

### Article

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## **‘Can Small Businesses Help Reduce Employment Exclusion?’**

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### **Abstract**

The paper examines whether small and medium-sized enterprises (SMEs) can contribute to Government social exclusion policy objectives through the employment of certain groups under-represented in the UK workforce – the over-50s, ethnic minorities, lone parents, and disabled people. Data on the recruitment practices of a panel of South London SMEs suggests that employment opportunities for these groups might be restricted, particularly for disabled people. In the absence of policy measures tackling employer practices and the stereotypical beliefs that underpin them, or to stimulate employer demand for labour, exclusion will be perpetuated. Supply-side policy interventions can help but are likely to increase opportunities for the most job-ready job-seekers while further marginalising others.

## **Introduction and Research Objectives**

UK policymakers strive to improve employment opportunities for 'disadvantaged' job-seekers as part of a broader policy agenda to reduce social exclusion (DfEE 2001; DTI 2006). Collectively, small and medium-sized enterprises (SMEs) - those employing fewer than 250 people - are major labour market actors, comprising all but 6,000 of the UK's 4.3 million businesses in 2004 and employing more than 58% of the business sector workforce (SBS 2005). Policymakers might, therefore, seek to achieve their employment inclusion objectives by encouraging SME employers to hire members of disadvantaged groups.

The purpose here is twofold: first, to investigate whether SMEs might be a suitable vehicle for policymakers to achieve one dimension of their inclusion objectives - higher employment rates - by examining their recruitment practices in relation to four groups of job-seekers, under-represented in the UK employed workforce: older workers, ethnic minorities, lone parents and disabled people (the target groups). A second objective is to explore whether SMEs offer a better route of employment opportunity for some disadvantaged groups rather than others and, if so, to account for this. National employment rates for the four target groups in summer 2005 were: older workers aged 50 to State Pension Age (71%), ethnic minority workers (59%), lone parents, with dependent children aged 0-18 years (57%), and workers whose day-to-day activities are substantially limited by long-term disability or those with a work limiting disability (50%) (DWP 2005). This compares with an overall employment rate of

75% and the UK Government's long-term aspiration of an 80% rate (DTI 2006). Berthoud and Blekesaune (2006) note that although many groups have experienced persistent employment penalties for at least the past 30 years, there are signs that for some these penalties have reduced since the mid-1990s. Occupying multiple disadvantaged statuses is associated with particularly low employment rates. Explanations of employment penalties centre on employer discrimination, differences in human capital, industrial and occupational structures, the availability of childcare facilities, and access to infrastructure (Berthoud and Blekesaune 2006).

The paper is structured as follows. First, the UK employment policy context is outlined. Then a framework for understanding the role of employers in enabling or constraining social inclusion is presented, with a particular focus on SME recruitment practices. The following sections outline the research methodology, present the study findings and consider the implications for policymakers.

### **Policy Context**

UK employment policy aims to enable everyone able and willing to work to do so and to provide support appropriate to individual needs (DfEE 2001). Worklessness is viewed as the primary cause of exclusion, reinforcing other dimensions of exclusion, including poverty, homelessness and ill-health. Paid work is viewed as the primary route by which individuals can avoid poverty and exclusion (ODPM 2004; DWP 2006).

Since 1997 policymakers have attempted to enable inclusion in employment primarily by reforming the supply-side of the labour market, by changing the capacity and ‘willingness’ of the unemployed and labour market inactive to seek employment. Various labour market programmes, notably New Deal, aim to raise the employability of the unemployed and inactive by providing job search, preparation, financial and training support; separate New Deal programmes exist for lone parents, disabled people and older job-seekers. Initiatives such as the National Minimum Wage, in-work tax credits and the 10% ‘starting rate’ of income tax aim to increase the take-up of low-paid employment by ‘making work pay’ (HM Treasury 2005) and the National Childcare Strategy offers high-quality, accessible, affordable childcare provision to enable parents to take up paid work (HM Treasury 2004).

On the demand-side of the labour market, policymakers have outlawed various types of employment discrimination and promoted equality and diversity (Cabinet Office 2001). It is unlawful for UK employers to discriminate against employees and job-seekers on grounds of sex, race or ethnic origin, marital status, disability, sexual orientation, religion or belief, and part-time or fixed-term employment; sex discrimination law may be relevant to lone parents as 90% are women (ONS 2006). New legislation prohibiting age discrimination comes into force in the UK in October 2006. Policy imposes no obligation upon employers to recruit particular groups; exhorting employers to consider the ‘business case for diversity’ to encourage to consider a wider recruitment pool is considered sufficient (DTI

2006). Nor does policy aim to stimulate aggregate demand which might increase employer demand for labour and bring into employment hitherto excluded groups; rather, policy aims to provide stable macroeconomic conditions that enable businesses to invest and plan for the long-term (HM Treasury 2005).

