

London Business 1000

On behalf of London Councils and the London
Chamber of Commerce and Industry

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About the London Business 1000

For a fifth year, LCCI and London Councils have commissioned an annual survey of one thousand London businesses. The research provides insights into employers' recruitment plans and their skills needs as they deal with the impacts of COVID-19 and Brexit. This report also provides insights into businesses approach to delivering a more environmentally sustainable economy.

Methodology

All figures, unless otherwise stated, are from YouGov Plc. YouGov surveyed 1,276 London business decision-makers online between 22nd July and 12th September 2021.

The sample frame included 1,000 core responses representative of business size and an additional 250 responses from large businesses (with 250 employees or more). The final achieved figures have been weighted to be representative of London businesses by size and industry. Charts and analysis are based on figures to two decimal places and so bars or combined figures may not align or sum to the net percentage figure due to rounding. The weighted proportions are representative of the London business population by size and therefore micro and small businesses are the predominant view in the weighted data.

This report is the fifth annual London Business 1000. Where questions have been consistently asked in the same way, some comparison with previous years has been included in the report. The 2020 survey was also conducted by YouGov with the same sampling and weighting scheme, so direct comparisons have been provided. While effort has been made to ensure the sample and questions remain consistent across previous wave of the London Business 1000, direct comparisons of figures with pre-2020 waves are only indicative and should be considered with caution.

Figure 1. Breakdown of achieved sample by size and industry

	Unweighted base	Weighted base
Business size		
Micro/ Small (1 to 49 employees)	923	1256
Medium (50 to 249 employees)	97	17
Large (250+ employees)	256	4
Industry		
Production/ agriculture, forestry & fishing	55	42
Construction/ property	157	181
Motor trades/ wholesale/ transport & storage	93	106
Retail	123	110
Accommodation & food services/ arts, entertainment, recreation & other services	201	154
Information & communication/ professional, scientific & technical	280	419
Finance & insurance/ business administration & support services	209	152
Public administration & defence/ education/ health	111	102
Other	47	10
Total	1276	1276

Executive summary

London's business environment

- The main perceived threat to recovery after COVID-19 is the threat of new lockdowns; just under half of businesses name new variants causing national lockdowns (48%), and a third cite local lockdowns (34%) as a key risk.
- Low turnover/cash flow and a lack of consumer spending are considered less of a risk than in 2020 but are still seen as a threat to economic recovery by some (35% and 27% respectively).
- VAT reduction remains one of the most popular government mechanisms to support economic recovery (16%) and a similar proportion support extending the business rates holiday (14%).
- Many London businesses are going to keep staff working remotely; only around a third do not expect any staff to be regularly working remotely in 12 months' time (35%), consistent with the expectations in 2020.
- As the country continues to adapt in light of the COVID-19 pandemic and leaving the EU, two-fifths are more confident about the UK economy over the next 12 months compared to the last 12 months (39%).
- A third of retail businesses remain less confident about their own economic prospects over the next 12 months, compared to the last 12 months (34%).

Sustainability

- Awareness of the UK government's target to bring all greenhouse gas emissions to net zero by 2050 has significantly risen since last year – now almost all London businesses are aware of the target (81% in 2020, 89% in 2021).
- The interim 2035 target and the UN's Race to Zero initiative are less well known but still recognised by a sizeable proportion of businesses (64% 2035 target, 48% Race to Zero).
- The rise in awareness of net zero targets has not led to an increase in businesses doing something to reduce their environmental impact – consistent with 2020, a fifth are not taking any action (23%).
- For those that are reducing their environmental impact, around a third take each of the actions listed although fewer are claiming remote-working as an environmental activity than were citing this in 2020.
- The most common barrier to reducing environmental impact is that it is inappropriate for their business to do so (14%). However, only three in ten businesses generally have the skills within their businesses to reduce their carbon emissions.

- London businesses are most favourable about financial incentives from their local borough, such as tax breaks for environmentally-friendly businesses (38%) or green grants (32%).
- Businesses are most likely to feel there are no barriers to their company reducing its greenhouse gas emissions. For those that do face barriers this tends to be higher operating costs (11%), priorities focused elsewhere (10%), and lack of infrastructure (10%). These barriers are consistent across all sizes of business.
- London businesses are most likely to list financial incentives (57%) and increased profits (36%) as motivators to reduce emissions.

Skills and training

- Brexit remains top of prospective skills and labour market challenges over the next 12 months (34%), with half of businesses in motor trades, wholesale, transport & storage citing Brexit as a skills challenge (51%).
- More broadly, London businesses are facing challenges around maintaining a consistent workforce; a quarter cite issues with staff self-isolating from COVID-19 (27%) and a fifth face issues with staff retention (22%) or a lack of applicants (19%).
- Two-fifths of London businesses do not face skills challenges for roles (40%), down from half of businesses in 2020 (49%). However, micro/small businesses remain much more likely to say they have no challenges (40%) compared to medium (15%) or large employers (22%)
- Challenges with technical/job-specific skills are on the rise with almost a quarter now citing this (23%) – this is driven by large businesses with over a third (35%) facing issues in this area.
- 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.

Recruitment

- Recruitment is on the rise, with half of London businesses having recruited staff in the last 12 months (49%) and over half expecting to recruit in the next 12 months (54%).
- Two-fifths of firms expect to grow their overall headcount in 2022 (42%), up from only a quarter planning to grow their headcount last year (24%).
- The demand for professional/managerial staff continues to grow, continuing a four-year trend, while demand for skilled manual/technical roles has been falling across the same period.
- Businesses need support to find the right applicants. Over half of London businesses who had tried to recruit staff reported difficulties, with applicants lacking experience (47%) or technical skills (45%) being the chief issues.

- Shortages in the labour market is causing recruitment difficulties, with half of London businesses who had difficulty recruiting saying that there were a low number of applicants (52%) – an increase from only a third citing this in 2020 (34%).
- Alongside these shortages in the labour market, there has been a significant increase in the proportion saying that there is too much competition from other employers (14% in 2020, 25% in 2021).

Apprenticeships

- Employment of apprentices remains low, at only 7% of London businesses, after falling from a peak of 13% of London businesses in 2019.
- However, there remains significant variation across business sizes with two-fifths of large businesses employing apprentices (42%) compared to just 7% of micro and small businesses.
- The London businesses that will use their apprenticeship funding over the next 12 months continue to say they will use it to employ an increased number of apprentices (39%). There has been a significant fall in the proportion of businesses saying they will use the funding but will employ fewer apprentices than before (6%).
- Consistent with 2020, only about a fifth of London businesses who plan to use their apprenticeship funding expect to spend more than half of the apprenticeship funds available to them (19% 2021, 21% 2020).

Devolution and government

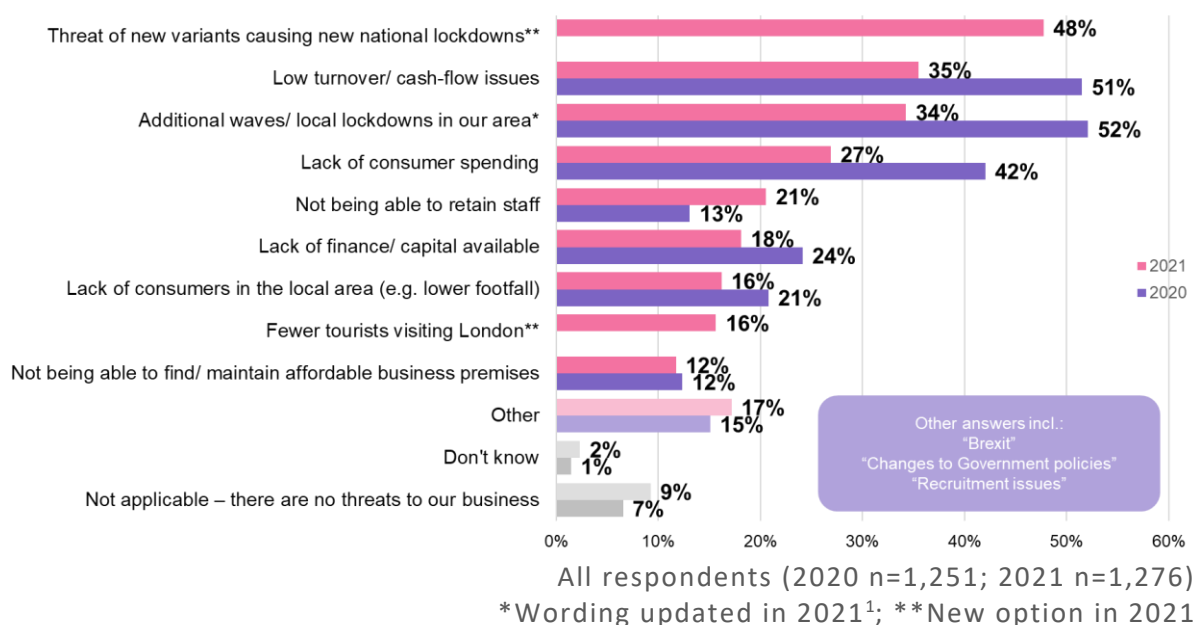
- London businesses continue to view public transport as a key priority for the use of business rates (39%), followed by improving air quality (33%).
- There has also been a significant increase in the proportion who say business rates should be spent on upskilling London's workforce (24%), potentially in response to the skills challenges experienced this year.
- London businesses remain sceptical of their local council; less than a quarter think they act on the concerns of their local businesses (23%), with micro/small businesses being the most negative.
- Brexit remains a key concern, but more were worried about the potential negative impact than have actually seen such – in 2020, half were worried about a negative impact on business growth (52%) while only two-fifths report seeing this in 2021 (40%).

London's business environment

Biggest threats to COVID-19 recovery

This year's survey examined the business impact of the COVID-19 pandemic and the threats to businesses as a result of this. In July 2021, the main threats to business identified are the threat of new variants causing new national lockdowns (48%), low turnover/cashflow issues (35%) and additional waves/local lockdowns in their area (34%), with the latter two seeing a significant decline since October 2020.

Figure 2. Main threats as the UK recovers from COVID-19



Generally, most threats previously identified in 2020 have seen declines in 2021, with the exception of not being able to retain staff, which increased from 13% to 21% this year. This was consistent across different industries, with close to a fifth in each industry identifying this as a threat. However, this is a bigger concern for those in large (38%) and medium (30%) organisations, compared to those in micro/small (20%). Comparatively, those in micro/small organisations see increased concerns over low turnover/cashflow issues (36%) compared to medium (18%) and large (22%) organisations.

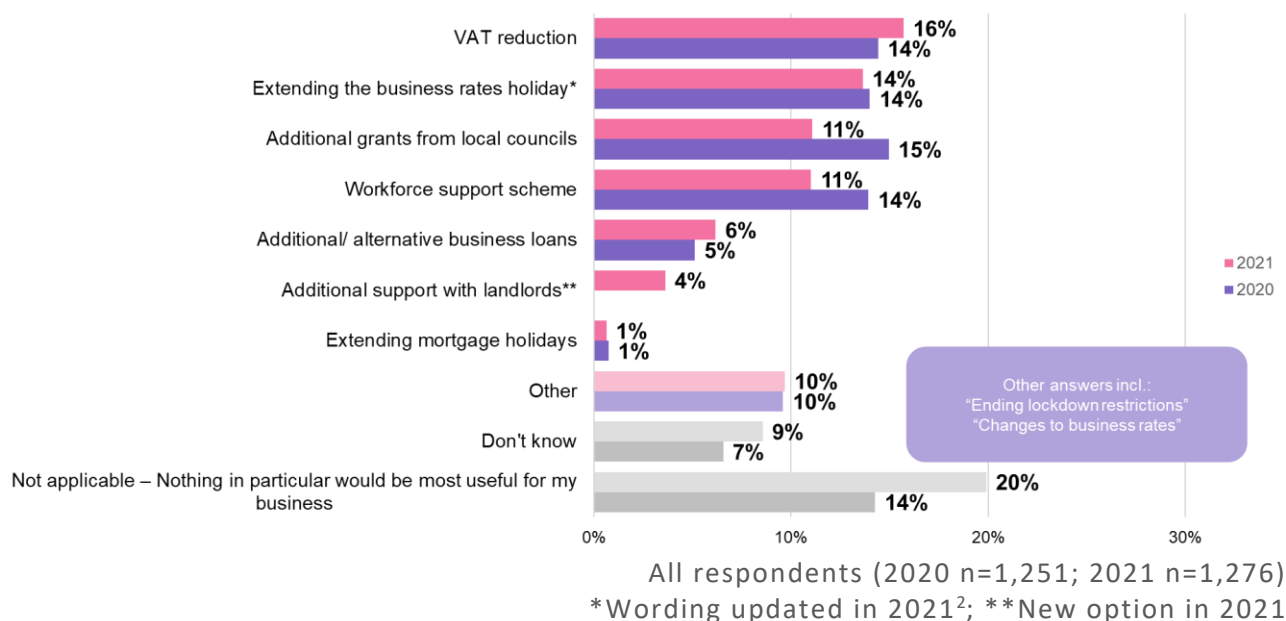
¹ 2020 wording: "A second wave/ local lockdowns in our area". 2021 wording as shown.

Possibly unsurprisingly, those in retail and motor trades, wholesale, transport & storage are the most concerned about a lack of consumer spending (48% and 44% respectively). However, this concern is not as prevalent as last year, with both audiences seeing a significant decline since last year (72% and 62% respectively). Respondents in accommodation, food services & entertainment are more likely to identify the threat of new variants causing a national lockdown (58%), compared to those in IT professions and finance & insurance/business administration & support services (both 45%).

