

Employment and Skills Commission Final Report

# An Employment and Skills Action Plan for London

June 2018







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# FOREWORD

## **London First established the London Employment and Skills Commission to tackle London's skills challenge head on.**

This is the first time that business leaders across London's sectors have come together to analyse detailed evidence on current and future labour market challenges and put in place a comprehensive and cross-cutting Employment and Skills Action Plan for London. We believe business should lead a strategy to ensure London's education and skills system is responsive to their needs – both now and in the future – to strengthen the London labour pool. But to do this requires government to make changes to skills policy. Only by business and government working in partnership, as has been seen in other world cities like New York, will London build on its successes, challenge its weaknesses, and secure the step-change it needs on skills.

It is crucial that our action plan serves to strengthen the relationship between business and schools and colleges – an important plank of Gatsby's benchmarks, the think tank widely recognised as identifying the key principles of good career guidance for young learners. Now, as we move to implement our plan, an important part of our role will be to drive business support for the work the Mayor and others are doing on business/education brokerage and outreach, and to help scale up good practice.

We consulted on our proposed action plan in early spring and were pleased with the feedback. We received strong endorsement for our recommendations from business, education, central government, and London government, together with good suggestions to strengthen the plan. In this third report of the Commission, we present our final action plan and the full evidence base that underpins it.

## **Our recommendations for business and government are set out under three interlocking action areas:**

### **Preparing London for the new labour market**

Business, education providers and government should work more closely to help Londoners better access entry-level jobs and apprenticeships and develop vital transferable skills. Adult workers who are displaced by job automation should be supported to re-train.

### **Giving London the tools to deliver**

A new governance model for business-led decision making is required to meet London's skills needs. To make this work effectively, central government must devolve more control over skills funding and policy levers to the Mayor of London.

### **Fixing apprenticeships to create a compelling offer**

Business needs to deliver more quality apprenticeships in an apprenticeship system that supports rather than hinders them.

## **With the world changing quickly, business and government need to act with agility and speed.**

January 2021 signals the end of the proposed Brexit transition period, when freedom of movement is expected to start reducing. London's education and skills system should be showing greater signs of success at filling skills gaps by then. Perhaps the most pressing area of our action plan to prioritise – and in many ways the most straightforward – is to fix apprenticeships. But the work should start now on all three strands.

The policy context is promising. Our plan aligns with the ambition of the Government's major review into post-18 education and funding, and we share the view that Londoners should have a real choice between quality

academic and quality vocational/technical routes. The Mayor of London has launched the Skills for Londoners Strategy, which the Commission has been pleased to have fed into. We see our plan as standing alongside this strategy, and we will work together to take them both forward for the benefit of London. In addition, there are many others doing good work on skills – the Northern Powerhouse Partnership, for example – and we will seek to join forces with these allies to land our common recommendations.

We now look forward to working with business, education and skills providers, government and others to implement our recommendations over the coming months. By coming together, we can ensure our plan works for London, and for Londoners.

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# EXECUTIVE SUMMARY

**London is a highly productive city, with a thriving economy and dynamic labour market. However, it faces significant challenges around accessing skills which risk undermining this success.**

London has more skills shortages than any other region in the UK: an estimated 30,000 unfilled vacancies as a direct result of people not having the right skills. London First research shows that 75% of London employers are currently struggling to find the right skills.

Too many Londoners are not currently sharing in the prosperity of the city, as they are missing out on the skills necessary to succeed. Unemployment is particularly high among women, disabled and BAME workers. This is an unacceptable waste of resource.

While apprenticeships should be a major part of the solution to meeting skills shortages, the UK's apprenticeship model complicates rather than facilitates employers in taking on more apprentices. At the same time, too many people face difficulty in finding the right apprenticeship. The apprenticeship levy has added to employers' difficulties; since it was introduced, apprenticeship starts have fallen by 30% across the UK, because employers find it difficult to use; this is particularly worrying for London, where apprenticeship numbers have long been lower than the national average.

Left unchecked, the changing external context could lead to London's skills challenge becoming even more acute – to the extent that it could place London's strong productivity and growth in jeopardy. There are two key issues

**First, Brexit.** All sectors in London rely on European workers to fill jobs – for example, they make up 15% of the workforce in finance, 30% in construction, and 40% in hospitality. Life outside the EU is likely to mean more restrictive access to these workers, and without sufficient home-grown skills available in the labour market to replace them, employers will be left with a serious shortfall.

**Second, rapidly advancing technology and job automation,** often referred to as the fourth industrial revolution. Analysis suggests that 1.9 million jobs in London have high potential for automation in the next 20 years. London First's employer survey suggests that the main effect of automation

will be job displacement: jobs will change and close; new jobs will be created; and workers will have to update their skillset more frequently. Sixty-five per cent of London businesses expect to have to retrain their workforce by 2025, and government and employers will need to work together to deliver a much more robust lifelong-learning strategy. This is particularly important, given the trend for longer working lives. In addition, the process of job automation is putting an even greater premium on transferable skills – employability, enterprise and digital – that are more difficult for robots to replicate and that enhance the ability of Londoners to secure work and move between jobs. Yet employers do not believe the education and skills system is adequately providing these skills, with particular concern that learners are way behind the pace on digital skills. These are the competencies needed, whether at a basic or more advanced level, to understand and harness software and hardware to improve workplace productivity. Technology is being updated at such a pace that it is understandably hard for education providers and their teachers, not to mention the learners, to keep up with corresponding skills requirements. For business to be able to recruit people with digital capabilities – crucial given that this is expected to be a requirement in 90% of jobs in the next two decades – it has a bigger role to play in working directly with schools and learners to develop these skills.

Job automation will not pick up the slack in the event of a reduction in overseas workers. It will have a role to play, of course, in helping employers to become more productive; however, the pace and scale of automation remains uncertain. With the main effect forecast to be job displacement, job automation, together with the UK labour pool, are unlikely to be sufficient to satisfy demand for labour, as long as the economy continues to grow.

The London First response to this skills challenge is an Employment and Skills Action Plan for London, as set out below.

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A BUSINESS-LED  
EMPLOYMENT & SKILLS  
ACTION PLAN FOR LONDON  
OVERVIEW





# A business-led Employment & Skills Action Plan for London

## Overview

In the implementation of this action plan, it will be important to explore how each recommendation can support a cross-cutting theme of driving workforce diversity.

### Action area one

## Preparing London for the new labour market

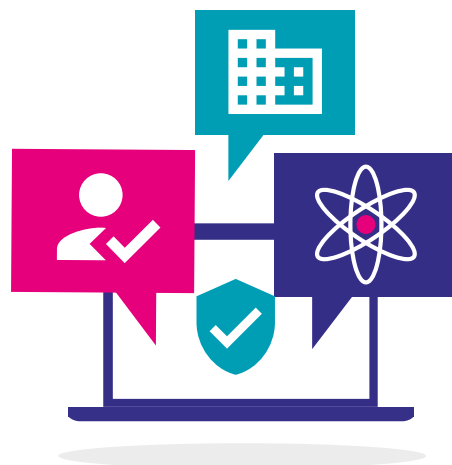
### London First will deliver:

An online ‘one-stop shop’ platform as part of our Skills London offer to help learners, parents, and education providers better access the entry-level training and jobs opportunities that business has to offer.

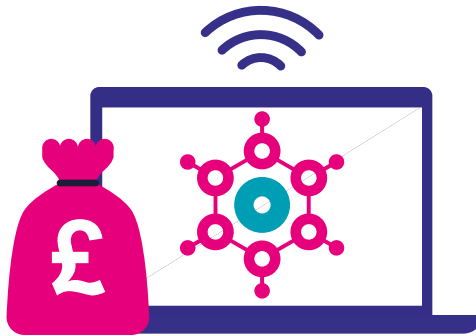
The platform will also promote the sharing of good practice between businesses, to help raise the quality of business skills programmes, and signpost wider careers advice initiatives. We aim to launch the new platform at London First’s Skills London jobs and careers event in November 2018.

Our findings show that the skills landscape is fragmented, incoherent, and hard to navigate. There are many website platforms that seek to build better connections between business and education providers and provide labour market information and careers advice, but London lacks an accessible consumer-facing platform that promotes the good number of business entry-level training/job opportunities – including apprenticeships,

work placements and internships – directly to Londoners. This can lead to opportunities going unfilled (as the poor take-up of apprenticeships in London shows). With many businesses already showcasing their entry-level opportunities at the annual Skills London event, it makes sense to expand the Skills London offer to make these accessible on a year-round basis.

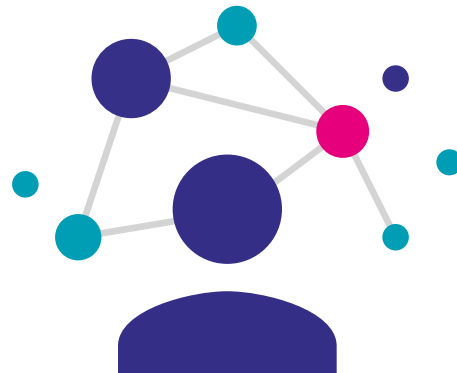


## London First will work with business and government at all levels to scope out:



A business programme to help schools and colleges keep pace with the rapidly evolving digital skills requirements, from basic digital literacy to more advanced skills like coding languages, augmented reality and video editing.

This programme would work through galvanising business in all sectors to provide funding for teacher training; co-design training provision, including providing hardware equipment to schools and colleges; signpost private sector-led organisations like code clubs and brokerage organisations like Founders4Schools that arrange for employers to visit education institutions; and provide apprenticeship and work experience opportunities, including for T levels. This could involve working with London government to support and scale up the Mayor's nascent Digital Talent Programme.



A co-funded incentivised programme of personal training and reskilling allowances to support adult workers in sectors at high risk of automation.

The employer contribution would be offset through a skills equivalent of the Research and Development tax credits for money they spend on retraining.

This aligns with a similar recommendation made by Siemens in their Made Smarter Review (2017). The allowances would be co-funded by employers and London government. The purpose is to incentivise retraining and reskilling and the allowances would be targeted at workers whose job is being displaced due to automation, and those whose skills require updating. For low-skilled workers in particular (who are more likely to be at risk of automation), the cost of retraining could act as a barrier to take-up. Training will be targeted at priority areas agreed between business and government through the Adult Retraining Scheme for London (see recommendation below) and would include transferable skills development.

## Central government should:

### Drive transferable skills through embedding compulsory employability, enterprise and digital skills into core secondary-level education at age 16

Employers are looking to the education and skills system to build a solid foundation of cross-cutting and transferable skills in their future employees. Skills that underpin a growth mindset and build character, resilience and communication capabilities are at a premium and are much harder for robots to replicate as the process of job automation accelerates.

In 2014, central government introduced computing as a foundation subject into the National Curriculum at age 16. This was welcome, but it isn't equipping pupils with the digital skills required by employers. Many schools and pupils drop the subject pre-GCSE. Our conversations with teachers in this area suggest that this subject is too narrowly focusing on computer science -- coding and how computers work -- at the expense of a well-rounded digital education that takes in other areas, including

literacy (MS Office and basic web design) and internet safety, which were previously covered as part of the former IT subject. What is required is a nationally recognised and rigorous, accredited digital qualification like the European Computer Driving License course that is compulsory and that schools are incentivised to teach, through the measurement of performance in school league tables. The course could be taught at different levels, and schools that deliver exceptional performance either generally or in specialist areas, such as digital animation, could be awarded centre of excellence status.

There are several programmes that seek to build employability and enterprise skills into the national curriculum, and that central government could back. For example, EY Foundation's School to Work campaign. This programme seeks to increase engagement between employers and schools to drive the core skills that employers require. It takes a pilot approach across the UK to evaluating and refining programme performance.

### Extend maintenance loans in adult Further Education to Level 3 learners.

Adults who take time away to train can face a loss of earnings. The squeeze in real incomes and the demand to earn more from extra hours places financial constraints other than the cost of courses on potential students. Maintenance loans at Level 3 for FE and technical training that complements existing fee loans would aid participation, retention and achievement.



## Action area two

# Giving London the tools to deliver

## London First will:

Work with business and the Mayor to enable an effective employer-led approach to decision making on London skills policy and funding.

London First commits to work with the Mayor and London Boroughs to establish a new governance model for pan-London and sub-regional business-led London Jobs and Skills Boards. These will bring employer groups and sector representative bodies together with education and skills providers and London government representatives on a regular basis. A co-ordinating body will be required to ensure the structure functions effectively. The purpose will be for business to provide data on their current, short-, mid- and, as far as possible, long-term skills and labour needs, to inform the design and commissioning of training provision in a timely way. A particular focus might be on sectors that would be most affected by restrictive immigration policies, e.g. hospitality and construction.

The ambition is that the model creates a structure that develops a self-reinforcing feedback loop between the parties so that London can move to skills supply better matching employer demand. Our aim will be to pilot the model in one sub-region first, with a specific sector focus, before rolling out across London.

The co-ordinating body will be required to (i) support each group in the feedback loop, to build capabilities – business's ability to identify and articulate its skills needs; skills providers' ability to respond nimbly to these needs; and government's ability to set effective policy and funding allocations; (ii) set common metrics to evaluate performance; and (iii) build innovation into the system.

## Central government should:

Devolve powers and funding to the Mayor to better support young and adult London learners. The London devolution package should cover:

**Careers power and funding, including the relevant share of the National Careers Service (NCS) budget, to enable the Mayor to establish a London 11–18 and adult careers strategy**

Information, advice and guidance for young people up to age 18 is a different animal to IAG for adult higher education, further education, training and retraining.

**11-18 year olds**, and their parents, need to be given much better, independent advice on the full range of routes available to them in London, including higher education, technical education, and apprenticeships and skills training.

### The key elements of the 11–18 aspect of the London careers strategy should include:

Every one of the 500 secondary schools in London to have an **Enterprise Adviser** by 2020. London First will support the Mayor and the Careers and Enterprise Company (the national school/employer brokerage organisation funded by central government) to galvanise London business to meet this target.

Central government giving the Mayor of London statutory powers to ensure head-teachers of every secondary school **allow post-16 providers of vocational education and apprenticeships to visit all pupils aged 14 upwards**, including those on the GCSE/A-level pathway.

Working with London First and other employer groups as well as recognised outreach organisations to develop school/college and employer partnerships through **increasing the number of school/college visits and work experience placements** pre-16 and work-placements linked to T levels.

**For adults**, the NCS is currently focused on unemployed and low-paid Londoners. While these are key groups, the adult aspect of the London careers strategy must go

beyond the low-paid, so we have a service to help all Londoners deal with the challenge of a rapidly changing Labour market.

### The National Retraining Scheme and the Immigration Skills Charge

This is expected to be around £13m and at minimum £40m (by 2025) per year, respectively, based on current funding and policy. The Mayor should then use this to create a London Adult Retraining Scheme to support future jobs and sectors at greater risk of restrictive immigration policies. Given that we do not know the precise pace of change or scale of job automation and its impact on the London labour market, c£55m is an adequate starting point. The scheme should be adult rather than employer facing, so it can assist adults who have no or inadequate access to employer-funded training to retrain in their own time.

The Mayor of London should work with London employers to direct this funding to sectors and roles at high risk of automation, and to boost transferable skills in adults. Adult retraining should be more bespoke than can be funded through the Adult Education Budget (AEB) – where entitlements still apply – and the full range of fee loans for adult further and higher education.

Central government has set a deadline of March 2020 to spend the NRS budget. There may well be a case for extending the deadline beyond that to allow for effective use of the funding, which is currently focused on IT and construction skills.

## Central government working with the Mayor of London should:

Undertake a review to determine the value added of devolving responsibility for 16–18 education to the Mayor of London.

There is an argument for devolving 16–18 funding (c£800m p.a.) to the Mayor to enable him to craft an education and skills strategy that better meets the specific needs of London.

The 16–18 provider system in London is complex. A large number of the 500 state secondary schools in London have school sixth forms, and there are 12 sixth form colleges and 26 general FE colleges. About 50% of 16–18-year-olds study at school sixth forms, the majority of whom undertake A-levels. Although there is a common funding rate across all 16–18 providers – school sixth forms and sixth form

colleges, and general FE colleges – secondary schools can cross subsidise by diverting higher funded 11–15-year-olds to 16–18-year-olds in the sixth forms.

Devolution of the 16–18 FE college budget would not overcome the problem of secondary schools cross subsidising 16–18-year-olds via their 11–15 allocation. On balance, the case is either to devolve the entire 16–18 budget – schools and colleges – or not devolve at all. We recommend a review to determine the value added of devolving the entire 16–18 budget to the Mayor of London.

## The Mayor should commit to making devolution work for London:

Considering a model of outcome-based commissioning of adult skills provision.

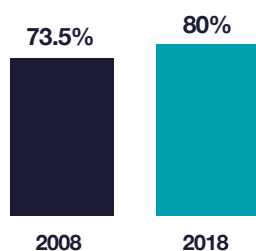
Funding will be driven by job and work and study progression outcomes rather than outputs, such as course starts and completions, as is currently the case.

Output-based commissioning does not provide the right incentives for providers to deliver training that really meets the needs of local employers, and which helps learners to progress in work. We welcome the Mayor's recognition that

the devolution of the AEB offers the opportunity to change this. Outcome-based commissioning in the AEB would ensure training better meets employer and learner needs. It would require business and providers to work better together, as other recommendations have identified, to ensure training maps onto job opportunities. The commissioning model should be structured to avoid disincentivising providers from working with hard-to-reach learners.

Using devolved powers to set ambitious targets for London, for example within 10 years of devolution:

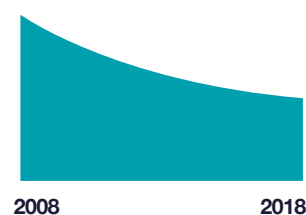
**Employment has increased to 80% from 73.5%.**



**The number of adults with no qualifications has halved, from 400,000 to 200,000.**



**The number of adults without a Level 3 qualification has halved to one million.**



## Action area three

## Fixing apprenticeships to create a compelling offer

## REFORMING THE APPRENTICESHIP SYSTEM

## Business should be incentivised to:

- **Expand Level 4–6 apprenticeship opportunities at age 18 through system reform as set out below.** This would allow young Londoners to have a greater choice between full-time higher education and higher-level apprenticeships.

## Central government should

- **Establish a UCAS-style system for applying for apprenticeships** – a simple clearing house underpinned by accessible course and provider information. At the moment, too many people find the current system complex and struggle to find the right apprenticeship.
- **Ensure speedier development of current and future Apprenticeship Standards.** The Institute for Apprenticeships and Technical Education should be resourced and funded appropriately to allow it to put in place a process for existing Standards to be rapidly updated and new Standards quickly designed and approved to meet the job roles of today and tomorrow.
- **Embed transferable skills** – employability, enterprise and digital – across all Apprenticeship Standards.
- **Improve the regulation and inspection regime** of apprenticeship providers so that levy-paying employers can gain greater clarity on the quality of training providers available to them. This requires the inspection bodies – OFSTED and QAA – to work more closely with employers.
- **Allow employers to set their own approach to off-the-job training** so that it suits the job the apprentice is doing. Off-the-job training is a critical part of apprenticeships. Yet there is no one-size-fits-all and different sectors and occupations will require different approaches.

## REFORMING THE APPRENTICESHIP LEVY

## Central government should

Give business a package of flexibilities to enable it to make a better investment with its levy funding. This package should:

- **Allow levy payers to use at least 10% of their levy spend to cover the cost of administering apprenticeship training.** For example, hiring an apprenticeship levy manager to oversee strategy and operations. Employers should have the ability to use this funding to cover a proportion of wage costs paid to staff who are backfilling whilst apprentices are being trained.
- **Allow levy payers to use their levy spend for pre-employment training** to get people ready for an apprenticeship. This would increase the ability of employers to create a more sustainable pipeline of apprentices.
- **Allow levy-payers to devolve at least 25%** of their levy payments to multiple suppliers from April 2019 to drive apprenticeships with small firms.
- **Devolve any underspend** by London levy payers from the Treasury to the Mayor of London and supplement this with funding to create a London Apprenticeship Fund, targeted at small firms and sectors at high risk of automation.
- **Develop a promotional campaign** to encourage levy-payers in London, and the UK, to maximise the use of their own levy contributions to boost the performance of their organisations through the development and deployment of apprentices.

