London Business 1000

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

November 2022

On behalf of

Contents

About the London Business 1000

For a sixth year, London Chamber of Commerce and Industry (LCCI) and London Councils have commissioned an annual survey of more than one thousand London businesses. The research provides insights into employers' recruitment plans and their skills needs as they deal with the impacts of the cost-of-living crisis and Brexit. This report also provides insights into businesses' approach to delivering a more environmentally sustainable economy, recruitment intentions, and the status of skills and apprenticeships.

Methodology

All figures, unless otherwise stated, are from YouGov Plc. YouGov surveyed 1,369 London business decision-makers online between 29th July and 19th September 2022.

The sample frame included 1,000 core responses representative of business size and an additional 350 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.

The quantitative survey was followed by 10 in-depth interviews, to get a better understanding of what drives businesses' perceptions of their local council. The sample frame included 10 businesses of various sectors and size, skewed towards smaller businesses. The main criteria was past engagement with the local council, split between those who felt their local council does not act much (5 interviews) and those who felt they did not know if their local council acts at all (5 interviews). Interviews were conducted online via Zoom between 10th and 28th October 2022. Quotes have been included throughout

This report is the sixth 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 and 2021 survey were 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, region, and industry

	Unweighted base	Weighted base
Business size		
Micro/ Small (1 to 49 employees)	969	1347
Medium (50 to 249 employees)	96	18
Large (250+ employees)	304	4
Office region		
Central	749	701
East	221	240
South	163	186
West	236	243
Industry		
Production/ agriculture, forestry & fishing	64	45
Construction/ property	173	194
Motor trades/ wholesale/ transport & storage	86	114
Retail	110	118
Accommodation & food services/ arts, entertainment, recreation & other services	162	166
Information & communication/ professional, scientific & technical	408	449
Finance & insurance/ business administration & support services	261	163
Public administration & defence/ education/ health	86	110
Other	19	11
Total	**1369**	**1369**

Executive summary

London's business environment

- Within the last year, economic confidence has significantly fallen since 2021, with three quarters of businesses (75%) being less confident over the next 12 months than they were about the last 12 months.
- Inflation is now the key threat to economic recovery – almost double the next closest answer, a lack of consumer spending (60% vs 34%).
- Most London businesses, no matter their size, have seen an increase in their operational costs (including staff pay, energy, raw materials, fuel, regulation) in the last 12 months (75%).
- Of those who saw their operational costs increase, staff pay saw the smallest median increase of 20%. However, the cost of raw materials and energy costs have seen a particular rise, with a median rise of 64% and 137% respectively.
- Most businesses plan to make operational changes to respond to inflationary pressures (70%), while only half (49%) intend to make workforce changes and even fewer intend to use wages/incentives (24%) and freezing or cutting wages/ incentives instead (11%).
- Businesses are most likely to respond to inflationary pressures by increasing prices for their products or services – three in five say they are/ will be doing so (60%).

Devolution and government

- Consistent with the last two years, investing business rates into improving public transport is the biggest perceived priority for London companies (44%) followed by improving air quality and building more homes in the capital (32%).
- Almost half of businesses (46%) believe public transport investment should be used to maintain bus routes. Large businesses are more inclined towards Crossrail 2 (large: 44%; micro/small: 32%), while micro/small businesses favour new bus routes (large: 20%; micro/small: 35%).
- London businesses are slightly more positive about councils, with a rise from 2021, but at a significantly lower level than 2019 (2022: 25%; 2021: 23%; 2020: 25%; 2019: 34%). Micro/small businesses are most sceptical of council action with half (53%) saying they do not act on the concerns of businesses.
- Brexit is having an impact upon businesses, with half of businesses now experiencing supply chain issues (52%) and having less access to suitably skilled employees (49%).

Skills and training

- Wages and retention (43%) are now seen as the key challenge, while a fifth cite concerns regarding Brexit (20%).
- More broadly, businesses are facing increased challenges over the last two years in staff retention (2022: 25%; 2020: 15%), skills shortages among job applicants (2022: 14%; 2020: 25%), and the cost/ time to recruit new workers (2022: 24%; 2020: 14%).
- Businesses that see staff retention as a key challenge found the top issue to be concerns around wages (62%), closely followed by losing staff to competitors (58%).There is a substantial increase in the proportion of businesses that face skills challenges – a rise to three quarters (72%) from three fifths (58%) in 2020. There has been a fall in the same timeframe in the proportion of companies that do not see any skill challenges with their current staff (2022: 24%; 2020: 37%).
- Challenges with technical/job-specific skills continue to rise with almost a third now citing this (32%). This is driven by large businesses with almost half (48%) facing issues in this area. Training existing staff remains the most prominent way to address these skills shortages (36%).

Recruitment

- Most businesses recruited or tried to recruit in the past 12 months (63%) and a similar proportion plan to recruit over the next 12 months (61%). An uplift since 2020 and seen across all business sizes.
- Two-fifths of businesses believe their headcount will increase over the next year – a far higher proportion than 2020 (2022: 44%; 2021: 42%; 2020: 26%).
- Demand for professional/managerial roles remains most prevalent (54%), which follows a five-year trend.
- Businesses need more support in recruiting, with two-fifths (38%) of businesses facing difficulties in recruiting staff for professional/managerial roles.
- Half of businesses found not enough people interested in their roles (51%) and almost half (47%) of London businesses also perceive applicants to have insufficient ability/skills.

Apprenticeships

- There has been a marked increase since last year in the proportion of businesses employing an apprentice (14% vs 7%). This is largely driven by micro/small businesses, which have doubled in level since 2021 (13% vs 7%).
- To the best of their knowledge, 14% of businesses believe that they are required to pay the levy, more than double last year (5% 2021; 7% 2020). Overall levels of

uncertainty also remain high, with two-fifths not knowing if their business is required to pay the apprenticeships levy (38%).
- Intention to use apprenticeship funding has increased since last year, with one in seven (14%) now planning to do so, compared with one in ten (9%) in 2021.
- Of those employers who believe they are required to pay the apprenticeships levy, three-fifths currently employ apprentices (60%) and a similar proportion intend to use the apprenticeships funding (61%).
- Amongst those who say they will use the apprenticeships funding in the next 12 months, two-fifths say they will use the funding to employ the same number of apprentices as before (39%). Three in ten say they will use the funding to employ more apprentices (31%), fewer apprentices (31%), or use it to train existing staff (32%).
- Only one in ten businesses who will use apprenticeship funding plan to use more than half of the funds available to them (10%) – a notable fall from around a fifth of the same group in 2021 (19%) and 2020 (21%).
- A third (32%) of businesses do not use apprenticeships as they do not meet their needs. While a quarter (25%) cite administration time or the management/ workload involved (23%) as reasons for not employing apprentices.

Sustainability

- A higher proportion of businesses believe that cutting emissions is important (40%) than unimportant (33%), with large businesses most likely to believe in its importance (57%).
- Seven in ten businesses acted to reduced emissions in 2022, consistent with previous years (2022: 71%; 2021: 69%; 2020: 71%).
- For those businesses that took action, adapting products to be greener is the most frequently selected option (33%). There is also a significant reduction since 2020 in businesses encouraging remote working to reduce their firm's environmental impact, a fall from two in five in 2020 to 29% this year.
- The most common barrier to reducing emissions are high initial upfront costs and that it is not appropriate to their business (12%). However, only 6% of companies believe that a lack of knowledge/skills within the business is the main barrier to lowering their emissions.
- In line with upfront cost being a barrier, businesses would benefit from more financial assistance to address barriers to reducing their emissions, with seven in ten choosing green grants or tax breaks for environmentally friendly businesses as the most beneficial incentive to lower their emissions (69%).

Economic confidence

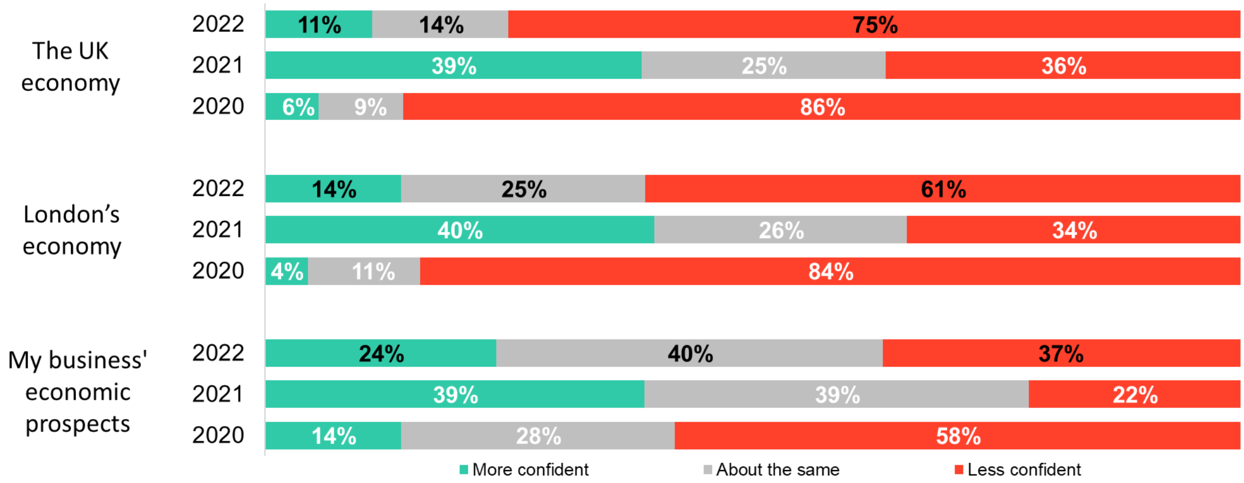
The fieldwork for this year's survey took place in August and September 2022, before budget announcements in September and October. Nevertheless, there have been substantial shifts in economic confidence for the next 12 months. In 2020, the findings reflected concerns about the COVID-19 pandemic and its impact on the economy. In 2021, there was some economic optimism as restrictions lifted and London businesses were more positive about the next 12 months. Now, in 2022, economic confidence has deteriorated – only one in 10 are more confident about the UK economy over the next 12 months than they were about the last 12 months (11%). Three-quarters of London businesses (75%) are less confident about the UK economy over the next 12 months than they were about the last 12 months.

Consistent with previous years, the patterns seen for confidence in London's economy and their own business' economic prospects mirror the patterns for confidence in the UK overall, but to a lesser extent. Three-fifths (61%) are less confident about London's economy and just under two-fifths (37%) are less confident about their own business' prospects.

In terms of their own business' prospects, medium-sized businesses are the most optimistic – a third are more confident about their economic prospects this year (33%), compared to around a quarter of small/ micro (23%) or large (25%) businesses.

Consistent with previous findings, the retail industry sees the highest proportion of businesses reporting that they are less confident about their own economic prospects over the next 12 months (48%). This is significantly higher than those in the information and communication (29%) or finance and insurance (24%) sectors.

Figure 2. Levels of confidence over the next 12 months, compared to the last 12 months



All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)

Challenges over the next 12 months

Looking specifically at what businesses see as the key threats over the next 12 months, the top answer is rising inflation (60%) – almost double the next closest answers (34% lack of consumer spending, 31% low turnover/ cash-flow issues).

A similar question was asked in 2021 and 2020 about the key threats to recovery from the COVID-19 pandemic. Low turnover/ cash-flow issues have featured in the top three answers given in each year (35% 2021, 51% 2020), showing that businesses are facing the same challenges two years on. Concern around a lack of consumer spending eased last year after being a key concern in 2020 (42% 2020, 27% 2021), but the question asked this year demonstrates that it is still a current threat (34%).

"We usually had about a 5% attrition rate, it's pretty standard. That's increased to 9%. So we tried to find out why, where that's coming from. The extra 4%, from the feedback, it's cost of livings and less disposable income." – Recreation business

Retention of staff was cited as a challenge by a fifth of London businesses (19%), but this rises to a third of medium-sized businesses (35%) and two-fifths of large businesses (42%). A similar pattern is seen with concerns about not being able to recruit staff with appropriate skills – medium and large businesses are particularly concerned (32%, 48% respectively).

Fewer micro/ small businesses are worried about staff retention (19%) or recruiting staff with the right skills (28%), but this is perhaps unsurprising given their smaller employee numbers. Instead, small/ micro businesses are more likely to be concerned about low turnover/ cash-flow issues (31%, 26% medium, 16% large).

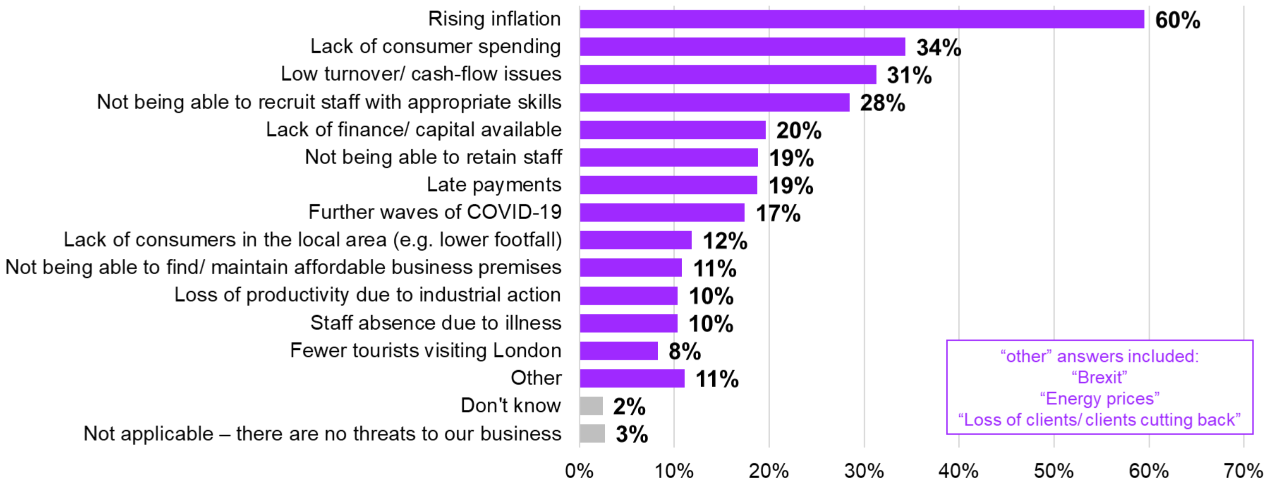
"Staffing is a major issue. There's massive, massive pressure on wages." – Real estate

"The most difficult for me is hiring, trying to find people with the right skills in the field. We're quite a small business so we don't have massive sponsorship potential for people coming from abroad for visas."
– Education

A third of those in the production/ agriculture industry say not being able to retain staff is a key threat in the next 12 months (33%), compared to only 16% in the finance and insurance industry. However, they do not have the same level of concern with recruitment. Instead, businesses in accommodation and food services are the most likely to have concerns about their ability to recruit appropriately skilled staff (37% vs 26% production/ agriculture, 18% wholesale/ transport and storage).

Businesses in Central and East London (both 21%) are more likely than those in the South (10%) or West (17%) to say not being able to retain staff in the next 12 months is a key threat to their firm. Those in the East are also the most likely to be concerned about a lack of consumer spending (41%).

