



Forum of Private Business (FPB) Small Firms' Summit – 17 October 2007

Participants' discussions

Morning session

The morning began with a series of speakers:

- Steven Cooper, Barclays – insight into local business banking
- Matt Hardman, FPB – cost of compliance
- Adam Afriyie MP, Shadow Cabinet – policies to support smaller businesses
- Anne Weinstock CBE, Department for Children, Schools and Families – training and skills.

After the presentations, participants were invited to have their say in an interactive discussion focused on red tape and workplace skills.

Participants were grouped by table and each one, guided by former BBC correspondent Jim Hancock, reported back to the conference with their ideas and opinions.

Red tape

Red tape 1 – discussion topic outline and participant feedback

The FPB's members often highlight red tape as one of the major restrictions on the growth and profitability of their businesses. They are accused also of being 'whingers' by larger firms, which are better equipped to deal with administration. What is the reality? Do you have examples of regulations that place a burden on your firm?

Here, most participants called for balance and a common-sense approach. They recognised that not all regulation was bad, and some of it a necessity in sectors such as security and food.

Risk assessments were deemed to be among the most onerous examples of form-filling that hindered businesses on a day-to-day basis.

Many participants called for the imposition of red tape to be proportionate to the size of business. They argued that much of the most restrictive regulations, including the Working Time Directive, and maternity and paternity leave laws, should not apply to firms employing fewer than 20 workers.

Red tape was found to be far too time consuming and disproportionate to the benefits it brings.

Many participants wanted to see the introduction of 'sunset clauses' that would see out-of-date and unworkable legislation repealed after a period of time.

A more vigorous review process was called for.

Red tape 2 – discussion topic outline and participant feedback

Have you any ideas on how smaller firms can overcome the problems of over-regulation and red tape? Give practical and personal examples.

Participants indicated that they had been forced to employ a professional to deal with the volume of red tape with which they were expected to comply. One said that, even with this employee in place, they were still forced to hire a small army of temporary workers in order to deal with the administration of red tape, which damaged the firm's productivity.

Most believed that simplifying the legislative process would help them, and believed that a greater understanding of the needs of smaller businesses could be achieved if more legislators had experience of working in a smaller firm.

They called for policy-makers to be held accountable for their policies and the red tape that resulted from them.

Red tape 3 – discussion topic outline and participant feedback

The Department for Business, Enterprise and Regulatory Reform (DBERR) has been given responsibility for tackling the agenda on better regulation. Where should the activities of the DBERR be concentrated first? Removing regulations? Re-writing regulations to reflect the problems specific to running a smaller business? Or slowing the amount of new regulations being created?

DBERR was urged to adopt a policy of slowing down the rate of new legislation and removing existing red tape, wherever possible, particularly regarding health and safety legislation, which many said had gone too far and was stifling their ability to do business. Some laid the blame for this squarely with the EU, others the practice of ‘gold plating’ European legislation when interpreting and assimilating it into UK law. They said that the UK should be prepared to interpret EU law more widely, in order to increase the scope for smaller businesses to compete against larger firms without hindrance. At the very least, many believed that EU regulations should be subjected to far more scrutiny, also with input from smaller firms, before they are adopted by the Government. All agreed that red tape did not add value to their products and services.

Participants called for incentives to encourage compliance with regulations, rather than the current approach, which is to force it on smaller firms by the threat of sanctions such as fines.

Red tape 4 – discussion topic outline and participant feedback

Are there issues for which smaller businesses would like to see new legislation to help them compete against the larger companies, and to fight the competition on a level playing field?

Some participants called for legislation to end what they saw as the ‘jobs for the boys’ culture in the procurement of public contracts. They stated that contracts are often issued on a sliding scale, with larger businesses more likely to submit successful tenders, and called for a standardised approach, with a related code of practice.

More vigorous enforcement of laws to encourage bigger businesses to pay their contractors on time was suggested. Late payment was seen as a continual thorn in the side of businesses hoping to compete with larger firms.

Many believed that they did not receive enough support, in terms of finance and guidance, from the Government to help them make sense of the requirements placed upon them and negotiate a path through the red tape, particularly inward investment in skills training.

