

# NatWest SBRT Quarterly Survey of Small Business in Britain



Sponsored by NatWest



Researched and Published  
by The Small Business  
Research Trust



# Acknowledgements

The Small Business Research Trust thanks all responding firms for their time and effort in completing the questionnaire for this survey. The SBRT volunteer database is recruited from a wide range of sources including small business representative bodies and providers of small business development and training. **The SBRT would welcome additions to the sample from other businesses and organisations.**

It should be noted that the SBRT survey is not a panel, nor is it fully random among the total membership of the bodies mentioned above.

The Small Business Research Trust acknowledges the help provided by Bannock Consulting in designing the survey, processing data and analysing the results. The academic and administrative support provided by the Open University Business School is also very much appreciated. The SBRT is also particularly pleased to acknowledge the generous support provided by NatWest in sponsoring the research, analysis and publication of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of NatWest.

# Highlights

*Britain's small firm performance is down since the past survey. Optimism about immediate prospects is also down and the general economic climate has become the top-ranked small business problem. Most small business owners have their own pension, but fewer than half provide a pension scheme for any employees (seemingly because of employee indifference). The worldwide slide in share prices is not perceived to have had major direct effects on many small businesses, though it has hit pensions.*

- After improvements in the previous survey, the balances of small firms increasing sales, employment, investment and selling prices over the past year are this time down.
- Small firms are also less optimistic about their prospects for the current (fourth) quarter, and, on balance, expect to cut employment and investment.
- The general economic climate is now the top-ranked small business problem, with 16% reporting that this is their single biggest problem.
- Although the picture is generally bleak, there are some more positive areas. Small firms in Wales continue to report most improvement over the past year and are more optimistic about the current quarter than those elsewhere. Although firms in London and the South East report few improvements over the past year they are rather more optimistic about the final quarter of 2002.
- Agricultural firms generally report an improvement in sales over the past year, though this was from a very low base and they do not seem optimistic about prospects for the current quarter.
- The relatively larger firms in the survey generally report better performance, are more optimistic and less likely to report that the general business climate is their principal problem than the smallest.
- Over 80% of respondents have their own pension scheme. The proportion is only 68% for those aged under 40.
- Only 56% of respondents aged 70 or over have a pension, suggesting that many continue to run their business precisely because they do not have enough pension provision.
- Only 42% of small business employers currently provide a pension scheme for any of their employees. There is no evidence that the likelihood of providing a pension for any given employee is less for the smallest firms.
- The majority of employee pension schemes are stakeholder schemes. Only one in nine is of the 'defined benefits' (or 'final salary') type. These are mostly in older businesses.
- Independent Financial Advisors are the most frequently used source of advice on pensions for firms of all sizes. The smallest firms are more likely than their larger counterparts to also take account of advice from the media and friends and colleagues.
- Over 60% of small business owners believe that the worldwide slide in share prices has affected their business, but generally only to a minor extent. The effect on their own pensions and that of their business pension schemes (especially where these are 'defined benefits' schemes) has been more dramatic.



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# Survey Details

Questionnaires for this survey (the 73rd in the series) were despatched from 18th October 2002 to 2,984 members of the SBRT Volunteer database, 478 by e-mail and the remainder by post. Three small business owners not part of the volunteer database also completed the survey form on our website ([www.sbrt.co.uk](http://www.sbrt.co.uk)).

By the cut-off date of 19th November, a total of 1,074 completed questionnaires had been received, a response rate of 36%.

As in previous surveys, 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 2001) 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.

# Survey Details



# Actual Performance

*The balances of Britain's small firms reporting improvement in their performance over the past year have fallen since the previous survey, as the economic climate remains uncertain. Certain areas and sectors, such as Wales and agriculture, report more favourable conditions, but the general picture is of a deterioration.*

Fewer of Britain's small firms report an increase in their turnover, employment, investment or selling prices over the year to the third quarter than they did in the year to the second quarter. Chart 1.1 shows that the balances reporting increases rose in the previous survey but have now fallen back to levels closer to those of six months ago.

This is somewhat at odds with official figures for annual GDP growth for the economy as a whole for the third quarter of 2002, which show a continued improvement, to +1.8%. However, analysts appear to agree that the

economy remains in a fragile state. The Chancellor, Gordon Brown, was forced to revise significantly downwards his forecasts for UK growth for 2002 in his pre-budget speech (given after questionnaires for this survey were completed). One respondent to this survey noted that they are "finding it difficult to plan as sales figures are more erratic than I have ever known ... There is no telling what the future holds so we have put all plans for investment on hold". This may be a common view - the same number of small firms have cut investment over the past year as have increased it, giving the zero balance in Chart 1.1.

Chart 1.1: Percentage balance of respondents reporting an increase in sales, employment, investment or selling prices (weighted figures)

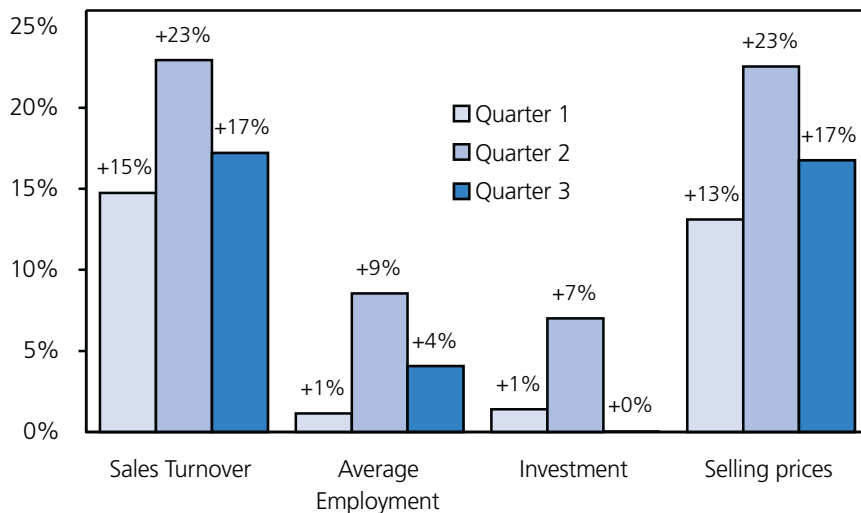


Table 1.1: Change over past year in sales, employment, investment and selling prices (weighted figures)

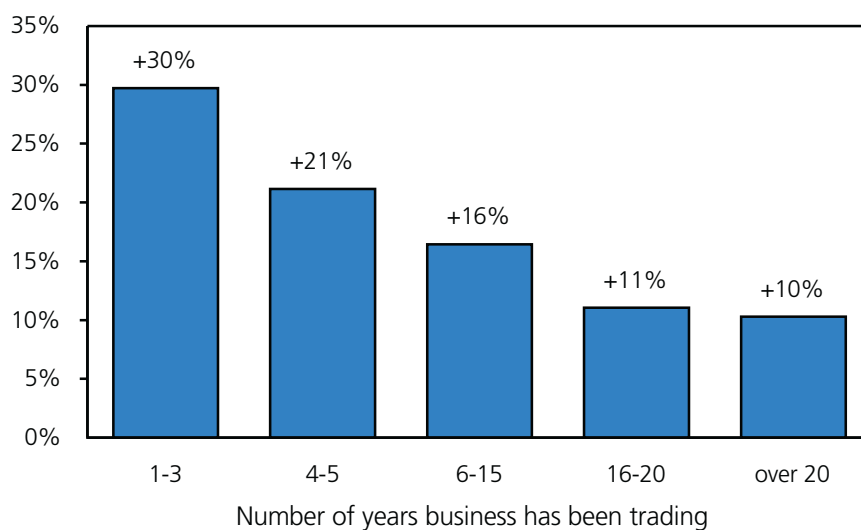
Change over past year (2002Q3 on 2001Q3) in:	Up	Down	Same	No response	Balance
Sales Turnover	47%	30%	22%	1%	+17%
Average Employment	19%	15%	62%	4%	+4%
Investment	20%	20%	54%	6%	+0%
Selling prices	30%	14%	52%	3%	+17%

Table 1.1 shows that over half of small businesses report that their investment in the third quarter of 2002 was the same as a year before. The same is true of employment and average selling prices.

