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BUSINESS REVIEW

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affecting business

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BUSINESS

REVIEW

BANK ISSUES ECONOMIC WARNING

Earlier this month, the Bank of England sanctioned a further rise in its benchmark interest rate and warned the UK economy is now facing a "very sharp slowdown."

Rates were increased by a quarter of a percentage point to 1% as the Bank attempts to stem the rapid rise in prices. However, Governor Andrew Bailey admitted the Bank is in a "very difficult position" as it grapples to balance inflation concerns with "a material deterioration in the outlook" for growth.

While business groups acknowledged the need to tackle soaring inflation, they also said the rate hike and deteriorating economic outlook would cause alarm among households and businesses. They called on the Chancellor to loosen fiscal policy in order to ease the crippling cost pressures being felt by both consumers and businesses.

Responding to the interest rate decision, CBI Lead Economist Alpesh Paleja said, "Another rise is warranted, given the persistence of high inflation. However, the Monetary Policy Committee are walking an increasingly fine line. Further action to curb price pressures needs to be weighed against the increasing need to protect growth, particularly in light of a historic cost-of-living crunch. Government needs to take further action to shore up the broader resilience of the UK economy."

SURVEY PAINTS MIXED PICTURE

A Federation of Small Businesses (FSB) survey suggests most small firms are currently operating below capacity amid a cost-of-doing-business crisis.

The FSB said its latest Small Business Index painted a mixed picture across industries. The headline confidence reading stood at +15.3, meaning more firms expect an improvement in performance than the opposite. The headline rate though masks an uneven distribution by sector, with confidence among accommodation and food, and information and communication firms much stronger than manufacturing, wholesale and retail businesses.

In addition, a record 87% of respondents reported higher operating costs compared to this time last year, with the shares citing fuel, utilities and taxation as contributors to that increase each at all-time highs. The survey also found that 55% of business owners feel they are operating below capacity.

FSB National Chair Martin McTague said, "It's encouraging to see small business confidence back in positive territory, though the picture across sectors is distinctly mixed. The small business community shrank in size to the tune of hundreds of thousands over the pandemic. This needs to be the summer where we start to reverse that trend – policymakers should be doing all they can to facilitate and encourage start-ups and side hustles."

SME LENDING BOUNCING BACK

Data from the latest iwoca SME Expert Index shows demand for unsecured finance is now returning to pre-pandemic levels, although it also highlights how small firms are 'feeling the pinch' of inflation.

The index, which is based on the insight of UK brokers who collectively submitted over 3,300 SME loan applications in March, revealed that three out of ten brokers feel the small business lending market is back at levels witnessed before the COVID outbreak. In addition, a similar proportion believe the market will return to that level within six months, while just one in ten expect it to take over 12 months to bounce back.

There was, however, evidence of loans increasingly being used to cope with rising business costs. While growth aspirations remained the main reason for loan applications, an increasing proportion of firms were seeking finance to 'manage day-to-day cash flow' with more than three in ten brokers identifying this as the key motivator.

Commenting on the survey's findings, an iwoca spokesperson said it was "reassuring to see the lending market returning to pre-pandemic levels of activity." However, he also noted that "the inflation crisis is taking its toll on small businesses who are feeling the pinch."

OTHER NEWS

QUIRKY QUOTE:

"I owe my success to having listened respectfully to the very best advice, and then going away and doing the exact opposite"

— G.K. Chesterton

EMPLOYERS BATTLING FOR TALENT

Recruitment group Hays expects wages for skilled workers to rise at the fastest rate since the financial crisis as the 'Great Resignation' stokes up the strongest jobs market in over a decade.

Speaking following last month's update on the group's financial performance, Hays' Finance Director Paul Venables, said that a surge in the number of people in jobs but looking for new roles had created an unprecedented battle for talent and a sharp rise in salaries for higher earners.

Mr Venables revealed that some workers switching jobs for promotion are now securing wage increases of close to 20%, with highly sought after technology specialists able to boost their earnings by around a quarter. The Finance Director said there was a shortage of skills worldwide and described the jobs market as *"absolutely the strongest"* he had seen during his tenure with the recruitment firm.

"It's the hottest permanent recruitment market in my 16 years with Hays and the highest wage inflation I've seen," Mr Venables said. He added, *"Most companies know that the level of increase in wages this year will be the highest certainly since... pre-Lehmans. For a skilled white-collar profession, we're in a very hot market."*

EMPLOYEES DRIVING ESG GOALS

Research undertaken by consulting firm Mercer suggests employee activism is likely to be the key to unlocking an organisation's environmental, social and governance (ESG) goals.

