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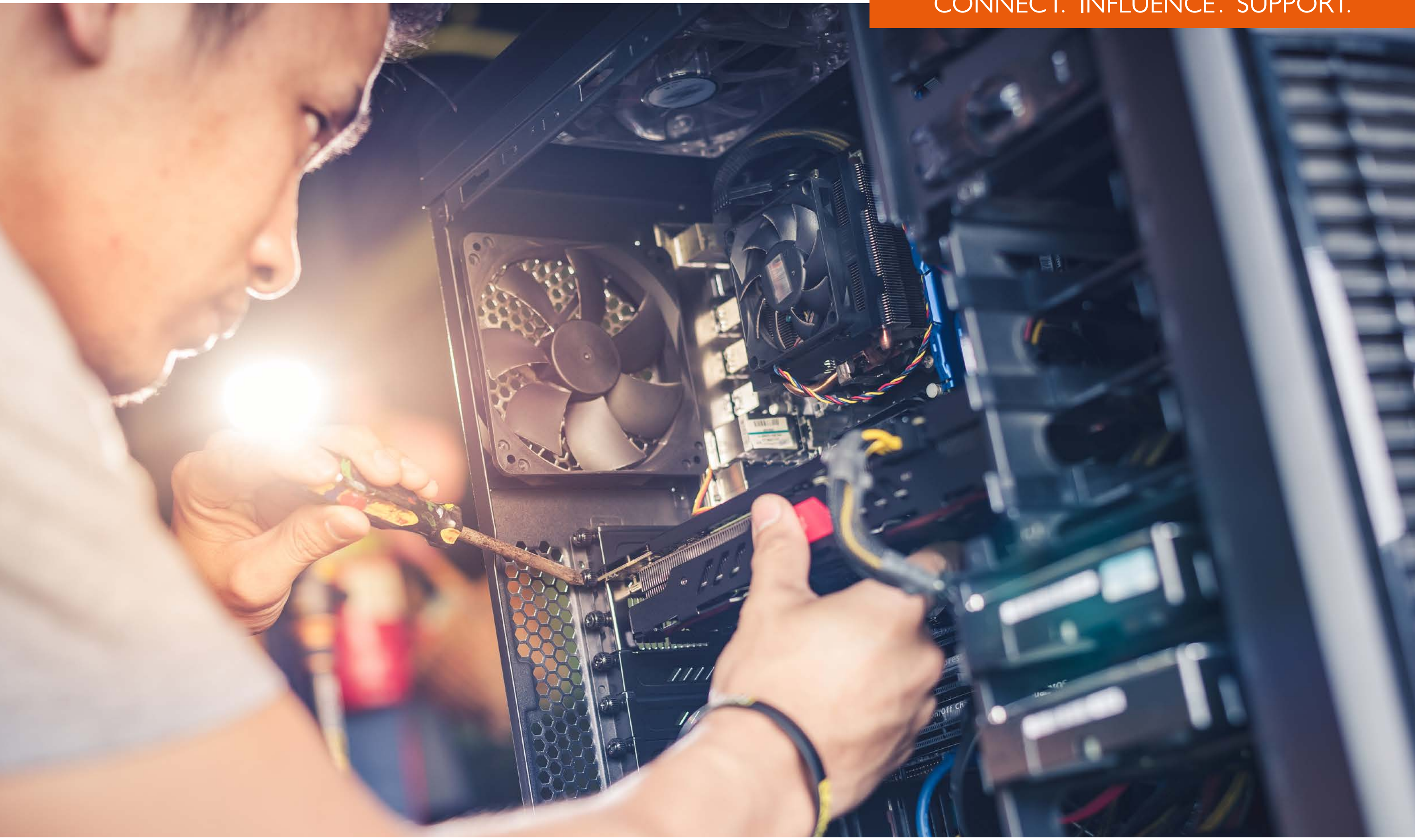


LONDON SKILLS SURVEY

Q4 2021

Savanta: ComRes

ANALYSING LONDON BUSINESSES' SKILLS NEEDS

FOREWORD

The recruitment challenges that businesses are facing have been well-documented, particularly in the light of recent seismic changes to our economy – namely our departure from the European Union, and the Covid-19 pandemic.

