

LONDON SKILLS SURVEY

Q3 2021

ANALYSING LONDON BUSINESSES' SKILLS NEEDS

Savanta:
ComRes

FOREWORD



In March 2020, the UK Government asked all but essential businesses to adopt a complete working-from-home model, as one tool against stemming the rise of Covid-19 cases. This overnight shift in working practice presented challenges for many London businesses, for whom remote working had only been used sparingly before the pandemic.

Whilst the working from guidance has been lifted, it is clear that remote working will be a fundamental part of businesses' working practices going forward. The shift to flexible working has presented both opportunities and challenges for firms and their employees, and skills demand has changed too. Digital skills will become ever more salient for businesses and employees that look to operate on a hybrid or fully-remote pattern of working. Our latest survey indicates that firms who have had to use remote working more than in the pre-pandemic period were more likely to have digital skills gaps in their workforce.

It is still early days, and we are not yet looking back on the pandemic. Our Skills Survey will continue to monitor how businesses' skills needs are changing, in order to properly inform policymakers, training and education providers, and workers about where the gaps are.

Richard Burge

Chief Executive

London Chamber of Commerce and Industry

METHODOLOGY

Savanta ComRes surveyed a total of 507 London business leaders between 23 July and 16 September 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.

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



Recruitment strengthened in Q3 2021 according to the Capital 500, with 17% of businesses saying they had sought to hire over the previous three months – this was up from 11% in Q2.

Both micro and larger businesses reported stronger hiring intentions in Q3. More than half (55%) of larger companies (10 or more employees) were looking to recruit, which continues an upward trend since the lows of Q2 2020. However, the share has yet to recover to the pre-pandemic levels (66% in Q4 2019).

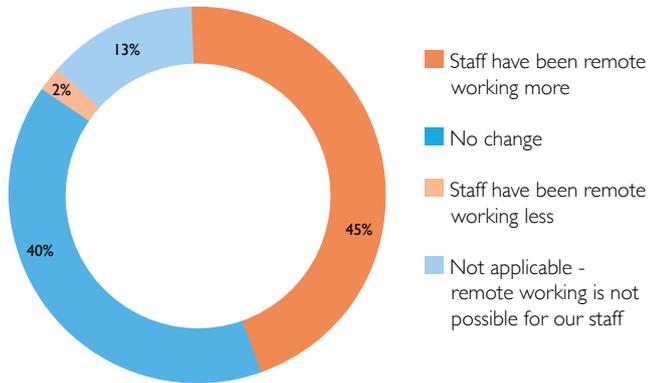
For micro businesses (0-9 employees), the share of firms looking to recruit in Q3 was much closer to the pre-pandemic high (13%, versus 15% in Q1 2020).

