

THE WORKFORCE SURVEY

MICRO BUSINESSES

AUGUST 2011



About Us

The British Chambers of Commerce is the national body for a powerful and influential Network of Accredited Chambers of Commerce across the UK; a Network that directly serves not only its member businesses, but the wider business community.

Representing 100,000 businesses who together employ more than 5 million employees, the British Chambers of Commerce is The Ultimate Business Network. Every Chamber sits at the very heart of its local community working with businesses to grow and develop by sharing opportunities, knowledge and know-how.

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Foreword



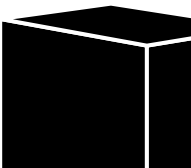
If our micro-firms are to succeed and become the big employers and growth-generators of tomorrow then they often need tailored policies. The clearest example of the Government recognising this is the three year exemption for these firms from new regulation. Speaking to micro employers all over the UK, they are looking both for targeted policies to support their growth ambitions, but also a better business environment for all firms regardless of size.

The micros we surveyed are keen to expand their businesses and take on staff but see barriers

to this at every turn – either in the employment law regime, the skill level of the local labour market or their own knowledge of the regulatory landscape. The importance of flexible staff was continually highlighted, something under threat from the implementation of the Agency Workers Directive and further extensions of employment rights.

This report sets out the comprehensive, long term action that is needed to stimulate these micros into realising their ambitions. The Government's micro-exemption is a good start, but will not on its own yield great results on the ground.

David S Frost CBE
Director General
British Chambers of Commerce



Executive Summary

The British Chambers of Commerce (BCC) undertook research with business people in Chamber membership who have less than ten employees to understand their views on their local labour market, the barriers to recruiting more employees and growing their business, and what initiatives might encourage them to take on more staff members. This survey was undertaken between March 29th and April 15th 2011, and attracted 2255 responses.

SUMMARY OF MAIN FINDINGS:

- 55% of micros are looking to increase their staffing levels, with only 31% of micro businesses wanting their number of employees to 'remain the same'. Barely any micro firms are looking to decrease their staff numbers - only 2.5%.
- The smallest micros, those with fewer than five employees, were more likely to be affected by the introduction of the Agency Workers Directive (AWD). One in four respondents with one to five employees that currently use agency workers said they would use fewer in the future.
- One in two micro firms find it difficult to recruit the right staff to fill a vacancy.
- 47% of micro-businesses said they would be 'fairly' or 'very' nervous that a school-leaver with A-levels or the equivalent would have the necessary skills for their business.
- 43.2% of larger micros (5-9 employees) stated that dismissal rules were 'extremely' or 'fairly' burdensome compared to 33.4% of smaller micros (1-4 employees). Overall, this was the second most burdensome regulation, after health and safety.
- Even though many micros found different employment regulations burdensome, only a minority (40%) felt well informed about any changes. The BCC survey also shows there is a positive correlation between how well informed micro-firms are, and their ambitions to recruit more employees.

SUMMARY OF RECOMMENDATIONS:

- Firms must be able to rely on Government advice hosted on the Business Link website. As well as removing disclaimers (an Anderson recommendation), Business Link should actively promote the ability for employers to show a tribunal, or an ACAS pre-conciliation mediator, that they followed the Government guidance. Publicising this should both increase the use and confidence in Government advice, as well as improving the confidence of micro-employers to deal with the majority of personnel issues without resorting to expensive legal advice. Our results also suggest that if the Government invested in providing this advice then there would be a net positive economic impact.
- Basic rights such as the minimum wage, holiday allowances and discrimination protection should, of course, be afforded to all workers. However, given our survey results, laws surrounding the recruitment process and dismissal rules should be targeted with micro-exemptions, as these have been highlighted by micro employers to be the most burdensome. This does not necessarily mean a reduction in rights for employees. However, prescriptive behaviour and process requirements must be stripped out of the law. An example of where we believe a form of micro-exemption would be appropriate is in the redundancy regulations.
- Too many firms answering our survey were unaware of the requirements that the 2012 pension reforms will place on them. Much of the indirect costs will be front-loaded, particularly for micros with fewer than five employees that do not currently have to offer a stakeholder pension. In light of the survey findings on the correlation between understanding new employment law and ambition to create jobs, this takes on a particular importance.
- LEPs, with their connections to both the public and private sectors, should play a part in identifying skills gaps and communicating with colleges and employers to reduce them. LEPs are not delivery bodies, but they are influencers and should use that role. LEPs should consult with local employers on what skills they need for their businesses (both soft skills and qualifications) and have the ability to scrutinise college budgets, using the information collected from the private sector in their area.

Introduction

Not all employers want to expand beyond ten employees and grow into a bigger business. However, changes to the business environment could encourage some micros to add staff, or even become one of the UK's high growth business success stories. This report will investigate the barriers to these ambitions and recommend ways that Government and business can work together to encourage businesses with the potential to grow to do so.

Employment – A business issue and a Government objective

Businesses take on employees to satisfy demand for their goods or to aid expansion. The Government objective is to achieve full employment. Whilst these objectives can often align, the public policy objective should not be mistaken for the motivation of the entrepreneur. However, many recognise that full employment

can bring indirect business benefits. 'Companies take on unemployed workers, who spend their new income on postponed purchases of consumer goods. This creates more demand and so companies employ more people, and so the process continues (the multiplier.)'

The importance of micro-enterprises

The growth of micro-enterprises (defined as having less than ten employees) is vital to the economic success of the UK. 21.1%² of turnover generated by the private sector comes from businesses with either no employees (sole proprietor) or firms with less than ten staff members. But these firms do not just contribute through economic activity and tax revenue, they also employ 20.2%³ of all the private

sector employees in the UK.

