



Longitudinal Small Business Survey: businesses with no employees – UK, 2019

4 June 2020

Official Statistics

- The proportion of businesses with no employees who report that annual **sales** (turnover) increased over the previous year has been remarkably steady over the five years of the survey, as have the proportions reporting a decrease and the proportion saying there was no change. In 2019 we found 26% of these businesses reported an increase and 23% reported a decrease – this small gap has persisted since 2015.
- 30% of businesses with no employees expected turnover to increase in the next 12 months, 49% thought it would remain roughly the same and 16% thought it would be lower. The gap appears to have widened since 2018.
- For the second year in a row, more than half of these businesses expressed an ambition to grow sales over the next three years. This proportion had been declining from 54% to 39% between 2012 and 2017, but then jumped up to 52% in 2018. It has remained at 52% in the 2019 survey. (Note that the survey was conducted *before* the COVID-19 public health crisis.)
- 78% of businesses with no employees generated a **profit** or surplus in their last financial year. This represents a bounce back from the fall to 74% in 2018, but not quite returning to the 80% we reported in the 2017 survey.
- 19% of businesses with no employees had done work for the public sector in the preceding twelve months, and this had most commonly been for local authorities (45%). Businesses in the education sector were most likely to have done business with the public sector (32%) – at the other end of the scale 0% of our sample of non-employers in the accommodation and food services sector said they'd done business with the public sector.
- 28% of businesses with no employees introduced **new** or significantly improved goods or services, substantially higher than the equivalent proportion in 2017 (17%). New or significantly improved processes were introduced by 14% of non-employing businesses, marginally more frequent than in 2018.
- The proportion of businesses with no employees seeking **finance** for working capital in 2019 increased by eight percentage points compared with 2018, and the proportion seeking finance for investment decreased by nine percentage points. This suggests a switch from seeking long-term financing to short-term.
- At the same time, the proportion of businesses with no employees that obtained some or all the finance that they sought rose by 12 percentage points, and the proportion that received none decreased by 15 percentage points. This switch *could* be related to the switch described above from applying for longer-term financing to seeking shorter-term financing, if the latter is easier to obtain for these businesses.

- The **obstacles** to business success most frequently cited by businesses with no employees were competition in the market (by 41%), red tape (33%), late payment (29%), and taxation (27%).
- Only one-fifth (19%) of businesses with no employees saw UK exit from the EU as an obstacle, a similar proportion to 2018 (20%). In England 18% of non-employing businesses felt this was an obstacle, in contrast to Scotland and Northern Ireland where 35% saw it as an obstacle.
- 17% of businesses with no employees were majority-led by women, compared to 23% in 2018. Just 4% of businesses with no employees were majority-led by people of a minority ethnic group (MEG-led). This proportion has been steady since 2015.

What you need to know about these statistics:

The Longitudinal Small Business Survey (LSBS) is a 2019 telephone survey of UK businesses in the private sector with fewer than 250 employees. (This definition treats full-time and part-time employees equally.) This report 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.

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

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

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

This is a longitudinal survey as we try to re-interview businesses each year – about 1,816 businesses have taken part in all five years of the survey so far ('panellists'), and 5,408 of the businesses in 2019 had taken part in at least one previous survey. In addition, there were 3,778 businesses new to the survey ('top-ups').

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

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

This report was originally published with an incorrect figure for women-led businesses on page 2, and with incorrect values and column headings in Table 1. These have been corrected here.

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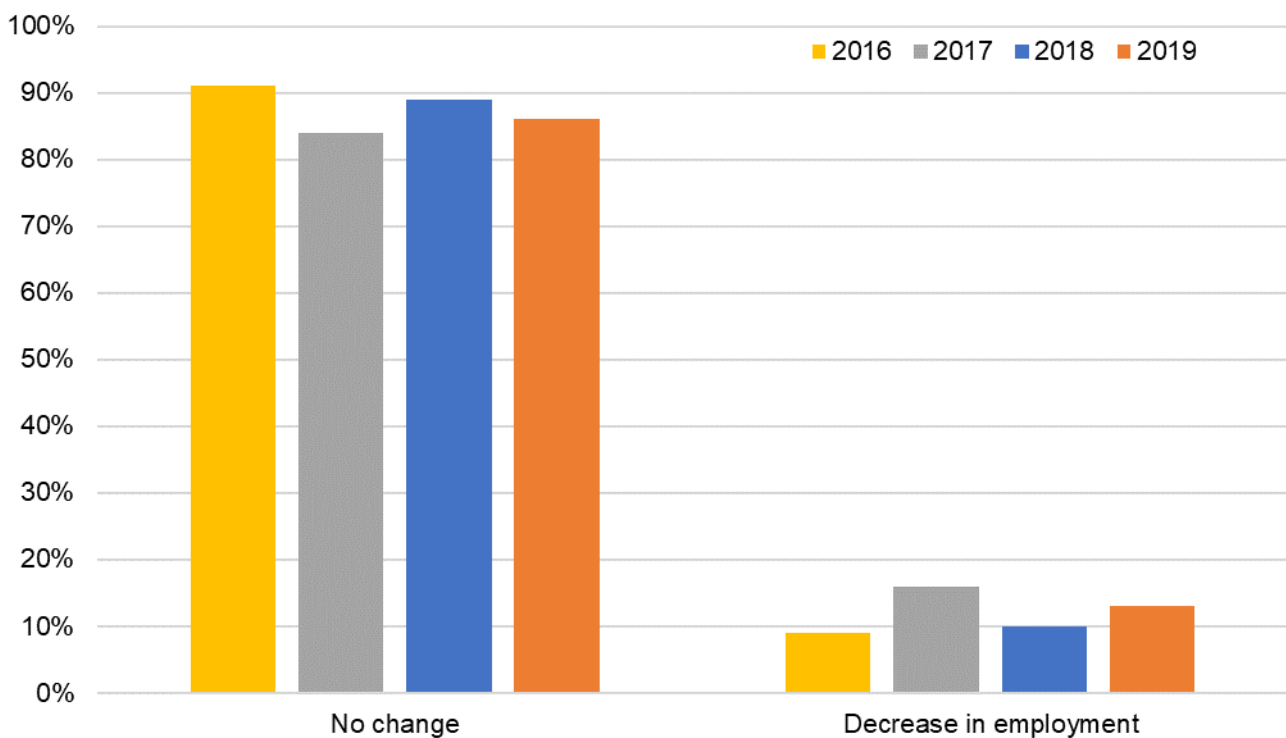
Business performance

Changes in the levels of employment

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

An estimated 13% of businesses with no employees that had traded for more than a year employed at least one person 12 months earlier. (If business had no employees at the time of the interview it counts as part of this report, even if they had employees 12 months earlier.) Compared with 2018 there was a three percentage point increase in this figure, but in 2019 it was three percentage points lower than in 2017 and four percentage points higher than in 2016.

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



Unregistered businesses with no employees were less likely to have had at least one employee a year ago than those that were registered (10% compared with 23%).

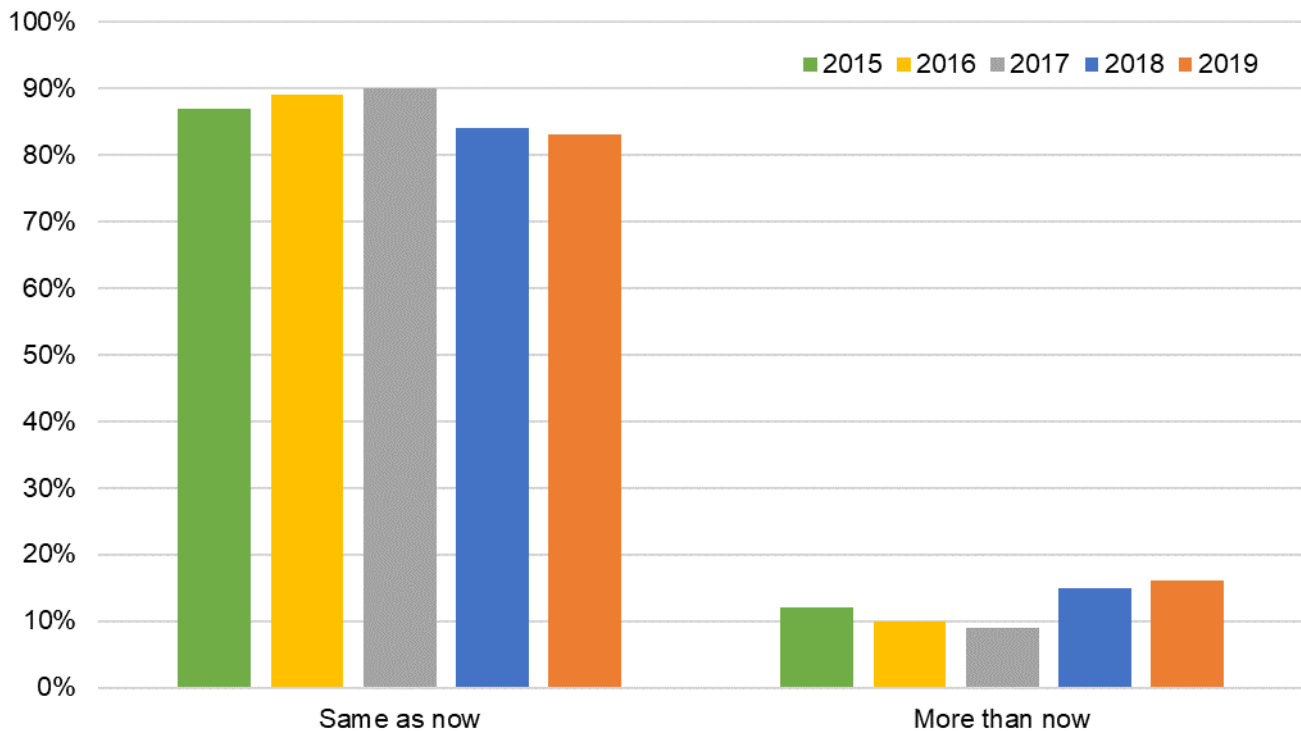
By sector, those in retail and wholesale (20%) were most likely to have reduced their employment levels. Those in construction (8%) and arts and entertainment (8%) were least likely to have done so.

Expectations for employment growth

In the [data tables](#) accompanying this publication, table 30 shows how many employees the business expects to have on the payroll in 12 months' time.

We find that 16% of businesses with no employees expected to increase employment in a year's time. Some 83% expected no change. These are similar figures to last year's survey.

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



There is little difference between registered and unregistered businesses with no employees regarding expectations of employing people in a year's time (15% and 16% respectively).

By sector, businesses in health (23%), retail and wholesale (22%) and administrative services (21%) were more likely to expect to employ people.

Businesses with no employees in Northern Ireland were most likely to report intending to employ people in the next 12 months (28%), while those in Wales were least likely to do so (9%). This compares with 16% in England and 12% in Scotland.

Changes in levels of turnover

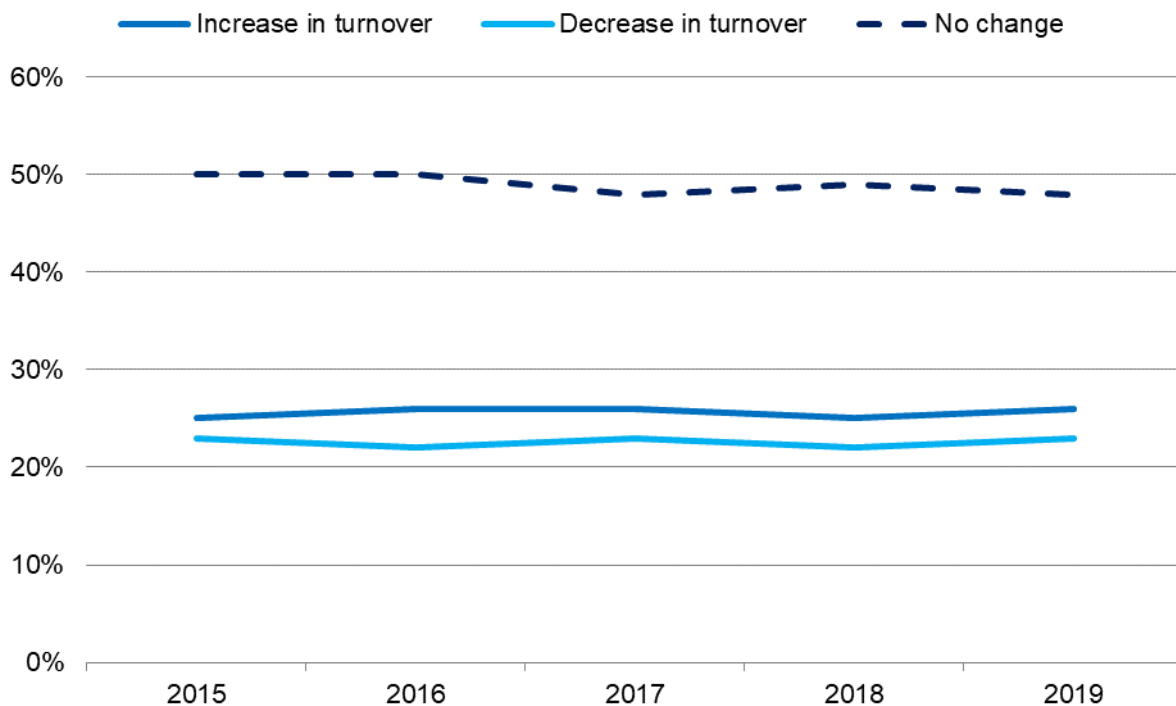
In the [data tables](#) accompanying this publication, table 153 shows the change in turnover compared with 12 months ago.

