

London Business 1000

London's local business survey 2020

full report



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About the London Business 1000

For the fourth time, LCCI and London Councils have commissioned an annual survey of one thousand London businesses. As London faces the highest rates of unemployment in the UK this research provides insights into employers' recruitment plans and their skills needs. The report also provides insights into businesses approach to delivering a more environmentally sustainable economy.

Methodology

All figures, unless otherwise stated, are from YouGov Plc. YouGov surveyed 1,251 London business decision-makers online between 29th September and 5th November 2020. The research was delivered during the UK Government's national COVID-19 alert system, in which London was placed into Tier 2. The data collection was completed before the national lockdown imposed on England from the 5th November to 2nd December 2020.

The sample frame included 1,000 core responses representative of business size and an additional 250 responses from large businesses (with 250 employees or more). The final achieved figures have been weighted to be representative of London businesses by size and industry. Due to rounding, some combined figures may not sum to 100 or the net percentage figure. The weighted proportions are representative of the London business population by size and therefore micro and small businesses are the predominant view in the weighted data.

This report is the fourth 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. While effort has been made to ensure the sample and questions remain consistent across each wave of the London Business 1000, direct comparisons of figures between waves are only indicative and should be considered with caution.

Executive summary

London's business environment

- In light of COVID-19, staffing levels are staying stable for many; with just over three-fifths of London businesses (63%) reporting that staff retention has stayed the same.
- Turnover has a more negative outlook as nearly two-fifths (39%) report significant decreased turnover as a result of the pandemic, with larger firms more resilient (20%).
- London businesses will keep staff working remotely well into 2021 – only a third (32%) do not expect any of their staff to be regularly working remotely in 12 months' time, albeit with significant variations between sectors.
- Low turnover/cash flow (51%) and a lack of consumer spending (42%) were the key threats to businesses' economic recovery from COVID-19.
- Government support mechanisms to maximise cash flow are welcomed by London businesses. A consistent proportion of firms name additional grants (15%), VAT reductions (14%) extending the business rates holiday (14%) and the workforce support scheme (14%) as the most useful support schemes for them to deal with the impacts of COVID-19.

Recruitment

- London businesses are still recruiting within the capital. Two-fifths (41%) of businesses expect to recruit staff over the next 12 months, rising to three quarters (77%) of large firms.
- Overall, a quarter (26%) of firms expect to grow their overall headcount in 2021. However, almost two-fifths of larger firms expect their headcount to fall, with pessimism highest in the retail and hospitality sectors.
- The type of roles businesses are looking for have changed. The most common type of role recruited for in 2019 was skilled manual/technical staff, while in 2020 almost half (47%) of businesses are looking for professional/managerial staff.
- Businesses need support to find the right applicants. Over half of London businesses who had tried to recruit staff reported difficulties, with applicants lacking experience (59%) or technical skills (54%) the chief issues.

Skills and training

- Half of London businesses do not face any skills challenges for roles in their business. However, this is much more likely to be the case for micro/small businesses (50%) than it is for those who are medium (23%) or large employers (25%).
- The most common area that is a skills challenge in current workforces is technical or job-specific skills, with 19% citing this overall (rising to 34% of medium-sized firms, and 28% of large businesses).
- A fifth (22%) of London businesses cite managing a remote workforce as a challenge over the next 12 months, rising to two-fifths of large companies.
- Upskilling employees in digital skills is the highest priority for London businesses in training their own workforce (27%).

Apprenticeships

- Overall 8% of London businesses currently employ apprentices, down from 13% in the 2019 survey.
- Looking at firm size, the employment of apprentices is significantly higher for medium (25%) and large employers (46%).
- Where London businesses do plan to use apprenticeship funding over the next 12 months, they are most likely to use it employ an increased number of apprentices (36%). A quarter (24%) report that they will use the funding, but will employ fewer apprentices than before.
- 46% of London businesses will not maximise their apprenticeship funding and are only planning to use up to half of the funds available to them.

Sustainability

- A sizeable majority (81%) of London businesses were aware that the UK government has a target to bring all greenhouse gas emissions to net zero by 2050.
- Only a fifth (22%) of London businesses are not taking any actions to reduce their environmental impact. For those that are, this tends to be using greener technologies (36%), encouraging tele-commuting/home working (37%), using sustainable suppliers (33%), and adapting their products/services (32%).
- Businesses are most likely to feel there are no barriers to their business reducing its greenhouse gas emissions. For those that do face barriers this tends to be higher operating costs (11%), priorities of the business focused elsewhere (10%), and lack of infrastructure (10%). These barriers are consistent across all sizes of business.
- London businesses are most likely to see national government (76%) and themselves as firms (75%) as most responsible for helping companies meet greenhouse gas emissions targets.
- London businesses are most likely to list financial incentives (57%) and increased profits (36%) as motivators reduce emissions.

Devolution and government

- London businesses most likely to feel business rates should be used to improve public transport (40%), build more homes (30%) and improve air quality in the capital (32%).
- Firms are also most likely to prefer turnover taxes (29%), environmental taxes (26%), or online sales taxes (25%) instead of business rates.
- Overall, businesses in London do not feel their local council acts in their interests. Only a quarter (25%) feel that their council acts on the concerns of local businesses either a great deal or a fair amount. Three-fifths (59%) feel they do not very much or not at all
- London business are most likely to feel nothing would improve current planning and licensing regulations. However among those that do think there could be improvements, they are most likely to say it should be easier or quicker to apply for material changes of use (22%), followed by additional short-term office leases (20%).
- Businesses in London are concerned about the impact Brexit will have in many areas over the next 12 months. Just over half (52%) feel it will have a negative impact on their business growth, a further third (32%) feel it will negatively impact their staff retention while two-fifths (40%) feel it will hinder their recruitment.
- London businesses are majorly in favour of only striking trade deals with countries that mirror the UK's own sustainability objectives (62%). Fewer agree that the UK government should accept any country as a potential free trade partner (43%).

Changes over time

- There has been a downward trend in recruitment over the past three years – from three-fifths of businesses planning to recruit in 2018 down to only two-fifths in 2020.
- Conversely, the demand for professional/managerial staff has steadily risen – just over two-fifths in 2018 to almost half in 2020. This means it is now the most in-demand role, overtaking skilled manual/ technical roles.
- Skills challenges have remained the same, with the most common challenge within current workforces being management/leadership skills.
- Similarly, priorities for training have remained consistent, with upskilling digital skills the highest priority for London businesses in training their own workforce.
- Employment of apprentices has decreased slightly from 2019 and London businesses in 2020 are also more uncertain about their plans for apprenticeship funding than before.
- The most popular priority for using business rates is now improving public transport, overtaking air quality in the 2019 survey.
- London businesses are less positive about their local council in 2020 than they were in 2019, with perceptions that local councils act on businesses concerns falling from a third to a quarter.

London’s business environment

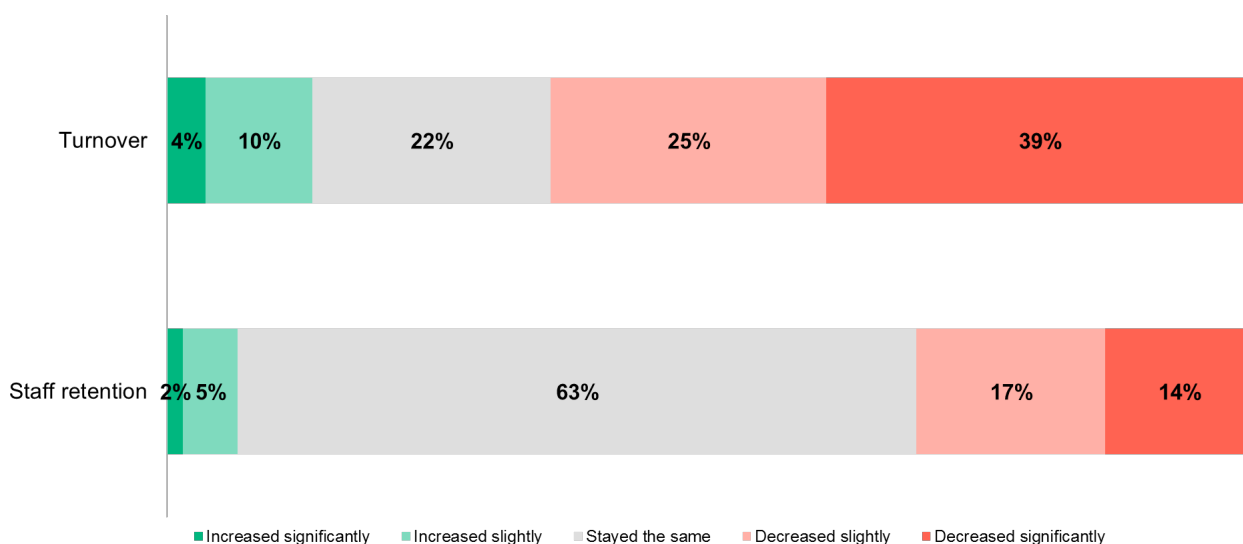
The impact of COVID-19

This year’s survey focussed on the business impact of the COVID-19 pandemic, particularly looking at the threats to recovery and impact on long-term outlooks.

Two-thirds (65%) of London business decision-makers say their business turnover has decreased since the COVID-19 outbreak, with 39% saying their turnover has shrunk significantly. Larger firms are generally more positive with only 20% seeing a significant decrease.

Although the majority (63%) of businesses say that staff retention has stayed the same since the COVID-19 outbreak, three in ten (31%) say it has decreased.

Figure 1. Impact of COVID-19 on turnover and staff retention



Base: All respondents (1,251)

There is some variation across sectors – motor trades, wholesale, transport and storage are most likely to say their turnover has shrunk (77%), closely followed by accommodation & food services, arts, entertainment, recreation and other services (76%). The retail sector is the most likely to say their turnover has increased (22%), followed by public administration, defence, education and health (20%).

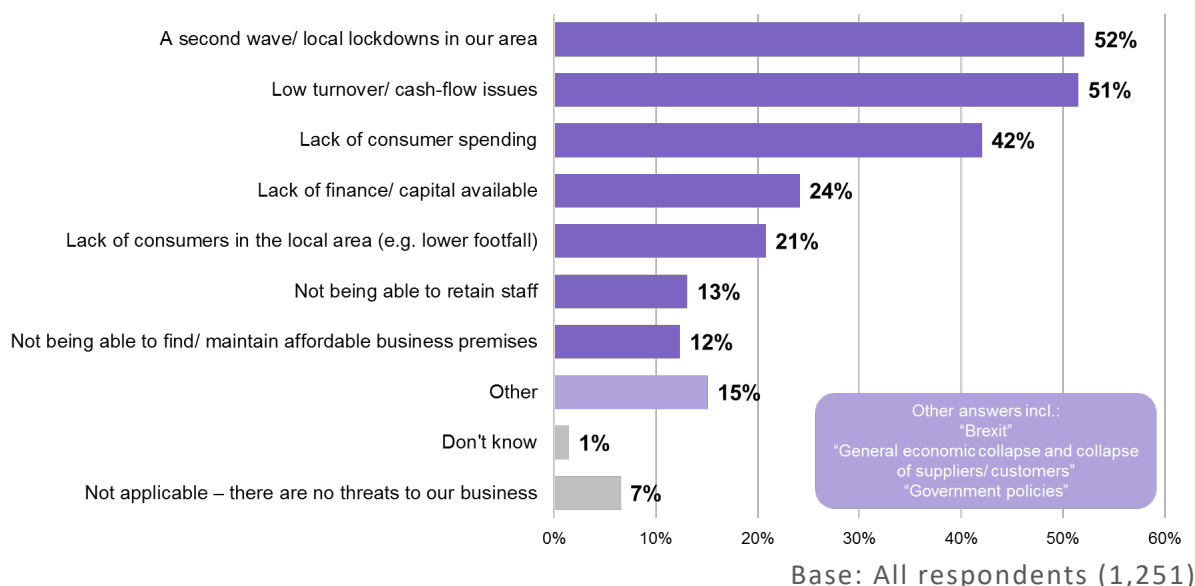
Across staff retention there is a similar picture, with those in motor trades, wholesale, transport and storage the joint most-likely with accommodation & food services, arts, entertainment, recreation and other services to say their employment levels have fallen (43% each). Finance, insurance, business administration & support services has seen the smallest number of firms showing a decrease in staff, although the share still stands at 19%.

Employers who were considered “essential” during the first COVID-19 national lockdown – who could stay open to the public and/or send their children to school – are more likely to say their turnover has increased than non-essential businesses (19% vs 11%).

Biggest threats to COVID-19 recovery

When asked, in October 2020, the main threats to their business as the UK recovers from the impacts of the COVID-19 pandemic, the majority of London decision-makers cite the impact of a second wave/local lockdowns in their area (52%) and cash flow issues (51%). Two-fifths (42%) say a lack of consumer spending is a threat and a quarter (24%) are worried about a lack of finance/capital available.

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



Across sectors, those in retail are the most concerned about a lack of consumer spending (72%) or lower footfall (53%). Respondents in accommodation & food services, arts, entertainment, recreation and other services are the most likely to say that not being able to retain staff is a threat (19%).

