Capita | YouGov

The great opportunity?

Pulse 3

October 2021

Contents

1. Introduction

How are senior decision-makers really navigating the challenges of Covid-19 and what opportunities are they taking to turn 'build back better' into more than just a slogan?

The Capita Institute is carrying out exclusive research throughout 2021 into the great opportunity debate, conducting quarterly surveys with more than 350 business leaders across three key sectors (Financial Services, Critical Infrastructure and Government). This is our third 'pulse' report in the series. Our Pulse 1 and Pulse 2 reports from earlier this year can be downloaded from capita.com.

The reports are supplemented by the Institute's wider work on the great opportunity debate, available to explore on the Capita website here. Our assets include interactive data dashboards based on our survey results, podcasts with experts from industry and blogs written by Capita's experienced professionals.

1.1 A brief recap

In our first pulse findings, published in March of this year, we found that the majority of respondents felt that 2020 had been a negative year for them personally (63%) and for their organisations (71%). This first survey took place in January, when the UK was deep into its third national lockdown and the economic outlook was depressed, with economists expecting GDP growth to contract and some predicting that the economy might not return to pre-Covid levels until 2023.

Feedback collected during this pulse highlighted significant disruption to individuals, organisations and industries. Ninety-six percent experienced some form of change in their organisation, with the changes coming faster than most anticipated. However, there were also positive signals from the results, indicating that the crisis may in fact be a catalyst for change: more collaboration with other organisations; a willingness to embrace innovative ideas; greater levels of individual productivity.

By the time we conducted the second phase of our great opportunity research in May this year, the context for the pandemic had shifted dramatically. The vaccination rollout was gaining momentum, lockdown had been eased and the Prime Minister had announced a roadmap to ease restrictions. The economic outlook had improved, too, with the Bank of England raising its prediction for annual economic growth to 7.25% from its 5.0% estimate in February and revising the expected unemployment rate to a peak of 5.5% in autumn 2021 (previous predictions had been as high as 9.5% of all UK adults in May 2020).

For our Pulse 2 survey, we dug deeper into five key areas that have had and continue to have a big impact on organisations and employees alike, affecting how and where work will be done going forward. The rapid shift to remote working was one of the main drivers of the disruption reported in Pulse 1, and for the second survey we polled our respondents on how their organisations were approaching the return to the workplace and what measures they were putting in place. The hybrid model was favoured by the majority, with over 40% planning to shift to this set-up in 2021 and 72% of organisations reporting that they were adopting a phased approach to returning to the workplace.

Our second pulse also included a closer look at the issue of productivity. Fifty-three percent of respondents reported that they felt that they were personally more productive over the previous three months (Q1 2021) than they had been in 2020, but we also wanted to know what personal productivity meant to them, with the two most common responses being 'quality of outputs delivered, regardless of time spent' and 'efficiency – producing more in less time.' It was interesting to note that when it came to an organisational perspective, most respondents felt that their organisation viewed productivity as quantity of production ahead of quality of outputs.

Employee wellbeing has come under increased focus as the pandemic has gone on. The consensus from Pulse 2 was that personal mental and physical health had suffered but the majority were coping, and that most employers had provisions in place and were responding well to their employees' needs. Critical Infrastructure industries scored the worst in this regard with 23% having had a negative experience; conversely, those from the Financial Services sector had the highest proportion of good experiences, with 66% saying as such.

1.2 Context for Pulse 3

Finally, we looked into data and data literacy, and social value/inequality. Regarding the former, 73% of respondents reported seeing improvements in the way they used data and 86% reported seeing the informed use of data and building data literacy in their organisation as important as we emerge from the pandemic. When it came to having a data-driven view of their organisation, there was a contrast between 42% of senior decision-makers from Financial Services who believed that they have a very strong, rich data-based view of those who use their services compared to only 25% of respondents from Government. And on the topic of social value and equality, organisations were most likely to have launched gender and racial equality initiatives pre-Covid, whereas digital inclusion and financial support initiatives were most likely to have been launched as a response to the pandemic.

It was clear from our Pulse 2 research that senior decision-makers were continuing to be cautiously optimistic and taking steps to adjust to a working world that was changing fast and changing permanently. Quite what this world is set to be like, and how they need to equip themselves, their staff and their organisations, was something that we now move onto exploring in our next pulse.

Our third phase of the great opportunity research took place between 11th and 29th August at a time when, while not entirely 'free', the UK was in a state that more closely resembled normality than it had been for several months. Despite the near-wholesale easing of restrictions in England being delayed by a month, this eventually came to pass on 19th July (Scotland, Wales and Northern Ireland were slightly more cautious, waiting until later in the summer). Despite criticism from some medical experts as being premature, laws around face masks and social distancing ceased, albeit with restrictions still in place on public transport. Sporting events and nightclubs began to fill up again, and airports became busier, even if foreign travel was still discouraged.

At the time of writing, 48 million people in the UK have received their first Covid-19 vaccination and 44 million their second. After a spike in mid-July, which some experts suggest was related to the easing of restrictions, the number of cases had fallen to as low as 10,000 (compared to 80,000 in December 2020) and daily deaths were staying below 100. Fear of further lockdowns has eased, although the controversial 'pingdemic' of the NHS Covid-19 app alerting thousands of people that they had been exposed to someone with the virus was cited by some as a lockdown by another name, causing isolations that were so widespread that the NHS updated the app to reduce the number of people who were alerted.

From a financial standpoint, Britain's economy has recouped much of its 10% crash of 2020, leading the Bank of England, like several other banks around the world, to announce that it could move to a "modest reduction" of its support over its three-year forecast, despite expecting inflation to rise to 4.0% around the end of 2021. The BoE announced it would hold its main rate at 0.1%, keeping to its quantitative easing plan but also saying that it is likely to stop QE reinvestment when rates hit 0.5%. On an international level, the World Bank reported that although global recovery has been strong, it has been uneven, with many developing countries affected more by the pandemic's long-term effects. While countries such as the US and China are expected to see growth of 6.8% and 8.5% this year respectively, low-income economies are forecast to expand by only 2.9% in 2021 before picking up to 4.7% in 2022.

The prevailing feeling is that there is more to come from this pandemic. Some double vaccinated individuals have still caught the virus, with the potent Delta version responsible for many cases and further variants not ruled out. And as winter approaches, the vulnerable are going to be more at risk of infection, much as they have been disproportionately affected throughout this challenging time – indeed, the Government has already begun to offer booster vaccines to those who are most at risk. Rather than thinking that we are moving into a post-pandemic future, most have accepted that it is more likely to be one where we have learned to live with Covid-19 – but not without having learned important lessons along the way that could help us to build a better world, and one where we can be more prepared for any other disruption that may come to pass.

1.3 Pulse 3: Focus Areas

In this third pulse, we asked our respondents to focus on their experiences from the last three months (Q2 2021) and their thoughts looking ahead to the next six. We wanted to take a closer look at three areas that have been on business leaders' minds as they have started to look beyond reacting to a crisis and toward the longer-term future. Sustainability was the first of these, something that has, of course, been high on most organisations' agendas for some time but which will come into even sharper focus with the 2021 United Nations Climate Change Conference (COP 26) taking place in Glasgow, Scotland in November. We also wanted to explore aspects of

future living – for many of us, how and where we live has changed since the start of the pandemic, and so we asked questions that explored the various aspects of this. Finally, research suggests that the skills gap has continued to widen during the pandemic, potentially leading to future employability concerns for sections of the population. We dug deep to find out how our respondents were tackling what the World Economic Forum calls the 'reskilling revolution'. As before, our findings revealed much about how decision-makers are adapting to a world that is changing fast as we head towards the end of 2021. The next section examines all the results in detail.

2. Findings

Our findings are broken down into what has changed across the three pulses so far and three principal focus areas of sustainability, future living and skills gap & reskilling. We explore these and the implications in turn.

2.1 Change

As was the case in Pulse 2, the majority of decision-makers agree that change has been seen across industries, organisations and within individual roles over the last three months. The changes experienced in this time were generally seen to be faster than expected but not to the same degree as was anticipated in Pulse 2, suggesting a very gradual return to something resembling normality.

When it comes to changes to our respondents' industries (Critical Infrastructure, Government, and Financial Services), 78% reported that they had seen change last time and the result from this Pulse is exactly the same. When we asked the same question for Pulse 1 in January, 92% said that there had been change over the previous 12 months, looking back to the start of 2020. How fast the change feels has slowed down too, from around 75% in Pulse 1 through

to 58% in Pulse 2 and then 45% this time around. The sudden and sharp disruption we all experienced during the first year of the pandemic was unlikely to be sustained given that as individuals, organisations and nations we learnt to adapt and increased our resilience.

The first quarter of the year saw the UK plunged into its third national lockdown and then gradually emerge, with provisions such as the rule of six and re-opened schools put in place. In Q2, non-essential retail reopened and social gathering restrictions eased until most measures were finally lifted in July – albeit later than planned. Meanwhile, disruption continues to be present in all our lives. International travel re-opened but with confusion over the changing traffic light allocations on the safety of holiday destinations, as well as a slow rollout of vaccinations to the youngest and reluctance by some to be vaccinated at all.

To what extent, if at all, do you think your industry has changed over the last 3 months?

Figure 1

You said that your industry has seen changes over the last 3 months, was this faster or slower than you expected?

Figure 2

	Much faster than expected	Slightly faster than expected	About the same as expected	Slightly slower than expected	Much slower than expected	Don't know	% Faster (NET)	Pulse 2	% Slower (NET)	Pulse 2
Total	15%	31%	44%	6%			45%	58%	10%	6%
Critical infrastructure	12%	32%	42%	8%			45%	57%	12%	5%
Financial services	11%	34%	41%	7%	6%		45%	63%	13%	2%
Government	21%	25%	49%				47%	55%	3%	11%

