Policy Voice full survey results October 2024

- Autumn Budget the lead-up and snap poll
- Probationary periods
- Net Zero

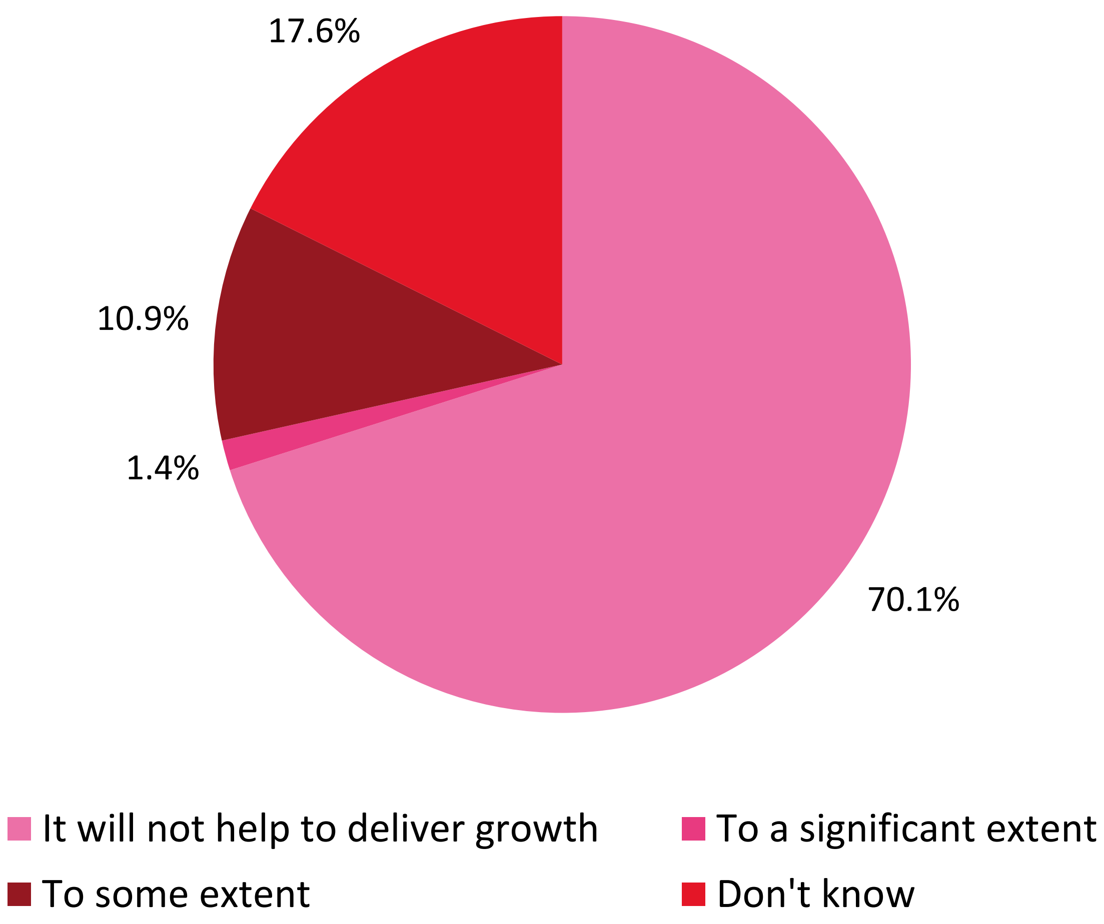
Policy Voice:
Number of respondents: 642
Survey Dates: 11-30 October 2024

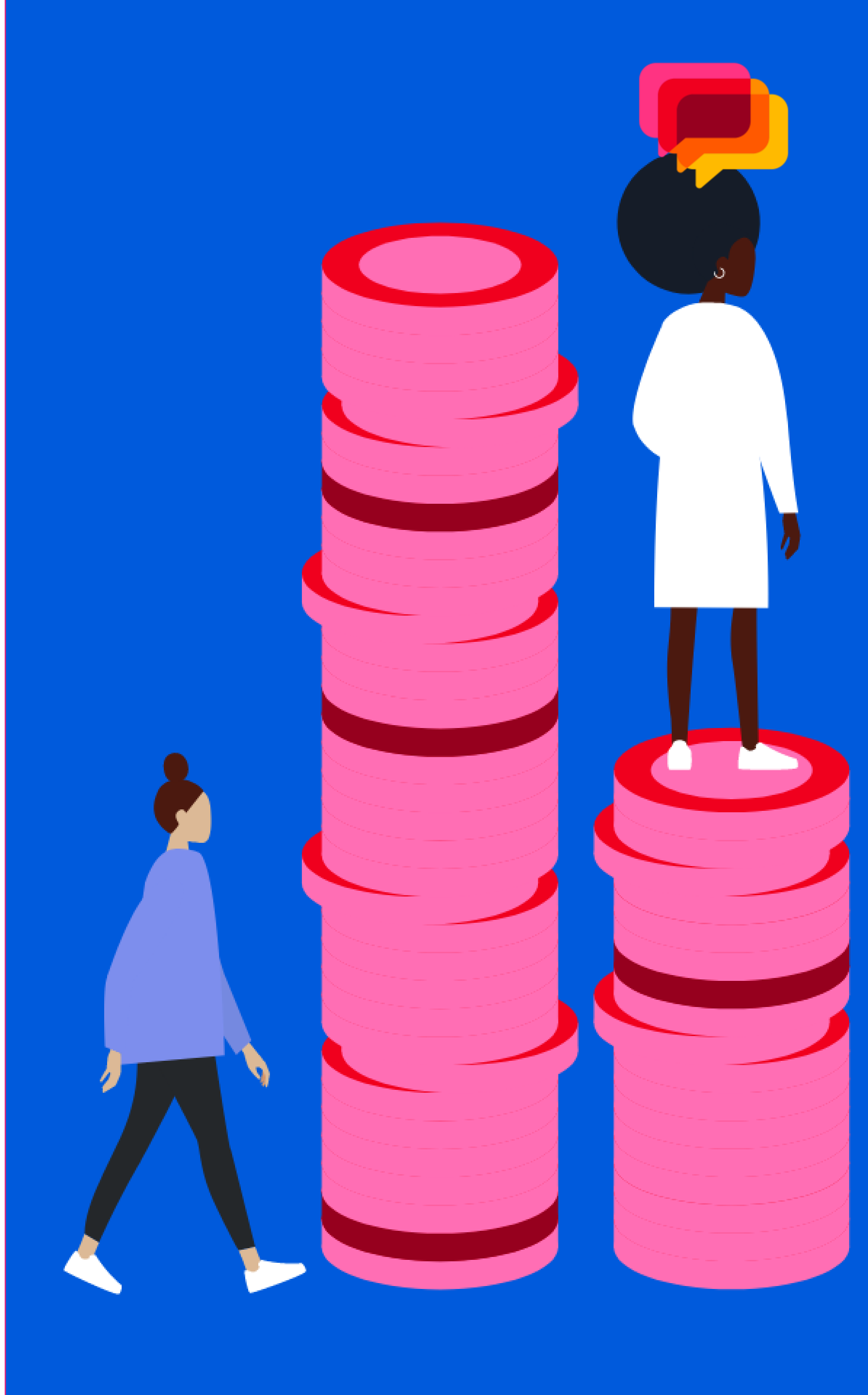
Budget snap poll:
Number of respondents: 702
Survey Dates: 30 – 31 October 2024

Autumn Budget: The lead-up

The following question was asked in October's Policy Voice in the lead-up to the Budget, in order to gauge member views on the expected cumulative impact of proposed measures.

To what extent do you feel the Autumn Budget will help to deliver growth for your organisation?