Figure 3. Threats to business over the next 12 months



All respondents (2022 n=1,369)

In 2022, a fifth of London businesses said that a lack of finance/ capital is a threat to their business over the next 12 months. Of these, just over a third (35%) said financial investors/ institutions perceived their business lacked viability and a quarter said their business already had too much debt (24%). Those in production/ agriculture (31%) or construction/ property (30%) were particularly likely to say they are concerned about a lack of finance/ capital over the next 12 months.

"It's challenging in many ways from an investment perspective. When markets are down it's not good in terms of our portfolio values. That has its own impact." – Financial services

Inflation and the cost of doing business

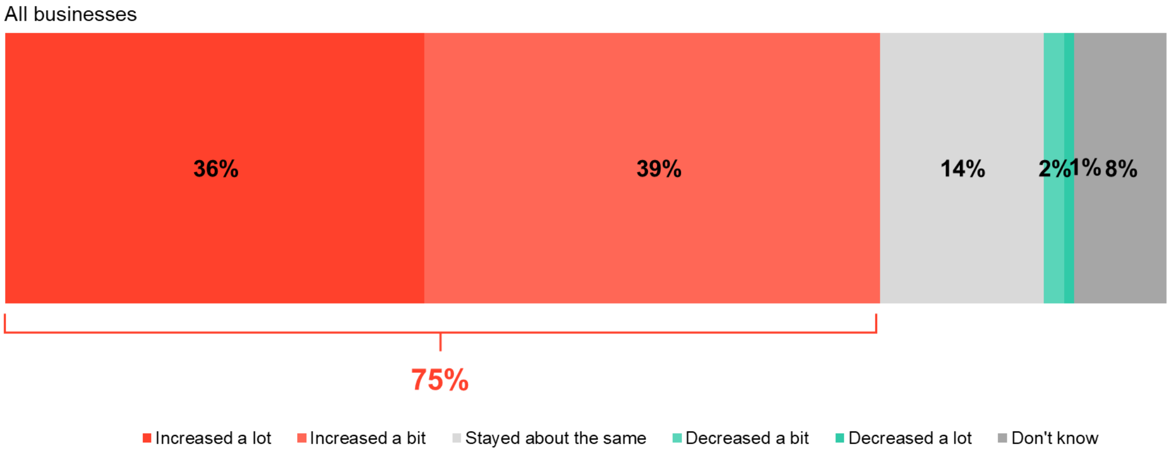
Most London businesses have seen an increase in their operational costs (such as staff pay, energy, raw materials, fuel, regulation) in the last 12 months (75%) and these increased costs are seen across all business sizes (75% small, 69% medium, 76% large). Only one in seven say their operational costs have stayed about the same (14%).

"My energy bills have gone up by almost threefold." – Food services

"Obviously with the cost of everything else going up, the cost of the parts will go up." – Transport & storage

Businesses in the retail sector are the most likely to say operational costs have increased (85%), closely followed by those in accommodation and food services (84%), and production/ agriculture (83%). Those in the public administration/ education/ health sector are the least likely to say their operational costs have increased, but it is still a clear majority who say so (65%).

Figure 4. Operational costs increased or decreased in the past 12 months



All respondents (2022 n=1,369)

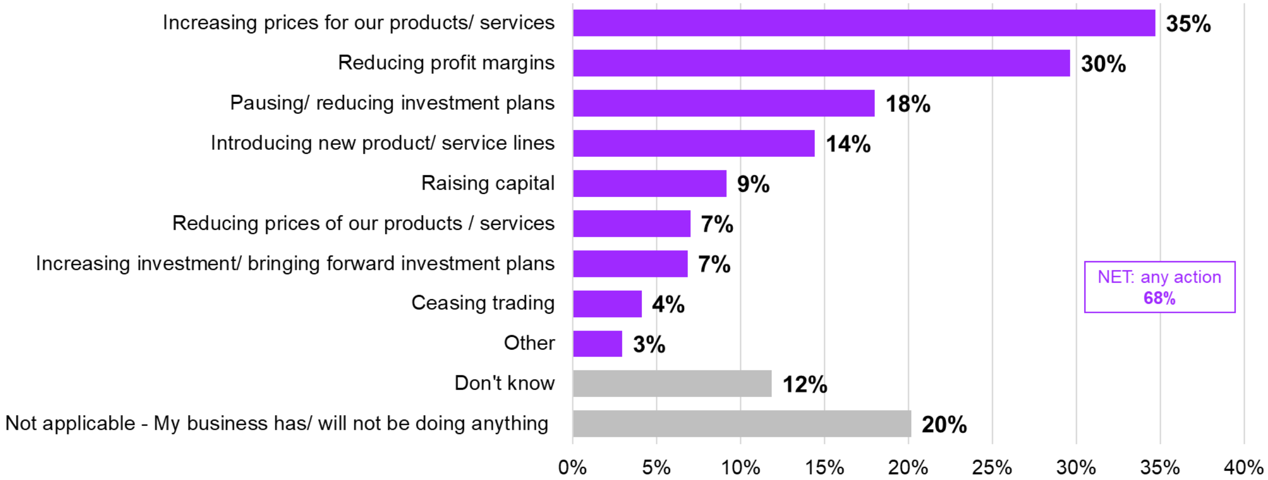
Of those who say their operational costs have increased in the past 12 months, the median increase in costs for staff pay is relatively small at 20%. In contrast, raw materials are estimated to have increased by a median of 64% and energy costs increased by a median of 137%. For energy costs, a fifth of those who have seen increased operational costs in the last 12 months say that their energy prices have risen by more than 200% (21%).

Seven in ten London businesses have/ will make operational changes in response to rises in inflation and the associated ‘cost of living’ (68%). The most common activity is to increase prices (35%), followed by having to reduce their profit margins (30%). One in six have paused/ reduced investment plans (18%), while about half this number are taking the opposite approach and are increasing/ bringing forward investment plans (7%). A small minority of London businesses have/ will be ceasing trading as a result of the rises in inflation (4%).

Small/ micro businesses are the most likely to say they were reducing profit margins due to rising inflation (30%), compared with 28% of medium businesses and 20% of large businesses. Three in ten medium-sized businesses are or will be raising capital (29%), far more than micro/ small (9%) or large businesses (9%).

Businesses in the production/ agriculture industry are the most likely to be increasing prices for their products or services – three in five say they are/ will be doing so (60%), compared to only a quarter of finance and insurance businesses who will be doing the same (24%). Retail businesses are the most likely to introduce new product lines (27%) and joint most likely with finance and insurance businesses to reduce the prices of their current products (both 13%).

Figure 5. Operational changes as a result of rises in inflation/ 'cost-of-living'



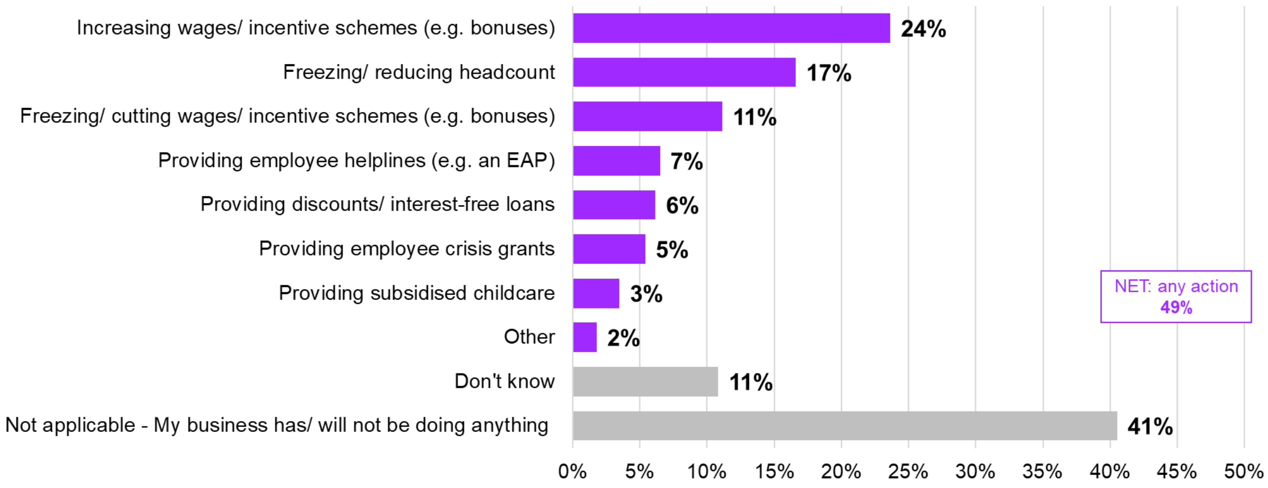
All respondents (2022 n=1,369)

Although seven in ten plan to/ are making operational changes in response to the rises in inflation, only half of businesses plan to make workforce changes (49%). A quarter plan to increase wages/ incentive schemes (24%) but one in ten are making the opposite action and freezing or cutting wages/ incentives instead (11%).

Businesses in public administration and defence or those in wholesale/ transport and storage are the most likely to be increasing wages/ incentives (29%, 28% respectively), while those in the production/ agriculture industry are the most likely to be freezing or cutting wages and incentives (20%).

One in six London businesses say they have/ plan to freeze or reduce their headcount as a result of the rises in inflation and associated 'cost of living' (17%). This rises to just over a fifth of businesses in finance and insurance (23%), production/ agriculture (22%), and wholesale/ transport and storage (21%).

Figure 6. Workforce changes as a result of rises in inflation/ 'cost-of-living'



All respondents (2022 n=1,369)

Devolution and government

Business rates

Consistent with the last two years, when asked what businesses feel local boroughs and the Greater London Authority (GLA) should prioritise for using business rates, investing in public transport remains key. Two-fifths of businesses (44%) believe that improving public transport should take precedence, which is followed by a third who believe that improving air quality in the capital and building more homes should be focused upon (both 32%). It is also the first time in the last two years that building more homes in London and improving air quality is viewed as an investment priority by the same proportion of businesses (32%).

"Getting across the borough means you are reliant on buses or driving, and congestion is a significant issue." – *Real estate*

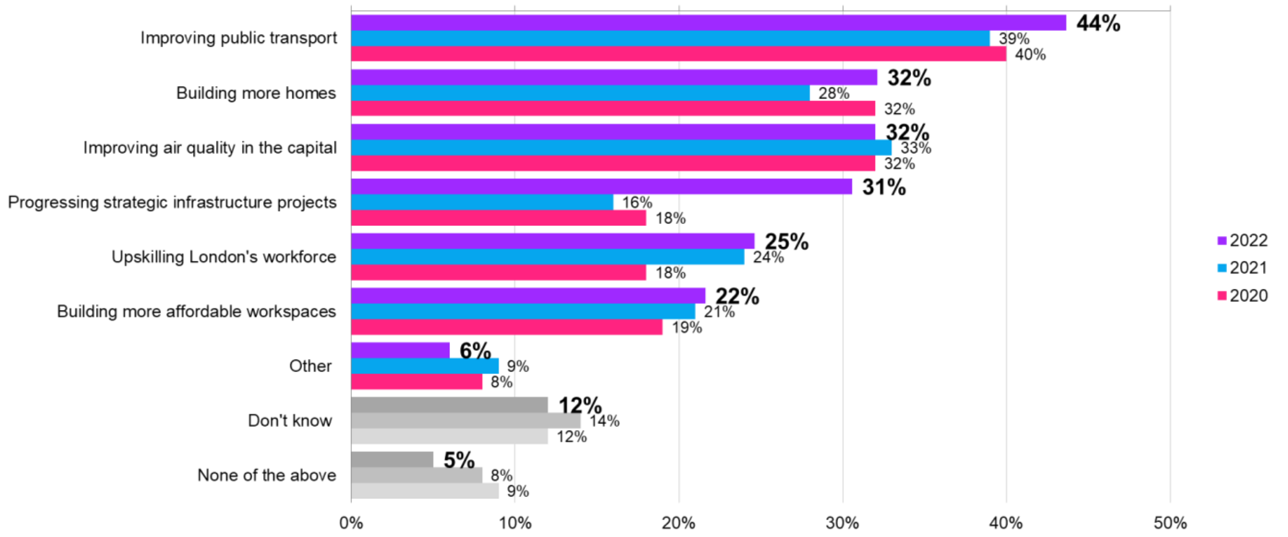
"Affordable housing is another [priority]. Because of the cost of housing, it can be quite difficult to attract staff, to find staff to fill entry and middle level positions." – *Real estate*

This year, businesses in accommodation and food services/ arts and recreation industry have overtaken the finance and insurance/business administration industry to find improving public transport a priority, with half (50%) in accommodation and food services / arts and recreation industry supporting this type of investment. This represents a significant increase since 2021 (38%) and a higher level than 2020 (44%).

There is also a significant increase in the proportion who support progressing London's strategic infrastructure projects (2022 in 31%; 2021 in 16%; 2020 in 18%). This desire is reflected in all business sizes, London regions, and industries.

Support from medium-sized businesses for funding infrastructure projects rebounded in the 2022 London Business 1000 (35% in 2020, 12% in 2021; 36% in 2022). This is indicative of an appetite across business sizes for further investment in London's strategic infrastructure.

Figure 7. Priorities for investment of business rates

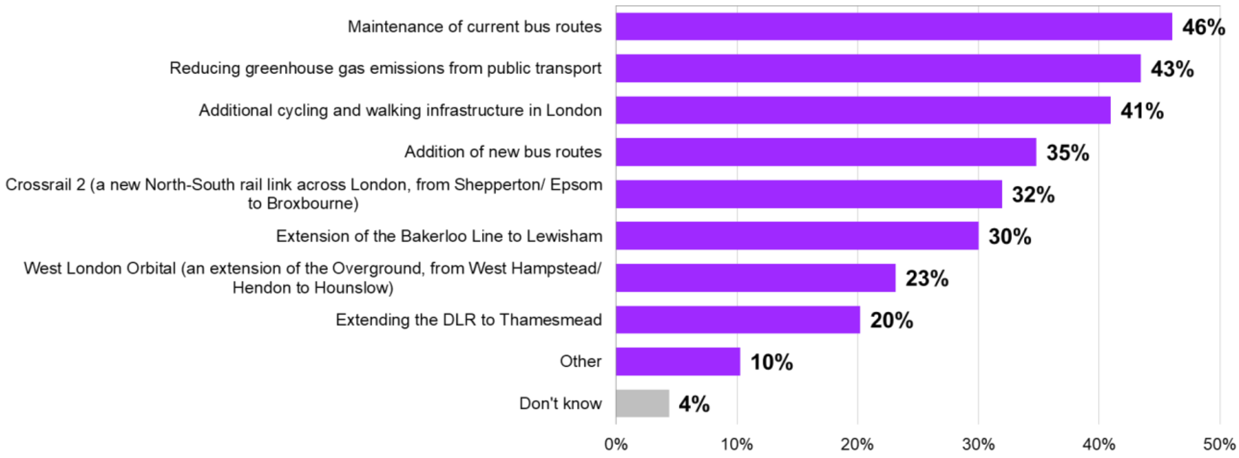


Base: All respondents (2020=1,251; 2021=1,276; 2022=1,369)

When businesses that selected public transport investment were asked the type of public transport that should be prioritised, almost half (46%) believe that it should be the maintenance of current bus routes. Interestingly, this fluctuates depending on business size, with large businesses being more likely than micro/small businesses to select Crossrail 2 as a priority (large: 44%; micro/small: 32%), while micro/small businesses are reportedly more favourable towards the addition of new bus routes (large: 20%; micro/small: 35%).

