

# Micro Business Alliance Briefing



**The small business sector makes up 99.8% of the businesses in the UK economy and the micro business sector 0-9 employees makes up 95% of the businesses in the UK economy.**

Yet government at all levels seems obsessed with big business and only really seems to listen to their CEO's and the lobbying organisations that represent them.

Paul Scully, a previous small business minister pointed out that he struggled to get anyone to listen to him during the pandemic, so despite the sector feeding issues and solutions into the small business minister these were not effectively passed up the line to decision makers. This is unacceptable and small businesses should have a greater proportion of voice than it currently has and the Micro business alliance was set up to help achieve this and help government at all levels in its decision making processes.

Many of these small and micro business owners set up their own business as part of some grand plan to grow, scale up or be sold to a larger business but many set up because they don't have any other option, they don't fit in the big business corporate world or they have a passion and belief in it which they want to pursue and they are happy doing what they love and making a living from it.

This small and micro business sector may not seem highly productive and not all of them will be scalable but if we create an economy where these businesses can set up efficiently and thrive, then a significant number will be highly productive and scalable, just not all of them. The micro business sector is a significant employer and its where true innovation and growth comes from, its time that government recognised this and looked at trickle up economics not trickle down economics. Big business like Diageo, Tesco, Microsoft, Apple and Astra Zeneca all had their roots in the micro business sector, its "Trickle up economics" that's where the real growth comes from.

The Small and Micro business sector leads in creativity and innovation, resilience, diversity, equity, inclusion and driving sustainability activity in business. Many are very productive, but the measures that government use don't reflect this, micro businesses in particular bring massive benefits to the communities they inhabit, its just that the current measures don't show this. Small and Micro businesses are not "big business only smaller" they have different issues, different opportunities and a very different way of working, they don't just measure profits and shareholder dividends, often they measure success in a completely different way! Their impact is far more than just profit!

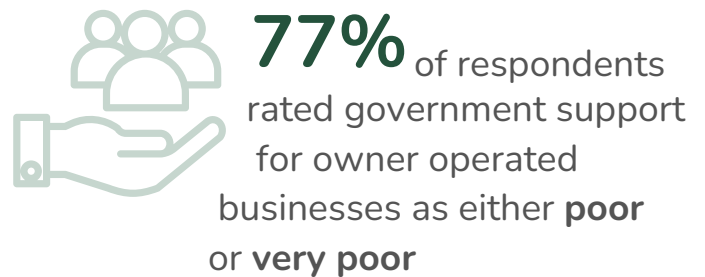
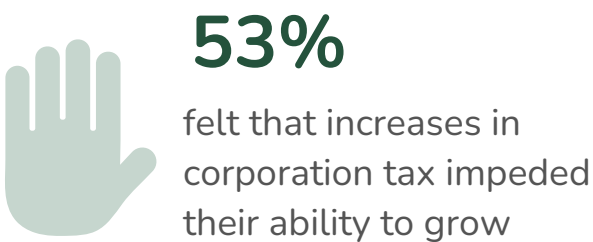
In terms of start-ups they don't need huge amounts of money to start up but they do need some focussed care and attention, often from others who have followed the same route themselves. Not mentoring delivered by people who don't understand the people they are dealing with and never will! With small amounts of seeding money and the right kind of help and advice we can be building an economy which builds businesses not all will scale up but a number will, its "Trickle-up economics", not "Trickle-down economics"

Finally the sector really does drive diversity, equality and good mental health, the small and micro business sector is a home and community for everyone, not everyone can find a happy role in the big business sector but anyone can start up their own, owner operated small business with their own unique customers and this needs to be encouraged.

That's why politicians need to understand this sector better, so please engage with the micro business alliance, get to know these businesses in your constituency and if you are struggling to do so we can help you set up a business roundtable to help you, you only have to ask!

### Some Background

A recent survey found that :-



Many micro business owners have more than one business, they cross



fertilize within the small business community and many contribute massively to their local communities.

**68%** were unlikely to make significant capital investment in the next twelve months



**3 million +**



small & micro business owners were excluded from any government support during the recent covid pandemic

**68 days**

is now the the average wait for payment



**70%**

were focussed on sustaining or survival of their business



**2 out of 5**



Business owners have money worries effecting their mental health

**1 out of 3**



Business owners are in serious debt

**2 out of 3**



Business owners suffer from delayed or late payment



**GAME OVER**

Many big businesses pay in 90 to 120 days. These are the delays which impact on cash flow, kills business and throttles start ups at birth.

This is being compounded now with many online selling platforms withholding payments to their suppliers until payments have cleared to protect their own cash flows.

## Action

Build the role of the Small Business Commissioner into a wider role with more scope, including the building sector and more resources in terms of research, holding poor behaviour to account and setting best practices for developing and growing the small and micro business sector. Listen to the commissioner and act on the commissioner's advice, so have regular Quarterly meetings with the Commissioner and ministers to address current issues, to advise and help!. Also have regular quarterly meetings held by the Small Business commissioner with key stakeholders to advise and inform the ministerial meetings.

Address the late payment culture in the UK, so first of all agree the payment date starts from the day the receipt is received unless otherwise agreed between both parties in writing, then focus on 30 days or less from that date, 45-120 days will become unacceptable. Wherever possible purchase order numbers should be provided and used and if there is an issue with the invoice then they should be pointed out to the supplier immediately rather than only once the payment is chased up by the supplier after 30 days. We should also ensure that government at all levels practices what it preaches and pays within 30 days or less of receipt of invoice. This would immediately get billions of pounds of cash flowing through to suppliers and meet the Micro Business Alliances call for fair payment terms and practices for all UK businesses.

Rewrite the prompt payment code, through the small business commissioner's office and properly promote participation, in order to sign up you need to be paying within 30 days or have a written plan in place to achieve payment of suppliers within 30 days..

Government needs to spend far more of its procurement budget with small and micro businesses, the current 10% is not acceptable.

Look at best practice for supporting start-ups, like the work in Hull on developing new businesses with young people. Good mentoring and efficient finance provision are key to achieving this. There are many retired people who are more than capable of being attracted back into the workplace as small and micro business operators and they could be encouraged to act as mentors in the sector with government financial support and contracts, either as contractors or employees.

Finally address the issue of business rates, the current system is not fit for purpose and it is an inefficient tax which hinders rather than helps and adds a significant and unnecessary cost.

Look at tax breaks on dividends for owner operators and tax credits that encourage growth, employment and exporting.

Look at the pub code, its failed, scrap it, give the resources to the small business commissioner and focus on planning around pubs to protect those we have.

Break down the SME sector to more manageable sectors and introduce better measurement of success in these sectors. Look at community impacts.

Recognise that big business benefits from many of these barriers to small business, they create them like late payment and they provide them with a competitive advantage, the lobbyists who represent them push this agenda and politicians need to understand this. If SMEs make up 99.8% of the UK economy then the time politicians spend with them and working on them should reflect this!