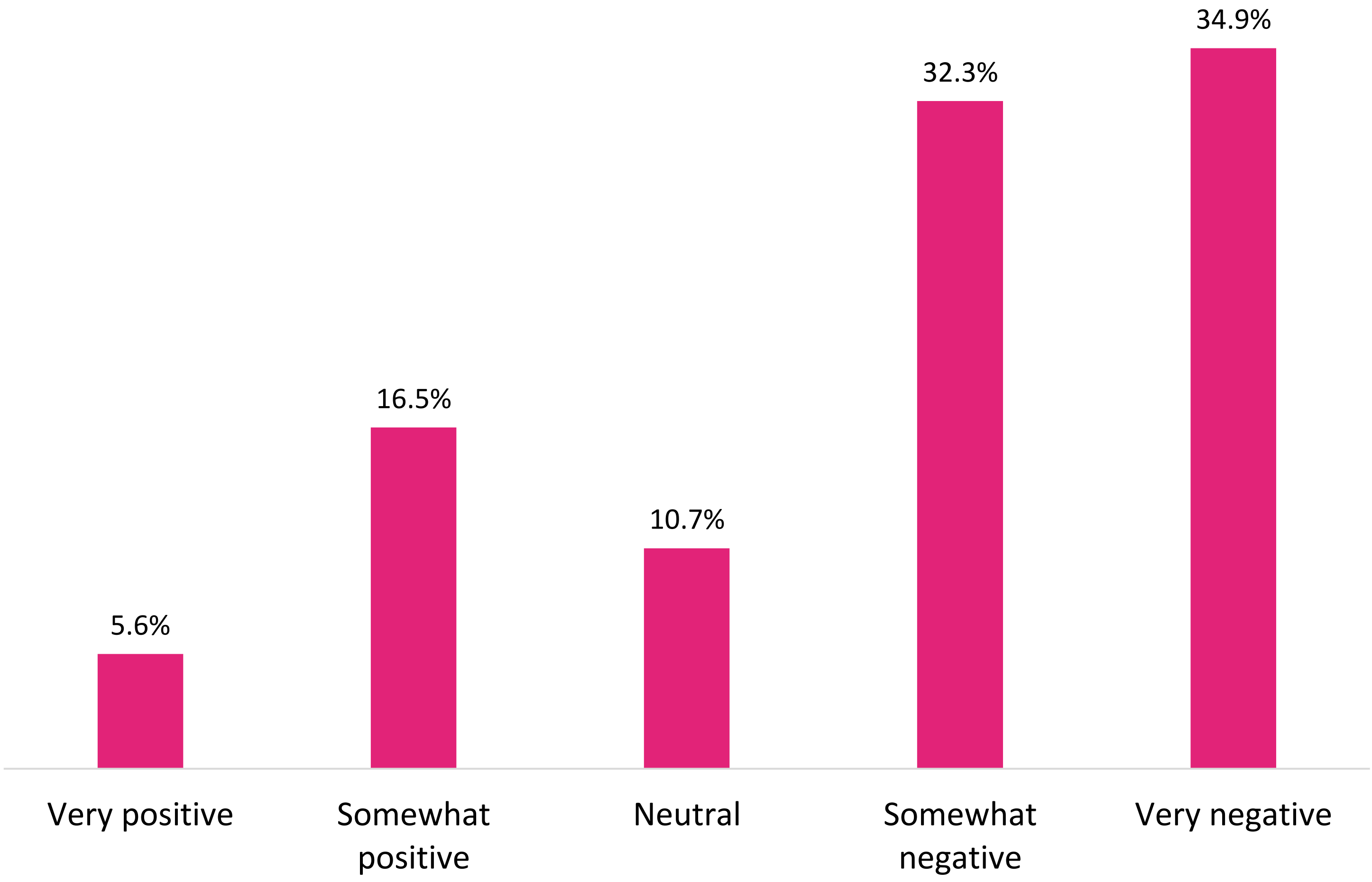


Autumn Budget: Snap poll

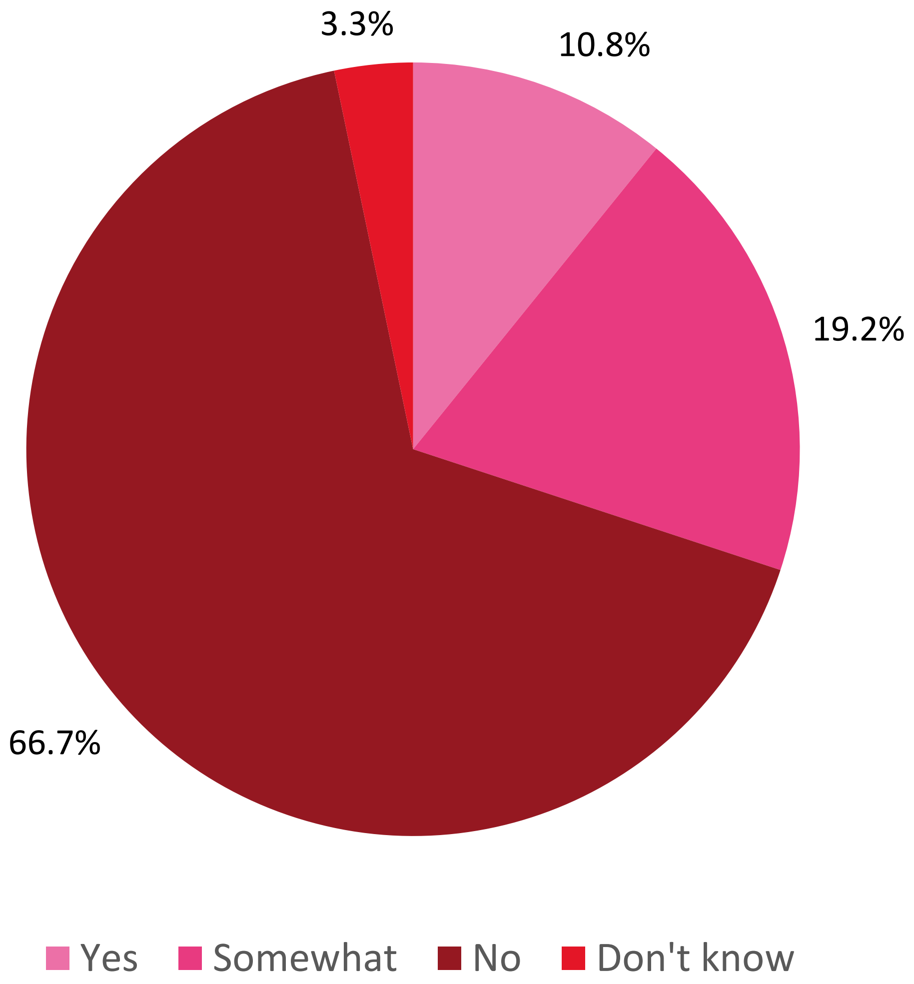
Immediately after the Chancellor’s Budget Statement, we issued a snap poll to our members, which remained in the field for 24 hours.

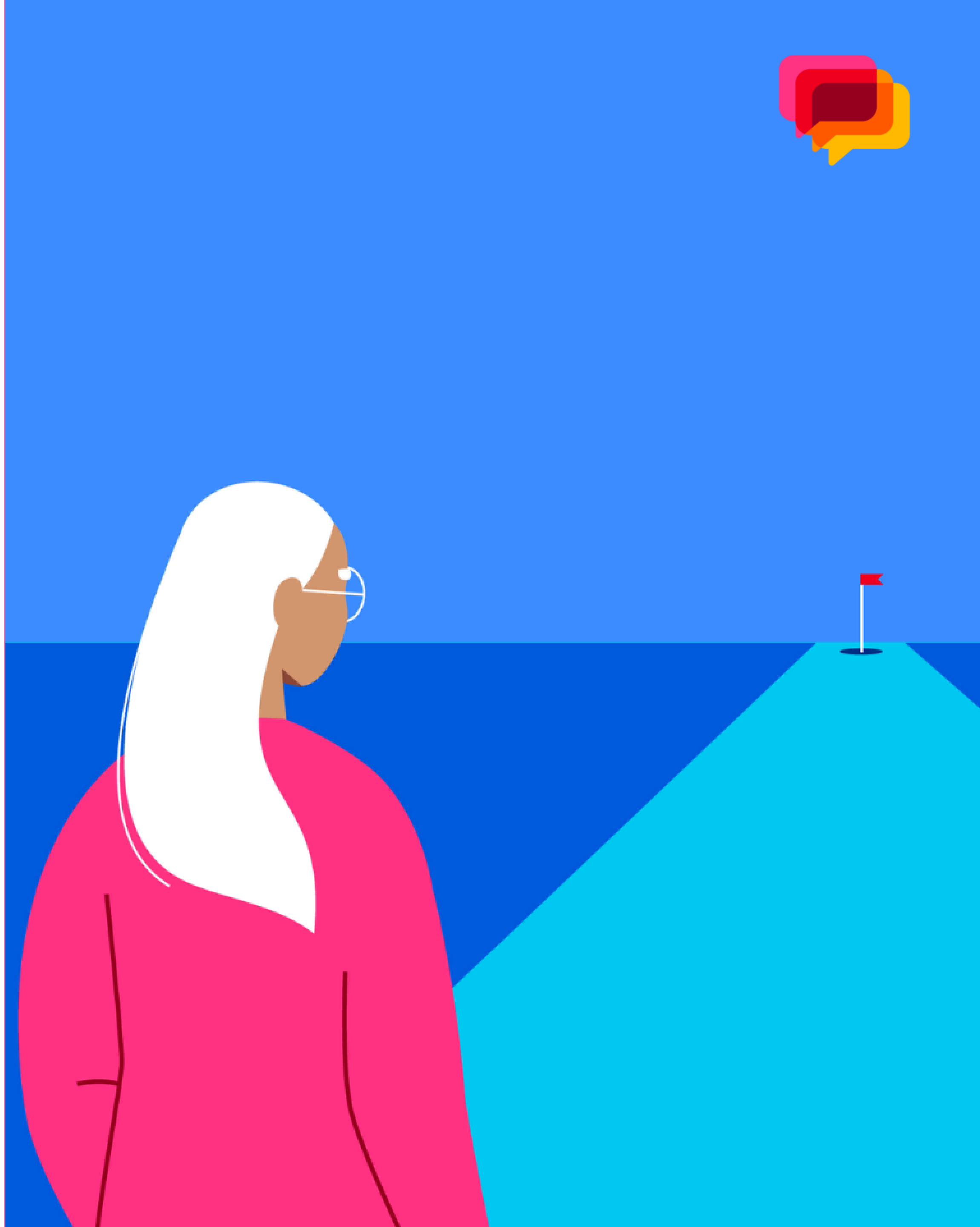
There were 702 responses from across the UK to the following questions.

How do you feel about today's Budget and its associated announcements?



Do you think that this Budget will support the government's growth mission?





To what extent do you think the following announcements in the Chancellor's Autumn Budget Statement will have a positive or negative impact on **your organisation?**

	Very positive	Somewhat positive	Neutral	Somewhat negative	Very negative	Don't know
Abolition of non-dom status	7.69%	7.98%	54.42%	11.11%	13.82%	4.99%
Business assets taper relief changes	1.85%	8.55%	46.44%	17.81%	9.26%	16.10%
Changes to fiscal rules to enable increased investment	9.97%	29.49%	30.20%	10.26%	14.53%	5.56%
Changes to inheritance tax on pensions, agriculture property relief and business property relief	1.85%	3.13%	39.89%	19.09%	33.05%	2.99%
Freeze in fuel duty	12.96%	33.62%	44.16%	5.27%	2.71%	1.28%
Freeze in the main rate of corporation tax at 25%	14.10%	33.19%	38.32%	9.83%	3.42%	1.14%
Increase in employer National Insurance contributions	0.71%	2.71%	10.40%	26.21%	59.54%	0.43%
Increase in minimum wage by 6.7%	5.56%	13.11%	32.48%	28.35%	19.94%	0.57%
Increased tax on carried interest	2.28%	3.42%	43.02%	21.51%	18.52%	11.25%
Increases in capital gains tax	1.42%	3.70%	37.32%	29.77%	26.92%	0.85%
Investment for research projects	17.24%	35.90%	37.75%	3.28%	1.99%	3.85%
Investment in new infrastructure projects	16.24%	35.19%	36.18%	5.98%	3.28%	3.13%
The corporate tax roadmap	5.70%	16.81%	41.45%	12.54%	8.40%	15.10%

We asked optional free text questions in the snap poll that we distributed on the day of the Budget to gather immediate reactions. We particularly wanted to get a sense of what members saw in a positive or negative light, and how the measures announced might impact their business prospects.

