

London Futures Globaltown: Winning London's crucial battle for talent



Key points

- Deloitte has reviewed 22 high-skill, knowledge-based sectors and finds that London is the world's leading city in 12 of them, employing 1.5 million people; this places the city ahead of its nearest rival, New York, which has 1.2 million working in these sectors
- London is unique in the breadth and depth of these high value sectors and our research finds that London's economy is diversifying, with growth in creative, digital and media businesses more than compensating for the decline in financial services employment
- Deloitte predicts a minimum net growth in London employment of 300,000 by 2020, of which at least 100,000 will be in high-skill sectors
- Deloitte makes five recommendations to protect and enhance London's leading position, including the appointment of a Chief Talent Officer for the city

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Through the **UK Futures** programme, Deloitte is leading the debate and delivering leading insight and expertise to help British businesses truly harness the opportunities available to them as they pursue a new era of wealth creation.

In this publication, references to Deloitte are references to Deloitte LLP, the UK member firm of DTTL.

Foreword

Great cities rise and fall by attracting – or failing to attract – talented, skilled people. London has long been a magnet for talented individuals in the arts, sciences and finance, and has also nurtured much native-born talent through the excellence of its universities, colleges and on-the-job opportunities. But we cannot take London's continuing eminence for granted. The global economy is dynamic, and we have to constantly refresh and adapt our workforce's skills in order to remain competitive. We also have to compete with other global cities in order to attract the top performers.

I cannot pretend that we in London are getting everything right. There are gaps in the workforce's skills set, and the Mayor and I are working hard – with Government and the private sector – to address these. This is why I particularly welcome this excellent research by Deloitte LLP, which shows us what we are getting right and what specific areas need greater attention. I am also pleased that the report shows that London is well-placed to remain a city with global influence in the 21st century and beyond.



Kit Malthouse
Deputy Mayor for Business and Enterprise

Introduction



Angus Knowles-Cutler
London Senior Partner

London is the powerhouse of the UK economy and competes on the world stage as a global business hub. To maintain and reinforce its leading position, London needs to nurture, attract and retain skilled workers. As new jobs are created, there must be people to fill them. This means having a pool of talent that is continually enlarged and replenished.

This report from Deloitte LLP investigates the main issues that directly affect the creation and consolidation of the London talent pool. It is a product of our research into London's relative position as a global hub for jobs in knowledge-based businesses, together with findings from surveys of employer and employee opinions about working in London.

We put forward a five-point agenda that focuses on the need to enhance the city's ability to attract and retain a wide range of talented individuals. It is not exhaustive, and does not advocate a detailed, dirigiste approach. However, having spoken to a wide range of our London clients, people and opinion formers, we believe this is a positive and informative contribution to the debate.

A handwritten signature in black ink that reads "Angus Knowles-Cutler". The signature is written in a cursive, flowing style.

What is the city but the people?

William Shakespeare: *Coriolanus*
London 1607-1609

Executive summary

Deloitte LLP has undertaken original research into the current and future competitiveness of London as a global hub. Some of the findings are encouraging, but difficult challenges also emerge. Deloitte presents five recommendations to enhance London's global standing as a magnet for the broadest range of high-skill, knowledge-based businesses.

Our research identifies 22 high value sectors, ranging from digital media, broadcasting and performing arts, through advertising and education to accountancy, management consultancy, banking and insurance. In 12 of these 22 sectors London is the global leader in terms of employee numbers; New York, its nearest rival, leads in just seven. So the sheer breadth, depth and level of expertise of London's leadership is unrivalled across the world.

This Deloitte study finds that London is also substantially the biggest global hub for employment in these high-skill, knowledge-based sectors. These currently employ 1.5 million people in London, compared to 1.2 million in New York, 784,000 in Los Angeles, 630,000 in Hong Kong and 425,000 in Boston. For every job in these sectors, there are two more vital London jobs in other areas – transport, retail, facilities management, healthcare and police, to name just a few.

The situation is dynamic and in many ways positive for London. We predict a minimum net growth of 300,000 in London jobs by 2020, of which at least 100,000 will be in high-skill sectors. We identify quite different growth patterns by business sector, with some continuing decline in banking employment but with strong growth in London's creative, digital and life science sectors. In short, Deloitte

believes London is moving towards a more balanced economy by 2020.

What all these sectors have in common is the need for the best talent available – highly skilled and motivated people from both the United Kingdom and around the world. London is Deloitte's largest client-serving office globally, employing approximately two-thirds of our people in the United Kingdom, and like a multitude of other service businesses we are in a battle to attract the best skills available. In a survey of our London-based employees we found that two key reasons our people choose London are the job opportunities available and proximity to friends and family.

A factor sometimes overlooked, is London's role as an international city. London welcomes talented people to be educated, or to train and gain experience in some of the world's leading universities and organisations, before returning to their home countries or working elsewhere in the world. A majority of the Deloitte staff in our survey expressed the wish to work outside London in the next five to ten years. London's reach extends far beyond the United Kingdom with this diaspora. Many of the world's business leaders and professionals spend time in London. As a crucible for creativity and commerce, the London experience, and the attitudes and values that come with it, are a great invisible export.

