



Business 1000 Survey Results

London Councils and the London Chamber of Commerce and Industry (LCCI) commissioned ComRes to undertake a survey of a thousand businesses across London between April and June 2018. This is the second year that this survey has been completed. This year, the survey focused on the training and recruitment challenges facing London businesses and finds that the current skills system is not providing what businesses need.

Overview

This was a pan-London survey but responses were also collected and analysed for London’s economic sub-regional partnerships, as set out in the map below. The data was weighted to be representative of businesses both in London and in each of the sub-regions, as well as by borough, company size and broad industry sector. Sole traders were excluded from the analysis. The survey will be repeated again next year as part of a three year partnership between London Councils and LCCI.

Borough strategic sub-regional partnerships



West London Alliance	Barnet, Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon, Hounslow	+ Hackney, Haringey, Tower Hamlets and Lewisham for employment devolution
Central London Forward	Camden, City, Islington, Kensington & Chelsea, Lambeth, Southwark, Wandsworth, Westminster	
Local London	Barking & Dagenham, Bexley, Enfield, Greenwich, Havering, Newham, Redbridge	+ Bromley for employment devolution
South London Partnership	Croydon, Kingston upon Thames, Merton, Richmond upon Thames, Sutton	

Analysis

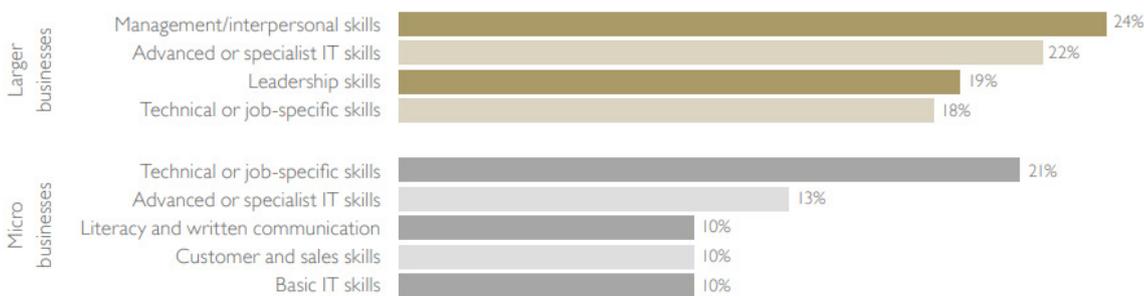
This year's survey aimed to understand the perceptions of opportunities and challenges that London businesses are facing now and in the next year. Businesses were asked about their training offer and factors affecting their delivery of apprenticeships. Respondents were also asked about their recent experiences in recruiting and retaining staff and whether they saw Brexit as having an impact on the supply of required skills.

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Identifying the Capital's skills needs: When asked about the main skills and labour market changes facing London, businesses identified skills shortages among job applicants as the most commonly expected issue over the next 12 months (28 per cent), followed by Brexit (22 per cent). Just one in five (19 per cent) businesses said they do not foresee any skills and labour market challenges over the year ahead.

The responses suggest skilled manual/technical roles are where businesses are most likely to face skills challenges (42 per cent of respondents), followed by professional and managerial roles (30 per cent) and unskilled/semi-skilled roles (at 22 per cent). Three in five respondents identified at least one skills shortage among their current workforce, with technical/ job specific (20 per cent) and advanced/specialist IT skills (13 per cent) most common. Skills challenges varied between larger and micro businesses, as outlined in Figure 1 (below).

Figure 1: Top skills challenges among the workforce of larger and micro businesses



Recruitment challenges: Three in five London businesses that tried to recruit over the last year encountered difficulties. This made up 55 per cent of respondents to the survey. The majority of respondents were hiring for skilled manual/technical roles and there were no real differences between business size.

Looking at the challenges faced, businesses were most likely to experience difficulties when hiring for skilled/manual technical roles (59 per cent), followed by professional/managerial (55 per cent) and un/semi-skilled positions (53 per cent).

A lack of sufficient technical ability/skills among applicants was the biggest challenge businesses faced when recruiting, cited by half of respondents (51 per cent). Among these missing skills were applicants lacking essential literacy and written communication skills (18 per cent) and a lack of commercial awareness (17 per cent). Other main difficulties included insufficient candidate experience (39 per cent), not enough interest in the role (36 per cent), a lack of CV/interview skills (21 per cent) and too much competition for candidates amongst employers (14 per cent).

The responses demonstrate that access to technical skills remains a key challenge for businesses in the capital. Government measures such as the introduction of T-Levels, high-quality apprenticeships and establishing Institutes of Technology will help address this, so long as proposals are sufficiently funded. For example, while £500 million of funding has been announced to fund T-level work placements there is currently no recognition of the investment needed for the FE sector to delivery to industry standard.

The survey suggests that the current overly-centralised skills system is not delivering the skills London's businesses need. Increased devolution of skills funding in the capital is needed to allow local government to use their local mandate and insight to deliver a skills system responsive to the needs of the local economy. Devolution of the Adult Education Budget to London is welcome but would make a more substantial impact as part of a wider skills devolution package.

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Training and apprenticeships: The survey indicates that up-skilling employees is more of a concern than retraining them, with respondents indicating up-skilling digital skills as a high-priority (39 per cent) or a medium priority (34 per cent). Retraining employees for a new role is a high priority for a quarter of London's businesses (24 per cent), particularly in the retail sector (34 per cent). This is perhaps a reflection on the pressures of traditional operating models in retail.

Apprenticeships have received renewed attention in recent years as a way of training current and new employees. In 2017, 9 per cent of respondents employed an apprentice compared to 17 per cent this year. Larger businesses that pay into the apprenticeship levy significantly increased their employment of apprentices. This rose to 60 per cent of larger employers from 11 per cent in 2017.