The responses were overwhelmingly negative, especially around the extent to which tax hikes will hit hiring and investment practices.

"The changes to in Employer NI could have an unintended consequence for employers giving lower pay increases, recruiting lower numbers or reducing employer pension contributions in order to keep the costs down. The final point is extremely unwelcome at a time when pensions are generally underfunded."

"The increase in NI payments from employers will cost us as a charitable organisation in the region of £100,000 per annum."

But there were comments that welcomed the freeze on fuel duty, as well as positive sentiment towards the repair of potholes across the country. There was also recognition that investment in R&D projects will have a positive impact.

**given the immediate nature of the snap poll we did not extend the survey to ask demographic questions*

We also asked members if they will do anything differently in their business as a result of measures announced in the Budget. A lot of comments insinuated they would employ fewer people, cut internal costs, and even make redundancies if necessary. Many also said they would pause investment intentions while consolidating plans, and finding ways they can better save money across the company.

"I will put plans for expansion, investment and recruitment on hold. Plans to invest in a new fleet of vehicles (£1m) will now be shelved. Salary review for staff will go ahead but it is likely to be a review only, and if there is a pay award it will be minimal. The new regulations regarding employment will also have an impact."

"I will be looking at hiring more closely now it is more expensive. Allied to this I will also need to think, as a start up as to how I can attract investment."

Some are thinking about how they can find other ways to grow:

"Not directly but we seek to automate everything we can and I think the budget will drive and hasten that process. It may even make us think about outsourcing work which we have tried really hard not to do."

"There will likely be less pay rises. Business growth may be more invested in other entities around the world."

"We will continue to grow export and focus on investment in the USA."

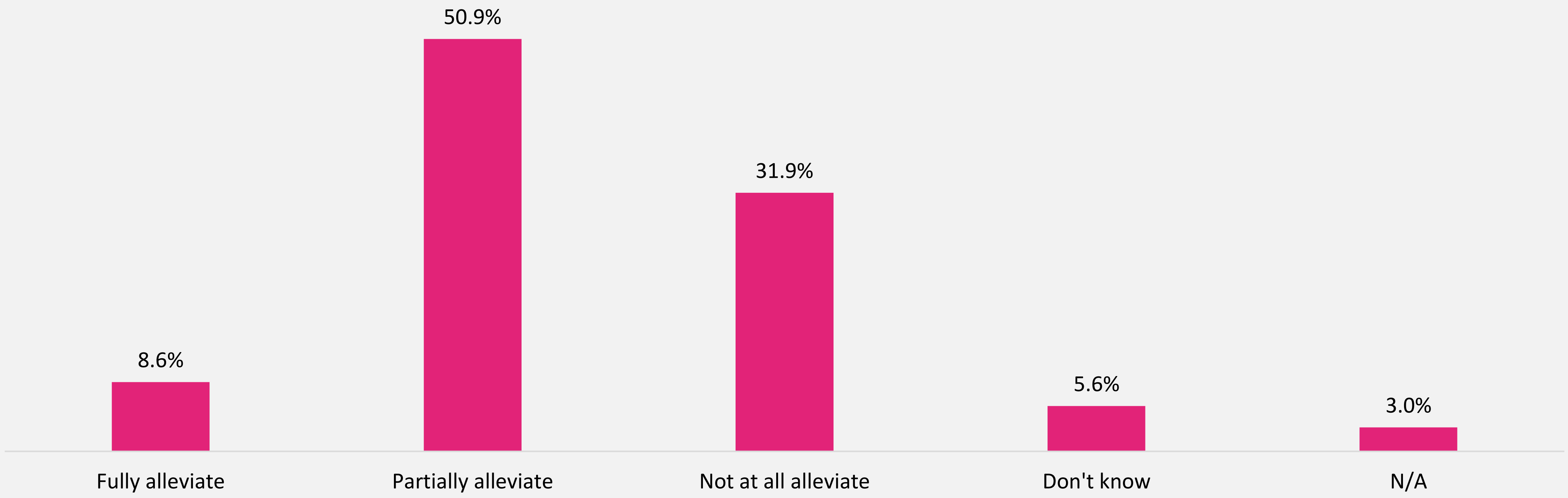
The Employment Rights Bill: Probationary periods

The government has recently announced its programme of change to employment rights and regulations. It has committed to consulting on the details of implementing these reforms.

The following questions will help to inform the IoD's response.

Employees will get protection from unfair dismissal from day one of employment, but **employers** will be able to operate probationary periods during which there will be a lighter-touch process for dismissing an employee who is not right for the job.

To what extent would a 9-month probationary period alleviate any impact on the cost and risk of employment from day one protection against unfair dismissal?



A slim majority (51%) of business leaders reported that a nine-month probationary period would partially alleviate their concerns regarding employees having a day one right to protection against unfair dismissal, while a third (32%) stated that it would not at all alleviate their concerns. Four main themes emerged in the comments:

1. **A preference for a longer probationary period in order that an employees' suitability for a job can be fully ascertained:**

"Employers should not have to incur additional expense to realize that a new employee is not suitable for the job. Employers should be allowed to set the period of up to 12 months." - Microbusiness, Health and social work, Scotland

2. **A belief that a probationary period of any length cannot alleviate the negative effects of full protection against unfair dismissal from day one:**

"It depends what they do to the definition of 'unfair'. If that is genuinely focused on allowing companies to dismiss bad fits, shirkers and poor work ethics then its ok. If not, there is no length of probation that will compensate an SME paying for someone to be unproductive." - Microbusiness, Other Services, South East England

"Far better a shorter probationary period (6 months) with no unfair dismissal right than a 9 month 'light touch' probationary with unfair dismissal rights" - Microbusiness, Information and communication, North West England

3. **A belief that the new right – alongside other reforms in the Make Work Pay package – will lead more employers to engage freelancers, take fewer risks when hiring, or reduce employment.**

“Firms will swap to getting freelancers to do work, giving less certainty or *employment and fewer rights” - Microbusiness, Professional, scientific and technical activities, South East England*

“Like many businesses I suspect, I am exploring moving lower value work offshore.” - Medium-sized company, Other services, London

“At our organisation we take a chance with some slightly unusual candidates who on paper may not fit the job spec. This is often very successful - but in around 25% of cases we do have to let them go. This will tighten up our recruiting culture and will lead to marginalised candidates not getting a chance.” - Medium-sized company, Real estate, South East England

4. **Agreement that nine-month, or shorter, probationary periods can be sufficient for assessing suitability of new employees, particularly if the rules around dismissal are genuinely light-touch:**

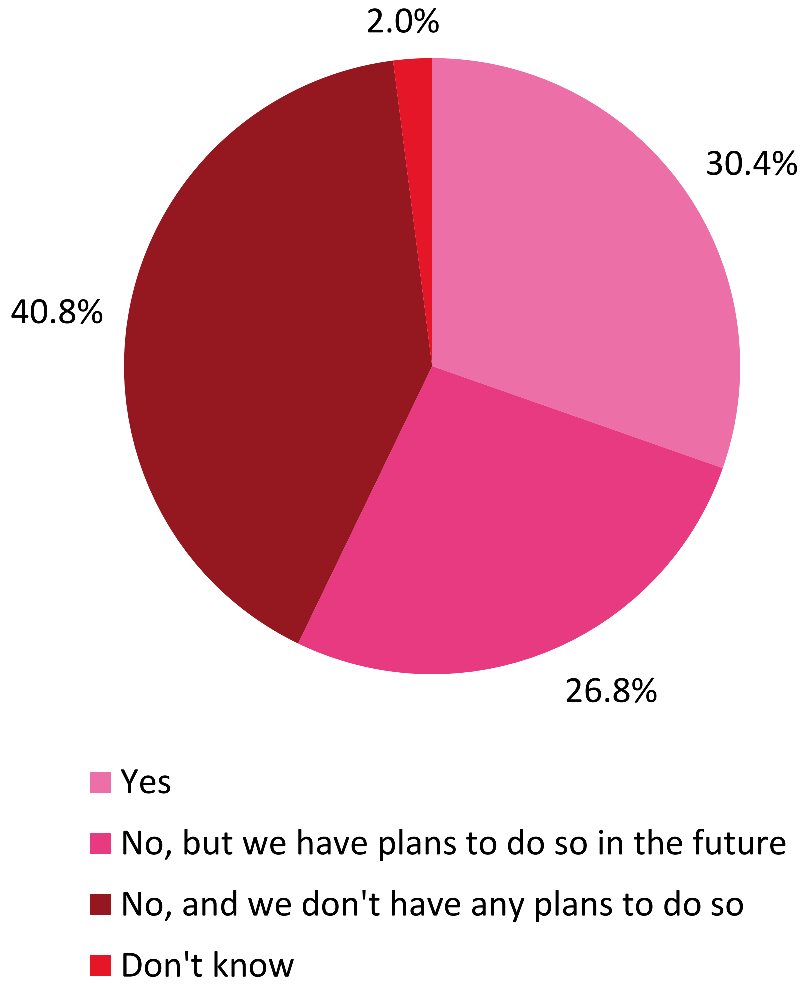
“The 9-month probation period seems reasonable to assess an individual's suitability for role” - Microbusiness, Professional, scientific and technical activities, North West England

