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LABS is the annual survey of private sector businesses in London that has been undertaken by the LDA since 2003. The survey covers all types of businesses in terms of size, sectors, and organisation type (limited companies, private limited companies (PLCs), sole-traders, family-owned businesses, franchises, and social enterprises). At least 4,000 businesses in London are interviewed each year.

- The main questionnaire for LABS 2007 included 78 questions covering:
- Business profile
- Workforce
- Turnover, profit and productivity
- Investment and access to finance
- Sales and purchasing
- Priorities, problems, and constraints on businesses, and the geographical spread of customers and suppliers
- Information technology and innovation
- Research and collaboration
- Business practices and advice
- Management competencies

Performance of businesses in London

The fieldwork for LABS 2007 was undertaken in Oct-Dec 2007 and there were already signs that the performance of businesses in London was turning down. The balance of businesses reporting increases in employment, turnover, productivity and profitability over those reporting decreases was already deteriorating when compared to the previous year. This was clearly related to the downturn already emerging in certain sectors, and it would not be surprising if the next survey showed a significant downturn across most sectors.

An important function of LABS is to look at the underlying factors affecting the performance of businesses and how these are changing, as this is an area where the LDA can most usefully have an input. Factors measured by the survey that affect the performance of businesses include their underlying priorities, innovativeness, geographical spread of customers and supplies, access to external finance and level of business support received. The survey also asks businesses what they believe are the main factors behind changes in their performance.

Each year LABS asks businesses that have experienced an increase in employment or productivity (and similarly those that have experienced decreases) what they believe are the main factors behind this. The main factor year to year has been changing market conditions in their sector. After changing market conditions businesses that increased employment said the main factors behind this were: the need for new staff with specific skills (37 per cent);

general business restructuring (28 per cent); the introduction of new products or services (24 per cent); the introduction of flexible working (13 per cent); and the introduction of new technology/equipment (11 per cent).

For businesses that increased their productivity, the main reasons given were more biased towards technical improvements with 36 per cent saying greater IT use, 30 per cent saying installation of more technically advanced equipment, and 21 per cent citing increases in capital expenditure as the main reasons. Workforce issues however were still quite important with 30 per cent of businesses saying that recruitment of more skilled staff, and 21 per cent of businesses saying that an increase in staff wages or benefits were main reasons for increasing productivity. Significantly 27 per cent of businesses said that the introduction of flexible working was a main reason for increasing productivity.

Figures 1 and 2 show how these percentages have changed between each survey. The percentages giving general business restructuring and the requirement for new staff with specific skills as reasons for increasing employment have increased the most, and there has been a small increase in the percentage giving introduction of flexible working as a reason for increasing employment. The percentages giving different reasons for increasing productivity have changed more markedly, with the percentages giving recruitment of more skilled staff and greater IT use as reasons increasing significantly. There has also been some increase in the percentages giving an increase in staff wages or benefits, and the installation of more technically advanced equipment as reasons. The percentage giving flexible working as a reason has increased overall since 2003 but there are signs that this has not increased any further in importance as a reason for increasing productivity over the past couple of years.

