

Fairness, dignity and respect in small and medium-sized enterprise workplaces: a summary for advice providers

Based on Research Report 98 by Mark Winterbotham,
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What is its purpose?

This summary provides useful insights for the business advice sector on the needs of the SME market to help SMEs meet their legal obligations and achieve effective performance on equality and human rights issues.

It sets out the knowledge, practices and attitudes of SMEs in relation to equality and human rights and the four broad categories that SMEs fall into in relation to their approach to these. It also reveals where SMEs go to for advice on such issues and the types of formats they prefer in order to access information on equality and human rights.

What is inside?

This summary report provides:

- An introduction
- An overview of key findings
- What the findings mean for advice providers
- A list of useful resources.

When was it published?

This summary report was published in October 2015. It is based on the full research report by IFF Research, 'Fairness, dignity and respect in SME workplaces'.

Why has the Commission produced it?

The Commission was established under the Equality Act 2006 to work towards the elimination of unlawful discrimination, to promote equality of opportunity and to protect and promote human rights in England, Scotland and Wales. Our role is to promote and enforce the laws that protect our rights to fairness, dignity and respect.

This publication is a summary of the full research report, 'Fairness, dignity and respect in SME workplaces', based on a telephone survey of more than a thousand SMEs carried out by IFF Research in January and February 2015. The sample structure ensures that the results are representative by size, sector and country across Great Britain (and by size and sector in England, Scotland and Wales).

What formats are available?

This publication is available as a PDF file (in English and Welsh) and as a Microsoft Word file (also in English or Welsh) from www.equalityhumanrights.com.

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1. Introduction

Over 8 million people in Britain are employed in 435,000 small and medium-sized enterprises (SMEs) with 5 to 249 staff. Yet despite the numbers of people employed in the sector, research shows that many SMEs do not have easy access to expertise on human resources management or employment law. This could expose businesses to risk of grievances and employment tribunal claims.

The Equality Act 2010 requires that employers do not discriminate against their employees and people who use their services based on a protected characteristic. Under the law, a protected characteristic is defined as age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation. This means that employers must not unlawfully discriminate against their employees or applicants for employment. They must also not unlawfully discriminate against anyone who wants to buy or use their goods, facilities or services on the basis of their protected characteristic. These are legal obligations.

The UN Guiding Principles on Business and Human Rights sets out internationally recognised good practice standards for respecting human rights, so that businesses:

- comply with relevant laws and respect internationally recognised human rights
- identify, prevent and manage human rights risks in their operations and supply chains, and
- monitor and evaluate their performance.

The UK Government encourages all businesses to follow these principles in a way that reflects their resources and scale. Compliance with the principles is voluntary.

The Equality and Human Rights Commission (the Commission) wanted to understand the knowledge, attitudes and practices of SME employers in relation to:

- ensuring individuals with protected characteristics under the Equality Act 2010 are treated fairly in recruitment, promotion and employment, and
- managing human rights issues in the workplace.

We also wanted to understand where SME employers seek this information, their preferred formats for receiving information and whether we could segment SMEs according to their receptiveness to advice about the law and improving their employment practices.

This research provides useful insights for the business advice sector on the needs of the SME market to help SMEs meet their legal obligations and realise the business benefits of effective performance on equality and human rights issues. This summary is based on the research report available on our website.

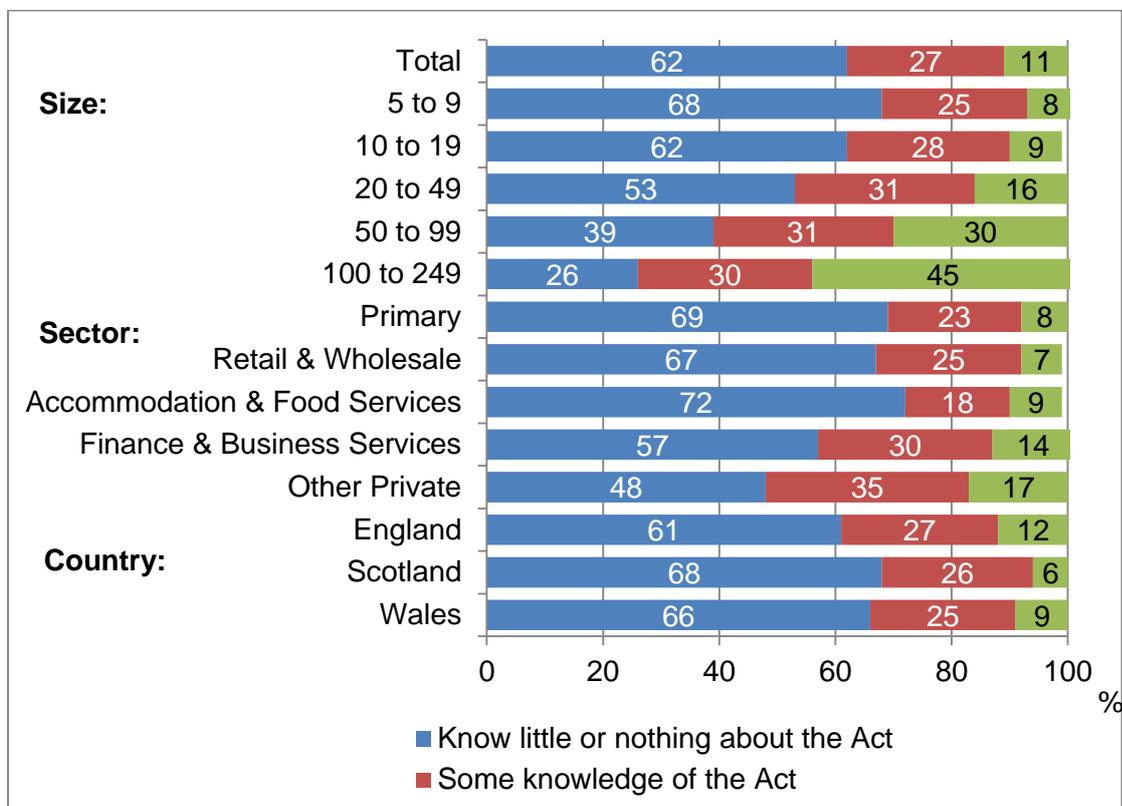
2. What we found

2.1 Knowledge and understanding of equality and human rights

Our research shows that most SMEs (88%) tell us they feel well informed about their legal responsibilities relating to equality in the workplace. Yet almost half (44%) say they have not heard of the Equality Act 2010. This is significant because the Equality Act sets out an employer’s legal obligations to ensure fair and equal treatment of their staff and people who use their services.

