**Submission to London Assembly Economy Committee – Inquiry on Economically insecure Londoners.**

London Citizens Advice (a collaboration of 28 local Citizens Advice services supporting Londoners in all boroughs) welcomes the opportunity to contribute to this inquiry which focuses on issues concerning the ’gig economy’ in London, the challenges of financial exclusion, economic insecurity and access to basic financial services. These are major issues for London, and for advice services and our clients. The context for Londoners is that they are faced with ever rising living costs – for example private sector rents are significantly higher in London compared with all other regions of the UK (£276 per week compared to national median of £142). Economic insecurity for Londoners can therefore quickly slide into debt, poverty and financial exclusion. In summary we think there is an important role for the GLA and the Mayor in the following areas of policy:

* Further promoting the London living wage and Good Work standard with London businesses and local authorities;
* Delivering a financial inclusion strategy for London
* Strengthening London’s advice sector

**Work, poverty and the gig economy**

Whilst it is welcome that the number of Londoners in work has risen over the past decade with unemployment in London more than halving from its 10% peak in 2009, much of this growth has been driven by less secure or lower paid work, so set against rising living costs many Londoners now struggle to secure the decent work needed to lift their families out of poverty. Research from Citizens Advice and others has found that low-income households and people who experienced negative changes in their employment are most likely to have faced financial difficulties during the Covid crisis, alongside young people, families with children, and disabled people or people with health conditions.[[1]](#endnote-2) So for example, taking the survey sample in the Citizens Advice research, 50% of those on zero hours contracts had fallen behind on bills and rent.[[2]](#endnote-3) For households in London now stretched further by rising costs, it is unsurprising that many are being pushed into hardship.

74% of adults in poverty in London – approximately 1 million Londoners - are in working families, up 62% from a decade ago.[[3]](#endnote-4) Insecure and irregular work is the major factor in this; labour market studies show that over one fifth (21%) of the capital’s working age population now work in the gig economy,[[4]](#endnote-5) and a quarter or more of all gig economy workers are based in London.[[5]](#endnote-6) During the pandemic, gig economy workers did not receive the same income insecurity protections from government interventions. Yet any people in insecure work are key workers delivering who have been delivering vital services and support. The pandemic has laid bare just how vulnerable these workers are to exploitation and how difficult it is to enforce the minimal rights that they have. Studies of those in low-paid self-employment estimate that up to half may be living on incomes below the National Living Wage. In 2018 a NatCen Social Research study found that 700,000 gig economy workers were paid below the minimum wage[[6]](#endnote-7) and the Resolution Foundation found that 49% of self-employed workers were low-paid.[[7]](#endnote-8) The challenge is especially severe for London where high living costs make the volatility of self-employment income especially difficult to cope with. Surviving on a low income comes at a cost for London, we note for example London Borough’s spend on Council Tax Support rose by 16% last year.[[8]](#endnote-9)

Over the period of the pandemic, there has been an increase in inquiries to local Citizens Advice offices in London from clients concerning Universal Credit matters, other notable increases in London include clients with employment matters. We also see evidence of problem clusters, associated with low income

**Unique clients for London recorded on Citizens Advice management information by calendar year**

*(Note, project specific reasons not all client transactions are recorded on the case management system, so the real figures may be a lot higher, estimated about 250,000 clients annually)*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2019** | **2020** | **2021** |
| Benefits & tax credits | 56580 | 49163 | 52430 |
| Benefits Universal Credit | 42028 | 55343 | 49181 |
| Consumer goods & services | 4374 | 4607 | 4441 |
| Debt | 33283 | 22857 | 24404 |
| Discrimination & Hate & GVA | 2054 | 2478 | 1587 |
| Education | 1853 | 1515 | 1676 |
| Employment | 12179 | 18011 | 11985 |
| Financial services & capability | 14342 | 15552 | 18068 |
| Health & community care | 4738 | 5520 | 6095 |
| Housing | 30947 | 32974 | 34888 |
| Immigration & asylum | 10839 | 9523 | 10975 |
| Legal | 8619 | 7925 | 8518 |
| Other | 11115 | 16261 | 21829 |
| Relationships & family | 9252 | 8413 | 8567 |
| Tax | 3266 | 2813 | 2989 |
| Travel & transport | 4685 | 3595 | 4555 |
| Utilities & communications | 4329 | 4314 | 6265 |
| **Grand Total** | **174,394** | **173,381** | **172,537** |
|  |  |  |  |

