

4 Strengthening the involvement of employers in adult learning

This chapter assesses the degree to which the current supply of skills within London aligns with labour market demand. It examines available evidence on skills mismatches, employer investments in training as well as the degree to which firms embed training in their business practices. The chapter highlights the main challenges that employers report in terms of skills development. It also looks at possible opportunities to strengthen the role of employers within the overall adult learning system in London.

In Brief

Job-related training in London is falling alongside widespread reported skills gaps and skills-related vacancies. Employer ownership of skills will be critical to future proof London's economy.

- **Skills mismatches and an ineffective use of skills are widespread in London and could explain why labour productivity has not increased in recent years.** Although London has a high educational attainment rate relative to the OECD average, its labour productivity performance has been poor. Skills mismatches appear to play an important role in explaining this sub-optimal performance. Despite rising educational attainment, many Londoners lack basic literacy and numeracy skills. Furthermore, 37% of London's labour force are mismatched by qualification, working in jobs that do not correspond to their level of qualification.
- **Before COVID-19, more than 21% of firms in London had unfilled vacancies and the main reason for vacancies was a lack of qualified, skilled candidates.** Sixty-one percent of London's employers report the quality of applicants as a major problem in filling vacant positions. Hard-to-fill vacancies have a direct impact on business operations. Firms with skills-shortage vacancies struggle to meet customer demand, produce new products or services, and lose business to competitors.
- **Despite its importance for skills development, employers do not invest enough into staff training.** Job-related training has been falling in London, with less than 18% of economically active Londoners receiving such training throughout the preceding four months. Those that could benefit the most from job-related training, namely low-skill workers, are less likely to receive it. Limited financial resources are a major impediment for those firms in London that would be willing to provide more training, with almost 50% of firms citing funding as an important limitation. Online training and e-learning offer potential to increase the accessibility of training, but less than half of London firms take advantage of it.
- **Looking at vocational education and training, the apprenticeship system in London has become more important over the past two decades.** The number of apprenticeship in London more than quadrupled between 2005 and 2017, from around 11,000 to above 44,000. However, it has fallen since the introduction of the national apprenticeship levy in 2017. Because of the global pandemic, workplace learning and apprenticeships are under pressure. Just 39% of apprenticeships are currently continuing as normal and estimates predict that apprenticeship starts could fall by up to 50%.
- **High performance work practices could help foster more effective use of skills in the workplace across London.** Employees' skills are only valuable if they are put to good use and high performance work practices have been shown to achieve greater use of skills at the workplace. Many firms in London have adopted some high performance work practices but there remains room for improvement when it comes to skills- and training-related practices such as designing training plans or allocating sufficient resources to skills development.

Introduction

Successful adult learning programmes require the consultation and engagement of a diverse set of stakeholders. Besides local councils, social partners, and training providers, employers play a pivotal role in ensuring that adult learning and training are effective and targeted. Employers' experience and on the ground knowledge offer valuable information that can benefit the design of training programmes to ensure they are more likely to meet the needs of the labour market. In realising the importance of firms, the Greater London Authority (GLA) has established the Skills for London Business Partnership as one of its two constitutive partners. Despite this step in the right direction, London can further improve the extent to which firms actively contribute to adult learning and training. This chapter looks at available evidence on the current involvement of employers in adult learning and training. It explores the main challenges and elicits opportunities to better leverage firm's expertise in designing training for the benefit of workers and the London economy.

Evidence on skills gaps and mismatches in London

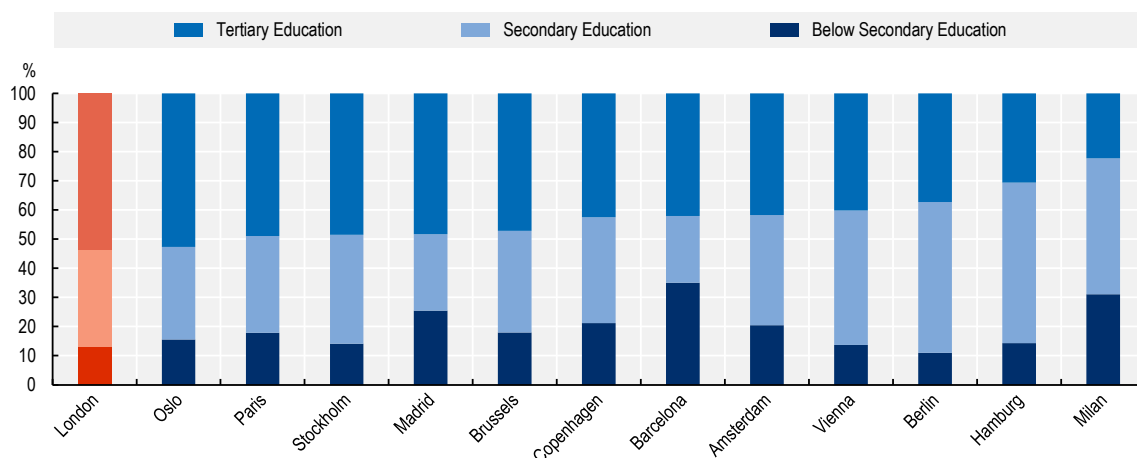
Skills mismatches hold back labour productivity in London

Skills are a fundamental driver of economic development and productivity. The proficiency and appropriate utilisation of skills are crucial determinants of labour productivity. Skills gaps help explain a significant share of cross-country variation in labour productivity (Adalet McGowan and Andrews, 2017^[1]). Additionally, industry-level analysis shows that firms in industries with higher skills mismatches tend to have a lower labour productivity performance (Adalet McGowan and Andrews, 2015^[2]). Additionally, skills allow workers to be more flexible to react to changing labour markets, making them more resilient to economic crises, and thus enhance well-being. Therefore, it is more important than ever to have a robust adult education and training system that provides on- and off-ramps for all individuals and firms to participate. Such a system will allow workers to gain new skills, retrain, or extend existing skills in bringing them up-to-date with recent developments.

London records a highly educated workforce, in terms of tertiary educational attainment, when compared to other OECD metropolitan areas (Figure 4.1) or UK regions. Furthermore, educational attainment of London's labour force has steadily increased over the past 20 years. Since 2000, the population share with completed tertiary education has grown by almost 18 percentage points, from 39.8% to 57.5%. Across the OECD, the share of tertiary educated workers is more than 20 percentage points lower, standing at 36.9% in 2018. Despite this rise in the supply of highly qualified labour, productivity in London has come to a standstill since the financial crisis, falling considerably behind the growth experienced across OECD countries. While other factors such as the sectorial structure of the economy, infrastructure, investments, or R&D expenditure affect labour productivity (OECD, 2017^[3]), a lack and mismatch of skills appear to play a decisive role in explaining the productivity puzzle in London.

Figure 4.1. Educational attainment of labour force across OECD metropolitan areas

The share of workers with tertiary, secondary, or below secondary education, 2017



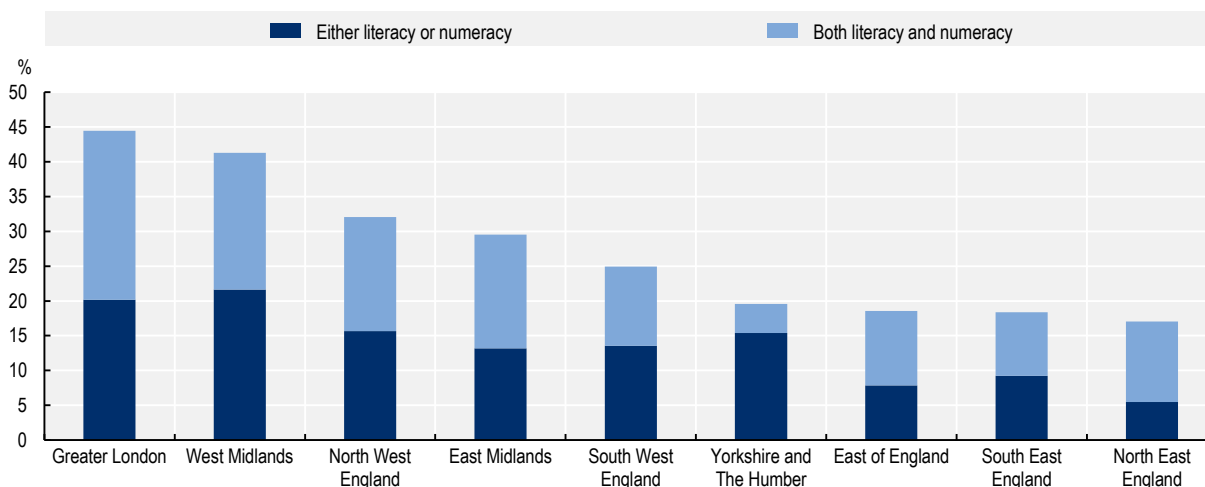
Note: Data are for corresponding TL 3 regions.

Source: OECD regional and metropolitan databases.

Despite the rise in educational attainment and an internationally large share of tertiary-educated workforce, the provision of basic and essential skills remains a problem in London. The lack of basic skills is particularly pronounced among young people. In London, 44% of people aged 15-24 have low literacy or numeracy levels, more than in any other region in England (Figure 4.2). Of those youth, 24% have low levels in both numeracy and literacy. The lack of basic skills severely hampers the employability of affected young people and, if they are in employment, inhibits their productivity. Compared to the OECD average, London has a significantly higher share of young people with a lack of basic skills in literacy and numeracy (OECD, 2015^[4]).

Figure 4.2. Low numeracy and literacy among young people across UK regions

Share of people aged 15-24 with low literacy and/or numeracy



Note: The figure shows the share of young people, aged 15-25, who have reading proficiency below Level 2 and/or numeracy below level 2 based on PIAAC data. Level 2 is considered the baseline level for these skill areas in PIAAC.

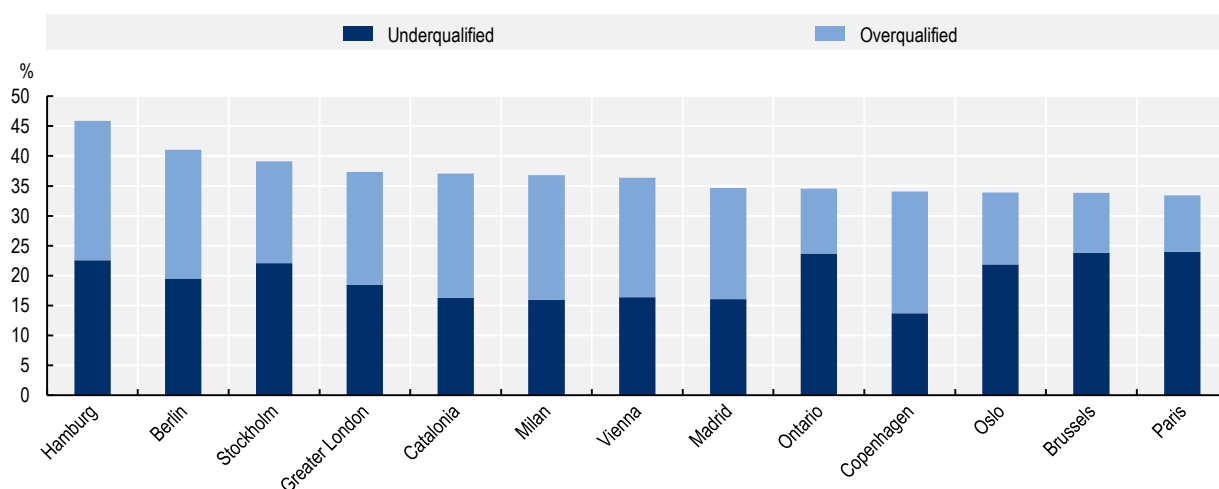
Source: OECD calculations based on the Survey of Adult Skills (OECD, 2015^[5])

While London has one of the most educated workforces in OECD metropolitan areas, the fact that its labour productivity is stagnant suggests that their skills and qualifications appear not well aligned with local skills demand. Skills mismatches can arise in various ways. A local economy can have skills shortages or gaps but skills mismatches also occur when qualifications, knowledge and skills exceed job requirements. To understand the causes of skills mismatch, one needs to look at its various forms.

A crucial component of functioning labour markets is the matching of workers to jobs in which they can utilise their skills in the best possible way. Mismatches between workers' skills and the requirements of their jobs, on the other hand, can have negative effects, ranging from lower job satisfaction and wages for workers to lower productivity through the waste of human capital (OECD, 2018^[6]). One form of mismatch is by qualification, which arises when workers have an educational attainment that is higher (over-qualification) or lower (under-qualification) than that usually required by the tasks of their job. Such qualification mismatches are widespread in London's labour market. More than 37% of workers in London have a job that does not correspond to their level of qualification (Figure 4.3). While 18% of workers in London appear to be underqualified for their job, meaning they do not have the skills and qualifications normally expected to fill out their position, another 19% have a job for which they are formally overqualified. The share of overqualified workers exceeds both the OECD-wide and the EU-wide averages, which amount to 17% and 13% respectively. When compared to other large and economically important OECD metropolitan areas, London reports the fourth highest (out of 13) degree of skills mismatch by qualification.

Figure 4.3. Skills mismatch by qualification across OECD metropolitan areas

Percentage of workers across metropolitans (corresponding TL2 regions) occupying jobs that do not match their educational attainment, 2018



Note: ISCED groups 0-2, 3, 4, 5-8. For Canada, ISCED groups 0-2, 3, 4, 5-6. ISCED groups 302, 303 and 304 are considered to be 3 according to the newest 2011 isced classification.

Source: OECD calculations on European labour force survey 2018 and Calculations based on Stats Canada Census 2016.

