

LLOYDS BANK
SMALL BUSINESS RESEARCH TRUST



**EMPLOYMENT
STRATEGIES**

QUARTERLY SMALL BUSINESS
MANAGEMENT REPORT

EMPLOYMENT

Small Business Research Trust's series of small business management reports based on research in small business firms, mainly in manufacturing, retailing and services sectors. The focus of this issue is on Employment Strategies. The reports are available on request.

● **Small business training employees** - 84% of 26 sector manager respondents were preparing to increase the number of employees in nearly three quarters. The majority of respondents were preparing to increase the number of employees in the next 12 months.

● **Small business recruitment** - 71% of respondents said that they had increased the number of employees in the last 12 months. The majority of respondents were preparing to increase the number of employees in the next 12 months. The majority of respondents were preparing to increase the number of employees in the next 12 months.

● **National Minimum Wage might not harm competitiveness for employees** - Nearly three out of four of our respondents felt that the introduction of a minimum wage would have little or no effect on their competitiveness. Of the remainder, more felt that it would improve competitiveness than harm it.

Employment Strategies

LLOYDS BANK
SMALL BUSINESS RESEARCH TRUST



EMPLOYMENT STRATEGIES

QUARTERLY SMALL BUSINESS MANAGEMENT REPORT

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WEB VERSION: INTRODUCTION

The Lloyds Bank/TSB-sponsored series of small business management reports commenced in 1992, and concluded in 2009. In total, 53 reports were published over a period of 17 years.

Our target audience comprised the owner-managers of independent small businesses, typically employing fewer than 50, and based in mainland UK.

The series originated from a longitudinal study of small business management, undertaken by the Polytechnic of Central London (now University of Westminster), and culminating in: *The Management of Success in 'Growth Corridor' Small Firms*, (Stanworth, Purdy & Kirby, Small Business Research Trust, 1992).

THEMES

The themes were wide-ranging – including such as entrepreneurship, work & stress, employment strategies, and the environment – a full list is shown overleaf.

INSIGHT

In addition to asking questions and supplying the respondents with a range of answer options, the corresponding questionnaire was included as an appendix to each report so that readers would know exactly what questions had been put to respondents.

We also sought qualitative information – in the form of verbatim comments about the key theme – to help elaborate on whatever related challenges respondents felt they were facing at the time.

Finally, the findings are primarily intended to be indicative rather than definitive – partly due to the sample size, which is, on average, 111 for the 2003-09 reports.

PUBLISHING FORMAT

The reports were published in hard copy form, obtainable via subscription. Initially

by the Small Business Research Trust, and from 2003, by the Small Enterprise Research Team (SERTeam), both research charities based at the Open University.

Regrettably, SERTeam ceased operating in 2009, and so in 2010 the authors felt that the more recent reports would find wider interest if they were made freely available in Acrobat format via the Internet – especially with the UK economy set for a protracted journey out of recession, and with the government in turn refocusing on smaller businesses to aid the recovery.

It is worth mentioning that the series commenced as the UK economy emerged from the early 1990s recession.

In 2015, the earlier reports were also converted (1993 to 2003), with the full series made available at Kingston University: <http://business.kingston.ac.uk/sbrc>

SUPPORTING INFORMATION (WWW)

In later years – as the world-wide-web developed and an increasing number of sources of information became more readily available – suggestions for online sources of related material were included.

N.B. For reports 2003 onwards - where successfully validated, the web links (URLs) were enabled in 2009. And in the case of many invalid web links, an alternative was offered, but not where the organisation appeared defunct and an obvious replacement was not traced.

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- 1 Surviving The RecessionFebruary 1993
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1998/9 (Vol.6)

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- 2 Work & Stress September 1998
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- 2 The Ageing Workforce..... April 2007
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2008-09 (Vol.5)

- 1 The London 2012 Olympic And Paralympic Games..... April 2008
- 2 Competition: Small Firms Under Pressure.....January 2009

WEB VERSION PUBLISHING

<http://business.kingston.ac.uk/sbrc>

Certain content needed to be re-set, e.g., the figures in the earlier editions, but the report body content is intended to be identical to that in the printed original. This web version - an Acrobat document - is derived from the original DTP text and will permit searching.

LIABILITY DISCLAIMER

The information and analysis in each report is offered in good faith. However, neither the publishers, the project sponsors, nor the authors, accept any liability for losses or damages which could arise for those who choose to act upon the information or analysis contained herein. Readers tracing web references are advised to ensure they are adequately protected against virus threats.

HIGHLIGHTS

This is the twenty-third of a series of small business management reports based on surveys of a panel of small firms, mainly in manufacturing, retail/distribution and business services. The focus of this survey was on **Employment Strategies**. The principal findings were as follows:

- **Problems recruiting employees** – 54% of the owner-manager respondents were experiencing difficulties in finding the right people. In nearly three-quarters of the cases (74%), this involved **skilled** staff.
- **Large firm ‘outsourcing’** – 17% of respondents said that their firms had benefited by way of extra business coming from the ‘out-sourcing’ policies of large firms. This rose from 4% in the retail/distribution sector, to 33% for business services. Similarly, 17% of the firms surveyed said that they themselves were out-sourcing work previously undertaken in-house. This ranged from 5% for the smallest firms, to 20% for those in the 20-49 employee size band.
- **National Minimum Wage might not harm competitiveness for many smaller businesses** – Nearly three-out-of-four of our respondents felt that its introduction, at £3.60/hour for adults, would leave their competitiveness largely unchanged. Of the remainder, **more** felt that it would **improve** competitiveness rather than weaken it.
- **Working Time Directive awareness** – 76% of our respondents felt that they had a ‘good’ or ‘reasonable’ understanding of how the new ruling affects their firm. Those with only a ‘poor’ level of understanding were concentrated in the smaller firms.
- **Working Time Directive consequences** – Overall, 80% considered it to have either ‘negligible’ or ‘beneficial’ effects. Only 15% saw it as definitely ‘disruptive’.
- **Working Time Directive and sector/size differences** – Different levels of disruption were evident across across the industry sectors, with 22% in manufacturing being disrupted, 17% in business services, and just 8% in retail/distribution. This problem also increased with size of firm, ranging from just 5% for firms with 0-4 employees, to 33% for those with 20-49 employees.
- **No wide preference for ‘Buying British’** – over half of the respondents had no preference for goods and services of British origin. Only 12% said they bought British even if it cost more, whilst a further 33% made some efforts to buy British so long as it didn’t cost more.
- **But manufacturers and older respondents more inclined to ‘Buy British’** – there were marked differences across the sectors, with manufacturing being significantly more patriotic in their buying policies than elsewhere. Similarly, there was a tendency for older respondents to be more patriotic than their younger counterparts, with only 33% of people in the 25-34 years age group favouring British goods and services, compared with 60% in the 55-64 age group.

Lloyds Bank Plc Small Business Research Trust

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The Small Business Research Trust is particularly pleased to acknowledge the generous support provided by Lloyds Bank plc in sponsoring the research, analysis and presentation of this report. However, it is important to note that any opinions expressed in this publication are not necessarily those of Lloyds Bank plc.

Report Author – Professor John Stanworth (University of Westminster)

Series Editor – David Purdy

Lloyds Bank Plc Small Business Research Trust

MANAGEMENT ISSUES

The emphasis of our Quarterly Management Reports is on monitoring the key management problems and practices of smaller business, with an emphasis on survival and success. Accordingly, each issue of the Lloyds Bank/Small Business Research Trust Management Report addresses one or more highly topical small business management issues. In this survey we focus on ***Employment Strategies***.

PAST SURVEYS

1993 (Vol.1)

- No.1 ***Surviving The Recession***
- 2 ***Using Your Time***
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1998/9 (Vol.6)

- 1 ***Entrepreneurship***
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THE SAMPLE

This report is based on responses received from a panel of some 350 small businesses situated in the Northern, Midland and Southern regions of Britain. Respondents are predominantly small firms with fewer than 50 employees, drawn mainly from the manufacturing, business services, and retail/distribution sectors of the economy. In any given survey, typically over half of the participating firms employ fewer than 10 people.

RESULTS

The questionnaire completed by sample firms appears at the end of this report as an appendix. This survey was carried out during October-November 1998.

EMPLOYMENT STRATEGIES

The issue of employment relations and taking responsibility for employees is a very complex and often troubled one. In the small firm, where relationships are often highly personalised and there are no 'Personnel Departments' to advise and give direction, employment strategies are often at their most challenging.

Large firms often make public statements such as "our employees are our greatest asset" and later boast about how successful they have been in reducing their "head count". We live in an age when the most fashionable management concepts include 'down-sizing', 'out-sourcing', 'right-sizing', 'social re-engineering', 'virtual organisations', 'anorexic organisations', and so forth.

Nonetheless, employees, with all the frustrations they carry with them, do survive in large numbers. Below, we present research data on what our small business sample, drawn from across the country and from three contrasting industry sectors, were thinking and experiencing on the employment front.