But Deloitte also finds that preserving and enhancing London's unique global position is giving rise to a number of difficult questions and challenges.

London leads the world's greatest cities in 12 of the 22 high value, high-skill industry sectors reviewed

Achieving the required overall increase in London's skilled workforce requires careful planning. What skills will be needed in five to seven years time? Are schools and universities geared up for the new requirements? Will there be sufficient affordable housing for the growing working population? How will people get to work? Will London's infrastructure cope? What kind of workplaces will be needed – trading room floors or flexible, creative workspaces? Will the United Kingdom close the skills gap and will there be an efficient visa system to attract skilled workers to London? How can the prosperity that comes with hosting businesses in world-leading sectors bring benefits to all Londoners and the rest of the United Kingdom?

In response to these challenges Deloitte puts forward five recommendations.

1. Appoint a Chief Talent Officer with a strong mandate for London

We advocate the appointment of an empowered leader tasked with setting and delivering London's talent strategy. This role would naturally sit with the Greater London Authority (GLA) but would also need strong influence both with national policymakers and London's boroughs. It would need to influence a wide spectrum of policy matters, including air and ground transport infrastructure, industry and labour regulation, housing, education and immigration in order to directly impact

London's ability to supply the talent its businesses will need.

2. Anticipate growing pressures on infrastructure and housing

Our survey of Deloitte employees found that by far their greatest concerns about London's future are infrastructure and housing. With at least 300,000 more workers expected by 2020, plus their dependants and the additional pressure from an ageing population, the challenge becomes even more pressing. Half of Londoners take public transport to work, making the GLA's plans to improve and upgrade London's transport system crucial and in need of business support. London also faces what seems to be a perennial shortage of housing. The city needs to shake off its image as a place where affordable housing is hard to find. We believe a solution is the development of the private rental market for accommodation. Capital for housing development could be provided by institutional investors, but for this to happen the private sector rental market would have to become a recognised asset class for investment.

3. Strengthen business links with education

Education in London is a large and world leading business sector in its own right. London's 45 universities, thriving private education industry, and professional and vocational training bodies are among the best. In the triangle of London, Oxford and Cambridge are three of the top five ranked universities in the world, and five of the top twenty.¹ But education is also a vital 'feed' for the skills-hungry businesses in which London is pre-eminent. Although many initiatives exist between employers and universities and schools, we believe that links could be strengthened further, so that the education system focuses on helping students develop the skills they will need.

The city needs to shake off its image as a place where affordable housing is hard to find

4. Develop London's talent with the rest of the United Kingdom

London should seek to develop its home grown talent so that Londoners are educated and trained to compete for the employment opportunities available. The lack of opportunities for under-privileged sections of society deprives London of a real source of potential talent. There are many initiatives under way to bridge the gap between affluent London and the city's deprived boroughs. Indeed, Deloitte is involved in a number of these. But the effort will need to have medium- and long-term goals and a coordinated plan, which is why leadership from a London Chief Talent Officer is desirable.

London has been a magnet for people from the rest of the United Kingdom for many centuries, attracted by the opportunities afforded and the global nature of the city. London also makes a major economic contribution to the country with many London-based businesses employing large numbers of people elsewhere in the United Kingdom, as well as buying a wide range of goods and services from UK suppliers. London is not the only hub for leading sectors in the United Kingdom (for instance Manchester is a centre for creative businesses and digital media, and Cambridge for life sciences). There is a strong symbiosis between London and the regions that should be fully exploited and mutually beneficial.

5. Implement an intelligent visa system

There is a need to augment skills developed in the United Kingdom and European Union with those of specialists from countries whose citizens must have a work visa. Given the leading-edge nature of a number of London's sectors, the sharing of know-how from elsewhere in the world is an obvious driver.

Collaboration between business and the immigration authorities to operate a well managed and focused immigration system seems a pragmatic solution

Another is the sheer number of skilled individuals that London businesses need. Many smaller, high-growth technology businesses, on which London's future growth and prosperity may rely, have strong connections outside the European Union. And it is the smaller businesses that often struggle most within the constraints of the visa system.

Political difficulties surround the immigration debate, but London's growth and prosperity will depend on having access to skills provided by overseas nationals requiring work visas and on overseas corporates being able to move their people here to establish and expand new businesses and offer London-based training. One proposal might be to involve responsible trade bodies representing key growth sectors in London to identify skills gaps and where assistance can be given to small and medium enterprises. Collaboration between business and the immigration authorities to operate a well managed and focused immigration system seems a pragmatic solution.

London in context

Google decided to site a new one million square foot UK headquarters in King's Cross

London and the UK economy

London has a long commercial tradition of innovation, competition and collaboration. It stands out as a home for new, growing and established businesses.

Over time some trades have declined and others have risen to take their place. The earliest livery companies in the City of London date back to the Middle Ages, when leading trades included the mercers, grocers and merchant 'tailors'. The more recently established Worshipful Companies of Management Consultants, International Bankers, Tax Advisers and Security Professionals illustrate how business in London has moved with the times and prospered through change.