“It depends on what that lighter touch process looks like. In principle I don't disagree with these rights, however, there must be a way of removing employees who cannot perform the role. If there isn't, then employers will just not take on any more permanent staff” - Medium-sized company, Manufacturing, North West England

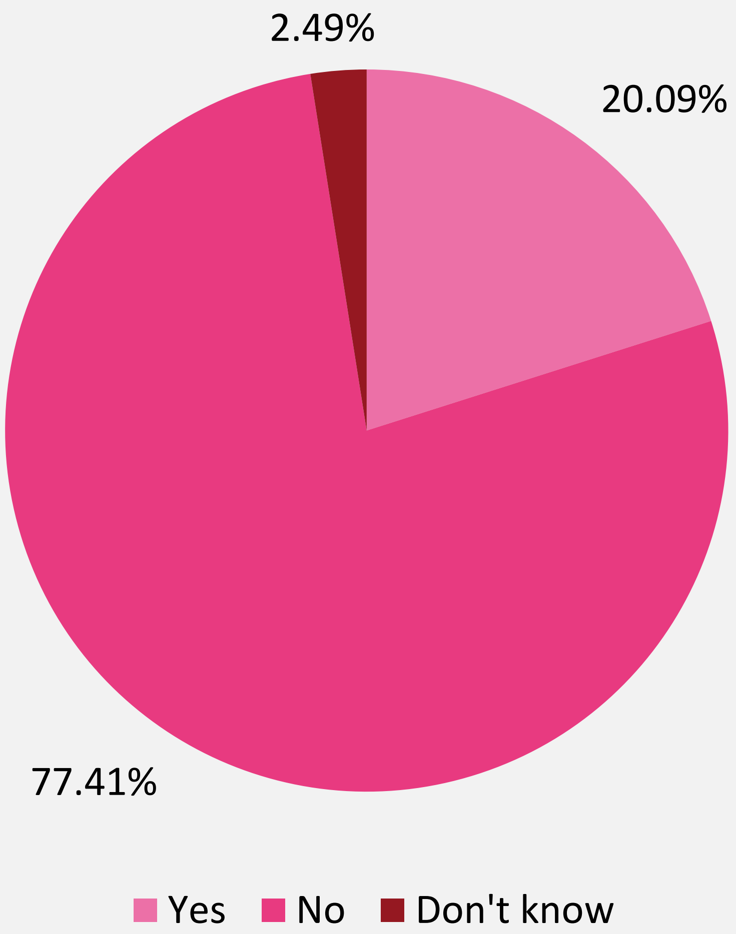
Net Zero

We ask the following questions relating to net zero quarterly, in order to track member sentiment and behaviour relating to this issue.

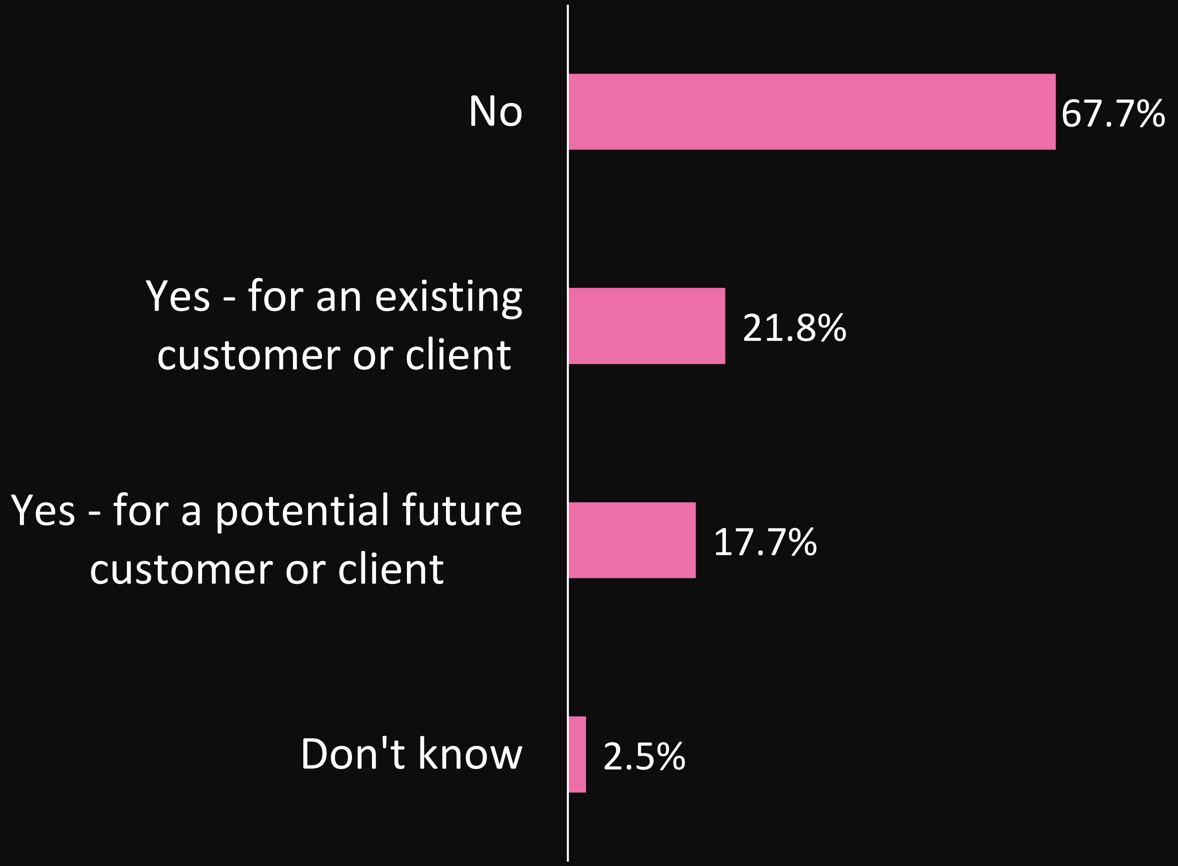
Does your organisation measure its carbon footprint?

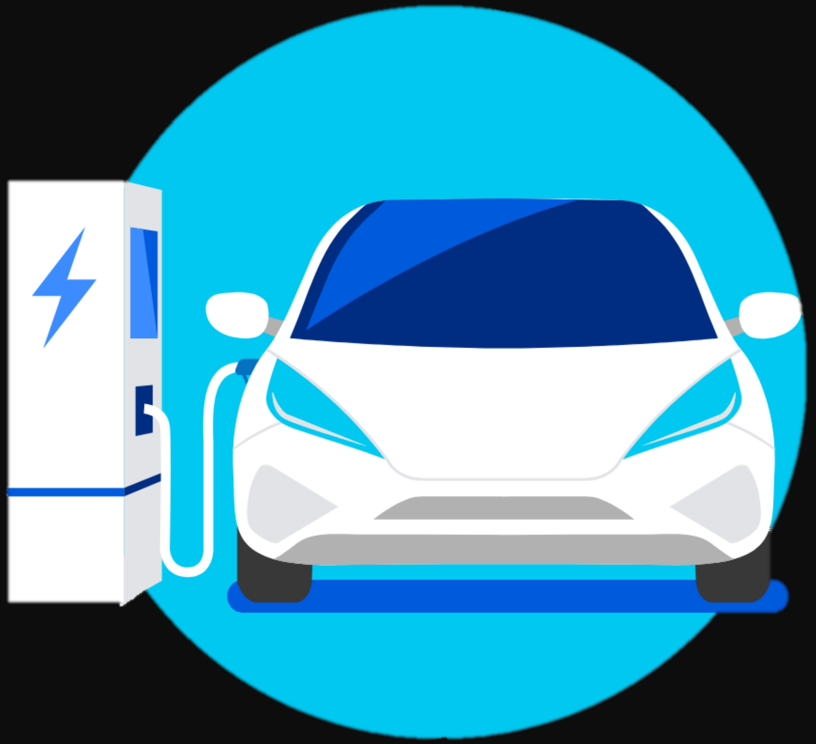


Has your organisation committed to becoming net zero by a certain date?



Have you ever been asked by a customer or client to demonstrate the carbon footprint of your organisation? Choose as many that apply





Over half (57%) of business leaders stated that their organisation either already measures its carbon footprint (30%) or has plans to do so (27%). These figures represent a small decrease when compared to data collected in October 2023, although they remain higher than when we asked the same question in October 2022.

A slightly lower percentage of business leaders' organisations had never been asked for carbon footprint data by a current or potential client than in previous years (68% vs 70% in 2023 and 76% in 2022), suggesting that supply chain pressure to report carbon footprint data is gradually increasing.

