

Globalisation, Skills and Employment

The London Story Update 2009



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Executive Summary

This report provides an update of the 2007 London Story document and the 2008 London Story Update document. It refreshes the main analysis from these reports.

It should be recognised that conditions in the labour market have changed rapidly over the past twelve months and that as further data becomes available the picture will change further. This report has been written using labour market information published up to and including September 2009.

Impact of the recession

Since the publication of the London Story Update 2008, the UK economy has been in recession with output declining in the second, third and fourth-quarters of 2008 and the first and second-quarters of 2009. As a result, UK gross domestic product (GDP) was 5.6% lower at the end of June 2009 than a year previously.

Declining GDP has led to a decline in demand for labour in London and as a result the employment rate has declined. The employment rate in London in the quarter to July 2009 was 68.5% having risen as high as 71.6% in the quarter to December 2008.

Unemployment has risen. The ILO unemployment rate for London has risen to 9.2% for the quarter to July 2009 whilst Jobseeker's Allowance claimant count data for London has shown a net increase of 93,000 claimants (72%) between May 2008 and August 2009.

The majority of this increase in unemployment, as measured by claimant count data, has been amongst individuals seeking employment in relatively low-skilled occupations such as

Administrative and Secretarial Occupations, Sales and Customer Service Occupations and Elementary Occupations. Some higher-skilled employees have also lost their jobs during the past year with large percentage increases in claimants usually employed as Managers and Senior Officials and within Professional Occupations.

The rise in claimant count unemployment was faster in late 2008/early 2009 in the East of England and South East regions of the UK, and to a lesser extent Outer London, than it was in Inner London. However, over the past six months Inner London has seen slightly higher growth in claimant unemployment than these other regions and overall the net effect has been that claimant count rate remains higher in Inner London than Outer London, which in turn continues to have a higher rate than the neighbouring regions of East of England and the South East.

Youth unemployment is being seen as a growing problem nationally with 16-24 year olds being disproportionately impacted by the recession. Data for London does not to date show such a disproportionate impact on youth in London, although in line with all age groups the London data does show that unemployment amongst 16-24 year olds has risen significantly. There is also evidence of more of this age group choosing to remain in education this year rather than entering the labour market.

In terms of labour supply, the trend is for the working age population of London to increase year-on-year. Evidence on whether this trend is being temporarily impacted by the recession is mixed. Data on domestic migration flows in the

UK shows a decline in the number of people moving out of London to other UK regions, possibly reflecting the significant worsening of the labour market in the rest of the UK during 2008. Data on international migration is not timely for London. However, at the UK level there is evidence of a reduction in the net in-flow of international migrants due to an increase in the level of emigration of non-UK nationals.

Looking ahead, it must be recognised that unemployment is a lagging economic indicator and tends to continue to rise for some time even after economic growth resumes. Therefore, the downturn in the labour market in both London and the UK is expected to continue through the remainder of 2009, into 2010 and possibly even into 2011. Forecasting the exact point at which employment ceases to decline is difficult because there are many factors that could influence this, most notably the speed or otherwise of the economic recovery over the next twelve months.

Long-term, the trend for London is for growth in employment. By 2031, there are projected to be an additional 776,000 jobs in London in comparison to the pre-recession 2007 workplace jobs total.

Skills of London Residents

Encouragingly, attainment at GCSE amongst London's young people continues to improve. For the first time over 50% of pupils at the end of Key Stage 4 obtained 5 GCSE's including English and Mathematics in London in 2008. Furthermore, the gap between the lowest performing boroughs and the highest performing boroughs has narrowed.

Nevertheless, the need for further improvement remains. In 2007, 46% of jobs in London were filled by people with Level 4 or above qualifications (equivalent to degree level) and this share continues to rise. As a result, the employment rate amongst the 40% of London's working age population who have Level 4 qualifications is very high at 88%. However, employment rates for Londoners who have below Level 2 qualifications are only 65% and for those with no qualifications employment rates are just 45%.

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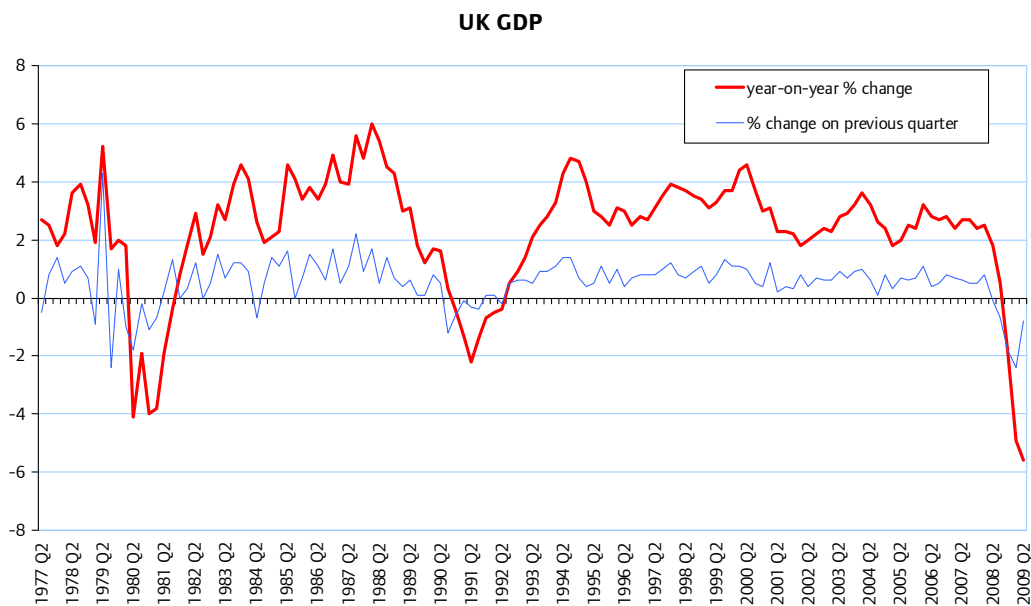


Impact of the Recession

Since the publication of the London Story Update 2008 in June 2008, the UK economy has moved into recession with output declining in the second, third and fourth quarters of 2008 and the first and second-quarters of 2009.

As a result, UK gross domestic product (GDP) was 5.6% lower at the end of Q2 2009 than a year previously, the largest annual fall in GDP since records began in 1955.

Figure 1:UK Gross Domestic Product 1997-2009.



Source: Office for National Statistics.

It is expected that the recession will end in late 2009/early 2010. However, there are a number of factors that mean that any return to growth in the UK economy could well be sluggish. Reduced credit availability to companies and households, the poor state of the public finances, and the need to unwind at some stage the recent monetary stimulus to the economy, are all factors likely to weigh down on economic growth over the next 12-24 months, and possibly beyond.

