



BEIS COMMITTEE INQUIRY INTO AUTOMATION AND THE FUTURE OF WORK

INQUIRY RESPONSE

Response From: London First, Middlesex House, 34-42 Cleveland Street, W1T 4JE

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About London First

London First is a business campaigning group with a mission to make London the best city in the world to do business.

We convene and mobilise business leaders to tackle the key challenges facing our capital.

We are made up of over 200 leading employers across a wide range of sectors, supported by a small staff of experts, organisers and campaigners, overseen by a non-executive board of influential business leaders.

Summary position

Rapidly advancing technology and job automation (the introduction of automatic equipment, computing or other technology designed to improve efficiency), often referred to as the fourth industrial revolution, is expected to disrupt the UK labour market in the near future. London First's and Lloyds Banking Group's employer survey (2018) found that UK business forecasts over 1 in 5 roles will be replaced by automation by 2025. However, the research suggests that the main effect of automation will be job displacement: jobs will change and close; new jobs will be created; and workers will have to update their skillset more frequently. More than six in ten UK and London businesses expect to have to retrain their workforce by 2025, and government and employers will need to work together to deliver a much more robust lifelong-learning strategy. This is particularly important, given the trend for longer working lives.

In addition, the process of job automation is putting an even greater premium on transferable skills – employability, enterprise and digital – that are more difficult for robots to replicate and that enhance the ability of Londoners to secure work and move between jobs. Yet employers do not believe the education and skills system is adequately providing these skills, with

particular concern that learners are way behind the pace on digital skills. These are the competencies needed, whether at a basic or more advanced level, to understand and harness software and hardware to improve workplace productivity. Technology is being updated at such a pace that it is understandably hard for education providers and their teachers, not to mention the learners, to keep up with corresponding skills requirements. For business to be able to recruit people with digital capabilities – crucial given that this is expected to be a requirement in 90% of jobs in the next two decades – it has a bigger role to play in working directly with schools and learners to develop these skills.

Job automation will not pick up the slack in the event of a reduction in overseas workers likely to be caused by Brexit. It will have a role to play, of course, in helping employers to become more productive; however, the pace and scale of automation remains uncertain. With the main effect forecast to be job displacement, job automation, together with the UK labour pool, are unlikely to be sufficient to satisfy demand for labour, as long as the economy continues to grow.

This inquiry response draws from [London First's Employment and Skills Action Plan](#) for London, released in June 2018. The Plan aims to ensure London's education and skills system is responsive to the needs of business – both now and in the future – to strengthen the London labour pool. The resource also draws from [Building the workforce of the future](#) (March 2018), London First & Lloyds Banking Group's skills survey of 1000 UK business leaders. This survey provided crucial evidence that underpinned the Action Plan.

London First's Action Plan sets out a number of recommendations across a range of areas. Those that aim to address the automation challenge are:

- 1) Business and government to work together to scope out a business programme to help schools and colleges keep pace with the rapidly evolving digital skills requirements
- 2) A co-funded incentivised programme of personal training and reskilling allowances to support adult workers in sectors at high risk of automation
- 3) Government to drive transferable skills through embedding compulsory employability, enterprise, and digital skills into core secondary-level education at age 16 and across all apprenticeship standards
- 4) Government to extend maintenance loans in adult Further Education to Level 3 learners to improve access to training, to better support adults whose jobs are affected by automation
- 5) Government to devolve the National Retraining Scheme and Immigration Skills Charge to London to allow the Mayor of London to set up a London Adult Retraining Scheme to support future jobs and sectors at greater risk of restrictive immigration policies.

Business and government must work in partnership to implement these recommendations and the wider Action Plan. Only then will London and the UK build on successes, challenge weaknesses, and secure the step-change needed on skills.