European migrants in London tend to be more highly qualified but are also more likely to be over-qualified for their job than UK-born workers or migrants from other parts of the world. Across London, 62% of employed EEA-migrants (European Economic Area) have obtained a qualification level of higher education compared to 59% of UK-born employees and 60% of non-EEA born workers (Rocks, 2018^[7]). However, EEA higher education graduates are also more likely to work in non-graduate roles. While they play a crucial role in the supply of skilled labour, EEA migrants struggle more to find adequate jobs that correspond to their level of qualification. While this contributes to the high degree of mismatch by qualification in London, it is not its main driver as other OECD metropolitan areas with significant migrant

populations such as Brussels, Copenhagen, or Paris still show markedly lower rates of skills mismatch than London.

Asymmetry of labour market information could be a core reason explaining high over-qualification in London. Better-informed individuals are better prepared to avoid over-education than less-informed ones. Therefore, stronger, more frequent, and early career advice could help alleviate this type of skills mismatch and help direct Londoners to get the education and the skills in demand by local firms (see Box 4.1 for an example of targeted and early career guidance). There is, however, some disagreement on the extent to which mismatch is a temporary or a long-term phenomenon. Nonetheless, both over-education and over-skilling may persist over long periods. The overeducated may be trapped in low-level jobs while the under-educated or under-skilled are paid more than those with the same level of education in matching jobs and, therefore, have less incentive to move jobs. The duration of skill shortages will be a function of their level and complexity, while the duration of skill gaps is linked to retraining.

Box 4.1. Rotterdam: providing careers guidance to align education with labour market needs

In 2017, Rotterdam (Netherlands) started its BRIDGE (Building the Right Investments for Delivering a Growing Economy) project to address the challenge of aligning the educational choices of young people with future labour market needs. The project's target area is South Rotterdam, an area with about 200,000 inhabitants and among most deprived areas in the Netherlands.

To address the challenge young people face in choosing their education path, the Municipality of Rotterdam, in collaboration with other partners, developed a career guidance project that enables young people to make career choices relevant to the labour market needs. The project is funded by the Urban Innovative Actions (UIA) initiatives, with budgets from the European Regional Development Fund (ERDF). The BRIDGE programme involves all primary, secondary and vocational schools in South Rotterdam encourages young people to go into careers related to major growth sectors and especially the green digital economy. The programme team works together with employers, teachers and parents to guide students from age nine until they enter the labour market.

As part of this programme, employers offer a Career Start Guarantee. Via this pivotal programme element, employers commit in advance to provide a guaranteed career start for students after graduation. This guarantee is dependent on the students choosing courses relevant to labour market needs at the start of their secondary or further education. Additionally, the programme included the use of student mentors who serve as role models to other students and advocate for the project. Finally, the programme organised an event in January 2019, which brought together employers and 1500 young people in Rotterdam. Overall, the programme has exceeded its target of establishing 600 Career Start Guarantees annually.

Source: (Adams, 2020^[8]), https://www.uia-initiative.eu/sites/default/files/2020-08/224846_KURTH_06_-_ROTTERDAM_BRIDGE_JOURNAL_5.pdf (accessed 15 October 2020).

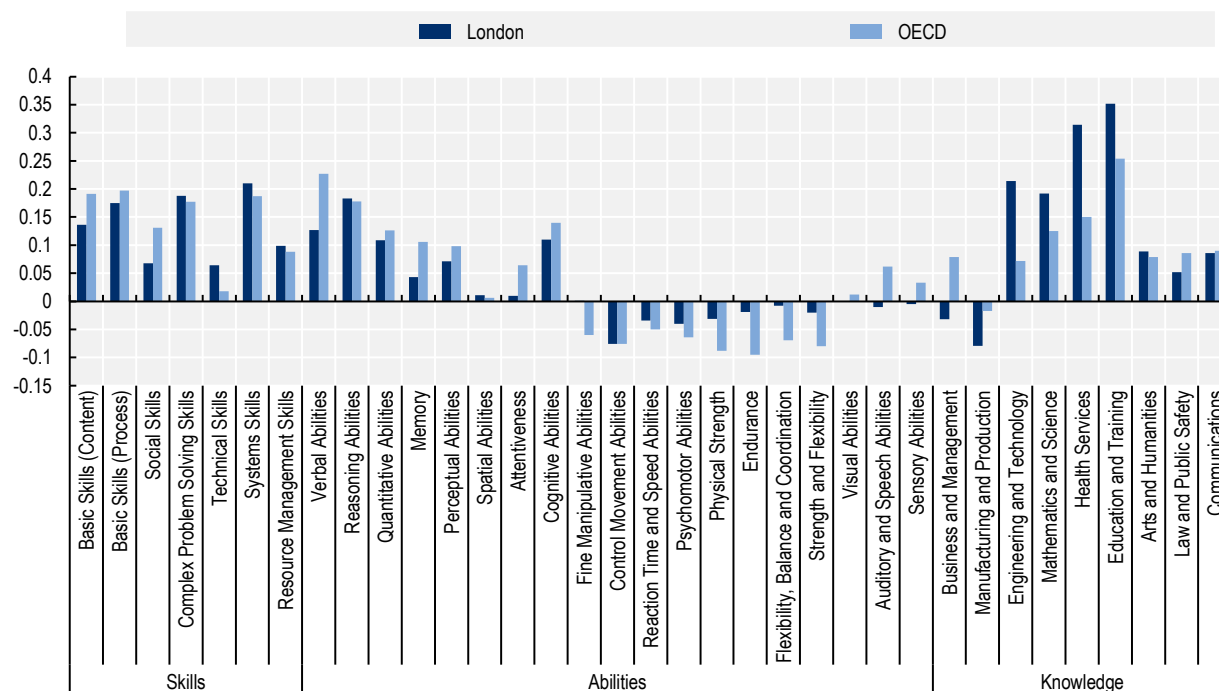
London experiences skills shortages and gaps skills shortages, which risk being exacerbated by COVID-19

Before COVID-19, skills shortages were widespread in London's labour market. Evidence from the OECD Skills for Jobs database shows that many types of skills and forms of knowledge are in shortage (Figure 4.4). The database defines skills as either hard-to-find (in shortage) or easy-to-find (in surplus) (see Box 4.2 for more information on the database). Skill shortages emerge when firms are unable to recruit staff with the necessary skills in the locally accessible labour market at the usual rate of pay and

working conditions. Conversely, skills surpluses arise when the supply exceeds the demand for a given skill. Based on the database the following skills, abilities and forms of knowledge are of particularly short supply in London: basic skills, complex problem solving skills, systems skills (e.g. time management), reasoning abilities, as well as the knowledge areas of health services and education and training. For many categories, London seems to face similar skills mismatches as the OECD overall. However, in various knowledge areas, shortages in London significantly exceed those in the OECD.

Figure 4.4. Skills mismatches in London and the OECD

Shortage and oversupply of skills, abilities and knowledge



Note: Positive values indicate shortages while negative values indicate surpluses. The indicator is a composite of five sub-indices: wage growth, employment growth, growth in hours worked, unemployment rate and growth in under-qualification.

Source: OECD Skills for Jobs database (www.oecdskillsforjobsdatabase.org).

Box 4.2. Measuring skills mismatches through the OECD Skills for Jobs database

The OECD Skills for Jobs Database provides country-level (as well as subnational) information on shortages and surpluses of a wide range of dimensions, including cognitive, social and physical skills. Information is disaggregated into more than 150 job-specific Knowledge, Skills and Abilities and is available for 40 countries among OECD and emerging economies. Knowledge areas refer to the body of information that makes adequate performance of the job possible (e.g. knowledge of plumbing for a plumber; knowledge of mathematics for an economist). Skills refer to the proficient manual, verbal or mental manipulation of data or things (e.g. complex problem solving; social skills). Abilities refer to the competence to perform an observable activity (e.g. ability to plan and organise work; attentiveness; endurance).

Source: OECD (2018[26]), Skills for Jobs,

https://www.oecdskillsforjobsdatabase.org/data/Skills%20SfJ_PDF%20for%20WEBSITE%20final.pdf (accessed on 3 September 2020).

The COVID-19 pandemic is likely to exacerbate skills mismatches across London's economy. As documented in Chapter 1 of this report, the economic impact caused by the pandemic is heavily concentrated on certain sectors with the possibility of further job losses. COVID-19 is changing the way people work. Teleworking and digital work tools have experienced a breakthrough. This development changes the skills that are needed to perform tasks, for instance by raising the importance of essential digital skills. Moreover, it alters economic geography of London as people's patterns of movement and travel-to-work have changed drastically, with significant repercussions for some business in the service industry.

The impact of the pandemic will make some skills more or less relevant in the future. COVID-19 is driving a transformation of the labour market in a way that could result in lasting employment shifts. This transformation is likely to require new, significant efforts of re-skilling workers as digital, higher cognitive, social and emotional skills, as well as adaptability to increase their resilience in a post-COVID labour market (McKinsey & Company, 2020^[9]). All of this elevates the importance of London's adult learning system, which needs to guide workers on their reskilling journey and deliver training programmes that offer learning aligned with local skill needs.

What are the main challenges that employers in London face in terms of skills?

The COVID-19 pandemic has led to an unprecedented fall in vacancies in the UK and London. Most recent data show that this fall is even more pronounced in London than in the UK. As of July 2020, vacancies across London are below 50% of the average level observed throughout 2019 (see Chapter 1 for more information). Before this drastic fall in open positions, employers in London consistently struggled to find applicants with the right qualifications and skills. This section presents evidence on vacancy rates across different sectors and as well as the most important drivers and consequences of open vacancies for firms in London.

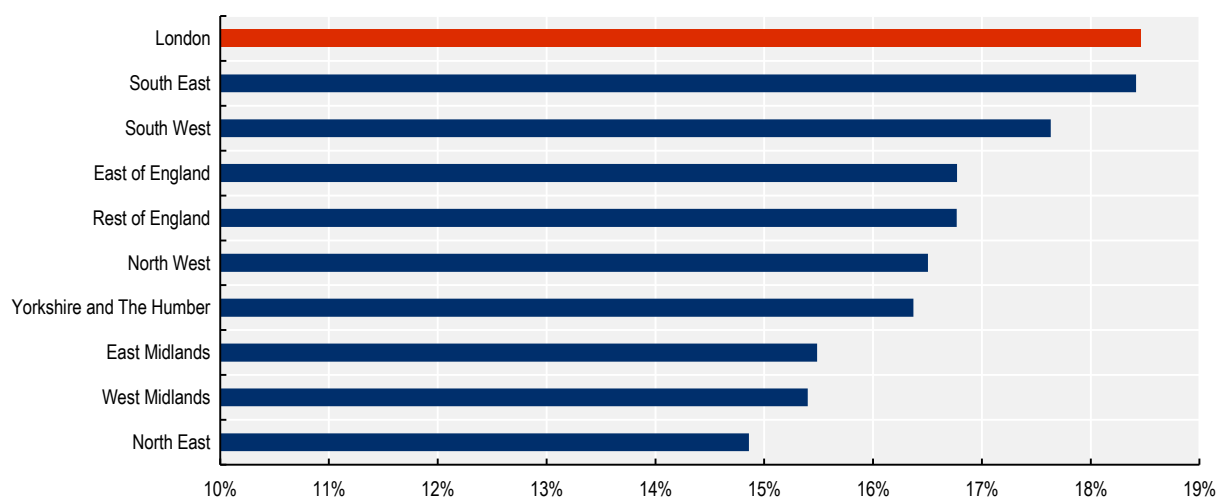
Vacancies and their main drivers

Pre-COVID evidence based on the UK Employer Skills Survey shows that many firms in London faced hiring difficulties. Slightly less than every fifth firm in London, corresponding to around 60,000 firms, has at least one unfilled vacancy (Figure 4.5). London has the highest share of firms with vacant positions across UK regions. In fact, before COVID-19 hit, vacancies affected more firms in London (18.5%) than in the rest of England (16.8%) or the UK overall (16.9%, excluding Scotland due to lack of data), pointing out the

relatively high degree of labour supply shortages and skills gaps in London. Furthermore, more than 7% of London's employers reported vacancies that are hard to fill.

Figure 4.5. Vacancies in enterprises across English regions, 2019

Share of employers (%) with unfilled vacancies



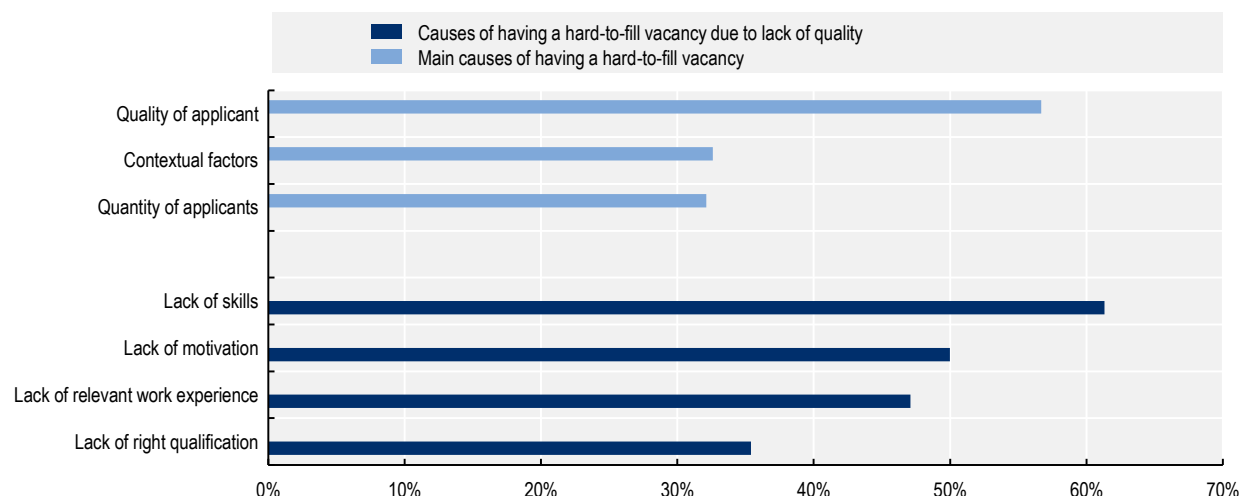
Note: The figure shows the share of employers with at least one unfilled vacancy.

