



Longitudinal Small Business Survey: businesses with no employees – UK, 2020

18 August 2021

Official Statistics

- The 2020 survey was conducted between September 2020 and April 2021 during the coronavirus (COVID-19) pandemic. The impact of the pandemic on businesses with no employees can clearly be seen throughout the report.
- 13% of businesses with no employees reported growth in annual sales (turnover) in 2020 which was half the percentage reporting growth in 2019, while 60% reported a fall in turnover.
- 35% of businesses with no employees expected turnover to increase in the next 12 months, 38% thought it would remain roughly the same and 18% thought it would be lower.
- Extending the positive trend begun in 2018, more than half the businesses with no employees expressed an ambition to grow sales over the next three years (56%, compared with 52% in 2018 and 2019).
- 67% of businesses with no employees generated a profit or surplus in their last financial year (78% in 2019). This reflects the overall performance of SME employers in 2020.
- 7% of businesses with no employees sought external finance in 2020 (excluding that related to the coronavirus (COVID-19) pandemic, the same as in 2019 and the proportion reporting that seeking finance was likely in the next three years was also the same as in 2019 (12%).
- Businesses with no employees were much less likely than SME employers to have a formal written business plan in place (22%, compared with 41%).
- The main reported obstacle to growth for businesses with no employees in 2020 was the coronavirus (COVID-19) pandemic which was mentioned by 70% of respondents. Competition continued to be a relatively significant obstacle, in second place, mentioned by 36% of businesses with no employees. Other major obstacles included regulations and red tape (27%) and late payment (23%). The UK's exit from the EU was mentioned as an obstacle to growth by 19% of businesses with no employees.
- The majority of businesses with no employees were negatively impacted by the coronavirus (COVID-19) pandemic and associated trading restrictions, with 45% reducing their operations and 33% closing down completely (temporarily). Six per cent of businesses with no employees reported an increase in operations, while 16% reported no impact.
- 21% of businesses with no employees were majority-led by women, compared to 17% in 2019. Just 4% of businesses with no employees were majority-led by people of a minority ethnic group (MEG-led). This percentage has varied by just one or two percentage points since 2015.

What you need to know about these statistics:

The Longitudinal Small Business Survey (LSBS) is a 2020 telephone survey of UK businesses in the private sector with fewer than 250 employees. (This definition treats full-time and part-time employees equally.) This report focuses on those businesses with no employees ('non-employers'), with a separate report on SME employers. There is some guidance at the back of the report on the **uncertainty** that arises because we are using a sample of the UK SME population rather than getting data from all of them.

We refer to **micro businesses** which have 1-9 employees; **small businesses** which have 10-49 employees; and **medium-sized businesses** which have 50-249 employees.

In this report when we refer to business size this is defined entirely in terms of number of employees. Levels of turnover (sales) or assets are not part of our definition, though there are other definitions of business size which include these.

'SMEs' stands for 'small and medium enterprises' – but this is always taken to include microbusinesses and non-employers too. The LSBS covers all SMEs, not just small businesses, though this report only covers SME employers.

This is a longitudinal survey as we try to re-interview businesses each year – 1,159 businesses have taken part in all six years of the survey so far ('panellists'), and 5,364 of the businesses in 2020 had taken part in at least one previous survey. In addition, there were 2,255 businesses new to the survey ('top-ups').

Throughout the report, **where figures sum to less than 100%** when you think, they should sum to 100% (because they cover all possibilities) the shortfall will be due to businesses saying **they did not know** the answer or refusing to answer or might be due to rounding of estimates to the nearest whole percentage.

Our respondents were each randomly assigned to one of three cohorts and some questions were only asked of one cohort (though most questions went to all three cohorts). The underlying data tables that accompany this report group cohort questions separately, so the report and charts make clear when they are covering cohort questions, to allow you to find the corresponding data table if required.

The figures for minority ethnic groups were revised in January 2022, see error notice for further details <https://www.gov.uk/government/statistics/january-2022-error-notice-minority-ethnic-groups-data>.

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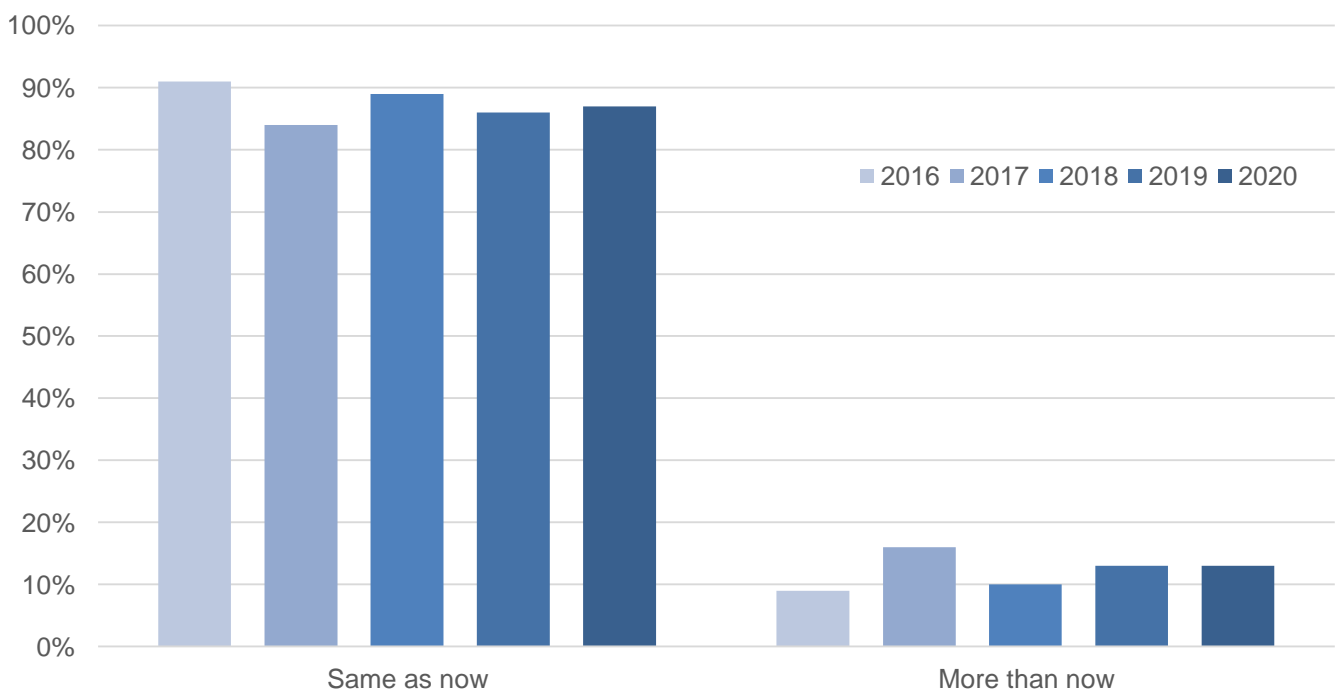
Business performance

Changes in the levels of employment

In the [data tables](#) accompanying this publication, table 28 shows how many employees the business had on their payrolls across all UK sites 12 months before their interview.

An estimated 13% of businesses with no employees that had traded for more than a year employed at least one person 12 months earlier. (If the business had no employees at the time of the interview it is included in this report, even if it had employees 12 months earlier.) There has been no change in this figure compared with 2019.

Figure 1: Change in employment compared to 12 months previously (businesses that have been trading for at least a year)



Unregistered¹ businesses with no employees were less likely to have had at least one employee a year ago than those that were registered (6% compared with 24%).

By sector, those in transport (23%) were most likely to have reduced their employment levels. Those in manufacturing (6%) and arts and entertainment (5%) were least likely to have done so.

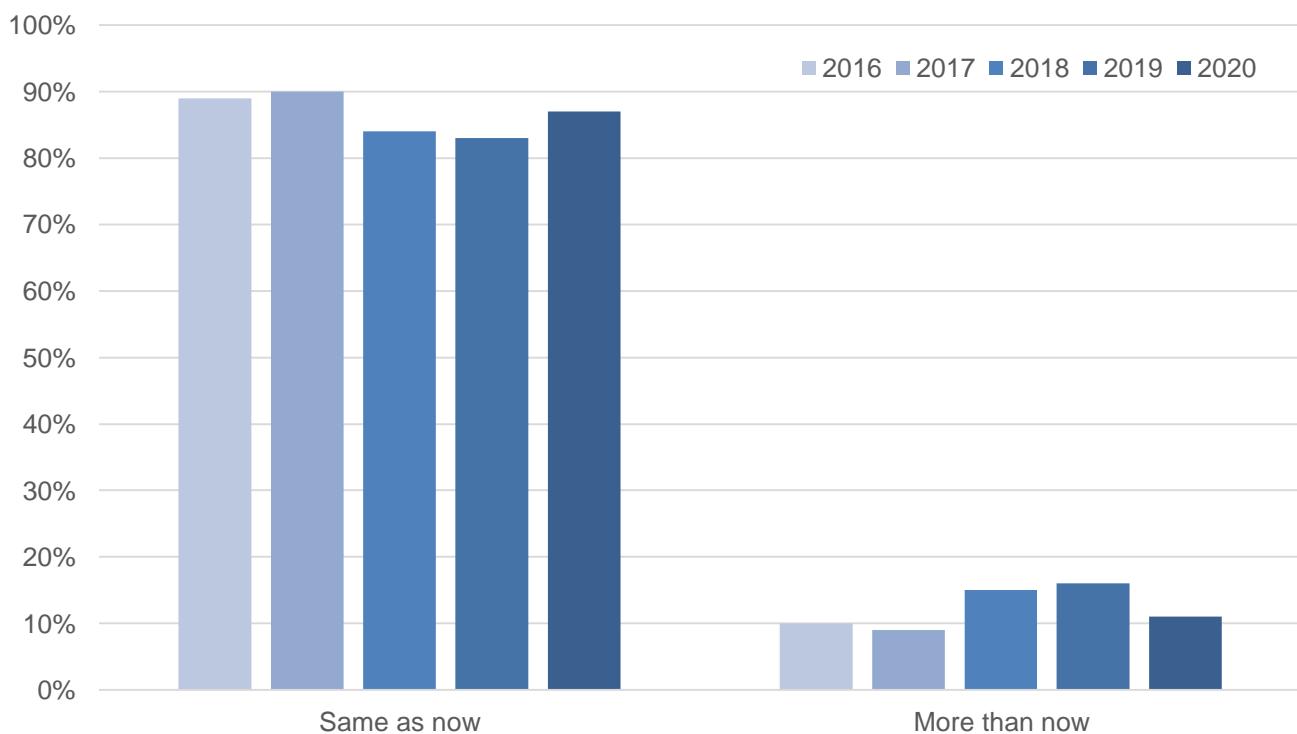
¹ Unregistered businesses will not be registered for 'pay as you earn' (PAYE) or Value Added Tax (VAT) with the UK tax authorities. See glossary for further details.

Expectations for employment growth

In the [data tables](#) accompanying this publication, table 31 shows how many employees the business expects to have on the payroll in 12 months' time.

In 2020 11% of businesses with no employees expected to increase employment in a year's time. Some 87% expected no change. Compared with 2019, there was a five percentage point decrease in the percentage expecting to employ someone in 12 months' time.

Figure 2: Expectations for employment in 12 months' time by year



Unregistered businesses with no employees are less likely than those that are registered to expect to be employing someone in a year's time (9% and 13% respectively).

By sector, businesses in transport (15%) and arts and entertainment (14%) were more likely to expect to employ people, while those in finance and real estate (3%), primary, manufacturing (both 5%) and accommodation and food (7%) were least likely to expect to do so.

Businesses with no employees in Northern Ireland were most likely to report intending to employ people in the next 12 months (17%), compared with 11% in both England and Wales and 7% in Scotland.

Changes in levels of turnover

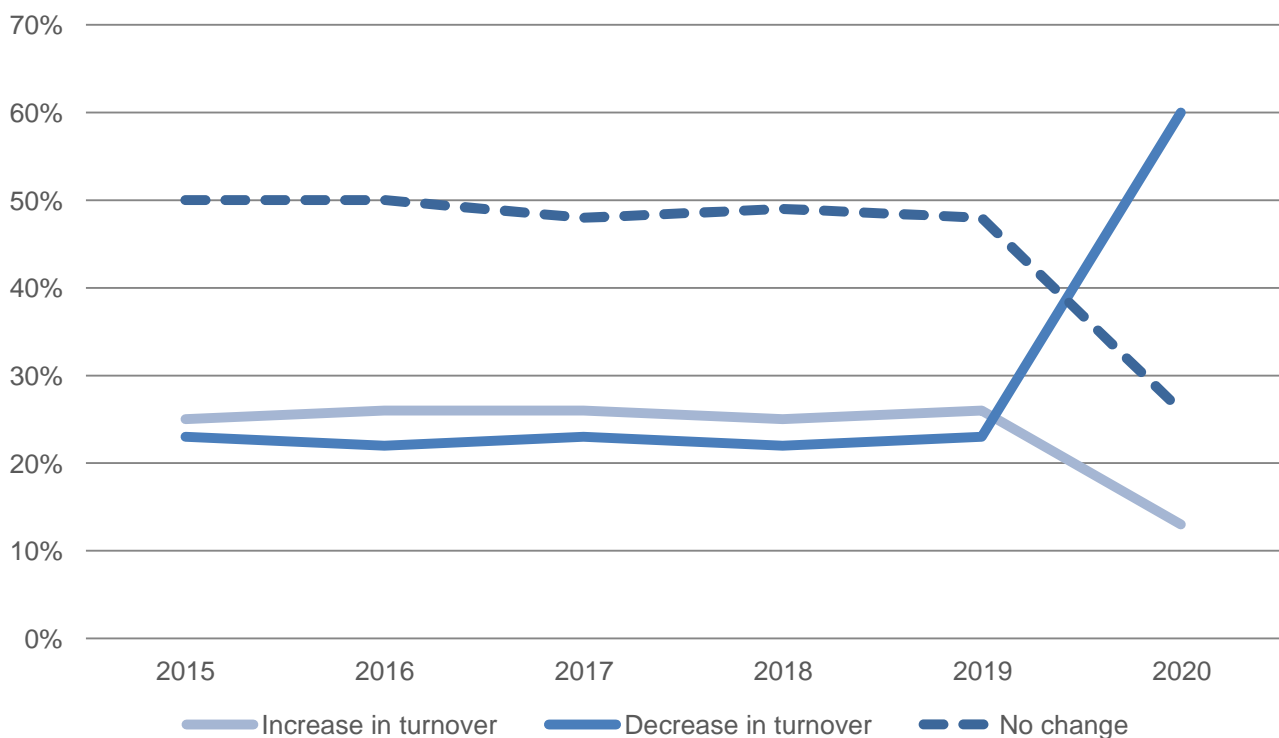
In the [data tables](#) accompanying this publication, table 100 shows the change in turnover compared with 12 months ago.

