UNDERSTANDING SOCIETY

TOMORROW’S BUSINESS
NAVIGATING THE CHALLENGES IN THE UK ECONOMY
Welcome to this edition of Ipsos MORI Social Research Institute’s Understanding Society. This issue, Tomorrow’s Business, delves into the landscape of UK businesses – not only the contemporary and upcoming challenges that threaten their success, but also some of the opportunities that await them. Perhaps even more so than normal, the state of the UK economy is of critical importance to our country’s researchers, policy makers and practitioners. It has never been more important for central Government to engage with businesses to deliver its Industrial Strategy, improving the UK’s productivity, and coordinating its departure from the European Union.

And there it is – the elephant in the room. Regardless of your views on the outcome, it is fair to say the vote to leave the European Union has transformed the political, cultural and economic landscape of Britain. Brexit and the prevailing atmosphere of uncertainty in the UK make it difficult to focus on anything else. Our monthly Issues Index shows that Brexit now makes it difficult to focus on anything else. Our monthly Issues Index shows that Brexit now dominates public concern just as much as the economy did after the financial crash 10 years ago.

Business-as-usual is a thing of the past, for the Government and businesses alike. However, businesses and the economy will still be here after March 2019, dealing with the challenges that await them. In this issue, we strive to create a vision for the future of the UK economy, based on research carried out by business and economics experts in our UK Social Research Institute. We shed light on important themes that risk falling under the radar of public interest: productivity, skills, new technologies, and trade.

To help us explore these themes further, we are delighted to have contributions from Gemma Tertov, Chief Economist at the Institute for Government, and Kamal Ahmed, Editorial Director and Economics Editor at the BBC. In an interview on the UK’s productivity puzzle, Gemma discusses the contradictions and links between wages, employment statistics and low productivity. While there are no quick fixes, she suggests we should open new lines of communication between businesses of different sizes, and across different sectors. Can they create a space to share good practice and ideas, and to develop new ways to boost productivity together?

Communication is also the focus of the interview between Kamal and our Chief Executive, Ben Page. Kamal draws on his wealth of experience in journalism to argue that the media, economists and business managers should re-engineer how they communicate policy and future challenges to the general public. This, he believes, is one way to resolve the so-called twin deficits in public understanding and public trust.

Work by our researchers also touches on similarly deep-seated structural challenges. First, we give an overview of business and inward investment in Europe since the 2008 financial crash, and how this illuminates the present and future prospects of the UK and other European economies. We explore the UK’s skills shortage, and how the public attitudes might help or hinder certain solutions, and policy approaches. And we consider the problems small and medium-sized businesses encounter in their attempts to access finance, and how the Government can support their growth ambitions.

But this edition is not just about structural deficiencies – it’s also about technological innovations that are reshaping the workplace and the wider economy. Our article on cashless payments demonstrates the significance of contactless consumer spending behaviour. It also raises the impact on demographic and economic groups vulnerable to this transition, such as the homeless, the elderly, and small family businesses unwilling to invest in card payment technology.

We look at the role of automation and artificial intelligence (AI) in the world of work, and public perceptions of this. Do people believe automation is essential for efficiency in the workplace, or a risk to jobs? Do they understand the full implications of AI on society and the economy, and do they appreciate the full value of their personal data in an AI-driven world?

Finally, we look at the complex world of cyber attacks – an increasingly everyday threat to businesses. As the latest hacking attacks and ransomware threats make headlines in the UK and worldwide, are UK businesses and the economy prepared? We hope you enjoy reading this edition of Understanding Society, looking at today’s and tomorrow’s challenges for businesses and the economy. We hope that the insights of all our contributors, drawing on our own research and analysis, and other contextual data, will inform the debate among our readers on these important topics. We remain committed to understanding society from the broad range of social and economic research and we, and others conduct, in the belief that this leads to better politics, policy and practice. If you would like to discuss any of the research here, please get in touch.
Europe 10 years after the crash

How do European businesses and global investors view prospects in Europe?

A tough decade

Just over 10 years ago, in August 2008, the investment bank Lehman Brothers filed for bankruptcy, kicking off the global financial crisis. It’s hard to understate the impact this had on European economies, and on their citizens. Before the crash, the unemployment rate in the European Union (EU) had reached an all-time low of 6.8% in February 2008. By February 2013, this was at an all-time high of 11%.2

A good news story?

In the current climate of uncertainty, it can be difficult to find good news. Nevertheless, our survey of European businesses shows just that. For two years running, more businesses have said they would increase rather than decrease their levels of investment. Most recently in 2017, 35% intended to increase their levels of investment, while 41% said they would maintain current investment levels. Just 23%, said they would invest less than before.

Businesses’ actual behaviour has also exceeded their own expectations in the recent past. Our data show that, one year previously in 2016, 26% of European businesses said they would invest less over the course of that year than they had in previous years. In the latest survey, we retested this prediction against what businesses actually did in 2016. Just 15% really did invest less in 2016.

Wider investment indicators outside our European businesses survey paint a similar picture. For example, the European Investment Bank’s 2017/18 economic investment report highlights that net business investment in the EU is now growing at a faster rate than it was from 1995 to 2005 – a faster rate than the pre-crash average, effectively.6

Turning to inward investment from global investors, prospects are also broadly positive. In total, six in ten (60%) of the global investors we surveyed believe their fellow investors will increase their investment in Europe over the next five years, and a quarter (24%) strongly agree with this sentiment.

One Europe, many countries

There is, of course, variation across countries (Figure ONE). The investment outlook has been particularly positive in countries like Germany, Slovenia, Luxembourg, Sweden, Finland and

4.

5.
Europe's ongoing recovery comes after years of turbulence and it's challenges. Since 2015, several EU countries have had an influx of economic migrants and refugees, termed the EU migrant crisis. Our 2017 global poll on attitudes to immigration shows that people in Germany, Sweden and Italy are among the most likely to think that immigration has increased "a lot" in their countries over the last five years.1

Alongside this, populist parties have gained power in EU countries, such as Italy, Austria, Hungary and Poland. Our most recent (September 2018) global survey shows that an anti-system sentiment is still strong in Europe. We find that people in Hungary are among the most favourable in the world towards having outspoken leaders, while people in Spain and Italy typically have the least confidence in the banking system.2

Don’t forget Brexit

Yes, Brexit is happening. But as a whole, Europe is perceived to be resistant to big shocks. Half (50%) of the global investors we surveyed feel that Brexit will make no change to their decision to invest in EU countries (excluding the UK) over the next five years. And a further third (33%) say they will be more likely to invest. When it comes to inward investment in the UK, it’s a slightly different story. Global investors are split three ways. Just over a third (35%) say Brexit will make no difference to them investing in the UK over the next five years. Three in ten (30%) say they would be more likely to invest in the UK over this period and a third (33%) say they would be less likely to do so.

Europe’s perceived structural weaknesses

Global investors have their own thoughts on the relative strengths and weaknesses of European economies. These tell a familiar story, as shown in Figure TWO. Europe’s perceived strengths, relative to those of the US and China, include a high-skilled workforce, access to Government incentives, the rule of law, and commitment to environmental sustainability. Europe is also more likely than the US and China to be seen as politically and socially stable. This puts the earlier findings into perspective – businesses are concerned about the political and regulatory climate, but political stability is still seen on balance as a strength of Europe, relative to the US and China. At the same time, Europe is perceived as comparatively weaker than the US in its access to other global markets, efficient capital markets, its IT infrastructure, and in innovation and entrepreneurship. This highlights that there are persistent reservations about Europe as a place to invest.

Beyond the economics

European businesses still have concerns about the future. On balance, they think the overall economic climate will get better over the next 12 months. On the other hand, twice as many expect the political and regulatory climate to decline (28%) over this period as expect it to get better (14%).

Perhaps this isn’t surprising, given Europe’s broader concerns and challenges. Since 2015, several EU countries have had an influx of economic migrants and refugees, termed the EU migrant crisis. Our 2017 global poll on attitudes to immigration shows that people in Germany, Sweden and Italy are among the most likely to think that immigration has increased “a lot” in their countries over the last five years.1

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A recovery fraught with challenges

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A recovery fraught with challenges

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Communicating economics

An Interview with Kamal Ahmed, Economics Editor for BBC News

Kamal Ahmed is Editoral Director of the BBC, and Economics Editor at BBC News. He joined the BBC in April 2014 as Business Editor from the Telegraph Media Group where he was Executive Business Editor with responsibility for the Sunday Telegraph’s business coverage. He was also the editorial lead for the Telegraph’s annual Festival of Business. Between 2007 and 2009 Kamal was Group Director, Communications, at the Equality and Human Rights Commission, the regulator charged with upholding and enforcing equality and human rights legislation in Britain.

