Prismatic Wealth Limited, Prismatic House,
26 Falcon Court, Preston Farm Business Park,
Stockton on Tees, TS18 3TX

Tel: 01642 661600
Email: enquiries@prismaticwealth.co.uk
Web: www.prismaticwealth.co.uk

BUSINESS REVIEW

Spotlight on issues affecting business

OCTOBER 2021

BUSINESS REVIEW

THE END OF FURLOUGH

Chancellor Rishi Sunak has committed to a £500m job support package, although early data does suggest that fears of widespread redundancies following the end of the furlough scheme have not materialised.

The Coronavirus Job Retention Scheme (CJRS) officially wound up at the end of September, with estimates suggesting that around one million workers were still on furlough when the scheme ended. However, Insolvency Service data shows that the number of redundancies proposed by employers in September was close to record lows, with a total of just 13,836 jobs at risk.

While this does suggest that significant numbers of job cuts are now likely to be avoided, the Chancellor did pledge more than £500m at the Conservative Party conference to help people back into work. Details of the package will be confirmed when Mr Sunak delivers his Spending Review on 27 October, but it will include an extension of the Kickstart Scheme as well as help to get older people back into work.

Confederation of British Industry (CBI) Director General, Tony Danker, welcomed the announcement, commenting, *"The Chancellor's emphasis on equipping young people for the world of work, from the Kickstart Scheme to new AI scholarships, as well as helping people retrain for the jobs of the future, is the right approach."*

IoD URGES TAX RISE RETHINK

The Institute of Directors (IoD) has called on the government to reduce its planned level of business tax rises and publish *'workings-out'* of the effect the increases will have on jobs and the economy.

In a submission to the Treasury ahead of this month's Budget, the IoD urged the government to conduct a macroeconomic assessment of the proposed rise in employers' National Insurance, and to commit to taking account of the results, before the end of the transition period to the new Health and Social Care Levy system.

The IoD also pointed out that GDP growth is expected to be upgraded from forecasts produced by the Office for Budget Responsibility at the March Budget, which should see stronger tax receipts. As a result, the need for government borrowing has effectively lessened and thereby provides the Chancellor with *'more room for manoeuvre than previously expected.'*

IoD Chief Economist Kitty Ussher commented, *"When the National Insurance increases were announced, we were surprised about the lack of analysis as to the effects of these decisions. Parliament is being asked to agree legislation with significantly negative economic and business impacts, without having the evidence before them of the extent of that impact."*

GENDER PAY GAP REPORTING

A new study has warned that UK legislation aimed at tackling the gender pay gap *'has no teeth'* and simply focuses on monitoring the problem rather than trying to fix it.

Analysis by the Global Institute for Women's Leadership at King's College London and the Fawcett Society compared gender pay gap reporting in the UK and five other countries: Australia, France, Spain, Sweden and South Africa. The researchers scored each nation's system across 11 indicators, with the UK ranked joint lowest alongside Australia.

The report did commend the UK for the transparency of its reporting system and high levels of compliance, which it said facilitated public and media scrutiny of employers. However, the fact that UK legislation places no mandate on employers to address pay gaps means there is no pressure on organisations to take action.

This position was contrasted with the situation in Spain, South Africa, France and Sweden, where employers are required to follow up on their action plans. One of the report's recommendations states that *'action plans are essential for change'*, while stakeholders interviewed in the UK almost unanimously felt that organisations with pay gaps should be compelled to produce and act on plans with clearly stated goals and timelines.

QUIRKY QUOTE:

"Success is not final; failure is not fatal. It is the courage to continue that counts"

— Winston Churchill

HYBRID WORKING: THERE MAY BE TROUBLE AHEAD

While new research suggests that a growing proportion of executives feel that office life could soon return to normal, other surveys highlight a potential chasm between employers' and employees' vision of future working strategies.

Data from KPMG's latest annual CEO Outlook shows that businesses have begun to backtrack on downsizing office space; while 69% of CEOs said they planned to reduce their office footprint last year, just 21% said the same in 2021. Additionally, just 37% of CEOs now believe their business will have the majority of employees working remotely for two or more days a week.

Research by Gartner, however, highlights a potential disconnect when it comes to management and workforce views on flexible working. While 75% of executives feel that they operate within a culture of flexibility, only 57% of employees agreed. Furthermore, although a similar proportion of executives said their business understands how flexible work patterns support employees, only half of the workforce shared that view.

Not all employees, though, hold the same opinion on remote working. A survey by Hitachi Capital Business Finance, for instance, found that parents with children at home are more eager to return to the workplace than colleagues without children at home. This all suggests that the road to establishing future hybrid working models may be rocky.

BUSINESS LEADERS TO PRIORITISE WELLBEING

Research by Bupa Global suggests that UK firms are set to significantly increase their investment in employee mental health and wellbeing initiatives.

