

## UKBB 101 October 2006 Analysis

In the October 2006 survey we invited panellists to give their views on the National Minimum Wage, the Royal Mail's new tariff, problems with literacy and numeracy amongst employees, R&D tax credits, employment legislation, multiple suppliers and unpaid invoices.

### About the respondents

The UK Business Barometer surveys the people running small and medium size businesses. In the October 2006 survey, 139 respondents were drawn with the following population characteristics:

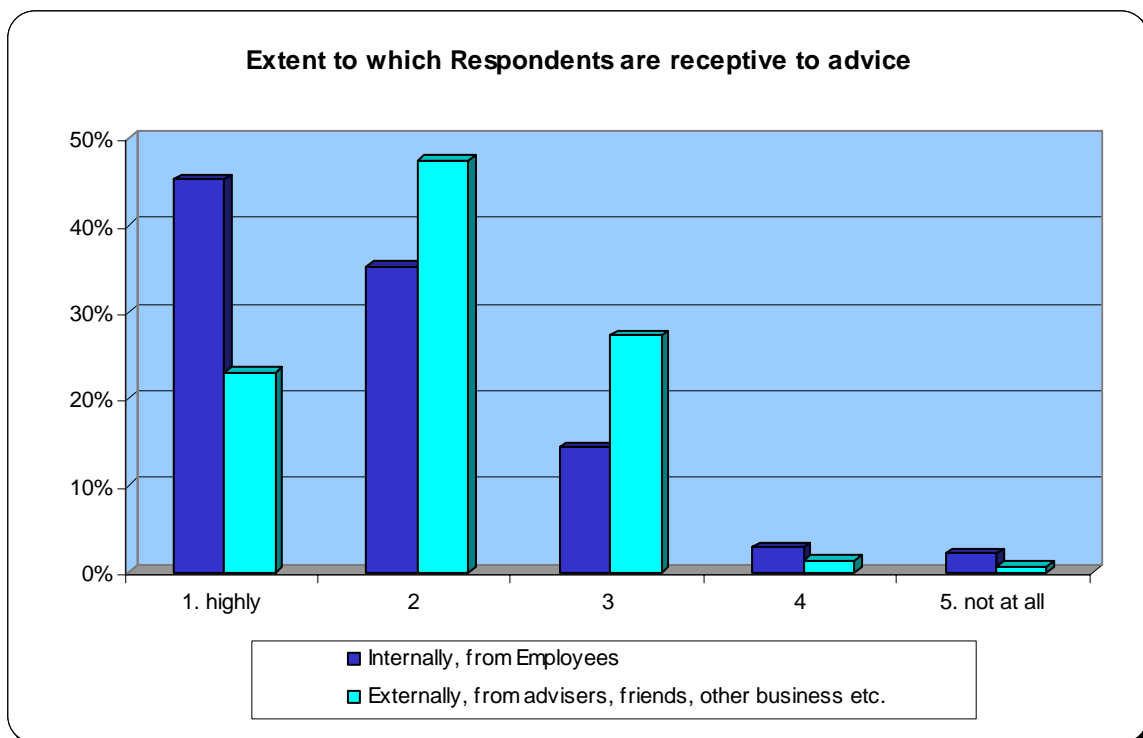
Sector			
Production & Manufacturing	Distribution	Services	Total
25.9%	7.2%	66.9%	100.0%

