Small firms’ awareness and knowledge of individual employment rights

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Professor Robert Blackburn
Professor Mark Hart
Small Business Research Centre
August 2001
Foreword

Promoting good employment relations is an important task of government. Our role in the Department of Trade and Industry is to encourage the development of a skilled and flexible labour market founded on the principle of partnership at work.

The Department commissions an ongoing programme of evaluation and research in employment relations. In-house researchers, economists and policy advisors devise research projects to be conducted on our behalf by external researchers, who are chosen through a competitive tendering process. Projects typically look at areas where we are interested in identifying good practice, in assessing the impact of particular policies or regulations, or examining emergent trends. Details of the programme appear regularly in Labour Market Trends and can be found at http://www.dti.gov.uk/er/emar.

The Research Series is where we disseminate the results of this work. The views expressed in these publications do not necessarily reflect those of the Department. We publish these reports as a contribution towards an open debate about how we might best achieve our overall aim of improving competitiveness.

Mark Beatson
Director, Employment Market Analysis and Research Branch
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Executive summary

- Although small firms constitute the overwhelming bulk of all enterprises in the UK, there is a fundamental gap in our knowledge of their awareness and understanding of individual employment rights. This is of particular concern given the rise in employment legislation during the past five years and the growing obligation of employers to comply with this legislation. Thus, a study on small firms and individual rights is very timely and highly significant for sound policy formulation.

- The aim of this research was to investigate small employers' awareness and detailed knowledge of individual employment rights (IERs); their advice and information-seeking behaviour on IERs; and the perceived effects of IERs on their enterprise.

- A large-scale telephone survey of 1071 employers was conducted during July-August 2000. All these enterprises were legally independent and, in addition to the owner-manager, employed between one and 50 people. This sample was stratified according to size, sector and location. The results of the survey presented in this report are weighted to represent small firms in GB. When weighted, 88 per cent of the surveyed enterprises employed less than 10 people.

- Small employers are particularly difficult to study because of their lack of time and often antipathy to data collection for research purposes, particularly in relation to government research. Care was exercised in how to approach owner-managers. Prior to the main survey a pre-pilot survey of 18 employers was undertaken. This helped inform the conduct and content of the main telephone survey. All owner-managers were sent a letter explaining the purposes of the research prior to the telephone survey call. The response rate of the telephone survey was 53.8 per cent.

- IERs cover a vast array of legal provisions for workers and vary in their level of workforce coverage and legal complexity. In this survey, attention was paid to maternity and parental leave, unfair dismissal, contracts of employment, the National Minimum Wage, Working Time Regulations and equal pay. A mixture of old and newer provisions and those having universal and specific coverage for workers was included.

- A priori, it was expected that awareness of particular rights would vary according to the size of enterprise, business sector, employment composition, employer history of involvement in employment rights and publicity surrounding particular rights. Depth of knowledge, i.e. the detailed provisions of specific rights was also expected to vary especially as smaller employers have been shown to have an absence of specialist personnel staff and use management information on a need to know basis.

- In their self-assessments, employers were not confident about their knowledge of IERs. Only one-fifth of employers felt confident or very confident about their knowledge of IERs. This varied according to size of enterprise and business sector suggesting heterogeneity in the sample.

- A recurring theme in the results was the relationship between size of enterprise and awareness of IERs. However, explaining this relationship involves addressing business context and structure and employers’ experiential factors. There was only little indication that a raised awareness was a result of the higher prevalence of a dedicated personnel function in the larger enterprises. Instead, it is argued that this relationship is a result of a range of influences and factors, which would raise employers’ cognisance of IERs. Larger employers in the sample were having to deal with a wider range of employment rights issues; they were more likely to have been to an Employment Tribunal; they employed higher proportions of females and fewer part-time workers. In the bi-variate analysis, all these factors were shown to have a positive relationship with awareness and knowledge levels on IERs.
• An alternative way of presenting the above is to say that under certain structural conditions employers will be more at risk to having to deal with IERs. The analysis shows that most, if not all, employers address IERs and their detail on a need to know basis. Only when employers have to address IERs in relation to their enterprise will they do so. Thus, given the varying employment composition between firms it is no surprise that there is variation in awareness and knowledge on IERs even amongst firms employing less than 50 people. Different structural factors, independent of size of enterprise, means that employers are faced with varying knowledge demands.

• Awareness of IERs varied between different types of IERs. Highest levels of awareness were shown for the National Minimum Wage followed by maternity leave. Lowest levels of awareness were in relation to parental leave provisions. Again, relevance and employer experience, rather than the newness of the legislation appeared to have a bearing on awareness levels.

• As expected, employers became increasingly less confident and less able to provide accurate answers as the depth of knowledge on IERs was investigated. This reinforces the notion of employers dealing with IERs on a need to know basis.

• Given the culture of seeking advice and information and resolving IERs issues on a need to know basis, it is important to identify employers’ advice-seeking behaviour. This maps the networks they activate for advice and information on IERs and shows the possible channels through which information may be communicated to small firms.

• The most important sources of advice and information on IERs were accountants, solicitors and then government departments. ACAS was used by a quarter of employers. In contrast, there was a low use of information and advice from employers’ federations, Business Links and Chambers of Commerce. Reliance on different sources was shown to vary somewhat between firms of different size and between sectors. The smaller the enterprise the greater the use of accountants, whereas larger employers were as likely to use a trade association. There also appeared to be a higher use of sector-based bodies by enterprises in Primary and Construction, reflecting a stronger self-identity and industry sub-culture in some sectors.

• There was no relationship in use of sources and whether or not firms had to pay for this advice. Interestingly, the most popular sources were fee-based whilst others that were used regularly varied. Employers appeared to use more than one source of advice and information.

• Levels of satisfaction of the sources of advice were higher than expected. There were very few differences between different sources, public or private, fee-based or free. Overall, the results suggest that there is an adequate supply of information and advice on IERs.

• Over four out of 10 employers regarded ACAS as a key source of advice and information on IERs. There was a positive relationship between size of enterprise and the use of ACAS, which is most likely to be a result of the higher incidence of being taken to an Employment Tribunal in larger enterprises. Although views on ACAS were on the whole positive, some employers expressed doubts regarding its independence while others claimed very little knowledge of its role.

• Employers often regarded the government’s role in providing information and advice and solving IERs issues as ambiguous. This relates to the ambivalence employers have to government intervention in the economy, as both the regulator and the provider of help. When asked what government could do to improve access to information on IERs, the messages included ‘distribute literature’ but also that it could ‘do nothing’.

• The most popular methods of finding advice were by telephone and face-to-face contact. Few used a reference book. There was a growing interest in the use of websites although this was only preferred by one in 10 employers. It was also evident that employers used more than one method and it is probable that these varied according to the stage of the enquiry process.
The effects of employment legislation on small firms have received high profile attention in the media. It is often argued that small firms are affected disproportionately by legislation because of the fixed costs of compliance, the absence of an in-house expert and the diversion of employer attention from producing goods and services to the administration associated with regulation.

The results showed that where IERs affected enterprises, these employers were more likely to report negative effects. Conversely, those employers who were less aware of IERs were also less likely to be critical of them. This suggests that as knowledge levels are raised, as a response to a problem or claim by an employee, employers are more critical of IERs. It is likely that employers’ motivations to raise knowledge levels will influence their views on the effects of IERs.

There was considerable variation on the perceived effects of IERs according to business sector and size of enterprise. Those in low paying sectors with tight profit margins, such as distribution, were much more likely to have negative comments. However, smaller enterprises in the sample were less likely to register negative effects. There appeared to be a significant difference in the effects between those small firms employing over 20 people and those of less than 20. This suggests that there is a general threshold effect at which IERs become a more important issue for employers to have to understand and address.

The most significant IER having an effect on small firms were the National Minimum Wage followed by legislation relating to basic terms and conditions. Again whether or not a specific IER had an effect appeared to vary by structural conditions of the enterprise. Thus, those with a higher proportion of female staff in the labour force were more likely to complain of IERs in relation to maternity rights. It appears inevitable that employers will complain of IERs when they are at risk in having to meet these rights, and indeed if they have been involved in an Employment Tribunal.

The greatest effect that IERs were having on these enterprises was increased ‘administration workload’ and the amount of legal advice they are having to seek. Some employers stated that IERs had resulted in a negative employment effect, although these were in a minority.

Employers struggled to offer positive effects of IERs for their business. Those who could provide positive effects cited the provision of guidelines and clarification in the employer/employment relationship.

In the overall context of business performance, IERs were regarded as important but not as important as competition and labour market issues. However, compared with a study conducted over 20 years ago on the impact of IERs on small firms, the results show a rise in the perceived importance of IERs on the operation of the individual enterprise.
CHAPTER 1

Introduction and background

1.1 Introduction
Small firms are now major contributors to the economy in terms of employment, output and share of enterprises in the business population. Yet, until recently, this economic significance has tended to be overlooked in many research and policy spheres. Despite this growing recognition of the importance of small firms, there remains a fundamental knowledge-gap between policy makers and the world of the small business owner-manager. One major area typifying this 'gap' is the way in which the state can impact on the well-being of the smaller enterprise through its design and introduction of regulatory frameworks which, although not directly aimed at small firms, may have unforeseen specific outcomes for small businesses.

Too often there exists a weakness in our knowledge of business owners’ awareness of, and attitudes to, both established and new areas of regulation. Sound policy formulation and evaluation requires a rigorous research base on which to build. This study seeks to address an aspect of this gap by presenting the results of a major investigation of individual employment rights (IERs) in small firms.

1.2 Small firms and government regulation: evidence and policy context
Our understanding of owner-managers’ knowledge, advice-seeking behaviour and their awareness of the effects of IERs on small enterprises is patchy if not entirely absent. Often business owners are portrayed as reacting on a day-to-day basis to the demands of their product or service market, with little or no interest in government regulation. Yet the relations between the state and small businesses are more complex than this simple, stereotypical depiction. Government regulation applies to many different operational aspects of enterprise ranging from environment, product and service standards through to employment and the rights of individuals. In other words, business owners are conscious of state regulation but this will vary enormously from issue to issue.

This study provides new evidence on owner-managers’ awareness, knowledge, advice-seeking behaviour and real or perceived impact, of individual employment rights on enterprise. The timing of this research is particularly significant because of the recent rise in employment regulation in the past four years. This has led to an immediate reaction amongst small firm lobby groups against the rise in regulation (e.g. Forum of Private Business, 2000).

This focus of attention on employment regulation and small firms is not new. Over 20 years ago following the developments in employment laws, there were attempts at evaluating the responses of business owners and the impact on small firms. What is new, however, is the range of employment regulation that now exists.
1.3 Project aims

This project aims to raise our knowledge levels of owner-managers’ understanding of IERs. In particular it seeks to explore:

i) Small employers’ general awareness and detailed knowledge of individual employment rights
ii) Small employers’ sources of advice and information on IERs and their advice-seeking behaviour
iii) The factors affecting employers’ awareness of employment rights
iv) Small employers’ perceptions of the effects of IERs on business performance

The data source for the study (discussed in detail in Chapter 2), is a telephone survey of over 1000 employers in enterprises employing less than 50 people. This represents the most authoritative, independent piece of research to date on the issue of employment rights and small firms.

1.3.1 Small employers’ general awareness and knowledge of individual employment rights

Employer awareness of a variety of legal provisions are examined covering:

- maternity and parental leave
- unfair dismissal protection
- contracts of employment
- National Minimum Wage
- Working Time Regulations
- discrimination legislation

A priori, it is assumed that awareness of particular rights may vary according to their complexity, size of enterprise, industry sector conditions, employment composition, employer experience of Employment Tribunals and other employment law disputes with staff, the perceived relevance to individual business owners of particular legislation, and the publicity surrounding the legislation. Small employers are exempt from some legislative provisions, such as the Disability Discrimination Act 1995 that applies only to businesses with 15 or more employees. However, the extent to which some larger small business owners know of the details of such legislation is unknown.

Size of enterprise is expected to be one of the key variables in identifying variations in awareness. Employers of smaller enterprises have less time to become au fait with legislation and are less likely to employ a personnel specialist. This may put them at a disadvantage in their awareness levels, particularly on newer legislative provisions. Perceived relevance to particular business owners is also likely to vary with workforce composition. For instance, those employers affected by the National Minimum Wage can be expected to be more knowledgeable about legislation on this issue. Similarly, employers with predominantly young, female workers may be more knowledgeable about maternity rights than other employers.

Given that employer awareness of individual employment rights is likely to vary, what factors are associated with such variation? These factors can be categorised according to whether they are business characteristics (eg industry, age of business, enterprise size, presence of a dedicated personnel manager, composition of the workforce), owner characteristics (eg education, age) or owner attitudes (eg attitudes to growth). Correlation between variables is suggestive of a causal connection. Further, qualitative, evidence on employers’ backgrounds and attitudes towards the law is likely to be required to further substantiate such links. This report seeks to identify the major variations in awareness and knowledge within the sample, using the above as the main discriminators.
1.3.2 Small employers’ advice and knowledge-seeking activities

There is considerable evidence that small business owners use accountants as a key source of external information but they also seek advice from trade bodies, TECs, Business Links and chambers of commerce (Curran and Blackburn 1994). Internal sources might include co-owners, managers with specialist personnel responsibilities and employees. Asking for information or advice on employment issues may raise certain issues of trust and confidentiality and this will inevitably influence the sources used. It is highly likely that business owners seek information initially from their most frequently used source, accountants, and are then referred to other sources. The extent to which business owners go directly to government and quasi-government agencies for advice and information on employment rights is debatable. However, it is likely that this is relatively low particularly given that government is the initiator and regulator of the legislation.

Evidence is presented on employers’ general procedures for dealing with employee grievances and disputes, for example their degree of formality, and on sources of advice required to deal with employment-related ‘problems’ when they arise. Do small employers seek information from external agencies when dealing with employment grievances and queries? If so, which agencies do they contact and how satisfied are they with that information? Alternatively, do business owners seek advice from internal actors or sources of information? How satisfied are business owners with these sources?

1.3.3 Small employers’ perceptions of the effects of IERs on business performance

For businesses, individual employment rights constitute government regulation. For small businesses, in particular, it is often argued that there is a compliance burden, which is regressive because of the economies of scale required in meeting or administering the regulations. The Better Regulation Task Force (2000a) for example, found that the absence of an in-house expert on legislation did mean that legislation did have a disproportionate effect on small firms.

There are also suggestions that employment legislation is having the effect of deterring employers from recruiting and expanding their workforce because of a regulatory burden. The last major government research undertaken on this issue was carried out over 20 years ago. The research followed on from an outcry from employers’ groups over the adverse impact of the employment legislation introduced in the 1970s.

This report presents evidence on the perceived impact of employment legislation on small firms’ business performance. To what extent is contemporary legislation promoting IERs inhibiting the performance of small firms? What are the perceptions of business owners of the effect of IERs on their businesses? To what extent are these based on actual experiences or based on perceptions? How important a factor are IERs on business performance in the context of other influences such as product market conditions, availability of finance and so on? Which specific IERs do employers perceive as having the greatest and least impact on their business? What are the effects of these IERs?

1.4 Reporting conventions

Data discussed in this report is based on 1071 interviews with owner-managers weighted to reflect the GB population of small businesses according to size, sector and location. The percentages shown in the Tables are based on weighted data and the total sample size reported in each table is based on the weighted number. The unweighted sample size is also shown in the basic tables to indicate the number of employers on whose responses the weighted numbers are based (for more detail on the weighting procedure, see Chapter 2: 2.4 and the
Technical Report). The percentages shown in the tables are based on the weighted data. In some tables, percentages may not add up to 100 due to rounding. Where possible, a chi-square test is applied to assess the strength of the relationship between variables and the statistical significance of the results. The chi-square values appear on tables only when the differences are statistically significant. Discussion of the results in the text is based on the weighted sample.

Endnotes

1 In this study, the definition of the small firm is an independent enterprise, which employs less than 50 people. This is consistent with the UK and EU definitions (see Chapter 2 for details).

2 The precise IERs covered by this research are discussed in detail in Chapter 3.
CHAPTER 2
Methodology and sample composition

2.1 Introduction

The objective of this section of the report is twofold. First, to set out the key aspects of the methodological approach adopted in this study (a full Technical Report is included as Appendix A). Second, to provide a short commentary on the sample profile together with an overview of the characteristics of employment to be found within small firms in Great Britain.

2.2 Sample design

The size of the sample was determined at 1,080 firms, employing less than 50 persons, although a final survey total of 1,071 cases was obtained. Essentially this figure was determined as the largest sample that could be delivered within the budget to minimise overall sampling errors and maximise the robustness of the subsequent sub-sample analysis.

There were a number of key criteria used in the selection of small firms to be used in the sample. First, it was agreed that the survey should focus on independent businesses, on the basis that firms which are outlets, branches or subsidiaries of a larger group are likely to rely on a central administration for their personnel functions, and such operations can quickly find answers to any questions arising from their central administrations.

Second, although a maximum size was agreed at the outset, no minimum size had been predetermined. On the issue of minimum size it was decided that the survey should cover all sizes of small firm down to, but not including, zero employees businesses. A further issue we needed to consider was the most appropriate size banding to use within the under 50 employee firms. It was considered that, for statistical reasons, the propensity for there to be IER-related issues was likely to rise quite rapidly at the lower end of the size bands, then tail off, once businesses were of a minimum size. This would imply the size bands should be relatively narrow at the lower end and larger at the upper end. Accordingly, the size bands selected were as follows: 1-9 employees; 10-19 employees and 20-49 employees.

Third, it was not possible to second guess all the sectoral influences which might emerge from the survey, but we could be reasonably sure that there would be some. For example, we knew that firms that pay poorly are concentrated in particular sectors (e.g., Hotel and Catering). Clearly, this would affect their awareness of, and concern with, minimum wage legislation, but it might also affect other aspects of legislation, too. The decision was made, therefore, to over sample from some sectors and under sample from others to ensure adequate coverage for subsequent analysis. Using the SIC92 a sectoral selection was made which bands together some of the 17 sector divisions, and disaggregates others to a finer level. These aggregations were based on sectoral groupings known to have different workforce characteristics, based on gender, wage levels, status etc. The 10 sectoral groupings were:

- Primary
- Low VA Manufacturing
- High VA Manufacturing
- Construction
Finally, there is the issue of whether there exist regional differences in the attitudes to and experiences of individual employee rights legislation. Such differences, if they exist, are often explicable in terms of other factors which happen to be distributed differently across different regions, such as sector or size differences, rather than genuinely spatial factors, such as distance from markets, rurality etc. In this sense, there are few *a priori* reasons for choosing to select samples from particular geographies in Great Britain. However, the degree of labour market tightness or slackness might be a factor, which would influence managers’ perspectives on employee rights legislation.

One way of reflecting such tightness or slackness was to use regional wage rate data (all sectors) as a proxy, to provide some structure to the different labour market contexts small firms find themselves operating in. Using data on average gross weekly earnings and regional wage inflation derived from the UK Multi-Regional Model (MRM) constructed by the Northern Ireland Economic Research Centre (NIERC) and Oxford Economic Forecasting (OEF) it was possible to arrive at a simple typology of “regions”. These are, in descending order of “assumed” labour market tightness:

- South East (i.e. Greater London and ROSE)
- Eastern, North West and Scotland
- West Midlands, East Midlands, Yorkshire & Humberside, North East, Merseyside, Wales and the South West

In summary, therefore, we adopted a method which uses disproportionate *random sampling within size and sector stratifications and by region* – in order to allow adequate representation of less numerous but potentially more “interesting” establishments. This resulted in a sampling framework (Table 2.1) with the following quotas for each region:

**Table 2.1: Sampling framework and quotas**

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Size bands</th>
<th>Total cases</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-9</td>
<td>10-19</td>
</tr>
<tr>
<td>Primary</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Low VA Manufacturing</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>High VA Manufacturing</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Construction</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Distribution</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Hotels and Catering</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Transport &amp; Communications</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Business &amp; Professional Services</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Healthcare, Domestic &amp; Personal Services</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Other Services</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td><strong>Totals per region</strong></td>
<td><strong>120</strong></td>
<td><strong>120</strong></td>
</tr>
<tr>
<td><strong>X 3 regions</strong></td>
<td><strong>360</strong></td>
<td><strong>360</strong></td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*
The Dun and Bradstreet UK Marketing Database was used as the sampling frame for this survey. This is only one of a number of commercially available databases which could have been used, but it possesses two significant advantages. First, it has good coverage of the UK business population, with around 1.3 million records – this compares with a VAT population of some 1.7 million, and a total population as estimated by the IDBR of 3.6 million businesses. Second, it holds in-depth information on the businesses it contains (including size, sector and location). Further, it provides an indication of the site status of the business – whether a branch, headquarters, or single site operation and whether the firm has a parent company or not.

### 2.3 Approach to questionnaire design and methods of data collection

Prior to the full survey, 18 face-to-face interviews were conducted with small business owners in May 2000. These were located in the South East, Midlands and the North West. This pre-pilot survey was designed to help develop the telephone questionnaire and provide guidance on the strategy for the telephone survey. Although it could not be claimed that these pre-pilot interviews were representative, they were selected across a broad range of business sizes, sectors, locations and growth profiles. They provided a sound basis for fine-tuning the areas to be investigated in the telephone questionnaire and helped inform how far this questionnaire could go in investigating the detailed knowledge of IERs with individual employers. In addition, these 18 face-to-face interviews yielded some useful ‘narratives’ about awareness and sources of information on IERs. These are introduced into the interpretation of the main survey results where appropriate.

The telephone questionnaire was developed and designed in consultation with the DTI’s Steering Committee. This and the procedures for contacting firms were piloted on 50 enterprises before a final version was developed (for further discussion see Appendix A, Technical Report). Questionnaire administration was by telephone interview with appropriate contact(s) in the small firm (a copy of the questionnaire is included as Appendix B). The principal contact was either the managing director/owner manager/partner of smaller businesses, or, as it turned out in rare cases, the human resource/personnel manager/administration manager (whoever had responsibility within the firm for issues relating to employees). Care was taken to reinforce the independence of the research, which is particularly important in the smaller firms who are often antithetical to research. A letter was sent out by the Small Business Research Centre (Kingston University) in advance of the telephone interviewing, to explain to businesses that they might expect a call in relation to the survey. This was sent out to all potential candidates for interview, and was addressed to the managing director/owner manager etc.

In drawing the sample of suitable contacts, therefore, we initially proposed to draw around five potential contacts for each interview required. The contacts were split into quotas, set for the size, sector and geographical groups discussed above. The interviewers were required to achieve the relevant number of suitable respondents for each quota. In the event, some additional contacts had to be generated, matched for size, sector and region, to achieve some harder to get quotas. Potential respondents were called back, on up to eight occasions, in an attempt to secure an interview. Interviewers booked interview times if the call time was inconvenient and undertook follow-ups if some details proved too complex to supply immediately, or the interview had to be curtailed because of an urgent business situation arising. A reassurance letter was available to fax to respondents who had lost or not seen the original letter and were unsure about participating.
2.4 Responses and weighting

Overall, 6,469 telephone calls were made in order to obtain 1,071 successfully completed telephone interviews – a strike rate of 17 per cent. However, excluding out of quota firms, firms with ineffective contact details and the unavailability of a relevant contact from the denominator, the overall response rate for the survey was just over half (54 per cent). This was calculated as the number of successful interviews (1,071) expressed as a percentage of total valid firms contacted (i.e., including refusals and aborted interviews). The Technical Report in Appendix A provides more details on the response rates and weighting approach.

Table 2.2: Response rates by size band

<table>
<thead>
<tr>
<th>Size bands</th>
<th>Response rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9 employees</td>
<td>52.5%</td>
</tr>
<tr>
<td>10-19 employees</td>
<td>53.1%</td>
</tr>
<tr>
<td>20-49 employees</td>
<td>55.7%</td>
</tr>
<tr>
<td>Total</td>
<td>53.8%</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

There is little variation in the response rates by size of small firm, although not surprisingly larger small firms (20-49 employees) recorded a slightly higher response rate of 56 per cent (Table 2.2). With respect to sector there is a more noticeable variation in the response rates with Primary and Manufacturing small firms exhibiting the highest response rates and small firms in Hotel and Catering and Health, Domestic and Personal Services recording the lowest (Table 2.3). It is interesting to note that the lowest response rates were recorded in sectors that may be more likely to have experienced problems with respect to individual employment rights and especially with respect to the National Minimum Wage. Nevertheless, response rates across all sectors did not dip below 43 per cent, which is still relatively high and will facilitate further sectoral analysis.

Table 2.3: Response rates by sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Response rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>66.2%</td>
</tr>
<tr>
<td>Low VA Manufacturing</td>
<td>58.0%</td>
</tr>
<tr>
<td>High VA Manufacturing</td>
<td>65.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>43.6%</td>
</tr>
<tr>
<td>Distribution</td>
<td>62.1%</td>
</tr>
<tr>
<td>Hotels and Catering</td>
<td>44.8%</td>
</tr>
<tr>
<td>Transport &amp; Communications</td>
<td>53.9%</td>
</tr>
<tr>
<td>Business &amp; Professional Services</td>
<td>55.9%</td>
</tr>
<tr>
<td>Health, Domestic &amp; Personal Services</td>
<td>46.0%</td>
</tr>
<tr>
<td>Other Services</td>
<td>50.8%</td>
</tr>
<tr>
<td>Total</td>
<td>53.8%</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

It should be noted that the predetermined quotas for size and location were met at the conclusion of the telephone survey but some sectors fell slightly short of their quota: Health, Domestic and Personal Services (n=88); Transport and Communications (n=91), High Value Added Manufacturing (n=81) and Other Services (n=81).
In order to calculate and apply a weighting procedure to the survey dataset it was decided to use the Inter-Departmental Business Register (IDBR), which provides information on the population of businesses in the UK. This probably represents the most accurate estimate of the number of small firms in terms of their size, sector and type. The latest year available at the time of survey – 1998 – was used. Having followed the disproportionate stratified random sampling procedure described above, the samples were then weighted back to reflect their true weight (or proportions) in the overall GB economy. This ensured that any size bands, sectors or areas, which had been oversampled to secure robustness of analysis, did not bias the overall results of the survey. Details of the structure of the weighted sample are contained in the full Technical Report.

### 2.5 Sample profile

The weighted profile of the sample can be presented in terms of the original selection criteria. For completeness the unweighted number of firms is reflected in each total. All the respondent small firms were private sector businesses and all but 7 were wholly UK-owned: the remaining 7 were predominantly UK-owned and only had minority ownership interest from outside the UK. The vast majority were single-site operations (91 per cent). In terms of the legal status of the business, Table 2.4 reveals that there was a broad mix of types, with the sample being evenly split between sole proprietor, partnerships and private limited liability companies.

<table>
<thead>
<tr>
<th>Type</th>
<th>Weighted N</th>
<th>Per cent</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprietor</td>
<td>337</td>
<td>31.5</td>
<td>200</td>
</tr>
<tr>
<td>Partnership</td>
<td>300</td>
<td>28.0</td>
<td>291</td>
</tr>
<tr>
<td>Private Limited Company</td>
<td>431</td>
<td>40.3</td>
<td>564</td>
</tr>
<tr>
<td>Public Limited Company</td>
<td>1</td>
<td>0.1</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>0.2</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,071</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,071</strong></td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*

Table 2.5 illustrates that in terms of employment size the vast majority of the sample employed less than 10 employees. The mean size of the sample was 7 employees (median 6 employees) with the minimum employment size being 2 employees and the maximum 49 employees. It is important to capture smaller enterprises in the sample since one of the main weaknesses in other surveys is that they often omit, or simply fail to attract, responses from owners of very small firms.

<table>
<thead>
<tr>
<th>Size bands</th>
<th>Weighted N</th>
<th>Per cent</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9 employees</td>
<td>948</td>
<td>88.5</td>
<td>349</td>
</tr>
<tr>
<td>10-19 employees</td>
<td>87</td>
<td>8.1</td>
<td>363</td>
</tr>
<tr>
<td>20-49 employees</td>
<td>36</td>
<td>3.4</td>
<td>359</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,071</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,071</strong></td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*
The sectoral distribution of the sample is presented in Table 2.6. Small firms in Business and Professional Services (30 per cent) and Distribution (24 per cent) dominate the sample.

