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The National Chamber of Trade
The National Federation of the Self Employed and Small Business
Business in the Community

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HIGHLIGHTS

* The full impact of the recession is now being felt by surviving small businesses. For the first time since these surveys started more respondents are reporting declining than increasing sales and employment.

* The percentage balance of respondents experiencing a growth in sales over the past year has declined steadily since the first quarter of 1990 and in the final quarter it fell steeply to record a negative -3 per cent.

* The employment balance has also become negative for the first time at -6 per cent, falling rapidly in the final quarter of 1990 after showing relative stability over the previous two quarters, confirming earlier fears that employment prospects would suffer as a result of declining sales.

* Sales expectations for the first quarter of 1991 show an even larger negative balance of -17 per cent, the first negative balance since these surveys began in 1984. Employment expectations for this quarter also show a large negative balance of -16 per cent.

* Employment expectations are most pessimistic amongst larger companies; the smallest companies are about three times less likely to reduce employment than those with turnovers exceeding £150,000. The Retailing and Transport sectors experienced the greatest adverse change in their fortunes.

* Marked regional differences are apparent in the impact of the recession. Scotland, Wales, Yorkshire and the North-West continue to report positive balances for expected sales in contrast to all other regions.

* As in the previous five quarters the main problem remains *interest rates* (cited by 27 per cent of respondents) even more closely followed by *low turnover, lack of business* (23 per cent mentions), with *cashflow/payments/debtors* remaining in third place (12 per cent mentions). Despite increasing concern over weakening demand, the principal concern of many small businesses remains high financing charges, especially firms in the medium-size range, employing between 50 and 100 people.

* Only about one-third of respondents (34 per cent) stated they were aware of any plans for TECs (or LECs in Scotland) in their region. Only 10 per cent said they were involved in any way. Whilst involvement does not seem to be related to size of company, awareness is clearly more marked amongst the larger companies. Only 27 per cent of companies employing less than 5 people stated they knew about TECs/LECs, compared with 67 per cent amongst firms employing between 100 and 200 people.

* Some 28 per cent of firms approve of TECs taking over local business, youth and unemployment training, only 6 per cent disapprove but nearly two-thirds (62 per cent) are either not sure or would prefer to wait and see.

* Almost 65 per cent of the firms involved with TECs approve of them as do 39 per cent of those firms which are, at present, aware of plans for a TEC in their area.

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1. THE SMALL BUSINESS OUTLOOK

FIRST QUARTER

The full extent of the slow down in economic activity in the final quarter of 1990 is highlighted dramatically in this survey. There is deep pessimism over prospects for the first quarter of 1991.

Respondents were asked in the usual manner to indicate whether their sales turnover and average employment were up, down or the same in the quarter just ended (fourth quarter of 1990) compared with the same quarter a year ago, and also to indicate what they expect for the current quarter (first quarter of this year). The first of these responses 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 the surveys began in 1984/3 and the trends in these balances are shown in Figure 1-4.

Table 1.1 CHANGE AND EXPECTED CHANGE IN SALES AND EMPLOYMENT

	Actual Change on Year				Expected Change on Previous Quarter			
	1990/1 on 1989/1	1990/2 on 1989/2	1990/3 on 1989/3	1990/4 on 1989/4	1990/2	1990/3	1990/4	1991/1
Survey Number	23	24	25	26	23	24	25	26
	SALES				SALES			
Up	50.8%	55.5%	48.7%	38.5%	46.7%	38.5%	39.2%	26.5%
Down	24.5%	27.3%	29.5%	41.2%	20.8%	23.2%	34.1%	43.2%
Same	16.6%	17.9%	19.4%	19.5%	26.3%	30.7%	22.2%	26.8%
No Response	3.4%	4.1%	2.5%	0.7%	6.2%	7.5%	4.5%	3.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	31.0%	23.5%	19.2%	-2.8	25.9%	15.4%	5.1%	-16.7%
	EMPLOYMENT				EMPLOYMENT			
Up	24.8%	22.0%	20.4%	17.4%	16.5%	13.7%	12.8%	7.1%
Down	12.9%	17.0%	15.6%	23.0%	10.3%	11.6%	14.8%	22.7%
Same	53.5%	48.3%	51.9%	54.9%	61.2%	59.1%	56.4%	61.4%
No Response	8.8%	12.7%	12.0%	4.7%	12.0%	15.6%	16.1%	8.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Balance	11.9%	4.9%	4.8%	-5.6%	6.2%	2.0%	-2.0%	-15.6%
Base	1,344	1,024	1,250	1,239	1,344	1,024	1,250	1,239

Actual Performance

For *sales* the balance for the "actual change on year" is negative for the first time since these surveys began at -3 per cent, down from -19 per cent in the third quarter and +24 per cent in the second quarter. Since the first quarter of 1990 the percentage of respondents reporting sales increases has declined from 55.5 per cent to 38.5 per cent, whilst the percentage reporting falling sales has increased from 24.5 per cent to 41.2 per cent. The steady fall in the positive balance in favour of an increase in sales shown in the second and third quarter of 1990 steepened dramatically in the final quarter of the year.

For *employment*, the fourth quarter balance for annual change is also negative (at -6 per cent) for the first time since these surveys began in the third quarter of 1984. Since the third quarter a slight fall in the percentage of respondents reporting increased employment (from 20.4 per cent to 17.4 per cent) is heavily outweighed by the percentage of respondents reporting a fall in numbers employed (from 15.6 to 23.0 per cent (Table 1.1).

Overall the proportion of firms experiencing both increased sales and employment continues to decline. In the final quarter of 1990, these expanding firms accounted for 14.7 per cent of all responding firms (compared with 17.7 per cent in the third quarter and 19.6 per cent in the second quarter). Firms experiencing both falling sales and employment (declining firms) in the fourth quarter accounted for 18.3 per cent (compared to 11.4 per cent in both quarters two and three) and now outnumber expanding firms (Table 1.2)

The year-by-year comparisons of actual changes in the sales and employment balances shown in Figure 3 illustrate well the very steep downturn experienced by small firms in the final quarter of 1990.

Expectations

Expectations for *sales* in the first quarter of 1991 show a substantial negative balance of -17 per cent, again the first negative balance since the surveys began over six years ago. *Employment* expectations similarly show a significant negative balance of -16 per cent, considerably down from an already negative balance of -2 per cent last quarter. The steepness of the decline in expectations for both sales and employment is clearly shown in Figure 4 and is further confirmation of the extent to which the recession is going to hurt the small business sector in the first three months of 1991. Figure 2 shows each quarter against its respective quarter over the past few years in order to provide a better perspective of trends taking out the problem of seasonality. Since the first quarter of 1988 sales expectations have fallen from +31 per cent and employment expectations from +11 per cent to their current levels of -17 per cent and -16 per cent respectively. Table 1.5 summarises these changes in first quarter expectations over the past four years.