Support to deal with COVID-19

London business decision-makers are split in terms of the support they would find most useful in dealing with the COVID-19 pandemic. One sixth (16%) say that a VAT reduction would be most useful to them, however a similar proportion also report extending the business rates holiday (14%), with both seeing comparable levels to 2020. Conversely, the proportion reporting they would find additional grants from local councils useful has dropped since 2020 from 15% to 11%. Identification of a workforce support scheme has also declined since last year, from 14% to 11%. However, for the latter, this decline was driven by those in micro/small businesses (14% to 11%): comparatively, those in large businesses remained fairly stable at 16% (compared to 17% in 2020).

Figure 3. Support business would find most useful in dealing with COVID-19



Conversely, for those in micro/small businesses, the opportunity to access additional grants from local councils is more commonly identified than by those in medium and large business (11%, vs 1% and 2% respectively).

A quarter of retail businesses say that extending the business rates holiday to March 2022 would be most useful to their business (26%). This is significantly higher than industries such as public administration, education, and health (6%); production/agriculture (8%); information and communication (9%) and finance and insurance (12%). Comparatively, those in finance and insurance are the most likely to not identify anything as being useful to their business (29%).

The future of remote work

The proportion of staff working remotely on a weekly basis has fluctuated greatly since 2020. In 2020, half of London businesses (51%) said that they did not have any staff

² The business rates holiday for retail businesses has been extended until March 2022, although the size of the discount has been reduced from 100% to 66%.

2020 wording: "Extending the business rates holiday into the 2021-2022 tax year"; 2021 wording: "Extending the business rates holiday to March 2022"

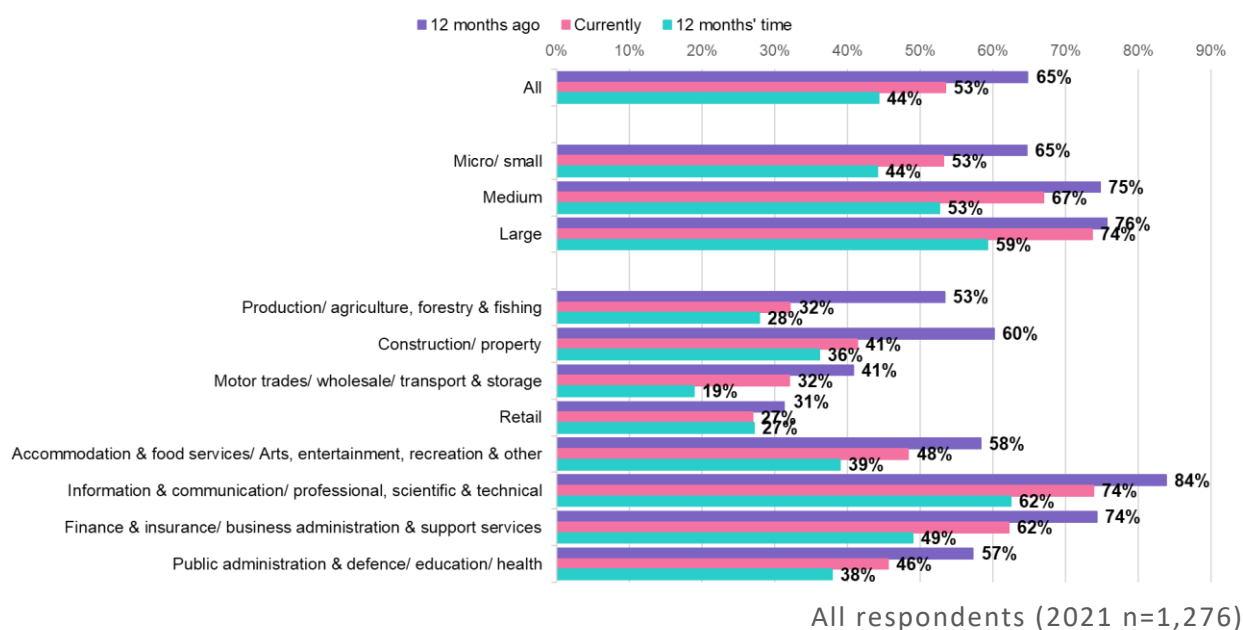
working remotely 12 months ago. When asked in 2021, only a fifth of businesses said they did not have any staff working remotely 12 months ago.

When the 2021 survey was taken, 30% of companies did not have anyone working remotely, although there were variations between micro/small firms (30%), and medium (8%) and large businesses (7%). Over two-fifths (44%) currently have more than half of staff currently remote on a regular basis. This is most prevalent among the information and communication industry (64%), and least common in production/ agriculture (20%).

Thinking about the return to remote working, only a third (35%) do not expect any of their staff to be working remotely in 12 months' time. A larger proportion (44%) expect that more than half their staff will still be regularly working remotely in 12 months' time. Large businesses are significantly more likely to say the majority of their staff will regularly be remote – three-fifths (59%), compared to less than half of micro/ small businesses (44%).

Those in the information, communication, professional, scientific, and technical industries have the highest rates of remote working – three-fifths say that the majority of their staff will be doing so in 12 months' time (62%). Only one fifth of businesses in motor trades, wholesale, transport & storage say that more than half of their staff will be remote in 12 months' time.

Figure 4. Proportion with more than half of staff working remotely at least once or twice a week

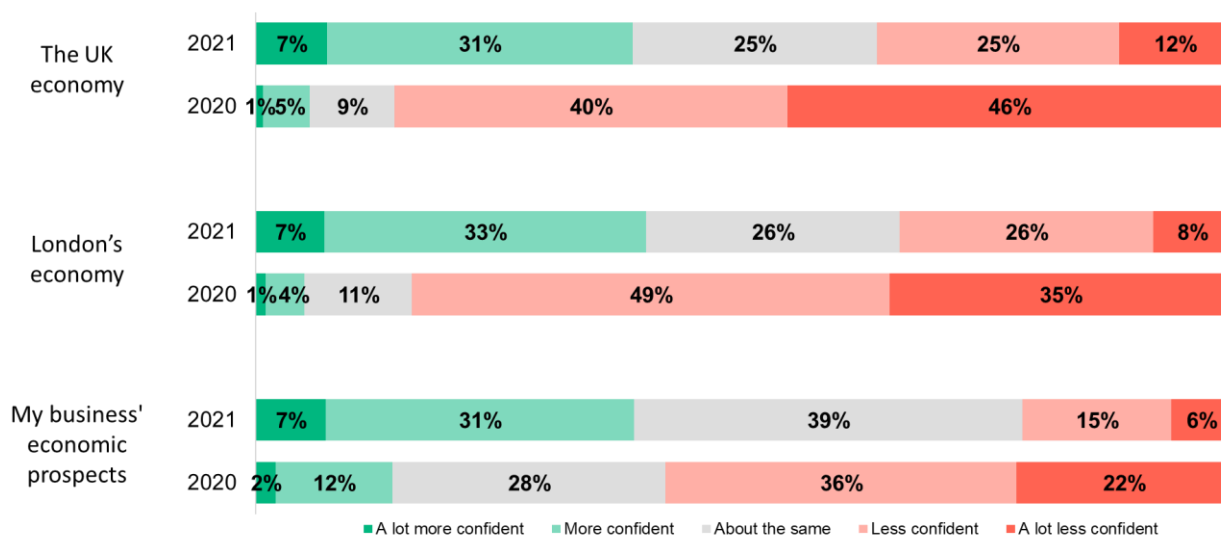


Economic confidence over next 12 months

There has been a shift in economic confidence for the next 12 months since 2020. In 2020, the vast majority (86%) of London business decision-makers were less confident about the UK economy over the next 12 months than they were about the last 12 months and a similar proportion (84%) were less confident about London's economy.

Comparatively, this year, the proportion has declined to 36% for the UK, and 34% for London. The proportion reporting they are more confident has also increased since 2020, from 5% to 39% for the UK and from 5% to 40% for London. Although this is a great improvement compared to last year, confidence is generally split, with no majority; for both the UK and London economy, a quarter report feeling about the same as last year (25% and 26%) respectively, so there is still some way to go before regaining full confidence.

Figure 5. Levels of confidence over the next 12 months, compared to last 12 months



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

Business leaders are also more optimistic about their own prospects – with an increase from 14% to 39% reporting they are more confident about the next 12 months than they were previously. Unlike last year, there is no difference when looking at different business sizes and confidence.

Although a decline compared to 2020, the retail industry sees the highest proportion reporting they are less confident about their business' economic prospects in the next 12 months (34%). This is significantly higher than those in finance and insurance (13%), information and communication (17%) and construction and property (22%).

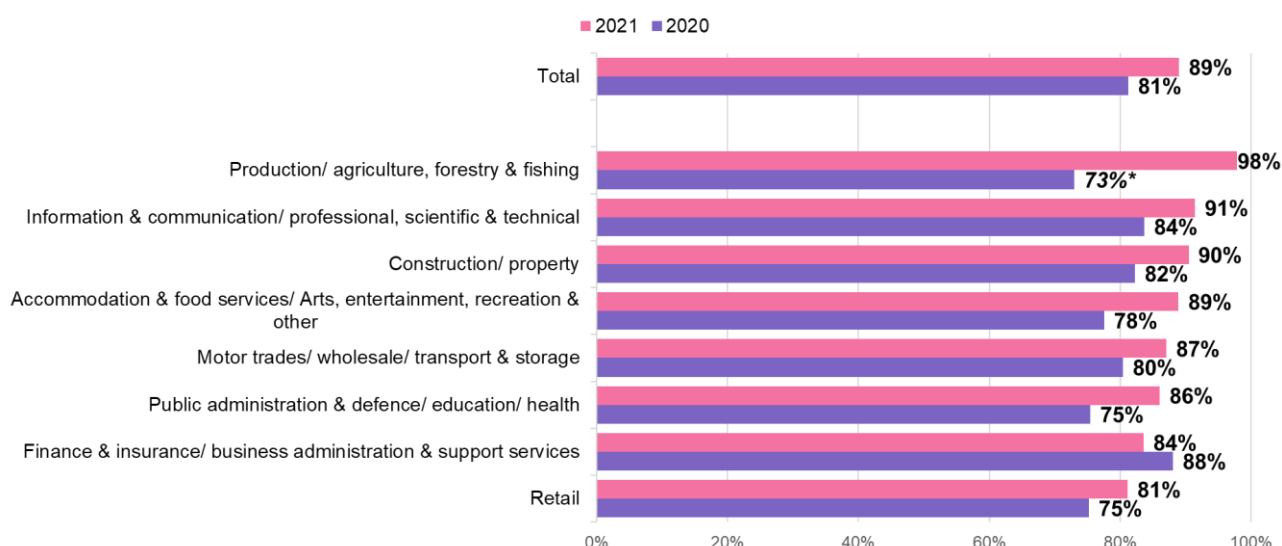
Sustainability

Awareness of targets

There has been a significant 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% vs 81% 2020). There is now no variation by business size – previously, medium-businesses were the most aware, but there have been significant rises in awareness for both micro/small businesses (81% in 2020, 89% in 2021) and large businesses (84% in 2020, 90% in 2021).

The majority of businesses across all industries are aware of the net zero target, with almost all (98%) in the production/agriculture industry being aware of this. Over the last year, there have been significant increases in awareness for some sectors: the construction/property industry (82% to 90%); accommodation, food services & entertainment (78% to 89%); information and communication (84% to 91%). However, the retail industry had relatively low awareness in 2020 (75%) and has not seen any significant shifts this year – leaving it the least aware of the net zero target across all industries in 2021 (81%).

Figure 6. Awareness of net zero emissions commitment



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

* note, small base size in 2020. Provided for indicative use only

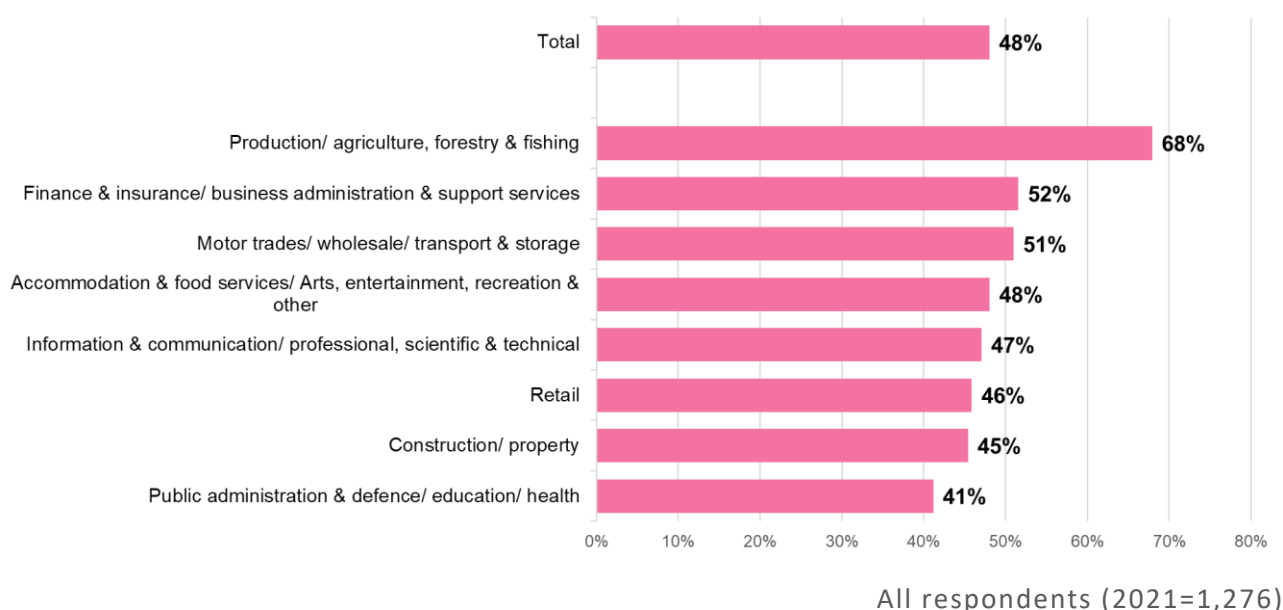
The government's interim target of reducing the UK's emissions by at least 78% by 2035 (compared to 1990 levels) is generally less familiar to London businesses – under two-thirds know of this target (64%). As with awareness of the 2050 target, there is no variation by business size and there is also no significant variation across different industries for awareness of the 2035 target.

