East Midlands Life & Work Survey 2003
Themed Summary Report - Business Start-up

Prepared for the East Midlands Observatory

Market Research UK Limited

January 2004

This document forms part of the *emda* Knowledge Bank

EAST MIDLANDS
LIFE & WORK SURVEY 2003

THEMED SUMMARY REPORT
BUSINESS START UP

January 2004

Prepared For: **EAST MIDLANDS OBSERVATORY**

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1. INTRODUCTION

1.1 Background

The East Midlands Observatory (EMO) represents a network of partner organisations within the East Midlands with an interest and involvement in research and statistics about regional economic, social, environmental and spatial issues. EMO aims to be the primary point of access to research and statistics on the East Midlands.

The purpose of East Midlands Observatory is to enable partners to share research, collaborate on research projects and make findings easily available in order to facilitate the development of evidence based policy.

A key part of the Observatory's activities during 2002 and 2003 has been the commissioning and implementation of a large scale comprehensive Life and Work Survey conducted across the East Midlands Region.

In autumn 2002 Market Research UK Limited (**mruk social research**) was commissioned to design and conduct the survey.

The project builds on the successful collaborative model of research developed through successive household surveys in the region since 1994.

1.2 Changing Context

Since the last Household survey was completed in 2000 by a partnership involving TECs, Government Office for the East Midlands (GOEM) and East Midlands Development Agency (emda), the institutional context within which the survey was conducted has changed significantly. TECs have been replaced by a local Learning Skills Council and, Sub-regional Strategic Partnerships have been established covering the vast majority of the region. In addition, the Regional Assembly has taken on a more developed role in monitoring the state of the region.

These changes required a fundamental review of both survey context and sample construction/reporting levels with particular consideration to ensuring data collected would inform LLSC strategic plans and emda Regional Employment Strategy (including the

Framework for Regional Employment and Skills Action - FRESA). The scope of the research was also broadened to reflect the need to inform the East Midlands Integrated Regional Strategy. In this context it is important to note that the survey did not set out to directly replicate previous household surveys or surveys that may cover similar subject areas.

1.3 Key Objectives

The key objectives of the household survey were (in summary):

- To provide comprehensive and robust data about the working age (and subsequently extended to third age) population of the East Midlands, to inform policy development and monitor regional performance on a number of related themes.

- Support work in relation to strategic planning for the region.

- Provide opportunities for gathering new data, boosting samples in particular localities and benchmarking.

- Ensure core data is statistically robust at county, SSP and Local Authority District (LAD) levels.

1.4 Survey Method

Overall, the survey was designed to collect information from a robust and representative sample of residents including those economically active and economically inactive. Residents from the ages of 16-74 years were interviewed in-home and the inclusion of those aged from 64-74 added a new strata to previous surveys.

The sample itself was selected using a systematic random probability technique to ensure relatively consistent levels of statistical reliability for each County, LSC, SSP and down to LAD level.

A core sample of 14,000 interviews was achieved across the region with samples in Leicestershire and Derbyshire boosted by 2520 and 450 respectively.

More detail on the sampling, survey method including questionnaire design, respondent selection, re-weighting, gathering and processing data is included in the separate comprehensive technical report. However, it is important to highlight that this and other output reports provide summary evaluation of a significant and detailed data set which in turn permits very detailed sub-analysis. Caution must though be exercised in relation to low level sub-analysis where sample sizes may fall outside the parameters of statistical significance.

The Life and Work Survey did not set out to replicate previous household surveys and, whilst some individual questions were framed to replicate previous surveys or other national surveys questionnaire structure was unique to this research project. When aligned with the widened scope of the 2003 survey and change of methodology (compared to previous household surveys) this means direct comparisons with previous (or other) surveys are not always meaningful or in some cases possible.

1.5 Theme of this Report - Business Start Up

The evaluative reporting of the survey features a range of report types. Summary reports have been produced that provide key findings for Learning Skills Council and Sub-regional Strategic Partnerships.

In addition a series of 'themed' reports and short précis style reports will examine specific topics and evaluate the associated key findings to emerge from the survey.

The focus of this particular report is on business start up activity. It looks at existing levels of entrepreneurship as well as expressed or latent levels of aspiration, what might encourage business start up and, levels of awareness of mechanisms that are available to help people in this context.

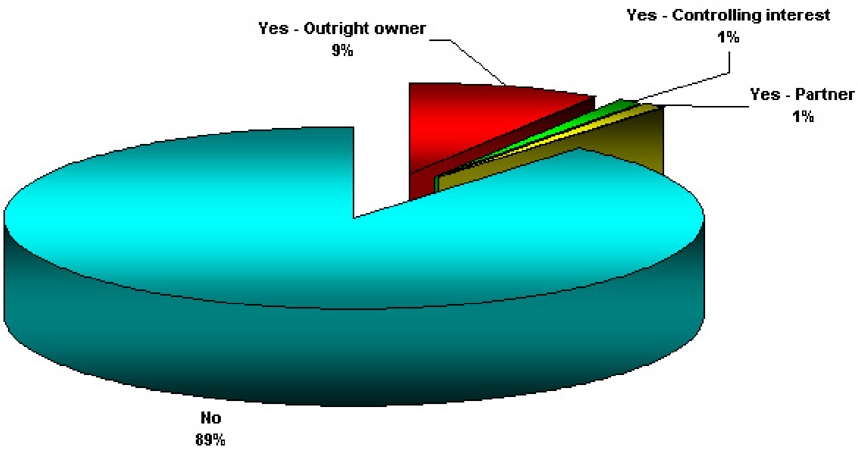
Readers should note that percentages quoted in the report will most often relate to a sub-set of the overall survey sample. Percentage figures quoted and illustrated are rounded up or down to the nearest full percentage point for ease of presentation and interpretation.

