



The business people – an extension to your team

Research report

Referendum 191

March 2010

Introduction

The Forum of Private Business (FPB) is a proactive, not-for-profit organisation, providing comprehensive support, protection and reassurance to small businesses. We add value to businesses through the collective voice for members in local, central and European government, and the provision of tailored solutions that promote business success.

We conduct research throughout the year and our quarterly *Referendum* newsletter forms part of our regular consultation with a proportion of our members; in it, we ask some key questions that help define our campaigning priorities. We use the results to facilitate dialogue between our members and their constituent MPs, MEPs, and Scottish and Welsh representatives.

For the latest quarter's *Referendum*, we surveyed 5,600 of our members during the first two weeks of March 2009 to find out what they thought about the equality and diversity legislation, how they were planning for 2010 and what they thought about the current support provided by the Government. We collated the responses and, if the respondent requested it, passed on their comments directly to their elected representatives.

Summary of findings

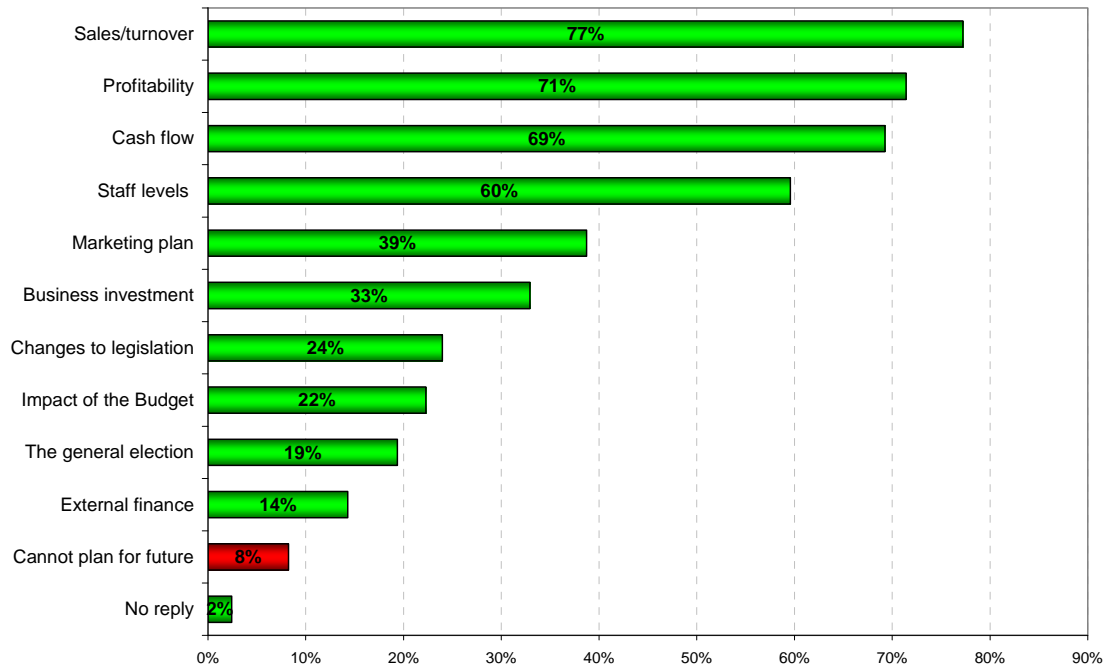
The recession has meant a slight deterioration in the skills of the current workforce and an increased strain on training budgets.

