

## Labour Market Overview

### 1. What is the labour market?

Like any market, the labour market is made up of buyers and sellers:

The buyers are **employers**, who need to “buy” the services of staff with the skills and experience to fill their vacancies

The sellers are **individuals** who want to “sell” their skills and experience for a salary.

As with all markets, **market forces** drive the labour market and so influence the availability and range of opportunities as well as the number of people looking for work, for example:

- **earnings** – how much does it cost to employ staff; can employees earn enough to cover their living costs;
- **education** – how well qualified is the local population; what qualifications are required for the jobs on offer;
- **skills available** – are there enough people with skills employers need; what skills do people need to compete for the jobs available;
- **economics** – access to investments, loans, customers; cost of living in particular areas;
- **environment** – access to transport, waste management, development, regulations, restrictions on certain types of business activity;
- **demographics** – does the local area provide enough people in the right age group for the jobs on offer, how much competition is there for the available opportunities;
- **technology** – often reduces the number basic level jobs, but increases demand for more highly skilled, well-qualified staff;
- **global markets** – many companies can source production in different parts of the world where labour costs are cheaper although often the design and management functions are retained in the home market;
- **politics** – government policy can have a major impact on jobs, witness recent reduction in the numbers of people working for local authorities;
- **legislation** – changes in employment law will have a direct impact on the labour market and other legal measures – Raising the Participation Age, Equal Opportunities legislation, Disability Discrimination Act for example, will have an indirect impact on employment.

### 2. Why is it important for me to understand the labour market?

Awareness of the labour market is an essential tool in the career decision making process whether you're an individual looking for work, a school student choosing their post-16 options or university course, or a graduate trying to find that all important job opportunity. Knowing what jobs are available now and understanding how the market is likely to change

and develop, will help you to build an effective career plan that maps the qualifications, skills and experience you will need to compete for the jobs you want.

### 3. Who is involved in the labour market?

#### Employers

Generally employing organisations are defined as “Large” or “Small, Medium Enterprises” sometimes referred to as SMEs. An organisation defined as “large” is usually one which employs 250 people or more, while SMEs can be split into:

Medium            50 – 249 employees

Small             10 – 49 employees

Companies that employ less than 10 people are called “Micro Businesses”.

- Over 99% of all London businesses are SME with 89% being micro businesses<sup>1</sup>.
- The picture in Tower Hamlets almost mirrors that of London as a whole; again 99% of companies are SMEs and 89% of those are micro businesses.
- SMEs also account for around 99% of all businesses across the six boroughs that make up our local labour market which, as well as Tower Hamlets includes: Barking & Dagenham, Greenwich Hackney, Newham and Waltham Forest
- A similar profile is repeated across the country as a whole. The UK is overwhelmingly “*a nation of small businesses*”.

As well as size Employers and their companies are also be defined by the type of business they are engaged in and their business activity will often shape their recruitment needs. For example, *the labour market in Tower Hamlets* is dominated by Financial and Business Services sector which tends to recruit people with high level skills and qualifications, therefore many of the jobs available in this borough are for people with graduate or post-graduate qualifications.

*“More than three quarters of high skilled jobs are taken by graduates”*

*“Level 4 and above qualifications are required for more than 55% of all London jobs”*

