

The background of the entire page is a high-angle aerial photograph of a dense urban area, likely London, showing a complex network of streets and buildings. A large, solid teal triangle is positioned in the upper right corner, extending from the top edge down to about two-thirds of the way down the page. Overlaid on this teal area is the main title text.

SIMPLY BRITAIN BACKING BUSINESS

Simply Britain, Backing Business
Simply Business Report



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SIMPLY BRITAIN BACKING BUSINESS



EWORD



Jason Stockwood

Sole traders and microbusinesses are at the very heart of the UK economy, and it is these firms that are driving the country back to real growth. We need a sustainable recovery – one that works for everyone, and that is spread evenly across the country. It is the UK's smallest businesses that can provide the sound economic foundation we need to deliver this.

But these firms are not getting the support they need. In our landmark survey – the Simply Britain Business Pulse Check – we found that this important part of the economy feels separated from the government. Microbusiness owners do not believe that Westminster is helping them, and they don't think that any one party understands their needs. Most worrying, many believe that recent policy changes are actually hindering their business.

The Simply Britain Business Pulse Check demonstrates a dislocation between the main political parties' legislation, both enacted and proposed, and the priorities of the businesses they are trying to encourage. The coalition has been enthusiastic in its support of UK enterprise, but the

2,000 firms we surveyed said that little of that support is having an impact. Microbusinesses are unique, and they have unique needs – but these are not currently being fulfilled.

That uniqueness is demonstrated in the language that sole traders and microbusinesses use to talk about themselves. They don't recognise the term 'small business' as a government descriptor for what they are or do – and yet sole traders and microbusinesses account for a staggering 95 per cent of the 4.9 million so-called 'small businesses' in the UK. This language barrier hints at a larger, more practical problem. The government is designing policies according to what it believes small businesses need, but because of the specific set of challenges and risks faced by sole traders and microbusinesses, government support is passing them by. These businesses have seen no benefit from many of the government's flagship programmes: more than 80 per cent of respondents said that changes to export policy had made no difference to them, while 77 per cent said the same for childcare, and 69 per cent for employment laws.

Microbusinesses have fewer than 10 employees
Small businesses 10 to 49
Medium-sized businesses 50 to 249

FOREW

EXECUTIVE



EXECUTIVE SUMMARY

The Simply Britain Business Pulse Check is a landmark survey that provides an unprecedented insight into the views of sole traders and microbusiness owners. With 2,000 respondents, the report gives a unique understanding of the views, desires, wants, and needs of this crucial part of the UK economy.

The survey demonstrates a sense of disillusionment amongst sole traders and microbusiness owners. They feel disconnected and underrepresented, and they think that both central and local government are out of touch with their needs. They do not believe that any political party understands the small and microbusiness sector.

But crucially, the results also show that sole traders and microbusiness owners feel that recent policy changes in a range of key areas

have either made no difference to them, or have actively hindered their business. No more than seven per cent of respondents said that any policy change we asked about had helped their business, with the exception of tax breaks, which were beneficial to one in five. Meanwhile, at least 50 per cent of respondents said that every change we asked about had made no difference to their business.

Instead, sole traders and microbusiness owners are primarily concerned about the day-to-day practicalities of running their business. Petrol costs, business rates and tax, red tape, and utility costs are the top challenges for our respondents. Meanwhile, the business owners we spoke to believe that tax breaks, energy prices, employment laws, and environmental requirements are the areas in which changes are most likely to boost their profitability.

Key findings

- **50%** of respondents don't believe that any party understands the needs of small and microbusinesses
- **56%** believe that both local and central government are out of touch with their needs
- **33%** of respondents said that recent changes to red tape had hindered their business. This comes despite the government's well-publicised Red Tape Challenge
- **22%** said that tax breaks had helped their business, but no other area of change scored higher than **7%** on this measure
- **80%** said that changes to export had made no difference to their business
- Every area of recent policy change was scored as making no difference to business by at least **50%** of respondents
- Petrol costs are the biggest challenge faced, with **1,044** ranking them in their top three concerns
- Business rates and tax came second for this measure (**738 responses**), with red tape (**543**) and utility costs (**532**) third and fourth respectively

2,000 Simply Business
customers surveyed

1

There are millions of exciting, agile small businesses across the country, and it is these firms that are driving the UK back to sustainable growth – but sole traders and so-called microbusinesses are not getting the support they need to fulfil their potential.

Successive governments have identified small businesses as key to the UK's economic health. The Conservatives have branded themselves as the 'party of business', and indeed the coalition has enacted a range of legislation and programmes designed to support the country's small business community. The Small Business, Enterprise and Employment Bill, introduced to parliament earlier this year, sets out the government's efforts to improve the situation for small and medium-sized businesses (SMEs). It promises to improve access to finance for small businesses, speed up cheque clearing, and cut red tape. The establishment of the British Business Bank, meanwhile, aims to address the funding gap suffered by UK firms.

But our survey of 2,000 Simply Business customers, the majority of whom are sole traders or microbusinesses, found that the country's smallest firms are feeling little benefit from the government's efforts – and that in some cases, they are actively damaging.

We asked small and microbusiness owners whether recent policy changes in a range of key areas had helped or hindered their efforts, or whether they have made no difference. The results were overwhelming. In every category, from tax breaks to employment laws, and from energy prices to export, the majority of respondents said that the changes had made no discernible difference to their business. Among the subjects on which our respondents said new policy had made no difference, access to finance polled at 63 per cent – despite this being a key part of headline government efforts. Indeed, one fifth of respondents said that changes to policy on access to finance had actually hindered their business.

The government's Red Tape Challenge, which invites the public to air its views on a range of regulatory areas with

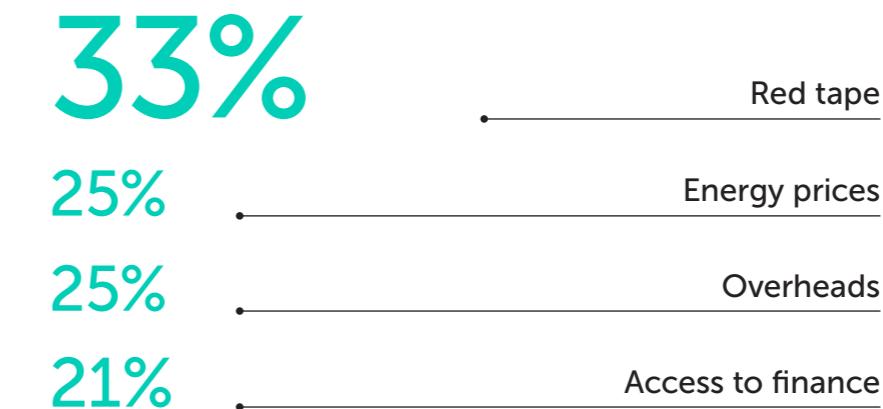
- 50% of respondents said they don't feel any party understands the needs of small and microbusinesses
- 56% said both local and central government are out of touch with their needs
- Across every policy area, the majority of respondents said recent changes had made no difference to their business.

a view to cutting the burden of regulation, also received a lukewarm reception from our respondents. Half of those surveyed said that changes to red tape had made no difference to their business, while a third said the changes had actively hindered them. Their responses underscore the sense that Westminster's priorities are out of step with those of the overwhelming majority of the small business community; the Red Tape Challenge is a flagship coalition programme, but less than two per cent of our small and microbusiness customers believe that changes to red tape have helped their business.

Some of our respondents said that specific elements of government policy had helped them. One pointed to the "very helpful" Growth Accelerator programme, while another cited reduced reporting requirements. But our respondents' comments generally painted a picture of small businesses lacking assistance. "It's very difficult starting out," said one, "and I had zero support." Another said there is "no help available from the government or banks," while a third pointed to a lack of "financial support for SMEs or microbusinesses." Crucially, while tax breaks were cited as a common boon for respondents, many commented that more should be done. "There is no sliding scale," one said, "to give microbusinesses a lower rate of tax or VAT, and allow them to compete with the bigger, more established businesses."

