

# NatWest SBRT Quarterly Survey of Small Business in Britain



Sponsored by NatWest



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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. In addition to the regular members of the SBRT Volunteer database, this includes members of the Federation of Small Businesses and Open University Small Business Customers. **The SBRT would welcome additions to the sample from other sources.**

**This survey (the 56th in the series) was mailed out on 15th June 1998 to 2,500 small firms. By the cut-off date of 22 July, 682 completed questionnaires had been received.** It should be noted that the SBRT survey is not a panel, nor is it fully random among the total membership of the bodies listed above.

The Small Business Research Trust acknowledges the help provided by Bannock Consulting in designing the survey, processing data and analysing the results. 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

*The growth in sales of Britain's small firms over the past year is the lowest since early 1994. This bears out the pessimistic outlook reported three months ago. Optimism has fallen for the third survey in succession – to the lowest level since the end of 1992. Fears of recession rather than a soft landing for the economy are heightened by this. Despite poor sales, many small firms are also suffering from a lack of skilled and trained employees. The government's 'New Deal' scheme may help somewhat and this survey suggests that many more firms are interested in the scheme than have currently signed up. Despite extensive publicity, however, many other firms do not know enough about the scheme.*

- Only 42 per cent of small firms said that their **sales turnover** was higher in the second quarter of 1998 than it had been in the second quarter of 1997, while 35 per cent said that it was lower. The resulting balance of +7 per cent is considerably down compared with +17 per cent in the previous survey and is the lowest since early 1994.
- The balance of firms increasing **employment** over the year is, however, up a little, from +3 per cent to +6 per cent.
- The balance of firms **expecting sales** to be higher in the current quarter (the third quarter of 1998) is down from +18 to +9 per cent. The seasonally adjusted balance shows a fall from +11 per cent to +6 per cent – the third successive fall and the lowest level of confidence since the end of 1992.
- **Employment expectations**, however, remain positive.
- Given the poor official figures for the **manufacturing** sector, it is unsurprising that the sector is pessimistic, but other sectors, including wholesalers and business service firms are also more pessimistic than they have been for many years.
- **Low turnover/lack of business** remains the biggest problem for small business, according to 28 per cent of respondents, an increase from the 24 per cent in the previous survey.
- **Government regulations/paperwork, cashflow/payments/debtors**, and the **lack of skilled/trained employees** are the next most important problems.
- Over one-quarter of the firms taking part in the survey and over half of those with 50 or more employees are currently suffering from a **lack of skilled/trained employees**.
- Over 40 per cent of **construction** firms complain of a lack of skills.
- A majority of firms either **pay for external training courses, give staff time off to attend courses or organise internal training courses**. However, over one-quarter of firms which complain of a lack of skilled employees offer **no formal training** themselves.
- Some 12 per cent of respondents have considered taking on, or have already taken on, staff under the government's **'New Deal'** scheme.
- However, over 80 per cent of those with skills shortages have not considered using the **'New Deal'** scheme.
- The main reason given for not using the scheme (apart from not wanting to recruit any employees) was a **lack of information** about it.
- Far fewer respondents rejected the scheme because they had **doubts about the quality** of trainees.
- Nearly all of those who have considered using the **'New Deal'** think that it may well lead to **permanent jobs**.



# Index

<u>Acknowledgements</u>	1
<u>Highlights</u>	2
<u>Survey Details</u>	4
<u>Actual Performance</u>	5
Actual Performance: Comparison across Size Bands	8
<u>Expectations</u>	9
Expectations: Comparison across Size Bands	11
Expectations: Comparison across Business Sectors	12
Expectations: Comparison across Regions	14
<u>Problems</u>	15
<u>Lack of Skills, Training &amp; the 'New Deal'</u>	18
<u>Appendix</u>	25
Performance Tables	26
Special Topics	30



## Survey Details

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*Respondents were asked to indicate whether their sales turnover, average employment and investment were up, down or the same in the quarter just ended (April, May, June 1998) compared with the same quarter a year earlier, and also to indicate what they expect for the next quarter (July, August, September 1998) compared with the second quarter of 1998. The first of the responses to the two sets of questions is shown in Table 1.1 as the "Actual Change on Year" and the second as "Expected Change on Previous Quarter".*

Following the well-established practice of the CBI in its **Industrial Trends Survey**, a summary statistic, the **balance**, is used to monitor these changes, although the full results are also shown in the tables. The balance is the percentage of respondents replying 'up' minus the percentage replying 'down' (we ignore, for this purpose, the percentage replying 'same'). Appendix Table A.1 gives the percentage balances for both actual and expected changes since this survey began in the third quarter of 1984.

Since 1989, we have been splitting the results of questions on performance, expectations and problems by industrial sector and re-weighting them according to the sectoral distribution of all VAT registered businesses. The aim of this is to ensure that the results are as representative as possible of the business population in Britain. Please note, however, that other breakdowns by industrial sector, region and firm size use unweighted data.

# Survey Details



# Actual Performance

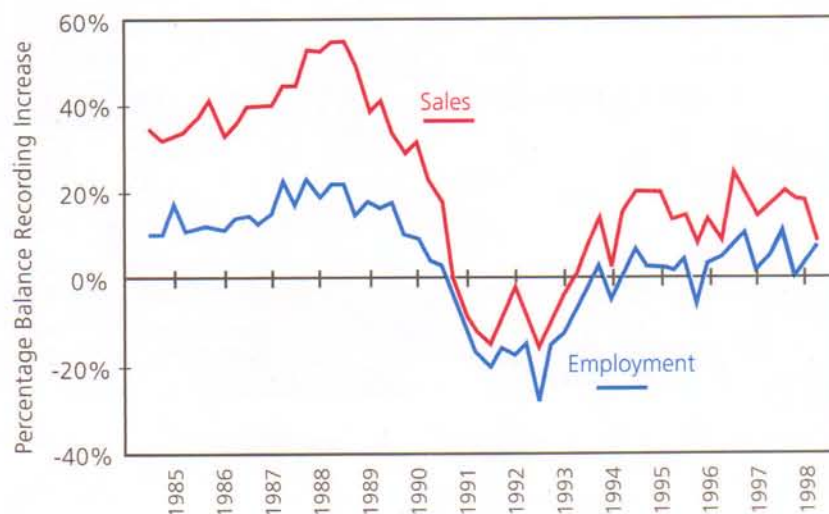
*The pessimistic outlook of Britain's small firms in the previous survey seems to have been justified. After over a year of mixed results, the balance reporting an improvement in sales has fallen more sharply, to the lowest level since early 1994. This raises fears of an impending recession rather than a soft landing for the economy. The smallest firms continue to suffer most, but poorer performance than in recent years by the larger firms means that the gap between the two groups has narrowed.*

## Sales turnover experience

The proportion of firms reporting higher sales turnover in the second quarter of 1998 than one year earlier (42.2 per cent) was considerably lower than in the previous survey (47.1 per cent). The proportion reporting a fall in sales was also up considerably, from 29.8 per cent to 35.1 per cent. The balance of firms reporting an

increase therefore fell from +17.3 per cent to only +7.1 per cent (see Table 1.1 on page 6). Chart 1.1 below (and Appendix Table A.1 on page 26) show that this is the lowest balance for this question since the beginning of 1994. The balance has been warning of economic slowdown for some time. Although the balance is still positive, the current sharp fall seems to warn more of recession than soft landing for the economy.

Chart 1.1: Percentage balance for the actual change in sales and employment on year





### Employment experience

Despite the poor sales performance, Britain's small firms report slightly better news on employment over the past year. Some 22.0 per cent employ more people now than one year ago (compared with 20.6 per cent in the previous survey) and only 16.1 per cent employ fewer

(compared with 17.9 per cent). The percentage balance of +5.9 per cent is still low, but is a little better than the +2.7 per cent in the previous survey (see Chart 1.1 on page 5).

Table 1.1: Change and expected change in sales, employment and investment

	Actual Change on Year				Expected Change on Previous Quarter			
	1997/3	1997/4	1998/1	1998/2	1997/4	1998/1	1998/2	1998/3
	on 1996/3	on 1996/4	on 1997/1	on 1997/2				
Survey No	53	54	55	56	53	54	55	56
	SALES				SALES			
Up	47.1%	47.9%	47.1%	42.2%	44.6%	38.5%	41.4%	35.5%
Down	26.8%	30.3%	29.8%	35.1%	21.0%	30.7%	23.2%	26.7%
Same	25.4%	21.0%	22.4%	22.4%	33.2%	29.0%	34.4%	36.9%
No Response	0.7%	0.8%	0.7%	0.3%	1.2%	1.8%	1.0%	0.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	+20.3%	+17.6%	+17.3%	+7.1%	+23.6%	+7.7%	+18.2%	+8.9%
	EMPLOYMENT				EMPLOYMENT			
Up	22.5%	18.9%	20.6%	22.0%	15.1%	12.7%	14.4%	14.8%
Down	10.4%	18.4%	17.9%	16.1%	12.2%	15.9%	11.3%	10.0%
Same	64.4%	58.8%	58.9%	59.5%	69.0%	66.2%	71.4%	72.2%
No Response	2.8%	3.9%	2.6%	2.4%	3.7%	5.3%	3.0%	3.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	+12.0%	+0.5%	+2.7%	+5.9%	+2.8%	-3.2%	+3.2%	+4.7%
	INVESTMENT				INVESTMENT			
Up	25.6%	24.6%	28.2%	23.7%	19.4%	22.2%	19.7%	18.4%
Down	16.0%	16.7%	17.5%	22.4%	17.0%	21.2%	18.8%	18.6%
Same	54.8%	55.3%	51.2%	50.6%	59.3%	52.8%	58.1%	59.5%
No Response	3.6%	3.4%	3.1%	3.4%	4.3%	3.7%	3.4%	3.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	+9.5%	+7.9%	+10.8%	+1.4%	+2.4%	+1.0%	+0.9%	-0.1%
Base	634	783	1,273	682	634	783	1,273	682

Note: All figures shown in this table are weighted to the VAT sectoral distribution and therefore may not sum exactly to the totals shown.