Only about half of London businesses are aware of the 'Race to Zero' campaign (48%) – a United Nations initiative that encourages businesses, organisations, and governments to commit to achieving net zero carbon emissions by 2050. Large businesses (56%) are significantly more likely than micro/small businesses (48%) to be aware of the initiative.

Consistent with their higher awareness of the overall net zero target, the production/agriculture industry is the most likely to be aware of Race to Zero (68%). Businesses within public administration, education, and health are the least likely to be aware of the initiative, with only two-fifths reporting that they have heard of it before taking part in the survey (41%).

Of those businesses aware of Race to Zero, only one in ten have signed up to the campaign (9%) – rising to a third of large businesses (33%).

Figure 7. Awareness of Race to Zero



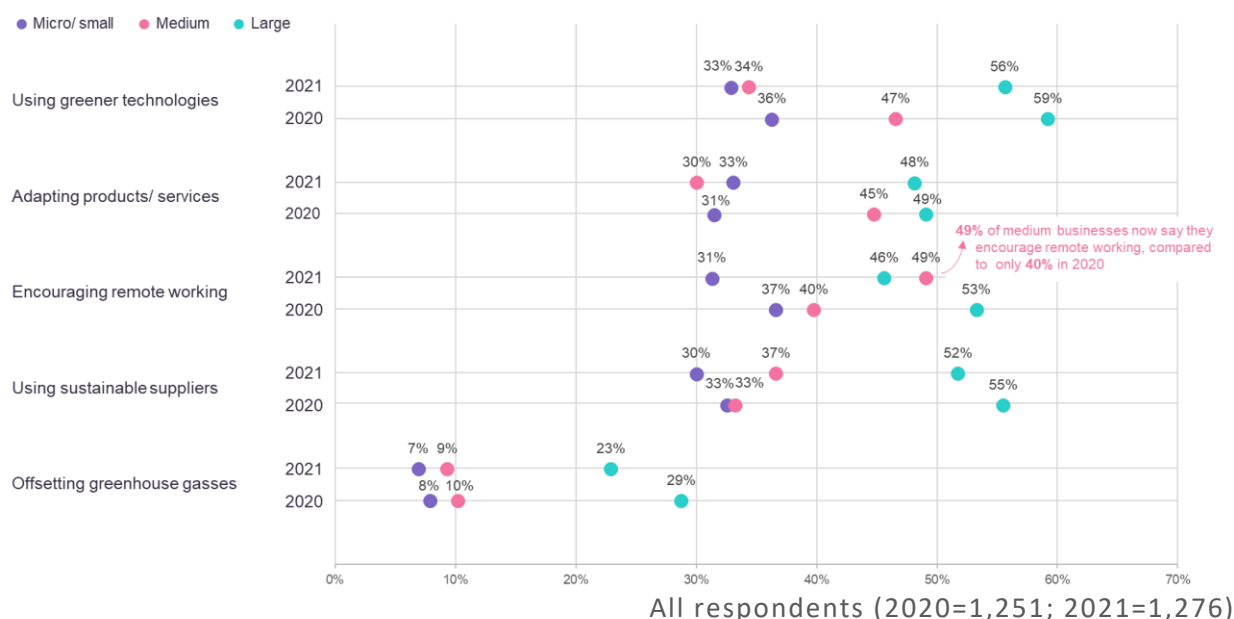
Consistent with 2020, over two-thirds of businesses are doing at least one activity to reduce their environmental impact (69%). However, perhaps due to the removal of COVID-

19 work from home mandates, fewer businesses are citing remote working as one of their activities (37% in 2020, 32% in 2021). All other activities have not seen a significant shift in the proportion of businesses undertaking them.

In 2020, large businesses were the most likely to encourage remote working for its environmental benefits (53%). Medium businesses are now the most likely to do so in 2021 (49%), but both large (46%) and medium businesses are more likely than small/micro businesses (31%) to be encouraging remote working to reduce environmental impacts.

Overall, across industries, a broadly consistent proportion is taking some form of action – although those in finance & insurance are the most likely to not be doing anything (32%). The fall in encouraging remote working has come from the information & communication/professional services industries – over half said they were encouraging tele-working in 2020 (53%) and this has now dropped to 44%.

Figure 8. Actions taken to reduce business's environmental impact, by business size



Barriers and motivators to lower emissions

In terms of the barriers that businesses face to take the actions listed, the most common counterpoint is that the activity is not appropriate for their business. A third of those not encouraging remote working do because it is not appropriate for their business (32%). As shown in figure 9, other key barriers are costs – whether upfront or increased operating

costs. One in six who are not currently using sustainable suppliers say that a barrier for doing so is a lack of resources/time within their business (16%). This suggests that for some businesses, the perception that an activity is unsuitable for them is due to a lack of internal resources and inability to spend time eliminating barriers.

Figure 9. Top three barriers for each type of 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=1,016)</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%)

When asked which is the main barrier preventing any activity to reduce greenhouse gas emissions, the most popular answer remains that it is inappropriate for their business to do so (14%). A similar question was asked in 2020 and there has been a marked drop in the proportion of people who cite a lack of infrastructure (10% in 2020, 5% in 2021). There has also been a fall in the proportion of businesses who say that a lack of substitutes poses a barrier to them (10% in 2020, 7% in 2021).

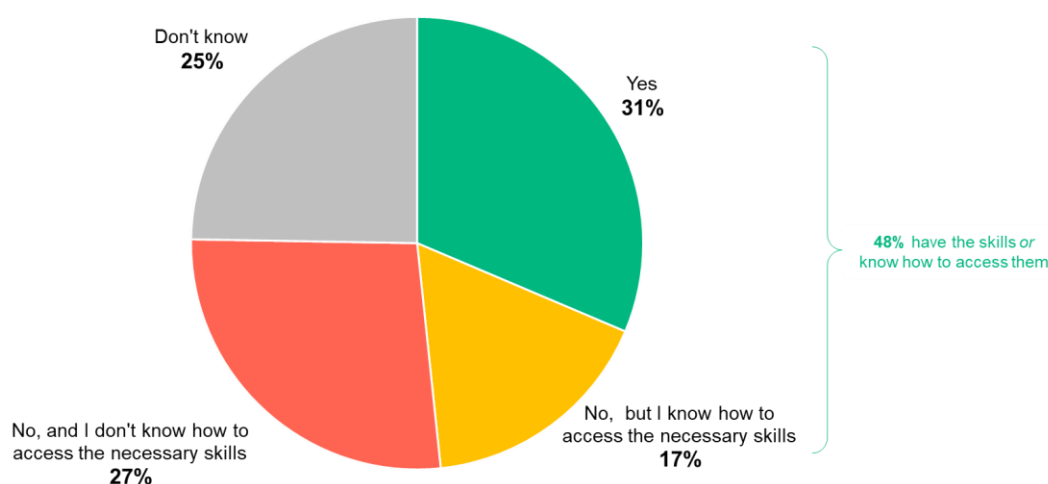
Additionally, 6% of firms say that a lack of knowledge/skills within the business is the main barrier to lowering their environmental impact, rising to 16% of medium businesses. When all businesses are asked if they have the skills necessary to reduce carbon emissions, half said they currently have the 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 don't know (27%).

Large businesses are the most confident that their staff currently have the skills necessary to reduce carbon emissions (45%), significantly more so than medium (28%) or

micro/small (31%) businesses. Micro/small businesses are particularly likely to not know how to access the skills they need (27%), compared to only one in ten large businesses who say the same (10%).

Across industries, the information & communication/ professional services industry are the most likely to say their staff have the right skills to reduce carbon emissions (36%), compared to less than a fifth of public administration, education, and health businesses (17%). Public administration, education, and health businesses are joint-most likely with production/-agriculture businesses to say they know how to access the necessary skills (21%). However, the public administration, education, and health businesses are also the most likely industry to say they do not know how to access the skills that they need (37%).

Figure 10. Whether business has necessary skills to reduce carbon emissions.



All respondents (2021=1,276)

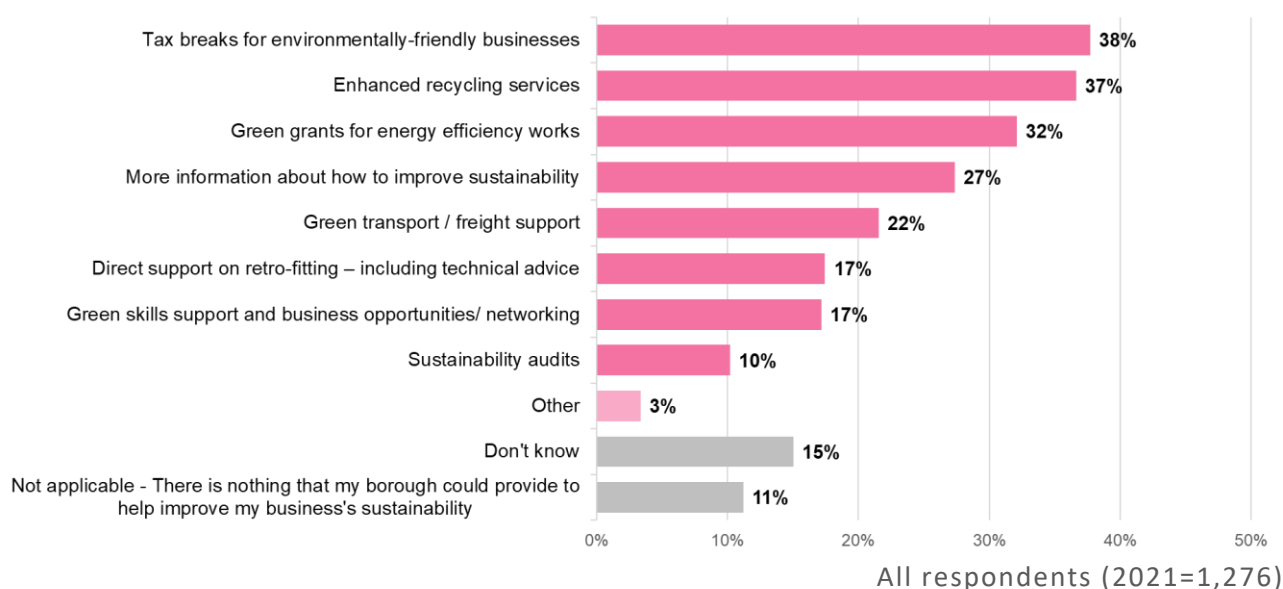
Not-insignificant proportions of businesses still say that costs (19% either upfront or operating) present a key barrier to their business reducing emissions. It is of no surprise then that financial incentives such as tax breaks for environmentally-friendly businesses (38%) or green grants for energy efficiency works (32%) are some of the most popular incentives that local boroughs could provide to help improve their businesses' sustainability.

Nevertheless, there is also considerable appetite for local infrastructure improvements such as enhanced recycling services (37%) or green transport/freight support (22%). Some businesses would also welcome advice and support from their local councils,

including information on how their business can be more sustainable (27%), technical advice on retro-fitting for energy efficiency (17%), or business opportunities/networking (17%).

Small businesses are the least interested in sustainability audits (10%), while around one in seven medium (15%) and large (16%) businesses would welcome this measure. 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%).

Figure 11. Local borough support desired



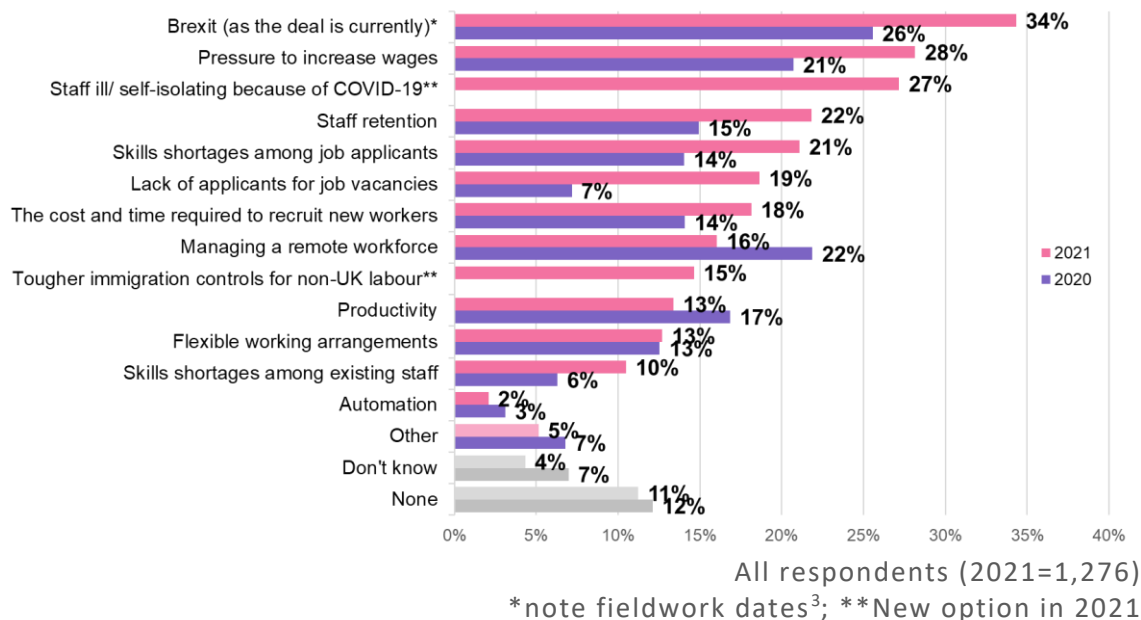
Skills and training

Skills challenges

In 2020, prior to the announcement of the Trade Continuity Agreement between the UK and European Union, the previous wave of the London Business 1000 found that a no-deal Brexit was seen as a challenge by over a third of businesses (37%), while a quarter were concerned about the Brexit deal at that point (24%). The fieldwork for this wave of the London Business 1000 was conducted from July to September 2021 and Brexit remains the chief skills and labour market challenge facing London businesses – a third of businesses continue to view the current Brexit deal as a challenge (34%).