Before joining the Commission in 2007, Kamal was Executive Editor at the Observer with responsibility for the Observer’s business section of the paper. He was a member of the team that developed and re-launched the Observer as a mid-sized, full-colour Sunday paper, a development which has been the Observer’s highest award for any newspaper.

Ben Page

For fear of stating the obvious – Brexit is a primary concern for every global company, at present. The UK leaving the EU will also prove significant for the wider business community who trade with and rely on EU goods and services. It’s easy for me to get an overly optimistic view of business because I speak to some very successful companies, but I have found a surprising number of smaller businesses to be more optimistic than anticipated. I think this is likely to be a result of our current position in the single market with a depressed currency value. This has resulted in a general economic boost for the country; costs have decreased, for example, for small engineering firms, which import from abroad and do small-scale manufacturing here for export. There is also a degree of optimism regarding global growth, which has remained stronger than many expected.

BP: In your opinion, which industries face the most challenges over the next five years?

I think the most obvious are those with a complicated supply chain and links with the EU, such as the car, pharmaceutical, food and retail industries. Those with global connections will be less affected than those with a particularly European focus.

There are also several prevailing issues for smaller and medium-sized businesses, particularly around productivity and how they can invest for the future. Businesses are still more likely to be risk-averse because of the financial crisis, the Eurozone crisis and the uncertainty around Brexit. These issues have created an atmosphere of caution from which it feels like the next crisis is just around the corner. Businesses are now carrying much more cash on their balance sheet than they did in the past. Uncertainty has depressed the level of investment and has made it more difficult for businesses to think about how they can invest for the future to drive sustainable productivity.

BP: Do you think that the Government’s business strategy is well-received by UK businesses?

A major concern is that Brexit has dislodged other important issues from policymakers’ minds. Are we currently getting a coherent plan on the new world of work, the skills debate or the productivity problem? And we should be mindful of a lack – or even absence – of policy proposals in other areas.

The general political tone of late has been described by some as anti-business, so one of the greatest challenges for UK businesses is how to change the Government’s inclination to be tough on them. The Industrial Strategy also promotes several issues in which businesses could be asked to play an advisory role, be that the productivity puzzle, tax or legislation, or remuneration. A potential partnership would significantly brighten the future of the UK economy.

BP: Do you think businesses lack confidence?

Well, a typical business leader is no shrinking violet; Chief Executives rarely lack confidence within their own businesses. Nevertheless, some clearly lack confidence to participate in public debate. Since 2008, there has been a growing fear to enter the public domain, with which there has not yet been adequate engagement. I suspect most business leaders fear they will not get a fair hearing, so they avoid the possibility of it altogether. Nigel Wilson of Legal & General is, perhaps, the exception that proves the rule – he is one of the very few businessmen willing to publicly discuss the role of business in issues such as housing and income.

BP: Do you think the Government’s business strategy is well-received by UK businesses?

A key challenge for the Governor and Andy Haldane is improving communication with the public, to help the public understand the role of the Bank of England. The visibility of central banks in public debate has changed dramatically over the last 25 years – Mark Carney is now seen as pivotal to the future of the UK economy. This comes with great responsibility, and I personally believe that the Bank is dealing with that relatively successfully.

BP: Chief Economist at the Bank of England, Andy Haldane said economic policy can often be “a twin deficits – both a deficit of public understanding and a deficit of public trust.” Do you agree with Andy?

Yes, I do. – I think businesses appreciate the fact that the Government is talking about these issues, particularly given my earlier point that we’re unlikely to see any policy changes or new legislation for a while. The Industrial Strategy promotes conversations between the Government and businesses. I think businesses have begun to realise they are part of the solution to issues like income and productivity – and that the Industrial Strategy is at least an attempt to have those types of discussions.

BP: Do you think that the Government’s business strategy is well-received by UK businesses?

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Businesses are still more likely to be risk-averse because of the financial crisis, the Eurozone crisis and the uncertainty around Brexit.

I don’t want to criticise the public for giving little thought to tail risks, bond yields and the Government’s fiscal rules. What we need to do is connect these topics to what people will understand – the price of everyday goods, interest rates and employment levels. These issues are very direct and relevant to people’s everyday lives. We should not expect the audience to understand the granular detail of complex
**Communicating economics – An interview with Kamal Ahmed, Economics Editor for BBC News**

Ipsos MORI – Understanding Society November 2018

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**BP:** How do you think businesses and journalists should communicate economic and business policy to the public?

**Kamal Ahmed:** It is up to us, as businesses and journalists, to focus on what is most important, and make this as relevant and relatable as possible. To mark the 10th anniversary of the financial crisis, we did a piece that took readers on a whistle-stop tour of the crisis as it happened – Lehman, RBI, Alistair Darling, Obama, a heck of a lot of people carrying boxes and Mervyn King. That worked well, but we found our real-people case studies particularly effective. We interviewed a single father, whose income was £18,000 in 2008 and is still £18,000 today. We let him tell his story; he had worked for Woolworths, was made redundant almost immediately after the crisis and had to deal with the financial hit of sending two children to university, simultaneously. It’s a different narrative from the usual experts’ perspective, and audiences can relate to that.

I think the challenge for journalists and businesses is to re-engineer the way they communicate – we need to blend expert opinions with the far more engaging narrative of the public’s experiences. Giving information and explaining the world in a way that audiences can engage with. Communication is a huge responsibility for anyone involved in this debate – not just for journalists but for business people too. We are in a period of flux and if we want to have a national conversation about these very important issues, then we need to understand how our audiences and the wider population can participate in that conversation.

**BP:** Following on from this, what role should journalists and businesses play in “really checking” the facts?

**Kamal Ahmed:** We have a concept called “BBC Explain”, which acts as a centralised reality check unit. We have both data and visual journalism there. I think that institutions and organisations should at least attempt to get beneath the headlines to discover what is really going on. There is a tendency in the media to be quite binary, which I describe as “black-hat/white-hat” — that there is a goodie and a baddie. But often there is neither, and we need to think about how we report that.

“BBC Explain” includes a network of experts – trusted guides to educate and inform. It’s not just about reporting the news, it’s about giving context. It’s an incredibly important part of what we do because it questions our instinctive prejudices. There’s a place for instinct, of course, but there is also a place for really trying to understand and why people think a certain way. Once you understand that, you can engage with them. We must engage in this kind of debate — I think that’s true with all institutions.

The term “transparency” is bandied around a lot, now, as well. Your work at Ipsos MORI provides very helpful insight into audience trust. I recently had dinner with a senior person at TSB, where I was told the full story behind their IT issue. I think people would respond well to businesses with the initiative and the courage to stand up in the public domain and explain what happened. Businesses should lead by example and be brave enough to say “these were the issues we faced, this is what we did to resolve them, and this is why we kept some things private for a while.” I think there is a duty on us to do much more “return journalism” – going back to a story and looking at what actually happened with the help of hindsight.

**BP:** How do you get that “return journalism” into a busy news cycle?

**Kamal Ahmed:** Well, we could put it anywhere, but it needs to have visibility to make an impact. The media still relies too heavily on the 24-hour cycle – here’s the news in the morning, here’s some other news in the evening, and then tomorrow here’s some completely different news. Sometimes news can seem chaotic, and we need more reflective journalism. The hectic, noisy crises that form so much of our news are often not relatable for the public, whose lives are not typically in constant crisis. They get up every morning, go to work, come home, see family and friends or whatever else it might be. As a news group board, we’re trying to come up with fresh ways to appeal to a more diverse audience, and different types of audiences. BBC Three is experimenting with news formats right now to engage younger audiences, for example.

**BP:** How do you think businesses and journalists should learn from this?

**Kamal Ahmed:** Well, we could put “slow news” anywhere. We could say it’s more moderate, less sensationalist, or whatever else it might be. As a news group board, we’re trying to come up with fresh ways to appeal to a more diverse audience, and different types of audiences. The media still relies too heavily on the 24-hour cycle – here’s the news in the morning, here’s some other news in the evening, and then tomorrow here’s some completely different news. Sometimes news can seem chaotic, and we need more reflective journalism. The hectic, noisy crises that form so much of our news are often not relatable for the public, whose lives are not typically in constant crisis. They get up every morning, go to work, come home, see family and friends or whatever else it might be. As a news group board, we’re trying to come up with fresh ways to appeal to a more diverse audience, and different types of audiences. BBC Three is experimenting with news formats right now to engage younger audiences, for example.