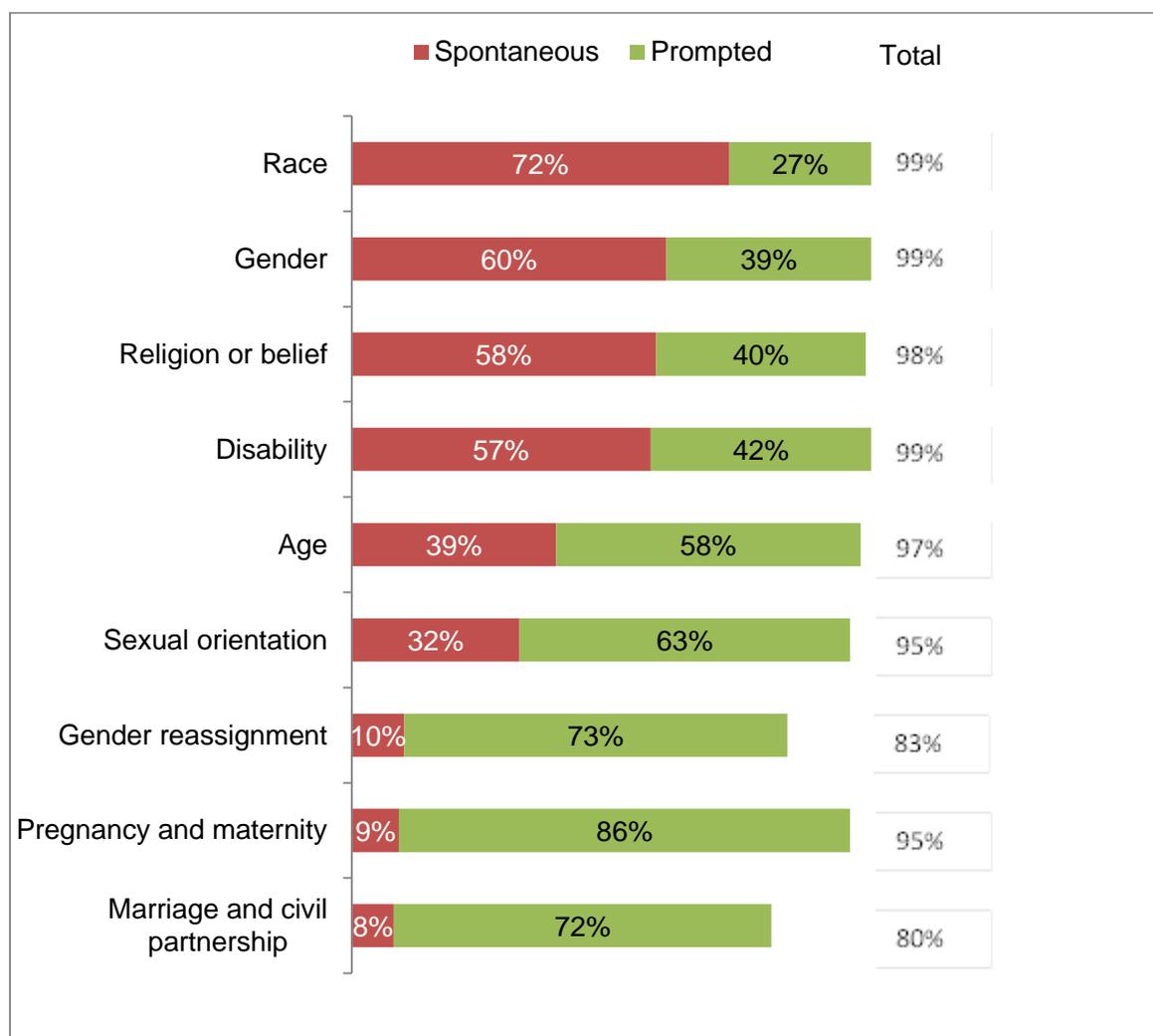
Size is relevant to SMEs’ knowledge of the legislation. Only 11 per cent of all SMEs say they have a good understanding of the Act but this rises to 45 per cent for SMEs with 100 or more workers (see Figure 1).

Figure 1: Awareness and knowledge of the Equality Act 2010



Most businesses are aware that the Act protects people from discrimination on the basis of their race, sex, disability and religion or belief. However, they are much less aware that the Act also protects people from discrimination on the basis of their age, sexual orientation, gender reassignment, pregnancy and maternity, and marriage or civil partnership, as shown in Figure 2.