Three main themes emerged in the comments:

1. **Concern that increasing pressure to report carbon footprint data will have a disproportionate impact on SMEs:**

"The requirement to 'demonstrate the carbon footprint' that the government is pushing down the supply chain is costly red tape for small organisations and often means they are unable to compete, effectively tweaking the market in favour of bigger companies" -- Microbusiness, Professional, scientific and technical activities, London

"SMEs are more focused on survival rather adding additional expense into their cost base with minimal return." -- Microbusiness, Financial services, South East England

2. **Companies being proactive in taking steps to reduce their environmental impact but not formally measuring their carbon footprint:**

“We are a very small business - we try to be as planet friendly as possible at all times - we care about it but we’re not about to start measuring it.” -- Microbusiness, Education, South East England

“Reporting or implementing net zero practices beyond common sense approaches to reducing waste or unnecessary travel would amount to corporate virtue signalling and a waste of precious time and manpower.” -- Microbusiness, Professional, scientific and technical activities, London

3. **Scepticism that increasing pressure on businesses to report their carbon footprints will effect the change needed, and concern that it will undermine the UK’s economic competitiveness:**

“Net Zero is destroying jobs and investment in the UK.” -- Microbusiness, Real estate, South East England

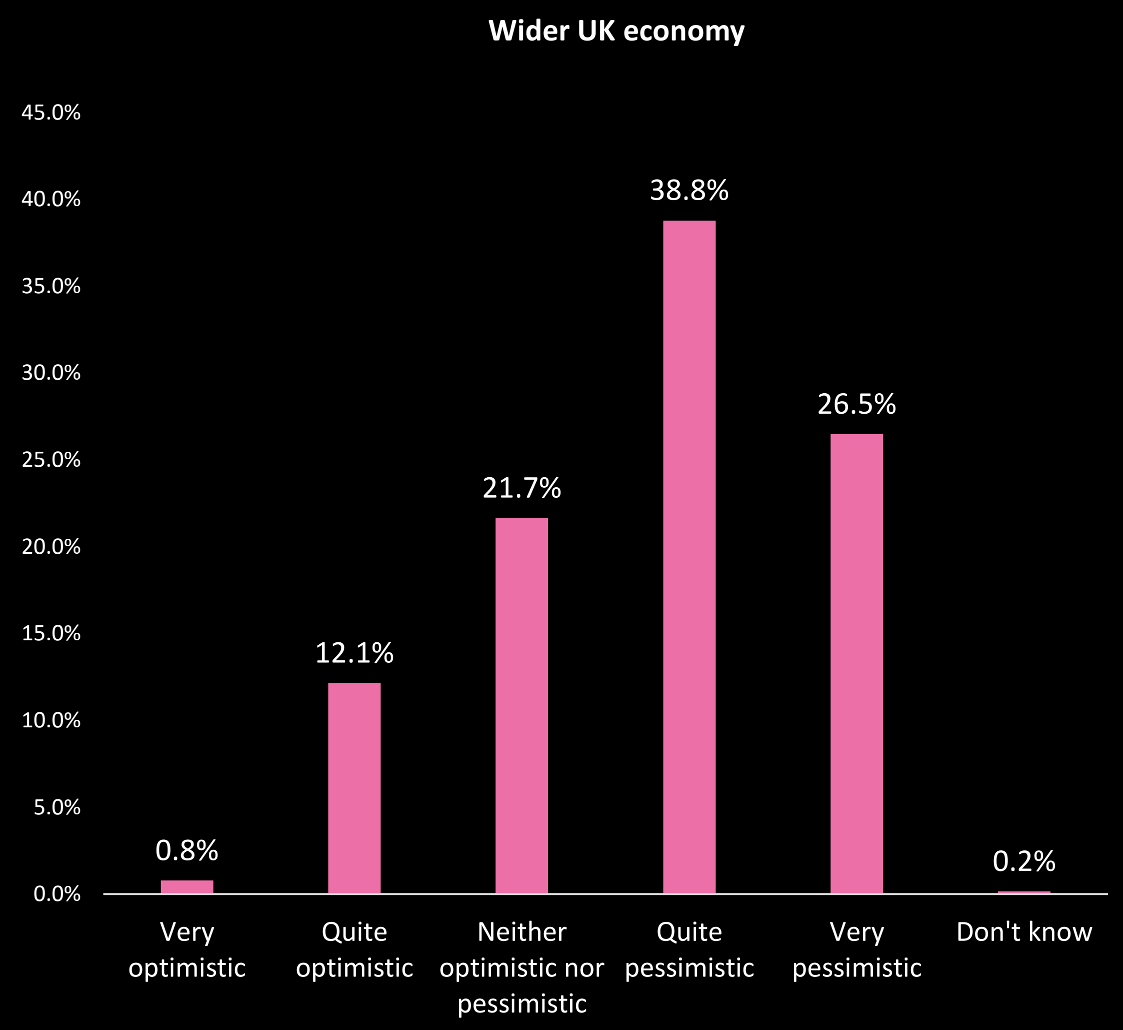
“It is something we are looking at presently. Difficult to become net zero without offsetting. All seems a bit of a game” -- Small business, Manufacturing, Wales

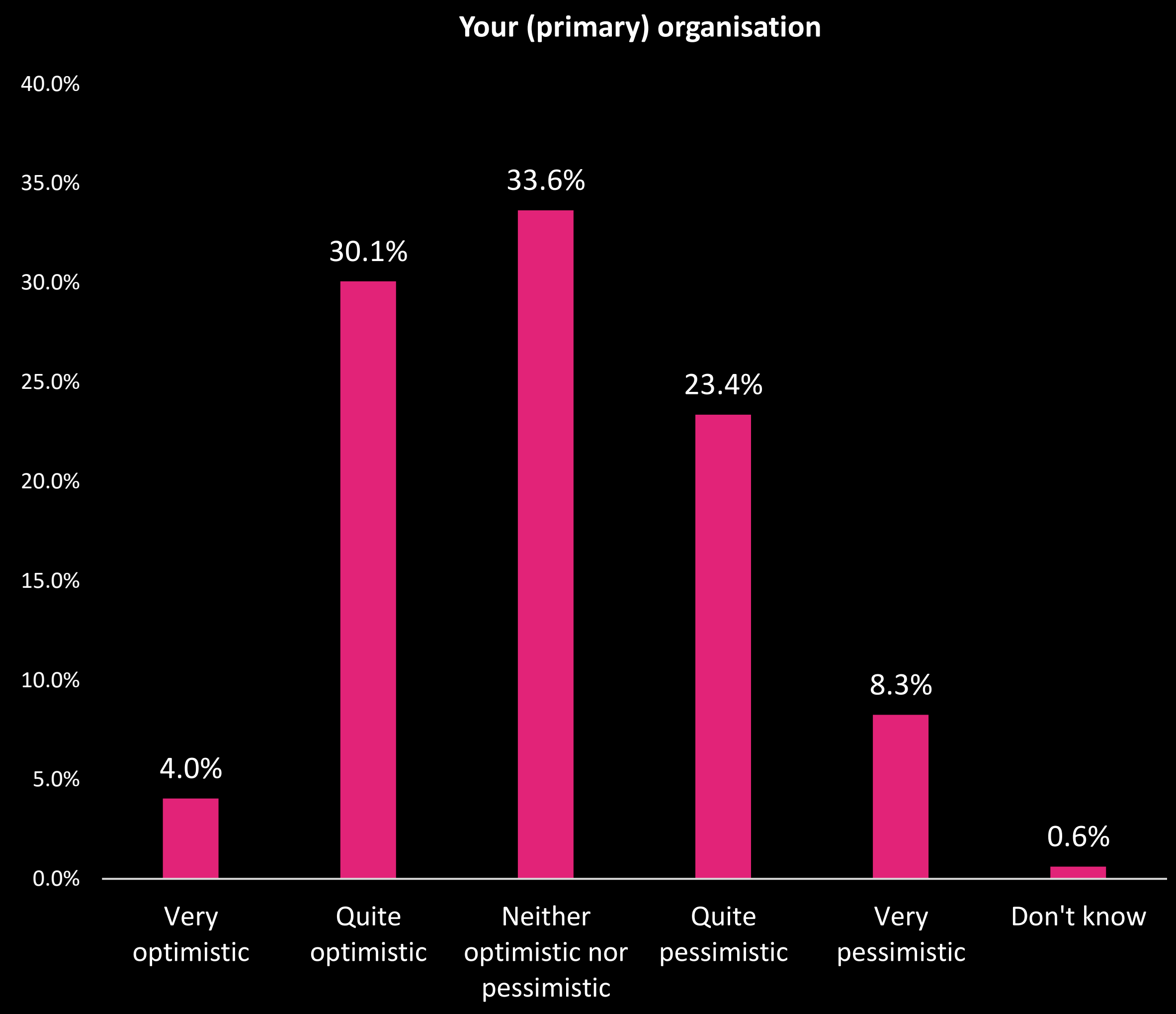
“Employees care about carbon, and I note it, but customers are yet to demand carbon performance as a differentiator of their choices in my sector: Cost, quality and timeliness still rule.” -- Microbusiness, Other services, South East England

Economic Monitoring: Data

The following data contributed to our Director's Economic Confidence Index, which we send directly into the heart of government each month.

How optimistic are you about both the wider UK economy and also your organisation over the next 12 months?





Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of:

Row Labels	Business investment	Costs	Exports	Headcount	Revenue	Wages
Much higher	3.6%	19.5%	3.4%	1.7%	4.0%	4.7%
Somewhat higher	21.8%	66.4%	12.0%	22.3%	40.2%	49.5%
No change	32.6%	9.3%	28.7%	47.5%	24.8%	37.2%
Somewhat lower	23.8%	2.8%	6.1%	19.9%	22.4%	4.8%
Much lower	16.2%	0.8%	3.9%	7.9%	6.9%	2.6%
Don't know	1.1%	0.5%	45.0%	0.3%	0.5%	0.5%
N/A	0.9%	0.8%	0.9%	0.3%	1.2%	0.6%

Director’s confidence in the prospects for the UK has fallen sharply since the rumour mill of Budget speculation started churning. The research in this survey was conducted wholly before the Chancellor gave her statement. So the further comments predominantly reflect uncertainty about the measures that were to be announced in the Budget and how it might impact business.