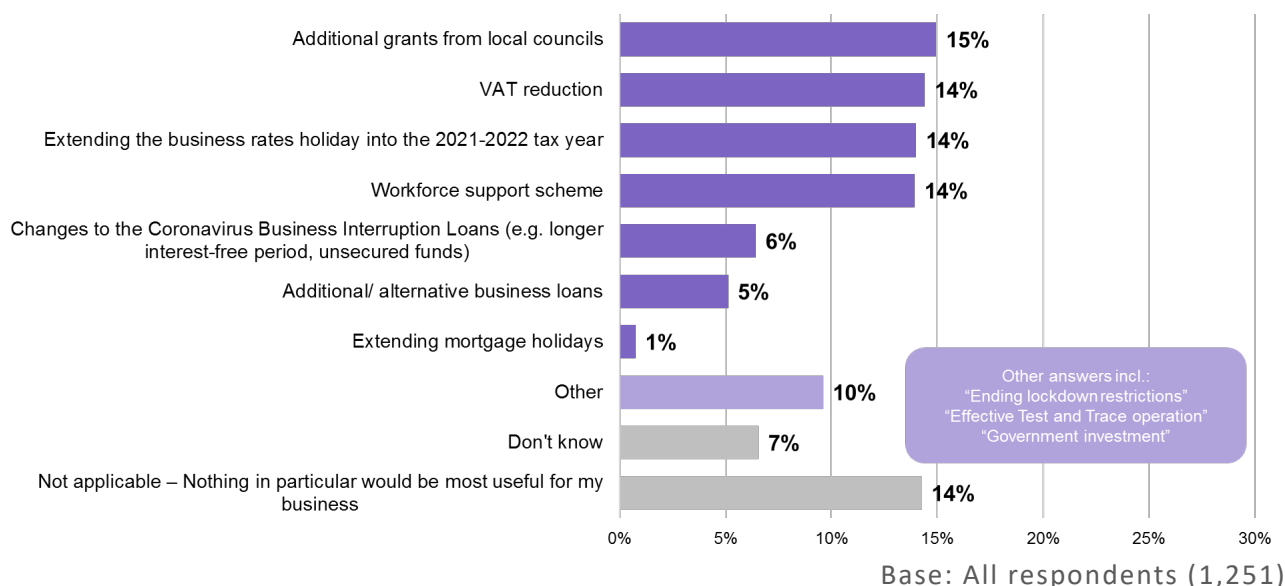
Looking at concerns over cash flow, there are discrepancies based on business size: 52% of micro/small firms cited cash flow issues as a significant threat to their business, compared to 37% of medium-sized firms and 33% of large companies.

Essential employers were more likely to cite low staff retention as a threat than those who did not employ key workers (20% vs 11%). Decision-makers who took part in the survey after 14th October 2020, when the COVID-19 three-tier system was introduced, are more likely to cite cash flow issues (54%, compared to 48% who completed the survey beforehand), and low footfall (23% vs 18%) as key threats to the recovery.

Support to deal with COVID-19

London business decision-makers are split in terms of the support they would find most useful in dealing with the COVID-19 pandemic. More than one in ten firms (15%) say that additional grants from local councils would be most useful to them, but a similar proportion cite a VAT reduction (14%), extending the business rates holiday (14%), the workforce support scheme (14%) and changes to the Coronavirus Business Interruption Loans (14%).

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



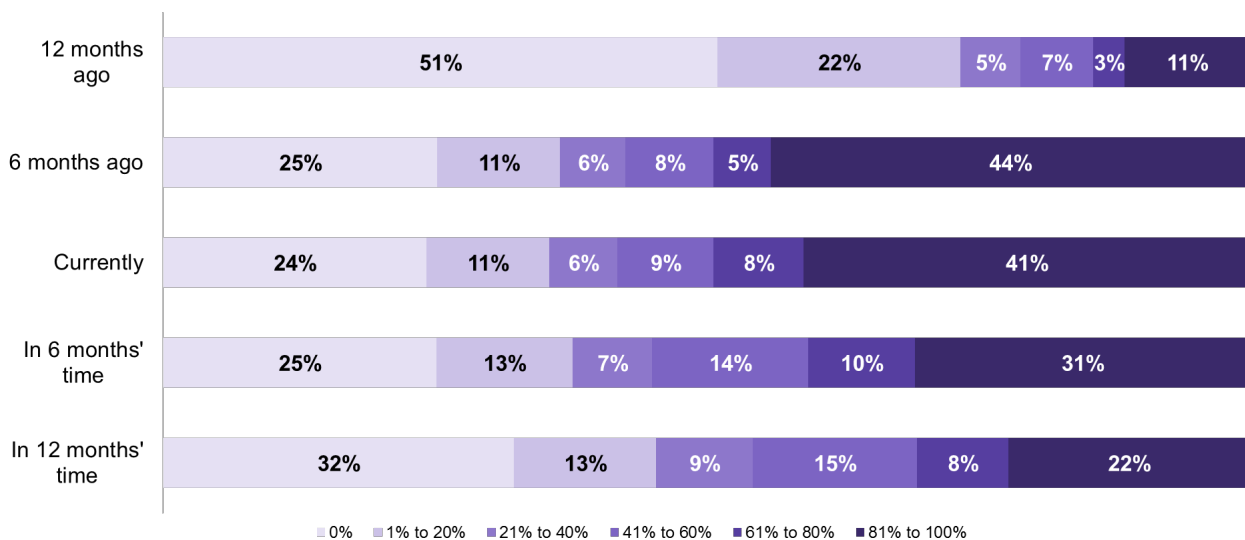
A quarter of retail businesses say that additional grants or a VAT reduction would be most useful to their business (24% each) – the highest proportion of any sector. Those in finance, insurance, and business administration & support services are the most likely to want changes to the Coronavirus Business Interruption Loans (11%).

The future of remote work

Twelve months ago, half (51%) of London businesses did not have any staff working remotely on a weekly basis, falling to 13% for large firms. By April 2020, this had fallen to a quarter (25%) and has continued at that level into the autumn when business leaders were responding to the survey.

While some businesses do expect their staff to return to working in-person, almost half (46%) expect to have over two-fifths of their staff still regularly working remotely in twelve months' time. This rises to two-fifths (59%) of large businesses.

Figure 4. Proportion of staff working remotely at least once or twice a week



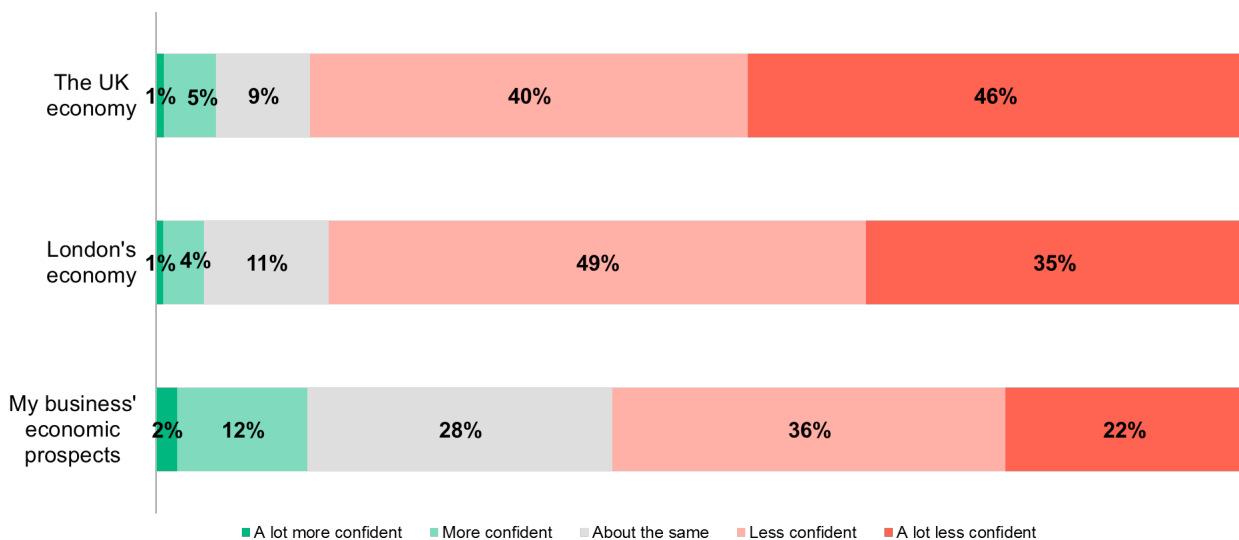
Base: All respondents (1,213)

Those in the motor trade, wholesale, transport and storage industries expect the biggest long-term shift in remote working; twelve months ago, two-thirds had no staff working remotely (65%), but only two-fifths expect all of their staff to have returned to working in-person in twelve months' time (41%). Those in the information, communication, professional, scientific and technical industries had the highest rates of remote working previously – 40% said none of their staff worked remotely twelve months ago – and continue to be the most engaged in this area with only one in six (17%) expecting all of their staff to be working in-person in twelve months' time.

Economic confidence over next 12 months

The vast majority (86%) of London business decision-makers are less confident about the UK economy over the next 12 months than they were about the last 12 months and a similar proportion (84%) are less confident about London’s economy. However, business leaders are somewhat more optimistic about their own prospects – with 14% more confident about the next 12 months than they were previously. Medium and larger businesses were generally more optimistic than smaller firms at 29% and 22% respectively.

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



Base: All respondents (1,251)

Decision-makers in the motor trades, wholesale, transport and storage industries are the most optimistic about the UK’s economy (11% a lot/more confident), but are more pessimistic about their own business’s prospects (67% a lot/less confident, compared to 58% overall).

Those in information, communication, professional, scientific and technical services are the most positive about their own business prospects (17% a lot/more confident), closely followed by those in the retail industry (16% a lot/more confident).

Firms in accommodation & food services, arts, entertainment, recreation and other services were the least confident in their business’s economic prospects (69% a lot/ less confident), followed by motor trades, wholesale, transport and storage (67%) and retail (63%)

Those who took part in the survey from 14th October 2020, after the COVID-19 three-tier restrictions were introduced, were more likely to feel less confident about the UK economy over the next twelve months than those who took part before the tier system (87% less confident post-tier announcement, vs 83% less confident pre-14th October 2020). Those who took part after 14th October were also more pessimistic about their own business prospects (61% post-tier announcement, vs 53% pre-14th October 2020).

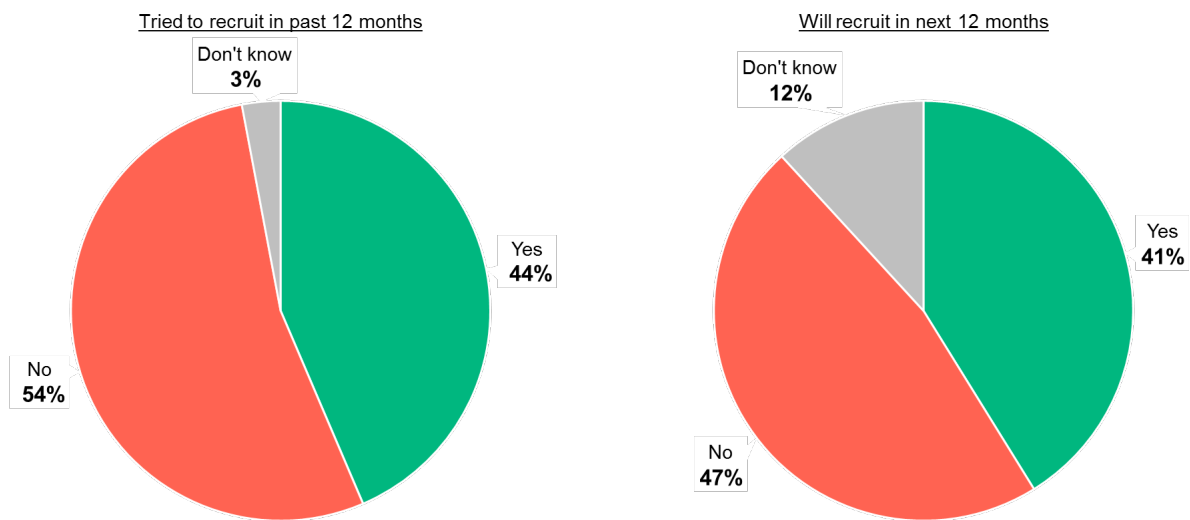
Recruitment

Past and future recruitment plans

Over the past twelve months, more than two-fifths (44%) of businesses had recruited or tried to recruit staff in London, rising to 80% for larger employers. A similar proportion expect to recruit in the next twelve months (41%), but this climbed to 77% for larger firms. Almost half of micro/small firms do not expect to recruit in the next 12 months (47%). Most notably, over one in ten London businesses are unsure about their recruitment plans for the next year.

London decision-makers in the information, communication, professional, scientific and technical industries are the most likely to say their business expects to recruit staff in the next twelve months (46%), while those in retail and accommodation & food services, arts, entertainment, recreation and other services are the most unsure about future plans (18% and 17% respectively).

Figure 6. Recruitment in the past 12 months and expected recruitment in next 12 months

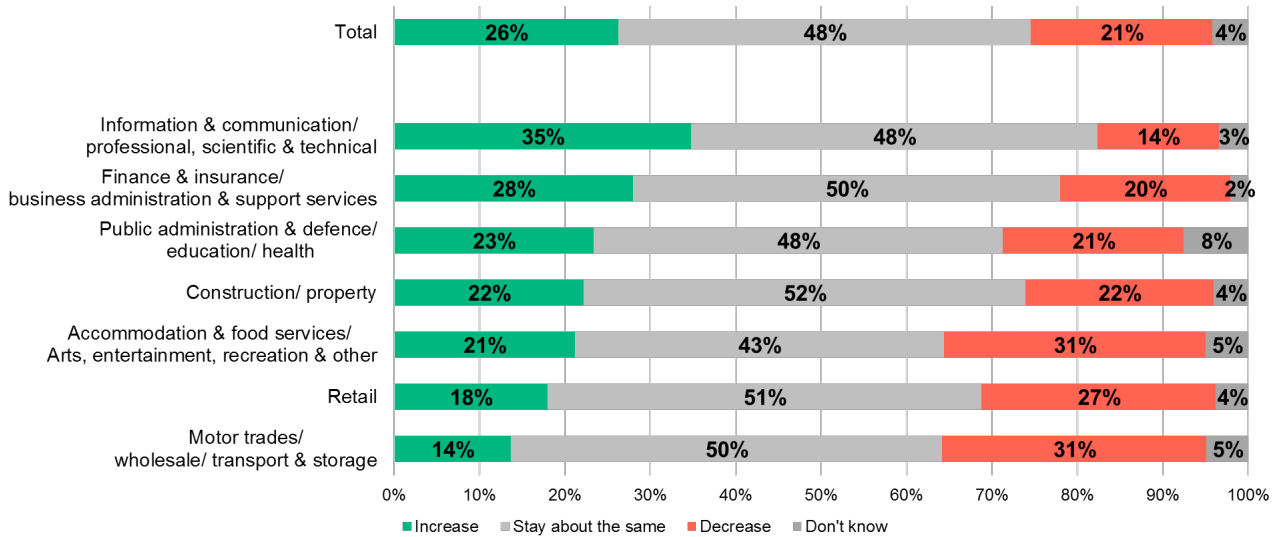


Base: All respondents (1,251)

There has been a downward trend in recruitment over the past three years – in 2018, over half of businesses had tried to recruit staff in the last twelve months (55%), dropping to 50% in 2019 and 44% in 2020. A similar pattern is seen in intentions to recruit over the next twelve months, with the drop even more marked from three-fifths in 2018 (59%) to two-fifths (41%) in 2020.