An estimated 26% of businesses with no employees (that had traded for at least one year) reported growth in turnover (value of sales) since the previous year. We find that 48% of such businesses had approximately the same turnover and 23% had a fall in turnover. These proportions are similar to the previous two years.

There was a small difference between registered and unregistered businesses with no employees in the percentage that reported increased turnover (24% and 26% respectively), but registered businesses were more likely to report reduced turnover since the previous year than unregistered businesses (27% and 21% respectively).

By sector, businesses with no employees in administrative services (32%), finance and real estate (32%), information and communication (31%) and other services activities (31%) were the most likely to report growth in turnover. Those in construction (20%) were most likely to report a decline in turnover.

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



Expectations of turnover in 12 months' time

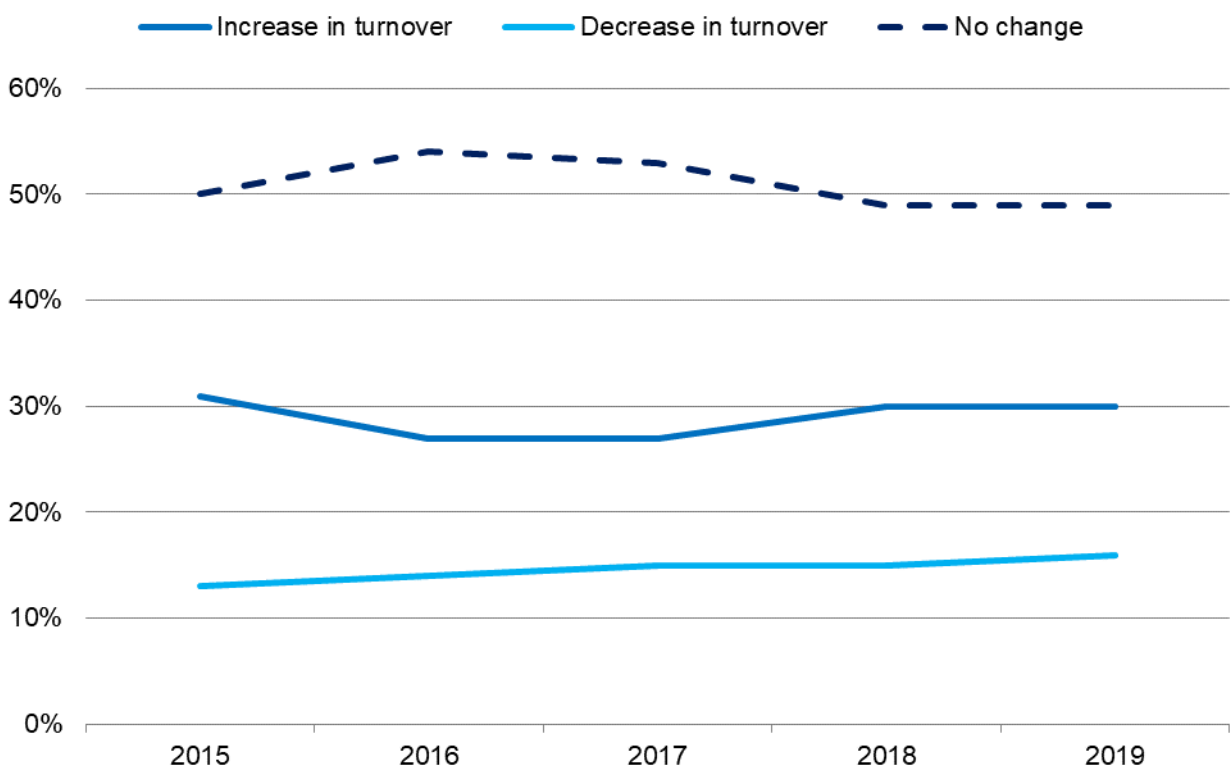
In the [data tables](#) accompanying this publication, table 157 shows the expected change in turnover in 12 months' time.

An estimated 30% of businesses with no employees expected turnover to increase in the next 12 months, 49% thought it would remain nearly the same and 16% thought it would be lower. These proportions are virtually the same as in 2018.

There is no difference between registered and unregistered businesses with no employees regarding expectations of increased turnover (29% and 30% respectively). The percentages of businesses expecting a decrease were slightly higher for registered businesses than for unregistered ones (17% and 15% respectively).

By sector, businesses with no employees in education (36%), administrative services (35%) and information and communication (35%) were more likely than average to think turnover would increase. Those in transportation and storage (27%) were more likely than average to think that turnover would decrease.

Figure 4: Expectation of turnover in 12 months' time



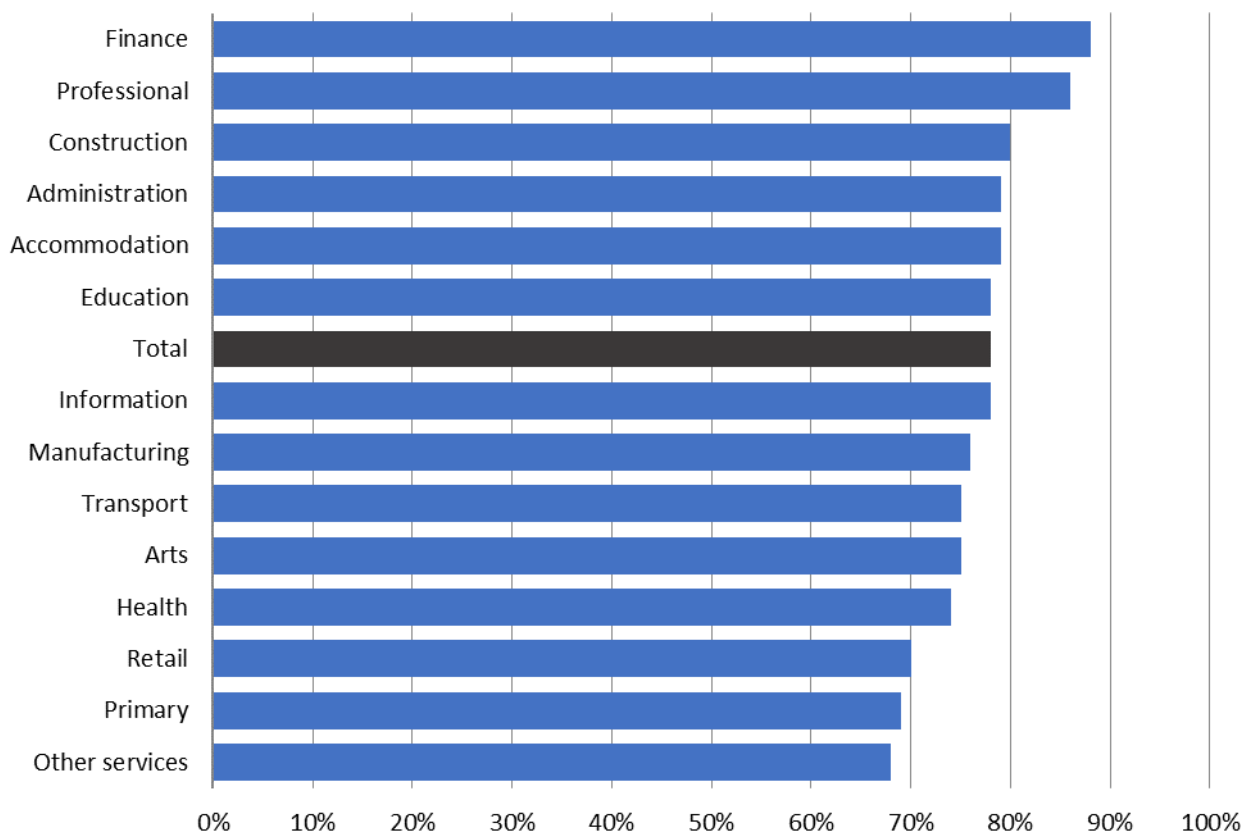
Profit

In the [data tables](#) accompanying this publication, table 59 shows whether the business without employees generated a profit or surplus in the last financial year

We find that 78% of businesses with no employees generated a profit or surplus in their last financial year, four percentage points higher than in 2018 and two percentage points lower than in 2017. In comparison, 80% of SME employers in the 2019 survey generated a profit in their last financial year.

Businesses in the finance and real estate, and professional and scientific sectors (88% and 86% respectively) were most likely to have made a profit. Those in other services and primary sectors (68% and 69%, respectively) were the least likely to have made a profit.

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



Social enterprises

In the [data tables](#) accompanying this publication, table 54 shows whether the business without employees considered they had social or environmental goals

An estimated 3% of businesses with no employees considered social or environmental goals as their only concern, 9% considered these goals their primary concern, while 26% considered social or environmental goals to be equal to financial or other goals.

More than half of businesses with no employees (58%) put financial goals above social or environmental goals, including 35% for whom the latter are secondary and 23% for whom the latter are non-existent. A higher proportion of registered businesses with no employees (65%) than unregistered businesses (60%) placed social or environmental goals below financial or other goals.

Overall, 42% of businesses with no employees placed high importance on financial goals. This proportion increased to 51% of registered businesses, compared with 38% of unregistered businesses.

Overall, 11% of businesses with no employees were classified as social enterprises, based on having social or environmental goals and using at least half of their profit/surplus to further those goals. This compared with 14% of SME employers.

Social enterprises with no employees were most common within the arts, entertainment, and recreation sector (26%), human health and social work (21%) and primary (20%) sectors.

Public sector business (cohort B)

In the [data tables](#) accompanying this publication, tables 9 and 10 (cohort B) shows where the business without employees had done any business for the public sector in the past 12 months, and which parts of the public sector they had worked for

In 2019, 19% of businesses with no employees had done business for the public sector in the preceding twelve months. This compared with 22% of SME employers.

By sector, this proportion was highest in education (32%), transport (29%) and other services (27%). It was lowest in accommodation and food services (0%), finance and real estate, and retail and wholesale (both 9%).

Businesses with no employees that had worked for the public sector were most likely to have worked for local authorities (45%), the health service (22%) or higher and further education institutions (14%).

Exporting

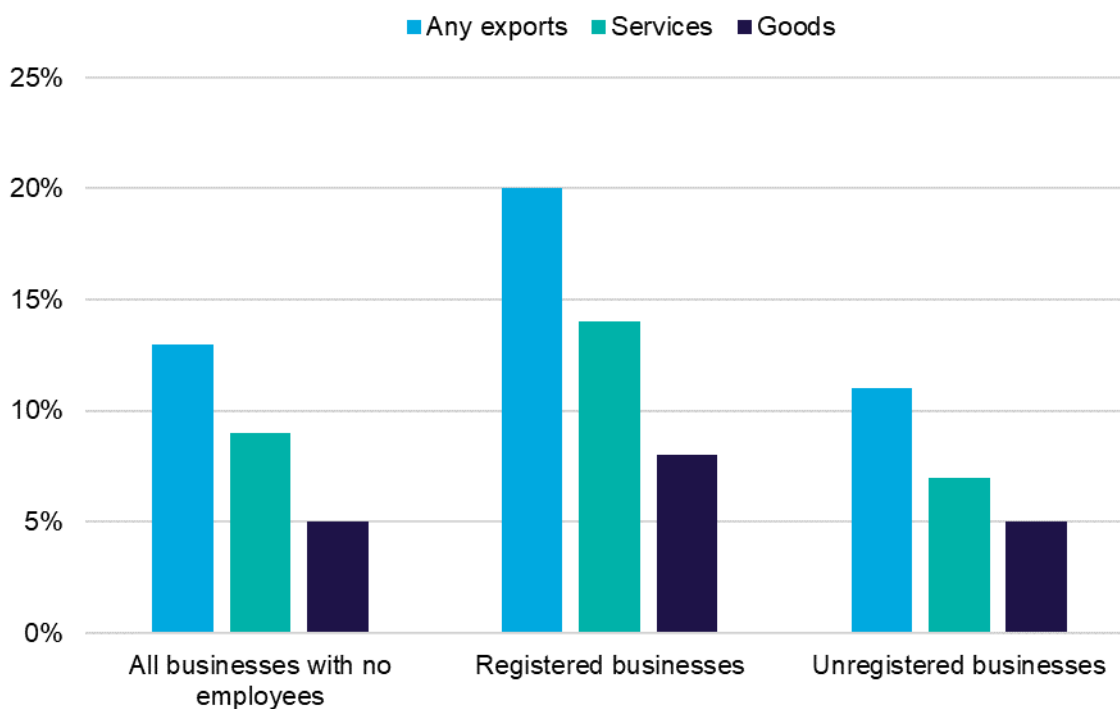
Sales of goods or services outside the UK in the last year

In the [data tables](#) accompanying this publication, table 35 shows whether businesses exported goods or services

Overall, 13% of businesses with no employees exported goods or services in the last year. This proportion is one percentage point higher than in both 2018 and 2017 and three percentage points higher than in 2016. By way of comparison, 20% of SME employers reported exporting goods or services in the preceding 12 months.

