



LONDON QUARTERLY SKILLS SURVEY

ANALYSING LONDON BUSINESSES' SKILLS NEEDS

Savanta:
ComRes

FOREWORD



The Covid-19 pandemic – coupled with the introduction of a new immigration system – has put immense pressure on the labour market in the capital, with London’s unemployment rate remaining well above the UK average. Businesses have had to adapt to new ways of working, which is leading to rising demand for different sets of skills.

The aim of this new survey is to map the skills needs of London companies, and the methods they are using to meet those needs. This Government has rightly put a great focus on the need for a robust further education sector to compliment higher education and provide alternative pathways for people to enter the workforce. The Skills and Post-16 Education Bill, along with the new Local Skills Improvement Plans, will hopefully lead to greater business engagement in the skills planning system, but will need to be supported by evidence. This survey should help inform policy-makers, businesses, and education providers of the areas which need the greatest attention.

The first results show what has been a running theme in LCCI skills research – government training schemes such as apprenticeships and traineeships are not being utilised by micro companies, the firms who make up the vast majority of London’s business demographics. There must be more focus on how to engage micro businesses to help them reap the benefits of training schemes, as their larger counterparts do so successfully.

Richard Burge

Chief Executive

London Chamber of Commerce and Industry

ABOUT THE SURVEY/METHODOLOGY

Savanta ComRes surveyed a total of 520 London business leaders between 28 April to 6 June 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 [comresglobal.com](https://www.comresglobal.com).

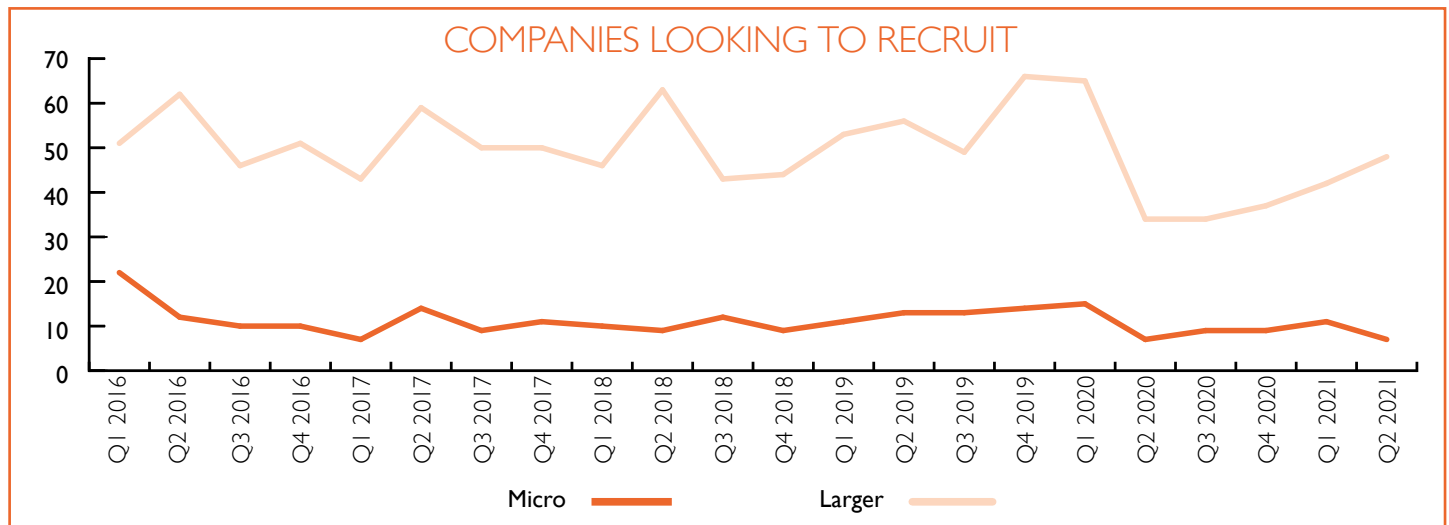
Two categories are used for business size segmentation: micro businesses with fewer than 10 employees (including sole traders), and larger (small, medium and large) businesses with 10 or more employees. Any data reproduced from the report should be fully referenced.