One of the clear takeaways from our latest Quarterly Skills Survey is that the business community in London is encountering real issues with finding interested and qualified candidates. Nearly all manufacturing businesses who faced difficulties recruiting, said the main reason was a lack of interested potential employees.

The labour market in the UK is extremely tight, with vacancies running at record highs. Companies are focussing more on employee retention, turning to salary increases as a way of retaining employees. Training investment is also recovering following a decline during the pandemic, both for larger and micro businesses. In the context of a steep rise in energy prices however, businesses are facing intensifying cost pressures at a time when the economy is still recovering.

Firms' need for skills is unlikely to abate either. London companies predicted that new technologies, the Covid-19 pandemic, and the UK's departure from the European Union will all prompt a need for employees to acquire new skills.

Richard Burge
Chief Executive
London Chamber of Commerce and Industry

METHODOLOGY

Savanta ComRes surveyed a total of 503 London business leaders between 28 October and 11 December 2021. All data were weighted to be representative of all London businesses by company size and broad industry sector. Savanta ComRes is a member of the British Polling Council and abides by its rules. Full data tables are available at **www.comresglobal.com**.

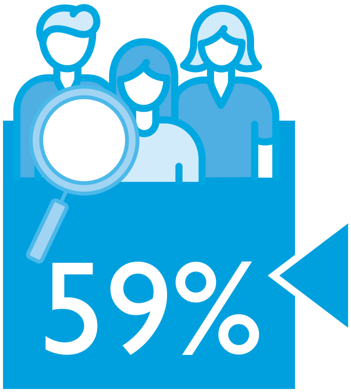
RECRUITMENT

Recruitment by London businesses was a touch higher in the final quarter of 2021, with 18% of companies saying they had sought to recruit. This was up from 17% in Q3 2021, and 12% in Q4 2020. Hiring by larger companies (defined as businesses with 10 or more employees) was stronger in Q4, with 69% of firms saying they had sought to recruit: this was up from 55% in Q3 2021, and surpassed the pre-pandemic record (66%, Q4 2019).

For micro companies (defined as firms with 0-9 employees), there was no change in the proportion who said they had looked to recruit between Q3 and Q4 2021 (13%).

DIFFICULTIES WHEN RECRUITING

Of those who sought to recruit, a majority (59%) still faced difficulties doing so in Q4 2021: this was down from 66% in Q3 2021.



of London firms who tried to recruit experienced difficulties

More than three-fifths (63%) of micro firms who had tried to recruit encountered difficulties doing so, dropping to 50% when considering larger companies.

For firms that are experiencing difficulties recruiting, the main barrier was a lack of qualified candidates (51%). This was followed closely by candidates not being able to commit to contracted hours (45%) and a lack of interested candidates (44%).

Micro and larger companies noted similar barriers when it comes to recruiting:

Top three barriers for micro companies that tried to recruit

1. Candidates not able to commit to contracted working hours (50%)
2. Lack of qualified candidates (49%)
3. Lack of interested candidates (37%)

Top three barriers for larger companies that tried to recruit

1. Lack of interested candidates (59%)
2. Lack of qualified candidates (55%)
3. Difficult to offer a competitive salary (36%)

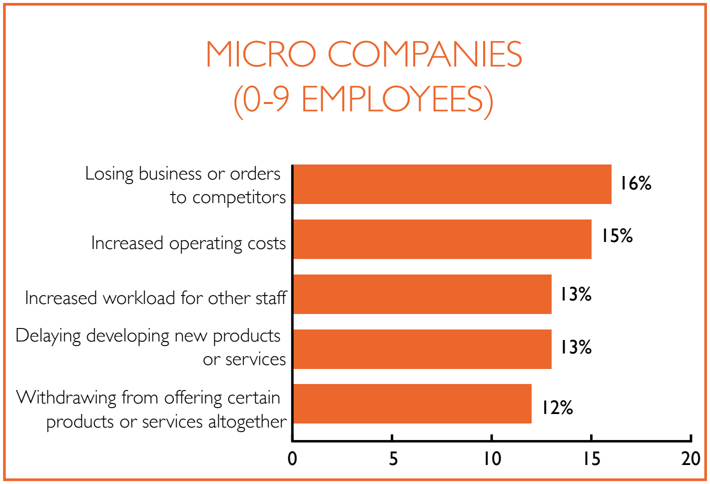
Nearly all (95%) of manufacturers who said they have experienced difficulties when recruiting cited a lack of interested candidates as the main barrier, whereas for firms in the service sector, a lack of qualified candidates was the chief obstacle (46%).