**BP:** Some great insights. Thanks, Kamal.
Prosperous beyond Europe

A vision of trade outside the EU

Joanna Crossfield
Krishna Dabhi

Prosperous beyond Europe – A vision of trade outside the EU

Ipsos MORI – Understanding Society November 2018

Over half (55%) of us see opening up the UK economy to foreign businesses and trade as an opportunity compared to a fifth (20%) who see it as a threat.

We are increasingly positive about international trade

Figure THREE: % agreeing with the following statements

<table>
<thead>
<tr>
<th>Statement</th>
<th>2003</th>
<th>2013</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large international companies are doing more and more damage to local businesses in Britain</td>
<td>48%</td>
<td>56%</td>
<td>56%</td>
</tr>
<tr>
<td>Free trade leads to better products becoming available in Britain</td>
<td>63%</td>
<td>63%</td>
<td>63%</td>
</tr>
<tr>
<td>Britain should limit the import of foreign products in order to protect its national economy</td>
<td>48%</td>
<td>56%</td>
<td>56%</td>
</tr>
</tbody>
</table>

But our picture of our own place in world trade is less clear. In fact, it could even be described as conflicted. Although half (49%) of us agree that our “country is in decline”, we still seem to exaggerate our role in global trade in some areas. For example, despite getting the hierarchy of the four biggest global traders right, we’re off the mark when it comes to our own position, pushing ourselves up from eighth to fifth. We also promote the Commonwealth countries Australia and India, at the cost of our neighbours France, Italy, the Netherlands and Switzerland. This suggests we magnify not only our own position, but also that of non-EU countries with whom we have a historic relationship.

We also overestimate the strength of our trade relations with key countries. We think we export much more to China, Japan and Australia than we do in reality (Figure FOUR). We are also optimistic about exports to the US, slightly underestimate exports to the EU, and even further underestimate how much we export to the rest of the world. What’s more, perceptions of the players we trade with haven’t changed since we last asked this question in 2016. This suggests that increased coverage of the issue, as Britain prepares to negotiate an independent trade policy for the first time in over 45 years, has had little impact on public knowledge.

These attitudes create opportunities for the Government. British people are clearly open to international trade and are becoming more so, suggesting its promotion should fall on fertile ground. However, policymakers and communicators will also need to manage our great expectations. Our findings suggest that an uplift of our place in the global trade hierarchy and diversification of trading partners away from the EU may only meet, rather than exceed, expectations of our place in the world.

Despite this slightly overinflated sense of self, we actually underrate our current trade performance in other...
areas (Figure SIX). Taking our trade relationship with the US as an example, we see ourselves as net importers when we are net exporters – we may be underplaying what the UK brings to the table, to the US in any case. We also underestimate the proportion of our exports from manufacturing, suggesting that we may offer the world more than we think. These beliefs may help communicators to set up quick wins to boost national confidence and pride when it comes to trade. This might be particularly helpful to nurse a collective bruised ego, should we realise where we really sit in the world.

Blurred vision

When it comes to trade, we seem conflicted about our place in the world. We feel that we’re not the trading nation we used to be, while overestimating our position in the world simultaneously. Some things are worse than we think, and others are better.

Changing attitudes is hard; we see that every day in the wide range of tracking and longitudinal studies we run for clients, where public opinion inches forwards and back again, often taking a dip when external stimuli such as advertising is removed. Changing the narrative is even harder in a current climate of mistrust: eight in ten (79%) lack confidence in political parties, three-quarters (75%) in the media and two-thirds (66%) in the Government. Furthermore, all of our experience in understanding people’s misperceptions – whether about trade, our relationship with the EU, immigration, crime, or any other important social policy – tells us that simply trying to counter people’s attitudes by quoting statistics to them is unlikely to work. Facts are important, but they need to be woven into emotionally resonant stories to help them stick. And even then, we will probably always have biases that will mean we overestimate our own performance, or that mean negative stories about decline will have the advantage over any good news.

Despite these challenges, we think there are reasons to be cheerful for those tasked with promoting international trade to the British public: we’re open to it and we think we’re quite good at it. There may even be some quick wins to be had by building awareness of the existing strength of our trade relationships with the US, and bolstering confidence in manufacturing, which might come in handy in the event of a “no deal” exit from the EU. What’s more, people recognise that trade is going to be vital for Britain’s relations with other countries over the next 10 to 20 years, much more than our military or cultural influence for example. Trade could play a bigger part in our national conversation in the future.

Which countries do people perceive as high-value international exporters?

<table>
<thead>
<tr>
<th>Country</th>
<th>Actual rank of countries shown based on value of exports</th>
<th>Perceived rank among UK public</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1</td>
<td>1</td>
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<tr>
<td>US</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Germany</td>
<td>3</td>
<td>4</td>
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<tr>
<td>Japan</td>
<td>4</td>
<td>3</td>
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<tr>
<td>France</td>
<td>5</td>
<td>7</td>
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<tr>
<td>Italy</td>
<td>6</td>
<td>11</td>
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<tr>
<td>Netherlands</td>
<td>7</td>
<td>12</td>
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<tr>
<td>UK</td>
<td>8</td>
<td>5</td>
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<tr>
<td>Canada</td>
<td>9</td>
<td>8</td>
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<tr>
<td>Switzerland</td>
<td>10</td>
<td>13</td>
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<tr>
<td>Russia</td>
<td>11</td>
<td>10</td>
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<tr>
<td>India</td>
<td>12</td>
<td>6</td>
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<tr>
<td>Australia</td>
<td>13</td>
<td>9</td>
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<tr>
<td>Portugal</td>
<td>14</td>
<td>14</td>
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</table>

We overestimate the strength of some trading relationships

<table>
<thead>
<tr>
<th>Country</th>
<th>Actual share based on value of exports</th>
<th>Perceived share among UK public</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>16%</td>
<td>38%</td>
</tr>
<tr>
<td>US</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Australia</td>
<td>9%</td>
<td>17%</td>
</tr>
<tr>
<td>EU</td>
<td>32%</td>
<td>43%</td>
</tr>
<tr>
<td>US</td>
<td>2%</td>
<td>18%</td>
</tr>
<tr>
<td>Australia</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>EU</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>China</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Japan</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>18%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Cyber attacks: a dangerous business

Can UK businesses and charities better protect us from cyber attacks?

Are any businesses really offline anymore?

Not really. The Cyber Security Breaches Survey (CSBS) 2018 shows that virtually all UK businesses (98%) and charities (93%) rely on some form of digital communication or services, such as websites, online bank accounts, social media pages. Around half (56% of businesses and 44% of charities) hold personal data on customers electronically.

These aren’t just tech firms. As Figure SEVEN shows, with data from our 2017 Commercial Victimisation Survey, firms in the agricultural, manufacturing and construction sectors are among the most worried about online crime.

Despite the headlines, this isn’t all about complex hacks and malicious code written by nefarious programmers. CSBS 2018 finds that of the 43% of businesses that identified a cyber attack in the past year, three-quarters (75%) of these were scam emails or websites targeted at ordinary staff.

Cyber attacks can be costly

Where cyber attacks have a tangible outcome, like a loss of files or access to a network, the costs can be substantial. According to CSBS 2018, businesses that had these kinds of attacks lost an average of £3,100 last year as a result.

For the large businesses (with 250 or more staff) facing these kinds of attacks, the average resulting loss was £22,300. The introduction of the General Data Protection Regulation (GDPR) earlier this year also means that businesses face far more stringent fines for cyber breaches involving personal data loss.

There are non-financial costs too. Global business leaders on Ipsos MORI’s Reputation Council see cyber security breaches as one of the greatest threats to their corporate reputation, rated the same as poor quality products or services (Figure EIGHT).

Changing culture drives action

We needn’t be alarmist. Most businesses and charities do take basic actions to protect themselves, and their customers or beneficiaries, i.e. all of us? This is something that various Ipsos MORI studies have sought to answer, including our series of Cyber Security Breaches Surveys with businesses and charities for the Department for Digital, Culture, Media and Sport, our Commercial Victimisation Surveys of businesses for the Home Office, and research from Ipsos MORI’s Reputation Council of global business leaders.

It would be a catastrophe for our reputation if the information should leak. It would have a long-term effect on our reputation.