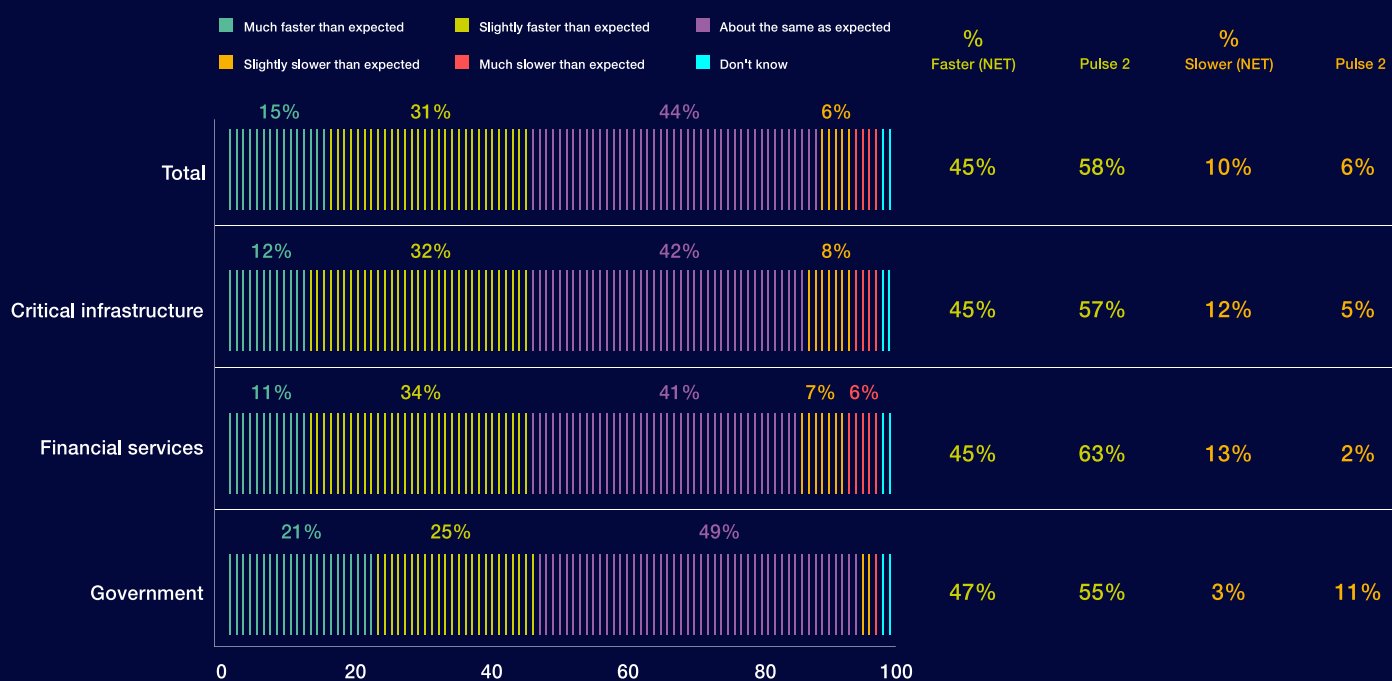The results for changes and speed of change to our respondents' specific organisations were in line with those at an industry level. The net percentage of those who thought their organisation had changed over Q2 compared to 2020 came in at 74% compared to 73% in Pulse 2 and 96% in Pulse 1, with the speed of that change being felt as faster by 48% (compared to 58% in Pulse 2 and around 79% in Pulse 1).

To what extent do you think your organisation has changed over the last 3 months?
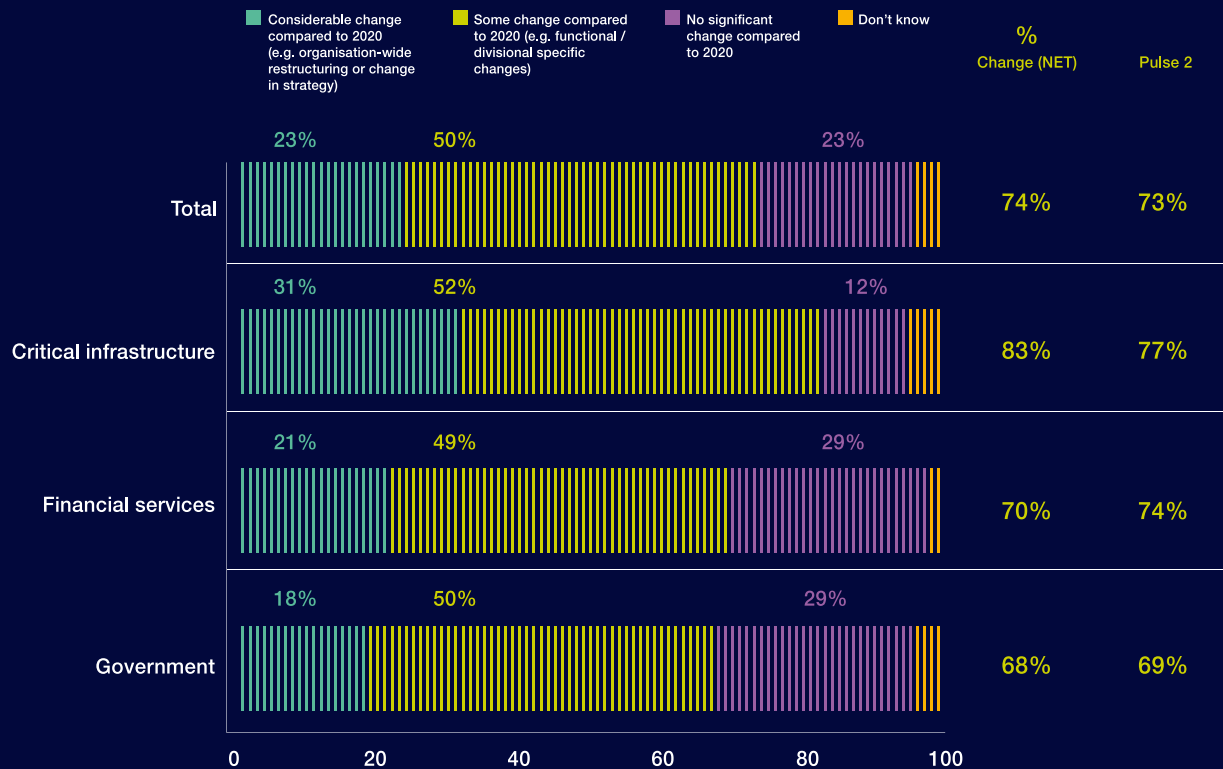
Legend:
- ■ Considerable change compared to 2020 (e.g. organisation-wide restructuring or change in strategy)
- ■ Some change compared to 2020 (e.g. functional / divisional specific changes)
- ■ No significant change compared to 2020
- ■ Don't know

	% Change (NET)	Pulse 2
Total — 23% / 50% / 23%	74%	73%
Critical infrastructure — 31% / 52% / 12%	83%	77%
Financial services — 21% / 49% / 29%	70%	74%
Government — 18% / 50% / 29%	68%	69%

Figure 3

You said that your organisation has seen changes over the last 3 months, was this faster or slower than you expected?

Legend:
- ■ Much faster than expected
- ■ Slightly faster than expected
- ■ About the same as expected
- ■ Slightly slower than expected
- ■ Much slower than expected
- ■ Don't know

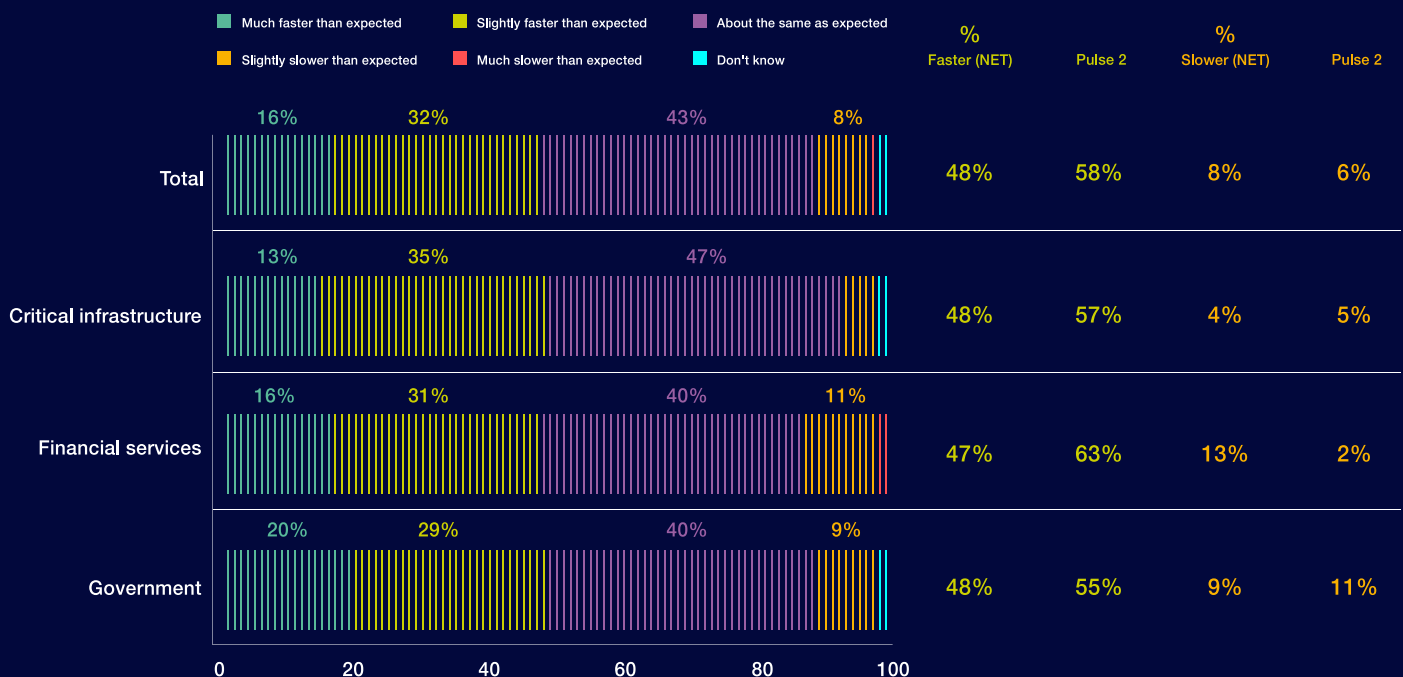|	% Faster (NET)	Pulse 2	% Slower (NET)	Pulse 2
Total — 16% / 32% / 43% / 8%	48%	58%	8%	6%
Critical infrastructure — 13% / 35% / 47%	48%	57%	4%	5%
Financial services — 16% / 31% / 40% / 11%	47%	63%	13%	2%
Government — 20% / 29% / 40% / 9%	48%	55%	9%	11%

Figure 4

The most common reasons for the changes to industries that senior decision-makers have had to face are disruption to working locations and patterns across the industry (54% selected this); technology shifts (40%), many of which no doubt relating to the changes to ways of working and the places work is being carried out, such software to enable remote working; and changes to the regulatory environment (34%).

And when it comes to what has been driving change across industries and organisations, the top answers in Pulse 3 are the same as those we received in Pulse 2: customer/citizen behaviour came in first, followed by capabilities needed to operate in the new environment.

Which of the following reasons, if any, explain why your industry has seen change over the last 3 months?

■ 1st ■ 2nd ■ 3rd

	Total	Critical infrastructure	Financial services	Government
Working locations and patterns disrupted across the industry	54%	47%	67%	49%
Technology shifts	40%	35%	55%	28%
Changes in regulatory environment	34%	28%	42%	33%
Industry-wide increase in demand for products / services	28%	41%	23%	17%
Changes in the skills and talent needed across industry	25%	26%	27%	22%
Economic instability impacting industry dynamics	24%	31%	24%	16%
Supply chain disruption	24%	45%	9%	17%
Industry-wide decrease in demand for products / services	12%	15%	14%	8%
Other	7%	7%	3%	11%
Don't know	2%	0%	0%	7%

Figure 5

Overall what is driving the levels of change you are experiencing across your industry/organisation?

■ 1st ■ 2nd ■ 3rd

	Total	Critical infrastructure	Financial services	Government
Changes in customer/citizen behaviour	43%	38%	43%	49%
Change in capabilities we need to operate in the new environment	41%	38%	41%	45%
Economic pressure	41%	43%	41%	39%
Pace of technology change	35%	28%	54%	23%
Competitive pressures	28%	39%	39%	5%
Changes in the supply chain	17%	30%	11%	9%
Other	11%	7%	12%	13%
Don't know	2%	0%	3%	3%

Figure 6

When asked to think about themselves as individuals, there was a slight drop off in how much our respondents felt that they had changed personally. When we first asked this back in Pulse 1, 86% said that they themselves were now different in a professional sense, for Pulse 2 it was 62% and in these latest results this has gone down to 59%. Again, this is likely to be related to business leaders adapting to the changing world. Working patterns were the number one reason for

personal change, which was the same as our findings from an industry point of view. Nearly half (48%) told us that they had felt a change in the purpose of work as part of their lives, with the next reason being career aspirations – these were also the second and third most popular answers in Pulse 2, demonstrating that the soul-searching that many have been carrying out during this tough time was not a short-term fad and is still very much on decision-makers' minds.

