Local Skills Report Annexes – Core Indicators and Additional Data

LONDON

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Summary

This document contains the Annexes to the London Local Skills Report – March 2021.

Annex A summarises and provides narrative for a set of core indicator data provided by the SAPs programme team. These core indicators are split into four theme headings:

- Local Landscape
- Skills Supply
- Skills Demand
- Mapping Skills Supply and Demand

In order to ensure consistency with other areas, the data and charts presented in Annex A are those provided in the core indicators datasets.

Annex B provides additional supporting narrative and references, following the same structure used in Annex A.

Note on impacts of COVID-19

Despite the extension of government support schemes, the coronavirus (COVID-19) pandemic has already had a marked impact on London's labour market and is likely to have implications for employment and skills in the years to come.

However, given the evolving nature of the crisis, and limitations in terms of the availability and robustness of data, it is not yet possible to comprehensively capture the impact of the coronavirus pandemic in this edition of London's Local Skills Report.

We anticipate that the next Local Skills Report – expected in November 2021 – will be an opportunity to explore the impacts of the pandemic more fully.

Annex A – Core Indicators

Local Landscape – Summary

- A high share of the London labour force is employed in typically higher paying and skilled industries and occupations, boosting average productivity and pay levels.
- But while London remains the most productive region or country in the UK, its rate of productivity growth has lagged behind the rest of the country since 2010.
- Stalling productivity since 2010 has coincided with a slowdown in pay growth – while pay growth improved in recent years that seems to have reversed in 2020.
- The employment rate in London had been increasing significantly in the decade to 2020, with the capital's labour market more than absorbing a growing population.
- Despite improvements in labour market participation, headline employment rates conceal significant inequalities and signs of worsening job quality in recent years.
- Employment has also fallen recently as a result of the coronavirus pandemic and measures to contain it, with a sharp increase in unemployment in the capital.

Employment by sector

Over recent decades the composition of London's economy has seen a shift in employment towards services and away from primary and production activities. Based on employment share, London is now specialised in several highly productive, export-oriented service sectors such as:

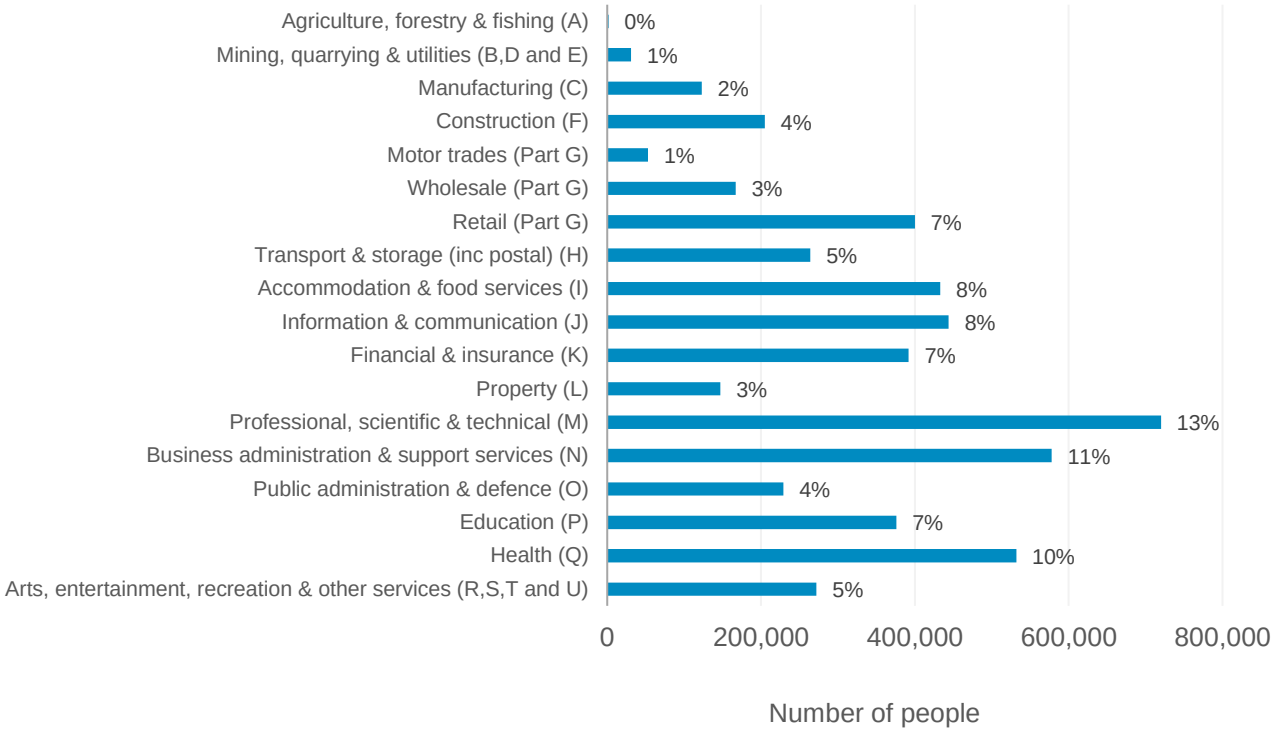
- Professional, scientific & technical – 13% of employment relative to 9% across England
- Information & communication – 8% of employment relative to 4% across England
- Finance & insurance – 7% of employment relative to 3% across England

At the same time, the London economy has become relatively less specialised in primary and production-based activities. This is most pronounced in the case of Manufacturing, which directly accounts for only 2% of employment in London relative to 8% across England as a whole.

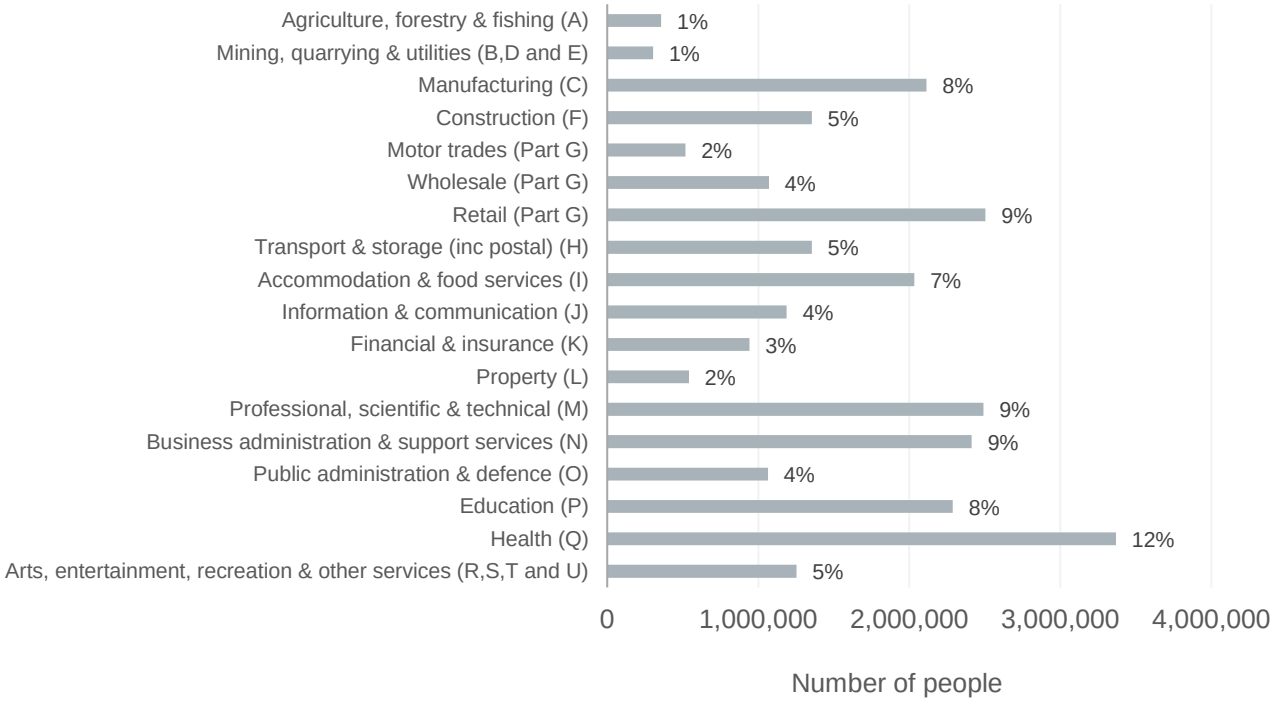
London also features a high level of employment in sectors adversely affected by the coronavirus (COVID-19) pandemic and the measures to contain it. This includes above average employment in Accommodation & food and Arts & entertainment activities; while construction has seen the strongest *rate* of employment growth in London in recent years (between 2015 and 2019).

Further analysis exploring the impacts of COVID-19 can be found in Annex B.

Employment by sector, 2019 - London



Employment by sector, 2019 - England



Source: Business Register and Employment Survey, 2019 (published 2020), 2020 SAP boundaries

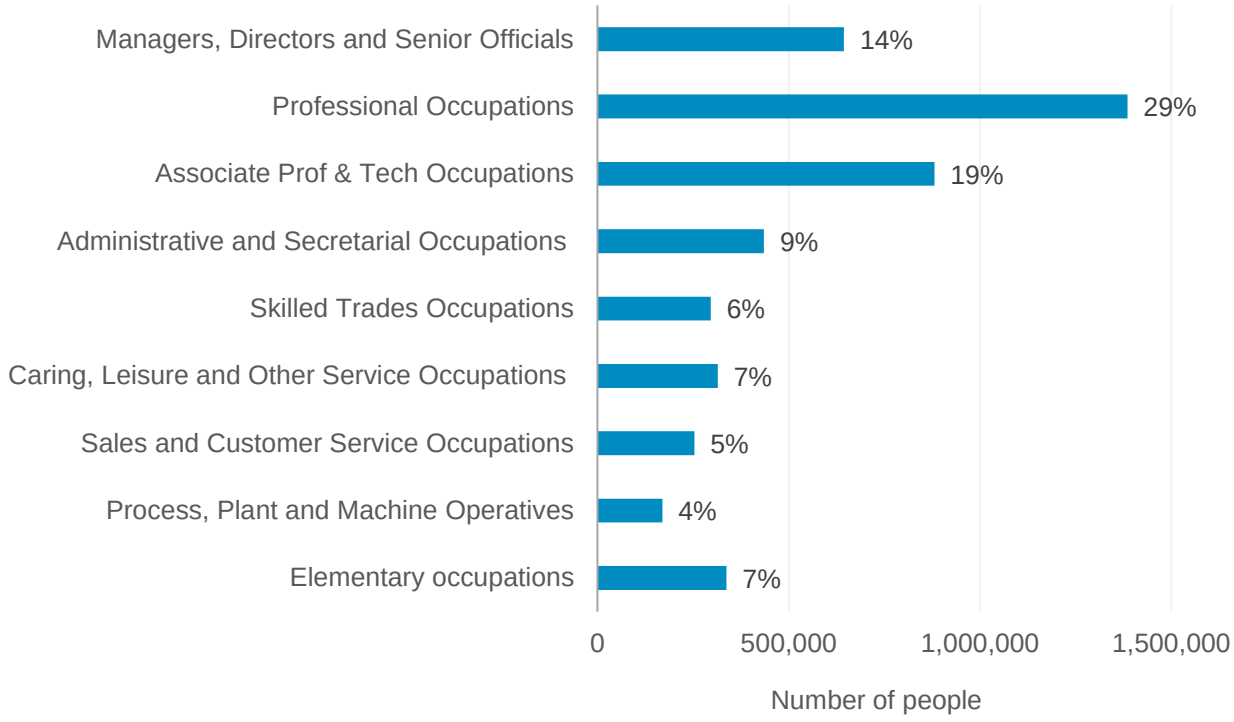
Employment by occupation

Overall, employment among London residents in relatively concentrated in occupational groups with typically higher pay and skills compared to the national picture. Around 62% of resident employment is found in the managerial, professional and associate professional occupational groups. This compares to 50% of employment in these groups (SOC 1-3) across England.

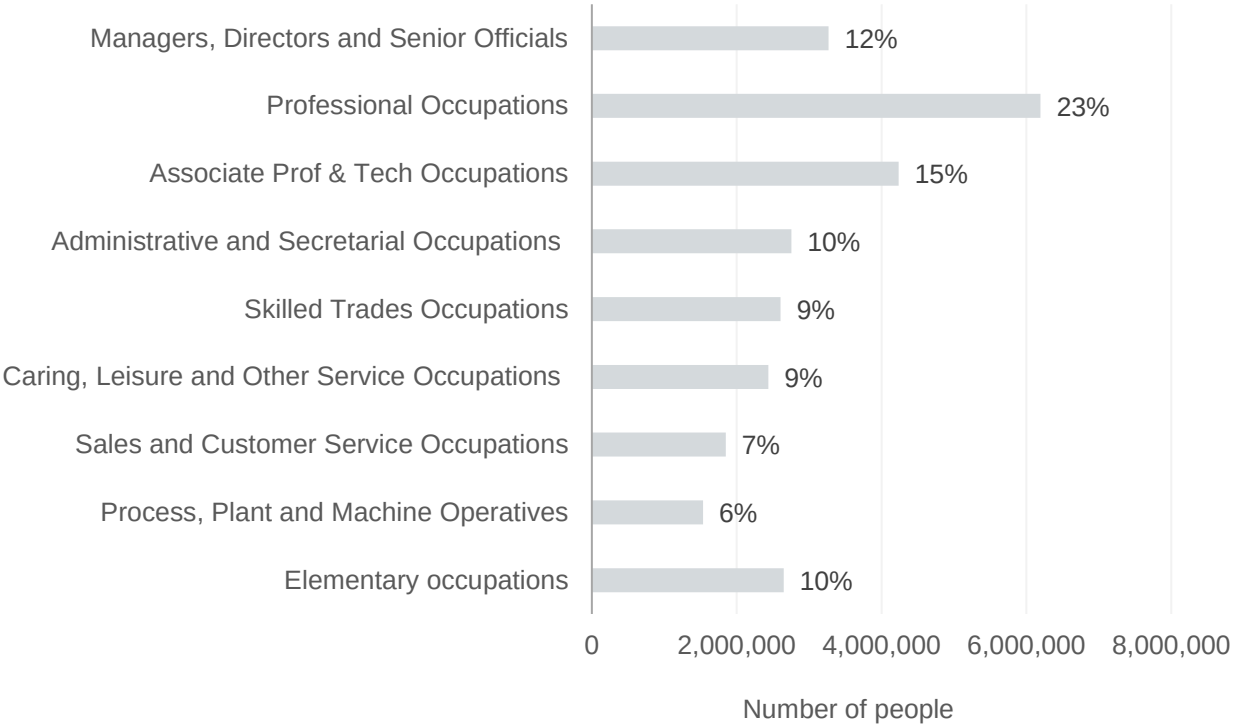
As a result, London also features a lower share of employment in other occupational groups as compared to the England average, particularly in elementary occupations (7% of employment in London relative to 10% across England).

When looking at employment in absolute terms, however, London has a high *level* of employment across all major occupational groups. There are also important variations in occupational profile between local authorities within the capital.

Employment by occupation, 2019/20 - London



Employment by occupation, 2019/20 - England



Source: Annual Population Survey, October 2019 - September 2020, 2020 SAP boundaries

Enterprises by employment size band

As of March 2020, there was estimated to be around 531,300 registered businesses in London.[1] Compared with 2019 this figure was up by 1.7% or 9,000. According to estimates produced by BEIS, London is home to more private sector businesses than any other UK country or region.[2]

Overall, the profile of businesses by size is relatively similar to the national picture. Small and medium-sized enterprises account for 99.9% of registered businesses in London. They also account for over half of employment and three fifths of turnover in the capital's private sector.[3] Micro businesses (employing 0-9 employees) are more prevalent in London than across England.

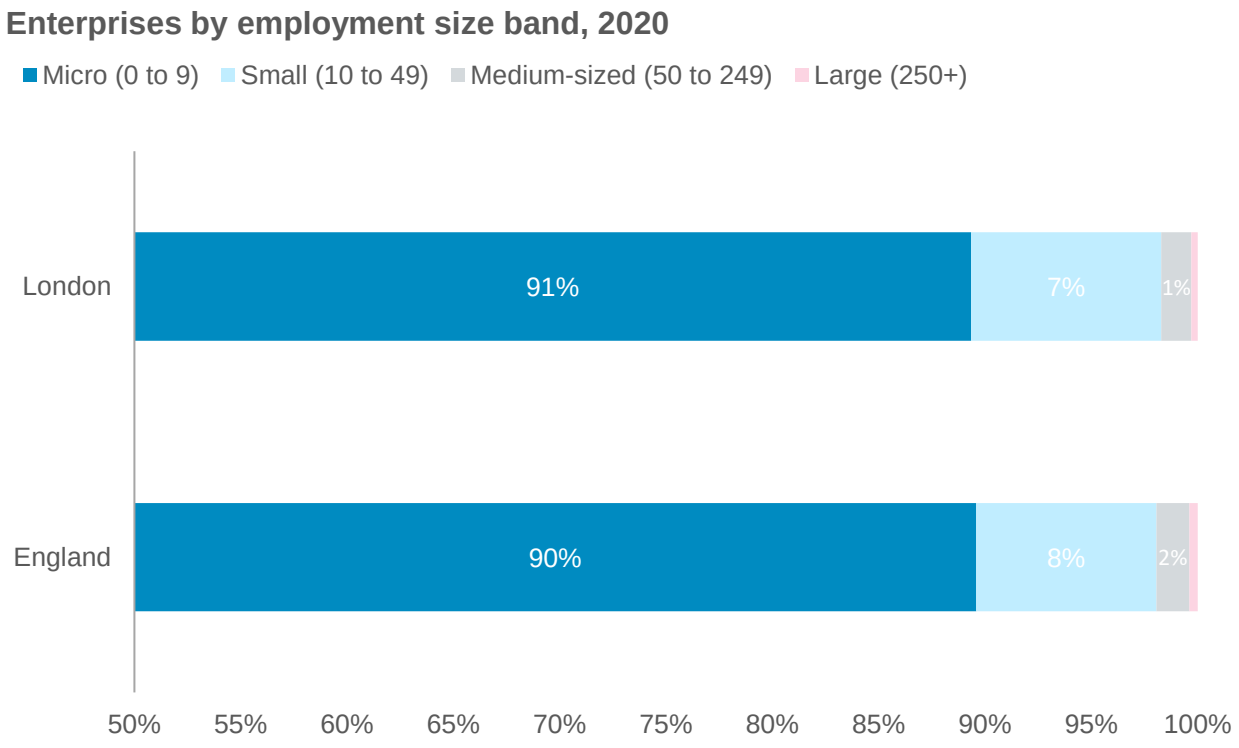
Business birth and death rates

London's business environment is relatively dynamic and competitive. The business birth (16%) and closure (13%) rates are both high relative to the national picture. This signifies greater churn – a feature which is also reflected in lower business survival rates. [4] In addition, London was also the region with the largest number of businesses showing high growth in 2019 (at over 5% of businesses).[5]

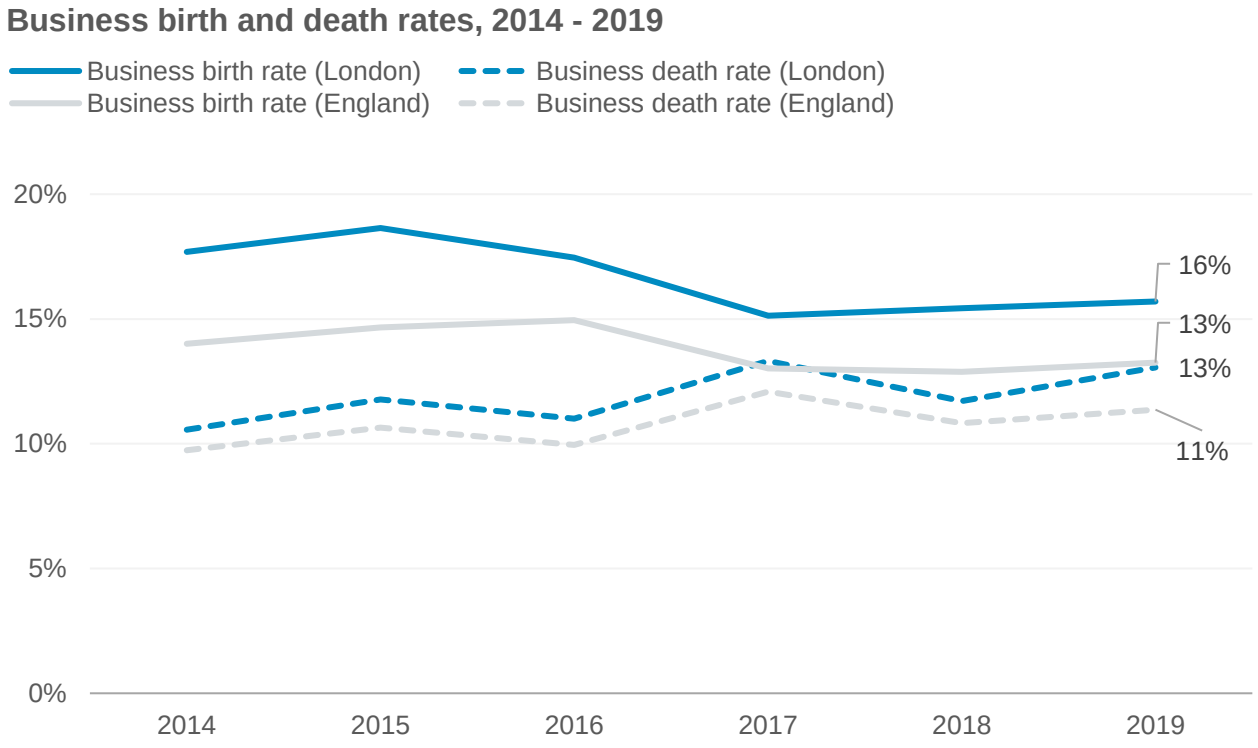
That said, the net rate of business start-ups (the difference between new births and deaths) has declined somewhat in recent years and is likely to be impacted further by COVID-19. Uncertainty related to the UK's future relationship with the EU and subdued economic growth were previously cited as factors for a fall in new business starts.[6] The scale of the economic impact of the COVID-19 pandemic remains uncertain, but has been significant for many businesses trading in the capital.[7]

More information on London's business environment can be found in Chapter 3 of the London Industrial Strategy Evidence Base.