Figure 1: Reasons given by businesses in London for increases in employment

Source: LABS 2003-2007

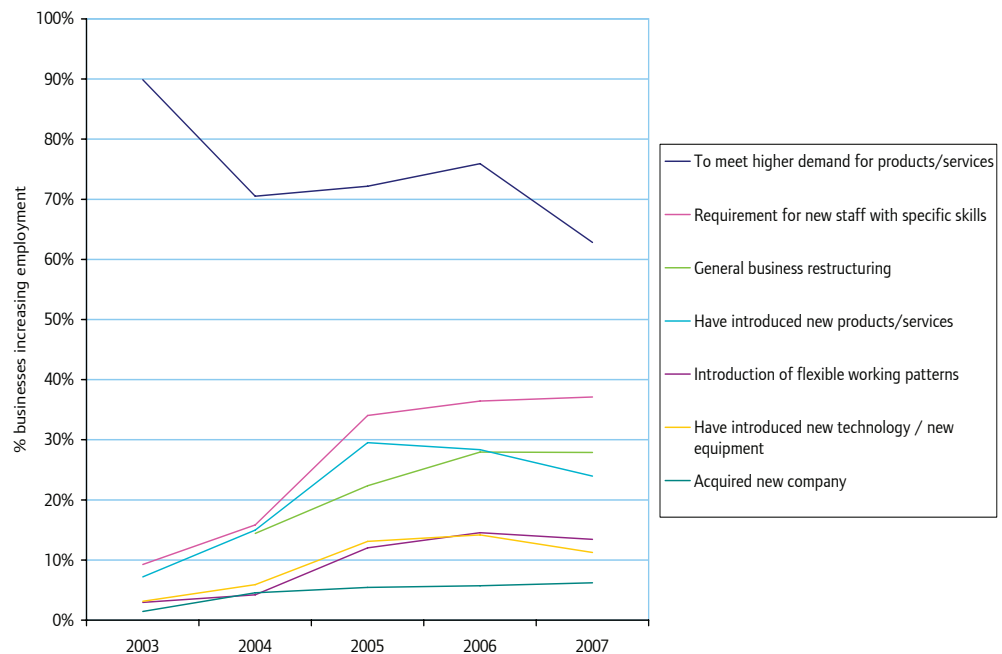
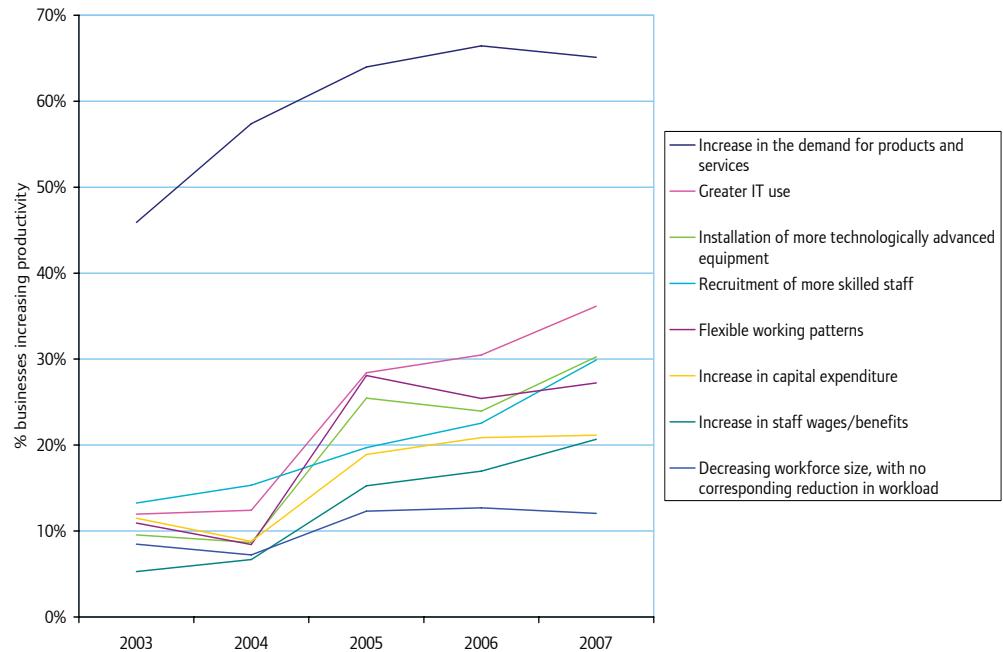


Figure 2: Reasons given by businesses in London for increases in productivity

Source: LABS 2003-2007



Looking at how other factors measured by LABS appear to affect the performance of businesses, the priorities of businesses and innovation appear to be particularly important.

Businesses that give a higher priority to 'value-added' factors such as quality of products or services, uniqueness of products or services, improving innovation and the technical performance of products and services, speed of delivery, and knowledgeable/experienced staff appear to have been performing significantly better in terms of increasing employment or productivity up to the 2007 survey, while businesses that give a higher priority to low prices or a low cost base appear to have been performing significantly less well. There is of course the question of whether this is still the situation in the current economic situation.

Innovation is an important factor underlying improvements in the performance of businesses. Traditional measures of innovation (eg R&D expenditure, numbers of new patents) are increasingly seen to not pick up the true extent of innovation, and particularly for a more services/less manufacturing based economy like London. LABS therefore attempts to measure the innovativeness of businesses by four factors: (1) whether they have introduced new products or services; (2) whether they have introduced significant modifications to existing products or services; (3) whether they have introduced significant new equipment; and (4) whether they have introduced significant changes to working methods. Table 1 shows the percentage of those businesses that had experienced an increase in their employment or productivity in the previous 12 months that had introduced each of these types of innovation, compared to the percentages for businesses that had experienced a decrease in their employment or productivity. From Table 1 it can be seen that businesses that experienced an increase in either employment or productivity are significantly more likely to have also introduced one of the four types of innovation, and that the relationship between improved productivity performance is particularly strong.