London also continues to grow as a centre for employment. Even through the recent recession (from 2008), the number of jobs in London increased by 270,000 (6.8 per cent) while employment in the rest of the country fell by 0.7 per cent.²

In Deloitte's *Businesses Leading Britain* report, of the 1,000 companies the report identified with high revenue and employment growth, just over 27 per cent were located in London.³ These businesses reported an increase in revenue between 2009-12 of 56 per cent and an average growth rate within

the same period of 27 per cent. However, London is clearly a hotbed for the Leading 50 businesses, with 21 out of the 50 located in the capital. These showed revenue increases of 227 per cent and an average growth rate of 74 per cent. These figures illustrate how conducive the capital's business environment is to growth, even through some of the toughest economic times.

London as a global city

London is a global city, where businesses of all sizes and maturity choose to locate. Over one-third of all European Fortune 500 firms have their headquarters in London, which also attracts three times more corporate headquarters than any other city in Europe.^{4,5}

London has maintained its predominant global position by providing a setting that is both diverse and adaptable to the changing business environment. It is at the forefront as a location for knowledge-based businesses, which range from digital media, TV and radio broadcasting, publishing, advertising and education to insurance, banking, fund management and professional services such as management consulting, accountancy, law and architecture.

London attracts the business community generally, but it is also the home to several business sector hubs, for example finance and digital media. Companies benefit from operating within a cluster of similar businesses and support services. In addition to ease of access to customers, they also benefit from the presence of a wide and varied pool of talented and well-educated workers. This proximity encourages innovation due to the interchange of ideas and people.

Global comparisons

So how exactly does London compare with other cities? This report is concerned with

Bloomberg is constructing a new 660,000 square foot headquarters for its London operations

London as a centre for skills and talent. Employment headcounts for London and other cities were obtained from national statistics databases, within the limitations of data availability, in the countries concerned.

Our research into employment statistics in a range of industries and major global cities shows that, based on number of people employed, London comes first or second in the majority of the sectors analysed.

The leading position of London in most of these sectors is striking, and suggests that it is a thriving and diverse global centre for business. Through its commercial diversity London is a 'hedged' city. This has perhaps been a real strength, with London showing its inherent ability to deal with economic shifts – the loss of about 140,000 financial service jobs in London since 2008 being more than compensated

for by the rapid employment growth of other sectors.

Although London does not feature among the top five cities for life sciences, it has a fast-growing presence in the biosciences and health sectors, involving the country's leading universities and medical charities.

The same research shows that, compared with other major cities worldwide, London has both the highest number of people working in high-skill, knowledge-based industries and also the joint highest proportion relative to the total size of the city's working population. This high density of skilled workers in knowledge-based businesses will be key to driving strong economic growth in the future.

Figure 3 highlights that within each of these broad business sectors, London is prominent in most sub-sectors.

Figure 1. Leading cities by sector, based on employment ranking

Financial services		Technology, media and telecommunications		Business and professional services		Consumer business		Education		Culture		Life sciences	
London	1	London	1	London	1	Los Angeles	1	London	1	London	1	Los Angeles	1
Chicago	2	Los Angeles	2	New York	2	London	2	New York	2	New York	2	New York	2
New York	3	New York	3	Chicago	3	Chicago	3	Hong Kong	3	Los Angeles	3	Toronto	3
Boston	4	Singapore	4	Los Angeles	4	Singapore	4	Sydney	4	Paris	4	Boston	4
Hong Kong	5	Hong Kong	5	Boston	5	New York	5	Boston	5	Singapore	5	Chicago	5

Figure 2. High-skill, knowledge-based industry employment figures

	Total numbers employed in knowledge-based industries*	Relative to London	Percentage of working population
London	1,471,869		29%
New York	1,163,039	79%	29%
Los Angeles	783,643	53%	20%
Hong Kong	629,822	43%	16%
Boston	425,377	29%	24%

* Numbers based on national statistical data and inclusive of financial services, technology, media and telecommunications, business and professional services (excluding private security, employment services and facilities management), education, culture and life sciences.

Figure 3. London's global ranking among the high-skill, knowledge-based sub-sectors



Source: Deloitte analysis, 2013

The battle for talent

As cities with global ambitions compete for investment, they must attract people to fill the jobs that the investments create. There will be a battle for talent, and the cities with the best talent pools will emerge victorious.

Projections for sector growth: The demand for talent

Deloitte analysis points to a minimum increase of 300,000 jobs in the capital by 2020 if changes in productivity are factored in over time (see Figure 4). Without this adjustment, the projected number would increase by an additional 135,000.

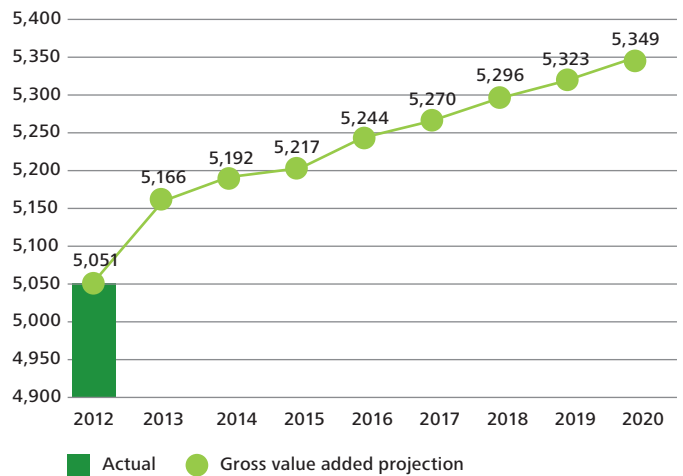
Prospects for growth and jobs vary between sectors. Through discussions with our sector experts, TMT (technology, media and telecommunications) and life sciences were identified as high-growth industries (see Figure 5). With differing growth rates set to continue, we predict further rebalancing of demand and supply between the knowledge-based sectors.

