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The Small Business Research Trust is 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

*After two disappointing quarters, slightly more of Britain's small firms reported an improvement in economic conditions in this survey. Expectations for the third quarter of 1997, however, remain poor. Only a very small proportion of small businesses would employ fewer people if a minimum wage of £3 per hour was introduced. Almost one-third think that a higher minimum wage, of £4 per hour, would be a good idea.*

- Just under 47 per cent of small firms said that their sales turnover was higher in the second quarter of 1997 than it had been in the second quarter of 1996, while nearly 30 per cent said that it was lower. The resulting balance of +17 per cent was a little up on the +15 per cent in the previous survey.
- The balance of firms increasing employment over the year also rose, from +2 per cent to +6 per cent. The balance on actual investment, however, was down from +10 per cent to only +4 per cent, the lowest for over a year.
- The smallest firms yet again reported fewer improvements than the larger firms, but the gap between the two is now less than at any time since the end of 1992.
- The balance of firms expecting sales to be higher in the current quarter (the third quarter of 1997) is down. The seasonally adjusted balance shows a sustained fall in confidence since the end of 1996, with the balance falling from +27 per cent then to +17 per cent now.
- The balance of firms expecting to increase employment is also down a little.
- *Low turnover/lack of business* remains the biggest problem, but the proportion selecting this is down to 26 per cent, the lowest for over six years. This is followed by *government regulations/paperwork* (11 per cent) and *cashflow/payments/debtors* (10 per cent).
- The proportion selecting *total tax burden* as their most important problem is up to its highest level for over eight years, up from 5 to 8 per cent, pushing this up to fifth place in the rankings.
- Almost half of all small firms think that a minimum wage of £4 per hour would be a bad idea - although this is almost 7 per cent lower than when the question was last asked, three years ago. About 15 per cent have no firm opinion, but just under one-third think that it would be a good idea - about the same proportion as three years ago.
- Overall, 21 per cent of the over 10,000 people employed by the firms taking part in this survey earn less than £4 per hour. Almost two-thirds of these are female and just under half work part-time.
- Catering and retail firms pay the greatest proportion of their workers less than £4 per hour and these tend to be female and part-time.
- A little over 20 per cent of businesses say that they would employ fewer people if a minimum wage of £4 per hour was introduced. This includes some who do not employ anyone at less than £4 per hour, but fear that they would have to raise pay for others to maintain differentials.
- Only 4 per cent said that they would employ fewer people if a minimum wage of £3 per hour was introduced. Only 9 per cent of firms employ anyone at less than £3 per hour and only one in five would oppose a minimum wage at this level.

## **TABLE OF CONTENTS**

<b>ACKNOWLEDGEMENTS</b>	<b>1</b>
<b>HIGHLIGHTS</b>	<b>2</b>
<b>1. THE SMALL BUSINESS OUTLOOK</b>	<b>4</b>
<b>2. PROBLEMS</b>	<b>14</b>
<b>3. MINIMUM WAGE</b>	<b>17</b>
<b>APPENDIX</b>	<b>21</b>
<b>ORGANISATION OF THE SURVEY</b>	<b>21</b>
<b>SPECIAL TOPICS</b>	<b>22</b>
<b>APPENDIX TABLES</b>	<b>24</b>

## 1. THE SMALL BUSINESS OUTLOOK

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 1997) compared with the same quarter a year earlier, and also to indicate what they expect for the next quarter (July, August, September 1997) compared with the second quarter of 1997. 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”.

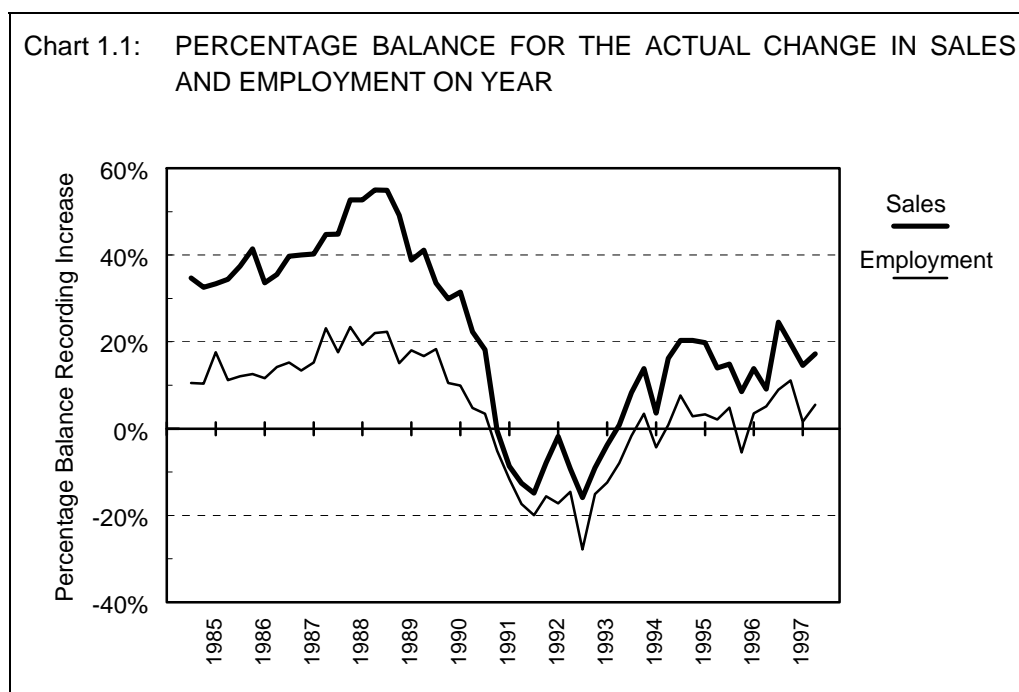
Following the well-established practice of the CBI in its *Industrial Trends Survey*, a summary statistic, the *balance*, is used to monitor these changes, although the full results are also shown in the tables. The balance is the percentage of respondents replying ‘up’ minus the percentage replying ‘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.

## Actual Performance

After falls in the last two surveys, the balance of Britain's small firms reporting an improvement in their economic situation has risen a little.

The proportion of firms reporting higher sales turnover in the second quarter of 1997 than one year earlier was 46.9 per cent, just fractionally up compared with the 46.1 per cent in the previous survey. The proportion reporting a fall in sales was down by a greater margin, from 31.5 per cent to 29.7 per cent. The balance of firms reporting an increase therefore rose from +14.6 per cent to +17.3 per cent (see Table 1.1). The balance is below the peak of +24.6 at the end of last year, but the fall over the past six months has been checked (see Chart 1.1 below and Appendix Table A.1 on page 24 for a full list of balances since the survey began).



Accompanying the rise in the sales balance has been a modest recovery in the balance of firms increasing employment in their firms. The proportion of firms reporting that employment was up during the year (18.4 per cent) was higher than in the previous survey (17.2 per cent), while the proportion cutting employment was down from 15.6 per cent to 13.0 per cent. The balance of firms increasing employment consequently rose, from only +1.6 per cent in the previous survey to +5.5 per cent this time (see Chart 1.1 above).