Cyber attacks: a dangerous business—Can UK businesses and charities better protect us from cyber attacks?
and even fewer (12%) hold their suppliers to the same standards to which they hold themselves. Across the board, charities fall behind businesses. So how do you change behaviour? Qualitative interviews with businesses and charities as part of CSBS 2018 suggest that it requires a culture change within the organisation. On one hand, there were organisations that thought cyber security was just common sense, and didn’t require special rules or training. On the other hand, some were scared of it, thinking it would be too technical for them, or create a burden on their staff if there were too many rules and controls. And many organisations suggested that change comes from the top, by having board members or trustees with responsibility for cyber security — something which only 30% of businesses and 24% of charities currently have, according to CSBS 2018.

It’s clear that the Government, industry and regulators all have a role to play in helping change corporate cultures. In qualitative interviews in CSBS 2018, businesses and charities said that the Government, trade associations, and regulators such as the Charity Commission in England and Wales, were trusted sources of information and guidance on cyber security. The Government already offers a range of guidance for organisations of all sizes. This includes:

- the Small Business Guide for cyber security, setting out the simple, low-cost steps these organisations can take to improve their online protection
- the Cyber Essentials scheme, which provides organisations with independent accreditation, so they can reassure customers that they have technical measures in place to prevent the most common cyber attacks
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Our research has consistently shown that businesses find this sort of guidance useful, but that they don’t make as much use of it as they could.

No organisation, regardless of size or sector, can escape the growing and costly threat of cyber attacks. If we’re going to fulfil the Government’s National Cyber Security Strategy 2016-2021, and make the UK the most secure place to do business online, we all need to take responsibility. The Government, industry and regulators need to continue spreading good guidance. Management boards need to set the right culture from the top. And perhaps most of all, frontline staff need to know what to do when — not if — that next ransomware email lands in their inbox.

### Not common sense, but not hard either

<table>
<thead>
<tr>
<th>Actions taken on cyber security</th>
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<tbody>
<tr>
<td>Up-to-date malware protection</td>
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<tr>
<td>Firewalls with appropriate configurations</td>
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<tr>
<td>Restoring IT admin rights to specific users</td>
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<tr>
<td>Backing up data securely via a hard drive</td>
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<tr>
<td>Security controls on the organisation’s devices (e.g. laptops)</td>
</tr>
<tr>
<td>Backing up data securely via a cloud service</td>
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<tr>
<td>Encrypting personal data</td>
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<td></td>
</tr>
<tr>
<td>Business</td>
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<tr>
<td>Charities</td>
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</tbody>
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### Taking responsibility

No organisation, regardless of size or sector, can escape the growing and costly threat of cyber attacks. If we’re going to fulfil the Government’s National Cyber Security Strategy 2016-2021, and make the UK the most secure place to do business online, we all need to take responsibility. The Government, industry and regulators need to continue spreading good guidance. Management boards need to set the right culture from the top. And perhaps most of all, frontline staff need to know what to do when — not if — that next ransomware email lands in their inbox.
We need to talk about automation

The views of UK businesses, MPs and the public on automation

The Fourth Industrial Revolution is well underway. Automating work - replacing human workers with robots, machine learning algorithms, and artificial intelligence - is a phenomenon currently sweeping through every industry in the world. Debate rages over the impact of automation on the labour market. The Organisation for Economic Co-operation and Development (OECD) estimates that almost one in ten jobs in the developed world are currently at high risk of automation, and a further one in four face a risk of being mostly automated.24 In the UK specifically, the Bank of England estimates that a third of all jobs are at high risk of being automated out of existence by the early 2030s.25

Evidence from Ipsos MORI’s MPs survey, and our research among the general public, shows that both groups tend to believe that automation will cost more jobs than it creates. Almost half of our MPs and just over half of the public think more jobs will be lost than gained in the next 15 years (Figure TEN).

Not my job

Businesses face a dilemma. If they don’t automate what can be automated, they lose their competitive edge. But people don’t seem particularly concerned about their own jobs. Only one in four (24%) of the public are concerned that they personally may lose their job to automation in the next 15 years. Even specifically among those who think automation will lead to net job losses, only three in ten (33%) are concerned that they may lose their own job (Figure ELEVEN).

In sum, the general public is aware that automation will impact the labour market and could lead to job losses - but not for their job, which they think has some uniquely human component. Are they truly prepared and informed about what is around the corner?

Can’t we just reskill?

But people don’t seem particularly concerned about their own jobs. Only one in four (24%) of the public are concerned that they personally may lose their job to automation in the next 15 years. Even specifically among those who think automation will lead to net job losses, only three in ten (33%) are concerned that they may lose their own job (Figure ELEVEN).

Our 2017 qualitative public dialogue on machine learning for the Royal Society makes a similar point. The general public participants in the dialogue recognised that machine learning was an important technology, which could have an impact on their lives. But they often didn’t fully grasp the potential of the technology. There was a sense of disbelief that machines could ever learn to make decisions, and therefore that they could ever really replace human workers, in jobs that require nuanced decisions.26

In our study, the general public think businesses should continue to automate work, and just over half (53%) of the public are concerned about their own jobs. Only one in four (24%) of the public are concerned that they personally may lose their own job (Figure ELEVEN). Almost nine in ten (89%) participants in the dialogue recognised that automation will have an impact on them personally, if not on their job.26

We predict jobs will be lost to automation...

We predict jobs will be lost to automation …

Figure TEN: Q. Do you agree or disagree with the following statement? More jobs will be lost than gained as a result of automation over the next fifteen years.

<table>
<thead>
<tr>
<th>General public</th>
<th>MPs</th>
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<tbody>
<tr>
<td>% agree</td>
<td>% neither agree nor disagree</td>
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<td>54</td>
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… but not that it will happen to us

Not everyone faces the same risks. Among those who think automation will lead to net job losses - but not for their job, which they think has some uniquely human component - are they truly prepared and informed about what is around the corner?

Communication is key

Businesses face a dilemma. If they don’t automate what can be automated, they lose their competitive edge. But, as more work is automated, higher unemployment and underemployment may take their toll on the communities in which businesses operate. Businesses need to engage with policymakers and the public on automation right now, so they don’t end up being blamed for what could be unintended negative impact on the poorest in society.26

45% of the general public believe that the Government should respond to net job losses - but not for their job - by helping to reskill the British workforce (Figure TEN).

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society, for difficult and unexpected decisions taken in future decades. Engaging the public with complex issues like machine learning isn’t easy — something we have learned from countless public dialogues. Businesses and policymakers should learn from this too. It’s about having a two-way conversation with the public, and discussing the potential challenges and solutions with them, before forging ahead with major societal changes.

As BlackRock Chief Executive Officer (CEO) Larry Fink points out in his 2018 letter to CEOs: “We also see many governments failing to prepare for the future, on issues ranging from retirement and infrastructure to automation and worker retraining. As a result, society increasingly is turning to the private sector and asking that companies respond to broader societal challenges. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”

All businesses want to be seen as socially responsible. In one scenario, automation can destroy that ambition. But if discussed in the right way, it’s also an opportunity to make good on it.

**MPs support automating work ...**

*Figure TWELVE:* Q. Do you agree or disagree with the following statements? (MPs)

<table>
<thead>
<tr>
<th>Statement</th>
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<th>% disagree</th>
<th>% don't know</th>
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<tbody>
<tr>
<td>Businesses should continue developing and using artificial intelligence and robots to automate work</td>
<td>65%</td>
<td>20%</td>
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<td>3%</td>
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<td>Businesses which heavily automate work should pay an “automation tax”</td>
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... and want us to reskill or try new jobs

*Figure THIRTEEN:* Q. What should Government policy on automation be going forward? (unprompted, MPs)

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<td>19%</td>
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<td>Automation should be encouraged or supported</td>
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<td>24%</td>
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<td>Plan for the impact on society/support those affected/without jobs</td>
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<tr>
<td>Engage with businesses to form a strategy for the transition</td>
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Can AI win public hearts and minds?

The public is positive about AI systems in principle ...

We regularly talk with the public in dialogue about the future governance of new technologies, on behalf of tech companies, policymakers and others. Participants say in principle they are happy and optimistic about new tech, when it comes to the benefits it might bring them as consumers or service users. The most positive perceptions of AI are around automation of tasks that computers might do better than humans, like assessing medical scans. Participants say in principle, they are happy and optimistic about new tech, when it comes to the benefits it might bring them as consumers or service users. The most positive perceptions of AI are around automation of tasks that computers might do better than humans, like assessing medical scans.31

We do know, though, that the public starts from a very low level of knowledge about predictive algorithms, AI and the data science on which it is all based. This is reflected in a recent Ipsos MORI survey of workers’ attitudes (Figure FOURTEEN). Other surveys show that workers are worried about losing their jobs to AI. The majority of those surveyed here in the UK had not had any experience of AI at work. Coming fresh to the idea, two-thirds felt that AI tools might do better than humans, like assessing medical scans.31

... and want us to reskill or try new jobs

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Your country needs (data about) you!

