

The Alison Rose Review of Female Entrepreneurship: government response

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Foreword

Over the course of the 20th Century, women breaking into the workforce and previously restricted areas of economic life boosted opportunity and prosperity in the UK and across the world. The UK is taking action at every level to continue to boost women's economic participation. For example, our gender pay gap reporting is shining a light on the disparities faced by women in employment, and although the UK's gender pay gap is at a record low, there is clearly still progress to be made.

But with just a third of entrepreneurs being women,¹ and women being the majority owner of less than a fifth of businesses with at least one employee,² there is clearly more to do. Harnessing more of women's entrepreneurial talent could be the of the greatest opportunity for economic growth in the 21st Century. Progress will not happen automatically and we must take positive action.

That is why I asked Alison Rose, CEO of commercial and private banking at the Royal Bank of Scotland and one of the country's leading businesswomen, to undertake a review of the barriers faced by female entrepreneurs.

I am grateful for her comprehensive work. The findings are stark, and the problem is at all stages of the entrepreneurial journey: fewer women than men intend to start a business. Of those who intend to, fewer women than men start a business. Of those who start, fewer women than men scale their business to greater than £1million turnover.

The initiatives she has identified will start to make a difference. Easing the financial costs of family care with new banking products, and demystifying entrepreneurship through expanded access to role models and networks will help, and it is important that entrepreneurship education is available to raise the aspirations of the young.

I want to see the UK matching, and then surpassing, some of the best performing countries for entrepreneurial gender parity, such as the France, Canada and the US. This requires a 50% increase in the number of female entrepreneurs or an additional 600,000 female businesswomen, and will take persistent efforts from the private and public sector.

I am pleased that I and HM Treasury will be taking an active role on an ongoing basis beyond this review. Working with UK Finance, HM Treasury is establishing a new code, Investing in Women, which will report annually. I encourage all relevant financial institutions to sign up, track how they are currently doing and take steps to improve how they allocate funding to female entrepreneurs. I will also be

¹ 'Global Entrepreneurship Monitor United Kingdom 2017 Monitoring Report', Mark Hart, Karen Bonner, Jonathan Levie, Laura Heery, July 2018

² 'Longitudinal Small Business Survey 2017', Department for Business Energy and Industrial Strategy, 24 May 2018

supporting a taskforce of private investors that will seek to drive more funding to female entrepreneurs.

We live in one of the world's greatest entrepreneurial countries, with a new business being created every 75 seconds. I want to build an even more enterprising nation by ensuring that every woman who wishes to be an entrepreneur has the same access to finance as their male counterparts and that nothing impedes their business journey, for the benefit of us all.

A handwritten signature in black ink that reads "Robert Jenrick". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Robert Jenrick

Exchequer Secretary to the Treasury

Chapter 1

Introduction

- 1.1 Entrepreneurship is a crucial element of a dynamic and successful economy. Entrepreneurs' ideas become new products and services that better meet customers' needs, and the competition they bring to the market drives up national productivity. This matters a great deal. In the long term, a country's living standards are determined by its productivity.
- 1.2 It is therefore a concern that just a third of entrepreneurs are women.¹ The economy is missing out on a significant untapped pool of entrepreneurial talent and the businesses they could create. If women started businesses at the same rate as men, there would be 1.1 million,² or twice as many, female entrepreneurs. If the UK matched better performing peer countries, such as the US, there would be 600,000 more female entrepreneurs.
- 1.3 Alison Rose's Review of Female Entrepreneurship has shed renewed light on the barriers faced by women starting and growing businesses: lower access to finance, with women's average starting capital 50% below men's; different risk appetite, with 55% more women than men citing the fear of starting a business alone as a constraint; perceived lack of skills and experience, with women less likely to say they have the skills to start a business; disproportionate childcare responsibilities, with women spending 60% more time on childcare than men; and lack of sponsorship and role models, with fewer women than men knowing an entrepreneur.
- 1.4 The government welcomes the findings and recommendations of the review and supports the steps being taken to address low female involvement in entrepreneurship.
- 1.5 HM Treasury is establishing a new code, Investing in Women, and encourages all relevant financial firms to sign up to the code and improve how they fund female entrepreneurs.
- 1.6 However, many of these issues are faced by women in areas beyond entrepreneurship. That is why the government Equalities Office will publish a gender equality and economic empowerment strategy in the Spring setting out the government's plans to address persistent gendered economic