RECRUITMENT DIFFICULTIES

Figure 1 shows responses to a question asking whether respondents were currently experiencing significant problems in recruiting the right employees. One-in-three (33%) claimed not to be currently recruiting staff at all, whilst a further 13% were experiencing no problems. However, **over half (54%) were experiencing problems in recruiting employees**. The biggest single element of this problem concerned **skilled** employees, with 36% claiming this to be a problem, compared to only 5% who had problems concerning **unskilled** staff. An additional 13% were finding problems in both areas.

Further analysis of just those currently seeking suitable staff reveals that in nearly

three-quarters of the cases (74%), the difficulties related to **skilled** staff.

Comments made by respondents on this issue included the following:

"Our business could grow considerably if we could find enough skilled labour. You have to take on enough work for your current labour strength. The construction industry has suffered terribly because of lack of training and the peaks and troughs of work load."

"At the beginning of the year, we advertised jobs through (the) 'New Deal' (Government youth employment scheme). We didn't get a single response."

"Recruitment of the younger generation (particularly the unskilled) is terribly difficult. It seems they have a problem with a hard day's work. They want something but don't feel they have to give anything."

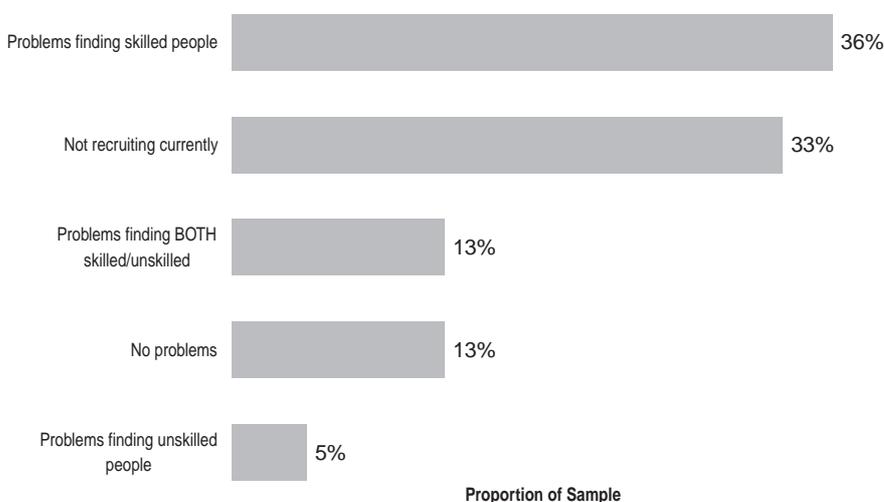
"Too many people rely on benefits and won't work. Until Government tackles (the) root cause, there will be labour shortages."

"Anybody that's keen to work loses out. It's beneficial not to work and that's the problem these days."

"I feel that recruitment is vital to our trade (hairdressing) but there are no people out there. Why?"

"If the Government wants more low skills employment it should lower employer costs, that is National Insurance, etc."

"Government should stay out of 'employment strategies'. If the people who work in Government Agencies know about employing

Fig 1 - EXTENT OF CURRENT RECRUITMENT PROBLEMS

Nearly half of the respondents were having problems finding skilled people

people, they should get out of the agency and employ them, and close the agency.”

“We took on six work experience young men from local schools this year for 2 weeks ‘hands on’ in our hire centre. Only one had any ‘go’ and interest. The rest were not interested. They were dumb. They acted like zombies and needed a rocket up their backside.”

“Colleges, training and employment agencies need to adopt a more co-ordinated approach to employment opportunities in the real world instead of offering popular courses to increase student intake. An example of this is Media Studies where the market is flooded with inexperienced and poorly qualified people ... chasing a very small number of jobs, and in an industry which is lowering staff numbers.”

One respondent raised an issue arising from the apparent disappearance of a particular type of school-leaver, the bright 16-year old who decided to go straight into work rather than university. The result now is often 16-year olds on the labour market

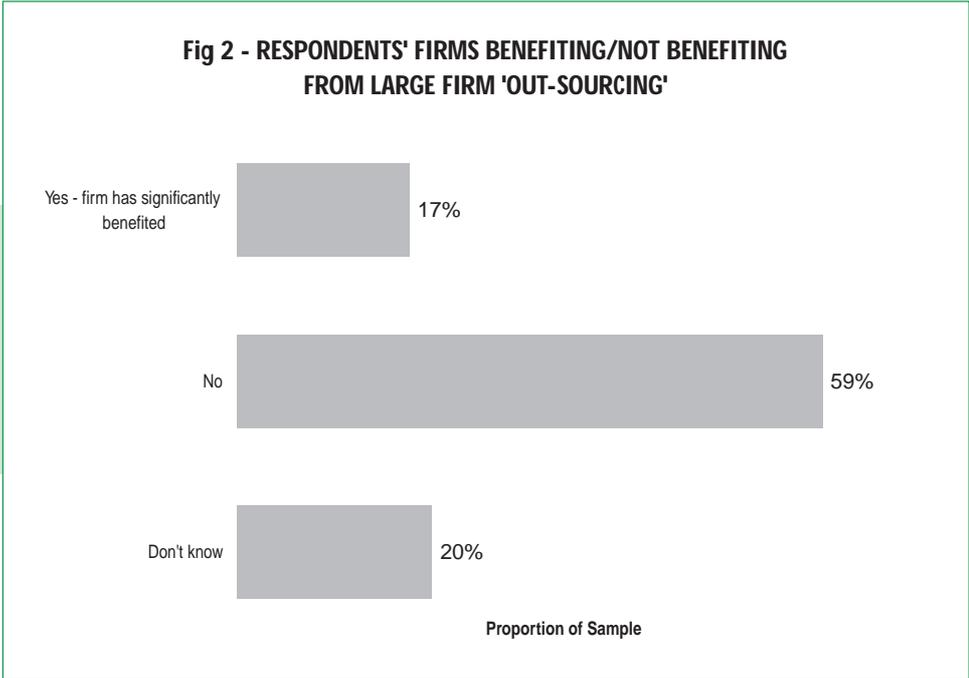
who were under-achievers at school or, alternatively, people from amongst the growing army of university graduates who see certain kinds of jobs only a stop-gaps:

“We find that people in the job market (often) lack even basic literacy or numeracy skills or, (alternatively) have been to university and tend to take the (kind of) semi-skilled ‘think-on-your-feet’ jobs offered by ourselves as stop-gaps until something better comes along. Where are all those (good) people who used to leave school at 16 with 4 or 5 ‘O’ levels? These are the people (needed) to move my company forward.”

Other interesting comments on the issue of employment strategies included the following:

“Good employees should be valued and paid accordingly. A new employee, however, takes time to be of value to a firm. ‘Financial bolstering’ for the first 6 months would be helpful. With regard to young employees, the high profile ‘fat cat’ publicity is extremely damaging to labour relations.”

Only a minority have significantly benefited from large firm 'out-sourcing'