USE AND IMPACT OF REMOTE WORKING

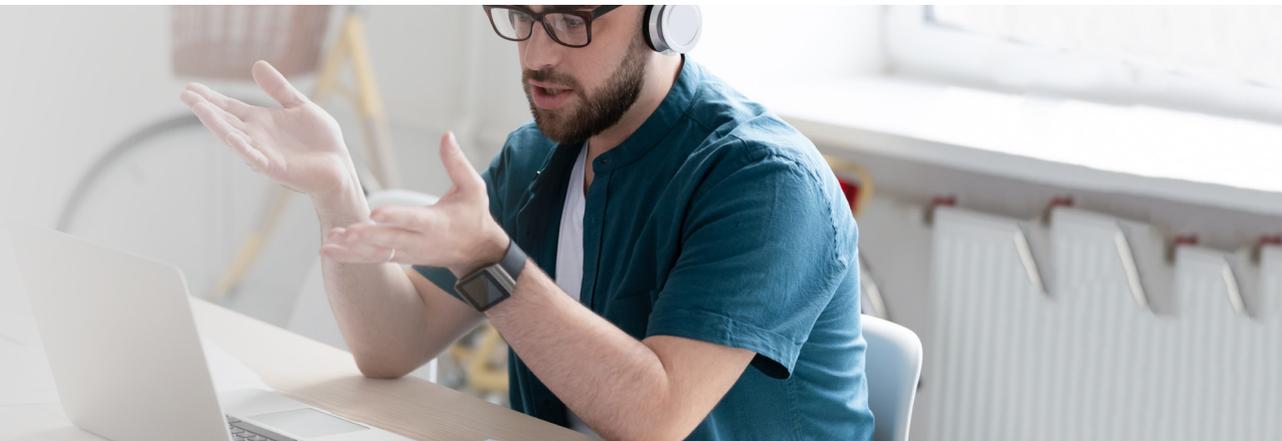
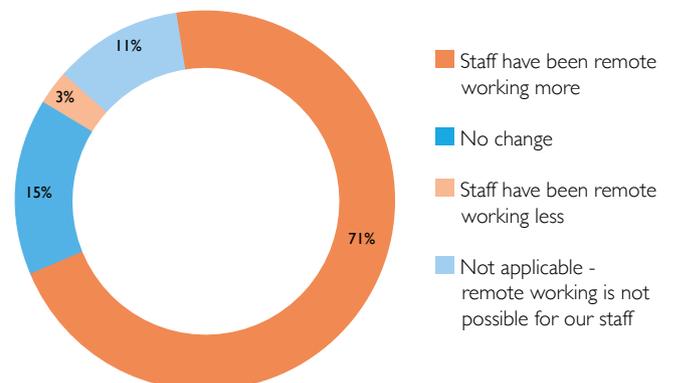
The Covid-19 pandemic has brought about some radical shifts in the way we work. The highest profile of these shifts has been remote working. According to the latest Quarterly Skills Survey, 47% of businesses said their organisation had been making greater use of remote working / working from home since March 2020. It is worth noting that a not-too-dissimilar number of companies said that there was no change in their use of remote working since March 2020 (38%).

Changes to ways of working appear to have affected larger businesses more than their micro counterparts. For firms with 0 to 9 employees, 45% said that their organisation had made greater use of remote working / working from home since March 2020 – but 40% said there had been no change. By contrast, 71% of larger firms (10+ employees) said that their business had made greater use of remote working, with just 15% stating that there had been no change to pre-pandemic practices.

USE OF REMOTE WORKING - MICRO FIRMS (0-9 EMPLOYEES)



USE OF REMOTE WORKING - LARGER FIRMS (10+ EMPLOYEES)



IMPACTS OF REMOTE WORKING

Firms who have seen the use of remote working rise since March 2020 were asked about what impact this has had on:

- Employee work/life balance
- Employee mental health
- Their ability to interact with customers, clients and other stakeholders
- Employee productivity
- Their ability to work collaboratively
- Their ability to onboard new staff

Nearly three-fifths (58%) of businesses who have used remote working more since the start of the pandemic said it had had a positive impact on their employees' work/life balance, with 14% saying it had worsened as a result. This rises to 77% of larger companies (10+ employees).

When considering employees' mental health, businesses were much more split in terms of perceived impact: 34% said remote working had a positive impact, while 25% reported a negative impact and 39% thought there was no change. This was similar across businesses of all sizes.

The below table outlines how businesses felt remote working had impacted their business:

	POSITIVE IMPACT	NEGATIVE IMPACT
Employee work/life balance	58%	14%
Employee mental health	34%	25%
Our ability to interact with customers, clients and other stakeholders	33%	29%
Employee productivity	32%	20%
Our ability to work collaboratively	29%	31%
Our ability to onboard new staff	18%	29%

* Only firms who said remote working usage had increased since start of the pandemic were asked, n=298