Contrastingly, when focusing on different industries, over half in information & communication/professional, scientific & technical industry (52%) support prioritising investment in additional cycling and walking infrastructure in London – a higher share than in any other sector.

Figure 8. Priorities for public transport investment



Base: Those who chose public transport as a priority (2022 n=601)

Attitudes to local councils

A quarter of London companies believe their council acts on the concerns of local businesses a great deal/a fair amount (25%). This in line with findings in 2021 (23%) and 2020 (25%), albeit significantly lower than 2019, where a third of businesses viewed their council to act a great deal/ a fair amount on their businesses' concerns (34%).

When thinking about the last six months specifically, the proportion that think the council acts on the concerns of businesses has steadied after a slight downward trend between 2020 and 2021 (26% to 22%); remaining at just over a fifth in 2022 (21%). However, it is still a lower proportion than 2020, when the survey was undertaken during COVID-19 related restrictions to business activities.

"I would sort of feel: non-existence. I wouldn't even know where their offices are." – Insurance

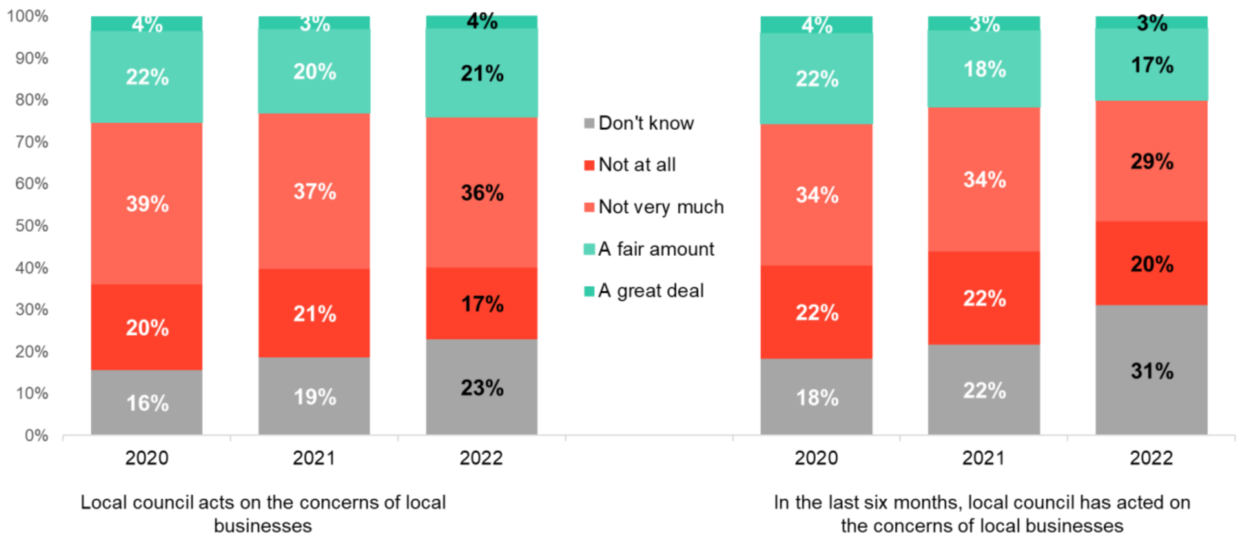
"I don't have a good opinion. They're usually really quick to come around and do the revaluation for the rates and up the rates, but when you phone 'em up and try and ask 'em to give you a bit of paper, they don't respond" – Recreation

As in the previous two years, micro/small businesses are significantly more negative about their local council, with half saying they do not generally act on the concerns of local businesses (53%) and a similar percentage say the same when thinking about the last six months (49%). However, there has been a significant dip since 2021 in the level of medium sized businesses that negatively perceive local councils' actions on recent business concerns – a fall from 64% (2021) and 56% (2020) to two fifths in 2022 (41%).

"It's both the services or lack of. They're not providing them to the standard that they should be or addressing issues as immediately as they should." – Business administration and support

"When we contact them, for even basic advice or basic information and they trying to make it as difficult as possible for us, it feels like they're just trying to extract more money out of people." – Food services

Figure 9. Extent the local council acts on the concerns of local businesses



Base: All respondents (2020=1,251; 2021=1,276; 2022=1,369)

In the survey, respondents were asked why they felt their local council does/ does not act on the concerns of local businesses. Broadly, those who did not feel like their local council acts on the concerns of local businesses said there was a lack of visibility while those who felt local councils do act on concerns could see the evidence in their local area.

Figure 10. Why survey respondents think local councils do/ do not act on the concerns of local businesses

Concerns about Brexit

Larger proportions of businesses were concerned about the negative impacts of Brexit on business growth in 2020 (52%) than actually say they experienced its negative impact (40%) in 2021. However, in 2022, where it is now easier to isolate the impact of Brexit from COVID-19 threats, there are tentative signs of businesses starting to experience the impact of Brexit. Half of businesses have experienced a negative impact to supply chains (52%) and access to suitably skilled employees (49%).

Figure 11. Impact of leaving the European Union

Base: All respondents (2022 n=1,369)

When businesses were asked specifically about the impact of Brexit upon their ability to import/ export, over two-fifths had a negative experience (export: 41%; import: 45%).

There is also a direct correlation between this high level of negative experience and the frequency of export, with a third of those who export goods reporting they now export less due to Brexit (33%), while only 6% exporting more.

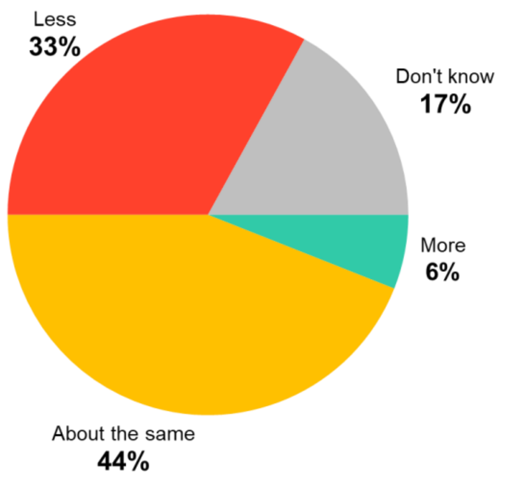
Large businesses are now significantly more likely to feel the impact of Brexit, with almost two-thirds reporting its negative impact upon access to suitably skilled employees (65%) and supply chain issues (64%). Contrastingly, it sits at almost half amongst micro/ small and medium businesses in terms of access to skilled employees (micro/ small: 49%; medium: 47%) and supply chain issues (micro/ small: 52%; medium: 46%).

"The biggest problem at the moment is supply chain, getting hold of parts. Parts that used to come so easily from abroad are becoming harder to find, harder to locate, taking longer to come." – Transport and storage

"Things coming from abroad are slower to be delivered. When equipment breaks, it's a longer delay. We've had to adjust and if something breaks, we have to order it then and there because it's gonna be a few weeks longer to come. And obviously that looks bad as a business." – Recreation business

Across industries, those in accommodation, food services & entertainment are significantly more likely to experience a negative impact from Brexit, with two-thirds reporting issues in their supply chain (66%) and access to suitably trained employees (65%). This is also a similar scenario for those in retail who also experienced the same level of Brexit impact in terms of the supply chain (66%).

Figure 12. Frequency of export since Brexit



Base: All who export (2022 n=1,064)

Skills and training

Skills challenges

In previous waves of the London Business 1000, issues around staff wages and retention had been present but Brexit was of greater concern – 34% in 2021 were concerned about Brexit (as the deal was then), compared to 28% concerned about pressure to increase wages. Now, a fifth cite labour market changes following Brexit (20%) as an issue, rising to over a quarter for those in the accommodation and food services industry (27%).

Instead, wages and retention are now seen as the most common skills and labour market challenge. Over two-fifths of London businesses say that pressure to increase wages is a key concern (43%), having steadily risen from a fifth in 2020 (21% 2020, 28% 2021). Similar rises are seen across a number of skills and labour market challenges. Staff retention (15% 2020, 25% 2022), skills shortages among job applicants (14%, 25%), and the cost/ time to recruit new workers (14%, 24%) have risen by around ten percentage points each. There has been a particularly pronounced rise in businesses citing a lack of applicants for job vacancies – from 7% in 2020, to 19% in 2021, and now a quarter of businesses in 2022 (25%).

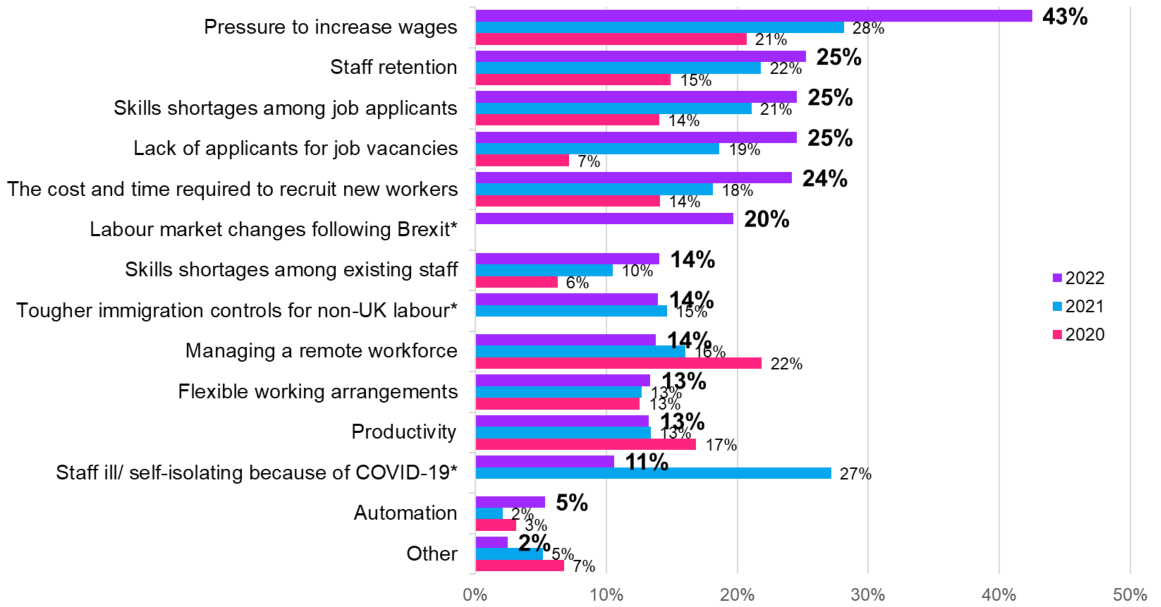
"The issue is, we've got to give bigger pay rises but the clients are requiring savings. The trade off is, if you don't give the pay rises, people leave." – Engineering

"Staff are pushing for wage increases and returning staff is very difficult at the moment." – Real estate

Echoing earlier findings, businesses in accommodation and food services are the most likely to say a lack of applicants for job vacancies (34%) is a key skills and labour market challenge for them. In 2021, the wholesale/ transport and storage industry were most likely to be facing pressure to increase wages. This year, those in the production/ agriculture industry are the most likely to cite this as a challenge (54% vs 41% wholesale/ transport and storage).

The quarter of London businesses who said staff retention is a key challenge for the next 12 months were then asked what was driving this. The top answer reinforces the concern around wages – 62% said staff retention is a challenge as they are unable to increase salaries. This is closely followed by a concern around losing staff to competitors and this concern rises to four-fifths amongst large businesses (79%).

Figure 13. Main skills and labour market challenges over the next 12 months



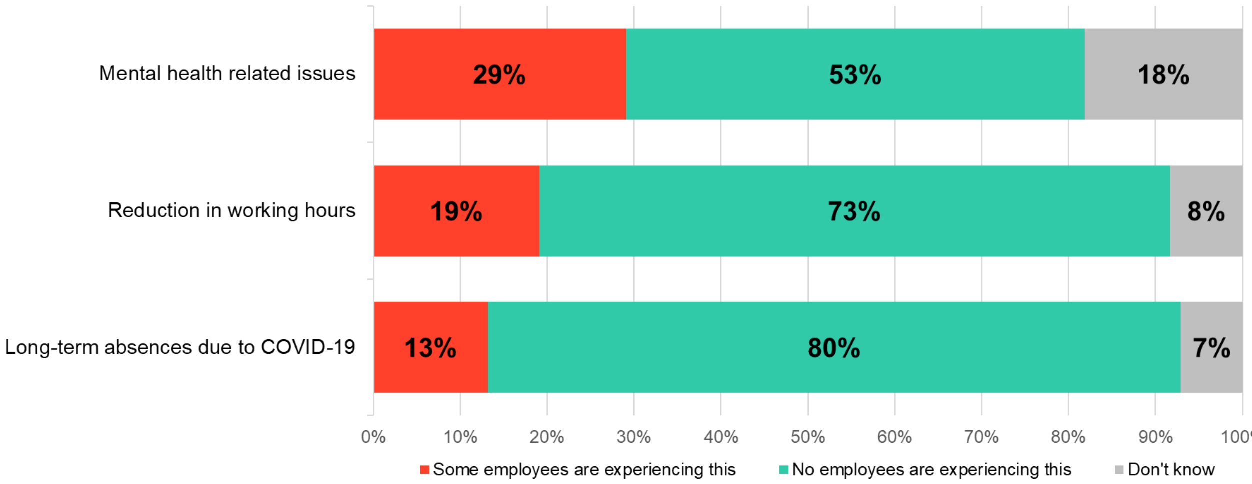
All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)
*option not asked in all years

Staff retention concerns were evident in the last two years of London Business 1000 data and this year, respondents are asked directly about what impact they think the pandemic has had on their workforce. Three in ten say some employees are currently experiencing mental health issues due to the pandemic (29%), one in five are seeing a reduction in working hours (19%), and one in eight say there are long-term absences due to COVID-19 (13%).

Large businesses, who employ greater numbers of staff than small/ medium businesses, are the most likely to say they see each of these impacts of the pandemic (62% mental health, 25% reduction of hours, 41% long-term absence). Wholesale/ transport and storage is the industry most likely to see a reduction in working hours (29%) or long-term absences (20%). Those in retail or accommodation and food services are the most likely to say their staff have mental health issues related to the pandemic (33%, 32% respectively).

Central London businesses are more likely than those in the West, South or East to say their employees experience mental health impacts from the pandemic (34% Central, 25% South and East, 22% West).