Turnover (£)			
< 1 M	1M-3M	>3M	Total
69.8%	16.5%	13.7%	100.0%

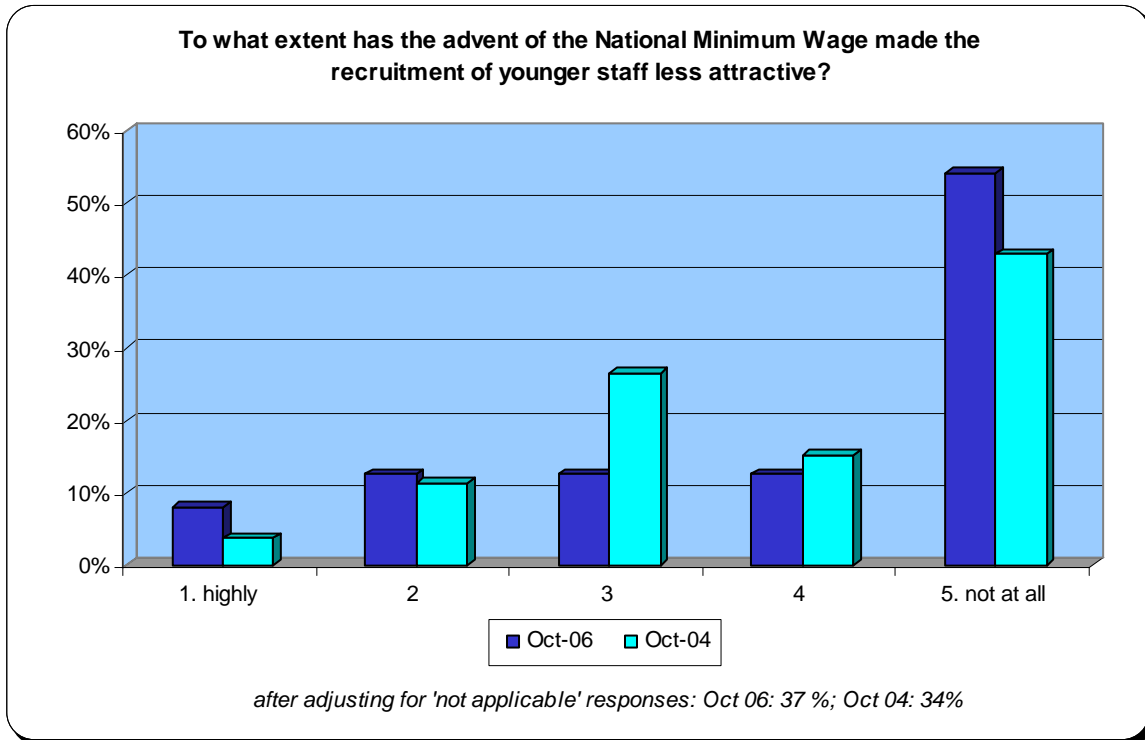
Number of Full-time Employees					
1-10	11-20	21-50	51-100	100+	Total
59.7%	26.6%	6.5%	2.9%	4.3%	100.0%

### Survey findings

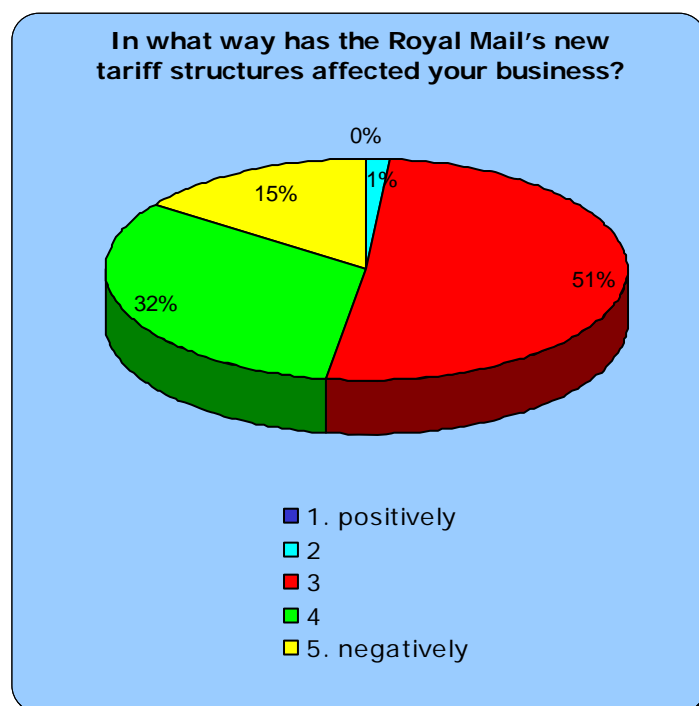
The first two questions in the October survey of smaller businesses were intended to compare the sources from which smaller businesses most readily draw business advice. In October 2005 (BB89) the survey included a more specific question about external sources of advice: 'Which of the following do you use for business advice?' This revealed that on average respondents use between 3 and 4 separate external sources. This month's questions show that most of the smaller responding businesses are not only ready to accept advice from external sources but also from within their businesses. 81% say they are highly or relatively highly receptive to advice from employees, and 71% say they are highly or relatively highly receptive to advice from external sources.