### Table 2.6: Sectoral distribution

<table>
<thead>
<tr>
<th>Sector</th>
<th>Weighted N</th>
<th>Per cent</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>59</td>
<td>5.5</td>
<td>93</td>
</tr>
<tr>
<td>Low VA Manufacturing</td>
<td>98</td>
<td>9.2</td>
<td>167</td>
</tr>
<tr>
<td>High VA Manufacturing</td>
<td>21</td>
<td>2.0</td>
<td>81</td>
</tr>
<tr>
<td>Construction</td>
<td>106</td>
<td>9.9</td>
<td>108</td>
</tr>
<tr>
<td>Distribution</td>
<td>252</td>
<td>23.6</td>
<td>128</td>
</tr>
<tr>
<td>Hotels and Catering</td>
<td>94</td>
<td>8.8</td>
<td>101</td>
</tr>
<tr>
<td>Transport &amp; Communications</td>
<td>42</td>
<td>3.9</td>
<td>91</td>
</tr>
<tr>
<td>Business &amp; Professional Services</td>
<td>324</td>
<td>30.2</td>
<td>133</td>
</tr>
<tr>
<td>Health, Domestic &amp; Personal Services</td>
<td>46</td>
<td>4.3</td>
<td>88</td>
</tr>
<tr>
<td>Other Services</td>
<td>28</td>
<td>2.6</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,071</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,071</strong></td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*

In terms of location Table 2.7 shows how the sample is representative of a mixture of labour market situations in Great Britain as outlined earlier in this section.

### Table 2.7: Location of firms

<table>
<thead>
<tr>
<th>Regions</th>
<th>Weighted N</th>
<th>Per cent</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East</td>
<td>358</td>
<td>33.5</td>
<td>358</td>
</tr>
<tr>
<td>Eastern, North West and Scotland</td>
<td>283</td>
<td>26.5</td>
<td>360</td>
</tr>
<tr>
<td>Rest of Great Britain</td>
<td>429</td>
<td>40.1</td>
<td>353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,071</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,071</strong></td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*

Four-fifths of the sample have been established for more than 5 years and indeed around 60 per cent for more than 10 years (Table 2.8). The interesting point to observe is that most of the firms in the sample have been operating prior to the introduction of new individual employee rights legislation. It is estimated that only 146 small firms (14 per cent) in the sample were set up in the period since May 1997.

### Table 2.8: Age of firm

<table>
<thead>
<tr>
<th>Size bands</th>
<th>Weighted N</th>
<th>Per cent</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years</td>
<td>33</td>
<td>3.1</td>
<td>41</td>
</tr>
<tr>
<td>2-5 years</td>
<td>176</td>
<td>16.5</td>
<td>133</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>862</td>
<td>80.5</td>
<td>897</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,071</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,071</strong></td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*
What sort of markets are the small firms in the sample operating in? From Table 2.9 it is clear that the main type of customer is split evenly between other businesses and the general public. This pattern is dependent, not surprisingly, on other key characteristics of the sample firms. For example, new firms and smaller firms (employing less than 10 employees) are more likely to be selling to domestic customers than their larger counterparts. Further, firms in Manufacturing and Business and Professional Services are more likely to be selling to other businesses.

<table>
<thead>
<tr>
<th>Customer type</th>
<th>Weighted N</th>
<th>Per cent</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Businesses</td>
<td>475</td>
<td>44.3</td>
<td>470</td>
</tr>
<tr>
<td>Distributors</td>
<td>15</td>
<td>1.4</td>
<td>40</td>
</tr>
<tr>
<td>Retailers</td>
<td>20</td>
<td>1.9</td>
<td>49</td>
</tr>
<tr>
<td>Public Sector</td>
<td>37</td>
<td>3.4</td>
<td>54</td>
</tr>
<tr>
<td>Domestic Consumers</td>
<td>483</td>
<td>45.1</td>
<td>422</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>41</td>
<td>3.9</td>
<td>36</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,071</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,071</strong></td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

2.6 The composition of employment in small firms

Before moving on to consider the detail of the awareness and attitudes to individual employee rights in the small firms in the sample it is important to outline the nature of employment that is found within these firms. Two of the most important characteristics of employment are gender and hours worked. From Table 2.10 it can be seen that almost 45 per cent of the firms in the sample have a workforce that has a majority of females. This is an important characteristic of the sample firms and will be used in later sections to investigate awareness of the legislation relating to the female workforce.

<table>
<thead>
<tr>
<th>Percentage females</th>
<th>Weighted N</th>
<th>Per cent</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>119</td>
<td>11.1</td>
<td>73</td>
</tr>
<tr>
<td>1-24</td>
<td>212</td>
<td>19.8</td>
<td>341</td>
</tr>
<tr>
<td>25-49</td>
<td>259</td>
<td>24.2</td>
<td>237</td>
</tr>
<tr>
<td>50-74</td>
<td>303</td>
<td>28.3</td>
<td>238</td>
</tr>
<tr>
<td>75+</td>
<td>176</td>
<td>16.4</td>
<td>174</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,070</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,063</strong></td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

Figure 2.1 shows that there is some statistically significant variation in the percentage of females in the workforce by firm size. Firms employing less than 10 employees are more likely than larger small firms to have no female workers, whereas firms employing between 20 and 49 employees are more likely to have a smaller proportion (less than 25 per cent) of female workers ($\chi^2(8)=21.872$, $p=0.005$).

Not surprisingly, there are clear sectoral patterns to the proportion of females in the workforce. Using the distribution for the 50-74 per cent proportion of females in the workforce as an example, Figure 2.2 illustrates that small firms in the service sectors, particularly in Hotels and Catering and ‘Other’ services are more likely to have a majority female workforce. This difference is statistically significant ($\chi^2(36)=388.219$, $p=0.000$).
With respect to the number of hours worked, Table 2.11 clearly shows that while one-quarter of the firms in the sample have a workforce which is predominantly part-time, just over one-third have no part-time workers.
Figure 2.3 reveals that there are some statistically significant variations in the proportion of part-time workers by firm size. For example, it is the larger small firms employing over 20 employees who are more likely to employ a small proportion (1-9 per cent) of part-time workers ($P_{(8)}=220.127$, $D=0.000$). By contrast micro-enterprises (less than 10 employees) are more likely to have larger proportions (more than 25 per cent) of part-time workers.

There is also a strong statistically significant relationship between those firms with high proportions of female workers and those with high levels of part-time workers ($P_{(16)}=389.37$, $D=0.000$). An analysis by sector also demonstrates that there are, as expected, marked sectoral variations in the incidence of part-time workers in the sample (Figure 2.4). Focusing on the proportion of 50 per cent or over it is clear that small firms in the service sector, especially in Hotels and Catering, are more likely to rely on a part-time workforce. Once again these differences are statistically significant ($P_{(36)}=261.9$, $D=0.000$).

### Table 2.11: Percentage of the workforce who are part-time

<table>
<thead>
<tr>
<th>Percentage part-time</th>
<th>Weighted N</th>
<th>Per cent</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>373</td>
<td>34.9</td>
<td>296</td>
</tr>
<tr>
<td>1-9</td>
<td>23</td>
<td>2.1</td>
<td>154</td>
</tr>
<tr>
<td>10-24</td>
<td>169</td>
<td>15.8</td>
<td>181</td>
</tr>
<tr>
<td>25-49</td>
<td>238</td>
<td>22.2</td>
<td>191</td>
</tr>
<tr>
<td>50+</td>
<td>267</td>
<td>25.0</td>
<td>241</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,070</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,063</strong></td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
The nature and extent of occupations found within small businesses may have some bearing on the attitudes of owner-managers to IERs legislation. On a very crude basis Table 2.12 reveals that a quarter of the small firms in the sample indicated that a significant number of their employees were in the highest occupational groups (Managers and Professional & Scientific Staff). A further 60 per cent of small firms indicated that the major occupational group was either Clerical, Administrative and Craft Workers or Personal Services and Sales Workers. Interestingly, it was those firms employing less than 10 employees who were more likely (although not statistically significant) to have Managers as the major occupational group and at the other end of the spectrum it was the larger small firms (20-49 employees) who were more likely to have operatives as the major occupational group. This may be a result of managers in micro-enterprises also undertaking non-managerial duties because of the need for them to be multi-functional. There are statistically significant sectoral differences as well, with Professionals and Scientific Staff emerging as major occupational groups in High Value-Added Manufacturing and Business and Professional Services, whereas Operatives are dominant groups in small firms in the Primary, Transport & Communications and High Value-Added Manufacturing sectors (Figure 2.5: \( \chi^2 \) (36) = 770.04, \( p=0.000 \)).
2.7 Industrial disputes in small firms

Finally, to what extent have small business owner-managers experienced a dispute in relation to IERs and what has been their involvement in any litigation? Only a tenth of the sample indicated that they had experienced a legal dispute with a member of staff in connection with IERs (Table 2.13). When questioned on the nature of the legal dispute almost one half of the employers reported that it was in connection with an unfair dismissal claim. A further quarter of employers stated that a criminal charge or breach of contract caused the dispute.

The larger the business the greater the likelihood that IERs legislation had been the cause of a legal dispute with an employee. This fits in with broader national data (Tremlett and Banerji, 1994). In this sample, firms employing 20-49 persons were almost three times as likely to have had an industrial dispute compared with firms employing less than 10 employees.
When asked whether the business had been taken to an Employment Tribunal as a consequence of a problem with IERs less than 10 per cent of the sample indicated that they had (Table 2.14). Again there was a marked difference by size of firm with the larger small businesses almost three times as likely to have been involved in an Employment Tribunal.

Table 2.14: Employers being taken to Employment Tribunals in relation to IERs

<table>
<thead>
<tr>
<th>Size band</th>
<th>Weighted N</th>
<th>Per cent</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9 employees</td>
<td>63</td>
<td>6.6</td>
<td>20</td>
</tr>
<tr>
<td>10-19 employees</td>
<td>11</td>
<td>12.6</td>
<td>45</td>
</tr>
<tr>
<td>20-49 employees</td>
<td>8</td>
<td>22.9</td>
<td>79</td>
</tr>
<tr>
<td>All</td>
<td>82</td>
<td>7.7</td>
<td>144</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: ($\chi^2_{(2)} = 15.855, p = 0.000$)

It is clear from Figure 2.6 that there are some distinct, and statistically significant, sectoral variations in the propensity for small firms to have been involved in legal disputes ($\chi^2_{(9)} = 27.72, p = 0.001$) and Employment Tribunals ($\chi^2_{(9)} = 17.95, p = 0.036$) with their employees. In particular, small firms in Manufacturing (especially low value-added), Construction, Primary, and Business and Professional Services activities were more likely to have been involved in legal disputes. With respect to Employment Tribunals there were three sectors in which they were more likely to have occurred: Primary, Construction and Low Value-Added Manufacturing. Again this reflects broader national data of Employment Tribunal hearings (Tremlett and Banerji, 1994).
Apart from firm size and sector, does the composition of the workforce affect the propensity for certain small firms to have been involved in legal disputes and Employment Tribunals with their employees? In general, small firms with a female share of their total workforce of between 25-50 per cent are more likely to have had legal disputes and been involved in Employment Tribunals (Figure 2.7). Where females form the majority of the workforce the likelihood of legal disputes and Employment Tribunal cases falls sharply. This relationship is statistically significant ($R^2 _{(4)}=41.364$, $P=0.000$ for Employment Tribunals; $R^2 _{(4)}=24.139$, $P=0.000$ for legal disputes). These results are supported by evidence presented by Tremlett and Banerji (1994) who found that women are less likely to bring an Employment Tribunal case.5

With respect to the proportion of part-time workers the findings are broadly similar and again statistically significant (Figure 2.8). Small firms are more likely to have been involved in a legal dispute and an Employment Tribunal if the number of part-time workers does not exceed 25 per cent of the workforce. Once the proportion of part-time workers rises above this threshold the incidence of legal disputes and Employment Tribunal cases falls sharply ($R^2 _{(4)}=10.566$, $P=0.032$ for Employment Tribunals and $R^2 _{(4)}=20.299$, $P=0.000$ for legal disputes).

It might be expected that the greater the number of females and part-time workers in the workforce, the more likely that the owner-manager is familiar with the detail of IERs. However, the evidence from the survey is more complicated than this implied simple linear relationship. Up to a certain size threshold there does appear a positive association between the proportion of females and part-timers in the workforce and being involved in a legal dispute and Employment Tribunal. Beyond this size, and once female and part-time workers form a majority of the workforce, the likelihood of becoming involved in an Employment Tribunal then diminishes suggesting a greater awareness of the legislation concerning these groups of workers.

![Figure 2.7: Employers who have been involved in legal disputes or have been taken to Employment Tribunals in relation to IERs by percentage of females in the workforce](image)

<table>
<thead>
<tr>
<th>%</th>
<th>Legal dispute</th>
<th>Employment Tribunal</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td><img src="image" alt="graph data" /></td>
<td><img src="image" alt="graph data" /></td>
</tr>
<tr>
<td>1-24%</td>
<td><img src="image" alt="graph data" /></td>
<td><img src="image" alt="graph data" /></td>
</tr>
<tr>
<td>25-49%</td>
<td><img src="image" alt="graph data" /></td>
<td><img src="image" alt="graph data" /></td>
</tr>
<tr>
<td>50-74%</td>
<td><img src="image" alt="graph data" /></td>
<td><img src="image" alt="graph data" /></td>
</tr>
<tr>
<td>75+%</td>
<td><img src="image" alt="graph data" /></td>
<td><img src="image" alt="graph data" /></td>
</tr>
<tr>
<td>All</td>
<td><img src="image" alt="graph data" /></td>
<td><img src="image" alt="graph data" /></td>
</tr>
</tbody>
</table>

Weighted N=1,070 (Unweighted N=1,063)
Source: SBRC IER Survey (2000)
Does the nature of the major occupational group within small firms interact with the likelihood to be involved in legal disputes or Employment Tribunal cases? The incidence of legal disputes in relation to employment rights shows some minor, but not statistically significant, variation depending on the major occupational group to be found in the firm (Figure 2.9). Of note is the slightly lower level of reported legal disputes in those small firms with Personal Services and Sales Workers as the major occupational group. However, the same chart reveals that small firms with Professionals and Scientific Staff and Operatives and Other Occupations as the major occupational group are more likely to have been taken to an Employment Tribunal. This statistically significant relationship ($F(4)=14.250$, $P=0.007$) may be a reflection of a combination of a number of factors including greater awareness of individual rights, the importance of trade unions and overall sectoral effects (especially for Operatives who tend to be numerically more important in the Primary and Manufacturing sectors).
2.8 Summary

The above discussion has demonstrated that the sample of small firms included in the survey covers a range of firm characteristics covering size, age and a variety of sectoral and market positions. In addition, the composition of the workforce in the small firms reveals that there are important statistically significant differences in terms of major occupational groups together with the proportion of part-time and female workers. However, as discussed earlier in the chapter, the composition of the workforce is clearly related to the sectoral and size characteristics of the small firms.

These are important characteristics for the subsequent analysis of awareness of IERs legislation. The sample has been grossed up to the distribution of firms in GB by size and sector to provide representativeness in the results. Variations in experiences within the sample are underlined by the discussion of the incidence of legal disputes and the involvement in Employment Tribunal cases related to individual employment rights. This revealed that the propensity for small firms to have experienced a legal dispute or Employment Tribunal event is associated with firm size, sector and the composition of the workforce – all of which are closely inter-related.

Endnotes

3 For the purposes of this study, Northern Ireland was excluded.

4 Overall, the proportion was over one-third for 80 per cent of the firms in the sample. In 54 per cent of the sample firms the size of the major occupational grouping was calculated as 50 per cent or more of the total workforce. The major occupational group formed the totality of the workforce in 14 per cent of the sample firms.

5 Findings from the Survey of Employment Tribunal Applications (1998) commissioned by ACAS and the DTI also show that men are more likely to bring Employment Tribunal cases than women. Just under 60 per cent of applicants are male and there is little variation across jurisdictions with the exception of discrimination cases. Full findings will be published by the DTI in due course.
CHAPTER 3

Awareness and knowledge of Individual Employment Rights (IERs)

3.1 Introduction

Although there is a great deal of publicity surrounding the impact of regulation on firms, there is relatively less understanding of owner-managers’ actual awareness and knowledge of regulations. Employment legislation establishing the legal rights of workers is no exception. However, this is important to investigate particularly in a period of growing IERs. If employers are relatively unaware of the IERs then this has implications for how government communicates to SMEs. The awareness and knowledge levels of employers are also important to understand since they will also help determine whether the reports of the effects of IERs are perception or experientially based.

Employers were presented with a sequence of questions to explore different levels of awareness and knowledge. The first question collected information on respondents’ self-assessed knowledge of employment rights. This was followed by questions designed to test awareness of particular rights. Those respondents who knew a particular right was covered by legislation were then routed to a series of further questions, to test their detailed knowledge of the provisions. In the sequence of questions on awareness and knowledge, three fictitious employment rights were included. The rationale for this was to see if owner-managers were merely claiming awareness to every right mentioned, which may be a socially desirable response, or whether they were prepared to state no awareness. (See Appendix B for approach taken in the questionnaire.)

At the outset, it is expected that awareness and knowledge will vary according to employers’ need to know. It is assumed that the particular explanatory factors will include the size of enterprise, business sector, employment composition and experiences during the running of the enterprise. However, the extent to which these factors are important remain hitherto unexplained.

3.2 Owner-managers’ level of confidence of knowledge of IERs

On the whole, business owners’ self-assessment of their knowledge of IERs displayed a lack of confidence (Table 3.1). Only a fifth stated that they were confident or very confident in contrast to over a third who were not confident or not at all confident. There was a difference (though not statistically significant), in responses according to size of enterprise as respondents of larger small firms were slightly more confident of their knowledge levels compared with those in microfirms. This is most probably a result of the higher incidence of employers in larger enterprises having to address employment rights issues, as the workforce expands, together with the higher likelihood of having resources for dealing with employment relations issues.

Certainly, within the sample, the larger the enterprise the more likely that personnel issues were a significant part of the owner-managers’ job and hence the more able they were to develop a semblance of knowledge on IERs (Table 3.2). Indeed the data showed that those owner-managers who stated that personnel matters were a significant part of their job were more confident about their knowledge of IERs.
Table 3.1: How would you rate your knowledge of current individual employment rights?

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all Confident</td>
<td>10.1</td>
<td>5.8</td>
<td>2.8</td>
<td>9.5</td>
</tr>
<tr>
<td>Lacking Confidence</td>
<td>23.8</td>
<td>23.3</td>
<td>19.4</td>
<td>23.6</td>
</tr>
<tr>
<td>Neutral</td>
<td>47.0</td>
<td>48.8</td>
<td>50.0</td>
<td>47.3</td>
</tr>
<tr>
<td>Confident</td>
<td>17.7</td>
<td>19.8</td>
<td>25.0</td>
<td>18.1</td>
</tr>
<tr>
<td>Very Confident</td>
<td>1.3</td>
<td>2.3</td>
<td>2.8</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

N= 948 | 86 | 36 | 1,070  
(Unweighted N=) (349) (362) (359) (1,070)

Source: SBRC IER Survey (2000)

Table 3.2: Respondents’ amount of responsibility for personnel matters by size of enterprise

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only Responsibility</td>
<td>0.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>A Significant Part of Job</td>
<td>22.5</td>
<td>37.9</td>
<td>42.9</td>
<td>27.1</td>
</tr>
<tr>
<td>A Minor Part of Job</td>
<td>74.1</td>
<td>62.1</td>
<td>57.1</td>
<td>72.5</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

N= 948 | 87 | 36 | 1,071  
(Unweighted N=) (349) (363) (359) (1,071)

Source: SBRC IER Survey (2000)

Note: \( \chi^2 \) (11) = 12.169, \( \gamma = 0.0016 \)

Regional and age of enterprise analyses of these self-assessments revealed few differences suggesting that size of enterprise is the major discriminator for policy makers when addressing owner-managers’ levels of knowledge in IERs. However, of the sectors, Hotels and Catering respondents displayed higher levels of confidence than all others: well over a quarter were confident or very confident about their knowledge levels suggesting business sector is influential (Table 3.3). Inevitably, this will be linked to the composition of the labour force. Businesses in Hotels and Catering are more likely to employ females’ and pay lower wages, which will lead to a higher incidence of having to meet National Minimum Wage regulations and maternity rights. Thus, employers will have had to be aware of some aspects of the current legislative provisions.

Clearly the picture emerges that those enterprises, that have had to engage with IERs issues as a result of their size, sector and employment compositions are more likely to be confident about their knowledge of IERs. Those having involvement with an Employment Tribunal are also more likely to be confident. However, this should not override the major point of this section: the majority of owner-managers were generally lacking confidence about their knowledge of IERs.
Table 3.3: Knowledge of IERs by business sector

<table>
<thead>
<tr>
<th></th>
<th>Not at all Confident</th>
<th>Lacking Confidence</th>
<th>Neutral</th>
<th>Confident</th>
<th>Very Confident</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>5.1</td>
<td>23.7</td>
<td>52.5</td>
<td>13.6</td>
<td>5.1</td>
<td>93</td>
</tr>
<tr>
<td>Low VA Manf</td>
<td>10.3</td>
<td>21.6</td>
<td>47.4</td>
<td>19.6</td>
<td>1.0</td>
<td>167</td>
</tr>
<tr>
<td>High VA Manf</td>
<td>4.5</td>
<td>31.8</td>
<td>54.5</td>
<td>9.1</td>
<td>0</td>
<td>81</td>
</tr>
<tr>
<td>Construction</td>
<td>12.3</td>
<td>27.4</td>
<td>41.5</td>
<td>18.9</td>
<td>0</td>
<td>108</td>
</tr>
<tr>
<td>Distribution</td>
<td>19.8</td>
<td>24.6</td>
<td>38.5</td>
<td>16.7</td>
<td>0.4</td>
<td>128</td>
</tr>
<tr>
<td>Hotels &amp; Catering</td>
<td>8.4</td>
<td>12.6</td>
<td>50.5</td>
<td>27.4</td>
<td>1.1</td>
<td>101</td>
</tr>
<tr>
<td>Transport &amp; Comms</td>
<td>17.1</td>
<td>7.3</td>
<td>53.7</td>
<td>17.1</td>
<td>4.9</td>
<td>91</td>
</tr>
<tr>
<td>Business &amp; Prof Services</td>
<td>0.3</td>
<td>26.9</td>
<td>53.7</td>
<td>17.0</td>
<td>2.2</td>
<td>133</td>
</tr>
<tr>
<td>Health, Domestic &amp; Personal</td>
<td>13.0</td>
<td>32.6</td>
<td>39.1</td>
<td>15.2</td>
<td>0</td>
<td>88</td>
</tr>
<tr>
<td>Other</td>
<td>14.3</td>
<td>10.7</td>
<td>50.0</td>
<td>25.0</td>
<td>0</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9.6</strong></td>
<td><strong>23.6</strong></td>
<td><strong>47.3</strong></td>
<td><strong>18.0</strong></td>
<td><strong>1.4</strong></td>
<td><strong>1,071</strong></td>
</tr>
</tbody>
</table>

N=1,071

Source: SBRC IER Survey (2000)

3.3 Awareness and knowledge of maternity and parental leave statutory entitlements

Maternity leave is one of the longest standing statutory entitlements for workers, introduced in the 1970s. The right to reinstatement after childbirth and protection from unfair dismissal on the grounds of pregnancy were introduced in June 1976 and maternity pay in April 1977. Under the 1976 regulations, all pregnant women who met continuous service requirements had the right to return to their previous jobs before the end of 29 weeks after childbirth. In 1980, the right to return was qualified. In the case of firms with five or fewer employees, if the employer could prove to an Employment Tribunal that it was not reasonably practical to take an employee back, then failure to permit her to return was not treated as unfair dismissal. Larger firms in these circumstances were offered the option of offering an alternative job with terms and conditions not substantially less favourable than under the former job.

Maternity rights were strengthened under the Trade Union Reform and Employment Rights Act 1993 (the TURERA). This implemented the “Pregnant Workers” Directive, under which all women who were expecting a baby on or after October 1994 had the right to take 14 weeks off work, regardless of their hours of work or length of service. Women with two years’ service were entitled to 29 weeks leave.

More recently, the rights for maternity and parental leave have changed as a result of the Employment Relations Act 1999 and the Maternity and Parental Leave Regulations 1999. Initial reactions from employers’ groups to the new rights have been critical and there have been suggestions that small firms should be exempt from some of the provisions (British Chamber of Commerce, 1999). However, until this survey was conducted there has been an absence of comprehensive and reliable evidence of small employers’ knowledge levels of the existing and new maternity and parental rights.

3.3.1 Awareness and knowledge of maternity rights

Almost the entire sample was aware of a right to maternity leave and there was a positive, though not statistically significant, relationship between awareness levels and size of enterprise
(Table 3.4). Analyses by the proportion of the labour force who were female revealed only minor differences in awareness levels of maternity leave suggesting that this right is almost universally acknowledged.

However, the sample showed an acute absence of knowledge about the right for females to take maternity leave regardless of length of service: over 50 per cent of owner-managers aware of maternity leave did not know if this entitlement was conditioned on length of service. This is surprising given that the entitlement of maternity leave from the day of employment has been a statutory entitlement since the TURERA 1993. Estimates of the length of ordinary maternity leave were provided by just over half of the sample and ranged from two to 52 weeks (Table 3.5). The most common answer was 13 weeks (20 per cent) followed by 18 weeks (16 per cent). The sub-sample’s averages were, however, below the statutory limit of 18 weeks.

The right to additional maternity leave, introduced in 1999, was not well known amongst owner-managers. Over two-thirds were not aware of this right. Those respondents in enterprises with a higher proportion of female workers were more likely to be aware of this additional entitlement. However, even amongst the sub-group where the workforce comprised 75 per cent or more females, only 33 per cent were aware of the right.10

Overall, owner-managers struggled to provide accurate estimates of the maximum number of weeks a woman can be away from her job on maternity leave (Table 3.5). Less than a third of the sample were prepared to provide an estimate and these had a wide range suggesting that many owner-managers were unaware of the right and had not yet experienced a situation when the maximum length of time has been taken.

### Table 3.4: Right to maternity leave before and after the birth of a new baby?

<table>
<thead>
<tr>
<th></th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>95.3</td>
<td>97.7</td>
<td>100</td>
<td>95.6</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>4.7</td>
<td>2.3</td>
<td>0</td>
<td>4.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>N=</td>
<td>948</td>
<td>87</td>
<td>35</td>
<td>1,070</td>
</tr>
<tr>
<td>(Unweighted N=)</td>
<td>(349)</td>
<td>(362)</td>
<td>(359)</td>
<td>(1,070)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

### Table 3.5: Family friendly policies: knowledge of weeks entitlement to...

<table>
<thead>
<tr>
<th>Response:</th>
<th>Min</th>
<th>Mean</th>
<th>Median</th>
<th>Max</th>
<th>DK %</th>
<th>N</th>
<th>Weighted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Maternity Leave?</td>
<td>2</td>
<td>17.8</td>
<td>16.0</td>
<td>52</td>
<td>46.1</td>
<td>1,023</td>
<td>1,033</td>
</tr>
<tr>
<td>Maximum Maternity Leave?</td>
<td>1</td>
<td>25.7</td>
<td>25.0</td>
<td>91</td>
<td>65.0</td>
<td>358</td>
<td>567</td>
</tr>
<tr>
<td>Parental Leave for Each Child Max Age of Child?</td>
<td>1</td>
<td>6.6</td>
<td>5.4</td>
<td>18</td>
<td>30.7</td>
<td>522</td>
<td>655</td>
</tr>
<tr>
<td>Weeks Parental Leave Entitlement for Each Child?</td>
<td>1</td>
<td>8.1</td>
<td>6.0</td>
<td>28</td>
<td>38.6</td>
<td>523</td>
<td>655</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

Note: Table includes only those who were aware of the respective individual employment rights.
Although owner-managers displayed an absence of knowledge on the detailed length of time for maternity leave, the bulk of owner-managers were aware of the right to maternity pay (Table 3.6). However, only a third of the sample (three-quarters of which employed more than 25 per cent females) were confident enough to offer actual estimates of the length of service required for an entitlement to maternity pay, and these varied greatly from no length of service required through to 6 years mentioned by two employers (in comparison to the 26 weeks’ service required in law). The greater the proportion of females in the workforce the greater the knowledge of the right to maternity pay.