Table 1.2: Proportion of expanding and declining firms as a percentage of respondents

	Survey No. 53		No. 54		No. 55		No. 56	
	Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
Expanding Firms	116	18.3%	121	15.5%	202	15.9%	119	17.5%
Declining Firms	43	6.7%	80	10.3%	136	10.7%	75	11.0%
Remaining Respondents	475	75.0%	581	74.3%	935	73.5%	488	71.6%
All Respondents	634	100.0%	783	100.0%	1,273	100.0%	682	100.0%
Balance		+11.6%		+5.2%		+5.2%		+6.5%

Note: All figures shown in this table are weighted to the VAT sectoral distribution and therefore may not sum exactly to the totals shown.

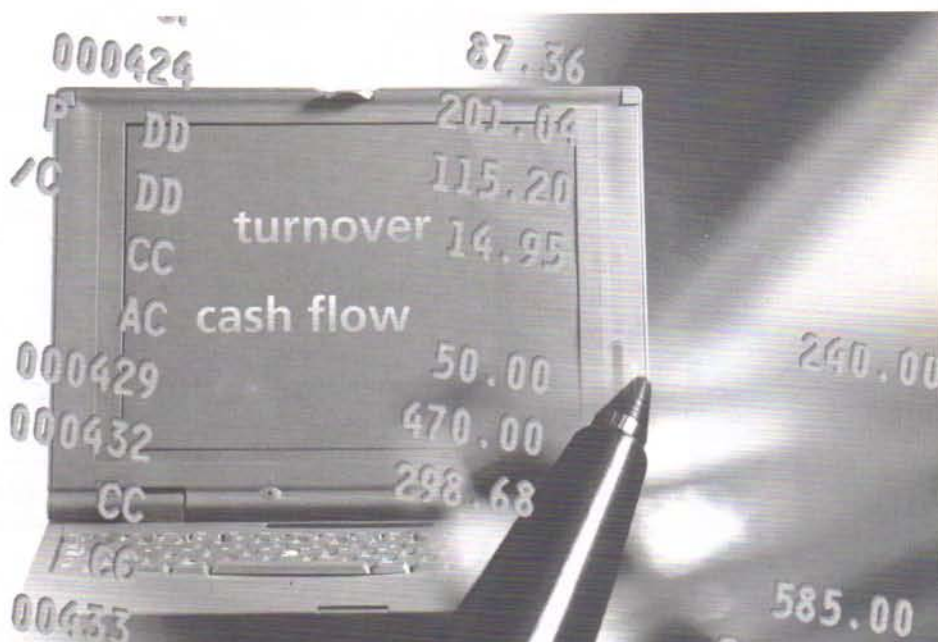
**Investment experience**

The balance of firms increasing investment over the past year has, however, fallen markedly, from +10.8 per cent to only +1.4 per cent.

Only 23.7 per cent of small firms have increased investment, while 22.4 per cent have cut it (Table 1.1).

**Expanding and declining firms**

Due to the increase in the number of firms employing more people, the proportion of firms classed as expanding (increasing both sales and employment) has risen a little, from 15.9 per cent to 17.5 per cent. However, the proportion classed as declining (falling sales and falling employment) has also risen slightly, from 10.7 per cent to 11.0 per cent. The balance of expanding over declining firms has therefore risen only from +5.2 per cent to +6.5 per cent (see Table 1.2).





## Actual Performance: Comparison across Size Bands

Table 1.3 shows that there still remains a considerable division between the sales experience of the smallest and the larger firms. On balance, those with a turnover

under £50,000 saw turnover fall over the past year, while larger firms saw sales rise.

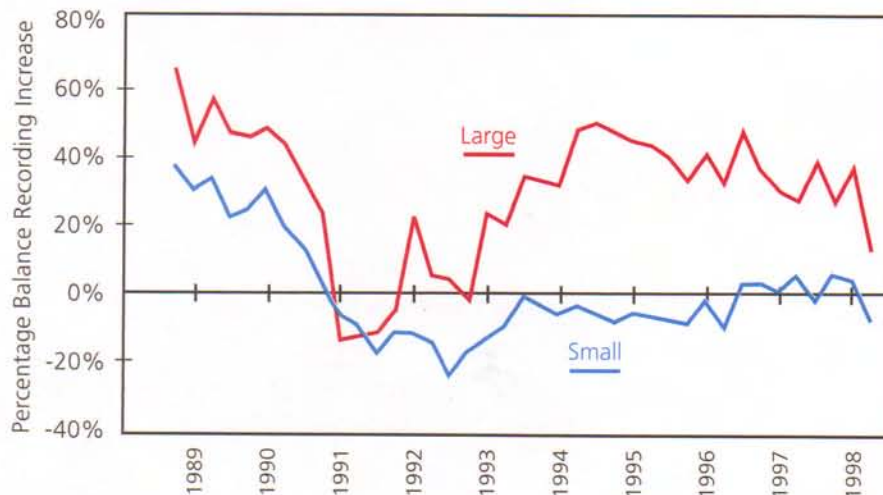
Table 1.3: Actual change in sales, by firm size

Turnover size band	Up	Down	Same	Balance	Sample
Less than £20,000	29.2%	35.4%	31.3%	-6.3%	48
£20,000 - 49,999	27.5%	33.8%	36.3%	-6.3%	80
£50,000 - 149,999	38.3%	34.9%	26.8%	+3.4%	149
£150,000 - 349,999	47.8%	30.4%	21.7%	+17.4%	138
£350,000 - 749,999	45.3%	36.8%	17.9%	+8.4%	95
£750,000 - 1,499,999	47.0%	31.3%	21.7%	+15.7%	83
£1,500,000 and over	47.4%	35.5%	17.1%	+11.8%	76
No Response	23.1%	30.8%	38.5%	-7.7%	13
Total	41.1%	33.7%	24.5%	+7.3%	682

Chart 1.2 shows that the smallest firms have hardly experienced any recovery from the 1990-92 recession. Larger firms saw things get considerably better from 1993 onwards, but have more recently faced tougher

trading conditions. Because of this, the gap between the experience of the smallest and larger firms has been narrowing, although both groups saw weaker sales performance over the past year.

Chart 1.2: Percentage balance for the actual change in sales on year – for large firms (turnover greater than £750,000) and small firms (turnover below £50,000)



# Expectations

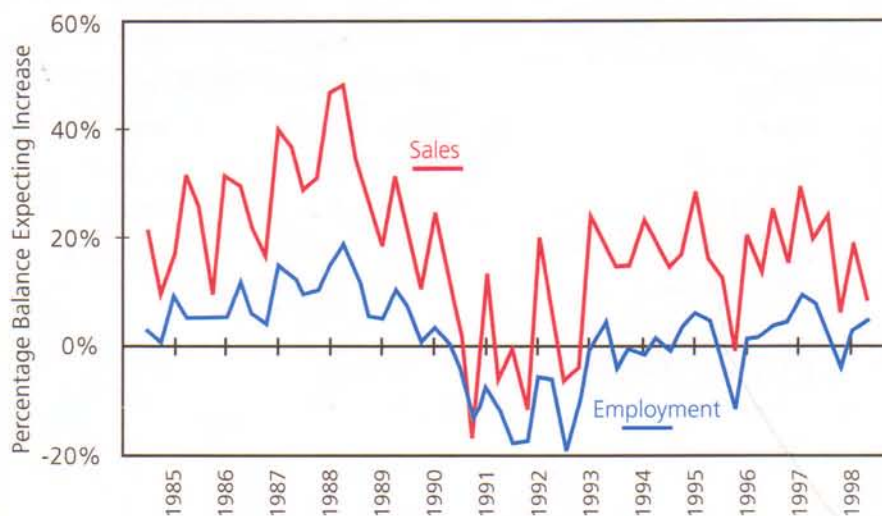
*Seasonally adjusted sales expectations for the current quarter are down to the lowest level since the end of 1992. Firms in all regions are less optimistic and poor performance in manufacturing seems to have spread, especially to related sectors such as wholesaling and business services.*

## Sales expectations

The proportion of UK small firms expecting an increase in sales in the current quarter (35.5 per cent) is down markedly from the 41.4 per cent in the previous survey. The proportion expecting sales to fall is up from 23.2 per

cent to 26.7 per cent. The percentage balance of firms expecting an increase in sales has therefore fallen from +18.2 per cent to +8.9 per cent (Table 1.1 and Chart 1.3).