RECRUITMENT

Following steady increases throughout the previous three quarters, the share of companies who tried to recruit fell from 14% to 11% in Q2 2021. In the last Capital 500 survey in which fieldwork was conducted prior to Covid-19 restrictions, 20% of firms said they had tried to recruit (Q1 2020).

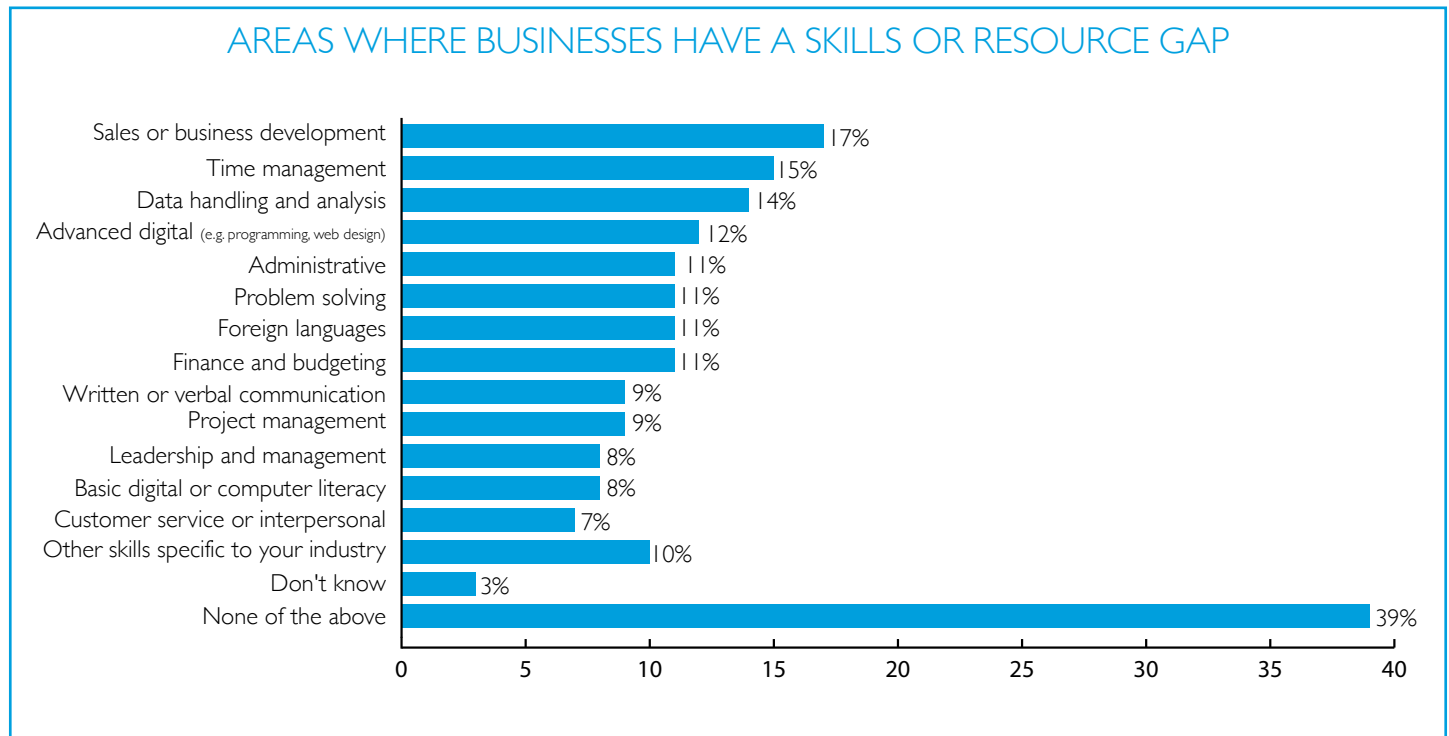
According to the Capital 500, larger (10 or more employees) companies have consistently been more likely to recruit than micro (0-9 employees) companies. As businesses in the capital have emerged from the slump in recruiting in Q2 2020, the share of larger businesses who looked to hire has risen steadily from 34% to 48% in Q2 2021. However, for micro companies, the proportion who looked to recruit has not changed between Q2 2020 and Q2 2021 (7%).



