

1 Assessment and recommendations

Managing labour market uncertainty due to COVID-19

This OECD report comes at a time of great uncertainty as the world and London's economy are facing the COVID-19 pandemic crisis, which has been the source of an unprecedented economic contraction. Because of confinement and social distancing measures, London's labour market experienced a significant shock that still lasts as the pandemic continues. According to estimates produced by the Greater London Authority in September 2020, London's economy is likely to contract by more than 10% in 2020. Benefits claims in the UK capital have gone up by 154% between March and August 2020, with young workers affected the most. National support from the UK furlough scheme has helped to limit the damage so far. At the end of July 2020, more than 700,000 Londoners received support via the furlough scheme. The possible end of this scheme raises questions about how much unemployment could increase over the coming months and in 2021.

Prior to the COVID-19 outbreak, London's labour market had enjoyed a boom in employment. Between 2010 and 2019, the unemployment rate in London fell from 9.4% to 4.4%. Over the same period, labour market participation among the population aged 15 years or more also increased by 3 percentage points, reaching 68.2% in 2019, 5 percentage points above the UK average. The economic repercussions of the COVID-19 pandemic put some of these gains at risk.

Remote work and changing patterns of commuting are changing London's economic geography. Employers and employees in London have embraced telework as a means to keep business operations running, which has led to a transformation of how people work. This transformation is likely to be part of the "new normal" going forward. London has shown great flexibility in terms of remote work, in part due to its economic structure and focus on the service economy, which has been a source of economic resilience. However, not all jobs could shift to remote work and consequently, sectors such as hospitality have been devastated by the crisis. The pandemic has led to reductions in commuting, which remained around 70% below pre-crisis levels as of February 8 2020¹, putting the retail and service industry in Central London under considerable duress. The lack of commuters, international tourists, and thus customers, has resulted in significantly subdued business activity of high-street stores and the Central London service economy.

COVID-19 will likely accelerate automation, which will fundamentally change London's labour market

While the long-term impact of COVID-19 is still unknown, the pandemic creates large risks of exacerbating social and economic inequalities in London. Apart from the economic impact, the pandemic appears to be a catalyst for technological change. The rapid rise in telework and adoption of digital solutions indicate that digitalisation has experienced a significant boost. Additionally, the pandemic is also likely to accelerate the pace of automation in the labour market. The adoption of automation in the workplace tends to accelerate in times of economic crises, as firms replace workers performing routine tasks with a mix of technology and better skilled workers. COVID-19 could further incentivise firms' investment in technology to automate

the production of goods and services in order to reduce their exposure to any potential future social distancing and confinement measures.

Even before the onset of COVID-19, automation was transforming the world of work in a profound manner. OECD estimates show that 29% of jobs (as a share of total employment) are vulnerable to automation in London, of which 8% are at high risk, meaning that these jobs are made-up primarily of tasks, which are easy to replace with machines and artificial intelligence. Around 21% of jobs in London are likely to face significant change, with the skills requirement of those jobs to change fundamentally. Overall, automation risks are lower in London than in all other regions of the UK as well as most parts of the OECD, which is partly explained by the sectoral composition of London's economy with its reliance on high-skill service jobs in areas such as finance, public administration or legal services.

While London is less vulnerable than many other cities, the impacts of automation are likely to disproportionately impact disadvantaged groups. Risks of automation are concentrated on specific sectors and vulnerable groups, in particular low-skilled and low-paid workers. Moreover, young people (15-24 year olds) and immigrants face the highest automation risk. Almost 43% of young people in the labour market face at least a significant risk of automation, making the young the most vulnerable group in London with respect to the effects of automation that might lead to job losses. Immigrants are the second most vulnerable group, with almost 41% facing significant risks of automation. Alongside COVID-19, this represents a double-whammy that could further entrench disadvantage and inequality in London's labour market.