Table 1.1 CHANGE AND EXPECTED CHANGE IN SALES, EMPLOYMENT AND INVESTMENT

	Actual Change on Year				Expected Change on Previous Quarter			
	1996/3 on 1995/3	1996/4 on 1995/4	1997/1 on 1996/1	1997/2 on 1996/2	1996/4	1997/1	1997/2	1997/3
	Vol.12 No.4	Vol.13 No.1	Vol.13 No.2	Vol.13 No.3	Vol.12 No.4	Vol.13 No.1	Vol.13 No.2	Vol.13 No.3
Survey								
	SALES				SALES			
Up	49.2%	47.6%	46.1%	46.9%	47.0%	39.1%	46.1%	44.0%
Down	24.7%	28.0%	31.5%	29.7%	22.3%	22.9%	18.0%	23.4%
Same	25.4%	23.0%	20.3%	22.3%	30.2%	36.8%	33.0%	31.5%
No Response	0.7%	1.3%	2.0%	1.1%	0.4%	1.1%	2.9%	1.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	24.6%	19.6%	14.6%	17.3%	24.6%	16.2%	28.1%	20.5%
	EMPLOYMENT				EMPLOYMENT			
Up	20.2%	21.8%	17.2%	18.4%	16.2%	14.1%	16.0%	16.2%
Down	11.3%	10.7%	15.6%	13.0%	12.1%	8.9%	6.6%	8.0%
Same	65.2%	63.1%	62.5%	65.0%	68.6%	72.2%	72.3%	71.8%
No Response	3.3%	4.4%	4.6%	3.6%	3.0%	4.8%	5.2%	4.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	9.0%	11.1%	1.6%	5.5%	4.1%	5.1%	9.4%	8.2%
	INVESTMENT				INVESTMENT			
Up	23.3%	26.6%	25.5%	24.6%	20.6%	22.5%	20.8%	20.7%
Down	16.1%	15.7%	15.8%	20.2%	15.3%	15.2%	13.6%	19.3%
Same	56.8%	53.0%	54.2%	50.8%	60.7%	56.8%	60.6%	55.7%
No Response	3.8%	4.7%	4.6%	4.3%	3.4%	5.5%	5.0%	4.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	7.2%	10.9%	9.8%	4.4%	5.3%	7.3%	7.2%	1.4%
Base	753	912	720	909	753	912	720	909

Table 1.2 PROPORTION OF EXPANDING AND DECLINING FIRMS AS A PERCENTAGE OF RESPONDENTS

	Vol.12 No.4		Vol.13 No.1		Vol.13 No.2		Vol.13 No.3	
	Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
Expanding Firms	133	17.6%	164	17.9%	94	13.1%	139	15.3%
Declining Firms	63	8.4%	62	6.8%	81	11.3%	74	8.1%
Remaining Respondents	557	73.9%	686	75.2%	545	75.7%	696	76.6%
All Respondents	753	100.0%	912	100.0%	720	100.0%	909	100.0%
Balance		9.2%		11.1%		1.8%		7.2%

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

Despite the increases in the sales and employment balances, the balance of firms increasing investment over the past year is down. Just under one-quarter of small firms have increased investment (24.6 per cent, compared with 25.5 per cent in the previous survey), while the proportion cutting investment has risen from 15.8 per cent to 20.2 per cent. The balance of +4.4 per cent compares with +9.8 last time (Table 1.1) and is the lowest balance for over a year (see Appendix Table A.1 on page 24).

The proportion of firms classed as expanding (increasing both sales and employment) has risen to 15.3 per cent of the total (compared with 13.1 per cent in the previous survey), while the proportion classed as declining firms (those reporting falling sales and employment) is down from 11.3 to 8.1 per cent. Three-quarters of firms are therefore classed as neither expanding nor contracting, and the proportion of expanding firms exceeds the proportion of contracting firms by +7.2 per cent (Table 1.2).

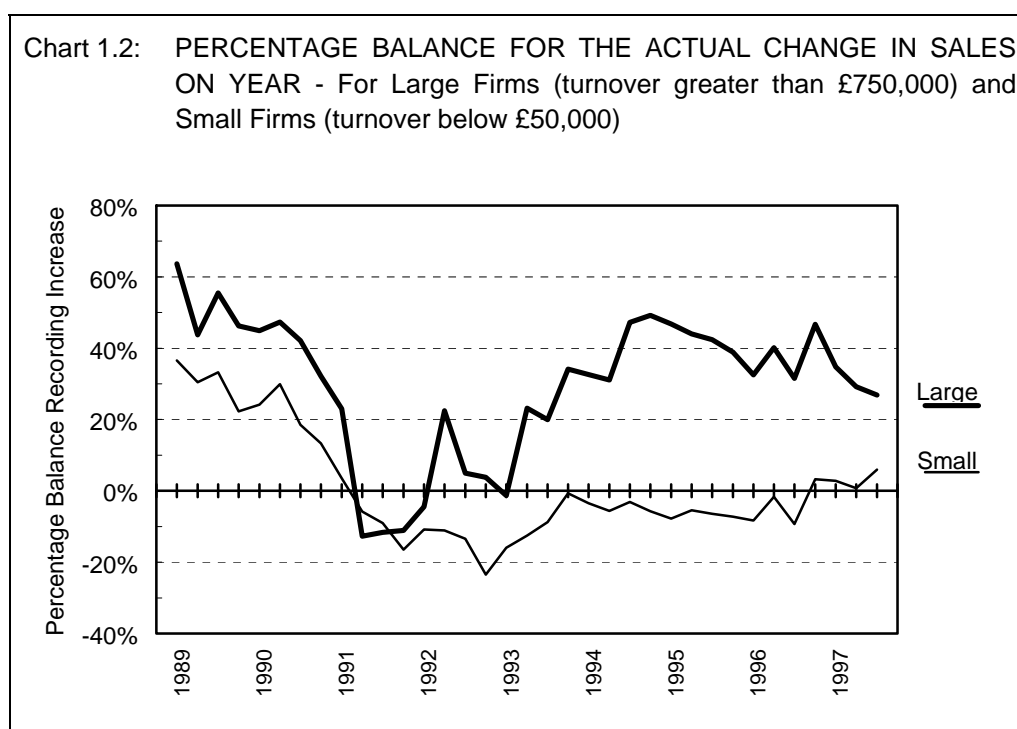
## Actual Performance: Comparison across size bands

Table 1.3 shows that the smallest firms are still reporting fewer improvements in their sales than the larger firms. Those with a turnover under £20,000 on balance 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	31.6%	40.8%	25.0%	-9.2%	76
£20,000 - 49,999	44.4%	30.6%	23.6%	13.9%	144
£50,000 - 149,999	41.3%	34.8%	22.3%	6.5%	184
£150,000 - 349,999	50.3%	25.2%	23.3%	25.2%	163
£350,000 - 749,999	60.3%	24.6%	15.1%	35.7%	126
£750,000 - 1,499,999	45.4%	25.8%	28.9%	19.6%	97
£1,500,000 and over	56.2%	21.3%	22.5%	34.8%	89
No Response	40.0%	30.0%	20.0%	10.0%	30
Total	47.1%	29.0%	22.6%	18.0%	909

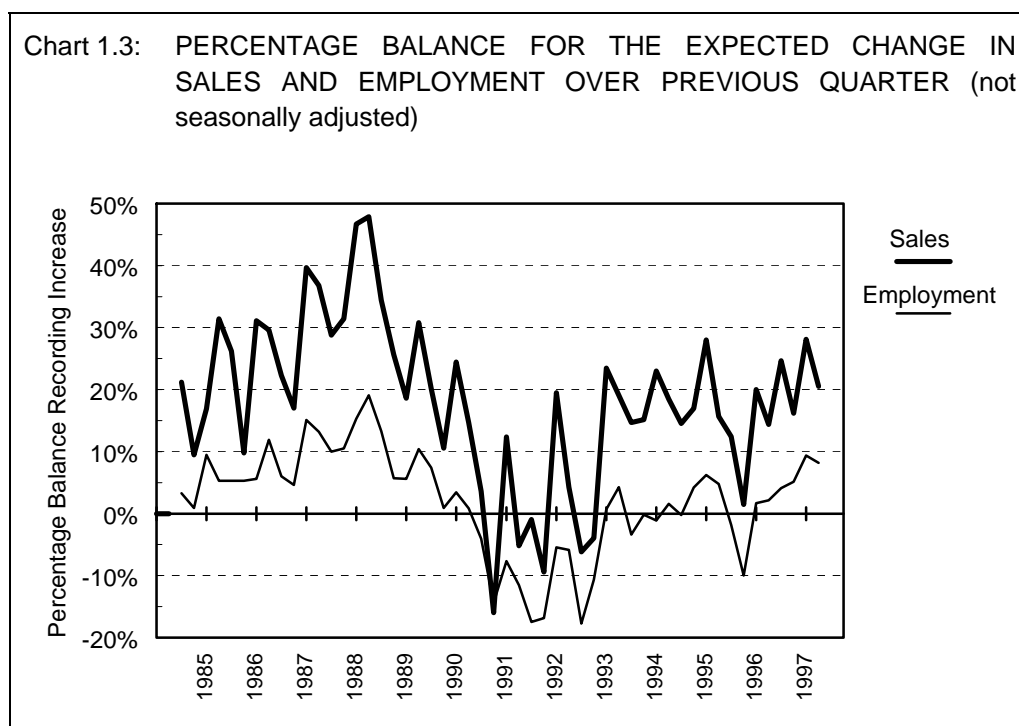
Chart 1.2 shows, however, that the gap between the experience of the smallest and larger firms is narrowing. In this survey, the balance of firms with a turnover below £50,000 reporting increased sales has increased, while that of the firms with a turnover greater than £750,000 has fallen. The larger firms are still doing better than the smallest, but the gap between the two is now less than at any time since the end of 1992.