Source: OECD calculation based on the UK Employer skills survey 2019 (Department for Education, 2020^[10]).

A lack of skills was the main reason why London's employers do not find suitable applicants for vacancies. The most common reason why employers in London struggle to fill open positions is the quality of available applicants (Figure 4.6). While 57% of London's employers report the quality of applicants as a problem, only 32% cite the quantity of applicants as a problem, pointing out that vacancies mainly arise due to the lack of suitable candidates with the right qualifications and skills rather than simply due to a shortage of supply. In total, more than one-fifth of the around 180 000 vacancies reported in London are skills-shortage vacancies, i.e. positions that employers struggle to fill due to a lack of skills, qualifications or experience amongst available applicants (Department for Education, Jul 2020^[11]). The main driver of hard-to-fill vacancies is a lack of suitable skills, which is a barrier for 61% of firms with such vacancies, rather than a lack of adequate qualifications or sufficient work experience (lower part of Figure 4.6).¹

Figure 4.6. Reasons for vacancies in London, 2019

Main reasons for hard-to-fill vacancies and causes for the sub-set of vacancies that exist due to a lack of quality of candidates



Note: Multiple answers are possible.

Source: OECD calculation based on the UK Employer skills survey 2019 (Department for Education, 2020^[10]).

In addressing their vacancies and the underlying reasons, namely the skills and quality of applicants, employers could take on a more active role in skills development. Local actions in other OECD areas provide examples of how employers can collaborate with local governments and community based organisations. For instance, in India (USA), employers engaged with multiple other stakeholders to create a network, in the form of a regional workforce programme, which aims to better connect students and workers with firms and thus employment opportunities. In particular, the initiative attempts to offer more targeted career advice to individuals while supporting firms in making their job offers more accessible, appealing, and inclusive (Box 4.3).

Box 4.3. Creating an individualised network for connecting talent with jobs in Central Indiana (USA)

Due to the COVID-19 pandemic, state and local governments are facing the double challenge of addressing high unemployment rates and the need to change career services delivery to protect public health. The crisis is forcing local areas, including Central Indiana, to modify their pre-existing workforce development programmes, increase their capabilities and implement new strategies, to connect a huge number of unemployed people to limited job opportunities. To address these unique challenges, Central Indiana, through its Regional Workforce Partnership, has developed a central online platform connecting jobseekers and employers in the region.

The Regional Workforce Partnership (RWP) formed in 2016, comprises state agencies, municipalities, employers, non-profit, and community-based organisations, who collaborate their efforts to create a robust economic environment for businesses, individuals and the Central Indiana Community. The RWP, which was already tackling the region's long-standing employment challenges, developed a [Rapid Re-employment Response](#) (RRR) Plan, with a 1.05 million USD funding, to address the impacts of the COVID-19 pandemic on employment. For this cause, the RRR expanded and updated an existing online platform known as the Ascend Network, which connects students graduating from Indiana universities with employers. The updated platform, managed by [Ascend](#) and [EmployIndy](#), members of the RWP, allows jobseekers to create accounts based on their needs, interests and capabilities. Subsequently, the RRR team supports them to find job opportunities posted by local employers.

To ensure that the jobs in the database are of good quality, the RRR team vets and recruits employers (the RRR defines quality jobs as full time job opportunities that pay at least 13 USD an hour as well as jobs that have the potential for upward mobility). The team guides employers on how to make their job descriptions more appealing, accessible and inclusive. In addition, they maintain regular contact with employers to keep track of demand. To serve the needs of jobseekers effectively, the RRR has personalised, one-on-one job support which complements the online platform's skills-based matching algorithm. The focus on skills instead of background enables employers to be more inclusive in their hiring processes. The one-on-one support on the other hand, helps job seekers to identify their competencies and find the best-fit job and upskilling opportunities. Ascend provides this personalised support in the form of phone calls for jobseekers without internet access. Furthermore, the RRR directs jobseekers in need of upskilling to suitable local career services programmes, public adult education programmes or other relevant community-based organisations.

Since the launch of the RRR, about 100 new employers have started the process of sharing job opportunities on the network, in addition to the over 400 existing employers on the Network. In the first week of the site going live, over 400 job seekers created accounts on the network. Despite these positive results, there are some challenges such as the need to support jobseekers who lack access to internet services and devices, job seekers who have low digital literacy skills, and providing more remote working opportunities while the pandemic remains a health threat. Nevertheless, this collaborative effort provides a one-stop shop that tackles the region's severe unemployment crisis.

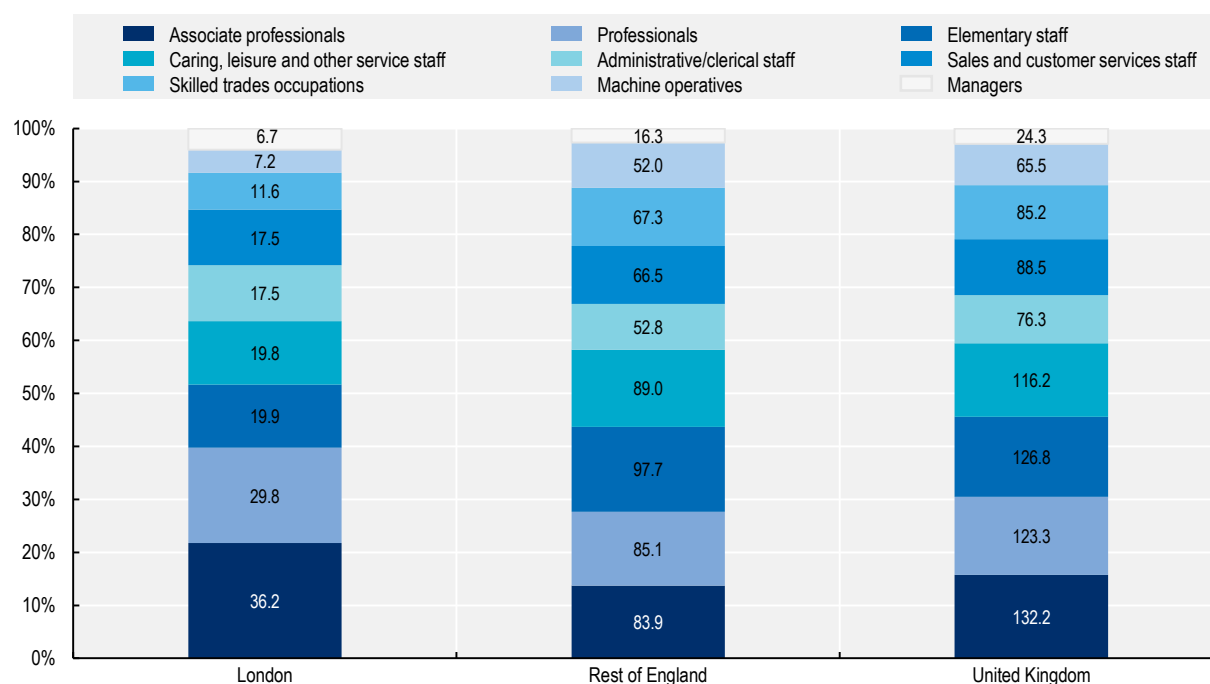
Source: (Brookings Institute, 2020^[12]), www.brookings.edu/research/central-indianas-rapid-re-employment-response (accessed 09 November 2020).

Skill-shortage vacancies and their consequences for firms

The most recently available evidence shows that occupations with vacant positions tend to have higher skill requirements in London than elsewhere in the UK. In 2019, the two occupations for which most enterprises in London declared vacancies were associate professionals and professionals. Around 65,000 of vacancies, corresponding to 40% of all occupation-specific vacancies, existed for professionals and associate professionals in London (Figure 4.7). In the rest of England and the UK overall, these mainly high-skill jobs accounted for less between 28% and 31% of occupation-specific vacancies. In general, high-skill occupations account for a larger share of vacancies in London (44%) than the UK overall (33%) (Figure 4.8). In contrast, low-skill occupations make up a smaller share of vacancies in London (39%) than in the UK (47%).

Figure 4.7. Vacancies by occupation in London and the UK, 2019

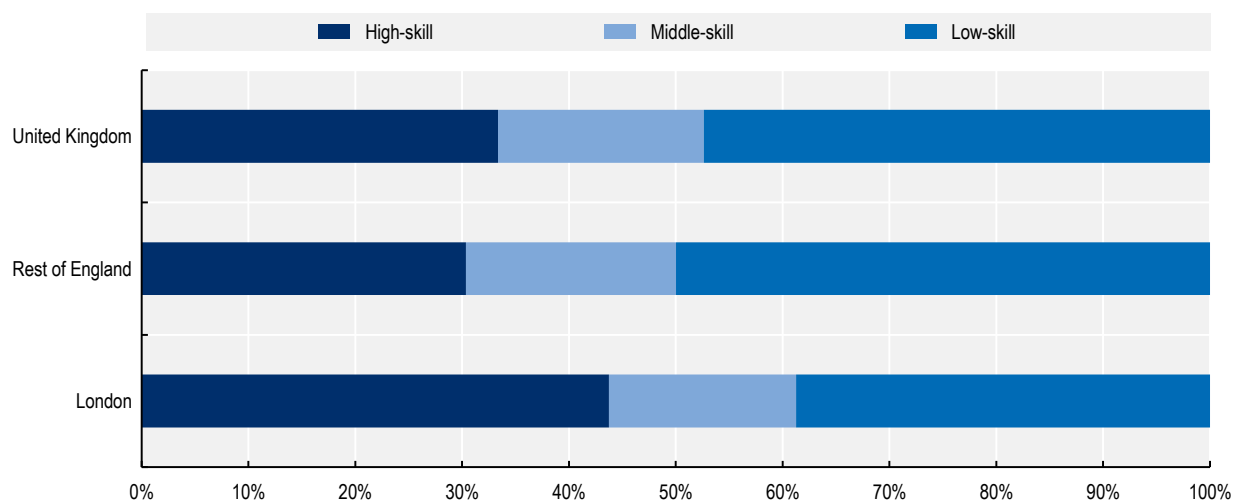
Share of vacancies by occupation groups and total number of vacancies for each occupation in thousands



Note: Enterprises can declare vacancies for multiple occupations. Thus, the total number may exceed the number of firms with vacancies.
Source: OECD elaboration of data from the UK Employer skills survey 2019 (Department for Education, 2020_[10]).

Figure 4.8. Vacancies by skill level, 2019

Share of vacancies in London, the UK, and Rest of England by skill requirements



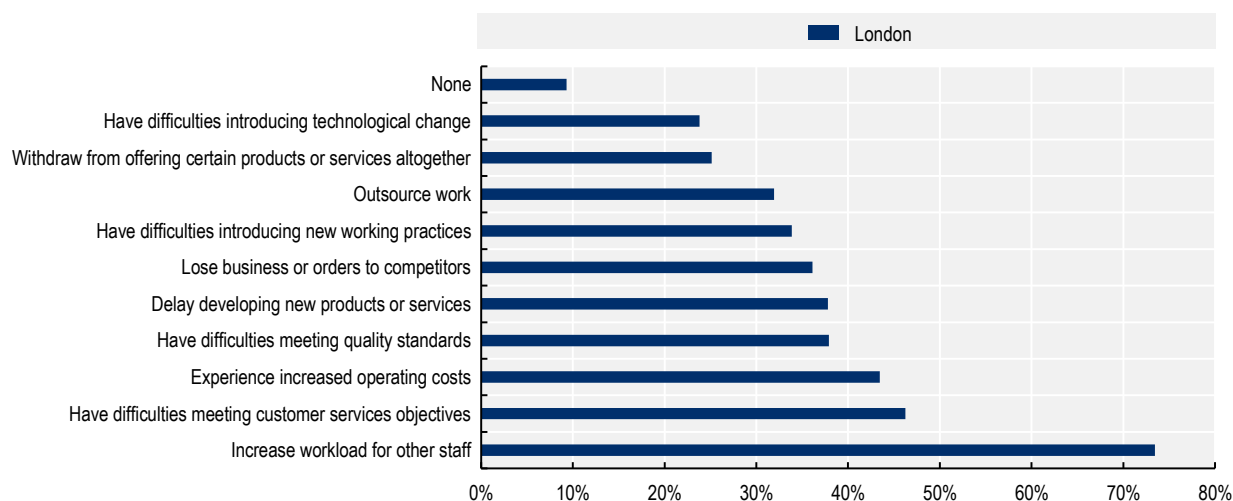
Note: High-skill occupations include managers, professionals, and associate professionals. Middle-skill occupations include administrative and clerical jobs and skilled trades. Low-skill occupations contain all other occupations identified in the UK Employer Skills Survey.

Source: OECD elaboration of data from the UK Employer skills survey 2019 (Department for Education, 2020_[10]).

Unfilled vacancies impair the business operations of London's firms. Although only a small share of London's employers (5%) report skill-shortage vacancies, for those firms that have them the impact can be significant. Having unfilled vacancies has a direct impact on the business operations of firms (Figure 4.9). Vacancies increase the workload of existing staff, which can lower their productivity and performance. Almost 50% of London's firms with hard-to-fill vacancies encounter difficulties in meeting customer demand. Another 40% or more have difficulties in meeting quality standards or experience increased operating costs. Furthermore, a third of enterprises or more report that unfilled vacancies delay the development of new products or services and drive the loss of business to competitors

Figure 4.9. Implications of hard-to fill vacancies in London, 2019

Share of firms that list specific implications of hard-to-fill vacancies



Note: Firms can list multiple implications.

