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# BUSINESS REVIEW

Spotlight on issues  
affecting business

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JULY 2023

# BUSINESS REVIEW

## BUSINESS CONFIDENCE REBOUNDS IN JUNE

**The latest Lloyds Bank Business Barometer shows confidence among the business community bounced back last month, with a resurgence in sentiment regarding the economy and trading prospects.**

Data from the June survey revealed a headline confidence figure of +37%, a nine-percentage-point uplift from the previous month and the highest level since May 2022. This growth in confidence was primarily driven by significant improvements in both firms' own trading prospects and their optimism regarding the broader economy.

Fieldwork for the survey though was conducted across the first half of the month, before the Bank of England announced its surprise 0.5 percentage-point interest rate hike. The impact of the latest increase in rates will therefore not become evident until this month's survey results are released towards the end of July.

Commenting on the findings, the commercial bank's Senior Economist Hann-Ju Ho said, "It's encouraging to see business confidence rebounding. Trading prospects and optimism have seen a resurgence this month with overall confidence up in all but two of the twelve regions of the UK. However, interest rate rises and cost pressures are still felt by many and we await to see the impact of the latest 50 basis point rise in base rate."

## IoD CALLS FOR FOCUSED INDUSTRIAL STRATEGY

**Research from the Institute of Directors (IoD) has found strong support for the development of a meaningful industrial strategy that defines specific long-term priorities for the UK economy.**

The survey of 1,026 IoD members from a range of business entities across the UK found that almost nine out of ten business leaders believe the government should create an industrial strategy that defines long-term objectives for business in terms of priorities and policies.

Most members, however, did not feel such a strategy should involve targeting specific sectors, companies or 'national champions.' Instead, the main priority should be to focus on reinforcing the UK's capabilities as a centre of excellence for innovation and R&D. In addition, a majority of respondents would like a strong emphasis on the development of skills and infrastructure.

Dr Roger Barker, IoD Director of Policy, said, "Business leaders clearly see the value of a longer-term policy framework which places innovation at its core, and which enables innovations to be commercially exploited. Experience suggests that UK policymakers are ill-suited to 'picking winners', either in terms of companies or sectors. However, they can create a stable policy ecosystem which allows the UK to stand out in terms of its capacity to nurture innovative technologies and business models."

## FURTHER GROWTH IN SMALL BUSINESS SECTOR

**A new survey has found that the UK small business community continues to grow despite the sector facing a particularly challenging economic backdrop.**

Research recently released by Mastercard shows that the total number of medium and large businesses in the UK plateaued during 2022. In contrast, however, the overall number of small firms and micro-businesses increased to 1.4 million last year, a 31,000 rise from the figure recorded 12 months earlier.

Despite this growth, the study found that the country's smallest businesses are the least optimistic about their future. Indeed, just a third of businesses with 10 to 49 employees said they expect their performance to increase in the next 12 months, while less than a quarter with 10 or fewer employees believe their performance is set to improve.

Mastercard's UK&I President, Kelly Devine, described small firms as the country's "economic powerhouse" and said the research shows there is "no shortage of entrepreneurial ambition in the UK." However, she also noted that small businesses face challenging times and that greater government support is required with skills, funding and policy in order for small companies to reach their potential and provide a boost to economic growth.

### QUIRKY QUOTE:

*"There's no better vacation than my boss being on vacation"*

— Unknown

## IMPACT OF AI ON THE BUSINESS ENVIRONMENT

**Recent survey findings suggest artificial intelligence (AI) solutions are set to change the business landscape over the coming year and that their adoption is likely to have a largely positive impact on recruitment.**

According to research commissioned by global expenses app *ExpenseOnDemand*, almost one in five business leaders admit that keeping up with AI and the latest tech will be a key challenge over the next 12 months. The survey also found that accountancy and IT currently top the list of processes being automated, while HR, customer services and cyber security also feature among the top five most popular functions being automated.

Another survey, conducted by IT recruitment firm *Experis*, suggests more than half of all UK employers believe AI technologies will have a positive impact on staff headcount over the next two years. In addition, two-thirds of respondents said AI tools will have a positive impact on engagement, while six in ten feel it will help when onboarding employees.

This suggests many businesses are optimistic about AI and its potential in relation to recruitment. The findings also appear to contradict concerns that the adoption of AI solutions will necessarily have a negative impact on jobs and diminish workers' rights.

## BUSINESSES NEED NET ZERO PATHWAY

**The British Chambers of Commerce (BCC) has said the government needs to be 'a beacon for Net Zero' and establish a 'clear pathway' for business on the issue.**

At last month's Climate Innovation Forum 2023, BCC Director General Shevaun Haviland stressed that a partnership between government and business was vital to meeting the UK's Net Zero commitment and that action must be taken now if UK business is to remain competitive in a global race for investment.

