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***Evidence from the Federation of Small Businesses to the Economic
Development Committee - Appendix 1***



Lifting the Barriers to Growth in UK Small Businesses

Wales Report

Report to the Federation of Small Businesses

2002

Lifting the Barriers to Growth in UK Small Businesses: Wales Report

Report to the Federation of Small Businesses

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EXECUTIVE SUMMARY

Background to the Survey

- ● ● This survey, which follows and builds upon the Federation of Small Businesses 2000 survey *Barriers to Growth and Survival*, is one of the largest non-governmental surveys of the small business sector undertaken in the UK.
- ● ● 18,561 responses were received from FSB members across the UK; 737 responses were received from Wales.

Profile of the Businesses

- ● ● The largest sector to respond from Wales was the 'Retail, Repairs and Wholesale' sector (26%), followed by 'Manufacturing' (10%, down from 13% in 2000) and 'Hotels, Restaurants, Pubs' (10%). Wales had the lowest proportion of 'Business Services' and 'Other Services' firms.
- ● ● Wales contained the fewest number of firms established in the last three years. By contrast, Wales had a higher than average number of businesses that are older than 11 years.
- ● ● The largest group by legal status operated as sole traders (37%), consistent with the UK average. This number had decreased from 41% in the FSB survey of 2000. Eighty percent of respondents in Wales are VAT registered.

Characteristics of Business Owners

- ● ● Since 2000 there has been a 3% increase in the share of business owners who are under the age of 45, while there has been a 5% drop in business owners who are 45 and older.
- ● ● Men wholly own 44% of businesses that responded, compared with 7% of businesses that are wholly owned by women. Forty-five percent of businesses are of mixed gender ownership. Nearly half of the respondents said that their spouse were involved in the business. Respondents in the 'Hotels/Restaurants/Pubs' sector were among those likeliest to involve their spouse. Businesses where spouses are involved are most likely to be in the lowest turnover bracket of less than £50,000.
- ● ● The vast majority of respondents in Wales started their businesses from scratch, with the next largest group (17%) having bought their businesses as a going concern. Four out of 5 respondents said that their businesses were their only source of income; a lower proportion than the 2000 survey.

Business Growth Objectives

- ● ● Sixty-four percent of business respondents wanted their businesses to grow. Of these over 11% wanted substantial growth. Twenty-seven per cent of businesses managed to maintain their sales at the same level as last year while 48% reported that their sales had gone up or gone up considerably.

- ● ● Twenty-five per cent of respondents reported that they had overseas customers. One in five of these traded or had customers in the European Union. Respondents from Wales reported higher than average levels of overseas customers from North America and Australia/New Zealand.
- ● ● Fewer businesses in Wales were satisfied with the number of their customers than the UK average. Only 7% and 5% reported satisfaction in regard to access to overseas and information on new overseas markets.
- ● ● The majority of businesses believed that the best method of securing growth was by increasing turnover. This was followed by a concentration on increasing their profit. One third of respondents said that they would improve marketing, while a quarter said that they would increase the number of employees.
- ● ● Government Funded Business Support Services were considered more important in Wales than in the majority of other regions/nations of the UK. Younger respondents considered Public Services and Government Funded Business Support Services more important than older age groups.

Finance and Banking

- ● ● The percentage of businesses in Wales that have a level of turnover less than £50,000 has decreased from 22% in the 2000 survey to 19%. At the other end of the percentage scale, businesses that have turnovers of between £500,001 to £1 million had increased from 11% to 13%, rising above the UK average. Wales was among the regions with the lowest proportions of businesses with turnovers in the upper categories of between £1 million and £5 million and above.
- ● ● Sixty per cent of businesses in Wales use their bank overdraft facilities as the main source of finance to sustain and grow their businesses, while 18% relied on their credit cards. High levels of dissatisfaction were expressed in relation to most Finance and Banking issues, in particular those regarding charges and costs. The levels of dissatisfaction in Wales were often higher than the UK average.
- ● ● One in four businesses, believed that they had benefited from more IT and telephone banking, although businesses in Wales are less likely than those in other regions of the UK to regard these developments as being positive.

Employment, Skills and Training

- ● ● Fifty-nine per cent of businesses in Wales employ one to four full-time employees, 48% employ one to four part-time employees and 68% employ one to four casual employees. Wales has by far the highest levels of casual employees of any region/nation.
- ● ● A quarter of respondents had increased their labour force over the last year compared to 15% who had reduced their number of employees. Attitude and character of employees were judged to be most important attributes. Experience was considered important by 63% while University Degrees were only considered important by 8% of respondents. The majority of businesses were dissatisfied with the availability of suitable labour. Only 22% thought that available training was adequate to business needs.

- ● ● Nearly 40% of respondents had not participated in any training over the last year. On-the-job training was the most popular form, followed by export training. Time constraint was the most common reason given by businesses to explain why they had not participated in training over the last year. Other businesses said that further training amongst their labour force was not required.

Business Advice and Services

- ● ● Accountancy advice is the most sought after advice and the vast majority of businesses had approached independent and professional institutions during the last year including their own accountants and solicitors. Business Connect was the second most popular service in Wales and had been contacted by a higher proportion of respondents when compared with the equivalent service elsewhere in the UK.
- ● ● Ten per cent of respondents in Wales said that they had not received the advice or information they required which is a higher proportion than the UK average. Respondents from Wales expressed the highest levels of dissatisfaction of all the areas in the UK across five of the eight items relating to Government Funded Business Support Services. These were: usefulness of business advice, quality of business advisors, advisor's understanding of their businesses, loan funding, and relevance of their services.
- ● ● In regard to local services the highest level of satisfaction was in relation to the availability of Suitable Private Premises (13%) and on the cost of premises (12%). The greatest levels of dissatisfaction were expressed in regard to the level of Business Rates at 59% followed by support offered to small businesses at 55%.
- ● ● Greater levels of satisfaction were expressed in regard to advice on Environmental Health (19%) followed by satisfaction on Trading Standards advice (19%). High dissatisfaction rates were expressed in regard to advice on Business Rates (47%), Finances for Businesses (32%) and Crime Prevention (31%).

Transport and Legislation

- ● ● Levels of dissatisfaction with transport issues had decreased since the FSB 2000 survey. However, there had not necessarily been a commensurate increase in satisfaction levels. Dissatisfaction with fuel costs had dropped from 95% to 74% while dissatisfaction with passenger transport, road networks and road tax had also decreased but still remained at very high levels of 32%, 33% and 57%.
- ● ● The survey found that the negative effects of new and changed legislation outweighed the positive effects. In Wales, Employment Legislation was the least popular followed by Business Taxation (IR35), while Business Taxation (IR35) was the least popular item across the UK as a whole. There was a direct correlation between the age of businesses and turnover and attitudes towards legislation changes. Generally, negative responses increased as the age and the turnover of businesses increased.
- ● ● The environmental legislation that affected most businesses was the 'Special Waste Regulations', followed by the 'Environmental Protection Act (duty and Care)' with 24% and 'Waste Management Licensing Regulations' with 23%. The 'Contaminated Land Regime' had affected only 6%. Forty-seven per cent of respondents claimed that they did not know whether they paid the Climate Change Levy. Of those who did pay the levy, 18% said that their net cost had increased.

The Use of Technology in Small Businesses

- ● ● Eighty-three per cent of the businesses in Wales use computers: however, Wales has the highest proportion of non-users (18%) of any UK area. Over half of respondents were connected to the internet through a modem, while 13% were connected by means of ISDN. Only 2% were connected via broadband, which was below the UK average of 4% and considerably below the London area, which has an uptake of 11%.
- ● ● More respondents were satisfied with their 'Understanding new technology' than those who were dissatisfied. However, compared to the UK average, more businesses in Wales were dissatisfied and fewer were satisfied. Only 4% of businesses regularly use the internet to review 'Business opportunities or bid for work' with only 8% regularly using on-line services for 'E-commerce transactions'.
- ● ● The greatest constraint for business to use technology is the initial and upgrade costs of hardware and software (9% and 11% respectively). Sixteen per cent of respondents in Wales said that the 'Lack of broadband connections' was either fairly or very constraining to their business use of technology, which was higher than the UK average.