The overwhelming majority of owner-managers were aware of the right for females on maternity leave to go back to their old job (Table 3.7). There was, however, a marginal difference (not statistically significant) by size of enterprise: those in micro-enterprises were less likely to be aware of the right (although awareness was still a high 85 per cent) and one in 10 said that they did not know. Differences according to the density of the female labour force also revealed an expected pattern in the data. Nine out of 10 of those with a female labour force of 75 per cent or more, were aware of the right for returners to go back to their old job, in contrast to three-quarters of those employing no females at all.

In relation to awareness of rights relating to maternity leave, therefore, a picture has emerged of owner-managers possessing a broad understanding of some of the basic entitlements but a much weaker knowledge of the detail. Knowledge levels on maternity rights related to the proportion of females in the labour force although this does vary between rights and depends on the level of detail covered. The analysis reinforces the theme that employers’ knowledge levels varies according to their experience of having to deal with an issue rather than reading and acquiring knowledge for no immediate purpose.

### Table 3.6: Right to maternity pay?

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>82.4</td>
<td>82.8</td>
<td>91.7</td>
<td>82.8</td>
</tr>
<tr>
<td>No</td>
<td>1.1</td>
<td>1.0</td>
<td>0</td>
<td>1.0</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>16.5</td>
<td>16.1</td>
<td>8.3</td>
<td>16.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>N=</td>
<td>945</td>
<td>87</td>
<td>36</td>
<td>1,068</td>
</tr>
<tr>
<td>(Unweighted N=)</td>
<td>(348)</td>
<td>(361)</td>
<td>(360)</td>
<td>(1,069)</td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*

### Table 3.7: When returning from maternity leave entitled to go back to old job?

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84.5</td>
<td>90.5</td>
<td>91.4</td>
<td>85.2</td>
</tr>
<tr>
<td>No</td>
<td>4.2</td>
<td>1.2</td>
<td>2.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>11.3</td>
<td>8.3</td>
<td>5.7</td>
<td>10.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>N=</td>
<td>903</td>
<td>84</td>
<td>35</td>
<td>1,022</td>
</tr>
<tr>
<td>(Unweighted N=)</td>
<td>(330)</td>
<td>(351)</td>
<td>(352)</td>
<td>(1,033)</td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*

*Note: Table includes only those who were aware of the respective individual employment rights.*
3.2.2 Awareness and knowledge of parental leave

The principle and provisions surrounding parental leave are a result of more recent legislation than those establishing maternity rights. Introduced in December 1999, it was anticipated that owner-managers’ awareness and knowledge would, therefore, be lower than for maternity rights and some other longer established rights.

Table 3.8: Do workers have a right to parental leave?

<table>
<thead>
<tr>
<th>Size band</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>46.8</td>
<td>19.3</td>
<td>33.9</td>
</tr>
<tr>
<td>10-19</td>
<td>62.1</td>
<td>18.4</td>
<td>19.5</td>
</tr>
<tr>
<td>20-49</td>
<td>72.2</td>
<td>11.1</td>
<td>16.7</td>
</tr>
<tr>
<td>All</td>
<td>48.9</td>
<td>18.9</td>
<td>32.2</td>
</tr>
<tr>
<td>N=</td>
<td>948</td>
<td>87</td>
<td>36</td>
</tr>
<tr>
<td>(Unweighted N=)</td>
<td>349</td>
<td>363</td>
<td>359</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: χ²(4)=17.113, p=0.002

The results of the survey were not surprising (Table 3.8) and there were particularly low levels of awareness amongst employers in micro-enterprises. The majority of those employing 1-9 people were not aware of the rights to parental leave, or believed that this was not an entitlement, where as almost three-quarters of those employing 20-49 people were aware of the provision.

Table 3.9: Is parental leave paid or unpaid?

<table>
<thead>
<tr>
<th>Size band</th>
<th>Paid</th>
<th>Unpaid</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-9</td>
<td>20.3</td>
<td>54.1</td>
<td>25.7</td>
</tr>
<tr>
<td>10-19</td>
<td>14.8</td>
<td>70.4</td>
<td>14.8</td>
</tr>
<tr>
<td>20-49</td>
<td>11.5</td>
<td>84.6</td>
<td>3.8</td>
</tr>
<tr>
<td>All</td>
<td>19.3</td>
<td>57.3</td>
<td>23.5</td>
</tr>
<tr>
<td>N=</td>
<td>444</td>
<td>54</td>
<td>26</td>
</tr>
<tr>
<td>(Unweighted N=)</td>
<td>181</td>
<td>226</td>
<td>248</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: χ²(4)=12.487, p=0.014. Table only includes those who claimed to be aware of parental leave

Of those who said that they were aware of the right, almost one in five wrongly believed this to be on a paid basis (Table 3.9). Again, the smaller the enterprise, the higher the proportion of incorrect responses or ‘don’t knows’. When it is taken into consideration that this includes those who said that they were aware of the right for parental leave, indeed the picture to emerge is one of very low levels of detailed knowledge regarding parental leave entitlements.

Only 10 per cent of the overall sample were prepared to offer estimates of the length of time for parental leave (Table 3.5). Almost a quarter of this sub-group (or 3 per cent of the whole sample) stated 13 weeks but estimates by the sub-sample tended to be much lower than the statutory entitlement (Table 3.5). Slightly more owner-managers were prepared to offer the age up to which parental leave can be taken. Although the sub-sample’s average (median 5) was in line
with the law, it should be borne in mind that the bulk of the sample did not know of this entitlement. Finally, when asked who was entitled to parental leave, the majority (63 per cent of those aware of parental leave) correctly stated ‘both parents’.

The right for Time Off for Dependants, introduced in December 1999, was known by a majority of the owner-managers. This response may probably be a reflection of owner-managers’ own notions of being a good employer, rather than any statutory regulation, although detailed data on this was not collected.

3.4 Awareness and knowledge of contracts of employment

The overwhelming majority of owner-managers were aware of the right for employees to have a written statement of employment (Table 3.10). There was little evidence of any business size, sector or locational variations in this awareness suggesting that those business owners who were not aware were distributed randomly amongst the business population.' The right to have a written statement of employment is a relatively long-standing entitlement, introduced in 1963, although significant amendments were made in 1993, and from this data it is shown to be an embedded part of day-to-day employment relations. It is also arguable that a written statement of employment terms is beneficial to the employer as well as the employee since it clarifies the duties of the employee and the responsibilities of the employer. This point was identified in the face-to-face interviews and the following quote typifies the response:

“... it gives us and the employees some guidelines as well as clarifying the relationship between the employer and the employee.” (Publisher: 30 employed)

Of course, the apparent weakness in owner-managers’ detailed knowledge of IERs may not always necessarily work against employees. In other words, owner-managers’ perceptions of the statutory rights of employees were sometimes more liberal than those basic provisions in the current legislative framework. This was revealed in a number of instances. For example, over a fifth believed that employees had a right to a reference letter for another job (almost half correctly believed this not to be the case); and although four out of five respondents believed that employees were not legally entitled to attend a wedding, almost one in five were not sure about the legal position.

### Table 3.10: Right to a written statement of employment terms and conditions

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>89.5</td>
<td>90.8</td>
<td>91.7</td>
<td>89.6</td>
</tr>
<tr>
<td>No</td>
<td>3.3</td>
<td>5.7</td>
<td>2.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>7.3</td>
<td>3.4</td>
<td>5.6</td>
<td>6.9</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

N= 948 (Unweighted N=) 948

Source: SBRC IER Survey (2000)
3.5 Awareness and knowledge of Working Time Regulations

The Working Time Regulations are one of the major new developments in employment legislation during the past decade. Introduced in 1998, the legislation seeks to regulate employees’ amount of time at work and provide certain break entitlements whilst at work. It has been argued elsewhere that the Working Time Regulations are one of the most major pieces of IERs legislation in terms of the range and depth of provisions and, therefore, are likely to be applicable to all workers (IRS, 2000). Certainly the Regulations have received a number of criticisms because they have improved the terms and conditions of workers at a cost to employers, in addition to the compliance costs of understanding and administering new regulations (Forum of Private Business: 2000, 22).

3.5.1 Number of hours worked

Owner-managers were generally aware of the right for employees to a maximum number of weekly hours that can be worked (Table 3.11). Over eight out of 10 employers were aware of a right of a maximum number of hours to be worked. This right was particularly well known amongst enterprises employing 20 people or more, although even amongst smaller firms over eight out of 10 respondents claimed awareness. There were some differences in awareness levels, however, by business sector: in the Primary sectors, awareness was almost universal whereas in Business and Professional Services this fell to less than eight out of 10.

Table 3.11: Right to a maximum average number of weekly hours compelled to work

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>84.7</td>
<td>88.5</td>
<td>91.7</td>
<td>85.2</td>
</tr>
<tr>
<td>No</td>
<td>7.0</td>
<td>6.9</td>
<td>2.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>8.3</td>
<td>4.6</td>
<td>5.6</td>
<td>7.9</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>N=</td>
<td>948</td>
<td>87</td>
<td>36</td>
<td>1,071</td>
</tr>
<tr>
<td>(Unweighted N=)</td>
<td>(349)</td>
<td>(363)</td>
<td>(359)</td>
<td>(1,071)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

Table 3.12: Owner-managers’ detailed knowledge of Working Time Regulations

<table>
<thead>
<tr>
<th>Estimates of:</th>
<th>Maximum Average No. of Weekly Hours?</th>
<th>No. of Weeks Paid Holiday Per Year?</th>
<th>Maximum No. of Hours at Work Without a Rest Break?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min</td>
<td>16</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Mean</td>
<td>44.4</td>
<td>3.9</td>
<td>4.0</td>
</tr>
<tr>
<td>Median</td>
<td>45.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Max</td>
<td>72.0</td>
<td>28.0</td>
<td>12.0</td>
</tr>
<tr>
<td>% sub-sample Don’t Know</td>
<td>23.7</td>
<td>9.6</td>
<td>35.7</td>
</tr>
<tr>
<td>% sub-sample Correct Answer</td>
<td>26.5</td>
<td>56.6</td>
<td>6.4</td>
</tr>
<tr>
<td>N answering</td>
<td>911</td>
<td>947</td>
<td>1,007</td>
</tr>
<tr>
<td>% (of sample answering)</td>
<td>(85.1)</td>
<td>(88.2)</td>
<td>(94.0)</td>
</tr>
<tr>
<td>(Unweighted N=)</td>
<td>(928)</td>
<td>(945)</td>
<td>(1,025)</td>
</tr>
<tr>
<td>Correct Answers</td>
<td>48 hours</td>
<td>4 weeks</td>
<td>6 hours</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

Note: Includes only those who stated that they were aware of each entitlement.
One possible explanation for this variation is that in the Primary sectors, employees are lower paid and subject to being paid on an hourly basis, in contrast to Business and Professional where higher paid salaried staff are more the norm. Thus, employers in the primary sector are more conscious of the limitations to a maximum number of hours that can be worked compared with those in Business and Professional Services where they are salaried staff and do not explicitly measure input according to hours worked. Further, the amount of regulation and the length of time of its existence in a particular sector will influence awareness levels. Thus, it could be argued that in the Primary sector the amount of statutory employment regulation has been relatively high historically, for example, through regulations on production levels and the now defunct wages councils.

Of those employers who were able to give an estimate of the legal maximum number of hours a worker can be required to work answers ranged from 16 to 72 hours (Table 3.12). Despite this range the sample’s average (mean 44 hours and median 45) was below the actual legal limit of 48 hours. Only just over a quarter (27 per cent\textsuperscript{13}) knew the correct limitation on hours worked per week. Again this implies that employers’ detailed knowledge of the legal rights of their workers is limited and that their own perception of the legislative framework is one that is much more restrictive than the reality.

Differences by sector (Table 3.13) further suggest that knowledge levels are driven on a need to know basis: those employers in industry sectors with a dominance of an hourly paid culture, that are historically subject to regulation (including the former wages councils), are much more likely to be aware of the legislation than those in sectors where a salary payment culture and less regulation exist.

Table 3.13: Right to a maximum average number of weekly hours compelled to work by sector

<table>
<thead>
<tr>
<th>Example of Contrasting Sectors</th>
<th>Primary</th>
<th>Hotels and Catering</th>
<th>Business and Professional Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>94.9</td>
<td>90.4</td>
<td>82.7</td>
</tr>
<tr>
<td>No</td>
<td>0.0</td>
<td>2.1</td>
<td>9.9</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>5.1</td>
<td>7.4</td>
<td>7.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>N=</td>
<td>59</td>
<td>94</td>
<td>323</td>
</tr>
<tr>
<td>(Unweighted N=)</td>
<td>(93)</td>
<td>(101)</td>
<td>(133)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

Table 3.14: Can employees opt out of maximum number of hours?

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>68.5</td>
<td>77.9</td>
<td>84.4</td>
<td>69.8</td>
</tr>
<tr>
<td>No</td>
<td>6.5</td>
<td>5.2</td>
<td>3.1</td>
<td>6.3</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>25.0</td>
<td>16.9</td>
<td>12.5</td>
<td>23.9</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>N=</td>
<td>803</td>
<td>77</td>
<td>32</td>
<td>912</td>
</tr>
<tr>
<td>(Unweighted N=)</td>
<td>(288)</td>
<td>(318)</td>
<td>(322)</td>
<td>(908)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

Note: Includes those who were aware of maximum number of hours.
Employers were reasonably well informed of the provision for employees to opt out of the maximum number of hours limitation. Almost seven out of 10 were conscious of the opt-out clause, whilst almost a quarter did not know of this option. These knowledge levels were especially lower amongst smaller firms (Table 3.14) again reflecting the relative absence of a management specialism on employment rights and because of the fewer numbers employed, the lower likelihood of these employers having to address these rights for their employees. There was also some variation by industry sector: in the Primary sectors over three-quarters (78 per cent) were aware of the right to opt out compared with just over half (52 per cent) in Transport and Communications.

Employers revealed a relatively low level of awareness of the legal right for their employees to have a day off per week (Table 3.15). Almost one in five employers did not know of this entitlement, irrespective of size of enterprise. There may be a number of interpretations to this result. Low levels of awareness may be a reflection of the fact that most employees do not work more than five days per week. Indeed, in the sample, 2014 of the 7705 people employed in total were part-time (26 per cent). What is surprising, however, is the higher proportion of respondents in the larger small firms stating that employees were not entitled to a whole day off per week (17 per cent). Those employers who had been taken to an Employment Tribunal were more likely to be aware of a statutory right to a whole day off per week: 79 per cent compared with 67 per cent in the rest of the sample. Again this suggests that those employers having had a serious industrial dispute are more likely to be more conscious of the rights of staff.

Awareness of a right to a rest break during work time, in contrast, was at first sight very high (Table 3.16). Although this was consistent amongst enterprises of all sizes there was some variation by sector with those in Business and Professional Services showing the lowest levels of awareness and those in Primary the highest.
Detailed estimates of the maximum number of hours to be worked before a break ranged from two to 12 hours. Over a third were not able to provide an answer and stated that they did not know. Less than one in 10 respondents was able to provide the correct answer. This apparent difference between awareness and detailed knowledge may be wholly consistent. The survey found that employers had their own code of conduct about what was ‘fair’ and this included their workers having a break during working time. Thus, although they were able to acknowledge this as a legal entitlement and accept the regulation, their detailed knowledge of the legislation was poor (Table 3.12).

A major concern in the new legislation expressed by employers’ representatives has been workers’ statutory entitlement to four weeks paid holiday. Nine of out 10 owner-managers were aware of this entitlement and this was across all size enterprises (Table 3.17). Indeed, in the face-to-face interviews this was expressed as one of the major concerns by employers.

Respondents in Hotels and Catering were, however, relatively less well informed: eight out of 10 were aware of this right whilst one in 10 believed that this was not a statutory entitlement. Although the exact reason for this difference is not that apparent in the data, this could be linked to the fact that the hotels and catering industry is one of the relatively weaker industries, often with employers who offer poorer terms and conditions of employment than many others such as manufacturing and it may be possible that paid holidays is not the norm. This is particularly evident where staff are recruited on short-term contracts, or as casual staff, to fulfil the demands of a seasonal holiday market. To provide four weeks paid holiday, therefore, may be considered something of a paradox by employers especially when staff are taken on for holiday periods.

One major area of confusion that was found in the survey was in relation to owner-managers’ knowledge of whether the four weeks statutory entitlement was in addition to, or included, bank holidays. A majority (53 per cent) of owner-managers incorrectly believed that bank holidays were not included in the entitlement, whereas less than a quarter were aware that these are included in the statutory entitlement.

3.6 Awareness and knowledge of the National Minimum Wage (NMW)

At the time of the survey, the NMW had been in operation for 18 months. Although it is a relatively new piece of legislation, it was launched with a major publicity campaign to raise awareness amongst employers. Awareness of the NMW was almost universal amongst the owner-managers interviewed (Table 3.18). Clearly the publicity surrounding the launch and subsequent changes to the NMW has had the effect of raising awareness levels. There were no significant size or sector differences in levels of awareness.
There was an obvious tension in the employers’ minds about NMW oscillating between wanting to pay an appropriate level of pay for the job and the impact its introduction has had on the business. The following quote from the pre-pilot illustrates that tension.

“It seems to me fair enough to try and bring in the new wages to improve everyone’s standard of living … but some of our competitors’ countries don’t face this – mainly Malaysia, India and China – they obviously don’t have a minimum wage. Although we feel that it is a nice human right to have, once you come into the commercial world UK manufacturing seems to get an unfair deal.”

(Vacuum parts manufacturing firm: 65 employed)

At the time of the interviews the rate for those aged 22 and over was £3.60 per hour and for those aged 18-21 £3.20 (the latter had just been raised from £3.00 on 1 June 2000). Almost eight out of 10 respondents were aware that there is a different rate for those aged less than 22 years old (first row of Table 3.19).

Detailed knowledge of the actual NMW rates was, however, much more patchy than whether or not there was, in principle, a different rate. When asked the actual rate for those aged 18-21, only a third of those aware of a different rate were able to provide an answer. These answers ranged from £1.20 per hour to £4.75 (Table 3.19). Responses on the adult rate (made by two-thirds of the sample aware of the NMW), were more accurate but were wide-ranging from £3.20 to £6.86 per hour. Overall, the median averages for those giving an estimate of the youth and adult NMW were accurate (£3.20 and £3.60 respectively) although the average means were marginally higher (£3.29 and £3.72 respectively).

### Table 3.18: Aware of employees’ right to a National Minimum Wage?

<table>
<thead>
<tr>
<th></th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>98.6</td>
<td>100</td>
<td>100</td>
<td>98.8</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>1.4</td>
<td>0</td>
<td>0</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
<td>36</td>
<td>100</td>
</tr>
<tr>
<td>N=</td>
<td>948</td>
<td>87</td>
<td>36</td>
<td>1071</td>
</tr>
<tr>
<td>Unweighted N=</td>
<td>(349)</td>
<td>(363)</td>
<td>(359)</td>
<td>(1071)</td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*

### Table 3.19: Owner-managers’ detailed knowledge of NMW

<table>
<thead>
<tr>
<th>Responses:</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
<th>N=</th>
<th>Unweighted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Different rate for under 22 years old?</td>
<td>80.5</td>
<td>10.6</td>
<td>8.9</td>
<td>1,058</td>
<td>(1,063)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Estimates of NMW:</th>
<th>Min</th>
<th>Mean</th>
<th>Median</th>
<th>Max</th>
<th>% sub-sample Don’t Know</th>
<th>% Correct Answers</th>
<th>N=</th>
<th>Unweighted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hourly rate 18-21? (Aug-Sept 2000)</td>
<td>1.20</td>
<td>3.29</td>
<td>3.20</td>
<td>4.75</td>
<td>63.0</td>
<td>12.2</td>
<td>852</td>
<td>(919)</td>
</tr>
<tr>
<td>Current minimum hourly rate 22+?</td>
<td>3.20</td>
<td>3.72</td>
<td>3.60</td>
<td>6.86</td>
<td>32.3</td>
<td>37.4</td>
<td>852</td>
<td>(919)</td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*

*Note: Includes those who stated that they were aware of NMW.*
These low levels of detailed knowledge should not be surprising. As with most other areas of individual employment rights, business owners were not cognisant of the detail because they operated on a ‘need to know’ basis and most businesses were already paying above the NMW (see for example Kitching and Blackburn, 2000). However, in those sectors and occupations where the NMW has had an effect, business owners were more conscious of the detailed rates. Thus, one estimate is that the NMW affected 1.5 million workers and these were concentrated in agriculture, forestry and fishing; personal services; cleaning services and residential social care (Low Pay Commission, 2000: Section 3). To some extent these patterns are reflected in the sample through knowledge levels. All those employers in Health, Domestic and Personal Services were conscious of different rates for younger and adult workers. In contrast, only 73 per cent in Business and Professional Services were aware of different rates. Clearly, those in the latter were relatively unaffected compared with lower paying sectors where knowledge levels were raised because the NMW was more likely to require adjustments in pay and have wider implications for their business.

3.7 Awareness and knowledge of termination rights and unfair dismissal

Employees who think that they have been unfairly dismissed may address the issue by complaining to an Employment Tribunal and most employers in the sample were aware of this entitlement. In most circumstances, since 20 June 1999, employees must have at least one year’s continuous service to be able to take this course of action. Almost two-thirds of the sample (65 per cent) were aware of the need for a length of service before an employee can bring a claim for unfair dismissal. Estimates of the length of service required ranged from one week to three years (mean=60 weeks).

Although a majority (57 per cent) of owner-managers were aware of the circumstances, irrespective of length of service, in which dismissal would be automatically unfair, this may be considered to be lower than expected (Table 3.20). Interestingly, employers who had been taken to an Employment Tribunal were much more likely to be aware of this situation (72 per cent compared with 56 per cent in the rest of the sample).

Table 3.20: Circumstances in which dismissal is automatically unfair

<table>
<thead>
<tr>
<th>Responses:</th>
<th>Yes</th>
<th>No</th>
<th>Don’t Know</th>
<th>N=</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Unweighted</td>
</tr>
<tr>
<td>Do Any Circumstances Exist?</td>
<td>56.8</td>
<td>11.9</td>
<td>31.4</td>
<td>1,071</td>
<td>(1,071)</td>
</tr>
<tr>
<td>Refusing to Pay NMW?</td>
<td>94.9</td>
<td>4.2</td>
<td>0.9</td>
<td>608</td>
<td>(647)</td>
</tr>
<tr>
<td>Refusing to Work More Than 48 Hours Per Week?</td>
<td>85.9</td>
<td>7.8</td>
<td>6.3</td>
<td>608</td>
<td>(647)</td>
</tr>
<tr>
<td>Trade Union Membership?</td>
<td>84.9</td>
<td>10.1</td>
<td>5.1</td>
<td>608</td>
<td>(647)</td>
</tr>
<tr>
<td>Taking or Seeking Parental Leave?</td>
<td>75.1</td>
<td>14.4</td>
<td>10.5</td>
<td>608</td>
<td>(647)</td>
</tr>
<tr>
<td>Gross Misconduct?</td>
<td>5.4</td>
<td>91.9</td>
<td>2.6</td>
<td>608</td>
<td>(647)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: Includes only those who stated that they were aware of circumstances in which dismissal is automatically unfair.
The overwhelming bulk of those claiming to be aware of circumstances in which dismissal would be automatically unfair, were cognisant of the rights in relation to dismissal over refusing to work for a rate below the NMW; refusing to work more than 48 hours a week on average; trade union membership; and taking or seeking parental leave. The lowest levels of awareness were in relation to taking or seeking parental leave, most probably a result of this being a more recently introduced IER. Those owner-managers were also on the whole correct in stating that dismissal for gross misconduct is not automatically unfair. Over eight out of 10 (86 per cent) owner-managers were conscious of their ability to dismiss on the spot under certain circumstances.

Under cases of unfair dismissal awareness of the maximum amount of compensation was limited. Whilst almost half of the sample (49 per cent) claimed to be aware of a maximum figure, only 46 per cent knew that the level had changed in October 1999. Estimates of the actual upper limit of compensation were provided by only a small proportion of respondents (15 per cent) and ranged from £5,000 to £1 million. However, the averages (median £50,000; mean £47,400) were in line with the actual new limit. As expected, employers who had been taken to an Employment Tribunal were much more likely to be knowledgeable about the entitlement and maximum levels of compensation for unfair dismissal: seven out of 10 of these employers were aware that there was a maximum figure for compensation; over five out of 10 were aware that this had recently changed; and a quarter cited the correct maximum limit.

3.8 Awareness and knowledge of extension of rights to part-timers

Most owner-managers believed that, generally, employment rights applied to part-time workers although there were lower levels of awareness amongst smaller employers (Table 3.22).

What is surprising, however, is that those employing no part-time staff showed similar high levels of awareness on the rights of part-timers, to those who had a majority of part-time staff (Table 3.23).

The detailed knowledge of owner-managers regarding the rights of part-timers did, however, reveal greater differences in the sample. Whilst 14 per cent of owner-managers employing less than 10 people believed that part-timers can be paid at a lower rate than full-timers, this figure fell to only six per cent amongst those employing 20-49 people but this was not statistically significant (Table 3.24). This reinforces the notion of a personnel specialism amongst the larger small firms and their greater ability to keep up to date with contemporary IER legislation. Unsurprisingly, those employers with a predominance of part-time staff were also more conscious of the right for part-timers to be paid on an equal basis with full-timers.
Almost nine out of 10 respondents were aware of the pro-rata holiday rights of their workers (Table 3.25). Whilst there were minimal differences on this issue in relation to size of enterprise, those owner-managers employing a higher proportion of part-time staff were more aware of the entitlement. Obviously, these employers had been faced with the rights of part-timers and were therefore more conscious of the new legislation. Probably what is more significant, however, is the high levels of understanding amongst those with none or very low levels of part-timers (although this was not statistically significant). This may be based on their own notions of what should be right as much as their actual knowledge of contemporary IERs legislation.

