



Mental health and small business owners

A Cebr report for Xero

May 2022

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London, May 2022

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Executive Summary

Cebr has been commissioned by Xero to study the state and implications of mental wellbeing among small business owners. To that end, Cebr provides in this report a review of existing literature and data on this subject as well as analysis of a survey, conducted in collaboration with Opinium. The survey asked about the prevalence of mental ill health among small business owners and also included business performance metrics, allowing Cebr to analyse correlations between a number of key variables.

Prevalence of mental ill health

- On a scale from one to 10, where 10 is healthiest, small business owners reported an average mental health score of 7.4 in 2022. This is lower than in early 2020 years ago, when the average was 7.6
- There were differences in the score across business sizes, with owners of organisations with between 10 and 49 employees reporting the best mental health.
- Disturbed sleep was among the most common symptoms of poor mental health, with 17.9% of all owners experiencing this four to six days per week.

Mental health and business performance

- Poorer business performance is found to be correlated with a lower current mental health score and also a greater

decline in mental health between early 2020 and early 2022.

- Business owners facing falling revenues saw their mental health score decline by an average of 0.7 (on the scale of one to 10) over the past two years.
- Revenue growth in excess of 50.0% is associated with an increase in mental health score by 0.2.

Investment in mental health

- Businesses that invested more in mental health initiatives were able to enjoy better economic outcomes. On average, investments in mental health exceeding £1,000 were associated with revenue growth of 50.3% between 2020 and 2022.
- Similarly, businesses investing in excess of £1,000 recorded an average increase in their employee numbers of 47.3% between early 2020 and 2022.

1. Introduction

The Covid-19 pandemic has brought immense disruptions to the economy and people's everyday lives. To curb the spread of infections, governments around the world implemented a range of policies designed to reduce the number of social interactions.

These policies are likely to have had significant effects on people's mental health, due to isolation and a lack of human interaction. For example, data collected by the Office for National Statistics (ONS) show that life satisfaction in the UK remained well below pre-pandemic levels, even as late as February 2022, when the immediate impact of the pandemic had been reduced by a considerable extent, due to the success of the vaccination campaign and the ensuing lifting of restrictions.¹

In light of this impact on mental health, Cebr has analysed the mental wellbeing of small business owners. These were impacted by the pandemic in more than one way, as they not only saw their personal lives severely disrupted, but also had to deal with concerns regarding the running of their business. Policies that slowed the spread of the virus often resulted in limited economic activity and deteriorating business revenues. Due to the direct involvement of small business owners with their organisations, this is expected to have affected their mental wellbeing.

The remainder of the report is structured as follows. Section 2 will review existing research and official data sources regarding mental health and small businesses more generally. Findings will include the prevalence of several symptoms of mental ill health and the share of all businesses made up by small businesses. Section 3 will present the main findings of a survey, conducted by Cebr in collaboration with Opinium and Xero. In Section 4, we will analyse the relationship between mental wellbeing and business performance, whilst Section 5 will repeat this analysis for investments aimed at improving mental health and business performance indicators.

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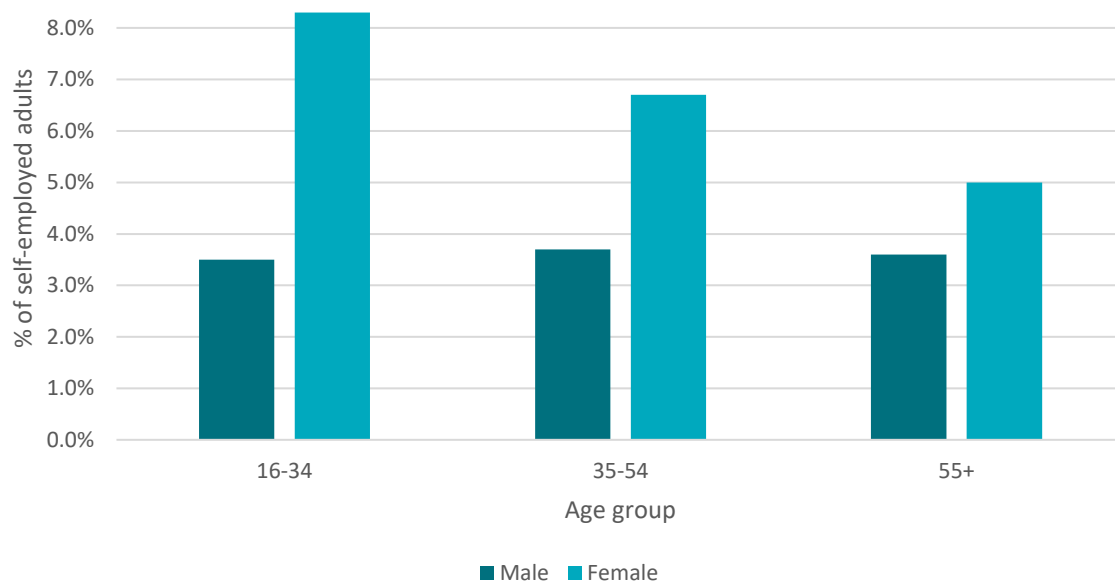
<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/articles/coronaviruscovid19latestinsights/wellbeing>

2. Literature and data review

Public health measures that were imposed to constrain the spread of Covid-19 and the ensuing reduction in social interaction catapulted mental health into the media spotlight.² However, even unrelated to restrictions, poor mental health is a widespread issue, especially amongst small business owners. A survey found that 80.0% of small business owners experience some symptoms of compromised mental health.³

The same survey also shows that the prevalence of mental health issues differs when looking at women and men separately; among female business owners, 86.0% are suffering from poor mental health, compared to 77.0% of male business owners. The symptoms range from an inability to focus, which affects 66.0% of business owners, to anxiety and problems sleeping, which are reported by 64.0% and 63.0% of business owners, respectively. Even more concerning, 37.0% of business owners display symptoms of depression and 24.0% suffer from panic attacks.

Figure 1: Prevalence of mental ill health among self-employed adults in the UK, 2017



Source: Office for National Statistics Cebr analysis

These figures differ significantly from official figures published by the Office for National Statistics (ONS), where, among 16- to 34-year-old self-employed adults, 3.5% of men and 8.3% of women report a mental health condition, as shown by Figure 1. For 35- to 54-year-old self-employed adults the shares are 3.7% for men and 6.7% for women. Of those aged 55 years and older 3.6% of men and 5.0% of women suffer from poor mental health. This large discrepancy shows that only a fraction of mental illnesses is being recorded and documented.

² <https://www.bbc.co.uk/news/explainers-55957105>

³ <https://mentalhealth-uk.org/blog/four-in-five-small-business-owners-tell-us-theyre-experiencing-poor-mental-health/>

These issues have only become accentuated by the pandemic. In a survey, 82.0% of small business owners state that their mental health deteriorated over the pandemic.⁴ Almost half, 47.0%, were worried about the outlook for their mental health over the course of 2021. A common cause of concern was financial troubles, with 61.0% stating this as a concern.

However, even business owners in industries that suffered a lesser direct impact from the pandemic, such as the construction industry, which was able to function relatively normally, reported negative effects on their wellbeing. 76.0% of tradespeople say that Covid-19 negatively impacted their mental health, with 38.0% feeling like they are not able to take time off during periods of poor mental health.

Many small business owners have taken steps themselves which may help improve their mental health.⁵ More than two-thirds, 67.0%, are planning to spend more time outside, with 64.0% intending to exercise more. Another commonly cited activity to improve mental health is connecting with friends and family.

There are, however, also governmental initiatives to support small business owners' mental health. Financial concerns are a major cause of mental health issues among small business owners, with an estimated 50,000 small businesses forced to end operations every year due to issues related to payments and billing.⁶ Several payment practices, such as overdue invoices or delayed payments, have a disproportionate impact on small businesses.

A likely reason is that these smaller businesses do not have the financial reserves that larger enterprises hold, such that delays in payment are more likely to threaten the business itself. Therefore, the Office of the Small Business Commissioner offers a service to assist small businesses in collecting outstanding payments.⁷ There are also non-governmental organisations offering support to small business owners.⁸

Measures that are recommended to promote mental health among the general working population, including but not exclusive to small business owners, often include fostering a company culture that promotes employee safety, health, and well-being.⁹ In line with other studies, they found that the majority of employees suffering from poor mental health are not receiving adequate treatment.