Registered businesses with no employees (20%) were more likely to have exported than unregistered businesses (11%).

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



Businesses in the information and communication (32%), retail and wholesale (29%), manufacturing (22%) and professional and scientific (22%) sectors were most likely to export. Businesses in construction (2%) and in human health and social work (4%) were least likely to export.

Destinations of exports

In the [data tables](#) accompanying this publication, table 37 shows the destination of exported goods or services

Of businesses with no employees that exported in the last year, 67% exported to (non-UK) European Union countries. The next most frequently cited export destination was the USA (41%), followed by EFTA countries (25%), Canada (15%), China (8%), India (7%), Turkey (4%) and South Korea (4%). Among business with no employees that exported, 41% reported exporting to the 'rest of the world'.

By sector, exporters to the EU were most common in the primary sector (which includes agriculture) (89%) and retail and wholesale (86%).

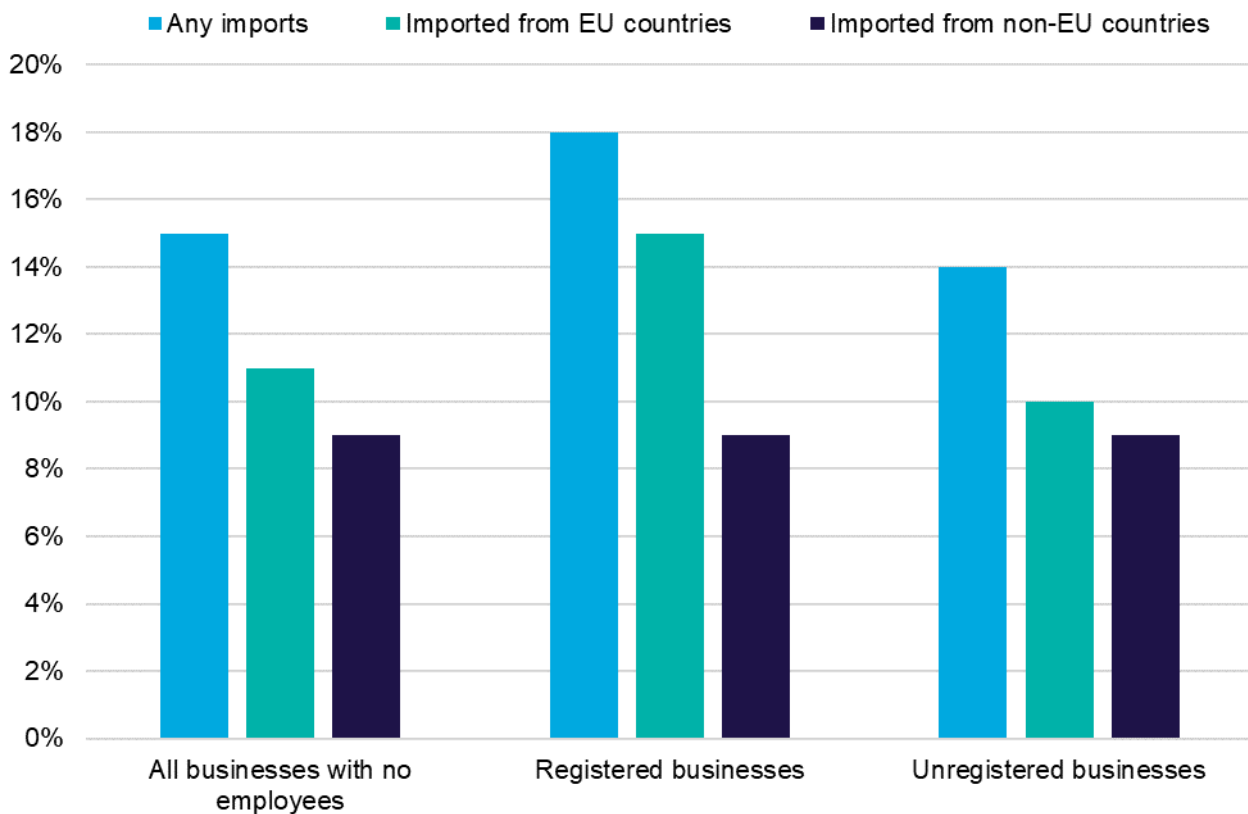
Goods or services imports in the last 12 months

In the [data tables](#) accompanying this publication, table 40 shows whether businesses imported goods or services

An estimated 15% of businesses with no employees imported goods or services in the previous year. This was two percentage points higher than in 2018 and three percentage points higher than in 2016 and 2017. In comparison 22% of SME employers imported goods or services in the previous year.

Registered businesses with no employees were more likely to have imported goods or services in the previous year than non-registered businesses (15% compared with 10%).

Figure 7: Sources of imports for non-employers



The sectors most likely to have imported goods or services were retail and wholesale (27%), and information and communications (25%)

Plans to increase exports, start exporting and intermittent exporting

In the [data tables](#) accompanying this publication, tables 42 and 44 show whether businesses planned to start or to increase exporting in the next few years

This year's survey reports that 37% of current exporters planned to increase their level of exports over the next few years (down four percentage points on 2018, six percentage points on 2017 and nine percentage points on 2016). The equivalent proportion for SME employer exporters was 52%.

Of businesses with no employees that do not currently export, 5% reported planning to export in the future. There has been little change in this percentage since 2016.

Non-exporters in the information and communications sector were the most likely to consider future exporting activity (15%).

Of businesses with no employees that have exported for two years or longer, 62% have had overseas sales every year since they started exporting. Some 36% have had some years without overseas sales. This compares with 72% and 23% respectively of SME employers.

Of those exporters that reported some years without overseas sales, the main reason given was that they only received occasional orders from overseas (34%). Around 27% said that they preferred to concentrate on UK markets, whilst 6% reported not having time to pursue exporting.

Overall, 19% of businesses with no employees reported having goods or services suitable for export. This was similar to 2018 (18%) and less than in 2017 (29%). The types of business most likely to have goods or services suitable for export were registered zero employee businesses (26%, compared to 17% of unregistered ones), and those in the information and communications (47%), professional and scientific (36%), retail and wholesale (32%), and manufacturing (31%) sectors.

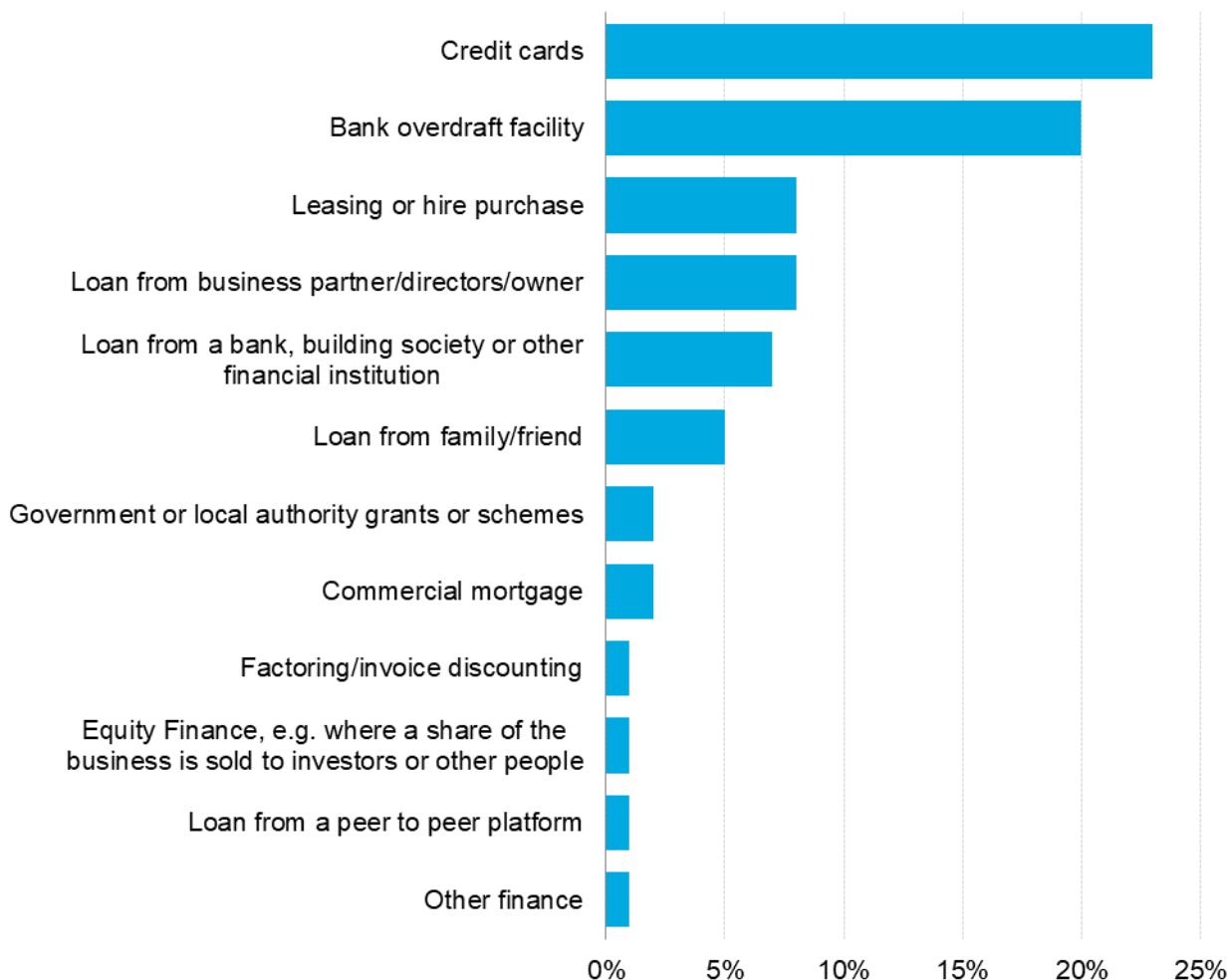
Access to external finance

Types of external finance currently used

In the [data tables](#) accompanying this publication, table 69 shows the types of finance that businesses without employees currently use

Overall, 46% of businesses with no employees were using some form of external finance in 2019. This was two percentage points lower than in 2018 and 2017.

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



Registered businesses with no employees (52%) were more likely to use external finance than unregistered businesses (43%).

For businesses with no employees the most common forms of external finance used were credit cards (23%), bank overdrafts (20%), leasing/hire purchase (8%), and loans from business partners/directors/owners (8%) or a bank, building society or other financial institution (7%).

There were no great differences between the level of reported usage of individual types of finance in 2019 compared with 2018 and 2017.

Businesses with no employees in the primary sector (largely consisting of agriculture) were most likely to report current use of one or more forms of external finance (73%).