But microbusinesses' frustration with policy isn't aimed solely at the current government. More than 50 per cent of those surveyed said that no political party understands the requirements of small and microbusinesses. Perhaps even more damningly, almost 60 per cent said that both local and central government are out of touch with their needs. With 45 per cent of respondents saying that their experience as a small business owner influences their voting decisions, it seems that there is much to be gained for parties of any stripe who can channel the wishes of the microbusiness community. As one respondent said: "I do not believe that any party understands our needs."

Which policy changes have hindered microbusinesses?



"I do not believe that any party
understands our needs"

more than 50% of those surveyed said that no political party understands the requirements of small and microbusinesses

THE
MICROBU
LANDSCA

CHARLIE MULLINS

When I set up Pimlico Plumbers in 1979 there was a general belief that you could just get out there and set up a business. It was tough 35 years ago, but setting up a business is difficult whenever you do it – I don't think enough people realise that starting a business isn't simple. I set up on my own, and instead of turning to people for advice, I tended to trust my instincts and push on through. We now employ 250 people around the UK.

I think things are a lot easier now. There's plenty of advice and support around for small businesses and startups – you can find help from plenty of sources, whether it's websites or the TV. You don't need to look that far to find guidance, whatever your business.

There's also a lot more governmental support now, with the coalition very much trying to help businesses with loans and apprenticeships – small businesses are very well respected and the government is trying to help, now more than ever. I still hear people complaining, but there's certainly more support than when Pimlico Plumbers was starting out.

“you don't need to look that far to find guidance, whatever your business”

That said, there are still issues. There's a lot of red tape, but of course there always will be. For example, despite being in business for 35 years, I still think there's too much focus on health and safety, and working practice. It does complicate things, and I can understand why people are put off by this kind of bureaucracy.

The biggest burden for small businesses is the taxman. If they were more flexible in their demands and on fines, for instance, I think that would be a massive improvement. It would be more encouraging for small businesses and startups if they knew that they had a little leeway around tax.

At the end of the day, there's only so much help and support you can be offered. Ultimately, it's up to the business owner to put in the hard yards. Businesses aren't made overnight, and the longer you stick at it, the better.

Charlie Mullins, CEO and founder, Pimlico Plumbers



POLICY THAT RESONATES

"I'm too small for their policies to apply to me"

Case study

Alison has been self-employed since 1997, in various roles. Two years ago, she inherited her domestic gardening service from a friend looking to relocate.

I was lucky enough to inherit my business, so I didn't have the problems that many business owners do during the early start up phases. However, at the time of taking on the business I wasn't very familiar with tax legislation, which is a common problem for many sole traders. I was fortunate that I knew someone who was something of a tax expert so I was able to turn to her for support – she even helped me fill out my first self-assessment tax return, saving me the expense of having to turn to an accountant.

When I took over the gardening business I stumbled across a free local business workshop, which provided sole traders with very helpful tax advice. I was impressed with the content but it wasn't well advertised, or particularly easy to find. These types of community schemes should be run in every council to help those starting a business.

I strongly believe my local council understands my needs better than Westminster and would like to see greater sensitivity to the needs of sole traders like me. I can see how employment legislation impacts people who employ others but not me – I'd have to double my clients before I could afford to hire someone else, but I can't double my clients without first taking on an employee: I'm in a catch-22 situation. And because I'm a fairly low earner in the eyes of the government, tax changes haven't helped either. But everyday challenges like parking restrictions are a bigger problem. I drive heavy gardening equipment around from job to job – occasionally I work with three or four clients a day – and the times when I can't park nearby makes my job much harder. These situations do impact my business.

Because I'm a sole trader rather than a small or medium-sized business owner, I'm too small for their policies to apply to me, so I don't often look into political parties' stance on sole traders. It means I'm not very politically engaged.

Alison Paterson, gardener, Harrow

- **Petrol costs** are the primary concern for the majority of respondents
- **Tax and red tape** were ranked second and third
- **81%** said changes to export rules made no difference to them, with **69%** saying the same for employment laws

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So, if government policy is missing the target when it comes to sole traders and microbusinesses, where do these firms actually want Westminster's efforts to be directed?

Many of those we surveyed said that more could be done to aim policy more closely at sole traders and microbusinesses. In order to achieve this, the government must better understand the nature of these firms' needs. As one customer explained: "I'm a gardener. I work 40 hours a week and earn approximately £19,000 gross, so other than petrol costs and price rises for clothes, sundries etc, [policy] doesn't make a difference."

There is also a disconnect between the government's perceptions of what microbusinesses are trying to achieve and those of their owners. Many of these businesses are not high-growth potential SMEs, nor are they necessarily looking to grow. As such, export or employment laws, to take two examples, have little or no impact on them, a fact borne out in our survey, with 81% of respondents saying that changes to export laws had made no difference to them, and 69% making the same case for employment laws. "For people who employ other people, I can see how employment legislation has a huge impact, but it doesn't affect me," one sole trader told us.

Our respondents made clear that the biggest challenges they face are the most quotidian. Some 1,044, or nearly 60 per cent, ranked petrol costs among their three primary concerns. One customer told us of how her business required her to spend a lot of her time on the road, meaning that she totalled nearly 18,000 miles a year on average. The cost of petrol is therefore a major cause of expenditure for her over 12 months of work, as well as servicing her vehicle and keeping it on the road. She highlighted the fact that if there was some leeway given to peripatetic businesses such as hers then she could possibly look at hiring further employees and expanding her business. Meanwhile, business rates and tax (738) and red tape (543) came in second and third respectively.

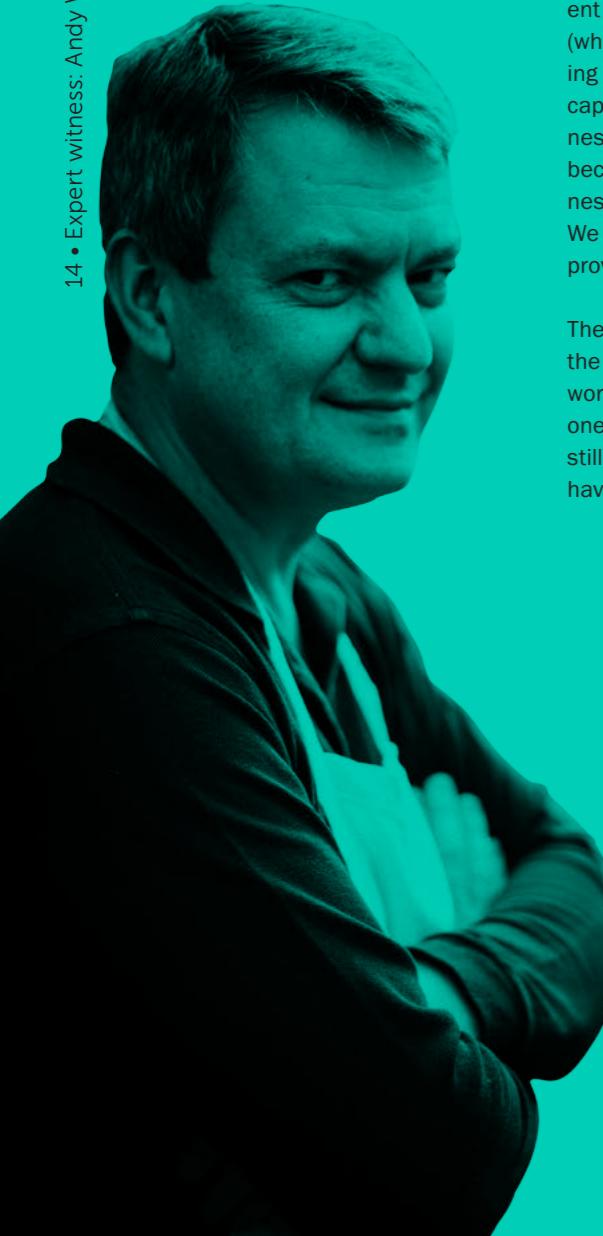
In separate comments, respondents suggested a range of other factors that present major challenges

to their businesses. Congestion charges, funding availability, and VAT for smaller businesses were also listed as problems. One respondent suggested implementing a sliding scale to allow microbusinesses a lower rate of tax in order to compete with larger businesses. Another emphasised how this lack of flexibility was impacting her business: "Keeping VAT at 20% is draining money from my company and preventing me from spending money on other areas such as training."