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INTRODUCTION

In November 2001 the Federation of Small Businesses commissioned its second major survey which was conducted by distributing an 8-page questionnaire to all of its members in the UK. Fourteen per cent of the total membership responded, a total of 18,561 responses. This was a higher response rate than was anticipated and builds on the previous FSB study *Barriers to Survival and Growth in UK Small Firms* published in October 2000. A total of 737 members from Wales responded to the new survey.

This report summarises the results of the survey for Wales. The data is presented in tabular form, followed by a short interpretation. The results for Wales were often consistent with those from other areas of the UK, however, divergences did occasionally appear which indicated different priorities.

It is universally recognised that the small business sector is of major importance to economic development and wealth creation aspirations of Wales. We hope that the data presented in this report will highlight the main issues and concerns of the small business sector and that they will be represented in future policies at all levels of governance.

PROFILE OF THE BUSINESSES

This section presents data concerning the profile of the businesses that responded to the survey. The analysis covers issues such as whether the businesses responded to the last survey, their business sector, age of the business, legal form of the business and whether the business is VAT registered.

Area of Responses

TABLE 1 PERCENTAGE RECEIVING THE FSB BARRIERS TO GROWTH QUESTIONNAIRE

Did you receive the FSB Barriers to growth questionnaire last year?

	Count	%
<i>Not answered</i>	134	18.2
<i>Not received</i>	305	41.4
<i>Received but not completed</i>	136	18.5
<i>Received and completed</i>	162	22.0
Total	737	100.0

Over one in five respondents had also responded to the previous survey carried out by the Federation of Small Businesses in 2000, which provides a degree of continuity in the results. Six in ten respondents however had not completed the previous survey, providing useful new data and analysis on the state of the small business sector in Wales.

TABLE 2 AREA OF RESPONSES

In which area is your business based?

	Count	%
<i>Wales</i>	737	100.0
Total	737	100.0

In all, 737 businesses from Wales responded to the eight-page survey questionnaire that was sent out to all FSB members in November 2001. Across the UK 18,561 members responded, a response rate of 14%, which was higher than was anticipated.

Industrial Sector

TABLE 3 INDUSTRIAL SECTOR OF BUSINESS

In which sector of industry is your main business?

	Count	%
<i>Not answered</i>	13	1.8
<i>Agriculture</i>	25	3.4
<i>Manufacturing</i>	75	10.2
<i>Energy & Water</i>	6	.8
<i>Construction</i>	63	8.5
<i>Retail/ Repairs/ Wholesale</i>	191	25.9
<i>Hotels/ Restaurants/ Pubs</i>	72	9.8
<i>Technology</i>	28	3.8
<i>Transport</i>	34	4.6
<i>Financial Services</i>	18	2.4
<i>Business Services</i>	49	6.6
<i>Other Services</i>	54	7.3
<i>Education</i>	4	.5
<i>Health/ Social Work</i>	20	2.7
<i>Other</i>	85	11.5
Total	737	100.0

The 'Retail/Repairs/Wholesale' sector was particularly well represented in Wales compared to other regions of the UK. The 'Hotels/Restaurants/Pubs' sector was also well represented. Wales had fewer businesses in 'Technology' and 'Financial Services', while Wales had the lowest proportion of 'Business Services' and 'Other Services' firms.

Age of Business

TABLE 4 LENGTH OF BUSINESS OWNERSHIP

How many years have you owned your present business?

	Count	%
<i>Not answered</i>	5	.7
<i>0-3</i>	121	16.4
<i>4-5</i>	104	14.1
<i>6-10</i>	154	20.9
<i>11-20</i>	178	24.2
<i>21-30</i>	113	15.3
<i>31+</i>	62	8.4
Total	737	100.0

Wales contained the fewest number of firms that had been established in the last three years. By contrast Wales had a higher than average number of businesses that are older than 11 years. The data that was collected demonstrated that such sectors as 'Hotels/Pubs/Restaurants', 'Technology', 'Financial Services', 'Education' and 'Business Services' were more likely to have been started in the last three years, while 'Retail/Repairs/Wholesale', 'Manufacturing' and 'Construction' sectors tended to show greater maturity.

Legal Status of Business

TABLE 5 LEGAL FORM OF BUSINESS

	Count	%
<i>Not answered</i>	5	.7
<i>Company</i>	211	28.6
<i>Franchised Operation</i>	8	1.1
<i>Limited Liability Partnership</i>	3	.4
<i>Partnership</i>	235	31.9
<i>Sole Trader</i>	275	37.3
Total	737	100.0

The largest group by legal status operated as sole traders (37%), which is consistent with the UK average. This number had decreased from 41% in the FSB survey of 2000. There are higher number than average of

partnerships (32%) in Wales, although this sector has also decreased in the last couple of years. By contrast, limited companies have increased in proportion to 28.6% of the sample but this is still behind the UK average of 35%.

VAT Registration

TABLE 6 VAT REGISTRATION

Is your business registered for VAT?

	Count	%
<i>Not answered</i>	7	.9
<i>Yes</i>	587	79.6
<i>No</i>	129	17.5
<i>Exempt</i>	14	1.9
Total	737	100.0

The figures showing VAT registration had not changed since 2000 and was consistent with the UK average. Two percent of respondents were exempt from VAT.

CHARACTERISTICS OF THE BUSINESS OWNERS

This section presents details of the business owners who responded to the questionnaire. The analysis covers the age of owners, the gender of owners, whether the business and management is shared, and whether the business owners have other sources of income.

Age of Respondent

TABLE 7 AGE OF BUSINESS OWNER

	Count	%
<i>Not answered</i>	11	1.5
<i>Under 21</i>	8	1.1
<i>22 to 34</i>	49	6.6
<i>35 to 44</i>	180	24.4
<i>45 to 54</i>	266	36.1
<i>55 to 64</i>	183	24.8
<i>65 or older</i>	40	5.4
Total	737	100.0

Compared with the FSB survey conducted in 2000, there was an increase in the share of business owners that are under the age of 45, while there has been a drop in business owners who are 45 and older. The figures for Wales match the UK pattern that shows two out of three business owners being 45 years or older.

Gender of Ownership

TABLE 8 GENDER OF BUSINESS OWNERSHIP

	Count	%
<i>Not answered</i>	31	4.2
<i>Wholly male</i>	325	44.1
<i>Wholly female</i>	52	7.1
<i>Of mixed gender</i>	329	44.6
Total	737	100.0

Compared with the 44% of businesses that are wholly owned by men, the figure of 7% of businesses that are wholly owned by women may appear surprising. However these figures are consistent with recent

government analysis. With 45% of business ownership being of mixed gender (a category not included in the 2000 survey) it is clear that that women did have a stake in the majority of businesses. Businesses wholly owned by women were more apparent among the 22–34 age range and in new firms. Wales has the lowest UK average of businesses owned wholly by women and the highest UK average of businesses owned by mixed gender.

Family Involvement

TABLE 9 FAMILY INVOLVEMENT IN BUSINESS OWNERSHIP AND MANAGEMENT

Do any of these individuals share in the ownership and management of your business?

	Count	Column %
<i>Spouse</i>	343	46.5
<i>Children</i>	38	5.2
<i>Parents</i>	23	3.1
<i>Brother/Sister</i>	85	11.5
<i>Other Relatives</i>	27	3.7
<i>No share</i>	303	41.1
Total	737	100.0

The table shows the extent of family involvement in the ownership and management of small businesses. Nearly half stated that their spouse was involved, while 12% stated that their siblings were involved. Only 5% had their children involved and only 3% involved parents. 'Hotels/Restaurants/Pubs' were amongst the sectors that were likeliest to involve a spouse. Businesses where spouses are involved are most likely to be in the lowest turnover bracket of less than £50,000.