Comparison across size bands and business sectors

Looking at the balance of sales and employment expectations for January-March 1991 by size of company (Table 1.3) and comparing the results with those from the previous survey shows that the extent of falling *sales expectations* between the two surveys is almost uniformly shared by all turnover ranges (except for those companies in the £20-50,000 and £750,000-£1,500,000 turnover range.

However, falling *employment expectations* are significantly more obvious amongst the medium and large sized companies, those with turnovers exceeding £350,000. In comparison fewer of the smaller companies are expecting to shed labour compared with the larger firms. In those companies with turnovers below £50,000 between 8 and 9 per cent report they expect to employ less labour in January-March 1991; amongst companies with turnovers over £350,000 between 28 and 33 per cent expect to shed labour in this first quarter. This is important evidence of the resilience of the micro-firm as an employer of labour in recessionary periods.

With the notable exception of Business Services, most sectors of activity show negative balances for both sales and employment expectations (Table 1.4). In terms of *sales expectations* Construction and Catering show, as in the previous survey, well above average negative balances. The most dramatic changes last quarter, however, have taken place in Transport and Retailing. Transport showed a positive balance of +4 per cent in October-December 1990 but a negative balance of -37 per cent for January-March 1991. Retailing shows a positive balance of +10 per cent changing to a negative balance of -23 per cent over the same period. The same pattern applies to employment expectations. In Retailing the negative balance for employment at -16 per cent is notably lower than the negative balance for sales (at -23 per cent). Nevertheless, the change in the fortunes of the retail trade over the last few months is clearly shown by their comparative results in these last two surveys.

Regional Differences

As in our previous survey, there continue to be marked regional differences. Reflecting the falling level of sales expectations overall, the Midlands (East and West), East Anglia, the South East and South West, all show negative percentage balances. Scotland , Wales, Yorkshire & Humberside and the North West continue to show positive balances (Table 1.6). Whilst the sample sizes in Wales and Scotland might be a little small for drawing firm conclusions, this caveat does not apply to the other two northern regions. The figures suggest heavy manufacturing may still be showing some strength which evidence from other sources seems to relate partly to the relative buoyancy of export markets.

Conclusion

The small business sector is now in recession though there are pockets of relative strength - in Business Services, amongst the smallest companies and away from the South.

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

	Number	Per Cent
Expanding Firms	182	14.7
Declining Firm	227	18.3
Remaining Respondents	830	67.0
All Respondents	1,239	100.0

Note: From Survey 18 (1989/1), all figures shown in these tables are weighted to the 1988 VAT sectoral distribution.

Table 1.3 EXPECTED CHANGE IN SALES AND EMPLOYMENT BY TURNOVER
(Current Survey No.26 compared with Previous Survey No.25)

Percentage balance

	Survey 25		Survey 26		Sample	
Turnover size band	Sales	Employment	Sales	Employment	No.	%
Less than £20,000	7.7%	-6.8%	-10.7%	-1.5%	131	10.6%
£20,000 - 49,999	3.7%	-3.2%	0.0%	0.5%	206	16.6%
£50,000 - 149,999	5.3%	-5.6%	-7.5%	-7.1%	294	23.7%
£150,000 - 349,999	11.1%	0.8%	-6.4%	-2.8%	250	20.2%
£350,000 - 749,999	-6.4%	-4.1%	-16.6%	-26.8%	157	12.7%
£750,000 - 1,499,999	14.6%	-4.4%	3.8%	-15.2%	105	8.5%
£1,500,000 and over	-7.5%	-6.3%	-9.3%	-19.8%	86	6.9%
No Response	20.0%	0.0%	18.2%	0.0%	11	0.8%
Total	4.6%	-3.8%	-6.5%	-8.4%	1,240	100.0%

Table 1.4 EXPECTED CHANGE IN SALES AND EMPLOYMENT BY BUSINESS SECTOR
(Current Survey No.26 compared with Previous Survey No.25)

Percentage balance

	Survey No.25		Survey No.26		Sample	
Business Sector	Sales	Employment	Sales.	Employment	No.	%
Agriculture, Forestry, Fisheries	5.9%	17.6%	-40.9%	-27.3%	22	1.8%
Manufacturing, Mining, Processing	8.1%	-3.8%	-5.9%	-10.5%	256	20.6%
Transport	3.6%	-3.6%	-37.0%	-37.0%	27	2.2%
Construction	-21.5%	-17.7%	-30.7%	-28.7%	101	8.1%
Wholesale Trade	6.2%	-2.7%	-9.6%	-7.7%	104	8.4%
Retail Trade	9.7%	2.1%	-23.1%	-15.6%	199	16.0%
Catering & Restaurants	-9.8%	-24.4%	-36.7%	-20.0%	30	2.4%
Business Services	3.4%	-3.7%	13.5%	5.5%	348	28.0%
Other Services	12.4%	-2.2%	2.1%	-5.0%	141	11.3%
Other	-9.1%	-18.2%	9.1%	9.1%	11	0.9%
No Response	0.0	0.0%	100.0%	0.0%	1	0.0%
Total	4.6%	-3.8%	-6.5%	-8.4%	1,240	100.0%

Note: The total balances in tables 1.3 and 1.4 are not strictly comparable with those shown in Table 1.1 because the data in these tables are unweighted.

Table 1.5 "EXPECTED CHANGE" BALANCES

	1st Quarter Comparison (percentage balance)	
	Expected Sales	Expected Employment
1988/1	+31.4	+10.5
1989/1	+22.1	+4.8
1990/1	+4.6	-1.7
1991/1	-16.7	-15.6

Table 1.6 EXPECTED CHANGE IN SALES AND EMPLOYMENT BY REGION - 1st Quarter 1991

Percentage balance

			Sample	
Region	Sales	Employment	No	%
North	0.0%	2.7%	37	2.9%
Yorkshire & Humberside	-8.6%	-8.6%	93	7.5%
North West	5.7%	0.8%	123	9.9%
East Midlands	-14.9%	-10.6%	94	7.6%
West Midlands	-10.5%	-8.1%	86	6.9%
East Anglia	-9.1%	-5.7%	88	7.1%
South East	-10.9%	-15.1%	497	40.1%
South West	-7.2%	-5.1%	138	11.1%
Wales	12.9%	9.7%	31	2.5%
Scotland	25.5%	5.9%	51	4.1%
Northern Ireland	-50.0%	0.0%	2	0.2%
No Response	0.0%	0.0%	0	0.0%
Total	-6.5%	-8.4%	1,240	100.0%

Unweighted data

2. PROBLEMS

General

Respondents were asked to select from a list of fourteen problems which was the most important facing their business. The top three problems cited have remained the same for the last five surveys (Table 2.1). *Interest rates* was by far the most frequently cited problem, with 27.2 per cent of mentions, although the recession has brought *low turnover/lack of business* into a much closer second place with 22.6 per cent of mentions. Another problem linked to the recession, *Cashflow/payments/debtors* remains in third place with 11.9 per cent of mentions. There is no significant change amongst the rankings of the other issues listed.