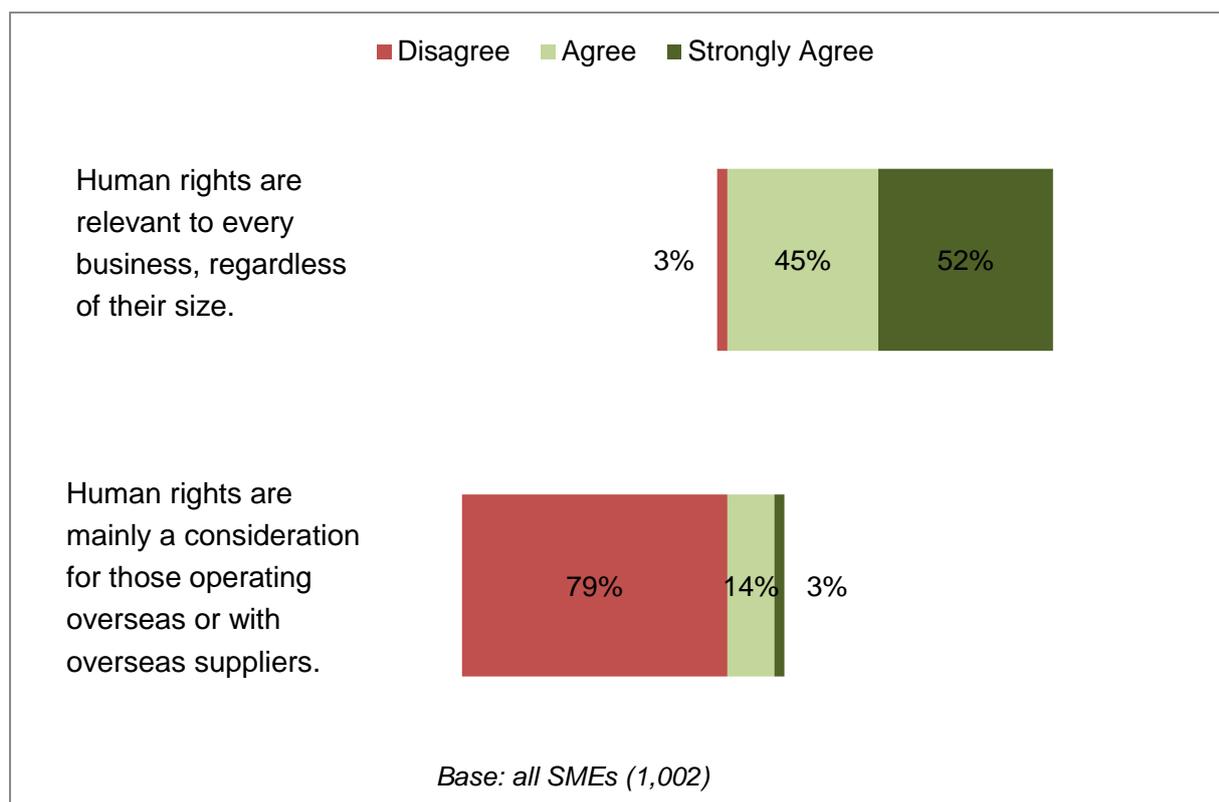
Figure 2: Awareness of protected characteristics (spontaneous and prompted responses)



With regards to human rights awareness, most SMEs recognise common workplace issues, such as safety at work, equal pay, labour exploitation and fair wages, to be human rights issues.

Almost all SMEs (97%) agree human rights issues are relevant to all businesses, regardless of their size. Similarly, 80 per cent of SMEs understand human rights issues are just as relevant to businesses and their supply chains in the UK as they are to operations and supplier relationships overseas (see Figure 3).

Figure 3: Attitudes regarding human rights and business



2.2 Translating equality and human rights knowledge into practice

Equality

Around two-thirds (61%) of SMEs say they have someone with overall responsibility for equality, regardless of their size.

More than half of all SMEs (54%) have a formal written equality policy but this varies according to size. Eighty-five per cent of SMEs with more than 100 staff have a written equality policy compared with only 43 per cent of SMEs with 5–9 staff. Furthermore, 42 per cent of written policies explicitly mention protected characteristics. SMEs with more than 100 staff are far more likely (78%) to mention at least one protected characteristic in their policy.

Smaller businesses with 5–19 staff are more likely (72%) to have procedures in place for managing flexible working than a written equality policy. Ninety-one per cent of SMEs with more than 100 staff have procedures in place for managing flexible working.

Only a small proportion of SMEs monitor the impact of their policies on recruitment, pay and promotion by protected characteristics, with larger SMEs more likely to do so (see Table 1). Without monitoring, SMEs run the risk that their policies may not be being effectively implemented.

Table 1: Monitoring recruitment, pay and promotion

	Monitor recruitment by protected characteristics	Monitor pay by protected characteristics	Monitor promotion by protected characteristics
	%	%	%
Total	21	12	10
Size:			
5–9	17	10	10
10–19	24	13	10
20–49	27	12	10
50–99	27	9	11
100–249	35	21	19