Chart 1.2 shows that the younger firms taking part in the survey have tended to perform better than their longer-established counterparts over the past year. The balance reporting an increase in turnover is three times

as high for those formed within the past three years as for those which have been operating for over 20 years. The picture is similar for employment, with a balance of +17% of the youngest firms reporting that they have increased employment over the past year, while the oldest firms have, on balance, cut the numbers which they employ. This could mean that business conditions have changed and that new firms are more adapted to the new condition.

Chart 1.2: Percentage balance of respondents reporting an increase in sales over past year - by age of business



# Performance: Comparison Across Regions

Chart 1.3: Percentage balance of respondents reporting an increase in sales over past year - by region

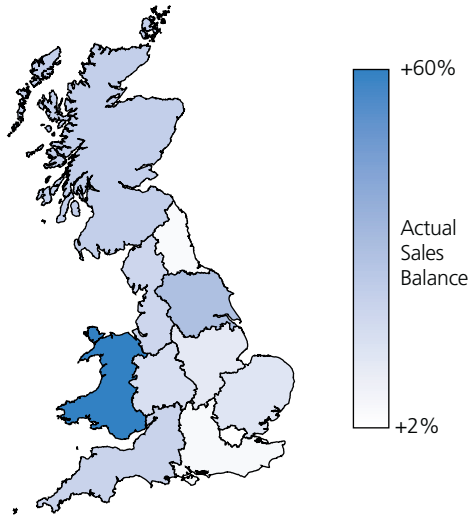


Table 1.2 and Chart 1.3 show that Wales remains the region where the greatest balance of small firms report an increase in turnover during the past year, as it was in the previous survey. They also have the highest balances for increases in employment and investment. Wales

(along with the South West and Scotland) is one of few regions where the turnover balance has increased since the previous survey. Fragile performance in London in the previous survey now seems to have spread to the rest of the South East.

Table 1.2: Change over past year in sales, employment, investment and selling prices by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+4%	-21%	-13%	+25%	24
North West	+21%	-3%	+3%	+3%	102
Yorkshire & the Humber	+30%	+11%	+5%	+25%	83
East Midlands	+12%	+3%	-9%	+5%	77
West Midlands	+16%	-5%	+17%	+3%	87
East of England	+13%	+11%	-2%	+25%	143
London	+2%	-2%	-4%	+8%	104
South East	+5%	-2%	-5%	+7%	190
South West	+22%	+5%	+5%	+15%	128
Wales	+60%	+15%	+18%	+33%	40
Scotland	+23%	+8%	-1%	+35%	77



# Performance: Comparison Across Business Sectors

Chart 1.4: Percentage balance of respondents reporting an increase in sales over past year - by sector

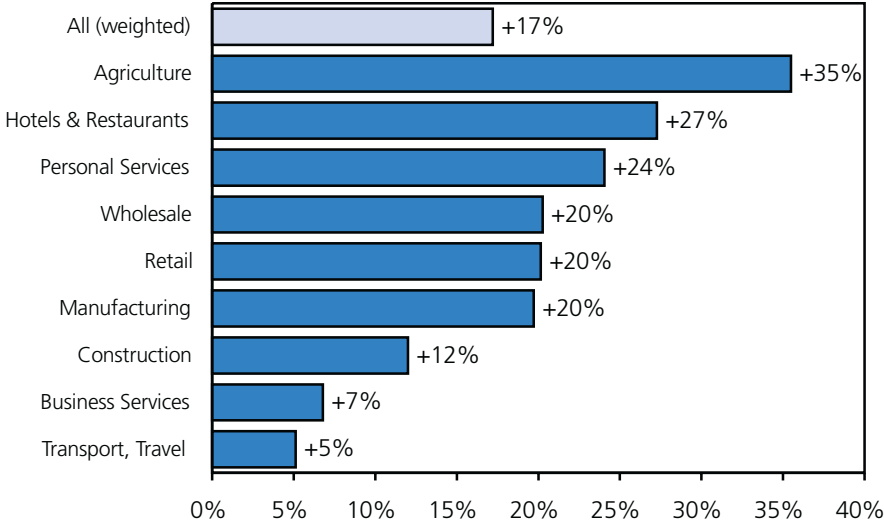


Chart 1.4 shows that the sector where the greatest balance of small businesses report an improvement in sales over the past year is agriculture/forestry/fisheries. Of course, this improvement is from a very low base as at this time last year the sector was still suffering from restrictions imposed due to the Foot and Mouth crisis. It should also be noted that a relatively small sample of agricultural firms take part in this survey, meaning the results may not be representative of the sector as a whole. Nevertheless, the improvement in the balance is a striking turnaround from the previous survey, when only +7% reported an improvement in sales, making them the least positive sector. It appears that some of the improvement in sales may have been gained by price-cutting. Table 1.3 shows that more agricultural firms have cut their average selling prices over the past year than have increased them (the balance is lower for agricultural firms than for any others).

Although somewhat less positive than in the previous survey (when a balance of +35% reported increased turnover), the hotels & restaurants sector remains one where a large balance of small firms report an improvement in sales over the past year. As with agriculture, this sector is still recovering from the Foot and Mouth crisis of last year, as well as reduced visitor numbers following September 11. In contrast to the agricultural sector, however, small hoteliers and restaurateurs also appear to be recouping some of the price cuts which they made last year. Table 1.3 shows that firms in this sector have the highest balance reporting that their average selling prices now are higher than they were at this time last year.

Table 1.3: Change over past year in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	+35%	+16%	-3%	-6%	31
Manufacturing	+20%	+4%	+12%	+18%	218
Transport, Travel	+5%	+3%	-18%	-3%	39
Construction	+12%	+10%	-6%	+25%	100
Wholesale	+20%	+5%	+8%	-1%	74
Retail	+20%	-3%	-3%	+12%	139
Hotels & Restaurants	+27%	+5%	+9%	+38%	55
Business Services	+7%	-4%	-6%	+10%	339
Personal Services	+24%	+11%	+5%	+32%	79

Official GDP figures show that the output of the manufacturing sector increased in the third quarter of 2002 compared with the previous quarter (for the first time since the end of 2000 - though output remains 3% lower than in the same period of 2001). The small manufacturers taking part in this survey are also more positive than they were, with the balance reporting an increase in sales over the past year up from +15% to +20% (agriculture and wholesale are the only other sectors where the sales balance has increased). Manufacturing is also the sector where the greatest balance of small firms have increased investment over the past year, hopefully suggesting that they have some confidence that conditions will continue to improve.



## Performance: Comparison Across Size Bands

Table 1.4: 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	-3%	-6%	-13%	+10%	154
£50,000-£99,999	+11%	-5%	-3%	+21%	158
£100,000-£249,999	+12%	-1%	+0%	+20%	216
£250,000-£499,999	+24%	+5%	-3%	+17%	199
£500,000-£999,999	+22%	+7%	+8%	+4%	145
£1m+	+27%	+13%	+14%	+12%	188

Table 1.4 and Chart 1.5 show that those firms with a turnover of below £50,000 which have increased their sales over the past year are outnumbered by those which have seen their sales fall. Relatively larger firms have, on balance, seen their sales increase. Similarly, of those firms with a turnover of less than £250,000, more have cut employment over the last year than have recruited new employees.

Table 1.5 and Chart 1.6 show a similar picture when analysed by employment size band. Those firms employing 20 or more are markedly more likely to report increases in sales, employment and investment than their smaller counterparts.