¹ 'Global Entrepreneurship Monitor United Kingdom 2017 Monitoring Report', Mark Hart, Karen Bonner, Jonathan Levie, Laura Heery, July 2018

² HMT calculations based on Global Entrepreneurship Monitor figures for male and female Total Entrepreneurial Activity (proportion of working age population setting up or running a new business) and ONS Labour Force Survey figures on the size of the working age population.

barriers women – and men – face across the country at every stage of their lives.

Chapter 2

Recommendations

- 2.1 As part of the UK's Industrial Strategy, the government's ambition is to make the UK the best place in the world to start and grow a business.
- 2.2 There are strong foundations to build on. The government has made it easier for a wide range of people to become successful entrepreneurs – there are now 1.2 million more businesses in the UK than in 2010,¹ and a new business starts up every 75 seconds.²
- 2.3 The government has kept taxes low to support entrepreneurs re-invest more of what they earn and grow their businesses faster. The UK has lowest rate of Corporation Tax in the G20, and Entrepreneurs' Relief provides a reduced 10% rate of Capital Gains tax for entrepreneurs selling business assets, compared to the general rate of 20%.
- 2.4 Businesses need appropriate finance to realise their ambitions, and the government is ensuring this is available. The UK has globally competitive tax incentives for investment in innovative start-ups. Since the introduction of the Enterprise Investment Scheme, the Seed Enterprise Investment Scheme and Venture Capital Trusts, they've been used to raise over £18 billion of funds for investment in early-stage and growth companies. In 2016/17, 3,470 companies raised £1.8 billion through the Enterprise Investment Scheme alone.³ The government has also created and expanded the British Business Bank, with a mission to ensure small businesses can access to the finance they need to grow. The Bank is now supporting £5.9 billion of finance to over 82,000 smaller businesses.
- 2.5 Government has recently increased the support it provides to help businesses realise their potential. Last year, the Chancellor announced £81.6 million funding for programmes that will help create the business leaders of the future through high quality management training; help businesses learn from each other through strengthened local peer networks; assist businesses in the North West to adopt advanced manufacturing technologies; and place skilled graduates in businesses for projects to boost their productivity.
- 2.6 But the government is not complacent, and recognises that too few women are enjoying the benefits of entrepreneurship. The government strongly

¹ 'Business Population Estimates 2018', Department for Business Energy and Industrial Strategy, 11 October 2018

² Department for Business Energy and Industrial Strategy analysis of 2016 Banksearch data

³ 'Enterprise Investment Scheme, Seed Enterprise Investment Scheme, and Social Investment Tax Relief statistics: May 2018', HM Revenue and Customs, 31 May 2018

welcomes the findings of the Alison Rose Review and the initiatives that are being taken forward to help tackle the gender entrepreneurship gap.

Initiative 1: Promote greater transparency in UK funding allocation through a new Investing in Female Entrepreneurs Code