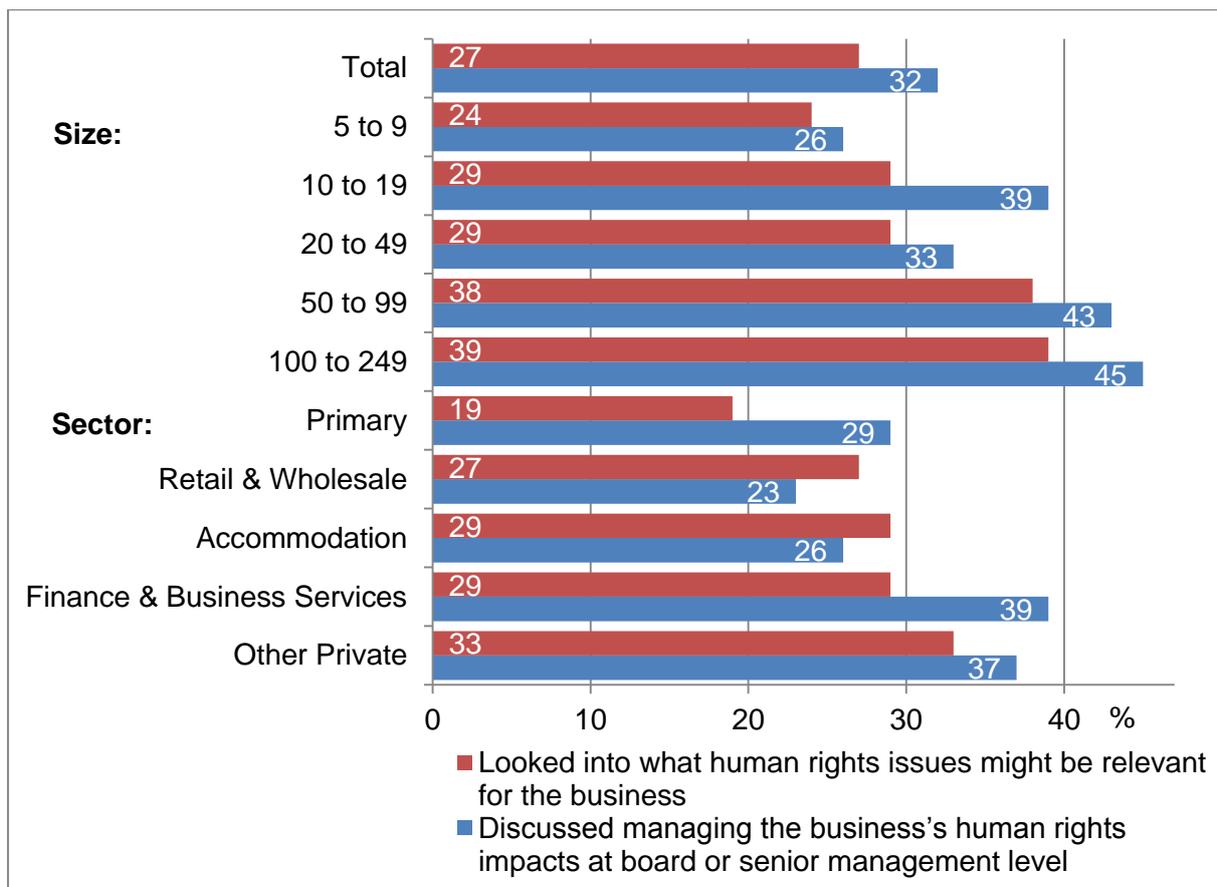
SMEs in the Finance and Business Services sector are most likely to monitor recruitment by protected characteristics (30%). SMEs in Wales are also more likely to monitor recruitment in this way (27%) compared to 21 per cent in England and 20 per cent in Scotland.

Human Rights

SMEs are less likely to have written human rights policies in place than policies relating to equality. Only 16 per cent of SMEs have an overarching human rights policy although most do have policies relating to staff grievances, safety at work, data privacy and other human rights issues in the workplace.

Almost a third of SMEs (32%) say that they have board or senior management level discussion about the business’ human rights impacts. Just over a quarter of SMEs (27%) have examined their human rights impacts, although this varies across the three countries (see Figure 4). Just 18 per cent of SMEs in Scotland said they had looked into human rights issues relevant to their business, compared to 28 per cent in England and 31 per cent in Wales.

Figure 4: Activities undertaken relating to human rights



Over one-fifth (22%) of SMEs have been asked about their human rights practices by clients to whom they supply goods or services. This is most common among larger SMEs with 50 or more workers. Where clients do ask such questions, most SMEs take action to review their policy and practice or to investigate their responsibilities.

Larger SMEs with 50–249 staff are much more likely (31%) to ask their own suppliers about their human rights record than small SMEs with 5–19 staff (11%). The questions SMEs ask tend to focus on working practices and discrimination.

Attitudes towards equality and human rights

Irrespective of their knowledge of equality law, nearly all SMEs (98%) feel they treat people fairly and equally. They also believe every business has both a legal and a moral responsibility to consider issues relating to equality and human rights. A third of all SMEs agree strongly that businesses have a legal and moral duty to do so.

Over half of SMEs (55%) said they take protected characteristics into account when recruiting new staff, in particular whether applicants had a disability, their age, or whether they were pregnant or had a young family. Some SMEs said they considered these protected characteristics to help develop a more diverse or inclusive workforce. More often, SMEs said they had concerns about employing someone with these characteristics, such as their ability to cope with the physical requirements of the job.