To what extent do you think you as an individual have changed over the last 3 months?

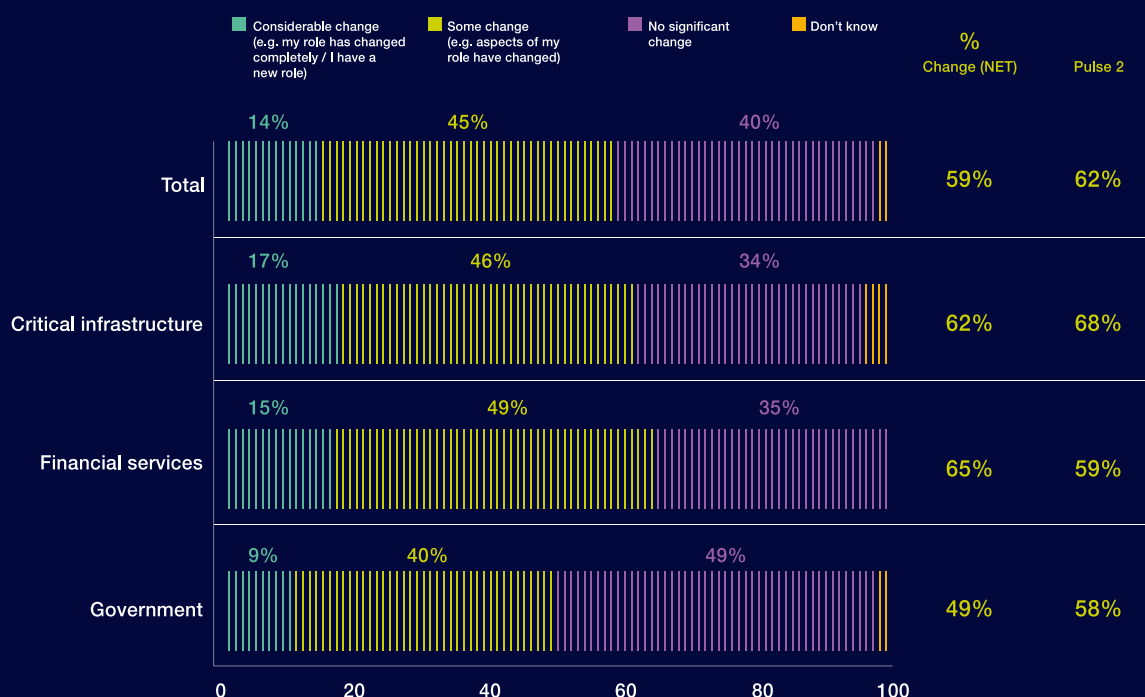|	Considerable change (e.g. my role has changed completely / I have a new role)	Some change (e.g. aspects of my role have changed)	No significant change	Don't know	% Change (NET)	Pulse 2
Total	14%	45%	40%		59%	62%
Critical infrastructure	17%	46%	34%		62%	68%
Financial services	15%	49%	35%		65%	59%
Government	9%	40%	49%		49%	58%

Figure 7

To take a sector-specific lens on what has changed across our pulses, it's notable that Government was the only sector that reported a lower degree of change, coming down to 73% this time compared to 76% before. In May, the Queen delivered a speech outlining the Government's priorities for the year ahead, which may have settled many organisations in terms of what they could expect for the remainder of 2021. Indeed, there was an even bigger drop from Pulse 2 in how much respondents from Government felt they had changed as an individual, with this going down to 49% from 58% last time. Respondents from Government were also the most likely to volunteer other drivers of changes that were not listed as options in our question, with nearly one in ten having another response. A popular answer from these was changes to duties or responsibilities, which suggests that roles were changing – but not significantly enough for respondents to feel too disrupted.

By contrast, Financial Services was the only sector where the majority of respondents told us that they had changed more as individuals in this pulse survey than they did in Pulse 2. Before, 59% believed that they had changed personally and that number is up to 65% this time around. This comprised 15% stating considerable change, such as roles either changing completely or being moved into a new role, and almost 50% highlighted some measure of change, such as aspects of the role being altered.

Financial Services organisations have been under pressure to adapt to the impact that the pandemic has wrought as much as any other sector. We've seen fintechs worrying for their very survival and the insurance industry being hit by a toll on new premiums on lines of business including travel, events, and trade credit. It's also worth pointing out

that UK financial regulators have recently taken measures to seek to protect markets and consumers in the wake of Covid-19, which are likely to have had an impact on finance professionals on a day-to-day basis. Through all this, however, the picture has not exactly been dire in terms of overall performance, with global banks pulling in US$170 billion in their most profitable year ever and the asset management industry coming through the pandemic times strongly, with US$103 trillion in assets under management by the end of 2020.

Turning to Critical Infrastructure, we can clearly see that this sector had the highest number of respondents who described the change to their industry as considerable, with one in five saying so. Certainly, the industries in this sector have had to deal with, among other things, the impact of a reduction of public transport usage and trust in it, as well as resources stretched by an increased demand for home broadband. However, there may be positive news on the horizon if the US market is anything to go by, with reports predicting that the post-Covid-19 critical infrastructure protection market size is set to grow from US$133.3 billion in 2021 to US$157.1 billion by 2026 – this would represent a compound annual growth rate of 3.3% during that five-year period.

Also notable from our Critical Infrastructure results was when we asked what the biggest drivers of change were in the respondent's industry. Supply chain disruption came third, with 45% choosing it (compared to the overall total across sectors, which was only 24%). The shipping blockage at the Suez Canal had a ripple effect across the world, but there were plenty of issues that came closer to home as well, such as a shortage of HGV drivers, data theft and moves towards digital adoption that will take time to bed in. The UK is currently experiencing a 'supply chain crisis', with stock levels at their the lowest since 1983 and difficulties in obtaining goods and fuel emerging in the autumn; as the UK navigates trade post-Brexit it is likely there is further supply chain disruption ahead.

Finally, when asked about drivers of change, competitive pressures came through as the second most popular answer with 39% choosing it, reflecting that consumers are increasingly less loyal to providers and both prepared and able to change to a new company if they find a better deal. Also worth mentioning as a source of huge disruption to the Critical Infrastructure sector at the time of writing is the UK energy crisis. Gas prices have gone up by 250% since the beginning of the year, including a rise of 70% since August, with a knock-on effect in food supply.

2.2 Sustainability

Early in the pandemic, there was much discussion about the potential environmental benefits of lockdown as travel restrictions drastically reduced global carbon emissions and air pollution. However, with climate models now revealing the "modest impact that temporary emission reductions associated with the COVID-19 pandemic will have on global and regional climate", we are beginning to see businesses leverage these temporary behavioural changes to have a long-term impact on their sustainability goals.

Our results also demonstrate that personal attitudes towards sustainability have changed significantly since the start of 2020. Half of all decision-makers consider it more important to them, with only a small minority (4%) considering it to be less of a priority. The same was reflected in their organisation's attitudes over the past 18 months, with 53% saying it has either changed significantly to become an organisational priority or it has at least risen up the agenda.

How has your personal attitude towards sustainability changed since the beginning of 2020? My personal attitude towards sustainability...

NET: More important

	Total	Critical infrastructure	Financial services	Government
NET	50%	44%	59%	46%
Has changed significantly and it is now one of my priorities	10%	7%	14%	10%
Has changed slightly and it is now more important to me	40%	38%	45%	37%
Has not changed at all	44%	50%	35%	46%

Legend:
- Has changed significantly and it is now one of my priorities
- Has changed slightly and it is now more important to me
- Has not changed at all
- Has changed slightly and it is now less important to me
- Has changed significantly and it is now not a priority at all
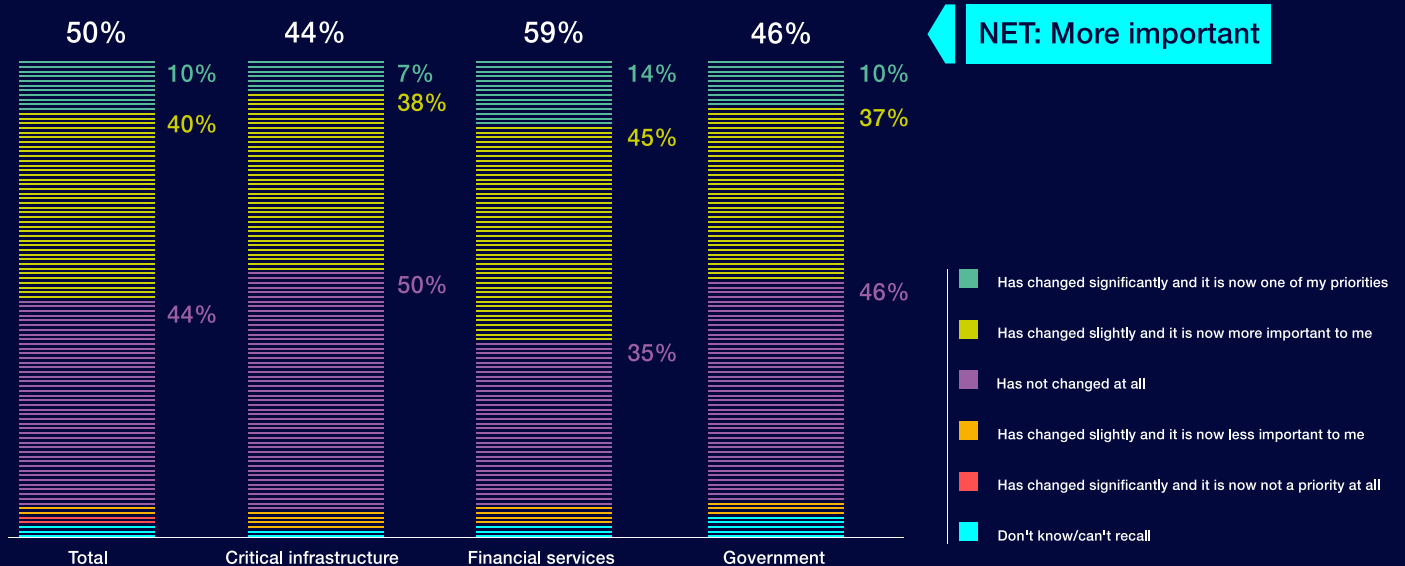- Don't know/can't recall

Figure 8

How has your organisation's attitude towards sustainability
changed since the beginning of 2020? My organisation's
attitude towards sustainability...