The top three problems now account for more than 60 per cent (61.7 per cent) of the fourteen problems presented to respondents. In the previous survey they accounted for just over half (51.9 per cent). The increasing dominance of *interest rates/turnover/cashflow* problems reflects the pressures of declining overall demand. Although all three are closely related it is the effect on ability to meet financing changes or the cost of borrowing against insolvency that remains uppermost in the minds of many small business owner/managers. The following verbatim comment from a South coast business services respondent encapsulates the issues nicely:

"We find that payments are taking longer in coming in. In 1989 on 30 day invoices the average payment time was 24 days. In 1990 this has risen to 29 days and several larger amounts have taken 50 days to reach us. For a small business this affects cashflow and increases the impact of interest rates, and the trend is potentially very serious".

Comparison across size and activity bands

Table 2.2 shows how the percentage of mentions of these problems varies with size of firm as measured by employment and Table 2.3 shows how they vary by sectoral activity. For firms employing between 50 and 100 people *interest rates* receive almost twice as many mentions compared with the 'micro' firms employing less than 5 people - 43 per cent against 23 per cent (Table 2.2 and Chart 2.1). Conversely micro firms, a large proportion of which probably have no borrowings, quote *low turnover* as the major problem more often than larger companies - 25 per cent as against 17 per cent for the 50-99 employee size band. *Cashflow* as a problem is less important to firms employing more than 50 people and seems to have its biggest impact on companies in the 15-50 employee bracket.

The business sectors most badly affected by *interest rates* are Retailing, Construction and Catering (table 2.3). *Low turnover* affects all sectors, but particularly Transport (30 per cent mentions) and Wholesaling and Manufacturing (25 per cent mentions each). With *cashflow*, the sectors most clearly affected are Construction (18 per cent mentions) and Manufacturing (15 per cent mentions).

There are two sectors which appear to be relatively less concerned than other areas with the problem of *interest rates* - they are Business Services and Wholesaling (both with 19 per cent mentions). The relative immunity of Wholesaling to interest rate problems contrasts with Retailing which provides the largest percentage of mentions of this problem (39 per cent) from amongst all the business sectors shown in Table 2.3.

Table 2.1 MOST IMPORTANT PROBLEM (All Respondents)

Problem	1990/1	1990/2	1990/3	1990/4	1991/1
Interest Rates	27.5(1)	25.8(1)	28.9(1)	25.4(1)	27.2(1)
Low Turnover and Lack of Business	15.4(2)	14.0(2)	15.3(3)	17.5(2)	22.6(2)
Cashflow and payments	13.5(3)	12.4(3)	15.5(2)	8.9(3)	11.9(3)
Inflation	3.7(9)	6.9(6)	4.6(=6)	8.0(4)	5.5(4)
Gov't Regulations & Paperwork	6.2(5)	6.5(7)	3.5(7)	6.7(5)	4.8(5)
Total Tax Burden	4.2(8)	2.6(10)	4.8(5)	5.2(6)	4.0(=6)
Premises/Rents/Rates	9.7(4)	7.6(5)	4.6(=6)	4.6(8)	4.0(=6)
Lack of Skilled/Trained Employees	5.8(6)	6.4(8)	5.9(4)	4.9(7)	3.4(8)
Competition from Big Business	-	-	3.0(9)	4.6(8)	3.3(9)
Access to Finance	3.0(10=)	3.9(9)	3.3(8)	1.9(10)	2.7(10)
Internal Difficulties	0.7(11)	2.2(11)	1.6(11)	0.7(11)	1.3(11)
High Rates of Pay	3.0(10=)	1.4(12)	2.1(10)	0.2(13)	1.2(12)
Shortages of Materials,Supplies,etc	0.6(12)	0.4(13)	0.0(12)	0.3(12)	0.6(13)
Other	4.6(7)	8.6(4)	5.0	8.7	6.3
No Response	2.0	1.3	1.8	2.3	1.3
TOTAL	100.0	100.0	100.0	100.0	100.0
BASE	1,064	1,344	1,024	1,250	1,240

Note: 1 All figures shown in this table are weighted to the 1988 VAT sectoral distribution.

2 Number in brackets refers to the quarter's ranking.

3 From this quarter no ranking is given to "other".

Chart 2.1:

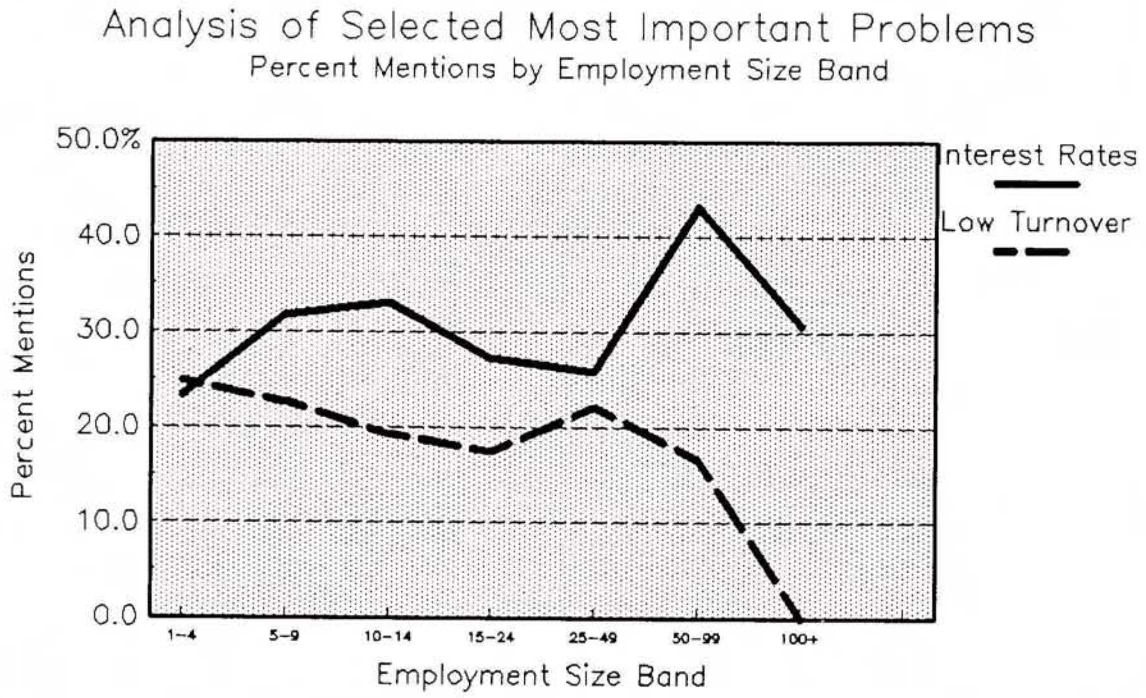


Table 2.2 MOST IMPORTANT PROBLEM BY EMPLOYMENT SIZE BAND

Problem	1 - 4	5 - 9	10 - 14	15 - 24	25 - 49	50 - 99	100+	No Response	All
Inflation	6.2%	4.9%	0.9%	5.6%	9.9%	3.3%	0.0%	0.0%	5.5%
Interest Rates	23.3%	31.8%	33.0%	27.2%	25.9%	43.3%	30.8%	33.3%	27.2%
Access to Finance	3.8%	1.1%	1.8%	1.6%	0.0%	6.7%	7.7%	0.0%	2.7%
Lack of Skill	2.5%	3.8%	1.8%	9.6%	2.5%	0.0%	7.7%	0.0%	3.4%
Total Tax Burden	4.4%	3.8%	5.5%	2.4%	2.5%	6.7%	0.0%	0.0%	4.0%
Low Turnover	24.8%	22.7%	19.3%	17.6%	22.2%	16.7%	0.0%	33.3%	22.6%
Competition from big business	4.3%	3.0%	2.8%	3.2%	0.0%	0.0%	0.0%	0.0%	3.3%
Gov't Regs	4.1%	4.2%	11.0%	2.4%	3.7%	6.7%	23.1%	0.0%	4.8%
High Pay	1.0%	0.8%	1.8%	0.8%	1.2%	3.3%	7.7%	11.1%	1.2%
Shortages of Materials	0.8%	0.4%	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.6%
Internal Difficulties	0.5%	1.5%	1.8%	3.2%	1.2%	3.3%	7.7%	0.0%	1.3%
Cashflow/Payments/Debtors	12.3%	10.2%	9.2%	13.6%	19.8%	6.7%	7.7%	0.0%	11.9%
Premises/Rent/Rates	3.9%	4.2%	5.5%	5.6%	1.2%	3.3%	0.0%	0.0%	4.0%
Other	6.7%	6.4%	4.6%	6.4%	7.4%	0.0%	7.7%	0.0%	6.3%
N/R	1.3%	1.1%	0.9%	0.0%	2.5%	0.0%	0.0%	22.2%	1.3%
Base	609	264	109	125	81	30	13	9	1,240
Check	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 2.3 MOST IMPORTANT PROBLEM BY BUSINESS ACTIVITY

Problem	Agriculture	Manufacturing	Transport	Construction	Wholesale	Retail	Catering	Business Services	Other Services	Other	No Response	All
Inflation	4.5%	5.5%	7.4%	4.0%	7.7%	6.0%	3.3%	3.2%	9.9%	9.1%	0.0%	5.5%
Interest Rates	27.3%	27.3%	29.6%	38.6%	19.2%	38.7%	33.3%	19.5%	24.8%	27.3%	100.0%	27.2%
Access to Finance	4.5%	2.7%	11.1%	0.0%	1.9%	1.0%	0.0%	3.4%	4.3%	0.0%	0.0%	2.7%
Lack of Skill	4.5%	4.7%	0.0%	3.0%	2.9%	1.5%	6.7%	3.7%	2.8%	9.1%	0.0%	3.4%
Total Tax Burden	4.5%	5.1%	0.0%	4.0%	5.8%	3.5%	10.0%	3.4%	2.8%	0.0%	0.0%	4.0%
Low Turnover	13.6%	25.0%	29.6%	19.8%	25.0%	23.1%	16.7%	22.1%	20.6%	18.2%	0.0%	22.6%
Competition from big business	4.5%	1.2%	0.0%	0.0%	4.8%	3.5%	0.0%	6.0%	2.8%	0.0%	0.0%	3.3%
Gov't Regs	9.1%	0.8%	7.4%	4.0%	1.0%	4.0%	3.3%	6.9%	9.2%	18.2%	0.0%	4.8%
High Pay	0.0%	2.7%	0.0%	0.0%	2.9%	0.5%	0.0%	0.6%	1.4%	0.0%	0.0%	1.2%
Shortages of Materials	0.0%	0.4%	0.0%	0.0%	1.9%	1.0%	0.0%	0.3%	0.7%	0.0%	0.0%	0.6%
Internal Difficulties	0.0%	2.3%	3.7%	0.0%	1.0%	0.0%	0.0%	2.0%	0.0%	9.1%	0.0%	1.3%
Cashflow/Payments/Debtors	9.1%	15.2%	11.1%	17.8%	12.5%	5.5%	6.7%	12.4%	11.3%	9.1%	0.0%	11.9%
Premises/Rent/Rates	4.5%	3.5%	0.0%	5.0%	5.8%	5.0%	6.7%	3.7%	2.8%	0.0%	0.0%	4.0%
Other	9.1%	3.5%	0.0%	3.0%	5.8%	6.0%	6.7%	10.9%	4.3%	0.0%	0.0%	6.3%
N/R	4.5%	0.0%	0.0%	1.0%	1.9%	0.5%	6.7%	1.7%	2.1%	0.0%	0.0%	1.3%
Base	22	256	27	101	104	199	30	348	141	11	1	1,240
Check	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

3. TRAINING & ENTERPRISE COUNCILS (TECS)

The last two surveys have looked at training practices in small firms, particularly in relation to school-leavers. This survey has continued the general theme by asking questions on individual company awareness and involvement in the Department of Employment promoted network of Training and Enterprise Councils in England & Wales and Local Enterprise Companies (LECs) in Scotland. These organisations have been set up as a partnership between business and government to deliver the youth and unemployment training programme formerly run by the Training Agency. They are also responsible for developing enterprise initiatives, particularly in the small business sector. Respondents were asked if they were aware of any plans for TECs (LECs) in their area. They were also asked whether their firm was involved with these plans in any way. Almost two-thirds (64.7 per cent) stated they were not aware of any plans for a TEC (LEC) in their area, and only 10 per cent said they were involved in any way (Table 3.1). This result is firm evidence of the confusion widely reported anectodely about the existence, role and development of these new forms of enterprise and training delivery. Despite extensive publicity over a lengthy period it is clear the impact on small business of the new organisations currently is limited.

Table 3.1 AWARENESS OF AND INVOLVEMENT IN TECS (LECS)

	Awareness		Involvement	
	Number	%	Number	%
Yes	420	33.4	122	9.8
No	802	64.7	1,068	86.1
No Response	18	1.4	50	4.1
Total	1,240	100.00	1,240	100.0

Reaction to the new strategy is guarded. Active disapproval is insignificant with only 6 per cent registering negative replies and positive approval is given by just over a quarter of respondents (28 per cent). Nearly two-thirds, however, (62 per cent) prefer to wait and see or are not sure of their views at the moment.