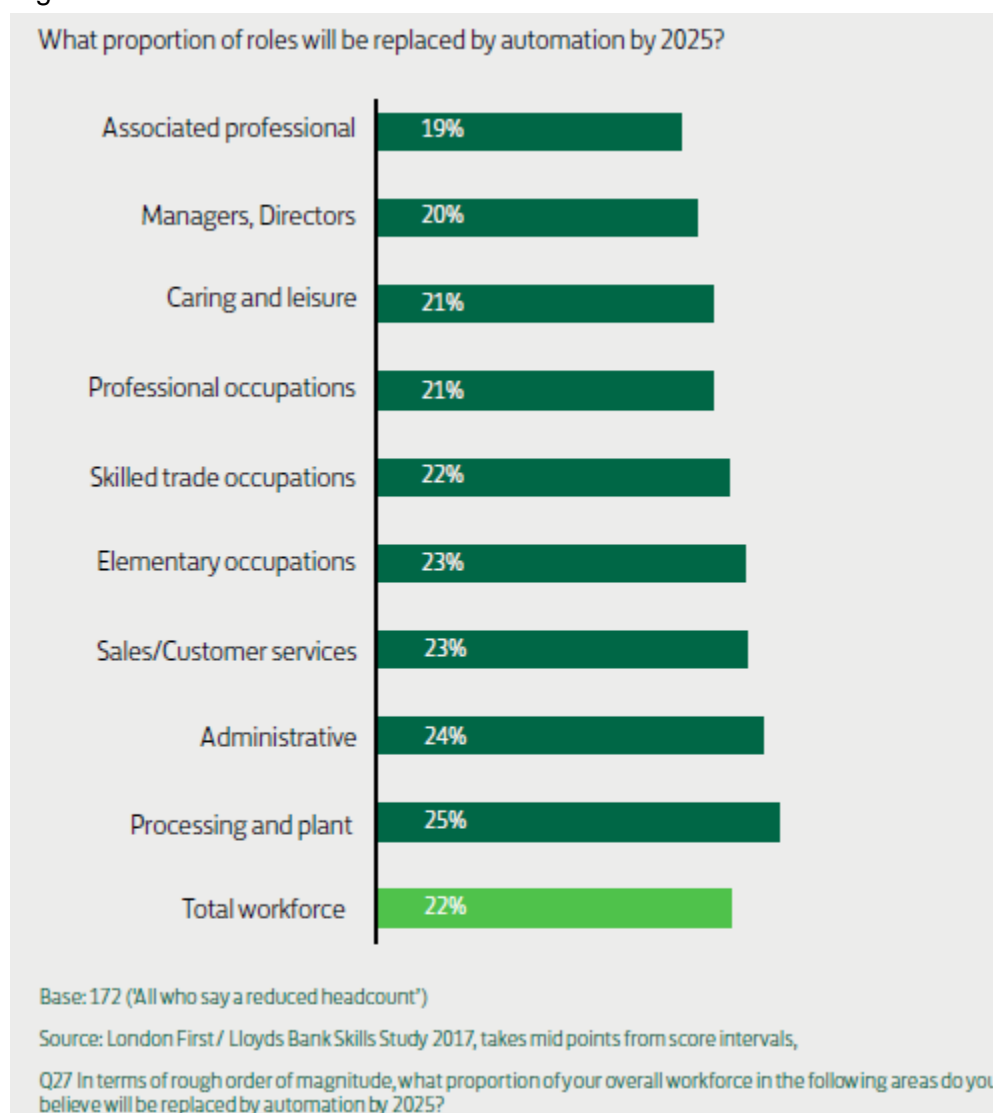
This response seeks to address a number of the inquiry's questions, below. We would be glad to discuss our response further with the Committee.

Automation and businesses

- 1.1 London First in cooperation with the Lloyds Banking Group [surveyed 1000 UK businesses](#) with more than 50 employees in January and February 2018 on the topic of automation and skills.

The overall findings show that across industry sectors, UK businesses forecast that more than 1 in 5 roles (Figure 1) in their total workforce will be replaced by automation by 2025.

Figure 1



Unsurprisingly, automation will remove/reduce certain roles, while others will continue to exist but will most likely prioritise an evolving-skill set to keep ahead of automation and use technological advances efficiently.

The survey highlighted that repetitive, process-oriented roles in processing and plant operations, which have already seen high levels of automation in the past years, are

typically the most likely to see further reduction. What many may not realise, however, is how marginal the order of magnitude is forecast to be between the impact on blue and white-collar roles. Daniel and Richard Susskind outlined an uncompromising vision in *The Future of the Professions* (Oxford University Press, October 2015), with automation fundamentally reshaping the role of humans in disciplines as broad as law, medicine and architecture. Our data supports their basic premise – that automation is as relevant in professional occupations as elsewhere.

