

Response to the Mayor of London's Skills and Adult Education Strategy for London

05 January 2018

Introduction

1. London Chamber of Commerce and Industry (LCCI) is the largest capital-focused business advocacy organisation representing the interests of over 3,000 companies from small and medium-sized enterprises through to large, multi-national corporates. Our member companies operate within a wide range of sectors across all 33 London local authority areas – genuinely reflecting the broad spectrum of London business opinion.
2. As the voice of London business, we seek to promote and enhance the interests of the capital's business community through representations to central government, the Mayor and London Assembly, Parliament and the media, as well as relevant international audiences. Through member surveys and commissioned research, LCCI seeks to inform and shape the debate on key business issues.
3. Access to a diverse, skilled workforce is essential for London's future as a competitive global city, one that serves its businesses and citizens and is a magnet for foreign investment. A lack of workers with the right skills is a barrier to growth and, in London, can even impact upon the viability of key infrastructure projects including, in London housing delivery. Skills shortages are also a sign that too many Londoners are missing out on the kinds of employment opportunities that a city like London is able to generate.
4. In 2016, we published our *Towards a Greater London: Business Agenda 2020*¹ that highlighted the challenges and opportunities facing our capital as it heads towards 'megacity' status over the next decade (nearing 10 million citizens, up from around 8.6 million today)². Closing London's 'skills gap' was chief among the priorities we identified, with both survey work and feedback from LCCI member businesses highlighting how difficult many firms are finding it to recruit workers with the skills they need.
5. We welcome the renewed focus on skills and the publication of the first dedicated city-wide Skills for Londoners Strategy. LCCI will look to play an active role in contributing to a successful skills landscape in London, including through our relaunched Work and Employment Policy Advisory Committee, our research work and polling. In addition to our Young Chamber³ initiative which places member businesses into schools so that students are able to gain insights into the world of work and career opportunities.
6. This response will focus principally on the proposals set out within the draft strategy on meeting the needs of London's economy and employers, now and into the future.

Meet the needs of London's economy and employers, now and in the future.

"Skills shortages have increased as an issue for firms as the economy has improved. Flexible immigration rules for businesses are essential as it will take years for these new learners to plug the skills gaps"

¹ <https://www.londonchamber.co.uk/policy-and-campaigning/our-priorities/>

² ONS (2016) Subnational population projections for England: 2014-based projections

³ <https://www.londonchamber.co.uk/services/young-chamber/>

Pat Saini, Head of Immigration, Penningtons Manches LLP (LCCI Member)

7. LCCI's Capital 500 quarterly economic survey⁴ (QES) is London's largest and most authoritative regular business survey, fully representative of the London economy by business size and industry sectors, and based on responses from over 500 London businesses.
8. In Q3 2017, the last quarter for which we have results, the Capital 500 highlighted the ongoing difficulties faced by companies looking for suitably skilled staff. Of those companies that said that they were recruiting, 60% reported difficulties finding people with the right skills to fill vacancies. This is the highest Capital 500 figure recorded to date (since Q2 2014) on this measure. **Businesses confirmed that professional/managerial roles (51%) and skilled manual/technical roles (47%) were the hardest positions to fill when attempting to recruit staff⁵.**
9. These figures demonstrate why upgrading the capital's domestic skills pipeline is imperative, especially at a time when businesses are facing uncertainty about their future access to migrant workers from overseas, both from within the European Union (EU) and further afield, in the context of ongoing Brexit negotiations.
10. Indeed, **our figures show that two in five (40%)⁶ London businesses employ workers from the EU, often for their skills, education and experience.**
11. Feedback from London Chamber members has indicated that, at times, the relatively easy access to workers, particularly from the EU, has meant that some businesses might not have focused on training and upskilling their workforce as much as they might. The new focus on skills and training is welcome, and shall play an important role in closing our productivity gap.
12. However, and for the avoidance of doubt, London businesses believe that an improved domestic skills system must and can only work alongside a flexible migration system, and cannot - and should not attempt to - replace it. The capital is a global city and is uniquely reliant upon overseas workers to fill skills gaps compared to other cities in the UK. This will continue to be the case.
13. In our *Permits, Points and Visa: Securing Practical Immigration for Post-Brexit London*⁷ report, we argued that as businesses are well placed to identify employment requirements and inform any skills gaps, London business groups could play an advisory role as part of a more regionalised migration system. This might, for example, be through devising and conducting an annual London Skills Audit, in conjunction with the office of Mayor of London. Such an audit might, we envisage, help inform the allocation of what we term 'Capital Work Permits' and which occupations are listed within a new London specific Shortage Occupation List⁸.
14. In a similar vein, we welcome plans within the draft strategy for the Mayor, through engagement with employer representative bodies, to improve and align skills provision in the capital to help meet occupational skills needs. This includes through a 'Skills Index' for

