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Dear Lady Noakes,

Analysis of small and micro businesses population estimates

I am writing to you to provide explanation of the analysis of the numbers regarding the number of employees working in small and micro businesses in the UK.

I would like to first acknowledge my appreciation of your rigour in utilising the Department for Business and Trade's Business Population Estimates to inform the recent Committee Stage debate on the potential impacts of the Employment Rights Bill on small and micro businesses.

In the Bill Summary Impact Assessment, the Government's economic analysis does cite a figure of 13 million people working in small and micro businesses (SMBs). The 13 million figure represents the approximate number of people who are employed in SMBs, of which approximately 4 million people are self-employed (or 'working proprietors') who run the business. For example, a business with two partners and three employees will have count as five people in employment under this definition.

Using the same statistics, it can also be shown there are approximately 9 million workers in small and micro businesses under a contract of employment in return for a wage or salary. This excludes the number of self-employed people (or 'working proprietors') who run the business. These 9 million workers represent almost 40% of whole private sector and it is important that these workers enjoy the same protections as those with larger employers.

My officials will update the Impact Assessment to clarify this point and avoid any further confusion.

I am copying this letter to all Noble Lords who spoke in the debate. I am also depositing a copy of this letter in the Library of the House.

Yours Sincerely,

Lord Leong CBE
Lord in Waiting (Government Whip)