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OUR PURPOSE  
AND APPROACH





# Our purpose and approach

London First established the London Employment and Skills Commission (the Commission) to set out a business-led action plan for employment and skills in London. The purpose is to get London's skills system working harder and better at filling employer's skills gaps and equipping Londoners of all ages with the skills that will enable them to secure jobs, now and in the future. We seek to build on the successes of London's education and skills system and to challenge its weaknesses to ensure that Londoners have a diverse set of education and training routes to better job prospects.

For the first time, the Commission brought together senior business leaders representing London's key sectors to develop a clear, cross-cutting action plan for change, built

on robust and comprehensive evidence. We have worked closely with business, the Mayor of London and his Skills for Londoners Taskforce, central government, education and training institutions, boroughs and think tanks to reach our conclusions. We will continue to work with all these parties to put our plan into action and to support existing initiatives that are working well.

The Commission's approach has been to analyse the strengths and weaknesses of London's labour-market today and assess how both the demand and supply-side trends will affect this market through to 2025, when 11-year-olds, now beginning secondary school, will be entering the world of work or further education.

## In developing the Commission's evidence base and action plan, we have undertaken:



Our evidence base is set out in chapters one to three. Our final recommendations for business, central government, and The Mayor of London – an Employment and Skills Action Plan for London – is in chapter four.

While the Commission is focused on London, many of its proposals may also be relevant to other UK cities and city-regions.

We thank everyone who has invested time and energy in helping the Commission to reach its conclusions. A list of the organisations that have supported our work can be found in the appendices. And, of course, we are particularly grateful to our Commissioners, listed below, for their invaluable input and advice.

Business must take a lead, but we all need to step up to play our part to ensure London's education and skills system can meet the challenges and seize the opportunities that London faces in the years ahead.

The prize is worth it: stronger productivity for London's businesses; better prospects for Londoners; and continued economic growth for our capital city and the UK economy.

### **The London Employment & Skills Commission**

#### **Chairman**

John Allan CBE, London First Chairman

#### **Construction/ Property**

Mark Reynolds, CEO, Mace

#### **Finance**

Edward Thurman, Managing Director, Head of Global Transaction Banking, Lloyds

#### **Professional Services**

Angus Knowles-Cutler, Senior Partner and Vice Chairman, Deloitte

#### **Retail**

Natasha Adams, People Director UK and Ireland, Tesco

#### **Digital**

Russ Shaw, Tech London Advocates

#### **Hospitality**

Chris Vaughan, General Counsel, Whitbread

#### **Transport**

John Holland Kaye, CEO, Heathrow

#### **FE/Training**

Sir Frank McLoughlin, ex-City & Islington College Principal

#### **Infrastructure**

Tania Flasck, Vice President for Solutions and Technology Europe, Jacobs (Part)

#### **Apprenticeships**

Bob Bischof, Vice President of the German British Chamber of Industry & Commerce

## Chapter 1

# The London labour market

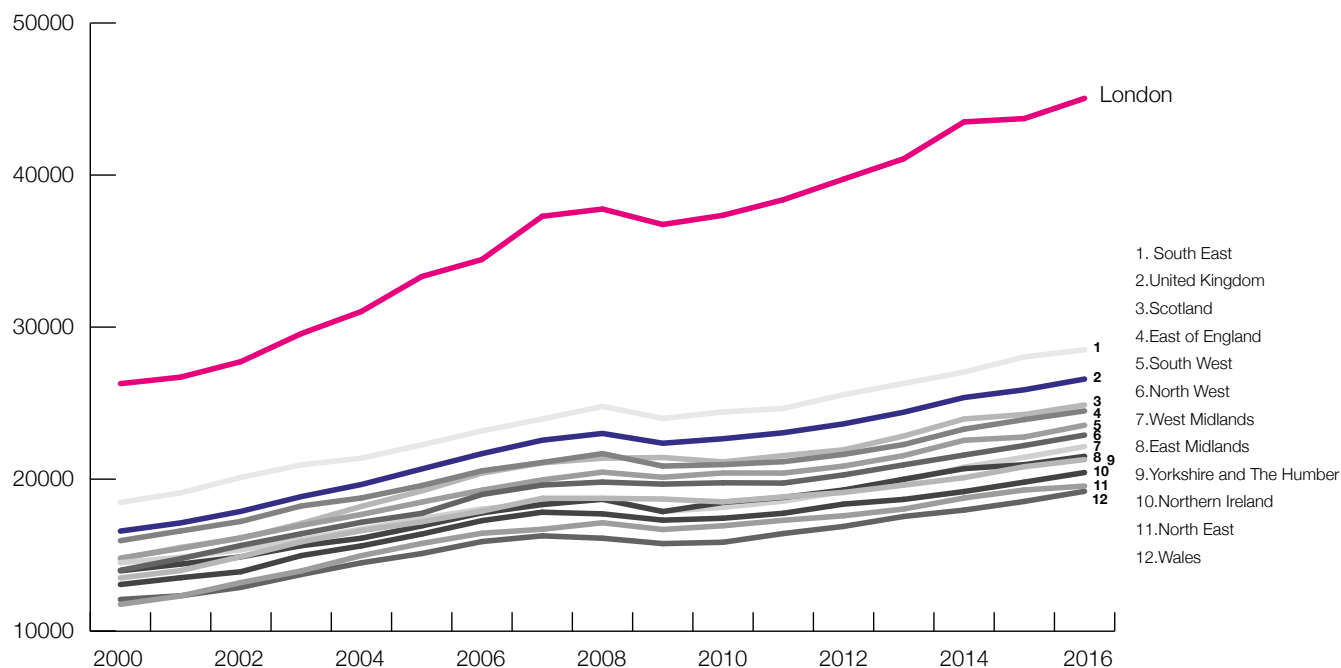
In this chapter, we set out the context within which the capital's education and skills system is operating, by examining London's economy, the London labour market, and the London workforce.

## 1. The London economy

London generated £378 billion of Gross Value Added (GVA) in 2015, which represents nearly a quarter (22.7%) of the UK's GVA (ONS 2016). As figure 1.1a shows, GVA per capita in London is higher than the UK average, and it has grown faster than every other region since 2000.

**Figure 1.1a**  
London has grown faster than any other region in recent years

GVA per head of population at current prices (2000–2016)



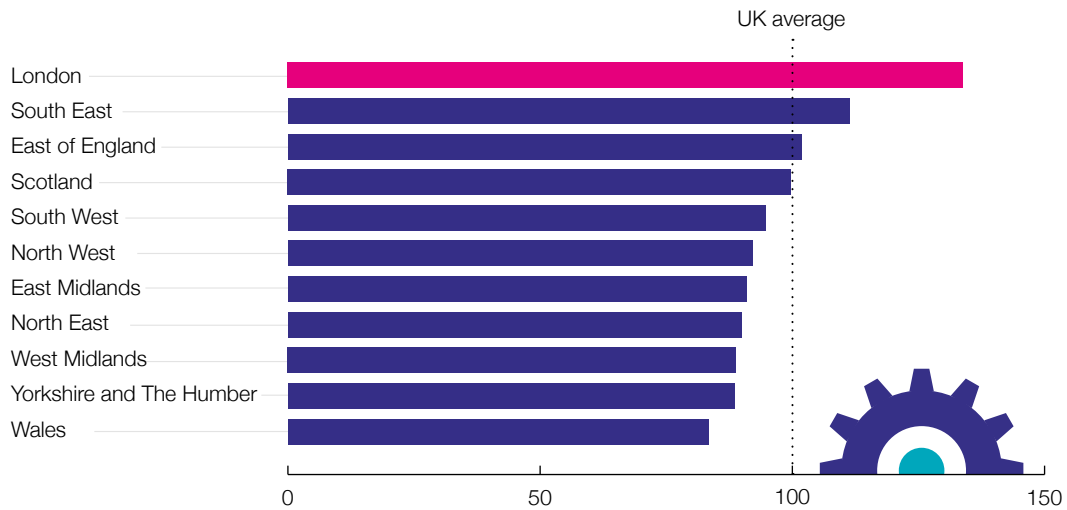
## Our purpose and approach

The success of the capital's economy is vital for the country; London generated a net tax surplus to the Exchequer of an estimated at £34.2 billion in 2013/14, and this surplus is set to grow in the years to come (London First, 2016).

London has the highest productivity (the amount of work produced per working hour) of any region in the UK. In 2015, productivity in London was nearly a third (30.7%) higher than the UK average (ONS 2017b) as figure 1.1b below shows (with UK average at a baseline of 100). Indeed the inner London west region has higher productivity than comparable region in the EU (Eurostat 2017).

**Figure 1.1b**  
**Productivity in London is nearly a third higher than the UK average**

Regional GVA per hour worked, UK = 100 (2015)



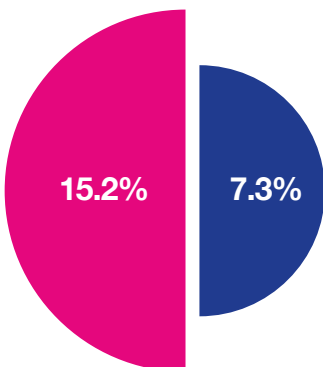
Source: London First analysis of ONS 2017b

London has seen significant jobs growth in recent years. Since 2010, there has been an increase of 815,000 jobs in London – a rise of 19%. Jobs growth in London has accounted for half

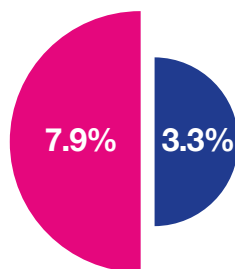
(48%) of jobs growth nationally (ONS 2011 and ONS 2017). Growth has been particularly strong in professional, scientific and technical industries, with jobs growth of 40% since 2010, and accommodation and food services, up 32% (ibid.)

London's economy has concentrations of high-skill jobs and high-productivity industries, particularly in the following sectors (ONS 2017a):

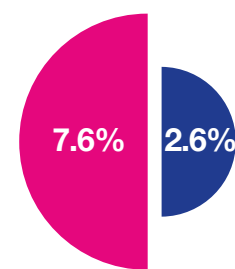
### Professional, scientific & technical



### Information and communication



### Finance and insurance



● London ● Rest of UK

## 2. The London labour market

The London labour market has performed strongly in recent years, with historically high levels of employment, and low levels of unemployment.

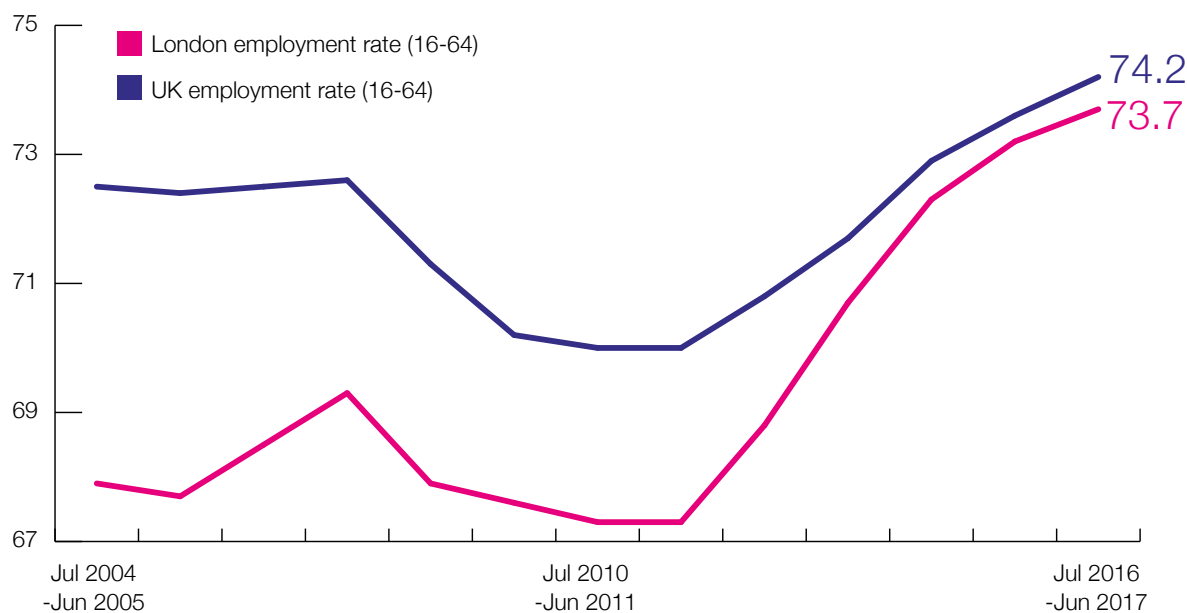
There are 6.0m working age adults in London. 4.4m of these are in employment, with 3.6m being employees and 0.8m being self-employed. There are just 263,000 unemployed people in

London, but there are 1.3m who are economically inactive<sup>1</sup> (Nomis 2018).

While the employment rate in London has traditionally lagged behind the national average, as figure 1.2a shows, strong employment growth in London has seen the gap close from nearly 5% a decade ago to just 0.5% in 2017.

**Figure 1.2a**  
**The employment rate in London has caught up with the national average**

Employment rate for adults aged 16 – 64 in London and the UK



Source: analysis of ONS 2017c

Similarly, while London has traditionally suffered from higher unemployment, it has seen significant falls in recent years. Unemployment in the capital peaked at 9.6% in 2012 after the financial crisis, but it has since fallen to 4.9% (December 2017), just 0.6% above the national average. The youth unemployment rate is also higher, with 14.4% of Londoners aged 16–24 unemployed, compared to 12.1% across the rest of the UK

(Nomis 2018). Most unemployment is relatively short term, with only a quarter (26.3%) of unemployed adults having been unemployed for 12 months or over (ONS 2017x). In addition to higher unemployment among young people, unemployment is also higher among women, disabled adults and BAME groups (GLA 2017).

<sup>1</sup> Economic inactivity is defined as people who are neither in work, nor unemployed. This includes people who may be inactive as a result of a health or mental health condition, those who are looking after family, or people who are studying.

## Our purpose and approach

**London has the highest level of self-employment in the country.** Nearly one in five Londoners in employment is self-employed, compared to 14.6% across the rest of the country, and self-employment has risen more rapidly in London than in any other region (Nomis 2018). While the self-employed population is very diverse, a large number of self-employed Londoners are on relatively low incomes (SMF 2016).

There have been growing concerns about the quality of work on offer to Londoners. There has been an increase in insecure work in London in recent years. As set out above, self-employment is far higher in London than in the rest of the country, and it is growing. The proportion of agency workers is higher in London, with agencies accounting for 2.8% of employees in the capital compared to a national average of 2.5% (Resolution Foundation 2016). There has also been a rapid rise in zero-hours contracts, which do not guarantee workers a minimum number of hours

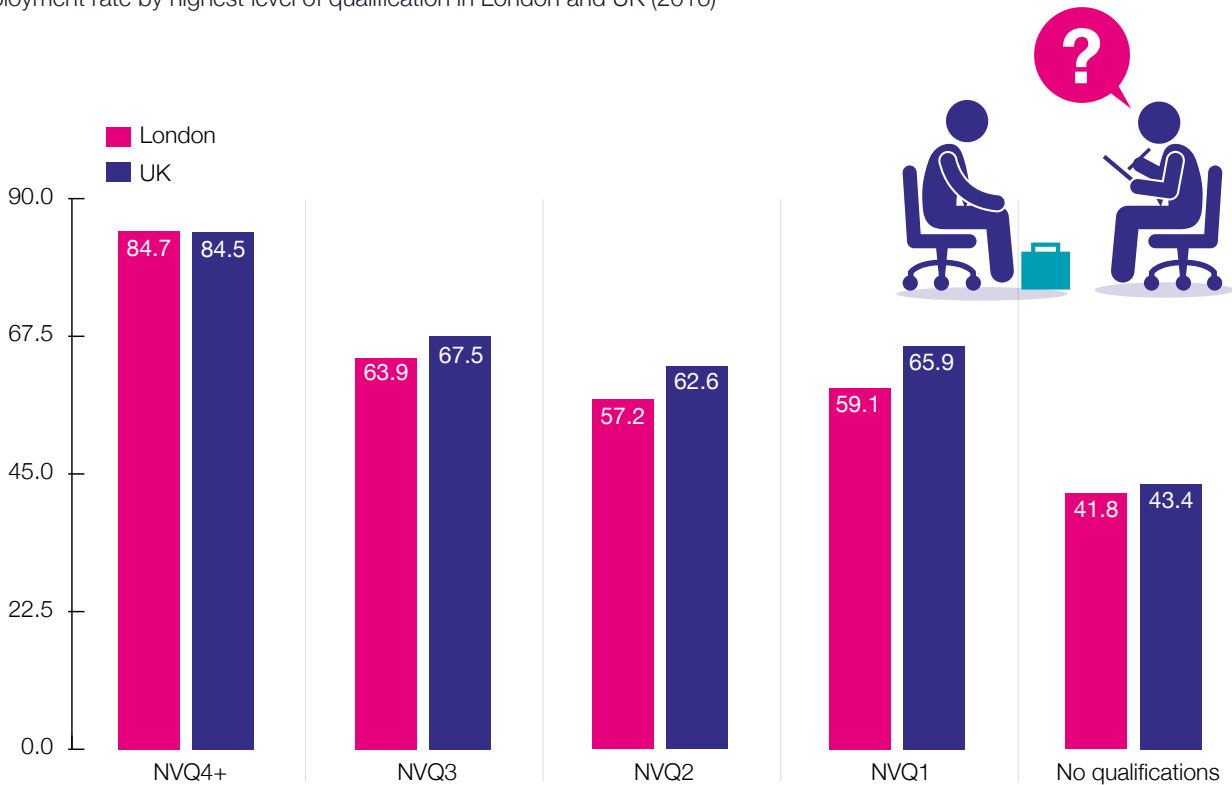
a week. There are 117,000 people in London on zero-hours contracts. This represents 2.5% of employment, slightly below the national average of 2.8% (ONS 2017).

In 2016, the Government commissioned the Taylor Review into modern working practices. The report set out a number of recommendations to improve the quality of work (Taylor 2017), and the Government has recently released its response to these recommendations.

There is a strong link between skill level and employment rate in London. Londoners with mid- and low-level qualifications face greater labour market disadvantage in London compared to the rest of the country. As figure 1.2b shows, Londoners without degree-level qualifications are significantly less likely to be in employment than adults with the same level of qualification in the rest of the country.

