

JOBS AND SKILLS IN LONDON

Building a more responsive skills system in the capital

IPPR

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SUMMARY

London has been the engine of UK jobs growth since the recession, accounting for a third of net job creation since 2010. Our analysis suggests that more than a quarter of entry-level vacancies are at a mid-skill level (not requiring a degree, but paying more than the Living Wage Foundation's London living wage). This represents a big opportunity for Londoners currently outside the labour market or working in low-paid roles, if they can gain the skills they need to take up these mid-skilled jobs.

At present, London's labour market and skills system are not facilitating participation and progression to the extent that they could be. In spite of recent rapid jobs growth, London still has a below-average employment rate, relatively low rates of vocational training and in-work progression, and skills shortages in certain mid-skill occupations.

The skills system in London could and should do more to ensure that Londoners have the best possible chance to enter employment and progress in work. The GLA should work to improve the information available to adult learners about the labour market outcomes of learners taking a given course or qualification, and should use its power over further education capital funding to facilitate new courses that meet identified skills needs but which providers are currently reluctant to offer.

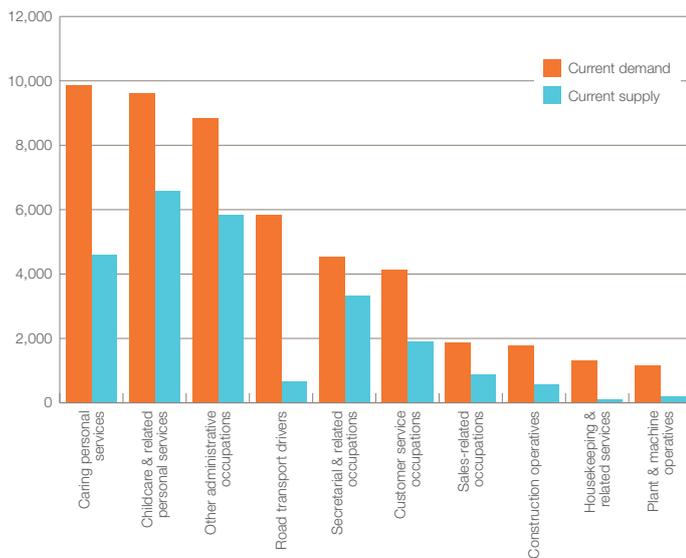
Over the longer term, we recommend that London's devolution deal should give the GLA new powers to vary the funds it gives to adult education providers. The GLA should also be given the capability to shift to a results-based funding model for adult skills in the future, and should begin to investigate now what such an approach might look like.

KEY FINDINGS

- **London has created 760,000 net jobs since 2010.** The business services sector has accounted for almost 30 per cent of this growth. A further 15 per cent of jobs have been created within the education, health and care sectors, 13 per cent within the information and communication sector, and 10 per cent within the construction sector.
- London has a reputation as a polarised city, combining a high-skill knowledge economy with a prevalence of low-paid, low-skill work. However, our evidence suggests that **there is robust demand for mid-skilled occupations:** in 2014, such jobs accounted for 27 per cent of entry-level vacancies.
- **Mid-skill occupations are expected to account for around a quarter of all openings between now and 2022.** The occupations expected to generate the most new jobs are caring personal services and administrative occupations.
- In several important respects, **the functioning of London's labour market could be improved.** The city's employment rate remains below the UK average; rates of participation in adult education and apprenticeships are relatively low, as are in-work progression rates; and there is evidence of skills shortages, particularly among certain mid-skill occupations.
- The most acute mid-skills shortages occur in the road transport sector, the caring personal services sector, the childcare and related services sector, and in administrative occupations. **Across all mid-skill occupations, we estimate that there is a shortage of 22,000 people annually.**

Among London mid-skill occupations, the skills gap is particularly severe in caring personal services and road transport drivers

Current demand (vacancies) and current supply (new-entrant HE or FE finishers), 2014



Source: Burning Glass Technologies (2016) job vacancies data provided to IPPR

KEY RECOMMENDATIONS

In order to boost skills supply in the capital where it is most needed, and generate greater opportunities for Londoners to get on in work, we recommend the following immediate actions:

- **The GLA should make radical improvements to the quality and availability of labour market intelligence**, with the aim of giving learners and prospective learners better information on both the returns they might expect from different courses and qualifications, and the learning and employment results achieved by individual providers.
- Where a particular qualification or skill-set is identified as being in low supply but high demand, **the GLA should work with the London local enterprise partnership (LEP) to use further education capital funding to encourage providers to offer new or expanded courses.**
- Although the GLA has no formal control over apprenticeships policy, there is much it could

do to drive up the quality and quantity of the apprenticeships that will be provided in London through the apprenticeship levy. First, **the GLA should aim to enhance transparency by reporting on the quality of apprenticeships provided by London employers.** Second, **the GLA should play a coordinating role to ensure that employers are offering sufficient numbers of the apprenticeships London needs given its skills shortages.**

As London's skills devolution deal is still being developed, we have two recommendations for the detail of that deal:

- First, **the GLA should be given the power to vary the funds it gives to adult education providers**, to incentivise them to provide the courses and qualifications most in demand from employers. The improvements to the quality and availability of labour market intelligence described above are a prerequisite for this approach to work.
- Over the longer term, and once the quality of labour market data has been proven, **the GLA should be given the power to pay providers by results**, to strengthen the connection between adult education and the needs of the labour market even further. As a first step in this direction, the GLA should investigate now the possibility of linking funding for providers to learning or labour market outcomes.

ABOUT THE PROGRAMME

The JPMorgan Chase New Skills at Work programme aims to identify strategies and support solutions that help improve labour market infrastructure and develop the skilled workforce globally. The initiative brings together leading policymakers, academics, business leaders, educators, training providers and nonprofits with the goal of connecting labour market policy with practice, supply with demand and employers with the workforce – all to strengthen the global economy.

NEW SKILLS AT WORK

JPMORGAN CHASE & CO.

For the full report, including all references, data sources and notes on methodology, see: www.IPPR.org/publications/jobs-and-skills-in-london

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