An estimated 13% of businesses with no employees (that had traded for at least one year) reported growth in turnover (value of sales) since the previous year. We find that 26% of such businesses had approximately the same turnover and 60% had a fall in turnover. Compared with 2019, there was a 13 percentage point decrease in businesses with no employees reporting turnover growth, and a 37 percentage point increase in these businesses reporting a reduction in turnover.

Registered businesses with no employees were more likely than unregistered businesses with no employees to have reported increased turnover (16%, compared with 11%), with unregistered businesses more likely than registered businesses to have reported reduced turnover (64%, compared with 53%).

Businesses with no employees in primary sectors were the most likely to report growth in turnover (23%), while reduced turnover was more likely than average to have been reported in the sectors of health (75%), education (74%), transport (71%) and arts and entertainment (69%).

Figure 3: Current turnover compared to 12 months previously, by year (based on businesses with no employees trading for at least a year)



Expectations of turnover in 12 months' time

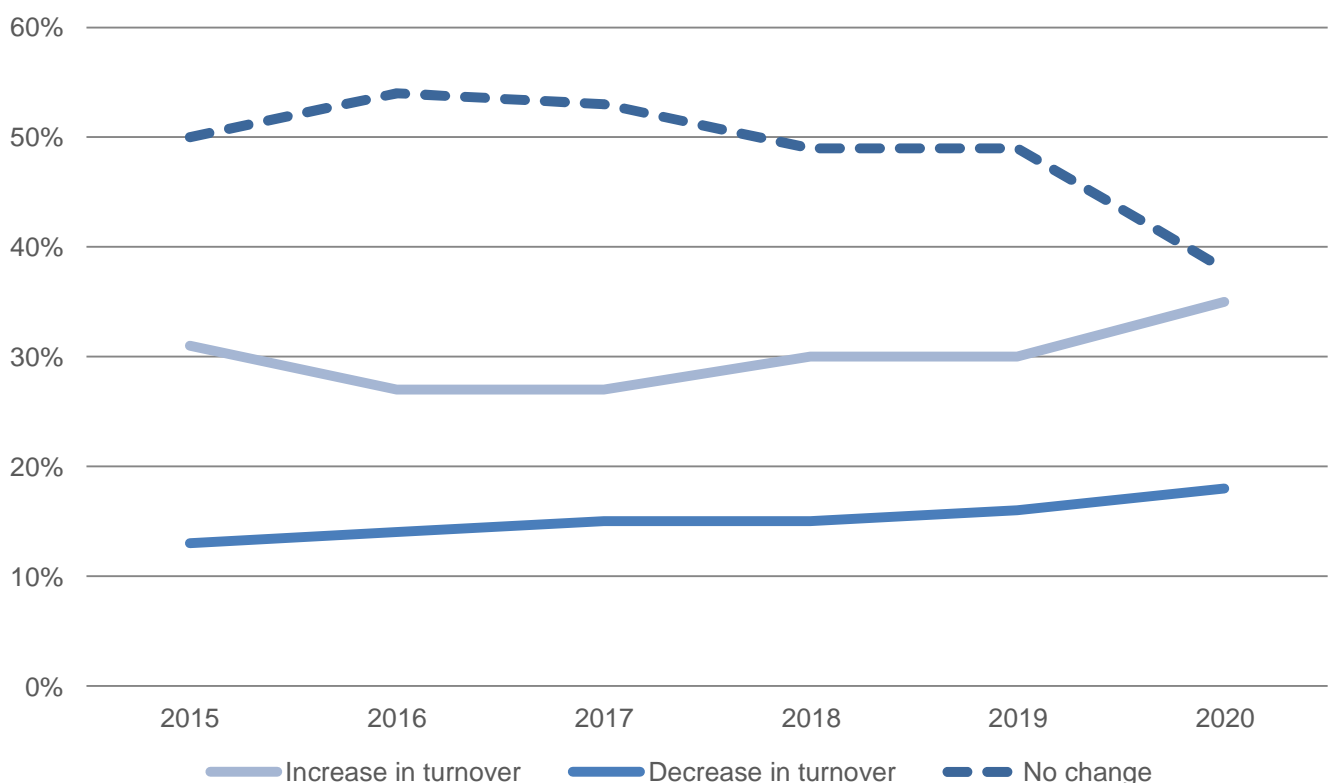
In the [data tables](#) accompanying this publication, table 105 shows the expected change in turnover in 12 months' time.

An estimated 35% of businesses with no employees expected turnover to increase in the next 12 months, 38% thought it would remain nearly the same and 18% thought it would be lower. Compared with 2019, there was a five percentage point increase in the percentage that expected turnover to increase, and a two percentage point increase in the percentage that expected turnover to be reduced in 12 months' time.

Unregistered businesses with no employees were more likely than registered businesses with no employees to expect turnover to increase over the next year (36%, compared with 33%), while there was little change in expectations of reduced turnover (18% and 19% respectively).

By sector, businesses with no employees in arts and entertainment (47%), information and communication (43%) and education (42%), were more likely than average to think turnover would increase. Those in accommodation and food (29%) and professional and scientific activities (26%) were more likely than average to think that turnover would decrease.

Figure 4: Expectation of turnover in 12 months' time



Profit

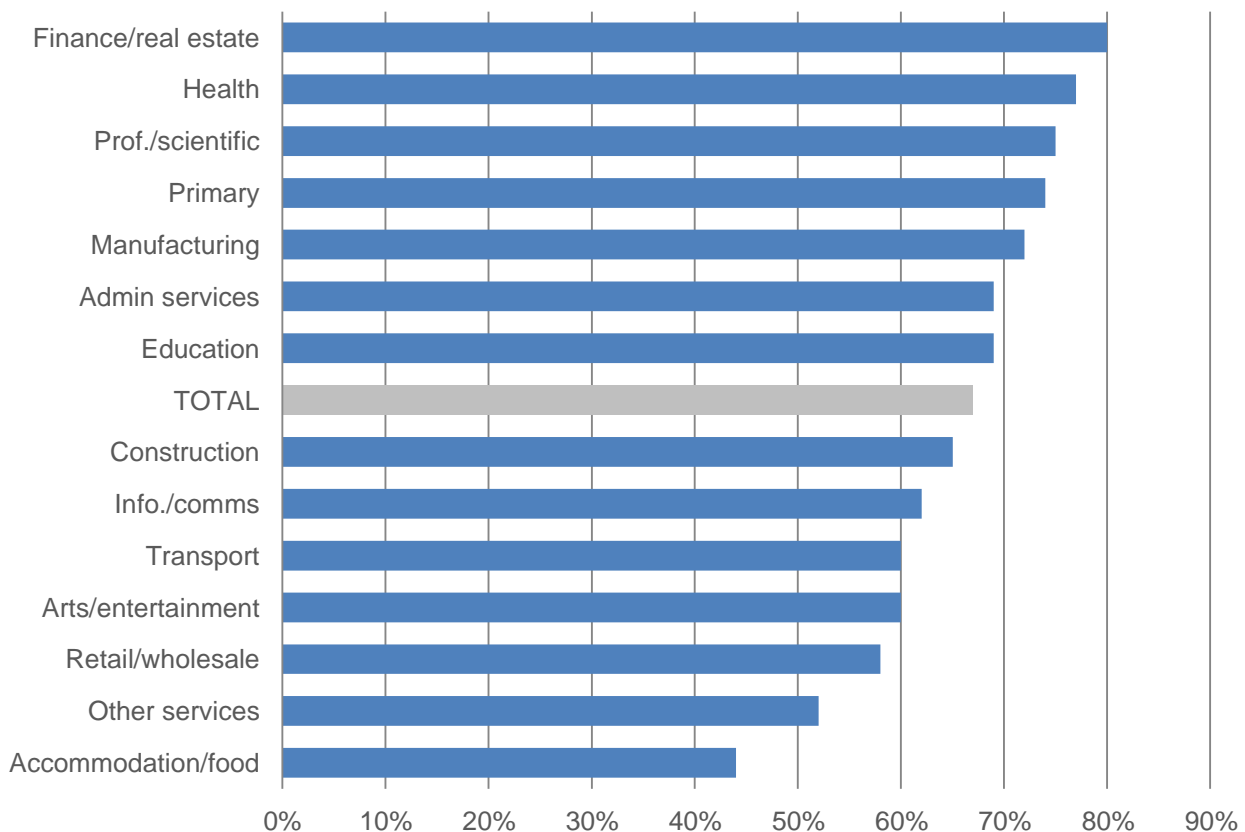
In the [data tables](#) accompanying this publication, table 109 shows whether the business without employees generated a profit or surplus in the last financial year

In 2020 67% of businesses with no employees generated a profit or surplus in their last financial year, 11 percentage points lower than in 2019.

Unregistered businesses with no employees were less likely to have generate a profit or surplus than registered businesses with no employees (64%, compared with 70%).

Businesses in finance and real estate and health sectors (80% and 77% respectively) were most likely to have generated a profit or surplus. Those in accommodation and food and other services sectors (44% and 52% respectively) were the least likely to have done so.

Figure 5: Percentage of businesses with no employees that generated a profit or surplus in the last financial year, by sector



Exporting

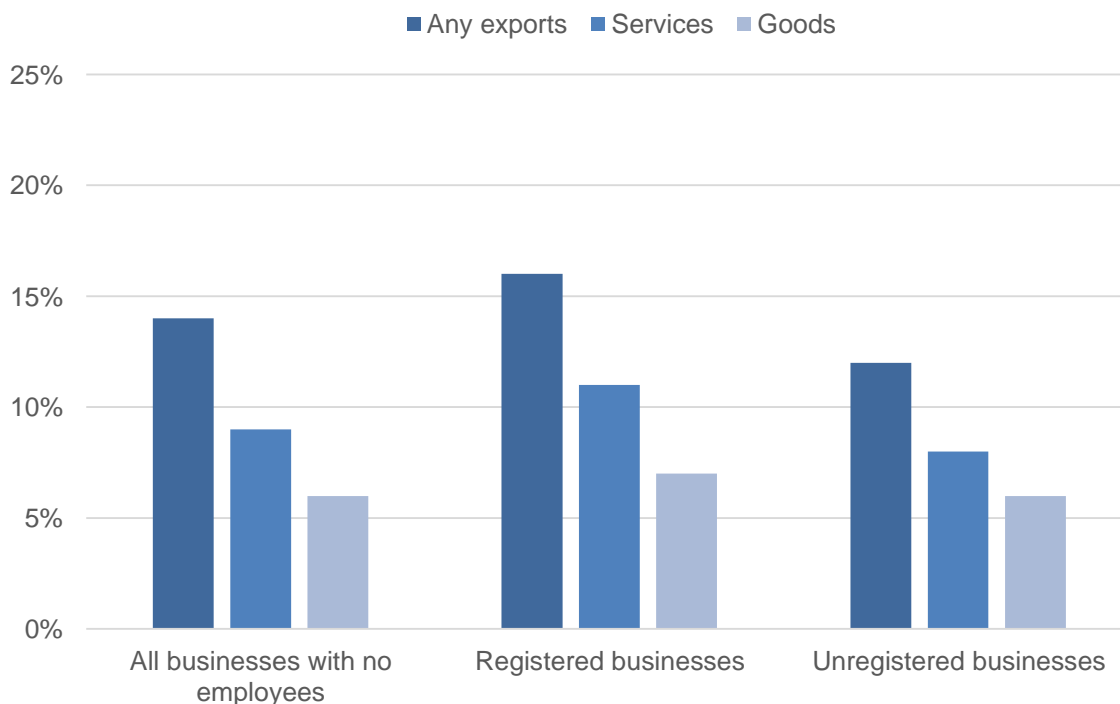
Sales of goods or services outside the UK in the last year

In the [data tables](#) accompanying this publication, table 38 shows whether businesses exported goods or services.

Overall, 14% of businesses with no employees exported goods or services in the last year. This percentage is one percentage point higher than in 2019. In comparison, 19% of SME employers reported exporting goods or services in the preceding 12 months.

Registered businesses with no employees (16%) were more likely to have exported than unregistered businesses (12%).

Figure 6: Whether sold goods or services or licensed products outside the UK in the last 12 months



Businesses in the retail and wholesale (36%) and information and communication (29%) sectors were most likely to export. Businesses in accommodation and food (0%), construction (3%) and finance and real estate (4%) sectors were least likely to export.

Destinations of exports

In the [data tables](#) accompanying this publication, table 40 shows the destination of exported goods or services.

Of businesses with no employees that exported in the last year, 64% exported to European Union countries, while 72% exported to any destinations outside the EU. The next most frequently cited export destination was the USA (45%), followed by EFTA countries (20%), Canada (17%), China (8%), India (6%), Turkey (4%) and South Korea (4%). Among businesses with no employees that exported, 41% reported exporting to the ‘rest of the world’.