**Figure 1.2b**  
**Londoners with mid- and low-level qualifications are less likely to be in employment than adults with the same level qualifications nationally**

Employment rate by highest level of qualification in London and UK (2016)



Source: IPPR 2016

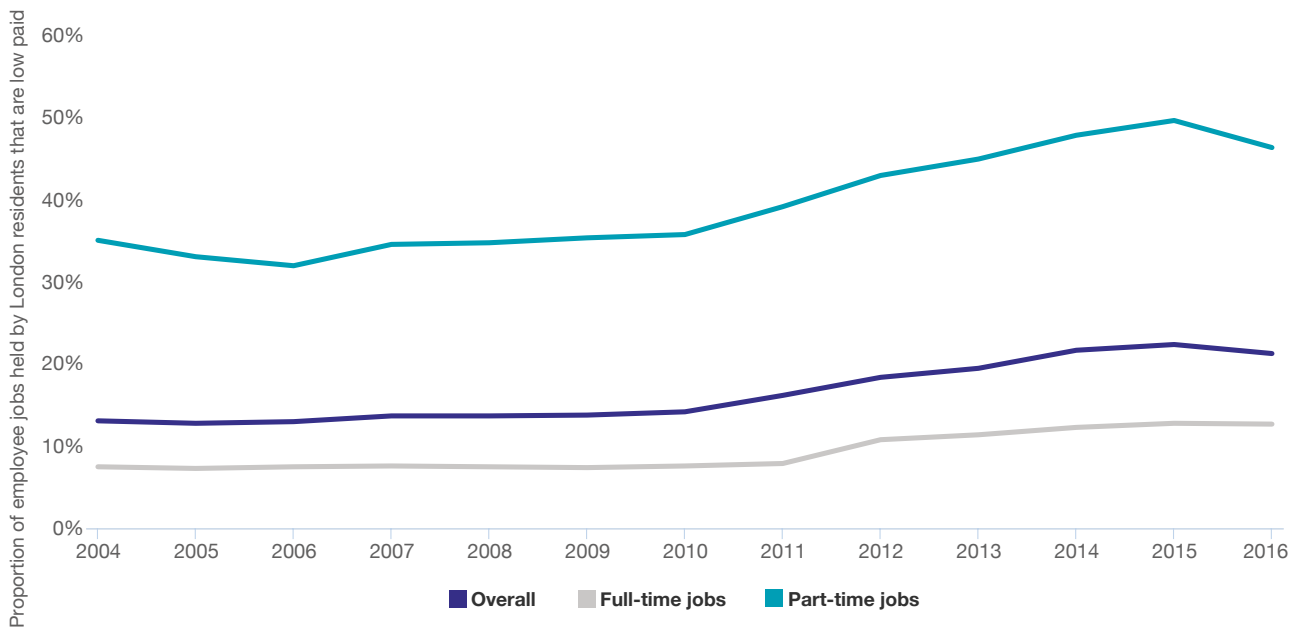
## Low Pay and in-work poverty

**While there has been an improvement in employment rates in the London economy, there remain high levels of low pay.**

As figure 1.2.1a below shows, one in five (21%) Londoners in employment in 2016 was earning below the London Living Wage (the minimum hourly pay rate required to meet living costs in London), a figure which has increased significantly in the last decade and is now set at £10.20 per hour.

**Figure 1.2.1a**  
**One in five Londoners is in low-paid work, up significantly since the financial crisis**

Proportion of employee jobs held by London residents that pay below the London Living Wage, 2004–2016

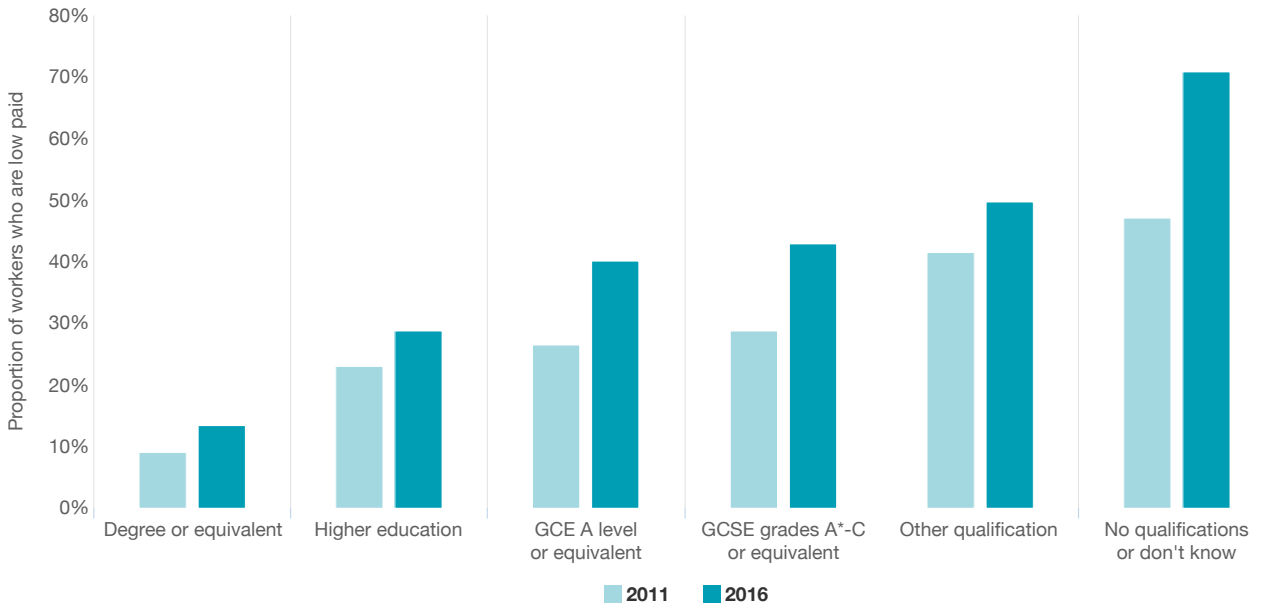


Source: Trust for London 2017

Low pay in London is far higher among Londoners in part-time work, among women, and among those from black and minority ethnic backgrounds (Trust for London 2017).

The growth in low pay has been particularly pronounced among Londoners with mid, low and no qualifications. As figure 1.2.1b shows, in 2011, under half (47%) of adults with no qualifications were on low pay. By 2016, this had risen to 71%. There were large rises too among adults with level 2 (GCSE equivalent) and Level 3 (A-Level equivalent) qualifications.

**Figure 1.2.1b**  
**Londoners with low and no qualifications are increasingly likely to be in low pay**



Source: Trust for London 2017

There are particularly high levels of low pay in the hotels and restaurants sector, and the retail and wholesale sector. Between them, these two sectors account for nearly half (47%) of low-paid jobs in the capital.

High levels of unemployment, low pay, and living costs in London have created high levels of poverty. The proportion of Londoners living in poverty after housing costs are taken into account is 27% (around 2.4million), higher than the rest of England (21%). The majority of people living in poverty (58%, 1.3 million) are living in a working family. This is an increase of around 50% over the last decade. (Trust for London 2017).

**Lack of mid-skill jobs and progression opportunities**

While there are a large number of high-skill roles in the London labour market and a significant number of low-skill roles, there are comparatively few mid-skill roles. As Figure 1.2.2a shows, a far greater share of employment in London is in high-skilled occupations compared to the rest of the UK.<sup>2</sup>

However, London has a smaller proportion of mid-skilled roles.<sup>3</sup> This has consequences for opportunities for progression. Fewer Londoners in low-skilled occupations progress to mid-skilled occupations each quarter compared to the national average (IPPR 2016).

<sup>2</sup> Managers, directors and senior officials; professional occupations; associate professional and technical occupations

<sup>3</sup> Administrative and secretarial occupations, skilled trades, and caring, leisure and other occupations



**Figure 1.2.2a****London has more high-skill jobs but fewer mid-skill jobs than the UK as a whole**

Proportion of jobs by Standard Occupation Code in London and the UK, 2017



Source: London First analysis of NOMIS

### London's workforce

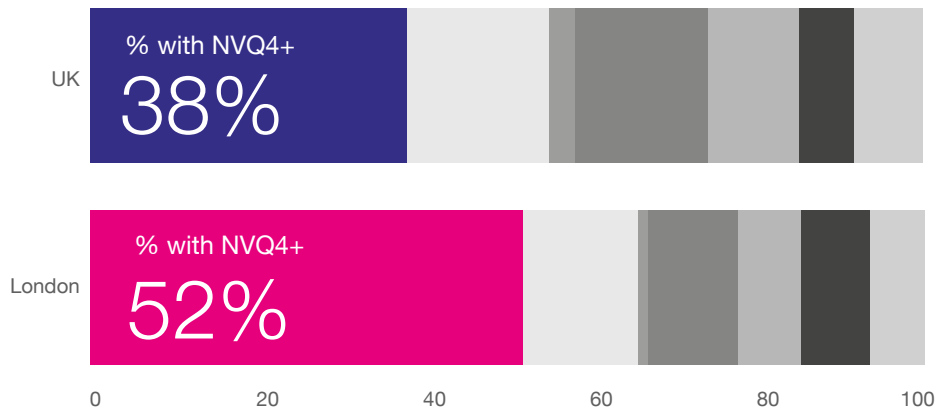
**London's businesses rely on access to workers at both low- and high-skill levels in order to compete nationally and internationally.**

The London population has higher levels of qualification than any other region. Over half (51.9%) of London residents have a Level 4 qualification compared to just over a third (35.6%) in the rest of the UK. This helps account for the far higher levels of productivity in London compared with the rest of the UK.

**Figure 1.3a**  
**Over half of Londoners have a Level 4 qualification**



Qualification level among adults aged 16–64 in London and UK



Source: London First analysis of ONS 2017c

While the proportion of adults with lower-level qualifications is lower than nationally, many Londoners still lack higher-level qualifications (NOMIS):

**2 million**

**Londoners don't have a Level 3 qualification, equivalent to A-Levels**

**1.3 million**

**Londoners don't have a Level 2 qualification, equivalent to GCSEs**

**400,000**

**Londoners have no qualifications at all**

This is of particular concern given that Londoners with mid, low or no qualifications are significantly more at risk of both low pay and unemployment.

Low levels of qualifications and skills are holding many Londoners back, and preventing them from benefitting from the opportunities available in the local economy; in particular, there are challenges with literacy, English language, numeracy, and digital skills.



### Literacy

London has the lowest levels of adult literacy of any region. Twenty-eight per cent of adults lack basic literacy skills (level 1) compared to 15% nationally (BIS 2012).



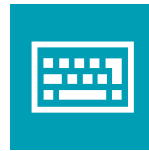
### Numeracy

London has the joint lowest levels of numeracy of any region. Thirty-one per cent of Londoners lack basic numeracy (entry level 3), compared to 24% nationally (BIS 2012).



### English language

210,000 adults in London of working age cannot speak English well. ESOL provision is over-stretched with public funding having been cut substantially (GLA 2017).



### Digital skills

Londoners have lower levels of IT skills than the national average. Adults in the capital were less likely to have basic skills in word-processing, email and spreadsheets than the national average (BIS 2012).

## Migrant workers

### More than any other region of the UK, migrants play a vital role in London's labour market and economy.

Of the 8.5 million adults living in London in 2015, 1.0 million were born in the rest of the EU and 2.2 million were born in the rest of the world. The proportion of migrants in the workforce is far higher in London than in any other region. Some industries in the capital are acutely reliant on migrant workers: half of construction workers and seven in 10 hospitality workers were born outside of the UK. On average, each migrant worker contributes a net additional £46,000 in GVA to the London economy. The total contribution of migrant workers is around £83 billion, or 22% of the capital's GVA (London First and PWC 2017).

The far higher proportion of EU migrants in the London labour market means that the capital is far more vulnerable to the impact of restrictions on EU migration post-Brexit than the rest of the country.

The far higher proportion on non-EU migrants in the London labour market means that employers pay a significant amount through the Immigration Skills Charge. This is a Government levy on employers applying for a tier-2 visa for workers from outside the EU. The Immigration Skills Charge is currently £1,000 a year, though the Government plan to double it to £2,000 by 2022, with the funds raised being used to invest in higher-level skills training for UK workers (Conservative Party 2017). A £2,000 a year Immigration Skills Charge could raise up to £501m a year nationally (MAC 2015). A very substantial proportion of this would come from employers in London. As yet, the Government has not set out how they plan to spend this additional income.

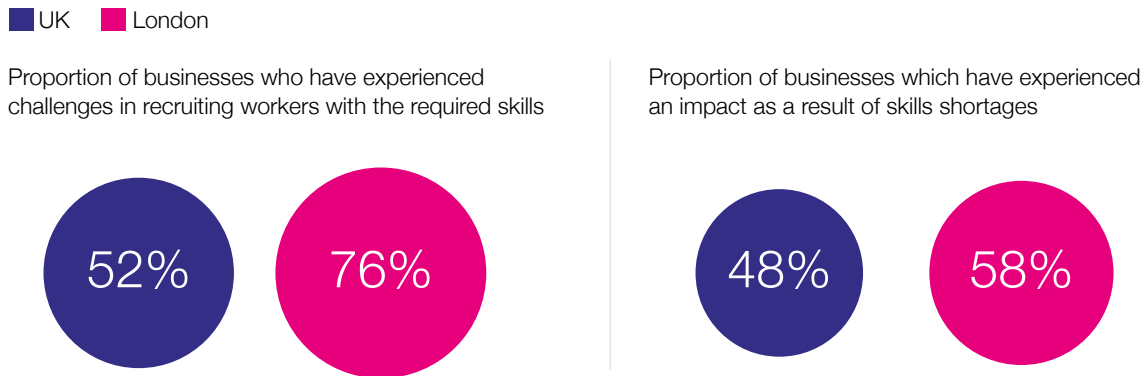
## Skills shortages

**Despite the high levels of qualification among the London workforce, skills shortages appear to be high and growing in the capital.**

The most recent Employer Skills Survey in 2016 found that London had the highest level of skills shortage vacancies of any region. One in four (23%) vacancies were unfilled, as employers were unable to find applicants with the requisite skills or experience (UKCES 2016). This figure had increased in the last two waves of the survey. In 2013, there were an estimated 30,000 unfilled vacancies as a result of skills shortages in the capital (UKCES 2014).

The London First/Lloyds Bank business survey shows that London employers are far more likely to experience difficulties in finding the skills they need. Three out of four (76%) London-based employers face challenges hiring people with the skills they need, and three in five (58%) said this had had an impact on their business.

**Figure 1.3.2a**  
**London businesses are more likely to struggle to recruit the skilled workers they need, and they are more likely to see an impact as a result of skills shortages**



Source: London First/Lloyds Bank business survey 2018

The survey showed that London-based businesses were more likely to report that a skills shortage had affected their business. The most commonly cited effects were increased workload and

stress for other employees (46%), difficulty in responding to customer needs (39%), and an impact on ability to take advantage of opportunities to expand (30%).



## Good practice case study

# Generation

Almost 15% of young people in London are unemployed. To minimise unemployment and the skills gap, Generation set itself the challenge of addressing the two major gaps that exist across skills training and employment programmes: a business-led approach and the ability to demonstrate a return on skills investment (ROI) for employers.

Many workforce programmes fall short of addressing the mismatch between employer needs and learner skills, because they tend to be supply-driven and therefore have job placement rates below 50%. Few programmes can measure the return on investment for both learners and employers after the placement, making their systemic participation challenging.

Generation is demand-led in how it designs training programmes, focusing on roles which are in high demand and the skills that drive business value for each role. For the latter,

Generation identifies 'breakdown' activities – key business-driving tasks that differentiate high and low performers – and maps them to ROI levers.

Just three years after being founded by McKinsey & Company as an independent, non-profit organisation, Generation has reached 19,000 young people across six countries. It is now launching in the UK with a focus on professions with high business need, including healthcare, technology (software development), and hospitality. Having worked with almost 2000 employer partners, the organisation has attained industry-leading job placement and retention rates and has proven impact for both employers and young people. Generation graduates have had a job attainment rate of 82% within three months of programme completion. Eighty-eight per cent of employers have said that Generation graduates have outperformed their peers, and 98% say they would hire Generation graduates again.



## London labour market – opportunities and challenges

**London's economy is dynamic and thriving. It has grown rapidly in recent years, creating over 800,000 jobs in the last seven years and generating a huge net-surplus for the UK.**

London has far higher levels of productivity than the rest of the UK. It has both a higher proportion of high-skilled jobs than the rest of the UK, and the most qualified workforce of any region of the UK.

However, London's economy and labour market face challenges too. Many Londoners are not sharing in the success of their city. More adults lack basic literacy and numeracy than in any other region. Two million adults in London lack A-Level equivalent qualifications and 400,000 have no qualifications at all. Adults who lack higher-level qualifications face significant labour market disadvantage – they are more likely to be unemployed than those with the same level of qualifications in the rest of the country, and those who are in work are more likely to be on low pay.

While London has the most qualified workforce in the country, employers in London face acute and growing skills shortages. These shortages are holding back London's economy and London's businesses. As we show below, London's economy faces significant challenges in the future from Brexit and job automation. If the capital is to continue to grow and to rise to these challenges, it will need a highly effective and efficient skills system. In the next chapter we go on to examine how the education and skills system in the capital is operating.

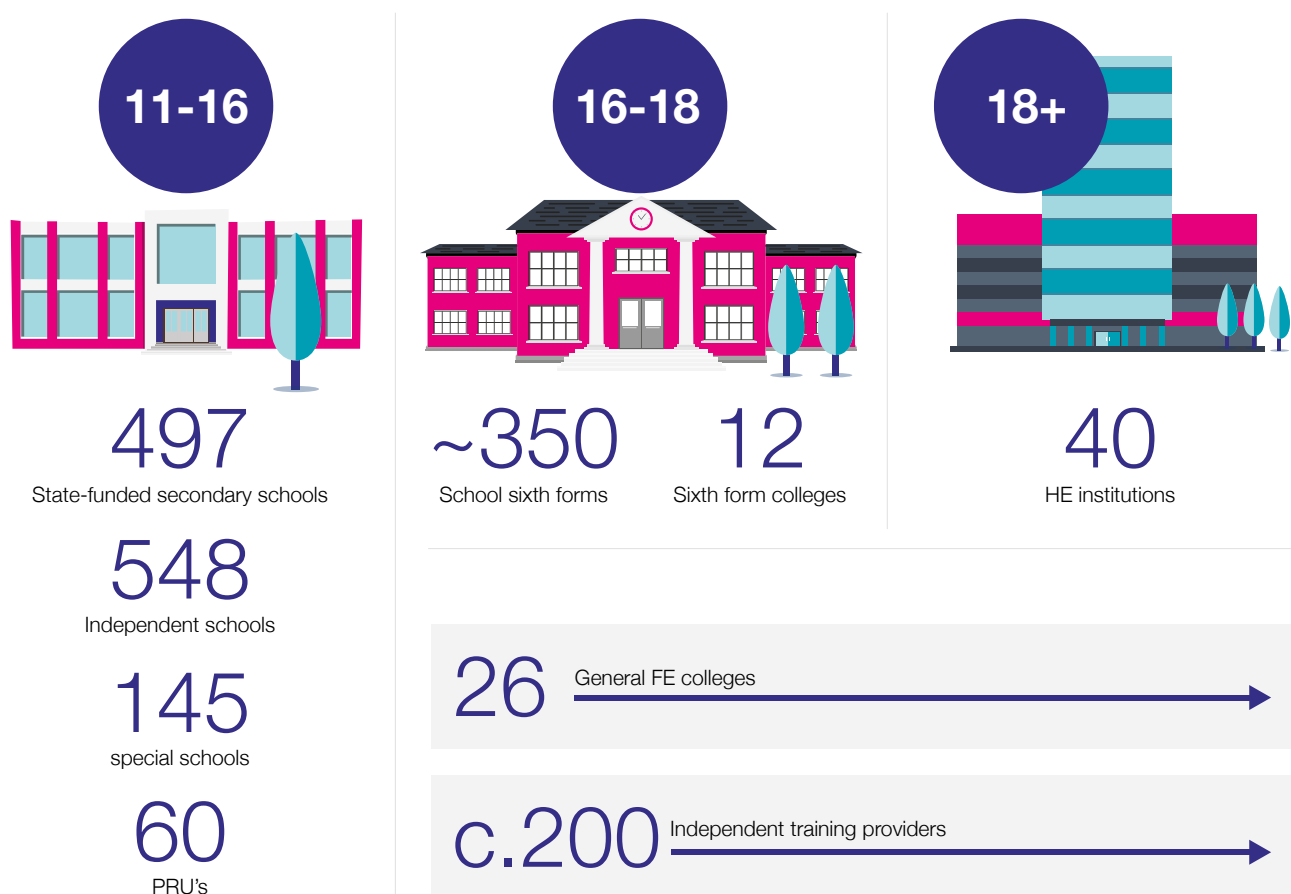
## Chapter 2

# The London education and skills system

In chapter one, we examined the dynamic and successful London economy, and the distinctive London labour market. In this section, we look at the London education and skills system, mapping current provision, setting out key recent and upcoming policy changes, and setting out opportunities and challenges.

## 1. Current provision

Figure 2a below sets out the diversity of post-11 education and training providers in London.<sup>4</sup>



<sup>4</sup> Pupil Referral Units (PRUs) are institutions run by local authorities to provide education for pupils who have been excluded from or are unable to attend mainstream provision



## Secondary schools

**There are 670,000 young people in secondary education in London (GLA 2017).** London's schools have improved enormously in recent years. Of London's 497 secondary schools, nine out of 10 (88%) are now good or outstanding, compared to eight out of 10 (78%) across England (GLA 2017). London's schools have the best GCSE results in the country (DfE 2017).

