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# NatWest/SERTeam Quarterly Survey of Small Business in Britain







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# Summary

*The performance of Britain's small firms and their optimism about the future have slipped back to the same levels as a year ago. Government regulations and paperwork remains the top small business problem. Over half of small firm owners report that they employ fewer people than they otherwise would because of concern over the burden of regulation and paperwork related to employees.*

- The balance of firms reporting increases in sales over decreases over the past year remains positive but has fallen for the second survey in succession and is now at the same level as a year ago.
- Hotels & restaurants and health/education/leisure & other personal services are the only sectors more positive than three months ago.
- The employment balance is a little below the level of a year ago. The balance increasing investment has become negative for the first time in over a year.
- Government regulations and paperwork has been the top-ranked small business problem for twelve months.
- VAT and employee taxation are the most time-consuming areas overall. The smallest firms rank Self-Assessment as the most onerous, the largest most often list health & safety and employment regulations.
- Employment regulations (including employee health & safety) have a significant impact on 60% of all small firms and over 90% of those with 20 or more employees.
- Two-thirds believe there is too much regulation regarding employees.
- Over half say they have avoided employing more people or even reduced the numbers they employ because of the burden of employee regulation.
- The smallest firms spend far more time per employee on compliance with regulations and paperwork than do their larger counterparts.
- Although a majority of firms say that they think the burden of red tape has increased over the past year the answers they give on time spent are unchanged compared with earlier surveys.
- Although government regulations and paperwork remains overall the most important problem, almost as many small firms say that the general economic climate, a skills shortage or cashflow are causing them bigger problems.
- Competition is the biggest problem facing wholesalers, retailers and transport firms.
- Small firms are less optimistic about their prospects for the third quarter of 2004 than they were about the second. The balance expecting increased sales is about the same level as last year, though then it was moving upwards, not down.
- Small firms in the hotels & restaurants sector are the only ones on balance more optimistic than in the previous survey and they are now far more positive than every other sector.

# Business Issue

*The burden of government regulations and paperwork falls most heavily on the smallest firms. Despite the widely-held belief that the burden of red tape is increasing, this is not supported by estimates of the time spent on compliance. A clear majority believe there is too much regulation related to employees and over half have restricted the numbers they employ because of this.*

## Hours spent on red tape

The burden of compliance with government regulations and paperwork, in terms of hours spent per person, falls most heavily on the very smallest firms.

The first column of Table 1.1 shows that the total number of hours spent on red tape (by the business owner, their staff and their professional advisers) naturally tends to increase as firm size increases. However, economies of scale mean that the total hours spent do not increase proportionately with the size of firm. Table 4.1 shows that one-person firms spend, on average, 8.4 hours per month dealing with red tape compared with 73.1 hours spent in firms with 25 or more employees, which are on average more than fifty times as large. The second column in Table 1.1 (and

Chart 1.1 overleaf) show that the hours spent per person working in the business fall from 8.4 per month for one-person firms to 1.8 for those with 25 or more employees<sup>1</sup>.

Averaging the proportion for all firms in this survey reveals that the average firm spends 3.8 person hours per month per person working in the business dealing with government regulations and paperwork<sup>2</sup>.

## Actual and perceived changes in time spent

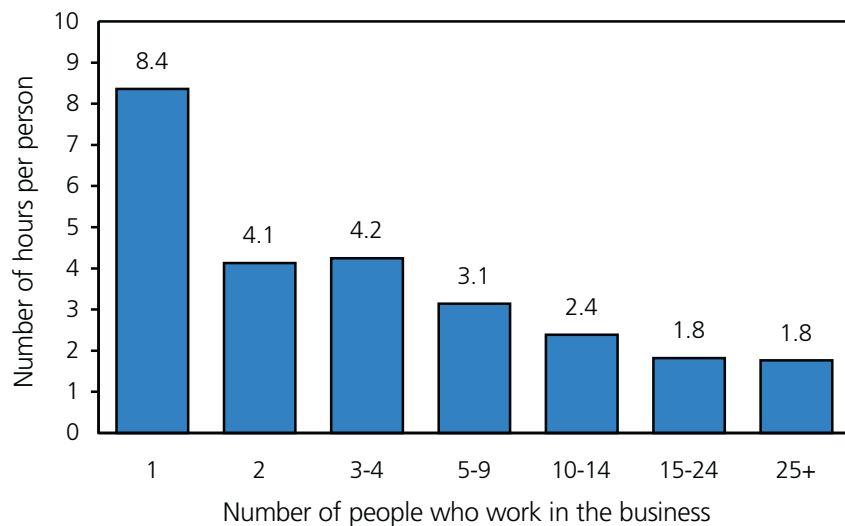
Table 1.2 (overleaf) shows that there has been no dramatic change in the time estimated to be spent on red tape since we first asked about this five years ago. The overall average has gone down a little, though the

**Table 1.1: Person-hours taken per month to deal with government regulations and paperwork - by number of people who work in the business**

Number of people who work in the business	Total hours	Hours per person working in the business	Average (mean) number of people in business	Responses	No response/Unknown
1	8.4	8.4	1.0	73	6
2	8.3	4.1	2.0	90	5
3-4	15.0	4.2	3.4	115	7
5-9	20.4	3.1	6.6	135	9
10-14	26.4	2.4	11.6	62	0
15-24	35.2	1.8	19.0	48	2
25+	73.1	1.8	53.7	62	5
All	23.3	3.8	11.0	589	34

- 1 About 5% of respondents were unable to estimate the time they spent on compliance and so were excluded. In addition, one accountant/tax advisor which had clearly included time spent on compliance for clients rather than their own business was excluded.
- 2 An alternative method is to total the number of hours spent and divide this by the total number of people employed by all firms in the survey. This effectively weights the result by the number of employees, so giving more weight to the larger firms, which spend less time per person on compliance. This method gives a figure of 2.1 hours per person per month spent on compliance. Given the distribution of all employment in the UK, these figures suggest that in the UK as a whole approximately 2 hours per month are spent per worker on red tape.

Chart 1.1: Person-hours per month per person working in the business spent on dealing with red tape - by size of business



time spent by larger employers has increased. Firms with between 2 and 4 employees seem to have reduced the time spent on compliance over the past five years.

Table 1.2 also shows clearly that there is very little difference between the estimates of time spent on red tape compliance now and just over a year ago, the last time small firms were asked these questions. Although the average amount of time spent by two-person firms is down, the overall average is unchanged.

Despite this, Table 1.3 shows that a clear majority (57%) of respondents believe, when asked directly, that the time taken to deal with government regulations and paperwork has increased over the past year (ranging from 27% of those with no employees other than proprietor/partners to over three-quarters of those with 20 or more employees). Hardly any believe that the time taken has decreased. Earlier surveys have also identified this apparent inconsistency.

Table 1.2: Person-hours taken per month to deal with government regulations and paperwork - by number of people who work in the business, compared with earlier surveys

Number of people who work in the business	1999 Q3	2000 Q3	2003 Q2	2004 Q3
1	7.9	6.3	8.9	8.4
2	5.7	5.9	4.8	4.1
3-4	5.1	4.7	4.2	4.2
5-9	3.8	3.2	3.0	3.1
10-14	2.6	3.2	2.5	2.4
15-24	1.4	1.7	1.8	1.8
25+	1.1	1.2	1.5	1.8
All	4.2	3.9	3.8	3.8



Table 1.3: "How has the time taken to deal with government regulations and paperwork changed over the past year?" - by number of employees (not including proprietors/partners)

Number of employees	Increased	No significant change	Decreased	No response	Sample
0	27%	65%	1%	7%	74
1-2	44%	52%	1%	2%	141
3-4	51%	47%	0%	2%	107
5-9	68%	30%	1%	1%	129
10-19	74%	25%	1%	0%	84
20-49	78%	22%	0%	0%	65
50+	79%	21%	0%	0%	19
All	57%	40%	1%	2%	623

### Main red tape problem areas

Chart 1.2 shows that, when small firms are asked to indicate which areas of government regulation and paperwork take the most time to deal with, VAT and Employee taxation (PAYE, Tax Credits, NICs etc.) come out top, with 60% and 55% respectively putting them in their top three. These remain well above the other areas offered to respondents, though both proportions are down a little from the 62% and 61% respectively last year, when a similar question was asked.

The proportion putting health and safety regulations in their top three is up from 31% a year ago to 35% now and employment regulations is up from 26% to 32%. The proportion citing self-assessment taxation is down from 34% to 31%, causing it to slip down the rankings from third to fifth place. These changes do not seem to be due to changing composition of the sample, though it is true that the relative importance of red tape areas is different for firms of different sizes.

Chart 1.2: "Which THREE of the following areas of government regulation and paperwork take the most time to deal with?"

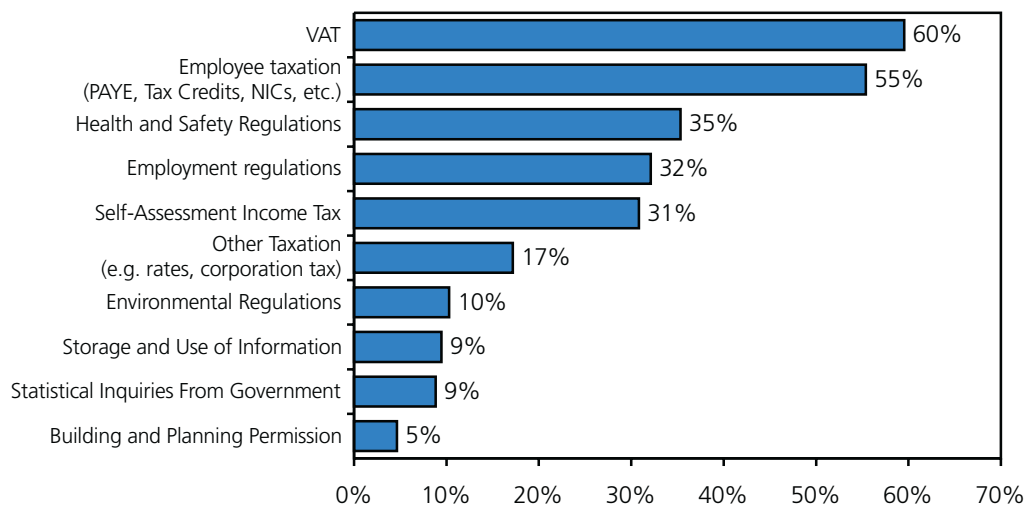


Table 1.4: "Which THREE of the following areas of government regulation and paperwork take the most time to deal with?"- by number of employees (not including proprietors/partners)

	0	1-2	3-4	5-9	10-19	20-49	50+	All
VAT	58%	70%	72%	63%	50%	32%	26%	60%
Employee taxation (PAYE, Tax Credits, NICs, etc.)	9%	43%	71%	68%	69%	66%	58%	55%
Health and Safety Regulations	23%	14%	19%	48%	50%	69%	68%	35%
Employment regulations	7%	12%	21%	45%	48%	65%	74%	32%
Self-Assessment Income Tax	70%	49%	35%	21%	5%	2%	5%	31%
Other Taxation (e.g. rates, corporation tax)	19%	28%	16%	13%	12%	5%	21%	17%
Environmental Regulations	7%	6%	11%	6%	19%	17%	21%	10%
Storage and Use of Information	15%	10%	15%	7%	6%	3%	11%	9%
Statistical Inquiries From Government	8%	6%	6%	6%	12%	15%	32%	9%
Building and Planning Permission	5%	4%	5%	2%	7%	5%	16%	5%
Other	3%	5%	6%	4%	7%	8%	11%	5%
Sample	74	141	107	129	84	65	19	623

Table 1.4 shows that VAT is the top-ranked most time-consuming area for firms with between one and four employees (this is also the case for those with an annual turnover between £50,000 and £350,000). Above this level economies of scale in VAT administration presumably make the process relatively less burdensome. Many of the firms with no employees (other than the proprietor or partners) will be below the VAT threshold and so not required to be registered for VAT (though some will find it in their interests to do so voluntarily). For these very smallest firms, Self-Assessment Income Tax is the most time-consuming area of regulation and paperwork.

Employee taxation is naturally not an issue for most firms with no employees (though a few may have employed people earlier in the year, or view partners as employees or have casual labour which they have not included in their employment totals). The burden of compliance with employee taxation reaches a peak for firms with 3-4 employees, where 71% put it in their top three (though it is just out-pointed for them by VAT). Again, economies of scale seem to begin to operate, though less obviously than for VAT (as different groups of employees will have to be treated differently). For firms with between 5 and 19 employees employee taxation is the top-ranked issue.

These rankings by size are all the same as in the survey carried out in the middle of last year.

Environmental regulations and statistical inquiries from government seem to be relatively more burdensome on the larger firms taking part in the survey, but regulations related to the storage and use of information (including Data Protection) affect the smallest firms at least as much as their larger counterparts.