Business Entry

TABLE 10 BUSINESS ENTRY

	Count	%
<i>Not answered</i>	2	.3
<i>Started from scratch</i>	532	72.2
<i>Bought going concern</i>	127	17.2
<i>Inherited</i>	48	6.5
<i>Management buy out</i>	16	2.2
<i>Franchising</i>	12	1.6
Total	737	100.0

The vast majority of respondents in Wales had started their businesses from scratch, with the next largest group (17%) having bought their businesses as a going concern. Business entry into sectors such as 'Business Service', 'Energy & Water', and 'Construction' were most likely to be established from scratch with the 'Hotels/Restaurants/Pubs' sector most likely to have been bought as a going concern.

Additional Business Activities and Income

TABLE 11 CURRENT BUSINESS SITUATION

Which of the following best describes your current situation?

	Count	Column %
<i>This business is my only/ main source of income</i>	571	77.5
<i>I own more than one business</i>	74	10.0
<i>I am self-employed in another capacity</i>	33	4.5
<i>I have other part-time employment</i>	25	3.4
<i>I have other full-time employment</i>	11	1.5
<i>I have other income from grants/ shares/ pension</i>	79	10.7
<i>I have other income from social security/ family credit</i>	14	1.9
<i>None ticked</i>	21	2.8
Total	737	100.0

Nearly four out of five people said that their business was their only source of income, slightly smaller than the proportion in the 2000 survey. Fourteen per cent stated that they either owned more than one business or were self-employed in another capacity. Respondents in the oldest age group (over 65) were the least likely to state that their businesses were their only source of income and the most likely to be receiving additional income from grants/shares/pension and social security and family credit. This group was also the most likely to state that they had other full-time employment.

SMALL BUSINESS GROWTH

The section outlines the experiences and growth objectives of businesses in the recent past and near future, how they intended to achieve their objectives, whether they traded and had customers outside the UK, and how different aspects affected their businesses.

Growth Objectives

TABLE 12 FIVE YEAR BUSINESS OBJECTIVE

What is your objective for the next five years?

	Count	%
<i>Not answered</i>	11	1.5
<i>Become smaller</i>	15	2.0
<i>Stay same size</i>	117	15.9
<i>Grow moderately</i>	392	53.2
<i>Grow substantially</i>	83	11.3
<i>Sell the business</i>	92	12.5
<i>Succession/ hand on the business</i>	27	3.7
Total	737	100.0

Fifty-three per cent said that they wanted to see their businesses grow moderately during the next five years, an increase from 51% in the 2000 survey. However, the most ambitious businesses, which were planning substantial growth, had worryingly decreased from 15% to 11% in two years. Substantial growth was an objective for more firms in the 'Energy & Water' and 'Financial Services' sectors. The most ambitious age group was also the youngest (under 21) with ambition decreasing in inverse proportion to the age of owners. All in all, nearly two thirds of businesses had growth objectives. Sixteen per cent of respondents either wanted to sell their business or manage the succession. Many of these came from the 'Hotels/Restaurants/Pubs' sector.

Trends in Sales Volumes

TABLE 13 TRENDS IN SALES VOLUME

Over the last financial year has your sales volume...

	Count	%
<i>Not answered</i>	15	2.0
<i>Gone down considerably</i>	48	6.5
<i>Gone down</i>	123	16.7
<i>Stayed the same</i>	197	26.7
<i>Gone up</i>	285	38.7
<i>Gone up considerably</i>	69	9.4
Total	737	100.0

With 24% reporting that sales were down or down considerably over the last financial year, more businesses in Wales reported a drop in sales compared with the rest of the UK and were the least likely to report an increase in sales. However, following a difficult year, it is encouraging to note that 27% of businesses managed to maintain their sales at the same level, while 48% reported that their sales had gone up or gone up considerably. For the UK as a whole, 39% of 'Agriculture' based respondents reported a decrease in sales, a much higher proportion than for any other sector and demonstrates the hardship caused by the foot and mouth outbreak.

Overseas Trade

TABLE 14 OVERSEAS TRADE

Are any of your customers from outside the UK?

	Count	Column %
<i>None</i>	446	60.5
<i>EU</i>	155	21.0
<i>Non-EU Europe</i>	53	7.2
<i>N America</i>	95	12.9
<i>Central & S America</i>	31	4.2
<i>Asia</i>	44	6.0
<i>Australia/ NZ</i>	63	8.5
<i>Africa</i>	33	4.5
<i>Nothing ticked</i>	107	14.5
Total	737	100.0

It is interesting to note that over 25% of respondents reported that they had overseas customers. Of the different global regions one in five of these businesses traded or had customers in the European Union. North America was the second largest partner region, with Australia/New Zealand and the new Markets of Eastern Europe following with 8.5% and 7% respectively. 'Energy & Water', 'Technology', 'Education' and 'Health' businesses did well in the export sector. Manufacturing reported higher than average overseas customers from EU and Non-EU Europe, while 'Energy & Water' businesses traded with developing regions of Asia, Africa and Central & South America. Respondents from Wales reported higher than average levels of overseas customers from North America and Australia/New Zealand.

Market Information and Access

TABLE 15

SATISFACTION WITH MARKET INFORMATION AND ACCESS

Please rate how satisfied you are with the following aspects of YOUR BUSINESS

	No reply	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%
<i>Number of customers</i>	8	4	31	20	31	6
<i>Access to new UK markets</i>	16	3	16	49	14	1
<i>Access to overseas markets</i>	22	4	7	60	6	1
<i>Access to new overseas markets</i>	23	4	7	61	4	1
<i>Access to market information</i>	17	2	15	47	18	1

In total 35% of businesses in Wales said that they were dissatisfied or very dissatisfied with the number of customers, compared with 37% that were satisfied or very satisfied. This was marginally lower than the UK average of 40% satisfaction. Fifteen per cent stated that they were satisfied with access to new UK markets (again three percentage points lower than the UK figure), while only 7% and 5% reported satisfaction with access to overseas and new overseas markets. It is notable that over 60% said that they were neutral on these two questions, which may indicate apathy or a lack of overseas market information. Nineteen per cent said that they were dissatisfied with access to market information. It seemed that access to markets stopped being a problem once businesses broke through the exporting barrier.

Achieving Growth Objectives

TABLE 16 MECHANISMS FOR GROWTH

How will you achieve this (your business objective for the next five years)?

	Count	Column %
<i>Increase turnover</i>	467	63.4
<i>Increase profit</i>	364	49.4
<i>More employees</i>	182	24.7
<i>Move to new premises</i>	73	9.9
<i>Purchase new equipment</i>	133	18.0
<i>Decrease turnover</i>	19	2.6
<i>Decrease profit</i>	13	1.8
<i>Fewer employees</i>	29	3.9
<i>Upgrade premises</i>	118	16.0
<i>Increase R&D spending</i>	28	3.8
<i>Buying out/ Merging/ Collaborating with other businesses</i>	40	5.4
<i>Start exporting</i>	15	2.0
<i>Increase exports/ Sell in more areas</i>	37	5.0
<i>New Ventures/ New Products</i>	149	20.2
<i>Improved marketing</i>	251	34.1
<i>Nothing ticked</i>	115	15.6
Total	737	100.0

The majority of businesses believed that the best method of securing growth was by increasing turnover. This was followed by businesses that would concentrate on increasing their profit to achieve growth. Over one third of respondents would achieve growth by improving marketing, while nearly one quarter said that they would increase the number of employees. Twenty per cent of respondents would concentrate on new ventures and new products, 18% would purchase new equipment, 16% would upgrade their premises, while 10% would seek to move to new premises. Only 4% stated that they would increase Research and Development spending to achieve their objectives. Two per cent said that they would start exporting while only 5% aimed to increase exports.

