

London Futures London crowned business capital of Europe



Key points

- London hosts 40 per cent of the European headquarters of the world's top companies
- 60 per cent of top non-European companies with headquarters in Europe have chosen London as their base
- London has greater pre-eminence in Europe than New York has within North America
- London is also Europe's leading centre for high-skill employment

Contacts

David Sproul

Senior Partner and Chief Executive
+44 (0)20 7303 6641
dsproul@deloitte.co.uk

Angus Knowles-Cutler

London Senior Partner
+44 (0)20 7007 2946
aknowlescutler@deloitte.co.uk

Chris Gentle

Partner and Head of Deloitte Insight
+44 (0)20 7303 0201
cgentle@deloitte.co.uk

Contents

Foreword	3
Introduction	4
Executive summary	5
London: A magnet for business	6
London: A centre for high-skills employment	8
Why choose London?	10
The challenges	11
Recommendations	12
End notes	13

Foreword

Successful global cities thrive on their capacity to draw in business, investment, talent and influence from around the world. No city is stronger in this regard than London, which stands today as the fastest growing city in Europe and an unrivalled international hub for business.

For centuries, the British capital has led the world as a centre for commerce, bolstered by our time zone and language, but also an entrepreneurial spirit and open outlook which persists to this day. London's particular strengths in skilled, knowledge-based sectors such as finance, professional services, technology and life sciences, all identify the city as a primary location to base global and regional operations and the finest location on earth for recruiting highly skilled people.

Along with these incredible assets, we also face considerable challenges to provide the transport infrastructure, housing, workspace and culture necessary to meet the needs of London's growing population. Long-term planning is essential to maintain and strengthen the city's position as the greatest city in the world, and to ensure that those with high-level specialist skills continue to make London their home. I am committed to meeting this challenge and driving this work forward in the coming years. My 2020 Vision for London outlines my objectives to ensure that London maintains its position as the pre-eminent city in the global economy, and I am working tirelessly to deliver these aims.

This fascinating research by Deloitte LLP contributes greatly to this discussion. I shall consider this report's recommendations carefully as we plan for London's continued prosperity.



Boris Johnson
Mayor of London

A handwritten signature of Boris Johnson in black ink on a light-colored background. The signature is written in a cursive, flowing style and clearly reads "Boris Johnson".

Introduction



Angus Knowles-Cutler
London Senior Partner

London is the pre-eminent business centre in Europe. By the measures used in this study, it is more central to the economy of Europe than New York is to the economy of North America. And no Asian city has a comparable position of dominance in the Far East.

There are many reasons for London's success, and Deloitte LLP predicts that it will enjoy further significant growth in the future. But to make this possible, there are challenges to be met and overcome.

Deloitte opened its very first office in London, back in 1845. London is still our biggest client-serving location, despite having grown our global network to over 175 countries and territories. As a consequence, the commercial success of London is of great importance to us, as it is to our clients. We hope that this study helps stimulate a useful and constructive debate.

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

Executive summary

London is the undisputed business capital of Europe.

Significant numbers of major companies have chosen London for their global or European headquarters, and London continues to attract the largest proportion of high-skilled talent.

By these two key measures, London has greater pre-eminence in Europe than New York enjoys in North America. Deloitte has undertaken research to assess its standing.

This study looks at the location of the global or regional headquarters of the Top 250 companies in Europe and North America, and at the levels of high-skill employment in the leading five European and five North American business cities.

A survey of the views of 150 leading London businesses reinforces the view that London will retain its position of strength and will continue to grow as a global commercial centre.

In order to retain its pre-eminence, London must face up to a number of challenges, in areas such as infrastructure, housing and education. There is also the risk of skills shortages amid the global competition to attract talent. These issues need to be understood and managed in order to preserve London's unique global position.

London has greater pre-eminence in Europe than New York enjoys in North America

London: A magnet for business

Measured by the locations of business headquarters, London is by far the leading commercial centre in Europe.

Our analysis is based on what we call the Top 250 companies: these are the 250 largest companies, measured by revenue in 2013, in the Fortune Global 500 rankings of the top 500 corporations worldwide.