Although a quarter of London business decision-makers think their total headcount will increase over the next twelve months (26%), a fifth think their headcount will decrease (21%). Almost half of businesses think their headcount will remain the same (48%).

Figure 7. Expectations of total headcount over the next 12 months, compared to previous 12 months



Base: All respondents (1,251)

*Production, agriculture, forestry and fishing industry and other industry categories not shown due to low base

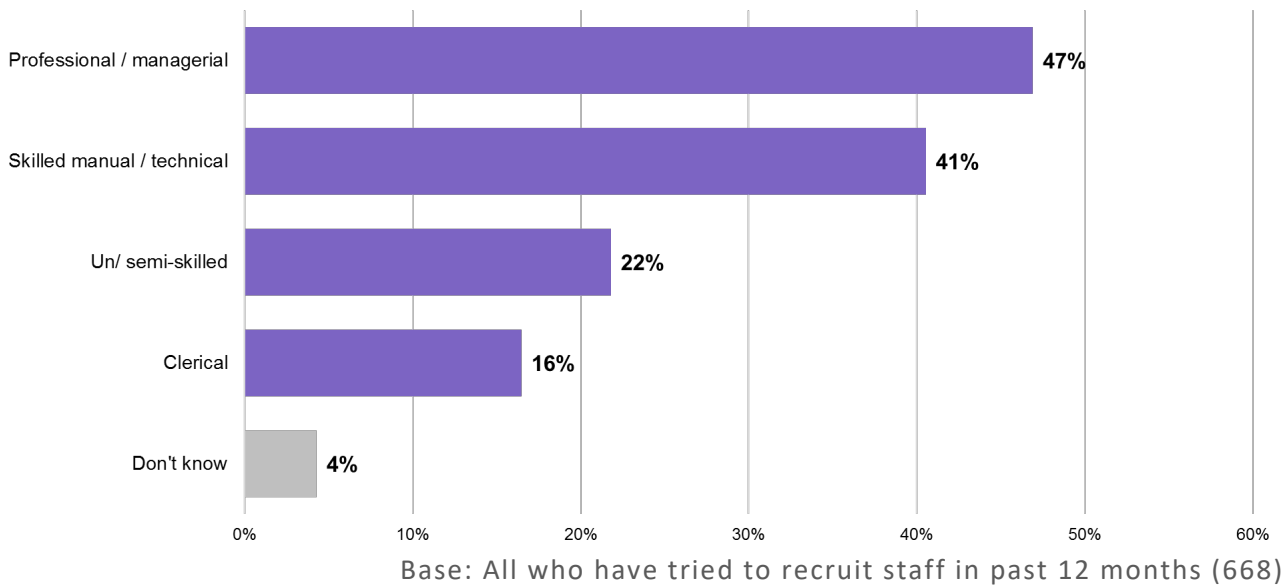
Expectations of headcount vary across industries – those in information, communication, professional, scientific and technical services are the most likely to think their headcount will increase (35%), while those in the motor trades, wholesale, transport and storage industries are the least likely to think so (14%).

Medium-sized businesses are the most likely to think their total headcount will increase over the next twelve months (35%), while large businesses are the most likely to think it will decrease (38%).

Roles recruited

Of those who tried to recruit staff over the past 12 months, almost half (47%) tried to recruit professional/managerial staff. This rose to over three-quarters for larger firms (79%). Two fifths of all businesses (41%) say they were looking for skilled manual/technical staff, a fifth (22%) for un/semi-skilled staff, and one in six (16%) were recruiting clerical staff.

Figure 8. Types of role recruited for over past 12 months



The demand for professional/managerial staff has increased steadily over the past three years, from 43% in 2018 and 45% in 2019, to 47% in 2020. Professional/managerial staff are now the most in-demand role, overtaking skilled manual/technical roles which were the most popular in 2018 and 2019.

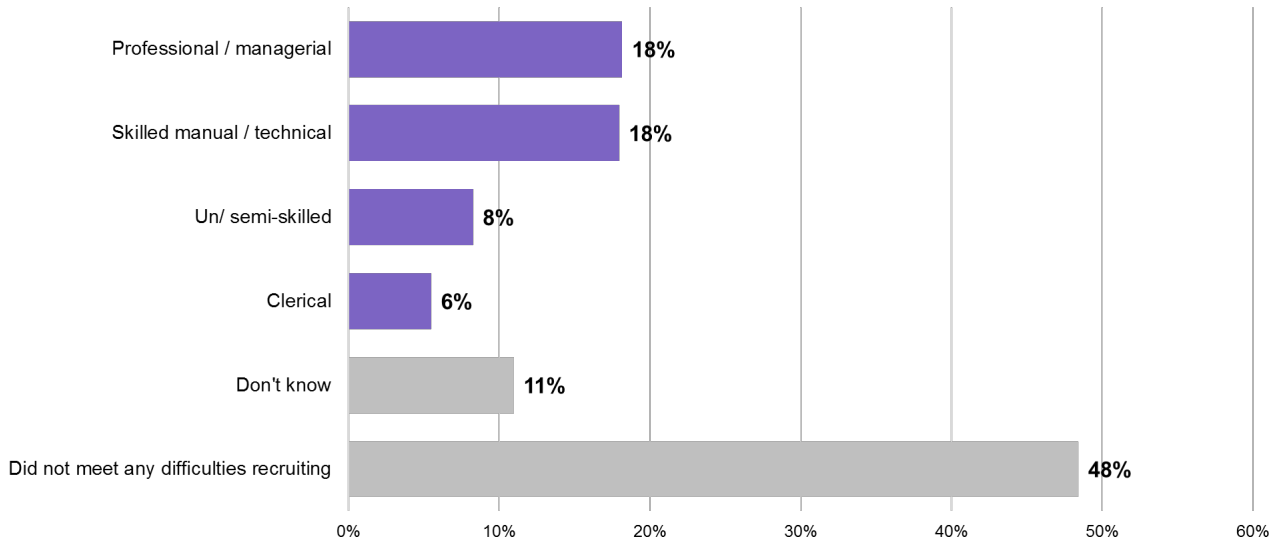
London decision-makers in the information & communication, professional, scientific and technical industries are the most likely to have been recruiting skilled manual/technical staff (51%), followed by those in the construction and property industry (45%).

Professional/managerial staff were sought after by decision-makers in the finance, insurance, business administration and support services (62%).

Difficulties recruiting

Of those recruiting, half (48%) had no difficulties in doing so. Just under a fifth of those recruiting said they experienced difficulties recruiting for professional/managerial or skilled manual/technical roles (18% each).

Figure 9. Types of role had difficulty recruiting for

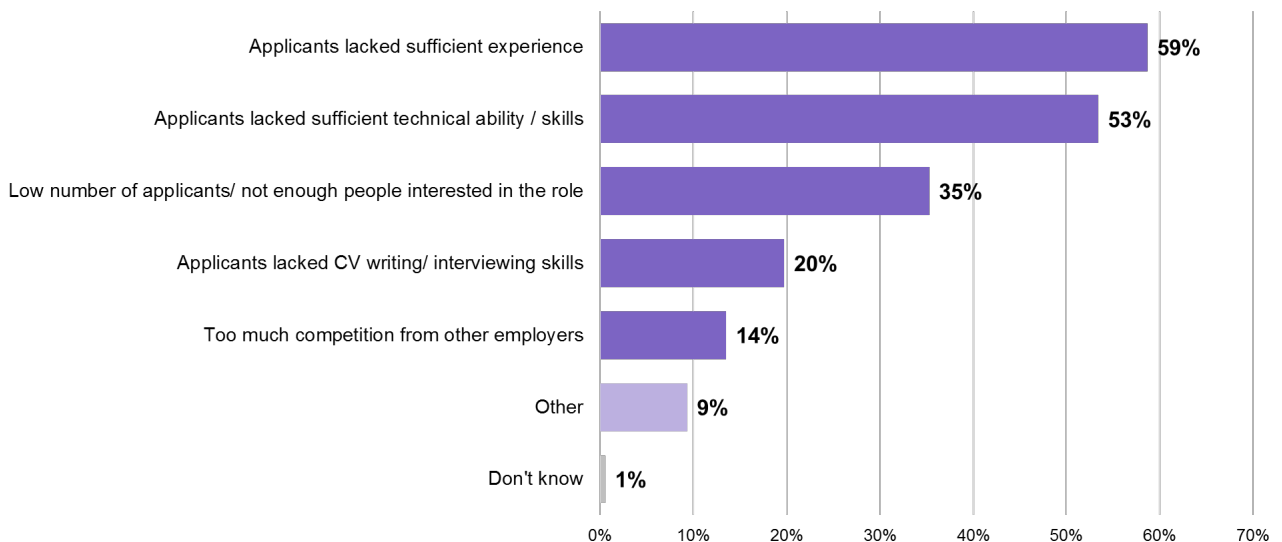


Base: All who recruited for these roles in past 12 months (643)

Respondents in the construction and property sector, although more likely to be recruiting for skilled manual/technical roles, are the industry most likely to say they had difficulties filling un/semi-skilled roles (15%).

When asked what difficulties they were facing, over half of respondents say that applicants lacked sufficient experience (59%) or technical ability/skills (53%). Just over a third say that there were not enough applicants interested in the role (35%).

Figure 10. Main difficulties faced when recruiting



Base: All who faced difficulties recruiting (270)

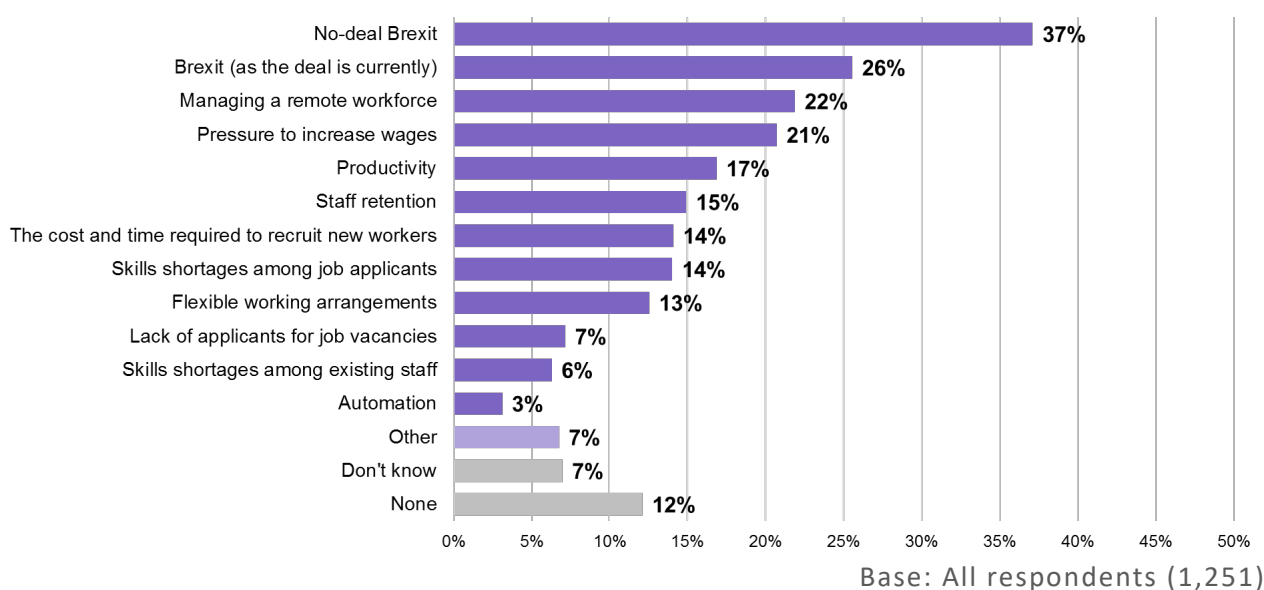
Almost a third of decision-makers in large businesses (31%) cited competition from other employers as a difficulty they experienced while recruiting.

Skills and training

Skills challenges

The fieldwork for this wave of the London Business 1000 was conducted prior to the announcement of the Trade Continuity Agreement between the UK and European Union. A no-deal Brexit, and the deal that was being negotiated during the fieldwork, were cited as the main skills and labour market challenges by businesses.

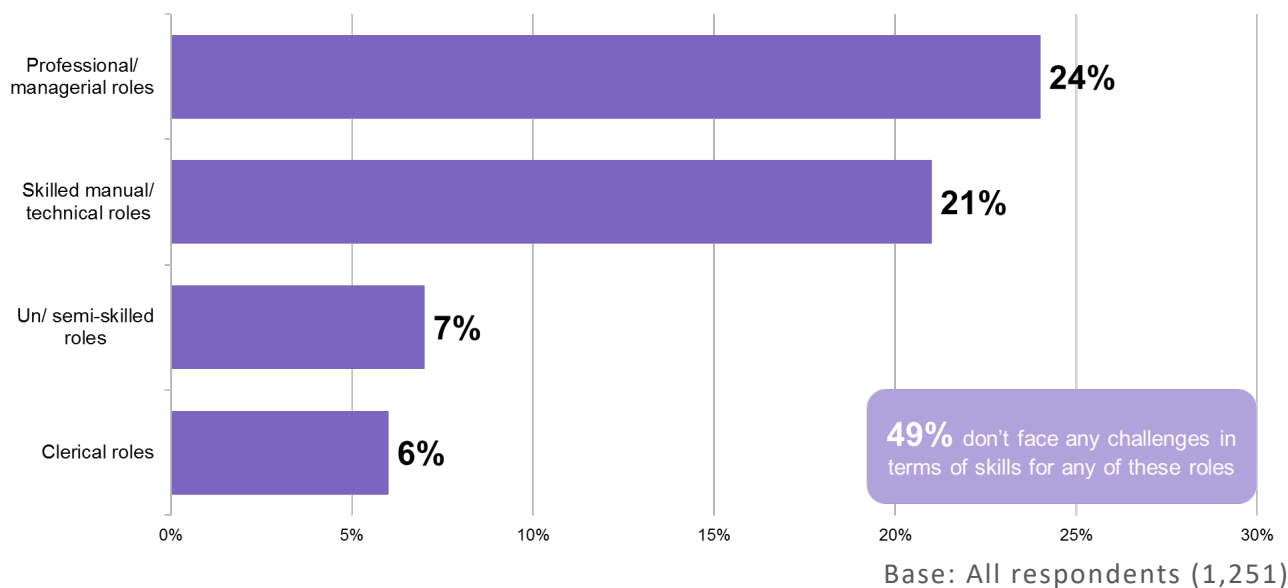
Figure 11. Main skills and labour market challenges over the next 12 months



A fifth (22%) of London businesses cite managing a remote workforce as the main skills and labour market challenge over the next 12 months, growing to 39% for larger firms. Businesses based in professional services, such as the finance/ insurance/business services (31%) and the information/communication/professional scientific and technical industry (29%), are more likely to be facing this challenge.

