

August 2020

Campaigns for change

TRADING THROUGH CORONAVIRUS

The Coronavirus (COVID-19) Business Impact Survey Report

by Business West

Background

Business West conducted a second major COVID-19 survey to measure and analyse the impacts, responses and recovery of businesses in South West England. The results were collected between 21 July and 4 August from 519 respondents across a wide variety of company sizes, sectors, and geographical bases. We believe this is the largest survey of its kind carried out in the UK to gauge recent business impacts from the COVID-19 pandemic.

Our analysis of the results brings real insight to how our region is affected by, and recovering from, the most significant economic shock in modern times. We present these results to inform public policy, local discourse and business planning for the South West as we begin to recover and rebuild.

We designed the survey to tease out trends of employment and skills, the financial impact on business viability and capacity to invest out of the downturn and the anticipated operational changes that COVID-19 has triggered or accelerated. This report is structured around these themes.

Respondents to the survey are located across the region and are from a full range of business sectors. Their legal form and size of workforce varied enormously too – but it is worth noting that 280 (54%) of respondents are currently

exporting. A further 8% aren't currently exporting but are considering their options to sell into international markets. We have a high response rate from those within various forms of manufacturing too (13%).

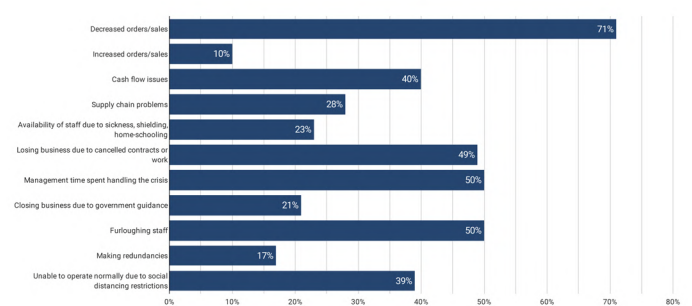
Organisations with fewer than 10 employees – referred to as 'micro' entities – made up two thirds of respondents. For the sake of simplicity, we refer to respondents as 'businesses' for the purpose of this report, but 27 are in the not for profit sector or those with charitable purposes.

Major trends

The survey helped highlight the overwhelmingly negative impact that COVID-19 has had on most businesses in South West England:

- 33% stated that coronavirus has been extremely negative,
- a further 43% reported this has been negative,
- only 9% described the impact being either positive or extremely positive.

In what ways has your business been affected by COVID-19?



Appendix 1

Employment and skills

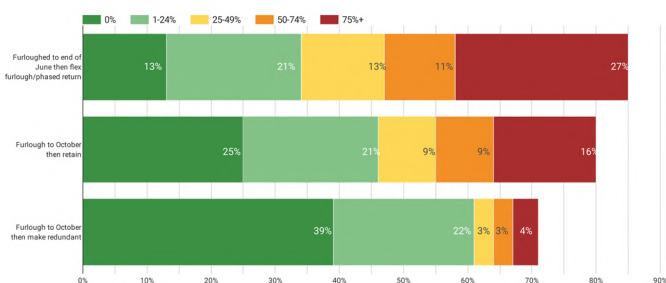
In the survey we asked a number of questions exploring the impact of COVID-19 on employment and skills in the region to understand labour market trends. The Coronavirus Job Retention Scheme (CJRS) was the most used government intervention according to the survey, before tax deferrals and Bounce Back Loans. Of the businesses surveyed employing staff, 41% described CJRS as essential, whereas 66% described it as either useful, important or essential, making it by far the most important form of government support rated by business respondents.

Headline findings:

- For those businesses who used the CJRS the proportions of employees that had been furloughed varied widely, with 38% using it for three quarters or more of their staff.
- Of the businesses surveyed with employees, 35% of respondents didn't use the scheme at all.

With the costs to the employer of keeping employees on furlough being incurred from August and the winding down of the CJRS in October we wanted to understand what plans businesses using the scheme had for their workforce.

In relation to the staff you have furloughed, what percentage do you envisage falling into each of the following groups?



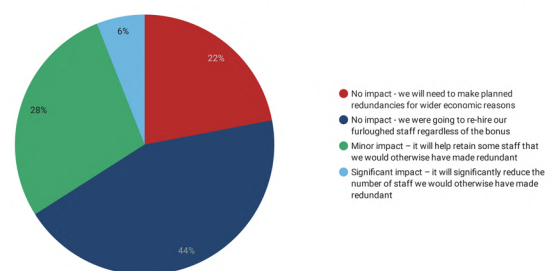
Appendix 2

From these results, it would appear that the majority of workers furloughed by their employers are likely to be retained, rather than made redundant, and high proportions of employers will be using flexible furlough rules to bring staff back at least part time prior to the end of the scheme in October.

Of those making redundancies amongst their previously furloughed staff, 68% of respondents didn't expect to make any of their furloughed staff redundant.

