



Department for
Business, Energy
& Industrial Strategy

Longitudinal Small Business Survey: businesses with no employees – UK, 2018

24 May 2019

Official Statistics

- **25% of businesses with no employees reported growth in turnover** (value of sales) in the last year, while 49% had approximately the same turnover and 22% had a fall in turnover. These proportions are similar to those reported for 2017.
- 52% of businesses with no employees planned to grow their turnover over the next three years. This is a 13 percentage point increase on the 2017 figure and the **highest seen since 2012**.
- 10% of businesses with no employees employed someone 12 months previously. This proportion was lower than in 2017, down six percentage points.
- **Just 6% of businesses in 2018 with no employees had sought external finance** in the 12 months preceding interview, very similar to 2017.
- 18% of businesses with no employees had sought external information or advice in the last 12 months. This was a slight increase, of two percentage points, on 2017.
- As in the previous year, the obstacle that was most cited by businesses with no employees was **competition in the market** (by 40%). The other three most cited obstacles were regulation or red tape (30%), late payment (26%), and taxation (26%).
- A fifth (20%) of businesses with no employees saw UK exit from the EU as a problem. This proportion was two percentage points lower than in 2017.
- 23% of businesses with no employees were majority-led by women. This figure was **two percentage points higher** than in 2017.
- 4% of businesses with no employees were majority-led by people of a minority ethnic group (MEG-led). There was no statistically significant difference in the overall proportion of MEG-led businesses between 2015 and 2018.

What you need to know about these statistics:

These statistics are based on a 2018 telephone survey of UK businesses with fewer than 250 employees. This report focusses 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.

Throughout this report, **when we refer to businesses we mean businesses that have no employees** unless stated otherwise.

We often distinguish between registered and unregistered businesses. We mean by this businesses that are **registered to pay VAT (because their turnover over the course of a year is above the VAT threshold) or are registered for PAYE** (though for this report PAYE will not apply anyway as the businesses do not employ anyone). We do not mean registered as a charity or with Companies House as a company, for example.

'SMEs' means 'small and medium enterprises' – but this is always taken to include microbusinesses (who have between 1 and 9 employees) and non-employers too. The LSBS covers all SMEs, not just small businesses, though **this report only covers non-employers**.

This is a longitudinal survey as we try to re-interview businesses each year – about 2,700 businesses have taken part in all four years of the survey so far ('panellists'), and 4,500 of the businesses in 2018 had taken part in at least one previous survey. In addition, there were 10,500 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.

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.

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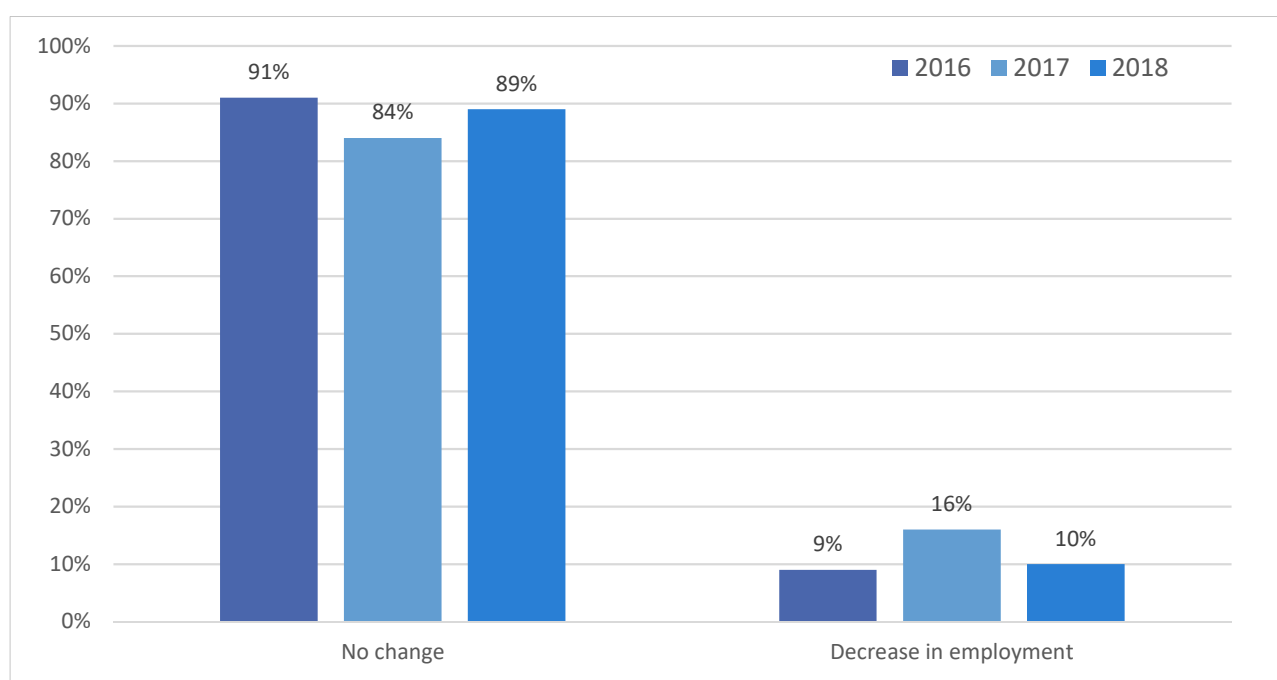
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1. Business performance

Changes in the levels of employment

1. A tenth (10%) of businesses with no employees that had been trading for at least a year had actually been employing people 12 months previously. This was a six percentage point decrease compared with 2017, but is similar to the proportion from 2016.

Figure 1.1: Change in employment compared to 12 months previously (2016 to 2018; businesses that have been trading for at least a year)¹



2. Registered businesses were less likely to have had one or more employees a year ago than those that were unregistered (8% compared with 11%).
3. By sector², those in wholesale and retail trade (13%) were most likely to have reduced their employment levels. Those in finance and real estate (6%) and professional scientific and technical activities (8%) were least likely to have done so.

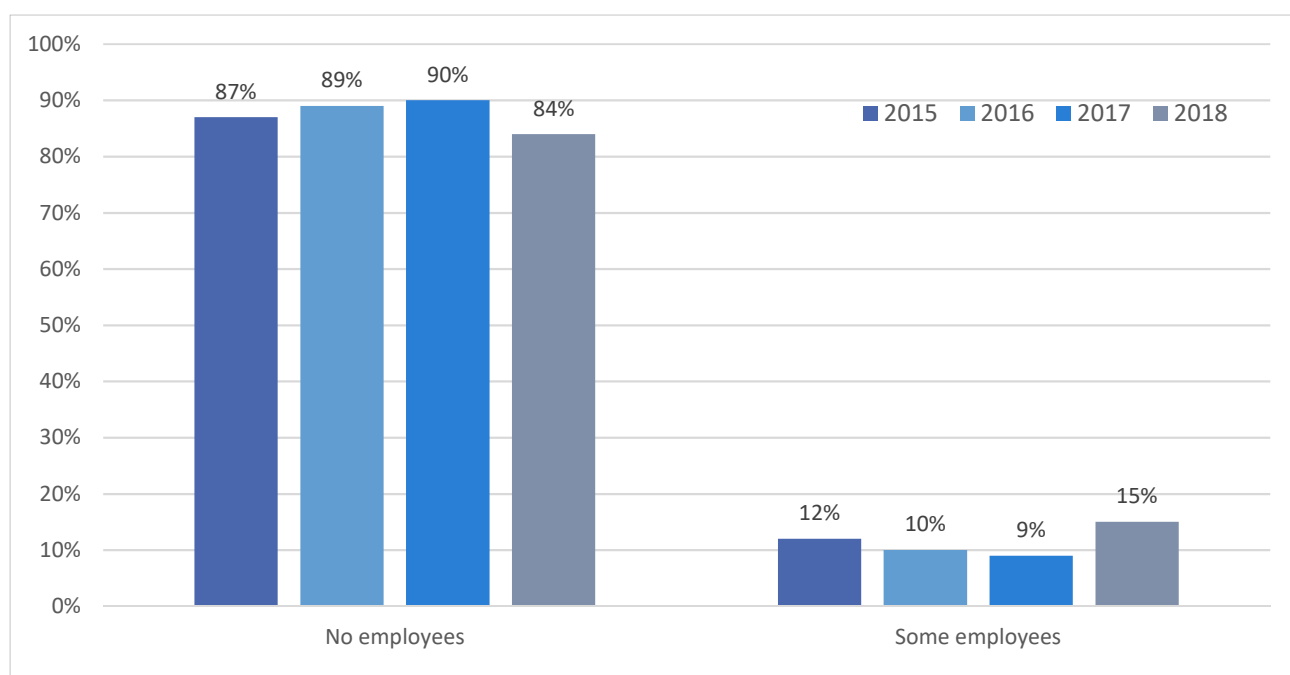
¹ This analysis is based only on the responses of panellists (those that were interviewed in 2016, 2017, and 2018)

² For more information on the industrial sectors used in this report, see the notes at the end of the report.

Expectations for employment growth

4. Around 15% of businesses expected to start employing people in a year's time, a rise of six percentage points since 2017.

Figure 1.2: Expectations for employment in 12 months' time (2015 to 2018)



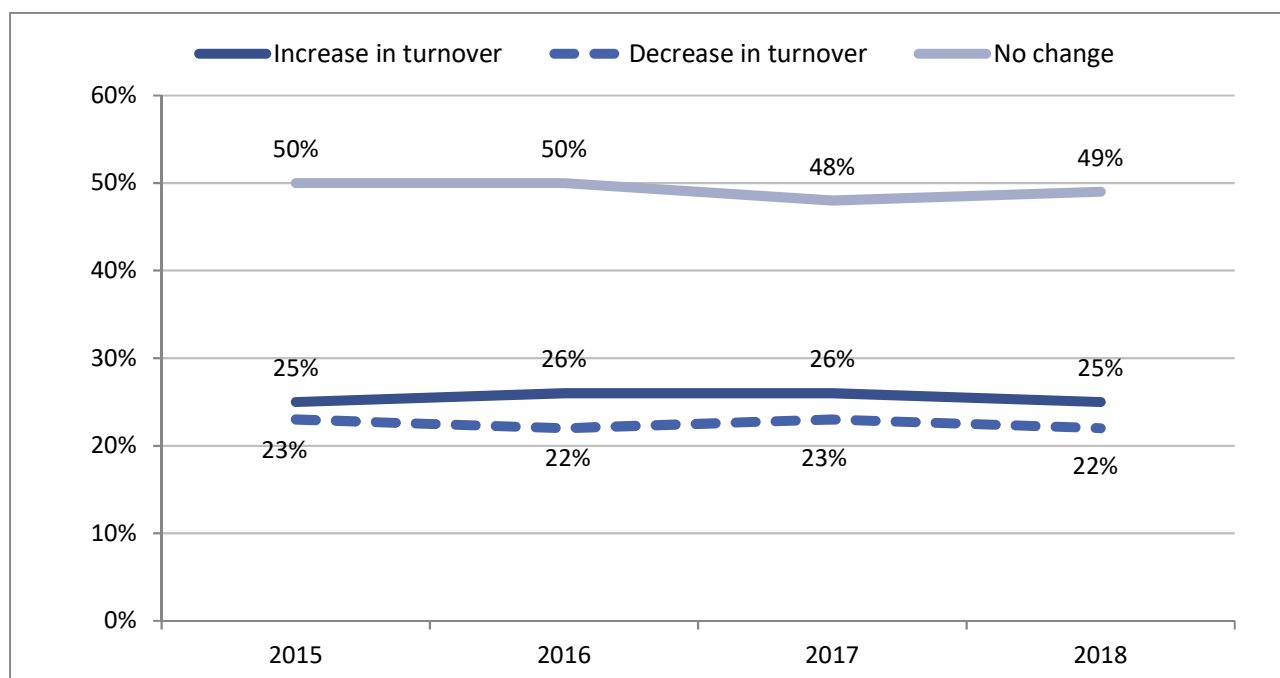
5. Registered businesses were less likely than unregistered businesses to expect to employ people in a year's time (12% compared with 16%).
6. By sector, businesses in retail and wholesale (20%) and administrative services (19%) were more likely to expect to employ people.
7. Businesses in England and Scotland were more likely than those in Northern Ireland and Wales to report that they expected to employ people in the next 12 months (15% and 14%, compared with 11% and 11% respectively).