Common concerns related to the extent to which the government would actually be able to deliver on its growth agenda:

“The new Government says some lovely things about growth, green growth, green energy and how the UK will be better place, but the actions thus far and the leaks of information on the budget proposals do not follow this path.” (South East England, 250+ employees, Construction)

“The government is placing the majority of the burden onto the private sector, their support for public services comes without any improvement in productivity or efficiency. How does the government think the economy will perform better when we enter into a high taxation and low productivity environment.” (South East England, 2-9 employees, Financial Services)

Others pointed to how tax increases would impact the UK economy:

“The anticipated tax changes will have a devastating effect. Already high interest rates have severely limited M&A activity.” (East of England, 2-9 employees, Professional, Scientific and Technical Activities)

“There is widespread fear in the company director community that politicians simply do not understand what it is like to be value creating, growth oriented and operationally effective in the UK when we are competing globally with US and China etc. The current speculation on tax, pensions coupled with real and perceived public vs private sector 'perks' (e.g. pensions and pay rises) is contributing to pessimism and risk.” (South West England, 2-9 employees, Professional, Scientific and Technical Activities)

Firms did not look favourably upon the messaging that was coming from the government as well, feeling it contributed to the negative storm around the Budget:

“The government has created so much uncertainty and for some sectors fear about the future. Threats of nationalisation, additional regulations, taxes has talked the economy into recession.” (Yorkshire and the Humber, 100-249 employees, Wholesale and Retail Trade)

“With the negative news and statements provided over the past few months around the budget/black hole, it is difficult to not feel pessimistic. Our small organisation has certainly experienced public sector (and some private sector) opportunities reducing, with customers seemingly waiting until the upcoming budget to make decisions on future investment. This is likely to drive a negative impact to our organisation's activities over the next 12 months.” (South West England, 2-9 employees, Professional, Scientific and Technical Activities)

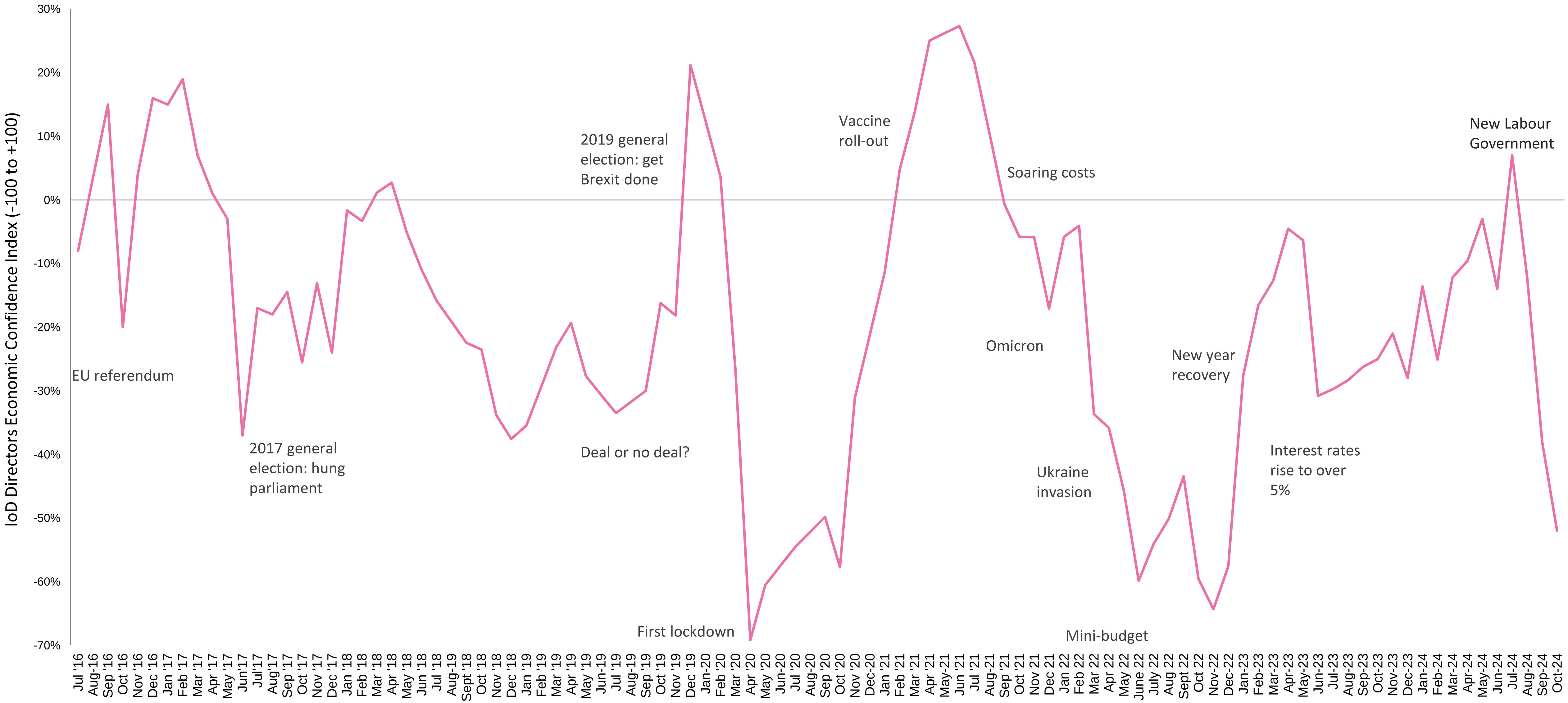
However, we did manage to pick out some comments from those who are looking on the UK economy and the prospects for their organisation more positively. For these members, it is predominantly due to their international outlook that they are able to enjoy growth, being that this means they are more sheltered from wider economic pressures:

“We are export focussed and that is building our opportunity and business growth.” (South East England, 10-49 employees, Professional, Scientific and Technical Activities)

“We're fortunate that most of our clients are based outside the UK - and increasingly outside Europe - so we are at least partially insulated from issues in the local UK economy.” (East Midlands, 10-49 employees, Education)

Economic Monitoring: Trends

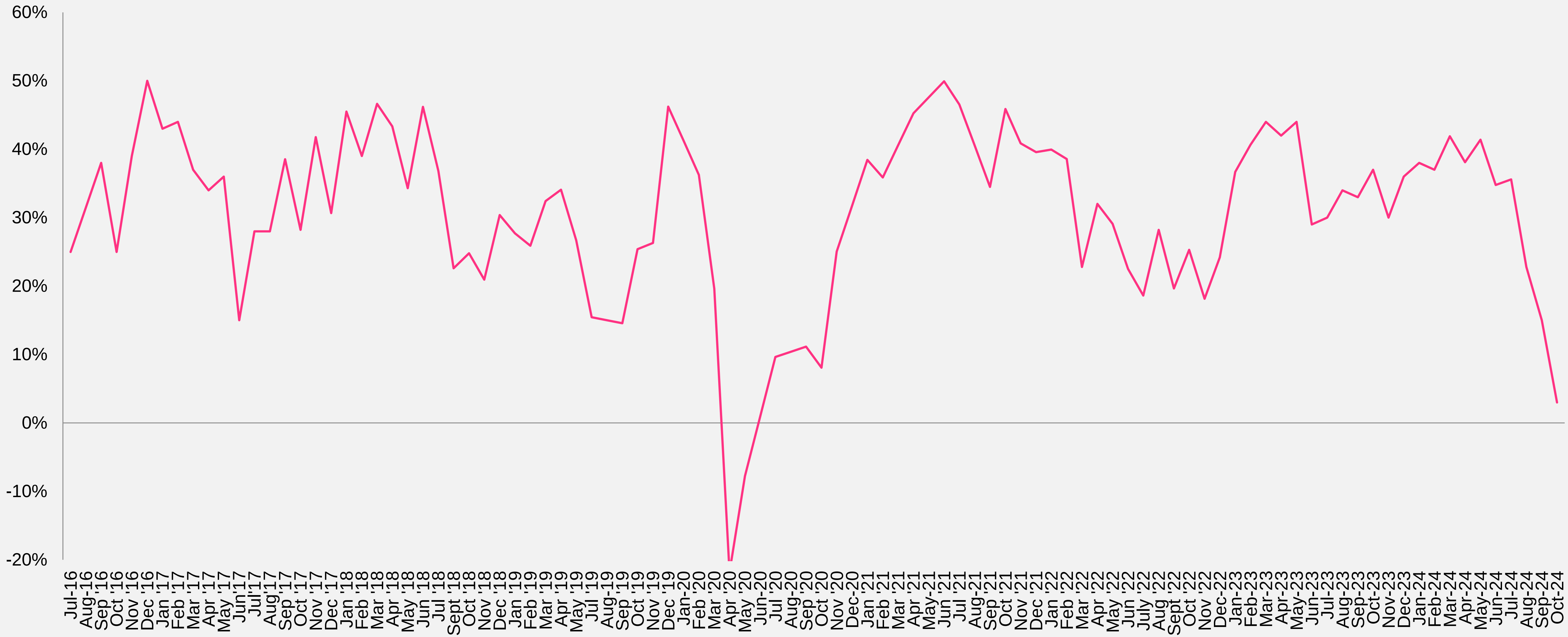
Business confidence falls further in October, to -58



How optimistic are you about the wider UK economy over the next 12 months?
(5-point scale from very optimistic to very pessimistic, net positive %. Latest reading: October 2024)