In the Summer Economic Update in July 2020, the Chancellor introduced a Job Retention Bonus of £1,000 per employee for those furloughed under CJRS who are then re-employed at the end of the scheme through to January 2021 (subject to any earnings threshold being met). We asked survey respondents employing staff how important this bonus is expected to be to in terms of their decision whether to retain furloughed workers or not. Our survey suggests that the positive impact of this bonus is small, with only 6% reporting it will have a significant impact on their decision, and 28% reporting it to have a minor impact.

Compared to your workforce plans before the Chancellor's Summer Economic Statement, what effect does the job retention bonus of £1,000 for each furloughed worker have on your business?

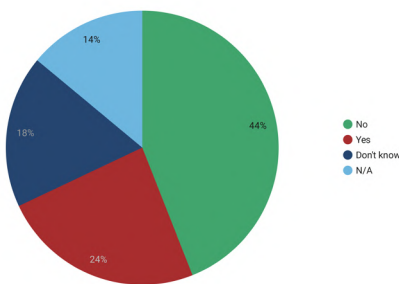


Appendix 3

Redundancies

Next we asked about whether businesses had already made, or were planning in the future to make, redundancies. Whilst a significant proportion (20%) of respondents employing staff were not sure of their plans given the level of business uncertainty, 27% had already made those difficult decisions in relation to their staff.

Have you already or do you expect to have to make staff redundant as a result of COVID-19?



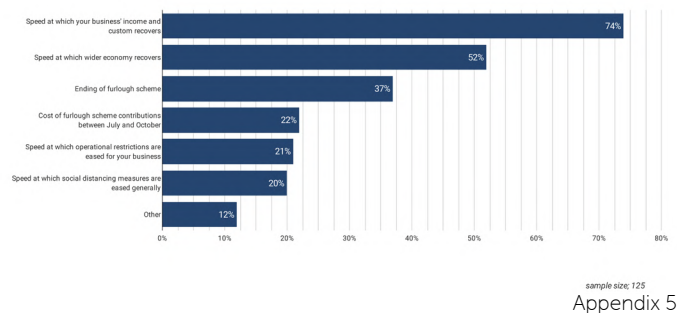
Appendix 4

We wanted to analyse the main reasons for redundancies that had already been taken or were planned, knowing that no business wants to lose one of their main assets: their people. The most important factors (respondents could select more than one) related to economic and business recovery:

- 75% said the speed their business's income recovers,
- 52% said the speed of the economic recovery.

The wider speed at which the economy and individual business income recovers will therefore be critical to levels of unemployment moving forward. Interestingly these two factors are named as more important than either the ending of the CJRS (37%) or the employer contributions to the CJRS between August and October (23%), but these two government policy factors are still significant.

What factors will influence the number of staff you may have to make redundant?



Of the respondents making redundancies, the timing of these are quite near term:

- nearly half (43%) have already made those posts redundant,
- a further 43% will make these between August and October 2020.

Our survey therefore shows nearly 90% of redundancies are occurring before November of this year – a significant concentration of impact in a short space of time. If employers follow through with these plans, then the positive side is that redundancies are not expected to materially spill into 2020 (fewer than 3% of respondents reported redundancies occurring beyond January 2021).

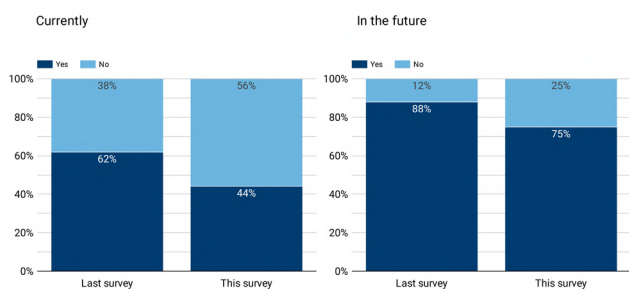
The proportions of workforces made redundant are reassuringly lower than could have been the case, with 65% of respondents making less than a quarter of their workforces redundant. On a more positive note, 17% of respondents took on additional staff since lockdown to support their businesses in particular growth areas or to fill skills gaps. Overall, 9% of businesses reported growth through the lockdown period and a further 9% had already (by end of July) recovered to pre-lockdown levels.

Financial impacts and business confidence

The financial health of our region's business community is vital to our area recovering and thriving, but COVID-19 impacts cannot be overstated. According to our current survey, 44% have current concerns about their business's financial position, rising to 75% in the future. This is a noticeable improvement compared to our survey in April, where 62% said they had concerns "currently" about their financial position, and 88% said they had these concerns "in the future". Business sentiment in our region remains strongly negative, but moderately less so than four months ago when maybe the unknown duration of lockdown was an additional fear factor.

Due to the timing of this second survey, it is worth noting that the response rate differs to our first survey, with more than 1,100 responses compared to 519 on this occasion. Whilst we enjoy a very loyal completion rate from our core members and customers across the region there isn't complete overlap between organisations that responded to this survey and the prior one.

Do you have concerns about your financial position due to the impact of COVID-19 currently or in the future?

