



The WorkLife Small Business Monitor

Spring 2021


by OpenMoney



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Welcome

When we undertook our first Small Business Monitor study in the summer of 2020, the grip of the pandemic had already taken hold of almost every aspect of people's lives. Now, seven months on from the launch of the research, there are finally signs of a light at the end of the tunnel – but at what cost to businesses?

While our previous study was a snapshot taken from an extraordinary first few months, our second survey, completed in March 2021, reflects how businesses have learned to adapt since and how they can now start to look ahead at shaping a new future for the company and their employees.

This study will consider the progress made, comparing the views of decision makers at small businesses across many of the same areas. It will look at how the issues they face, the financial impact of lockdown and their wider confidence in their business may have changed in the months since our first research. It will then explore the potential return to normality, with growing confidence from the results that many of these small businesses still have a bright future.

In the hardest of times in the past year, the best of small business ingenuity has shone through on many occasions. Whether adapting to remote working, operational restrictions, or revolutionising the company's working model, in a time of crisis valuable new skills and opportunities have been seized by the millions of small businesses at the core of UK society.

Our study reflects this positivity across a number of areas, not only in terms of the impact felt since the previous research, but also in confidence for the planned phases of reopening in the UK. Income stability is growing and recruitment plans are in place, while precautions and cutbacks are seemingly in decline.

But figures and trends moving in the right direction do not mean the end of the problem, as significant numbers of small businesses still face real difficulties ahead for the company, their income and their employees. Continued external support and effective over planning by the owners themselves will be vital over the coming months to overcome some of these hurdles.

It's the employees who should be at the heart of plans to help businesses move forward out of lockdown and into recovery. Employees need to be rewarded for their commitment and versatility in helping keep many small businesses going. Companies must recognise the part their people played as they look to rebuild.

It's therefore pleasing to see employees topping the list of focus areas and concerns among smaller firms throughout this study. In many cases the bond between employers and employees has been strengthened through a mutual need to support each other to ensure the future of the company. Where companies offer flexibility, understanding and support now, experience suggests they will be rewarded with loyalty and commitment in the future.

For many small businesses fighting for their future, dedication to their staff now sets them apart from others. This could bring its own rewards in the months ahead.



Steve Bee,
Director at WorkLife

The WorkLife Small Business Monitor Spring 2021

In the second of our research reports, we again interviewed 750 senior financial and HR decision makers in UK small businesses (SMEs) of between five and 250 employees. Our aim was to understand how the impact of Covid-19 and lockdown has changed since our previous research, published in October 2020, and how SMEs' outlook had changed with the end of lockdown now in sight. We asked them about how their finances, working practices, employees and job roles have been affected, as well as what they believe the future holds for them as restrictions across society are lifted.

Income: Early signs of recovery

Three in 10 businesses say their income has grown or remained stable

Our previous report highlighted the scale of the pandemic's impact on businesses' income, both in terms of the money they had received since lockdown began and how they expected their financial recovery to take shape.

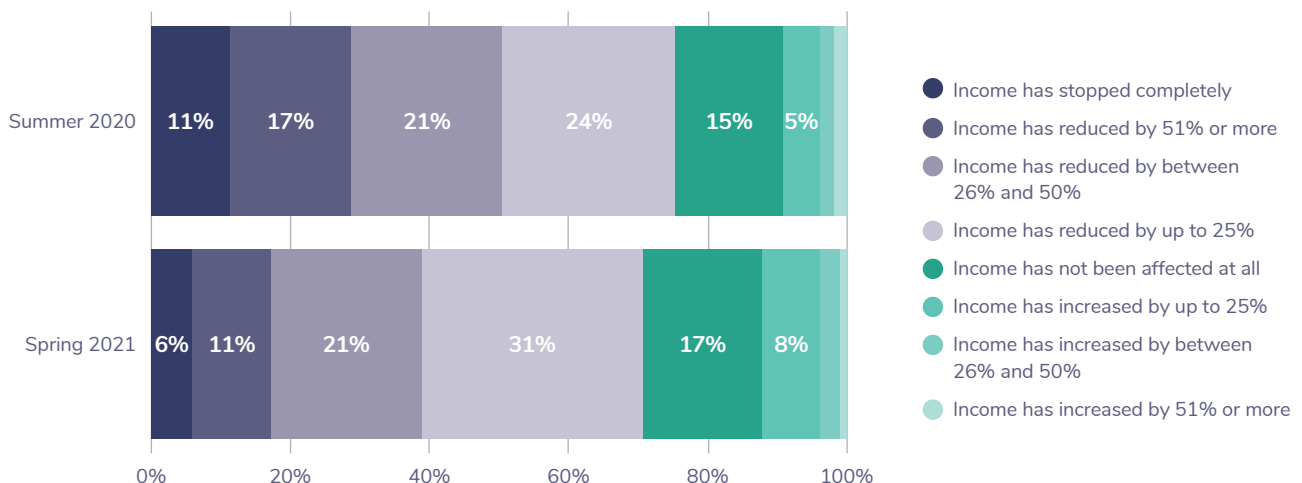
This new research shows that, for many, the situation has remained very challenging and future outcomes are far from certain. There is, however, a more positive trend that points towards either smaller losses or, in a growing number of cases, an increase in income since the previous study.