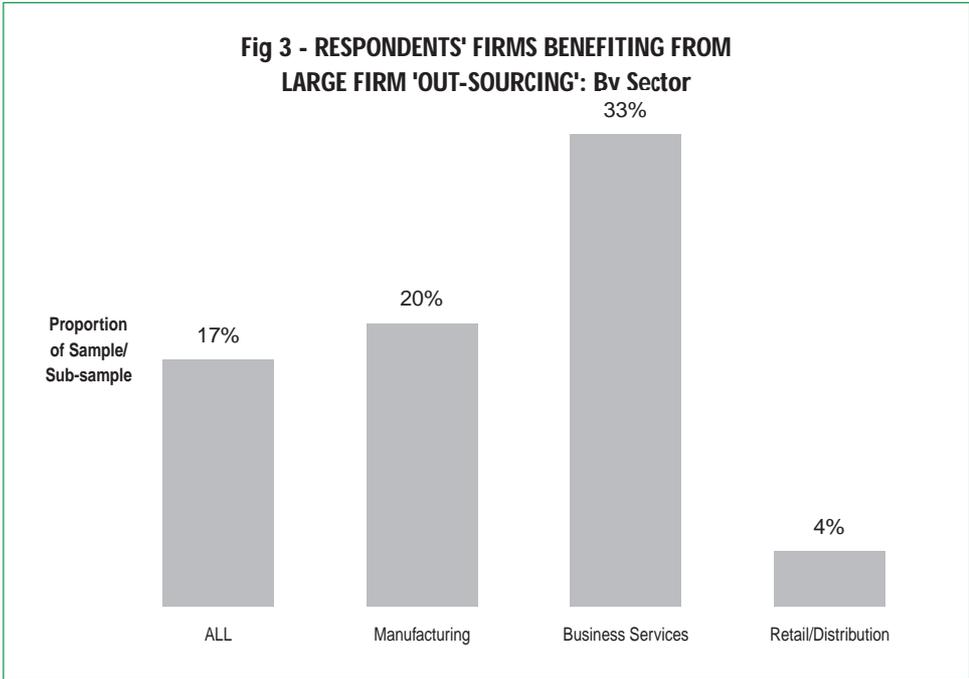


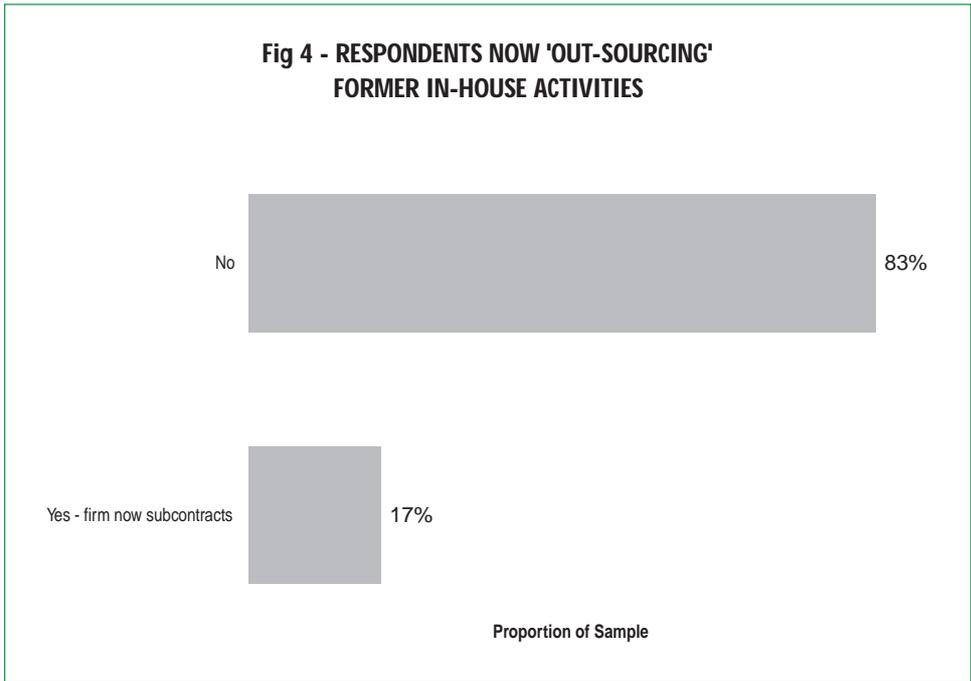
"The biggest single problem is the cyclic nature of the economy and, as a consequence, training. As soon as the economy picks up there is a shortage of trained people."

"Our employment strategy is quite simple - we pay the best rate for the best staff."

'OUT-SOURCING': BIG FIRMS DO IT BUT DO SMALL FIRMS DO IT ?

In recent years, the trend towards large company 'out-sourcing' appears to have been almost inexorable. As they have concentrated increasingly upon 'core' activities and out-sourced peripheral ones, who has benefited? It seems likely that small firms, able to cope with small orders and fast turn-round times, should have



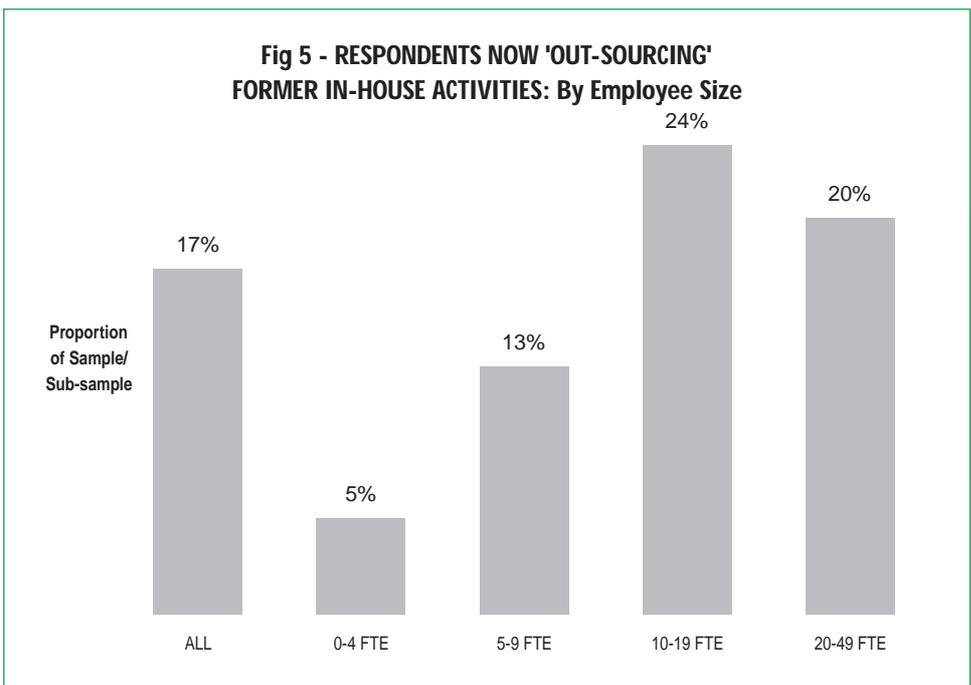


been very near the front of the queue. **Figure 2** shows that 24% (including 4% offering no response) were unable to offer a definite view on this, but that 17% replied 'yes' whilst 59% gave a definite 'no'.

It is interesting here though, that there were very distinct differences across sectors, as is demonstrated in **Figure 3**. Here we see that 33% of business services firms answered 'yes', compared with 20% of manufacturing firms and only 4% of retail

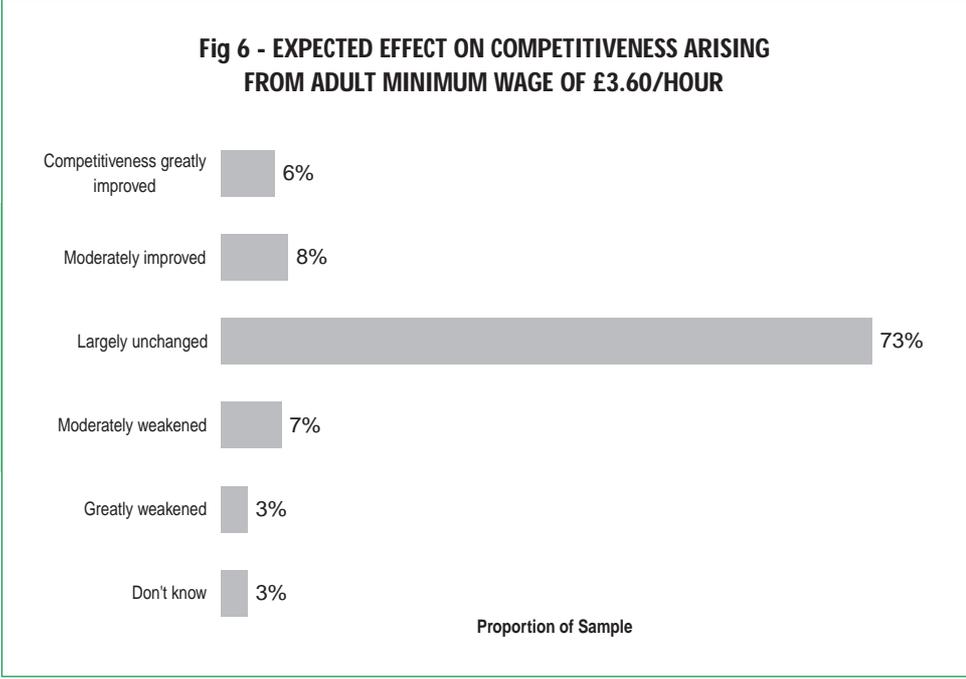
firms. It therefore appears that small firms are most likely to have been the beneficiaries of large company down-sizing when the final customer is another commercial entity rather than the public.

Figure 4 shows responses to a question on whether or not our small firm respondents actually out-sourced activities themselves which had previously been undertaken in-house. Whilst only 17% replied 'yes', this figure varied with size of responding firm.



The larger firms were more likely to 'out-source'

A significant majority expect little adverse effect from the proposed minimum wage



For instance, for firms in the 0-4 full-time staff equivalent, the figure was only 5% but this rose to 13% for firms in the 5-9 employee size bracket and then to 20% for firms between 10 and 29 staff (Figure 5).