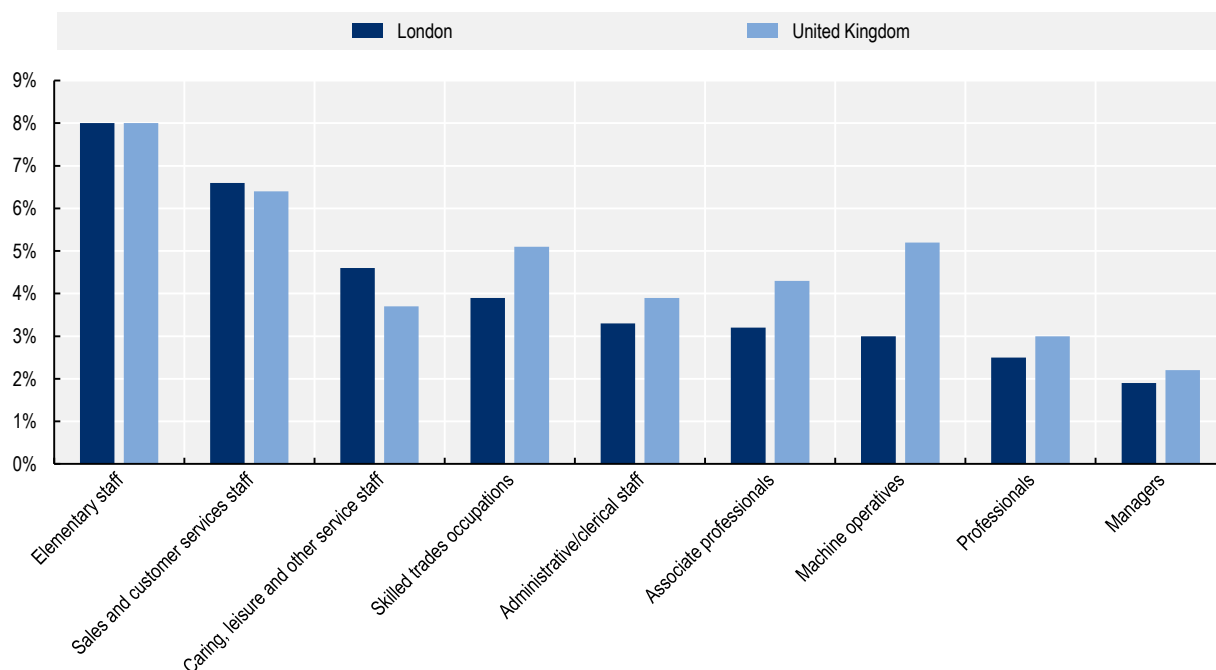
Source: OECD calculation based on the UK Employer skills survey 2019 (Department for Education, Jul 2020_[11]).

Skills gaps in firms in London

Apart from skill-related vacancies, firms in London also experience skills gaps among existing staff. The UK Employer Skills Survey defines skills gaps as employees not being proficient to do their tasks and responsibilities (Department for Education, 2018^[13]). In London, 5% of enterprises report skills gaps. In comparison to documented skills-related vacancies, skills shortages in London affect more middle-skill and low-skill jobs (Figure 4.10). Around 8% of elementary staff have insufficient skills, followed by employees in sales and customer service and caring, leisure and other service staff, among which 6.6% and 4.6% of all employees in those occupations have skills shortages.

Figure 4.10. Incidence of skills gaps

Share of all employment in an occupation with skills gaps in London, 2019

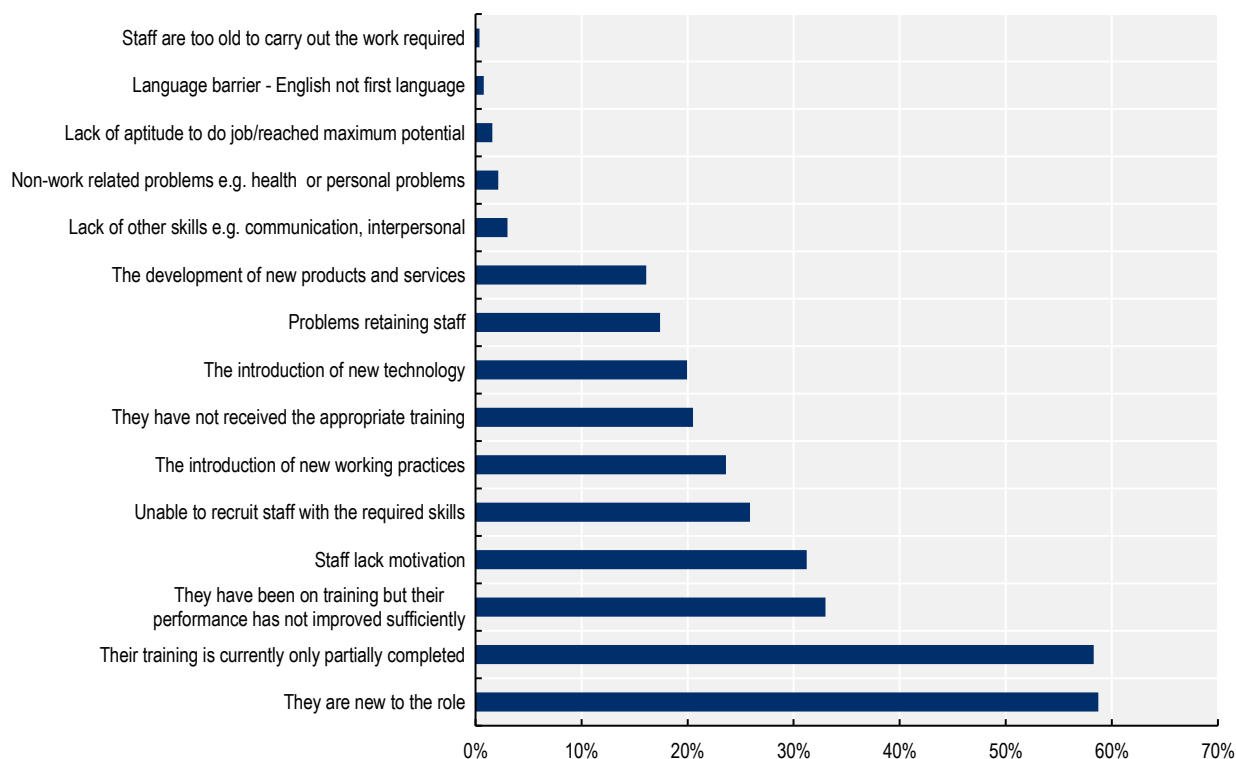


Source: OECD calculation based on the UK Employer skills survey 2019 (Department for Education, Jul 2020^[11]).

Various reasons explain why employers report skills shortages among their staff. Besides a lack of experience and partial completion of training, other structural issues appear to drive skills shortages (Figure 4.11). For instance, adequate and effective training seems to be lacking. Thirty-three percent of enterprises in London report that their staff's performance has not improved sufficiently despite receiving training. Another 21% of firms cite a lack of appropriate training. Furthermore, more than 24% of firms state that staff have not been able to adapt to new work practices (see next Section for more details on effective work practices). Finally, firms cite a lack of motivation and a lack of suitable candidates as other important drivers of skills gaps.

Figure 4.11. Causes of skills gaps in London

Reasons cited for skills gaps, all professions and establishments, 2019



Note: Multiple answers are possible.

Source: OECD calculation based on the UK Employer skills survey 2019 (Department for Education, Jul 2020^[11]).

The current employer involvement in adult learning and training in London

The next section of this report examines how employers can address the problems of skills shortages, inadequate training, and skills-related vacancies. It analyses the current involvement of employers in adult learning and training in London via three routes. First, it assesses firm's involvement in vocational education and training (VET). Second, it explores the current level of job-related training that London's enterprises offer and barriers to providing more training. Third, it discusses how operational and management practices can foster skills use and skills development in London.

Strong involvement of employers is a prerequisite for effective skills development and adult learning systems. Enterprises can offer valuable training opportunities such as formal work-place training as well as informal on-the-job learning, both of which further skills development. By embracing high-performance practices, employers can incentivise and motivate employees, offering them the space and the means to develop and use their skills in an efficient manner. Additionally, enterprises are a cornerstone of vocational education through apprenticeship programmes that allow the young to gain valuable, labour market relevant skills and knowledge. Finally, employers themselves know their skills needs and shortages best, implying that their consultation in the design of adult learning programmes can improve the effectiveness of those programmes by helping to match learning contents with labour market needs.

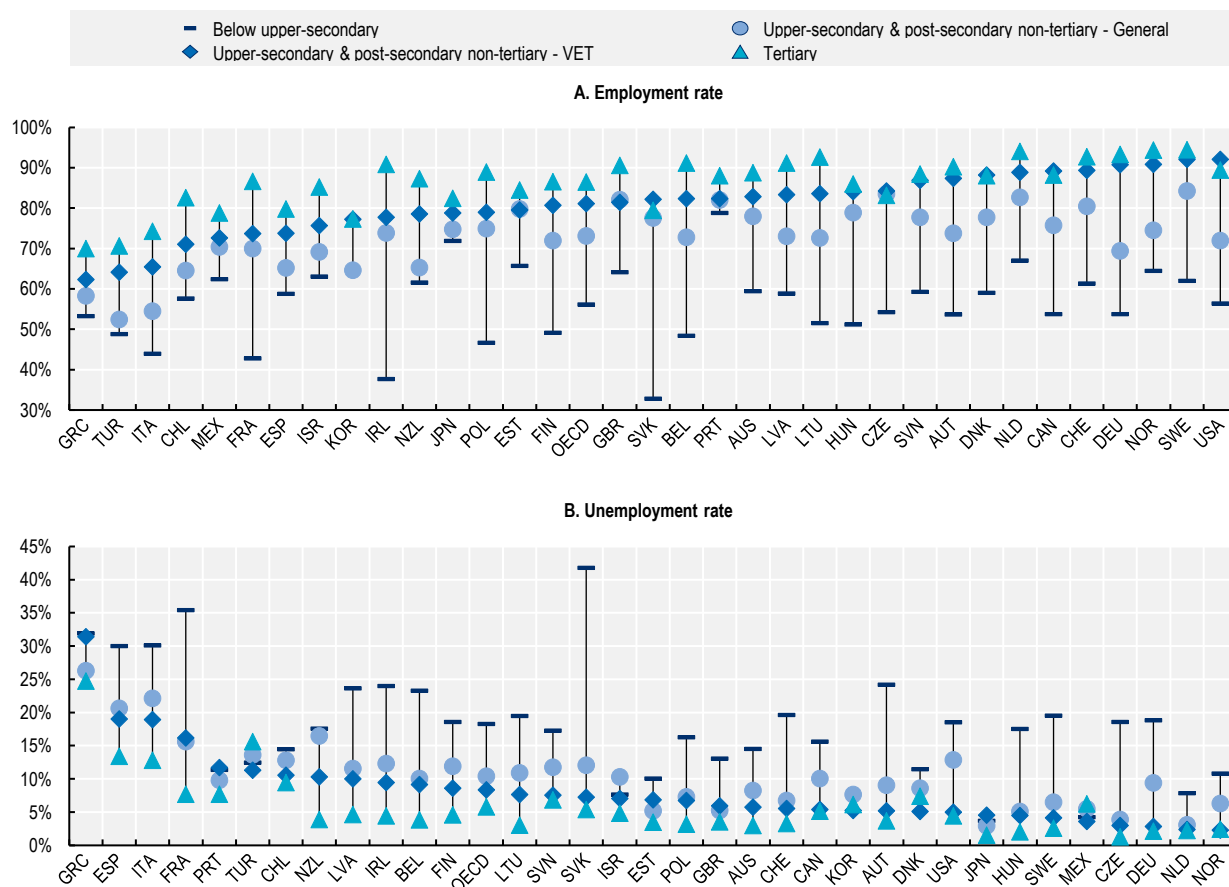
Using apprenticeship programmes and vocational education to tailor skills supply to skills needs

Vocational education and training (VET) and apprenticeship programmes are a fundamental element of the education system in OECD countries. They facilitate the transition from education to work by preparing youth and enabling them to develop skills that are relevant in the labour market. For example, upper-secondary and post-secondary non-tertiary graduates from a vocational field have slightly lower wages, but better employment outcomes than graduates from general fields, because they benefit from a higher probability of employment and spent a larger proportion of their working life in paid employment (Brunello and Rocco, 2017^[14]). Overall, a high quality VET system and well-developed apprenticeship programmes can foster skills development and thus enhance opportunities to find jobs for youths, in particular disengaged youths

Across the OECD, VET is linked to higher employability rates. OECD evidences shows that among young adults with upper secondary education, those who graduated from vocational training tend to be more likely to be employed and less likely to be economically inactive (OECD, 2020^[15]). In almost all OECD countries, employment rates among young VET graduates are higher than for graduates from general programmes at similar levels or for those without an upper-secondary degree (Panel A, Figure 4.12). In fact, employment rates of VET graduates are comparable to those of tertiary education graduates in several countries. Furthermore, unemployment rates are lower for young VET graduates than for graduates from general education (except in Estonia, France, Greece, Japan, Portugal and the United Kingdom; Panel B, Figure 4.12). These findings suggest that VET programmes can offer a valuable education pathway through applied and work-based learning but leave scope for improvement in some countries.

Figure 4.12. Employment outcomes of VET graduates across the OECD, 2018

Employment (Panel A) and unemployment (Panel B) rates of graduates (aged 15 to 34 not in formal education)



Note: VET: Vocational Education and Training. Panel A includes all individuals aged 15/16 to 34 who are not enrolled in formal education. Panel B includes employed and unemployed individuals aged 15/16 to 34 not in education or training. Data refer to 2018 for all countries except Australia, Canada (2019), Korea, Japan (2011/12), New Zealand, Israel, Turkey (2014/15), and the United States (2011/12-2014-17). OECD is an unweighted average of the countries shown.

