



FOR SMEs
**LABOUR SHORTAGES
REMAIN THE
BIGGEST
CHALLENGE
POST-BREXIT**

What are some of these challenges?

This article is part 2 in a series which focuses on three areas of difficulties that Britain's SMEs face continue to face: increased costs, **labour shortages**, and logistics.

The rush to reopen and departure of overseas workers have caused problems in sectors including transport, hospitality, and construction. Official figures show that 1.5 million workers are still furloughed with pandemic restrictions still limiting a full return to work. Business leaders have warned that a lack of overseas workers after lockdown would put a "handbrake on the recovery", with as many as 1.3 million estimated to have left the UK since late 2019 as many returned to their country of birth to see through the pandemic at home.

“ A survey carried out in June by Recruitment and Employment Confederation (REC) and the accountancy firm KPMG of more than 400 recruitment firms, stated that a sharp rise in hiring demand led to the **unprecedented fall in the availability of candidates in June plunging at the fastest rate of available workers since 1997.** ”

THE RIPPLE EFFECT

Leaving the EU single market and the ending of freedom of movement has continued to exacerbate a growing worker shortage in the UK. According to the IoD survey, over a quarter of companies said Brexit had caused difficulties in hiring — 17 per cent complained of the loss of high-skilled staff, and 10 per cent of shortages of low-skilled workers. It has inevitably hit some sectors harder than others.

Britain is short of around 60,000 lorry drivers, according to The Road Haulage Association representing almost 20% of the total number of drivers (320,000) represented by The Freight Transport Association in the UK in 2020.

UK wholesalers have found themselves caught out by the country's worsening driver shortage and are now seeing major retail chains securing capacity well ahead of SMEs. Big supermarket chains are reportedly offering double the going rate, forcing businesses to give upwards of 25% pay rise just to remain competitive.

Since May, lead times have extended, with orders that used to take three days to fulfil now taking more than two weeks as suppliers struggle to find a means for delivery. Combine this with the fact that a significant majority of materials required by UK trade and construction are manufactured or processed in mainland Europe. While this should ease over time, there is no quick fix. It is having a detrimental effect to SMEs as to stockpiling and in terms of prices of materials, as larger companies are able to purchase at higher prices. This inevitably puts stress on all tiers in the supply chain, putting further stress on the credit terms being able to be offered.

POTENTIAL APPROACHES

Some businesses have attempted to continue as before, embrace technology and digital innovation, others have chosen from a variety of hybrid operational set ups.

One option is to route goods through the Netherlands to minimise costs.

Jochem Sanders, a business development manager at the Holland International Distribution Council, which acts as an intermediary for Dutch logistics firms, told the Guardian he has been contacted by more than one British company per day throughout December and January, and he expects the number of requests to continue.

Another option has been to relocate or set up operational subsidiaries in the EU to serve the European market. As mentioned in part 1 of this series, this has led to higher costs and the transfer of jobs from Britain to the EU.

Nearly a quarter of businesses that trade with the EU have had to relocate some operations or staff, according to the IoD survey conducted for the Financial Times.

But, this decision should not be taken lightly, it presents its own challenges, it can lead to higher costs and the transfer of jobs from Britain to the EU. Managing this in a period of unparalleled uncertainty, requires a well-planned and fine-tuned multi-channel strategy.

The network exists

Here at Channel Capital, we have the capability, local knowledge, and support network to make the transition to set up in mainland Europe (or even the decision to do so) easier for an SME.

Funding

Whilst we currently only fund businesses that are based in the UK, Belgium, Netherlands, and Germany we can fund export sales with the whole of Europe. We not only provide working capital, invoice finance up to 95% advance rate but can also provide credit insurance and debt collection capabilities as part of the package.

Credit Insurance and Collections

After 1st January, both EU and UK law requires companies to "have a door to knock on" if there are any disputes over payment. Compliance with customs changes will treat the UK as if it were any other non-EU country. This puts even more emphasis and importance for SMEs on having a local presence, to have an understanding of the process of collections, and a knowledge of local languages.

Our core language skills include Dutch, German and French which allows us to collect outstanding invoice payments from buyers/debtors as and when required by our SME clients.

Legal Support

If you are thinking of setting up an office in Europe, we can help to connect any SME to legal and structural experts to ensure that the correct due process, compliance, and forms are filled in.

At the end of the day, here at Channel we want to help UK SMEs who are thinking of setting up in Europe. Whether funding, insurance, outsourced collections or legal frameworks we have an existing network of people we would be happy to connect you to, and help you make the right decisions for your business.

For more information contact us today



Tony Smedley

Head of SME Business Development

T: +44 (0)7866 226 113

E: tony.smedley@channelcapital.co.uk



Luke Keteleers

Director - SME Business Origination

T: +44 (0)7970 288 637

E: luke.keteleers@channelcapital.co.uk



Tim Wilkinson

Director - SME Business Origination

T: +44 (0)7866 226 215

E: tim.wilkinson@channelcapital.co.uk