



Longitudinal Small Business Survey: business with no employees – UK, 2022

August 2023

Official Statistics

- This edition of the Longitudinal Small Business Survey (LSBS) is the 8th Wave that has been completed since 2015. The report covers a broad range of topics that provide insights on small and medium enterprise (SME) performance and the factors that affect this. This report presents results for businesses with no employees¹.
- The 2022 survey was conducted between 1 November 2022 and 30 April 2023. This report represents the first undertaken during a period free of trading restrictions and social distancing measures associated with the coronavirus (COVID-19) pandemic since 2019. However, the impact of the coronavirus (COVID-19) pandemic will be evident in data collected during this period.
- In 2022, as in 2021, 9% of businesses with no employees had previously employed at least one person at the same time last year (13% in 2020). There was no change in expectations of employment growth for the next 12 months year on year (11% expected to employ someone in a year's time in 2021 and 2022).
- In 2022, 35% of businesses with no employees reported growth in annual sales (turnover) over the preceding 12 months, which was a two percentage points increase on 2021. In contrast, 30% of businesses reported a fall in turnover during this period (down two percentage points on 2021). This compares with 13% and 60% respectively in 2020 when businesses were heavily impacted by the coronavirus (COVID-19) pandemic.
- 24% of businesses with no employees expected turnover to increase in the next 12 months – a lower proportion than in 2021 (36%) and 2020 (35%) – while 54% thought it would remain roughly the same (47% in 2021) and 19% thought it would be lower (13% in 2021 and 18% in 2020).
- As in 2021, 11% of businesses with no employees exported goods or services in the last year. Compared with SME employers, these businesses were less likely to export (18% of SME employers) and those that did export were less likely to plan to increase their level of exports (35%, compared with 56% of SME employers). Businesses with no employees were also less likely to import (14%, compared with 23% of SME employers).
- Half of businesses with no employees aimed to grow sales over the next three years, and this proportion has changed little since 2018 (50%, 55% in 2021, 56% in 2020, compared with 52% in 2018 and 2019). This compared with 74% of SME employers.

¹ Whether or not a business has employees is determined during the interview. Businesses are asked how many employees they currently have on their payroll in the UK. This number should include all full, part-time, permanent, temporary/casual employees on their payroll in the UK, but excludes owners, partners or other individuals working on a self-employed basis, as well as agency staff who are registered for PAYE through the agency that supplies them to the business. Within the LSBS, businesses with no employees are those with no one on the payroll of the business within the UK.

- 75% of businesses with no employees generated a profit or surplus in their last financial year (70% in 2021 and 67% in 2020). The trend reflects that evidenced among SME employers over the last three years (79% in 2022, 73% in 2021, 67% in 2020).
- 57% of businesses with no employees were using some form of finance (55% in 2021), a lower proportion than among SME employers (75%).
- 7% of businesses with no employees sought external finance in 2022, three percentage points higher than in 2021, taking this back up to 2020 levels.
- Businesses with no employees were more likely to report giving customers trade credit in 2022 than in 2021 (32%, compared with 28%), but still less likely to have done so than SME employers (48%). Those that offered credit were less likely than SME employers to report late payment as a problem (42%, compared with 57%).
- Businesses with no employees were less likely than SME employers to have a formal written business plan in place (21%, compared with 39%), representing little change on 2021.
- The level of energy prices was the most frequently cited obstacle to business success among businesses with no employees in 2022 (52%), which echoed the responses of SME employers (60%).
- Some two-thirds of businesses with no employees reported at least sometimes considering the environmental implications of their decisions (69%, including 33% always), which was fewer than was the case among SME employers (79%, including 36% always). They were less likely than SME employers to have taken any steps to reduce their environmental impact over the past 12 months (40%, compared with 58%).
- Home-based businesses accounted for the majority of businesses with no employees (66%), but the increase in these between 2020 and 2021 (from 60% to 67%) has held in 2022, while the increase in home-based businesses among SME employers has been reversed to an extent (from 20% in 2020 to 29% in 2021 to 24% in 2022).
- In 2022, 20% of businesses with no employees were majority-led by women, as in 2021. The proportion was higher among unregistered businesses (26%) than registered businesses (12%).
- 4% of businesses with no employees were majority-led by people of a minority ethnic group (MEG-led). This percentage has varied by just one or two percentage points since 2015.

What you need to know about these statistics:

The Longitudinal Small Business Survey (LSBS) is a 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 summarises key findings from the 2022 survey (Year 8). It focuses on those businesses with no employees ('non-employers'), with a separate report on SME employers. There is some guidance at the back of the report on the uncertainty that arises because we are using a sample of the UK SME population rather than getting data from all of them.

We refer to registered businesses, who are those that appear in the IDBR (they are registered for VAT, but not PAYE) and unregistered businesses, who are those that are not registered for VAT, both with no employees (at the time of interview).

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 non-employers.

This is a longitudinal survey as we try to re-interview businesses (SME employers and businesses with no employees) each year – 620 businesses have taken part in all eight years of the survey so far ('panellists'), and another 5,291 businesses in 2022 had taken part in at least one previous survey. In addition, there were 3,613 businesses new to the survey ('top-ups'). The overall LSBS sample in 2022 was 9,524, including 1,782 businesses with no employees on which this report is based.

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.

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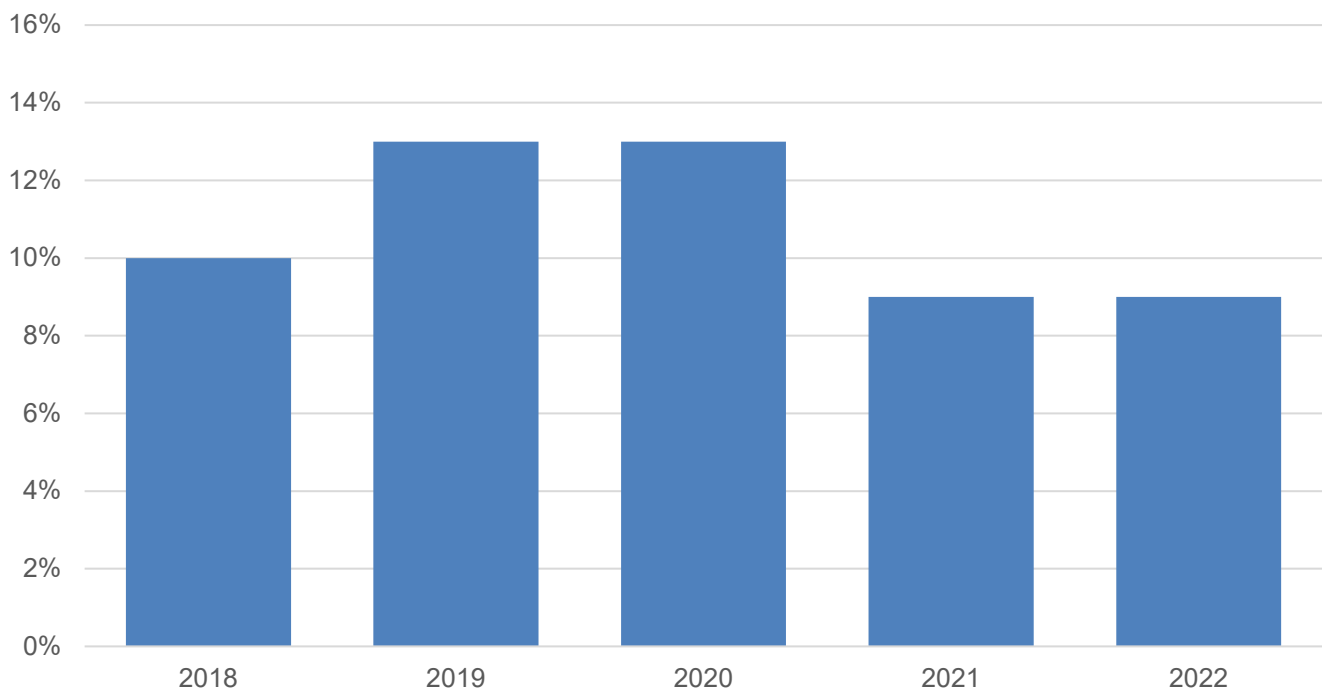
Business performance

Changes in the levels of employment

In the [data tables](#) accompanying this publication, table 32 shows how many employees businesses had on their payrolls across all UK sites 12 months before their interview and table 33 shows how the size of the workforce has changed over the last 12 months.

As in 2021, an estimated 9% of businesses with no employees employed at least one person 12 months previously. (If the business had no employees at the time of the interview it is included in this report, even if it had employees 12 months earlier.) While the figure has not changed since 2021, it was four percentage points lower than in 2020.

Figure 1: Proportion of businesses with no employees who employed at least one person 12 months previously



Unregistered² businesses were less likely to have had at least one employee a year ago than those that were registered (7% compared with 12%).

Businesses in the information and communications (13%), retail and wholesale (12%), administration (12%) and other services (12%) sectors were most likely to have reduced their employment levels. Those in education (3%) were least likely to have done so.

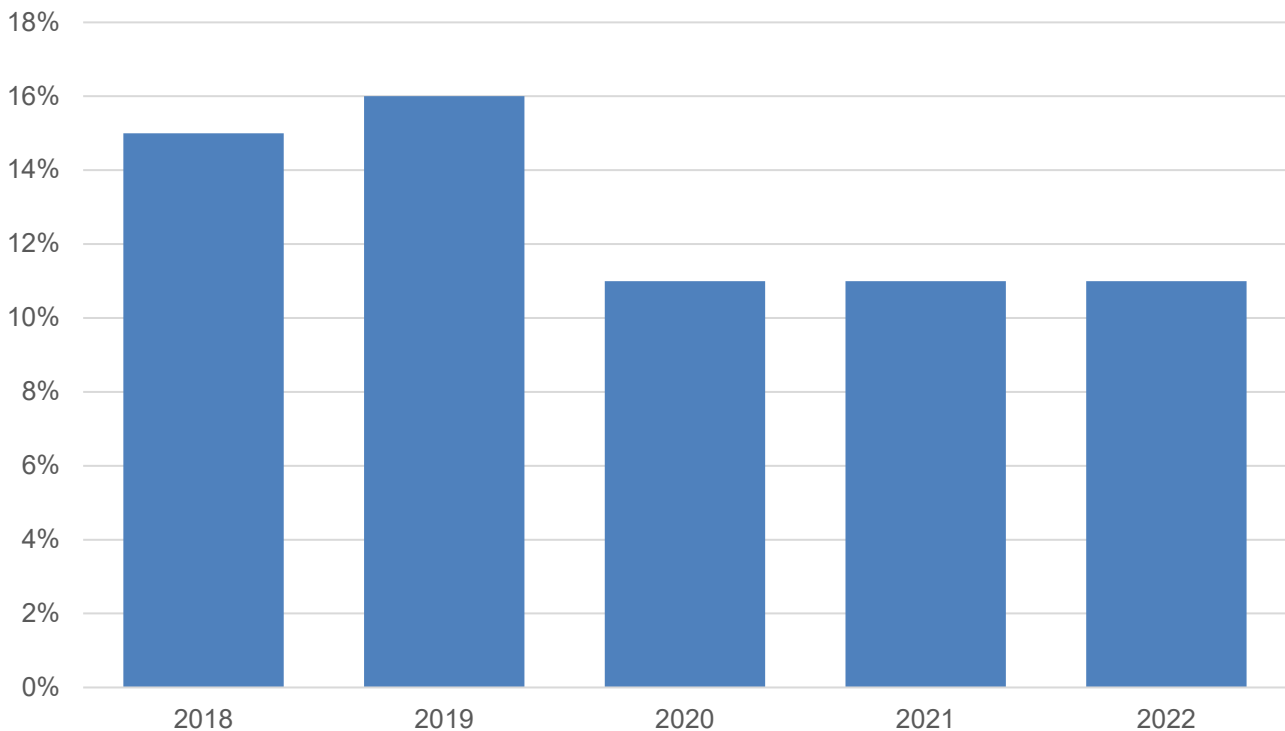
² Unregistered businesses will not be registered for 'pay as you earn' (PAYE) or Value Added Tax (VAT) with the UK tax authorities. See glossary for further details.

Expectations for employment growth

In the [data tables](#) accompanying this publication, table 36 shows whether the business expects to have employees in 12 months' time.

As in 2021 11% of businesses with no employees expected to increase employment in a year's time. Some 89% expected no change. Thus, there was no change compared with 2021 (or 2020).

