Solutions for equality and growth

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This report has been produced by the Solutions for equality and growth project. That project is a partnership between Citizens Advice, the Equality and Diversity Forum (EDF), and seven local Citizens Advice offices: Gateshead, Kirklees, Newcastle, North Liverpool, Stevenage, Tameside and York.

The report authors are the Citizens Advice Equality Strategy Team.

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We know that equality is good for the economy. We also know that many people experience barriers to finding work and being able to progress and do their best at work. Women, disabled, Black Asian minority ethnic (BAME) and lesbian, gay, bisexual or trans (LGBT) people face additional barriers to realising their talent and potential. This is expensive for all of us, limiting growth and productivity, and leading to wider problems such as poor physical and mental health. This report describes our recommended solutions to help achieve equality and growth.

Every week in our local Citizens Advice offices our advisers help many clients who are experiencing problems at work. Often harmful damage has already been done when clients come to us. Their dignity and confidence has been undermined because of who they are. They come for help because they face losing their job, or being passed over for promotion or training. Last year Citizens Advice helped clients with nearly 400,000 employment enquiries.

We know that many workers are keen to do their best for the businesses they work for, but they have to overcome tough barriers to fulfil their potential at work. We see this happening to hard-working disabled people, LGBT people, BAME people, and women who are pregnant or returning from maternity leave.

Small and medium enterprises (SMEs) have great strengths in flexibility, informality and an entrepreneurial spirit. Those same qualities can provide fantastic opportunities for work and advancement, to the hard working employees who want to fulfil their full potential. SMEs employ over 15 million people, and make a crucially valuable contribution to the economy, with a turnover of £1.6 trillion. When good equality practices help those workers to achieve and be successful, it is good for SMEs and the economy.

Much work has already been done on making the business case for equality, and that has created a powerful base of evidence. We now need to start thinking about what will help us to make the most difference, to effect the change we seek. In the Solutions project, the evidence from our local Citizens Advice offices has helped us to see how those changes could be made, to help SMEs and their workers achieve better equality and growth.

In this project we looked at the existing evidence on discrimination and in particular at the barriers to employment and advancement in the workplace faced by four groups of workers. We listened carefully to the experiences shared with us in the focus groups organised by our local Citizens Advice offices. The real life stories we heard helped us to develop solutions that we think will help to overcome poor practice and remove barriers that stop hard working SMEs and workers to fulfil their potential. We recognise that there is already in place a strong legal framework and much related guidance and information to support it. We focussed on how we could simplify processes and improve good practice in practical cost effective ways.

We have developed recommendations with three broad themes:

- give the right equality information to SMEs in the right place at the right time, to help SMEs seamlessly achieve good equality practice for their employees. We suggest doing this by using existing business and employment processes and procedures, such as PAYE, fit-notes and MATB1
- encourage and reinforce behaviour changes and improvements in good equality practice. We suggest this can be done through guidance and information cascaded by trusted messengers such as mentors, banks, accountants and SME networks, and through the tax regime for SMEs
- reinforce the guidance given to SMEs by helping workers to develop their potential. We suggest this can be done by providing to employees ‘mirror’ accessible, practical and simple guidance.
Those recommended solutions will:

- help SMEs use good equality practices to achieve growth, including how to unlock the potential in employees, and make the best decisions about recruitment and retention
- support workers to be successful and do their best for their businesses
- create a positive environment for all workers.

**A summary of our recommendations**

In Chapter four we explore how support on equality can help SMEs to achieve growth. We make the following recommendations:

**Recommendation one: first year support for SMEs**

We recommend intensive support to build equality into SME good practice, focussed on SMEs in their first year of business. This would help SME businesses to overcome risk factors, and explicitly tackles the perception of ‘employment risk’ related to women and minority groups. This could include: templates and top tips to simplify and demystify processes; mentoring and support on equality which comes from trusted messengers, such as business advisers and larger businesses; the right information given at the right time, in easy to access places eg information about recruitment through PAYE; guidance and information in relatable language. This recommendation would enable workers to fully demonstrate their skills, and help SMEs to build a focus on investment in the business through investing in employee skills.

**Recommendation two: ongoing support for SMEs through their mentors and advisers**

We recommend the development of tools for SME mentors, such as business advisers and mentors, banks and accountants, on key equality and growth issues. This would enable them to promote the flexibility and development opportunities that SMEs can offer, and to provide ongoing added-value support to SMEs. Mentors and external business advisers such as banks and accountants are trusted messengers who can support behaviour change, and cascade learning and good practice. The tools could include: equality e-learning and training packages; tools that make the link for SME mentors to show how equality practice can support SMEs; simple how-to tools for mentors and advisers; promoting specific added-value mentoring opportunities to new SMEs, through PAYE and BIS Small Business Growth Voucher Scheme and other initiatives.

**Recommendation three: exploring fiscal incentives to support disabled people and women**

We recommend that HM Treasury explore fiscal incentives, for example to support the recruitment and advancement of disabled people and women at work.

**Recommendation four: further research**

We recommend further research to explore how best to use the business case for equality to effect change.

In Chapter five we explore how support on equality can help employees to be successful and confident. We make the following recommendations:

**Recommendation five: support SMEs to promote flexibility, security and good absence management**

We recommend using the existing processes and paperwork that SMEs have to navigate in order to provide tailored, focussed information and guidance on equality issues. This approach could be used to help SMEs to manage absence and support employees. The aim is to give practical and relevant equality information to SMEs, when they need it. In other words, the right information, at the right time, and in the right easy places. This could include: guidance for SMEs on the most common impairments and their impact and how to find further information and including examples of some workplace adjustments; guidance and tips on how to create an environment where employees feel they can safely tell an employer about their disability: adding information about Access to Work to fit note forms, and adding information about SMEs' entitlements to reclaim SMP to the MATB1.
**Recommendation six: accessible training for SME workers to develop skills**

We recommend that processes for accessing workplace training are simplified so that training is more available and accessible. This could help employees across all the groups studied by this project, who want to do their best for their businesses. This could be achieved by:

- providing free or low cost accessible local or online training to SME employees across the range of skills that SMEs need
- creating a database of training providers accessible through SME support and mentoring schemes
- exploring the possibility of providing tax relief, deductions or allowance to SMEs to enable them to pay for low cost training for their employees, to encourage positive action to support under-represented people or groups to overcome barriers to progression
- ensuring that training is accessible for all employees.

**Recommendation seven: support for SMEs to help their employees fulfil their potential**

Our recommendation is that support is provided to SMEs to enable employees to be themselves and do their best for the business.

This could be done by providing SMEs with a practical format guide on conversations with employees, including top tips and scenario examples of what to do or say. This would cover creating a positive working environment, awareness of workplace issues; how to enable employees to be comfortable being themselves and disclose sexual orientation, gender identity, disability or mental health conditions; how to recognise ‘low level’ harassment and nip it in the bud.

**Recommendation eight: support to SMEs in recruitment and diversity management**

We recommend that support is provided to SMEs to improve their ability to recruit the best people and support their progression, and to understand and manage unconscious bias. This could be done by providing access to e-learning for SMEs, available via a range of trusted sources and tailored to SME audiences. This would enable not just disabled people but also women, LGBT and BAME people to be treated with dignity and respect at work, and to fulfil their potential.

In Chapter six, we look at the potential role of independent advice agencies to support SMEs and their workers.

