



# Enterprise Dashboard - Explanatory Note

Version 1.0

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This document is an explanatory note to support the enterprise indicators of the Enterprise Dashboard. It provides a summary of the sources and definitions from which the indicators have been derived, their limitations and gaps in data.

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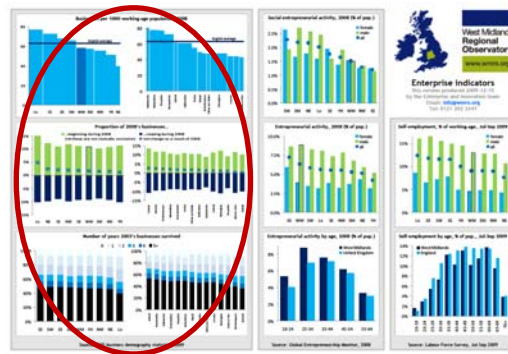
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## 1 About the ONS business demography data

Six of the graphs make use of the Office of National Statistics' business demography data. These are annually updated data providing a measure of the total number of enterprises active throughout the UK; they have replaced the older, discontinued data series on VAT registrations, and apply to a broader range of businesses.



### 1.1 Overview and update schedule

The business demography statistics supply a broad range of information, including annual counts of 'active' businesses and business 'births' and 'deaths' for every region in the UK, down to local authority level. These counts are available by four employment size bands for the latest year (the one prior to the release date - currently, 2008), and are also available as simple totals for an annual time series dating back to 2004. Survival rates are also available down to local authority level, specifying survival levels of up to five years to 2008 (e.g. including five-year, four-year, three-year, two-year, and one-year survival rates from 2003 to 2008, but with fewer rates available for later years). The business demography statistics are updated annually in November. [They are publicly available for download from the ONS website.](#)

### 1.2 Definitions used

One of the [key concepts underlying the business demography statistics](#) is that of the 'active' business. An 'active' business is one that has demonstrated some activity throughout the course of the whole year, such as registering for VAT or using a PAYE-based remuneration system (it therefore covers some businesses which would not have reached the VAT threshold, so is not directly comparable with previous VAT registration data). The business demography statistics are not a 'snapshot': they do not record every business active at a particular day or second, they include all businesses active at any point throughout the year. If all of the entrepreneurs in a given region established two businesses per year, each of which failed after a single month, then that region would have twice as many 'active businesses' recorded as one where the entrepreneurs all established a single business lasting for twelve months.

Further data in the business demography statistics are also based on this concept of the 'active' business. 'Business births' are the number of businesses that are active in the reference year, but were not recorded as active in *either* of the preceding years. A business can 'lie fallow' for one year without being recorded as 'dead', but if it is inactive for two years, the 'resurrection' is recorded as if it were a new start-up. 'Business deaths' are recorded in much the same way, but for more recent years this must necessarily include a degree of estimation regarding the number of businesses which will re-activate after a single year of inactivity.

Survival rates are calculated on the same basis. This means that a business recorded as surviving for one year may have only survived for two months, a December and a January - it just has to be recorded as 'active' in two calendar years. Conversely, a business surviving eleven months within the same calendar year will not be recorded as surviving for one year. This anomaly should not significantly affect the meaningfulness of the final data, given the large sample sizes.

### 1.3 Limitations relating to recession analysis

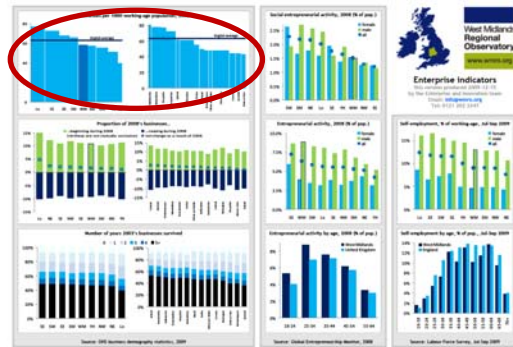
Due to the definitions used of business activity, it will probably be impossible to see the effect of the recession on the ONS business demography statistics until the November 2010 release at the earliest. A business which ceased trading in January 2009 (*e.g.* Woolworths) will still be listed as active in 2009 (in the 2010 data release). Only those businesses which ended by December 2008 were counted as 'dead' for the current November 2009 data release, minus an ONS estimate of the number of businesses that would be re-activated later.