#### **Focus on London 2012: Skills Degrees of Qualification**

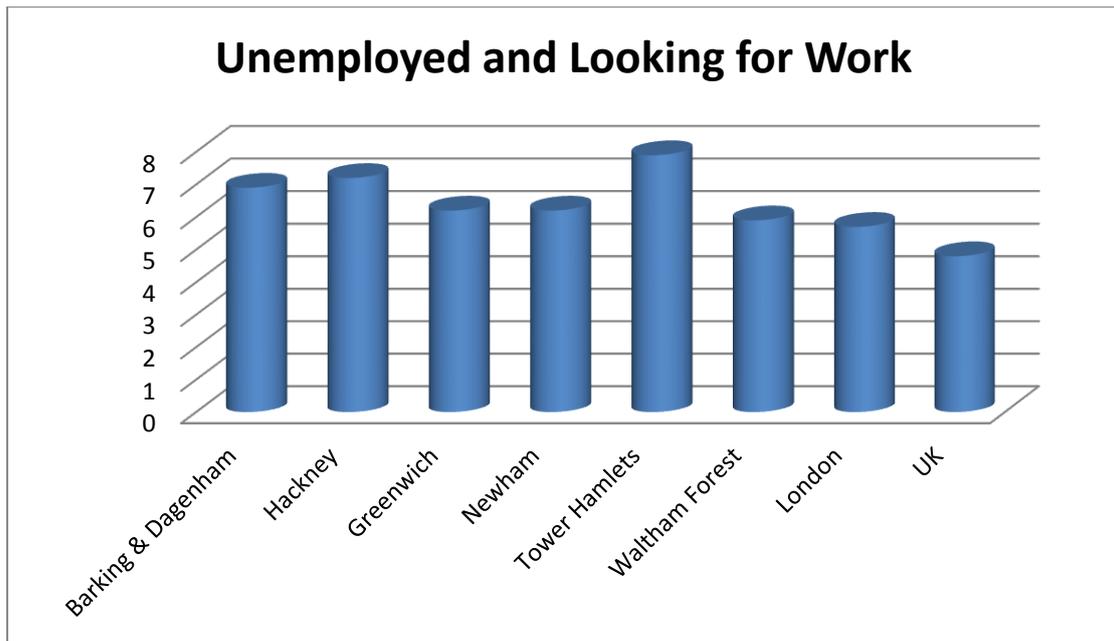
#### **Individuals looking for work**

This group is made up of young people leaving education and looking for their first opportunity; people changing employers; those returning to the labour market and people who are unemployed and looking for work.

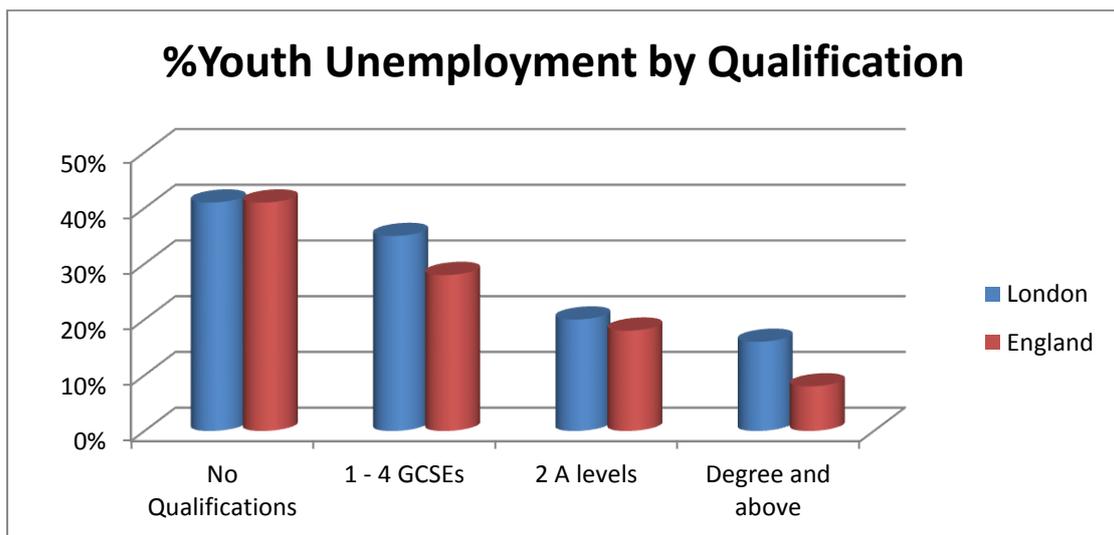
---

<sup>1</sup> Business Register Office for National Statistics





*Estimates based on Annual Population Survey – Jan – Dec 2016*



*2011 Census young people aged 16 – 24*

**Young People Looking for Work in Tower Hamlets and surrounding boroughs** often find it very difficult to compete in the local and regional labour market often because:

- they lack the skills and experience employers are looking for
- they may lack the necessary qualifications
- (all too often) they are unaware of the opportunities available in the labour market.

In fact the negative impact of lack of labour market awareness was highlighted in a 2012 report from the Work Foundation.