Our micro-enterprises employ less people as a percentage of the overall labour market than the EU average. 29.7% of employees across the EU are employed by micro businesses⁴, although this figure varies considerably across EU member states. For example, in Germany, 19.3% of employees are employed by micros⁵ whereas in Spain, the figure is 37.7%⁶ and

in Italy, the figure is 46.9%⁷. The UK does need to maintain a balance between the success of micros and the achievements of

large businesses, but this report suggests our micros may not be reaching their potential.

Micro businesses

The vast majority of UK businesses are micros (firms with less than ten employees) but it does vary by industry. In Forestry and Logging⁸ 96% of businesses are micros, compared to Legal and Accounting Activities⁹ where 87% of businesses are micros and in the Manufacture of Textiles¹⁰ where 77% of businesses are micros¹¹.

A recent NESTA report¹² on growth revealed some uncomfortable truths about UK micro businesses. The report stated that,

'With respect to employment growth, there are fewer firms with ten employees or less which are in the high-growth category and also significantly fewer in the 'no growth' category. This confirms the notion that the majority of micro-enterprises (1-9 employees) do not grow and the minority that do experience high rates of increase upon a small base.'

However, the report also found that a small number of micro businesses founded in 1998 made an important contribution to net job creation ten years later by growing to employ more than 20 staff members. This suggests that the Government is right to put some resource into encouraging entrepreneurialism but they must also create an environment where

micro businesses are confident enough, and desire, to increase their staffing levels – not just by one or two employees (which may represent a 100% increase for them), but by enough to allow them to break out of the micro category and become one of the 6% of UK firms that account for more than half the growth in jobs¹³.

1. The Economist Guide to Economic Indicators

2. SME Statistics for the UK and regions 2009. BIS

3. Ibid

4. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/pdf/dgentr_annual_report_2010_100511.pdf

5. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/pdf/final/sba_fact_sheet_germany_en.pdf

6. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/pdf/final/sba_fact_sheet_spain_en.pdf

7. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/pdf/final/sba_fact_sheet_italy_en.pdf

8. s/c 02

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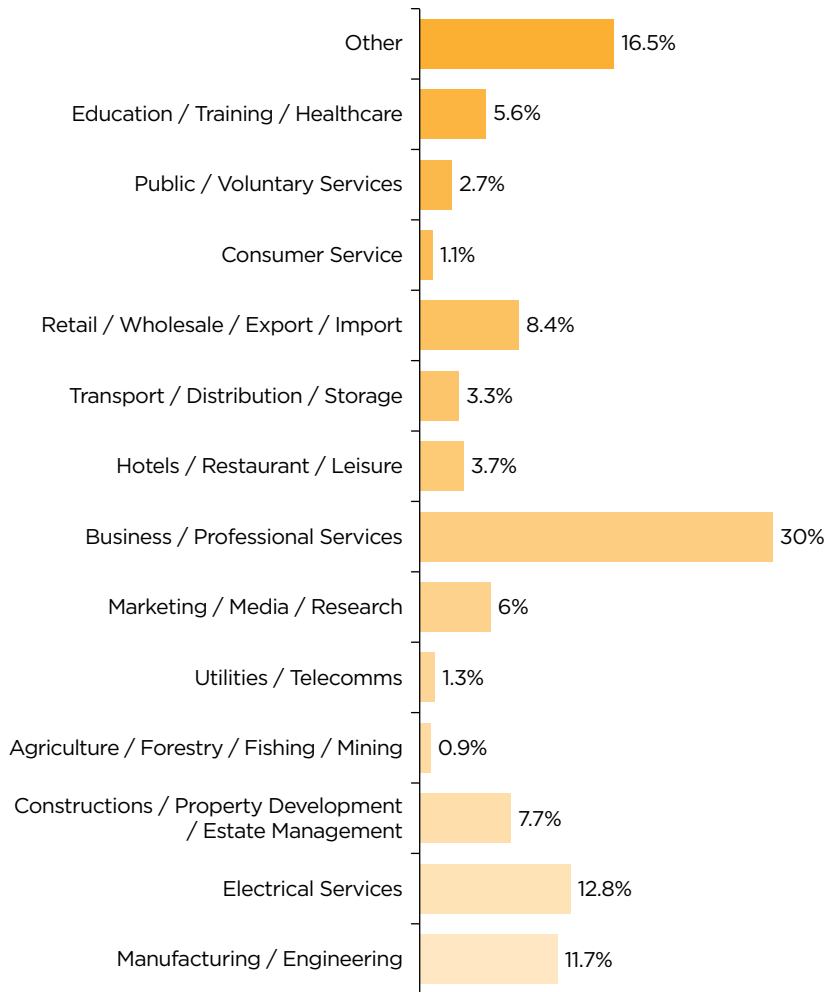
11. http://www.statistics.gov.uk/downloads/theme_commerce/PA1003_2010/ukbusiness2010.pdf

12. <http://www.nesta.org.uk/library/documents/Measuring-Business-Growth-v18.pdf>

13. <http://www.nesta.org.uk/library/documents/Measuring-Business-Growth-v18.pdf> pg4

Who are the UK's micro-firms?