Payment problems were commonly cited. One respondent said: "The biggest issue for my small business is very slow payment and complex payment terms. This is equally as true of payments from local or central government departments, as any other client we might have. Equally, the procurement processes for government contracts are completely over the top for the level of contract." These responses suggest that the effects of the government's Prompt Payment Code (PPC) are not being felt by some of these businesses. The PPC was set up in 2008 to encourage businesses in a supply chain to pay contractors and suppliers on time, and promote good practice by urging others to adopt the code too. Acknowledging how vital cashflow is for every company, the Department for Business, Innovation and Skills held smaller businesses specifically in mind when they launched the initiative. It is therefore a concern that smaller businesses are still not feeling the effects of such initiatives, and substantiates the findings of a survey conducted by the Federation of Small Businesses (FSB) in early 2014. Their data showed that more than half of their members were paid beyond the agreed payment date by large companies in 2013, resulting in the FSB calling for the government to consider relaunching the PPC.

The PPC is just one of a number of high-profile government initiatives designed to clear the way for small businesses, but a lack of understanding of sole traders' and microbusinesses' needs means that these policies are not having an impact for the smallest firms. Our results suggest that the government needs to fine-tune its policy with these businesses specifically in mind, having understood that the biggest challenges they face are day-to-day practicalities.

ANDY WALSH



We opened the doors to The Coffee Kitchen in September 2011. We had no retail experience, no catering experience and we were located off the Main Street in Cockermouth, Cumbria. I had experience of working in manufacturing and local government and Angela had been working as a nurse manager in the NHS.

We did our homework. Our business plan was over 30 pages long, full of market analysis and differing financial models (from best case to meltdown). We didn't use the advice available locally from different agencies, most of which was all about writing your business plan (which we had already done). We were in the fortunate position of being able to raise the finance for the business ourselves by releasing capital from our house. So we didn't need to seek advice about business loans. We chose a local building society to hold our accounts because we wanted any decisions relating to the finance of the business to be made locally, not in Newcastle, Manchester or London. We felt this would allow us to build a better relationship (and this has proved to be the case).

The biggest challenges have been marketing, employing people and the financials. From an early stage, we realised our location would work against us so we've been very busy on social media from day one, creating a 'virtual café' so that people who can't get in that often still feel part of what we do. Most of our decisions regarding people have been good. We got one decision badly wrong and that caused

us no end of grief. As we've gone along, we've learned to be more acute financially, and tougher on some of the decisions we've made. It has been a long learning experience for us.

Cockermouth is renowned within Cumbria for its variety of local independent businesses. On our Main Street, we still have room for ironmongers, sweet shops, delicatessens, butchers, children's fashion shops, fishmongers, antique shops and pet shops. They're all owned locally and, therefore, contribute to the local economy. We have very few chains. Despite the years of austerity and financial crisis, we've had very few empty shops during this period.

The challenges we face as a town are to preserve our mix of good, independent shops while making sure that we grow and develop as a business community. Local government decisions can dramatically affect a town's health (recent works to our Main Street have cost us £4 million in lost takings across our businesses). Many policies which favour big business can have a negative impact on small businesses.

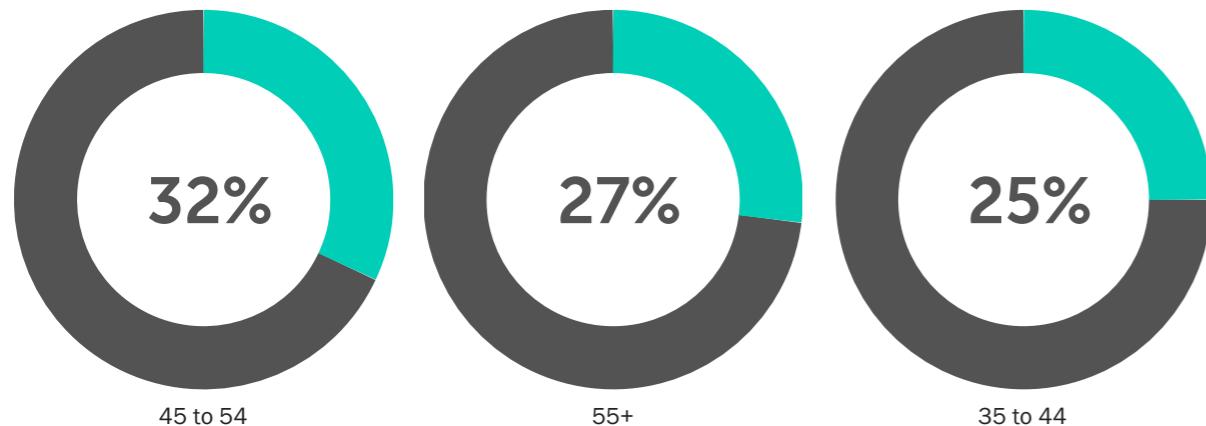
Andy and Angela Walsh own The Coffee Kitchen in Cockermouth, Cumbria

"the biggest challenges have been marketing, employing people and the financials"

The Simply Britain Backing Business report offers a landmark insight into the realities of being a sole trader or microbusiness owner. It provides a unique insight into their needs, and places them in the context of a broader necessity for political change. Here, we present some of the key findings from the survey.