Changes in levels of turnover

8. About 25% of businesses (having traded for at least one year) reported growth in turnover (value of sales) since a year previously. Some 49% had approximately the same turnover and 22% reported a fall in turnover. These proportions are virtually the same as those in 2017.
9. There was only a small difference between registered and unregistered businesses reporting increased turnover (27% and 24% respectively).
10. By sector, businesses in administrative services (31%), finance and real estate (33%), and professional and scientific services (28%) were most likely to report

growth in turnover. Those in retail and wholesale (27%) were most likely to report a decline in turnover.

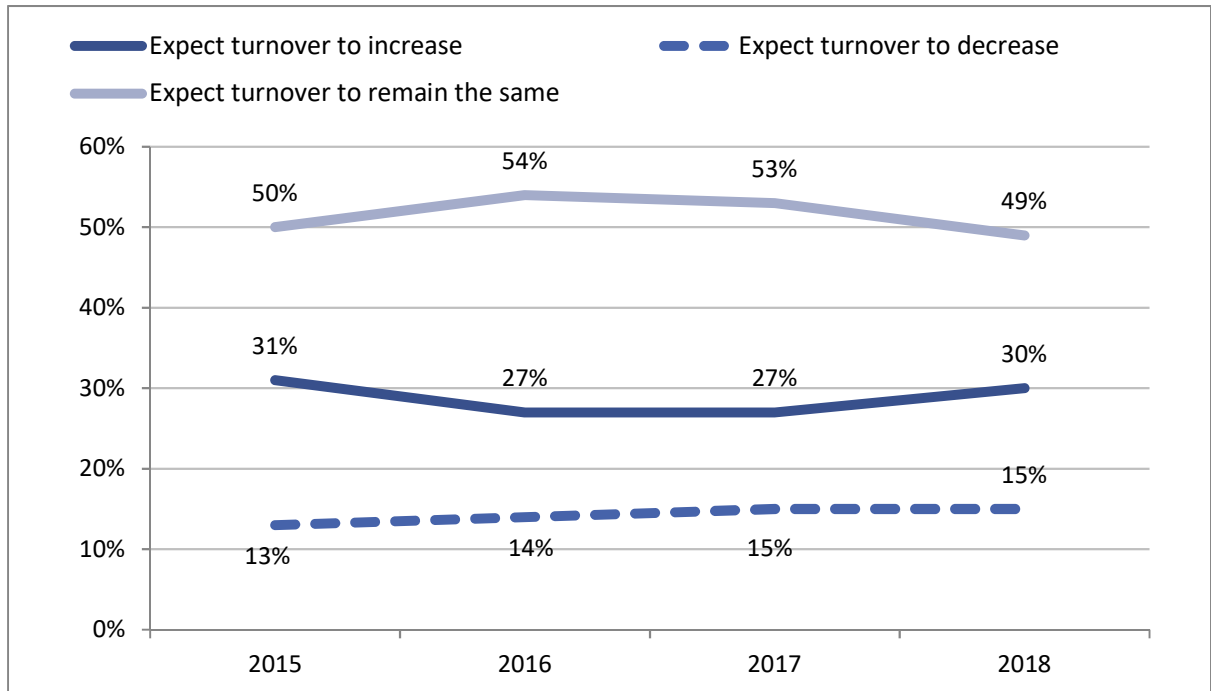
Figure 1.3: Current turnover compared to 12 months previously (2015 to 2018; based on businesses with no employees trading for at least a year)



Expectations of turnover in 12 months' time

11. About 30% of businesses expected turnover to increase in the next 12 months, 49% thought it would remain roughly the same and 15% thought it would be lower. Compared to 2017, more businesses expected turnover to increase (a rise of three percentage points).
12. Registered businesses were less likely than unregistered businesses to expect an increase in turnover (28% compared with 31%). The proportion expecting a decrease was higher for registered than unregistered businesses (17% and 14% respectively).
13. By sector, businesses in retail and wholesale (40%), information and communications (39%), and administrative services (36%) were more likely than average to expect turnover to increase. Those in professional and scientific services (20%) were more likely than average to think that turnover would decrease.

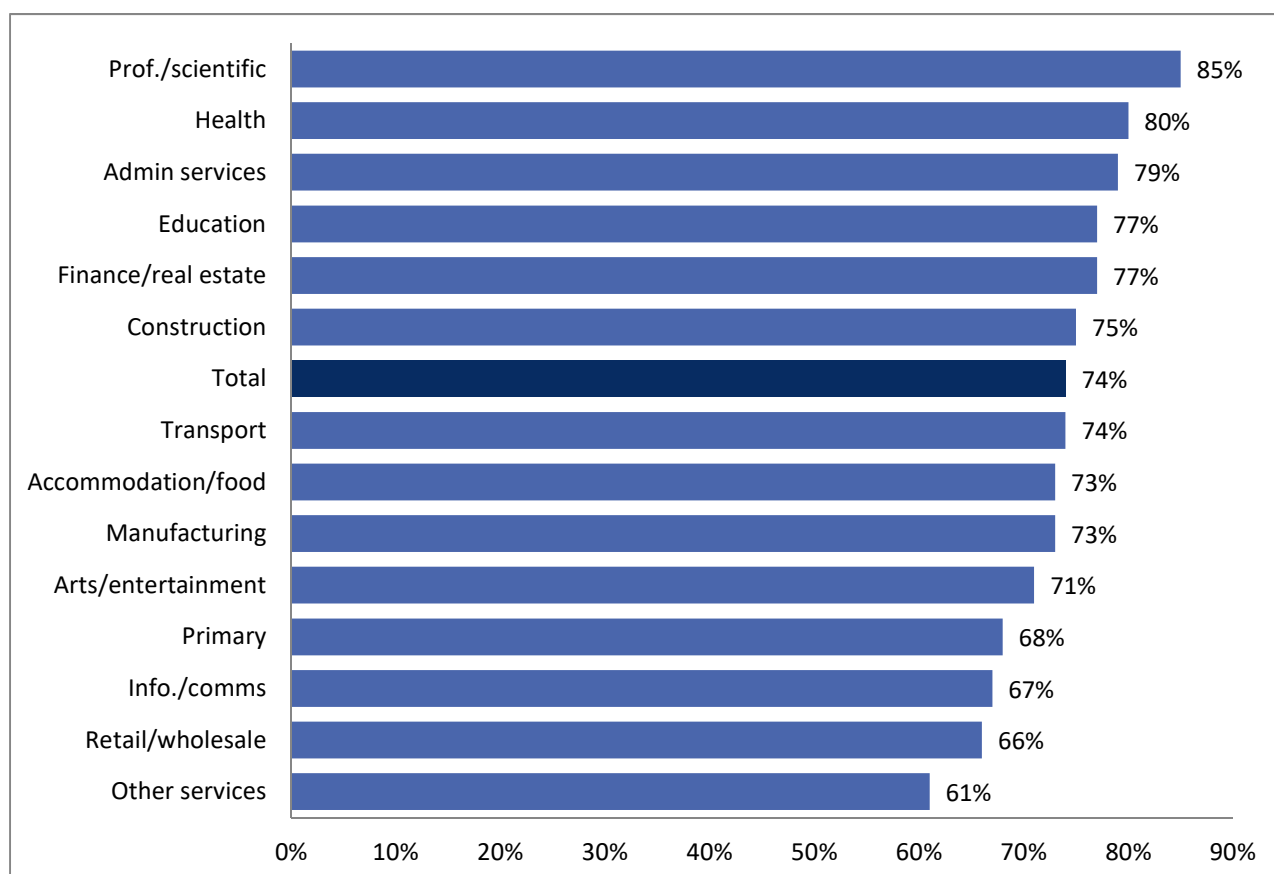
Figure 1.4: Expectations of turnover in 12 months' time (2015 to 2018)



Profit

14. Some 74% of businesses with no employees generated a profit or surplus in their last financial year, six percentage points lower than in 2017 but only a little lower than 2016. In comparison, 76% of SME employers in the 2018 survey generated a profit in their last financial year, 2% more than non-employers.
15. By sector, those in the professional and scientific sector (85%) were most likely to have made a profit. Those in 'other services' (61%) were least likely to have made a profit.

Figure 1.5: Percentage of businesses with no employees generating a profit or surplus in the last financial year, by sector (2018)

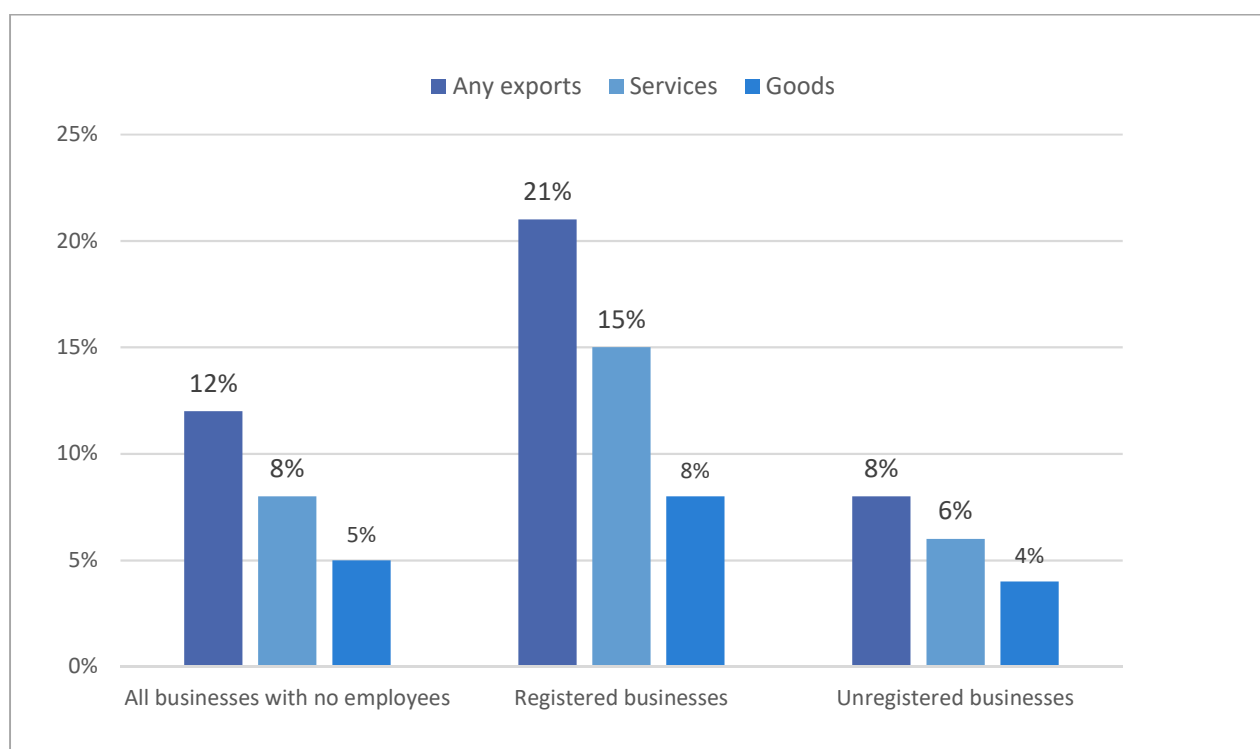


2. Exporting

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

- Overall, 12% of businesses with no employees exported goods or services in the last year. This proportion is the same as that in 2017 but two percentage points higher than in 2016.
- Registered businesses with no employees were more likely to have exported goods or services in the last year than unregistered businesses (21% and 8% respectively).