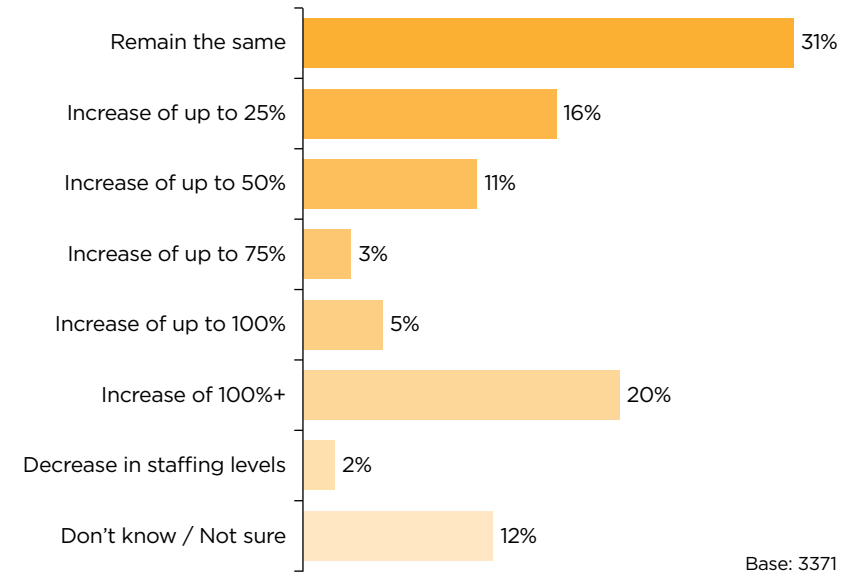
FIG 1. MICRO FIRMS



The majority of the UK's micro firms do not want to stand still in terms of the number of staff members they employ. Only 31% of micro businesses want their number of employees to 'remain

the same', and barely any micro firms are looking to decrease their staff numbers – only 2.5%. 55% want to expand their staff numbers – by varying amounts.

FIG 2. % OF FIRMS WHO WANT TO INCREASE THEIR STAFFING LEVELS



Base: 3371

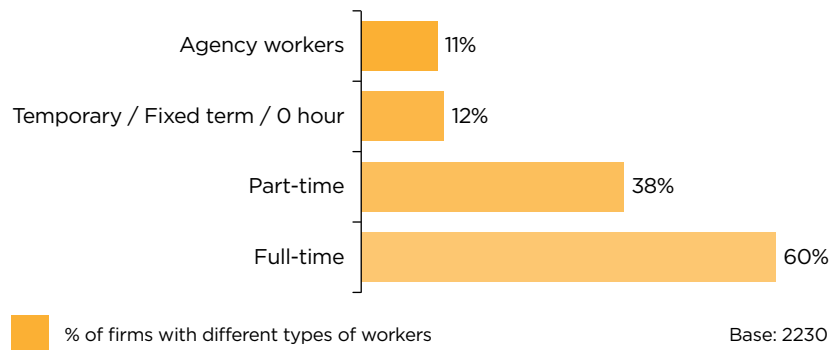
A significant one in five micros surveyed are looking to at least double their staff numbers in the next four years. This casts doubt on the assertion by NESTA that most micros do not want to grow, although they do say many more "experience high

rates of increase upon a small base." Whilst some of micros may fall into that category, it is unlikely that out of the 55% of micros looking to increase their staffing levels, none of them have ambitions for growth beyond ten staff members.

What kind of workers do micros recruit, and how do they find them?

Only a minority of micro-firms use casual labour, either in-house or via an agency. Two in five micros do not have any full-time employees, and more than one in three use part-time workers. The percentage of micro-firms that use agency workers has not changed at all since the same question was asked in a 2009 survey¹⁴.

FIG 3. WHAT KIND OF WORKERS DO MICROS EMPLOY



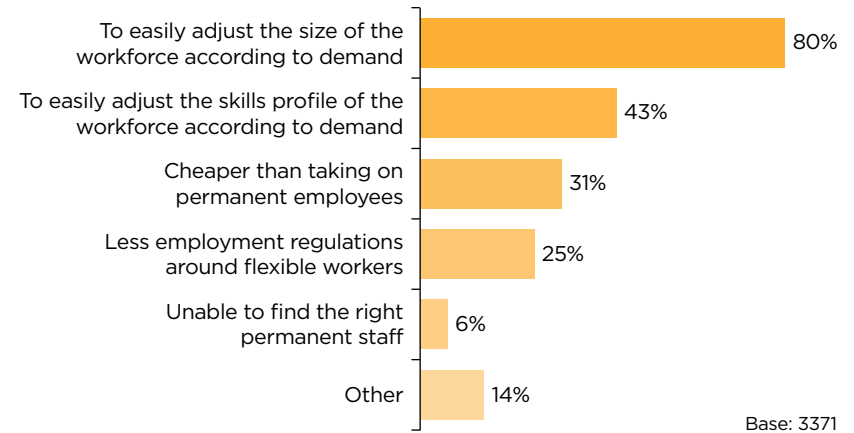
For those firms that do use temporary, fixed-term or 0 hour staff¹⁵, the main reason given is to respond to demand, although one in three also highlight the cost-savings to the business

compared to recruiting a permanent employee. A typical response was: Workload is not a constant and therefore the workers are employed on an ad-hoc basis.

¹⁴. BCC Workforce Survey 2009

¹⁵. 0 hour staff are employees hired on a casual basis where the employer is under no obligation to give them any hours, nor is the employee under any obligation to work hours when offered.

FIG 4. WHY DO MICROS USE TEMPORARY AGENCY WORKERS



It is interesting that one in four firms highlighted the lower burden of regulation when recruiting and using temporary agency workers. Although there are some protections that all workers enjoy from day one (National Minimum Wage and discrimination legislation are two examples – and the 2012 pensions reforms will apply automatically to all workers after 12 weeks), other are gained through tenure, such as unfair dismissal¹⁶. Some statutory payments are based on hours worked (Statutory Sick Pay) or length of service (redundancy payments).

Many of the firms that answered with 'other' stated that posts were reliant on funding and so had to

be casual so the business could cope when the funding ceased. Several had been making use of the Future Jobs Fund.