- 8% of businesses felt that they could not plan for 2010. 85% were more concerned with financial issues with 77% considering turnover and 71% profitability.
- 1 in 3 businesses had taken into account political implications and had tried to plan for the Budget and/or the election
- Employment law and business rates were the two most frequently cited issues that were unresolved, closely followed by business and consumer confidence and minimising other regulations. When we asked the same question in March 2009, business and consumer confidence were the most frequently cited issues affecting our members.
- When asked what policies business owners would like to see, 47% of those who responded indicated that they wanted taxation changes and 35% wanted regulator changes. 25% wanted both with the cost and complexity of employment law a recurring theme.
- In general, business owners want public sector services retained with HMRC support and the EFG increased. Businesses also want the 10-day payment terms extended to other public sector agencies and the supply chain. There is however considerable apathy in this area.
- Many businesses commented that they felt the Equality Bill is unnecessary, with 77% of owners feeling that their business was structured to gain and retain the best people irrespective of age, gender, ethnicity etc and only 13% are aware of any business owner who has had problems in the past.
- By contrast just 49% felt they understood their obligations under the proposed new legislation and only 13% felt that they would not have any difficulty in meeting the new regulatory requirements.

Planning for 2010

8% of businesses felt their situation meant that they could not plan for 2010. Almost all those who responded expected to focus on sales/turnover or profitability in the business with just 7% not concerned with these financial issues. 65% considered both sales and profitability, 12% looked at sales only and 6% were only interested in profitability.

Figure 1: Areas that were considered by businesses when planning for 2010



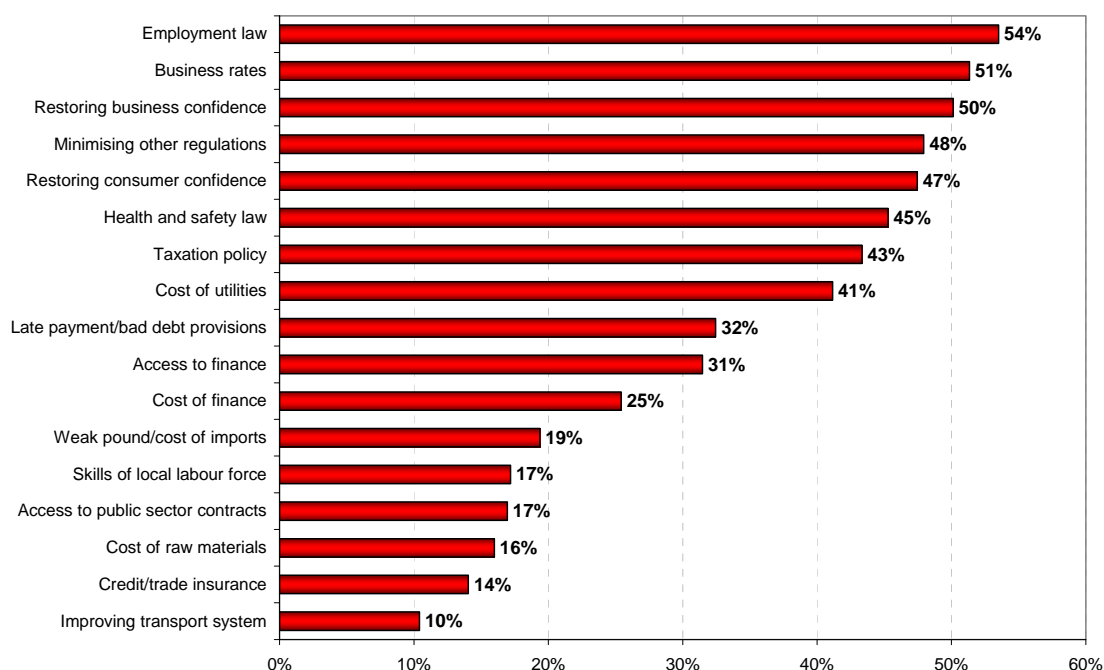
The impact of the uncertain political climate this year is likely to affect around 32% of our members' plans, with 22% expecting to feel the impact of the Budget and 19% expecting the election to have an impact on their business. In a number of cases it is down simply to an inability to predict what is due to happen over the next 12 months. According to a recent survey of a panel of Forum members 70% of businesses found it 'hard' or 'very hard' to plan for 2010 due to the expectation of major changes that were impossible to predict.