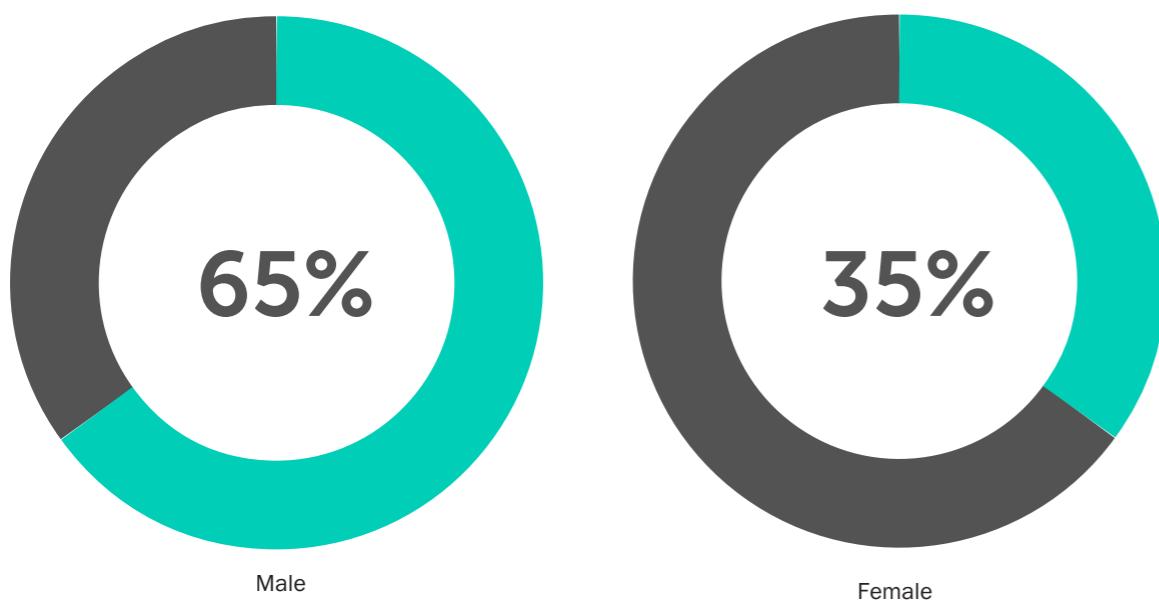
Demographics

Age



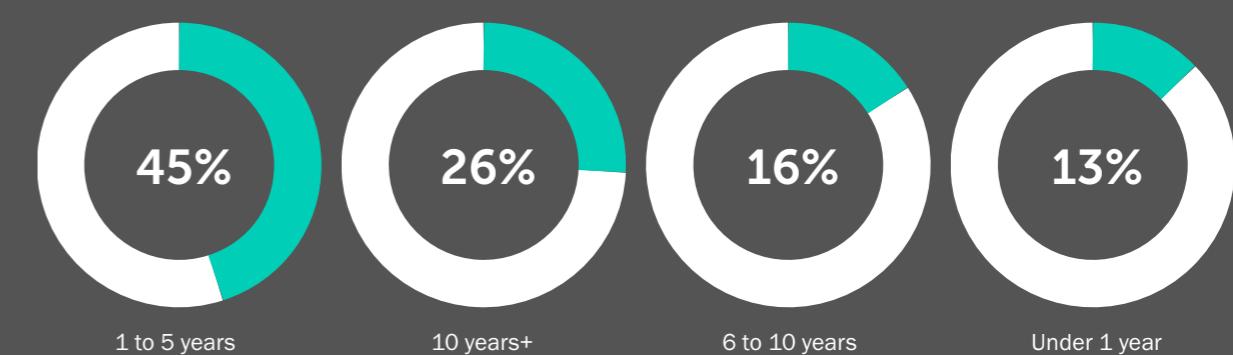
16 • Demographics

Gender



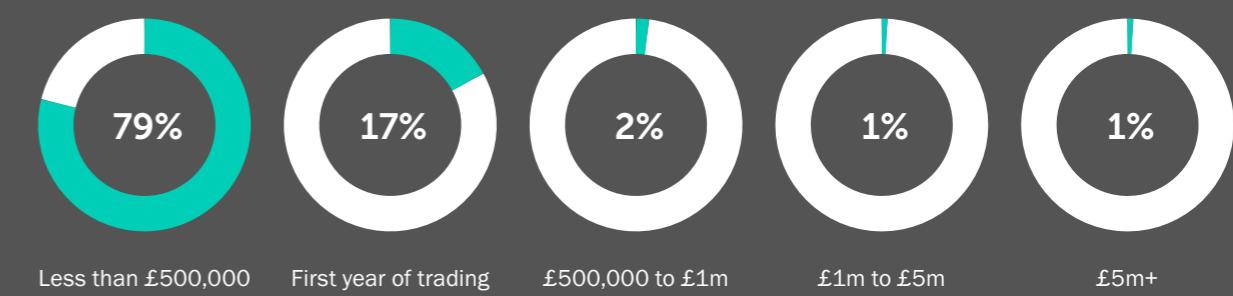
Demographics

Business age



17 • Demographics

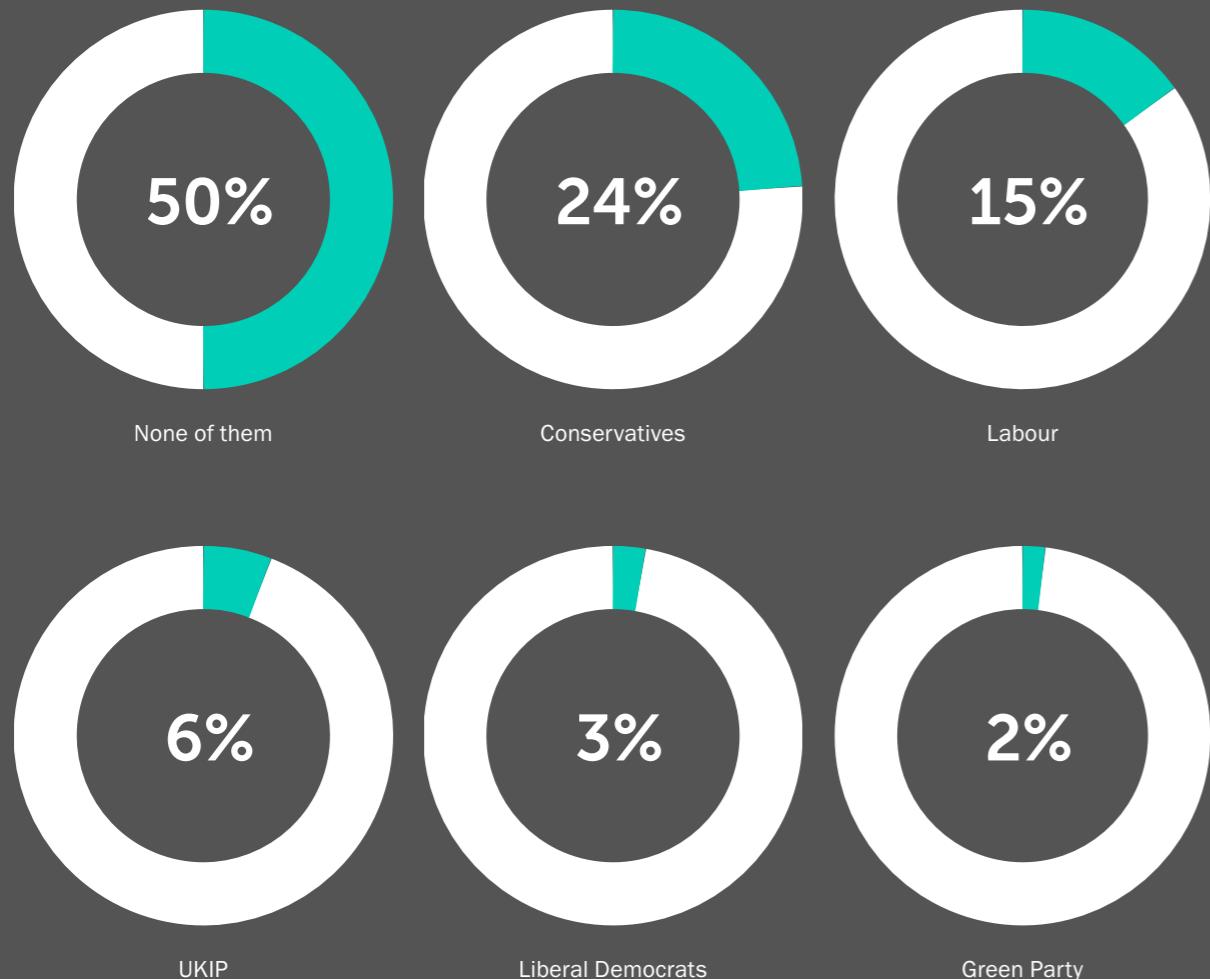
Approximate annual turnover (NET)