## 2 Graphs produced from business demography data

The first two columns of graphs on the dashboard use business demography data. The graphs on the left analyse the data for the nine government office regions of England. Those on the right analyse the data for the West Midlands' fourteen strategic authorities (i.e. shire counties and unitary authorities). It would be possible to produce the same graphs down to local authority level, but such graphs would be too cluttered for practical use on the dashboard.

### 2.1 Businesses per 1000 working-age population

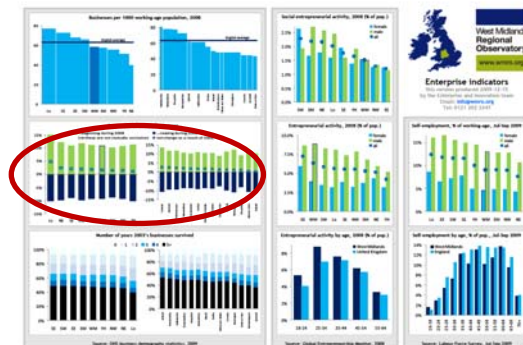
These two graphs display the areas' rates of active businesses divided by the working age population (based on ONS population estimates for the same year, i.e. 2008; working age is defined in these sources as 16-64 for males and 16-59 for females).



The height of each bar represents the number of businesses per 1000 working-age residents; the width of each bar is proportional to the total working-age population. This means that the area of each bar is proportional to the total number of businesses. It can therefore be seen that although (for example) Dudley has more active businesses per working-age person than Birmingham, the total number of active businesses in Birmingham is much larger (because Birmingham has many more working-age residents than Dudley). The English average rate of businesses-per-thousand is included for comparison.

### 2.2 Proportion of businesses beginning or ceasing during 2008

These charts are based upon the business demography 'birth' and 'death' figures. They are presented as percentages of the total business population; business deaths are presented as negatives. A small number of businesses (less than 10%) begin and cease within the same year.

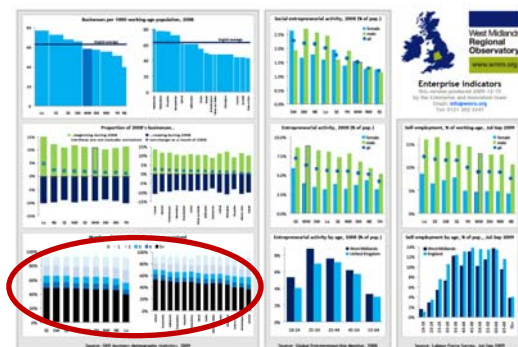


The graph also includes a dot which indicates the net change as a result of that year (*i.e.* births minus deaths, as a percentage of the total business population). This relates to how much larger the business stock will be as a result of the start-ups and closures in that year, but may not directly correspond to annual growth rates, which will be affected by births or deaths in subsequent or preceding years.

The graphs show that the differences between the West Midlands' different sub-regions, in terms of net change, are not large. They tend to vary from year to year by more than the differences between sub-regions, so the rankings fluctuate a lot and may not tell us much about the relative strength of entrepreneurial activity in a given sub-region. However, the combined height of the 'birth' and 'death' bars could be more significant, as it gives an indication of business 'churn': although Herefordshire's business stock does not seem to be growing much faster than Birmingham's, Birmingham's businesses have higher turnover rates, so the 'life cycles' of the 'average business' in each area are quite different.

### 2.3 Number of years 2003's businesses survived

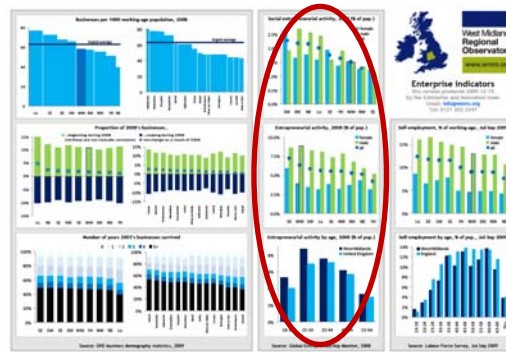
This is a simple compound bar chart showing the percentage of 2003's business start-ups which survived for 0, 1, 2, 3, 4, or 5+ years (*i.e.* ceasing in 2003, 2004, 2005, 2006, 2007, or 2008 - although note the [Definitions used](#)).