Anecdotal evidence indicates that businesses are already amending their business plans and one business owner reported that he currently considers one of these issues on a daily basis.

Areas that businesses want to be addressed

Business rates and the red tape surrounding regulation are key issues that are still unresolved for business owners. Business and consumer confidence are also significant impediments.

Figure 2: Business issues that need to be resolved in 2010



The Forum of Private Business asked members the same question in the first quarter of 2009. The changes are telling. Confidence - in terms of business confidence and consumer confidence - has increased noticeably. However these are still significant issues. The costs of utilities have improved, however there was a significant fear factor involved in 2009 with businesses uncertain of how high utilities costs would go. The improvement in currency fluctuations may indicate that many net importers have come to some working arrangement.

It is unsurprising that a number of businesses feel taxation policy has grown worse with the end of the stimulus measures which included the reduction of VAT to 15%. Surprisingly health and safety law has also grown worse as have the skills of the local labour force.

Figure 2: Business issues that need to be resolved comparing 2009 to 2010

	Mar-09	Mar-10	Difference
Restoring business confidence	66%	50%	-16%
Restoring consumer confidence	64%	47%	-17%
Business rates	60%	51%	-9%
Employment law*	57%	54%	-3%
Cost of utilities	52%	41%	-11%
Minimising other regulations*	50%	48%	-2%
Taxation policy	41%	43%	2%
Health and safety law	37%	45%	8%
Late payment / bad debt provision	36%	32%	-4%
Access to finance	35%	31%	-4%
Weak pound	35%	19%	-16%
Cost of finance	28%	25%	-3%
Credit/trade insurance	20%	14%	-6%
Access to public sector contracts	17%	17%	0%
Improving transport system	17%	10%	-7%
Skills of the local labour force	14%	17%	3%
None	1%	1%	0%

Government support

“Someone has got to just cut the paper pushers and time wasters and get proper support for honest hard working businesses” *FPB member response*

Businesses were asked what policies they would like to see introduced or retained by an incoming government. One business summed up the general mood succinctly “no more policies - we are drowning”.

Business rates (11%)

Mainly the level of business rates was felt to be an issue, as was the timing of the revaluation. A number of rural businesses wanted greater rates relief, whilst high street businesses (in particular retailers and tour operators) felt that taxation on property value was unfair as they could be undercut by charities and companies that operated online.

Cost of employment and payroll taxes (14%)

Predominantly to do with the prohibitive cost of employment and the increase in National Insurance Contributions (NICs) (that some businesses felt should be scrapped for smaller firms to incentivise employment). Also includes issues over calculating payroll taxes which seem to continually be changing.

Other taxation issues (28%)

Most respondents wanted a simplification of the taxation scheme. Respondents were also concerned with the high levels of capital gains tax, corporation tax and income tax for smaller firms. A number of businesses were also concerned about stealth taxes, with environmental taxation mentioned in this context. Businesses also felt aggrieved by anomalies to VAT in industry specific areas (for businesses as diverse as tour operators, food outlets and manufacturers). Others felt that the Government should be doing more to get larger companies (including banks) to pay taxes. Tax allowances and incentives for research and development and green technologies were also felt to be limited.

Generic red tape (16%)

Businesses were particularly concerned with the high levels of red tape on their business and the amount of time (and therefore money) spent on legislative compliance at a time when it was least affordable. Some respondents highlighted that the link between legislative change and business improvement had become increasingly tenuous.

Employment law (11%)

Respondents highlighted the complexity of the process for making redundancies and the resources required by smaller firms in dealing with maternity and paternity leave in particular. Others felt that the large amount of social legislation brought in assumed greater resources than they currently have. Respondents were also concerned about the amount of social responsibility they now had.

Health and safety law (5%)

Owners were concerned at the policing of the health and safety law and the time that was required in ensuring that they were compliant. There was a feeling that certain elements should be guidelines rather than law and concern over the number of bodies who gave conflicting advice on health and safety issues.