**Recommendation nine: the role of independent advice agencies in cascading good equality and diversity practice**

We recommend cascading the adviser training developed and piloted through this project more widely across the Citizens Advice training and to other independent advice providers. The training supports advisers in NGOs to help employees understand how and when to provide information to their employers and how to have a conversation with their employer, for example about disability or absence issues and supports advisers to play a non adversarial advocacy role where needed.

**Recommendation ten: building support and networks between SMEs and NGOs**

This project has identified that a wealth of resources, guidance and information on equality already exists. Much of this is with national bodies such as the EHRC or ACAS, but there are also valuable and insightful resources and expertise within advice agencies. We recommend that further work is done to identify, test and promote a range of models to support sharing of resources, suitable for different geographies and contexts, for advice agencies to increase their support to SMEs, and also to build complementary links and networks.

**The report**

This report describes the contribution made by SMEs to our economy. It sets out the context for disabled people, LGBT people, BAME people, and women who are pregnant or returning from maternity leave, and the kinds of discrimination they experience. We then consider the different stages of the employment relationship and the changes that could improve equality and growth for workers and SMEs. Our recommendations include short and quick solutions, medium term solutions that build on and complement existing provisions, and proposals for longer term solutions for improving equality and growth in the future.
The aims of the Solutions for equality and growth project
This project has identified solutions to help people who are disabled, BAME, LGBT and pregnant women/women on maternity leave to overcome discrimination, barriers to employment and advancement in the workplace to fulfil their economic potential. It has:

- researched employee issues, test hypotheses and recommend solutions
- increased SME awareness of equality law and good practice; identify barriers and ways to simplify compliance
- piloted innovative ways for NGOs to engage with Small Medium size Enterprises (SMEs) through focus groups.

The context for SMEs

- Between 1 and 9 people are employed by a micro business
- Between 10 and 49 people are employed by a small business
- Between 50 and 250 people are employed by a medium sized enterprise
- Over 5 million SMEs in UK in 2014
- 99% of all businesses in the UK are SMEs
- 15 million people were employed by SMEs in the UK in 2014
- 1.6 trillion UK SME turnover in 2014
- £11.4 billion spent by central government with SMEs
- 59% of all private sector employees work for SMEs
SMEs are businesses that range in size from 1 to 250 employees. Micro employers have 1 to 9 employees. Small enterprises have 10 to 49 employees. Medium sized enterprises have 51 to 250 employees. SMEs can range from micro businesses run from the business owner’s home, with a few employees, to companies with several establishments and an HR team.

Small and micro enterprises are often characterised as having flexibility, an entrepreneurial spirit, and informality, with a willingness to learn from trusted mentors. However they can also perceive issues with red tape and regulation, and their small size can mean they have less experience of diversity, and are anxious about employment risks.

In 2014, there were 5.2 million businesses in the UK. More than 99% of those were small and medium enterprises. There were 5 million micro-businesses in the UK in 2014, accounting for 96% of all businesses. SMEs account for 99 per cent of all European businesses and two thirds of private sector jobs.1

SMEs employed 15.2 million people in the UK in 2014.2 59% of people working in the private sector in the UK are employed by SMEs.3 Although the vast majority of businesses in the UK employ fewer than 10 people, this sort of business accounts for 33% of all employment and 19% of turnover.4 SME turnover in 2014 was £1.6 trillion.

Increasingly, SME owners come from diverse backgrounds: 18% of SMEs are women led, 7% are led by people of BAME backgrounds.5 This in itself is significant in terms of growth and productivity. It cannot however be assumed that these business leaders need any less – or more – support than other leaders to help them harness the business benefits of equality.

The most common industries for SMEs were wholesale and retail (18%), manufacturing (15%), professional, scientific technical (11%), human health and social work (9%), accommodation and food service (8%).6

SMEs are of enormous value to the economy. The European Commission’s SME Performance Review estimated the Gross Value Added of SMEs as €473 billion or 49.8% of the UK economy. Recognition of their importance can be seen in the current government’s recently stated intention that £1 in every £3 of government spending will be spent with small businesses.7 In 2013 to 2014, central government spent £11.4 billion with small and medium-sized businesses – equivalent to 26% of central government spend. The government has pledged that, by 2020, it wants to increase this by £3 billion per year.8
The context for LGBT people

It is estimated that there are around 1.5 to 2 million LGBT people in a total UK workforce of around 30 million people.

Stonewall has reported that “homophobic bullying is a problem regardless of employer size with lesbian, gay and bisexual employees in small to medium-sized organisations as likely as those in large organisations to experience bullying from colleagues.”

The 2013 Stonewall survey noted that one in five (19 per cent) LGB employees have experienced verbal bullying from colleagues, customers or service users because of their sexual orientation in the last five years.

One in six (15 per cent) LGB employees have experienced verbal homophobic bullying from their colleagues in the last five years. Additionally, one in eight (13 per cent) LGB employees would not feel confident reporting homophobic bullying in their workplace.

A 2014 study by Hull University considered the different experiences of LGBT employees:

- LGBs were more than twice as likely to be bullied and experience discrimination than heterosexual employees
- one in five (19.2%) bisexuals report bullying with a third reporting regular bullying
- one in six (16.9%) lesbians report bullying at work with approximately a third reporting regular bullying
- gay men report more than double the levels of bullying compared to heterosexuals.

The Hull study also considered disclosure about sexual orientation and found that:

- over half of LGBs (55%) are open about their sexuality at work
- nearly one in five remain closeted about their sexuality saying they are ‘not open at all’ or ‘give the impression that I am heterosexual’
- only one in five (21%) of LGBs reveal their sexuality if specifically asked
- lesbians and gay men were most likely to be open about their sexuality at work with two out of three (66%) lesbians and gay men being open.
Through our analysis of our evidence, and discussions with our bureaux advisers and Citizens Advice Expert Advice team, we identified the most significant issues that occur in an employment relationship, particularly with an SME, for LGBT people, as:

- unconscious bias in recruitment
- overt bias in recruitment
- respect and dignity in the working environment
- homophobic and transphobic harassment at work
- disclosure
- observing the rights of transgender people
- attitudes of new managers or colleagues
- employer responses to ‘joking and banter’ in workplace.

The strongest findings to emerge from our focus groups for LGBT people were about respect and dignity in the working environment, and telling work colleagues and managers about their sexual orientation, both when applying for jobs and at work.

The context for BAME people

Around 13% of the working population are from BAME backgrounds.

The FSB has noted that: “Micro firms employ a disproportionate number of disabled, older and low-skilled employees, small firms the young and working-age women, and large firms employees from black, Asian and minority ethnic (BAME) groups.” Small and medium sized employees employ around 9% BAME employees. In June 2015, 1.98 million non-UK nationals from the European Union (EU) were working in the UK, and 1.2 million non-UK nationals from outside the EU were working in the UK. Figures from 2011 show 76% of small businesses employed no non UK nationals, whereas 56% and 62% of medium sized and large businesses employed no non UK nationals.

The JRF 2015 Ethnic Minority series found that in 2011, unemployment rates were particularly high for White Gypsy/Irish Traveller men and women, men in the Other Black and Mixed White-Caribbean groups, and Bangladeshi, Arab and Pakistani women. The highest unemployment rates were for the ethnic groups Mixed-White Caribbean (19%), African (16%), and Bangladeshi, Caribbean and Mixed White African (15% for each of these). At the national level, the highest levels of occupational segregation were found among the African, White Gypsy/Irish Traveller, Pakistani and Bangladeshi groups.