Figure 14. Impact of the pandemic on workforce



All respondents (2022 n=1,369)

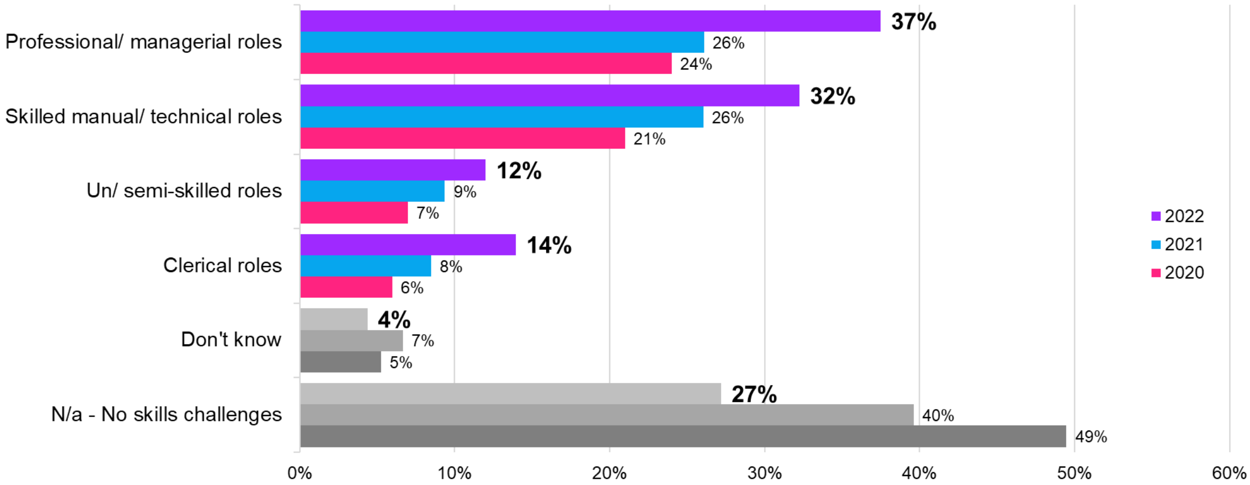
In line with the increasing labour market challenges, there has also been an increase in the proportion of London businesses who face issues with skills. Just over a quarter of London businesses say they do not have skills challenges (27%), a fall from half of businesses saying they did not have skills challenges in 2020 (49%).

Small/ micro businesses are the most likely to say they do not currently face any skills challenges (27%), compared to medium (13%) or large businesses (7%). However, this is still down from 40% of small/ micro businesses saying the same in 2021. Organisations in the public administration and defence industry are the most likely to not be facing issues (35%).

All types of roles have seen progressive increases in skills challenges since 2020. The proportion of London businesses facing challenges with professional/ managerial roles has risen from 24% in 2020 to 37% in 2022. Similarly, the proportion facing challenges with skilled manual/ technical roles has risen from 21% to 32%. Businesses in production/ agriculture are the most likely to cite challenges with skilled manual/ technical roles (59%), while those in information and communication face challenges with professional/ managerial roles (45%).

Businesses in Central London are the most likely region to say they face challenges for professional/ managerial roles (44% Central; 28% East; 28% South; 34% West). Those in the South are the least likely to face issues with clerical roles (14% Central; 13% East; 5% South; 20% West).

Figure 15. Roles in which London businesses face skills challenges

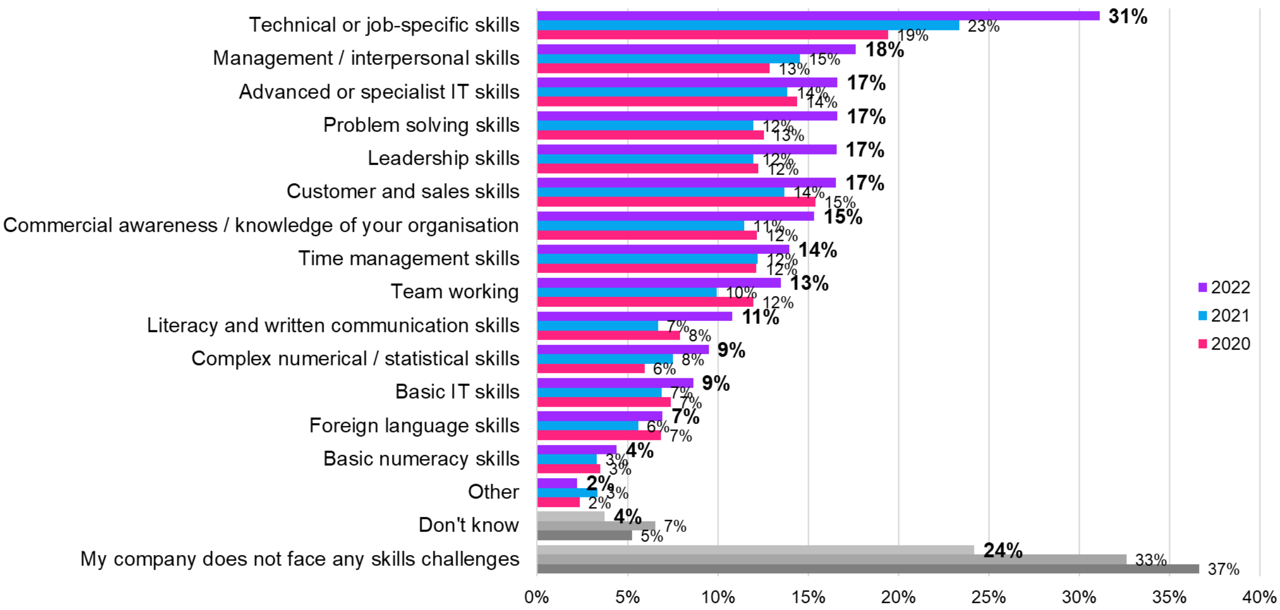


All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)

When prompted to think about what specific skills they are facing challenges with among their current workforce, there has been a similar fall in the proportion of London businesses who say they do not see any skills challenges within their current staff (24% 2022; 33% 2021; 37% 2020). Just as they were less likely to have role-specific challenges, micro/ small businesses are also the most likely to say they do not have skills challenges within their current workforce (24% vs 14% medium, 8% large)

The importance of technical/ job-specific skills remains key. A fifth of London businesses said this was a challenge in 2020 (19%), rising to just under a quarter in 2021 (23%), and now three in ten (31%) in 2022. This continues to be driven by large businesses in particular (28% large businesses in 2020; 35% in 2021; 48% in 2022). Similarly, production/ agriculture businesses continue to be the most likely to say they have issues with technical skills in their workforce (41%).

Figure 16. Types of skills London businesses face challenges within their workforce



All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)

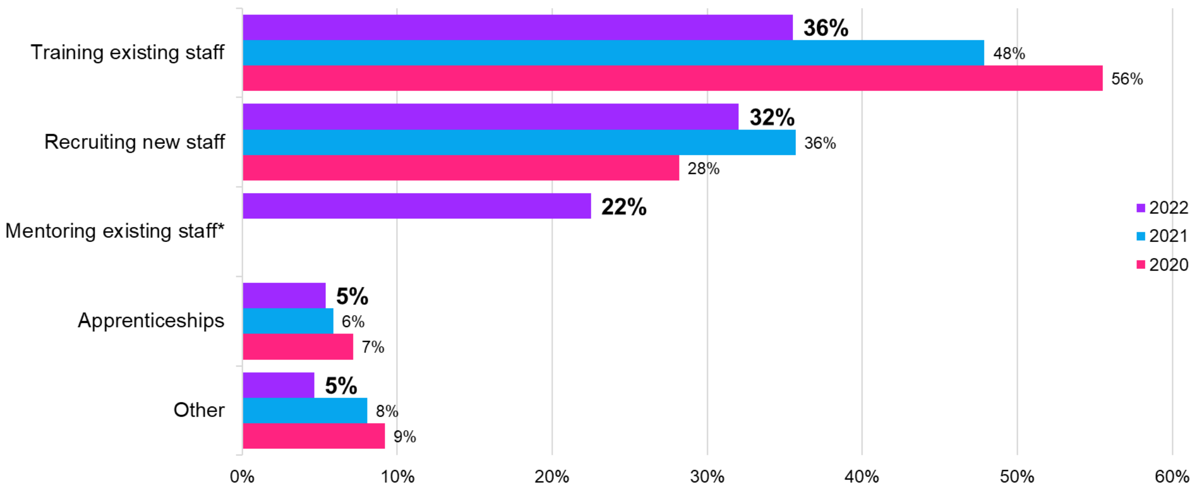
Upskilling

Training existing staff ('upskilling'), continues to be the most important way for London businesses to acquire new skills that they need (35%). However, it appears to have dropped compared to previous years. In part, this may be due to the inclusion of a new option in 2022 (mentoring existing staff), which respondents may now have chosen instead, but the trend is evident prior to this year – having dropped from 56% in 2020 to 48% in 2021.

This year, there is no trend across business size in terms of the different methods to acquire new skills. Only a small proportion of businesses see apprenticeships as the most important way of getting new skills into their business (5%), but this rises to one in seven of businesses in production/ agriculture (13%).

Businesses in South London are the most likely to say recruitment is the most important pathway for new skills, significantly higher than West London businesses (39% vs 28%).

Figure 17. Most important methods to acquire new skills

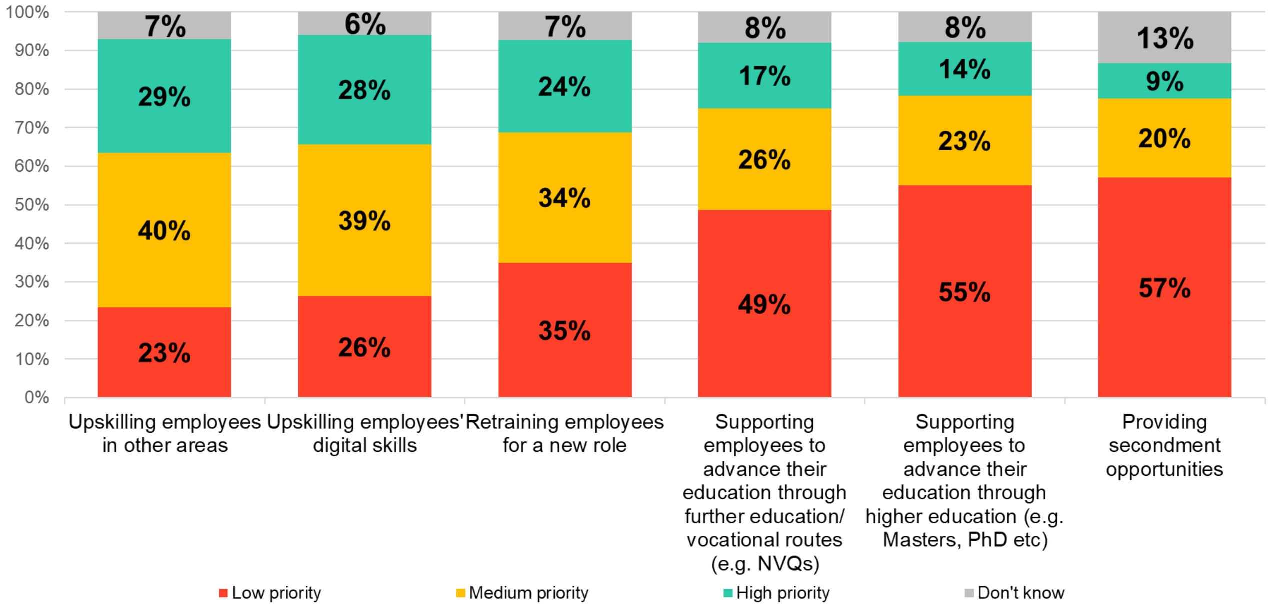


All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)
*option not asked in all years

Consistent with previous years, over a quarter consider upskilling employees in digital skills (28%) or other areas (29%) to be a high priority to their business. A quarter say their business considers retraining employees for a new role to be a high priority (24%); this has been on the rise since 2020 (13% 2020; 19% 2021). Less than one in five think that supporting employees to advance their education is a high priority, whether that is through further education (17%) or higher education (14%).

Businesses in the production/ agriculture industry have a clear focus on training. They are the most likely to say supporting employees' further education (24%) or higher education (19%) is a priority for their business. They are also the most likely to say upskilling employees in other (non-digital) areas is a high priority (37%). By comparison, only 24% of businesses in the retail industry say that upskilling employees in non-digital areas is a high priority for the business and only 9% of retail businesses prioritise higher education.

Figure 18. Priorities for training current workforce



All respondents (2022 n=1,369)

Recruitment

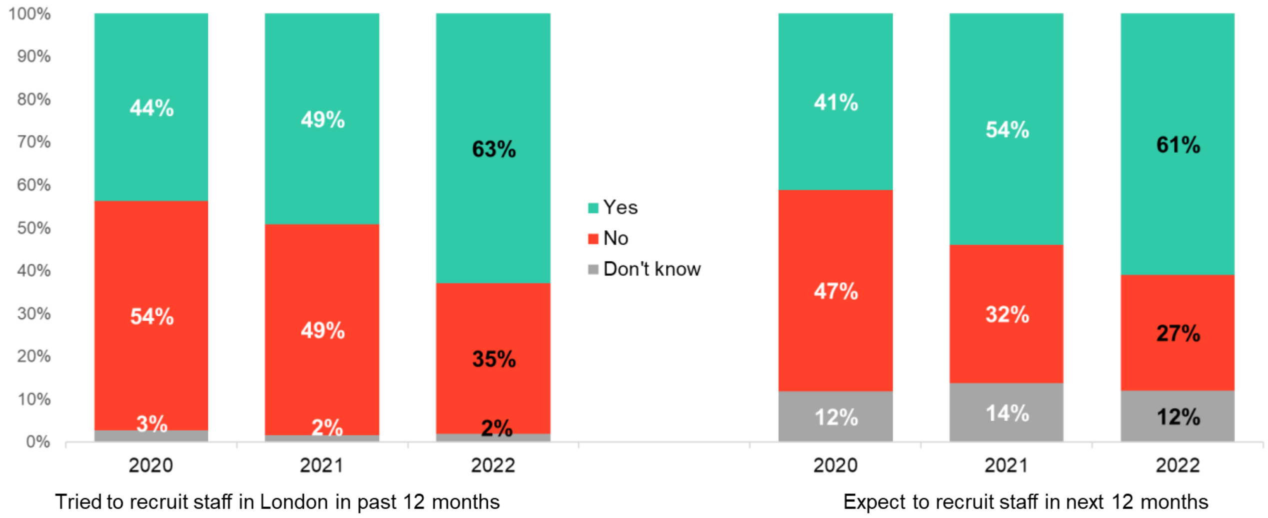
Past and future recruitment plans

Despite rising expenses for companies in the wake of the cost-of-living crisis, recruitment plans continue to build from last year's growth. Three in five London businesses recruited or tried to recruit in the past 12 months (63%) and a similar proportion plan to recruit over the next 12 months (61%). This represents a growing trend of London businesses increasing their desire to recruit – a substantial rise from half in 2021 both in terms of past recruitment (49%) and future recruitment over the next 12 months (54%). This builds on from the low seen in 2020 where less than half tried to recruit in the past 12 months (44%) and only two in five expected to recruit in the next year (41%).