Table 1.5: 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	+4%	-6%	+2%	+18%	116
1-2	+2%	-8%	-12%	+6%	248
3-4	+18%	+1%	-1%	+10%	165
5-9	+21%	+5%	+1%	+19%	232
10-19	+17%	+7%	+7%	+22%	148
20+	+36%	+18%	+15%	+18%	155

Chart 1.5: Percentage balance of respondents reporting an increase in sales over past year - by turnover size band

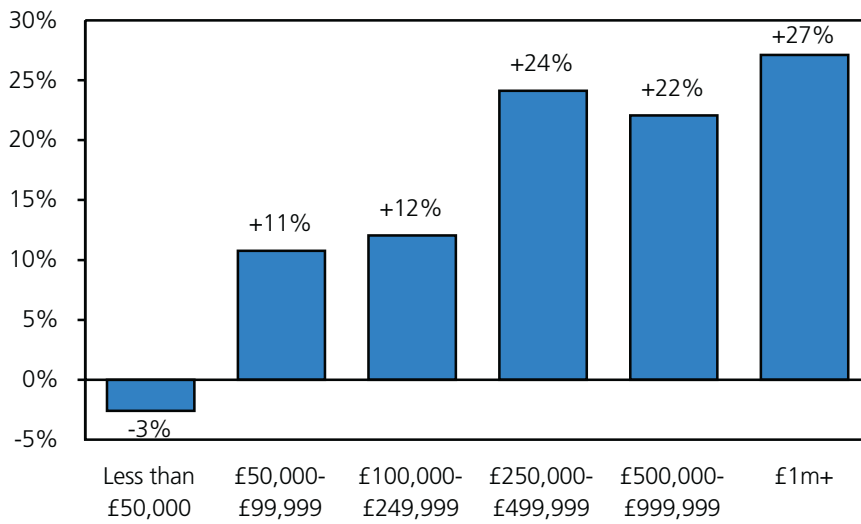
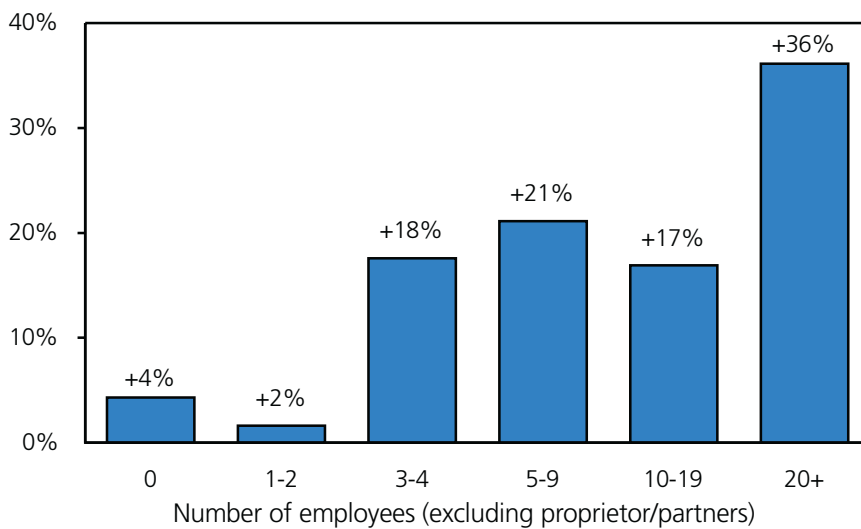


Chart 1.6: Percentage balance of respondents reporting an increase in sales over past year - by number of employees



# Expectations

*Optimism among Britain's small firms about sales prospects for the current quarter has continued to fall. They are also now more pessimistic about prospects for employment, investment and prices. Small agricultural firms and hotels & restaurants in particular are less optimistic about their prospects.*

The fall in the balance of small firms reporting an improvement in sales over the past year was presaged in the previous survey by a fall in the balance expecting an increase in sales during the current quarter. This decline has continued, with Chart 2.1 showing that the balance expecting an increase during the final quarter of 2002 is now down to +14%.

There have also in this survey been falls in the balances expecting to increase employment, investment and average selling prices. Those small firms expecting to cut employment and investment now outnumber those expecting to increase them.

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

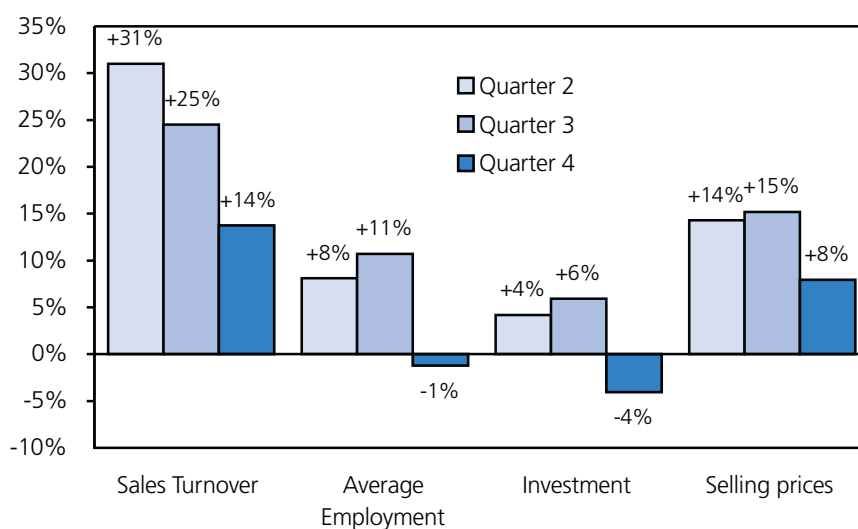




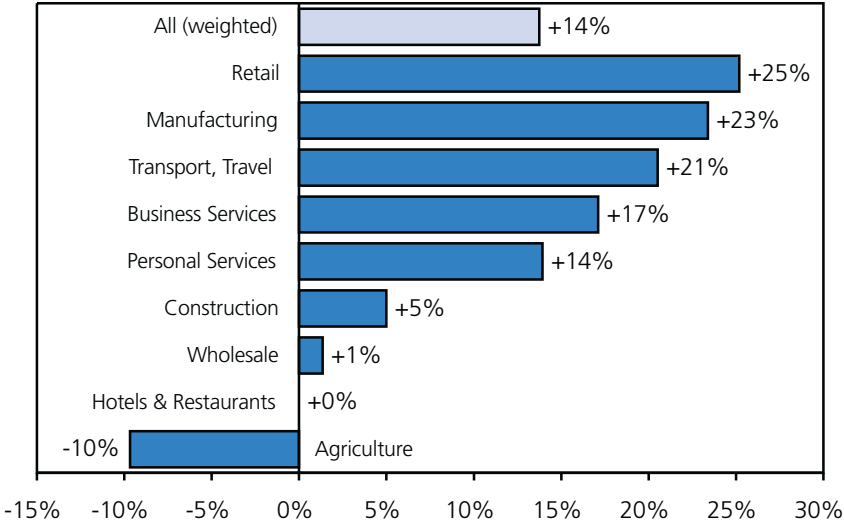
Table 2.1: Expected change over current quarter in sales, employment, investment and selling prices (weighted figures)

Expected change over current quarter (2002Q4 on 2002Q3) in:	Up	Down	Same	No response	Balance
Sales Turnover	41%	27%	30%	2%	+14%
Average Employment	11%	13%	72%	4%	-1%
Investment	15%	20%	59%	6%	-4%
Selling prices	19%	11%	67%	4%	+8%



# Expectations: Comparison Across Business Sectors

Chart 2.2: Percentage balance of respondents expecting an increase in sales over current quarter - by sector



Although small agricultural firms are most likely to report higher sales in the third quarter of 2002 than the third quarter of 2001 they are, by some margin, the least likely to expect their sales to increase further in the final quarter of 2002. Those expecting their sales to fall outnumber those expecting them to rise (Chart 2.2). This reinforces the impression that the improvement in the balance for sales over the past year is a temporary correction, following the particularly depressed conditions in UK agriculture last year, rather than the beginning of a trend of resurgence in the sector. In response, more small agricultural firms expect to cut their prices further during the current quarter than expect to raise them. Table 2.2 also shows a balance of -39% expecting to increase investment in the current quarter, suggesting little expectation of the need for extra capacity in the immediate future.