Technological change tends to drive the polarisation of labour markets in London and other metropolitan areas. Digitalisation and automation are skills-biased technological changes that tend to complement the jobs and tasks of high-skill workers but offer substitutes for middle-skill jobs, which often consist of more routine tasks. The share of middle-skill jobs in London's economy has declined by more than 9 percentage points since 2000, a faster pace than in most major OECD metropolitan areas. The question becomes whether the decline in middle skilled jobs is offset by growth of higher or lower skilled jobs. In London, a significant increase in high-skilled jobs (+ 6.9 percentage points) has compensated the disappearance of middle-skill jobs. However, the share of low-skilled jobs also increased by more than 2.3 percentage points. In absolute terms, these changes correspond to a reduction of 64,000 middle-skilled jobs, offset by increases of 940,000 high-skilled jobs and 349,000 low-skilled jobs.

While most of the attention often focuses on its negative consequences, automation can also be a new source for growth and innovation. Labour productivity in London has been stagnant since the 2008 financial crisis, falling well short of the productivity growth in other OECD metropolitan areas. Automation and digitalisation, when accompanied with workers with the right set of skill, can help reinvigorate productivity growth. Promisingly, recent job creation in London has mostly taken place in occupations with low risk of automation. Since 2011, job creation was concentrated in high-skill occupations that are less vulnerable to automation such as business and administration professionals (150,000 new jobs) or ICT professionals (50,000 new jobs). Finally, jobs created by new technology are often better paid than the jobs that are replaced. Helping displaced workers getting into those new, higher-paying jobs is a policy priority and requires support in terms of learning and training opportunities that allow workers to develop the necessary skills.

As most places in the OECD, London has seen a rise of non-standard or "gig" forms of work, consisting of temporary, part-time or self-employed work. While non-standard work offers new opportunities such as greater compatibility of family and professional life or an easier transition into the labour market for youth, it also creates new challenges. Individuals in non-standard work arrangement have less social protection, are less likely to benefit from training and adult learning opportunities, and are more vulnerable to economic shocks. Many of these types of jobs, such as food delivery drivers, face greater risks of exposure to COVID-19 since this work involves more face-to-face interaction in how the job is performed.

To weather the storm of automation and COVID-19, local decision makers in London need to identify policy complementarities between employment and skills programmes. Actors from the public and private sector should work together to leverage new job opportunities, especially in occupations that are less vulnerable to automation. As part of this effort, training programmes should offer “on” and “off” ramps for people to up-skill and re-train going forward.

Before the global pandemic, skills gaps and mismatches were significant labour market challenges in London

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 and other metropolitan areas, its labour productivity performance has been poor, suggesting that the existing skills of the workforce is not being optimally used. Skills mismatches are a drag on productivity performance and competitiveness. A high prevalence of mismatch usually means that the training systems is not providing the skills demanded in the labour market, or that the economy does not create jobs that correspond to the skills of individuals. One measure of skills mismatch is over or under qualification, which happens when the field of education does not correspond to the field of occupation. This report shows that 37% of London’s labour force are mismatched working in jobs that do not correspond to their level of qualification, with roughly equal shares of over and under qualification.

Alongside skill mismatches, many firms were struggling before COVID-19 to access the skills they need for their business operations. In 2017, more than 21% of firms in London had unfilled vacancies and the main reason for vacancies was a lack of qualified, skilled candidates. Almost two-thirds of firms report the quality of applicants as the main problem in filling vacant positions. Such unfilled vacancies have a direct impact on firms’ performance, including difficulties in meeting customer demand, problems in producing new products or services, or loss of business to competitors.

Despite the importance of skills and training, employers in London are not investing enough into staff training. Over recent years, job-related training has been falling in London, with less than 18% of economically active Londoners receiving such training in 2019 throughout the preceding four months. Such training does not reach those that could benefit the most, with low-skill workers being less likely to receive job-related training. Costs and limited financial resources are a major impediment to providing more training for London’s firms but an expansion of online training could mitigate this problem given that it increases the accessibility of training at low cost. However, currently, less than half of London firms take advantage of e-learning or online training.