GCSE results at 16 in London are high and rising. Level 3 achievement by age 18 – especially A-levels but also vocational qualifications – is high and rising. In turn, this drives participation in full-time higher education at undergraduate level. The proportion of 18-year-old Londoners entering full-time higher education is higher than most other regions of England. This is a success and should be celebrated.

However, one in three young Londoners still leaves school without achieving a standard pass grade in English and maths at GCSE (ibid.).

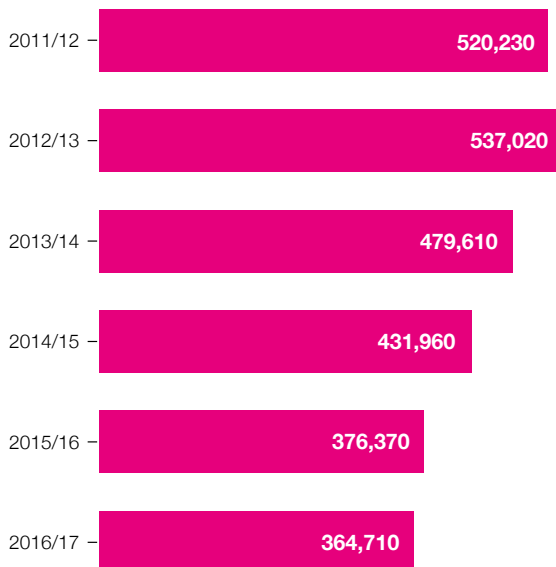
## Further Education

**London has a large, diverse and well-performing further education (FE) sector.** Four in five (79%) FE and skills providers in London are rated good or outstanding by Ofsted (GLA 2017). Building on the strengths of the FE system will be vital to ensuring that all young Londoners have access to high-quality education and training opportunities, including those who opt not to go to university. Vocational and technical education needs to be seen as a sound choice for Londoners, alongside the academic higher education route.

There are around 50,000 16–18-year-old Londoners in FE with one in four (26%) Londoners attending an FE college at age 16, compared to 38% across England (GLA 2017). In addition, 364,170 adult Londoners took part in an FE and skills course in 2016/17 (DfE, 2018). As with the rest of the country, there has been a significant decline in participation in FE in London in recent years, driven mainly by fewer adults taking up training. The number of FE and skills course starts in London fell by 172,000, or 32% between 2012/13 and 2016/17, slightly higher than the fall of 28% seen nationally. The decline coincides with the restriction of entitlement to public funding and the introduction of Advanced Learner Loans.

**Figure 2.1.2a**  
**The number of FE and skills starts in London has fallen by 32%**

FE and skills course starts among Londoners between 2011/12 and 2016/17



Most FE courses in London are delivered at a low level: Level 2 (GCSE equivalent) or lower. Just 25% of courses in London are delivered at level 3 (A-level equivalent) and above, compared to 29% nationally (London First analysis of DfE and ESFA 2016).

As we discuss in section 2.2 below, the Mayor of London will soon be given responsibility for the commissioning of adult FE, following the devolution of the Adult Education Budget. However, 16–18 FE funding will remain with the Department for Education, as part of the overall 16–18 budget for London, which includes schools and is approximately £800m per year.

Source: London First analysis of DfE 2017a



## Good practice case study

**Tesco**

Tesco established its LGV Apprenticeship programme in 2017 to support its increasing shortage of drivers – a challenge that is industry-wide. The apprenticeship programme was developed with Tesco's training provider, South Essex College, to allow the company to strengthen its 'Opportunities to Get On' initiatives, which support employees in developing their career within Tesco.

The programme not only seeks to deliver professional, competent, safe, and fuel-efficient drivers into its business, but clearly builds confidence and develops functional maths and English skills in apprentices. The introduction of the apprenticeship levy has also made it possible to fully fund the category C licence for these employees.

Having built a strong relationship with its training provider, Tesco regularly reviews and looks to improve both the programme and the experience of its apprentices. Employee feedback on the programme has been hugely positive, and, to date, 16 out of 18 apprentices have successfully gained their C+E licence and are working towards their End Point Assessments in June 2018.

The success of the scheme has allowed Tesco to expand it to nine of its distribution centres, offering an additional 90 employees the opportunity to join this successful, supported and quality programme.



## Higher Education

**The capital has a large and highly successful Higher Education (HE) sector.** There are around 40 HE institutions in London, including 5 Russell Group universities, and 4 in the world's top 40 universities (THE 2017). There were 362,000 students studying in London-based HE institutions in 2015/16 (HESA 2017).

There are very high levels of participation in HE among young people growing up in London. Nearly half (43%) go on to university after school. This is far higher than the national figure; just one in three (35%) young people across England go to university.

High levels of participation in HE are a success for the London education system. However, participation varies very significantly; young people growing up in Kensington and Chelsea, Richmond upon Thames, and Harrow are more than twice as likely to go to university than their peers in Barking and Dagenham (London First analysis of HEFCE 2017).

While the number of young people going to university in the capital has continued to grow after the increase in fees in 2012, and while the number of full-time students has increased, the number of part-time students in HE has fallen very significantly. Nationally, the number of part-time students has fallen by more than half in the last year. This raises concerns about access to HE for adults in London who want to re-train or upskill.

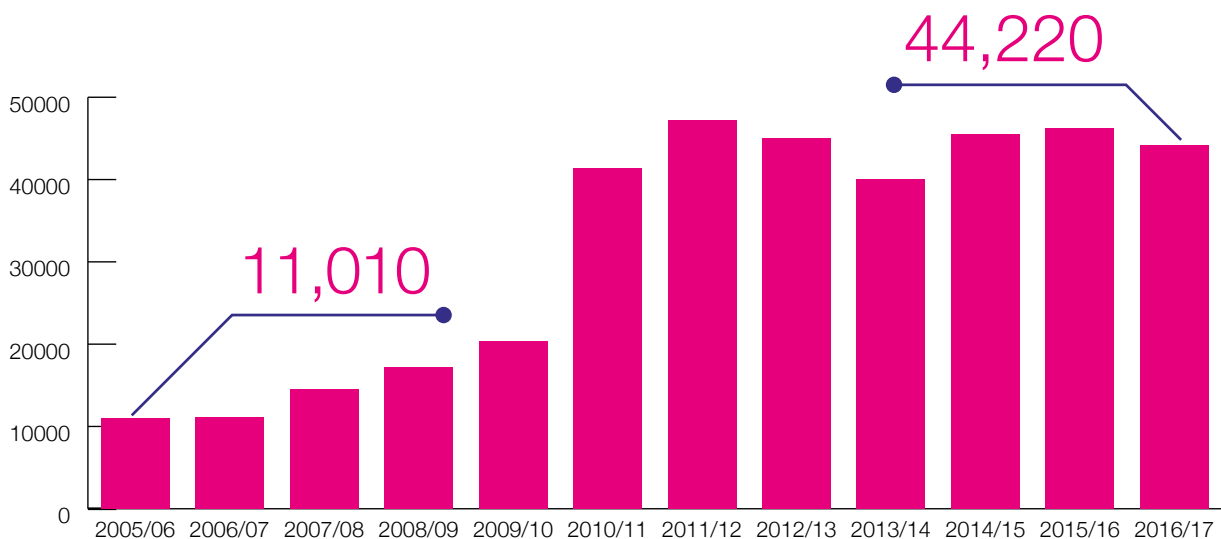
## Apprenticeships

**London has seen a very rapid rise in the number of apprenticeship starts in the last decade, with the number quadrupling from 11,000 in 2006/7 to 44,000 in 2016/17.**

While there has been an increase across England, the increase in London has been proportionately greater. The number of apprenticeship starts fell sharply following the introduction

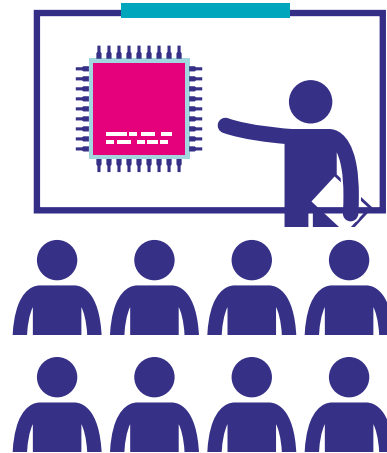
of the apprenticeship levy in April 2017: the UK saw a 30% year-on-year decline in January 2018 (DfE 2018). However, the expectation and hope is that starts are likely to pick up again as the system beds in, and as employers seek to recoup their levy funds. The apprenticeship levy is examined in detail in section 2.2.

**Figure 2.1.4a**  
**Apprenticeship starts in London have quadrupled in the last decade**



Source: London First analysis of DfE 2017b

There are only **8** apprentices per **1000** working Londoners



However, while the number of apprenticeship starts has increased in London, the number of apprenticeships compared to the population remains very low. In London, there were just eight apprenticeship starts per 1,000 adults aged 16–64 in 2015/16, just half the national average of 15 starts per 1,000 adults (London First analysis of DfE 2017c and ONS 2017). There are also fewer applications per apprenticeship vacancy in London than the national average. This suggests that demand for apprenticeships – both among employers and among individuals – is low in London.

The lower levels of apprenticeships in London are in large part due to the distinctive sectoral composition of the economy. A greater proportion of employment in London is in service sectors that, to date, tend to employ fewer apprentices. However, this does not completely account for the scale of the gap and, comparing sectors within London to the same sectors nationally, apprenticeship employment is far lower in the capital (GLA 2018).

Many people told us that the process for applying for apprenticeships is complex and hard to navigate. The system is not as straightforward or as user friendly as the UCAS system is for applying for university courses.

Relatively few young people in London take an apprenticeship. Just 2% of young people in inner London and 3% of those in outer London take an apprenticeship at 16, compared to 6% nationally (GLA 2017).

Adults (aged 25 and over) account for a slightly greater proportion of all apprenticeships in London compared to England. Fifty-two per cent of apprenticeship starts in London in 2016/17 were aged 25 and over, compared to 47% in England.

While there has been an increase in the proportion of apprenticeships being delivered at higher levels, with one in 10 are now delivered at level 4 (foundation degree equivalent), nearly half are still delivered at intermediate level (level 2), which is equivalent to GCSE level (London First analysis of DfE and ESFA 2017b).

Two sector subject areas – business, administration and law and health, public services and care – account for three in five apprenticeship starts in 2016/17. This is perhaps not surprising given the size of London's service sectors. There are comparatively few apprenticeships in construction, planning and the built environment (2.9% of apprenticeships), leisure and tourism (3.5%), and information and communication technology (4.3%). Here, there appears to be an opportunity for growth, given the importance of these sectors to London's economy.

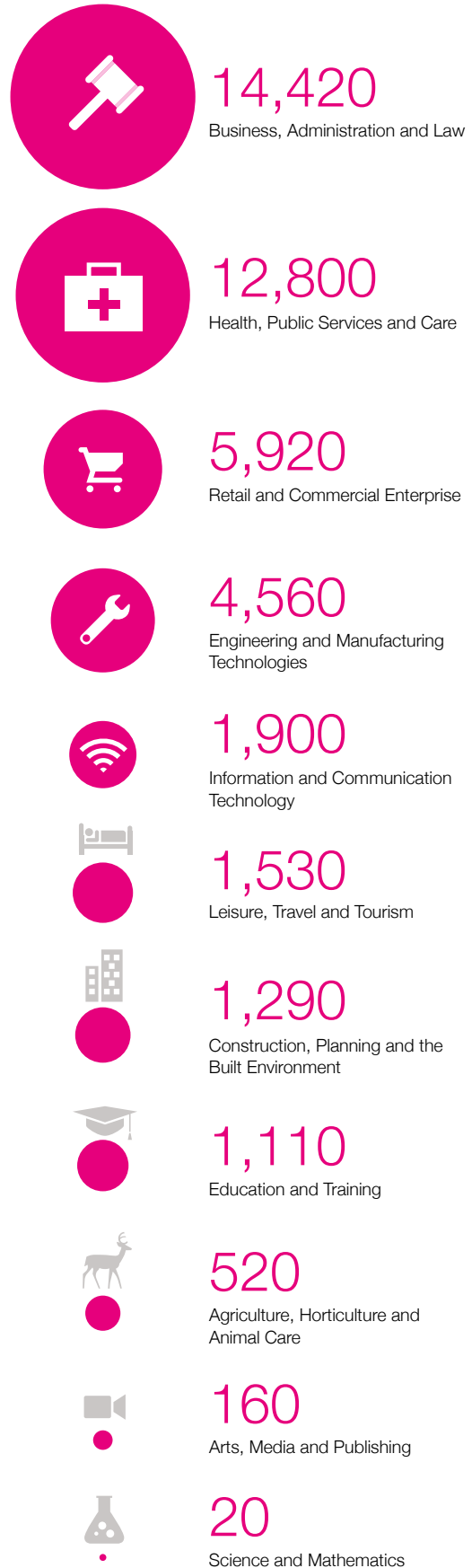
**Figure 2.1.4a**  
**Three in five apprenticeship starts in London are in business, administration and law, or health, public services and care**

Apprenticeship starts by sector subject area in London, 2016/17

The apprenticeship achievement rate is comparatively low in London. For the year end 2015/16, 64% of apprentices completed their apprenticeship, compared to 67% in England (London First analysis of DfE & ESFA 2017c). The gap in achievement rate for apprentices in London compared to England is particularly high for apprentices aged below 25.

Most of these apprenticeships are delivered by independent training providers.

London has a large and diverse market of around **200** independent training providers, delivering apprenticeships, traineeships, and other study programmes.



Source: London First analysis of DfE 2017b



## Good practice case study

# Mace

The construction industry has been facing major skills gaps; the CITB forecast until 2022 shows that 158,000 new construction workers will be needed to meet the UK's demand. Attracting new talent to the industry and retaining experienced people in long-term careers are now the main objectives.

Despite a well-established and award-winning Graduate Programme, Mace had been faced with a skills shortage for some technical disciplines, such as quantity surveying or building services engineering, where the pool of graduates had been too small and of low diversity.

Mace extended its Apprenticeship Emerging Talent offer to school leavers who are keen to start a career in these areas, as well as in project and construction management. The programme has simultaneously enabled Mace to develop talent

in key disciplines and to increase diversity – better reflecting the communities in which the company operates as a result.

In 2016, Mace recruited 29 Higher and Degree Level apprentices and trainees, all working to achieve a Level 4 or degree-level qualification by part-time study, while developing their professional competence in the workplace. The diversity of Mace's recruits increased: 35% were from black or minority ethnic groups. In 2017, Mace was recognised as 'the Top Employer for School Leavers in Construction', by [AllAboutSchoolLeavers.co.uk](http://AllAboutSchoolLeavers.co.uk) and was ranked as 'the Top Employer for Apprentices in London' and 'third overall in the UK' by [RateMyApprenticeship.co.uk](http://RateMyApprenticeship.co.uk). This recognition was based on the quality of feedback from apprentices on their experience at Mace. Mace has retained 100% of its 2016 and 2017 apprentice intakes.





Good practice case study

## Jacobs and Tideway

The Tideway's skills programme set out to build a high-quality, local programme of employment and upskilling opportunities for residents along the route of the Thames Tideway Tunnel. The goal was to secure a new apprenticeship for every 50 staff working on the project and to meet local employment targets, including that 25% of the workforce reside in the 14 London boroughs impacted by the construction works.

To ensure the appeal of the programme, some quality-control requirements were set: procuring training only from high-quality training providers, offering a mixture of different levels of apprenticeships, and the opportunity to progress onto a higher-level apprenticeship. All apprentices employed by Tideway and Jacobs are paid at least the London Living Wage and, where appropriate, they are offered the opportunity to progress as a school leaver through to securing a Bachelor in Engineering at university via the new Level 6 civil engineering apprenticeship standard.

To further attract students to the programme, over 160 volunteers have delivered 410 hours of educational support to over 4,000 students from London schools through the STEM Ambassador programme in 2017–18 alone. Additionally, Tideway commissioned the Build London jobs brokerage to identify local candidates and work with job centres and local employment organisations to meet the target of increasing local employment in the project. Tideway also created a 'pre-employment plus' scheme that aims to bridge the gap between traditional pre-employment courses and the skills that employers actually require from new entrants into their workforce. Registration events with its supply chain companies and Women into Construction were also set up to attract a more diverse workforce into the industry.

## Employer-provided training

**In addition to the figures above on output from training providers, there is also data available from employer and employee surveys on the volume of employer-provided training.**

Data from both employer surveys and employee surveys suggest that levels of employer-provided training in London are similar to the national average.

The Employer Skills Survey – a national survey of employers – shows that 65% of employers in London had provided training in the past year, compared to 66% of firms in England (UKCES 2016). Employers nationally invest around £45 billion a year in training, though only a minority of this was training fees for external organisations (£3bn), with the majority being wage costs for those being trained and those internal trainers providing and arranging training (ibid). Around £10 billion a year is invested by employers in London on training.

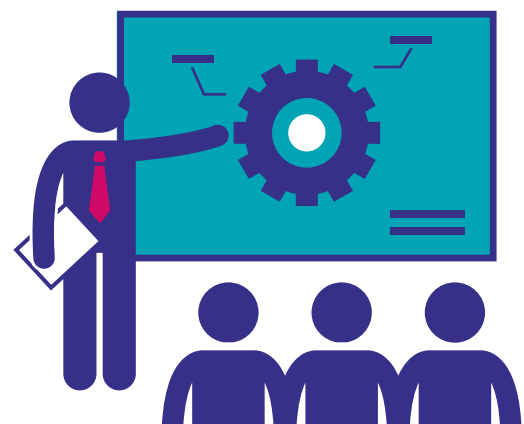
The Labour Force Survey – a survey of individuals – again suggests the level of employer-provided training appears similar to the national average. The Labour Force Survey shows that 26% of workers in London received job-related training in the last three months, similar to the national average of 25%. However, the Employer Skills Survey found that employees in London are slightly less likely to receive training, with 60% of employees in the capital receiving training, compared to 63% nationally.

Employees with higher levels of qualification are far more likely to receive job-related training. Three in 10 Londoners (29.9%) with Level 4 qualifications or above received job-related training in the last three months, compared to two in 10 (19.0%) of those who do not have a level 4 qualification (London First analysis of ONS 2017c).

While there are benefits in moving towards a more employer-focused skills system, there are concerns that some workers could be poorly served by this. Temporary and agency workers are unlikely to benefit from employer investment in apprenticeships and training, and the self-employed have no employer to invest in their skills. This is a particular concern for London, which has a very high level of self-employment, with many self-employed workers on low incomes. Restrictions in entitlement to publicly funded training could also limit the availability of these workers to access training: every day spent training, means a loss in income. This has led some to call for training allowances or an individual learning account approach to enable workers – including those in insecure work and the self-employed – to invest in their own skills (LWI 2016, IPPR 2017)

# 65%

of employers in London had provided training in the past year, compared to 66% of firms in England (UKCES 2016).





## 2. Recent and upcoming policy changes

### Apprenticeship reforms and the Apprenticeship Levy

Over the last few years, the Government introduced a series of reforms to the apprenticeships system in order to make it more employer-led and to boost investment in training. The Government's ambition is to increase apprenticeship numbers and the target for the current Parliament is three million apprenticeship starts.

In 2013 the Government introduced apprenticeship trailblazers and new apprenticeship standards. A trailblazer is an employer-led group developing the new apprenticeship standards for occupations in their sectors, for both small and large businesses. These new standards started to replace the previous apprenticeship frameworks from 2016/17 and are for all ages and all levels, including degree/masters level qualifications. The new Institute for Apprenticeships (IfA), which was introduced alongside the Apprenticeship Levy in April 2017, is the body that approves these standards and oversees the functioning of the levy. Progress with signing off apprenticeship standards has been slow in some areas. Three in 10 (28.5 per cent) of the 533 apprenticeship standards have yet to be approved.