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China, but even so, just over half in the UK also felt AI might improve quality. Similarly, in public dialogue, early in the discussion, people express spontaneous views which are relatively positive. They tend not to express unprompted concerns.

“You keep asking us about whether we’ve got any concerns. What should we be worried about? Unless you tell me what might happen, I can’t think!”

Consent to use human tissue and linked health data in health research dialogue

However, in dialogue, we go deeper than these spontaneous views, digging into perceptions of possible social benefits and harms from technologies based on data sharing. For the Wellcome Trust we recently looked at attitudes to sharing data with commercial companies. Participants distinguished between information in commercial settings (phone records, shopping data etc.) and in public service settings (e.g. tax or health information); this could be information passively collected or actively given. They felt very uncomfortable if information was shared across that divide, and used by either the public or private sectors to learn something about them in the round. This felt very sinister – the invasive surveillance of a ‘one-way mirror’, as described by our Wellcome Trust participants (illustrated in Figure FIFTEEN). And similar sentiments emerged in our human tissue and linked health data dialogue.

“I’m not sure what could happen if someone got that information. But I think… personally, I just wouldn’t want a load of people possibly knowing that particular thing about me.”

Consent to use human tissue and linked health data in health research dialogue

International perceptions on AI differ markedly

And once we show specific examples of how data given under different circumstances might be linked, and the hypothetical future impacts of the public and private sector working together, the discussion can take a more dystopian turn. Participants grasp that if personal information – especially new kinds of information like genomics data, and commercially generated information like phone or shopping records – is shared between state and commercial actors, this could have far-reaching social consequences. They suddenly become concerned with the equity of social outcomes, rather than the personal benefit to themselves of getting better products or services.

“Is there potential for that information to be… linked to a third company, like insurance companies, to the detriment of ethnic groups?”

Academy of Medical Sciences health tech dialogue (publication forthcoming)

How to build trust

This creates a potential reputational risk for businesses working with the public sector, even when the public sector is nominally in charge of contracts, industry is unlikely to escape blame if social harms are felt. So far, the AI industry, governments and civil society have mapped risks and benefits, and defined values and principles by which new tech should work (such as our work with DeepMind Health, which established principles for technology companies to work with the NHS). Debate now turns to identifying how principles should be operationalised, and how social goods can be optimised at the same time as encouraging economic growth in this sector.

To equip the public for these future discussions, we must first create greater public understanding of the concept of the “data self”. Participants in dialogue take a long time to absorb the ways data about them are useful. How can data about me predict some of my needs, guide the services I might want to use, and have a public value when aggregated with data about others in my cohort – but without erasing my free will and agency? The idea of a “data self” in finance is acceptable; participants in our dialogue on open banking found this easy to imagine. But other sectors will need to work on a clearer narrative. There is a complex social contract to dissect: What data will we need to have control or choice over, ourselves? What data do we want the state, or companies to control? This will affect the way we use and link data on health, tax, benefits, from the criminal justice system, from social media, consumer activities, phone tracking and elsewhere.

After this, we must inspire a more creative discussion of the uses of data. Currently some of the benefits and harms we consider are presented as inherently opposed (privacy vs. efficiency, for instance). Future visioning and scenario planning work, bringing together technologists, the public, industry, regulators and other civil society stakeholders, can help us to imagine how technology might solve seemingly intractable problems and create a future where we all could flourish. This work also tends to identify opportunities for businesses – identifying new niches of real value to society, which will help build reputations.

Finally, we must design systems which ensure that if people give their data, the system is committed to equitable outcomes.

“Sift out the vultures who’d use data the wrong way.”

DeepMind Health dialogue

Some communities, for example ethnic minorities, are rightly wary of donating data in the wake of the Windrush scandal. We should pilot and prototype concepts like data trusts (a slippery concept, but involving establishing ways of storing and sharing data, where mutual value to the data owners and those who want to use it is agreed). This can help us unpack the hidden power relationships in the use of data – make sure that companies are working for the ultimate benefit of society in the broadest sense – and ultimately ensure that predictive algorithmic systems at best redistribute power, rather than encoding existing biases and consolidating power in the hands of the few.
Solving the productivity puzzle

An interview with Gemma Tetlow, Chief Economist at the Institute for Government

Gemma Tetlow is Chief Economist at the Institute for Government. The institute aims to improve the effectiveness of Government through providing rigorous research and analysis, topical commentary and offering a space for discussion and fresh thinking. Gemma joined the organisation in April 2018 and works across the Institute’s programme areas. Between 2016 and 2018, Gemma was Economics Correspondent at the Financial Times, reporting on and analysing economic developments in the UK and globally. Before that, Gemma led the Institute for Fiscal Studies’ work on public finances and pensions. Gemma has a PhD in Economics from University College London.

KB: Thank you for the interview, Gemma. We’d like to start with your take on the UK productivity puzzle. We have faced a greater deceleration in productivity than other G7 countries since the 2008 financial crisis — what do you see as the key factors behind the UK productivity challenge?

Gemma Tetlow: It appears that one significant part of the explanation for this comparatively poor management practices in the UK. Nick Bloom and others have been doing research on, these explanations fell by the wayside. But finance is not the only sector that has experienced a productivity slowdown since the crisis. The manufacturing sector in the UK – and in other countries like Germany – has slowed down as well, although it’s less obvious exactly why this happened.

KB: What Andy Haldane has pointed to is a long tail of low productivity firms in the UK. While our best performing companies are as productive as the best in the world, we also have an unusually large proportion of very low productivity firms. This is a long-standing phenomenon, not just something that has appeared since the crisis.

The slowdown in growth has been greater than productivity. This is important because financial services make up a larger proportion of the economy – one of them being financial services. This is important because financial services make up a larger proportion of the economy in the UK, than in other countries. In part, this apparent slowdown in financial services reflects a problem with how we measure productivity in that sector. Productivity in the financial services sector is measured by looking at the difference between the interest rates paid on deposits and those charged on loans, then multiplying that by the size of banks’ balance sheets. As a result, financial services were thought to have experienced a big boom in productivity before the crisis, which has dropped away since. But part of the measured slowdown was quite possibly a correction of something that was actually unsustainable.

KB: How important is it for UK businesses to reflect on their situation from a global perspective? Gemma Tetlow: In 2017, Andy Haldane, Chief Economist of Bank of England, urged Government to set benchmarks for businesses to demonstrate how they compare to the rest of the world in terms of productivity. How important is it for UK businesses to reflect on their situation from a global perspective? The slowdown in growth has been greater than productivity. This is important because financial services make up a larger proportion of the economy – one of them being financial services. This is important because financial services make up a larger proportion of the economy in the UK, than in other countries. In part, this apparent slowdown in financial services reflects a problem with how we measure productivity in that sector. Productivity in the financial services sector is measured by looking at the difference between the interest rates paid on deposits and those charged on loans, then multiplying that by the size of banks’ balance sheets. As a result, financial services were thought to have experienced a big boom in productivity before the crisis, which has dropped away since. But part of the measured slowdown was quite possibly a correction of something that was actually unsustainable.

KB: Another example would be the UK’s “Be the Business” initiative, encouraging knowledge exchange between highly productive and less productive companies. Have you any thoughts on investment in schemes like this to help balance the productivity across the spectrum? And how well are these received by businesses?

Gemma Tetlow: I think we’ve yet to see quantitative evidence of the impact of these initiatives, but I can’t see how they could be detrimental to productivity. It can be very positive if good practices established by one business can be transferred to others – and it opens a line of communication between businesses of different sizes across different sectors. It can only be a good thing if businesses with something in common with each other share ideas and develop new ways to boost productivity together. For example, Be the Business have set up a network for businesses in the hospitality sector in the South West and another one for family-run businesses. The idea of pairing big businesses with some of these smaller firms – and encouraging big businesses to utilise their larger networks – could be very beneficial for the UK. Big businesses have the advantage of learning from within, whereas small businesses have a much smaller pool of knowledge and experiences to draw upon.

KB: What is your take on this with regard to the Government’s recent pledge to invest in infrastructure, like superfast broadband and transport?

Gemma Tetlow: Historically, the UK has a relatively low level of public investment in infrastructure and ranks rather poorly in terms of infrastructural quality. If it’s not spent properly, it can be detrimental to productivity. However, there are parts of the country that have equally poor broadband infrastructure! But a related problem is that the technological advances of the past few decades do not seem to have led to the kind of productivity enhancements that had been expected. One view is that this is what you might call the “technology pessimist” view, espoused by Robert Gordon – an American economist who argues that productivity growth has slowed down as well, although it’s less obvious exactly why this happened.