Figure 2: Proportion of businesses with no employees who expected to employ at least one person in 12 months' time



Unregistered businesses are less likely than those that are registered to expect to be employing someone in a year's time (9% and 14% respectively).

By sector, businesses in construction (16%) were more likely to expect to employ people, while those in primary (6%) sectors were least likely to expect to do so.

Businesses with no employees in Northern Ireland were most likely to report intending to employ people in the next 12 months (17%), compared to Wales (14%) and Scotland (13%), with those in England least likely to (10%).

Changes in levels of turnover

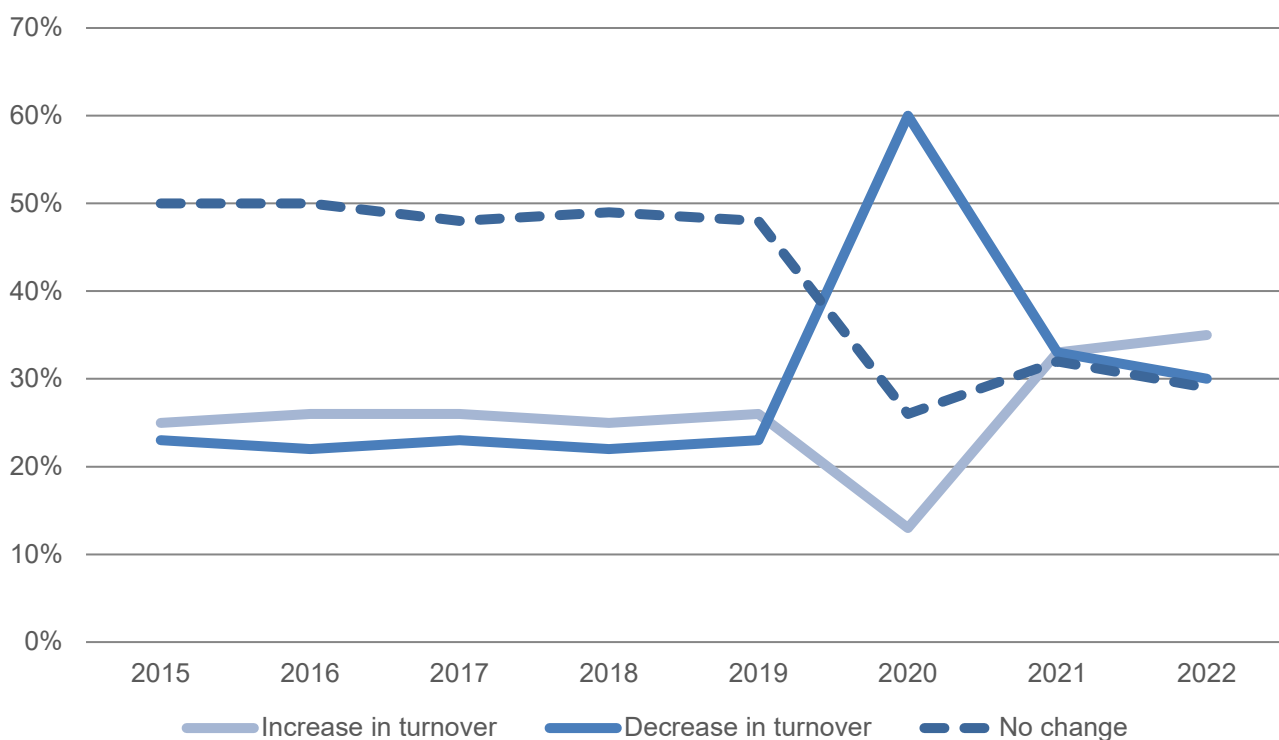
In the [data tables](#) accompanying this publication, table 113 shows the change in turnover compared with 12 months ago.

An estimated 35% of businesses with no employees (that had traded for at least one year) reported growth in turnover (value of sales) since the previous year. Some 29% of businesses had approximately the same turnover, and 30% experienced a fall in turnover. Compared with 2021, there was a two percentage points increase in reported turnover growth and a two percentage points decrease in a reduction in turnover). However, compared with 2020, there was a 22 percentage points increase in businesses reporting turnover growth, and a 30 percentage points decrease in these businesses reporting a reduction in turnover. This is probably due to recovery from coronavirus (COVID-19) pandemic.

In 2022, registered businesses with no employees were more likely to have reported turnover growth than unregistered businesses (41%, compared to 32%), with unregistered businesses more likely have reported no change year on year (32%, compared to 25%).

Businesses with no employees in transport (47%) and arts and entertainment (46%) sectors were the most likely to report growth in turnover, while reduced turnover was more likely than average to have been reported in the sectors of manufacturing (44%) and information and communication (43%).

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 117 shows the expected change in turnover in 12 months' time.

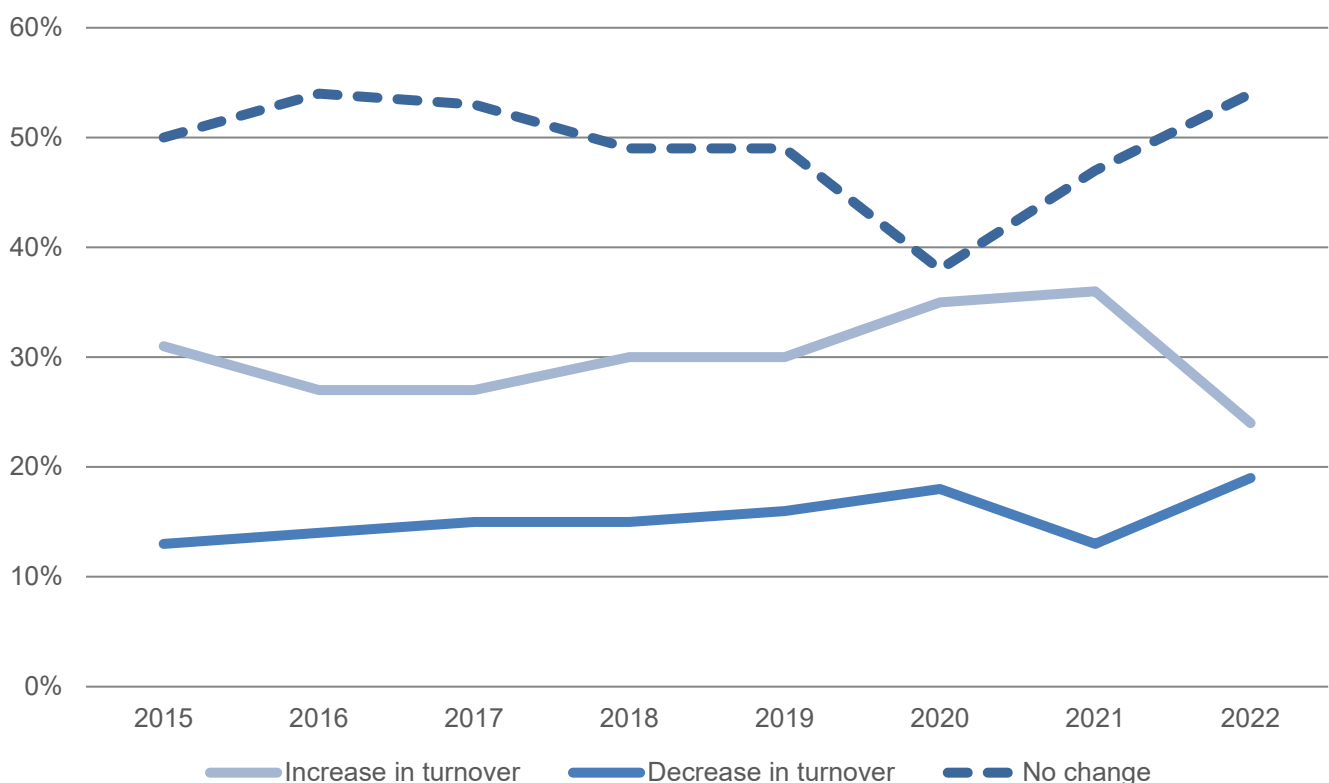
In 2022, 24% of businesses with no employees expected turnover to increase in the next 12 months, 54% thought it would remain nearly the same and 19% thought it would be lower.

Compared with 2021, there was a 12 percentage points decrease in the proportion expecting an increase in turnover and a six percentage points increase in those expecting a reduction in turnover. This highlights a less optimistic outlook but reflects a steadier state following the volatile period around the COVID 19 pandemic.

Registered businesses with no employees were more likely than unregistered businesses to expect turnover to increase over the next year (31%, compared with 19%), with unregistered businesses more likely than registered businesses to expect a reduction (20%, compared with 16%) or no change (57%, compared with 50%) in the next 12 months.

By sector, businesses with no employees in accommodation and food (31%) and construction (29%) were more likely than average to expect turnover would increase in the next 12 months. Those in finance and real estate (30%), and, again, accommodation and food (28%) were more likely than average to expect turnover to decrease.

Figure 4: Expectation of turnover in 12 months' time



Profit

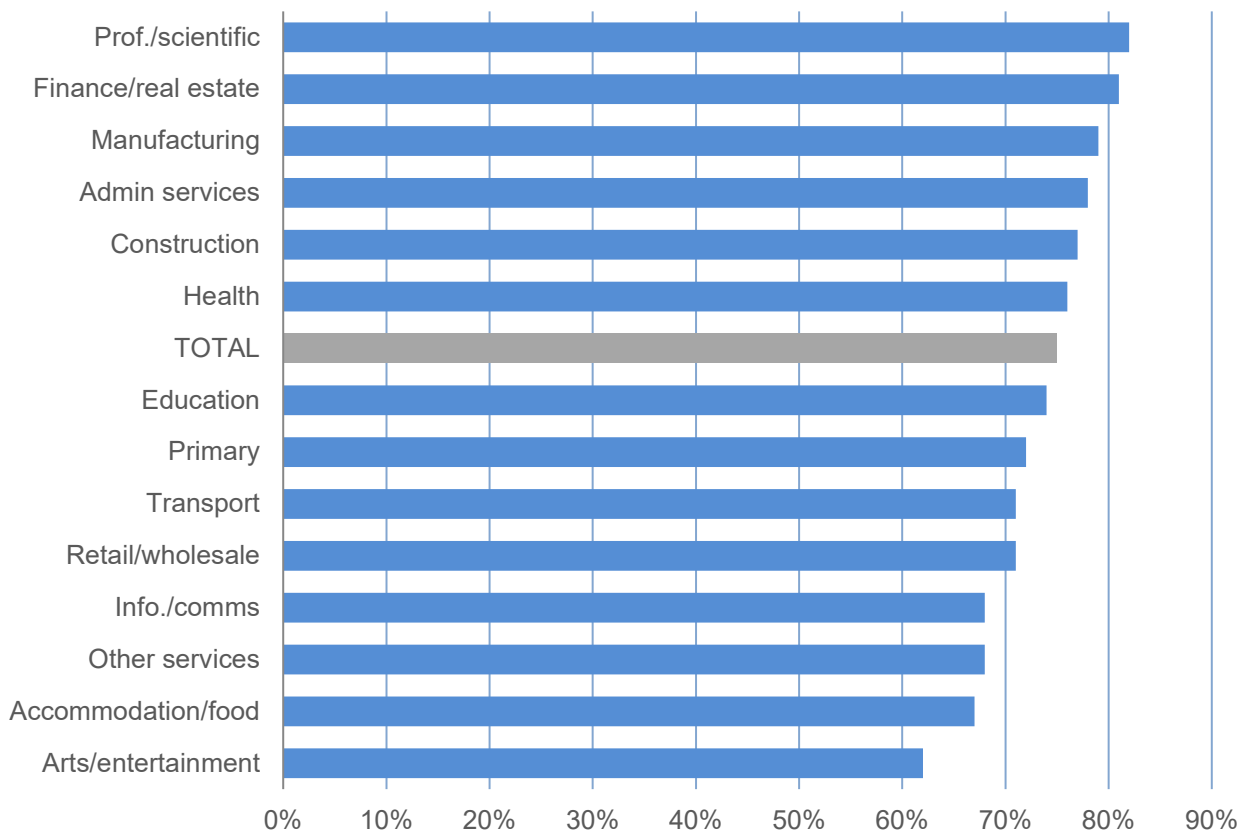
In the [data tables](#) accompanying this publication, table 123 shows whether the business without employees generated a profit or surplus in the last financial year

In 2022, 75% of businesses with no employees generated a profit or surplus in their last financial year, five percentage points higher than in 2021 and eight percentage points higher than in 2020. This compares with 79% of SME employers in 2022.