Some 69% of businesses still report that their income has either decreased to some degree, or has stopped completely since March 2020 - down from 73% in our previous research. While this overall change may seem small, within this the scale of losses has also reduced. The percentage of those facing a complete stop on income fell from 11% to 6%.

On the other side, the number of businesses reporting either similar or increased income levels in the past year has grown from 24% to 30% in this latest study.

Manufacturing, production and construction remain the hardest hit industries, with 76% reporting a decrease in income. Although this is slightly lower than the previous figure of 81%, it still demonstrates the scale of the longer-term issues that many are facing.

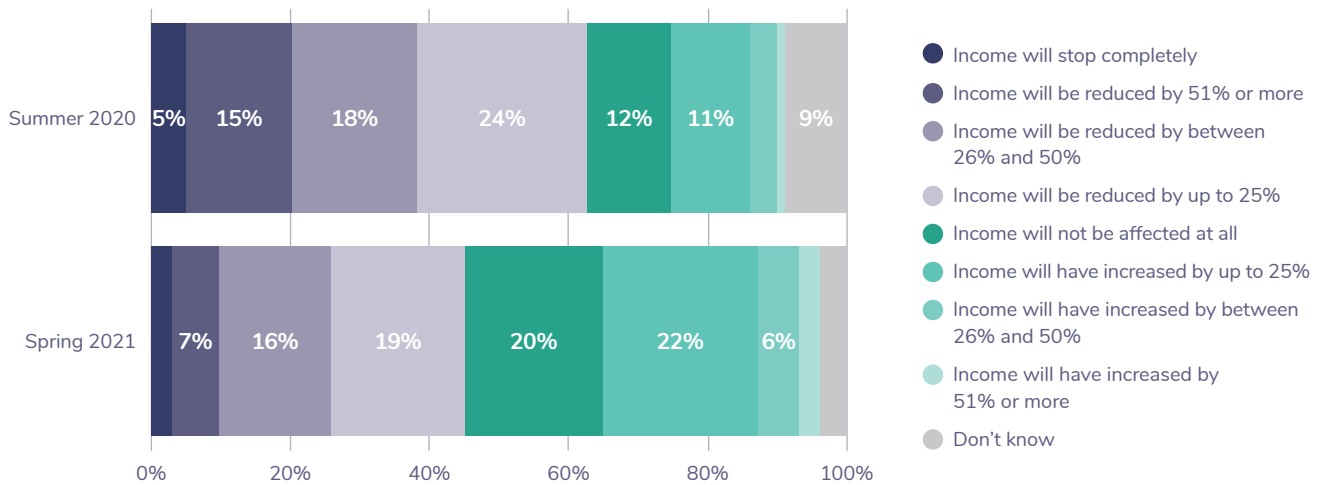
What has been the impact on your business income since the UK first went into lockdown in March 2020?



Figures that are 4% or under aren't included on the graph.

Base: All Summer 2020 (750); All March 2021 (750)

What do you think will be the impact on your business income over the next 12 months?



Figures that are 4% or under aren't included on the graph.

