



RECOVERING EMPLOYMENT AND SKILLS IN LONDON

COVID-19 BRIEFING

INTRODUCTION

Over a year on from the start of the pandemic, COVID-19 has had major impacts on London's businesses and workers across all sectors. Businesses of all sizes have been forced to close and/or alter their ways of working – be this temporarily or permanently. LCCI's Quarterly Economic Survey in Q4 2020 highlighted the lowest levels of confidence amongst London businesses since the 2008 financial crash.¹

The impact on employment is particularly worrying. The capital has consistently seen some of the highest unemployment and furlough levels in the country. At the time of writing, over 700,000 employments were furloughed in the capital, with a take-up rate of 17% for employees residing in London.² The level of unemployment was the highest of all regions in the UK at 7.2%.³ This is only expected to worsen, with forecasts suggesting a rise to 9.4% in December 2021, translating into 464,000 Londoners unemployed. Worst-case scenario projections indicate unemployment could rise to 11.8% in February 2022, leaving 580,000 Londoners unemployed.⁴

On the demand side, businesses that have continued to operate and those that are able to reopen will have seen significant, rapid shifts in their ways of working. This will have in turn impacted their skills requirements to varying degrees. The pressing need to progress towards net-zero and the acceleration of technological innovation mean further developments to skills needs are underway – and will continue to drive further change. In addition, the introduction of a new immigration system has ushered in changes to employers' recruitment abilities.

These changes present the UK's world city with significant challenges, but it is vital that the public and private sectors look to the opportunities they create for retraining, up-skilling and preparing the workforce for the future of industry beyond the pandemic. **It is therefore crucial that we start to build a much more dynamic understanding of how skills needs are evolving (and projected to evolve) in London,** so that those in search of employment can be supported to meet rapidly changing demand.

Many welcome steps have been taken nationally and locally to respond to evolving needs, however gaps remain. **Further, targeted responses must seek to achieve more holistic, agile and demand-led solutions at this pivotal time, supporting businesses with the skills they need, whilst supporting people to take advantage of opportunities where skills gaps exist or are expected to emerge.**

This briefing seeks to outline notable areas in which the skills landscape is evolving across key sectors of London's economy, and some of the main concerns and opportunities within this picture. It subsequently sets out recommendations for addressing employment and skills challenges as we recover from the effects of the pandemic.

This information is based on consultation with members of LCCI, representing: transport (across road, air, sea and rail); property and construction; hospitality; culture; retail; travel and tourism; financial, legal, professional and other business services; and members representing the supply side of the labour market, including universities and members in training and recruitment. The information was gathered anecdotally through group and individual consultation meetings and is supported by data from LCCI's own business sentiment surveys and external sources.

A SHIFTING LANDSCAPE: CHALLENGES AND OPPORTUNITIES ACROSS KEY SECTORS

The London business landscape presents a mixed picture of recruitment demand. On the whole, nearly two-thirds of London businesses surveyed in Autumn 2020 by YouGov for LCCI and London Councils said they faced skills challenges in their current workforce.⁵ While some sectors continue to face persistent skills shortages, others have seen skills gaps grow or become an increasing likelihood over the past year. Meanwhile, concerns about businesses' inability to hold onto staff as a result of the pandemic is causing a very different set of worries in other sectors. At the same time, diversity and inclusion continue to raise concerns in several areas. In this section, we seek to outline a high-level snapshot of some of the main concerns and expectations in key sectors of London's economy.