What do you think is going to be the key factors behind the UK’s productivity challenge in the future?

Gemma Tetlow: What do you think is going to be the key factors behind the UK’s productivity challenge in the future?

What do you think is going to be the key factors behind the UK’s productivity challenge in the future?

26. 27.
The ageing population is also set to pose a huge challenge. Longer working lives will mean we’re more likely to switch careers, perhaps a few times.

KB: We’ve focused up to now on the current business climate – let’s look to the future. What would you say are the top issues that face businesses around productivity in the UK today?

Evidently, that businesses and business leaders are delaying some big investment decisions until they know exactly where the UK is going. We’re dealing with high levels of uncertainty; we’ve no clue what policies will be in place during any transitional period, or indeed how long that period will last. Yes – we’ve a notional end date, 2020. But the implementation of all of the policies and procedures that could be needed after Brexit are unlikely to be completed by that deadline. It’s a difficult situation for businesses.

There are challenges to public sector investment as well. Once the Brexit deal we’re going to get becomes clear, the public sector will need to foot the bill for some initial costs. For example, we are likely to need new agencies to replace tasks currently carried out by EU institutions. It is obviously taking a lot of Government time and effort to go through the Brexit negotiations, and that means that a lot of other long-term investments have been benched, too. Decisions just aren’t being made at the moment.

KB: Perhaps the elephant in the room, Brexit has created uncertainty both in terms of public sector investment and business investment, particularly in areas we have already discussed, such as infrastructure and technology. How will the transition period for us leaving the European Union (EU) impact growth and public spending?

The UK economy is 80% services, which is a larger share than in many other European economies. That slightly overplays the importance of services to the UK in terms of trading with other countries: there are some services, like haircuts, that no one would come over from Paris to buy, for example! Nevertheless, if you look at the UK economy compared to other EU economies, we have a much greater comparative advantage in the services industry. UK companies are good at producing services, we have a very large business services sector and a large financial services sector, and services are embedded in our manufacturing exports. The EU single market has evolved over time and now constitutes a well-developed single market in goods. The EU rules have also gone further than any other trade deal in trying to remove barriers to services trade, but the single market in services remains far from complete. Inevitably that combination – of completely free trade in goods but with some restrictions remaining on trade in services – has favoured those EU countries that are more aligned to exporting goods, rather than exporting services. That’s what the Bank of England paper indicated. There has been a gradual movement over time to complete the single market in services, but we’re not there yet.

KB: Finally, Ipsos MORI tracks consumer confidence on a monthly basis. Our data indicate that confidence has been falling for quite a while, but that it has dropped markedly in the last couple of months. What are your thoughts on this trend, and its importance?

Consumer spending is very important to growth in GDP. One of the things that surprised many economists in the aftermath of the Brexit vote was the extent to which UK consumers carried on spending, meaning UK GDP growth remained quite solid after the vote. But growth has slowed more recently alongside the decline in confidence that your indicator has picked up. So yes – it does matter. Everything stems from confidence.

KB: A great take-away for us all, I think. Thanks very much!
Skills gap or skills divide?

Public support for investing in UK workers' skills post-Brexit

In the 2017 general election, Britain’s three main political parties each made significant pledges around skills in their manifestos. In the same year, the Government launched the Apprenticeship Levy to fund an ambitious promise of 3 million new apprentices by 2020. paid for by the largest employers. But the need to upskill the UK’s current workforce is more crucial than ever, as the UK’s exit from the European Union (EU) looms, there is growing concern that labour shortages will hit UK businesses and the economy.

Prime Minister Theresa May’s cabinet recently announced a post-Brexit immigration system that will offer visas to immigrants in a tiered way, based on skills and earnings, to ensure the UK retains higher-skilled workers. This is likely to be well received by the majority – our 2017 research for King’s College London found that half the British public would support an increase in immigration by highly skilled workers. However, the public is much less supportive of allowing in lower skilled workers. What challenges does this pose to the Government and businesses alike?

Britain’s labour predicament

The UK’s current employment record is nothing short of a miracle, the likes of which was last recorded in 1974. The workforce has grown to 32.3 million helped by 2.3 million EU (non-UK) workers as of August 2018. The employment rate in the third quarter of 2018 stands at 75.5%, with unemployment at 4.0%. Employers’ appetites for increasing their workforce show little sign of diminishing, either. The number of vacancies in the economy has been on an upward trend since 2012, and reached an all-time high of 832,000 in the third quarter of 2018. The majority of these vacancies are in service sectors (738,000), reflecting the relative size of services in the UK economy.

But by the same token, employers’ unmet demand for workers has also increased. This is most severe in five service sectors, which represent the highest vacancy ratios (Figure SIXTEEN).

Of the 100 senior business leaders in our 2017 Captains of Industry survey, 94% named the Brexit negotiations as one of the most important issues facing Britain today.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Vacancy Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation and food</td>
<td>4.1</td>
</tr>
<tr>
<td>Other service activities</td>
<td>4.0</td>
</tr>
<tr>
<td>Information and communications</td>
<td>3.5</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>3.5</td>
</tr>
<tr>
<td>Health and social work activities</td>
<td>3.3</td>
</tr>
<tr>
<td>Accommodation and food</td>
<td>3.5</td>
</tr>
<tr>
<td>Professional, scientific, and technical activities</td>
<td>2.8</td>
</tr>
<tr>
<td>Electricity, gas, steam and air conditioning supply</td>
<td>2.6</td>
</tr>
<tr>
<td>Transportation and storage</td>
<td>2.6</td>
</tr>
<tr>
<td>Hospitality</td>
<td>2.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.4</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>2.3</td>
</tr>
<tr>
<td>Water supply, sewerage, waste and remediation activities</td>
<td>2.2</td>
</tr>
<tr>
<td>Administration and support</td>
<td>2.1</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>2.0</td>
</tr>
<tr>
<td>Construction</td>
<td>2.0</td>
</tr>
<tr>
<td>Education</td>
<td>1.9</td>
</tr>
<tr>
<td>Public sector administration</td>
<td>1.6</td>
</tr>
</tbody>
</table>

*This is the number of vacancies per every 100 jobs.
We underestimate shortages for bankers and IT professionals, and overestimate a shortage of construction workers.

The Government has agreed that immigration post-Brexit will be skills-based, to the dismay of many business representatives. The UK economy, businesses argue, needs a balance of both high and low-skilled workers. Restricting businesses’ access to low-skilled workers during record low unemployment will worsen labour shortages, which are already serious in agriculture, retail and hospitality.41

Superficially, public opinion on this seems pretty clear. Our 2017 King’s College London research highlights that the public is, on balance in favour of more high-skilled immigration (by 52% to 12%), and more students (by 40% to 13%), but fewer people coming to do routine manual jobs (just 18% want more of this type of immigration to Britain, but 44% want less).

As Figure EIGHTEEN shows, the public supports visas for EU workers for some lower-skilled occupations, such as seasonal fruit pickers, while not all high-skilled jobs are seen the same way – notably bankers. This partly reflects the public’s views of where shortages are likely to occur. However, this is not the whole story. The public seems willing to accept visas for academics and computer experts, even though not many are expecting shortages in these areas, which suggests wider reputational factors may also come into play.

Our latest research, though, also suggests that a large proportion of the public would be prepared to live with skills shortages in the short term, if balanced by attempts to improve

unemployment and underemployment. If the UK were to end freedom of movement for EU citizens, as Prime Minister Theresa May has proposed, this would require employers to entice local workers to fill these vacancies by offering higher pay, offering better terms and conditions, or encouraging movement of local workers to areas with vacancies. This will take both time and money for businesses, as local workers will need to be trained and upskilled. Consumers may also have to get used to higher prices.

A poor Brexit deal is a serious concern for businesses who rely on EU workers. Of the 100 senior business leaders in our 2017 Captains of Industry survey, for example, 63% named the Brexit negotiations as one of the most important issues facing Britain today. They also highlighted the importance of EU staff to their business; 62% agreed it would be important for them to recruit EU workers easily, after Brexit.48

So, how aware of this predicament is the general public? Our data show that the public is aware there will be a shortage of workers when the UK leaves the EU (Figure SEVENTEEN). We are able to correctly identify jobs that will be affected by this shortage too, such as restaurants and catering staff, care home workers and doctors. But we underestimate bankers and IT professionals, and overestimate a shortage of construction workers.