Apprenticeships offer employers a direct way of training staff with skills that are relevant for firm-specific needs. The apprenticeship system in London has become more important over the past two decades, with the number of apprenticeship in London rising more than fourfold between 2005 and 2017. However, since the introduction of the national apprenticeship levy in 2017, the number of apprenticeships has fallen in London, albeit less drastically than in the UK overall where apprenticeships numbers have fallen by around 20%. With the pandemic still not abating and despite new UK-wide measures to allow more remote learning, workplace learning and apprenticeships face new difficulties given that they usually require individuals to complete on-the-job training in the workplace. Only a minority of apprenticeships continue as normal and fewer firms are deciding to hire new apprentices because of COVID-19.

The combination of COVID-19 and technological change will affect labour market and skills needs in London. With increasing sophistication of technology in the workplace, some skill sets will experience increasing demand while others will become obsolete. The accelerated uptake of digital solutions and automation means that the world of work is likely to change faster than previously anticipated. Therefore, skills development programmes including in the areas of adult education, vocational education and

training, or on-the-job learning might need to be re-adjusted to ensure that London's economy has the labour supply it needs.

Amid the current crisis, training and adult learning are undergoing a transformation led by a move towards online learning. Until recently, most adult learning provision took place via face-to-face teaching and direct interaction between teachers and learners. Such learning facilitated building personal relationships between learners and their instructors, which could re-enforce learners' progress and persistence. However, the pandemic has made face-to-face delivery difficult or even impossible. Instead, adult learning providers in London needed to adapt their teaching methods quickly with online learning achieving a breakthrough. While online learning has the potential to broaden access to programmes at a low cost, it raises significant new challenges such as access to digital equipment or decent learning conditions, factors that could exacerbate inequality in learning opportunities. Furthermore, questions remain about the effectiveness of online learning compared to face-to-face delivery as well as the feasibility of moving some courses online that are more practical in nature such as those related to construction or manufacturing.

Adult learning is more important than ever before, as the changing world of work calls for targeted support through learning and training for workers and firms

Enhancing skills development in London via adult learning is now important than ever. The crisis has led to thousands of job losses. Additionally, hundreds of thousands of Londoners remain on government support schemes, facing significant employment uncertainty, as some jobs will be lost when the UK furlough scheme ends. The crisis has affected some sectors such as hospitality, tourism and retail particularly hard. Even if these sectors recover over time, many firms and jobs in those sectors will be at risk of redundancy in the short-term to medium term. Workers in these sectors require opportunities to transition into other sectors and new careers. Adult learning can help them to re-train or up-skill and can thus facilitate worker career mobility and resilience.

The future of work causes a significant overhaul of jobs and skill needs across London's economy. COVID-19 is a catalyst for digitalisation and could further accelerate automation. Consequently, the pace at which new jobs emerge and others disappear is increasing. With the increasing use of digital services and new technologies, skill requirements for jobs are also undergoing significant change. For example, digital skills are becoming even more important. Yet, more than 40% of London's population still lacks the necessary skills to thrive in a digital work environment. All the developments necessitate an adjustment of skill development and, in particular, the adult learning system in order to address pressing, local labour market challenges.

Adult learning can offer the necessary support for workers that lost jobs due to the crisis or face uncertainty resulting from automation. For most workers, finding a new job or changing careers entails challenges in adapting to different tasks and responsibilities. London's adult learning systems plays a crucial role in guiding and supporting them in this process by enabling them to (i) refresh old skills, (ii) up-skill to move into a new job with higher skills requirements, or (iii) re-train to find employment in a different sector.

Despite the essential importance of adult learning, participation and funding have fallen. London recorded an even steeper decline in adult learning participation than the rest of the UK, with learning participation falling from 40% in 2015 to 28% in 2019. Some important obstacles to participation in learning can be shaped by targeted policy. Time constraints as well as family obligations and work-place responsibilities that appear incompatible with spending time on learning are among the most important barriers. Another major barrier are financial constraints. For 17% of Londoners who do not participate in training or learning, the available opportunities were too expensive or unaffordable.

Addressing these barriers to adult learning is within the scope of public action in London. As shown across the OECD, raising awareness of the returns of skills through targeted information and guidance can boost

potential learners' motivation. Furthermore, an increased availability of flexible, shorter or modular types of learning programmes can mitigate time constraints. Offering targeted financial support can help alleviate the financial constraints, especially of the low skilled and economically disadvantaged. Finally, making sure that adult learning programmes offer higher labour market relevance could entice more adults into taking advantage of opportunities to up- or reskill.