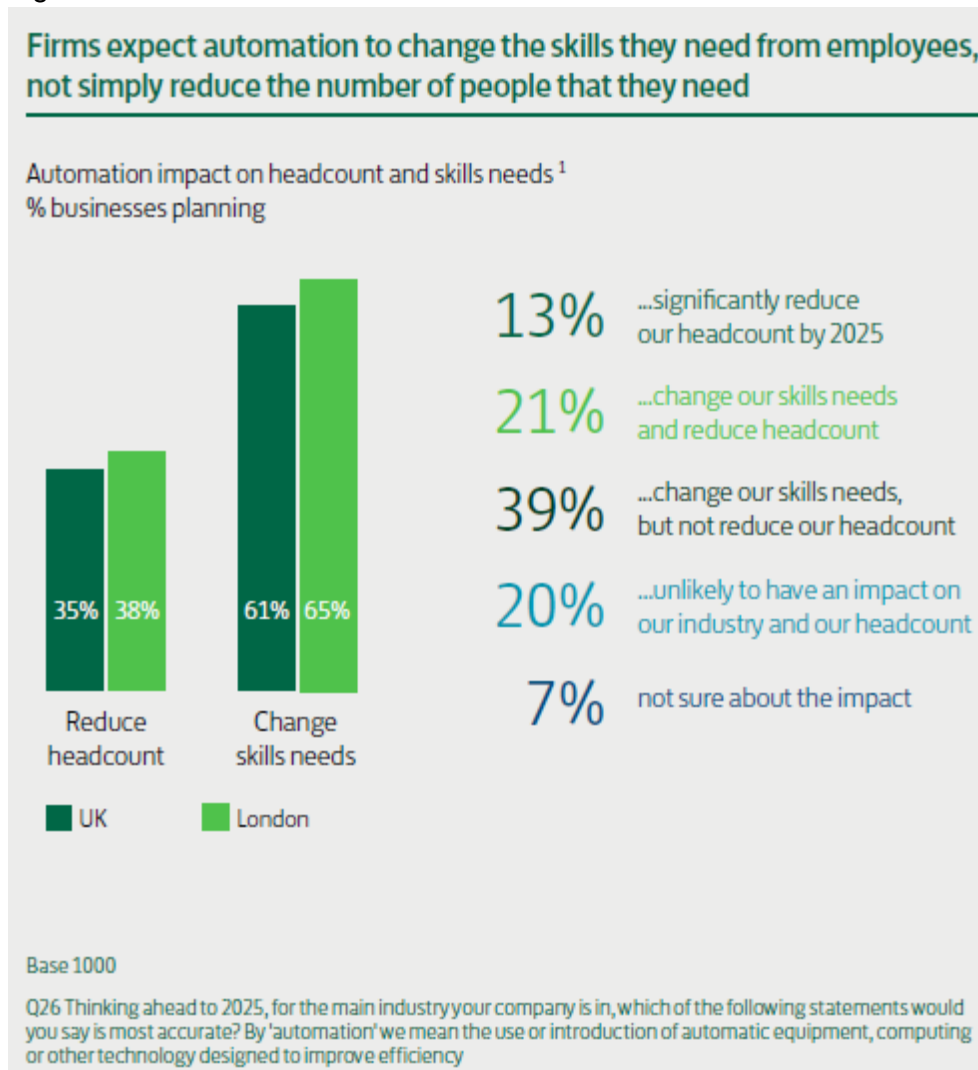
1.2 61% of UK businesses said that automation will change their skills needs by 2025 (Figure 2).

The automation of job roles is already driving profound change in the world of work and it will go on doing so. There will be major consequences for skills demand and for the skills system itself, as well as the nature of employment.

Our findings suggest the British economy will chart a middle course through the two extremes often posited by commentators: we are unlikely to see mass unemployment as a result of automation, nor will we see the sunny uplands of workers seamlessly moving into more productive and rewarding jobs. The majority of businesses surveyed expect automation to change the skills that people will need in work, almost twice as many as those who expect to cut their headcount by any material volume.

