

PSA TARGET 6 - ENTERPRISE

Build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.

(i) an increase in the number of people considering going into business

Data

The target is measured by the proportion of people thinking about going into business, referred to as "would-be entrepreneurs". This comes from the "Household Survey of Entrepreneurship", conducted by an independent research organisation on behalf of the Small Business Service (SBS)'s Analytical Unit. It is a telephone survey lasting approximately 20 minutes. It is not a National Statistics product, but is based on sound research and statistical methodology. The survey has been conducted in 2001 and 2003, with a minimum of 6,000 adults surveyed each time.

Supporting information

Since the Household Survey is only conducted every two years, supporting information (the Total Entrepreneurial Activity (TEA) Index) is used to provide an annual indication of the trend in new or nascent entrepreneurs and an international comparison to the UK's performance. This is from the Global Entrepreneurship Monitor (GEM), managed in the UK by the London Business School. The GEM UK sample size is currently 22,000 individuals, with further increases planned.¹

Future Data Developments

The SBS is piloting some Household Survey questions, including those on considering going into business, in the 2004 GEM UK survey. If the pilot is successful, the data source for this measure will be the GEM UK survey from 2004 onwards. The advantages of this will be (i) more regular progress updates, and (ii) more robust results (due to larger sample sizes), to enable Regional Development Agencies (RDAs) to monitor progress at a regional level.

Definitions

People: In Household Survey - Resident population aged 16 to 64; in GEM - Resident population aged 18 to 64.

Would-be entrepreneurs: SBS Household Survey respondents are asked "have you recently thought about starting your own business or buying into an existing business?" Those who answer "No" are asked "And have you recently thought about becoming self-employed?" Those who answer "Yes" to either question are "would-be entrepreneurs".

¹ More information can be found at <http://www.gemconsortium.org>.

TEA Index: The proportion of people actively involved in creating a new business that they would own all or part of, or running firms which have operated for 42 months or less. TEA is divided into opportunity and necessity entrepreneurship. Opportunity TEA refers to those people who start in business because they perceive there is a good business opportunity, whilst necessity TEA covers the people who have no better choices for work. Opportunity TEA and Total TEA will both be monitored as supporting measures.

Timing

The 2003 SBS Household Survey ran in October - November 2003 and an executive summary was recently published on the SBS website². The 2003 survey will be used to set the baseline position. The target year will be 2008.

GEM is an annual survey which started in 1999, and results are available within a few months of the survey year. Although GEM relies on sponsorship across a number of participant countries, it is seen as a key piece of research and is therefore likely to continue in the future.

Territorial Scope

England (Household Survey); UK (GEM).

Success Criterion

To increase the number of adults in England considering going into business. A statistically significant increase by 2008 is required for this target to be met. GEM is not used to determine success, but is used as a secondary indicator in the absence of annual Household Survey data.

(ii) an improvement in the overall productivity of small firms

Data

Productivity will be measured using data from the Office for National Statistics' (ONS) Annual Business Inquiry (ABI). This is a National Statistics product. Government statisticians meet regularly to check methodology through the ABI User Group.

The ABI is an annual survey of around 70,000 businesses, conducted in two parts: (i) financial; and (ii) employment. The ONS survey businesses with more than 250 employees every year, with smaller businesses surveyed less frequently to reduce the burden upon them. The ABI is a sample survey, and data is therefore subject to sampling errors. However the survey data is subjected to a number of validation and consistency checks, including outlier detection.

The sampling frame for the ABI is the Inter-Departmental Business Register (IDBR), which consists of around two million enterprises in the UK which are registered for VAT and/or PAYE.

² <http://www.sbs.gov.uk/analytical>

The productivity data used for this measure (gross value added per employee) excludes certain industries due to definitional and survey coverage issues. These are: financial intermediation; the public sector; health and education; parts of agriculture; and real estate. For example, GVA is not an appropriate measure for real estate, because it excludes capital expenditure.³

Definitions

Productivity: Productivity is measured as Gross Value Added (GVA) per employee. (GVA per hour worked is not available from the ABI). Financial data is at basic prices.

Gross Value Added: The income generated by businesses out of which is paid wages and salaries, the cost of capital investment and financial charges, before arriving at a figure for profit. It includes taxes on production but not subsidies or taxes on products.

Employee: Headcount of employees, counting both full and part time workers as one.

Small firms/businesses: Registered enterprises with 0 to 249 employees.

Timing

ABI data are usually available 18 months after the end of the year in question.

Territorial Scope

UK.

Success Criterion

Productivity growth of small firms over the period 2003 to 2008 should exceed productivity growth in all firms. 2003 data will be available in late 2005.

(iii) more enterprise in disadvantaged communities

Data

The ONS Labour Force Survey (LFS) is the source for the headline measure. The LFS is a sample survey of over 60,000 households in the UK per quarter. The same households are surveyed for five quarters. It is a National Statistics product, and data is only published where sample sizes are large enough to enable robust comparisons. Robust data are not available for individual wards or local authorities, but they are for large groups of wards and authorities.

Definitions

Enterprise: Self-employed as a rate of all people of working age.

Working age: Males aged 16-64 years inclusive, females aged 16-59 years inclusive

³ Further information is available on the National Statistics website at <http://www.statistics.gov.uk/abi/>.

Disadvantaged communities: Enterprise Areas in England. These are the 15 per cent most deprived wards in England according to the 2000 Index of Multiple Deprivation, produced by the Department for the Environment, Transport and the Regions.⁴ The 2000 Index is based on 1998 wards boundaries, which can be matched with the LFS, which currently only includes 1991 and 1998 ward boundaries. Although a 2004 Index of Deprivation was recently published by ODPM, this is based on Super Output Areas (SOAs), which are not currently available on the LFS. If SOAs become available on the LFS, consideration will be given to re-defining disadvantaged communities in accordance with the 2004 or subsequent indices.

More: Increase the self-employment rate in disadvantaged communities, taking account of the economic cycle.

Timing

LFS data is available three months after the period in question.

Territorial Scope

England only.

Success Criterion

It will only be possible to confirm whether there has been an increase in the self-employment rate of disadvantaged communities at the end of the period, once the position on the economic cycle is known. The methodology involves finding a point in the past where the economy was at a similar point in the cycle and comparing self-employment rates at these dates. Any difference indicates the extent to which the underlying performance of the economy and labour market has improved due to factors other than the economic cycle itself. However, each update of the LFS can be used to measure whether progress is in the right direction, prior to the economic cycle being defined.

The measure will be based on four-quarter seasonally unadjusted averages. This is in order to reduce the sampling error, so that statistically significant changes to self-employment rates can be more easily identified.

Supporting information

Although the headline measure focuses on deprived areas, encouraging entrepreneurial activity for under-represented groups such as women and some ethnic minorities are also key policy areas. DTI PSA 9 and DTI PSA 10 report progress in these areas.

⁴ published at <http://www.odpm.gov.uk/indices>

Regional performance under this PSA

It is intended to monitor progress against this PSA target at a regional level over the period 2005-2008. Due to some anticipated technical difficulties, such as inadequate sample sizes, regional measures for the three sub-targets above may be based on slightly different definitions.

RDAs will have responsibility for delivery of regional and local Business Link services and the Grant for R&D from April 2005. Improvements in the delivery and outputs of Business Link services and Grant for R&D will impact on the achievement of the three sub-targets above. Performance targets and reporting arrangements relating to the delivery of these services will therefore be set nationally and for each RDA within the PSA Tasking Framework.