The National Minimum Wage increased again from 1<sup>st</sup> October 2006 but this will still deter only a minority of survey respondents from recruiting younger staff: 54% said it would not make recruiting younger staff at all less attractive, compared with 43% when this question was last asked in October 2004. 20% said it would make recruitment of younger staff highly or relatively highly less attractive, compared to 15% in October 2004, after adjusting for 'not applicable' responses.

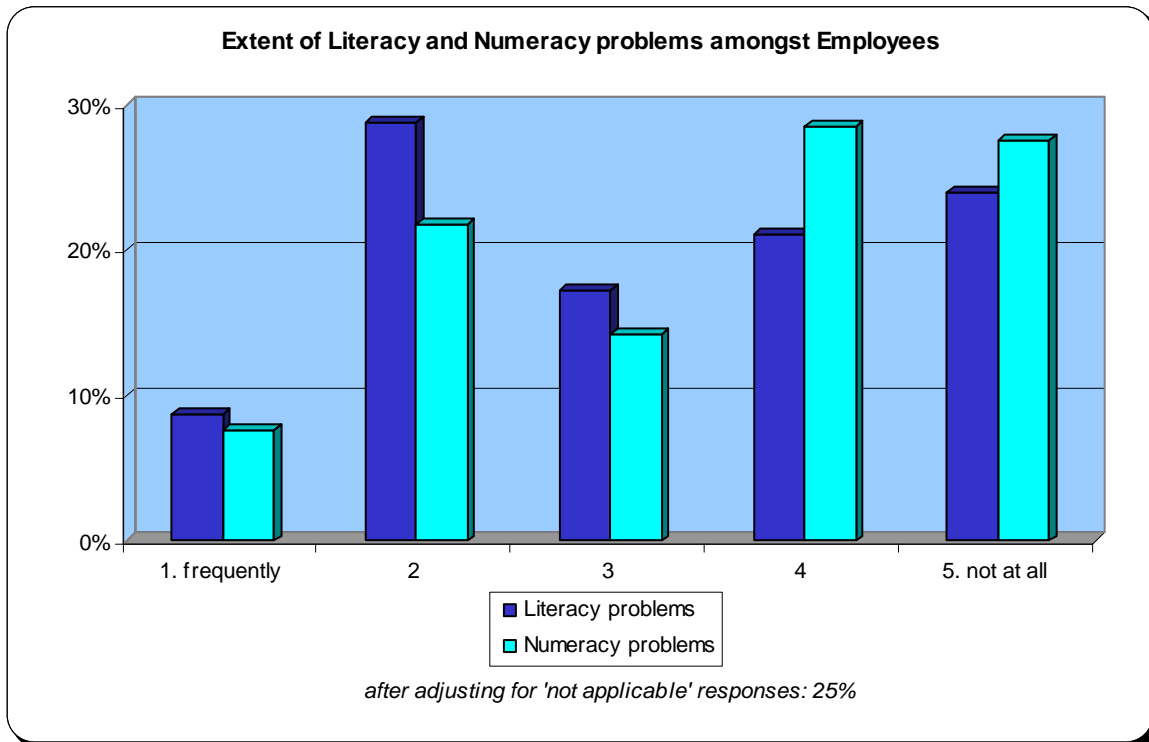


The Post Office introduced its new pricing system on 21<sup>st</sup> August 2006 so that businesses had nearly two months of experiencing it before completing this October survey. Although 51% of respondents are neutral about the impact on their businesses, only 1% perceive anything positive and 48% think the impact is negative or relatively negative.