Chart 1.3: Percentage balance for the expected change in sales and employment over previous quarter (not seasonally adjusted)



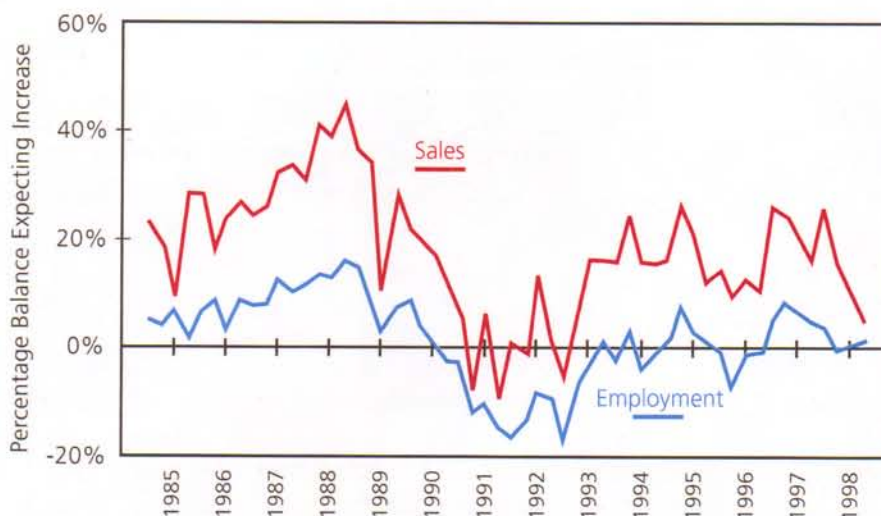
## Seasonally adjusted sales

Although the current balance is slightly higher than it was six months ago, firms are usually far more optimistic at this time of the year than in the middle of winter. Chart 1.4 overleaf and Appendix Table A.1 on page 26 show the balance when seasonally adjusted.

The seasonally adjusted balance in this survey has fallen from +11.0 per cent to only +5.8 per cent. This is the third successive fall. The balance is now lower than it has been since the end of 1992 and is around the same level as in late 1990, at the onset of recession.



Chart 1.4: Percentage balance for the expected change in sales and employment over previous quarter (seasonally adjusted)



#### Employment expectations

Although small firms are much less optimistic about their sales prospects, they do not yet expect this to affect employment drastically. Only one in ten expect to employ fewer people in the third quarter of 1998 than in the second, while 14.8 per cent expect to employ more. The balance of +4.7 per cent is a little up compared with the +3.2 per cent in the previous survey and the seasonally adjusted balance is also up a little (Chart 1.4 and Appendix Table A.1).

#### Investment expectations

The balance of firms which expect to increase investment during the current quarter is, however, down and is negative for the first time in two years. Only 18.4 per cent of firms expect to increase investment during the third quarter, but 18.6 per cent expect investment to be down (Table 1.1).



## Expectations: Comparison across Size Bands

Once again, the smallest firms in this survey report that they expect their position to worsen over the coming quarter. However, the pattern whereby the larger the firm the more optimistic it is seems to be breaking

down. In this survey, the firms with a turnover greater than £1.5m are less optimistic about sales than those with a turnover between £350,000 and £1.5m (Table 1.4).

**Table 1.4: Expected change in sales and employment by turnover**  
(current survey compared with previous surveys, percentage balances)

Turnover size band	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (This survey)
	Survey Number				Survey Number				
	53	54	55	56	53	54	55	56	
Less than £20,000	1.9%	4.4%	-8.8%	-6.3%	-3.8%	0.0%	-8.8%	-2.1%	48
£20,000 - 49,999	12.9%	27.4%	20.5%	-1.3%	0.0%	8.0%	-1.9%	1.3%	80
£50,000 - 149,999	28.6%	-2.5%	21.6%	14.1%	5.4%	-5.6%	1.5%	0.0%	149
£150,000 - 349,999	19.1%	10.5%	21.1%	0.0%	-1.7%	-3.3%	2.6%	9.4%	138
£350,000 - 749,999	28.6%	28.2%	22.5%	22.1%	15.4%	12.7%	6.0%	3.2%	95
£750,000 - 1,499,999	32.4%	34.4%	27.1%	21.7%	13.5%	14.4%	15.7%	19.3%	83
£1,500,000 and over	41.6%	35.4%	23.9%	10.5%	16.9%	7.7%	12.0%	7.9%	76
<b>Total</b>	<b>24.9%</b>	<b>16.7%</b>	<b>20.0%</b>	<b>8.9%</b>	<b>6.3%</b>	<b>3.6%</b>	<b>4.2%</b>	<b>5.6%</b>	<b>682</b>

NOTE: The total balances in this table are not comparable with those shown in Table 1.1 because the data in this table are not weighted, neither are they seasonally adjusted.

**Chart 1.5: Percentage balance for the expected change in sales on quarter – by firm employment size**

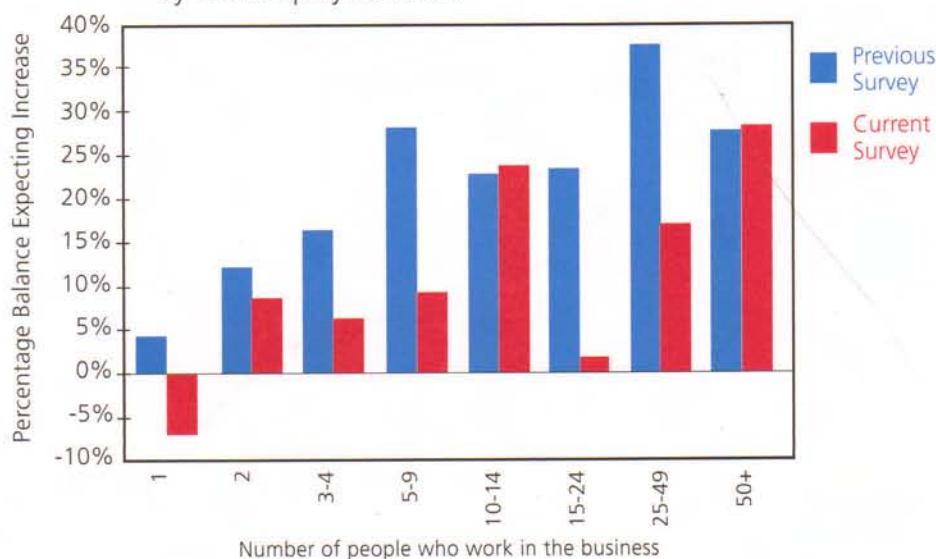


Chart 1.5 shows the sales balance analysed by employment size band. The smallest firms are least

optimistic, but the pattern is less clear for larger firms.



## Expectations: Comparison across Business Sectors

Table 1.5 breaks down the expected sales and employment balances by sector. However, the sample sizes for several sectors are too small for comparisons to be necessarily statistically significant.

Table 1.5: Expected change in sales and employment by business sector (current survey compared with previous surveys)

Business Sector	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (This survey)
	Survey Number				Survey Number				
	53	54	55	56	53	54	55	56	
Agriculture, Forestry, Fisheries	18.2%	-55.0%	-22.2%	-44.4%	-18.2%	-30.0%	-7.4%	-11.1%	18
Manufacturing, Mining, Processing	29.8%	19.0%	21.8%	3.0%	10.7%	3.7%	6.6%	3.0%	135
Transport	33.3%	22.7%	41.4%	25.0%	6.7%	0.0%	10.3%	10.0%	20
Construction	29.0%	27.4%	10.6%	8.7%	9.7%	1.6%	0.0%	8.7%	46
Wholesale Trade	18.5%	8.3%	0.0%	-4.6%	10.8%	5.0%	6.7%	0.0%	65
Retail Trade	34.0%	5.0%	24.6%	4.1%	2.0%	3.0%	1.1%	-1.0%	97
Catering & Restaurants	0.0%	-13.3%	53.3%	22.2%	-23.1%	-40.0%	10.0%	5.6%	18
Business Services	20.9%	28.6%	21.7%	9.5%	5.3%	12.3%	3.8%	10.1%	189
Other Services	17.8%	18.9%	25.2%	36.6%	6.8%	1.1%	0.7%	12.7%	71
Other	44.4%	11.9%	22.4%	30.4%	22.2%	2.4%	16.3%	8.7%	23
Total	24.9%	16.7%	20.0%	8.9%	6.3%	3.6%	4.2%	5.6%	682