Concerns about supply chains may be influencing this, as half of businesses involved in motor trades, wholesale, and transport & storage cite Brexit as a current skills challenge (51%). Over two-fifths of businesses in accommodation, food services & entertainment also cite Brexit as a labour market challenge (44%).

Figure 12. Main skills and labour market challenges over the next 12 months



³ 2021 fieldwork conducted between 22nd July – 12th September 2021. 2020 fieldwork conducted between 29th September – 5th November 2020. In 2020, an additional option of “No deal Brexit” was included (37%)

More broadly, London businesses face challenges around being able to maintain a consistent workforce – over a quarter cite issues with staff ill/self-isolating from COVID-19 (27%) and a fifth say staff retention is challenging (22%). The latter has risen from only 15% experiencing issues with staff retention in 2020.

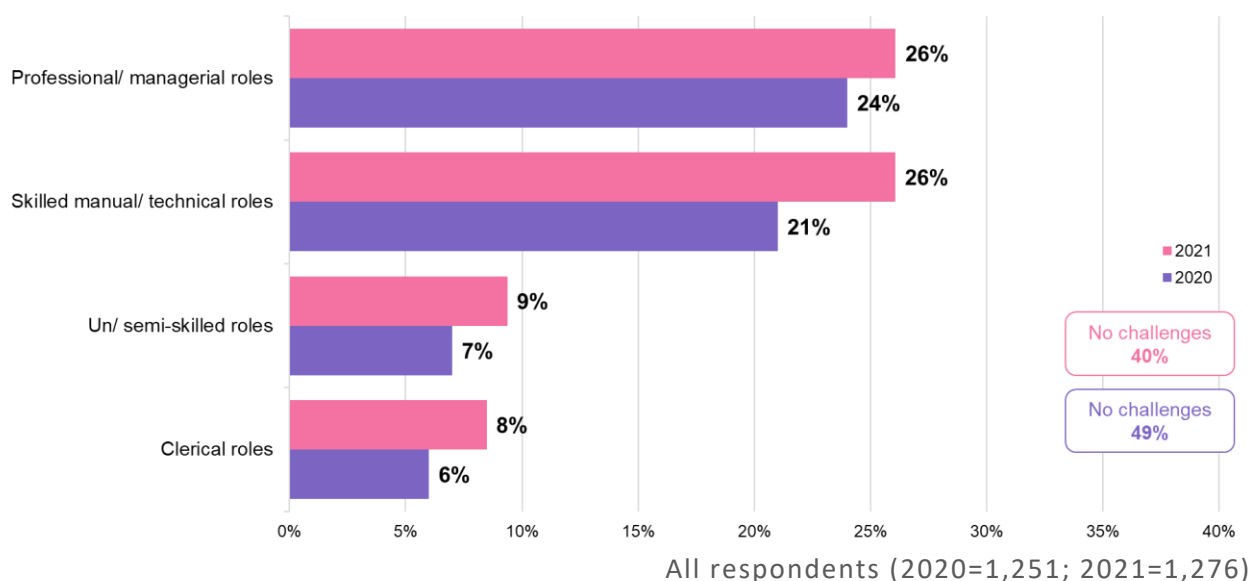
Similarly, only 7% in 2020 faced a lack of applicants for vacancies, compared to a fifth in 2021 (19%). Perhaps related to this shortage of labour, businesses facing pressure to increase wages has increased from a fifth (21%) in the 2020 question to almost three in ten (28%).

Just as they were the most likely to cite Brexit as a skills challenge, those in the motor trades, wholesale, and transport & storage industries are the most likely to say they are facing pressure to increase wages (38%). They are also the most likely industries to say that they have skills shortages among existing staff (16%).

Generally, there has been an increase in the proportion of London businesses who now face issues with skills – two-fifths say their business does not face any skills challenges (40%), down from half of businesses last year (49%). There has been a significant increase in businesses experiencing challenges in skilled manual/technical roles (21% in 2020, 26% in 2021) – now bringing it on par with the level of challenges seen for professional/managerial roles.

Small businesses are the most likely to say they do not have any skills challenges (40%), compared to a fifth or less for large (22%) or medium-sized companies (15%). Businesses in production/agriculture are the most likely to see challenges with skilled manual/technical roles (51%). Companies in information & communication/professional services need to address challenges with professional/managerial roles (34%), and those in accommodation, food services & entertainment see the challenges with un/semi-skilled roles (19%).

Figure 13. Roles in which London businesses face skills challenges

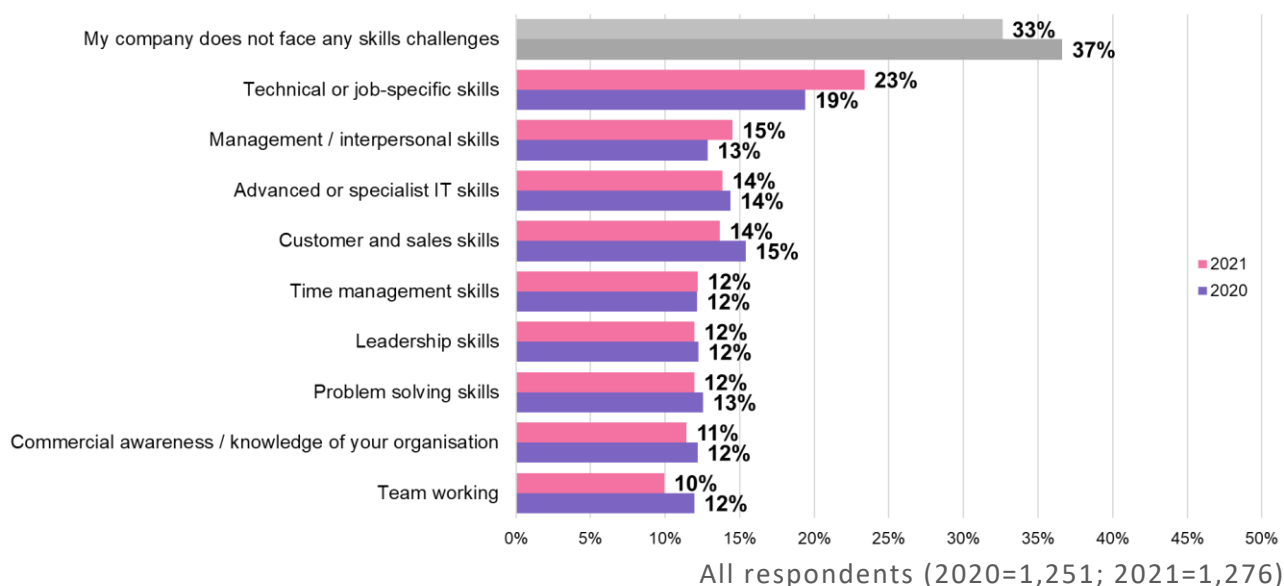


Similarly, when thinking about the types of skills currently within businesses, there has been a fall in the proportion of London firms who say they do not face any skills challenges within their workforce (37% in 2020, 33% in 2021). Consistent with their lower rate of role-specific challenges, micro/small businesses are the most likely to say they do not have skills challenges within their current workforce (33%), compared to less than one in six large (14%) or medium-sized (10%) businesses.

There has been a significant increase in the proportion of London businesses who are facing challenges with technical/job-specific skills in their workforce. This is driven by large businesses in particular – in 2020, over a quarter had challenges with technical skills (28%) and this has now risen to over a third (35%). Businesses in the production/agriculture industry are the most likely to be facing challenges with technical skills in their workforce (36%).

In 2020, micro/small businesses were the most likely to have challenges around customer service/sales skills, but there is now no difference across the business size. As might be expected, retail businesses are the most likely to be facing challenges around customer and sales skills (28%), but this is closely followed by those in the production/agriculture industry (25%).

Figure 14. Top types of skills that London businesses face challenges within their current workforce

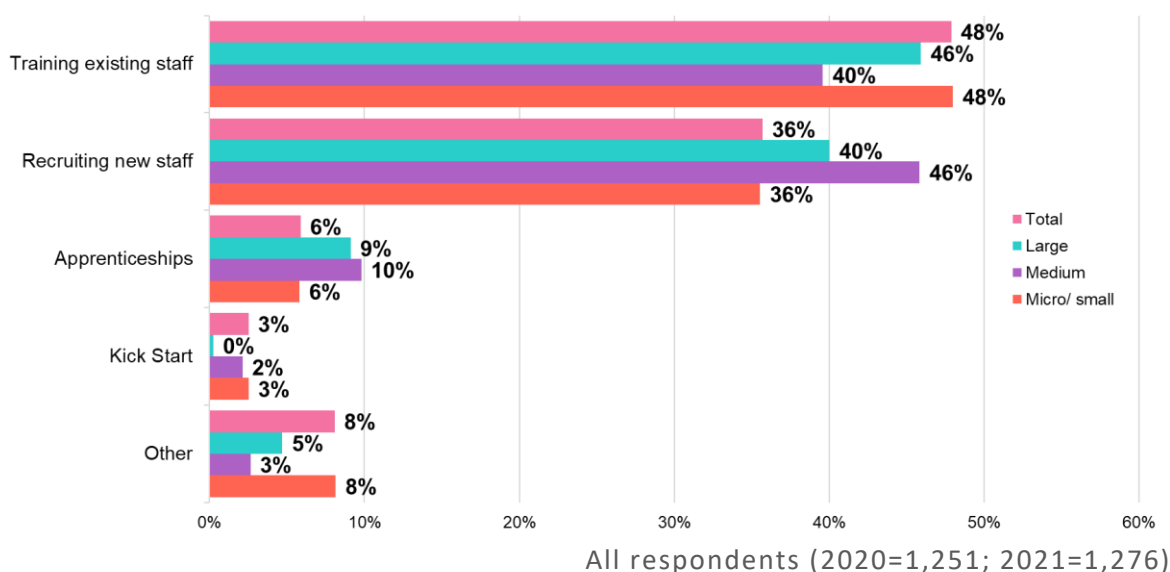


Upskilling

Consistent with 2020, upskilling is the most important way that London businesses acquire the new skills they need (48%). It is the most popular method for micro/small (48%) and large (46%) businesses to gain new skills – but medium-sized businesses are more likely to look towards recruiting new staff (46% vs 40% upskilling).

Only a minority of businesses view apprenticeships (6%) or the Kickstart programme (3%) as the most important way of getting skills into their business. However, businesses in production/agriculture are significantly more likely than other industries to view Kickstart as a key source of skills (8%).

Figure 15. Most important methods to acquire new skills

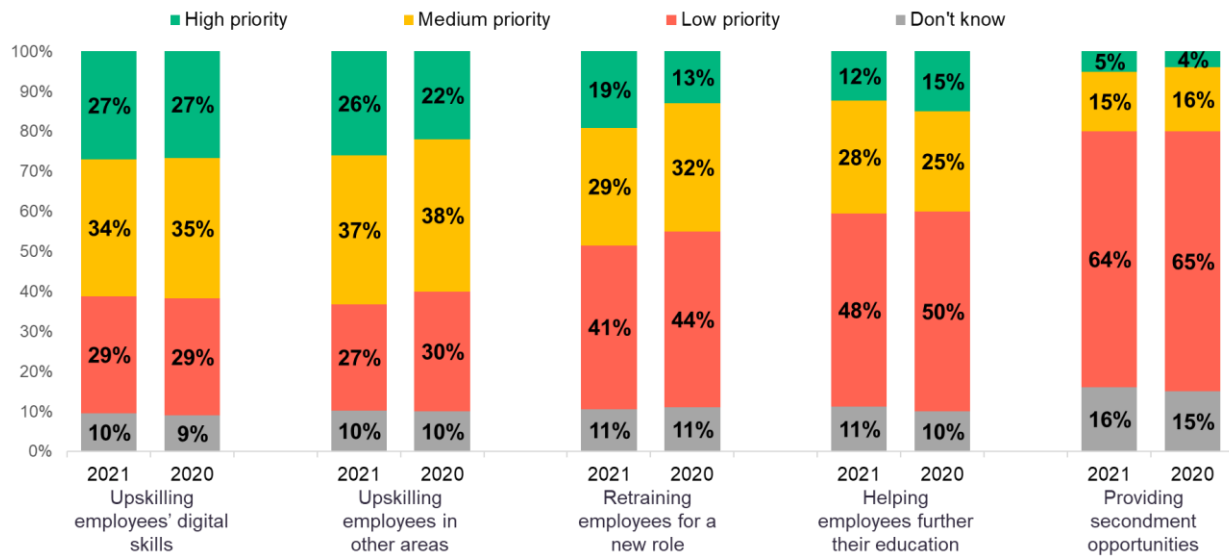


As was the case in both 2018 and 2020, upskilling employees' digital skills remains the highest priority for London businesses in training their own workforce. However, this has fallen among large businesses, with under half now rating it as a high priority (54% in 2020, 45% in 2021). There has also been a fall in the proportion of businesses who consider supporting further education a priority for training.