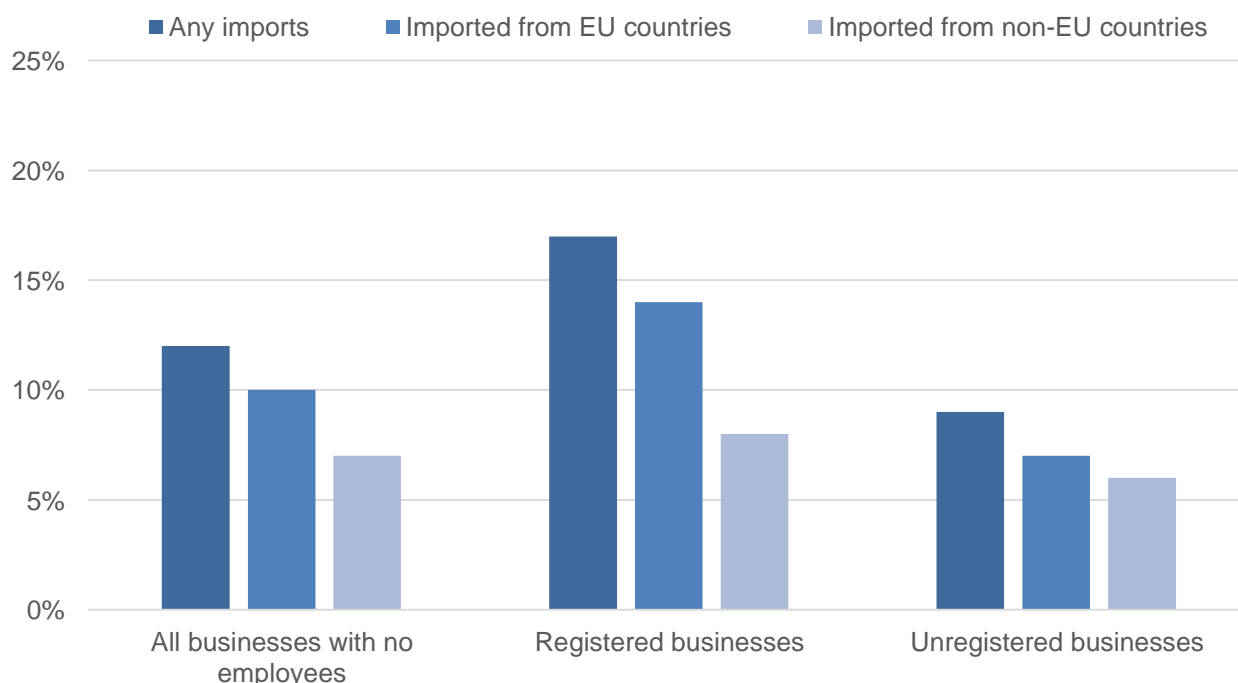
Goods or services imports in the last 12 months (Cohort A only)

In the [data tables](#) accompanying this publication, table 2 (cohort A) shows whether businesses imported goods or services.

An estimated 12% of businesses with no employees imported goods or services in the previous year. This was three percentage points lower than in 2019. In comparison 24% of SME employers imported goods or services in the previous year.

Registered businesses with no employees were more likely to have imported goods or services in the previous year than non-registered businesses (17% compared with 9%).

Figure 7: Sources of imports for non-employers



The sectors most likely to have imported goods or services were retail and wholesale (35%), manufacturing (35%) and information and communications (30%)

Plans to increase exports, start exporting and intermittent exporting (Cohort C)

In the [data tables](#) accompanying this publication, tables 3 and 4 (cohort C) show whether businesses planned to start or to increase exporting in the next few years. Tables 38 and 42 in the main data tables were used to determine whether businesses have a suitable product or service to export.

This year's survey reports that 41% of current exporters planned to increase their level of exports over the next few years (up four percentage points on 2019). The equivalent percentage for SME employer exporters was 50%.

Of businesses with no employees that did not currently export, 5% reported planning to export in the future, the same percentage as in 2019. There had been little change in this percentage since 2016.

Of businesses with no employees that have exported for two years or longer, 62% have had overseas sales every year since they started exporting. Some 32% have had some years without overseas sales. This compares with 76% and 22% respectively of SME employers.

Overall, 29% of businesses with no employees reported having goods or services suitable for export. This compared with 19% in 2019, 18% in 2018 and 29% in 2017. Registered businesses with no employees were more likely to have goods or services suitable for export were unregistered zero employee businesses (33%, compared with 27%).

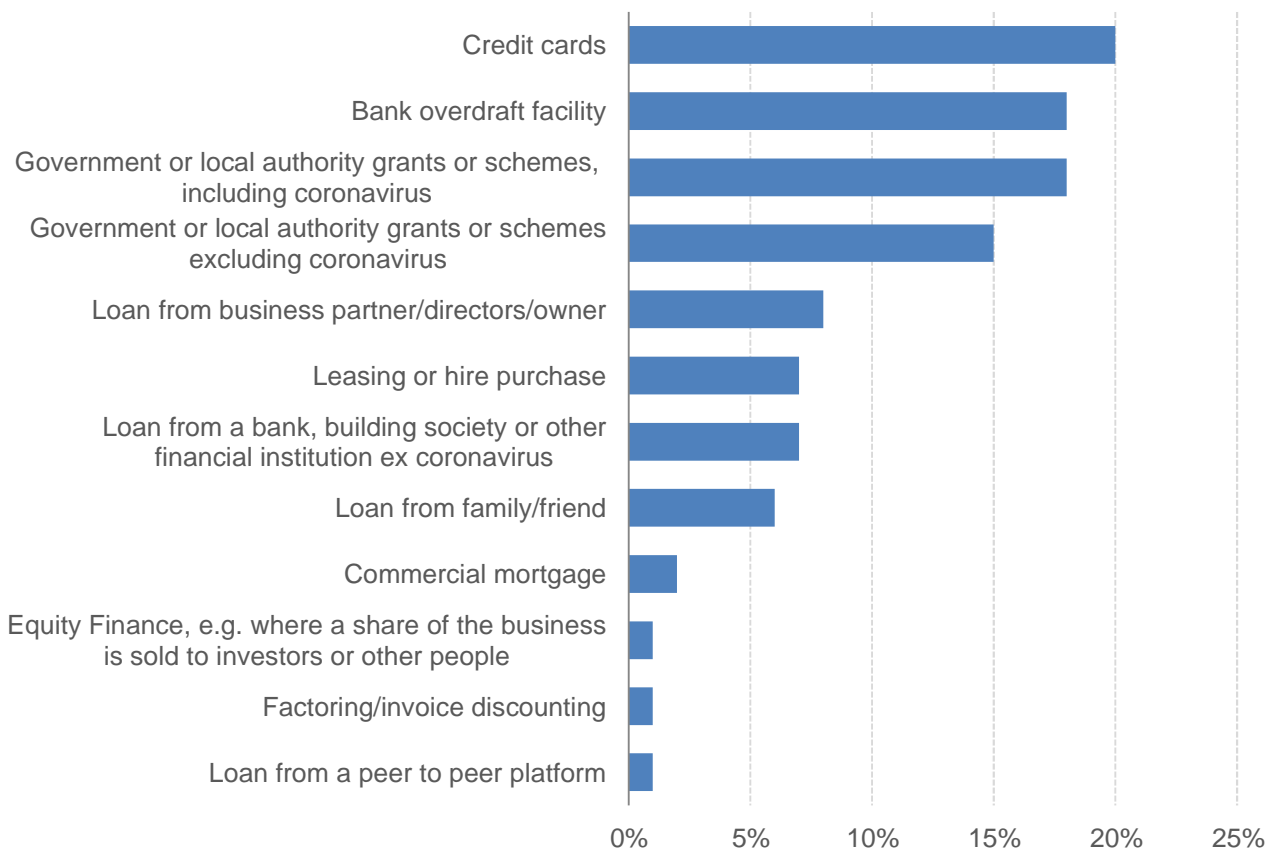
Access to external finance

Types of external finance currently used

In the [data tables](#) accompanying this publication, table 54 shows the types of finance that businesses without employees currently use.

Overall, 60% of businesses with no employees were using some form of external finance in 2020. This was 14 percentage points higher than in 2019, and 12 percentage points higher than in 2018 and 2017. It compared with 72% of SME employers in 2020 (which was nine percentage points higher than in 2019).

Figure 8: Percentage of businesses with no employees currently using forms of external finance



Registered businesses with no employees (65%) were more likely to use external finance than unregistered businesses (56%).

For businesses with no employees the most common forms of external finance used were credit cards (20%), bank overdrafts (18%), Government or local authority grants or schemes relating directly to coronavirus support (18%), government or local authority grants for schemes not directly relating to coronavirus support (15%) and loans from business partners/directors/owners (8%) or a bank, building society or other financial institution not directly relating to coronavirus support (7%), and leasing/hire purchase (7%).

In determining what external finance was used in 2020, it was necessary to make a distinction between government and local authority grants and loans not directly related to measures to mitigate the impact of the coronavirus (COVID-19) pandemic and those that were. Without this distinction the increase in use of government and local authority grants and schemes would have been misleading in comparisons with previous and future LSBS surveys.

In terms of support related to the coronavirus (COVID-19) pandemic, the percentage of businesses with no employees making use of coronavirus (COVID-19) pandemic related government and local authority grants or schemes was higher than the percentage making use of those not related to coronavirus support.

The use of any form of so-called 'alternative finance', not originating from banks, the public sector, or people known to the business², was reported by 3% of businesses with no employees (9% of SME employers).

Businesses with no employees in the primary sector (largely consisting of agriculture) were most likely to report current use of one or more forms of external finance (83%).

Whether businesses sought external finance in the last 12 months

In the [data tables](#) accompanying this publication, table 55 shows whether businesses without employees sought external finance in the last 12 months.

Some 7% of businesses with no employees had sought external finance in the last year, as in 2019.

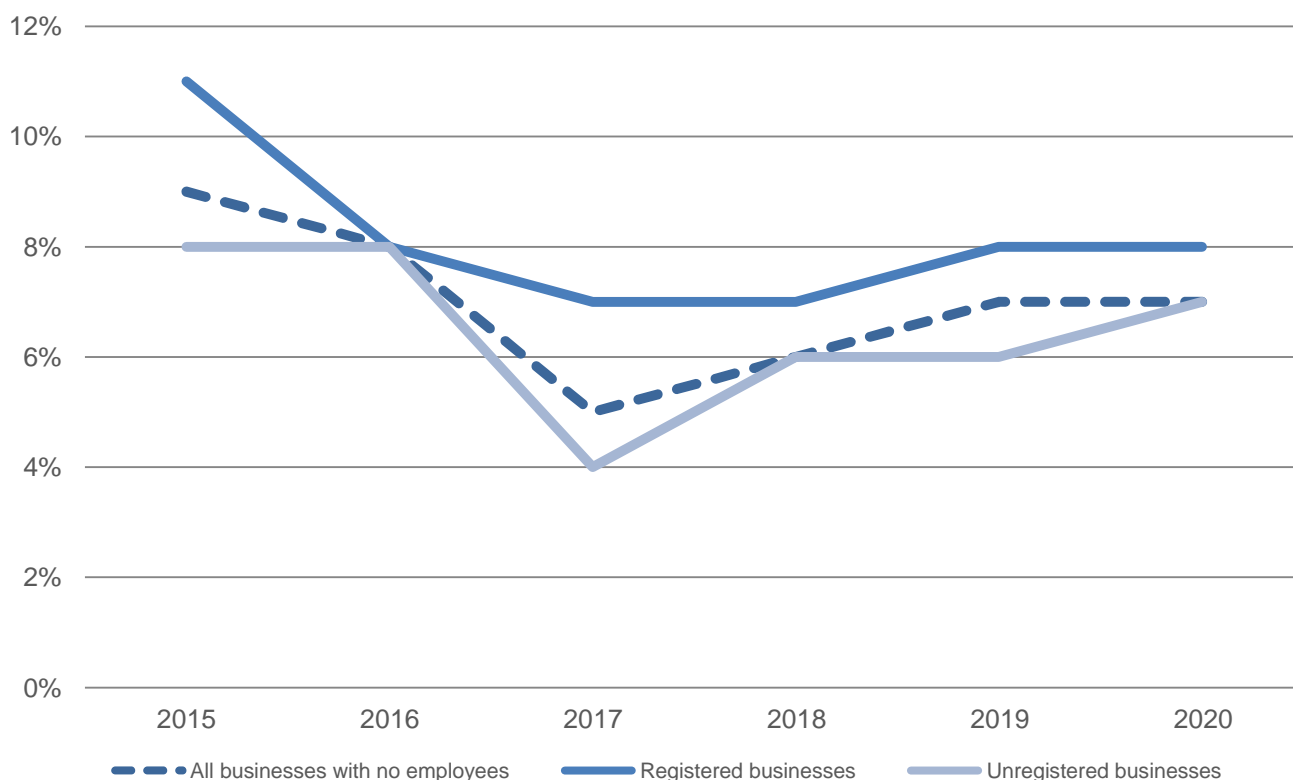
There was little difference between registered and unregistered zero employee businesses in this respect (8% and 7% respectively).

By UK nation, 10% of businesses with no employees in Northern Ireland sought finance, compared with 9% in Scotland and Wales and 7% in England.

Businesses with no employees in transport and storage (17%) and primary (11%) sectors were the most likely to have applied for finance in the preceding 12 months.

² In this instance, alternative finance refers to equity, factoring/invoice discounting, peer-to-peer (P2P) loans and some forms of 'other finance'.

Figure 9: Percentage of businesses with no employees that sought external finance in the last year, by year and registration status



Businesses with no employees were less likely to have sought finance than SME employers in the previous 12 months: 5% had sought finance once (compared with 7% of SME employers), and 3% sought it more than once (3% of SME employers).

Type of external finance sought

In the [data tables](#) accompanying this publication, table 56 shows the types of external finance sought in the last 12 months, and tables 68 and 69 focus on use of coronavirus (COVID-19) pandemic related loans and grants.

An estimated 32% of businesses with no employees, that sought external finance, applied for a bank overdraft facility (the same percentage as reported among SME employers). Some 29% applied for loans from banks or other financial institutions (compared with 30% of SME employers) and 27% applied for a loan from family or a friend (8% of SME employers). Less common were credit card finance (18%, 9% of SME employers); government or local authority finance grants (non-coronavirus related) (14%, 11% of SME employers); commercial mortgage (7%, 4% of SME employers).

Coronavirus COVID-19 government-backed loans and grants

In addition, 19% of businesses with no employees made use of a coronavirus (COVID-19) pandemic related government-backed accredited loan or finance agreement such as the Coronavirus Business Interruption Loan and Bounce Back Loan. (Further details on the support provided to business are available here:

<https://commonslibrary.parliament.uk/research-briefings/cbp-8847/>).

This percentage was higher within registered businesses with no employees than within unregistered businesses with no employees (29%, compared with 12%), and was highest in accommodation and food (37%), transport (30%) and construction (29%) sectors.

A higher percentage of businesses with no employees (22%) used a COVID-19 business grant funded by government or a local authority.

There was no difference between registered and unregistered businesses in this respect (21% and 22% respectively). Businesses with no employees in the sectors of accommodation and food (68%), arts and entertainment (43%), retail and wholesale (40%) and manufacturing (35%) were most likely to have used such a grant.

While businesses with no employees in Northern Ireland were most likely to have used a COVID-19 loan (30%, compared with 20% in Wales, 18% in England and 15% in Scotland), businesses with no employees in Wales and Scotland were most likely to apply for a COVID-19 grant (38% and 34% respectively, compared with 20% in England and 17% in Northern Ireland).

This compares with 37% of SME employers that used a coronavirus COVID-19 government-backed accredited loan or finance agreement, and 42% that used a coronavirus COVID-19 government or local authority-backed grant.