Specific examples of smaller firm 'outsourcing' cited were:

- Cleaning
- Computer programming
- Design
- Machining
- Management accounts
- Marketing services
- Payroll
- Personnel
- Printing
- Sub-assembly
- Telephone sales

MINIMUM PAY LEGISLATION

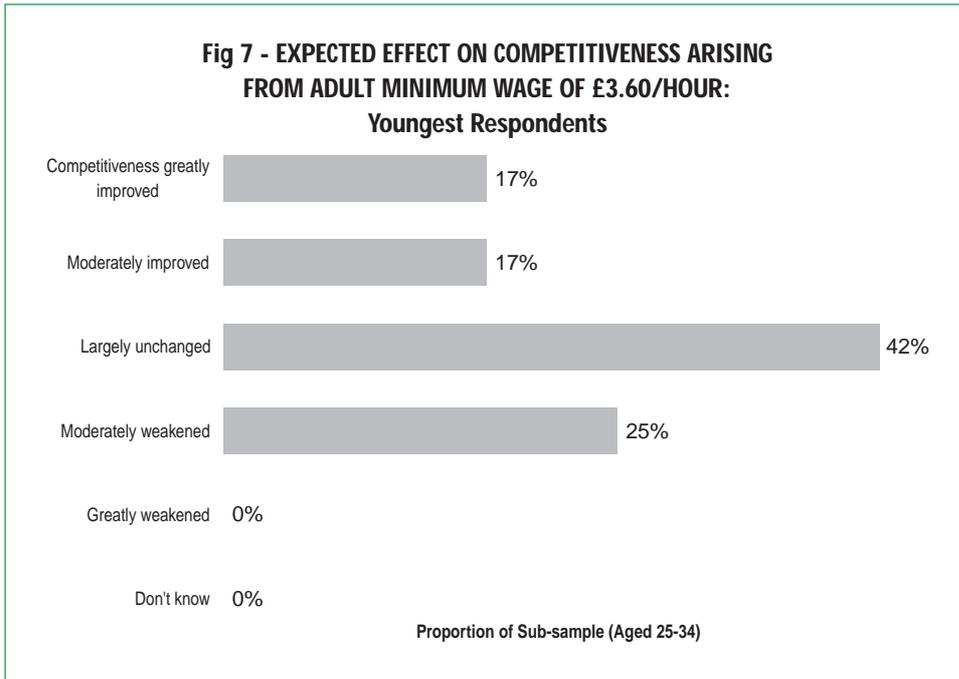
The Government is committed to the introduction of a National Minimum Wage by April, 1999. The basic minimum rate will be £3.60 per hour for most employees, £3.00 for 18-21 year olds and workers receiving accredited training in the first 6 months of a new job with a new employer £3.20. These changes are due to come into force on 1st April 1999 subject to

Parliamentary approval.

It is being predicted that the introduction of the National Minimum Wage may reduce labour turnover by reducing the current premium associated with working in large firms which tend to pay more than their small firm counterparts. The main beneficiaries are expected to be part-time female workers (55%), followed by full-time female workers (17%), full-time male workers (16%) and, finally, part-time male workers (12%). The most substantial increases will fall in the retail and hospitality sectors, and small firms are most likely to be affected.

The implications are predicted to be greatest for firms with 1-9 employees (estimated to raise wage bills by nearly 1%), falling to less than 0.5% of wage bill for other small firms employing 10 staff and upwards.

Figure 6 shows that most respondents (73%) felt that their firms' competitiveness would remain 'largely unchanged' as a result of the introduction of a minimum wage of £3.60. Interestingly, 14% felt that their competitiveness would be improved against only 10% who felt that their competitiveness would be weakened.



Responses across business sectors and size groupings were largely similar here. However, one result which did stand out was that concerning age of respondent (see **Figure 7**). Here, only 42% believed that their competitiveness would remain unaltered, with 34% feeling that it would be improved and 25% feeling that it would be moderately weakened.

The picture to emerge here is one of relatively low concern over the introduction of a minimum wage but with slightly more feeling they would benefit than be threatened. Most probably, this is because they already pay hourly rates at or above the National Minimum Wage and, after April, their competitors will be obliged to do the same, resulting in more of a level playing field. The variation pattern for firms run by our youngest group of owners is probably explained by their being usually very small businesses operating in niches where this issue is most acute.

THE WORKING TIME DIRECTIVE

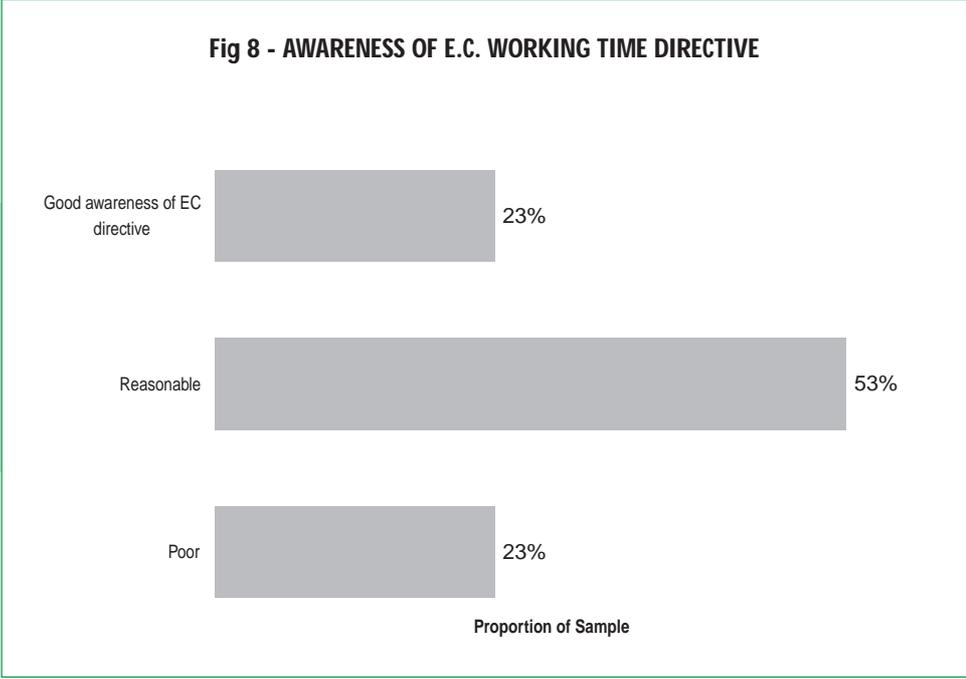
The TUC has hailed the Working Time Directive (operational as of October 1998) as a major advance in employee rights and an important step towards family friendly employment. The Working Time

Regulations provide new rights to a 48 hour maximum working week, to 15 days paid holiday (rising to 20) and to rest breaks and new rights for night workers. The TUC estimates that more than 4 million people in the UK regularly work more than 48 hours - more than one-in-six of the working population. Nearly 2.5 million get no paid holidays and the Working Time Directive will benefit a good proportion of those.

The main total exemptions include many transport workers, junior doctors, the police and armed forces. There is special treatment for other groups such as the media, managers, caretakers and security guards. Seasonal occupations such as tourism and agriculture are also treated differently. Other variations can be negotiated with staff through workplace representatives.

Figure 8 shows that 76% of our respondents felt that they had a 'good' or 'reasonable' understanding of how the new ruling affects their firm. **Figure 9** shows those with only a 'poor' level of understanding were concentrated in the small size-groupings where numbers of employees were concerned. **Figures 10, 11** and **12** indicate levels of disruption experienced by respondents. **Figure 10**

More than three-in-four report at least a reasonable awareness



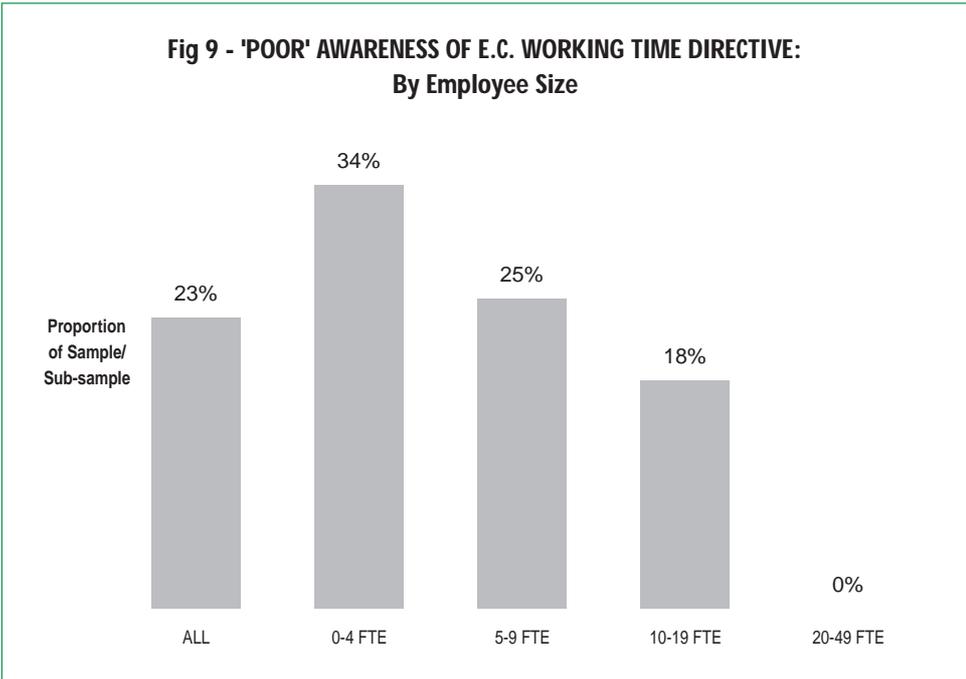
shows that 80% felt the new Working Time Directive would have either 'negligible' or 'beneficial' effects. Only 15% saw it as definitely 'disruptive'.

