

London Business 1000

London's local business survey 2020

summary report



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Foreword

For the fifth year, London Chamber of Commerce and Industry and London Councils are pleased to publish our annual joint survey of over one thousand London businesses. This is one of the most comprehensive surveys of the views of London's business leaders. It gives us a unique insight to the challenges they face as the capital rebuilds its post-pandemic economy. While increasingly confident about their businesses and the wider economic recovery, business leaders are nervous about the potential return of a lockdown.

Business recruitment plans have recovered but it is clear from the results that getting the right skills is a growing concern. Apprenticeships continue to struggle, and we will continue to press national government to give employers the local freedoms and flexibilities they need to deploy the apprenticeship levy.

The pandemic's economic shock has hit London's residents the hardest, with the capital having the highest unemployment and furlough rates of any UK region. London's employers and all tiers of government need to work even more closely to level-up London and address the mismatch between those seeking employment and the skills needs of business. Businesses recognise their role in building back better, including achieving our net zero carbon ambitions. Boroughs are seen as having an important role in working with businesses to deliver this.

London is a hugely resilient city and a central part of Britain's global ambitions. We hope that this summary and the detail provided in the accompanying YouGov report provides those working on London's economy a clear indication of priority areas for action.



Cllr Elizabeth Campbell,
Executive member, Business,
Economy and Culture,
London Councils,
Leader Royal Borough of
Kensington and Chelsea



Richard Burge,
Chief Executive,
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Key findings and policy recommendations

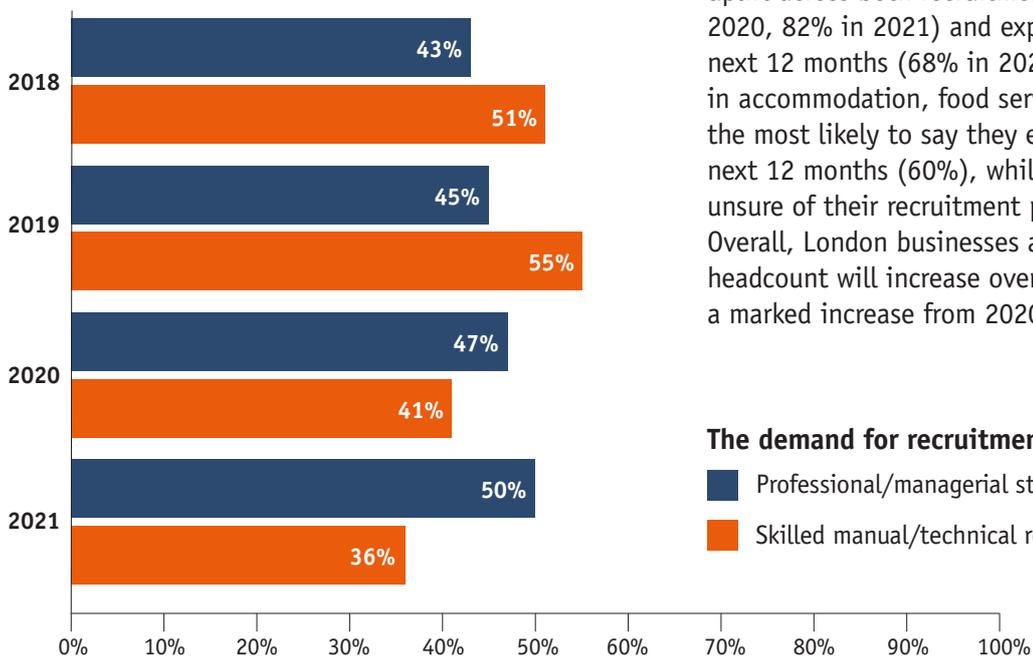
Fresh lockdowns remain primary concern for businesses

- London's businesses unsurprisingly are showing increasing confidence, but with the biggest threat seen as new variants causing national lockdowns (48%). Retailers and those in the supply chain, such as wholesalers, storage and transport sectors, are most concerned about a lack of consumer spending (48% and 44% respectively), although this has seen a significant decline since last year (72% and 62% respectively).
- More businesses are worried about the threat of not retaining staff, with the proportion rising from 13% to 21% between the 2020 and 2021 surveys: almost four in ten larger firms (38%) now cite this as a key concern.