## Expectations

Britain's small firms expect poorer sales during the third quarter of 1997 than during the second quarter. The seasonally-adjusted figures give a clearer picture of confidence continuing to fall. The balance of firms expecting to increase employment levels during the third quarter of the year has also fallen a little.

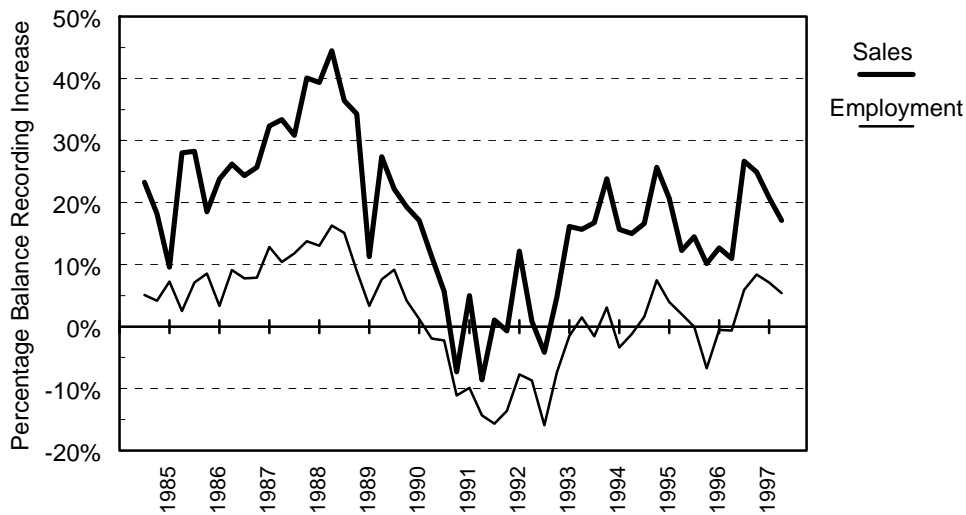
The proportion of UK small firms expecting sales in the current quarter (the third quarter of 1997), to be higher than in the previous quarter is down from 46.1 per cent in the previous survey to 44.0 per cent now. The proportion expecting sales to fall is up from 18.0 to 23.4 per cent. The percentage balance of firms expecting an increase in sales has therefore fallen, from +28.1 per cent to +20.5 per cent (Table 1.1 and Chart 1.3).



The sales balance is clearly strongly affected by seasonal influences. Chart 1.4 overleaf and Appendix Table A.1 on page 24 show the balance when seasonally adjusted. The seasonal effect is seen to be masking an underlying decline in confidence since the end of 1996. The better news on sales over the past year does not seem to have improved this. The seasonally adjusted balance has fallen from +20.8 per cent to +17.1 per cent.



Chart 1.4: PERCENTAGE BALANCE FOR THE EXPECTED CHANGE IN SALES AND EMPLOYMENT OVER PREVIOUS QUARTER (seasonally adjusted)



The balance of firms expecting to increase employment has also fallen, from +9.4 per cent to +8.2 per cent (Table 1.1 and Chart 1.3). The seasonally adjusted fall is marginally greater, the balance falling from +7.1 to +5.4 per cent (Chart 1.4 and Appendix Table A.1).

The balance of firms which expect to increase investment during the current quarter has fallen more markedly, from +7.2 per cent to +1.0 per cent (Table 1.1).

## Expectations: Comparison across size bands

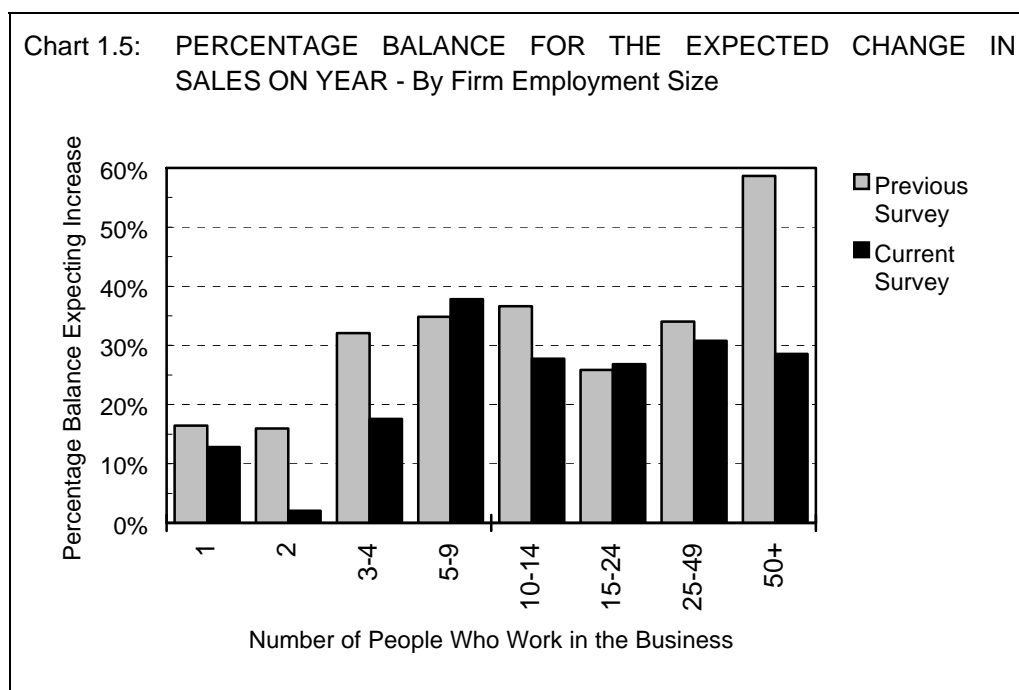
Smaller firms remain less optimistic than larger ones in relation to both sales and employment (Table 1.4). The balance of firms with a turnover of less than £150,000 expecting an increase in sales is less than 10 per cent, while that of those with a turnover greater than £150,000 is over thirty per cent. Firms with a turnover of less than £50,000 are expecting to reduce employment over the next quarter, while those with a turnover over this level are expecting to increase employment.