Unregistered businesses were slightly less likely to have generated a profit or surplus than registered businesses (73%, compared with 76%).

Businesses in professional and scientific (82%) and finance and real estate (81%) sectors were more likely than average to have generated a profit or surplus. Those in arts and entertainment (62%), accommodation and food (67%), information and communication (68%) and other services (68%) sectors were less likely than average to have done so.

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



Exporting

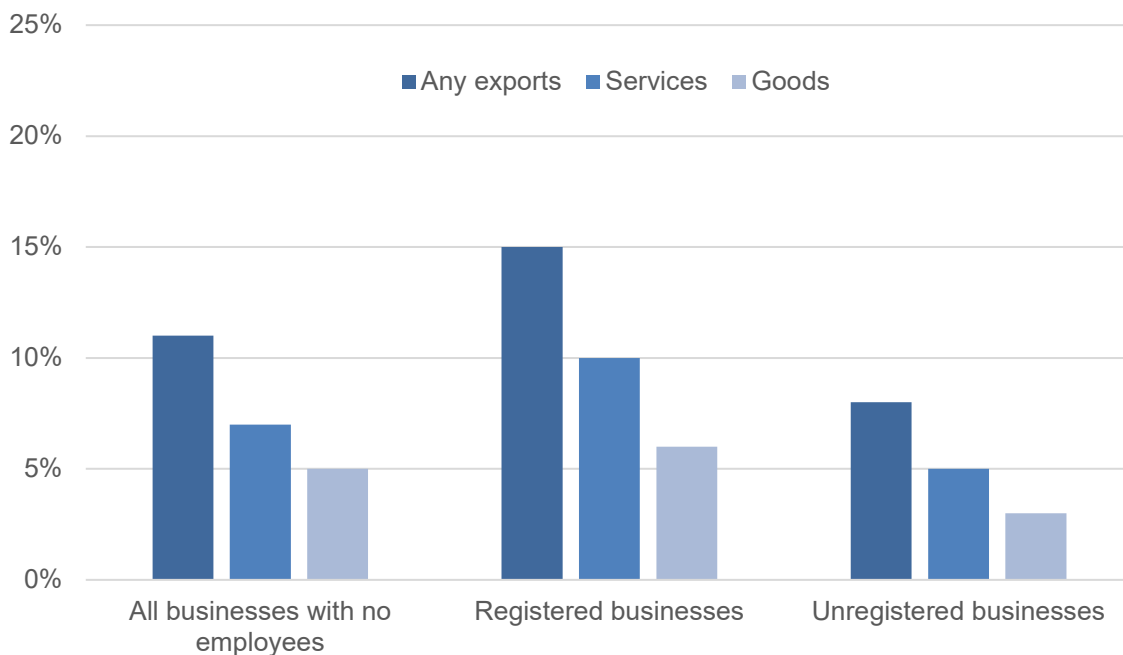
Sales of goods or services outside the UK in the last year

In the [data tables](#) accompanying this publication, tables 37, 39 and 41 shows whether businesses exported goods or services.

Overall, 11% of businesses with no employees exported goods or services in the last year (down one percentage point on 2021). In comparison, 18% of SME employers reported exporting goods or services in the preceding 12 months.

Registered businesses (15%) were more likely to have exported than unregistered businesses (8%).

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



Businesses with no employees in the retail and wholesale (23%), information and communication (23%), professional and scientific (18%) and manufacturing (16%) sectors were most likely to export. Businesses in accommodation and food (1%), construction (2%) and finance and real estate (2%) sectors were least likely to export.

Destinations of exports

In the [data tables](#) accompanying this publication, table 44 shows the destination of exported goods or services.

Of businesses with no employees that exported in the last year, 66% exported to European Union countries, while 71% exported to any destinations outside the EU. The next most frequently cited export destination was the USA (48%), followed by EFTA³ countries (21%), Canada (13%), India (5%), China (4%), South Korea (3%) and Turkey (2%). Among businesses that exported, 38% reported exporting to the ‘rest of the world’.

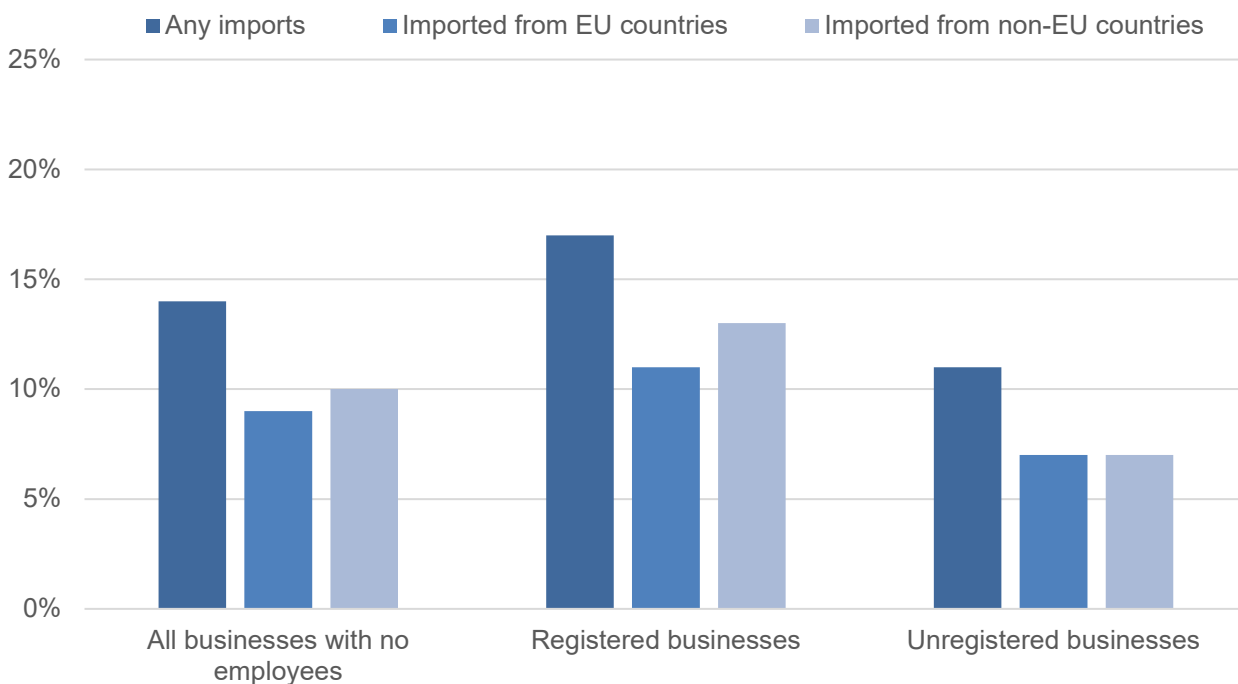
Goods or services imports in the last 12 months (Cohort A only)

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

An estimated 14% of businesses with no employees imported goods or services in the previous year. This was one percentage point higher than in 2021 and two percentage points higher than in 2020. In comparison 23% of SME employers had imported goods or services in the last year.

Registered businesses were more likely to have imported goods or services in the previous year than non-registered businesses (17% compared with 11%).

Figure 7: Sources of imports for non-employers



³ EFTA – The European Free Trade Association. An intergovernmental organisation including Iceland, Liechtenstein, Norway and Switzerland. Set up to promote free trade and economic integration between its members

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

In the [data tables](#) accompanying this publication, table 3 (cohort C) shows whether businesses have had overseas sales every year, and tables 7, 8 and 9 (cohort C) show whether businesses planned to start or to increase exporting in the next few years. Table 48 in the main data tables shows whether businesses have a suitable product or service to export.

In 2022, 35% of current exporters planned to increase their level of exports over the next few years (up two percentage points on 2021). The equivalent percentage for SME employer exporters was 56%.

Of businesses with no employees that did not currently export but who had a product or service that was suitable for exporting, 15% planned to export in the future (a decrease of 16 percentage points on 2021). As a percentage of all businesses with no employees, 3% planned to export in the future (5% in 2021, 4% in 2020), which was the same as that seen among all UK SME employers.

Of businesses with no employees that have exported for two years or longer, 54% have had overseas sales every year since they started exporting (a decrease of 14 percentage points on 2021). Some 42% have had some years without overseas sales (up ten percentage points). This compares with 68% and 31% respectively of SME employers.

Overall, 16% of businesses that did not export in the last 12 months reported having goods or services suitable for export. This compares with 20% in 2021 and 18% in 2020.

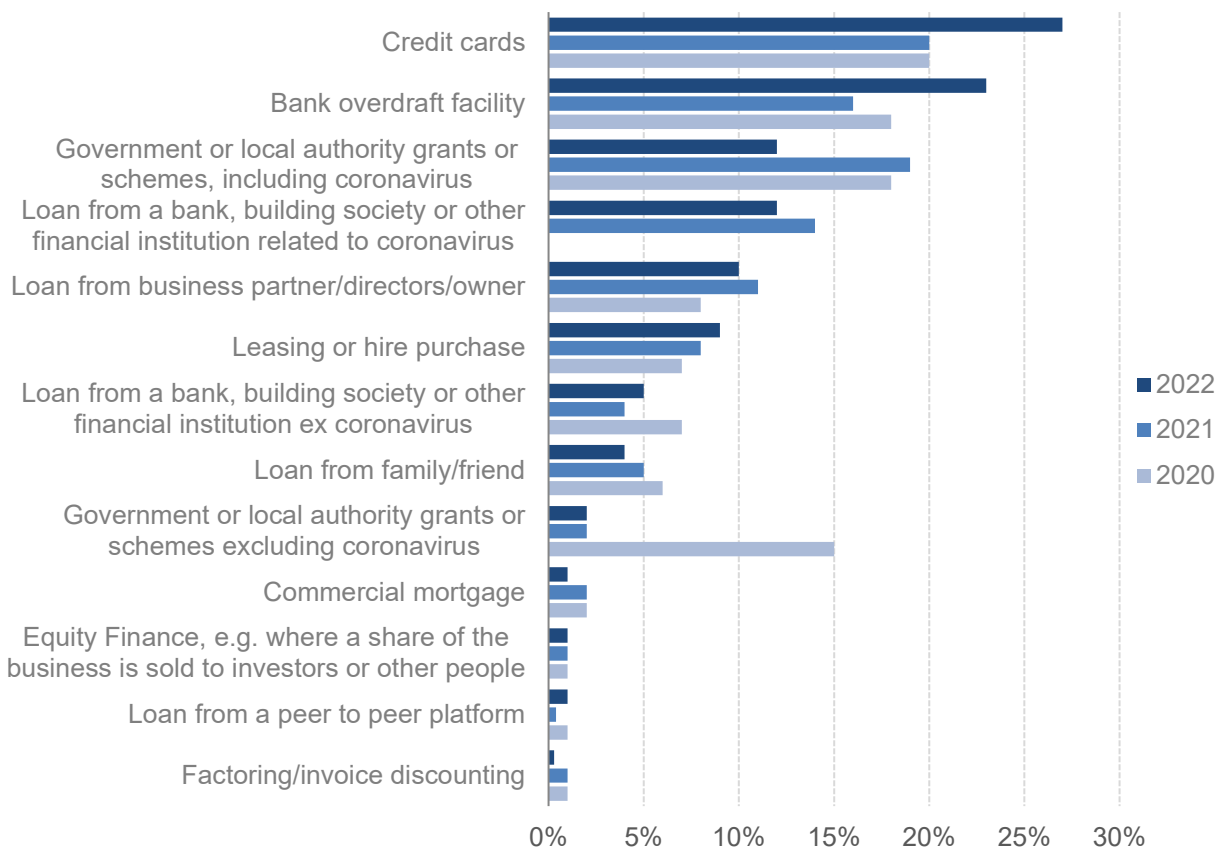
Access to external finance

Types of external finance currently used

In the [data tables](#) accompanying this publication, table 58 shows the types of finance that businesses without employees currently use.

Overall, 57% of businesses with no employees were using some form of external finance in 2022. This was two percentage points higher than in 2021, three percentage points lower than in 2020, and 11 percentage points higher than in 2019. It compares with 75% of SME employers in 2022 (which was one percentage point higher than in 2021).

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



Registered businesses (68%) were more likely to use external finance than unregistered businesses (50%).

For businesses with no employees the most common forms of external finance used were credit cards (27%), bank overdrafts (23%), Government or local authority grants or schemes relating directly to coronavirus support (12%), loans from a bank, building society or other financial institution directly related to coronavirus support (11%) and loans from business partners, directors or owners (10%).

