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## ARE SMALL AND MEDIUM-SIZED FIRMS POORER EMPLOYERS OF DISABLED PEOPLE THAN LARGE FIRMS?

**Professor Nick Bacon, Bayes Business School, City, University of London**  
**Professor Kim Hoque, Warwick Business School, University of Warwick**

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### **Summary**

- *SMEs do not employ proportionately fewer disabled people than large firms.*
- *The disadvantage disabled employees experience regarding job satisfaction and contentment relative to non-disabled employees is no greater in SMEs than in large firms.*
- *Overall, SMEs should not be considered more problematic than large firms regarding the employment of disabled people.*
- *Government policy needs to go significantly further in encouraging both SMEs and large firms to improve their treatment of disabled employees and job applicants.*

### **1. Introduction**

It is frequently stated in government policy documents and reports that small and medium-sized firms (SMEs) (private sector firms with less than 250 employees) are less likely to hire and retain disabled employees than large private sector firms (with 250+ employees).<sup>1</sup> This is concerning given SMEs account for 99% of all businesses and 61% of employment in the UK. As such, the *National Disability Strategy* (p. 55) highlights the importance of disseminating best practice to SMEs to improve their employment of disabled people.

This briefing note outlines new research that provides the most comprehensive analysis yet comparing the employment of disabled people in SMEs and large firms. Drawing on large-scale nationally-representative data, our findings challenge the common assumption that SMEs are especially poor employers of disabled people.<sup>2</sup>

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<sup>1</sup> Black C. & Frost D. (2011) *Health at work – an independent review of sickness absence*. Black C. (2008) *Working for a healthier tomorrow*. World Health Organization (2011) *World report on disability*. Davidson J. (2011) *A qualitative study exploring employers' recruitment behaviour and decisions: small and medium enterprises*. HM Government (2019) *Health is everyone's business*. Equality and Human Rights Commission (2015) *Fairness, dignity and respect in SME workplaces*. Department for Work and Pensions (2013) *Fulfilling potential: Building a deeper understanding of disability in the UK today*.

<sup>2</sup> Bacon N. & Hoque K. (2021) The treatment of disabled individuals in small, medium-sized, and large firms. *Human Resource Management*. <https://doi.org/10.1002/hrm.22084>.

## **2. Disability employment and SMEs – what might we expect?**

There are several reasons why it might be expected that SMEs are poorer employers of disabled people than large firms:

- i. Large firms are more likely than SMEs to adopt formal disability equality practices (e.g. monitoring and reviewing of recruitment, promotion, and pay by disability; special recruitment procedures to encourage applications from disabled people; assessments of workplace accessibility; return-to-work programmes).
- ii. Large firms are more likely than SMEs to employ Human Resource specialists, who possess knowledge of best practice, legal obligations, and government financial support.
- iii. Large firms are more likely than SMEs to recognise trade unions that may bargain over equality and support their disabled members, resulting in better treatment of disabled employees.

However, there are also several reasons why SMEs might *not* be poorer employers of disabled people than large firms:

- i. SMEs typically provide greater job autonomy, a less rules-based approach to management and lower division of labour, which helps the accommodation of disabled employees' impairment-related limitations.
- ii. SMEs typically have stronger fairness cultures, hence are likely to be more responsive to disabled employees' needs than large firms.
- iii. Work-life balance is typically better in SMEs than in large firms. This will help disabled employees who need to align work responsibilities with their personal health needs and everyday living routines.
- iv. SMEs are generally single site operations in which proprietors develop close personal working relationships with employees, and are therefore likely to be more understanding of personal circumstances, and willing to accommodate and retain employees who develop impairments.

## **3. What does the evidence show?**

Drawing on data from 1,385 workplaces and 8,191 employees in private sector firms with five or more employees within the nationally representative government-sponsored 2011 Workplace Employment Relations Survey, our research finds the following:

- i. Neither small (5-49 employees) nor medium-sized firms (50-249 employees) are proportionately any less likely to employ disabled people than large firms. On average, workforce disability prevalence is 7.0% in small firms, 6.7% in medium-sized firms, and 6.3% in large firms. This mirrors macro-level estimates from the UK Labour Force Survey (LFS) which also shows that SMEs are proportionately no less likely than large firms to employ disabled people. The LFS estimates the proportion of the workforce that is disabled is 8.9% in micro firms (10 or fewer

employees), 7.6% in small firms (11-49 employees), 7.6% in medium-sized firms (50-249 employees), and 7.3% in large firms (250+ employees).<sup>3</sup>

- ii. Disabled employees report lower job satisfaction and contentment than non-disabled employees in both large firms and SMEs, but the size of these disability gaps is no greater in SMEs than in large firms.
- iii. Our analysis offers the following explanations for why SMEs are not poorer employers of disabled people than large firms:
  - Although disability equality practices are more common in large firms than in small firms, they are not associated with workforce disability prevalence or disability gaps in job satisfaction (although they marginally reduce disability gaps in contentment).
  - Although large firms are more likely to have Human Resource specialists and recognised trade unions, these are not associated with better employment of disabled people.
  - Our analysis confirms small firms have higher job autonomy and stronger fairness cultures, and are more likely to be single-site operations, but it also shows these characteristics are not associated with the better employment of disabled people.
  - However, work-life balance is better in small firms, and this is positively associated with workforce disability prevalence, and smaller disability gaps in contentment and (marginally) job satisfaction.

#### **4. Implications for Government Policy**

Below we outline the implications of our findings for government policy.

- i. Government policies singling out SMEs as especially problematic regarding the employment of disabled people are misguided. All firms, not just SMEs, need to do more to hire and retain disabled employees in greater numbers, and reduce disability gaps in the experience of work.
- ii. Small firms should not be encouraged to adopt the sort of formalised approaches to disability employment that are more common in large firms, as there is little evidence such approaches are associated with better disability employment outcomes.
- iii. Work-life balance is associated with the better employment of disabled people. The government should go significantly further in its efforts to improve work-life balance across the workforce (providing employees with a right to flexible working, rather than a right to request flexible working, for example).
- iv. Given Disability Confident accreditation is based on formal commitments and the adoption of disability equality practices, this may direct disabled job-seekers to apply to large firms that are no more likely than small firms to hire and retain them.

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<sup>3</sup> IPPR (2014) *Small firms, giant leaps: Small businesses and the road to full employment*, available at <https://www.ippr.org/publications/small-firms-giant-leaps-small-businesses-and-the-road-to-full-employment>.

Accreditation criteria should instead be based on metrics such as workforce disability prevalence. This would not only provide a more helpful signal to disabled job-seekers regarding the employers that are most likely to hire and retain them, but would be fairer to SMEs given their workforce disability prevalence is no lower than that of large firms.

- v. The *Workforce Information Bill [HL82]* proposes that employers with 250+ employees should be required to report their workforce disability prevalence. Our findings suggest that if the 250+ size threshold were reduced, this would not result in SMEs being portrayed in a negative light.
- vi. SMEs would not be commercially disadvantaged were the *Public Services (Social Value) Act 2012* amended to include consideration of tendering organisations' workforce disability prevalence in contract award decisions, given workforce disability prevalence is no lower in SMEs than large firms.

**Contacts:**

Nick Bacon: [nick.bacon.1@city.ac.uk](mailto:nick.bacon.1@city.ac.uk); Kim Hoque: [kim.hoque@wbs.ac.uk](mailto:kim.hoque@wbs.ac.uk)

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