WHAT SKILLS DO BUSINESSES NEED?

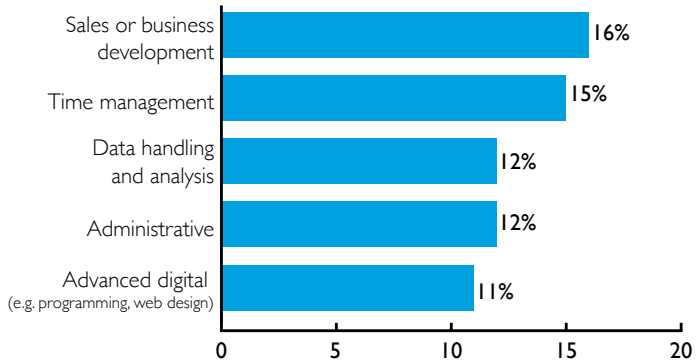
Nearly three fifths (58%) of London firms said they had a skills or resource gap in Q2 2021. However, larger businesses were significantly more likely to say they had a skills or resource gap than their micro counterparts (80% and 56%, respectively).

Looking at the breakdown of skills that businesses said they had a gap in, 'sales or business development' was the most cited (17%). This was followed by time management (15%), and data handling & analysis (14%). As seen in the chart below, there is a broad and even spread of skills gaps in the business population surveyed. There is also a broad spread across soft and hard skills.

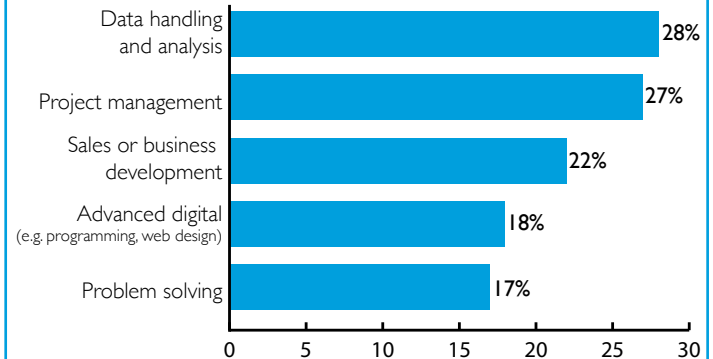


The areas in which businesses have skills or resource gaps in their current workforce vary depending on the size of the firm. For micro companies (0-9 employees), the most reported gaps were in sales or business development and time management. However, for larger firms the most reported gap was in data handling & analysis, followed by project management.

TOP 5 SKILLS OR RESOURCES GAPS - MICRO FIRMS



TOP 5 SKILLS OR RESOURCES GAPS - LARGER FIRMS



There were variations in the types of skills gaps based on sectors. For manufacturing, the top 5 reported skills gaps were in:

1. Finance and budgeting (29%)
2. Problem solving (27%)
3. Administrative (26%)
4. Foreign languages (23%)
5. Data handling and analysis (21%)

While in services, there was more focus on the need for digital skills and sales development:

1. Sales or business development (18%)
2. Time management (15%)
3. Data handling and analysis (13%)
4. Advanced digital (e.g. programming, web design) (12%)
5. Administrative (10%)

FUTURE SKILLS NEEDS FOR BUSINESSES

When considering skills needs, it is vital that the system – both supply and demand – looks not just at the current situation, but the needs that might arise in the coming years. When asked to think about their potential skills needs over the next three years, it is evident from businesses' responses that there will be much higher demand for advanced digital skills. In addition, while 39% said they do not have any skills gaps in their current workforce, this drops to 19% when considering potential skills gaps in the years ahead.



Looking at micro firms, the areas most cited with gaps in their current workforce are in sales or business development, followed by time management and data handling & analysis. Looking to the areas they think they will need over the coming three years, sales or business development remains a sought after area (25%). However, advanced digital skills (such as programming and web design) was also noted by 23% of micro firms. There was also a greater share of micro businesses who said they would need basic digital or computer literacy skills over the coming three years, compared to their current workforce (15%, versus 7%, respectively).

Similarly with larger companies, there was an increase in expected need for advanced digital skills (38%) and data handling & analysis (34%).