This uplift is seen amongst all business sizes, with micro/small businesses seeing particular growth in recruitment, with three in five expecting to recruit in the next year (2022: 60%; 2021: 53%; 2020: 41%) or have done so in the past 12 months (2022: 62%; 2021: 49%; 2020: 43%).

Almost three quarters (72%) of businesses in production/agriculture, forestry and fishing recruited in the past 12 months – a notable rise from less than half in 2021 (49%). Businesses in public administration & defence, education, and health are most likely to recruit in the next year, marking a significant reversal from 2020 (2022: 65%; 2021: 59%; 2020: 35%). Uncertainty concerning recruitment in the next 12 months also reduced; retail, where almost a fifth of businesses in the previous two years did not know if they recruit, now sits at only one in 10 this year (2022: 11%; 2021: 17%; 2020: 18%).

Figure 19. Recruitment in the past 12 months and expected recruitment in next 12 months

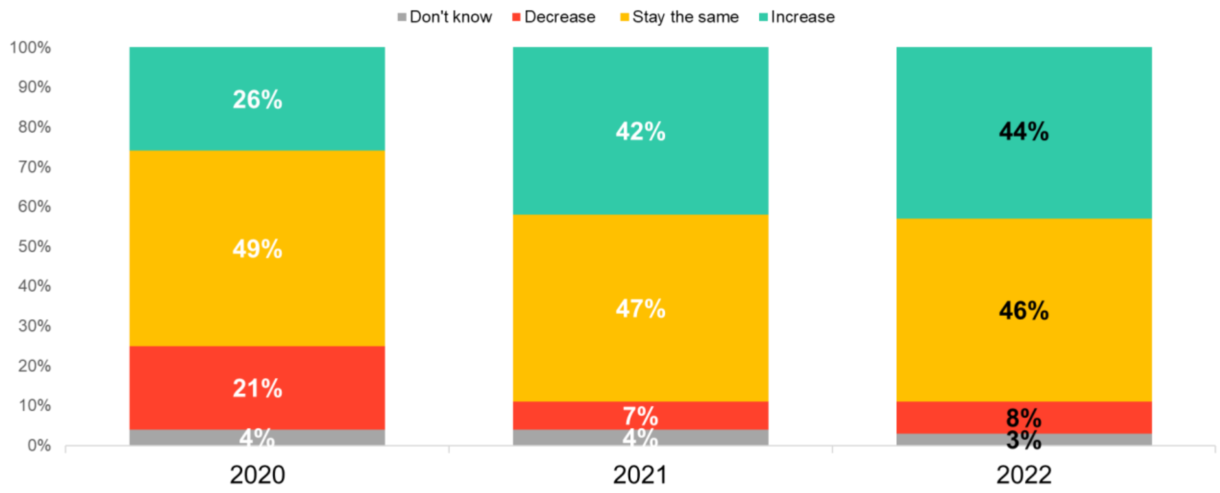


All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)

Consistent with 2021 and a renewed desire to recruit since 2020, the proportion of businesses that believe their headcount will increase over the next year remains at a far higher level than two years ago (2022: 44%; 2021: 42%; 2020: 26%). This sustained level of businesses wanting to increase their headcount against 2020's figures is seen across all business sizes, with large and medium businesses significantly more likely to increase their headcount than micro/ small businesses (large: 56%; medium: 62%; micro/small: 43%). Moreover, businesses in Central London are also significantly more likely to increase their headcount than businesses in any other London region (Central: 49%; South: 40%; East: 39%; West:35%).

This story is seen across industry typologies, with businesses in the information & communication, professional, scientific & technical industries being most likely to increase their headcount (2022: 50%; 2021: 47%; 2020: 35%). In a similar vein, and comparable percentage to 2021, a very small proportion of businesses in different industries believe their headcount will decrease, with businesses in motor trades and construction/property being most likely to lower their headcount at 11% for both (2021: both 9%; 2020: construction/property: 22%, motor trades: 31%).

Figure 20. Expected headcount change



All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)

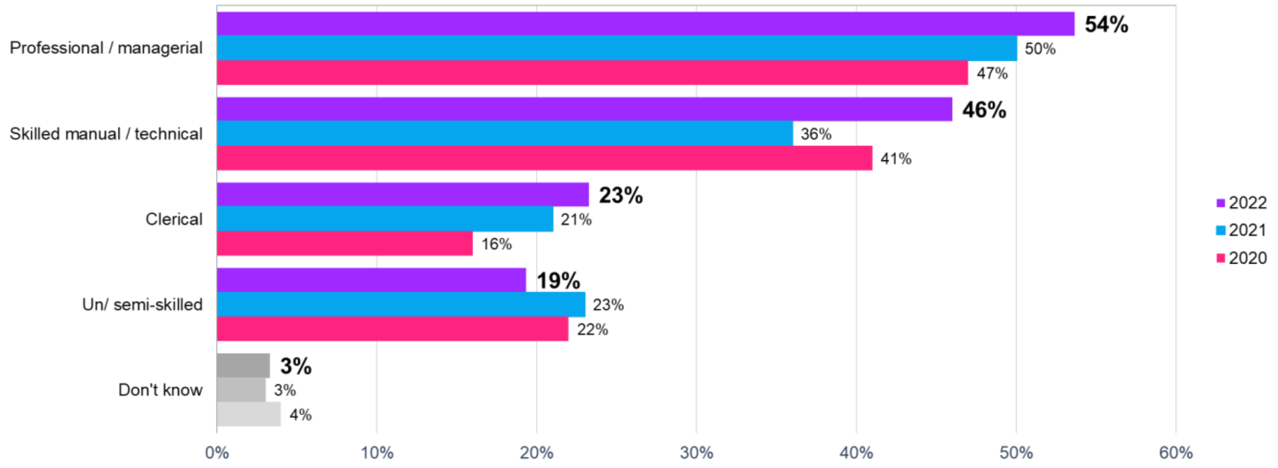
Roles recruited

Amongst those who tried to recruit staff in London over the past 12 months, demand for professional/managerial roles remains most prevalent (54%). The demand for professional/managerial staff continues a long-term trend in recruitment for London businesses – recruitment for this role has steadily been rising since 2018, from 43% in 2018, 45% in 2019, 47% in 2020, 50% in 2021 and now 54% in 2022.

There is also a significant rise since 2021 at an overall level for skilled/technical staff – a return to a similar proportion seen in 2020 (2022: 46%; 2021: 36%; 2020: 41%). This shows signs of recovery after declining in previous years.

Interestingly, large businesses in London are significantly more likely to recruit skilled manual/technical staff than in 2020 and 2021 – a rise to over half from two-fifths in 2021 and 2020 (2022: 54%; 2021: 42%; 2020: 45%). While in the same vein as 2021, businesses in the information & communication/professional industry are most likely to seek professional/managerial staff (2022: 67%; 2021: 69%; 2020: 56%).

Figure 21. Types of roles recruited over past 12 months



All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)

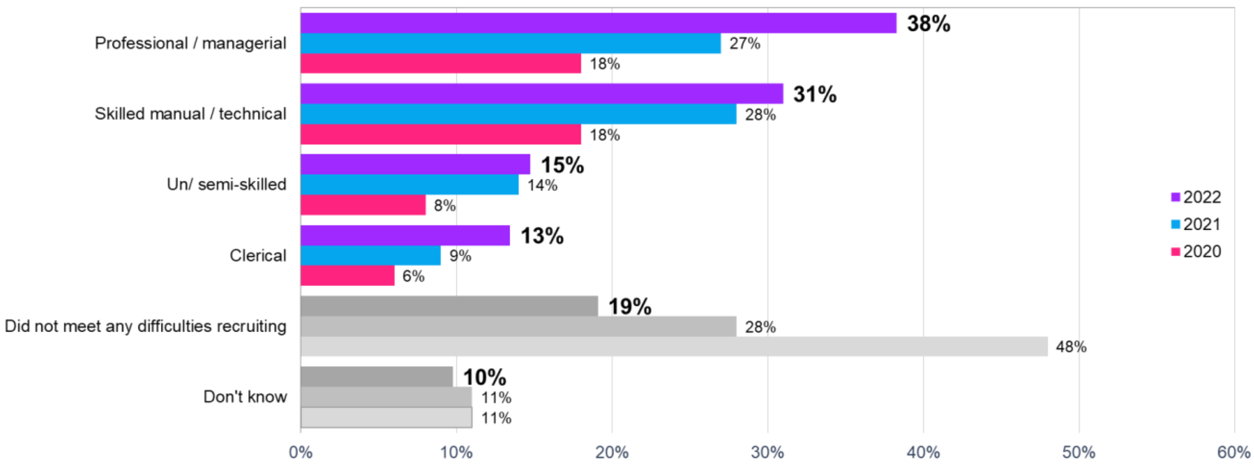
Difficulties recruiting

Just as there is sustained demand for professional/managerial roles there has also been a substantial rise in the proportion of businesses that report difficulties recruiting staff in these positions (2022: 38%; 2021: 27%; 2020: 18%).

Likewise, this year also illustrates a steady rise in difficulties recruiting skilled manual/technical roles, from 18% in 2020, 28% in 2021 to 31% in 2022. This trend is also seen amongst clerical staff and un/semi-skilled staff where demand has slowly increased from 2021 – a significantly higher level than 2020 (clerical: 2022: 13%, 2021: 9%, 2020: 6%; un/semi-skilled: 2022: 15%, 2021: 14%, 2020: 8%). These increased difficulties are further emphasised at an overall level where only one-fifth reported not having any difficulties recruiting staff (19%) – a continued fall from a quarter (28%) in 2021 and half (48%) in 2020.

Businesses in the information & communication/professional industries are the largest drivers in this year's rise in difficulties in recruiting professional/managerial roles, with half experiencing this challenge compared to only a fifth of accommodation & food services businesses (48% vs 19%).

Figure 22. Types of roles businesses had difficulty recruiting for



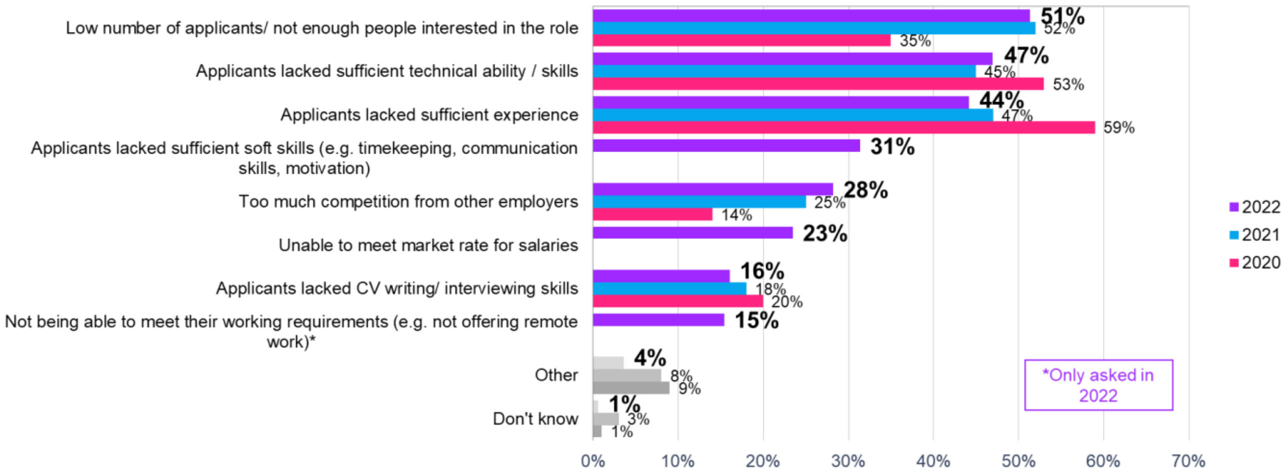
Those who have recruited for the following roles in the last 12 months (2020 n=643; 2021 n=728; 2022 n=943)

When businesses in London were asked what difficulties they were facing when recruiting, the most frequently cited reason was that not enough people were interested in their roles (51%). This is a similar proportion to 2021 (52%) and much higher than 2020 (35%). Interestingly, almost half (47%) of London businesses perceive applicants to have insufficient ability/skills and two-fifths found applicants lacked experience (44%).

All business sizes experience a comparable level of difficulty seen in 2021, with large business sizes being significantly more likely than micro/small to be unable to meet market rates for salaries (37% vs 23%) and finding too much competition from other employers (47% vs 28%) as impediments to recruitment. Micro/small businesses are more likely to cite applicants lacking CV writing/interview skills (16% vs 8%) and soft skills (31% vs 18%) than large businesses.

London businesses in accommodation & food services/entertainment industry are more likely than other industries to find not enough applicants interested in the role (2022: 68%; 2021: 63%; 2020: 48%). At a regional level, two thirds of businesses based in East London reported difficulties in finding applicants with sufficient experience, significantly more than any other region in London (East: 66%; Central: 43%; South: 25%; West: 42%).

Figure 23. Main difficulties faced when recruiting



All who faced difficulties recruiting (2020 n=270; 2021 n=437; 2022 n=676)

Apprenticeships

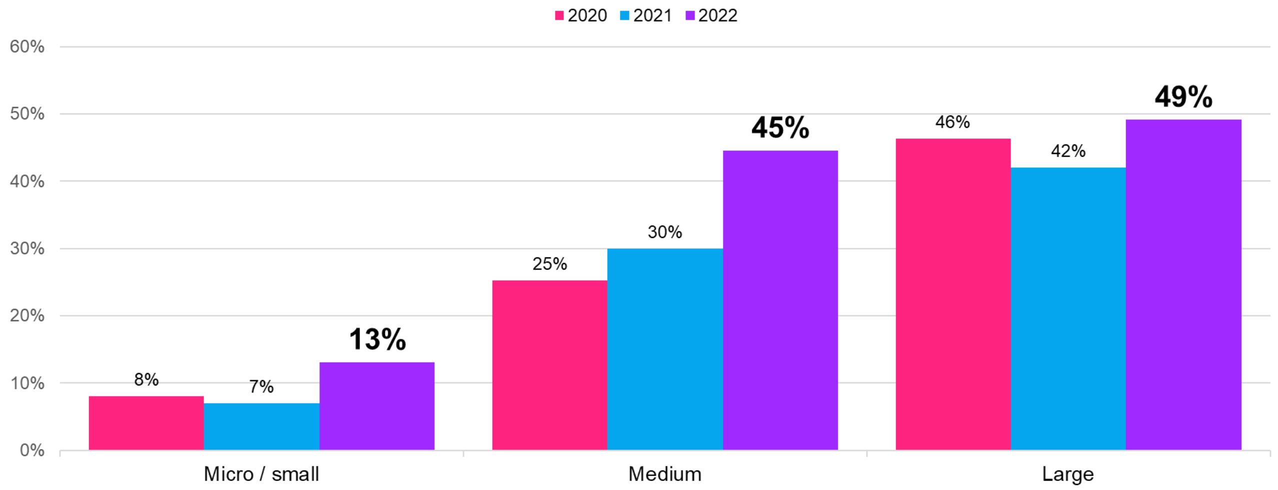
Employment of apprentices

There has been a marked increase in the proportion of businesses employing an apprentice in 2022 – now 14%, double the figure from last year's London Business 1000 (7%). This matches the previous level of apprenticeships employment in the London Business data; 13% of London Businesses in 2019 employed apprentices.