Intentions to apply for external finance in the next three years

In the [data tables](#) accompanying this publication, table 112 shows the likelihood of businesses without employees approaching external finance providers in the next 3 years.

We find that 12% of businesses with no employees said it was likely that they would approach external finance providers in the next three years (6% very likely, 7% fairly likely). These percentages were very similar to those seen in 2019 (12%, 4%, and 8% respectively) and 2018 (12%, 5%, and 7% respectively).

The percentage of businesses with no employees that were likely to approach external finance providers in the future (12%), was substantially lower than that for SME employers (20%)

Registered businesses with no employees (17%) were more likely than unregistered businesses (9%) to say it was likely that they would approach external finance providers in the next three years.

The percentage of businesses with no employees likely to approach external finance providers in the next three years was highest in primary (22%), construction (19%) and transport (18%) sectors.

Trade credit and late payment (Cohort A)

In the [data tables](#) accompanying this publication, table 14 (cohort A) shows whether businesses without employees give customers trade credit and table 17 (cohort A) shows whether they have a problem with late payment.

An estimated 30% of businesses with no employees reported that they give their customers trade credit (down five percentage points on 2019 and down two percentage points on 2018). However, the provision of trade credit by businesses with no employees was much lower than SME employers (50%).

The percentage offering trade credit was higher amongst registered businesses than unregistered businesses (37% compared with 25%).

Trade credit was most likely to be given by businesses with no employees in information and communication (57%), and professional and scientific (47%), sectors. The offer of trade credit was least likely in health (9%), arts and entertainment (11%), and other services (13%) sectors.

Late payment was considered a problem by 44% of those firms that gave trade credit (13% of all businesses with no employees overall), with 6% considering it a big problem (down one percentage point on 2019 and down four percentage points on 2018). In comparison, 56% of SME employers that gave trade credit (28% of all SME employers) considered late payment a problem.

Formal written business plans

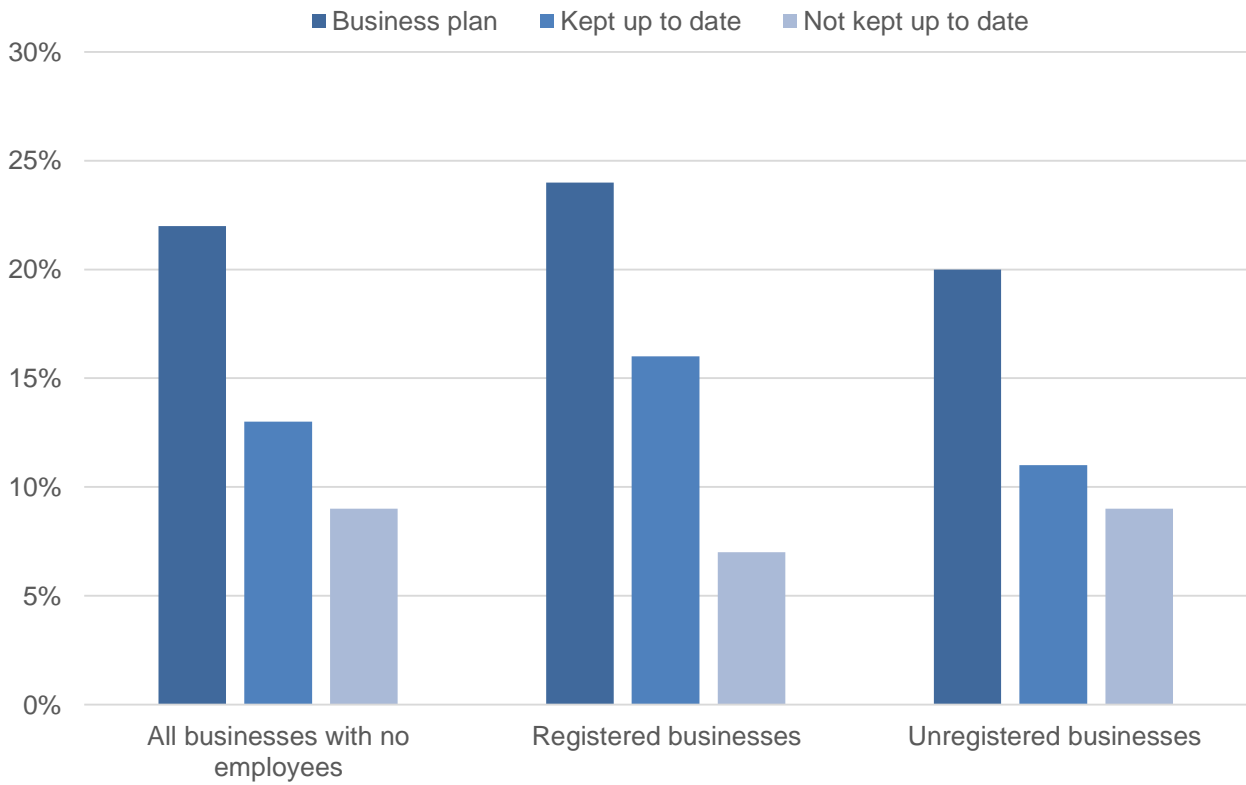
In the [data tables](#) accompanying this publication, table 43 shows whether businesses without employees have a formal written business plan.

In 2020, 22% of businesses with no employees had a formal written business plan. This was a four percentage point decrease on 2019. Of these, more than half (13%) reported they kept plans up to date while the remainder (9%) did not. The percentage of SME employers (41%) with a formal written business plan is 19 percentage points higher than that for businesses with no employees in 2020.

Registered businesses with no employees (24%) were slightly more likely to have had a formal written business plan than unregistered businesses with no employees (20%). Further, 16% of registered businesses had a business plan that they kept up to date, compared with 11% of unregistered businesses.

Businesses with no employees in transport (10%), manufacturing (15%), health (15%) and other services (16%), sectors were least likely to have a plan. Businesses with no employees in information and communication and education are most likely to have a plan (33% and 30% respectively do so).

Figure 10: Percentage of businesses with no employees which have formal written business plans



Innovation activity

New or significantly improved processes in the last 3 years (Cohort C)

In the [data tables](#) accompanying this publication, table 13 (cohort C) shows whether the business has introduced any new or significantly improved processes in the last three years.

It is estimated that 12% of businesses with no employees had innovated processes for producing or supplying goods or services in the last three years. This was two percentage points lower than in 2019 and one percentage point lower than in 2018. In comparison, 19% of SME employers in the 2020 survey innovated processes.

There was little difference between registered and unregistered businesses in this respect (13% and 12% respectively).

By sector, those most likely to have introduced new or significantly improved processes were in the information and communications (23%), administration services and education (both 20%) sectors.

New or significantly improved goods or services in the last three years

In the [data tables](#) accompanying this publication, tables 71 and 72 show whether the business has introduced any new or significantly improved goods or services in the last three years.

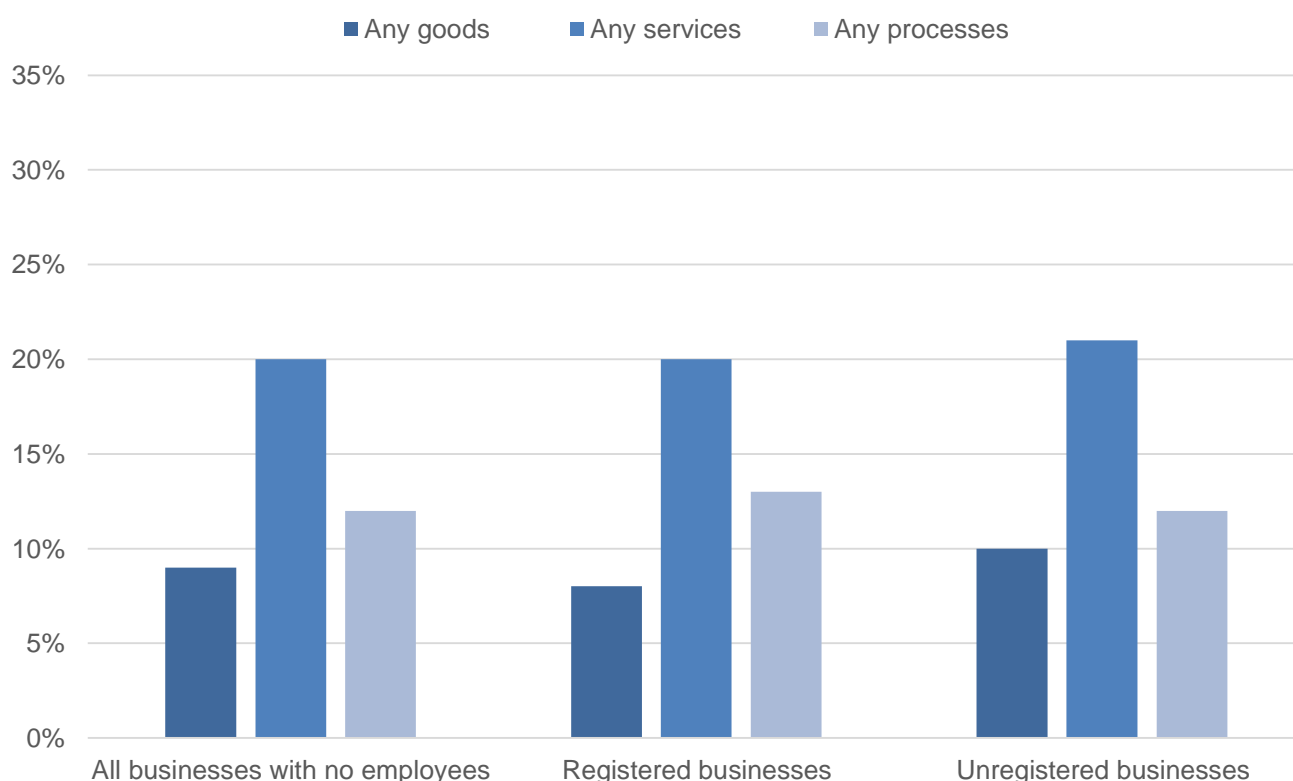
It is estimated that 25% of all businesses with no employees had introduced new or significantly improved **goods or services** in the last three years. This was three percentage points lower than in 2019. In 2020 the percentage of SME employers that had innovated goods or services was 29%.

Unregistered businesses with no employees were more likely than registered businesses with no employees to have introduced new or significantly improved goods for services (26% compared with 23%).

By sector, those most likely to have innovated goods or services were in the information and communications (37%), education (34%) and retail and wholesale (33%) sectors.

Around 12% of all businesses with no employees had introduced new or significantly improved processes for producing or supplying goods or services in the last three years. This percentage was similar for both registered and unregistered businesses (13% and 12% respectively). By sector, new or significantly improved processes were most likely within information and communications (23%), administration, education (both 20%) and health (18%).

Figure 11: Percentage of businesses with no employees which have introduced new or significantly improved goods, services or processes, by registration status (2020)



Innovations which were new to market or industry

In the [data tables](#) accompanying this publication, table 73 shows whether the new goods, services or process innovations were new to the industry or business.

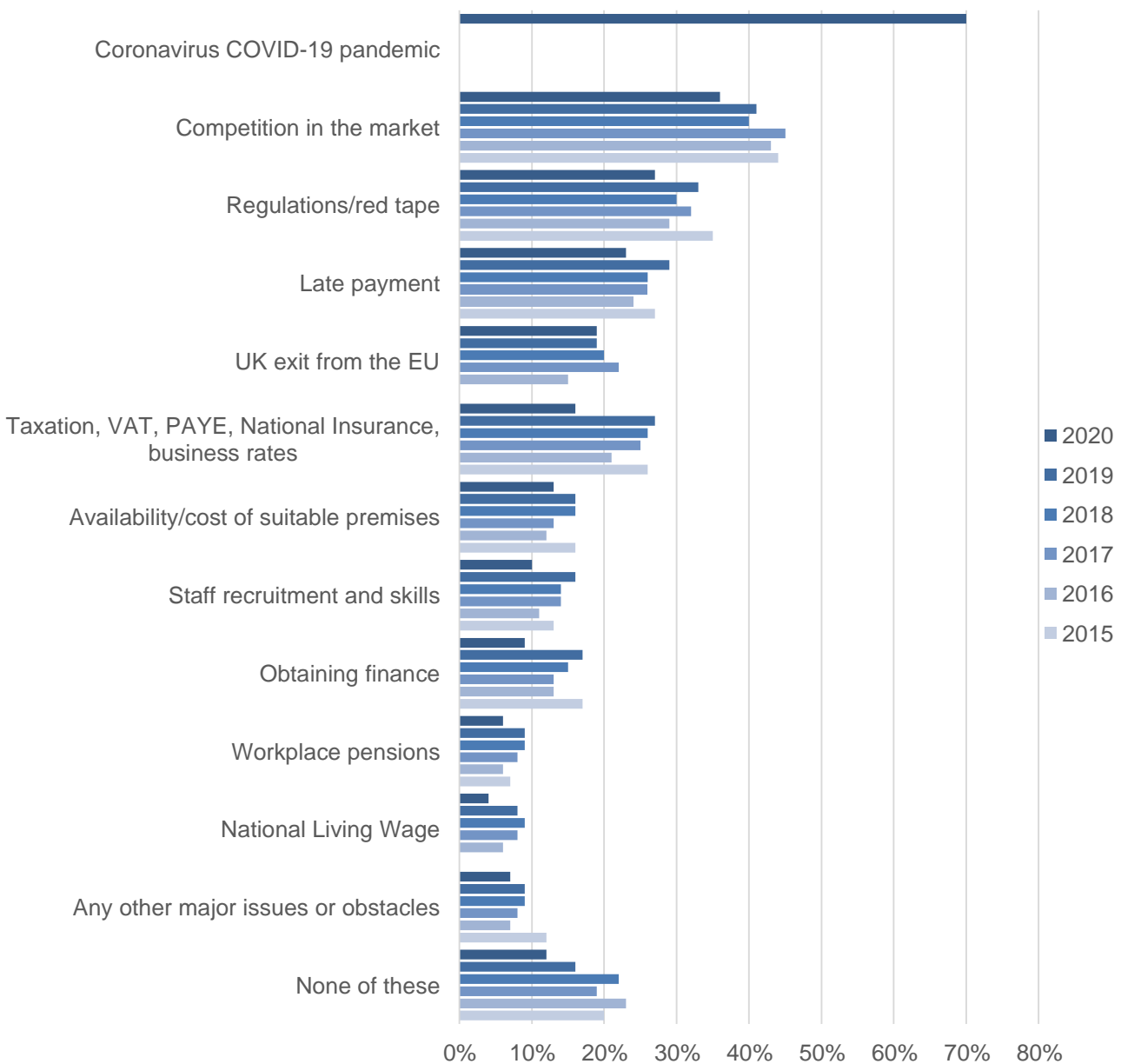
Of all these businesses, 6% had introduced goods or services that were new to the market (down from 8% in 2019) and 2% had introduced or significantly improved processes that were new to their industry (down from 3% in 2019 and from 4% in 2018). In 2020, 8% of all SME employers introduced new goods or services to the market.