The percentage of respondents approving the new TEC-led training strategy is higher among firms already involved in these plans (65 per cent). However, of those firms which are aware of but not involved in the new strategy, more than 50 per cent would rather wait and see, with a further 38 per cent approving of the scheme. Among those that are neither aware nor involved an above average proportion are prepared to wait and see. On balance, this suggests that most small firms are willing to give the new strategy a fair trial.

Table 3.2 VIEWS ON TEC-BASED STRATEGY

	Awareness		Involvement		Other		Total	
	Number	%	Number	%	Number	%	Number	%
Approve	160	38.1	79	64.8	106	15.2	345	27.8
Disapprove	39	9.3	3	2.5	37	5.3	79	6.4
Not sure/wait & see	212	50.5	38	31.1	522	71.8	772	62.3
No replies	9	2.1	2	1.6	33	4.7	44	3.5
All replies	420	100.0	122	100.0	698	100.0	1240	100.0

As might be expected, larger companies are more aware of TECs (LECs) than smaller companies. Only 27 per cent of the micro businesses (employing less than 5 people) are aware compared with 67 per cent of companies employing between 100 and 200 people. Awareness is highest in Manufacturing, Transport and Business Services at around the 40 per cent level; it is lowest in the Wholesale trade (24 per cent). What little involvement there is with the new organisations seems most noticeable amongst Business Services. Size of firm does not seem to be significant in determining involvement. Views on the new training strategy are dominated overall by uncertainty. It is the smaller companies (those employing less than 50) who are showing this uncertainty most (Table 3.3).

Table 3.3 VIEWS ON TEC-BASED STRATEGY - BY SIZE OF COMPANY

Employment Size Band	% Replies		
	Approve	Disapprove	Not Sure
1-4	28.1	7.2	61.2
5-9	26.5	4.5	64.0
10-14	22.9	10.1	65.1
15-24	28.0	3.2	67.2
25-49	28.4	7.4	61.7
50-99	46.7	0.0	50.0
100-199	33.3	16.7	33.3
200-	42.9	0.0	57.1
No Replies	22.2	11.1	44.4
Total	27.8	6.4	62.3
Sample Number	345	79	772

APPENDIX

Organisation of the Survey

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 National Federation of the Self Employed and Small Business Ltd (NFSESB)

* The Association of Independent Business

* The Forum of Private Business

These surveys have been supplemented from time to time 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), and from survey 21 small firms recruited through local Enterprise Agencies via Business in the Community.

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

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	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	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	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	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	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	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	No 1	Training and Enterprise Councils

Future Plans

Our next Survey, the second of 1991 (No 27), will include special questions on the use of information technology.

TABLE A.1: CHANGES AND EXPECTED CHANGES IN SALES AND EMPLOYMENT PERCENTAGE BALANCE 1984/3 - 1990/4

	Actual Change on year				Expected Change on Quarter				Number of Responses Analysed	
	Sales		Employment		Sales		Employment			
	UW	W	UW	W	UW	W	UW	W	UW	W
1984/3	34.7		10.5							
1984/4	32.6		10.4		21.2		3.3		3.056	
1985/1	33.4		17.6		9.5		0.9		1.795	
1985/2	34.4		11.2		16.9		9.5		1 181	
1985/3	37.4		12.1		31.4		5.3		1 090	
1985/4	41.4		12.6		26.2		5.3		1 072	
1986/1	33.6		11.6		9.8		5.3		1 326	
1986/2	35.5		14.2		31.1		5.6		1 052	
1986/3	39.7		15.2		29.6		11.9		1 265	
1986/4	40.0		13.4		22.3		6.0		1 435	
1987/1	40.2		15.2		17.0		4.6		[illegible]	
1987/2	44.7		23.1		39.7		15.1		[illegible]	
1987/3	44.8		17.6		36.8		13.2		[illegible]	
1987/4	52.7		23.4		28.8		10.0		[illegible]	
1988/1	52.7		19.3		31.4		10.5		1 042	
1988/2	55.0		22.0		46.7		15.3		933	
1988/3	54.9		22.3		47.9		19.1		963	
1988/4	48.1	49.2	16.6	15.3	34.4		13.3		950	
1989/1	34.9	42.4	9.3	15.7	25.5	22.1	6.8	4.8	1 001	1 523
1989/2	42.3	43.5	17.5	18.2	26.3	17.1	7.1	5.5	1 019	947
1989/3	35.3	30.0	15.9	17.7	32.7	33.4	11.1	10.9	2 247	2 236
1989/4		29.1		8.2	25.9	19.2	9.1	7.3	500	792
1990/1		31.0		11.9		4.6		-1.7		1064
1990/2		23.5		4.9		25.9		6.2		1344
1990/3		19.2		4.8		15.4		2.0		1024
1990/4		-2.8		-5.6		5.1		-2.0		1250
1991/1						-16.7		-15.6		1239

Key: UW - Unweighted
W - Weighted to 1988 VAT sectoral distribution.