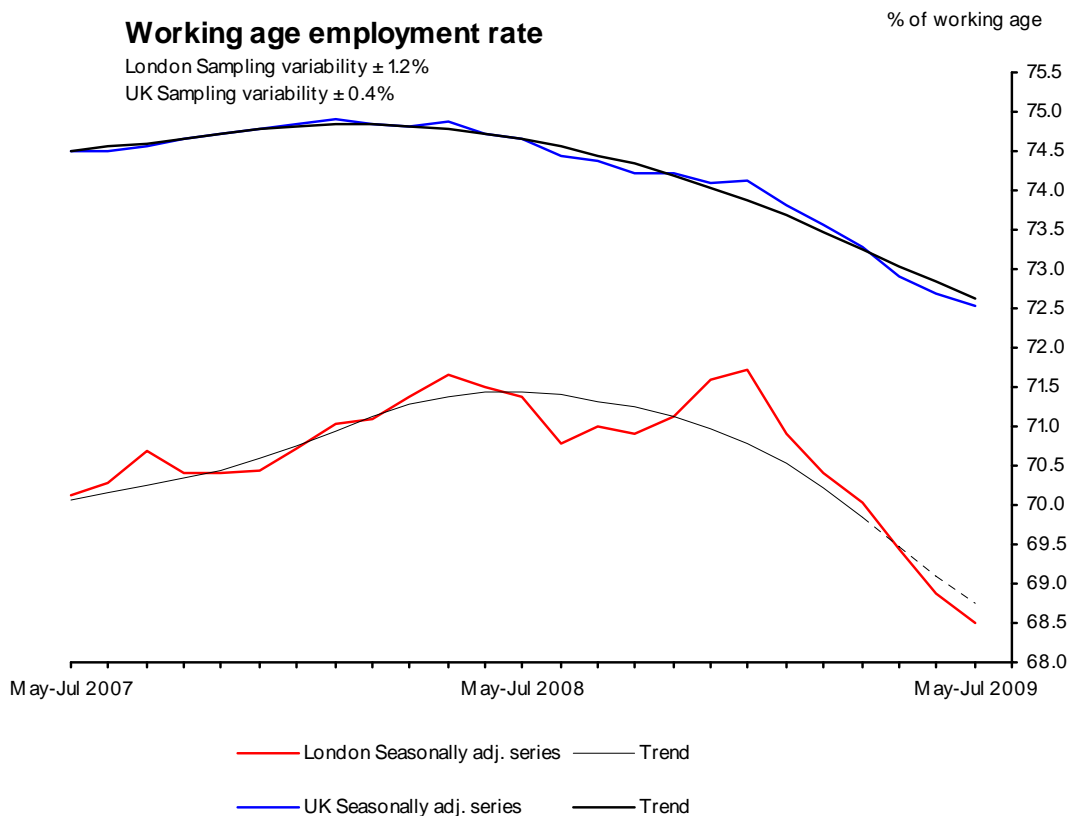
The recession has had a significant impact on the labour market. Employment has declined and unemployment has risen in both London and the UK over the past year. Furthermore, unemployment is a lagging economic indicator. It tends to continue to rise for some time even after economic growth resumes. Therefore, the downturn in the labour market in both London and the UK is expected to continue through the remainder of 2009 and into 2010.

Employment Rate

The employment rate for London residents has fallen sharply since the beginning of 2009 having risen through 2008. In the quarter to December 2008, the employment rate was 71.6%. However, by the quarter to July 2009, London's employment rate had fallen back to 68.5%.

To provide context, data on the employment rate for London is available from the Office for National Statistics back to mid-1992. Over this seventeen year period, the highest employment rate reached in London was 72.0% in mid-1999 and the lowest 65.9% in late 1993/early 1994.

Figure 2: Working Age Employment Rate



Source: ONS Labour Force Survey.

Number of Jobs

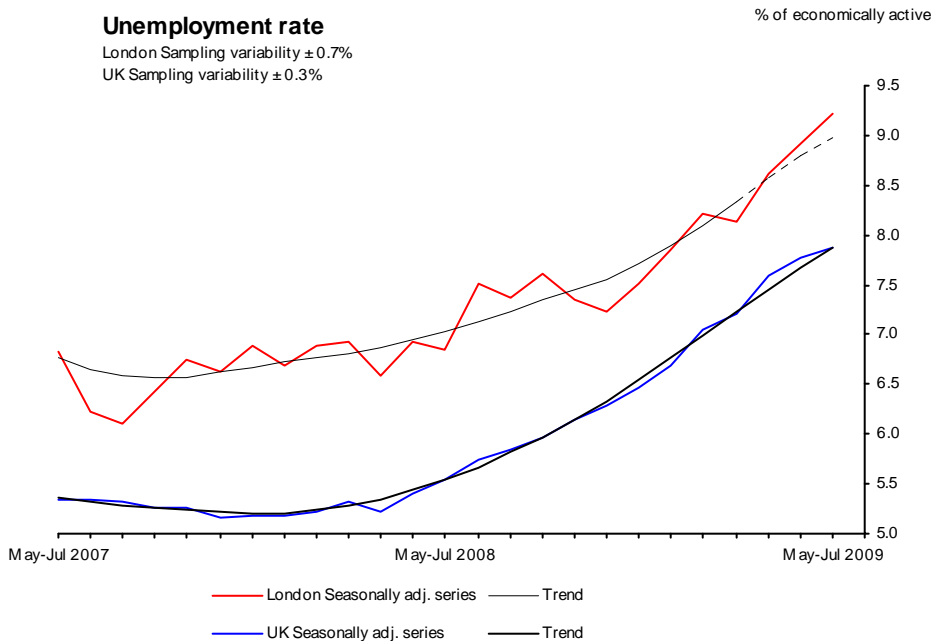
In terms of employment levels over the past year, the ONS workplace based measure of employment (i.e. the measure that looks at the total number of jobs located in London – irrespective of whether they are filled by London residents or by commuters) was 4.66 million in London in June 2009, down 68,000 (or 1.4%) on a year earlier. Given that between June 2007 and June 2008, the number of workplace jobs had increased by 71,000 then the current (June 2009) job level is approximately back to the level seen in June 2007.

Unemployment Rate

The ILO unemployment rate measures the proportion of London's economically active residents who say they are looking and available for work. In the quarter to July 2009, London's ILO unemployment rate had risen to 9.2% (up from 6.8% a year earlier).

Data on the unemployment rate for London is available back to mid-1992. Over this seventeen year period, the lowest unemployment rate reached in London was 6.1% in mid-2007 whilst the highest was 14.3% in late-1993.

Figure 3: Unemployment Rate (Aged 16 & Over).



Source: ONS Labour Force Survey.

Claimant Count

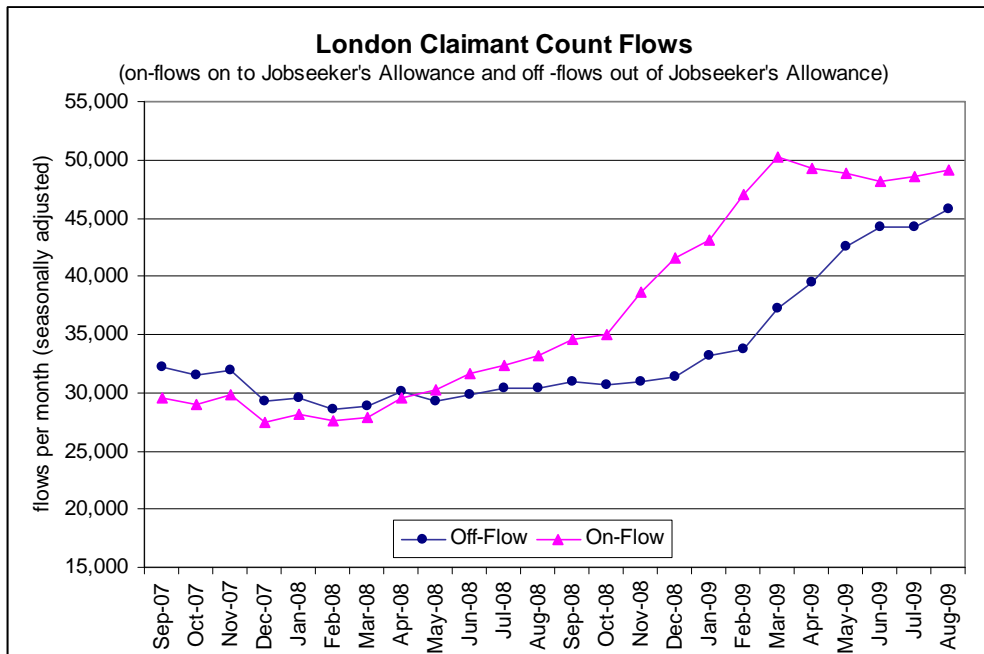
In the fifteen months between May 2008 and August 2009 the total number of claimants of Jobseeker's Allowance in London increased by 93,885 up to a level of 223,820. This has led to an increase in the claimant count rate up from 2.6% in May 2008 to 4.6% in August 2009.

Figure 4 shows claimant count flows as collected by Jobcentre Plus. During times of economic growth there are always flows of people into

unemployment (measured here as the on-flow of claimants) but these are usually exceeded by off-flows of people off Jobseeker's Allowance.

However, since around May 2008, the inflows into claiming Jobseeker's Allowance in London has risen above the off-flows due to the impact of the recession on labour demand. The gap was particularly high from November 2008 to May 2009, although encouragingly it has narrowed in recent months.