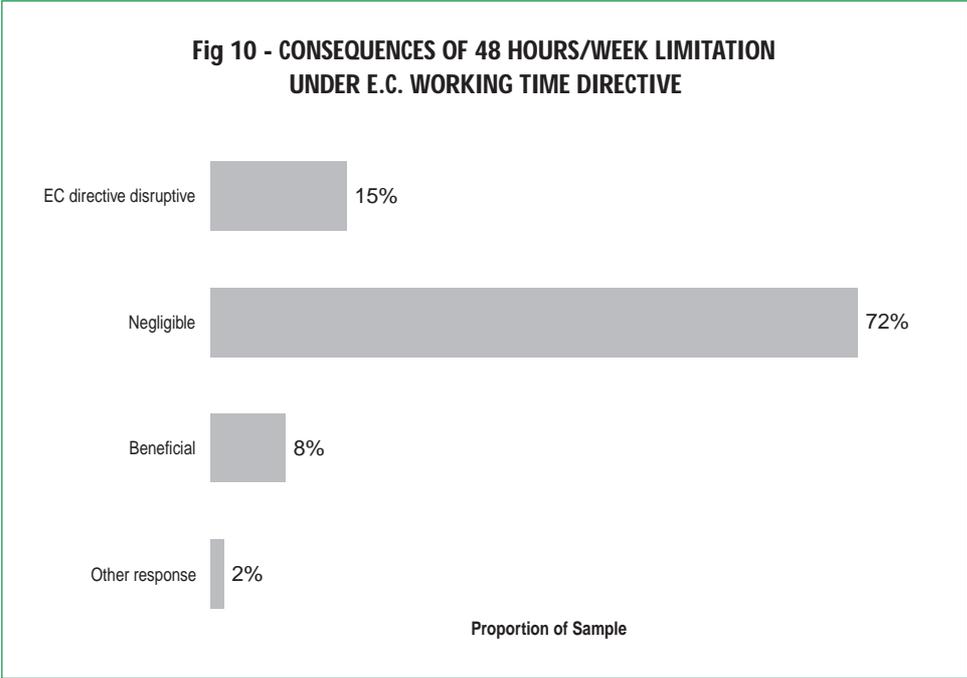
considered the new Directive as being definitely disruptive increased with size of firm, ranging from just 5% for firms with 0-4 employees to 33% for those with 20-49.

Interestingly, **Figure 11** shows different levels of disruption across different business sectors with manufacturing showing up at 22%, business services at 17% and, finally, retail/distribution at just 8%. On this same point, **Figure 12** shows that the proportions of respondents who

Interested comments on the Working Time Directive included the following:

"We carry out work for both UK and overseas clients. Export work is 12 hours per day and 7 days per week. Imposition of the 48 hour Working





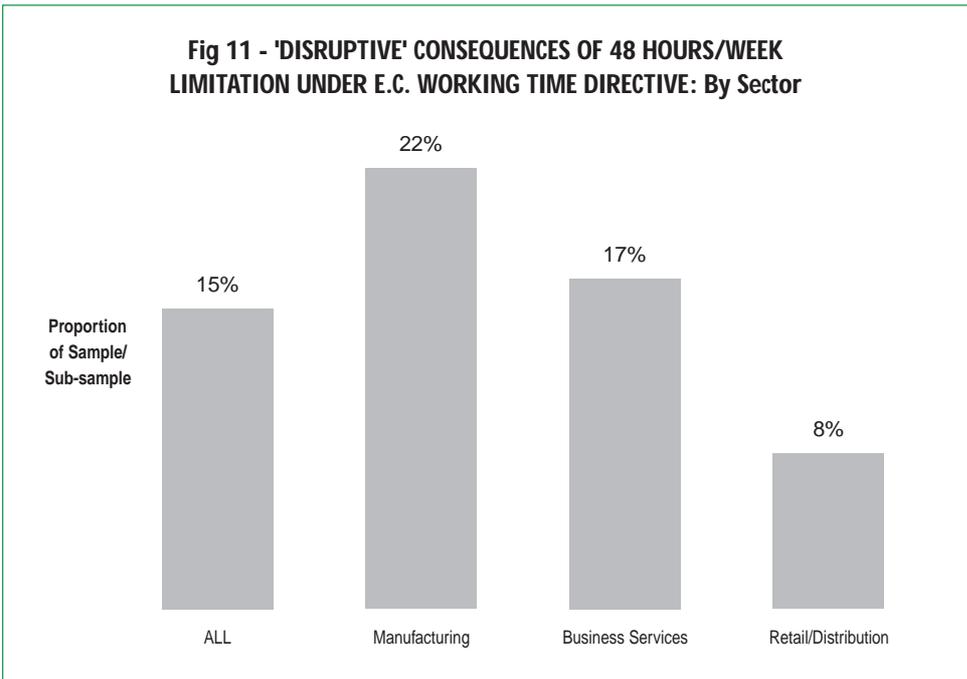
Time Directive would wipe us out since we compete globally."

"In the architecture world, many young architects work for very low wages and long hours. I doubt very much if employment laws will catch up with this type of exploitation."

"I do not think that many sections of the business community have appreciated the consequences of

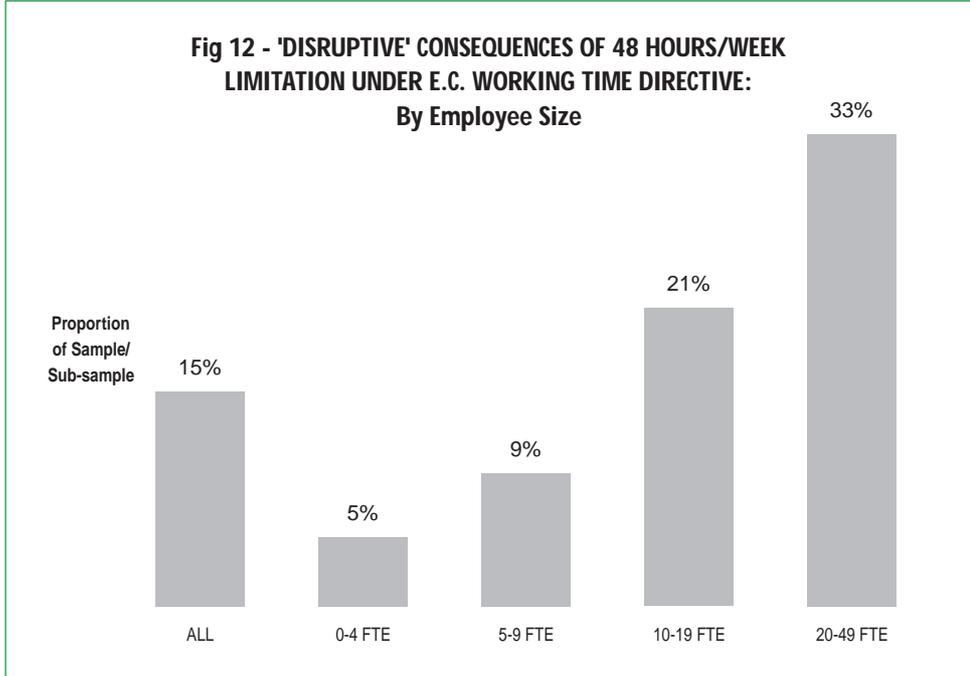
complying with the EU Working Time Directive and the minimum wage. I hope they do before disastrous consequences arise."

"I am the only person (in this firm) affected by the Working Time Directive and I shall continue to work the hours I feel are necessary to do my job to the best of my ability."



Manufacturers report the highest level of disruption

Fig 12 - 'DISRUPTIVE' CONSEQUENCES OF 48 HOURS/WEEK LIMITATION UNDER E.C. WORKING TIME DIRECTIVE: By Employee Size



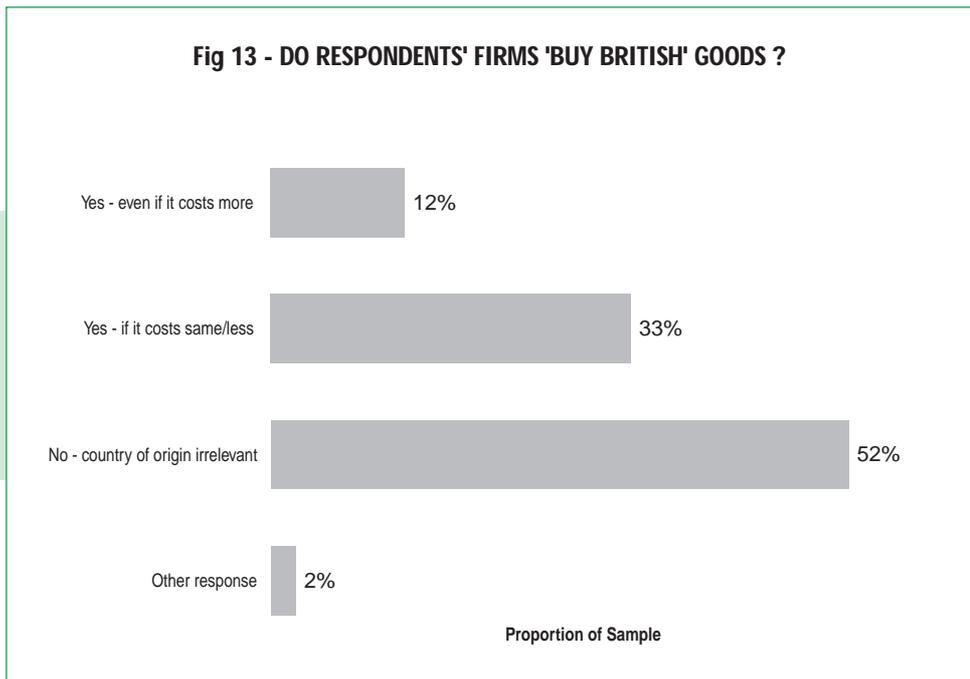
"This may sound cruel (but) for a new business to pay 3 weeks holiday, in the first year of employment, is very harsh and could lead to all sorts of abuse by staff. I certainly can't afford it. Small businesses will certainly suffer (and) employees are going to be sacked."