Businesses that introduced goods or services that were new to the market were most likely to be in the arts and entertainment (13%) and manufacturing (12%) sectors.

Major obstacles to the success of the business (Cohort B)

In the [data tables](#) accompanying this publication, table 1 (cohort B) shows what businesses without employees consider to be the major obstacles to business success.

Figure 12: Percentage of businesses with no employees citing each major obstacle to the success of the business, by year



Overview of main obstacles

In the [data tables](#) accompanying this publication, table 1 (cohort B) shows the major obstacles to the success of businesses without employees interviewed.

In 2020, the coronavirus (COVID-19) pandemic was added to the list of potential obstacles that businesses without employees may have faced. This was the most frequently mentioned obstacle to their success (70%, compared with 71% of SME employers). The obstacle that was next most cited by businesses with no employees was competition in the market (36% - a five percentage point decrease on 2019). The next two most cited obstacles were regulation and red tape (27% - a six percentage point decrease on 2019) and late payment (23% - also a six percentage point decrease on 2019).

In 2020, 19% of businesses with no employees cited the UK's exit from the EU as a major obstacle to business success, a similar percentage to 2019 (19%) and 2018 (20%).

Other major obstacles included taxation (16%), availability/cost of suitable premises (13%), staff recruitment and skills (10%) and obtaining finance (9%).

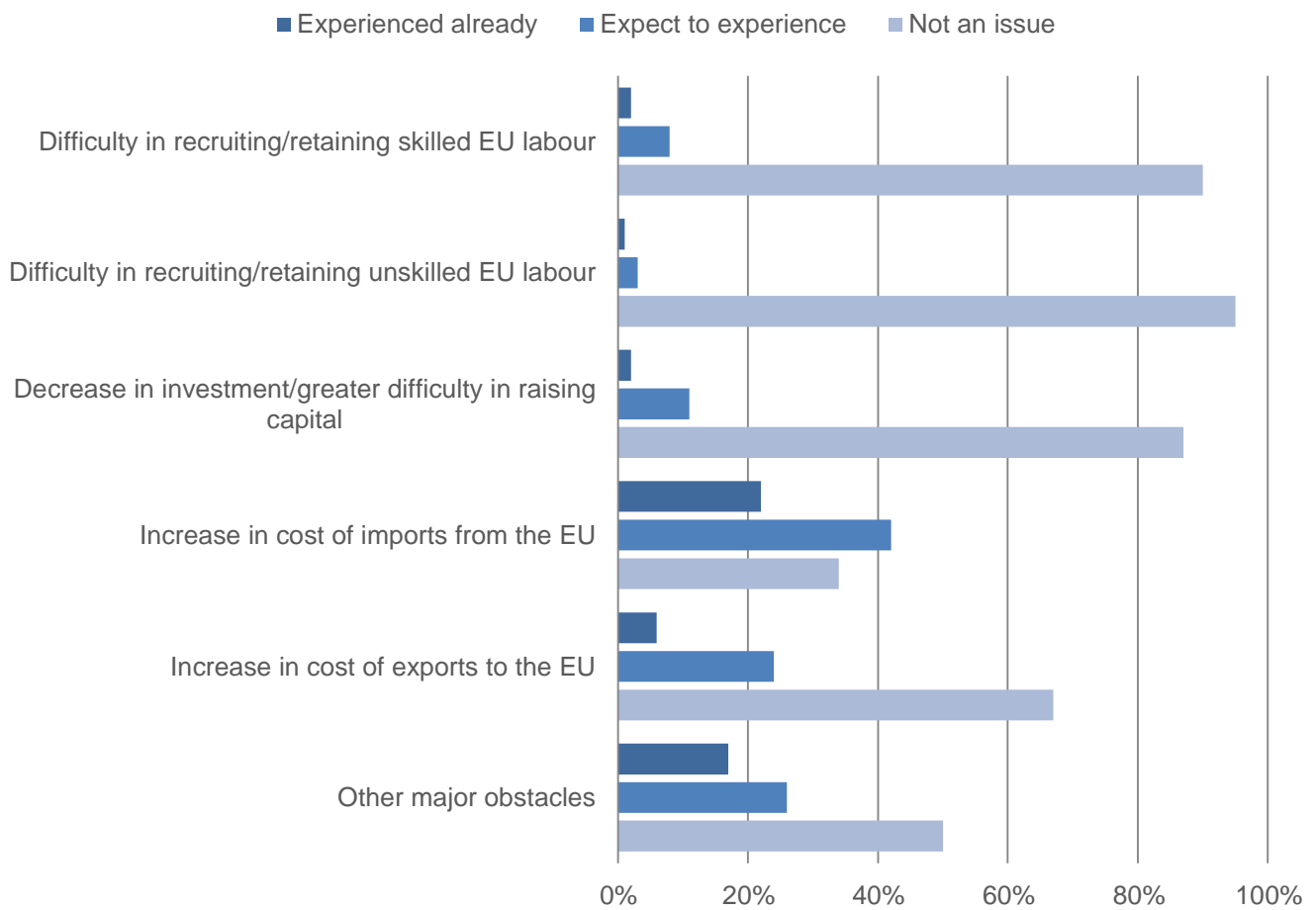
There was a slight reduction in reports of obstacles other than the coronavirus (COVID-19) pandemic, which was new to 2020.

Whether experienced, or expect to experience, difficulties as a result of the UK's exit from the EU (Cohort B)

In the [data tables](#) accompanying this publication, tables 2-7 (cohort B) shows which difficulties businesses without employees have experienced or expect to experience as a result of the UK's exit from the EU.

For businesses with no employees the impact on the cost of imports from the UK's exit from the EU was a more frequent concern than the impact on labour availability, with 22% having already experienced an increase in the cost of imports from the EU, a seven percentage point increase on 2019.

Figure 13: Major obstacles relating to UK exit from EU, experienced, or expected to experience, among businesses with no employees that cited EU exit as an obstacle



Coronavirus (COVID-19) pandemic – Impact and Mitigation

In the [data tables](#) accompanying this publication, tables 50 and 53 show how the coronavirus (COVID-19) pandemic impacted on businesses with no employees and the steps that they took to mitigate this impact.

The social distancing measures and trading restrictions introduced in March 2020 to reduce the spread of the coronavirus impacted businesses in a number of ways. When businesses with no employees were asked how their business adapted during the lockdown restrictions, 33% reported that their business closed down completely (temporarily) (compared with 31% of SME employers), while 45% reported that there had been a reduction in operations (47% of SME employers).

A minority of businesses with no employees reported an increase in operations (6%, the same percentage as reported amongst SME employers), or no impact (15%; one percentage point higher than reported amongst SME employers).

Registered businesses without employees were more likely to stay open than unregistered businesses: 27% closed, compared with 36%. They were more likely though to continue to operate on a reduced scale (47%, compared with 44%).

By sector, temporary business closure was most likely in accommodation and food (84%), health (58%), education (55%), and in arts and entertainment (50%).

In terms of reducing business operations, this was most likely in the sectors of transport (59%), finance and real estate (54%), administration (52%), and construction (51%).

Increased operations during lockdown restrictions was most common in the sectors of information and communication (13%), manufacturing (11%) and professional and scientific (10%).

Primary (53%), finance and real estate (38%) and information and communication (30%) were the sectors in which businesses were most likely to report no impact from the coronavirus lockdown restrictions.

Businesses with no employees were asked about other measures they had taken to mitigate the impact of the coronavirus (COVID-19) pandemic and associated trading restrictions. These included:

- *Changing processes/ways of working* (55%, compared with 59% of SME employers)
- *Postponing investment* (23%, compared with 31% of SME employers)
- *Changing services/products provided* (21%, compared with 20% of SME employers); increasing to 24% of unregistered businesses with no employees, compared with 16% of registered businesses
- *Changing methods of selling* (19%, compared with 27% of SME employers)
- *Increasing borrowing* (19%, compared with 36% of SME employers); increasing to 29% of registered businesses with no employees, compared with 13% unregistered businesses
- *Building up stocks of supplies* (12%, compared with 17% of SME employers)

Business support

Use of external information or advice in the last year

In the [data tables](#) accompanying this publication, table 78 shows whether businesses with no employees have used external information or advice in the last 12 months.

An estimated 16% of businesses with no employees sought external information or advice in the preceding 12 months (more than just a casual conversation), the same percentage as in 2019. In comparison 24% of SME employers sought external information or advice in the preceding 12 months (also no change compared with 2019).

Registered businesses with no employees (18%) were more likely to have sought information or advice than unregistered businesses with no employees (14%).

Businesses with no employees which sought information and advice were most likely to be in the primary (25%), accommodation and food (20%) and finance and real estate (19%) sectors.

Purpose of information and strategic advice sought

In the [data tables](#) accompanying this publication, table 79 details reasons why businesses with no employees sought strategic advice in the preceding 12 months.

In 2019, businesses without employees were most likely to have sought information or advice for financial advice for the general running of the business (23%), business survival or operation through coronavirus (22%), and financial advice on how and where to get finance (19%), business growth or tax/national insurance lay and payments (both 18%). Relatively few sought information or advice for improving business efficiency and productivity (13%), or marketing (11%).

Sources of external information and strategic advice

In the [data tables](#) accompanying this publication, table 81 shows the sources of external information or advice.

Of those businesses with no employees that sought information and advice, 42% approached accountants (the same percentage as SME employers), 19% approached business networks/trade associations (compared with 20% of SME employers) and/or internet search/google/other websites (11% of SME employers), 18% approached consultants and business advisers (compared with 25% of SME employers) and/or the .GOV website (18% of SME employers).

How information or strategic advice was delivered

In the [data tables](#) accompanying this publication, table 83 shows how external information or advice was delivered.

Of those businesses with no employees that received information or advice, 24% had this mainly delivered face-to-face; 22% had their advice delivered by email, 21% via a website and 18% on the phone.

Paying for strategic advice (England and Wales only)

In the [data tables](#) accompanying this publication, table 87 shows whether or not businesses with no employees that received advice paid for it and table 88 shows how much they paid for it.

Of businesses with no employees in England and Wales that received strategic advice in the last 12 months, 49% paid for it (a decrease of six percentage points on 2019). This compared with 60% of SME employers.

Among businesses with no employees that paid for advice, 23% paid less than £500 (25% in 2019), 28% paid between £500 and £999 (13% in 2019), 28% paid between £1,000 and £2,499 (31% in 2019), and 17% paid £2,500 or more (21% in 2019).

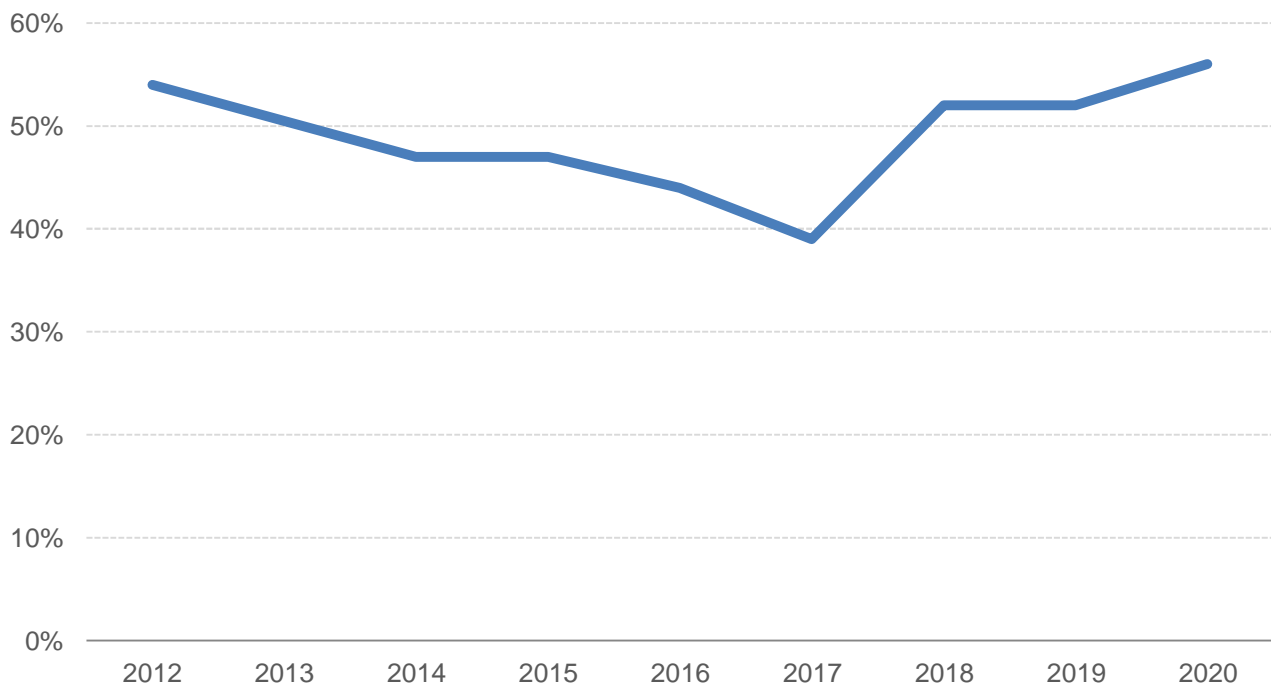
Future plans

Growth ambitions

In the [data tables](#) accompanying this publication, table 110 shows whether or not businesses with no employees aimed to grow sales over the next three years.

An estimated 56% of businesses with no employees aimed to grow sales over the next three years. This was four percentage points higher than in 2019 and 2018. The equivalent figure for SME employers in 2020 was 77%.