Figure 4: London Claimant Count Flows September 2007 – August 2009.



Source: ONS and Jobcentre Plus

Unemployment by Occupation

Table 1 gives an indication of the occupations in which claimant unemployment has risen over the past year. The data shows that in absolute terms the increase in claimants has occurred mostly amongst people seeking work in relatively low-skilled occupations such as Administrative and Secretarial Occupations, Sales and Customer Service Occupations and Elementary Occupations.

Furthermore, these are sectors where a large number of people are chasing relatively few jobs. For example, the numbers of claimants seeking a job in Sales and Customer Service Occupations in August 2009 was 44,910 whilst the numbers of people employed in this occupation group in London according to the Annual Population Survey (Jan-Dec 2008) is 225,000. Comparing these figures gives a ratio of 20:100 (or 20%). In other words, for every 100 people employed in sales and customer service occupations in

London, there are currently a further 20 on Jobseeker's Allowance seeking employment in the sector.¹

The table also shows that higher-skilled employees have also lost their jobs during the past year with large percentage increases in claimants usually employed as Managers and Senior Officials and within Professional Occupations. By August 2009, there were a combined 24,635 claimants seeking a job in one of these two occupation groups, up from 9,710 in May 2008. In addition, there may be other people formerly employed in these sectors who are currently unemployed but who have chosen not to collect Jobseekers Allowance. Nevertheless, the total numbers involved remain only a relatively small share of the 1.5 million people employed in London across these two occupation groups.

Table 1: Jobseeker's Allowance Claimants in London by Occupation Sought.

	Increase in the number of JSA Claimants from May 2008 to Aug 2009	Total Number of JSA Claimants Aug 2009	Percentage Increase in the number of JSA Claimants from May 2008 to Aug 2009	Claimants as a share of London residents employed in each Occupation *
Administrative and Secretarial Occupations	16,855	35,090	92%	7%
Sales and Customer Service occupations	16,675	44,910	59%	20%
Elementary Occupations	13,675	46,640	41%	14%
Associate Professional and Technical Occupations	13,275	25,105	112%	3%
Skilled Trades Occupations	8,310	21,525	63%	7%
Managers and Senior Officials	7,640	12,765	149%	2%
Professional Occupations	7,285	11,870	159%	2%
Process, Plant and Machine Operatives	5,395	14,245	61%	8%
Personal Service Occupations	4,350	11,065	65%	4%
Total All Occupations	93,885	223,820	72%	

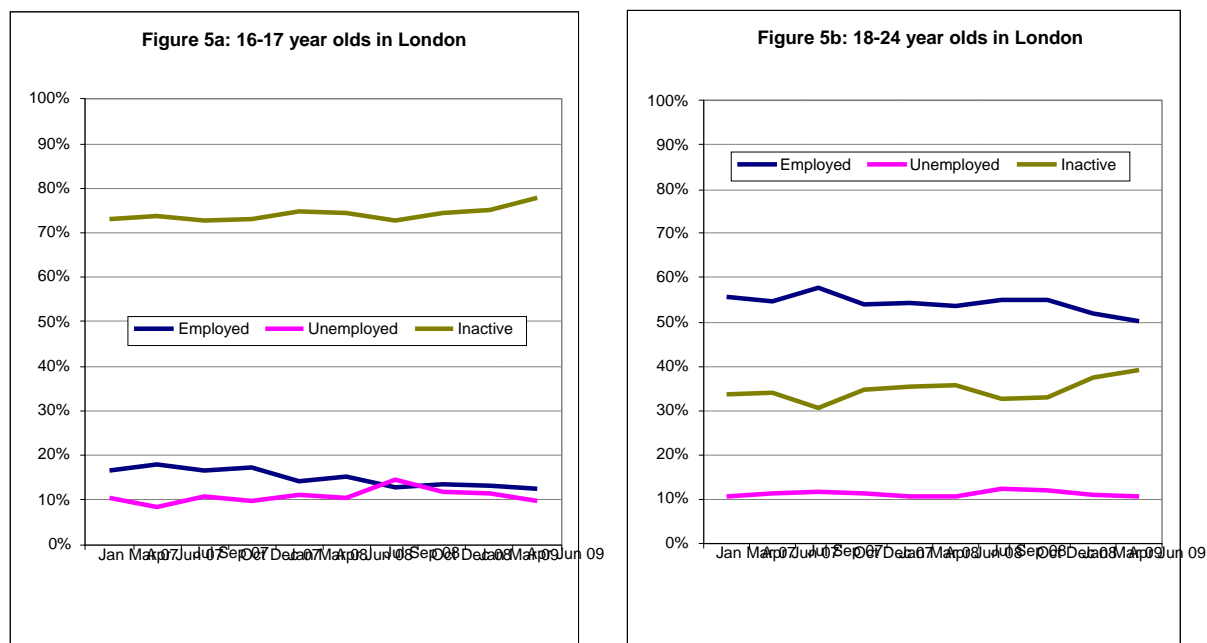
Source: ONS and Jobcentre Plus.

Unemployment By Age Group

Youth unemployment is being seen as an increasing problem nationally. This is partly because of fears that young people who fail to gain employment skills due to unemployment might continue to struggle later in their careers or disengage completely from the labour market. It is, however, also due to data from the UK showing that 16-24 year olds have been disproportionately impacted by the recession to date.²

The latest data for London on 16-17 year olds and 18-24 year olds from the Labour Force Survey is shown in Figures 5a and 5b. They show that 2009 has seen an increase in the numbers of young people who are inactive in the labour market and a reduction in the share who are employed. This is to be expected given the weakness in the labour market and will partly reflect some young people choosing to stay on in education for longer than they may previously have anticipated.

Figure 5: Labour Market Data for 16-17 year olds and 18-24 year olds in London.

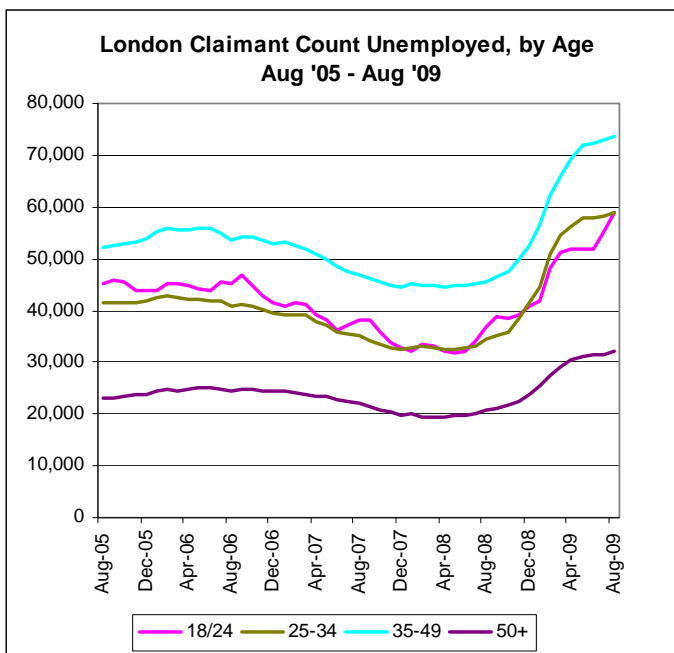


Source: ONS Labour Force Survey.

Unlike the UK the London data does not at present point to there having been a disproportionate increase in unemployment amongst the youth age group compared to other age groups. Thus, Figure 6 shows the number of Jobseeker's Allowance claimants in London up to

August 2009 and it can be seen that the increase in the number of 18-24 year old claimants since mid-2008 is very similar to the increase in the number of claimants aged 25-34 and 35-49 over the same period.

Figure 6: London JSA Claimants by Age



Source: Jobcentre Plus.

Overall it is not possible on the basis of the London data to say that 16-24 year olds in London have been disproportionately impacted by the recession to date. However, it will clearly be important to keep tracking this data to see whether this situation changes over time.

Additionally, of course, while the increase in claimant unemployment may have been proportionate to other age groups, it nevertheless equates to a significant rise in youth unemployment and inactivity which could impact on the future labour market prospects of those affected.