Health and safety regulations and employment regulations both generally increase in relative importance with firm size and in this survey (unlike a year ago) these two problems outrank the issue of employee taxation for the largest firms taking part in the survey.

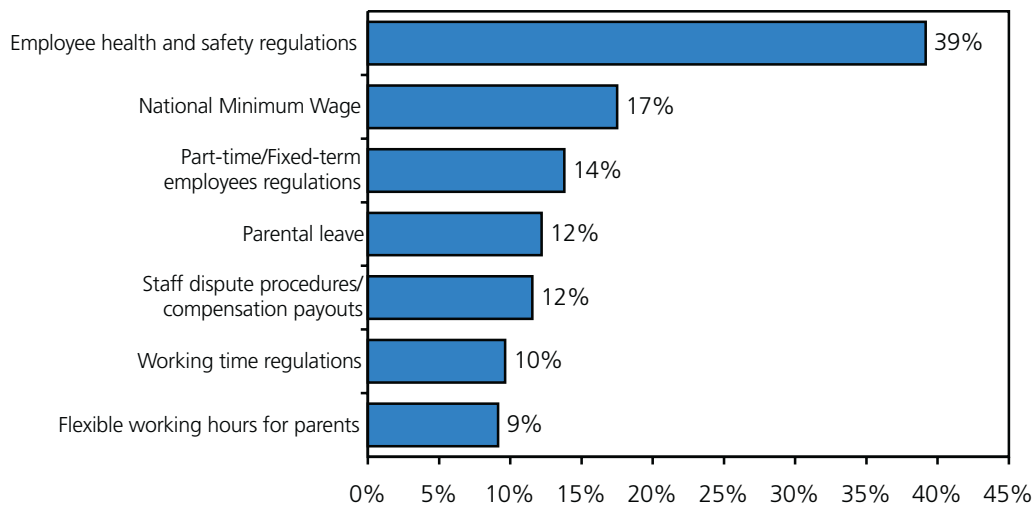
### Impact of employment law

As the most important non-taxation area of government paperwork and regulations, further questions were asked about employee law (including employee health and safety regulations).

Chart 1.3 shows that 39% of small firms report that at least one aspect of employee health and safety regulations has a significant impact on their business, because of the time, cost or inconvenience involved. This is the same proportion as in the survey carried out in the middle of last year.



Chart 1.3: Proportion reporting each area of employment law has a significant impact on business



The other, more specific, aspects of employment law listed in Chart 1.3 have an impact on markedly fewer firms than the general area of health and safety.

Compared with the survey of a year ago, working time regulations have slipped down the rankings (from fourth to sixth place) as the proportion citing this as a significant impact is down by a percentage point while the others have each increased by a point or two.

Table 1.5 reveals that the impact of each aspect of employment law naturally rises with firm size. Over three-quarters of those firms with 20 or more employees indicate that compliance with employee health and safety regulations has a significant impact on their business. Nearly all firms of this size report that at least one aspect of employment law has a significant impact on them (though overall employment law does not significantly affect 40% of all small firms).

Table 1.5: "Which (if any) of the following areas of employment law have a significant impact on your business?" - by number of employees (excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20-49	50+	All
Employee health and safety regulations	9%	14%	31%	51%	61%	80%	74%	39%
National Minimum Wage	4%	9%	18%	26%	24%	23%	32%	17%
Part-time/Fixed-term employees regulations	8%	11%	12%	18%	12%	22%	21%	14%
Parental leave	3%	7%	7%	9%	29%	18%	37%	12%
Staff dispute procedures/compensation payouts	1%	4%	10%	16%	13%	26%	32%	12%
Working time regulations	4%	5%	5%	13%	10%	22%	32%	10%
Flexible working hours for parents	3%	6%	6%	10%	18%	15%	16%	9%
Other	1%	4%	6%	7%	6%	3%	0%	4%
Sample	74	141	107	129	84	65	19	623
Any of the above	22%	32%	53%	79%	86%	92%	95%	60%



Table 1.6: "Do you believe there is too much, the right amount or too little regulation and paperwork related to employees?" - by number of employees (excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20-49	50+	All
There is too much regulation regarding employees	49%	60%	60%	72%	79%	88%	100%	68%
There is about the right amount to protect employee rights	19%	26%	34%	26%	20%	12%	0%	23%
There should be more regulation to protect employee rights	5%	1%	1%	0%	0%	0%	0%	1%
No response	27%	12%	6%	2%	1%	0%	0%	7%
Sample	74	141	107	129	84	65	19	623

### Amount of employment regulation

Over two-thirds of the small businesses taking part in this survey believe that there is too much regulation regarding employees (Table 1.6). The proportion is higher for firms which employ more people - all of the (relatively few) firms taking part in our survey which employ more than 50 people believe that there is too much regulation and paperwork related to employees.

Hardly any firms (and none with more than four employees) believe that there should be more regulation to protect employee rights.

The overall proportion believing there is about the right amount of regulation to protect employee rights is just under a quarter, though to this could probably be added some of the firms with no or few employees who did not answer this question and presumably do not hold a strong opinion on the matter.

### Effect of regulation on employment

Over half of small firms report that the burden of regulation and paperwork related to employees has had an effect on their employment levels. Over a third (36%) report that they have avoided employing more people (or, for those without employees, any people), while a further 18% say that they have actually reduced the numbers they employ because of the burden of employee regulation and paperwork (Table 1.7).

The proportion of firms which report that the level of employee regulation and paperwork has affected their employment decision is similar for firms of all sizes. At least 47% of firms with no employees<sup>3</sup> seem to have made a conscious decision not to become employers in order to avoid the burden of employment regulations and paperwork completely. However, even among firms which have taken the plunge and become employers, over half have chosen to limit the numbers of people they employ due to the associated regulatory burden.

Table 1.7: "Has the burden of regulation and paperwork related to employees had any effect on your employment decisions?" - by number of employees (excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20-49	50+	All
YES, reduced numbers employed	20%	17%	14%	19%	18%	15%	32%	18%
YES, avoided employing more (or any) people	27%	34%	47%	35%	40%	32%	21%	36%
NO, has not affected employment decision	35%	43%	35%	43%	37%	51%	37%	40%
No response	18%	6%	5%	2%	5%	2%	11%	6%
Sample	74	141	107	129	84	65	19	623
Either YES answer	47%	51%	61%	54%	58%	48%	53%	54%

<sup>3</sup> The true proportion may be higher as a significant proportion of firms with no employees did not answer this question. It is likely that at least some of these would have answered YES if they had not ignored the question.



## Conclusions

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Well over half of UK small firm owners say that the time taken to deal with government regulations and paperwork over the past year has increased. Hardly any say that it has decreased. Many added expansive comments to their questionnaires complaining about the burden of new regulations. However, when asked to estimate the amount of time they spend on complying with regulation, the answers they give are virtually unchanged compared with those given just over a year ago. Previous surveys have revealed similar contradictions.

The burden of complying with regulation and paperwork is clearly very significant for small firms and the disruption of new regulations probably gains more attention than the removal or simplification of old ones. However, estimates these firms have given over the past five years of the hours they spend on compliance provide no evidence to support the majority impression that the overall burden is actually increasing.

Largely because of inevitable economies of scale in administration, the burden of compliance with regulations and paperwork falls disproportionately on the smallest firms (though there is a little evidence that over the past five years the relative burden on firms employing 15 or more people has increased). One-person firms spend 15 times as many hours per person on compliance as do firms with 15 or more employees (8.4 hours per person per month, compared with 1.8).

Firms of different sizes are affected by different types of regulation and paperwork. For the very smallest, self-assessment income tax is the most time consuming. Firms just above the VAT threshold most often find VAT in their top three most time-consuming areas. Larger firms doubtless find economies of scale in VAT administration while employee taxation becomes more onerous. For firms employing 20 or more people, health and safety and employment regulations most often cause the biggest compliance burdens.

Certain business sectors also face specific regulatory issues. Independent financial advisers, insurance brokers and so on often mention the burden of FSA (Financial Services Authority) regulations, building companies have to deal with the Inland Revenue's Construction Industry Scheme, nursing homes and similar with the Care Standards Act and so on.

Employee health and safety regulations have a significant impact on 39% of small firms, the same as a year ago (though more than last time put health and safety regulations in their top three in terms of time spent). Taken together, other areas of specific employment law (the minimum wage, part-time/fixed-term employee regulations, parental leave, staff dispute procedures/compensation payouts, working time regulations and flexible working hours for parents) affect slightly more, 43%, up a few percentage points from a year ago. Overall, 60% of firms (and over 90% of those which employ 20 or more people) say that employment law has a significant impact on their business.

While most people would accept the need for some employment regulation, the small firm owners in this survey clearly believe that there is currently too much. There is evidence that this may have the counter-productive effect of reducing employment opportunities. Over half report that concerns over the burden of employment regulation and paperwork have caused them to restrict the number of people they employ.

# Performance

*The performance of Britain's small firms has fallen again and is down to the level of a year ago. Investment intentions are even lower. Hotels & restaurants and health/ education/leisure & other personal services are the only sectors more positive.*

The balance of Britain's small firms reporting higher sales than a year earlier has fallen for the second survey in succession. A little under half (45%) of respondents report that their sales were higher in the second quarter of 2004 than they were in the second quarter of 2003. 30% report that their sales were down, giving a balance of +15% (Table 2.1). The balance has fallen from a peak of +27% six months ago and is now at exactly the same level as at this time last year (Chart 2.1).

Concerns over the economy overheating prompted the Bank of England to raise interest rates five times between November 2003 and August 2004. During

this period the balance of small firms reporting an increase in sales has been falling. Official figures on GDP growth for the economy as a whole have taken rather longer to show a slowdown in the economy. The quarter-on-quarter GDP growth rate for the second quarter was, at +0.9%, higher than in the preceding quarter. Preliminary estimates for the third quarter, however, have confirmed the slowdown, with the rate falling sharply to +0.4%. This had already been acknowledged by the Monetary Policy Committee of the Bank of England, with interest rates held unchanged since August.

Chart 2.1: Percentage balance of respondents reporting an increase in sales, employment, investment or selling prices (weighted figures)

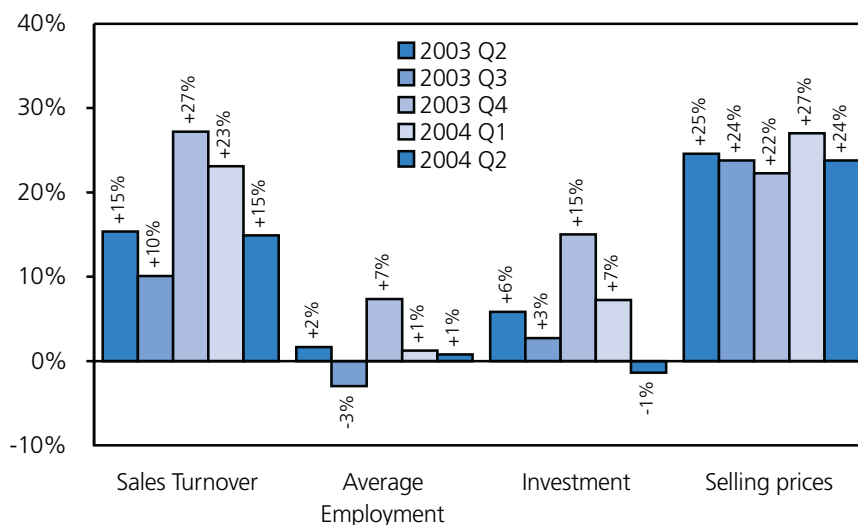




Table 2.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

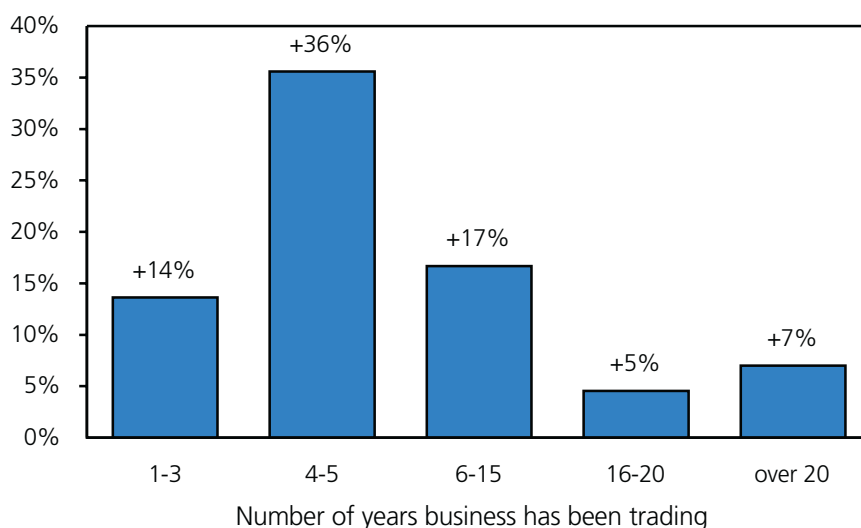
Change over past year (2004Q2 on 2003Q2) in:	Up	Down	Same	No response	Balance
Sales Turnover	45%	30%	23%	1%	+15%
Average Employment	17%	17%	63%	3%	+1%
Investment	19%	21%	56%	4%	-1%
Selling prices	37%	13%	47%	3%	+24%

Table 2.1 shows that those small firms which recruited extra staff during the year only fractionally outnumber those which cut employment numbers. The balance is practically unchanged on the previous survey.