### Table 3.22: Do employee rights generally apply to part-timers?

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>82.5</td>
<td>93.0</td>
<td>94.3</td>
<td>83.7</td>
</tr>
<tr>
<td>No</td>
<td>6.5</td>
<td>2.3</td>
<td>2.9</td>
<td>6.1</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>11.0</td>
<td>4.7</td>
<td>2.9</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Total 100 100 100 100

N= 949 86 35 1,070
(Unweighted N=) 349 363 359 1,071

Source: SBRC IER Survey (2000)
Note: χ²(4)=9.425, p=0.051

### Table 3.23: Do employee rights generally apply to part-timers? (by percentage of part-time workers)

<table>
<thead>
<tr>
<th>Part-time workers/Per cent</th>
<th>None</th>
<th>1-9</th>
<th>10-24</th>
<th>25-49</th>
<th>50+</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>78.8</td>
<td>90.0</td>
<td>87.0</td>
<td>90.3</td>
<td>81.6</td>
<td>83.6</td>
</tr>
<tr>
<td>No</td>
<td>9.7</td>
<td>5.0</td>
<td>0.6</td>
<td>4.6</td>
<td>6.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>11.5</td>
<td>5.0</td>
<td>12.4</td>
<td>5.0</td>
<td>12.4</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Total 100 100 100 100 100 100

N= 373 20 169 238 267 1,067
(Unweighted N=) 296 136 181 191 241 1,045

Source: SBRC IER Survey (2000)
Note: χ²(8)=29.113, p=0.000

### Table 3.24: Can part-timers be paid at a lower rate than full-timers? (by size of enterprise)

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>13.6</td>
<td>11.4</td>
<td>6.1</td>
<td>13.1</td>
</tr>
<tr>
<td>No</td>
<td>68.7</td>
<td>65.8</td>
<td>81.8</td>
<td>68.9</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>17.8</td>
<td>22.8</td>
<td>12.1</td>
<td>18.0</td>
</tr>
</tbody>
</table>

Total 100 100 100 100 100

N= 782 79 33 894
(Unweighted N=) 280 330 330 940

Source: SBRC IER Survey (2000)
Note: Only includes those respondents who stated employee rights generally applied to part-timers.
3.9 Awareness and knowledge of legislation on discrimination

Legislation to protect workers from discrimination has been on the statute books for over 25 years and this has been broadened more recently. The Equal Pay Act (1970) made it generally unlawful to discriminate against employees in relation to recruitment, pay, conditions, training, access to promotion and employment termination. The Sex Discrimination Act (1975) made it generally unlawful for employers to discriminate on the grounds of sex, marital status or against anyone intending to undergo, undergoing or who has undergone gender reassignment. The Race Relations Act (1976) made discrimination by employers on racial grounds i.e. race, colour, nationality or ethnic or national origins unlawful. More recently, the Disability Discrimination Act (1995) makes it unlawful for employers with less than 15 or more employees to discriminate against current or prospective employees with disabilities and people who have a disability. In the sample, awareness of the law covering racial, sex and disability discrimination was widespread and there were no variations according to size, sector, location, or even if the enterprise had been taken to an Employment Tribunal (Table 3.26).

Although it is not unlawful, over a third of respondents believed age discrimination to be covered by law. However, almost half of the sample correctly indicated that age discrimination is not covered by law. There were no significant business size or sector variations in the data.

Detailed knowledge of disability discrimination was shown to be poor. Only half of the sample were aware of the application of disability discrimination to enterprises above a certain size (or, in other words, exemptions for enterprises below a certain size). Less than a third of the sample were able to provide estimates of the minimum number of employees for disability discrimination legislation to apply. Of these, estimates were irregularly dispersed and ranged from one to 80 employees (Table 3.27).

### Table 3.25: Do part-timers have rights to holiday pay? (by percentage of part-time staff)

<table>
<thead>
<tr>
<th>Part-time staff/Per cent</th>
<th>None</th>
<th>1-9</th>
<th>10-24</th>
<th>25-49</th>
<th>50+</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>5.8</td>
<td>0</td>
<td>3.4</td>
<td>1.4</td>
<td>2.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Same as Full-Time Staff</td>
<td>9.2</td>
<td>5.6</td>
<td>6.1</td>
<td>6.5</td>
<td>4.6</td>
<td>6.8</td>
</tr>
<tr>
<td>Pro-rata Same as Full-Time Staff</td>
<td>85.0</td>
<td>94.4</td>
<td>90.5</td>
<td>92.1</td>
<td>92.6</td>
<td>89.7</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>N=</td>
<td>294</td>
<td>18</td>
<td>147</td>
<td>215</td>
<td>217</td>
<td>891</td>
</tr>
<tr>
<td>Unweighted N=</td>
<td>(240)</td>
<td>(122)</td>
<td>(168)</td>
<td>(174)</td>
<td>(212)</td>
<td>(918)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

Note: Only includes those respondents who stated employee rights generally applied to part-timers.

### Table 3.26: Awareness of legislation in relation to ...

<table>
<thead>
<tr>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>Racial Discrimination</td>
</tr>
<tr>
<td>Sex Discrimination</td>
</tr>
<tr>
<td>Disability Discrimination</td>
</tr>
<tr>
<td>Age Discrimination</td>
</tr>
</tbody>
</table>

N=1,071, Unweighted N=1,071

Source: SBRC IER Survey (2000)
Table 3.27: Minimum number of employees for disability discrimination legislation to apply

<table>
<thead>
<tr>
<th>Min</th>
<th>Mean</th>
<th>Median</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10.9</td>
<td>6.0</td>
<td>80</td>
</tr>
</tbody>
</table>

N=330, Unweighted N=302

Source: SBRC IER Survey (2000)
Note: Only includes those who were aware of exemptions for businesses below a certain size and who were able to provide estimates of the minimum number of employees for disability discrimination legislation to apply.

Only eight per cent of respondents cited the current threshold of 15 or more employees, whilst a further eight per cent cited the older threshold of 20 or more (which applied before December 1998). However, the length of time of existence of legislation did not appear to be a major influence on detailed knowledge levels in this case. For example, the most common detailed answer from owner-managers was that disability discrimination legislation covered employers with five or more employees. Instead, employers were again making estimates on the basis of what they probably believed to be ‘fair’ and it was quite revealing that, for those responding, this was below the current legal size of enterprise.

3.10 Awareness and knowledge of IERs: summary and discussion

A number of major themes have emerged from this analysis of the awareness and knowledge of IERs amongst respondents.

- First, generally, owner-managers claimed to be aware of the major pieces of legislation in relation to IERs (Table 3.28). Whilst this awareness was ‘claimed awareness’ and in a telephone survey, every effort was made to ensure that employers were able to reveal their understanding or ignorance of IERs.

- Second, awareness varied according to particular IERs. Highest levels of awareness were amongst both new (the NMW) and older pieces of legislation (maternity rights). However, lowest levels of awareness were amongst new pieces of legislation, with the right for parental leave being the least well known.

- Third, employers’ detailed knowledge was much lower than their claimed awareness on all issues covered. This suggests that owner-managers had some basic notion that legislation existed but they were not able to provide many accurate responses on the details of legislation. It is suggested that employers’ awareness and knowledge were raised when they had to deal with a matter rather than any prior strategic knowledge acquisition. These were small business owners and they dealt with information on employment rights on a need-to-know basis. The following quote from the face-to-face interviews illustrates the point very well:

  “...fairly confident, but there is so much you cannot keep up to date with it all. It's my job to run the business. People are obviously very important to us but my general policy is to outsource. I will take advice on employment issues if I thought I had a situation.” (Publishers: 30 employed)
Further, it is clear that small business owners are not seeking to “bury their heads in sand” concerning their legal requirements:

“Under the Labour government there has been increasing employment legislation … they seem to be changing it to things that I am not sure about. I saw a piece on stakeholder pensions … now I personally haven’t had any information through … but I passed it on to our accountant who had also not heard anything about it and is now finding out about it. But it worries me that there could be legislation passed that I don’t know about.” (House Mailing Services: 23 employed)

And, further in the context of the rights for part-timers and the Working Time Directive the same owner-manager said:

“I know you have to give holiday pay to part-timers … basically, if something came through that I read, I would make sure all our staff were covered then I wouldn’t bother with the details … I know that more of our staff work over the maximum hours.”

- Fourth, the size of enterprise proved to be the most consistent discriminator, in picking out sub-sample variations when the sample was disaggregated. It is argued that the major reason behind this relationship is that employers in the larger small firms (rather than the micros) will encounter a wider range of employment rights issues merely because they employ a wider diversity of staff. It is also likely that the smaller enterprises were less able to dedicate resources to keeping up-to-date with employment legislation.

- Fifth, business sector and labour force composition (such as the proportion of females and part-time workers) proved influential on awareness levels on specific issues. Being taken to an Employment Tribunal also proved highly influential on knowledge levels: this not only raised detailed knowledge about unfair dismissal and compensation levels but it also sensitised employers to the wider range of IERs.

Table 3.28: Summary of owner-managers’ awareness of IERs

<table>
<thead>
<tr>
<th>Per cent aware that this is covered by legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Highest</strong></td>
</tr>
<tr>
<td>National Minimum Wage (Q14l)</td>
</tr>
<tr>
<td>Maternity Leave (Q14a)</td>
</tr>
<tr>
<td>Right to Rest Break (Q14h)</td>
</tr>
<tr>
<td>Right to Paid Holidays (Q14j)</td>
</tr>
<tr>
<td>Written Statement of Employment Terms (Q14e)</td>
</tr>
<tr>
<td>Maximum Number of Hours Worked (Q14g)</td>
</tr>
<tr>
<td>Application of Employee Rights to Part-Timers (Q14m)</td>
</tr>
<tr>
<td>Right to Maternity Pay (Q14b)</td>
</tr>
<tr>
<td>Right to a Whole Day Off Per Week (Q14l)</td>
</tr>
<tr>
<td>Right for Time Off to Deal with Emergencies (Q14d)</td>
</tr>
<tr>
<td>Minimum Size of Enterprise for Disability Rights to be Applicable (Q14o)</td>
</tr>
<tr>
<td><strong>Lowest</strong></td>
</tr>
<tr>
<td>Right to Parental Leave (Q14c)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: See Appendix B for the questions to which awareness relates.
The analysis has shown that there are a number of interactions between size, sector and labour force composition affecting awareness and knowledge levels. As each of these factors affected firms in the sample it may be possible to identify what type of business characteristics puts them more at risk to have to understand employer responsibilities on IERs. Those employers in firms at risk will obviously have to raise their knowledge levels in order to operate their enterprise.

In order to provide an overview of the awareness and knowledge of IERs, a composite variable was created using the employer’s responses to 21 questions asking them to indicate whether the current legislation covered a list of possible employee rights (see Appendix B). Table 3.29 indicates the number of questions asked under each area of the legislation.

A maximum score of 21 could have been obtained for correct answers to all of the questions. Overall, a mean score of 16 was recorded for all the small firms in the sample indicating a less than perfect awareness of all the areas of the legislation. How does this score vary across sub-groups within the sample? The following series of charts (Figures 3.1–3.8) indicates that there is a great deal of variation in terms of firm size (Figure 3.1), sector (Figure 3.2), age of business (Figure 3.3), location (Figure 3.4), composition of the workforce (Figures 3.5 to 3.7) and whether the business has been involved in either a legal dispute or an Employment Tribunal concerning individual employment rights (Figure 3.8). As indicated in the previous chapter the involvement of a small business in an Employment Tribunal is closely associated with other characteristics of the sample, most notably the composition of the workforce. The mean score for overall awareness of the IER legislation is 17 for those who have been taken to an Employment Tribunal on employment rights issues (mostly unfair dismissal) and 16 for those who have not.

In general, the scores indicate that awareness is higher in larger firms, younger firms, Primary, Manufacturing and Business and Professional Services sectors, those firms with a relatively high percentage of operatives and other workers, those in “slack” labour markets and if the business has been taken to an Employment Tribunal. Analysing the scores for the percentage of female and part-time workers reveals no clear-cut pattern. For example, scores are slightly higher in firms employing no female workers as well as those employing over three-quarters of females in the workforce.

Table 3.29: Owner-managers’ awareness of IERs covered by legislation: nature of the composite variable

<table>
<thead>
<tr>
<th>Area of the legislation</th>
<th>Number of questions included</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maternity Provisions (Q14a-Q14c)</td>
<td>3</td>
</tr>
<tr>
<td>Time off for Dependents (Q14d)</td>
<td>1</td>
</tr>
<tr>
<td>Terms and Conditions of Employment (Q14e-Q14f)</td>
<td>2</td>
</tr>
<tr>
<td>WTD (Hrs per week) (Q14g)</td>
<td>1</td>
</tr>
<tr>
<td>WTD (Rest and Holidays) (Q14h-Q14k)</td>
<td>4</td>
</tr>
<tr>
<td>NMW (Q14l)</td>
<td>1</td>
</tr>
<tr>
<td>Part-timers (Q14m)</td>
<td>1</td>
</tr>
<tr>
<td>Discrimination (Q14n-Q14o)</td>
<td>5</td>
</tr>
<tr>
<td>Unfair Dismissal (Q14p-Q14r)</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21</strong></td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*
Figure 3.1: Composite awareness score by employment size

- Weighted N=1,071 (Unweighted N=1,071)
- Source: SBRC IER Survey (2000)

Figure 3.2: Composite awareness score by sector

- Weighted N=1,071 (Unweighted N=1,071)
- Source: SBRC IER Survey (2000)
Small firms' awareness and knowledge of individual employment rights

Figure 3.3: Composite awareness score by age of business

<table>
<thead>
<tr>
<th>Age of Business</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;2 years</td>
<td>15.4</td>
</tr>
<tr>
<td>2-5 years</td>
<td>16.2</td>
</tr>
<tr>
<td>5+ years</td>
<td>16.0</td>
</tr>
<tr>
<td>Total</td>
<td>16.2</td>
</tr>
</tbody>
</table>

Weighted N=1,071 (Unweighted N=1,071)
Source: SBRC IER Survey (2000)

Figure 3.4: Composite awareness score by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Mean Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East</td>
<td>15.6</td>
</tr>
<tr>
<td>Eastern, North West and Scotland</td>
<td>16.2</td>
</tr>
<tr>
<td>Rest of GB</td>
<td>16.0</td>
</tr>
<tr>
<td>Total</td>
<td>16.0</td>
</tr>
</tbody>
</table>

Weighted N=1,071 (Unweighted N=1,071)
Source: SBRC IER Survey (2000)
Figure 3.5: Composite awareness score by percentage female workforce

Mean Score

16.3
16.2
16.1
16.0
15.9
15.8
15.7
15.6

0%
1-24%
25-49%
50-74%
75%+
Total

Weighted N=1,068 (Unweighted N=1,063)
Source: SBRC IER Survey (2000)

Figure 3.6: Composite awareness score by percentage part-time workforce

Mean Score

17.0
16.5
16.0
15.5
15.0
14.5

0%
1-9%
10-24%
25-49%
50%+
Total

Weighted N=1,070 (Unweighted N=1,063)
Source: SBRC IER Survey (2000)
In order to understand the complexities of awareness and knowledge across the diversity of the small businesses in the sample a multivariate approach was adopted to the analysis of the composite variable. The advantage of this approach over a bivariate analysis is that it controls for each variable, isolating the specific contribution of each factor. An OLS regression was undertaken with the dependent variable specified as the composite awareness variable with a possible score in the range 0-21. The results of the analysis are presented in Table 3.30.

In this model, what could be classified as three types of variable are included: contextual (Size of Firm, Age of Firm, Sector, Location); internal firm characteristics and experience (Sex of Employer/Respondent, Workforce Composition I and II, Ethnic Minorities in the Workforce, Major Occupational Grouping, Businesses taken to an Employment Tribunal); and perception of the impact of employment legislation (impact of IERs). The latter may in fact have two-way causality but this is included because it is significant. The $R^2$ is low but the equation is statistically significant and all but one variable (Employment Tribunal) is significant.
The interpretation of the results of the model are:

- **Size of Firm**: the larger the enterprise, the more knowledgeable employers are of the legislation.
- **Age of Firm**: the younger the business, the more knowledgeable employers are of the legislation.
- **Sector**: if enterprises are not in services, then the more knowledgeable employers are of the legislation.
- **Location**: this variable is a proxy for "slack" labour markets. Knowledge levels increase outside the South East.
- **Sex of Employer/Respondent**: male employers are more knowledgeable of the legislation than females.
- **Workforce Composition I**: the fewer the percentage of part-timers, the more knowledgeable employers are of the legislation.
- **Workforce Composition II**: the higher the proportion of females in the workforce, the more knowledgeable employers are of the legislation.

**Table 3.30: Equation for composite awareness of individual employment rights**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficients</th>
<th>t statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>14.785</td>
<td>38.985</td>
</tr>
<tr>
<td>Size of Firm (log of employment)</td>
<td>0.544</td>
<td>3.861</td>
</tr>
<tr>
<td>Age of Firm (logged)</td>
<td>-0.207</td>
<td>-3.007</td>
</tr>
<tr>
<td>Sector (1=Primary, Manufacturing, and Construction; 0=Services)</td>
<td>0.495</td>
<td>2.584</td>
</tr>
<tr>
<td>Location (1=South East; 0=Rest of GB)</td>
<td>-0.364</td>
<td>-2.169</td>
</tr>
<tr>
<td>Sex of Employer/Respondent (1=Male; 0=Female)</td>
<td>0.598</td>
<td>3.429</td>
</tr>
<tr>
<td>Workforce Composition I (% Part-time workers)</td>
<td>-1.362.10^-2</td>
<td>-4.230</td>
</tr>
<tr>
<td>Workforce Composition II (% Female workers)</td>
<td>1.006.10^-2</td>
<td>2.943</td>
</tr>
<tr>
<td>Ethnic Minorities in the Workforce (1=Yes; 0=No)</td>
<td>-0.407</td>
<td>-1.707</td>
</tr>
<tr>
<td>Major Occupational Grouping (1=Operatives; 0=all other groups)</td>
<td>0.431</td>
<td>2.033</td>
</tr>
<tr>
<td>Business taken to an Employment Tribunal (1=Yes; 0=No)</td>
<td>0.425</td>
<td>1.478</td>
</tr>
<tr>
<td>Impact of Employment Legislation (1=a burden; 0=other responses)</td>
<td>0.673</td>
<td>4.082</td>
</tr>
</tbody>
</table>

R² = 0.073  F = 8.575
N=1058

**Critical values:**

F (11, 1047)ₜₚ=1.79
F (1058)ₜₚ=1.645

**Source:** SBRC IER Survey (2000)
• Ethnic Minorities: employing ethnic minorities does not raise knowledge levels.

• Major Occupational Grouping: if operatives are the main occupational group, the more knowledgeable employers are of the legislation.

• Employment Tribunal: the experience of an Employment Tribunal raises employers’ knowledge levels. Although this contributes to the model the individual relationship is not statistically significant.

• Impact: those respondents who stated that the legislation is a significant burden are more knowledgeable of the legislation.

The overall conclusion to be drawn from this multivariate analysis is that knowledge levels of IERs are complex and vary greatly within the small business sector. The range of variables, which may "explain" awareness of the legislation, as measured by 21 factual questions on all aspects of the legislation (see Table 3.28), provides an important indication of those segments of the small business sector that require further intervention by government in terms of increasing their knowledge levels about IERs. Although the model provides some explanation of the variation in knowledge levels of IERs in the sample, the low $R^2$ suggests that other factors not included here are also influential.

Endnotes
6 More up-to-date information detailing the IERs discussed in this Chapter and the rest of the report can be found in the DTI booklet ‘Individual Rights of Employees: A Guide for Employers and Employees’ and on the DTI website: www.dti.gov.uk/er/.

7 For example, of those having females as 75 per cent or more of their workforce, almost as many employers were confident or very confident about their knowledge of IERs as those lacking confidence or not at all confident.

8 Only women with two years’ service and working for at least 16 hours a week (or five years if working less than 16 hours) qualified.

9 Hogarth et al. (2001) reported that only a modest proportion of employers were aware of the changes in maternity leave and parental leave regulations introduced in 1999. However, this was a survey of workplaces employing five or more employees. Callendar et al. (1999) provides a more detailed, though now dated, analysis. The DTI Employers’ Survey on Support for Working Parents, recently conducted for the Work and Parents Review, provides up-to-date material on provision although is unfortunately restricted to firms with five or more employees.

10 Employers who had been taken to an Employment Tribunal were less likely to be aware of this right.

11 Similarly, there was no difference between those employers who had been taken to an Employment Tribunal and those who had not.

12 An exploration of the data comparing awareness of number of hours worked by businesses’ major occupational groups revealed few differences.

13 This represents almost a quarter (23 per cent) of the whole sample.

14 All but one of those 82 employers taken to an Employment Tribunal were aware of this entitlement to paid holidays.
CHAPTER 4
Advice and knowledge-seeking activities

4.1 Introduction

The advice-seeking activities of business owner-managers has been the subject of substantial empirical research. Evidence suggests that owner-managers are reluctant advice seekers and do so in an ad hoc rather than planned fashion (Curran and Blackburn, 1994; 2000). Indeed, government support agencies have had a particularly mixed success in reaching small firms. Obviously much depends on the energies of the agencies involved and the ability to reach adequately the precise needs of business owners. Whether or not there is an adequate volume and quality of advice and information on IERs available for small firms is open to question. This issue is particularly pertinent in a period of changing employment rights. This Chapter will therefore examine the advice and information-seeking behaviour of small business owners. It will identify their preferred sources of advice and information, the reasons for these preferences and how the support may be improved.

4.2 Sources of advice and information

The survey revealed that the bulk of owner-managers were prepared to go outside for advice on IERs (Table 4.1). This unprompted question revealed that private and public organisations and ‘professionals’ were the most popular sources of information. In contrast, there was little use of a reference book or websites.

Table 4.1: Sources of information on IERs (unprompted)

<table>
<thead>
<tr>
<th>Source/Information</th>
<th>Per cent</th>
<th>N</th>
<th>Unweighted N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public/Private Organisation</td>
<td>50.3</td>
<td>538</td>
<td>621</td>
</tr>
<tr>
<td>Professional (including accountant, solicitor, bank manager)</td>
<td>29.0</td>
<td>310</td>
<td>266</td>
</tr>
<tr>
<td>Printed Information Leaflets</td>
<td>16.2</td>
<td>173</td>
<td>159</td>
</tr>
<tr>
<td>Newspaper/TV/Trade Journal</td>
<td>10.6</td>
<td>114</td>
<td>137</td>
</tr>
<tr>
<td>Friend, Colleague, Business Acquaintance</td>
<td>7.6</td>
<td>81</td>
<td>68</td>
</tr>
<tr>
<td>Reference Book</td>
<td>7.6</td>
<td>81</td>
<td>133</td>
</tr>
<tr>
<td>Website</td>
<td>3.2</td>
<td>35</td>
<td>42</td>
</tr>
<tr>
<td>Other</td>
<td>3.0</td>
<td>32</td>
<td>34</td>
</tr>
<tr>
<td>None</td>
<td>11.1</td>
<td>119</td>
<td>74</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: Percentages do not add to 100 because of multiple responses.
When prompted on the sources of information or advice on IERs a more detailed pattern of organisational consultation emerges (Table 4.2; Figure 4.1). The most frequently used source is accountants followed by solicitors. Instead, typical responses were:

“If I was not sure about anything I would probably talk to my accountant.”
(House Mailing Services: 23 employed)

“… concerning employment contract details, we saw the solicitors about an employee and when we looked at his contract we had given him it was very naïve the way things had all been done … it was all very vague four years ago.”
(Mobile Computer Training Centre, 17 employed).

This result should not be surprising. Previous research has shown that accountants are the most frequently used external body for advice and that business owners often use already established and trusted network contacts (Curran and Blackburn, 1994). The use of a solicitor by one in 10 owner-managers is also to be expected especially in relation to understanding IERs. These results suggest that the sources of advice and information seeking by business owners on employment legislation have not changed considerably in the past 20 years. In a survey conducted in 1978 for the then Department of Employment the most popular sources of advice were solicitors and accountants (Employment Gazette, 1979).16

---

### Table 4.2: Sources of advice and information and if satisfied (prompted)

<table>
<thead>
<tr>
<th>Source</th>
<th>Free</th>
<th>Paid</th>
<th>Satisfied?</th>
<th>Weighted N</th>
<th>(Unweighted N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountant</td>
<td>18.0</td>
<td>28.0</td>
<td>98.8</td>
<td>488</td>
<td>418</td>
</tr>
<tr>
<td>Solicitor</td>
<td>11.8</td>
<td>21.8</td>
<td>92.9</td>
<td>725</td>
<td>415</td>
</tr>
<tr>
<td>Government Department</td>
<td>28.0</td>
<td>0.2</td>
<td>93.3</td>
<td>298</td>
<td>336</td>
</tr>
<tr>
<td>Another Business Owner</td>
<td>24.2</td>
<td>0.2</td>
<td>97.1</td>
<td>257</td>
<td>252</td>
</tr>
<tr>
<td>ACAS</td>
<td>21.4</td>
<td>0.1</td>
<td>88.9</td>
<td>227</td>
<td>310</td>
</tr>
<tr>
<td>Friends/Relatives generally</td>
<td>14.1</td>
<td>0.4</td>
<td>99.4</td>
<td>151</td>
<td>183</td>
</tr>
<tr>
<td>Employee or Manager in the Business</td>
<td>13.8</td>
<td>0.2</td>
<td>98.2</td>
<td>146</td>
<td>182</td>
</tr>
<tr>
<td>Employee or Manager in another Business</td>
<td>12.5</td>
<td>0.9</td>
<td>99.2</td>
<td>139</td>
<td>146</td>
</tr>
<tr>
<td>Trade Association</td>
<td>10.0</td>
<td>3.0</td>
<td>97.9</td>
<td>127</td>
<td>258</td>
</tr>
<tr>
<td>Federation of Small Businesses</td>
<td>9.8</td>
<td>1.9</td>
<td>92.4</td>
<td>121</td>
<td>127</td>
</tr>
<tr>
<td>Business Link</td>
<td>8.3</td>
<td>0.9</td>
<td>80.4</td>
<td>95</td>
<td>103</td>
</tr>
<tr>
<td>Bank Manager</td>
<td>4.3</td>
<td>2.5</td>
<td>74.9</td>
<td>64</td>
<td>58</td>
</tr>
<tr>
<td>Chamber of Commerce</td>
<td>5.3</td>
<td>0.6</td>
<td>88.3</td>
<td>59</td>
<td>90</td>
</tr>
<tr>
<td>Training and Enterprise Council</td>
<td>5.5</td>
<td>0.9</td>
<td>95.8</td>
<td>65</td>
<td>75</td>
</tr>
<tr>
<td>Citizens Advice Bureau</td>
<td>4.9</td>
<td>0.3</td>
<td>83.7</td>
<td>52</td>
<td>91</td>
</tr>
<tr>
<td>Forum of Private Business</td>
<td>2.2</td>
<td>1.2</td>
<td>96.4</td>
<td>34</td>
<td>31</td>
</tr>
<tr>
<td>Employers Federation</td>
<td>1.3</td>
<td>0.7</td>
<td>99.5</td>
<td>18</td>
<td>37</td>
</tr>
<tr>
<td>Other</td>
<td>3.5</td>
<td>6.6</td>
<td>98.3</td>
<td>120</td>
<td>187</td>
</tr>
</tbody>
</table>

**Total Using Sources**

<table>
<thead>
<tr>
<th>Source</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=1,071</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** SBRC IER Survey (2000)

**Note:** Caution should be exercised when interpreting levels of satisfaction because these are based on the numbers for each source, which are low for the less popular sources. Numbers on which the percentages are based are shown in the fourth column.
The third most frequently cited source of advice and information was Government Department (28 per cent of the sub-sample). ACAS proved to be equally as popular as other government departments with around a fifth of owner-managers using this source. Advice and information seeking from other business owners (24 per cent of the sub-sample) was also popular amongst the sample. It is likely that this takes the form of verbal communication between business owners seeking clarification on employment rights and for signposting to other sources.

Sector-based organisations are used by owner-managers quite frequently because of their specific industry knowledge and the view that representatives of trade bodies can speak their language and relate to their industry sub-culture. However, in relation to IERs these were used by only just over one in 10 of the sub-sample. This may be expected because of the vast inter-industry differences in industry sub-culture, strength of trade bodies as well as if they offer an advice or information service. For example, in the sample almost a third of employers in Construction and the Primary sectors had approached a trade body, compared with less than three per cent in Business and Professional Services.

In relative terms the use of Business Links, Training and Enterprise Councils, Enterprise Agencies and the Citizens Advice Bureau was very limited. Nevertheless, as the following quote illustrates, they (especially Business Links) are an important part of the information environment:

“... there is so much you cannot keep up to date with it all, it’s my job to run the business, people are obviously very important to us. But my general policy is to outsource, I will take advice on employment issues if I thought I had a situation, my first port of call would be the local Business Link service which I have started working with. ... They provide me with a personnel service.”