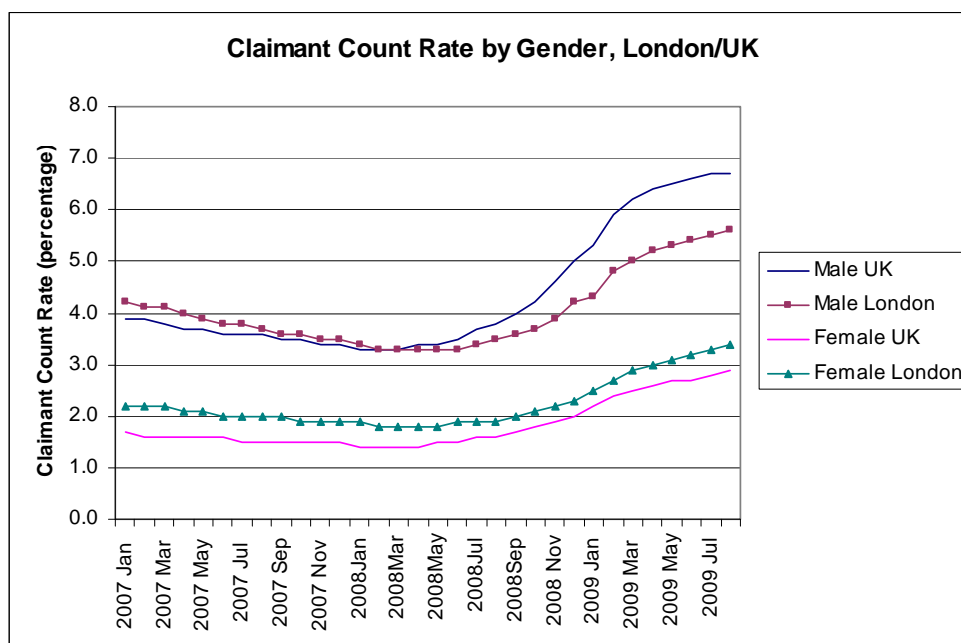
Unemployment by Gender

Figure 7 shows the claimant count by gender for both London and the UK. It shows that overall men have been more impacted by the recession than women to date, but also that men in London have fared significantly better than men in the rest of the UK. This difference can most likely be explained by the relative lack of manufacturing jobs in London.

In the UK, this sector, which mostly employs males, has witnessed large increases in unemployment during the recession to date.³

In London, the claimant count unemployment rate for men has increased from 3.3% to 5.6% since mid-2008 whilst for women it has increased from 1.8% to 3.4%.

Figure 7: London Claimant Count Unemployment Rate by Gender

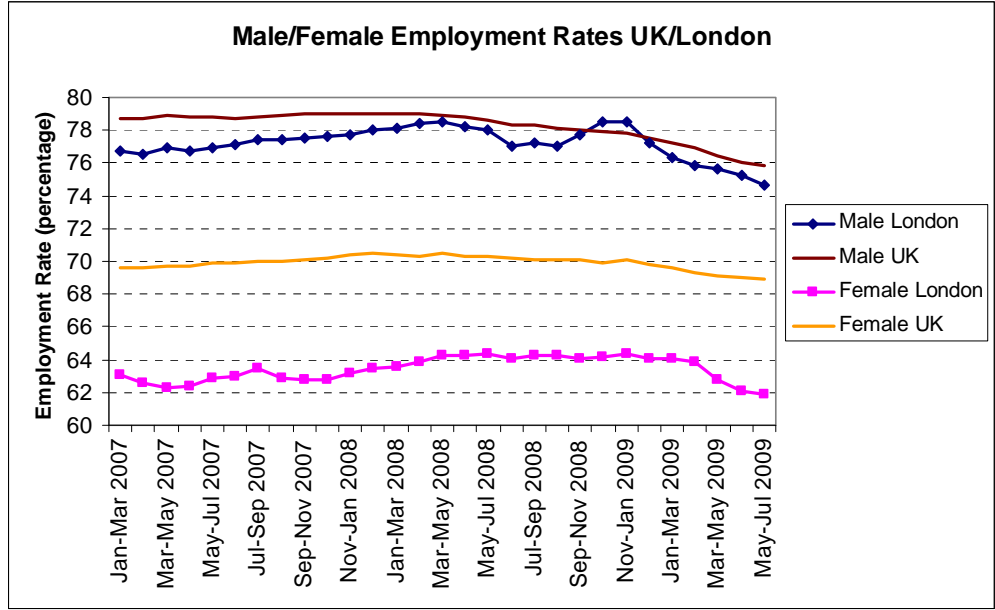


Source: ONS and Jobcentre Plus.

16 Figure 8 shows employment rates by gender as measured by the Labour Force Survey. It shows that the employment rate for males in London has declined through 2009 whilst the most recent data points also show a sharp recent decline in the female employment rate in London.

Figure 8 also shows the much lower employment rate amongst females in London compared to the UK, which is the key issue that explains London's lower employment rate in comparison to the UK.

Figure 8: Employment rates by gender for London and UK



Source: ONS Labour Force Survey

Unemployment by Region

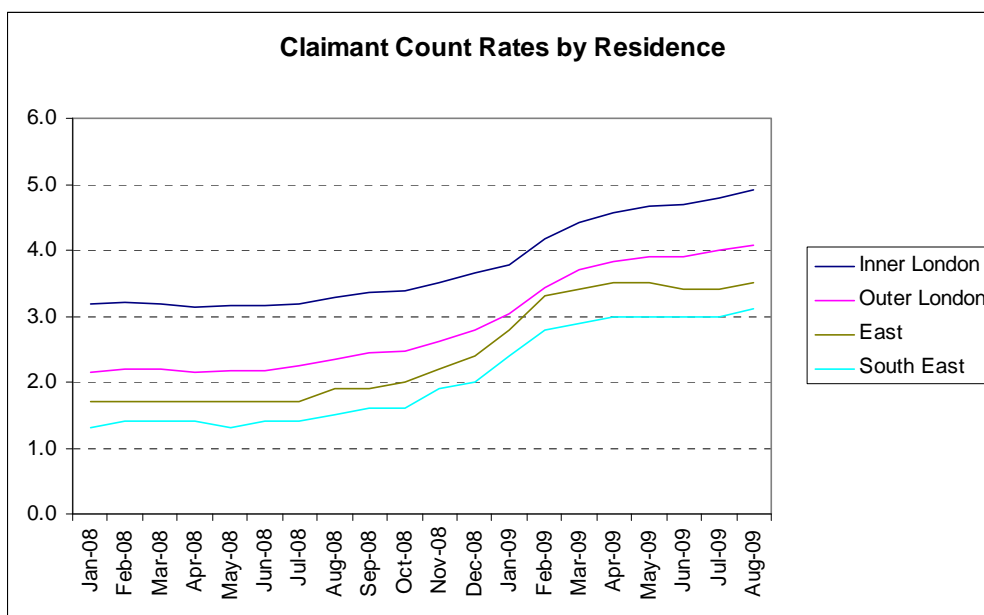
Figure 9 shows the claimant count rate of unemployment for Inner London, Outer London and the two regions that surround London; the East of England and the South East.

It can be seen that in late 2008/early 2009, claimant count rates in the East of England and South East regions, and to a lesser extent Outer London, all began to catch up with Inner London in terms of claimant count rates. Subsequently,

however, the claimant count rate in the East of England and the South East has stabilised whilst it has continued to rise in London, particularly Inner London.

As a result, the pre-recession gaps have largely been re-established with Inner London having a higher claimant count unemployment rate than Outer London which in turn has a higher rate than the East of England and South East regions.

Figure 9: Claimant Count Unemployment Rates by Region



Source: ONS

Supply of Labour

Over recent years, the working age population of London has been increasing by around 40-50,000 people per year. This rising population means that there needs to be an increase each year (of around 30,000) in the number of London working age residents in employment just to hold the employment rate steady.

