

London Business 1000

London's local business survey 2020

summary report



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Foreword

For the fourth year London Chamber of Commerce and Industry and London Councils are pleased to publish our joint annual survey of over one thousand London businesses¹. This provides a unique insight into London's business leaders' views, as we plan for the economic recovery for the capital.

London has been one of the hardest hit regions in the UK by the economic impact of the pandemic, with increases in unemployment rates and levels of furloughed staff exceeding the national average. The evidence shows that London's already excluded communities have been hardest hit.

While the vaccine gives hope, there is still a long route to recovery and a return to pre-pandemic levels of employment and economic activity. Much of the focus has been on the immediate support to employees and businesses to lessen the impact of the pandemic, but these findings also highlight the medium-term steps needed for a rapid, inclusive and green recovery.

This summary report outlines some of the most relevant survey findings and the key policy responses, but we urge you to read the full report, which provides a wealth of detail.

The survey's results show that while businesses will be looking to recruit in the coming year, initiatives such as the apprenticeship levy are still failing to have the impact they should. We will continue to lobby Government to increase the local design and delivery of skills and employment support programmes to ensure businesses and employees have the skills they need.

The survey shows that London's business leaders understand the importance of their role in tackling climate change. Government must support this drive via fiscal levers, supporting sectors that are critical to a green recovery; for example, reducing VAT on energy efficiency measures and increasing green skills support.

Unsurprisingly, London business confidence has suffered substantially over the last year. Sectors such as hospitality, leisure, creative and cultural are critical to London's vitality and continued success. We urgently need a clear plan from the government about support through 2021 to enable their recovery, including an early commitment to targeted business rates and VAT reliefs beyond March 2021.

London is hugely resilient and though we are confident our city will recover, this will need all tiers of government working effectively with businesses and employers.



Cllr Danny Thorpe,
Executive Member,
Business, Europe &
Good Growth

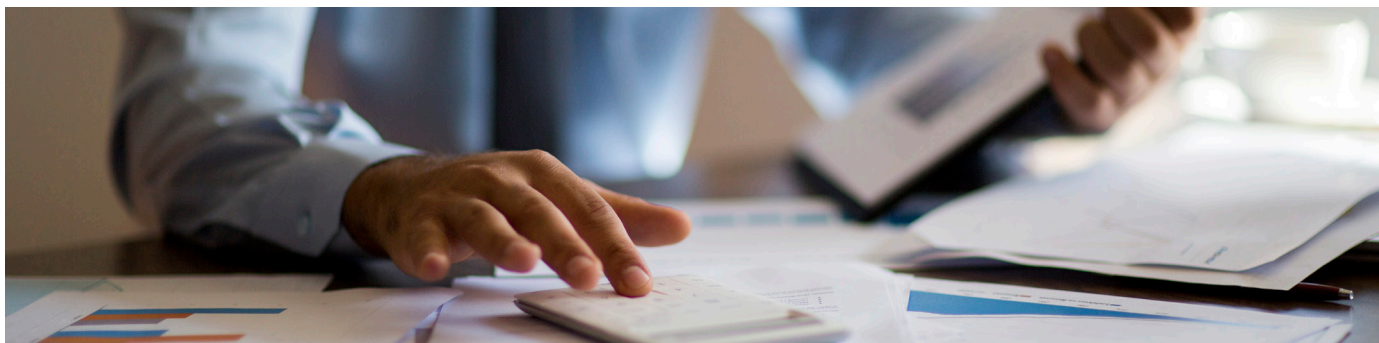


Richard Burge,
CEO,
London Chamber
of Commerce &
Industry

¹ YouGov surveyed 1,251 London business decision-makers online between 29th September and 5th November 2020.