A summit of mental health experts in the US recommended concrete measures that ought to be implemented. The first would be to provide employers, independent of business size, with a "how to guide"¹⁰ to mental health in the workplace. Especially small- and mid-sized enterprises (SMEs) would stand to benefit from the provision of such guidance, as these businesses often are not in a position to develop their own strategies for mental health, often as a result of resourcing.

The provision of scorecards would allow businesses to objectively evaluate their progress regarding the provision of mental wellbeing resources. An example for this is the *CDC Worksite Health ScoreCard*, developed by the US Centers for Disease Control and

⁴ <https://www.simplybusiness.co.uk/downloads/better-for-business-wellbeing-report.pdf>

⁵ Ibid.

⁶ <https://www.smallbusinesscommissioner.gov.uk/mental-health-support-for-small-businesses/>

⁷ Ibid.

⁸ <https://www.businessdebtline.org/>

⁹ https://journals.lww.com/joem/Fulltext/2018/04000/Mental_Health_in_the_Workplace_A_Call_to_Action.5.aspx

¹⁰ Ibid, p.327

Prevention (CDC). Finally, the collaboration with business schools would allow managers, or small business owners, to build their expertise in the management of mental health.

A common theme across multiple studies is that owners of SMEs too seldom partake in activities to promote mental health. Academic research identified similar causes of mental health issues among UK SME owners. These include financial concerns, work hours, social isolation, and the lack of a human resources management that would exist in larger organisations. An experimental study showed that measures featuring exclusively self-administered mental health initiatives, in the form of educational DVDs, was ineffective in improving mental wellbeing. However, when self-administration was combined with telephonic counselling, there was a significant reduction in the prevalence of symptoms of psychological distress.¹¹

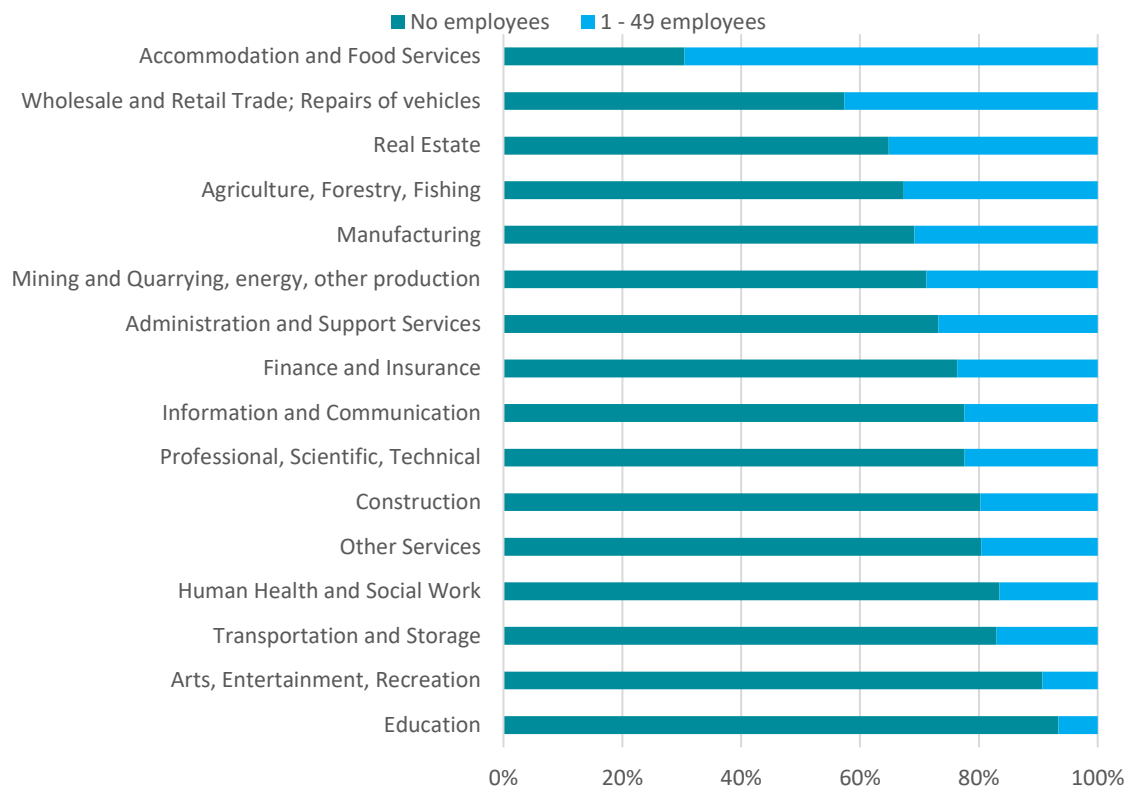
Mental health problems were found to not only have psychological impacts on employees and business owners' wellbeing but could also translate into physical issues.¹² It is no surprise that those suffering from poor mental health are often found to report lower productivity at work. Therefore, addressing mental health among small business owners and people working for SMEs in general has the potential to contribute to increased economic performance.

11 https://journals.lww.com/joem/fulltext/2020/07000/protecting_the_mental_health_of_small_to_medium.8.aspx

12 https://journals.lww.com/joem/Fulltext/2018/04000/Mental_Health_in_the_Workplace_A_Call_to_Action.5.aspx

The importance of small businesses to the economy

Figure 2: Share of businesses with fewer than 50 employees and share of sole traders of all businesses by sector in the UK, 2021



Source: Office for National Statistics Cebr analysis

SMEs, defined as businesses with fewer than 250 employees, play a crucial role for the performance of the economy as a whole. Therefore, initiatives to address mental health challenges among small business owners would not only help to achieve the primary objective of alleviating symptoms of psychological distress but would likely also provide a boost to the economy. Nearly all businesses in the UK, 99.9%, are SMEs.

Small businesses, with fewer than 50 employees, make up 99.2% of all businesses, employing 48.0% of the UK working population. This equates to 12.9 million people. They also make up a considerable amount of total turnover in the UK, at 36.0%, which equates to £1.6 trillion.¹³

As shown by Figure 2, sole traders make up the majority of small businesses in the UK. For instance, they represent 93.1% of the education sector, many as tutors. Sole traders are the least prevalent in the accommodation and food services industry, making up only 29.9% of small businesses.

Construction is the most common industry that SMEs are engaged in, with 16.0% of SMEs working in this industry. This is followed by professional, scientific, and research activities,

¹³ <https://www.fsb.org.uk/uk-small-business-statistics.html>

which 15.0% of SMEs are engaged in. The mining, quarrying, and utilities sector makes up an especially low share of SMEs, as less than 1.0% of all SMEs are active in this industry.

Small businesses are also found to contribute significantly to local economic development. This is, in large part, due to the fact that many small businesses operate locally and their activity is not only concentrated to large agglomeration centres.¹⁴ They also tend to draw their employees from their local geographic area and can thus offer additional local community benefits.¹⁵

SMEs were hit particularly hard by the pandemic. A study conducted by the Bank of England¹⁶ showed that, on average, UK SMEs lost out on 30.0% of turnover growth between April and December 2020. Government support, especially the Coronavirus Job Retention Scheme (CJRS), managed to soften the blow, but the study shows the immense impact that the pandemic had. As financial concerns were cited as a key contributor to poor mental health among small business owners, this reduction in turnover growth is likely to have had a negative impact on mental health. Supporting SMEs has enormous potential to boost the UK economy. By offering SMEs targeted support, an estimated £140 billion in added value could be generated.¹⁷

Executive training, especially in management skills, has been identified as a key government measure that could help boost SME productivity. Schemes targeting productivity can also include education regarding mental health practices, to offer more support.

This may make the policies even more effective, as improved mental health may contribute to higher worker productivity. Partnerships and cooperation with business schools, which have already been identified as a key support initiative to address mental health, are also seen as a key step.¹⁸ Again, this creates an opportunity to combine measures intended to boost productivity with measures that improve mental health outcomes.