The UK government recognises the important role of further education for an inclusive recovery from the economic crisis. The new government white paper *Skills for Jobs*, published in January 2021, sets out a new high-level vision for further education, adult learning, and apprenticeships. *Skills for Jobs* proposes a reform of the further education system that will put firms at the centre and could lead to more demand-driven training, which better aligns with local economic and skills needs. The white paper acknowledges the importance of the local level in designing and delivering further education that is more effective.

London has made adult learning a priority with the development of the Skills for Londoners Strategy, which sets out the Mayor's vision to create a post-16 technical and vocational education and skills system that meets the needs of Londoners and businesses. As of 2019, the Mayor of London took over responsibility for the Adult Education Budget, which includes about GBP 306 million in new devolved funding. This Adult Education Budget (AEB) funds training for adults aged 19 and above. Some of these qualifications funded through the AEB include basic English and maths skills, basic digital and adult community learning. These courses are delivered by a range of different providers, including further education colleges, local authorities, independent training providers, institutes for adult learning, sixth form colleges, and universities. In 2019, the Mayor committed to make relatively few changes to the adult learning budget, recognising the need to provide stability to the sector during the transition period. Going forward, the Mayor will begin to make changes to the system to align it with London's labour market and economic needs.

What are the policy opportunities for London to future proof its adult learning system?

This OECD report has been developed following extensive consultations with stakeholders across London, including the Skills for Londoners Board as well as the Business Partnership. Both of these bodies were set-up by the Mayor to inform the future development of London's adult learning system. As London looks to make changes to its adult learning system, the following recommendations could be considered.

Creating an adult learning ecosystem in London

The delegation of the Adult Education Budget (AEB) provides new opportunities for London to adapt training to its local needs. London was able to respond more quickly to the challenges of the pandemic and could better tailor adult learning offers to local conditions. However, the AEB funding is a small piece of the overall training system. This could lead to further fragmentation due to the different controls and contracts held by different UK departments vis-à-vis the Greater London Authority. The current approach to adult learning may create inefficiencies due to competing priorities. Instead of being able to design fit-for-purpose adult learning programmes based on a target groups needs and desired outcomes, local training providers in London must navigate different funding priorities from both the national and local government - resourcing, managing and knitting together multiple contracts for a 'best-fit'.

There is an opportunity to examine how further devolution of employment and skills policies to London could create a robust adult learning ecosystem. This would include looking at opportunities to devolve UK Shared Prosperity Funding, the National Skills Fund and the National Career Service, alongside the ability to incentivise nationally funded system to better meet local needs, such as apprenticeships. Preliminary evidence based on the evaluation of the delegated AEB in London shows that training providers have changed their programme delivery in line with high local priorities, which suggests that devolution has

enabled a greater match between adult learning provision and local skills and labour market needs. Increased provision in London included more support for low-income learners, courses relevant to the priority sectors in London, provision of core, basic skills, as well as more opportunities for ESOL (English as a second language) learners.

Further devolution could enable London to develop and refine place-based skills development programmes that address the full range of worker and employer needs. In its 2019 report *Skills for Londoners: Call for Action*, the GLA demanded further devolution and set out plans on how to use such devolved powers in its skills strategy. At its core, the GLA aims to create an integrated skills and employment system and asks for more responsibility in careers advice, apprenticeships, traineeships, devolution of funding for 16 to 18 year olds, employment support and other areas. Further devolution could enable the GLA to develop partnership approaches and joined up local delivery based on organisational strengths of the range of adult learning providers. However, devolution should not be viewed as a panacea. Any moves towards further devolution would need to be backed by sufficient capacities and resources.