NET: More important

	Total	Critical infrastructure	Financial services	Government
NET	53%	57%	50%	51%
Has changed significantly and it is now one of my organisation's priorities	16%	18%	18%	12%
Has changed slightly and it is now more important to my organisation	37%	39%	32%	39%
Has not changed at all	36%	34%	38%	37%
Don't know/can't recall	7%		8%	9%

Legend:
- Has changed significantly and it is now one of my organisation's priorities
- Has changed slightly and it is now more important to my organisation
- Has not changed at all
- Has changed slightly and it is now less important to my organisation
- Has changed significantly and it is now not a priority at all
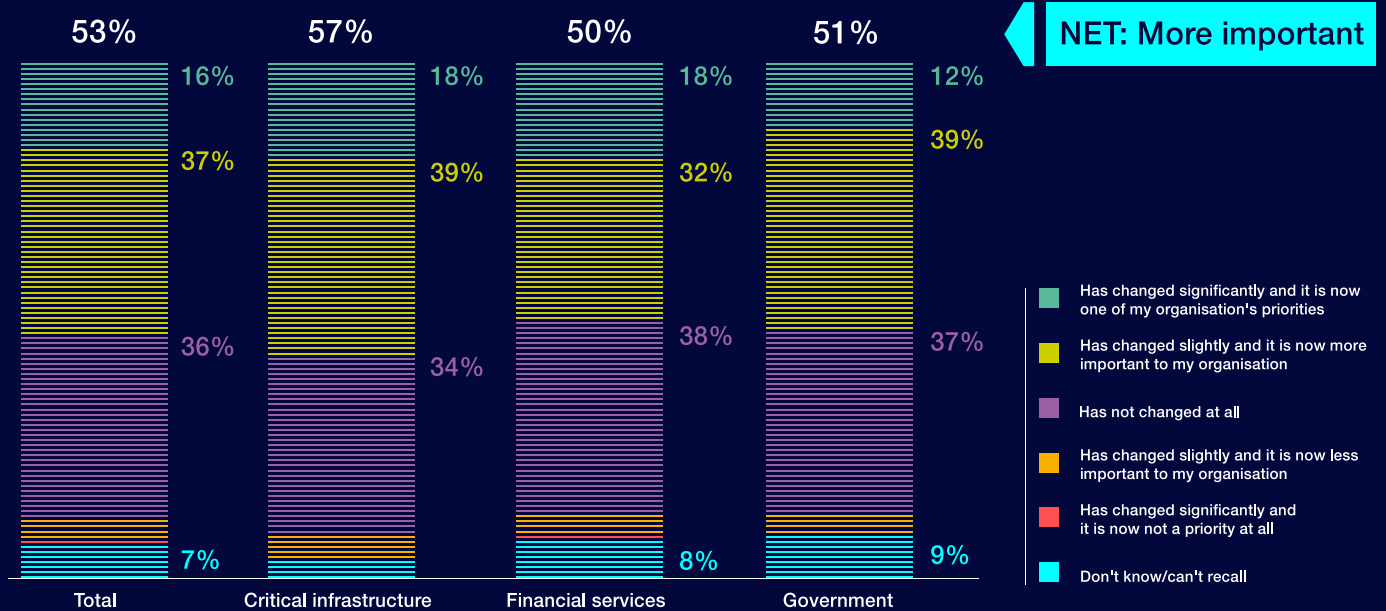- Don't know/can't recall

Figure 9

How has your industry's attitude towards sustainability
changed since the beginning of 2020? My industry's
attitude towards sustainability...

NET: More important

	Total	Critical infrastructure	Financial services	Government
NET	56%	59%	57%	51%
Has changed significantly and it is now one of my industry's priorities	18%	17%	23%	15%
Has changed slightly and it is now more important to my industry	37%	42%	34%	36%
Has not changed at all	28%	27%	27%	31%
Don't know/can't recall	13%	11%	12%	15%

Legend:
- Has changed significantly and it is now one of my industry's priorities
- Has changed slightly and it is now more important to my industry
- Has not changed at all
- Has changed slightly and it is now less important to my industry
- Has changed significantly and it is now not a priority at all
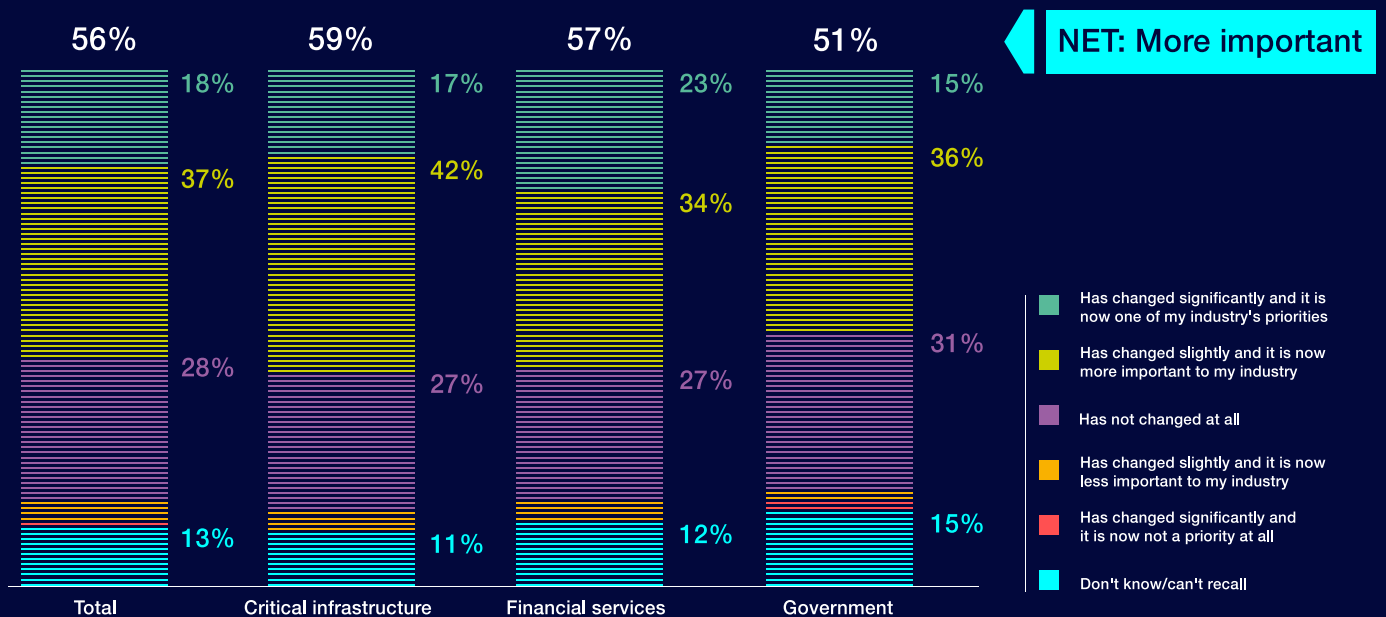- Don't know/can't recall

Figure 10

We asked our respondents to tell us about the sustainability initiatives their organisations have launched in response to Covid-19, providing them with the options as listed in Figure 11. The shift to hybrid working (56%) was the most popular choice, which was echoed by the 29% who reported reducing traveling/commuting for employees as a positive effect of the pandemic. A third (32%) also reported a reduction in workplace/office footprint due to the pandemic.

> **"We've seen the impact from the move to working from home, and having fewer people commuting. Two offices closed to concentrate on our most sustainable location."**
> Senior Director, Financial Services

Has your organisation launched any of the following Environmental, Social and / or Governance (ESG) initiatives?
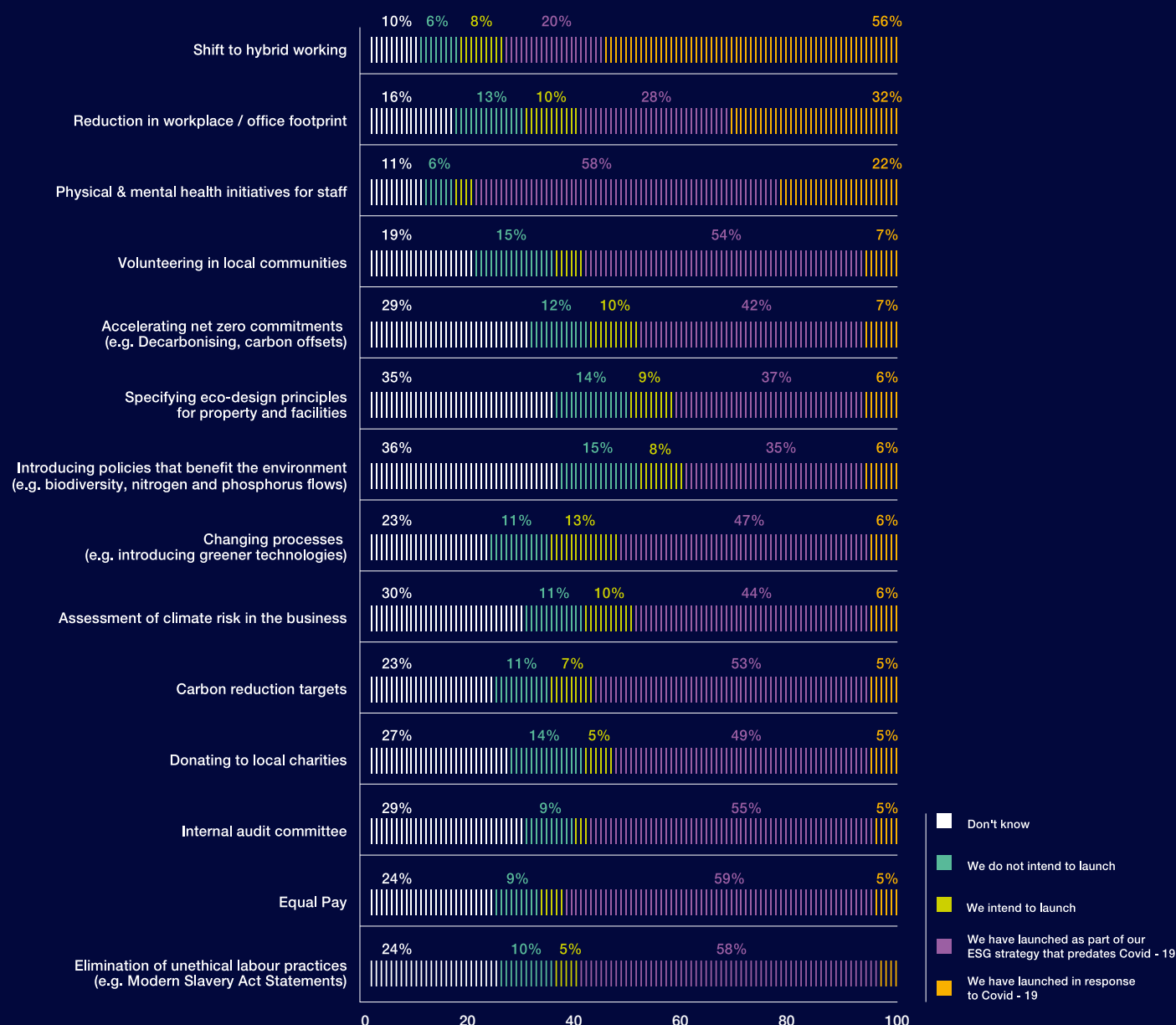
Figure 11

Note: We provided a range that was designed to demonstrate the breadth of initiatives in this area, but not to necessarily be exhaustive. There may, of course, very well be other actions that respondents have been carrying out that we did not give as possible responses.

Organisations have a unique opportunity to reduce their environmental impact by changing how offices are used, reducing travel and continuing to connect virtually – and most (52%) senior decision-makers believe changes in sustainability targets brought about by the pandemic will be long-term. This is something that we are doing at Capita, as we have recently announced our own ambitious road map to reach Net Zero by 2035 – and with 35,000 of our people now working in hybrid ways, we have set a target to reduce business travel emissions by 75% by 2030 from 2019's baseline.