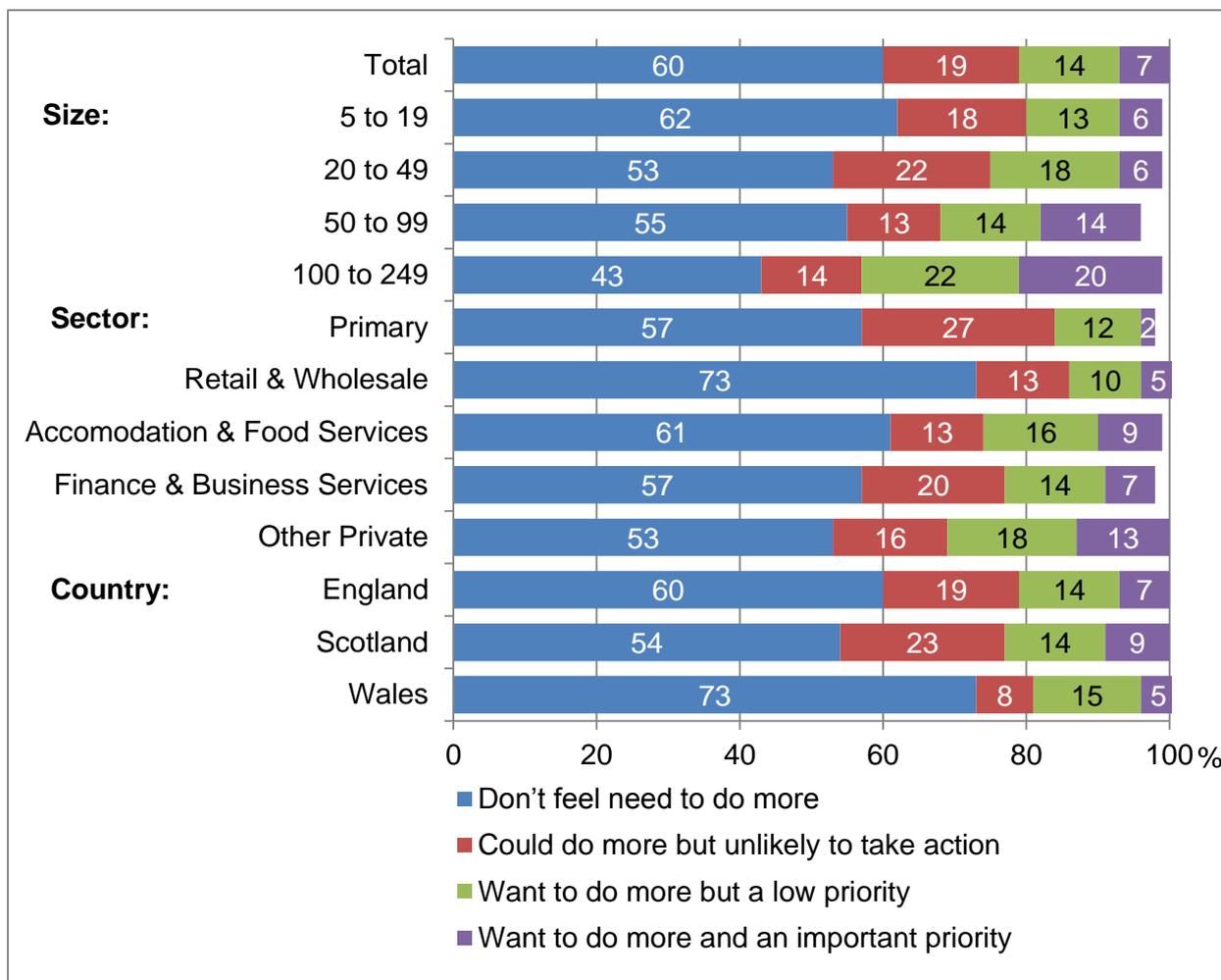
Eighteen per cent of SMEs report difficulties managing employees with particular protected characteristics. This most often concerned pregnant women or women with young families (8% of SMEs), disabled people (6%) and both younger and older workers (6%). Where this occurred, more than half of those SMEs said it had made them concerned about recruiting people with those characteristics in the future.

Appetite for doing more on equality and human rights

In relation to equality, 60 per cent of SMEs do not believe they need to do more on equality than they currently do. Overall, only 21 per cent want to do more on equality, though most feel it is a low rather than an important priority.

The desire to do more is most evident among SMEs with 100–249 staff (42%) and those in the Other Private and Accommodation and Food Service sectors (31 and 25% respectively), see Figure 5.

Figure 5: Views on doing more on equality



Of SMEs wanting to do more, almost a third (30%) would like to offer more training for staff at all levels of the business.

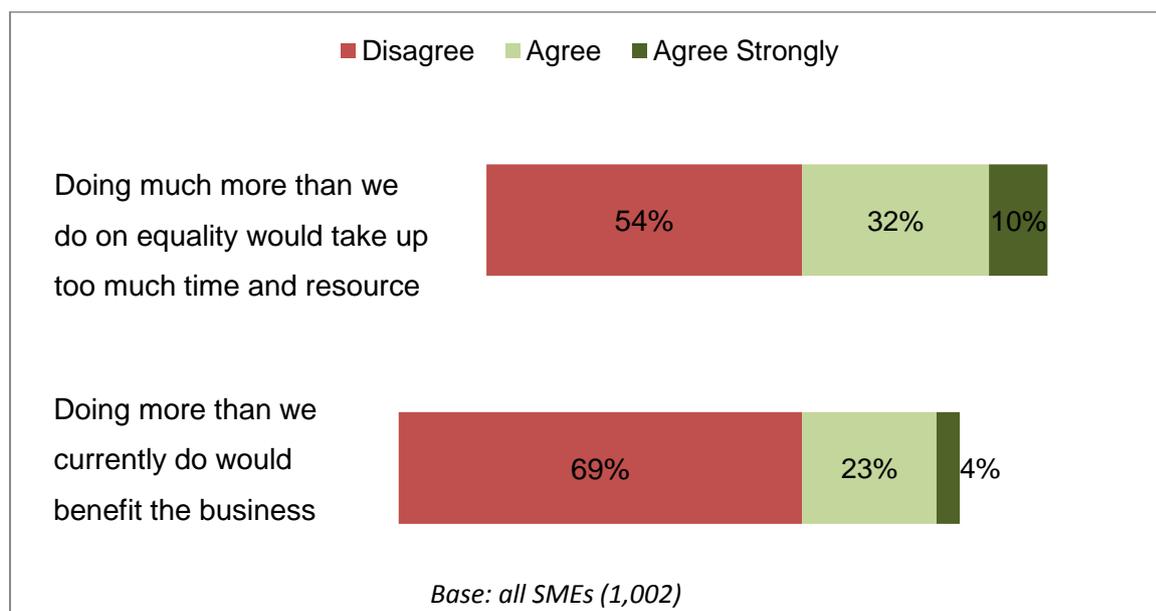
Nineteen per cent of SMEs agree they could do more but they are unlikely to take action unless required to. For the 60 per cent of businesses not planning to do more, a third say they would do so if issues were raised by their staff, while just 6 per cent say they are likely to be motivated to do more when faced with the threat of an employment tribunal.

Smaller businesses are more likely to be motivated to do more in response to client or customer pressure than larger SMEs. Twenty-eight per cent of very small SMEs with 5–9 staff said they would do more if they took on more people.

More than a quarter of SMEs (27%) felt doing more would benefit their business. More than half (54%) did not think doing much more would take up too much time and resources (see Figure 6).

SMEs that see themselves as ambitious for growth, team rather than owner-managed and with a younger managing director or owner are more likely to see benefit in doing more.

Figure 6: How doing more on equality would affect the business



3. What it means for advice providers

This research provides some valuable insights for advice providers about the needs of SMEs.