Base: All Summer 2020 (750); All March 2021 (750)

The majority of SMEs believe they will avoid losses this year

While a substantial proportion of firms still see financial issues on their horizon, there has been a shift to a more positive outlook. A majority of businesses feel optimistic about the year ahead.

This is one of the most significant movements from our previous report. Although a large number of businesses (45%) expect their income to reduce or stop completely in the next year, this figure is down considerably from 62% last year. For this group of decision makers, the scale of financial difficulties they expect to face has also reduced since our last research.

On a brighter note, there's now a substantial group who believe their income will remain the same (20%) or increase (31%) in the year ahead. This combined 51% of respondents is up significantly from 28% last summer, showing signs of growing confidence.

Sector-wise, again manufacturing, production and construction are the ones fearing for their prospects the most for the year ahead.

Understandably there is renewed optimism among the hospitality and retail sectors after a difficult 2020.



Impact on operations: Businesses continuing to adapt

Some businesses still need to cut pay and staff

As many firms still await their chance to reopen, or to operate to their full capacity, the outlook continues to be bleak. The extension of Government financial support through to 2021 has given respite to some, but difficult decisions remain for many small businesses.

The picture since our previous report is rather brighter, but the responses show that many companies are still needing to reduce either the pay or number of employees.

The furlough scheme remains a key lifeline for many, with around 2.8 million more people included between October 2020 and March 2021¹. In the latest survey, 29% of businesses say they have had to furlough staff since November, a similar proportion to the 30% that had furloughed staff in the previous survey.

Despite the proportion of businesses with furloughed staff remaining, the portion of businesses who have reduced pay and hours of their employees has reduced in March compared with last summer.

How have your employees been impacted since November 2020?

	Summer 2020	March 2021	Change
Reduced employee hours	31%	25%	▼ 6%
Furloughed staff	30%	29%	▼ 1%
Reduced the pay of some staff	21%	12%	▼ 9%
Reduced the pay of all staff	16%	11%	▼ 5%
Made redundancies	18%	15%	▼ 3%

Base: All Summer 2020 (750); All March 2021 (750)

¹ Cumulative jobs on furlough UK 2021 | Statista

Many still needing to adapt the way they work

More than eight in 10 businesses have had to adapt their working practices in some way to accommodate lockdown and Covid-19 more widely. However, fewer businesses have had to shut down since our previous study in the summer.

How have you had to change the way your business operates / operated since November 2020 with regards to your employees?

	Summer 2020	March 2021	Change
Introduced social distancing measures for employees	24%	27%	▲ 3%
Employees working from home	31%	26%	▼ 5%
Reduced the number of days operating	15%	15%	No change
Had to shut down, but hoping to reopen	18%	11%	▼ 7%
Had to shut down and don't know when will reopen	17%	10%	▼ 7%

Base: All Summer 2020 (750); All March 2021 (750)