Those firms which cut investment over the year outnumber those which increased it, for the first time in over a year. The balance of firms which have increased their selling prices over the past year has fallen a little, but remains relatively high, at +24%.

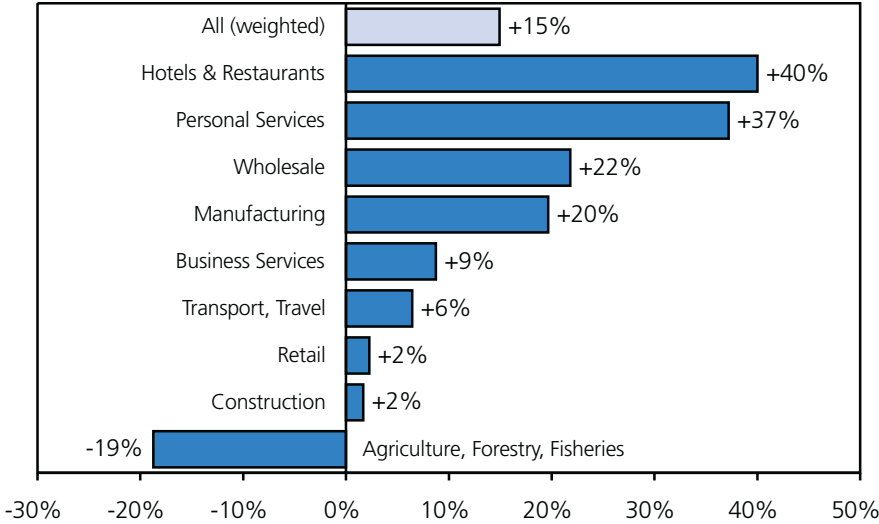
In recent surveys there has been a well-established trend that the youngest firms in this survey have had more success in increasing their sales over the past year than the oldest. However, the previous survey noted that the difference between the two groups had narrowed. Chart 2.2 shows that in this survey the most recently established firms have had less success in increasing their sales than those in operation for between 4 and 15 years. It could be that when the economy is growing strongly newly-established firms are best able to take advantage of new business opportunities. In a period of slowdown, however, they may be more vulnerable than older businesses.

Chart 2.2: Percentage balance of respondents reporting an increase in sales over past year - by age of business



# Performance: Comparison Across Business Sectors

Chart 2.3: Percentage balance of respondents reporting an increase in sales over past year - by sector



As in the previous survey, small firms in the hotels & restaurants sector have been most successful in increasing their sales over the past year. A balance of +40% report that their sales were higher in the second quarter of 2004 than in the second quarter of 2003 (Table 2.2). Official figures also showed very strong quarter-on-quarter growth in this sector of +2.1% in the second quarter. Small hoteliers and restaurateurs have now been among the top-two most positive sectors for the sales balance for over a year. There are also signs that they expect the strong performance in their sector to continue. The balances which increased employment, investment and prices are all higher than in the previous survey and the investment and prices balances are higher than in all other sectors (the employment balance is second highest).

Small firms in the health/education/leisure & other personal services sector also report strong sales growth in the second quarter. This is the only sector in which official figures show faster quarter-on-quarter growth for the second quarter (+3.4%) than hotels & restaurants. Firms in this sector, however, do not seem to be increasing capacity to cope with medium-term demand in the same way as hotels & restaurants. More small personal services firms cut the numbers they employ than recruited extra staff over the past year and as many cut investment as increased it.

Hotels & restaurants and personal services are the only two sectors where the sales balance is higher than in the previous survey.

Table 2.2: Change over past year in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	-19%	+19%	-19%	+6%	16
Manufacturing	+20%	+0%	+10%	+16%	117
Transport, Travel	+6%	+6%	-13%	+6%	31
Construction	+2%	+0%	-5%	+35%	60
Wholesale	+22%	+2%	+11%	+13%	55
Retail	+2%	-9%	-6%	+8%	88
Hotels & Restaurants	+40%	+17%	+17%	+57%	30
Business Services	+9%	+3%	-7%	+16%	183
Personal Services	+37%	-7%	+0%	+42%	43
All (weighted by sector)	+15%	+1%	-1%	+24%	623

The biggest turnaround in sales performance is in agriculture, where those which saw their sales fall in the year to the second quarter outnumber those which saw them rise by 19 percentage points. Agriculture is also the only small-firm sector in which official figures showed a fall in GDP in the second quarter<sup>4</sup>. Despite the fall in turnover, the (relatively few) agricultural firms taking part in the survey continued to hire new staff over the past year, the employment balance of +19% higher than in the other sectors.

After temporarily improving in the previous survey, the balance of small retailers reporting increased sales has fallen, making them, as six months ago, one of the least positive sectors. The improvement in manufacturing, however, has been largely maintained.



4 There was also a fall in the energy, gas and water supply sector, but this is dominated by large firms.



## Performance: Comparison Across Size Bands

Table 2.3: Change over past year in sales, employment, investment and selling prices by turnover

Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	-15%	-7%	-11%	+18%	94
£50,000-£99,999	+10%	+0%	-9%	+18%	94
£100,000-£249,999	+5%	-2%	-5%	+20%	132
£250,000-£499,999	+23%	-1%	+1%	+27%	110
£500,000-£999,999	+25%	+10%	+7%	+7%	89
£1m+	+36%	+9%	+13%	+23%	98
All (weighted by sector)	+15%	+1%	-1%	+24%	623

Tables 2.3 and 2.4 and Charts 2.4 and 2.5 show that, as has been the case for some years, the relatively larger firms taking part in our survey have been more successful than their smaller counterparts in increasing sales over the past year.

The firms with a turnover below £50,000 (and those where the proprietor or partners work on their own with no employees) have, on balance, seen their sales fall over the past year. Of those with a turnover of £250,000 or more or with at least 10 employees, far more have seen their sales improve over the past year than have seen them fall.

Table 2.3 shows that the balance of firms which have increased the amount they invest over the past year is clearly related to firm size. A balance of +13% of firms with a turnover of £1m or more have increased investment over the past year (though this is lower than the +32% in the previous survey). A majority of these relatively larger firms which have increased investment are manufacturers and wholesalers.

Table 2.4: Change over past year in sales, employment, investment and selling prices by employees

Number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	-11%	-11%	-1%	+26%	74
1-2	+5%	-3%	-7%	+11%	141
3-4	+2%	+3%	-15%	+11%	107
5-9	+13%	-9%	-2%	+22%	129
10-19	+39%	+13%	+19%	+27%	84
20+	+40%	+23%	+15%	+31%	84
All (weighted by sector)	+15%	+1%	-1%	+24%	623



Chart 2.4: Percentage balance of respondents reporting an increase in sales over past year - by turnover size band

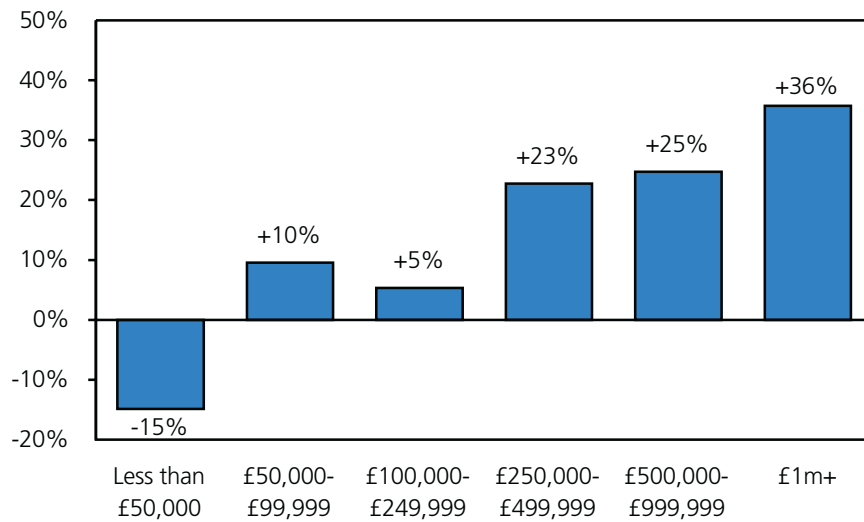
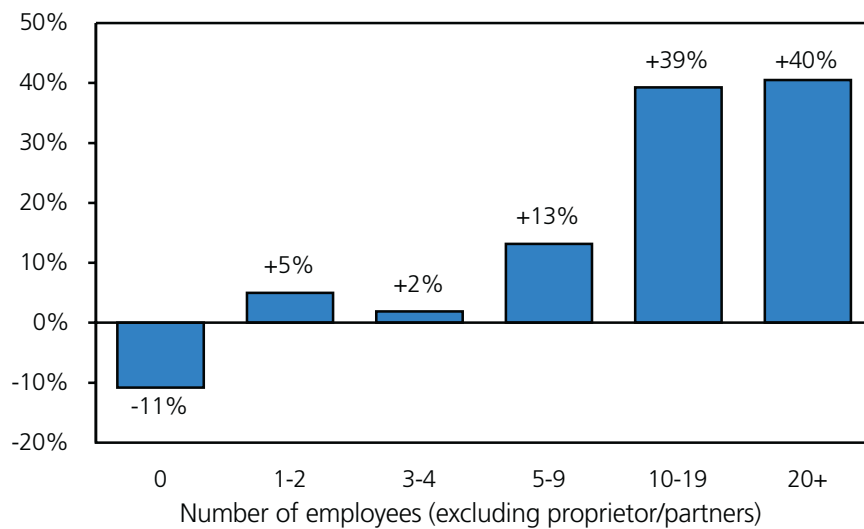
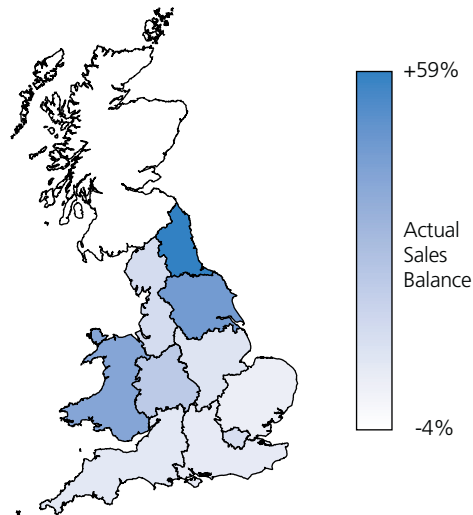


Chart 2.5: Percentage balance of respondents reporting an increase in sales over past year - by number of employees



## Performance: Comparison Across Regions

Chart 2.6: Percentage balance of respondents reporting an increase in sales over past year - by region



Small firms in Wales no longer report the most positive sales performance, as they had done for the past two surveys. In this survey, higher balances of their counterparts in the North East and adjacent Yorkshire & Humberside report increased sales over the past year.

Only in Scotland have more firms seen their sales fall over the past year than have seen them rise, though inflationary pressures there seem to remain strong, as they are in the North East, Yorkshire & Humberside and Wales.