Table 1: Relationship between the performance of businesses in London and innovation

Source: LABS 2007


Employment

(%)	Employment			
	Total	Increased	Stayed the same	Decreased
	a	b	c	d
Unweighted row	4527	1438	2448	590
Total	355969	59025	256845	36557
New products or services	26%	41%	22%	33%
Modifications to existing products of services	20%	30%	18%	22%
Equipment	17%	25%	15%	20%
Changes in working methods or workforce organisation	17%	32%	12%	29%
None of the above	56%	37%	62%	44%

Productivity

(%)	Productivity			
	Total	Increased	Stayed the same	Decreased
	a	b	c	d
Unweighted row	4527	1936	1878	306
Total	355969	116303	174994	32672
New products or services	26%	32%	24%	16%
Modifications to existing products of services	20%	30%	15%	15%
Equipment	17%	22%	14%	12%
Changes in working methods or workforce organisation	17%	27%	11%	18%
None of the above	56%	46%	62%	64%

 = significantly higher than total figure at 95% confidence level

 = significantly lower than total figure at 95% confidence level

Problems/constraints on businesses in London

LABS asks businesses the extent to which they see different factors as problems/constraints on the running of their business on a scale of 1=no problem to 5=very significant problem. Table 2 shows the scores for these different factors in each year in terms of which factor received the highest average score through to the factor that received the lowest average score. There are clearly important differences between different types of businesses but this table shows the position of different factors based on the scores received across all businesses in London.

Government regulation, which was asked about for the first time in LABS 2007, came out as the highest scoring problem, although the score is slightly skewed by the particularly high score given by businesses in the construction sector. Transport within London was the next highest scoring problem (the same position as in previous years). Cost of premises went up to the third highest scoring problem in 2007 – probably reflecting when the survey was undertaken (Oct-Dec 2007). Having been the highest scoring problem in most

previous years, the availability of appropriately skilled employees dropped to being the fourth highest scoring problem in LABS 2007. This is almost entirely due to an increase in the score on the cost of premises and transport within London, and to government regulation having been asked about for the first time. The absolute score on availability of appropriately skilled employees was approximately the same as in LABS 2006. The fifth highest scoring problem was transport in and out of London – the same position as in previous years.

Table 2: Problems/ constraints on businesses in London

Source: LDA London Annual Business Survey (LABS)

Problems/constraints on businesses in London	Ranking				
	LABS 2003	LABS 2004	LABS 2005	LABS 2006	LABS 2007
Government regulations	n/a	n/a	n/a	n/a	1
Transport within London	n/a	n/a	2	2	2
Cost of current premises	2	4	6	6	3
Availability of appropriately skilled employees	1	2	1	1	4
Transport*	5	3	n/a	n/a	n/a
Transport in and out of London	n/a	n/a	5	4	5
Cost of labour	3	6	4	5	6
Availability of affordable housing	6	9	9	3	7
Crime	n/a	1	3	7	8
Size of current premises	4	7	7	8	9
Proximity to customers or clients	7	10	10	11	10
Proximity of other companies in the same sector	8	8	11	10	11
Access to finance	n/a	5	8	9	12
Proximity to suppliers	9	11	12	12	13
Sample size	4073	4008	4002	5600	4527

* split between transport within London and transport in and out of London from 2005

The effect of crime on businesses was asked about in LABS 2007 (as in previous years) and was seen as the eighth most serious problem. Crime has been asked about each year since LABS 2004 and there appears to have been a significant fall in the number of businesses perceiving it to be a problem. There are however very significant differences in the perceptions of crime as a problem between different sectors, with it being seen as much more of a problem in the wholesale and retail, hotels and restaurants, construction, and transport and communications sectors. LABS 2007 also looked at this further and asked about the specific types of crime that were seen as a problem for businesses. This has enabled us to identify, as well as the level of problems associated with the standard British Crime Survey categories of business crime, the levels of problems associated with other (unprompted) categories of crime affecting businesses. Anti-social behaviour was identified by LABS 2007 as being a particular problem with nearly 20 per cent of businesses experiencing problems with crime saying anti-social behaviour was a particular problem for them.

Contact

If you require access to the underlying data for LABS 2007 or previous years' then please contact Keith Blakemore at the LDA (keithblakemore@lda.gov.uk).