Factors Contributing to Business Survival and Growth

TABLE 17 FACTORS IMPORTANT TO BUSINESS SURVIVAL AND GROWTH

Please state how important the following issues are to the future survival and growth of your business

	No reply	 Unimportant				Important	
	%	%	%	%	%	%	%	
<i>Government funded business support</i>	11	27	10	18	15	19		
<i>Public services</i>	13	19	13	25	18	12		
<i>Finance and banking</i>	11	7	6	21	32	23		
<i>Education and training</i>	13	11	9	29	24	15		
<i>Ability to employ staff</i>	11	9	7	19	30	24		
<i>Transport</i>	12	11	10	22	25	20		
<i>Legislation</i>	12	9	9	25	23	22		
<i>Your business' capabilities</i>	11	3	1	12	32	42		
<i>Business advice</i>	11	6	9	27	30	16		
<i>EU funding & funded programmes</i>	14	27	10	21	14	15		

Government funded business support was considered more important in Wales than in the majority of other regions/nations of the UK. Respondents in 'Agriculture', 'Education' and 'Health & Social Work' sectors cited support services as being more important. Similarly, Public Services were also considered to be more important among respondents from Wales. Younger respondents considered public services and Government Funded Business Support Services more important than older age groups. The importance of finance and banking, education and training, transport and legislation issues on businesses in Wales were more or less in line with the UK average. However, Welsh businesses were least the likely of all the areas to cite the importance of their own business capabilities. Wales came second only to Northern Ireland in regarding EU funding & funded programs as being important which demonstrates the continuing hope for the success of European Structural Funds. EU funds and programmes were considered to be more important by respondents in 'Agriculture' and 'Education'.

FINANCE AND BANKING

This section concentrates on issues such as business turnover and sources of finance, as well as the impact of banking issues including service provision and charges. Tables also relate to employment and training requirements of businesses.

Business Turnover

TABLE 18 TURNOVER IN LAST FINANCIAL YEAR

Please indicate the level of turnover for the business in the last financial year

	Count	%
<i>Not answered</i>	17	2.3
<i>Less than £50,000</i>	139	18.9
<i>£50,001 to £100,000</i>	156	21.2
<i>£100,001 to £500,000</i>	270	36.6
<i>£500,001 to £1 million</i>	96	13.0
<i>£1 million to £5 million</i>	52	7.1
<i>More than £5 million</i>	7	.9
Total	737	100.0

The largest proportion of respondents (37%) indicated that their turnover ranged from £100,000 to £500,000, which is consistent with the UK average of 38%. The percentage of businesses that have a level of turnover less than £50,000 has decreased from 22% in the 2000 survey to 19%. At the other end of the percentage scale, businesses that had turnovers of between £500,001 to £1 million increased from 11% to 13%, rising above the UK average. Wales was among the regions with the lowest proportions of businesses with turnovers in the upper categories of between £1 million and £5 million and above. There seemed to be a relationship between the level of turnover and the age of businesses with more mature businesses having a larger turnover with firms of less than 3 years being over-represented in the lowest turnover category. The service sector, together with businesses that were wholly female owned, also had a higher than average representation in the lowest turnover category.

Sources of Business Finance

TABLE 19 SOURCES OF FINANCE

Which of the following sources of finance have you used to start/ sustain/ grow your business?

	Count	Column %
<i>Bank Overdraft</i>	444	60.2
<i>Factoring</i>	26	3.5
<i>Second Mortgage</i>	72	9.8
<i>Venture Capital</i>	8	1.1
<i>Credit Cards</i>	136	18.5
<i>Selling Equity</i>	23	3.1
<i>Grant</i>	78	10.6
<i>Friends</i>	27	3.7
<i>Inheritance</i>	30	4.1
<i>Loan Guarantee Scheme</i>	17	2.3
<i>Family</i>	91	12.3
<i>Bank Loan</i>	381	51.7
<i>Pensions</i>	28	3.8
<i>Supplier Credit</i>	105	14.2
<i>Own Savings</i>	317	43.0
<i>Household income</i>	38	5.2
<i>Other business/ employment</i>	26	3.5
<i>Retained Profit</i>	168	22.8
<i>Public Sector low interest loan</i>	7	.9
<i>EU Funding</i>	4	.5
<i>Redundancy</i>	39	5.3
<i>Nothing ticked</i>	33	4.5
Total	737	100.0

Sixty per cent of businesses in Wales used bank overdraft facilities as the main source of finance to sustain and grow their businesses, a higher proportion than many other regions surveyed. Eighteen per cent also used credit cards despite the high interest repayments involved. Forty-three per cent had used their own savings, which is lower than the UK average of 45%. Wholly female-owned businesses and respondents in the youngest age categories (under 34) were more likely to use informal and less formal sources of finance such as family savings, own savings, household income, inheritance, credit cards, as well as supplier credit. The use of credit cards decreased steadily as the age of owners increased. Businesses in Wales were less likely to re-invest retained profit back into their firm than other UK regions.

Banks and Small Business

TABLE 20

SATISFACTION WITH FINANCE AND BANKING ISSUES

Please state how satisfied you are with the following FINANCE AND BANKING issues

	No reply	Not Relevant	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%	%
<i>Bank support for your business</i>	5	5	5	11	23	39	12
<i>Interest rates as a bank borrower</i>	10	12	9	24	26	17	2
<i>Interest rates on credit balances</i>	13	9	23	31	19	4	2
<i>Bank charges</i>	5	3	27	35	19	8	2
<i>Availability of overdraft finance</i>	10	10	6	7	20	38	8
<i>Cost of overdraft finance</i>	11	13	15	26	23	11	1
<i>Availability of bank loan finance</i>	13	14	6	6	22	32	7
<i>Cost of loan finance</i>	16	14	10	23	24	12	2

Respondents from Wales were the most contented with the support they received from their banks, with 51% satisfied compared with 47% in the FSB 2000 survey. Nearly half of businesses were satisfied with the availability of overdraft finance (49%) and the availability of bank loan finance (39%). However, high levels of dissatisfaction were expressed in relation to all other Finance and Banking issues in particular those regarding charges and costs. The levels of dissatisfaction in Wales with these issues were often greater than the UK average. For example, 54% of respondents expressed their dissatisfaction with interest rates on credit balances; 62% with bank charges; 41% with the cost of overdraft finance, and 33% with the cost of loan finance. The 'Hotels/Restaurants/Pubs' sector expressed the highest levels of dissatisfaction in regard to issues of interest rates as a borrower, bank charges, and the cost of overdraft finance. The 'Technology' sector expressed high levels of dissatisfaction with bank support for their business, and the availability of overdraft and loan finance. Young people also expressed high levels of dissatisfaction with overdraft and loan finances that may reflect their reliance on overdraft and credit cards.

Effect of Developments in Banking

TABLE 21 EFFECT OF BANKING CHANGES

<i>What is the effect on your business of the following factors?</i>	No reply	Not Relevant	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%	%
<i>Bank branch closures</i>	7	29	10	19	26	4	4
<i>Less choice of banks</i>	9	25	10	20	30	4	3
<i>More IT and telephone banking</i>	9	17	8	10	32	20	4
<i>Difficulty of changing banks</i>	11	20	11	15	38	3	2

Nearly 30% of respondents believed that bank branch closure, and less choice of banks had a negative or a very negative effect on their businesses. One in four, however, believed that they had benefited from more IT and telephone banking, although businesses in Wales are behind other regions of the UK in regarding these developments as being positive. Twenty-six per cent said that the difficulty involved in changing banks had a negative effect on their business.

Cost and Availability of Venture Capital

TABLE 22 SATISFACTION WITH VENTURE CAPITAL

<i>Please rate how satisfied you are with the following FINANCE AND BANKING issues</i>	No reply	Not Relevant	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%	%
<i>Availability of venture capital</i>	25	32	7	5	25	5	1
<i>Cost of venture capital</i>	26	35	4	5	27	2	1

The vast majority of businesses in Wales did not reply, did not find the question relevant, or were neutral in regard to the availability of Venture Capital and the cost of Venture Capital. Of those who expressed either a positive or negative view, more respondents were dissatisfied with the availability and cost of venture capital. The low response level suggests a lack of knowledge with regard to venture capital in Wales.