Businesses told us that they are concerned about how the reforms to apprenticeships are operating. While there was broad support for an employer-led approach to apprenticeships, many companies were concerned that the system is complicating rather than helping to facilitate their ability to design new apprenticeship standards and get them on stream. Business is facing difficulty with bureaucracy at several points in the process: pulling together and managing the 10 employers required to form a trailblazer; sourcing quality training providers to work with; getting standards approved (a particular concern about the lack of sector specific expertise at the IfA); and the regulation and accreditation of provision once on stream. There were also concerns about the lack of quality cross-cutting core skills within apprenticeship standards, such as digital and employability skills, and the difficulty that different sectors face in managing the 20% off-the-job training element of apprenticeships.

These system failures are preventing willing employers from effectively using their apprenticeship levy funding. The apprenticeship levy was introduced in April 2017 and is applied to employers with payroll bills of over £3m. These employers see 0.5% of payroll above that figure deducted and placed into a digital account. Employers can then use these funds, with a 10% top-up from Government, to cover the cost of training for apprentices that they employ (DfE 2017). The apprenticeship levy is expected to raise £3 billion by 2020/21. Levy funds left unspent after two years will revert to the Treasury.

The apprenticeship levy will raise far more money in London than in the rest of the country, given the higher levels of pay in the capital, and the concentration of large levy-paying firms (Dromey and McNeil 2017). However, despite apprenticeships being an obvious answer to employers' skills gaps, employers in London are currently less likely to be accessing their funds than those in the rest of the country (THE 2017). Given the sectoral composition of the London economy, and the currently low (but increasing) levels of demand for apprenticeships from employers in some sectors and from individuals, combined with system failures, there is a risk that a significant proportion of levy funds raised in London will go unspent and not used to meet the significant skills gaps in the capital. This would represent a loss to London's businesses and a loss to Londoners who could benefit from upskilling.

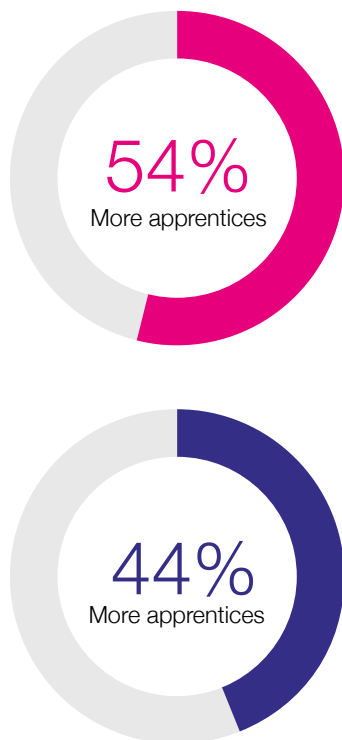
Despite this, the London First/Lloyds Bank survey showed a willingness on the part of employers in London to recruit more apprentices. Half (55%) of London-based businesses that pay the levy and/or employ apprentices said that they planned to recruit more apprentices in the coming two years than they have employed in the last year, compared to two in five (44%) nationally. This would suggest that the levy has the potential to significantly increase apprentice recruitment in the capital.



**Figure 1.2.2a**  
**Businesses in London are likely to recruit more apprentices in the next two years**

How do you expect your recruitment of apprentices will change in the next two years compared to last year? London First/Lloyds Bank business survey, base: all businesses which employ an apprentice and/or pay the levy

■ London ■ UK



Alongside the concerns that employers have for the broader apprenticeship reforms, they are also critical of the apprenticeship levy. While our survey with Lloyds told us that businesses in London to a large extent recognise the need for such a levy, a large number are concerned that it is not working well in its current form. Four in five (84%) London businesses in our survey said that they thought the apprenticeship levy was necessary, with just 12% saying it is not necessary. However, of those who saw it as necessary, just 45% thought that it works well, and 39% said it could be improved. This was reflected in our interviews, our call for evidence, and our workshop on the apprenticeship system. There was strong employer support for a levy in principle but concerns over how the apprenticeship levy works in practice. Specific concerns include: (i) the lack of flexibility on how business can use its levy funding – currently it can only be used to pay for apprenticeship training costs; and (ii) the limit to which employers can devolve their levy funding to their (often SME) supply chain.

Many levy-paying employers have not even engaged with the system, perhaps due to lack of awareness or because they feel apprenticeships are not for them, or because of the perception that the system is just too difficult. This is reflected in the number of levy-paying employers that have so far signed up for the digital account service – just over 50% of 22,000 nationwide as at January 2018 (DfE, 2018).

The Mayor of London has stated his intention to lobby for apprenticeship levy funds raised in London to be ring-fenced and devolved to London's government, to invest in partnership with businesses on boosting apprenticeships and skills (GLA 2017). This would be a significant change from the current system, where employers have control over their own levy funds, and it would move the system away from being employer-led.

Good practice case study

# Heathrow and World Duty Free

The Heathrow Employment and Skills Academy worked in partnership with World Duty Free to look at how the Academy's levy specialist team could create a robust plan to spend the apprenticeship levy by aligning apprenticeships with internal career pathways. The result was the new Trainee Leadership Scheme, launched in June 2017. Fifteen individuals were initially selected to participate; whilst developing their leadership skills, they were supported by Heathrow Employment and Skills Academy team, and mentored throughout their programme.

World Duty Free now have 43 apprentices at Heathrow, broadening their original portfolio from 3 to 14 different apprenticeships. Apprenticeships currently on offer include Retail Team Leader Level 3, Digital Marketing Level 3, and HR Consultant/Partner Level 5.

From a qualitative perspective, the apprenticeship programme has already had positive impacts for the business. Employer branding has improved: clearly defined career paths across a wide spectrum of roles – including management, HR, and Project Management – are attractive to prospective candidates. The scheme offers challenges which are particularly appealing to ambitious employees, accelerating their experiences through training and development, and bringing out their strengths.

Staff are more engaged as a result of the current apprenticeship offering, and this is being embedded by apprenticeship ambassadors. Retention of leaders is also moving in a positive direction: World Duty Free has recently witnessed a decrease in its external recruitment for leadership positions, a shift from eighty to seventy per cent.



## Advanced Learner Loans

In 2013, the Government restricted entitlement to publicly funded training in FE and introduced Advanced Learner Loans. Available to adults aged 19 and over to cover course costs for approved qualifications at Level 3 to Level 6 at approved providers, Advanced Learner Loans operate in the same way as student loans in HE, with students repaying 9% of any income earned over £21,000 a year after graduation.

The introduction of Advanced Learner Loans seems to have depressed participation in FE. The year following their introduction, participation on eligible courses by learners aged 24 and over fell by 31% (Adams et al 2016).

Currently, adults taking further education courses are not eligible for maintenance loans in the same way as those taking higher education courses. This can represent a significant barrier for some potential students. However, in the Spring Budget, the Government announced plans to introduce maintenance loans for students taking technical education courses at higher levels (level four and above) from 2019/20, to enable them to have the same support and opportunities as those studying academic courses (HMT 2017).

The Mayor of London has set out an aim to better promote available sources of financial support for training to Londoners – including Advanced Learner Loans – in order to increase the take-up of intermediate and higher-level skills courses (GLA 2017).

## Devolution of the Adult Education Budget

The Government is planning to devolve the Adult Education Budget (AEB) to London, starting from 2019/20. This budget covers the non-apprenticeship part of the adult skills budget, community learning, and discretionary learner support (Foster 2017). The expectation is that devolution will enable colleges and other training providers to better focus its adult skills provision on responding to local economic priorities and outcomes (DfE 2016b).

The Mayor of London will be responsible for commissioning, funding, delivery and management of the budget. He has committed to working closely with boroughs and the sub-

regional partnerships (individual boroughs in the same geographic sub-regions working together on a collective agenda) to help shape the London Skills Strategy (LSS) and the delivery of the devolved AEB (GLA 2017).

The budget will be around £400m per year. This is equivalent to just £67 per adult per year, and much of the AEB will be taken up by delivering statutory requirements.<sup>5</sup> This compares – for example – to the estimated £10 billion invested by employers in training in the capital. Given this, the Mayor will need to ensure it is used strategically in order to maximise its impact for Londoners and London's economy.

<sup>5</sup> These are legal entitlements to funded training. Adults have different entitlements which are set according to age, employment status and prior attainment. Details of current entitlements are available here.

### The Post-16 Skills Plan and T Levels

Following the Sainsbury Review of Technical Education in 2016, the Government committed to introducing new technical routes and qualifications known as 'T levels' (BIS and DfE 2016). T levels aim to improve the quality of technical education, to ensure provision meets employer needs, and to ensure routes of progression for learners (ibid).

T levels will be based around a common framework of 15 routes. Routes will begin with a high-quality, two-year college-based programme, and they will be aligned to apprenticeships. Just one T level qualification will be available in each occupation, though there is the ability to specialise by occupation, as many of the 15 routes cover a wide diversity of occupations. Routes are expected to extend to the highest skill levels, supporting learners to progress. The system will be overseen by the Institute for Apprenticeships, with the content of the technical routes and the associated qualifications being designed by employers (ibid.).

In the 2017 Spring Budget, the Government announced £500m of additional funding per year by 2022 to increase the number of contact hours by 50% to over 900 hrs per year on average, including the completion of a work placement (HMT 2017). T levels will require a relevant work placement of between 45 and 60 days. The Mayor of London has set out an aim of preparing London for the introduction of T levels, and of collaborating with employers and providers to ensure that all Londoners taking them are given the skills they need to succeed and progress (GLA 2017).

While the AEB which will support FE and skills for adults aged 19 and over is set to be fully devolved from 2019, 16–18 vocational and technical education is set to remain the responsibility of the Department for Education. This may limit the ability to tailor local 16–18 technical provision to the needs of local learners and local employers. It places a barrier to London government setting a holistic post-16 skills strategy for London. As such, London government is calling for further devolution of 16–18-year-old vocational and technical education to London (GLA 2017).

### Higher Education reforms

The Government has recently announced reforms to student funding to reduce the cost of higher education for students. The threshold for repaying student loans is set to rise from £21,000 to £25,000, and a planned rise of the cap on tuition fees from £9,250 to £9,500 has been scrapped. This will have the effect of reducing annual repayments for a graduate earning more than £26,500 by £500 but increasing the long-term cost to Government (IFS 2017).

From 2016/17 non-income contingent loans of up to £10,000 have been available for students on postgraduate masters courses as a contribution towards living costs (Hubble and Foster 2017a). From 2018/19, the Government will introduce maintenance loans for part-time students taking higher education courses (Hubble and Bolton 2017b).



## Post-18 Education Review

In February 2018, the Government announced a year-long independent review into post-18 education. The media's focus has predominantly been on this signalling a willingness to

- **Choice**

Identifying ways to help people make more effective choices between the different options available after 18, so they can make more informed decisions about their futures. This could include more information about the earning potential of different jobs and the different qualifications required to get them, as well as ensuring they have access to a genuine range of high-quality academic, technical or vocational routes.

- **Value for money**

Looking at how students and graduates contribute to the cost of their studies, to ensure that funding arrangements across post-18 education in the future are transparent and do not prevent people from accessing higher education or training.

reduce HE tuition fees from the current £9,000 per year level that almost all universities charge. But the review is more than that; it will focus on the following four areas:

- **Access**

Enabling people from all backgrounds to progress and succeed in post-18 education, while also examining how disadvantaged students receive additional financial support from the government, universities and colleges.

- **Skills provision**

Future-proofing the economy by making sure we have a post-18 education system that is providing the skills that employers need. This is crucial in boosting the UK economy and delivering on the Government's Industrial Strategy.

## Careers Strategy

The Government recently published its Careers Strategy, based on the Gatsby Benchmarks of effective careers advice (the education think tank that has developed the widely regarded principles of careers support for schools and colleges), with a particular focus on increasing contact with employers so that every young person gets at least seven encounters with employers across their school and college life (DfE 2017).

The Mayor of London has set out an aspiration of creating an all-age careers information, advice and guidance (IAG) offer in London. This would aim to ensure that all young people have the advice they need to make informed choices, and promote lifelong learning, particularly for adults with low levels of skills, and those cycling in and out of low-paid work (GLA 2017).

## Industrial Strategy

The Government published their Industrial Strategy in 2017, which sets out how they plan to support productivity growth and the creation of 'good' jobs in every region of the country (BEIS 2017).

One of the five pillars of the industrial strategy was 'people', which focused on boosting the skills and training across the UK.

The Government argues that boosting both the quantity and quality of training will be vital to increasing productivity and pay across the economy. This included the reforms to the technical education system highlighted above; plans to boost investment in maths, digital and technical education; and plans to create a National Retraining Scheme.

## National Retraining Scheme

The National Retraining Scheme (NRS) was announced in the Conservative election manifesto in 2017 and its purpose is to drive adult retraining and learning. The intention is to form a 'National Retraining Partnership' between Government, businesses (through the CBI) and the unions (through the TUC) to set the strategic direction for the NRS. The plan is to roll out the NRS in phases, the first of which aims to set sector-focused

and employer-driven initiatives that target skills shortages in key sectors – starting with £64m for digital and construction nationwide. Details are currently limited, and it is not clear whether the NRS will be adult focused (supporting individuals to retrain) or employer focused (supporting employers to retrain their employees) or a mix of both. The Government has stated that the NRS will be fully in place by the end of this Parliament.



## 3. Challenges with the London skills system

### Excessive centralisation

**The skills system in the UK is overly centralised. This limits the ability to respond flexibly to local needs and local priorities (APPG for London 2017).**

The devolution of the Adult Education Budget may help address this excessive centralisation, but its remit and budget means

progress will be limited. There is little scope, for example, for it to fund the type of adult training and retraining programme that London requires. The Mayor of London has no formal powers over the apprenticeship system or over 16–18 education, though he is lobbying for devolution in both areas.

### Improving quality of technical provision and delivering parity of esteem

**London has the most successful schools in the country and a world-class higher education system.** However, while London has many highly rated FE colleges, there is a need to improve the vocational and technical education system in the capital (GLA 2017). We need to ensure that young people can make an informed choice between the traditional route of school, A-Levels, university, and a quality vocational route that leads them to high-level, high-quality provision.

The education system in London – and nationally – suffers from a lack of parity of esteem between the academic and vocational routes. This perception has, in part, reflected the reality of provision in the past, with better labour-market outcomes for those who pursue the academic route through university than for those who opt for alternative routes.

This may represent a particular challenge in London where far fewer young people take apprenticeships or go to FE colleges than their contemporaries in the rest of the country, and where there are both proportionately lower levels of apprenticeships and proportionately fewer applications per apprenticeship.

Improving both the quality of, the outcomes from, and the perception of technical and vocational education in the capital should be seen as a priority. The Government's reforms to technical education and the introduction of T levels are an attempt to address this challenge. The Mayor of London has similarly identified delivering a strategic city-wide technical skills and adult education offer as one of his key priorities as part of the Skills for Londoners strategy (GLA 2017).

### Lack of apprenticeships and limited impact from the levy

**As set out above, London has had historically low levels of apprenticeships, and low demand from both employers and individuals.** While the apprenticeship levy will raise far more in London than elsewhere, problems with the way the

system operates is leading to a significant risk that a large proportion of these funds will go unspent. This would be a wasted opportunity for Londoners, for London businesses, and for the London economy.

### Poor matching between supply and demand

**While the London labour market is highly skilled, there is scope to improve the matching of supply of skills with employer demand.**

London's FE institutions are high-performing. But the FE system is too focused on outputs, rather than outcomes. Providers are largely funded based on course starts and completions,

rather than on the outcomes following their courses, such as sustaining employment and increasing wages. This means that the incentives for providers are to appeal to learner demand and to deliver courses that are relatively easy to complete at high volume, rather than focusing on the real job outcomes and the needs of employers and of the local labour market (Dromey and McNeil 2017).

## Lack of information, advice and guidance and business engagement with schools

**High-quality information, advice and guidance (IAG) is vital both to supporting young people to make the right choices and to supporting adults to continue to engage in lifelong learning and in-work training.** For young people, IAG should inform and inspire, helping them understand the careers available to them, and the education and training they need to undertake to help them realise their potential. For adults, IAG should support people to re-engage in learning, and to re-train in order to meet the skills needs of businesses in a changing economy.

However, as the Skills for Londoners strategy has set out, there is a lack of effective careers IAG for Londoners, and this is limiting their ability to upskill, to reskill and to progress in work (GLA 2017).

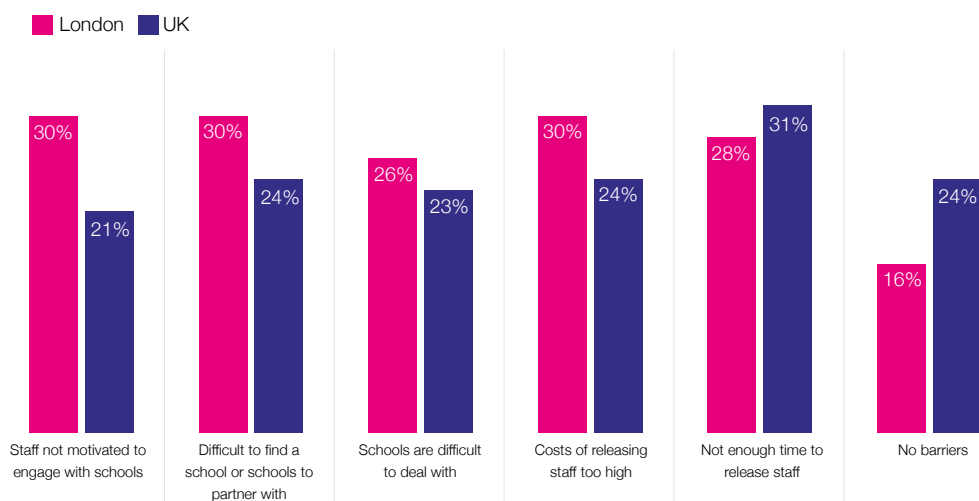
Having effective employer engagement in IAG is particularly important. Research has shown that adults who can recall four or more encounters with employers from when they were at school were five times less likely to have been NEET, and earned on average 16% more than their peers who could recall no such encounters (Gatsby 2014). The Government's recent Careers Strategy is based on the Gatsby Benchmarks, with a focus on

increasing contact with employers so that every young person gets at least seven encounters with employers across their school and college life. However, there is evidence that many London schools are not yet meeting these benchmarks. Data from the Careers and Enterprise Company shows that London has the joint lowest level of schools meeting the Gatsby sub-benchmarks (CEC 2017).

Many employers in London are currently working with schools, and many are keen to do more. Seven in 10 (70%) businesses in our survey said they were currently engaging with schools, colleges or universities, slightly higher than the national average (66%). London First runs Skills London, the largest jobs and careers fair for 15–24-year-olds in the UK. Skills London engages with 30,000 young Londoners, teachers and parents each year, bringing them together with employers, training and education providers and careers experts, to deliver access to quality IAG and some 50,000 job opportunities. Most London businesses (67%) were keen to do more, but they highlighted a number of barriers to engaging with schools, colleges and universities, including lack of time, the cost, and the difficulty in dealing with schools.

Figure 2.3.5a

### Factors limiting the ability of businesses in London engaging with schools, colleges and universities



Source: London First/Lloyds Business Survey

The business survey showed a number of factors that London businesses thought could help them better engage with schools, colleges and universities. These include a third-party brokerage platform to help business to connect to schools (35%), re-establishing the local education and business partnerships (31%),

and more accessible contact details for schools in the area (30%). Similarly, the lack of effective careers IAG for adults is seen as limiting the ability of adult Londoners to upskill or re-skill and progress in work (GLA 2017).

### Levels of employer investment

#### **Many employers in London are investing in the skills of their workforce.**

Most London-based employers provide training, and levels of training are similar to the national average. The last Employer Skills Survey found that six in 10 employees – 2.7 million people – received training in 2015, with a total of 16.8 million days of training being provided.

However, while many employers in London are investing in the skills of their workers, too many do not. Employer investment in skills is low compared to the rest of Europe, with UK employers spending just half the EU average on continuing vocational training per employee. Employer investment has fallen in real terms per employee over the last decade (Dromey and McNeil 2017).