### **Recruitment and Social Inclusion: An Analytic Framework**

Private sector employers, in seeking to generate a profit, will recruit job applicants believed to be both able and willing to work according to employer instructions. By using specific selection criteria or recruitment channels, employers, deliberately or inadvertently, open up job opportunities for some while closing them for others. Recruitment errors are arguably more costly for small employers where the poor performance or absence of an individual employee can be critical. Consequently, SME employers are likely to persist with tried-and-tested recruitment methods, typically personal and word-of-mouth networks, to reduce hiring uncertainty (Kitching 1994; Ram 1994; Carroll et al. 1999), unless labour scarcities cause employers to modify recruitment practices. Word-of-mouth recruitment is argued to restrict employment offers to job-seekers with characteristics similar to the existing workforce (Jenkins 1986). Given their lower employment rates, excluded groups are less likely to act as a conduit into employment for similar others, thereby reproducing their disadvantaged labour market position. Previous studies suggest small employers are more likely than larger organisations to employ older workers, particularly those

beyond state retirement age (Smeaton and McKay 2003), but less likely to employ disabled workers (Honey et al. 1993; Dench et al. 1996).

Employment discrimination law may exert little direct influence on deeply embedded SME recruitment practices; SMEs are often affected only marginally by the law (Edwards et al. 2003), particularly where they believe they operate fair and lawful recruitment methods. SMEs are less likely than larger employers to operate formal equal opportunities policies (Woodhams et al. 2004; Kersley et al. 2005), although, of course, this does not mean recruitment methods are necessarily unfair.<sup>1</sup> Employer receptiveness to business case arguments is contingent upon wider labour market conditions; employers are likely to be more open to such arguments where they face labour shortages (Dickens 1994). Moreover, the business case argument might be much less easy to establish for some groups, for example, disabled people (e.g. Woodhams and Danieli 2000).

Jenkins (1986) distinguished functionally specific selection criteria relevant to particular jobs, for example, possessing the desired knowledge and skills (termed 'suitability' criteria), and functionally non-specific criteria, that concern the manageability of the individual but do not relate to specific work roles, for example, being conscientious, reliable and able to 'fit in' (termed 'acceptability' criteria). Employer judgements of suitability and,

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<sup>1</sup> Conversely, the presence of formal policies does not necessarily reflect fair and non-discriminatory recruitment. Such policies may be little more than 'empty shells', lacking substantive content (Hoque and Noon 2004), serving to disguise, rationalise and legitimise unlawful discriminatory practices (Jewson and Mason 1986; Collinson et al. 1990; Hoque and Noon 1999).

particularly, acceptability may be influenced, consciously and unconsciously, by stereotypes whereby individuals are assumed to possess (or not possess) certain qualities because they share a particular characteristic (e.g. gender). Acceptability criteria, often founded on stereotypical beliefs, are argued to exclude disadvantaged groups (Jenkins 1986). In practice, of course, employer judgements of suitability may be inseparable from perceptions of the acceptability of job applicants (Liff 1988).

Previous research suggests disadvantaged job-seekers might find it particularly difficult to secure employment in SMEs. Policy initiatives aimed at outlawing discrimination, encouraging recruitment diversity and increasing employability should enable greater access to employment for job-seekers in the four target groups. Conversely, measures such as NMW might reduce employment opportunities for the target groups by reducing the cost advantages of employing them. Whether these policies lead to higher employment rates for the target groups depends crucially on employers' acceptability selection criteria.

## **Methodology**

The sample comprised 47 legally independent private sector employers (or managers), employing 2-250 people (Table 1). Businesses in six industry groups, with diverse workforce profiles, were included - computer services; construction; financial services; health and social care; hospitality; retail and distributive services – to allow analysis of employer actions and perceptions

in a range of employment settings. Some of these sectors policymakers acknowledge as 'high-risk', where vulnerable job-seekers are more likely to encounter employer exploitation, for example, retail, hotels and restaurants, care homes and construction (DTI 2006). All businesses were located within the South London boroughs of Richmond, Kingston, Merton, Sutton, Croydon and Bromley; these are mostly prosperous residential areas linked to high levels of out-commuting to Central London and Surrey, though some less affluent areas such as North Croydon and Merton are included (LDA 2005). Data were obtained primarily from face-to-face interviews using a semi-structured questionnaire, to allow respondents to talk at length about their recruitment practices and perceptions of particular groups; data from employees in the four target groups in the sample businesses is also drawn upon.

\* insert Table 1 here

London businesses employ 4.6 million people (HM Treasury 2006) and more than 97% of firms employ fewer than 50 people (LDA/BL 2005: p7, and Table 2.2). An estimated 60% of all businesses and 48% of total employment are in business services and retail and wholesale services. The Outer London employment rate, which includes the six boroughs covered here, stood at 72% in autumn 2005, some three percentage points lower than the national rate (HM Treasury 2006). Despite this, London employers report the availability of suitably skilled labour as the major barrier to business competitiveness; such constraints were particularly keenly felt in

small and medium-sized businesses (as opposed to micro businesses), and in construction, and health and social care (LDA/BL 2005: Table 7.3).