The analysis shows that of the Top 250 companies with global or regional headquarters in Europe, 40 per cent are located in London.

London's nearest rival is Paris, which hosts just eight per cent: of these all but two are French (see Figure 1).

London is the chosen centre for 60 per cent of the non-European Top 250 companies that have their regional headquarters in Europe (see Figure 2).

Figure 1. HQ location of Top 250 companies with global or regional HQ in Europe

Ranking	City	Country	Percentage of European HQs
1	London	United Kingdom	40%
2	Paris	France	8%
3	Madrid	Spain	3%
4	Amsterdam	Netherlands	2.5%
=	Brussels	Belgium	2.5%
5	Munich	Germany	2%
=	Luxembourg	Luxembourg	2%
=	Moscow	Russia	2%
=	Geneva	Switzerland	2%
			63%
Other (51 European cities)			37%
			100%

Source: Deloitte analysis, 2014

Figure 2. Who chooses to establish their HQs in London?

Country of provenance	London %
Australia	100%
Brazil	100%
Mexico	100%
Japan	74%
China	71%
South Korea	67%
India	50%
United States	49%
	60%

Source: Deloitte analysis, 2014

Half (49 per cent) of Top 250 US companies with a European HQ have chosen London, making the US London’s largest source of inbound European headquarters, in absolute terms, for non-European companies (see Figure 3).

Figure 3. Non-European Top 250 companies with European HQ in London

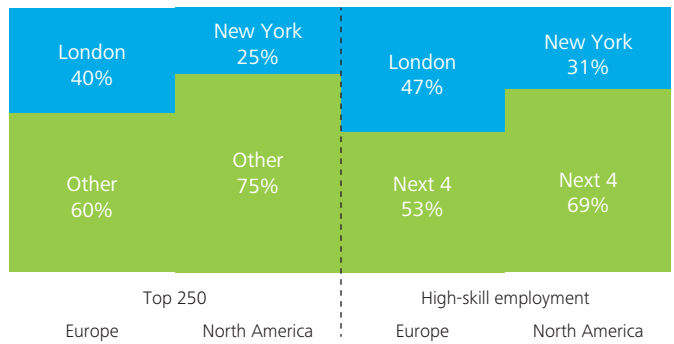
Country of provenance	Percentage of total
United States	37%
Japan	29%
China	15%
Australia	7%
South Korea	6%
Brazil	3%
India	1%
Mexico	1%
	100%

Source: Deloitte analysis, 2014

The position of London as the major centre for business headquarters in Europe can be compared with New York as the leading commercial centre in North America. New York is host to just 25 per cent of North American regional headquarters of the Top 250 companies.

A similar analysis of the location of regional headquarters in Asia is more difficult to carry out, but it is clear that no single city has a comparable concentration of major businesses.

Figure 4. HQ location and high-skill workforce



Source: Deloitte analysis, 2014

London: A centre for high-skills employment

London is also a leading global centre for talent and high-skills employment.

Deloitte has identified 22 high-skill business sectors, ranging from digital media, broadcasting and performing arts, through advertising and education to accountancy, management consultancy, banking and insurance.¹

Our research has found that London is the global leader, in terms of employment numbers, in 12 of these sectors (see Figure 5). It is the European leader in nearly all of them. One and a half million Londoners work in these knowledge-based sectors, compared to 600,000 in Paris, the next largest European centre.

Figure 5. London's global ranking among the high-skill, knowledge-based sub-sectors



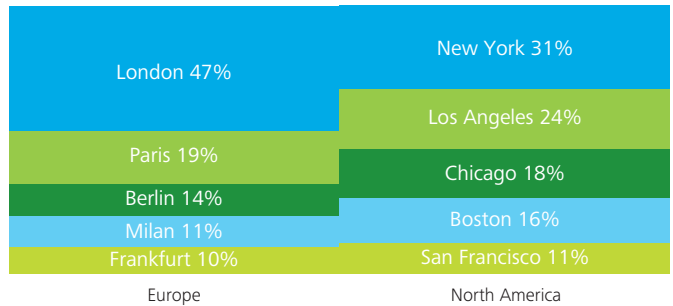
Source: London Futures, Globaltown: Winning London's crucial battle for talent, Deloitte, 2013

A comparison of high-skill employment in the leading five European and five North American cities shows that in relative terms, London is more pre-eminent in Europe than New York is in North America.