It can be seen that even though some areas have better survival rates than others, the overall differences are not large, and over a third of all businesses anywhere within the region tend to last for more than five years.

### 3 About the Global Entrepreneurship Monitor data

Three of the graphs on the dashboard (those in the third column) relate to data obtained from the Global Entrepreneurship Monitor (GEM) survey. These data are annually updated and include information on the entrepreneurial aspirations and activities of people in the West Midlands and other regions.



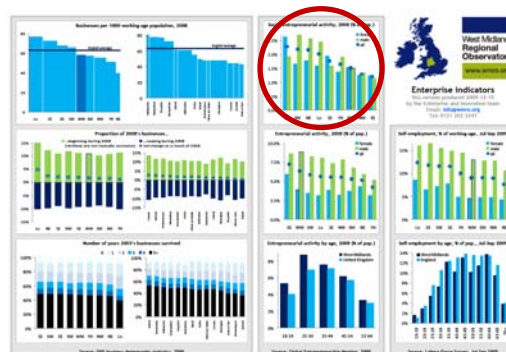
GEM creates an index of early stage entrepreneurial activity, known as Total Entrepreneurial Activity (TEA), through a telephone survey of a random sample of the adult population. The TEA index is comprised of sets of respondents who are nascent or new firm entrepreneurs. Nascent entrepreneurs are described as those who are in the active planning phase in which they have done something during the past twelve months to help start a new business that they will at least part own.

New firm entrepreneurs are those who are in the second phase, the initial forty-two months after the new venture has begun to trade. They are entrepreneurs who at least part own and manage a new business that is between four and forty-two months old and have not paid salaries for longer than this period.

The TEA index is not a measure of all entrepreneurial activity, neither is it based on a survey of business entities, but rather it measures the characteristics of entrepreneurial individuals and the types of entities they establish. [A full summary of the 2008 GEM survey](#) also includes longitudinal data.

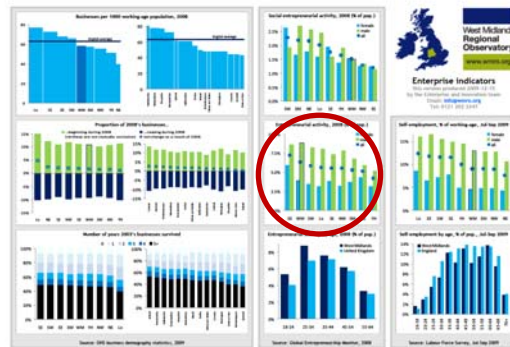
#### 3.1 Social entrepreneurial activity

This graph shows the regional and gender disgregation for Social Entrepreneurial Activity (SEA). This is another measure of entrepreneurial activity where the respondent is starting up or soon hopes to start up a social enterprise.



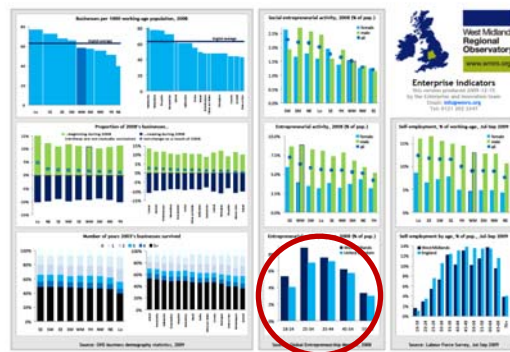
### 3.2 Entrepreneurial activity

This graph depicts the level of entrepreneurial activity (TEA) in the region, disaggregated by male and female entrepreneurs. [An in-depth study has been conducted on women and entrepreneurial activity in the West Midlands.](#)



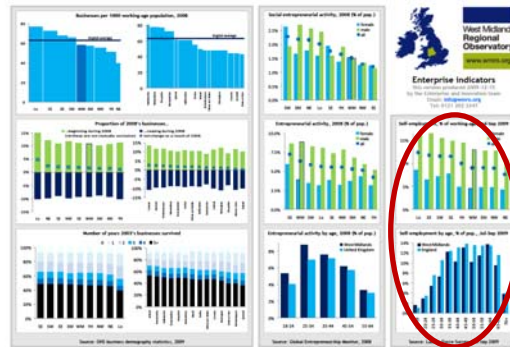
### 3.3 Entrepreneurial activity by age

The GEM survey also allows for a disaggregation of early stage entrepreneurial activity by age as shown in the graph. Those involved in nascent or new business activity in the West Midlands are younger than the UK average.



