Summary:
Helsinki Business Survey 2023 – views on the city's vitality factors

Helsinki

Background

According to the Helsinki City Strategy 2021–2025, Helsinki is a place of growth. Helsinki will be developed as an attractive location for professionals and businesses, drawing in new people, talent and companies. The goal of the city strategy is to increase Helsinki's economic activity and diversify its industries and occupations.

Understanding the needs, perceptions and expectations of businesses is essential to promoting the objectives set out in the strategy and the city's business policy priorities. The City of Helsinki commissioned Taloustutkimus to conduct a business survey based on the responses of 975 companies in Helsinki. The business survey is a follow-up to the surveys conducted in 2020, 2018 and 2016. Each time the survey has been conducted, responses have been received from around 1 000 companies.

The city's business survey provides a wide range of information on the views and customer experiences of businesses in Helsinki. The business survey gathers the views of businesses on the factors affecting the vitality and business-friendliness of the city, as well as their use of city services and development needs. The data for 2023 also shows how the triple crisis – the coronavirus pandemic, Russia's war of aggression against the Ukraine and the rise in energy prices accelerated by the war of aggression – have affected the business sector and the growth prospects of Helsinki-based companies. The survey also provides information on how companies in different sectors see Helsinki as a business location and what kind of suggestions they have for improving the city.

The survey was conducted using the discretionary sampling method, aiming for sufficient respondents by respondent group (sectors, size of business). The starting point was that the structure of the sample should be as similar as possible to the 2020 survey, so that the results are comparable. The results of the survey are reported mainly by sector and size of enterprise. According to Statistics Finland's classification of the size of enterprises, the responses are grouped as follows: sole entrepreneur, small enterprises (2–49 persons), medium-sized (50–249 persons) and large (more than 249 persons). In some cases, responses have also been examined by other background variables, such as the location of the enterprise (the major districts of Helsinki), whether the respondent is a domestic enterprise or whether the respondent also has international operations. The internationality of an enterprises business is a new background variable. The background variable can be used to assess how, for example, the international activities of enterprises affect growth expectations.

Companies responded to the survey between 19 January and 23 March 2023. It was done by means of a telephone-informed online survey. This means that the interviewers at Taloustutkimus recruited the survey participants by telephone according to the quota targets set. A link to the survey was sent by email to those companies that were willing to participate. According to Taloustutkimus, this method ensures that the right interviewees are reached and the target number of interviews is achieved, and that the structure of the respondent group can be controlled and longer response options and multiple-choice questions can be used better than in telephone interviews.

The survey was revised in 2023 but in such as way that certain benchmark questions remained unchanged. The revision of the survey was driven by the need to obtain relevant information for the development of the city in a changed environment. Therefore, in the 2023 survey, companies were asked if they had used the city's services in the previous two years (2021–2022). On previous occasions, the review period was much longer, five years. However, a shorter period is more appropriate for the development of services.

The survey uses the Net Promoter Score (NPS) to examine how the willingness of companies to recommend Helsinki as a business location has changed since previous surveys. The NPS is an internationally used measure of a respondent's willingness to recommend something and their satisfaction with it, using a single question. In practice, when the NPS is greater than zero, there are more promoters (those with a score of 10 or 9) than detractors (those with a score of less than 7). Conversely, when the figure is negative, there are more detractors than promoters. However, the figure does not take into account neutral responses of which there were many in this survey.

Business Helsinki has prepared an extensive report on the results based on the data produced by Taloustutkimus. In addition to the diagrams reporting the results, the report also includes a wealth of open feedback from companies, and their suggestions on how to make the city more business-friendly and efficient.

Key results

- **One in three businesses expect to see their turnover grow, one in two to remain the same, and one in five have a gloomier outlook.**
- **Companies operating in international markets have brighter growth prospects than domestic ones.**
- **More companies are planning to expand their operations and premises in Helsinki than to move out – a relatively bright result for Helsinki city centre.**
- **Just over one third used city services in 2021 and 2022.**
- **Business services received the highest rating from companies – but are not sufficiently well known.**
- **A more relaxed approach to the use of premises was supported by business respondents.**
- **Unlocking social security incentive traps is the most important way for companies to access skilled labour.**
- **Half of the business respondents saw a need to reform the training system and content.**
- **Companies' willingness to recommend Helsinki as a business location decreased compared to the previous survey.**
- **More difficult driving, deficiencies in the smooth flow of traffic and parking problems have reduced the willingness of businesses to recommend the city.**

There were clearly more respondents who expected turnover to increase than those who expected it to decrease or even cease to exist. Just under half (46 %) of all respondents expected turnover to remain unchanged, and just over a third (37 %) expected an increase. Those predicting growth in turnover were most prevalent in internationally active enterprises and in the ICT, travel and accommodation, finance and insurance sectors.

Almost one in five (18 %) of business respondents had lower than average expectations for turnover development. Of these, some (14%) foresee a decline in turnover, three per cent see the threat of going out of business and one per cent indicated that they will go out of business. The companies whose turnover expectations were gloomier than average were in the life sciences, construction, transport and storage and trade sectors. Changes in the operating environment (due to the pandemic and Russia's war of aggression against the Ukraine), fierce competition and electricity and fuel prices were the main reasons cited by companies for the decline in turnover and the risk of going out of business.