The challenges

Although climate change sits high on the priority list for many organisations, our findings reveal a contrast in the impact of the pandemic on organisations ability to actually achieve their sustainability targets post Covid-19 – particularly when comparing sectors. Eleven percent said that the pandemic took away time and resources from the issue; and those working in Financial Services were much more likely to have experienced a positive impact from the pandemic than those working in Critical Infrastructure, with 48% saying so compared to 29%.

What impact, if any, did the Covid-19 pandemic have on your organisation achieving its sustainability targets?
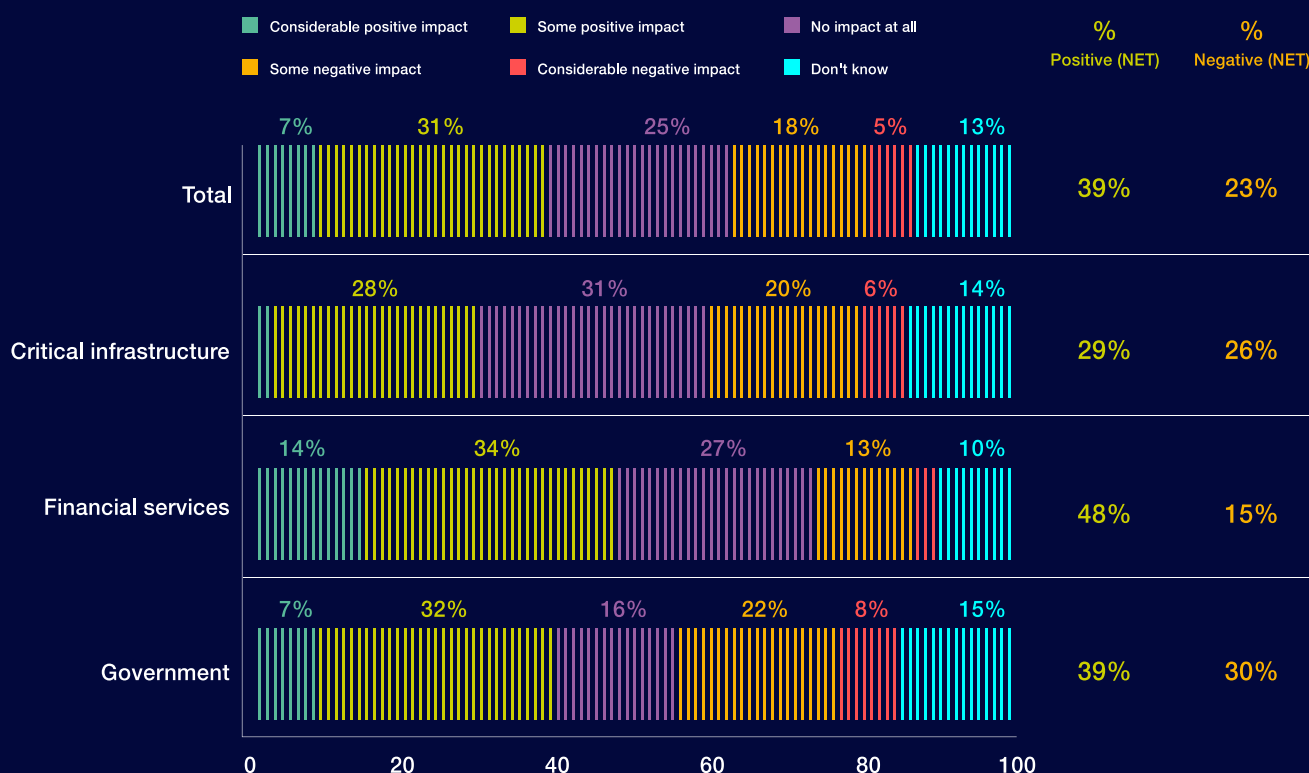

Figure 12

> **"My organisation has missed the opportunity to reduce commute and footprint by forcing 88,000 back into offices despite promising hybrid/remote working post pandemic."**
> Senior Director, Financial Services

> **"For us, the impact has been major project delays, big cost increases and labour shortages. Budget pressures mean that we will have to divert resources to statutory services and delay/cancel sustainability projects."**
> C-Suite professional, Government

When it comes to the barriers to implementing their sustainability initiatives, most decision-makers told us that they were having to focus on the short term (25% overall), as well as being faced with too many conflicting priorities (34% overall). A lack of or inappropriate

Government financial stimulus packages came up high in this area (23%), too. Financial Services was the only sector from which respondents put possessing poor quality data for measuring and reporting as their third highest answer (22% overall).

Has your organisation launched any of the following Environmental, Social and / or Governance (ESG) initiatives?

1st ■ 2nd ■ 3rd	Total	Critical infrastructure	Financial services	Government
Too many competing priorities	34%	31%	38%	34%
Short term focus as opposed to long term thinking	25%	26%	23%	28%
Lack of / inappropriate Government financial stimulus packages	23%	23%	15%	30%
Skill shortages	19%	20%	19%	20%
Poor quality data for measuring and reporting	19%	14%	22%	20%
Changes required to organisational culture / Limited employee engagement	17%	14%	19%	18%
Technology	17%	21%	17%	13%
Lack of internal financial support	17%	11%	14%	25%
Regulation	16%	23%	15%	10%
Lack of collaboration across the sector	15%	16%	13%	16%
Lack of clear strategic direction	15%	14%	14%	16%
Limited top-management commitment	13%	12%	16%	11%
Transition to the carbon economy	13%	18%	12%	8%
Educating consumers / citizens	10%	10%	7%	12%
Market shifts	9%	14%	10%	4%
Engaging with the supply chain	9%	11%	8%	8%
Extreme weather events and permanent changes in temperature due to global warming	7%	7%	9%	6%
Reputation	7%	10%	6%	5%
Other	5%	7%	3%	6%
None of these	12%	12%	8%	17%

Figure 13

Achieving Net Zero

When asked about what steps respondents and their organisations had specifically taken to achieve Net Zero, 54% cited reduced business travel and 48% reduced workplace/office. As 2021 has progressed, more workplaces are being reopened, and so it's no surprise to see that ensuring workplace buildings have strong energy performance ratings comes in at third place with 42%. There were also some notable differences between sectors. Continuing to source energy from renewable sources (41%) and developing new carbon reduction projects (40%) only came in the top three answers from Critical Infrastructure respondents, which alludes to the nature of the work carried out by industries such as utilities and energy.

Financial Services had the highest proportion of respondents putting reduced business travel as their most popular answer (60%) – although with reports claiming that a return to business travel is happening sooner than anticipated, this will be an interesting area to watch.

Just 12% of organisations told us that they have not launched net zero initiatives and do not plan to, with 11% saying the same thing regarding carbon reduction targets.

> "We are seeing the world melting and drowning in front of us. Climate change is a reality, and we need to act. Later is no longer an option."
> Senior Manager, Financial Services

What steps, if any, are your organisation taking to achieve net zero?

■ 1st ■ 2nd ■ 3rd

	Total	Critical infrastructure	Financial services	Government
Reduced business travel	54%	47%	60%	56%
Reduced workplace / office footprint	48%	34%	51%	59%
Ensuring workplace buildings have strong energy performance ratings	42%	39%	39%	48%
Continue to source as much energy from renewable sources as possible	33%	41%	26%	33%
Engaging with supply chain to increase sustainable performance	33%	32%	31%	36%
Developing new carbon reduction projects	30%	40%	19%	30%
Replacement of diesel / petrol company vehicles with electric vehicles	29%	31%	14%	43%
Offsetting current carbon emissions	27%	33%	27%	21%
Ensuring maintenance of workplace grounds	23%	23%	19%	25%
Established a science-based net zero target	18%	22%	13%	18%
Established a science-based emissions reduction target	17%	19%	14%	20%
Launched biodiversity education initiatives for employees (e.g. bee-friendly garden information)	14%	13%	10%	18%
Placed internal price on carbon	6%	8%	7%	3%
Other	5%	3%	7%	4%
Not applicable – my organisation is not taking any steps to achieve net zero	13%	8%	15%	15%

Figure 14

Working together for change

In November 2021, the 26th UN Climate Change Conference of the Parties (COP26) will come to Glasgow, initiating a global conversation about climate change and shining a spotlight on the important role that business must play. Collaboration is one of the four focuses for the event with the goal to "accelerate action to tackle the climate crisis through collaboration between governments, businesses and civil society."

Within respondents from Government, 32% said that they always collaborate with other organisations when it comes to net zero and carbon reduction targets. This follows a trend that we saw from Pulse 1, when 52% of respondents from Government reported they were collaborating more with other organisations. However, this figure dropped to 22% for those who work in the Financial Services sector.

To what extent, if at all, does your organisation work collaboratively and knowledge share with other organisations specifically to reach its accelerating net zero and carbon reduction targets?
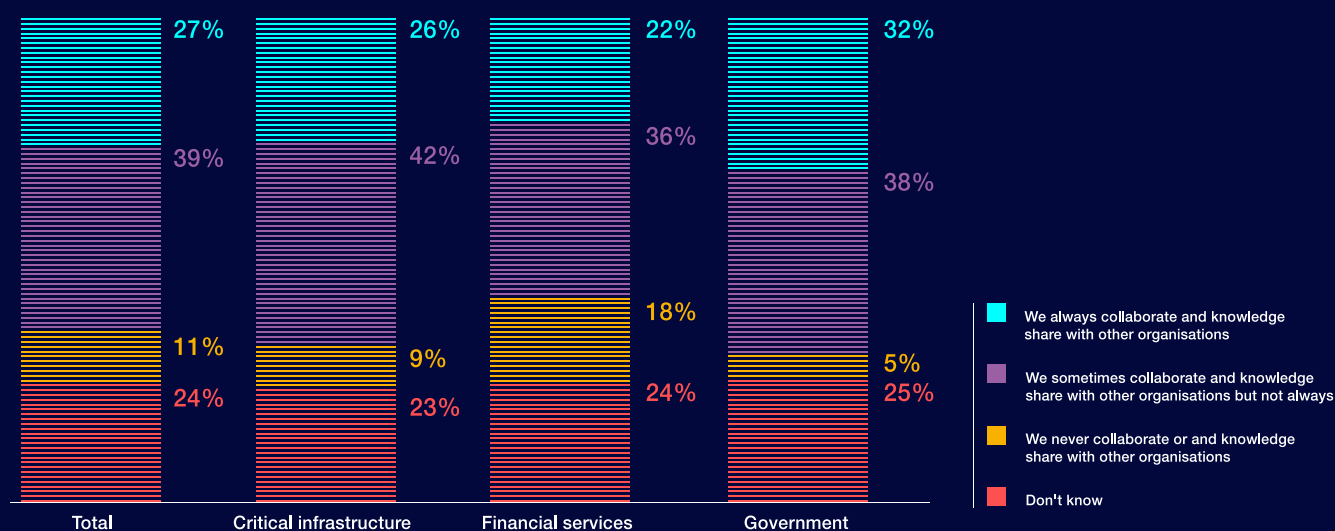

	Total	Critical infrastructure	Financial services	Government
We always collaborate and knowledge share with other organisations	27%	26%	22%	32%
We sometimes collaborate and knowledge share with other organisations but not always	39%	42%	36%	38%
We never collaborate or and knowledge share with other organisations	11%	9%	18%	5%
Don't know	24%	23%	24%	25%

Figure 15

> **"One of our biggest learnings from the pandemic that could be drawn on for any future climate change-caused disruption has been how collaboration with other similar bodies can be beneficial."**
>
> C-Suite professional, Government

Finally, we asked business leaders about the biggest lesson they have learned from responding to the pandemic and how that could be used for future disruption. Many told us that it had made them realise the extent to which their organisations can function effectively in a crisis - even when work is largely taking place at home instead of the workplace.

