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# BUSINESS REVIEW

Spotlight on issues  
affecting business

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JULY 2021

# BUSINESS REVIEW

## Job prospects up; applicants in short supply

**The latest Lloyds Bank Business Barometer shows that employment expectations are now at their highest level in two-and-a-half years, although this is increasingly leading to difficulties in finding staff with the right skills and experience.**

Data from the June survey suggests that business confidence remains at robust levels, with companies increasingly upbeat about trading prospects. In addition, the net balance of firms anticipating higher employment in the year ahead, climbed three percentage points to +17%, the fifth consecutive monthly increase.

While this rising level of optimism clearly bodes well for future growth prospects, the survey did suggest it is resulting in potential staff shortages. Indeed, almost a fifth of businesses said they were experiencing either significant difficulties in recruiting staff or were unable to find people with the appropriate level of skills and experience.

The Confederation of British Industry (CBI) also recently warned that the country now faces a 'perfect storm' of factors causing labour market shortages. These cover a number of issues, ranging from the paradoxical effects of the furlough scheme to EU workers not returning to the UK. The CBI stressed the importance of training in alleviating the situation, but also called on the government to update its shortage occupation lists across a number of roles.

## 'Work from home' edict to end

**The Prime Minister has announced that the government's 'work from home' message is set to end on 19 July, when COVID restrictions across England are due to be lifted.**

Although the change in policy does pave the way for employers to start planning for a return to the workplace, Mr Johnson stopped short of urging people back to the office. As yet, it remains unclear how different companies will respond to the government's new guidance.

A BBC survey of large employers conducted in May, for instance, found almost all of the 50 firms questioned were not planning on bringing staff back to the office full-time. More recently, a number of companies, including Asda and NatWest, confirmed that they will continue to allow some flexibility for office-based employees, while the Bank of England is only asking its staff to return to the office for one day a week from September.

Commenting on the policy change, CIPD Chief Executive Peter Cheese said, "Freedom Day shouldn't signal a mass return to workplaces, but it could signal the start of greater freedom and flexibility in how, when and where people work. It should be down to individual organisations, consulting with their people, to agree working arrangements after the end of restrictions."

## Four-day working week

**The world's largest trial of a four-day working week has been hailed an "overwhelming success", prompting calls for similar research to be carried out in the UK.**

From 2015–2019, Reykjavik City Council and the Iceland national government, ran large-scale trials across a range of workplaces, including preschools, offices, social service providers and hospitals. These involved more than 2,500 workers from various occupations, shifting from a 40-hour week to 35 or 36-hour weeks, without a reduction in pay.

Researchers from UK think tank Autonomy and Iceland's Association for Sustainable Democracy (Alda), have now analysed the results and found that, while the trials were revenue neutral, both productivity and service provision improved or remained the same for the majority of trial workplaces. In addition, worker wellbeing rose dramatically across a range of indicators, from perceived stress and burnout, to health and work-life balance.

Gudmundur Haraldsson, a researcher at Alda, commented, "The Icelandic shorter working week journey tells us that not only is it possible to work less in modern times, but that progressive change is possible too. Our roadmap to a shorter working week in the public sector should be of interest to anyone who wishes to see working hours reduced."

## OTHER NEWS

### RENT MORATORIUM EXTENDED

The government has announced an extension to the moratorium on commercial tenant evictions in England until 25 March 2022. Responding to the announcement, FSB National Chair Mike Cherry said, "We're pleased to see the moratorium will be extended for a meaningful amount of time, allowing more breathing room for small firms to embark on negotiations with their landlords, rather than worrying about it ending up in court."

### INVESTIGATION INTO FAKE REVIEWS

The Competition and Markets Authority (CMA) has opened formal enforcement cases against both Amazon and Google as part of its investigation into fake online reviews. The CMA expressed concern that neither tech platform had done enough to tackle fake reviews on their sites, and is now gathering more information to determine whether they have breached consumer law by taking insufficient action to protect shoppers from such reviews.

### COVID-19 SUPPORT SCHEME FRAUD

A freedom of information request has revealed that HMRC launched almost 13,000 investigations into alleged abuse of the government's coronavirus business support schemes up to the end of March 2021. More than half of these interventions concern the furlough scheme, while a majority of the others relate to the Self-Employment Income Support Scheme. A spokesperson for HMRC said: "We are taking tough action to tackle fraudulent behaviour."