workers and consumers ? For instance, do we all like well-paid, interesting secure jobs but then feel free to spend our money on imported products and services, often from 'sweated' labour economies ? It is commonly remarked nowadays that it is sometimes even difficult to buy British if you try. Increasingly, such icons of British quality as Clarke's (shoes) and M & S (Marks & Spencer) carry "Made in Romania" and "Made in Indonesia" labels. Unemployed youths prop up bars, drinking imported

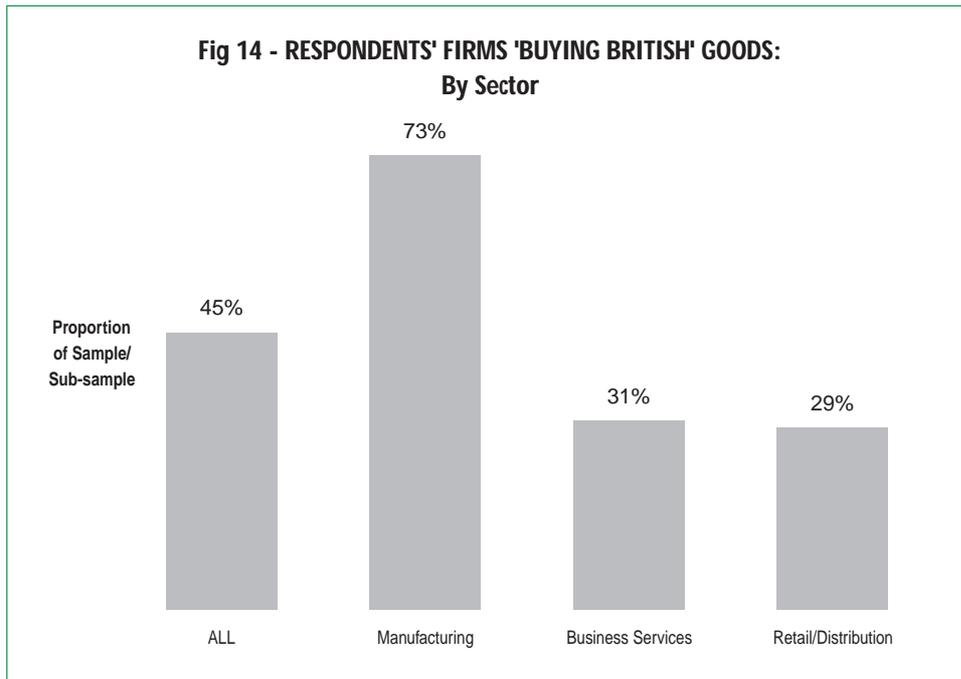
BUYING BRITISH

Are we inconsistent in our values as

Fig 13 - DO RESPONDENTS' FIRMS 'BUY BRITISH' GOODS ?



A majority express no preference for 'Buying British'



Are manufacturers more patriotic, or simply pursuing enlightened self-interest ?

lagers whilst bemoaning the lack of local employment opportunities.

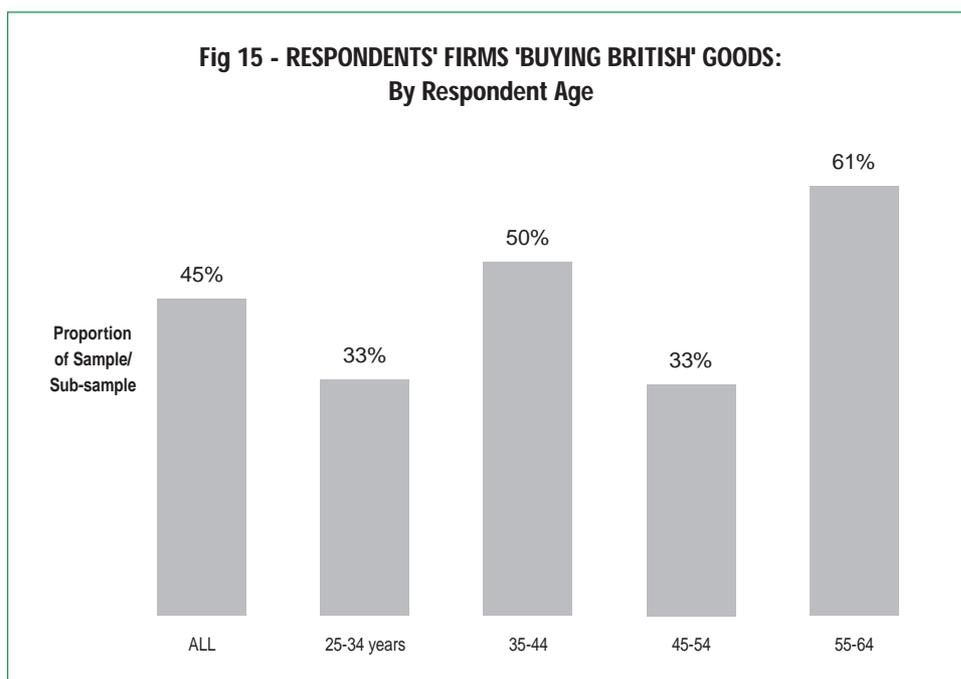
efforts to buy British so long as it didn't cost more.

The responses of our small business panel to the issue of 'Buying British' are summarised in **Figures 13, 14 and 15**.

Figure 14 reveals marked differences across sectors with respondents from the manufacturing sector being significantly more likely to be patriotic in their buying policies.

Figure 13 shows that over half of our respondents made no effort to purchase goods and services of British origin. Only 12% said they bought British even if it cost more whilst a further 33% made some

Similarly, **Figure 15** shows a tendency for older respondents to be more patriotic than their younger counterparts, with only 33%



of people in the 25-34 years age group demonstrating any patriotism in their buying behaviour, compared with 60% in the 55-64 age group. Comments made here included the following:

"Buy British - we can't buy British !"

"Buy British - we are governed by drawing specifications, but would prefer to buy British every time !"

"No - British suppliers have a bad name in my industry - we source mainly from other EU states."

"I am a franchisee and have to buy chemicals from our American parent company."

RESPONDENTS' COMMENTS

These are shown on the following pages.

REFERENCES: EMPLOYMENT STRATEGIES

The references below are offered as an aid to readers interested in seeking further information, much of which is readily available via the Internet (WWW). The coverage is not intended to be definitive, and inclusion here should not necessarily imply either agreement or disagreement with the views expressed via these sources. N.B. Some pages may contain links to other WWW pages offering related material.

Minimum Wage

- **A Minimum Wage - Does It Really Help Low Pay ?**
(Biz/ed site topic: 'The World of Work')
<http://www.bized.ac.uk/stafsup/options/work/minimtut.htm>
- **Biz/ed site** *"Biz/ed is a dedicated business and economics information gateway for students, teachers and lecturers."*
Home page <http://www.bized.ac.uk/>

- **Government Press Releases**
(Central Office of Information)
<http://www.worldserver.pipex.com/coi/depts/deptlist.html>
- **Low Pay Commission: National Minimum Wage Written Evidence Available To The Public**
(DTI Press Release, DTI P/98/LOW 22 September 1998)
- **Ian McCartney Launches Consultation On Minimum Wage**
(DTI Press Release, P/98/686 11 September 1998)
- **Low Pay Commission Home Page**
<http://www.lowpay.gov.uk/>
- **The Government's Response to the First Report of the Low Pay Commission**, Statement By Margaret Beckett, President Of The Board Of Trade (18 June 1998)
<http://www.lowpay.gov.uk/IR/lowpay/response.htm>
- **The National Minimum Wage - First Report of the Low Pay Commission**
<http://www.lowpay.gov.uk/IR/lowpay/index.htm>

Working Time Directive

- **Working Time Directive brings new rights - but watch for small print warns TUC**
(TUC Press Release, Sep 25 1998)
Home page <http://www.tuc.org.uk>
- **Rights To Paid Holiday And Sensible Hours "A Benefit To Families And The Economy" Says Margaret Beckett**
(DTI Press Release, P/98/282, 8 April 1998)