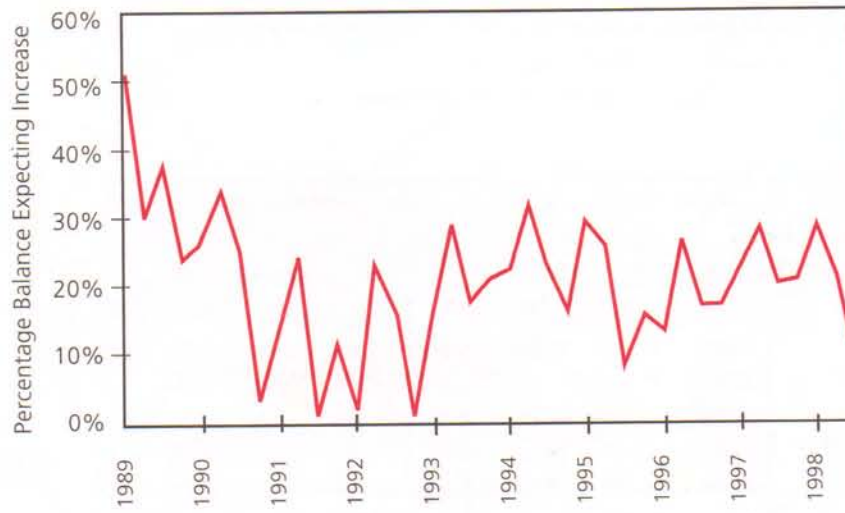
*Unweighted, not seasonally-adjusted data*

Firms in most sectors are less optimistic than in the previous survey. Although official figures and press reports suggest that manufacturing has been performing far more poorly than the service sector recently, this survey suggests that other sectors are also beginning to suffer serious knock-on effects from this. Wholesalers,

for instance, expect sales to worsen over the next quarter, for the first time since the end of 1992. Firms which offer business services (such as accountancy and consultancy) are also considerably less optimistic than they have been in recent years (see Chart 1.6 on page 13).



Chart 1.6: Balance for the expected change in sales – business services





## Expectations: Comparison across Regions

Table 1.6 shows the sales and employment balances by region and Chart 1.7 shows just the sales balance. As with the industrial sectors, sample sizes for several regions are too small for comparisons to be statistically reliable. This also means that the balances are subject to

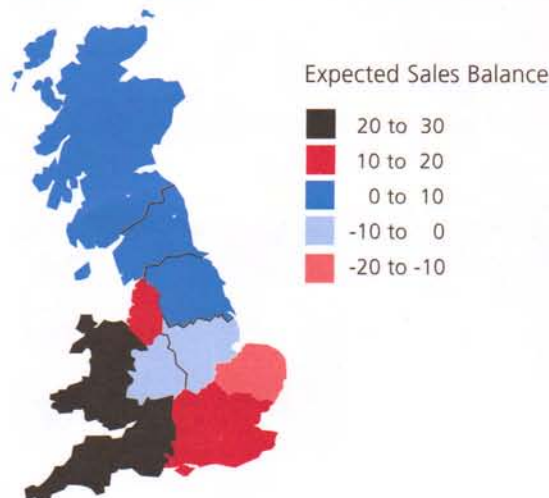
considerable variation from survey to survey. Although firms in all areas are less optimistic than they were, those in the west of Britain – the South West, Wales and the North West – remain more optimistic about sales prospects than the rest.

**Table 1.6: Expected change in sales and employment by region**  
(current survey compared with previous surveys)

Region	EXPECTED SALES BALANCE				EXPECTED EMPLOYMENT BALANCE				Sample Size (This survey)
	Survey Number				Survey Number				
	53	54	55	56	53	54	55	56	
North	40.0%	10.3%	25.6%	5.9%	5.0%	0.0%	11.6%	5.9%	17
Yorkshire & Humberside	35.4%	-12.1%	13.8%	0.0%	6.3%	0.0%	5.7%	6.4%	47
North West	21.4%	6.5%	30.9%	19.7%	3.6%	6.5%	8.1%	8.2%	61
East Midlands	17.3%	0.0%	17.4%	-2.2%	1.9%	-8.0%	-2.2%	10.9%	46
West Midlands	38.3%	-2.1%	4.7%	-5.1%	13.3%	6.4%	3.8%	-6.8%	59
East Anglia	12.5%	28.9%	7.0%	-11.1%	7.5%	18.4%	5.6%	11.1%	36
South East	27.0%	29.5%	22.3%	13.1%	7.0%	5.6%	5.5%	7.7%	274
South West	8.2%	21.7%	30.7%	21.3%	0.0%	3.6%	4.7%	8.2%	61
Wales	27.3%	30.0%	31.7%	25.0%	18.2%	13.3%	0.0%	-10.0%	20
Scotland	26.3%	-8.3%	2.9%	0.0%	7.9%	-8.3%	-2.9%	2.7%	37
Northern Ireland	0.0%	33.3%	20.0%	100.0%	0.0%	-16.7%	-20.0%	50.0%	2
<b>Total</b>	<b>24.9%</b>	<b>16.7%</b>	<b>20.0%</b>	<b>8.9%</b>	<b>6.3%</b>	<b>3.6%</b>	<b>4.2%</b>	<b>5.6%</b>	<b>682</b>

*Unweighted, not seasonally-adjusted data*

**Chart 1.7: Percentage balance for the expected change in sales on quarter – by UK standard region**



# Problems

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

Table 2.1: Most important problem (all respondents)

Problem	Survey Number			
	No.53	No.54	No.55	No.56
Low Turnover/Lack of Business	27.9% (1)	26.7% (1)	24.2% (1)	28.2% (1)
Gov't Regulations & Paperwork	12.7% (2)	11.8% (3)	9.1% (4)	10.3% (2)
Cashflow/Payments/Debtors	11.0% (3)	12.1% (2)	11.1% (2)	9.1% (3)
Lack of Skilled/Trained Employees	11.0% (4)	8.7% (4)	9.5% (3)	7.7% (4)
Competition from Big Business	6.7% (5)	8.0% (5)	8.0% (5)	5.8% (5)
Premises/Rent/Rates	5.3% (6)	4.1% (7)	3.5% (7)	4.9% (6)
Total Tax Burden	5.2% (7)	5.5% (6)	4.8% (6)	4.4% (7)
Interest Rates	2.0% (10)	3.5% (8)	3.4% (8)	3.6% (8)
Internal Management Difficulties	2.3% (9)	1.6% (10)	1.8% (10)	2.3% (9)
Inflation	0.6% (12)	0.2% (13)	0.3% (12)	1.9% (10)
Access to Finance	2.5% (8)	2.0% (9)	3.4% (9)	1.8% (11)
High Rates of Pay	1.1% (11)	0.9% (11)	0.9% (11)	1.1% (12)
Shortages of Materials, Supplies, etc	0.6% (13)	0.7% (12)	0.2% (13)	0.1% (13)
Other	9.7%	13.0%	18.9%	18.0%
No Response	1.4%	1.2%	1.0%	0.7%
TOTAL	100.0%	100.0%	100.0%	100.0%
BASE	634	783	1,273	682

Note: 1 All figures shown in this table are weighted to the VAT sectoral distribution.  
2 Number in brackets refers to the problem's ranking each quarter.

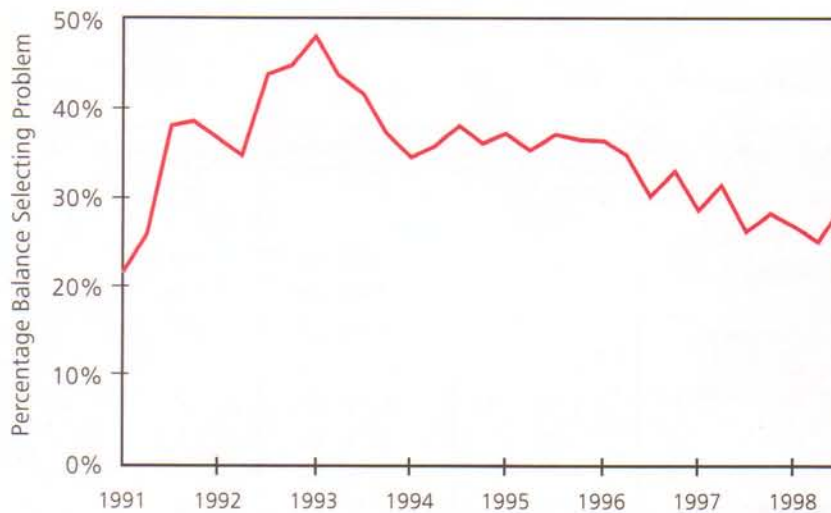
**Low turnover/lack of business** remains by far the most frequently mentioned problem, as it has been since 1991, in the depths of the recession. The proportion selecting this problem rose somewhat, from 24.2 per cent in the previous survey to 28.2 per cent now (see Chart 2.1, overleaf), mirroring the increase in the proportion of firms saying that their sales are down. The proportion is as high as 47.3 per cent of single-person firms (see Table 2.2 on page 17).