14 <https://welcome.akonihub.com/blog/5-reasons-why-uk-small-business-are-vital-for-the-uk-economy>

15 <https://smallbusiness.chron.com/important-small-businesses-local-economies-5251.html>

16 Staff Working Paper No. 924 "Impacts of the Covid-19 crisis: evidence from 2 million UK SMEs", Hurley et al., 2021.

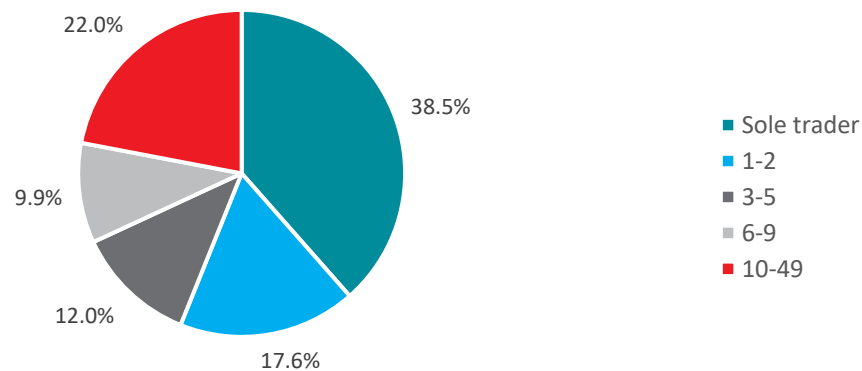
17 <https://www.natwestgroup.com/news/2021/03/accelerating-sme-recovery-to-unlock-p140bn-boost-to-uk-economy.html>

18 "Boosting UK productivity with SME growth", ESRC (2016).

3. Mental health and small businesses: taking stock

In collaboration with Opinium and commissioned by Xero, Cebr conducted a survey to quantify the role of mental health in small businesses with fewer than 50 employees. Of the 1,000 surveyed businesses, 38.5% were sole traders, meaning that the business owner did not employ any staff additional to themselves. A further 17.6% employed one to two employees. In total, 78.0% of the surveyed businesses were micro businesses, defined as employing fewer than 10 employees.

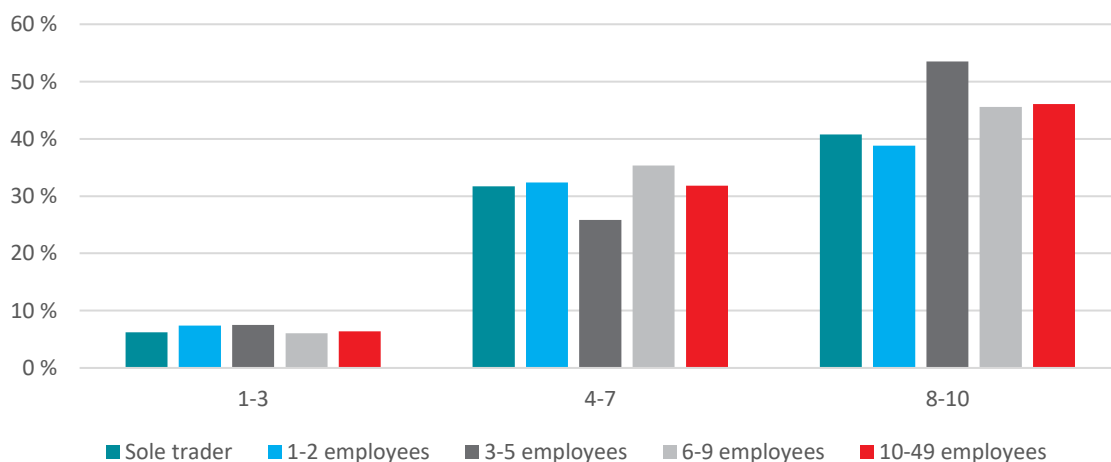
Figure 3: Composition of businesses partaking in the survey



Source: Opinium survey, Cebr analysis

Cebr asked these businesses about their general business performance and questions related to mental health. In particular, the surveyed business owners were asked to self-assess their mental health on a range from one to 10, with one representing very poor mental health and 10 standing for very good mental health. The majority of respondents said that their mental health score was between eight and 10. This applies for all business sizes.

Figure 4: Self-assessed mental health score by business size

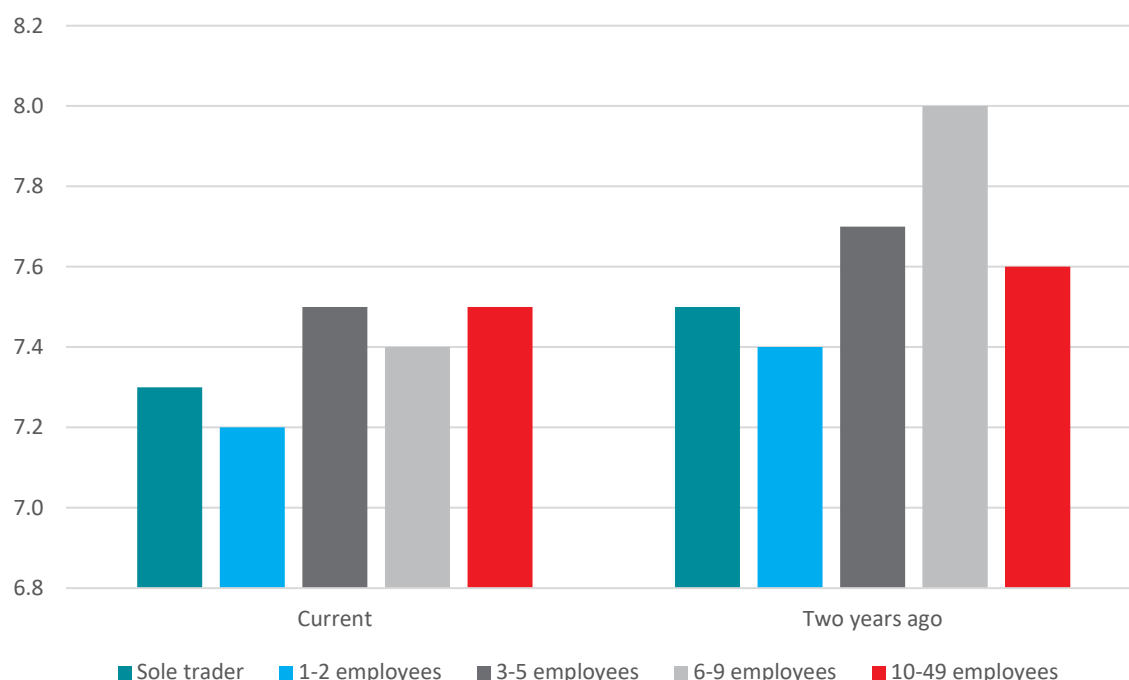


Source: Opinium, Cebr analysis

6.0% of sole traders state that their mental health falls between 1 and 3. This is in line with the results for other businesses, with the share of business owners saying their mental health falls in this bracket ranging from 6.0% to 9.0% across business sizes. Similarly, the shares of business owners saying their mental health falls between 4 and 7 stands at 31.5% overall. The lowest share is recorded for businesses with three to five employees, at 26.0%, whilst 35.0% of those with six to nine employees state that their mental health has a score of 4 to 7. 43.7% of owners of small businesses employees reported a mental health score of 8 to 10.

The average owner's mental health score across all businesses is 7.4. There are, however, heterogeneities across business sizes. Sole traders record a slightly below average mental health score of 7.3, whilst businesses with one to two employees show the lowest average score, with a reading of 7.1. Owners of businesses that employ three to five employees and larger businesses with 10 to 49 employees report a joint-highest mental health score of 7.5.