Table A.2: PROBLEMS EXPERIENCED BY RESPONDENTS 1991/1

	Access to Finance	Interest Rates	Total Tax Burden	Competition From Big Business	Lack of Skilled Employees	Low T/over Or Lack of Business	Cashflow & Payments	Govt Regs and Paperwork	Shortage of Material & Supplies	High Rates of Pay	Premises, Rents & Rates	Inflation	Other	No Response	Number of Replies Analysed
1984/4		17.1	15.9	12.0	5.4	15.3		12.6	10.9	4.2		3.5	10.9	1.4	3,056
1985/1		19.4	15.9	10.0	4.4	14.5		15.7	1.3	3.4		3.8	9.5	1.5	1,795
1985/2		22.1	16.1	10.8	4.3	14.3		12.5	1.3	2.4		5.0	9.1	1.5	1,181
1985/3		23.6	12.8	11.2	4.9	13.8		13.1	1.9	3.7		2.0	8.6	3.8	1,090
1985/4		24.0	16.6	11.1	5.6	15.7		10.2	0.9	2.0		2.2	9.2	2.0	1,072
1986/1		21.4	17.1	11.7	7.2	14.4		9.6	1.8	2.0		3.0	9.9	1.3	1,326
1986/2		29.9	16.3	9.1	7.3	12.6		9.9	1.2	2.2		1.7	9.4	0.6	1,052
1986/3		21.3	16.6	11.5	7.3	17.0		7.3	0.9	1.4		0.9	13.7	2.0	1,285
1986/4		25.0	17.7	11.8	7.2	14.7		6.8	1.3	1.3		1.1	10.0	3.1	1,435
1987/1		26.4	16.0	12.0	8.0	13.0		7.4	1.3	1.6		0.9	9.1	4.2	1,166
1987/2		23.7	17.7	10.7	9.6	12.0		7.6	1.5	2.6		1.0	10.3	3.3	1,746
1987/3		20.3	17.9	11.5	11.8	12.9		6.6	2.2	1.9		1.1	10.5	3.5	1,113
1987/4		18.0	21.3	12.5	11.1	13.0		6.3	1.3	1.3		1.1	9.6	4.5	977
1988/1		21.6	20.1	11.4	11.1	9.6		6.1	1.9	2.3		0.7	14.9	0.3	1,042
1988/2		19.4	15.5	14.4	12.7	10.2		8.0	2.3	1.8		1.0	13.7	1.4	933
1988/3		17.6	13.7	11.4	17.7	11.3		8.3	2.7	2.4		0.9	11.4	2.4	983
1988/4		25.5	12.5	10.4	16.9	8.7		6.0	3.3	1.3		2.8	10.6	1.9	950
1989/1[A]		25.1	11.2	1.2	13.2	7.2		8.4	0.4	5.9		5.5	17.4	4.7	1,523
1989/2		26.1	13.0	6.0	13.4	8.0		6.7	0.8	0.6		5.4	14.4	4.7	947
1989/3		33.5	6.0	7.0	12.9	12.2		6.2	0.5	1.6		6.5	12.2	1.5	2,236
1989/4		38.1	5.2	5.8	9.4	13.8		5.5	0.4	1.2		7.1	12.3	1.2	792
1990/1	3.0	27.5	4.2	-	5.8	15.4	13.5	6.2	0.6	3.0	9.7	3.7	4.6	2.0	1,064
1990/2	3.9	25.8	2.6	-	6.4	14.0	12.4	6.5	0.4	1.4	7.6	6.9	8.6	1.3	1,344
1990/3	3.3	28.9	4.8	3.0	5.9	15.3	15.5	3.5	0.0	2.1	4.6	4.6	5.0	1.8	1,027
1990/4	1.9	25.4	5.2	4.6	4.9	17.5	8.9	6.7	0.3	0.2	4.6	8.0	8.7	2.3	1,250
1991/1	2.7	27.2	4.0	3.3	3.4	22.6	11.9	4.8	0.6	1.2	4.0	5.5	6.3	1.3	1,240

Note: A From Survey 18 (1989/1), all figures shown in this table have been weighted to the 1988 VAT sectoral distribution.

Figure 1: Percentage Balance for the Actual Change on Sales and Employment on Year

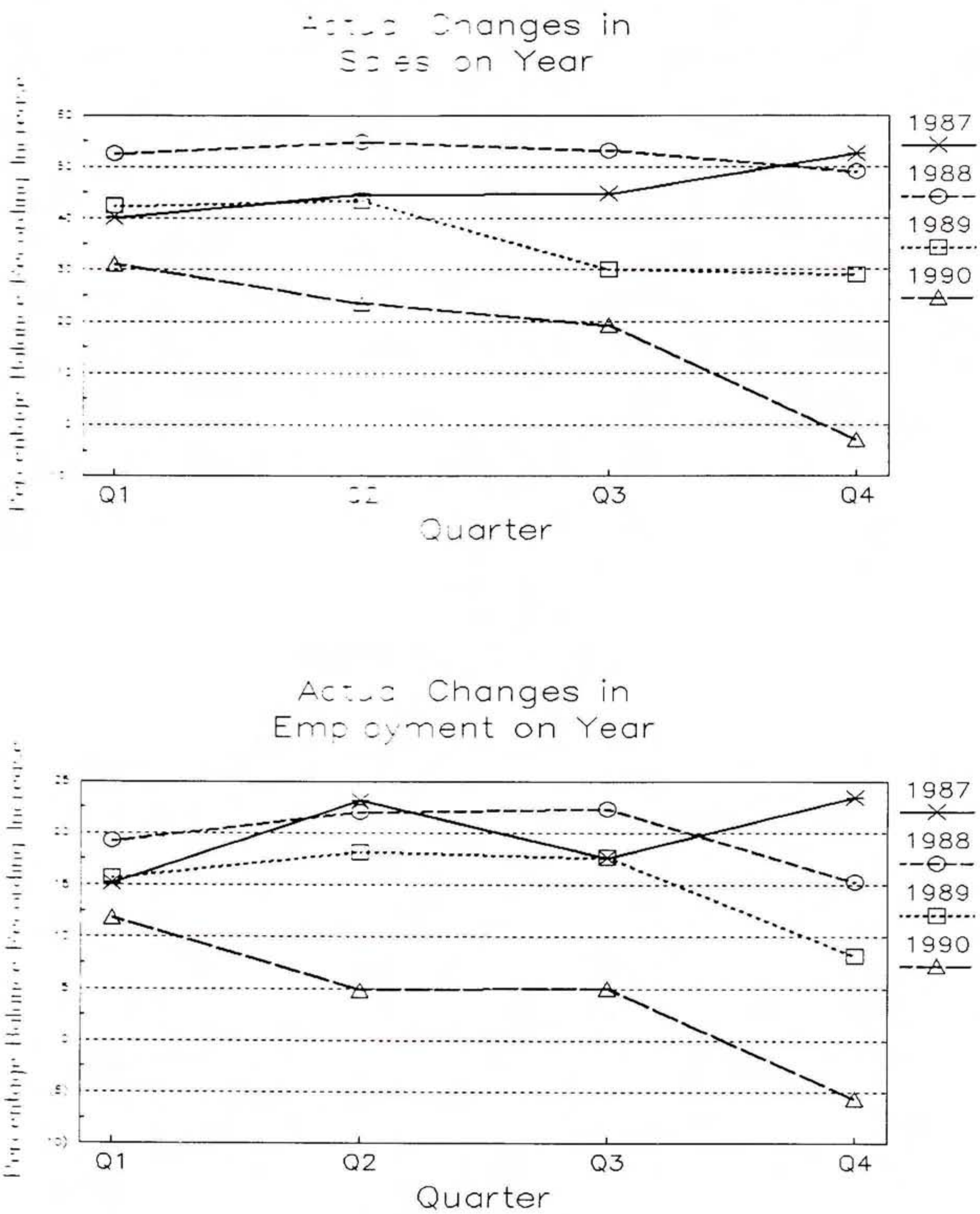
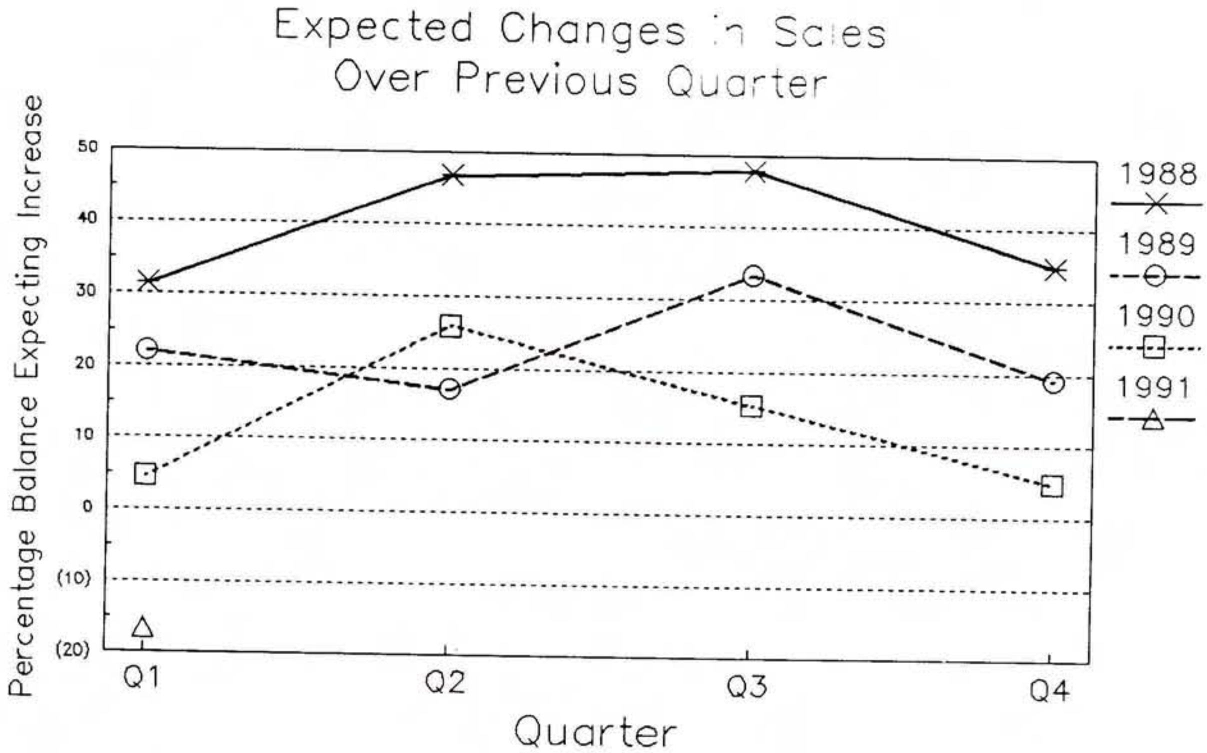