[1] Value-added tax (VAT) traders and pay as you earn (PAYE) employers.
[2] BEIS (2020) Business population estimates for the UK and regions: 2019 statistical release
[3] BEIS (2020) Business population estimates for the UK and regions: 2019 statistical release
[4] Rates are calculated using the number of births/deaths as a proportion of the active businesses in that year.
[5] ONS (2020) Business demography, UK: 2019
[6] ONS (2018) Business demography, UK: 2017
[7] ONS (2021) Business insights and impact on the UK economy: 14 January 2021. According to a recent CBI London Business Survey, 8 out of 10 (80%) London business leaders say the coronavirus pandemic has negatively impacted their output, with a third (34%) not expecting this to return within the next 12 months.



Source: UK Business Counts, 2020, 2020 SAP boundaries



Source: ONS Business Demography, 2015 - 2018 (published 2019), 2020 SAP boundaries

Employment rate and level

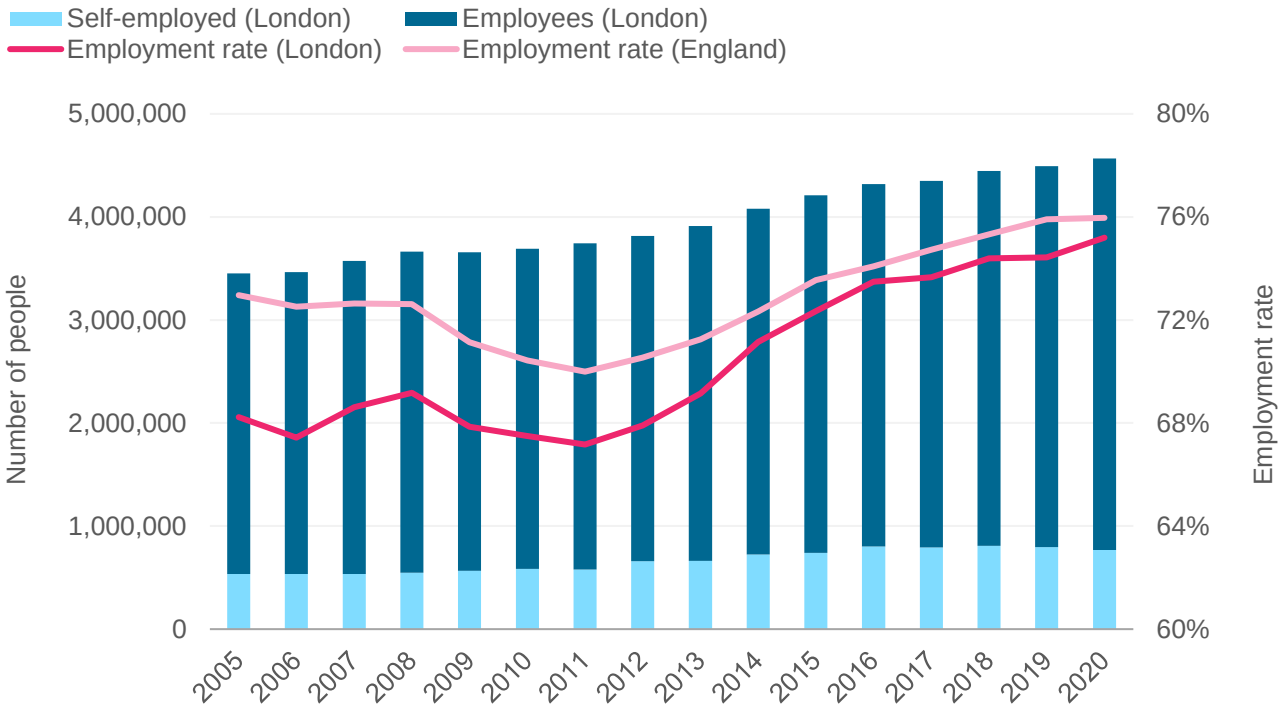
The level of employment in London rose significantly in the decade to 2020. There were 3.7 million people aged 16 to 64 in employment in 2010, rising to 4.6 million in 2020. This is equal to an 24% rise in working age employment, compared to 12% across England.

The rise in self-employment was especially marked up to 2017. While that has fallen back slightly, the self-employed account for an above average share of employment in London (17% vs. 14% nationally).

But despite improvements since 2012, headline labour market outcomes for Londoners still trail the national average and conceal significant inequalities. For example, employment rates vary considerably by parental status, qualification level, ethnic background and between sub-regions. There have also been signs of falling job quality in the last decade (see Annex B for more information).[8]

The spread of coronavirus and the actions to contain it have also had a particularly strong impact in London (Annex B). Although support from temporary government schemes has prevented employment from falling as quickly as it otherwise would have, unemployment has been rising faster in London than across the UK, with record quarterly increases in recent months.

Employment rate and employment level



Source: Annual Population Survey, October – September, 2005 – 2020, 2020 SAP boundaries

[8] One in ten people working in London were employed in insecure work in 2017 (up from 8% in 2006), while around a fifth of employee jobs in the capital now pay below the London Living Wage (compared with 12% in 2006).

Nominal GVA per hour worked

Overall, London has the highest level of labour productivity of any UK region or country. Gross value-added (GVA) per hour worked was around one third above the UK average in 2018 (£46 per hour worked vs. £35 per hour worked). And that gap has remained relatively steady since 2004.

However, the rate of productivity growth in London has slowed significantly in the post-financial crisis period. In nominal terms GVA per hour worked increased by just 1.8% per year on average between 2010 and 2018. That was below the UK average for this period (2.1%) and far below pre-crisis trends. In real terms productivity growth in London has flatlined since the 2007/08 financial crisis; while headline statistics mask significant disparities in performance within the capital.[9]

For more on recent productivity performance in London see: GLA Economics (2019) Productivity trends in London.

Median gross weekly wage for full-time workers

In line with its high overall level of productivity, London exhibits relatively high median earnings – both for residents and especially on a workplace basis. This high average pay in the capital also reflects the share of the London labour force employed in high-paying industries and occupations.

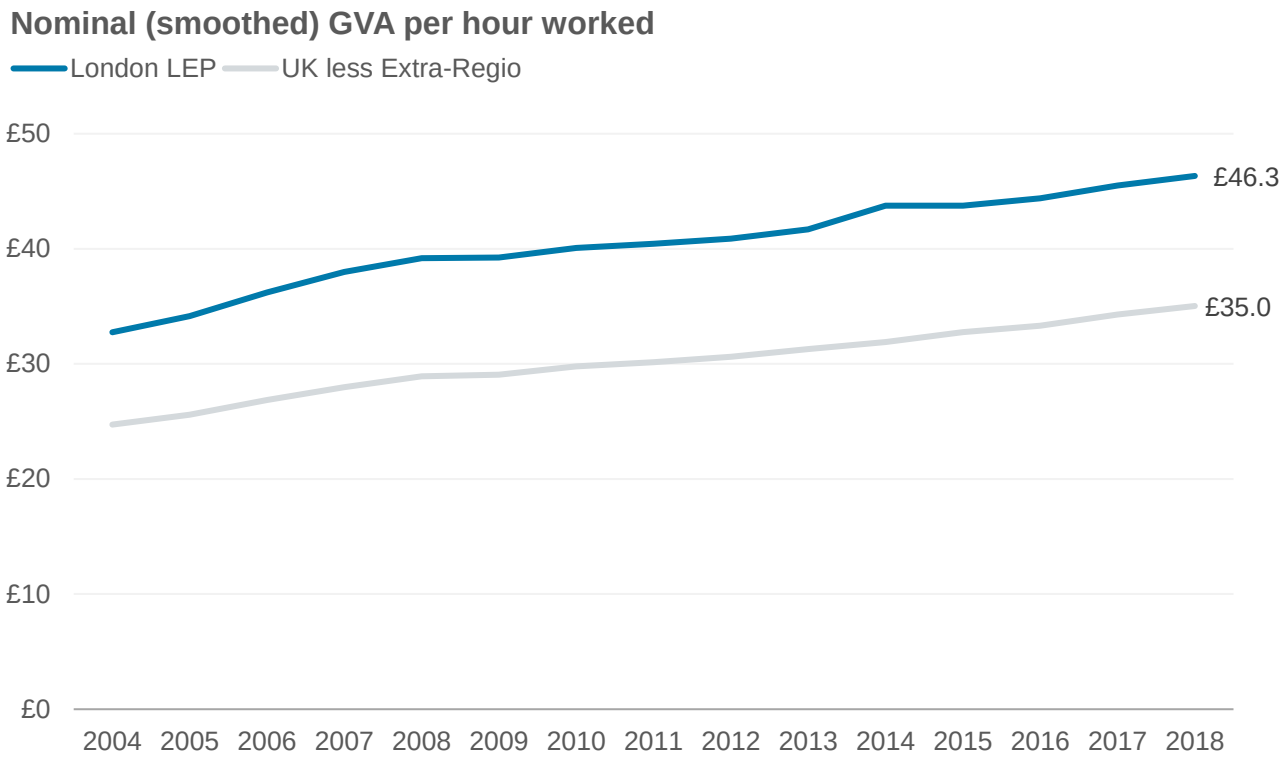
In nominal terms full-time gross weekly earnings in London grew steadily between 2014 to 2019 – on both a resident and workplace basis. In real terms, however, earnings for employees working in London were around 4.5% below 2008 levels in 2019, compared to 2.9% below for the UK as a whole. And while there had been signs of nominal pay growth picking-up in 2019, recent ONS estimates suggest a slowdown in pay growth in 2020, particularly for lower-paying occupations.[10]

Accounting for the cost of living in London (especially housing), the earnings picture also looks less positive. The proportion of Londoners in working households living in relative poverty increased from 12% to 15% between 1994 and 2017 (after housing costs). One in five employee jobs in the capital now pays below the London Living Wage, up from 12% in 2006. While significant pay gaps continue to exist between London residents from different backgrounds.[11]

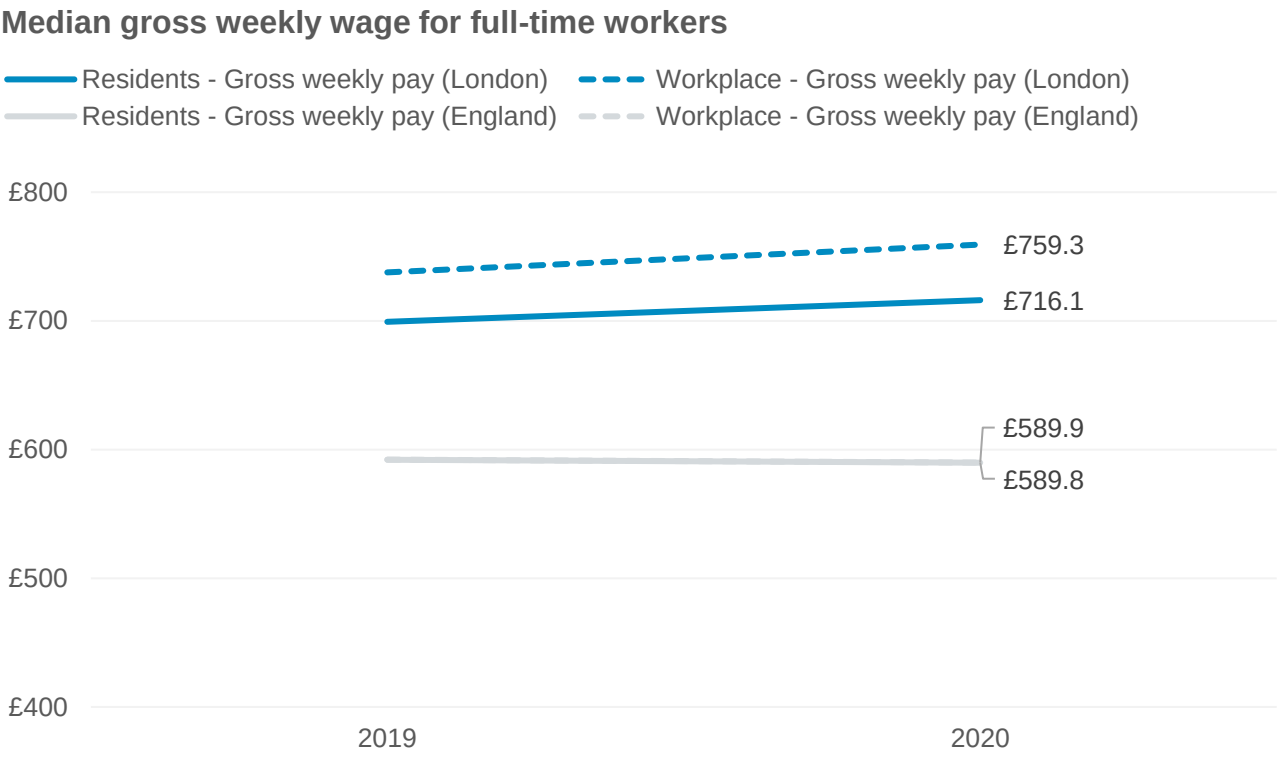
[9] For example, labour productivity in Tower Hamlets is around 1.9 times higher than in Croydon.

[10] ONS (2020) Employee earnings in the UK: 2020

[11] For example, the low pay rate for Bangladeshi and Pakistani employees is more than double the rate for white British employees. Source: Trust for London / New Policy Institute (2017) London's Poverty Profile 2017.



Source: ONS Subregional Productivity, 2004 - 2018 (published 2020), 2018 LEP/MCA boundaries



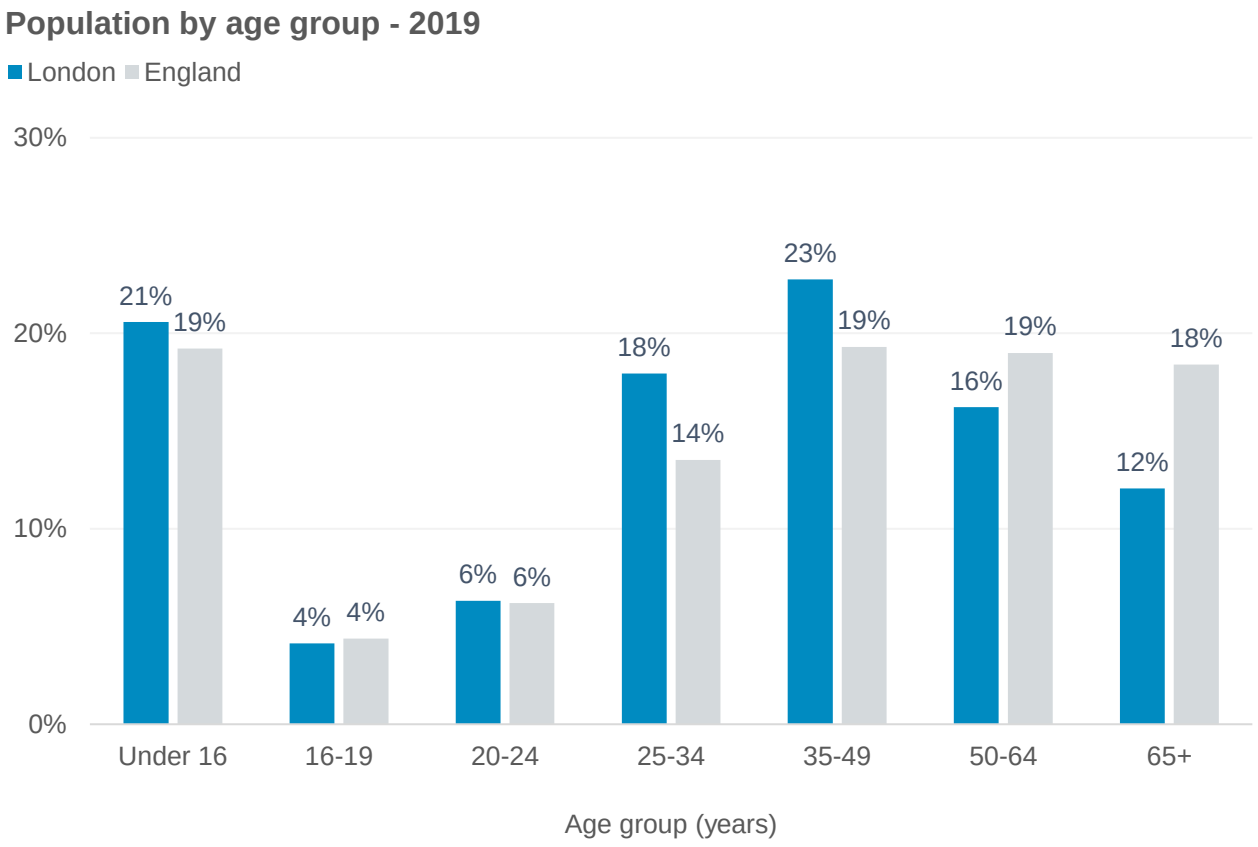
Source: Annual Survey of Hours and Earnings, 2014 - 2020, 2020 LEP boundaries. Note – backdated data for London LEP area only provided to 2019; the resident and workplace-based series for England overlap.

Population by age group

Overall, population growth has increased faster in London than the rest of England over the last decade. And the capital's population is comparatively young: the average (median) age in London is 35.6, compared to 40.3 in the UK overall. Over two-thirds of residents are aged between 16 and 64 (67% vs. 62% across England), with a particularly high share of residents aged between 25 and 49.

This partly reflects the fact that London has traditionally attracted large numbers of graduates from other parts of the UK (although there are signs that internal net graduate migration may have become more subdued recently).[12] It also reflects international migration trends, with most of the (net) growth in London's working age population coming from residents born outside of the UK.

A bigger-than-expected fall in international migration – because of changes to the immigration regime and/or COVID-19 – could have a big impact on London's population and labour market.



Source: ONS Mid-Year Population Estimates, 2019, 2020 SAP boundaries

[12] e.g. see Resolution Foundation (2017) Get A Move On? The decline in regional job-to-job moves and its impact on productivity and pay

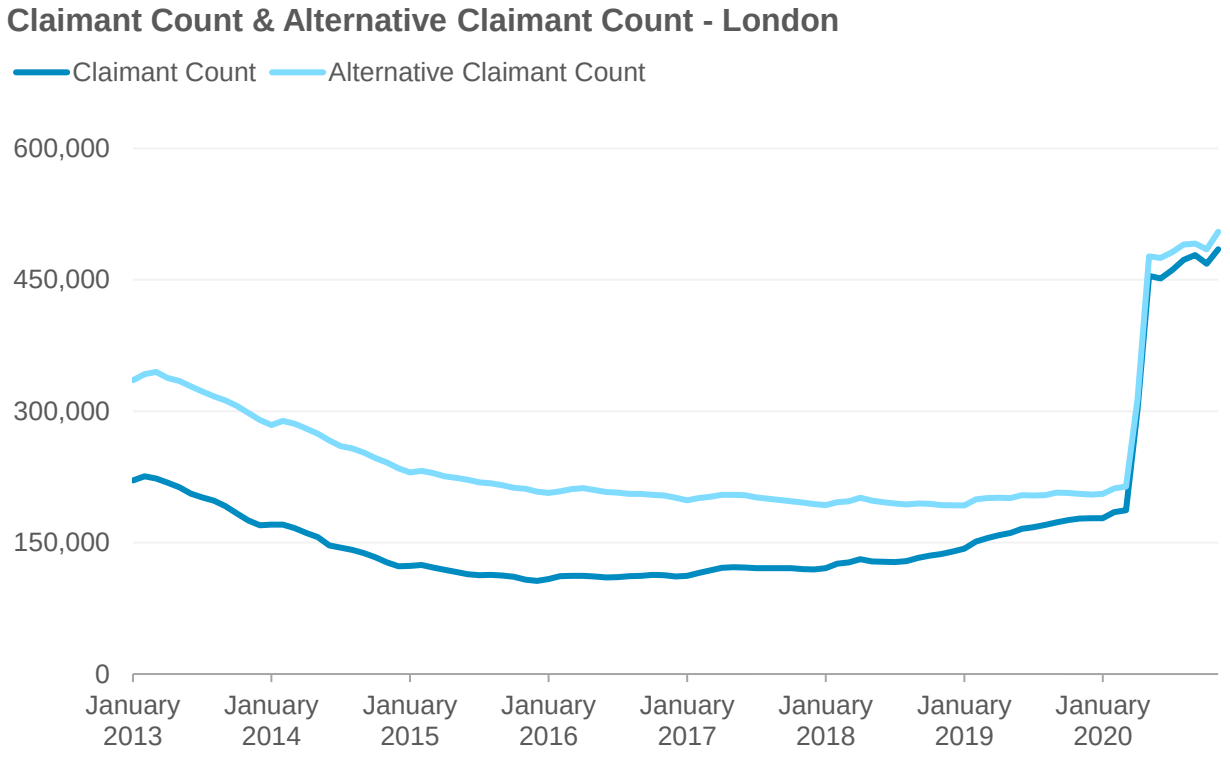
Claimant Count and Alternative Claimant Count

Note – under Universal Credit, a broader span of claimants is required to look for work than under Jobseeker's Allowance. The DWP Alternative Claimant Count series adjusts for this change over time. However, that series is less timely than the unadjusted Count and the differences between the two series have been narrowing in recent periods.