Figure 5: Average mental health score by business size in 2022 and two years prior

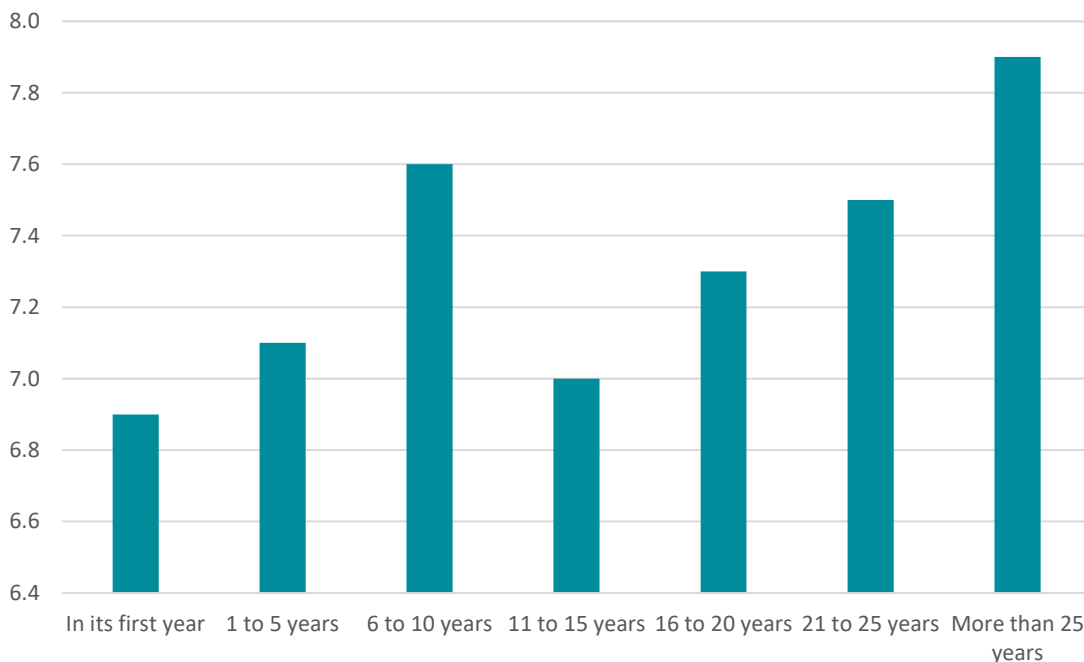


Source: Opinium, Cebr analysis

Unsurprisingly, average mental health scores now are lower than early 2020, before the onset of the pandemic and the ensuing introduction of restrictions and worsening for many of economic hardships. Across all small businesses, mental health in early 2020 stood at an average score of 7.6. The largest decrease could be observed among businesses with six to nine employees which fell by 0.6 between early 2020 and 2022.

Self-assessed mental health also changes with an organisation's age. As can be seen in Figure 6, there is a clear positive correlation between business age and mental health. Whilst owners of businesses in their first year report an average mental health score of 6.9, those that had been active for more than 25 have an average score of 7.9. Potential reasons are the fact that business owners earlier on in their career are less experienced and thus are more susceptible to anxiety in certain business situations. Furthermore, younger businesses will likely have less financial leeway and are thus potentially less resilient in harder times.

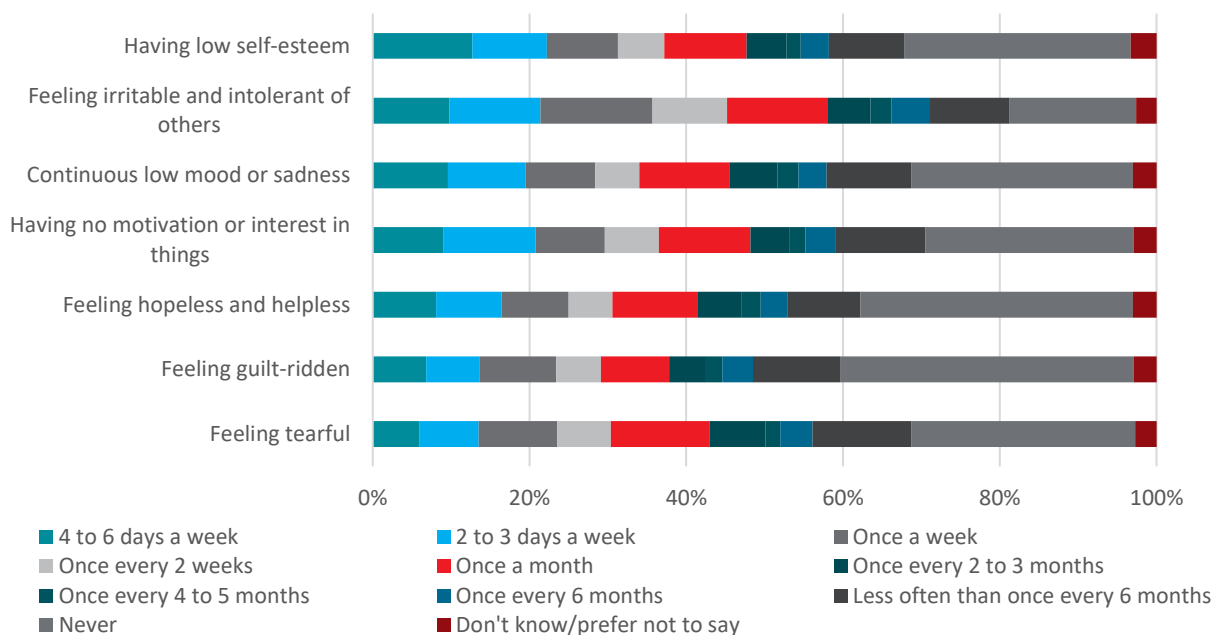
Figure 6: Average self-assessed mental health by business age



Source: Opinium, Cebr analysis

Despite their relatively high self-assessed mental health score, sole traders have a below average outlook for the future. Across all business sizes, 60.7% of business owners said that they have a positive outlook for their business over the coming year. 13.2% said that they had a negative outlook for the upcoming year, with 21.6% saying that they had neither a positive nor a negative outlook. The remaining 4.5% were not sure.

Figure 7: Prevalence of the following symptoms of poor mental health among all small business owners



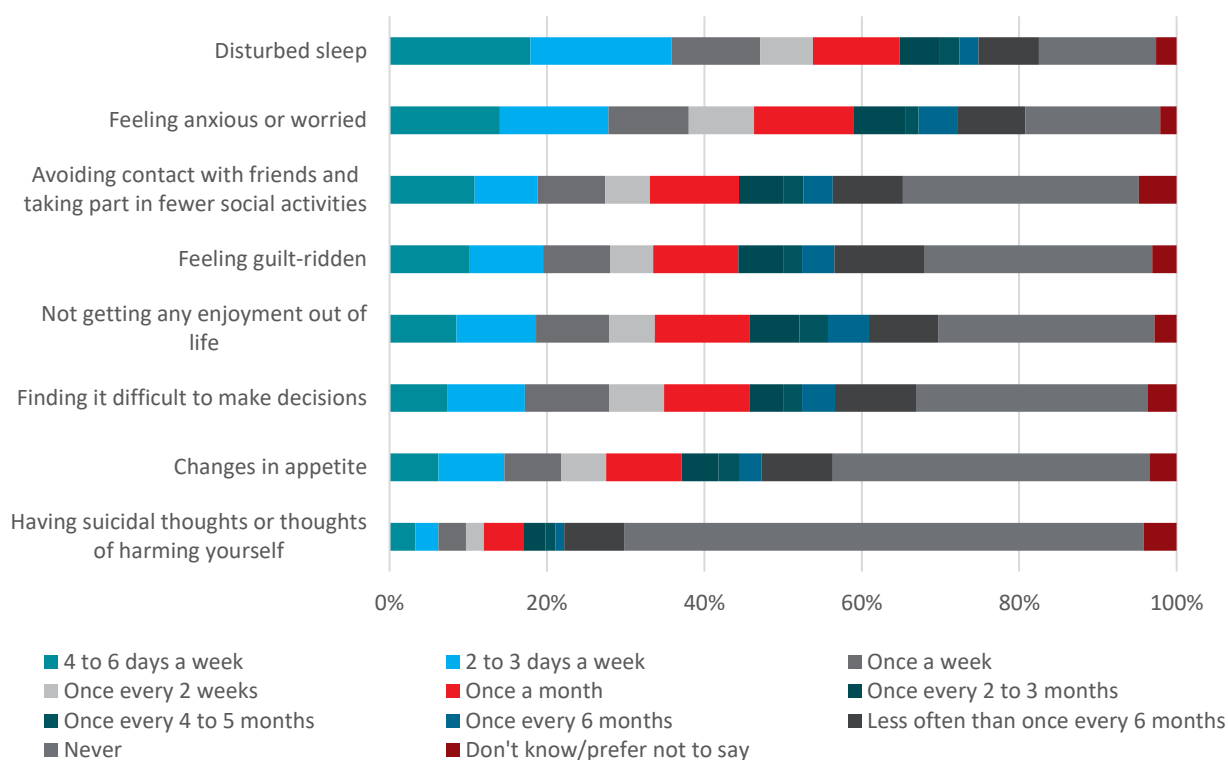
Source: Opinium, Cebr analysis

Figure 7 and Figure 8 show how often business owners experience a number of symptoms of poor mental health. Disturbed sleeping is among the most prevalent symptoms, with 17.9% of all respondents saying they suffer from it four to six times a week, with the same share of decision makers saying they experience this symptom two to three times a week. Feelings of anxiety and worried states of mind are similarly prevalent. 14.0% say that they experience these feelings four to six days a week and an additional 13.8% feeling that way two to three days per week. The third-most common symptom is having low self-esteem, which 12.7% experience four to six days a week, with an additional 9.5% feeling that way 2 to 3 days a week.