Whether businesses sought external finance in the last 12 months

In the [data tables](#) accompanying this publication, table 71 shows whether businesses without employees sought external finance in the last 12 months

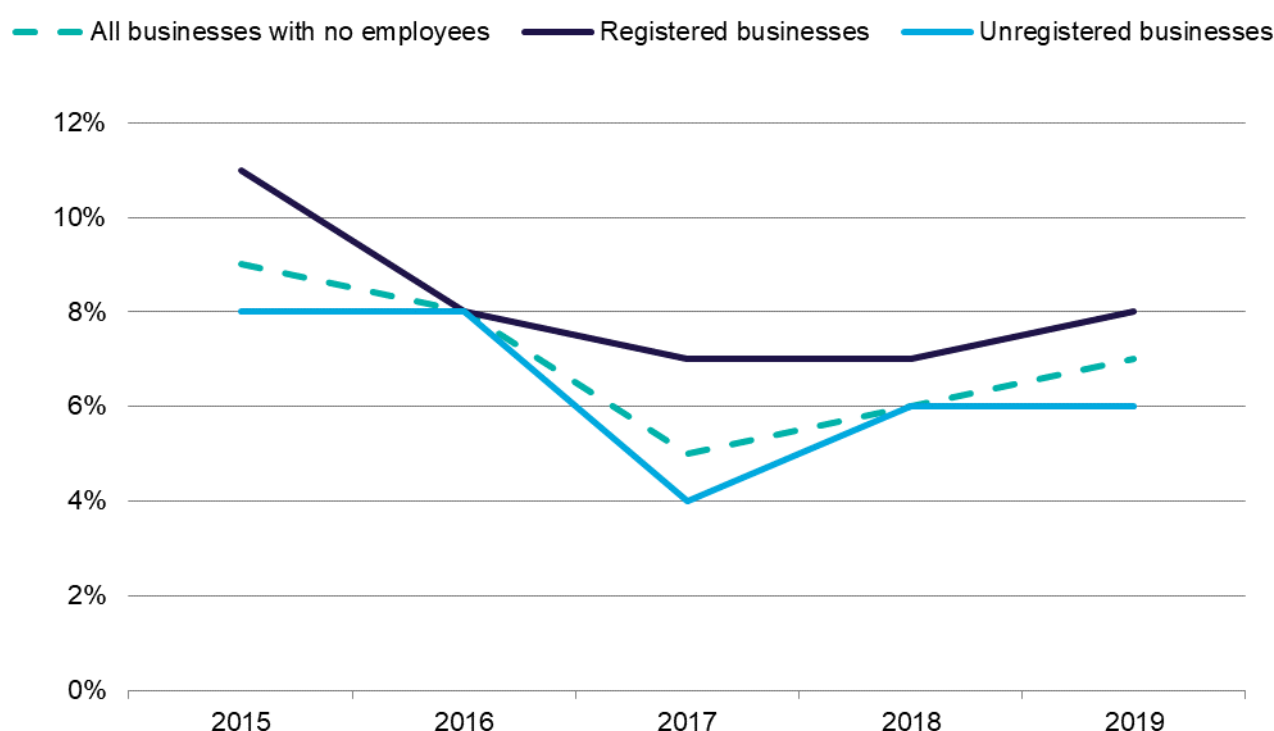
Some 7% of businesses with no employees had sought external finance in the last year. This proportion was one percentage point higher than in 2018 and two percentage points higher than in 2017.

Registered zero employee businesses (8%) were more likely to have sought finance compared with 6% of unregistered ones.

By UK nation, 12% of businesses with no employees in Northern Ireland sought finance, compared with 7% in both England and Wales and 6% in Scotland.

Businesses with no employees in the primary, transport and storage, and accommodation and food services sectors (12% in all cases) were the most likely to have applied for finance in the preceding 12 months.

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



Businesses with no employees were less likely to have sought finance than SME employers in the previous 12 months: 5% had sought finance once (compared with 9% of SME employers), and 2% sought it more than once (3% of SME employers).

Reasons for applying for external finance

In the [data tables](#) accompanying this publication, tables 100-102 shows the reasons why businesses without employees tried to obtain external finance

Overall, 64% of businesses with no employees, that had applied for external finance, did so to provide working capital or cash flow, and 40% did so to fund investment in their business. These levels of short term and long term capitalisation in businesses are similar to those reported by SME employers (63% and 44% respectively).

The proportion of businesses with no employees seeking finance for working capital in 2019 increased by eight percentage points compared with 2018, and the proportion seeking finance for investment decreased by nine percentage points.

The main reasons for seeking finance to provide working capital or to support cash flow were:

- to fund general growth (50% of those seeking finance for working capital)
- to cover a short-term gap until funds were received from customers (40%)
- as a safety net, just in case (18%)

Type of external finance sought

In the [data tables](#) accompanying this publication, table 73 shows the types of external finance sought in the last 12 months

An estimated 37% of businesses with no employees, that sought external finance, applied for loans from banks or other financial institutions (compared with 36% of SME employers). Analysis by type of finance sought shows that 36% of businesses with no employees applied for bank overdrafts (compared with 37% of SME employers), 17% for credit cards (14% of SME employers), 8% for leasing/hire purchase (21% of SME employers), and 5% for a government or local authority grant/scheme (11% of SME employers).

There was generally a lower level of reported demand for each of these types of finance in 2019 than in 2018, with the exception of credit cards (up four percentage points). Demand for bank/financial institution loans was down four percentage points, bank overdrafts down three percentage points, demand for government or local authority grant/scheme down six percentage points, and demand for leasing/hire purchase was down two percentage points, compared with 2018.

Success in obtaining finance

In the [data tables](#) accompanying this publication, table 87 shows the outcome of applications for finance

Of businesses with no employees that applied for external finance in the preceding 12 months, 76% were successful in obtaining some or all of the finance sought and 11% received none. The remaining 14% still had applications pending at the time of the interview. These outcomes compare with 78% of SME employers receiving some or all finance applied for and 14% receiving none.

Compared with 2018, the proportion of businesses with no employees that obtained some or all finance sought rose by 12 percentage points, and the proportion that received none decreased by 15 percentage points. This switch could be related to the switch described above from applying for longer-term financing to seeking shorter-term financing, if the latter is easier to obtain for these businesses.

Registered businesses with no employees (15%) were more likely than unregistered businesses (9%) to have reported obtaining none of the finance sought. However, there was no difference between registered and unregistered businesses with respect to having obtained some or all of the finance sought (the difference is due to different rates of businesses with decisions pending at the time of interview – 15% of unregistered businesses who had applied for finance were still waiting for the decision at the time of their interview with us, compared with 10% of registered non-employers).

Intentions to apply for external finance in the next three years

In the [data tables](#) accompanying this publication, table 163 shows the likelihood of businesses without employees approaching external finance providers in the next 3 years

We find that 12% of businesses with no employees said it was likely that they would approach external finance providers in the next three years (4% very likely, 8% fairly likely). These proportions were very similar to those seen in 2018 (12%, 5%, and 7% respectively) and 2017 (11%, 5%, and 6% respectively) but lower than those seen in 2016 (14%, 6% and 8% respectively).

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

Registered businesses with no employees (15%) were more likely than unregistered businesses (11%) to say it was likely that they would approach external finance providers in the medium term.

The proportion of businesses with no employees likely to approach external finance providers in the next three years was highest in the arts and entertainment (20%) and transport sectors (16%).

Trade credit and late payment (cohort A)

In the [data tables](#) accompanying this publication, table 10 (cohort A) shows whether businesses without employees give customers trade credit and table 12 (cohort A) shows whether they have a problem with late payment

An estimated 35% of businesses with no employees said they give their customers trade credit (up three percentage points on 2018 and down four percentage points on 2017). However, the provision of trade credit by businesses with no employees was much lower than SME employers (47%).

The proportion offering trade credit was higher amongst registered businesses than unregistered businesses (44% compared with 31%).

Trade credit was most likely to be given by businesses with no employees in professional and scientific services (53%), primary (48%), and manufacturing (46%) sectors. The offer of trade credit was least likely in accommodation and food services (6%), education (17%), financial and real estate (16%), and art and entertainment/recreation (15%) sectors.

Late payment was considered a problem by 44% of those firms that give trade credit (15% of all businesses with no employees overall), with 7% considering it a big problem (down three percentage points compared with 2018). In comparison, 56% of SME employers that give trade credit considered late payment a problem.

Formal written business plans

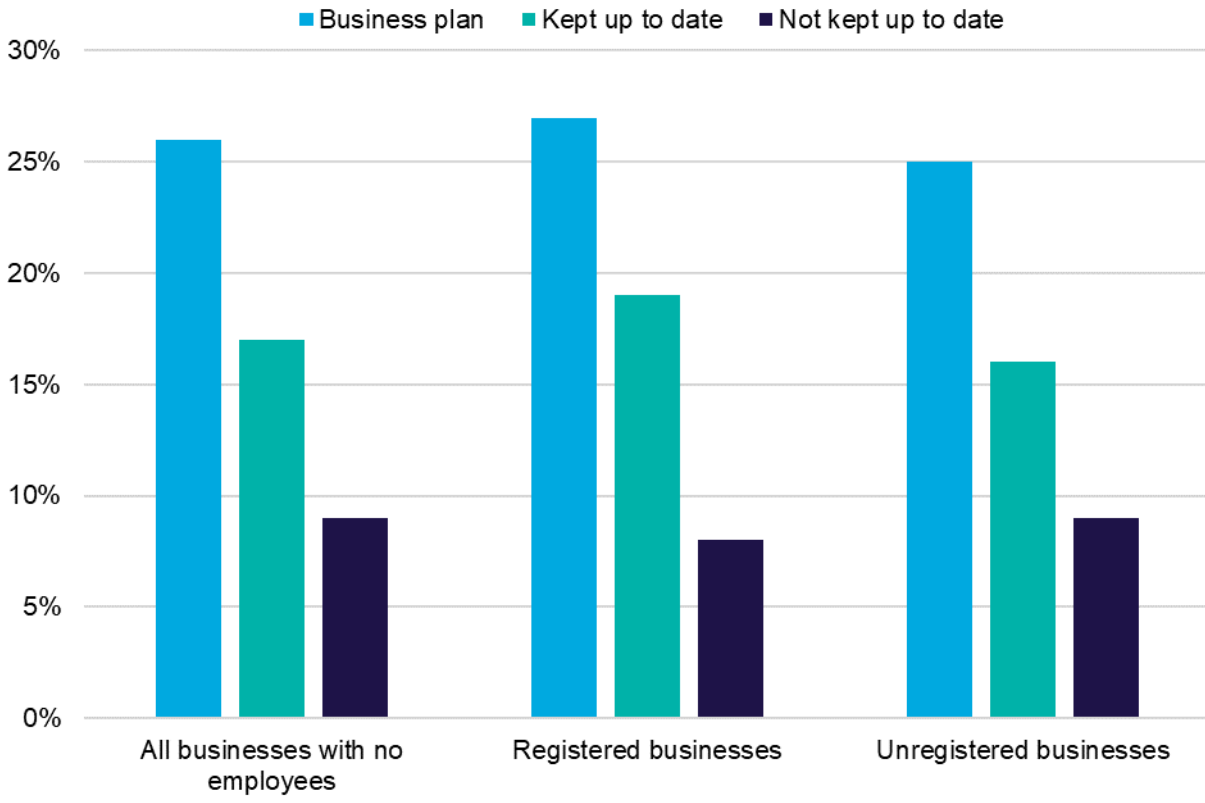
In the [data tables](#) accompanying this publication, table 63 shows whether businesses without employees have a formal written business plan

One in four (26%) of businesses with no employees had a formal written business plan. Of these, the majority (17%) report they kept plans up to date while the minority (9%) did not. We find this year that businesses with no employees were slightly more likely to have had a formal written business plan and to have kept it up to date than in 2018 (23%, 15% and 8%, respectively). The proportion of SME employers (41%) with a formal written business plan is 15 percentage points higher than that for businesses with no employees in 2019.

Registered businesses with no employees (27%) were slightly more likely to have had a formal written business plan than unregistered businesses with no employees (25%). Further, 71% of registered businesses with a formal written plan kept their plan up to date whilst only 64% of unregistered businesses did so.

Businesses with no employees in manufacturing (86%), construction (85%), and transport (81%) sectors were least likely to have a plan. These businesses are roughly half as likely to have a plan than non-employers in other sectors.

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



Innovation activity

New or significantly improved processes in the last three years

In the [data tables](#) accompanying this publication, table 10 shows whether the business has introduced any new or significantly improved processes in the last three years.

It is estimated that 14% of 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 2018 and two percentage points higher than in 2017 and 2016 but lower than in 2015 (16%). In comparison, 19% of SME employers in the 2019 survey innovated processes.

The proportion was higher for registered businesses than unregistered ones (16% compared with 13%).

By sector, those most likely to have introduced new or significantly improved processes were in the information and communications (26%) and professional and scientific (22%) sectors.