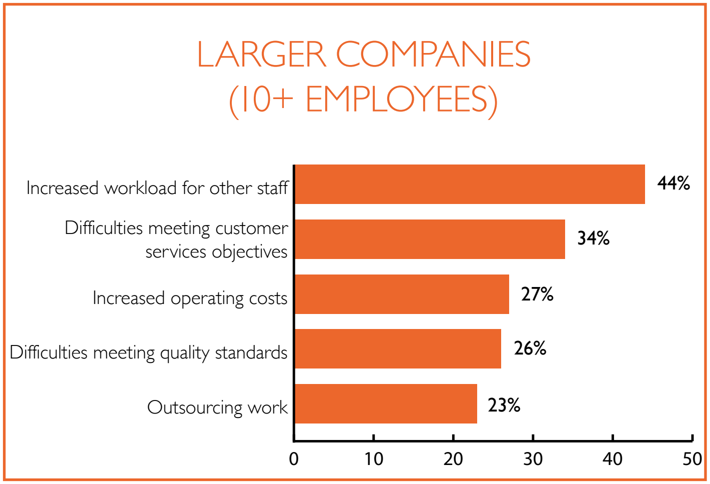
IMPACT OF SKILLS GAPS AND LABOUR SHORTAGES ON BUSINESSES

Nearly half (48%) of London businesses said that not being able to meet skills / labour needs has an impact on their business, rising to 76% of larger companies. The impacts felt by London businesses were wide-ranging, with a loss of business / orders to competitors cited as the biggest impact (17%). Increased workload for other staff (16%), increased operating costs (16%) and a delay in developing new products or services (13%) were also reported by London firms.

The types of impacts felt by companies varied on business size:

TOP FIVE IMPACTS OF NOT BEING ABLE TO MEET SKILLS / LABOUR NEEDS



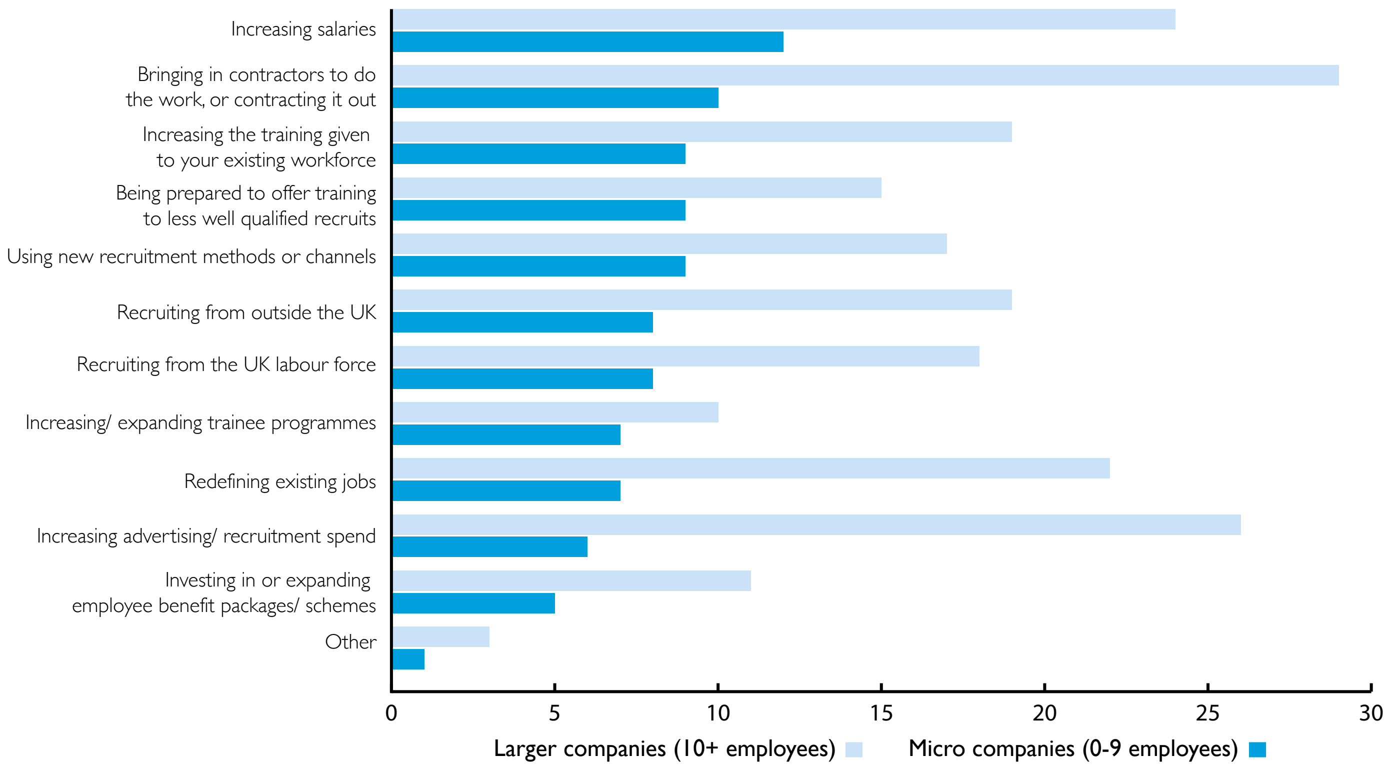


The most cited impact by manufacturers was increased operating costs (30%), while for service sector companies, a loss of business to competitors was reported as the main effect (17%).

ACTIONS TAKEN WHEN FACING RECRUITMENT CHALLENGES

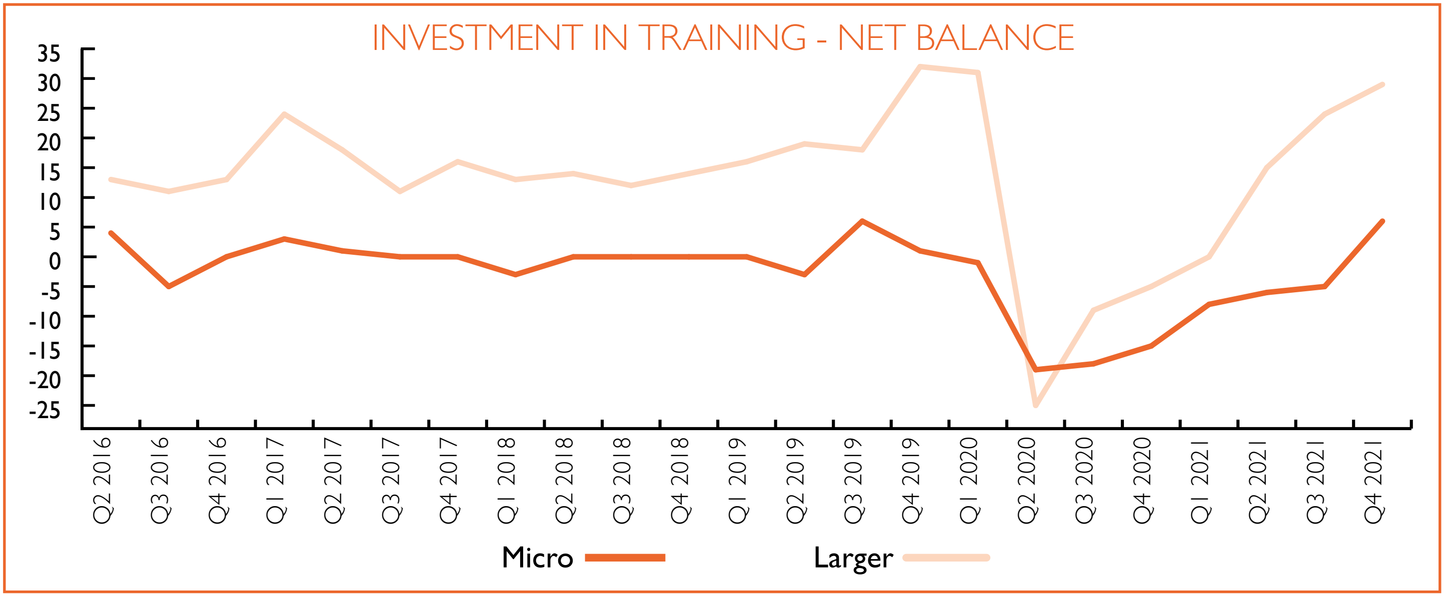
When faced with recruitment challenges, the actions taken by businesses vary greatly on size. In this latest Quarterly Skills Survey for Q4 2021, businesses were asked what actions (if any) they would take when finding difficulties filling vacancies. Micro firms (0-9 employees) were far more likely to say that they did not experience difficulties filling vacancies than firms with 10 or employees (30%, versus 13%, respectively).