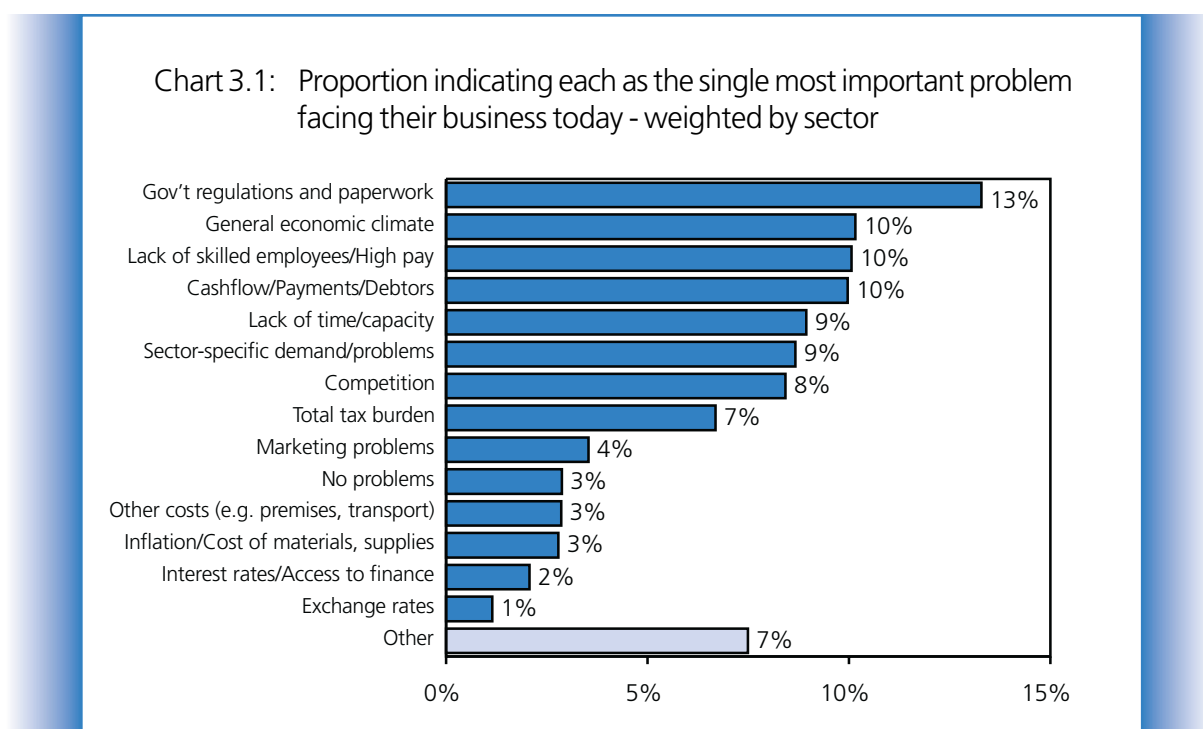
Table 2.5: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+59%	+35%	+29%	+35%	17
North West	+13%	+0%	-7%	+0%	56
Yorkshire & the Humber	+45%	-4%	+6%	+32%	47
East Midlands	+9%	+4%	+4%	+24%	46
West Midlands	+22%	-9%	+2%	+26%	46
East of England	+3%	-2%	+9%	+27%	86
London	+11%	+8%	-3%	+16%	62
South East	+6%	-3%	-6%	+2%	122
South West	+7%	+7%	-10%	+21%	71
Wales	+40%	+20%	+20%	+35%	20
Scotland	-4%	-11%	-16%	+40%	45



# Problems

*Government regulations and paperwork remains the top small business problem, though other issues have increased in relative importance and different sectors face different problems.*



Respondents were asked to select, from a list of fourteen, the most important problem facing their business on that day. Many firms face multiple problems, but we focus in this question on the single most important problem at the time.

## Government regulations and paperwork

Chart 3.1 and Table 3.1 (overleaf) show that government regulations and paperwork remains the top small business problem, as it has now been for a year. 13% of small business owner/managers indicated this is the most important problem facing their business. Table 3.1 and Chart 3.2, however, show that this is considerably lower than in the previous survey and the lowest in over a year. The Business Issue section of this

report has already examined the topic of regulations in depth. There is evidence that the act of asking respondents to consider the issue in detail may in fact cause them to be less likely to rate it as their top business problem. On four occasions this survey has asked about government regulations and on two occasions about skills shortages. In each case, the proportion of respondents indicating that the special topic issue was their top problem dipped and was lower than in both the preceding and following survey.

Government regulations and paperwork is a particular problem for small firms in agriculture, construction, business services and personal services (it is the top-ranked problem in the latter two sectors).

Table 3.1: Most important problem, current survey compared with recent quarters

	2003 Q3	2003 Q4	2004 Q1	2004 Q2	2004 Q3
Gov't regulations and paperwork	15%	18%	15%	20%	13%
General economic climate	18%	13%	11%	9%	10%
Lack of skilled employees/High pay	9%	8%	7%	9%	10%
Cashflow/Payments/Debtors	6%	7%	11%	8%	10%
Lack of time/capacity	10%	8%	8%	9%	9%
Sector-specific demand/problems	9%	9%	8%	8%	9%
Competition	6%	8%	9%	8%	8%
Total tax burden	9%	8%	9%	8%	7%
Marketing problems	3%	3%	3%	4%	4%
No problems	2%	3%	3%	3%	3%
Other costs (e.g. premises, transport)	1%	1%	2%	1%	3%
Inflation/Cost of materials, supplies	1%	1%	1%	2%	3%
Interest rates/Access to finance	1%	1%	2%	2%	2%
Exchange rates	1%	0%	2%	1%	1%
Other	7%	9%	8%	8%	7%

Chart 3.2: Selected most important problems

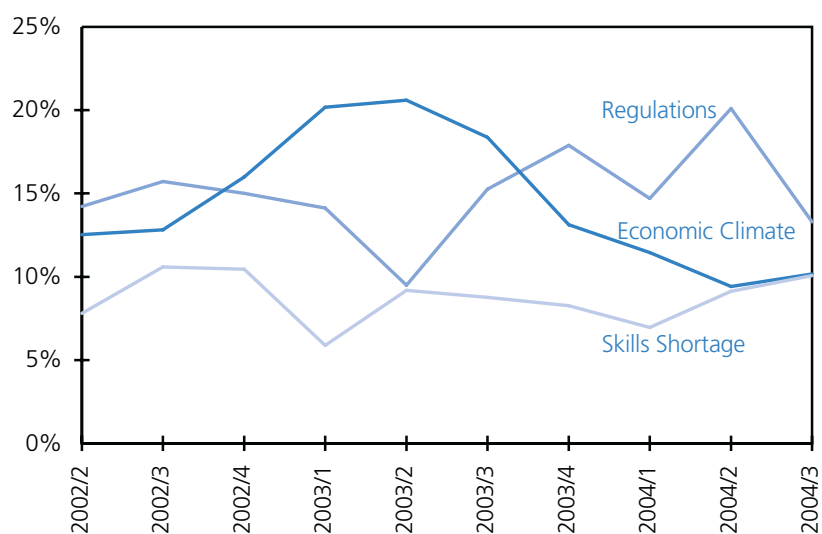


Table 3.2: Most important problem, by number of employees, excluding proprietor/partners

	0	1-2	3-4	5-9	10-19	20+
Gov't regulations and paperwork	5%	10%	13%	9%	21%	18%
General economic climate	14%	11%	13%	12%	5%	8%
Lack of time/capacity	14%	9%	13%	9%	11%	2%
Lack of skilled employees/High pay	1%	4%	4%	14%	15%	20%
Competition	12%	9%	11%	12%	2%	2%
Sector-specific demand/problems	8%	13%	8%	6%	6%	12%
Cashflow/Payments/Debtors	8%	11%	7%	9%	12%	10%
Total tax burden	5%	8%	7%	2%	8%	10%
Marketing problems	5%	4%	5%	7%	1%	5%
No problems	8%	6%	3%	0%	0%	1%
Interest rates/Access to finance	3%	1%	0%	3%	1%	4%
Inflation/Cost of materials, supplies	4%	1%	3%	2%	4%	2%
Other costs (e.g. premises, transport)	1%	1%	3%	3%	2%	0%
Exchange rates	0%	1%	3%	2%	1%	2%
Other (please specify)	8%	9%	7%	8%	8%	4%
No response	3%	2%	2%	0%	1%	0%
Sample	74	141	107	129	84	84

The proportions of firms citing the general economic climate or lack of skilled employees/high pay have both crept up from 9% to 10% (Table 3.1 and Chart 3.2). Table 3.3 shows that (consistent with findings on performance over the past year) the smallest firms are most likely to complain about the general economic climate, the largest most likely to have a skills shortage.

As in recent surveys, hotels & restaurants (which have most often been recruiting new employees) and construction firms (which have, on balance, not been recruiting new staff but which do have specific skills requirements) far more often firms in other sectors report that a lack of skills is their most important problem.

The problem of cashflow/payments/debtors has also risen to 10%, moving it up from seventh to fourth in the ranking of problems, though this is not the top-ranked problem in any particular business sector.

Lack of time/capacity has been overtaken in the overall rankings by a few other problems, but the proportion indicating this is their top problem is unchanged, at 9%. Table 3.2 shows that this is the joint top-ranked problem for the very smallest firms (those with no employees other than the proprietor or partners), along with the general economic climate. This indicates how these smallest of enterprises can be on a knife-edge between not having enough work and not having the resources to cope when demand does appear.

Although competition is only ranked seventh in the list of problems, it is top-ranked in the transport, wholesale and retail sectors, where in each case over 16% report that it the single most important problem facing their business.

# Prospects

*Britain's small firms are less optimistic than they were three months ago about their immediate prospects. Optimism is now at around the same level as at this time last year, though last year it was on an upward path while this time it is heading down. Optimism is up only for small hotels & restaurants.*

A balance of +15% of Britain's small firms expect their turnover to have been higher in the third quarter of 2004 than in the second quarter (Table 4.1). This is markedly lower than the balance of +24% in the previous survey which expected their turnover to increase during the second quarter. The balance is just below the +16% at this time last year (Chart 4.1). On that occasion though, optimism was improving, up by

three percentage points from the second quarter of 2003, while this time it is down by nine points.

As in the previous survey, 71% of small firms do not expect to have changed the numbers they employ during the third quarter. However, rather more than in the previous survey expect they will have had to lose staff and these are now only just outnumbered by those which will have recruited extra staff. The employment

Chart 4.1: Percentage balance of respondents expecting an increase in sales, employment, investment or selling prices (weighted figures)

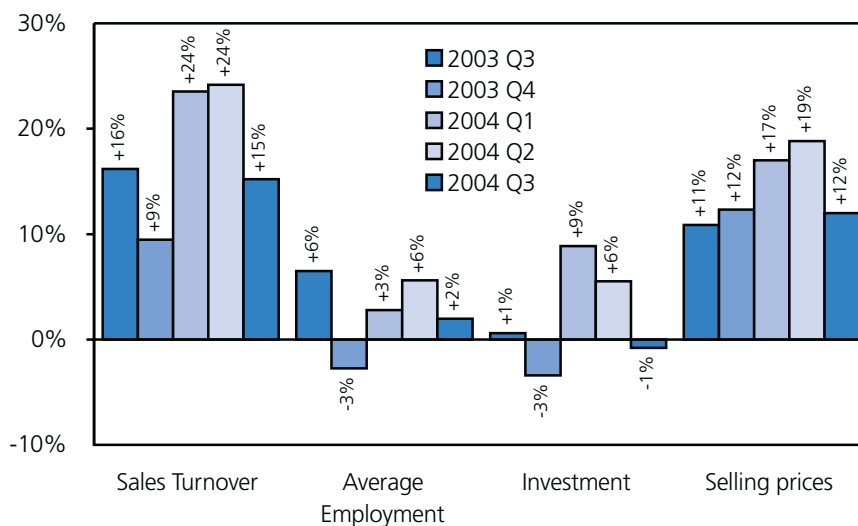


Table 4.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2004Q3 on 2004Q2) in:	Up	Down	Same	No response	Balance
Sales Turnover	41%	25%	33%	1%	+15%
Average Employment	14%	12%	71%	3%	+2%
Investment	17%	18%	60%	4%	-1%
Selling prices	22%	10%	65%	3%	+12%

balance has therefore fallen from +6% to +2%. This compares unfavourably with the position of a year ago, when the balance also stood at +6%. Although the balance was lower in the final quarter of last year not too much should be read into this as the final quarter is usually, for seasonal reasons, a low point for the employment balance.

Those small firms which expect to invest more during the third quarter are just outnumbered by those which expect to cut investment.

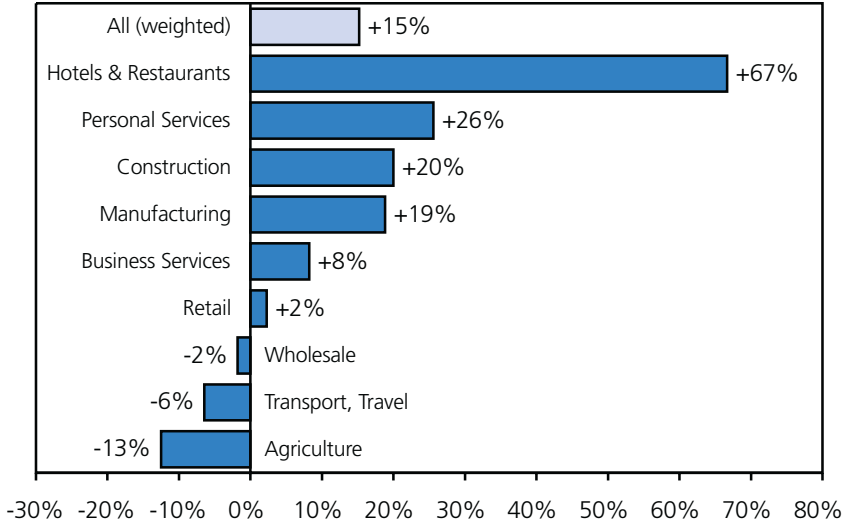
There are tentative signs that inflationary pressures may be reducing in the small firm sector. The balance of small firms expecting to increase their average selling prices during the quarter has fallen from its peak of +19% to +12%.