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				
	49	50	51	52	49	50	51	52	
Less than £20,000	-5.1%	-9.3%	12.8%	9.2%	-3.4%	0.0%	2.1%	-6.6%	76
£20,000 - 49,999	10.8%	12.4%	24.2%	13.2%	-2.2%	-2.2%	-4.4%	-0.7%	144
£50,000 - 149,999	25.4%	11.6%	32.9%	4.3%	7.0%	4.0%	4.2%	0.5%	184
£150,000 - 349,999	28.9%	27.5%	33.3%	25.8%	4.2%	7.2%	10.1%	4.9%	163
£350,000 - 749,999	27.7%	34.5%	29.5%	38.1%	7.9%	9.2%	8.4%	14.3%	126
£750,000 - 1,499,999	48.0%	25.2%	26.9%	30.9%	9.3%	9.7%	16.7%	15.5%	97
£1,500,000 and over	35.1%	38.3%	51.5%	39.3%	16.9%	19.8%	30.3%	11.2%	89
Total	25.2%	19.8%	29.9%	22.0%	5.7%	5.7%	8.1%	4.8%	909

**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 shows that a similar pattern emerges when the balances are analysed by employment size band. Smaller firms are less optimistic about sales prospects than larger firms, although the difference between the smallest and the largest is not as great as in the previous survey.



## Expectations: Comparison across business sectors

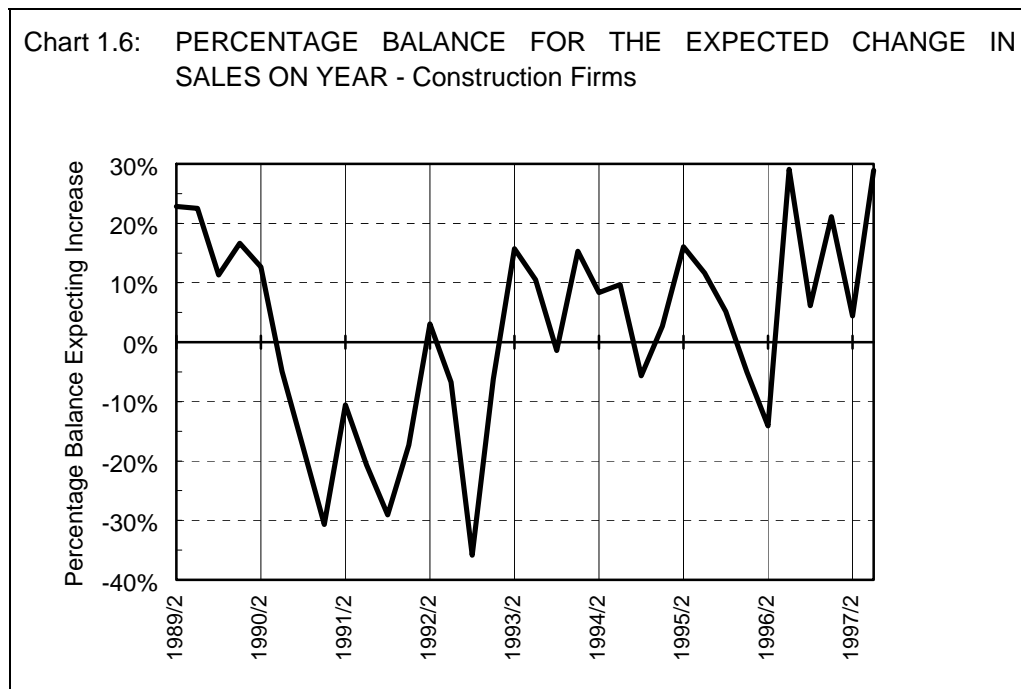
Table 1.5 breaks down the expected sales and employment balances by sector. However, the sample sizes for several sectors are too small for comparisons to be statistically valid.

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				
	49	50	51	52	49	50	51	52	
Agriculture, Forestry, Fisheries	31.6%	-5.3%	29.4%	11.1%	5.3%	15.8%	11.8%	16.7%	18
Manufacturing, Mining, Processing	27.9%	24.3%	30.4%	22.5%	7.1%	7.6%	10.4%	-1.6%	182
Transport	40.0%	0.0%	44.4%	48.3%	0.0%	-4.2%	16.7%	20.7%	29
Construction	6.1%	21.1%	4.4%	28.9%	-4.1%	0.0%	2.2%	15.8%	76
Wholesale Trade	38.0%	31.5%	36.9%	26.0%	8.5%	11.0%	9.2%	7.8%	77
Retail Trade	40.2%	6.2%	35.1%	32.5%	9.0%	1.6%	8.1%	5.7%	123
Catering & Restaurants	23.5%	11.1%	19.0%	16.7%	23.5%	0.0%	14.3%	16.7%	18
Business Services	17.3%	22.5%	28.3%	20.5%	7.5%	7.8%	3.4%	2.1%	234
Other Services	15.1%	24.1%	34.1%	7.5%	-5.5%	3.7%	12.2%	0.9%	106
Other	28.6%	19.5%	28.6%	4.3%	0.0%	7.3%	14.3%	8.7%	46
Total	25.2%	19.8%	29.9%	22.0%	5.7%	5.7%	8.1%	4.8%	909

Unweighted, not seasonally-adjusted data

The balance of construction firms expecting their turnover to be up in the current quarter has risen markedly, though by less than it did at this time last year (Chart 1.6).



Firms in most of the other major sectors have become less optimistic than they were in the previous survey.

## Expectations: Comparison across regions

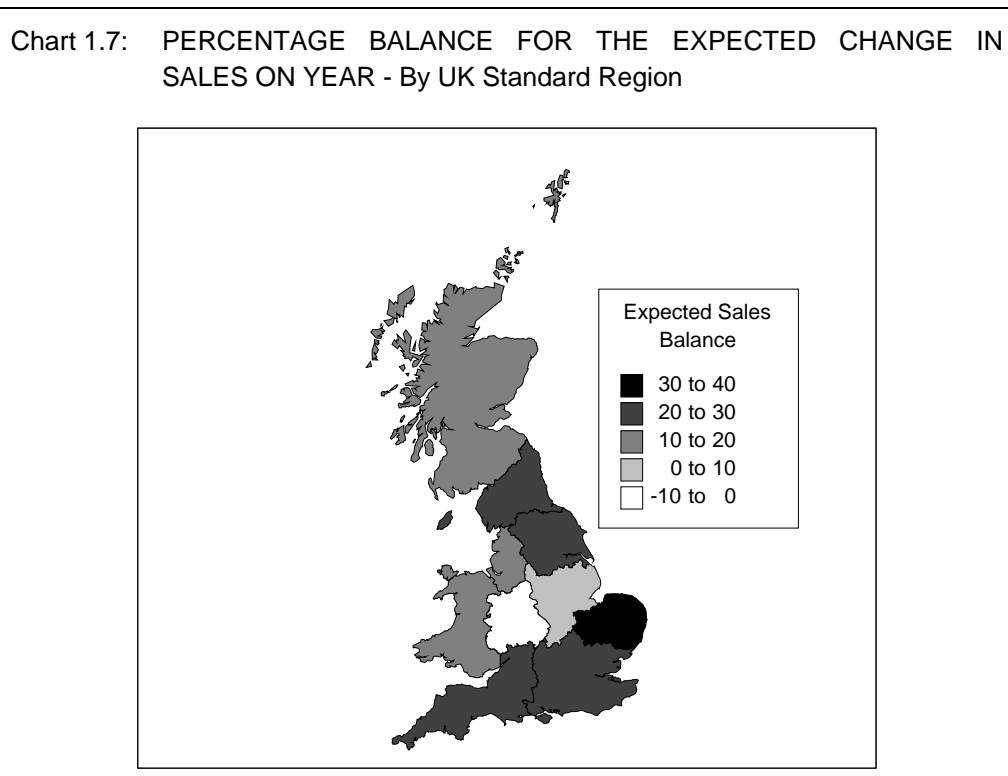
Table 1.6 show the sales and employment balances by region and Chart 1.7 shows just the sales balance. As with the industrial sectors, sample sizes for several regions are too small for comparisons to be statistically valid. This also means that the balances are subject to considerable variation from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