Hospitality

The hospitality sector has relied heavily on overseas workers, with non-UK born workers making up two-thirds of those employed in London's accommodation and food services sector.⁶ The introduction of a new immigration system is causing uncertainty for businesses and raising questions about their ability to recruit as London's reopening and recovery progresses over the coming months. This is a particular concern for hotels and other accommodation businesses, for

1 LCCI, Capital 500: London Quarterly Economic Survey, Q4 2020

2 DWP, Coronavirus Job Retention Scheme statistics: March 2021

3 ONS, Labour market overview, UK: April 2021

4 London Councils, A detailed study of unemployment in London, 2021

5 LCCI and London Councils, London Business 1000, 2020

6 ONS, Jobs in London and regions in the UK, by country of birth (UK, EEA and rest of world), broken down in various ways, 2004 to 2019 (published 2020)

whom the uncertainty of how quickly and at what levels occupancy rates may resume presents difficulties with planning for the levels of resourcing required.

Hospitality businesses in London report that the sector has struggled with attractiveness barriers when recruiting from the local workforce. Hospitality-focused roles in other sectors are also a concern – theatre companies relying on overseas workers to hire chefs and catering staff is one example. As employers come to terms with what the new immigration system will mean in practice, there are concerns of a “war on talent” leading to wage inflation, which would be crippling to businesses for which cashflow has presented enough worries throughout the pandemic.

Retail

Redundancies and prolonged take-up of furlough has caused concerns for retail businesses of staff “drifting” to sectors that have remained open and active during the pandemic. At the same time, the rise of e-commerce and digitalisation that was already expected to significantly affect high streets pre-pandemic has been propelled forward over the past year, with many businesses forced to pivot and look to online solutions. Global consumer research indicates that the shift to e-commerce is set to continue beyond the pandemic, with online purchases by new or low frequency users expected to rise by 169%.⁷ This creates a clear need, but also an opportunity, to support the workforce to adapt to this transition.

Transport

The picture is somewhat mixed across transport when considering the types of skills challenges faced. The pandemic has had a sizeable impact on employment in the aviation sector. The industry’s recovery to pre-pandemic levels of activity could take significantly longer than other sectors, creating much uncertainty for the workforce. Private vehicle hire drivers have also suffered during the pandemic, with the Licensed Taxi Drivers’ Association (LTDA) estimating that there were over 3,300 fewer licensed black cabs in London by Autumn 2020.⁸ Meanwhile, there are growing skills gaps in logistics across a variety of roles, with a shortage of 76,000 Heavy Goods Vehicle (HGV) drivers posing particular worries nationally.⁹ Similarly, research for the Port of London Authority highlighted skills challenges amongst 30% of businesses in London’s port sector, with their main concerns including an ageing workforce, alongside difficulties finding people with the right skills and specialised manual labour.¹⁰

Some areas of the transport sector face noticeable workforce diversity challenges. It is estimated that only around 11% of employees in London’s port sector describe themselves as BAME and only 2% define themselves as disabled.¹¹ Furthermore, 65% of its workers are male. In logistics, the workforce is 86% male and almost 90% of employees define their ethnic origin as white.¹²

Property and construction

Ongoing challenges continue in property and construction, with 49% of firms experiencing difficulties recruiting.¹³ Many businesses continue to report that perceptions of working in the industry – namely onsite work and exposure to weather conditions – pose barriers to attracting young people. This is despite significant scope for progression and pay. The sector’s ageing population of domestic workers continues to drive worries about recruitment as well as the future of training. Diversity is particularly problematic in the sector, with male workers occupying 96% of manual roles in London and 85% of the capital’s construction workforce describing themselves as ethnically white.¹⁴

The pandemic has raised questions about how potential migration out of London could affect local talent pool retention – in this and other sectors. At the same time, the effects of COVID-19 on the commercial and residential property markets in both inner and outer London will of course affect recruitment demand as development trends evolve. The buoyancy of ‘proptech’ and the scale of retrofitting that will be required across London’s property stock offer clear opportunities for training and recruitment.