### QUIRKY QUOTE:

*"The brain is a wonderful organ; it starts working the moment you get up in the morning and does not stop until you get into the office"*

— Robert Frost

### COVID impact on small business owners

**A new report published by Simply Business has quantified the impact of the pandemic on both the finances and wellbeing of the small business community.**

Data from 'The impact of COVID-19 on UK small business' report suggests that the total anticipated cost of the pandemic for small businesses will be around £126.6bn. This is nearly double the amount initially estimated in the previous year's report. The data also highlighted significant regional variations, with London, Scotland and the North East among the hardest hit areas.

Research conducted for the report also found that the small business community felt that government support lacked clarity, with many firms feeling excluded. For instance, 81% of small businesses said they had not received enough support from the government, while 24% felt there should have been greater communication and transparency about COVID's impact on small businesses and the self-employed.

The report also highlighted the toll on small business owners' mental health and wellbeing. Overall, 82% said the pandemic is having a negative impact on their mental health, while 19% described their current mental wellbeing as 'bad'. Furthermore, 47% said they were worried about how their mental health will hold up throughout 2021.

### Remote working sparks wellbeing boost

**Research conducted by Bupa found a record number of employees reporting good mental health at work, following pandemic-related changes to working practices introduced over the last year.**

According to data from the health insurer's latest 'Workplace Wellbeing Census' – a survey of over 4,000 UK workers across a range of industries – more than three quarters of employees have experienced good mental wellbeing at work. The past 12 months witnessed a number of wellbeing gains, with changes to the commute, home working and flexible working all key factors that have positively impacted employee wellbeing.

The research found that the opportunity to work from home has been particularly beneficial to working parents, who have appreciated the greater flexibility it affords. Women have also typically responded well to new ways of working, while the pandemic has also helped tackle accessibility issues for employees with disabilities.

After such a challenging year, however, it is perhaps unsurprising that issues for employers remain. For example, cases of bullying rose, with 26% of employees saying they had experienced bullying during the last three years – almost double the level recorded pre-pandemic. Interestingly, the research found that workers over the age of 45 were more likely to have experienced bullying.

# Furlough scheme changes

At the beginning of this month, the government started to remove a number of business support measures. Business rates exemptions and VAT deferrals ended on 1 July, while the Coronavirus Job Retention Scheme (furlough scheme) began winding down on the same day.

The furlough scheme has been widely credited with helping prevent a more pronounced spike in unemployment. The most recent data suggests that around 6% of employees, or 1.5 million people, were on furlough in early June. This is the lowest number since the onset of the pandemic and economists now believe that unemployment will rise more modestly than initially feared when the scheme ends on 30 September.

Phasing out the scheme, though, will clearly have a major cost impact on many employers. Since last March, the government has paid 80% of an employee's wages for hours not worked (up to a maximum contribution of £2,500 per month), with employers only picking up the bill for employer National Insurance contributions (NICs) and pension contributions since last August. This situation changed on 1 July and is set to alter again from 1 August.

	June	July	August	September
<b>Government contribution: wages for hours not worked</b>	80% up to £2,500	70% up to £2,187.50	60% up to £1,875	60% up to £1,875
<b>Employer contribution: employer NICs and pension contributions</b>	Yes	Yes	Yes	Yes
<b>Employer contribution: wages for hours not worked</b>	No	10% up to £312.50	20% up to £625	20% up to £625

According to figures produced by the Institute for Fiscal Studies (IFS), the cost to an employer of keeping a furloughed employee previously earning £20,000 per year rose from £155 per month in June, to £322 in July. It will then rise to £489 per month in August and September.

Commenting on the changes, IFS Senior Research Economist Tom Waters said, "The furlough scheme does need to be wound down as the economy recovers, rather than attempting to keep every job on life support. But this does mean that some will end up unemployed."

## One stop shop for VAT on EU trade

**Three schemes were launched on 1 July to deal with VAT on business-to-consumer supplies of goods and services to EU customers.**

The schemes – 'Union', 'non-Union' and 'import' – have been designed to ease compliance and administration issues for businesses selling to consumers across EU national borders. The schemes facilitate the collection of VAT by one EU member state, which is

then passed on to the member state in which the supply is deemed to have taken place.

Businesses that register for VAT using one of the schemes will be able to declare sales across all EU member states. They will therefore complete just one return for all EU sales, rather than having to register in all member states in which their customers are based.

## QUIRKY QUOTE:

*"Sometimes I spend the whole meeting wondering how they got the big meeting table through the door"*

— Anonymous

All details are correct at the time of writing (8 July 2021)

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