Employees: Wellbeing and safety still top business concerns

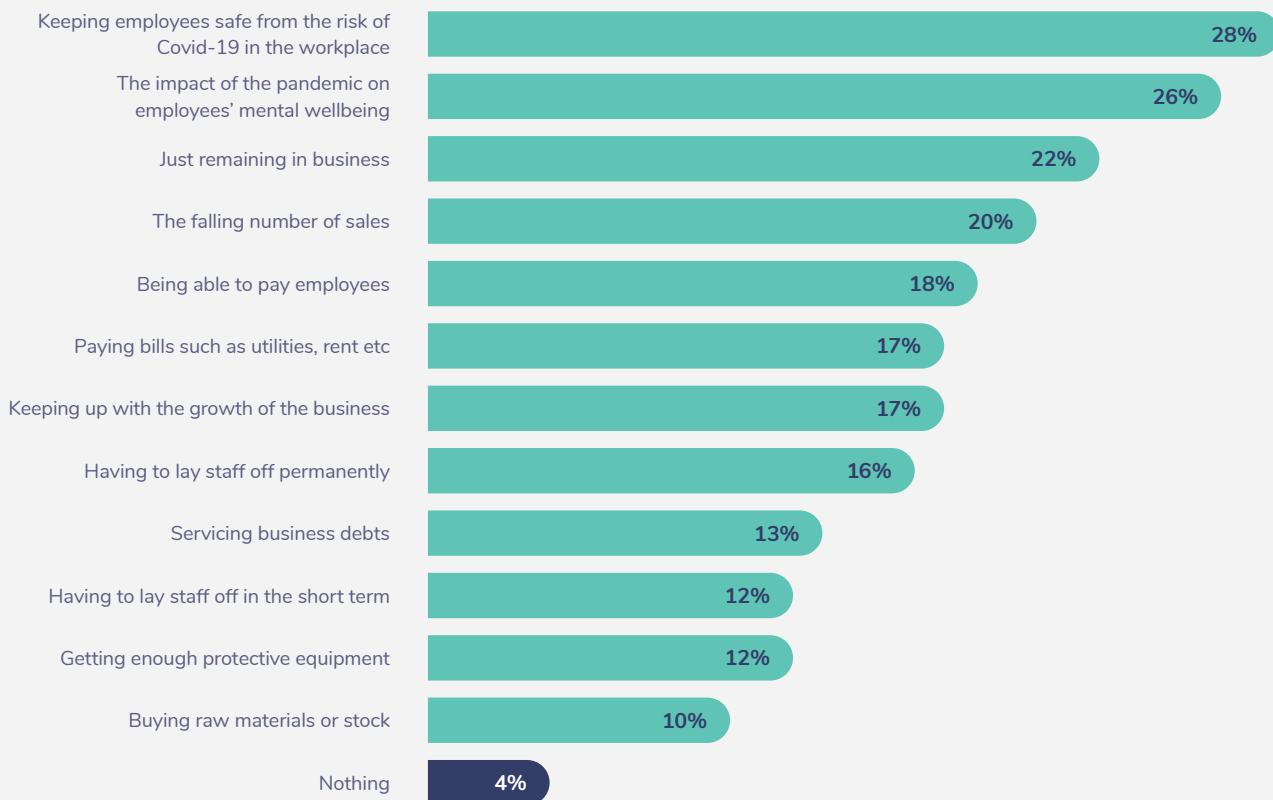
Employee focus continues to outrank business worries

Concerns inevitably remain for businesses not yet out of the woods in recovering from the impact of the pandemic and lockdown. No business can be sustainable without new or returning income of course, and many have a focus on recovery high on their list. But again, we have seen a welcome commitment to tackling employee safety and wellbeing as priorities for many businesses. This shows just how much value many companies place on their staff and the role they have played in the past year.

When asked what they were most concerned about for their business, keeping employees safe from Covid-19 (28%), and supporting employee wellbeing through the pandemic (26%), both were more pressing than the highest financial concern of staying in business (22%).



Which of the following are you currently most worried about for your business?



Base: All March 2021 (750)

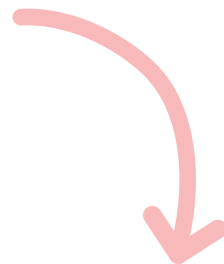
Jobs: Recruitment plans are on the rise

Our previous report highlighted the green shoots of positivity among businesses when it came to plans for growing their workforce, and our latest research shows this trend is moving even further.

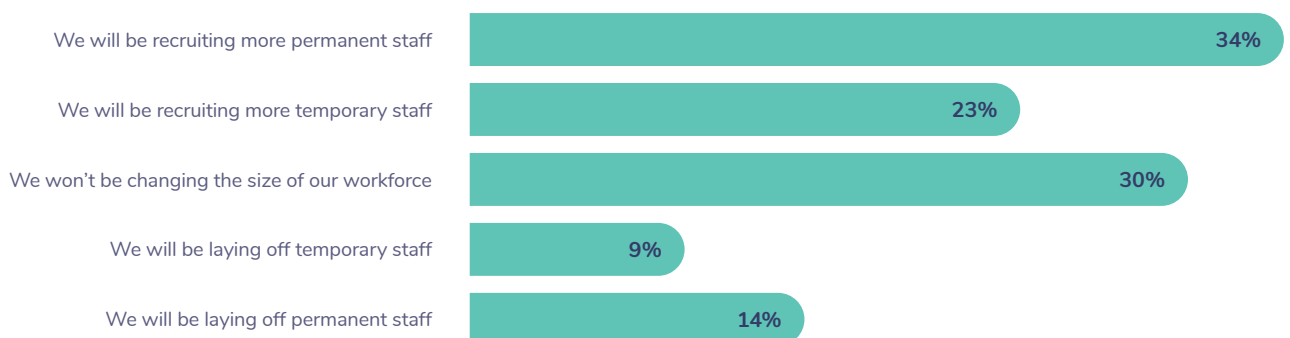
The recruitment picture overall is optimistic, especially given the circumstances that businesses and society have been facing, with substantial responses citing both job retention and creation plans. A third (34%) of businesses intend to recruit permanent staff and 23% temporary staff in the next six months, three in 10 (30%) are committed to their current workforce size.