# Prospects: Comparison Across Business Sectors

Chart 4.2: Percentage balance of respondents expecting an increase in sales over current quarter - by sector



Small hoteliers & restaurateurs have consolidated their position as the most optimistic sector in terms of the balances expecting increases in sales, employment, investment and selling prices over the third quarter (Chart and Table 4.2). The sales balance of +58% in the previous survey was already the highest of all sectors and in this survey it has continued to increase, to +67%, while the balances in every other sector have fallen. The balance is 18 percentage points higher than at this time last year. Small firms in the hotels & restaurants sector have reported the strongest sales growth of any sector and seem to expect this to continue. Although the balances expecting to increase employment and investment are down a few percentage points compared with the previous survey, they remain much higher than those in the other sectors and higher than they were at this time last year. The balance of +40% expecting to increase their selling prices is the highest for over a year.

It has been noted that while small firms in the health/ education/leisure & other personal services sector are almost as likely as hotels & restaurants to report increased sales over the past year, they have less often increased employment or investment, suggesting less confidence about their prospects. This is supported by their expected sales balance of +26% which, while higher than in most other sectors, is well below the +67% for hotels & restaurants. The balance though is down by only two percentage points and is higher than at this time last year.



Table 4.2: Expected change over quarter in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	-13%	-6%	-38%	-19%	16
Manufacturing	+19%	-1%	+6%	+9%	117
Transport, Travel	-6%	+6%	+0%	+0%	31
Construction	+20%	+0%	-2%	+10%	60
Wholesale	-2%	-2%	+0%	+18%	55
Retail	+2%	-6%	-8%	+5%	88
Hotels & Restaurants	+67%	+27%	+13%	+40%	30
Business Services	+8%	+1%	-2%	+5%	183
Personal Services	+26%	+5%	+5%	+28%	43
All (weighted by sector)	+15%	+2%	-1%	+12%	623

In the previous survey, the balance of wholesalers which expected their sales to increase over the quarter rose sharply, leaving it well above the level of the previous year. In this survey the balance expecting an increase in the third quarter has fallen very sharply, from +38% to -2%. This is undoubtedly partly a seasonal effect - the sales balance for wholesalers has fallen in the third quarter in every one of the sixteen years that the survey has been running. However, the fall of 40 percentage points is considerably more than the largest previously recorded (26 points). The wholesale balance now is a little below its level of last year.

Worsening sentiment has spread further up the supply chain. The balance of small retailers expecting to increase sales has fallen from +19% to only +2%, considerably lower than the +13% at this time last year. Retailers are also among the most likely to expect to cut employment during the quarter.

The small agricultural firms taking part in the survey were the most likely to report falling sales over the past year and the misery looks set to continue as they are the most likely to expect their turnover to fall during the third quarter. They appear to be responding by cutting prices, investment and employment.

## Prospects: Comparison Across Size Bands

Table 4.3: Expected change in sales, employment, investment and selling prices by turnover size band

Annual turnover (excluding VAT)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Less than £50,000	+0%	-1%	-4%	+9%	94
£50,000-£99,999	+4%	-5%	-10%	+10%	94
£100,000-£249,999	+3%	+7%	-5%	+10%	132
£250,000-£499,999	+16%	-7%	-1%	+7%	110
£500,000-£999,999	+16%	+0%	+6%	+3%	89
£1m+	+38%	+11%	+11%	+18%	98
All (weighted by sector)	+15%	+2%	-1%	+12%	623

Tables and Charts 4.3 and 4.4 show a clear relationship in this survey between firm size (whether measured by turnover or by number of employees) and optimism about immediate sales prospects. Relatively larger firms are far more likely than their smaller counterparts to expect that their sales will have continued to improve during the third quarter of 2004. The pattern is less clear-cut with regard to employment prospects, however, with Tables 4.3 and 4.4 showing that mid-sized firms are the most likely to expect to have cut employment during the quarter.

Table 4.4: Expected change in sales, employment, investment and selling prices by employee size band

Number of employees (not including proprietor/partners)	Sales Turnover	Average Employment	Investment	Selling prices	Sample
0	+1%	-3%	-5%	+16%	74
1-2	-5%	-1%	-7%	+0%	141
3-4	+11%	-1%	-3%	+12%	107
5-9	+16%	+1%	-1%	+9%	129
10-19	+19%	-5%	+1%	+13%	84
20+	+42%	+17%	+17%	+17%	84
All (weighted by sector)	+15%	+2%	-1%	+12%	623



Chart 4.3: Percentage balance of respondents expecting an increase in sales, by turnover size band

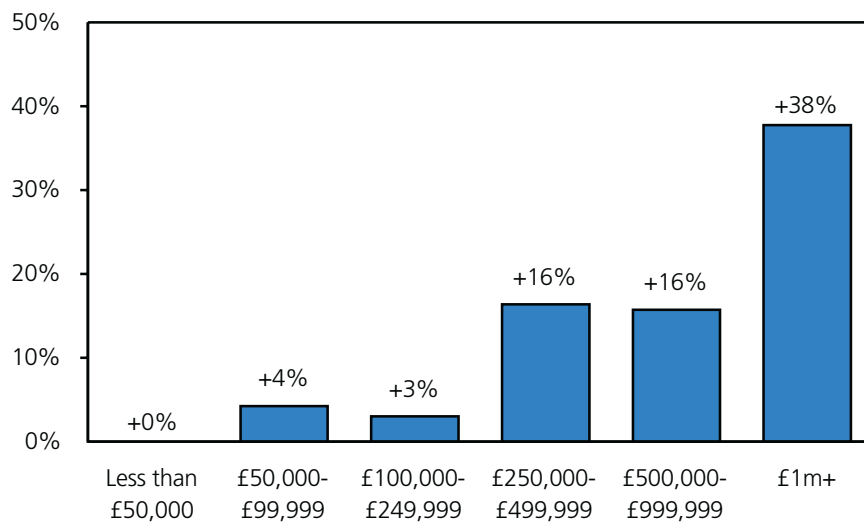
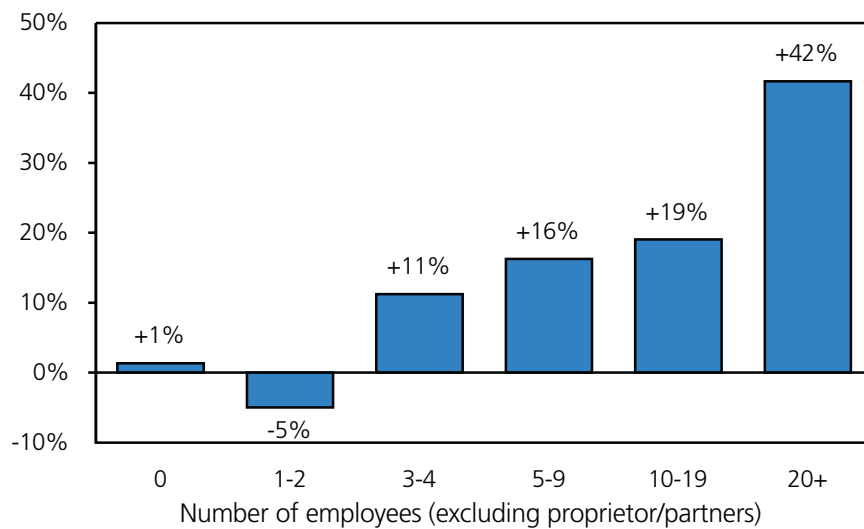


Chart 4.4: Percentage balance of respondents expecting an increase in sales, by employee size band



## Prospects: Comparison Across Regions

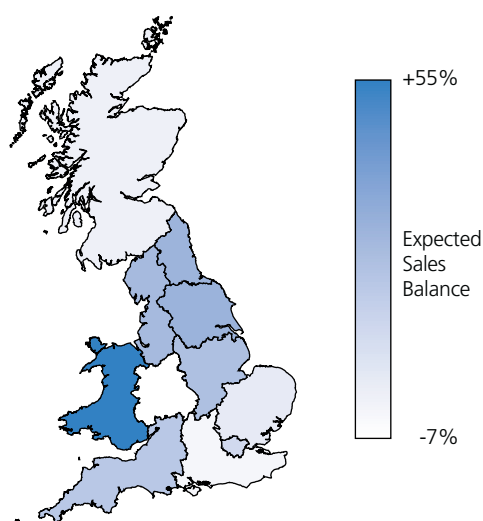
Table 4.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+29%	+6%	+12%	+24%	17
North West	+27%	+0%	-5%	+2%	56
Yorkshire & the Humber	+30%	-4%	-6%	+9%	47
East Midlands	+24%	+4%	+7%	+13%	46
West Midlands	-7%	+0%	-4%	+11%	46
East of England	+3%	-6%	+2%	+7%	86
London	+11%	+2%	-6%	+5%	62
South East	-2%	+0%	+7%	+3%	122
South West	+20%	+11%	-6%	+8%	71
Wales	+55%	+0%	+15%	+30%	20
Scotland	+0%	+0%	-16%	+27%	45

Although they slipped from top-ranked to third place in terms of sales performance over the past year, small firms in Wales have become most optimistic about their sales prospects for the third quarter.

Firms in the West Midlands and the South East which expect to see their sales fall outnumber those expecting a rise. In Scotland those expecting a rise are matched by those expecting a fall, giving a zero balance.

Chart 4.5: Percentage balance for the expected change in sales - by region





## How the survey is carried out

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Firms that respond to the survey are drawn from a wide range of sources. They reflect the complexity and richness of business life in Britain today. **Additions to the sample from individual small businesses and from business organizations are always welcome.**

It should be noted that the SERTeam survey is not a panel, nor is it fully random. It continuously recruits new members to reflect the national distribution of small firms; yet it also retains long time respondents to gauge changes over time.

Questionnaires for this survey were despatched from 17th September 2004 to 2,911 owners and managers of small businesses which had previously volunteered to take part, 825 by e-mail and the remainder by post.

By the cut-off date of 19th October, a total of 623 completed questionnaires had been received.

Note that where comparisons are made with 'earlier surveys', these refer to Volumes 1 to 18 of the NatWest/SBRT Quarterly Survey of Small Business in Britain.

Following the well-established practice of the CBI in its **Industrial Trends Survey**, a summary statistic, the **balance**, is used to monitor the responses to key questions. The balance is the percentage of respondents replying 'up' minus the percentage replying 'down' (we ignore, for this purpose, the percentage replying 'same').

The key balances for the questions on performance, expectations and problems are split by industrial sector and re-weighted according to the national sectoral small firm distribution, using DTI estimates of total employment by firms with fewer than 50 employees. In earlier surveys results for previous years were re-weighted as DTI estimates for those years became available. To avoid continuous revisions figures are now weighted by the latest figures available (currently 2003) and not revised. The aim of the weighting is to ensure that the results are as representative as possible of the business population in Britain. (Between 1989 and 1995 results were weighted by the sectoral distribution of all VAT-registered businesses and prior to 1989 they were unweighted.)

Please note, however, that other breakdowns by industrial sector, region and firm size and the tables in the special topic section use unweighted data and are not seasonally adjusted.

The survey reports in each issue on changes in sales, employment, investment and prices and on the ranking of most important problems experienced by small firms. The percentage balances for sales, employment, investment and prices are shown in Appendix Table A.1. In addition, each issue covers one or more special topics, designed to contribute to knowledge about small business in Britain.