Other legislative issues (13%)

There were a wide range of other legislative issues, including the Equality Bill, which may have been prompted by the questionnaire and accompanying referendum pamphlet. Other areas that business owners wanted reformed included elements of environmental legislation such as the REACH legislation. Businesses also wanted duplication of quangos resolved on a wide range of aspects and more co-ordinated responses to problems. Improving the planning process was still a big issue for businesses as businesses wanted the system speeded up and to take into account the local economic impact of refusing planning permission.

Finance and late payment (12%)

Many businesses wanted more pressure put on larger organisations including quangos, local authorities and government agencies to pay more promptly. Businesses were also upset by being left with bad debts by phoenix firms and a significant proportion wanted banks penalised for failing to lend to small businesses. Respondents felt that irresponsible bankers appear to have been rewarded through the banks' bonus schemes.

Unfair competition (7%)

Around 7% of businesses felt that more needed to be done about unfair competition, particularly within the supply chain, as smaller firms could not pass on additional costs from the increased cost of raw materials, energy and fuel. Competition from other countries with lower costs or a more beneficial taxation system were also mentioned.

Public procurement (10%)

Many businesses felt that public procurement was overly bureaucratic and decisions favoured larger organisations who were more adept to supplying model answers than local businesses. These organisations were also annoyed that the procurement process offered poor value for money as contractors added the cost of tendering onto the cost of the contract.

Transport and infrastructure (7%)

Businesses wanted a better transport network with improvements to the road network being made a priority. Many felt the high cost of fuel had made the issues over a creaking transport system even more urgent. Better use of the railways and cheaper fares to take vehicles off congested roads were also key issues. The cost of gas and electricity were mentioned as areas which needed urgent review. A small number of businesses felt that broadband speed was also an issue.

Training and education (2%)

Businesses wanted improvements in the apprenticeship schemes in terms of expansion of the scheme and making it easier to take people on. Business owners also wanted more effective funding for higher education and vocational courses and felt that the skills of the unemployed should be improved so that they are better prepared for the world of work when the economic climate picks up.

Reform of the public sector (7%)

Many businesses mentioned that a reform of the public sector was required. Responses tended to focus on bringing public sector pensions into line with those paid out to the private sector, cuts made to a bloated public sector - with quangos in particular being singled out for cuts - and finally more honesty and better representation of their locality from MPs in the wake of the expenses scandal.

Exporting and foreign exchange rates (5%)

Businesses wanted more support for exporters, whilst importers and exporters wanted a more stable exchange rate.

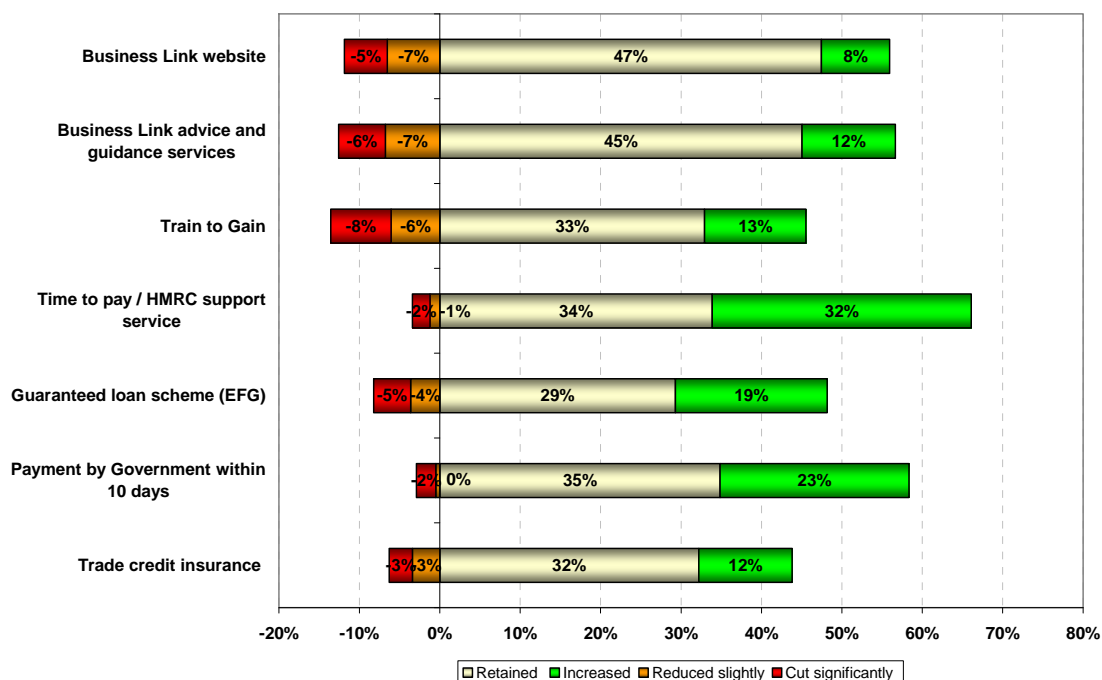
Crime (1%)