Financial, professional, legal and other business services

While this will not be the case across all businesses, some in financial, professional, legal and other business services report that, in the current climate, applications for and interest in vacancies is exceptionally high. In tech, cloud-based solutions have seen exceptionally high demand as a result of the transition to remote working and operations, presenting clear areas of opportunity. Even before the pandemic, demand for specialist skills in data science and engineering services had increased rapidly, rising by 231% in five years.¹⁵

Concerningly, research commissioned by the City of London highlighted worrying socio-economic gaps in financial services, with 89% of senior roles held by people from higher socio-economic backgrounds. Workers from lower

7 Accenture, How is COVID-19 changing the retail consumer?, 2020

8 <https://www.ltada.co.uk/assets/files/downloads/Cant-Wfh-leaflet.pdf>

9 Logistics UK, Skills and Employment Report 2020

10 Port of London Authority, Port of London Economic Impact Study, Spring 2020

11 Ibid

12 Logistics UK, Skills and Employment Report 2020

13 YouGov surveyed 1,251 London business decision-makers between 29 September and 5 November 2020 for LCCI and London Councils. 178 of these businesses were in the property and construction sector. Full data tables are available here: <https://docs.cdn.yougov.com/9siyuj24h1/YG-Archive-15042021-LondonCouncils.pdf>

14 CITB, Workforce Mobility and Skills in the UK Construction Sector 2018/19, London Report, 2019

15 The Royal Society, Dynamics of data science skills, 2019

socio-economic backgrounds progress 25% slower than peers, presenting a “progression gap” that is not linked to performance and underscoring clear barriers to address.¹⁶

Transferrable skills offer interim solutions to bridging gaps

Across this landscape, there is clear potential for transferrable skills to address gaps across industries, even if as a temporary solution to employment and recruitment in these exceptional circumstances. For instance, travel companies have seen limited activity in the past year, and the path ahead for the industry’s recovery continues to look uncertain. Many of the workers in this industry possess strong customer service and problem-solving skills that could be transferred to fill customer-facing roles in the hospitality sector in the interim. Additionally, with the right training, out-of-work taxi drivers could potentially fill growing gaps in logistics. However, people will need the right information and support to identify and retrain for these opportunities.

HYBRID SKILLS: CHALLENGES WITH NEW WAYS OF WORKING

The impacts of COVID-19 have forced companies to adapt to new approaches, technologies and innovation exceptionally quickly. Many of these changes look set to remain in place post-pandemic. Polling by LCCI and Savanta ComRes in Q1 2021 found that 52% of business leaders surveyed intend to allow staff to work from home at least 2 days a week when the pandemic is over, with 41% having already reduced physical working space.¹⁷

While many developments have been positive, the scale of changes to companies’ ways of working have created challenges for employees across varying levels. Where junior staff learned by osmosis in office environments before the pandemic, remote working has presented natural barriers to this organic learning. Onboarding those with little work experience has proven challenging, with remote working posing some barriers to the level of support managers have been able to provide. Leadership skills have been challenged as organisation and team leaders have had to adapt their own work as well as that of their teams. These concerns have been compounded by the impacts of virtual working on employees’ physical and mental health due to issues such as excessive screen time and the practical difficulties many have faced with home working.

The impacts of these changes on employees’ and candidates’ soft skills presents additional concerns. In particular, collaborative working is naturally facilitated and developed in a workplace. Its absence has presented challenges for businesses like creative agencies, which rely on staff and client collaboration, as well as for the development of team working and collaborative skills in junior staff. The current climate has posed barriers to networking, with employees and students both finding it more difficult to build contacts and proactively seek out opportunities. The ability of those who have been out of work for a sustained period to adapt to the scale of changes brought about during the pandemic presents additional concerns for employers.

At the same time, the pandemic has forced employees’ roles to take on a hybrid nature. With colleagues furloughed and businesses adapting exceptionally quickly to the impacts of COVID-19, employees in many small businesses have had to turn their hand to work beyond the remits of their roles. Often this has included tasks in areas completely unrelated to their function. Generalist skills have become much more relevant in the past year and need greater encouragement and support.