# Survey Details

## Historical Tables

Table A.1: Actual and expected changes, percentage balance

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter					
			Sales		Investment		Sales		Employment		Investment Prices	
			Employment	Prices	U	S	U	S	U	U		
Vol.1 No.1a	3,056	1984/3	+34.7%	+10.5%	-	-	+21.2%	+23.1%	+3.3%	+5.2%	-	-
Vol.1 No.1b	1,795	1984/4	+32.6%	+10.4%	-	-	+9.5%	+17.7%	+0.9%	+3.9%	-	-
Vol.1 No.2	1,181	1985/1	+33.4%	+17.6%	-	-	+16.9%	+9.4%	+9.5%	+7.1%	-	-
Vol.1 No.3	1,090	1985/2	+34.4%	+11.2%	-	-	+31.4%	+28.8%	+5.3%	+2.8%	-	-
Vol.1 No.4	1,072	1985/3	+37.4%	+12.1%	-	-	+26.2%	+28.1%	+5.3%	+7.2%	-	-
Vol.2 No.1	1,326	1985/4	+41.4%	+12.6%	-	-	+9.8%	+18.0%	+5.3%	+8.3%	-	-
Vol.2 No.2	1,052	1986/1	+33.6%	+11.6%	-	-	+31.1%	+23.6%	+5.6%	+3.2%	-	-
Vol.2 No.3	1,285	1986/2	+35.5%	+14.2%	-	-	+29.6%	+27.0%	+11.9%	+9.4%	-	-
Vol.2 No.4	1,435	1986/3	+39.7%	+15.2%	-	-	+22.3%	+24.2%	+6.0%	+7.9%	-	-
Vol.3 No.1	1,116	1986/4	+40.0%	+13.4%	-	-	+17.0%	+25.2%	+4.6%	+7.6%	-	-
Vol.3 No.2	1,746	1987/1	+40.2%	+15.2%	-	-	+39.7%	+32.2%	+15.1%	+12.7%	-	-
Vol.3 No.3	1,113	1987/2	+44.7%	+23.1%	-	-	+36.8%	+34.2%	+13.2%	+10.7%	-	-
Vol.3 No.4	977	1987/3	+44.8%	+17.6%	-	-	+28.8%	+30.7%	+10.0%	+11.9%	-	-
Vol.4 No.1	1,042	1987/4	+52.7%	+23.4%	-	-	+31.4%	+39.6%	+10.5%	+13.5%	-	-
Vol.4 No.2	933	1988/1	+52.7%	+19.3%	-	-	+46.7%	+39.2%	+15.3%	+12.9%	-	-
Vol.4 No.3	983	1988/2	+55.0%	+22.0%	-	-	+47.9%	+45.3%	+19.1%	+16.6%	-	-
Vol.4 No.4	950	1988/3	+54.9%	+22.3%	-	-	+34.4%	+36.3%	+13.3%	+15.2%	-	-
Vol.5 No.1A	1,523	1988/4	+49.2%	+15.1%	-	-	+25.6%	+33.8%	+5.7%	+8.7%	-	-
Vol.5 No.2	947	1989/1	+38.8%	+18.1%	-	-	+18.6%	+11.1%	+5.6%	+3.2%	-	-
Vol.5 No.3	2,274	1989/2	+41.1%	+16.7%	-	-	+30.8%	+28.2%	+10.4%	+7.9%	-	-
Vol.5 No.4	795	1989/3	+33.5%	+18.3%	-	-	+20.2%	+22.1%	+7.4%	+9.3%	-	-
Vol.6 No.1	1,091	1989/4	+29.9%	+10.5%	-	-	+10.6%	+18.8%	+0.9%	+3.9%	-	-
Vol.6 No.2	1,384	1990/1	+31.4%	+9.9%	-	-	+24.4%	+17.0%	+3.5%	+1.1%	-	-
Vol.6 No.3	1,043	1990/2	+22.3%	+4.8%	-	-	+14.7%	+12.1%	+0.9%	-1.7%	-	-
Vol.6 No.4	1,312	1990/3	+18.2%	+3.5%	-	-	+3.6%	+5.5%	-4.1%	-2.1%	-	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-	-16.0%	-7.8%	-14.4%	-11.4%	-	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	-	+12.3%	+4.9%	-7.6%	-10.0%	-15.0%	-
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-	-5.2%	-7.8%	-11.5%	-14.1%	-20.6%	-
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-	-1.0%	+0.9%	-17.5%	-15.5%	-15.1%	-
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-	-9.4%	-1.2%	-16.9%	-13.9%	-13.3%	-
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	-	+19.5%	+12.0%	-5.5%	-7.9%	-6.8%	-
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	-	+4.2%	+1.6%	-5.9%	-8.4%	-11.8%	-
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-	-6.2%	-4.3%	-17.7%	-15.8%	-24.1%	-
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-	-4.0%	+4.3%	-10.7%	-7.7%	-13.1%	-
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	-	+23.5%	+16.0%	+0.7%	-1.7%	-0.8%	-
Vol.9 No.3	1,310	1993/2	+0.9%	-7.9%	-7.4%	-	+19.1%	+16.4%	+4.3%	+1.7%	-0.5%	-
Vol.9 No.4	1,076	1993/3	+8.3%	-1.6%	-7.0%	-	+14.7%	+16.6%	-3.4%	-1.4%	-4.5%	-
Vol.10 No.1	1,295	1993/4	+13.8%	+3.5%	-3.3%	-	+15.1%	+23.4%	-0.2%	+2.8%	+3.3%	-
Vol.10 No.2	861	1994/1	+3.6%	-4.3%	-3.8%	-	+23.0%	+15.5%	-1.1%	-3.5%	+3.7%	-
Vol.10 No.3	2,327	1994/2	+16.2%	+0.8%	-3.3%	-	+18.4%	+15.8%	+1.6%	-0.9%	-2.2%	-
Vol.10 No.4	1,046	1994/3	+20.3%	+7.6%	+0.6%	-	+14.6%	+16.5%	-0.2%	+1.7%	+1.9%	-
Vol.11 No.1B	983	1994/4	+20.6%	+2.1%	+4.1%	-	+17.2%	+25.4%	+3.7%	+6.7%	+2.4%	-
Vol.11 No.2	1,295	1995/1	+18.2%	+3.2%	+1.4%	-	+27.8%	+20.3%	+5.7%	+3.4%	+5.0%	-
Vol.11 No.3	669	1995/2	+18.0%	+3.2%	+1.1%	-	+18.6%	+15.9%	+4.3%	+1.8%	-1.5%	-
Vol.11 No.4	1,047	1995/3	+13.1%	+3.3%	+3.1%	-	+14.0%	+15.9%	-1.9%	+0.1%	-2.1%	-

continued ...

Table A.1: Actual and expected changes, percentage balance (continued)

Survey	Sample Size	Past Quarter Date	Actual Change, past quarter compared with same quarter last year				Expected Change, next quarter compared to past quarter					
			Sales	Investment	Prices		Sales		Employment		Investment	Prices
			Employment	U			S	U	S	U	U	
Vol.12 No.1	700	1995/4	+10.0%	-2.9%	+1.9%	-	+2.6%	+10.8%	-6.7%	-3.7%	-5.2%	-
Vol.12 No.2	1,099	1996/1	+14.2%	+2.5%	+1.0%	-	+20.7%	+13.3%	+1.9%	-0.5%	-2.8%	-
Vol.12 No.3	742	1996/2	+10.5%	+3.9%	+5.1%	-	+16.1%	+13.4%	+3.3%	+0.8%	-2.7%	-
Vol.12 No.4	753	1996/3	+23.1%	+8.9%	+7.2%	-	+24.3%	+26.2%	+5.1%	+7.1%	+6.1%	-
Vol.13 No.1	912	1996/4	+20.4%	+9.8%	+10.9%	-	+17.4%	+25.6%	+4.8%	+7.7%	+7.2%	-
Vol.13 No.2	720	1997/1	+13.6%	+2.0%	+9.9%	-	+27.7%	+20.3%	+8.6%	+6.3%	+7.0%	-
Vol.13 No.3	909	1997/2	+18.0%	+5.3%	+5.2%	-	+22.2%	+19.5%	+7.3%	+4.7%	+2.4%	-
Vol.13 No.4	634	1997/3	+21.5%	+12.1%	+10.7%	-	+24.1%	+26.0%	+3.9%	+5.8%	+3.8%	-
Vol.14 No.1	783	1997/4	+21.1%	+1.7%	+10.4%	-	+12.8%	+21.0%	-0.7%	+2.3%	+3.9%	-
Vol.14 No.2	1,273	1998/1	+19.3%	+3.0%	+12.4%	-	+21.3%	+13.8%	+3.9%	+1.5%	+2.2%	-
Vol.14 No.3	682	1998/2	+9.0%	+5.0%	+5.0%	-	+10.3%	+7.6%	+5.6%	+3.1%	+2.0%	-
Vol.14 No.4	654	1998/3	-2.5%	-0.4%	+4.6%	+10.0%	+3.0%	+4.9%	-2.9%	-1.0%	-8.0%	+0.5%
Vol.15 No.1	601	1998/4	+5.9%	+0.5%	+2.8%	+9.3%	-5.0%	+3.2%	-2.9%	+0.1%	-5.7%	+5.6%
Vol.15 No.2	619	1999/1	+6.9%	-2.3%	+3.4%	+15.7%	+20.8%	+13.3%	+4.4%	+2.0%	+1.3%	+14.6%
Vol.15 No.3	507	1999/2	-4.9%	-4.3%	-2.7%	+8.5%	+6.8%	+4.2%	+0.1%	-2.4%	-5.0%	+4.8%
Vol.15 No.4	1,121	1999/3	+9.2%	-2.0%	+2.5%	+13.7%	+11.4%	+13.3%	-0.7%	+1.3%	+0.1%	+5.8%
Vol.16 No.1	812	1999/4	+9.3%	-4.2%	+1.8%	+16.0%	+6.4%	+14.6%	-2.5%	+0.5%	+1.9%	+15.2%
Vol.16 No.2	866	2000/1	+9.6%	-2.6%	+2.2%	+16.9%	+22.6%	+15.1%	+5.4%	+3.0%	+2.8%	+14.0%
Vol.16 No.3	758	2000/2	+2.1%	+0.5%	-1.5%	+17.0%	+11.7%	+9.0%	+3.0%	+0.5%	-1.2%	+9.2%
Vol.16 No.4	803	2000/3	+5.0%	-5.0%	+3.1%	+15.3%	+6.3%	+8.2%	-2.7%	-0.7%	-0.7%	+12.4%
Vol.17 No.1	726	2000/4	+8.6%	-0.5%	+4.3%	+16.7%	+3.7%	+11.9%	+0.5%	+3.4%	+3.7%	+16.3%
Vol.17 No.2	856	2001/1	+3.2%	-3.3%	+1.9%	+18.7%	+12.1%	+4.6%	+1.7%	-0.7%	-2.8%	+16.2%
Vol.17 No.3	720	2001/2	+4.9%	-1.4%	+3.1%	+22.4%	+9.5%	+6.8%	+1.2%	-1.3%	-2.2%	+14.2%
Vol.17 No.4	705	2001/3	+5.3%	+0.3%	+3.9%	+18.2%	+3.7%	+5.6%	-2.9%	-0.9%	-5.4%	+6.2%
Vol.18 No.1	654	2001/4	+2.5%	-4.2%	-3.0%	+13.6%	-2.3%	+5.9%	-2.0%	+1.0%	-7.1%	+10.0%
Vol.18 No.2 old	675	2002/1	+5.4%	-2.7%	-2.7%	+14.6%	+20.0%	+12.6%	+5.8%	+3.4%	+2.3%	+11.9%
Vol.18 No.2	1,168	2002/1	+14.7%	+1.2%	+1.4%	+13.1%	+31.0%	-	+8.1%	-	+4.2%	+14.3%
Vol.18 No.3	1,078	2002/2	+22.9%	+8.5%	+7.0%	+22.6%	+24.5%	-	+10.7%	-	+5.9%	+15.2%
Vol.18 No.4	1,074	2002/3	+17.2%	+4.1%	+0.1%	+16.8%	+13.7%	-	-1.2%	-	-4.0%	+7.9%
Vol.19 No.1	922	2002/4	+15.5%	+2.7%	-5.8%	+19.5%	+3.2%	-	-6.2%	-	-10.9%	+11.4%
Vol.19 No.2	851	2003/1	+9.0%	-4.7%	-10.7%	+17.2%	+13.3%	-	+2.4%	-	-3.9%	+11.3%
Vol.19 No.3	784	2003/2	+15.4%	+1.6%	+5.8%	+24.6%	+16.2%	-	+6.5%	-	+0.6%	+10.9%
Vol.19 No.4	687	2003/3	+10.1%	-3.0%	+2.7%	+23.8%	+9.5%	-	-2.7%	-	-3.4%	+12.3%
Vol.20 No.1	808	2003/4	+27.2%	+7.3%	+15.0%	+22.3%	+23.5%	-	+2.8%	-	+8.9%	+17.0%
Vol.20 No.2	739	2004/1	+23.1%	+1.3%	+7.2%	+27.0%	+24.2%	-	+5.6%	-	+5.5%	+18.8%
Vol.20 No.3	623	2004/2	+14.9%	+0.8%	-1.4%	+23.8%	+15.2%	-	+2.0%	-	-0.8%	+12.0%

Notes: Because the balances referring to the expected sales turnover and employment in the next quarter have a pronounced seasonal trend we have also constructed seasonally-adjusted figures for these balances. These are listed in Appendix Table A.1 above. The breakdowns by size, sector and region are not seasonally adjusted, neither are the figures in Table 1.1.

a, b – The results from two surveys were published in Vol. 1 No. 1

A – From Vol. 5 No. 1, results were weighted to the sectoral distribution according to VAT statistics.

B – From Vol. 11 No. 1, results are weighted to the sectoral distribution of employment in firms with under 50 employees according to DTI statistics.

