



Department  
for Business  
Innovation & Skills

**BIS PERFORMANCE INDICATORS**

Early stage entrepreneurial  
activity rate

MAY 2014

# Early stage entrepreneurial activity rate

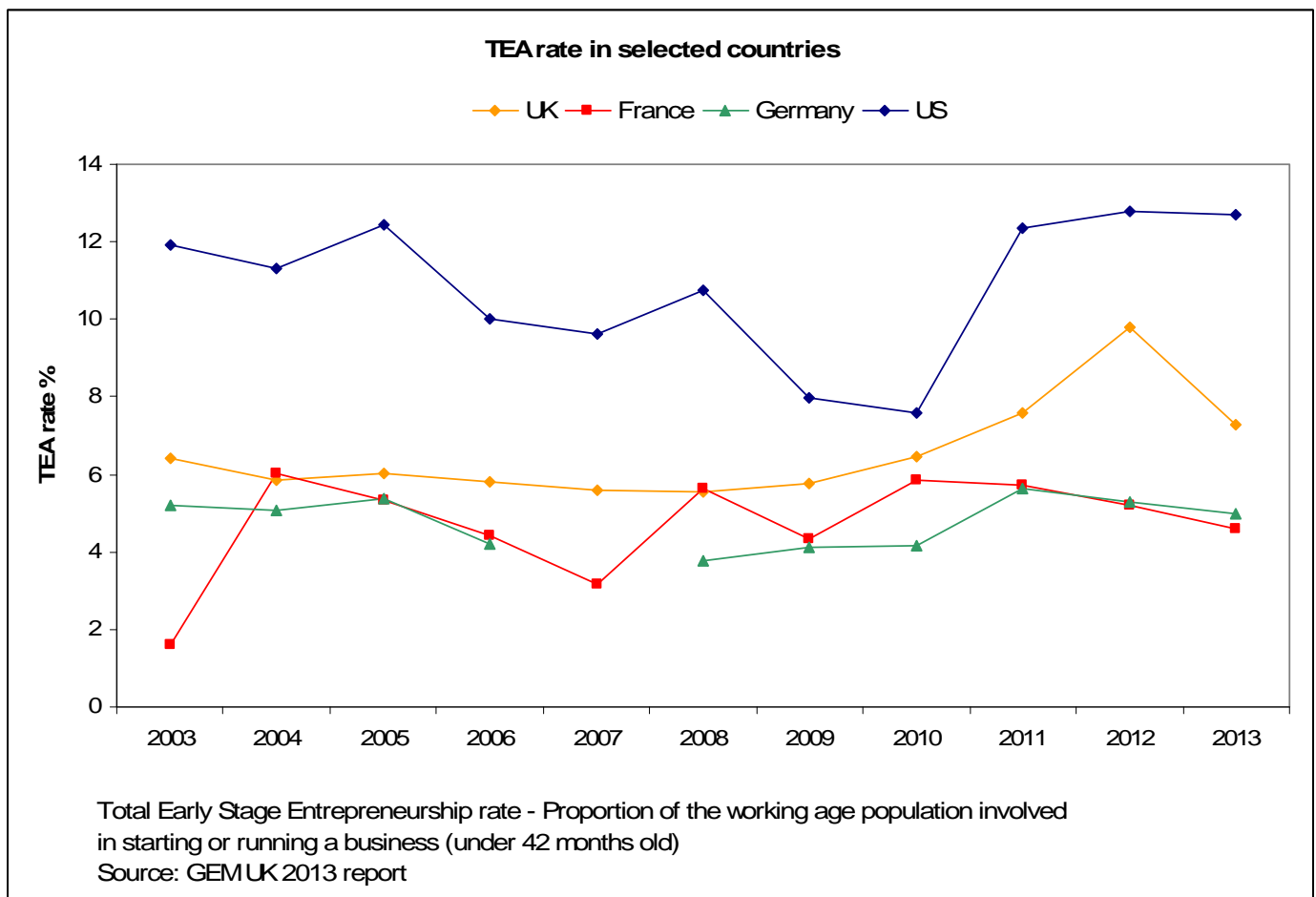
## Why is this indicator important

A strong enterprise culture and dynamic small business sector is central to restoring strong growth. Enterprise underpins economic growth through its impact on employment and productivity. New and small businesses drive economic growth by stimulating innovation, creating a competitive spur to existing businesses to increase their productivity and making a disproportionate contribution to job creation.