***Raising Aspirations and Smoothing Transitions: the role of careers education and Careers Guidance in tackling youth unemployment (B Balarum & L Crawley)*** found that “young people’s aspirations are stunted by a lack of awareness of the jobs on offer and the sectors in

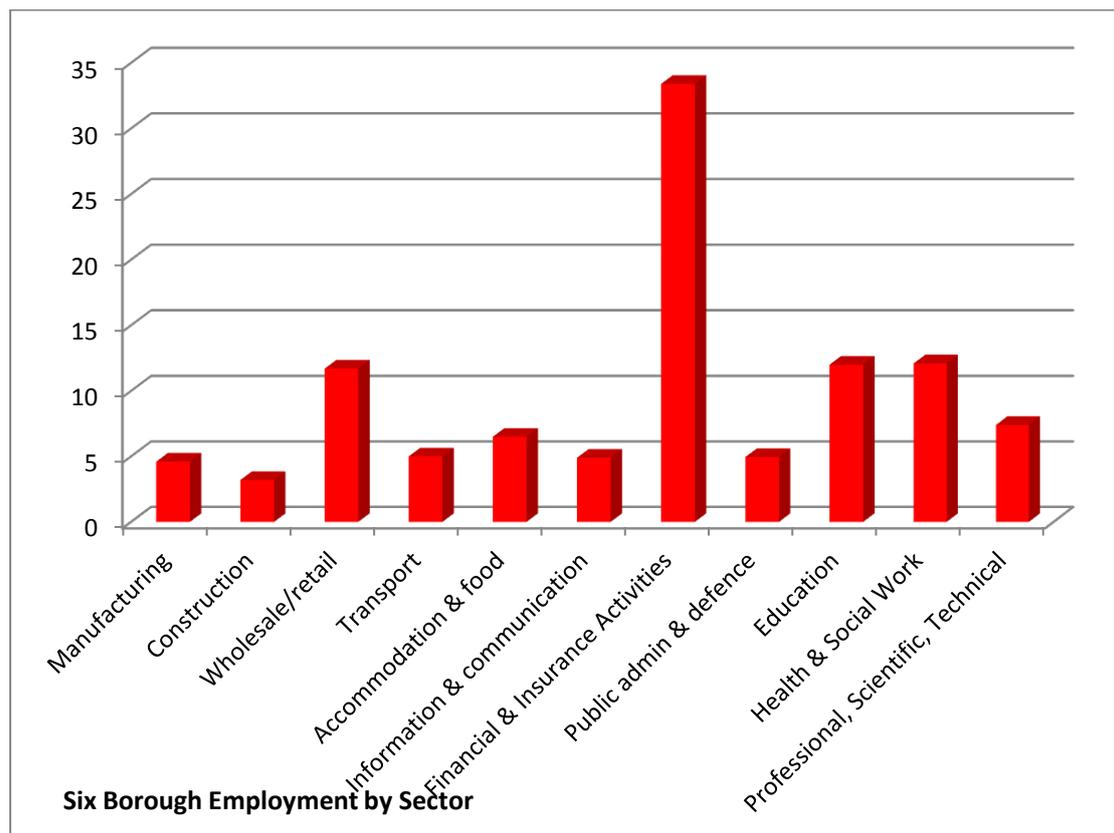
which they exist” (page 4). This theme is repeated in another report produced by the IPPR August 2014.

In **Remember the Young Ones: improving career opportunities for Britain’s young people (Tony Dolphin)** examines the impact of government changes to the provision of statutory careers guidance in schools. On page 41 of the report, the author points out that *“Providing a clear view of the labour market.....can raise the aspirations of students and encourage them to achieve the academic results that they need to enter a particular career”*. He also notes that *“If done well as in Germany and the Netherlands, the result is a better match between the aspirations of young people and the expectations of employers”*.

**4. What opportunities are available locally and regionally?**

If we regard the six boroughs as our “local” job market and London as our region it’s clear that we have a substantial proportion of the local population looking for work; so what type of work are they likely to find and what type of businesses offer the largest number of opportunities?

**The local labour market** is dominated by the service sector accounting for around 90% of all jobs in the six boroughs.



