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BUSINESS REVIEW

Spotlight on issues affecting business

- BUSINESSES STILL VULNERABLE
- BACK TO WORK?
- SMEs BEAT PROFIT EXPECTATIONS
- FREELANCE PRODUCTIVITY BOOST
- NEW WORK PRIORITIES
- OTHER NEWS

SEPTEMBER 2020

BUSINESS REVIEW

BUSINESSES STILL VULNERABLE

Research conducted by the British Chambers of Commerce (BCC) suggests a significant proportion of firms remain *'vulnerable'* as government support schemes wind down.

Data from the latest BCC Coronavirus Business Impact Tracker revealed only a modest improvement in trading conditions. For instance, while the number of firms reporting a rise in revenue from UK customers did increase to 38%, up from 34% in the previous survey, a similar proportion reported a drop in revenues.

The research also found that many firms are still highly reliant on government coronavirus support to *'help stem cashflow issues'*. In addition, the precarious financial position of many businesses was vividly highlighted, with almost four in ten respondents saying they have three months or less worth of cash in reserve.

BCC Director General Dr Adam Marshall commented: *"While some firms are seeing improvements in trading conditions, we are still very much in the eye of the storm, with further turbulence ahead. As the government's emergency measures begin to wind down over the coming weeks, and with the prospect of further local lockdowns still very real, businesses across the UK are going to need further support to weather uncertainty over the coming months."*

BACK TO WORK?

In recent weeks, concerns have been expressed about the effect an extended period of remote working will have on city centres. CBI Director General Dame Carolyn Fairbairn, for instance, warned of cities becoming *'ghost towns'*, adding that a return to work was vital for reviving the economy.

The government has previously promoted ways to make workplaces COVID-secure so that more people feel comfortable returning to the office, although fears have been raised over the impact such a move might have on the R rate. Business leaders have also called for greater guidance and the introduction of government incentives to help firms with the cost of making premises COVID-secure.

Members of the business community have also stressed that the final decision must rest with the companies and staff themselves. Institute of Directors chief economist Tej Parikh commented: *"It's right for the government to encourage and enable those who want to return. However, the decision ultimately rests with individual firms and staff, many of whom have found remote working much more suitable than expected."*

On 22 September, the Prime Minister announced an abrupt U-turn following a surge in infections, forcing companies to rethink plans for office staff. More on this in the October Business Review.

SMEs BEAT PROFIT EXPECTATIONS

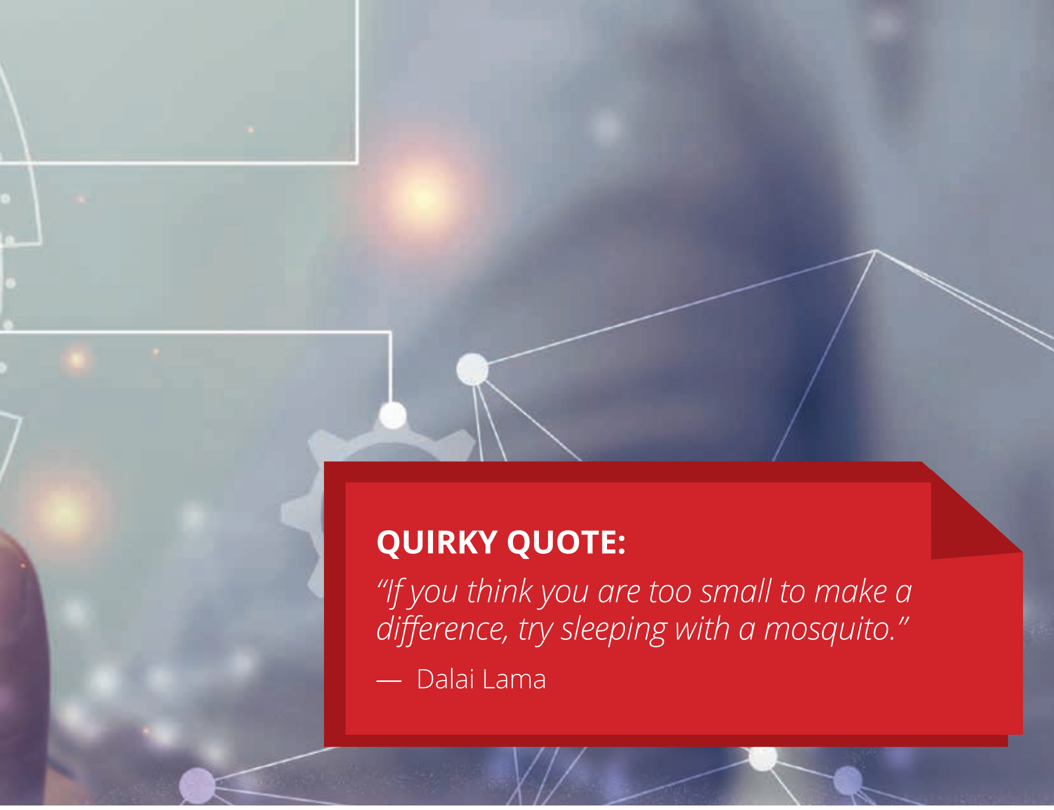
Data from Barclaycard Payments' quarterly SME Barometer found that UK small businesses exceeded their second-quarter revenue expectations and are cautiously optimistic about future prospects.