ACTIONS TAKEN BY COMPANIES WHEN FACING DIFFICULTIES FILLING VACANCIES



Nearly one third (32%) of micro businesses said they would not undertake any of the actions in the chart above if faced with unfilled vacancies, compared to 15% of larger firms. Manufacturing firms were more likely to say that they experienced difficulties filling vacancies than their counterparts in services. The most cited action taken to try and fill vacancies by manufacturers is to increase salaries (32%), while in services, businesses would turn to contracting (12%).

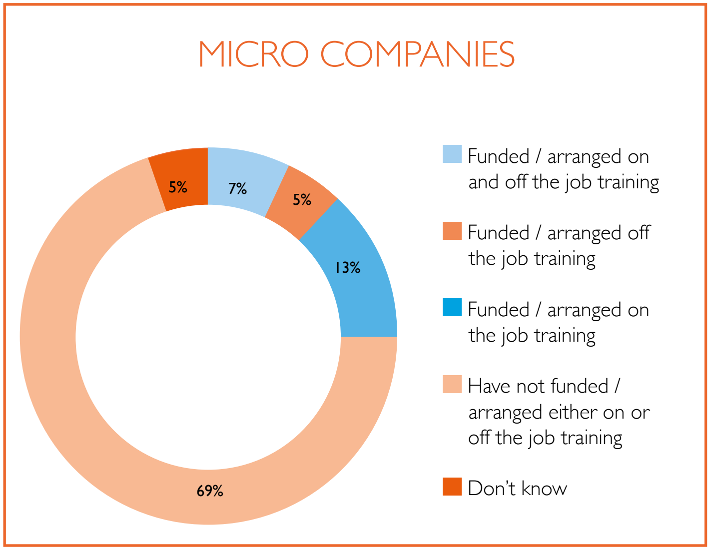
INVESTMENT IN TRAINING

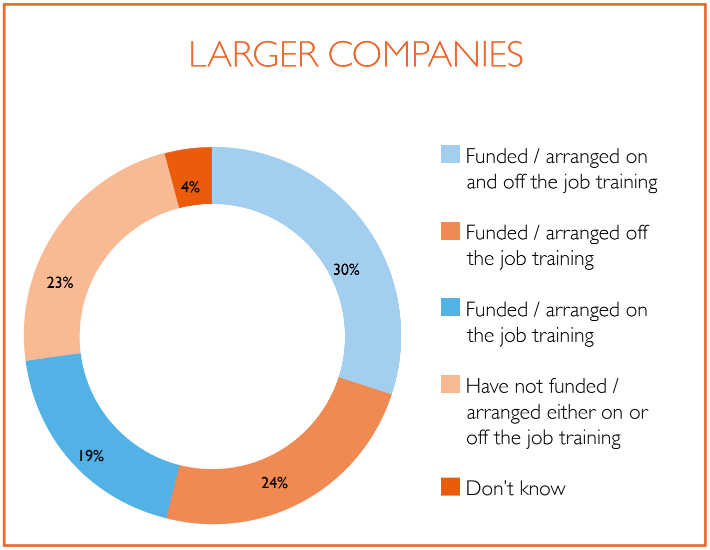


Business investment in training accelerated in Q4 2021, with both micro and larger firms reporting stronger spending. The net balance (the percentage of firms reporting an increase minus the percentage reporting a decrease) for investment in training by micro companies jumped from –5% in Q3 2021 to 6%. This was the first positive net balance reading in two years. For larger companies, the net balance also rose from 24% to 29% in Q4 2021.

