America to provide a one year intensive training programme providing urban young adults (18-24) with a unique combination of technical and professional skills, college credits, education support and corporate internships. This scheme is called Year Up. If a similar model was implemented in East London, businesses in and around Tech City could be provided with a pool of talent ready to acquire the necessary skills and expertise to meet their needs. At the same time young people would benefit through having developed the technical and professional skills needed to start and develop a sustainable career.

### Year Up

Year Up was founded in October 2000 to help address the challenges of disconnected youth and issues of a national, growing opportunity divide. Many young people were leaving school without qualifications, and others were entering into a cycle of in and out of job training and adult education programs, never getting beyond low-paying jobs with little opportunity. The Year Up programme recognizes that both job skills (technical and professional) and higher education are necessary to provide a viable path to economic self-sufficiency. Its mission is to close the opportunity divide by providing young adults with the skills, experience, and support to empower them to reach their potential through professional careers and higher education.

The scheme is divided into 2 parts, with the first 6 months spent in classes and the second 6 working as an apprenticeship with one of the organisations' corporate partners, including Google, Microsoft and multi-national banks. The class room component provides the students with technical skills, as well as instruction in business-appropriate written and oral communication. They also learn assorted professional skills including public speaking and business email etiquette.

After successfully completing classes, students are placed with corporate partners, giving them the opportunity to do the jobs for which they are trained alongside company employees, returning once a week to report to their teachers and staff at the Year Up headquarters. The scheme supports its graduates to move on to full-time employment and higher education, providing them with the opportunities to demonstrate their full potential.

*Year Up: Closing the Opportunity Divide*

The Year Up model is a successful way of solving both the problems of high youth unemployment levels, and the skills shortages and recruitment difficulties faced by many businesses and industries. The scheme works with businesses, colleges and providers to establish their own goals, expectations and requirements of each student, and at the same time offers the students exceptional opportunities. A similar scheme in East London may help match the needs and aspirations of young people with the skills required by the businesses on their doorstep.

## Conclusion and recommendations

In East London, youth unemployment and social mobility are separate but deeply connected issues that have continued to hold back the area and harm the potential and ambition of local young people. Despite improving education outcomes, social mobility has barely changed. Potential is not being rewarded and if anything the situation looks to be getting worse.

There are a number of factors behind this including the context and culture of poverty and unemployment, the structure of the London labour market, the way employers recruit and the failures of the support systems already in place, which can often be too fragmented and inflexible.

There is no single answer. London has a polarised labour market that is difficult to bridge. In tough economic times, employers are able to pick from a wider pool of talent – potentially making the circumstances even more difficult for young people entering the labour market for the first time. Soft skills are just as important as technical skills in this environment.

But East London has the biggest opportunity in a generation to do something about these structural problems. The 2012 Olympic Games, its subsequent legacy and Tech City are new initiatives when combined with existing business success in cultural and digital industries they present a very real opportunity for improving the employment and mobility opportunities for young people.

There is anecdotal evidence of a skills gap for employers in the Tech City area. This needs to be investigated more fully, but if the details of the unfulfilled demand for labour can be understood it could be met by the young people of East London with the right kind of support. There is a gap waiting to be bridged between employers who need the skilled employees (and if they don't get them they will suffer competitively) and local young people who are bright enough and have the aspiration but are disconnected from the opportunities.

The current interest in Apprenticeships, when focused on the circumstances of East London, could be a way to replicate and build on the ideas of Year Up in America, and to use the strengths of the area to bridge the divide for the local community as well as supporting local businesses.

To make this potential real, Apprenticeships will have to be more than just a qualification, but something that is part of a broader package of support to young people. There needs to be programmes that open up these opportunities and helps employers realise that they have much of the talent they need quite literally on their doorstep. Work needs to be done to convince employers that it makes good business sense to invest in local young people to build their businesses. And there should be an intensive and high quality training programme for local young people from low income families that gives them the technical and 'work ready' skills and knowledge employers want.

Renaishi is an award winning social enterprise based in Shoreditch, East London. We are dedicated to improving the lives of disadvantaged communities and specialise in community-led regeneration, employment and neighbourhood services. Our stated social purpose is to create sustainable, attractive and inclusive neighbourhoods, which foster the talent and diversity of local people. We support and connect the work of the public, private and social sectors with local people to build strong and prosperous communities.

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