



West Midlands
**Regional
Observatory**

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Enterprise Dashboard Business Demography Supplement

Version 1.0

Last modified: 11 February 2010

This paper is a supplement to headline indicators featured in the Enterprise Dashboard. The data is drawn from the Office for National Statistics' Business Demography Database.

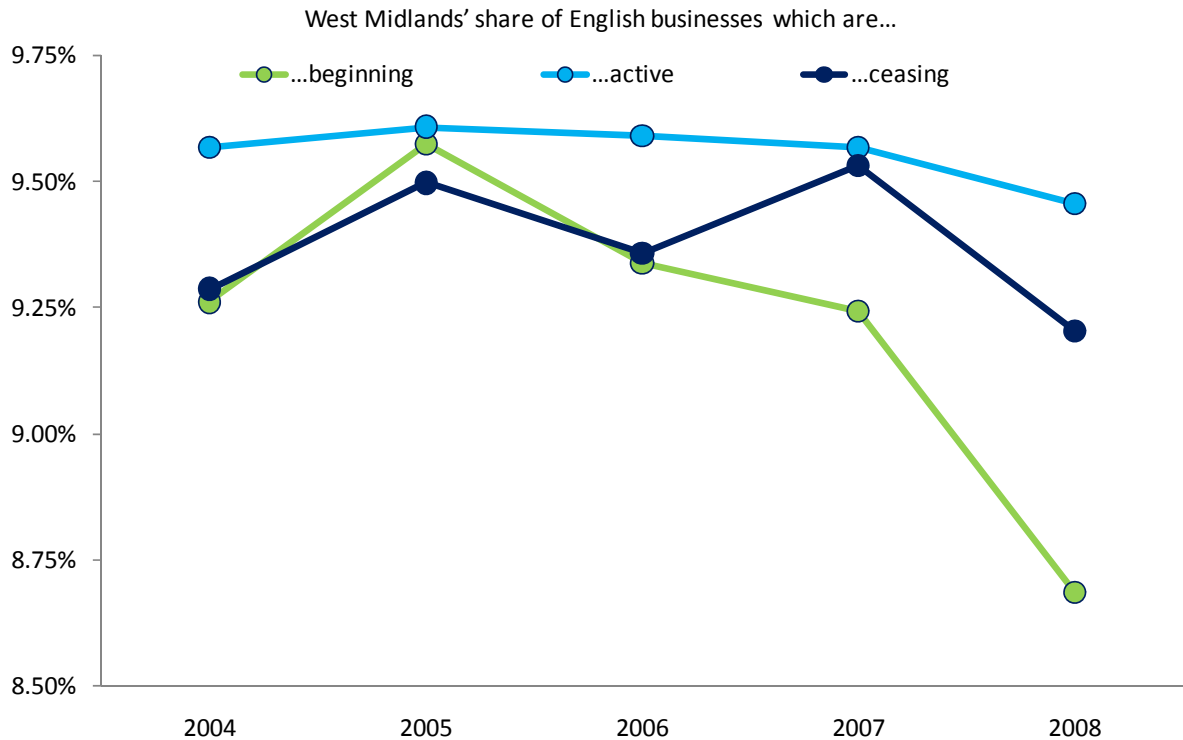
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1 Business stocks, births, and deaths over time

The enterprise dashboard does not make use of the time series data provided by ONS business demography statistics, partly because the time series is, at present, relatively short.

