

LONDON

LMI SUMMARY



ABOUT

This document provides a summary of key findings for the London LEP area, based on findings from three major UKCES research products: Working Futures, the Employer Skills Survey (ESS) and the Employer Perspectives Survey (EPS).

Throughout the document, findings for the LEP area are compared with England or the UK as a whole. For ESS and EPS differences are only reported when they are statistically significant; when figures are described as 'similar' or 'no different', this means that there is no statistically significant difference. Whilst the percentages may differ slightly between the figure for the LEP area and England/the UK, when we say 'similar' it means that we cannot be confident that the difference is due to anything more than chance. In the case of Working Futures statistical significance is a more complex issue, since the analysis is forward-looking. The published guidelines relating to the interpretation of this dataset have been followed.



Working Futures

Working Futures uses robust sources of national data on demographics, education, employment and the economy to make projections of the UK labour market. Whilst not a crystal-ball, Working Futures moves beyond anecdotal guesses to provide rigorous, evidence-based projections through the application of proven models.



Employer Skills Survey

The Employer Skills Survey is the UK's definitive source of intelligence on employer investment. Exploring the skills challenges that employers face, the levels and nature of training investment, recruitment of young people and the relationship between skills challenges and business strategy, the ESS gives us a reliable, timely and valuable insight into the skills issues employers face.



Employer Perspectives Survey

The Employer Perspectives Survey provides insights into the thoughts and behaviour of UK Employers as they make decisions about how to engage with training providers, schools, colleges and individuals in the wider skills system, to get the skills they need.

WORKING FUTURES

2012 - 2022

Jobs and the economy

- The overall picture for the UK economy over the next decade (2012-2022) is one of gradual upturn, but with no quick return to long term trends as observed following previous recessions.
- Overall, the number of jobs in the London LEP area is projected to rise by around 407,000 over the next decade (2012-2022), an average annual rate of growth of 0.8 per cent. This is higher than the UK average rate (0.6 per cent).

Sectors

- The London LEP area is “over-represented”, relative to the UK, in a number of sectors, including professional and support services, finance and insurance, and media. It is “under-represented” in health and social work services, wholesale and retail, and manufacturing.
- Private sector services as a whole are expected to contribute around 90 per cent of net job growth in the LEP area between 2012 and 2022, above the UK average of 85 per cent.
- The leading sources of employment growth in the London area (in absolute terms) are forecast to be professional services (+86,000), information technology (+70,000), health and social work services (+52,000), construction (+46,000) and finance and insurance (+44,000).
- Manufacturing is projected to see a continued decline in jobs (with a loss of 12,000 jobs – the equivalent of a fall of 13 per cent - over the decade in the LEP area); this decline is greater than the projection for the UK overall.
- Public administration is projected to see a net decline in its level of employment between 2012 and 2022 in the LEP area (loss of 24,000 jobs, equivalent to a fall of 10 per cent); this reflects the wider UK picture.

Occupations

- London has a much stronger representation of employment in higher skilled occupations, compared with the UK as a whole. In the LEP area, 57 per cent of employment is in the three high skilled occupational groups: managers, professionals and associate professionals. This compares with a UK average of 43 per cent.
- Correspondingly, the proportion of employment in the three lowest-skilled occupations is lower than the UK average. In the LEP area, 20 per cent of employment is in sales or customer service, plant/process operatives and elementary roles, compared with a UK average of 25 per cent.
- The proportion employed in middle-ranking occupations is also lower than the UK average: jobs in administrative, skilled trades and caring/leisure roles account for 24 per cent of employment in London, compared with 32 per cent in the UK.
- As with the wider UK picture, we expect to see job growth concentrated in higher level roles, as well as in lower level roles relating to care. The projections for the LEP area are for:
 - 501,000 additional high level jobs (for managers, professionals and associate professionals), with more than half of these in professional roles. Higher skilled jobs are expected to grow at a similar rate to the UK (around 18 per cent over the course of the decade).
 - 112,000 fewer jobs in middle ranking administrative, secretarial and skilled trades occupations. Nevertheless, these areas of decline are expected to remain significant sources of employment by the end of the decade. For example, there are still expected to be around 395,000 administrative and secretarial jobs in 2022 in the LEP area, despite the loss of around 95,000 jobs in the previous decade.

- Around 59,000 additional jobs in caring or leisure roles.
- Women are expected to take around 60 per cent of the additional high level jobs created in the LEP area over the decade, as well as most of the additional jobs in caring roles. However, female workers will be hit by the losses noted above in sales and administrative jobs.