3.1 Making equality a reality

Our findings suggest there is a potential mismatch between many SMEs’ perceptions about their legal responsibilities and their knowledge of what equality law requires of them. This may expose SMEs to unnecessary reputational and legal risks and costs. It may also indicate a need for information and advice that focuses on the essential features of the Equality Act and what they mean for small businesses. Sixty-eight per cent of SMEs with 5–9 staff have not heard of the Act or knew little or nothing about it.

The business case for diverse and inclusive workplaces applies to businesses ambitious for growth and those consolidating their position in the market. Benefits include:

- Opening the business to a wider and more diverse mix of talent through open and fair recruitment practices that also help to fulfil vacancies when the labour market is right.
- Increasing employee satisfaction, which helps attract new staff and retain those already there.
- Understanding how the company's diverse customers think, what drives their spending habits, and how to access untapped markets.

Low awareness of what the law requires and limited attention to the effectiveness of their equality policy and procedures could mean that SMEs are missing out on the benefits of a diverse and inclusive workforce.

3.2 Respect for human rights

The research shows that 22 per cent of all SMEs have been asked about their human rights practices by their clients; this rose to 39 per cent for SMEs with 50–249 employees.

Many larger companies are now required to report each year on their human rights policy and performance, across their operations and supply chains. In turn, smaller businesses are facing greater scrutiny from the businesses they supply and are asked to demonstrate the steps they take to respect human rights.

Businesses are also facing growing calls for more transparency about their human rights record from regulators and civil society. Media coverage continues to highlight the reputational and operational risks for businesses in failing to respect human rights. Examples include:

- criminal prosecutions and the eventual closure of a business following exposure of cruel treatment of learning disabled patients at a private hospital, and
- investigations of forced labour and trafficking in the agriculture and

food processing sectors.

There is a largely unmet market for advice providers to help SMEs understand their responsibility to respect human rights and to put in place proportionate measures to assess their human rights impacts and take proactive steps to manage their risks.

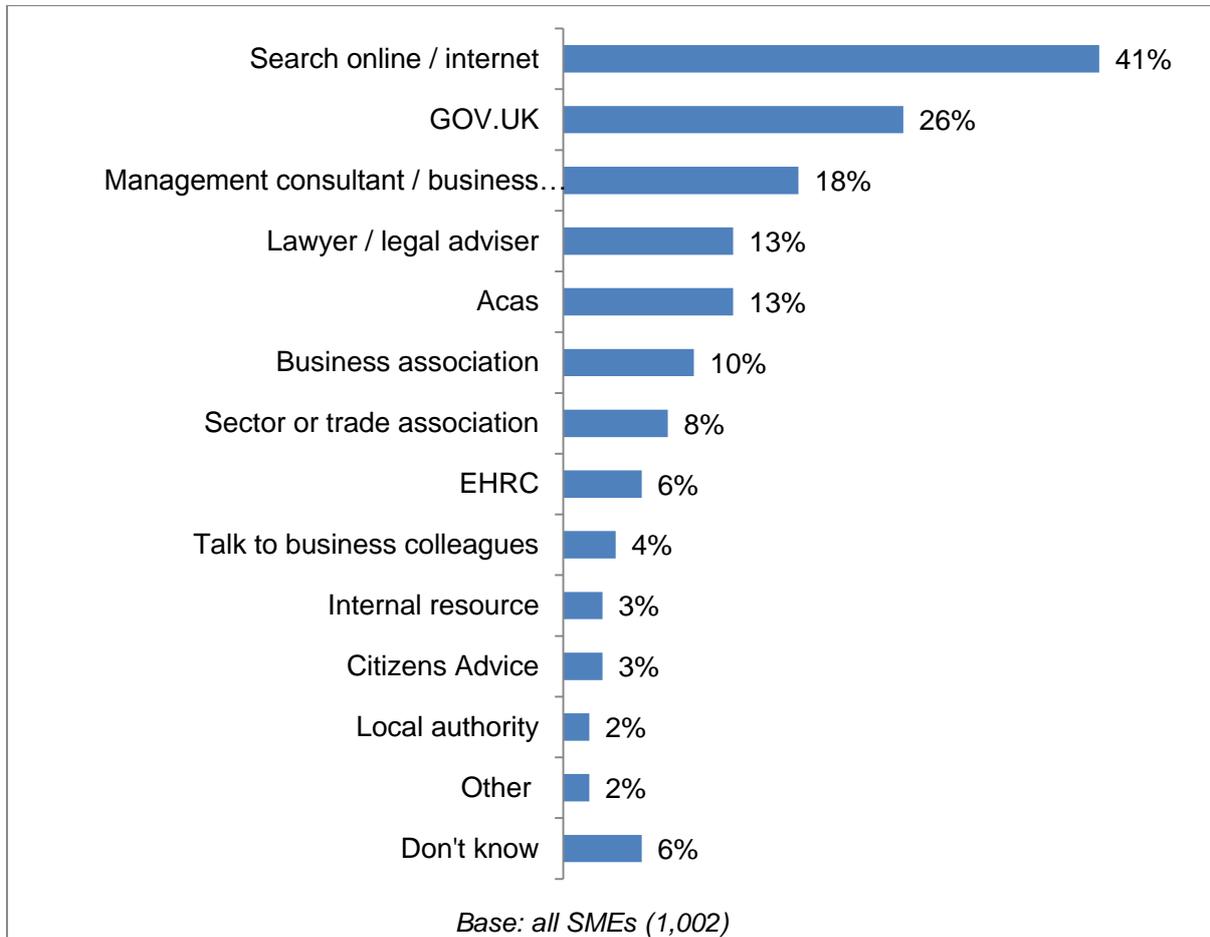
3.3 Advice and guidance

A third (34%) of SMEs would like more information, advice or guidance on managing equality or human rights issues, with interest particularly high in the Accommodation and Food Service sector (45%). SMEs place most value on information and advice that keeps them informed about changes in the law and helps them to comply. Other suggestions by SMEs include:

- practical guidelines for complying with equality law
- clearer and simple information
- email updates, and
- best practice case studies from other businesses.