In terms of specific areas of skills challenges, a quarter of London businesses (24%) report challenges with professional/managerial roles. This rises to 45% for larger firms. A fifth (21%) face skills challenges with skilled manual/technical roles and a small minority face skills challenges in un/semi-skilled roles (7%) or clerical roles (6%).

Figure 12. Roles in which London businesses face skills challenges



Positively, half (49%) of London businesses do not face any skills challenges for roles in their business. However, this is much more likely to be the case for micro/small businesses (50%) than it is for those who are medium (23%) or large employers (25%).

By industry, just under a third (31%) of London businesses in the construction and property industry face skills challenges with skilled manual/technical roles. A similar proportion of London businesses from finance & insurance/business administration & support services experience challenges with professional/managerial roles (31%).

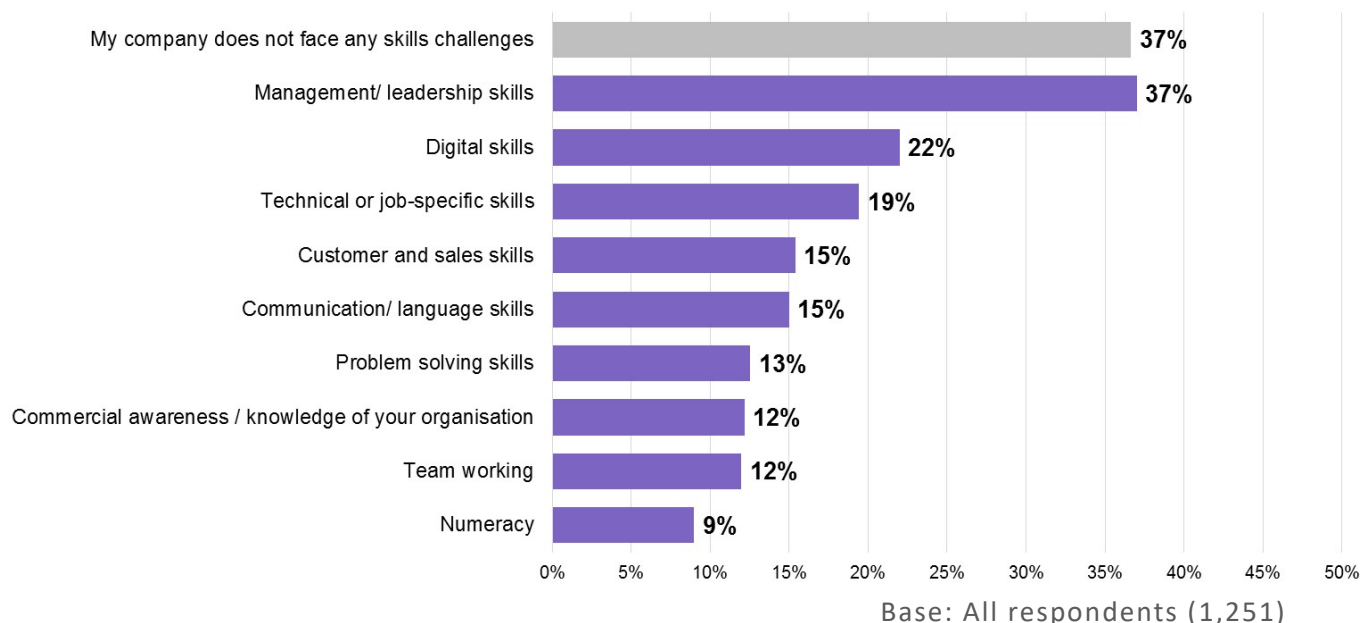
When considering types of skills, four in ten (37%) London businesses report having no challenges within their current workforce. However, this is much more likely to be the view of micro/small employers than it is of medium and large firms (10% and 19% respectively).

As was the case in 2018, the most common area for challenges in the current workforces is management/leadership skills.

Challenges around customer service and sales skills is more of an issue for micro/small employers (15%) than it is for large employers (9%). Just under a third of retail and production/ agriculture, forestry and fishing firms cited a lack of customer and sales skills among the current workforce (31%).

Medium (31%) and large businesses (26%) in London are more likely to experience challenges with advanced or specialist IT skills in their workforce than micro/small businesses (14%).

Figure 13. Main types of skills that London businesses face challenges within their current workforce



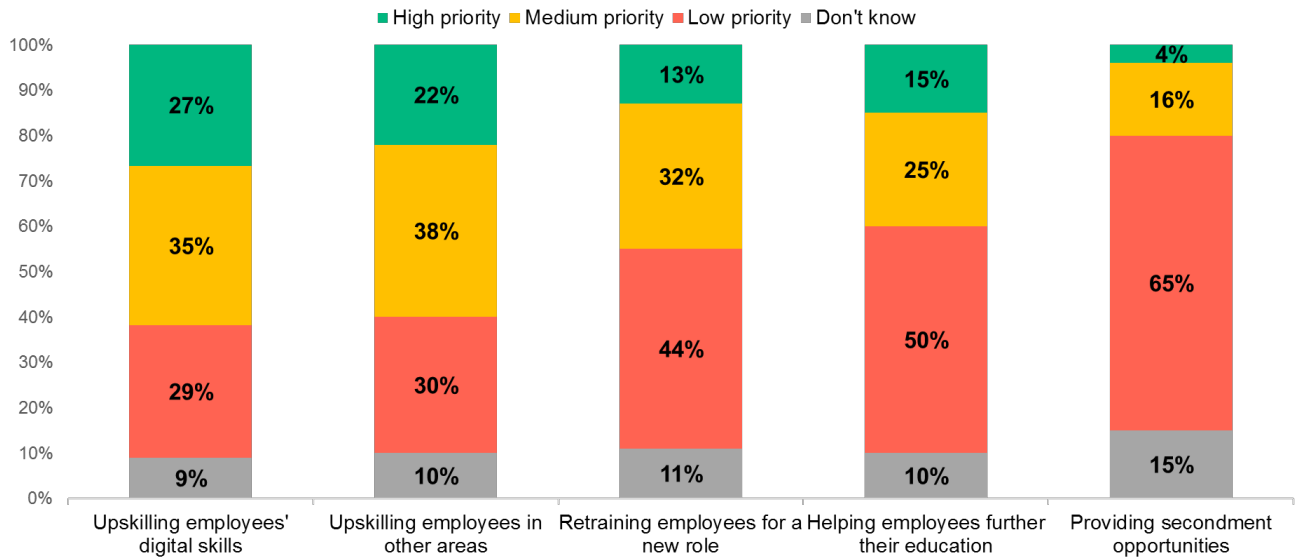
Upskilling

Across the board, London businesses’ training of their existing staff is the most important way to acquire the new skills their firm needs, with over half (56%) reporting this. Three in ten (28%) recruit new staff to get the skills they need and just 7% feel that apprenticeships are the most important way of acquiring new skills.

As was the case in 2018, upskilling employees’ digital skills is the highest priority for London businesses in training their own workforce. Large employers are much more likely than micro/ small employers to report that upskilling employees in digital skills is a high priority, with 54% of large employers reporting this compared with 27% of micro/small employers.

Half of London decision-makers saw helping employees gain further education and qualifications as a low priority, compared to 15% who saw it as a high priority. Providing secondment opportunities remains a low priority for a majority of firms (65%).

Figure 14. Priorities for training of current workforces



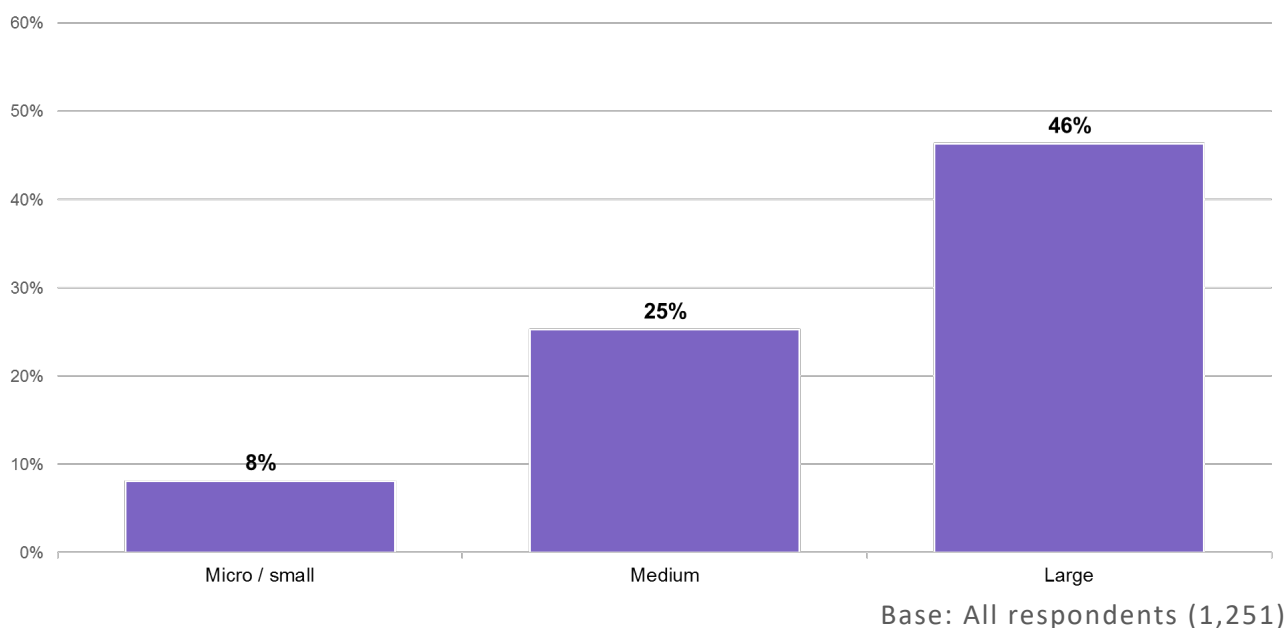
Base: All respondents (1,251)

Apprenticeships

Employment of apprentices

Overall, 8% of London businesses currently employ apprentices, down from 13% in the 2019 London Business 1000 survey. However, the employment of apprentices is significantly higher for medium (25%) and large employers (46%).

Figure 15. Proportion of London businesses that employ apprentices



Use of apprenticeship funding

The apprenticeship levy is a levy on UK employers with an annual wage bill of more than £3m. These employers must make annual levy payments of 0.5% of their wage bill above £3m. Funding from the apprenticeship levy can be accessed by all UK employers to fund apprenticeship training. Of those London businesses who were able to provide a view, less than one in ten (7%) of London businesses report that they are required to pay the apprenticeship levy. However, 36% said they did not know, up from 18% in the 2019 survey – highlighting that firms remain unclear as to their requirements regarding the levy.

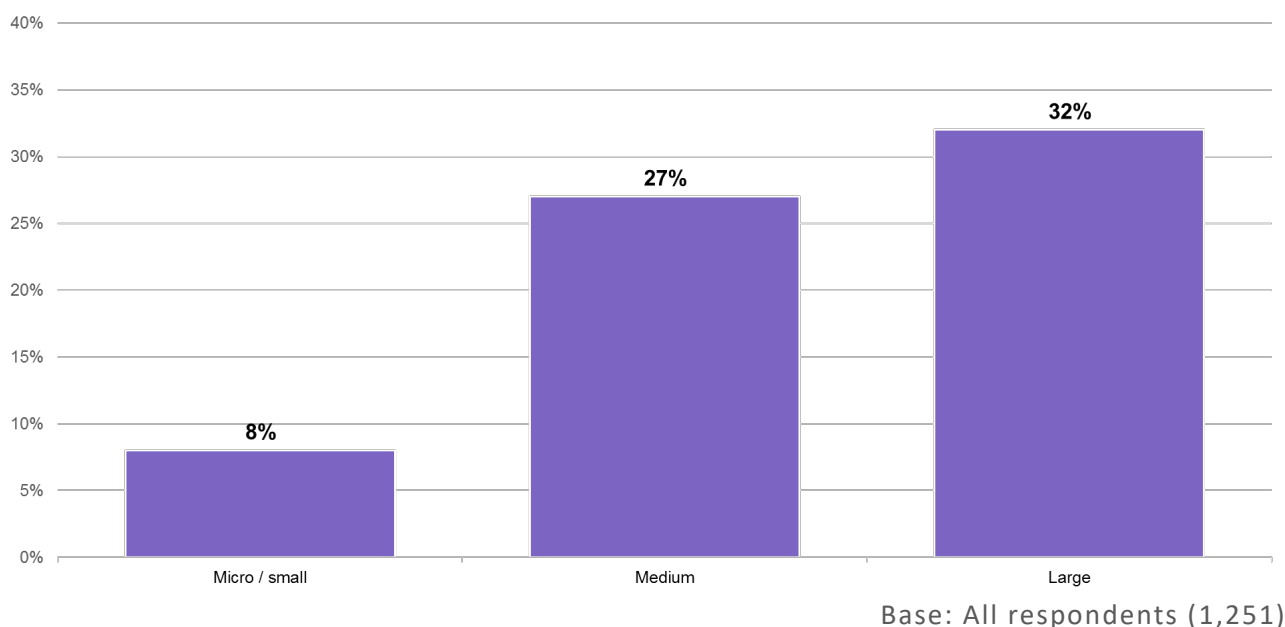
Across all London businesses there appears to be limited plans to use the apprenticeship funding available to them, with just 9% reporting their firms intend to use apprenticeship funding.