The informal economy can be difficult to evidence due to its very nature, but measures of in-work poverty can be a useful proxy of distributional impact. Evidence suggests that the outer boroughs have higher levels of in work poverty.[[9]](#endnote-10)



The GLA and the Mayor have a key role to play in challenging businesses in the on-demand economy in London to commit to offering good work and fair pay, and working with London’s legal and advice sector on the enforcement of employment rights. Initiatives taken by the GLA to date; for example in promoting the London living wage, the Good work standard, and establishing the Employment Rights Hub are extremely welcome and we urge that the GLA should work with local Citizens Advice in developing accessible information on employment rights and supporting the advice sector. Amongst other actions the GLA might consider could include:-

* Working with London Councils to encourage them advocate for local wages to rise to match the London Living Wage with the objective of reducing the number of households in poverty
* Good Work standard: The Mayor’s manifesto committed to introducing a ‘charter for on-demand work in London in order to drive up standards’, whilst a good idea in principle, there is a need for buy in and for business to take ownership and responsibility, and spread best practice. The Greater Manchester Good Employment Charter launched by Mayor Andy Burnham is a good model to look at. The Charter was developed through a process of co-design, involving the Combined Authority, all Greater Manchester districts, Trade Unions, the business community, employers and employees from all sectors.[[10]](#endnote-11)

At the level of national policy, the gig economy can’t be separated from the challenges of dealing with poverty pay, benefits inadequacy, and labour market outcomes. Whilst the reduced Universal Credit taper rate announced in the Autumn Budget is welcome, wider measures are still needed to support those on low pay; Citizens Advice research has shown that one in ten families - equivalent to 3.2 million households - are facing financial crisis this winter as living costs rise.[[11]](#endnote-12) On labour market regulation, a single employment rights enforcement body is a policy development that Citizens Advice have long been calling for, but legislation to bring this in is has been further delayed. However, to be effective, the any new body will need to be property resourced and to work in partnership with regional agencies to pro-actively tackle rogue employers and gain intelligence on particular sectors, so the GLA potentially has an important partner role here. This is a challenging area of policy as the growth of platforms has outpaced labour enforcement and regulatory action is needed to tackle predatory and exploitative practices, which have become widespread, and employment legislation in the UK has not caught up. Recent caselaw concerning employment status needs to be understood and implemented.

Another feature of London’s gig economy which the GLA may want to consider is how the services and platforms powering the gig economy are working within the urban infrastructure (e.g., road networks), and other environmental and planning externalities. During the pandemic, when the demand for home delivery increased by 29%[[12]](#endnote-13) and thousands of couriers were hired by big players such as Deliveroo, drivers complained that they were spending more time waiting around and were earning less than ever before.[[13]](#endnote-14) An interesting analysis by academics of delivery performances, practices and logistics in central London questions many of the efficiency assumption on which some of these platforms and delivery models are built, citing challenges around navigation, congestion and workforce optimisation that providers are unable to find solutions to under the current model.[[14]](#endnote-15) To address the market failure of the current model, the academics suggest that more collaboration in the delivery sector is needed, including with city planners, in order to unlock the potential of tech solutions that can embed better employment practices whilst improving services for consumers.

There have been wider impacts of the Covid-19 pandemic on the London economy, with different sectors impacted differently. The west London economy around the boroughs of Hounslow and Hillingdon is especially dependent on contract work connected with Heathrow Airport. As the largest single-site employer in London; its near-closure impacted severely on the west London economy with both aviation jobs and allied jobs such as transport and storage and firms providing foods and services for the airport being impacted, and also contractors working in related supply chains. In central London, the downturn in the night-time economy as well as retail has affected sectors in which the formal and informal economies interact.