The proportion indicating that **government regulations & paperwork** is their most important problem rose a little, from 9.1 to 10.3 per cent, and this jumped from fourth to second place in the rankings, due

to falls in the proportion selecting **cashflow/ payments/debtors** and **lack of skilled/trained employees**. It remains to be seen whether the implementation of the Government's statutory right to interest for late payments initiative will cause a further drop in the cashflow ranking. Although still only ranking as a minor problem, the proportion selecting **inflation** as their most important problem was up from only 0.3 to 1.9 per cent, moving this up from twelfth to tenth place in the rankings. The proportion indicating that **access to finance** was their most important problem fell from 3.4 per cent to only 1.8 per cent, the lowest since this option was first offered, in 1990.



Chart 2.1: Proportion selecting low turnover/lack of business as most important business problem



Some 18.0 per cent of respondents could not decide between a number of important problems or added "other" problems of their own. Of these, the same proportion as in the previous survey (2.6 per cent of the whole sample) said that the most important single problem facing their business was the continuing

strength of sterling. This proportion would itself put the strength of sterling in ninth place in the ranking of most important problems and it is likely that even more people would have selected it if it had been offered as one of the predetermined options in the question.





Table 2.2: Most important problem, by number of people who work in the business

	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
Inflation	2.7%	0.9%	0.9%	0.6%	2.8%	1.5%	1.7%	8.0%	1.6%
Interest Rates	2.7%	3.7%	1.8%	3.2%	8.3%	0.0%	1.7%	8.0%	3.2%
Access to Finance	0.0%	3.7%	1.8%	3.2%	1.4%	6.1%	1.7%	0.0%	2.5%
Lack of Skilled/Trained Employees	1.4%	0.9%	6.2%	10.4%	13.9%	10.6%	13.3%	16.0%	7.9%
Total Tax Burden	1.4%	4.7%	4.4%	7.1%	5.6%	1.5%	6.7%	4.0%	4.8%
Low Turnover/Lack of Business	47.3%	35.5%	31.9%	25.3%	15.3%	34.8%	23.3%	20.0%	30.1%
Competition from Big Business	8.1%	4.7%	12.4%	5.8%	9.7%	1.5%	3.3%	4.0%	6.6%
Gov't Regulations & Paperwork	5.4%	15.0%	8.8%	8.4%	12.5%	7.6%	11.7%	4.0%	9.5%
High Rates of Pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	4.0%	0.6%
Shortages of Materials,Supplies,etc	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.1%
Internal Management Difficulties	0.0%	0.0%	2.7%	1.3%	5.6%	7.6%	3.3%	8.0%	2.6%
Cashflow/Payments/Debtors	14.9%	12.1%	8.0%	10.4%	6.9%	10.6%	0.0%	8.0%	9.5%
Premises/Rent/Rates	1.4%	3.7%	8.0%	4.5%	5.6%	6.1%	3.3%	0.0%	4.5%
Other	12.2%	15.0%	12.4%	18.8%	11.1%	12.1%	23.3%	16.0%	15.5%
No Response	2.7%	0.0%	0.9%	0.0%	1.4%	0.0%	1.7%	0.0%	0.7%
Base	74	107	113	154	72	66	60	25	682

Unweighted data





# Lack of Skills, Training & the 'New Deal'

Over the past year or so, concern has been rising about skills shortages in the economy and the level of pay increases. In this survey, special questions were asked about the severity of skills shortages, respondents' attitudes to training and to the government's response – the 'New Deal'.

## Lack of Skills

The previous section showed that the **lack of skilled/trained employees** was ranked as the fourth most important problem facing small business. Some 7.7 per cent of firms said that this was the single most important problem facing their business. However, this does not include those firms for which the lack of skills is a significant, but not the most important, problem and

so a separate question on the subject was asked in this survey. Table 3.1 shows that overall 27.9 per cent of small firms say that they are currently suffering from a **lack of skilled/trained employees**. This compares favourably with another survey, the 3i Enterprise Barometer of March 1998, in which 54.9 per cent of firms with up to 200 employees reported such a lack.

Table 3.1 "Is your business currently suffering from a lack of skilled/trained employees?" – by size of firm

Number of employees:	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
Yes	4.1%	14.0%	23.0%	29.2%	40.3%	47.0%	38.3%	52.0%	27.9%
No	94.6%	86.0%	76.1%	70.8%	56.9%	53.0%	61.7%	48.0%	71.6%
No response	1.4%	0.0%	0.9%	0.0%	2.8%	0.0%	0.0%	0.0%	0.6%
Sample	74	107	113	154	72	66	60	25	682

The reason for the difference between this survey and the 3i Barometer, which covers larger, faster growing firms, is brought out in Table 3.1 and Chart 3.1. The problem of lack of skills is very closely related to firm

size. Over half of the firms in the survey which have 50 or more employees say that they are currently suffering from a lack of skills.

'New Deal'



Chart 3.1: Proportion of firms suffering from lack of skills – by size of firm

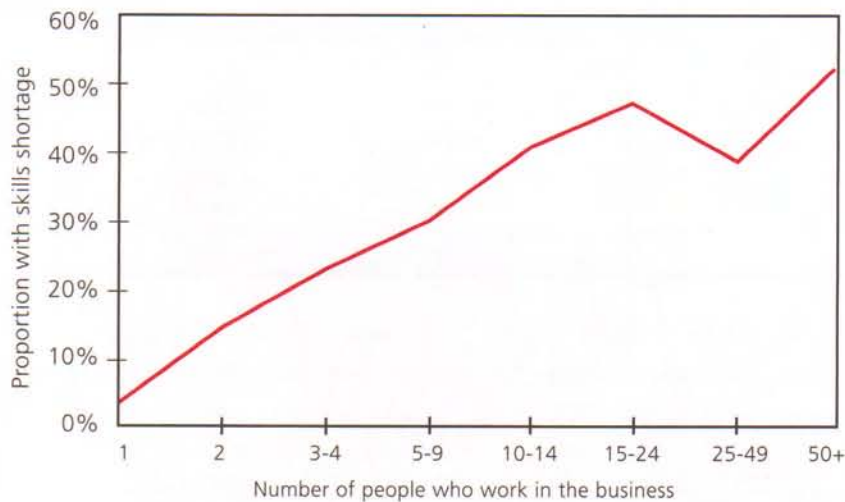


Table 3.2 shows that construction firms are suffering from a particular skills shortage, with 41.3 per cent experiencing problems.

Table 3.2 “Is your business currently suffering from a lack of skilled/trained employees?” – by business activity

	Yes	No	No response	Sample
Agriculture	5.6%	88.9%	5.6%	18
Manufacturing	31.9%	68.1%	0.0%	135
Transport	35.0%	65.0%	0.0%	20
Construction	41.3%	56.5%	2.2%	46
Wholesale	32.3%	67.7%	0.0%	65
Retail	21.6%	78.4%	0.0%	97
Catering	27.8%	66.7%	5.6%	18
Business Services	23.3%	76.2%	0.5%	189
Other Services	38.0%	62.0%	0.0%	71
Other	8.7%	91.3%	0.0%	23
All	27.9%	71.6%	0.6%	682

### Training

Table 3.3 shows that the firms complaining about skills shortages are not all simply abdicating their responsibility to produce employees with the required skills. Over half of those with a current skills shortage **pay for external training courses** for staff, compared with only just over one-third of those which are not currently suffering from a shortage of skills.

Some 36.8 per cent of those with skills shortages **give staff time off to attend courses** and one-third **organise internal training courses**.

Nevertheless, over one-quarter (27.4 per cent) of those firms which complain of a lack of skilled and trained employees do not themselves offer **any formal training**.



Table 3.3: "Apart from on-the-job instruction, what training does your business provide for its staff?" – separately for firms currently suffering from skills shortages

	Skills shortage	No shortage	All
Pays for external training courses	51.6%	35.5%	39.7%
No formal training	27.4%	42.6%	38.3%
Gives staff time off to attend courses	36.8%	19.7%	24.5%
Organises internal training courses	33.7%	17.8%	22.1%
Other	6.8%	5.7%	6.0%
Sample	190	488	682

Larger firms are far more likely to train formally. Overall, 39.7 per cent of firms taking part in this survey **pay for external training courses**. The proportion ranges from only around one-fifth of those firms where fewer than five people work to over three-quarters of those employing 25 people or more (Table 3.4).

A corollary of this is that over half of those firms where fewer than five people work offer **no formal training** at all. The smallest firms are less able to spare staff for external training but it is also probably more practicable for them to train staff on the job.