Another group of small firms which have recently been recovering from particular sector-specific problems is the hotels & restaurants sector. Here also, though, the recovery may be petering out. In the previous survey, a balance of +47% expected their turnover would increase, making them the most optimistic. In this survey, those small hoteliers and restaurateurs expecting their turnover to increase are exactly matched by their peers expecting their turnover to fall, giving a balance of zero. Although the winter months are normally quieter

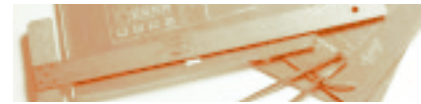


Table 2.2: Expected change over quarter in sales, employment, investment and selling prices by sector

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
Agriculture, Forestry, Fisheries	-10%	-3%	-39%	-10%	31
Manufacturing	+23%	+1%	+5%	+5%	218
Transport, Travel	+21%	+3%	-26%	-8%	39
Construction	+5%	-9%	-14%	+4%	100
Wholesale	+1%	-7%	-7%	-4%	74
Retail	+25%	+4%	+7%	+9%	139
Hotels & Restaurants	+0%	-13%	-13%	+13%	55
Business Services	+17%	-1%	-5%	+9%	339
Personal Services	+14%	+4%	+9%	+23%	79

for hotels & restaurants, this fall in the balance is much greater than usual at this time of the year. Table 2.2 shows that these firms are also most likely to expect to cut the number of people they employ during the current quarter. However, they do not seem likely to be resorting to cutting prices to increase trade - a balance of +13% shows that far more expect to increase their prices during the final quarter of 2002 than expect to cut them.

Chart 2.2 shows that small retailers and manufacturers are now the most optimistic about their immediate turnover prospects. The turnover balances for these two sectors and also business services are a few percentage points higher than in the previous survey. In every other sector, firms are less optimistic about their immediate prospects than they were three months ago.



## Expectations: Comparison Across Size Bands

Table 2.3: 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%	-5%	-6%	+8%	154
£50,000-£99,999	+16%	-10%	-7%	+8%	158
£100,000-£249,999	+15%	-1%	-10%	+10%	216
£250,000-£499,999	+25%	+7%	-2%	+6%	199
£500,000-£999,999	+7%	-4%	+3%	-1%	145
£1m+	+23%	+2%	+2%	+6%	188

As with performance over the past year, the very smallest firms taking part in the survey are least optimistic about their immediate prospects.

Table 2.3 and Chart 2.3 show that those firms with a turnover of less than £50,000 which expect their turnover to increase during the final quarter of 2002 are exactly matched by those which expect their turnover to fall. Similarly, those firms with no more than 2 employees in addition to the proprietor or partners are far less optimistic than their larger counterparts about their prospects.

Table 2.4: 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	+3%	-4%	-2%	+15%	116
1-2	+4%	-8%	-9%	-2%	248
3-4	+22%	+1%	-5%	+4%	165
5-9	+20%	-0%	-5%	+9%	232
10-19	+17%	+7%	+5%	+13%	148
20+	+30%	+3%	+2%	+8%	155



Chart 2.3: Percentage balance of respondents expecting an increase in sales, by turnover size band

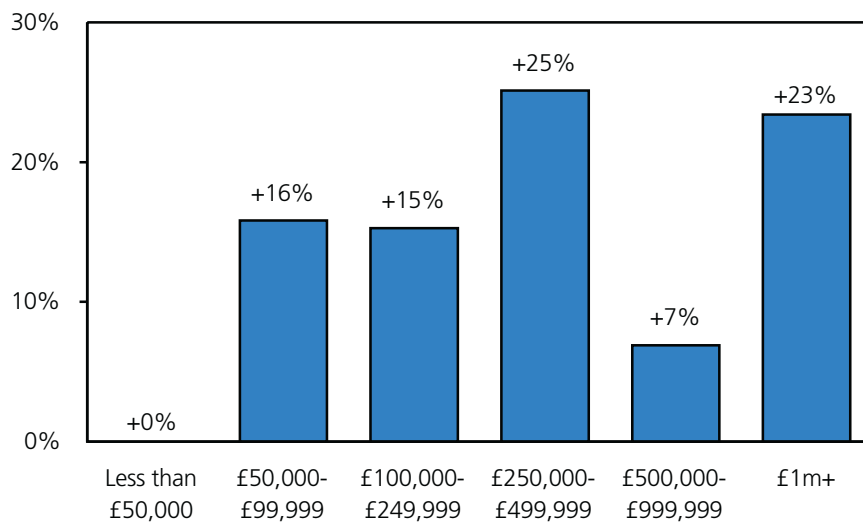
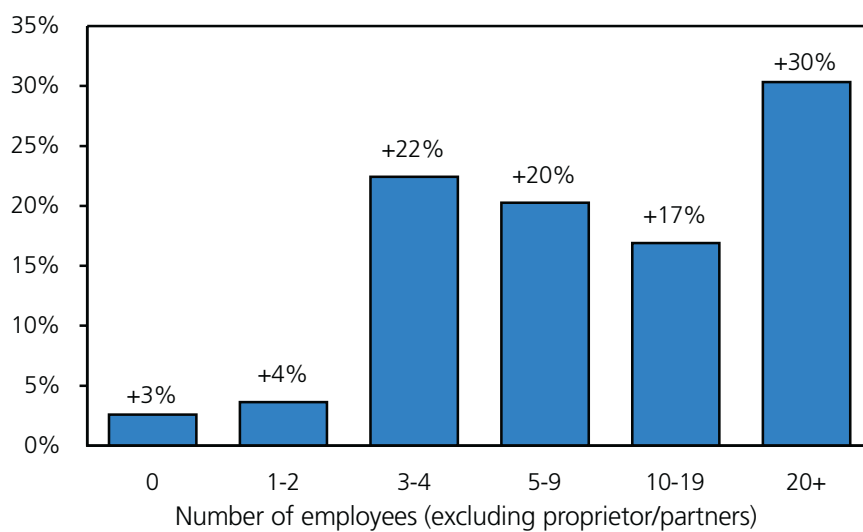


Chart 2.4: Percentage balance of respondents expecting an increase in sales, by employee size band



## Expectations: Comparison Across Regions

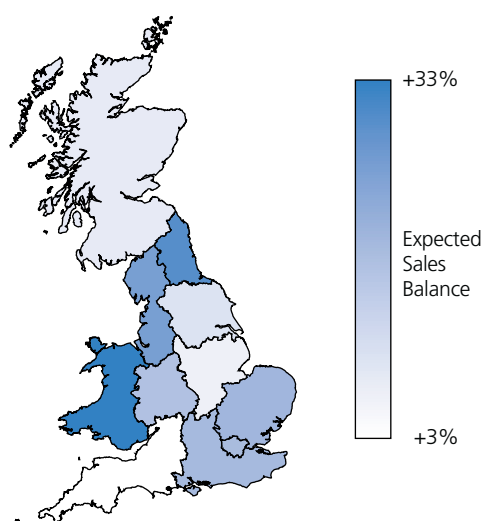
Table 2.5: Expected change over current quarter in sales, employment, investment and selling prices - by region

	Sales Turnover	Average Employment	Investment	Selling prices	Sample
North East	+29%	+0%	+4%	+4%	24
North West	+25%	-4%	-1%	+6%	102
Yorkshire & the Humber	+10%	-2%	+0%	+18%	83
East Midlands	+6%	-1%	-13%	-4%	77
West Midlands	+17%	-1%	+8%	+1%	87
East of England	+20%	-5%	-9%	+15%	143
London	+18%	+5%	-5%	+5%	104
South East	+19%	-1%	-3%	+5%	190
South West	+3%	-1%	-6%	+5%	128
Wales	+33%	-10%	+5%	+8%	40
Scotland	+8%	+5%	-4%	+13%	77

London and the South East are the only regions where small firms are more optimistic about their turnover than they were in the previous survey. However, these are still not as positive about sales prospects as firms in Wales, which continue to be most buoyant (though the balance there is markedly down on the +51% in the previous survey).

Confidence has fallen the most in the South West and small firms there are now least positive about their turnover prospects. Those in the East Midlands remain relatively pessimistic about immediate sales (as they were in the previous survey) and are now most likely to expect to cut investment during the current quarter.