Source: Figure from (OECD, 2020^[15]). Data from European Union Labour Force Survey (2018), Turkish Labour Force Survey (2015), Australian Survey of Education and Work (2019), Canadian Labour Force Survey (2019), OECD Survey of Adult Skills (2011/12, 2014/15, 2017/18), Encuesta de Caracterización Socioeconómica Nacional (2017).

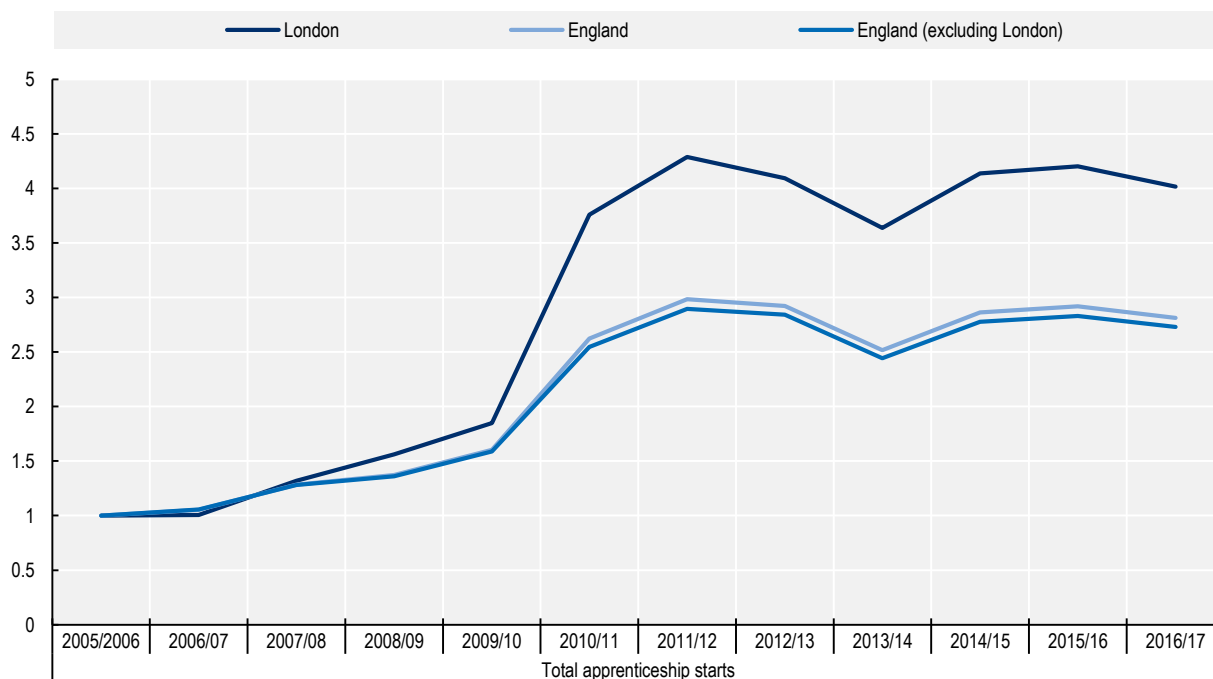
Apprenticeships, a vocational education pathway, are an important tool for skills development that combines both workplace and classroom-based learning. Effective apprenticeship systems require a broad coalition of actors and benefit from a strong involvement of employers. Across the OECD, apprenticeship systems vary significantly in terms of what level of government (e.g. national or regional) manages the overall legislative and regulatory framework. In the UK, the national government is responsible for regulating apprenticeships, including their financing. In OECD countries with large apprenticeship systems, such as Germany, Austria, Norway, Denmark and Switzerland, apprenticeships benefit from a formalised engagement with employers and other stakeholders through a dual-education system, which provides clear pathways for youth into training (OECD/ILO, 2017^[16]).

The apprenticeship system in London has become more important but it faces new challenges due to COVID-19. Over the past 15 years, apprenticeships have gained in importance in the UK and especially in London, with a strong increase in apprenticeship numbers. Within 11 years, the number of apprenticeship starts rose by more than 300%, from around 11,000 in 2005/06 to more than 44,000 in

2016/17 (Figure 4.13). In the England overall, the number of apprenticeship starts increased from around 170,000 in 2005/06 to around 500 000 in 2016/17.

Figure 4.13. Apprenticeship starts, London and England, 2005-2017

Apprenticeship starts relative to 2005/06 (baseline marked as 1)



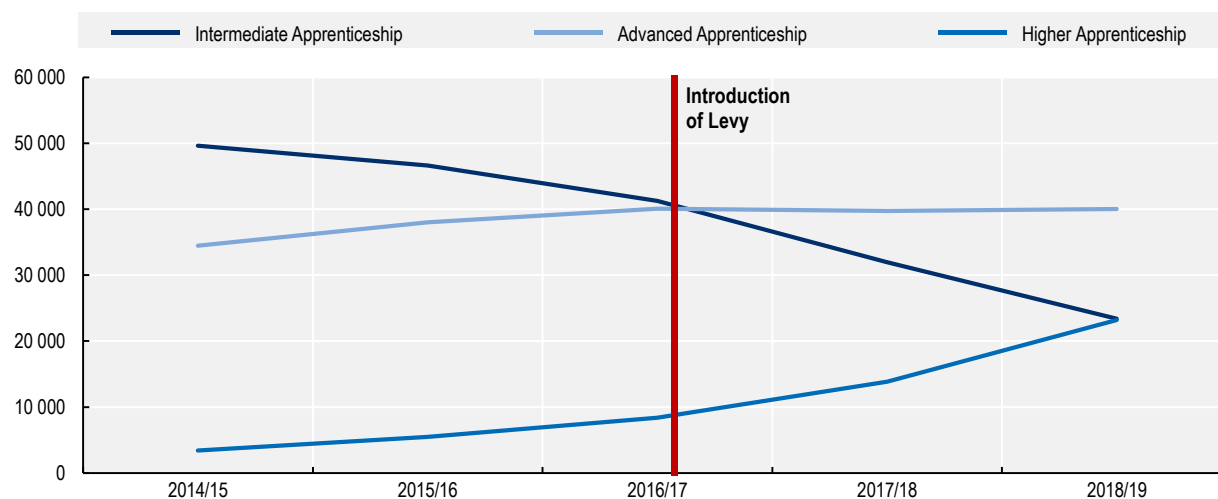
Note: The figure shows the evolution of apprenticeship starts in London and the rest of England relative to the baseline level in 2005/06.

Source: OECD elaboration based on data from ONS.

Since the introduction of the apprenticeship levy, apprenticeship participation in London has declined, especially for intermediate level apprenticeships. In 2017, the apprenticeship system in UK underwent an overhaul, consisting of reforms to its funding and delivery. From April 2017 onwards, all firms with a wage bill of at least GBP 3 million were required to allocate 0.5 per cent of the wage bill to an apprenticeship levy, which can be used to pay for apprentices' training and assessment (see Box 4.4 for more details). Delivery-related changes included new regulations to raise apprenticeship quality, such as the requirements that that programmes last a minimum of 12 months, that apprentices spend at least 20% of their time doing off-the-job training, and that apprentices take an independent end-point assessment upon completion. Following a greater emphasis on quality, the total number of apprenticeships has fallen and its composition across levels of apprenticeships. Total apprenticeship participation in London in the academic year 2018/19 was 4% below the level observed in 2015/16 (Department for Education, 2019^[17]). While the number of advanced apprenticeships (Level 3 qualifications, equivalent to A levels) remained relatively stable, the number of intermediate apprenticeships (Level 2 qualifications, equivalent to GCSEs) fell significantly, halving between 2015/16 and 2018/19. In contrast, participation in higher apprenticeships (qualification levels 4 and 5), equivalent to a higher education diploma or a foundation degree, more than quadrupled (323%) (Figure 4.14).

Figure 4.14. Apprenticeship participation in London

Changes in the number and distribution of apprenticeships across levels, 2014/15 to 2018/19



Note: The apprenticeship levy was introduced in 2017. Higher apprenticeships are equivalent to a higher education diploma or a foundation degree. Advanced apprenticeships are equivalent to A levels. Intermediate apprenticeships are equivalent to GCSEs.

Source: OECD calculation based on Individualised Learner Records published by the Department for Education.

Box 4.4. The apprenticeship levy in the UK

In 2015, the government embarked on an apprenticeship reform programme to increase the number and quality of apprenticeships, and to raise employer engagement. Reforms included the introduction of an apprenticeship levy in 2017. Employers pay 0.5% of their pay bill above GBP 3 million per year. In England, this is topped up by a further 10% government contribution and made available in a digital account for levy-paying employers to spend on apprenticeship training and assessment. Up to 25% of an employer's unused funds can be transferred to other employers. If unspent after 24 months, funds expire. The system is based on an expectation that many employers will not spend all their levy funds. These unspent funds cover most of the costs of apprenticeships for small employers who do not pay the levy. The government pays 95% of the cost of apprenticeships for non-levy payers and for levy payers who have already spent their levy budget and take on more apprentices. In 2017/18, GBP 2.0 billion of apprenticeship funding was made available for apprenticeships in England, with GBP 1.6 billion of this being spent.

Source: <https://www.nao.org.uk/wp-content/uploads/2019/03/The-apprenticeships-programme-Summary.pdf>.

Most recent data indicate that the number of apprenticeship starts in London has fallen further as expensive higher level programmes account for more of the money raised from the apprenticeship levy. In the three months to the end of October 2019, the start of the academic year, the number of new apprentices fell 4.7 per cent to 125,800 compared with the year before, the Department for Education said. The one area of growth was a 29.1 per cent rise in levy-funded higher level apprenticeships, equivalent to a higher education diploma or a foundation degree. Such apprenticeships now represent 23.7 per cent of all new workplace-training starts, compared with 5.3 per cent in 2015/16, the year before the levy was introduced (Department for Education, 2019_[17]).

Apprenticeships, and VET in general, can be effective tools to enhance socio-economic mobility but the apprenticeship levy appears to support non-disadvantaged apprentices more. Following the levy introduction, levy-paying employers recorded a lower proportion of apprenticeship starters from disadvantaged backgrounds, suggesting that the levy might exacerbate labour market inequality. This disadvantage gap, measured by the number of starts by learners originating from the 20% most deprived English neighbourhoods (disadvantaged) and from the other 80% of English neighbourhoods (non-disadvantaged), was most severe in London and south-east England (Social Mobility Commission, 2020^[18]).

The concentration of large employers and higher levels of pay in the capital, mean that London-based employers make substantial contributions towards the apprenticeship levy. In contrast, the number of apprentices in London has historically been low, with half as many apprenticeships per capita as the national average. As a result, much of the levy funding paid by London-based employers are not spent in the capital. While specific data on levy spent in London are not available, given the capital accounts for around 10 per cent of apprenticeship starts – and a large proportion of the more expensive higher and degree level apprenticeships (Department for Education, 2019^[17])– it can be estimated that at least GBP 160 million of levy funding was spent on apprenticeships in London in 2017/18.

The COVID-19 pandemic puts the apprenticeship system in London and the UK under severe strain. Apprenticeships are vital in providing clear long-term paths to skilled employment, but as a result of the coronavirus pandemic, just 39% of apprenticeships are continuing as normal (Sutton Trust, 2020^[19]). Around 36% of apprentices have been furloughed and a further 8% were made redundant. Additionally, 17% of apprentices had their off-the-job learning suspended. Around a third (31%) of enterprises report that they are likely to hire fewer apprentices over the coming year, or none at all (Sutton Trust, 2020^[19]). Additionally, most recent data from the Department for Education showed that the number of new apprenticeship starts between 23 March and 30 June 2020 declined by 52.3% compared to the previous year (Department for Education, Jul 2020^[11]). Among SMEs with limited financial resources and capacity to administer apprenticeships, the impact of COVID-19 on apprenticeships might be even more pronounced (see Box 4.5 for targeted support on apprenticeships in SMEs). In this context, DfE introduced additional flexibility for apprentices and employers to continue with or complete their programmes. Measures include greater flexibility in terms of remote training and changes to end-point assessments, allowing furloughed apprentices to continue their apprenticeships and undertake end-point assessments, and enabling employers and providers to initiate breaks in learning for apprentices where training could not continue (Department for Education, 2021^[20]).

Box 4.5. Glasgow: Boosting apprenticeships by supporting SMEs in administrative and human resources functions

In 2015, the City of Glasgow in Scotland, established a rebranded employment programme known as the [Glasgow Guarantee](#), to support the city's residents in training and employment opportunities. The programme also supports local businesses in recruiting the needed talent, provides additional funds for training and helps manage the apprenticeship-related administrative and human resource (HR) functions of employers.

The City Council's service of managing the administrative and HR functions of employers includes advertising vacancies, handling recruitment and sometimes managing shortlisting of applicants. Young residents interested in apprenticeships with companies apply to the City Council rather than to employers and the council manages the recruitment process, giving feedback to both successful and unsuccessful applicants.

The city's review of the programme showed that Small and Medium Enterprises (SMEs) are more interested in the service, because of the recruitment support they receive. SMEs are able to actively participate in the city's employment strategies. The service places the City Council in a crucial position where they can steer trainings, recruitment and employer practices towards the goals and objectives of the city council. Moreover, as an intermediary, the city council gains access to relevant labour market information to improve skills development in the city.

Source: (Thomas, Williams and Serwicka, 2016^[21]), www.centreforcities.org/reader/delivering-change-making-apprenticeships-work-cities/challenge-4-small-medium-sized-enterprises-fall-behind-offering-apprenticeships/ (accessed 26 October 2020).