At the other end of the range, suicidal thoughts are the least common symptom of mental ill health. 29.8% of decisionmakers have had suicidal thoughts before, with 66.0% saying they had never had such thoughts. The remaining 4.2% either did not know or preferred not to answer. Other symptoms that were relatively uncommon are changes in appetite and feelings of guilt, which 40.3% and 37.4% of decisionmakers had never felt, respectively.

Owners of businesses with six to nine employees are especially likely to report having suicidal thoughts; 8.1% reported having such thoughts four to six times a week, compared to the average of 3.3% across all business sizes. 40.4% of owners of businesses with six to nine employees have experienced suicidal thoughts before. Sole traders are the least likely to have experienced such thoughts, with only 22.9% saying they have had these thoughts before. A potential explanation may be that owners of businesses with employees feel additional pressure, as they feel responsible not just for their own livelihood, but also for that of their staff.

Figure 8: Prevalence of the following symptoms of poor mental health (cont.)



Source: Opinium, Cebr analysis

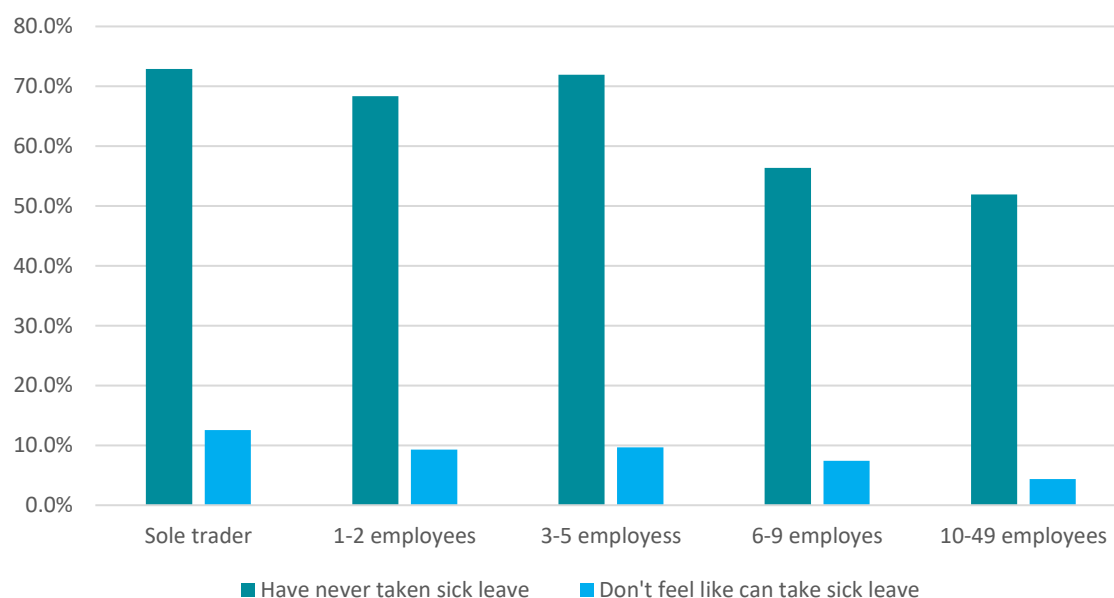
In line with this interpretation, owners of businesses with six to nine employees are also more likely to feel hopeless than owners of other business sizes. 71.7% of owners of

businesses of that size have experience hopelessness, whilst the average across all sizes is 62.2%. 34.3% of owners of businesses with six to nine employees feel hopeless and helpless at least once a week, whilst the share is only 25.0% when looking at all businesses. Furthermore, only 22.1% of sole traders stated that they suffered from these feelings at least once a week. There is also regional variation, as in Yorkshire and the Humber 71.6% of small business owners have felt hopeless or helpless before, whereas only 56.5% in the North East have felt so.

One additional trend that sticks out is the higher prevalence of symptoms of mental ill health among business owners operating in the Marketing, Advertising, Public Relations (PR), and Market Research industry. For instance, 52.9% of small business owners working in that industry feel hopeless or helpless at least once a week, compared to the average of 25.0%. The same trend can be observed when looking at the prevalence of suicidal thoughts, which 23.5% of small business owners in the marketing, advertising, PR, and market research industry experience at least once a week, compared to the average of 9.7% across all businesses. In legal services it is even more concerning, with 38.5% facing these thoughts at least on a weekly basis.

The differences in the prevalence of mental health issues also translate into varying volumes of sick leave, that have been taken as a result of mental illness. As can be seen in Figure 9, owners of businesses with fewer employees or sole traders are less likely to have taken sick leave due to mental illness than owners of small businesses with a larger number of employees

Figure 9: Share of business owners who have never taken sick leave due to mental health over the past since early 2020, by business size



Source: Opinium, Cebr analysis

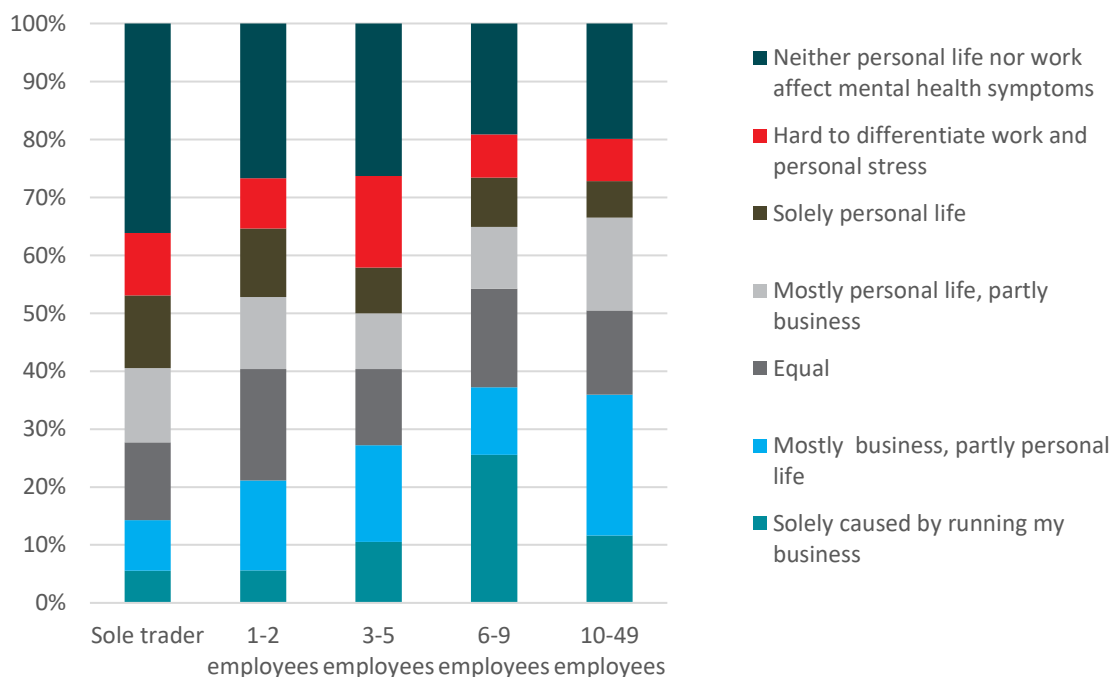
Whilst this can be interpreted in a way that owners of larger businesses are more distressed by their symptoms and thus feel a greater need to take time off, the root cause is likely that owners of smaller establishments feel like they have fewer opportunities to take time off. The data presented in Figure 9 provide evidence for this interpretation. 12.5% of sole traders feel like they are not able to take any sick leave. This is unsurprising, as a business's ability to function will be more dependent on the presence of an individual member of staff if the total number of employees is smaller, with sole traders being the extreme case.

At the opposite end of the range, when looking at owners of small businesses that are not microbusinesses- businesses with 10 to 49 employees- only 4.4% say that they feel like they cannot take sick leave. In line with these findings, on average, sole traders took off 0.8 days sick with mental health issues, whereas owners of businesses with 10 to 49 employees took off 2.0 days for these reasons, on average, with the average across all businesses amounting to 1.2 days over the past two years.