In its recent report, the independent Migration Advisory Committee (MAC) set out how the post-Brexit immigration system could look.49 The MAC’s first recommendation was to remove completely the current cap on skilled migrants, who it identified as net contributors to the UK economy. It also recommended selecting migrants based on their skills and qualifications and not their nationality. It argued that a tighter control on low-skilled migrants may force more companies to invest in more efficient technologies and enhance worker productivity.

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domestic skills to fill these shortages. Over four in ten (44%) agree with this, and another 13% think any gaps can be filled by UK workers straightaway. As Figure NINETEEN shows, this is strongly related to views on whether there will be shortages in the first place. Among the one in eight who think there will be no shortages, there is understandably a limited appetite for issuing more work visas. Instead, they believe UK workers should be able to fill these roles straightaway or after training. By contrast, those who think there will be labour shortages are much more in favour of work visas. But even among this group, support is stronger for training and upskilling UK workers to fill job vacancies. Short of demonstrating public consensus, our data shed a light on a number of important points for the Government and businesses. Britons recognise there will be some labour shortages across a range of occupations, but they do not correctly identify all of those likely to be hardest hit. Even then, some high-skilled jobs do not get majority support for more visas; this might be because the public underestimates how hard sectors like banking will be hit, and partly due to the wider reputational issues of that particular profession. Similarly, while there is much less support for increasing lower-skilled immigration in general, public opinion can also change when represented by cash (42.3%).52 Debit card transactions (42.6%) of all payments) surpassed those made experienced a similar turning point. For the autumn of 2016 marked a turning point for the games company Hasbro, this was the first time since its release in 1935 that the game broke from traditional paper money. Despite initial opposition, Hasbro reported a 2% increase in sales over the following months.51 Hasbro is not the only one to experience a similar turning point. For the first time, debit card payments (42.6% of all payments) surpassed those made by cash (42.1%).52 The growth can be attributed to the continued roll-out of contactless cards by banks, the increase in devices that take contactless payments, and the increase in consumer confidence to make contactless payments. But as Ipsos MORI’s National Payments Study – our annual survey of over 2,000 consumers for UK Finance – finds, the increase is not equally distributed across all demographic groups in society. The 2017 study found that people aged 65 and over were far less likely to have ever made a contactless payment (27% have never done so) than those aged between 25 and 34 (6% never). The most affluent of all social grade A* are far more likely to use contactless payments. Several times a week (34%) than those of social grade C2DE (12%). Contactless payments may be growing, but do not yet touch everyone equally.53 The move from cash to contactless also poses challenges to those at risk of marginalisation in society. Electronic banking requires a bank account, and

We’re comfortable with the idea of a short-term skills shortage

Figure NINETEEN: Q. If there are not enough workers to fill these jobs, which one of these possible solutions would you support the most?

<table>
<thead>
<tr>
<th>All general public</th>
<th>Among those who think there will be a labour shortage</th>
<th>Among those who think there will be a labour shortage when the UK leaves the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accept that there will be shortages in the short term but provide more skills to UK workers to fill those roles</td>
<td>44%</td>
<td>44%</td>
</tr>
<tr>
<td>Issue more work visas for suitable workers from outside the UK straight away</td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td>Don’t do anything as UK workers should be able to fill these roles straightaway</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Don’t do anything and just accept a smaller number of those in the future</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Accept that there will be shortages in the short term but provide more skills to UK workers to fill those roles</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Issue more work visas for suitable workers from outside the UK straight away</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Don’t do anything as UK workers should be able to fill these roles straightaway</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Don’t do anything and just accept a smaller number of those in the future</td>
<td>12%</td>
<td>12%</td>
</tr>
</tbody>
</table>

The autumn of 2016 marked a turning point for the games company Hasbro, as it launched the latest version of the popular board game, Monopoly. With the tagline “Monopoly goes cashless”, this was the first time since its release in 1934 that the game broke from traditional paper money. Despite initial opposition, Hasbro reported a 2% increase in sales over the following months.51 In the same year, Britain’s economy experienced a similar turning point. For the first time, debit card payments (42.6% of all payments) surpassed those made by cash (42.1%).52

Undoubtedly, a key driver of rapidly increasing debit card usage has been the emergence of contactless payments, which increased by 97% during 2017, and is expected to increase further (Figure TWENTY). This growth can be attributed to the continued roll-out of contactless cards by banks, the increase in devices that take contactless payments, and the increase in consumer confidence to make contactless payments. But as Ipsos MORI’s National Payments Study – our annual survey of over 2,000 consumers for UK Finance – finds, the increase is not equally distributed across all demographic groups in society. The 2017 study found that people aged 65 and over were far less likely to have ever made a contactless payment (27% have never done so) than those aged between 25 and 34 (6% never). The most affluent of all social grade A* are far more likely to use contactless payments. Several times a week (34%) than those of social grade C2DE (12%). Contactless payments may be growing, but do not yet touch everyone equally.53
We’re increasingly drawn to the ease of contactless

Figure TWENTY: % of all UK transactions estimated to be made by contactless cards

In qualitative interviews, consumers tended to use cash as a means of controlling spending, reducing the risk of any “financial hangover”.

How will contactless affect behaviour?

The growth of contactless payments in our daily lives could be viewed through the prism of progress – we can all acknowledge that contactless cards speed up our daily commute, buying food, and socialising in bars and cafes. But is Britain comfortable with contactless, or merely conforming to it? Dr Niro Sivanathan, Associate Professor of Organisational Behaviour at London Business School, suggests that contactless payments separate the pleasure of consumption and the pain of paying – they make it easier to spend more. However, Dr Sivanathan notes that consumers incur greater “financial hangovers” with contactless, which can lead to erratic spending patterns.

Moreover, as the UK continues down the path of digital payment, what might be the effects on the daily lives of those for whom cash still plays a fundamental role? Ipsos MORI’s 2016 study of cash versus electronic payments, on behalf of HM Revenue and Customs (HMRC), highlights that some consumers and businesses remain wedded to cash.

In qualitative interviews, consumers tended to use cash as a means of controlling spending, reducing the risk of any “financial hangover”.

“I feel more comfortable paying cash, I just feel more comfortable knowing that it’s paid.”

“You could put in a wrong amount, and not realise you’ve done it. And when it comes to finish and you just say accept, then you’ve paid too much for something.”

Conversely, people felt that debit card and contactless payments “crept up on you”, as they lacked the physicality of cash. However, even those who were most inclined to use cash felt that the migration to a cashless consumer model was very likely, and that they would have to embrace it.

Whilst consumers might see cashless spending as the future, opinions among small businesses (with under 50 staff) were mixed. Of those who said they would not offer contactless payments, 32% said there was nothing that would make them offer such a service in the future. Despite this, 43% of all small businesses expected the number of cash payments they received in the future to decrease. With the significant predicted increase in card transactions over the next decade, an important challenge emerges for small businesses: they must either adapt to the increase in contactless payments, or hope that their cash sales can maintain the status quo.

With fewer coins in our pocket, people may now feel less likely to make spur of the moment donations. Barclaycard’s 2017 study on contactless payments suggested that charities only willing to accept cash donations could lose up to £1.8 billion a year.64 Charities responded by launching Tap for Change contactless donation boxes. Greater Change, a social enterprise in partnership with the University of Oxford, has suggested that homeless people could carry QR codes to obtain donations via phones.65 As Britain’s spending culture transforms, society endeavours to adapt to keep pace.

Learning from others

Sweden has been held up as the jewel in the cashless society crown, but even they faced challenges from an accelerated journey to contactless.66 This includes the aforementioned risk of financially excluding a section of society, and the increased risk of cyber attacks and fraud associated with electronic payments – something that also worried UK consumers in our HMRC study. In a recent poll for Bankomat AB, a company providing ATM services in Sweden, 68% of Swedes wanted cash to remain as a viable payment option in the future, while 85% of those aged 65 and above expressed the same desire.65 To central bank, Riksbank, issued

yet 16 million adults in Britain today don’t have one.61 And 50% of those with a basic bank account still choose to manage their money in cash.62 Is Britain in danger of marginalising the non-users of electronic payments?