On the other hand, there have been significant rises in the proportion of businesses who see upskilling employees in other areas or retraining employees for a new role as being a high priority (figure 16). These have both been driven by increases amongst micro/small businesses in particular.

Across industry, retail businesses are now the most likely to say that retraining employees for new roles is the most important (25%) while information & communication/professional services firms continue to focus on digital skills (34%).

Figure 16. Priorities for training current workforce



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

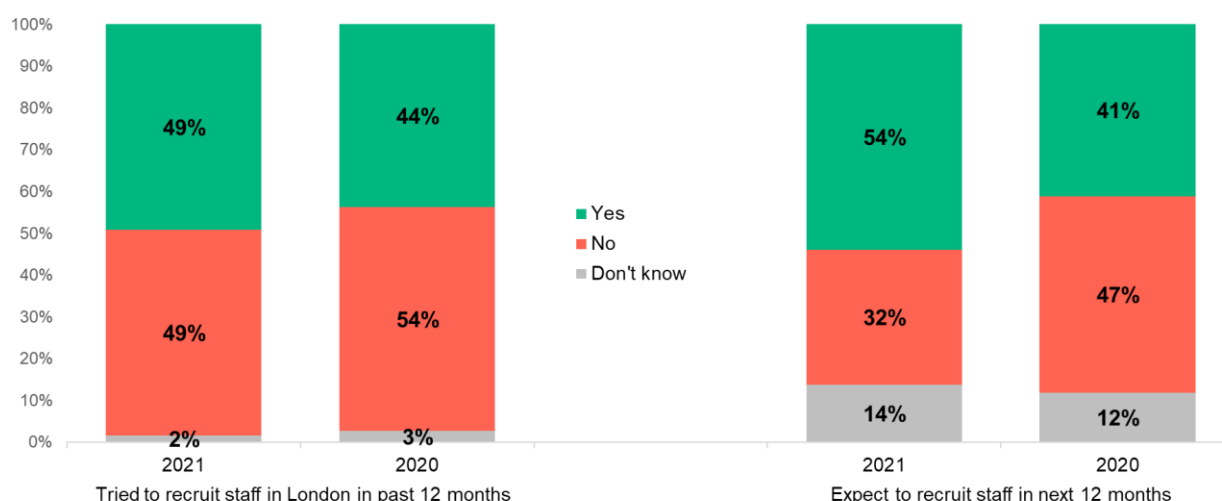
Recruitment

Past and future recruitment plans

Recruitment plans have recovered after last year, half of businesses having recruited or tried to recruit staff in London in the past 12 months (49%) and over half planning to recruit in the next 12 months (54%). These both mark significant increases from 2020, where less than half were trying to recruit (44%) and only two-fifths expected their business to be recruiting in the next year (41%). The trend is consistent across all business sizes – medium-sized businesses have seen the biggest uplift across both recruiting 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).

Almost two-thirds of public administration, education, and health businesses say they have tried to recruit staff in London over the past 12 months (64%), while businesses in accommodation, food services & entertainment are the most likely to say they expect to recruit staff in the next 12 months (60%). Retail businesses remain unsure of their recruitment plans – in 2020, just under a fifth said they were unsure if they will recruit over the next 12 months and this proportion has stayed consistent in 2021 (17%, both years).

Figure 17. Recruitment in the past 12 months and expected recruitment in next 12 months



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

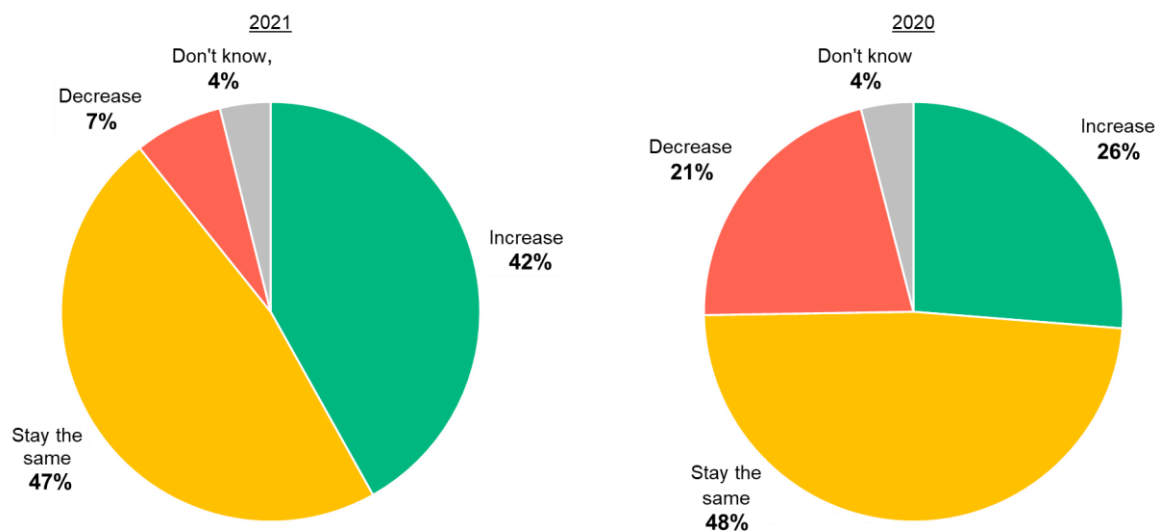
This year's figures present a change from the long-term decline in recruitment previously seen in London Business 1000 surveys. Historically, the proportion of businesses trying to recruit staff had fallen from over half in 2018 (55%), down to half in 2019 (50%) and less than half in 2020 (44%) – but recruitment in 2021 has bounced back up to half (49%). A similar pattern is seen with the intention to recruit over the next 12 months – three-fifths intended to recruit in 2018 (59%) and this fell to two-fifths by 2020 (41%), but is now back up to over half (54%).

Consistent with this renewed appetite for recruitment, London businesses are more likely to think their total headcount will increase over the next 12 months (42%) – a marked increase from only a quarter in 2020 (26%). Expected headcount has risen across all business sizes, but large businesses are now significantly more likely than micro/ small to expect an increased headcount over the next 12 months (50% vs 42%).

This expected rise in headcount is seen across all industries. In 2020, businesses in motor trades, wholesale, and transport & storage and accommodation, food services & entertainment (both 31%) were the most likely to say their headcount was going to decrease. By comparison, in 2021, only a small minority of these industries think their headcount will continue to shrink over the next 12 months (9% in motor trades/transport, 6% in accommodation/ entertainment).

While there has been a marked drop in the proportion thinking their headcount will fall over the next 12 months, large businesses remain most likely to think they will see a decrease (38% in 2020, 15% in 2021) – this is consistent with 2020. Medium-sized businesses remain the most likely to think their headcount will increase (35% in 2020, 54% in 2021).

Figure 18. Expectations of total headcount over the next 12 months, compared to previous 12 months



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

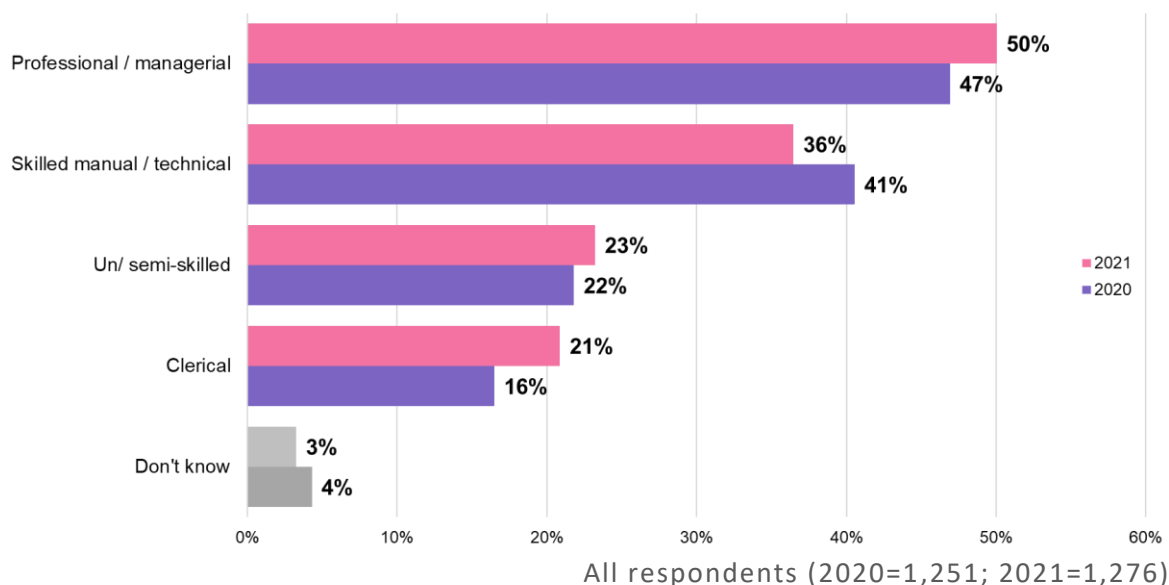
Roles recruited

Of those who tried to recruit staff in London over the past 12 months, demand for professional/managerial staff is still the most prominent (50%). Despite the increase in challenges within skilled manual/technical roles (figure 13), at the overall level there have been no significant changes in the types of role which London businesses are recruiting for.

The demand for professional/managerial staff continues a long-term trend in recruitment for London businesses – recruitment for this role has been steadily increasing for the last four years, from 43% in 2018, 45% in 2019, 47% in 2020, and now 50% in 2021. Skilled manual/technical roles are facing the opposite trend; only 36% of London businesses have tried to recruit for this role in 2021, down from half (51%) in 2018.

Compared to 2018, the fall in demand for skilled manual/technical roles is seen across all industries, but the increases for professional/managerial have come as more industries see a need for these roles. In 2018, only two-fifths (39%) of construction/property businesses in London were recruiting for professional/managerial roles, rising to half (50%) in 2021.

Figure 19. Types of role recruited for over past 12 months

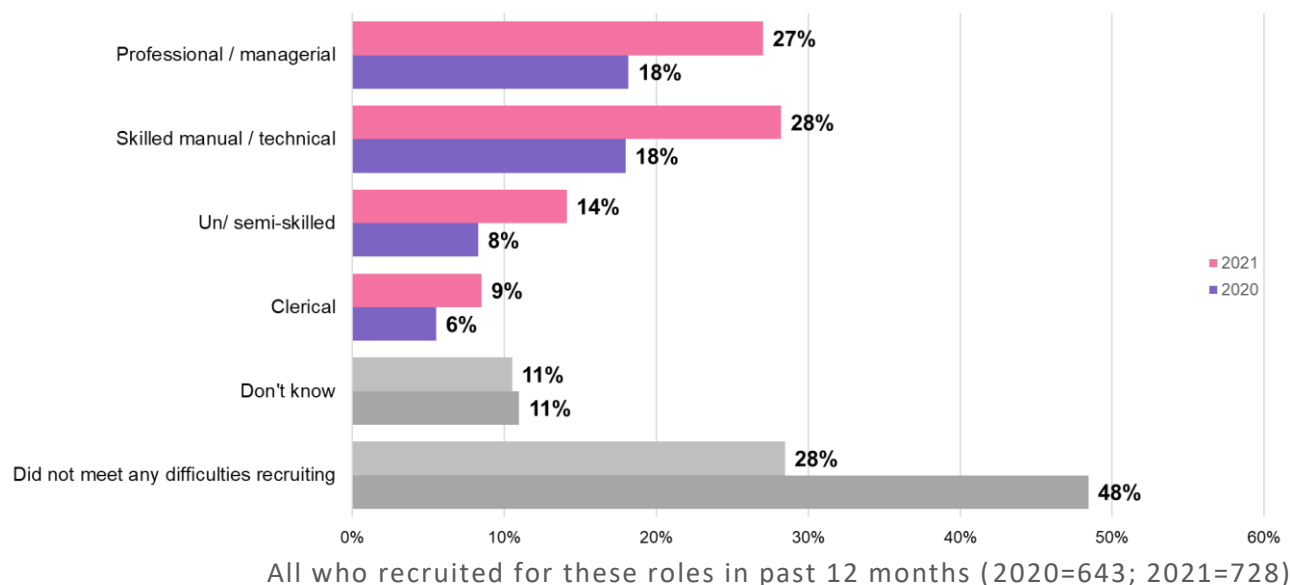


Difficulties recruiting

Just as there has been an increase in the proportion of London businesses who face skills challenges within their workforce (figure 12), there has also been an increase in the proportion of London businesses experiencing challenges during recruitment. Of those recruiting, just over a quarter report not having any issues recruiting in 2021 (28%). This is down from half of businesses recruiting in 2020 (48%).

As with the skills challenges within businesses, difficulties recruiting skilled manual/technical roles (28%) are on par with difficulties recruiting professional/managerial staff (27%) – both having seen an increase since last year. There has also been an increase in the proportion of London businesses reporting difficulties recruiting un/semi-skilled roles (8% in 2020, 14% in 2021) and clerical roles (6% in 2020, 9% in 2021). Businesses in the information & communication/professional services industries are the most likely to face difficulties recruiting professional/managerial staff (37%), compared to only 14% of accommodation, food services & entertainment businesses facing difficulties in this area.