The population of London is expected to continue to increase in the medium-term. By 2031, the GLA forecasts London's population will have risen to 8.89 million, an increase of 1.25 million on 2008 levels. Therefore, London will continue to need to create new jobs if it is to maintain or improve its employment rate over time.

Whilst the trend is for an increased working age population year-on-year, there is a chance that the recession could impact on this trend in the short-term. In a typical year, around 75% of newcomers to the London labour market are international or domestic migrants with just 25% made up of young Londoners entering the labour market⁴. Therefore, in the short-term, the London labour market could be impacted if the net-inflow of international migrants into London were to fall sharply or the net-outflow of domestic migrants were to increase.

The evidence on this is mixed at present. There is evidence from 2008 UK data to suggest that net-inflows of international migrants may have decreased recently as an increased number of people emigrate from the UK⁵. If this pattern

18 were found to be repeated in London this would act to lower the growth in the working-age population. However, to balance against this, data on domestic migrants shows that the net-outflow of domestic migrants from London declined in 2008⁶ and this trend would act to increase the size of the London working age population.

Overall there is not strong evidence as yet for London to suggest the recession has caused any significant short-term change to the long-term trend of increasing working-age population. However, given that the latest London data on this area is not particularly timely, this is something we will need to continue to monitor over time.

Worklessness

The rate of worklessness is the inverse of the employment rate. Thus, the latest figures for May-July 2009, show that 31.5% of London’s working age population are currently workless. This is equal to 1.61 million people and a year-on-year increase of 159,000.

This 159,000 increase is equal to the increase in the working age population (43,000) plus the decrease in the number of London residents in employment (116,000).

An alternative way of considering this increase is that the 159,000 increase consists of an increase in unemployment of 94,000 amongst working age London residents and an increase of 65,000 in the number of working age London residents who are economically inactive.

Table 2:Labour Force Survey Indicators - London ('000s working age - seasonally adjusted)

	Working Age Population	Total in Employment	Unemployed	Economically inactive	Workless
May-Jul 2005	4,943	3,450	252	1,241	1,493
May-Jul 2006	4,993	3,489	304	1,200	1,504
May-Jul 2007	5,020	3,521	262	1,238	1,500
May-Jul 2008	5,066	3,617	273	1,177	1,450
May-Jul 2009	5,109	3,501	367	1,242	1,609
yr-on-yr change	43	-116	94	65	159

Source: ONS

Outlook and Projections

When considering the outlook for the London labour market a number of points are worth noting:-

- Whilst the labour market has worsened significantly during the recession, unemployment has not to date risen as much as many commentators had anticipated,

particularly given just how large the downturn in GDP has been. The main explanation given for this is that on the one hand companies are 'hoarding' (particularly skilled) labour while anticipating recovery⁷ and on the other hand employees have been prepared to accept severe wage restraints, including in many cases wage reductions, in order to hold onto their employment.

- This wage restraint is shown in UK average earnings data. Between 1997 to 2008, average earnings in the private sector always rose within the range of 3.0-5.5% per annum⁸. However, the latest data, for the quarter to July 2009, shows the annual increase has fallen to just 1.8%.
- Unemployment is a lagging economic indicator and tends to continue to rise for some time even after economic growth resumes. However, the extent of the rise in unemployment will certainly be affected by the shape of the recovery. A quick and sustained recovery in economic growth would help minimise further job losses in the private sector. However, most forecasters are not this optimistic and expect the recovery to be relatively slow with some still worried about a possible double-dip recession as the financial stimulus provided by governments over the past year is gradually withdrawn. A slow recovery in economic growth risks leading to a 'jobless recovery', in which low levels of economic growth are not sufficient to significantly boost employment levels leading to high levels of unemployment being maintained for an extended period.
- Regardless of the timing and subsequent improvement in the private sector of the UK economy, it is clear that in order to restore health to public finances whoever is in power after the next election will seek to cut back

public spending. This will act as a further drag to any pick-up in the labour market, because it is likely that just as the outlook for employment in the private sector begins to improve, employment in the public sector will be starting to decline.

The above points indicate the difficulties of accurately predicting the level and timing of the forthcoming trough for the London labour market. On the one hand, the impact of the recession has not been as severe on employment levels as had been expected and if the economic recovery is strong then London may escape the recession having suffered less of a downturn in employment than in previous recessions. Equally, however, there are a number of reasons to be pessimistic; the economic recovery may prove to be slow and protracted; and a contraction in public sector employment over the next few years appears inevitable.

What is agreed by economic forecasters, however, is that growth in employment levels in London will resume once this cyclical downturn has passed and that the long-term outlook for London remains one of employment growth. Thus, the latest GLA Economics employment projections, which are used to inform the Mayor's London Plan, the Mayor's Economic Development Strategy and the Mayor's Transport Strategy, project workplace jobs increasing from their 2007 level of 4.68 million to 5.45 million by 2031. This is an increase of 776,000 jobs.



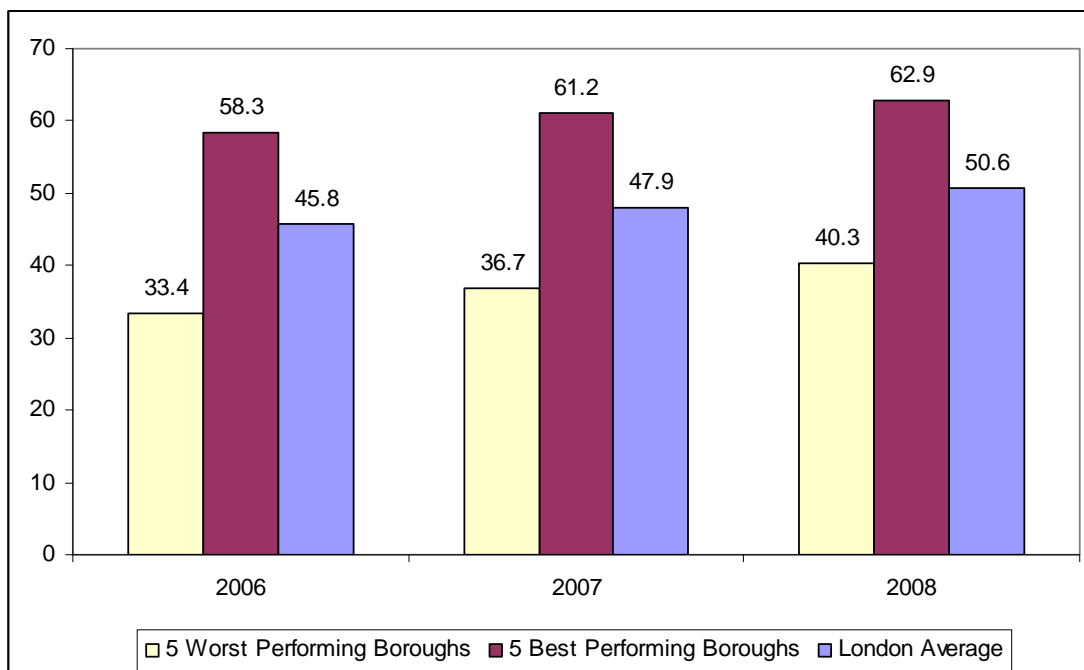
Skills Endowment of London Residents

Attainment by Young People

GCSE results improved further in London during 2008 with the percentage of pupils at the end of Key Stage 4 obtaining 5 GCSE's A*-C including English and Mathematics rising to 50.6%, compared to 47.9% in 2007. These London GCSE results compare favourably with UK results showing 48.3% achieving comparable results in 2008.

Encouragingly, the improvement in London's GCSE results has been triggered by improvements amongst the lowest performing boroughs. Figure 10 shows that in the 5 worst performing boroughs in 2008, 40.3% of pupils obtained 5 GCSE's A*-C including English and Mathematics. This is 6.9 percentage points higher than was the case in 2006. The best performing 5 boroughs have also raised attainment levels over the same period, albeit at a slightly lower 4.6 percentage point improvement.

Figure 10: Pupils obtaining 5 GCSE's A*-C including English and Mathematics (%) including comparison of 5 best performing boroughs and 5 worst performing boroughs



As well as improvements in GCSE results, there has also been an improvement in the share of 19 year olds achieving Level 3 qualifications in London, with the proportion rising from 45.8% in 2005 to 51.9% in 2008 (see Table 3).