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				
	49	50	51	52	49	50	51	52	
North	15.8%	17.9%	33.3%	20.0%	5.3%	-10.7%	14.3%	0.0%	25
Yorkshire & Humberside	16.7%	16.2%	16.4%	25.4%	-3.7%	7.4%	9.1%	4.5%	67
North West	29.6%	19.8%	19.0%	18.0%	12.7%	4.4%	-1.7%	4.5%	89
East Midlands	24.5%	1.8%	16.3%	4.3%	17.0%	7.3%	16.3%	-6.4%	47
West Midlands	37.1%	19.2%	35.9%	-6.0%	6.5%	6.8%	12.5%	-7.5%	67
East Anglia	20.0%	23.9%	21.4%	35.6%	-2.5%	17.4%	14.3%	20.0%	45
South East	27.5%	20.7%	33.2%	24.0%	7.0%	7.5%	7.5%	5.1%	334
South West	14.3%	28.3%	47.6%	28.0%	0.0%	1.0%	9.5%	5.0%	100
Wales	42.9%	17.1%	42.1%	13.2%	14.3%	-4.9%	10.5%	2.6%	38
Scotland	4.7%	3.6%	14.6%	12.5%	-14.0%	0.0%	-2.4%	0.0%	24
Northern Ireland	0.0%	42.9%	0.0%	50.0%	0.0%	28.6%	0.0%	-16.7%	6
Total	25.2%	19.8%	29.9%	22.0%	5.7%	5.7%	8.1%	4.8%	909

Unweighted, not seasonally-adjusted data

Firms in East Anglia are most optimistic about sales and employment prospects for the third quarter of 1997. Firms in the West Midlands expect both turnover and employment to be down during the third quarter.





## 2. 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)

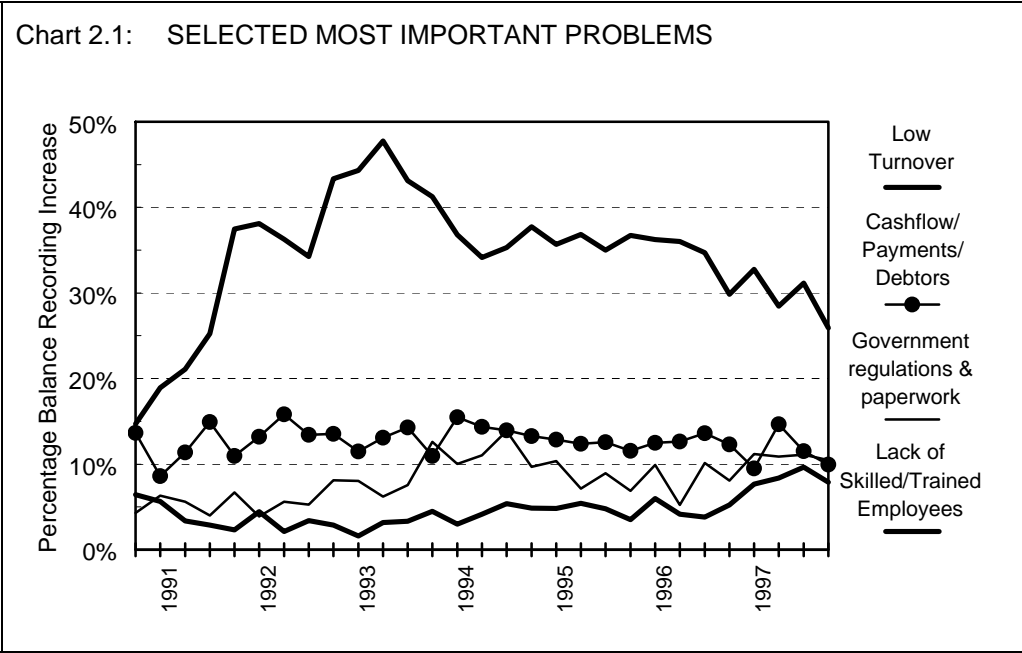
Problem	Survey Number			
	Vol.12 No.4	Vol.13 No.1	Vol.13 No.2	Vol.13 No.3
Low Turnover/Lack of Business	32.8% (1)	28.5% (1)	31.1% (1)	25.9% (1)
Gov't Regulations & Paperwork	11.2% (2)	10.9% (3)	11.1% (3)	10.5% (2)
Cashflow/Payments/Debtors	9.5% (3)	14.6% (2)	11.5% (2)	9.9% (3)
Competition from Big Business	7.2% (5)	7.2% (5)	7.2% (5)	9.5% (4)
Total Tax Burden	6.2% (6)	6.8% (6)	4.5% (6)	8.3% (5)
Lack of Skilled/Trained Employees	7.7% (4)	8.4% (4)	9.7% (4)	7.9% (6)
Premises/Rent/Rates	3.9% (7)	3.9% (7)	3.3% (7)	5.9% (7)
Access to Finance	2.6% (9)	3.2% (8)	1.9% (9)	4.0% (8)
Interest Rates	1.1% (10)	2.1% (10)	1.2% (11)	2.8% (9)
Internal Management Difficulties	2.6% (8)	2.1% (9)	2.4% (8)	1.9% (10)
High Rates of Pay	0.8% (12)	0.3% (12)	1.9% (10)	0.8% (11)
Shortages of Materials,Supplies,etc	0.2% (13)	0.5% (11)	0.3% (12)	0.6% (12)
Inflation	1.1% (11)	0.3% (13)	0.1% (13)	0.2% (13)
Other	12.3%	10.5%	12.7%	11.4%
No Response	0.9%	0.8%	1.0%	0.4%
TOTAL	100.0%	100.0%	100.0%	100.0%
BASE	753	912	720	909

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 the most frequently mentioned problem, although the proportion selecting this fell from 31.1 per cent to 25.9 per cent, the lowest proportion since the middle of 1991 (see Chart 2.1 overleaf). The proportion indicating that *government regulations and paperwork* was their most important problem fell slightly, from 11.1 to 10.5 per cent, but this nevertheless took second place in the rankings, because the proportion selecting *cashflow/payments/debtors* was down even more, from 11.5 to 9.9 per cent (see Table 2.1).

The proportion of small firms indicating that their biggest problem is *competition from big business* rose from 7.2 per cent to 9.5 per cent, the highest proportion since the end of 1988. This problem has consequently risen to fourth place in the rankings. The proportion selecting *total tax burden* is also up to its highest level for over eight years, from 4.5 to 8.3 per cent, pushing this up to fifth place in the rankings.

The proportion indicating that *lack of skilled/trained employees* was their most important problem has fallen from 9.7 to 7.9 per cent and from fourth to sixth place in the rankings, but remains at a high level compared with the past few years (see Chart 2.1 overleaf).



Other problems rising in relative importance in this survey include *premises/rents/rates*, *access to finance* and *interest rates*.

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	0.0%	0.7%	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.2%
Interest Rates	4.0%	1.4%	1.3%	1.4%	3.3%	2.4%	3.1%	3.6%	2.2%
Access to Finance	0.8%	2.7%	1.3%	4.3%	6.7%	4.9%	0.0%	0.0%	2.9%
Lack of Skilled/Trained Employees	2.4%	5.5%	7.5%	9.1%	12.2%	12.2%	20.0%	7.1%	8.7%
Total Tax Burden	7.2%	5.5%	6.9%	8.6%	6.7%	12.2%	7.7%	3.6%	7.5%
Low Turnover/Lack of Business	45.6%	41.1%	27.0%	26.8%	20.0%	18.3%	20.0%	21.4%	29.5%
Competition from Big Business	8.0%	5.5%	13.8%	9.1%	7.8%	8.5%	6.2%	17.9%	9.1%
Gov't Regulations & Paperwork	8.8%	9.6%	9.4%	10.0%	13.3%	9.8%	9.2%	7.1%	9.9%
High Rates of Pay	0.0%	0.0%	0.0%	0.5%	0.0%	1.2%	1.5%	0.0%	0.3%
Shortages of Materials,Supplies,etc	0.0%	0.7%	1.3%	0.5%	2.2%	0.0%	0.0%	0.0%	0.7%
Internal Management Difficulties	0.0%	0.7%	1.3%	1.0%	1.1%	6.1%	9.2%	3.6%	2.0%
Cashflow/Payments/Debtors	8.0%	8.2%	13.2%	10.5%	13.3%	11.0%	10.8%	10.7%	10.7%
Premises/Rent/Rates	1.6%	0.7%	3.1%	9.1%	6.7%	3.7%	4.6%	0.0%	4.3%
Other	12.8%	16.4%	12.6%	9.1%	5.6%	9.8%	7.7%	25.0%	11.6%
No Response	0.8%	1.4%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%
Base	125	146	159	209	90	82	65	28	909
Check	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Unweighted data

### 3. MINIMUM WAGE

Since the election of the Labour government, the issue of a national minimum wage has risen back up the political agenda. In this survey, we revisited the topic, first considered in Volume 10, Number 4 of this survey, carried out in October 1994.