Of those London employers who are required to pay the apprenticeship levy, half (50%) currently employ and apprentices and 43% plan to use apprenticeships over the next 12 months.

There is a lot uncertainty from London businesses about the planned use of apprenticeship funding, with a quarter (26%) reporting they do not know whether they will use apprenticeship funding.

In 2019, 18% of London employers predicted they planned to use apprenticeship funding, with in the main greater uncertainty seen in 2020 plans than in 2019.

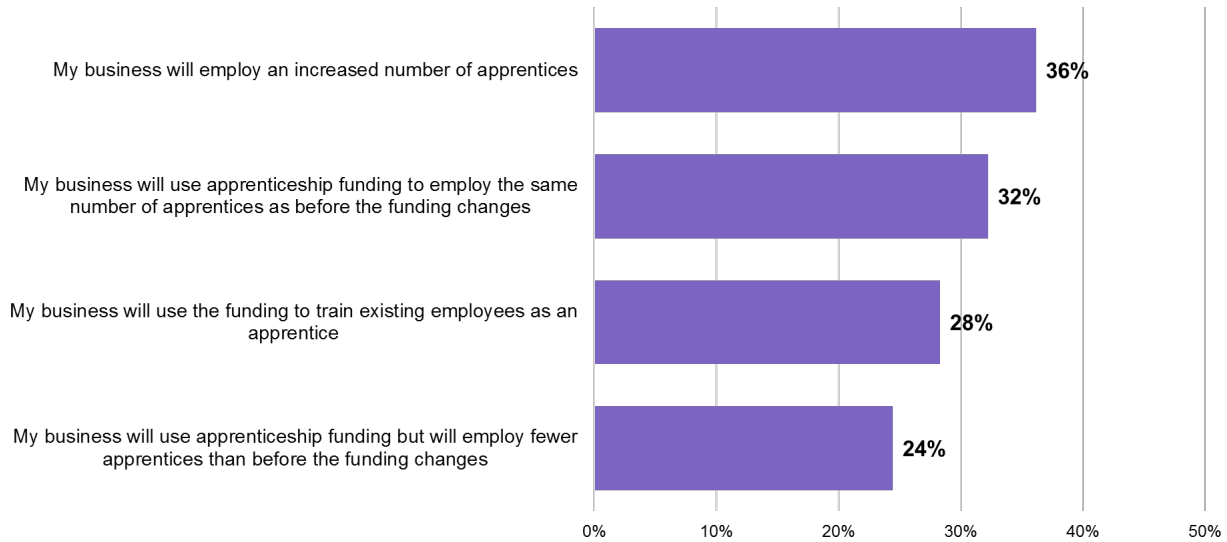
Figure 16. London businesses that plan to use apprenticeship funding over the next 12 months



As figure 16 shows, medium (27%) and large (32%) employers are much more likely to say they plan to use apprenticeship funding.

Where London businesses do plan to use apprenticeship funding over the next 12 months, they are most likely to use it employ an increased number of apprentices. Furthermore, three in ten (28%) of London businesses will use their apprenticeship funding to train existing employees as an apprentice. However, a quarter report that they will use the apprenticeship funding, but employ fewer apprentices than they did before.

Figure 17. How London businesses plan to use apprenticeship funding

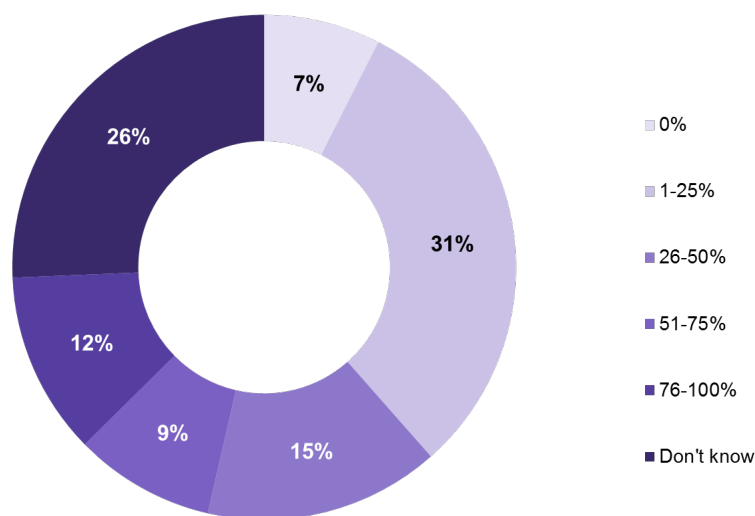


Base: All respondents who plan to use apprenticeship funding (178)

Compared to 2019 a lower proportion of London businesses plan to use apprenticeship funding to train existing employees as an apprentice, with this being the second-most common use in 2019.

Almost half of firms do not plan to spend more than half of the apprenticeship funds available to them (46%): three in ten (31%) London businesses plan to use up to a quarter and 15% plan to use between a quarter and a half of their apprenticeship funding. Only one in five plan to use more than half of the funding they have (21%).

Figure 18. Percentage of apprenticeship funding that London businesses plan to use



Base: All respondents who plan to use apprenticeship funding (178)

Sustainability

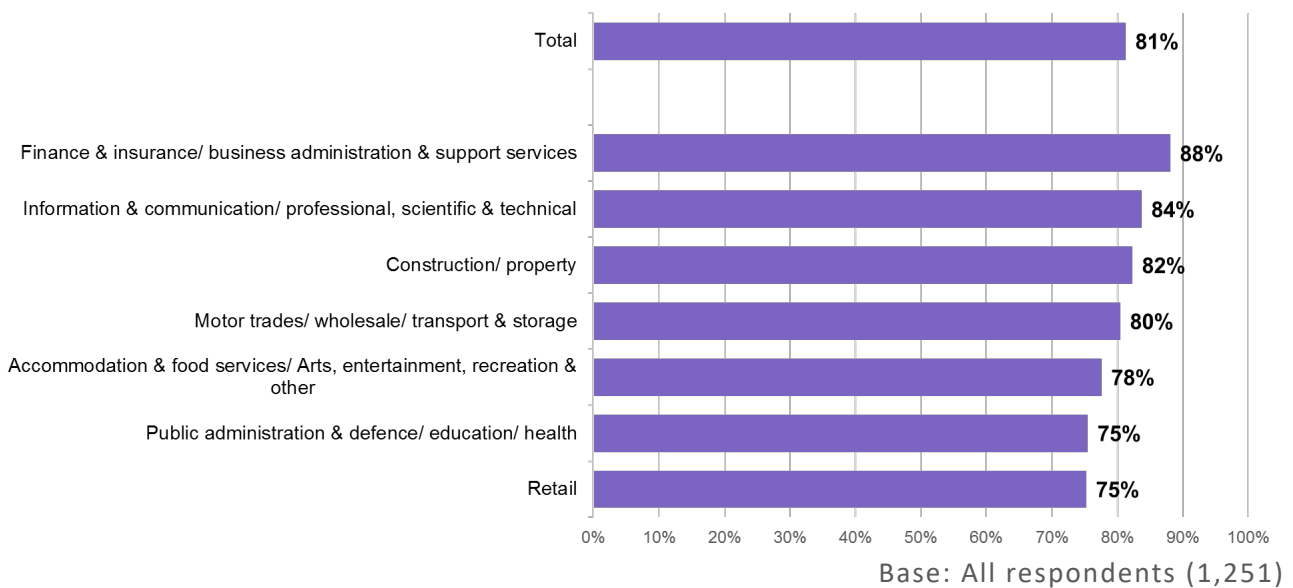
Awareness of net zero

A robust majority (81%) of London businesses are aware that the UK government has a target to bring all greenhouse gas emissions to net zero by 2050. However, two in ten (19%) state they are not aware of this commitment.

Awareness is highest among medium-sized businesses (93%). Micro/small businesses are the most likely to state they are not aware of the net zero target (19%), compared with only 7% of medium businesses across London.

Varying degrees of awareness of the net zero 2050 commitment are prevalent across different industries. Firms in the finance, insurance and business sector were most aware (88%). However, this fell to 78% for the accommodation & food services, arts, entertainment and recreation industry, and 75% for the public administration, defence & health and retail sectors.

Figure 19. Awareness of net zero emissions commitment



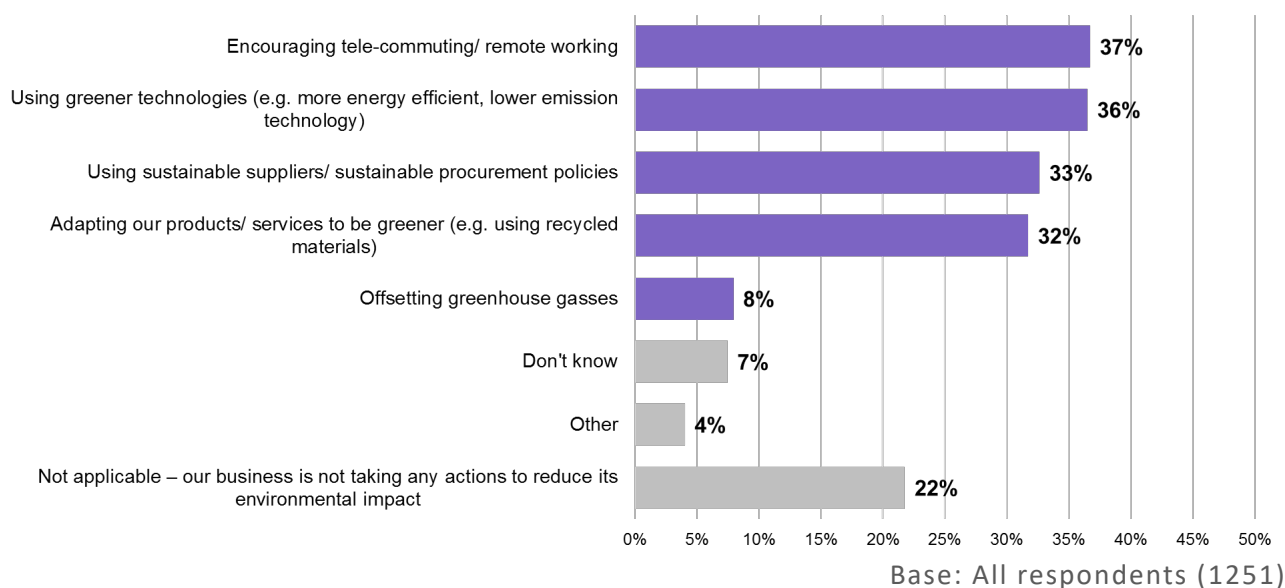
Action on sustainability

In London, most businesses are currently taking action to reduce their environmental impact. Only a fifth (22%) of London businesses are not taking any actions to reduce their environmental impact.

Large businesses are more likely to be taking action on their environmental impact. Only 6% of businesses in London, with more than 250 employees, are not taking any steps compared with a fifth (22%) of micro/small businesses.

For businesses who are taking action, this is most likely to be encouraging tele-commuting or remote working (37%). This is closely followed by using greener technologies (36%) and using sustainable suppliers or procurement policies (33%). Only 8% of all businesses state that they are offsetting greenhouse gasses, but this rises to 29% of larger employers. A third of small businesses are looking at sustainable procurement, compared to more than half larger businesses (55%).

Figure 20. Actions taken to reduce business’s environmental impact



Across industries, a consistent proportion of businesses said they were taking no action to reduce their environmental impact. Businesses in the construction & property sector were the most likely to say were taking no actions (27%).

Those in traditionally white-collar sectors such as information & communication, professional and scientific services are significantly more likely than average to be encouraging tele-commuting or remote working (53%). Similarly, businesses in finance, insurance and businesses services are more likely to be encouraging this type of working (42%).

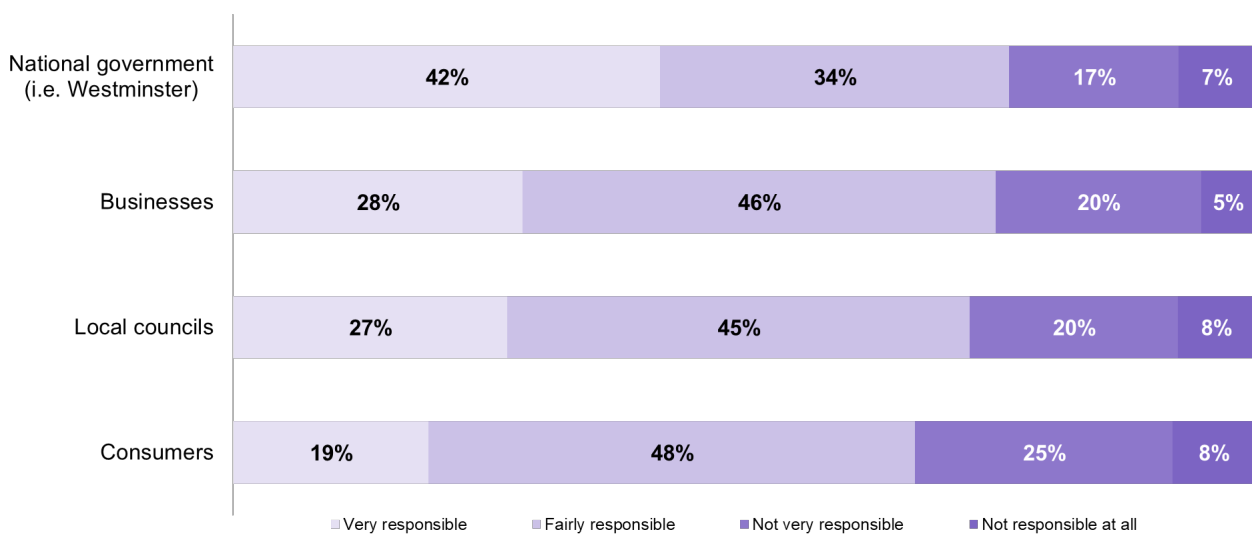
Over three quarters (76%) of London businesses believe that it is the national government’s responsibility to help businesses to meet greenhouse gas emissions targets.

Nevertheless, businesses also state they themselves are responsible, with three quarters (75%) believing they must do their part to meet these targets. Larger businesses are significantly more likely than micro/small businesses to see themselves as responsible (82% compared with 75%). There are similar views across all industries.