Trends by business size cannot be tracked pre-2020 due to small sample sizes, but the proportion of micro/ small businesses employing an apprentice has almost doubled, from 7% in 2021 to 13% in 2022. As the data for the London Business 1000 is weighted to reflect the London business population, the overall view is dominated by that of micro/ small businesses. Over the last three years, there has also been a notable climb in the proportion of medium-sized businesses employing apprentices (Figure 23).

It may be unsurprising, given they were most likely to cite apprenticeships as a useful pathway for new skills, to note that businesses in the production/ agriculture industry are the most likely to currently employ apprentices (25%). They are closely followed by those in the wholesale/ transport and storage industry (23%).

Figure 24. Proportion of London businesses that employ apprentices



All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)

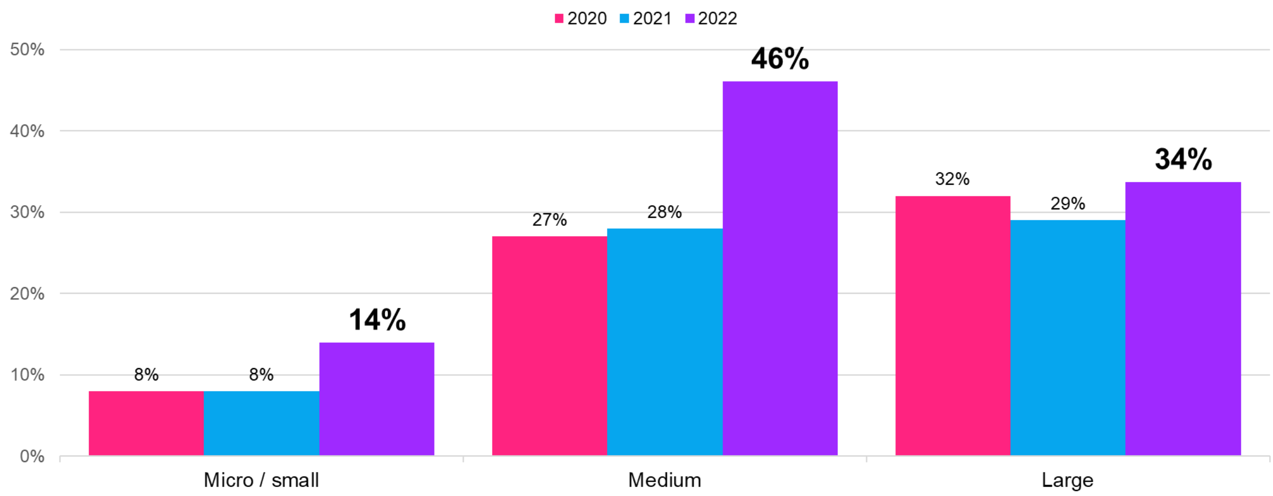
Use of apprenticeship funding

The apprenticeship levy is a levy on UK employers with an annual wage bill of more than £3 million. These employers 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. To the best of their knowledge, 14% of London businesses believe that they are required to pay the levy, more than double the figure from last year (5% 2021; 7% 2020). Overall levels of uncertainty remain high, with two-fifths not knowing if their business is required to pay the apprenticeships levy (38%).

In line with increased employment of apprenticeships and increased awareness of the levy, intentions to use apprenticeship funding has increased – one in seven (14%) now plan to do so, compared to one in ten (9%) in 2021. As with the other metrics, medium-sized businesses have seen the biggest rise in plans to use apprenticeship funding in the next 12 months (2022: 46%; 2021: 28%).

Of those employers who believe they are required to pay the apprenticeships levy, three-fifths currently employ apprentices (60%) and a similar proportion intend to use the apprenticeships funding in the next 12 months (61%).

Figure 25. London businesses that plan to use apprenticeship funding over the next 12 months

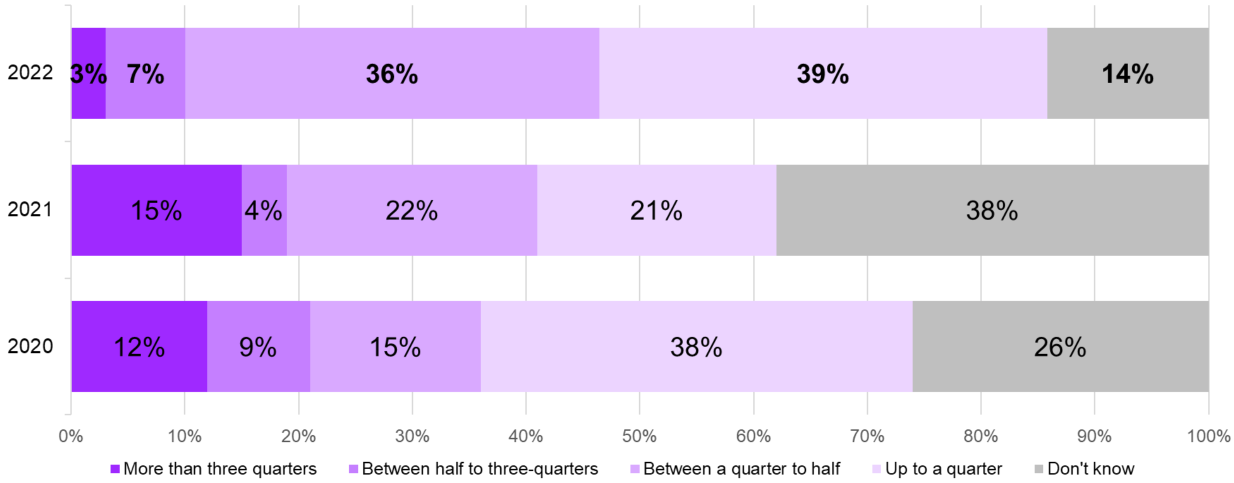


All respondents (2020 n=1,251; 2021 n=1,276; 2022 n=1,369)

Of those London businesses who say they will use the apprenticeships funding in the next 12 months, two-fifths say they will use the funding to employ the same number of apprentices as before (39%). Around three in ten say they will use the funding to employ more apprentices (31%), fewer apprentices (31%), or use it to train existing staff (32%).

This year, only around one in ten businesses who will use apprenticeship funding plan to use more than half of the funds available to them (10%) – a notable fall from around a fifth of the same group in 2021 (19%) and 2020 (21%). Instead, there has been a continuing rise in the proportion of businesses who plan to use between a quarter and half of the funds available (2022: 36%; 2021: 22%; 2020: 15%).

Figure 26. Percentage of apprenticeship funding that London businesses plan to use



All respondents who plan to use apprenticeship funding (2020 n=172; 2021 n=178; 2022 n=283)

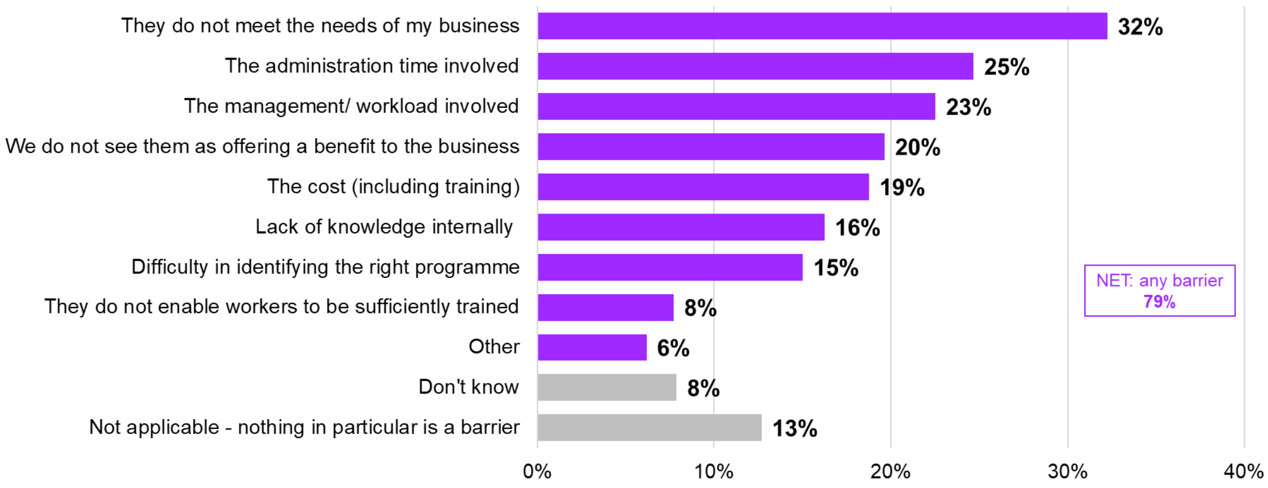
Engagement around apprentices

When prompted to think about why their organisations do not make more use of apprenticeships, a third of London businesses say they do not meet their needs (32%). Around a quarter cite the administration time (25%) or the management/ workload involved (23%).

Micro/ small businesses are more likely than large businesses to see barriers – a third say they do not meet their needs (32% micro/ small vs 20% large), a quarter see the administration time as a barrier (25%, 18%), a fifth do not see the benefit they would bring (20%, 13%) or cite the cost including training (19%, 11%).

Those based in East London are more likely than any other region to say that the administration time involved (33%) or the cost including training (28%) is a barrier to their use of apprenticeships.

Figure 27. Main barriers to business making more use of apprenticeships

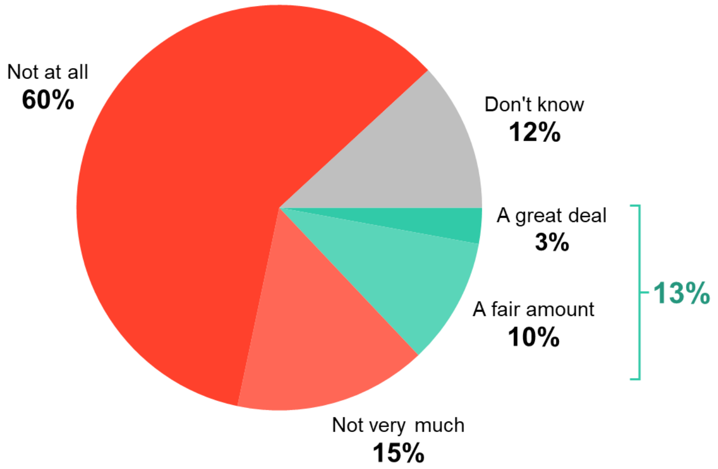


All respondents (2022 n=1,369)

Around one in seven have engaged with their local authority on apprenticeships (13%), but the majority say they have had no interaction at all (60%). There are no significant differences across London region around engagement on this front. Micro/ small businesses (75%) are significantly more likely than medium-sized (57%) or large businesses (50%) to say they have not had much or any interaction with their local authority on apprenticeships.

Those who have interacted with their local authority on apprenticeships are much more likely to currently employ apprentices (62%) than those who have not (6%). They are also much less likely to say that apprentices do not serve the needs of their business (24% vs 35%), although they are more aware of other barriers such as the cost of training (32%, 18%). This could be indicative of a correlation between business interaction with their local council and their likelihood to use apprenticeship schemes.

Figure 28. Level of engagement with local authority on apprenticeships

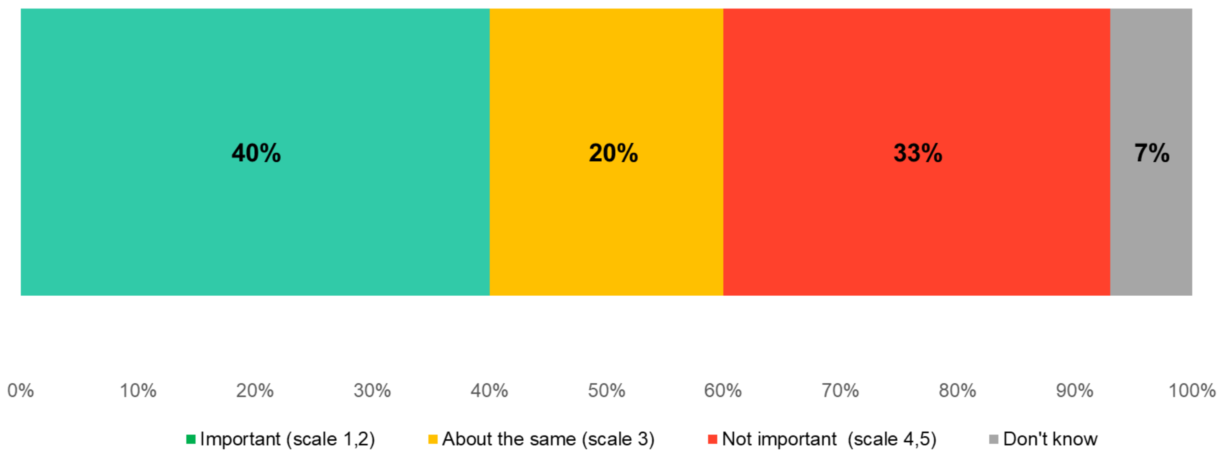


All respondents (2022 n=1,369)

Actions taken

A large proportion of businesses this year believe that reducing greenhouse gas emissions is important/very important (40%) to their firm. Large businesses are significantly more likely than micro/small businesses to believe in its importance (40% vs 57%), while businesses in information & communication/professional industry are more likely than other industries to recognise the importance of cutting emissions (45%).

Figure 29. Importance of reducing greenhouse emissions



All respondents (2022=1,369)

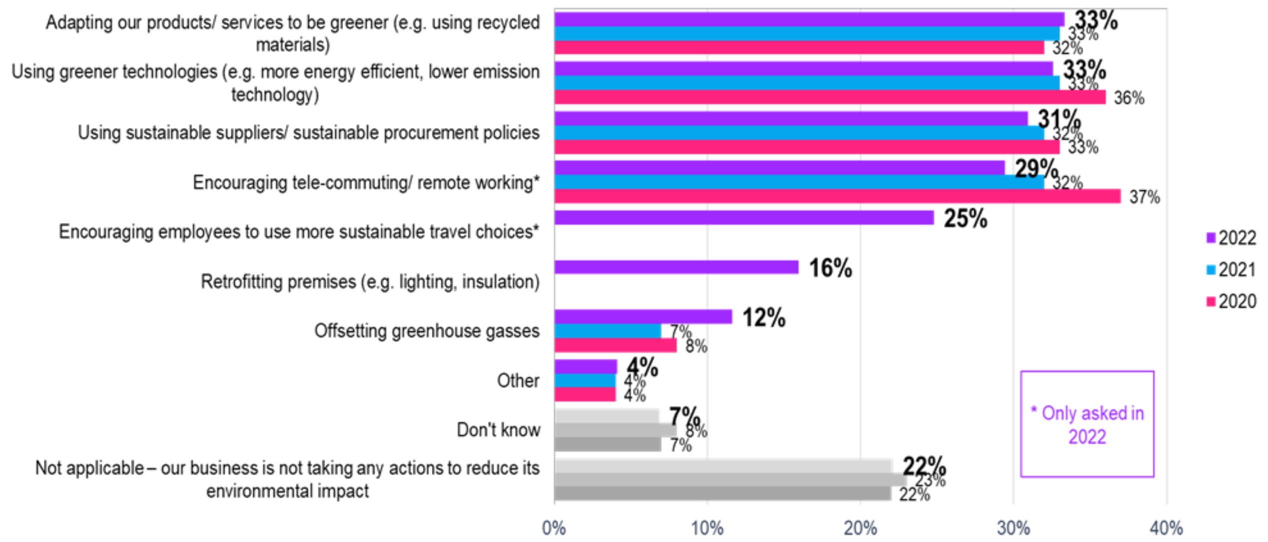
Consistent with this recognition of the need to tackle greenhouse emissions, seven in ten took action to reduce their emissions – consistent with previous years (2022: 71%, 2021: 69%, 2020: 71%).