It is now recognised that it is commonplace for prospective employees to encounter unconscious bias when they seek work. A 2009 study found that ethnic minority candidates had to send on average 74% more applications than white applicants to get a successful response. The same study also made provisional findings that larger employers were less likely to discriminate than small employers, and that discrimination was much more likely where application was made by CV. Information given in CVs or applications that may reveal ethnic background, such as name or education or qualifications, are all possible factors that may lead to unconscious bias and discrimination.
Through our analysis of our evidence and discussions with our bureaux advisers and Citizens Advice Expert Advice team, we identified the most significant issues that occur in an employment relationship, particularly with an SME, for BAME people, as:

- unconscious bias in recruitment
- overt bias in recruitment
- respect and dignity in the working environment
- harassment at work – ‘low level’ persistent/chronic behaviour, as well as more overt and acute examples
- provision of resources for religious observance
- dress codes
- language barriers – indirect discrimination if English is a requirement and cannot be justified
- being passed over for promotion or training
- low pay
- attitudes of new managers or colleagues
- employer responses to ‘joking and banter’ in workplace.

### The context for disabled people

Citizens Advice and EDF endorse and use the social model of disability. In brief, we believe that the ‘problem of disability’ lies not in people who have physical or mental health conditions but in the way in which society is organised to meet the needs of non-disabled people and not the needs of disabled people. Changing our own attitudes, the way we design and provide services, and how we organise our working environments, can remove many of the barriers faced daily by disabled people.

Nearly 7 million people of working age in the UK are disabled or have a health condition. Census evidence shows that nearly 1 in 5 people have a limiting long term health problem or impairment. In 2012, 46% of working-age disabled people were in employment compared to 76% of working-age non-disabled people. Disabled people are 4 times more likely to be out of work than non-disabled people. 1 in 4 adults who have a work-limiting disability want to work, but are not working, compared to 1 in 15 adults who have no work-limiting disability and want to work, but are not working.

Our desk research revealed particular issues for people who become disabled as a result of an illness or health condition, such as cancer, and are dismissed or face barriers when they return to work. SMEs and employees do not always know that cancer or other conditions come under the Equality Act 2010 or what support is available.

The majority of SME workplaces have no disabled employees: on average 1.4% of SMEs have disabled employees, not dissimilar to large companies which average 1% of disabled employees. When small businesses did employ disabled people, 65% of those businesses had workforces where more than 10% were disabled people. An assessment of the accessibility of the workplace for disabled people had been carried out by 34% of all small businesses, and 52% of medium sized businesses.
As so eloquently put by Liz Sayce, the context for disabled people at work is not only about getting work, but also about staying in work, and getting on successfully whilst at work.\textsuperscript{27} We welcome the Disability Confident initiative of the government that aims to work with employers to: remove the barriers to work that disabled people face, to increase understanding of disability and ensure disabled people have opportunities to fulfil their potential and realise their aspirations.

Through our analysis of our evidence and discussions with our bureaux advisers and Citizens Advice Expert Advice team, we identified the most significant issues that occur in an employment relationship, particularly with an SME, for disabled people, as:

- pre-employment health questions
- asking for and agreeing adjustments for interviews, working arrangements, and in grievance/disciplinary processes
- lack of awareness of Access to Work, and limitations of the scheme
- workplace and building accessibility
- lack of awareness of possible adjustments, and over-estimation of the expense and cost of adjustments
- whether or not to disclose particular conditions – particularly invisible or stigmatised conditions
- being off sick: Statutory Sick Pay and sick pay entitlements, medical interviews, wanting to return to work, facing capability procedure or dismissal
- performance management and absence, and understanding adjustments to performance.

The context for women

8 million
women work full time

6 million
women work part time

47\% of the SME workforce are women

In June 2015, over 8 million women were working full-time, and around 6 million women were working part-time.\textsuperscript{28} 68\% of women aged from 16 to 64 were in work.\textsuperscript{29} In all, women make up 47\% of the workforce in small businesses and 50\% of the workforce in medium sized businesses.\textsuperscript{30} Part-time work is less common in SME workplaces than in large.\textsuperscript{31}

The EHRC reported in August 2015 on their extensive survey of mothers and employers about the prevalence and nature of pregnancy discrimination and disadvantage in the workplace.\textsuperscript{32} The survey found that 67\% of small businesses, and 81\% of medium sized businesses reported high awareness of the statutory rights of pregnant women. The main findings for employers were that:
more than four in five employers (84%) felt it was in the interests of their business to support pregnant women. Employers thought it was important to provide support because it increased staff retention.

one in four employers thought it was reasonable to ask women questions about pregnancy and their plans to have children.

a quarter of employers (26%) said it was difficult to manage the uncertainty about whether mothers on maternity leave will return to work.

The main findings for workers were:

- around one in nine mothers (11%) reported that they were either dismissed; made compulsorily redundant, where others in their workplace were not; or treated so poorly they felt they had to leave their job.
- one in five mothers said they had experienced harassment or negative comments related to pregnancy or flexible working from their employer and/or colleagues.
- almost two in five mothers (38%) said they would have liked to work more flexibly, but did not ask to do so because they were concerned it would not be approved or that it would result in negative consequences.

Through our analysis of our evidence and discussions with our bureaux advisers and Citizens Advice Expert Advice team, we identified the most significant issues that occur in an employment relationship, particularly with an SME, for women, as:

- short term contracts
- getting a job whilst visibly pregnant and should a woman disclose pregnancy (and what happens if she doesn't)
- duties or hours changed after pregnancy notification
- harassment & other unfavourable treatment due to pregnancy/maternity
- disciplinary action and dismissal related to pregnancy/maternity leave
- communications – notifying of pregnancy, maternity leave dates, during maternity leave
- time off – planned & unplanned e.g. antenatal, sickness
- health and safety and risk assessments
- changes at work when on maternity leave – e.g. redundancy, reorganisations, redundancy selection, rights to alternative employment offers
- pay – whilst on maternity leave, effect of maternity leave on other pay rights
- returning to work after maternity leave – changes and uncertainty around job role and hours.
The aim of the Solutions for equality and growth project was to look for innovative practical solutions that will help workers and people looking for work. In other words, to find solutions that will make equality simpler in the workplaces of small and medium sized employers.

The Solutions project addresses the barriers experienced by four groups of workers in SMEs, specifically those that prevent them from fulfilling their economic potential at work, and looks at how to support employees and SMEs to overcome these barriers.

Our project methodology was qualitative, and was broadly to:

- research issues for SMEs and employees
- test hypotheses
- recommend solutions that would increase SME awareness of equality law and good practice; identify barriers, and ways to simplify compliance and support good practice.

We carried out ‘desk research’ to research employee issues – and correctly identify the problem to be solved:

- a literature review
- analysis of policy evidence submitted by local Citizens Advice
- analysis of Citizens Advice statistics on employment and discrimination enquiries
- input from colleagues in the Citizens Advice expert advice and policy teams
- input from Coventry University, who assisted us training and running focus groups
- input from our project advisory Steering Group.

We tested our research and the key issues we had identified, as well as our hypotheses for solving the problems we had identified, by:

- holding a roundtable with Equality and Diversity Forum members and other key equality organisations, in July 2015
- talking to and listening to employees from the four equality groups, and SMEs in our focus groups, through June to August 2015
- running three quick online surveys for workers, SMEs and intermediary organisations in August 2015
- analysing our focus group and survey findings thematically.