In the 2022 data, the aftermath of the coronavirus (COVID-19) pandemic was still in evidence, and the percentage of businesses with no employees making use of coronavirus (COVID-19) pandemic related government and local authority grants or schemes was higher than the percentage making use of those not related to coronavirus support.

As in 2021, the use of any form of so-called 'alternative finance', not originating from banks, the public sector, or people known to the business⁴, was reported by 3% of businesses with no employees (8% of SME employers).

Businesses in the primary and accommodation and food (both 75%) sectors were most likely to report use of one or more forms of external finance.

Whether businesses sought external finance in the last 12 months

In the [data tables](#) accompanying this publication, table 60 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 – three percentage points higher than in 2021.

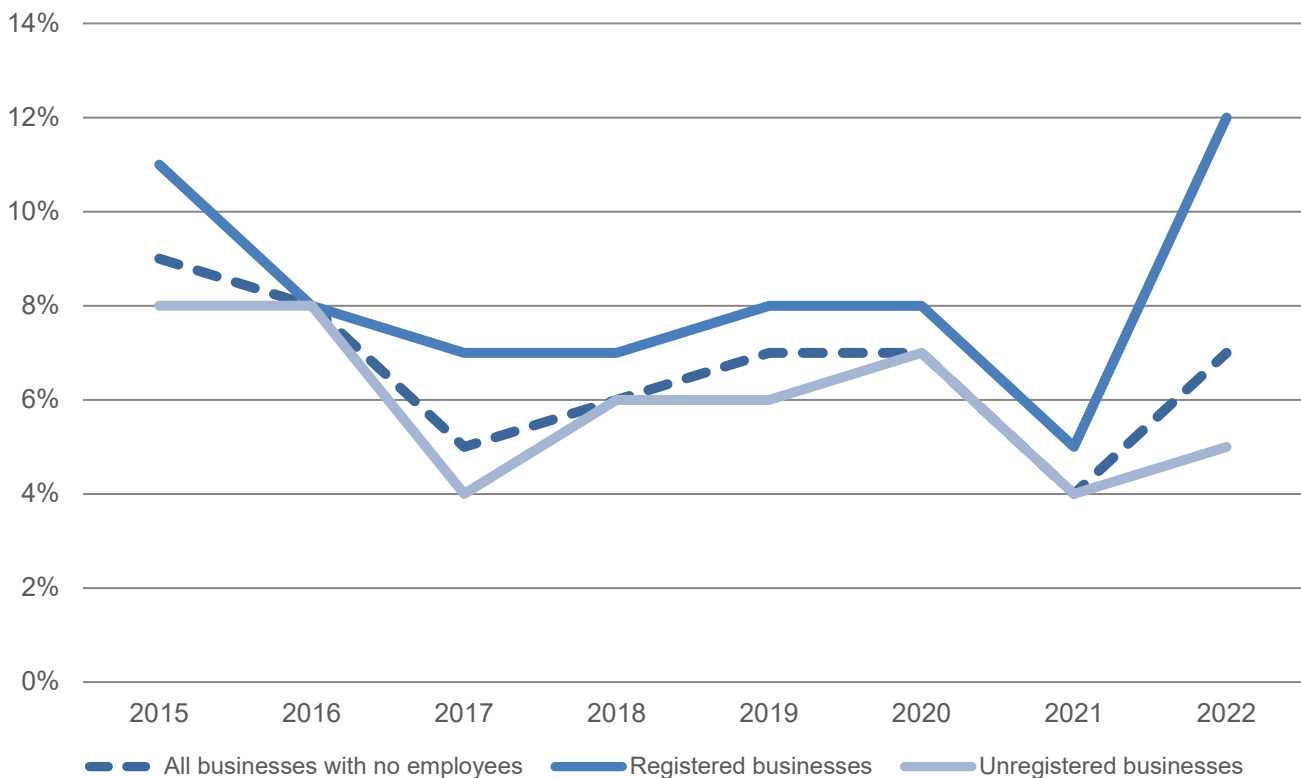
Registered businesses with no employees were more likely to have sought external finance than unregistered businesses (12% and 5% respectively).

By UK nation, 9% of businesses in Scotland sought finance, compared with 8% in Northern Ireland, 7% in England and 5% in Wales.

Businesses with no employees in transport (16%), primary and construction (both 13%) sectors were the most likely to have applied for finance in the preceding 12 months.

⁴ In this instance, alternative finance refers to equity, factoring/invoice discounting, peer-to-peer (P2P) loans and some forms of 'other finance'.

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



Businesses with no employees were less likely to have sought finance than SME employers in the previous 12 months: 5% had sought finance once (compared with 7% of SME employers), and 2% sought it more than once (4% of SME employers).

Type of external finance sought

In the [data tables](#) accompanying this publication, table 62 shows the types of external finance sought in the last 12 months.

In terms of the types of finance sought, 34% of those businesses with no employees that sought external finance applied for a bank overdraft facility (compared with 39% of SME employers). Some 31% applied for loans from banks or other financial institutions (40% of SME employers); fewer applied for a loan from family or a friend (21%, 13% of SME employers); credit card finance (13%, 18% of SME employers); loan from a business partner or director (10%, 13% of SME employers) or leasing or hire purchase (7%, 20% of SME employers). Less common were government or local authority finance grants (non-coronavirus related) (6%, 9% of SME employers); commercial mortgages (3%, 5% of SME employers) and equity finance (2%, 3% of SME employers).

Intentions to apply for external finance in the next three years

In the [data tables](#) accompanying this publication, table 130 shows the likelihood of businesses without employees approaching external finance providers in the next 3 years.

In 2022, 11% of businesses with no employees said it was likely that they would approach external finance providers in the next three years (5% very likely, 6% fairly likely). These percentages were very similar to those seen in 2021 (11% likely overall, 4% very likely, 7% fairly likely).

The percentage of businesses with no employees that were likely to approach external finance providers in the future compares with 20% of SME employers.

Registered businesses (16%) were more likely than unregistered businesses (8%) to say it was likely that they would approach external finance providers in the next three years.

The percentage of businesses likely to approach external finance providers in the next three years was highest in transport and storage (33%) and primary (23%) sectors.

Trade credit and late payment (Cohort A)

In the [data tables](#) accompanying this publication, table 17 (cohort A) shows whether businesses without employees give customers trade credit and table 20 (cohort A) shows whether they have experienced problems with late payment.

An estimated 32% of businesses with no employees reported that they give their customers trade credit (down four percentage points on 2021; up two percentage points on 2020). However, the provision of trade credit by businesses with no employees was lower than among SME employers (48%).

Registered businesses were more likely than unregistered businesses to give their customers trade credit (37% compared with 28%).

Trade credit was most likely to be given by businesses in transport and storage (60%), professional and scientific (52%) and information and communication (50%) sectors. Offers of trade credit were least likely in accommodation and food (5%), health (16%) and other services (19%) sectors.

Late payment was considered a problem by 42% of those firms that gave trade credit (14% of all businesses with no employees overall), which was two percentage points lower than in 2021. An estimated 5% considered it a big problem (down three percentage points on 2021). In comparison, 57% of SME employers that gave trade credit considered late payment a problem (equating to 27% of all SME employers).

Formal written business plans

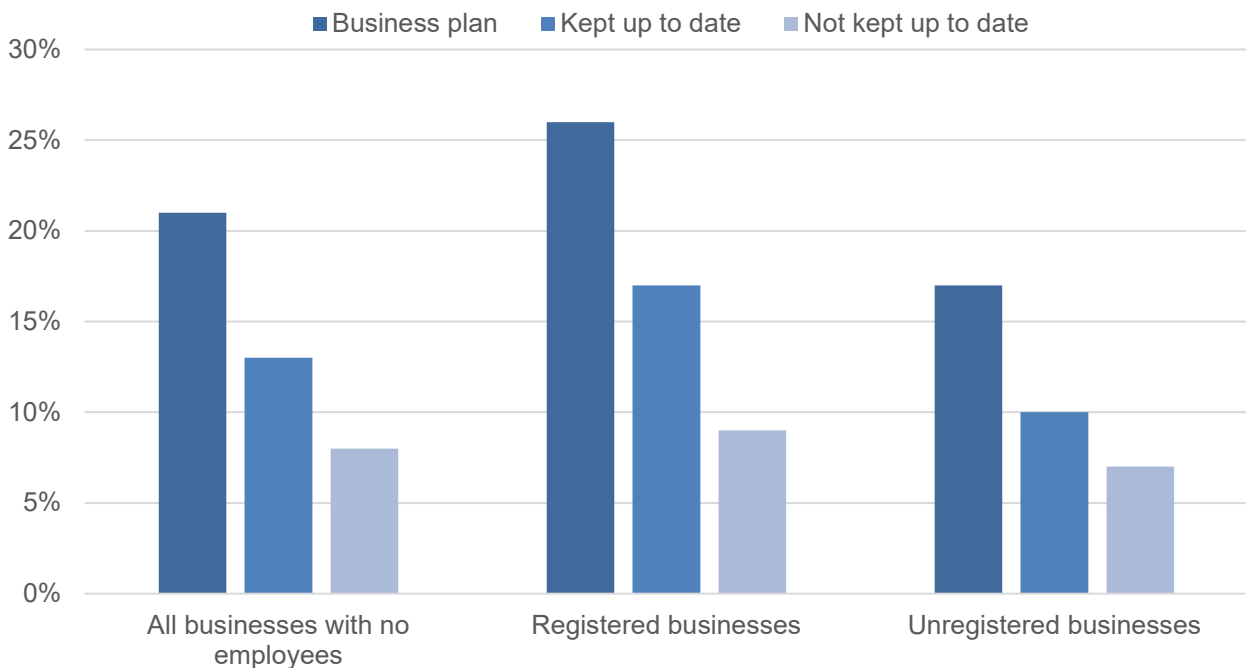
In the [data tables](#) accompanying this publication, table 49 shows whether businesses have a formal written business plan.

In 2022, 21% of businesses with no employees had a formal written business plan. This was one percentage point higher than in 2021, one percentage point lower than in 2020, and five percentage points lower than in 2019. Of these, more than half (13% of all) reported keeping plans up to date while the remainder (8%) did not. At 39%, the percentage of SME employers with a formal written business plan was 18 percentage points higher than that for businesses with no employees in 2022.

Registered businesses with no employees were more likely than unregistered businesses to have had a formal written business plan: 17% compared with 10% respectively had a plan which they had kept up to date; 9% and 7% respectively had a plan but had not kept it up to date.

Businesses with no employees in finance and real estate (39%), information and communications (28%) and primary (26%) sectors were most likely to have a plan. Businesses in administrative services (12%) and health (16%) were least likely to have one.

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



Innovation activity

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

In the [data tables](#) accompanying this publication, table 19 (cohort C) 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 - two percentage points higher than in 2021. In comparison, 21% of SME employers in 2022 innovated processes.

There was little difference between unregistered and registered businesses in terms of having innovated processes in 2022 (14% and 13% respectively).

By sector, those most likely to have introduced new or significantly improved processes were in health (26%) and manufacturing (24%).

