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## **IDENTIFYING SOURCES ON ENTREPRENEURSHIP**

Invited paper submitted by the Office for National Statistics, United Kingdom\*

### Introduction

1. The Neighbourhood Statistics Programme aims to provide data for small geographic areas to help identify deprived neighbourhoods so that economic regeneration policies can be better targeted and measured. As part of this programme, the Office for National Statistics (ONS) was awarded funding to carry out research into the availability of data on entrepreneurship. Hedra plc, a private company acting as external consultants were awarded the contract for this research. This paper summarises their interim report and initial conclusions.
2. Data on entrepreneurship may provide a key indicator of the success of neighbourhood renewal initiatives, and may also complement existing and planned Inter Departmental Business Register (IDBR) data on the location, size and activities of businesses. The data identified will primarily inform the Neighbourhood Statistics Service, and will be brought together to provide an internet resource aimed at meeting the needs of the National Strategy for Neighbourhood Renewal and other area-based policies in both central and local government.
3. The report provides a review of progress to date on identifying sources of data on entrepreneurship. Definitions of entrepreneurship have been reviewed together with the varying measurement methods previously employed and the current data sources available. It has been established that there are very few data sources that provide detailed breakdowns by economic activity and/or geography on this topic. The report thus provides evidence of the

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\* Based on a report by Hedra Plc., edited by Gill Wagstaff, Office for National Statistics, United Kingdom. Paper posted on Internet as received from the author.

need for neighbourhood-level and NACE-coded data, and provides suggestions on how these data could be systematically and effectively collected.

### Sources of Data on Entrepreneurship

4. Identifying data sources on entrepreneurship has proved quite difficult. This is primarily due to the difficulty in defining and measuring entrepreneurial activity but it is also as a result of relatively few academic research projects on the topic. What has been identified is that there is a clear overlap between entrepreneurship and the informal economy. This is because not all enterprises necessarily start up in the formal economy even though most business advice encourages business start-ups to be placed on a fully legal footing.

5. For the purposes of this report, entrepreneurial activity relates to new business start-up, or a wholly new activity within a business. As such it is different from examining on-going small business activity, which may be of a long term nature, it should be noted that many business start small and remain small.

6. The sources considered so far have been split into those from government departments and agencies, and those from private sector suppliers. They are considered in detail in the Hedra report, and summarised in the following sections of this paper.

### Government Sources

7. **The Inter-Departmental Business Register** - Office for National Statistics, <http://www.statistics.gov.uk/idbr>. The IDBR provides information on business demography by integrating data from statistical surveys and administrative sources. The administrative sources include VAT registrations and PAYE records from Her Majesty's Revenue and Customs, and company registrations from Companies House. Outputs include data for the European Union business demography project, the annual publication "UK Business: Activity, Size and Location", and for further analyses by various customers including the Small Business Service.

8. **The Small Business Service (SBS)** – [www.sbs.gov.uk/analytical/statistics](http://www.sbs.gov.uk/analytical/statistics) - The SBS is an agency of the UK Department of Trade and Industry. It produces two main sources of data on small businesses:

- Small and Medium Sized Enterprises (SME's) for the UK. Data are available on-line and compare size of firms for the whole economy, legal status, employment and turnover. This data source does not provide UK data at regional level;
- Value Added Tax (VAT) registrations and de-registrations. This data source is available on-line and broken down at UK regional level. However the threshold for VAT registration is currently £60,000, which is much higher than the median turnover of businesses in the UK, estimated at £40,000 by the Global Entrepreneurial Model (GEM).

9. **Labour Force Survey** - The Labour Force Survey (LFS) collects data on self employment but does not specifically define entrepreneurship.

### Private Sources

10. **Global Entrepreneurship Monitor UK (GEM)** - [www.gemconsortium.org](http://www.gemconsortium.org) - GEM collects data on start-up activity, and business development based on a random survey of adults of working age rather than of businesses. GEM UK is part of a wider international study using a consistent methodology (37 countries, but not all of the European Union). It is the largest UK study and is based on a survey of 25,000 adults. The sample is stratified by postcode and allows analysis by a range of geographies.
11. **The Beta Model Ltd** - [www.betamodel.com](http://www.betamodel.com) - The Beta Model measures relative changes over time of business formation, employment and enterprise. It also identifies baselines, trends and performance data for business. The sample is built up by the use of targeted contact lists, based on market analysis, profiling and activity descriptions.
12. **Regional Intelligence Network** - Data are collected on a project basis using various methods of data collection. Start-up activity is measured on a sectoral basis depending on the focus of the project.
13. **Small Firms Consultation Database** – Her Majesty’s Revenue and Customs - Collects data from business submitting VAT registrations and those using the PAYE system and can be used to estimate the levels of start-up.
14. **Banks** - The Bank of England reports on small business start-ups and entrepreneurial activity. Some other banks also provide summary data on new business accounts.
15. **The Phoenix Fund: Small Business Service** - [www.sbs.gov.uk/phoenix](http://www.sbs.gov.uk/phoenix) - Data from the Phoenix fund are used to promote innovative ways to develop entrepreneurial activity in deprived areas.

### Conclusions

16. The interim report provides an overview of research carried out by Hedra on identifying sources of data on entrepreneurship. Specifically, the report found that:
  - Identifying data sources has been a difficult task with only a few data sources identified on entrepreneurial activity that could provide data on a consistent basis;
  - The best data sources for measuring entrepreneurship comprise the GEM database of UK Start-Up activity; data from the Small Business Service; the Beta Model and the IDBR.
17. Areas noted for further investigation by Hedra on entrepreneurship include:
  - Scope for examining the data collected by Regional Development Agencies (RDA) which are used to evaluate the success of interventions;
  - Business Directories produced as part of the Phoenix Fund and regional development activity. The number and extent of these is not known but they could be systematically investigated and the results compared with more comprehensive sources such as Thompson’s Business Directory and the Yellow Pages.

18. The final report from Hedra is due in July 2005. This will provide more information on potential sources. It will be made available on the internet, and will provide links to all relevant data and information on entrepreneurship in the UK.

19. Further work to establish the feasibility of the statistical collection of entrepreneurship data would be useful, but is subject to the availability of suitable resources. If this goes ahead, it is proposed to start by testing the approach, and hopefully the questionnaire, being developed for the Eurostat project on the factors of business success.

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