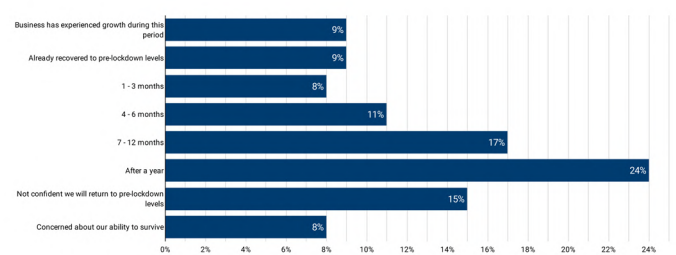


Appendix 6

We asked respondents how certain financial metrics had changed since lockdown to break down how the pandemic has had very different impacts across the sample. The most dramatic impacts, predictably, were on profitability where 61% of respondents reported a decrease. 50% of respondents report a decrease in cash reserves. Liabilities including loans had increased for 28% of respondents.

With so much public discourse focussed on the 'shape' of the recovery, with 'U', 'V', 'L' and many other letters to choose, we wanted to understand how long each business thought it would take to return to pre-lockdown levels. Setting aside the proportions mentioned above that have already recovered or experienced growth during the lockdown period, the largest group (24%) anticipate the recovery taking over 12 months. A worrying 15% of respondents don't anticipate ever recovering to their pre-pandemic level, and the most distressed businesses surveyed (8% of all responses) are concerned about their ability to survive. A substantial component of businesses sentiment thus remains negative on short- and medium-term growth prospects.

When do you feel your business will recover to pre-lockdown levels?

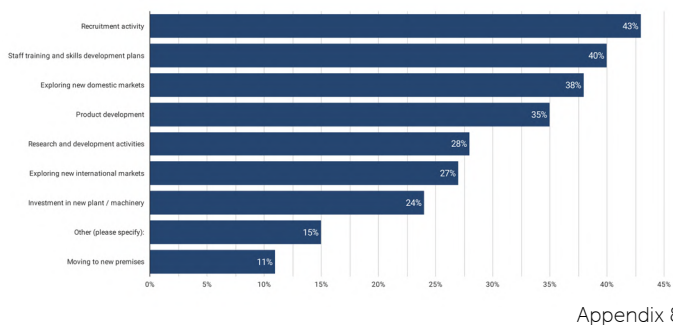


Appendix 7

How businesses have responded to lockdown restrictions has varied, and we asked what activities, much of which impacts the long-term growth prospects of these very same businesses, have had to be delayed. Whilst respondents could select all which apply, a few categories jump out:

- Human resources: Recruitment (43%), Staff training and skills (40%).
- Exporting and supply chain: Exploring new domestic (38%) and international (27%).
- Products and physical investment: Product development (35%), R&D (28%) and investment in new plant (24%).

As a result of COVID-19 have you had to delay any key plans you had for your business?



Significant postponement or cancellation of investment in physical and human capital assets and business development are all likely to create a lag in business's growth potential and curtail productivity improvements in an environment where UK businesses already under invest in many of these areas.

Unfortunately for the business health of our region all our results point to a longer-term impact of COVID-19, with business confidence badly damaged and reduced capacity to invest and drive the recovery. Businesses will need fresh support to arrest these cuts to their capacity and support a return to reaching their potential. This will be especially important due to the uncertainty caused by the Brexit transition period, which comes to an end in less than 6 months' time.

Access to lending

Businesses having access to cash and debt facilities to re-structure their operations, drive efficiencies and expand into new markets and products is vital.

When asked, a reassuring 60% of respondents reported that they had adequate access to bank lending to meet their business needs, only 9% said that they didn't, and the majority of those in the don't know/not applicable category explained that they didn't have any need or desire to take on bank debt in the course of their business. Comparing organisations of various sizes, the trend is those with larger workforces typically have better access to finance and required debt in higher proportions than small or micro entities.

Access to lending has broadly improved or remained stable since lockdown, with the majority (54%) reporting that it was largely unchanged and 34% reporting it had improved, with many respondents noting that they had accessed the government backed Bounce Back Loan scheme and the Coronavirus Business Interruption Loan Scheme. Only a small minority of respondents reported that this had got worse (9%).

With higher levels of business debt, the cost of servicing these loans also increased for 16% of our respondents, against 9% who reported their finance costs decreasing. Most (76%) businesses report stable cost of finance, suggesting that some businesses may have managed to restructure their debt and take advantage of cheaper finance where these products are available.

Looking forward – forever changed?