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

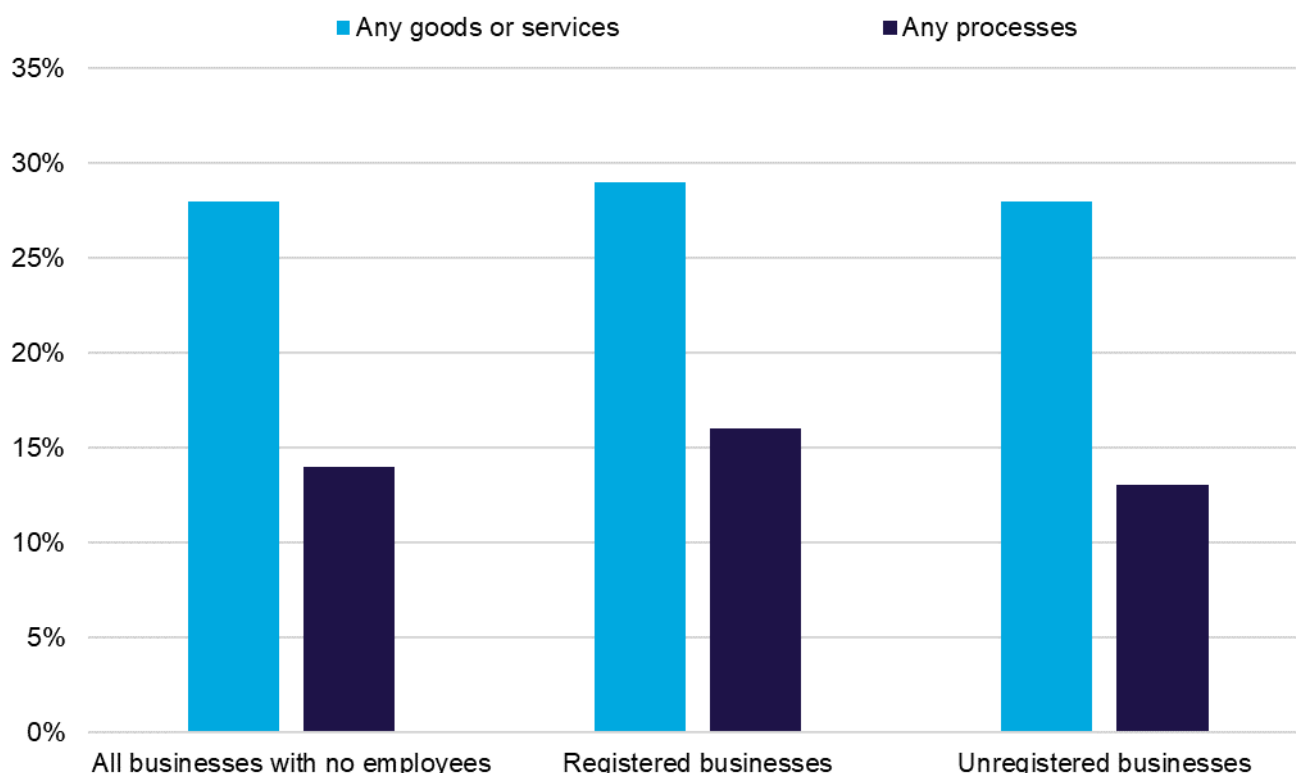
In the [data tables](#) accompanying this publication, tables 119 and 120 show whether the business has introduced any new or significantly improved goods or services in the last three years.

It is estimated that 28% of all businesses with no employees had introduced new or significantly improved **goods or services** in the last three years. This was 11 percentage points higher than in 2017¹. In 2019 the proportion of SME employers that had innovated goods or services was 32%.

By sector, those most likely to have innovated goods or services were in the information and communications (44%) and education and health (both 37%) sectors.

¹ Figures from 2018 for the introduction of new or significantly improved goods or services are not discussed. 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 other 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, indicates that the focus of the question was firmly on goods in 2018, and only a proportion of those that innovate services answered affirmatively

Figure 11: Proportion of businesses with no employees which have introduced new or significantly improved goods, services or processes, by registration status (2019)



In the [data tables](#) accompanying this publication, table 121 shows whether the new goods, services or process innovations were new to the industry or business

Of all these businesses, 8% had introduced goods or services that were new to the market (up from 6% in 2018 but on a par with 2017) and 3% had introduced or significantly improved processes that were new to their industry (down from 4% in 2018 and on a par with 2017). In 2019, 30% of SME employers introduced new goods or services to the market.

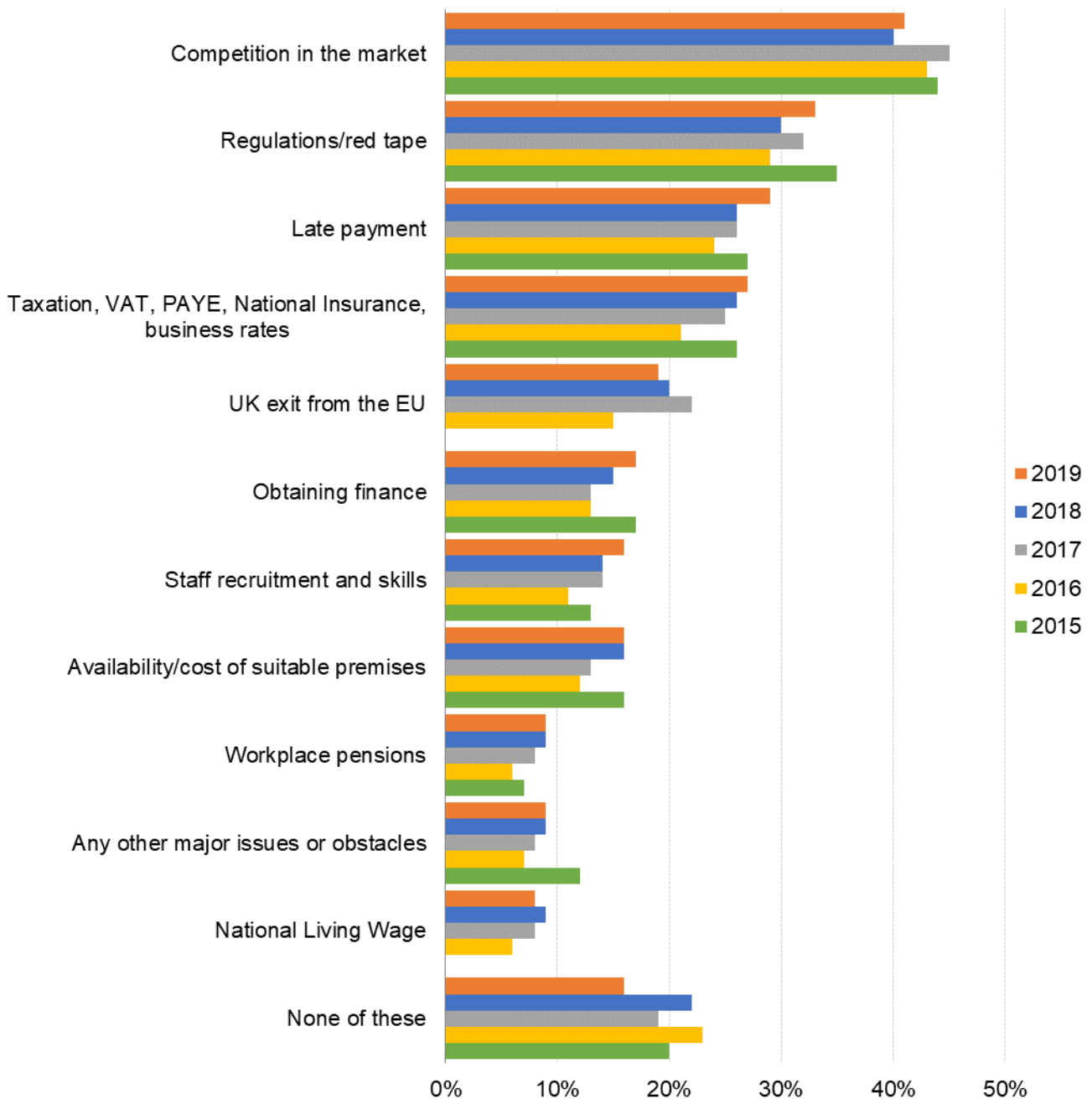
Businesses that introduced *goods or services* that were new to the market were most likely to be in the information and communications sector (17%).

Businesses that introduced *processes* that were new to the industry were also most likely to be in the information and communication sector (9%).

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

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

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



Overview of main obstacles

The obstacle that was most cited by businesses with no employees was competition in the market (41%). The other three most cited obstacles were regulation and red tape (33%), late payment (29%) and taxation (27%).

The proportions reporting each of the possible obstacles were similar to those reported in 2018, though regulation and red tape, and late payment, each increased by three percentage points.

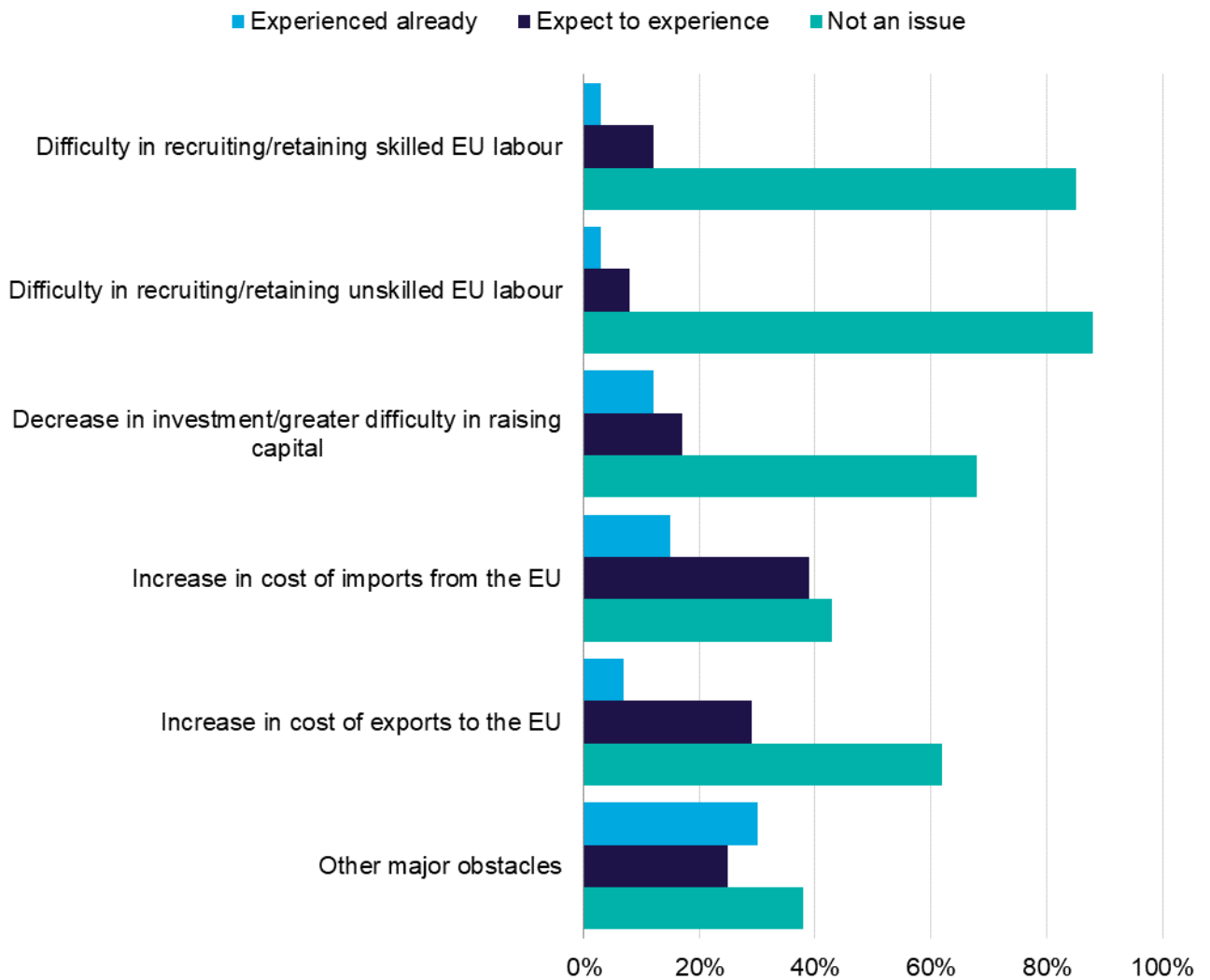
In 2019, 19% of businesses with no employees cited the UK's exit from the EU as a major obstacle to business success, a similar proportion to 2018 (20%).

Whether experienced, or expect to experience, difficulties as a result of Brexit (cohort B)

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

Amongst businesses with no employees the reasons given for UK exit from the EU being an obstacle to success were more frequently concerned with financial impacts, particularly on the cost of imports, than with labour availability.

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



Business support

Use of external information or advice in the last year

In the [data tables](#) accompanying this publication, table 123 shows whether businesses with no employees have used external information or advice in the last 12 months

An estimated 16% of businesses with no employees sought external information or advice in the preceding 12 months (more than just a casual conversation). This was two percentage points lower than in 2018 and similar to 2017. In comparison 24% of SME employers sought external information or advice in the preceding 12 months.

Registered businesses with no employees (19%) were more likely to have sought information or advice than unregistered businesses with no employees (14%).

Businesses with no employees which sought information and advice were most likely to be in the primary (29%), finance and real estate (25%), information and communications (21%), professional and scientific services (21%) and education (20%) sectors.