Responses as to why micro-firms use agency workers were also similar. 49% said that they used agency workers to improve the flexibility of their workforce, with 61% responding that they used agency workers for short-term cover. Interestingly, the smallest micros, those with fewer than five employees, were more likely to be affected by the introduction of the Agency Workers Directive (AWD). One in four respondents with under five employees that currently use agency workers said they would use fewer in the future.

¹⁶. Unfair dismissal can currently only be claimed after one year, although the Government is consulting on moving the qualifying period to two years.

How do these micro-firms recruit staff?

The most common route micros use to recruit staff is through networking, recommendations and word-of-mouth – used by just over half of all the firms surveyed by BCC. This is not only a cheap method of recruiting, but, particularly if the owner is going to be working closely with their new employee, is a way of ensuring they get someone who is ‘known’ and ‘trusted’.

‘At the moment, all our staff are family members.’

‘We recruit via other suppliers.’

‘Personal contacts and recommendations only.’

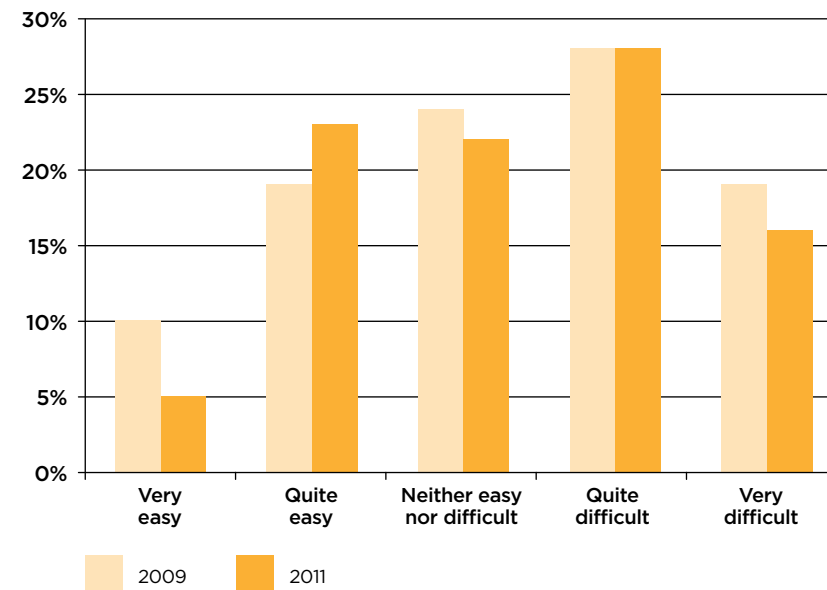
Local newspaper is the next most popular choice, chosen by 28% of micro firms, with recruitment agencies used by one in five.

How easy is it to recruit the ‘right’ people for the role?

Although double the number of micros in 2009 thought recruiting the right person was very easy compared to the 2011 results (from 5% to 10%), the overall numbers that thought it was ‘easy’ compared to ‘difficult’ are almost identical, with only a few percentage points between the two surveys. This is surprising; given how slack the current labour market is, the results suggest that the people made unemployed in the last few years have not been viewed as desirable by micro firms. Nor have the quality of

school leavers and graduates improved. Overall, that one in two micro firms find it difficult to recruit the right staff to fill a vacancy – and that this perception of difficulty has actually increased from 47% in 2009 – should be of huge concern to policy makers. This difference, whilst not statistically significant, certainly shows there has been no improvement in the business perception of the availability of skills, at a time when the labour market has been flooded with new applicants.

FIG 5. WHAT % OF MICRO FIRMS FIND IT VERY EASY TO VERY DIFFICULT TO RECRUIT THE ‘RIGHT STAFF’?

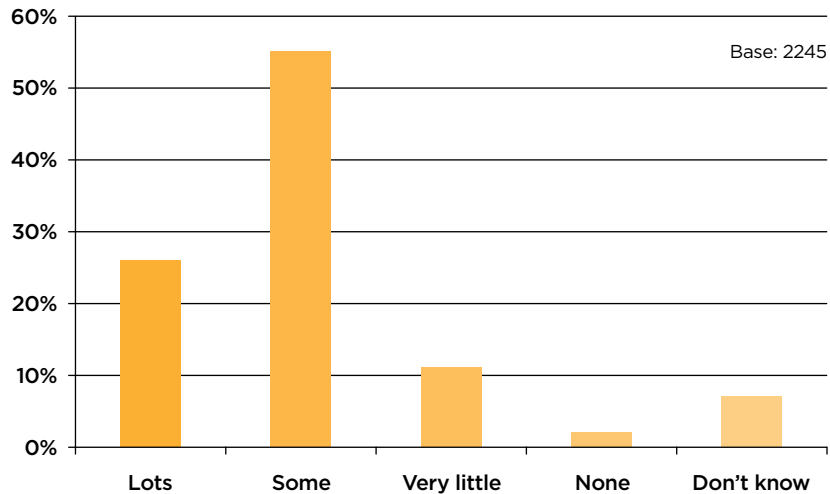


A significantly greater proportion of those looking to increase their staffing levels by 2015 indicate that they find it difficult to recruit the 'right' staff; 52% or more claim this compared to 39% of those that are happy to remain at the same size. This is of great concern given that these micros could be the growth businesses

of the future, yet say they are being constrained by the quality of candidates coming forward.

BCC also asked micro firms how much competition there is for skills required in their business. 81% claim there is competition, with one in four stating that there is 'lots':

FIG 6. HOW MUCH COMPETITION IS THERE FOR THE SKILLS YOUR BUSINESS REQUIRES?



This adds more weight to the view that, despite current levels of labour availability, many job seekers are not seen by micros as able candidates for their firms' needs. However, where there are individuals with the skills

micro-firms require, competition for them is high.

'(There is) Strong demand for skills in the area, not matched by flexibility of job seekers.'