Table 3.1 shows that since 1994, the proportion of Britain's small firms which think that a minimum wage of £4 per hour would be a bad idea has fallen from 56.7 per cent to just under half (49.9 per cent). It should be remembered, however, that in the intervening period average earnings have risen by around 10 per cent<sup>1</sup>, meaning that a level of £4.00 now is roughly equivalent to £3.60 in October 1994.

The proportion of firms which think that a minimum wage at this level would be a good idea is relatively unchanged, at 32.8 per cent compared with 31.3 per cent, with a greater proportion now than in 1994 having no firm opinion. One respondent said that a minimum wage was a good idea in principle, but that £4 per hour was too low.

Table 3.1 "DO YOU THINK THAT A MINIMUM WAGE OF £4.00 PER HOUR WOULD BE A GOOD OR A BAD IDEA?"

	October 1994	July 1997
Good Idea	31.3%	32.8%
Bad Idea	56.7%	49.9%
No Opinion	9.9%	15.4%
No response	2.0%	1.9%
Sample	1,047	909

Unsurprisingly, the businesses which currently employ people at rates of less than £4 per hour are more likely to think that a minimum wage at this level would be a bad idea.

Table 3.2 "DO YOU THINK THAT A MINIMUM WAGE OF £4.00 PER HOUR WOULD BE A GOOD OR A BAD IDEA?" - separately for those who do and do not employ people at less than £4.00 per hour

	Employ some people <£4/hr	Don't employ any people <£4/hr
Good Idea	16.0%	41.3%
Bad Idea	71.9%	38.8%
No Opinion	10.8%	17.7%
No response	1.3%	2.2%
Sample	306	603

Table 3.2 shows that some 71.9 per cent of businesses which employ people at less than £4 per hour think that a minimum wage at this level would be a bad idea. Nevertheless, some 16.0 per cent of them think that it would be a good idea. One respondent, for instance, explained that they paid one part-time employee less than £4 per hour only to maintain parity with another employer who employs

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<sup>1</sup> Source: Office for National Statistics. Average earnings (whole economy, seasonally adjusted) rose by 10.2 per cent between October 1994 and April 1997 (the most recent figure available).



the same person in other parts of the week. They would have no difficulty paying this employee £4 per hour.

The proportion of low-paid workers varies considerably between business sectors. Table 3.3 shows that the 18 catering firms taking part in our survey employ on average 13 people each, 8 of which are paid less than £4 per hour. Over three-quarters of these are female and three-quarters work only part-time. Of the larger sectors, workers paid under £4 per hour are particularly important in retailing - where on average 3.2 workers out of the 7.5 working in each firm (43 per cent) are paid less than £4 per hour. Again, over three-quarters of these are female and almost 70 per cent work part-time. Manufacturing firms on average employ more people at less than £4 per hour, 3.8 each, but manufacturing firms are on average larger than other firms, each employing an average of 21.8 people. This means that only 17 per cent of those employed by manufacturing firms earn less than £4 per hour. Only one-quarter of these work part-time.

Overall, 20.7 per cent of the over 10,000 people employed by the firms taking part in this survey earn less than £4 per hour. Almost two-thirds (65.5 per cent) of these are female and just under half (48.1 per cent) work part-time.

Table 3.3 "HOW MANY PEOPLE DOES YOUR BUSINESS EMPLOY AT RATES OF LESS THAN £4.00 PER HOUR?"

Business Activity	Average employment	Average number employed at less than £4/hr			Sample
		Total	Female	Part-time	
Agriculture	6.2	2.9	1.7	1.4	18
Manufacturing	21.8	3.8	2.6	1.0	182
Transport	10.7	1.3	0.8	0.2	29
Construction	12.9	0.6	0.1	0.1	76
Wholesale	9.0	0.7	0.5	0.5	77
Retail	7.5	3.2	2.5	2.2	123
Catering	13.0	8.1	6.3	6.3	18
Business Services	8.2	1.5	0.5	0.3	234
Other Services	8.9	3.2	2.7	2.6	106
Other	6.9	1.2	0.4	0.5	46
All	11.4	2.4	1.6	1.1	909

Of those firms which employ some people at rates of less than £4, a little under half (47.4 per cent) said that they would employ fewer people if a minimum wage of £4 per hour was introduced (Table 3.4). Slightly more, however, (49.3 per cent) said that they would not employ fewer people.

Table 3.4 "WOULD YOU EMPLOY FEWER PEOPLE IF A MINIMUM WAGE OF £4.00 PER HOUR WAS IMPOSED?"

	Employ some people <£4/hr	Don't employ any people <£4/hr	All
Yes	47.4%	6.8%	20.5%
No	49.3%	79.9%	69.6%
No response	3.3%	13.3%	9.9%
Sample	306	603	909

Overall, 20.5 per cent of the firms taking part in this survey said that they would employ fewer people if a minimum wage of £4 per hour was introduced. This includes 6.8 per cent of the firms which do not currently employ anyone at rates of less than £4 per hour. The reason that these firms might employ fewer people is revealed by the fact that most of them expected that a minimum wage of £4 per hour would force them to raise pay for higher-paid workers in order to maintain differentials. Of all respondents, somewhat over one-third (35.5 per cent) thought that they would need to increase pay to maintain differentials (Table 3.5).

Table 3.5 "WOULD YOU EXPECT THAT A MINIMUM WAGE OF £4.00 PER HOUR WOULD FORCE YOU TO RAISE PAY FOR HIGHER-PAID WORKERS, IN ORDER TO MAINTAIN DIFFERENTIALS?"

	Employ some people <£4/hr	Don't employ any people <£4/hr	All
Yes	54.9%	25.7%	35.5%
No	42.2%	60.9%	54.6%
No response	2.9%	13.4%	9.9%
Sample	306	603	909

Those with employees earning under £4 per hour, who would be directly affected, were more likely to think that they would need to raise pay for higher-paid workers, but over one-quarter (25.7 per cent) of those who did not themselves employ anyone at less than £4 per hour nevertheless expected that they would have to raise pay to maintain differentials.

The firms which thought that a minimum wage of £4 per hour was a bad idea were next asked whether they would support a minimum wage of £3 per hour. Over half (58.6 per cent) said that they would do so (Table 3.6).

Table 3.6 "IF YOU THINK THAT A MINIMUM WAGE OF £4.00 PER HOUR WOULD BE A BAD IDEA, WOULD YOU NEVERTHELESS SUPPORT A MINIMUM WAGE OF £3.00 PER HOUR?"

	Replies	%
Yes	266	58.6%
No	168	37.0%
No response	20	4.4%
Sample	454	

Table 3.7 combines the results of the question on a £4 per hour minimum wage with those of the question on a £3 per hour minimum wage. Almost seven out of ten (69.6 per cent) of small firms would support a minimum wage of £3 per hour or think that a minimum wage of £4 per hour is a good idea. Only one in five (20.2 per cent) do not think that a minimum wage of £4 per hour is a good idea and would also reject a minimum wage of £3 per hour. The remaining one in ten are undecided about a minimum wage of £3 per hour.