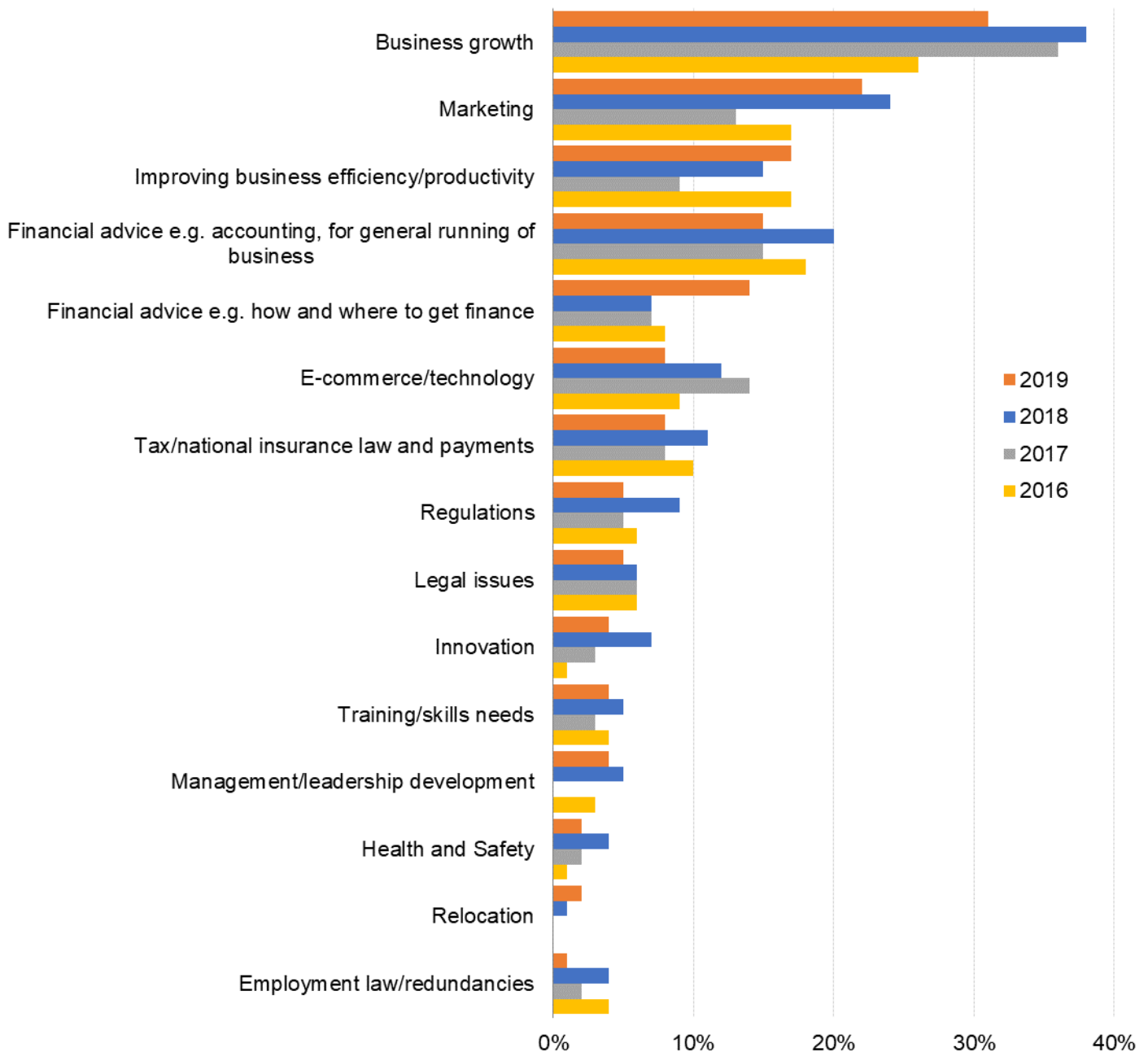
Purpose of strategic advice sought (England and Wales only)

In the [data tables](#) accompanying this publication, table 126 details reasons why businesses with no employees sought strategic advice in the preceding 12 months

In 2019, businesses in England and Wales were most likely to have sought strategic advice for business growth (31%), marketing (22%), improving business efficiency and productivity (17%), financial advice for the general running of the business (15%), and financial advice on how and where to get finance (14%).

Compared with 2018, advice on business growth was sought less often (down seven percentage points), as was financial advice for the general running of the business (down five percentage points). Financial advice on how and where to get finance was sought more often (up seven percentage points).

Figure 14: Purpose of strategic advice sought by businesses with no employees in the last year (England and Wales only)



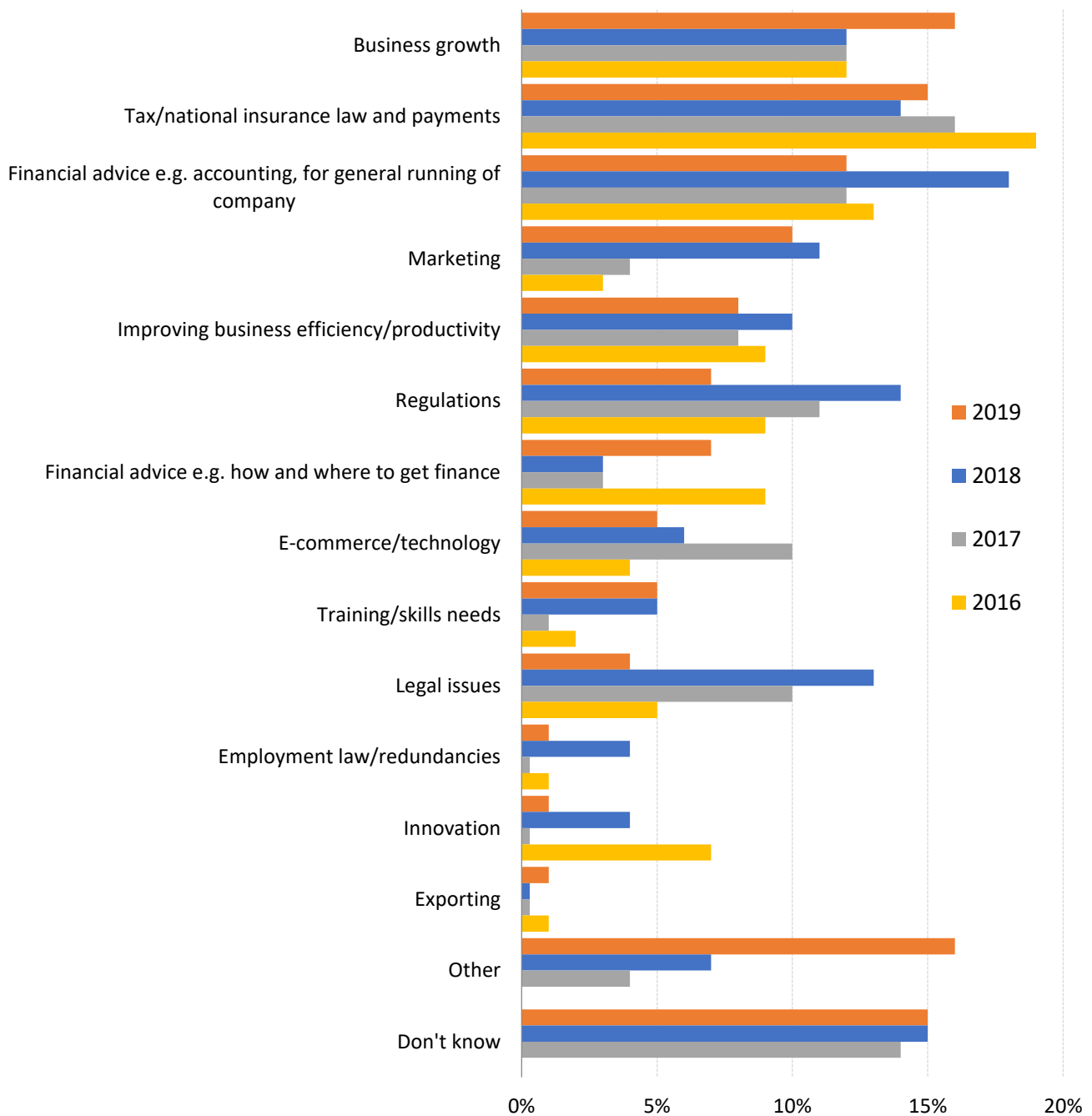
Purpose of information sought (England and Wales only)

In the [data tables](#) accompanying this publication, table 127 provides reasons why businesses with no employees sought external information in the preceding 12 months

Information (in contrast to advice, as in the previous section) was mainly sought on business growth (16%) and tax and national insurance law and payments (15%), followed by financial matters for the general running of the business (12%) and marketing (10%).

Most of the reasons for seeking information were cited less often in 2019 than in 2018, most notably on regulations (down seven percentage points, from 14% in 2018) and legal issues (down nine percentage points from 13% in 2018).

Figure 15: Proportion of businesses with no employees that sought each type of information in the last year (based on those that sought any information: England and Wales only)



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

In the [data tables](#) accompanying this publication, table 129 and 130 show the sources of external information or advice

Of those businesses with no employees that sought advice, 35% approached consultants and business advisers (compared with 32% of SME employers) and 30% approached accountants (33% of SME employers).

Compared to 2018, fewer businesses with no employees that sought advice approached business networks and trade associations (down to 15% from 30% in 2018). Among SME employers in 2019 the equivalent figure was also 15%.

Those businesses that sought information were most likely to have consulted accountants (26%; compared with 30% of SME employers); 15% sought information from business networks or trade associations (10% of SME employers) and 14% sought information from consultants and business advisers (21% of SME employers).

Compared to 2018, each of these sources was approached by slightly fewer businesses with no employees: accountants (29% in 2018); business networks or trade associations (18% in 2018); consultants/business advisers (16% in 2018).

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

In the [data tables](#) accompanying this publication, tables 132 and 133 show how external information or advice was delivered

Of those businesses with no employees that received **advice** in England and Wales, 68% had this mainly delivered face-to-face; 7% had their advice delivered by email, 9% on the phone, and 10% via a website.

These figures suggest an increase from 2018 in face-to-face contact (up three percentage points), reversing a drop of five percentage points between 2017 and 2018. There has been a six percentage point drop in telephone contact and no change in those receiving advice via a website since 2018.

Of those businesses with no employees in England and Wales that received **information**, 52% received this face-to-face; 12% received it over the phone; 17% through a website, and 10% by email. These figures also show a drop from 2018 in face-to-face contact (down four percentage points) and a two percentage point increase in email and a two percentage point drop in phone contact.

Paying for strategic advice (England and Wales only)

In the [data tables](#) accompanying this publication, table 137 shows whether or not businesses with no employees that received advice paid for it and table 138 shows how much they paid for it

Of businesses with no employees in England and Wales that received strategic advice in the last 12 months, 55% paid for it (an increase of two percentage points on 2018 and a decrease of one percentage point on 2017). This compared with 66% of SME employers.

Among businesses with no employees that paid for advice, 25% paid less than £500 (18% in 2018), 13% paid between £500 and £999 (16% in 2018), 31% paid between £1,000 and £2,499 (23% in 2018), and 21% paid £2,500 or more (33% in 2018).

Unmet information and advice needs (England and Wales only)

In the [data tables](#) accompanying this publication, table 141 shows whether or not businesses with no employees had information and advice needs that were unmet in the last 12 months

As in 2018, 4% of businesses with no employees in England and Wales had opportunities, difficulties or important information or advice needs for which they did not get external advice or support for in the previous 12 months. This was the same percentage as that reported by SME employers in 2019.

Those in the construction sector were most likely to have had unmet information and advice needs (7%).

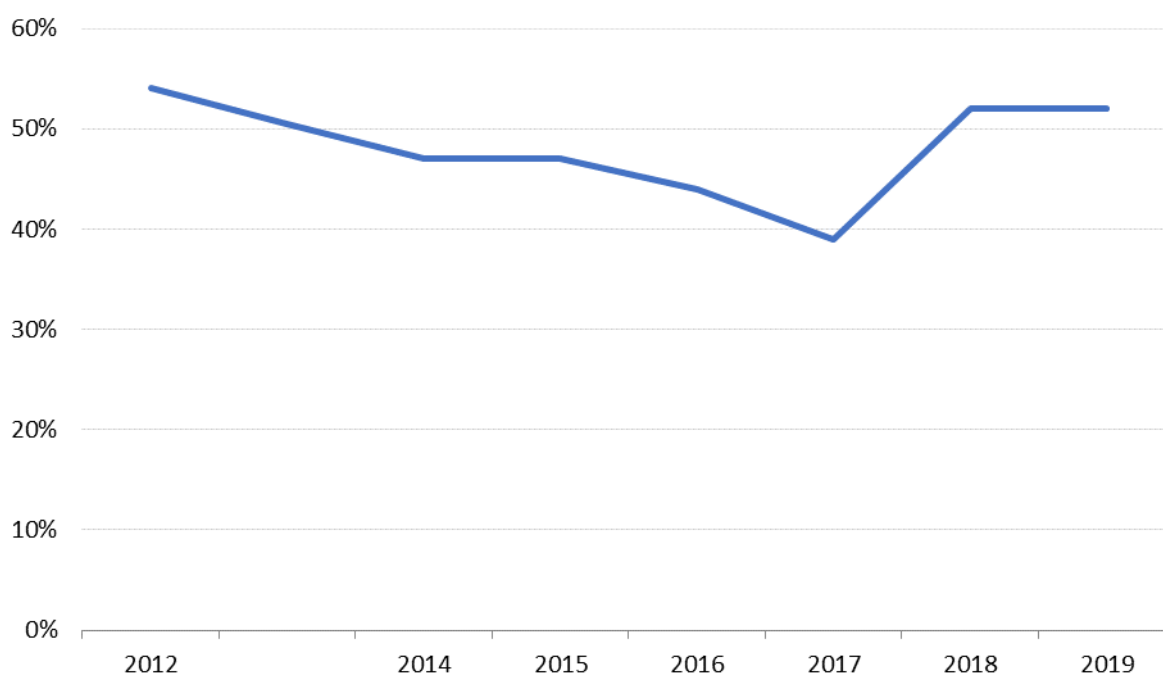
Future plans

Growth ambitions

In the [data tables](#) accompanying this publication, table 161 shows whether or not businesses with no employees aimed to grow sales over the next three years

As in 2018, 52% of businesses with no employees aimed to grow sales over the next three years. The figure was the same as in 2018 and 13 percentage points higher than in 2017. By way of comparison, the equivalent figure for SME employers in 2019 was 71%.