The following charts show that SMEs overwhelmingly look to online sources of information about equality and human rights (see Figure 7).

Figure 7: Organisations or information sources SMEs would use for more information on equality or human rights



SMEs' preference for online information extends to the channels they wish to use to access advice and information (see Figure 8).

Figure 8: SMEs' interest in specific channels for information and advice on equality issues



3.4 Understanding the market

What does the research tell us about the characteristics of SMEs and their appetite for doing or learning more about equality and human rights?

Larger SMEs are more likely to want to do more on equality and see it as an important priority. Twenty per cent of SMEs with 100-249 staff want to do more compared with 7 per cent of all SMEs.

SMEs in the Retail and Wholesale sector are less likely (73%) to feel that they need to do more than they currently do on equality compared with 60 per cent of all SMEs.

Where the business owner has a degree or higher qualification, there is a larger appetite for doing more and for it being a priority. Ten per cent of these SMEs want to do more compared with only 1 per cent of SMEs where the owner has qualifications no higher than GCSE or equivalent.

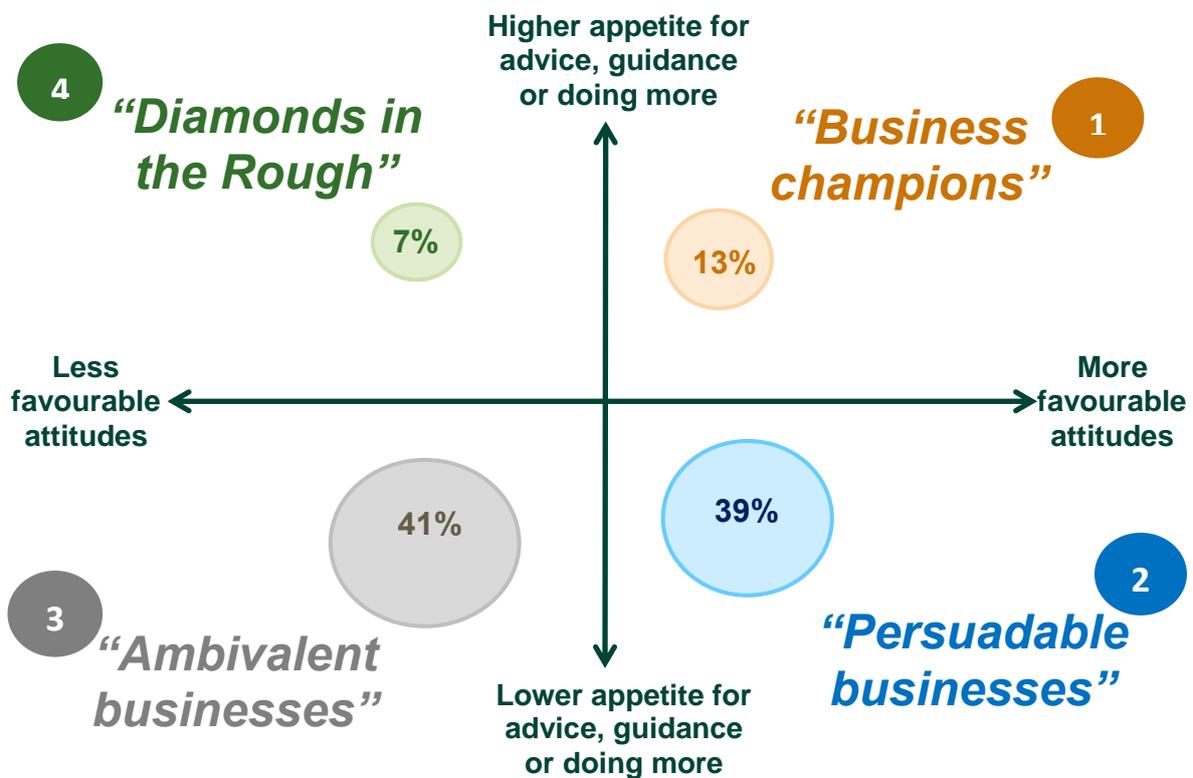
Our research segmented SMEs according to their knowledge and attitudes and their appetite for change and for learning more about equality and human rights.

Understanding the characteristics of SMEs in this way will help advice providers to assess the risks and opportunities for different types of SMEs according to their size, ownership, management style and ambitions for growth. It also helps advice providers to better market their products and services according to business interest and need.

We broke our sample down into four broad ‘types’ of SME. Those with:

- more favourable attitudes to equality and human rights **and** a higher appetite for change – *business champions* (13% of SMEs)
- more favourable attitudes to equality and human rights **and** a lower appetite for change – *persuadable businesses* (39% of SMEs)
- less favourable attitudes to equality and human rights **and** a lower appetite for change – *ambivalent businesses* (41% of SMEs), and
- less favourable attitudes to equality and human rights **and** a higher appetite for change – *diamonds in the rough* (7% of SMEs).

Figure 9: Four types of SMEs



Here we set out a few key messages from the research for advice providers.

Larger SMEs with 50-249 staff and those that are team managed are more likely to **have more favourable attitudes to equality and human rights**.

SMEs that are team managed and those with ambitions for significant growth in the next few years are also more likely to **have a higher appetite for change**.

Businesses in the Finance and Business Services sector are more likely than those in other sectors to **have both more favourable attitudes to equality and human rights and a higher appetite for change**.

Businesses with younger, well-educated owners are more likely to **have more favourable attitudes to equality and human rights and a higher appetite for change**.

SMEs in the Retail and Wholesale sector are more likely than those in other sectors to **have less favourable attitudes to equality and human rights but retain a higher appetite for change**.