Boosting employer investment will be critical for London in maintaining its competitiveness, particularly as we leave the EU. If access to skilled workers from across the EU is restricted, employers will need to invest more in the skills of existing workers, or skills gaps may grow.



**Chapter 3**

# The future of the London labour market

Having examined London's current labour market and education and skills system, this section focuses on the major known trends that will shape our economy and our labour market in the coming years – through to 2025 and beyond. We highlight the challenge posed by Brexit and the ending of freedom of movement to the UK; investigate the potentially transformative impact of the fourth industrial revolution and job automation alongside existing trends for longer working lives; and analyse the growing importance of transferable employability skills.

## **Brexit: Tighter immigration policy**

London relies on migrant labour, from Europe and beyond. Thirty-seven per cent of London's population was born outside the UK, which is significantly higher than the rest of the UK's migrant population, at 10% (London First and PwC, 2017). Thirty-eight per cent of London's workforce were born outside the UK – nearly two million out of a total workforce of just over five million. Fourteen per cent jobs of in the capital in 2016 were held by EU migrants, compared to just 6% in the rest of the country (GLA 2017). A recent survey of businesses in London found that 40% employ EU migrant workers, with 11% saying that they make up the majority of their workforce (LCC 2017).

This means that flexible immigration policy that provides business with access to overseas workers is a major demand of London business. Brexit, which will introduce a new UK

immigration system with the ending of freedom of movement of EU citizens, is expected to restrict London's labour pool and is a significant threat to London's economy. Recent forecasting carried out for the GLA highlighted the potential impact of Brexit on the London economy and labour market. It found that in the worst case scenario – a 'hard Brexit' – London's economy would have 87,000 fewer jobs by 2030, and GVA would be £11 billion lower (GLA 2017).

It is not surprising that Brexit was the most commonly cited risk by businesses in London in the coming year, with over one in three saying it will have a negative impact on their recruitment, rising to one in two among businesses who employ an EU national, according to a recent LCC survey.

**Figure 3.1a**  
**One in three employers in London expect Brexit to negatively impact their recruitment**

Proportion of employers in London expecting a negative impact from Brexit



Source: LCC 2017

**Brexit was the most commonly identified challenge for businesses in both our call for evidence and in our interviews.** Some had already seen an impact in terms of lower applications from EU-nationals, increased uncertainty for existing workers, and increasing numbers of EU-nationals returning home. Indeed, recent immigration figures show that EU citizens are leaving the UK at the fastest rate since 2008, and fewer are coming; 58,000 fewer EU citizens arrived to work in the UK in the year to September 2017 compared to the previous year (ONS, 2018).

This trend worryingly supports the findings of Deloitte’s recent survey of migrants (2017) that showed 64% of highly skilled young EU workers are thinking of leaving London in the next five years.

The London First/Lloyds Bank business survey showed that half (52%) of employers in London have experienced an increase in employee turnover since the referendum result, compared to just one in three (35%) in the rest of the country. The Commission’s interviews with London businesses identified a number of areas of particular risk. First, there are global businesses which rely on being able to deploy staff across the world, including London, through intra-company transfers. A major bank highlighted how their number one concern in the future was access to talent if migration was restricted, and that this was a major concern of many of their clients too. Second, there are industries where there are particularly high levels of reliance on migrant workers. Interviewees highlighted hospitality, construction, retail, transport and logistics as being the industries which are particularly at risk in London.

In terms of how employers will respond, interviewees highlighted the need to improve the attraction of sectors to UK-born workers. If EU migration is significantly restricted after the ending of freedom of movement, it is likely that internal UK migration would increase, with the large and thriving London economy attracting more people from elsewhere in the UK. Others highlighted the need to change working practices – including improving pay and benefits, and training and progression – in order to better attract UK-based workers. Others mentioned increasing automation as a potential response.

However, as well as being a significant challenge, Brexit presents the opportunity for London to re-examine its skills system, address the challenges it faces, and ensure that it does more to support Londoners to access the opportunities in our local labour market and to help meet the needs of business. There is certainly a need for a step-change in the way skills works in London and the UK, but even with the best functioning skills system, there will always be a need for migrant workers to fill jobs and drive growth; this is particularly the case, given the record high employment that the UK and London are currently enjoying.

If the skills challenge is not addressed, and if there is a significant restriction in migration post-Brexit, then skills gaps in London will escalate significantly, with profound effects on London’s businesses and economy.

## Job automation

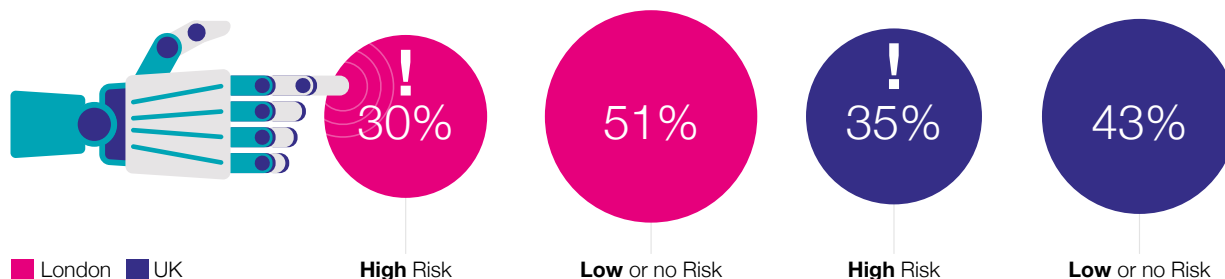
**London's economy and labour market will be transformed in the coming years by rapid and accelerating advances in technology, which will have profound consequences for businesses and their skills needs. Some refer to this as the fourth industrial revolution.**

In recent years, there has been a growing focus on the potential impact on the world of work of rapid advances in technologies such as robotics artificial intelligence (AI), machine learning, the internet, big data, and other digital technologies. Increasingly this has focused on the potential for automation of jobs, with human labour being displaced by advances in technology.

In their influential study, *The Future of Employment* (2013), Frey and Osborne found that 35% of jobs in the UK and 30% of jobs in London were at risk of automation in the next two decades (Deloitte 2017). Lower- and mid-skilled jobs are most at risk, but higher-skilled sectors and roles are not immune, for example auditors and paralegals. The lower vulnerability of jobs in London is the result of the distinct sectoral composition of the London economy, with more jobs in higher-skilled occupations which tend to be more resilient to automation. Nevertheless, 30% of London jobs equates to 1.9m jobs, and this poses a significant challenge to policy makers and employers to manage this level of potential displacement. These findings are supported by a recent study by the Centre for Cities (Centre for Cities 2018).

**Figure 3.2a**  
**Fewer jobs in London are at risk of automation**

Proportion of jobs at high, medium and low risk of automation in the next 20 years in London and UK



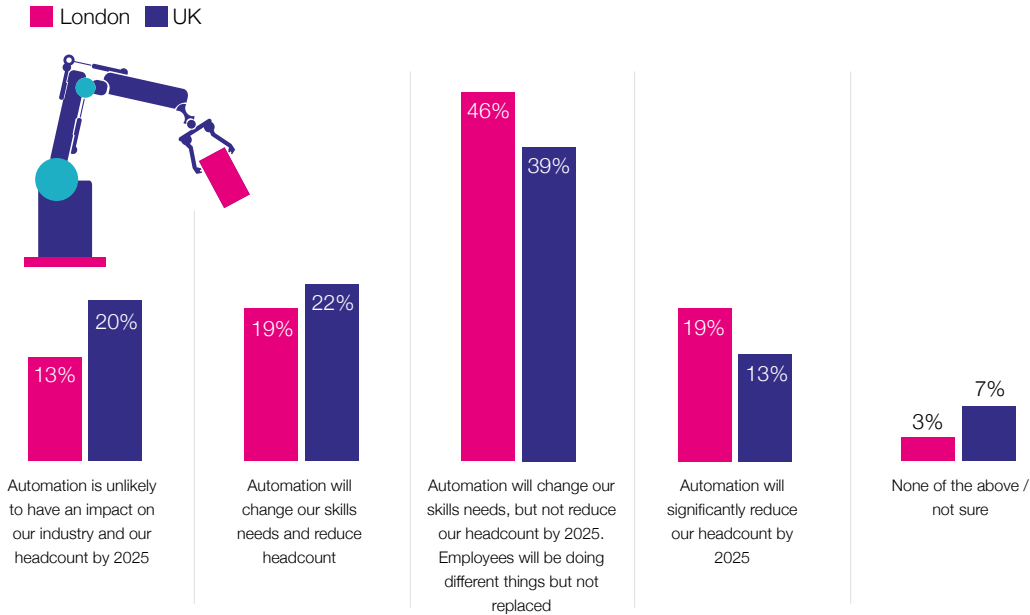
Source: Deloitte 2017

While commentators agree that automation will have a significant impact on London's labour market, there has been some debate on what this impact will mean. While much of the focus has been on automation eliminating jobs, in reality, most commentators agree it is more likely to change jobs. As a major manufacturing employer who took part in our interviews explained, 'automation is improving jobs not replacing them. It's process improvement rather than redundancy.' The London First/Lloyds Bank business survey confirmed this. It showed that employers in London were more likely to say that automation will change roles and skills needs but not reduce headcount. Sixty-five per cent of London businesses expect automation to change their skills needs by 2025, compared to 61% for the UK.

There still remains, however, a large number of businesses in London which say that automation will reduce headcount, with two in five (38%) of respondents to the London First/Lloyds survey saying they expected it to lead to a fall in headcount by 2025.

Overall, UK business believe one in five employees will be replaced by automation by 2025.

**Figure 3.2b**  
**Automation is likely to have a significant impact on London businesses by 2025**



Source: LCC 2017

**As more workers are displaced as a result of automation, there may be an increase in self-employment and in more insecure forms of work, as these individuals seek alternative work.** Some have suggested that automation, as well as wider changes in the labour market, will lead to a significant rise in self-employment (IPSE 2017). Some of the businesses that took part in our interviews said that in the future they expected to move towards a model of a smaller core of directly employed staff, alongside a wider and flexible workforce of freelancers and self-employed workers. This could add to the already high levels of self-employment in London – a group who are currently poorly served by the adult skills system.

While much of the focus on automation has been on the risk of job displacement, automation and rapidly advancing technology offers significant opportunities too. It offers the opportunity to boost productivity and therefore wages, both of which have been stagnant in the UK for nearly a decade. While employers who took part in the interviews and call for evidence were aware of the potential challenges of automation, there was a recognition of the need for employers to embrace new technology in order to drive productivity and growth. Some saw automation as an opportunity to mitigate the impact of expected labour shortages post-Brexit, and to make certain industries more attractive to UK-based workers.

Automation and the advance of digital technology will have profound consequences for the skills demands of employers, and for the skills system itself.

First, the rapid advance of digital technology will mean that digital skills will become increasingly in demand. We examine this in detail in section 3.5.1 below.

Second, while digital skills will become increasingly important, so too will transferable employability skills. We examine this in detail in section 3.5.2 below.

Third, with rapidly advancing technology leading to significant changes in the labour market, lifelong learning will become increasingly important. Employers will need to embrace rapidly advancing technology in order to boost productivity and stay competitive. They will need to support workers to adapt where they can, but government must also be ready to support workers who struggle to adapt to the rapidly changing labour market and those whose jobs may be automated.

Engaging low-skilled workers in lifelong learning will become particularly important. Low-skilled workers are particularly vulnerable to automation. Frey and Osborne have shown that jobs in London which are paid less than £30,000 are eight times more likely to be automated than jobs paying £100,000 or more (Deloitte 2017). As well as being more vulnerable to automation, low-skilled workers are more likely to slip into long-term unemployment if they are made redundant, yet they are less likely to be taking part in lifelong learning (Dromey and McNeil 2017b). Supporting these workers should be a priority for business, the Mayor of London, and for government.

## Increasing wage floor

### **The wage floor is set to continue to increase in the UK in the coming years.**

The Government introduced the National Living Wage in April 2016 as a new statutory minimum wage for adults aged 25 and over. It now stands at £7.50 an hour, representing a significant increase on the minimum wage for this group in recent years. Adults aged under 25 are not entitled to the National Living Wage, and instead are subject to a lower National Minimum Wage, which has different rates according to age.<sup>6</sup>

The National Living Wage is lower than the real Living Wage, which is the voluntary rate set annually by the Living Wage Foundation based on the cost of living. The real Living Wage is £8.75 nationally. There is a higher rate of £10.20 in London to reflect the higher cost of living in the capital. The real Living Wage does not have different rates by age.

The Conservative manifesto made a pledge to increase the National Living Wage to 60 per cent of median earnings by 2020, and then to increase it in line with median earnings thereafter. Based on forecast wage growth, this would lead to a National Living Wage of £8.56 by 2020 (IFS 2018). This rate of increase would be unlikely to have a significant impact on London. In 2017 an estimated 88% of Londoners are already

paid more than £8.56 (London First analysis of ONS 2017). Many of those who were paid below this rate are aged below 25, and so would be ineligible for the National Living Wage.

The Labour Party has pledged to increase the Minimum Wage for all workers aged 18 and over to the level of the real Living Wage, which is expected to be £10 an hour by 2020. It is not clear whether they would also introduce a higher rate for London to reflect the higher cost of living in the capital. This would have a very significant impact on employers in London. One in five (20%) Londoners were paid below £10 an hour in 2017, so a minimum wage set at this level would lead to many Londoners receiving a pay rise, but significant costs for some employers (London First analysis of ONS 2017). If there was a higher rate of the minimum wage in London to reflect the higher cost of living – as is the case with the real Living Wage – then the impact would be very significant on London's businesses and employees.

While previous rises do not appear to have led to an increase in unemployment, this may not be the case with significant rises in the wage floor in the future. A substantial rise in the minimum wage may lead to more jobs at the bottom of the labour market being automated, with an impact on employment levels (IFS 2018).

## Growing and ageing population with longer working lives

### **The London population – as with the rest of the UK – is growing and ageing.**

The London population is forecast to continue to grow rapidly in the coming years, increasing by 3 million people or 36% by 2050. This growth will be driven by an increase in older Londoners, as life expectancy continues to grow. The number of Londoners aged 70 and over will increase by 850,000, or 130%; the number of Londoners aged over 90 will increase by 150,000 or 343% (London First analysis of GLA 2017).

This will lead to a growing demand for healthcare and for adult social care in London, with a significant increase in demand for skills required by these sectors.

Londoners may also face longer working lives in the future. In the last decade, the number of adults aged 65 and over in London who are in employment doubled from 71,000 to 142,000 (London First analysis of Nomis 2017). This will, in part, be driven by incremental increases in the state pension age – which is set to increase incrementally to 68 years by for those born after 1978 – but it will also be driven by choice, as people live healthier for longer. Longer working lives will make lifelong learning increasingly important, as adults will have to maintain, update and adapt their skills to fit changing employer needs.

<sup>6</sup> The rates of the National Living Wage and the National Minimum Wage are available here <https://www.gov.uk/national-minimum-wage-rates>

## Changing skills needs

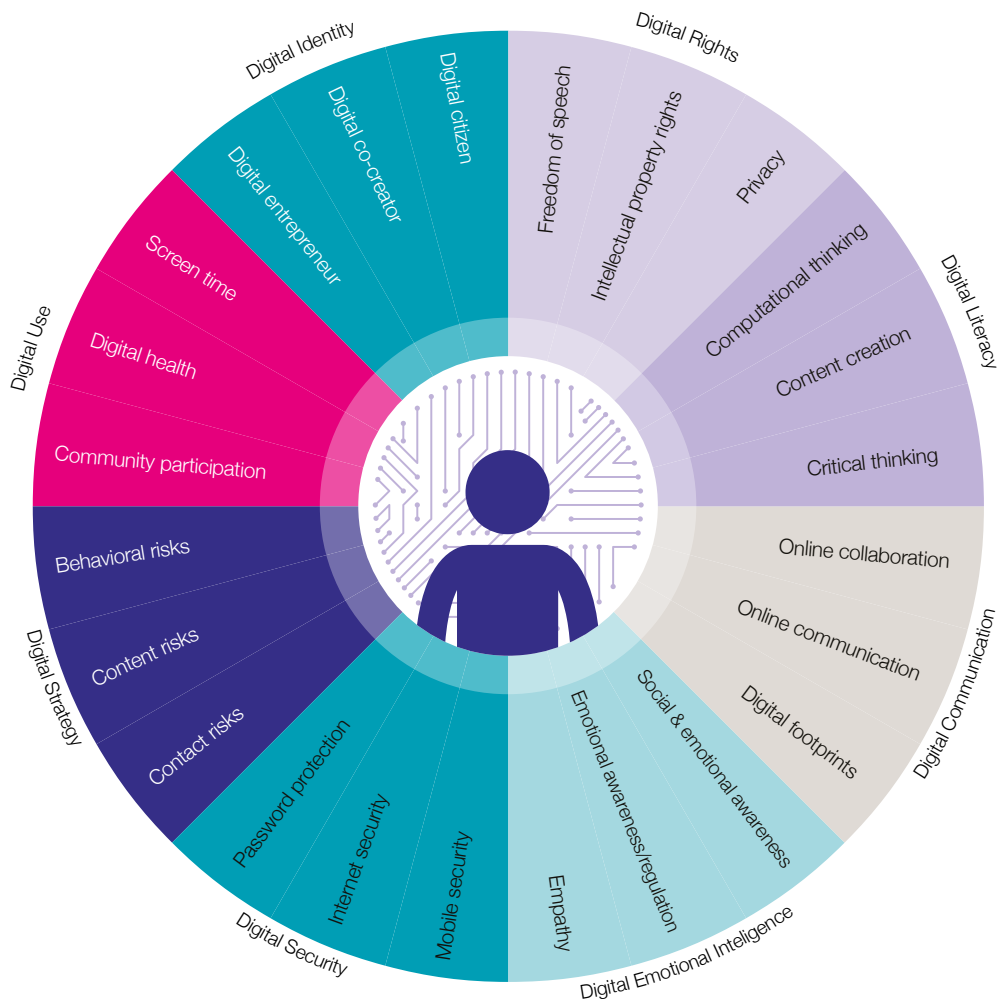
### Digital skills

The rapid advances in digital technology will lead to a growing demand for digital skills in the future. This will include both a near-universal demand for basic digital literacy skills as well as a growing demand for more specialist digital skills in industries across the economy.

to promote digital literacy – defines basic digital skills as the ability to use the internet for simple tasks, including managing information, communicating, transacting, creating, and problem solving (Go On UK 2015). Basic skills are measured by the Skills for Life Survey, and include having basic proficiency in word-processing, email and spreadsheets (BIS 2012).

The Government’s ‘Made Smarter’ review set out a framework of general digital skills that all young people should be taught. These are set out in figure 3.5.1 below. Go On – which works

**Figure 3.5.1**  
**General Digital Skills**



Source: BEIS 2017

In the future, Londoners will increasingly need a basic level of digital skills if they are to access the labour market. In 20 years, an estimated 90% of jobs will require some element of digital skills (SFA 2016), and so they will form part of a set of valued transferable skills alongside employability and enterprise. Yet Londoners have lower levels of IT skills than the national average. Adults in the capital were less likely to have basic skills in word-processing, email and spreadsheets than the national average (BIS 2012). A recent Deloitte survey of employers in London found that of all the skills that were seen to be increasingly required in the future, 'digital know-how' was the most commonly identified (Deloitte 2017).

Beyond the near-universal demand for basic digital skills, there will be a growing demand for workers with more specialist digital skills, including big data analysis, coding, and augmented reality design.

The increasing demand for digital skills will come not just from 'digital' industries, but from the increasing adoption of new technology in existing sectors. In construction for example, the increasing use of Building Information Modelling and other modern methods of construction will require much of the workforce to possess advanced digital skills.