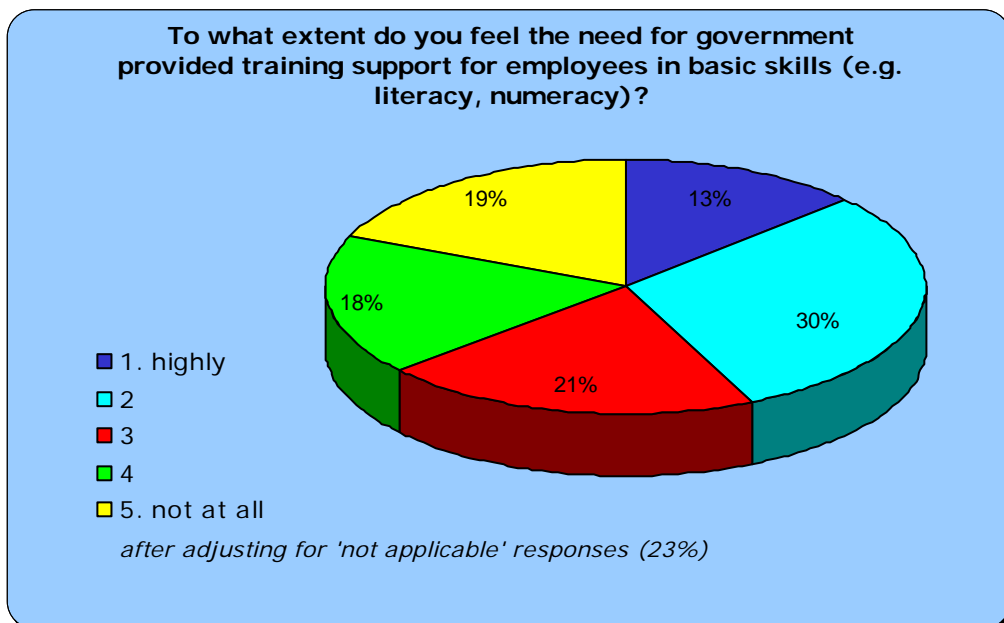


The national Skills for Life strategy was set up in 2001 in response to the Moser report 'A Fresh Start'. The ultimate aim was to help improve the literacy and numeracy achievement of 1.5 million adults by 2007.

The UKBB October survey asked panellists to what extent they have encountered literacy (specifically reading and writing) problems and numeracy problems amongst their employees. After adjusting for not applicable responses, 38% of respondents have found frequent or relatively frequent literacy problems and 30% have found frequent or relatively frequent numeracy problems amongst employees. At the other end of the scale, 45% observed few or no literacy problems and 56% found few or no numeracy problems.



Panellists were also asked how strongly they felt that government should provide basic skills training for employees. After adjusting for 'not applicable' responses, 43% felt that this is highly or relatively highly desirable but 37% say there is no or not much need for it.

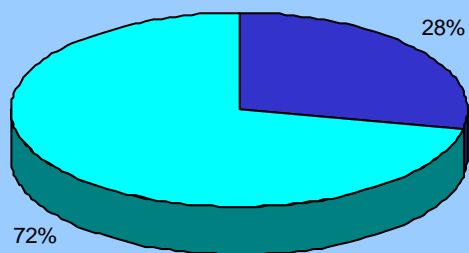


Recent research has shown that small businesses are missing out on millions of pounds of Government tax breaks by not taking full advantage of research and development (R&D) tax relief designed to encourage innovation in the UK. Only 28% of respondents to the October UKBB survey have explored the possibility of obtaining R&D tax credits.