Business owners wanted better detection rates, a greater deterrent for those caught vandalising or stealing. Rural businesses also wanted better protection for their premises through more regular police patrols.

Public sector support for businesses

Business owners were asked whether specific services currently provided by the state should be increased/extended, retained, reduced slightly or cut significantly.

Figure 3: Which areas of public sector support should be increased, retained or reduced



There were a high proportion of businesses who did not answer these questions do to lack of understanding or relevance of the scheme. In total 17% did not provide an opinion on whether or not any of the services should be retained, less than 1% of respondents wanted all areas of public sector support reduced and 8% stated that all areas should be retained. The proportion of businesses below who appear apathetic to government support look high, however, as Forum of Private Business members the respondents do have access to services that are not available to all businesses

Figure 4: Analysis of responses to the increasing or reducing public sector support

	No reply/Do not know	Proportion wanting retention	Balance of those wanting an increase in services compared to a reduction
Business Link website	32%	47%	-3%
Business Link advice and guidance services	31%	45%	-1%
Train to Gain	41%	33%	-1%
Time to pay/HMRC support service	31%	34%	29%
Guaranteed loan scheme (EFG)	44%	29%	11%
Payment by Government within 10 days	39%	35%	21%
Trade credit insurance	50%	32%	5%

The analysis suggests that there is support for HMRC services to be extended or increased and for the 10-day payment scheme to be extended. Anecdotal evidence indicates that there are problems for businesses wishing to delay payment under the *Time to Pay* scheme for a second year and the level of resources at HMRC after recent cuts. Businesses have also complained about payment practices on government contracts as third parties such as agents do not adhere to these rules, nor do some public sector agencies.

Recent research from the RDAs/Ipsos Mori indicates that businesses that have been supported by Business Link have been helped to survive the recession and prepare for growth. This may explain why so few businesses wanted government support reduced even though they have not benefitted directly from it.

Figure 5: Comparison of business performance between those supported by Business Link and other businesses

	All businesses	Those supported by Business Link
Business performance	-27%	-1%
Domestic orders (past year)	-27%	-9%
Volume of output (past year)	-22%	-5%
Overall investment (past year)	0%	18%
Business confidence	4%	26%
Domestic orders (next year)	7%	30%
Volume of output (next year)	11%	36%
Overall investment (next year)	-3%	17%

Source: National Business Survey 2010

Equality Bill

Businesses do not see equality and diversity as a big issue. Just 8% of businesses feel that their business is not structured to gain and retain the best people regardless of age, ethnicity or gender and many of these issues are industry related or due to a lack of applications from certain groups. Only 13% are aware of any business owner who has had problems in the past, this is a relatively low figure as it would include effectively any business in the local area.

More worryingly, over half of FPB members do not feel that they fully understand their obligations under the new legislation. This questions the effectiveness of the bill as the primary reason for the legislation to simplify current legal requirements.