In recognition of the difficulties small businesses encounter, both national and London-specific initiatives are trying to extend support for SMEs in taking advantage of apprenticeship opportunities. London has set up a pilot initiative, the *London Progression Collaboration*, to support small businesses in offering apprenticeship opportunities (Box 4.6). As SMEs often lack the internal HR and organisational capacity to manage an apprenticeship programme and struggle to identify a levy-payer who is willing to transfer their funds, the initiative provides valuable support in enhancing apprenticeship uptake among SMEs. Nationally, the new government white paper *Skills for Jobs* outlines proposals for supporting SME's and strengthening the apprenticeship system by facilitating unspent levy transfers and enlarging funding entitlements for education and training via the *Lifetime Skills Guarantee* (Department for Education, 2021^[22]).

Box 4.6. The London Progression Collaboration

The GLA and IPPR examined how to improve progression opportunities for those in low-paid and low-skilled work in London. London faces several challenges in terms of progression and apprenticeships. It has (i) poor rates of progression from low to mid skills levels, (ii) low levels of apprenticeships compared to other regions, and (iii) high levels of low pay. Therefore, the GLA and IPPR assessed whether targeted support for businesses could increase apprenticeship levy spending in London and improve prospects for Londoners in low skilled work.

As a result, the London Progression Collaboration (LPC) was launched with the financial support of JPMorgan in February 2020 with the objective of supporting in-work progression through the creation of new apprenticeships. The LPC offers supports in accessing apprenticeship levy funds, aiming to include individuals and businesses where it can make the most difference. The initiative focuses on SMEs by facilitating the transfer of unspent levy funds to small businesses in London. In response to the COVID-19 pandemic, the LPC launched *Reskilling the Recovery* – a campaign asking London's apprenticeship levy payers to pledge unspent funds for transfer to small businesses in the capital. To date, the campaign has secured pledges of over GBP 3.5 million, and received requests for levy transfer totalling over GBP 2.5 million.

Source: (IPPR, 2020^[23]).

While London's employers might encounter limited financial resources due to the COVID-19 pandemic, investing in apprenticeships can offer significant rewards for employers. Involving and training young people in an existing business is an effective mechanism for training future workers with the specific requirements in terms of skills, knowledge and experience that are most important for a business. Although apprenticeships require setting aside time to training inexperienced people, many employers recoup the cost of training before the completion of the apprenticeship and others within 1-2 years' time, depending on the extent to which apprentices are engaged in productive activities (OECD/ILO, 2017^[16]).

Job-related training has fallen in London, especially since 2015

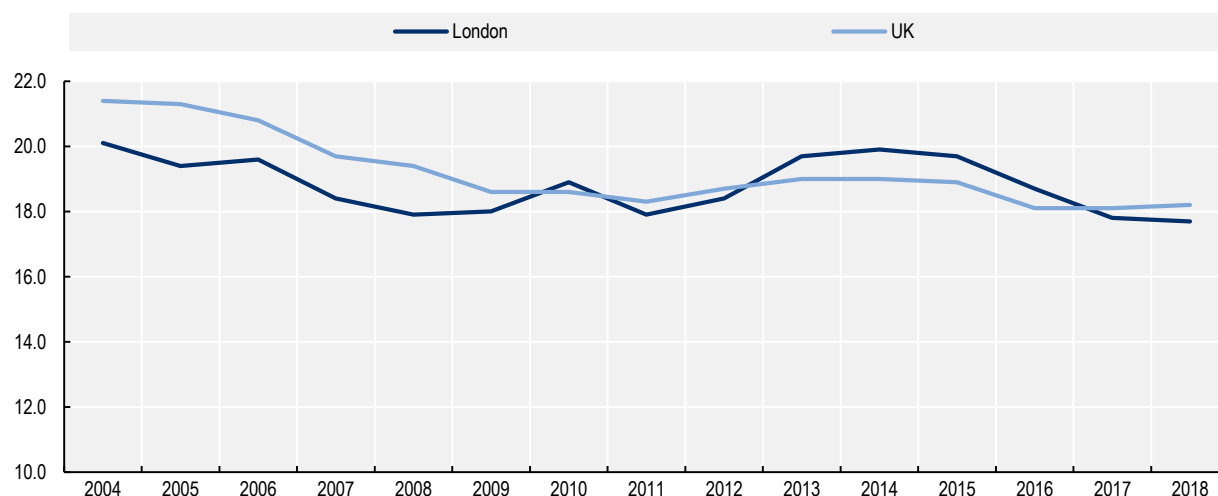
Despite a need for training and job-related learning in a world of work that is constantly change, employer investment in training has experienced a sustained and significant fall in the UK. Between 1997 and 2012, the average volume of training per worker nearly halved (Institute for Public Policy Research, 2017^[24]). According to the Eurostat survey of continuing vocational training, employer investment in the UK fell by 29.3 per cent between 2005 and 2010 (Green et al., 2013^[25]). Furthermore, the number of employees who worked fewer hours than usual in a reference week due to training attendance fell from over 180,000 to less than 20,000 between 1999 and 2014 (Department for Business, Innovation and Skills, 2015^[26]). Finally, employer investment in training has fallen significantly in recent years. Across England, employer spending per employee declined by around 17% in real terms between 2007 and 2013 and only slightly recovered thereafter, meaning that it remains considerably levels observed in 2005-09 (Institute for Public Policy Research, 2017^[24]).

As of 2018, less than one in five economically active Londoners received job-related training in the last three months. Compared to 2004, this share has fallen by 2.4 percentage points from 20.1% to 17.7% (Figure 4.15). Due to a significant fall since 2014, the share of economically active Londoners receiving job-related training is now below the UK average (18.2%). The proportion of those who have undertaken job-related training in the last three months varies considerably across different groups of London's population. Londoners of Pakistani and Bangladeshi (9.3%) descent were less than half as likely to have received training as Londoners of Mixed descent (20%) or White Londoners (19.2%) (Figure 4.16). Among

other ethnic groups, job-related training rates were 18% for Londoners of Indian origin, 17.9 for Black Londoners and 14.7% for Londoners of other Asian origin. Disabled people (13.9%) were less likely to have had training than non-disabled (18.4%). Similarly, those aged below 25 (12.8%) or those over 55 (14.4%) received less training their counterparts between 25 and 55.

Figure 4.15. Job-related training in London and the UK

Share (%) of all who received job related training in last 13 weeks - aged 16-64

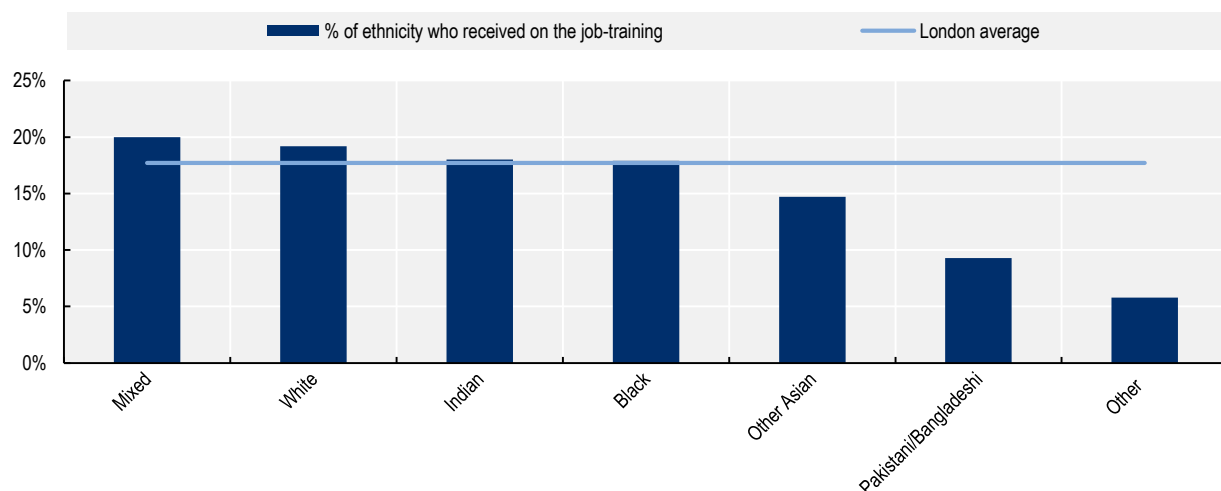


Note: Number and rate of economically active residents aged 16-69 who have received training in the last 3 months.

Source: OECD calculation based ONS Annual Population Survey.

Figure 4.16. Job-related training in London by ethnicity

Share (%) of all who received job related training in last 13 weeks by ethnicity - aged 16-64



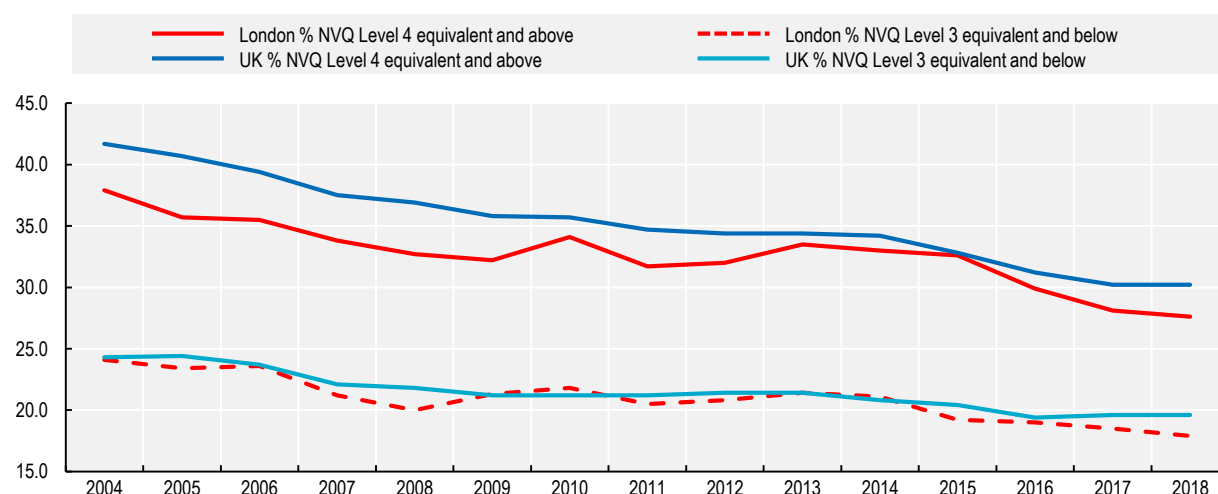
Note: Number and rate of economically active residents aged 16-69 who have received training in the last 3 months by ethnicity.

Source: OECD calculation based ONS Annual Population Survey.

Those that could benefit the most from job-related training, are less likely to receive it. As documented in Chapters 1 and 2, low-skill workers face higher risk of job loss due to the economic crisis caused by the COVID-19 pandemic and are also more at risk of automation. However, across London, people with higher levels of education are much more likely to receive job-related training. While the share of workers who received job related training during the last four months has fallen across all educational levels, Londoners with lower educational qualifications are much less likely to receive such training (Figure 4.17). Among Londoners with a national vocational qualification (NVQ) level equivalent or below A levels (level 3), 17.9% received job-related training in the preceding 4 months. In contrast, almost 28% of Londoners with NVQ level 4 or above (i.e. those with a certificate of higher education, a higher apprenticeship, or a university degree) participated in job-related training over the same period. For both individuals below or above NVQ level 4, job-related training in London is below the national average.

Figure 4.17. Job-related training in London and the UK by level of qualification

Share (%) of all who received job related training in last 13 weeks - aged 16-64



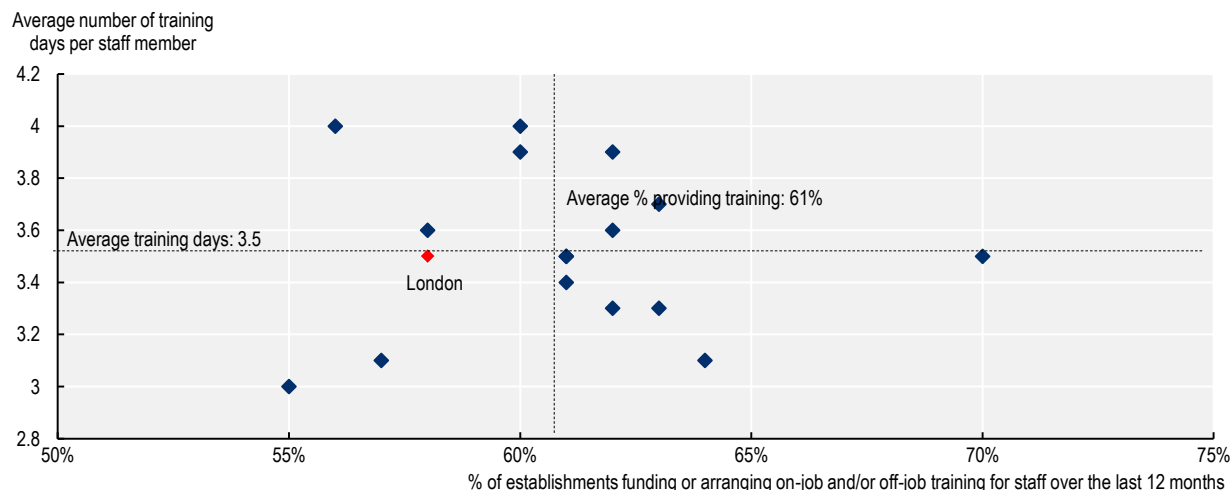
Note: Number and rate of economically active residents aged 16-69 who have received training in the last 3 months. NVQ 3 corresponds to levels. NVQ 4 corresponds to a certificate of higher education or a higher apprenticeship.

Source: OECD calculation based ONS Annual Population Survey.