At the beginning of April, respondents to the survey predicted they would suffer an average revenue decline of 28% during the second quarter due to the coronavirus pandemic. However, the actual impact was found to be less severe, with the latest research revealing an average loss of 14%, exactly half the anticipated level.

The Barometer also suggests businesses are generally feeling more positive about the future. The survey's optimism index, for example, jumped from a score of 79 out of a possible 200 points at the start of the previous quarter, to 95 points in the current quarter. Additionally, 36% of SMEs reported a positive outlook for their own business, up from 21% previously.

Unsurprisingly, the pandemic was still found to be causing considerable disruption, with 60% of SMEs expecting it to have a significant impact until at least the end of September. Despite the ongoing uncertainty, a degree of cautious optimism shone through the survey with respondents predicting average third-quarter revenue growth of 5%, rising to 14% over the next 12 months.

For the latest information on COVID-19 and the measures the government are taking visit the government website.



QUIRKY QUOTE:

"If you think you are too small to make a difference, try sleeping with a mosquito."

— Dalai Lama

FREELANCE PRODUCTIVITY BOOST

New research suggests that employing skilled freelancers typically boosts business performance and also increases opportunities for job creation.

According to a survey of 1,028 UK-based SMEs conducted by Trinity Business School, when freelancers make up at least 11% of a company's workforce, productivity levels typically rise. Specifically, the findings showed that average productivity at such firms was £4,669 higher per employee than those with less than 11% freelancers working for them.

Further analysis of the data also found that when companies used freelancers as an addition to their existing workforce rather than a direct replacement for employees there was a marked improvement in performance at that firm. This finding suggests that, contrary to the conventional view of freelancers taking jobs from others, employing freelancers can actually create more employment opportunities.

The research concludes that companies need to view freelancers as specialists with the skills required to add value to their business, not as low-value workers hired to replace core employees. In other words, to achieve productivity gains, firms need to adopt a freelance-intensive model that allows freelancers to work collaboratively with existing staff in order to unleash expertise not previously available within a business.

NEW WORK PRIORITIES

A recently published report has revealed the key priorities workers would like to see form part of the 'Next Normal' as workplaces emerge into the post-COVID era.

ManpowerGroup, a global recruitment and workforce solutions expert, asked over 8,000 employees, including some based in the UK, their views about the future of work. And the findings – published in a report entitled *The Future for Workers, By Workers: Making the Next Normal Better for All* – suggests employees typically want a more flexible hybrid model that blends working in the office and at home.

The report's main conclusions focus on three essential elements employees want as part of a new working norm. These are: the opportunity to work remotely, although not all the time; the chance to learn and develop new skills; and an ability to balance work and family life for the long term.