This indicator provides a measure of the level of new enterprise creation in the economy; it covers both individuals in the process of starting a business and those who are running businesses less than three and a half years old.

## How are we performing?

The following chart shows the Total Early Stage Entrepreneurial Activity (TEA) rate for some of the major economies over the last 10 years:



Since 2003, the UK rate of Total early stage Entrepreneurial Activity (TEA rate) has remained relatively stable with a rise in the most recent years. There is a fairly consistent pattern of the UK rate being higher than France and Germany but lower than in the US. In 2013 the UK TEA rate fell to 7.1 per cent; down from 9.8 per cent in 2012. Despite this statistically significant fall, the rate remains above the longer term trend, which was stable at approximately six per cent between 2003 and 2010. The latest UK TEA rate remains below the US rate (12.7 per cent) but is above that for most other innovation driven economies including France (4.6 per cent) and Germany (5.0 per cent).

[The Global Entrepreneurship Monitor](#), the source of this indicator provides lots of other relevant measures in addition to the TEA rate. Further information and country comparisons are available in the 2013 global report, including attitudes and actions around entrepreneurship and measures of countries suitability for entrepreneurship.

## What will influence this indicator?

A range of interacting factors will influence this indicator.

- The strength of the UK enterprise culture: evidence suggests that people in the UK, while being supportive of enterprise and entrepreneurs, tend to favour employment as a career option. Often this decision is based on poor information or knowledge about the risks and benefits of running a business or the skills needed. Understanding of entrepreneurship is particularly lacking amongst those with little enterprise engagement, such as not having a parent in business or not knowing someone who has set up a business.
- Access to finance: information failures mean that some businesses, mainly SMEs, may not be able to assess the potential benefits of external financing or may not be able to access financing. This can be aggravated by the current challenging financial environment.
- The wider business environment also plays a critical role in shaping both attitudes toward entrepreneurship and most importantly, in determining how easy or difficult it is for those with the ambition to set up in business. This includes the regulatory regime (for example, the amount of bureaucracy required to set up a business and how long this process takes), the tax environment and the guidance and support that is made available.

## What is BIS's role?

Last year BIS published *Small Business: GREAT Ambition*, the Government's commitment to helping small firms start, succeed and grow. There are a number of policy areas that make a direct contribution to increasing entrepreneurship set out within Small Business: GREAT Ambition:

**Financing business growth.** The Government is reforming the banking system. British Business Bank programmes are already delivering significant results, and in 2013 supported £660 million of lending and investment to smaller businesses. It aims to unlock up to £10bn of extra finance for small firms over the next five years.

[Small Business Rate Relief](#) has been extended for another year from April 2014 and the [Seed Enterprise Investment Scheme](#) has been extended to help small business attract investment.

**Hiring people with the right skills.** Small businesses can get help to employ people by using the [Universal Jobmatch](#) tool or calling the Small Business Recruitment Service helpline which offers bespoke recruitment advice. From April 2014 there is up to £2,000 off National Insurance contributions via the Employment Allowance and grants of £1,500 are available to firms taking on an apprentice for the first time.

**Developing new ideas and products.** 225% tax relief is available on [R&D costs](#), with [Smart Grants](#) of up to £100,000 and [Innovation Vouchers](#) of £5,000 for expert help to develop ideas. Through a growing number of [Catapult Centres](#) small businesses can now access specialist equipment and emerging technologies. Simplified intellectual property laws help protect ideas and advice on protecting rights in key international markets is available through specialist [Intellectual Property attaches](#).

**Breaking into new markets.** Small businesses are encouraged to boost their online presence by accessing the [broadband voucher scheme](#), and advice on how to use the internet to trade internationally is available through UKTI's [Click: Connect: Sell](#) programme. Radical reform of public procurement across the whole of the public sector will provide better and more direct access to over £230bn of contract opportunities each year with Government aiming for 25% of central government expenditure to be spent with SMEs by 2015.