In financial services, we expect an overall decline in employment to continue. Banking is less popular as a career choice among graduates than it was in 2008.⁶ Insurance should be an exception to this general trend, with some growth in job numbers.

Technology, media and telecommunications is one of the sectors where we expect high growth. The United Kingdom is one of the world's largest digital economies, supported by a large indigenous market. About one-half of UK media employment is in London, centred around Tech City.⁷

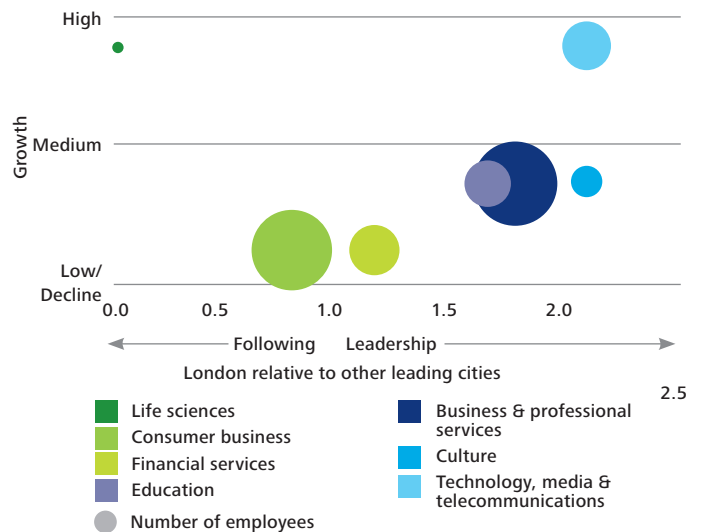
Predicted growth in business and professional services is more limited and primarily export-driven. According to a government report on the sector, the keys to growth will be meeting the demand from professional firms for high-level skills, and also successful marketing of services (especially in the BRIC countries).⁸

Figure 4. Projection of London working population in 2020 ('000)



Source: Deloitte analysis, 2013

Figure 5. Growth prospects by sector and London's global position



Source: Deloitte analysis, 2013

Note:

Relative market share is the percentage of jobs in London as a proportion of either the city with the largest number of jobs in the sector, or the city with the largest number of jobs in the sector after London, based on the classifications illustrated in Figure 1. Leading cities by sector, based on employment ranking.

In consumer businesses overall, we predict some decline in this sector, but with variations between the sub-sectors. For example, some growth is expected in hospitality and travel, as London benefits from major transport projects such as Crossrail, but a decline in retailing jobs, as multi-channel retailing continues to develop.

London's strength in education looks set to continue. In 2011, the United Kingdom was the second-most popular destination for international students (after the United States). Education exports in the same year were £17.5 billion.⁹ Due to a baby boom in London, there will also be growth in the primary and secondary education sectors.

The culture sector seems to be largely unaffected by the economic downturn in terms of overall employment. Various studies point to consistent but moderate growth in future that will be dependent on individual and donor expenditure returning towards the arts once individual purchasing power is strengthened.

We also expect growth in life sciences, as London invests to create a 'Med City', from Whitechapel to Imperial West at White City, along the Euston Road corridor, as well as the £700 million Francis Crick Institute being built at St Pancras, which will form part of a growing cluster of academic health science expertise in London.

Where will the talent come from?

To meet the demand for talent, there must be a strong and steady supply pipeline of people wanting to live and work in London, and who have the skills or potential that employers are seeking. Much of the demand will be for employees who are highly-skilled, well-educated, or both.

A report by the GLA Intelligence Unit (2012) commented that there is strong demand from business and the public sector for highly-skilled workers, relative to the rest of the United Kingdom, and a high proportion of employment opportunities in the capital are for individuals with education qualifications of Level 4 or above.¹⁰

There are four sources for the required talent:

- The **London education system:** Creating a supply of London-grown talent starts at primary school level and continues up through the secondary and higher education sectors.
- The **rest of the United Kingdom:** London is the destination for many individuals from other UK regions seeking to pursue a successful career. Inevitably London will continue to draw talent from the rest of the United Kingdom, while also being a catalyst for job creation in other regions.
- **International students:** London, with its highly diversified economy, requires a well-qualified workforce. International students comprise 24 per cent of all students in London and the number is expected to grow as demographic changes and rising incomes in developing countries increase the number of internationally mobile students.^{11,12}
- **Foreign workers:** The GLA Intelligence Unit report referred to above found that about two million working-age residents in London were born outside the United Kingdom and many had Level 4 education qualifications or higher.¹³

How is talent valued, attracted and retained?