'Plenty of unemployed, mostly without experience in my sector, the interpersonal skills of some labour interviewed in the past have been very poor.'

'Shortage of good candidates e.g. well skilled and high calibre are getting jobs very quickly so competition is fierce.'

Skills highlighted by survey respondents as lacking in their local labour market include:

- Ill educated in international affairs with unrealistic expectations for our solely international business.
- Shortage of skilled workers in the electrical engineering sector
- (Candidates) Lack confidence, basic interpersonal skills and common sense.

- Too many people coming out with fairly useless degrees in non serious subjects.
- In general, younger people lack numeric skills, research skills, ability to focus and read plus written English.

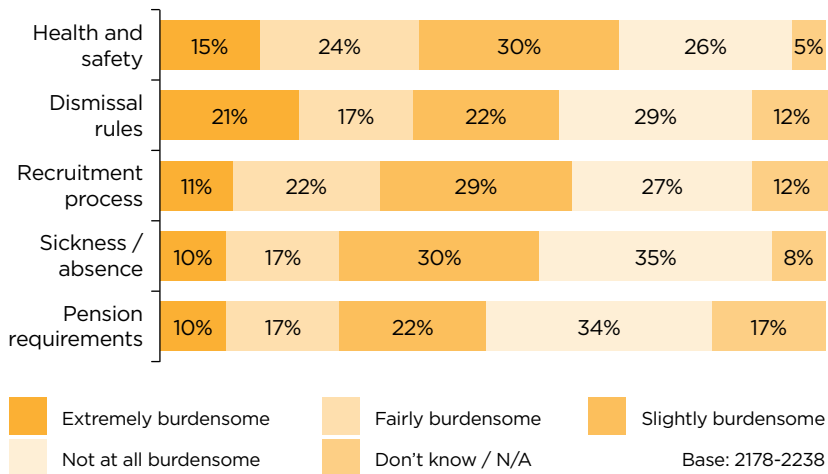
BCC also asked how confident a micro-business would be that a school-leaver with A-levels or the equivalent would have the necessary skills for their business, 47% said they would be 'fairly' or 'very' nervous¹⁷. This is particularly worrying given the recent furore surrounding student fees. It will not become clear for a few years whether the new structure will indeed disincentivise young people from going to university. If those who leave school after their A-levels are deemed by business as a risk, then this could have implications for youth unemployment, and business growth.

What effect does employment law surrounding recruitment have on micros hiring staff?

BCC asked two separate questions, one on difficulty navigating employment law surrounding recruitment, and the other on how burdensome these laws are. 48% of firms said they found the law surrounding recruitment difficult, 4% more than when this question was asked in 2009. When asked about how burdensome complying with recruitment legislation is, 33% said it was extremely or fairly burdensome.

These results paint a picture of a complex process, which micros find to be a burden on their business, in varying degrees.

FIG 7. HOW BURDENSOME DO MICROS FIND EMPLOYMENT REGULATION



For each of these, more than 1 in 2 firms believe the regulations are burdensome, to some degree, apart from pension requirements, where it is 49%. A significantly greater proportion of micro businesses looking to increase their staffing levels by 50% or more, by

2015, feel that employment regulation surrounding pensions requirements is burdensome; 30% state this, compared to 24% for those businesses that expect to remain at the same size. This is not surprising, as the direct cost of contributing to a pension scheme is a percentage of each

employee's wage, thus making each additional worker more expensive. Although a very large firm may see some economies of scale in terms of reductions in indirect costs, for micros looking to grow, those savings are unlikely to be realised.

It should also be a concern that 17% of micros said they did not know how burdensome pension requirements were, or that this was not applicable to their business. More smaller micros (with less than five employees) answered in this category than larger micros, presumably, as they are not currently affected by stakeholder requirements¹⁸. Only licensing, not a universal business requirement, attracted more micro respondents in this category¹⁹.

For health and safety regulation, there was a split between micros with one to four staff members and those with five to nine staff members. The smaller micros report that they believe these regulations are less burdensome than the larger ones, presumably because there are some easements for firms with less than five employees. Another differential was found in dismissal rules where, 43.2% of larger micros (5-9 employees) stated that dismissal rules were extremely or fairly burdensome compared to 33.4% of smaller micros (1-4 employees).

In a focus group in Doncaster, when asked about sickness absence, micro firms were particularly concerned about hiring someone with a pre-existing condition that may affect their ability to do the job. They felt the law was unclear as to their obligations and responsibilities, and what they can and cannot ask to help understand their worker's needs and capabilities. Even when there were perfectly legitimate, and legal, reasons for querying an absence, the risks and costs of litigation were perceived to be so high that micro-firms saw sickness absence as a real issue.

‘A micro-firm with four employees took on an electrical engineer. Jobs were taking longer than expected and a few clients complained. One day, a three-hour job took nine hours so the owner asked him what the issue was. It turned out the engineer was colour blind and could not tell apart the different wires. The owner immediately stopped him from doing visits but, as the firm was only small, did not have any other work that he could do and dismissed him. The engineer made a claim in an Employment Tribunal and was unsuccessful but the claim cost the employer £5,000.’

17. 22.3% of micros with one to four staff members responded saying 'don't know / not applicable' compared to 11.9% of those with five to nine staff members.

18. 30% of micros responded with 'don't know / not applicable'

The Government advice on this issue on Business Link²⁰ makes it clear where the pitfalls and risks are.