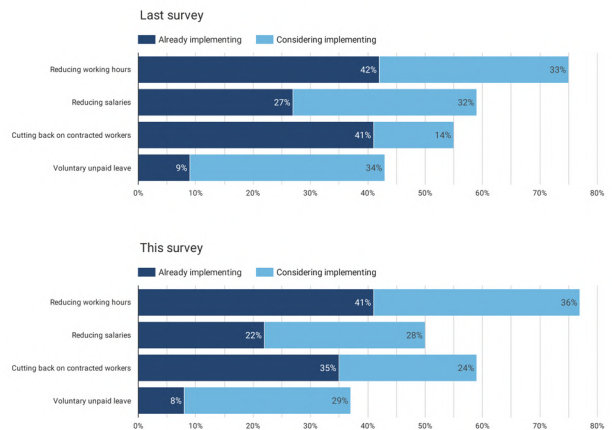
Regardless of how long the recovery takes, we wanted to understand any structural and operational changes that COVID-19 has either prompted, or existing trends that have been notably accelerated. To explore some of these changes we asked questions about changes to working practices, business and commuting travel and premises which give some indications of what the 'new normal' could look like.

The first major trend is that businesses of all sizes have taken extensive steps to reduce labour costs, with the most common actions being cutting working hours (77% of respondents with employees either having cut or are considering implementing cuts in future). Employers have also encouraged or plan to encourage employees to take unpaid leave (37%) or reduced employee salaries (50%). 179 businesses of all sizes including those with no employees have considered or actioned plans to cut back on contractor labour – 59% of those that answered this question.

These statistics show very clearly that the labour cost reductions go far beyond job losses reported in other statistics and media announcements – the contraction in demand for goods and services is being felt very strongly in the hours worked and take home salaries of workers in our region, with a much higher underemployment trend than historically has been the case before the pandemic.

Some of the actions taken by businesses will be short term with no longer lasting implications for workers in the region, but salary cuts, and a move to more use of part-time working suggest a longer-term trend. Household purchasing power in our region will have suffered more of a decline than just the jump in the claimant count suggests, and this is in addition to the income restrictions for furloughed workers under the CJRS of 80% of pay up to the £2,500 monthly cap.

What factors will influence the number of staff you may have to make redundant?



Appendix 9

Business operations

The impacts of social distancing and obligations on businesses to make their premises 'COVID-secure' have potentially significant ramifications for business operations into the recovery. In order to analyse these issues, we asked a number of questions about uptake of remote working, business travel and workspace and business premises requirements. The most noteworthy trends are summarised below.

Home working is likely to be a key trend in the post COVID-19 'new normal' with 51% of all respondents planning on a greater use of homeworking for at least part of their workforce. Other work pattern results included:

- 29% of respondents said they were planning on greater use of flexible hours, part-time or job share arrangements.
- 21% were at least considering staggered shift rotations for staff still working from business premises to accommodate social distancing requirements.

These trends are even stronger amongst larger employers, reaching 67% and 41% for greater use of home working and increased use of flexible job arrangements categories respectively when looking at businesses employing at least 50 workers.

The implications for employment land and the size of business premises required for businesses in our region are less clear:

- 60% of respondents said there would be no change in their business premises requirements as a result of COVID-19.
- The proportions of businesses needing larger premises (for social distancing purposes) is only 12%, and this is offset by the 17% of respondents who anticipate needing less workspace because their staff are working more of their time remotely.

Our survey results show that the recent hype around the 'death of the office' is not borne out by businesses in our region. Only 6% of respondents were planning on closing their premises entirely and a wholesale move to remote working.

A very significant proportion of respondents foresaw reduced need for business travel, and for 20% of these the savings were significant. This bodes well for businesses in terms of carbon emissions, congestion in our urban and suburban areas and lost time travelling to meetings where other virtual options are available.

However, 36% foresee that business travel will remain relatively unchanged, potentially because their business model doesn't allow for efficiencies in this area.

Of those respondents who expressed an interest in sustainable travel and alternatives to travel, the following trends are noteworthy:

- a very significant 64% were increasing their use of video conferencing to save business travel budgets.
- 54% were focused on increasing uptake of cycling and 39% want to increase uptake of electric bikes and scooters.

- 34% were also investing in supporting infrastructure to help securely store bikes and install electric charging points for new zero emission vehicles.

The potential long-term benefits on air quality in our region and the health of our workforces and communities as a result of these major behavioural changes are a positive impact of lockdown.

Use of our findings

We are enormously grateful to the 519 organisations who generously gave their time to fill in our survey and provide an extremely useful snapshot of their businesses. The analysis presented here, and the additional responses provided give us an unparalleled insight and platform on which to continue our policy lobbying and advisory service work across Business West's many platforms.

This report is being sent directly and through Business West's membership of the British Chambers of Commerce network to a wide variety of interested stakeholders. These include central government departments and ministers, MPs and their offices representing our region and local partners across the public sector and the Bank of England. The Business West team hope that the data and analysis contained here will inform public debate and policy development into the future.

