

# LONDON BUSINESS LEADERS PANEL

Online Business Survey Results

January 2009

## The Recession – What it means for London Firms

- Some 64 per cent of the largest companies in our survey have already made redundancies due to the recession.
- Nearly 70 per cent of London businesses have already been negatively affected by the recession, rising to more than 85 per cent in the largest companies.
- However, 87 per cent of London firms believe they are likely to survive the recession.
- One-quarter of medium-sized firms are capitalising on the situation by recruiting redundant workers from the job market.

### Larger Firms Hardest Hit

Three months since Bank of England Governor Mervyn King declared that the UK was entering a recession, larger firms in London are being hardest hit as the downturn tightens its grip.

The **London Chamber of Commerce and Industry's** (LCCI) latest London Business Leaders Panel Survey conducted in partnership with pollsters **ComRes** shows that the larger firms surveyed are being forced to make redundancies and enact recruitment freezes in order to weather the tough economic conditions.

Although the impact at present is more pronounced for larger firms with regards to employment, this may indicate future trends for smaller companies in the coming months. It will become clear whether smaller firms have had to make similar cuts when this survey is repeated in a few months' time.

In addition to the particular pressures facing the larger firms in our sample, businesses of all sizes continue to struggle with access to affordable credit. Meanwhile, late payments and concerns about the financial security of supply chains are further exacerbating the already trying economic situation.

## The future of London business?

Nearly 70 per cent of London companies reported that the recession has had a 'very negative' or 'somewhat negative' impact on their business.

The negative impact increases in line with company size, as 76 per cent of medium firms and more than 85 per cent of large firms in our survey reported that their business has been negatively affected.

Even among small firms, almost two-thirds have seen a negative impact.

Despite the widespread effects of the current economic climate, London companies remain optimistic about their ability to survive the recession.

Overall, 87 per cent of London companies say they are 'very likely' or 'fairly likely' to survive the recession, while 89 per cent of medium-sized firms surveyed were similarly confident.

Despite the current spate of redundancies and hiring freezes, all of the largest companies in this survey were confident of surviving the recession, with 71 per cent saying their firms were 'very likely' and 29 per cent 'fairly likely' to survive. It seems that they are making tough decisions in the short term to ensure their survival in the medium to long term.

## Large and medium firms respond to crisis

Large firms report taking drastic action to cope with the recession, as 64 per cent of the largest businesses in our sample have been forced to make redundancies.

Medium-sized firms are also having to make cuts, with more than a quarter of those surveyed reporting redundancies. Across firms of all sizes, one in five has already reduced employee numbers due to the recession, demonstrating the real effect of current economic conditions on jobs in London.

Confidence about avoiding future redundancies is also sinking, as more than a third of large firms said they expect to make job cuts in the near future. Companies generally feel uncertain about workforce prospects in the coming months, with the number of firms who 'don't know' if they will have to cut jobs jumping some 15 percentage points.

Over half of London companies have also implemented a freeze on recruitment, which rises to 79 per cent among the largest businesses in the survey.

However, medium-sized companies seem most likely to try and capitalise where possible on the candidates available in the marketplace due to redundancies elsewhere. One quarter report hiring new staff to take advantage of the candidates available – including from competing firms.

Although the number of firms offering flexible conditions to employees to economise on staffing costs – such as voluntary sabbaticals, reduced hours or voluntary pay cuts – remains low, this may well increase in the coming months. High profile companies such as KPMG and a number of manufacturing firms are already going down this route in order to reduce costs while avoiding redundancies.

## Credit problems remain

The survey results also show that companies continue to struggle to access credit and are also experiencing increased charges and conditions attached to their existing credit streams.

In October 2008, 23 per cent of London businesses were experiencing difficulties accessing credit, while more than a third said they had seen an increase in charges and conditions.