London employment rates for lone parents, ethnic minorities and older workers remain below the rest of the UK (HM Treasury 2006: Table 2.2); since 1997 rates have improved markedly for older people and lone parents, though not for ethnic minorities and disabled people (HM Treasury 2006: chart 5.2). Lower employment rates in the capital are associated with differences in Londoners' personal and household characteristics (HM Treasury 2006). London is home to more people with characteristics known to be associated at national level with unemployment and labour market inactivity - ethnicity, lone parenthood - and home to more people with multiple barriers to work. London is ethnically diverse; 29% of the population are members of approximately 90 ethnic minority groups. There are more lone parents with dependent children in London than elsewhere, many of whom have never worked before (McKay 2004). There is an additional 'London effect' for lone parents largely explicable in terms of differences in employer demand for labour, for example, higher proportions of skilled occupations and fewer part-time posts; and higher housing, childcare and transport costs, and the relatively low value of in-work tax credits which reduce the incentive to find low-paid work, to which many job-seekers in the target groups are confined (HM Treasury 2006; Daycare Trust 2006). Conversely, London has proportionately fewer older people than in the rest of the UK.

Sample businesses were identified using a commercial database and checks were made to ensure the business size, sector and location criteria were satisfied. The employer sample included those with and without target group employees. Given the small sample, the findings should be treated as indicative of key influences shaping SME employer recruitment behaviour and beliefs rather than representative of South London employers' recruitment experiences in the six sectors. In the remainder of the paper, employer recruitment practices and attitudes are examined to discover whether they enhance or restrict employment opportunities for the four target groups, and, subsequently, I consider whether and how policy might further employment inclusion.

### **Recruitment Practices**

Employers cited word-of-mouth as the most frequent recruitment method used because it reduced the risk of employing others; even larger employers preferred it where possible. This is consistent with previous studies (e.g. Kitching 1994). There is, however, no reason why word-of-mouth networks should be confined to people of/with the same age, ethnic origin, parental status or impairment. Data from employees confirmed that word-of-mouth networks were the most popular routes to finding employment, indicating that such methods do not necessarily exclude disadvantaged job-seekers.

“... at the end of the day, everyone we get is through word-of-mouth, through friends, because they are the only ones you can trust who will turn up when they say they are going to turn up

... What you tend to find is that the type of girls we've got working here, their friends are of the same ilk. So you'll tend to find if one of them is ok, the majority of them are ok. There's an old saying that if you walk with someone with a limp, at the end of the day you'll start limping yourself. They mix with a certain type of girl, so you'll know that their friends will be ok ..."

(JK14: employer, catering, 25 staff)

Formal channels - newspapers, trade publications and recruitment agencies – were used where word-of-mouth networks were perceived as unlikely to generate a sufficient quantity and quality of candidates, for example, where employers sought staff with scarce skills or had a number of vacancies to fill. Employers reported these methods when seeking to fill high-skilled positions, or posts in larger organisations, and in health and social care.

Few employers reported a formal, written equal opportunities policy and even fewer provided details of policy content and coverage, or stated the benefits of having a policy in written form, suggesting formal policies were not routinely referred to in day-to-day practice. Employers nevertheless stressed that irrespective of sector, business size and current workforce profile, the 'best person for the job' regardless of age, ethnicity, disability, or parental status would be recruited. This is perhaps to be expected – employers wanted to establish the fairness of their recruitment practices and to avoid attributions of discriminatory or unfair treatment (McVittie et al. 2003). Employers accounted for the absence, or limited presence, of

particular types of employee in terms of labour supply factors - the paucity of job applicants from these groups - rather than the recruitment channels used or selection criteria adopted. But, as previous studies have shown (e.g. Anderson et al. 2004), few employers reported specific efforts to attract job-seekers in the target groups. Rare examples of targeted action included one medium-sized employer organising subsidised childcare places for employees at a local nursery to attract job-seeking parents and two other employers advertised job vacancies in The Voice, a publication targeting a black readership. For most small employers, additional effort beyond customary practice to recruit job-seekers in the target groups was perceived as unnecessary.

The presence of the four target groups varied markedly across the employer sample (Table 2), suggesting that some groups find securing employment in SMEs easier than others. There were noticeable differences between the employment of, on the one hand, older and ethnic minority workers and, on the other, lone parents and those with impairments. For instance, 66% of employers reported employing older workers, and such workers constituted approximately 7% of the aggregate business sample workforce<sup>2</sup>; by comparison, only 17% of employers reported disabled employees, and such workers comprised less than 1% of the aggregate workforce. For all four groups, the proportions are lower than those to be expected in London businesses. It is, of course, possible that employers were unaware of employees' age, ethnicity, family circumstances or impairments - due

possibly to concealment by job-seekers - and, to this extent, either over- or, more likely, understated their presence. Moreover, larger employers dominate the figures; for instance, two employers account for half of all ethnic minority workers employed in the sample businesses. Given likely variations in employer awareness of workers' characteristics, the small samples and consequent high sensitivity to individual large employer practices, these figures should be treated as broadly indicative rather than providing precise data.