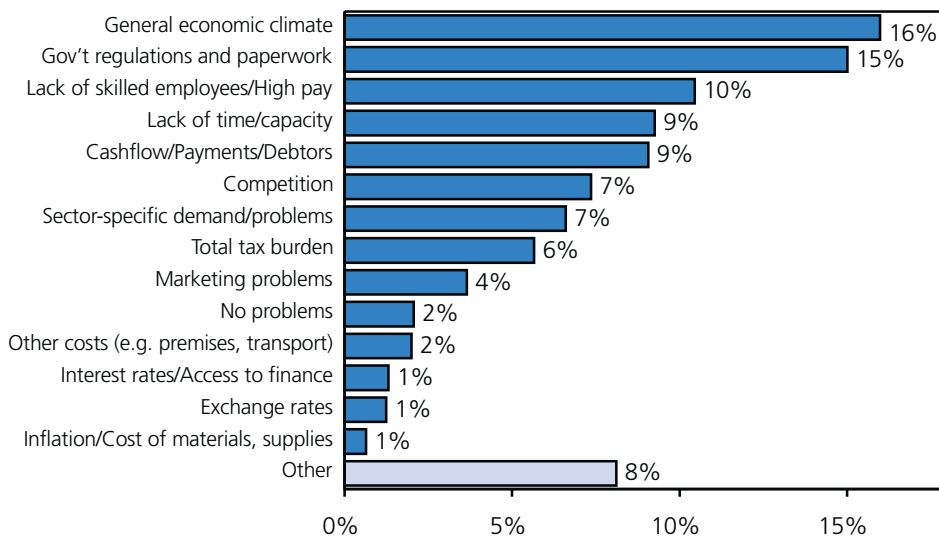
Chart 2.5: Percentage balance for the expected change in sales - by region



# Problems

*The general economic climate is now the top-ranked small business problem, though larger firms more often complain of a lack of skills, government regulations or cashflow problems.*

Chart 3.1: Proportion indicating each as the single most important problem facing their business today - weighted by sector



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.

## General economic climate

Chart 3.1 shows that the top-ranked problem is now the general economic climate. The proportion indicating that this is the single most important problem facing their business has risen from 13% in the previous survey to 16% now. Along with the lower

balances of firms reporting an increase in turnover and expecting an increase in the current quarter this confirms the picture of fragile economic conditions facing the UK's small firms. Table 3.1 (overleaf) shows that the smallest firms (which have reported worst performance over the past year and are least optimistic about the current quarter) are most likely to report that the general economic climate is the biggest single problem facing their business. It is the top-ranked problem for firms with fewer than five employees, while larger firms more often cite different problems.

Table 3.1: Most important problem, by employee size band (number of employees, excluding proprietor/partners)

	0	1-2	3-4	5-9	10-19	20+
General economic climate	21%	19%	21%	14%	16%	15%
Sector-specific demand/problems	6%	11%	8%	4%	5%	10%
Competition	9%	4%	5%	12%	8%	5%
Marketing problems	7%	2%	5%	4%	3%	2%
Interest rates/Access to finance	2%	2%	4%	1%	0%	1%
Inflation/Cost of materials, supplies	0%	1%	1%	0%	1%	0%
Other costs (e.g. premises, transport)	3%	1%	1%	1%	4%	0%
Exchange rates	3%	1%	1%	0%	1%	1%
Cashflow/Payments/Debtors	9%	9%	12%	15%	6%	6%
Gov't regulations and paperwork	6%	13%	13%	14%	16%	24%
Lack of skilled employees/High pay	1%	4%	5%	11%	17%	17%
Total tax burden	7%	6%	7%	4%	5%	5%
Lack of time/capacity	11%	12%	8%	11%	9%	3%
No problems	6%	1%	2%	1%	1%	1%
Other (please specify)	7%	12%	6%	6%	5%	7%
No response	2%	1%	1%	1%	3%	3%
Sample	126	248	165	232	148	155

### Government regulations and paperwork

Previously the top-ranked problem, government regulations and paperwork has moved down to second place, selected by 15% of respondents (fractionally less than in the previous survey) as the single most important problem facing their business at the moment. Table 3.1 shows that the importance of this problem rises with firm size, with it being the top-ranked issue for firms employing 20 or more people. As noted in the previous survey, this is a particular issue for small firms in the health/education/leisure and other personal services sector and also those in agriculture.

### Lack of skills/high pay

A lack of skilled employees/high pay remains a big issue, with 10% of all small firms reporting that this is the single biggest problem facing their business. Table 3.1 confirms that the importance of this problem increases with the size of business. This is the top-ranked problem for construction firms (23%) and hotels & restaurants (18%), despite the fact that a balance of firms in each of these sectors expects to cut the number of people they employ during the current quarter.

### Lack of time/capacity

Although many small firms are suffering from a lack of demand, some have the opposite problem, with 9% reporting that the biggest single problem facing their business is a lack of time/capacity. The proportion is unchanged on the previous survey, but changes in the proportions selecting other problems means that this has moved up to fourth place in the rankings of problems. Although smaller firms are most likely to complain about a lack of demand, Table 3.1 shows that they are also more likely than the larger firms taking part in the survey to report that they do not have the spare capacity or flexibility to deal with increases in demand.

### Cashflow

The proportion of small firms indicating that their main problem is cashflow/payments/debtors has fallen by a few percentage points and it is down from third to fifth place in the ranking of most important problems. As has been the case in recent surveys, this is a particular problem for construction firms.

### Remaining problems

Other individual issues are of particular concern to firms of certain types.

Retailers (14%) and wholesalers (11%) remain more likely than other firms to report that competition is their biggest problem. Small retailers and those in health/education/leisure & other personal services (which also tend to deal directly with final consumers, often from town centre premises) are more likely (5%) than others to report that their biggest problem is other costs (e.g. premises, transport). One respondent made a particular point that measures to try to control congestion in their city centre has made it much more difficult for consumers to visit their premises.

Exchange rates remain an important problem (10%) for agricultural firms, probably because support prices are fixed in terms of euros.

As in recent surveys, small hotels & restaurants are more likely than those in other sectors to report that the total tax burden is their biggest problem. In this survey, 16% of hotels & restaurants report that this is the biggest single problem facing their business.

### Other problems

Of 'other' problems added by respondents, probably most striking is the number which mention insurance (especially employer's liability) premiums. More than twice as many as in the previous survey mentioned this as their biggest problem, with one respondent noting that their insurance premiums had tripled.



# Pensions and Stockmarket Slide

*Most small business owner-managers have their own pension. Only 42% of small employers currently provide an employee pension scheme, most commonly stakeholder schemes. IFAs are the most used source of advice on pensions. The slide in share prices has had a significant effect on pensions, but less on small businesses themselves.*

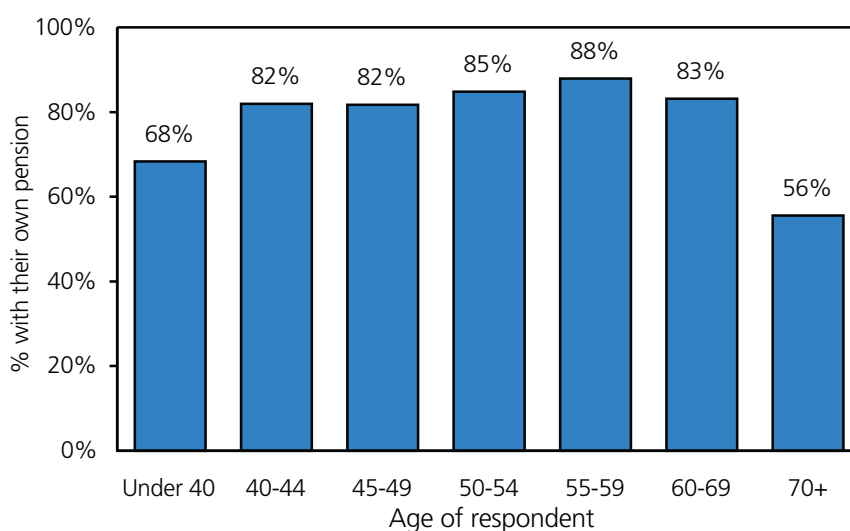
## Business owners' pensions

Our previous survey examined the ownership structure of businesses and retirement intentions. This survey considers the related issue of pensions, both of the business owner and their employees.