Figure 2.1: Proportion of businesses with no employees that sold goods, services or licensed products outside the UK in the last 12 months, by registration status (2018)



- By sector, businesses in information and communication (25%), retail and wholesale (19%), manufacturing (21%), and professional and scientific services (21%) were most likely to export. Businesses in construction (1%) and health (2%) were least likely to export.

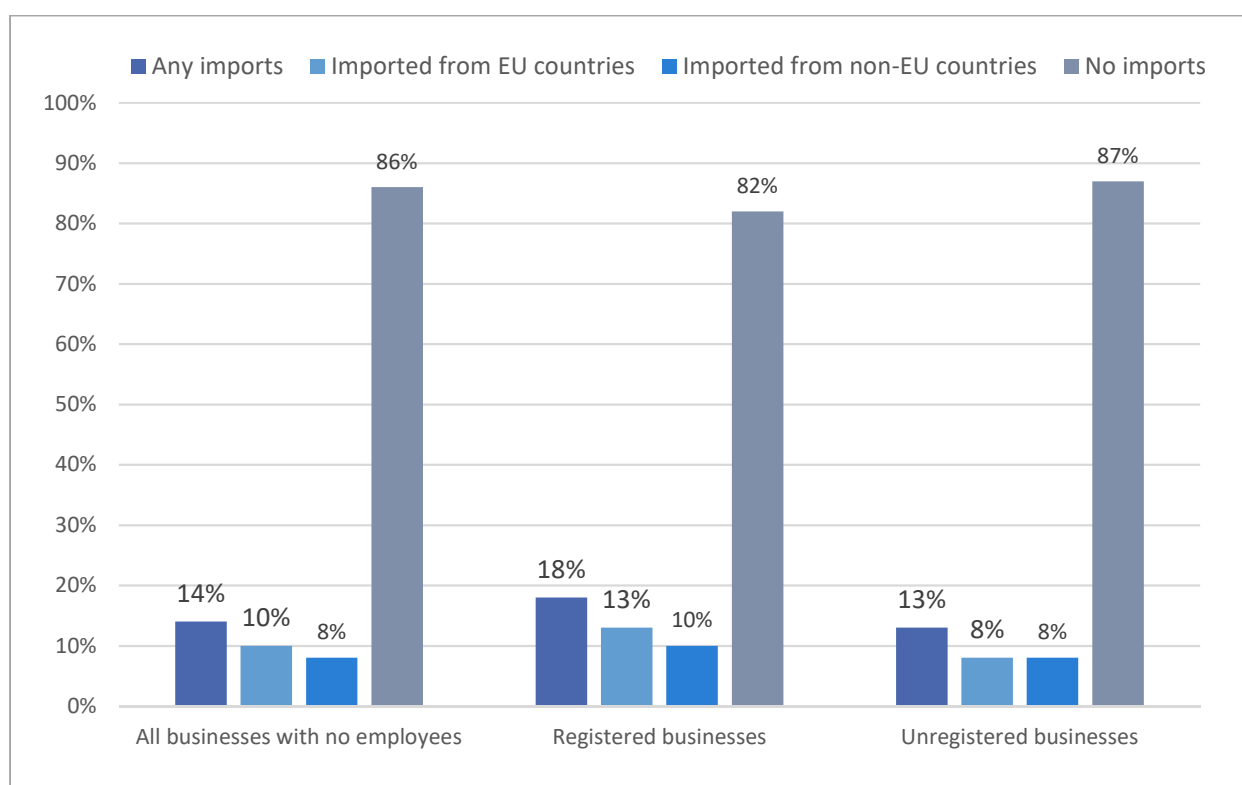
Destinations of exports

19. Of businesses that exported in the last year, 69% exported to (non-UK) European Union countries. The next most frequently cited export destination was the USA (42%), followed by other non-EU countries (32%), EFTA countries (19%), Canada (14%), China (8%), India (8%), Turkey (4%) and South Korea (4%).
20. By sector, exporters to the EU were most common in the retail and wholesale sector (84%).

Goods or services imports in the last 12 months

21. An estimated 13% of businesses with no employees imported goods or services in the previous year. This was similar to the proportion in 2016 and 2017 (12% in both years). The equivalent figure for SME employers in 2018 was 20%.
22. Registered businesses were more likely to have imported goods or services in the previous year than non-registered businesses (18% compared with 12%).

Figure 2.2: Sources of imports, by registration status (2018)



23. By sector, businesses most likely to have imported goods or services were in retail and wholesale (25%), manufacturing (32%), and information and communications (32%).

Plans to increase exports, start exporting and intermittent exporting

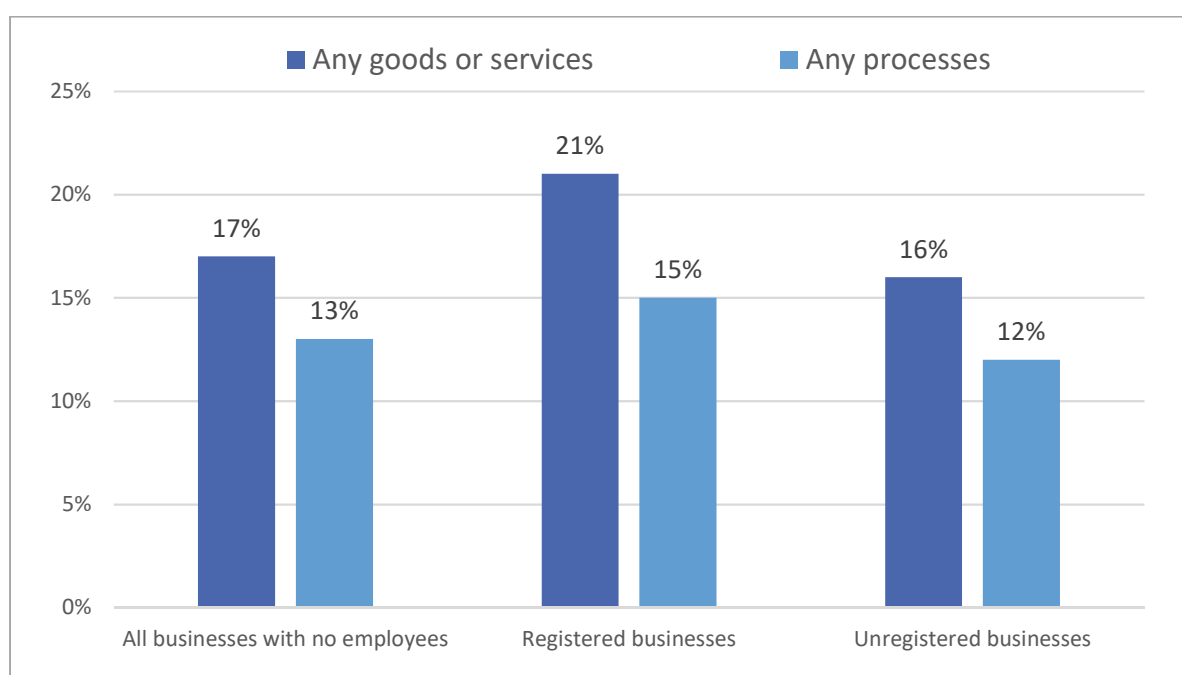
24. Looking at current exporters, 41% planned to increase their level of exports over the next few years (down two percentage points on 2017 and five percentage points on 2016). The equivalent proportion for SME employer exporters was 56%.
25. Of businesses that do not currently export, 6% plan to export in the future. This was slightly higher than 2017 (4%) and 2016 (5%).
26. Non-exporters in the information and communications sector were most likely to consider future exporting activity (12% of these businesses).
27. Of businesses with no employees that have exported for two years or longer, 58% had overseas sales every year since they started exporting, and 38% had some years without overseas sales. This compared with 72% and 24% of SME employers respectively.
28. Of those exporters that had some years without overseas sales, the main reason for this was that they only received occasional orders from overseas (46%). A further 18% said they preferred to concentrate on UK markets, 6% said exporting was not profitable for them, and 9% said they did not have time to pursue exporting.
29. Overall, 18% of businesses had goods or services that were suitable for export. This was a lower proportion than in the 2017 survey (29%). Registered businesses with no employees were more likely to have had goods or services suitable for export than unregistered ones (27% compared to 15%).
30. By sector, those in manufacturing (33%), information and communications (49%), retail and wholesale (28%) and professional and scientific services (37%) were most likely to have had goods or services suitable for export.

3. Innovation activity

New or significantly improved processes in the last three years³

31. An estimated 13% of all businesses with no employees had innovated processes for producing or supplying goods or services in the last three years. This was one percentage point higher than in 2017 and 2016 but lower than in 2015 (16%).
32. The proportion was higher for registered businesses than unregistered ones (15% compared with 12%).
33. By sector, those most likely to have introduced new or significantly improved processes were in information and communications (24%) and manufacturing (21%).

Figure 3.1: Proportion of businesses with no employees that have introduced new or significantly improved goods, services or processes, by registration status(2018)



³ Figures for the introduction of new or significantly improved goods or services are not shown for 2018. In 2015-17 there were separate questions about goods and services. In 2018 a single question was asked ('Has your business introduced any new or significantly improved goods or services in the last three years? This excludes the resale of goods purchased from others' businesses, or changes of a solely aesthetic nature'). The drop in the proportion innovating goods or services between 2017 and 2018, and the profile of those doing so, suggests that most respondents interpreted this question in terms of goods only, not goods and services.

Innovations which were new to market or industry

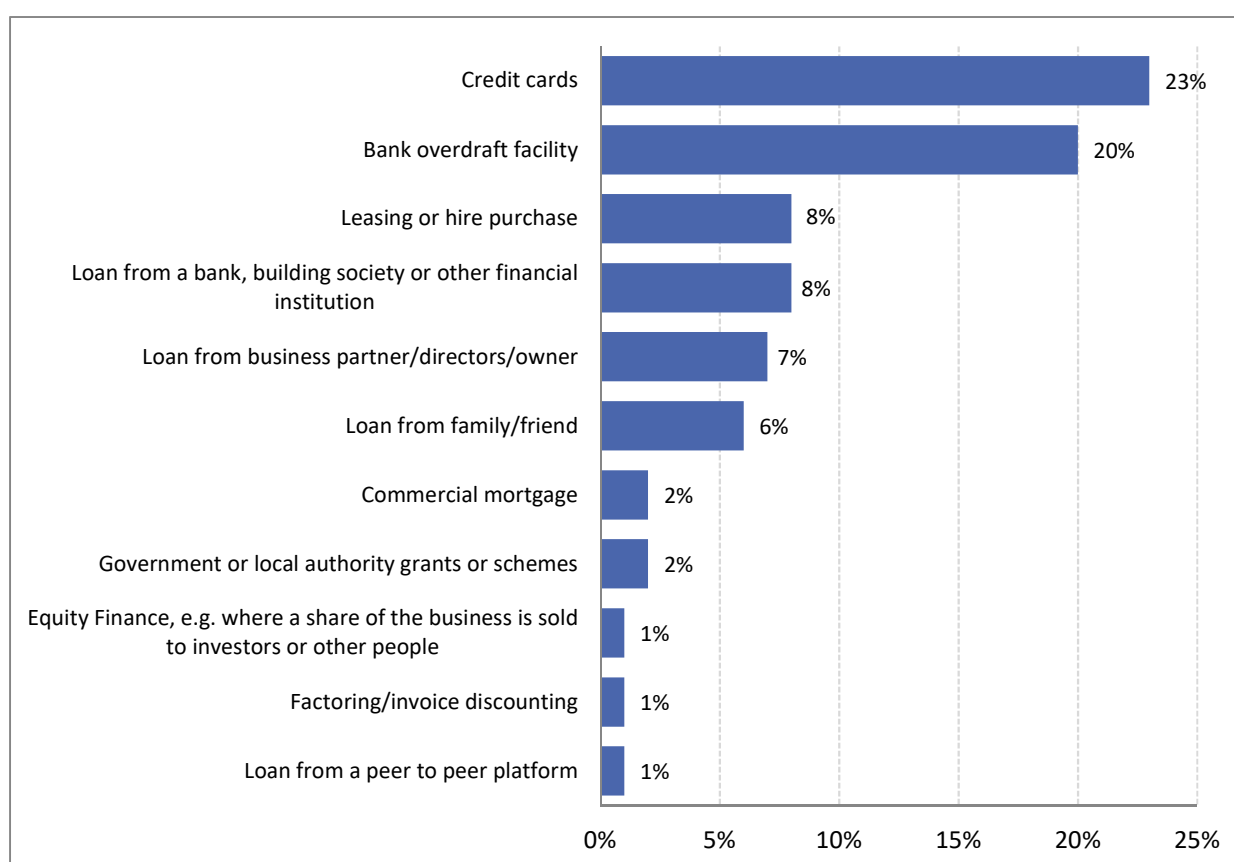
34. Of all these businesses, 6% had introduced goods or services that were new to the market (down from 8% in 2017) and 4% had introduced or significantly improved processes that were new to their industry (up from 3% in 2017).
35. Businesses that introduced goods or services that were new to the market were most likely to be in the information and communications (18%) and manufacturing (11%) sectors.
36. Businesses that introduced processes that were new to the industry were most likely to be in the information and communications sector (18%).