PLUGGING THE GAPS:

The barriers firms face, and how they try to meet their skill needs

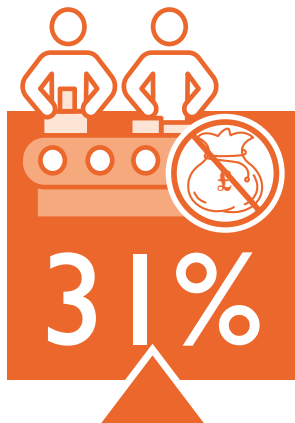
LCCI asked businesses what the main barriers were in meeting their skills / resources needs. There was a near-even split between firms who said they experienced barriers (49%) and those who did not: 51% said either they did not experience barriers or did not know.

What is evident from the responses of those who do experience barriers is that the biggest are a lack of qualified people in the job market and the costs associated with training:

- Those leaving school / education did not have the skills that their business needed (16%)
- Costs of training too high (15%)
- Lack of budget for investment in their workforce (14%)
- Lack of suitably skilled candidates in the job market (14%)

Larger businesses were much more likely to say that they experienced barriers in meeting their skills needs (78%) than their micro counterparts (46%). By far the biggest barrier for larger businesses in meeting their skills needs was a lack of suitable candidates in the job market (39%), followed by the costs of training (20%). Interestingly, 17% of large businesses felt a lack of flexibility or local powers in local skills system were a barrier. For micro firms, the biggest barriers were school / education leavers not having the skills their business needed, followed by the costs of training being too high (16% and 15%, respectively).

There were differences between sectors too, with 72% of manufacturing firms stating that they face barriers in meeting their skills needs: for services, this share was 46%. The most cited barriers for manufacturing and services companies respectively were:

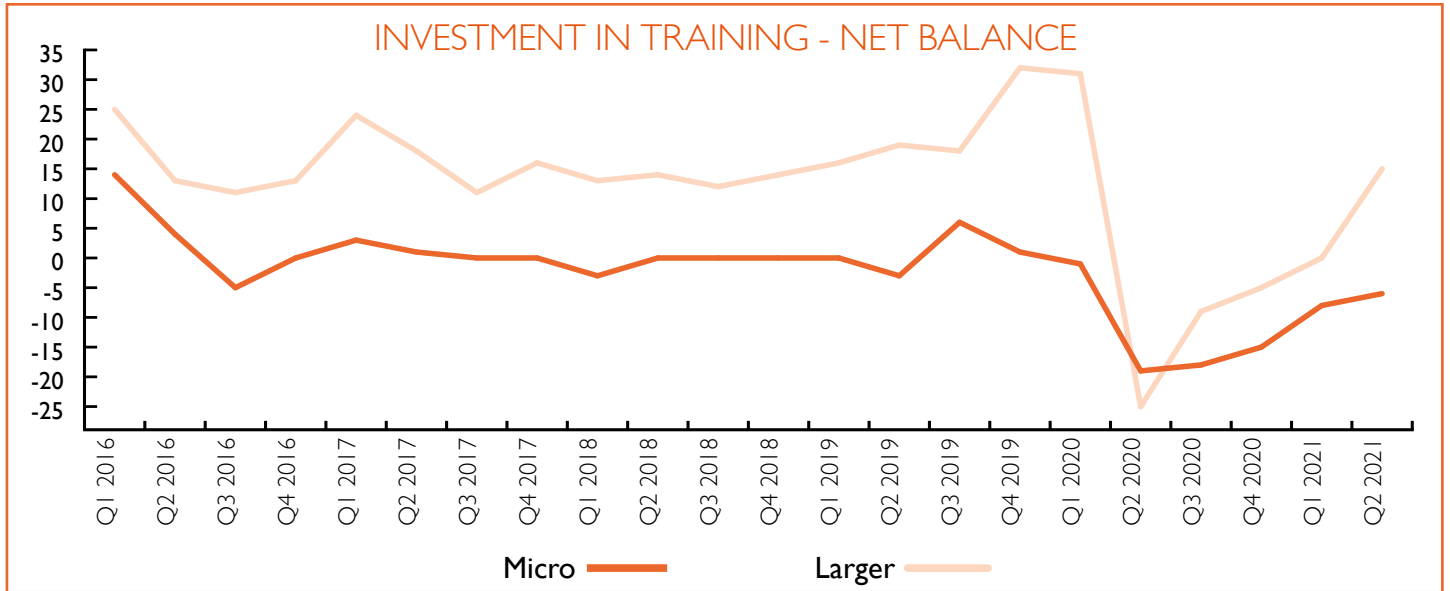


of London manufacturers said they lacked the budget for investment in workforce training



of London services companies said those leaving school / education did not have the skills they need