Figure 20. Types of role had difficulty recruiting for

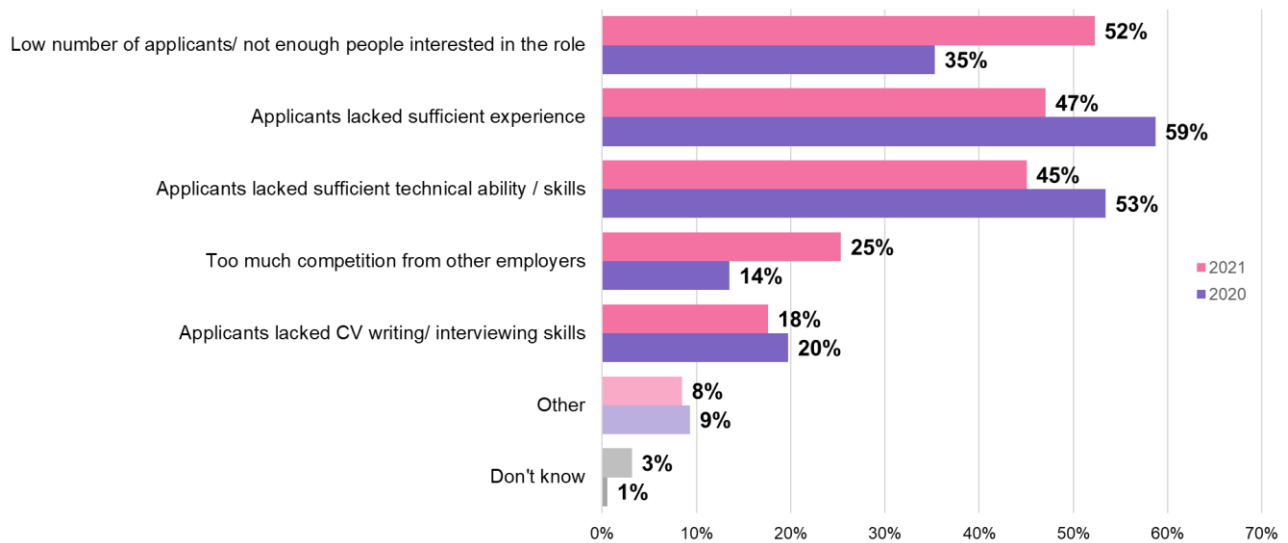


When asked what difficulties they are facing, there has been a marked rise in the proportion of London businesses saying not enough people are interested in their roles – this is now cited by just over half (52%) of those who have difficulties recruiting. There has also been a significant increase in the proportion saying that there is too much competition from other employers (14% in 2020, 25% in 2021).

All businesses sizes have seen an increase in these reasons being cited as a cause of difficulty, with large businesses remaining the most likely to say they face competition from other employers (48%). Those in accommodation & food services/entertainment are the most likely to say that there are not enough people interested in their roles (63%).

On the other hand, significantly fewer businesses now say that the people who do apply lack sufficient experience (59% in 2020, 47% in 2021) or that they lack technical abilities/skills (53% in 2020, 45% in 2021).

Figure 21. Main difficulties faced when recruiting



All who faced difficulties recruiting (2020=270; 2021=437)

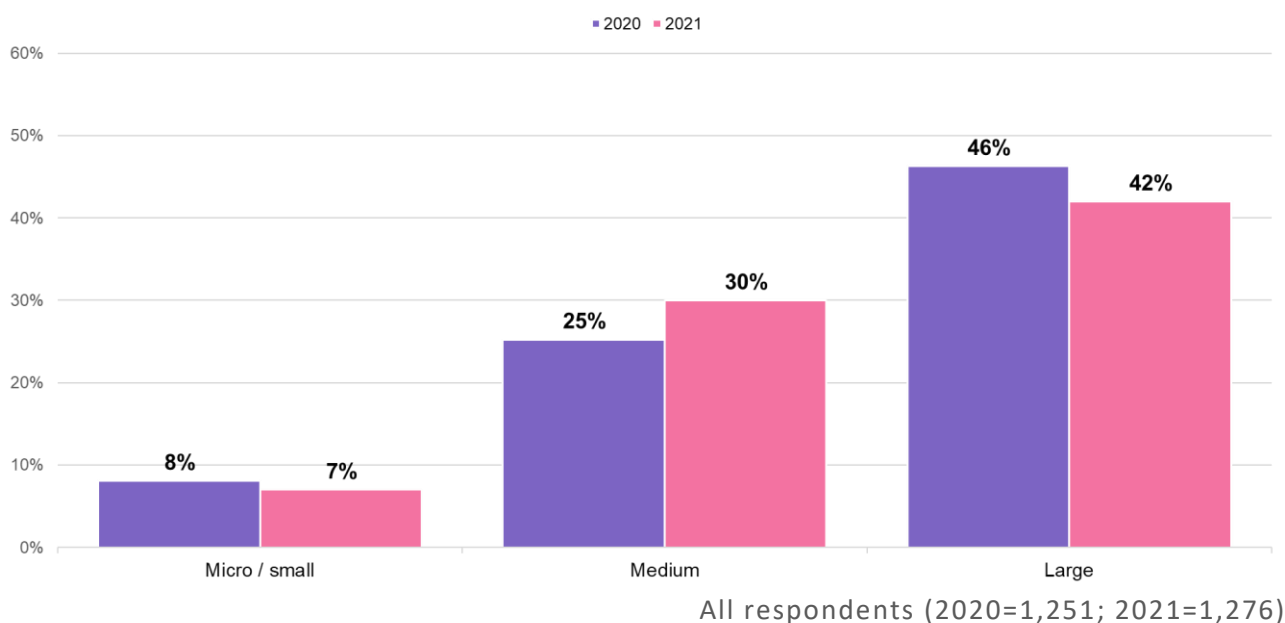
Apprenticeships

Employment of apprentices

In 2017, 7% of London businesses employed apprentices, 8% in 2018, and rising to 13% in 2019. However, that peak in 2019 has not been sustained – recruitment fell to 8% of London businesses in 2020 and now sits at 7% of businesses in 2021.

In 2021, employment of apprentices is significantly higher for medium (30%) and large employers (42%); both of these figures are in line with the 2020 findings. It is worth noting that as the data for the London Business 1000 is weighted to reflect the London Business population, the predominant view in the data is that of micro and small businesses.

Figure 22. Proportion of London businesses that employ apprentices



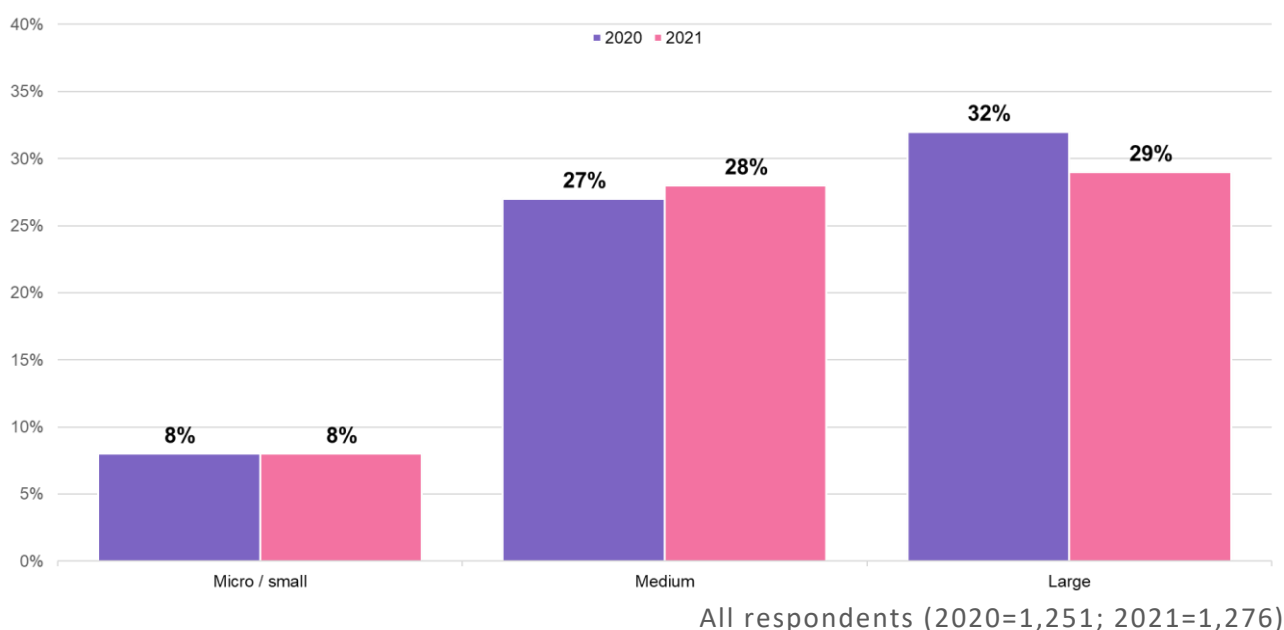
Use of apprenticeship funding

The apprenticeship levy is a levy on UK employers with an annual wage bill of more than £3 million. These employers must make annual levy payments of 0.5% of their wage bill above £3 million. Funding from the apprenticeship levy can be accessed by all UK employers to fund apprenticeship training. Of those London businesses who were able to provide a view, 5% of London businesses report that they are required to pay the apprenticeship levy, a slight reduction from 2020 (7%) at the overall level. However, 38% said they did not know, up from 18% in the 2019 survey – highlighting that firms remain unclear as to their requirements regarding the levy.

Across all London businesses there appears to be limited plans to use the apprenticeship funding available to them, with just 9% reporting their firm intends to use apprenticeship funding: the same proportion reported this in 2020. This figure remains much higher among medium (28%) and large (29%) businesses. Of those London employers who are required to pay the apprenticeship levy, a third (33%) currently employ apprentices.

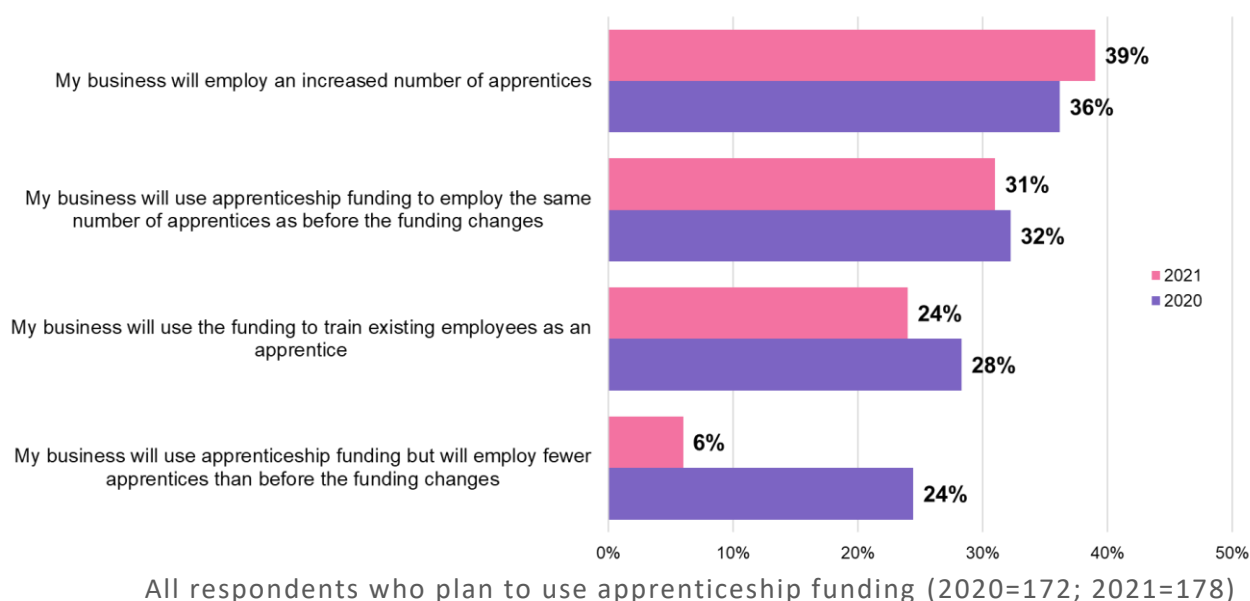
London businesses are uncertain about the planned use of apprenticeship funding, with approximately three in ten (29%) reporting they do not know whether they will use apprenticeship funding.

Figure 23. London businesses that plan to use apprenticeship funding over the next 12 months



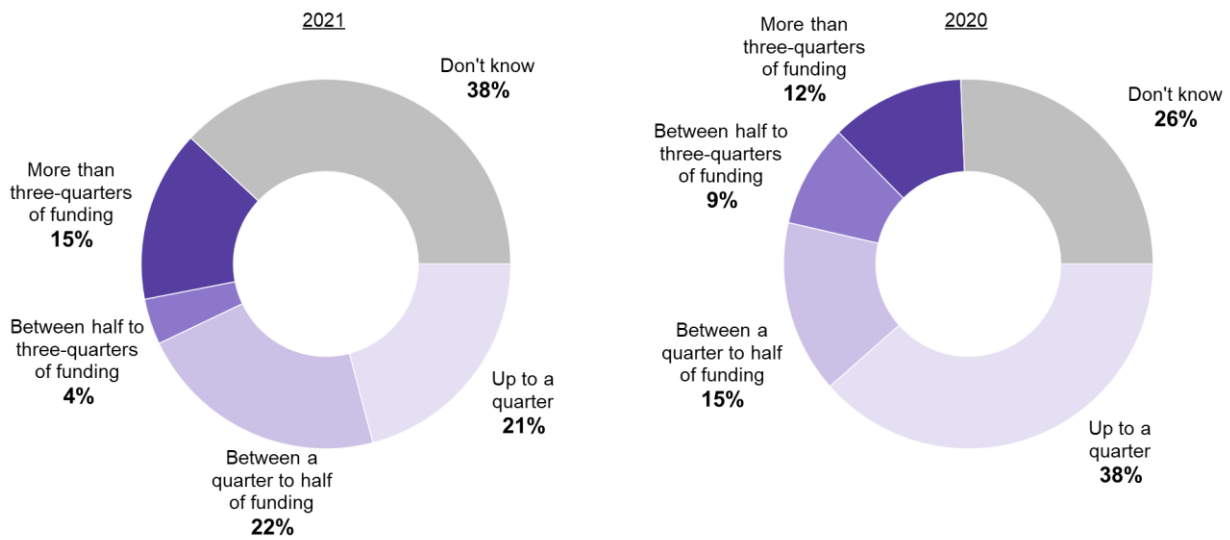
Where London businesses do plan to use apprenticeship funding over the next 12 months, they are most likely to use it to employ an increased number of apprentices (39%). This is comparable with 2020 findings. Furthermore, consistent with 2020, a quarter (24%) of London businesses say they will use their apprenticeship funding to train existing employees as an apprentice. However, 6% say that they will use the apprenticeship funding, but employ fewer apprentices than they did before. This is much lower than the proportion reporting this in 2020.