Feedback gathered from stakeholder consultations for this OECD study points to the importance of careers advice and support, which is unequal. The need for action is fundamental to drive change throughout London's skills system. Careers information is too often over-looked and under-valued by individuals as well as by institutions that deliver training. The current careers landscape is complex with a number of players, including the National Careers Service, Jobcentre plus and the Office for Students. New interventions are introduced on a continuous basis by different government departments and London has little oversight or accountability in this area. There could be value for London to take on more responsibility with the goal of integrating careers advice with other local services used by workers such as employment, housing, education services. Going even further, as part of London's new adult education funding responsibilities, the city could aim to embed personal guidance outcomes in all skills provision. Pursuing these objectives and integrating various local services could offer London the chance to make better use of data on workers and learners to match people to pathways and opportunities.

Recommendations to create an integrated adult learning system in London

Examine opportunities for further devolution to foster an integrated and joined-up adult learning offer

- *Work with national government departments to examine possibilities for further devolved adult skills funding:* This would include looking at how more flexibility can be injected into the management and implementation of the UK Shared Prosperity Fund, the National Skills Fund, and the National Careers Service.
- *Ensure London has access to consistent local data to shape adult learning decisions and priorities:* This would include improved access to consistent data on adult learning participation, learners' progress, learners' subsequent employment outcomes (via the UK Individualised Learner Record), as well as outcomes for individual local training provider. Ideally, these data would be consistently shared with the GLA or provided in a simplified manner through a data cube. Thus, the GLA could regularly evaluate training providers and assess policy priorities.
- *Ensure any new adult learning strategies or funding addresses the multi-dimensional barriers faced by some groups to enter the labour market:* London should aim to fund place-based programmes based on evidence that they address the full range of adult education and skills needs, supporting individual to access and progress in employment.

Create quality information and advice about careers and jobs in London

- *Look at opportunities to create a "made in London" career guidance platform:* Such a platform would aim to provide employers and workers with actionable labour market information on local training and employment opportunities. As the labour market changes rapidly, quality information about jobs and careers should be available for Londoners. Steps could also include strengthening the partnership with the London provider of the National Careers Service, which provides information and free tools for young people and adults about jobs, careers, writing a CV and training via its website. Such information and accompanying support should serve everyone, regardless of their career level or life stage. It would be critical to ensure equal access to access among all learners and target disadvantaged groups.
- *Use technology to help individuals engage more in careers counselling and training aligned to an evolving labour market:* London could aim to create skills development roadmaps and networking opportunities through digital badges or skills passports. Digital badges would enable individuals to demonstrate digital skills acquired and acknowledge the breadth of learning that can take place online.

Bringing employers on board to strengthen investments in adult learning and workplace training

This OECD report shows that despite the importance of adult learning, skills shortages and gaps are growing and less people are participating in training. Employers continue to report that they have hard to fill vacancies due to a lack of suitable candidates and yet many firms also report sub-optimal investments in developing the skills of their employees.

One way of involving more firms in training and ensuring training meets demand is through apprenticeships. An apprenticeship is a blend of on and off-the job learning which develops skills, knowledge and behaviours needed to perform a job, resulting in occupational competency for the learner and preparing them for their future career. The government funds a minimum of 95% of the training and

assessment costs while an employer pays the salary and, with the training provider, supports an apprentice during their programme. In the UK, apprenticeships are recognised as the key route to undertake training while learning within a working environment. Substantial reformation of the system has taken place to increase employer ownership and design, including through the introduction of a UK-wide apprenticeship levy. Prior to the levy, apprenticeships starts in London increased from around 11,000 to above 44,000 between 2005 and 2017. Since the introduction of the levy, has fallen by around 4-5% and estimates predicted a further decline in 2019/20 even before the pandemic ensued. Recent national reforms aim to re-boost apprenticeships through additional funding and financial incentives for employers.

Within the UK, there tends to be less debate about the role of local authorities in the apprenticeship system. Employers are often locally rooted, and therefore local authorities well placed to engage employers. More autonomy could be created for London to speak with businesses about apprenticeships, supporting employer take-up and promoting them to people of all ages and backgrounds. It would be particularly important to ensure the provision of customised support to SMEs that often lack the capacity to participate in comparison to large employers. New UK-wide rules on greater flexibility of firms to transfer unspent levy funds to SMEs could provide the impetus needed to help SMEs, though London will need to link it with administrative support tailored to the needs of SMEs.

