

Job Quality and Productivity in the Small Firm Evidence Paper SUMMARY

Job quality matters to employees and it is also important for employers – if workers value the quality of their jobs they are likely to show commitment and dedication, which can in turn lead to enhanced efficiency and productivity.

ReWAGE's new evidence paper [Job Quality and Productivity in the Small Firm](#) looks at the different characteristics and working practices of large firms and smaller firms and what impact this has on ensuring a good working experience for their employees.

Why is this important? Because small firms (those with up to 50 employees) account for about 34 per cent of private sector employment in the UK – a not inconsiderable number. Policymakers seeking to either offer support or attempting to measure the quality of jobs in the UK need to consider the unique characteristics of small firms when developing advice, guidance or interventions.

The differences between 'job quality' in large and small firms

What aspects of jobs matter can vary from employee to employee. What they value can influence the type of organisation they choose to work for.

Existing research tells us that employees in small firms are more likely to have low wages and less likely to have opportunities for training and skills development. The influence of trade unions is low, as is the presence of human resource (HR) professionals, and experience of unfair dismissals claims is high.

In larger firms there are more likely to be a dedicated HR teams, formalised systems and union representation, all of which can contribute to the availability of recognised worker benefits such as flexible working hours, training programmes, job progression and higher wages – all things that can increase the firm's attractiveness as an employer.

However, a UK study measured three dimensions of job quality as reported by workers, namely, the nature of the job itself, quality of communication and quality of employer-manager relations. On these measures, job quality was higher in small firms than in large ones.

Research also shows that workers' assessment of their own job quality can appear paradoxical – for example although wages and other objective features of jobs in small firms tend to be poor, satisfaction with jobs and with managers is relatively high. Similarly, small firms tend to lack formal procedures for equal opportunities but workers are more likely to report that they are treated fairly.

Characteristics of small firms include lack of financial resources, environmental vulnerability, concentrated control, a much higher degree of informality and a lack of rules (such as for pay, discipline and performance appraisal), closer working relationships between owner and employee, and work relationships that are conducted on a personal basis.

All these factors mean that small firms need to be understood on their own terms. For example, some research suggests that improving HR practice may have benefits for

workers and firms. However small firms bringing in formal HR practices 'off the peg' can experience tensions between retaining management control and not destroying the informality and the culture of the business. They are likely to have diverse goals and work relations, which can result in different but similarly effective approaches to HR matters.

Policy implications

The fundamental implication is the need to tailor advice and support to the needs of the small firm – generic advice about accounting, marketing or HR may be useful in getting a firm established but once it is beyond the basics it will need specific advice.

State-funded programmes such as the Business Link scheme - which ran between 1997 and 2011 and offered a 'one-stop-shop' of tailored advice - had some success but reported issues reaching very small firms and gaining the trust of owners.

Advice can also come from large firms, peer groups of similar firms or intervention studies by consultants and academics – evaluation has shown that all these can have positive outcomes – with the proviso that any interventions are appropriate.

Business groups and professional bodies such as the Federation of Small Businesses, Chambers of Commerce and Chartered Institute of Personnel and Development could play a role in helping to convene such conversations.

How small businesses can be helped to improve their job quality

- Initiatives developed by trusted intermediaries in promoting job quality and more productive use of human resources are likely to be more effective than 'one size fits all' government programmes.
- The lived experience of small business owners needs to be fully appreciated. It is often at odds with conventional academic and policy perspectives. Working with appropriate intermediaries to elicit this understanding is hugely beneficial.
- Long-term commitment from business support intermediaries is necessary if small business owners are to participate in effective business and HR support programmes.
- A more inclusive 'ecosystem' of traditional and non-traditional partners helps to engage small businesses in the development programmes focused on more productive methods of operating.
- The COVID-19 shock may cause considerable changes in established working practices, providing an opportunity for HR and business intermediaries to strengthen their engagement with small businesses.

About ReWAGE

ReWAGE is an independent expert advisory group modelled on SAGE, which supports the government's strategic response to the recovery and renewal of work and employment in the UK as it tackles the impact of current challenges to the UK's productivity and prosperity. For more information visit: <https://warwick.ac.uk/fac/soc/ier/rewage/>