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



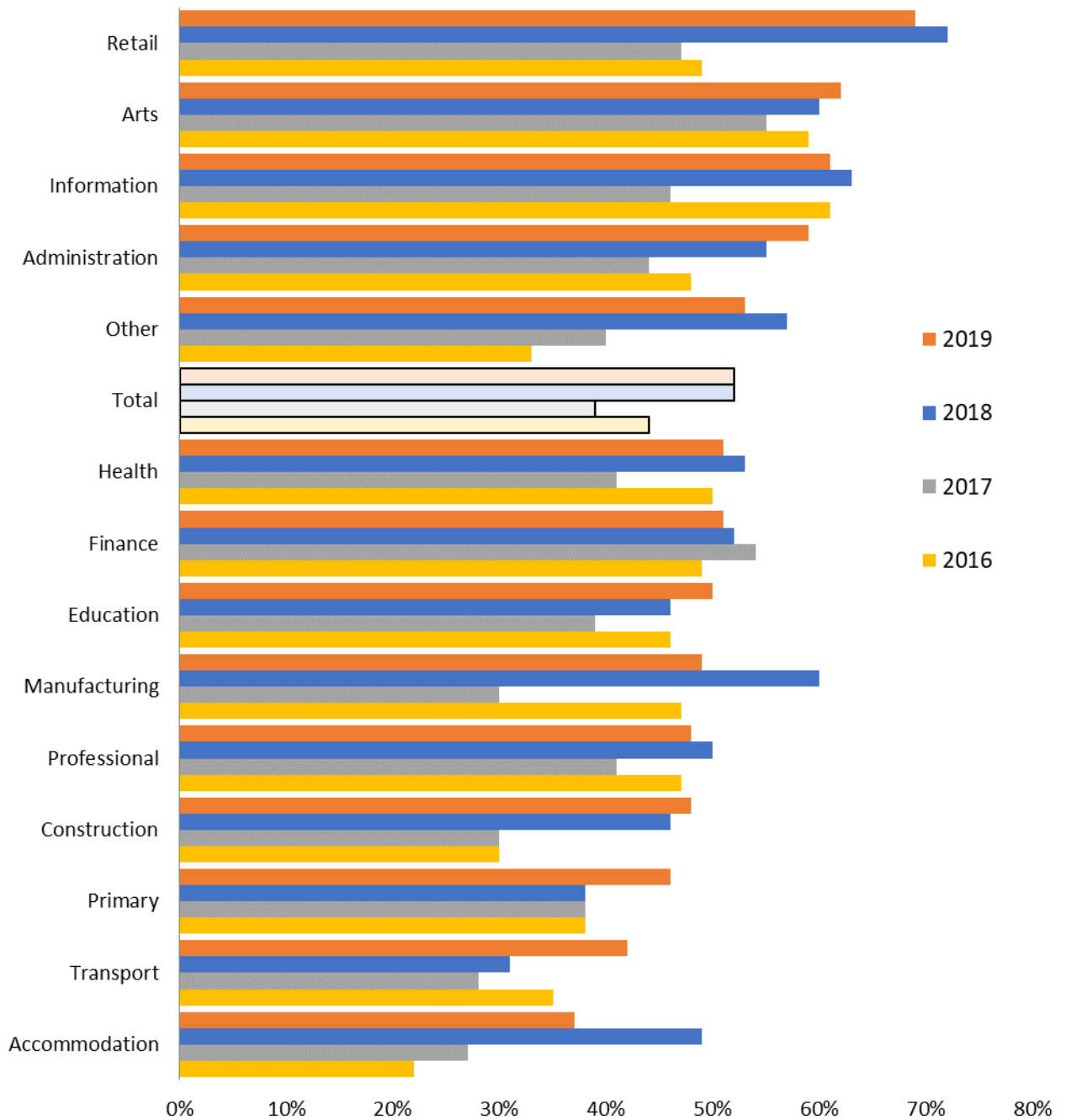
The chart only shows the years where a survey took place and the relevant question asked. We have no data for 2013, and have joined up the 2012 and 2014 results with straight lines.

There was little difference between registered (54%) and unregistered businesses (52%) with no employees in terms of intentions to grow.

By sector, businesses in retail and wholesale (69%), arts and entertainment (62%), and information and communications sectors (61%) were most likely to aim to grow. Those in the accommodation and food service (37%), and transport sectors (42%) were least likely to be aiming to grow.

Businesses in most sectors were less likely to aim to grow in 2019 than in 2018.

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



Plans to undertake growth-related activities (cohort B)

In the [data tables](#) accompanying this publication, table 11 (cohort B) shows what plans businesses with no employees have in respect of business growth over the next three years

Over the next three years, 32% of businesses with no employees said they plan to increase workforce skills, 27% plan to develop and launch new products or services, 21% plan to introduce new working practices. Around 18% plan to invest in premises, machinery or other types of capital investment, 17% to recruit new staff, 14% to increase the leadership capability of managers, 14% to invest in R&D, and 11% to increase export sales or begin selling to new overseas markets. These percentages are all similar to those in 2018.

Profiles of businesses with no employees

Number of sites

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

In 2019, 95% of businesses with no employees operated from a single site. This was a two percentage point increase on 2018 and 2017, but similar to 2016. The equivalent figure for SME employers was 87%.

By sector, those most likely to have more than one site were in health (10%), which was the case for SME employers too.

Business premises in residential settings

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

Some 39% of businesses with no employees located the main work premises in their home, compared with 19% of SME employers.

There was little difference between registered and unregistered businesses with no employees operating from home (40% and 38%, respectively).

By sector, 54% of businesses with no employees in construction, 53% in transport and storage and 49% in primary (largely agriculture) worked from a domestic address.

Those in retail and wholesale (20%), manufacturing (24%) and other services sectors (16%) were less likely to be home based.

Age of business

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

16% of businesses with no employees had been trading for fewer than six years (that is, they started trading between 2014 and 2019), compared with 12% of SME employers. Some 19% started trading between six and ten years ago, 30% between 11 and 20 years ago, and 34% more than 21 years ago. Between 2017 and 2018 the percentage of young businesses, trading for fewer than six years rose substantially (up 24%), but fell between 2018 and 2019 (down 12%).

Businesses with no employees in the accommodation and food services (24%), other services (24%) and administrative services sectors (22%) were most likely to have traded for fewer than

six years. Businesses in the primary (71%) and arts and entertainment sectors (47%) were most likely to have traded for more than 20 years.

Legal status

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

About 47% of businesses with no employees in 2019 were sole proprietors. This was eight percentage points lower than in 2018 and 2017, which compares with 13% of SME employers.

39% of businesses with no employees were private limited companies limited by shares (Ltd) (a small, steady increase since 2016) and 5% were partnerships. This compared with 66% of SME employers limited by shares.

Unregistered businesses were twice as likely than registered businesses with no employees to be sole proprietors (55% and 27%, respectively).

Businesses with no employees in the transport (66%), education (59%), construction (58%), and other services (56%) sectors were most likely to be sole proprietorships.

Businesses with no employees in finance and real estate (70%) and information and communications (63%) sectors were most likely to be private limited companies.

Partnerships were most likely to be in the primary (38%) and accommodation and food services (16%) sectors.

Number of owners/partners

In the [data tables](#) accompanying this publication, tables 17 to 26 summarises who owns or leads businesses with no employees

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

A majority of businesses with no employees had just one owner or partner (72%, compared with 35% of SME employers); 19% had two owners or partners; 4% had between three and five, and 1% had six or more.

Registered businesses with no employees were less likely than unregistered businesses to have a single owner (53% compared with 79%).

By sector, businesses with no employees in the primary (44%), finance and real estate (45%) and accommodation and food services sectors (48%) were least likely to have a single owner or partner.

Women-led businesses

An estimated 17% 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 six percentage points lower than in 2018, and four percentage points lower than in 2017. It was higher than that reported among SME employers (15%).

Women-led businesses were more common among unregistered businesses (20%) than registered businesses (12%).

Among businesses with no employees, women-led businesses were most likely in the health sector (42%). Women-led businesses were less common in construction (6%), transport and storage (5%) and information and communications (7%). These variations are similar to those observed in previous years.

Minority Ethnic Group-led businesses

About 4% of businesses with no employees were MEG-led (defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from an ethnic minority). This proportion has been steady for the last few years. It compared with 5% MEG-led SME employers.

MEG-led businesses were most likely to be in the retail and wholesale (8%) and health sectors (also 8%) and least likely in the primary, education and transport sectors (all less than 2%).

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

Accompanying tables

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

- Longitudinal Small Business Survey 2019: businesses with no employees – data
- Longitudinal Small Business Survey 2019: businesses with no employees – data – cohort A
- Longitudinal Small Business Survey 2019: businesses with no employees – data – cohort B
- Longitudinal Small Business Survey 2019: businesses with no employees – data – cohort C

The survey microdata will be deposited with the ONS [Secure Research Service](#) and the [UK Data Service](#) during the summer of 2020. This will be available to approved researchers.

Technical information

Aims of the survey

This report sets out the key findings for the 2019 Longitudinal Small Business Survey (LSBS), a large-scale telephone (CATI²) survey of 11,002 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 2019 survey on this occasion was conducted between July 2019 and February 2020 by BMG Research Ltd.

The 2019 survey follows from the 2015, 2016, 2017 and 2018 surveys which had sample sizes of 15,502, 9,248, 6,619 and 15,105 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.

In 2019, following a substantial 'boost' to the panel in 2018, additional top up interviews were conducted. In addition to 7,224 interviews with enterprises that had already completed at least one LSBS survey between 2015 and 2018, 3,778 'top-up' interviews were also conducted. Top-ups were needed for the following reasons:

² Computer Assisted Telephone Interviews.

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

All interviews were conducted with owner/proprietors, Managing Directors or other senior directors in UK-based enterprises. For the top-ups, named contact details were not supplied and it was necessary to screen to find an appropriate respondent. The average interview length was 23.4 minutes (19.1 minutes for panellists, 25.4 minutes for top-ups).

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

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

There are three main reports based on the 2019 LSBS:

- a **cross-sectional report** based on **SME employers**. A cross-sectional report is a snapshot of the state of SMEs at any particular stage in time, this one being the latter half of 2019 to early 2020
- a **cross-sectional report** based on businesses with **no employees**
- a **longitudinal report** based on those businesses that responded in all five years of the survey. This looks at the main changes that apply to the 'panellists' from year to year, and what appears to influence these changes

33 of the 11,002 interviews were with large employers with 250 or more employees. The reason for interviewing these is that these businesses were SMEs when first interviewed but have grown since. They form a part of the longitudinal analysis, but not the cross-sectional.

Survey method

Of the 15,015 interviews conducted in 2018, 12,987 (86%) agreed at the time to a follow-up interview. The objective was to obtain the highest possible number of repeat interviews with these panelists. 6,883 were interviewed between July 2019 and February 2020 (53% response rate, down from 68% in the 2018 survey). Of these, 1,585 had no employees, 32 were large businesses with 250+ employees, and the remainder (5,266) were SME employers. This group is known as the ‘full panel’.

In addition, 1,588 businesses interviewed in 2015-17 but not in 2018 could be re-approached for interview (they had given permission for re-interview, had not refused to take part in 2015-18 and had not ceased trading). We interviewed 331 of these in 2019, which is a response rate of 20% (down from 27% in 2018), of which 102 were non-employers. This group is known as the ‘past panel’.

In addition to these, 3,778 ‘top-up’ interviews were conducted (787 of which were non-employers), for reasons explained in the paragraphs above. As a result, the total sample size in the 2019 survey was 11,002, of which 8,406 were SME employers:

The top-ups were sampled using a method consistent with the 2015-18 surveys.

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

For registered businesses, the Inter Departmental Business Register (IDBR) was used as the sample source. For unregistered businesses with no employees, Dun & Bradstreet’s database was used. Dun & Bradstreet contacts were screened out if they either had employees on their payroll or paid VAT, as these would have duplicated contacts found within the IDBR.