Financial Rewards of Business Ownership

TABLE 23

SATISFACTION WITH FINANCIAL REWARDS OF BUSINESS OWNERSHIP

Please rate how satisfied you are with the following aspects of YOUR BUSINESS

	No reply	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%
<i>Immediate financial rewards</i>	14	6	27	35	16	2
<i>Long term financial security (pensions/ savings)</i>	12	10	26	26	22	3

The proportion of respondents who were very satisfied with the Immediate Financial Rewards and Long Term Financial Security of their businesses were 2% and 3% respectively. This is a very low proportion although marginally above the UK average of 1% and 2%. In all, 31% and 36% of respondents were dissatisfied or very dissatisfied with their Financial Rewards and Financial Security.

EMPLOYMENT, SKILLS AND TRAINING

Employment Numbers and Trends

TABLE 24 EMPLOYMENT PROFILE BY RESPONDENTS

What is the total number of employees – full-time, part-time or casual?

	Full-time employment		Part-time employment		Casual employment	
	Count	%	Count	%	Count	%
<i>Not answered</i>	73	9.9	307	41.7	504	68.4
0			7	.9	7	.9
1–4	435	59.0	352	47.8	187	25.4
5–9	110	14.9	40	5.4	26	3.5
10–49	109	14.8	29	3.9	13	1.8
50–99	8	1.1	2	.3		
100+	2	.3				
Total	737	100.0	737	100.0	737	100.0

Fifty-nine per cent of businesses in Wales employ one to four full-time employees, 48% employ one to four part-time employees, and 68% employ one to four casual employees. Fifteen per cent of respondents' employed five to nine full time employees while another 15% employed 10 to 49 employees. There were many fewer larger businesses of over 50 employees. Wales had the highest numbers of casual employees of any region/nation.

TABLE 25 EMPLOYMENT TRENDS OVER THE PAST YEAR

How has the total number of employees changed in the last twelve months

	Count	%
<i>Not answered</i>	24	3.3
<i>Increased</i>	184	25.0
<i>Stayed the same</i>	420	57.0
<i>Decreased</i>	109	14.8
Total	737	100.0

Twenty-five per cent of respondents indicated that the total number of employees had increased over the past year. Fifty-seven per cent indicated that employee numbers had stayed the same. Fifteen per cent of

businesses, a higher proportion than the UK average, had reduced their number of employees over the last 12 months. Employment increases were more likely in new businesses and within the 'Employment' sector. 'Retail/Repairs/Wholesale' sector saw employment remain static while 'Manufacturing' and 'Agriculture' reported above average employment decline.

Employee Selection

TABLE 26

IMPORTANT ATTRIBUTES IN EMPLOYEE SELECTION

How important are the following attributes when selecting your employees (excluding seasonal workers)?

	Not answered	Not relevant	Very unimportant	Unimportant	Neutral	Important	Very important
	%	%	%	%	%	%	%
<i>Traditional School (O-levels, A-levels, GCSEs, Standard, Higher etc)</i>	20	22	2	10	21	20	4
<i>Vocational (NVQs, SVQs)</i>	22	20	3	11	26	17	2
<i>College (BTEC, HND, HNC)</i>	23	22	4	12	21	15	2
<i>University (Degrees)</i>	23	28	5	15	18	8	3
<i>Industry related skills courses</i>	23	15	2	5	16	27	11
<i>Experience</i>	14	6	4	4	10	33	30
<i>Attitude/ Character</i>	15	4	5	1	1	15	59

Table 26 shows how important businesses view different personal attributes of prospective employees' qualifications. Of all the criteria 'Attitude/Character' were judged to be most important with a total of 75% of respondents citing them as important. This attribute was followed in importance by 'Experience' with 63%. Thirty-eight per cent of respondents in Wales believed that 'Industry Related Skills Courses' were important or very important: this was the lowest proportion of all the regions. University Degrees were only considered important by 8% of respondents. 'Vocational Qualifications' were more likely to be considered important by the 'Health and Social Work' and 'Education' sectors while the 'Technology' sector was more likely to rate 'University Qualifications' as very important.

Satisfaction with Business Skills

TABLE 27 SATISFACTION WITH BUSINESS SKILLS

Please rate how satisfied you are with the following aspects of YOUR BUSINESS

	No reply	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%
Marketing and sales skills	10	3	21	21	40	5
Management skills	10	1	11	21	50	7

In all, 45% of respondents were satisfied or very satisfied with their Marketing skills while 57% were satisfied or very satisfied with their own Management skills. The youngest age group (under 21) had the least confidence in these abilities, but by contrast respondents who were new to business ownership (firms aged less than 3 years) had the greatest confidence in management skills. Confidence in these abilities decreased in inverse proportion to the age of the business.

Satisfaction with Education and Training

TABLE 28 SATISFACTION WITH EDUCATION AND TRAINING

Please rate how satisfied you are with the following aspects of EDUCATION & TRAINING in your area

	Not answered	Not relevant	Very dissatisfied	Dissatisfied	Neutral	Satisfied	Very satisfied
	%	%	%	%	%	%	%
Availability of suitable labour	14	12	13	22	20	18	1
Literacy of labour force	15	12	9	20	22	21	1
Numeracy of labour force	17	12	8	17	23	21	1
General attitude of labour force	16	10	9	16	21	24	4
Relevance of available training courses	19	14	9	12	25	19	3

Nineteen per cent of respondents from Wales said that they were satisfied with the availability of suitable labour, which is a slight improvement from the FSB 2000 survey and is again above the UK average of 16%. However, one in four respondents maintained that they were dissatisfied with the availability of suitable

labour. The number of respondents expressing satisfaction with literacy and numeracy skills in the labour force had also improved since 2000 with the highest levels of satisfaction linked to the general attitude of employees. The satisfaction level was lower in regard to the relevance of available training courses with only 22% being content with this aspect of provision.

Staff Training in Small Business

TABLE 29 STAFF TRAINING

Have you or any of your staff participated in training in any of the following in the last 12 months?

	Count	Column %
<i>None</i>	271	36.8
<i>Financial/ Accounts</i>	108	14.7
<i>Customer Service</i>	99	13.4
<i>IT</i>	58	7.9
<i>Marketing/ Sales</i>	63	8.5
<i>Managerial</i>	14	1.9
<i>Export Training</i>	171	23.2
<i>On-the-job</i>	233	31.6
<i>Other</i>	125	17.0
<i>Not answered</i>	51	6.9

Thirty-seven per cent of businesses did not have staff who participated in training of any kind over the last year. The most popular type of training for those who did participate was 'On-the-job' training. The next most popular form of training was Export Training with 23% of businesses in Wales participating during the last 12 months. Managerial training recorded the lowest score with only 2% of businesses participating. IT training (with 8%) and Marketing/Sales training (8.5%) also had a low uptake.

TABLE 30

NON-PARTICIPATION IN TRAINING

If you or your staff did NOT participate in training, which of the following reasons apply

	Count	Column %
<i>Cost</i>	124	16.8
<i>Non-availability of relevant training</i>	129	17.5
<i>Accessibility</i>	64	8.7
<i>Time constraints</i>	208	28.2
<i>Possibility of losing staff once trained</i>	39	5.3
<i>Not required</i>	172	23.3
<i>Not answered</i>	298	40.4

Time constraint was the most common reason given by businesses to explain why they had not participated in training over the last year. Twenty-three per cent, however, said that further training amongst their workforce was not required. The non-availability of relevant courses and the cost implications of training were also a factor. Those firms younger than 3 years had the highest uptake of training while firms over the age of 31 had the lowest uptake. There was also a direct relationship between turnover and training participation with 44% of businesses with the lowest turnover having had no training during the last 12 months, compared with 12% of businesses not taking part from the largest turnover bracket. There was a strong relationship between training and turnover growth, with the highest uptake of training being reported in firms where turnover had increased considerably in the past year while the lowest uptake in training was reported in firms where turnover had gone down.