2.3 Future living

The pandemic has completely changed the way we live, work and play. Some might say we have reverted to a more local-first, community-minded way of living reminiscent of the early 20th century. As a citizen, consumer and employee, how has what we need from our towns, villages and cities changed? And how can we build back better with these changes in mind?

The previous section leads us neatly into a discussion of future living – in order to have much of a future to live in, we will need to embrace sustainability. There are many eye-catching projects around the world that are seeking to prepare us for what that kind of future could look like. Lennox Point, the subject of a recent Capita podcast, is a car-free, waterfront neighbourhood being developed in Portsmouth that plans to be home to "an environmentally-conscious and mixed community." The world's first zero-carbon city, named Masdar City and dubbed 'The City of Future', is under construction in in Abu Dhabi and is planned to be fully functional in 2030. It contains eco-friendly home and is powered entirely by renewable energy, with electricity coming from onsite 10 megawatt (MW) solar panels. Meanwhile, American entrepreneur Marc Lore has commissioned Danish architect Bjarke Ingels to build a sustainable city in the US desert, also targeting completion within the next ten years.

An increased focus on working from home is having an effect on our dwellings, with the need to be insulated from the daytime noise of neighbours becoming a new issue for many. The Carbon Trust's Homeworking Report, which assesses the impact of teleworking on carbon savings and the longer-term effects on infrastructure services, suggests that urban planning needs to adapt to the change in working habits, including how spatial analysis must anticipate a greater demand for regional hubs or co-working space, and that healthier cities should be a priority, mentioning Carlos Moreno's concept of the 15-minute city – where everything a person needs can be accessed within a 15-minute walk or cycle – as a possible framework to follow.

Environmental concerns – exemplified, as with so much else, by the pandemic – are not the only things changing the way we are living, of course. For example, we may well have been heading towards a cashless society already, but a report by Paragon Bank has found that one in three people in the UK think that this will happen within the next five years – the convenience of contactless cards is a big factor, but sensitivity about transmitting Covid-19 by touch has made many people reluctant to handle physical currency. Elsewhere, a paper on Cities in a post-Covid world published on SAGE Journals speculates that fear of another

pandemic is going to have a huge influence over how we design cities going forward, with increased attention to hygiene and social distancing meaning that both indoor and outdoor spaces may start to look and function quite differently.

When it comes to how we are living right now, the respondents to our Pulse 3 survey are, on the whole, quite content with the new 'working from home' focus and there is minimal appetite to get back to the office. This could reflect the seniority of our pool of respondents, many of whom are likely to have comfortable homes and roles that did not formerly require them to be present in the workplace every day.

> **"Face to face collaboration has become a key benefit to being on site at my workplace."**
> Senior Manager, Financial Services

There was also a strong feeling from respondents about how their workplaces should be reconfigured to include larger collaboration spaces and pods as well as meeting rooms. Some expressed concerns that not being able to meet with colleagues in person may affect their mental health, a theme that has been prevalent through all of the pulses.

> **"Lack of speaking directly with colleagues face to face (not via Zoom) is beginning to have a negative mental impact."**
> Senior Manager, Financial Services

When considering their ideal place to live, most decision-makers put proximity to nature/open green spaces (50%); proximity to shops, pubs and kitchens (42%); and length of commute (35%). Access to transport and use of infrastructure that harness renewable materials and energy sources came very low, with 8%. Similarly, electric vehicle charging points and car free areas (6% and 4% respectively) were also low, suggesting that these sustainability enablers are not yet deciding factors in choosing where to live. This is liable to change in the run up to the Government's ambitious 2030 petrol and diesel ban.

Please select your three most important factors when considering your ideal place to live?

■ 1st ■ 2nd ■ 3rd

	Total	Critical infrastructure	Financial services	Government
Proximity to nature / Open green spaces	50%	48%	50%	54%
Proximity to shops, pubs and kitchens	42%	50%	38%	37%
Length of commute	35%	29%	42%	35%
Crime rates	34%	33%	34%	35%
Proximity to public transport links	25%	21%	31%	23%
Amenities within 15mins walking distance	19%	22%	18%	18%
Proximity to schools	17%	18%	16%	18%
Walking routes	16%	16%	22%	12%
Community amenities (e.g. leisure centres, allotments, community centres)	14%	10%	12%	19%
Access to transport and use of infrastructure that harness renewable materials and energy sources	8%	9%	10%	4%
Electric vehicle charging points	6%	8%	2%	6%
Free WiFi in public spaces	5%	8%	3%	4%
Cycle routes	5%	3%	3%	8%
Amenities within 15mins cycling distance	4%	7%	2%	3%
Car free areas	4%	2%	3%	6%
None of these	6%	6%	5%	6%

Figure 16

The Local Government Information Unit (LGIU) recently published [A New Settlement: Place and Wellbeing in Local Government](#), which argues that there needs to be a settlement that is "focused on place as the cornerstone of public action and policy-making." We wanted to know what our respondents think about the performance of their local authority in creating an attractive place for them to live. Most (65%) of the responses were positive, although this was driven by those considering it 'somewhat' rather than 'very' good, suggesting room for improvement. Some of the criticisms included a lack of diversity, needing more support for local businesses and the high street, and increased local production, with shorter supply chains.

Taking a closer look at how well local authorities performed across the country, the South West and the West Midlands rated highest for how well local authorities create an attractive area to live, with a net 83% putting 'good'. The East Midlands had the most respondents who were unhappy with how attractive their local authorities make the area, a net 48% feeling that they do poorly.

Croydon, Enfield and Gravesham were the only local authorities to feature more than once as being very poor. Elmbridge was the only city to feature more than once as very good.

> **"I now need and want more local services (e.g. convenience stores, doctors surgeries, chemists, post offices, banks) than before the pandemic."**
> Senior Director, Government

> **"My council are ineffective and can't be trusted to support the community. People must take responsibility for staying safe."**
> Senior Director, Critical Infrastructure

How would you rate the performance of your local authority in creating an attractive area to live in?
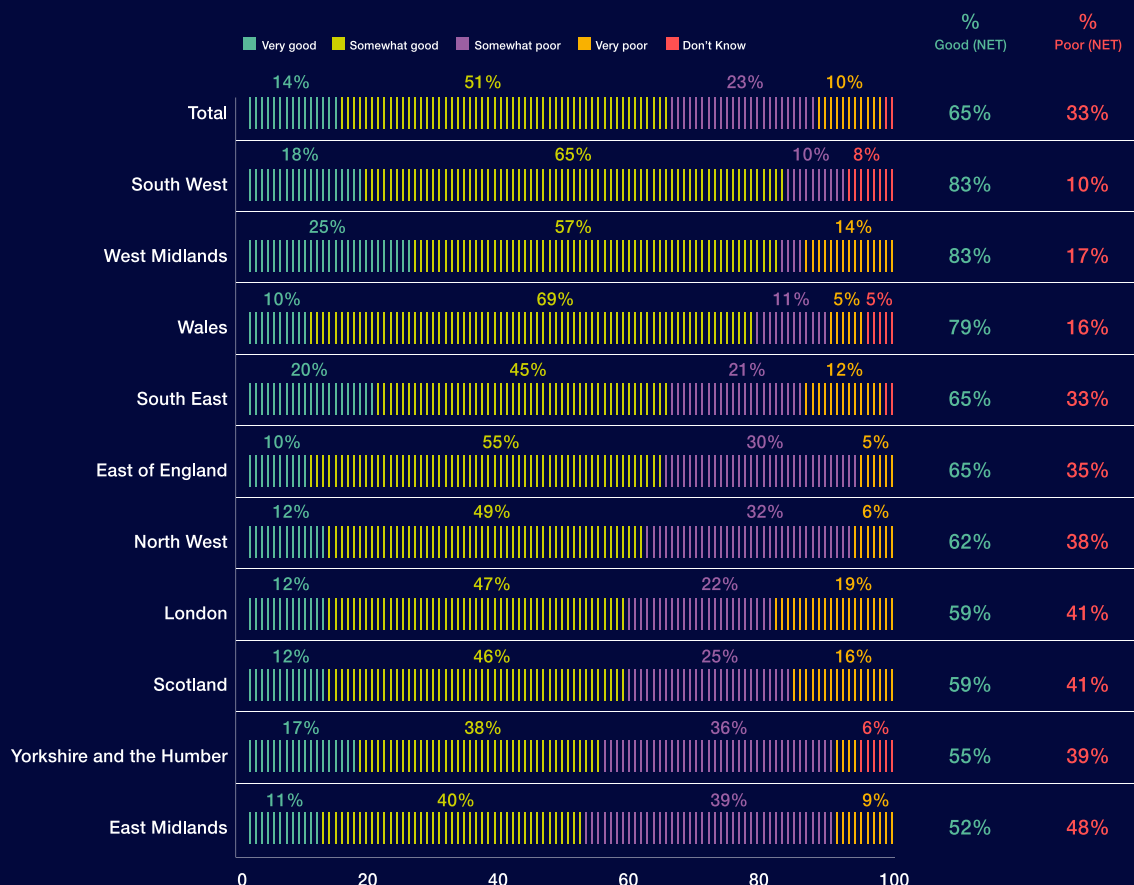

Figure 17

2.4 Skills gap & reskilling

The nature of work has been changing faster in recent years than at arguably any other time in history. What is often labelled the Fourth Industrial Revolution comprises a combination of many advances, such as in AI, robotics, virtual reality, the internet of things and quantum computing. These accelerating technologies are combining to create radical changes in how we operate, interact and communicate as a society, which together create an exciting opportunity to increase efficiency and productivity, improve logistics and supply lines and drive economic growth.

However, the speed that technology is advancing creates a need for new skills in order to successfully utilise all these exciting developments. The difference between the capabilities needed and those which candidates or existing employees possess has created a gap in skills, one which Klaus Schwab – founder and executive chairman of the World Economic Forum and author of the book from which the phrase 'Fourth Industrial Revolution' tends to be attributed – has described as needing to be filled by "a global skills revolution". A report released by the WEF and PwC earlier this year claimed that investment in closing the skills gap could boost GDP by US$6.5 trillion by 2030.

Research by learning and development provider Avado suggests that during the pandemic the skills gap in the UK has widened, to the degree that it would now be more accurately described as a 'capabilities chasm'.

Many organisations have had to be pragmatic during the past 18 months, focussing on their very survival and often utilising quick-fix strategies rather than nurturing employees' skills and recruiting for their long-term requirements. And the need to reskill is not something that has been lost on the general population. The number of people signing up to the Open University has risen during the pandemic, with the total number of students enrolled for the 2020/21 academic year up 15% on the previous, from around 141,000 to over 163,000 – a rise also no doubt helped by online working and learning becoming much more prevalent since the pandemic hit.