Adapting products (33%) is now on par with using greener tech (33%). Previously, greener technology was more popular (36% in 2020). This year, fewer firms said they were encouraging remote working/telecommuting as a way to reduce emissions, down from two in five (37%) in 2020 to 29% in 2022.

Large businesses are significantly more likely to say they were taking action on reducing emissions than micro/small businesses (88% and 71%, respectively): a similar difference is also seen in the 2021 survey too (2021: large: 74%. micro/small: 61%). Interestingly, there is also significant growth in the proportion of businesses in the finance &

insurance/business administration industries who have taken action to reduce emissions, from 47% in 2021 to 69% in 2022.

Figure 30. Action taken



All respondents (2020=1,251; 2021=1,276; 2022=1,369)

Barriers and motivators to lower emissions

When focussing upon the key barriers to acting to lower emissions, the most common explanations were high initial upfront costs and that it is not appropriate to their business (12%). This is particularly high amongst businesses that do not encourage remote working, with three in ten firms saying it is not appropriate to their company (28%). As shown in figure 30, another key barrier is that businesses have their priorities focussed elsewhere. The larger swathes of businesses finding barriers in terms of high upfront costs and different business priorities could be explained by rising inflationary pressures on London businesses. Indeed, there has been marked growth in the proportion of businesses that cited initial upfront costs.

There has been steady growth since 2020 in the level of businesses that believe initial costs are the main obstacle (2022: 12%; 2021: 9%; 2020: 8%). This is particularly high amongst businesses in accommodation, food services/ arts and recreation (15%).

Figure 31. Top three barriers for each type of action

Greener technologies	Adapting products/ services	Using sustainable suppliers	Encouraging remote working	Offsetting greenhouse gasses	Sustainable travel	Retrofitting premises
All not taking this action (n=744)	*All not taking this action (n=772)*	*All not taking this action (n=772)*	*All not taking this action (n=816)*	*All not taking this action (n=1,058)*	*All not taking this action (n=887)*	*All not taking this action (n=1,011)*
Not appropriate for our business (23%)	Not appropriate for our business (25%)	Not appropriate for our business (19%)	Not appropriate for our business (28%)	Not appropriate for our business (21%)	Not appropriate for our business (19%)	Not appropriate for our business (23%)
Business priorities focussed elsewhere (21%)	Initial upfront costs (15%)	Higher operating costs (15%)	Business priorities focused elsewhere (10%)	Higher operating costs (15%)	Lack of appropriate alternatives (12%)	Initial upfront costs (22%)
Initial upfront costs (20%)	Higher operating costs (15%)	Business priorities focussed elsewhere (14%)	Other (9%)	Initial upfront costs (13%)	Business priorities focused elsewhere (11%)	Higher operating costs (12%)

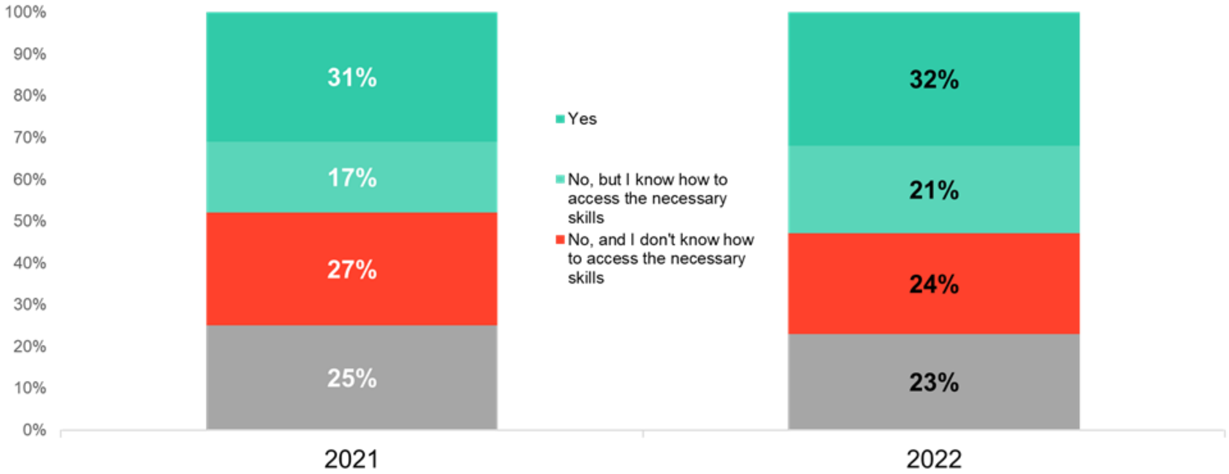
There has been little change at an overall level since last year in the proportion of businesses that found a barrier in reducing their gas emissions, (2022: 72%; 2021: 69%). However, differences become more pronounced when looking upon business size where larger businesses in London are significantly more likely than micro/small businesses to find there is a lack of appropriate substitutes (6% vs 11%) and micro/small businesses are more likely to find it not being appropriate for their business (12% vs 6%).

Furthermore, 6% of companies believe that a lack of knowledge/skills within the business is the main barrier to lowering their emissions, rising to 12% of medium businesses. When all businesses are asked if they have the skills necessary to reduce carbon emissions, over half said they currently have the right skills or know how to access them, which is a notable increase from last year (2022: 53%; 2021: 48%). A quarter of businesses reported that they do not have the skills and do not know how to access them (2022: 24%; 2021: 27%) and a similar proportion simply don't know (2022: 23%; 2021: 25%).

Comparable with 2021, half of large businesses say they have the skills to successfully reduce their emissions, significantly more than micro/small businesses (51% vs 32%, respectively). A quarter of micro/small businesses report say they do not have the skills and do not know how to access them (24%) – significantly higher than medium (14%) or larger sized businesses (7%).

As with the previous London Business 1000 survey, businesses in information & communication/ professional services industries are most likely to find they have access to the necessary skills to reduce their carbon emissions (35%). This is compared to just a quarter of public administration businesses (26%). Public administration businesses are also most likely to feel that they do not know how to access the skills that they need (33%).

Figure 32. Whether business has necessary skills to reduce carbon emissions.



All respondents (2021=1,276; 2022=1,369)

Significant proportions of businesses find costs as key barriers to their emissions (22% either upfront or operating). It is therefore unsurprising that financial incentives to lower emissions prove most popular, particularly given the rising costs that businesses are currently facing (33% cite a need for green grants, and 36% for tax breaks for environmentally friendly businesses).

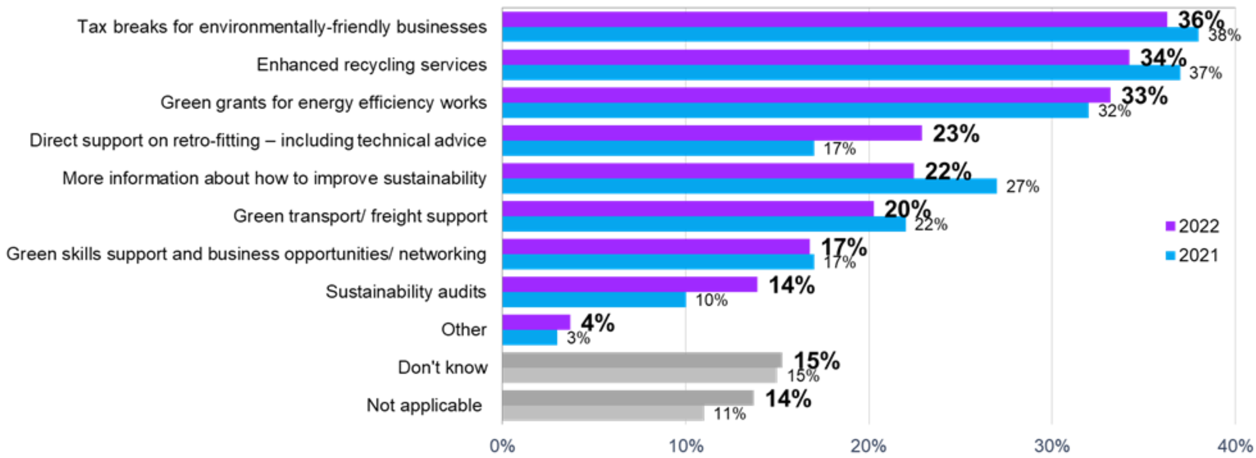
There is also considerable support amongst businesses for more advice and support from their local councils both in terms of improving their sustainability (22%) and direct support to assist with retrofitting their premises (23%). There is also notable support for councils to improve the infrastructure of their borough to assist businesses, such as enhanced recycling services (34%) and green transport/ freight support (20%).

While firms of all sizes would find tax breaks for environmentally friendly businesses most helpful, large businesses would be most receptive to this assistance from their local council, and significantly more likely to do so than micro/small businesses (micro/small:

36%; medium: 35%; large: 45%). Likewise, large businesses would also be more likely to be supportive of green skills support/networking opportunities than micro/small businesses (24% vs 17%).

In contrast, micro/small businesses are more likely than larger businesses to feel that there is nothing that their local council can do to support their businesses further – suggesting that micro/small businesses feel adequately supported by their local council when focussing upon the environment (14% vs 7%). On the other hand, when focusing on regional differences, businesses based in Central London are significantly more likely than other regions to prefer sustainability audits (Central: 18%; East: 13%; South: 6%; West: 8%).

Figure 33. Desired support from local councils



All respondents (2021=1,276; 2022=1,369)

Conclusions

The last year has proved challenging for many businesses, with three quarters now being less confident about the next 12 months than in the previous year. While the threat of COVID-19 loomed large in previous London Business 1000 surveys, it has now been replaced by inflationary pressures, which has caused dramatic rises to reported operational costs. Seven in ten businesses now feel that they must address these inflationary issues, with three in five saying that they will increase the prices for their products or services.

The pressure has become more acute now businesses are also starting to face the impact of Brexit, with half of businesses now experiencing supply chain issues and reduced access to suitable staff. This is compounded by many London businesses facing skill shortages and retention difficulties, with a lack of staff in technical/job-specific skills continuing to rise. Large businesses are currently facing the brunt of these skills issues, with almost half reporting that they are unable to find staff with technical/job-specific skills.

Over the last two years, it could be suggested that London businesses may have attempted to address problems regarding a lack of suitably skilled employees with a recruitment drive. Indeed, almost two thirds of businesses have tried to recruit in the past year and three in five will do so in the next 12 months – a far higher proportion of businesses this year rather than 2020. Some London businesses have also attempted to address staff shortfalls by employing more apprentices, with the proportion of employers employing apprentices having doubled since last year. Despite this, two-fifths of businesses are still struggling to recruit staff, with half once again citing a general lack of staff with sufficient ability/skills, particularly for professional/managerial roles, and a similar proportion finding not enough people interested in their positions.

Outside of issues regarding recruitment and financial pressures, businesses also reported that business rate investment in public transport should be the biggest priority for councils, with almost half believing that such investment in public transport should be directed towards maintenance of bus routes. London businesses in general are also far less sceptical of councils than in 2019, although half of micro/small businesses perceive their local council to not act very much or at all on their concerns.

Financial challenges once again prove to be the main barrier amongst London businesses that do not take action to reduce greenhouse gas emissions. High initial upfront costs are now among the main barriers to action here, alongside actions not being appropriate to their business. Seven in ten businesses now support a form of financial incentive to lower their emissions whether this be through green grants or tax breaks for greener businesses.

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
- East London
- South London
- West London

London's business environment

- Confidence in the London economy and their own business prospects are consistent across the London regions. Those in Central (77%) and South (79%) London are less confident in the overall UK economy than those in the West (67%).
- The main perceived threat to businesses in the next 12 months is also consistent: rising inflation is the top answer across each region (61% Central; 61% East; 57% South; 57% West).
- Businesses in Central and East London (both 21%) are more likely than those in the South (10%) or West (17%) to say not being able to retain staff in the next 12 months. Those in the East are also the most likely to be concerned about a lack of consumer spending (41%).

- Similarly, the increase in operational costs is seen as a threat by three-quarters of businesses in each London region – 75% Central, 77% East, 77% South, 73% West.
- Businesses in East London are the most likely to say they have/ plan to increase prices for their costs/ services in response to rising inflation (43%), significantly higher than those in Central (33%) or West (31%) London.
- Businesses in West London are the least likely to say they will increase wages/ incentive schemes – only 18% say they will do this, significantly lower than the 26% of businesses in Central London who will. Similarly, West London businesses are less likely than those in the East to provide employee crisis grants in response to rising inflation/ 'cost-of-living' (2% vs 7%).

Devolution and government

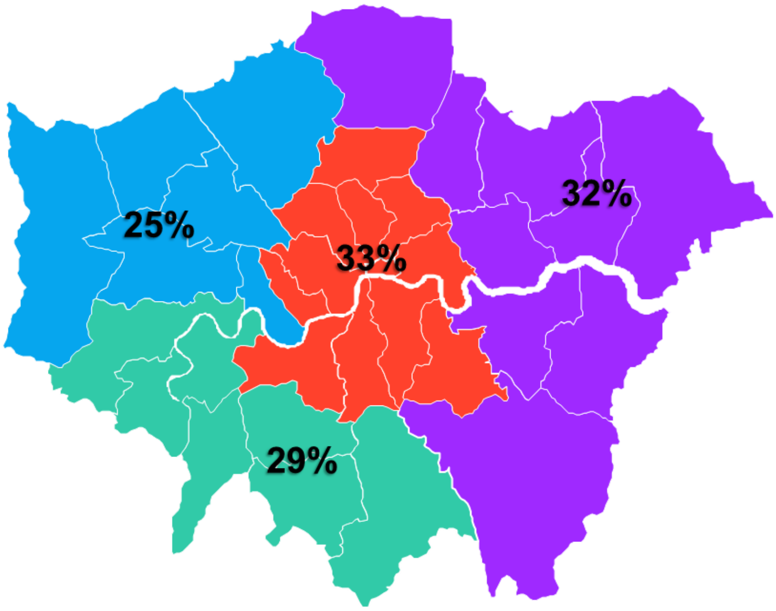
- Across all regions, improvement to public transport is seen as the biggest priority for business rate spending; however, businesses in Central London are significantly more likely than those in South London to support investment in public transport (47% Central; 38% East; 36% South; West 45%).
- When asked specifically about the type of transport investment, businesses in East London are significantly more likely than those in Central London to favour the maintenance of current bus routes (41% vs 57%) and the development of additional bus routes (29% vs 51%).
- Central London businesses are significantly more favourable than those in West London to find additional cycling and walking infrastructure (46% vs 26%) and extending the DLR to Thamesmead a priority (23% vs 7%). Central London businesses are also more likely to be favourable towards the extension of the Bakerloo Line to Lewisham than those in South and West London (37% Central; 18% South; 15% West).
- Central London businesses are most likely to support improving air quality in the capital (38% Central; 24% East; 25% South; 28% West), and those in the West are markedly less likely than businesses in Central or East London regions to find building more affordable workspaces a priority (15% West; 26% East; 23% Central).
- Businesses in South London are most likely to believe their local council had not acted very much/at all on their concerns – a significantly higher proportion than Central London (49% Central; 57% East; 60% South; 52% West). A similar proportion of South London businesses also experienced this within the last 6 months (45% Central; 51% East; 58% South; 50% West).
- Overall, Brexit had a negative impact across all regions, with Central London businesses being significantly more likely than those in any other region to

experience negative impacts to supply chains (58% Central; 48% East; 41% South; 50% West) and less access to suitably skilled staff (55% Central; East 42%; 41% South; 43% West). Similarly, Central London businesses are more likely than those in the South and East to be negatively impacting their import frequency (49% Central; 37% East; 36% South) and exports (45% Central; 30% East; 36% South).