Alongside the development of skills, it is increasingly important to ensure those skills are effectively deployed in the workplace. This is a relatively new area for public policy, as it requires active engagement with firms to ask fundamental questions about their human resources and talent management strategies. As opposed to “fire-fighting” skills shortages reported by firms, a skills use approach seeks to understand if there are broader issues related to the way a job is designed as well as the pay and working conditions on offer.

There is a strong rationale in London to look at how to work closer with firms to encourage them to use their skills better. Skills use is particularly important for London because of its sub-optimal productivity outcomes as well as the fact that firms continually report shortages and hard-to-fill vacancies. While there is an increasing amount of evidence about the benefits, it is less clear what actions can be taken, especially at a local level, to identify and embed practices that enable the better use of skills within companies. One potential avenue for better skills use is promoting high-performance working practices (HPWPs). Such practices include, for example, employee reward programmes, more flexible working hours, mentoring and leadership development courses, as well as a company culture that promotes training and development. London has initiated the *Good Work Standard*, which aims to encourage employers to adopt high standards in terms of fair pay, workplace wellbeing, skills and progression and diversity and recruitment. To reap the full benefits of HPWs, the scheme requires further uptake among employers. Establishing peer-learning platforms and a mentoring system, particularly for SMEs and start-ups, could provide further opportunities for London to raise awareness about the benefits of improved organisational and management practices, including teamwork, task discretion, mentoring, job rotation, applying new learning, incentive pay, and flexible working hours.

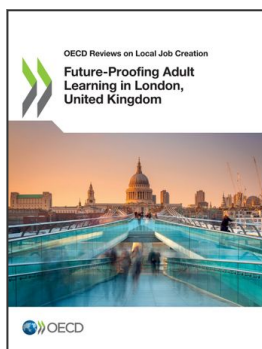
Recommendations to encourage employer involvement in adult learning and training

Strengthen workplace training and apprenticeships:

- *Actively involve employers in designing adult learning programmes:* Stronger collaboration and exchange of information between training providers and local firms could help shape programmes according to local needs and incentivise firms to make use of such training opportunities. This could be considered within any accountability provisions to providers from London Adult Education Budget.
- *Introduce new support measures for training in SMEs to overcome barriers of training provision in terms of capacity and financial resource in smaller businesses:* Training tax credits, issued by the national government, could help alleviate those barriers. Furthermore, employer-led training networks could help SMEs play an active role in identifying training needs and shaping programmes. London could also look at how discretionary funding could be used to influence and incentivise employer take-up of apprenticeships as well as support SME engagement with the Apprenticeship Service.

Ensure firms make use of available skills

- *Raise awareness of the benefits from effective skills use and development, for example through targeted campaigns or by setting up award mechanisms for employers who do implement high-performance work practices:* This could also include a local strategy that emphasises skills use policies. Currently, there is no explicit focus on improving skills use as an overall objective in the Skills for Londoner Strategy. Such a focus would help to join-up thinking and action to support short-term employer skills needs, while linking them to business performance and development as well as longer-term local economic development aspirations.
- *Appoint a local coordinator, if feasible, to act as a catalyst for engagement:* The success any new initiative focused on better using skills requires the co-ordination and marshalling of stakeholders and resources. Having an identifiable person within the GLA who can raise awareness, while engaging local firms and linking them with human resources consultants, could help operationalise such actions.
- *Establish peer-learning platforms that spread good workplace practices among London's firms and facilitate knowledge sharing of successful managing practices, internal skills development strategies, and uptake of new technologies or other innovation:* It would be important to identify businesses that already demonstrate good company practices and can provide champions for change among local firms. A peer network with mentors drawn from exemplar firms can help provide mentoring support and advice, particularly for SMEs and start-ups, as well as within industries and supply chains. These champions could help drive a local “business case” about how and why skills use policies benefit local firms.



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), "Assessment and recommendations", in *Future-Proofing Adult Learning in London, United Kingdom*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/e1c6ecd1-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>.