

Executive summary

The COVID-19 pandemic is having an unprecedented impact on London, its economy, and its labour market. The UK's capital emerged as one of the country's COVID-19 hotspots early on in the pandemic and by February 7 2001 counted more than 680 000 cases and 14 000 fatalities. Apart from the human costs, London has faced a severe economic contraction. Its economy is expected to have shrunk by more than 10% in 2020, with larger declines of 20-30% in sectors such as hospitality, tourism, or entertainment. As a result, unemployment has been rising, with the numbers of unemployment benefit claims going up by 160% between February 2020 and January 2021. So far, national support to employers and employees, in the form of the UK furlough scheme, has helped cushion the blow to employment in London. However, with the furlough scheme ending in April 2021 and firms increasingly struggling to finance their operations, 2021 might see a significantly stronger impact of the crisis on jobs and livelihoods in London. To prevent a 'lost generation', decisive action in terms of skills and career support is needed.

Even before COVID-19, London faced labour market challenges that required an effective adult learning system, but the crisis has made adult learning more important than ever before. While levels of educational attainment in London are high relative to other OECD metropolitan areas, partly due to high-skilled migration, labour productivity has been stagnant since the financial crisis in 2008. At least part of the suboptimal growth of productivity is linked to the fact that the existing skills of London's workforce are not optimally used and skills development does not match local labour market needs. In London, 37% of workers are mismatched by qualification, i.e. working in a job that is either below or above their level of qualification. Skills gaps and mismatches have a direct negative impact on employers in London. Pre-COVID, more than a fifth of firms in London had unfilled vacancies, with a lack of qualified, skilled candidates being the main reason. As a result, firms sometimes face difficulties in meeting customer demand, problems in producing new products or services, or lose business to competitors.

The current crisis creates new labour market risks that could exacerbate social and economic inequality in London. COVID-19 is also a catalyst for technological change and is likely to accelerate digitalisation and automation significantly. Historically, economic crises have spurred the adoption of automation in the workplace as firms replaced workers with routine tasks with a combination of better skilled workers and new technologies. With far-reaching lockdown and social-distancing measures, COVID-19 has forced employers and employees alike to experiment with remote work and new digital tools. Digitalisation seems to have made great leaps forward and automation might follow suit, not least as the pandemic could incentivise firms to invest in automating the production of goods and services to minimise their exposure to future confinement measures. While London appears less vulnerable to automation than many other OECD metropolitan areas, it nevertheless implies considerable challenges for a significant part of London's labour force. Around 29% of jobs 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. The remaining 21% of these jobs are likely to see significant changes in skills requirements. An acceleration in automation could mean that these risks materialise earlier than previously thought.

The scale and nature of the pandemic call for even greater efforts to strengthening the adult learning system in London. In providing opportunities to re-train or up-skill, adult learning is a vital element of a well-functioning skills development system. Employers play an essential role in adult learning and skills development, both through work-based training and the adoption of business and management practices that encourage learning and effective skills use. Yet, despite the importance of skills, employers in London are not investing enough into training. Job-related training has been falling in London over recent years, with less than 18% of economically active Londoners receiving such training in 2019. Furthermore, job-related training does not reach those that could benefit the most, with low-skill workers being less likely to receive it. As costs and limited financial resources are major impediments to more training provision by London's firms, an expansion of online training as a complement to traditional learning modules could mitigate this problem because it can increase the accessibility of training at a lower cost. Currently, however, less than half of London's firms take advantage of e-learning or online training.

London is among the leading OECD cities in recognising skills as a fundamental driver of economic growth and resilience. The Greater London Authority (GLA), the governing body of Greater London, has made adult learning a priority with the development of the Skills for Londoners Strategy. The strategy 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 local businesses, based on the devolution of the Adult Education Budget to London. Currently, major obstacles to participating in adult learning are time constraints, work and family responsibilities, as well as financial constraints. Addressing these barriers to adult learning is within the scope of public action in London via targeted information and guidance on the benefits of skills development, the creation of flexible, shorter or modular types of learning programmes, targeted financial support, and better aligning adult learning programmes with labour market needs.

To future-proof its adult learning system and deliver on- and off-ramps for workers to transition into new jobs or careers, London could build on the recommendations of this OECD report:

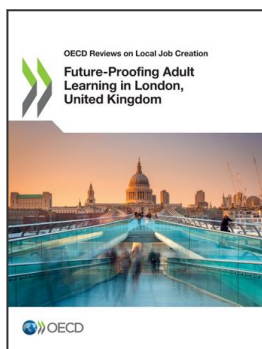
Creating an adult learning ecosystem in London

- **Examine opportunities for further devolution to foster an integrated and joined-up adult learning offer:** London could work with national government departments to examine possibilities for further devolved adult skills funding such as the National Skills Fund and the National Careers Service, in particular with a focus on aligning different services such as career guidance and adult learning and pro-actively engaging employees who face redundancy. Additionally, the GLA requires access to consistent local data to shape adult learning decisions and priorities. Finally, London needs to ensure that any new adult learning strategies or funding addresses the multi-dimensional barriers faced by some groups to enter the labour market:
- **Provide quality information and advice about careers and jobs in London:** Opportunities could include a newly created "made in London" career guidance platform that provides employers and workers with valuable labour market information on local training and employment opportunities, ensuring a more effective match of workers with jobs. Furthermore, the increased use of technology could help to engage Londoners more in careers counselling and training aligned to an evolving labour market.

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

- **Strengthen workplace training and apprenticeships:** The GLA could play a leading role in promoting apprenticeships by expanding its London-specific apprenticeship campaign, the London Progression Collaboration. By actively involving employers in designing adult learning programmes, London could shape training provision with local needs and incentivise firms to make use of training. By introducing new support measures for training in SMEs, London could overcome barriers for training provision in smaller businesses.

- **Ensure firms make use of available skills:** To benefit from effective skills use and development, London could increase awareness on the benefits of high-performance practices in firms through a targeted campaign or setting up award mechanisms. With the Good Work Standard, London has already set out guidelines on good practices that employers should adopt. To further spread good workplace practices among firms and boost productivity growth, London could establish peer-learning platforms that help share knowledge on successful managing practices, internal skills development strategies, and uptake of new technologies or other innovation.



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), "Executive summary", in *Future-Proofing Adult Learning in London, United Kingdom*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/f075e25c-en>

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