- 2.7 The government strongly supports the creation of a new code, Investing in Women, that will see financial institutions commit to tracking the gender split of their funding to be published on an aggregated basis, and help organisations benchmark themselves against best practice investment processes for advancing female entrepreneurship. HM Treasury will partner with UK Finance to establish the code, which will report annually.
- 2.8 We see this as a helpful complement to the Treasury's existing Women in Finance Charter. Instituted in 2016, the Women in Finance Charter has been signed by over 300 financial institutions that have committed to improving the gender balance of their workforce, nurturing a pipeline of future female leaders, and reporting against their own improvement targets.
- 2.9 This new code will focus on the impact that financial institutions can have on the wider economy through their funding decisions, and we encourage all relevant financial institutions to sign up to it.
- 2.10 The government is also committed to improving how its funding supports diversity in entrepreneurship. The British Business Bank has committed to build a diversity lens into the assessments of all its Venture Capital programmes - and the assessments will be publicly available.
- 2.11 In addition, British Patient Capital, launched in June 2018 as a commercial subsidiary of the British Business Bank, has been given resources of £2.5 billion to deliver a new programme to invest in high-growth innovative firms and crowd in private investment. British Patient Capital is actively promoting the benefits of diverse teams with the General Partners and is currently adopting the recently launched Institutional Limited Partner Association (ILPA) diversity template as part of its fund due diligence process. The ILPA diversity template measures ethnic and gender diversity at General Partner firms.
- 2.12 The Bank's Start Up Loans programme has provided £468 million worth of loans to more than 61,000 entrepreneurs across the UK since 2012. 39% of loans have been to female entrepreneurs, and the programme has also provided mentoring to loan recipients. At Autumn Budget 2018, the Chancellor extended the programme's funding to 2021, helping an additional 10,000 entrepreneurs access the finance they need to start up.

Initiative 2: Launch new investment vehicles to increase funding going to female entrepreneurs

- 2.13 The review highlights the growing demand from successful female entrepreneurs for vehicles to invest in the next generation of female business owners. The government supports the Review's call for UK banks and investment funds to seize this potentially profitable opportunity.

- 2.14 More broadly, the government created the British Business Bank in 2014 with a mission to ensure small businesses can access to the finance they need to grow, and the Bank is now supporting £5.9 billion of finance to over 82,000 smaller businesses.

Initiative 3: Encourage UK based institutional and private investors to further support and invest in female entrepreneurs

- 2.15 Evidence cited by the review, including research from the British Business Bank, has highlighted the stark disparity in access to venture capital investment for female entrepreneurs. The research found that for every £1 of venture capital investment, just 1p goes to all-female founder teams. It also found some evidence of a bias against mixed-gender founder teams as they move through venture capital firms' decision-making processes.
- 2.16 The government agrees with the Review that consistent action is needed to change mindsets and behaviours and promote the opportunity of investing in women owned businesses.
- 2.17 HM Treasury ministers and the Department for Business Energy and Industrial Strategy Small Business Minister will sponsor an industry-led taskforce to drive change in the sector. The new code, Investing in Women, will also help to increase awareness and promote best practice decision processes for advancing female entrepreneurship.

Initiative 4: Review existing and create new banking products aimed at entrepreneurs with family care responsibilities

- 2.18 The Review found that primary care responsibilities remain the most important barrier for many female entrepreneurs, and that innovative new financial products could help. We echo the review's call for new products designed to help parent entrepreneurs to manage their businesses and the challenges of raising a family.
- 2.19 More broadly, the government is supporting all parents with the cost of childcare. By 2019-20, we will be spending around £6 billion on childcare support, more than any previous government. This government has doubled the free childcare available in England to eligible working parents of 3 and 4-year-olds, to 30 hours per week. Saving parents using the full entitlement around £5,000 per year.
- 2.20 We are also supporting families across the UK through Tax-Free Childcare, which provides support of up to £2000 per child per year and was fully rolled out to over 2 million eligible families in February 2018. In addition, Universal Credit provides more generous childcare support than was available under Tax Credits, meeting up to 85% of eligible childcare costs within a monthly cap as opposed to 70% under Tax Credits.
- 2.21 Universal Credit is expected to support more families than Tax Credits by removing the requirement for parents to be working above an hours threshold in order to be eligible for support.

