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Mental Health and Wellbeing in Small and Medium Sized Enterprises (SMEs)

Reflecting the needs of SMEs in intervention design

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Mental Health and Wellbeing in Small and Medium-Sized Enterprises

Reflecting the needs of SMEs in intervention design

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Executive Summary

Accounting for 2 out of 3 people in employment in the EU and having many characteristics that should lend themselves to the effective implementation of WHP initiatives, the uptake of workplace health and wellbeing programmes has historically been much lower in SMEs than in larger employers. SMEs, their employees, and the wider society, are failing to take advantage of the health and productivity benefits such programmes bring.

This policy brief looks to help redress this imbalance and summarises the barriers and opportunities of introducing workplace mental health and wellbeing interventions to SMEs. It also sets out a number of recommendations relevant to policymakers, OHS professionals and owners/operators of Small and Medium Sized Enterprises (SMEs).

What are SMEs?

The European Commission defines an SME based on staff headcount and either turnover or balance sheet value, with the upper limit being 250 staff and an annual turnover of over €50m or a balance sheet of €43m or more. Within this broad definition, there are three sub-categories:

- Medium Sized Enterprises have a headcount of 51 or more staff and a turnover or balance sheet value over €10m.
- Small Enterprises have a headcount of between 11 and 50 and turnover or balance sheet value of between €2m and €10m.
- Micro Enterprises have a headcount of 10 or under and a turnover or balance sheet value of €2m or less.

Key issues:

- About 99% of all employers in the EU are defined as SMEs.
- SMEs are hugely diverse in terms of size and sector and must not be treated as “one size fits all” in terms of interventions and engagement.

In 2017, 99% of all employers in the EU were SMEs, employing 83.9 million people and accounting for 67% of all those employed².

SMEs are hugely diverse, representing all sectors of the economy. They include the vast majority of private and third-sector organisations and many NGOs. It is important to understand that they are characterised as much by their diversity as the operating dimensions that define them. In addition, many larger public sector organisations include SMEs in their structures (e.g. schools).

Mental health at work and SMEs?

Today, poor mental health and wellbeing are among the leading causes of ill health, sickness absence and poor productivity affecting European businesses, with work related stress being the second most reported work-related health problem in Europe³.

The causes of stress and mental health are not, of course, only found at work, with the Covid-19 pandemic, the Russian invasion of Ukraine and the rapidly rising cost of living across the continent all contributing to a problem that, in the short to medium term, is likely to get worse.

Specific data on the prevalence of mental health and wellbeing issues across SMEs is scarce. However, given the scale of the SME workforce, it is reasonable to assume industry-wide statistics will apply. It is plausible that the issues may even be greater in SMEs than in the industry as a whole:

- SMEs dominate industries such as social care, retail and hospitality. All are known for their long hours, low job control and low pay, which significantly risks their workers' mental health and wellbeing.
- Other occupational health issues, such as accident rates and the incidence of occupational disease are higher in SMEs. And risk assessments are far less likely to be undertaken⁴.
- Recent reporting in the business literature points to the specific impact of Covid-19 on SMEs, with 82% of small business owners saying their mental health has been negatively impacted⁵.
- Research shows that within SMEs, having one employee with mental ill-health can impact co-workers and quickly permeate the entire workforce. And "the close-knit social and physical proximity of small workplaces intensified the impact on colleagues⁶."

Key issues:

- Mental health and wellbeing is a critical issue for all employers, and in particular for SMEs.
- SMEs are currently badly underrepresented in terms of mental health and wellbeing interventions.

Within the workplace, studies show the vast majority of businesses recognise the issue. But only a minority have systems in place to help address it. And this is particularly true of SMEs. While 22% of larger organisations have measures in place, the figure falls to just 10% in SMEs⁷. It is an issue that urgently needs addressing in all workplaces. The underrepresentation of SMEs is especially concerning.

What are the Challenges?

Finding resources for workplace health and wellbeing can be an issue for all businesses. But it is a particularly acute challenge for SMEs who may be concerned about redistributing limited time and money away from workplace production processes^{8, 9}.

Therefore, it is even more important to make a robust business case in the language that speaks to SMEs. However, there is a significant challenge: there is a lack of published evidence on the financial impact of workplace mental health and wellbeing interventions within SMEs. Meeting this challenge and developing SME-specific case studies is crucial for increasing SME engagement.