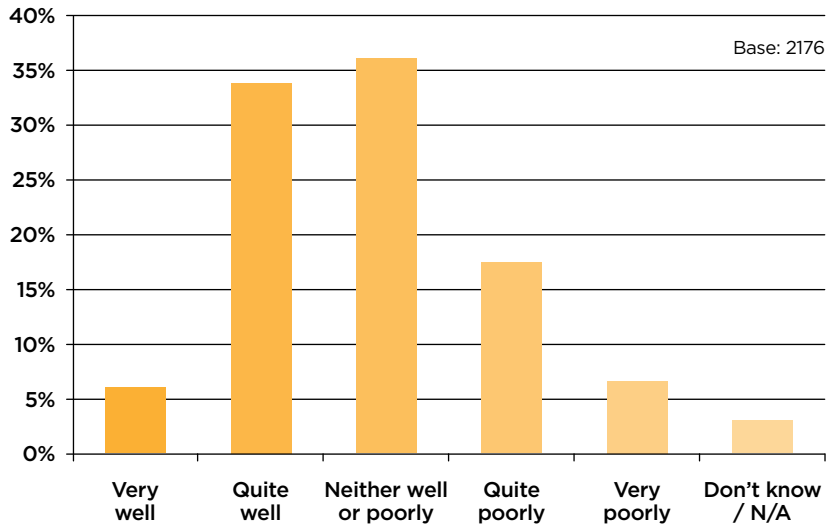
Asking a question about disability is not in itself discriminatory. However, your conduct following the candidate's response could lead an employment tribunal to

conclude that you have carried out a discriminatory act.

These problems are compounded by the fact that even though many micros found different employment regulations burdensome, only a minority (40%) felt well informed about any changes.

How well informed do you feel about changes to employment regulation?

FIG 8.



This is of great concern, particularly given the risks to a business inherent from poor understanding of the law. Part of the blame should go to the

Government for the sheer number of regulatory changes in employment law, making it an almost impossible task for a micro-business to keep fully

up-to-date. The Business Link website has been recently improved, so it would be interesting to see whether this has any effect on how informed micros feel they are about new employment regulation. However, it is unlikely that reforms such as these will have a substantial effect on the micro business population at launch. If there is little improvement, more consideration must be given as to how micro businesses can be better informed of their new obligations, and also their rights, when new laws come into force.

The BCC survey also shows there is a correlation between how well informed micro-firms are, and their ambitions to recruit more employees. A significantly greater proportion of those looking to increase staffing levels or to retain current levels by 2015, indicate that they are 'very well informed' about changes to employment regulation compared to those likely to reduce staff.

Some of the changes to employment regulation are of concern to micro firms, even when the Government estimates that the costs involved may not be that great. When the Government assessed the cost of introducing Additional Paternity Leave and Pay (APLP) in April 2011, they calculated it to be a net cost to business (of all sizes) of £5.72m per year²¹. This is a very low cost

when compared to other regulations such as the Agency Workers Directive, with a £1.6bn per year net cost²²; or the Parental Leave Directive, with a £9.5m annual net cost²³. Yet, in the BCC survey, approximately 40% of micro firms said that the introduction of APLP would be detrimental to their business. This suggests that there is not necessarily a strong correlation between the Government estimated 'cost' to the business and whether or not the micro business owner thinks it is detrimental to their firm. It also could suggest that more work needs to be undertaken by Government economists when calculating an Impact Assessment to understand the business owner's perceptions of the new law - and how they may change behaviour, and ultimately change the costs.

*'An employee is, at least initially, a burden on the business. It takes a while to convert their work into growth for the firm.'*²⁴

20. <http://www.businesslink.gov.uk/bdotg/action/detail?itemid=1084194309&type=RESOURCES>

21. [http://www.library.berr.gov.uk/uploaded/10013%20-%20Additional%20Paternity%20Leave%20Final%20IA%20\(FINAL\).doc](http://www.library.berr.gov.uk/uploaded/10013%20-%20Additional%20Paternity%20Leave%20Final%20IA%20(FINAL).doc)

22. <http://www.library.berr.gov.uk/ImpactAssessment/detail.cfm?ID=0c5527e2bd924094998a679b79b9cdef>

23. [http://www.library.berr.gov.uk/uploaded/10013%20-%20Additional%20Paternity%20Leave%20Final%20IA%20\(FINAL\).doc](http://www.library.berr.gov.uk/uploaded/10013%20-%20Additional%20Paternity%20Leave%20Final%20IA%20(FINAL).doc)

24. Doncaster Focus Group

How do micros react to flexible working regulations and requests?

Two thirds of micro-firms have not received any requests for flexible working – but of those that have had requests; the vast majority of firms (94%) have accepted them, either straight away or by compromising with the employee in question.

FIG 9. HAVE YOU RECEIVED A FLEXIBLE WORKING REQUEST?

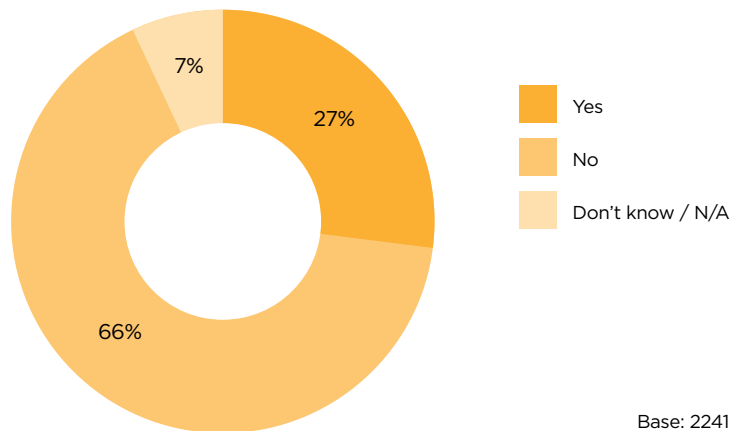
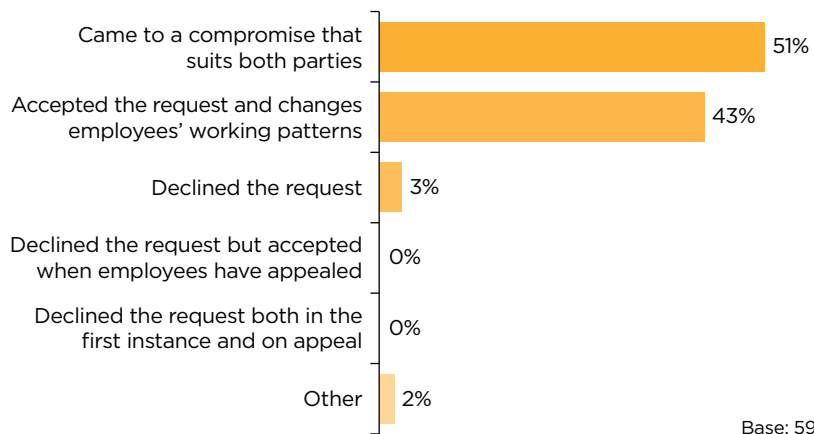