Key: U – Unadjusted, S – Seasonally adjusted

Table A.2: Most important problem, historical series

	Inflation	Interest Rates	Access to Finance	Lack of Skilled Employees	Total Tax Burden	Low T/Over or Lack of Business	Competition from Big Business	Govt Regs and Paperwork	High Rates of Pay	Shortage of Materials, Supplies etc.	Internal Management Difficulties	Cashflow/ Payments/ Debtors	Premises, Rents, Rates	Other	No Response	Number of Replies Analysed
1984/4	3.5%	17.1%	-	5.4%	15.9%	15.3%	12.0%	12.6%	4.2%	1.1%	-	-	-	10.9%	1.4%	3,056
1985/1	3.8%	19.4%	-	4.4%	15.9%	14.5%	10.0%	15.7%	3.4%	1.3%	-	-	-	9.5%	1.5%	1,795
1985/2	5.0%	22.1%	-	4.3%	16.1%	14.3%	10.8%	12.5%	2.4%	1.3%	-	-	-	9.1%	1.5%	1,181
1985/3	2.0%	23.6%	-	4.9%	12.8%	13.8%	11.2%	13.1%	3.7%	1.9%	-	-	-	8.6%	3.8%	1,090
1985/4	2.2%	24.0%	-	5.6%	16.6%	15.7%	11.0%	10.2%	2.0%	0.9%	-	-	-	9.2%	2.0%	1,072
1986/1	3.0%	21.4%	-	7.2%	17.1%	14.4%	11.7%	9.6%	2.0%	1.8%	-	-	-	9.9%	1.3%	1,326
1986/2	1.7%	29.9%	-	7.3%	16.3%	12.6%	9.1%	9.9%	2.2%	1.2%	-	-	-	9.4%	0.6%	1,052
1986/3	0.9%	21.3%	-	7.3%	16.6%	17.0%	11.5%	7.3%	1.4%	0.9%	-	-	-	13.7%	2.0%	1,285
1986/4	1.1%	25.0%	-	7.2%	17.7%	14.7%	11.8%	6.8%	1.3%	1.3%	-	-	-	10.0%	3.1%	1,435
1987/1	0.9%	26.4%	-	8.0%	16.0%	13.0%	12.0%	7.4%	1.6%	1.3%	-	-	-	9.1%	4.2%	1,166
1987/2	1.0%	23.7%	-	9.6%	17.7%	12.0%	10.7%	7.6%	2.6%	1.5%	-	-	-	10.3%	3.3%	1,746
1987/3	1.1%	20.3%	-	11.8%	17.9%	12.9%	11.5%	6.6%	1.9%	2.2%	-	-	-	10.5%	3.5%	1,113
1987/4	1.1%	18.0%	-	11.1%	21.3%	13.0%	12.5%	6.3%	1.3%	1.3%	-	-	-	9.6%	4.5%	977
1988/1	0.7%	21.6%	-	11.1%	20.1%	9.6%	11.4%	6.1%	2.3%	1.9%	-	-	-	14.9%	0.3%	1,042
1988/2	1.0%	19.4%	-	12.7%	15.5%	10.2%	14.4%	8.0%	1.8%	2.3%	-	-	-	13.7%	1.4%	933
1988/3	2.8%	17.6%	-	17.7%	13.7%	11.3%	11.4%	8.3%	2.4%	2.7%	-	-	-	11.4%	2.4%	983
1988/4	0.9%	25.5%	-	16.9%	12.5%	8.7%	10.4%	6.0%	1.3%	3.3%	-	-	-	10.6%	1.9%	950
1989/1A	5.3%	23.4%	-	16.4%	11.1%	5.7%	5.9%	7.2%	1.4%	0.3%	-	-	-	19.0%	4.3%	1,523
1989/2	6.3%	28.4%	-	14.0%	12.2%	13.1%	6.0%	5.2%	1.0%	0.8%	-	-	-	14.5%	4.7%	947
1989/3	6.1%	32.9%	-	13.3%	7.1%	13.1%	5.9%	5.9%	1.5%	0.5%	-	-	-	12.1%	1.6%	2,274
1989/4	6.9%	39.2%	-	10.4%	5.4%	12.9%	4.7%	5.1%	1.1%	0.6%	-	-	-	12.2%	1.4%	795
1990/1	4.2%	31.3%	3.1%	6.7%	5.3%	13.3%	-	5.5%	2.5%	0.7%	0.6%	11.5%	8.4%	5.3%	1.7%	1,091
1990/2	6.7%	27.9%	3.2%	7.8%	2.9%	14.6%	-	5.6%	1.5%	0.3%	1.6%	13.6%	6.6%	8.2%	1.4%	1,384
1990/3	4.3%	29.9%	3.6%	6.4%	3.7%	14.7%	3.1%	4.3%	1.6%	0.0%	1.9%	13.6%	4.8%	5.5%	2.5%	1,043
1990/4	7.5%	26.6%	2.3%	5.7%	4.4%	18.9%	3.8%	5.6%	0.2%	0.3%	0.8%	8.6%	4.7%	7.9%	1.9%	1,250
1991/1	6.0%	29.4%	2.7%	3.4%	4.2%	21.1%	2.6%	5.6%	0.9%	0.5%	0.8%	11.4%	4.2%	5.5%	1.9%	1,239
1991/2	4.0%	21.2%	4.3%	2.9%	4.7%	25.2%	2.9%	4.0%	0.4%	0.4%	0.6%	14.9%	7.1%	6.0%	1.0%	984
1991/3	3.3%	15.0%	3.0%	2.3%	4.7%	37.5%	2.4%	6.7%	1.2%	0.3%	1.2%	11.0%	3.3%	6.7%	1.5%	1,718
1991/4	1.2%	7.5%	4.6%	4.5%	4.1%	38.1%	3.4%	3.9%	0.7%	0.3%	1.3%	13.2%	5.7%	10.7%	0.8%	835
1992/1	2.0%	9.1%	5.2%	2.1%	5.6%	36.3%	3.2%	5.6%	0.5%	0.4%	1.2%	15.8%	4.0%	7.1%	1.8%	1,684
1992/2	2.2%	11.6%	4.4%	3.4%	5.4%	43.3%	4.5%	5.3%	0.4%	0.3%	1.1%	13.4%	5.0%	7.4%	1.3%	1,359
1992/3	1.6%	7.6%	3.9%	2.9%	5.1%	43.3%	2.1%	8.1%	0.3%	1.0%	0.8%	13.5%	3.0%	5.9%	0.8%	1,527
1992/4	1.0%	8.8%	3.6%	1.6%	6.0%	44.3%	4.0%	8.0%	0.5%	0.3%	0.2%	11.5%	3.0%	5.2%	2.0%	921
1993/1	0.6%	3.7%	3.2%	3.2%	4.1%	47.7%	3.0%	6.2%	0.3%	1.2%	0.6%	13.1%	2.9%	8.4%	1.8%	1,339
1993/2	0.5%	1.4%	5.4%	3.3%	5.4%	43.1%	4.0%	7.6%	0.5%	0.7%	1.6%	14.3%	2.9%	7.4%	1.6%	1,021
1993/3	0.4%	2.1%	5.5%	4.5%	5.4%	41.2%	4.2%	12.6%	0.3%	0.7%	0.9%	10.9%	3.7%	5.9%	1.6%	1,310
1993/4	1.0%	2.8%	6.9%	3.0%	6.5%	36.8%	4.3%	10.0%	0.3%	0.6%	2.5%	15.5%	3.3%	4.6%	2.0%	1,076
1994/1	0.6%	1.9%	5.5%	4.2%	6.8%	34.1%	6.9%	11.0%	0.1%	0.6%	1.1%	14.4%	4.1%	6.9%	1.7%	1,295
1994/2	1.1%	1.6%	3.8%	5.4%	7.0%	35.3%	5.2%	13.9%	0.1%	0.4%	1.4%	14.0%	3.2%	6.4%	1.3%	861
1994/3	0.9%	1.5%	3.6%	4.9%	5.9%	37.7%	5.9%	9.7%	0.9%	0.8%	2.1%	13.3%	3.1%	7.6%	2.0%	2,327
1994/4	1.1%	1.2%	4.7%	4.8%	6.4%	35.7%	6.3%	10.4%	0.1%	1.1%	1.6%	12.5%	3.8%	7.6%	2.5%	1,046
1995/1B	0.8%	2.7%	4.0%	6.1%	6.2%	37.7%	6.9%	6.7%	0.6%	1.1%	3.0%	12.5%	2.0%	7.4%	2.2%	983
1995/2	1.2%	2.0%	3.4%	5.1%	6.9%	36.7%	6.1%	8.0%	0.6%	0.9%	2.7%	12.2%	3.8%	9.4%	1.0%	1,295
1995/3	1.1%	3.8%	4.2%	4.0%	6.8%	37.6%	8.8%	7.1%	0.5%	0.5%	1.1%	11.4%	5.9%	6.8%	0.4%	669
1995/4	1.1%	0.8%	3.4%	6.0%	6.0%	39.1%	6.3%	9.1%	0.7%	0.3%	2.4%	12.0%	2.8%	9.3%	0.9%	1,047

continued ...

Table A.2: Most important problem, historical series (continued)

	Inflation	Interest Rates	Access to Finance	Lack of Skilled Employees	Total Tax Burden	Low Turnover or Lack of Business	Competition from Big Business	Govt Regs and Paperwork	High Rates of Pay	Shortage of Materials, Supplies etc.	Internal Management Difficulties	Cashflow/ Payments/ Debtors	Premises, Rents, Rates	Other	No Response	Number of Replies Analysed
1996/1	2.2%	0.6%	3.3%	4.5%	6.5%	38.2%	6.7%	5.1%	0.3%	0.7%	1.7%	12.8%	3.7%	11.5%	2.1%	700
1996/2	0.4%	0.7%	2.6%	4.4%	6.5%	36.6%	6.1%	8.8%	0.4%	0.5%	2.6%	13.1%	3.4%	13.1%	1.0%	1,099
1996/3	0.2%	0.7%	3.7%	6.1%	6.3%	31.8%	8.1%	8.6%	0.3%	0.5%	1.4%	12.2%	4.9%	14.3%	1.2%	742
1996/4	0.6%	1.0%	2.5%	7.6%	6.5%	34.6%	7.5%	10.3%	0.4%	0.2%	2.5%	9.5%	4.2%	11.6%	1.0%	753
1997/1	0.3%	1.4%	2.9%	8.2%	6.6%	29.9%	7.4%	10.8%	0.3%	0.5%	2.1%	14.6%	3.9%	10.2%	1.0%	912
1997/2	0.1%	1.2%	2.0%	9.5%	5.1%	31.9%	7.2%	10.5%	1.4%	0.3%	2.5%	11.2%	3.5%	12.6%	1.1%	720
1997/3	0.2%	2.7%	3.4%	8.1%	8.1%	27.6%	9.2%	10.3%	0.5%	0.5%	2.0%	10.5%	5.3%	11.1%	0.5%	909
1997/4	0.7%	1.9%	2.5%	12.1%	5.6%	29.4%	7.0%	10.9%	0.6%	0.6%	2.5%	10.3%	4.9%	9.7%	1.3%	634
1998/1	0.2%	3.4%	1.8%	8.9%	5.8%	27.7%	8.1%	11.8%	0.9%	0.5%	1.6%	12.1%	3.4%	12.6%	1.3%	783
1998/2	0.2%	3.4%	2.9%	10.1%	5.0%	25.6%	8.2%	8.4%	1.1%	0.3%	1.9%	10.7%	3.2%	18.1%	0.9%	1,273
1998/3	1.8%	3.4%	2.2%	7.7%	5.0%	29.3%	6.3%	9.6%	0.8%	0.1%	2.6%	9.7%	4.9%	16.0%	0.7%	682
1998/4	0.8%	6.3%	1.8%	9.7%	7.1%	30.8%	7.6%	6.1%	1.4%	0.7%	1.6%	10.5%	2.0%	13.0%	0.6%	654
1999/1	0.1%	1.7%	1.9%	8.9%	7.2%	31.0%	5.3%	11.1%	1.1%	0.9%	1.9%	8.3%	4.3%	15.2%	1.1%	601
1999/2	0.2%	1.0%	1.2%	8.0%	6.3%	31.6%	7.6%	14.8%	1.1%	0.1%	1.0%	9.2%	3.9%	12.9%	1.0%	619
1999/3	0.1%	0.7%	2.8%	11.2%	7.7%	25.3%	8.0%	13.6%	2.1%	0.9%	3.3%	8.2%	4.4%	10.2%	1.5%	507
1999/4	0.4%	0.8%	2.9%	11.4%	6.1%	26.3%	7.3%	14.2%	1.1%	0.5%	2.0%	9.6%	3.9%	12.6%	0.9%	1,121
2000/1	0.3%	1.0%	1.7%	9.5%	6.4%	26.2%	8.7%	18.6%	1.4%	0.3%	2.2%	8.8%	3.7%	10.4%	0.6%	812
2000/2	0.3%	1.6%	1.3%	8.7%	6.7%	25.9%	6.3%	19.0%	1.4%	1.1%	1.8%	7.2%	3.3%	14.9%	0.6%	866
2000/3	0.3%	0.8%	2.2%	12.2%	7.3%	26.7%	6.3%	12.5%	1.4%	1.1%	2.4%	9.6%	2.8%	12.6%	1.9%	758
2000/4	0.4%	0.7%	1.6%	7.9%	7.2%	27.4%	6.9%	15.7%	0.8%	0.9%	1.4%	10.2%	4.1%	14.3%	0.4%	803
2001/1	0.1%	0.4%	2.0%	11.1%	6.7%	31.4%	6.3%	14.4%	0.8%	0.3%	1.9%	9.2%	2.8%	10.9%	1.8%	726
2001/2	0.2%	0.8%	1.3%	10.8%	7.9%	27.2%	5.9%	15.4%	2.7%	0.4%	2.6%	7.0%	3.2%	13.7%	1.0%	856
2001/3	0.0%	0.0%	0.7%	13.5%	9.6%	30.0%	6.4%	13.8%	0.8%	0.4%	1.2%	7.3%	3.1%	12.8%	0.5%	705
2001/4	0.1%	0.0%	2.0%	11.7%	6.7%	27.4%	5.2%	16.5%	1.3%	0.5%	1.1%	8.2%	2.9%	15.0%	1.3%	705
2002/1	0.3%	0.5%	1.7%	7.8%	8.9%	28.5%	5.1%	15.2%	0.7%	0.2%	1.0%	8.4%	3.4%	16.8%	1.5%	654