Interestingly, despite being the hardest hit, the manufacturing, production and construction industries led the way in plans to recruit more staff (61% chose at least one of the two options).

There are still concerns, however, with a fifth of business owners (21%) believing they will need to reduce staff numbers in some form in the next six months.



Will the business be looking to change the size of its workforce in the next six months?



Base: All March 2021 (750)

Spotlight on... business rents and remote working

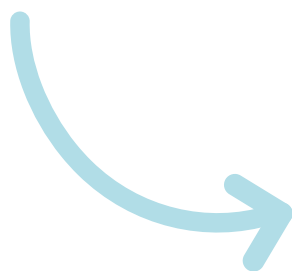
A move to remote and flexible working has become the norm for some industries. In the past year, many companies had to adapt not only to how employees can work at home going forwards, but how customers will interact with their business in future - following an unprecedented shift to online sales and services.

However, it's important to remember there are a number of companies and industries where it is not practical for all employees to work from home, and for the business to simply abandon their property premises completely. Whether they are tied into long-term rental agreements, or they need commercial premises to transport, store and build goods, these businesses will still be faced with rental payments they need to cover.

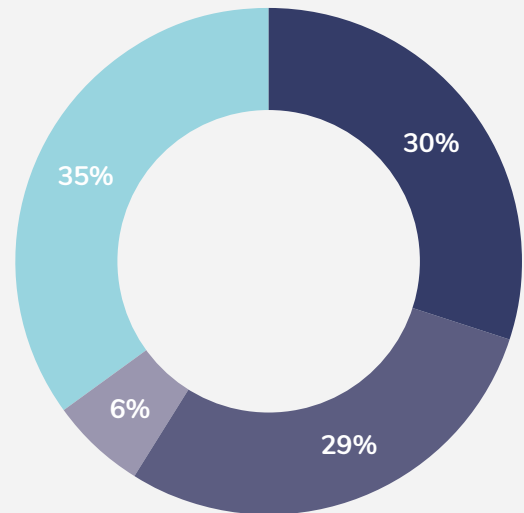
For those who do still need to pay rent on their premises, we asked about their concerns for meeting this substantial financial commitment.

Almost two-thirds (65%) of businesses who pay rent said the current lockdown has impacted their ability to make these payments. Of these, 30% have missed one or more payments, 29% have been late making payments and 6% have not been able to make any at all. More than a third (35%) were lucky enough to not experience any impact.

When considering their rental commitments in the next six months, 55% said they either somewhat or strongly agreed that meeting payments was a concern. Only one in five (20%) believed they wouldn't encounter this issue.



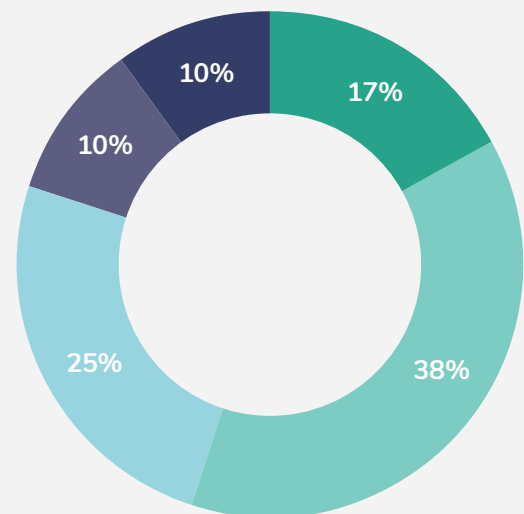
Has the current lockdown impacted on the business' ability to meet rent payments on its premises since the beginning of the year?