We developed a framework that described the different stages of an employment relationship, from the perspectives of the worker and the employer/business owner. We used that framework in the documents and training we provided to the local Citizens Advice who organised and ran the focus groups. This enabled a deeper understanding of when employers and employees have different, or shared, perspectives or interests. This approach helps to shape conversations between employers and their employees to achieve the best outcomes, both for equality and for growth.
The stages of an employment relationship

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<thead>
<tr>
<th>For employees</th>
<th>For SMEs</th>
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<tr>
<td>Finding a job</td>
<td>Recruitment</td>
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<tr>
<td>Being off work</td>
<td>Absence management</td>
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<tr>
<td>Being at work</td>
<td>Performance and discipline</td>
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<tr>
<td>Promotion and training</td>
<td>Resource management</td>
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<tr>
<td>Pay and benefits</td>
<td>Finance</td>
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<tr>
<td>Workload (pattern, arrangements)</td>
<td>Productivity</td>
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<tr>
<td>Terms and conditions</td>
<td>Terms and conditions</td>
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This framework enabled us to:

- check that we considered both the worker and the employer perspectives, and also allowed us to identify significant shared values and aims.
- analyse our data and evidence across the range of the different groups of workers.
- develop our recommendations.

We explored five themes for our possible recommendations:

1. simplifying processes
2. using low and high technology
3. change behaviour through behavioural economics
4. finding common ground in communications and relatable language
5. improving ways to find information so that the right information is given at the right time in the right place.

Our goal was to develop solutions that would help to achieve greater equality for SMEs and their workers that would also lead to economic benefits. We considered how we could utilise the extensive recent research on choices and decision making to change the behaviour of SMEs, and how SMEs might be influenced consciously or unconsciously to make good or bad decisions.

We looked at three of the key behaviour change principles to help us develop our recommendations:

1. People often do not make rational decisions that give them maximum utility or gain. In our real world we do not behave as pristine classical-economic-model decision makers.
2. Our decision making is often ‘quick and dirty’: we make assumptions, not always correctly; we take shortcuts in our thinking, not the best ones; we take a rule of thumb approach, that is not always just-about-right; we pick up on prominent facts but overlook other useful information; we are influenced by the context or frame of our decision making, and we may be more likely to take action if we feel we have been selected.
3. Behavioural economics says that when we can analyse the way decisions are made, we can use that analysis to ‘nudge’ those choices. The challenges in how we change behaviour are often design challenges.

In other words, the design of systems and choices that an SME employer has to navigate, is of critical importance. Changes in design to existing processes can promote equality and avoid discrimination, and achieve growth for businesses, workers and the economy. The MINDSPACE tool helped us to develop our thinking.

SMEs are keen to do the best for their employees and customers. They want to know how to get the most from their employees, how to run a successful business, and how to win contracts. SMEs want success businesses. Understanding what that success means for SMEs is important for understanding how equality can contribute in practical ways to that success.
Why is poor practice, discrimination and inequality a problem?

The government’s equality strategy sets out the reasons why it is important to tackle inequality, simply: “Failure to tackle discrimination and to provide equal opportunities, harms individuals, weakens our society and costs our economy.”

For example the National Audit Office estimated that the overall cost to the economy from failure to fully use the talents of people from ethnic minorities could be around £8.6 billion annually.

Inequality and discrimination can be expensive for us all: businesses, tax payers, and workers. Every 18 months in England and Wales over a million people experience discrimination. Over half of people who experience discrimination also experience wider health problems.

The business case for equality has an important role to play in supporting employers to follow good practice. There has been much discussion on how best to make the case. Much of the work in this area has focussed on larger companies. Smaller businesses, who do not already have equality and diversity approaches in place, can perceive that the legislative framework on employment and equality adds to costs. For simplicity, the business case for equality might be divided into:

- equality and diversity strategies and practices that bring external business benefits, for example appealing to new consumer markets. As one focus group participant told us ‘reputation is essential for your growth; good for everyone to know that you are fair’

- strategies and practices that can bring the internal business benefits, for example operational efficiency, creativity, problem solving and flexibility.

This project focussed on internal business benefits of equality: the benefits to the SME of attracting and developing the best possible workforce. Those internal business benefits of equality can bring wider macro benefits to society and the economy. This is through the fulfilment of the potential of workers, and the cost savings and economic benefits brought about by the prevention of discrimination, as well as the important benefits that equality brings to individual workers and their families.
This section sets out the project’s findings and recommendations that show how government and intermediaries could support SMEs to use good equality practice that will help them achieve growth. Our recommendations focus on improving recruitment, development and retention of staff in SMEs.

**Exploring the opportunities for flexible working and employee development offered by SMEs**

As the Federation of Small Businesses has highlighted “SMEs are critical to getting the unemployed back into work and offering opportunities to those facing barriers to work” [41]. The FSB have shown how small businesses can help unemployed people back into work, including those who were not actively seeking or available for work because they are disabled or have a long term health condition or looking after a family at home [42]. The FSB have calculated that as many as 92% of ‘non participants’ in the labour market, move into private sector employment by starting a small business or becoming an employee in an SME. This statistic was explicitly supported in our SME focus groups: “We need to rethink and concentrate more on training and retraining staff and supporting employees, and providing them with opportunities for those unemployed particularly those unemployed for a long time so they can try jobs without losing benefits.”

SMEs have the potential to offer attractive employment opportunities for the four groups of workers we have studied in this project. When SMEs can access support to recruit the best employees they need, and can make the most of their skills, then SMEs grow and employees fulfil their potential. One of our SME focus group participants said: “Work-life balance is key to loyalty. Work from home, regular appraisals, nice place to work and a sense of pride”.

We utilised our simple framework of the stages of the employment relationship to talk to SMEs and employees to explore the congruence between what SMEs and workers want from the employment relationship. Employees wanted to do their best for the business, gaining skills through training, and to repay their employers support and flexibility. When good equality practices are easier for SMEs, that also creates opportunities for SMEs and their workers to grow and develop.

The kinds of contract, working arrangements, and job opportunities that small businesses offer can be surprisingly attractive to disabled people and women or carers. There is often a (mis)perception that flexible working requests present difficulties for small and micro businesses and that exemptions should be introduced [43]. In fact small businesses can be more receptive to flexible working than medium sized or large employers. In the data provided by the sixth Workplace Employment Relations Study, 33% of small businesses and 37% of medium sized businesses had in place arrangements for employees to work at home, compared to 18% of large businesses. 34% of small businesses had flexi-time arrangements in place, compared to 30% and 29% of medium and large businesses respectively. However small and medium sized businesses were less likely to have in place arrangements for reduced or compressed working hours (43% and 11%), than medium sized businesses (59% and 19%) and large businesses (67% and 24%). [44]
We asked employee respondents to our online survey which three things were most important to them at work. We provided 17 possible options, based on our discussions with bureaux advisers, and the findings from the employee focus groups. The top answers were:

- job satisfaction
- fair pay and rewards
- training and opportunities to progress, equal with flexible working and life balance
- using skills and expertise, equal with feeling valued.45

When asked for examples of fair treatment at work, survey respondents overwhelmingly described situations when they had been given the opportunity to demonstrate and show their skills and experience and knowledge. Almost all survey respondents who said their employer had helped them to be as successful as they could be at work, said it was the training and support they received that had enabled them to be successful employees.

SMEs should be supported to understand how offering opportunities for flexibility and development are key drivers for recruiting and retaining staff from the widest possible talent pool, and to learn from other SMEs who have already benefitted.

**Improving access to information and guidance for SMEs**

Whilst there are many sources of information available to SMEs, they can struggle with how to find the advice and information they seek. A further challenge is posed to SMEs who may not know whether the information they look for, is all that they need to know.