Attracting new business and talent are two sides of the same coin. Companies choose London because of the commercial advantages it offers and the available pool of talented individuals it attracts. Individuals choose London as a place to work because of the career opportunities that exist in its varied and high-calibre businesses.

This section considers the perceptions of London-based employers and employees. For employers, key issues relate to attracting and retaining talent. For employees, London must provide the lifestyle that compensates for the high demand jobs that bring them to the capital.

We analysed the views of employers through a series of interviews with selected companies and recruitment agencies, and the opinions of employees from an internal survey among London-based Deloitte staff. By looking at the views of both employers and employees, we were able to identify the following themes surrounding the all-important question: "How is talent valued, attracted and retained?"

The value put on talent

Recognising the value and importance of talent and competition for the best people available were themes that resonated with employers.

Most of the employers we interviewed have a clear understanding of the need for talent, and the competition to attract and retain it. Lloyd's told us that talent is a key priority and part of its Vision 2025. Nationwide Building Society has talent on the agenda of its Executive Committee, and reviews it twice a year. For blinkbox it is the number one key success factor for non-retail staff.

Competition for talent

Employers also recognise that in the face of a shortage of talent, the competition to attract people could be intense. A government body noted that it is increasingly hard to recruit people with the right skills.

Captify, a London-based search retargeting company, recognises potential problems in the future with recruiting and retaining talent in a competitive market, but sees the challenge coming more from smaller innovative companies rather than established larger corporations.

alva, a firm of reputational analysis specialists, told us that finding high quality candidates is difficult when competing with well-established businesses and retaining people can also be a problem. As staff numbers continue to rise at a rapid rate, the company sets targets for job retention rates.

Career opportunities

A predominant theme is that London is a place where individuals can pursue careers and achieve their work-life ambitions. The survey of Deloitte employees found that job opportunities were the most common reason for choosing London (see Figure 6).

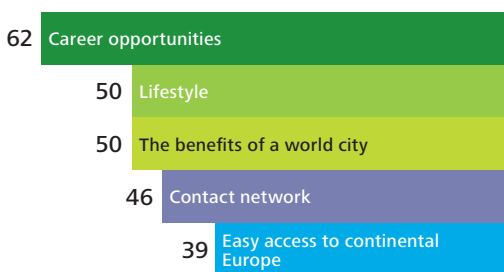
Employers also recognise the importance of London as a place for employees to pursue their career. blinkbox, which recruits its digital specialists externally, said that people with these skills will typically only work in London. A European lending institution told us that their employees choose London for the work and career opportunities that are available to them, and a leading insurance company commented that international mobility is important for its high performers, making London an attractive work destination.

Figure 6. Deloitte employee survey: Reasons for working in London (rated score)



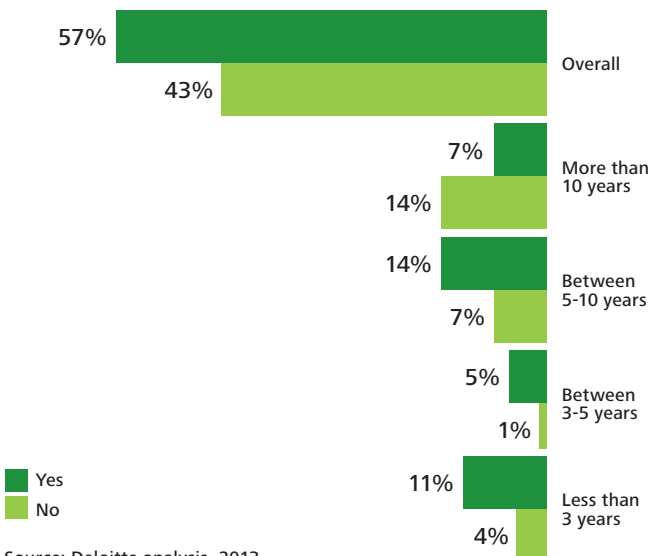
Source: Deloitte analysis, 2013

Figure 7. Deloitte employee survey: Reasons for staying in London (rated score)



Source: Deloitte analysis, 2013

Figure 8. Deloitte employee survey: Intentions to leave London based on length of stay



Source: Deloitte analysis, 2013

But lifestyle matters

When asked what might persuade Deloitte staff to stay in London for the long term, career opportunities stood out as the top reason, but lifestyle and the benefits of living in a global city also featured quite strongly (see Figure 7).

The significance of lifestyle and family is also recognised by some of the executive search agencies interviewed. One executive search firm commented that age and family concerns affect the willingness of individuals to work in London. Junior executives with children at university may choose London, but not families with young children. Another firm agreed, saying that there are stages in life when people will not consider London as a work destination.

Interestingly, London is seen by many as a place to work for a number of years before moving on to a different location. This desire to switch from London may be driven by career ambition, although lifestyle and family concerns may also be contributory motivations.

More than half the respondents in the survey (57 per cent) expressed a wish to work outside London at some time in the next five to ten years. Individuals who have been working in London for less than ten years were found to be more likely to move to a different part of the country than those who have been based in the capital for longer (see Figure 8).