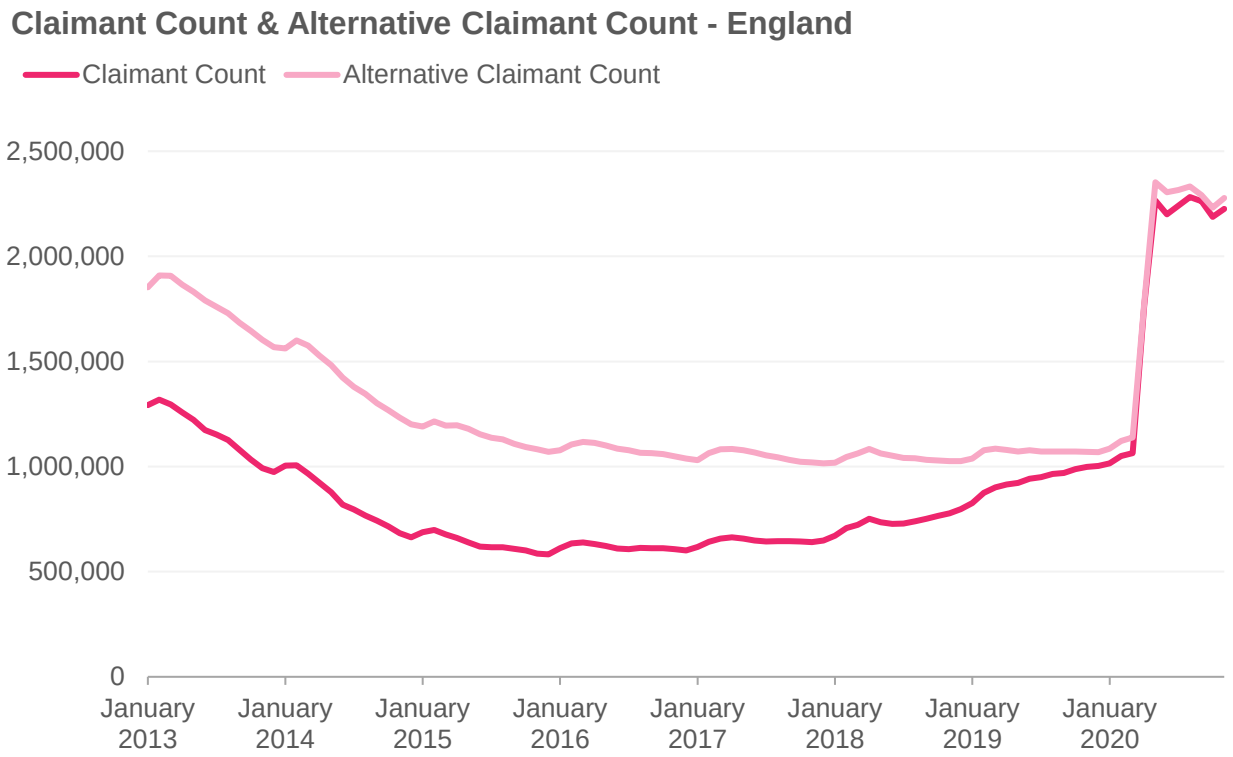
The Claimant Count (unadjusted and alternative) offers a timely data source for tracking changes in the labour market, even if not all of those who have started to claim recently will be unemployed.

Since March 2020, when the lockdown began, the unadjusted Claimant Count in London has more than doubled – rising by 297,935 or 159%. In November 2020, 484,885 people in London were claiming unemployment related benefits. There has been a similar change in the Alternative Claimant Count, with London now recording the highest claimant unemployment rate for any UK region or country.

The Claimant rate also varies significantly within London, and tends to be higher in areas with lower pay.[13] However, DWP estimates show that all local authorities in the capital recorded an increase in claimant unemployment over the last year. Haringey, Newham and Brent were among those with the largest percentage point increases in the UK; while most areas in London are now in the top quintile for claimant unemployment.[14]



[13] GLA Economics (2021) Claimant Count data for London Boroughs
[14] DWP (2020) Alternative Claimant Count statistics January 2013 to August 2020



Source: ONS claimant count & DWP Stat Xplore, January 2013 – November 2020, 2020 SAP boundaries

Income, Employment and Education deprivation

According to the Index of Multiple Deprivation 2019 (IMD2019) London is relatively less deprived, compared to other parts of the country, than was the case in the IMD2015.

Overall, around 2% of London Lower-layer Super Output Areas (LSOAs) ranked among England's most deprived decile in 2019.[15] And many London boroughs have seen a reduction in the proportions of their neighbourhoods that are highly deprived from the IMD2015.

There is, however, considerable variation between local authorities and across domains. In terms of income, a relatively high proportion of LSOAs in Hackney (19%), Kensington & Chelsea (17%) and Tower Hamlets (15%) are among the most deprived areas in the country. Whereas fewer London LSOAs are ranked among the most deprived on educational outcomes than on employment deprivation.

At a more granular level, London emerges as a patchwork of deprivation, with neighbourhoods of different deciles pushed up against one another across the capital.[16]

[15] Further details on the IMD in London can be found at: https://data.london.gov.uk/dataset/indices-of-deprivation
[16] Trust for London (2020) English Index of Multiple Deprivation (rebased for London) (2019)

Proportion of neighbourhoods in 10% most deprived nationally

		Proportion of neighbourhoods in 10% most deprived nationally		
Area Level	**Area**	**Income**	**Employment**	**Education, Skills and training**
LEP (2017)	London	6%	2%	0%
Local Authority District	Barking and Dagenham	5%	0%	0%
	Barnet	1%	0%	0%
	Bexley	1%	1%	1%
	Brent	9%	5%	0%
	Bromley	5%	1%	0%
	Camden	8%	1%	0%
	City of London	0%	0%	0%
	Croydon	6%	1%	1%
	Ealing	7%	2%	0%
	Enfield	13%	2%	1%
	Greenwich	6%	2%	0%
	Hackney	19%	3%	1%
	Hammersmith and Fulham	7%	2%	0%
	Haringey	13%	5%	0%
	Harrow	0%	0%	0%
	Havering	3%	1%	3%
	Hillingdon	1%	0%	0%
	Hounslow	1%	1%	0%
	Islington	11%	7%	0%
	Kensington and Chelsea	17%	11%	0%
	Kingston upon Thames	1%	0%	0%
	Lambeth	4%	1%	0%
	Lewisham	6%	3%	0%
	Merton	2%	0%	0%
	Newham	4%	1%	0%
	Redbridge	2%	1%	0%
	Richmond upon Thames	0%	1%	0%
	Southwark	8%	1%	0%
	Sutton	2%	2%	1%
	Tower Hamlets	15%	1%	1%
	Waltham Forest	7%	2%	0%
	Wandsworth	2%	0%	0%
	Westminster	11%	10%	0%

Source: Index of Multiple Deprivation, MHCLG, 2019, 2017 LEP boundaries

Skills Supply – Summary

- The share of Londoners with higher level qualifications is relatively high and growing, with over half of working age residents now holding a 'high' level qualification.
- This is partly because many early-career graduates move to or remain in London for work, influenced in part by the availability of higher-skilled employment opportunities.
- But local school performance is also strong, with London recording the highest rate of students continuing in education after 16 to 18 study of any Skills Advisory Panel area.
- But, despite London's population being more qualified overall, there are still many residents with lower qualification attainment and skills, including challenges in basic literacy and numeracy.
- And despite increasing in recent years, the demand for apprenticeship remains relatively low, with a notable under-representation of certain population groups by subject area.
- There are also signs that the level and quality of workplace training is not being maintained in London, with training volumes below the national average and falling over time.

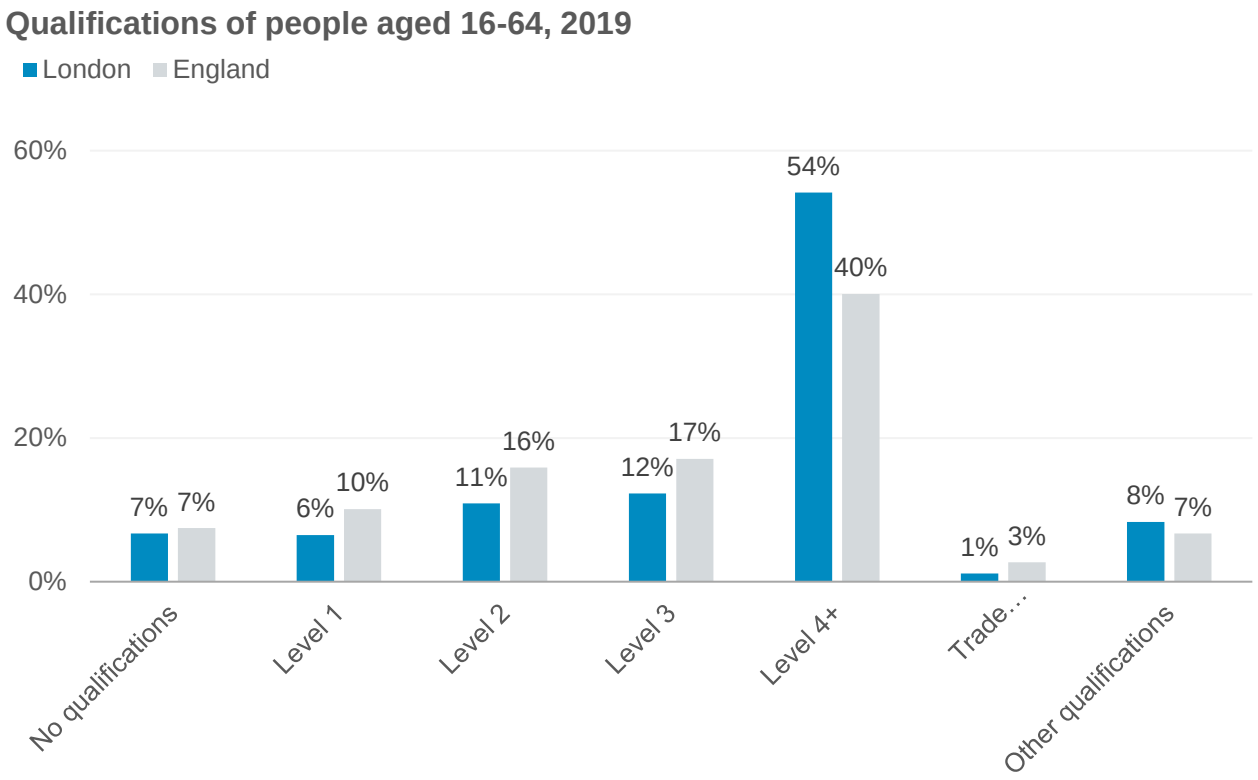
Qualification levels

The share of Londoners with higher level qualifications is above the England average. Around 54% of residents aged 16-64 held a 'high' level qualification (NVQ4 or above) in 2019, compared to 40% across England and up from 31% in 2004. This is partly because the capital attracts highly qualified people and also because more young people are progressing to higher levels of education.[17]

But despite London's population being more qualified overall, there are still large numbers of people with lower skills levels, and challenges related to basic literacy and numeracy.[18] For example, around one in eight (13%) London residents aged 16-64 had low or no qualifications in 2019. Although this rate is some way below national average, it still amounts to 799,300 working age people living in the capital – a far higher number than in any other skills advisory panel area.

For more on the qualifications held by London residents see Chapter 4 of the London Industrial Strategy Evidence Base.

[17] Over half of young Londoners now enter higher education by age 19, the highest rate among UK regions.
[18] GLA Economics (2020) The Evidence Base for London's Local Industrial Strategy – Final report



Source: Annual Population Survey, January 2019 – December 2020, 2020 SAP boundaries

FE Education and Training Achievements

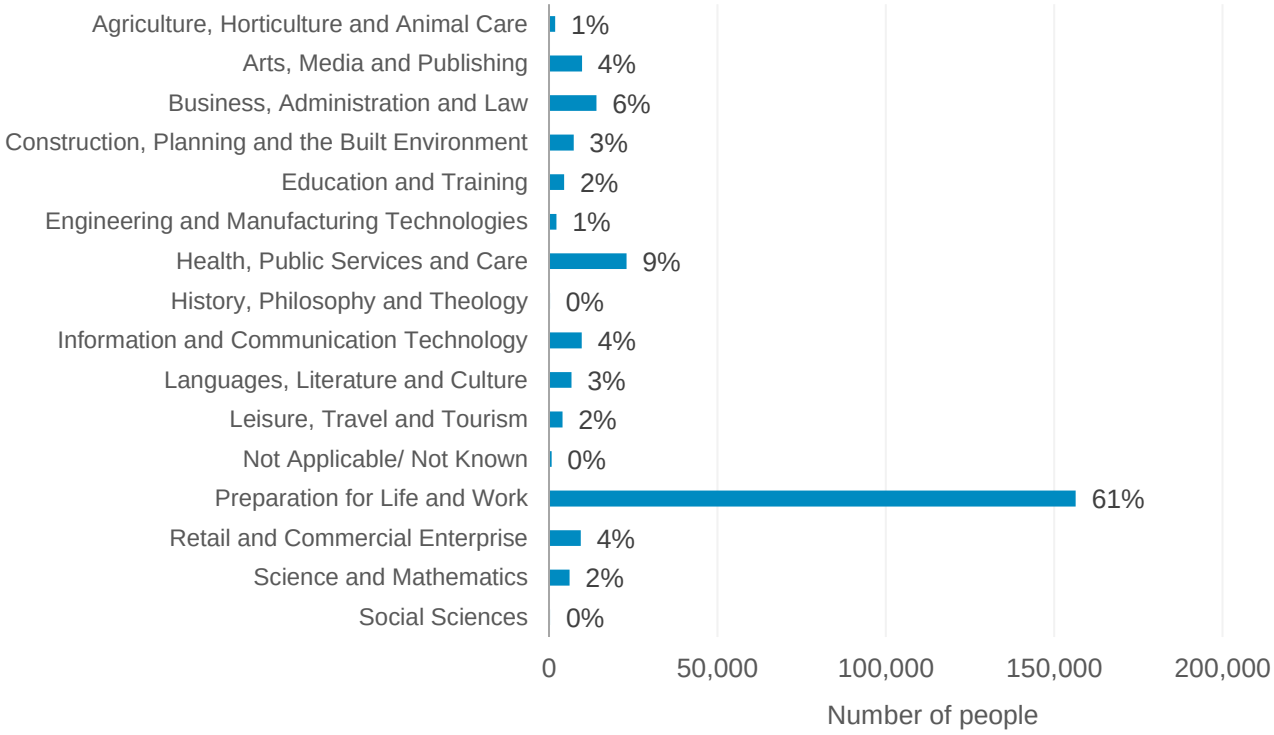
Overall, London is the region with the highest level of further education and skills participation in England, albeit with a large number of learners studying at lower levels (below Level 2).[19]

'Preparation for life and work' is the leading further education and training achievement in London, with around 156,400 achievements in 2019/20. The share of achievements from other subject areas is smaller for London than for England as a whole, although follows a similar ranking.

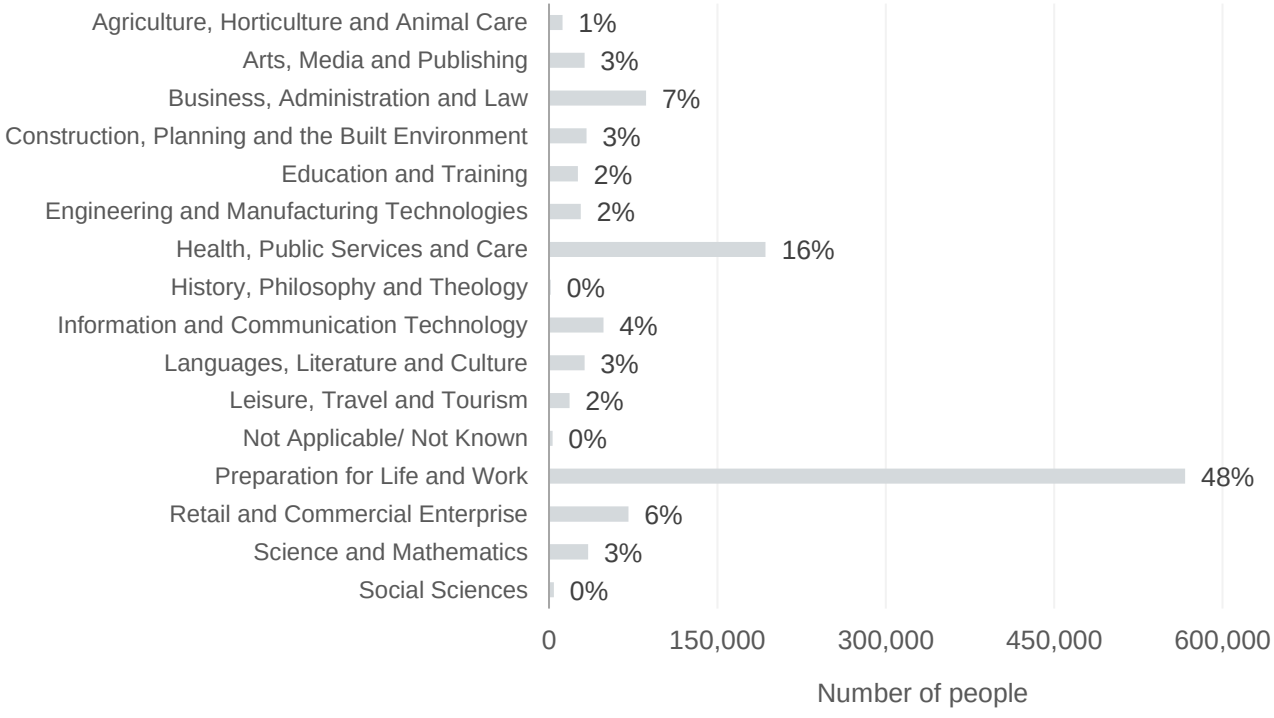
There is also variation in achievements by gender. This includes a significant gender imbalance in subject areas with high earnings returns such as 'Engineering' and 'Construction'. 'Health and public services' is a relatively more popular subject area among female FE achievers.