Initiative 5: Improve access to professional expertise by expanding the entrepreneur and expert in residence programme

- 2.22 The Review describes the particular value of existing entrepreneur and banker in residence programs in the UK and internationally. These in person mentoring and advice services can be vital to helping businesses to start and grow. Many companies have considerable expertise to offer, and the government welcomes the Review's recommendation that private sector actors offer their time to business hubs across the UK.
- 2.23 In 2018 the Chancellor provided an additional £5.6 million for Be the Business to expand their networking pilots, and to increase mentoring support of small business leaders by larger businesses. Be the Business are a business-led and government backed group aiming to help businesses improve their productivity.

Initiative 6: Expand existing mentorship and networking opportunities

- 2.24 Evidence shows that being part of local business networks can help entrepreneurs to grow their businesses and share best practice, but the Review found that women are less likely to be a member of a business network or to know an entrepreneur. The government therefore supports the expansion of networks focused on connecting female entrepreneurs, and recognises the value created by organisations such as the Everywoman network with over 20,000 members, the Allbright Academy and Female Founders Forum, and many more across the country.
- 2.25 More broadly, at Autumn Budget 2018, the Chancellor committed an additional £20m to strengthen local peer to peer business networks across England; benefiting a wide range of smaller businesses. He also allocated £11 million to provide high quality management training to small business leaders.

Initiative 7: Accelerate development and roll-out of entrepreneurship-related courses to schools and colleges

- 2.26 Encouraging young people to consider entrepreneurship at an early stage is vital. Unfortunately, entrenched stereotypes about gender roles from childhood can have a lasting influence on the career choices men and women make, including the likelihood of going on to start a business.
- 2.27 The government welcomes private sector companies working constructively with schools and providing resources that support delivery of the national curriculum and broader skills.
- 2.28 More broadly, the government is keen to understand potential barriers to entrepreneurship amongst all young people, which is why the Department for Business, Energy, and Industrial Strategy has asked the Prince's Trust to carry out a review into young entrepreneurship in England. The Review will cover the barriers and opportunities for entrepreneurship that 18-30 year olds have, and conclude later this year.

- 2.29 The government also wants to make Britain the best place in the world to study STEM, including promoting female take up of STEM subjects, which are the basis of many of the fastest growing new businesses in the UK.
- 2.30 The Stimulating Physics Network and the Advanced Mathematics Support Programme have been working with schools and colleges in England to improve take up of A level physics, AS/A level mathematics and further mathematics, and level 3 core maths qualifications. This includes promoting female participation through teachers' Continuous Professional Development, student enrichment and other activities and with some focus on engaging more girls in these subjects.
- 2.31 The government launched the National Centre for Computing Education (NCCE) in November 2018, backed by up to £84m funding to help support teachers and pupils in England, including support to increase take-up among girls.

Initiative 8: Create an entrepreneur first-stop shop

- 2.32 The government welcomes efforts by the private sector to improve the information available to entrepreneurs. As part of the Industrial Strategy, the government has committed to making it easier for businesses to get the information they need online by improving the way it provides key information and support to businesses, and to continuing to work with the private sector to ensure all businesses can access the high-quality advice and support they need. The government reiterated its intent to improve the customer experience for businesses accessing online government information and services at Autumn Budget 2018.

Next steps – the Gender Equality and Economic Empowerment Strategy

- 2.33 As the Review notes, there is no quick or simple fix to increasing female entrepreneurship, but we are determined to see a positive change in this area. By 2030, we want to see the UK matching some of the best performing major economies for gender parity in entrepreneurship, such as France, Canada and the US. Matching the US equates to an additional 600,000 entrepreneurs compared to today.
- 2.34 In addition to the actions committed to as a result of this Review, the government will set out further action to improve financial independence and resilience for all women, particularly those who are low paid and financially fragile as part of its forthcoming Gender Equality and Economic Empowerment Strategy. Appreciating that barriers to economic empowerment are often complex and the result of multiple changing barriers that women – and men – face during the course of their lives.
- 2.35 HM Treasury ministers and the Department for Business Energy and Industrial Strategy Small Business Minister will sponsor an industry-led taskforce that will drive forward work to encourage greater investment in female entrepreneurs by all types of finance provider.

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