Table 3.4 "Apart from on-the-job instruction, what training does your business provide for its staff?" – by firm size

Number of employees:	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
Pays for external training courses	17.6%	16.8%	25.7%	44.8%	45.8%	60.6%	80.0%	72.0%	39.7%
No formal training	44.6%	56.1%	55.8%	35.7%	30.6%	19.7%	16.7%	8.0%	38.3%
Gives staff time off to attend courses	9.5%	9.3%	19.5%	34.4%	22.2%	33.3%	38.3%	48.0%	24.5%
Organises internal training courses	2.7%	12.1%	12.4%	24.0%	31.9%	33.3%	45.0%	44.0%	22.1%
Other	8.1%	2.8%	5.3%	4.5%	2.8%	10.6%	10.0%	4.0%	6.0%
Sample	74	107	113	154	72	66	60	25	682

The provision of training also varies considerably for different types of business. Table 3.5 shows, for instance, that fewer retailers and wholesalers offer **formal training** than do firms in business services (such as accountants and consultants), manufacturing and other

services (which includes medical services such as nursing homes). This could partly be a size effect but also it may be that on the job training is more appropriate in distribution than in the other trades.

Table 3.5 "Apart from on-the-job instruction, what training does your business provide for its staff?" – selected business activities

	Manufacturing	Wholesale	Retail	Business Services	Other Services	All
Pays for external training courses	49.6%	30.8%	25.8%	38.1%	54.9%	39.7%
No formal training	31.9%	50.8%	47.4%	34.9%	25.4%	38.3%
Gives staff time off to attend courses	23.0%	21.5%	17.5%	31.2%	31.0%	24.5%
Organises internal training courses	22.2%	24.6%	18.6%	21.2%	39.4%	22.1%
Other	3.7%	3.1%	6.2%	7.9%	4.2%	6.0%
Sample	135	65	97	189	71	682

### The 'New Deal'

The 'New Deal' scheme is an attempt by the government to reduce skills shortages and unemployment. It includes an employers' subsidy and grants towards training costs. Government figures show that by June 1998, 15,000 employers had signed New Deal employer agreements. This is little more than 1 per cent of all employers in the UK (the DTI estimate 1.2 million employers in the UK).

This survey suggests that many more firms are actively considering the scheme. Table 3.6 shows that, overall, 11.7 per cent of the firms taking part in this survey **have considered taking on, or already taken on, staff under the 'New Deal' scheme.**

Nevertheless, this means that 88.3 per cent of all firms, and even 80.5 per cent of those currently suffering from skills shortages, have not considered taking on staff under the 'New Deal' scheme.

Table 3.6 "Has your business considered taking on, or already taken on, any staff under the 'New Deal' scheme?" – separately for firms currently suffering from skills shortages

	Skills shortage	No shortage	All
Yes	19.5%	8.8%	11.7%
No	80.5%	91.2%	88.3%
Sample	190	488	682

Chart 3.2 and Table 3.7 show that larger firms, which are suffering most from skills shortages, are far more likely to be interested in the scheme than the smallest firms in this

survey. Even so, approaching three-quarters of those firms with 50 or more employees have not considered taking on any staff under the 'New Deal' scheme.

Chart 3.2: Proportion of firms which have considered taking on, or already taken on, any staff under the 'New Deal' scheme – by firm size

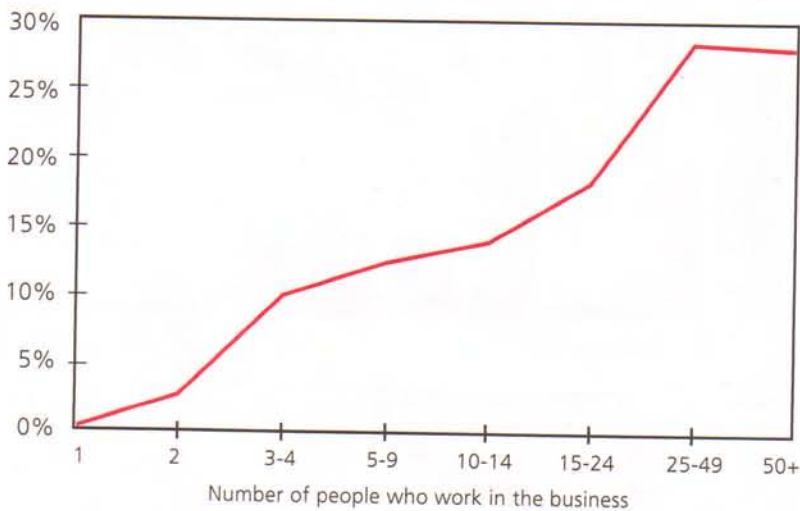




Table 3.7 "Has your business considered taking on, or already taken on, any staff under the 'New Deal' scheme?" – by size of firm

Number of employees:	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
Yes	0.0%	2.8%	9.7%	12.3%	13.9%	18.2%	28.3%	28.0%	11.7%
No	100.0%	97.2%	90.3%	87.7%	86.1%	81.8%	71.7%	72.0%	88.3%
Sample	74	107	113	154	72	66	60	25	682

For the smallest firms taking part in the survey, by far the most important reason that they have not considered the 'New Deal' scheme is simply that they **do not wish to recruit any more employees** (Table 3.8). For the larger firms, however, the most frequently given reason was that they **do not have enough information on the 'New Deal' scheme**. This suggests that further and more effective promotion of the scheme may well pay dividends. A few firms added the comment that they did not even know what the 'New Deal' was. This is not unusual: previous surveys have found that small firms are

not well informed about government initiatives and services.

Overall, 11.1 per cent of firms which had not considered using the 'New Deal' said that it was because they **do not have the facilities for training new staff**. Some 9.8 per cent said that they feel candidates **would lack necessary trade-specific skills**. Only 6.3 per cent said that they **feel that they would lack the basic literacy and numeracy skills**.

Table 3.8 Reasons for not considering 'New Deal' – by size of firm

Number of employees:	1	2	3-4	5-9	10-14	15-24	25-49	50+	All
Do not wish to recruit	78.4%	70.2%	55.9%	51.1%	40.3%	27.8%	25.6%	27.8%	52.5%
Do not have enough information	9.5%	9.6%	24.5%	24.4%	29.0%	40.7%	37.2%	61.1%	23.8%
Do not have facilities to train	6.8%	13.5%	17.6%	10.4%	9.7%	11.1%	2.3%	5.6%	11.1%
Feel they lack trade-specific skills	4.1%	8.7%	4.9%	13.3%	11.3%	13.0%	11.6%	16.7%	9.8%
Feel they lack basic skills	2.7%	3.8%	4.9%	8.9%	4.8%	3.7%	11.6%	11.1%	6.3%
Other	6.8%	3.8%	6.9%	5.9%	17.7%	3.7%	16.3%	0.0%	7.5%
Sample	74	104	102	135	62	54	43	18	602

Finally, Table 3.9 gives the good news that firms do not appear to be using the 'New Deal' scheme simply as a source of subsidised temporary labour. Nine out of ten

of those who have considered taking on, or already taken on, staff under the 'New Deal' say that they would consider employing them permanently.

Table 3.9 "If you have considered taking on staff under the 'New Deal' scheme, would you consider employing them permanently?"

	Replies	%
Yes	72	90.0%
No	4	5.0%
No response	4	5.0%
Sample	80	



## Conclusions

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Despite low turnover being their main concern, many of Britain's small firms are suffering from a lack of skilled and trained employees. A majority of them are attempting to train their employees themselves, but a significant minority do not offer any formal training.