Overall, 81% of the small business owner-managers taking part in this survey personally have a pension scheme. Chart 4.1 shows how this proportion varies with age of respondent<sup>1</sup>. Approaching one-third of

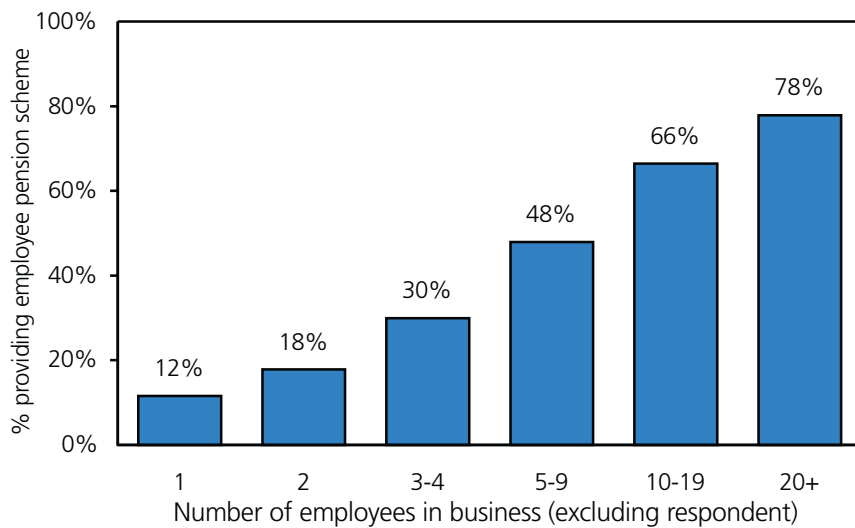
respondents aged under 40 have not yet made any pension provision for themselves. For the 40-44 age group the proportion with a pension jumps to 82% and this continues to rise, up to 88% for those aged 55-59. The proportion thereafter falls, with little more than one-half of respondents aged 70 or over having a pension scheme. This is presumably because many of these respondents' contemporaries who do have a pension will by now have retired and therefore no

Chart 4.1: Proportion of respondents which personally have a pension scheme of any kind - by age



<sup>1</sup> Respondents were asked their age in the previous survey, not in this one. Chart 4.1 shows the proportions for the 446 respondents which took part in both surveys.

Chart 4.2: Proportion of businesses which provide a pension scheme for employees other than the respondent - by size of business



longer be managing a business. Many of those which are still running a business past retirement age may well be doing so out of necessity, precisely because they do not have a pension scheme to support their lifestyle.

### Employee pensions

Employers with five or more employees are now obliged by government to offer those employees access to a stakeholder (or equivalent) pension. However, it is up to individual employees to decide whether they wish to buy into such a scheme.

Overall, only 42% of the small firms taking part in the survey say that they do provide a pension scheme for any of their employees (this figure excludes those firms where the respondent works on his or her own). One respondent explicitly noted that *“there is no employee interest in stakeholder pensions”*.

Chart 4.2 shows that, naturally, the proportion which do provide a pension for any employee increases with the number of employees in the business. However, there is no evidence that the firms with fewer than five employees (which are not obliged to offer a stakeholder pension) are less likely than larger firms to currently provide pensions for their employees<sup>2</sup>.

<sup>2</sup> If each employee had a 9% likelihood of wanting to take out a pension then the likelihood of a business with  $n$  employees providing a pension for at least one employee would be  $1-(1-.09)^n$ . Comparing these theoretical proportions with those in Chart 4.2, firms with fewer than five employees are a little more likely to provide a pension scheme than would be predicted, while those with over 10 employees provide pensions less frequently than would be predicted.



Table 4.1: Type of employee pension scheme - by number of employees in the business, excluding respondent

	1	2	3-4	5-9	10-19	20+	All
Occupational/defined benefits scheme	20%	10%	13%	11%	8%	12%	11%
Group stakeholder scheme	5%	30%	49%	63%	64%	59%	56%
Other personal/defined contribution scheme	70%	55%	34%	27%	27%	27%	31%
No response	5%	5%	4%	0%	1%	3%	2%
Sample (those with employee pension scheme)	20	20	47	104	99	109	402

**Types of employee pension scheme**

Occupational, or defined benefits, pension schemes, where a pensioner is guaranteed a certain level of benefits (usually a proportion of final salary), have been a common form of pension in the UK, particularly for larger companies, which have often managed their own pension funds. However, the dangers of such open-ended liabilities in an economy with lower rates of return on investments and lower annuity rates have become increasingly apparent. Press attention has been drawn by the many large UK companies which have changed their pension schemes from a defined benefits to a defined contributions basis (where benefits are tied to an employee’s contributions and the rate of return earned on investments). Table 4.1 shows that only 11% of the small firms taking part in this survey with an

employee pension scheme report that the scheme is a defined benefits scheme. There is no clear relationship between size of firm and likelihood to operate a defined benefits rather than a defined contributions scheme<sup>3</sup>. The general shift away from defined benefit schemes is reflected in the fact that most of the defined benefit pension schemes are found in businesses which have been established for over 20 years.

Well over half (56%) of small businesses with an employee pension scheme report that theirs is a group stakeholder scheme. However, we had insufficient space to inquire how many employees participate in group stakeholder schemes. Reports are that the take-up is low.

<sup>3</sup> It should be noted that the samples of one and two-employee businesses with employee pension schemes are small and so the results may not be representative of all businesses of that size.



Table 4.2: “Where do you get advice on pensions? (please circle all those you have used)”, by size of firm (annual turnover, excluding VAT)

	Less than £50,000	£50,000- £99,999	£100,000- £249,999	£250,000- £499,999	£500,000- £999,999	£1m+	All
Independent Financial Advisor	59%	55%	58%	68%	62%	66%	62%
Accountant or solicitor	25%	20%	27%	23%	32%	28%	26%
Pension provider	33%	37%	40%	35%	33%	29%	34%
Media (e.g. newspapers, TV)	27%	17%	16%	15%	8%	8%	15%
Friends or colleagues	10%	10%	7%	6%	9%	6%	8%
Other	8%	5%	3%	3%	5%	6%	5%
Sample (with personal or employee scheme)	126	122	166	170	132	177	903

### Advice on pensions

By far the most common source of advice on pensions are Independent Financial Advisors (IFAs). Table 4.2 shows that approaching two-thirds of the respondents which have a pension themselves or a scheme for their employees have used an IFA for advice about pensions. This is almost twice as many as have used the next most common source of advice, a pension provider (insurance company, bank or other provider). Often, an IFA has been the only source of pension advice. 59% of those which have sought advice from an IFA (37% of all those with a personal or employee pension) have not turned to any other source.

Although not completely clear-cut, Table 4.2 does show some tendencies for sources of pension advice to vary with size of firm. Firms with an annual turnover of over a quarter of a million pounds are more likely than average to seek pensions advice from an IFA, smaller firms are less likely (though this is still the most important single source for firms of all sizes). The smallest firms are far more likely than the largest to get advice about pensions from the media (e.g. newspapers and TV). Of the very smallest firms (those with an annual turnover of less than £50,000), slightly more

have got pensions advice from the media than from their accountant or solicitor. The smallest are also most likely to have got pensions advice from friends or colleagues. Both the media and friends/colleagues are, however, usually used as supplemental sources of advice. Hardly any respondents report that either of these has been the sole source of their pensions advice.

Although the sample size is small, it is notable that agricultural firms with pension schemes are far less likely than average to have sought advice from an IFA (only 28% have done so), possibly indicating that access to IFAs is less easy in rural areas. For these firms, their accountant or solicitor has been the main source of pensions advice.

The most common ‘other’ source of advice cited by respondents was their own research, based on sources which they did not feel came under the categories offered, including government information and internet advice sites. Some have received advice from trade associations and Chambers of Commerce or their bank, while some are themselves IFAs or accountants and so have followed their own advice.

### Slide in share prices

Worldwide share prices have suffered a prolonged period of decline, with the FTSE-100 Index hitting a six-year low in late September this year, just weeks before questionnaires for this survey were despatched. Few of the businesses taking part in this survey will be quoted companies and so the fall in share prices will not have affected them as directly as businesses in the large corporate sector. Nevertheless, falling share prices will affect many of the businesses in this survey, if only through the knock-on effects of a general reduction in demand. Of particular interest, given the focus of the special questions in this section, is the effect on the pension of the respondent and any employee pension scheme provided by the business.

Respondents were asked to indicate on a scale from 1 (not at all) to 9 (extremely badly) how the recent slide in the price of stocks and shares across the world had affected their business overall and, if they had them, their own pension scheme and their business pension scheme. Chart 4.3 shows the average scores and

demonstrates that those respondents with either their own pension or an employee pension scheme feel that the slide in share prices has affected their pension schemes more seriously than the rest of their business.

