

BCC: 4 in 5 businesses hit by rising employment costs

Today BCC, in partnership with Middlesex University London, releases its annual workforce survey, which looks at the cost implications for business of changes in employment legislation.

25 August 2017

Around 4 in every 5 businesses have seen their costs increase this year through changes in employment legislation, according to a survey released today (Friday) by the British Chambers of Commerce (BCC).

BCC's annual workforce survey of over 1,400 businesses, held in partnership with Middlesex University London, reveals that pensions auto-enrolment, the National Living Wage and the Apprenticeship Levy have increased the cost base of businesses, and could lead to reduced opportunities for investment and wage growth.

The rise in the National Living Wage (NLW) in April of this year has increased employment costs for one-in-two companies (50%) in the UK. There appears to be a North/South divide, with firms in the North of England (55%) and the Midlands (51%) more likely to be impacted by the National Living Wage than firms in the South (43%).

For the UK to remain an attractive and competitive environment going forward, action is needed to prevent unsustainable rises to the cost of doing business. The BCC is calling on the government to ensure no new upfront costs or taxes – which sap investment, growth and recruitment potential – are imposed on business for the remainder of this parliament.

Key findings of the survey are:

- Three quarters (75%) of respondents report an increase in costs as a result of pensions auto-enrolment, with nearly a quarter (23%) indicating a significant increase
- A fifth (20%) of businesses have seen costs increase from the introduction of the Apprenticeship Levy, and 8% from the Immigration Skills Charge
- Based on the forecast that the National Living Wage will increase to £8.75 per hour by 2020, 38% of respondents said in response that they would raise prices of products and services, with a further 25% expecting to reduce pay growth
- Consumer-facing industries were particularly affected by the rise in the NLW, with 73% of B2C sector firms – including wholesale, retail, accommodation and foods sectors – seeing an increase in costs. In comparison, 56% of manufacturers and 41% of B2B services report higher costs

- 25% of businesses say they would respond to future planned increases to NLW by reducing pay growth for staff, 21% by reducing staff benefits and 20% by scaling back recruitment

Jane Gratton, Head of Business Environment and Skills at the British Chambers of Commerce (BCC), said:

“Businesses are under increasing pressure from the burden of employment costs, and this will influence the choices they make and outcomes for employees. Higher employment costs impact on the bottom line and reduce the resources available to invest in the business and its people.

“Our survey shows that two thirds of businesses will need to take action in response to proposed increases in the National Living Wage over the next three years. Firms are most likely to respond by raising prices or adjusting employee pay growth and wider benefits. Increasingly, manufacturers are looking towards greater use of technology and automation. There comes a point at which rising employment costs can no longer be absorbed through reduced profits.

“At a time when employers across the country are facing acute skills shortages, it is vital that they have the resources and flexibility to invest in their workforce and the future needs of the business.

“Employment is just one element of the high upfront cost of doing business in the UK. It is the cumulative impact of all of these changes, and the pace at which they are being introduced, that causes the greatest concern and poses the biggest risk. There is little scope for firms to absorb any further costs without there being damaging effects on competitiveness, growth and opportunities for people in the workforce. The government must ensure that there are no upfront further costs or taxes on businesses and entrepreneurs for the remainder of this parliament.”

David Williams, Director of Corporate Engagement at Middlesex University London, added:

“Businesses are facing the challenge of maintaining profitability while remaining price competitive. This is a tough balance to achieve during what is an uncertain period, and we are seeing many start to tighten their belts and pull back investment.

“We need to up our productivity to enable us to compete globally in a post-Brexit Britain, so it is important when making difficult choices, the development, upskilling and retention of the workforce is high on the list of investment priorities, and that businesses get the support they need to do this.”

Ends

Notes to editors:

The British Chambers of Commerce (BCC) surveyed 1,461 businesses from all regions of the UK online from 17 July to 1 August 2017. Of the businesses surveyed, 94% were SMEs, 29% operate in the manufacturing sector, and 71% operate in the services sector.

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 52 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: www.britishchambers.org.uk

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