[19] Department for Education (2020) Further education and skills: November 2020

Adult education and training achievements by sector subject area, 2019/20 - London



Adult education and training achievements by sector subject area, 2019/20 - England



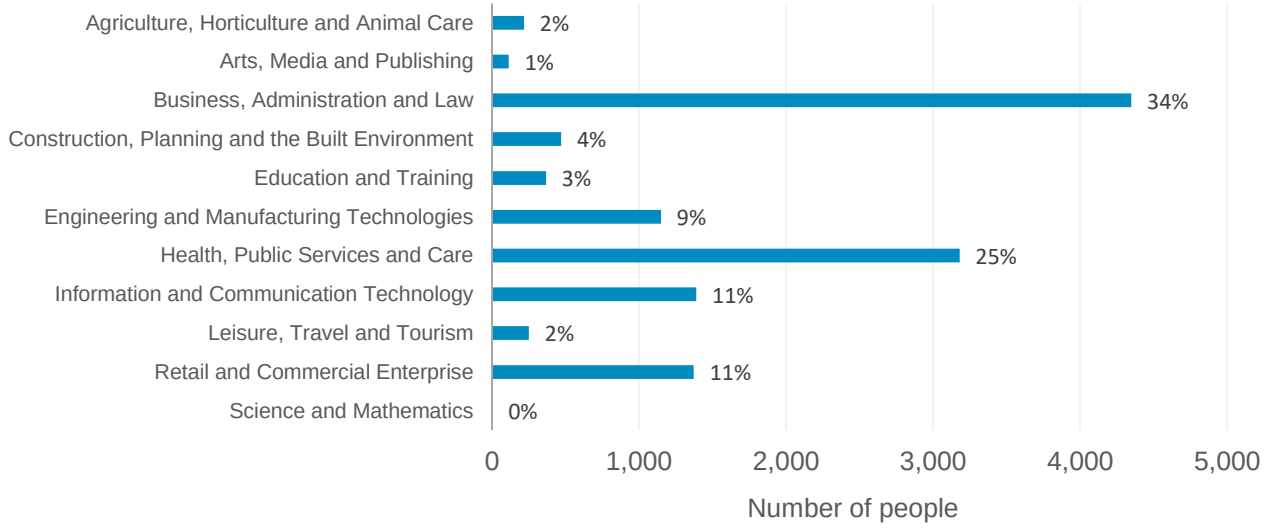
Source: Further Education & Skills data, DfE, (published 2020), 2020 SAP boundaries

Apprenticeship Achievements

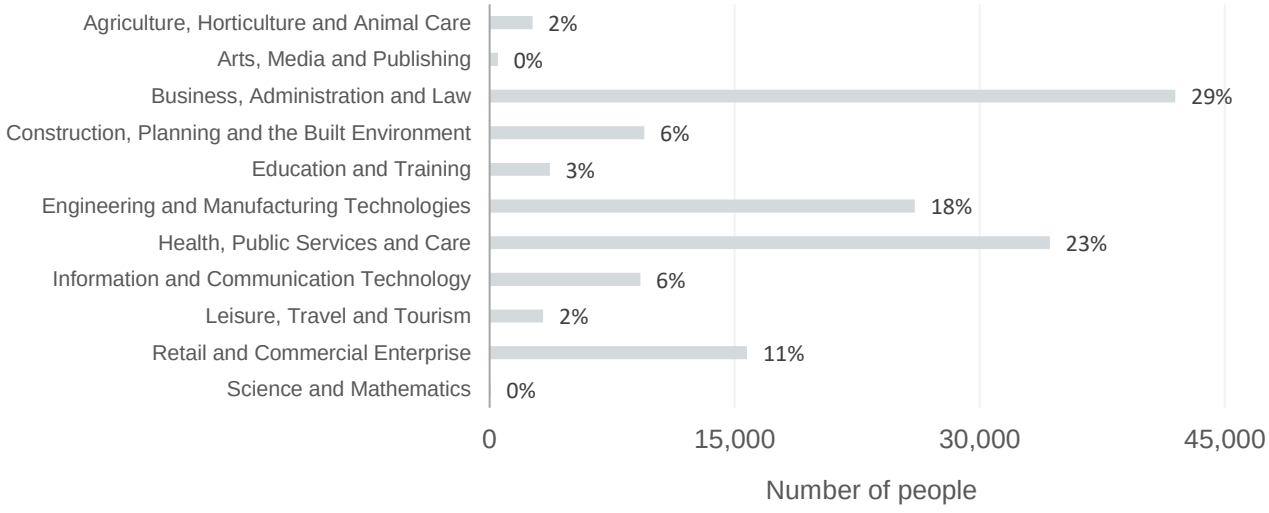
Despite increases, the volume of apprenticeships remains lower in London than in other parts of the country. And while the overall profile of apprenticeship achievements is similar to the national picture, there are some notable differences by subject area.

This includes relatively fewer achievements in 'Construction' and 'Engineering', and more in 'Business Studies'. There is also an under-representation of certain population groups in some subject areas. For example, among women in 'Information & Communication Technology' and among women (and non-white ethnic groups) in 'Engineering'.

Apprenticeship achievements by sector subject area, 2019/20 - London



Apprenticeship achievements by sector subject area, 2019/20 - England



Source: Apprenticeships data, DfE, (published 2020), 2020 SAP boundaries

HE Qualifiers

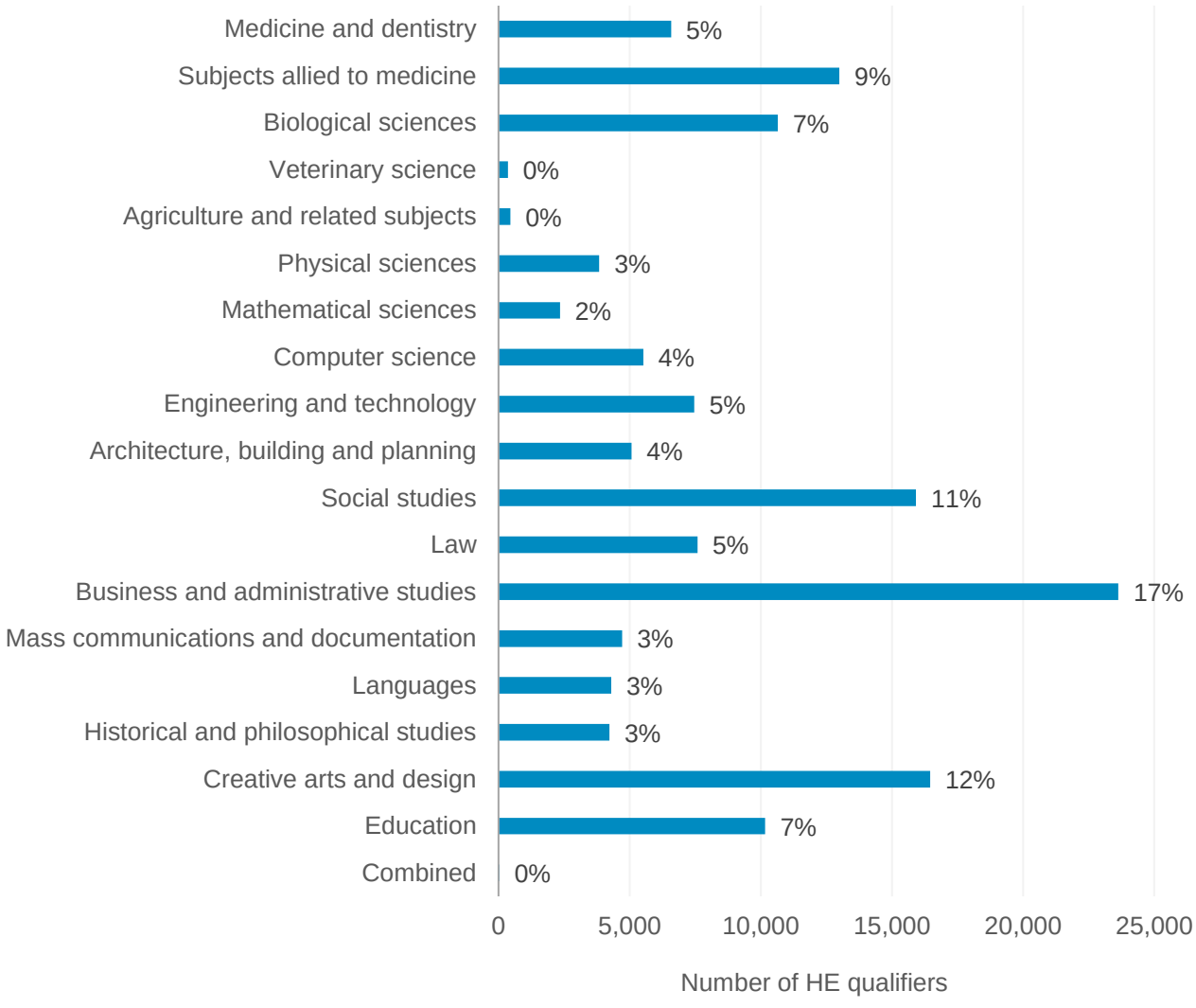
The preferred choice of subjects for student studying at London based HE providers is similar to the national picture. For example, Business studies is also the most popular subject in London with over 23,635 qualifiers.

There are also notable areas of specialism in the capital, however. This includes:

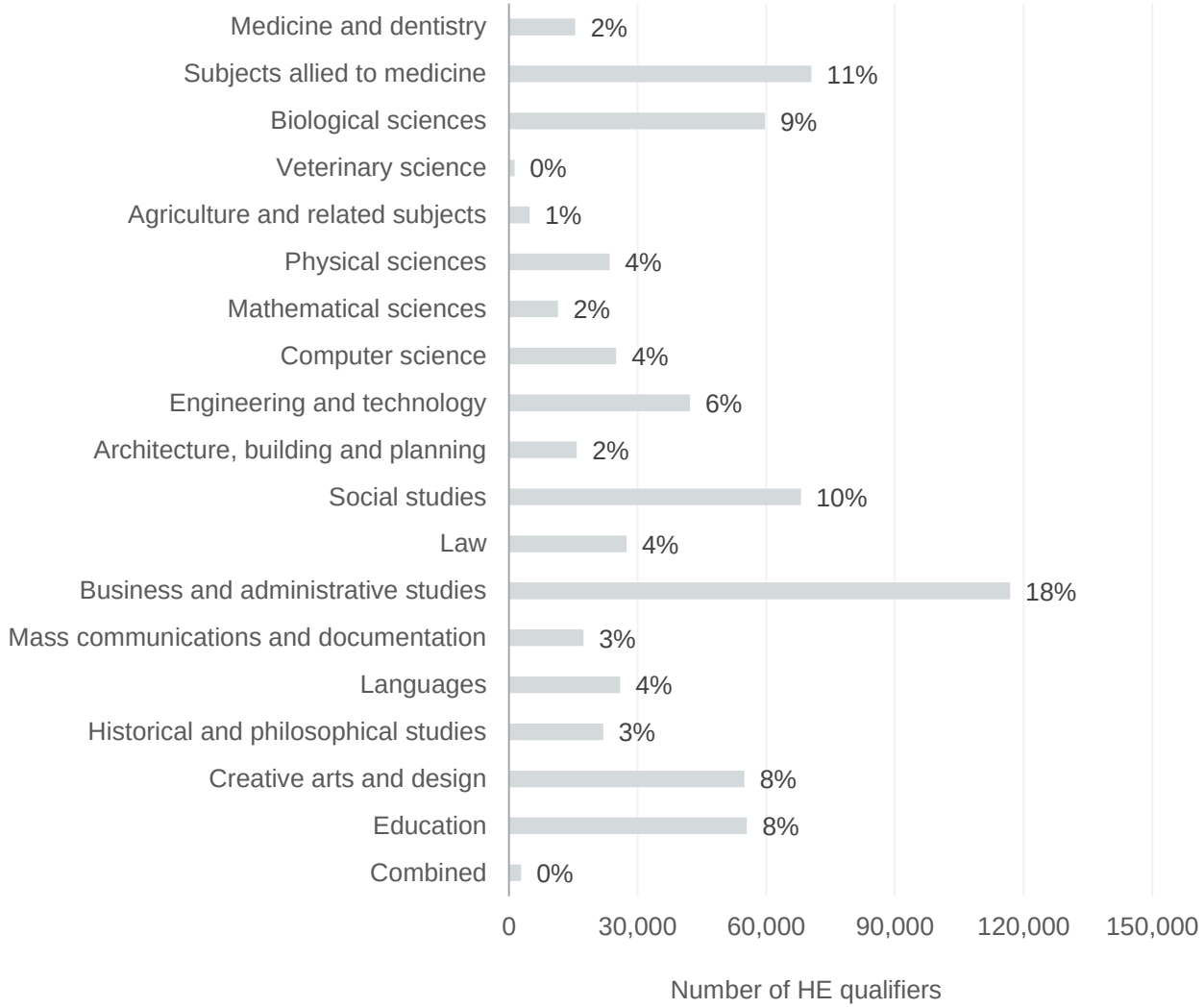
- 6,580 qualifiers in Medicine and dentistry (5% vs. 2% nationally)
- 5,070 qualifiers in Architecture building and planning (4% vs. 2% nationally)
- 16,455 qualifiers in Creative arts and design (12% vs. 8% nationally)

There are relatively fewer London qualifiers in other subject areas such as Agriculture and related subjects (455 or less than 1%), Physical sciences (3,840 or 3%) and Languages (4,300 or 3%).

HE qualifiers by subject, 2018/19 - London



HE qualifiers by subject, 2018/19 - England



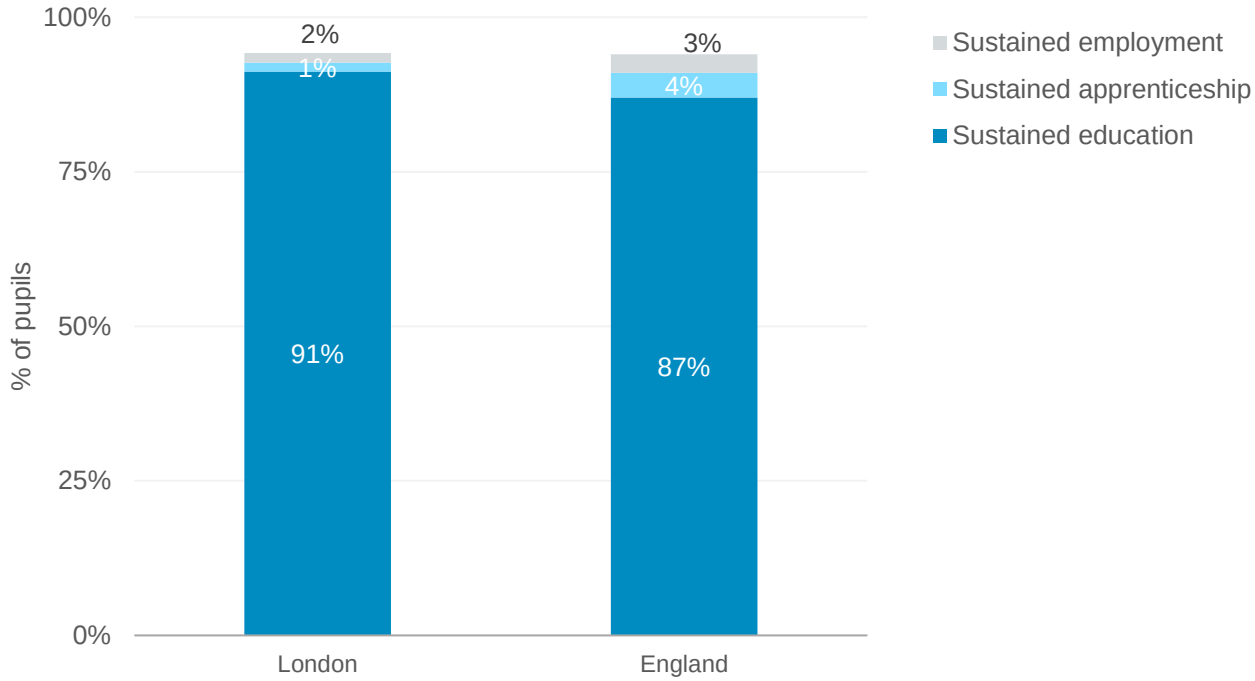
Source: HESA, 2018/2019 qualifiers (published 2020), 2020 SAP boundaries)

KS4 destinations

Overall, London has a relatively high share of KS4 pupils going into a sustained education, apprenticeship or employment destination: 94% of KS4 pupils in London vs. 93% across England.

This includes a high share of London KS4 pupils going into a sustained education destination (91% – the second highest among skills advisory panel areas) – which is boosted by the high rate of education outcomes for pupils in London who are eligible for free school meals. A relatively small share of London pupils progressed to a sustained employment or apprenticeship destination.

Destinations of KS4 pupils from state-funded mainstream schools - 2018/19



Source: KS4 & KS5 destinations of 2017/2018 leavers, DfE, (published 2019), 2020 SAP boundaries

KS5 destinations

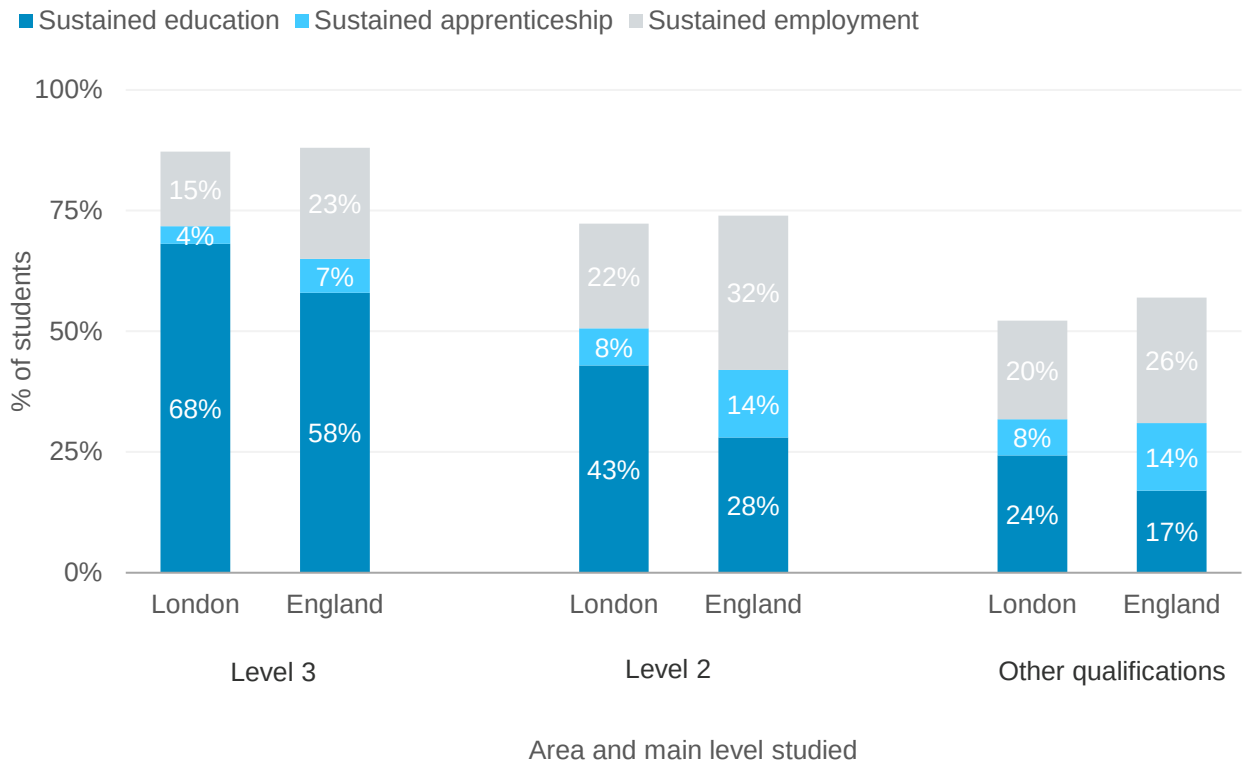
Around 80% of students in London recorded a sustained education, apprenticeship or employment destination in the year after they finished 16 to 18 study (81% for England). By Skills Advisory Panel area, London had the highest rate of students continuing in education after 16 to 18 study but the lowest proportion of students taking up apprenticeships (5 percentage points below the England average).

The latter is partly down to higher progression rates to education, and partly because jobs in London are generally weighted towards 'low-apprenticeship employing' sectors. Although some employers also lack good knowledge about what's involved in an apprenticeship.[20]

By qualification level, over two-thirds (68%) of students who took mainly level 3 qualifications in London continued in an education destination, with the percentage of level 3 students progressing to any sustained destination remaining close to the England average (87% vs. 88%). At level 2 and for all other qualifications the percentage of students recording any sustained destination falls below the England average in London, despite a higher share in sustained education destinations.

[20] Only 50% of London employers are aware and have good knowledge of apprenticeships / have or offer apprenticeships in 2109, compared to 54% nationally. Source: Employer Skills Survey, 2019 (published 2020).

Destinations after 16-18 by main level studied (state-funded mainstream schools and colleges), 2018/19



Source: KS4 & KS5 destinations of 2017/1018 leavers, DfE, (published 2019), 2020 SAP boundaries

It should be noted that both KS4 and 16-18 destinations also vary at a sub-London level. For a more detailed discussion see Chapter 7 of the Skills Strategy for Londoners: Evidence Base.

FE and skills destinations

Overall, FE and skills destinations for the London LEP area are below the England average for employment but above average for learning outcomes.

Around 59% of adult FE and skills learners in London recorded a sustained employment destination in the following academic year, 2 percentage points below the national average. At the same time, around 48% learners recorded any learning outcome in the capital, with 28% recording a sustained learning outcome, 4 percentage points above the England average.

In line with the national picture, there is variation by level of qualification – the rate of employment destinations increases with qualification level while learning destinations decline.