BUSINESS ADVICE AND SERVICES

This section measures the attitudes and views of small business owners in Wales towards the standard of support and advice they receive from different institutions including government funded business support bodies. It also deals with small businesses' views on local services.

Most Sought After Advice

TABLE 31 MOST FREQUENTLY SOUGHT ADVICE

With what aspect of your business were you seeking help?

	Count	Column %
<i>Business Planning</i>	190	25.8
<i>Access to finance</i>	169	22.9
<i>Accountancy</i>	360	48.8
<i>Quality management/ assurance</i>	41	5.6
<i>Health and Safety</i>	103	14.0
<i>Employment/ Training</i>	136	18.5
<i>Marketing</i>	115	15.6
<i>ICT (computers/ telecoms)</i>	84	11.4
<i>Manufacturing/ Distribution</i>	19	2.6
<i>Property/ relocation</i>	51	6.9
<i>Exporting</i>	21	2.8
<i>Not answered</i>	133	18.0

Accountancy advice was the most sought after advice with nearly 50% of businesses consulting accountants. Business Planning and Access to Finance Advice were also popular, having been sought by 26% and 23% of respondents. Exporting advice was amongst the lowest sought after advice with only 3% uptake, and was more popular amongst the 'Manufacturing' sector. 'Business Planning' advice proved to be more frequently sought after by the 'Agriculture' sector and new businesses, with the 'Technology' and 'Education' sectors recording the highest uptake in marketing advice.

Most Used Sources of Advice

TABLE 32 MOST FREQUENTLY USED SOURCES OF ADVICE

When you sought business advice during the past year what type of business or agency did you ask?

	Count	Column %
<i>A professional (e.g. accountant or solicitor)</i>	550	74.6
<i>Business Link/ Connect Shop/ LEDU/ LEC</i>	135	18.3
<i>Central Government (e.g. RDA, DTI, IR, C&E, H&S)</i>	119	16.1
<i>Independent Consultancy</i>	66	9.0
<i>Enterprise Agency/ Trust</i>	123	16.7
<i>Local Government</i>	93	12.6
<i>Not answered</i>	116	15.7

The vast majority (75%) of respondents had sought advice from independent and professional institutions including their own accountants and solicitors during the last year. Eighteen per cent had contacted Business Connect which was the second most popular service in Wales. This was a considerably higher proportion in comparison with those who approached equivalent services in England and Northern Ireland but was 10% lower than those who had made use of the service in Scotland. Enterprise Agencies closely followed Business Connect with 17% of respondents having asked for their services while 16% had gone directly to central government bodies. Less than 13% had contacted their Local Authority to seek advice.

TABLE 33 QUALITY OF ADVICE RECEIVED

Did you receive the advice/ Information you required?

	Count	Column %
<i>Not Answered</i>	143	19.4
<i>Yes</i>	496	67.3
<i>No</i>	72	9.8
<i>Referred to another source</i>	26	3.5
Total	737	100.0

Sixty-seven per cent of respondents stated that they received the information they required which was slightly below the UK average of 70%. While 4% said that they were referred to another source of advice, 10% of respondents in Wales said that they had not received the advice or information they required which was also a higher proportion than the UK average.

Satisfaction with Sources of Business Advice

TABLE 34

SATISFACTION WITH BUSINESS ADVICE

How satisfied are you with the BUSINESS ADVICE you receive from ...

	Not answered	Don't use	Very dissatisfied	Dissatisfied	Neutral	Satisfied	Very satisfied
	%	%	%	%	%	%	%
<i>Your accountant</i>	8	5	2	5	13	45	22
<i>Your bank</i>	10	10	5	10	24	33	7
<i>Consultants</i>	25	35	3	4	13	17	4
<i>Government funded business support services</i>	25	33	8	7	14	9	2
<i>Your family</i>	23	31	0	1	18	19	8
<i>Your customers</i>	21	22	0	1	20	30	5
<i>Your suppliers</i>	20	22	0	2	21	31	4
<i>Other business owners</i>	22	21	0	1	23	29	4
<i>Trade associations</i>	20	18	1	3	21	31	5

Over two thirds of respondents were satisfied with the advice that they had received from their accountants. Forty per cent were satisfied with the advice of their bank compared with 15% that were dissatisfied. Businesses in Wales expressed above average satisfaction (12%) with Government Funded Business Support Services, however of all the advisory services available, government funded services showed the lowest levels of satisfaction with more respondents saying that they were dissatisfied or very dissatisfied with the advice they received from this source.

Government Funded Business Support Services

TABLE 35

SATISFACTION WITH GOVERNMENT FUNDED BUSINESS SUPPORT SERVICES

If you have used GOVERNMENT FUNDED BUSINESS SUPPORT services in the last 12 months, please rate how satisfied you are with the following

	Not answered	Not used in last 12 months	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%	%
<i>Usefulness of business advice</i>	57	19	3	4	6	10	1
<i>Quality of business advisors</i>	58	19	4	4	7	8	1
<i>Advisors' understanding of your business</i>	58	19	4	5	7	6	1
<i>Grant funding</i>	57	21	5	4	4	6	2
<i>Loan funding</i>	60	26	4	2	4	2	
<i>Cost of public sector finance</i>	62	28	3	2	4	1	0
<i>Training grants</i>	59	22	3	3	5	6	2
<i>Relevance of their products/ services</i>	62	19	4	2	7	5	1

Respondents from Wales expressed the highest levels of dissatisfaction of all the areas in the UK across five of the eight items relating to Government Funded Business Support Services. These were: usefulness of business advice, quality of business advisors, advisor's understanding of their businesses, loan funding, and relevance of their services. In addition to the 60% who did not answer the questions in this section, around 20% of respondents said that they had not used government funded business support services in the last 12 months.

Satisfaction with Locally Provided Services

TABLE 36

SATISFACTION WITH LOCAL SERVICES

Please rate how satisfied with the following local services

	Not answered	Not applicable	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%	%
<i>Availability of suitable private premises</i>	12	36	7	12	20	12	1
<i>Availability of suitable public premises</i>	16	39	5	10	22	7	0
<i>Cost of premises</i>	12	28	11	16	21	11	1
<i>Planning applications – timescale</i>	14	35	11	15	18	7	0
<i>Planning applications – decisions</i>	15	34	12	12	19	7	0
<i>Support for small business</i>	8	8	28	27	20	8	1
<i>Economic development</i>	15	17	19	20	24	4	1
<i>Local regulations/ bye-laws</i>	13	17	17	16	32	4	1
<i>Council refuse/ licence charges</i>	10	12	27	20	22	8	1
<i>Level of business rates</i>	8	10	36	23	16	5	2
<i>Consultation with small business</i>	13	15	26	18	22	4	1

With regard to each criteria there was a greater level of dissatisfaction with local services than satisfaction. The highest level of satisfaction was recorded for the availability of Suitable Private Premises (13%) and for the cost of premises (12%). Satisfaction with the availability of public premises together with the time scale and decisions of planning applications was lower at 7%. The greatest levels of dissatisfaction were expressed with regard to the level of Business Rates (59% dissatisfied) followed by support offered to small businesses at 55%. High levels of dissatisfaction were also recorded with regard to Council Refuse/Licence Charges, the practise of Consultation with Small Businesses and Economic Development.

Satisfaction with Local Authority Advice

TABLE 37

SATISFACTION WITH LOCAL AUTHORITY ADVICE

How satisfied are you with the advice you get from local authorities concerning the following?