It should be noted that this increase has not occurred through the traditional route of A-Level type qualifications, for which attainment levels have remained static at around 41.4%. Rather the improvement has occurred through a sharp

22 increase in the number of 19 year olds being awarded VRQ qualifications. VRQs are knowledge based vocational qualifications earned via taught courses. The increase in attainment of these qualifications is partly linked to the

increased accreditation of courses as VRQs over recent years. In 2001 there were just 128 accredited VRQs in England. By 2008 this number had risen substantially to 2,139 accredited VRQs⁹.

Table 3:Percentage of 19 year olds obtaining Level 3 qualifications, by route of attainment, 2005 and 2008.

	London			England	
	2005	2008		2005	2008
AS, A-levels, AVCEs or Advanced GNVQs	41.3%	41.4%		38.4%	37.0%
Advanced Apprenticeship	0.2%	0.4%		0.5%	0.8%
NVQ Level 3	0.4%	0.7%		0.9%	1.3%
VRQ Level 3	4.0%	8.9%		5.6%	10.4%
International Baccalaureate	0.0%	0.5%		0.0%	0.3%
<u>Total with Level 3</u>					
Per cent	45.8%	51.9%		45.4%	49.8%
Number	37,000	44,000		281,000	322,000

Source: Department of Children, Schools and Families matched administrative dataset

Current qualifications profile of London's population

The overall impact of rising qualification levels amongst London's youngsters plus the effects of migration are that London's skills endowment continues to increase. Table 4 shows the latest data on the highest qualifications held by

London's working age population (excluding economically inactive students). It shows that 40% have Level 4 or above qualifications with 12% having no qualifications.

Table 4: London's Working Age Population and Employment Rates by Highest Qualification Held

	London Working Age Resident Population by Highest Qualification Held (UK data in parentheses)	London Employment Rate by Qualification Held (UK data in parentheses)
Highest Qualification Held		
NVQ Level 4 and above	40% (30%)	88% (88%)
NVQ Level 3	11% (15%)	80% (86%)
Trade Apprenticeships	2% (5%)	86% (82%)
NVQ Level 2	10% (15%)	75% (80%)
Other qualifications	15% (9%)	73% (77%)
Below NVQ Level 2	10% (14%)	65% (73%)
No qualifications	12% (13%)	45% (51%)

Data Excludes Economically Inactive Students
Source: ONS Annual Population Survey 2008

Table 4 also shows the average employment rates for each qualification level. It shows that employment rates rise as qualification levels rise. Thus, amongst the 40% of London's working age population who have Level 4 or above qualifications, 88% are in employment.

However, just 65% of Londoners with below NVQ Level 2 qualifications are in employment and just 45% of those with no qualifications are in employment.

Appendix A:

Recent Research

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Active labour market policies

A report for DWP¹⁰ drew together evidence from key comparator countries that use active labour market policies to combat unemployment and economic inactivity. The report assessed the relative merits of the different strategies employed in these countries to provide lessons for the UK and guide policy making to support ongoing welfare reforms for recipients of working age benefits.

The report concluded that evidence on what works points to four key findings:

- Personalised assistance with job search and stricter conditionality regimes tend to be more cost-effective. Here the aim is to increase the client's compliance with programme requirements while at the same time boosting their self-esteem and their capacity to make themselves attractive to prospective employers. Such programmes typically include a personal action plan with a set of agreed objectives for the Employment Service and the customer.
- Adequate staff/client ratios are crucial for effective activation programme performance. Indeed, the provision of individualised support implies that there is a need for well-trained and motivated personal advisers, which increases the need for good human resources management in terms of staffing and retaining existing staff.
- Specific effort must be devoted to support harder to help customers with care to prevent drop-out; hard to reach groups face complex and often cumulative individual barriers to employment. Support packages must be flexible enough to address this range of complex needs and to ensure that individuals actually stay on the programme.
- Subsidised work placements combined with on the job training and other appropriate measures achieve sustainable employment outcomes. One of the most common – and successful – policy instruments is the creation of highly subsidised jobs in the private sector for vulnerable groups who would not otherwise be employable under 'normal' market conditions. Such programmes produce good post-employment results but are also costly.

Labour Market Flows

A paper for the Bank of England¹¹ examined labour market flows in the UK. It calculated the probability of individuals moving between employment, unemployment and economic inactivity over three month periods, as well as identifying the impact of qualifications on these flows.

The paper found that on average, over each three month period from 1996 to 2007, 54% of those who started a quarter unemployed would still be unemployed at the end of the three month period, whilst 28% would have moved into employment and 18% would have moved into inactivity.

The ability to move from unemployment to employment is linked to qualification level. At the end of 2007, someone with higher education had a 40% chance of moving from unemployment to employment during a three month period, whilst for those with less than GCSE qualifications the probability was below 20%.

Meanwhile, for those who began each three month period inactive in the labour market, 89% would on average still be inactive at the end of the period whilst 6% would have entered employment and 5% would have moved to unemployment. Again, having below GCSE level qualifications reduced the chances of moving into employment, with this group having only a 4% likelihood of moving from inactivity to employment over a three month period, compared to an 8% likelihood for those with higher education.

Finally, for those who start the three month period in employment, 94% would remain in the same job at the end of the period whilst 3% would change job and 3% would either enter unemployment or inactivity.

Again, the risk of moving from employment to unemployment is linked to qualification level. The risk rises as education levels fall. The paper found that individuals with GCSE level qualifications or below GCSE level qualifications are approximately twice as likely to move from employment to unemployment as those with higher education qualification levels.

Impacts on School Achievement of Socio-Economic Status and Ethnicity

Analysis of data from the Longitudinal Study of Young People in England¹² has shown that socio-economic class is a more important determinant of attainment at Key Stage 4 (KS4 - the last two years of compulsory schooling) than either ethnic group or gender. In other words, the differences between pupils KS4 attainment are much larger when comparing pupils in the same ethnic group but of high and low socio-economic status than when comparing the differences between ethnic groups.

When just analysing for ethnicity the research found that young people from Black African, Bangladeshi and Pakistani backgrounds tended to be well behind average results from White British youngsters at KS2 and KS3, but that they had caught up, or almost caught up, by KS4. This shows that these ethnic groups make relatively strong progress through the latter years of secondary school. Attainment amongst Black Caribbean pupils, however, continues to lag other ethnic groupings at KS4.

When the ethnicity results were further analysed by socio-economic class (SEC), the results showed that results for White British youngsters are more polarised than for other ethnic groups. This means that amongst pupils living in low SEC homes, it is actually White British pupils who are the worst performing ethnic group, despite the fact that White British pupils from high SEC homes are one of the highest attaining ethnic groups.

Overall, therefore it was found that White British boys and girls from low SEC homes and Black Caribbean boys from low SEC homes are the lowest attaining groups in terms of KS4 attainment. Additionally it was found that Black Caribbean boys and girls from middle and high SEC homes also tend to underachieve relative to other ethnic groups. The largest influences on poor attainment performance were found to be pupil's and parents' educational aspirations, pupil's academic self concept and the frequency of completing homework.

Young People who do not participate in education or training at 16 and 17

Research for DCSF aimed at exploring the characteristics and experiences of

26 young people who are not in education, employment or training (NEET) or in jobs without training (JWT).¹³

The research suggests that more than two-fifths of young people who are NEET are generally positive about learning and are very likely to participate in education or training in the short-term. However, a similar proportion are characterised by their negative experience of school and lack of educational attainment. This group was most likely to remain NEET in the medium-term. A fifth of young people were classified as 'undecided NEET' - they do not face significant personal barriers to participating in education or training but are dissatisfied with the available opportunities.

Amongst the group most at risk of remaining NEET, many had negative experiences of school and faced issues such as bullying, exclusion, behavioural difficulties, learning difficulties and stress. They were most likely to have no qualifications or to have achieved below Level 1, and also tended not to have had any thoughts about what to do when leaving school and were least likely to have spoken to anyone other than their parents about their choices.