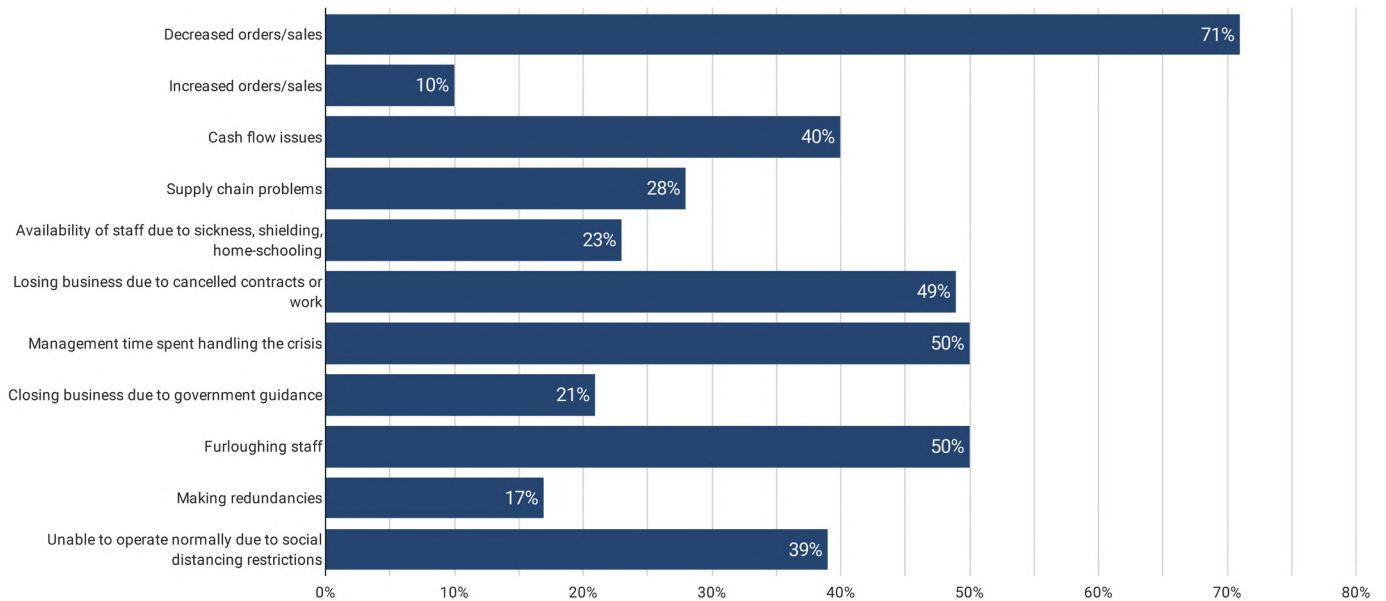
Get support for your business

We are providing guidance & support during the coronavirus (COVID-19) pandemic for businesses, employers and employees across the country.

Visit our website for more information.