## 4 About the Labour Force Survey data

The final two charts on the dashboard are drawn from the Labour Force Survey (LFS). They concern levels of self-employment (as a proxy for entrepreneurship) by gender for each government region, and by age band within the West Midlands and across England as a whole.



In theory these charts could be updated quarterly, but because of the LFS's methodology, comparisons between quarters would not be reliable at a regional level.

### 4.1 Overview and release schedule

The LFS is a rolling survey of UK households, conducted by telephone. Much of the data is released on a quarterly basis, but there is a longitudinal aspect to the survey: participants are contacted for several quarters in a row. Because of this, the sample is only fully refreshed after a year, and it is not generally possible to draw meaningful conclusions at a shorter timescale on a regional basis.

Each participating household is asked many questions about their working lives: whether they work, whether they wish to work, how many hours they work for, and so on, as well as asking a number of demographic details such as geographic location, age, gender, and ethnicity. It would theoretically be possible to examine the inter-relationships between any of these variables, and self-employment can be examined in its own right or as a proxy for entrepreneurial activity.

However, the sample sizes for the LFS, when disaggregated by both government office region and by employment status, become very small. It is often impossible to draw meaningful conclusions if the data are further disaggregated by additional variables. For example, it is not possible to examine the effect of ethnicity on self-employment rates within the West Midlands, because very few self-employed West Midlands residents from ethnic minorities are interviewed as part of the Labour Force Survey. Extrapolating from such small sample sizes does not produce results which would be useful to policy-makers: the differences between groups are smaller than the statistical uncertainty of the results.

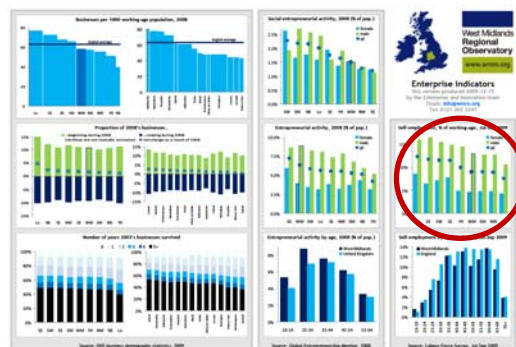
## 4.2 Definitions used

The data presented in these graphs are derived from the Supercross service and the 'STAT' variable, where interviewees are asked to classify themselves as employees, self-employed, or as members of government training schemes, or as unpaid family workers. People who had previously declared themselves to be non-working were not asked the relevant question.

Self-employment is not always a clear indication of entrepreneurial activity. Many entrepreneurs support themselves through stable employment whilst running their own business as a side-line. Conversely, the 'self-employed' status of some individuals in some sectors (*e.g.* construction or medical practices) is a legal fiction maintained for contractual reasons, and the self-employed individual is not in any real sense managing their own business. However, self-employment is probably one of the better indicative proxies for entrepreneurial activity available from the LFS at regional level.

## 4.3 Self-employment, percentage of working-age population

This graph portrays, for English regions, the self-employment rate of working-age females (16-59), males (16-64), and all working-age individuals combined, for each of the nine regions of England. Alternative measures of self-employment are sometimes used elsewhere.