However, the picture is complex with wide variations in proportions employed in different labour market sectors and sub-sectors:

**Proportion of jobs by industry and borough**

Industry	B&D	Hackney	Greenwich	Newham	TH	WF
<b>Manufacturing</b>	10	3.2	3.8	4.1	1.5	5.2
<b>Construction</b>	4.5	2.1	3.2	4.1	1.8	3.7
<b>Wholesale/retail</b>	20	9.3	13.9	20.4	6.2	19.4
<b>Transport</b>	8	2.8	5.7	5.1	2.6	6
<b>Accommodation &amp; food</b>	4	8.3	7.6	9.2	5.1	5.2
<b>Information &amp; communication</b>	2	10.2	3.2	2.6	8.8	2.6
<b>Professional , Scientific &amp; Tech</b>	3	13	5.7	4.6	14	4.5
<b>Financial &amp; insurance activities</b>	1	2.8	0.9	1	26.5	1.2
<b>Public admin and defence</b>	5	5.6	6.3	6.1	3.3	3.4
<b>Education</b>	14	10.2	15.2	12.2	5.5	14.9
<b>Health &amp; Social Work</b>	12	13	17.7	11	7.7	14.9

Source ONS Business Register and Employment Survey 2015

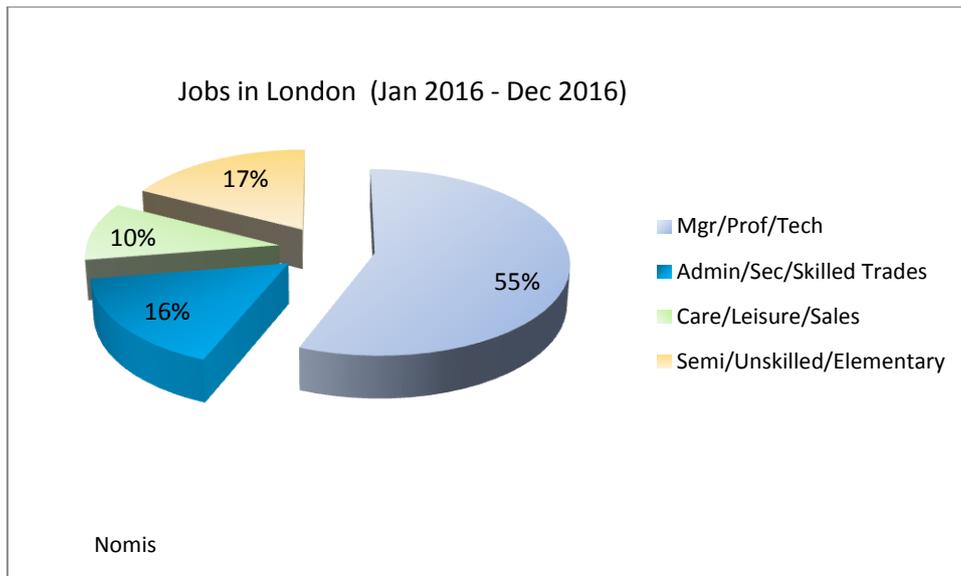
The above table illustrates the sharp contrasts between boroughs in the proportions of jobs in each sector. The BRES measures more discrete categories than its predecessor, possibly reflecting greater diversity in the labour market.

#### Headlines:

- manufacturing continues to decline across London, but its rate of descent is slower in Barking and Dagenham;
- the public sector continues to dominate in most boroughs, particularly Greenwich, but....
- in Tower Hamlets this sub-sector of the service industry trails far behind financial and insurance activities in terms of employment opportunities.
- Between them, Tower Hamlets and Hackney has more than 50,000 jobs in “Professional, Scientific and Technical” industries.

***The proportion of jobs by occupation*** available in a particular area is a significant feature of the labour market. Different occupations require different skillsets, experience and levels of qualification. In London, more than half of all jobs are for people with higher level skills, experience and qualifications. According to the GLA around 49% of jobs in London require degree or higher degree qualifications.<sup>3</sup>

<sup>3</sup> London Labour Market Projects, GLA 2016



The effect of having so many jobs at the “higher” end of the labour market is two-fold:

- Driving up wages at the higher end of employment as companies compete to recruit suitable candidates.
- Driving down the number of employment opportunities for those with few or no qualifications. According to the GLA, between 2002 and 2014 the proportion of London employees with no qualifications fell from 9.7% to 4.5%. (GLA Labour Market Projections 2016).