Our interviews and call for evidence echoed this. First, there were concerns around the extent to which the education system is currently equipping people with basic foundations of digital skills that will be near-universally necessary for jobs in London's economy in the future. Secondly, many respondents highlighted the growing shortage of specialist digital skills. One respondent highlighted the 'insatiable recruitment demand for data scientists, and the UK simply isn't producing them in sufficient numbers'. There were concerns that not enough young people were taking STEM subjects and that not enough were pursuing specialist digital skills.





Good practice case study

## Lloyds Banking Group and Ilford Library, East London

Lloyds Banking Group's Digital Champions programme was established in 2015 as part of the Group's Helping Britain Prosper Plan. The plan set out to train 1.8m individuals, SMEs and charities in digital skills by 2020; the company has made a great start, training over 700,000 people during 2017.

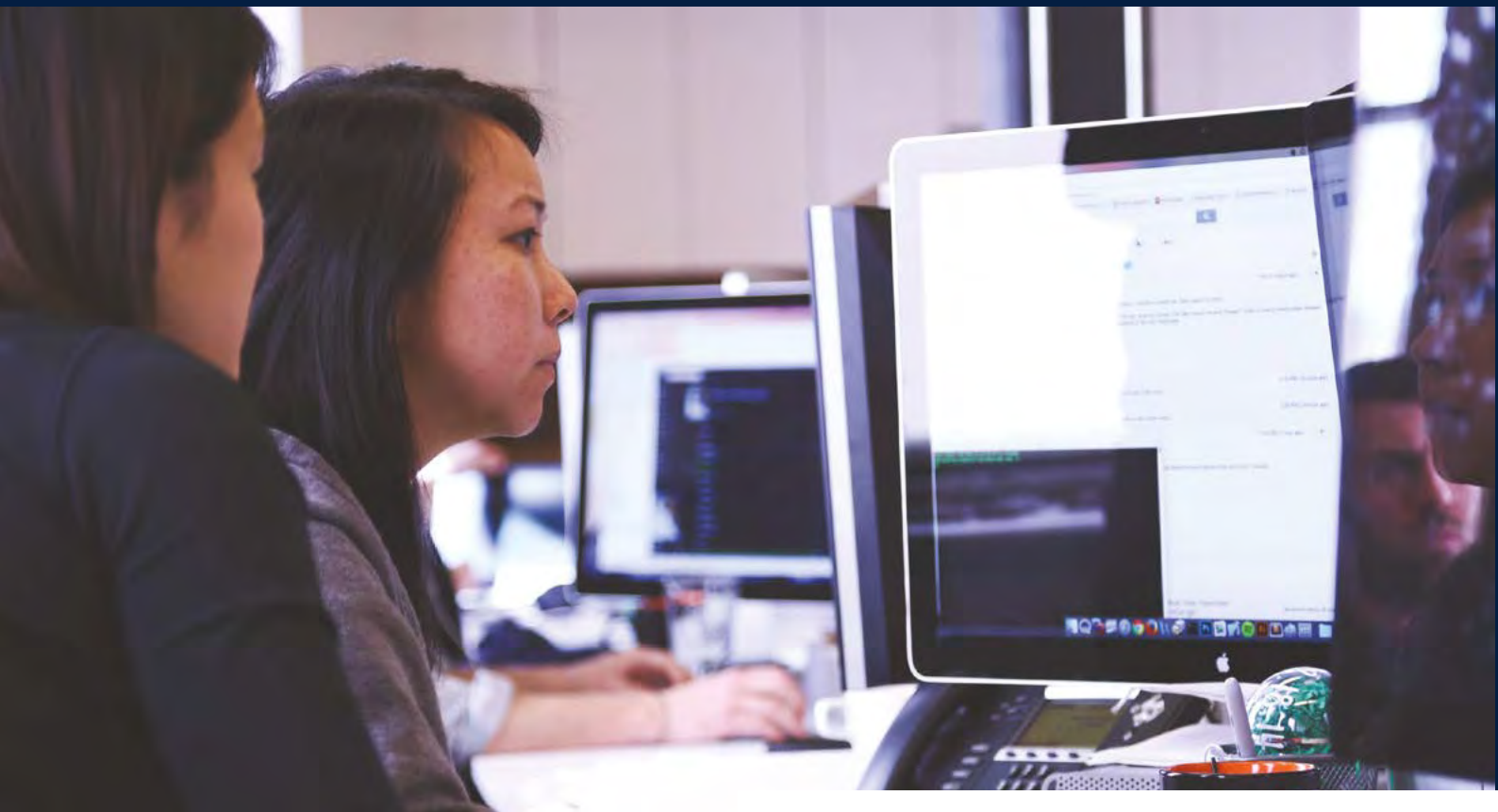
One example of the programme's achievements is the work of staff in the Ilford branch in East London, who wanted to raise awareness of the programme amongst their customers. They hoped to use their own digital skills and knowledge to transform the lives of vulnerable individuals in the local community.

Much like personnel in other branches across the UK, Ilford branch staff help customers with internet banking queries every day. As the world has become digitised, the branch staff could see the extent to which those within the community who were not digitally literate were getting left behind. They sought to achieve an increased level of IT literacy in the surrounding community in order to improve engagement with everyday online tasks. Bank staff made contact with Ilford library to

collaborate and provide IT sessions for those requiring an entry-level training programme.

In January 2017, the Ilford branch manager organised a pool of Digital Champion volunteers to use their skills to support the library and local community. To date, over 100 hours of employee time has been pledged and over 150 individuals supported. In turn, the library provided coaching and training for the volunteers, ensuring they were clear on what the programme was looking to achieve.

The programme has been a huge success. Areas of focus have included applying online for disabled parking badges, setting up and sending emails for the first time, using online maps, and performing internet banking tasks. Participants have continued to stay in touch with the Digital Champions, and feedback has been overwhelmingly positive from all stakeholders. The programme has also been recognised in the community for the vast improvements it has made to IT literacy levels. It is being rolled out across other local branches in 2018.







### Good practice case study

## Code First: Girls

Code First: Girls started in 2013 as a programme within Entrepreneur First. Its aim was to offer young women joining the investment company who were lacking a tech background the opportunity to undertake a coding course. Due to substantial demand, Code First: Girls has since become a standalone company, with the mission of getting more women into tech and digital to address the substantial gender imbalance in the industry.

Code First: Girls not only runs courses for women, but also works with potential employers – including Twitter, Google and Goldman Sachs – helping them to understand how they can increase diversity among their workforce through their tech-talent processes and helping them to connect with thousands of women learning how to code and seeking a career in tech.

To date, Code First: Girls has taught over 6,000 women how to code for free over a three-year period and has delivered over £4 million worth of free education to women across the UK and Ireland. The 2020 campaign has set its target to teach 20,000 young women how to code by 2020 – and they are on the best road towards reaching the goal. Code First: Girls alumnae have gone on to pursue further education in computer science and have established careers as junior developers and tech entrepreneurs with companies including ThoughtWorks, Facebook, Ocado, The Guardian and NASA.

## Our purpose and approach

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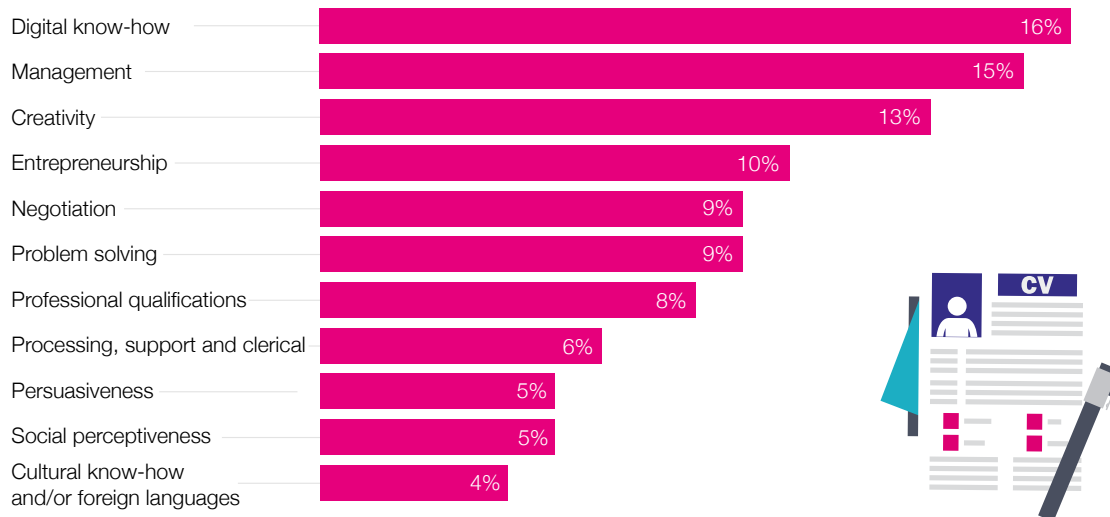
### Employability skills

In a labour market where job automation is accelerating, transferable skills that robots are less likely to replicate will be at a premium. A recent survey of London-based employers by Deloitte found that in addition to digital know-how, employability

skills – the values, character traits, communication and presentation skills that employers have always looked for – were among the skills seen as most likely to be required in the future.

**Figure 3.5.2b**  
**Employers in London expect employability skills to be increasingly in demand in the future**

London businesses' perceptions of skills increasingly required (responses weighted)



Source: Deloitte 2016

Employers that took part in our interviews and call for evidence saw employability skills as being hugely important. These employability skills included resilience, emotional intelligence, interpersonal and communication skills, persuading and influencing skills, and customer service skills and management. A number of employers highlighted that while a number of tasks may be automated, there would be an increasing importance on providing excellent customer service and working effectively as part of a team. This would mean that workers would need a combination of digital skills and employability skills to excel in London's labour market in the future.

London businesses reported a number of examples of how the greater use of technology was leading to greater demand both for digital skills and for employability skills too. A major fast food restaurant we interviewed has introduced self-service ordering

in many stores, meaning staff would be focusing more on interacting with customers in the dining area to help drive good customer experience.

And as Heathrow explained:

*'As more automation is introduced, the greater the need for emotional intelligence. Automation cannot replace the human touch and for Heathrow, passenger service is our business.'*

There were concerns expressed that the current education system – both schools, FE and HE – is not preparing young people with sufficient employability skills to succeed in the labour market. A survey by CIMA found that eight out of 10 British school-leavers lack essential business skills and require significant training before being put to work (CIMA, 2016).

**Good practice case study**

# Career Ready and Freshfields

Since 2002, Career Ready has been transforming the life chances of young people from lower-income families through a programme delivered by volunteers from the world of business. An innovative blend of mentoring, masterclasses, workplace visits and internships supports young people in developing the confidence, skills and behaviours essential for success in the workplace.

Freshfields, one of Career Ready's seven founding supporters, has strengthened and finessed the programme by introducing new elements on the back of each year's experience; for example, students applying for an internship with Freshfields will undergo an assessment day, similar to the kind that they would experience when applying for a graduate programme. All participants receive the benefit of experience and feedback, whether or not they are successful in their application.

Currently, 29,000 students in more than 300 schools across the UK are enrolled on the Career Ready programme, with mentoring provided by over 4,000 volunteers from 700 business supporters. Alongside its significant reach, the programme has had real impact. Young adults who can recall four or more employer-led activities at school are five times less likely to be NEET and earn 18% more than their peers who can recall no such engagement; Career Ready students have an average of nine employer-led activities. Apprenticeships have seen an increase of 13%, while 98% of students on the Career Ready programme progress to a positive destination – university, college, work, or apprenticeships.





### The 2025 picture – How these forces come together to shape the London labour market

**Young people who have just started at secondary school will be leaving compulsory education in 2025.** By this time, we can expect that London's economy would have undergone significant transformation. Below we set out what the London labour market might look like in 2025, based on our evidence and analysis of known megatrends like Brexit and automation.

While it is likely to continue to be an engine of jobs and growth, powering the UK economy, London will face a number of challenges in the years running up to 2025. Rapidly advancing technology, in what some have called the fourth industrial revolution, is likely to transform the labour market. This could lead to a growing 'digital divide' between those who have these cross-cutting skills that are required by almost all employers and those who don't – and who consequently may be locked out from progressing in London's labour market. It could also lead to a growing importance for lifelong learning in helping people to adapt. The impact of automation may lead to a shift in the demand for skills across the labour market and in the nature of employment, and the ageing population can be expected to lead to a growth in the care economy and longer working lives. More immediately, Brexit will have a significant and potentially disruptive impact on London businesses, potentially aggravating the growing skills shortages.

In 2025, London's economy is likely to be in the midst of a fourth industrial revolution. Rapidly advancing technology will be transforming the economy and the labour market, with profound implications for job opportunities and skills needs. In some industries, technological advancements will lead to large numbers of jobs being displaced. In transportation and logistics for example, developments in autonomous vehicles, drone technology and automated distribution centres may lead to large-scale job reductions. However, in most sectors, advances in technology are more likely to automate tasks and transform roles, rather than eliminate jobs altogether. Technological developments are likely to create tens of thousands of jobs in new roles too, potentially leading to even greater numbers of jobs in industries, such as professional, scientific and technical, and information and communications.

By 2025, automation is likely to have transformed the sectoral composition of the London economy. Current trends and forecasts suggest there will be continued and strong growth in industries like professional, scientific and technical, information and communication and finance and insurance, where London has a strong comparative advantage, and where jobs are more resilient to automation. However, in some significant sectors, such as business administration and support services, and transport and storage and retail, there may be more limited jobs growth – or potentially a contraction of jobs – as employers increasingly turn to automation.

By 2025, it is likely there will be an increasingly visible 'digital divide' in London's economy. In 20 years, an estimated 90% of jobs will require some element of digital skills (SFA 2016). This will be less of a challenge for 'digital natives', who will be growing up surrounded by the internet and digital technology, and who will increasingly use these technologies as part of their education and will be confident to do so as part of their work too. But it may be harder for existing workers who are less familiar with digital technology. With two thirds of the workforce of 2030 have already left full-time education, with many adults in London lacking basic digital skills, and with technology rapidly transforming the world of work, adults will still have to continually re-skill and up-skill to compete in the labour market.

By 2025, Londoners are expected to be working longer, and London will have an ageing workforce. This will put a premium on quality lifelong learning and the need for regular retraining. There is also likely to have been significant growth in the care economy in London. With the number of Londoners aged over 70 more than doubling and the number aged over 90 increasing more than four-fold, demand for adult social care will increase rapidly. Demand for childcare may continue to grow too, as more women enter the labour market, and the employment rate between men and women continues to close. Both adult social care and childcare will be relatively resilient to automation, so they are likely to account for an increasing share of employment, with significant consequences for skills needs.

By 2025, with an increasingly digital economy, lifelong learning will become vital. Automation is likely to reduce the availability of low-skilled roles and increase competition for those that remain. The large employment gap between Londoners with higher-level qualifications and those with low or no qualifications is likely to grow further still, with a risk that some Londoners will be left behind. Adults who do not address skills gaps, and those who do not continue to re-skill in response to technological change risk falling into long-term unemployment or inactivity. Automation may also affect the nature of employment. As the workplace changes and workers move around more frequently due to displacement, Londoners might increasingly move from secure permanent employment into atypical working, including agency and temporary contracts or self-employment.

By 2025, London may still be adapting to a post-Brexit migration settlement. The Government's planned standstill transition period is due to end in December 2020, at which point free movement will have ended, and the new regime is uncertain. London is likely to see more challenge and turbulence than any other region as a result of this, given the far higher reliance on EU workers in the capital. Leaving the EU is therefore likely to contribute to significantly greater skills shortages and potentially slower growth in the capital, especially in the short term, if post Brexit immigration policy is more restrictive. Any post-Brexit migration system will have to balance the public's desire to see reduced immigration with the risk of increased bureaucracy and increased skills shortages for employers. Reduced access to migrant workers will require long-standing failures in the skills system to be addressed, and it may require London-based employers to invest more in skills. Employers may also look to automation as a means to reduce demand for labour, and on internal migration from other regions of the UK.

However, job automation is unlikely to be the solution for meeting employers' skills gaps made worse by an expected reduction in overseas workers. The pace and scale of automation is uncertain. Its main effect is likely to be job displacement: jobs will change and close; new jobs will be created which will require workers with new skills. Job automation and the UK labour pool will not be sufficient to satisfy demand for labour.



## Chapter 4

# Recommendations

Having examined the London economy and labour market, the London education and skills system, and the key megatrends that will affect our capital in the mid-term future, in this chapter we move from the evidence to set out our recommendations for a business-led approach to skills in London.

Our Employment and Skills Action Plan for London is set out below under the following three interlocking action areas:

**1. Preparing London for the new labour market****2. Giving London the tools to deliver****3. Fixing apprenticeships to create a compelling offer**

We believe business should own and lead this action plan, and London First will act as the galvanising force to secure that ownership. But to deliver that requires government to make policy changes to improve the way the education and skills system works. We welcome the government's post-18 education review and will feed our work into this.

It is crucial that our action plan serves to strengthen the relationship between business and schools and colleges, an important plank of the Gatsby benchmarks, widely recognised as the key principles of good career guidance for young learners. In doing this, London First will seek to drive business support for the work the Mayor and others are doing on business/education brokerage and outreach. Our plan recognises that there are already skills initiatives that are delivering pockets of good practice across London. Our practical recommendations are designed to support and help scale up this current work; we are guarding against the risk of adding further fragmentation and confusion to the London skills system.

This is a call to action. The forces shaping London's labour market are working at an unprecedented pace. Only by business, central government and London government working together will the prize of a step-change in the performance of London's education and skills system be secured.

## A BUSINESS-LED EMPLOYMENT AND SKILLS ACTION PLAN FOR LONDON

In the implementation of this action plan, it will be important to explore how each recommendation can support a cross-cutting theme of driving workforce diversity.

### Action area one

## Preparing London for the new labour market

Given the pace of change in the labour market, employers need to work ever more closely with government and education providers to ensure that skills provision is kept up to date, that 11–18 age education builds a strong foundation of academic and technical excellence, and that an effective lifelong learning strategy is in place to support adult Londoners with training and retraining, including transferable skills. Business also has a role to play in

helping Londoners navigate a crowded and confusing skills system through clear signposting of its skills and development programmes, including those focused on workforce diversity. A great deal is at stake if we don't get this right: experts forecast that 1.9 million London jobs are at risk over the next 20 years; our research suggests 38% of London businesses plan to reduce their headcount in the next seven years.

### London First will deliver:

An online 'one-stop shop' platform as part of our Skills London offer to help learners, parents, and education providers better access the entry-level training and jobs opportunities that business has to offer.

The platform will also promote the sharing of good practice between businesses, to help raise the quality of business skills programmes, and sign-post wider careers advice initiatives. We aim to launch the new platform at London First's Skills London jobs and careers event, in November.

Our findings show that the skills landscape is fragmented, incoherent and hard to navigate. There are many website platforms that seek to build better connections between business and education providers and provide labour

market information and careers advice, but London lacks an accessible consumer-facing platform that promotes the good number of business entry-level training/job opportunities – including apprenticeships, work placements and internships – directly to Londoners. This can lead to opportunities going unfilled (as the poor take-up of apprenticeships in London shows). With many businesses already showcasing their entry-level opportunities at the annual Skills London event, it makes sense to expand the Skills London offer to make these accessible on a year-round basis.

### London First will work with business and government at all levels to scope out:

A business programme to help schools and colleges keep pace with the rapidly evolving digital skills requirements, from basic digital literacy to more advanced skills like coding languages, augmented reality, and video editing.

This programme would work through galvanising business in all sectors to provide funding for teacher training; co-design training provision, including providing hardware equipment to schools and colleges; signpost private sector-led organisations like code clubs, and brokerage organisations

like Founders4Schools that arrange for employers to visit education institutions; and provide apprenticeship and work-experience opportunities, including for T Levels. This could involve working with London government to support and scale up the Mayor's nascent Digital Talent Programme.



### A co-funded incentivised programme of personal training and reskilling allowances to support adult workers in sectors at high risk of automation.

The employer contribution would be offset through a skills equivalent of the Research and Development tax credits for money they spend on retraining.