\* insert Table 2 here

Recruitment of the target groups and numbers employed varied by business size and sector (Table 2). The larger the business, the more likely employers were to recruit at least one worker in each of the four target groups, although as a proportion of the aggregate workforce in each size band there was little variation. For example, no micro business employers (out of 20) reported employing disabled workers at the time of interview; whereas seven (out of eight) medium-sized employers did so. Sectoral variations in employment patterns were also evident. Ethnic minority workers were commonly found in the hospitality and health and social care sectors; older workers in retail; and lone parents in hospitality enterprises.

To elicit insights into employer perceptions of the four target groups, respondents were asked whether there were any advantages or

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<sup>2</sup> Approximate figures are given because precise employment data for each of the four

disadvantages associated with employing job-seekers in the target groups, or whether there were any particular jobs within the business for which they would be particularly suitable or unsuitable. Employers could report benefits, disadvantages, both, or none at all for each group. This kind of approach is likely to encourage employers to think in terms of group characteristics rather than specific individuals, and thereby unearth stereotypical beliefs that shape judgements in individual recruitment decisions.

There were substantial differences in the balance of responses across the four target groups (Table 3). Given that employer attitudes and behaviour diverge, employer views should be treated as identifying potential benefits or disadvantages which influence, rather than determine, recruitment of the four target groups. The only group for which more employers reported benefits than reported disadvantages were older workers; 21 employers reported benefits and 14 reported disadvantages. Conversely, only one employer reported a benefit of employing disabled workers, while 27 reported potential disadvantages. While such counts can be considered somewhat crude, it seems clear that the four groups might not start at the same point in attempting to gain employment in SMEs.

\* insert Table 3 here

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groups are not available; see the Note to Table 2 for more details.

Employers were more likely to recruit individuals in the four target groups where the benefits of employing that group were reported, but there was no necessary relationship between employer perceptions and employment (Table 3). For example, 31 SMEs employed older workers, but only 18 reported any benefits of employing this group. Alternatively, nine employers reported negative views of older workers but still employed such individuals. Stereotypes, positive and negative, shape, but do not determine, SME recruitment practices. Although such beliefs, particularly negative ones, can be enduring, prior experience of employing individuals in the target groups can transform as well as reinforce such beliefs. Employers previously employing individuals in the target groups, and those operating in sectors relying heavily on particular groups, tended to hold more favourable views of individuals in the four target groups.

### **The Pivotal Importance of Acceptability Criteria**

All employers attempt to recruit job-seekers able and willing to perform the work roles they want them to perform. Employers' recruitment practices are designed to determine the suitability and acceptability of particular job applicants, discriminating between those perceived as meeting employer criteria and those that do not. Suitability and acceptability criteria were often deeply integrated in employer accounts to justify both the recruitment and the non-recruitment of individual job-seekers in the target groups. Crucially, employer judgements of job-seeker suitability for specific work roles were shaped by assessments of acceptability, related to job-seekers' presumed 'manageability', themselves influenced by stereotypes, often

unconsciously, and by prior experience of employment. Employers emphasised a range of acceptability criteria in recruitment decisions: the reputed work attitudes of different groups; the likely impact of new recruits on workforce and customer relations; and, workplace access issues. Examples are drawn from the interview material to illustrate employer perceptions. In contrast to previous studies suggesting the adoption of acceptability criteria necessarily excludes disadvantaged groups, employer use of these criteria frequently operated in favour of the four target groups. Favourable views of particular groups were commonly based on previous experience of employing such individuals; unfavourable views were usually based on limited or no experience of employing individuals in the target groups.

#### (a) Work Attitudes

Employer perceptions of the target groups' work attitudes, in particular, their presumed willingness to accept employer authority and to act in accordance with employer instructions, were important influences on recruitment decisions. Older workers were often argued to possess greater skills and work experience, particularly customer-handling skills; they were perceived as more reliable and conscientious, and were assumed not to have childcare concerns. These benefits were often contrasted with the alleged deficiencies of younger workers such as poor attendance and time-keeping. Not surprisingly, therefore, older workers often held managerial or senior positions in the sample businesses.

Of particular concern to employers were job-seekers' perceived orientations towards managerial authority. Some employers anticipated difficulties managing older workers, because of a presumed unwillingness to accept the authority of younger managers. Employers frequently perceived older job-seekers to be 'set in their ways' and resistant to change; the limited experience of employing older workers shaped the employer's perception.

"I haven't employed all that many over 50, which is probably an age thing as far as I am concerned. The closer that I get to 50, which is relatively young these days, the less it troubles me. Whereas, I think, as a young principal, the worry in employing older people is that they would boss you about which certainly isn't what you want. It's a psychological thing and probably just paranoia on my part. But, I think, gradually, the age of my employees has risen as my age has risen as well." (AH3: employer, dental surgery, 11 staff, italics denote respondent emphasis)

For employers, the key issue in relation to employing lone parents, as previous research has shown (e.g. Speak 2000), was whether they would be able to combine parental and employment responsibilities without detriment to the latter. Employers, particularly in micro businesses, were sensitive to the possibility that lone parents – largely interpreted as lone mothers – might not be willing to work the hours, or at the times, the job required

because of childcare concerns or to avoid losing eligibility for certain benefits.