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

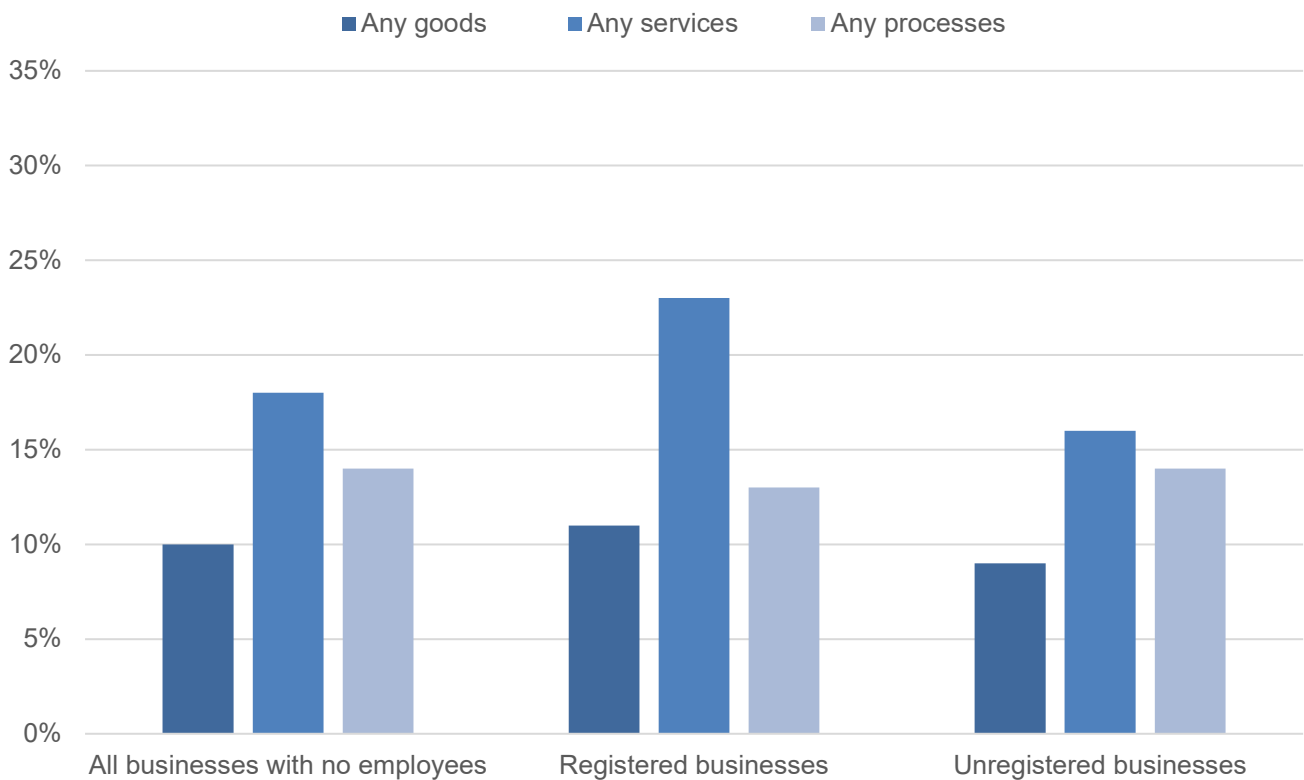
In the [data tables](#) accompanying this publication, tables 78, 79 and 80 show whether the business has introduced any new or significantly improved goods or services in the last three years.

It is estimated that 23% of all businesses with no employees had introduced new or significantly improved goods or services in the last three years. This was five percentage points lower than in 2021 and compared with 32% of SME employers in 2022.

Registered businesses were more likely than unregistered businesses to have introduced new or significantly improved goods or services (28% compared with 20%).

By sector, those most likely to have innovated goods or services were in the information and communications (40%) and manufacturing (32%) sectors.

Figure 11: Percentage of businesses with no employees which have introduced new or significantly improved goods, services, or processes, by registration status (2022)



Innovations which were new to market or industry

In the [data tables](#) accompanying this publication, table 81 in the main data tables, and table 20 in the cohort C data tables show whether the new goods, services or process innovations were new to the industry or business.

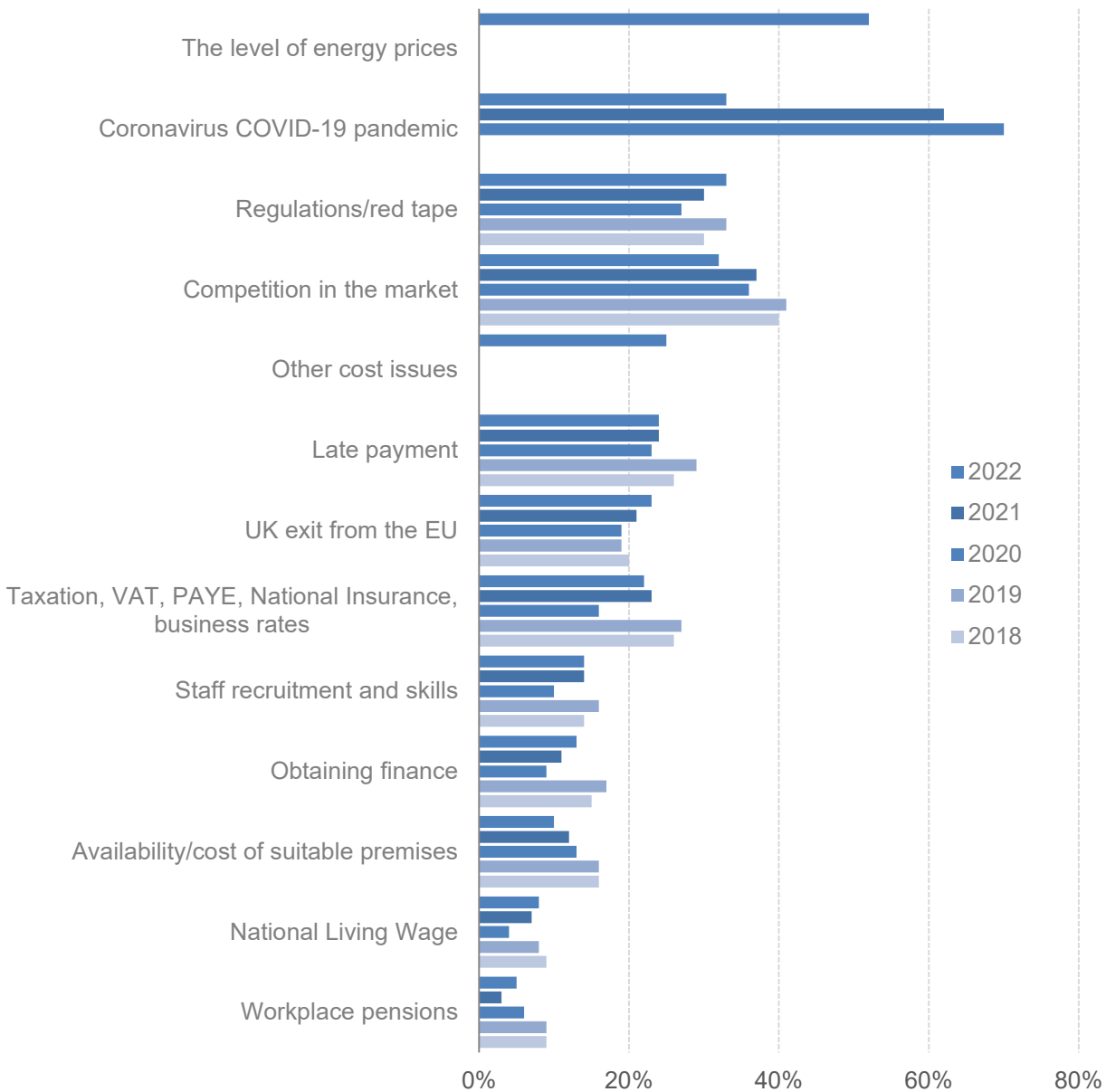
Of all businesses without employees that have introduced new or significantly improved goods and services in the last three years, 24% had introduced goods or services that were new to the market (down one percentage point from 2021). Of those that had introduced new or significantly improved processes, 30% had introduced processes that were new to their industry (up eight percentage points on 2021 and up ten percentage points on 2020).

Of businesses without employees that introduced new or significantly improved goods or services, those that had introduced goods or services new to the market were most likely to be in construction (36%), information and communication (35%), manufacturing (33%) and education (31%) sectors.

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

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

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



In 2022, the most frequently mentioned major obstacle to business success was the level of energy prices (52%⁵). This echoed the responses of SME employers who also cited this most frequently (60%).

In 2020, the coronavirus (COVID-19) pandemic was added to the list of potential obstacles that businesses without employees may have faced and, in 2022 it remains a significant obstacle to business success (33%, compared with 62% in 2021 and 70% in 2020 – 33% of SME employers in 2022).

Regulations and red tape were next most frequently mentioned (33% - a three percentage points increase on 2021; 39% of SME employers), followed by competition in the market (32% - five percentage points down on 2021; 41% of SME employers).

Other obstacles mentioned by around one in four businesses with no employees included cost issues other than energy prices (25%⁴ – 32% of SME employers in 2022), late payment (24%, as in 2021; 29% of SME employers), the UK's exit from the EU (23% - a two percentage point increase; 32% of SME employers) and taxation (22% - one percentage point down; 41% of SME employers).

Whether experienced difficulties as a result of the UK's exit from the EU (Cohort B)

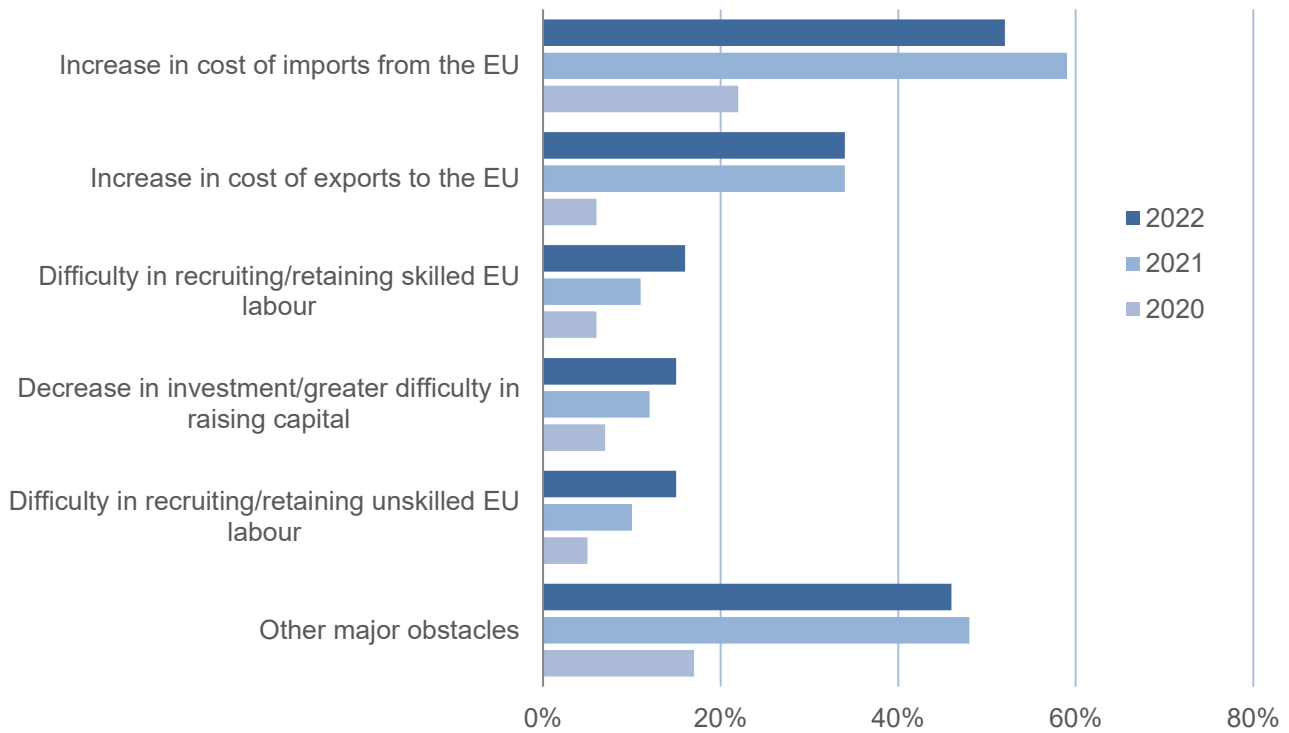
In the [data tables](#) accompanying this publication, tables 2-7 (cohort B) shows which difficulties businesses without employees have experienced as a result of the UK's exit from the EU.

For businesses with no employees the UK's exit from the EU's impact on the cost of imports was a more frequent concern than the impact on labour availability. Some 52% had already experienced an increase in the cost of imports from the EU (down seven percentage points on 2021, but 30 percentage points up on 2020), compared with 16% that had experienced difficulty in recruiting/retaining skilled EU labour and 15% having experienced difficulty in recruiting/retaining unskilled EU labour (five percentage points up on 2021, ten percentage points up on 2020 in both cases).

In both 2022 and 2021, 34% of businesses with no employees experienced an increase in the cost of exports to the EU (whether or not directly experiencing them or having them passed on to them in supplier costs).

⁵ New to the list in 2022

Figure 13: Major obstacles relating to UK exit from EU, experienced 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 83 shows whether businesses with no employees have used external information or advice in the last 12 months.

In 2022, as in each year since 2019, 16% of businesses with no employees sought external information or advice in the preceding 12 months (more than just a casual conversation). In comparison 25% of SME employers sought external information or advice in the preceding 12 months (one percentage point up than in 2021).

Registered businesses (23%) were more likely to have sought information or advice than unregistered businesses (11%).