In the parallel survey of Business Advisers, the UKBAB, panellists were asked what percentage of their clients has explored the possibility of obtaining R&D tax credits. After adjusting for 'don't know' responses, 59% of 186 respondents said between 0% and 5% and a further 19% said between 6% and 10%.

**UKBB101 Survey Question 8**

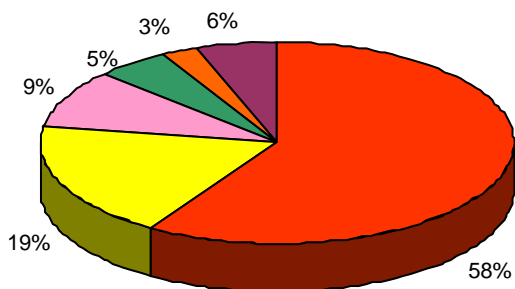
**Have you explored the possibility of obtaining R&D tax credits?**



- 1. yes
- 2. no

**UKBAB50 Survey Question 4**

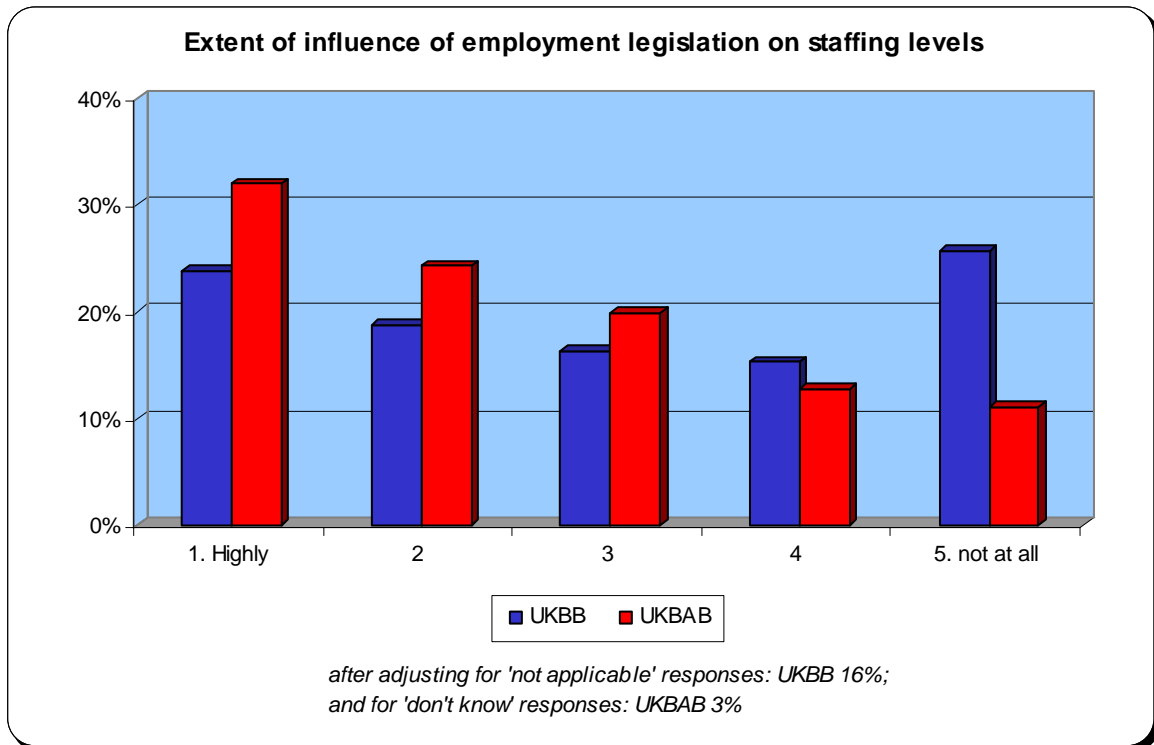
**As far as you are aware, what percentage of your clients has explored the possibility of obtaining R&D tax credits?**