DISILLUSIONMENT

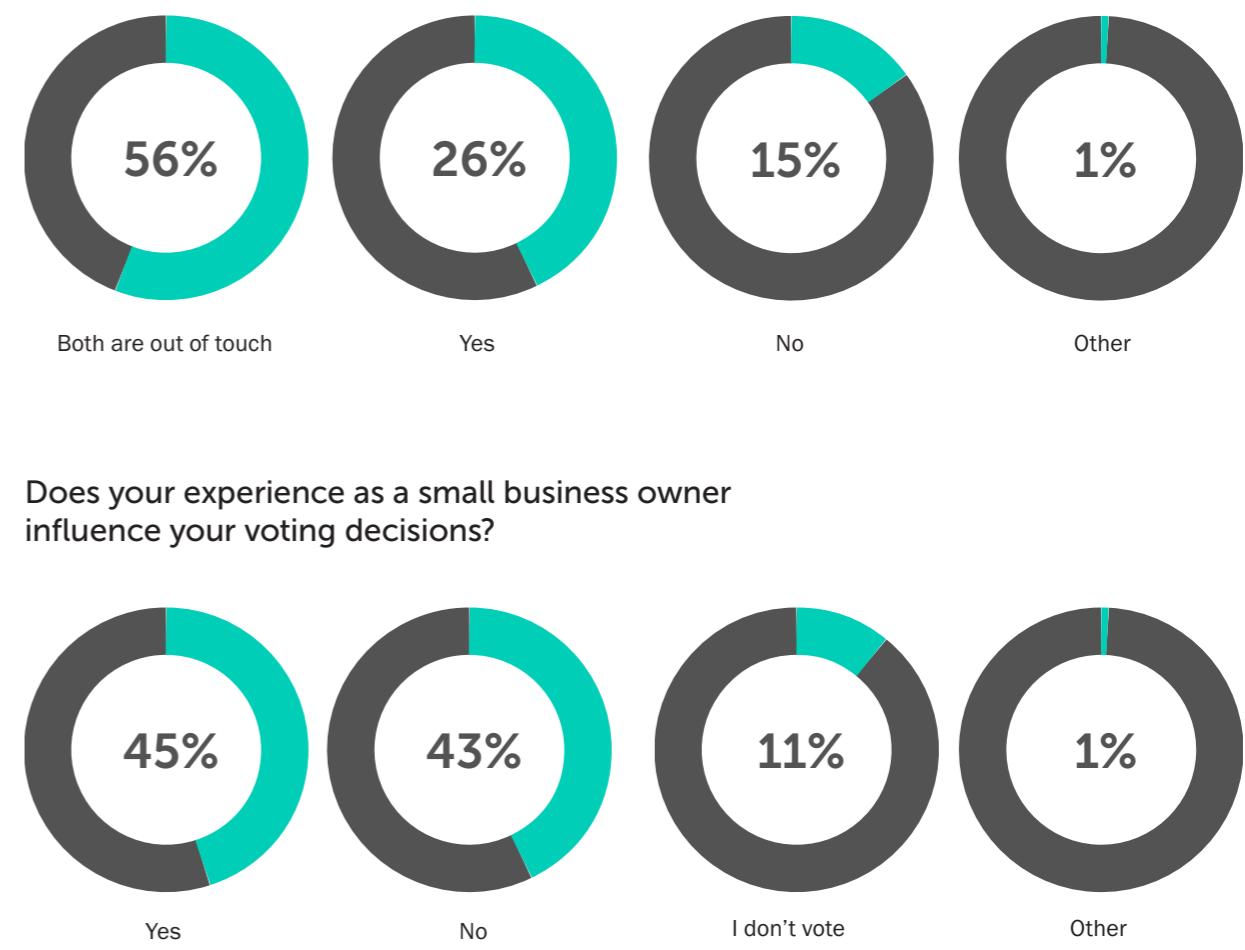
Political disillusionment

Which UK party do you feel best understands the needs of small and microbusinesses?



Political disillusionment

Do you feel your local government understands the needs of small businesses better than central government?



“existing businesses are ambitious to grow”

Accessing advice to grow

The UK is witnessing record startup rates and existing businesses are ambitious to grow. I have seen this first hand; in my business Enterprise Nation which is the UK's most active small business network, and through three years spent running the national enterprise campaign, StartUp Britain.

I have watched as the country hit over half a million startups in 2013 – and how it looks set to beat this in 2014 – how young people in their droves are electing to start a business (as opposed to just ‘getting a job’), and the positive side-effects of this rampant self-employment. Survey after survey shows that entrepreneurs are happier and more productive in being their own boss. From this, both the economy and society reaps reward.

There has been a strong partnership in place that has enabled this entrepreneurial fever to take hold. It’s a partnership of a government who have introduced programmes such as StartUp Loans and procurement targets, of large corporates who are opening up supply chains and other assets, and business owners themselves who have been prepared to share and collaborate, to help their fellow entrepreneurial journey-goers.

But there is one serious challenge facing small business and that is the challenge of getting the right advice at the right time. In our recently released Home Business Survey, when asked about the one thing they most wanted in their business, the most popular response from owners was ‘a mentor.’

To plug this gap, the Growth Vouchers programme was launched in January 2014 to offer advice to businesses that need it most, ie those who haven’t previously sought it out. The programme has had a powerful impact and connected business owners with advisers across key business categories such as sales and marketing, accessing finance, leadership and management, and more.

At Enterprise Nation we would like to see this programme continue beyond its stated end date of March 2015 so businesses can access the critical advice they need and Britain can turn what has been a startup revolution into a growth injection for the economy. In doing so, small businesses will be given every opportunity to reach their greatest potential.