“Lone parents can be a bit tricky because of childcare. What we depend on in this sort of environment - where it is very much one-to-one - is reliability. What we have a problem with is people taking time off without notice whether it is because of ill-health or they’ve had a hard night at the pub the night before or if their child is ill. I think, regrettably, lone parents - where there is only one person looking after the child - have got that much more responsibility to the child. And when the child isn’t well or the childminder doesn’t turn up or whatever, we are left in the lurch. And it’s very hard work doing a day’s dentistry without an assistant. Sometimes we can get temporary staff in but it is not always feasible at short notice. So if I were to know and if it were to become a problem then I would probably err on the side of not employing someone who is a lone parent - unless they were very convincing.” (AH3: employer, dental surgery, 11 staff)

Although potential absence problems were widely acknowledged by employers, this did not necessarily exclude lone parents from employment. Several employers reported that lone parent employees were no more likely to be absent for childcare reasons than other workers, particularly partnered

mothers. Moreover, for larger employers, individual absence was less critical because other employees could provide cover.

#### (b) Workforce Relations

Employers organise workplace activities and relations with the aim of achieving a profit. Because stable relations between co-workers are a condition of profitable performance, employers consider job applicants in the light of existing workforce characteristics and relationships, to assess whether newcomers will adapt to the prevailing pattern of workplace norms and not disrupt existing workplace relationships. Again, these influences can enhance job opportunities for the target groups as well as restrict them. One financial services manager reported that because the age profile of the existing sales-force was 'young', recruiting older workers which might risk disturbing existing workplace relationships would be avoided.

“... We have employed a few older people but because the rest of the people are young they don't tend to fit in so well ... As I say, because we're quite a young company, probably the biggest disadvantage is then trying to fit into the culture. Some people can be quite slow to learn, I suppose, on computers if they've not dealt with them before ...” (AH1: employer, financial services, 250 staff)

Conversely, another employer, an optician, reported that future recruitment would focus on older workers because the current workforce of four,

including himself, were all aged over 50 and, therefore, it would be easier for staff to relate to one another with a lower likelihood of workplace conflict. Working in close proximity, a common experience in micro enterprises, might encourage employers to recruit job candidates they perceive to be compatible with the existing workforce.

Being able to communicate with co-workers is a condition of satisfactory work performance; employers will, therefore, recruit job applicants they perceive as displaying communicative competence. A Turkish catering business owner reported a preference for Turkish-speaking employees to facilitate workforce communication; the business employed three Turkish workers, all recruited via word-of-mouth networks. Such language skills can be perceived as necessary, though functionally non-specific, given the existing Turkish-speaking workforce, although any language would do as long as all could speak it.

### (c) Customer Relations

Customer relations considerations influence employer judgements of job-seeker acceptability. Customer service interaction jobs encourage employers to look for particular characteristics and qualities in job applicants; again, these could either enhance or restrict employment opportunities for particular groups of job-seekers. For example, where employers felt customers preferred to deal with older or, alternatively, younger employees, employers often reported older workers an advantage or disadvantage.

Employers often emphasised the need for particular communication skills to facilitate interaction between employees and customers. Where employers perceived English language skills as important, this might count against certain ethnic minority workers, even among co-ethnic employers. An Asian pharmacist stressed sales staff should have good communication skills to reassure customers that products are appropriate for their needs. He reported that he would recruit job-seekers:

“... as long as they can speak good English because communications are important. Not only that, when a product is being recommended, or they buy something over the counter, then they’ve got to be confident in selling that product if people say ‘I want something for a headache’ and they’ve been trained what to say over the counter. If they don’t have that communication skill and confidence, that person will lose the sale...” (AH5: employer, pharmacy, 5 staff)

Employer beliefs that customers preferred dealing with co-ethnics influenced employment decisions. One children’s nursery employer, herself black, reported that because the business had a predominantly black clientele, it was beneficial to employ black carers. Such employer beliefs can be seen as promoting job opportunities for black job-seekers and restricting, though not entirely excluding - three of the 14 staff were white - them for others.

“... We’ve only got a few white children for example. I do mean a very few. I put that down to the fact that white people prefer to use white people’s facilities, wouldn’t you say? I think that’s how it goes. So, obviously, if all our children are from ethnic minorities then it would be in the children’s interests to have ethnic minority workers. But we have got white workers because we’re living in a multicultural society and I don’t think it reflects a true picture for the children of the society we’re living in if all our workers were, say, black, Asians or whatever, and no white workers. So we do try our best to recruit a mixed [workforce].” (JK8: employer, children’s nursery, 14 staff)

A catering business owner provided a more disturbing example of alleged customer influence which might restrict employment opportunities for some ethnic groups. He reported that certain customers had, on occasion, requested that their food not be handled by members of particular ethnic groups. This did not exclude these individuals from employment though it might have led the employer to allocate work activities in particular ways.