Higher skills drive demand

The demand for professional/managerial staff continues a long-term trend in recruitment for London businesses



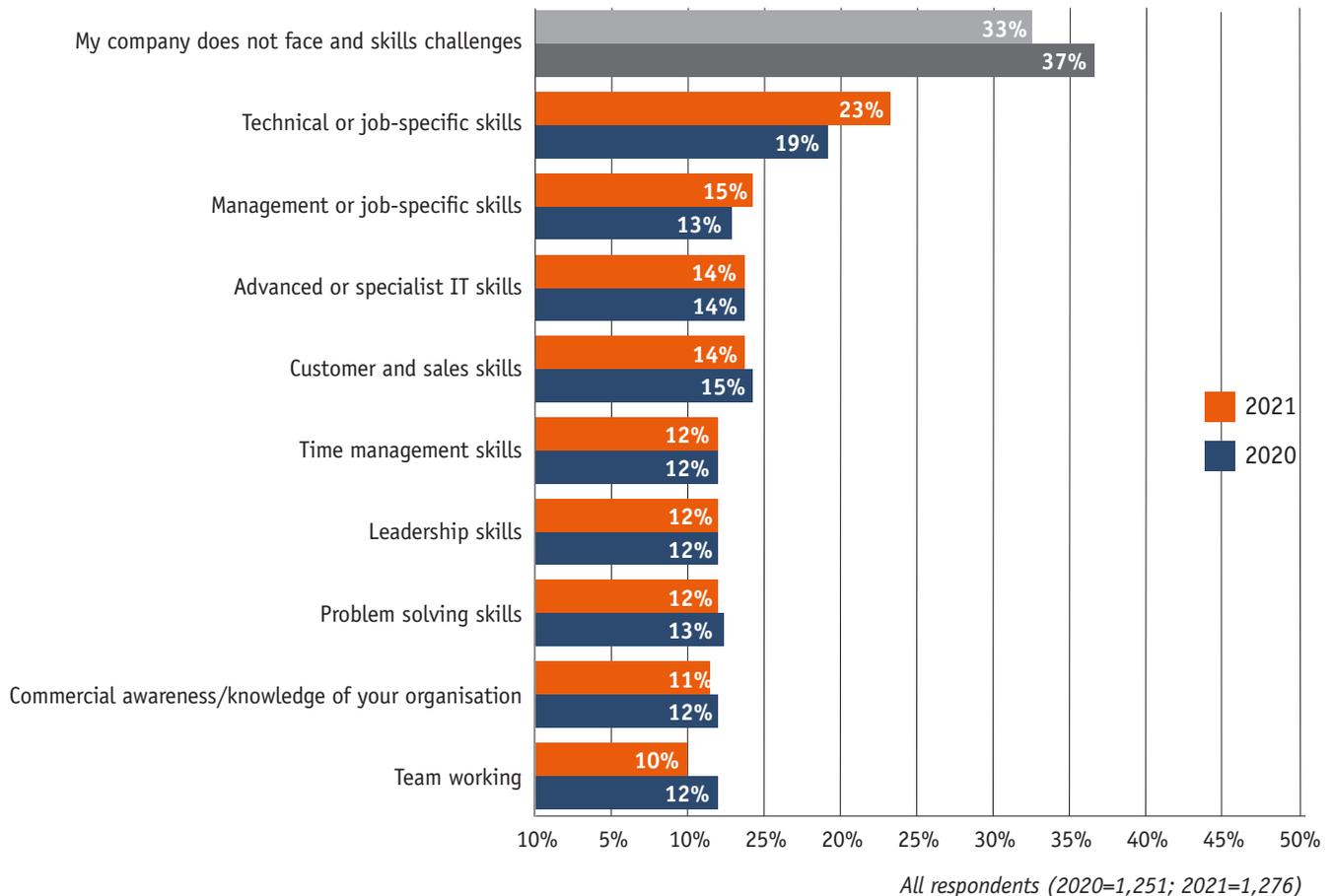
Recruitment drive highlights London's skills gaps

Businesses' recruitment plans have improved based on this survey, with the trend consistent across all firm sizes. Medium-sized businesses have seen the biggest uplift across both recruitment over the last year (72% in 2020, 82% in 2021) and expectations to recruit in the next 12 months (68% in 2020, 85% in 2021). Businesses in accommodation, food services & entertainment are the most likely to say they expect to recruit staff in the next 12 months (60%), while retail businesses remain unsure of their recruitment plans (17% don't know). Overall, London businesses are more confident their headcount will increase over the next 12 months (42%), a marked increase from 2020 (26%).