In Pulse 3, we explored various aspects of this 'reskilling revolution'. We wanted to find out to what extent the future of skills has become more or less of a focus for organisations during the pandemic compared to before, and whether our respondents have found that the skills gap has widened even more during these challenging times. Across sectors, 43% of decision-makers told us that they have been putting much or slightly more of a focus on this area, compared to 40% who said that the level of attention they have been paying it has remained the same. Financial Services organisations comprised the highest proportion of those saying that their focus has not changed (45% vs 37% Critical Infrastructure, 39% Government), suggesting that this sector was already addressing future skills needs.

To what extent has the future of skills become more or less of a focus in your organisation during the pandemic compared to before?
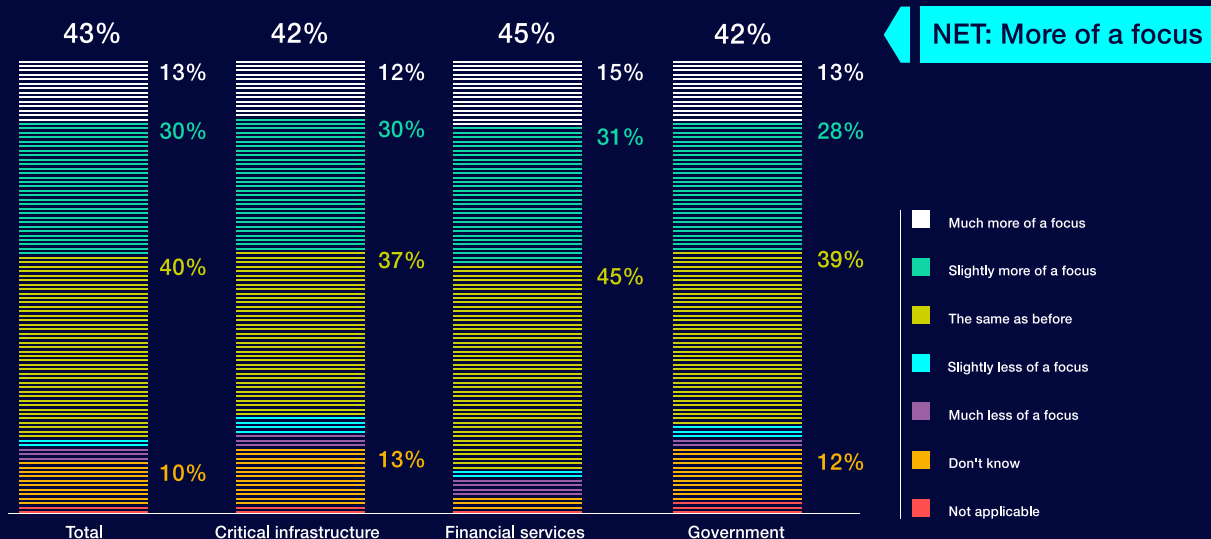

Figure 18

Twenty-eight percent of total respondents have seen the skills gap actually widen significantly, although the majority (55%) have seen no significant change in what was undoubtably a large gap already. How have organisations been trying to plug their skills gap? The answer may come first and foremost in senior leaders knowing where attention needs to be paid in their organisation: of the Critical Infrastructure respondents who identified where their biggest skills gaps were, 52% said these were in specific, technical roles. It was also clear from the responses that the current shortage of HGV drivers across the UK was impacting both Government and Critical Infrastructure sectors, highlighting an immediate and crippling need for skilled workers – and of course, as we noted in the Change section of this report, the supply chain issues have gone on to affect us all, with some goods being unavailable and a period where vehicles were queuing for hours outside petrol stations.

> **Our biggest skills gap is in technology roles. We have massive issues in attracting and retaining staff and lose them to other civil service organisations that pay more or have better policies. In particular; digital, data and technology (DDAT) roles, developers, testers, business analysts, product managers, and agile delivery managers.”**
>
> Senior Director, Government

Overall, how have you seen the skills gap within your organisation change since the start of the pandemic?
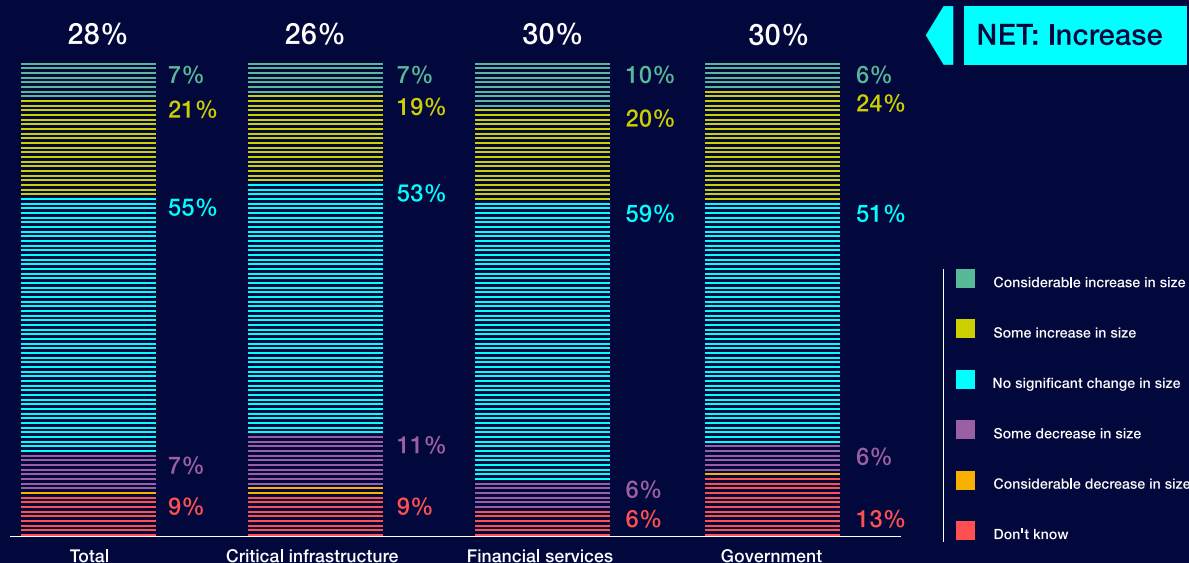

NET: Increase

	Total	Critical infrastructure	Financial services	Government
	28%	26%	30%	30%

Considerable increase in size
Some increase in size
No significant change in size
Some decrease in size
Considerable decrease in size
Don't know

Figure 19

> **In my organisation there is a lack of experienced engineers due to low pay compared to industry average.”**
>
> Senior Manager, Critical Infrastructure

The skills gap is making it harder for organisations to bring in the talent they need for the requirements they have and according to our respondents, IT (24%) and machine learning (18%) are the top-two most difficult attributes to find in candidates. However, there are big differences by industry, with decision-makers in Government much less likely to believe that technology-based skills are lacking (or indeed needed) in new candidates, with only 17% highlighting IT skills and 8% machine learning. And whilst decision-makers from this sector are more concerned about digital visualisation and cyber (both 13%), information management (11%) and data literacy (11%), they remained less concerned than the total sample. For Government, it seems that the technical gaps that need to be filled are at a more fundamental level.

Meanwhile, critical thinking (noted by 36% of respondents) creative problem solving (31%) and emotional intelligence (29%) are the behavioural (or 'soft') skills considered the most difficult to find when it comes to hiring candidates, overall. Across sectors, though, there were some notable differences. Critical Infrastructure respondents were the only ones to place leadership (24%) and having a good work ethic (28%) in their top three answers. Financial Services respondents were the only ones to put creative problem solving as the most popular answer (39% did so) and the highest proportion of answers percentage-wise out of all sectors was the 42% for critical thinking selected by Government respondents.

> " **The one skill required is good people skills. With this skill all other skills follow."**
> **Senior Director, Critical Infrastructure"**

When considering the hiring of talent into your organisation, what skills are most difficult to find in candidates?

■ 1st ■ 2nd ■ 3rd

	Total	Critical infrastructure	Financial services	Government
IT	24%	34%	21%	17%
Machine learning	18%	18%	28%	8%
Transformation	17%	17%	23%	11%
Programming (R, Python, Java, SQL, etc.)	16%	14%	24%	10%
Cyber	16%	12%	23%	13%
Artificial Intelligence	16%	13%	25%	9%
Data visualisation	13%	7%	21%	13%
Information management (finding information, quality assurance, storing and sharing information)	13%	11%	18%	11%
Data literacy	12%	7%	20%	11%
Digital fluency (basic tools such as MS Office)	12%	11%	17%	8%
Data processing	8%	7%	15%	4%
Data ethics	6%	7%	7%	4%
Manufacturing	3%	2%	4%	2%
None of these	36%	38%	20%	51%

Figure 20

And which of the following skills are most difficult to find in candidates?

■ 1st ■ 2nd ■ 3rd

	Total	Critical infrastructure	Financial services	Government
Critical thinking	36%	30%	37%	42%
Creative problem solving	31%	21%	39%	32%
Emotional intelligence	29%	22%	32%	34%
Leadership	27%	24%	27%	29%
Good work ethic	27%	28%	27%	25%
Resilience	25%	20%	29%	26%
Communication	21%	21%	20%	23%
Writing proficiency	18%	11%	19%	25%
Teamwork	17%	22%	17%	13%
Empathy	14%	11%	17%	13%
Understanding personal bias	12%	10%	15%	13%
Public speaking	10%	6%	14%	11%
Other	3%	4%	2%	4%
None of these	14%	19%	7%	15%

Figure 21

> **Soft skills such as verbal and written communications are what is lacking."**
> Senior Director, Financial Services

Another aspect of addressing the skills gap is building from within. This is not always straightforward, as the first step is having to identify which individuals have which reskilling needs. Worryingly, only 11% of decision-makers feel that their organisation is very strong at being able to identify the employees to reskill and 28% described their ability as 'limited'. Although a healthier 45% said that they are 'reasonable' at this, that is unlikely to be enough to adjust to how fast the gap is widening. How can you upskill or change skills if you are unable to identify where the gaps lie within your organisation?

> **Our biggest challenge in reducing the skills gap is in identifying who and how, but also how to retain."**
> Senior Manager, Financial Services

However, identifying the right people was only the third biggest challenge our respondents face when it comes to reducing their organisation's skill gap, with 27% selecting this from the available answers. The most common reason, from 31% of respondents, was not having the training budget to build these in-house skills, followed by aligning the required skills with their organisation's strategy and capability requirements (28%). When we look at the results breakdown for the sectors, it is notable that for respondents in Critical Infrastructure, geographical location of the workplace was rated third, and those in Financial Services cited 'other competing priorities' as their third biggest challenge.