- I have missed one or more payments
- I have been late on one or more payments
- I have not been able to make any payments
- There hasn't been any impact

Base: Businesses that pay rent, March 2021 (632)

If the business pays rent on a premises, to what extent do you agree or disagree with the following statement: 'I am concerned about meeting rent payments on my premises over the next six months'?



- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Strongly disagree

Base: Businesses that pay rent, March 2021 (632)

The road ahead: Firms are cautiously hopeful about the future

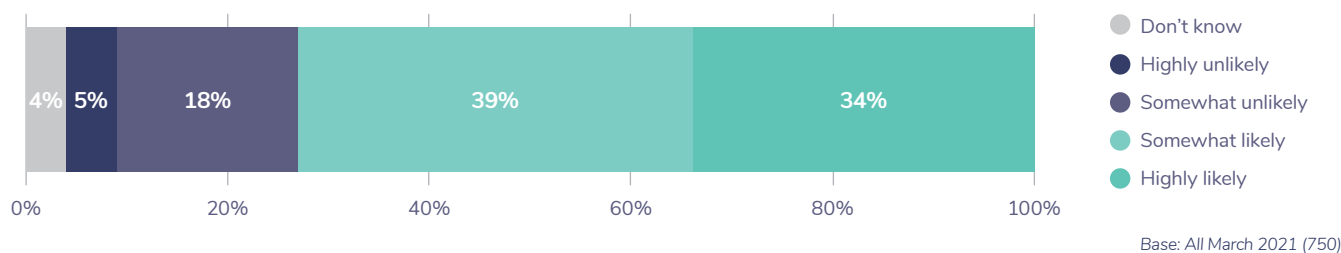
With the hope that the worst of the pandemic is now over for people and businesses in the UK, we asked respondents to look ahead to the next 12 months at where they see their business and its main hurdles to overcome.

Most businesses believe they will survive 2021

Encouragingly, 73% of businesses felt it likely that they will still be operating beyond the end of 2021. One in twenty (5%) businesses, however, felt it highly unlikely that they will see out the year.

Their ability to exist in 2022 could rest on outside support as three fifths (61%) agree that without securing additional funding over the next six months their business will struggle to survive.

What is your expectation of being able to remain in business beyond 31 December 2021?



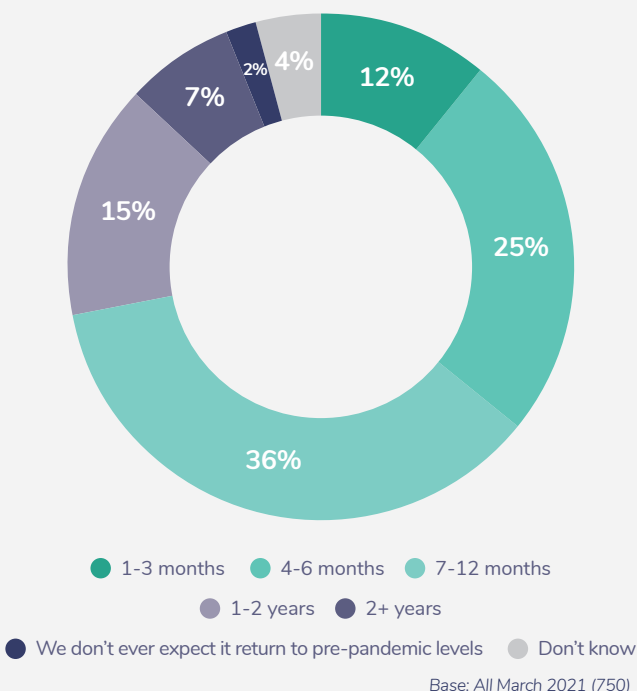
Returning to normal within a year

Remaining in business is one thing, but a key goal for many companies will be getting their income back up to pre-pandemic levels. This 'return to normal' concept has become a common theme throughout society, so we asked these small business owners their expectations.