It is concerning that there has been little increase in uptake of apprentices among non-levy payers (7 per cent to 9 per cent), which form the bulk of the capital's business community. In terms of sectors, entertainment and hospitality businesses were significantly less likely to employ an apprentice (6 per cent) compared to other sectors (15-24 per cent). Around a quarter (27 per cent) of businesses plan to use apprenticeship funding over the next 12 months, an increase from one in five respondents (20 per cent) in 2017.

Six in ten businesses surveyed saw the benefit of increasing the number of apprentices in their company, identifying they can be an easy means of bringing in new staff (20 per cent), benefit staff retention (16 per cent), utilised to train existing employees (15 per cent) and address skills shortages (14 per cent). This rose to around 90 per cent for businesses who already employ an apprentice. For those businesses who could be encouraged to increase apprenticeships, important factors included support for wages (33 per cent), candidates being better prepared for work (17 per cent), more and better information (14 per cent), support for apprentice training and development (13 per cent) and simplifying the system (8 per cent). Of the 56 per cent of London businesses that do not plan to use apprenticeship funding over the next 12 months, 23 per cent said no factors would make their business more likely to do so.

Of the 14 per cent of Business 1000 respondents who pay the apprenticeship levy, four in ten (42 per cent) do not expect to use any of their funds, with another 40 per cent expecting to use less than half. This suggests a significant underspend and large amounts of training funding potentially lost to London. Rating potential improvements to the levy, making the system simpler (76 per cent), making the apprenticeship levy a wider training levy (80 per cent) and allowing more transfer of funds (70 per cent) were all commonly cited by business.

Commentary

The responses to this year's Business 1000 survey suggests that many of London's businesses continue to face significant skills gaps across their workforce as well as challenges in recruiting the skills their businesses need. It highlights the need to address businesses' opportunities for training and the need to strengthen the skills base across the wider London labour market.

This survey reconfirms some of the key issues that matter to London businesses:

- London local government and businesses need to work together to ensure the devolved Adult Education Budget to the Mayor in April 2019 aligns skills policy with employer needs. This and future devolution needs to work on a sub-regional and pan-London basis, picking up on the differences highlighted in this survey (see annex) and create a system more responsive to employer need.
- The need to address the lack of technical skills, digital skills and employability skills in the London labour market.
- Making the apprenticeship levy more effective for London's businesses. The government and London government should work together to achieve more flexibility in the system.
- Introducing measures to make potential apprentices more ready for the world of work and improving information about apprenticeships.

London government needs the tools to address the considerable skills challenges identified in this survey. To achieve this, government should move to rapidly progress devolution of 16-18 skills provision, vocational capital investments, careers information, advice and guidance, as well as the apprenticeship levy, starting with unspent levy funds.

This survey helps London boroughs understand the main issues for businesses in the capital, so that we can create the right environment for them to prosper. This is particularly important as London boroughs and the Mayor undertake a business rates retention pilot this year. If local government's future income is to be linked to business growth, we need to fully understand its drivers and barriers and do all we can to support business and good growth.

London Councils plans to build on this year's survey by undertaking four sub-regional events with LCCI and businesses later in 2018 to discuss the survey's findings and the key issues for businesses. We will be inviting councillors with an interest in this agenda to these events. London Councils will also be working with LCCI and other business organisations to lobby for change around the apprenticeship levy, so that it works more effectively in London, as well as to continue to ask for greater devolution around skills.

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Links:

[London Business 1000 \(full report, 2018\)](#)

This member briefing has been circulated to:

Portfolio holders and those members who requested policy briefings in the following categories: Economic Development

Annex - Sub regional variations

Central (Central London Forward)

Businesses in Central London are:

- More likely to identify Brexit as a key issue for firms (28 per cent) compared to South (17 per cent) and West (19 per cent) London respondents.
 - Most likely to experience difficulty recruiting the necessary customer and sales skills (21 per cent) compared to South (6 per cent) and West (9 per cent) London respondents.
 - Least likely to employ an apprentice (8 per cent) compared to the rest of London (17-22 per cent).
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East (Local London)

Businesses in East London are:

- Most likely to see pressure to increase wages as a challenge (22 per cent) compared to other sub-regions (12-16 per cent).
 - Significantly more likely to face skills challenges in semi-skilled manual and technical roles (50 per cent, compared to 37-41 per cent elsewhere) and un/semi-skilled roles (30 per cent compared to 16-23 per cent elsewhere).
 - More frequently facing challenges recruiting for both skilled manual/technical (72 per cent) and professional managerial roles (70 per cent).
 - Most likely to be affected by a lack of applicants with sufficient ability/skills (61 per cent compared to 43-45 per cent elsewhere).
 - More likely to use apprenticeship funding over the next 12 months (31 per cent) compared to Central London Businesses (22 per cent) and be positive about the benefits of taking on more apprentices (71 per cent) compared to other sub-regions (52-58 per cent).
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South (South London Partnership)

Businesses in South London are:

- Less likely to be affected by a lack of applicants with sufficient technical ability/skills (43 per cent compared to 61 per cent in East London).
 - Most frequently responding that apprenticeship candidates being better prepared for the world of work would make them more likely to hire apprentices (53 per cent) than Central London counterparts (41 per cent).
 - Least likely to report basic numeracy issues as a problem (7 per cent compared to 20 per cent in East London).
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West (West London Alliance)

Businesses in West London are:

- More likely to use apprenticeship funding over the next 12 months (31 per cent) compared to Central London Businesses (22 per cent).
- Less likely to find sufficient technical ability/skills as the main difficulty when recruiting (45 per cent compared to 61 per cent in East London).
- Less frequently have difficulty accessing customer and sales skills (9 per cent compared to 21 per cent in East London).