Qualifications

- As a result of supply and demand factors, the qualification profile of employment is expected to shift markedly in the LEP area:
 - The proportion of jobs held by people qualified at a higher level (level 4 and above) is already much higher in the London area than in the rest of the UK. The proportion in the London LEP area is projected to increase even further from 53 per cent to 66 per cent between 2012 and 2022.
 - Workers with low qualifications (below level 2) are expected to decline from 18 per cent to 12 per cent of the total workforce over this period.

Replacement Demands

- We estimate that replacement demands (i.e. job openings created by people leaving the labour force temporarily or permanently) will contribute five times as many job openings as net job growth over the next decade: nearly 2 million openings compared with around 400,000.
- Replacement demands mean that there will be a need to recruit suitably skilled people across all broad occupational groups, including those projected to decline:
 - For some occupational groups (mostly higher skilled ones), we expect to see strong net growth in the number of jobs, supplemented by large replacement demands. For example, net growth of 262,000 jobs in professional roles is projected to be supplemented by 527,000 job openings arising from replacement demands.
 - For those occupational areas in which we expect to see a net decline in the number of jobs, replacement demands mean that we can still expect a strong supply of job openings. For example, in administrative roles, it is projected that a net loss of around 45,000 jobs will be more than offset by 148,000 job openings resulting from replacement demands.

EMPLOYER SKILLS SURVEY

2013

Skill shortages

- Around one in five employers in the London LEP area (19 per cent) reported vacancies at the time of the survey (March to July 2013). This is higher than the figure for England as a whole (15 per cent).
- While in most cases demand for skills is met through successful recruitment, around a quarter of vacancies in the LEP area (27 per cent) are reported to be hard-to-fill. This is similar to the England average of 28 per cent.
- When asked (without prompting) about the main reasons for hard-to-fill vacancies in their establishment, a shortage of suitably skilled workers is seen as the main reason in the London area, followed by a lack of relevant work experience. These reasons reflect the picture in England as a whole.
- Overall, 'skill-shortage' vacancies represent 22 per cent of all vacancies in the London LEP area, the same as the England-wide figure.

Skill gaps

- Most employers say that they have a proficient workforce with no skill gaps. However, one in six employers in the LEP area (16 per cent) report skill gaps; this is similar to the figure for England as a whole (15 per cent). This represents five per cent of the total workforce in London, the same as the figure for whole of England.
- In most cases, proficiency problems are due at least in part to employees being new in their roles and/or still in training for their roles. These factors account at least in part for 75 per cent of all skills gaps in the LEP area, the same as the England-wide figure.
- In London and in England more widely, the main impact of proficiency problems is an increased workload for other staff.
- Job roles where (internal) skills gaps are most prominent tend to be ones in which there are relatively few (external) skill shortages. The occupations where skills gaps are most acute are sales and customer Services staff and elementary staff, which are two of the occupations with the lowest density of skill shortages (alongside administration roles). This pattern applies to the London LEP area and to England as a whole.
- In general, employers tend to be challenged either in terms of having inadequate skills among some of their existing workforce or struggling to find new recruits with the skills that the vacant positions require. It is very rare for employers to be challenged from both directions; just two per cent of all employers experience both skill-shortage vacancies and skills gaps; this proportion is similar in England as a whole (one per cent).
- Just over half of employers in the London LEP area (52 per cent) report skills under-use (i.e. they have staff who are over-skilled and over-qualified for the jobs that they are currently doing); this is higher than the England-wide figure of 48 per cent.

Training and Workforce Development

- Most employers fund or arrange training for their staff: in the LEP area, around two-thirds had done so over the previous 12 months (65 per cent); this is in line with the England-wide figure (66 per cent).
- Just under half of employers in London provide off-the-job training (48 per cent, the same as the England figure); the proportion offering only on-the-job training (17 per cent) is also the same as in the whole of England.
- The number of staff receiving training in the LEP area is also in line with England generally. In London, 60 per cent of staff received training in the previous 12 months, compared with the England-wide figure of 62 per cent.
- The number of days training was slightly lower in the LEP area than in England as a whole. Each person trained received an average of 6.1 days training over the previous 12 months in the LEP area, compared with 6.7 days on average in England.

- While most employers could be described as being in 'training equilibrium' having been able to provide all the training that they wanted over the previous 12 months, almost half of all employers in the LEP area (47 per cent, including non-trainers that had not delivered any) wanted to provide more training than they had been able to do. This is higher than the proportion in England as a whole (42 per cent).