The study of HR Directors found that a large number of UK businesses are embracing the opportunity to integrate sustainability into their corporate activities, with this desire being influenced by the interests of various stakeholder groups. Perhaps unsurprisingly, customers were found to be the main influencer, with 93% of HR Directors saying this was the case.

However, 86% of HR Directors felt staff had an influential role to play within this area. In comparison, just 77% said shareholders were a significant influence over corporate ESG activities and only 64% felt politics was a key driver of investment in this area.

Survey data released in Aviva's latest *How We Live* report also suggests employees are keen to work for organisations that display a strong commitment to sustainability. Indeed, almost six in ten UK workers said they would consider changing their current role for a 'greener' career. Additionally, more than one in seven employees would actually be prepared to take a wage cut to work for a company with strong environmental credentials.

HEALTH INACTION COSTING BILLIONS

New analysis published by the IPPR think tank claims that government inaction to improve the nation's health could cost the UK economy around £8bn this year. The authors estimate that more than a million people are now missing from the workforce compared to the pre-pandemic trend, with 400,000 of these no longer working due to pandemic-related health factors such as long COVID.

REMOTE WORKERS NEED TO 'SMARTEN UP'

A survey conducted by Offices.co.uk has found that over half of UK bosses believe their employees should dress more smartly when working from home. In addition, nearly half said they were thinking about introducing a formal dress code for remote staff; the vast majority of employees, however, were found to be against the introduction of a formal dress code for home workers.

'BANTER' TRIBUNAL CASES RISING

Research by employment law firm GQ|Littler shows 'banter' is increasingly being used as a justification for alleged discrimination and harassment in employment tribunals. In total, the number of tribunals where one party claimed their comments were 'banter' rose from 67 in 2020 to 97 last year, a 45% increase. The law firm's spokesperson acknowledged the importance of humour in the workplace but warned people to be wary of making jokes that stray into *"offensive territory."*

WORKING FROM HOME BOOSTS PRODUCTIVITY



Research recently published by the Chartered Institute of Personnel and Development (CIPD) shows a growing number of employers are reporting productivity gains as they embrace home and hybrid working.

This finding was based on the results of a survey of over 1,000 employers which sought to assess the implications, challenges and benefits of hybrid and flexible working arrangements. The study reported a notable jump in the proportion of employers saying an increase in homeworking has boosted their organisation's productivity.

Based on the study's findings, CIPD has offered a number of suggestions on how employers can successfully implement flexible and hybrid working practices:

- Allow workers to request flexible working from day one of employment
- Raise awareness of different forms of flexible working

- Consult with employees when designing flexible/hybrid working practices
- Assess risks based on equality and inclusion
- Provide support and training for managers
- Focus on outcomes, rather than being 'present' in the office
- Invest in appropriate technology
- Maintain a strong focus on employee health and wellbeing
- Implement plans to avoid overworking and burnout.

Commenting on the research, CIPD Senior Policy Adviser Claire McCartney said, "Everyone should have the chance to benefit from more choice about when, where and how they work. This can lead to increased wellbeing and engagement, and enhanced performance, all of which can lead to the productivity gains many employers are reporting."

More workers seek counselling

Analysis by Zurich's Corporate Risk team has revealed a sharp rise in the number of employees tapping into the health and wellbeing benefits offered by their employer.

Specifically, the company reported a 50% annual increase in the number of calls to its Employee Assistance Programme in the last 12 months. Anxiety was the top reason for employees to seek help, although relationship difficulties, job stress and bereavement were also found to be key triggers.

Other survey evidence suggests the cost-of-living crisis is placing extra pressure on a significant minority of the UK workforce – a recent Mintago survey of 1,212 full-time employees found almost a quarter of workers feel concerns over their financial situation is having a negative impact on their job performance.

UK leads the way on wellbeing

A recent survey suggests employers across the UK are performing better than their global counterparts when it comes to implementing wellbeing policies.

The research, conducted by Top Employers Institute, shows that certified Top Employers in the UK outperformed similar companies from the rest of the world across a number of measures. For instance, 80% of UK Top Employers utilise wellbeing champions to drive initiatives, compared to just 59% from the rest of the world; and 86% allow for flexibility in work schedules to make childcare easier, as opposed to 67% of employers across other countries.

QUIRKY QUOTE:

"Play by the rules, but be ferocious"

— Phil Knight

All details are correct at the time of writing (12 May 2022)

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