Destinations of FE & Skills Learners in 2018/19 - London LEP and England average

	Destinations in 2018/19					
	London LEP			England		
	Sustained employment	Sustained learning	Any learning	Sustained employment	Sustained learning	Any learning
All FE & Skills Learners	59%	28%	48%	61%	24%	45%
Level 1	50%	21%	44%	50%	15%	40%
Level 1 ESOL	43%	41%	63%	43%	42%	65%
Level 1 English & Maths	58%	28%	50%	54%	31%	54%
Level 2	76%	14%	35%	75%	14%	36%
Full Level 2	62%	31%	47%	66%	32%	47%
Level 2 ESOL	50%	30%	50%	56%	33%	52%
Level 2 English & Maths	66%	41%	58%	68%	37%	56%
Full Level 3	66%	35%	46%	65%	42%	52%
Level 3 Other	70%	23%	36%	77%	24%	38%
Level 4	74%	15%	24%	82%	14%	25%
Level 5	72%	17%	26%	81%	12%	21%
Level 6	-	-	-	79%	13%	19%
Other	41%	41%	59%	30%	37%	50%

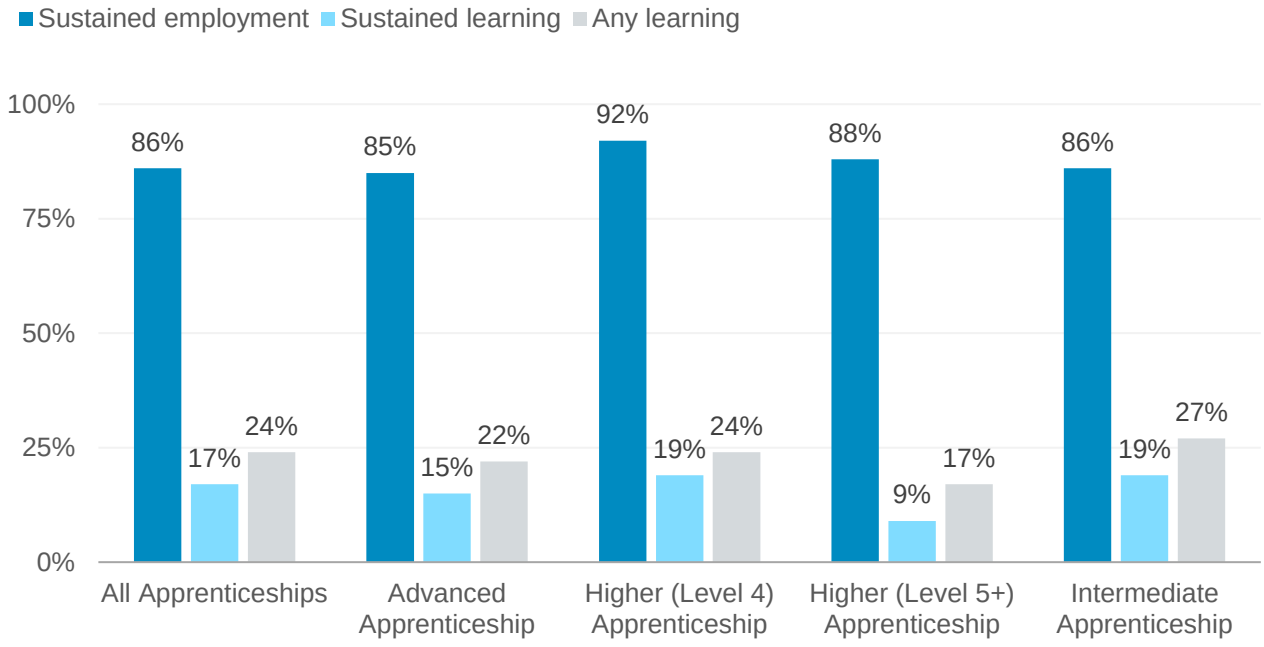
Source: FE outcome based success measures, 2018/19 destinations, DfE, (published 2020), 2018 LEP boundaries

Apprenticeship destinations

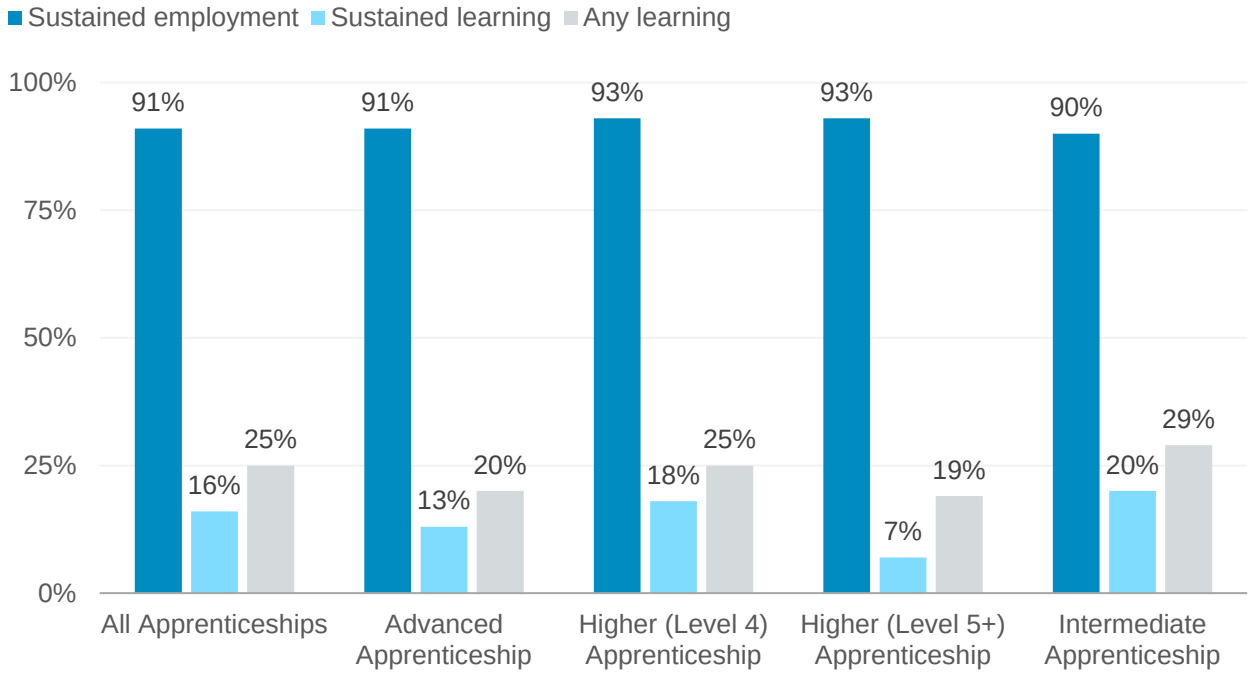
Apprenticeship outcomes in London are generally below the national average. Across all levels, 86% of London apprentices progressed to a sustained employment destination (5 percentage points below the England average) while 24% progressed into any learning destination (2 percentage points below average).

There are, again, large differences by apprenticeship level in the capital. For example, the rate of progression into employment varies from 85% for advanced apprenticeships to 92% for level 4 higher apprenticeships. This gap is more pronounced than the England average, which may reflect the demand for higher level skills and qualifications in London compared to the rest of the country.

Apprenticeship destinations in 2018/19 - London LEP



Apprenticeship destinations in 2018/19 - England



Source: FE outcome based success measures, 2018/19 destinations, DfE, (published 2020), 2018 LEP boundaries

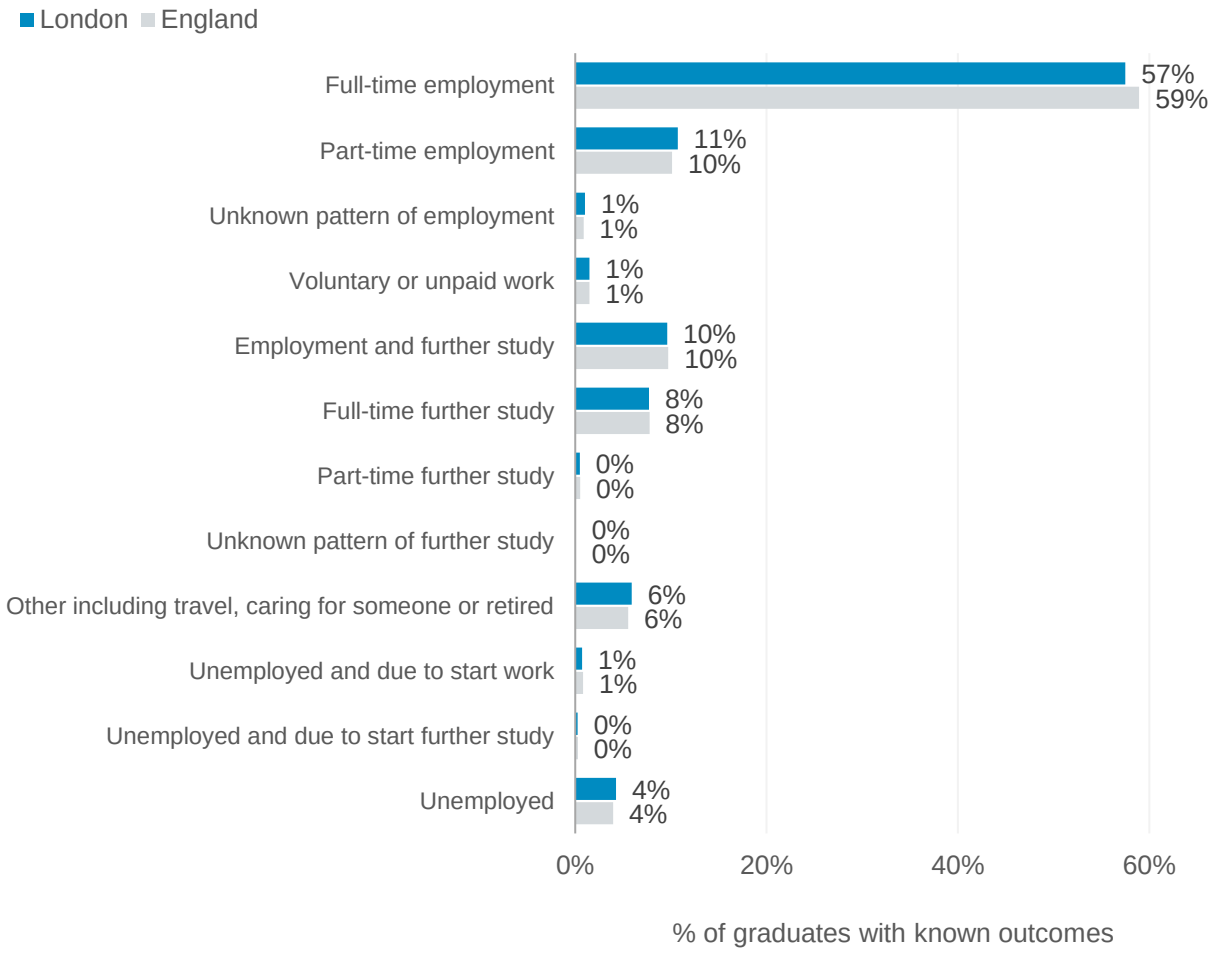
HE graduate destinations

The profile of HE graduate destinations is similar to the national picture for those studying at providers in London. For example:

- Graduates in employment or unpaid work accounted for 80% of survey respondents in London, compared to 81% for England as a whole.
- The percentage of survey respondents in further study was 18% in London, including 10% who were in both employment and study – both in line with the England average.
- Unemployment, including those due to start work or study, accounted for 5% of graduates in both London and for England as a whole.

One difference is that London has a slightly lower share of graduates going into full-time employment (57% vs. 59% nationally), albeit with a higher share going into part-time work.

Graduate destinations for 2017/18 academic year



Source: HESA, 2017/18 graduates (published 2020), 2020 SAP boundaries

Graduate retention

Many graduates are attracted to work in London. This includes a high proportion of those who study at London based HE providers and graduates from providers in other parts of the country.

- Around two-thirds of graduates from London providers reside in the capital after graduation, and this holds from one (65%), three (64%) and five (65%) years after graduation.
- One year after graduation, nearly 56,600 graduates from all HE providers in England were residing in London – around 20% of the total graduate population.
- The proportion of graduates from HE providers in England who were residing in London rises to 23% three years after graduation and to 24% five years after graduation.

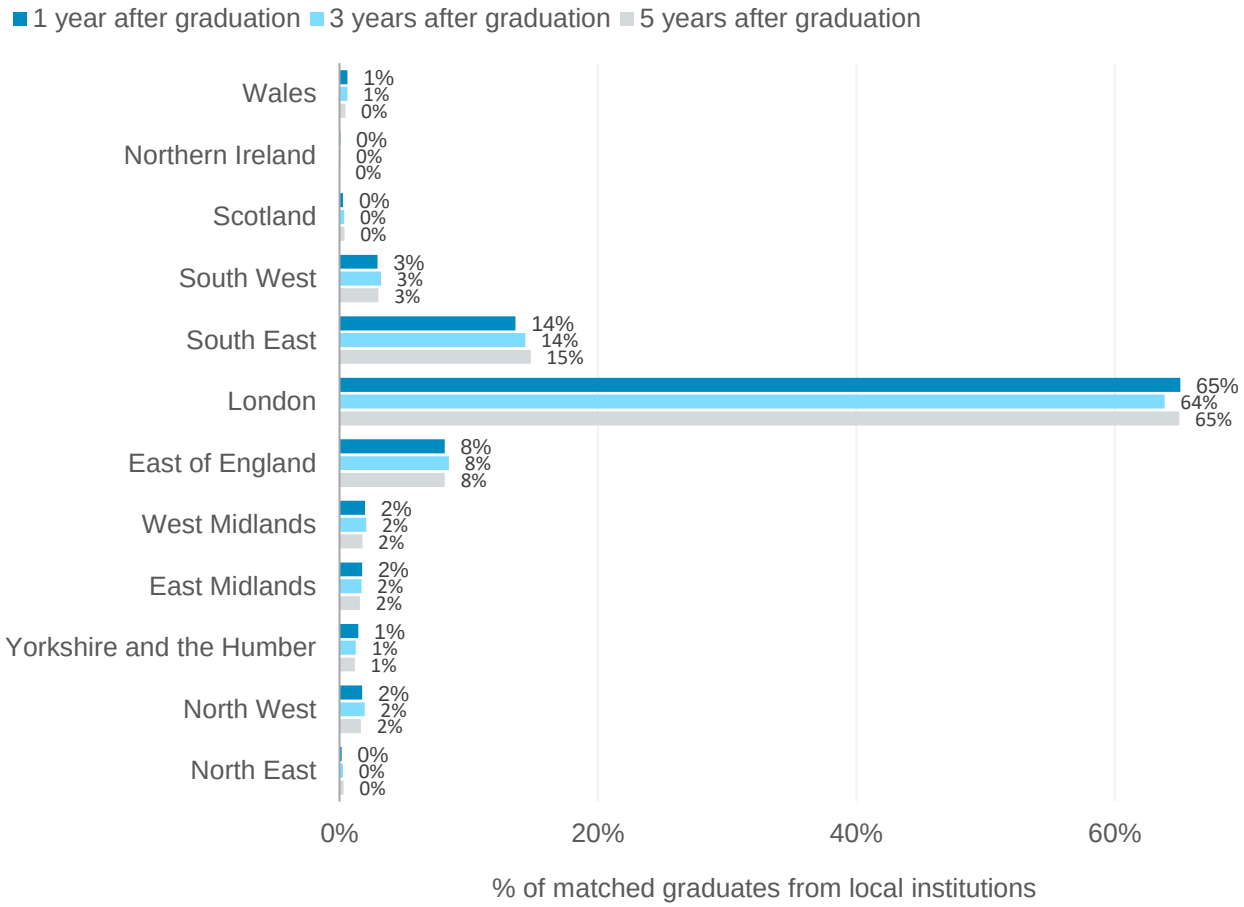
This reflects the fact that many early-career graduates move to or remain in London for work – influenced by the availability of higher skilled employment.[21] But there are also a number of graduates who leave the capital to live elsewhere, especially to other parts of the wider south-east. There are even larger numbers of London residents who leave the capital after the age of 30.[22]

Findings from the 2019 employer skills survey indicate that there are very high levels of satisfaction with graduates' preparedness for the workplace among London employers.

[21] For example, according to HESA data for 2015/16, 21% of all working graduates were employed in London six months after graduation. This figure was broadly in-line with London's share of UK jobs in 'higher level' occupations in 2016 (defined as: Managers, directors and senior officials, Professional occupations and Associate professional and technical occupations). See: Centre for Cities (2016) The Great British Brain Drain Where graduates move and why

[22] Note – the overall net inflow to London of 19-29-year olds is relatively small, particularly compared to the net outflow of 30+ year olds. Source: GLA Economics (2020) The Evidence Base for London's Local Industrial Strategy

Current region of residence of graduates from HEIs in London, 2017/18



Source: Graduate Outcomes in 2017/18, DfE, (published 2020), 2020 SAP boundaries

Employer provided training

The overall profile of employer training provision in London is similar to the national picture. Over three-fifths (61%) employers had funded or arranged training for employees over the previous 12 months in 2019, with most (32%) providing a combination of off-job and on-job training.

Yet there are signs that the level and quality of workplace training is not being maintained in London. For example, analysis of ONS Annual Population Survey data shows that[23]:

- Only around 17% of working age Londoners were in receipt of job-related training in the last 13 weeks in 2019, down from 20% of Londoners in 2004.

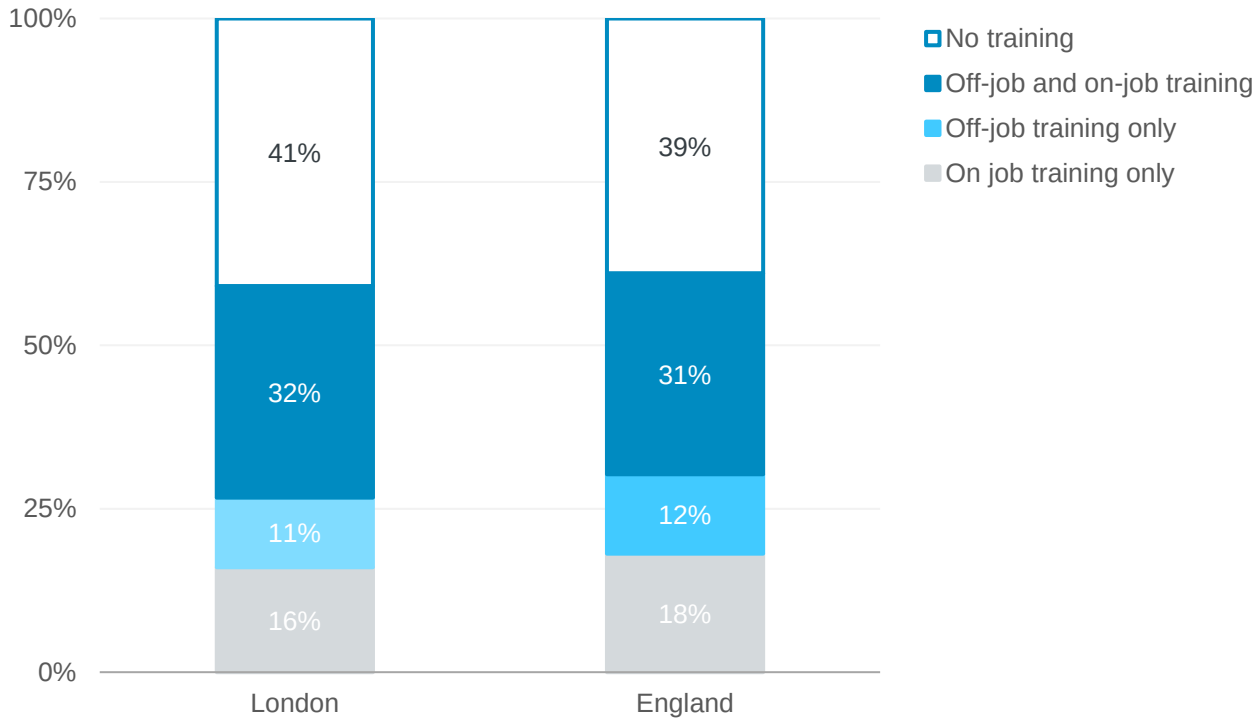
[23] GLA Economics (2020) The Evidence Base for London's Local Industrial Strategy – see chapter 4

- Focusing on training quantity (one proxy for quality), training hours per person trained fell by more than half (-62%) between 1997 and 2017.

And while headline trends track the national average, the share of London employers training towards nationally recognised qualifications is low. Only 23% of employers offered training leading to a recognised qualification in 2019 – the lowest for any local enterprise partnership area.[24]

A comparatively high proportion of London employers would like to provide more training – lack of staff time and especially a lack of funds for training were the main barriers reported in 2019.[25] See Annex B for more information.

Employers providing training over past 12 months, 2019



Source: Employer Skills Survey, 2019 (published 2020), 2019 LEP boundaries

[24] Department for Education (2020) Employer skills survey 2019 LEP data tables
[25] Department for Education (2020) Employer skills survey 2019 LEP data tables

Skills Demand

Skills Demand – Summary

- Pre-COVID-19 projections anticipated relatively robust employment growth in London over the coming decade, albeit at a lower rate of growth than in the last decade.
- Employment growth is expected to be particularly strong in services activities, including in business services (e.g. Information technology) as well as non-market services (e.g. Health and social work).
- Employment in higher-skilled occupational groups is also projected to continue to grow, with ongoing demand for higher level qualifications in London.
- Over two-thirds of London employers also report needing to develop the skills of their workforce, with employer demand for a mix of complex analytical, operational and digital skills.

Sector growth forecasts

According to the latest GLA Economics' trends-based projections – produced prior to COVID-19 pandemic and the UK's exit from the European Union – employment in London will reach 6.9 million by 2041, equal to an additional 49,000 jobs per year. Much of this long-run growth was expected to come from sectors where London is relatively specialised, with the largest increases anticipated in the Professional & Real Estate and Information & Communication sectors.[26]

More recent Working Futures research give an indication of trends for the decade to 2027. This research – also produced prior to COVID-19 – projected that London would see the largest percentage increase in employment among UK nations or regions, albeit at a slower rate of growth that seen in previous decades.[27] The service sector was expected to account for most of the growth in employment in London, with almost half (49%) of London's employment is expected to be in Business and other services by 2027.

The table below provides a more detailed breakdown of London level projections by industry group. The industry groups with the highest forecast *rate* of growth include Information technology, Other services, Engineering and Health and social work.

[26] GLA Economics (2017) Long Term Labour Market Projections 2017

[27] 0.4% per year in 2017-2027, down from 2.0% per year between 2007 and 2017. Note: GLA Economics long-run projections (2017) expected employment to grow from 2016 at an annual average rate of 0.78 per cent a year.