FIG 10. HOW DID YOU RESPOND TO THAT FLEXIBLE WORKING REQUEST



Given that the vast majority of requests are accepted, we question whether this is an area that needs regulating at all. If the regulations were the only, or pivotal, element affecting employer behaviour, we would expect to see a higher rate of declined requests. But instead, in a micro-firm, when the owner and the staff member work in such close proximity, these are normal discussions regarding work patterns.

It may also be that there is some element of self-selection. Employees in a micro-firm, aware of the constraints on the business and other staff members' time, may, in the main, be making requests that they know can be accommodated. The BCC survey also asked firms about barriers to flexible working – and more than one in two identified some barriers, further suggesting some self-selection may be occurring. Some respondents linked their business size to their ability to

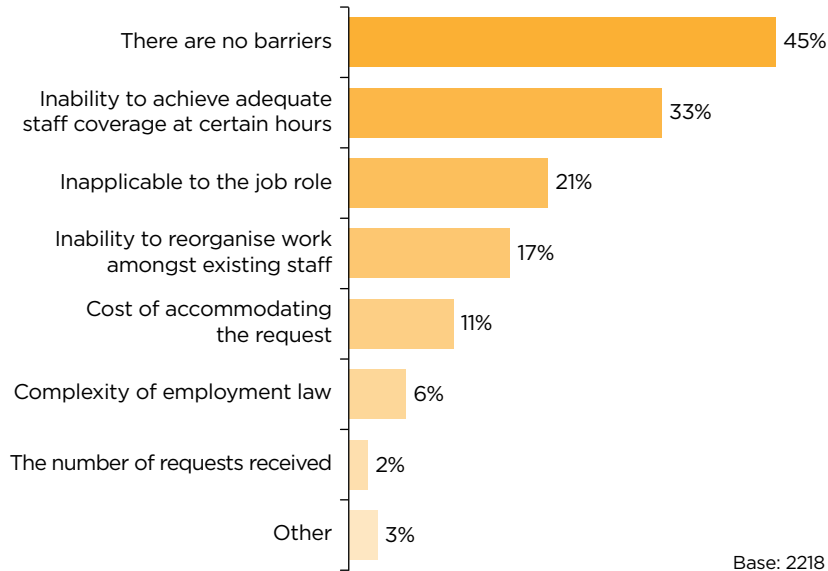
allow requests for flexible working.

‘Specific contractual requirements for clients bars flexible working - we are so small that one person will be allocated to a contract, so they cannot then be ‘flexibly worked’ other than within the parameters of the contract. However, we always accommodate it where these requirements are not in place.’

‘Low numbers staff allow little flexibility.’

One micro firm said their industry was a classic example of when flexible working could be problematic – if staff want time off during the lambing season. This is perhaps an extreme example of when businesses feel inability to achieve adequate staff coverage at certain times is seen as a barrier to flexible working.

FIG 11. WHAT DO MICROS SEE AS THE BARRIERS TO FLEXIBLE WORKING



However, in micro-firms, the relationship between the staff member and the owner-manager is clearly familiar enough for the workers to put forward reasonable suggestions, and the employer to develop a reasonable

compromise. Again, we believe this casts doubt on the necessity of regulating in this case, particularly given that 39% of micros find flexible working regulations burdensome to some degree.

Recommendations

1. IMPROVE EMPLOYMENT LAW ADVICE TO BOOST JOB CREATION

BCC's survey shows a clear positive correlation between how well-informed a micro-business feels about changes to employment regulation and their ambition to create jobs. This suggests that if the Government invested in providing this advice then there would be a net positive economic impact. Even though Business Link has improved, it is still used by only 6% of firms in England²⁵ and so, in its current form, is unlikely to make the difference to the levels of job creation that we believe could be achieved.

Although the insured advice line pilots, as recommended by the Anderson Review, were unsuccessful, this does not mean the Government should sideline the issue of employment law advice. Whilst the BCC view is that the best way to improve the confidence of micro-employers in this area is to stem the tide

of employment regulation, realistically, we know that European Directives and other coalition commitments mean new regulation will continue to be implemented this Parliament.

Firms must be able to rely on Government advice hosted on Business Link. As well as removing disclaimers (an Anderson recommendation), Business Link should actively promote the ability for employers to show a tribunal, or an ACAS pre-conciliation mediator, that they followed the Government guidance. Publicising this should both increase the use and confidence in Government advice, as well as improving the confidence of micro-employers to deal with the majority of personnel issues without resorting to expensive legal advice.