The demand for recruitment

- Professional/managerial staff
- Skilled manual/technical roles

Top types of skills that London businesses face challenges within their current workforce



- Two-fifths of businesses do not face any skills challenges when recruiting (40%), down from half of businesses last year (49%); only 22% of large companies face no skills challenges within roles. Only 14% of large businesses say they do not face any skills challenges within their general workforce. Unsurprisingly, skills gaps vary across sectors, with those in information & communication/professional services needing to address challenges with professional/managerial roles (34%), and those in accommodation, food services & entertainment seeing the biggest challenges with un/semi-skilled roles (19%).
- A third (34%) of businesses cite the Brexit deal negotiated between the UK and the EU as a challenge for London's labour market over the next 12 months, rising to half of businesses in motor trades, wholesale, transport & storage (51%) and two-fifths (44%) of companies in accommodation, food services & entertainment. However, only a third (33%) of micro businesses have felt a negative impact on recruitment as a result of Brexit, although medium (52%) and large firms (50%) have been more affected.
- In 2020, only 7% of businesses were facing a lack of applicants for vacancies, compared to a fifth in 2021 (19%). There was also a significant increase in the proportion of firms who've experienced difficulties recruiting. In 2020 14% of all businesses cited a lack of applicants as one of the main skills/ labour market challenges. By 2021 25% of businesses who've had difficulty recruiting say one of the difficulties is competition.
- Therefore, training existing staff remains the most popular way for London businesses to address skill shortages within their workforce (48%), with upskilling staff into new areas now a key priority (26%).
- It is vital that the right funding is deployed to support individuals with gaining the skills they need to access employment. The Adult Education Budget and the incoming replacement for EU funding, the UK Shared Prosperity Fund, must be of a level of funding seen in the past and provide local flexibility to deliver the skills London's businesses and residents need.

Apprenticeships still lagging

- Overall, 7% of London businesses currently employ apprentices, showing no real change from 2020 (8%). This may point to a long-term trend, as it is a marked fall from 13% of London businesses employing apprentices in 2019.
- In 2021, employment of apprentices is significantly higher for medium (30%) and large employers (42%), in line with the 2020 figures.
- The use and application of the apprenticeship levy remains a concern: 38% of business leaders said they did not know if they needed to pay the levy, up from 18% in the 2019 survey, and of those employers required to pay the apprenticeship levy only a third (33%) currently employ apprentices.

If the unlocking of the economy is going to drive a growth in youth employment, we need to see a significant increase in the use of the levy by employers to take on new apprentices. We welcome the government's payment incentive for apprenticeships, but this needs to be accompanied by employers having more flexibility about how they deploy their apprenticeship levy. This should include allowing employers longer to deploy their levy and to use it towards targeted support for priority groups, such as under 25 year olds and care leavers.

Remote working

Just under a third (30%) of businesses did not have anyone working remotely when the survey was conducted, although there were sizeable variations depending on business size and sectors.

Unsurprisingly, those businesses in the information, communication, professional, scientific and technical industries have the highest rates of remote working. The proportion reporting that 81% to 100% are working, or would be expected to work, remotely regularly steadily declines from 71% 12 months ago, 49% currently, and 31% expected in 12 months' time, indicating a steady return to the office.

A quarter of Central London businesses expect 81% to 100% of their staff to be remote (27%) in a years time, compared to 14% in East London, suggesting a long-term decrease in London's overall day-time commuter population.

Calls for online tax to reduce business rates burden

London businesses were asked their opinion on potential alternatives to business rates, with the popular option being an online sales tax (25%), although environmental taxes are favoured by both large (34%) and medium (33%) businesses. Interestingly, support for an online sales tax is slightly higher with retail businesses (34%), perhaps a sign of the need for a more level playing field. London's businesses are currently facing the financial drag of business rates based on pre-pandemic rental levels. The business rates system needs to be reformed to support the renewal of our town centres, coupled with the investment needed to ensure the stability of local government funding. A first step is ensuring revaluations are taken on a more regular basis.