35% of UK businesses said automation will lead to a reduction in headcount, with 13% saying it would lead to a significant reduction of their workforce by 2025.

Figure 2



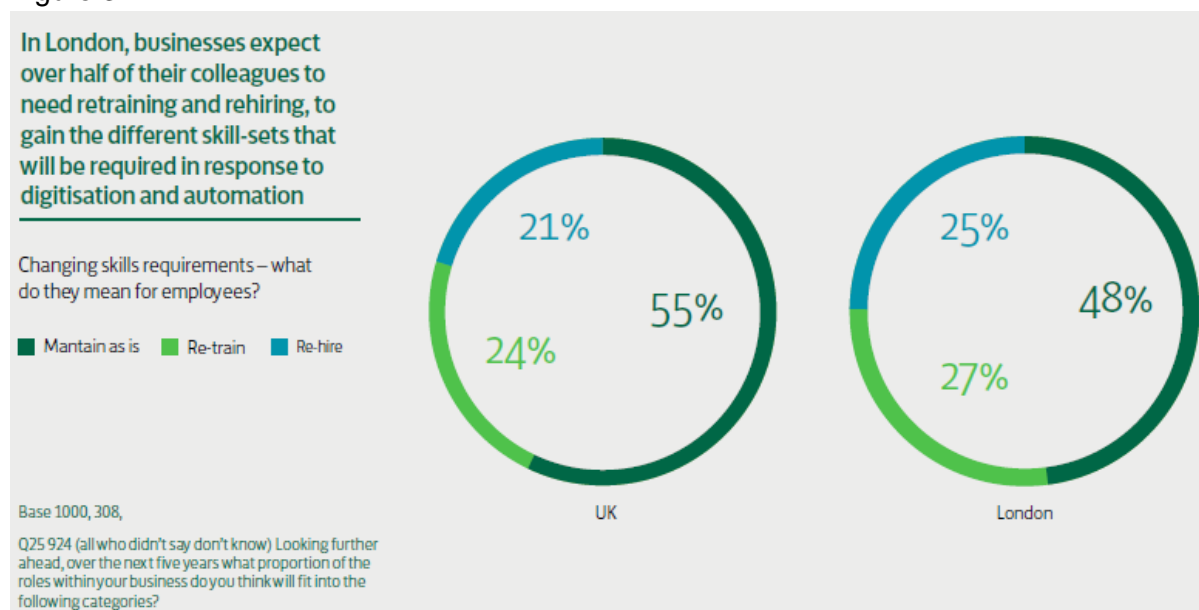
1.3 The change in skills requirements will mean that businesses will have to re-train and re-hire employees. **By 2025, Businesses have estimated that 24% of their roles will need re-training to keep up with the changes. Additionally, they will have to re-hire for 21% of the roles, where the nature of work will fundamentally change the required skill-set (Figure 3).** 55% of roles are estimated to be maintained as they are currently, implying that the employee currently has all the skills they need to continue the post.

Looking at the magnitude of employees that are facing skills changes in their roles over the coming five years, businesses will need to implement lifelong learning processes, continued learning strategies during the whole duration of the career, to ensure that businesses have the right skills and employees are not left behind in the fourth industrial revolution.

The changing nature of roles and the ability to automate repetitive roles also offers opportunities, including increases in productivity and the outlook of more creative and

rewarding responsibilities, which will put a premium on transferable skills, like management and communication.