Recruitment of Young People

- Almost a third of employers in the LEP area (31 per cent) recruited at least one education leaver in the two to three years preceding the survey, higher than the England-wide figure (27 per cent). Specifically, 22 per cent of employers in the London LEP area had recruited someone from a university or HEI (much higher than the England-wide figure of 14 per cent). By contrast, employers in the LEP area were less likely to have recruited a school or college leaver than employers elsewhere in England:
 - Five per cent had recruited a 16 year-old school leaver (lower than the England average of eight per cent);
 - Nine per cent had recruited a 17-18 year old school leaver (lower than the England figure of 11 per cent);
 - 10 per cent had recruited a 17-18 year old college leaver (lower than the England-wide figure of 12 per cent);

High Performance Working practices and Product Market Strategies

- High Performance Working (HPW) is defined by the UK Commission as 'a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment in order to achieve high levels of performance' (UKCES 2009).
- The survey identifies a minority of employers – 13 per cent in the LEP area – who are "HPW employers" in the sense that they adopt a number of HPW practices. This is similar to the proportion in England as a whole (12 per cent).
- Product Market Strategies (PMS) are defined within the survey by aggregating responses to a series of questions exploring pricing strategies, approaches to innovation and the nature of the product market (the extent to which the market attracts a "premium" and the extent of customisation of products and services in the market).
- Aggregating these responses classifies just under half (48 per cent) of private sector employers in London as having a high or very high product market strategy, indicating that their competitive success is not dependent on price, they pursue innovation, they compete on quality and/or that they offer customised goods or services. This is higher than the proportion in England as a whole (45 per cent).

EMPLOYER PERSPECTIVES SURVEY

2014

Employer Perspectives on Recruitment

- More than half of employers in the London LEP area (55 per cent) recorded at least one vacancy in the 12 months preceding the survey. This is higher than the proportion across England as a whole (50 per cent).
- Relevant work experience was rated by almost three-quarters of recruiting employers in London (72 per cent) as being a critical or significant factor looked for in candidates. Core Maths and English skills followed next, rated as critical or significant by 64 per cent of recruiting employers. More than half of recruiting employers rated academic qualifications as critical or significant (57 per cent), slightly more than the proportion that said this about vocational qualifications (53 per cent). These priorities reflect the wider picture across England. Over time, the survey as a whole has seen an increasing importance placed on both academic and vocational qualifications by recruiting employers.
- Overall, around a third of employers in London (32 per cent) had taken on someone under the age of 25 in the previous 12 months, similar to the England-wide figure. On the other hand, one in nine employers had taken on someone aged 50 years or older (11 per cent), slightly lower than the figure for England as a whole.

Employer Perspectives on Work Experience

- Almost half (46 per cent) of employers in the LEP area had provided individuals with work placements in the previous 12 months, while 20 per cent had conducted 'work inspiration' activities with people in education (such as mock interviews, delivering talks and holding site visits for students). These proportions were higher than the average figures across England (38 per cent and 18 per cent respectively).
- EPS 2014 canvassed employers' awareness of Traineeships and found that around two-thirds of employers in London (68 per cent) had heard of the scheme, the same as the figure for England. However, the survey as a whole indicates that many of these employers had limited knowledge of the scheme.

Employer Perspectives on People Development

- A considerable proportion of employers in London use external providers to deliver training (44 per cent), although internal training provision is more common (59 per cent). Both of these figures (for external and internal training) are in line with those for England as a whole.
- Employers most commonly look to private providers (private sector training firms or third sector providers) when they are looking outside of their own organisation to deliver training: 41 per cent of all employers in the LEP area engaged the services of private providers (the same as the England-wide figure), while only five per cent used FE Colleges (lower than the figure for England) and four per cent HEIs (similar to the England-wide figure). The survey as a whole indicates that the gap between use of private and public provision has widened in recent years.
- Just over one in five establishments in London (22 per cent) offer training that is designed to lead to a vocational qualification (slightly lower than the figure for the whole of England – 26 per cent).
- Around one in six employers in the LEP area (17 per cent) had worked with other employers to access, develop or share expertise on skills and training. This is the same as the proportion for England as a whole. In general, the survey found that the nature of these relationships was equally likely to be formal or informal/ad hoc.

- A quarter of establishments in London (25 per cent) had sought external information, advice or other practical help on skills and training-related issues in the last 12 months. This is lower than the England-wide figure (27 per cent).
- National Occupational Standards (NOS) specify the standard of performance an individual must achieve when carrying out a function in the workplace, together with the knowledge and understanding they need to meet that standard consistently. Broadly speaking, there was some awareness of the standards: more than a third of all employers in the LEP area (37 per cent) had heard of National Occupational Standards; this is similar to the proportion in England generally (39 per cent).

Employer Perspectives on Apprenticeships

- One in nine employers in the LEP area (11 per cent) offer formal Apprenticeships (following a framework and designed to lead to a nationally recognised qualification), lower than the England-wide figure of 15 per cent.
- At the time of the survey, around a third of all employers in the London LEP area were expecting to offer formal Apprenticeships in the future (32 per cent, slightly below the figure of 35 per cent for England as a whole).





UK Commission for
Employment and Skills (UKCES)

www.gov.uk/ukces