Moreover, SMEs generally lack dedicated expertise in Human Resources and Occupational Health and Safety, which is the norm in larger organisations⁶, particularly in SMEs employing under 100 people. Written and online guidance, preferably developed with the participation of SMEs and accessible at a time and place to suit small business operators is essential. A good example of such a resource is 'Health Profits'¹⁰, which was developed jointly by the Federation of Small Business, Business Gateway (enterprise agency), the Scottish Chambers of Commerce and the Scottish NHS.

From the perspective of national agencies, SMEs present a problem as it is far more efficient to target a small number of large employers with health and wellbeing initiatives than to attempt to reach many thousands of smaller ones. The result is that SMEs are under-served in terms of WHP and/or occupational health services. Research finds that the smaller the enterprise, the less likely they are to have occupational health services available.¹¹ The assumption that one size fits all is a mistake and underpins the importance of partnering with SMEs to design programmes. One implication of this difficulty in delivery is that there is a need to work through intermediary organisations at local, regional, or sectoral level (the Social Partners may also be relevant here).

Key Issues:

- SMEs, especially Small and Micro Employers, will generally lack the internal expertise to implement mental health and wellbeing programmes.
- SMEs are underserved in terms of external workplace mental and wellbeing support.
- Programmes should be designed in partnership with SMEs to ensure they are relevant to SMEs – one size does not fit all.
- A robust business case is required if SMEs are to commit limited resources and staff time.

What are the Opportunities?

While SMEs generally make less effort to improve mental health and wellbeing at work, they also stand to gain the most. One 3-year prospective study of 300 employers of all sizes revealed that “small businesses saw the greatest levels of progress in health outcomes or improvements in either absenteeism or presenteeism if those participating.”¹² Similarly, an external evaluation of a national workplace health and wellbeing programme in Scotland¹³ concluded that “the biggest impact was seen with SMEs and third sector organisations, reflecting the fact that they have the most to gain, and the greater the engagement with (the programme), the greater the impact.”

In part, the lack of engagement of SMEs in workplace health and wellbeing historically means it is likely they and their employees have more to gain than larger enterprises. However, SMEs also possess “a number of organisational characteristics which are just ideal for the introduction and implementation of workplace health promotion:”⁸

- The work of the employer and employees is often the same.
- Information in the company is generally comprehensive and readily available.
- The lack of information that employees often complain about in large companies is not a problem.
- There is a good flow of communication.
- Small companies have a flat hierarchy that enables participation, the essential requirement for WHP.
- There is a close social relationship between the company head and the workforce. However, this closeness can be negative, particularly if it is misused as complete social control.

In smaller organisations and employers that are often owner-led, decision-making is likely to be simple and responsive. However, the ‘cash is king’ philosophy is common, and resource limitations will require a strong business case.

Key Issues:

- Evidence shows that workplace mental health and wellbeing programmes have a greater impact in SMEs than in larger enterprises.
- The very nature of SMEs creates a positive environment in which workplace mental health and wellbeing programmes can thrive.
- Gaining top level buy in can be easier but requires an SME focused business case.

Recommendations

1. SME mental health and wellbeing programmes should be designed specifically for SMEs. It is not enough to assume that successful programmes in a large employer will work in an SME. The starting point must always be to engage SMEs in programme design.
2. In smaller organisations, the 'cash is king' philosophy is common. So, any health and wellbeing programme must focus primarily on the costs and benefits of the intervention. More research investment is required to provide supporting evidence for these costs and benefits.
3. Engage top level management, which in many cases will be the owner/operator of the enterprise.
4. Participation of employees is fundamental to the success of all workplace health and wellbeing programmes and is just as important in SMEs as in large employers.
5. Online and web-based support is particularly important for smaller employers where the only time the employer may have to access information is outside normal working hours.
6. It is important to develop case studies that reflect the practice and experience of SMEs and provide the required funding.
7. SME-focused business organisations such as chambers of commerce and local business networks are important channels for reaching SMEs. Business service organisations such as banks, accountants and insurance companies also provide possible routes for reaching large numbers of SMEs and will well understand the financial pressures that wellbeing programmes can help relieve.
8. Consider providing external support (human and financial resources) to SMEs, especially micro-enterprises, for promoting effective WHP Interventions, as these are often lacking within these organisations.

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