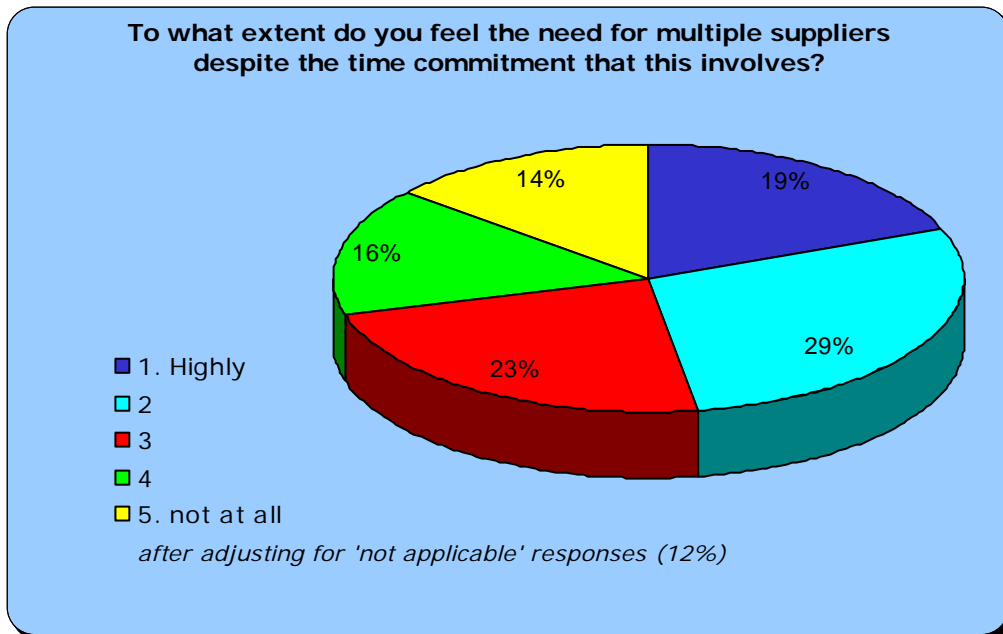
- 1. 0% to 5%
  - 2. 6% to 10%
  - 3. 11% to 20%
  - 4. 21% to 35%
  - 5. 36% to 50%
  - 6. over 50%
- after adjusting for 'don't know' responses (13%)*

In previous UKBB surveys, employment came out as the type of legislation giving respondents most cause for concern. After adjusting for 'not applicable' responses, 43% of respondents to this month's survey said that the present employment legislation influences their staffing levels to a high or reasonably high extent.