Businesses are now assessing the cost-benefits of offshoring individual roles and whole units instead of bringing new staff on board in-house. The past year has proven that it is possible for numerous roles to be carried out completely remotely. Companies are reporting that challenges experienced with remote onboarding of fresh graduates and apprentices, coupled with the realities of recruiting through the new immigration system, make offshoring a far more plausible option than it may have seemed at the start of 2020. The reliability, home-office discipline and specialist experience of remote overseas workers are attractive to businesses that are finding they no longer need roles to remain in-house. This is of course a concern for employment within the local workforce, but it is worth noting that offshoring is increasing globally, opening up a broader range of opportunities for workers in London to find virtual employment with companies based overseas.

LEARNING FROM LONDON BUSINESS SOLUTIONS

Even before the pandemic, skills and recruitment challenges posed ongoing concerns for the capital’s businesses, with 42% highlighting difficulties employing people with the right skills as a key barrier to growth in 2019.¹⁸

Numerous initiatives have been developed by and with London’s business community to bridge gaps, providing successful models that can be adapted and built on by others as our economy recovers. The examples below highlight successful

¹⁶ City of London, *Who gets ahead and how?*, 2020

¹⁷ <https://www.londonchamber.co.uk/news/press-releases/polling-shows-half-of-london-businesses-will-support/>

¹⁸ LCCI and London Councils, *London Business 1000*, 2019

Case study 1:

London Marriott County Hall - partnership with London South East Colleges

Faced with challenges recruiting from the local workforce, the London Marriott Hotel County Hall initiated a strategic partnership with London South East Colleges to build a talent pipeline. This programme saw teachers embedded in the hotel's orientation of new staff across various departments, helping them to update their knowledge and gain first-hand insights into the inner workings, service culture and professionalism of a modern 5-star hotel in central London. In addition to updating their knowledge of working practices, the experience has also enabled teachers to talent spot for the hotel, connecting candidates with internship and work experience opportunities in the business.

As part of this, [a programme called 'Takeover Week'](#) brought young people in for work experience, where they shadowed discipline leaders across all areas of the business, including HR, finance, concierge and front of house. As this took place not long before the first UK lockdown began, the students were able to gain invaluable insight into how the hotel's team managed developments at a time of crisis.

One year on, a number of young students have maintained their connection with the hotel and have continued their work experience, which will lead to apprenticeship and full-time employment opportunities.

Case study 2:

Mishcon Academy

Mishcon de Reya's in-house Academy was established to deliver university-quality education, developing legal, business, tech and personal skills through a range of bespoke courses and other learning opportunities, whilst fostering new thinking for individuals at all levels. Mishcon has recently offered elements of their Academy [externally](#), and this is open to all audiences. The Academy also supports the progression of staff through transition programmes and leadership programmes.

The Academy also includes Early Careers (EC), to recruit and develop entry level talent in the firm. The EC team has developed the Solicitor Apprenticeship programme which allows apprentices to gain an LLB (Hons) in Legal Practice, complete their SQE and qualify as solicitors whilst earning a salary. The EC team has partnered with [Rare](#) contextual recruitment, which allows them to place diversity and social mobility at the heart of the company's recruitment.

Case study 3:

Energy Garden

[Energy Garden](#) developed a paid, accredited training programme to build a talent pipeline for young people from diverse backgrounds and boost racial diversity in the burgeoning renewable energy and sustainability employment sector. This Community Benefit Society empowers communities to regenerate London, activating rail stations, train depots, local schools, hospitals and housing estates with solar panels, battery storage and gardens, thus greening thousands of square metres of grey space and generating millions of megawatt hours of renewable electricity.

Its Youth Training Programme enables young people to participate in and lead this regeneration effort. It is planned to fit the needs of disenfranchised youths, through a mixture of learning environments including class-based and online sessions and site visits. Trainees learn about the financial, technical, IT, media, marketing and legal elements of setting up a community energy company; gain practical experience in making and installing solar panels, building batteries and green walls; while gaining exposure to a range of senior professionals and officials.