Figure 16: Percentage of businesses with no employees that aim to grow sales over the next three years³



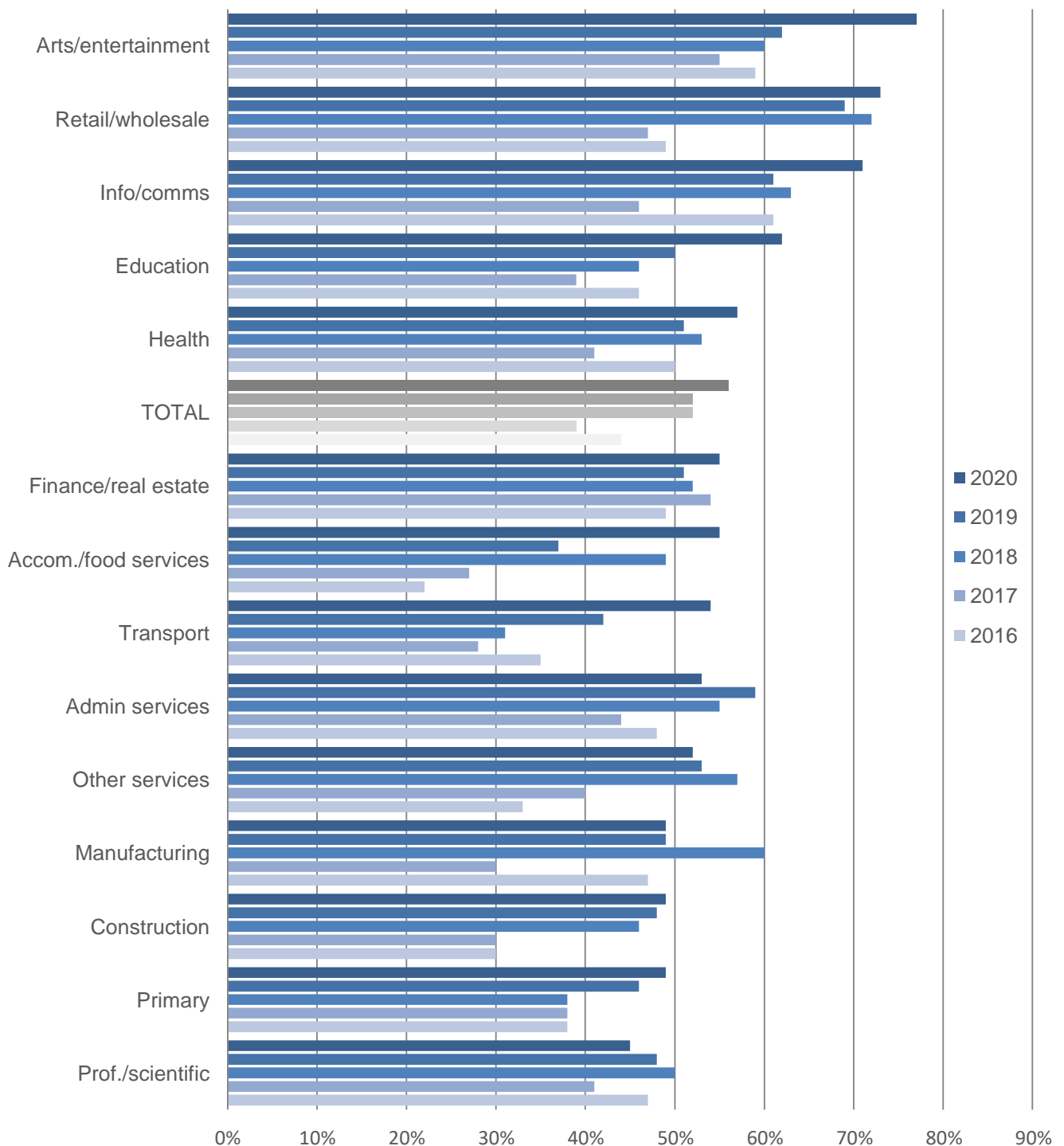
Registered businesses without employees were more likely than unregistered businesses to report intentions to grow (59% and 54% respectively).

By sector, businesses in arts and entertainment (77%), retail and wholesale (73%), and information and communications sectors (71%) were most likely to aim to grow. Those in the professional and scientific (45%) and primary and production (49% of primary, manufacturing and construction businesses) sectors were least likely to be aiming to grow.

Businesses in most sectors were more likely to aim to grow in 2020 than in 2019.

³ The chart only shows the years where a survey took place and the relevant question asked. We have no data for 2013 and have joined up the 2012 and 2014 results with straight lines.

Figure 17: Percentage of businesses with no employees that aim to grow sales of the business over the next three years, by sector and year



Plans to undertake growth-related activities (Cohort B)

In the [data tables](#) accompanying this publication, table 12 (cohort B) shows what plans businesses with no employees have in respect of business growth over the next three years.

Over the next three years, 31% of businesses with no employees said they plan to develop and launch new products or services (27% in 2019), 27% plan to introduce new working practices (21% in 2019), 19% plan to recruit new staff in the UK (17% in 2019), 17% plan capital investment in the UK (18% in 2019), 12% plan to invest in R&D (14% in 2019), 11% plan to increase export sales or begin selling to new overseas markets (as in 2019).

Profiles of businesses with no employees

Number of sites

In the [data tables](#) accompanying this publication, table 4 shows the number of sites operated by businesses with no employees.

In 2020, 92% of businesses with no employees operated from a single site. This was a three percentage point increase on 2019. The equivalent figure for SME employers was 86%.

By sector, those most likely to have more than one site were in education (19%) and health (13%).

Business premises in residential settings

In the [data tables](#) accompanying this publication, table 14 shows whether or not businesses with no employees work away from their home.

Some 60% of businesses with no employees located the main work premises in their home, compared with 20% of SME employers. The 2020 businesses with no employees figure compares with 39% in 2019. This increase may reflect changing working practices – more remote working – as a consequence of the coronavirus (COVID-19) pandemic.

There was little difference between registered and unregistered businesses with no employees operating from home (57% and 62%, respectively).

By sector, 74% of businesses with no employees in construction, 72% in primary (largely agriculture) and 70% in professional and scientific activities worked from a domestic address.

Those in retail and wholesale (34%), manufacturing (42%) and other services sectors (44%) were less likely to be home based.

Age of business

In the [data tables](#) accompanying this publication, table 11 summarises the years that businesses with no employees have been established.

Of all businesses with no employees, 12% had been trading for fewer than six years (that is, they started trading between 2015 and 2020), compared with 10% of SME employers. Some 18% started trading between six and ten years ago, 32% between 11 and 20 years ago, and 38% more than 20 years ago.

Businesses with no employees in the retail and wholesale (20%) and construction (17%) sectors were most likely to have traded for fewer than six years. Businesses in primary sectors (66%) were most likely to have traded for more than 20 years.

Legal status

In the [data tables](#) accompanying this publication, table 10 summarises the legal status of businesses with no employees.

About 48% of businesses with no employees in 2020 were sole proprietors. This was one percentage point higher than in 2019 and compares with 10% of SME employers.

39% of businesses with no employees were private limited companies limited by shares (Ltd) (no change on 2019). It compares with 70% of SME employers. Six per cent of businesses with no employees were partnerships (8% of SME employers).

Unregistered businesses were more than twice as likely as registered businesses with no employees to be sole proprietors (62% and 25%, respectively).

Businesses with no employees in the finance and real estate (69%), information and communications (66%), construction (53%) and professional and scientific (52%) sectors were most likely to be private limited companies, limited by shares.

Partnerships were most likely to be in the primary (32%) and accommodation and food services (25%) sectors.

Number of owners/partners/directors

In the [data tables](#) accompanying this publication, tables 17-19 summarise who owns or leads businesses with no employees.

The definition for being an employer does not include owners and partners as employees. Therefore, businesses with no employees may have multiple owners and partners.

Overall, 91% of businesses with no employees were majority owned by the person or family who set it up (compared with 78% of SME employers). Within the same percentage of businesses with no employees, the person or family who majority-owned it was actively involved in managing the business (compared with 77% of SME employers).

Most businesses with no employees (96%) had no directors in day-to-day control of the business who were not owners or partners (compared with 86% of SME employers). Most of the remainder (2%) had one such director (6% of SME employers).

A majority of businesses with no employees had no more than one owner, partner or director (72%, compared with 40% of SME employers); 22% had two owners, partners or director; 4% had between three and five, and 1% had six or more.

Registered businesses with no employees were less likely than unregistered businesses to have no more than one owner, partner or director (55% compared with 84%).

By sector, businesses with no employees in the primary (49%), finance and real estate and accommodation and food services sectors (both 48%) were least likely to have no more than one owner, partner or director.

Women-led businesses

In the [data tables](#) accompanying this publication, tables 25-26 summarise the extent to which businesses with no employees are led by women.

An estimated 21% of businesses with no employees were majority-led by women (defined as controlled by a single woman or having a management team of which a majority were women). This figure was four percentage points higher than in 2019, It was higher than that reported among SME employers (16%).

Women-led businesses were more common among unregistered businesses (27%) than registered businesses (12%).

Among businesses with no employees, women-led businesses were most likely in the health sector (61%). Women-led businesses were less common in transport and storage (5%), construction (8%), and information and communications (11%).

Minority Ethnic Group-led businesses

In the [data tables](#) accompanying this publication, table 27 summarises the extent to which businesses with no employees are led by someone from an ethnic minority group.

About 4% of businesses with no employees were MEG-led (defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from an ethnic minority. This was two percentage points higher than in 2019. It was the same percentage as amongst SME employers.

MEG-led businesses were most likely to be in the transport and storage (7%) and information and communications and health (both 6%) sectors, and least likely in primary, education and accommodation and food services sectors (all 1%).

It should be noted that in many categories we have a larger percentage of businesses where we do not know whether they are MEG-led (because the interview respondent was not sure of how to classify ethnicity or refused to state the ethnic group of the owners and managers) than the percentage we know to be MEG-led. This 'unknown' percentage is particularly high in education, health, arts and other services.

Accompanying tables

The following tables are available in Excel format on the department's statistics [website](#) for this publication:

- Longitudinal Small Business Survey 2020: businesses with no employees – data
- Longitudinal Small Business Survey 2020: businesses with no employees – data – cohort A
- Longitudinal Small Business Survey 2020: businesses with no employees – data – cohort B
- Longitudinal Small Business Survey 2020: businesses with no employees – data – cohort C

The survey microdata will be deposited with the ONS [Secure Research Service](#) and the [UK Data Service](#) during the Autumn 2021. This will be available to approved researchers.

Technical information

Aims of the survey

This report sets out the key findings for the 2020 Longitudinal Small Business Survey (LSBS), a large-scale telephone (CATI⁴) survey of 7,636 UK small business owners and managers, commissioned by the Department for Business, Energy and Industrial Strategy (BEIS). This survey is the latest in a series of annual and biennial Small Business Surveys (SBS) dating back to 2003. The 2020 survey on this occasion was conducted between September 2020 and April 2021 by BMG Research Ltd.

The 2020 survey follows surveys conducted annually since 2015. Sample bases for each year from 2015 to 2020 are summarised in Table 1. The 2015 survey was the largest SBS yet undertaken. The main reason for this large sample size was to allow the survey to have a longitudinal tracking element, establishing a 'panel' of businesses that might be re-surveyed in subsequent years, enabling a detailed analysis of how combinations of factors affect business performance through time. Any panel has an element of attrition, hence the need for a large sample size in 2015.

Table 1

| | Sample size |
|------|-------------|
| 2020 | 7,636 |
| 2019 | 11,002 |
| 2018 | 15,105 |
| 2017 | 6,619 |
| 2016 | 9,248 |
| 2015 | 15,502 |

⁴ Computer Assisted Telephone Interviews.

In 2020 additional top up interviews were conducted. In addition to 5,381 interviews with enterprises that had already completed at least one LSBS survey between 2015 and 2019, 2,255 top-up interviews were also conducted. Top-ups were needed for the following reasons:

- to represent sections of the SME population that were not active in the year five survey (businesses less than one-year old)
- to represent sectors in the raw data that may be under-represented due to businesses in the panel closing, or being hard to secure an interview with (e.g. in cases where businesses work away from their main offices)
- to increase the sample size in Northern Ireland, to allow for meaningful analysis on a nation basis

All interviews were conducted with owner/proprietors, Managing Directors or other senior directors in UK-based enterprises. For the top-ups, named contact details were not supplied and it was necessary to screen to find an appropriate respondent. The average interview length was 23.5 minutes (22.4 minutes for panellists, 26.7 minutes for top-ups).

The main aim of the survey is to collect a range of information on SMEs. The survey measures:

- recent turnover and employment growth
- capabilities (in terms of their ability to innovate, export, train staff, etc)
- experience of accessing finance
- use of business support
- expectations of growing turnover and employment
- the major obstacles that prevent SMEs fulfilling their potential
- the impact of the coronavirus (COVID-19) pandemic
- the characteristics of SMEs such as the number of sites they occupy, the number of owners, whether they have separate business premises, etc
- the characteristics of their owners and leaders

There are three main reports based on the 2020 LSBS:

- a **cross-sectional report** based on **SME employers**. A cross-sectional report is a snapshot of the state of SMEs at any particular stage in time, this one being the latter half of 2020 to early 2021
- a **cross-sectional report** based on **businesses with no employees** (this report)
- a **longitudinal report** based on those businesses that responded in the last three years of the survey. This looks at the main changes that apply to the 'panellists' from year to year, and what appears to influence these changes

19 of the 7,636 interviews were with large employers with 250 or more employees. The reason for interviewing these is that these businesses were SMEs when first interviewed but have grown since. They form a part of the longitudinal analysis, but not the cross-sectional.

Survey method

Of the 11,002 interviews conducted in 2019, 9,380 (85%) agreed to a follow-up interview. The objective was to obtain the highest possible number of repeat interviews with these panellists. 4,764 were interviewed between September 2020 and April 2021 (51% response rate, down from 53% in the 2019 survey, which was also down from 68% in the 2018 survey). Of these, 1,264 had no employees, 14 were large businesses with 250+ employees, and the remainder (3,486) were SME employers. This group is known as the ‘full panel’.

In addition, 4,830 businesses interviewed from 2015 to 2018 but not in 2019 could be re-approached for interview (they had given permission for re-interview and had not refused to take part between 2015 and 2018 and had not ceased trading). 617 of these were interviewed in 2019, a response rate of 13% (down from 21% in 2019), of which 424 were SME employers, and 3 were large businesses with 250+ employees. This group is known as the ‘past panel’.

In addition to these, 2,255 ‘top-up’ interviews were conducted (1,687 of which were SME employers), for reasons explained in the paragraphs above. As a result, the total sample size in the 2020 survey was 7,636, 5,597 of which were SME employers:

The top-ups were sampled using a method consistent with the 2015 to 2019 surveys:

- Within each of the four UK nations the sample was stratified.
- Targets were set according to the employment size of enterprises and, within those targets, by 1-digit sector (using [SIC 2007](#)).
- The targets over-represented businesses with 5 to 249 employees substantially in comparison to their actual numbers within the business population.