Figure 2: **Percentage Balance for the Actual Change on Sales and Employment Over Previous Quarter**



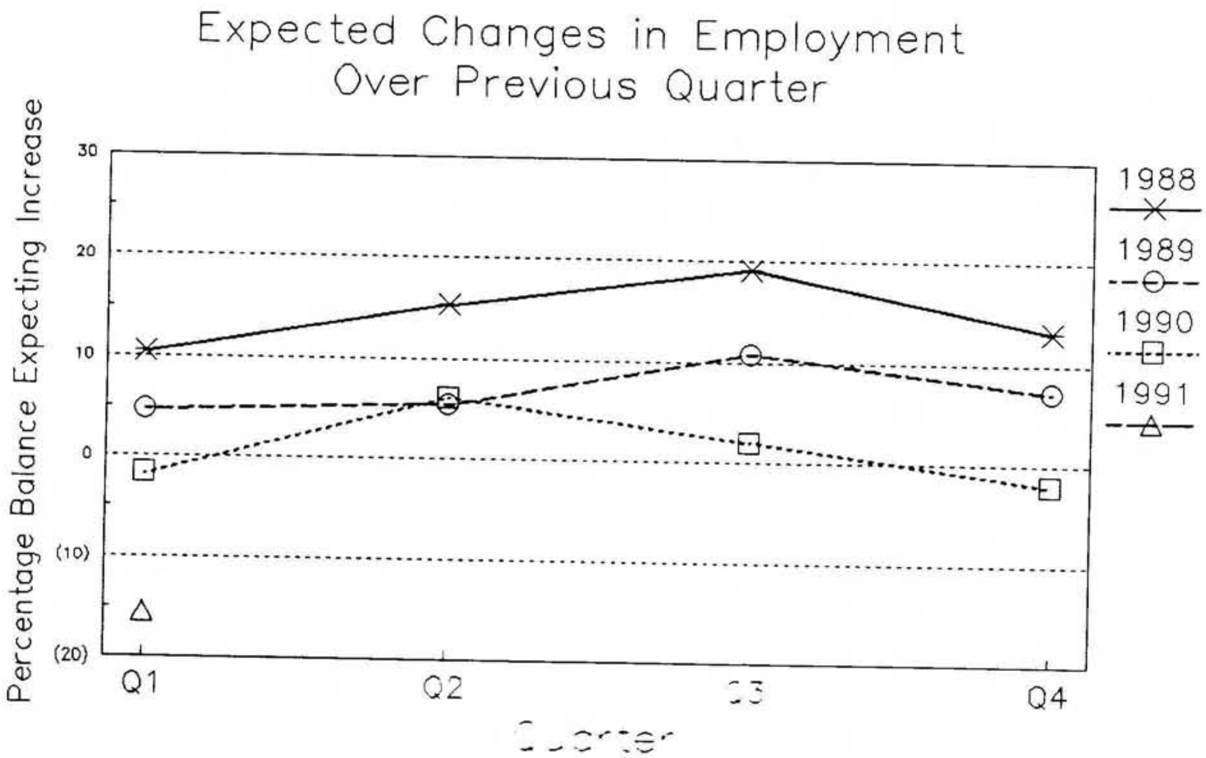


Figure 3: Percentage Balance for the Expected Change in Sales and Employment on Year