This aligns with a similar recommendation made by Siemens in their Made Smarter Review (2017). The allowances would be co-funded by employers and London government. The purpose is to incentivise retraining and reskilling, and the allowances would be targeted at

workers whose job is being displaced due to automation, and those whose skills require updating. For low-skilled workers in particular (who are more likely to be at risk of automation), the cost of retraining could act as a barrier to take-up. Training will be targeted at priority areas agreed between business and government through the Adult Retraining Scheme for London (see recommendation below) and would include transferable skills development.

## Central government should:

### Drive transferable skills through embedding compulsory employability, enterprise and digital skills into core secondary-level education at age 16.

Employers are looking to the education and skills system to build a solid foundation of cross-cutting and transferable skills in their future employees. Skills that underpin a growth mindset and build character, resilience and communication capabilities are at a premium and are much harder for robots to replicate as the process of job automation accelerates.

In 2014, central government introduced computing as a foundation subject into the National Curriculum at age 16. This was welcome, but it isn't equipping pupils with the digital skills required by employers. Many schools and pupils drop the subject pre-GCSE. Our conversations with teachers in this area suggest that this subject is too narrowly focusing on computer science – coding and how computers work – at the expense of a well-rounded digital education that takes in other areas, including literacy (MS Office and basic web design) and

internet safety, which were previously covered as part of the former IT subject. What is required is a nationally recognised and rigorous, accredited digital qualification like the European Computer Driving License course, that is compulsory and that schools are incentivised to teach, through the measurement of performance in school league tables. The course could be taught at different levels and schools that deliver exceptional performance either generally or in specialist areas, such as digital animation, could be awarded centre of excellence status.

There are several programmes that seek to build employability and enterprise skills into the national curriculum, and that central government could back. For example, EY Foundation's School to Work campaign. This programme seeks to build engagement between employers and schools to build the core skills that employers require. It takes a pilot approach across the UK to evaluating and refining programme performance.

### Extend maintenance loans in adult Further Education to Level 3 learners.

Adults who take time away to train can face a loss of earnings. The squeeze in real incomes and the demand to earn more from extra hours places financial constraints other than the cost of courses on potential students.

Maintenance loans at Level 3 for FE and technical training that complements existing fee loans would aid participation, retention, and achievement.

Action area two

## Giving London the tools to deliver

To fill current job vacancies and meet skills requirements over time, London business needs to be clear about what it needs and work with government and skills providers to meet that demand. An effective employer-led decision-making model must be implemented.

London must have sufficient control over skills policy and funding levers to make this model work effectively. Given the

differences between the London and UK-wide labour market we believe that there needs to be devolution of a suite of powers and resources to the Mayor so that public policy and spending can be directed to meet the city's specific requirements.

New York is a good example of where such a model has been adopted, with the 'Jobs for New Yorkers Taskforce' (see appendix 2).

### London First will:

#### Work with business and the Mayor to enable an effective employer-led approach to decision making on London skills policy and funding.

London First commits to work with the Mayor and London Boroughs to establish a new governance model for pan-London and sub-regional business-led London Jobs and Skills Boards. These will bring employer groups and sector representative bodies together with education and skills providers and London government representatives on a regular basis. A co-ordinating body will be required to ensure the structure functions effectively. The purpose will be for business to provide data on their current, short-, mid- and, as far as possible, long-term skills and labour needs, to inform the design and commissioning of training provision in a timely way. A particular focus might be on sectors that would be most affected by restrictive immigration policies, e.g. hospitality and construction.

The ambition is that the model creates a structure that develops a self-reinforcing feedback loop between the parties so that London can move to skills supply better matching employer demand. Our aim will be to pilot the model in one sub-region first, with a specific sector focus, before rolling out across London.

The co-ordinating body will be required to (i) support each group in the feedback loop, to build capabilities – business's ability to identify and articulate its skills needs; skills providers' ability to respond nimbly to these needs; and government's ability to set effective policy and funding allocations; (ii) set common metrics to evaluate performance; and (iii) build innovation into the system.

## Central government should:

Devolve powers and funding to the Mayor to better support young and adult London learners. The London devolution package should cover:

### **Careers power and funding, including the relevant share of the National Careers Service (NCS) budget, to enable the Mayor to establish a London 11–18 and adult careers strategy.**

Information, advice and guidance for young people up to age 18 is a different animal to IAG for adult higher education, further education, training and retraining. Eleven- to eighteen-year-olds, and their parents, need to be given

much better, independent advice on the full range of routes available to them in London, including higher education, technical education, and apprenticeships and skills training.

#### **The key elements of the 11–18 aspect of the London careers strategy should include:**

- Every one of the 500 secondary schools in London to have an Enterprise Adviser by 2020. London First will support the Mayor and the Careers and Enterprise Company (the national school/employer brokerage organisation funded by central government) to galvanise London business to meet this target;
- Government giving the Mayor of London statutory powers to ensure head-teachers of every secondary school allow post-16 providers of vocational education and apprenticeships to visit all pupils aged 14 upwards, including those on the GCSE/A-level pathway.
- Working with London First and other employer groups as well as recognised outreach organisations to develop school/ college and employer partnerships through increasing the number of school/college visits and work experience placements pre-16 and work-placements linked to T levels.

For adults, the NCS is currently focused on unemployed and low-paid Londoners. While these are key groups, the adult aspect of the London careers strategy must

go beyond the low-paid, so we have a service to help all Londoners deal with the challenge of a rapidly changing Labour market.

### **The National Retraining Scheme and the Immigration Skill Charge.**

This is expected to be around £13m and at minimum £40m (by 2025) per year, respectively, based on current funding and policy. The Mayor should then use this to create a London Adult Retraining Scheme to support future jobs and sectors at greater risk of restrictive immigration policies. Given that we do not know the precise pace of change or scale of job automation and its impact on the London labour market, c£55m is an adequate starting point. The scheme should be adult rather than employer facing, so it can assist adults who have no or inadequate access to employer-funded training to retrain in their own time.

The Mayor of London should work with London employers to direct this funding to sectors and roles at high risk of automation, and to boost transferable skills in adults. Adult retraining should be more bespoke than can be funded through the Adult Education Budget (AEB) – where entitlements still apply – and the full range of fee loans for adult further and higher education.

Central government has set a deadline of March 2020 to spend the NRS budget. There may well be a case for extending the deadline beyond that to allow for effective use of the funding which is currently focused on IT and construction skills.

## Central government working with the Mayor of London should:

Undertake a review to determine the value added of devolving responsibility for 16–18 education to the Mayor of London.

There is an argument for devolving 16–18 funding (c£800m p.a.) to the Mayor to enable him to craft an education and skills strategy that better meets the specific needs of London.

The 16-18 provider system in London is complex. A large number of the 500 state secondary schools in London have school sixth forms, and there are 12 sixth form colleges and 26 general FE colleges. About 50% of 16--18 year olds study at school sixth forms, the majority of whom undertake A-levels. Although there is a common funding rate across

all 16-18 providers – school sixth forms and sixth form colleges, and general FE colleges – secondary schools can cross subsidise by diverting higher funded 11–15-year-olds to 16–18-year-olds in the sixth forms.

Devolution of the 16–18 FE college budget would not overcome the problem of secondary schools cross subsidising 16–18-year-olds via their 11–15 allocation. On balance, the case is either to devolve the entire 16–18 budget – schools and colleges – or not devolve at all. We recommend a review to determine the value added of devolving the entire 16–18 budget to the Mayor of London.

## The Mayor should commit to make devolution work for London by:

Considering a model of outcome-based commissioning of adult skills provision.

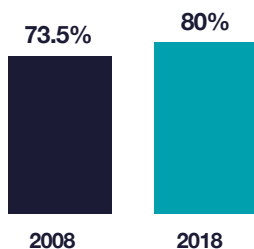
Funding will be driven by job and work and study progression outcomes rather than outputs, such as course starts and completions, as is currently the case.

Output-based commissioning does not provide the right incentives for providers to deliver training that really meets the needs of local employers, and which helps learners to progress in work. We welcome the Mayor's recognition that

the devolution of the AEB offers the opportunity to change this. Outcome-based commissioning in the AEB would ensure training better meets employer and learner needs. It would require business and providers to work better together, as other recommendations have identified, to ensure training maps onto job opportunities. The commissioning model should be structured to avoid disincentivising providers from working with hard-to-reach learners.

Using devolved powers to set ambitious targets for London, for example within 10 years of devolution:

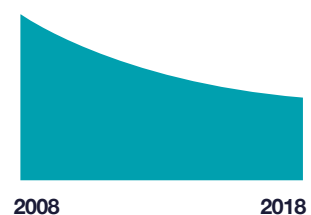
**Employment has increased to 80% from 73.5%.**



**The number of adults with no qualifications has halved, from 400,000 to 200,000.**



**The number of adults without a Level 3 qualification has halved to one million.**



## Action area three

## Fixing apprenticeships to create a compelling offer

Apprenticeships are important for tackling London's skills shortages, yet the UK apprenticeship model is overly complex and is not working. A radical approach must be taken to fixing it.

Young Londoners need to know that there are apprenticeship opportunities available to them. Apprenticeships are jobs, and without the labour market offering them, it is harder to build a skills system fit for London. One of the ambitions of the levy was to drive more level 4 to 6 apprenticeships at age 18, but so far, the opportunities are too few in London. The opportunities that are available can be hard to find, too.

Fixing the UK apprenticeship model will help business to make more apprenticeship opportunities available. The machinery of government that oversees it is not serving business well and can create an unintended consequence of blocking rather than growing apprenticeship numbers. There are concerns about the pace that Apprenticeship Standards come on stream, and the ability of the Institute for Apprenticeships and Technical Education to update Standards, bearing in mind the pace of technological change including digitalisation and automation. Apprenticeships must be fit for purpose today and tomorrow.

## REFORMING THE APPRENTICESHIP SYSTEM

### Business should be incentivised to:

- **Expand Level 4–6 apprenticeship opportunities at age 18 through system reform as set out below.** This would allow young Londoners to have a greater choice between full-time higher education and higher-level apprenticeships.

### Central government should:

- **Establish a UCAS-style system for applying for apprenticeships** – a simple clearing house underpinned by accessible course and provider information. At the moment, too many people find the current system complex and struggle to find the right apprenticeship.
- **Ensure speedier development of current and future Apprenticeship Standards.** The Institute for Apprenticeships and Technical Education should be resourced and funded appropriately to allow it to put in place a process for existing Standards to be rapidly updated and new Standards quickly designed and approved to meet the job roles of today and tomorrow.
- **Embed transferable skills** – employability, enterprise and digital – across all Apprenticeship Standards.
- **Improve the regulation and inspection regime of apprenticeship providers** so that levy-paying employers can gain greater clarity on the quality of training providers available to them. This requires the inspection bodies – OFSTED and QAA – to work more closely with employers.
- **Allow employers to set their own approach to off-the-job training** so that it suits the job the apprentice is doing. Off-the-job training is a critical part of apprenticeships. Yet there is no one-size-fits-all and different sectors and occupations will require different approaches.

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## REFORMING THE APPRENTICESHIP LEVY

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The recently established apprenticeship levy, a central government pay bill levy on UK employers which ring-fences employer funding to pay for new apprenticeships, is designed to improve the productivity of large organisations through skills development. However, employers are struggling with the rules and bureaucracy which govern its use and are finding it hard to

put to use their apprenticeship levy funds. This has resulted in a decline in apprenticeship starts across London and the UK since the levy launched in April 2017. More flexibility is required in how employers can spend their levy funds. And apprenticeship funding must be provided to London SMEs who do not pay the levy but have a critical role to play.

### Central government should:

Give business a package of flexibilities to enable it to make a better investment with its levy funding. This package should:

- **Allow levy payers to use at least 10% of their levy spend to cover the cost of administering apprenticeship training.** For example, hiring an apprenticeship levy manager to oversee strategy and operations. Employers should have the ability to use this funding to cover a proportion of wage costs paid to staff who are backfilling whilst apprentices are being trained.
- **Allow levy payers to use their levy spend for pre-employment training to get people ready for an apprenticeship.** This would increase the ability of employers to create a more sustainable pipeline of apprentices.
- **Allow levy-payers to devolve at least 25% of their levy payments to multiple suppliers from April 2019 to drive apprenticeships with small firms.**
- **Devolve any underspend by London levy payers from the Treasury to the Mayor of London and supplement this with funding** to create a London Apprenticeship Fund, targeted at small firms and sectors at high risk of automation.
- **Develop a promotional campaign to encourage levy-payers in London, and the UK,** to maximise the use of their own levy contributions to boost the performance of their organisations through the development and deployment of apprentices.







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# Acknowledgements

## The London Employment & Skills Commission

### Chairman

John Allan CBE, London First Chairman

### Construction/ Property

Mark Reynolds, CEO, Mace

### Finance

Edward Thurman, Managing Director, Head of Global Transaction Banking, Lloyds

### Professional Services

Angus Knowles-Cutler, Senior Partner and Vice Chairman, Deloitte

### Retail

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### Digital

Russ Shaw, Tech London Advocates

### Hospitality

Chris Vaughan, General Counsel, Whitbread

### Transport

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### FE/Training

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### Apprenticeships

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### London First

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# APPENDIX



# Appendix

## Appendix 1

The organisations we interviewed and met in our evidence gathering during summer and autumn 2017:

<b>Ada College</b>	<b>Eurostar</b>	<b>NatWest</b>
<b>AECOM</b>	<b>EY</b>	<b>Optimity</b>
<b>AELP</b>	<b>EY Foundation</b>	<b>Lendlease</b>
<b>Arcadis</b>	<b>Farrells</b>	<b>PLP Architecture</b>
<b>ARUP</b>	<b>Ford</b>	<b>PwC</b>
<b>Association of Colleges</b>	<b>Gatsby Foundation</b>	<b>RatedPeople</b>
<b>Atos</b>	<b>Grant Thornton</b>	<b>“So you want to be in TV”</b>
<b>Boots</b>	<b>Harrods</b>	<b>Social Mobility</b>
<b>British Academy</b>	<b>Hilton</b>	<b>Starbucks</b>
<b>British Land</b>	<b>Hogan Lovells</b>	<b>Tech London Advocates</b>
<b>Capital City College Group</b>	<b>Interserve</b>	<b>Thales</b>
<b>Careers and Enterprise</b>	<b>ITV</b>	<b>Travelodge</b>
<b>City and Guilds</b>	<b>Job centre Plus (JCP)</b>	<b>Urban Teacher</b>
<b>City of London</b>	<b>Kings College London</b>	<b>Work Foundation</b>
<b>Colas Rail</b>	<b>Land Securities</b>	<b>London Sub-regional groups</b>
<b>Collab Group</b>	<b>LDEUTC</b>	<b>London Councils</b>
<b>Crossrail</b>	<b>Lloyds Banking Group</b>	<b>GLA</b>
<b>Deloitte</b>	<b>London Southbank University</b>	<b>Department for Education</b>
<b>Education and Training Foundation</b>	<b>Mace</b>	<b>BEIS</b>
<b>Edwardian Hotels</b>	<b>McDonalds</b>	<b>DCMS</b>
<b>English National Ballet</b>	<b>National Careers Service</b>	<b>No. 10</b>
	<b>London Prospects</b>	

## Appendix

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The organisations who responded to our call for evidence in October 2017:

<b>Arcadis</b>	<b>Grant Thornton</b>	<b>RussiaTeleRadio</b>
<b>Ashurst</b>	<b>Havering College</b>	<b>Tideway</b>
<b>Capel Manor College</b>	<b>Heathrow</b>	<b>TLA North</b>
<b>Careers and Enterprise Company</b>	<b>Jacobs</b>	<b>UK Screen Alliance</b>
<b>Collab Group and London Capital college</b>	<b>Mace Group</b>	<b>Wilson James</b>
<b>Cross River Partnership</b>	<b>Middlesex University</b>	
	<b>Morrisoe</b>	

The organisations who attended our workshops in January 2018:

<b>AELP</b>	<b>EY</b>	<b>National Careers Service London/Prospects</b>
<b>Atkins</b>	<b>EY Foundation</b>	<b>Peabody</b>
<b>Capital Colleges Group</b>	<b>GLA</b>	<b>Prospects</b>
<b>Careers and Enterprise</b>	<b>Grant Thornton</b>	<b>PwC</b>
<b>Collab Group</b>	<b>Heathrow</b>	<b>Tech London Advocates</b>
<b>Commissioner</b>	<b>Lloyds Banking Group</b>	<b>Tesco</b>
<b>Department for Work and Pensions (DWP)</b>	<b>London Design &amp; Engineering UTC</b>	<b>Tideway</b>
<b>Ealing, Hammersmith and West London College</b>	<b>Mace</b>	<b>West London's College</b>
<b>ET Foundation</b>	<b>Middlesex University</b>	<b>WSP</b>
<b>Edwardian Hotels</b>	<b>Multiplex</b>	

The organisations who responded to our consultation in March/April 2018:

<b>Ada Digital FE College</b>	<b>GLA</b>	
<b>Anne Hodgson, Professor of Education, UCL</b>	<b>Grant Thornton</b>	<b>Nina Barakzai (In house Counsel Worldwide) personal feedback</b>
<b>Atkins</b>	<b>Heart of London</b>	<b>RatedPeople</b>
<b>Capital City Colleges Group</b>	<b>Heathrow</b>	<b>William Lau, Computer Science Teacher</b>
<b>Career Ready</b>	<b>Imperial College</b>	<b>Tesco</b>
<b>Careers &amp; Enterprise Company</b>	<b>Justine Greening MP</b>	<b>Thales</b>
<b>Collab Group/London Capital Colleges</b>	<b>Local London Partnership (London Boroughs: Barking &amp; Dagenham, Bexley, Enfield, Greenwich, Havering, Newham, Redbridge and Waltham Forest)</b>	<b>The Learning Revolution Trust</b>
<b>Department for Education (DfE) – Anne Milton, Minister for State for Apprenticeships and Skills</b>	<b>London Borough of Croydon</b>	<b>West London Alliance (London Councils of Barnet, Brent, Ealing, Hammersmith and Fulham, Harrow, Hillingdon and Hounslow)</b>
<b>Department for Work and Pensions</b>	<b>LSE</b>	<b>Westminster Kingsway College</b>
<b>EY Foundation</b>	<b>Middlesex University</b>	<b>Whitbread</b>

The organisations who responded to our consultation in March/April 2018:

<b>Heathrow</b>	<b>Jacobs/Tideway</b>
<b>Code First: Girls</b>	<b>Lloyds Banking Group</b>
<b>Career Ready/ Freshfields</b>	<b>Mace</b>
<b>Generation/McKinsey</b>	<b>Tesco</b>

### Appendix 2

New York City is a good example of where a model of employer-led decision making combined with devolved powers and clear targets has been adopted, with the 'Jobs For New Yorkers Task Force'. Established in 2014, this brought together business leaders including the Partnership for New York City, with New York government, unions and community outreach groups, to address New York's growing skills gap. The purpose was to identify the skills employers require today, and in the future, and then integrate economic development strategies with workforce development initiatives to best target funding to fill the gap.

The Taskforce's reports 'NYC Career Pathways' can be found here and one of the recommendations was to establish Industry Partnerships. These:

*"will be comprised of teams of industry experts focused on addressing mismatches between labor market supply and demand in six economic sectors. To define and fulfil labor demand in their respective sectors, Industry Partnerships will establish ongoing "feedback loops," or a platform for regular interaction with employers. Industry Partnerships will work to determine the skills and qualifications that employers need, and continuously upgrade curricula, training, and credential attainment programs to reflect local market conditions. Industry Partnerships will collaborate with organized labor, educational institutions, service providers, philanthropy, and City agencies to develop workforce development strategies and mobilize resources in their respective sectors".*







London First is a membership organisation, with the mission to make London the best place in the world for business. We're focused on keeping our capital working for the whole of the UK. We've galvanised the business community to bring pragmatic solutions to London's challenges over the years. We have been instrumental in establishing the Mayor of London, pioneered Teach First, driven the campaign for Crossrail and, most recently, lobbied for government action on airport capacity, leading to the approval of a new Heathrow runway. Now, we are working on solutions to what our business leaders see as the top priorities for our capital: **talent, housing** and **transport**.

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