



FSB Wales

May 2010

Paper for Legislation Committee No. 2, the National Assembly for Wales:
Consultation- Proposed Welsh Language (Wales) Measure 2010

Introduction

1. The Federation of Small Businesses (FSB) is the UK's largest business organisation which represents the interests of over 215,000 members across the UK, more than 10,000 of which are located in Wales. The FSB's membership is diverse and is therefore a sound reflection of the majority of SMEs in Wales. We welcome the opportunity to submit evidence to this committee, as we feel that as the vast majority of businesses in Wales are SMEs, it is important for the views of this sector to be strongly represented.
2. The FSB-ICM 'Voice of Small Business' Annual Survey published this year provides a picture of the typical business in Wales:
3. The majority of members in Wales conduct trade within close proximity of their business. Three-fifths (60%) of annual sales are with customers in their local area while a quarter (25%) are with customers in another part of their region. Over a quarter (28%) of annual sales are with customers in the rest of the UK. Irrespective of the location of the sales, 11 per cent of members' trade is from e-commerce.
4. Welsh members' businesses are most likely to be based in the retailing and construction/building sectors followed by business services, hospitality industry and manufacturing. The type of business Welsh members are involved in varies according to whether they are based in an urban or rural location. While retailing is spread evenly across the country, there is a greater incidence of business services, manufacturing, health/social work and personal services among urban members. In contrast, rural members are more likely to work in the hospitality, agriculture/fishing and leisure/ sports industries.
5. Members in Wales, on average, have owned or co-owned their main business for 15.7 years, considerably higher than the UK figure (14.4 years). Rural members in Wales have owned their business longer than those in urban areas (17.1 years compared to 14.3 years). Over two-fifths (44%) of Welsh based FSB members' main businesses are classified as limited companies and a third (34%) of members are sole traders/sole proprietors. While a fifth (18%) are constituted as a partnership, limited liability partnerships account for only one in a hundred.
6. The private sector has accounted for seven in ten (71%) members' sales during the last 12 months. Two in five (41%) members state that their business has recently supplied goods and/or services to the public sector: local authorities (35%) and schools/universities/colleges (23%) are the most likely destinations followed by the National Health Service (12%).
7. As befits an organisation that represents small business owners and the self-employed, the mean turnover for FSB members' main business in the last financial year is approximately £458,000. The UK mean is £525,000. At the extremes, a fifth turned over less than £50,000 while seven per cent turned over more than £1 million.

8. The average workforce of FSB members in Wales currently stands at 8.72, greater than the mean number across the UK (7.35), but lower than the number compared with 12 months ago (10.14). More saliently, while UK members expect some recovery over the year to come, members in Wales expect to employ fewer staff in 12 months time (average workforce of 7.72 compared to 8.72 currently).

The Welsh Language and SMEs

9. The Federation of Small Businesses' position regarding strengthening the language in business is that we do not believe that it would be a positive move to try and strengthen the language through further legislation, and in fact during our consultation with our membership we feel that we have evidence to show that it would actually be detrimental to the language itself, as well as having a potentially negative impact on SMEs.
10. The reality is that the vast majority of businesses in Wales are micro businesses; indeed 23% of FSB member businesses in Wales are home-based. This could mean that additional legislation would turn bilingualism in business from a potential competitive edge to a negative burden. If further legislation is only going to be targeting larger public service providers, then a dialogue needs to be opened between government and SMEs, asking how we strengthen the relationship between the majority of businesses in Wales and the Welsh language.
11. A FSB Wales survey in 2009 year found that 28% of those surveyed were able to deal with customers/ each other in Welsh, and 12% were using bilingual signs/ literature, but only 1% was part of a language scheme. Add to this is the fact that 66% responded that they were not aware of the services offered by the Welsh Language Board or Mentrau Iaith, and there is perhaps a lot of untapped potential for use of Welsh in business.
12. We would welcome support for SMEs which encourages use of the Welsh language in business, as only 11% of businesses noted Government Legislation as the single measure most likely to generate use of Welsh. 15% noted financial incentives, 16% chose practical support and guidance, and a vast majority of 59%, chose customer demand as the single measure most likely to generate use of Welsh in their business.
13. FSB statistics clearly show that business will respond to customers more than legislation, as the majority of trade for a small business is local, an increase in demand will naturally lead to increased use of the Welsh language in business.
14. There needs to be better dialogue on the use of Welsh in business so far, as small businesses often report particular practical problems with regard to being able to function bilingually, including finding bilingual staff. We have worked positively with the Welsh Language Board, and have supported the approach that they had adopted with regard to engaging and supporting small businesses with the use of Welsh, to whatever extent a small business felt appropriate. There does seem a lot of work still to do to take advantage of the good will and build on the use of Welsh that is already happening in businesses.
15. Having said this, it has come to the attention of the FSB that the Mentrau Iaith no longer have a role to play in the development of bilingualism within business. Private sector involvement has been the work of the Welsh Language Board. Traditionally, the Mentrau Iaith have helped support businesses, for example speaking at National Assembly business support events and workshops, and working with individual businesses. Arguably the Mentrau Iaith were in a much stronger position to increase local small business' use of bilingualism than the Welsh Language Board. Therefore the support structure for promoting and encouraging use of Welsh in local businesses needs to be strengthened to enable this to happen.