(Publishers, 30 employed)
Employers’ representative organisations were also used infrequently: Chambers of Commerce, Employers’ Federations and the Forum of Private Business were used by five per cent or less of the sub-sample. However, the Federation of Small Businesses had been approached by 10 per cent of the sub-sample reflecting the key role the organisation now plays in information provision.

It is considered significant that the most popular sources of advice are paid for and the least popular tend to be free. In other words, it could be argued that the financial cost of advice and information is not necessarily a deterrent to use. From the above what is much more important is perceived relevance and need.

Levels of satisfaction of sources used were very high (Table 4.2) with the lowest being from Business Link (80 per cent satisfied) and bank managers (74 per cent). These high levels of satisfaction would tend to suggest that advice and information received helped the owner-manager resolve their enquiry or problem.

The single main source of advice and information, shown in Table 4.3 and Figure 4.2, reinforces the significance of accountants and solicitors in advice and information seeking. However, there is also a variation in the use of sources according to size of enterprise reflecting the general variation in networking activity between larger and smaller enterprises. Smaller enterprises were much more likely to use accountants as a main source while larger firms were more likely to use trade bodies and ACAS. This is most probably a result of the likelihood of larger firms having in-house financial advice capacity either from a business partner or employee. In contrast, smaller employers were probably more prepared to rely on an already established and trusted professional contact, even though this contact was initially in relation to financial and accountancy matters. There is also likely to be a greater need to use specialist information and advisory bodies as the enterprise becomes larger because of a higher volume and range of IERs issues to be addressed.

### Table 4.3: Single main source of advice on individual employment rights

<table>
<thead>
<tr>
<th>Source</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountant</td>
<td>21.4</td>
<td>14.9</td>
<td>5.7</td>
<td>20.4</td>
</tr>
<tr>
<td>Solicitor</td>
<td>11.8</td>
<td>8.0</td>
<td>14.3</td>
<td>11.6</td>
</tr>
<tr>
<td>A Government Department</td>
<td>8.7</td>
<td>8.0</td>
<td>11.4</td>
<td>8.8</td>
</tr>
<tr>
<td>Trade Association</td>
<td>6.4</td>
<td>11.5</td>
<td>14.3</td>
<td>7.1</td>
</tr>
<tr>
<td>ACAS</td>
<td>5.6</td>
<td>10.3</td>
<td>11.4</td>
<td>6.2</td>
</tr>
<tr>
<td>Federation of Small Businesses</td>
<td>4.7</td>
<td>5.7</td>
<td>2.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Friends/Relatives generally</td>
<td>3.9</td>
<td>3.4</td>
<td>0</td>
<td>3.7</td>
</tr>
<tr>
<td>Another Business Owner</td>
<td>2.7</td>
<td>2.3</td>
<td>0</td>
<td>2.6</td>
</tr>
<tr>
<td>Business Link</td>
<td>2.7</td>
<td>2.3</td>
<td>0</td>
<td>2.6</td>
</tr>
<tr>
<td>Employee or Manager in the Business</td>
<td>1.9</td>
<td>4.6</td>
<td>5.7</td>
<td>2.2</td>
</tr>
<tr>
<td>Citizens Advice Bureau</td>
<td>1.7</td>
<td>0</td>
<td>0</td>
<td>1.5</td>
</tr>
<tr>
<td>Forum of Private Business</td>
<td>1.5</td>
<td>1.1</td>
<td>0</td>
<td>1.4</td>
</tr>
<tr>
<td>Training and Enterprise Council</td>
<td>1.2</td>
<td>0</td>
<td>0</td>
<td>1.0</td>
</tr>
<tr>
<td>Employers Federation</td>
<td>0.6</td>
<td>1.1</td>
<td>2.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Chamber of Commerce</td>
<td>0.3</td>
<td>1.1</td>
<td>2.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Employee or Manager of another Business</td>
<td>0.2</td>
<td>1.1</td>
<td>2.9</td>
<td>0.4</td>
</tr>
<tr>
<td>Bank Manager</td>
<td>0</td>
<td>1.1</td>
<td>0</td>
<td>0.1</td>
</tr>
<tr>
<td>Other</td>
<td>6.1</td>
<td>12.6</td>
<td>20.0</td>
<td>7.1</td>
</tr>
<tr>
<td>No Main Source</td>
<td>18.4</td>
<td>10.3</td>
<td>5.7</td>
<td>17.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>N</th>
<th>949</th>
<th>87</th>
<th>35</th>
<th>1,071</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Unweighted N=)</td>
<td>(349)</td>
<td>(363)</td>
<td>(359)</td>
<td>(1,071)</td>
</tr>
</tbody>
</table>

**Source:** SBRC IER Survey (2000)
There were also important differences in the sources of advice and information on IERs according to business sector (Table 4.4, Figure 4.3a). Contact with Trade Associations for advice and information ranged from almost a quarter in Primary to almost zero in Business and Professional. Instead the latter were especially high users of solicitors. Manufacturing firms were particularly high users of the Federation of Small Businesses (FSB) and Government Departments (Figure 4.3b). Owner-managers in Transport and Communications were particularly strong in seeking advice and information from other business owners. These patterns in the data are significant because they help provide a picture of the variation in the use of advice and information sources according to business sector. What the data is less easily able to do however is explain these variations. What was also revealing about the data was the low regard of many SME-orientated bodies, as a main source of advice and information, including Chambers of Commerce, Employers’ Federation and Business Links.

Table 4.4: Main source of advice and information on IERs by industry sector (top 6 only)

<table>
<thead>
<tr>
<th>Source: SBRC IER Survey (2000)</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Per cent</th>
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<tbody>
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</table>
Figure 4.3a: Main source of advice and information on IERs by industry sector (accountant)

Weighted N=218 (Unweighted N=135)

Source: SBRC IER Survey (2000)

Figure 4.3b: Main source of advice and information on IERs by industry sector (government departments)

Weighted N=93 (Unweighted N=96)

Source: SBRC IER Survey (2000)
4.3 Use of ACAS and government agencies

The relationship between owner-managers of smaller enterprises and the state is complex not least because the latter seeks to both regulate and stimulate enterprise. As the range and number of IERs has expanded during the latter part of the 1990s, under the 1997 Labour Government, there has also been a rise in both the sources of advice and information from government agencies and the use of external sources of advice and information (Better Regulation Task Force, 2000a).

The survey revealed that employers had used a range of government departments in seeking advice and information on IERs (Table 4.5). Levels of satisfaction with the service received from these agencies was high at 93 per cent (Table 4.2). Although the data and methodology tell us little about the detailed motivation for the contact it does show the order of the main sources used. Four government departments were each used by over 10 per cent of the sample stating that they used government agencies. As a proportion of the whole sample, however, these levels of contact fall to around five per cent for each department (last column of Table 4.5).

ACAS is the most high profile government sponsored agency in relation to the provision of advice and information for employers and employees on IERs. Over one-fifth had actually used ACAS for advice or information (Table 4.2) of which almost nine out of 10 were satisfied with the service.

Overall, around four out of 10 employers regarded ACAS as a key provider of advice and information on IERs (Table 4.6). There was a marginal difference by size of enterprise: smaller firms in the sample were less likely to regard ACAS as a key provider but the difference was not great. There were also insignificant differences by industry sector except in Hotels and Catering (Figure 4.4).

| Table 4.5: Use of government agencies by employers for advice and information on individual employment rights |
|---|---|---|
| **Per cent** | **(Whole sample)** |
| Inland Revenue | 22.5 | (6.2) |
| DfEE | 19.5 | (5.4) |
| DSS | 18.2 | (5.0) |
| DTI | 14.4 | (4.0) |
| Job Centre | 5.2 | (1.4) |
| Contributions Agency | 4.0 | (1.1) |
| Employment Tribunal | 3.5 | (1.0) |
| Careers Office | 1.2 | (0.3) |
| HMSO | 1.1 | (0.3) |
| MAFF | 0.7 | (0.2) |
| National Insurance Helpline | 0.7 | (0.2) |
| Trading Standards | 0.7 | (0.2) |
| HSE | 0.6 | (0.2) |
| Department of Transport | 0.1 | (0.0) |
| Non Specific | 0.2 | (0.0) |
| Don't Know | 7.4 | (2.0) |
| **Total** | 100 |
| **N=** | 294 | (1,071) |
| **(Unweighted N=337)** |

*Source: SBRC IER Survey (2000)*

*Note: This question was only asked to those who said that they had used a government agency in an earlier question.*
Employers were prepared to comment on why or why not they regarded ACAS as a key advice and information body on IERs (Table 4.7). Clearly there were mixed views about the role of ACAS. Some employers were complimentary about the service whilst others viewed it with some scepticism and regarded it as being 'on the employees' side'.

Despite the publicity and promotion of ACAS as a key agency for advice and employment dispute resolution, some employers were unable to have a view on its role because they had low knowledge levels about what ACAS does. The overwhelming bulk of those employers who had used ACAS, however, were satisfied with the service received (Table 4.2). It also appears from the cited sources that matters concerning IERs are possibly being bound up with other management and regulation issues. Whether this is a reflection of owner-managers confusing IERs with other regulatory issues, or that they are genuinely inextricably linked with other issues requires further investigation.

### Table 4.6: Do you see ACAS as a key provider of advice and information on IERs? (by size of enterprise)

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>43.1</td>
<td>46.0</td>
<td>47.2</td>
<td>43.5</td>
</tr>
<tr>
<td>No</td>
<td>41.6</td>
<td>42.5</td>
<td>41.7</td>
<td>41.7</td>
</tr>
<tr>
<td>Don’t Know</td>
<td>15.3</td>
<td>11.5</td>
<td>11.1</td>
<td>14.9</td>
</tr>
</tbody>
</table>

| Total              | 100 | 100   | 100   | 100 |

N= 947 (Unweighted N=349); 877 (Unweighted N=362); 36 (Unweighted N=360); 1,070 (Unweighted N=1,071)

**Source:** SBRC IER Survey (2000)

### Figure 4.4: Use of ACAS as a main source of advice and information by industry sector

Weighted N=65 (Unweighted N=90)

**Source:** SBRC IER Survey (2000)
Only a third (36 per cent) of employers regarded any other government agency apart from ACAS as being a key provider of information on IERs. Of these, the most cited was the DTI followed by the Inland Revenue, the DfEE and the Job Centre (Table 4.8). Clearly, these employers were prepared to approach a variety of agencies but it must be borne in mind that they represented only a third of the sample.

Table 4.7 Employers’ comments on ACAS

<table>
<thead>
<tr>
<th>Why regarded a key source of advice and information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are very helpful</td>
</tr>
<tr>
<td>They carry out their role well</td>
</tr>
<tr>
<td>Are easily available</td>
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<tr>
<td>They are known nationally</td>
</tr>
<tr>
<td>Recommended</td>
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<tr>
<td>It’s a free service</td>
</tr>
<tr>
<td>Their booklets are very clear and concise</td>
</tr>
<tr>
<td>We would use ACAS to resolve employment rights issues</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Why not regarded as a key source of advice and information</th>
</tr>
</thead>
<tbody>
<tr>
<td>More applicable to other businesses</td>
</tr>
<tr>
<td>Thought of only as arbitrators</td>
</tr>
<tr>
<td>Biased – on employees’ side</td>
</tr>
<tr>
<td>Biased advice given</td>
</tr>
<tr>
<td>Use another company – no need for ACAS</td>
</tr>
<tr>
<td>Past experience of ACAS poor</td>
</tr>
<tr>
<td>Unhelpful and too complicated language used</td>
</tr>
<tr>
<td>No knowledge of ACAS</td>
</tr>
<tr>
<td>Know very little of their role</td>
</tr>
<tr>
<td>Not used them – know little about them</td>
</tr>
<tr>
<td>Not thought about them</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: Based on summaries of comments provided to telephone interviewers

Table 4.8: Government agency or department regarded as key provider of information on IERs (in addition to ACAS)

<table>
<thead>
<tr>
<th>First response</th>
<th>Second response</th>
</tr>
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<tbody>
<tr>
<td>DTI</td>
<td>30.5</td>
</tr>
<tr>
<td>Inland Revenue</td>
<td>18.3</td>
</tr>
<tr>
<td>DfEE (website)</td>
<td>13.2</td>
</tr>
<tr>
<td>Job Centre</td>
<td>11.1</td>
</tr>
<tr>
<td>DSS</td>
<td>5.5</td>
</tr>
<tr>
<td>CAB</td>
<td>4.0</td>
</tr>
<tr>
<td>TECs</td>
<td>3.0</td>
</tr>
<tr>
<td>H&amp;S Executive</td>
<td>2.3</td>
</tr>
<tr>
<td>Chamber of Commerce</td>
<td>1.8</td>
</tr>
<tr>
<td>Business Link</td>
<td>1.7</td>
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<tr>
<td>N=</td>
<td>384</td>
</tr>
<tr>
<td>Unweighted N=</td>
<td>(367)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: Based on unprompted responses by those employers who saw other government agencies as key providers of information. The opportunity for two agencies or departments to be mentioned was allowed. Column One shows the first responses and Column Two the second response if offered by interviewee. Those agencies or departments recording over one per cent are shown in the Table.
Those employers who did not regard any other government agency or department as a key provider of information provided a variety of reasons (Table 4.9). ‘Not being aware’ was the most single common reason. However, what is probably more significant here is that employers stated that they have had no need to look and that they have used other sources. Some employers did not regard government as having a role to play whilst others expressed negative comments about government departments’ ability or need to provide information. This is most probably a response by employers to the dual role that government departments often perform, as both regulator and advisor.

4.4 Methods of information gathering: preferred methods

There are a variety of ways in which employers can ascertain information on IERs. The survey revealed that the most popular form of information seeking was talking over the telephone with an expert followed by face-to-face meetings and using printed information sheets or guides (Table 4.10).

This is most probably a result of small employers’ style of personnel management, which tends to be on a need-to-know basis and in relation to specific issues that require a dialogue. A third of employers were prepared to use a website. However, when asked to choose their main preference for information on IERs the difference between the most and least popular sources widens (Table 4.11).

Table 4.9: Reasons for not regarding government agencies or departments as key providers of information on IERs (except ACAS)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Aware of One</td>
<td>37.9</td>
</tr>
<tr>
<td>Have Had No Need to Look</td>
<td>25.9</td>
</tr>
<tr>
<td>Have Used Other Sources</td>
<td>11.9</td>
</tr>
<tr>
<td>Do Not See Government in this Role</td>
<td>7.1</td>
</tr>
<tr>
<td>Negative about Government Departments</td>
<td>6.4</td>
</tr>
<tr>
<td>ACAS Alone is the Key Provider</td>
<td>4.5</td>
</tr>
<tr>
<td>Not Thought About It</td>
<td>3.7</td>
</tr>
<tr>
<td>Government Departments Only Provider of Very Basic Help</td>
<td>1.2</td>
</tr>
<tr>
<td>N=</td>
<td>679</td>
</tr>
<tr>
<td>Unweighted N=</td>
<td>(695)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: Based on unprompted responses by those employers who did not see any other government agencies as key providers of information on IERs.

Table 4.10: Preferred methods for gaining access to information on IERs

<table>
<thead>
<tr>
<th>Method</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over the telephone with expert</td>
<td>77.0</td>
</tr>
<tr>
<td>Face-to-face with expert</td>
<td>63.0</td>
</tr>
<tr>
<td>Printed information sheets or guides</td>
<td>60.6</td>
</tr>
<tr>
<td>A reference book</td>
<td>42.9</td>
</tr>
<tr>
<td>A website</td>
<td>33.9</td>
</tr>
</tbody>
</table>

N=1071

Source: SBRC IER Survey (2000)
Note: Percentages do not add to 100 because of multiple responses.
Overall, talking over the telephone with an expert is the most popular main form of information seeking and use of a reference book the least popular. Use of a website is now more popular than a reference book.

The sample also revealed some interesting differences according to enterprise size. Employers of smaller firms in the sample were more interested in talking face-to-face with an expert than those in larger small firms. In contrast, larger employers were more prepared to use a reference book than those in smaller firms. These differences are likely to be linked to the lower levels of expertise on employment matters in the smaller enterprises. Here employers will be seeking advice as well as information because of the low in-house capacity to deal with these issues. In contrast, larger small firms are more likely to have some resources to allow a member of staff to become au fait with IERs. In this situation, they are more likely to have the confidence and expertise to carry out decisions regarding IERs for their workers. This knowledge may be gleaned from a reference book, such as Croner’s Guide, to which employers may be prepared to subscribe because of their larger workforce. Use of a website varied only marginally between the largest and smallest enterprises. Coupled with the higher than expected popularity of websites for information, these results show that website promotion may be a useful method of information dissemination to reach enterprises of all sizes.

The above analysis tells us little about the process of advice seeking and the different methods of access used at the different stages in the information search process. Of course, employers will be using a range of sources. However, what the analysis does show is the overall preferences in the search for information and that this does vary within the small business population. The implication for policy seems to be that a range of methods of reaching small firms is necessary since no single route will satisfy all employers.

### 4.5 Suggestions for improving access to information and advice on IERs

Employers were asked if government could do anything to improve access to information or advice on employment regulations. The most popular answer was that it ‘could do nothing’ (Table 4.12).

However, over a fifth of employers suggested that literature regarding IERs should be distributed to them. The question also led to employers calling for the clarification and simplification of the information available. Inevitably the complexity of IERs legislation will feed through to the methods of access. Whether or not government can simplify and clarify the information available when the subject matter, i.e. the legislation, is wide-ranging and complex remains to be seen. Improvements to and the publicising of government websites were also suggested by a significant minority, again indicating that this is likely to be growing in popularity.

---

**Table 4.11: Main preference for gaining access to information on IERs by size of enterprise**

<table>
<thead>
<tr>
<th>Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over telephone with expert</td>
<td>38.6</td>
<td>45.5</td>
<td>42.9</td>
<td>39.3</td>
</tr>
<tr>
<td>Face-to-face with expert</td>
<td>24.0</td>
<td>22.7</td>
<td>14.3</td>
<td>23.5</td>
</tr>
<tr>
<td>Printed information guide</td>
<td>17.1</td>
<td>12.5</td>
<td>14.3</td>
<td>16.6</td>
</tr>
<tr>
<td>Website</td>
<td>12.5</td>
<td>8.0</td>
<td>14.3</td>
<td>12.1</td>
</tr>
<tr>
<td>Reference book</td>
<td>4.8</td>
<td>8.0</td>
<td>11.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Other/Don't Know</td>
<td>3.2</td>
<td>3.4</td>
<td>2.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

| N= | 931 | 88 | 35 | 1,054 |
| Unweighted N= | (344) | (359) | (357) | (1,060) |

Source: SBRC IER Survey (2000)
4.6 Summary: Employers’ advice and knowledge-seeking activities on IERs

Whether or not there is an adequate volume and quality of advice on IERs for small employers to access is subject to debate. The following sentiment illustrates the central issue in the minds of the small business owner-manager:

“When you are running a business you want to be focusing on what it's all about rather than running around trying to get information on these issues.”

(Recruitment Agency: 11 employed).

This chapter has examined the sources of advice and information used by employers and explored the variations in the use of different sources within the sample. A number of themes have emerged from the analysis.

- First, employers are likely to use existing sources of advice, such as accountants, on which they have built a trust. The use of employers’ membership and pressure groups was low, most probably reflecting their low levels of provision of advice and information on IERs. It is also noticeable that the two most popular sources were fee-based. In other words, employers are prepared to pay for information and advice on IERs.

- Second, use of government departments and agencies was the third most popular source. Within these, ACAS had the highest visibility although some employers were not fully cognisant of its role while others questioned its impartiality.

- Third, the overwhelming bulk of employers were satisfied with the sources used. Even the lowest level recorded by bank managers was a high 75 per cent. Levels of satisfaction of information and advice from government sources, including ACAS, were as high as from other sources.

- Fourth, there was some variation in the sources used according to business sector. For example, in the Primary sectors the use of trade bodies was high whereas in Business and Professional Services this link was negligible. This implies that there are various ways in which policymakers can reach smaller firms but that the varying strength of industry-based organisations will lead to a variation in the ability of this route to reach small firms.

- Fifth, the most popular method of seeking advice and information was over the telephone followed by face-to-face contact with an expert. This most probably reflects the need for employers to seek advice with a view to resolving a problem or issue. The use of websites was shown to be of some importance for information.

| Table 4.12: Suggestions for government to improve access to IERs information and advice |
|---------------------------------------------|--------|
| Nothing                                    | 37.5   |
| Distribute Literature                      | 21.2   |
| Clarify and Simplify Information           | 14.6   |
| Publicise and Improve Websites             | 8.6    |
| Create Dedicated Helpline                  | 4.5    |
| Have ‘One-Stop Shop’                       | 3.2    |
| Notify Employers Prior to IER Changes      | 1.6    |
| Don’t Know                                  | 6.5    |
| N=                                          | 1,071  |

Source: SBRC IER Survey (2000)
Note: Based on an unprompted question. Responses of over one per cent only indicated in the Table.
Finally, over a third of employers believed that government could do little or nothing to improve access to information and advice on IERs. This is most likely a reflection of the high levels of satisfaction recorded on the sources used and that there was an already adequate supply of advice and information. It is also probably a reflection of the view held by some employers that government should not take on the role of advice and information provider given that it was also the regulator (e.g. Scase and Goffee, 1987).

Endnotes

15 For example, the highly promoted Business Links network had achieved a market penetration of only seven per cent (Curran and Blackburn, 2000).

16 The latter distinguished sources of information from advice. Interestingly the survey showed that government departments were as important as accountants for information (rather than advice) and more important than solicitors (Employment Gazette, 1979).

17 See Harris (2000) for similar findings on the low use of Business Links.

18 Harris (2000) for example, uses enquirers to the ACAS Public Enquiry Points as a source of data for her analysis of the employment relations concerns of business owners.
CHAPTER 5

Perceptions of the effects of IERs on business performance

5.1 Introduction

The effect of legislation on the small firm and in particular employment rights is claimed to be one of the most controversial areas of government and employer relations. On the one hand, government legislation has benefits for business through, for example, providing basic guidelines on employment regulations which apply to most, if not all, firms. On the other, the rise in the volume and complexity of legislation has led employers to complain about the effects on their enterprise. These effects have been classified in a number of ways:

- Primary effects of new legislation. This involves the learning of the new regulations and the adjustments to it.
- Administrative effects in the forms of additional paperwork and form filling.
- Direct financial effects in the form of a rise in the cost of employing people.

It is also argued that small firms are disproportionately affected by legislation because of the fixed costs of compliance and the absence of an in-house expert in most small firms (Better Regulation Task Force, 2000a:29). It has been argued that one of these effects of regulation on the enterprise has been to constrain growth and take away employers’ flexibility in employment practices. Some surveys (e.g. Forum of Private Business, 2000; NatWest SBRT Quarterly Survey, 2000) have attempted to measure the costs of compliance by asking employers to estimate the time taken to deal with regulations. A more recent survey of small business advisers provided estimates of the financial costs of compliance with regulations amongst micro and small firms and that government regulation has become a more important factor in employers’ perceptions on the constraints on business performance (ICAEW, 2000). More recently, research conducted by MORI, commissioned by the Small Business Service (SBS), found that over two-fifths of SMEs considered that the amount of time their business spent complying with government regulations, broadly defined, had increased since the Labour Government in 1997 (Small Business Service, 2001). Of the regulations mentioned, complying with Health and Safety legislation was considered to take the most person hours (23 per cent), followed by the Working Time Directive (8 per cent) and the National Minimum Wage (6 per cent) (Small Business Service, 2001: pp.61-63).

Of course, these studies should be kept in context and their methodologies and sampling frames given careful consideration. It must be kept in mind that most large-scale surveys fail to include micro-enterprises, do not unpack the notion of regulation and few provide a detailed analysis of the effects of specific regulations. Yet the frequency with which government regulation is mentioned as a significant constraint on business in the various surveys and the recent increase in the emphasis on the ‘regulatory burden’, has led to government establishing the Better Regulation Task Force in 1998. Although the Task Force found that the regulatory environment in the UK was no stronger than in other European States, a case study of the Hotels and Catering sector in England found that regulation was affecting the sector to the extent that it was too much for a single owner-manager to master without outside help (Better Regulation Task Force, 2000B: 7-8). Whether or not this is a specific sector effect remains to be seen but the study does imply that regulation is becoming more of an issue.
A focus on the effects of employment regulations on small firms is, however, not new. Over 20 years ago following the introduction of a series of employment rights similar concerns by employers' representative groups were voiced and research was commissioned by government. The results of the research found: that only two per cent of small employers cited employment legislation as the single main difficulty in running business; that the biggest perceived constraint was being unable to sack unsatisfactory workers; and that the expense and time involved in compliance were of secondary importance (Clifton and Tatton Brown, 1979: Ch.11). Within the survey, it was found that smaller firms were less likely to cite employment legislation as a problem. The report concluded that the legislation may have involved expenses to employers and that, as a result, the latter were being more careful about whom they employed.

The aim of this Chapter is to provide an analysis of employers’ perceptions of the effects of contemporary legislation on individual employment rights on their business and the adjustments they have made to meet these regulations. This involves an examination of the performances of these businesses and the perceived effects of IERs on performance.

5.2 Effects of IERs on the firms' business performance

In assessing the effects of employment legislation on small firms, the broader performance of the enterprise needs assessing. Repeatedly, it is the businesses’ order books and economic climate that provide the most enduring challenges for owner-managers, even if legislation has been increasing. Small firms in the survey had experienced mixed fortunes in business performance in the three years (1997-2000) prior to the survey (Table 5.1). Almost half of the sample had experienced growth in sales whilst over a fifth had experienced decline. Larger firms in the sample appear to have faired slightly better than smaller but this was not statistically significant.

Table 5.1: Change in sales over past three years (1997-2000) by size of firm

<table>
<thead>
<tr>
<th></th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grown consistently</td>
<td>23.5</td>
<td>31.5</td>
<td>38.9</td>
<td>24.7</td>
</tr>
<tr>
<td>Been patchy but grown overall</td>
<td>23.8</td>
<td>18.0</td>
<td>22.2</td>
<td>23.3</td>
</tr>
<tr>
<td>Stayed about the same</td>
<td>23.5</td>
<td>24.7</td>
<td>19.4</td>
<td>23.5</td>
</tr>
<tr>
<td>Been patchy but declined overall</td>
<td>15.9</td>
<td>12.4</td>
<td>11.1</td>
<td>15.5</td>
</tr>
<tr>
<td>Declined consistently</td>
<td>8.3</td>
<td>6.7</td>
<td>5.6</td>
<td>8.1</td>
</tr>
<tr>
<td>Can't say/in business less than three years</td>
<td>4.9</td>
<td>6.7</td>
<td>2.8</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>N=</td>
<td>948</td>
<td>87</td>
<td>36</td>
<td>1,071</td>
</tr>
<tr>
<td>Unweighted N=</td>
<td>(349)</td>
<td>(362)</td>
<td>(360)</td>
<td>(1,071)</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

This variation in performance within the sample is also reflected in the proportion making profits although again it is not statistically significant (Table 5.2). Just over one in five businesses claimed not to be making profits over each of the past two years and this was irrespective of size.

As shown in other surveys of small firms, the most common experience of firms in this sample was a tendency to stay the same in employment size (Table 5.3). However, almost one in 10 had increased significantly whilst a further one in 10 had decreased significantly suggesting that for a minority of employers recruitment or redundancy issues had been addressed in the past two years.
Employers tended to be slightly more optimistic about their employment growth over the next two years: over a third expected an increase compared with a quarter actually increasing over the past two years (Table 5.4). There appears a difference in expectations according to size of firm: smaller employers were less likely to expect employment growth than larger employers in the sample but this was not statistically significant. This may be a result of them choosing to stay the same size rather than aim for expansion. However, it may also be a result of constraints in their market place or even the perceived effects of legislation.

Moreover, less than one in 10 expected employment decline compared with a fifth who had actually experienced decline over the past two years. This positive expectation about future expansion in employment is not unexpected. Other surveys have shown that employers have a tendency to be over-positive about their future performance and this combined with the difficulty in envisaging unforeseen problems tends to lead to an over-optimistic view.