More information about the characteristics of SMEs in each of the four ‘types’ can be found in the research report on our website. Figure 10 sets out the characteristics of the four broad ‘types’ of SMEs.

Table 2: Segmentation of SMEs by attitude to equality and human rights and appetite for change

	Type 1: Business champions More favourable attitudes and higher appetite for change 13 per cent of SMEs	Type 2: Persuadable businesses More favourable attitudes but lower appetite for change 39 per cent of SMEs	Type 3: Ambivalent businesses Less favourable attitudes and lower appetite for change 41 per cent of SMEs	Type 4: Diamonds in the rough Less favourable attitudes but higher appetite for change 7 per cent of SMEs
Business characteristics	More likely to: <ul style="list-style-type: none"> • be managed by younger, well-educated owners • be team managed 	Most likely to have a human resources team or person.	More likely to: <ul style="list-style-type: none"> • have older, less educated owners • be owner-managed 	More likely to have ambitions for growth.

<p>Ambition for significant growth</p> <p>Team managed</p> <p>Designated human resources function</p>	<ul style="list-style-type: none"> • have ambitions for growth. <p>63%</p> <p>62%</p> <p>50%</p>	<p>52%</p> <p>58%</p> <p>65%</p>	<ul style="list-style-type: none"> • be smaller. <p>Less likely to be ambitious for growth.</p> <p>38%</p> <p>49%</p> <p>43%</p>	<p>62%</p> <p>50%</p> <p>52%</p>
<p>Knowledge</p>	<p>More likely to have heard of the Equality Act and have a good understanding.</p> <p>Most likely to have identified potential areas of concern relating to equality and human rights.</p>	<p>Most likely to feel very informed about legal responsibilities for equality.</p> <p>Least likely to be unclear whether policies and practices comply with the Equality Act.</p>	<p>Least likely to agree human rights are relevant to all businesses regardless of size. Less engaged on equality and human rights issues.</p> <p>Least likely to have identified any equality or human rights areas of concern in the business.</p>	<p>Most had not heard of the Equality Act.</p> <p>Most likely not to be able to name any of the protected characteristics spontaneously.</p>
<p>Attitudes</p>	<p>See business as having an inclusive approach so most likely to consider protected characteristics when recruiting. Most likely to go beyond legal equality requirements.</p>	<p>Most likely to say they comply with the law so don't need to do more.</p> <p>Most likely to say some protected characteristics have caused difficulties in managing the business.</p>	<p>Least likely to try to go beyond what is required by the law.</p>	<p>More likely to feel doing more would benefit the business.</p> <p>Likely to feel it would be a struggle to do more (half agreed doing more would take up too much time or resource).</p>
<p>Practices</p>	<p>More likely to offer staff training.</p> <p>More likely to monitor equality in recruitment and promotion.</p>	<p>See the importance of complying with equality legislation.</p> <p>Less likely to 'go the extra mile'.</p>	<p>Only group to have no equality related practices in place.</p> <p>Least likely to have acted on concerns.</p>	<p>Few have a formal written equality policy.</p>

4. Conclusions

The research findings and segmentation analysis provides insights into the advice and information needs of SMEs. It also shows the receptiveness of different ‘types’ of SMEs to information about their obligations as an employer under equality law and in relation to human rights standards for businesses.

The research shows that nearly all SMEs feel they treat people fairly and equally and believe every business has both a legal and a moral responsibility to consider issues relating to equality and human rights. However, some SMEs still lack awareness of their obligations under the Equality Act 2010 or were uncertain how to recruit and manage a diverse workforce.

Our research shows that most SMEs agreed that human rights are relevant to businesses and their supply chains in Great Britain. However they were less likely to have human rights policies in place than policies related to equality, or to have assessed their human rights impacts. They were most likely to have considered these when asked by a client to whom they supply goods or services.

The Commission provides these new insights to help advice providers tailor their products and services to the SME market to help SMEs improve their knowledge and managerial practices.

5. Background to the research project

The Commission was established under the Equality Act 2006 to work towards the elimination of unlawful discrimination, to promote equality of opportunity and to protect and promote human rights. Our role is to promote and enforce the laws that protect our rights to fairness, dignity and respect.

We commissioned IFF Research to carry out a telephone survey of more than a thousand SMEs in January and February 2015. The sample structure ensures that the results are representative by size, sector and country across Great Britain (and by size and sector in England, Scotland and Wales).

6. Useful resources

GOV.UK

GOV.UK is the website for the UK government. It provides information and services for citizens and business.

<https://www.gov.uk/browse/business>

Acas

Acas provides useful resources for businesses of all sizes. These include tools, templates and checklists covering a range of employment and workplace matters. For more information go to

<http://www.acas.org.uk/index.aspx?articleid=1340>

Acas

Euston Tower

286 Euston Road

London

NW1 3JJ

Helpline: 0300 123 1100

The helpline is available Monday–Friday, 8.00am–8.00pm and Saturday, 9.00am–1.00pm

Law Society

The Law Society's Employment Law Committee supports members of the legal profession undertaking work in employment law and promotes the role of solicitors practising in this field.

The Law Society

The Law Society's Hall

113 Chancery Lane

London WC2A 1PL

Tel: 020 7242 1222

Website: <http://www.lawsociety.org.uk/get-in-touch/>

Contacts

This publication and related equality and human rights resources are available from the Commission's website: www.equalityhumanrights.com

For advice, information or guidance on equality, discrimination or human rights issues, please contact the Equality Advisory and Support Service, a free and independent service.

Website www.equalityadvisoryservice.com

Telephone 0808 800 0082

Textphone 0808 800 0084

Hours 09:00 to 20:00 (Monday to Friday)
10:00 to 14:00 (Saturday)

Post FREEPOST Equality Advisory Support Service FPN4431

Questions and comments regarding this publication may be addressed to: correspondence@equalityhumanrights.com. The Commission welcomes your feedback.

Alternative formats

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