Figure 3



- 1.4 Employers do not believe the education and skills system is adequately providing transferable skills, like employability, enterprise and digital, with a particular concern that learners are way behind the pace on digital skills. These are the competencies needed, whether at a basic or more advanced level to understand and harness software and hardware to improve workplace productivity.
- 1.5 Technology is being updated as such a pace that it is understandably hard for education providers and their teachers, not to mention the learners, to keep up with corresponding skills requirements. For business to be able to recruit people with the digital capabilities – crucial given that this is expected to be a requirement in 90% of the jobs in the next two decades – it has a bigger role to play in working directly with schools and learners to develop these skills.
- 1.6 Job automation will not pick up the slack in the event of a reduction in overseas workers caused by Brexit. It will have a role to play in helping employers become more productive; however, the pace and scale of automation remains uncertain. With the main effect forecast to be job displacement, job automation, together with the UK labour pool, are unlikely to be sufficient to satisfy demand for labour, as long as the economy continues to grow.
- 1.7 To help prepare young learners, employees and adults looking to reskill for the future of work, London First made the following recommendations in its June 2018 [‘Employment and Skills Action Plan for London’](#), which can also be applied to the rest of the UK.
- 1.8 The first recommendation is business and government working together to scope out a business programme to help schools and colleges keep pace with the rapidly

evolving digital skills requirements, from basic digital literacy to more advanced skills like coding languages, augmented reality and video editing. The programme would work through galvanising business in all sectors to provide funding for teacher training; co-design training provision, including providing hardware equipment to schools and colleges; signpost private sector-led organisations like code clubs and brokerage organisations like Founders4Schools that arrange for employers to visit education institutions. This could involve working with the London government to support and scale up the Mayor's nascent Digital Talent Programme.

Automation and workers

1.9 The second recommendation is for a co-funded programme of personal training and reskilling allowances to support adult workers in sectors at high risk of automation. The employer contribution would be offset through a skills equivalent of the Research and Development tax credits for money they spend on retraining. This aligns with a similar recommendation made by Siemens in their Made Smarter Review (2017). The allowances would be co-funded by employers and London government. The purpose is to incentivise retraining and reskilling and the allowances would be targeted at workers whose job is being displaced due to automation, and those whose skills require updating. For low-skilled workers in particular (who are more likely to be at risk of automation), the cost of retraining could act as a barrier to take-up. Training will be targeted at priority areas agreed between business and government through a London Adult Retraining Scheme (see below) and would include transferable skills development.

1.10 Third, central government should devolve to London the **National Retraining Scheme** and the **Immigration Skills Charge**. These are expected to be around £13m and at minimum £40m (by 2025) per year respectively, based on current funding and policy. The Mayor should then use this to create a **London Adult Retraining Scheme** to support future jobs and sectors at greater risk of restrictive immigration policies. Given that we do not know the precise pace of change or scale of job automation and its impact on the London labour market, c£55m is an adequate starting point. The scheme should be adult rather than employer facing, so it can assist adults who have no or inadequate access to employer-funded training to retrain in their own time.

The Mayor of London should work with London employers to direct this funding to sectors and roles at high risk of automation, and to boost transferable skills in adults. Adult retraining should be more bespoke than can be funded through the **Adult Education Budget (AEB)** – where entitlements still apply – and the full range of fee loans for adult further and higher education. Central government has set a deadline of March 2020 to spend the NRS budget. There may well be a case for extending the deadline beyond that to allow for effective use of the funding, which is currently focused on IT and construction skills.

1.10 Fourth, central government should **drive upskilling in transferable skills through embedding compulsory employability, enterprise and digital skills into core secondary-level education at age 16 and across apprenticeships**. Employers are

looking to the education and skills system to build solid foundations of cross-cutting and transferable skills in their future employees. Skills that underpin a growth mindset and build character, resilience and communication capabilities are at a premium and are much harder for robots to replicate as the process of job automation accelerates.

There are several programmes that seek to build employability and enterprise skills into the national curriculum, and that central government could back. For example, EY Foundation's School to Work campaign. This programme seeks to increase engagement between employers and schools to drive the core skills that employers require. It takes a pilot approach across the UK to evaluating and refining programme performance.

- 1.11** Fifth, central government could also **extend the maintenance loans in adult Further Education to Level 3 learners as another action to ensure upskilling**. Adults who take time away to train can face a loss in earnings. The squeeze in real income and the demand to earn more from extra hours places financial constraints other than the cost of courses on potential students. Maintenance loans at Level 3 for FE and technical training that complements existing fee loans would aid participation, retention and achievement.

Further information can be found in the two referenced publications:

['Building the workforce of the future'](#), March 2018, London First & Lloyds Banking Group

['Employment and Skills Action Plan for London'](#), June 2018, London First