2. USE THE REVIEW OF EMPLOYMENT LAW TO FULLY EXPLORE MICRO-EXEMPTIONS

Basic rights such as the minimum wage, holiday allowances and discrimination protection should, of course, be afforded to all workers. However, given our survey results, laws surrounding the recruitment process and dismissal rules should be targeted with micro-exemptions, as these have been highlighted by micro employers to be the most burdensome. This does not necessarily mean a reduction in rights for employees. In many cases, micros will still have to comply with a general 'reasonableness' test to ensure employers meet a fair standard of behaviour. However, prescriptive behaviour and process requirements must be stripped out of the law.

An example of where we believe a form of micro-exemption would be appropriate is in the redundancy regulations. Firms with less than ten employees struggle to create and populate an objective matrix. The owner manager will know each staff member well enough, and may also not have the formal records required, to make a matrix necessary. Furthermore, an employer in a small organisation

with distinct staff roles may know right at the beginning of the process that there is no chance of the individual moving into another role within the firm. Redundancy rules should be more proportionate – and exempt micros from specific elements of the rules.

Another example where a micro-exemption may be appropriate is in discrimination cases where a questionnaire is served on the business. These questionnaires are often very long and technical, often asking for records that go back years. Firms with less than ten employees are likely to incur substantial cost in order to accurately fill these forms in, often described as a 'fishing' exercise, and should be exempted from completing them.

We recognise that exemptions will not be appropriate in all cases, indeed, most of the time, better use of the 'think small first' principle should mean they are not necessary when regulating in the future. However, when analysing the 'stock' of regulation, micro-exemptions may be more appropriate than recasting the whole law.

3. MORE MUST BE DONE TO COMMUNICATE THE 2012 PENSION CHANGES TO MICRO-FIRMS

Too many firms answering our survey were unaware of the requirements that the reforms will place on them. There are 990,000 micro firms within the UK, employing 3.7 million employees²⁶ and these employers will be an important conduit to those workers, as well as needing the information for themselves. Whilst micros will not be under any obligations until 2015, for those tendering for medium-term contracts in particular, it is important they understand the costs associated with these reforms. Much of the indirect costs will be front-loaded, particularly for micros with fewer than five employees that do not currently have to offer a stakeholder pension. In light of the survey findings on the correlation between understanding new employment law and ambition to create jobs, this takes on a particular importance.

4. LOCAL ENTERPRISE PARTNERSHIPS (LEPS), CHAMBERS AND COLLEGES ALL HAVE A ROLE IN IMPROVING THE LOCAL LABOUR MARKET FOR MICRO-FIRMS.

Over half of micros with ambitions to grow find it difficult to find the 'right' staff and this is clearly a barrier to growth. LEPs, with their connections to both the public and private sectors, should play a part in identifying skills gaps and communicating with colleges and employers to reduce them. LEPs are not delivery bodies, but they are influencers and should use that role. LEPs should consult with local employers on what skills they need for their businesses (both soft skills and qualifications) and have the ability to scrutinise college budgets, using the information collected from the private sector in their area. Some of the issues micros have are clearly on a national scale (e.g. literacy of candidates) but often it seems that while there is a lot of competition for a few good candidates, many others will end up long-term unemployed if they cannot gain the skills and aptitude employers require.

Chambers Participating in the Survey

Businesses that participated in the survey are members of the following 53 Chambers.

Aberdeen and Grampian Chamber of Commerce
 Ayrshire Chamber of Commerce & industry
 Barnsley and Rotherham Chamber of Commerce
 Bedfordshire & Luton Chamber of Commerce
 Birmingham Chamber of Commerce Group
 Black Country Chamber of Commerce
 Bradford Chamber of Commerce
 Cambridgeshire Chamber of Commerce
 Channel Chamber of Commerce
 Cornwall Chamber of Commerce
 Coventry & Warwickshire Chamber of Commerce
 Cumbria Chamber of Commerce & Industry
 Derbyshire and Nottinghamshire Chamber of Commerce
 Doncaster Chamber of Commerce & Enterprise
 Dorset Chamber of Commerce & Industry
 East Cheshire Chamber of Commerce & Industry
 East Lancashire Chamber of Commerce & Industry
 Edinburgh Chamber of Commerce & Enterprise
 Essex Chamber of Commerce
 Fife Chamber of Commerce
 Glasgow Chamber of Commerce
 Greater Manchester Chamber of Commerce
 GWE Business West (West of England)
 Herefordshire & Worcestershire Chamber of Commerce
 Hertfordshire Chamber of Commerce & Industry
 Hull & Humber Chamber of Commerce Industry & Shipping
 Isle of Wight Chamber of Commerce
 Kent Invicta Chamber of Commerce
 Leeds, York and North Yorkshire Chamber of Commerce
 Leicestershire Chamber of Commerce & Industry
 Lincolnshire Chamber of Commerce & Industry
 Liverpool Chamber of Commerce & Industry
 London Chamber of Commerce & Industry
 Mid-Yorkshire Chamber
 Milton Keynes & North Bucks Chamber of Commerce
 Norfolk Chamber of Commerce & Industry
 North and Western Lancashire Chamber of Commerce & Industry
 North East Chamber of Commerce
 North Staffordshire Chamber of Commerce and Industry
 Northamptonshire Chamber of Commerce, Training & Enterprise

Northern Ireland Chamber
 Portsmouth & South East Hampshire Chamber of Commerce
 and Industry
 Renfrewshire Chamber of Commerce
 Sheffield Chamber of Commerce & Industry
 Shropshire Chamber of Commerce, Training & Enterprise
 Somerset Chamber
 South Wales Chamber of Commerce
 St Helens Chamber
 Suffolk Chamber of Commerce
 Surrey Chambers of Commerce
 Sussex Chamber of Commerce & Enterprise
 Thames Valley Chamber of Commerce
 West Cheshire and North Wales Chamber of Commerce



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