Workplace skills

Workplace skills 1 – discussion topic outline and participant feedback

Research by the FPB shows that owner-managers of smaller businesses are concerned by the lack of practical skills of school-leavers and those finishing higher education. How does this impact on your firm? Do you have difficulties in recruiting staff? Or do you spend time and money training them in the basics?

In addition to a lack of basic, practical skills, such as problem-solving, communicating with colleagues and customers, and even numeracy and literacy, a number of participants had found that their young recruits, though mainly highly IT-literate, had not developed the emotional intelligence required to succeed in their places of work.

Most said that they looked for the 'right attitude' as the raw material with which they could develop a young employee.

Training requirements, and associated costs, were a common cause for complaint. Many of the participants indicated that schools, colleges and universities were not equipping their students with either the skills or aptitude to survive in the workplace.

Many believed that education providers were producing students with qualifications that appeared to be more impressive than in the past, but who had less practical business skills.

Workplace skills 2 – discussion topic outline and participant feedback

Have you found that local schools or colleges are responding positively to the need for better qualified school-leavers? Can you give examples of where local educational establishments are working with businesses to meet the needs for a skilled workforce?

Many participants cited existing apprenticeships, and in-house training schemes, which give young-starters the chance to earn as they learn.

Workplace skills 3 – discussion topic outline and participant feedback

How should the Government change its education policies to produce a higher quality of candidates for employment, with skills useful to working in a smaller business?

Many groups called for the Government to support smaller businesses' training of young workers by part-funding work experience, which they felt should be more cohesive, tailored and planned out in order that all sides concerned enjoyed the most positive use of their time.

Participants called for an end to the 'one size fits all' approach, which they said often left students on work experience without a sense of having played a useful role within the company. Red tape was another stumbling block. They said that the need to comply with even more complex risk assessments for work experience students often made it very difficult to ensure that the student enjoyed a genuinely fruitful experience.

More emphasis should be placed on developing skills-based courses and encouraging school-leavers to take advantage of them instead of the traditional academic route. Placing traditional subjects such as woodwork and metalwork at the core of the curriculum would help to prepare them for this.

Participants also felt that there should be greater emphasis on integrating children into the working environment, including forging better links between education providers, businesses and the students themselves, and on teaching life skills such as basic finance.

An extended process of job creation was called for to provide opportunities for youngsters. Some felt that the welfare system was too supportive of young people, which gave them no incentives to embark on a career.

Workplace skills 4 – discussion topic outline and participant feedback

Which aspects of the existing education system are successful in providing skilled staff eager to work in smaller companies?

In addition to apprenticeships and training schemes, emphasis was placed on the role of parents in preparing their children for life, as well as work. Time spent in the home learning basic skills at a young age was seen as vitally important by a number of participants. Some suggested that schools should also ensure that teachers had experienced working life outside the education system, and also that they displayed and passed on the necessary communication skills.

Afternoon session

The following speakers made up the afternoon's line-up:

Rt Hon Charles Clarke MP – economic stability

Janet Shelley MBE, founder of Women Builders – equality in the workplace

Alex Pratt OBE, founder of Serious Readers – enterprise in the 21st century.

After contributions from these speakers, participants were again invited to have their say in the second interactive session of the day.

The debate focused on government policy following the accession of Gordon Brown as Prime Minister, the issues surrounding health and safety legislation and the Health and Safety Executive, changes in employment law designed to create 'family-friendly' workplaces, and gender in the workplace.

Government policy 1 – discussion topic outline and participant feedback

Which aspects of the Chancellor's Pre-Budget Report and Comprehensive Spending Review for the next three years will be welcomed by smaller businesses, and which are likely to have a negative effect? Matters to consider include, for example, changes to inheritance tax, capital gains tax and other benefits.

Participants said that changes to capital gains tax, including abolishing the taper relief rate of 10% and replacing it with a flat rate of 18%, as outlined in the Chancellor's Pre-Budget Report, affected more than the private equity firms that the Government had targeted. One group said that the changes would discourage investment and encourage mistrust in the institutions of government. Another said that the move, which targets asset sales, had ruined their long-term plans.

Government policy 2 – discussion topic outline and participant feedback

Following Gordon Brown's appointment as Prime Minister, has there been a move in policy on business by the Government? If so, is it of advantage to, or to the detriment of, smaller businesses?