Training provision by employers in London is below the UK average. Around 42% of employers in London did neither fund nor arrange on-the-job or off-the-job training of their employees in 2019 (Figure 4.18). For comparison, in Belfast and South East Wales, only 30% and 36% of firms did not support their employees' training via funding or arranging it. In terms of training intensity, the establishments in London that do provide training, are comparable to establishments in the UK overall. On average, they offer 3.5 training days per staff member, down from four trainings days per staff member in 2017. Across the UK, training varies substantially by firm size, with smaller enterprises such as SMEs significantly less likely to fund or arrange training for their staff (IFF Research, 2018^[27]). Although London has more large employers than most places in the UK, training provision appears to be at best average in the national context.

Figure 4.18. Training provision and intensity across UK regions, 2019

% of firms with funding or arrangement of training in the past 12 months and average number of training days

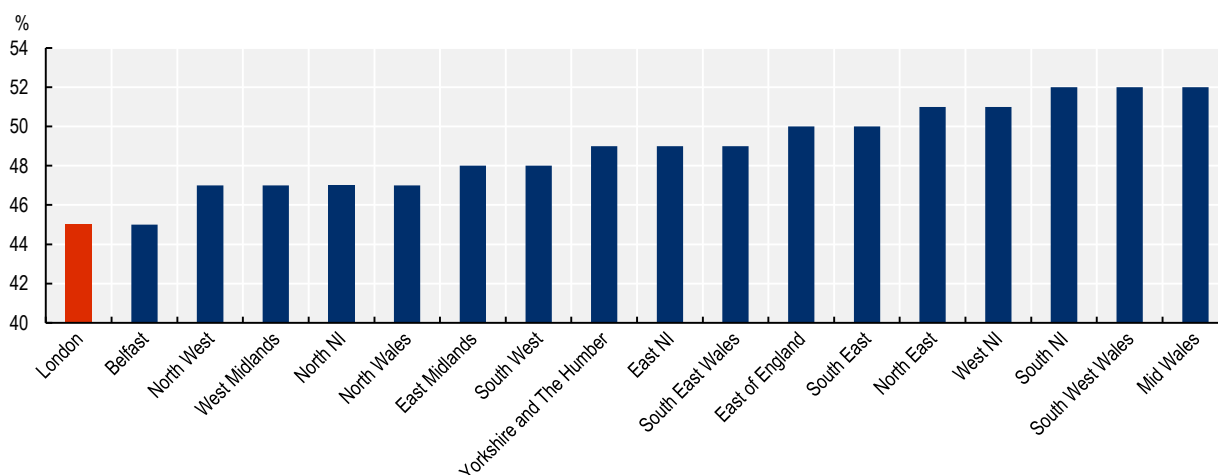


Source: OECD elaboration based on data from (Department for Education, 2020^[10]).

One in two firms in the UK does not have a proper training plan and almost two-thirds have no dedicated training budget (IFF Research, 2018^[27]). In London, limited financial resources are one of the major impediments for training provision. Almost every second firm who wants to provide more training in London cites a lack of funds or costs as an impediment (Figure 4.19). The lack of internal resources points out the need for better access and greater availability of public funds to support firm-based training. As discussed in Chapter 1, adequate funding for adult learning and closer co-operation of training providers and enterprises could alleviate this problem and help address skills gaps in London.

Figure 4.19. Funding as a barrier to providing more training in London and the United Kingdom, 2019

Percentage of firms who cited lack of funds or cost as an impediment to providing more training



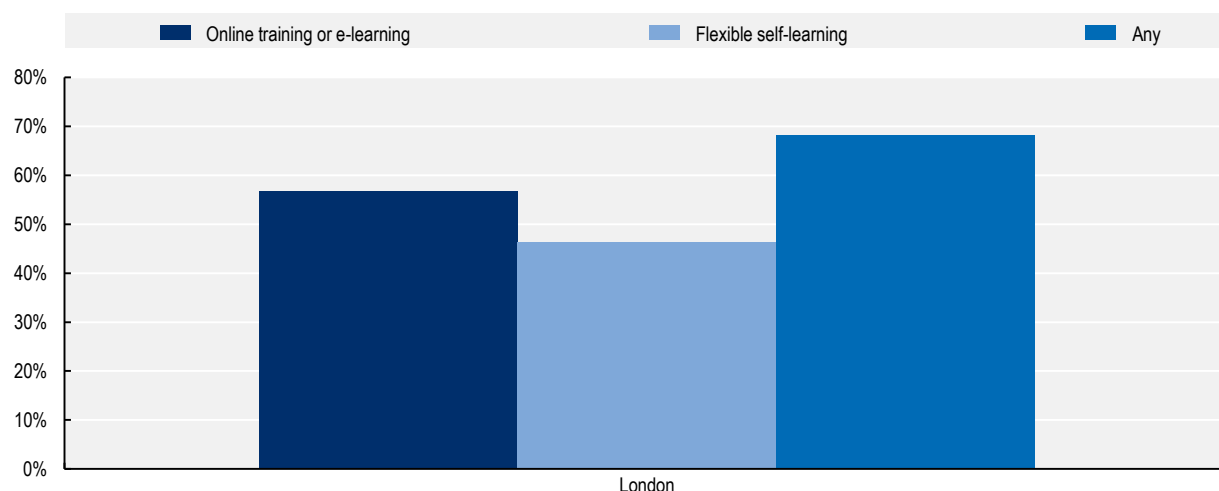
Note: The sample only includes businesses that wanted to provide more training in the past 12 months.

Source: OECD elaboration based on data from (Department for Education, 2020^[10]).

Online learning could provide more accessible options for more training in firms. However, many firms in London do not yet take advantage of the potential of online or e-learning. Before the COVID-19 pandemic, 57% of London's employers used online learning and training opportunities (Figure 4.20). Notably, the share of firms in London that use online learning has increased by five percentage points since 2017 and might increase further with the current pandemic. E-learning or online training can be effective means of delivering training at relatively low costs and can also be undertaken in different spells, enhancing a greater compatibility of work responsibilities and business needs on the one hand and dedicating time to learning on the other. One option to encourage employees to participate in training opportunities and to take ownership of such training is to grant participants flexibility and autonomy. As of 2019, only 46% of enterprises in London offered their employees flexible self-learning opportunities.

Figure 4.20. Online and flexible learning across firms in London, 2019

Share of firms that have funded or arranged online training or e-learning, or other self-learning, over the past 12 months



Source: OECD elaboration based data from (Department for Education, 2020_[10]).

Box 4.7. Example of promoting employer investment in training: The Humber Skills Pledge

In 2013, The Humber LEP launched its Skills Pledge to promote the value of investing in skills and training and demonstrate the significant benefits that such investment can bring to businesses, employees, the local community and economy. As part of the pledge, businesses sign up to one or more of the following:

- Invest in increasing the skills of their workforce
- To mentor a budding entrepreneur
- Offer a work placement to a young person or adult
- Employ a graduate
- Offer an Apprenticeship or Traineeship
- Support the development of Employability Skills

The Skills Pledge has been widely welcomed by businesses as a single contact point for information about training and skills and offers guidance, resources, and related initiatives to support business growth. It has played an important role in enabling the LEP to support businesses to become more competitive, more resilient, and ready for economic change. In the first 2 years, more than 300 businesses signed up to offer hundreds of opportunities to young people and adults. This number continues to grow.

The COVID-19 pandemic illustrates that London's firms need to rethink their training strategies. The sudden breakthrough of remote working and digital services indicate that online solutions can provide meaningful answers to many problems firms face. The pandemic and resulting lockdown and social distancing measures make traditional forms of learning and training more difficult. By enabling online training and encouraging flexible forms of self-learning, London's employers can enhance the skills development of their employees and thus address pressing skills shortages (see Box 4.8 for an example of publicly supported online learning).

Box 4.8. Vienna: Enhancing online learning among apprentices

As part of Vienna's efforts to tackle youth unemployment, which has worsened following the COVID-19 pandemic, the Austrian capital purchased 1000 laptops and tablets in October 2020 for apprentices in company training. Vienna's local government implemented this measure to ensure that education and training would continue despite the pandemic. This digital intervention aims to improve Vienna's COVID-19 responses and contribute towards creating more learning opportunities for the youth in Vienna.

Facing a significant deterioration of learning and training opportunities for the young, Vienna recognises the need to support apprentices and other young learners during the COVID-19 pandemic. As part of those efforts, Vienna is making an investment of EUR 17 million via its COVID training package to tackle youth unemployment in the city. Furthermore, the Vienna City Council is collaborating with [AMS](#) Vienna (Austria's public employment service in Vienna) to increase the number of apprenticeships in the city.

Source: (Stoyanov, 2020^[28]), www.themayor.eu/en/vienna-provides-1000-laptops-and-tablets-to-local-apprentices-in-inter-company-training (accessed 20 October 2020).

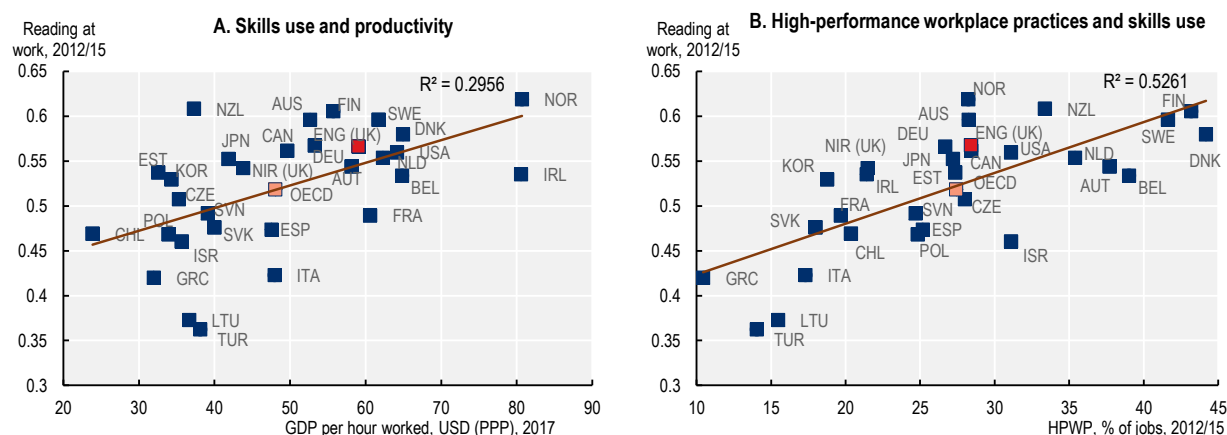
Raising the standard by enhancing and expanding high performance work practices

Besides formal learning and training, on-the-job learning allows workers to strengthen their skills and increase enhance abilities. To strengthen their skills, employees require a work environment that allows

them to make best or full use of their skills. High Performance Working (HPW) practices help to achieve this. In general, High Performance Working refers to managing enterprises in a way that fosters more effective employee involvement and commitment, to ultimately improve worker and firm performance (Belt and Giles 2009). HPW can create significant benefits for firms and local economies because it raises productivity by allowing employees to use and apply their skill sets in the workplace in an effective manner (UK Commission for Employment and Skills, 2013^[29]). According to the UK Commission for Employment and Skills, HPW includes a wide range of areas such as employment relations, management and leadership, or organisational development.

Recent evidence suggests that the effectiveness of using employees' skills in the workplace may be as relevant as the skills workers possess. Merely increasing the supply of skills does not automatically yield higher productivity; those skills also need to be used appropriately. Analysis on data from the OECD Survey of Adult Skills highlights the positive links between the effective use of skills, the economy and the performance of employees. Across OECD countries, skills use is positively correlated with labour productivity (Panel A, Figure 4.21). Many factors affect how employees use their skills at the workplace but among the most important ones are factors related to the organisation of workplaces. Management and organisational practice that directly influence how and to what extent employees use their skills, and that are recognised as performance enhancing, are often referred to as high-performance work practices (HPWP).

Figure 4.21. Correlations between skills use, productivity and the adoption of high-performance workplace practices (HPWP) in OECD countries, 2012/15



Note: Skill use indicators show how often skills are used, scaled from 1 "Never" to 5 "Every day".

Source: From (OECD, 2020^[30]), calculations based on (OECD, 2019^[31]) Survey of Adults Skills (PIAAC) (2012, 2015, 2018) (database), www.oecd.org/skills/piaac/.

High performance work practices foster skills use at work. HPWPs include aspects of work organisation - teamwork, autonomy, task discretion, mentoring, job rotation, applying new learning - and management practices - employee participation, incentive pay, training practices and flexibility in working hours (see Box 4.9 for a more detailed list of HPWPs in the UK context). Across OECD countries, high performance work practices appear to lead to more skills use at work (Panel B, Figure 4.21). Furthermore, workers with higher exposure to HPWPs often benefit from higher wages, higher job satisfaction, lower job-related stress, all of which ultimately contributes to higher labour productivity (OECD, 2016^[32]).

Box 4.9. Definition and categories of High Performance Working in the UK

The table below provides an overview of the high performance work practices included in the UK Employer Skills Survey. It consists of five HPWP categories, which in turn entail various practices.