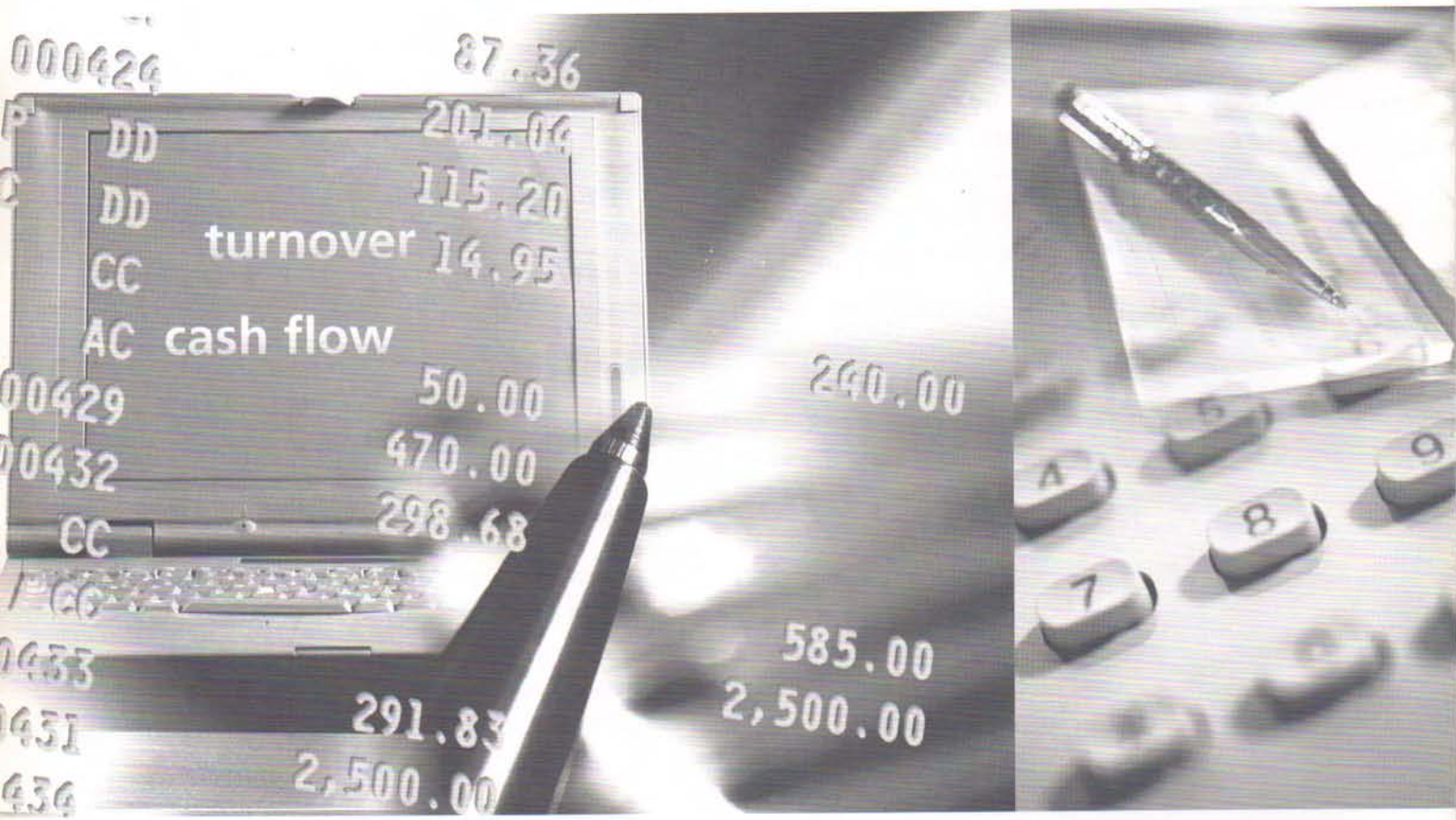
In certain sectors, such as accountancy and medical services, qualifications are essential and training tends to be formal in nature. In other sectors, such as wholesaling and retailing, skills tend to be acquired by informal, on the job training.

The relatively larger firms taking part in our survey are far more likely than the smallest both to be suffering from a lack of skills and to offer formal training. Firms are most likely to pay for external training courses, though many also give staff time off to attend courses or organise internal training courses. However, over one-quarter of those firms with a lack of skills do not offer any formal training.

The 'New Deal' is the government's attempt to help with this problem. A far higher proportion of firms taking part in this survey have considered taking on staff under the 'New Deal' than have so far signed up to take part, suggesting that there is considerable potential for the expansion of the scheme. However, the vast majority of firms have not thought seriously about making use of the scheme. Many of these simply do not wish to employ more people, but of those which do, lack of information is the main reason why they have not considered the scheme. More promotion of it may well therefore pay dividends.

Resistance to the 'New Deal' scheme on the grounds that employees are perceived to be unsuitable is low. Nearly all of the firms which have considered using the scheme think that it may well lead to permanent jobs, which bodes well for its potential for long-term job creation.





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The survey reports in each issue on changes in sales and employment and on the ranking of most important problems experienced by small firms. The percentage balances for sales and employment are shown in Appendix Table A.1 and the percentage mention of problems are shown in Appendix Table A.2 for each of the surveys carried out to date.

In addition, each issue covers one or more special topics, based upon the survey results, designed to contribute to knowledge about small business in Britain.

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Appendix Appendix



## Performance Tables

Table A.1: Changes and expected changes in sales and employment, 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	Employment	Sales		Employment		Investment
						U	S	U	S	U
Vol.1 No.1a	3,056	1984/3	34.7%	10.5%	-	21.2%	22.8%	3.3%	5.0%	-
Vol.1 No.1b	1,795	1984/4	32.6%	10.4%	-	9.5%	18.2%	0.9%	4.3%	-
Vol.1 No.2	1,181	1985/1	33.4%	17.6%	-	16.9%	9.7%	9.5%	7.2%	-
Vol.1 No.3	1,090	1985/2	34.4%	11.2%	-	31.4%	28.3%	5.3%	2.5%	-
Vol.1 No.4	1,072	1985/3	37.4%	12.1%	-	26.2%	27.8%	5.3%	7.0%	-
Vol.2 No.1	1,326	1985/4	41.4%	12.6%	-	9.8%	18.5%	5.3%	8.7%	-
Vol.2 No.2	1,052	1986/1	33.6%	11.6%	-	31.1%	23.9%	5.6%	3.3%	-
Vol.2 No.3	1,285	1986/2	35.5%	14.2%	-	29.6%	26.5%	11.9%	9.1%	-
Vol.2 No.4	1,435	1986/3	39.7%	15.2%	-	22.3%	23.9%	6.0%	7.7%	-
Vol.3 No.1	1,116	1986/4	40.0%	13.4%	-	17.0%	25.7%	4.6%	8.0%	-
Vol.3 No.2	1,746	1987/1	40.2%	15.2%	-	39.7%	32.5%	15.1%	12.8%	-
Vol.3 No.3	1,113	1987/2	44.7%	23.1%	-	36.8%	33.7%	13.2%	10.4%	-
Vol.3 No.4	977	1987/3	44.8%	17.6%	-	28.8%	30.4%	10.0%	11.7%	-
Vol.4 No.1	1,042	1987/4	52.7%	23.4%	-	31.4%	40.1%	10.5%	13.9%	-
Vol.4 No.2	933	1988/1	52.7%	19.3%	-	46.7%	39.5%	15.3%	13.0%	-
Vol.4 No.3	983	1988/2	55.0%	22.0%	-	47.9%	44.8%	19.1%	16.3%	-
Vol.4 No.4	950	1988/3	54.9%	22.3%	-	34.4%	36.0%	13.3%	15.0%	-
Vol.5 No.1A	1,523	1988/4	49.2%	15.1%	-	25.6%	34.3%	5.7%	9.1%	-
Vol.5 No.2	947	1989/1	38.8%	18.1%	-	18.6%	11.4%	5.6%	3.3%	-
Vol.5 No.3	2,274	1989/2	41.1%	16.7%	-	30.8%	27.8%	10.4%	7.6%	-
Vol.5 No.4	795	1989/3	33.5%	18.3%	-	20.2%	21.7%	7.4%	9.1%	-
Vol.6 No.1	1,091	1989/4	29.9%	10.5%	-	10.6%	19.3%	0.9%	4.3%	-
Vol.6 No.2	1,384	1990/1	31.4%	9.9%	-	24.4%	17.3%	3.5%	1.2%	-
Vol.6 No.3	1,043	1990/2	22.3%	4.8%	-	14.7%	11.6%	0.9%	-2.0%	-
Vol.6 No.4	1,312	1990/3	18.2%	3.5%	-	3.6%	5.2%	-4.1%	-2.4%	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-16.0%	-7.3%	-14.4%	-11.0%	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	12.3%	5.2%	-7.6%	-9.9%	-15.0%
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-5.2%	-8.2%	-11.5%	-14.3%	-20.6%
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-1.0%	0.6%	-17.5%	-15.8%	-15.1%
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-9.4%	-0.7%	-16.9%	-13.4%	-13.3%
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	19.5%	12.3%	-5.5%	-7.8%	-6.8%
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	4.2%	1.2%	-5.9%	-8.7%	-11.8%
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-6.2%	-4.6%	-17.7%	-16.0%	-24.1%
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-4.0%	4.8%	-10.7%	-7.2%	-13.1%
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	23.5%	16.3%	0.7%	-1.6%	-0.8%
Vol.9 No.3	1,310	1993/2	0.9%	-7.9%	-7.4%	19.1%	16.0%	4.3%	1.5%	-0.5%
Vol.9 No.4	1,076	1993/3	8.3%	-1.6%	-7.0%	14.7%	16.3%	-3.4%	-1.7%	-4.5%