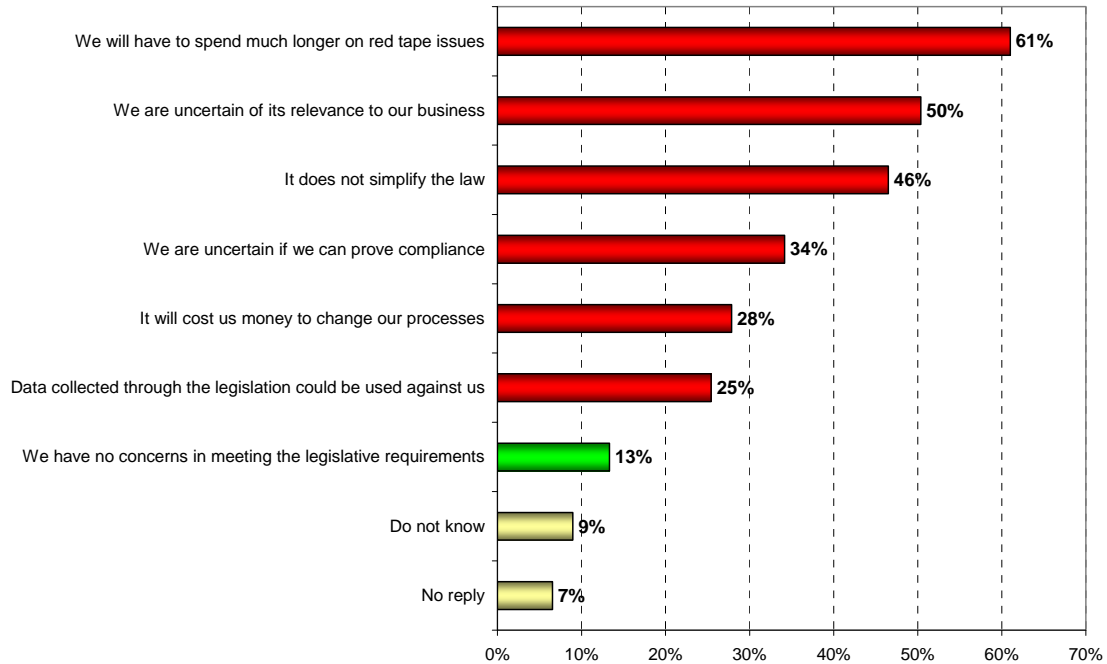
Figure 6: Need for, and understanding of, the equality and diversity legislation

	Yes	No	Do not know
Do you feel that your business is structured to gain and retain the best people regardless of age, ethnicity, gender etc	77%	8%	15%
Do you feel that you fully understand your obligations under the equality and diversity legislation.	49%	29%	22%
Do you know any business owner who has had problems with equality and diversity legislation in the past	13%	70%	17%

61% feel that it will be a drain on resources in terms of the time spent on red tape issues and 28% expect this will cost them further money when small businesses should be being encouraged to drive the UK out of recession. 50% do not see how it is relevant to their business as it appears to be directed at larger organisations, whilst 46% feel that the Equality Bill will not simplify the law on equality and diversity issues. 1 in 3 businesses are already concerned about proving compliance, however few businesses feel that the data could be used against them. Anecdotal evidence indicates that the main concern that businesses had were from government quotas and being caught out by the legislation in a tribunal etc.

Just 13% felt that they would have no concerns in meeting the legislative requirements, even though 13% had heard of business owners who had had problems with this research in the past.

Figure 7: Impact of Equality Bill on smaller firms



A significant number of comments were made to the effect that many businesses regard the Equality Bill to be wholly unnecessary.

About the Forum of Private Business

The Forum of Private Business is a proactive, not-for-profit organisation, providing comprehensive support, protection and reassurance to small businesses.

The organisation aims to deliver an exceptional service to its members, adding value through the provision of practical, tailored solutions that promote business success, and by being their voice in government.

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