Nevertheless, even though contactless payments are not yet ubiquitous, by the end of 2017 there were approximately 119 million contactless cards in circulation in the UK.63 Furthermore, the credit and debit card industry has recently “committed to ensuring that from January 2020 every bank-issued payment terminal in the UK will be capable of accepting contactless payments”.64 British Retail Consortium data show cash payments on a steady decline (Figure TWENTY ONE). Britain appears to be undergoing a payment infrastructure overhaul, regardless of whether we are all on board.
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Similarly, Britain’s economy must recalibrate to our new spending norms. Electronic payments can certainly make our daily lives more convenient. But whilst this may convenience the many, we should be wary of excluding the few: those who do not have the means, or desire, to join the contactless movement. The pace of this move is essential, particularly for the UK’s small businesses, some of whom aren’t ready to abandon cash. While we continue to enjoy the benefits of cashless payments – less commuter congestion, and fewer coins weighing down our purses – we must also be mindful of how it can change spending habits. In particular, in a country already experiencing high levels of consumer debt, we should be careful to avoid another credit-induced financial hangover.

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Smaller businesses are the backbone of the UK economy. Office for National Statistics (ONS) data showed an average of 1,000 new businesses starting up every day in 2016. They drive growth, create jobs, are seedbeds for innovation and help make the UK more competitive. They have also shown resilience during economic slowdowns. Younger smaller businesses, however, tend to face more barriers, including cash flow, employee skills gaps, red tape and access to finance. Recognising the importance of smaller businesses to the economy, the UK Government has made several commitments to help them navigate the myriad of challenges and opportunities they face on a daily basis and, ultimately, to support their growth.

Since 2014 the British Business Bank – a state-owned economic development bank established by the UK Government – has commissioned a unique survey among small and medium enterprises (SMEs, with under 250 staff) to better understand their awareness of different types of external finance and experience of raising finance. The survey, conducted by Ipsos MORI, has consistently shown that smaller businesses face bigger challenges than larger firms when it comes to finance.

The survey points to several reasons for this. Many business owners avoid borrowing to avoid debt and because of fear of rejection. Distrust in banks and financial institutions also appears to be a concern, with 32% of those that...
Distrust in banks and financial institutions also appears to be a concern, with 32% of those that had a need for external finance in the last 12 months citing this as one of the main reasons for not applying for it. The negative attitude of businesses towards finance was also highlighted in the 2016 survey when over four times as many businesses assumed obtaining finance from a bank was difficult, rather than easy (56% compared to 13%). There remains a lack of confidence among smaller businesses to assess the appropriateness of alternative sources of finance. The 2017 survey shows (in Figure TWENTY ONE) that, while almost seven in ten SMEs are confident in assessing finance products offered by their own bank (67%), this falls to only half of SMEs when it comes to assessing products offered by other providers (49%). This is corroborated by those who have sought finance in the last three years. For these businesses, their usual bank is still their preferred port of call for finance. The majority do not even research other suppliers, and could be missing out on a better deal as a consequence. Already having an established relationship is by far the most common reason for sticking with the familiar (cited by 55% of those who contacted only one provider, as Figure TWENTY TWO shows). However, a range of other factors are at play, including the cost of finance, and perceptions of the hassle and time making contact with alternative providers.

Established relationships can trump better deals

Figure TWENTY THREE: Top unprompted reasons for only approaching one finance provider when last seeking finance.

<table>
<thead>
<tr>
<th>Reason</th>
<th>% Unconfident</th>
<th>% Neither Confident &amp; Unconfident</th>
<th>% Confident</th>
</tr>
</thead>
<tbody>
<tr>
<td>First provider had what I wanted</td>
<td>67</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Lowest cost/offered by own bank</td>
<td>49</td>
<td>17</td>
<td>28</td>
</tr>
<tr>
<td>Had an established relationship with that provider</td>
<td>55%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lacked the specific type of finance I wanted</td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>My only/most obvious option</td>
<td>14%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Too much hassle contacting more than one provider</td>
<td>7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SMEs are hesitant to trust alternative providers

The credit they deserve – How can we improve access to finance for UK SMEs?

Fresh solutions

So what does all this mean for the future of small businesses? Given the lack of understanding of products available and the low confidence in assessing products, taking advice would appear to be a solution. However, most SMEs do not seek advice when applying for finance. Our 2017 survey reported fewer than half of all SMEs saying they would seek advice if they needed external finance in the future (43%) – although, encouragingly, the survey reveals a small increase in the last three years (from 13% of businesses that have sought finance taking advice in 2016, to 18% in 2017). Just 43% of all SMEs think that finance providers give them enough information about their products, to be able to judge if they are suitable or not – and this lack of agreement may help explain the unwillingness to seek advice. The future success of a young business depends on them being able to access information they trust about their finance options. Moreover, small businesses need to be aware of the positive impact of borrowing, and the range of options and providers, in order to feel more assured they will have the support they need when seeking finance. Building smaller businesses’ confidence and awareness of their finance options, so they are encouraged and enabled to seek the finance best suited to their needs, is a key objective of the British Business Bank.71 The guide impartially sets out the range of finance options available to businesses at all stages, from start-ups to SMEs, and growing mid-sized companies.72 In a significant step-up, this summer the Bank launched its new online Finance Hub, specifically designed for high-growth businesses.73 The digital hub provides everything a business looking to scale up might need to know about their finance options, featuring short films, expert guides, checklists and articles from finance providers to help make their application a success. The new site also features case studies from real businesses, to guide businesses through the process of applying for growth finance.

Addressing the challenge to drive demand for finance is vital. Improving the growth and productivity of smaller businesses is central to improving the economy as a whole which makes it even more important that they are given the credit they deserve.
FIGURE References

1. Source: European Investment Bank/Ipsos MORI | Base: 12,338 EU businesses (data are weighted) | Fieldwork: 28 April to 1 September 2017
2. Source: Invest Europe/Ipsos MORI | Base: 360 investors from China, France, Germany, the UK, and the US | Fieldwork: September to October 2017
4. Sources: Ipsos MORI (perceived rankings); World Bank (actual rankings; https://wits.worldbank.org/countrystats.aspx) | Base (Ipsos MORI): 1,129 UK adults aged 16 to 75 (data are weighted) | Fieldwork (Ipsos MORI): 18 to 21 September 2018
5. Sources: Ipsos MORI (perceived rankings); Office for National Statistics (actual rankings; https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/unemployment/datasets/vacanciesbyindustryvac02) | Base (Ipsos MORI): 1,129 UK adults aged 16+ (data are weighted) | Fieldwork (Ipsos MORI): 18 to 21 September 2018
6. Source: Ipsos MORI | Base: 1,129 UK adults aged 16 to 75 (data are weighted) | Fieldwork (Ipsos MORI): 18 to 21 September 2018
8. Source: Ipsos MORI | Bases: 96 Ipsos MORI Reputation Council members, 81 UK business or finance journalists | Fieldwork: April-August 2016 (Reputation Council) and 1 June to 5 July 2016 (business or finance journalists)
9. Source: Department for Digital, Culture, Media and Sport/Ipsos MORI | Bases: 1,519 businesses, excluding agriculture, forestry or fishing businesses; 569 charities (all data are weighted) | Fieldwork: 9 October to 14 December 2017
10. Source: Ipsos MORI | Bases: 1,002 UK adults aged 18 to 65 (data are weighted); 94 MPs | Fieldwork: 8 to 15 September 2017, 21 June to 25 August 2017 (MPs)
11. Source: Ipsos MORI | Bases: 1,002 UK adults aged 18 to 65; 528 who think automation will lead to net job losses (data are weighted) | 8 to 15 September 2017
14. Source: BCG GAMMA/Ipsos MORI | Bases: all for adults aged 18+ | 1,009 in China, 1,011 in the UK, 1,010 in US (all data are weighted) | Fieldwork: 18 May to 6 June 2018
17. Source: Ipsos MORI | Base: 1,129 UK adults aged 16+ (data are weighted) | Fieldwork: 18 to 21 September 2018
18. Ibid
19. Source: Ipsos MORI | Bases: 1,019 UK adults aged 16+; 845 UK adults who think there will be a labour shortage with the UK leaves the European Union; 150 UK adults who think there will not be a shortage (data are weighted) | Fieldwork: 18 to 21 September 2018
22. Source: British Business Bank/Ipsos MORI | Base: 2,070 UK small and medium enterprises (with 1 to 249 employees) (data are weighted) | Fieldwork: 30 August to 7 November 2017
23. Source: British Business Bank/Ipsos MORI | Base: 469 UK small and medium enterprises (with 1 to 249 employees) that contacted only one finance provider (data are weighted) | Fieldwork: 30 August to 7 November 2017
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The Social Research Institute works closely with national Government, local public services and the not-for-profit sector. Its 200 research staff focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methodological and communications expertise, ensures that our research makes a difference for decision makers and communities. Understanding Society is part of the Ipsos Views publications programme. For more information see www.ipsos.com/ipsos-views