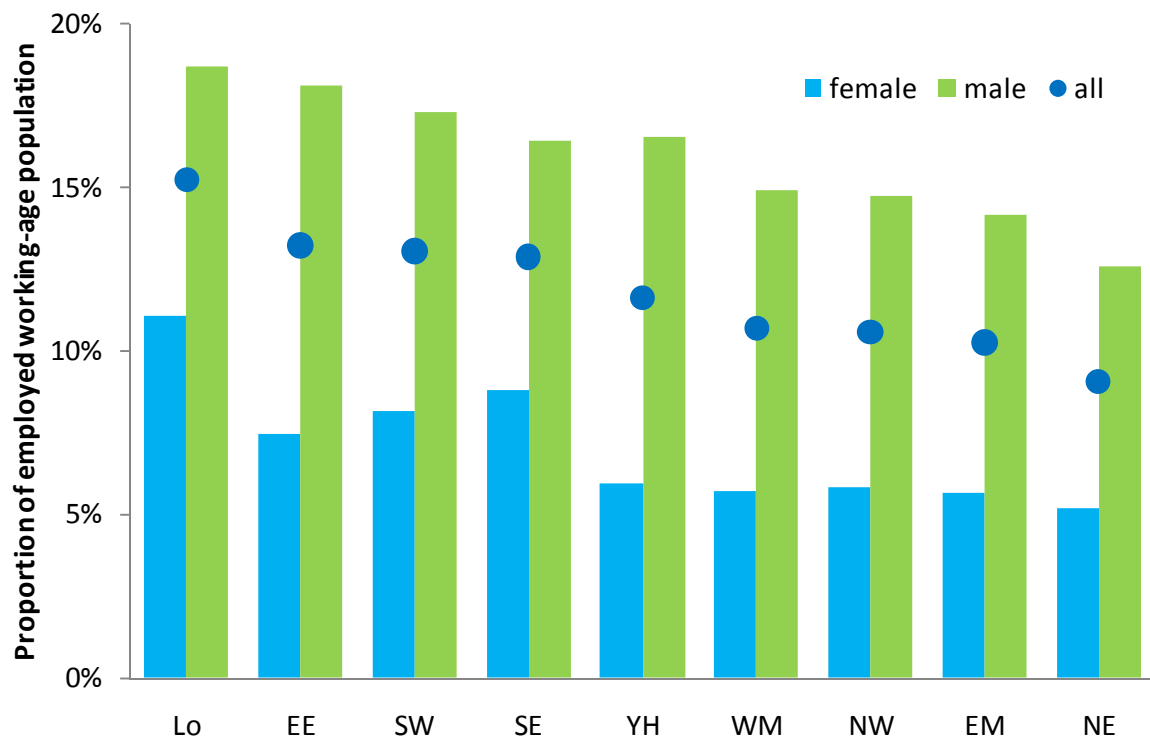


Self-employment can be expressed as a percentage of the economically active population, or as a percentage of the employed population, or as a percentage of either of these restricted specifically to working-age individuals. Each of these different options will have a different use for policy-makers.

For example, in the existing graph (where total working-age population is the denominator), some of the differences between regions will be down to differing economic activity rates, and the ratio of employees to self-employed individuals may not, in fact, be any different.

Figure 1 uses an alternate denominator - all working-age individuals who were either self-employed or employees. It can be seen that the overall rates are (naturally) higher, but the general pattern of self-employment is similar. The North West and the East Midlands have changed places in the ranking, but the difference between them is still slight. For this reason, the simpler measure was chosen for use in the dashboard.

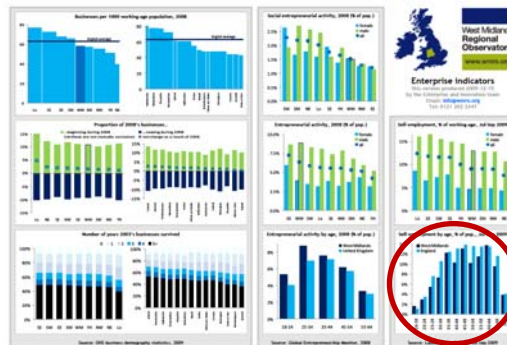
Figure 1 - regional self-employment rates as a proportion of all employed working-age individuals, 2009



Source: Labour Force Survey, Jul-Sep 2009

#### 4.4 Self-employment by age

This graph follows the pattern of the previous graph in providing a percentage of the entire age group, not a percentage of those individuals in each age band who happen to be either employees or self-employed.