#### (d) Workplace Mobility

Job-seekers with impairments, particularly visible ones seriously affecting mobility, face the biggest difficulty in finding employment in SMEs. Impairments vary in terms of type (physical, sensory, mental), severity, duration, age of onset, and evolution over time; these differences are

associated with variations in employment rates (Berthoud 2006). ‘Disability’ refers to the disadvantage experienced by an individual as a result of the physical, institutional and cultural barriers that impact on people with impairments and/or ill-health (Strategy Unit 2005). Employer concern with workplace access, mobility, and health and safety issues indicated that most initially defined ‘disability’ narrowly, to refer to those with severe mobility problems, such as wheelchair-users. These findings echo studies of larger organisations (Dench et al. 1993; Honey et al. 1996). Again, the lack of experience of employing anyone with an impairment might fuel a partial view of such job-seekers and their capabilities.

“I’ve never employed any disabled people. The only drawback for me having a disabled person working here is we’ve got stairs ... But, then again, depending on their disability. Not all disabled people can’t get up stairs ... We have a showroom upstairs and downstairs and we’re required to go up and down and into the warehouse to check things ... It probably wouldn’t be practical for them to be working in the warehouse as well because of the physical aspect. Not so much moving up and down stairs but our goods are quite heavy and large.” (SHC9: employer, retail, 6 staff, italics denote respondent emphasis)

Employers offered two types of reason for these views. First, the physical workplace environment was perceived as a fixed parameter to which employees were expected to adapt rather than being capable of modification

to enable employees to undertake work, despite a legal obligation to make ‘reasonable adjustments’ to accommodate employees with impairments.<sup>3</sup> Few employers saw structural features such as staircases or confined work spaces as malleable, at least not in any major way. Even where employers were willing, in principle, to consider adjustments to premises, the costs of implementation were seen as prohibitive. Second, for some employers, notably in construction, health and safety considerations excluded disabled job-seekers, from site-work at least, for fear of causing, or being the victim of, accidents. To be considered for employment, job-seekers would have to convince employers they could cope with the workplace as is and were not a health risk to themselves and others.

In summary, judgements of job-seeker suitability were made within a broader framework of acceptability assessments. Employer views of job-seekers’ work attitudes, their likely impact on existing workforce and customer relations, and workplace access issues were paramount in decisions to recruit and not recruit older, ethnic minority, lone parent and disabled job-seekers. Employer adoption of specific acceptability criteria, consciously or unconsciously, enabled or hindered job-seekers’ employment search. Barriers to employment differed across the four groups. Older workers perhaps face the lowest barriers as many employers identified a number of potential benefits associated with hiring them, and also employed particular individuals despite general reservations. Conversely, for disabled job-seekers SME employers identified problems of workplace access and

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<sup>3</sup> At the time of study, businesses with fewer than 15 employees were exempt from this

mobility but could not identify specific benefits of employing them. Although the influence of stereotypes is pervasive, employers' prior experiences of recruiting individuals in the target groups can challenge these stereotypes. Micro employers, with less experience of employing large numbers of people, might be less willing to risk recruiting unfamiliar groups unless labour market conditions tighten sufficiently to prevent them relying on customary sources of labour.

### **Policy Implications**

What do these findings suggest for policymakers wishing to address labour market disadvantage for older, ethnic minority, lone parent and disabled job-seekers? These comments are inevitably broad-brush given the internal diversity of the four groups, both in terms of the particular characteristic by which they are defined here (e.g. impairment) but also in terms of other important characteristics, such as capabilities, experiences and aspirations. To some extent, the four groups continue to require distinct policies to increase employment rates although, paradoxically, interventions targeted at particular groups cannot but reinforce stereotypes that individuals in each of the four groups possess similar characteristics which dominate other considerations. Yet each group is internally diverse in terms of employment activity and support needs. Contrast, for example, the very different unemployment rates of Indians and Pakistanis (e.g. HM Treasury 2006: Table 2.3), lone mothers with a youngest child aged under 11, or older than

11 (Berthoud and Blekesaune 2006), or those with mental impairments as opposed to skin conditions (Berthoud 2006: Figure 5.1).

Calls for more formal labour recruitment in SMEs, if heeded at all, are, at best, likely to provide an insufficient condition of fair recruitment because such practices can be manipulated, consciously or otherwise, to mask discriminatory practice. Paradoxically, strong employer reliance on word-of-mouth recruitment practices may increase job opportunities where business owners, or their employees, are members of the target groups, as was most evident in a number of ethnic minority-owned businesses. Promotion of business start-up among targeted groups might, therefore, indirectly stimulate increased employment for those same groups, particularly where skill requirements are low. An estimated 23% of businesses in London are ethnic minority owned and these businesses employ 500,000 people (19% of the London workforce) (LDA/BL 2005: Tables 3.3 and 3.4). Such owners might be more inclined towards recruiting co-ethnic job-seekers - or at least, not discriminate against them. Such practices, it should be emphasised, would enhance job opportunities for some (rather than all) ethnic minority groups according to the specific language and cultural skills sought by the employer; these job opportunities are likely to reflect the sectoral distribution of ethnic minority-owned businesses in the capital.