The IDBR is a record of all UK enterprises that pay VAT or PAYE, which contains around 2.7 million unique entries for enterprises. The BEIS [Business Population Estimates](#) (BPE) tells us there are 5.9 million private sector enterprises in the UK in total. The difference in the figures is explained by the number of unregistered businesses that do not pay VAT or PAYE, estimates of which 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 contains records for both registered and unregistered businesses.

The targets within the sample stratification matrix were informed by the 2018 BPE³, the latest available at the start of fieldwork. However, survey findings were weighted to the 2019 BPE⁴ which were published a few months into the fieldwork period. The 2019 BPE was used for

³ <https://www.gov.uk/government/statistics/business-population-estimates-2018>. 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.

⁴ <https://www.gov.uk/government/statistics/business-population-estimates-2019>. Method of data collection as above.

weighting as it more accurately represented the IDBR contacts used for the survey, as well as providing a more up-to-date picture of UK small businesses than the 2018 BPE.

A 336-cell sample stratification matrix was devised, the targets within each cell informed by the 2018 BPE. These cells were defined by cross-classifying the following three categories:

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

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

A review of the 2018 questionnaire was undertaken through consultations with stakeholders. This resulted in a number of alterations to existing questions from previous surveys, new question additions and deletions. The changes were informed by the requirement to balance stakeholders’ latest needs with the desire to exploit the longitudinal power of the survey. The consultation was followed up by a ‘live’ pilot of 100 interviews of the adjusted year five questionnaire.

Based on the whole sample, the response rate for full panellists was 53%, 15 percentage points lower than in 2018. For past panellists the response rate was 20%, seven percentage points lower than in 2018. For IDBR top-ups it fell two percentage points to 16%. For Dun and Bradstreet top-ups, the response rate was 4%, two percentage points lower than in 2018. There is more detail in the technical report, including tele-matching rates and other forms of non-response, which will be published at the end of June 2020.

Note on this report

Please note that the findings presented in this report relate to non-employers only – SMEs with employees, and large employers, have been excluded from the dataset on which this report is based. This procedure is consistent with reporting of previous surveys. The overall sample size for non-employers across the UK in 2019 was 2,563.

Sample cohorts

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

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

The sample size for cohort questions is one-third of the normal sample size (so there are about 850 non-employers in each 2019 cohort). Each respondent is part of one cohort only. Where a

business is in both the 2018 and 2019 datasets, its cohort for 2019 is entirely independent of its 2018 cohort (knowing a business was in cohort A in 2018 tells you nothing about which cohort it is in in 2019). Because of the different respondents answering questions for different cohorts, we have calculated separate cohort weights for analysing responses to the cohort questions. To analyse questions asked of cohort A in 2018, analysts should use the 2018 cohort A weights, for questions to cohort C in 2019 they should use the 2019 cohort C weights, and so on.

Sector definitions

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

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

- **ABDE (primary).** There were 133,000 non-employing businesses in this sector in 2019, of whom 23% were unregistered businesses
- **C (manufacturing).** There were 188,000 non-employing businesses in this sector in 2019, of whom 74% were unregistered businesses
- **F (construction).** There were 861,000 non-employing businesses in this sector in 2019, of whom 80% were unregistered businesses
- **G (retail and wholesale).** There were 305,000 non-employing businesses in this sector in 2019, of whom 53% were unregistered businesses
- **H (transport and storage).** There were 310,000 non-employing businesses in this sector in 2019, of whom 81% were unregistered businesses
- **I (accommodation and food service).** There were 66,000 non-employing businesses in this sector in 2019, of whom 76% were unregistered businesses
- **J (information and communications).** There were 283,000 non-employing businesses in this sector in 2019, of whom 51% were unregistered businesses
- **KL (financial and real estate).** There were 135,000 non-employing businesses in this sector in 2019, of whom 45% were unregistered businesses
- **M (professional and scientific).** There were 670,000 non-employing businesses in this sector in 2019, of whom 59% were unregistered businesses
- **N (administrative services).** There were 383,000 non-employing businesses in this sector in 2019, of whom 75% were unregistered businesses
- **P (education).** There were 287,000 non-employing businesses in this sector in 2019, of whom 95% were unregistered businesses

- **Q (human health and social work).** There were 301,000 non-employing businesses in this sector in 2019, of whom 92% were unregistered businesses
- **R (arts and entertainment).** There were 263,000 non-employing businesses in this sector in 2019, of whom 88% were unregistered businesses
- **S (other services).** There were 272,000 non-employing businesses in this sector in 2019, of whom 92% were unregistered businesses

Much more detail on the sectors is available in the BEIS [Business Population Estimates](#).

Uncertainty

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

Coverage and representativeness

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

The coverage of the unregistered business population is less well understood. It is likely that the 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.

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

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

It is hard to quantify non-response bias. We have taken a number of standard steps to try to minimise its risk. The research company that conducted our interviews made multiple attempts

for each sampled business for which we could obtain a telephone number, so that we can get more of the reluctant businesses, and we did not have hard quotas for each of our ‘target cells’ (quotas for a target cell, for example 25 interviews of micro businesses in finance and real estate in Wales, can encourage an interviewer to give up quickly on reluctant businesses and focus on snapping up as many easier businesses as possible in order to meet their quota as quickly as possible). Sampled businesses were also given contact details for government officials so they could confirm the survey was genuine and official.

Sampling uncertainty

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

In order to run our survey, we drew a random sample. This means that on another day we would have drawn a different sample. With our actual sample, we estimated that 76.5% of SME employers 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 76.2%, even though the actual true figure is unchanging. This is known as sampling variability.

What we can do is produce a 95% confidence interval around an estimate. In the case of this profitability measure, the interval goes from 75.5% to 77.5%. 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 76.5%, and we are 95% confident that the true value is in the range 75.5% to 77.5%.

Our survey contains hundreds of measures and it is not practical to produce confidence intervals for each one of them. Instead, Table 1 summarises the sampling uncertainty for the key measures reported in this publication.

Most of the estimates from this survey are presented as proportions or percentages (such as 10%). If this was an estimate relating to all UK non-employers, then we look at the ‘all UK’ row and the column for estimates at 10%. The confidence interval is given as +/- 1.5%. So our confidence interval around the 10% estimate is 10% +/- 1.5%, that is, from 8.5% to 11.5%. We are 95% confident that the true figure is between 8.5% and 11.5%.

If the estimate had been closer to 30% or to 70%, then our interval would have used +/-2.3% instead of +/- 1.5%, according to Table 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.

Confidence intervals get narrower when you have larger sample sizes too. If our 10% estimate is for registered non-employers rather than for all non-employers, we use a different row of the table, and find the confidence interval to be 10% +/- 1.6%. 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% +/- 7.2%.

Table 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 -

£138,000. Table 1 cannot be used to produce a confidence interval for this estimate, though it can be done (it is +/- £126,000)⁵ .

Which differences are statistically significant?

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

For example, we have stated the following: By sector, apprenticeships were most likely to have been started in health (23%), construction (20%) and education (19%). Apprenticeship starts were least likely in arts and entertainment (5%), finance and real estate (6%) and accommodation and food services (8%).

This does not mean that health is statistically significantly more likely to have had apprenticeship starts than construction and education. But all three of these sectors were statistically significantly more likely than the rest of the non-employers; they are more likely than average. Similarly, we are 95% confident that the three other sectors mentioned were less likely than average, even though there is some uncertainty over those specific figures of 5%, 6% and 8%.

⁵ 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 +/- £126,000 figure above.

Table 1

	Sample size	Confidence interval for an estimate of 10%/90%	Confidence interval for an estimate of 30%/70%	Confidence interval for an estimate of 50%
All UK	2,563	+/- 1.5%	+/- 2.3%	+/- 2.5%
Registered businesses	1,518	+/- 1.6%	+/- 2.4%	+/- 2.6%
Unregistered businesses	1,045	+/- 2.0%	+/- 3.1%	+/- 3.4%
ABDE. Primary sector	130	+/- 6.3%	+/- 8.7%	+/- 9.6%
C. Manufacturing	163	+/- 5.4%	+/- 8.5%	+/- 9.5%
F. Construction	292	+/- 4.5%	+/- 7.2%	+/- 7.9%
G. Retail & wholesale	262	+/- 4.1%	+/- 6.3%	+/- 6.8%
H. Transport & storage	92	+/- 8.3%	+/- 12.0%	+/- 13.0%
I. Accommodation & food service	57	+/- 10.4%	+/- 17.1%	+/- 17.7%
J. Information & communication	248	+/- 3.9%	+/- 6.2%	+/- 7.0%
KL. Financial & real estate	120	+/- 5.4%	+/- 8.4%	+/- 9.3%
M. Professional & scientific	540	+/- 2.8%	+/- 4.6%	+/- 5.0%
N. Administration & support	193	+/- 5.1%	+/- 7.4%	+/- 8.2%
P. Education	100	+/- 6.3%	+/- 10.0%	+/- 11.1%
Q. Human health	112	+/- 5.5%	+/- 9.2%	+/- 9.8%
R. Arts & entertainment	123	+/- 5.9%	+/- 9.1%	+/- 9.6%
S. Other services	131	+/- 5.0%	+/- 8.6%	+/- 9.4%

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

This table applies to estimates of proportions

Definitions

Apprenticeships	In the UK an apprenticeship is a job that is combined with training or education. Typically, an apprentice spends 80% of their working week at the workplace and 20% at a place of study. The apprentice earns a salary and the employer pays for the course fees, usually subsidised by the Government.
Business, enterprise, firm	In this report these terms all mean the same – they are interchangeable.
Cohort	We use this term to describe the way the survey samples in 2018 and in 2019 are divided into three separate groups (the cohorts) and answer some questions that are for their cohort only. This was done to increase the number of questions asked in the survey without increasing the average length of interview.
EFTA	European Free Trade Association. This comprises the countries of Iceland, Liechtenstein, Norway and Switzerland. The three countries apart from Switzerland are part of the European Single Market as members of the European Economic Area.
EU, Brexit	The EU is the European Union. During the fieldwork period for the 2019 survey the UK left the EU (informally but widely referred to as 'Brexit') and entered into a transition period which lasts until the end of 2020. Usually in this report when we refer to the EU we actually mean the EU members apart from the UK as we are talking about international trade – a British business 'exporting to the EU' must be selling goods or services outside the UK (otherwise it could not be described as an export).
Exports	In this report this means a British business selling goods or services to a customer outside the UK. An English business selling to a Northern Irish business is not exporting, but a Northern Irish business selling to a customer in the Republic of Ireland is exporting.
Family-owned business	This means a business where a majority of the owners are in the same family. A business with a single owner is automatically a family-owned business, although a business with no owners is not. 'Majority' means more than half, but ultimately we require the respondent to the survey to interpret this: where a business has more than one working owner or partner, they are simply asked if the business is family-owned and this is defined in the questionnaire as 'majority-owned by members of the same family'.
Finance	In this report when we talk about businesses accessing finance or applying for finance, we usually mean borrowing money for business reasons. This might be from banks or other financial institutions or might be less formal arrangements such as money borrowed from friends and family.
Health sector	The health sector in this report is more accurately described as the 'human health and social work sector'. It does not include veterinary services (which fall under the professional and scientific sector). As this survey covers the private sector, the National Health Service (NHS) does not come under the health sector for this survey; but private sector healthcare providers do.

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

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

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

Further information

Future updates to these statistics

BEIS intends to continue the survey for at least one further wave. The original plan was to have interviewing begin in July 2020 and continue to February 2021, but the department decided in April 2020 to delay the start of interviewing at least to September because of the uncertainty and upheaval caused by the COVID-19 public health crisis. At this stage we cannot confirm when the next publication will take place.

Related statistics

The related publication of statistics relating to [SME employers](#) is on the same day as this publication. BEIS will also publish a panel report on 25 June 2020 which focuses on businesses that have taken part in several waves of this survey and associated longitudinal analysis. On the same day as the panel report we will publish the technical report which will include the questionnaire used for the 2019 survey.

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

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

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

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

The Department for Education (DfE) conducts the Employer Skills Survey. The [2019 Employer Skills Survey](#) (not yet published at the time of writing) brought together the previous Employer Skills Survey and the Employer Perspectives Survey into a single large survey with over 80,000 respondents. DfE also publishes statistics about [apprenticeships by industry characteristics](#) in England based on administrative data.

Uses of these statistics

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

The LSBS is increasingly widely used in the academic and research community, in the UK and abroad. We will run a mini competition later in 2020 for research teams to apply for small grants to conduct research using the latest LSBS data, and the data will continue to be made available by the ONS [Secure Research Service](#) and the [UK Data Service](#) for approved researchers. These [slides](#) are from an event hosted by the [Enterprise Research Centre](#) in 2019 showcasing findings from projects that were sponsored by BEIS in 2018, but there are many other [papers and reports](#) that make use of the data. The [Institute for Family Business](#) makes use of the survey in its 'State of the Nation' reports, and the Federation for Small Businesses has used the LSBS in its research work too.

User engagement

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

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

Revisions policy

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

Pre-release access to statistics

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

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