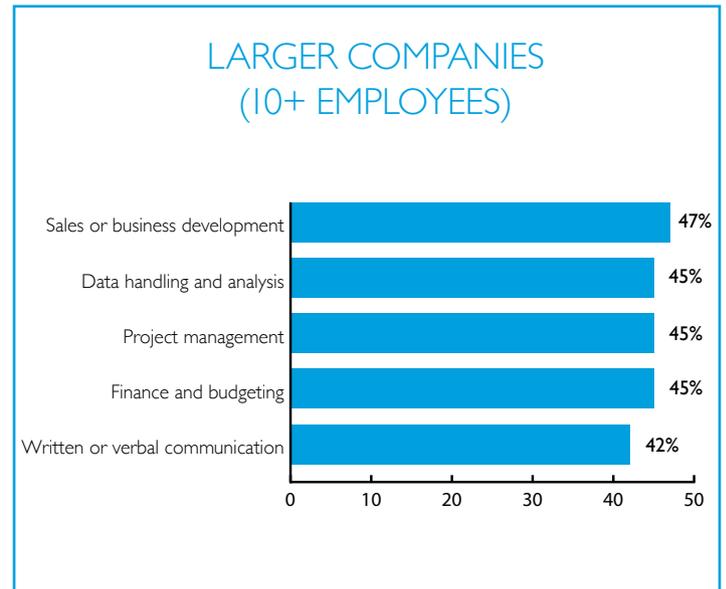
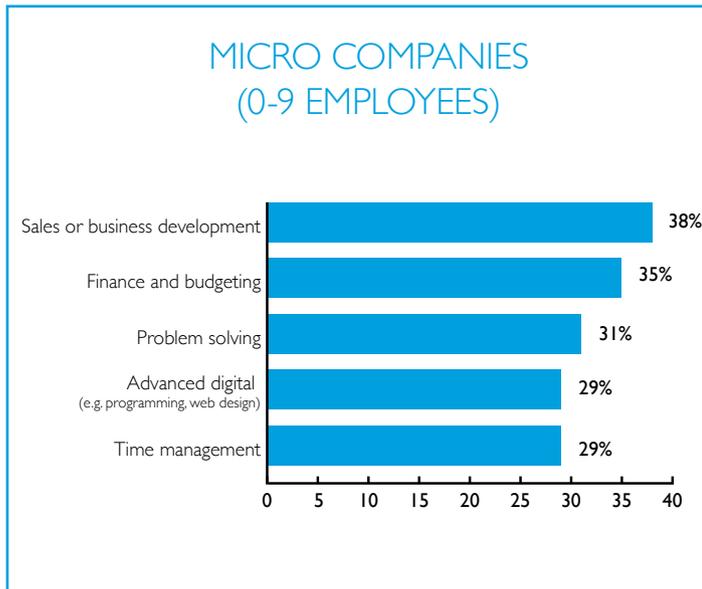
CHANGING SKILLS NEEDS AS A RESULT OF THE PANDEMIC

Radical shifts in how businesses operate due to the pandemic have changed the types of skills companies are looking for. When asked to consider which skills businesses had greater need of now compared to March 2020, sales or business development was the most cited (39%). This is consistent with the previous Quarterly Skills Survey, which suggested sales or business development was the most-reported skills gap.

After sales or business development, finance and budgeting (36%), problem solving (32%), advanced digital (e.g. programming or web design, 30%) and time management (30%) were the other skills that have grown in desirability since the start of the pandemic.

Sales or business development was the skill most cited by both micro and larger companies. There were variations however in their respective top-5 demands:

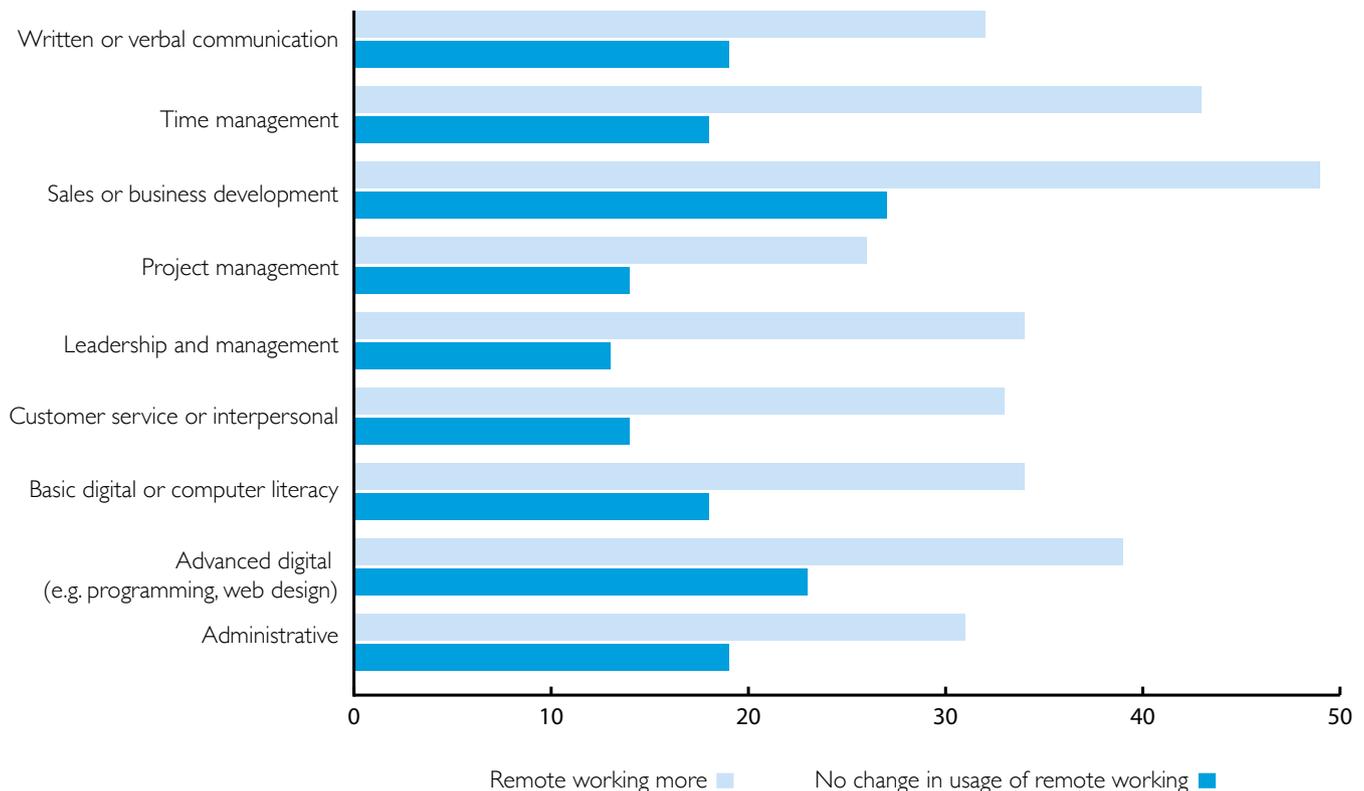
WHICH SKILLS DOES YOUR BUSINESS NEED MORE SINCE THE PANDEMIC BEGAN?



Perhaps a reflection of how businesses have had to adapt to new working practices and operating under lockdown conditions, nearly half (49%) of those companies that have used remote working more since March 2020 said they needed more sales or business development skills. This is much higher than for businesses who saw no change in the degree to which they use remote working (27%).

Two-fifths (43%) of firms who have seen remote working usage rise since March 2020 said they needed more time management skills, compared to 18% of those who have seen no change in remote working.

SKILLS IN HIGHER DEMAND SINCE START OF COVID-19 PANDEMIC (MARCH 2020)





DIGITAL SKILLS GAPS

In the latest Quarterly Skills Survey, London business leaders were asked to identify the digital skills gaps in their current workforce. Two-thirds of firms (65%) said they had at least one type of gap in digital skills, rising to 76% of 'larger' businesses (defined in this survey as companies with 10 or more employees).

Businesses who have seen more remote working since the pandemic began were also more likely to say that had gaps in digital skills, compared to companies that have seen no change in the level of remote working (73% versus 62%).

The most cited gaps across all companies were in digital marketing (28%), social media management (27%), website design / development (26%), search engine optimisation (SEO, 18%), and data analytics, programming/coding and digital design (all 16%).