Key findings and policy recommendations

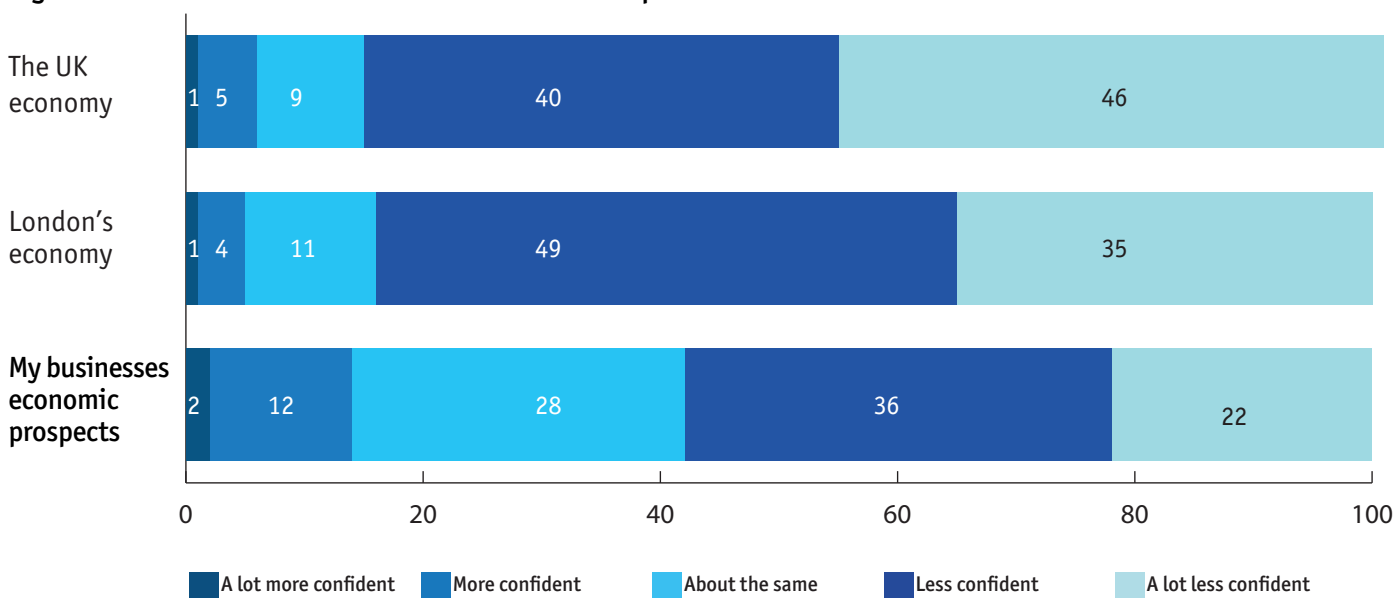
The survey gives some very clear signals about how we must build back better as we map our route to recovery.



London's business environment

London business decision makers show low levels of confidence about both the UK's and London's economy in the coming year, although they are slightly more confident about the prospects for their own companies.

Fig 1 levels of confidence over next 12 months compared to last 12 months



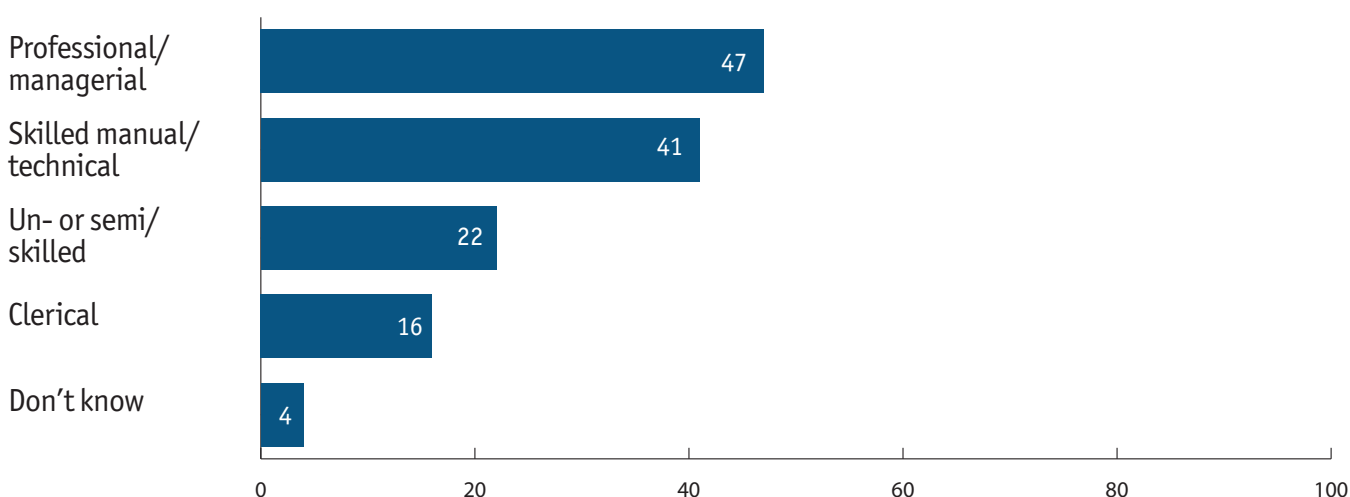
This survey occurred before one of the most uncertain and turbulent Christmas periods for London's businesses. With the announcement of a new national lockdown at the beginning of January, the situation has only worsened. We need rapid action from central government to support businesses to plan and recover. This includes extended targeted business rates relief and retaining VAT reliefs throughout 2021 to allow businesses and their investors to plan. We want to work with the government to deliver the [Roadmap](#) to the safe and full reopening of London's economy: the next 12 months that was developed by London's business groups and London government (the Mayor and London Councils).