As one SME focus group participant noted:

**where can small businesses go to find the information they need?** There is stuff out there, but too much. It would be helpful to have the information collated and widely advertised.

Two employee focus group participants described their experiences when their employer was unfamiliar with pregnancy and maternity leave rights and procedures:

“The main problem however is that I work for a very small company [charity] that had never had a pregnant employee before! They had no experience of the HR involved, so I had to do a lot of the research myself. I did feel that it was a bit unfair that my workplace didn't get in specialist advice to help them with their gaps of knowledge with maternity policies.”

“I feel for employers because the confusion or lack of clarity [about maternity/paternity leave] is as a result of unclear policies so employers are a victim of this. It's got to change from the top.”

Not all SMEs seek business information to help the run their business. BIS reported that 36% of SMEs had sought external business advice or information in the previous 12 months in 2014.46 When SMEs do look for information, naturally they will look for advice and information to help them solve the immediate issue they face. For example, a new SME who wants to recruit employees for the first time will find out how to operate PAYE for new employees when they start up their business. Or another SME might not be looking for advice at all, but will be focussed on processing paperwork such as a fitnote, that tells them when an employee who is off work for ill health will be back at work, so that
they can work out how to fulfil orders and deadlines. When handling recruitment issues or when managing absence, a busy SME owner is less likely to seek out information on unconscious bias, or about making workplace adjustments. SMEs are less likely to look for information about the specifics of the Equality Act, than they are to look for information that will help them run their business.

Our solution is that practical focussed information about equality should be provided to SMEs when they need it, in easily accessible ways, and embedded within existing trusted and well used guidance or processes.

We therefore explored with SMEs the specific stages or pinch-points in the employment relationship when an SME needs good information and advice, and what that information or advice is, and how to get it to the SME in a seamless easy way. When will an SME need to know information about good equality and diversity practice? When will an SME need information about the financial support that is available to them, that will help them comply with statutory requirements?

We suggested three ways that this could be done through providing focussed targeted information alongside existing processes:

- information and guidance about recruitment could be provided alongside information about setting up PAYE
- information about Access to Work could be added to fitnotes
- information about reclaiming Statutory Maternity Pay (SMP) could be added to the MATB1.

Supporting SMEs to better understand and deal with employment risk

In our focus groups we heard about the anxiety shared by many SMEs about employment risk, and the perception of the costs associated with employing certain groups of employees, and how these created a barrier to employment for many employees. Succinctly put by one of the SME participants in our focus groups: “pregnancy and disability may be costly to a sole trader.” Another FG participant put it more boldly: “SMEs have to consider the majority and are not concerned about the minority as the aim of SMEs is to make a living.” Another commented that the “core issue is that SMEs cannot take risks with employees… so sadly [this] means some people with disabilities may get overlooked, especially if disability means employee is a ‘slow worker.’ They have to spend more money re hiring and retraining another employee if it all goes wrong”.

We considered three components of the perceived employment risk:

- a. misconceptions about costs and lack of awareness of existing financial support
- b. unconscious bias
- c. knowledge and experience of good recruitment practice.

A consistent message from our focus groups and other research is that SMEs over-estimate the costs associated with employment risk and are very often not aware of the financial assistance available to them. This applies to the workplace adjustments SMEs may be required to make themselves, and to support available from Access to Work, to help them make workplace adjustments to help disabled employees start a job, stay in work, or return to work after a period of absence through ill health. SMEs are also often not aware that they can reclaim 103% Statutory Maternity Pay. Improved knowledge of this kind of financial assistance could help SMEs to put good equality practices into operation.
One SME focus group participant told us: “As a small business maternity is a big issue. It is the financial implications on small businesses that impact on them and how they make decisions.”

We also considered that where financial assistance is offered as tax deductions or allowances (‘tax breaks’), then SMEs may be more likely to find out about it. As one enthusiastic focus group participant said “Yes! Every employer jumps at a tax break ... leads to expansion of business.”

Issues with managing employment risk are compounded by forms of unconscious bias that occur in recruitment. This plays out in a number of ways. For example, when “discriminating employers perceive the cost of hiring a worker of a different (minority) group as being higher than the actual cost”. The employer may also not perceive that a diverse workforce can bring business benefits (eg creativity, problem solving, market advantage) and increased profitability or financial stability. One SME focus group participant noted that “With some employers it is the cost and you take a woman on and she is pregnant and so will need maternity. It is a real cost.”

Further, it can also be harder for SMEs to separate out or check their decision making, which is an important element in avoiding unconscious bias. This can particularly impact on their workers or job applicants who are disabled, LGBT, BAME or women. Research shows for example how unconscious bias leads recruiters to unjustifiably screen out applicants with names that indicate the applicant might be BAME.

We also heard from our LGBT focus group participants about the harsh realities they faced when trying to find work, and that LGBT job applicants often self-select themselves out of jobs.

- ‘I would like to be a science teacher but my sexuality may affect my job if the children find out about it’
- ‘I feel that some LGBT people would not apply for certain jobs for example a mechanic’

Some micro and small businesses lack recruitment experience when recruiting new employees, have less experience of a diverse workforce and fewer resources to draw on to help them achieve the practical benefits of a diverse workforce. This creates concern about advertising for jobs: “If a small business owner puts a job advert often concerned about am I doing the right thing, will I get sued, what information do I need? There is not enough support financially and information for the employer”.

Another focus group participant noted SMEs do not know about equality when recruiting and so they struggle with meeting their obligations under the Equality Act. This can lead to job interviews that focus on questions to women applicants about their future plans for their family, and child care arrangements, and on questions to disabled people about the problems they face. Those interviews can be discriminatory. For example, one focus group participant said that “we now have reference requests that ask how much time was taken for child care”.

Our employee focus groups and survey gave further examples of this. One participant said: ‘I was questioned about hours of work at interview because of child care issues.’ Another respondent said “I was asked questions about my plans for a family – they knew question unlawful but also knew that unlikely to complain (as word would get about).”

An important insight from the employee focus groups was that this style of questioning can also be detrimental to the SME themselves. It can hinder a job applicant from fully showing their skills and experience, and the benefits they can bring to the business, and result in the SME potentially missing out on the best person for the job. As one focus group participant said: “They don’t try to look for transferable skills. Just your disability.”
Another said:

It should not be affected if you are LGBT because they should be going by your skills not whether you are LGBT.

One SME focus group participant explained their view: “The slant I would want to put on it is that there are issues like [disability] where you look at some characteristic as essentially a liability or disadvantage but there’s also the other side of it is these people are potential assets of the business and they’re held back by negative expectations… so you need a particular workplace culture that encourages everybody from the cleaner to the deputy manager.”

SMEs are less likely than larger businesses to have a written equality policy. Small businesses are less likely to carry out any monitoring or reviewing of recruitment or selection and promotion procedures or reviewing of pay rates by equality characteristics. Only 26% of small businesses who provided goods and services to other organisations were required to provide equality information when working for those other organisations, compared to 48% of medium sized businesses and 45% of large companies.50

Our BAME focus group participants expressed concerns about their experiences at job centres. One BAME focus group participant also told us “I am a fully qualified plasterer. I cannot find anything in job centre. I have a full UK driving licence. But they not helpful to further myself. They said you don’t need further qualifications but just need to focus on job search.” Another concern was the number of job applications that job centre coaches asked people to complete and send off. This has several potential consequences including:

- candidates submit lower quality job applications
- this could aggravate the unconscious bias faced by BAME, LGBT and disabled people
- the volume of applications could overwhelm SMEs.