Challenges to talent pool creation

London has attractions as a city but there are problems, too. Although it offers a dynamic lifestyle, it is also seen by some as a tough city to become part of. Housing costs are high and the underground system is over-crowded. One recruitment firm stated simply that London suffers from very high living and housing costs.

Infrastructure and housing

Almost two-thirds of the respondents in our employee survey cited infrastructure and housing as the aspects of living in London that needed the most improvement (see Figure 9), a view echoed by employers. Imperial College commented that London's housing costs were a significant challenge in attracting potential employees to move to the capital.

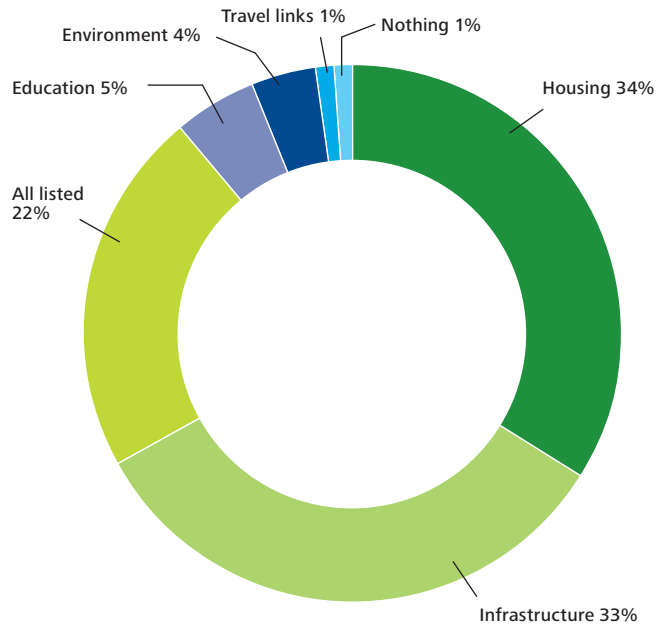
London seems to have a perennial housing shortage. With a predicted 300,000 more jobs in London by 2020, the pressure on housing may become unsustainable. For the most part, young professionals, in spite of being well-paid, cannot raise the capital for a deposit to buy a home. Private rented accommodation is in short supply, and there is a need for more affordable homes.

There are also pressures on the transport system. Growing numbers of London commuters put a strain on transport capacity, and as commuters move further out to find accommodation and spend more time on daily journeys to and from work, the problems become more extensive.

Education

There is severe competition for school places in London and this pressure is set to increase. Within London, each borough is responsible for its own education services but there has been a shift from local authority-controlled schools to self-governing academies and free schools. These changes are part of an effort to improve the education standards of Londoners. However, London lacks an overall plan for education.

Figure 9. Deloitte employee survey: London's developmental needs for Deloitte UK staff



Source: Deloitte analysis, 2013

London needs to consider the increased birth rate and extra school places needed and there are stark differences between the attainment levels of schools. Parents are much less likely to stay in a city where school places are hard to find, class sizes are too large or academic standards are poor.

One executive search agency said that the UK education system is not producing a healthy pipeline of talent, which is why employers go to the international market to find the people they need. The link between education and employment should be strengthened.

**Attracting foreign workers:
The visa system**

Immigration is a sensitive and, at times, politically-charged issue. Even so the United Kingdom must be a welcoming environment, not just for foreign businesses, but also for skilled foreign workers. Current immigration policy does not make this easy.

For employers the complex visa system stands out as a major concern, making it a laborious task to bring in non-European employees to work in the city. When asked how London could improve by 2020, a US company in the TMT sector replied: "Visas, visas, visas". Obtaining visas for their US staff to work in London is a troublesome task. Imperial College commented that immigration changes have led to increased bureaucracy for both employers and individuals.

Foreign businesses wishing to establish operations in the United Kingdom must usually first obtain a visa for an overseas representative to set up an office and then apply for a sponsor licence in order to bring in more employees if they are from outside

the European Union. Large employers, if they are substantial users of the visa system, may have specialist staff to handle the administrative process. Smaller employers are not so fortunate and must put a disproportionate amount of time and effort into obtaining and maintaining a sponsor licence and making visa applications for non-European workers.

A policy that discourages students and high-skilled workers from abroad could also have longer-term economic consequences. A fall in the numbers of students attending courses in the United Kingdom could eventually have an impact on the number of English-speaking businesses abroad. International students add to the cultural diversity of a city and make a substantial contribution to our economy. The UK's links with its former alumni may also be important for the country's trading links.

Planning for the future: Deloitte's agenda for London

To develop and maintain the talent pool that London needs, forward planning and successful policy implementation are essential. The consequences of policy failure would result in significant damage not just to London, but to the wider UK economy as well.

This report has identified issues that may be of interest to business leaders and policymakers as they develop strategies for the future.

Agenda for action:

- appoint a Chief Talent Officer for London
- anticipate growing pressures on infrastructure and housing
- strengthen the links between employers and the education sector
- develop London talent, working with the rest of the United Kingdom
- The case for an intelligent visa system.

The roadmap for success in delivering this agenda and driving London's future is underpinned by the role of the Chief Talent Officer who would have overarching responsibility for London's talent strategy, including touch points with the principal enablers, infrastructure and housing, education and immigration.