On average, respondents felt it would take around 10 months from the end of the current lockdown to return to their pre-Covid-19 levels, although 2% of business believe they will never manage to achieve this.

The most common expectation was for recovery within seven to 12 months (36%), followed by four to six months (25%). One in ten (12%) were confident they could reach their goal within three months, but one in five (22%) believe it will take more than a year. Just 4% were unsure.

How long do you anticipate it will take after the current lockdown ends for your business revenue to return to pre-pandemic levels?

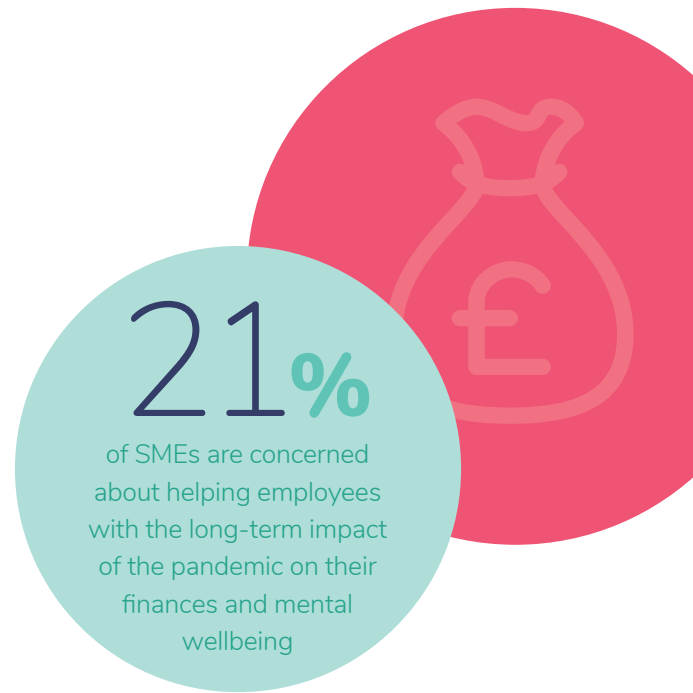


A focus on employees will remain during recovery

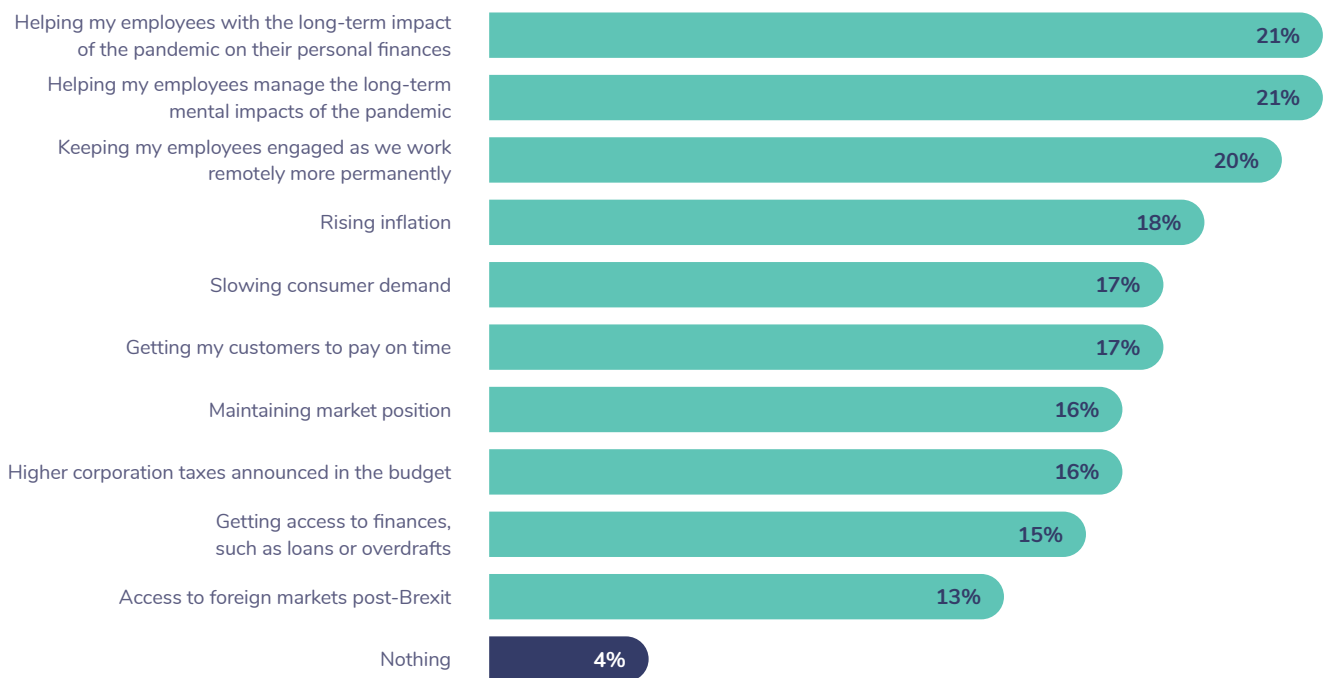
As we identified earlier in the report, decision makers at small businesses have demonstrated focus on employees throughout lockdown – and that sentiment continues as they look ahead to the challenges of the next 12 months.