Wholesalers have the highest score (3.6) for the effects on their business. Other businesses which may well be servicing larger corporate clients, including recruitment agencies and consultancies, also report significant effects on their business, probably reflecting knock-on effects from the quoted sector. In contrast, consumer-facing firms including those in the health/education/leisure sector generally report fewer effects.

Chart 4.4 shows more detail of how respondents rate the effects. Well over one-third feel that the slide in share prices has not affected their business overall at all. Only 3% believe that it has affected their business extremely badly.

In contrast, approaching one-quarter of respondents with their own pension scheme report that the slide in share prices has affected their pension 'extremely badly'.

Chart 4.3: How slide in price of stocks and shares has affected business overall, own pension scheme and business pension scheme - average score

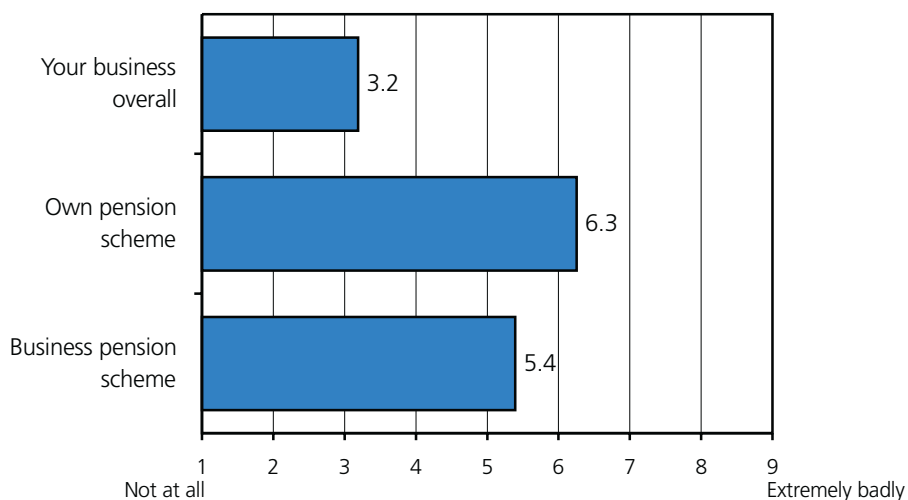
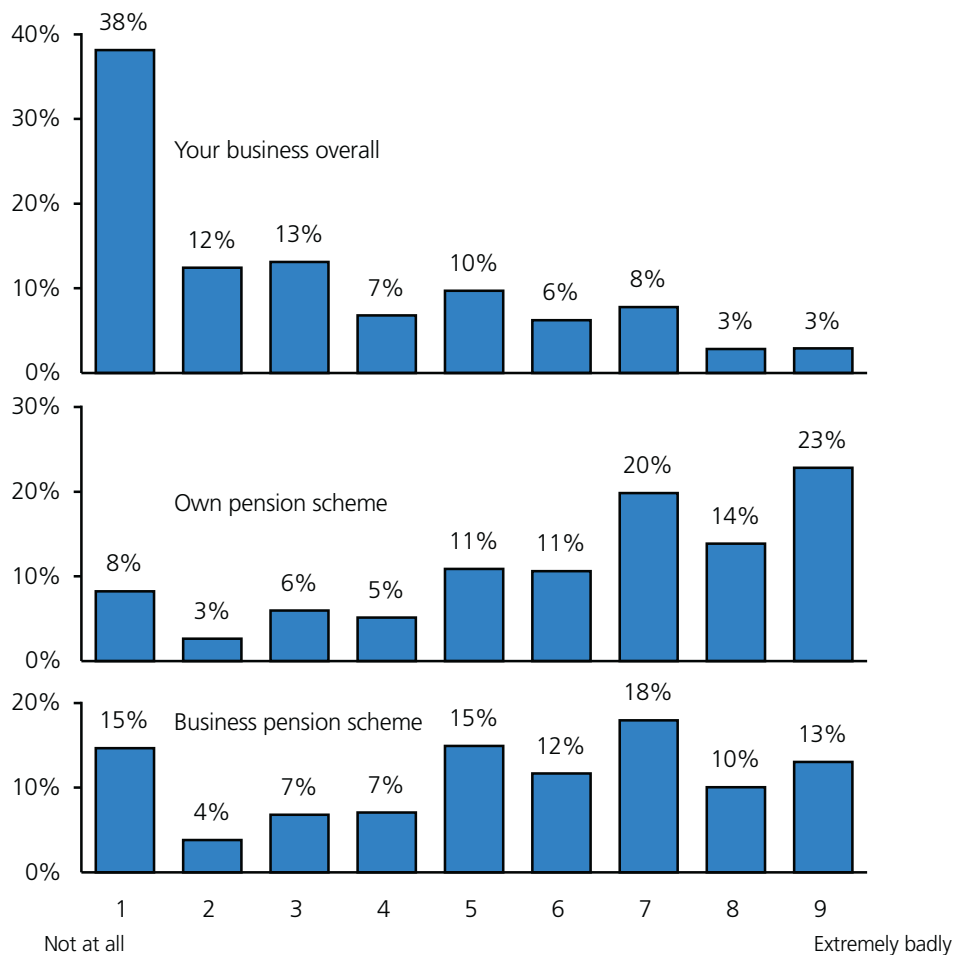




Chart 4.4: How slide in price of stocks and shares has affected business overall, own pension scheme and business pension scheme



Respondents aged between 50 and 59 seem most concerned about the effects on their pension (with a score of 6.5). Younger respondents may well believe that there is plenty of time for stock markets to recover before they begin to draw their pensions. The (relatively few) respondents aged over 70 with a pension are least concerned, with a score of only 4.8. These have probably mostly already converted their pensions to a fixed annuity or to investments in bonds or other securities thought to be less susceptible to short-term price fluctuations. One respondent noted, "I saw it coming and moved to fixed interest".

Chart 4.4 shows the spread of views on the effects of the stock-market slide on business employee pension schemes. A significant proportion believe their scheme has been affected 'extremely badly', but even more that their scheme has not been affected at all.

Although a defined benefits scheme insulates scheme members from stock market fluctuations it does this by transferring the risk to the business itself. Those businesses which provide a defined benefit employee scheme report much worse effects (a score of 6.3) than those with a defined contributions scheme.

## Conclusions

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Well over 80% of small business owner-managers aged between 40 and 70 have a pension scheme of their own. Almost one-third of younger respondents have not yet got a pension, but perhaps more striking is the considerable number of respondents aged over 70, still running their business and without a pension. Our previous survey suggested that as business owners got older they often had to revise their plans and expect to retire later than they might have intended. This survey reinforces this suggestion, implying that some older respondents cannot afford to retire as they have insufficient pension provision.

Only 42% of small business employers in this survey report that they provide an employee pension scheme. However, this may well be, as at least one respondent suggests, simply because stakeholder pensions have not captured the enthusiasm of employees, who still have to choose to take out a stakeholder pension when it is offered. There is no evidence here that the very smallest firms (even though they are not obliged to offer stakeholder pensions) are any less likely than their larger counterparts in the survey to provide an employee pension if desired by their employees.

Although the smallest businesses are more likely to take into account pensions information from the media and friends and colleagues, a majority still turn to an Independent Financial Advisor for pensions advice.

The slide in stockmarket prices is not perceived to have directly affected the small business sector to a great extent, though there is some evidence that firms dealing with larger (probably quoted) clients are feeling the pinch a little more. However, it has badly affected the pension plans of some respondents. Although defined benefit employee pension plans are relatively uncommon among these small firms, those which do have them are concerned about the effects which the stockmarket slide has had on their scheme.

# Conclusions

# Appendix

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.