The biggest constraints facing these enterprises were competition, followed by labour market factors and then government legislation or regulations (Table 5.5). However, when asked which was the main factor acting as a constraint on growth, employers cited competition in their markets, mentioned by a third of the sample, followed by government legislation or regulation (17 per cent), premises, rent and rates (12 per cent) and then labour market factors (11 per cent).

| Table 5.2: Did you make a profit in each of the past two years? (by size of firm) |
|------------------|------------------|------------------|------------------|
|                   | 1-9              | 10-19            | 20-49            | All              |
| Yes               | 72.5             | 75.9             | 72.2             | 72.7             |
| No                | 22.9             | 16.1             | 22.2             | 22.3             |
| Don’t Know/Not Applicable | 4.6             | 8.0             | 5.6             | 4.9             |
| Total             | 100              | 100              | 100              | 100              |
| N=                | 948              | 87               | 36               | 1,071            |
| Unweighted N=     | (349)            | (362)            | (360)            | (1,071)          |
| Source:           | SBRC IER Survey (2000) |

| Table 5.3: Change in employment over past two years by size of firm |
|------------------|------------------|------------------|------------------|
|                   | 1-9              | 10-19            | 20-49            | All              |
| Increased significantly | 9.6              | 12.6             | 22.9             | 10.3             |
| Increased a little   | 15.5             | 26.4             | 25.7             | 16.7             |
| Stayed the same      | 49.3             | 35.6             | 34.3             | 47.7             |
| Decreased a little   | 12.5             | 14.9             | 11.4             | 12.7             |
| Decreased significantly | 10.5             | 5.7             | 2.9             | 9.9             |
| Don’t know/not in business that long | 2.5             | 4.6             | 2.9             | 2.7             |
| Total               | 100              | 100              | 100              | 100              |
| N=                  | 949              | 87               | 35               | 1,071            |
| Unweighted N=       | (349)            | (363)            | (359)            | (1,071)          |
| Source:            | SBRC IER Survey (2000) |
| Note:              | \(P_{(10)}=23.597, \ \gamma=0.009\) |

Employers tended to be slightly more optimistic about their employment growth over the next two years: over a third expected an increase compared with a quarter actually increasing over the past two years (Table 5.4). There appears a difference in expectations according to size of firm: smaller employers were less likely to expect employment growth than larger employers in the sample but this was not statistically significant. This may be a result of them choosing to stay the same size rather than aim for expansion. However, it may also be a result of constraints in their market place or even the perceived effects of legislation.

Moreover, less than one in 10 expected employment decline compared with a fifth who had actually experienced decline over the past two years. This positive expectation about future expansion in employment is not unexpected. Other surveys have shown that employers have a tendency to be over-positive about their future performance and this combined with the difficulty in envisaging unforeseen problems tends to lead to an over-optimistic view.

The biggest constraints facing these enterprises were competition, followed by labour market factors and then government legislation or regulations (Table 5.5). However, when asked which was the main factor acting as a constraint on growth, employers cited competition in their markets, mentioned by a third of the sample, followed by government legislation or regulation (17 per cent), premises, rent and rates (12 per cent) and then labour market factors (11 per cent).
A detailed examination of the kind of legislation or regulations mentioned by employers as acting as a constraint on business performance reveals that ‘employment laws’ was the most commonly cited followed by ‘Health and Safety requirements’. Compared with previous government surveys it appears that employment legislation may have become more important for businesses within the overall picture of the constraints on their performance. For example, in the Department of Employment survey (Clifton and Tatton-Brown, 1979) employment legislation was mentioned by only two per cent of respondents as the single most important difficulty in running the business over the past year. Even allowing for any methodological variations between the two surveys, it would be fair to deduce that employers are more conscious of employment regulations in today’s environment than 20 years ago not least because of the rise in legislation during the period between the two surveys. This ‘effect’ clearly needs further investigation.

### Table 5.4: Expected change in employment over the next two years by size of firm

<table>
<thead>
<tr>
<th>Change Description</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase significantly</td>
<td>7.8</td>
<td>9.2</td>
<td>13.9</td>
<td>8.1</td>
</tr>
<tr>
<td>Increase a little</td>
<td>25.8</td>
<td>28.7</td>
<td>30.6</td>
<td>26.2</td>
</tr>
<tr>
<td>Stay the same</td>
<td>54.2</td>
<td>54.0</td>
<td>41.7</td>
<td>53.8</td>
</tr>
<tr>
<td>Decrease a little</td>
<td>3.5</td>
<td>3.4</td>
<td>2.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Decrease significantly</td>
<td>2.2</td>
<td>2.3</td>
<td>5.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Don’t know</td>
<td>6.4</td>
<td>2.3</td>
<td>5.6</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**N** = 948 (100), 87 (100), 36 (100), 1,071 (100)

**Unweighted N** = (348), (362), (360), (1,070)

**Source:** SBRC IER Survey (2000)

### Table 5.5: Constraints on business performance over last two years

<table>
<thead>
<tr>
<th>Constraint Description</th>
<th>Any mention</th>
<th>Main factor</th>
<th>N (Unweighted N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition</td>
<td>50.2</td>
<td>33.0</td>
<td>538 (524)</td>
</tr>
<tr>
<td>Labour Markets</td>
<td>33.9</td>
<td>11.1</td>
<td>363 (465)</td>
</tr>
<tr>
<td>Government Legislation or Regulations</td>
<td>33.3</td>
<td>17.0</td>
<td>357 (418)</td>
</tr>
<tr>
<td>Cash Flow/Bad Debt</td>
<td>31.3</td>
<td>10.7</td>
<td>336 (319)</td>
</tr>
<tr>
<td>Premises/Rent/Rates</td>
<td>31.0</td>
<td>12.3</td>
<td>332 (318)</td>
</tr>
<tr>
<td>Interest Rates/Cost of Finance</td>
<td>21.2</td>
<td>3.3</td>
<td>227 (187)</td>
</tr>
<tr>
<td>High Value Sterling</td>
<td>15.5</td>
<td>3.2</td>
<td>166 (194)</td>
</tr>
<tr>
<td>Access to Finance</td>
<td>9.6</td>
<td>1.8</td>
<td>103 (95)</td>
</tr>
<tr>
<td>Others</td>
<td>5.4</td>
<td>4.2</td>
<td>58 (60)</td>
</tr>
<tr>
<td>Don’t Know/No Main Constraint</td>
<td>–</td>
<td>3.4</td>
<td>32 (3.2)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>–</td>
<td>100.0</td>
<td>961 (977)</td>
</tr>
</tbody>
</table>

**N** = 961 (977)

**Source:** SBRC IER Survey (2000)

**Note:** ‘Any Mention’ is based on a multiple response question.
5.3 Negative effects of IERs

In order to provide a detailed exposition of the effects of IERs on the sample, employers were asked which rights have had a significant impact on their business. Of those small number of employers who stated that a particular right had affected their business, these effects were then divided between negative and positive effects. Overall, more business owners were able to articulate negative effects on their business in relation to each prompted area of legislation than positive effects (Table 5.6).

The single most important piece of IER legislation having an effect on these businesses is the National Minimum Wage (NMW) followed by maternity rights and then basic terms and conditions of employment. Although the percentages experiencing negative effects are low overall, there appears to be a strong positive relationship between size of firm and perceived impact. This is most probably a result of the greater likelihood of employers in the larger small firms having direct experience of managing individual employment rights. It appears that the highest negative scores were in the 20-49 size band and especially in relation to maternity rights, NMW and unfair dismissal.22

Analyses by business sector, broken down by standard industrial classifications, showed that there were relatively high negative counts within certain sectors in certain areas (Table 5.7). Employers in Distribution who expressed that IERs did affect their business were especially negative about the effects of IERs. Of course this analysis has to be set against the number of firms in each sector. For example, 81.9 per cent of employers in Hotels and Catering were negative about the effects of the NMW although the absolute number expressing negative effects (9) was less than those in Distribution (28). The results do, however, imply that it is small firms in this sector, which are having most difficulty in adjusting to meet the statutory rights of workers. Firms in Hotels and Catering were the most negative about the extension of rights to part-timers, most probably reflecting their high use of a part-time labour force. Those in Business and Professional Services recorded the highest number of employers being negative about maternity rights.

### Table 5.6: Significant impact of IERs by size of enterprise

<table>
<thead>
<tr>
<th></th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
<th>All</th>
<th>Unweighted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Negative</td>
<td>Positive</td>
<td>Negative</td>
<td>Positive</td>
<td>Negative</td>
<td>Positive</td>
</tr>
<tr>
<td>NMW</td>
<td>5.9</td>
<td>1.8</td>
<td>9.1</td>
<td>1.6</td>
<td>13.6</td>
<td>1.4</td>
</tr>
<tr>
<td>Basic Terms and</td>
<td>4.0</td>
<td>2.8</td>
<td>6.6</td>
<td>4.4</td>
<td>9.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Conditions</td>
<td>3.9</td>
<td>1.7</td>
<td>9.0</td>
<td>1.4</td>
<td>14.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Maternity Rights</td>
<td>3.5</td>
<td>0.0</td>
<td>8.0</td>
<td>1.2</td>
<td>10.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Unfair Dismissal</td>
<td>1.9</td>
<td>0.5</td>
<td>6.6</td>
<td>1.2</td>
<td>8.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Extension of Rights</td>
<td>1.7</td>
<td>0.1</td>
<td>2.3</td>
<td>0.9</td>
<td>5.5</td>
<td>0.5</td>
</tr>
<tr>
<td>to Part-Timers</td>
<td>0.9</td>
<td>0.6</td>
<td>3.8</td>
<td>0.1</td>
<td>4.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Limits on Working</td>
<td>0.9</td>
<td>0.6</td>
<td>1.6</td>
<td>0.3</td>
<td>4.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.2</td>
<td>0.7</td>
<td>0.4</td>
<td>0.4</td>
<td>0.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Work Breaks</td>
<td>0.3</td>
<td>0.0</td>
<td>0.6</td>
<td>0.0</td>
<td>1.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Disability Rights</td>
<td>0.0</td>
<td>0.0</td>
<td>0.8</td>
<td>0.0</td>
<td>2.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Anti-Discrimination</td>
<td>1.2</td>
<td>0.7</td>
<td>2.4</td>
<td>0.3</td>
<td>1.9</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)

Note: Percentages are expressed as a proportion of total sample in the relevant size bands. The seventh column shows the proportion of all employers reporting a negative effect. The eighth column shows the proportion of all employers saying that the relevant IER had had a significant impact.
An examination of the perceptions of the effects of IERs by female orientation of the workforce shows some important results (Table 5.8). Overall, the data shows that particular IERs have different perceived negative effects on small firms according to the percentage females in the workforce. Employers with at least 75 per cent of their labour force being females were most likely to record maternity rights and the extension of rights to part-timers as having a perceived negative effect on business performance. However, those employers having no female workers were more likely to record perceived negative effects resulting from limits on the working week and rights to regular time off work: that is IERs with no specific gender target. There were also some expected but significant differences according to whether an employer had been taken to an Employment Tribunal and perceived effects on their business performance. The latter were
much more likely to be negative about the impact of maternity rights and basic terms and conditions. These patterns reveal the uneven effects of IERs within the small business population and it is highly likely that these responses are based on experiences rather than vague perceptions because of relevance to their labour force composition.

Those business owners who stated that IERs had significantly affected their business were asked in what way. The biggest single effect was on ‘administrative workload’ (Table 5.9) followed by the ‘amount of legal advice’. There were also important employment volume and management effects. Adjustments in the numbers employed, or recruited in the past two years, the ways in which employees are managed and changes in employment contracts were all viewed as important changes in business operations by employers as a result of IERs.

This emphasis on a rise in the administrative workload as a result of individual employment rights should not be surprising. Other surveys have shown this to be the most immediate effect. Similarly, a rise in the amount of legal advice is not surprising and this confirms the results of other studies (e.g. Better Regulation Task Force, 2000b, 7-8). Few employers report a shift in the balance between male and female employees or a rise in the use of agency or self-employed workers. In other words, employers are dealing with those matters that are unavoidable as a result of IERs, i.e. a rise in administration. However, they are not making strategic shifts in their labour force composition as consciously, or immediately, as some commentators have suggested. One possible explanation for the emphasis on the rise in administration is that in many cases it is the employer who actually deals with these matters and the immediate impact of IERs may be to actually increase their workload. Given that most employers are antithetical to bureaucracy it is not surprising that this effect is recorded as the highest.

There are also some variations in the impact of IERs on businesses according to size (Table 5.9). The effects on the amount of administration workload and legal advice seeking are higher in the larger firms. However, the smaller firms appear more likely to report an impact on the numbers employed. Given the earlier finding that these employers are, however, less likely to be aware of the details surrounding IERs, it may be argued that this is a perception response rather than one based on experience. It could be argued that addressing these perceptions, even if they are not based on experience, is crucial if smaller firms are not to be deterred from taking on more employees.

| Table 5.9: Influence of IERs legislation on business operations by size of enterprise |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                | 1-9             | 10-19           | 20-49           | All             |
| Administration Workload        | 52.1            | 70.6            | 76.5            | 56.5            |
| Amount of Legal Advice         | 37.4            | 50.0            | 64.7            | 41.2            |
| Numbers Employed Over Last Two Years | 40.6        | 24.2            | 31.3            | 37.7            |
| Overall Business Performance   | 34.2            | 38.3            | 41.2            | 35.3            |
| Way Employees are Managed      | 33.2            | 35.3            | 41.2            | 34.0            |
| Changes in Employment Contracts | 27.3            | 38.2            | 43.8            | 30.0            |
| Changes in Employees, Attitudes or Performance | 20.4        | 24.2            | 31.3            | 21.7            |
| Balance Between Full- and Part-Time | 20.9        | 14.7            | 12.5            | 19.4            |
| Use of Agency or Self-employed Workers | 15.6        | 14.7            | 17.6            | 15.6            |
| Balance Between Males and Females | 8.6             | 0.0             | 5.9             | 7.1             |
| N=                              | 187             | 33              | 17              | 237             |
| Unweighted N=                  | (83)            | (133)           | (163)           | (379)           |

Source: SBRC IER Survey (2000)
Note: Includes those respondents who stated that employee rights have had a significant impact on their business.
The results also show that IERs were influencing the broader system of employment relations within these enterprises. Around a third of employers in the sub-sample said that there had been changes in the way in which employees are being managed and in their employment contracts. Employers were given the opportunity to explain their answers shown in Table 5.9. The bulk of those who were prepared to respond explained that there was less time for undertaking their core business as a result of administering legislation. An example of this is summed up in the following comment:

“… You need to ask about the actual administrative workload it involves. The number and thickness of changes has increased and areas which it has affected the business … that legislation represents somebody’s workload … whether you employ one person and have a turnover of £50,000 or 60 people and a turnover of £8m you’ve got to have one person dealing with these matters.” (Leather clothes manufacturer, wholesaler and retailer: 30 employed)

Others complained of the financial costs of implementing these rights for staff and that care was needed in keeping up to date with legislation. Some employers were concerned about the cost and worry associated with possible unfair dismissal claims. Strategically, but less significant, employers also explained that they were taking more care in who they recruited and when to recruit.

Those employers who had been taken to an Employment Tribunal recorded some distinctive effects on the impact of IERs on their business operations. These employers were much more likely to state that IERs influenced their decisions over the numbers employed or recruited, that they had affected the way in which they manage staff and that IERs had influenced their overall business performance (Table 5.10). They also perceived an influence of IERs on the way in which employees perform.

Overall, these results show that the impacts of IERs on small firms are not widespread in the sample. However, they suggest that for those firms that are being affected these effects have been mainly on administrative workload and that this is creating a diversion for employers from what they view as other mainstream activities. In other words, although the effects are not broad, the data suggests that there may be some deep effects on specific types of enterprise. The results also show that IERs are having the effect of making employers think more carefully about the type of staff they recruit.

### Table 5.10: Influence of IERs legislation on business operations by whether taken to an Employment Tribunal

<table>
<thead>
<tr>
<th></th>
<th>Been to Employment Tribunal</th>
<th>Not Been to Employment Tribunal</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration workload</td>
<td>55.6</td>
<td>56.2</td>
<td>56.5</td>
</tr>
<tr>
<td>Amount of legal advice</td>
<td>48.6</td>
<td>40.1</td>
<td>41.2</td>
</tr>
<tr>
<td>Numbers employed over last two years</td>
<td>60.0</td>
<td>33.7</td>
<td>37.7</td>
</tr>
<tr>
<td>Overall business performance</td>
<td>60.0</td>
<td>30.3</td>
<td>35.3</td>
</tr>
<tr>
<td>Way employees are managed</td>
<td>48.6</td>
<td>31.2</td>
<td>34.0</td>
</tr>
<tr>
<td>Changes in employment contracts</td>
<td>34.3</td>
<td>29.2</td>
<td>30.0</td>
</tr>
<tr>
<td>Changes in employees attitudes or performance</td>
<td>40.0</td>
<td>18.4</td>
<td>21.7</td>
</tr>
<tr>
<td>Balance between full- and part-time</td>
<td>5.7</td>
<td>22.3</td>
<td>19.4</td>
</tr>
<tr>
<td>Use of agency or self-employed workers</td>
<td>14.3</td>
<td>15.4</td>
<td>15.6</td>
</tr>
<tr>
<td>Balance between males and females</td>
<td>0</td>
<td>8.4</td>
<td>7.1</td>
</tr>
<tr>
<td>N=</td>
<td>35</td>
<td>202</td>
<td>237</td>
</tr>
<tr>
<td>Unweighted N=</td>
<td>(78)</td>
<td>(301)</td>
<td>(379)</td>
</tr>
</tbody>
</table>

**Source:** SBRC IER Survey (2000)

**Note:** Includes those who stated that IERs may have an impact on their business.
5.4 Positive effects of IERs

Although the bulk of employers tended to have negative views on the effects of IERs on their business performance, a minority perceived that they have positive effects (Table 5.6). The most common IER having the highest perceived positive affect on business performance was ‘basic terms and conditions of employment’ (three per cent of the sample) followed by ‘maternity rights’ and the NMW (2 per cent).

When asked what they see as the benefits of individual employment rights for their business, most employers answering stated ‘none’ (Table 5.11). However, one in five employers stated that legislation provided them with guidelines and clarification in setting the conditions for their workers. Almost 10 per cent of employers stated that IERs raised staff morale and engendered a feeling of security.

Table 5.11: Main benefits of IERs for business (unprompted)

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>64.8</td>
</tr>
<tr>
<td>Provides guidelines and clarification</td>
<td>19.9</td>
</tr>
<tr>
<td>Increases staff morale and security</td>
<td>9.3</td>
</tr>
<tr>
<td>Business regarded as good employer</td>
<td>1.4</td>
</tr>
<tr>
<td>Prevents discrimination</td>
<td>1.3</td>
</tr>
<tr>
<td>Allows flexible hours</td>
<td>0.1</td>
</tr>
<tr>
<td>N=</td>
<td>1,070</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Note: Based on unprompted responses from employers.

5.5 Perceptions of IERs in the context of running a business

The analysis so far has shown that employers do recognise the need for workers to have certain statutory rights. At the same time, they have indicated that the adoption of IERs incurs a cost. The following sentiment illustrates the concern for some employers:

“**The biggest challenge from the current legislation that we have concerns the Working Time Directive. The biggest impact [has been] on costs and what we charge our customers. In addition, we are now responsible for paying maternity pay to temporary staff.”** (Recruitment Agency: 11 employed).

Perceptions on the balance between the effects of IERs on the needs of the business and the needs of employees are shown in Table 5.12.

Table 5.12: Views on the balance of individual employment rights

<table>
<thead>
<tr>
<th>Size band/Per cent</th>
<th>1-9</th>
<th>10-19</th>
<th>20-49</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>In favour of the employee</td>
<td>53.3</td>
<td>67.8</td>
<td>66.7</td>
<td>55.0</td>
</tr>
<tr>
<td>A fair balance</td>
<td>34.5</td>
<td>26.4</td>
<td>27.8</td>
<td>33.6</td>
</tr>
<tr>
<td>In favour of the business</td>
<td>1.2</td>
<td>1.1</td>
<td>0.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Don’t know</td>
<td>11.0</td>
<td>4.6</td>
<td>5.6</td>
<td>10.3</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: SBRC IER Survey (2000)
Overall, employers believed that the balance of individual employment rights was in favour of the employee as opposed to the business. However, one in 10 employers were not able to offer a view and did not know.

There appeared to be a positive relationship but not statistically significant between the size of the enterprise and the view that the balance was in favour of the employee. Amongst the smaller firms in the sample (1-9 workers) just over half stated that IERs were in favour of the employee whilst just over a third said they were a fair balance. These smaller employers were also less likely to have a positive view than the larger employers, most probably because of their lower experience of dealing with employment rights. These results are somewhat curious given the earlier finding that it was smaller employers who stated that IERs were a deterrent to them recruiting.

Comparisons by business sector showed that those employers in Primary and Health, Domestic and Personal sectors were much more likely to state that these rights were in favour of the employee (Table 5.13). What is surprising is the relatively high proportion in high value added manufacturing also stating that these rights are in favour of the employee.

Other employers who have been to an Employment Tribunal (N=82) were, as expected, more likely to state that the balance of rights was in favour of the employee, 74 per cent compared with 53.3 per cent in the rest of the sample \( \chi^2(3)=13.913, \ p=0.000 \). None of these enterprises believed the balance to be in favour of the enterprise.

To some extent, it might be argued that the above results are to be expected given that these are rights of workers rather than the enterprise. Similarly, the proportion stating that the current legislation on IERs represents a fair balance between the needs of employees and the business may also be higher than expected. However, it must be remembered that only one per cent of employers stated that IERs were operating in favour of the business.

### Table 5.13: Views on the balance of employment rights by business sector

<table>
<thead>
<tr>
<th>Business Sector</th>
<th>In favour of the employee</th>
<th>In favour of the business</th>
<th>Don’t Know</th>
<th>Total</th>
<th>Unweighted N=</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>67.8</td>
<td>23.7</td>
<td>8.5</td>
<td>100</td>
<td>59</td>
<td>(93)</td>
</tr>
<tr>
<td>Low VA Manufacturing</td>
<td>60.2</td>
<td>26.5</td>
<td>12.2</td>
<td>100</td>
<td>98</td>
<td>(107)</td>
</tr>
<tr>
<td>High VA Manufacturing</td>
<td>71.4</td>
<td>19.0</td>
<td>9.5</td>
<td>100</td>
<td>21</td>
<td>(81)</td>
</tr>
<tr>
<td>Construction</td>
<td>57.5</td>
<td>23.6</td>
<td>18.9</td>
<td>100</td>
<td>106</td>
<td>(108)</td>
</tr>
<tr>
<td>Distribution</td>
<td>55.2</td>
<td>30.2</td>
<td>11.5</td>
<td>100</td>
<td>252</td>
<td>(128)</td>
</tr>
<tr>
<td>Hotels and Catering</td>
<td>41.5</td>
<td>54.3</td>
<td>4.3</td>
<td>100</td>
<td>94</td>
<td>(101)</td>
</tr>
<tr>
<td>Transport and Communications</td>
<td>65.9</td>
<td>17.1</td>
<td>14.6</td>
<td>100</td>
<td>41</td>
<td>(90)</td>
</tr>
<tr>
<td>Business Prof Services</td>
<td>48.8</td>
<td>43.2</td>
<td>7.7</td>
<td>100</td>
<td>324</td>
<td>(183)</td>
</tr>
<tr>
<td>Health, Domestic and Personal</td>
<td>71.7</td>
<td>17.4</td>
<td>10.0</td>
<td>100</td>
<td>46</td>
<td>(88)</td>
</tr>
<tr>
<td>Other Services</td>
<td>63.0</td>
<td>25.9</td>
<td>7.4</td>
<td>100</td>
<td>27</td>
<td>(80)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>55.1</strong></td>
<td><strong>33.5</strong></td>
<td><strong>10.3</strong></td>
<td><strong>100</strong></td>
<td><strong>1,068</strong></td>
<td><strong>(1,069)</strong></td>
</tr>
</tbody>
</table>

*Source: SBRC IER Survey (2000)*
Finally, there appeared to be a relationship between knowledge levels of owner-managers and views on the impact of IERs on their business. This is demonstrated with reference to owner-managers’ scores on the composite variable: their views on the balance of IERs and the overall impact of IERs on their business. The results appear to show a negative relationship between those employers who were unsure about the balance of rights and their score on the composite variable. Those employers with low scores on the composite variable had less strong, or less definitive, views on the balance of IERs towards employees. For example, those that replied ‘don’t know’ scored 14 on the composite variable compared with 16 for those that stated that there was a balance in favour of the employee. Similarly, when asked whether the overall impact of legislation was ‘a burden, of no significance, a benefit or don’t know’, there appeared a relationship between knowledge levels and the view that it was ‘a burden’. Mean scores on the composite variable were lower for those that replied ‘don’t know’ (mean score 14) and of ‘no significance’ (16) compared with those who stated that it was a burden (17). These results may suggest that as knowledge levels on IERs are raised, owner-managers are more likely to have views on the effects of IERs and these are more likely to be negative. However, it is likely that these views are to be conditioned by their specific motivation to understand IERs. Those raising knowledge levels for the purpose of settling a dispute or claim are likely to have negative views compared with those raising knowledge to comply with a specific IER.

5.6 Summary: Perceptions of the effects of IERs on business performance

The major conclusions to emerge from this investigation of the perceptions of the effects of IERs on business performance can be summarised as follows:

- First, the main factor constraining future growth was competition in the market place followed by labour market factors and then legislation.
- Second, only 17 per cent of employers mentioned government legislation or regulation as a main factor acting as a constraint on growth. This was way behind competition (33 per cent) but above premises and rates (12 per cent). The smaller the enterprise the less growth experienced and the lower the expectations of future growth. This is not unsurprising: the majority of small firms stay small.
- Third, when asked what kind of legislation or regulation was constraining growth, those employers who had indicated that this was a main constraint cited employment legislation as the most common problem – especially NMW and maternity rights.
- Fourth, size of small firm is an important factor in owner-manager perceptions with micro-enterprises (less than 10 employees), in general, having less negative attitudes. A minority of those employing 20-49 people was particularly critical of maternity rights, NMW and unfair dismissal rights. This suggests a size threshold in the effects of IERs on enterprise. However, these results also have to be set against the fact that many smaller employers were unaware of IERs and so were not able to discuss their effects.
- Fifth, sector is also a key to understanding the perceptions of small business employers towards IERs with small firms in Distribution and Hotels and Catering in particular recording negative effects. These are sectors with low margins and are often subject to working long hours.
- Sixth, the relationship between staff composition and the perceived effects of IERs is complex. For example, those employers with the highest proportions of females in their workforce were most likely to record negative effects of maternity rights. However, those employing no females were most likely to report negative effects of the impact of the NMW, basic terms and conditions, limits on the working week and regular time off.
- Finally, the experience of being taken to an Employment Tribunal appears to cultivate a negative perception on the effects of IERs on business. The experience is also likely to affect the numbers recruited or employed.
Overall, this Chapter has tended to show that the perceived effects of IERs on business have increased. Compared with the survey over 20 years ago, the results show a rise in the significance of IERs on small business performance. However, even in the light of the evidence presented the breadth of effects across the sample remains low. What is more important are the effects on specific types of enterprise, where IERs apply to a large proportion of the labour force or employment practices in a particular sector.