Public transport and clean air remain business priorities

When asked what London's investment priorities from business rates revenues should be, public transport (39%) and air quality (33%) remain the top priorities. Nevertheless, possibly reflecting the skills challenges faced by London businesses, there has been a significant increase in the proportion who say business rates should be spent on upskilling London's workforce (18% in 2020, 24% in 2021). This appetite for upskilling is seen across all business sizes, industries, and London sub-regions. Given that London's unemployment rate remains above the UK average, there will be a need to level up the capital in part through continued investment in retraining. This is not only to be achieved by businesses themselves, but through ensuring London receives a fair allocation of the Adult Education Budget and the UK Shared Prosperity Fund.



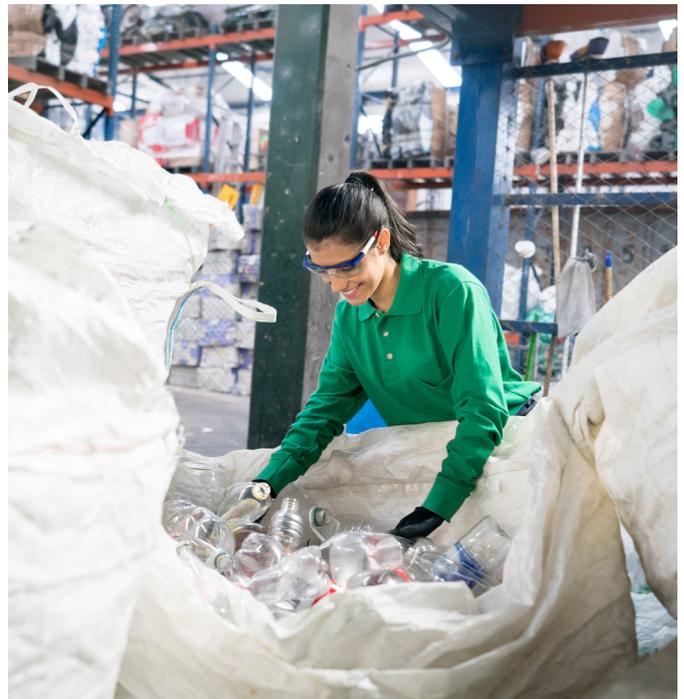
Towards Net Zero

Raising awareness of net zero targets, but significant barriers still in place

The last year has seen an increase in the proportion of London businesses aware of the UK government’s target to bring all greenhouse gas emissions to net zero by 2050 – nine in 10 are now aware of this target (89%), with significant increases in awareness in sectors such as construction/property industry (82% to 90%); accommodation, food services & entertainment (78% to 89%) and information and communication (84% to 91%).

Consistent with 2020, over two-thirds of businesses are doing at least one activity to reduce their environmental impact (69%).

A range of barriers to specific actions was identified in the survey.



Top three barriers for taking action

Greener technologies	Adapting products/services	Using sustainable suppliers	Encouraging remote working	Offsetting greenhouse gasses
<i>All not taking this action (n=663)</i>	<i>All not taking this action (n=676)</i>	<i>All not taking this action (n=696)</i>	<i>All not taking this action (n=730)</i>	<i>All not taking this action (n=1016)</i>
Not appropriate for our business (26%)	Not appropriate for our business (24%)	Not appropriate for our business (20%)	Not appropriate for our business (32%)	Not appropriate for our business (22%)
Initial upfront costs (24%)	Initial upfront costs (17%)	Higher operating costs (19%)	Higher operating costs (11%)	Higher operating costs (17%)
Higher operating costs (20%)	Higher operating costs (16%)	Lack of resources/ time (16%)	Lack of appropriate substitutes (10%)	Initial/ upfront costs (14%)

Tax breaks to improve sustainability was the most popular action to drive change, cited by 38% of businesses. Medium-sized businesses in London are particularly interested in business opportunities/ networking (32%), while small businesses wanted general information on how to be sustainable (27%).

London partners are committed to enhancing their offer to businesses looking to increase their sustainability. At the same time national government needs to commit to long-term investment to allow the private sector to co-invest in areas such enhanced energy efficiency for domestic and commercial properties.

Access to green skills needs improving

When businesses were asked if they have the skills necessary to reduce their carbon emissions, nearly half said they currently have the right skills or know how to access them (48%). However, only three in ten currently have these skills within the business (31%). A quarter do not have the skills and do not know how to access them (27%) and a similar proportion simply do not know (25%). The public administration, education, and health sector is the sector most likely to say they do not know how to access the skills that they need (37%).