In the latest Quarterly Skills Survey, London businesses were also asked about the types of training they may or may not have funded in the previous 12 months. There was a large disparity based on business size.

HAS YOUR BUSINESS FUNDED / ARRANGED ON OR OFF-THE-JOB TRAINING IN THE PAST 12 MONTHS?





As seen in the pie charts, the majority (69%) of micro businesses (0-9 employees) said they had not funded / arranged either on or off-the-job training in the past 12 months. Just over one in ten (13%) said they had funded on-the-job training, dropping to 5% for off-the-job training. A further 7% said they had arranged both on and off-the-job training over the past year.

By contrast, only 23% of larger businesses said they had not funded / arranged any form of training in the past 12 months for employees. Close to one-third (30%) of larger companies said they had funded both on and off-the-job training: a quarter of firms had funded / arranged off-the-job training, while 19% had supported on-the-job training.

Nearly a third (30%) of service sector businesses said they had funded / arranged training in the past 12 months, with the broad 'motor trades / wholesale / retail / transport & storage / accommodation & food services' and 'public administration and defence / education / health' sectors reporting the highest levels of training investment (47% and 44%, respectively). Just over a quarter (27%) of manufacturers said they had funded / arranged training for staff.

Looking at the sub-regional partnerships in London, businesses in the West London Alliance area were the most likely to say they had funded training in the past 12 months (35%). This was followed by companies in the Central London Forward (30%) and Local London (28%) areas. Firms in the South London Partnership boroughs reported the lowest levels of training investment (22%).

REASONS FOR NOT INVESTING IN TRAINING FOR STAFF

There were several reasons why businesses said they had not funded or arranged training for their employees. For micro firms, 30% said there was no particular reason why. A quarter (26%) of micro businesses also said that they felt their employees were already fully proficient / had no need for training, while 17% said that training was not the priority for their business.

A slightly smaller share of micro companies cited a lack of funding available for training (15%), while one in ten (11%) said that there was no relevant training available

For larger companies, the main reasons cited for not funding training were that employees were too busy (29%), a lack of available funding (21%), and managers lacking the time to arrange any training (19%).

The most cited reason by manufacturers for not funding training for staff was that it was not considered to be a priority for their business (23%). For companies in the service sector, firms felt that their staff were already fully proficient (26%).

DRIVERS FOR NEW SKILLS

Firms were asked to identify whether certain events would prompt a need for employees to acquire new knowledge / skills over the next 12 months. The events put to businesses were:

- Employee work/life balance
- The development of new products and services
- The UK's departure from the EU
- The introduction of new technologies or equipment
- Increased competitive pressure
- The Covid-19 pandemic
- The introduction of new working practices
- New legislative or regulatory requirements
- Any other reasons

More than half of businesses (53%) predicted that at least one of the reasons in the list above would prompt a need for new skills / knowledge. The introduction of new technologies or equipment was seen as the most likely prompt (20%), followed by the Covid-19 pandemic (17%), the UK's departure from the EU (17%), and increased competitive pressure (16%).

Significantly more larger businesses expect a need to take on new skills due to at least one of the suggested events than their micro counterparts (79% for larger firms, 50% for micro firms). For larger companies, the Covid-19 pandemic was seen to be the biggest prompt for acquiring new skills (39%), followed by the introduction of new technologies or equipment (30%) and the UK's departure from the EU (29%).

For micro companies, the main driver for new skills was predicted to be the introduction of new technologies or equipment (18%) and Brexit (16%).

Manufacturers felt that the biggest cause for acquiring new skills would be increased competitive pressure (27%), while for service sector companies, new technologies or equipment was predicted to be the most likely driver (19%).

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