Jonas Prising, ManpowerGroup CEO, commented: *"The data shows us how workers around the world are feeling about returning – concerned for their health and employment security, while seeking flexibility which allows them to better balance work and home. Those organisations that prioritise emotional wellbeing and flexibility while demonstrating how they create social impact in challenging times will be best positioned to attract and retain the best talent and ensure workers are confident, healthy and productive."*

OTHER NEWS

NEW FUNDING BOOST

Small businesses in England are being given access to additional government grants of between £1,000 and £5,000 to help them recover from the effects of the COVID-19 pandemic. The grants are fully funded through the European Regional Development Fund and can be used to purchase new technology and equipment as well as professional, legal, financial or other advice. Businesses can apply for funds via local Growth Hubs.

LONGER WORKING HOURS

Research released by NordVPN Teams suggests longer working hours are now standard practice as a result of more people working from home. According to the data, UK employees now work an extra two hours a day, with the daily average up from nine to 11 hours. The pandemic has also changed work schedules, with employees typically logging on around 9am and finishing at 8pm, while lunch breaks have become shorter too.

KEEP CALM AND CARRY ON

A survey conducted by Purbeck Insurance Services found that almost three in ten small businesses continued as usual during the pandemic with no assistance from government. The research also revealed that one in five SME owners have put their home or other personal assets up as security for a business loan, demonstrating the huge financial risk currently being shouldered by business owners.

KICKSTART SCHEME LAUNCHED

On 2 September, Rishi Sunak launched a £2bn government Kickstart Scheme to create work placements for unemployed young people, to create government-subsidised jobs across the UK. Employers can offer people claiming Universal Credit, aged between 16 and 24, a six-month work placement which the government will fund, paying 100% of the age-relevant National Minimum Wage, National Insurance and pension contributions for 25 hours a week, with employers able to top up the wage. The government will pay employers £1,500 to establish support and training for people on a Kickstart placement, help pay for uniforms and other set-up costs.

- Funding is available following a successful application process
- Applications must be for a minimum of 30 job placements
- If you are unable to offer this many job placements, you can partner with other organisations to reach the minimum number.

The Chancellor commented, *"This isn't just about kickstarting our country's economy – it is an opportunity to kickstart the careers of thousands of young people who could otherwise be left behind as a result of the pandemic. The scheme will open the door to a brighter future for a new generation and ensure the UK bounces back stronger as a country."*

The Federation of Small Businesses (FSB) said the Scheme had not been designed with small businesses in mind and appeared *'more aligned to the needs of larger businesses.'*

National Chairman of the FSB, Mike Cherry, commented, *"Without further work, the Scheme will leave many without any employment support after waiting for it for so long. The time it will take to hire these 30 employees across several small firms could take months and result in increased costs for small firms at a time when they need our support the most."*

For guidance and to see if you can apply for the Scheme check here gov.uk/government/collections/kickstart-scheme

COVID IMPACT ON ANNUAL LEAVE

Over recent months, it may not have been possible for employees to take all their holiday entitlement before the end of their leave year. The government introduced new rules on carrying over annual leave into the next two leave years, with the regulation coming into force on 26 March 2020. For more information on this and annual leave guidance for furloughed workers, visit the government website gov.uk/guidance/holiday-entitlement-and-pay-during-coronavirus-covid-19

QUIRKY QUOTE:

"Life's too short to hang out with people who aren't resourceful."

— Jeff Bezos

CHANGES TO THE CORONAVIRUS JOB RETENTION SCHEME

- **The 80% grant paid by the government continued at a cap of £2,500 until the end of August**
- **From 1 September, the government's grant decreased to cover 70% of furloughed employees' wages - a decreased cap of £2,187.50**
- **Further changes will occur in October when the government will cover 60% of furloughed employee wages at a cap of £1,875**
- **Now that government grants have begun to decrease, employers must top this up**
- **Furloughed employees still need to receive 80% of their wages up to £2,500**
- **For example, a 70% grant up to £2,187.50 will attract a 10% top up to a maximum of £312.50**
- **Employers also need to continue paying employee National Insurance and employer pension contributions.**

QUIRKY QUOTE:

"A pack of jackasses led by a lion is superior to a pack of lions led by a jackass."

— George Washington

All details are correct at the time of writing (8 September 2020)

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