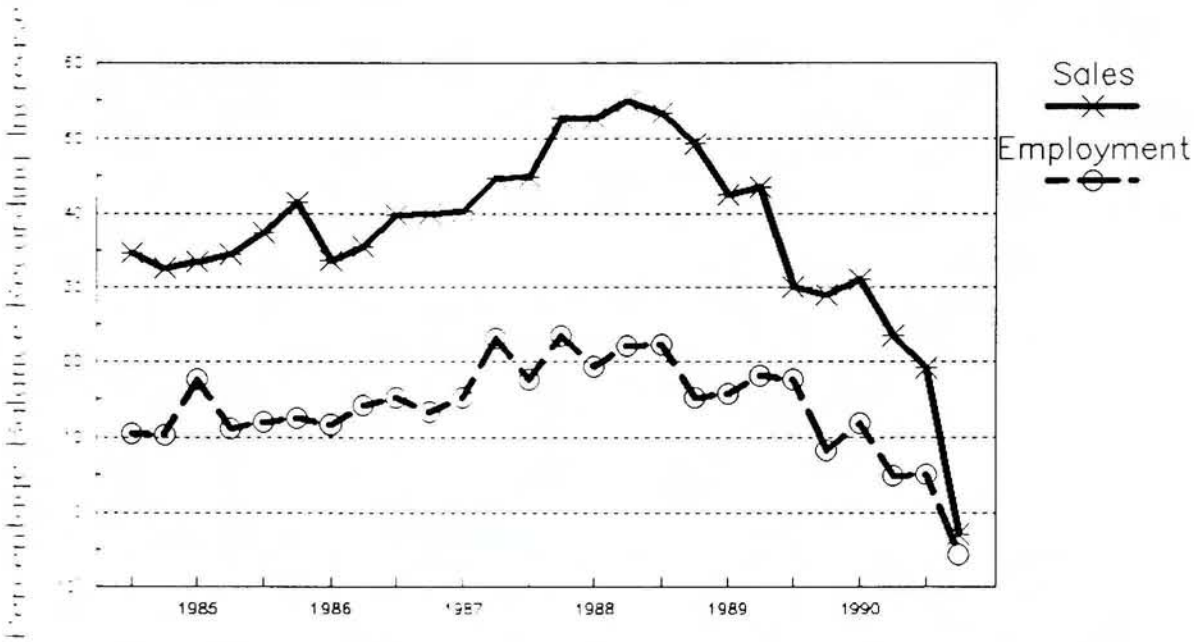
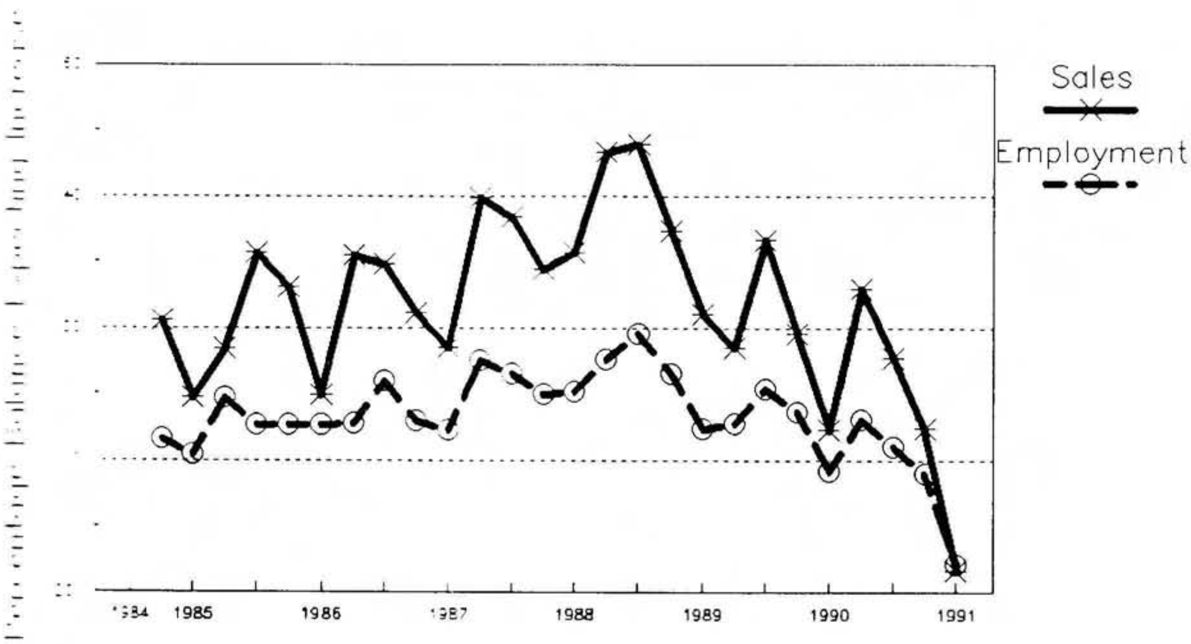


Figure 4: Percentage Balance for the Expected Change in Sales and Employment Over the Previous Quarter



CONFIDENTIAL

QUARTERLY SURVEY NO. 26

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

---

1 Please indicate the location of your business:

a. North
b. Yorkshire & Humberside
c. North West
d. East Midlands
e. West Midlands
f. East Anglia
g. South East
h. South West
i. Wales
j. Scotland
k. Northern Ireland

What is your Postcode? ....

2 Employment:

The number of people (including yourself) who work in the business — a. Number ....
The number of these who work part-time — b. Number ....
The number of outworkers and freelancers — c. Number ....

3 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

4

a. How many years have you owned & managed businesses? ....

b. How many years has your present business been trading? ....

5 Please classify your business activity by circling one or more of these categories:

a. Agriculture,Forestry,Fisheries
b. Manufacturing,Mining,Processing
c. Transport
d. Construction
e. Wholesale Trade
f. Retail Trade
g. Catering & Restaurants
h. Business Services (Finance, Consultants,Designers,etc)
i. Other Services
j. Other, not included above: .... (Please specify)

Please describe in a few words the precise nature of your business (e.g. manufacturing electronic equipment, hairdressing, etc.) If you are involved in more than one field, please state that which constitutes the major proportion of your turnover: ....

6 A network of some 80 Training and Enterprise Councils (TECs)* is to be set up by local groups of leading business people with Government support over the next three years. The TECs will take over responsibility for delivery of the Training Agency's small business, youth and unemployment training programmes.

Are you aware of plans for a TEC in your area? a. Yes b. No
Is your firm involved in these plans in any way? a. Yes b. No
What is your view of this new strategy for training development?
a. Approve b. Disapprove c. Not sure/wait and see

7 How did your sales turnover and average employment in the past quarter compare with the same period in 1989? What do you expect to happen in the next quarter? Please complete the following table by ticking 4 boxes only.

	Oct, Nov, Dec 1990 compared with the same period 1989			Jan, Feb, March 1991 compared with Oct, Nov, Dec 1990		
	UP	DOWN	SAME	UP	DOWN	SAME
Sales Turnover						
Average Employment						

8 What is the most important problem facing your business today?

Please circle ONE of the following:

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. Govt Regulations and Paperwork
i. High Rates of Pay
j. Shortage of Material, Supplies, etc.
k. Internal Management Difficulties
l. Cashflow - Payments/Debtors
m. Premises, Rents and Rates
n. Other (Please specify) ....

* Local Enterprise Companies (LECs) in Scotland

Thank you for completing this confidential survey questionnaire.
Please return to the Small Business Research Trust by 15th December 1990.
Please note that this is a FREEPOST address (no stamp required).