Within the JWT group, almost half are very content with their work and likely to remain in a JWT in the long-term. A third of young people in this group were found to be at risk of becoming NEET in the future while 17% had taken a JWT as a stop-gap solution before re-engaging in education or training. The main push factors for choosing a JWT at aged 16 were negative experiences of schooling, low self confidence and lack of opportunities for work-based learning. Earning money was seen to be the main pull factor for starting a JWT.

The research suggested that in order to increase participation, young people need better information, advice and guidance before leaving learning or while in jobs without training to increase their awareness of the learning options available to them and enable them to make more informed choices. The study also identified a need for more flexible and appropriate post-16 provision suitable for all young people aged 16 and 17 in terms of content, delivery and timing.

The benefits of completing an apprenticeship

The LSC conducted a survey in late 2008/early 2009 of over 3,800 people nationally who had undertaken an Apprenticeship qualification¹⁴ In terms of perceptions, most Apprentices reported a positive Apprenticeship experience. They value the qualifications they received and report that the Apprenticeship has given them more confidence, higher levels of work-related and social skills, more clarity about their future, and greater commitment to learning.

In terms of practical outcomes, a high proportion, 90%, obtain employment or self-employment immediately after their Apprenticeship. That proportion, though it declines, remains high, at 84%, even after some time has elapsed and 88% remain in a 'positive destination' when return to Further or Higher Education is included. Over four out of ten achieve an upgrade of their job or a promotion on completion of their Apprenticeship or shortly afterwards. The wages of Apprentices rise following completion by an average of over 40%. Over a third undertake further study or training towards a qualification in the years which immediately follow their Apprenticeship.

Within this generally positive picture, a few issues may be significant to future policy. One issue is that historically Apprenticeships have always been 'gendered' in terms of the proportions of men and women who take up Apprenticeships in different sectors. This effect was again perceptible in this survey. Men, who form the great majority of Apprentices in construction (97%) and engineering (94%), the most highly-paid sectors following completion, are shown subsequently to have wages after Apprenticeship which are around 22% higher than those of women, who are predominantly trained in other sectors.

Another issue is that the effects of economic downturn may be beginning to affect Apprenticeship outcomes. Though their unemployment rate compares favourably with the average rate of 14% for all 16-24 year olds in England, 9% of those who completed an Apprenticeship nationally between 2004 and 2008 are now unemployed (the report was published April 2009).

Furthermore, there may be some conflicting factors in terms of the balance of the apprenticeship scheme that need to be borne in mind during the recession. Thus:-

- There is an underlying policy aspiration for the number of Apprentices to rise.
- There may be increasing demand from young people for places, as recession reduces employment opportunities. But, possibly, there will be decreasing numbers of employers willing or able to host Apprenticeships because of economic pressures.
- The survey suggests trends in Apprenticeships towards more and shorter Apprenticeships for older people who are already in employment


and towards a lower proportion of young Apprentices.

The efficiency of the Train to Gain Programme

The National Audit Office produced a report looking at the Train to Gain programme in July 2009¹⁵. It concluded that in its view, over its full lifetime the programme has not provided good value for money.

The reasons it gave are that unrealistically ambitious initial targets and ineffective implementation have reduced the efficiency of the programme. While the rapid changes to the design of Train to Gain to generate employer demand have presented a considerable challenge for the LSC, inconsistent management and communication have led to confusion among employers, training providers and skills brokers and have increased programme risks. Some providers have achieved high learner success rates but for a minority, success rates have been poor. Also, half of the employers whose employees received training would have arranged similar training without public subsidy, though it is possible that some of these learners (any not already qualified at Level 2) were entitled as individuals to receive full public funding for such training.

Looking ahead, the NAO state that the now strong demand for training needs to be better managed to make the programme sustainable while avoiding overspending. It also provides an opportunity to improve the value for money of Train to Gain by focusing resources on the areas of greatest need and on training with the highest quality providers. Achieving longer term impacts on business performance will partly depend on

- 
- 28 increasing employers' support and investment in training.

The NAO report noted that the Department for Business, Innovation and Skills and LSC do not agree with the conclusion of its report. In the Department's and the LSC's view, Train to Gain has proved largely successful in achieving its ambitious goals, meeting the training needs of over one million learners and achieving a success rate of 71 per cent ¹⁶.

They consider that satisfaction levels are very high and that there have been significant benefits to businesses and learners. They consider that they have managed additionality, achieving a reasonable level. They also consider that measures have been taken to increase the flexibility and improve the management of Train to Gain and that as a result, Train to Gain has changed the behaviour of colleges and providers in responding to employer needs.

Appendix B:

The Board's Original Targets

This section outlines the LSEB's progress to date on the targets set in the document, 'London's Future' published in 2008.

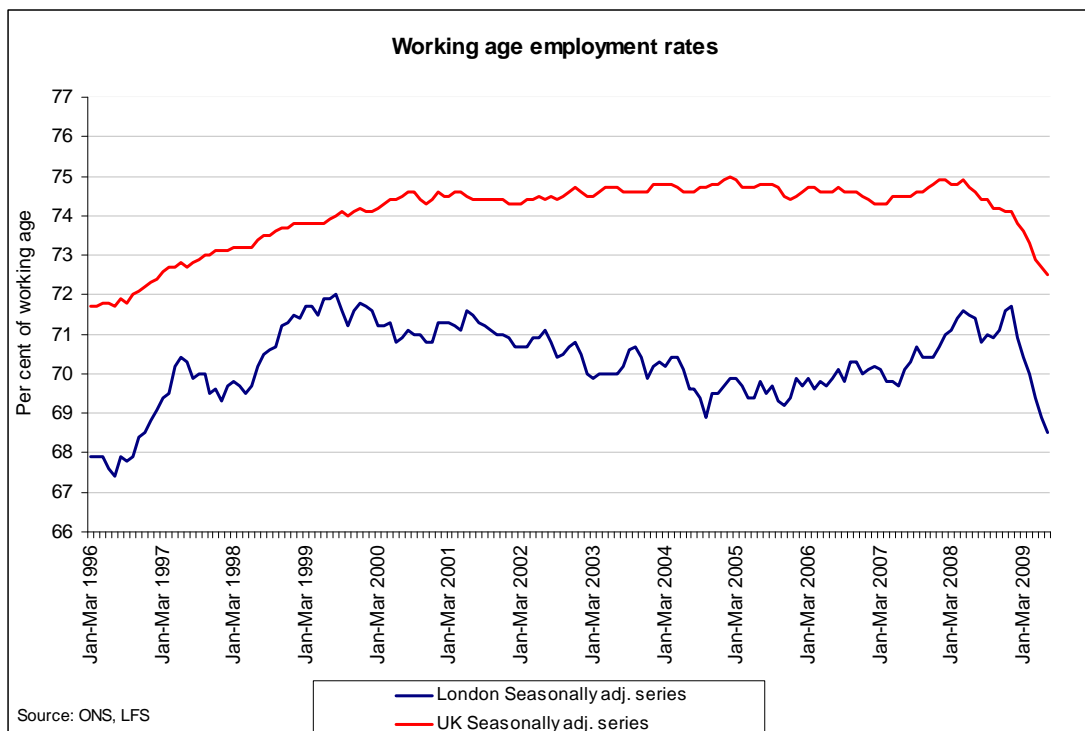
Target 1: A substantial increase in the number of Londoners in sustainable work

The Board have been targeting an increase in London's employment rate to 72% by 2013. Through 2007, and the first half of 2008, progress was being made towards meeting this

target. However, as discussed in this update, the recession has negatively impacted on the London labour market since the second half of 2008 and this has resulted in a significant reduction in the employment rate over this period.

Having risen to as high as 71.6% during 2008, the employment rate for London has since declined (for the March-May 2009 quarter) to 68.5% (see Figure B.1) with further reductions possible over the next six to twelve months.