Figure 1 - West Midlands business stocks, activations, and closures over time

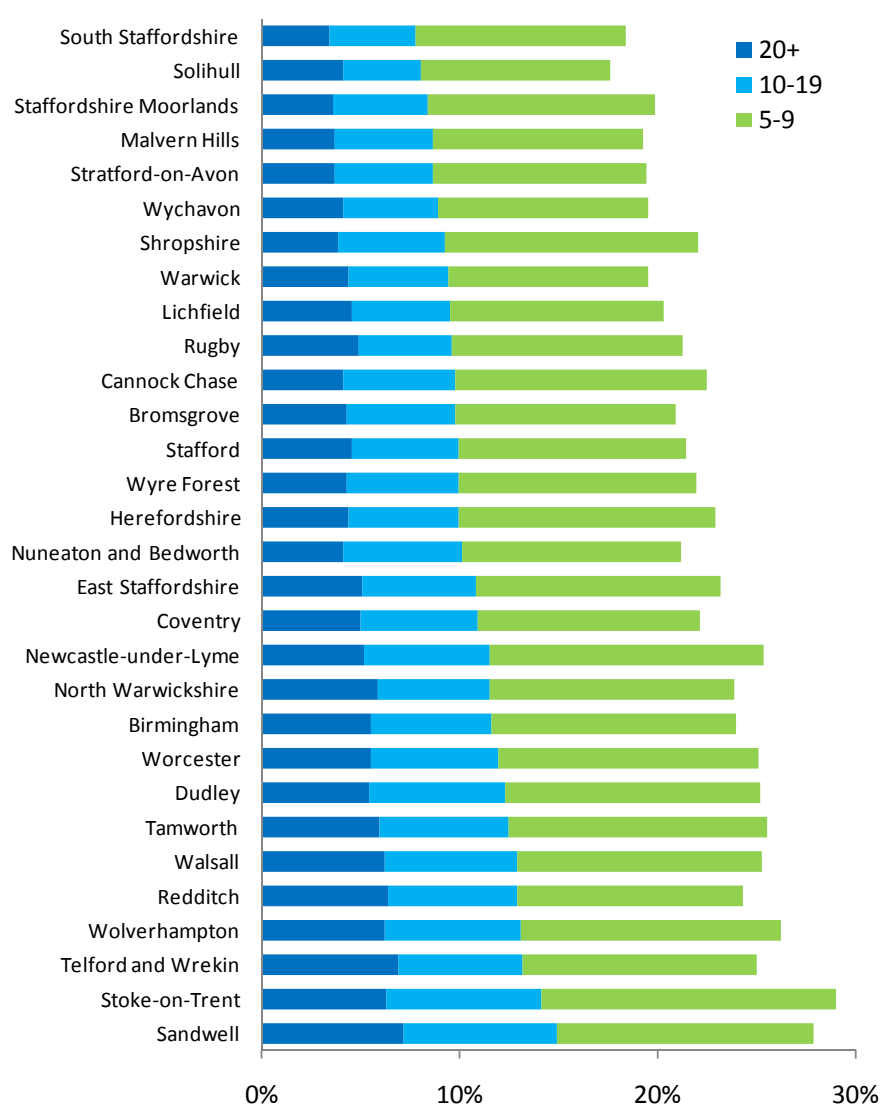


Plotting the data for the West Midlands' share of all businesses active, beginning, or ceasing in England shows us that the rates do not vary substantially from year to year. The Y axis in Figure 1 has been greatly exaggerated to highlight the minor differences which do exist: over the last two years, businesses in the West Midlands have drawn to a close at a similar rate to the rest of the country. The rate of business start-ups, however, has diverged, with the West Midlands' share of business 'births' falling slightly. This means that the West Midlands' share of England's active businesses has fallen by a marginal amount.

2 Employment size band (including urban-rural differences)

The business demography statistics include, for the most recent year (2008), stocks, births and deaths for businesses in each area down to local authority level, disaggregated into four employment-based size bands. This data is too complex to summarise in a simple chart. In 2008, over 77% of all the West Midlands' active businesses employed fewer than five people. This proportion varied between different parts of the region: Stoke-on-Trent had the lowest proportion of these small businesses (less than 71%), whereas Solihull had the most (at over 82%): see Figure 2 below for a chart of the remaining size bands.

Figure 2 - share of all local authority businesses by number of employees, 2008



For the region's urban areas, there may be a correlation between the proportion of small businesses and GVA per head. Areas with a greater reliance on large employers, such as Stoke-on-Trent or the Black Country, seem to have a lower GVA per head than urban areas with higher relative numbers of small employers, such as Coventry, Birmingham, or (as an extreme) Solihull (see Figure 3 below). Naturally, there is a stronger pattern concerning average business size and how rural or urban a sub-region is.