Current initiatives to raise skills and qualifications, to encourage employers to recruit a diverse workforce, adopt 'flexible' work practices, expand

access to childcare, and to require employers to make ‘reasonable adjustments’ to accommodate those with impairments might improve job prospects for the groups studied here, though evidence suggests national policies such as New Deal have not been as successful in London in raising employment rates as they have elsewhere (HM Treasury 2006). It seems likely that employment opportunities are likely to expand, initially at least, in those sectors where the target groups are currently employed. Conversely, where few individuals in the target groups are currently employed – for example, construction employs few women, ethnic minorities or disabled people (Briscoe 2005) – progress is likely to be slower, given the stronger influence of stereotypes where employers lack prior contact with particular groups.

Policy must continue to address the structural and cultural barriers that create/reinforce disadvantage for the four target groups. Policy might focus more on improving the acceptability of disadvantaged job-seekers as well as their suitability – that is, on challenging deeply-held stereotypes as well as raising skills. Stereotypical employer assumptions surrounding job-seeker acceptability are transformable if policymakers can make them visible and challenge them. Legislation is clearly important here but additional action aimed at cultural change will also be required; the Equalities Review (2006) is currently considering this question.

The UK Government’s supply-side approach, which focuses on changing job-seekers’ skills and attitudes to work and on tackling specific barriers to

taking up work such as childcare constraints, does little to address demand-side issues and lacks the levers to ameliorate employment exclusion if employers are not convinced of the ‘business case for diversity’. Without further emphasis on the social justice aspects on equal opportunity, diversity and equality, business case arguments are vulnerable because counter-arguments can be made on the same grounds, namely, that widening recruitment to neglected groups would not benefit the business (Dickens 1994).

Labour shortages may encourage a shift in employer recruitment behaviour, to consider groups previously neglected. Berthoud (2006) found that people with severe impairments achieved higher employment rates in areas of high employment than those with less severe impairments achieved in areas of lower employment. But given the competitive character of the labour market, in the absence of jobs for all those who want them, those individuals in the four target groups most job-ready in terms of human, financial, social and cultural capital will be better placed to find employment at the expense of those less job-ready, a point acknowledged by policymakers themselves (ODPM 2004). Policies aimed at stimulating employer demand for labour might increase employment opportunities for disadvantaged groups more than a focus on the supply-side. Aversion to direct intervention on the demand-side might explain policymakers’ watered-down redefinition of full employment in terms of ‘employment opportunity for all’ (HM Treasury 2005).

## **Conclusions**

This study has provided evidence of SME employers' recruitment practices in respect of four groups of disadvantaged job-seekers – older workers, ethnic minorities, lone parents, and disabled people. The purpose has been to examine whether it would be useful for UK policymakers to rely on SMEs to contribute to one dimension of social inclusion objectives, namely, increasing the employment rates of under-represented groups.

SMEs facilitated social inclusion by employing individuals in the four target groups, though the data suggest that all groups were under-represented in the sample businesses. Given the small sample, its specific sectoral foci, and possible limited employer awareness of employees' various statuses, such variations should be treated as broad indicators only. Experience of finding work varied widely across the four target groups and by business size and sector; older and ethnic minority job-seekers were the most likely, and disabled job-seekers the least likely, to find employment in this sample of SMEs.

Employers explained the limited presence or absence of particular kinds of employee in terms of labour supply factors rather than their own recruitment practices. But SME employers' sensitivity to recruiting the 'right person', given the high potential costs of error, their failure to adopt specific approaches to target job-seekers in the four groups, and the emphasis on various acceptability selection criteria suggest that many will find obtaining employment in SMEs difficult. The contribution of SMEs to enhancing the

social inclusion of excluded groups, as others have noted (Blackburn and Ram 2006), might be more limited than policymakers hope. Employer emphasis on job applicants' perceived acceptability in terms of work attitudes, existing workplace relationships, customer relations and the physical workplace environment both created and restricted job opportunities for the four target groups. Such perceptions, shaped by social stereotypes, constitute a barrier to employment in SMEs, although prior experience of employing individuals in the four groups – more common in larger businesses and in specific sectors – can weaken the force of adverse stereotypes.

The deep structural inequalities associated with gender, age, ethnicity and disability cannot be overcome entirely by micro-level supply-side labour market interventions. Policy must address the institutional and cultural barriers that restrict the capacity of disadvantaged job-seekers to find employment. This is partly to do with suitability, with enabling disadvantaged groups to obtain the educational qualifications and skills that enable them to compete on a level playing field with others, but perhaps more to do with issues of acceptability, with challenging deeply-held stereotypes which disable individuals in these groups. Policymaker reliance on appeals to the business case for diversity means that furthering social inclusion goals is largely dependent on labour market conditions bringing about changes in employer demand for labour, conditions in which policymakers are reluctant to intervene more directly to change employer behaviour.