Micro companies have typically spent less on training than their larger counterparts, based on polling as part of the Capital 500 survey. The net balances for micro and larger companies have followed similar paths, but it would appear that larger firms are already seeing a much quicker recovery in training investment since the Q2 2020 slump.



USING TRAINING SCHEMES

There are several schemes that have been put in place to offer workplace training and development. LCCI asked London businesses if they employed anyone in the following:

- Apprenticeships
- Traineeships
- Internships
- The Kickstart Scheme (for 16 to 24 year olds on Universal Credit)
- T-levels

Discouragingly, 84% of firms surveyed said they did not employ anyone in the above schemes. This is a consistent theme in LCCI skills research, especially when looking at uptake of apprentices. Of those that do engage with the above schemes, apprenticeships (8%) were the most utilised, followed by traineeships (5%). The Government's flagship Kickstart scheme, aimed at boosting employment opportunities for 16-24 year olds, was cited by just 2% of surveyed firms.

It is worth noting that T-levels are a new qualification and only a limited number of courses are currently available. According to the Government, more T-level courses will begin in September 2021, with the remaining courses starting in either 2022 or 2023.

There were however stark differences based on company size. Indeed, 88% of micro businesses said they did not use any of the schemes, with traineeships and apprenticeships (both 5%) the most utilised.

When considering larger companies however, that proportion halves (43% do not use any of the schemes). Close to one third of larger companies employ apprentices (31%), while internships (16%) and traineeships (14%) were also more widely used.

These differences in uptake based on company size are not new issues. Micro businesses have consistently been found to be less engaged with training schemes, with the administrative burdens and perceived inflexibilities of what an employee can do often cited as the main reasons.

Indeed, if businesses encounter skills gaps over the coming year, the most likely method of meeting their needs would be to simply recruit (28%). This was followed by investment in training & development (22%) and using self-employed persons or agency / contract workers (18%). One in ten (11%) firms said they would look to recruit apprentices or trainees.

Larger businesses were more likely to take action to fill a skills gap, again pointing to further signs that they are better equipped to deal with addressing shortages. More than half (53%) of larger companies would look to recruit from the UK workforce, followed by investment in training & development (28%) and recruiting graduates (23%). Only 8% of larger firms said they would take no action, compared to 26% of micro businesses.

POLICY RECOMMENDATIONS

- 1 The low uptake of government training schemes by small businesses is further evidence of the need for a centralised, collaborative advice hub to support smaller businesses in London with understanding available training options and what they entail, as well as identifying which best address their skills needs.
- 2 Previous LCCI research has shown that for many small and medium-sized businesses, the apprenticeship levy does not work for them in its current form. The Government should therefore look at widening the Apprenticeship Levy into a Skills Development Levy. This would give employers the flexibility to invest in the right opportunities for their employees, such as short courses or industry-specific training that do not qualify for funding, while ensuring that funds are targeted at supporting reskilling and retraining where it is most needed.
- 3 The costs of training are cited as one of the biggest barriers to firms addressing their skills gaps. With cashflow for the majority of businesses taking a severe hit during the pandemic, this presents a significant challenge in meeting their needs. Broadening the Apprenticeship Levy into a Skills Development Levy would go some way to addressing these challenges in future. The Mayor's recently-announced £32m fund and forthcoming changes announced in the Skills Bill will meet the needs of many employers and individuals. But more Government support should be explored to fill remaining gaps, particularly supporting more people to adapt or transfer their skills in the short-term. This could include interest-free loans or grants, or a scheme similar to the super-deduction announced in the 2021 Budget to incentivise and support companies' investment in skills development.



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