



# London's Skills Challenge

**In our recent report, *Keeping the UK Competitive (Feb 2006)*, we argued that employability skills must be addressed urgently if we are to maintain London's current position as a leading world city and the principal driver of the economy for the rest of the country.**

Since then, London First has played a leading role in raising the profile of the skills issue across the capital. For example we have:

- Successfully called for the leadership on London's adult skills strategy to be devolved to the Mayor.
- Secured a leading role for London's business on the Mayor's new Skills and Employment Board.
- Spearheaded the "2012 Employer Accord", which will improve employers' access to job-ready candidates in the years leading up to the Games and beyond.

This briefing outlines some of the key developments in the skills arena, suggests how businesses can get more involved and sets out why London needs to go further and act faster in tackling this issue.

## **Keeping the UK competitive**

London is the powerhouse of the UK economy. It hosts the most productive economic activity in the country and makes a net annual contribution of up to £20 billion to public finances.

London is one of a small number of truly world cities and has been highly successful in attracting foreign investment to the UK. About a third of Fortune 500 companies have chosen to locate here, bringing with them jobs, investment and tax revenue which benefit the whole of the UK.

London keeps the UK competitive. But its success in doing so cannot be taken for granted.

Businesses are more mobile than ever and London faces stiff international competition; not only from its established counterparts, such as New York, Paris and Tokyo but also from emerging economic centres including Singapore, Shanghai and Dubai. With the risk that major corporations may move abroad, it is vital that London has the skills base it needs to remain an attractive place to do business.

Attracting foreign investment relies upon a high quality workforce. In facing its international competition, therefore, London needs a skills base that fulfils employer requirements and merits world city status.



# Willing but not yet able



## The skills issues facing London's business employers fall into two broad categories:

At the top end, highly specialised sectors of the economy such as financial services, technology-based and creative industries are demanding ever more sophisticated graduate skills in order to maintain their competitive edge.

At the entry and intermediate level, business employers are experiencing increasing difficulties in finding staff from local communities in London who have the right skills and motivation for the jobs on offer. The remainder of this briefing focuses on the entry and intermediate level issues. We will publish a further briefing in 2007 on the London graduate skills market.

1 CBI/KPMG, London Business Survey, 2005  
2 Skills in the UK: The Long-term Challenge, interim report, Dec 2005

London has over 310,000 adults who are unemployed and looking for work. At the same time, its employers struggle to fill vacancies. More than half (53%) are concerned about skills shortages and almost a third (29%) expect capacity bottlenecks<sup>1</sup>.

This is symptomatic of the gulf London faces between employer requirements and the skills available amongst its population. The Leitch Review<sup>2</sup>, commissioned by the Treasury, argues that the skills shortage is an "urgent" economic challenge and a threat to the UK's long term prosperity. It calls upon the country as a whole to raise its game: "*skills that were once seen as specialist and technical, such as in ICT, have increasingly become core requirements for most jobs*".

3 ONS, Labour Force Survey, October 2006  
4 London First, Keeping the UK Competitive, 2006

## Nowhere is this more pressing than in London:

- Its unemployment rate, at 8.2%<sup>3</sup>, is far higher than that of any other region in the UK. It is a rate that the North East, the UK's next worst region for unemployment, last faced in 1994;
- 27% of its residents hold either no qualifications or 'level one' skills only (equivalent to a D to G grade GCSE)<sup>4</sup>;
- Its businesses are increasingly reliant on skilled workers from abroad.

Skills shortfalls are catastrophic for the individuals concerned and are a significant obstacle to London's businesses in fulfilling their potential. One in three employers has had to provide remedial training for staff to compensate for their low standards of literacy and numeracy<sup>5</sup>. This is highly inefficient and dilutes London's ability to attract international corporations to locate in the capital.

The social imperative for action is likewise clear. London has a good record of economic success but it also contains three out of the UK's five most deprived local authority areas. In Hackney, for example, the working age inactivity rate is 40%. London needs to provide a stable environment; one which is consistent with its status as a global city and helps to attract the very best businesses, jobs and people to the UK. Equipping London's unemployed with the skills and training they need to participate in its success is at the very core of achieving this.