Businesses which had sought information and advice were more likely than average to be in primary (36%), finance and real estate (22%), and professional and scientific (21%) sectors.

Purpose of information and strategic advice sought

In the [data tables](#) accompanying this publication, table 85 details reasons why businesses with no employees sought information or strategic advice in the preceding 12 months.

In 2022, businesses without employees were most likely to have sought information or advice on:

- financial advice for accounting and general running of the business (19% as in 2021)
- business growth (16% - four percentage points down)
- tax/national insurance law and payments (13% - one percentage point down)
- marketing (12% - as in 2021)

Fewer sought information or advice for:

- legal issues (9% - 10 percentage points lower than in 2021)
- improving business efficiency/productivity (9% - a four percentage points increase)

Sources of external information and strategic advice

In the [data tables](#) accompanying this publication, table 87 shows the sources of external information or advice.

Sources of external information and strategic advice cited by businesses with no employees included:

- accountants (34%, a decrease of one percentage point on 2021, and compared with 37% of SME employers in 2022)
- consultants/general business advisers (26%, an increase of one percentage point, and compared with 35% of SME employers)

- business networks/trade associations (23%, up one percentage point, 17% of SME employers), and
- internet search/google/other websites (13%, as in 2021; 10% of SME employers).

How information or strategic advice was delivered

In the [data tables](#) accompanying this publication, table 89 shows how external information or advice was delivered.

Of those businesses with no employees that received information or advice, 30% reported that it had been mainly delivered face-to-face (23% in 2021 and 24% in 2020). There was a decrease year on year with regard to whether information or advice had been delivered by email (19%, compared with 22% in 2021 and 2020), or by phone (20%, compared with 24% in 2021 and 18% in 2020). There was a larger decrease in those receiving information and advice via a website (11%, compared with 23% in 2021 and 21% in 2020).

Registered businesses were more likely than unregistered businesses to have received information or advice face-to-face (34%, compared to 24%) or via email (24%, compared to 13%), but less likely to have done so through a website (8%, compared to 16%).

Paying for strategic advice (England, Wales and Northern Ireland)

In the [data tables](#) accompanying this publication, table 97 shows whether or not businesses with no employees that received advice paid for it and table 98 shows how much they paid for it.

Of businesses with no employees in England, Wales and Northern Ireland that received strategic advice in the last 12 months, 57% paid for it, a four percentage points increase on 2021. This compared with 65% of SME employers.

Among businesses with no employees that paid for advice, 33% paid less than £500, 14% paid between £500 and £999, 22% paid between £1,000 and £2,499, and 28% paid £2,500 or more. On average (mean), businesses with no employees that paid for advice paid £22,000. Means are affected by high values and can be misleading as a measure. This figure has been calculated only using responses with the exact amount of paid for advice stated, so it excludes the respondents who gave an estimated figure within a range. The amount spent by a typical no employees is better reflected by using the median. The median amount paid is £1,000.

Environmental action

In the [data tables](#) accompanying this publication, tables 124-127 report the extent to which businesses consider the environmental implications of their decisions and steps they have taken to reduce their environmental impact over the past 12 months.

In 2022, for the first time, businesses with no employees were asked questions about the environmental impact of their decisions and steps they have taken to reduce their environmental impact. When asked how often their business considers the environmental implications in their decisions, 33% said always, and a further 36% said sometimes. This compares to 36% and 43% of SME employers respectively.

Registered businesses with no employees were more likely than unregistered businesses to always consider the environmental implications (36% compared with 32%).

Businesses with no employees were more likely than SME employers to report never considering the environmental implications of their decisions (30%, compared with 21%).

They were also less likely than SME employers to report having taken any steps to reduce their environmental impact over the past 12 months (40%, compared with 58%). The propensity to have done so was higher among registered than unregistered businesses with no employees (43%, compared with 38%).

In terms of steps taken, businesses with no employees were most likely to have taken any steps had recycled waste, water or materials (63% - 73% of SME employers), followed by having switched to more renewable energy (30% - 27% of SME employers), introduced new low carbon products or services (23% - 25% of SME employers), introduced new or improved delivery, transport or distribution systems (20% - 23% of SME employers), conducted market research related to low carbon products or services (20% - 18% of SME employers), and/or introduced new or improved production processes with environmental benefits (19% - 26% of SME employers).

85% of businesses with no employees had taken action to reduce their business's carbon/greenhouse gas emissions (compared to 90% of SME employers). There was no difference between registered and unregistered businesses in this respect.

Echoing SME employers, the most common action taken by businesses with no employees was switching to LED bulbs (67% - 70% of SME employers), followed by going paperless (40% - 45% of SME employers), adjusting heating and cooling systems (36% - 41% of SME employers) and installing a smart meter (35% - 34% of SME employers), and/or insulating buildings (33% - 27% of SME employers).

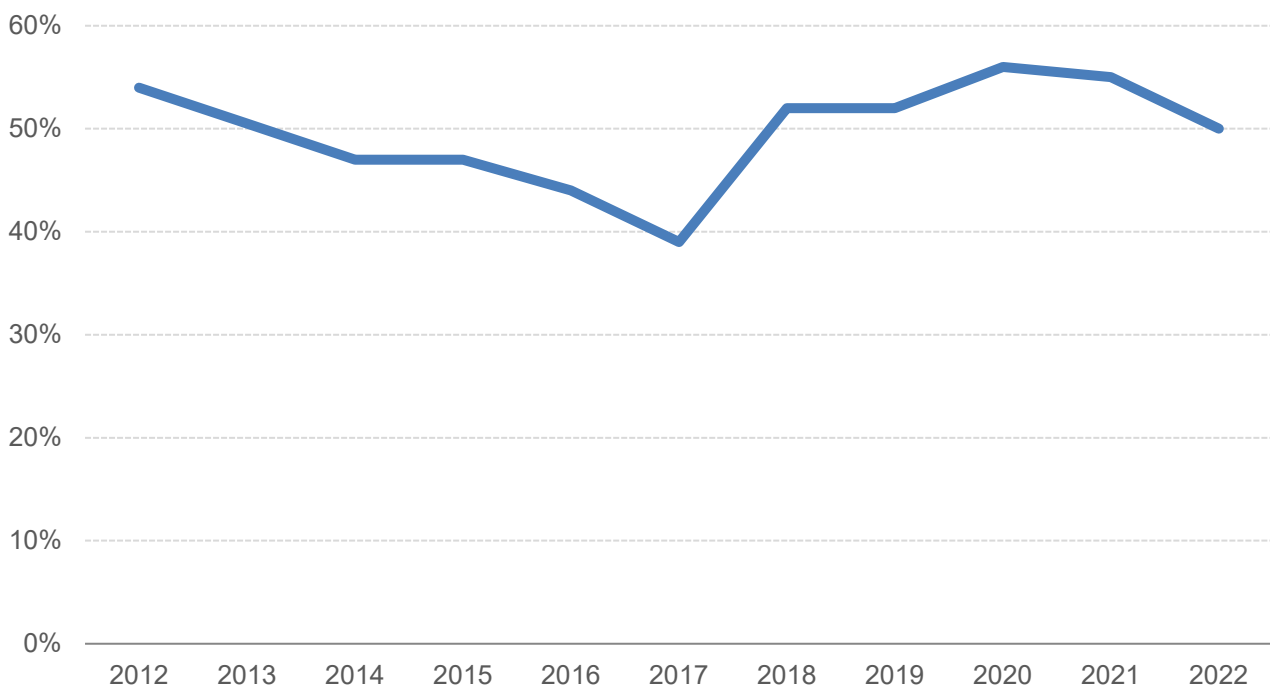
Future plans

Growth ambitions

In the [data tables](#) accompanying this publication, table 128 shows whether or not businesses with no employees aimed to grow sales over the next three years.

About 50% of businesses with no employees aimed to grow sales over the next three years, a five percentage points decrease on 2021. The equivalent figure for SME employers in 2022 was 74%.

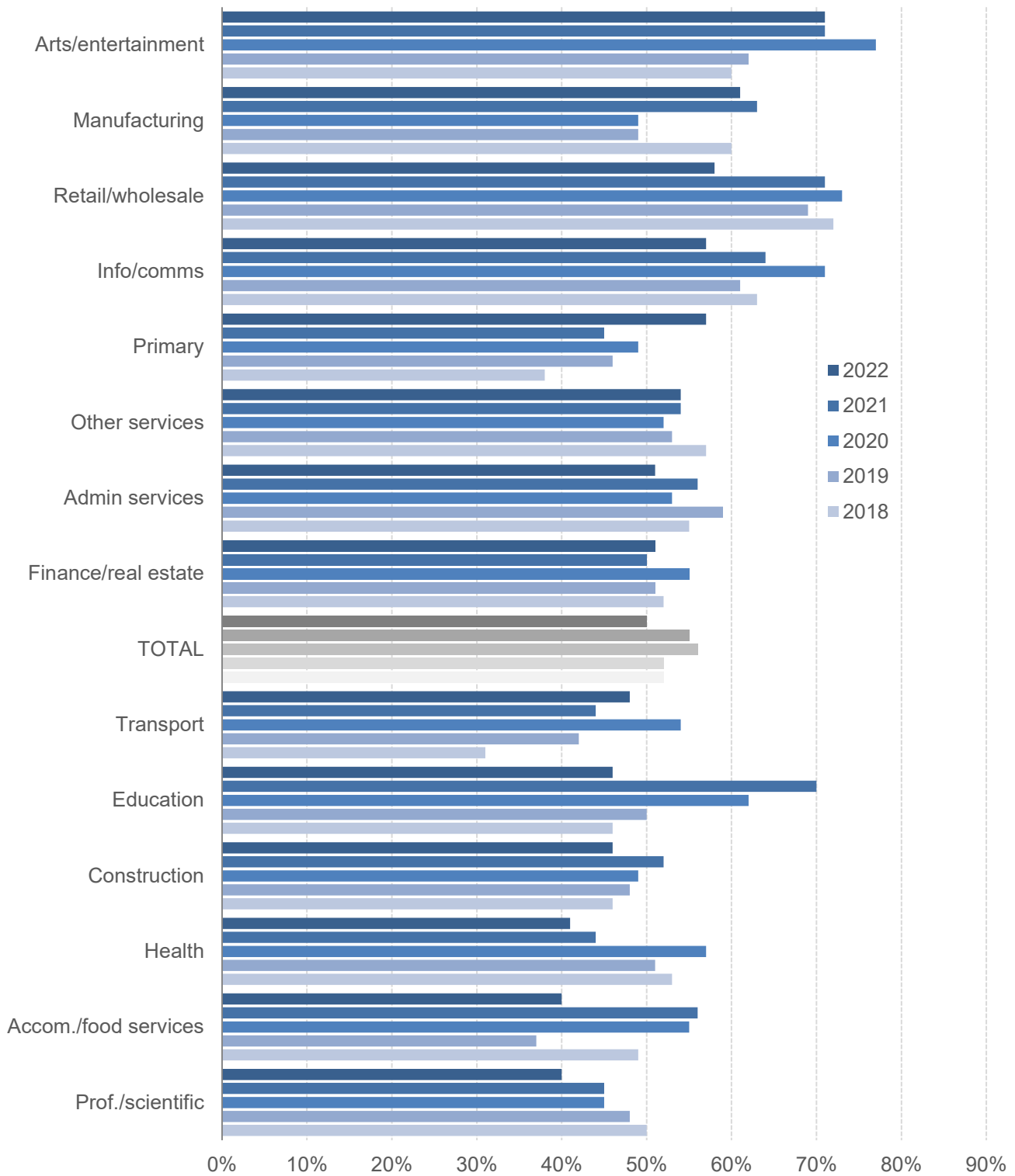
Figure 14: Percentage of businesses with no employees that aim to grow sales over the next three years



Registered businesses were more likely than unregistered businesses to report intentions to grow (63% and 42% respectively).

By sector, businesses in arts and entertainment (71%) and manufacturing (61%) were most likely to aim to grow. Those in accommodation and food (40%), professional and scientific (40%) and health (41%) sectors were least likely to be aiming to grow.

Figure 15: Percentage of businesses with no employees that aim to grow sales of the business over the next three years, by sector and year



Plans to undertake growth-related activities (Cohort B)

In the [data tables](#) accompanying this publication, table 8 (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, businesses with no employees reported having the following plans:

- 28%⁶ of businesses with no employees reported planning to work towards a target to reduce carbon/greenhouse gas/other emissions
- 25% planned to develop and launch new products or services (26% in 2021, 31% in 2020, 27% in 2019)
- 22% planned to introduce new working practices (20% in 2021, 27% in 2020, 21% in 2019)
- 19% planned capital investment in the UK (20% in 2021, 17% in 2020, 18% in 2019)
- 19% planned to recruit new staff in the UK (19% in 2021 and 2020, 17% in 2019)
- 12% planned to invest in R&D (15% in 2021, 12% in 2020, 14% in 2019), and
- 10% planned to increase export sales or begin selling to new overseas markets (11% in 2021, 2020 and 2019).