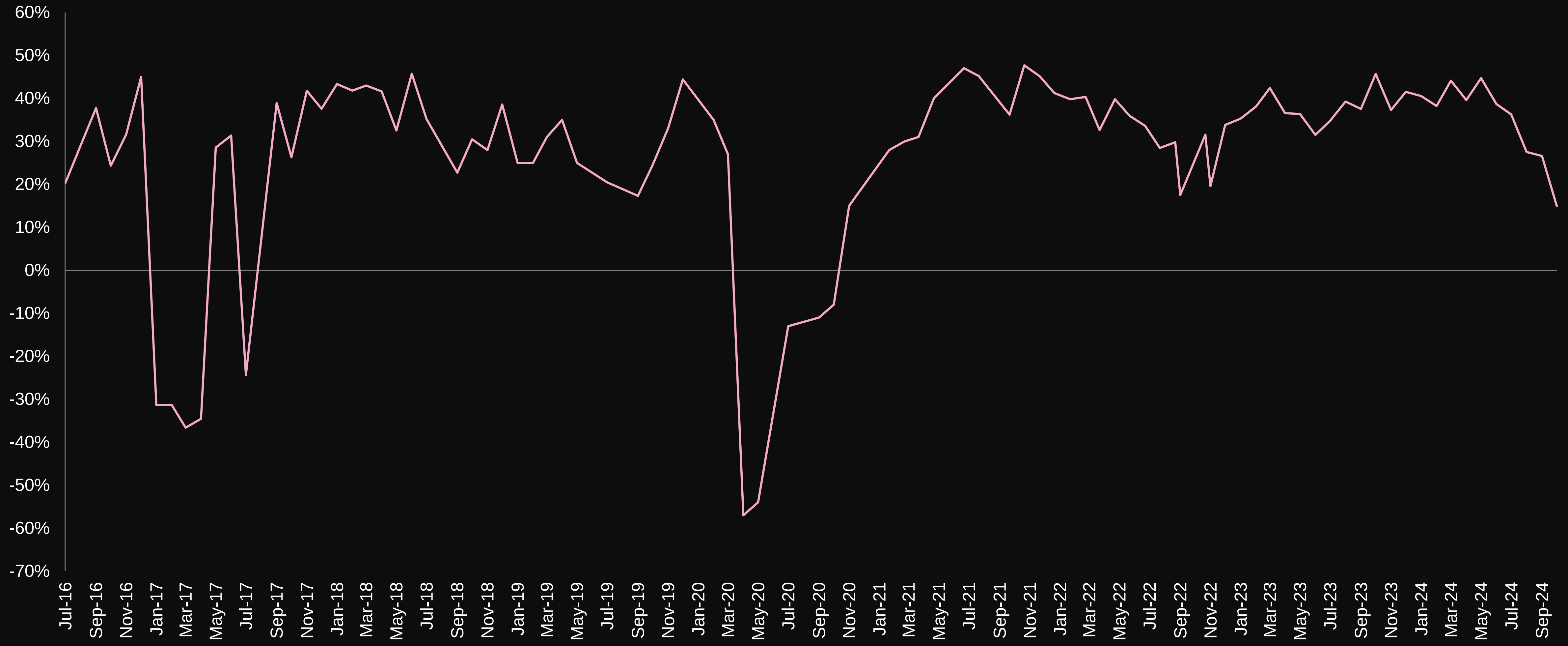
Confidence in own firm's prospects continued its decline, falling to +2 in October

How optimistic are you about your own organisation over the next 12 months?
5-point scale from very optimistic to very pessimistic, net optimistic % Source: IoD monthly Policy Voice surveys



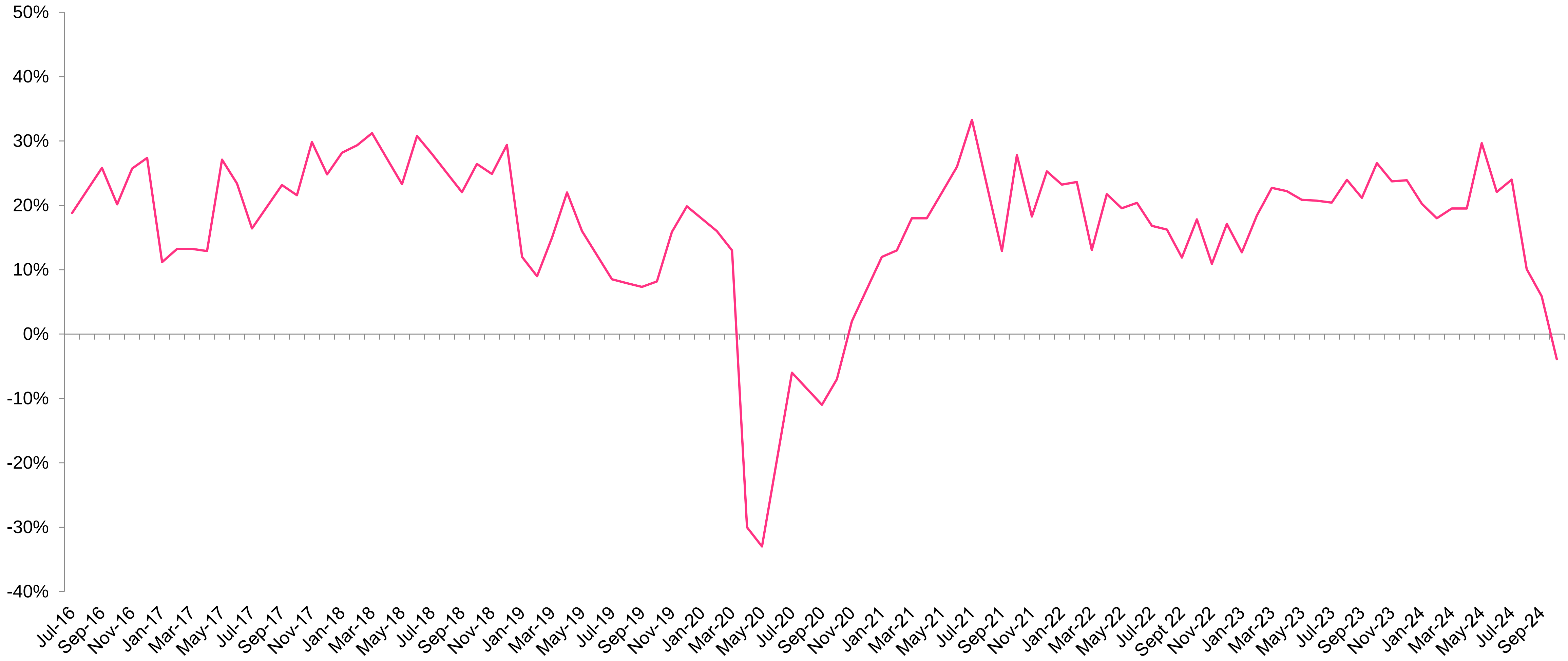
Net revenue expectations hit lowest point since November 2020

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: REVENUE.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



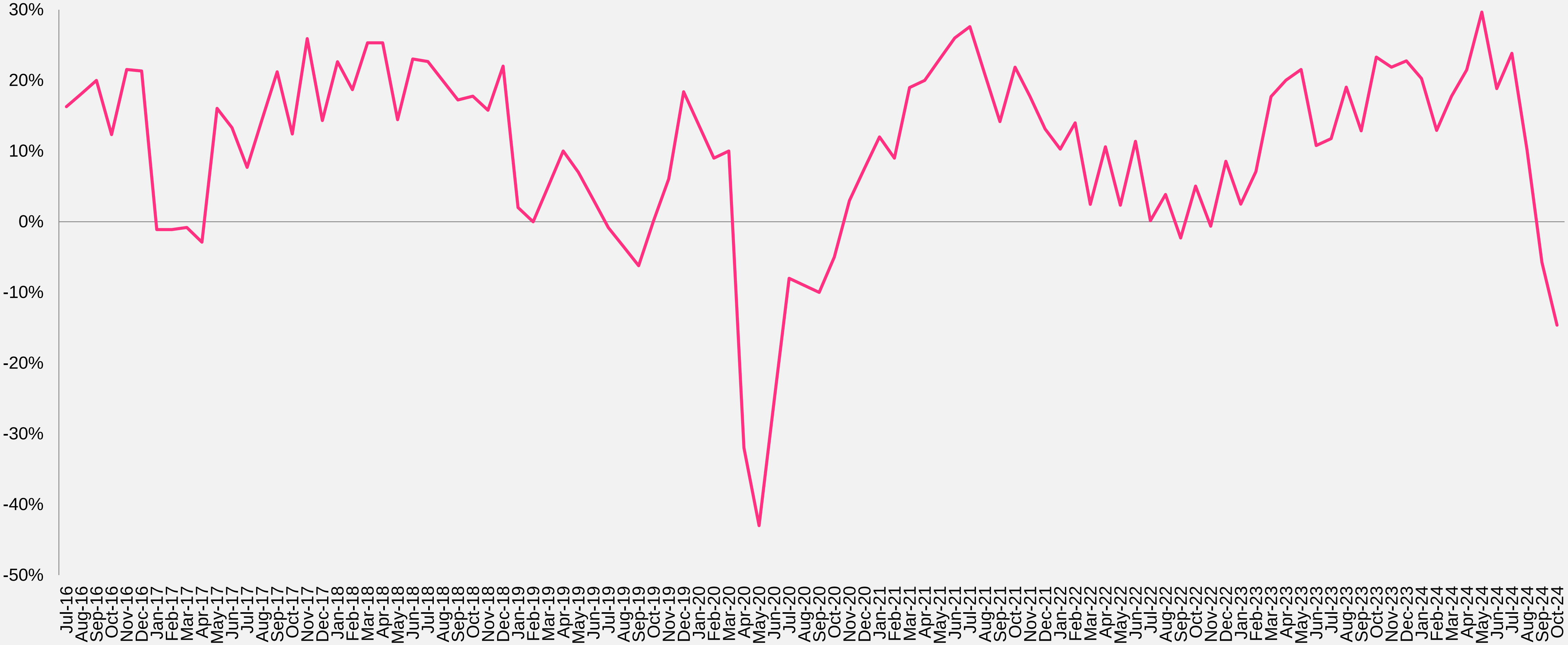
Headcount expectations register first negative reading since October 2020

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: HEADCOUNT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