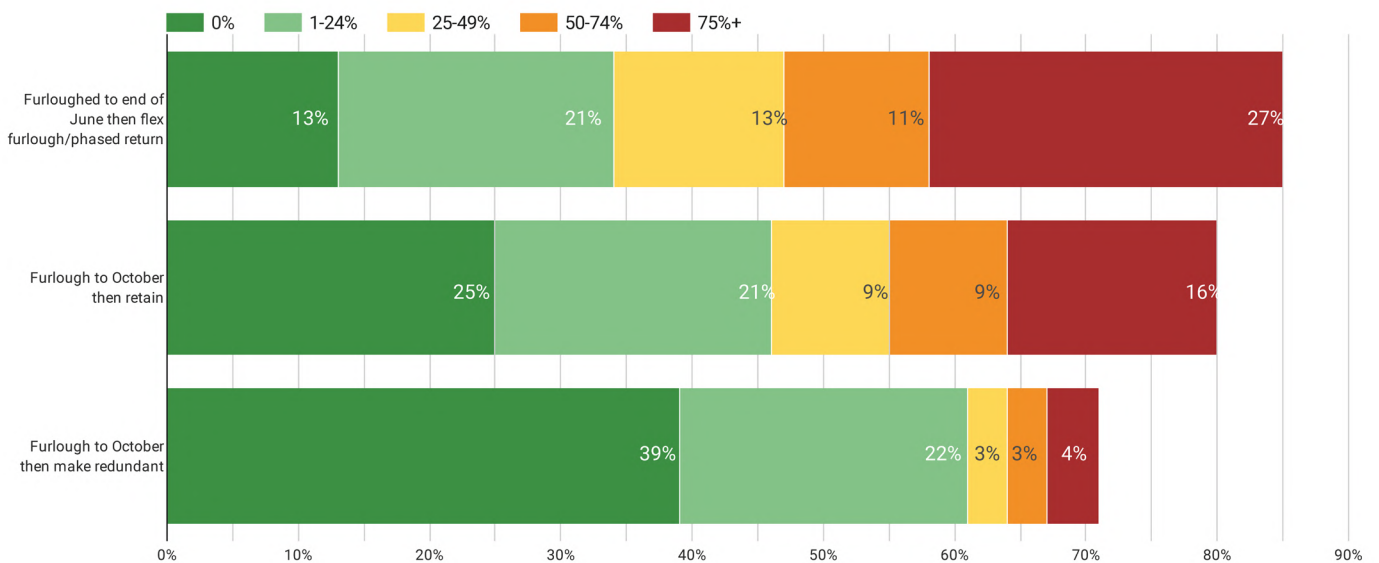
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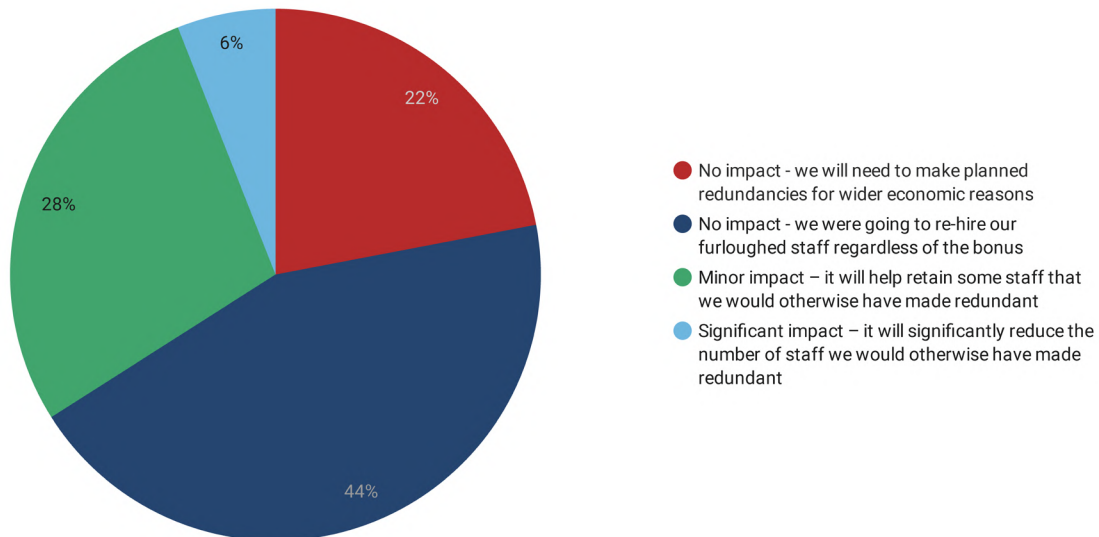
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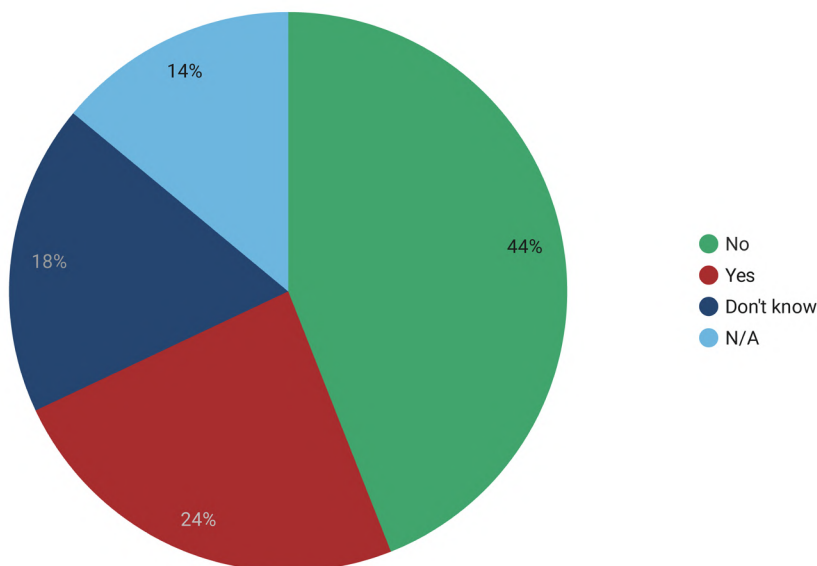
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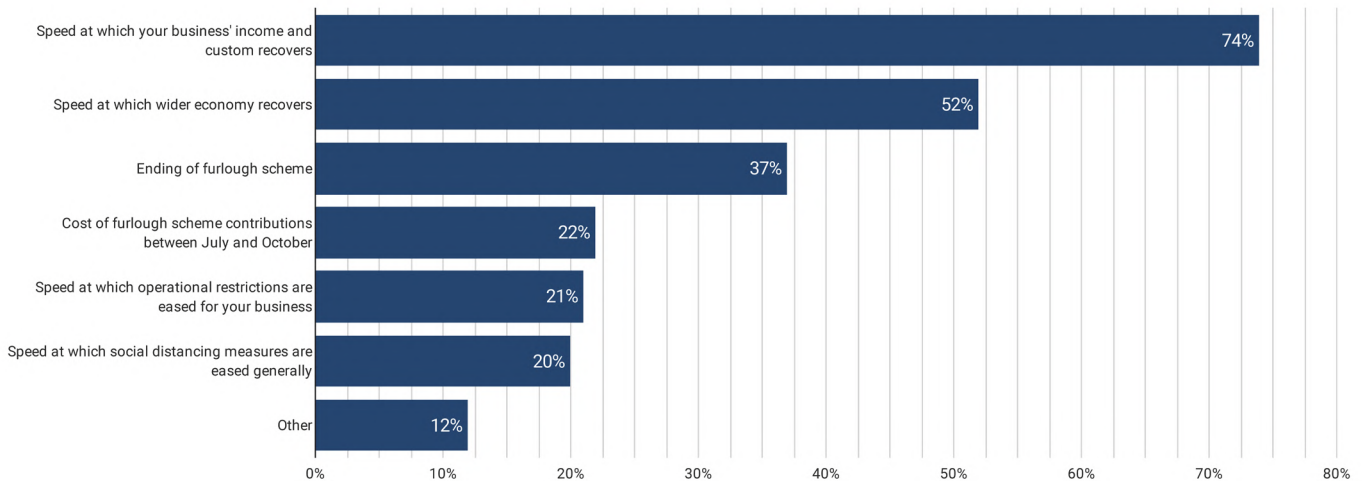
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Appendix 5