### October 2008 Responses

My business is currently experiencing difficulty accessing credit					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Agree	23 %	25 %	21 %	16 %	21 %
Disagree	51 %	52 %	53 %	63 %	38 %
Don't know	25 %	23 %	26 %	21 %	42 %
There has been an increase in the charges and/or conditions attached to my company's credit streams					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Agree	35 %	32 %	37 %	53 %	38 %
Disagree	42 %	49 %	39 %	21 %	17 %
Don't know	23 %	19 %	24 %	26 %	46 %

Source: London Chamber of Commerce and Industry/ComRes, London Business Leaders Panel Survey, October 2008

Three months on, we can see these difficulties are continuing and even worsening. Those businesses who said they were experiencing difficulty accessing credit rose seven percentage points to 30 per cent, while 40 per cent are now coping with increased charges or conditions. This figure may be even higher due to the sizable 28 per cent who were not in a position to respond to this question.

### January 2009 Responses

My business is currently experiencing difficulty accessing credit					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Agree	30 %	30 %	34 %	25 %	23 %
Disagree	41 %	38 %	48 %	50 %	46 %
Don't know	28 %	32 %	18 %	25 %	31 %
There has been an increase in the charges and/or conditions attached to my company's credit streams					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Agree	40 %	37 %	48 %	38 %	46 %
Disagree	31 %	32 %	31 %	50 %	15 %
Don't know	28 %	31 %	21 %	13 %	38 %

Source: London Chamber of Commerce and Industry/ComRes, London Business Leaders Panel Survey, January 2009

Medium-sized firms surveyed are being particularly hard hit, with nearly half reporting increased charges and conditions. The largest firms in our sample are facing similar difficulties, as 46 per cent reported an increase in charges or conditions on their credit streams.

The main types of charges companies have experienced are an increase in overdraft charges, affecting 31 per cent of firms, and an increase in credit charges associated with loans (22 per cent.) Again, the medium-sized businesses in our sample are being hardest hit, with 53 per cent reporting increased overdraft charges. Extra loan charges, however, seem to be affecting companies of all sizes equally.

## **Late payments and supply chain fears a worrying trend**

The statistics demonstrate a worrying trend towards late payments with over 60 per cent of companies reporting an increase in late payments from their customers. This rises to 70 per cent among medium-sized firms.

While this is unsurprising in the current climate, late payments could have serious repercussions for the economy. As companies take longer to settle their accounts, cash-flow could become restricted. This creates wider ripples in the economy as those firms without large reserves (often smaller companies) could find themselves unable to continue trading. This further undermines already low confidence, as businesses face uncertainty around when they will actually receive outstanding payments.

Medium-sized and large firms are also dealing with uncertainty about the financial security of companies in their supply chain. Some 68 per cent of companies reported they were concerned, which increased to three-quarters of medium-sized firms and more than 79 per cent for the largest firms surveyed.

### Downturn Impact - Full Results Tables

<b>What impact, if any, has the recession had on your business?</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Very positive impact	2 %	2 %	2 %	13 %	0 %
Somewhat positive impact	10 %	11 %	9 %	0 %	14 %
No Impact	18 %	22 %	14 %	0 %	0 %
Somewhat negative impact	46 %	40 %	57 %	75 %	64 %
Very negative impact	23 %	25 %	19 %	13 %	21 %

<b>How likely or otherwise do you think it is that your business will survive the recession?</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Very likely	50 %	47 %	55 %	63 %	71 %
Fairly likely	37 %	39 %	34 %	25 %	29 %
Fairly unlikely	3 %	4 %	3 %	0 %	0 %
Very unlikely	2 %	2 %	2 %	0 %	0 %
Don't know	7 %	8 %	5 %	13 %	0 %

<b>Do you agree or disagree with the following statements about your business's access to credit? – My business is currently experiencing difficulty accessing credit.</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Agree	30 %	30 %	34 %	25 %	23 %
Disagree	41 %	38 %	48 %	50 %	46 %
Don't know	28 %	32 %	18 %	25 %	31 %

**Do you agree or disagree with the following statements about your business's access to credit?** – There has been an increase in the charges and/or conditions attached to my company's credit streams.