When asked in our online survey what were the greatest challenges SMEs faced when recruiting staff or hiring workers the top answer was where and how to advertise, followed by having guidance and simple easy template forms to use that gave the information needed to make fair decisions.

**Recommendation one: first year support for SMEs**

Based on the analysis above, we recommend that intensive support to build equality into SME good practice should be focussed on SMEs in their first year of business. This would help SME businesses to overcome risk factors, and explicitly tackles the perception of ‘employment risk’ related to women and minority groups.

An SME participant in our focus groups told us that “Employers should be supported at the first stage of setting up their business and employing staff.” This would provide support to the business in the entrepreneurial pipeline. Another SME focus group participant said “businesses can lose out because they don’t have the knowledge of how to make this work (SSP/SMP) but for first year SMEs they can go under simply because they do not access support.” And: “We need someone to tell us what we need to know especially when we are setting up a business”.

Our research suggests that the kinds of support that would most benefit SMEs are:

- templates and top tips that demystify processes
- mentoring and support from advice providers which is better able to achieve behaviour change because it comes from trusted messengers.
• the right information given at the right time in easy to access places

• guidance and information which uses common ground and relatable language to best effect, so that workers can demonstrate their skills, and SMEs can focus on investment in the business through investing in employee skills.

This could be done by:

1. Providing information about good equality practices and diversity management alongside PAYE and VAT info for new traders/ business, including:
   • job advert templates
   • application form templates, with a detachable sheet for personal information to help SMEs overcome unconscious bias based on race and other characteristics
   • top tips on interviewing new employees and for promotion, with short simple checklists or case studies
   • top tips on selecting the best people for the job & free e-learning on unconscious bias
   • top tips on how to find out more about people’s skills and how to get the best people (investing for the future)
   • a simple starter equal opportunities policy
   • top tips on handling return to work and exit interviews, with short simple checklists or case studies.

2. Providing equality e learning and training packages to assessors and advice providers participating in BIS SME Growth Voucher scheme.51

3. Provide equality e learning and training packages to large and medium sized businesses who mentor micro and small businesses, through existing mentoring schemes.

4. Provide complementary, free, support for job applicants through eg JobCentre coaches and Universal Jobmatch, including help with interview and application tips (eg how to show your skills and experience).

**Ongoing support for SMEs**

Beyond support for the first year of a business, we also recommend the development of tools to support SME mentors on key equality and growth issues identified above, ie promoting the flexibility and development opportunities that SMEs can offer, ensuring that information is timely, and managing perceived employment risks.52

The key role of banks, accountants and SME business advisers who provide operational and strategic external business advice could also be external business advice could be explored, and support developed through new tools.

Mike Cherry of the Federation of Small Businesses highlights that “For businesses beyond the startup phase, which has its own specific challenges, business owners need to be convinced that their investment in business support will have a positive impact. Key to this is that the support is practical so it leads directly to application in the business, and ideally support should be ongoing as changes are implemented.

There is also a considerable advantage in training taking place in a cohort of business leaders, an approach adopted by the Goldman Sachs 10,000 Small Business Programme. This immediately creates a sense of community, where the entrepreneur can share ideas and learn from their peers.” The 10KSB UK shows the link between growth and mentoring: “Key strategic business behaviours associated with higher growth include innovation, exporting, having a mentor and raising external finance.”53
Recommendation two: ongoing support for SMEs through their mentors and advisers

Mentors and external business advisers such as banks and accountants are trusted messengers who can support behaviour change, and cascade learning and good practice.

This could be achieved by:

- providing equality e-learning and training packages to banks, accountants, and SME business advisers
- developing tools that make the link for SME mentors between how equality practice can support SMEs (getting the best people, retaining them) and the simple how to’s and model documents
- providing simple tools for advisers in banks - similar or repurposed versions of the mentors tools, and framed in terms of the business activities, including with short simple checklists or case studies
- offering specific mentoring opportunities to new SMEs, through PAYE and BIS Growth Voucher and other schemes
- contextual information for mentors on how to add value to their support, by building equality into their business, for example by using simple FAQs on potential issues or concerns
- providing web-based tools for dissemination through mentoring networks.

Recommendation three: exploring fiscal incentives to support disabled people and women

SMEs are a powerful engine for growth in the economy. The opportunity for growth is lost when discrimination occurs, as the harmful consequences of discrimination are expensive for the taxpayer and the SME. Failures to see the potential in workers are also expensive but can be overcome with good equality practice. A diverse workforce can also bring distinctive external business benefits to the SME and the wider economy.

We recommend that the Treasury explore the use of tax relief, deductions or allowances that would reinforce and encourage SME behaviour change to increase the recruitment of disabled people and to make it easier for people to get back to work after becoming disabled, for example through sight loss or through illnesses such as cancer. For example, a tax break to support SMEs with the cost of making adjustments for disabled employees could complement the existing financial support offered to SMEs by Access to Work. This could also complement the fiscal incentives offered through Fit for Work, for employers who pay for medical treatment for their employees. Fiscal incentives could powerfully complement existing financial support for disabled people because:

- they could be targeted at SMEs who provide significant employment opportunities for disabled people
- offering financial support through the tax regime would increase the good equality practice by SMEs who might otherwise be unaware of the financial support for making workplace adjustments
- guidance on good equality practice that accompanies fiscal incentives would reach the attention of SMEs who are unaware of their duties or how to make adjustments
they would raise awareness with SMEs and their advisers, who may seek information about tax incentives, whereas they would not seek out or be aware of separate schemes like Access to Work.

• they would lessen the SME perception of ‘employment risk’ when employing disabled people, and put the social model of disability into practice.

• they would enhance the messages of the government’s Disability Confident campaign: to work with employers to remove barriers, increase understanding and ensure that disabled people have the opportunities to fulfil their potential and realise their aspirations.55

Supporting women

We recommend that the Treasury consider the use of tax relief, deductions or allowances to reinforce and encourage SME behaviour change to support recruitment and retention for women. SMEs can reclaim 103% of SMP but many do not know that they can.56

This lack of awareness also contributes to SME perception that pregnant employees will be an expensive burden on the business. Small employers can reclaim SMP at the rate of 103%, and can also seek advance funding, if their tax or NI deductions would not cover the SMP.57

A possible simplification of the process of re-claiming with SMP through the tax system would be to provide this relief automatically to SMEs, thus removing the need for them to apply. This relief could be reinforced in a positive way through information accessed by an SME through the MATB1.

Recommendation four: Further research

We have identified that while the business case for equality is a vital tool for securing change, not all SMEs see it as relevant or necessary for their success. These are people who for a variety of reasons deny or minimise the existence of equality issues and the impact that poor practice has.58 Further research is needed to explore what strategic information, ‘nudge’ techniques or other methods will influence SMEs who are not persuaded by the business case for equality, which SMEs are more open to change, and what will make them more likely to adopt those types of good equality practices which we have identified as supporting growth.
This section sets out the project’s findings on, and recommendations about the further actions that SMEs could take to help their employees do their best for the business. We focus on how SMEs can develop the conditions in which employees can flourish. These recommendations will require input from government and intermediaries.

**Promoting flexibility, security and good absence management**

Our women employee focus group participants told us that they valued, and repaid, the flexibility that an SME employer could give to them:

*I was given time off to attend doctor’s appointments and there was no problem with working from home or coming to work later or leaving early. Because the employer was flexible in terms of homeworking I feel I more than repaid this... As they were so good to me I felt an obligation to give that back.*

On the other hand one of the biggest complaints we heard about from our employee focus groups was the use of insecure fixed term and zero hours contracts, as women employees struggled to plan their family lives, and felt those contracts were used by larger employers to restrict rights.