The following topics have been examined to date:

(note, the results from two surveys were published in Volume 1 Number 1)

## Special Topics

Year	Volume	Number	Survey Number	Topic
1985	Vol. 1	No 1	1 & 2	Some Characteristics of the Respondents
		No 2	3	Changes in Employment, New Business
		No 3	4	Part-time Employees, Computers in Small Firms
		No 4	5	Employment
1986	Vol. 2	No 1	6	Finance, Membership of Representative Bodies
		No 2	7	Exports, The Business Expansion Scheme
		No 3	8	Employment, Skill Shortage
		No 4	9	Incorporated and Unincorporated Business, Expanding Firms, Small Firms in the Service Sectors
1987	Vol. 3	No 1	10	Domestic versus Business Telephone Usage, Employment
		No 2	11	Most Important Problem Facing Declining and Growing Businesses, Characteristics of our Respondents
		No 3	12	Employment, Slow Payment Problems
		No 4	13	Use of Accountants
1988	Vol. 4	No 1	14	Use of Solicitors
		No 2	15	Training background of managers and arrangements for staff training
		No 3	16	Access to external information
		No 4	17	Present and future use of Telecommunications products and services, Characteristics of Respondents
1989	Vol. 5	No 1	18	Employee Turnover, National Chamber of Trade Survey, National Westminster Digest Survey
		No 2	19	The effects of 1992 on small firms
		No 3	20	Intergenerational and previous business background of respondents
		No 4	21	Origins of new employees
1990	Vol. 6	No 1	22	European Community Special Directorate DG23
		No 2	23	Motivation and Objectives of respondents for setting up their own business
		No 3	24	School-leaver Training
		No 4	25	School-leaver Training Problems

Year	Volume	Number	Survey Number	Topic
1991	Vol. 7	No 1	26	Training and Enterprise Councils
		No 2	27	Use of Computers
		No 3	28	Business Growth Objectives, Gender of Owner
		No 4	29	Sources of Small Business Finance
1992	Vol. 8	No 1	30	Co-operatives
		No 2	31	Exports
		No 3	32	Quality Standards (BS 5750)
		No 4	33	Impact of the Recession on Incomes and Prices
1993	Vol. 9	No 1	34	Business Premises and the UBR
		No 2	35	Rented Business Premises
		No 3	36	Delayed Payments
		No 4	37	External Sources of Information
1994	Vol. 10	No 1	38	The Single Market
		No 2	39	Pensions
		No 3	40	The Past Ten Years
		No 4	41	Minimum Wage
1995	Vol. 11	No 1	42	Capacity Utilisation
		No 2	43	Succession and Ownership
		No 3	44	Staff Recruitment
		No 4	45	Employee Turnover and Training
1996	Vol. 12	No 1	46	Compliance Costs
		No 2	47	IT - Communications and Computers
		No 3	48	Business Support Organisations
		No 4	49	Motivations, Objectives and Targets
1997	Vol. 13	No 1	50	50th Survey (employment change, hours worked, satisfaction)
		No 2	51	Incomes and Prices
		No 3	52	Minimum Wage
		No 4	53	Slow Payment
1998	Vol. 14	No 1	54	VAT Compliance Costs
		No 2	55	Low Turnover, Advertising and Promotion
		No 3	56	Lack of Skills, Training and the 'New Deal'
		No 4	57	The euro
1999	Vol. 15	No 1	58	IT, Communications and Year 2000
		No 2	59	Business Finance
		No 3	60	Government Regulations and Paperwork
		No 4	61	Motivations, Objectives and Targets
2000	Vol. 16	No 1	62	Changes
		No 2	63	Slow Payment
		No 3	64	Government Regulations and Paperwork
		No 4	65	Skills Shortages and Training
2001	Vol. 17	No 1	66	Employee Turnover and Retirement
		No 2	67	Exports and the Euro
		No 3	68	IT and the Internet
		No 4	69	Business Climate
2002	Vol. 18	No 1	70	Sources of Business Information
		No 2	71	Business Networks and Supply Chains
		No 3	72	Ownership and Intentions
		No 4	73	Pensions and Stockmarket Slide

## Performance 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	Prices			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%

Notes: There is a break in the series at Volume 18 Number 2 as a large recruitment exercise added many young firms to the sample. The results for that survey were calculated also for the pre-existing 'old' sample, excluding new recruits, to provide a historical comparison.

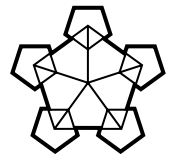
Because the balances referring to the expected sales turnover and employment in the next quarter have a pronounced seasonal trend we have also constructed seasonally-adjusted figures for these balances. These are listed in Appendix Table A.1 above. The breakdowns by size, sector and region are not seasonally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

a, b – The results from two surveys were published in Volume 1 Number 1

A – From Volume 5 Number 1, all results were weighted to the sectoral distribution of firms according to VAT statistics.

B – From Volume 11 Number 1, all results have been weighted to the sectoral distribution of employment in firms with under 50 employees according to DTI statistics.

Key: U – Unadjusted, S – Seasonally adjusted



Confidential

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

1 Please indicate your firm's annual turnover (excluding VAT):

- |                      |                      |                      |                      |
|----------------------|----------------------|----------------------|----------------------|
| a. Less than £25,000 | b. £25,000-£49,999   | c. £50,000-£99,999   | d. £100,000-£149,999 |
| e. £150,000-£249,999 | f. £250,000-£349,999 | g. £350,000-£499,999 | h. £500,000-£749,999 |
| i. £750,000-£999,999 | j. £1m-£3m           | k. over £3m          |                      |

2a Employment: How many people (including yourself) work in the business? \_\_\_\_\_

2b If your business is not a limited company, how many of these people are self-employed proprietors or partners? \_\_\_\_\_

3 How many years has your present business been trading? \_\_\_\_\_

4a Please classify your business activity by circling one of these categories:

- |                                     |  |   |
|-------------------------------------|--|---|
| a. Agriculture, Forestry, Fisheries | b. Manufacturing (incl. Publishing/Printing)     | c. Transport, Travel, Storage, Communication  |
| d. Construction                     | e. Wholesale                                     | f. Retail, Repair household goods             |
| g. Hotels & Restaurants             | h. Business Services/Real Estate/Finance/Renting | i. Health/Education/Leisure/Personal Services |

4b Please also describe in a few words the precise nature of your business: \_\_\_\_\_

5 Do you personally have a pension scheme of any kind? a. Yes b. No

6 Does your business provide a pension scheme for any employees other than yourself? a. Yes b. No

7 If your business does provide an employee pension scheme, which of the following types is it?  
 a. An occupational/defined benefit scheme      b. A group stakeholder scheme      c. Other personal/defined contribution scheme

8 Where do you get advice on pensions? (please circle all those you have used)  
 a. Independent Financial Advisor      b. Accountant or solicitor      c. Pension provider (Insurance company, bank or other provider)  
 d. Media (e.g. newspapers, TV)      e. Friends or colleagues      f. Other (please specify)

9 On a scale of 1 (not at all) to 9 (extremely badly), how has the recent slide in the price of stocks and shares across the world affected your business overall, your own pension planning and your business pension scheme (if applicable)?

(please circle one number in each row)	Not at all									Extremely badly
a. Your business overall	1	2	3	4	5	6	7	8	9	
b. Your own pension scheme	1	2	3	4	5	6	7	8	9	
c. Your business pension scheme	1	2	3	4	5	6	7	8	9	

10 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 2001? What do you expect to happen in the current quarter? Please complete the table by ticking 8 boxes only:

	ACTUAL			EXPECTED		
	July, August, September 2002 compared with the same period 2001					
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						
Selling Prices						

11 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)

- |                                     |  |   |                       |
|-------------------------------------|--|---|-----------------------|
| a. General economic climate         | b. Sector-specific demand/problems       | c. Competition                            | d. Marketing problems |
| e. Interest rates/Access to finance | f. Inflation/Cost of materials, supplies | g. Other costs (e.g. premises, transport) | h. Exchange rates     |
| i. Cashflow/Payments/Debtors        | j. Gov't regulations and paperwork       | k. Lack of skilled employees/High pay     | l. Total tax burden   |
| m. Lack of time/capacity            | n. No problems                           | o. Other (please specify)                 |                       |

12 Please indicate the sex of the owner(s) of the business: \_\_\_\_\_  
 a. Male      b. Female      c. Joint Male/Female ownership

13 If you are willing in future to complete these questionnaires on the internet, please give your email address here, as clearly as possible please!  
 \_\_\_\_\_