Whilst larger companies were more likely to say they had a gap in digital skills, the most sought-after skills were quite similar based on business size. Digital marketing was the highest reported gap for both micro and larger companies (28% and 31%, respectively). **For micro companies, the other reported gaps were in:**

- | | |
|-------------------------------------|-----|
| 1. Digital marketing | 28% |
| 2. Social media management | 27% |
| 3. Website design / development | 25% |
| 4. Search Engine Optimisation (SEO) | 17% |
| 5. Data analytics | 15% |

Looking at larger companies, the top 5 biggest gaps in digital skills were:

- | | |
|---------------------------------------|-----|
| 1. Digital marketing | 31% |
| 2. Website design / development | 29% |
| 3. Data analytics | 28% |
| 4. Ability to keep data secure online | 28% |
| 5. Search Engine Optimisation (SEO) | 26% |

USING TRAINING SCHEMES AND ENGAGING WITH TRAINING PROVIDERS

There are several schemes that have been put in place to offer workplace training and development. LCCI asked London businesses if, over the next 12 months, they intended to employ anyone in the following:

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

When asked about plans to employ new staff under these schemes, nearly two-thirds said they had no intentions to (63%). Just 8% of firms said they intended to hire an apprentice, while only 5% said they would look to use the Kickstart scheme. It is worth noting that the fieldwork for this survey was conducted prior to the recent extensions to both incentive payments for hiring apprentices, and the Kickstart scheme itself.

As with previous skills research conducted by LCCI, there are significant disparities in planned employment using the above schemes based on employer size. For firms that with 0-9 employees, 66% said they were not intending to hire anyone using these schemes, with traineeships the most cited (8%). Apprenticeships (7%), internships (7%), T-levels (4%) and Kickstart (4%) saw similarly low levels of potential future engagement.

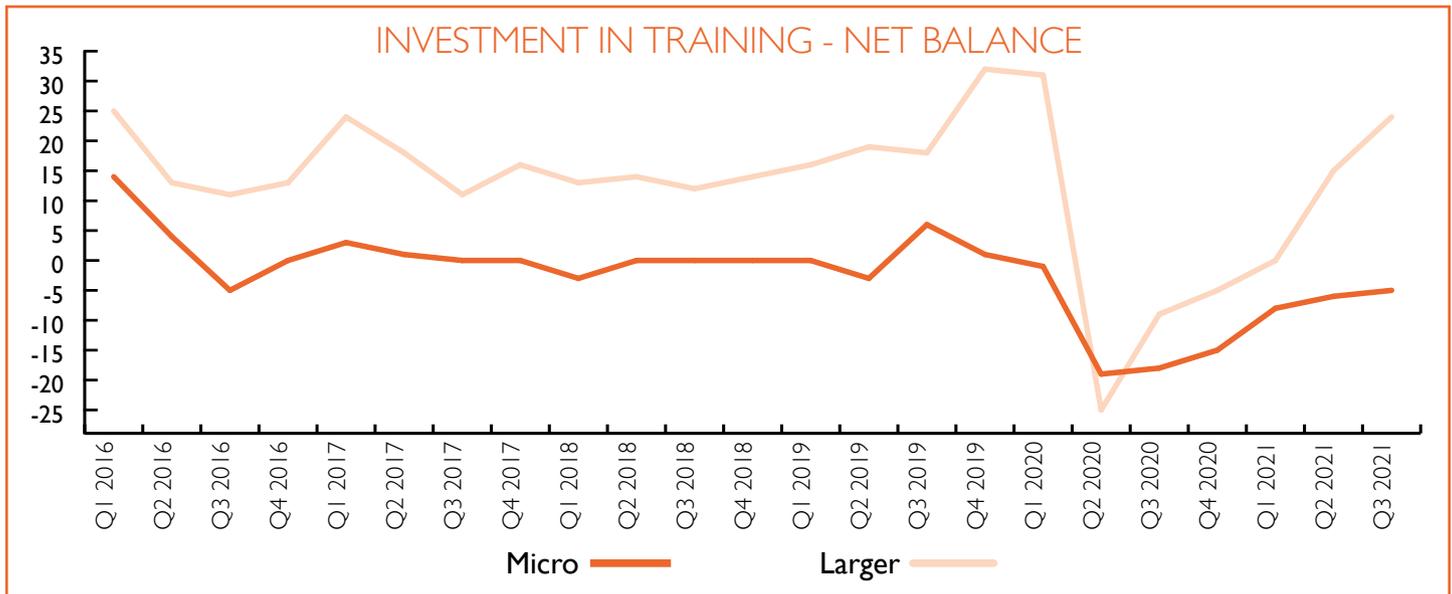
In an effort to discover why take-up of these schemes is so low, particularly among micro businesses, LCCI asked firms what the main barriers were in hiring someone from the above schemes. More than a third (35%) of micro companies said the schemes do not meet the needs of their business, while a quarter (23%) said that they did not see the schemes as offering a benefit to their firm. Just over half (51%) of micro businesses said either the costs, administration or management required with employing someone in these schemes was a barrier to engagement.