Endnotes

19 This was a telephone survey of 1500 businesses employing 0-249 employees.
20 A great deal of the small firm surveys are conducted by small business representative and support groups on their own members and it can be argued that these are not representative of the whole small business population.
21 See the LloydsTSB/Small Business Research Trust quarterly survey (2001) for recent focus on government regulations and how owner-managers’ rank these as a burden on business against other factors.
22 The positive relationship between the size of firm and negative effects is confirmed elsewhere (Small Business Service, 2001, pp.63-65).
23 In two instances, ‘Impact of NMW’ and ‘Basic Terms and Conditions’ the Negative Count was the same in those firms employing no females and those employing 1-24 per cent females. For the purpose of Table 5.8 those showing the highest (negative and positive counts) are included.
24 Using analysis of variance, these results are statistically significant (f=22.9; p=.000).
CHAPTER 6
Conclusions and policy implications

6.1 The research context

Almost since the publication of the Bolton Report (1971), the significance of small firms in the economy has continued to rise. This has presented economic analysts and policymakers with new challenges as they seek to understand and influence the activities and behaviour of owner-managers. One fundamental weakness, however, is a lack, or even absence, of reliable empirical evidence on small firms.25 This report has presented new evidence on individual employment rights in small firms based on telephone interviews with 1071 owner-managers. The principal aims of the research were to: explore their awareness and knowledge of IERs; investigate their sources of advice and information used and their advice-seeking behaviour; and report on employers’ perceptions of the effects of IERs on their business. The results are representative of the small firms’ population (defined here as employing between one and 49 people) and the results presented have been grossed-up to the GB enterprise population using the IDBR (see Chapter 2 Methodology and Appendix A).

The range and depth of coverage of the IERs on the statute book examined in the study was extensive. The aims of this Chapter are to pull together some of the key themes from the analysis and suggest any implications for policy and future research.

6.2 Small employers’ awareness and knowledge of IERs

Overall, in their self-assessments owner-managers were not confident about their knowledge of individual employment rights. This was most likely to be the result of the absence of an in-house personnel function, and that employment rights were dealt with by these employers on a ‘need-to-know’ basis. This lack of confidence, at the level of the sample as a whole, masked minor size and sector variations. Thus, behind the crude relationship between size and knowledge levels there were a number of intervening factors, which would also be influential. One particular example is firms in the Hotels and Catering sector where employers expressed the highest levels of confidence. It is argued that the relative low wages in the sector and the higher proportions of females in the labour force, means that employers have had to come to terms with certain individual employment rights (e.g. NMW and maternity rights) on far more occasions than those in other sectors. This further reinforces the theme of employers’ awareness and knowledge on a ‘need-to-know’ basis. Those firms at risk from the effects of employment rights because of their particular characteristics will have to become more au fait with the legislation. This implies that there will be variations in employers’ knowledge levels even when size of firm is controlled because of the heterogeneous nature of their activities, variations in their labour force composition and events such as an industrial dispute.

One major theme explored in the survey was the awareness and knowledge levels of new, relative to older, established legislation on individual employment rights. The results showed no fixed pattern. Indeed, awareness and knowledge of some newer pieces of legislation was much higher than some longer-established rights. For example, awareness of the National Minimum Wage was almost universal in the sample whereas the right to maternity leave, irrespective of length of service, was less well known. This is most probably a reflection of the publicity surrounding the NMW, its wide applicability and its relative simplicity. However, some other new employment rights were not at all well known particularly in relation to parental leave. Again the size of enterprise was a major discriminator in knowledge levels. The theme to emerge here was
that not only are smaller firms less likely to be knowledgeable about employment rights, awareness of new legislation takes a longer time to enter the consciousness of the very small employer.

The theme of size of enterprise as an important determinant in awareness and knowledge levels emerged again and again in the analysis. Some of the reasons for this are apparent in the results: smaller enterprises were less likely to have to deal with the breadth and depth of individual employment rights on the statute books merely because they employ fewer people; smaller firms in the sample were likely to have less resources devoted to personnel matters and instead relied on the owner-manager to address issues on a need-to-know basis; and smaller enterprises were less likely to have experienced employment disputes or have been taken to an Employment Tribunal. The latter was shown to raise awareness and knowledge levels significantly. Combined with our understanding of why owner-managers go into business for themselves, that is to produce goods or services that they are interested in for their customers or clients (see for example Scase and Goffee, 1987:Ch3) (rather than employ people), it is no surprise that this relationship between size of enterprise and knowledge levels has been observed.

Conversely, employers who showed highest levels of awareness of employment rights could, it may be argued, be those whose enterprises were at risk to the effects of these rights. These were more likely to be the larger small firms in our sample. The analysis showed that a size threshold for higher awareness and effects of employment rights occurred at 20 or more workers. A priori, around this size band, it could be argued, employers are more likely to have to engage in a broader range of employment rights issues and have more resources to remain au fait with the latest pieces of legislation.

The results, however, showed only marginal evidence of a more formal personnel management structure in the larger firms: even in those firms employing more than 20 workers the personnel function was still characterised by ad hoc decision making by the employer and as only a minor part of their role. Inevitably, the larger the enterprise the more likely employers would encounter the breadth and depth of employment rights issues. The few exemptions that exist on IERs for smaller firms (such as certain disability rights for enterprises with less than 15 employees) may have added this size differentiation in awareness levels. However, the absence of knowledge displayed on exemptions by micro-firms suggests that this may not be of major significance. Larger firms in the sample were, however, more likely to have been involved in an employment dispute, or taken to an Employment Tribunal, thus reinforcing employers’ need to become familiar with employment rights. Clearly, there were increased pressures to become more familiar with IERs the larger the enterprise. The evidence does suggest, however, that raising awareness and knowledge levels was through necessity rather than any active desire.

Of course, legislation on individual employment rights sets out the minimum requirements. For most employers, ignorance did not mean that they were flouting these basic rights for their staff. In some sectors, such as Business and Professional Services, knowledge levels were low but some evidence showed that these employers were going beyond the legal minimum. For example, small employers in sectors with tight labour markets have to pay high salaries and offer competitive employment terms and conditions. Interviews with employers of such enterprises revealed a low level of detailed knowledge of legal individual employment rights but relatively high terms and conditions of employment.

It is arguable that the knowledge levels of owner-managers are often mixed with their own notions of natural justice and what they believe workers’ entitlements should be. These instinctive notions of the rights of workers will inevitably influence the acceptability and understanding of statutory IERs. Thus, if an employer has a belief, for example, in the right for an employee to take time off for dependants then the introduction of legislation will be better received and integrated into employment practices. The influences on owner-managers’ notions of the natural right of their employees are complex. These must include the owner-managers’ own employment experiences, together with the structural influences of their particular business sector such as labour market factors and internal enterprise conditions.
6.3 Advice and knowledge seeking activities

Given the low levels of knowledge on individual employment rights, the rise in employment legislation and the finding that small employers seek advice and information on a need-to-know basis, it was anticipated that the advice-seeking activities of these employers would be high. However, on the other hand, there is substantial evidence to suggest that owner-managers are reluctant advice seekers. This is because of the opportunity costs of searching for advice, employers’ scepticism of the advice that is available and that going outside the enterprise may be perceived as a sign of weakness so much so that some have called this a ‘fortress enterprise’ mentality (Curran and Blackburn, 1994). Whether or not this general context could be applied to the specific situation of individual employment rights is important. The results showed that employers had used a variety of sources of advice although there were clear preferences. Employers were most prepared to use accountants and solicitors for advice and information, followed by government departments such as the DTI and ACAS. Employers also provided numerous names of accountants and solicitors, many locally based, who were consulted over employment practices. Significantly, Chambers of Commerce and Employers’ Federations and local support agencies, including Business Links, were amongst the least used sources, confirming findings of other studies (e.g. Harris 2000). Employers were prepared to pay for this advice: the most popular sources were fee-based.

A number of themes emerged in this analysis. There were some important size and sector variations in the sources of advice and information. For example, as firms became larger it appeared that they were more likely to engage with more formal providers and those from membership groups. These firms were also more likely to approach government departments and ACAS, presumably because of their greater likelihood of having an employment dispute. Variations in sources of advice within the sample were also illustrated by the very high use of trade bodies by enterprises in Primary and Construction and an absence in Business and Professional Services. Obviously the industry sub-culture influences the networks of advice seeking.

These variations are significant not only because they map the differences between enterprises according to particular groupings, but they also help identify important avenues for communicating information and advice to businesses regarding IERs. A stronger recognition of these existing routes will help government, for example, find appropriate ways of consulting and transmitting messages to small firms in relation to employment rights.

New forms of advice and information delivery, particularly websites, were of growing importance although they had not overtaken more conventional forms of delivery. Nor was there any indication that they would. The single most popular form of delivery was over the telephone and then face-to-face. The survey results found high levels of satisfaction with the sources of information and advice used and method of delivery. Thus a main theme to emerge here was that there was little or no evidence of a shortage of supply of advice and information on individual employment rights.

6.4 Perceptions of the effects of IERs on business performance

As the volume and complexity of legislation relating to business expands, employers’ representative bodies have complained increasingly that this creates operational problems particularly for small firms. In all the analysis a major theme to emerge was the relative buoyancy of these enterprises in terms of turnover and employment. A self-analysis of the constraints on business performance over the past two years revealed competition in markets to be the overwhelming factor. This confirms findings of earlier studies (Clifton and Tatton-Brown, 1979; Scott et al., 1989). In other words, employment legislation was not the overriding factor in business performance.
However, there was evidence to suggest that employment legislation was rising in importance as a constraint. Compared with earlier surveys (e.g. Clifton and Tatton-Brown, 1979; Scott et al., 1989) mention of employment legislation has risen in rank order. Employers were particularly affected by the rise in administration which IERs legislation had created for them.

Few employers provided evidence of a strategic response to the effects of individual employment rights on their enterprise. For example, employers were unlikely to report switches in the composition of their labour force as a result of the introduction of rights for part-timers. Thus, the argument that such rights may create prejudices against certain types of employees, by for example strategic changes in recruitment patterns, were not founded in the sample. Whether or not these fears are totally unfounded, or will take time to emerge, remains to be seen.

Our evidence found that whilst the impact of IERs on the sample was not broad, in the sense of affecting many businesses, they may be affecting specific types of enterprise at risk in terms of their size, sector and employment composition. Smaller firms in the sample were less likely to report negative effects, which fits in with the earlier findings that they were also less aware of the details of employment legislation. Moreover, the survey revealed that different types of IER were affecting different types of enterprise. For example, maternity rights were more likely to affect employers with a high proportion of females and it was these employers who were most likely to record negative effects re maternity rights.

The results also reveal a curious, though not illogical, pattern on assessing the effects of IERs. Although the bulk of employers tended to be vague in their knowledge of employment rights, they were prepared to be critical of the effects of this legislation on their enterprise. This suggests that the results of surveys of this kind are influenced by a negative predisposition on the effects of government intervention. Clearly, this predisposition and subsequent perception need addressing and need unpacking further. For example, it could be that these perceptions are rooted in the self-definitions of owner-managers. Many owner-managers are resistant to external guidance or advice, let alone legislation, and even without knowing the detailed effects many start with a negative disposition. It may also be that perceptions of the effects of IERs on enterprise are also bound up with other government interventions such as taxation.

Although a focus of the effects of IERs on business performance has tended to be critical, the survey found that some employers were supportive of these rights. Some employers were able to recognise that legislation provides them with guidelines and clarification, and increases staff morale and security. However, the finding that almost two-thirds of employers did not record a benefit of the effect of IERs on their business does suggest that they have a negative outlook. Indeed, the results do suggest that when employers are captured and have to deal with IERs, they are more likely to be critical of them.

Endnotes

25 For a rationale of this position see Curran and Blackburn (2001).
References


References


APPENDIX A
Technical Report

1. INTRODUCTION

This appendix is a technical report to the project undertaken by the SBRC (Kingston University), in association with Prism Research, which aims to raise our knowledge levels of owner-managers’ understanding of IERs. In particular, the study seeks to explore:

- Small employers’ general awareness and detailed knowledge of individual employment rights.
- Small employers’ sources of advice and information on IERs and their advice-seeking behaviour.
- The factors affecting employers’ awareness of employment rights.
- Small employers’ perceptions of the effects of IERs on business performance.

The purpose of this technical report is to cover the key methodological issues in the study.

The report has three sections:

Section 2: Sampling approach
Section 3: Questionnaire delivery, piloting and interview schedule
Section 4: Post-interview procedures
Section 5: Post-fieldwork report

2. SAMPLING APPROACH

Sampling aspects of the survey are covered under the following sub-headings:

- Sample size
- Sample selection criteria
- Sampling frame

2.1 Sample size

The first major requirement was to determine a suitable sample size for the survey. The overall sample size was determined, at 1,000 cases, although this was boosted, yielding a final survey total of 1,071 cases. Essentially this figure was determined as the largest sample that could be delivered within the budget, to minimise overall sampling errors, and maximise robustness of sub-sample analysis.

A further important consideration was, however, the degree to which, and the ways in which, it might be desirable to disaggregate the results. Although the overall survey size had been fixed, it was important to consider the potential sizes of any subsets that would inform the study. These were likely to relate to groups of firms whose views and experiences might be expected, a priori, to differ for some reason from those in other groups, for example: the overall size band of firms for the study was determined as ‘sub-50’ employees. However, because size of firm was assumed to be a crucial variable in this study, exerting a strong influence on both the need for knowledge of employee rights, and its presence or absence within firms, it would be useful,
therefore, to be able to analyse the data by smaller employee size bands. Prior research told us that some aspects of employee rights legislation affects some industrial sectors more than others. For example, Minimum Wage legislation has impacted more on the Hotels and Catering, and Care sectors.

Similarly, there might be geographical differences in the knowledge and awareness of employee rights legislation. Here, care had to be exercised not to confuse locational bias with other parameters such as size and sector. However, it can be hypothesised that other reasons might exist for regional differences. For example, differences could arise from labour market conditions – are managers in slack labour markets less worried about legislation and rights? As with sectoral issues, Minimum Wage legislation may have impacted more on areas with low wages. (It has had virtually no impact on the London area, due to the high earnings level, which has to be paid there. This is not the case in the North West.) However, given that earnings levels are closely correlated with the relative slackness or tightness of labour markets, a strategy which acknowledges this factor might be sufficient to take care of the geographical factor. These issues are discussed in more detail below.

2.1.1 Sub-sample robustness

The robustness of results from a sample, or sub-sample, provided that the population from which it is drawn is large, is primarily dependent on:

i) actual size of the sample (or its proportion of the population, in small populations);

ii) the type of question;

iii) the distribution of responses.

Essentially, the higher the sample size, and the more skewed the responses, the smaller is the margin of sampling error. Some useful points can be emphasised at this juncture:

i) Unless the sample forms a large proportion of the overall population (which clearly would not be the case with this survey), it is the sample size which counts, not its proportion of the total. Thus, to minimise standard errors in cases where different areas, or other segments of the sample are to be compared, it was considered preferable to have equal samples in those areas or segments.

ii) Although the ‘skew’ of responses affects error margins, its impact is much smaller than that of sample size.

iii) The improvement in robustness gained by increments to sample size starts to drop off significantly as the sample size increases.

iv) Thus, in considering sample size, it is not so much the overall sample that is at issue – it is the size of sub-samples which is critical, and then the capacity of these sub-samples for further disaggregation.

Generally, therefore, larger samples give greater capacity for sub-sample analysis. Equally, it is better to have larger sub-samples, where possible, to ensure that robustness is not lost.
2.2 Sample selection criteria

Unless there are known reasons for doing otherwise, the most obvious approach to sample selection is to draw firms randomly from a given population – a true random sample. The corollary of this is that the point of selecting firms according to other criteria, as argued above, is that, using prior knowledge, it is possible to predict that phenomena of interest to the survey are not randomly distributed within the population; or, if they are, they are sparsely distributed and would be poorly represented in a pure random sample. Armed with this knowledge, firms known to exhibit these interesting characteristics can be over-sampled to ensure that robust numbers are included in the survey response.

Of course, there are limits to such an approach:

i) First, it is only possible to over-sample for a limited range of criteria, as the selection procedures rapidly become too complex and unwieldy.

ii) Second, some ‘interesting’ criteria may not be known about a firm at the sample selection stage – the range of known characteristics of businesses within any business database is limited to factors such as its size, sector, status, etc. Factors such as the age or qualifications level of the owner-manager(s), for example, can only be learnt during interview, making it difficult to control for such factors. (Of course, if the sample turns out subsequently to have robust coverage of such factors, the data can still be analysed by them.)

iii) Third, although it was recognised that the pre-pilot survey would assist with this, it would also be the case that some influencing factors might emerge only after the survey had been completed.

iv) Fourth, in a fairly wide-ranging survey, such as this, different criteria could be influencing different aspects of the investigation. For example, sectoral differences might be critical in relation to Minimum Wage or Health and Safety legislation, whereas company size might be more important in relation to other employee rights legislation.

Bearing these general points in mind, the selection criteria will now be covered in more detail.

2.2.1 Autonomy and ownership

It was agreed that the survey should focus on independent businesses, on the basis that firms that are outlets, branches or subsidiaries of a larger group are likely to rely on a central administration for their personnel functions, and have little need to have independent knowledge of employee rights issues, except on a day-to-day basis – such operations can quickly get answers to any questions arising from their central administrations.

It was considered whether it might be of interest to include some operations of overseas-owned firms, to gain a perspective on whether overseas-owned firms may be put off the UK by individual employee rights legislation. However, this might be better covered by an independent survey, which looked at the investment picture for overseas firms as a whole, in which the regulatory environment would be only one part of the survey agenda.

Thus, it was decided that all businesses selected would be independent, UK-owned businesses. The database proposed for this survey contained this information, but this point was also verified at an early point in the questionnaire (at the preamble stage) to determine the suitability of the business for interview.
2.2.2 Business size

Business size is a critical component in this survey. It is clear that, if employee rights issues were randomly distributed in relation to the employee population, then the larger the firm, the more issues that would be expected to arise. Thus, for example, the typical firm with 10 employees is twice as likely as the one with 5 employees to have had an employee who becomes a parent, twice as likely to have had a person from an ethnic minority apply for a job, and twice as likely to be taken to an Employment Tribunal. Although, of course, these factors are not randomly distributed between employees, the general rule applies that the larger the firm the more likely it would be for employee rights regulations to have arisen as an issue. However, as recognised in the Brief and the original proposal, firms over a certain size threshold tend to have personnel expertise within the business, which enables them to deal more easily with these issues. Hence the desire to limit the survey sample frame to firms employing 50 employees or less.

However, although a maximum size was agreed at the outset, no minimum size had been pre-determined. A further issue to consider was the most appropriate size banding to use within the under 50 employee firms. On the issue of minimum size, following consultation with the Small Business Service, it was decided that the survey should cover all sizes of small firm, down to, but not including zero employees businesses. Although it was recognised that more interesting findings might emerge from the larger micro-businesses, such as the 5-10 employee band, it was felt on balance that no size bands should be excluded, except the zero employee businesses. Such firms were excluded on the grounds that their owners had less experience or even no need to be aware of, Individual Employee Rights.

Secondly there was the question of size bands. As argued above, it was considered that, for statistical reasons, the propensity for there to be IER-related issues was likely to rise quite rapidly at the lower end of the size bands, then tail off, once businesses were of a minimum size. This would imply the size bands should be quite tight at the lower end and larger at the upper end. It was determined that the bands would be as indicated in Table 1.

Table 1: Sample frame structure by size of business

<table>
<thead>
<tr>
<th>Size bands</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-9 employees</td>
<td>330*</td>
</tr>
<tr>
<td>10-19 employees</td>
<td>330*</td>
</tr>
<tr>
<td>20-49 employees</td>
<td>340*</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,000</strong>*</td>
</tr>
</tbody>
</table>

Note: *These figures were subsequently raised to 360, and 1,080, respectively.

2.2.3 Age/Life cycle

There is little doubt that age or stage in the life cycle of the firm could be a relevant issue (although possibly correlated to size, to some degree), however, using this as a sample selection criterion presented a problem. Although this data was held on the firms in the proposed database, it was recognised that it would be difficult to weight the sample data back to the business population, unless the age distribution of the business population was known and available from the IDBR.26 Certainly, the AES27 could not be used for this purpose, as age is not an available survey output.
2.2.4 Industry sector

The question here was whether a random sample would deliver a satisfactory distribution of firms within sectors to allow statistical analysis. Of course, if there is no variation between the key variables investigated, then there would be no need to concern ourselves with the sector of a firm. However, evidence suggests that this is not the case. In the first instance, firms that pay poorly are concentrated in particular sectors. Clearly, this would affect their awareness of and concern with Minimum Wage legislation, but it might also affect other aspects of legislation, too. Poor payers might, for example, be more reluctant to allow employees their rights in other respects, too.

Of course, it was not possible to second guess all the sectoral influences which might emerge from the survey, but it could be reasonably assumed that there would be some. The choice here was as with other factors, to allow the cases to fall where they would, or to oversample from some sectors and undersample from others. The latter course of action was followed with minimum samples from selected sectors, to ensure adequate coverage for subsequent analysis.

A second issue with sectors was the degree of disaggregation to be used. Clearly, it would be impractical to sample at the 4 or 5 digit SIC92 level. Even at 2 digit SIC92 level, there are over 60 divisions, which would yield an average sample size of 15 cases per sector. Again, this would be of no use for analysis purposes. A more practical approach was felt to be to use the 17 sector broad level SIC92. However, this would still yield only 60 cases per sector, while at the same time, it might be insufficiently accurate to pick up some of the sectoral nuances required.

It was decided, therefore, to use a sectoral selection, which bands together some of the 17 sector divisions, and disaggregates others to a finer level. These aggregations were based on sectoral groupings known to have different workforce characteristics, based on gender, wage levels, status, etc. The industrial structure used in the survey is illustrated in Table 2.

Table 2: Sector categories used in the survey

<table>
<thead>
<tr>
<th>Sectors (SIC92 2 Digit Sectors)</th>
<th>Description</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-14</td>
<td>Primary</td>
<td>100</td>
</tr>
<tr>
<td>17, 18, 19, 20, 22, 25, 26, 28, 29, 31, 33, 36</td>
<td>Low VA Manufacturing</td>
<td>100</td>
</tr>
<tr>
<td>15, 16, 21, 23, 24, 27, 30, 32, 34, 35, 37</td>
<td>High VA Manufacturing</td>
<td>100</td>
</tr>
<tr>
<td>45</td>
<td>Construction</td>
<td>100</td>
</tr>
<tr>
<td>50-52</td>
<td>Distribution</td>
<td>100</td>
</tr>
<tr>
<td>55</td>
<td>Hotels and Catering</td>
<td>100</td>
</tr>
<tr>
<td>60-64</td>
<td>Transport &amp; Communications</td>
<td>100</td>
</tr>
<tr>
<td>65-67, 70-74</td>
<td>Business &amp; Professional Services</td>
<td>100</td>
</tr>
<tr>
<td>85, 93, 95</td>
<td>Healthcare, Domestic &amp; Personal Services</td>
<td>100</td>
</tr>
<tr>
<td>92</td>
<td>Other Services</td>
<td>100</td>
</tr>
</tbody>
</table>

2.2.5 Geographical criteria

As suggested above, geographical differences in data are often explicable in terms of other factors, which happen to be distributed differently across different geographies. In this sense they may be more genuinely attributed to sector, or size differences, for example, rather than genuinely spatial factors, such as distance from markets, rurality, etc. In this sense, there are few _a priori_ reasons for choosing to select samples from particular geographies in the UK.

However, in the discussion above, it was inferred that labour market tightness or slackness might be a factor which would influence managers’ perspectives on employee rights legislation.
One way of reflecting such tightness or slackness was to use regional wage rate data (all sectors) as a proxy, to provide some structure to the different labour market contexts small firms find themselves operating in. Using data on average gross weekly earnings and regional wage inflation derived from the UK Multi-Regional Model (MRM) constructed by the Northern Ireland Economic Research Centre (NIERC) and Oxford Economic Forecasting (OEF) it was possible to arrive at a simple typology of “regions”. These were:

- South East (i.e. Greater London and ROSE)
- Eastern, North West and Scotland
- West Midlands, East Midlands, Yorkshire & Humberside, North East, Merseyside, Wales and the South West

2.2.6 Summary

In summary, a method which uses disproportionate random sampling within size and sector stratifications was adopted – in order to allow adequate representation of less numerous but potentially more ‘interesting’ establishments.

This resulted in a sampling framework with a quota for each region (Table 3).

### Table 3: Sampling framework

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Size bands</th>
<th>Total cases</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2-9</td>
<td>10-19</td>
</tr>
<tr>
<td>Primary</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Low VA Manufacturing</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>High VA Manufacturing</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Construction</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Distribution</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Hotels and Catering</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Transport &amp; Communications</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Business &amp; Professional Services</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Healthcare, Domestic &amp; Personal Services</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Other Services</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td><strong>Totals per region</strong></td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td><strong>X 3 regions (see 2.2.5 above)</strong></td>
<td>360</td>
<td>360</td>
</tr>
</tbody>
</table>

Of course, although quotas were drawn in this way, to ensure proper control of the stratification, this does not mean that analysis can be presented at the regional level, by size and sector breaks, as shown above. To do so would be to rely on very small samples. At the regional level, data will be presented either by coarser sectoral groups, such as manufacturing/service, or by size bands alone. Even in these cases only statistically significant differences will be highlighted.

The contracted number of interviews was 1,000, but a number of additional interviews were carried out to give even numbers in the sampling matrix and allow some flexibility in subsequent analysis to exclude any out-of-quota interviews that might be uncovered, whilst still maintaining the integrity of the original matrix. A final total of 1,071 interviews were achieved, with 12 cases in most cells. The achieved sample composition is presented in Tables 4 and 5. While the size quotas were broadly met in each region there were a number of sectoral cells which fell just short of the quota. Overall, the final sample composition closely maps the original matrix set out in Table 3 above.
Table 4: Achieved sample composition

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Size bands</th>
<th>Total cases</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2-9</td>
<td>10-19</td>
</tr>
<tr>
<td>Primary</td>
<td>30</td>
<td>29</td>
</tr>
<tr>
<td>Low VA Manufacturing</td>
<td>55</td>
<td>50</td>
</tr>
<tr>
<td>High VA Manufacturing</td>
<td>21</td>
<td>37</td>
</tr>
<tr>
<td>Construction</td>
<td>32</td>
<td>38</td>
</tr>
<tr>
<td>Distribution</td>
<td>46</td>
<td>42</td>
</tr>
<tr>
<td>Hotels and Catering</td>
<td>32</td>
<td>35</td>
</tr>
<tr>
<td>Transport &amp; Communications</td>
<td>24</td>
<td>32</td>
</tr>
<tr>
<td>Business &amp; Professional Services</td>
<td>48</td>
<td>44</td>
</tr>
<tr>
<td>Healthcare, Domestic &amp; Personal Services</td>
<td>31</td>
<td>32</td>
</tr>
<tr>
<td>Other Services</td>
<td>30</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>349</td>
<td>363</td>
</tr>
</tbody>
</table>

Table 5: Achieved sample composition by region

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Size bands</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2-9</td>
<td>10-19</td>
</tr>
<tr>
<td><strong>South East</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Low VA Manufacturing</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>High VA Manufacturing</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>Construction</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>Distribution</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>Hotels and Catering</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Transport &amp; Communications</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Business &amp; Professional Services</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>Healthcare, Domestic &amp; Personal Services</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Other Services</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>117</strong></td>
<td><strong>122</strong></td>
</tr>
</tbody>
</table>

| **East, NW & Scotland**          |            |       |       |       |
| Primary                          | 9          | 12    | 12    | 33     |
| Low VA Manufacturing             | 17         | 19    | 22    | 58     |
| High VA Manufacturing            | 9          | 15    | 10    | 34     |
| Construction                     | 11         | 12    | 13    | 36     |
| Distribution                     | 15         | 14    | 15    | 44     |
| Hotels and Catering              | 11         | 11    | 12    | 34     |
| Transport & Communications       | 9          | 9     | 9     | 27     |
| Business & Professional Services | 20         | 8     | 11    | 39     |
| Healthcare, Domestic & Personal Services | 10    | 10    | 8     | 28     |
| Other Services                   | 7          | 9     | 10    | 26     |
| **Total**                        | **118**    | **119**| **122**| **359** |

| **Other regions**                |            |       |       |       |
| Primary                          | 10         | 8     | 12    | 30     |
| Low VA Manufacturing             | 19         | 17    | 22    | 58     |
| High VA Manufacturing            | 8          | 8     | 7     | 23     |
| Construction                     | 8          | 15    | 13    | 36     |
| Distribution                     | 15         | 15    | 10    | 40     |
| Hotels & Catering                | 9          | 12    | 11    | 32     |
| Transport & Communications       | 7          | 13    | 14    | 34     |
| Business & Professional Services | 15         | 16    | 11    | 42     |
| Healthcare, Domestic & Personal Services | 11    | 10    | 9     | 30     |
| Other Services                   | 12         | 8     | 8     | 28     |
| **Total**                        | **114**    | **122**| **117**| **353** |
2.3 Sampling frame

The Dun and Bradstreet UK Marketing Database was used as the sampling frame for this survey. This is only one of a number of commercially available databases which could have been used, but it possesses two significant advantages:

Firstly, it has good coverage of the UK business population, with around 1.3 million records – this compares with a VAT population of some 1.7 million, and a total population as estimated by the IDBR of 3.6 million businesses. It compares with a BT Business Database population of 1.8 million records. By comparison with the BT database, the Dun and Bradstreet database contains few branch operations. Secondly, the Dun and Bradstreet database holds in-depth information on the businesses. Included in this information is an indication of the site status of the business – whether a branch, headquarters, or single site operation. It is also indicated whether the firm has a parent company or not. Such information is not available from the BT database, for example, which would mean checking for site status within the questionnaire with the expectation of many rejections due to being branches.