4. Access to external finance

Types of external finance currently used

37. As in 2017, 48% of businesses with no employees used external finance.
38. Registered businesses with no employees were more likely to use external finance than unregistered businesses (55% compared with 45%).
39. For businesses the most common forms of external finance used were credit cards, (23%) bank overdrafts (20%), leasing and hire purchase (8%), and loans, either from a bank, building society, or other financial institution (8%), or from business partners, directors or owners (7%).
40. There were no great differences between the types of finance used in 2018 and 2017.

Figure 4.1: Proportion of businesses with no employees currently using forms of external finance (2018)

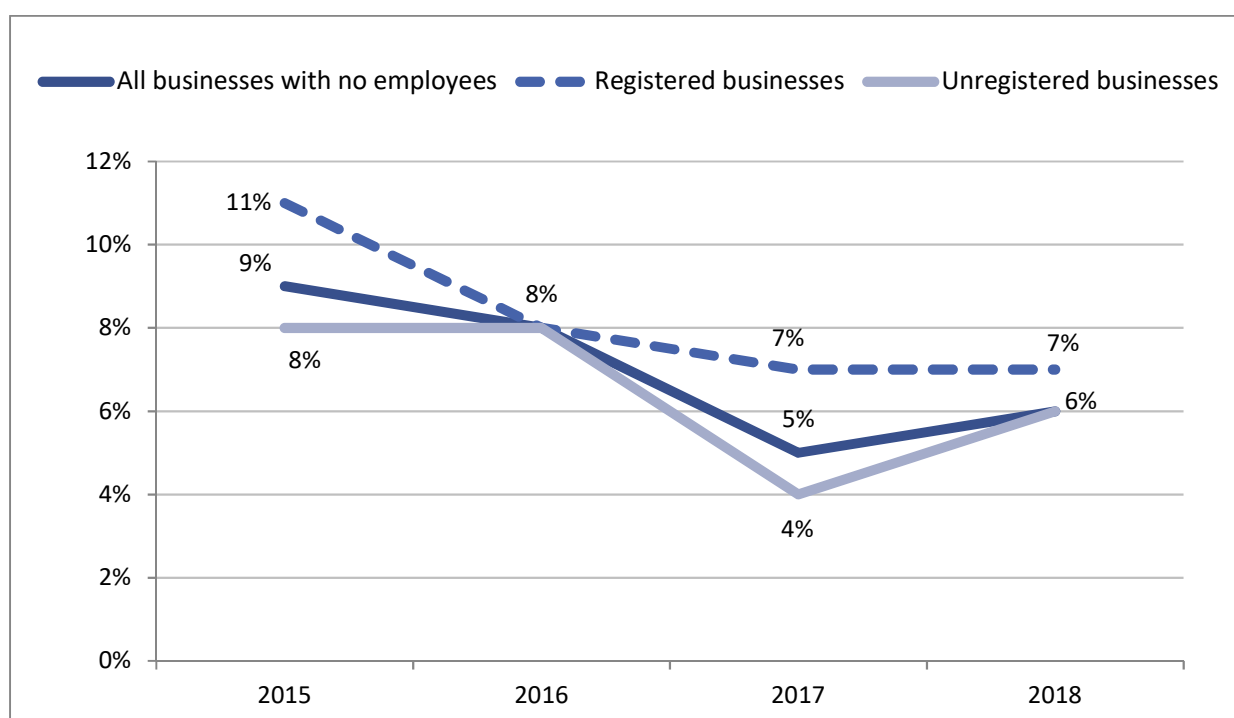


41. Businesses in the primary sector (largely consisting of agriculture) were most likely to use external finance (70%).

Whether businesses sought external finance in the last 12 months

42. Around 6% of businesses sought external finance in the last year, one percentage point higher than in 2017.
43. Some 7% of registered businesses sought finance, compared to 6% of unregistered ones.
44. Looking at UK nations, 6% of businesses in Northern Ireland sought finance, 6% in England and 5% in Wales, compared with 10% in Scotland.
45. Businesses in the primary (11%), and transport and storage sectors (10%) were most likely to have applied for finance in the last year.
46. About 4% of businesses with no employees sought finance once in the previous 12 months (compared with 8% of SME employers), with 2% seeking it more than once (compared with 4% of SME employers).

Figure 4.2: Proportion of businesses with no employees that sought external finance in the last year, by registration status (2015 to 2018)



Reasons for applying for external finance

47. About 56% of businesses with no employees that applied for external finance did so to acquire working capital or cash flow, and 49% did so to invest in their business. Equivalent figures for SME employers applying for external finance were 62% and 47%.

48. The proportion of those seeking finance for working capital decreased by 11 percentage points compared with 2017. The proportion seeking finance for investment increased by 19 percentage points.
49. The main reasons for seeking working capital/cash flow were:
- to fund general growth (57% of those seeking finance for working capital)
 - to cover a short-term gap until funds were received from customers (39%)
 - to cover a short-term due to unexpected expenses (26%)
 - as a safety net, just in case (25%)

Type of external finance sought

50. Some 41% of businesses with no employees that sought external finance applied for loans from banks or other financial institutions (compared with 34% of SME employers). Around 33% applied for bank overdrafts (34% of SME employers), 10% for leasing and hire purchase (22% of SME employers), 11% for a government or local authority grant or scheme (12% of SME employers) and 13% for credit cards (15% of SME employers).
51. There was higher demand for each of these types of finance in 2018 than in 2017, with the exception of leasing and hire purchase (down two percentage points). Compared with 2017 demand for bank and financial institution loans increased nine percentage points; bank overdrafts increased seven percentage points and demand for credit cards was up two percentage points.

Success in obtaining finance

52. Of businesses with no employees that applied for external finance in the last 12 months, 64% were successful in obtaining finance, with 26% receiving none. The remaining 10% of businesses had applications still pending at the time of the interview. This compares with 76% of SME employers that applied for finance within the same period receiving finance, and 10% receiving none.
53. Compared with 2017, the proportion of businesses that obtained finance rose by two percentage points. The proportion receiving none decreased by 15 percentage points.
54. About 74% of registered businesses obtained finance (up four percentage points on 2017), compared to 59% of unregistered businesses (up 17 percentage points).

Intentions to apply for external finance in the next three years

55. Around 12% of businesses stated it was likely they would approach external finance providers during the next three years (5% very likely, 7% fairly likely). These

proportions are similar to those seen in 2017 (11, 5, and 6% respectively) and somewhat lower than those seen in 2016 (14, 6 and 8% respectively). The 12% figure for those likely to seek finance compares with 20% of SME employers likely to seek finance.

56. Registered businesses were more likely than unregistered businesses to consider it likely they would approach external finance providers in the medium term (14% compared with 11%).
57. The proportion was highest in the primary and transport sectors (17% and 19% respectively).

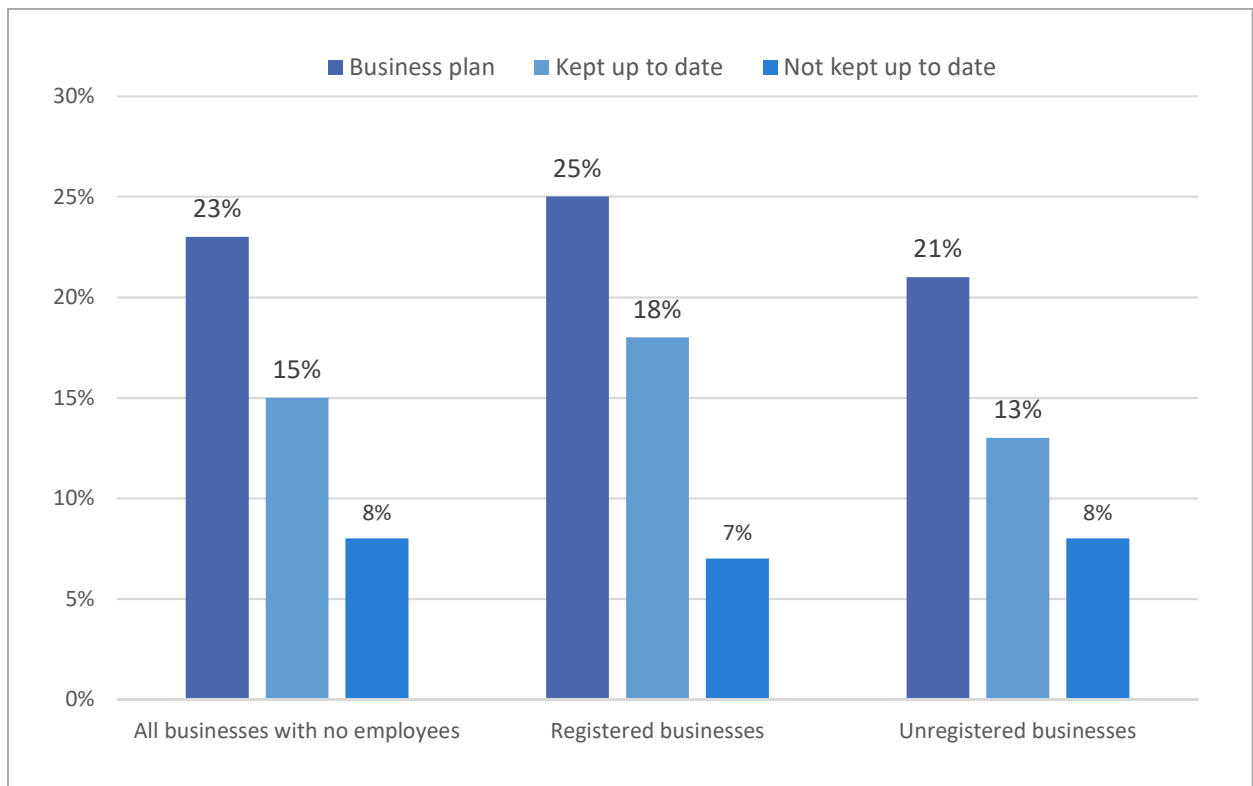
Trade credit and late payment (cohort A only)

58. About 32% of businesses with no employees reported giving their customers trade credit (down four percentage points on 2017). This compared with 45% of SME employers.
59. The proportion was higher in registered businesses than in unregistered businesses (43% compared with 28%).
60. Trade credit was most likely to be given by businesses in the manufacturing and professional and scientific services sectors (54 and 55%, respectively) and was least likely to be given in finance and real estate (10%), health (11%), arts and entertainment (20%), and recreation and 'other services' (16% each).
61. Late payment was considered a problem by 44% of those providing trade credit (14% of businesses), with 10% considering it a big problem. This compared with 55% of SME employers that gave trade credit considering late payment a problem.