Figure B1: Working Age Employment Rates



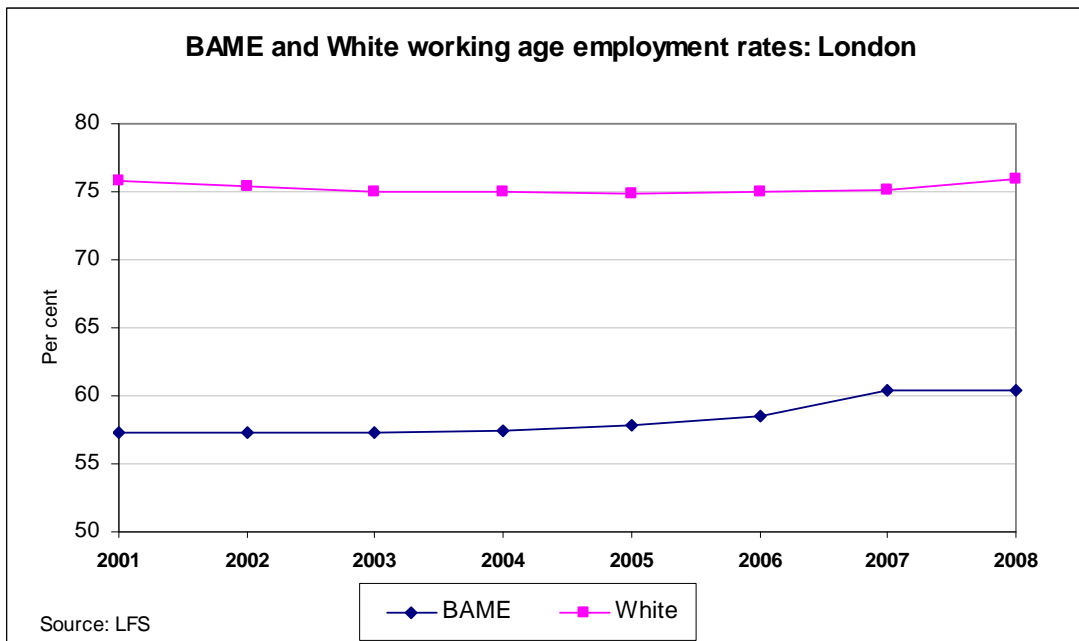
In addition to targeting the overall employment rate for London, the board has also been seeking over the economic cycle to disproportionately improve the employment rate for key target groups in London such as people of Black, Asian

and Minority Ethnic (BAME) origin, women, women with dependent children, people aged between 50 and retirement, disabled people, lone parents and people with no qualifications.

30 Figure B.2 compares the average employment rate for BAME groups with the employment rate for the white ethnic group in London. The chart shows that the improvement in BAME employment rates seen between 2005 and 2007

were maintained into 2008. However, it should be borne in mind that 2009 data will likely show decreases in employment rates for all ethnic groups due to the impact of the recession.

Figure B2: BAME and White Working Age Employment Rates: London



Target 2: To raise the skills levels of Londoners so they have the necessary skills to compete in London in London's highly competitive labour market.

A large proportion of Londoners are not equipped with the necessary skills in order to

compete successfully in London's labour market. This is particularly true of those with no qualifications, of whom over half are workless. Therefore, the Board target has been to cut the proportion of London's working age population with no qualifications to 10% by 2013.

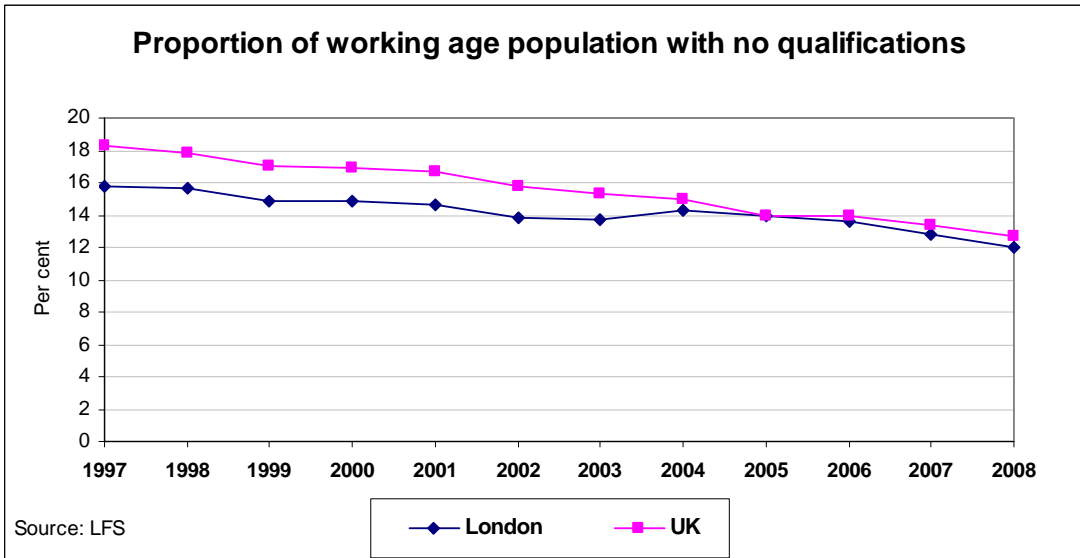
Figure B3: Proportion of Working Age Population with No Qualifications

Figure B.3 shows the percentage of working age people with no qualifications in both London and the UK. It shows that in 2008, the share of London's working age population with no qualifications was 12.0% and that it continues to decline over time.

Endnotes

¹ Note that in making this calculation (see also the final column of Table 1) we have compared data from two different data sources (JSA claimants, taken from administrative data, and employment by occupation data, taken from the Annual Population Survey data). The results of this calculation should therefore be considered indicative only.

² UK data (from the Labour Force Survey) shows that in the year to May-July 2009, employment of 16-24 year olds declined by 344,000, which was 57% of the total decline in employment seen in the UK over this period. (This despite the fact this age group only accounts for 13% of total UK employment).

³ UK workforce jobs in manufacturing declined by 8.1% in the year to June 2009, whilst jobs in service occupations only declined 1.2% over the same period.

⁴ The London Story 2007

⁵ The UK data showed that whilst inflows of international migrants remained stable in 2008 compared to 2007, outflows from the UK to abroad rose by 24%, mostly due to a high 50% rise in the number of non-British nationals emigrating. The net-result was that although there continued to be a relatively high net-inflow of international migrants into the UK in 2008, the net-inflow was at its lowest level since 2003.

⁶ The net-outflow of domestic migrants fell to 45,000 in 2008 from approximately 80,000 per annum in 2005-2007. This was due mostly to a reduction in the number of London residents moving to other regions. The inflow into London from other regions remained relatively stable.

⁷ The rationale here is that firms that are confident they will survive the recession are keen to keep hold of the in-house knowledge of their existing staff where possible for when a recovery occurs, as well as being aware of the hire costs associated with having to rebuild staff numbers once demand improves if they cut staff numbers very sharply.

⁸ % change year on year of the three month average of private sector average earnings excluding bonuses (ONS series JQEE). This data series began in 1997.

⁹ Ofqual 2009 – Annual Qualifications Market Report

¹⁰ Daguerre, A & Etherington, D. (2009) Active labour market policies in international context: What works best? Lessons for the UK. DWP Working Paper No: 59. <http://research.dwp.gov.uk/asd/asd5/WP59.pdf>

¹¹ Gomes, P (2009) Labour Market Flows: Facts from the United Kingdom. Bank of England Working Paper No. 367. <http://www.bankofengland.co.uk/publications/workingpapers/wp367.pdf>

¹² Strand, S (2008) Minority Ethnic Pupils in the Longitudinal Study of Young People in England. DCSF Research Paper No: 29. <http://www.dcsf.gov.uk/research/data/uploadfiles/DCSF-RR029.pdf>

¹³ Spielhofer, T et al (2009) Increasing Participation: Understanding Young People who do not Participate in Education or Training at 16 and 17. DCSF Research Report 72.

¹⁴ LSC (2009) : The benefits of completing an apprenticeship

¹⁵ National Audit Office (2009) Train to Gain: Developing the skills of the workforce.

¹⁶ 'Success rate' is the proportion of learners who were expected to leave in the academic year who achieved the learning aims, represented as a percentage of all learners, excluding those who withdrew within six weeks of starting their course.