Whether plans for growth-related activities have been affected by rising costs (cohort B)

In the [data tables](#) accompanying this publication, tables 25-28 (cohort B) shows whether plans have been affected by rising costs

Just under half of business with no employees (48%) with plans to undertake growth-related activities reported plans had been affected by issues relating to rising costs (55% of SME employers).

When asked about the specific issues relating to rising costs that had affected plans, those reporting to have been affected were most likely to point to cost increases other than increased energy costs (68%; 72% of SME employers), although more than half specified increased energy costs (57%; 56% of SME employers).

Of those SME employers with plans affected by rising cost issues, 38% considered uncertainty relating to cost increases as an issue (37% of SME employers) and 32% cited expectations of cost increases (31% of SME employers).

⁶ New to the list in 2022

Profiles of businesses with no employees

Number of sites

In the [data tables](#) accompanying this publication, table 6 shows the number of sites operated by businesses with no employees.

In 2022, 94% of businesses with no employees operated from a single site. This was a one percentage point increase on 2021, a two percentage points increase on 2020 and a five percentage points increase on 2019. The equivalent figure for SME employers was 89%.

Unregistered businesses were more likely to operate from a single site than registered businesses with no employees (95% compared with 92%).

Compared with an average of 5%, businesses that were more likely to have more than one site were to be found in the sectors of primary (12%), education (12%) and health (9%).

Business premises in residential settings

In the [data tables](#) accompanying this publication, table 19 shows whether or not businesses with no employees work away from their home.

Some 66% of businesses with no employees located the main work premises in their home, compared with 24% of SME employers. Compared with 2021, this was a similar proportion (67%), although there had been an increase in home-based businesses among both businesses with no employees and SME employers since 2020 (60% and 20% in 2020).

Registered businesses with no employees were less likely to be operating from home than unregistered businesses (61% and 69%, respectively).

By sector, businesses in information and communications (84%), primary (largely agriculture), construction (both 80%), administration services (78%) and professional and scientific activities (76%) were most likely to live at the address where their business is registered.

Those in retail and wholesale (35%), manufacturing (42%), other services (43%) and arts and entertainment (47%) sectors were least likely to be home based.

Age of business

In the [data tables](#) accompanying this publication, table 15 summarises the years that businesses with no employees have been established.

Of all businesses with no employees, 8% had been trading for fewer than six years (that is, they started trading between 2016 and 2021) (12% among SME employers). Some 13% started trading between six and ten years ago, 29% between 11 and 20 years ago, and 51% more than 20 years ago.

Businesses in retail and wholesale and transport and storage (both 13%), construction and accommodation and food (both 12%) sectors were most likely to have traded for fewer than six years. Businesses in manufacturing (67%) and education (66%) sectors were most likely to have traded for more than 20 years.

Legal status

In the [data tables](#) accompanying this publication, tables 13 and 14 summarise the legal status of businesses with no employees.

Businesses with no employees were most likely to be sole proprietors (58%). This was 12 percentage points higher than in 2021 and compares with 9% of SME employers.

Some 29% of businesses with no employees were private limited companies limited by shares (Ltd) (seven percentage points lower than in 2021). It compares with 70% of SME employers. 6% of businesses with no employees were partnerships (7% of SME employers).

Unregistered businesses were nearly four times as likely as registered businesses to be sole proprietors (81% and 23%, respectively), while the majority of registered businesses were private limited companies limited by shares (Ltd) (58%).

Businesses with no employees in finance and real estate (57%), information and communications (45%), construction (41%), professional and scientific (38%) and transport and storage (36%) sectors were most likely to be private limited companies, limited by shares.

Partnerships were most likely to be in the primary (48%) and accommodation and food services (20%) sectors.

Number of owners/partners/directors

In the [data tables](#) accompanying this publication, tables 8, 20, 21, 22 and 23 summarise who owns or leads businesses with no employees.

As owners and partners are not included as employees, businesses with no employees may have multiple owners and partners.

Overall, 93% of businesses with no employees were majority owned by the person or family who set it up (compared with 79% of SME employers). Nearly all family-owned businesses reported that the person or family who majority-owned was actively involved in managing the business (99%, compared with 98% of all SME employers).

Most businesses with no employees (93%) had no directors in day-to-day control of the business who were not owners or partners (compared with 79% of SME employers). Most of the remainder (4%) had one such director (9% of SME employers).

A majority of businesses with no employees had no more than one owner, partner or director (74%, compared with 38% of SME employers); 19% had two owners, partners or director; 5% had between three and five, and 2% had six or more.

Unregistered businesses were more likely than registered businesses to have no more than

one owner, partner or director (88% compared with 54%).

By sector, businesses in the primary (38%) and finance and real estate (52%) sectors were least likely to have no more than one owner, partner or director.

Women-led businesses

In the [data tables](#) accompanying this publication, tables 29 and 30 summarise the extent to which businesses with no employees are led by women.

As in 2021, 20% of businesses with no employees were majority-led by women (defined as controlled by a single woman or having a management team of which a majority were women). This figure was two percentage points higher than among SME employers.

Women-led businesses were more common among unregistered businesses (26%) than registered businesses (12%).

Among businesses with no employees, women-led businesses were most likely in accommodation and food (60%), health (55%) and education (38%) sectors. Women-led businesses were less common in construction (3%), transport and storage (5%), information and communications (9%) and primary (9%) sectors.

Overall, it was not possible to classify 1% of all businesses with no employees as women-led or male-led, as there was insufficient information provided for these businesses (uncertainty regarding owners/partners' gender or refusal to supply the information).

Minority Ethnic Group-led businesses

In the [data tables](#) accompanying this publication, table 31 summarises the extent to which businesses with no employees are led by someone from an ethnic minority group.

About 4% of businesses with no employees were MEG-led (defined as having a person from an ethnic minority in sole control of the business or having a management team with at least half of its members from an ethnic minority). This was one percentage point lower than in 2021 and two percentage points lower than amongst SME employers.

The proportion was higher among registered than unregistered businesses (6% compared with 3%).

MEG-led businesses were most likely to be in information and communication (9%), accommodation and food (8%) and retail and wholesale (7%) and finance and real estate (7%), and least likely in health and transport and storage (both zero) and primary sectors (1%).

Overall, 4% of all businesses with no employees could not be classified as either MEG-led or non-MEG-led as there was insufficient information provided for those businesses (uncertainty regarding owners/partners' ethnicity or a refusal to provide it).

Accompanying tables

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

- Longitudinal Small Business Survey 2022: businesses with no employees – data
- Longitudinal Small Business Survey 2022: businesses with no employees – data – cohort A
- Longitudinal Small Business Survey 2022: businesses with no employees – data – cohort B
- Longitudinal Small Business Survey 2022: businesses with no employees – data – cohort C

The survey microdata will be deposited with the ONS [Secure Research Service](#) and the [UK Data Service](#) during the Autumn of 2023. This will be available to approved researchers.

Technical information

Aims of the survey

This report sets out some of the key findings for the 2022 Longitudinal Small Business Survey (LSBS), a large-scale telephone (CATI) survey of 9,500 UK small business owners and managers, commissioned by the Department for Business, Energy and Industrial Strategy (BEIS) until February 2023 and now managed by the Department of Business and Trade. This link provides further details about Machinery of Government change

<https://www.gov.uk/government/publications/making-government-deliver-for-the-british-people/making-government-deliver-for-the-british-people-html>

The 2022 survey follows surveys conducted annually since 2015. Sample bases for each year from 2015 to 2022, are summarised in Table 1. The 2015 survey was the largest SBS yet undertaken, while the second highest sample was undertaken in 2018. The main reason for large sample sizes in both 2015 and 2018 was to enable the survey to have a longitudinal tracking element, so, in 2015, establishing, and in 2018 further boosting, a ‘panel’ of businesses that might be re-surveyed in subsequent years, enabling a detailed analysis of how combinations of factors affect business performance through time. Any panel has an element of attrition, hence the need for a large sample size in 2015 and a boost in 2018.

Table 1

	Sample size
2022	9,524
2021	9,325
2020	7,636
2019	11,002
2018	15,105
2017	6,619
2016	9,248
2015	15,502

In 2022, 3,613 top up interviews were conducted. This was in addition to 5,911 interviews with enterprises that had already completed at least one LSBS survey between 2015 and 2021. Top-ups were needed for the following reasons:

- to represent sections of the SME population that were not active in the 2021 survey fieldwork period (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)

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 22.6 minutes (20.1 minutes for panellists, 25.2 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, whether or not they are a social enterprise (or a socially oriented SME) etc
- the characteristics of their owners and leaders

There are three main reports based on the 2022 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 quarter of 2022 to the end of the first quarter of 2023 (including the first month of the second quarter of 2023)
- a **cross-sectional report** based on businesses with no employees
- a **longitudinal report** based on those businesses that responded in the last four 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

24 of the 9,524 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 9,325 interviews conducted in 2021, 8,013 (86%) agreed to a follow-up interview. The objective was to obtain the highest possible number of repeat interviews with these panellists. 4,774 were interviewed between November 2022 and April 2023 (60%, similar to the 61% in the 2021 survey, and up on the 51% in the 2020 survey and 53% in the 2019 survey). Of these, 888 had no employees, 18 were large businesses with 250+ employees, and the remainder (3,868) were SME employers. This group is known as the 'full panel'.

In addition, 7,208 businesses interviewed from 2015 to 2020 but not in 2021 could be re-approached for interview (they had given permission for re-interview and had not refused to take part between 2015 and 2020 and had not ceased trading). 1,137 of these were interviewed in 2022, a response rate of 16% (18% in 2021, 13% in 2020, but still lower than the 21% achieved in 2019), of which 148 had no employees, 984 were SME employers, and 5 were large businesses with 250+ employees. This group is known as the 'past panel'.

In addition to these, 3,613 ‘top-up’ interviews were conducted, of which 746 had no employees and 2,867 were SME employers. As a result, the total sample size in the 2022 survey was 9,524, of which 1,782 had no employees, 7,718 were SME employers and 24 were large employers (250+ employees).

The top-ups were sampled using a method consistent with the 2015 to 2021 surveys:

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

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

The IDBR is a record of all UK enterprises that pay VAT or PAYE, which contains around 2.7 million unique entries for enterprises. The BEIS Business Population Estimates (BPE) publication 2021 estimated around 5.5 million enterprises in the UK in total. The difference in the figures is explained by the number of unregistered enterprises that do not pay VAT or PAYE, estimates of which derive from the Labour Force Survey (LFS). This is the reason why an alternative database was retained as the source for top-up businesses with no employees, as it contains records for both registered and unregistered businesses.

The targets within the sample stratification matrix were informed by the 2021 BPE⁷, the latest available at the start of fieldwork. However, survey findings were weighted to the 2022 BPE⁸ which were published a few months into the fieldwork period. The 2022 BPE was used for weighting as it more accurately represented the IDBR contacts used for the survey, as well as providing a more up-to-date picture of UK small businesses than the 2021 BPE.

A 336-cell sample stratification matrix was devised, the targets within each cell informed by the 2021 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.

⁷ <https://www.gov.uk/government/statistics/business-population-estimates-2021>. 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.

⁸ <https://www.gov.uk/government/statistics/business-population-estimates-2022>. Method of data collection as above.

A review of the 2021 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 seven questionnaire.

Based on the whole sample, the response rate for full panellists was 79%, 17 percentage points higher than in 2021. For past panellists the response rate was 16%, two percentage points lower than in 2021. For IDBR top-ups the response rate decreased by one percentage point to 4%. For unregistered top-ups, the response rate was 3%, as in 2021. There is more detail in the technical report, which includes tele-matching rates and other forms of non-response.

Note on this report

Please note that the findings presented in this report relate to non-employers only – SMEs with employees, and large employers, have been excluded from the dataset on which this report is based. This procedure is consistent with reporting of previous surveys. The overall sample size for non-employers across the UK in 2022 was 1,782.

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 2022.

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.