Green skills is a general term covering a wide range of different skills - from professional consultancy for undertaking carbon audits of business processes to technical skills such as retrofitting. However, these results indicate that more needs to be done to increase businesses' access to these skills.

To accelerate low carbon skills delivery there needs to be more flexibility to enable local partners to join up existing National Skills Fund, National Retraining Scheme and Apprenticeships to provide the skills needed by businesses and residents.

Boroughs seen as key to improving sustainability

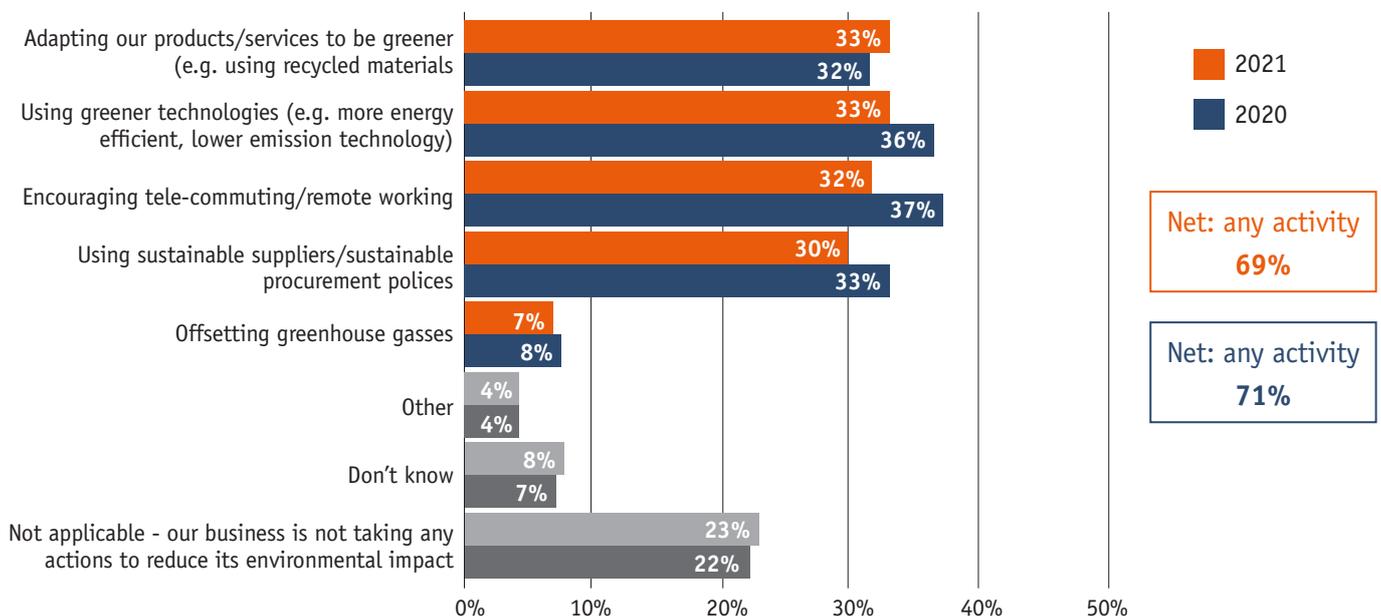
Businesses have considerable appetite for local improvements, such as enhanced recycling services (37%, rising to 45% in south London) and green transport/freight support (22%). Firms would welcome advice and support from their local boroughs, including information on how their company can be more sustainable (27%), technical advice on retrofitting for energy efficiency (17%), or business opportunities/networking (17%).

Businesses taking action to reduce their environmental impact

Business are taking a board range of actions to reduce their environmental impact, including a shift to green technologies and reducing the need for staff to travel. We need to ensure the business have access to the advice they need to make the right choices to reduce their carbon footprint.

Boroughs and business – more work to be done

Regrettably, businesses' views on whether their local council acts on their concerns shows a decreasing trend. In 2021, 23% of London business leaders thought their council acted a great deal/a fair amount on the concerns of local companies, down from 25% in 2020 and 34% in 2019. The Pledges for Business, launched with the London boroughs this year, demonstrated the councils' commitment to address this and strengthen the relationship with their local businesses.



All respondents (2020=1,251; 2021=1,276)

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publication date: November 2021