⁴ LCCI/ComRes Capital 500 Survey (July-September 2017)

<https://www.londonchamber.co.uk/LCCI/media/media/Reports%20and%20Surveys/QES-Q3-2017.pdf?ext=.pdf>

⁵ Ibid

⁶ LCCI/London Councils – London Business 1000 (July 2017)

⁷ Permits, Points and Visas: Securing practical immigration for post-Brexit London

<https://www.londonchamber.co.uk/LCCI/media/media/Policy%20and%20Campaigning/Permits,-Points-and-Visas.pdf?ext=.pdf>

⁸ Ibid

London, and for engagement with employers to also provide advice on the implementation of the new 'Technical Levels'.

15. We are pleased that the Mayor has highlighted our migration ideas in his *Immigration: a future approach*⁹ report, published in October 2017. With the clock ticking on Brexit, we urge the Mayor to look at drawing-up a template for a dedicated Shortage Occupation List for London - like Scotland already has - and to convene the capital's civic and business leaders to design a proposal for a future work permit system for our capital.
16. **Improving Domestic Skills** - LCCI considers it essential that the capital is able to draw upon both an effective and responsive skills and training system, and a flexible migration system. As a step towards gaining further insights into employer needs around skills and training, LCCI and London Councils collaborated in 2017 on our new London Business 1000 survey¹⁰. The survey - based on responses from over 1,000 businesses - considered a range of topics that affect the capital's business community including apprenticeships and training, recruitment and retention, migration and opportunities for the year ahead. Data was collected for the whole of London, as well as the sub-regions of Central, East, South and West London.
17. Our survey served to re-enforce findings highlighted elsewhere that the take up of apprenticeships in London is low, **with just 8% of firms polled by our survey reporting that they employ an apprentice**. Our analysis of the results showed that 14% of London businesses are planning to increase the number of apprentices they employ over the next twelve months, the majority (82%) of whom do not currently employ any apprentices¹¹ at all.
18. These figures on apprenticeships in the capital show how much there remains to do. LCCI is a strong supporter of apprenticeships and welcomes the principle behind the Apprenticeship Levy. However, it is also clear to us that more needs to be done to make sure the levy works for businesses, particularly in the capital.
19. For example, **33% of London companies have told us that they do not have the required HR resources to train and manage an apprentice**¹². We know that for many levy paying businesses, the levy is considered a cost without benefit, and that for businesses who do not pay the Levy - but could access Levy funds - a majority have no plans to do so.
20. We welcome the intent within the draft strategy to address some of these challenges related to apprenticeships, noting particularly proposals to lobby for devolution of the Apprenticeship Levy. The Mayor rightly, in our view, believes this will enable greater flexibility to address the complex skills requirements of London businesses¹³, including by using the levy on a wider range of skills development areas to meet local economic needs.
21. We note also that the draft new London Plan also recognises the limitations that current Section 106 agreements can place on the use of apprenticeships. We welcome the Mayor's commitment to encourage London boroughs to consider cross-borough working

⁹ Mayor of London – Immigration: a future approach pp. 11

https://www.london.gov.uk/sites/default/files/migration_a_future_approach.pdf

¹⁰ LCCI/London Councils – London Business 1000 (July 2017)

<https://www.londonchamber.co.uk/LCCI/media/media/Reports%20and%20Surveys/London-Business-1000.pdf?ext=.pdf>

¹¹ Ibid

¹² LCCI/ComRes Survey – Capital 500 (November 2016)

¹³ Mayor of London – Skills for Londoners: A draft skills and adult education strategy for London

<https://www.london.gov.uk/sites/default/files/skills-for-londoners-draft-strategy-november-2017.pdf> pp. 38

to open up opportunities - including those created via Section 106 obligations - to residents from adjacent boroughs and across London¹⁴.