Formal written business plans

62. Some 23% of businesses have a formal written business plan. Of these, the majority (amounting to 15% of all businesses with no employees) keep them up to date, while the minority (8%) do not.
63. Registered businesses are more likely to have a formal written business plan than unregistered businesses (25% compared with 13%). Furthermore, 72% of registered businesses with a formal written plan keep their plan up to date whilst only 62% of unregistered businesses do so.
64. Businesses in manufacturing (85%), construction (87%), and transport (89%) sectors were least likely to have a plan.

Figure 4.3: Proportion of businesses with no employees which have formal written business plans, by registration status (2018)

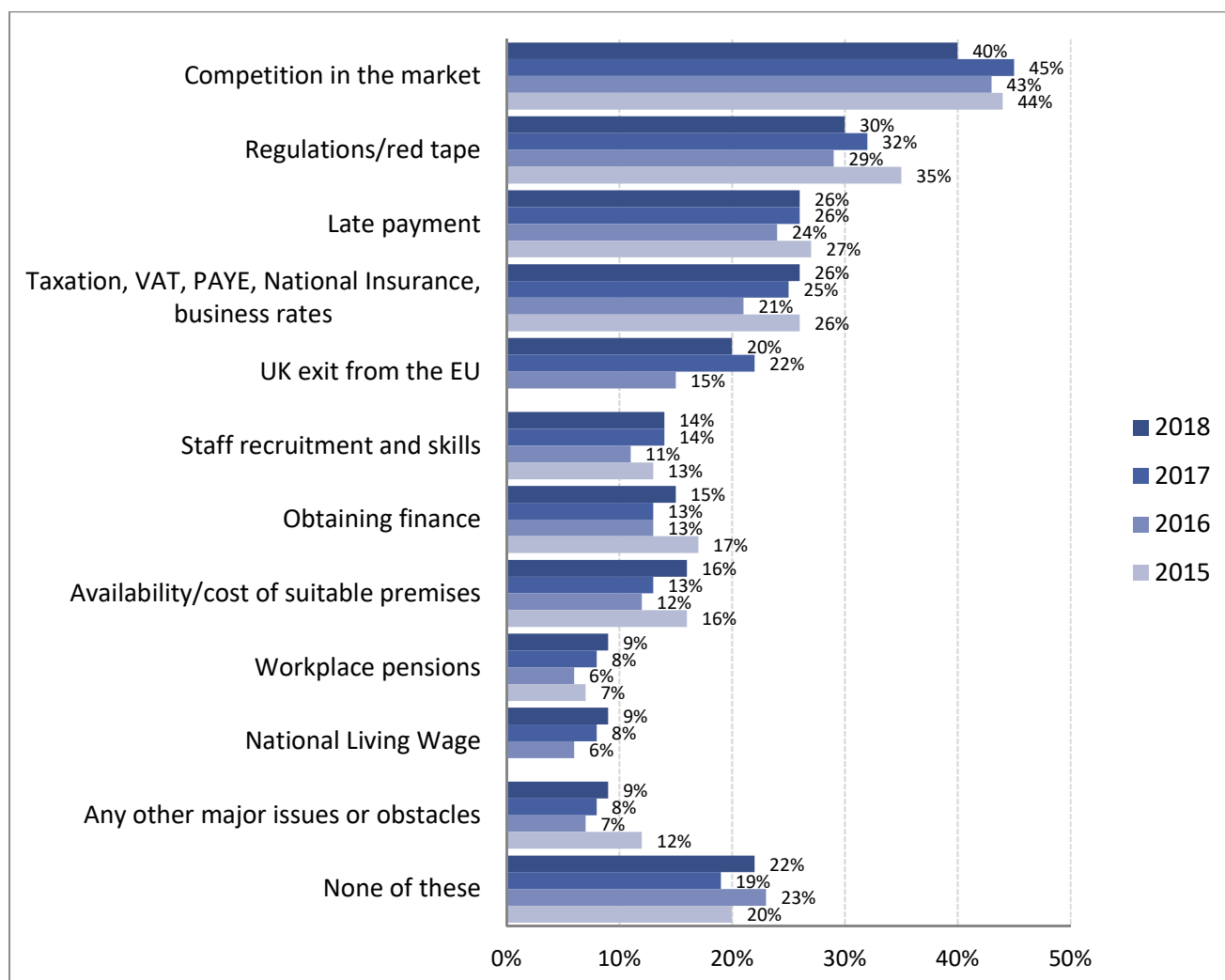


5. Major obstacles to the success of the business

Overview of main obstacles (cohort B only)

65. The most frequently cited obstacle to success by businesses was competition in the market (40%). The other three most cited obstacles were regulation and red tape (30%), late payment (26%) and taxation (26%).
66. The proportions reporting different obstacles were similar to those reported in 2017, however frequency of ‘competition in the market’ as a reason fell by five percentage points and the ‘availability or cost of suitable premises’ rose by three percentage points.

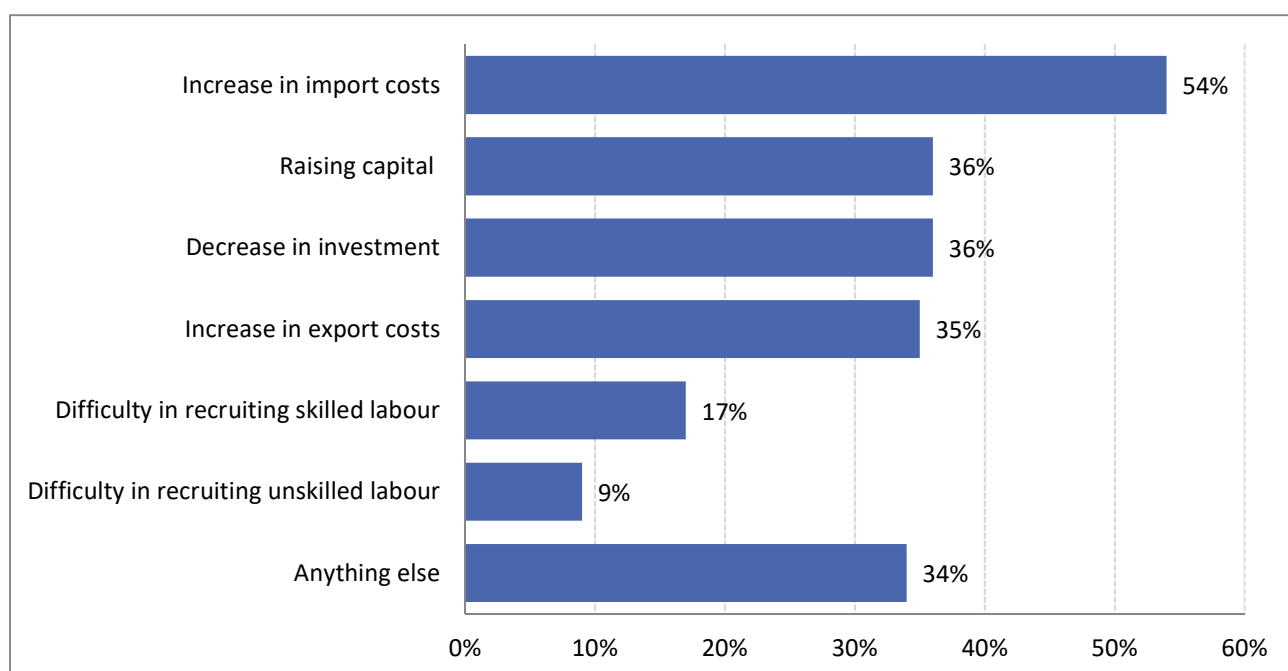
Figure 5.1: Obstacles to the success of the business cited by businesses with no employees (2015 to 2018)



Difficulties experienced or expected due to UK exit from the EU (cohort B only)

67. Amongst businesses, the reasons given for UK exit from the EU being an obstacle to success were more frequently concerned with financial impacts, particularly the cost of imports, than about labour availability.

Figure 5.2: Reasons given by businesses with no employees for EU exit being an obstacle to business success (2018; businesses that mentioned EU exit as an obstacle to success)



6. Business support

Use of external information or advice in the last year

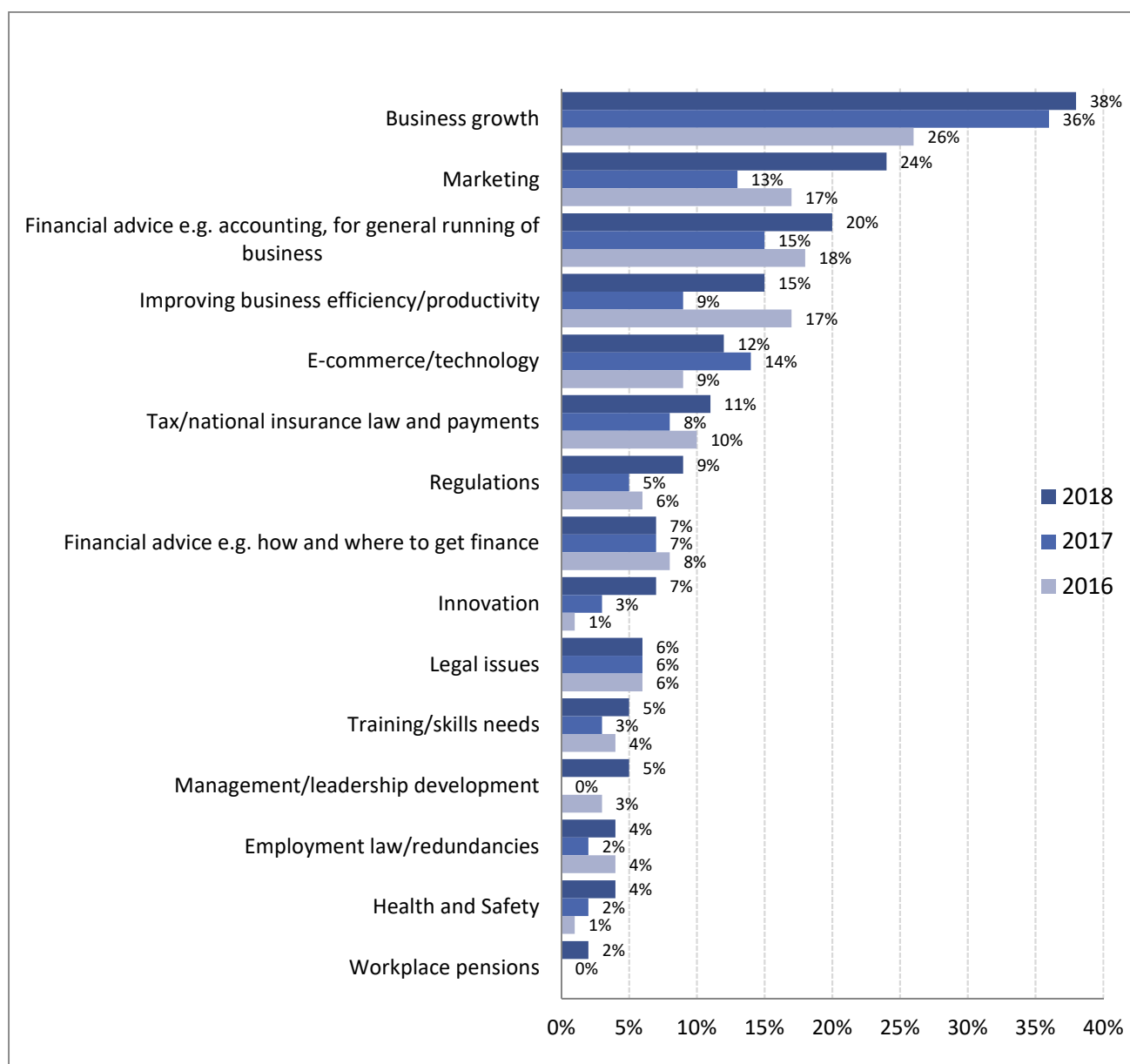
68. About 18% of businesses with no employees sought external information or advice in the last 12 months (defined as more than just a casual conversation). This was two percentage points higher than in 2017 and four percentage points higher than in 2016. The proportion compared with 26% of SME employers who sought external information or advice in the last 12 months.
69. Around 23% of registered businesses sought information or advice, compared with 16% of unregistered ones.
70. Businesses that sought information and advice were most likely to be in the primary (26%), information and communications (27%), finance and real estate (28%), and professional and scientific services sectors (23%).