MANUFACTURING

Fabrication, Welding, Machining, Special Purpose Machines	<i>"Biggest single problem is cyclic nature of economy and as a consequence training. When the economy picks up there is a shortage of trained people."</i>
Fireplace Manufacture & Gas Fire Sales	<i>"The EC Working Time Directive is now British law despite the fact that it was never debated in parliament. We could have introduced our own British system which could be improved if not seen to be working properly. Now we are stuck forever with the dogmatic Brussels' version."</i>
Giftware Candles	<i>"Recruitment of the younger generation - unskilled is terribly difficult, it seems they have a problem with a hard day's work - they want something but don't feel they have to give anything. Is this the schools?"</i>
Industrial Doors	<i>"Any tightening of dismissal rules for new employees would reduce our readiness to employ them."</i>
Industrial Doors and Loading Bay Equipment	<i>"Transferral of responsibilities from the Rural Development Commission (CoSIRA) to other bodies, i.e. TECs, has considerably affected small rural businesses. These training/support agencies are a total waste of resources."</i>
Metal Fabrication	<i>"I find it amazing that all this new legislation is introduced without any guidance from government."</i>
Resincast Giftware	<i>"[At the] Beginning of the year we advertised for jobs through 'New Deal'. We did not get a single response."</i>
Sub-contract Engineers	<i>"Small firms collectively employ a large number of the working community with little or no help from government agencies. In fact we are penalised by being tax collectors and sick pay administrators, which takes time and money, with no return from government."</i>
Sub-contract Engineering Machining & Light Fabrication	<i>"Manufacturing must be given a higher priority. It creates better-paid jobs and significantly boosts the service sector. No manufacturing - no economy!!"</i>

BUSINESS SERVICES

Accountancy, Audit, Tax & Management Consultancy	<i>"I do not think that many sections of the business community have appreciated the consequences of complying with EC Working Time Directive and the minimum wage. I hope they do before disastrous consequences arise."</i>
Architect	<i>"In the architecture world many young architects work for free - for very low wages and long hours - this has drawn fees down. I doubt very much if employment laws will catch up with this type of exploitation. The only persons who get exploited in this business are the partners. [The] Self-employed have always had to work long hours if need be."</i>
Audit Accountancy and Taxation	<i>"Increased PAYE/NIC [National Insurance Contributions] threshold from April 1999 is welcome, but to boost employment in [the] small business sector the threshold should be £100-£120."</i>
Broadcast & Corporate TV Production & Provision of Technical Facilities	<i>"Colleges, training and employment agencies need to adopt a more co-ordinated approach to employment opportunities in the real world, instead of offering popular courses to increase student intake. An example of this is Media Studies where the market is flooded with inexperienced and poorly-qualified people in large numbers chasing a very small number of jobs, [and] in an industry which is lowering staff numbers."</i>
Consultant Naval Architects & Marine Engineers	<i>"We carry out most of our work for both UK and overseas clients. It is 12 hours/day, 7 days per week export work. [The] Imposition of the 48 hour Working Time Directive would wipe us out since we compete globally."</i>
Design Consultancy - mainly Packaging	<i>"The proposed (and signalled) enhancement of freelance workers' rights will seriously impact our business. At the end of the day it will erode choice and inflict costs/reduced earnings on both 'employers' and freelances alike. There is no such thing as a free meal !!"</i>
International Freight Forwarding Services	<i>"Our employment strategy is quite simple - we pay the best rate for the best staff."</i>
Management Training Courses	<i>"The EU is generating so much employment legislation it is difficult to keep up to date. Most of it is unnecessary interference. If markets were allowed to compete freely the enlightened companies would win and the others would fall by the wayside. Most of the career politicians who enact the laws have little or no experience of business - and they don't understand it !"</i>

BUSINESS SERVICES continued

Plumbing & Heating Services

*"Our business could grow considerably if we could find enough skilled labour. You have to take on enough work for your current labour strength. To take on more work, thinking you will find more skilled labour to carry out this extra work would be a **mistake**. The construction industry has suffered terribly because of lack of training and the peaks and troughs of work load."*

Telephone Marketing and Telephone Sales Company

"What is 'Employment Strategies' ? What may be right for one company is not right for another. You can't use broad brush techniques on employment. Each company has grown or developed in its own way with regard to recruitment, contracts of employment, working hours, salary levels etc."

Textile Marketing

"I am the only person affected by this [the Working Time Directive] and I shall continue to work the hours I feel necessary to do my job to the best of my ability."

RETAIL AND DISTRIBUTION

C.T.N.	<i>"Banks I find are difficult to deal with and therefore not of much help as far as small business is concerned."</i>
Floral Services, Retail Florist	<i>"Too many people rely on Benefits and won't work. Until government tackles [the] root cause, there will be labour shortages."</i>
Gents Hairdressers	<i>"This may sound cruel ... for a new business to pay 3 weeks holiday pay, in the 1st year of employment, is very harsh [and] could lead to all sorts of abuse of [by ?] staff. I certainly can't afford it. Small businesses will certainly suffer. In the long term, they won't be able to employ. They'll put more pressure on other workers and employees are going to be sacked."</i>
Hairdressers	<i>"I feel that recruitment is vital in our trade but there are no people out there. Why ?"</i>
Hairdressing	<i>"Real worries about maternity benefit at my other salon."</i>
Hardware and Pet Store	<i>"Good employees should be valued and paid accordingly. A new employee, however, takes time to be of value to a firm. 'Financial bolstering' for the first 6 months of employment would be helpful. With regard to young employees, the high profile 'fat cat' publicity is extremely damaging to labour relations. Company directors should be aware of this and act accordingly."</i>
Holiday Park	<i>"If this government wants to keep small businesses it has got to stop making so many regulations, particularly where staff are concerned."</i>
Ladies and Gentlemen s Hairdressing	<i>"Anybody that's a keen person to work always loses out, it's beneficial not to work, and that's the problem these days."</i>
Specialised Accessory Equipment to Process Industries	<i>"If the government wants more low skills employment it should lower employer costs, i.e., N.I. etc."</i>
Supplier of Computer Systems for Business	<i>"Government should help the unemployed by encouraging them to help themselves. They should stay out of 'employment strategies' If the people who work in government agencies know about employing people they should get out of the agency and employ them, and close the agency."</i>
Suppliers of Woodscrews, Adhesives, Fixings &c.	<i>"We find that the people in the job market lack even basic literacy or numeracy skills, or have been off to university and tend to take the semi-skilled "think in your feet" jobs offered by ourselves as stop-gaps until something better comes along. Where are all those people who used to leave school at 16 with 4 or 5 'O' levels !! Mr. Blair, these are the people to move my company forward !"</i>

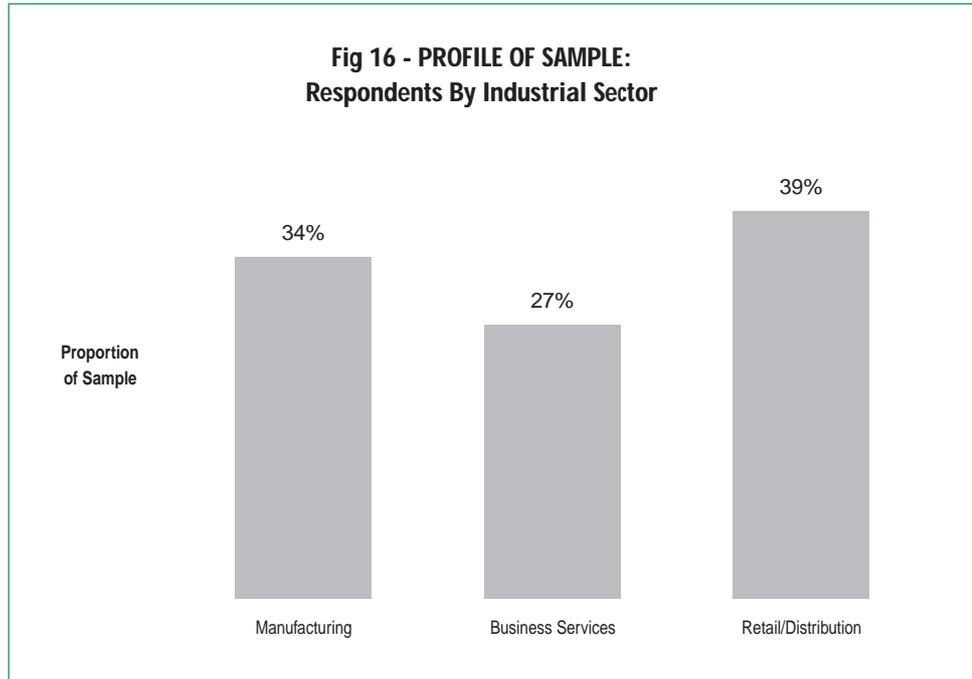
RETAIL AND DISTRIBUTION continued

Tank Container Haulage

"[The] Increased price of DERV caused by the environmental tax [is] too high. We are unable to lift our rates to cover the increase. Fuel prices [are] too high in the UK compared to rest of EEC."

Tool Plant & Equipment Hire, Sales & Repair Service

"We took 6 work experience young men from local schools this year - for 2 weeks 'hands on' in our hire centre. Only one had any 'go' and interest - rest were not interested. [They] Were dumb - acted like zombies, and needed a rocket up their backside."