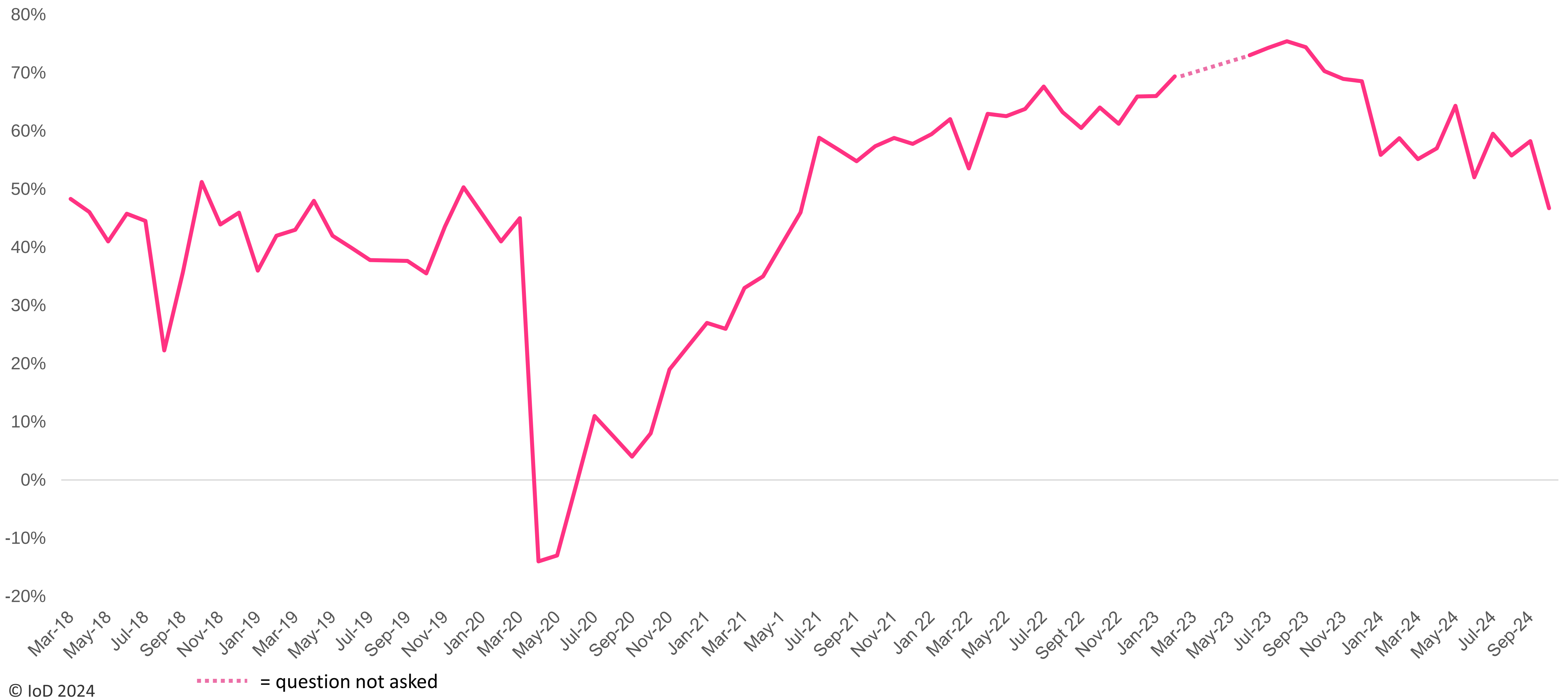
Investment intentions record their lowest reading since June 2020

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: INVESTMENT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



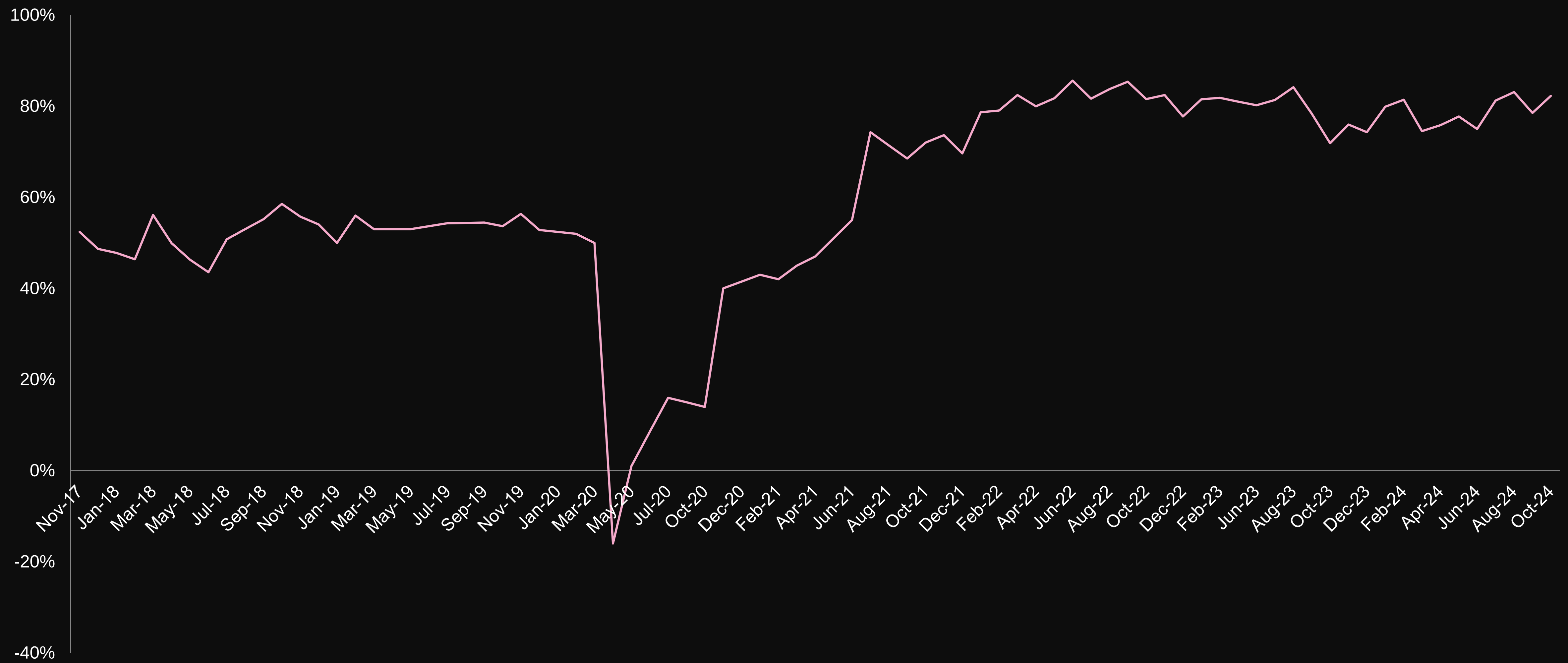
Wage cost pressures fall slightly in October

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: WAGES.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



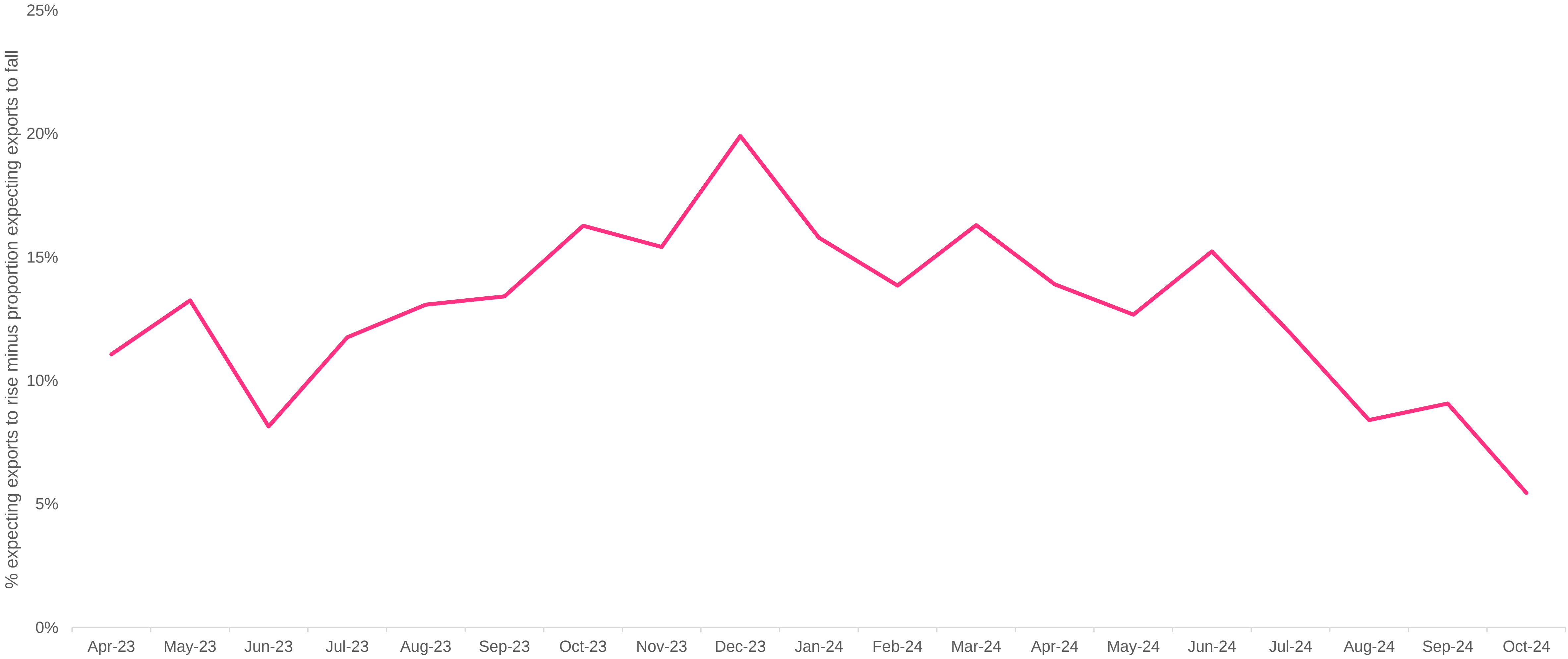
Cost expectations continue to hold October

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: COSTS.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys



Export expectations decline further in October

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: EXPORTS
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys. Question first asked in April 2023.



Our purpose

Our Royal Charter sets out a clear purpose

We have a clear vision – The Institute of Directors is the professional institute for responsible directors and leaders.

Our mission is to develop, support and represent skilled, knowledgeable and responsible leaders for the benefit of the economy and society at large.

Integrity and **Enterprise** are our core values.

The objects of the institute are:

To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations.

To promote the study, research and development of the law and practice of Corporate Governance, and to publish, disseminate or otherwise make available the useful results of such study or research.

To represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.

To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.