Purpose of strategic advice sought (England and Wales only)⁴

71. In 2018, businesses in England and Wales were most likely to have sought strategic advice for; business growth (38%), financial advice for the general running of the business (20%), advice on e-commerce and technology (12%), marketing (24%), improving efficiency and productivity (15%), and taxation or National Insurance (13%).
72. Compared with 2017, advice on business growth was sought more often (up two percentage points), as was advice on marketing (up six percentage points).

⁴ Because these sets of questions were asked differently according to nation, the data is not comparable across the UK, and only results from England and Wales are shown here. Results for Scotland and Northern Ireland are available in the data tables accompanying this release.

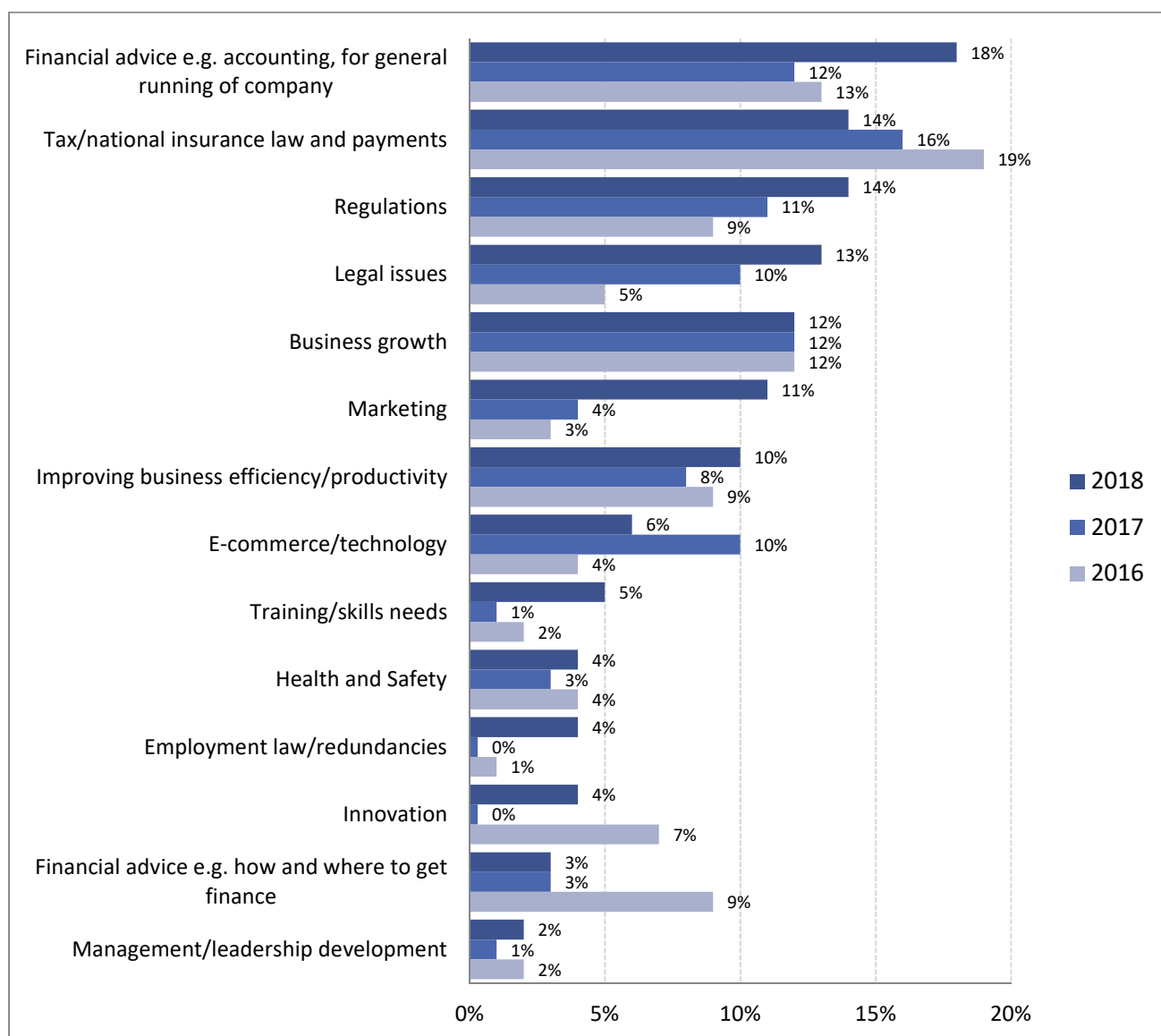
Figure 6.1: Purpose of strategic advice sought by businesses with no employees in the last year (2016 to 2018; England and Wales only)



Purpose of information sought (England and Wales only)

73. Information (in contrast to advice, as in the previous section) was mainly sought on tax and national insurance law and payments (14%), financial matters for the general running of the business (18%), business growth (12%), regulations (14%), legal issues (13%) and marketing (11%)
74. The most notable increase in the type of information sought involved general financial advice (up six percentage points from 2017) whilst advice concerned with e-commerce was less frequently sought (down by four percentage points).

Figure 6.2: Proportion of businesses with no employees seeking different types of information in the last year (2016 to 2018; based on those that sought any information; England and Wales only)



Sources of external information and strategic advice (England and Wales only)

75. Some 30% of the businesses with no employees that sought **advice** approached accountants (compared with 30% of SME employers), 30% approached business networks or trade associations (20% of SME employers). Around 35% approached consultants or business advisers (40% of SME employers).
76. Compared to 2017, there was notably higher use of consultants and business advisers (up 16%).

77. Those that had sought **information** were most likely to have consulted accountants (29%; compared with 29% of SME employers). About 18% sought information from business networks or trade associations (17% of SME employers) and 16% sought information from consultants or business advisers (22% of SME employers).

How information or strategic advice was delivered (England and Wales only)

78. Around 65% of businesses that received **advice** in England and Wales received advice primarily via face-to-face meetings. Some 8% had their advice delivered by email, 15% on the phone, and 10% via a website. These figures suggest a drop from 2017 in face-to-face contact (of 5%) and a rise in web-site use (up 6%)
79. An estimated 56% of those that sought **information** received this face-to-face, 14% over the phone, 17% through a website, and 8% by email. These figures also show a drop from 2017 in face-to-face contact (down 5%) and increased web-site use (up 6%).

Paying for strategic advice (England and Wales only)

80. Of businesses with no employees in England and Wales that received strategic advice in the last 12 months, 53% paid for it (a decrease of three percentage points on 2017). This compared with 63% of SME employers.
81. Some 18% of businesses that paid for advice paid less than £500, 16% paid between £500 and £999, 23% paid between £1,000 and £2,499, and 33% £2,500 or more.

Unmet information and advice needs (England and Wales only)

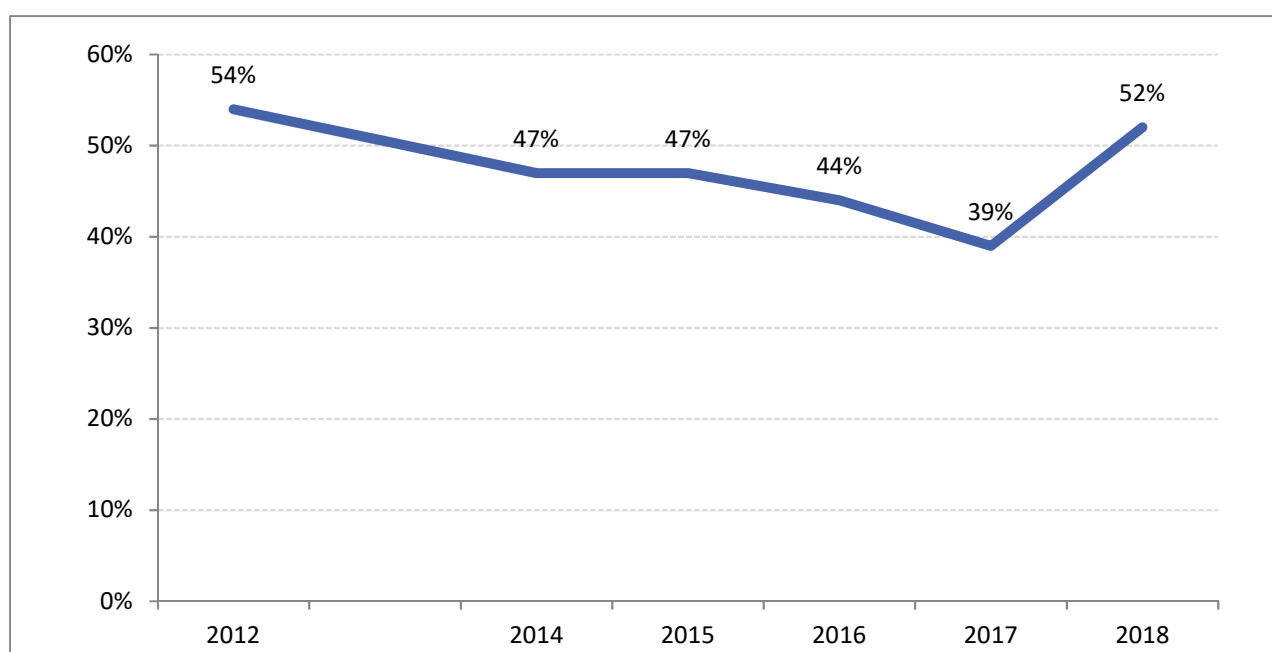
82. Just 4% of businesses with no employees in England and Wales had opportunities, difficulties or important information or advice needs for which they did not solicit external advice or support in the previous 12 months. This was the same proportion reported by SME employers and 1% higher than observed for businesses with no employees in 2016.
83. Those in the information and communication sector were most likely to have had unmet information and advice needs (8%).

7. Future plans

Growth ambitions

- 84. An estimated 52% of businesses with no employees aimed to grow sales over the next three years, compared with 71% of SME employers.
- 85. The proportion of businesses that aimed to grow was 13 percentage points higher than in 2017.