Industries with the lowest forecast growth include Rest of manufacturing, Agriculture and Transport and storage activities.[28]

Please note these forecasts were produced prior to COVID-19:

London Enterprise Panel

Sectors with **highest** forecast growth rate (2017-2027)	Sectors with **lowest** forecast growth rate (2017-2027)
1) Water and sewerage	1) Rest of manufacturing
2) Information technology	2) Agriculture
3) Other services	3) Transport and storage
4) Engineering	4) Food drink and tobacco
5) Health and social work	5) Real estate

Source: Working Futures, 2017-2027 (published 2020), 2017 LEP boundaries.

Occupation growth forecasts

In-line with headline sectoral trends, long-run employment growth in London was also expected to be more prominent at the top of the occupational distribution according to recent GLA Economics projections, in addition to limited jobs growth at the lower end and some job losses in the middle.[29] Demand for workers with degree level qualifications was therefore expected to continue to increase.[30]

Again, Working Futures 2017-2027 gives a more recent indication of (pre-COVID) trends for the coming decade. This research broadly accords with the occupational trends noted above, with London expected to the see the strongest growth in Managers, professional & technical roles, as well growth Caring, leisure and service roles (SOC Major Groups 1-3 and 4). While declines are expected in Administrative & Secretarial, Sales & Customer Service and Skilled, Process and Elementary roles (SOC Major Groups 5-6 and 7-9).[31]

The table below reports a breakdown of these projections by detailed occupational group. It shows that the occupations with the highest forecast growth *rate* to 2027 are those within

[28] Note – the projected net change in employment (expansion demand) tells only a part of the story in terms of the future skill requirements in London. Expansion demand represents 234,000 jobs in the period between 2017 and 2027, but there will be a need for around 1.9 million workers to replace those leaving the labour force over this time.
[29] GLA Economics (2016) Long Term Labour Market Projections 2016
[30] GLA Economics (2016) Long Term Labour Market Projections 2016
[31] Although the projected net change in employment tells only a part of the story in terms of future skill requirements. Replacement demands (e.g. due to retirement) mean there are likely to be job openings in every major SOC group.

Caring personal service occupations, Teaching and educational professional and Health and social care associate professionals. Several mid-skilled occupations are among those with the lowest forecast rate of growth, including Secretarial and related occupations and Process, plant and machine operatives.

The Working Futures research also highlights the high demand for high-level qualifications in the London labour market. Over the period 2017 to 2027 the percentage of employed people holding a first or postgraduate degree as their highest qualification in London is expected to increase from 52% in 2017 to 64% in 2027 – the highest percentage of graduates for any UK region or country.

Please note these forecasts were produced prior to COVID-19:

London Enterprise Panel

Occupations with **highest** forecast growth rate (2017-2027)		Occupations with **lowest** forecast growth rate (2017-2027)	
1)	Caring personal service occupations	1)	Secretarial and related occupations
2)	Teaching and educational professionals	2)	Process, plant and machine operatives
3)	Health and social care associate professionals	3)	Skilled metal, electrical and electronic trades
4)	Corporate managers and directors	4)	Administrative occupations
5)	Health professionals	5)	Elementary trades and related occupations

Source: Working Futures, 2017-2027 (published 2020), 2017 LEP boundaries

Skills that need developing

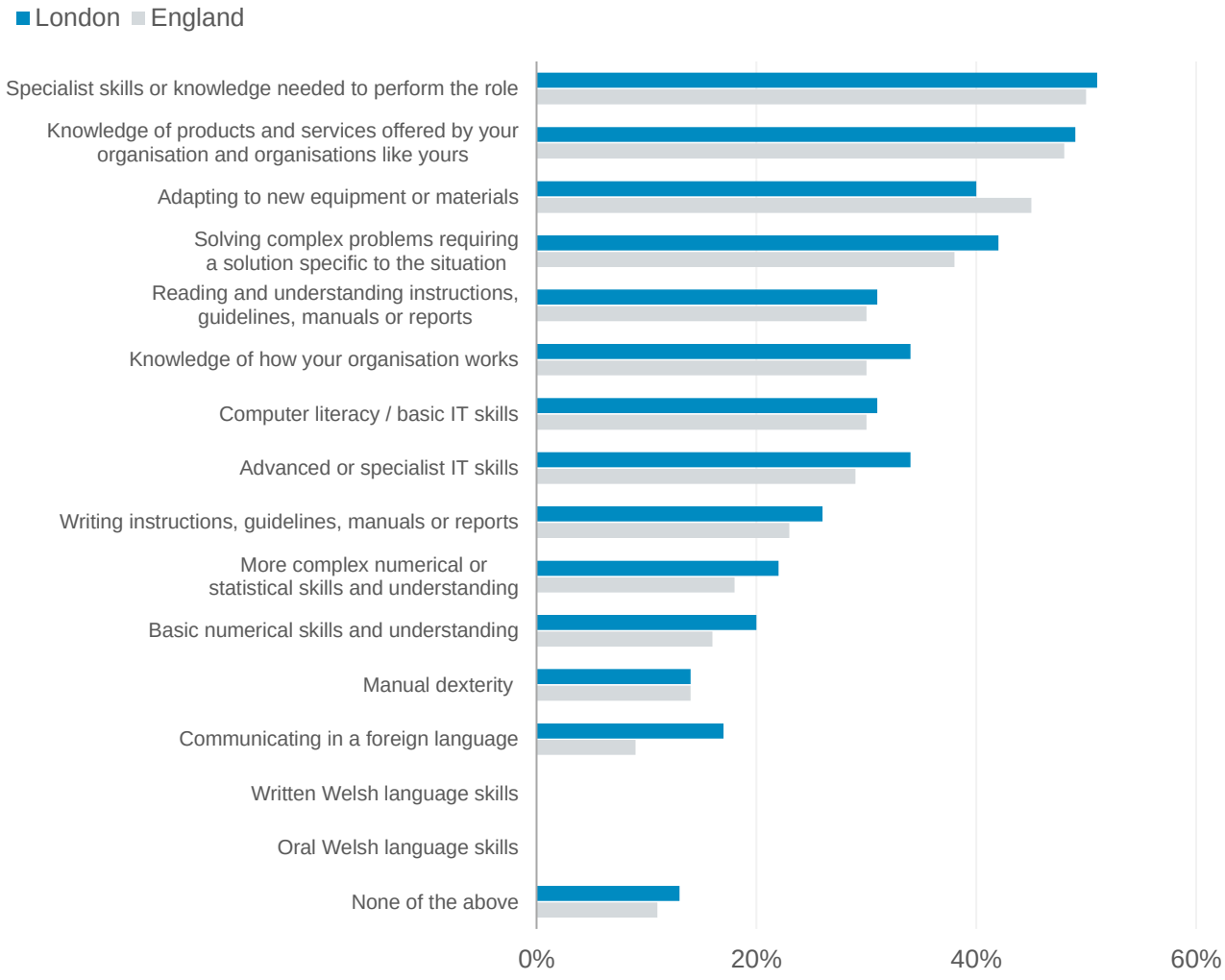
According to the Employer Skills Survey 2019 over two-thirds of London employers anticipated the requirement to develop the skills of their workforce in the coming year (67%) – one of the highest rates among local enterprise partnership areas (64% across England as a whole).

The main skills reported to be lacking among the existing workforce are similar to the national picture and include a mix of:

- Complex analytical skills (cited by 42% of employers in London vs. 38% nationally)
- Operational skills (cited by 55% of employers in London vs. 52% nationally)
- Digital skills (cited by 49% of employers in London vs. 47% nationally).

Looking more closely at the specific skills needs reported by London employers, 'advanced IT or specialist skills' (34% vs. 29% across England) and especially 'communicating in a foreign language' (17% vs. 9% across England) stand out as being in particularly high demand.

Skills that will need developing in the workforce, 2019



Source: Employer Skills Survey, 2019 (published 2020), 2019 LEP boundaries

Mapping Skills Supply and Demand

Skills Supply and Demand – Summary

- The overall skills match in London is strong, with high supply and demand for skills.
- However, employer surveys still show unmet demand for skills – 15% of employers reported a skills gap or skills shortage vacancy in 2019, up from 14% in 2017.
- These aggregate level statistics also hide more troubling data for particular sectors and occupations, including for health and skilled construction related positions.
- At the same time London may have a problem with the under-use of skills – policies are needed to support employers to improve the usage of skills in the workplace.

Skills situation summary

As discussed in the previous section, the demand for skills and labour in London is high. The capital also has a higher rate of vacancies than in other parts of the country – 19% of establishments reported at least one vacancy in 2019 (17% nationally; 22% in 2017).

The supply of labour in London is also strong. Yet employer surveys still show unmet demand. Overall, 15% of London employers reported either a skills gap or skills shortage vacancy in 2019 – below the national average (17%) but slightly higher than reported in 2017 (14%). This is despite the fact that fewer London employers reported vacancies, suggesting that skills problems when recruiting may have become more 'concentrated'.

Proficiency of workforce

In London, the overall proportion of the workforce considered to be lacking in full proficiency (i.e. to have a skills gap) is relatively low – less than 4%, a lower skills gap density than in most LEP areas. These skills gaps are frequently because staff are new to their role or yet to complete training. At the same time, a third of London employers with skills gaps reported challenges related to new working practices or technologies in 2019.

To the extent that there are supply and demand imbalances in London's workforce, the greater problem may be a lack of demand. At 36%, the proportion of establishments with underutilised staff is above the national average (34%) and higher than in 2017 (35%).

The adoption of 'High Performance Working' practices is one way for employers to make better use of workforce skills. Only 9% of organisations in London were regarded as high-performance employers in 2017, leaving scope to promote the take-up of these practices. Widening access to English language training and improved recognition of international qualifications could also have benefits in the capital through better use of migrant skills.[32]

[32] GLA Economics (2020) The Evidence Base for London's Local Industrial Strategy – see chapter 4

	Proportion of staff not fully proficient	Proportion of establishments with any under-utilised staff
London	3.6%	36%
England	4.6%	34%

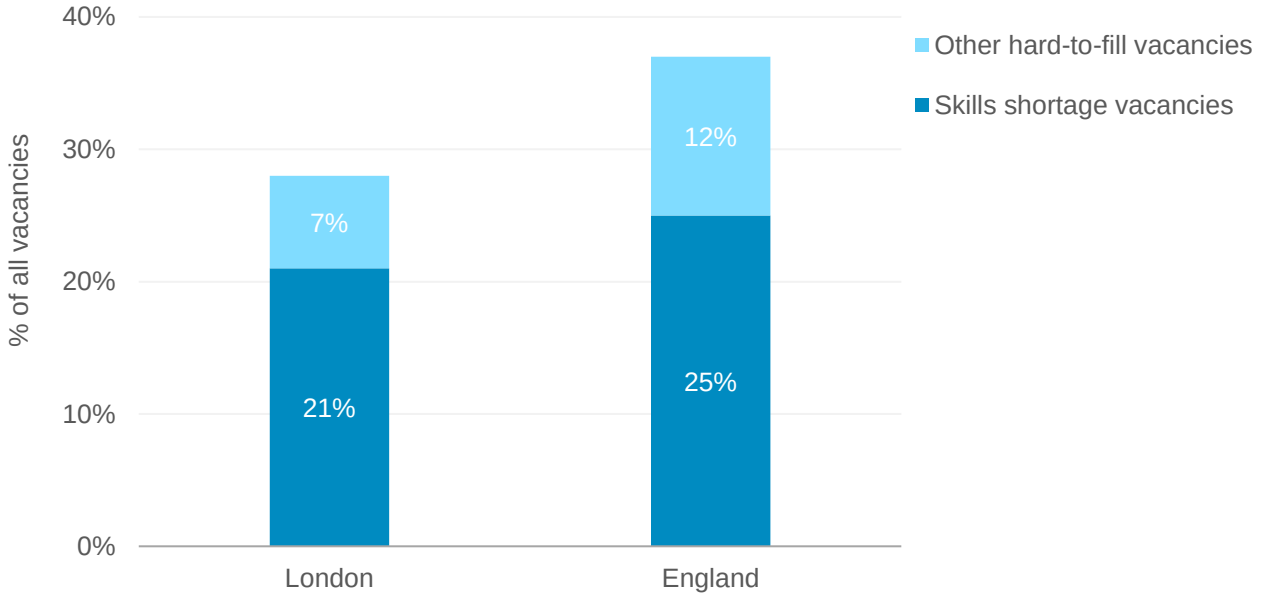
Source: Employer Skills Survey, 2019 (published 2020), 2019 LEP boundaries

Hard-to-fill and skills shortage vacancies

Focusing on hard to fill vacancies from the 2019 Employer Skill Survey:

- 5% of London employers reported that they had skill-shortage vacancies. This is up from 4% in 2017 and equates to a total of around 43,000 vacancies which are hard to fill because of a lack of the required skills, qualifications or experience.
- These skill-shortage vacancies comprised over a fifth (21%) of all vacancies in London (4 percentage points below the England average); with a further 7% of vacancies being are hard-to-fill for other reasons (5 percentage points below).
- The incidence of skills shortage vacancies often reflects a lack of 'workplace skills' rather than mismatches in qualification levels – a lack of specialist skills or knowledge is the main cause of skill-shortage vacancies in London.

Proportion of all vacancies that are hard-to-fill due to skills shortages or other reasons, 2019



Source: Employer Skills Survey, 2019 (published 2020), 2019 LEP boundaries

In a dynamic economy, some degree of skills mismatch is always likely. Notwithstanding data limitations, these headline findings remain largely consistent with London being in a 'high skills equilibrium', with employers' skill needs generally met successfully in 2019.[33]

However, it is worth noting that recruitment of non-UK nationals has been a common way of responding to hard-to-fill vacancies in London, with 51% of employers facing hard-to-fill vacancies reporting that they use this recruitment route (38% nationally).[34] This suggests that skills deficiencies in the capital could be compounded were Brexit or the coronavirus pandemic to result in a significant reduction in the supply of migrant workers.

These aggregate level statistics also hide more troubling data for particular sectors and occupations.

- In London, the Construction sector had the largest share of skill shortage vacancies in 2019, at 40%; this was followed by Health and social work, at 32%.

Consistent with skills challenges in these sectors:

- London employers face the greatest challenges in finding suitably skilled candidates for Skilled Trades occupations, particularly for Skilled Construction and Building Trades (51% of vacancies in these roles were skill shortage vacancies in 2019).
- There are also challenges for employers recruiting to fill vacancies in some (but not all) positions in Professional occupations – including for Science, research, engineering and technology professionals and Health professionals (38% and 37% of vacancies in these roles were skills shortage vacancies in 2019 respectively).

This evidence of skills challenges may be of particular concern given the high level of job openings anticipated in Professional occupations. The overall share of hard-to-fill vacancies in Caring personal service roles (45% of vacancies were hard to fill in 2019) could also be an issue given the rate of growth expected in these position (see above).

Overall, employment levels in Skilled Trades occupations had been projected to decline in London between 2017 and 2027. However, the need to replace the existing skills that will be 'lost' – as a result of retirements and other labour turnover – means there will still be job openings and therefore important education and training requirements in this area.

[33] For more information, see: GLA Economics (2018) Skills strategy for Londoners: Evidence base
[34] Department for Education (2020) Employer skills survey 2019 LEP data tables

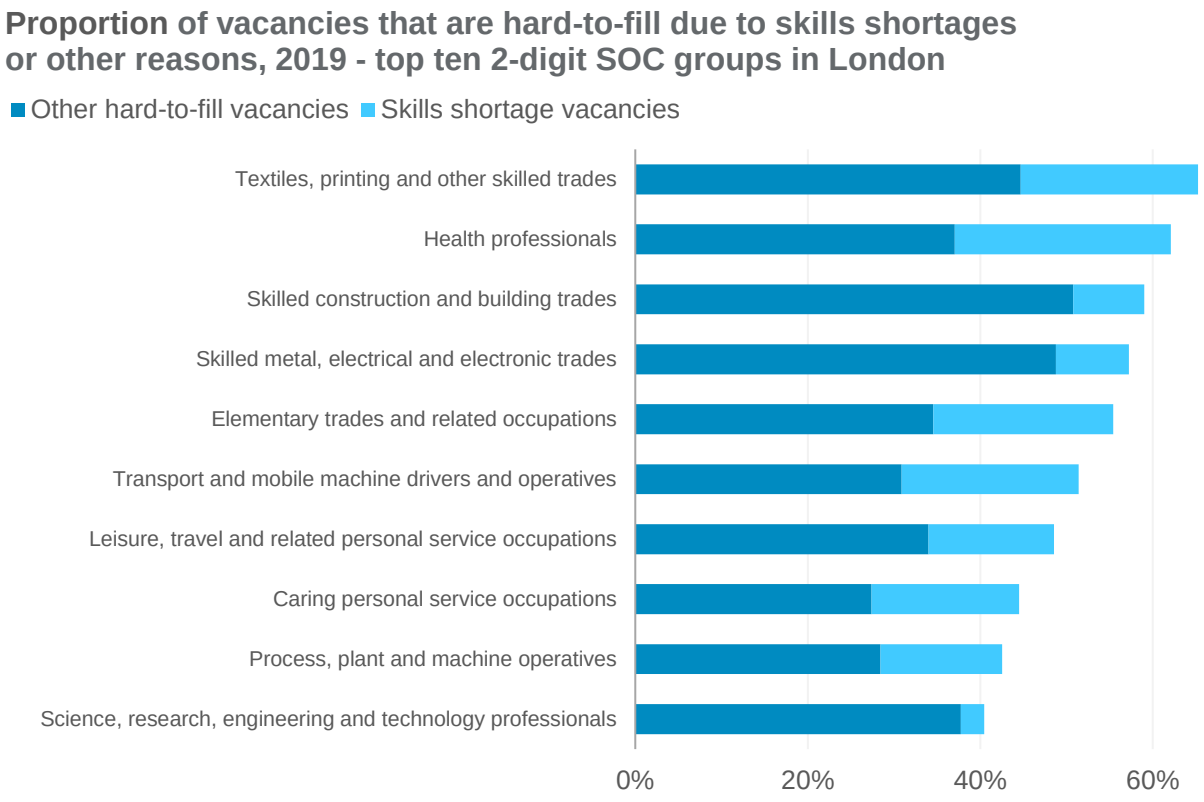
Please note these forecasts were produced prior to COVID-19:

Employment Change by Occupational Group and Replacement Demand in London, 2017-2027

thousands

Sub-Major Group (2-digit SOC)	Net Change	Replacement Demand	Total Requirement
Corporate managers and directors	71	195	267
Other managers and proprietors	12	68	80
Science, research, engineering and technology professionals	36	89	125
Health professionals	34	102	136
Teaching and educational professionals	55	130	184
Business, media and public service professionals	59	201	260
Science, engineering and technology associate professionals	2	29	31
Health and social care associate professionals	13	39	52
Protective service occupations	-2	16	14
Culture, media and sports occupations	14	87	101
Business and public service associate professionals	67	205	272
Administrative occupations	-54	124	69
Secretarial and related occupations	-53	26	-28
Skilled agricultural and related trades	2	8	11
Skilled metal, electrical and electronic trades	-19	30	11
Skilled construction and building trades	5	49	54
Textiles, printing and other skilled trades	-15	36	21
Caring personal service occupations	46	110	156
Leisure, travel and related personal service occupations	1	38	39
Sales occupations	-22	80	58
Customer service occupations	9	32	41
Process, plant and machine operatives	-9	8	-1
Transport and mobile machine drivers and operatives	-9	67	58
Elementary trades and related occupations	-5	10	5
Elementary administration and service occupations	-2	172	170

Source: Working Futures, 2017-2027 (sub-national/sub-regional workbooks)

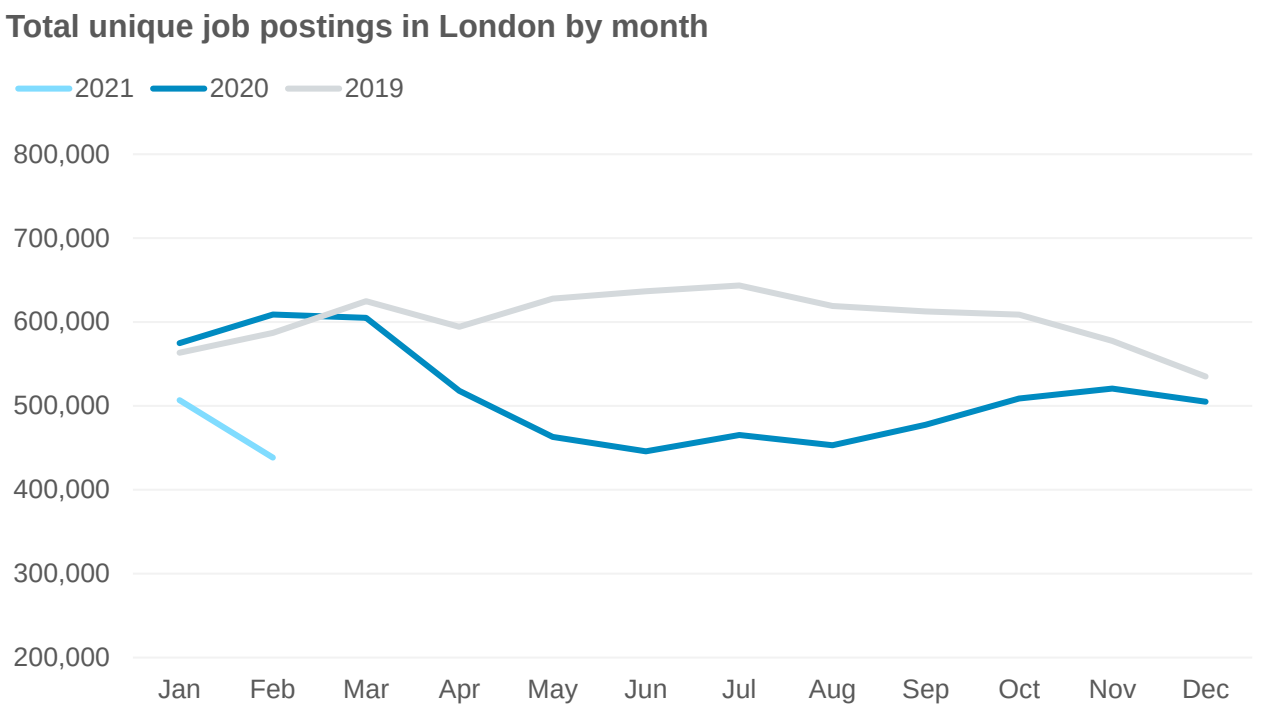


Source: LMI for All API. Note – Skilled agricultural and related trades excluded due to low reliability.