SMEs in our focus groups expressed a number of concerns about absence management, as their size means that the absence of an employee has a greater impact on the business, both in terms of any uncertainty, and cost, But on the other hand their relative informality and attitude to flexibility means they are willing to respond sympathetically and imaginatively, when they can. This was encapsulated by one focus group participant: “Absences cost for small businesses but [it is] also easier for small businesses to look out for employees.” An example of supportive flexibility was given by one focus group SME participant, who took into account the external context for their worker who asked for extended leave in the summer school break to care for their child. They “looked at the situation as a whole and granted it due to prohibitive child care costs if the [employee did work] in the school break”.

One SME focus group participant was frank about the way they dealt with absence: through a combination of disciplinary procedures, and “guilt tripping employees to return to work” and offering counselling, but dismissal if there were too many absences.

Other concerns about uncertainty were about making contact with the employee whilst they were away from work: should the SME “contact the employee to offer support or leave alone to give space?” Telling an employer and colleagues about disability was of concern to both employees and employers in our focus groups, with one SME stating it is “up to the individual to inform. Not to disclose disability, shows a lack of trust.” Some SME focus group participants found ‘return to work’ interviews useful.
The key point made by many focus group participants was that “information from the worker is key – if you know... upfront, then it is easier for an employer to organise”. In this context, the issue becomes how an SME can create a flexible and safe environment which enables employees to feel able to provide the information that will help their employer, and to not be fearful that giving their employer information will make their situation worse.

**Recommendation five: support SMEs to promote flexibility, security and good absence management**

We recommend that utilising the existing processes and paperwork that SMEs have to navigate would enable the provision of tailored, focussed information and guidance that will be useful to them, when they need it at the right time in the right easy places, would help SMEs manage absence in a way that enables effective communication between them and their employees.

This would help SME support disabled workers who are absent from work. They may be able to return to work earlier if they feel able to have an open conversation with their employer and if the employer can make workplace adjustments for them.

This could be done by:

- providing easily accessible guidance for SMEs (HR and line managers) on the most common impairments (and their impact), including how to find future information and examples of some workplace adjustments. This could be made available in a number of ways: on an app, online (for example by the EHRC) and in hard copy

- providing free easily accessible online guidance and tips to SMEs on how to create an environment where employees feel they can safely tell an employer about their disability, and tips for how to have conversations with employees who disclose a mental or physical health issue. This could be achieved by using guidance provided by the EHRC and/ or ACAS

- adding a small piece of extra information about Access to Work to the fit note. That is the form that GPs complete, and a worker hands to their employer. This could be done by adding a QR code for scanning, and an online link for information, together with a simple one line telling the employer that this provides information to help them get their employees back to work

- cascading the adviser training developed and piloted through this project more widely across Citizens Advice service, and to other independent advice providers. The training supports advisers in NGOs to help employees understand how and when to provide information to their employers and how to have a conversation with their employer, for example about disability or absence issues and supports advisers to play a non-adversarial advocacy role where needed.

This approach could also help SMEs manage the absence of women employees on maternity leave. The MATB1 form is completed by midwives, and given to women, who then hand it to their employer, to give notification of pregnancy. Information about reclaiming SMP could be provided by adding a QR scan code and online link to the MATB1 form. This would lead the SME employer to accessible, easy information about reclaiming SMP, with one line of information on the form itself to explain that the information in QR scan code will help them with the costs of SMP.
Improving access to training and promotion for employees

A further big concern that we heard in our employee focus groups was that disabled workers could not access training or promotion opportunities, and felt that they were passed over because of past absences from work.

There were barriers for women too. Some of the women employees in our focus groups had taken it upon themselves to seek training to expand their skill set, but still felt they had no career progression at work. Another survey respondent said: “I was told not to apply for promotion while pregnant. When taking time off for caring and changing working hours to accommodate this I was told I would not be eligible for training”.

BAME participants in our focus groups told us “In my situation not witnessed any environment that is conducive to asking for promotion because always been undermined in my work.” and “I am treated differently. I know someone who is not knowledgeable but he got promoted and a manager told me he was in the learning process!”

Our SMEs were enthusiastic about the benefits of training for their staff: “Training should make staff want to stay in the business. It is cheaper to train current staff than it is to hire somebody else and then train them up to the same standard.” Another SME told us it was “important to invest in staff. Poor retention is a big cost.” One SME describe their own experience:

I started as a secretary and they invested in me to go to college part time. They recognised my potential.

Recommendation six: accessible training for SME workers to develop skills

When SMEs’ employees can access training they can fulfil their potential, repay the SMEs investment in them, and also lessen the SME perception of employment risk. Simplified processes could make training available and accessible and by making it easy to do and access, this could change behaviour and help employees across all the groups studied by this project, who want to do their best for the business.

This could be achieved by:

- providing free or low cost accessible local or online training to SME employees across the range of skills that SMEs need
- creating a database of training providers accessible through SME support and mentoring schemes
- exploring the possibility of providing tax relief, deductions or allowance to SMEs to enable them to pay for low cost training for their employees. This could be designed in such a way as to encourage positive action to support people or groups such as women or particular BAME communities, who are under-represented either within the SME overall or in particular roles, to overcome barriers to progression
- ensuring that training is accessible for all employees. For example this could include easy ways to review and change the design of pre course assessments and applications processes so that they support rather than hinder participation. A recent study by the Behavioural Insights Team showed the strong effect on applications from BAME applicants that could be achieved by positive communications about assessments.61
Creating a positive working environment

The majority of SME employees said that relations between managers and employees were good or very good. This figure was highest for employees working for small organisations.62

In our focus groups and online survey, employees identified that the key factors that enable them to be successful all related to having a positive working environment, in which there were opportunities for development: they felt valued and respected and able to “be myself.” As one participant put it: “People need to feel ensured they can feel equal and welcomed.” Another said: “Work is great for helping me feel valued as a person and not just a mum”. One BAME focus group participant explained the importance of respect – when looking for job I feel discriminated because I get told I cannot speak English. Just because you have an accent don’t mean we are inferior.

Barriers to people feeling able to be themselves and contribute fully included:

- their employer not dealing effectively with ‘jokes’ and ‘banter’ for example about their race or religion, and other forms of harassment
- not feeling able to tell people at work about their disability, sexual orientations or gender identity.

We heard compelling evidence from LGBT participants about the impact of the lack of a positive environment:

- “I wouldn't allow anybody to know my sexuality and I would hide the fact that I am bisexual to protect myself.”

Other LGBT participants worried about the effect disclosure could have on promotion prospects for LGBT people:

- ‘some people would rather stay at the bottom as not many people will ask questions about them’.

An LGBT focus group participant told us:

Having a strong manager sets the tone. It is not acceptable to act in a homophobic way in our workplace.

Recommendation seven: support for SMEs to help their employees fulfil their potential

Our recommendation is that support is provided to SMEs to enable people to be themselves and do their best for the business.

This could be done by:

- providing SMEs with a practical format guide on conversations with employees, including top tips and scenario examples of what to do or say. This would cover:

  - what leaders can do to create a positive working environment including awareness of workplace issues about race and religion or belief
  - how to enable employees to be comfortable being themselves and disclose sexual orientation, gender identity, disability or mental health conditions
  - how to recognise ‘low level’ harassment and nip it in the bud so that negative unproductive environments are not able to develop and to prevent escalation.