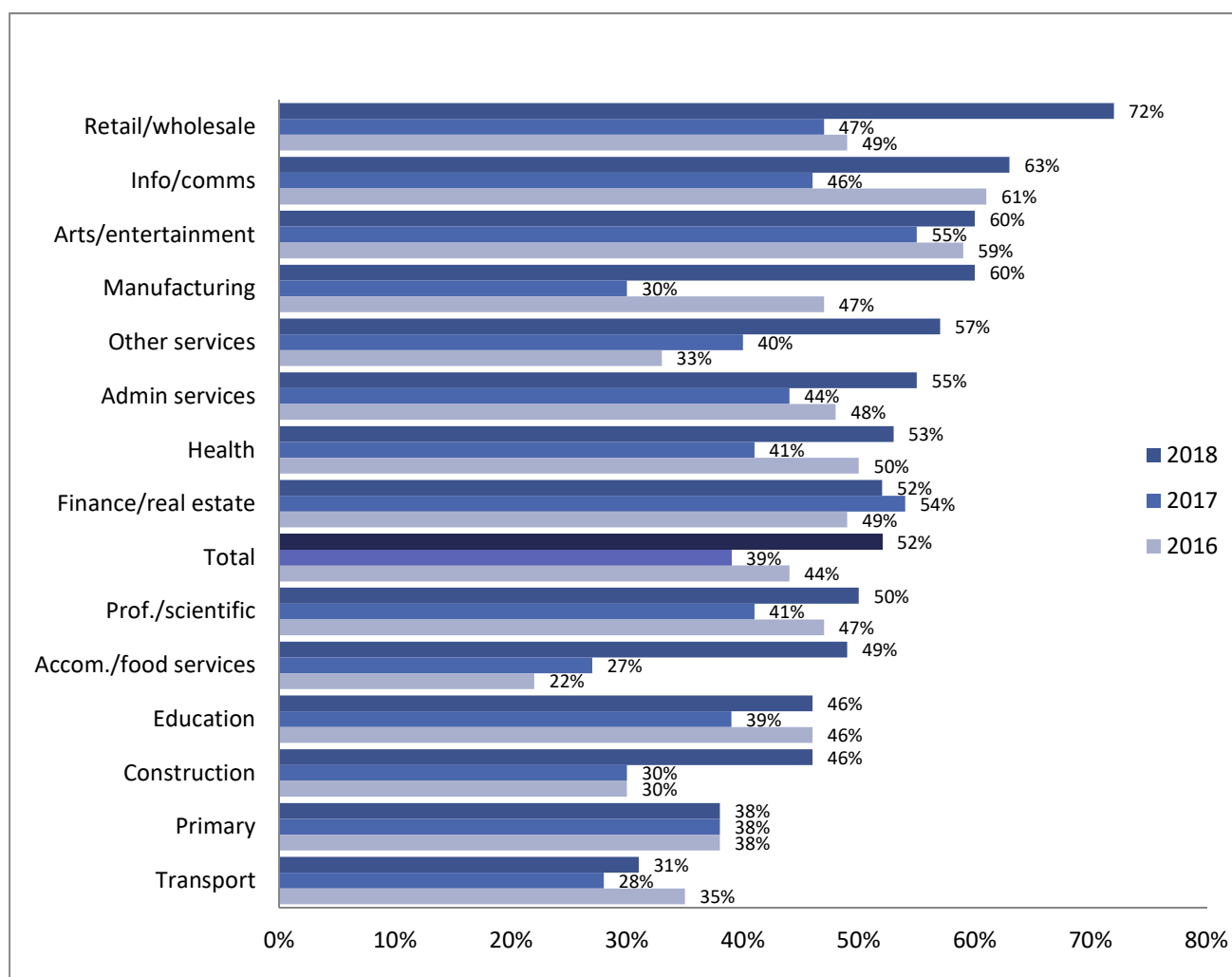
Figure 7.1: Proportion of businesses with no employees that aim to grow sales of the business over the next three years (2012 to 2018)



- 86. Of registered businesses, 53% aimed to grow (up seven percentage points from 2017) compared to 51% of unregistered ones (up 14 percentage points from 2017).
- 87. By sector, businesses in arts and entertainment (60%), information and communications (63%), retail and wholesale (72%) and manufacturing (60%) were most likely to aim to grow. Those in construction (46%), transport (31%) and primary (38%) were least likely to aim to grow.

88. Businesses in most sectors were more likely to aim to grow in 2018 than in 2017.

Figure 7.2: Proportion of businesses with no employees that aim to grow sales of the business over the next three years, by sector (2016 to 2018)



Plans to undertake growth-related activities (cohort B only)

89. Over the next three years, 34% of businesses said they plan to increase workforce skills, 27% plan to develop and launch new products or services, 22% plan to invest in premises, machinery or other types of capital investment, 23% plan to introduce new working practices, 15% plan to increase the leadership capability of managers, 15% plan to invest in research and development (R&D) and 14% plan to increase export sales or begin selling to new overseas markets. These proportions are similar to those seen in 2017, except for the proportion that intend to increase exports or widen overseas markets, which has risen from 6% to 14%.

8. Profiles of businesses with no employees

Number of sites

90. In 2018, 93% of businesses with no employees operated from a single site, similar to 2017 2016. The equivalent figure for SME employers was 85%.
91. By sector, those most likely to have more than one site were in health (16%), similar to SME employers where 24% of businesses in the health sector operated from more than one site.

Business premises in residential settings

92. Some 60% of businesses with no employees located the main work premises in their home, compared with 25% of SME employers. This was one percentage point less than in 2017.
93. About 56% of registered businesses operated from home, compared with 62% of unregistered ones.
94. By sector, 76% of businesses in construction, 66% in education, 74% in transport and storage and 63% in information and communications worked from a domestic address.
95. Those in retail and wholesale (30%), manufacturing (52%), finance and real estate (49%), and health (50%) were less likely to be home based.

Age of business

96. Some 24% of businesses with no employees had been trading for fewer than six years (that is, they started trading between 2013 and 2018), compared with 14% of SME employers. 19% started trading between six and ten years ago, 26% between 11 and 20 years ago, and 31% more than 21 years ago. The percentage of young businesses, trading for fewer than six years rose substantially, from 12% in 2017 to 24% in 2018.
97. By sector, businesses in the retail and wholesale (39%), finance and real estate (32%) and administrative services (31%) sectors were most likely to have traded for less than six years. Businesses in the primary (65%) and arts and entertainment (44%) sectors were most likely to have been in business for more than 20 years.

Legal status

98. About 55% of businesses with no employees in 2018 were sole proprietors. This was the same percentage as in 2017 and compares with 13% of SME employers.
99. Some 37% of businesses with no employees were private limited companies limited by shares (Ltd) and 5% were partnerships. The proportion of businesses with no employees that were private limited companies in 2018 was up three percentage points compared with 2017 and six percentage points compared with 2016. This compared with 69% of SME employers limited by shares.
100. While 67% of unregistered businesses were sole proprietors, the same was true of just 22% of registered businesses.
101. Business in the education (72%), transport (78%), manufacturing (64%), construction (67%), and health (70%) sectors were most likely to be sole proprietorships.
102. Businesses in finance and real estate (84%), professional and scientific (60%), and information and communications sectors (70%) were most likely to be private limited companies.
103. Partnerships were most likely to be in the primary (37%) and food and accommodation (23%) sectors.

Number of owners and partners

104. 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.
105. Some 75% of businesses with no employees had just one owner or partner, compared with 40% of SME employers.
106. Around 19% of businesses had two owners or partners, 5% had between three and five, and 1% had six or more.
107. Registered businesses were less likely than unregistered businesses to have a single owner (49% compared with 84%).
108. By sector, businesses in the primary (45%), accommodation and food (38%), finance and real estate (47%), and retail and wholesale sectors (49%) were least likely to have a single owner or partner.

Women-led businesses

109. An estimated 23% 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 two percentage points higher than in 2017. It was higher than that reported among SME employers (17%).
110. Women-led businesses were more common among unregistered businesses than registered businesses (27%, compared with 12%).
111. Among those with no employees, women-led businesses were most likely to be in the health sector (60% of businesses). Women-led businesses were less common in construction (7%), transport and storage (9%), information and communications (12%), finance and real estate (13%) and primary sectors (14%). These variations are akin to those reported in previous years.

Minority Ethnic Group-led businesses

112. 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 more than half of its members from an ethnic minority). This was one percentage point lower than in 2017 but the same percentage as in 2016. It compares with 5% MEG-led SME employers.
113. MEG-led businesses were most likely to be in the retail and wholesale sector (12%) and least likely in the primary and manufacturing sectors (1 and 2%).

Notes on this release

Aims of the survey

114. This report sets out the key findings for the 2018 Longitudinal Small Business Survey (LSBS), a large-scale mainly telephone (CATI⁵) survey of 15,015 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 2018 survey on this occasion was conducted between July 2018 and January 2019 by BMG Research Ltd.
115. The 2018 survey follows from the 2015, 2016 and 2017 surveys which had sample sizes of 15,502, 9,248 and 6,619 respectively. 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 will have an element of attrition, hence the need for a large sample size in 2015.
116. In 2018 it was decided to boost this panel significantly. In addition to 4,486 interviews with enterprises that had already completed at least one LSBS survey between 2015 and 2017, 10,529 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 three survey, that is businesses less than one year old
 - to represent sectors in the raw data that may be under-represented due to business closure, or the difficulty of securing an interview (for example 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
117. All interviews were conducted with owner or 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 22.5 minutes (18 minutes for panellists, 24 minutes for top-ups).

⁵ Computer Assisted Telephone Interviews. 14,958 interviews were conducted via CATI, and a further 57 were conducted online using Computer Assisted Web Interviews (CAWI).

118. The main aim of the survey is to collect a range of information on small and medium-sized enterprises (SMEs⁶). 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 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

119. There are three main reports based on the 2018 LSBS:

- this report, a **cross-sectional report** based on businesses with **no employees**. A cross-sectional report is a snapshot of the state of SMEs at a point in time, this one being 2018 (interviews took place from July 2018 until January 2019)
- similarly, a **cross-sectional report** based on **SME employers**, which has been published at the same time as this report
- a **longitudinal report** based on those businesses that responded in all four years of the survey, to be published in June 2019. This looks at the main changes that apply to the panellists from year to year, and what appears to influence these changes

120. There were 23 interviews with large employers with 250 or more employees. The reason for interviewing these is that these businesses had been SMEs previously when first interviewed in 2015-17 and had grown since. They form a part of the longitudinal analysis, but not the cross-sectional analysis.

⁶ Defined here as having fewer than 250 employees.

Survey method

121. Of the 6,619 interviews conducted in 2017, 5,826 (88%) agreed to a follow-up interview. The objective was to obtain the highest possible number of repeat interviews with these panelists. 3,941 were interviewed between July 2018 and January 2019 (68% response rate, up from 63% in the 2017 survey). Of these, 1,001 had no employees, 14 were large businesses with 250+ employees, and the remainder (2,926) were SME employers. This group is known as the full panel.
122. In addition, 2,020 businesses interviewed in 2015 and 2016 but not in 2017 could be re-approached for interview (they had given permission for re-interview and had not refused to take part in 2015 or 2016 or ceased trading). Of these 545 were interviewed in 2018, a response rate of 27% (up from 17% in 2017), of which 89 were non-employers. This group is known as the past panel.
123. In addition to these, 10,529 top-up interviews were conducted (8,101 of which were SME employers), for reasons explained in the paragraphs above. As a result, the total sample size in the 2018 survey was 15,015, of which 3,532 were non-employers.
124. The top-ups were sampled using a method consistent with the 2015-17 surveys:
- the sample was stratified within each of the four UK nations
 - targets were set according to the employment size of enterprises and, within those targets, by 1-digit sector (Standard Industrial Classification (SIC) 2007⁷)
 - the targets over-represented businesses with five to 249 employees substantially in comparison with their actual numbers within the business population
 - the Inter Departmental Business Register (IDBR) was used as the sample source for registered businesses
 - Dun & Bradstreet's database was used as the sample source for unregistered businesses with no employees and contacts were screened out if they either had employees on their payroll or paid value added tax (VAT), as these would have duplicated contacts found within the IDBR
 - the IDBR is a record of all UK enterprises that pay VAT or Pay As You Earn tax (PAYE), which contains around 2.7 million unique entries for enterprises. The BEIS Business Population Estimates (BPE) publication estimates around 5.7 million enterprises in the UK in total. The difference in the figures is

⁷ See

<https://www.ons.gov.uk/methodology/classificationsandstandards/ukstandardindustrialclassificationofeconomicactivities/uksic2007> for more information.

explained by the number of unregistered enterprises that do not pay VAT or PAYE, estimates of which primarily come from the Labour Force Survey (LFS). This is the reason why Dun & Bradstreet was retained as the source for top-up businesses with no employees, as its database has better coverage of unregistered businesses

- The targets within the sample stratification matrix were informed by the 2017 BPE⁸, the latest available at the time. However, survey findings were weighted to the 2018 BPE⁹ which became available towards the end of fieldwork. The 2018 BPE was used for 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 2017 BPE
125. A 336-cell sample stratification matrix was devised, the targets within each cell informed by the 2017 BPE. These cells were as follows:
- 14 'one digit' SIC 2007 categories (ABDE, C, F, G, H, I, J, KL, M, N, P, Q, R, S)
 - multiplied by six size categories (unregistered zero employees, registered zero employees, 1-4 employees, 5-9 employees, 10-49 employees, 50-249 employees)
 - multiplied by four nations (England, Scotland, Wales, Northern Ireland)
126. Once the sample was drawn, informed by differential likely telephone-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, as the sample for Northern Ireland was boosted above its actual proportion in the business population in order to obtain a minimum of 500 interviews.
127. A review of the 2017 questionnaire was undertaken through consultations with stakeholders. This resulted in several alterations to existing questions from previous surveys, new question additions and deletions. The changes were informed by the requirement to balance stakeholders' emergent 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 2018 questionnaire.