Online vacancy data

The number of online postings for jobs in London dropped sharply as a result of the coronavirus pandemic and the measures to contain it – more than in other parts of the country. According to Emsi Job Posting Analytics:

- The number of unique online postings for jobs in London fell by 29% between February and July 2020, in-line with the national picture.
- While there were signs of a recovery after the first national lockdown ended, London recorded a slower rate of recovery than in other parts of the country – online job postings were still down 6% on the previous year in December 2020.
- Job postings have fallen sharply again in the first months of 2021, following the introduction of further lockdown measures.



Source: Emsi, 2020. For more information see: Emsi-economicmodelling.co.uk

The leading occupations (4-digit SOC) for unique job postings in January to December 2020 included:

- Sales accounts and business development managers – 100,500 unique job postings or 5% of the London total.
- Programmers and software development professionals – 85,600 or 4% of the total.
- Primary and nursery education teaching professionals – 78,600 or 4% of the total.
- Nurses – 65,300 or 3%.

This ranking it broadly similar to 2019 and reflects many of London's sectoral specialisms (e.g. in business and IT services activities). Of the occupations noted above, Nurses is the only one to have recorded an increase in unique job postings from 2019 to 2020, which may present a challenge given the skills related issues identified above.

For more information on trends in online job vacancies see Annex B and GLA Economics (2020) COVID-19: Labour Market Round-Up.

Top 20 posted occupations in London, 2020 (4-digit SOC)

Top 20 posted occupations in London, 2019 (4-digit SOC)

Source: Emsi, 2021. For more information see: Emsi-economicmodelling.co.uk

Annex B – Additional data and references

Additional Analysis

The research and analysis highlighted in this section supports the narrative outlined in Annex A. It includes evidence about the emerging labour market impacts of the coronavirus pandemic in London, as well as other analysis produced before the pandemic.

The Evidence Base for London's Local Industrial Strategy (2020, pre-pandemic)

Presents a clear, comprehensive and robust evidence base on the capital's economy with a view to supporting inclusive growth.

- Chapter 2 summarises recent productivity trends in the capital
- Chapter 3 examines the business population in London in detail
- Chapter 4 provides a summary of qualifications, skills and labour market trends
- Chapter 7 provides a geographic breakdown of economic data

The Skills Strategy for Londoners: Evidence Base (2018)

Presents evidence on the demand for and supply of skills in London. It also covers inequalities in skills and qualifications levels, trends in employer training, and analysis of London's training and education system.

The London labour market projections 2017 (2017)

Presents updated employment projections for London by sector to 2041. The central projections – produced prior to the COVID-19 pandemic and the UK's departure from the European Union – estimate that employment in London will grow at an annual average rate of 0.78 per cent, equivalent to 49,000 jobs per annum, to reach 6.907 million in 2041.

GLA Economics COVID-19 Labour Market Analysis (2020-2021)

Rapid information and analysis on the evolving impacts of the pandemic in London. The latest releases include:

- **Labour market update for London** (January 2021): a summary of the latest headline labour market estimates for London with comparisons to national trends
- **Labour market data for London Boroughs** (January 2021): a more in-depth look at the number of people claiming unemployment related benefits by local authority
- **Analysis of CJRS statistics for London** (January 2021): a briefing on the latest HMRC's official statistics on the furlough support scheme
- **Analysis of SEISS statistics for London** (November 2020): a briefing on the latest HMRC's official statistics on the self-employment scheme

The following indicators and analysis provide additional narrative material to support and complement the information provided in Chapter 3 of the Local Skills Report and Annex A.

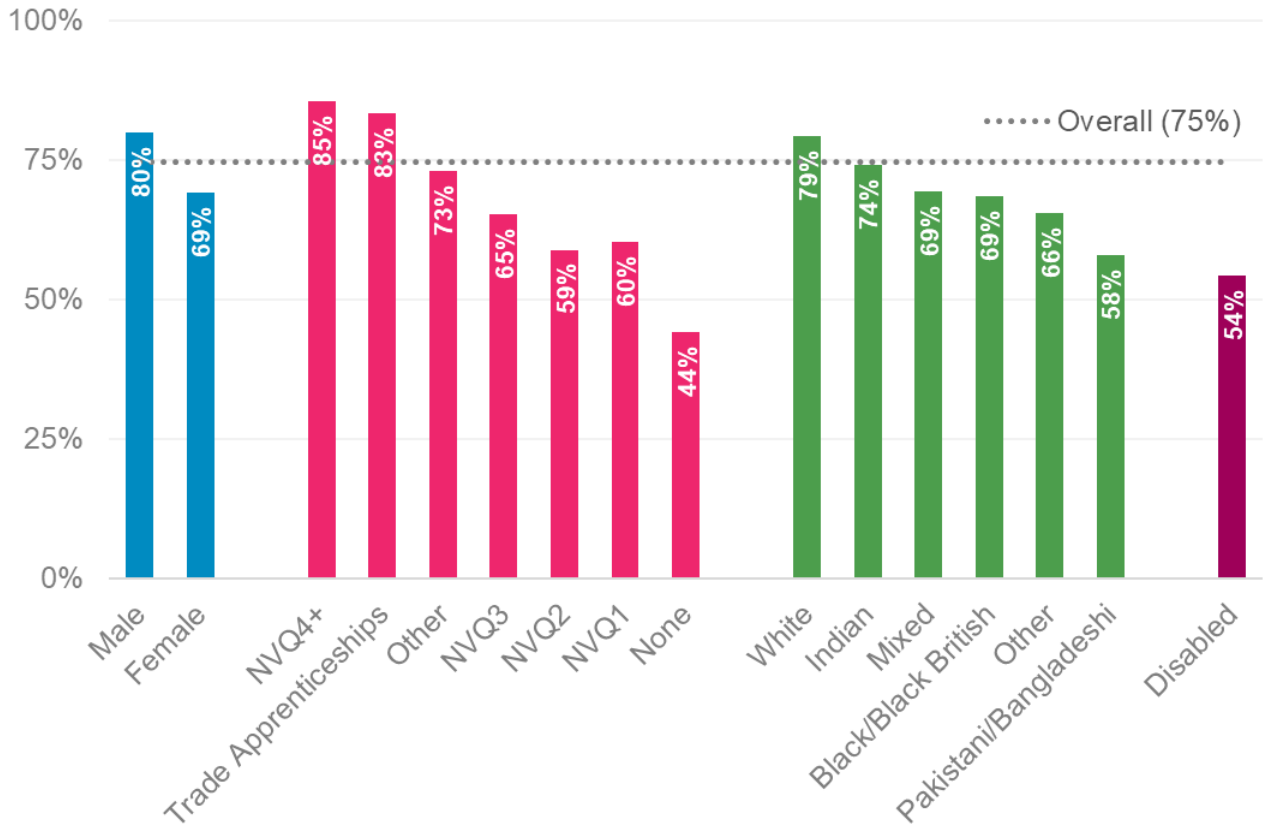
Local Landscape

Even before the coronavirus pandemic, significant inequalities in labour market participation existed between Londoners across a range of characteristics

Compared to the average rate of employment for working age Londoners in 2019 (75%):

- Employment rates were relatively low among women (68%) and people with lower level qualifications, particularly for those without any formal qualifications (46%).
- Londoners from 'black', 'other', 'mixed' and 'Pakistani / Bangladeshi' ethnic groups also had below average employment rates, as did disabled Londoners (52%).

16-64 employment rate (%) for select groups in London in 2019



Source: ONS Annual Population Survey 2019. Note: qualifications refer to highest level of qualification held

The link between skills and employment is particularly pronounced in the capital

There is a high demand for degree-level skills in London – employment rates for individuals without those higher qualifications are lower than in the rest of England.

- The employment rate for working age Londoners qualified at NVQ4 or above is in-line with the England average (both at 85-86% in 2019). However, employment rates for residents at all other qualification levels trail the national average.

- This is especially pronounced for working age Londoners whose highest qualification was at level NVQ2 only (12 percentage points below the England average in 2019), at NVQ3 only (10 percentage points below average) and NVQ1 only (8 percentage points below).

There were also signs of increasing insecurity in the capital's jobs market in the decade leading up to 2020, particularly for some groups of workers

- 8.9% of workers in London were employed in a job with a temporary contract, working through an employment agency or self-employed in 'insecure' occupations in 2019. This was above the UK average (8.4%) and up from 8.1% in 2006.[35]

- There is an inequality dimension to rising job insecurity: workers aged 16-24 (17.0%), those with a disability (9.7%), and workers from a 'black' and 'other' ethnic background (13.3% and 13.4%) were more likely to be in insecure work in 2019.

- More employees were also working on 'zero hours' contracts in the last year (3.0% of employment in 2020).[36] While recent research for the Department for Business, Energy and Industrial Strategy found that a quarter of adults involved in the 'gig economy' lived in London.[37]

Income inequality is far greater in London than in the rest of the UK, especially after housing costs are taken into account

- The income (after basic housing costs) of the bottom decile of London households is around two thirds of that for the rest of the UK, while the income of the top decile of London households is more than quarter higher than for the top decile outside the capital.[38]

[35] Such as caring, leisure or other service occupations, process plant and machine operatives or in elementary occupations. See: https://data.london.gov.uk/economic-fairness/
[36] ONS (2020) People in employment on zero hours contracts
[37] Department for Business, Energy & Industrial Strategy (2018) The Characteristics of those in the Gig Economy
[38] GLA analysis of Households Below Average Income microdata. See: London Datastore

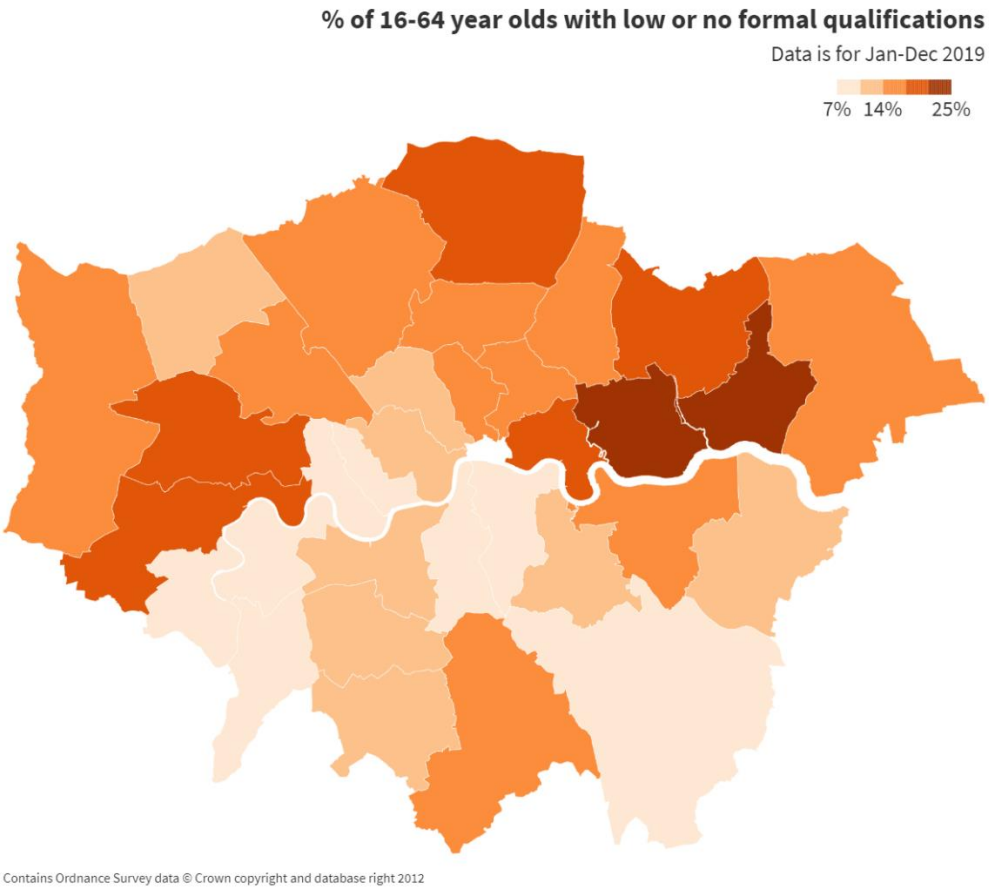
- This means that the richest 10% of London have at least ten times the income of the lowest income households in the capital. Whereas for the rest of the UK the highest income tenth of households have just over five times the income of the lowest income decile.

Skills Supply

There is considerable geographic variation in skills attainment within the capital, with stark inequalities appearing between different London boroughs

- Within London the share of 16-64-year olds with low or no formal qualifications varies widely: from 7% in Richmond upon Thames to 25% in Newham and 23% in Barking and Dagenham.

- In several boroughs, particularly in the east and north-east of London, the share of the population with low formal qualifications is above the England average of 14%.



Source: ONS Annual Population Survey 2019

School leavers' transition from education into work can be a challenge; while most London employers find school leavers to be well prepared for work, a significant minority do not

- In 2019, around 30% of London employers who had recruited 16-year-old school leavers considered them poorly prepared for work and 28% for 17-18-year olds – far higher proportions than for university or higher education leavers (13%).[39]

- There is also evidence that young people are not well informed when it comes to decisions about careers and future study[40], which could affect people from disadvantaged backgrounds in particular.[41] Yet only 29% of London employers reported offering education focused work placements in 2019.[42]

Although apprenticeship numbers have increased since 2010/11, demand in London remains lower than in the rest of the country

- The 40,750 apprenticeship starts in the capital in 2018/19 was below most English regions, particularly when normalised by population size.

- At the time of the 2019 Employer Skills Survey only 13% of London employers currently had or offered any formal apprenticeships on site, compared to 19% nationally.[43]

This is partly explained by higher progression rates to university or higher education, and partly because jobs in London are generally weighted towards 'low-apprenticeship employing' sectors.

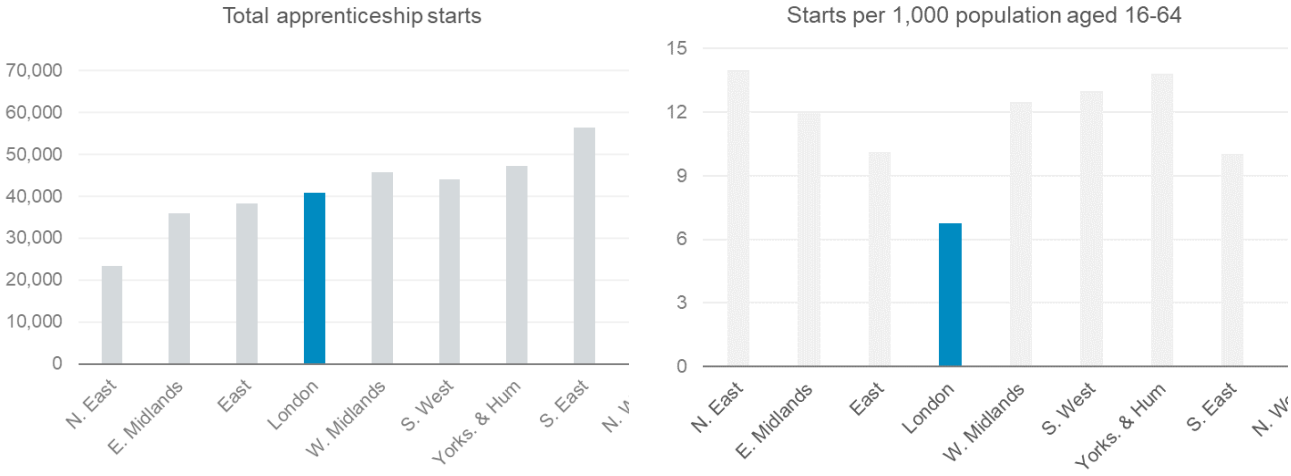
At the same time:

- Over 1 in 10 London employers also lack awareness and/or good knowledge about what's involved in an apprenticeship (11% in London vs. 8% nationally).

- There is under-representation of certain population groups by subject area – for example, among women in IT apprenticeships and among ethnic minorities in engineering.[44]

[39] Department for Education (2020) Employer skills survey 2019 LEP data tables
[40] A 2016 inquiry by a parliamentary subcommittee concluded that 'too many young people are leaving education without the tools to help them consider their future options or how their skills and experiences fit with opportunities in the job market… having a negative impact on the country's productivity'. Source: Sub-committee on Education, Skills and the Economy (2016) Careers advice, information and guidance inquiry
[41] For more information, see: GLA Economics (2018) Skills strategy for Londoners: Evidence base
[42] Department for Education (2020) Employer skills survey 2019 LEP data tables
[43] Department for Education (2017) Employer perspectives survey 2016: England data tables
[44] GLA Economics (2018) Skills strategy for Londoners: Evidence base

Apprenticeship starts by English Region, 2018/19



Source: Department for Education / ONS mid-year population estimates

There are signs that the level and quality of workplace training is not being maintained in London and nationally.

Annex A notes that both the volume and quality of workplace training appear to be declining in London compared to previous years.[45] There is also an important inequality dimension to training: more qualified individuals are disproportionately likely to benefit, while cost and lack of time are also barriers for Londoners taking on learning opportunities.

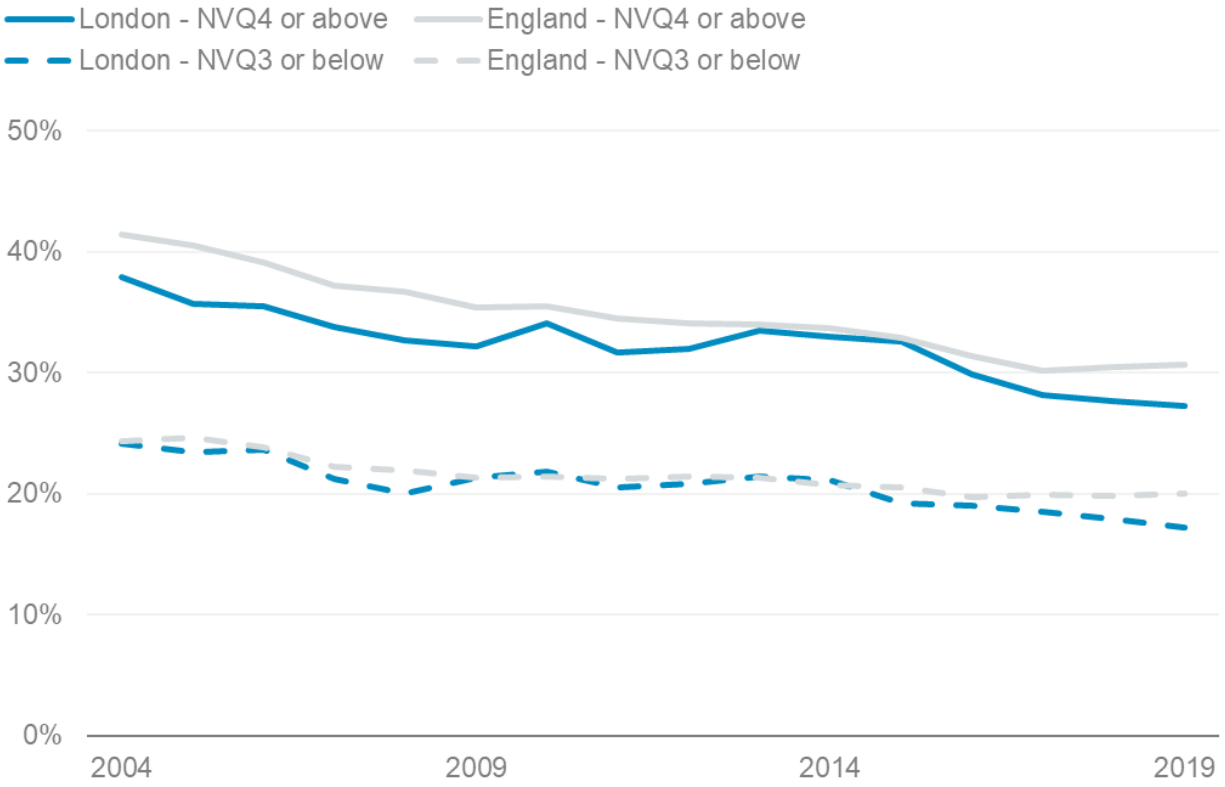
- Almost three in ten working age Londoners qualified at NVQ 4+ received training in the past 13 weeks in 2019, compared to less than a fifth of those qualified at NVQ3 or below.