Businesses in London agree that local councils should be playing their part too, with 72% believing some responsibility lies locally. In particular, firms working in hospitality, the arts and entertainment look to their local council to help them meet emissions targets (81%).

Finally, two thirds (67%) of businesses in London believe that consumers are responsible for helping firms meet emissions targets. In fact, large businesses are significantly more likely to see consumers as very responsible (30% compared with 19% overall). Again, these views are consistent across London’s business sectors.

Figure 21. Organisations thought to be responsible for helping businesses meet greenhouse gas emissions targets



Base: All respondents (1251)

Barriers and motivators to lower emissions

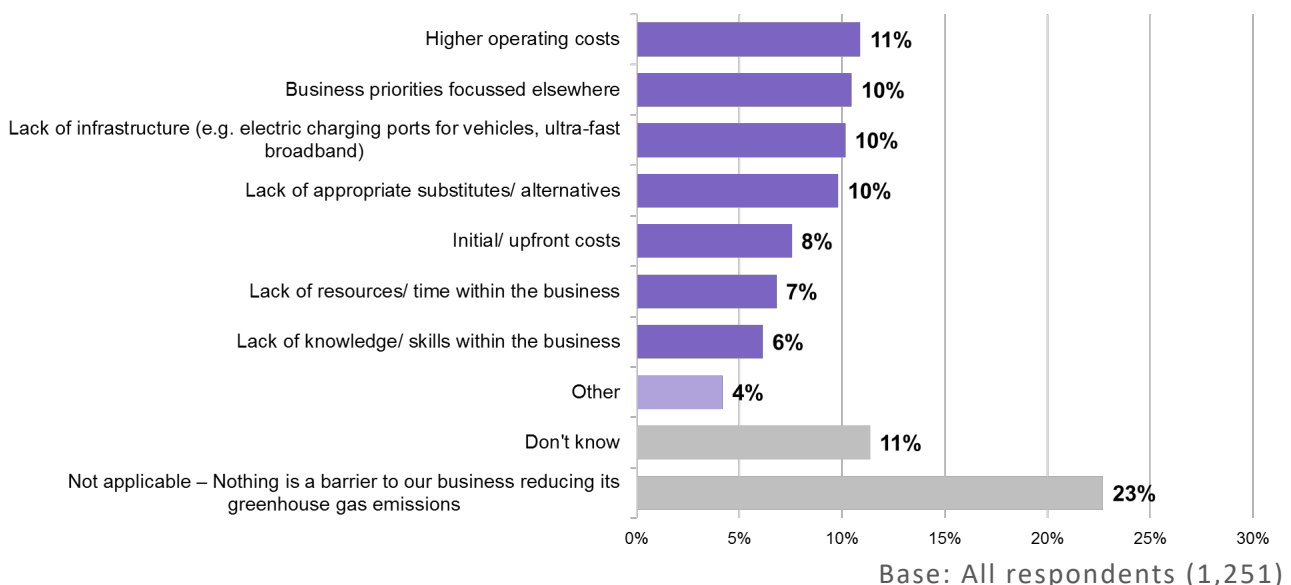
Only 23% of London businesses think there are no barriers for their firm to reduce its greenhouse gas emissions (23%). Of the three quarters (77%) who face barriers, the main hurdles are higher operating costs (11%), priorities of the business being focussed elsewhere (10%), and lack of infrastructure or lack of appropriate alternatives (both 10%).

Only 6% of London businesses feel a lack of knowledge or skills within their business is a barrier to lowering their emissions.

Micro/small businesses in London are significantly more likely to feel there are no barriers, in comparison to large businesses (23% compared with 10%). Small/micro businesses are however more likely than large businesses to feel they lack the resources or time within the businesses to focus on lowering emissions (7% compared with 3% of large businesses).

Those in predominantly white-collar industries, such as those working in the information and communication or scientific sector (29%) or finance, insurance and business sector (31%) are less likely to list barriers, compared with those in motor trades, wholesale and transport (13%). London businesses in this sector feel the business priorities are focussed elsewhere (18%), and for hospitality, arts and entertainment businesses it is the initial upfront costs (12%) that are a barrier.

Figure 22. Barriers businesses face to reducing their greenhouse gases

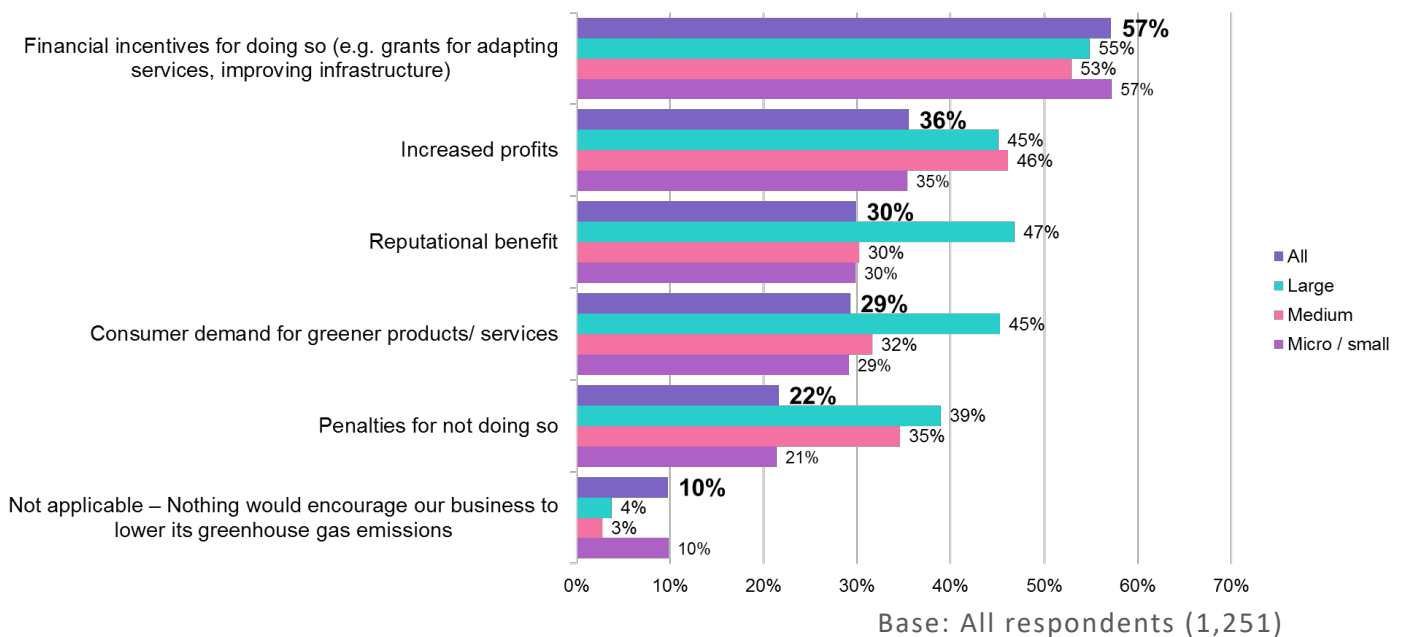


By contrast, over half (57%) of London businesses are most likely to list financial incentives, such as grants, as a key motivator for their businesses to lower its greenhouse gas emissions. This is followed by over a third (36%) who feel increased profits would help them enact change.

Three in ten (29%) feel more consumer demand for greener products or services would be a motivator, and the same amount (30%) feel if it gave their businesses a reputational boost, they would be more encouraged to lower their emissions.

Larger businesses in London are more likely to feel there are motivating factors. Only 4% of businesses with over 250 employees felt nothing could encourage them, compared with one in ten (10%) micro/small businesses. Large businesses are significantly more likely to feel motivated to lower their emissions if there was a reputational benefit (47%), increased profits (45%) or more consumer demand for greener products (45%). Medium-sized companies are significantly more likely than small/micro businesses to think penalties for not doing so would be motivational (35% compared with 21%).

Figure 23. Enablers for London businesses to reduce their greenhouse gases



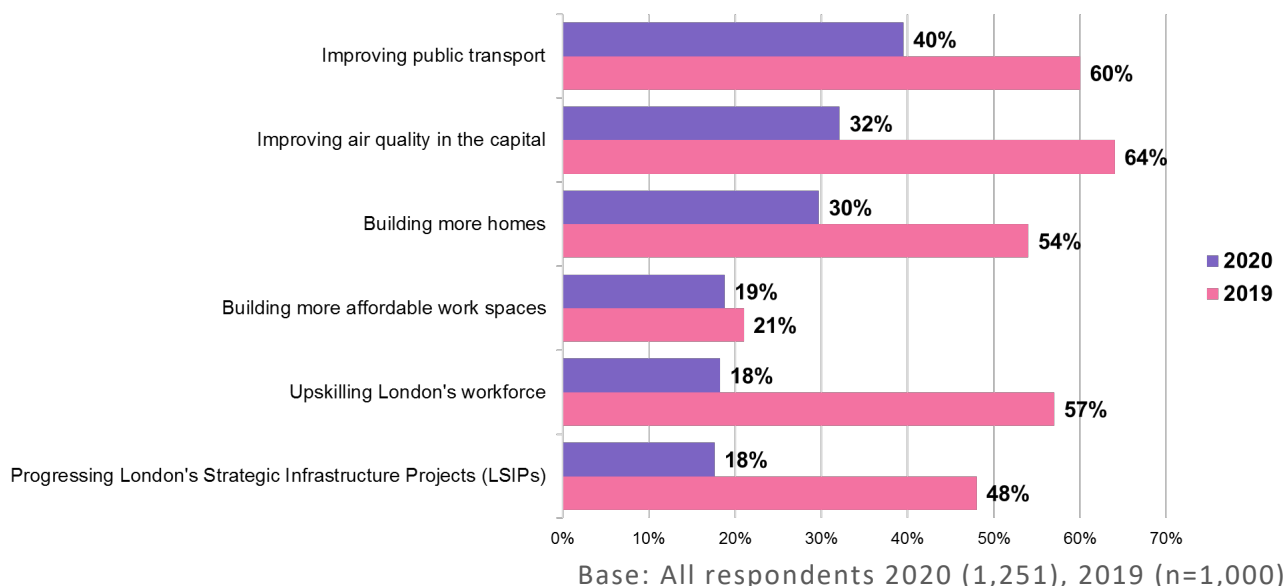
Businesses working in retail, and those in the hospitality, entertainment and arts sectors are significantly more likely to cite consumer demand for greener products/services (43% and 39% respectively). Those in hospitality, entertainment and the arts are also more likely than average to list penalties for not doing so (28%) as an enabler to meet emissions targets.

Devolution and Government

Business rates

For London businesses, when asked what they feel the boroughs and the Greater London Authority (GLA) should prioritise for using business rates, investing in transport around London is key. Two in five (40%) believe improving public transport should be a priority. This is followed by a third (32%) who believe improving the air quality in the capital should take precedent. Additional house building is also a key concern for businesses in London (30%).

Figure 24. Priorities for investing of business rates



In the 2019 wave of this research the two most common priorities were the same as seen here, although in first place was improving air quality followed by improving public transport. In 2019, upskilling London’s workforce and progressing strategic infrastructure projects were higher priorities than they are now.

London businesses working in hospitality, entertainment and the arts are among those most likely to see improving public transport as a top priority (44%). Investment in public transport is also a key priority for businesses working in information & communication, professional & scientific services, and finance, insurance and business administration (both 43%).

While new affordable workspace generally was a low priority (18%), those in production, agriculture, forestry and fishing saw it as a much bigger priority (33%).

Businesses based in information & communication, professional & scientific services are more likely than the average London business to feel the GLA should be prioritising investment in 'progressing London's Strategic Infrastructure Projects' (LSIPs), (22%, compared with 18%). By firm size, medium-sized enterprises showed the strongest support at 35%, compared to micro-businesses at 17%.

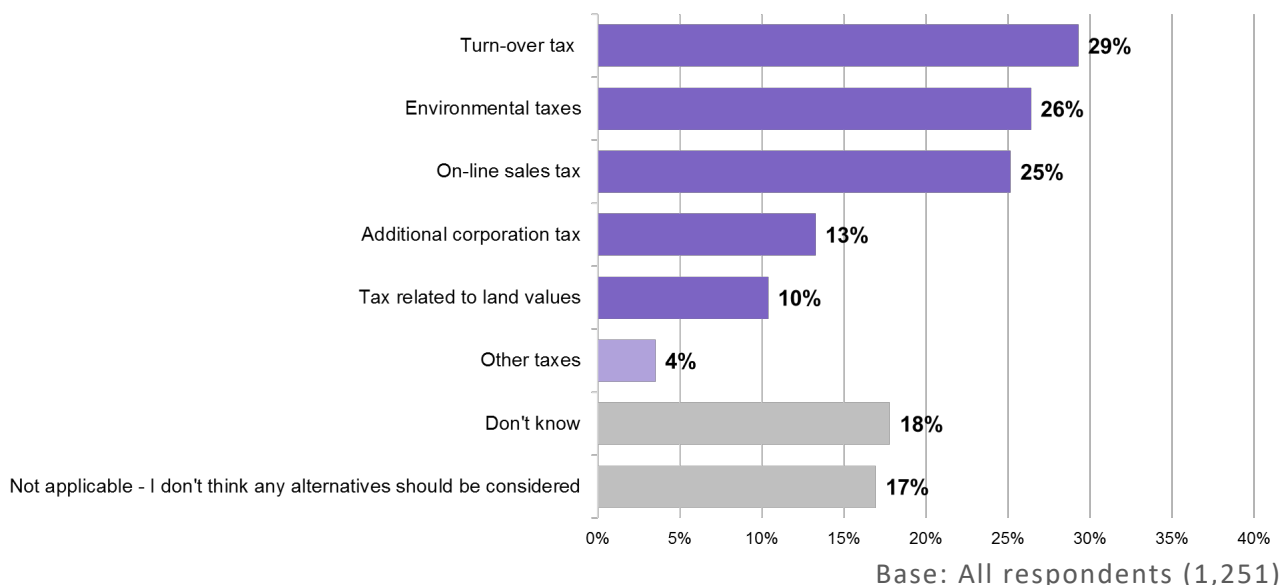
London businesses were asked about their perspective on business rates and potential alternatives that make up part of a government plan to reform rates. Nearly three in ten (29%) businesses in the capital would prefer a turnover tax, whereby part or all of a business' tax contribution is determined in accordance with the turnover generated by the tenant.