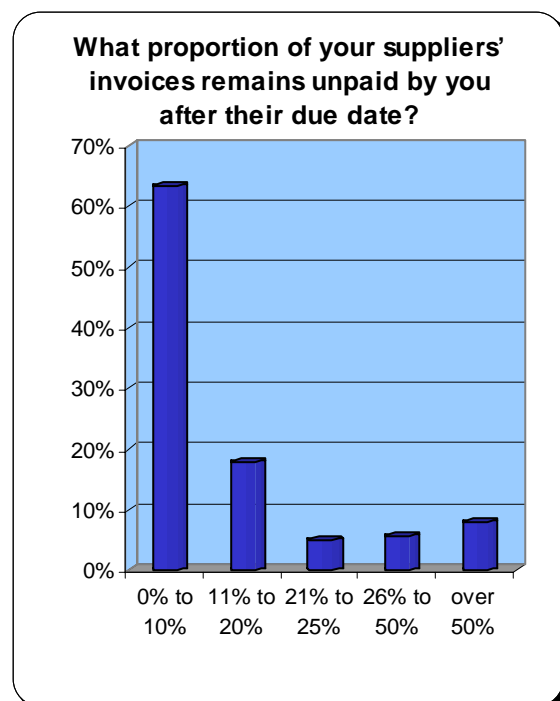
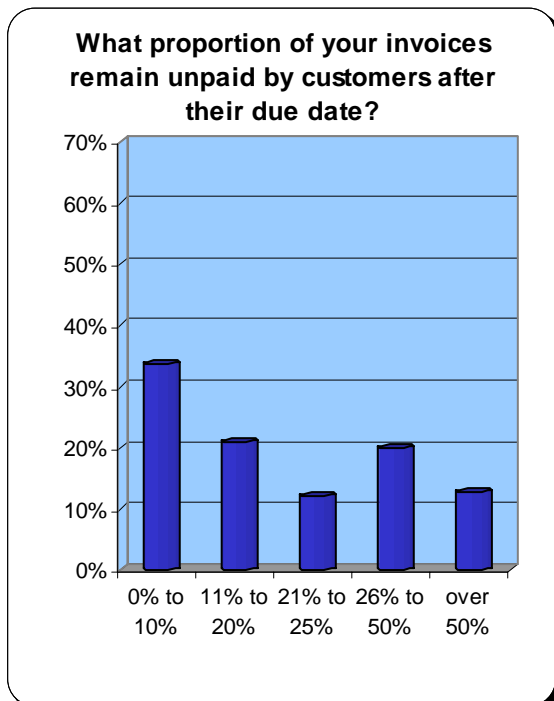
In answer to a similar question put in the parallel survey of Business Advisers, the UKBAB, 56% of respondents said that they believe that the present employment legislation influences their clients' staffing levels to a high or reasonably high extent.



Using multiple suppliers can result in lower costs and risks and give greater flexibility to a business but can absorb large amounts of management time in setting up more contracts and/or deals and co-ordinating deliveries. With so many factors to be considered the responses to a question on multiple suppliers were understandably spread across the range. However, nearly half (48%) of respondents say that they need multiple suppliers to a high or reasonably high extent, although nearly one third (30%) say their need is minimal or zero.



It is often said that smaller businesses have (sometimes fatal) strains put upon their cash-flows by late payment, but how many smaller businesses are late payers themselves? While 55% of respondents say that less than 20% of customers are late with their payments, 81% of respondents say they pay less than 20% of their suppliers' bills late.



Listed below are some of the personal views supplied in feedback received from respondents to Survey BB101 October 2006

*Comments are listed under sector headings.*

**Views expressed are those of individual panellists and may not represent those of the University.**

### **Retail**

The three 'R's are crucial to a successful interview with a prospective employee. It is government's duty to ensure that all children learn these vital basic skills whilst still at school. For immigrants they should be mastered before being let loose on the labour market. How we suffer from those call centres where we cannot understand the 'English' being spoken! The minimum wage has crippled our retail business. We are down to one shop (from 5) as a result and that will be closing shortly. We are a tobacconist and the costs of running a shop have increased at a far greater rate than the profits available from the sale of tobacco products.

### **Production and Manufacturing**

Literacy is only really a problem because we have a number of eastern European employees who can't read English very well.

### **Business Services**

The government makes offers that you can't take up! 'NIL' entries on Tax forms rejected online. Feel let down by government and don't trust them.

Numeracy and Literacy should be provided by schools. It is NOT the job of the Govt to provide these skills. It IS the job of the Govt to make sure that students coming out of school are literate and numerate.

As I don't employ anyone (due to the draconian Employment legislation) and only "employ" subcontractors, I have had to answer 'Not Applicable' to the numeracy and literacy questions. However, I feel extremely strongly about this. Parents and Primary schools should be teaching numeracy and literacy to the same levels as prevailed before the lax 70s and 80s. It should be the job of secondary schools to build on this and of Universities to be able to take it for granted. Employers also need to be able to take it as read. Someone in Government and the Department of Education should be taking the simple Marketing action of "find out what the customers want and supply it"!

Where additional resources are needed other similar sole traders and I co-operate.