Table 4.1. Overview of High Performance Working practices by factor grouping

Categories of HPWs and their practices, UK Employer Skills Survey

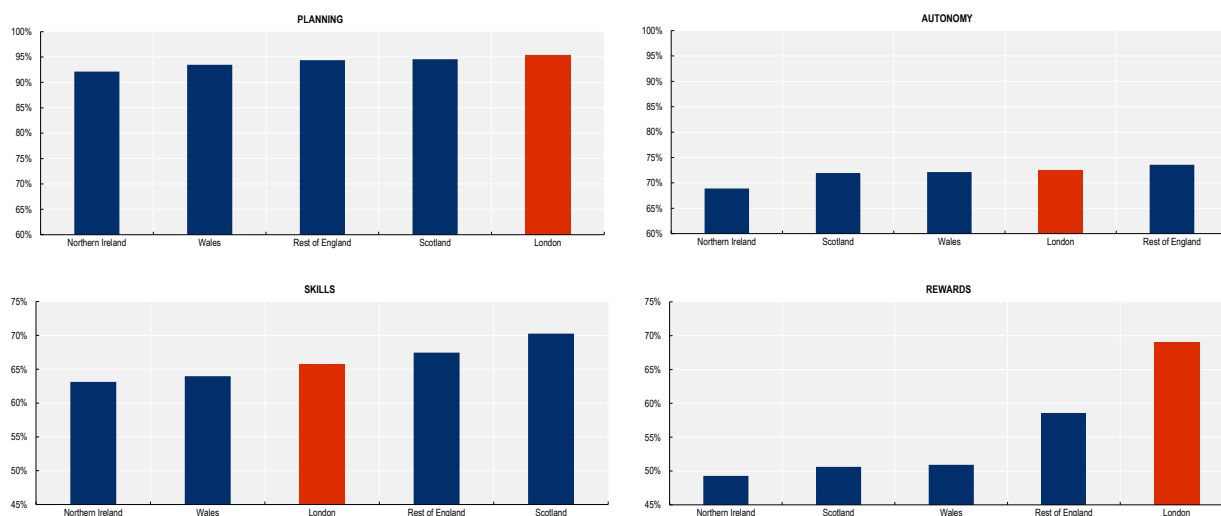
Factor grouping	Practices
Planning	Training plan Annual performance review Training budget Work shadowing Business plan Equal opportunities policy Training needs assessment
Organisation	Investors in People (IIP) ISO 9000 (Quality Management) Trade union consultation Employee consultation Creates teams to work on projects Process to identify talented individuals
Skills	On or off the job training Formal performance review after training
Rewards	Bonus scheme Performance related pay Flexible benefits
Autonomy	Task variety Task discretion Flexible working

Source: UK Employer Skills Survey, (Department for Education, 2018^[13]).

London recognises the importance of skills and their use as set out in the Mayor of London's new skills strategy (Greater London Authority, 2018^[33]) but it can do more to encourage the adoption of high performance work practices among its employers. London fares relatively well in terms of the pervasiveness of HPWs in firms compared to other parts of the UK (Figure 4.22). Almost all firms (95%) utilise HPWs in the area of planning. In terms rewards, around 70% of London's employers have adopted high-performance work practices compared to less than 60% in the rest of England and 50% or less in Wales, Scotland, and Ireland. However, HPWs related to skills and employee autonomy leave room for improvement.

Figure 4.22. High performance work practices across London and the UK

Share of firms that adopt at least one high performance work practice in each category, 2017



Note: Questions on high performance work practices were not included in the 2019 wave of the UK Employer Skills Survey.

Source: OECD calculations based on data from (Department for Education, 2018^[13]).

Promoting the adoption of high-performance work practices could be a tool for making skills use more effective and enhancing workplace skills development in London. By adopting and strengthening HPWs, London employers cannot only ensure better skills use among their employees but also limit depreciation and obsolescence of unused or under-utilised skills. Furthermore, the adoption of HPWP (especially learning and training) can drive innovation. For example, SMEs that adopt a “learning organisation” form – i.e. high levels of self-planning of tasks by employees, teamwork, knowledge exchange, on-the-job training and employee performance incentives – are more innovative than other SMEs, shown by more frequent development of new services and products as well as new work processes (Lorenz and Potter, 2019^[34]). London has established the Good Work Standard, which aims to encourage employers to adopt high employment standards, notably on fair pay, workplace wellbeing, skills and progression and diversity and recruitment (Box 4.10). While this initiative is an important step in the right direction, it leaves room for improvement. So far, it has only accredited 90 employers in London. To reap the benefits of HPWs, the scheme requires further uptake among employers. Establishing peer-learning platforms that allow different employers to learn from each other could provide valuable impetus in spreading good workplace practices. Finally, the initiative lacks a peer network that selects mentors, drawn from exemplary firms, that can help provide mentoring support and advice, particularly for SMEs and start-ups, as well as within industries and supply chains.

Box 4.10. The Mayor's Good Work Standard in London

In 2019, the Mayor of London launched the *Good Work Standard*, which sets the benchmark for high employment standards for London's employers. The Good Work Standard has four pillars – fair pay and conditions, workplace wellbeing, skills and progression and diversity and recruitment. Employers that meet the benchmark are recognised by the Mayor and have the option to become a Good Work Champion, with the aim of supporting and encouraging other London employers to work towards and achieve best practice. By motivating employers to pursue the inclusive employment and workforce development practices in the Mayor's Good Work Standard, the programme sets out to ensure that employers achieve high standards in areas such as working conditions, diversity and inclusion, flexible working, health and wellbeing, apprenticeships and training, and communication with employees.

As of February 2021, there are 90 accredited Good Work Standard employers, employing over 200,000 Londoners. To achieve the Mayor's Good Work Standard, employers have to take a simple online assessment of employment practices, ranging from foundation to excellent, and fulfilling as many criteria as possible. To develop the Good Work Standard, the Mayor and his Economic Fairness team consulted with London businesses of all sizes and sectors, as well as civil society, trade unions, the Living Wage Foundation and employee representation groups. The self-assessment allows employers to test and challenge their organisations to strive towards best practice, while enabling them to signal to employees that they are committed to staff wellbeing, work-life balance, a diverse workforce and a decent standard of living for all employees.

The Good Work Standard is part of the Mayor's commitment to a fairer and more inclusive economic recovery. The Mayor of London supports a suite of complementary programmes, including the London Healthy Workplace Award, the Inclusive Employers Toolkit, and the Living Wage Foundation's campaign. The free-to-access programme website hosts free resources and information to support employers in adopting high standards for workplaces and working conditions such as a guide to each criteria and signposting to other relevant and supportive tools.

Source: (GLA, 2021^[35]).

References

- Adalet McGowan, M. and D. Andrews (2017), "Skills mismatch, productivity and policies: Evidence from the second wave of PIAAC", *OECD Economics Department Working Papers*, No. 1403, OECD Publishing, Paris, <https://dx.doi.org/10.1787/65dab7c6-en>. [1]
- Adalet McGowan, M. and D. Andrews (2015), "Labour Market Mismatch and Labour Productivity: Evidence from PIAAC Data", *OECD Economics Department Working Papers*, No. 1209, OECD Publishing, Paris, <https://dx.doi.org/10.1787/5js1pzx1r2kb-en>. [2]

- Adams, E. (2020), *Reflections on the Rotterdam BRIDGE UIA Journey*, https://www.uia-initiative.eu/sites/default/files/2020-08/224846_KURTH_06_-_ROTTERDAM_BRIDGE_JOURNAL_5.pdf. [8]
- Brookings Institute (2020), *An individualized network for connecting talent with jobs in Central Indiana*, <https://www.brookings.edu/research/central-indianas-rapid-re-employment-response/>. [12]
- Brunello, G. and L. Rocco (2017), “The effects of vocational education on adult skills, employment and wages: What can we learn from PIAAC?”, *SERIEs*, Vol. 8/4, pp. 315-343, <http://dx.doi.org/10.1007/s13209-017-0163-z>. [14]
- Department for Business, Innovation and Skills (2015), *Apprenticeships levy - Employer owned apprenticeships training*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/455101/bis-15-477-apprenticeships-levy-consultation.pdf. [26]
- Department for Education (2021), *Providing apprenticeships during the coronavirus (COVID-19) outbreak*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957704/Providing_apprenticeships_during_the_coronavirus_COVID-19_outbreak.pdf. [20]
- Department for Education (2021), *Skills for Jobs: Lifelong Learning for Opportunity and Growth*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/957810/Skills_for_jobs_lifelong_learning_for_opportunity_and_growth_print_version_.pdf. [22]
- Department for Education (2020), *UK Employer Skills Survey 2019*, <https://www.gov.uk/government/collections/employer-skills-survey-2019>. [10]
- Department for Education (2019), *Apprenticeships by Sector Subject Area - Number of Participants*, <https://www.gov.uk/government/collections/further-education-and-skills-statistical-first-release-sfr>. [17]
- Department for Education (2018), *Employer Skills Survey 2017*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/746493/ESS_2017_UK_Report_Controlled_v06.00.pdf. [13]
- Department for Education (Jul 2020), *Apprenticeships and Traineeships, England: July 2020*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904415/Apprenticeships_and_traineeships_commentary_July2020.pdf. [11]
- GLA (2021), *The Good Work Standard (GWS)*, <https://www.london.gov.uk/what-we-do/business-and-economy/supporting-business/good-work-standard-gws-0>. [35]
- Greater London Authority (2018), *Skills for Londoners - A SKILLS AND ADULT EDUCATION STRATEGY FOR LONDON*, https://www.london.gov.uk/sites/default/files/sfl_strategy_final_june_20186.pdf. [33]
- Green, F. et al. (2013), *What has been happening to the training of workers in Britain?*. [25]
- IFF Research (2018), *Employer skills survey 2017 - Research report*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/746493/ESS_2017_UK_Report_Controlled_v06.00.pdf. [27]

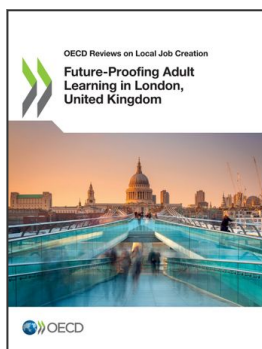
- Institute for Public Policy Research (2017), *SKILLS 2030 - WHY THE ADULT SKILLS SYSTEM IS FAILING TO BUILD AN ECONOMY THAT WORKS FOR EVERYONE*, https://www.ippr.org/files/publications/pdf/skills-2030_Feb2017.pdf. [24]
- IPPR (2020), *The London Progression Collaboration*, <https://www.ippr.org/lpc>. [23]
- Lorenz, E. and J. Potter (2019), "Workplace organisation and innovation in small and medium-sized enterprises", *OECD SME and Entrepreneurship Papers*, No. 17, OECD Publishing, Paris, <https://dx.doi.org/10.1787/11732c0c-en>. [34]
- McKinsey & Company (2020), *To emerge stronger from the COVID-19 crisis, companies should start reskilling their workforces now*, <https://www.mckinsey.com/business-functions/organization/our-insights/to-emerge-stronger-from-the-covid-19-crisis-companies-should-start-reskilling-their-workforces-now>. [9]
- OECD (2020), *OECD Employment Outlook 2020: Worker Security and the COVID-19 Crisis*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/1686c758-en>. [15]
- OECD (2020), *OECD Skills Strategy Northern Ireland (United Kingdom): Assessment and Recommendations*, OECD Skills Studies, OECD Publishing, Paris, <https://dx.doi.org/10.1787/1857c8af-en>. [30]
- OECD (2019), *Survey of Adult Skills (PIAAC) (2012, 2015, 2018)*. [31]
- OECD (2018), *Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264308817-en>. [6]
- OECD (2017), *OECD Economic Surveys: United Kingdom 2017*, OECD Publishing, Paris, https://dx.doi.org/10.1787/eco_surveys-gbr-2017-en. [3]
- OECD (2016), *OECD Employment Outlook 2016*, OECD Publishing, Paris, https://dx.doi.org/10.1787/empl_outlook-2016-en. [32]
- OECD (2015), *OECD Skills Outlook 2015: Youth, Skills and Employability*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264234178-en>. [4]
- OECD (2015), *Survey of Adult Skills (PIAAC database)*, <http://www.oecd.org/skills/piaac/publicdataandanalysis>. [5]
- OECD/ILO (2017), *Engaging Employers in Apprenticeship Opportunities: Making It Happen Locally*, OECD Publishing, Paris, <https://dx.doi.org/10.1787/9789264266681-en>. [16]
- Rocks, C. (2018), *EEA workers in the London labour market*, <https://www.london.gov.uk/sites/default/files/eea-workers-in-london-cin-56.pdf>. [7]
- Social Mobility Commission (2020), *Apprenticeships and social mobility: Fulfilling potential*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/894303/Apprenticeships_and_social_mobility_report.pdf. [18]
- Stoyanov, A. (2020), *the Mayor*, <https://www.themayor.eu/en/vienna-provides-1000-laptops-and-tablets-to-local-apprentices-in-inter-company-training>. [28]
- Sutton Trust (2020), *COVID-19 and Social Mobility Impact Brief 3: Apprenticeships*, <https://www.suttontrust.com/wp-content/uploads/2020/05/Covid-19-Impacts-Apprenticeships.pdf>. [19]

Thomas, E., M. Williams and I. Serwicka (2016), *Delivering change: Making apprenticeships work in cities*, <https://www.centreforcities.org/reader/delivering-change-making-apprenticeships-work-cities/challenge-4-small-medium-sized-enterprises-fall-behind-offering-apprenticeships/>. [21]

UK Commission for Employment and Skills (2013), *High Performance Working in the Employer Skills Surveys: Evidence Report 71*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/303153/evidence-report-71-hpw-ess.pdf. [29]

Note

¹ During the UK Employer Skills Survey, employers are first asked if their vacancies were proving hard to fill, then asked to give their reasons for not being able to fill vacancies spontaneously (i.e. without being presented with a list of possible reasons). Any employers not reporting skills-related issues are then prompted on whether any of their hard-to-fill vacancies were proving hard-to-fill due to a lack of skills, experience or qualifications among applicants. These spontaneous and prompted responses combine to give a total number of skill-shortage vacancies.



From:

Future-Proofing Adult Learning in London, United Kingdom

Access the complete publication at:

<https://doi.org/10.1787/c546014a-en>

Please cite this chapter as:

OECD (2021), “Strengthening the involvement of employers in adult learning”, in *Future-Proofing Adult Learning in London, United Kingdom*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/6b3095b5-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.