The programme uses AQA certification to verify completion of learning modules. It gives young people 1-1 support from training therapists, and career support through CV writing, interview practice and direct placement into the sustainability sector.

RECOMMENDATIONS: SUPPORTING EMPLOYERS AND WORKERS TO BRIDGE SKILLS GAPS

With the capital's recovery path far from certain, and with employment concerns only set to grow, it is clear that more support and action is needed both for businesses and the workforce. In terms of support for business, it is vital to stress that despite the many positive ways in which industry has stepped up to the plate, a significant number of London's businesses lack the capacity and resource to take action (as highlighted in points 2 and 5 below).

1. Addressing gaps in data:

Gaps in reliable data and intelligence on both the local labour market and employers' skills and recruitments needs can often lead to mismatches and slow responses in the skills system. For example, much attention is currently focused on technical or digital skills, as well as areas of green growth and decarbonisation. While this is of course very welcome, it is essential that this focus does not outshine the importance of understanding skills needs elsewhere in the economy. Furthermore, educators and training providers need clear information on the specific types of skills and roles in demand within these areas of opportunity.

A systematic approach to gathering robust data on current skills gaps, as well as projections anticipating future changes, would better equip education and training to respond to the scale and speed of changes we are now witnessing – and may continue to see for some time. Considering the barriers that sectors like construction and hospitality have faced with recruiting locally, this would also enable careers advice to better support people with identifying and taking advantage of opportunities in industries where skills gaps exist or are projected to grow.

2. Supporting SMEs with identifying suitable solutions:

Larger businesses possess the capacity to distil necessary information and guidance, as well as the resources to engage with education and training schemes. However, the reality looks very different for SMEs. This disparity can pose a significant barrier for their ability to take up schemes like apprenticeships. This is particularly the case for micro businesses, which made up around 87% of London companies pre-pandemic.¹⁹ It is highly unlikely for a start-up with only three employees, for example, to have a dedicated human resources function. Without the resources and bandwidth, it is naturally much more difficult for these companies to engage with available schemes and fully understand what they entail.

The range of opportunities available – across apprenticeships, traineeships, degree courses, internships, and other programmes – can therefore create confusion for employers. This is a particular challenge for those businesses lacking the capacity to assess which opportunities best suit their needs. **A centralised, collaborative advice hub should be developed to support smaller businesses in London with understanding available training options and what they entail, as well as identifying which best address their skills needs.**

3. Ensuring the Apprenticeships Levy and scheme better serve employers and the workforce:

While many businesses, educators and training providers strongly advocate apprenticeships as an effective solution to addressing skills gaps, there are limits to the success of this scheme. This is reflected in the consistently poor uptake highlighted in polling undertaken for LCCI and London Councils over the past few years. Only 8% of London businesses surveyed said that they had apprentices in employment in 2020,²⁰ down from only 13% in 2019.²¹

Firstly, there are gaps in understanding what employing an apprentice actually entails, what apprentices can and cannot do, the benefits of the scheme, and how levy funding can be utilised. Realistically, it can often only be appropriate for an entry-level apprentice in an industry like legal services to start undertaking actual work after a few months of shadowing experienced employees. For a micro-business, this is highly impractical.

Secondly, the scheme does not suit many employers' and employees' needs. Apprenticeships are often seen as a less attractive training route for mature workers, due to associated stigma and the basic Maths and English requirements. The 20% off-the-job requirement can present challenges for employers, particularly in transport. For logistics companies, for example, this requirement is very difficult to manage for drivers. The minimum duration of an apprenticeship is problematic for businesses in industries like hospitality and leisure, where the pace of work can be incompatible with the required time investment. This was also highlighted as an obstacle for FinTech in the recently published Khalifa Review.²²

This leads to unspent levy funding that could be directed at other much-needed skills development options that better meet individual requirements. **The Government should therefore look at widening the Apprenticeship Levy into a Skills Development Levy.** This would give employers the flexibility to invest in the right opportunities for their employees, such

¹⁹ London Councils, London's Business Base, 2019

²⁰ LCCI & London Councils, London Business 1000, 2020

²¹ LCCI & London Councils, London Business 1000, 2019

²² HM Treasury, The Khalifa Review of UK FinTech, 2021

as short courses or industry-specific training that does not qualify for funding, while ensuring that funds are targeted at supporting reskilling and retraining where it is most needed.