Participants reported that debt was still high under the new Prime Minister, in particular student debt, with no apparent plans to tackle this.

They complained that smaller companies were being taxed more heavily and that employees were being given more rights than their employers. Also that smaller firms did not have the same access to decision-makers as larger businesses, many of which have representatives in Gordon Brown's newly-created Business Council, at which a voice standing up for smaller firms is noticeable by its absence.

Many called on the new administration to regularly re-evaluate regulations, rather than simply when a problem occurred.

Health and safety legislation 1 – discussion topic outline and participant feedback

In July, Lord Drayson, Minister of State for Business, Enterprise and Regulatory Reform, announced that the Better Regulation Taskforce, with support from the Health and Safety Executive, is embarking on a review to look at the ways low-risk businesses – especially small and medium-sized enterprises – deal with the different rules on health and safety legislation and regulation. The team will report in spring 2008 with recommendations to the Government on delivering strong health and safety outcomes, while keeping burdens on businesses to a minimum. What are your own top three issues in regulation and health and safety that you would like to change?

Participants called for a shift in the threshold of employee numbers before certain regulations – in particular those relating to health and safety – came into force. One group concluded that they found it relatively easy to comply with health and safety stipulations, but a real struggle to wade through all of the related paperwork. The range and complexity of risk assessment forms required for various industry sectors and working practices were found to be particularly onerous.

One group said that there should be flexibility, and warned of heavy-handedness, in assessing risk. Participants called for a 'common-sense' approach to applying legislation, an end to the emphasis on over-accountability, and more joined-up thinking between genuine health and safety concerns, the legislative process and society.

Flexible working 1 – discussion topic outline and participant feedback

Smaller businesses often complain about their ability to cope with changes in employment law intended to bring about a 'family-friendly' workplace. With the momentum for greater flexibility in working hours and changes to maternity and paternity rights, has the push for this kind of change gone too far? Or are the changes in the right direction?

Participants reported that they found it almost impossible to manage maternity and paternity leave. They said that it was difficult to find temporary workers with the necessary skills to stand in during the leave periods, and expensive to train them to the necessary standard.

Although most recognised the importance of their employees spending time with their children as socially responsible, they found some 'family-friendly' policies and the lengthy periods of maternity and paternity leave to be disproportionate to the needs of their businesses.

They also found that other members of staff experienced greater stress when their colleagues were away on maternity and paternity leave. Many called for the leave periods to be shortened to compensate for this. They wanted an improved support network, including rebates to pay for temporary cover, to be set up to help them cope, with an increased awareness and understanding of the consequences for smaller firms placed at the forefront of this.

Some said there should be an international benchmark and a system where leave time is split between the couple with a new baby. One group concluded that maternity and paternity laws were now a disincentive to firms in employing both women and men of an age when they were likely to want to start a family.

Equality 1 – discussion topic outline and participant feedback

According to the Government's Women and Equality Unit, women working full time are paid, on average, 87.4% of men's hourly pay. Some of the contributing factors to this gap are:

- *Historical differences in education and work experience. Women are more likely to take breaks from paid work in order to care for dependants.*
- *Fewer men work part time.*
- *Occupational segregation: 60% of working women are in just 10 occupations.*
- *Workplace segregation: in individual workplaces, high concentrations of female employees are associated with relatively low rates of pay/skills.*
- *Do smaller businesses believe that the differences in the sexes lead to 'understandable' differentials in pay? Or are they at the forefront of closing the pay gap?*

Many groups said they believed that issues surrounding a gender divide were not applicable to their businesses.

On the subject of unequal pay, one group explained that, because smaller firms were less likely to be able to offer many of the benefits enjoyed by employees of larger businesses, a good pay packet, whatever the member of staff's gender, was often a prerequisite to employment. Skills, aptitude and longevity of service were found to be the determining factors to salary rather than gender.

Another stated that smaller businesses were at the forefront of closing the gender divide.

A third group said that a person's family situation should be irrelevant to his/her rate of pay, which they said should be based on skills alone. They said that performance bonuses, rather than regular salary increases, could help to compensate for time off taken for maternity and paternity leave.