This top alternative was closely followed by a quarter (26%) who would prefer environmental taxes, and a further quarter (25%) who would like to see an online sales tax. Around one in six (17%) are happy with the current system of business rates and do not think any alternatives should be considered.

The type of industry London businesses work in plays a decisive role in their opinion on alternatives to business rates. The popularity of a turnover tax is driven by interest from those working in the construction and property sector (31%), and those working in information & communication, professional and scientific services (35%).

Some industries are more averse to a change, with businesses working in motor trades, wholesale, transport and storage most likely to think no alternatives should be considered (28%). Others who are less interested in change tend to work in production, agriculture, forestry & fishing (27%), retail or finance & insurance and business services (both 21%).

Figure 25. Alternatives to business rates

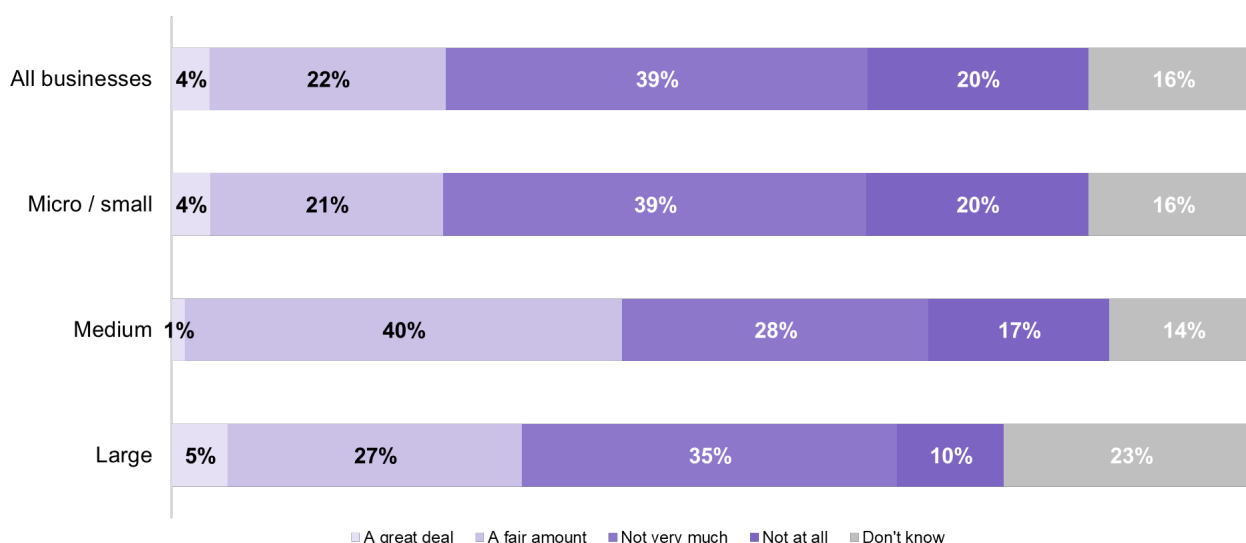


Attitudes towards local councils

London businesses are not overly positive towards the actions of their local council. Only a quarter (25%) feel that their local council acts on the concerns of local businesses (a great deal or a fair amount), whilst nearly six in ten (59%) feel they do so not very much or not at all.

In 2019, London businesses were more positive about their local council. A third (34%) last year felt their local council acted on the concerns of local businesses compared with a quarter (25%) in 2020. This has not led to a rise in businesses stating not very much or not at all, but rather there has been a rise in those who state they are not sure (8% in 2019 compared with 16% in 2020).

Figure 26. The extent the local council acts on the concerns of local businesses, by business size



Base: All respondents (1,251)

Micro/small firms in London are the least positive towards their local council, compared with medium or larger businesses. A quarter (25%) of micro and small companies feel that generally the local council acts on the concerns of local businesses to either a great deal or a fair amount. This compares to 41% of medium and 32% of large firms.

London decision-makers were also asked to think about the last six months specifically as to whether they felt their local council has acted on the concerns of local businesses. London businesses are just as likely to feel that their local council has not acted on their concerns, with a similar proportion stating not very much/not at all (56%). When focusing on the last 6 months, there is no significant difference based on company size either.

Planning and licencing

When considering improvements to current planning licencing regulations, London businesses are most likely to say it should be easier or quicker to apply for material changes of use (22%), followed by a fifth (20%) who cite more short-term office leases.

Looking across industries provides more insight into the needs of different London firms. Those working in information & communication, professional and scientific services, along with those in finance, insurance and other business sectors are the most likely to feel nothing would improve the current regulations (24% and 26%, respectively).

Businesses in the public administration, defence, education or health sectors are most likely to feel 'it should be easier or quicker to apply for material changes of use' (33%).

Those working in the construction and property sector agree, with 32% stating this would be an improvement, and a further 32% stating 'it should be easier to alter premises'. However, 28% in this sector believe nothing would improve current planning regulations.

Despite the impact of COVID-19 restrictions, only 21% of hospitality, arts and entertainment firms called for an improvement in licences for outdoor furniture. Three in ten (28%) of London business feel nothing would improve current planning and licencing regulations.

Concerns about Brexit

Businesses in London are clearly concerned about the impact Brexit will have in many areas over the coming 12 months. London firms are most concerned that it will affect their business growth; over half (52%) feel leaving the European Union will have a negative impact on their business over the next year.

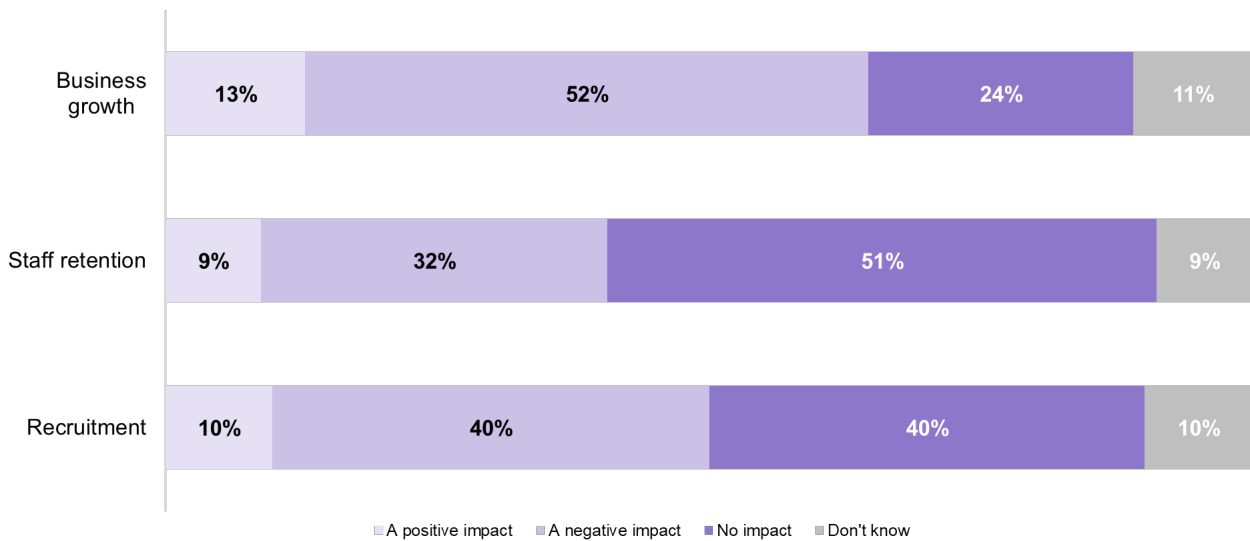
It follows that businesses in London are similarly concerned about how leaving the EU may affect their staff retention and recruitment. A third (32%) feel it will negatively affect their staff retention and 40% feel it will hamper their recruitment.

Concerns over Brexit are particularly prevalent amongst larger companies. Over half (55%) of large businesses feel it will negatively affect their business growth, and a further half (50%) their recruitment. Micro/small businesses are the most likely to report that leaving the EU will have no impact on these aspects of their business (24% state no impact on business growth, 40% on recruitment).

The impact of Brexit will vary by sector too. For those operating in the hospitality, arts and entertainment sectors, 57% feel it will have a negative impact on their business growth, 43% on their recruitment and 38% on their staff retention.

This negative impact is also felt in the construction and property sector and information & communication, professional and scientific services, particularly in staff retention and recruitment. For those in information and communication, 34% feel staff retention will be negatively impacted, and 45% feel recruitment will be impacted. Similarly, for construction and property businesses, 30% expect to see a negative impact on staff retention and 43% for recruitment.

Figure 27. Impact of Brexit on businesses in London



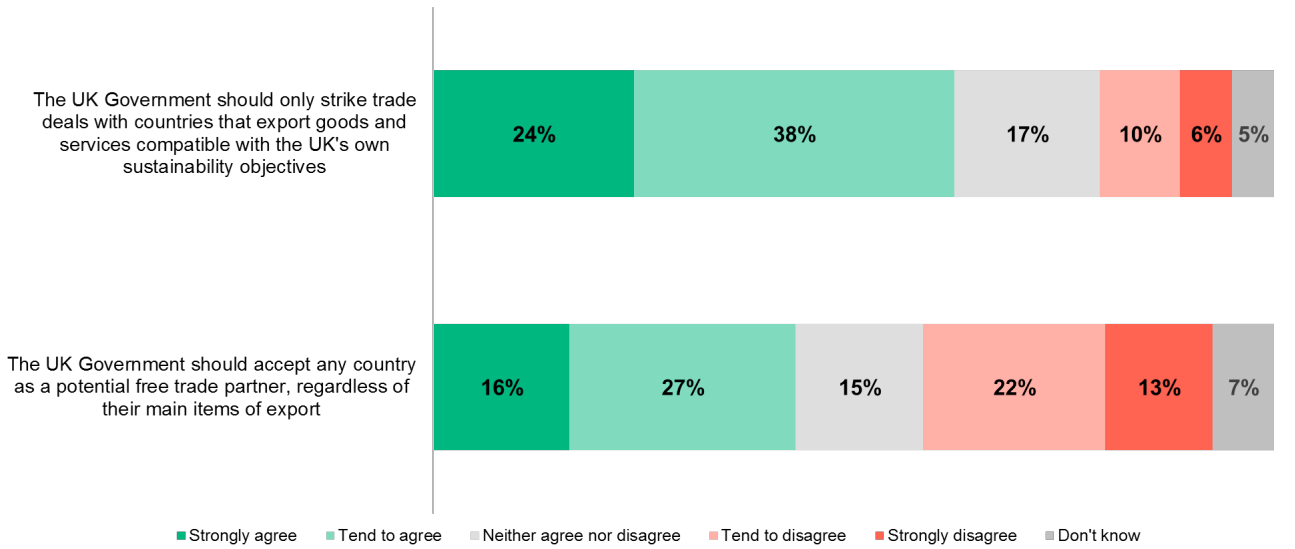
Base: All businesses (1,251)

London businesses clearly express a preference for the national government to strike trade agreements with countries that export goods and services compatible with the UK's own sustainability objectives: three-fifths (62%) of businesses across London agree. Furthermore, a quarter (24%) state they 'strongly agree'. Only 16% of businesses disagree with this statement.

There are no significant differences in agreement across business size, and on the whole, agreement is in the majority across industry. Those working in information and communication or scientific sectors, are the most likely to agree (67%) that the UK government should only strike trade deals with countries that export goods and services compatible with the UK's own sustainability objectives. In contrast, those working in the finance, insurance and business sectors are the most likely to disagree with this statement (22%).

Agreement about whether the UK government should accept any country as a potential free trade partner regardless of their main items of export is less clear. Under half (43%) agree with this statement. A third (34%) of London businesses disagree with this statement. Businesses working in the motor trades, wholesale and transport sector are the most likely across industries to support this statement (51%). Similarly, those in the finance, insurance and business administration sectors are more likely to agree than the average London business (48%).

Figure 28. Agreement statements about post Brexit government trade deals



Base: All businesses (1,251)

Conclusions

The current environment is a challenging one for London businesses, but there are some clear agreements about the road to recovery. The COVID-19 pandemic has affected businesses throughout the capital, across industries, but London's decision-makers have provided a view into their experiences and an outlook for the months ahead. Throughout the report there were significant differences in the views of micro/small businesses, compared to medium and large firms.

The majority of businesses have stable staff retention, but turnover has reduced for many. Low cash flow is a key concern and threat to many – businesses welcome efforts to alleviate that as they deal with the impacts of COVID-19.

So what does this mean for the future of London businesses? Only a third of decision-makers think that all of their staff will return to working in-person in a year's time, with others continuing to keep various proportions of staff working remotely.

Recruitment for the capital's businesses continues apace. Two fifths of London decision-makers expect to recruit over the next 12 months and just over a quarter expect to increase their headcount compared to the past 12 months. However, the types of roles businesses are looking for have changed – the most common role recruited in 2019 was skilled/manual technical staff, which has dropped to second place behind professional/managerial staff in 2020.

These changing demands have brought with them difficulties in finding the right staff, as over half of businesses who tried to recruit staff in the past 12 months report applicants lacked the necessary experience or technical skills. Only a third feel there is a lack of applicants interested in the roles they offer.

As might be expected, the roles that businesses experience skills challenges in are the roles that they are recruiting for most heavily. A quarter of London decision-makers are facing skills challenges in professional/managerial roles, while a fifth cite challenges with skilled manual/technical roles.

These skills challenges are concentrated in the need for technical/job specific skills, with a fifth citing these as a particular challenge for their business. Separately, a fifth acknowledge that the move to managing a remote workforce will be a challenge for them over the next 12 months. There is also an interest in upskilling current workforces on digital skills, which aligns with the needs of newly remote staff.

Apprenticeships could be a useful mechanism to get skills into London businesses, with funding available in the form of the Apprenticeship Levy or costs shared with the government. However, many remain unaware of their eligibility for the apprenticeship levy and will not maximise the use of the funds available to them. Only a small minority currently employ apprentices, but a third of decision-makers who plan to use the relevant funding intend to employ an increased number of apprentices over the next 12 months.

London businesses are in agreement – government and business need to work together to tackle climate change. London businesses are well aware of the UK government’s target for net zero greenhouse gas emissions by 2050 and the majority are taking some form of action to lower their own environmental impact. The most common forms of action London businesses are taking are encouraging tele-commuting/home-working, using greener technologies, and using sustainable suppliers.