In an uncertain economic climate, internationalisation is a source of growth. Internationally active enterprises in Helsinki were clearly more likely than domestic enterprises to expect that both the number of employees and turnover will grow. Helsinki-based companies with international operations are also growth oriented in Finland. While one in 10 domestic-oriented companies plan to expand their operations in

Finland, the share of international companies is 15 per cent. A quarter of enterprises operating in international markets also plan to expand their premises internationally.

The vast majority (71 %) of enterprises do not plan to change their premises. This was the most common response across all sectors. More companies are planning to expand their operations and premises in Helsinki than to move out. Eight per cent of respondents plan to expand their premises in Helsinki. In this, the share of medium-sized enterprises (50–249 employees) is largest at 14 per cent. Enterprises planning to expand their premises in Helsinki are slightly more likely than average to be in travel and accommodation, food and beverage, smart & clean, finance, insurance and real estate.

Only a small proportion (5 %) of companies plan to leave Helsinki. Since the pandemic and the rise of remote working, there has been public debate about the decline of Helsinki and many other city centres. However, according to the business survey, there were hardly more than an average number of companies considering leaving the southern major district, which has the highest density of businesses and includes Helsinki city centre. In any case, few sectors had more companies considering leaving than expanding their premises.

Of the almost 1000 respondents, 39 per cent had used one or more city services in 2021 or 2022. Among the city services, businesses had made most use of the various permit procedures (e.g. building, environmental, parking, food, terrace, event permits) and the city's website and e-services. One fifth of respondents (22 %) had used the permit services and the city's website and 17 per cent of respondents said that they had used e-services. One in ten enterprises had also used local detailed planning and land services and employment services for employers (recruitment assistance, events or pay subsidies). The use of other services was lower than for these. Of the city services used by businesses, different ones received the highest ratings. The lowest scores were awarded to permits, local detailed planning and land issues. Respondents rated the services on a scale of 1 to 5, with one being the worst and five being the best. It should be noted that all scores exceeded three. The average experience of using the city's services was therefore, reasonably good. However, the services are not sufficiently well known. While not all businesses need the services of the city, it would be good for them to know what services they could use if they did need them. Open answers revealed that companies do not always know what services the City of Helsinki offers at different stages of a company's life cycle. However, the survey did increase respondents' knowledge of the services. According to the open responses, businesses wanted the city to invest more in communicating its services.

Although the coronavirus pandemic has changed the market for office space and places to work, there is still increasing competition for good locations. However, poorly located or older premises may remain underused or even empty. The majority of business respondents (62 %) would like the city to respond to the situation by giving businesses more flexibility to use their premises for different purposes. This was considered important in all sectors. The second highest proportion of companies (25 %) stressed that the areas used by companies should continue to be maintained as employment areas in order to safeguard the opportunities for companies to locate within Helsinki. 13 per cent of respondents also wanted the city to invest strongly in less developed areas. Particularly valuable for the development of Helsinki is the extensive feedback from businesses on the areas that need to be developed.

Unlocking social security incentive traps is the most important way for companies to access skilled labour. Reforming social security by removing incentive traps, providing affordable housing and boosting work-based immigration through government measures were the main recipes for companies to attract skilled labour. Of these, the city can have a particular impact on housing. Helsinki's aim is to ensure that enough housing is built to keep prices affordable.

Slightly under half of the business respondents (46 %) see a need to reform the training system and content. Shortcomings in vocational education and training were the most frequently cited deficiencies in the education system. According to companies, vocational education and training does not produce a sufficient supply of suitable or skilled workers to meet their needs. There was also a lack of cooperation between companies and educational institutions and a perception that cooperation is started too late, which is why people do not even apply to the sector.

Companies' willingness to recommend Helsinki as a business location decreased compared to the previous survey. The NPS figure for willingness to recommend was one in 2023, whereas it had been nine in 2020. The finance and insurance, design and creative industries, ICT, real estate and life science sectors were more satisfied than average with Helsinki as a business location. Companies that were more critical of Helsinki as a location were more likely than average to be in the transport, smart & clean, manufacturing, construction, retail and catering sectors. Medium-sized and large enterprises are important for the city in terms of both employment and turnover. Among these groups of respondents, there were more critical respondents than positive ones. In the largest respondent groups in terms of numbers, sole entrepreneurs and enterprises with fewer than 50 employees, there were more positive respondents than critical ones.

Changes in the business environment, such as the rise of remote working and location-independent work since the beginning of the pandemic, are likely to have influenced companies' willingness to recommend Helsinki as a location. However, companies say that perceived difficulties in getting around by car, deficiencies in traffic flow and parking problems have been the main factors reducing the willingness to recommend the city. In addition, when businesses were asked about Helsinki's success in transport and land use issues, they were more critical than before. Helsinki's contribution to the development of international connections and public transport in the region was still appreciated, but critical assessments were made of business- and residential parking, the availability of business plots, the consideration of business needs in land-use planning, and the smooth flow of traffic and distribution. Business- and residential parking received the lowest ratings from companies. Transport and parking issues are also at the top of the list when business respondents consider how the city should be developed. In addition, business respondents offer a wealth of tips for improving the city – on more agile services, labour availability, public procurement and many other issues.

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