The highest average number of sick days due to mental health issues are taken off in the technology industry, at 3.9. Legal services and marketing, advertising, PR, and market research are also industries with high average numbers of days taken off sick for mental health reasons, with 3.3 days and 2.4 days, respectively. Agriculture, hospitality and leisure, food and drink, manufacturing, and real estate all recorded the joint-lowest average number of days taken off at 0.5.

Cebr asked business owners that had experienced symptoms of poor mental health whether they thought these stemmed from their personal lives, or from running their business. As was the case with other measures, owners of businesses with six to nine employees are far more likely to state that their mental health issues were solely due to running their business. 25.5% of business owners at firms with six to nine employees said that their mental health issues, if applicable, stemmed exclusively from running their business. By contrast, only 5.5% of sole traders that suffered from mental health issues said that these issues were a result solely of their business activity.

Figure 10: Share of business owners that have experienced symptoms of mental ill health that said their symptoms were caused by their work or by their personal life, by business size



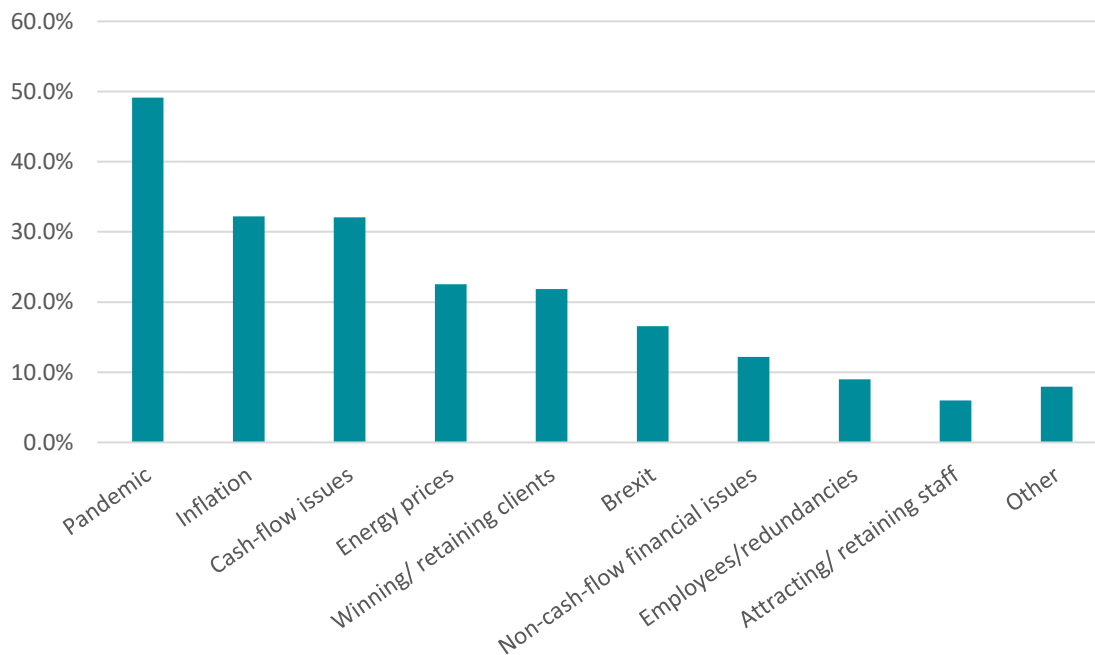
Source: Opinium, Cebr analysis

On average, 9.6% of small business owners suffering from mental ill health said that this is exclusively due to their professional lives. By contrast, sole traders were the most likely to say that their mental health issues were exclusively due to their personal lives, with 12.5% saying so. There is a negative correlation between share of business owners whose mental health issues were solely due to their personal lives and business size. For instance, only

6.3% of owners of businesses with 10 to 49 employees said that their mental health issues were caused by their personal lives alone.

Cebr's and Opinium's survey, which was commissioned by Xero, dug deeper into the ways small business owners' professional lives affected their mental health. Figure 11 shows what share of small business owners that had suffered from mental health issues since early 2020 attribute these issues to certain aspects of running their businesses.

Figure 11: Share of business owners with mental health issues that say the following factors were the biggest cause of mental health issues since early 2020



Source: Opinium, Cebr analysis

49.1% said that their mental health issues since early 2020 were caused by the pandemic. This does not come as a surprise, as the pandemic brought significant disruptions to all sectors and industries. The second-most cited point of concern is inflation, with 32.2% saying their mental health issues were due to this. With respect to businesses, input and producer price inflation are particularly relevant, but especially for sole traders the distinction between business and personal finances are likely to be less clear. Having to spend more on personal consumption, due to the rising cost of living, is likely to eat into the funds available for their business expenditures.

Closely linked to the concerns regarding inflation are worries stemming from rising energy prices, which 22.5% cited as the biggest, business-related cause of their poor mental health. Further financial distress was caused by cash-flow issues; 32.1% of small business owners that had suffered from mental health issues in the past two years said that cash-flow issues were the main cause. Furthermore, 12.2% of small business owners stated that financial issues that did not relate to their cash-flow were the main cause of mental ill health. This is

consistent with the findings presented in the previous section of this report, as 61.0% of small business owners cited financial troubles as a reason for their mental health issues.¹⁹

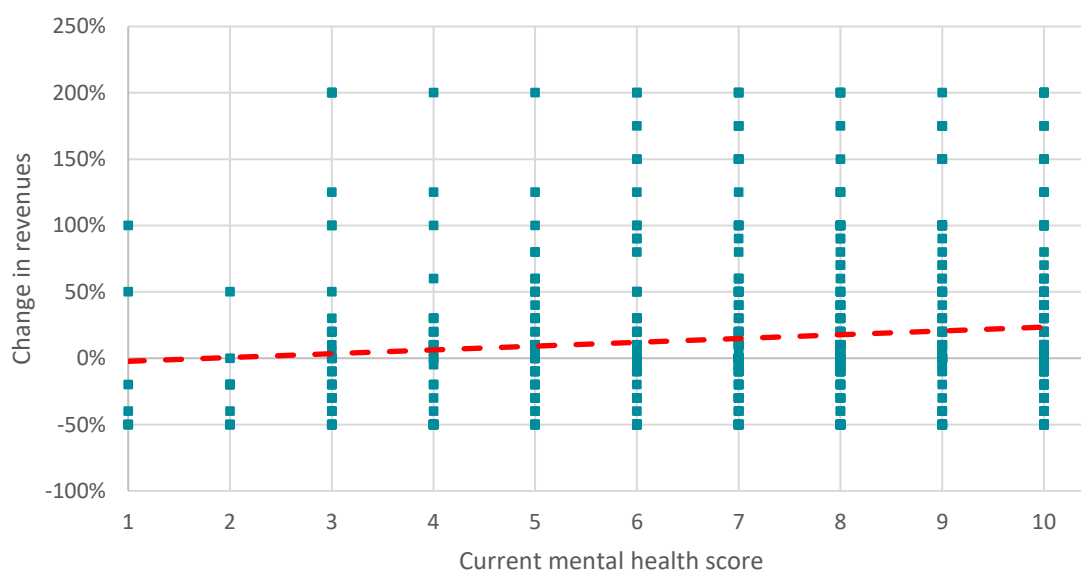
Apart from their financial situation, business operations have also been found to have had a significantly detrimental impact on small business owners' mental health. The winning and retaining of clients has been found to be the main cause of mental ill health by 21.9% of small business owners that suffered from such issues. Sole traders were especially affected by this, with 30.0% of them saying that this was the main source of their mental health issues. Owners of businesses with six to nine employees were the most likely to cite concerns regarding current staff or attracting new staff as the most significant source of mental ill health over the past two years, with 27.7% saying so, compared to the average of 9.0%. Part of this can be explained relatively easily, as, for instance, sole traders do not need to worry about their staff, because they do not employ any.

¹⁹ cf. p.6

4. The relationship between business performance and mental health

To better understand the role that mental health and small business performance play, we analysed how and if a higher mental health score is correlated with business performance indicators. Figure 12 shows the correlation between revenue growth and the self-reported, current mental health score.