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**Tables/Figures to Insert**

<b>Table 1</b>		
<b>Employer Sample by Business Size and Sector</b>		
	<i>Interviews Achieved</i>	<i>%</i>
Micro businesses (0-9 employees)	20	42.6
Small businesses (10-49 employees)	19	40.4
Medium businesses (50-250 employees)	8	17.0
Computer Services	6	12.8
Construction	5	10.6
Financial services	9	19.1
Hospitality	9	19.1
Health and social care	12	25.5
Retail and distributive	6	12.8
ALL	47	100
Note: percentages do not sum to 100 due to rounding.		

<b>Table 2</b>											
<b>Employment of Target Groups by Business Size and Sector</b>											
	<u>No. SMEs</u>	<u>Total Employment</u>	<u>Job-seeker category</u>								<u>None of the four groups</u>
			<u>Older</u>		<u>Ethnic Minority</u>		<u>Lone Parents</u>		<u>Disabled</u>		
			<u>Any</u>	<u>Total</u>	<u>Any</u>	<u>Total</u>	<u>Any</u>	<u>Total</u>	<u>Any</u>	<u>Total</u>	
Micro (0-9 employees)	20	89	8 (40.0)	12 (13.5)	4 (20.0)	6 (6.7)	2 (10.0)	2 (2.2)	0	0	8 (40.0)
Small (10-49 employees)	19	348-358	15 (78.9)	46-47 (13.0)	12 (63.2)	50+ (14.2)	8 (42.1)	13-14 (3.7)	1 (5.3)	1 (0.3)	0
Medium (50-250 employees)	8	902	8 (100)	36+ (4.0)	8 (100)	43+ (4.8)	6 (75.0)	15+ (1.7)	7 (87.5)	10 (1.1)	0
Computer Services	6	81	3 (50.0)	3 (3.7)	2 (33.3)	4 (4.9)	0	0	1 (16.7)	1 (1.2)	2 (33.3)
Construction	5	162	5 (100)	14 (8.6)	3 (60.0)	7 (4.3)	2 (40.0)	3 (1.9)	2 (40.0)	2 (1.2)	0
Financial services	9	459	7 (77.8)	24 (5.2)	3 (33.3)	10 (2.2)	3 (33.3)	5 (1.1)	2 (22.2)	4 (0.9)	2 (22.2)
Hospitality	9	120	6 (66.7)	10 (8.3)	5 (55.6)	36+ (30.0)	6 (66.7)	11-12 (9.2)	0	0	1 (11.1)
Health/social care	12	439-449	7 (58.3)	30+ (6.8)	7 (58.3)	35+ (7.9)	3 (25.0)	9+ (2.0)	3 (25.0)	4 (0.9)	3 (25.0)
Retail/wholesale	6	78	3 (50.0)	13-14 (16.7)	4 (66.7)	7 (9.0)	2 (33.3)	2 (2.6)	0	0	0
ALL	47	1339-1349	31 (66.0)	94+ (7.0)	24 (51.1)	98+ (7.3)	16 (34.0)	30+ (2.2)	8 (17.0)	11 (0.8)	8 (17.0)

Notes: Columns under each of the four target groups provide data on the number of businesses employing anyone in that particular category (any) and on the total numbers employed (total). Some respondents were not able to provide precise data and offered a range or minimum figure. Employment figures include employees

occupying one or more of the four statuses, so there is some double-counting. Bracketed data give the percentages of businesses/employment that employed each of the four target groups and numbers employed in each size and sector category. These percentages were calculated by taking the actual figures (or minima, where actual data is not available) and dividing by total number of businesses or total employment (or the midpoint where a range is given).

**Table 3****Employer Perceptions of the Target Groups**

(a) of those employing the target groups:

	Older		Ethnic Minority		Lone Parents		Disabled	
	N	%	N	%	N	%	N	%
Positive views only	10	32.3	5	20.8	1	6.3	0	0
Negative views only	1	3.2	4	16.7	3	18.8	3	37.5
Both positive & negative views	8	25.8	3	12.5	1	6.3	1	12.5
Neither positive nor negative views	12	38.7	12	50.0	11	68.8	4	50.0
ALL cases employing the target groups	31	100	24	100	16	100	8	100

(b) of those NOT employing the target groups:

	N	%	N	%	N	%	N	%
Positive views only	1	6.3	3	13.0	0	0	0	0
Negative views only	3	18.8	5	21.7	12	38.7	23	59.0
Both positive & negative views	2	12.5	0	0	0	0	0	0
Neither positive nor negative views	10	62.5	15	65.2	19	61.3	16	41.0
Non-employers of the target groups	16	100	23	100	31	100	39	100

Note: Employers could report benefits, disadvantages, both, or neither, for each of the four target groups. Percentages do not sum to 100 due to rounding.