### Working in the “Gig Economy”

In recent years there has been a rise in the number of people working in the so-called “Gig Economy”, but what does this mean? Essentially people are employed and paid only for the tasks they perform. Companies like Airbnb, Deliveroo, TaskRabbit and Uber have become familiar names in the labour market, employing thousands of people on, what they describe as a “self-employed” basis, using digital apps to connect workers to customers.

#### Advantages of working in the Gig Economy

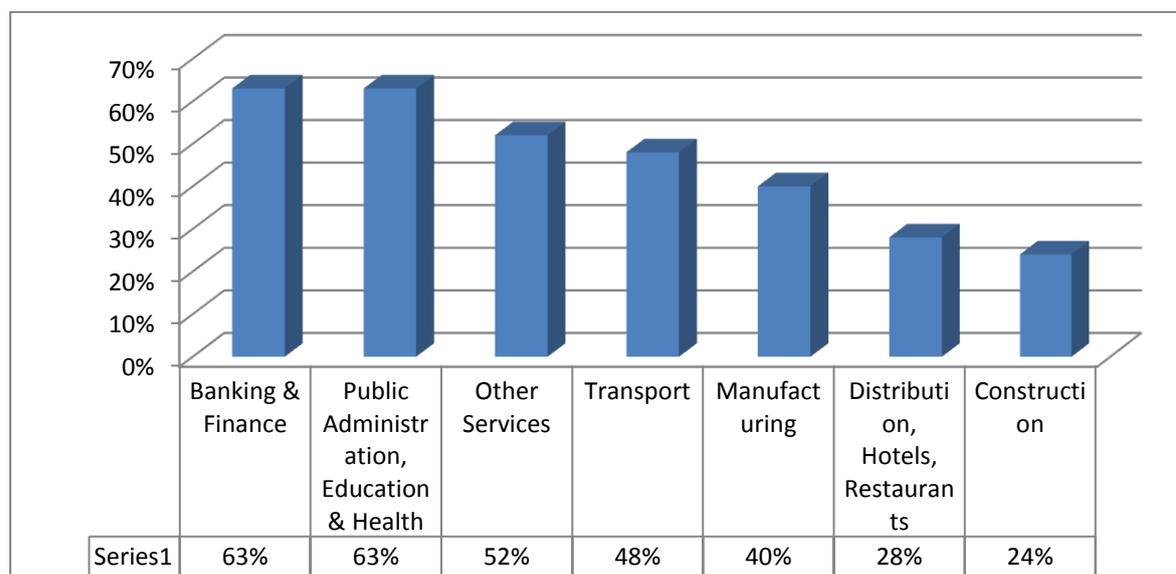
- Individuals choose how and when they work –flexible working
- Allows students and people with family commitments to organise their work-life balance

#### Disadvantages of working in the Gig Economy

- Insecurity of employment and income – no set hours, can make financial planning difficult
- Lack of clarity or regulation of health and safety at work
- No rights to holiday pay, sick pay or workplace pensions

## 5. What qualifications are needed in today's labour market?

### *Proportion of employees with Level 4 or better*



#### ***Focus on London 2014 – Greater London Authority***

With over half the jobs in London (and Tower Hamlets) located at such a high level individuals should be encouraged to achieve the qualifications they need at the standard required. They are much more likely to find and keep a job if they are qualified to *at least* level 4 or above, (Foundation degree, HNC).

A high proportion of Tower Hamlets residents and those of our neighbouring boroughs, are qualified to at least level 4

#### ***Residents' Qualifications by Borough***

<b><i>Area</i></b>	<b><i>Level 2</i></b>	<b><i>Level 3</i></b>	<b><i>Level 4</i></b>
Barking & Dagenham	68%	47%	33%
Greenwich	76%	61%	46%
Hackney	75%	65%	54%
Newham	69%	59%	48%
Tower Hamlets	76%	67%	52%
Waltham Forest	70%	58%	46%
London	78%	66%	52%

*ONS Annual Population Survey Jan – Dec 2016*

***How to get qualified?*** Most young people in Tower Hamlets achieve further qualifications by taking courses at sixth form or college. Some are able to achieve their goals by following an

apprenticeship programme. It is important to realise that achievement can be measured in different ways.

