



Says...

**KEEP TRADE
LOCAL**

FEDERATION OF SMALL BUSINESSES
Northern Ireland

Small Business and the Road to Economic Recovery





Introduction

August 2009 marked the second anniversary of the Credit Crunch and the effects of the global economic downturn have been felt far and wide.

Northern Ireland has been no exception to these conditions.

Despite speculation that the larger public sector and cross-border trade would cushion Northern Ireland from the worst effects of the downturn research carried out by the FSB clearly indicates that this has not been the case.

In fact, the evidence shows that Northern Ireland has been one of the worst hit regions of the United Kingdom and the latest research reveals that it remains one of the slowest areas to recover.

However, it is important to remember that a crisis can also present opportunities and those businesses who weather the storm can prepare themselves for an upturn by up-skilling staff, pursuing innovation and modernising their business practices.

It is they who will be at the forefront of growing the Northern Ireland economy of the future.

Small and medium enterprises account for 98% of all businesses in Northern Ireland and the FSB is resolute that the SME sector will be at the heart of this growth.

With economic conditions currently unstable the prospect of significant Foreign Direct Investment is reduced; as a consequence the importance of indigenous enterprise increases even further.

Against this backdrop it is crucial that the right policies are in place to encourage SMEs to rise to the challenge and lead the economy back on to the road to recovery.

The FSB, through our Policy Unit, will continue to work with those responsible for setting economic policy to ensure the role of small businesses is recognised and its voice heard.

Wilfred Mitchell O.B.E

FSB Policy Chairman, Northern Ireland





About us

The Federation of Small Businesses (FSB) is the UK's largest lobby organisation representing the self-employed and owners of small businesses.

Founded in 1974, it now has over 215,000 members across all industries, trades and services.

The FSB is a non-party political lobby group that exists to promote and protect the interests of all those who own and manage their own business.

In 1998 the Northern Ireland Policy Unit of the FSB was formed to deal directly with the newly established Northern Ireland Assembly. The aim of this unit is simple – to provide a voice, not just for our 8,000 strong membership in Northern Ireland, but for the entire Small Business Community and to ensure the issues that matter most to them are promoted and protected.

Working hand in hand with our Policy Unit is the Public Affairs and lobbying arm which promotes our policies and members' concerns directly to the Stormont Assembly as well as providing the FSB viewpoint and opinion directly to the media.

Since its establishment the Northern Ireland Policy Unit has worked on a diverse range of issues including Small Business Rates Relief, Europe, Public Procurement policy, Business Crime, Business Support, Energy, Broadband, Fuel, Insurance, Review of Public Administration and Water Charges.

Northern Ireland Small Business Profile

- 95% of Northern Ireland businesses employ 0-9 people
 - SMEs account for 98% of businesses and employ over 65% of the private sector workforce
 - Over 50% of business innovations can be attributed to SMEs
 - Northern Ireland has the highest concentration of small businesses in the UK
 - Small businesses employ 65% of the private sector workforce in Northern Ireland
 - Small businesses contribute 60% of private sector turnover in Northern Ireland
 - Almost 82% of NI Gross Value Added (GVA) is produced by small and medium sized businesses.
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Common issues affecting SMEs

Much has been written about the effects of the current economic climate on large well known brand names and large employers throughout the UK and Northern Ireland has been no exception.

While headlines of mass redundancies are eye catching, given Northern Ireland's reliance of the SME sector it is this largely unreported shrinkage in small business workforce numbers that will affect the local economy most.

Once this capacity is stripped from a business it is very difficult to replace and considerable expertise is often lost as a consequence. This is leading us to a Catch 22 situation in which SMEs eager to grow in the longer term will be unable to do so due to shorter term factors.

As recently as August 2009 it was reported that "business failures continued to soar at an alarming rate¹" in Northern Ireland. It must be concluded that the majority of these have unfortunately been from the SME sector.

There have been a number of key factors identified as contributing to this worrying level of business hardship:

- *Withdrawal of access to finance*
- *Reduced cash flow*
- *Slowing debtors payments*
- *Reduced sales*
- *Pressure on margins*

The most damaging result of these factors is often businesses needing to consider their staffing levels and working conditions as they seek to reduce costs and stay in business.

¹ News Letter, August 11, 2009

Turning downturn into upturn

Recovery from recession does not happen overnight.

Factors such as mass unemployment, business closure and damaged economic confidence all take time to repair.

However, the FSB is working towards creating the conditions which are designed to stimulate the economy and rejuvenate the SME sector.

Eight Points to Recovery:

1

Review of Existing Measures

Conduct a full review of the recently introduced finance schemes, such as the Enterprise Finance Guarantee Scheme. This should include an assessment of the number of loans applied for, the number approved, and which banks are actually providing them. This review should determine how successful the schemes are, and what measures are needed to improve access for local firms.

2

Consideration of a Corporate Mediator

The role of a Corporate Mediator was recently created in England to act as a go between for small businesses and the banks. Despite progress being made here tensions continue to exist and the feasibility of introducing such a role in Northern Ireland should be considered to improve relations between customer and lender.

3

Improve Access to Public Procurement for SMEs

There continue to be barriers to SMEs gaining access to the public procurement sector. The FSB is urging an overhaul of the current system which, if carried out, could act as a major boost to participating SMEs.

4

Skills and Training

Reversing the skills deficit remains an integral ingredient in breathing new life into the Northern Ireland economy. There must be assistance given to those businesses who invest in their staff through training and CPD programmes.

5

Business Support

There should be greater promotion of support and advice programmes aimed specifically at small businesses. While many such initiatives exist, small business owners are often confused by what is available to them and where they can be sourced.

6 *Retail*

Town centres are the most visible indicators of how the wider economy is performing. Those that are decaying prove difficult to revitalise. Initiatives should be developed to ensure town centres remain viable and attractive for consumers. The publication of Planning Policy Statement 5 (PPS5) would be a major step in securing the future of town centre retail across Northern Ireland.

7 *Trade Credit Insurance*

Investigate and challenge the issue of trade credit insurance for small businesses. This has so far gone largely without being highlighted but is a significant problem for local SMEs.

8 *Regulation Freeze*

Put a freeze on any further regulations being imposed on small businesses for a period of two years.

How can you help Keep Trade Local?

This campaign can only succeed if people like YOU get involved.

The Keep Trade Local campaign was inspired by FSB members, adopted by members at annual conference in March 2008, and is now being delivered by members in local communities across the country.

The campaign seeks to unite communities, businesses and residents associations across the country that find themselves under threat from the range of problems currently driving small independent retailers out of our high streets.



Says...

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Things you can do to make a difference:

- Write to your local representative ensuring that they understand the problems small businesses are facing
- Write to your local newspaper
- Join your FSB's Keep Trade Local network
- Ensure that FSB posters and campaign materials are in the windows of small shops on your local high street
- Run a local campaign in your branch/region

And last but not least,

- Shop local and use your local businesses – if we don't use our local shops and tradespeople we will lose them

Keep Trade Local has already been endorsed by leading political figures from across the political spectrum. It has achieved celebrity endorsement and has struck a chord with people up and down the UK.

We now need your support to carry the campaign forward. Our local communities deserve nothing less.

We will follow up this document with more information on each campaigning area.

For more information about the campaign please contact Aviva Bresky: aviva.bresky@fsb.org.uk

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