Figure 24. How London businesses plan to use apprenticeship funding



Consistent with 2020, only about a fifth of firms plan to spend more than half of the apprenticeship funds available to them (21% 2020, 19% 2021). In 2020, almost two-fifths planned to use up to a quarter of the available funding (38%); only a fifth (21%) of London businesses in 2021 now plan to use a quarter of the funds. There has been a significant increase in the proportion of businesses unsure of their planned use of funding – from around a quarter in 2020 (26%) to two-fifths in 2021 (38%).

Figure 25. Percentage of apprenticeship funding that London businesses plan to use



All respondents who plan to use apprenticeship funding (2020=172; 2021=178)

Devolution & government

Business rates

When asked what they feel local boroughs and the Greater London Authority (GLA) should prioritise for using business rates, investing in public transport remains key. Consistent with 2020, two-fifths believe improving public transport should be a key priority (39%), followed by a third who believe improving air quality in the capital should take precedence (33%).

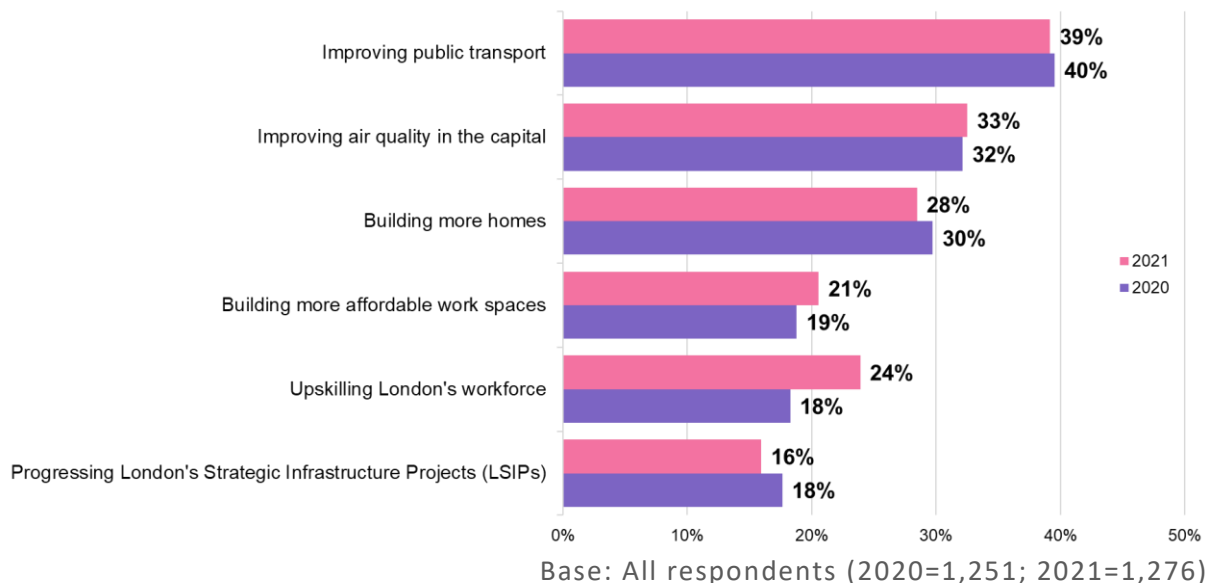
In line with 2020, businesses in finance & insurance/business administration are the most likely to consider public transport a priority (49%), closely followed by those in information & communication/professional services (48%). Information & communication/professional services businesses are also the most likely to prioritise improving air quality within London (38%).

Potentially as a result of the increased skills challenges London businesses have seen this year, 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 regions.

Interestingly, support for progressing London's Strategic Infrastructure Projects (LSIPs) has dropped markedly amongst medium businesses (35% in 2020, 11% in 2021).

However, because medium-sized businesses only make up a small proportion of London's businesses, this has not had an effect on the overall figure.

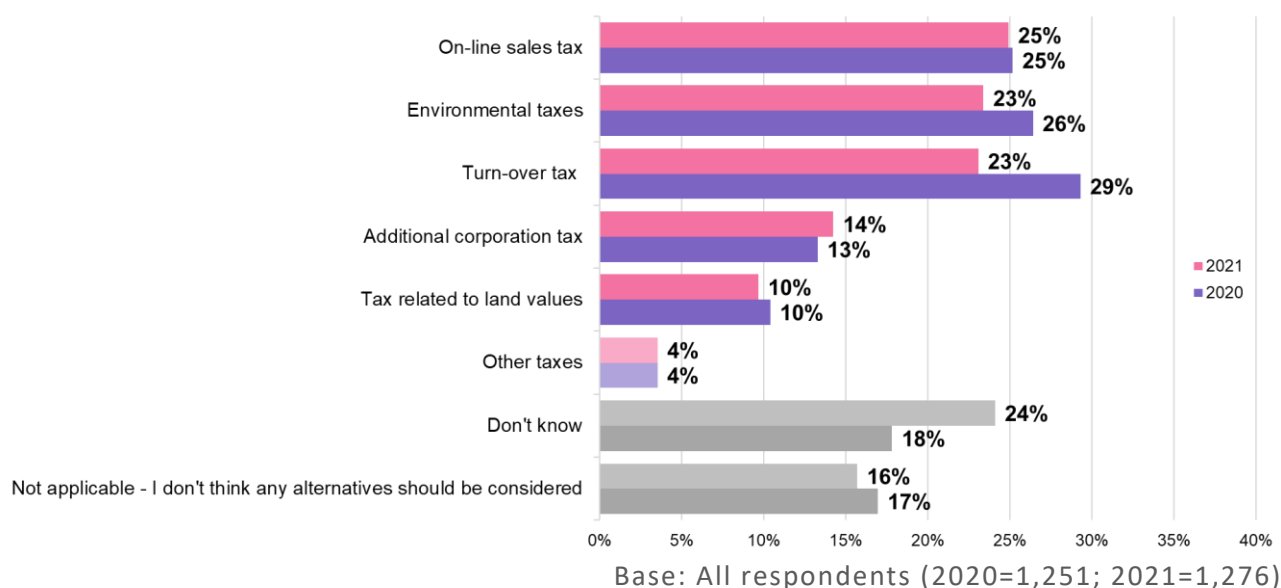
Figure 26. Priorities for investment of business rates



London businesses were also asked their opinion on potential alternatives to business rates that make up part of a government plan to reform rates. In 2020, the most popular alternative was a turnover tax (29%), whereby all or part of a business' tax contribution is determined in accordance with the turnover generated. However, that has seen a significant fall in popularity, now chosen by less than a quarter of London businesses (23%). The drop was driven by micro/small businesses (29% in 2020, 23% in 2021) and those in the construction/property industry (31% in 2020, 17% in 2021).

The most popular option is now an online sales tax (25%), although environmental taxes are favoured by both large (34%) and medium-sized (33%) businesses. However, environmental taxes have become less popular among motor trade, wholesale, and transport businesses (21% in 2020, 9% in 2021), while an online sales tax is preferred by businesses in production/agriculture (38%) and retail (34%).

Figure 27. Alternatives to business rates considered



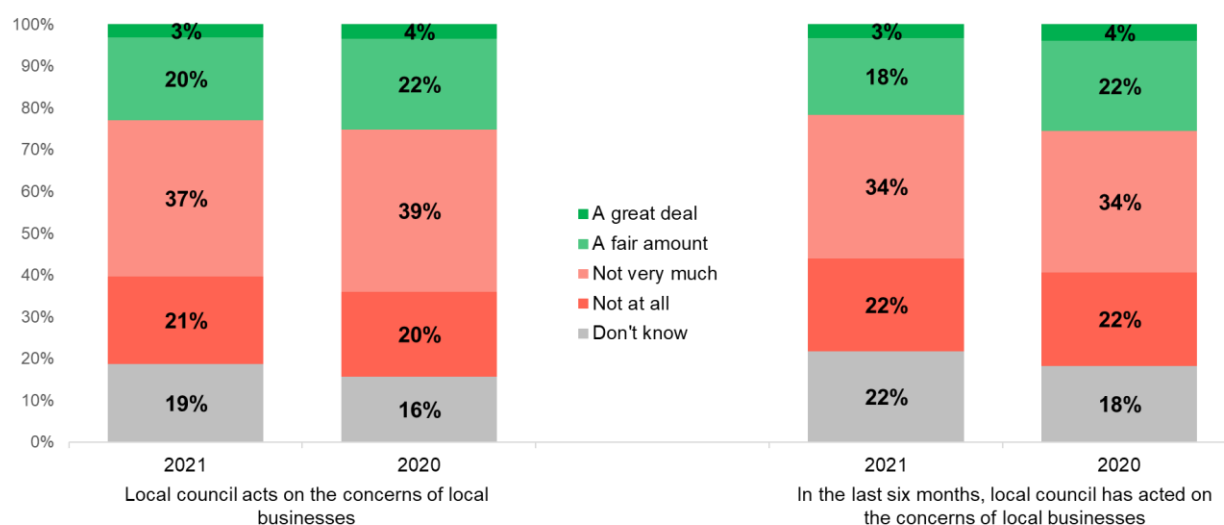
Attitudes to local councils

There has been very little change in overall sentiments towards local councils – less than a quarter think their council generally acts on the concerns of local businesses a great deal/a fair amount (23%). This may be part of a slight downward trend, with a third feeling their local council acts on local businesses concerns in 2019 (34%), down to a quarter in 2020 (25%), and now down to just over a fifth in 2021.

Thinking about the last six months specifically, there has been a pronounced drop in the proportion of businesses thinking that their local council has acted on recent concerns – when the previous wave's fieldwork was conducted in September to November 2020, a quarter thought local councils acted on business concerns recently (26%) but this has fallen to just over a fifth (22%) in 2021.

As in 2020, micro/small businesses are the most negative about their local council – over half say they do not generally act on the concerns of local businesses (58%) and a similar proportion say the same when thinking about the last six months (57%). However, medium-sized businesses are the most likely to be negative about their local councils' recent activity (64%).

Figure 28. Extent the local council acts on the concerns of local businesses



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

Concerns about Brexit

At the end of 2020, businesses were concerned about Brexit with just over half thinking it would negatively impact their business growth (52%). However, when asked about the impact that leaving has had on them so far, most businesses say there has been no impact, or that they are unsure (53%). Two-fifths have felt a negative impact on their business growth as a result of the UK leaving the European Union (40%), but a small minority (7%) have seen a positive impact.

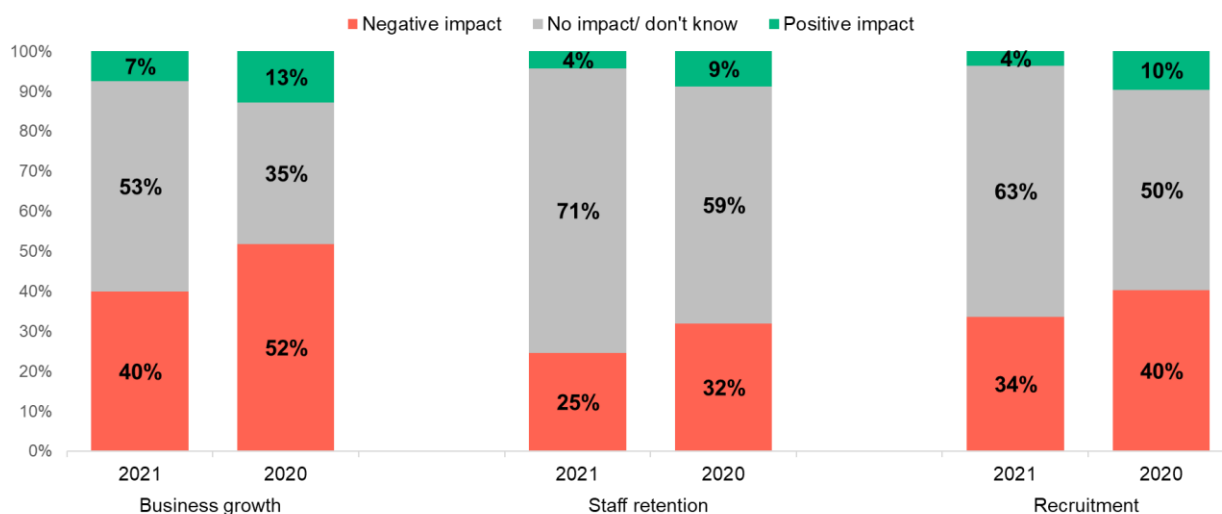
The pattern is similar across staff retention and recruitment – larger proportions were worried about negative impacts in 2020 than actually say they have experienced negative impacts in 2021. Most businesses said Brexit had had either no impact or were unsure, when considering staff retention and recruitment. As discussed earlier in the report, issues with staff retention are one of the key threats to COVID-19 recovery and businesses speak generally about workforce and skills shortages – it may be difficult for businesses to isolate the impact of Brexit in particular from the various demands and issues with the labour market in 2021.