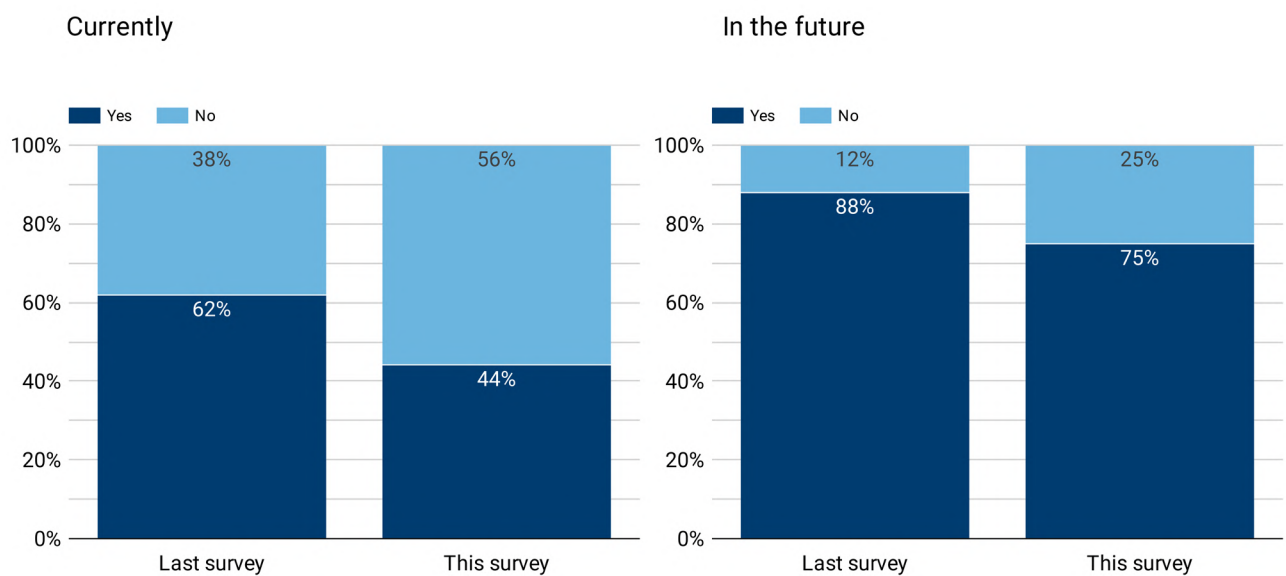
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sample size; 125