Recruitment plans

Unsurprisingly there has been a drop in the number of firms looking to recruit, from 51% in the 2019 survey to 41% in 2020, although encouragingly 77% of larger firms² expect to be recruiting in the next 12 months.

The types of roles businesses are looking for have changed. The most common type of role recruited for in 2019 was skilled manual/technical staff, while in 2020 almost half (47%) of businesses are looking for professional/managerial staff. This looks to have been driven by the fact that certain 'high' skilled sectors, such as finance and insurance, have been much more resilient to lockdowns than industries such as hospitality, which has seen a huge number of staff being moved onto furlough. Looking forward to the recovery and the reopening of hospitality we would expect there to, hopefully, be a significant resurgence in the demand for these skills. We welcome the government's offer to fully fund a range of Level 3 courses as part of the National Skills Fund from April 2021. However, the funding and policy for this should be devolved to London government, so that the courses available can closely reflect the skills needs of London's employers.

Fig 2 Types of role recruited for over past 12 months



Base: All who have tried to recruit in the past 12 months (668)

Nearly half of businesses (48%) said that they did not meet any difficulties recruiting. For those that did, the biggest challenges they faced were applicants lacking sufficient skills and experience.

The accompanying report provides a huge amount of detail on where London's employment growth may lie in the medium term. These detailed findings show the complexity of the differing skills needs of business. London's employment and skills systems need to work more closely, to be more responsive to businesses' and workers' immediate needs as we move to recovery.

This will require decisions to be made in closer collaboration with business. The government should agree an ambitious employment and skills devolution deal with London government covering careers advice, apprenticeships, 16-18 skills provision, employment support and the UK Shared Prosperity Fund³. This level of ambition should be reflected in the government's forthcoming White Paper on devolution. It is vital that London government and business are given the tools to support Londoners to get back into work or progress in their careers and give firms the skills they need to support the recovery.

² The samples were broken down by company size: micro/small (0-9 employees), medium, (10-250 employees), and large, (250+ employees). An additional sample of large firms was undertaken to allow statistically meaningful results. Where overall figures are cited these have been weighted to be representative of London businesses by size and industry.

³ A Call for Action, a 2019 joint London Councils and Mayor of London report developed with business groups provides more detail on these demands.

Apprenticeships

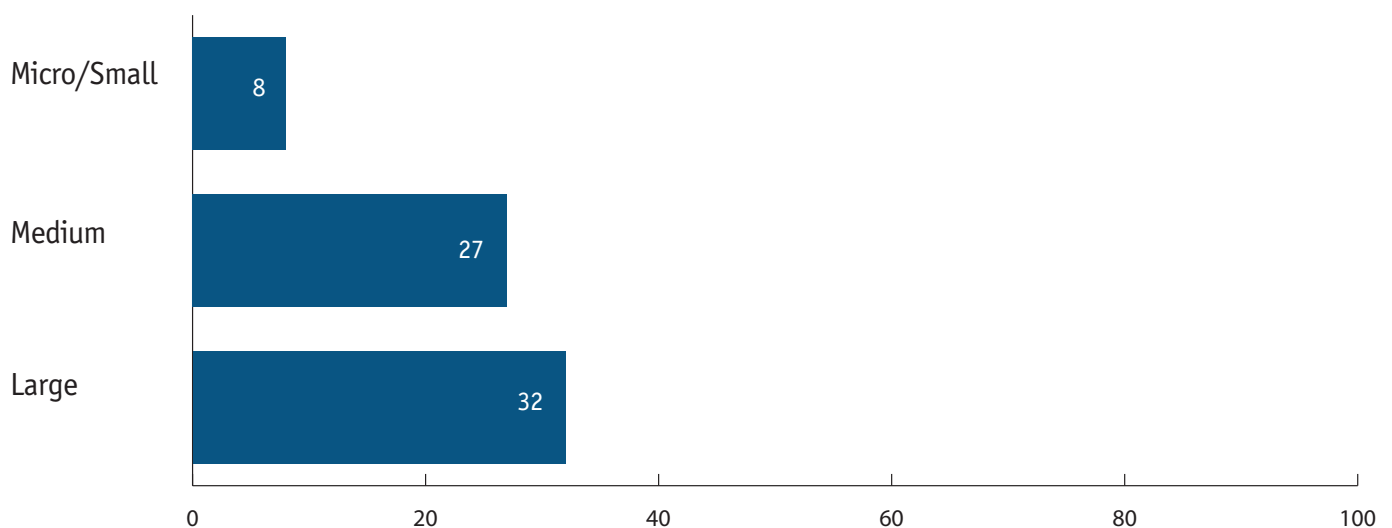
The survey shows that apprenticeship funding is not well used or known by London employers. Overall, only 8% of London businesses currently employ apprentices, down from 13% in the 2019 survey. A quarter of businesses state that they do not know whether they use apprenticeship funding or not. Large firms are much more likely to be planning to use apprenticeship funding in the next year (32%), compared to micro/small businesses (8%). Of those who are committed to using apprenticeship funding, just over a third said they would recruit additional apprentices (36%), while a similar proportion said they would keep the same number (32%) or use it to train existing staff (28%).