	Not answered	Not applicable	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%	%
<i>Trading standards</i>	8	23	9	10	31	17	2
<i>Environmental health</i>	9	21	7	10	34	18	1
<i>Planning applications</i>	8	28	10	13	29	11	1
<i>Crime prevention</i>	9	19	16	15	30	10	1
<i>Finance for business</i>	10	25	15	17	26	5	1
<i>Business rates</i>	8	16	26	21	23	5	1
<i>Emergency planning (e.g. floods)</i>	10	31	11	11	34	3	1
<i>Building regulations</i>	9	27	9	11	34	9	0
<i>Fire regulations</i>	8	20	8	9	40	13	2

Of those respondents who answered this section, most either deemed question not appropriate or gave a neutral response to the different categories of advice they received from their local authorities. Greatest levels of satisfaction were expressed with regard to advice on Environmental health (19%) and Trading standards advice (19%). High dissatisfaction rates were expressed with regard to advice on Business rates (47%), Finance for businesses (32%) and Crime prevention (31%). Only 4% said that they were satisfied with advice received with regard to Emergency planning such as flooding.

TRANSPORT AND LEGISLATION

This section examines responses to transport and legislation issues. With regard to transport, the survey questioned how the cost and efficiency of the system and infrastructure affected businesses. With legislation questions the survey attempted to point to particular existing and new laws that had an impact on cost and running of small businesses.

Satisfaction with Transport Issues

TABLE 38

SATISFACTION WITH TRANSPORT ISSUES

Please rate how satisfied you are with the effect of the following TRANSPORT issues on your business

	Not answered	Not relevant	Very Dissatisfied	Dissatisfied	Neutral	Satisfied	Very Satisfied
	%	%	%	%	%	%	%
<i>Passenger transport</i>	9	31	17	15	21	6	1
<i>Road networks (trunk roads & motorways)</i>	8	11	16	18	22	23	2
<i>Fuel costs</i>	4	4	43	31	13	3	1
<i>Road tax</i>	6	4	30	27	25	8	1
<i>Staff parking</i>	11	31	10	9	20	16	3
<i>Customer parking</i>	11	25	13	12	17	18	4
<i>Road infrastructure (local roads & repair)</i>	6	5	29	28	17	14	1
<i>Local transport planning</i>	9	13	30	20	24	4	1

In every category, levels of dissatisfaction with transport issues had decreased since the FSB 2000 survey. However, this had not been reflected in all categories by a commensurate increase in satisfaction levels. Satisfaction with fuel costs had risen from 1% to 4% while dissatisfaction had dropped from 95% to 74%. Dissatisfaction with passenger transport, road networks and road tax had also decreased but still remained at very high levels of 32%, 33% and 57% respectively. Levels of satisfaction with staff and customer parking had also decreased.

The Effect of Recent Legislative Changes

TABLE 39 EFFECT OF LEGISLATIVE CHANGES ON BUSINESS

In the last year have CHANGES in any of the following legislative areas affected your business?

	Not answered	No relevant changes	Very negative	Negative	Neutral	Positive	Very positive
	%	%	%	%	%	%	%
<i>Employment legislation</i>	10	26	15	21	23	3	1
<i>Minimum wage uprate</i>	8	27	12	17	30	4	2
<i>Paternal leave, part-time working</i>	12	35	10	13	26	2	1
<i>Stakeholder pensions</i>	12	35	7	11	31	4	1
<i>Health and safety</i>	10	21	8	16	35	8	2
<i>Environment</i>	11	23	9	13	37	6	2
<i>Business taxation – IR 35</i>	13	25	15	15	29	2	2

Recent primary legislation changes include Employment Legislation, the Minimum Wage up-rate, Parental Leave and Part-time Working, Stakeholder Pensions, Health and Safety, and Environment and Business Taxation (IR35). On each of these items, the survey found that the negative effects outweigh the positive effects. In Wales, Employment Legislation was the least popular followed by Business Taxation (IR35), while it was Business Taxation (IR35) that was the least popular item across the UK as a whole. The highest level of negative responses for Business Taxation (IR35) changes came from respondents in the 'Technology' sector. The item most positively received was Health & Safety at 10% although this was less than the 12% UK average. Only 3% reported that the introduction of parental leave had had a positive impact compared with 23% who reported negative effects. There was a direct correlation between the age of businesses and turnover with attitudes towards legislation changes. Generally negative reports increased as the age and the turnover of businesses increased.

Satisfaction with Legislation Issues

TABLE 40

SATISFACTION WITH LEGISLATION ISSUES

Please rate how satisfied you are with the effect of the following LEGISLATION issues on your business

	Not answered	Not relevant	Very dissatisfied	Dissatisfied	Neutral	Satisfied	Very satisfied
	%	%	%	%	%	%	%
<i>Volume of legislation</i>	9	8	39	25	16	2	0
<i>Complexity of legislation</i>	10	8	42	24	13	1	0
<i>Rate of change of legislation</i>	12	8	39	23	17	2	0
<i>Interpretation of legislation</i>	13	8	36	23	17	2	0
<i>Inspection regime</i>	12	11	24	16	30	6	0
<i>Enforcement regime</i>	13	11	25	18	29	4	
<i>Cost of compliance</i>	12	11	36	22	17	2	0

Small Businesses and Environmental Legislation

TABLE 41

EFFECT OF ENVIRONMENTAL LEGISLATION ON BUSINESS

Has your business been affected by any of the following items of environmental legislation?

	Not answered	Not Relevant	Yes	No	Don't Know
	%	%	%	%	%
<i>Special Waste Regulations</i>	9	20	32	36	4
<i>Contaminated Land Regime</i>	11	27	6	50	5
<i>Packaging Waste Regulations</i>	11	24	15	45	5
<i>Environmental Protection Act (Duty of Care)</i>	12	21	24	34	9
<i>Integrated Pollution Prevention and Control</i>	12	24	13	40	11
<i>Waste Management Licensing Regulations</i>	11	22	23	36	8
<i>Landfill Tax</i>	11	23	21	39	6

The environmental legislation that affected most businesses was the 'Special Waste Regulations', followed by the 'Environmental Protection Act (Duty and Care)' with 24% and 'Waste Management Licensing Regulations' with 23%. The 'Contaminated Land Regime' had affected only 6%.

The Climate Change Levy

TABLE 42 CLIMATE CHANGE LEVY

Looking at your last power bill(s), did you pay the Climate Change Levy?

	Count	%
Not answered	24	3.3
Yes	171	23.2
No	194	26.3
Don't Know	348	47.2
Total	737	100.0

TABLE 43 EFFECT OF THE CLIMATE CHANGE LEVY

If you did pay the Climate Change Levy, have your net costs

	Count	%
Not answered	405	55.0
Decreased	22	3.0
Stayed same	71	9.6
Not relevant	27	3.7
Increased	135	18.3
Don't Know	77	10.4
Total	737	100.0

In Wales 23% paid the 'Climate Change Levy' which was lower than the 26% UK average. However, 47% claimed that they did not know whether they paid it or not. Of those who did pay the levy, 18% said that their net cost had increased as a result, which was marginally lower than the 20% UK average.

THE USE OF TECHNOLOGY IN SMALL BUSINESSES

The survey attempted to determine the extent that small businesses used Information Technology. In addition to asking what particular technology they used and whether they were satisfied with their own understanding, questions also related to what extent businesses used IT for trading purposes.

Computer Usage in Businesses

TABLE 44 USAGE OF COMPUTER TECHNOLOGY

What kind of computer technology do you have in your business?

	Count	Column %
<i>We do not use computers</i>	129	17.5
<i>Single desktop/ personal computers</i>	361	49.0
<i>Several stand alone computers</i>	136	18.5
<i>Several computers sharing printers</i>	109	14.8
<i>Local area network</i>	139	18.9
<i>Internet via Modem</i>	369	50.1
<i>Internet via ISDN</i>	93	12.6
<i>Internet via Broadband (DSL, ADSL)</i>	12	1.6
<i>Non-internet Wide Area Network (e.g. VAN)</i>	1	.1
<i>Not answered</i>	21	2.8

From these figures it can be assumed that 83% of the businesses in Wales use computers. However, Wales had the highest proportion of non-users (18%) of any UK area. The most frequently used technologies were 'single desktop/personal computer' used by almost half of the respondents. Nineteen per cent used stand alone computers. Over half of the respondents were connected to the internet through a modem, while 13% were connected by means of ISDN. Only 2% were connected via broadband, which was below the UK average of 4% and considerably the London area, which had an uptake of 11%. Firms in the largest category of turnover demonstrated greater usage of more sophisticated communication technology, including broadband and ISDN.