Having achieved an acceptable sampling frame, the next stage of choosing organisations prospectively for interview was to randomly select sufficient cases to give interviewers a high probability of achieving the required interview numbers, allowing for some refusal, non-availability, etc.

3. QUESTIONNAIRE DELIVERY, PILOTING AND INTERVIEW SCHEDULE

Sampling aspects are considered in this section of the report under the following sub-headings:

- Questionnaire delivery
- Interview schedule
- Pilot survey

3.1 Questionnaire delivery

Questionnaire delivery was by telephone interview with appropriate contact(s) in the employing establishment:

- MD/owner-manager/partner of smaller businesses.
- MD or HR/personnel manager/administration manager of larger businesses (whoever has responsibility within the firm for issues relating to employees).

3.1.1 Letters

A letter was sent out in advance of the telephone interviewing, to forewarn businesses that they might expect a call in relation to the survey. This was sent out to all potential candidates for interview, and was addressed to the MD/owner-manager, etc.

The letters were sent by Kingston Business School on their letterheads, with a concise letter identifying the study sponsors, the purpose of the project, the name of the fieldwork organisation – Prism Research – and the possibility of receiving a telephone call requesting an interview, over the following two to three weeks.
3.1.2 Number of contacts

Clearly, it is not possible to guarantee that a particular business which complies with the sample selection requirements will consent to interview, even with a letter requesting co-operation. In our experience, the maximum ‘strike rate’ which can be achieved is in the region of half to two-thirds of a given set of suitable contacts. In fact this is very high. A more usual strike rate is in the region of one achieved interview from every three or four suitable contacts. This ratio varies significantly from area to area and from one type of firm to the next.

In drawing the sample of suitable contacts, therefore, it was initially proposed to draw around five potential contacts for each interview required. The contacts were split into quotas, set for the size, sector and geographical groups discussed above. The interviewers were required to achieve the relevant number of suitable respondents for each quota. In the event, some additional contacts had to be generated, matched for size, sector and region, to achieve some harder to get quotas. (Primarily, this related to the time of year when certain types of business appeared more likely to be either on holiday, or busy dealing with tourists. See Section 5 on Post-Fieldwork for a further discussion.)

Potential respondents were called back on up to eight occasions to attempt to secure an interview. Interviewers booked interview times if the call time was inconvenient, and undertook follow-ups if some details proved too complex to supply immediately, or the interview had to be curtailed because of an urgent business situation arising. A reassurance letter was available to fax to respondents who had lost or not seen the original letter and were unsure about participating.

In the case of any interviewee suspicion of, or antipathy to, the survey, a senior project manager was always available to reassure and explain the survey’s rationale. A named contact at the DTI was also available in the few cases where the respondent wished either to seek reassurance of the bona fides of Kingston Business School or Prism Research, or wished to comment in a particular way on the research project to the study sponsors.

3.2 Piloting of the procedures and interview schedule

Prior to the full survey, 18 face-to-face interviews were conducted with small business owners in May 2000. These were located in the South East, Midlands and the North West. This pre-pilot survey was designed to help develop the telephone questionnaire and provide guidance on the strategy for the telephone survey. Although it could not be claimed that these pre-pilot interviews were representative, they were selected across a broad range of business sizes, sectors, locations and growth profiles. They provided a sound basis for fine-tuning the areas to be investigated in the telephone questionnaire and helped inform how far this questionnaire could go in investigating the detailed knowledge of IERs with individual employers. In addition, these 18 face-to-face interviews yielded some useful ‘narratives’ about awareness and sources of information on IERs.

The telephone questionnaire was developed and designed in consultation with the DTI’s Steering Committee. This and the procedures for contacting firms was piloted on 50 enterprises before a final version of the questionnaire was developed. A copy of the final questionnaire is contained in Appendix B.
4. POST-INTERVIEW PROCEDURES

4.1 Introduction

Following interview, responses were checked for internal consistency. Any problems that could not be resolved by internal checking, were dealt with by call-backs to re-affirm any unlikely responses.

The ‘clean’ set of ‘questionnaires’ then entered the coding phase, when coding to SIC /SOC (both at 2 digit levels) and other classification work was undertaken. This process was also subjected to quality control through supervisor sampling and checking. All coding, data entry and processing was conducted in-house by Prism Research.

Coding of open-ended questions was framed initially around the responses arising from the first 100 or so questionnaires. As further responses arose, which did not fit well into the initial framework, new codes were developed.

4.2 Analysis and weighting

The data was stored in an SPSS datafile, and further validation work was conducted to ensure that logical relations had been correctly observed.

The next requirement was to calculate and apply a weighting regime. It was decided to use the IDBR view of the economy as the weighting frame. This probably represents the most accurate estimate of SMEs in terms of the size, sector and type distribution. The latest year available at the time of survey – 1998 – was used. Having followed the disproportionate stratified random sampling procedure described above, the samples were then weighted back to reflect their true weight in the overall economy. This ensured that any size bands, sectors or areas, which had been oversampled to secure robustness of analysis, did not bias the overall results of the survey (see Table 6). Annex A contains details of the weighting protocols including the syntax file used to produce the weights reflected in the weighting variable in the SPSS dataset – WT2.
Table 6: Structure of weighted sample

<table>
<thead>
<tr>
<th>Sectors</th>
<th>2-9</th>
<th>10-19</th>
<th>20-49</th>
<th>Total</th>
</tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Low VA Manufacturing</td>
<td>23</td>
<td>3</td>
<td>2</td>
<td>28</td>
</tr>
<tr>
<td>High VA Manufacturing</td>
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<td>1</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Construction</td>
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<td>2</td>
<td></td>
<td>30</td>
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<td>1</td>
<td>28</td>
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<tr>
<td>Transport &amp; Communications</td>
<td>11</td>
<td>1</td>
<td></td>
<td>13</td>
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<td>3</td>
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<td>1</td>
<td></td>
<td>17</td>
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<tr>
<td>Other Services</td>
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<td>1</td>
<td></td>
<td>10</td>
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<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<tr>
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<td>1</td>
<td>1</td>
<td>6</td>
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<tr>
<td>Construction</td>
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<tr>
<td>Other Services</td>
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<td>1</td>
<td></td>
<td>7</td>
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<td>Other Services</td>
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<td>Primary</td>
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<td>59</td>
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<tr>
<td>Low VA Manufacturing</td>
<td>76</td>
<td>14</td>
<td>8</td>
<td>98</td>
</tr>
<tr>
<td>High VA Manufacturing</td>
<td>16</td>
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<td>2</td>
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<td>Construction</td>
<td>97</td>
<td>7</td>
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<td>252</td>
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<td>Transport &amp; Communications</td>
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<td>43</td>
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<td>Business &amp; Professional Services</td>
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<td>8</td>
<td>324</td>
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<tr>
<td>Healthcare, Domestic &amp; Personal Services</td>
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<td>3</td>
<td></td>
<td>45</td>
</tr>
<tr>
<td>Other Services</td>
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<tr>
<td><strong>Total</strong></td>
<td>948</td>
<td>87</td>
<td>36</td>
<td>1,071</td>
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</table>
5. POST-FIELDWORK REPORT

5.1 Introduction

The final count of successful interviews was 1,071. Final interviews were completed on 4 September 2000. Interviewing lasted significantly longer than expected, for two main reasons: First, the questionnaire was long and requested very detailed information and views. This drew out both the length of interview, and waiting times, where telephone appointments had been booked. Second, the out-of-quota rates were high. Although considerable care was taken to select firms within appropriate size and sector bands, the database did not allow all criteria to be checked (such as autonomy/ownership and whether staff were employees, or directors/partners) prior to calling. Firms had sometimes moved above the 49 employee limit. This meant that a lot of firms were not revealed to be unsuitable cases until the relevant manager had been contacted and the first few filter questions asked. These were primarily operational problems for Prism Research, and for the timescale of the project. They have had little or no bearing on the research outcomes.

Not surprisingly, a number of business managers were irritated by the length of the interview. However, due to the polite manner and persistence of the interviewers, very few interviews were actually aborted (less than 10). No letters of complaint were received by either Prism or SBRC. In contrast to this, the great majority of managers found the survey interesting both from the point of view of the actual questions and the subject matter in general. Almost all respondents requested a copy of the booklet, confirming the view that concern over IERs is a salient issue in the minds of employers.

5.2 Response rates

An analysis of responses, in relation to initial contacts, is shown in Tables 7 and 8. The overall response rate to the IER survey was 54.3 per cent calculated as the percentage of achieved interviews out of a total valid sample that is defined as successful interviews plus aborted interviews and refusals. Whilst the response rate is broadly similar across the three size bands in the survey (Table 10) there is a great deal of variation across business sector (Table 9). The highest response rates were achieved in the Low Value Added Manufacturing and Distribution sectors, with the High Value Added Manufacturing sector, Primary and Business Services recording above average response rates. The lowest response rates were obtained in Personal Services, Hotel and Catering, and the Construction sectors.

Table 7: Response analysis by business sector

<table>
<thead>
<tr>
<th>Contact outcomes</th>
<th>Business Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary Low VA Manuf</td>
</tr>
<tr>
<td>Achieved:</td>
<td>93</td>
</tr>
<tr>
<td>Contacts:</td>
<td>637</td>
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<tr>
<td>Achieved:</td>
<td>14.6%</td>
</tr>
<tr>
<td>Aborted:</td>
<td>0.2%</td>
</tr>
<tr>
<td>Refused:</td>
<td>8.3%</td>
</tr>
<tr>
<td>Out of quota:</td>
<td>21.2%</td>
</tr>
<tr>
<td>Ineffective</td>
<td>2.0%</td>
</tr>
<tr>
<td>contact details:</td>
<td>53.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
### Table 8: Response analysis by business size

<table>
<thead>
<tr>
<th>Contact outcomes</th>
<th>Business Size</th>
<th>2-9</th>
<th>10-19</th>
<th>20-49</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieved:</td>
<td>14.5%</td>
<td>17.3%</td>
<td>18.3%</td>
<td></td>
<td>16.6%</td>
</tr>
<tr>
<td>Aborted:</td>
<td>0.1%</td>
<td>0.0%</td>
<td>0.1%</td>
<td></td>
<td>0.1%</td>
</tr>
<tr>
<td>Refused:</td>
<td>12.7%</td>
<td>15.0%</td>
<td>14.2%</td>
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<td>13.9%</td>
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<td>Out of Quota:</td>
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<td>19.5%</td>
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<td>Ineffective contact details:</td>
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<td>4.2%</td>
</tr>
<tr>
<td>Not available:</td>
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<td>49.6%</td>
<td></td>
<td>45.8%</td>
</tr>
</tbody>
</table>

### Table 9: Response rates by business sector

<table>
<thead>
<tr>
<th>Contact outcomes</th>
<th>Business Sector</th>
<th>Primary</th>
<th>Low VA Manuf</th>
<th>High VA Manuf</th>
<th>Construction</th>
<th>Distribution</th>
<th>Hotels &amp; Catering</th>
<th>Trans &amp; Comms</th>
<th>Business &amp; Prof</th>
<th>Health, Dom &amp; Personal</th>
<th>Other serv</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieved:</td>
<td>63.3%</td>
<td>65.8%</td>
<td>44.6%</td>
<td>51.7%</td>
<td>64.2%</td>
<td>66.2%</td>
<td>46.4%</td>
<td>53.8%</td>
<td>49.3%</td>
<td>44.8%</td>
<td>100.0%</td>
<td>1,071</td>
</tr>
<tr>
<td>Valid Sample Total</td>
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<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>1,974</td>
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<tr>
<td>Response Rate:</td>
<td>63.3%</td>
<td>68.0%</td>
<td>58.5%</td>
<td>45.0%</td>
<td>66.0%</td>
<td>44.6%</td>
<td>51.7%</td>
<td>64.2%</td>
<td>66.2%</td>
<td>64.8%</td>
<td>100.0%</td>
<td>54.3%</td>
</tr>
</tbody>
</table>

**Note:** Valid Total Sample = Achieved + Aborted + Refused.

### Table 10: Response rates by business size

<table>
<thead>
<tr>
<th>Contact outcomes</th>
<th>Business Size</th>
<th>2-9</th>
<th>10-19</th>
<th>20-49</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
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<td>53.5%</td>
<td>56.3%</td>
<td></td>
<td>54.3%</td>
</tr>
<tr>
<td>Valid Sample Total</td>
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<td>100.0%</td>
<td>100.0%</td>
<td></td>
<td>100.0%</td>
</tr>
<tr>
<td>Response Rate:</td>
<td>53.0%</td>
<td>53.5%</td>
<td>56.3%</td>
<td></td>
<td>54.3%</td>
</tr>
</tbody>
</table>

**Note:** Valid Total Sample = Achieved + Aborted + Refused.

---

**Key to Tables 7 and 8:**

- **Achieved:** Successful interview
- **Aborted:** Stopped part way through, not completed
- **Refused:** Refused to start interview
- **Out-of-quotas:** Inappropriate to survey criteria
- **Ineffective contact details:** Duplicates, fax lines, number unobtainable
- **Not available:** Relevant contact not available, busy at moment, call back another time, persistent answerphone, phone persistently rings out
5.3 Refusals

Refusal rates were considered to be a little above normal, mainly for two reasons. Firstly, the length of interview, ascertained by potential respondents either from the letter, or during the telephone introduction, put off many who would otherwise have responded; secondly, the survey was conducted in the most difficult 6 weeks of the year – peak holiday season. In many instances, the relevant manager was absent, and in other cases, where present, was reluctant to accede to a long interview while short-staffed.

However, although the interview length contributed to the relatively high refusal rates, there were very few aborted interviews, as stated above. The refusals did not exhibit any significant bias in terms of size or sector.

5.4 Success rates

Where interviews were achieved, they were generally obtained through a maximum of 4 to 5 call-backs. The majority were obtained either at the first or second attempt, with an average of between 1.7 and 2.2 calls per interview, dependent on the region. Of course, this does not take into account the many instances where interviews could not be obtained despite persistent calling back (classified as not available in the tables above). Overall, the ‘strike rate’ was a little under one in six. This was not higher because of the following reasons:

- first, a large proportion of employers contacted were ‘out of quota’ because of their size or status;
- second, there was a high wastage rate because of the relatively high amount of ‘churning’ in the small firms’ population. This includes firms having closed or moved.

Given the adverse time of year, and exceptional interview length, this strike rate is considered satisfactory. In fact, by comparison with the London TEC Employer Survey, for example, another long interview (but conducted by a subcontracted fieldwork supplier), the strike rate was rather better. The most surprising feature of this survey has been that interviews were obtained more or less as readily in the London/South East region as in the others – this is unusual.

Endnotes

26 Inter-Departmental Business Register – the most comprehensive national database covering small businesses.
27 AES – Annual Employment Survey – a commonly used database weighting employer and business surveys.
### Table A1: Population of small firms and actual respondents

#### WEST & EAST MID, Y&H, NE, M, W, SW

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus &amp; Prof</td>
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<td>6,995</td>
<td>2,845</td>
<td>114,155</td>
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<td>Construction</td>
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<td>3,505</td>
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<td>52,005</td>
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<tr>
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#### EAST, NW, SCOTLAND

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#### SOUTH EAST

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<th>Population 20-49</th>
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<th>Actual 2-9</th>
<th>Actual 10-19</th>
<th>Actual 20-9</th>
<th>Total</th>
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<td>14,795</td>
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<td>18,804</td>
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<td>12</td>
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<td><strong>Total</strong></td>
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<td><strong>10,869</strong></td>
<td><strong>401,651</strong></td>
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<td><strong>122</strong></td>
<td><strong>120</strong></td>
<td><strong>359</strong></td>
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</tbody>
</table>
Table A1 sets out the population of small firms in GB by regional cluster, sector and size as well as the profile of the respondents to the survey. The weighting of the survey respondents was undertaken by dividing the population in each of the 30 size and sector cells in each region by the number of respondents in each cell. The syntax set out below provides a detailed description of the variable WT2 in the SPSS dataset, which provides the weighting procedure.

Syntax for the Weighting Variable

*** wt – calculation of original weights***
*** wt2 – transformation of original weights into proportional weights***

```
COMPUTE wt=0.
IF region=3 & size=1 & sic=8 wt=6954.33.
IF region=3 & size=1 & sic=4 wt=5906.25.
IF region=3 & size=1 & sic=5 wt=7091.07.
IF region=3 & size=1 & sic=6 wt=4304.89.
IF region=3 & size=1 & sic=2 wt=2012.11.
IF region=3 & size=1 & sic=3 wt=1009.75.
IF region=3 & size=1 & sic=10 wt=884.
IF region=3 & size=1 & sic=1 wt=3276.2.
IF region=3 & size=1 & sic=7 wt=2347.86.
IF region=3 & size=1 & sic=9 wt=1657.27.
IF region=3 & size=2 & sic=8 wt=437.19.
IF region=3 & size=2 & sic=4 wt=233.67.
IF region=3 & size=2 & sic=5 wt=757.13.
IF region=3 & size=2 & sic=6 wt=417.33.
IF region=3 & size=2 & sic=2 wt=462.24.
IF region=3 & size=2 & sic=3 wt=209.5.
IF region=3 & size=2 & sic=10 wt=140.
IF region=3 & size=2 & sic=1 wt=183.25.
IF region=3 & size=2 & sic=7 wt=156.15.
IF region=3 & size=2 & sic=9 wt=129.7.
IF region=3 & size=3 & sic=8 wt=258.64.
IF region=3 & size=3 & sic=4 wt=96.15.
IF region=3 & size=3 & sic=5 wt=395.7.
IF region=3 & size=3 & sic=6 wt=163.9.
IF region=3 & size=3 & sic=2 wt=222.32.
IF region=3 & size=3 & sic=3 wt=190.71.
IF region=3 & size=3 & sic=10 wt=70.63.
IF region=3 & size=3 & sic=1 wt=19.5.
IF region=3 & size=3 & sic=7 wt=65.71.
IF region=3 & size=3 & sic=9 wt=33.78.
IF region=2 & size=1 & sic=8 wt=3968.25.
IF region=2 & size=1 & sic=4 wt=2736.82.
IF region=2 & size=1 & sic=5 wt=4574.67.
IF region=2 & size=1 & sic=6 wt=2272.27.
IF region=2 & size=1 & sic=2 wt=1243.94.
IF region=2 & size=1 & sic=3 wt=496.56.
IF region=2 & size=1 & sic=10 wt=969.86.
IF region=2 & size=1 & sic=1 wt=2426.
IF region=2 & size=1 & sic=7 wt=1218.89.
IF region=2 & size=1 & sic=9 wt=1166.8.
IF region=2 & size=2 & sic=8 wt=615.0.
```
Small firms' awareness and knowledge of individual employment rights

IF region=2 & size=2 & sic=4 wt=206.25.
IF region=2 & size=2 & sic=5 wt=520.57.
IF region=2 & size=2 & sic=6 wt=292.
IF region=2 & size=2 & sic=2 wt=218.0.
IF region=2 & size=2 & sic=3 wt=58.8.
IF region=2 & size=2 & sic=10 wt=70.
IF region=2 & size=2 & sic=1 wt=91.75.
IF region=2 & size=2 & sic=7 wt=157.22.
IF region=2 & size=2 & sic=9 wt=72.7.
IF region=2 & size=3 & sic=8 wt=181.82.
IF region=2 & size=3 & sic=4 wt=73.46.
IF region=2 & size=3 & sic=5 wt=173.27.
IF region=2 & size=3 & sic=6 wt=98.8.
IF region=2 & size=3 & sic=2 wt=117.59.
IF region=2 & size=3 & sic=3 wt=70.6.
IF region=2 & size=3 & sic=10 wt=29.2.
IF region=2 & size=3 & sic=1 wt=17.25.
IF region=2 & size=3 & sic=7 wt=71.67.
IF region=2 & size=3 & sic=9 wt=20.

IF region=1 & size=1 & sic=8 wt=11609.62.
IF region=1 & size=1 & sic=4 wt=2378.85.
IF region=1 & size=1 & sic=5 wt=4607.63.
IF region=1 & size=1 & sic=6 wt=2237.75.
IF region=1 & size=1 & sic=2 wt=1343.32.
IF region=1 & size=1 & sic=3 wt=1348.25.
IF region=1 & size=1 & sic=10 wt=939.45.
IF region=1 & size=1 & sic=1 wt=732.64.
IF region=1 & size=1 & sic=7 wt=1585.63.
IF region=1 & size=1 & sic=9 wt=1776.
IF region=1 & size=2 & sic=8 wt=418.
IF region=1 & size=2 & sic=4 wt=183.64.
IF region=1 & size=2 & sic=5 wt=532.54.
IF region=1 & size=2 & sic=6 wt=254.33.
IF region=1 & size=2 & sic=2 wt=268.93.
IF region=1 & size=2 & sic=3 wt=57.4.
IF region=1 & size=2 & sic=10 wt=107.14.
IF region=1 & size=2 & sic=1 wt=59.67.
IF region=1 & size=2 & sic=7 wt=153.
IF region=1 & size=2 & sic=9 wt=71.92.
IF region=1 & size=3 & sic=8 wt=173.16.
IF region=1 & size=3 & sic=4 wt=45.
IF region=1 & size=3 & sic=5 wt=153.47.
IF region=1 & size=3 & sic=6 wt=104.8.
IF region=1 & size=3 & sic=2 wt=114.47.
IF region=1 & size=3 & sic=3 wt=66.38.
IF region=1 & size=3 & sic=10 wt=35.89.
IF region=1 & size=3 & sic=1 wt=12.8.
IF region=1 & size=3 & sic=7 wt=48.33.
IF region=1 & size=3 & sic=9 wt=22.63.

COMPUTE wt2 = wt/1121.546218 .
EXECUTE.
ANNEX B
Additional variables computed for the analysis

A number of additional variables were created in the course of the analysis undertaken by the SBRC and their variable name and brief description (including syntax as appropriate) are set out in the following table:

<table>
<thead>
<tr>
<th>SPSS variable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Age of establishment in years</td>
</tr>
<tr>
<td>Agecat</td>
<td>Age Category: 1=&lt;2 years; 2=2-5 years; 3=6 years and over.</td>
</tr>
<tr>
<td>Newage</td>
<td>Age Category: 1=&lt;6 years; 2=6 years and over.</td>
</tr>
<tr>
<td>Agelab</td>
<td>Age Category: 1=Established since May 1997 (election of Labour Government); 2=Established prior to May 1997.</td>
</tr>
<tr>
<td>Q14a-Q14r</td>
<td>Relates to Question 14 and indicates a correct response to a question on the accuracy of statements about the range of IER legislation. 1=correct response; 0=incorrect or Don’t Know.</td>
</tr>
<tr>
<td>Awarecom</td>
<td>Composite awareness variable which sums the responses to the 21 statements about IER legislation. Maximum score is 21 and minimum is zero.</td>
</tr>
<tr>
<td>Perfem</td>
<td>Percentage of the workforce who are females – categories: 0%; 1-24%; 25-49%; 50-74%; 75% and over.</td>
</tr>
<tr>
<td>Mog90</td>
<td>Major Occupational Group (MOG) of the workforce using the 1990 classification (the 9 main categories). Classified using respondents’ own response to the question on what they consider to be the MOG (using responses to Q4).</td>
</tr>
<tr>
<td>Occgrp</td>
<td>MOG of the workforce aggregated into 5 categories to aid analysis: 1=Managers; 2=Professional and Scientific Staff; 3=Clerical, Administrative and Craft Workers; 4=Personal Services and Sales Workers; 5=Operatives and Other Occupations.</td>
</tr>
<tr>
<td>Lenmater</td>
<td>Length of service needed for maternity pay – standardised responses into weeks.</td>
</tr>
<tr>
<td>Lnage</td>
<td>Log of age of business (for regression analysis).</td>
</tr>
<tr>
<td>Lnemploy</td>
<td>Log of employment (for regression analysis).</td>
</tr>
<tr>
<td>Emptrib</td>
<td>Business ever been taken to an Employment Tribunal – 1=Yes; 0=No (for regression analysis).</td>
</tr>
<tr>
<td>Se</td>
<td>Business Activity: Dummy variable for Services: 1=Services; 0=Not.</td>
</tr>
<tr>
<td>Manuf</td>
<td>Business Activity: Dummy variable for Manufacturing: 1=Manufacturing; 0=Not (for regression analysis).</td>
</tr>
<tr>
<td>Hotcat</td>
<td>Business Activity: Dummy variable for Hotel and Catering: 1=Hotel and Catering; 0=Not (for regression analysis).</td>
</tr>
<tr>
<td>Con</td>
<td>Business Activity: Dummy variable for Construction: 1=Construction; 0=Not (for regression analysis).</td>
</tr>
<tr>
<td>Busser</td>
<td>Business Activity: Dummy variable for Business Services: 1=Business Services; 0=Not (for regression analysis).</td>
</tr>
<tr>
<td>Operat</td>
<td>Occupational Grouping: Dummy variable for Operatives the main category: 1=Operatives; 0=Not (for regression analysis).</td>
</tr>
<tr>
<td>Manprof</td>
<td>Occupational Grouping: Dummy variable for Managers/Professionals: 1=Man/Prof; 0=Not (for regression analysis).</td>
</tr>
<tr>
<td>Impact</td>
<td>Dummy variable for respondent stating legislation was a burden: 1=Yes; 0=No (for regression analysis) – using response to Q22a.</td>
</tr>
<tr>
<td>SPSS variable</td>
<td>Description</td>
</tr>
<tr>
<td>---------------</td>
<td>-------------</td>
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<tr>
<td>Growth</td>
<td>Dummy variable for respondent stating that business had grown: 1=Yes; 0=No (for regression analysis) – using response to Q33.</td>
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<td>Resphrm</td>
<td>Dummy variable for respondent having responsibility for personnel matters: 1=Yes; 0=No (for regression analysis).</td>
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<td>Proportion of the workforce who are part-time (continuous variable).</td>
</tr>
<tr>
<td>Femprop</td>
<td>Proportion of the workforce who are females (continuous variable).</td>
</tr>
<tr>
<td>Partcat</td>
<td>Percentage of the workforce who are part-time – categories: 0%; 1-24%; 25-49%; 50-74%; 75% and over.</td>
</tr>
<tr>
<td>Femcat</td>
<td>Percentage of the workforce who are females – categories: 0%; 1-24%; 25-49%; 50-74%; 75% and over.</td>
</tr>
<tr>
<td>Mogprop</td>
<td>Proportion of the workforce which comprises the MOG – continuous variable.</td>
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