- This inequality contributes to a widening existing skills gap, despite evidence that those in mid-skilled roles receive a higher wage boost from training.[46,47]

- A recent survey of Londoners suggests that cost (49% report this as one of their two top barriers) and lack of time (40%) are also the main barriers for individual taking on learning opportunities.[48] Younger people, ethnic minorities and women are most likely to report a lack of resources to invest in their own human capital.

[45] GLA Economics (2018) Skills Evidence Base
[46] Social Mobility Commission (2019) The adult skills gap: is falling investment in UK adults stalling social mobility?
[47] ONS (2019) Characteristics and benefits of training at work, UK: 2017
[48] GLA/You Gov poll, 18-21 Dec 2017, representative sample of 1,088 London adults, conducted as part of the Skills Strategy consultation

% of 16-64 year olds who received job-related training in the past 13 weeks by level of qualification attainment, London and England, 2004-2019



Source: ONS Annual Population Survey

Flows of foreign-born workers into the UK have slowed since the referendum in 2016; the introduction of a more restrictive post-Brexit immigration regime could damage the capital's supply of skills and potentially its productivity performance

The significant role played by migrants in the London economy is likely to reflect persistent labour shortages as well as long-standing challenges in attracting UK-born candidates to fill certain jobs (e.g. due to their precarious nature or lower rates of pay).[49]

- In volume terms London was the region 'most affected' by the skilled worker policy proposals that were outlined in the government's 2018 immigration white paper, accounting for a third of the projected reduction in long-term EEA worker inflows.[50]

- Even with a greater degree of slack in the labour market due to the coronavirus pandemic, there are sectors that look set to experience labour shortages under the post-Brexit immigration regime.[51]

[49] e.g. Rolfe, H (2018) It's all about the Flex; Green, A. (2019) Low-Skilled Employment in a New Immigration Regime
[50] HM Government (2018) The UK's future skills-based immigration system
[51] Resolution Foundation (2020) Home and away: The UK labour market in a post-Brexit world

- Employers recruiting for some roles will be more able to respond than others, including through automation.[52] Recent GLA Economics research suggests that employers recruiting for roles such as 'Construction & Building Trades', 'Food Preparation & Hospitality Trades' and 'Childcare Services' could face challenges.[53]

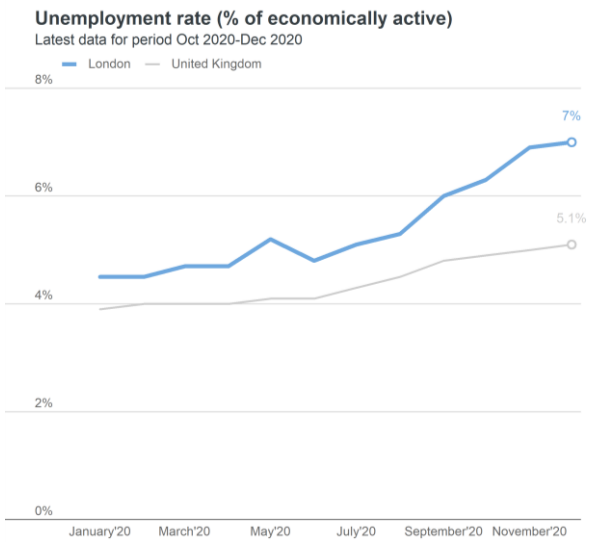
Skills Demand

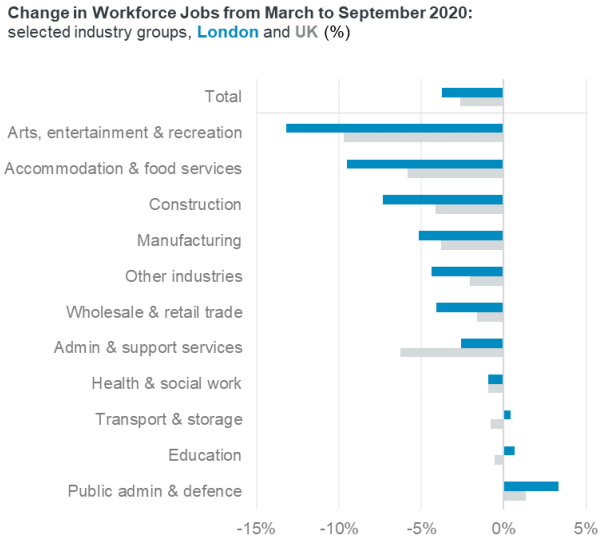
After showing some initial resilience the London labour market has started to weaken markedly in the second half of 2020, more than in the rest of the UK

- Despite a small increase in the last month, the number of payrolled employees living in London has decreased by 213,900 or 5.2% between January 2020 and January 2021, double the rate of decline recorded nationally.

- The London unemployment rate recorded a record-high increase on the previous year, to reach 7.0% in the three months to December 2020 (compared to just 5.1% across the UK).

- Workforce jobs fell by around 229,000 in London between March and September, with the greatest falls in percentage terms being registered in the Arts & Entertainment, Accommodation & Food and Construction Sectors.





Source: ONS Labour Force Survey / ONS Workforce Jobs

[52] Home Office (2019) The UK's future skills-based immigration system
[53] GLA Economics (2019) Potential impacts of skills-based immigration policies in London

This is despite continued support from government schemes, especially the Coronavirus Job Retention Scheme (CJRS)

At 31 December 2020:

- London had a total of 641,200 employments furloughed under the CJRS – a higher level than for any other UK region or country.
- This represents 15% of the eligible population – also a higher take up rate than in any other UK region or country (all between 11% and 12%).
- Across the UK as a whole, Newham had the second highest take up rate, and Haringey the third highest rate.

Across different sources, the number of online job adverts in London has fallen substantially, and remains more suppressed than in other parts of the country

According to monthly online job postings data from Emsi:

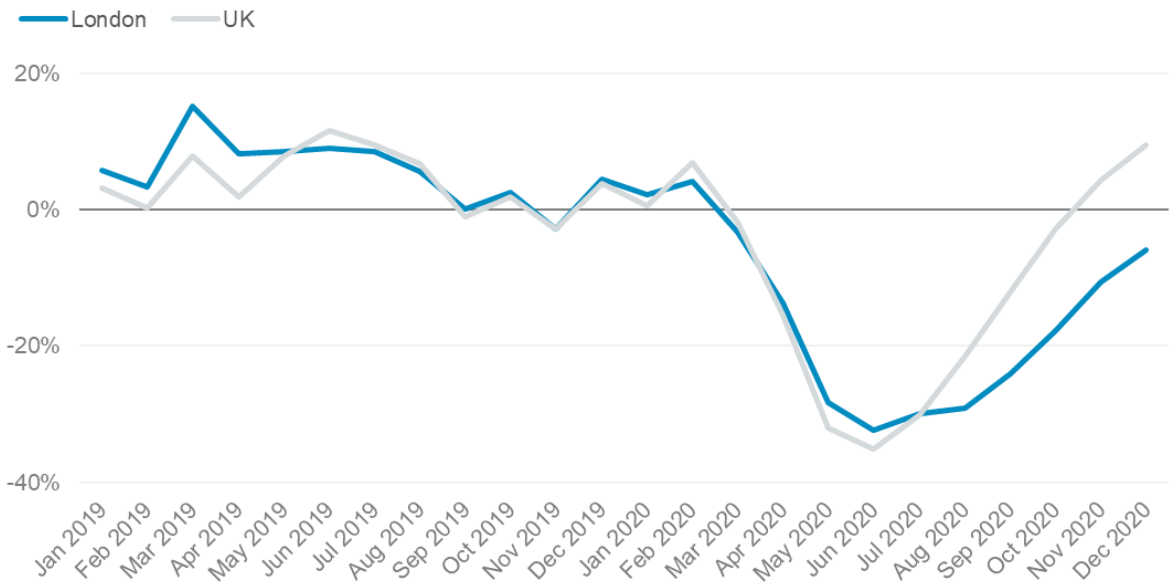
- As noted in Annex A, online postings fell sharply as a result of the coronavirus pandemic and the measures to contain it. The number of unique online job postings fell by 29% between February and July 2020, in-line with the national picture.
- While there were signs of a recovery after the first national lockdown ended, London registered a slower rate of recovery than in other parts of the country. Online job postings in December were still down 6% on the previous year.
- There is considerable variation between different occupational groups, however. Compared to the same period last year, online job postings in December 2020:
    - increased for Health-related Professional and Associate Professional roles, as well as in Construction & Building Trades and some Elementary Trades;
    - significantly decreased in Leisure & Travel related occupations, as well as in certain Administrative, Sales, and Culture, Media & Sports occupations.

Looking at more recent ONS analysis of (weekly) online job adverts from Adzuna:

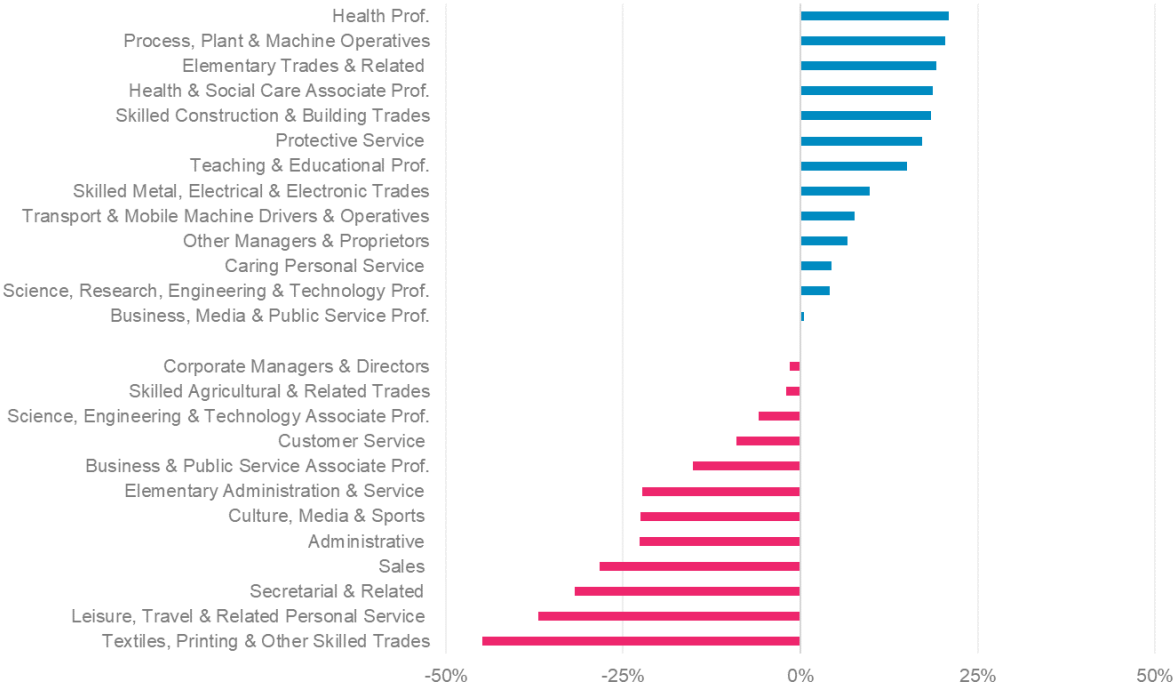
- The volume of online job adverts in London fell sharply (by 22 percentage points) in the week ending 29 January 2021 to 63% of its level in the same week of last year. This was below the level recorded in any other region in England.[54]

[54] ONS (2021) Coronavirus and the latest indicators for the UK economy and society: 4 February 2021

Monthly online job postings, percentage change on previous year
Latest data for December 2020



Annual change in online job postings by 2-digit occupational group in London
% change between December 2019 and December 2020



Source: Emsi, 2021. For more information see: Emsi-economicmodelling.co.uk

The decade leading up to the pandemic was marked by a particularly acute pay squeeze in London, even more pronounced than at the national level

- In real-terms full-time gross weekly earnings for employees in London were still 4.5% below 2008 levels in 2019, compared to 2.9% below for the UK as a whole. This pay squeeze had been especially marked for lower earners including those entering work for the first time.[55]

- Over a longer time, the proportion of Londoners in working households living in relative poverty increased from 12% to 15% between 1994 and 2017 (after housing costs). Although in-work poverty rose in every region in this period, the largest increase was in London, with rising housing costs playing a leading role.[56]

- While median wage levels in the capital tend to be higher than in the rest of the UK across occupations, wages for lower earners (employee jobs in the bottom decile of earnings) are similar once regional price differentials are taken into account.[57]

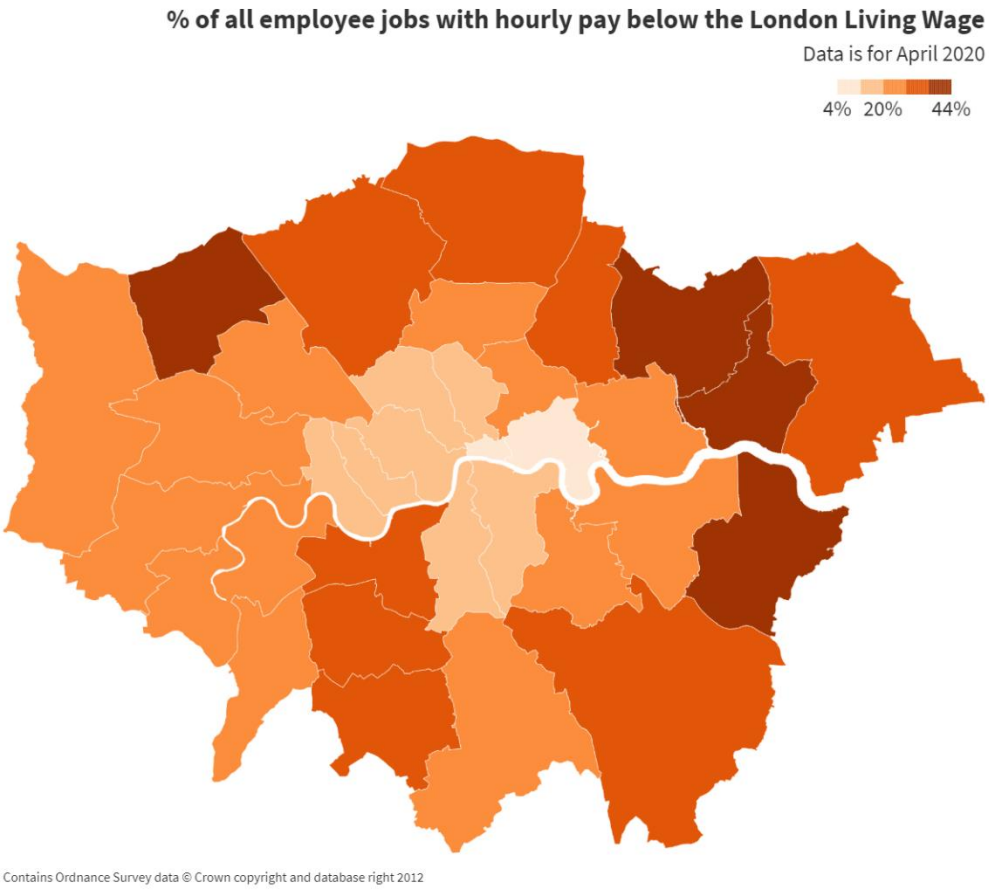
Since 2012, London has also experienced a more pronounced increase in employee jobs paid below the Living Wage than for the UK as a whole, especially in Outer London

- One in five employee jobs now pays below the London Living Wage, up from 12% in 2006. Several London boroughs stand out as having an even higher proportion of employee jobs paying below the Living Wage, especially in Outer London.[58]

- According to the Living Wage Foundation this is partly because London's higher Living Wage (and higher average earnings overall) mean that national minimum wage increases, and the indirect or 'ripple' effects for workers up the earnings distribution, have less of an impact in the capital compared to lower wage areas.

- This means that recent increases to the minimum wage – which overall have boosted pay for low paid workers in the UK[59] – have had less of a downward effect on the proportion of employee jobs paid below the Living Wage in London than in other parts of the country.

[55] Resolution Foundation (2018) London Stalling: Half a century of living standards in London.
[56] Institute for Fiscal Studies (2019) Why has in-work poverty risen in Britain?
[57] Annual Survey of Hours and Earnings (2018 provisional, gross hourly pay); Relative regional consumer price levels of goods and services, UK: 2016, ONS.
[58] This includes Bexley (44%), Barking and Dagenham (39%) and Redbridge (39%). See: Living Wage Foundation (2020) Employee Jobs Paid Below the Living Wage: 2020
[59] Dube, A. (2019) Impacts of minimum wages: review of the international evidence



Source: ONS Annual Survey of Hours and Earnings

Looking ahead, the evidence about the extent to which jobs in London will be replaced by automation remains mixed, but technology adoption may be accelerated by the coronavirus pandemic

Because of its occupational structure, the exposure of jobs in London to automation is generally considered to lower than elsewhere.

- A range of studies have estimated that between 5% and 33% of jobs in London could be at 'high risk' in the coming decades. But these results are sensitive to methodological assumptions and various economic, legal and other factors will affect the pace of technology adoption.[60]

- The impact of automation also depends on the balance of job displacement and creation, with some evidence that London will see a net increase in jobs due to automation trends.[61]

[60] OECD (2018) Job Creation and Local Economic Development

[61] PwC research – produced prior to the coronavirus pandemic – estimated that London would see a net increase of 138,000 jobs due to automation from 2017 to 2037. Source: PwC (2018) July 2018 Economic Outlook

- Still, tasks in almost every job will be changed as interaction with technology increases.[62]

- And the coronavirus pandemic could accelerate the pace of technological change. According to recent research by the RSA many (but not all) of the industries most impacted by the pandemic are also at high risk of automation.[63]

While automation offers a route to overcoming labour shortages and boosting productivity growth, there is a need to ensure that both current and future Londoners do not lose out

- Automation 'risk' remains closely linked to workers' education levels.[64] And the likelihood of working in 'at risk' occupations is also not evenly distributed across the population. Women, younger and older workers are more likely to find themselves either displaced by new technologies or less equipped to fill emerging roles.[65]

- The demand for social, creative, and logical reasoning abilities is expected to rise, especially at more advanced levels.[66] This is consistent with evidence of increasing utilisation and returns to analytical and interpersonal skills in recent years.[67]

- The most widespread area of under-skilling is expected to be in basic digital skills, which are likely to become more advanced in comparison to what is currently required.[68]

Mapping Skills Supply and Demand

In addition to skills deficiencies, the proportion of staff identified as under-utilised by their employers is relatively high in London; policies are needed to support managers and employees to improve the usage of skills in the workplace

- Employers making better use of skills are likely to be more productive.[69] Yet 36% of London employers reported having staff that were 'under-utilised' in 2019 – more than double the share that reported skills gaps or skills shortage vacancies (15%).

[62] McKinsey Global Institute (2017) Jobs lost, jobs gained: Workforce transitions in a time of automation
[63] RSA (2020) Work and automation in the time of Covid-19
[64] ONS (2019) The probability of automation in England: 2011 and 2017
[65] ONS (2019) Which occupations are at highest risk of being automated?
[66] Deloitte (2014) Agiletown: The Relentless march of Technology and London's Response
[67] Dickinson, A. and Morris, D. (2019) The Changing Demand for Skills in the UK
[68] Industrial Strategy Council (2019) UK Skills Mismatch in 2030
[69] OECD (2017) Better Use of Skills in the Workplace: Why It Matters for Productivity and Local Jobs

- While the adoption of 'High Performance Working' practices can help firms make better use of workforce skills, only 9% of organisations in London were regarded as high-performance employers in 2017, leaving scope to promote the take-up of these practices.[70]

- Depending on how it is measured, London also features a higher proportion of 'overeducated' workers than in the rest of the country[71], and this generally carries a wage penalty.[72]

- The higher rate of overqualification in London is partly down to the composition of the labour force – specifically the high proportion of migrant workers. Widening access to English language training and improved recognition of international qualifications could have particular economic benefits in the capital through better use of migrant skills.[73]

[70] Defined as adopting at least 14 of the 21 High Performance Working practices covered in Employers Skills Survey. Source: Department for Education (2018) Employer Skills Survey 2017

[71] ONS (2019) Overeducation and hourly wages in the UK labour market; 2006 to 2017. That said, adopting another measure, the share of graduates working in non-graduate roles is below the UK average in the capital.

[72] According to the OECD, for example, overqualified workers in England earn 15% less than workers with the same skills proficiency in a well-matched job. This finding is supported by recent ONS analysis on the pay penalty faced by overeducated workers. See: ONS (2019) Overeducation and hourly wages in the UK labour market; 2006 to 2017

[73] IPPR (2019) Measuring the benefits of integration: The value of tackling skills underutilisation.

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GLA Economics (2016) Long Term Labour Market Projections 2016

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