5 CBI, Working on the Three R's, August 2006

# Action now, not tomorrow

## Addressing London's skills base is key to closing its poverty gap as well as keeping the UK competitive.

But developing skills in people requires a persistent, long term effort and will take years to see through properly. It is therefore necessary to set the wheels in motion for action now, not tomorrow. An additional annual investment of £200 million would enable 70,000 Londoners to develop their skills each year. This would generate a net benefit to the UK economy and we estimate that, by 2012, it could increase London's GDP by around £600 million a year<sup>6</sup>.

Financial investment in skills must be backed by strong leadership, flexibility and a clear strategic vision. This is why London First called for, and supports, the decision taken by central government in summer 2006 to devolve responsibility for delivering the adult skills agenda in London to the Mayor. By giving London this control, we will have a far greater opportunity to invest the skills budget wisely, in response to London employers' unique skills needs.

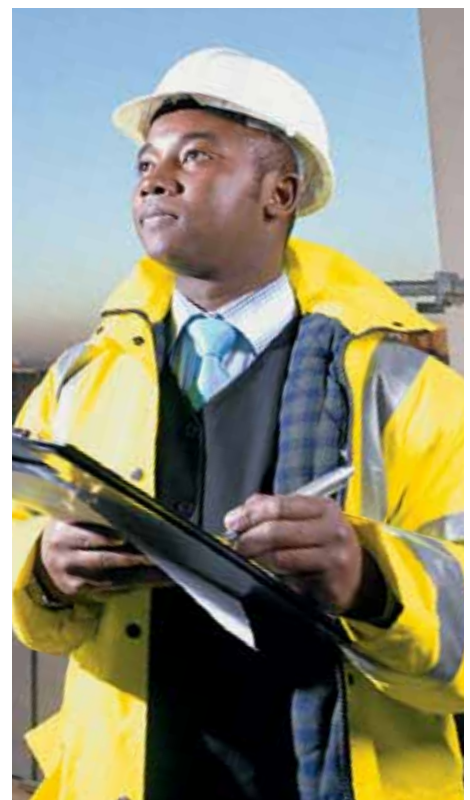
In leading the skills strategy for London, the Mayor is heading up a new Skills and Employment Board. It will have a statutory duty to promote skills in London and work closely with businesses and training agencies such as the Learning and Skills Council for London and Jobcentre Plus.

**Harvey McGrath, Chairman of Man Group and London First,** joins the Board as its Vice Chair.

### He explains:

*"London has had a great deal of success but the Government needs to act now to make sure that this can be sustained. In particular, London needs a skills base that befits its position as a world city. By engaging with this issue, business can make sure that Londoners are equipped with skills fit for a 21<sup>st</sup> century workforce."*

6 London First, Keeping the UK Competitive, 2006



# Making a success of 2012

**The Olympic Games present an outstanding opportunity to boost London's skills base and employment rate.**

According to the London 2012 Employment and Skills Taskforce (LEST), preparing for and hosting the Games will create 75,000 new jobs. With the correct training opportunities in place, many of these could go to the five host boroughs, where the current employment rate is approaching 15% below the London average, as well as benefiting other parts of London.

LEST has produced an action plan for ensuring that London generates as many skills and employment opportunities as possible from the Olympic Games. The types of skills required by the Games are in industries like construction, retail, leisure and hospitality. Crucially, these are the sectors in which London currently faces skills shortages but they are also the areas which it will carry on needing for years to come if we are to cater for London's predicted growth. So whilst the Games (and the deadline for preparing for them) are an excellent trigger for

getting people trained and into work, a legacy will be created that lasts well beyond 2012.

Athletes around the world are already training for 2012. It is time that London began training its workforce for the Games too. This will be a lasting hallmark of Olympics success; one which generations of businesses and Londoners will benefit from.

"One of the main reasons I backed the 2012 bid was because I saw the potential of the 2012 Games as a major catalyst for tackling some of the capital's worst social problems. Worklessness is the main contributor to child poverty in the capital and these initiatives will ensure many people who currently lack basic entry level skills training will soon have a range of options to prepare them for employment as well as providing the all important jobs and volunteering opportunities which they can apply for."

**Ken Livingstone, Mayor of London**



## Employer Accord: benefiting London, benefiting business



**Business needs the training opportunities that arise out of the Olympics to be job-specific and relevant to the gaps which exist in the London labour market.**

The surest way of achieving this is for employers to engage with public sector employment and training agencies. Signing up to the London Employer Accord, which London First is spearheading, is a realistic and practical platform for doing so.