She also said that all major government spending and policy decisions should now be viewed through a green lens to check they help deliver the UK's Net Zero aim. In addition, she stressed that there needs to be a step change in the way we move people and goods, how we heat our buildings and what we produce and consume.

Commenting on the issue ahead of the Forum, the BCC Director General said, *"What we need to see from government is a deeper policy understanding of the issues and how it plans to steer the economy towards Net Zero by 2050. Businesses want greater certainty about the new technologies, systems and services that will form the foundations of Net Zero."*

## OTHER NEWS

### ESG CONSIDERATIONS AID DECISION-MAKING

An IoD survey has found that half of all business leaders believe that taking account of environmental, social and corporate governance (ESG) factors helps them make better decisions for their organisations. When asked which component was most critical, 42% of respondents said all three aspects were of equal importance, while 26% cited 'governance' as the most important element, 17% selected 'environmental' and 9% chose 'social.'

### MINIMUM WAGE BREACHES

The government has named over 200 employers who failed to pay their staff the minimum wage. The companies, which range from major high street brands to small businesses and sole traders, collectively failed to pay their employees almost £5m, with a total of 63,000 workers left out of pocket. The businesses have now paid back the amounts owed to their workers and also been hit with financial penalties.

### RATE HIKE IMPACT ON MORTGAGE HOLDERS

Analysis conducted by the Institute for Fiscal Studies (IFS) has quantified the impact interest rate rises are having on mortgage holders' disposable incomes. IFS estimates show that the average mortgage-holder is now paying around £280 more each month than in March 2022, with some paying substantially more. Indeed, the data suggests almost 1.4 million people will have seen their disposable incomes fall by more than 20%.



## WORK-LIFE BALANCE AN EMPLOYEE PRIORITY

Research commissioned by Zoom has once again highlighted employees' strong desire to maintain a healthy work-life balance with flexible and remote working found to be key priorities for most UK knowledge workers. The findings also suggest that a lack of flexibility could lead to businesses facing higher employee turnover.

These results were taken from Zoom's recent survey of 1,000 UK knowledge workers which sought to gain an insight into employee workplace benefits preferences. It found that 78% of workers value flexible hours and scheduling, while 69% want a flexible work location. These two options proved to be the top ranked non-financial benefits that workers seek from their employers.

Some of the other key findings from the survey were:

- **88% said flexible working makes them happier employees**

- **87% are more likely to want to work for a company that offers remote or flexible work options than one that does not**
- **75% would consider leaving their current role if they had the opportunity to gain flexibility elsewhere**
- **52% view remote and flexible working as a must-have for their roles.**

Commenting on the findings, Zoom's Head of EMEA North Phil Perry said, "With large numbers of workers ready to switch jobs if they aren't offered the flexibility they need, businesses that fail to offer a choice on where and how their teams work could be walking into a trap. At a time when many organisations are under pressure to reduce costs while delivering more, being able to offer benefits like flexible working that require little additional investment is a simple way to keep teams happy and motivated."

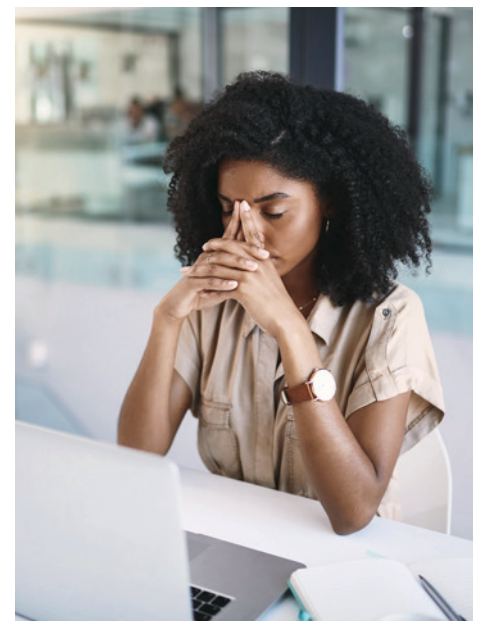
## BIGGEST EMPLOYEE GRIPES

A new study conducted by careers advice specialists *StandOut CV* has revealed UK workers' most common complaints when discussing their current or previous employers.

The findings were based on analysis of over 30,000 Glassdoor employee reviews covering both public and private organisations across the country's 30 largest cities. Perhaps unsurprisingly, feeling underpaid or having a low salary was employees' chief gripe, with bad management the next most common complaint, followed by long hours.

There were, however, significant variations in the type of complaints mentioned across cities, with Sheffield employees the most likely to feel underpaid. In contrast, workers from Edinburgh posted the highest proportion of negative reviews that referenced bad management, while Derby employees complained the most about long hours.

The study also revealed which city has the most complained about employers, with that dubious accolade going to Glasgow. Liverpool's employers received the second highest proportion of negative reviews, with Sheffield in third place.



All details are correct at the time of writing (12 July 2023)

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