Table 3.7 PROPORTION SUPPORTING OR REJECTING A MINIMUM WAGE OF £3.00 OR £4.00 PER HOUR

	Replies	%
Accept £3+	633	69.6%
Reject £3	184	20.2%
Don't know	92	10.1%
Sample	909	

Part of the reason that few businesses would oppose a £3 per hour minimum wage is that it would not directly affect very many of them. Table 3.7 shows that only 8.7 per cent of the businesses taking part in this survey employ anyone at rates of less than £3 per hour. Only 3.2 per cent of the people employed by firms in this survey earn less than £3 per hour.

Table 3.8 PROPORTION OF FIRMS EMPLOYING PEOPLE AT LESS THAN £3.00 PER HOUR

Business Activity	%	Sample
Agriculture	11.1%	18
Manufacturing	7.1%	182
Transport	13.8%	29
Construction	9.2%	76
Wholesale	9.1%	77
Retail	17.9%	123
Catering	22.2%	18
Business Services	3.4%	234
Other Services	8.5%	106
Other	6.5%	46
All	8.7%	909

Table 3.9 "WOULD YOU EMPLOY FEWER PEOPLE IF A MINIMUM WAGE OF £3.00 PER HOUR WAS IMPOSED?"

	Replies	%
Yes	35	3.9%
No	794	87.3%
No response	80	8.8%
Sample	909	

Table 3.9 shows that only 3.9 per cent of the small firms in this survey think that they would employ fewer people if a minimum wage of £3 per hour was introduced.

## **APPENDIX**

### **Organisation of the Survey**

This survey (the 52nd in the series) was mailed out on 16 June 1997 to 2,500 small firms. By the cut-off date of 19 July 1997, 909 completed questionnaires had been received.

Up to and including Survey 17, the regular SBRT surveys were carried out via postal questionnaires and personal interviews of members of three small business representative organisations:

- The Federation of Small Businesses (FSB) - formerly The National Federation of the Self Employed and Small Business Ltd
- The Association of Independent Business (AIB)
- The Forum of Private Business

These surveys have been supplemented by responses from readers of the National Westminster Small Business Digest.

From Survey 18, we have included responses from members of the National Chamber of Trade (NCT) as well as from the FSB and, until survey 23, the AIB. From time to time, small firms recruited through Local Enterprise Agencies have also been included. The SBRT would welcome additions to the sample from similar sources, including Training and Enterprise Councils (TECs) and Local Enterprise Companies (LECs).

A copy of the current questionnaire used is included at the end of this Appendix.

Further details of sample size, response and a discussion of representativeness have been included in earlier issues of the Quarterly Survey of Small Business in Britain (see, for example, Vol.3 No.2, 1987, Vol.4 No.4, 1988 and Vol.5 No.1, 1989). 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.

Note that from the first quarter of 1989 onwards the overall balances have been weighted, using VAT registration data, by sector. This is so that a change in the importance of any particular sector, for instance manufacturers, in our sample will not affect the percentage balances and also so that the results are more representative of the UK economy as a whole. This means, however, that in tables showing the breakdowns by size, sector and region (which are unweighted) the overall balances are not strictly comparable with Table 1.1. In addition, where not all respondents indicate the nature of their business some firms may be excluded from the weighted results.

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. Again, the breakdowns by size, sector and region are not seasonally adjusted, neither are the figures in Table 1.1.



## Special Topics

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.

The following topics have been examined to date:

1985	Vol. 1	No 1	Some Characteristics of the Respondents
		No 2	Changes in Employment New Business
		No 3	Part-time Employees Computers in Small Firms
		No 4	Employment
1986	Vol. 2	No 1	Finance Membership of Representative Bodies
		No 2	Exports The Business Expansion Scheme
		No 3	Employment Skill Shortage
		No 4	Incorporated and Unincorporated Business Expanding Firms Small Firms in the Service Sectors
1987	Vol. 3	No 1	Domestic versus Business Telephone Usage Employment
		No 2	Most Important Problem Facing Declining and Growing Businesses Characteristics of our Respondents
		No 3	Employment Slow Payment Problems
		No 4	Use of Accountants
1988	Vol. 4	No 1	Use of Solicitors
		No 2	Training background of managers and arrangements for staff training
		No 3	Access to external information
		No 4	Present and future use of Telecommunications products and services Characteristics of Respondents
1989	Vol. 5	No 1	Employee Turnover National Chamber of Trade Survey National Westminster Digest Survey
		No 2	The effects of 1992 on small firms
		No 3	Intergenerational and previous business background of respondents
		No 4	Origins of new employees
1990	Vol. 6	No 1	European Community Special Directorate DG23

		No 2	Motivation and Objectives of respondents for setting up their own business
		No 3	School-leaver Training
		No 4	School-leaver Training Problems
1991	Vol. 7	No 1	Training and Enterprise Councils
		No 2	Use of Computers
		No 3	Business Growth Objectives, Gender of Owner
		No 4	Sources of Small Business Finance
1992	Vol. 8	No 1	Co-operatives
		No 2	Exports
		No 3	Quality Standards (BS 5750)
		No 4	Impact of the Recession on Incomes and Prices
1993	Vol.9	No 1	Business Premises and the UBR
		No 2	Rented Business Premises
		No 3	Delayed Payments
		No 4	External Sources of Information
1994	Vol. 10	No 1	The Single Market
		No 2	Pensions
		No 3	The Past Ten Years
		No 4	Minimum Wage
1995	Vol. 11	No 1	Capacity Utilisation
		No 2	Succession and Ownership
		No 3	Staff Recruitment
		No 4	Employee Turnover and Training
1996	Vol. 12	No 1	Compliance Costs
		No 2	IT - Communications and Computers
		No 3	Business Support Organisations
		No 4	Motivations, Objectives and Targets
1997	Vol. 13	No 1	The 50 <sup>th</sup> Survey (employment change, hours worked, satisfaction)
		No 2	Incomes and Prices
		No 3	Minimum Wage