	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Agree	40 %	37 %	48 %	38 %	46 %
Disagree	31 %	32 %	31 %	50 %	15 %
Don't know	28 %	31 %	21 %	13 %	38 %

**If your company has experienced increased charges or conditions, do they include any of the following?**

	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ Employees
Increased overdraft charges	31 %	26 %	53 %	20 %	9 %
Overdraft has been withdrawn	10 %	12 %	6 %	0 %	9 %
Other business loans have been called in	5 %	5 %	3 %	0 %	9 %
Increased charges on loans	22 %	21 %	18 %	20 %	55 %
Other (please specify)	31 %	36 %	21 %	60 %	18 %

**Has your business seen an increase in late payments from your customers?**

	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	60 %	56 %	71 %	100 %	36 %
No	34 %	39 %	28 %	0 %	29 %
Don't know	6 %	5 %	2 %	0 %	36 %

<b>Are you concerned about the financial security of firms in your supply chain?</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	68 %	65 %	74 %	88 %	79 %
No	28 %	31 %	26 %	0 %	14 %
Don't know	4 %	5 %	0 %	13 %	7 %

<b>Has your business made any redundancies due to the recession?</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	19 %	13 %	28 %	25 %	64 %
No	80 %	87 %	71 %	75 %	36 %
Don't know	1 %	1 %	2 %	0 %	0 %

<b>Do you expect to have to make redundancies in the near future due to the recession?</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	18 %	16 %	19 %	38 %	36 %
No	66 %	70 %	60 %	38 %	50 %
Don't know	16 %	14 %	21 %	25 %	14 %

<b>Has your business offered flexible conditions to your employees in order to economise on staffing costs (e.g. voluntary sabbaticals, reduced hours, voluntary pay cuts, etc.)?</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	21 %	21 %	28 %	0 %	7 %
No	76 %	77 %	69 %	100 %	93 %
Don't know	2 %	2 %	3 %	0 %	0 %

<b>Has your business implemented a freeze on recruitment?</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	51 %	52 %	41 %	50 %	79 %
No	47 %	46 %	59 %	38 %	21 %
Don't know	2 %	2 %	0 %	13 %	0 %

<b>Has your business reduced its spend on staff training?</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	43 %	45 %	39 %	38 %	43 %
No	53 %	51 %	60 %	50 %	50 %
Don't know	4 %	4 %	2 %	13 %	7 %

<b>Are you taking on new staff in order to take advantage of the candidates currently available due to layoffs and job cuts?</b>					
	Total	Firms with 1 – 19 employees	Firms with 20 – 199 employees	Firms with 200 – 499 employees	Firms with 500+ employees
Yes	12 %	8 %	24 %	13 %	0 %
No	83 %	84 %	74 %	75 %	100 %
Don't know	6 %	7 %	2 %	13 %	0 %

## Notes

1. A total of 252 company directors responded to the January 2009 London Business Leaders Panel survey.
2. All sectors of the London economy were represented in the survey including: financial and business services (20 per cent); professions (20 per cent); manufacturing (14 per cent); retail/wholesale (8 per cent); transport (3 per cent) and other services (33 per cent).
3. The survey was conducted between 13 and 16 January 2009
4. Percentage figures have been rounded to the nearest whole number.
5. For further information on this or any other LCCI economic or opinion research please contact Gillian Econopouly, Public Affairs Manager, on 020 7203 1829 or via email at [geconopouly@londonchamber.co.uk](mailto:geconopouly@londonchamber.co.uk)

The LCCI London Business Leaders Panel is conducted in association with **ComRes Ltd**, the leading name in political and policy related market research. They have a unique set of research tools, including the largest panel of Members of Parliament ever assembled, as well as specially designed panels of professionals - including dentists, academics, defence experts, and MEPs. They provide a range of research services that give their clients access to public opinion polling and bespoke research on almost any scale.

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