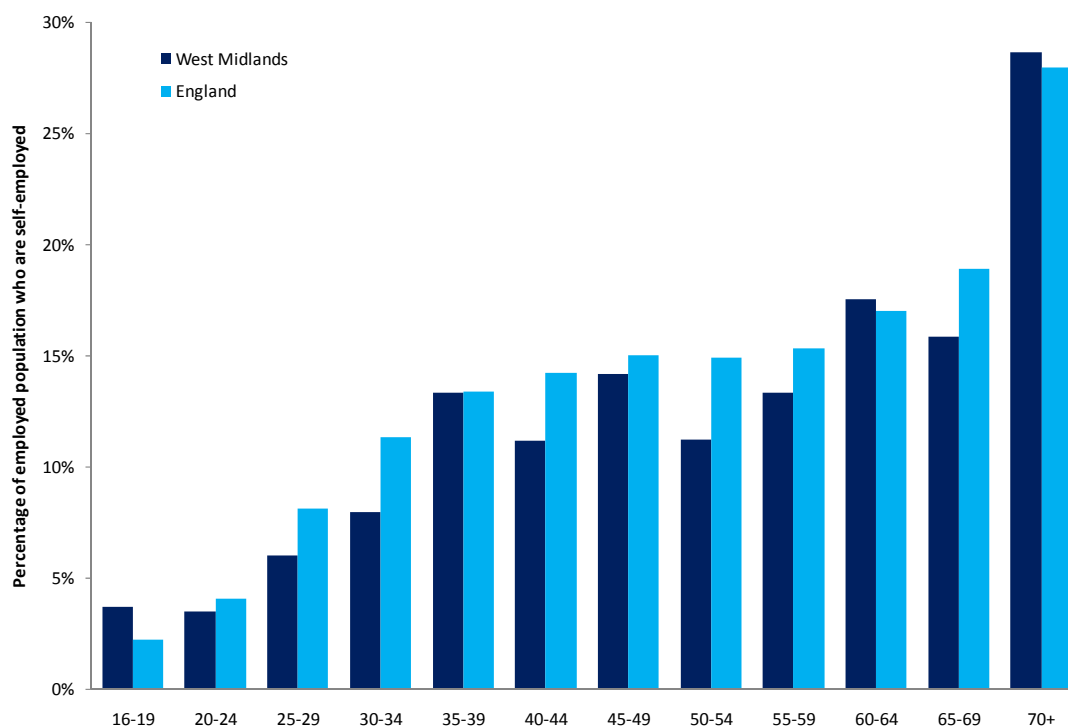
Naturally, we therefore see much lower self-employment rates for age groups with lower economic activity rates, such as those who are older than working age, or amongst younger people, many of whom will be in education or training.

This provides a simpler comparison with the GEM chart on entrepreneurial activity by age, to the left; it shows that whilst West Midlands individuals, particularly younger individuals, have more entrepreneurial aspirations than people in England as a whole, something prevents this translating into higher self-employment rates. It can be seen that self-employment rates for every age group in the West Midlands are lower than the equivalent rates for England; 16-19 year-olds are a notable exception.

When we instead look at a denominator of employees plus self-employed (rather than the entire age group), a slightly different pattern emerges (see due to pension arrangements).

Figure 2 below). It can be seen that the proportion of 16-19 year-olds in self-employment as opposed to employment is still higher than in England, so the phenomenon is not entirely a result of differing rates of economic activity or education. We can also see that self-employment rates are markedly higher for those over seventy, which may be an indication of age discrimination in the employment marketplace (or economic necessity due to pension arrangements).

**Figure 2 - Self-employment rates by age, as a percentage of the total population in employment**



Source: Labour Force Survey, Jul-Sep 2009

## 5 Data gaps: topics not covered by the enterprise indicator dashboard

It has not been possible to find reliable sources of data on all topics which are potentially of interest to policy-makers working on enterprise and entrepreneurial activity. Whilst several sources can be found to measure entrepreneurialism disaggregated by age group or gender, we do not know of any statistically reliable data sources which can provide useful information on the inter-relationship between ethnicity and entrepreneurialism.

There is a wealth of qualitative research on the effect of ethnicity on economic exclusion or cultural differences relating to entrepreneurial activity. However, most large surveys do not include a sufficient statistical sample of people who are both entrepreneurs, and belong to ethnic minorities, to produce useful data at the regional level. For example, the Labour Force Survey interviewed fewer than 670 self-employed individuals in the West Midlands for the July-September 2009 quarter. Almost 600 of these were white. Whilst this might be enough to provide a general analysis of the self-employment rate for the white population compared to the population as a whole, it is not possible to similarly disaggregate the statistics for other ethnicities whilst retaining robust sample sizes.