The Accord was launched by the Chancellor of the Exchequer and the Mayor of London in October 2006. It has received backing from national and international corporations such as BT and AEG Europe. Employers can choose the level of commitment that best suits them.

Examples include:

- Agreeing to register vacancies with local employment agencies;
- Offering apprenticeships and work placements;
- Interviewing job-ready candidates, including those who have developed their employability skills by volunteering their help in the run up to the Olympic Games.

In return, employment and training agencies commit to tailoring their services to the needs of individual businesses. Employers gain easy access to a local supply of job-ready candidates and a suitably skilled workforce.

**The Employer Accord is open to all businesses in London.**



## London's skills challenge

- The UK's highest unemployment rate by far at 8.2% and rising
- Up to 40% inactivity rate in some areas
- 53% of businesses concerned at skills shortages
- 27% of London residents hold either no qualifications or 'level one' skills (i.e. a D to G grade GCSE)

## Checklist for skills success

- Investment of £400 million plus per year
- Job-specific training that matches employer requirements
- Olympics to get 75,000 Londoners into work
- Businesses and training agencies to cooperate via Employer Accord
- Devolve further responsibility to empower London to set and deliver its own skills agenda

## Who's who

- **London First:**  
Campaigns to make London the best city in the world in which to do business. Represents the businesses responsible for over a quarter of London's GDP.
- **London 2012 Employment and Skills Taskforce (LEST):**  
Responsible for developing a strategy to maximise the skills and employment opportunities for Londoners created and inspired by the Olympics. Membership includes those responsible for strategic implementation.
- **Skills and Employment Board:**  
Responsible for the adult skills strategy in London. Chaired by the Mayor of London with majority business representation at senior level.
- **Jobcentre Plus:**  
Government agency supporting people of working age from welfare into work and helping employers fill their vacancies.
- **Learning and Skills Council for London:**  
Public body that exists to make London better skilled and more competitive.
- **Foster Review:**  
Department for Education and Skills-commissioned review of the contribution that Further Education colleges can make to their local economies. Concluded that they should have a core focus on skills and employability. Led by Sir Andrew Foster, Chief Executive of the Audit Commission for England and Wales between 1992 and 2003.
- **Leitch Review:**  
Commissioned by the Treasury to identify the skills required by the UK to stay competitive. Led by Lord Leitch, former Chief Executive of Zurich Financial Services.

## Get involved

- We would encourage all businesses in London to participate in the London Employer Accord. To sign up or for further information, contact John Attree, London First's Director of Skills, Education and Diversity: [jattree@london-first.co.uk](mailto:jattree@london-first.co.uk) or 020 7665 1531.
- The Olympics will generate a range of business opportunities that London employers can benefit from. These are detailed in our Olympics Business Prospectus, which we have developed with the Mayor and will launch at our Olympics Summit in January 2007. Download the prospectus from [www.london-first.co.uk](http://www.london-first.co.uk)

## Addressing the skills gap: UK plc

Business engagement is critical to the meaningful resolution of London's skills gap. In the run up to the London Olympics, which could create 75,000 new jobs for people in London, the London Employer Accord provides a forum for this. Leading UK corporations are already signing up.

Here, two of them explain why:

*"As BT prepares to deliver the complex communications requirements of a transformational and successful 2012, it is crucial that we can call on a workforce of skilled technicians. That is why we have backed and signed up to the London Employer Accord. It will give us ready access to a diverse pool of training-ready candidates and put BT at the heart of regeneration in the Lea Valley area."*



**Clive Ansell,**  
BT Regional  
Director, London

*"The O<sub>2</sub> will host world-class sporting competitions, music and special events including, in 2012, the Olympic Games. We want to provide an outstanding hospitality experience; one that will drive The O<sub>2</sub> forward as Europe's entertainment destination. But the experience we provide will only ever be as good as our frontline team, who will be the public faces of The O<sub>2</sub>. Establishing a highly skilled hospitality team of this scale is no small undertaking. But by signing the Accord, it allows us to promote our work in finding and developing an appropriately skilled workforce recruited from the local area."*



**David Campbell,**  
President and CEO of  
AEG Europe,  
developers of The O<sub>2</sub>  
(formerly the  
Millennium Dome)

For more information:  
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**London First**