Chief Talent Officer for London

The talent agenda for London is complicated by the overlap of inter-related issues, and the large number of stakeholders with a keen interest in both the public and private sectors. Areas for improvement range from education and training, transport and housing, to discussions with government about the visa system. But there is no one whose specific role is to focus on the problem of London talent, with responsibility for ensuring that London has the talent pipeline that it needs.

We believe that a Chief Talent Officer (CTO) should be appointed by the Greater London

Authority. The CTO would be a custodian for the city's strategy for talent, advising on initiatives, monitoring their progress and judging outcomes against predetermined targets. The role would cover a wide area of inter-related issues, and the CTO should contribute to decisions affecting housing, transport, education, employment regulation and immigration. The role should focus on meeting the demand for skilled employees from employers, particularly those business sectors where London is at the leading edge or aspires to create this position. By appointing a CTO, London would lead the way in understanding the issues that surround the need for talent, and in coordinating actions to deal with them.

Infrastructure and housing

The main concern with infrastructure is the transport system in London. Half the people who work in London take public transport to work, compared with nine per cent in the rest of the United Kingdom. As the number of London-based jobs increases, demands on the transport system will intensify. Projects by the GLA to improve or upgrade the transport system should be supported by business.

London also faces what seems a perennial shortage of housing. The city needs to shake off its image as a place where the cost of living is high and affordable housing is hard to find. We believe that an important way forward is the development of the private rental market. With the average age of first-time house buyers rising, London needs much more private sector rented property. Capital for housing development could be provided by institutional investors, but for this to happen, the private rented sector would have to become a recognised asset class for investment.

Planning delays are a significant barrier to improving the rate of supply of

new homes, and the delivery of major infrastructure projects in the capital. Steps should be taken at central government or mayoral level to ensure projects which benefit the vast majority are not stalled.

Education

Although many initiatives exist between employers and universities or schools, such as the University Alliance, we believe that the links could be strengthened further. The objective should be to create a pipeline of talent through the education system, producing a stream of well-educated, talented and employable people. We would encourage the creation of University Technical Colleges in the high-skill, knowledge-based sectors the research identified in London.

Within London, the objective should be to raise standards of education across the board, in primary and secondary schooling as well as further and higher education. London needs an overarching strategy for schools aimed at providing more school places and improving attainment levels. Employers should contribute to the effort and help educators to anticipate changing skills requirements at an early stage and adapt to them. There is already some collaboration in this area, most notably perhaps through the Teach First initiative, for which Deloitte is proud to be a platinum sponsor.

It is also our view that despite the many initiatives already in place, the link between education and employment would benefit from greater coordination and planning.

Deloitte supports a number of initiatives in London

- At the higher education level, our long-term partnership with London Business School has established the *Deloitte Institute of Innovation and Entrepreneurship*.
- As part of our *Corporate Responsibility Programme*, Deloitte is working with Teach First to provide a tailored package of support to a selection of Teach First schools using the skills and capabilities of our people.
- The *Deloitte Employability Initiative* is a skills and education programme which aims to develop the skills of young people so that they attain a Level 2 BTEC WorkSkills qualification; combined with the business and personal skills they also acquire, this enhances their employability. Deloitte delivers this in partnership with Pearson Ltd and to date has supported over 25,000 young people through the programme.
- The *Deloitte Social Innovation Pioneers* programme utilises the skills and capabilities of our people to support a number of socially innovative businesses, providing them with a package of support to help them grow and become investment-ready. In total we are investing over £1 million a year in this groundbreaking programme.

Developing London talent with the rest of the United Kingdom

We believe that London's prosperity should – and will – benefit all Londoners and many people throughout the rest of the United Kingdom, but we would also argue that more can be done to share the benefits and make full use of the resources and talent that the United Kingdom has to offer.

London should seek to develop its home-grown talent and ensure that Londoners are educated and trained to have the skills to compete for local jobs in the city.

We believe that the lack of opportunities and support for under-privileged sections of society deprive London of potential talent. The gap between the most deprived boroughs in London and the most affluent should be reduced: improving opportunities for education is a way of achieving this. In our view, employers have some responsibility to make a contribution.

Deloitte is not unique in contributing to the development of London as a place to grow up, live and work. Other employers have their own initiatives. We would argue, however, for greater urgency in coordinating efforts to develop London as a centre for skills and talent. In this respect, a Chief Talent Officer for London could take the lead.

Nor should the rest of the United Kingdom be forgotten. London has always provided career opportunities to people from the rest of the United Kingdom. Businesses based in the capital also outsource operations to other parts of the country, and buy extensively from UK suppliers. Other cities are home to business sector hubs: Manchester is a centre for creative businesses and digital media, and Cambridge is a world leader in life sciences. Everyone stands to benefit from symbiosis between London and the regions and the links can be enhanced.

Intelligent visa system

We believe that an intelligent visa system needs to be put in place by the national government, signalling to those beyond our borders that the United Kingdom is 'open for business'. The aim should be to enhance the appeal of London (and the rest of the country) for those who are legitimately coming to fill the talent gap through work and study.