Figure 3 - GVA per head plotted against proportion of small businesses, for NUTS3 sub-regions

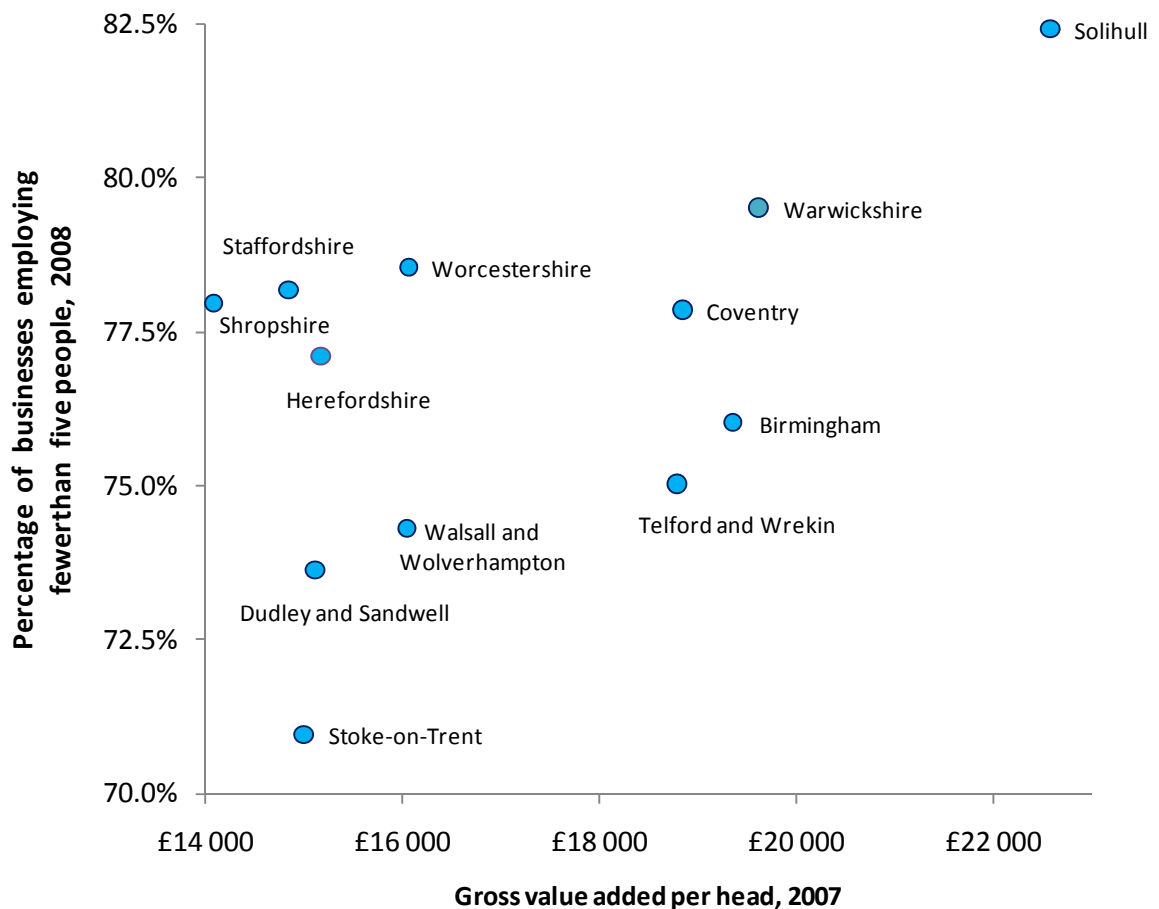
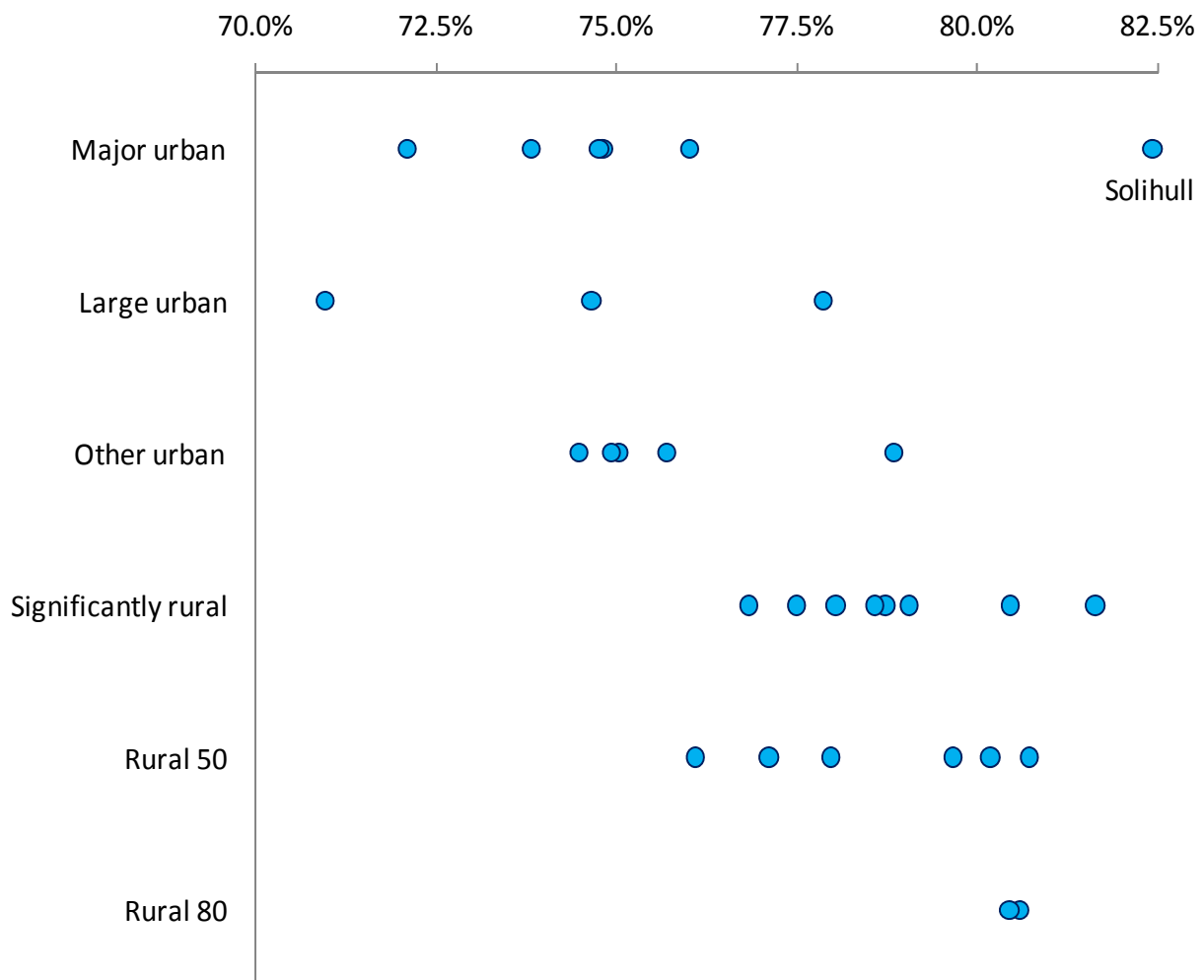