There were approximately 2,000 respondents in each 2022 cohort: 1,910 in cohort A, 1,959 in cohort B and 1,907 in cohort C. This year a quota was applied in error to the cohort variable which capped elements of the sample for each cohort at 1,000. This affected where the sample within each cohort (reflecting the sample overall) was largest i.e. England and micros. The consequence was a reduction in the sample size for each cohort based on what would have been expected from the overall sample size.

Each respondent is part of one cohort only. Where a business is in each of the 2018, 2019, 2020, 2021 and 2022 datasets, its cohort for 2022 is entirely independent of its 2018, 2019, 2020 and 2021 cohorts (knowing a business was in cohort A in 2018 or 2019 or 2020 tells you nothing about which cohort it is in in 2021). 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, labelled as ‘financial and real estate’, 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 119,000 non-employing businesses in this sector in 2022, of whom 19% were unregistered businesses
- **C (manufacturing).** There were 154,000 non-employing businesses in this sector in 2022, of whom 68% were unregistered businesses
- **F (construction).** There were 720,000 non-employing businesses in this sector in 2022, of whom 75% were unregistered businesses
- **G (retail and wholesale).** There were 296,000 non-employing businesses in this sector in 2022, of whom 46% were unregistered businesses
- **H (transport and storage).** There were 287,000 non-employing businesses in this sector in 2022, of whom 70% were unregistered businesses
- **I (accommodation and food service).** There were 76,000 non-employing businesses in this sector in 2022, of whom 68% were unregistered businesses
- **J (information and communications).** There were 256,000 non-employing businesses in this sector in 2022, of whom 54% were unregistered businesses
- **KL (financial and real estate).** There were 139,000 non-employing businesses in this sector in 2022, of whom 43% were unregistered businesses
- **M (professional and scientific).** There were 569,000 non-employing businesses in this sector in 2022, of whom 58% were unregistered businesses
- **N (administrative services).** There were 344,000 non-employing businesses in this sector in 2022, of whom 72% were unregistered businesses
- **P (education).** There were 287,000 non-employing businesses in this sector in 2022, of whom 95% were unregistered businesses
- **Q (human health and social work).** There were 281,000 non-employing businesses in this sector in 2022, of whom 91% were unregistered businesses
- **R (arts and entertainment).** There were 248,000 non-employing businesses in this sector in 2022, of whom 86% were unregistered businesses
- **S (other services).** There were 286,000 non-employing businesses in this sector in 2022, of whom 91% were unregistered businesses

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. In 2022 we used the Market Location 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 Market Location 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 74.5% of businesses with no employees in 2022 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 71.9%, or 77.1%, 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. 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 contains the true value of this profitability measure. Each different random sample would have a different confidence interval, but 95% of the time the interval produced will contain the true value. So, our actual survey estimate is 74.5%, and we are 95% confident that the true value is in the range 71.9% to 77.1%.

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

Most of the estimates from this survey are presented as proportions or percentages (such as 10%). If this was an estimate relating to all UK businesses with no employees, then we look at the 'all UK' row and the column for estimates at 10%. The confidence interval is given as +/- 1.7%. So, our confidence interval around the 10% estimate is 10% +/-1.7%, that is, from 8.3% to 11.7%. We are 95% confident that the true figure is between those values.

If the estimate had been closer to 30% or to 70%, then our interval would have used +/-2.6% instead of +/- 1.7%, according to Table 2. When estimates are close to 50%, that is the 'worst case scenario' in the sense that the confidence intervals are at their widest. They narrow more as the estimate moves away from 50% (in either direction). Thus, the intervals are slightly narrower for 30% or 70% estimates, and narrower still for 10% and 90% estimates.

Confidence intervals get narrower when you have larger sample sizes too. If our 10% estimate is for registered business with no employees rather than for all UK businesses with no employees, we use a different row of the table, and find the confidence interval to be 10% +/- 2.2%. 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% +/- 3.4 %.

Table 2 is useful for estimates of proportions but cannot be used for other measures. For example, we have estimated a mean amount of external finance sought for by non-employers - £190,000. Table 2 cannot be used to produce a confidence interval for this estimate, though it can be done in the data analysis software, and in this case, is calculated at +/- £96,000.

Table 2

	Sample size	Confidence interval for an estimate of 10% or 90% +/- (%)	Confidence interval for an estimate of 30% or 70% +/- (%)	Confidence interval for an estimate of 50% +/- (%)
All UK	1,782	1.7	2.6	2.8
England	1,428	1.8	2.8	3.0
Scotland	155	6.2	9.5	10.4
Wales	114	7.5	11.5	12.5
Northern Ireland	85	10.0	15.3	16.7
Unregistered businesses without employees	651	2.4	3.6	4.0
Registered businesses without employees	1131	2.2	3.4	3.7
ABDE. Primary sector	114	6.1	9.3	10.1
C. Manufacturing	99	7.7	11.8	12.9
F. Construction	188	4.4	6.7	7.3
G. Retail and wholesale	216	4.6	7.1	7.7
H. Transport and Storage	64	7.7	11.8	12.9
I. Accommodation and Food	39	12.3	18.8	20.5
J. Information and communication	141	5.9	9.0	9.8
KL. Finance and real estate	83	7.7	11.8	12.9
M. Professional and scientific	380	3.7	5.6	6.1
N. Administration and support	138	6.3	9.6	10.4
P. Education	65	7.8	11.8	12.9
Q. Human health	85	6.7	10.3	11.2
R. Arts and entertainment	77	7.2	11.0	12.0
S. Other services	93	6.6	10.0	10.9

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.

Which differences are statistically significant?

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

For example, we have stated the following: Businesses in finance and real estate (80%) and professional and scientific (76%) sectors were more likely than average to have generated a profit or surplus. Those in accommodation and food (54%), other services (57%), education (58%) and arts and entertainment (59%) sectors were less likely than average to have done so.

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

Definitions

Business, enterprise, firm	In this report these terms all mean the same – they are interchangeable.
Cohort	We use this term to describe the way the survey samples from 2018 onwards are divided into three separate groups (the cohorts) and answer some questions that are for their cohort only. This was done to increase the number of questions asked in the survey without increasing the average length of interview.
EFTA	European Free Trade Association. This comprises the countries of Iceland, Liechtenstein, Norway and Switzerland. The three countries apart from Switzerland are part of the European Single Market as members of the European Economic Area.
EU	The EU is the European Union. This comprises the countries of Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden
Exports	In this report this means a British business selling goods or services to a customer outside the UK. An English business selling to a Northern Irish business is not exporting, but a Northern Irish business selling to a customer in the Republic of Ireland is exporting.
Family-owned business	This means a business where a majority of the owners are in the same family. A business with a single owner is automatically a family-owned business, although a business with no owners is not. 'Majority' means more than half, but ultimately, we require the respondent to the survey to interpret this: where a business has more than one working owner or partner, they are simply asked if the business is family-owned and this is defined in the questionnaire as 'majority-owned by members of the same family'.
Finance	In this report when we talk about businesses accessing finance or applying for finance, we usually mean borrowing money for business reasons. This might be from banks or other financial institutions or might be less formal arrangements such as money borrowed from friends and family.
Health sector	The health sector in this report is more accurately described as the 'human health and social work sector'. It does not include veterinary services (which fall under the professional and scientific sector). As this survey covers the private sector, the National Health Service (NHS) does not come under the health sector for this survey; but private sector healthcare providers do.

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Imports	In this report this means a British business buying goods or services from a business outside the UK. A Northern Irish business buying from a Welsh business is not importing, but a Northern Irish business buying from a business in the Republic of Ireland is importing.
Innovation	This refers to a business implementing a new or significantly improved product or process (which can also include new marketing methods or organisational methods). The international manual on collecting data about innovation is known as the Oslo Manual .
Longitudinal	A longitudinal study is one which collects data from the same unit 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 2020 is the total turnover of micro-businesses in 2019 divided by the total number of micro-businesses in 2020.) As the LSBS is a sample survey, the mean is estimated, as we can only estimate the relevant total for example. The mean is a common and well-known statistical measure, but it can be affected by extreme values which make it poor as a measure of the ‘typical’ value of whatever is being measured. This is often a problem with business statistics as there are often many ‘extreme’ values.
Median	The median is an alternative measure of the average which is not affected by extreme values in the way that the mean can be. As such it is often a better way of finding a ‘typical value’ of whatever is being measured. The median is the middle value of what is being measured if all the measured values are put into order from smallest to largest value. As with the mean, in the LSBS we can only estimate the median as we are working from a sample.
Medium-sized business	A business which has between 50 and 249 employees (whether they are full-time or part-time). These are the largest SMEs, since businesses with 250 or more employees are defined as large businesses in this survey. Alternative definitions of business size are sometimes used by other studies (which might include consideration of annual turnover or total assets belonging to a business).
MEG-led business	A business where at least half of the leadership team comes from minority ethnic groups (as this is a UK survey, minority ethnic groups are those that are not of any White background, including White British, 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 background 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. It was extended to 23- and 24-year old's on 1st April 2021. 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' comprise business with no employees, micro businesses, small businesses and medium-sized businesses.
Surplus	Our survey includes not-for-profit enterprises and for many of these it is more appropriate to use the term 'surplus' to refer to an excess of revenue (money coming in, from all sources) over expenditure (money going out, for all reasons).
Trade credit	Trade credit is typically used to refer to when a business receives goods or services from another business but does not pay for it in full at the time of delivery. We ask about it in the survey in the section on finance, but we do not treat it as a form of external financing – rather, it is contrasted with late payments, so it is better thought of as a form of agreed delayed payment, with late payments a delayed payment that has not been agreed.
Turnover	In the LSBS this term is usually synonymous with 'sales'. Although for the purposes of preparing accounts 'turnover' may be defined differently from 'revenue' or 'sales' we do not specify a particular definition in our questionnaire and assume that respondents interpret it to mean revenue from sales which do not take account of costs.
VAT	Value-added tax is tax which businesses are liable to pay if their annual turnover is above a certain threshold . Businesses which are registered for VAT with the UK tax authorities are considered to be 'registered' businesses for this survey and ought to be included in our sampling frame for registered businesses, the IDBR.
Women-led business	Women-led businesses are defined as those majority-led by women, that is controlled by a single woman or having a management team of which a majority are women. 'Majority' here means more than 50%.

Further Information

Future updates to these statistics

The Department for Business and Trade (DBT) intends to continue the survey for at least one further wave. The delay to field start date that occurred in 2020 impacted in turn on the 2021 and 2022 fieldwork dates. Interviewing which was planned to commence in July 2020 and continue to February 2021 was delayed to September 2020 and continued to April 2021 because of the uncertainty and upheaval caused by the coronavirus (COVID-19) pandemic. In 2022, this had a further impact in delaying field start to November 2021, which then continued to the end of April 2023. Interviewing for the 2022 survey took place between the 1st November 2022 and the 30th April 2023. We anticipate that the field dates for the 2023 survey will follow those of 2022.

Related statistics

The related publication of statistics relating to [SME employers](#) is on the same day as this publication. DBT will also publish a panel report in September 2023 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 2022 survey.

The Scottish Government usually produces its own publication based on the same data but focused on Scottish businesses <https://www.gov.scot/publications/small-business-survey-scotland-2021/pages/introduction-and-key-results/>.

DBT 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). Also the [National Survey of Registered Businesses \(NSRB\)](#) which covers business sentiment around exporting and trade. The survey focuses on businesses with a turnover over £500,000 or more due to their higher potential to export.

As outlined elsewhere in this report DBT 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 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, 2019 and 2021 surveys.

The Department for Education (DfE) conducts the Employer Skills Survey. The [2019](#)

[Employer Skills Survey](#) brought together the previous Employer Skills Survey and the Employer Perspectives Survey into a single large survey with over 80,000 respondents. DfE also publishes statistics about [apprenticeships by industry](#), [characteristics](#) in England based on administrative data. The Employer Skills Survey for 2022 will be published in September 2023 <https://www.gov.uk/government/statistics/announcements/employer-skills-survey-2022>

Uses of these statistics

As a wide-ranging survey of SMEs, the LSBS is of interest to many Government departments and agencies. Department for Energy Security & Net Zero 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. DBT 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. HM 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 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 2023 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. The [Institute for Family Business](#) makes use of the survey in its 'State of the Nation' reports. The Federation for Small Businesses has used the LSBS in its research work, for example the Unlocking Opportunity report <https://www.fsb.org.uk/resource-report/unlock.html>

User engagement

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

The department 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](#).

Statistics error and revision policy

The [statistics error and revision 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 <https://www.gov.uk/government/collections/small-business-survey-reports>.

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