**Accessing the right support.** Small businesses can access information on business support and where their local growth hub is based, by calling 0300 456 3565 and speaking to a business support advisor or by searching the [Business Finance and Support Finder](#) tool. Growth Hubs will provide a single local access point for business support, and join up different sources of support so businesses can get the support they need quickly and easily. Businesses can also register for a [Growth Voucher](#) which can be cashed in for a range of business support, or apply for the [Growth Accelerator](#) – the scheme for high growth businesses. The Mentorsme website can also help businesses find a mentor to advise and support.

**Get on with doing business.** The [Red Tape Challenge](#) to date has improved or scrapped more than 3,000 regulations in areas like health and safety and planning, whilst the new [Primary Authority scheme](#) means that even if a business operates across multiple local authorities they only need to follow the advice and guidance of one – saving time and money. The tax system is also being simplified, for example by introducing a new [Online Tax Registration Service](#).

The [Business is GREAT Britain website](#) shows how small businesses have already benefited from Government support and can help small businesses find the wealth of support, advice and expertise available through Government services and agencies. And much of it is free.

*Small Business: GREAT Ambition* is an ambitious cross-Government package of measures. BIS is committed to ensuring delivery of all these measures and is working closely with other departments to ensure that progress is being made in all areas. Matthew

Hancock, Minister of State for Skills and Enterprise stated in *Small Business: GREAT Ambition* that BIS will “challenge the whole of Government to deliver our commitments and make it easier for small businesses to grow.”

## Indicator definition

The proportion of adults (18-64) of working age in the process of starting or running a business less than 42 months old

## Methodology

The Global Entrepreneurship Monitor (GEM) is the largest single study of entrepreneurial activity in the world. The GEM global website contains all global and UK reports since the GEM project started in 2000.

This indicator is produced by the GEM UK team and is based on responses to a telephone household survey which asks individuals questions about entrepreneurial activity. The

adult population is then used for the denominator. Data is published for UK but England only data is also available. As the survey is a sample survey, results are weighted to be representative of the population. The 2013 sample size for the UK was 11,017. Fieldwork is conducted by an independent research company (IFF Research in 2012) who adhere to industry quality standards. Data is subject to confidence intervals. UK TEA rate normally has a 95% confidence interval of around 1% point.

The UK TEA rate for this indicator is that which will be quoted in the 2013 GEM UK report. As is the case most years, this differs slightly from the figure quoted in the GEM Global report (7.1%), which is produced earlier based on incomplete data.

## Further Information

Further information about the GEM study and on measures of entrepreneurship coming from it can be found on the [GEM website](#)<sup>1</sup>

## Who are our partners?

There are many bodies involved in the successful promotion of entrepreneurship. These include the following:

- Association of Colleges and National Association of College and University Entrepreneurs – to develop a framework for enterprising colleges and universities.
- National Centre for Entrepreneurship in Education – various initiatives, including Make it Happen and mentoring schemes.

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<sup>1</sup> <http://www.gemconsortium.org/>

- Premier League – fostering entrepreneurship amongst young people, especially in deprived areas.
- Education and Enterprise Taskforce – attracting volunteer local enterprise champions into schools.
- Enterprise in Schools Network – running the Enterprise Village initiative to create an online resource for teachers to develop school businesses and share ideas.
- Gazelle Group – bringing together entrepreneurs with college principals, teachers and students to better connect entrepreneurship and education

## Related indicators

<sup>2</sup>[Value Enterprise Finance Guarantee funds used by businesses](#)

<sup>3</sup>[Ease of doing business in the UK, ranking of UK on World Bank Doing Business Report](#)

<sup>4</sup>[Change in the net regulatory burden imposed on business by Government](#)

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<sup>2</sup> <https://www.gov.uk/government/collections/bis-performance-indicators>

<sup>3</sup> <https://www.gov.uk/government/collections/bis-performance-indicators>

<sup>4</sup> <https://www.gov.uk/government/collections/bis-performance-indicators>

## Status

Last updated on: May 2014

Due for update on: May 2015 (estimated)

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<sup>6</sup> <http://www.bis.gov.uk/about/performance-reports/performance-indicators/change-net-domestic-regulatory-burden-on-business>

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