Figure 4 plots the proportion of small businesses by [DEFRA's urban-rural classification](#). Solihull emerges again as an outlier, having an unusual share of small businesses compared to similarly urban areas.

Figure 4 - West Midlands local authorities by proportion of small businesses and urban-rural classification, 2008



There may be potential for further analysis of the business dynamics of these different areas. For example, it is possible to investigate the 'birth' and 'death' rates by employment size band: nationally, 9.0% of businesses recorded as beginning in 2008 employed five or more people, but this figure was slightly higher in the West Midlands (9.2%). However, although this could in principle be examined at a sub-regional level, the low numbers of business births (and the fact that the raw numbers are rounded to the nearest five businesses) mean that these data are unlikely to be meaningful for individual local authorities.

3 Industrial sector

The ONS business demography statistics include some data on business stocks, birth rates, and death rates which is disaggregated by the industrial sector of the business in question. These sectoral data are quite detailed, going down to two- and three-digit SIC codes (Standard Industrial Classification), and also being broken down by employment size band (for the current year only; a time series is available for totals). However, this sectoral data is only available for the UK as a whole, and cannot be disaggregated at a regional level.

This data may perhaps be useful to West Midlands policy-makers who need to compare the different business demographics of different industrial sectors. For example, some sectors are dominated by businesses with large numbers of employees, longer 'life cycles' and lower numbers of start-ups or business closures. Other sectors are dominated by businesses with fewer employees, which (on average) don't last as long, and have higher 'birth' and 'death' rates.

However, given the lack of regional data for this variable, it is difficult to know whether the industrial sectors within the West Midlands would follow the national pattern.