Of the five top European cities in Europe, London employs 47 per cent of their combined total of high-skilled workers. In contrast, New York employs 31 per cent of the total in the top five North American cities (see Figure 6).

Again, as with the location of regional HQs, this analysis suggests that London is more central to the European economy than New York is to the North American economy.

Figure 6. Top cities in Europe and North America for high-skill employment in knowledge-based sectors



Source: Deloitte analysis, 2014

Why choose London?

Both businesses and individuals are attracted to London by a combination of factors: ease of access to global markets; presence of a highly-skilled labour force; adaptable working environment; a stable political environment supportive of business; cultural prominence; and ethnic diversity.

In a recent research study conducted jointly by Deloitte and business group London First, *London Boardroom Barometer*, 150 CEOs and senior partners at leading London firms were surveyed.² Of these, 86 per cent said they were 'absolutely committed' to remaining in London and only one per cent stated they were likely to leave by 2020.

When asked what sets London apart from rival cities, respondents cited access to skilled talent from abroad, security and personal safety, the environment, and some aspects of infrastructure.

London Futures predicts that by 2020 at least 300,000 new jobs will be created in London, of which at least 100,000 will be in high-skill sectors.³ The number could be even larger, particularly if the global economy continues to benefit from increasing free movement of goods and services, and economic growth is driven by knowledge-based business sectors.

London Futures predicts that by 2020 at least 300,000 new jobs will be created in London, of which at least 100,000 will be in high-skill sectors

Not surprisingly, most London businesses are committed to the European Union (EU). In the *London Boardroom Barometer* survey, over 80 per cent of companies wanted the UK to remain in the EU, although 34 per cent wanted the government to have the ability to opt out of those regulations that were not in the UK's interest.⁴ Only seven per cent felt the UK should leave the EU, with a further 10 per cent unsure of their position.

Although committed to remaining in London, many business leaders see a need for reform directed at strengthening and enhancing its overall competitiveness.

The challenges

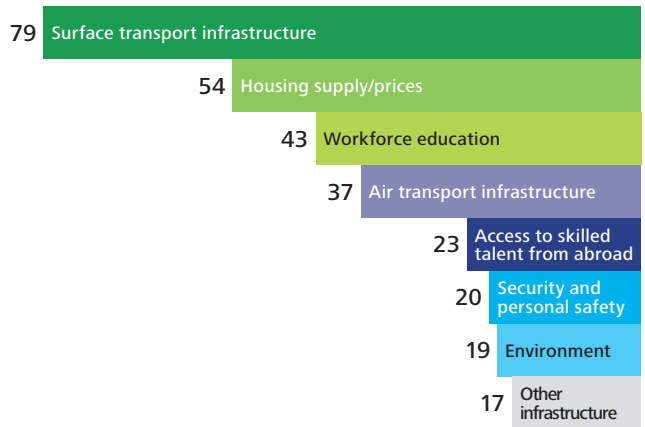
London has achieved an enviable global position, with significant benefits to the wider UK economy in terms of tax income, opportunities for talented Britons and national employment. But this success creates a number of challenges that will have to be met if London is to retain its leading position.

In the *London Boardroom Barometer* survey, respondents cited ageing infrastructure and the high cost of living in particular as barriers to London's continued competitiveness.⁵

Specifically, 79 per cent of firms identified improvements in surface transport infrastructure as critical to facilitating London's competitiveness. Improved housing supply (54 per cent), workforce education (43 per cent) and air transport infrastructure (37 per cent) were also identified as high priorities (see Figure 7).