# Appendix 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		Sales		Employment		Investment
				Employment		U	S	U	S	U
Vol.1 No.1a	3,056	1984/3	34.7%	10.5%	-	21.2%	23.2%	3.3%	5.1%	-
Vol.1 No.1b	1,795	1984/4	32.6%	10.4%	-	9.5%	18.2%	0.9%	4.2%	-
Vol.1 No.2	1,181	1985/1	33.4%	17.6%	-	16.9%	9.6%	9.5%	7.2%	-
Vol.1 No.3	1,090	1985/2	34.4%	11.2%	-	31.4%	28.0%	5.3%	2.5%	-
Vol.1 No.4	1,072	1985/3	37.4%	12.1%	-	26.2%	28.2%	5.3%	7.1%	-
Vol.2 No.1	1,326	1985/4	41.4%	12.6%	-	9.8%	18.5%	5.3%	8.6%	-
Vol.2 No.2	1,052	1986/1	33.6%	11.6%	-	31.1%	23.8%	5.6%	3.3%	-
Vol.2 No.3	1,285	1986/2	35.5%	14.2%	-	29.6%	26.2%	11.9%	9.1%	-
Vol.2 No.4	1,435	1986/3	39.7%	15.2%	-	22.3%	24.3%	6.0%	7.8%	-
Vol.3 No.1	1,116	1986/4	40.0%	13.4%	-	17.0%	25.7%	4.6%	7.9%	-
Vol.3 No.2	1,746	1987/1	40.2%	15.2%	-	39.7%	32.4%	15.1%	12.8%	-
Vol.3 No.3	1,113	1987/2	44.7%	23.1%	-	36.8%	33.4%	13.2%	10.4%	-
Vol.3 No.4	977	1987/3	44.8%	17.6%	-	28.8%	30.8%	10.0%	11.8%	-
Vol.4 No.1	1,042	1987/4	52.7%	23.4%	-	31.4%	40.1%	10.5%	13.8%	-
Vol.4 No.2	933	1988/1	52.7%	19.3%	-	46.7%	39.4%	15.3%	13.0%	-
Vol.4 No.3	983	1988/2	55.0%	22.0%	-	47.9%	44.5%	19.1%	16.3%	-
Vol.4 No.4	950	1988/3	54.9%	22.3%	-	34.4%	36.4%	13.3%	15.1%	-
Vol.5 No.1A	1,523	1988/4	49.2%	15.1%	-	25.6%	34.3%	5.7%	9.0%	-
Vol.5 No.2	947	1989/1	38.8%	18.1%	-	18.6%	11.3%	5.6%	3.4%	-
Vol.5 No.3	2,274	1989/2	41.1%	16.7%	-	30.8%	27.4%	10.4%	7.6%	-
Vol.5 No.4	795	1989/3	33.5%	18.3%	-	20.2%	22.2%	7.4%	9.2%	-
Vol.6 No.1	1,091	1989/4	29.9%	10.5%	-	10.6%	19.3%	0.9%	4.2%	-
Vol.6 No.2	1,384	1990/1	31.4%	9.9%	-	24.4%	17.1%	3.5%	1.2%	-
Vol.6 No.3	1,043	1990/2	22.3%	4.8%	-	14.7%	11.3%	0.9%	-1.9%	-
Vol.6 No.4	1,312	1990/3	18.2%	3.5%	-	3.6%	5.6%	-4.1%	-2.3%	-
Vol.7 No.1	1,239	1990/4	-0.5%	-5.1%	-	-16.0%	-7.3%	-14.4%	-11.1%	-
Vol.7 No.2	984	1991/1	-8.6%	-11.6%	-12.7%	12.3%	5.0%	-7.6%	-9.9%	-15.0%
Vol.7 No.3	1,718	1991/2	-12.5%	-17.3%	-20.0%	-5.2%	-8.6%	-11.5%	-14.3%	-20.6%
Vol.7 No.4	835	1991/3	-14.8%	-19.9%	-15.0%	-1.0%	1.1%	-17.5%	-15.7%	-15.1%
Vol.8 No.1	1,684	1991/4	-7.9%	-15.6%	-20.5%	-9.4%	-0.7%	-16.9%	-13.6%	-13.3%
Vol.8 No.2	1,359	1992/1	-1.8%	-17.2%	-13.9%	19.5%	12.1%	-5.5%	-7.7%	-6.8%
Vol.8 No.3	1,527	1992/2	-9.2%	-14.6%	-18.7%	4.2%	0.8%	-5.9%	-8.7%	-11.8%
Vol.8 No.4	921	1992/3	-15.9%	-27.8%	-32.7%	-6.2%	-4.1%	-17.7%	-15.9%	-24.1%
Vol.9 No.1	1,339	1992/4	-9.1%	-15.1%	-21.0%	-4.0%	4.7%	-10.7%	-7.4%	-13.1%
Vol.9 No.2	1,021	1993/1	-3.8%	-12.4%	-11.3%	23.5%	16.1%	0.7%	-1.5%	-0.8%
Vol.9 No.3	1,310	1993/2	0.9%	-7.9%	-7.4%	19.1%	15.7%	4.3%	1.5%	-0.5%
Vol.9 No.4	1,076	1993/3	8.3%	-1.6%	-7.0%	14.7%	16.7%	-3.4%	-1.6%	-4.5%
Vol.10 No.1	1,295	1993/4	13.8%	3.5%	-3.3%	15.1%	23.8%	-0.2%	3.1%	3.3%
Vol.10 No.2	861	1994/1	3.6%	-4.3%	-3.8%	23.0%	15.7%	-1.1%	-3.4%	3.7%
Vol.10 No.3	2,327	1994/2	16.2%	0.8%	-3.3%	18.4%	15.0%	1.6%	-1.2%	-2.2%
Vol.10 No.4	1,046	1994/3	20.3%	7.6%	0.6%	14.6%	16.6%	-0.2%	1.6%	1.9%
Vol.11 No.1	983	1994/4	20.4%	2.8%	4.1%	17.0%	25.7%	4.2%	7.5%	1.7%
Vol.11 No.2	1,295	1995/1	19.8%	3.3%	0.3%	28.0%	20.7%	6.2%	3.9%	5.7%
Vol.11 No.3	669	1995/2	14.0%	2.1%	0.8%	15.7%	12.3%	4.8%	2.0%	-1.8%
Vol.11 No.4	1,047	1995/3	14.8%	4.9%	2.2%	12.4%	14.5%	-1.8%	0.0%	-2.3%
Vol.12 No.1	700	1995/4	8.5%	-5.5%	1.5%	1.5%	10.2%	-10.0%	-6.7%	-8.0%
Vol.12 No.2	1,099	1996/1	13.8%	3.5%	0.6%	20.0%	12.7%	1.7%	-0.6%	-2.0%
Vol.12 No.3	742	1996/2	9.1%	5.1%	4.8%	14.4%	10.9%	2.2%	-0.6%	-5.6%
Vol.12 No.4	753	1996/3	24.6%	9.0%	7.2%	24.6%	26.7%	4.1%	5.9%	5.3%
Vol.13 No.1	912	1996/4	19.6%	11.1%	10.9%	16.2%	24.9%	5.1%	8.4%	7.3%
Vol.13 No.2	720	1997/1	14.6%	1.6%	9.8%	28.1%	20.8%	9.4%	7.1%	7.2%
Vol.13 No.3	909	1997/2	17.3%	5.5%	4.4%	20.5%	17.1%	8.2%	5.4%	1.4%

Key: U - Unadjusted, S - Seasonally adjusted

Notes: 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.

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.

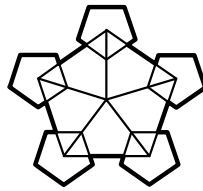
	Inflation	Interest Rates	Access to Finance	Lack of Skilled Employees	Total Tax Burden	Low T/over or Lack of Business	Competition from Big Business	Govt Regs and Paperwork	High Rates of Pay	Shortage of Material & Supplies	Internal Management Difficulties	Cashflow and Payments	Premises, Rents & Rates	Other	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
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

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
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

**SMALL  
BUSINESS  
RESEARCH  
TRUST**



**SMALL BUSINESS RESEARCH TRUST  
Survey Section  
c/o Graham Bannock & Partners Ltd.  
FREEPOST 19  
LONDON W1E 1QZ**

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

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

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

**5** Do you think that a minimum wage of £4.00 per hour would be a good or a bad idea? a. Good Idea

- b. Bad Idea
- c. No opinion

**6a** How many people does your business employ at rates of less than £4.00 per hour? .....

**6b** How many of these are female: ..... **6c** How many work only part-time: .....

**7** Would you employ fewer people if a minimum wage of £4.00 per hour was imposed? a. YES b. NO

**8** Would you expect that a minimum wage of £4.00 per hour would force you to raise pay for higher-paid workers, in order to maintain differentials? a. YES b. NO

**9** If you think that a minimum wage of £4.00 per hour would be a bad idea, would you nevertheless support a minimum wage of £3.00 per hour? a. YES b. NO

**10** How many people does your business employ at rates of less than £3.00 per hour? .....

**11** Would you employ fewer people if a minimum wage of £3.00 per hour was imposed? a. YES b. NO

**12** How did your sales turnover, average employment and investment (in plant, equipment and premises) in the past quarter compare with the same period in 1996? What do you expect to happen in the NEXT quarter? Please complete the table by ticking 6 boxes only:

	ACTUAL			EXPECTED		
	April, May, June 1997 compared with the same period 1996			July, August, September 1997 compared with April, May, June 1997		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						
Investment						

**13** What is the MOST important problem facing your business today? Please circle ONE only:

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

**14** 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 11th July 1997.  
Please note that this is a FREEPOST address (no stamp required).