So there may be more that the GLA can do in mapping the informal economy. It is important and to understand what the barriers may be for engaging in the formal economy or moving from the informal to informal economy, but there is a big data gap and a need for peer research to understand the experience of different communities that are challenged by financial exclusion. Some factors can be localised, or specific to some communities. For example past research undertaken by Toynbee Hall and Community Links revealed that workers in London’s Brick Lane restaurants were locked into relative poverty through contract-less cash-in-hand payments, working long anti-social hours so to access mainstream education to improve their language and other skills.[[15]](#endnote-16)

Above all though the issues of poverty pay need to be addressed. We strongly support the campaign launched by Citizens UK and Trust for London on ‘Making London a Living Wage City’ project, putting £635m of wages into the pockets of Londoners and lifting tens and thousands out of in-work poverty.[[16]](#endnote-17) The Mayor and the GLA should put their weight behind this initiative.

**Financial inclusion issues in London**

The paradox for London is that whilst it is a successful financial services hub, London is also the home of financial exclusion. Compared with the UK average of 15%, greater proportions of adults are over-indebted in London (17%). FCA data suggests that 4% of adults in London are unbanked, accounting for 20% of the unbanked population;[[17]](#endnote-18) being unbanked leads to social exclusion, marginalisation and inability to access work, benefits and basic services especially as the transactional economy is increasingly moving towards digital, cashless and contactless systems. It is London’s more vulnerable populations who are the most at risk from financial exclusion with particular concerns about those who are suffering domestic abuse, younger people and new migrants. Identification issues, language and cultural barriers, mental health and vulnerability to financial abuse can all be reasons why. But improving access to financial services alone does not tackle the underlying problem of financial exclusion, and with the transition to online banking, closure of local branches, and withdrawal of free ATMs there are also issues of access to cash.

The issue for this GLA Economy Committee inquiry is to address and focus the impact and interventions the GLA and the Mayor can take forwards tackling financial exclusion. Primarily we would like to see a financial inclusion strategy for London that links up with the GLA’s work on developing an advice services strategy for London and a ‘robust safety net’, to ensure that a range of services are being delivered across all borough to tackle financial exclusion. The strategy needs to be developed co-productively with the advice sector, looking at money and debt advice needs and how local agencies can develop capacity to address local need. Local Citizens Advice have core strengths here, and can work in an more integrated way than stand alone money advice services. Most local Citizens Advice provide debt and money management advice, welfare reform and benefit assistance, skills for employment and life, and into-work support, and social welfare law and advice and representation.

A pan-London strategy for tacking financial exclusion led by the GLA should involve a wide range of partners and strands of activity including:-

* promoting “collaborative consumption” through methods such as time banking
* supporting Credit Unions in London - credit unions can play a valuable role in communities, providing local and ethical financial services within the community, but they are unevenly available in London
* leveraging the Mayor’s relationship with the finance sector to improve the availability of fair and accessible financial products and services that can help people meet their day-to-day financial needs
* engaging youth workers and personal mentors, who can play a role in supporting unbanked young Londoners through the New Deal for Young Londoners

Many London boroughs have been developing their own strategies for tackling financial exclusion. However it is important that local authorities in London should work together to share good practice and identify gaps in local welfare advice and money and debt advice services, and the GLA should work with London Councils with the aim that each borough develops a financial inclusion strategy that aligns well with GLAs strategy. The GLA strategy should focus on understanding the systemic, root causes of financial exclusion such as problem debt and poverty, and enabling and resourcing communities to address them. The Birmingham Financial Inclusion Partnership Strategy provides a good model and is underpinned by 3 principles:[[18]](#endnote-19)

* *Prevention*: Identifying and tackling the root causes of financial exclusion
* *Survival:* Ensuring there is appropriate crisis support
* *Recovery:* Information, advice, education and support to enable long term and sustainable change and resilience

We would also want to see this work on a financial inclusion strategy to draw on the Local Government’s Association’s (LGA ) Reshaping Financial Support programme which has been working with a group of seven councils (including three London Boroughs) the looking at how to design and implement early intervention financial support and services that can prevent low income households developing further financial issues.[[19]](#endnote-20) It includes a Toolkit which provides a range of relevant evidence, good practice and learning to support the role of councils tackling financial exclusion and improving access to affordable and responsible finance for their residents and local communities.