Emma Jones MBE is the founder of Enterprise Nation

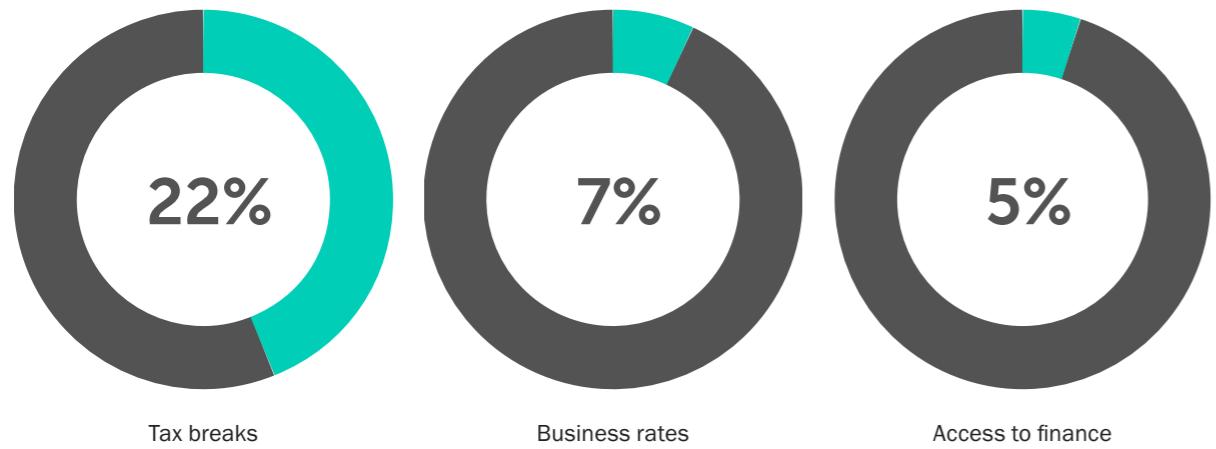
EMMA JONES



AND BARRIERS

Benefits and barriers

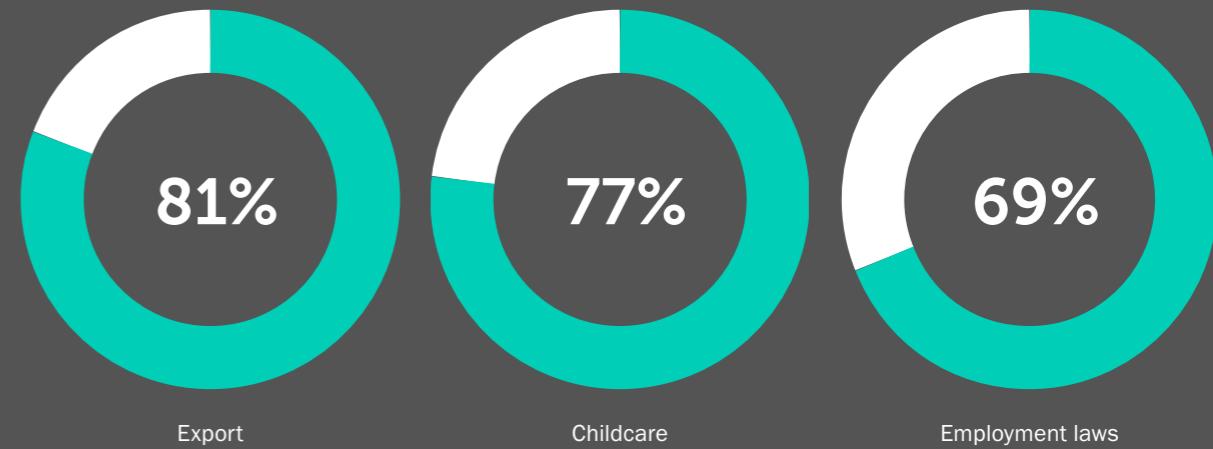
Which policy changes have helped businesses?
(respondents were offered a choice of 12)



22 • Benefits and barriers

Benefits and barriers

Which policy changes have made no difference?
(respondents were offered a choice of 12)



23 • Benefits and barriers

Which policy changes have hindered businesses?



BENEFITS AND BARRIERS

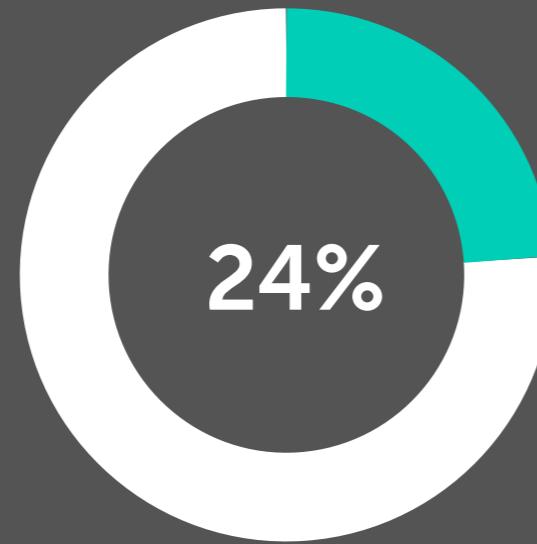
THE LOOK

The outlook

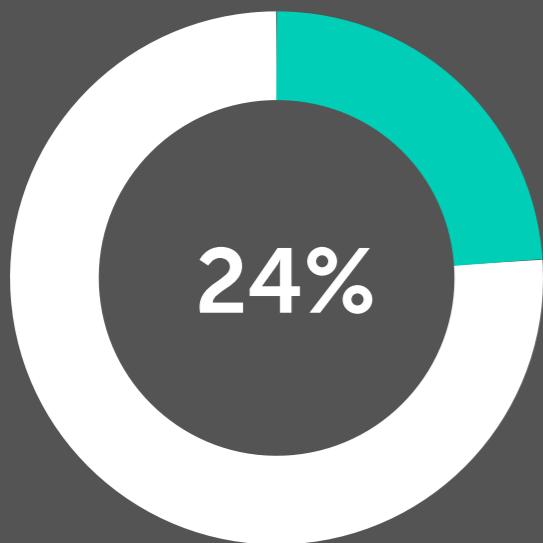
Do you think conditions for small businesses have improved over the past four years?



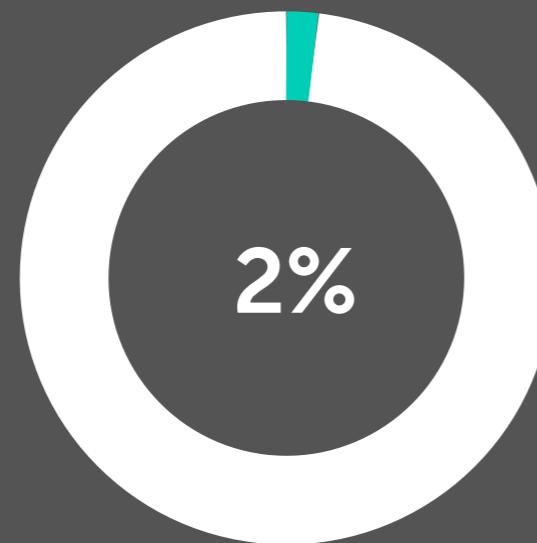
I don't think there's been any change



Yes, things have got better



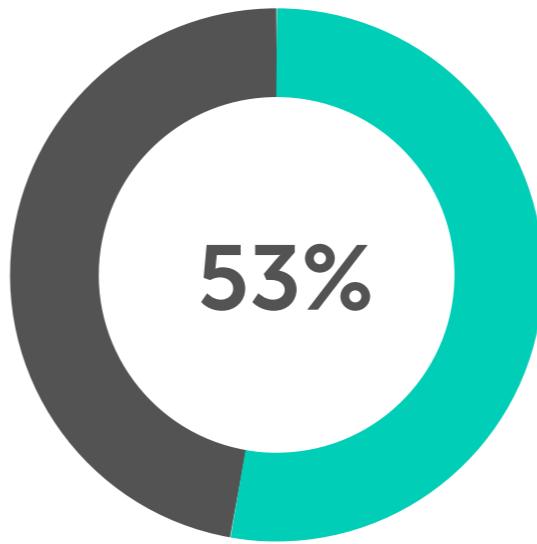
No, things have got worse



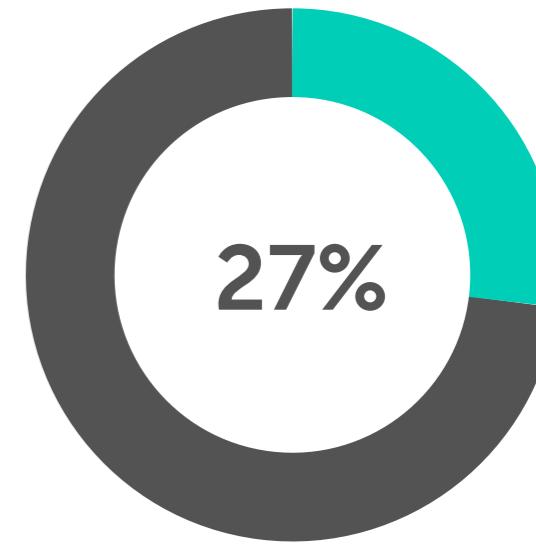
Other

The outlook

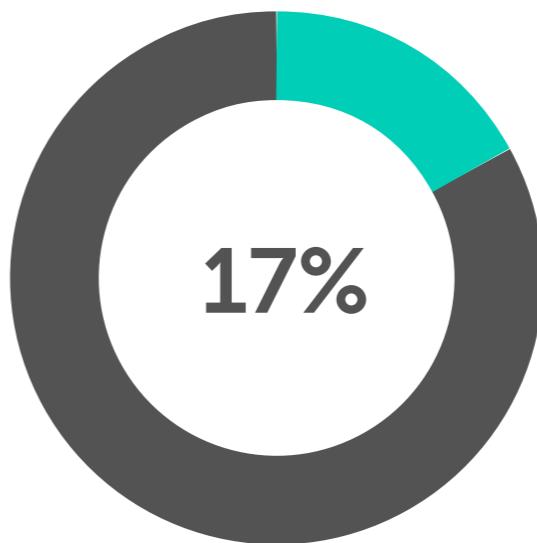
Do you think this will improve, over the next four years?