> **"Retaining older staff."**
> Senior Director, Critical Infrastructure

> **"Lack of resources."**
> Senior Director, Financial Services

> **"Insufficient graduates, staff leaving professions."**
> Senior Director, Government

How would you describe your organisation's ability to target the appropriate groups within your existing workforce to reskill in order to meet your organisation's needs?
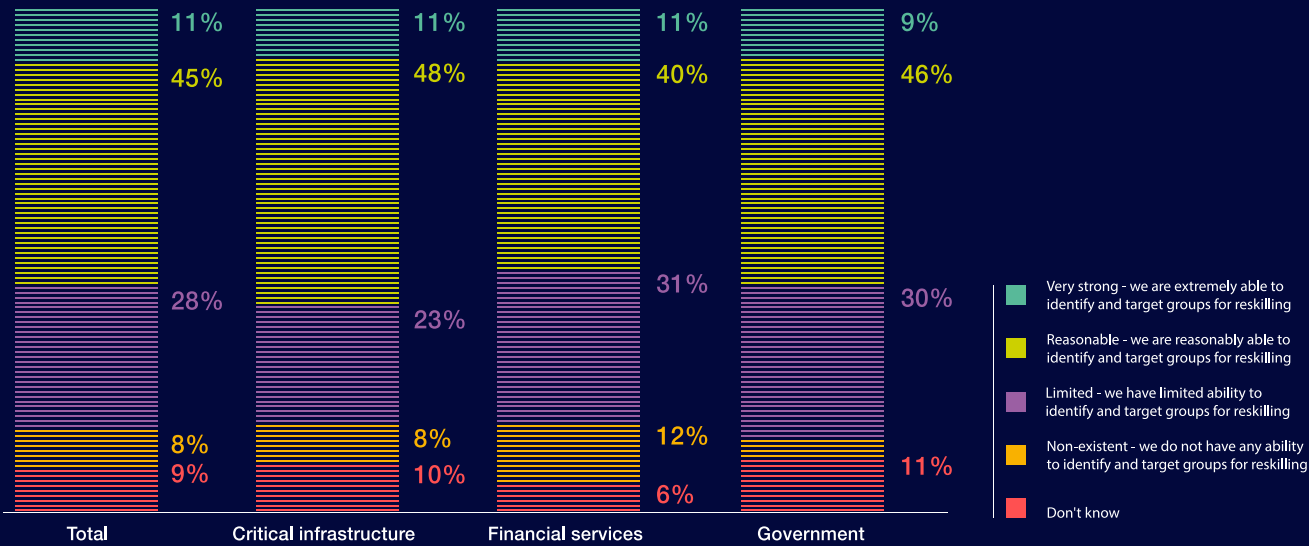
	Total	Critical infrastructure	Financial services	Government
Very strong	11%	11%	11%	9%
Reasonable	45%	48%	40%	46%
Limited	28%	23%	31%	30%
Non-existent	8%	8%	12%	11%
Don't know	9%	10%	6%	

Legend:
- Very strong - we are extremely able to identify and target groups for reskilling
- Reasonable - we are reasonably able to identify and target groups for reskilling
- Limited - we have limited ability to identify and target groups for reskilling
- Non-existent - we do not have any ability to identify and target groups for reskilling
- Don't know

Figure 22

| What are the biggest challenges in reducing the skills gap in your organisation?

■ 1st ■ 2nd ■ 3rd

	Total	Critical infrastructure	Financial services	Government
Training budget to build skills in-house	31%	34%	21%	37%
Aligning skills required with organisation's strategy and capability requirements	28%	24%	34%	25%
Identifying who and how to upskill	27%	19%	31%	30%
Predicting future skill needs	22%	17%	27%	21%
Other competing priorities	21%	16%	28%	19%
Workforce attitude towards upskilling	21%	18%	23%	22%
Hybrid working challenges	20%	20%	23%	18%
Cost to buy in skills externally	20%	21%	22%	16%
Senior sponorship	19%	17%	23%	18%
Geographical location of workplace	15%	22%	13%	11%
Other	5%	6%	4%	5%
None of these	12%	12%	10%	13%

Figure 23

The most common measures taken by decision-makers in response to changing skill demands are hiring new people, either on a permanent (38%) or temporary (28%) basis. Government was the only sector where more people selected temporary recruitment than permanent hiring. Is it the case that uncertainty and lack of budget mean that Government organisations need to borrow talent so they can act on a more short-term basis? Twenty-seven percent of the senior decision-makers responded that they had implemented a culture of talent mobility within their organisation in response to changing skills demands. By identifying and removing cultural barriers to internal career moves, the workforce is more motivated and supported in fully realising opportunities across the organisation.

This in turn enables greater retention of employees and improves the employee experience. The challenge is now maintaining and growing this culture with a hybrid work force.

" **When it comes to learning and reskilling myself, the biggest challenge is that senior leaders are stuck in their ways and don't see the value of new, emerging skills and knowledge.**"
Senior Director, Financial Services

Finally, we wanted decision-makers to think about their own reskilling needs and whether their organisation is giving them the opportunity to fulfil these. Most (63%) were content that they can learn, develop and reskill themselves with their existing employer. This jumps to 69% in Financial Services. Out of those who told us that they had encountered barriers to learning/reskilling/developing, 47% cited a lack of time. It's possible to speculate that the seniority of our respondents puts them in a better position to access any retraining they may want than if they were at an earlier stage of their careers.

But what if they did find that their current employer would not meet their learning and reskilling needs? Would this be enough for them to leave their job? Almost half (45%) said that it would. This sentiment was more prevalent from the top-level of respondents, the C-suite, with a slim majority of 51% saying that they would leave, dropping to 46% for senior managers and 41% for senior directors.

" **"Balancing the pressure of work with training."**
Senior Manager, Critical Infrastructure

" **"Finding time to exploit training opportunities."**
C-Suite professional, Financial Services

" **"Time to do this on top of the job."**
Senior Director, Government

Would you leave an organisation if your personal learning and reskilling needs were not being met? Please select the option that best applies.
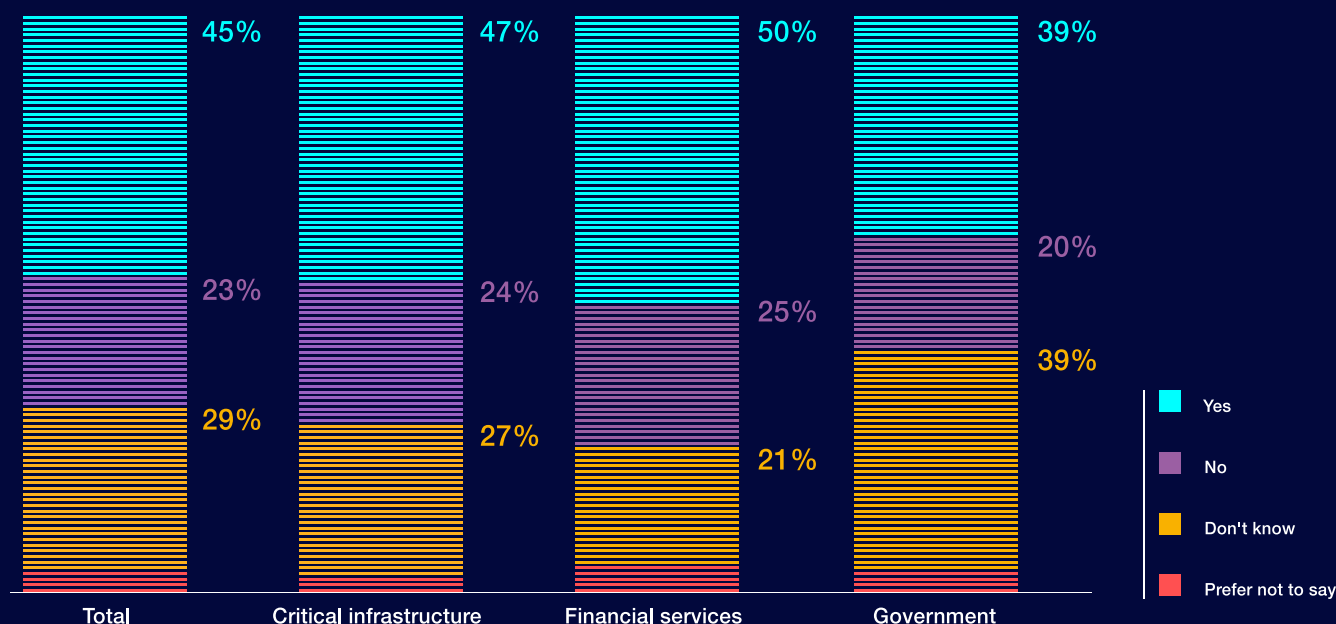

Figure 24

" **"An employer's commitment to training is a key measure of their quality."**
C-Suite professional, Financial Services

3. Conclusions and look ahead

From a macro-economic perspective, our Pulse 3 research shows that there are signs of recovery, both in the UK and globally – albeit slow and unevenly spread across nations. However, few would say that we are 'out of the woods' yet as far as Covid-19 goes. With winter on the horizon, there is likely to be a surge in cases as the colder weather hits, despite high vaccination numbers. Add to this the supply chain issues from which we are suffering, which are leading to shortages in fuel and food, and it seems certain that there are more hard times on the horizon.

As with Pulse 1 and Pulse 2, most of our respondents are still seeing change across their industries, organisations and within individual roles. The main aspects of working life that have changed are still working locations and patterns, technology shifts and changes in the regulatory environment. Senior decision-makers continue to feel the aftershocks of Covid-19 and Brexit, as well as the abovementioned concerns about supply chains. There will always be a pragmatic need to simply adjust and get on with things, contributing to the feeling that the pace of the change has been slowing down, but ultimately we are still seeing a lot of volatility and uncertainty.

Pulse 3 takes a deep dive into three key areas that business leaders are focussing on that go beyond the pandemic fire-fighting that many have been forced into during the past 18 months. Sustainability has been on all our minds and the focus will only intensify in the build-up to and aftermath of COP 26 in November. Organisations have been moving this up their ESG agendas for years and the pandemic has had a mixed impact on their sustainability goals, with many of our respondents telling us that the reduction in commuting and business travel have helped – but what will be the effect now that offices are reopening and flights returning? And although only around one in ten told us that they are not planning to launch any net zero initiatives or carbon reduction targets, this is still too many. We also hope that the business leaders who told us that they are not collaborating with other organisations to achieve sustainability goals will perhaps reconsider this position.

The pandemic has, of course, brought with it a great deal of change to how we live and work. There are many exciting developments in the area of future living, with a more sustainable future an unavoidably major element of any plans. The business leaders we surveyed widely acknowledged the importance of having green space around them, but they held in lower regard elements such as transport and infrastructure that harness renewable materials and energy sources or having access to electric vehicle charging points and car free areas. As ambitious green living projects come closer to fruition, it is likely that we will see attitudes becoming more progressive to match.

Lastly, there is no doubt that the digital skills gap is a serious concern. Whether the solution comes from reskilling, higher education, apprenticeships or Government intervention – as ever, it will be a combination of factors – we need to make sure that our existing and emerging workforce is equipped to take on our ever-developing business world. Our respondents have been really struggling to bring in the right talent and to identify who from within their organisation needs retraining. We would suggest that as well as technical abilities, behavioural/soft skills should not be forgotten. As the rise of AI means that many tasks can become autonomous, there will be a need for those whose time is freed up from menial tasks to be able to harness the attributes that no machine can replicate (or, arguably, will ever be able to), such as empathy, creativity and communication.

Our fourth and final pulse of 2021 will take place during the winter, where we will be able to see how our panel of senior decision-makers are feeling after nearly two years of pandemic disruption and take a holistic view of the great opportunity debate's findings throughout the past 12 months.

4. Notes on the research methodology

Our third pulse survey of 2021 focused on senior decision-makers' perceptions of the three months between April and June 2021 (Q2). We also sought to gather insights into the biggest challenges our respondents face in the next six months, and conducted deep dives into the areas of sustainability, future living and reskilling. The research targeted senior decision-makers working in Critical Infrastructure, Financial Services and Government in the UK, with decision-making responsibilities across the following categories: management, business development, IT, finance, business transformation, procurement, innovation, data analytics. They were asked to complete an online quantitative survey, which included providing qualitative opinions on the topics. Responses were collected between 11th – 29th August 2021.