Table A.3: Most important problem, 2002Q2 onwards

	General economic climate	Sector-specific demand/problems	Marketing problems	Interest rates/ Access to finance	Inflation/ Cost of materials, supplies	Other costs (e.g. premises, transport)	Exchange rates	Cashflow/ Payments/ Debtors	Govt regulations and paperwork	Lack of skilled employees/ High pay	Total tax burden	Lack of time/ capacity	No problems	Other (please specify)	No response	Sample
2002/2	13%	7%	4%	2%	1%	2%	2%	10%	14%	8%	7%	8%	3%	12%	1%	1,168
2002/3	13%	7%	4%	1%	0%	1%	1%	11%	16%	11%	6%	9%	2%	11%	1%	1,078
2002/4	16%	7%	4%	1%	1%	2%	1%	9%	15%	10%	6%	9%	2%	8%	2%	1,074
2003/1	20%	8%	4%	1%	0%	1%	1%	9%	14%	6%	7%	8%	2%	9%	1%	922
2003/2	21%	8%	4%	1%	1%	1%	1%	11%	10%	9%	6%	9%	2%	8%	2%	851
2003/3	18%	9%	3%	1%	1%	1%	1%	7%	15%	10%	9%	10%	2%	7%	2%	784
2003/4	13%	9%	3%	1%	1%	1%	0%	7%	18%	8%	8%	8%	3%	9%	2%	687
2004/1	11%	8%	3%	2%	1%	2%	2%	11%	15%	7%	9%	8%	3%	8%	1%	808
2004/2	9%	8%	4%	2%	2%	1%	1%	8%	20%	9%	8%	9%	3%	8%	1%	739
2004/3	10%	9%	4%	2%	3%	3%	1%	10%	13%	10%	7%	9%	3%	7%	1%	623



## Special Topics

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- Vol 1** No 1 Some Characteristics of the Respondents  
No 2 Changes in Employment, New Business  
No 3 Part-time Employees, Computers in Small Firms  
No 4 Employment
- Vol 2** No 1 Finance, Membership of Representative Bodies  
No 2 Exports, The Business Expansion Scheme  
No 3 Employment, Skill Shortage  
No 4 Incorporated and Unincorporated Business, Expanding Firms, Small Firms in the Service Sectors
- Vol 3** No 1 Domestic versus Business Telephone Usage, Employment  
No 2 Most Important Problem Facing Declining and Growing Businesses, Characteristics of our Respondents  
No 3 Employment, Slow Payment Problems  
No 4 Use of Accountants
- Vol 4** No 1 Use of Solicitors  
No 2 Training background of managers and arrangements for staff training  
No 3 Access to external information  
No 4 Present and future use of Telecommunications products and services, Characteristics of Respondents
- Vol 5** No 1 Employee Turnover, National Chamber of Trade Survey, National Westminster Digest Survey  
No 2 The effects of 1992 on small firms  
No 3 Intergenerational and previous business background of respondents  
No 4 Origins of new employees
- Vol 6** No 1 European Community Special Directorate DG23  
No 2 Motivation and Objectives of respondents for setting up their own business  
No 3 School-leaver Training  
No 4 School-leaver Training Problems
- Vol 7** No 1 Training and Enterprise Councils  
No 2 Use of Computers  
No 3 Business Growth Objectives, Gender of Owner  
No 4 Sources of Small Business Finance
- Vol 8** No 1 Co-operatives  
No 2 Exports  
No 3 Quality Standards (BS 5750)  
No 4 Impact of the Recession on Incomes and Prices
- Vol 9** No 1 Business Premises and the UBR  
No 2 Rented Business Premises  
No 3 Delayed Payments  
No 4 External Sources of Information
- Vol 10** No 1 The Single Market  
No 2 Pensions  
No 3 The Past Ten Years  
No 4 Minimum Wage
- Vol 11** No 1 Capacity Utilisation  
No 2 Succession and Ownership  
No 3 Staff Recruitment  
No 4 Employee Turnover and Training
- Vol 12** No 1 Compliance Costs  
No 2 IT - Communications and Computers  
No 3 Business Support Organisations  
No 4 Motivations, Objectives and Targets
- Vol 13** No 1 50th Survey (employment change, hours worked, satisfaction)  
No 2 Incomes and Prices  
No 3 Minimum Wage  
No 4 Slow Payment
- Vol 14** No 1 VAT Compliance Costs  
No 2 Low Turnover, Advertising and Promotion  
No 3 Lack of Skills, Training and the 'New Deal'  
No 4 The euro
- Vol 15** No 1 IT, Communications and Year 2000  
No 2 Business Finance  
No 3 Government Regulations and Paperwork  
No 4 Motivations, Objectives and Targets
- Vol 16** No 1 Changes  
No 2 Slow Payment  
No 3 Government Regulations and Paperwork  
No 4 Skills Shortages and Training
- Vol 17** No 1 Employee Turnover and Retirement  
No 2 Exports and the Euro  
No 3 IT and the Internet  
No 4 Business Climate
- Vol 18** No 1 Sources of Business Information  
No 2 Business Networks and Supply Chains  
No 3 Ownership and Intentions  
No 4 Pensions and Stockmarket Slide
- Vol 19** Q1 Minimum Wage and Cost Pressures  
Q2 Government Regulations and Paperwork  
Q3 Business Finance  
Q4 ICT and the Internet
- Vol 20** Q1 Motivation, Objective, Target, Innovation  
Q2 Business Education & Training  
Q3 Government Regulations and Paperwork

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Note: The reports of the surveys were published as the NatWest/SBRT Quarterly Survey of Small Business in Britain until Vol 18 No 4.

# Quarterly Survey 2004Q3

Small Enterprise Research Team, Open University Business School, Michael Young Building, Walton Hall, Milton Keynes, MK7 6AA

CONFIDENTIAL

Please circle the appropriate numbers or fill in the blanks. Your answers will remain confidential.

- 1a** Employment: How many people (including yourself) work in the business? \_\_\_\_\_
- 1b** If your business is not a limited company, how many of these people are self-employed proprietors or partners? \_\_\_\_\_
- 2** How many years has your present business been trading? \_\_\_\_\_
- 3a** Please classify your business activity by circling one of these categories:
- |  |                                   |  |
|--|-----------------------------------|--|
| 1. Agriculture, Forestry, Fisheries          | 4. Construction                   | 7. Hotels & Restaurants                          |
| 2. Manufacturing (incl. Publishing/Printing) | 5. Wholesale                      | 8. Business Services/Real Estate/Finance/Renting |
| 3. Transport, Travel, Storage, Communication | 6. Retail, Repair household goods | 9. Health/Education/Leisure/Personal Services    |
- 3b** Please also describe in a few words the precise nature of your business: \_\_\_\_\_
- 
- 4** On average, roughly how many person-hours per month (including your time, that of other staff and of your professional advisors) does it take your business to deal with government regulations and paperwork? \_\_\_\_\_  
(Include only time spent on compliance for your own business - not time spent on behalf of other firms e.g. if you are an accountant, solicitor etc.)
- 5** How has the time taken to deal with government regulations and paperwork changed over the past year?
- |              |                          |              |
|--------------|--------------------------|--------------|
| 1. Increased | 2. No significant change | 3. Decreased |
|--------------|--------------------------|--------------|
- 6** Which THREE of the following areas of government regulation and paperwork take the most time to deal with:
- |  |  |
|--|--|
| 1. VAT   | 7. Building and Planning Permission                            |
| 2. Self-Assessment Income Tax                                    | 8. Health and Safety Regulations                               |
| 3. Employee Taxation (PAYE, Tax Credits, NI Contributions, etc.) | 9. Statistical Inquiries From Government                       |
| 4. Other Taxation (e.g. rates, corporation tax)                  | 10. Storage and Use of Information (including Data Protection) |
| 5. Employment Regulations  |  |
| 6. Environmental Regulations                                     | 11. Other (please specify) _____                               |
- 7** Which (if any) of the following areas of employment law have a significant impact on your business? Please circle any which are an issue because of the time, cost or inconvenience involved:
- |   |  |
|---|--|
| 1. Employee health and safety regulations | 5. Working time regulations                      |
| 2. National Minimum Wage                  | 6. Staff dispute procedures/compensation payouts |
| 3. Parental leave                         | 7. Part-time/Fixed-term employees regulations    |
| 4. Flexible working hours for parents     | 8. Other (please specify) _____                  |
- 8** Do you believe there is too much, the right amount or too little regulation and paperwork related to employees?
- |   |   |
|---|---|
| 1. There is too much regulation regarding employees           | 3. There should be more regulation to protect employee rights |
| 2. There is about the right amount to protect employee rights |   |
- 9** Has the burden of regulation and paperwork related to employees had any effect on your employment decisions?
- |                                  |  |   |
|----------------------------------|--|---|
| 1. Yes, reduced numbers employed | 2. Yes, avoided employing more (or any) people | 3. No, has not affected employment decision |
|----------------------------------|--|---|

- 10** Please indicate your firm's annual turnover (excluding VAT):
- |                      |                      |                      |              |
|----------------------|----------------------|----------------------|--------------|
| 1. Less than £25,000 | 4. £100,000-£149,999 | 7. £350,000-£499,999 | 10. £1m-£3m  |
| 2. £25,000-£49,999   | 5. £150,000-£249,999 | 8. £500,000-£749,999 | 11. over £3m |
| 3. £50,000-£99,999   | 6. £250,000-£349,999 | 9. £750,000-£999,999 |              |
- 11** How did your sales turnover, average employment, investment (in plant, equipment and premises) and average selling prices in the past quarter compare with the same period in 2003? What do you expect to happen in the current quarter? Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	April, May, June 2004 compared with the same period 2003			July, August, September 2004 compared with April, May, June 2004		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						
Selling Prices						

- 12** Which of the following is the SINGLE most important problem facing your business today? (Please circle ONE ONLY - we appreciate that every firm faces many problems, but we wish to focus on your current single MOST important problem)
- |                                    |   |  |                            |
|------------------------------------|---|--|----------------------------|
| 1. General economic climate        | 5. Interest rates/Access to finance       | 9. Cashflow/Payments/Debtors           | 13. Lack of time/capacity  |
| 2. Sector-specific demand/problems | 6. Inflation/Cost of materials, supplies  | 10. Gov't regulations and paperwork    | 14. No problems            |
| 3. Competition                     | 7. Other costs (e.g. premises, transport) | 11. Lack of skilled employees/High pay | 15. Other (please specify) |
| 4. Marketing problems              | 8. Exchange rates                         | 12. Total tax burden                   |                            |
- 13** Please indicate the sex of the owner(s) of the business:
- |         |           |                                |
|---------|-----------|--------------------------------|
| 1. Male | 2. Female | 3. Joint Male/Female ownership |
|---------|-----------|--------------------------------|
- 14** If you are willing in future to complete these questionnaires on the Internet, please give your email address here, as clearly as possible please!  
\_\_\_\_\_

Thank you for completing this confidential survey questionnaire.  
**Please return it in the envelope provided by 4th October 2004.**  
 Please note that this is a FREEPOST address (no stamp required).