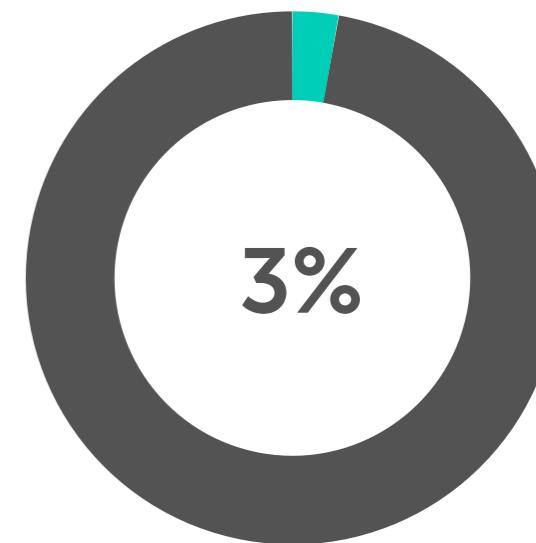
I don't think there will be any change



Yes, things will get better



No, things will get worse



Other

JOHN ALLAN

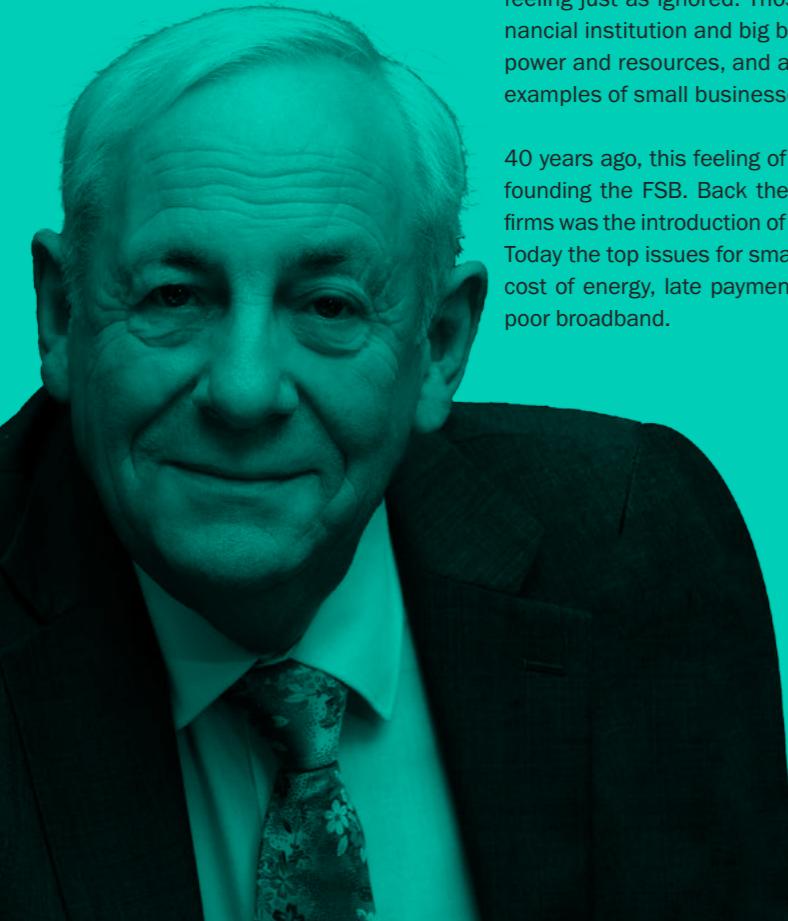
Together, we're increasingly hard to ignore

Entrepreneurs, small business owners, freelancers and sole traders... we're not the sort of people to follow the crowd. We started out on our own for many reasons; some of us wanted to go it alone, while others had ambitious plans to grow and create the jobs of the future.

From my travels around the UK I can honestly say that members of the Federation of Small Businesses (FSB) are dedicated to their cause, often working far longer hours in their own businesses. It's this determination and dedication which makes small businesses the reliable backbone of the economy. 4.9 million small firms employing 14.4 million people, accounting for 48.1 per cent of all private sector turnover.

However, what many people find when setting out on this path – going freelance, founding a startup or taking over the family business – is that we're part of another, bigger arena, where we can end up feeling just as ignored. Those belonging to the worlds of politics, financial institution and big business can appear to have tremendous power and resources, and all too often hear and see incidents and examples of small businesses feeling nobody cares about them.

40 years ago, this feeling of being sidelined was the main reason for founding the FSB. Back then, in 1974, the big issue worrying small firms was the introduction of Class 4 National Insurance contributions. Today the top issues for small businesses include business rates, the cost of energy, late payment, access to finance, skill shortages and poor broadband.



Small business owners can often feel powerless in the face of huge issues. For example, in 2008 £18.6 billion was owed in late payments – in 2014 that figure has more than doubled to £46.1 billion. We know from our members that small firms are being used by the large companies they supply as informal sources of interest free finance. This is why the call for real powers to be given to the Prompt Payment Code is one of the key asks in our Business Manifesto for the 2015 general election.

It's important to recognise that whatever our personal frustrations might be with political parties or politicians, together small businesses are a formidable force that is growing in power and influence. This year, for the first time ever, the Prime Minister came to address a national FSB event in London. Not only that, the Chancellor was there too. In addition the Business Secretary, Vince Cable, regularly meets with us and the Labour party leader, Ed Miliband, attended our National Conference in Manchester.

Together, small businesses are increasingly being recognised as the economic power house. This has resulted in real wins for the FSB and our members, including the £2,000 National Insurance Allowance we proposed, the Business Banking Insight survey to evaluate and improve business banking, and the growing consensus for the need for fundamental business rate reform our members are asking for. We may be small businesses, but together we are increasingly hard to ignore.

John Allan, National Chairman, Federation of Small Businesses

“small business owners can often feel powerless in the face of huge issues”

BOLSTERING SUPPORT

- 50% of respondents don't believe there has been any change in conditions for small businesses over the last four years
- 52% believe that there won't be any further change over the coming four years
- Most respondents said they would approach friends and family first about an issue affecting their business. More people said they would seek no help than would approach BIS or a local community group

"this lack of central resources is very frustrating"

3

Our survey has highlighted a sense of isolation and disillusionment among the UK's sole traders and microbusinesses. For the most part, they feel their needs are not being met by either local or central government. Despite the fact that they make up the overwhelming majority of the UK's small business population, they feel that they do not have a voice in the policies that govern them. "I am so small that I go under the radar," said one sole trader, speaking about how government policies impact her. "I don't think anything would affect me."

Our findings around where respondents would turn for business advice are testimony to this feeling of segregation. Tellingly, the majority said they would turn to friends and family as their first port of call for help, before reaching out to other small businesses, and then thirdly their accountants. In contrast, more people said that they were not sure who to turn to, than said they would speak to their local MPs, local community groups, or their lawyers. This lack of confidence as to who can offer the most suitable advice points to a sense of separation from the local business community among these business owners.

There is a pressing need to confront the isolation of sole traders and microbusinesses if their voices are to be heard. Those best placed to do this are local authorities, who in some cases know the individuals who make up these small enterprises, especially in rural areas. More than a quarter of our respondents said that their local government understood their needs better than central government. This can in part be attributed to an awareness of specific local needs and distinctive requirements.

One microbusiness owner told us of the need for local authorities to be more vocal about the demands of the business conditions in her area, "They need to spread the word to

the government about their environments. They need to say, 'We need the seed on the ground, there's a need to support local communities, a need for an injection of cash.'