Understanding New Technology

TABLE 45

SATISFACTION WITH UNDERSTANDING OF NEW TECHNOLOGY

Please rate how satisfied you are with the following aspects of YOUR BUSINESS
Understanding new technology (IT/ Internet)

	Count	%
<i>Not answered</i>	78	10.6
<i>Very Dissatisfied</i>	30	4.1
<i>Dissatisfied</i>	146	19.8
<i>Neutral</i>	184	25.0
<i>Satisfied</i>	249	33.8
<i>Very Satisfied</i>	50	6.8

More respondents were satisfied or very satisfied with 'Understanding new technology' (41%) than were dissatisfied and very dissatisfied (24%). Compared to the UK average, more businesses in Wales were dissatisfied and fewer were satisfied.

The Use of On-line Services

TABLE 46

USAGE OF ON-LINE SERVICES

How often does your business use ON-LINE services for the following purposes?

	Not answered %	Not relevant %	Never %	Occasionally %	Regularly %	Total %
<i>To review business opportunities and make bids for contracts</i>	19	21	41	14	4	100
<i>To gather information/ conduct research</i>	16	9	19	35	22	100
<i>To communicate/ send e-mail</i>	13	7	16	22	42	100
<i>To transfer files and documents</i>	18	10	31	20	21	100
<i>To showcase your products and services</i>	18	10	34	17	21	100
<i>For e-commerce transactions</i>	20	12	46	14	8	100
<i>To purchase products and services for your business</i>	16	8	31	34	11	100
<i>To provide after sales support</i>	19	18	44	13	6	100

Only 4% of businesses regularly used the internet to review 'Business opportunities or bid for work' with only 8% regularly using on-line services for 'e-commerce transactions'. Respondents were more likely to use

Information Technology to send e-mails (42%), transfer files or documents (21%), to gather information (22%), or to showcase products and services (21%), although proportions in Wales were consistently lower than the UK average in each of these usages.

Constraints on the Use of Computer Technology

TABLE 47

CONSTRAINTS OF USAGE OF COMPUTER TECHNOLOGY

To what extent, if at all, do the following constrain your business' use of technology (ie. computers, fax machines, phone systems)?

	Not answered	Not relevant	Not constraining at all	A little constraining	Fairly constraining	Very constraining	Total
	%	%	%	%	%	%	%
<i>Initial cost of hardware and software</i>	16	17	12	31	15	9	100
<i>Difficulty/ cost of getting and using phone lines</i>	21	19	24	18	12	6	100
<i>Government regulations (e.g. data protection)</i>	22	29	20	15	8	6	100
<i>Security of transactions</i>	23	29	18	16	10	4	100
<i>Lack of information/ training about how to use technology</i>	21	21	18	22	12	7	100
<i>Cost of hardware/ software upgrades</i>	19	14	12	24	19	11	100
<i>Lack of broadband connections</i>	27	37	11	8	8	9	100

The greatest constraint for businesses from using technology was the initial and upgrade costs of hardware and software (9% & 11%). Sixteen per cent of respondents in Wales said that the 'Lack of broadband connections' were either fairly or very constraining to their business use of technology, which was higher than the UK average.

CONCLUSION

In all, 18,561 Federation of Small Businesses members responded to this survey across the UK. That makes it one of the largest ever non-governmental surveys of the small business sector and represents a substantial body of opinion and attitudes. The variety of questions in the survey gives an insight to the main priorities of small business owners: how satisfied or dissatisfied they are in regard to different issues. Highlighting some of these issues in this report will provide information for policy makers when they consider how best to lift some of the major barriers and limitations that hamper the efficiency and potential of small businesses.

The *Barriers to Survival and Growth in UK Small Firms*, which was published in October 2000, provided an insight to some of the major constraints on small businesses. The *Lifting the Barriers to Growth in UK Small Businesses* survey has followed upon many of the issues explored in the first study with greater depth.

There are many positive aspects to the results in Wales. The study shows that over half of the respondents had aspirations for their businesses to expand over the coming years. Thirteen per cent wished to grow substantially, an enthusiasm and potential that needs to be assisted and encouraged. Many respondents in Wales also reported increased sales over the last year despite many sectors and regions experiencing difficult times following the outbreak of foot and mouth and the September 11th atrocities. Businesses have also increased their turnover levels with many businesses in Wales moving up to higher turnover brackets.

The contribution of the small business sector to employment levels in Wales is also demonstrated. The majority of respondents employ between one and four employees with many having increased their workforce over the last 12 months. Employment growth was highest within new businesses, which were also the businesses that were the most ambitious to grow. Many small businesses from Wales are also involved with international trade or have customers abroad. One-in-five businesses dealt within the European Union, but Wales was shown to have strong links with other regions including North America and Australia/New Zealand. The uptake of new technology in trading is increasing with more respondents coming on-line.

Overall the results of the survey can be viewed positively as it shows a strong, vibrant and ambitious business sector, which is already an important contributor, and a sector that will prove vital to future economic development efforts in Wales.

The results regarding the number of respondents that had sought advice and assistance from different institutions was very revealing. Most small business owners firstly relied on their own abilities. The first port-of-call would then be to their own accountants and solicitors. With regard to Government Funded Business Support Services, more respondents from Wales used Business Connect than used the equivalent services in England and Northern Ireland. However, despite a higher level of usage in Wales, respondents from Wales were also the most dissatisfied with the information and services they had received. These results confirm the FSB belief that there has been too much duplication among Government Funded Business Support providers and services. Many individuals who have ambitions to start their own business, together with existing businesses that have growth aspirations, become lost in the complexities of the system and end up receiving no advice or assistance.

Training is also tied in with the future success of businesses. In fact this study points to an important and direct relationship between training and business performance. Many respondents had reported that they have provided staff training during the last 12 months. The survey revealed that the attitude and character of their staff was the most important attribute, that on-the-job training was the most appropriate training method, and that time restrictions are the most important factor in businesses deciding not to undertake

training. The relevant Assembly Sponsored Public Bodies must use this information and work with businesses to provide adequate and relevant training courses.

Of concern was the revelation that many businesses, especially new and young businesses, relied on bank overdrafts and credit cards to sustain or develop their businesses. Businesses that were wholly owned by women depended more on informal sources of income such as family and friends' contributions. The study demonstrates that very few were satisfied with the cost of overdrafts and loans. Respondents in Wales were less enthusiastic about the developments of IT and phone banking with many stating that bank closures had a negative effect.

The provision of local services continues to be a major source of dissatisfaction among small businesses. Business Rates are an unpopular burden with few small businesses being satisfied with the services that they received in return. The survey also demonstrates that there is a lack of meaningful consultation between Local Authorities and the business community.

Satisfaction with transport issues has improved since the FSB survey of 2000, especially with regard to fuel costs where levels of dissatisfaction had dropped. However on all of the transport issues, including road networks, respondents continued to be dissatisfied. This demonstrates the importance of long-term investment in the basic infrastructure of Wales that would directly benefit the functions of businesses.

Legislation changes have had mostly a negative effect on small businesses, although Wales differed from the rest of the UK in regarding Environmental legislation as being the most negative rather than Business Taxation (IR35). It also seems that many businesses are unaware whether they pay the Climate Change Levy.

Overall the results of this study demonstrate the strength and confidence of the small business sector. Concerns that have been highlighted must be taken seriously. Positive actions can then be taken to relieve the limitations that presently prevent small businesses from reaching their full potential in their contribution to the Welsh economy.

Lifting the Barriers to Growth in UK Small Businesses

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