For registered businesses, the [Inter Departmental Business Register](#) (IDBR) was used as the sample source. For unregistered businesses with no employees, a database from the commercial database provider, Experian was used. These contacts were screened out if they either had employees on their payroll or paid VAT, as these would have duplicated contacts found within the IDBR.

The IDBR is a record of all UK enterprises that pay VAT or PAYE, which contains around 2.7 million unique entries for enterprises. The BEIS Business Population Estimates (BPE) publication estimates around 6 million enterprises in the UK in total. The difference in the figures is explained by the number of unregistered enterprises that do not pay VAT or PAYE, estimates of which derive from the Labour Force Survey (LFS). This is the reason why an alternative database was retained as the source for top-up businesses with no employees, as it contains records for both registered and unregistered businesses.

The targets within the sample stratification matrix were informed by the 2019 BPE⁵, the latest available at the start of fieldwork. However, survey findings were weighted to the 2020 BPE⁶ which were published a few months into the fieldwork period. The 2020 BPE was used for

⁵ <https://www.gov.uk/government/statistics/business-population-estimates-2019>. The figures were drawn from a combination of the Inter Departmental Business Register (IDBR) which contains all businesses operating VAT or PAYE schemes or which were registered at Companies House, and the household survey-based Labour Force Survey (LFS) which is the main source for estimating the number of the self-employed and very small businesses.

⁶ <https://www.gov.uk/government/statistics/business-population-estimates-2020>. Method of data collection as above.

weighting as it more accurately represented the IDBR contacts used for the survey, as well as providing a more up-to-date picture of UK small businesses than the 2019 BPE.

A 336-cell sample stratification matrix was devised, the targets within each cell informed by the 2019 BPE. These cells were defined by cross-classifying the following three categories:

- 14 'one digit' [SIC 2007](#) categories (ABDE, C, F, G, H, I, J, KL, M, N, P, Q, R, S)
- 6 size categories (unregistered zero employees, registered zero employees, 1-4 employees, 5-9 employees, 10-49 employees, 50-249 employees)
- 4 nations (England, Scotland, Wales, Northern Ireland)

Once the sample was drawn, with sample sizes informed by differential likely tele-matching success rates for each cell (based upon experience from the previous surveys), no quotas were employed on size, sector or any other criteria except for country, where Northern Ireland had a guaranteed minimum sample size set.

A review of the 2019 questionnaire was undertaken through consultations with stakeholders. This resulted in a number of alterations to existing questions from previous surveys, new question additions and deletions. The changes were informed by the requirement to balance stakeholders' latest needs with the desire to exploit the longitudinal power of the survey. The consultation was followed up by a 'live' pilot of 100 interviews of the adjusted year five questionnaire.

Based on the whole sample, the response rate for full panellists was 51%, two percentage points lower than in 2019. For past panellists the response rate was 13%, seven percentage points lower than in 2019. For IDBR top-ups it fell a percentage point to 3%. For unregistered top-ups, the response rate was 3%, a percentage point lower than in 2019. There is more detail in the technical report, which includes tele-matching rates and other forms of non-response.

Note on this report

Please note that the findings presented in this report relate to non-employers only – SMEs with employees, and large employers, have been excluded from the dataset on which this report is based. This procedure is consistent with reporting of previous surveys. The overall sample size for non-employers across the UK in 2020 was 2,022.

Sample cohorts

One of the main reasons given by respondents who do not want to participate in LSBS is that the interview length is too long. In 2018, BEIS made a commitment to bring down the average interview length and introduced 'cohort questions', which we used again in year six.

Three cohorts (A, B and C) were created. Each cohort was exclusively asked a series of non-key questions. For example, only cohort A was asked questions on business energy usage. cohorts were chosen for respondents at random during their interview.

The sample size for cohort questions is one-third of the normal sample size (so there are about 700 non-employers in each 2020 cohort). Each respondent is part of one cohort only. Where a business is in each of the 2018, 2019 and 2020 datasets, its cohort for 2020 is entirely independent of its 2018 and 2019 cohorts (knowing a business was in cohort A in 2018 or

2019 tells you nothing about which cohort it is in in 2020). Because of the different respondents answering questions for different cohorts, we have calculated separate cohort weights for analysing responses to the cohort questions. To analyse questions asked of cohort A in 2018, analysts should use the 2018 cohort A weights, for questions to cohort C in 2019 they should use the 2019 cohort C weights, and so on.

Sector definitions

Throughout this report, data tables show sectoral analysis by one-digit [SIC 2007](#) codes. Because of relatively small numbers in the business population and survey sample, two of these sectors are grouped together: ABDE, labelled as primary, comprises (A) agriculture, fishing and forestry, (B) mining and quarrying, (D) electricity and gas, and (E) water, sewerage and waste management; KL comprises (K) finance and insurance, and (L) real estate.

To gain a better picture of the types of businesses that fall into each sector category, the following number of non-employers in each sector and the percentage of them that are unregistered businesses:

- **ABDE (primary).** There were 134,000 non-employing businesses in this sector in 2020, of whom 24% were unregistered businesses
- **C (manufacturing).** There were 201,000 non-employing businesses in this sector in 2020, of whom 75% were unregistered businesses
- **F (construction).** There were 814,000 non-employing businesses in this sector in 2020, of whom 79% were unregistered businesses
- **G (retail and wholesale).** There were 314,000 non-employing businesses in this sector in 2020, of whom 53% were unregistered businesses
- **H (transport and storage).** There were 295,000 non-employing businesses in this sector in 2020, of whom 76% were unregistered businesses
- **I (accommodation and food service).** There were 86,000 non-employing businesses in this sector in 2020, of whom 78% were unregistered businesses
- **J (information and communications).** There were 296,000 non-employing businesses in this sector in 2020, of whom 53% were unregistered businesses
- **KL (financial and real estate).** There were 149,000 non-employing businesses in this sector in 2020, of whom 48% were unregistered businesses
- **M (professional and scientific).** There were 677,000 non-employing businesses in this sector in 2020, of whom 60% were unregistered businesses
- **N (administrative services).** There were 395,000 non-employing businesses in this sector in 2020, of whom 74% were unregistered businesses
- **P (education).** There were 305,000 non-employing businesses in this sector in 2020, of whom 95% were unregistered businesses
- **Q (human health and social work).** There were 321,000 non-employing businesses in this sector in 2020, of whom 93% were unregistered businesses
- **R (arts and entertainment).** There were 285,000 non-employing businesses in this sector in 2020, of whom 89% were unregistered businesses
- **S (other services).** There were 297,000 non-employing businesses in this sector in 2020, of whom 93% were unregistered businesses

Uncertainty

Since the LSBS questioned a sample of UK SMEs, rather than all of them, there is inevitably a level of uncertainty around the estimates we derive from the survey and how close they will be to the true values.

Coverage and representativeness

Users might wonder if the sample we have used is adequately representative of the target population (the UK SME population). We have used two sampling frames to draw our sample from. One is the IDBR from the Office for National Statistics, which has excellent coverage of registered businesses in the UK, as it is regularly updated with information from HMRC. We use the Experian service to provide us with a sample of unregistered businesses.

The coverage of the unregistered business population is less well understood. It is likely that the Experian frame is good for well-established businesses that advertise their presence in trade directories for example. You can imagine a small business owner that relies on word of mouth and a few repeat customers and has no wish to expand the business for the moment (for example, there are people who make birthday cakes and other cakes in their own kitchens at home, who might have at most a Facebook page or Instagram account to advertise themselves). Neither of our sampling frames is likely to list this kind of small business.

Our sample is deliberately unrepresentative in the sense that it overrepresents larger SMEs, and also overrepresents non-English businesses. This is to ensure that we have reasonable sample sizes for medium-sized businesses, Scottish businesses etc., otherwise we would not be able to obtain robust estimates for important subgroups. A truly proportionate sample would otherwise contain just a handful of medium-sized businesses. We produce survey weights so that analysts can nevertheless arrive at estimates that take due account of the actual distributions in the population – the micro businesses have larger weights than the medium-sized businesses for example.

Another way that our sample might be unrepresentative is that the businesses that take part in the survey (which is after all voluntary) are different from the businesses that we sample but do not agree to take part, with respect to the various questions we ask. This is known as non-response bias. For example, if struggling businesses are more likely to refuse to take part than thriving ones, then our final achieved sample will underrepresent struggling businesses, and estimates of things like future ambition, that might differ considerably between struggling and thriving businesses, might be biased.

It is hard to quantify non-response bias. We have taken a number of standard steps to try to minimise its risk. The research company that conducted our interviews made multiple attempts for each sampled business for which we could obtain a telephone number, so that we can get more of the reluctant businesses, and we did not have hard quotas for each of our 'target cells' (quotas for a target cell, for example 25 interviews of micro businesses in finance and real estate in Wales, can encourage an interviewer to give up quickly on reluctant businesses and focus on snapping up as many easier businesses as possible in order to meet their quota as quickly as possible). Sampled businesses were also given contact details for government officials so they could confirm the survey was genuine and official.

Sampling uncertainty

It is possible to quantify the amount of uncertainty that arises from using a sample instead of interviewing the entire population. There are a number of ways of doing this, but we will focus on using a statistical tool known as confidence intervals.

In order to run our survey, we drew a random sample. This means that on another day we would have drawn a different sample. With our actual sample, we estimated that 66.6% of businesses with no employees in 2020 made a profit or generated a surplus in the previous financial year. But it is possible that another random sample might have found that number to be 68.7%, or 64.5%, even though the actual true figure is unchanging. This is known as sampling variability.

What we can do is produce a 95% confidence interval around an estimate. In the case of this profitability measure, the interval goes from 64.5% to 68.7%. The interval has been calculated using a method that, for 95% of the possible random samples we could have drawn, will produce an interval that actually contains the true value of this profitability measure. Each different random sample would have a different confidence interval, but 95% of the time the interval produced will contain the true value. So, our actual survey estimate is 66.6%, and we are 95% confident that the true value is in the range 64.5% to 68.7%.

Our survey contains hundreds of measures and it is not practical to produce confidence intervals for each one of them. Instead, Table 2 summarises the sampling uncertainty for the key measures reported in this publication.

Most of the estimates from this survey are presented as proportions or percentages (such as 10%). If this was an estimate relating to all UK businesses with no employees, then we look at the 'all UK' row and the column for estimates at 10%. The confidence interval is given as +/- 1.6%. So, our confidence interval around the 10% estimate is 10% +/- 1.6%, that is, from 8.4% to 11.6%. We are 95% confident that the true figure is between those values.

If the estimate had been closer to 30% or to 70%, then our interval would have used +/-2.5% instead of +/- 1.6%, according to Table 2. When estimates are close to 50%, that is the 'worst case scenario' in the sense that the confidence intervals are at their widest. They narrow more as the estimate moves away from 50% (in either direction). Thus, the intervals are slightly narrower for 30% or 70% estimates, and narrower still for 10% and 90% estimates.

Confidence intervals get narrower when you have larger sample sizes too. If our 10% estimate is for registered business with no employees rather than for all UK businesses with no employees, we use a different row of the table, and find the confidence interval to be 10% +/- 6.3%. If we have an estimate of 65% for the construction sector, that is pretty close to 70% so we use that column of the table and arrive at an approximate confidence interval of 65% +/- 4.2%.

Table 2 is useful for estimates of proportions but cannot be used for other measures. For example, we have estimated a mean amount of external finance sought for by non-employers - £339,000. Table 1 cannot be used to produce a confidence interval for this estimate, though it can be done⁷.

⁷ The underlying data tables published alongside this report contain something called 'standard errors' for estimates that are not proportions, such as amount of finance sought, or number of employees. Standard errors are another way of quantifying the sampling variability. As a rule of thumb, twice the standard error gives you the '+/-' for a 95% confidence interval. 39

Which differences are statistically significant?

Generally, throughout this report where we talk about differences (between the estimate for a subgroup and the total, say, or between two subgroups) we mean they are different even after taking account of the sampling variability. This is often described as statistically significant. Where we simply list numbers that are different (for example 'England (41%), Scotland (38%), Wales and Northern Ireland (both 36%)') this does not necessarily mean that they are statistically significantly different from each other. Where we draw attention to some estimate being 'higher', or a subgroup being 'most likely', or single out a sector as higher than the rest, this is a statistically significant difference.

For example, we have stated the following: Businesses with no employees within finance and real estate (80%), health (77%) and professional and scientific (75%) sectors were most likely to have generated a profit or surplus in the last 12 months, while those in accommodation and food (44%) and other services (52%) were least likely to have done so.

This does not mean that finance and real estate businesses were statistically significantly more likely to have generated a profit or surplus than health and professional and scientific businesses, but all three of these sectors were statistically significantly more likely than other businesses with no employees i.e., they were more likely to than average. Similarly, we are 95% confident that the two sectors mentioned were less likely than average to have done so, even though there is some uncertainty over those specific figures of 44% and 52%.

Table 2

| | Sample size | Confidence interval for an estimate of 10% or 90% | Confidence interval for an estimate of 30% or 70% | Confidence interval for an estimate of 50% |
|---|-------------|---|---|--|
| All UK | 2022 | +/-1.6% | +/-2.5% | +/-2.7% |
| England | 1705 | +/-1.7% | +/-2.6% | +/-2.9% |
| Scotland | 158 | +/-6.1% | +/-10.5% | +/-10.9% |
| Wales | 51 | +/-7.1% | +/-14.2% | +/-15.6% |
| Northern Ireland | 108 | +/-7.6% | +/-11.6% | +/-12.7% |
| Unregistered businesses without employees | 727 | +/-2.3% | +/-3.5% | +/-3.8% |
| Registered businesses without employees | 1295 | +/-6.3% | +/-3.5% | +/-3.8% |
| ABDE. Primary sector | 111 | +/-6.3% | +/-10.4% | +/-11.4% |
| C. Manufacturing | 113 | +/-7.5% | +/-13.0% | +/-13.8% |
| F. Construction | 214 | +/-3.9% | +/-6.3% | +/-6.8% |
| G. Retail and wholesale | 214 | +/-4.5% | +/-7.1% | +/-8.1% |
| H. Transport and Storage | 65 | +/-7.7% | +/-12.0% | +/-13.0% |
| I. Accommodation and Food | 47 | +/-11.7% | +/-16.5% | +/-21.1% |
| J. Information and communication | 176 | +/-5.5% | +/-7.8% | +/-8.6% |
| KL. Finance and real estate | 93 | +/-7.3% | +/-11.3% | +/-12.4% |
| M. Professional and scientific | 471 | +/-3.2% | +/-4.8% | +/-5.3% |
| N. Administration and support | 145 | +/-5.5% | +/-9.8% | +/-10.4% |
| P. Education | 76 | +/-7.7% | +/-12.6% | +/-13.4% |
| Q. Human health | 96 | +/-6.6% | +/-9.7% | +/-10.5% |
| R. Arts and entertainment | 98 | +/-7.1% | +/-10.1% | +/-11.1% |
| S. Other services | 103 | +/-6.7% | +/-9.7% | +/-10.7% |

For cohort questions, the margins of error increase by about 70% - for example +/- 2.0% becomes +/- 3.4% (to increase a number by 70%, multiply it by 1.7)

This table applies to estimates of proportions.