continued

Table A.1 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	Employment	Sales	Employment	Investment	U	S
Vol.10 No.1	1,295	1993/4	13.8%	3.5%	-3.3%	15.1%	23.9%	-0.2%	3.3%	3.3%
Vol.10 No.2	861	1994/1	3.6%	-4.3%	-3.8%	23.0%	15.8%	-1.1%	-3.4%	3.7%
Vol.10 No.3	2,327	1994/2	16.2%	0.8%	-3.3%	18.4%	15.4%	1.6%	-1.2%	-2.2%
Vol.10 No.4	1,046	1994/3	20.3%	7.6%	0.6%	14.6%	16.1%	-0.2%	1.5%	1.9%
Vol.11 No.1	983	1994/4	20.4%	2.8%	4.1%	17.0%	25.7%	4.2%	7.6%	1.7%
Vol.11 No.2	1,295	1995/1	19.8%	3.3%	0.3%	28.0%	20.8%	6.2%	3.9%	5.7%
Vol.11 No.3	669	1995/2	14.0%	2.1%	0.8%	15.7%	12.6%	4.8%	2.0%	-1.8%
Vol.11 No.4	1,047	1995/3	14.8%	4.9%	2.2%	12.4%	14.0%	-1.8%	-0.1%	-2.3%
Vol.12 No.1	700	1995/4	8.5%	-5.5%	1.5%	1.5%	10.2%	-10.0%	-6.6%	-8.0%
Vol.12 No.2	1,099	1996/1	13.8%	3.5%	0.6%	20.0%	12.8%	1.7%	-0.6%	-2.0%
Vol.12 No.3	742	1996/2	9.1%	5.1%	4.8%	14.4%	11.3%	2.2%	-0.7%	-5.6%
Vol.12 No.4	753	1996/3	24.6%	9.0%	7.2%	24.6%	26.2%	4.1%	5.8%	5.3%
Vol.13 No.1	912	1996/4	19.6%	11.1%	10.9%	16.2%	24.9%	5.1%	8.6%	7.3%
Vol.13 No.2	720	1997/1	14.6%	1.6%	9.8%	28.1%	20.9%	9.4%	7.1%	7.2%
Vol.13 No.3	909	1997/2	17.3%	5.5%	4.4%	20.5%	17.5%	8.2%	5.4%	1.4%
Vol.13 No.4	634	1997/3	20.3%	12.0%	9.5%	23.6%	25.2%	2.8%	4.5%	2.4%
Vol.14 No.1	783	1997/4	17.6%	0.5%	7.9%	7.7%	16.4%	-3.2%	0.2%	1.0%
Vol 14 No 2	1,273	1998/1	17.3%	2.7%	10.8%	18.2%	11.0%	3.2%	0.9%	0.9%
Vol 14 No 3	682	1998/2	7.1%	5.9%	1.4%	8.9%	5.8%	4.7%	1.9%	-0.1%

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 Volume 1 Number 1

A – From Volume 5 Number 1, all results have been weighted to the VAT sectoral distribution.

Key: U – Unadjusted, S – Seasonally adjusted



Table A.2: Problems experienced by respondents – Note: From Survey 18 (1989/1), all figures shown in this table have been weighted to the VAT sectoral distribution.

	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 Material & Supplies	Internal Management Difficulties	Cashflow and Payments	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	0.9%	17.6%	-	17.7%	13.7%	11.3%	11.4%	8.3%	2.4%	2.7%	-	-	-	11.4%	2.4%	983
1988/4	2.8%	25.5%	-	16.9%	12.5%	8.7%	10.4%	6.0%	1.3%	3.3%	-	-	-	10.6%	1.9%	950
1989/1	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%	7.1%	5.9%	5.2%	1.0%	0.8%	-	-	-	14.5%	4.7%	947
1989/3	6.1%	32.9%	-	13.3%	7.1%	13.1%	6.0%	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%	11.6%	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%	6.3%	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%	5.1%	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

Continued

Table A.2 continued

	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 Material & Supplies	Internal Management Difficulties	Cashflow and Payments	Premises, Rents & Rates	Other	No Response	Number of Replies Analysed
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%	34.3%	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%	1.8%	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%	12.9%	3.8%	7.6%	2.5%	1,046
1995/1	0.9%	3.0%	4.4%	5.4%	5.7%	36.8%	7.1%	7.1%	0.6%	1.2%	3.0%	12.4%	1.8%	8.0%	2.6%	983
1995/2	1.2%	2.0%	3.6%	4.8%	7.0%	35.0%	6.2%	9.0%	0.7%	0.8%	2.7%	12.6%	3.8%	9.8%	0.9%	1,295
1995/3	1.0%	4.8%	4.5%	3.5%	7.0%	36.7%	9.0%	6.9%	0.4%	0.5%	1.0%	11.6%	5.4%	7.2%	0.4%	669
1995/4	1.1%	0.9%	3.2%	6.0%	5.9%	36.2%	6.2%	9.9%	0.9%	0.2%	3.3%	12.5%	2.9%	9.9%	0.9%	1,047
1996/1	3.0%	0.5%	4.2%	4.2%	5.8%	36.0%	7.1%	5.2%	0.3%	0.7%	2.0%	12.7%	3.7%	12.7%	2.1%	700
1996/2	0.4%	0.8%	2.5%	3.8%	6.4%	34.7%	6.3%	10.1%	0.5%	0.4%	2.6%	13.6%	3.4%	13.6%	0.7%	1,099
1996/3	0.1%	0.7%	3.8%	5.2%	6.1%	29.8%	8.0%	8.1%	0.4%	0.6%	1.7%	12.3%	5.1%	15.9%	2.2%	742
1996/4	1.1%	1.1%	2.6%	7.7%	6.2%	32.8%	7.2%	11.2%	0.8%	0.2%	2.6%	9.5%	3.9%	12.3%	0.9%	753
1997/1	0.3%	2.1%	3.2%	8.4%	6.8%	28.5%	7.2%	10.9%	0.3%	0.5%	2.1%	14.6%	3.9%	10.5%	0.8%	912
1997/2	0.1%	1.2%	1.9%	9.7%	4.5%	31.1%	7.2%	11.1%	1.9%	0.3%	2.4%	11.5%	3.3%	12.7%	1.0%	720
1997/3	0.2%	2.8%	4.0%	7.9%	8.3%	25.9%	9.5%	10.5%	0.8%	0.6%	1.9%	9.9%	5.9%	11.4%	0.4%	909
1997/4	0.6%	2.0%	2.5%	11.0%	5.2%	27.9%	6.7%	12.7%	1.1%	0.6%	2.3%	11.0%	5.3%	9.7%	1.4%	634
1998/1	0.2%	3.5%	2.0%	8.7%	5.5%	26.7%	8.0%	11.8%	0.9%	0.7%	1.6%	12.1%	4.1%	13.0%	1.2%	783
1998/2	0.3%	3.4%	3.4%	9.5%	4.8%	24.2%	8.0%	9.1%	0.9%	0.2%	1.8%	11.1%	3.5%	18.9%	1.0%	1,273
1998/3	1.9%	3.6%	1.8%	7.7%	4.4%	28.2%	5.8%	10.3%	1.1%	0.1%	2.3%	9.1%	4.9%	18.0%	0.7%	682



The following topics have been examined to date:

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

## Special Topics

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	The 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'

Note: The results from two surveys were published in Volume 1 Number 1





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 £20,000      c. £50,000-£149,999      e. £350,000-£749,999      g. £1,500,000 and over  
b. £20,000-£49,999      d. £150,000-£349,999      f. £750,000-£1,499,999

2a Employment: the number of people (including yourself) who work in the business \_\_\_\_\_

2b the number of these who work part-time \_\_\_\_\_

2c the number of outworkers and freelancers \_\_\_\_\_

3a How many years have you owned and managed businesses? \_\_\_\_\_

3b 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      d. Construction      g. Catering & Restaurants      i. Other Services  
b. Manufacturing, Mining, Processing      e. Wholesale      h. Business Services      j. Other  
c. Transport      f. Retail Trade      (Finance, Consultants, Designers etc.)

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

5 Is your business currently suffering from a lack of skilled/trained employees?      a. YES  
b. NO

6 Apart from on-the-job instruction, what training does your business provide for its staff?  
a. No formal training      c. Pays for external training courses      e. Other (please specify) \_\_\_\_\_  
b. Organises internal training courses      d. Gives staff time off to attend courses

7 Has your business considered taking on, or already taken on, any staff under the 'New Deal' scheme?      a. YES (move to Q9)  
b. NO (carry on to Q8)

8 If you answered 'no', to question 7, is this because:  
a. You feel they lack the basic literacy and numeracy skills      d. You do not wish to recruit any more employees      f. Other (please specify) \_\_\_\_\_  
b. You feel they lack trade-specific skills      e. You do not have the facilities for training  
c. You do not have enough information on the 'New Deal' scheme      new staff

9 If you answered 'yes', to question 7, would you consider employing them permanently?      a. YES  
b. NO

10 How did your sales turnover, average employment and investment (in plant, equipment and premises) in the past quarter compare with the same period in 1997? What do you expect to happen in the NEXT quarter?  
Please complete the table by ticking 6 boxes only:

	ACTUAL			EXPECTED		
	April, May, June 1998 compared with the same period 1997			July, August, September 1998 compared with April, May, June 1998		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						

11 What is the MOST important problem facing your business today? Please circle ONE ONLY:

- a. Inflation      f. Low Turnover/ Lack of Business      k. Internal Management Difficulties  
b. Interest Rates      g. Competition from Big Business      l. Cashflow/Payments/Debtors  
c. Access to Finance      h. Gov't Regulations and Paperwork      m. Premises, Rents, Rates  
d. Lack of Skilled/Trained Employees      i. High Rates of Pay      n. Other (Please specify) \_\_\_\_\_  
e. Total Tax Burden      j. Shortage of Materials, Supplies, etc.

12 Please indicate the sex of the owner(s) of the business:

- a. Male      b. Female      c. Joint Male/Female Ownership

Thank you for completing this confidential survey questionnaire.

**Please return it to the Small Business Research Trust by 10 July 1998.**

Please note that this is a FREEPOST address (no stamp required).