Skills and training

- Pressure to increase wages is the top skills and labour market challenge for all London regions – 45% Central, 42% East, 38% South, 40% West. Those in the South of London are the least likely to cite labour market changes following Brexit as a challenge (11% South vs 22% Central, 20% East).
- Central London businesses are more likely than those in all other regions to say their employees experience mental health impacts from the pandemic (34% Central vs 25% East, 25% South, 22% West).
- Businesses in Central London are the most likely region to say they face challenges for professional/ managerial roles (44% Central; 28% East; 28% South; 34% West). Those in the South are the least likely to face issues with clerical roles (14% Central; 13% East; 5% South; 20% West).
- East London businesses are more likely than Central London businesses to say they face no skills challenges in their current workforce (29% vs 21%). The top skills challenge reported is technical/ job-specific skills, and while it is consistent across all regions, but those in Central London see particular challenges around management skills (21% vs 11% South London), leadership skills (20% vs 11% East London), and advanced IT skills (19% vs 11% East London).

Figure 34. Proportion facing challenges with technical/ job-specific skills in their current workforce



- Businesses in South London are the most likely to say recruitment is the most important pathway for new skills, significantly higher than West London businesses (39% vs 28%).

Recruitment

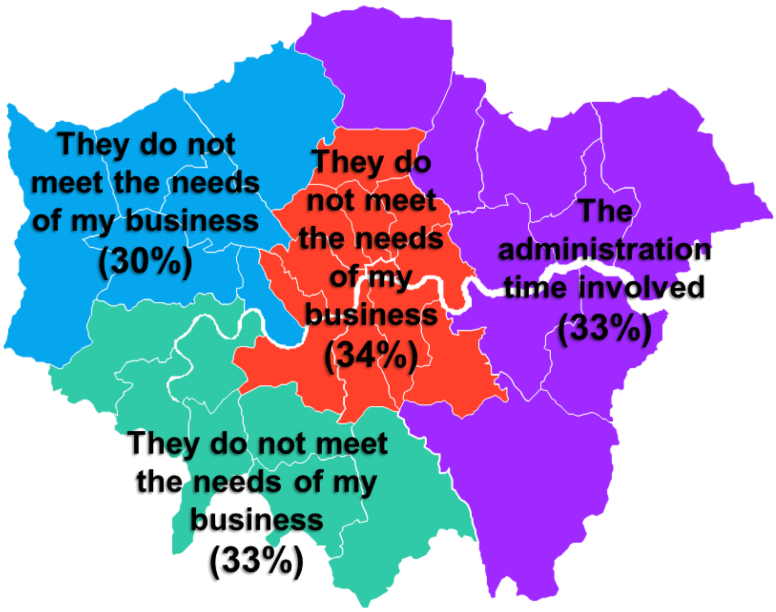
- Businesses based in Central London are more likely than any other region to reportedly have recruited within the last 12 months (71% Central; 55% East and South; 52% West) and intend to recruit in the next year (68% Central; 54% East; 53% South and West). Likewise, Central London businesses are significantly more likely than businesses based in any other region to report an increase in headcount (49% Central; 39% East; 40% South; 35% West).
- Those businesses based in Central London are significantly more likely than businesses based in any other region to seek professional/managerial staff (60% Central; 42% East; 49% South; 42% West), while East London businesses are significantly more likely than those in Central London to recruit un/semi-skilled staff (28% vs 17%).
- There are no statistically significant regional differences in businesses finding difficulties to recruit. However, all businesses across regions find staff in professional/managerial roles most challenging to recruit, with businesses based in East London finding staff for skilled/manual positions equally as challenging as professional/managerial roles. (41% Central; 36% East; 33% South and 35% West).
- Six in ten businesses (61%) in East London are likely to find prospective candidates lacking sufficient technical ability/skills – a significantly higher level than businesses

in Central (45%) and the South which falls to just three in ten (30%). The proportion rises to two thirds (66%) of businesses in East London that cite applicants lacking sufficient experience.

Apprenticeships

- East London businesses are the most likely to currently employ an apprentice, significantly higher than those in South London (19% vs 7%).
- Similarly, those in East London are also the most likely to believe they are required to pay the apprenticeship levy (18%), compared to only 8% in South London.
- Those based in East London are more likely than any other region to say that the administration time involved (33%) or the cost including training (28%) is a barrier to their use of apprenticeships. For all other regions, the top barrier is the perceived inability to meet the needs of the business.

Figure 35. Top barrier to making more use of apprenticeships



- There are no significant differences across the location in terms of their engagement with local authorities on apprenticeships. Around three-quarters say they have not had much/ any interaction with their local authority on this topic – 75% Central and East, 77% South, 76% West.

Sustainability

- Businesses based in Central London are particularly likely to see reducing greenhouse emissions as important (45%). This is compared to only a third of businesses in East (33%) and West (36%) London and two in five in South London (37%).

- Across all sub-regions, using greener technologies have proved most popular, rising to two-fifths of Central businesses (37%) – significantly higher than East (25%), South (26%) and West London (30%) regions. These significant differences are evident regarding encouraging employees to use more sustainable travel choices, with such methods proving significantly more popular amongst businesses in Central London (30% Central; 19% East; 21% South; 20% West).
- Businesses in East London are also significantly more likely than all other regions to favour retrofitting premises (15% Central; 24% East; 15% South; 12% West).
- Overall, London businesses across regions perceive initial upfront costs as the most frequently selected main barrier to reducing their environmental impact (12% Central; 13% East; 14% West), except in South London, where seeing reductions to their environmental impact as not appropriate for their business is the most selected barrier (17%). South London businesses are also significantly less likely than those in Central London to report a lack of knowledge within their business as a main barrier to reducing their impact (8% vs 3%). Contrastingly, Central London businesses are more likely than East London based businesses to find their business priorities focused elsewhere (13% vs 7%).
- At least half of London businesses find that they have the skills to reduce their environmental impact or know how to access them (54% Central; 55% East; 56% South; 47% West), with those in West London are significantly less likely than those in East and Central to find they have these skills.
- 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. Indeed, there is a regional divide between the most popular method, with Central (41%) and West (32%) London businesses being most receptive to tax breaks.
- South (30%) and East (35%) London businesses prefer enhanced recycling services. Green grants also have wide appeal, rising the highest in Central London to two-fifths (37%) of businesses (33% East; 26% South; 27% West).

Appendix B: Case studies

After the survey closed, 10 respondents participated in follow-up in-depth interviews. The following case studies are based on these interviews and provide a holistic understanding of their businesses' challenges, what their perceptions of their local council are, and how engagement shapes these views.

<u>Case study</u>: A Director in an engineering firm in South London

His negative perception of the council is driven by the councils' policies rather than engagement.

Business challenges

- Although the business is doing well overall, the cost-of-living crisis is impacting certain areas: a) energy bills are affecting his office, b) he is struggling to meet employee expectations on pay during this time of high-inflation

"The trade-off is if you don't give the pay rises, people leave"

- He feels the governmental support through COVID has been sufficient. He does not feel the council need to be supporting a business of his size but should be offering business rate discounts to smaller ones i.e., cafes/shops

Perceptions of local council policy

- He thinks the council are neglecting the centre and business priorities are being ignored. And that any regeneration projects are unacceptably slow.
- This degradation is causing businesses to close down and impacting attracting investment into the area, in his mind. Without a 'thriving' area in terms of amenities and shops, he is finding it increasingly hard to attract potential employees.

"They've had an awful lot of things that they've been planning to develop down there. There's a lot of talk and it's incredibly slow in progress"

"I just would want to see more done to turn the place around to get the vibrancy back."

Local council engagement

- He has mixed feelings regarding his engagement with the council.
- On apprenticeships and skills, he has found them very proactive and engaging. When seeking planning permission or trying to obtain funds for projects, his experience was more negative, and he felt the council were slow and unresponsive.

"There are some that are extremely difficult to deal with and some that are actually very engaging"

Case study: A Vice President in a financial services firm in Central London

His negative perception of the council is driven by several negative interactions with them.

Business challenges:

- His firm is being negatively impacted by the prospects of a recession and the recent currency fluctuations. There are also concerns about the increase in operational costs. However, the biggest issue is taxation.
- He is aware of some support measures in place but feels they are tailored to smaller businesses.

"From our perspective, we do see the impact of business rates, that's gone up. The COVID relief measures have stopped. Compared to, say last year and the year before, we are seeing increases."

Perceptions of local council policy:

- His main policy concern for the area is the environment. He believes his local council should monitor how companies apply green measures; this means they should provide tax discounts to companies that make environmentally conscious decisions and fine those who ignore the green model.
- He also thinks that transport in Central London is an issue and works are not planned or delivered effectively and on time.
- He does not feel there is transparency on how business rates are determined.

"When there is an event, we can see how quickly barricades come and go. We can see how quickly the authorities are able to use the subcontractors to get things done quickly."

Engagement with local council:

- His interaction with the council has been time consuming and he believes the service was much better pre-COVID. For him, reaching the right contact within the council takes a lot of time and responses are also very slow.
- He feels there is no transparency in how tax bills are determined and has challenged tax bills in the past for this reason.

"The administrative side of things is not easy. Once it took me hours to get through to them. I emailed them. I didn't get a response."

"COVID has come and gone, but we still can't keep using that as an excuse to say our services are not as robust or as good as before."

<u>Case study</u>: A consulting business in Central London

Her negative perception of the council is driven by perceived policy failures.

Business challenges

- Her business has been fairly stable throughout the COVID-19 pandemic and did not need any support, as none of the staff were furloughed.
- As a small business, the biggest challenge they are facing in this context of crisis is getting invoices paid in time.
- She does not feel that the council provide sufficient support in the current energy crisis and that they are only signposting to the government website. She would appreciate more information from them on the support available to businesses.

"If they could provide just some sort of small, little handy guides…around things like energy in the workspace…and things that small businesses could do to be more efficient or to help themselves."

Perceptions of local council policy

- She feels the council is neglecting the area as they are not taking care of refuse collection, as well as street lighting, which also causes safety issues. The area also faces transport issues, as large van deliveries block the streets and cause congestion during peak hours.
- She feels the council need to be more proactive in providing information about how they are spending tax money; she feels that, unless she looks for it, she does not know what is being done.

" I don't know too much about what they're doing in that area because…I don't get to hear about it unless you proactively go and look for that information yourself. You don't really get to hear about it."

Local council engagement

- She has contacted the council about refuse collection, street lighting and van delivery issues but has only received standardised responses.
- She does not feel that communication with the council is effective, as they take long time to respond to emails and the responses are very general rather than personalized.

"I did get response, but they were all what I'll call stock responses, as in someone has copied and pasted it."

<u>Case study:</u> An accountant in the recreation industry in East London

His negative perception of the council is driven by perceived policy failures.

Business challenges

- The cost-of-living crisis has put a squeeze on his customers' budgets, and the cost of gas has gone up considerably. He does not feel that this is a problem, as the increased cost is a fraction of his business.
- He is happy with the support provided to his business. He received grants that covered the costs of business during the COVID-19 pandemic. While he would like to see some support for the cost of gas, he does not feel it is necessary.

"We got grants, which covered everything…we actually made a little bit more than we expected. We actually benefitted slightly from it."

Perceptions of local council policy

- He feels that the council's policies to address the local environment and the crime rate have been ineffective. He wishes that there was more focus on maintaining the streets.
- He feels that the focus on creating new bike lanes fails to address the increased amount of car traffic in the area, and the removal of parking has negatively affected his and other businesses by putting off people coming from outside the area.

"They've got no parking spaces, nobody's got any parking spaces. We've got shops around here, which have been here for 50 years, and they've had to close-down because they've had all their parking taken away"

Local council engagement

- He has struggled with his discourse with the council on policies such as the bike lanes. He feels they are not engaged or take his requests for information seriously.
- He feels responses have been inadequate and don't answer his questions around if policies have had a positive or negative affect in the area.
- This experience has caused him great frustration and distress, causing him to distrust his council.

"If they actually listened to people instead of just doing what they doing. I think it'd be a lot easier and better for all of us."

<u>Case study</u>: A café restaurant owner in East London

His negative perception is driven by his negative interaction with the council, which makes him feel they are not there to help.

Business challenges

- Three key issues are facing his business: a) supply shortages and long delays in receiving products from overseas; b) labour shortages; c) a considerable increase in energy bills.
- He finds the government's measures insufficient and is not aware of any support from his local council.
- In his opinion, the best support his council could provide is offering small grants to cover business rates.

"I see [business rates] as a squeeze on the businesses, as a tax just for having that privilege to operate from High Street. They should be taxing us according to the turnover of businesses because I shouldn't be paying the same amount as a business that might be making a 5 million turnover."

Perceptions of local council policy

- Although he feels positively towards the area where his business is located, he is concerned about crime. He has witnessed several mugging incidents in the high street, and his business was broken into three times in six years.
- He feels the local council does not act on this policy issue, as he only received a flyer warning about break-ins in the area.

"If I'm paying any kind of a business rate, I would expect the council to do at least the basics of it: prevention of crime and attracting more people into the area."

Local council engagement

- He has interacted with his local council on issues related to licensing, waste collection, pandemic support, parking, and crime.
- On most occasions, talking to the right person was hard because the call centre was directing him to the wrong contact.
- His engagement experience has been frustrating and time-consuming: besides struggling to get through to the right department, the same issues he was assured had been resolved kept re-occurring six months down the line.

"Sometimes it feels like you are just hitting the brick wall each time and talking to a non-person. They're just not listening to you. Until you find that right person, the right individual that they know what they're doing, how they can help you. You feel ecstatic basically!"