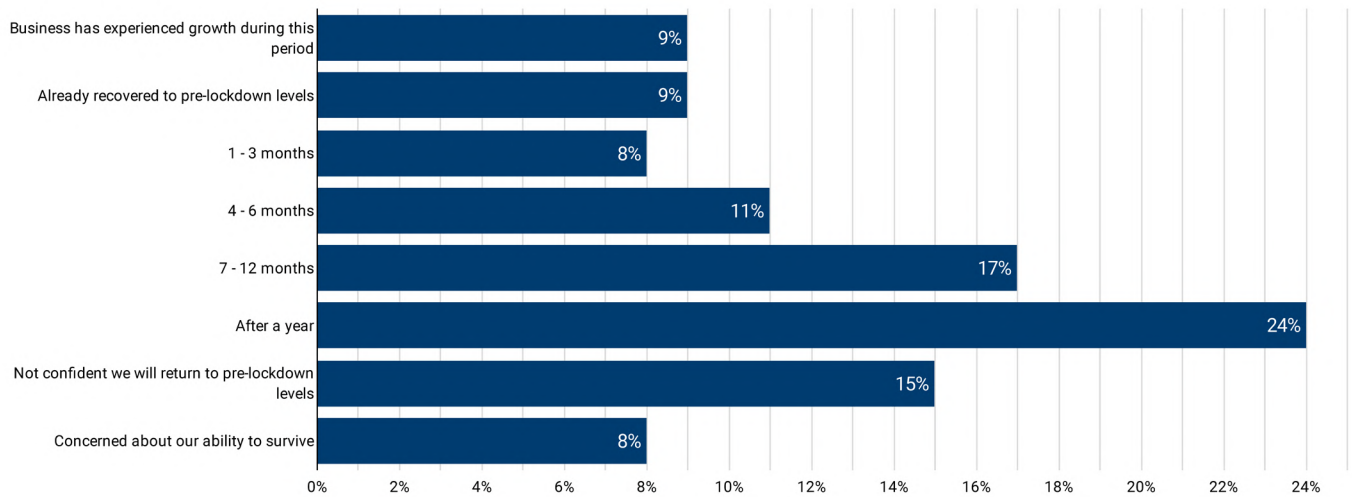
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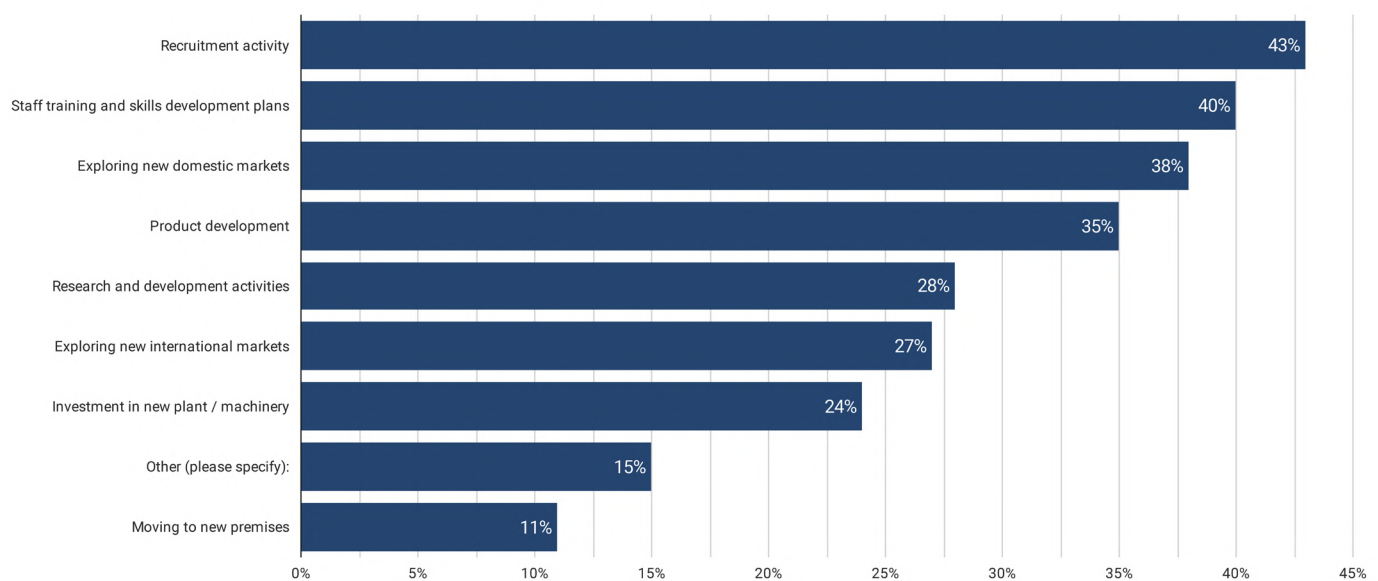
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When do you feel your business will recover to pre-lockdown levels?



Appendix 8

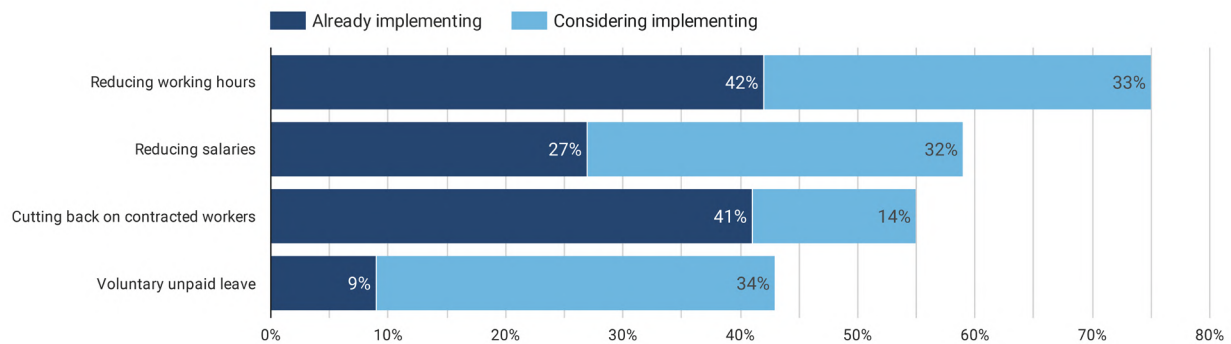
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What factors will influence the number of staff you may have to make redundant?

Last survey



This survey