Immigration policy should consider the challenges for the many small and medium-sized businesses needing to employ non-European workers to strengthen their position in the market. Their administrative problems with visa applications consume too much of their time and resources.

A proposal might be to involve responsible trade bodies representing high-growth businesses in the visa system. Trade bodies could be created for industries

that currently do not have representation, such as digital media. Each trade body would be given a yearly allocation of visas and accredited status to sponsor visa applicants through the system. The aim of this proposal would be to target sectors with a known skills gap, making it easier for employers, especially small and medium enterprises, to take on talent from abroad that they are unable to source from the United Kingdom. Clearly over time there should be a desire for UK citizens to fill local jobs, but in the meantime we would argue that it is well worth exploring a focused visa system involving trade bodies for the high-growth sectors.

We welcome initiatives by the Home Office to engage in dialogue with business to improve aspects of immigration policy that constrain the mobility of foreign talent. But more should be done, and a more positive message about the United Kingdom and immigration needs to reach those directly affected by it.

Research methodology



In defining London, the 'Greater London Area' was used as a benchmark and considered in terms of the geographical borders that fall under the administration of the Greater London Authority.

Employment estimates for London and other cities were obtained from relevant national official statistics offices. When direct employment numbers were not available by city, estimation models were used to segment the data found. In the cases where statistical data was not available directly from national official statistics offices, vetted publications were used in addition to estimates based on countrywide data.

Projections for growth in London jobs were derived from a trend-based approach that combined historical sector employment figures with London's gross value added (GVA), taking into account worker productivity increases over time. By assessing employment figures between 1997 and 2011 a historical regression gradient of 2.1 per cent was identified that was then combined with the London GVA growth rate of 2.5 per cent. The combination of the two led to the application of a 0.5 per cent increase to the 2012 baseline employment figures.

The opinions presented by employers are based on interviews with 17 companies and executive search firms, both clients and non-clients of Deloitte LLP. Interviews were conducted in person and over the phone. Interviewees were asked seven pre-determined questions designed to understand the impact of talent on different businesses, what challenges exist when attempting to attract and retain talent, and how being based in London affects the company's talent agenda.

In August 2013, a survey was sent to a sample of 1,000 London-based Deloitte employees selected according to their permanent address, years of employment and level within the firm – a total of 281 responses were received.

Appendix

Leading cities by sub-sector, based on employment ranking

Financial services									
Insurance		Retail and investment banking		Hedge funds		Fund management		Securities	
London	1	London	1	New York	1	London	1	New York	1
Chicago	2	New York	2	London	2	Paris	2	Boston	2
New York	3	Hong Kong	3	Greenwich	3	Hong Kong	3	London	3
Boston	4	Chicago	4	Boston	4	Singapore	4	Chicago	4
Hong Kong	5	Frankfurt	5	San Francisco	5	New York	5	Hong Kong	5

Technology, media and telecommunications									
Publishing (except Internet)		Motion picture and sound recording		Radio and television broadcasting		Cable and subscription programming		Advertising agencies	
London	1	Los Angeles	1	New York	1	New York	1	New York	1
New York	2	New York	2	London	2	London	2	London	2
Boston	3	London	3	Los Angeles	3	Los Angeles	3	Hong Kong	3
Hong Kong	4	San Francisco	4	Sydney	4			Barcelona	4
Los Angeles	5	Hong Kong	5	San Francisco	5			Los Angeles	5
Telecommunications		Digital media		Computer programming (software development)					
London	1	London	1	San Francisco	1				
Los Angeles	2	San Francisco	2	San Jose	2				
New York	3	New York	3	Hong Kong	3				
Sydney	4	Boston	4	Milan	4				
Hong Kong	5	Los Angeles	5	London	5				

Business and professional services									
Legal services		Private security		Employment services		Accounting, tax and payroll		Architectural and engineering	
London	1	Los Angeles	1	Los Angeles	1	London	1	London	1
New York	2	London	2	Chicago	2	Los Angeles	2	Houston	2
Los Angeles	3	New York	3	Atlanta	3	New York	3	Singapore	3
Hong Kong	4	Hong Kong	4	Houston	4	Chicago	4	Los Angeles	4
Chicago	5	Singapore	5	New York	5	Hong Kong	5	Chicago	5
Management, scientific and technical consulting		Facilities management							
London	1	Hong Kong	1						
Los Angeles	2	Los Angeles	2						
Chicago	3	London	3						
Singapore	4	Chicago	4						
New York	5	Singapore	5						

Consumer business							
Wholesale trade		Retail trade		Accommodation and food service		Transport and storage	
Singapore	1	Los Angeles	1	Los Angeles	1	London	1
Los Angeles	2	London	2	London	2	Singapore	2
Chicago	3	Chicago	3	Chicago	3	Hong Kong	3
London	4	New York	4	New York	4	Chicago	4
Dallas	5	Dallas	5	Hong Kong	5	Los Angeles	5

Education					
Primary and secondary education		Higher education		Adult and other education	
London	1	New York	1	New York	1
Hong Kong	2	Boston	2	San Francisco	2
Sydney	3	London	3	London	3
Singapore	4	Los Angeles	4	Los Angeles	4
New York	5	Sydney	5	Boston	5

Notes

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