Definitions

| | |
|-------------------------------|--|
| Business, enterprise, firm | In this report these terms all mean the same – they are interchangeable. |
| cohort | We use this term to describe the way the survey samples from 2018 onwards are divided into three separate groups (the cohorts) and answer some questions that are for their cohort only. This was done to increase the number of questions asked in the survey without increasing the average length of interview. |
| EFTA | European Free Trade Association. This comprises the countries of Iceland, Liechtenstein, Norway and Switzerland. The three countries apart from Switzerland are part of the European Single Market as members of the European Economic Area. |
| EU, the UK's exit from the EU | The EU is the European Union. During the fieldwork period for the 2019 survey the UK left the EU (informally but widely referred to as 'Brexit') and entered into a transition period which lasted until the end of 2020. The last three months of fieldwork for the 2020 survey was undertaken once the UK had completely left the EU. Usually in this report when we refer to the EU we actually mean the EU members apart from the UK as we are talking about international trade – a British business 'exporting to the EU' must be selling goods or services outside the UK (otherwise it could not be described as an export). |
| Exports | In this report this means a British business selling goods or services to a customer outside the UK. An English business selling to a Northern Irish business is not exporting, but a Northern Irish business selling to a customer in the Republic of Ireland is exporting. |
| Family-owned business | This means a business where a majority of the owners are in the same family. A business with a single owner is automatically a family-owned business, although a business with no owners is not. 'Majority' means more than half, but ultimately, we require the respondent to the survey to interpret this: where a business has more than one working owner or partner, they are simply asked if the business is family-owned and this is defined in the questionnaire as 'majority-owned by members of the same family'. |
| Finance | In this report when we talk about businesses accessing finance or applying for finance, we usually mean borrowing money for business reasons. This might be from banks or other financial institutions or might be less formal arrangements such as money borrowed from friends and family. |
| Health sector | The health sector in this report is more accurately described as the 'human health and social work sector'. It does not include veterinary services (which fall under the professional and scientific sector). As this survey covers the private sector, the National Health Service (NHS) does not come under the health sector for this survey; but private sector healthcare providers do. |

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| Imports | In this report this means a British business buying goods or services from a business outside the UK. A Northern Irish business buying from a Welsh business is not importing, but a Northern Irish business buying from a business in the Republic of Ireland is importing. |
| Innovation | This refers to a business implementing a new or significantly improved product or process (which can also include new marketing methods or organisational methods). The international manual on collecting data about innovation is known as the Oslo Manual . |
| Longitudinal | A longitudinal study is one which collects data from the same unit as different times. We call this survey longitudinal because each year we try to re-interview businesses that took part in the survey in previous years. Analysts have specific methods for analysing longitudinal data. This report focusses on cross-sectional analysis – even when we refer to results from earlier years of the survey, we take no particular account of the fact that some businesses will have contributed to both years of the survey (in other words, the analysis is <i>not</i> longitudinal). We have longitudinal analysis in the panel report which we publish separately, and the dataset is available to approved researchers to perform their own longitudinal analysis if they wish. |
| Mean | A measure of the average which takes the total of whatever is being measured and divides it by the number of units being measured. (For example, mean turnover of micro-businesses in 2020 is the total turnover of micro-businesses in 2019 divided by the total number of micro-businesses in 2020.) As the LSBS is a sample survey, the mean is estimated, as we can only estimate the relevant total for example. The mean is a common and well-known statistical measure, but it can be affected by extreme values which make it poor as a measure of the ‘typical’ value of whatever is being measured. This is often a problem with business statistics as there are often many ‘extreme’ values. |
| Median | The median is an alternative measure of the average which is not affected by extreme values in the way that the mean can be. As such it is often a better way of finding a ‘typical value’ of whatever is being measured. The median is the middle value of what is being measured if all the measured values are put into order from smallest to largest value. As with the mean, in the LSBS we can only estimate the median as we are working from a sample. |
| Medium-sized business | A business which has between 50 and 249 employees (whether they are full-time or part-time). These are the largest SMEs, since businesses with 250 or more employees are defined as large businesses in this survey. Alternative definitions of business size are sometimes used by other studies (which might include consideration of annual turnover or total assets belonging to a business). |
| MEG-led business | A business where at least half of the leadership team comes from minority ethnic groups (as this is a UK survey, minority ethnic groups are those that are not White British, where White British includes White English, White Scottish etc). The leadership team comprises the directors and working owners. We can include members of several ethnic groups and can include people who describe themselves as mixed ethnicity where White British is one of those ethnicities. |
| Micro business | A business which has between one and nine employees (whether they are full-time or part-time). |

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| National Minimum Wage, National Living Wage | The National Minimum Wage has been in operation in the UK since 1999. This sets a minimum value for the hourly rate of pay that employers must pay, though this level depends on the age of the employee and differs for apprentices. It does not depend on the size of the employing business. It is usually updated once a year following a (non-binding) recommendation by the Low Pay Commission but ultimately determined by the UK Government. The National Living Wage is a minimum wage that applies to workers from the age of 25 and has been in place since 2016. It was extended to 23- and 24-year old's on 1 st April 2021. As it is higher than the National Minimum Wage it effectively supersedes it for employees aged 25 or more. |
| PAYE | This stands for 'pay as you earn' and describes the system where employees' taxes on income are deducted automatically from their pay before they are paid. If this is done accurately then the employee does not face an annual tax bill for these taxes. The relevance for this survey is that businesses that we describe as 'unregistered' will not be registered for PAYE with the UK tax authorities – so if a business is registered for PAYE we know that it ought to be included in our sampling frame for registered businesses, the IDBR. |
| Private sector, public sector | The survey is one of private sector businesses, which are businesses where the government 'does not exercise significant control over the general corporate policy' of the business. The Office for National Statistics follows international guidance to determine whether something is in the public sector, and have more information on their process here . Note that the private/public sector distinction is not the same as the market/non-market distinction, and in particular note that charities and social enterprises can be in the private sector (in fact the majority of these are). The ONS page has more detail on this. |
| R&D | This stands for 'research and development' and in this survey is usually referred to in the context of 'R&D spending', meaning spending on creative and systematic work to increase the stock of knowledge or to devise new applications of existing knowledge. The international manual on collecting data about R&D is known as the Frascati Manual . |
| Red tape | This is an informal term used to refer to regulations or requirements that are imposed on a business or person. In this survey it is sometimes cited by businesses as an obstacle. Different businesses may have different ideas as to what counts as red tape, and the ultimate source of regulations that are perceived as red tape could be governmental or non-governmental. |
| Registered business | In our survey we use 'registered' businesses to mean those that are registered for PAYE (and so are employers) or registered for VAT (and so have an annual turnover above a certain threshold set by the UK Government). In either of these cases such businesses ought to be included in our sampling frame for registered businesses, the IDBR. Some unregistered businesses do appear in the IDBR but we use a separate sampling frame for unregistered businesses which has better coverage of them. |
| Sector | In this report businesses are classified into one of a number of non-overlapping sectors. We use the Standard Industrial Classification but have combined some of the categories to make them more practical for our survey. See the 'sector definitions' section of this report for more detail. |

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| SIC 2007 | This is the specific version of the Standard Industrial Classification that is used for this survey, in common with most official statistics in the UK. This is a useful page from the Office for National Statistics website for more detail on SIC 2007. |
| Small business | A business which has between 10 and 49 employees (whether they are full-time or part-time). In some contexts people use the term ‘small business’ to refer to all businesses that are smaller than large and medium-sized businesses (in other words all businesses with fewer than 50 employees) but in the LSBS we always use the narrower definition when referring to small businesses specifically. |
| SME | This stands for ‘Small and Medium Enterprises’, but this is commonly meant to refer to all businesses, firms and enterprises that have fewer than 250 employees, including those that have no employees at all. This means that in the LSBS ‘SMEs’ actually comprise business with no employees, micro businesses, small businesses and medium-sized businesses. |
| Surplus | Our survey includes not-for-profit enterprises and for many of these it is more appropriate to use the term ‘surplus’ to refer to an excess of revenue (money coming in, from all sources) over expenditure (money going out, for all reasons). |
| Trade credit | Trade credit is typically used to refer to when a business receives goods or services from another business but does not pay for it in full at the time of delivery. We ask about it in the survey in the section on finance, but we do not treat it as a form of external financing – rather, it is contrasted with late payments, so it is better thought of as a form of agreed delayed payment, with late payments a delayed payment that has not been agreed. |
| Turnover | In the LSBS this term is usually synonymous with ‘sales’. Although for the purposes of preparing accounts ‘turnover’ may be defined differently from ‘revenue’ or ‘sales’ we do not specify a particular definition in our questionnaire and assume that respondents interpret it to mean revenue from sales which do not take account of costs. |
| VAT | Value-added tax is tax which businesses are liable to pay if their annual turnover is above a certain threshold . Businesses which are registered for VAT with the UK tax authorities are considered to be ‘registered’ businesses for this survey and ought to be included in our sampling frame for registered businesses, the IDBR. |
| Women-led business | Women-led businesses are defined as those majority-led by women, that is controlled by a single woman or having a management team of which a majority are women. ‘Majority’ here means more than 50%. |

Further Information

Future updates to these statistics

BEIS intends to continue the survey for at least one further wave. The original plan for the 2020 survey was to have interviewing begin in July 2020 and continue to February 2021, but the department decided in April 2020 to delay the start of interviewing at least to September because of the uncertainty and upheaval caused by the coronavirus (COVID-19) pandemic. Interviewing took place between the 11th September 2020 and the 1st April 2021. At this stage we cannot confirm when the 2021 survey will start.

Related statistics

The related publication of statistics relating to [SME employers](#) is on the same day as this publication. BEIS will also publish a panel report on September 2021 which focuses on businesses that have taken part in several waves of this survey and associated longitudinal analysis. On the same day as the panel report we will publish the technical report which will include the questionnaire used for the 2020 survey.

The Scottish Government usually produces its own publication based on the same data but focused on Scottish businesses.

BEIS publishes the [Innovation Survey](#) which covers the topic of innovation in much greater detail, and covers large businesses (which the LSBS excludes) but not micro businesses and non-employers (which the LSBS includes). As outlined elsewhere in this report BEIS also publishes the [Business Population Estimates](#) (BPE) which details the structure of the UK's business population (and which the LSBS uses for determining sample sizes and for weighting). The BPE contains information about employment and turnover in different sectors and includes information at regional level as well as nationally.

The Office for National Statistics conducts many surveys of businesses, many of which cover topics that the LSBS examines too. A good starting place is the [Annual Business Survey](#), which does not cover all the sectors of the economy but has very good coverage of large businesses.

The Department for Digital, Culture, Media and Sport (DCMS) publishes [Social Enterprise Market Trends](#), which takes a deeper look at the social enterprises that are identified in the LSBS. BEIS and DCMS worked to improve the survey questions used to identify social enterprises, with the new questions being used in the 2017 and 2019 surveys.

The Department for Education (DfE) conducts the Employer Skills Survey. The [2019 Employer Skills Survey](#) brought together the previous Employer Skills Survey and the Employer Perspectives Survey into a single large survey with over 80,000 respondents. DfE also publishes statistics about [apprenticeships by industry characteristics](#) in England based on administrative data.

Uses of these statistics

As a wide ranging survey of SMEs, the LSBS is of interest to many Government departments and agencies. BEIS makes use of the questions on energy use by SMEs to develop policies on business energy such as non-domestic smart meters. Statistics are used by the Government Equalities Office to monitor rates of women-led businesses in the SME population. The figures for MEG-led SMEs are published by the Government's Race Disparity Unit as part of its [Ethnicity Facts and Figures](#) service. Government also uses the LSBS data to understand more about the export and import behaviour of UK SMEs and the operation of the UK internal market. As mentioned above DCMS makes use of the social enterprises data and the Scottish Government uses the data for evidence and analysis on a broad range of policy areas. In the past the Department for the Environment, Food and Rural Affairs (Defra) has analysed rural SMEs, and the Low Pay Commission has looked at what businesses say about the National Minimum Wage and National Living Wage. Her Majesty's Revenue and Customs has sponsored questions looking at SME preparedness for the Making Tax Digital Programme. Innovate NI looks at Northern Irish companies and their innovation activities. The British Business Bank is a major sponsor of the survey and makes use of the data on access to finance.

The LSBS is increasingly widely used in the academic and research community, in the UK and abroad. We will run a mini competition later in 2021 for research teams to apply for small grants to conduct research using the latest LSBS data, and the data will continue to be made available by the ONS [Secure Research Service](#) and the [UK Data Service](#) for approved researchers. These [slides](#) are from an event hosted by the [Enterprise Research Centre](#) in 2019 showcasing findings from projects that were sponsored by BEIS in 2018, but there are many other [papers and reports](#) that make use of the data. The [Institute for Family Business](#) makes use of the survey in its 'State of the Nation' reports. The Federation for Small Businesses has used the LSBS in its research work, for example the Unlocking Opportunity report <https://www.fsb.org.uk/resource-report/unlock.html>

User engagement

Users are encouraged to provide comments and feedback on how these statistics are used and how well they meet user needs. Comments on any issues relating to this statistical release are welcomed and should be sent to business.statistics@beis.gov.uk.

The BEIS statement on [statistical public engagement and data standards](#) sets out the department's commitments on public engagement and data standards as outlined by the [Code of Practice for Statistics](#).

Revisions policy

The [BEIS statistical revisions policy](#) sets out the revisions policy for these statistics, which has been developed in accordance with the UK Statistics Authority [Code of Practice for Statistics](#).

Pre-release access to statistics

Some ministers and officials receive access to these statistics up to 24 hours before release. Details of the arrangements for doing this and a list of the ministers and officials that receive pre-release access to these statistics can be found in the [BEIS statement of compliance](#) with the Pre-Release Access to Official Statistics Order 2008.

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