When it comes to working with government, London businesses could have much stronger relationships with their local council. Three-fifths do not feel their local council acts on the concerns of local businesses. This has not improved during the pandemic either.

Appendix A: sub-regional spotlight

The data was collected for London as a whole, but has been broken down by four sub-regions. London’s boroughs have for many years formed themselves into strategic sub-regional partnership groups. There are currently four sub-regional partnerships covering the whole of London:

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

As with the first three surveys, the data has been collected across London as a whole, but it has also been broken down by these sub-regions¹.



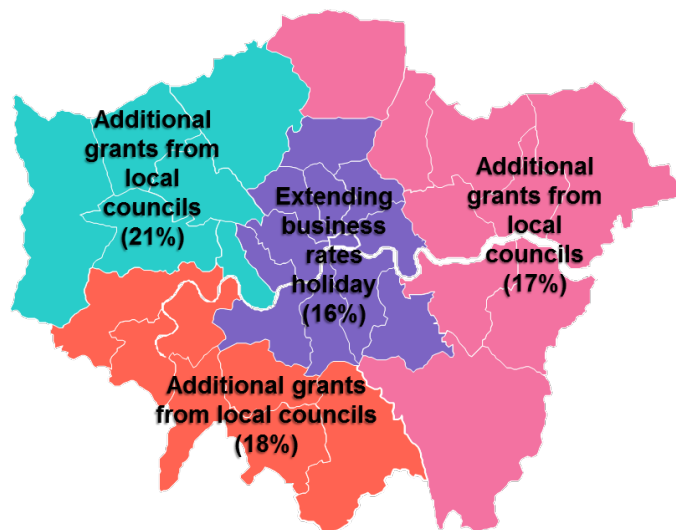
¹ Central London Forward includes Lewisham, Southwark, Lambeth, Wandsworth, Kensington & Chelsea, City of Westminster, City of London, Tower Hamlets, Hackney, Islington, Camden, Haringey; East/ Local London includes Enfield, Waltham Forest, Redbridge, Newham, Greenwich, Bromley, Bexley, Barking & Dagenham, Havering; South London Partnership includes Croydon, Sutton, Merton, Kingston upon Thames, Richmond upon Thames; West London Alliance includes Hillingdon, Harrow, Ealing, Hounslow, Hammersmith & Fulham, Brent, Barnet

A summary of the key differences across regions is presented in this appendix.

London’s business environment

- West London businesses are the most likely to say their business turnover and staff retention have decreased since the start of the COVID-19 pandemic (72% and 37%, respectively).
- Lack of consumer spending is a specific worry for businesses in East London, cited by half as a key threat to their post-COVID recovery. West London businesses are worried about not being able to find/maintain affordable business premises (20%).
- In terms of support offered to deal with COVID-19, West London businesses were particularly keen for additional grants from their local councils (21%) and additional/alternative business loans (9%).
- Remote work is more likely to be the future of Central London businesses, with over half (54%) expecting at more than two-fifths of staff to still be working remotely in twelve months’ time. This compares to 30% of businesses in East London.
- West London businesses are less confident (65%) about their business’s economic prospects over the next 12 months than they were about the last 12 months, but they are more likely than other regions to be optimistic about London’s economy overall (8%).

Figure 29. Support businesses would find most useful in dealing with COVID-19 (top answer)



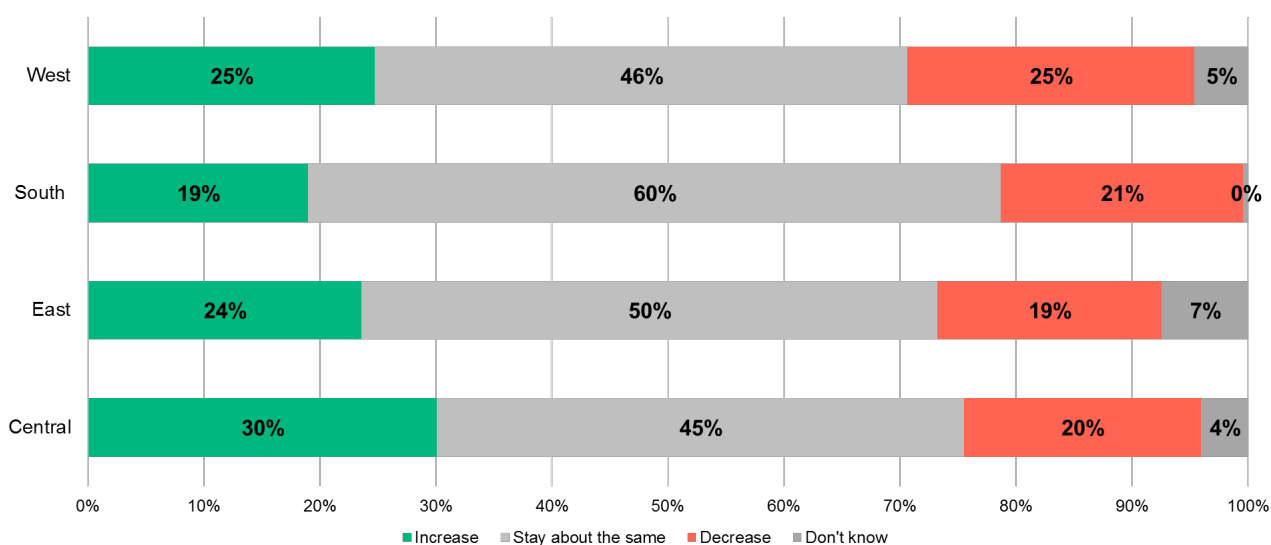
Base: All respondents (Central=673, East=184, South=162, West=232)

Recruitment

- South London businesses are the least likely to be recruiting in the next 12 months (53%). Over two fifths of Central London businesses (45%) say they are recruiting, slightly down from half (49%) who were recruiting over the last 12 months.

- Three in ten Central London businesses say their total headcount will increase over the next 12 months (30%), compared to only one in five South London businesses (19%).
- Respondents in South London are most likely to have been recruiting skilled manual/technical staff (55%). Firms in Central London focussed on professional/managerial staff (57%) while those in East London on un/semi-skilled staff (44%).
- Half of Central London decision-makers said they had no difficulties recruiting for roles over the last 12 months (52%), with the main difficulty being applicants lacking experience (59%).

Figure 30. Expectations of total headcount over the next 12 months, compared to previous 12 months

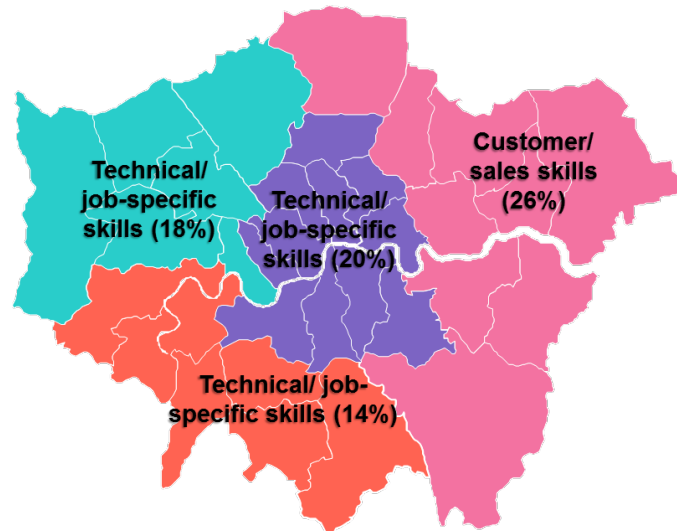


Base: All respondents (Central=673, East=184, South=162, West=232)

Skills

- Businesses in Central London were the most concerned about the skills challenges of managing remote working, at 28%, compared to 12% in East London.
- Employers located in the East (31%) and the West (24%) were more likely than centrally-based employers (16%) to face challenges with skilled manual/technical roles.
- Challenges around customer service and sales skills is more of an issue for employers in the East sub-region (26%) than employers in other parts of the capital.
- Businesses in Central London were the most likely to say upskilling employees' digital skills is a high priority (30%), while businesses in West (26%) and East London (25%) prioritise upskilling other areas.

Figure 31. Main types of skills that London businesses face challenges within their current workforce (top answer)

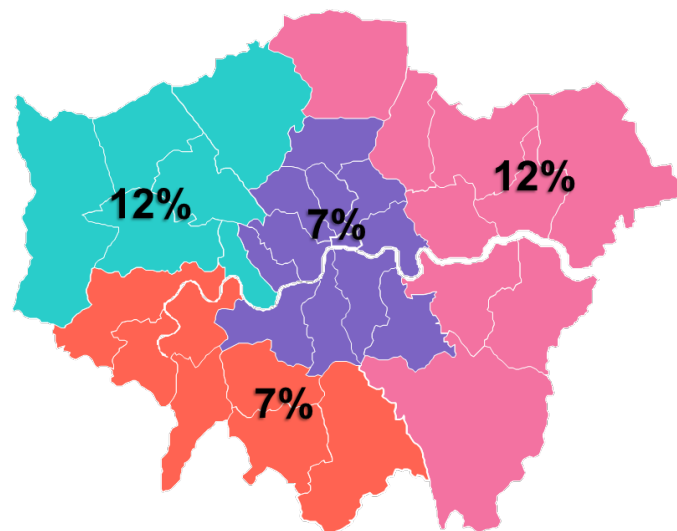


Base: All respondents (Central=673, East=184, South=162, West=232)

Apprenticeships

- The London regions do not significantly differ in their current employment of apprenticeships. However, planned used of apprenticeship funding is slightly higher for employers based in the East (12%) and West (12%) regions than those employers based in the Central (7%) and South (7%) regions.
- At 24%, Central London had the largest number of firms expecting to use more than three quarters of their apprenticeship funding, falling to 0% in West London.

Figure 32. London businesses that plan to use apprenticeship funding over the next 12 months

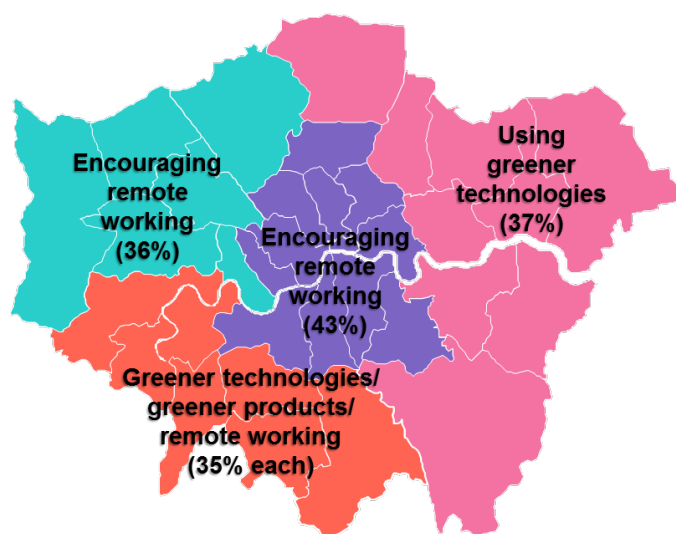


Base: All respondents (Central=673, East=184, South=162, West=232)

Sustainability

- Awareness of the net zero target does not vary significantly across the London regions, but those in Central London are the most likely to say businesses are responsible to meet emissions targets (79%).
- Over two fifths (43%) of Central London businesses are encouraging remote working in order to reduce their environmental impact, compared to only one fifth of East London businesses.
- London businesses in the West (19%) and East (16%) regions are more likely than those based in the South (8%) and Central (5%) to cite higher operating costs as the main barrier to reducing their greenhouse gas emissions.

Figure 33. Actions taken to reduce environmental impact (top answer)



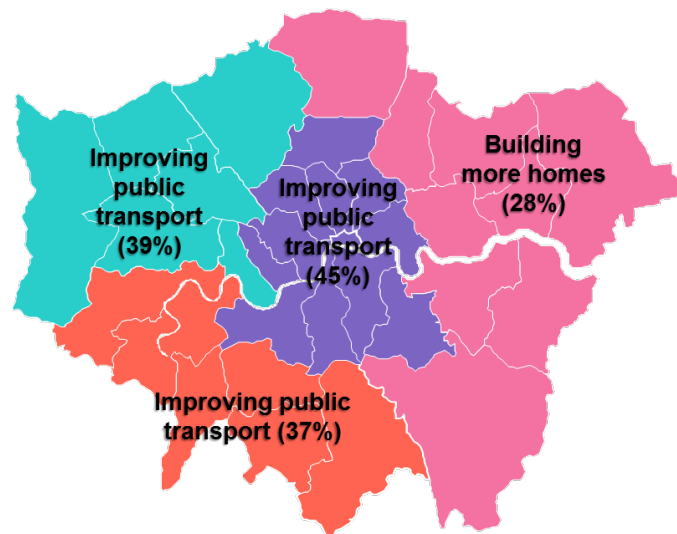
Base: All respondents (Central=673, East=184, South=162, West=232)

Devolution and Government

- Whilst improving public transport is key for those based across all other London regions, for those in East London only a quarter feel this should be the priority (25%, compared with 45% in Central London)
- Those based in East London are most likely to feel building more homes should be the highest priority (28%).
- Environmental issues are more of a priority for businesses based in the Central region. Air quality was seen as a higher priority by Central London firms at 38%. Support for environmental taxes is significantly higher in Central London (32%) than East London (19%).
- Positivity towards the action of their local council changes when broken down by region. Businesses working in Central London are the most positive with 28% feeling their local council acts of the concerns of local businesses at least a fair amount.

- Those working in South (22%) and West (20%) London are the least positive, with only a fifth feeling the local council acts on behalf of local business interests.
- Businesses based in Central London are less negative than those in other parts of London, with fewer stating not very much or not at all (47%, compared with 61% of those in the East, 65% in the West and 68% in the South).
- Across London, there is little difference in the expected impact of the UK leaving the European Union except for business growth: those based in Central and South London are more likely to be expecting a negative impact on company growth than those in the East and West (59% and 53%, compared with 39% and 46% respectively).

Figure 34. Key priorities for investing businesses rates in London (top answer)



Base: All respondents (Central=673, East=184, South=162, West=232)