Micro/small businesses were generally more worried about the impact of Brexit than have actually felt negative effects, while medium-sized businesses have faced the brunt of the impact. For example, two-fifths of small/ micro (40%) and medium businesses (39%) were worried about the impact of Brexit on recruitment. Only a third of small businesses have

felt a negative impact on recruitment as a result of Brexit (33%) while just over half of medium businesses have felt this (52%).

Across industries, businesses in accommodation, food services & entertainment are the most likely to have felt a negative impact in all three areas as a result of Brexit (49% business growth, 34% staff retention, 40% recruitment).

Figure 29. Perceived (2020) and actual (2021) impact of leaving the European Union



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

Conclusions and recommendations

The last year has been a difficult time for many businesses, with the path to recovery from COVID-19 and adjusting to Brexit leading to new challenges. In this report, London businesses have given their view on the year and an outlook for the months ahead – throughout the report we see significant changes compared to the previous London Business 1000, which was conducted in the middle of COVID-19 tier systems and when uncertainty was rife.

Many businesses do continue to worry about the threat of lockdowns as a risk to their economic happiness. The lifting of restrictions has prompted some ease around cashflow and consumer spending, but businesses are aware that the future is uncertain and fresh lockdowns could put a limit on footfall again in the near future.

London businesses are also keenly aware of the need for sustainability. Almost all are aware of the net zero by 2050 target and most are taking some form of action to lower their own environmental impact. However, increased awareness has not driven additional action beyond what was seen last year and businesses claim that many activities are not right for them. Only a third of businesses have the skills needed for sustainability – how do those without determine what activities are available to them? London businesses without the internal resources need support from their local borough to encourage sustainability, whether that support is financial or embedded into infrastructure.

Last year, the pandemic prompted a remarkable shift to remote working and London businesses have seen the benefits – in fact, only a third think that all of their staff will return to working in the office full-time. A flexible workforce brings its own challenges, but of more concern to businesses is the consistency of their workforce and the skills that they are able to retain. This may be why more London businesses have put a focus on cross-training employees for other roles – to ensure there is resilience in their workforce should illness or retention issues reduce staff numbers.

Recruitment within the capital is happening at a considerable pace, with half having recruited within the last 12 months and two-fifths expecting to grow their overall headcount in the next year. However, many businesses are struggling to find the right talent with most facing issues recruiting for the roles they need. In fact, half of those who find recruitment

difficult say it is due to a lack of applicants for their roles. Additionally, only a minority employ apprentices or use the Kickstart scheme, suggesting that these alternative pathways of gaining staff and skills are being under-used.

Brexit also remains the key challenge that London businesses identified with the skills and labour market over the next 12 months, with particular concern amongst motor trades, wholesale, transport & storage businesses. However, concerns around Brexit loomed large in the 2020 survey, with half worried about a potential negative impact on their business growth, but not all have seen these worries come to fruition.

Appendix A: sub-regional spotlight

While data was collected for London as a whole, in this section it has been split out into four sub-regions. London's boroughs are currently divided into four sub-regional partnerships:

- Central London Forward
- East/ Local London
- South London Partnership
- West London Alliance



London's business environment

- The main perceived threats to recovery after COVID-19 are consistent across all regions of London. The threat of new variants is the most cited in Central (46%), East (47%), South (48%) and West (52%) London. The proportion rating low turnover or additional waves of the virus as a threat has fallen in all four regions, but they remain the second and third most mentioned threats.
- Similarly, there are no significant differences between the regions when it comes to what would be most useful in dealing with the impacts of the pandemic: VAT reduction and extending the businesses rates holiday are considered the most important in all four sub-regional partnerships.
- Central London businesses are the most likely to say that 81% to 100% of their staff were frequently working remotely 12 months ago – over three-fifths (63%),

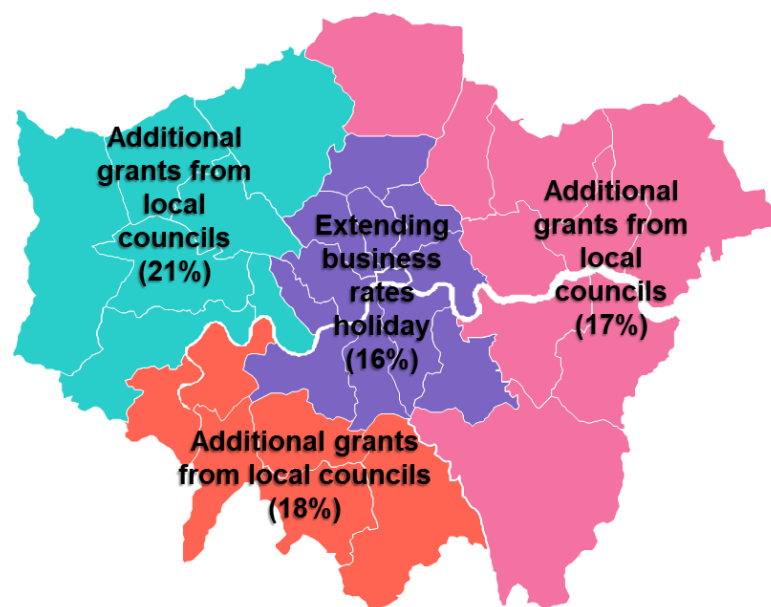
compared to only a third (34%) of companies in the East of London saying the same. In 12 months' time, a quarter of Central London businesses expect to 81% to 100% of their staff to be remote (27%), with businesses in South London in agreement (25%). However, those in the East of London remain the least likely to expect high levels of remote working – only 14% expect 81 to 100% of their staff to be doing so.

- Confidence in London's economic prospects has increased significantly in all four sub-regional partnerships: in Central London for example 41% are more confident for the next 12 months compared to just 4% who said the same in 2020. Those in West London are more confident than their counterparts in Central and East London about the economic prospects for their business over the next 12 months. Almost half (47%) in the West London Alliance say they are confident compared to 38% in Central London and 32% in the East.

Sustainability

- While there are no statistically significant differences in awareness of the target to reach net zero by 2050, businesses in South or West London are particularly likely to be aware of the target to cut emissions by 78% by 2035. Over two-thirds are aware (71% South, 69% West), compared to only three-fifths of businesses in Central (60%) or East (61%) London

Figure 30. Proportion aware of the target to cut emissions by 78% by 2035



- Overall, businesses in all four sub-regional partnerships are just as likely as each other to be taking action to reduce their environmental impact. However, when

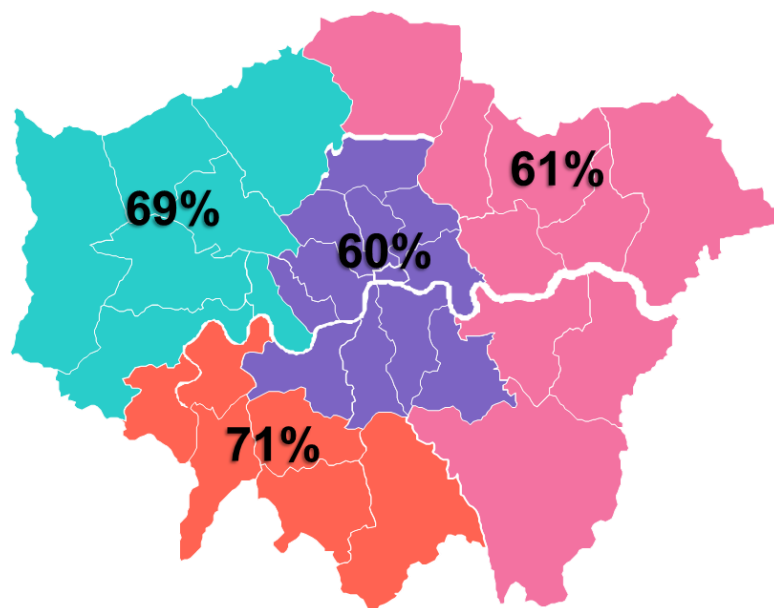
looking at what actions are being taken those in the East are the *least* likely to be encouraging tele-commuting / remote working (20% vs 36% in Central London and 34% in the South). Those in the East are also the least likely to be offsetting greenhouse gases (3% vs 9% in Central London and 8% in the West).

- There are significant differences in what businesses in the different sub-regional partnerships think their borough could be doing to help them reduce their environmental impact. For most, tax breaks remain the most popular (41% Central, 33% East, 39% West); but in South London, an enhanced recycling service is the most desired (45%). Green transport/freight support has wide appeal (23% Central, 27% South, 22% West), except in East London (13%).

Skills and training

- Overall Brexit is the cited as the biggest skills and labour market challenge, but those in West (39%) and Central (37%) London are more likely to see it as a challenge than those in the East (26%) or South (29%). Those in Central London are more likely to say they find staff retention the main challenge (26%) compared to those in South (17%) or West (18%) London.
- Businesses in East London are more likely to be facing challenges regarding skilled manual or technical roles (39% vs 21% of Central and 25% of South London businesses). In contrast, firms in the centre of the city are more likely to be struggling with the professional or managerial skills (32% vs 23% of businesses in East and 17% of those in West London). This perhaps reflects the nature of the different businesses in the different sub-regional partnerships.

Figure 31. Most common role to be facing skills challenges in by sub-regional partnership

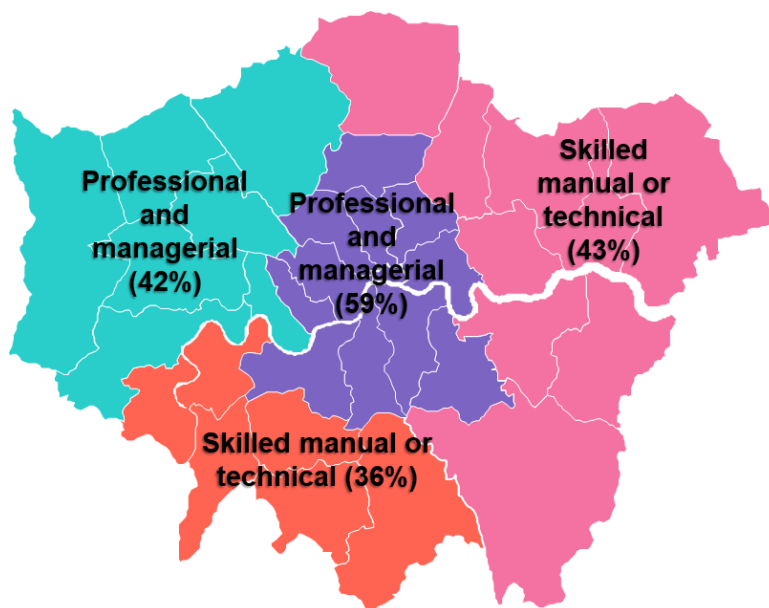


- However, businesses across the Capital tend to deal with skills shortages in the same way. The most popular method across all four sub-regional partnerships is training existing staff followed by recruiting new staff with only a minority opting for apprenticeships or kick start.

Recruitment

- Businesses across the London regions have seen a rise in expectations of headcount growth. As in 2020, Central London businesses remain the most likely to think their headcount will grow over the next year (48%) while South London businesses are the least likely to think so (32%).
- Those in Central London are particularly likely to be hiring professional and managerial staff. Nearly three-fifths (59%) in this area have tried to recruit staff for these roles compared to just two-fifths (40%) in the East and a third (32%) in the South. There are no statistically significant differences by sub-regional partnership in whether they experienced difficulties in recruiting for these roles. Overall, a similar proportion experienced recruitment difficulties in all four sub-regional partnerships.

Figure 32. Most common role to be recruiting for



Apprenticeships

- Regardless of where they are located, businesses in London are unlikely to be employing any apprentices. Nine-tenths (between 90% and 92%) do not do so in all four areas.
- Overall, only a handful pay the apprenticeship levy (5%). By sub-regional partnership, those in South and West London are more likely to say that they do not pay it (65% and 64% respectively vs 54% and 53% in Central and East London). In contrast, those in Central and East London are more likely to say they don't know (42% and 43% respectively vs 30% in both West and South London).

Devolution and government

- When asked what, if anything, should be a priority for investing the funds raised from business rates, the most given answer is improving public transport (39%). This is especially high in Central London with 46% selecting this option compared to just 33% in South London and 32% in West London. This is a pattern also evident in the 2020 results, suggesting the greater desire for action is well-established in Central London.
- There has been a significant increase in the proportion of West London businesses wanting business rates funds investing in building more homes. In 2020, 23% cited this as a priority but in 2021 that has increased to almost a third (32%). Those in this sub-regional partnership are also more likely to want business rates funds investing in improving air quality than they were in 2020 (35% vs 24%).

- Those in Central London are more likely to want the government to consider an alternative to business rates. While a quarter (24%) in South London and a fifth (21%) in East London do not want an alternative considered, only one-tenth (10%) in Central London say the same.
- Instead, those in Central London are more likely to want environmental taxes considered (29% vs 18% in East and South London) or a turnover tax (27% vs 19% in East London and 17% in West London). However, the proportion agreeing that a turnover tax should be considered has fallen in Central London compared to 2020 (33%)
- Those in East London are the most likely to agree that their local council does not act on the concerns of local businesses. A third (32%) say that they do not do so at all compared to a quarter (24%) in South London and 15% in Central London.