There was a clear employee-related theme among the main challenges that companies are expecting to face in the next 12 months, showing evidence of the value of staff felt by owners. Helping employees with the long-term impact on their finances and mental wellbeing (both 21%) were the highest concerns, followed by keeping employees engaged when working remotely (20%).

These all rated more highly than the main business-focused concerns, such as inflation (18%), slowing consumer demand and getting customers to pay on time (both 17%). Just 4% of firms weren't worried about anything.



Aside from current government restrictions, what do you foresee being the top challenge facing the business over the next 12 months?



Base: All March 2021 (750)

In conclusion

Future-proofing business

While our study has shown some positivity, there is still a long way to go for many businesses to secure their futures. Confidence in the journey ahead is key. The Government roadmap for the easing of restrictions has been an important tool for helping businesses plan their immediate decisions, and be encouraged to commit to investment in their people and the company itself.

From the most difficult times, many owners should take heart from how the business and its people have adapted to keep going. Ensuring the business is now more flexible and robust for the future to meet new challenges will be vital, and could change the structure and plans that owners had in place. Many businesses could benefit long-term from some of the changes they have been forced to make. In some cases, it may have actually sped up longer-term plans for digital transformation, alternative product and sales routes, or flexible staff working.

Learnings from how the company adapted when it needed to could actually help provide a more effective service in future to meet the changing demands of customers.

Rewarding employee commitment

The results of the research clearly show a commitment among many businesses to supporting and safeguarding their staff through difficult times. The next challenge will be to show that mindset remains and to try and reward loyalty and hard work.

This does not have to mean direct and expensive remuneration, but rather embracing flexibility and understanding towards people's work and home life - and how their role can be adapted to keep them engaged and committed.

This can be achieved through a range of employee benefits to reward employees in a valuable but cost-effective way, and through a flexible working and wellbeing focus in roles for the future. Working with experts, such as WorkLife, can help companies build an affordable but meaningful benefits package for staff that provides genuine support for the day-to-day challenges they face – whether that's financial, family or medical.

There is an opportunity now to tighten the bond between businesses and the people that make them tick, bringing together trust and a drive to strengthen the business. Showing employees how much they mean by providing benefits that make a difference is a good way to cement that long-term relationship.




About WorkLife and the survey

WorkLife is a digital platform on a mission to make financial advice and employee benefits accessible and affordable to every UK business.

Powered by OpenMoney, it combines top of the range financial advice and market leading benefits with low cost and transparent fees, allowing SMEs to reward their employees with the same great perks as those traditionally enjoyed by workers at larger companies. The platform puts an emphasis on employee wellbeing, making sure they are covered in all the financial, mental and physical aspects of their life.

 www.worklifebenefits.uk

 @OMWorklife

 WorkLife by OpenMoney

About the survey

WorkLife's Small Business Monitor is based on research carried out by 3Gem among 750 senior financial and HR decision makers in UK SME companies with 5 - 250 employees between 12th and 22nd March 2021.

This report was written by MRM and designed by www.woodymedia.uk





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