### **Qualification Framework**

<b>Level</b>	<b>Academic Qualification</b>	<b>Vocational Equivalent</b>
<b>Level 8</b>	<b>Doctorate</b>	
	<b>PhD</b>	
<b>Level 7</b>	<b>Masters degree</b>	
	<b>MA, MSc, MEd, MEng</b>	
<b>Level 6</b>	<b>Undergraduate degree</b>	
	<b>BA, BSc, Bed, BEng</b>	
<b>Level 5</b>		<b>HND</b>
<b>Level 4</b>	<b>Foundation Degree</b>	<b>HNC</b>
<b>Level 3</b>	<b>A levels</b>	<b>BTEC Level 3 Extended Diploma</b>
	<b>AS levels</b>	<b>BTEC Level 3 Diploma</b>
<b>Level 2</b>	<b>GCSEs A* - C</b>	<b>BTEC Level 2 Diploma</b>
		<b>NVQ Level 2</b>
<b>Level 1</b>	<b>GCSEs D - G</b>	<b>Foundation Level 1 Diploma</b>
<b>Entry Level 3</b>	<b>Key Stage 3</b>	<b>Foundation Learning</b>

### **Learning after formal education**

We have seen that most jobs in London will require further study and/or training (depending on the job and the sector). Often a period of on the job training is essential in order to gain professional qualifications. For example – to become a solicitor, barrister, accountant, banker or financial adviser, it's essential to take a course leading to professional

examinations; in the creative industries it's possible to train on the job, but most people begin their training after they've been to university and taken a degree in a relevant subject; nurses can only qualify after they have taken a degree at university.

## 6. Skills for work

Of course qualifications are only part of the story, skills are also important. Some are job specific skills. In **fashion design**, for example, it's usually just as important to know how to cut and sew garments as it is to draw and design products; everyone working in **construction** from an operative to a site manager will need to hold a **CSCS health and safety certificate** as well as the skills they need for their specific job; those working in the **catering industry** must undergo basic training in hygiene and food safety training regardless of whether their career goal is to wait tables or become a top flight chef.

In addition to job specific skills employers usually ask for **employability skills** – these are the top-ten most requested skills:

1. Good communication – written and verbal
2. Team work – knowing how to support others and how to ask for support from others
3. Numeracy
4. Able to work under pressure and multi-task
5. Attention to detail
6. Punctual and reliable
7. Willingness to learn
8. Positive attitude to work/flexible
9. Able to develop good customer relationships
10. Problem solving

## 7. Routes into the labour market

**College, sixth form, apprenticeship or job with training** are all possible routes, but like any journey which route you choose will depend on your own circumstances and **where you want to go**. Some jobs may demand very specific, work-related courses and qualifications and well defined routes to achievement; others may accept people from a number of different backgrounds and value the diversity this brings to the job; very few jobs don't specify some entry qualifications or skills – to plan a journey **you need to know the starting point**.

## 8. Who can help?

**Valuable advice is available from a number of different sources including:**

**Professional advice, information and guidance is available from your school careers adviser** he/she can talk to you about your career ideas, give you lots of information about your options and help you develop a realistic career plan.

**Teachers in school and college** can advise you about strategies for maximising your learning potential and achieving the results you need to progress to the next level.

**Friends and family** can talk to you about their experience of education, training and work; they can tell you about their job and how they got there; they may know about the pitfalls and how to avoid them or about the shortcuts and where to find them.

**If you are a school student, the Careers page on your school intranet site** will provide you with basic job information, and links to college websites, newspapers, sector skills councils, the National Apprenticeship Service and National Careers Service websites. You will be able to browse for ideas, check your understanding of your career options and find out so much more about jobs and the labour market.

**If you have left school or college visit [Tower Hamlets Careers Service](#) where you will find:**

- a well-stocked careers library, equipped with PCs to help with your research
- job and training vacancies alongside information on college and university
- friendly, helpful, well-qualified staff who can give you advice on applying for opportunities, drafting CVs and how to succeed at interviews.

9<sup>th</sup> June 2017