By contrast, 37% of larger firms (10+ employees) said they would hire someone from these training schemes. Traineeships were the most popular (28%), followed by apprenticeships (27%), Kickstart (18%), T-levels (16%) and internships (15%).

When asked to consider barriers to hiring someone from these schemes, administration / workload (32%) was the most cited by larger companies. Just under a third (30%) said the schemes did not meet the needs of their business, while associated costs (29%) and a perceived lack of benefit to their business (28%) were also reported by a similar share of larger companies.

A quarter of firms (23%) with 10 or more employees also said that they felt the schemes do not allow for workers to be sufficiently trained – though for micro firms, this was not as widely reported (5%).

ENGAGING WITH TRAINING AND EDUCATION PROVIDERS



Firms' investment in training was moderately higher in Q3 2021, with 12% of firms saying that had raised spending compared to the previous three months. However, larger firms (those with 10 or more employees) are showing much greater signs of improvement in investment in training. Almost a third (32%) said they had increased spending in Q3 2021 over the previous three months. The net balance (defined as the proportion of firms noting an increase minus the proportion noting a decrease) has rebounded sharply since Q2 2020 and is now close to pre-pandemic levels.

For micro companies, only 10% of firms said they had raised investment in training over the past three months in Q3, while the net balance remains in negative territory (-5%) and well below pre-pandemic levels.

Nevertheless, there does seem to be a healthy share of London businesses who engage with external training and education providers in some capacity (64%). As with investment, and with use of schemes like apprenticeships, larger companies were much more likely to say they engaged with external training and education providers (94%) than their micro counterparts (61%).

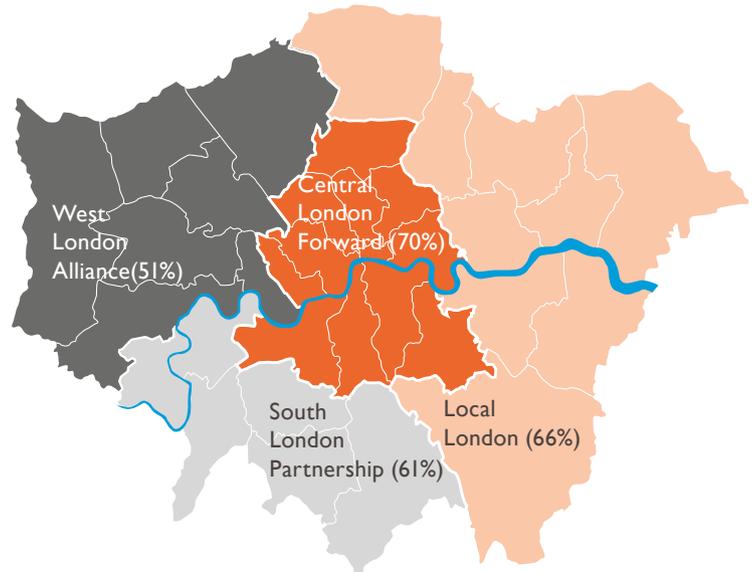
There were geographical differences in levels of engagement with external training providers, when using sub-regional partnerships as the defined geography. Businesses within the Central London Forward and Local London areas were more likely to say they engage with external training and education providers than their counterparts in South London Partnership and West London Alliance.

ENGAGEMENT WITH TRAINING AND EDUCATION PROVIDERS

London's boroughs have for many years formed themselves into strategic sub-regional partnerships groups. There are currently four sub-regional partnerships covering the whole of London:

1. Central London Forward
2. Local London (covering East and parts of North London)
3. South London Partnership
4. West London Alliance

The proportion of businesses who engage with external training and education providers varies across different London sub-regional partnerships.



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