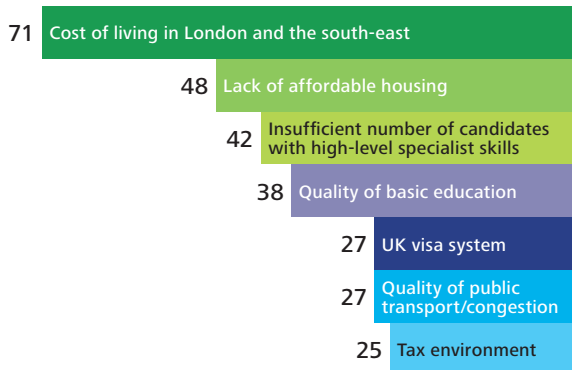
Almost four out of five London businesses surveyed said the cost of living in London and the south-east was a barrier to attracting a suitably skilled workforce, with 48 per cent pointing specifically to the lack of affordable housing.

Figure 7. Barriers to London's continued competitiveness (%)



Source: London Boardroom Barometer, December 2013

Figure 8. Barriers to hiring a suitably skilled workforce (%)



Source: London Boardroom Barometer, December 2013

There are also concerns about the pool of talent. Forty-two per cent of companies believe that there is an insufficient number of people with high-level specialist skills; and 38 per cent have concerns about the quality of basic education (see Figure 8).

To meet the demand for talent, there must be a strong and steady supply of people with the skills or potential that employers are seeking. Much of the demand will be for employees who are highly-skilled, well-educated, or both. This is an issue we address in our recommendations.

Recommendations

Measured by population London has fallen from being the largest city in the world in 1914⁶ to being in 22nd place today⁷, but in terms of business leadership it is pre-eminent, and growth is set to continue.

London faces a number of challenges to its position for which suitable responses must be found. Here, we focus particularly on the need to attract and retain the best talent available. Deloitte proposes five recommendations that we consider crucial to London retaining its position as a destination for the world's top talent:

1. Appoint a **Chief Talent Officer for London** with overarching responsibility for setting and delivering London's talent strategy.
2. **Anticipate growing pressures on infrastructure and housing** as the number of London-based jobs increases.
3. **Strengthen business links with education**, so that the UK education system produces a pipeline of skilled and employable talent.
4. **Develop talent in London and the rest of the United Kingdom.** London should seek to develop talent, both in the city's deprived boroughs and throughout the rest of the UK.
5. **Implement an intelligent visa system**, with the aim of securing talent from abroad for the new high growth sectors and small and medium-sized enterprises.

End notes

1. 'London Futures, Globaltown: Winning London's crucial battle for talent', Deloitte LLP, 2013. See also: http://www.deloitte.com/view/en_GB/uk/market-insights/uk-futures/london-futures/index.htm
2. 'London Boardroom Barometer', London First and Deloitte LLP, 2013. See also: <http://londonfirst.co.uk/wp-content/uploads/2013/12/London-Boardroom-Barometer-presentation.pdf>
3. 'London Futures, Globaltown: Winning London's crucial battle for talent', Deloitte LLP, 2013. See also: http://www.deloitte.com/view/en_GB/uk/market-insights/uk-futures/london-futures/index.htm
4. 'London Boardroom Barometer', London First and Deloitte LLP, 2013. See also: <http://londonfirst.co.uk/wp-content/uploads/2013/12/London-Boardroom-Barometer-presentation.pdf>
5. Ibid.
6. 'Factors of Urbanisation in the Nineteenth Century Developed Countries: A Descriptive and Econometric Analysis', Paul Bairoch and Gary Goertz, 1986. See also: http://deepblue.lib.umich.edu/bitstream/handle/2027.42/68656/10.1080_00420988620080351.pdf&embedded=true?sequence=2
7. 'London Population 2014', World Population Review, 2013. See also: <http://worldpopulationreview.com/world-cities/london-population/>

About the methodology

The Fortune Global 500 is an annual ranking of the top 500 corporations worldwide (as measured by revenue), compiled and published annually by Fortune magazine. The Top 250 companies in this report are the largest 250 companies in the 2013 rankings of the Fortune Global 500.

For each company in the Top 250, a web-based search was carried out to establish the location of its domestic, European and North American headquarters.

Of the Top 250, 197 were found to have either a global or a regional headquarters in Europe; and of these 197, 113 were non-European companies.

The employment figures for high-skilled labour were obtained from relevant national official statistics or from vetted publications.

Notes

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms. Deloitte LLP is the United Kingdom member firm of DTTL.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2014 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. 33827A