Figure 12: Correlation between higher revenue growth and current mental health score among small business owners



Source: Opinium, Cebr analysis

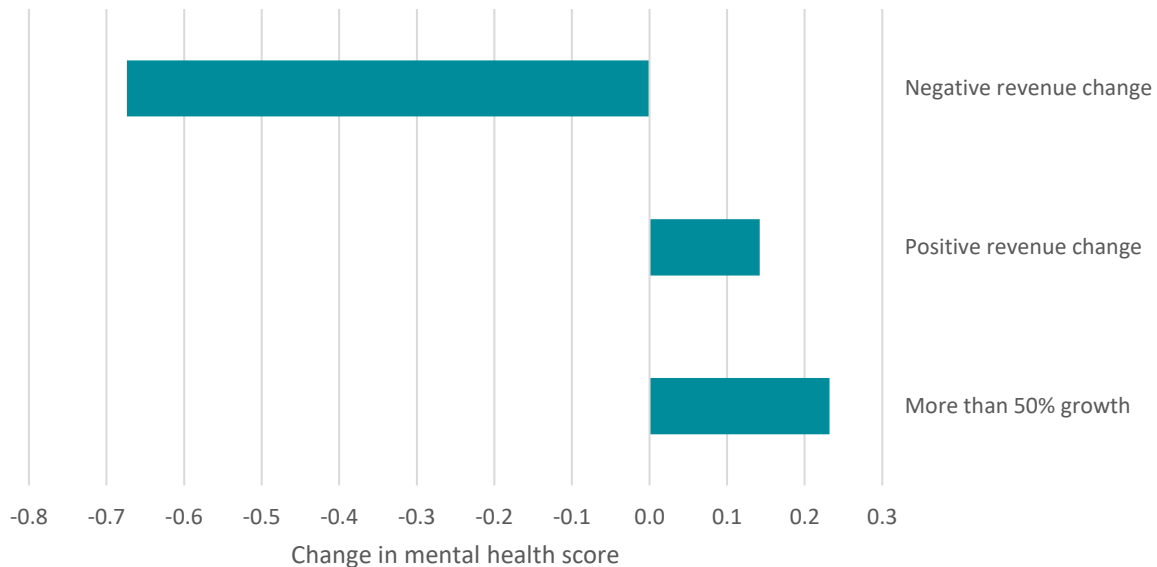
What becomes apparent is the positive correlation between the mental health score and revenue growth. For instance, businesses with a mental health score of 10 recorded an average revenue growth of 19.1%, whilst businesses whose owners recorded a mental health score of one had an average decrease in revenue by 8.6%.

It should be noted, however, that the above is only a correlational analysis that cannot establish any causality from mental health to business revenues. Given the large share of small business owners who trace back their mental ill health to financial issues, it is plausible to assume that causality may indeed run from revenues to mental health; therefore, poorer business performance, in the form of lower revenue growth or a greater decrease in revenue, would have a negative impact on business owners' mental health.

When looking at business owners with revenue growth exceeding 50.0%, the average mental health index is 7.7, higher than the average of 7.4. Generally, the mental health of business owners with growing revenues exceeds the average index score, recording a reading of 7.6. On the other hand, business owners that saw their revenues decrease over the course of 2020 and 2021, report an average mental health score of 6.8, well below the average value. Thus, it is likely that owners of establishments that suffered to a greater extent during the pandemic saw their mental health decrease to a larger degree as a result of this.

A similar trend can be observed when looking at the change in mental health between early 2020 and early 2022. On average, the mental health score decreased by 0.2 points over these two years. However, this decrease is more pronounced when looking at business owners that faced falling business revenues over that period, as their mental health score decreased by 0.7 points, on average. The situation is very different for business owners whose revenues increased since early 2020, as their mental health score increased by 0.1 points, on average. This positive change is even greater when revenue growth exceeded 50.0%, with the associated improvement in mental health amounting to 0.2 points.

Figure 13: Change in mental health dependent on change in revenues



Source: Opinium, Cebr analysis

The relationship between a business' redundancy rate and mental health supports the hypothesis that poor mental health is more widespread among owners of businesses with six to nine employees due to the added pressure that these owners might feel, as they are responsible not just for themselves, such as sole traders, but also for their employees.

The average redundancy rate for businesses owners that reported a mental health score of 10 is 6.9%, whereas among those with a mental health score of one it is 15.5%. However, the correlation between a higher redundancy rate and a lower mental health score is weaker than when looking at business revenues; business owners with redundancy rates of 0.0%, 10.0%, and at least 40.0% reported average mental health scores of 7.3, 7.2, and 7.4, respectively.

In line with the weak correlation between the share of a business's workforce that had to be made redundant, only a muted effect of a higher redundancy rate on the change in mental health can be observed. Business owners that did not need to make any redundancies saw their mental health score decline by 0.2 points, in line with the average across businesses. Those who had to make 10.0% or 40.0% of their workforce redundant both saw their mental health score decrease by 0.3 points.

5. Initiatives to address poor mental health

23.1% of business owners strongly agree that a stronger company culture leads to better mental health outcomes, with 52.5% of non-sole trader small businesses having implemented initiatives to boost the mental health of their employees.

Figure 14: Share of non-sole trader small businesses that implemented the following initiatives for their employees

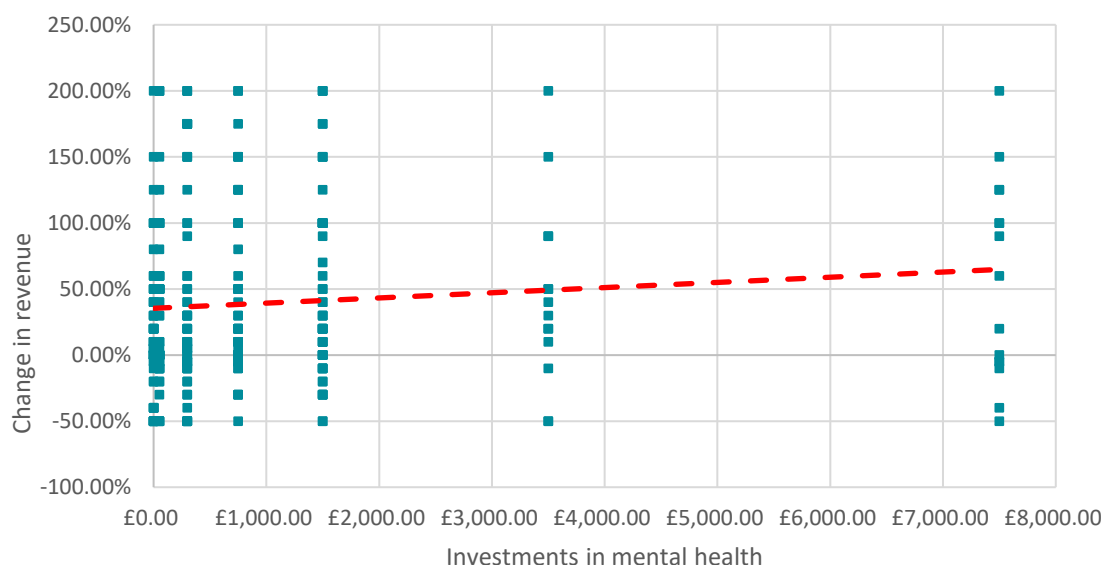


Source: Opinium, Cebr analysis

Figure 14 shows how prominent a number of mental health initiatives were amongst owners of small businesses with employees other than the owner. The one that was most often cited was providing information on mental health to members of staff, which 20.3% did. This was followed by offering opportunities for staff to engage in physical activities, which was provided by 18.2% of small business owners that are not sole traders.

To quantify the impact of investments in mental health on a number of key performance metrics, Cebr, as part of their research for Xero, asked business owners about the monetary value of their investments in mental health initiatives over the past two years. The average investment volume amounted to £939.70.