In order to combat this dislocation, it is imperative that local authorities play an active role as the central link in the communication chain to the government, and the go-to source of information and advice. Above all, business owners need to be aware that that support structure is in place.

In reality, many authorities do run support schemes and have done so for some time. In our investigations, we heard of many examples of local authorities running workshops, free advice sessions and support meetings for the small business owners in their area. Many who attended were extremely impressed by what they saw and the impact this had on their businesses. Yet it is a concern that more people do not know what local community assistance groups can offer.

Networks exist across the country offering advice and support, and educational services tailored for exactly those business owners who are looking for someone to turn to in order to aid them in the establishment and running of their companies. The British Chambers of Commerce is just one example, with a web of 52 local centres across the UK to help its members, whilst also providing advice on its website for business owners of any size, irrespective of whether they are members.

But this work is not well-enough publicised in the eyes of sole traders and microbusiness owners. Centres offering guidance must make their presence known more forcefully and raise the volume on the services they provide in order for sole traders and micro-business owners to understand that this support exists.

Case study

Debbie studied for a diploma in Catering whilst working full time for Buckinghamshire County Council Library Service. Throughout the diploma, Debbie used each assignment as an opportunity to set up and register her business. She launched 'Debbie's' in 2006 as a food producer, selling ready meals and ready to eat products.

Having studied for a diploma in catering, I don't think I found the business set up phase as daunting as others. The diploma took me through all stages of starting a business, the hardest part for me was once I actually came to selling my produce at farmers markets. It's such a close knit community that it took a while to get used to the politics.

Now that I'm part of the community I definitely benefit from the close relationships that have been forged. Working in the food industry means we are very closely regulated, and as a sole trader it can be hard to filter all of the information and react effectively. We often find that we receive different information from each authority that we deal with and it would be easier for us if they all followed the same line of thinking.

This lack of central resources is very frustrating, especially as I know people in other regions are provided with free courses and training on these issues. It doesn't feel very aligned and I would like to see the governing bodies working together to deliver a consistent message to all suppliers – it wouldn't take much to help sole traders feel better informed.

I run my kitchen from home and work at around 12 farmers' markets a month on top of providing food for delis and catering events. With such a full schedule, I have thought about taking on an employee but I know other market traders who have had a nightmare after hiring staff. All the rules and regulations about leave and sickness puts me off taking that leap.

It would make a lot of difference if there was more representation from the sole trader community in Government. People use the term 'SME' and automatically think sole traders and micro business owners all fall into the same bracket and of course we don't. I think it's a shame it isn't realised because they are a lot of us and it would be nice to get more recognition.

Debbie Grant, food producer, Buckinghamshire

“we are forced to give up 20% of our profits to the taxman”

I set up Rare Tea Co. ten years ago and in my experience, there are very real and pressing issues affecting small businesses that the government needs to address. The fact that small businesses pay 20% corporation tax, while our larger multi-national competitors often do not, makes it a completely uneven playing field.

The small businesses of the UK collectively employ a huge percentage of the population and this fact is rarely acknowledged by government, nor are such businesses championed or rewarded for the contribution they make.

When small companies are starting out it is imperative to put everything back into the business but instead of being able to invest in our companies, we are forced to give up 20% of our profits to the tax man. As we are painfully aware, larger corporations are able to exploit loopholes to avoid the same responsibility. Given the difficulties facing small employers, the government should consider reduced rates of corporation tax for small businesses, based on a combination of turnover and profit level. I believe that this is both possible and realistic.

Another challenge faced when working with larger companies is prompt payment. At the moment, small and microbusinesses can be forced into agreements where payments are made three months after the receipt of goods or services. To add to this, larger trading partners often withhold payments until actively harassed. Chasing overdue invoices is an enormous strain on sole traders and micro-

businesses and the negative impacts on cashflow can be catastrophic. Small businesses have little influence and are often afraid to complain or force the issue for fear of delisting or souring relationships. Any regulation or action to effect change needs to take this into account.

Microbusiness owners and sole traders work flat out with limited resources to get their businesses off the ground and see them flourish. Most will not have the time or staff to lobby government for these issues. When I have looked at, or been invited to join, committees and bodies providing advice to government, there is never a single small business involved or I am a lone voice. If the government really wants to understand our problems, an offer of payment to sole traders and microbusiness owners to cover their time away from the business would help the long term future for small business policy.

Despite these challenges, I am optimistic that change can happen. Just because this is the way the world works at the moment doesn't mean it has to be that way. When I started Rare Tea Co. nobody thought it would take off because consumers were almost exclusively using tea bags and not the loose leaf tea we champion. Ten years later we have a cult brand that is stocked in every Waitrose across the UK, work with most of the best hotels and restaurants and export around the world. It might take time, but by acting together we can effect real, positive change.

Henrietta Lovell, MD and founder, Rare Tea Company

HENRIETTA LOVELL



RECOMMENDATIONS

self-employment is at
a 40-year high

4

Sole traders and microbusinesses comprise a huge proportion of the UK's total business community, but the majority (63 per cent) do not feel that they are being well-served by the government.

This situation has to change. Sole traders and microbusinesses have vast untapped potential, but they need tailored support if they are to fulfil it. This means government policy that recognises their unique needs, focusing on the day-to-day realities of running such a business. It means a change in the government's view of the small business community, recognising that there is a tangible and practical difference between sole traders and microbusinesses and the rest of the country's small firms. It means a concentrated voice in the government for these businesses – someone with knowledge of the practicalities of running a venture of this sort, and who is ready to understand and listen to the views of sole traders and microbusiness owners across the country.

This is not a party political question. As our research has shown, the majority of sole traders and microbusiness owners do not believe that any party properly understands their needs. We

- **63%** of respondents do not feel they are being well served by the government
- **Self-employment** is at a **40-year high**
- **45%** said their experience as a small business owner influences their voting decision

need a rethink from politicians of all stripes. Every party must consider how it can best respond to the needs of this part of the business community, recognising not only the potential power of the microbusiness, but also the growing importance of self-employment in the overall employment landscape. Figures from the Office for National Statistics suggest that self-employment is at a 40-year high, with 4.6 million people now working for themselves – some 15 per cent of the number in employment. Many of these individuals are sole traders and microbusiness owners. As this career path continues to grow in popularity and importance, these individuals need proper representation, not only so that their views and wishes can be heard in the government, but also so that Westminster can help them to succeed.

There are also sound political reasons for better representation of sole traders and microbusinesses. Some 45 per cent of respondents told us that their experience as a business owner influences their voting decision. Clearly, there is much to be won for a party that can demonstrate it is on the side of this crucial part of the economy.

OUR RECOMMENDATIONS

The Simply Britain Business Pulse Check has highlighted the unique challenges faced by sole traders and microbusinesses. In order for this crucial part of the economy to fulfil its potential, it needs proper representation and tailored support at both local and central government levels. We are calling on the next government to take a range of key steps to ensure that these firms' voices are heard.

Our recommendations

- 1 The establishment of a Minister for Microbusiness
- 2 A reduction in the small profits rate of Corporation Tax
- 3 A further increase in the rate of Mileage Tax Relief
- 4 The extension and enhancement of the government-backed Growth Voucher programme
- 5 Further funding for and clearer signposting of local authority business support

SIMPLY BUSINESS

About Simply Business

Simply Business is the UK's favourite business insurance broker. Launched in 2005, Simply Business provides an online brokerage service delivering policies tailored to individual business requirements. It has a team of UK-based insurance specialists and employs over 250 people across offices in London and Northampton. Simply Business insures over 250,000 UK SMEs and owing to its internal underwriting capability can cover over 1,000 trade types. It has been a Sunday Times Tech Track 100 company for the past three years and was recently named in the Deloitte Technology Fast 500 EMEA.

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