Commitments by the Government to work with industry to improve apprenticeships are welcome. It is vital that reforms deliver practical solutions for sectors where requirements present operational challenges. The Government should also look to introduce further reforms to the Apprenticeship Levy, e.g. allowing some funding to be used for pre-employment training.

4. Supporting mature workers:

For many mature workers, the stigma associated with applying for Universal Credit and seeking work via the Job Centre means they are unlikely to opt for this support. As a result, they are more at risk of falling into the economically inactive pool, leading to growing concerns about whether their needs are sufficiently understood and accounted for. The debate on reskilling and upskilling throughout the pandemic has understandably focused heavily on young people. Yet workers aged 50-65 are expected to see the highest relative increases in unemployment in London, particularly if the furlough scheme comes to an end before the economy is able to recover.²³ At-risk or newly-unemployed mature workers who have spent most of their careers within the same industry – or indeed with the same employer – will need practical support and advice to transfer their skills to new roles and industries.

A dedicated scheme for adults similar to traineeships should be developed to ensure mature workers are not left behind, and to support them with transferring valuable skills to fill existing and emerging gaps. Such a scheme should aim to support lifelong learning beyond the pandemic and its aftermath, and should incorporate career planning skills and digital skills to bolster trainees' confidence and employability.

5. Further financial support for adapting and transferring skills:

A number of welcome initiatives to help people reskill, upskill and find employment have been announced locally and nationally in recent months. But gaps remain and should be addressed quickly at this exceptional time. For example, the cost of training for HGV drivers is estimated at around £7,000 on average. While the industry covers the cost of training for most new recruits, the growing shortage of drivers means more support is needed urgently. Meanwhile, employees in many over-stretched smaller businesses have had to take on additional responsibilities outside of their remit exceptionally quickly during the pandemic, needing efficient solutions for acquiring new skills that are not available through free resources or funded schemes.

With LCCI's Quarterly Economic Survey reporting decreases in cashflow across approximately half of the capital's firms over the past two quarters (49% in Q4 2020 and 50% in Q1 2021 respectively),²⁴ cashflow constraints present challenges for investment in training where necessary.

While broadening the Apprenticeship Levy into a Skills Development Levy would go some way to addressing these challenges in future, further financial support should be explored by the Government for supporting more people to adapt or transfer their skills in the short-term. This could include interest-free loans or grants, or a scheme similar to the super-deduction announced in the 2021 Budget to incentivise and support companies' investment in skills development.

6. Fostering career planning skills:

The impacts of the pandemic, and the uncertainties it has created, have made career pathways less clear, both for individual workers and within industries. Additionally, many of those navigating career changes will have lower levels of confidence as they look to retraining and reskilling. **To support people in this uncertain climate, employers, training providers and educators should look to build career planning skills into training and development**, empowering people with the tools and techniques to take ownership of their careers.

This should be centred around supporting young people and adult workers that are in and out of employment with an improved understanding of career routes, entry requirements and the skills needed to progress. The four-stage model of career planning used in higher education and the NHS offers a practical framework:

1. Self-assessment: supporting the individual to assess their skills, interests, strengths, and areas for development
2. Exploring career options: understanding and assessing the options most suitable to the individual and the necessary actions to take
3. Decision-making: building the confidence to decide on next steps
4. Implementation: taking action on the steps required

²³ London Councils, *A detailed study of unemployment in London, 2021*

²⁴ LCCI, *Capital 500: London Quarterly Economic Survey, Q1 2021*