- providing that guide as part of the suite of tools for business mentors and advisers (accessible online).
Developing a positive focus on what workers can offer to businesses

When asked for examples of fair treatment at work, survey respondents (across all groups) overwhelmingly described situations where they had been given the opportunity to demonstrate their skills, experience and knowledge. However, a strong finding from disabled participants in our focus groups was that once a worker had told their employer about a disability or long term health condition, that became the focus of their employer’s attention, and the worker’s skills and experience were overlooked. This meant their potential and what they could offer the SME went unvalued and overlooked.

Frequent absences were the number one factor that triggered a change in attitude from their employer. The participants explained how important it was to them to be treated as equals and that their employers listened to them so they could find ways forward.

Several focus group participants described the problems they faced because their employer and colleagues did not understand their disability or medical condition, or how their disability might or might not affect their work. Many felt that they were not believed when they tried to explain their disability, and that employers and colleagues didn’t understand that their absences were genuine. This lack of trust caused them to feel pressured bullied and stressed. In these circumstances, employees are less likely to be able to give of their best.

One participant described that he felt compelled to the last resort of posting a notice on the staff notice board explaining his medical condition and how it affected him. He felt that put him in a humiliating and undignified position in his workplace.

Recommendation eight: support to SMEs in recruitment and diversity management

We recommend that support is provided to SMEs to improve their ability to recruit the best people and support their progression, through a better understanding of how to support disabled workers, achieved by the measures such as information about the more common conditions and reasonable adjustments.

In tandem, SMEs should be supported to understand and manage unconscious bias.

This would enable not just disabled people but also women, LGBT and BAME people to be treated with dignity and respect at work, and to fulfil their potential.

This could be done by:

- providing free (or low-cost) e-learning for SMEs available via a range of trusted sources and tailored to SME audience

- that e-learning should give an overview of unconscious bias, with an emphasis on women, LGBT, BAME, disabled people, and a focus on key recruitment and progression decision-points. It should make the links for SMEs on how to recruit the best people, and support their development, thereby minimising further recruitment costs.
6: The role of independent advice agencies in supporting SMEs and their workers

Working with employees
Citizens Advice and other advice agencies have an important role to play in maximising opportunities for growth, by helping SME employees help themselves to find and keep a job, and progress, by understanding how to work with and get the best from SMEs, rather than automatically jumping to a risk-averse or adversarial approach.

The adviser training developed and piloted through this project helps advisers understand employee and employer perspectives and find a shared language to promote open communication and dialogue. The training equips advisers to help employees understand how and when to provide information to their employers, and how to have a conversation with their employer, in a range of scenarios where there are barriers to be overcome. It supports advisers to play a non-adversarial advocacy role where needed.

Recommendation nine: the role of independent advice agencies in cascading good equality and diversity practice
We recommend that the training and related e-learning are cascaded across the Citizens Advice service and other agencies providing independent information and advice.

Working with SMEs
The project has also supported a number of local Citizens Advice to strengthen their links and relationships with SMEs, providing opportunities for these local advice agencies to explore their role with SMEs. The project report (separate to this research report) will identify learning on this that will be shared across the network. It is worth noting here that those involved at local level have observed that there is significant further potential for advice agencies to support equality and growth in SMEs.

Recommendation ten: building support and networks between SMEs and NGOs
This project has identified that a wealth of resources, guidance and information on equality already exists. Much of this is with national bodies such as the EHRC or ACAS, but there are also valuable and insightful resources and expertise within advice agencies. We recommend that further work is done to identify, test and promote a range of models to support sharing of resources, suitable for different geographies and contexts, for advice agencies to increase their support to SMEs, and also to build complementary links and networks. At a national level this could involve developing a resource that will quickly and simply signpost SMEs, and advise SME employees about the support available to them. At local level, it could involve free or paid-for information, advice (where there is no conflict of interest with an employee’s needs), or other ways to add value and support for good practice on equality and diversity through existing business networks.
SMEs and their workers are of vital importance to our economy. The commitment and spirit that drives them to reach their full potential are qualities that we all admire and wish to support.

We hope that our report has shown the value of equality to SMEs and their workers. And that it has also shown simple effective practical ways in which equality can be seamlessly embedded in the business environment.

Much progress has already been made to improve working conditions and remove barriers for disabled, BAME, LGBT people and women at work. We hope that our recommended solutions will lead to further improvements in equality and growth for those workers, and the businesses they work for, and for us all.

Those recommended solutions will

● help SMEs use good equality practices to achieve growth, including how to unlock the potential in employees, and make the best decisions about recruitment and retention

● support workers to be successful and do their best for their businesses

● create a positive environment for all workers.
8: Footnotes


4. Parliamentary briefing, (2014), Small businesses and the UK Economy


8. The possibilities of utilising central government procurement policy to encourage improvement on equality in SMEs fell outside the scope of this project.


13. ONS, August 2015 UK Labour Market, p.12.


15. Disaggregated data that reflects the different lived experiences of different ethnic groups in the workplace, and the intersection of race and ethnicity with other characteristics such as gender and disability is discussed in the recent Joseph Rowntree Foundation series on ethnic minority disadvantage in the labour market. www.jrf.org.uk/publications/ethnic-minority-disadvantage-labour-market


17. DWP, (2009), A test for racial discrimination, p. 4 & 5


24. EHRC, (2014), Equality Policies, p.21, Table 18


30. EHRC, (2014), Equality, p.20, Table 16. Women make up 57% of the work force of large companies.


33. Behavioural Insight Team, (August 2015), You have been selected: Driving uptake of Government schemes http://t.co/yLDZ8zjVgs


37 Pleasence and Balmer, (2011), Discrimination in England and Wales


40 The literature on this subject was comprehensively reviewed in BIS, (January 2013) The Business Case for Equality and Diversity (a survey of the academic literature), Occasional Paper No 4

41 FSB, (2012), Back to Work: The role of small business in employment and enterprise p.2.

42 FSB, (2012), Back to Work, p.3 and p.28 ff.


45 See also Cordelia Hay/Joseph Rowntree Foundation (July 2015) What do low paid workers think would improve their working lives, p.11.


51 The BIS SME growth voucher scheme provides free/subsidised strategic business advice to SMEs. www.gov.uk/government/collections/growth-vouchers-programme


54 In January 2015 the Fit for Work scheme introduced a tax exemption of up to £500 (per year, per employee) on medical treatments recommended to help their employees return to work. www.gov.uk/government/uploads/system/uploads/attachment_data/file/458952/gp-fit-for-work-employers.pdf

55 www.gov.uk/government/collections/disability-confident-campaign

56 103% SMP can be reclaimed if a business qualifies for Small Employers’ Relief. (A business who paid £45,000 or less in Class 1 National Insurance in the last complete tax year before the ‘qualifying week’)

57 www.hmrc.gov.uk/manuals/spmmanual/spm21220.htm

58 One measure of this is the diversity competence used in the Intercultural Development Model.


60 Fit note is the informal name for the statement of fitness to work. www.gov.uk/government/collections/fit-note. When cost sharing applies, Access to Work will refund up to 80% of the approved costs between a threshold and £10,000. An employer will contribute 100% of costs up to the threshold level and 20% of the costs between the threshold and £10,000. The amount of the threshold is determined by the number of employees: 0 to 49 employees is nil; 50 to 249 employees is £500; over 250 employees is £1000. Any balance above £10,000 will normally be met by Access to Work. If the support also provides a general business benefit, a contribution will be sought in addition to any compulsory cost share.