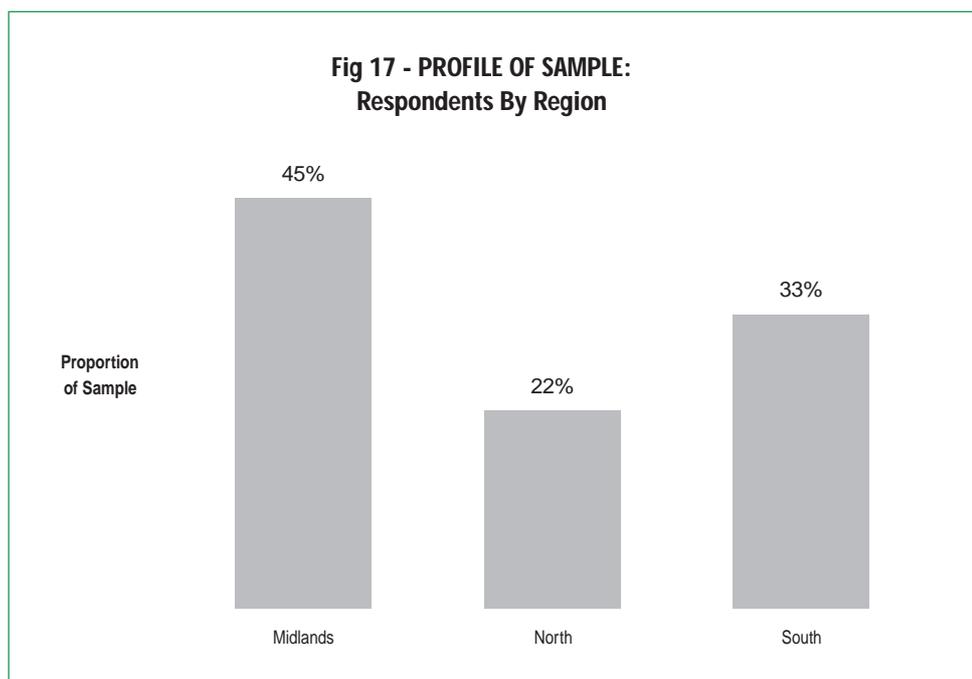
APPENDIX 1 - ADDITIONAL INFORMATION

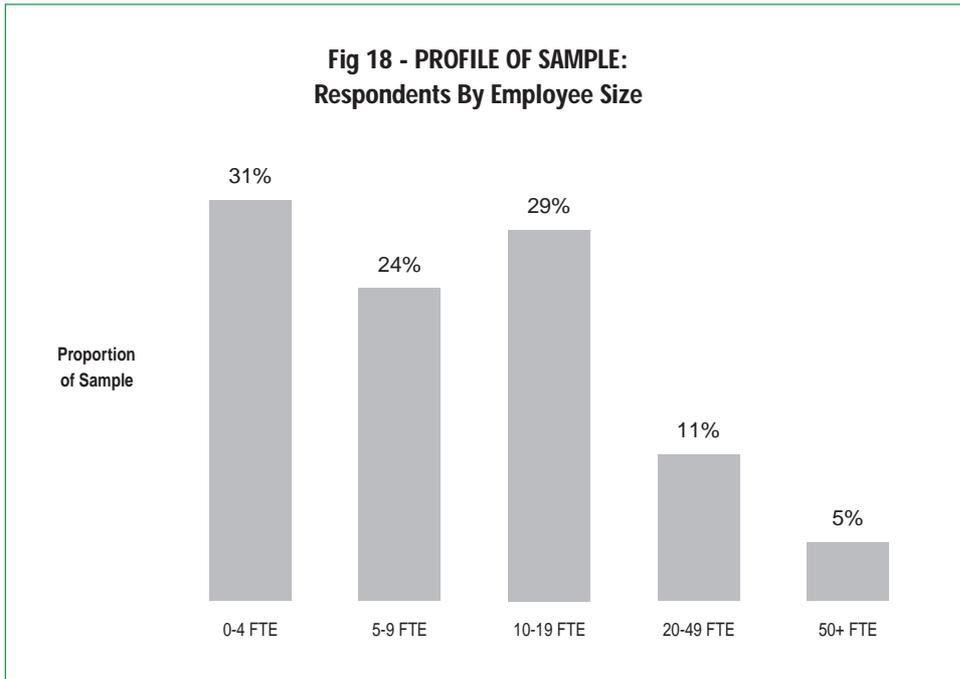
As an aid to the interpretation of the various figures (histograms), we have included some further information about the firms responding to this survey.

The analyses involve key variables, and **industry sector** and **employee size** are those most frequently used as they are reasonably reliable indicators and less

prone to misinterpretation. Other variables have also included **region**, **sales growth**, **respondent age** and **sex**.

Industrial sectors – based on the descriptions supplied by respondents, each firm is coded according to the Standard Industrial Classification (SIC 1980). Firms are then grouped into manufacturing, business services, retail/distribution. From 1996 onwards, firms falling outside these 3 bands – previously classified as ‘other’ –





are now allocated to the foregoing sector which offers the closest match.

Regions - firms are also classified according to their physical location, namely, North, Midlands and the South.

Employee size - finally, firms are placed in bands according to the number of employees. Each part-time employee is assumed to be equivalent to 40 per cent of a full-time employee ('FTE' = full-time equivalent). All of the surveys to date have received only a small number of responses from firms with 50 or more FTE employees. These responses have been included in the breakdowns for the sectoral and regional analyses, but have been excluded as a '50+FTE' band in the employee-size analyses (the 'All' band in each histogram includes all usable responses regardless). This is because a percentage breakdown band based on just two or three firms may not be representative of this size of business.

Distribution of firms

The highest concentration is in retail/distribution (39%), followed by manufacturing, see **Figure 16**. Previously, the samples have contained a greater proportion of firms in business services, but the composition has shifted slightly due to the introduction of additional respondents to the sample.

In this survey, the Midlands region is the largest, with 45% of the sample's respondents (see **Figure 17**).

Historically, the manufacturing and business services firms in the samples have tended to be larger, in terms of employees, whereas the firms in retailing/distribution have had fewer full-time equivalent employees. Overall, the sample is biased towards smaller businesses. (**Figure 18**).

Lloyds Bank Plc Small Business Research Trust



Lloyds Bank/Small Business Research Trust
**Quarterly Small Business
 Management Report - No.23**

This questionnaire will take approximately 5-10 minutes to complete - most answers require only a single tick. All information received will be treated in complete confidence. PLEASE DESPATCH AS SOON AS POSSIBLE.

MANAGEMENT ISSUE: Employment Strategies

Small Business Research Trust, based at the Open University Business School CONFIDENTIAL

1 a) Please indicate the number of people working in your business (including yourself):

Full-time : _____ A

Part-time (16 hours/wk or less) : _____ B

b) Your age last birthday:

16-24 years A

25-34 B

35-44 C

45-54 D

55-64 E

65 or over F

c) Your gender:

Male M

Female F

2 Recruiting difficulties - Does your business currently have significant problems in finding the right people ?

Just ONE ✓ only

Yes – there are problems finding **skilled** people A

OR Yes – problems finding **unskilled** people B

OR Yes – problems finding **BOTH skilled/unskilled**... C

OR No..... D

OR No – we're not recruiting at the moment E

3 Large firm 'out-sourcing' – Has the transfer of large firm in-house services in recent years significantly benefited your firm by way of extra business ?

Yes A

No..... B

Don't know C

4 Small firm 'out-sourcing' – Does your own firm sub-contract any activities that used to be considered as in-house (design, printing, cleaning, etc.) ?

No..... A

Yes (please state): _____ B

5 National 'Minimum Pay' – If an adult rate of £3.60/hour is adopted, how do you think it would affect your firm's competitiveness in the market ? *Just ONE ✓ only*

Competitiveness would be greatly improved (e.g. because low wage-rate competitors would suffer) A

OR Moderately improved..... B

OR Largely unchanged..... C

OR Moderately weakened D

OR Greatly weakened E

OR Don't know F

6 EC Working Time Directive awareness – This now affects several areas concerning employee entitlements. Do you feel that your understanding of the main rules as they affect your firm is: *Just ONE ✓ only*

Good A

OR Reasonable B

OR Poor..... C

7 EC Working Time Directive – This ruling stipulates a maximum of 48 hours/week for employees (unless they opt out). For your firm, are the direct consequences of this particular aspect: *Just ONE ✓ only*

Disruptive A

OR Negligible (e.g. workforce has 'opted-out') B

OR Beneficial..... C

8 'Buy British' – Some people think that businesses could boost UK employment if customers actively sought goods from indigenous manufacturers. Is this a policy which your firm applies ? *Just ONE ✓ only*

Yes – we 'Buy British' even if it costs a little more .. A

OR Yes – we 'Buy British' if the price is similar or lower B

OR No – the country of origin is largely irrelevant..... C

9 'Employment Strategies' - If you have any strong views about the topic, especially if you feel that any aspect is not fully appreciated by important sections of the business community (such as the government help agencies or the financial services sector), then please comment



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