Deliver a strategic city-wide technical skills and adult education offer

Applicants can lack basic numeracy and literacy skills and have difficulty filling in their induction forms. Many are also not aware of the demands of construction: the early starts, the need for certain etiquette on site. One act of misbehaviour on site can instantly cost us a contract that we've worked months to secure. Therefore, we are cautious about who we employ on site."

Jason Carter, Business Development, Oxford Hydrotechnics (LCCI Member)

22. LCCI earlier this year called on the government to help give the capital's emerging workforce the skills they need to thrive in business through several practical measures including prioritising new 'T-Levels' in construction and digital areas, supporting small businesses to develop online and by collaborating with businesses on apprenticeships¹⁵.
23. To that end, we are encouraged by initiative's including the Construction Academy Scheme, the digital talent programme and for the emphasis placed on making the capital's further education sector 'routes ready' for the introduction of the new Technical-Level qualifications.
24. We note, however, that many London businesses, particularly sole traders and smaller businesses, lack basic digital skills, including those necessary to create basic digital content to engage with communities (such as through a website or social media). It is important that alongside efforts to ensure a skilled pipeline of Londoners for the vital and growing tech sectors (and tech roles within organizations) that a focus is also directed towards those within the nearly a quarter of London businesses that lack any digital presence whatsoever¹⁶, and so risk losing out to competitors in the modern, 21st century digital economy.

Young Chamber – Connecting businesses with schools

"Our biggest issue in acquiring young talent has been the school itself. We try and recruit 18-year olds and put them through sponsored part time degree programmes. However, we have had many instances of young people being actively discouraged by schools from coming to us an employer and attaining their degree rather than going straight to university"

Steven Hale, Managing Director, Crofton Design (LCCI Member)

25. We support efforts to strengthen collaboration between skills providers, schools and London's employers and, in particular, efforts by City Hall to ensure the further education sector in London becomes 'routes-ready' for the introduction of new 'T-Level' qualifications.
26. The London education landscape is vast, with over 550 state secondary schools and 2000 primary schools. School budgets for enterprise and careers provision are limited, and teachers are often constrained by competing time pressures. To help tackle this,

¹⁴ Ibid

¹⁵ <https://www.londonchamber.co.uk/news/press-releases/london-chamber-sets-out-its-manifesto-priorities-t/>

¹⁶ <https://www.londonchamber.co.uk/LCCI/media/media/Policy%20and%20Campaigning/Capital-Connected.pdf?ext=.pdf>

LCCI launched its Young Chamber initiative, which helps London schools better equip students for the world of work by connecting them to their local business community. With the support of the British Chambers of Commerce and a national network of regional Chambers, Young Chamber offers businesses a simple solution to enriching the knowledge and experience of young people and employers alike.

27. Students gain insight into the world of work to learn about the different careers they could have, as well as the routes that they might take to get there. They also learn which skills - both technical and soft - they need to pursue a successful career once they leave education, hopefully helping to create a 'parity of esteem' between technical and academic routes to earning and education, and hopefully overcoming some of the false perceptions that parents, and even teachers, can have about technical education and the opportunities and careers it can lead to.
28. LCCI recently led a 12-month scheme with the Croydon Chamber of Commerce and Industry to help better understand and evaluate how SMEs in particular can engage with schools and help students – and teachers – better understand the world of work and develop employability skills. Over the past 12 months we have worked with ten schools and engaged with around 3200 students.

Conclusion

28. Given the chronic skills gaps across the capital, we welcome the publication of the Mayor's Skills Strategy that seeks to address them. However, efforts to address these skills gaps, in our view, would be supported by adopting a flexible migration system.
29. Consequently, we welcome many of the proposals outlined in the Mayor's Skills Strategy, including, providing greater flexibility for apprentices, the Mayor's Construction Academy Scheme initiative, in addition to providing a digital talent scheme.
30. Moreover, we recognise that skills gaps differ across each of the local authorities throughout London. As a result, we are advocates of the Mayor's commitment to encourage greater cross-borough collaboration between the each of the 33 local authorities across the capital to plug skills gaps locally.
31. We look forward to working with the Mayor, local authorities, and sub-regions to help ensure all Londoners have the skills needed to thrive in our growing city.

Further Information

LCCI would be happy to clarify or provide further comment on any matter raised within this response.

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