Wider policy action areas that the Mayor, GLA and partners could investigate, explore and develop should include:-

* London Councils Debt collection policies – too often Councils debt collection practices (eg., Council Tax) are systemised to default to early and even aggressive enforcement through Courts and bailiffs which generate additional costs and stress. This should be addressed at Pan-London level as tax collection and enforcement should never come at the cost of fair treatment of residents. Council tax arrears is the most common debt issue we help people with and this issue has risen by a third in the last three years. We know from our data that poor collection practices can often make people’s debt problems worse. However, where communications with residents is prioritised and local authorities and debt advice agencies work closely together, collection processes can be improved including minimising the use of bailiffs.

* London Community Bank – the GLA Economy Committee has previously flagged the potential for the creation of a community bank for London,[[20]](#endnote-21) based on based on the model of local banks that operates in Germany and some other European countries, and with a specific remit to support both households and SMEs that struggle to access mainstream financial services. However, this may be difficult to capitalise and implement without Government and regulator involvement; it should not come at the expense of the support that GLA might be able to offer to the debt advice sector.

**Debt and money advice in London – strengthening the advice spectrum**

Perhaps the important intervention that the Mayor and GLA could deliver to tackle financial exclusion in London, is through its role strengthening London’s advice and community support sector. As the GLA commissioned report “Advising Londoners” makes clear, advice provision in London has not kept pace with demand.[[21]](#endnote-22) Advice agencies are seeing more people turning to them who are destitute, in severe hardship, in work but on low incomes, and with mental health issues. They are finding it harder to help people because of cutbacks in advice and other support services, and at the same time, welfare support is now far less generous and the hostile environment, particularly for migrants, also makes good outcomes for clients increasingly difficult to achieve.[[22]](#endnote-23)

Following the Advising Londoners report and driven by the response to Covid, the GLA are looking to develop a clearer strategy for advice services in London as part of a “robust safety net” built into the London Recovery Board’s mission.[[23]](#endnote-24) This includes building on existing partnerships developed in response to Covid-19 to tackle inequalities in access to support services, and aims to work with other funders (Councils, statutory bodies, philanthropic funders, City institutions and the London Funders network). There are currently three cross-sector subgroups working co-productively on advice services infrastructure in London, advice in community settings, and council support schemes. This work needs to be given far greater resource and priority, recognising the changing and challenging context for advice services, especially the funding of debt advice.

The Money Advice and Pensions Service (MAPS) are the largest single funder of free debt advice in England and funds around one-third of debt advice services. Currently services are being recommissioned and this represents a major restructure of the sector, involving significant changes to funding and service delivery models. Whilst some aspects of the MAPS reforms are welcome, there are some major concerns about the contracting and delivery roadmap which is shifting the model away from community face to face advice. The key problems with the MAPS approach include:

* The procurement of regional services is working across geographical footprints that are impractical from both a commissioning and delivery perspective. The whole of London is included with a South East “lot” that extends from Kent to Cornwall.
* Pre-pandemic, MAPS overall budget for debt advice delivery was £53 million, £34 million of which went to face-to-face service provision, representing 64% of their total spend. Under their new funding structure whilst a total of £77 million will be allocated on towards services, only £20 million for regional service delivery, representing just 26% of total spend, with the expectation that a smaller proportion will be allocated to face to face advice.
* The incentive structure for bidders focuses on ‘channel shift’ to increase the number of clients they can serve, rather than supporting those with more complex needs or engaging with hard to reach groups and communities.

Unless the model is changed, it is likely to result in a considerable reduction in face to face debt advice services across London at a time when both the demand for, and complexity of, debt advice is increasing and could lead to less debt advice in several boroughs. It is also concerning that impact assessments of the commissioning changes, including the impact of for vulnerable clients have not been published. Perhaps in recognition of these concerns, MAPS have paused the current recommissioning of regional contracts.[[24]](#endnote-25) It is important that the GLA should open a dialogue with MAPS in the window that is available; an alternative approach could be a London only commissioning exercise working with the London Funders Community Response and the Community Justice fund to pool resources and ensure that the available funding is spread further, distributed more evenly, and supports advice provision at community level.

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