Three years on from the Apprenticeship Levy's introduction, businesses are still confused about how to best use this resource and almost half (46%) of apprenticeship levy-paying firms plan to use less than half of their apprenticeship levy funds.

Overall, the levy is potentially an important source of funding to help both Londoners to retrain and businesses to find employees with the right skills and experience. We welcome the modest incentives for employers hiring apprentices introduced in the Plan for Jobs, as well as the proposals contained in the Skills for Jobs White Paper, particularly around making it easier to transfer levy funds. However this does not address the fundamental problem with the levy, which is that it can only be spent on training costs, not on an apprentice's wages or the administrative costs involved in hiring an apprentice. This acts as a significant barrier to more organisations taking on apprentices and needs to be fixed.

We urgently need great freedoms from government to maximise the impact of the levy, so we can make use of existing funds to support the economic recovery. A number of flexibilities should be introduced, including: allowing levy-paying employers to use some of their levy to contribute towards the wage costs of new apprentices from priority groups; allowing for pooling and joint purchasing of transferred apprenticeships; and allowing some levy funding to be used for pre-employment training to get people ready for an apprenticeship. Given the uncertainty and difficulties experienced by businesses in the last year, the government should also extend the amount of time business have to

Fig3 London businesses that plan to use apprenticeship funding over the next 12 months



Base: All respondents (1,251)

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London businesses remain concerned about the impact of EU exit on their businesses. Specifically, 34% feel staff retention will be negatively impacted, and 45% feel recruitment will be impacted. This adds to the urgency about ensuring businesses can get the right skills, including ensuring continued access for talent from the European Community.

Climate change

London businesses show a heartening awareness and willingness to act on sustainability. Of London businesses:

- 81% are aware of the government's 2050 net zero emissions target.
- 71% of businesses are currently taking action to reduce their environmental impact.
- 75% believe that businesses are responsible for meeting these targets, increasing to 82% for larger firms.
- 23% businesses see no barrier to reducing their emissions.
- 57% cite financial incentives as a key motivator to lower greenhouse gas emissions, and this is the greatest enabler across all sizes of business. Additionally, large businesses are significantly more likely to feel motivated to lower their emissions if there was a reputational benefit (47%), increased profits (45%), more consumer demand for greener products (45%) or penalties for not doing so (39%); medium-sized businesses were also significantly more motivated by increased profits (46%) or penalties for not doing so (35%).



This clearly shows businesses want to build back better and recognise their responsibility for taking action on climate change, in partnership with national and local government, and consumers. Financial incentives will be important, which means more than just grants and loans, but also not penalising those who invest in green upgrades such as solar panels through higher business rates. The government should also consider fiscal levers that can support sectors critical to a green recovery; for example, reducing VAT on energy efficiency measures and low carbon heating, and increasing green skills support.

The most popular options for investing the revenue from business rates in London were improving public transport (40%) closely followed by a third (32%) who believe improving the air quality in the capital should be a priority. This reflects similar findings to 2019, where air quality and public transport were again the two most popular options. London's local authorities will continue to work with the business community to translate these priorities into action locally, improving public health as well as the business environment

Boroughs and business

It is vital that businesses and boroughs work well together to create an environment for the recovery where firms can really thrive, in part by learning the lessons around licensing, planning and enforcement seen during the last year.

Overall, there has been an increase in the number of businesses who state they are not sure if boroughs act on their concerns (8% in 2019 compared with 16% in 2020). A third of London firms (34%) in 2019 felt their local council acted on the concerns of local businesses, compared with only a quarter (25%) in 2020.

It is therefore clear that boroughs still face a challenge in engaging positively with their business communities and earning their trust. Boroughs should consider reviewing their internal processes and outward communications to ensure businesses see them as meaningful partners in the recovery.

The Pledge to Business is a detailed road map for boroughs on proactive steps to enhance their support to businesses, co-designed by London Councils, boroughs and business groups, which London Councils will launch in the spring. The Pledges include actions such as a joined-up approach between regulatory services, rating departments and business support teams, building on the lessons learnt from the response to the pandemic. This would cement the coordinated approach that secured additional outdoor spaces for licenced premises and the rapid delivery of discretionary business grants. Councils' business facing services should consider surveying their local businesses and responding to these findings.



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