According to data from the second Executive Wellbeing Index, which was released last month, UK business leaders expect to increase their spending on employee mental health and wellbeing by around 18% over the coming year. This was one of the highest rates recorded across the worldwide study.

The research found that employee wellbeing is a key priority for many organisations, with 27% of UK business leaders wanting companies to focus more on employee mental health and 71% confirming that their organisations were already planning to do more to support mental health and wellbeing in some way. The data also suggests this is likely to happen, with 72% of board-level executives confirming that their firm intends to do more.

Commenting on the findings, Bupa Global Managing Director Sheldon Kenton said, *"It's encouraging to see that the UK's business leaders are investing in their employees' wellbeing with concrete spending and initiatives. By focusing on this as well as the environmental agenda and more purpose-driven goals, British businesses will be more credible with employees, customers and investors."*

OTHER NEWS

LABOUR SHORTAGE FEARS

A CBI survey has highlighted ongoing business concerns over labour shortages. Just over three quarters of surveyed businesses saw access to labour as a threat to the UK's labour market competitiveness, the highest proportion since this question was first asked in 2016. CBI Chief Policy Director Matthew Fell commented, *"As the UK's labour market emerged from one crisis, it's been plunged into another, with shortages holding back growth."*

MTD FOR INCOME TAX DELAYED

HMRC has announced that businesses will have an extra year to prepare for the digitalisation of Income Tax. Having listened to stakeholder feedback, the government decided to delay the introduction of Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA) for businesses with annual income of over £10,000 until April 2024, with general partnerships not required to join MTD for ITSA until the following tax year.

START UP LOANS MILESTONE

Lending to small businesses outside London via the government-backed Start Up Loans scheme has now passed the £600m mark. The scheme provides aspiring business owners who might struggle to obtain finance through a commercial bank with loans worth up to £25,000. The recipient of the 600 millionth pound was Will Smith from Northern Ireland, who used the money to launch a bespoke wooden furniture company.

Age of business owners had 'major impact' on pandemic performance

Companies headed by young leaders performed better during the pandemic than those led by older generations, according to a report on SMEs published by insurance firm AXA.

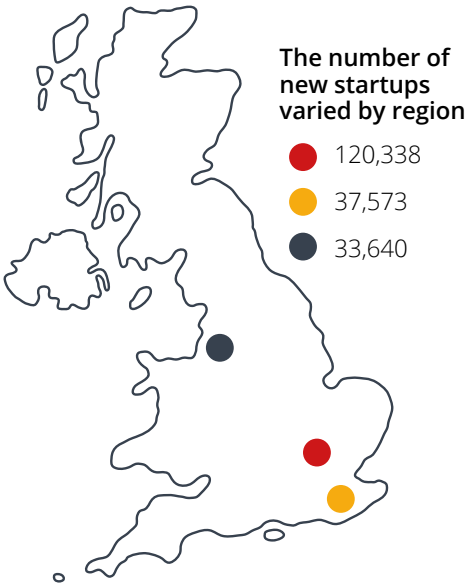
Age of business owner	Average reduction in turnover
18-24	7%
25-34	12%
35-44	15%
45-54	24%
55-64	29%

The results showed that the younger the business owner, the smaller the impact of the pandemic on company revenue, with businesses led by 18 to 24 year-olds seeing just a 7% reduction in turnover during 2020 compared with a 29% decrease for those with 55 to 64 year-olds at the helm.

The report revealed that this generational divide also had an impact on business adaptation and attitudes towards Corporate Social Responsibility (CSR) during the pandemic. According to the results, 46% of SMEs led by under-35s brought out new products and services to meet the needs of lockdown consumers, compared with 40% of companies headed by over-35s. Meanwhile, just 40% of the over-35 generation said that helping those in need became a business focus in 2020, while over half (51%) of under-35s said the same.

CEO of AXA UK and Ireland, Claudio Gienal, said,

"This report finds that younger entrepreneurs have brought out new services and products, have listened to the needs of local clients, and have been much faster to deploy digital solutions"



H2 2021 SAW 80 BUSINESSES FORMED EVERY HOUR

Although 2021 didn't get off to the best start, with a strict lockdown in place for the first three months, the first half of the year saw a surge in startups with almost 80 new businesses created every single hour.

Companies House data analysed by business lender iwoca revealed that over 340,500 UK businesses were registered between January and June 2021 – a 32% increase on the same period in 2019. The sheer number of business startups suggests that the pandemic has led UK workers to reassess their career priorities, and that a significant number of employees supported through the furlough scheme have decided to start their own business rather than returning to their job.

iwoca co-founder and CEO, Christoph Rieche, commented, *"It is fantastic to see the creation of so many businesses during the first half of this year, they are testament to the entrepreneurial spirit which characterises our vibrant economy."*

The number of new startups varied by region, with London taking the top spot for businesses registered (120,338), followed by the South East (37,573) and the North West (33,640).

All details are correct at the time of writing (11 October 2021)