Figure 15: Correlation between business revenue growth and investments in mental health



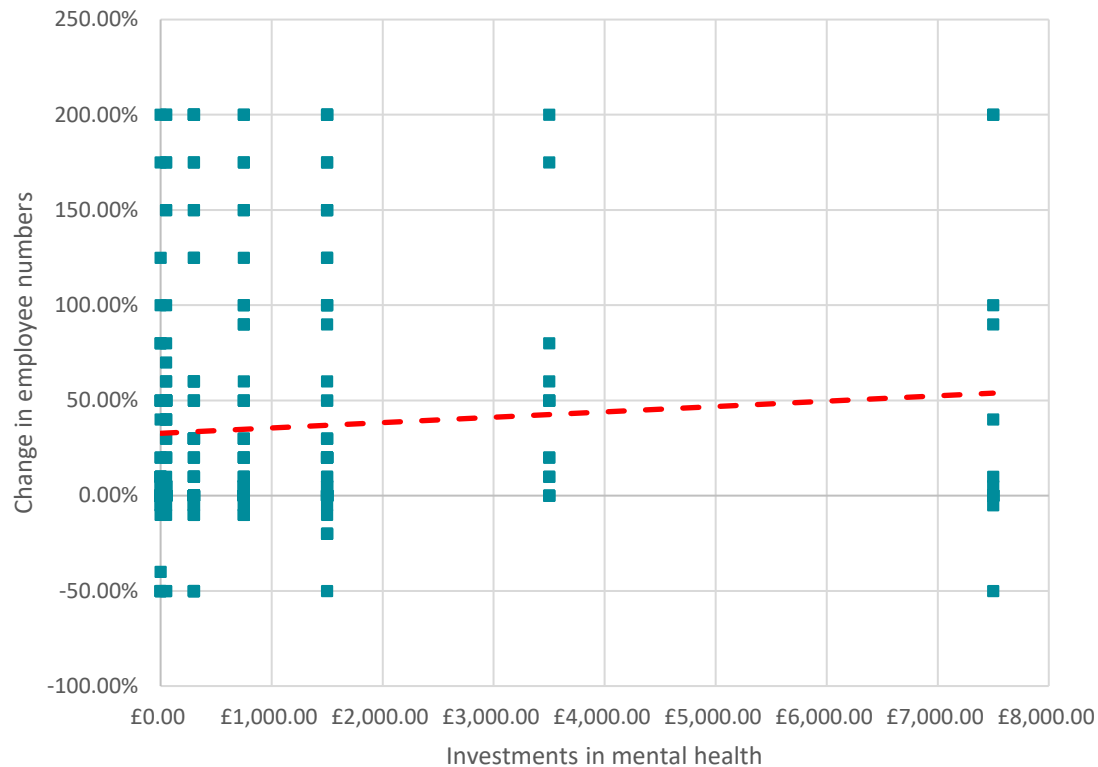
Source: Opinium, Cebr analysis

Figure 15 shows the correlation between the volume invested in mental health initiatives for employees and the growth in business revenue. As can be seen, there is a positive correlation between the volume of investments in mental health initiatives and the growth rate of business revenues. A potential channel from investments in mental health and revenue growth is workforce productivity. It is reasonable to assume that a higher level of mental health among an organisation's workers would be associated with the staff being more productive. Some evidence for this hypothesis can be gathered from a different section of Cebr's and Xero's survey.

Small business owners were asked if they noticed a change in productivity following their investments in mental health initiatives, if applicable. 52.6% of those that did make such investments said that the productivity of their workforce increased following investments in mental health. Only 12.8% felt like mental health initiatives were linked to a reduction in workforce productivity. 35.0% said that there were no changes in productivity. On average, a business investing less than £1,000 (excluding those businesses that did not invest at all) saw its revenues grow by an average of 40.4% between early 2020 and 2022. Those that invested more than £1,000 were able to enjoy revenue growth of 50.3%, on average. By contrast, those who did not invest any money in the mental health of their employees reported revenues to have grown by 17.7%, on average.

A similar relationship can be analysed when looking at the change in employee numbers of the two years to February 2022 and the amount that was invested in mental health initiatives. This is illustrated by Figure 16, which shows the correlation between the amount that was invested in mental health initiatives and the change in employee numbers.

Figure 16: Correlation between the change in employee numbers and investments in mental health



Source: Opinium, Cebr analysis

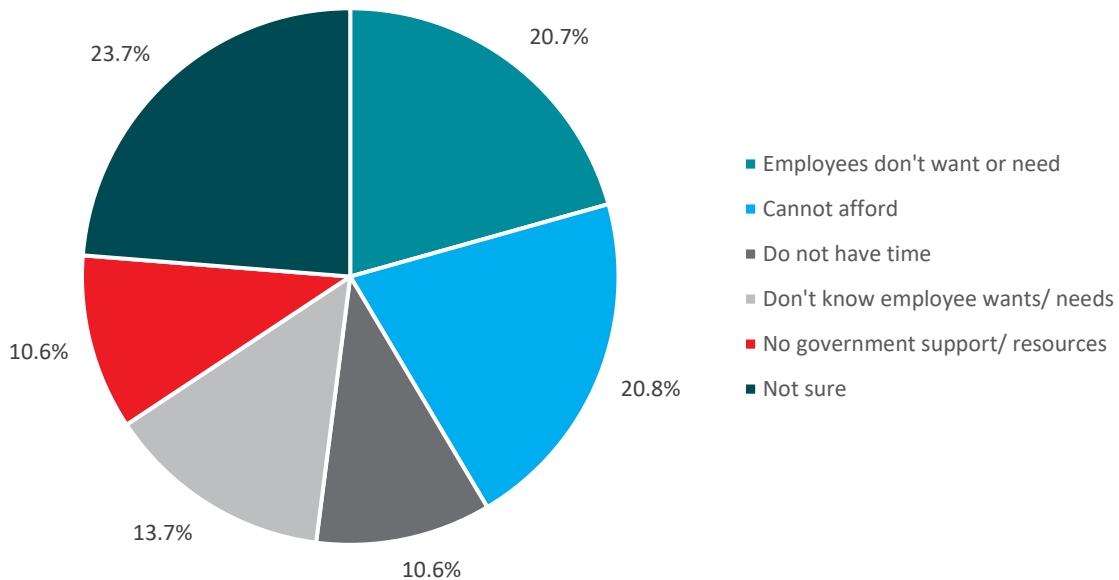
Again, a positive relationship can be observed, with higher investments being associated with a higher growth in the number of employees that a business employs. An employer investing more money to provide a larger number of ways to improve the mental health of their employees is likely to be a more attractive organisation to work for. This could affect the change in employees in two ways. First, it is likely that fewer workers would leave the organisation to work for another business. Second, people seeking employment may be more likely to choose an organisation that is known to provide for their employees, in the form of mental health initiatives, which may also be associated with other benefits or a more positive company culture. No investments in mental health were associated with an increase in employee numbers by 15.5%, on average. Businesses investing up to £1,000 saw their employee figures increase by 35.7%, on average. Those businesses that invested more than £1,000 said that their number of employees increased, on average, by 47.3% over the two years analysed.

The above findings provide support for the claim that investments in mental health initiatives have a positive effect on key business performance metrics. Given this, it would be of interest to know why not more than the aforementioned 52.5% of non-sole traders invested in such mental health initiatives. Therefore, Cebr asked small business owners about the barriers that prevented them from investing in mental health initiatives.

20.8% of non-sole trader small business owners said that the main barrier to them investing in mental health were the costs and that they could not afford any investments. This was

closely followed by the share of business owners saying that they didn't think their employees needed or wanted any organisational mental health initiatives. The largest share stated that they weren't sure what is the biggest barrier, with 23.7% saying so. Furthermore, 10.6% said that there are too few governmental or external resources and too little support.

Figure 17: Share of non-sole traders which said the following factors were the main barrier preventing them from investing in mental health



Source: Opinium, Cebr analysis

Finally, Cebr asked small business owners whether they felt like there was enough governmental support with respect to the mental health and psychological wellbeing of small business owners. In total, only 15.0% think that there is enough support provided, with 46.7% saying that not enough support is in place.

6. Conclusion

The pandemic was a significant shock to business owners' mental wellbeing. This was felt through both a direct impact, with the immense amount of distress that the pandemic placed onto people, but also through an indirect effect, as the public health measures and the risk of infection stifled economic activity, which affected business owners' mental health. In the case of small business owners, Cebr's survey found a negative relationship between both the changes in business revenues over the two years to February 2022 and the share of employees that were made redundant over that period and the development of small business owners' mental health.

Businesses with a more drastic decline in revenues and those that had to make more of their employees redundant saw the mental health of their owners decline at a greater rate. However, a significant share of owners responded to these challenges by investing in initiatives designed to bolster the mental health of their employees. A larger amount of money invested in such initiatives was found to be correlated with better readings in key business performance metrics. For example, revenues were found to be growing at a higher rate for businesses that invested more in mental health.

As a large share of business owners said that the main barrier to investments in mental health were financial constraints, this leaves significant room for government support, with economy-wide implications. As mental health investments were associated with higher revenue growth, with business owners associating them with workforce productivity, this could boost investments and consequently economic growth.

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