⁸ <https://www.gov.uk/government/statistics/business-population-estimates-2017>. 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.

⁹ <https://www.gov.uk/government/statistics/business-population-estimates-2018>. Method of data collection as above.

128. Based on all sample taken prior to fieldwork, the response rate for full panellists was 68%, five percentage points higher than in 2017. For past panellists, the response rate was 27%, ten percentage points higher than in 2017. For IDBR top-ups the response rate was 18%, the same as in 2017. For Dun & Bradstreet top-ups, the response rate was 6%, four percentage points lower than in 2017. The technical report gives more information on outcomes for the sample, including contact rates and error rates in the sample frames.

Other publications

129. We are publishing four sets of data tables with this release, allowing users to look up results for most questions in the survey. The tables provide results for all non-employers and breakdowns by UK nation, by size band (micro, small and medium-sized businesses) and by industry. The tables are organised by whether they are longitudinal questions or one of the cohort questions. We have tried to make it clear throughout this report when we are discussing a cohort question, to make it easier for you to find the underlying data table.
130. At the same time as this report, BEIS publishes the corresponding SME employers' report and its underlying data tables.
131. We will publish the panel report (with longitudinal analyses based on the businesses that have taken part every year since 2015), and a technical report (which will include a copy of the questionnaire used in the 2018 survey) on 27 June 2019.
132. During the summer of 2019 we will deposit the cleaned microdata with the Office for National Statistics' Secure Research Service and with the UK Data Service. The dataset will be available to approved researchers for secondary analysis.
133. We plan to conduct another wave of the survey, with interviews starting in July 2019. At the time of writing we expect to be publishing results for this wave in May 2020.

New strategies in the 2018 survey

134. Some new methods were piloted in the 2018 survey, their primary purpose being to improve the response rate for panellists and top-ups alike. These were as follows:
- **online.** Respondents who were unable to do a telephone interview during working hours were given the option to do the survey online via Computer Assisted Web Interviewing (CAWI) software. This was done by 57 respondents
 - **pre-mailing.** Panellists who had previously completed surveys were sent emails to inform them of the upcoming survey. This was not possible for top-ups as no email details were held in the IDBR. Therefore, in 2018 a portion of

the IDBR¹⁰-sourced top-up sample was posted a letter on BEIS headed paper, explaining the survey and inviting businesses to take part, with links to the previous published report, guarantees of privacy and anonymity, and contact telephone numbers and emails at BMG and BEIS for those that wanted further information. The letter was signed by the Chief Statistician in BEIS's Analysis Directorate. Eight thousand letters were posted to a random selection of IDBR contacts for whom telephone numbers had been obtained. The letters were addressed to Dear Sir/Madam, as the IDBR does not contain the names of individuals within enterprises. A control group of 44,000 IDBR-sourced contacts for whom telephone numbers had been obtained were not sent letters. Of the 8,000 sent the letter, 1,044 completed LSBS 2018, an overall response rate of 13%. This compares with the control group, for whom the overall response rate was 19%. This suggests that the pre-mailing was not effective at boosting response rates for this survey

- **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, to help boost response rates, and to generally attempt to reduce the burden on respondents. 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, awareness and usage of LEPs, credit and late payment and apprenticeships. Cohorts were selected at random upon reaching a point in the interview after section C. The use of this system helped to bring down the overall average interview length to 18 minutes for panellists, and 24 minutes for top-ups. This shorter interview length may also be one of the reasons why better response rates were achieved in 2018 than in previous years, especially for full and past panellists. We will continue to use cohorts in the 2019 survey

Sector definitions

135. 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, some 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.
136. The following states the number of non-employing businesses in the sectors used in this report and the proportion of them that are unregistered businesses¹¹:

¹⁰ For legal reasons, Dun & Bradstreet sourced top-ups were not sent a letter.

¹¹ These figures are taken from the 2018 Business Population Estimates, which contain more information such as turnover shares: <https://www.gov.uk/government/statistics/business-population-estimates-2018>

- **ABDE (primary).** There were 131,000 UK non-employing businesses in this sector in 2018, of whom 22% are unregistered businesses.
- **C (manufacturing).** There were 201,000 UK non-employing businesses in this sector in 2018, of whom 76% are unregistered businesses
- **F (construction).** There were 821,000 UK non-employing businesses in this sector in 2018, of whom 80% are unregistered businesses
- **G (retail and wholesale, and repair of motor vehicles and motorcycles).** There were 314,000 UK non-employing businesses in this sector in 2018, of whom 57% are unregistered businesses
- **H (transport and storage).** There were 278,000 UK non-employing businesses in this sector in 2018, of whom 78% are unregistered businesses
- **I (accommodation and food service).** There were 53,000 UK non-employing businesses in this sector in 2018, of whom 72% are unregistered businesses
- **J (information and communication).** There were 279,000 UK non-employing businesses in this sector in 2018, of whom 52% are unregistered businesses
- **KL (financial and real estate).** There were 136,000 UK non-employing businesses in this sector in 2018, of whom 48% are unregistered businesses
- **M (professional and scientific).** There were 621,000 UK non-employing businesses in this sector in 2018, of whom 57% are unregistered businesses
- **N (administrative services).** There were 366,000 UK non-employing businesses in this sector in 2018, of whom 74% are unregistered businesses
- **P (education).** There were 264,000 UK non-employing businesses in this sector in 2018, of whom 95% are unregistered businesses
- **Q (human health and social work).** There were 299,000 UK non-employing businesses in this sector in 2018, of whom 91% are unregistered businesses
- **R (arts and entertainment).** There were 250,000 UK non-employing businesses in this sector in 2018, of whom 88% are unregistered businesses
- **S (other services).** There were 265,000 UK non-employing businesses in this sector in 2018, of whom 92% are unregistered businesses

Uncertainty

137. 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

138. 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 Dun & Bradstreet service to provide us with a sample of unregistered businesses.
139. The coverage of the unregistered business population is less well understood. It is likely that the Dun & Bradstreet 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.
140. 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. 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 unregistered businesses have larger weights than the registered non-employing businesses for example.
141. 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.
142. 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

143. 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 so-called *confidence intervals*.
144. 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 74.5% of non-employing businesses in 2018 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 80.1%, or 72.2%, even though the actual true figure is unchanging. This is known as sampling variability.
145. What we can do is produce a *95% confidence interval* around an estimate. In the case of this profitability measure, the interval goes from 72.7% to 76.2%. 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 74.5%, and we are 95% confident that the true value is in the range 72.7% to 76.2%.
146. Our survey contains hundreds of measures and it is not practical to produce confidence intervals for each one of them. Instead, table 9.1 summarises the sampling uncertainty for the key measures reported in this publication.
147. 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 non-employing businesses, then we look at the 'all UK' row and the column for estimates at 10%. The confidence interval is given as +/- 1.2%. So our confidence interval around the 10% estimate is 10% +/- 1.2%, that is, from 8.8% to 11.2%. We are 95% confident that the true figure is between 8.8% and 11.2%.
148. If the estimate had been closer to 30% or to 70%, then our interval would have used +/-1.8% instead of +/- 1.2%, according to Table 9.1. 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). So the intervals are slightly narrower for 30% or 70% estimates, and narrower still for 10% and 90% estimates.
149. Confidence intervals get narrower when you have larger sample sizes too. If our 10% estimate is for unregistered businesses rather than for all UK non-employers, we use a different row of the table, and find the confidence interval instead to be

10% +/-1.5%. 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% +/- 2.3%.

150. Table 9.1 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 - £147,000. Table 9.1 cannot be used to produce a confidence interval for this estimate, though it can be done (it is +/- £73,000)¹².

Which differences are statistically significant?

151. 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.
152. For example, we have stated the following in chapter 4: *Trade credit was most likely to be given by businesses in the manufacturing and professional and scientific services sectors (54 and 55%, respectively) and was least likely to be given in finance and real estate (10%), health (11%), arts and entertainment (20%), and recreation and 'other services' (16% each).*
153. This does not mean that the professional and scientific services sector is statistically significantly more likely to have given trade credit than manufacturing. But both these sectors were statistically significantly more likely than everyone else; they are more likely than average. Similarly, we are 95% confident that the other sectors mentioned were less likely than average, even though there is some uncertainty over those specific figures of 10%, 11%, 16% and 20%.

¹² 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, which is how we calculated the +/- £73,000 figure above.

Table 9.1: Statistical confidence in survey findings – SME non-employing businesses by country, registration and sector¹³

	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	3,509	+/- 1.2%	+/- 1.8%	+/- 2.0%
England	2,987	+/- 1.3%	+/- 1.9%	+/- 2.1%
Scotland	252	+/- 4.3%	+/- 7.9%	+/- 8.5%
Wales	122	+/- 6.2%	+/- 9.1%	+/- 10.1%
Northern Ireland	148	+/- 8.1%	+/- 10.3%	+/- 13.4%
Registered	1,875	+/- 1.4%	+/- 2.3%	+/- 2.4%
Unregistered	1,634	+/- 1.5%	+/- 2.3%	+/- 2.6%
ABDE. Primary sector	209	+/- 5.5%	+/- 7.2%	+/- 8.3%
C. Manufacturing	184	+/- 5.6%	+/- 8.5%	+/- 9.2%
F. Construction	462	+/- 3.0%	+/- 4.8%	+/- 5.2%
G. Retail and wholesale	367	+/- 4.1%	+/- 6.2%	+/- 6.7%
H. Transport and storage	139	+/- 5.5%	+/- 8.4%	+/- 9.0%
I. Accommodation and food service	67	+/- 8.5%	+/- 13.2%	+/- 14.3%
J. Information and communication	277	+/- 4.0%	+/- 6.2%	+/- 6.7%
KL. Financial and real estate	175	+/- 4.7%	+/- 6.7%	+/- 7.6%
M. Professional and scientific	755	+/- 2.4%	+/- 3.5%	+/- 3.9%
N. Administration and support	251	+/- 4.1%	+/- 6.1%	+/- 6.7%
P. Education	160	+/- 4.9%	+/- 7.4%	+/- 8.3%
Q. Human health	148	+/- 5.1%	+/- 7.3%	+/- 8.1%
R. Arts and entertainment	168	+/- 5.1%	+/- 7.5%	+/- 8.2%
S. Other services	147	+/- 4.9%	+/- 7.8%	+/- 8.4%

For cohort questions, the margins of error increase by about 70% - for example +/- 2.0% becomes +/- 3.4%

This table applies to estimates of proportions

¹³ See the uncertainty section for how to use this table.



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