16. The Mentrau Iaith work within the communities of each Local Authority and have strong links with local businesses, most of whom will be SMEs. While the Welsh Language Board have a role to play on a Wales level, dealing with companies such as Tesco and Aldi, the Mentrau Iaith have been arguably much more equipped to deal with local SMEs.
17. The Business Grant from the Welsh Language Board ceased after March 09. This grant helped businesses increase bilingualism. The FSB is concerned with how quickly and quietly this grant was phased out. This grant helped businesses with the cost of signs and materials for businesses up to a value of £1,000. This has always been a popular grant, despite a significant proportion of businesses being unaware of its existence. This type of grant would benefit SMEs, and in particular retail premises, which are visible throughout towns and villages across Wales. The grant, if properly supported, could increase the use of Welsh in business. This, along with practical support would encourage SMEs to adopt bilingualism.
18. Businesses which access the Welsh Government's FS4B programme should be advised of the help that is available to them to increase bilingualism. In the past, businesses have not been made aware of the help available. Often start-up businesses would purchase English-only signs without realising it would not cost any extra to buy bilingual signs with the use of the Business Grant. Businesses often overlook the Welsh language, not because they are against the language, but because it isn't a main priority when establishing a business. Increasing the use of Welsh in business should be a part of mainstream business advice to ensure that businesses are aware of the benefits of bilingualism and the help available.
19. We would welcome research into the potential economic benefits of using Welsh in SMEs, there has been anecdotal evidence that use of Welsh can boost business, but no current statistics made available to us which prove to business that it is beneficial to use Welsh in business. There needs to be a firm evidence base for promoting the use of Welsh in business as well as research into how best to support this to happen within small businesses in Wales. If the Welsh Government is serious about increasing the use of Welsh in business, then evidence is needed to highlight business advantage and therefore increase motivation with regard to bilingualism in business. For example, close to three-quarters (73%) go online for advice, guidance and information while a slightly smaller proportion (69%) use the internet to download information or documents, there is a lot of potential for communicating targeted messages with small businesses here.
20. We would welcome the opportunity to discuss these issues with the Minister as we were encouraged by the reassurances given that SMEs will not be compelled to function bilingually through legislation during the consultation regarding the Welsh LCO. The FSB in Wales look forward to working with the Welsh Assembly Government to find ways of encouraging Welsh in Business.

The Proposed Welsh Language Measure

21. There are concerns about the complexity and length of the proposed Measure, which will prove difficult to small businesses to navigate in relation to their business and legal council would be a massive burden on businesses with a small business turnover.
22. The legislation as it is proposed would depend on the individual in the role of Commissioner and their interpretation and approach, there are concerns that the way that the Commissioner is appointed could be a political appointment.
23. It is not clear what is intended by standards in relation to small businesses, and why these would replace schemes. What would be available for businesses voluntarily wishing to define their intentions to provide a bilingual service, as much as they are able or

appropriate to their business in relation to their customers, as opposed to standards which sound a heavier commitment?

24. The role of promotion and support may be better split from the governance role regarding setting the standards and scrutiny. It is not clear whether, if all the current remit of the Welsh Language Board is transferred to the Commissioner, a report by the Commissioner on their own success and what the Commissioner and staff would need to do in the future would make sense under this system.
25. Further clarity is needed with regard to small businesses that may be caught in this measure. What standards would be reasonable and what support will be available to them would be very welcome. For example standards governing supply of energy, post offices and bus services could all affect small businesses. Wales level policies promoting and encouraging local production of energy, through renewable means such as Anaerobic Digesters, could be discouraged if local farmers were weary of disproportionate standards being applied, increasing the bureaucratic burden that small businesses already deal with.

Conclusions

26. This proposed measure opens up more questions than it answers for small businesses. There needs to be clear guidance on which small businesses will be affected and how the standards and legislation relates to them.
27. The structure for promoting and supporting use of Welsh in local businesses needs to be significantly improved, and consideration as to how this would best be targeted towards small businesses. Is it through FS4B and dedicated web space or through other means directly by the Commissioner?
28. There needs to be clarity with regard to the accountability of a Commissioner, and what businesses can expect, rather than the impression that it will be down to an individual appointed by a First Minister, which creates a sense of insecurity. For example recreational activities are mentioned but there is no clarity as to how small businesses providing these kinds of activities would be affected? Shops are mentioned with regard to, providing services relating to the provision of timetables and bus and railway services, what does this mean for a small business in reality? This could affect a significant proportion of Welsh businesses.
29. If small businesses are not excluded or standards adjusted to what could reasonably be expected from a small business, then the approach and discretion of the Commissioner will be of vital importance. With standards potentially open to being grouped by turnover/sector/area or size, a 'reasonable and proportionate clause' really is significant with regard to an SME affected by any standard, as they simply would not have the resources to appeal, and whereas there is a £5,000 limit on any fine, this for a small business would be a heavy hit.
30. If standards are replacing schemes, what effect will that have on current voluntary schemes that are open to businesses not covered by any legislation? There may be a need to consider what would be available for businesses voluntarily wishing to define their intentions to provide a bilingual service as much as they are able or appropriate to their business in relation to their customers, as opposed to standards which sound a heavier commitment, and could be off-putting to an average SME.
31. We hope that these comments will prove of use to the consultation process on this issue. If you require clarification or additional information, please do not hesitate to contact Non Rhys, non.rhys@fsb.org.uk.