2. INTEREST IN EXISTING BUSINESS ENTERPRISE

2.1 Existing Business Stakeholders

Based upon re weighted data and, taking account primarily of those economically active, some 11% of survey respondents across the East Midlands region are owners, partners or have a controlling interest in a business enterprise or professional practice. Figure 1 below illustrates that the majority of those are the outright owner of the business concerned.

Figure 1: Owner, Partner or Controlling Interest In A Business Enterprise?



Base: Respondents in Employment (10455)

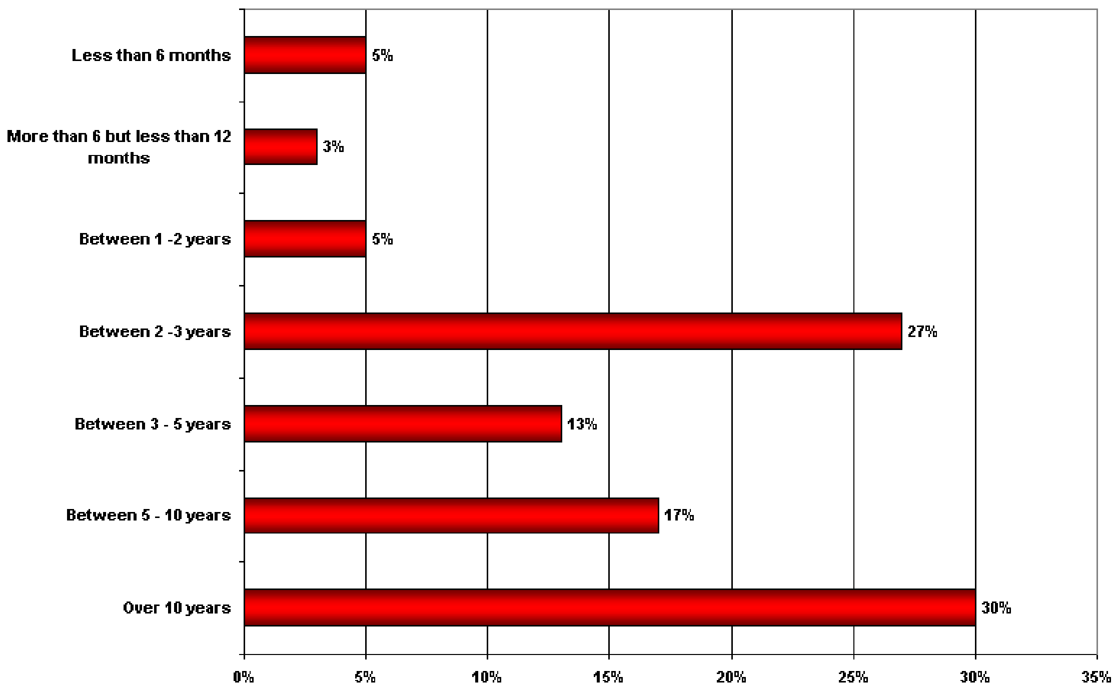
Q ref: Q19

2.2 Time In Business Enterprise

Of those respondents who have ownership or controlling interests in a business enterprise nearly half (47%) have been in this position for over 5 years and, a further 40% between 2 - 5 years. 8% have started up within the last 12 months.

It is notable that sub-analysis across the East Midlands Counties indicates start up rates within the last 12 months of between 7% - 10% in all except Lincolnshire and Rutland where the figure drops to 4%. However, it should be noted that the base sample size (disaggregated by County) for such analysis is not large enough for findings to be regarded as robust. The confidence interval for the aggregate findings is close to ±3% and can therefore be considered much more meaningful.

Figure 2: How Long Owner / Controlling Interest In Business?



Base: Respondents with ownership/ controlling interest in business enterprise (1137)
Q ref: Q20

2.3 Characteristics of Business Enterprise Owners

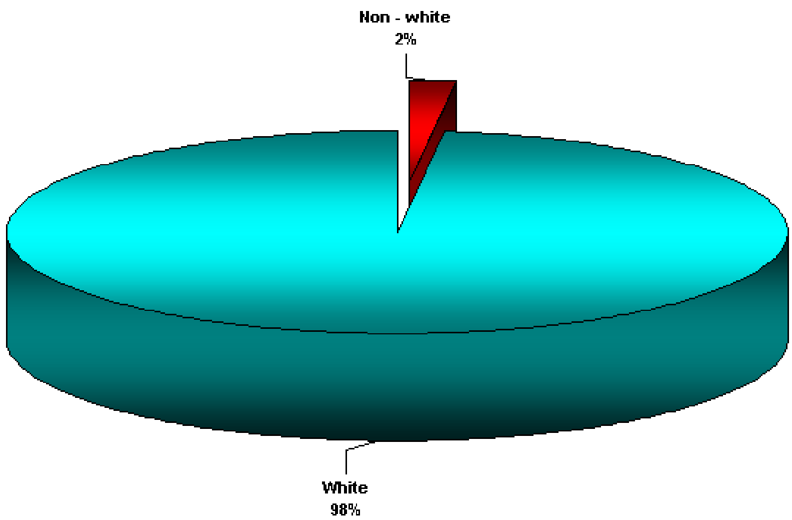
Based on the survey estimate of business enterprise owners figures 3 - 6 below illustrate a range of key characteristics of those concerned.

2.3.1 Ethnicity and Gender

Only 2% appear to be from a non-white ethnic background and, of those the vast majority are Asian.

In relation to gender nearly two thirds (62%) are male and just over one third (38%) are female.

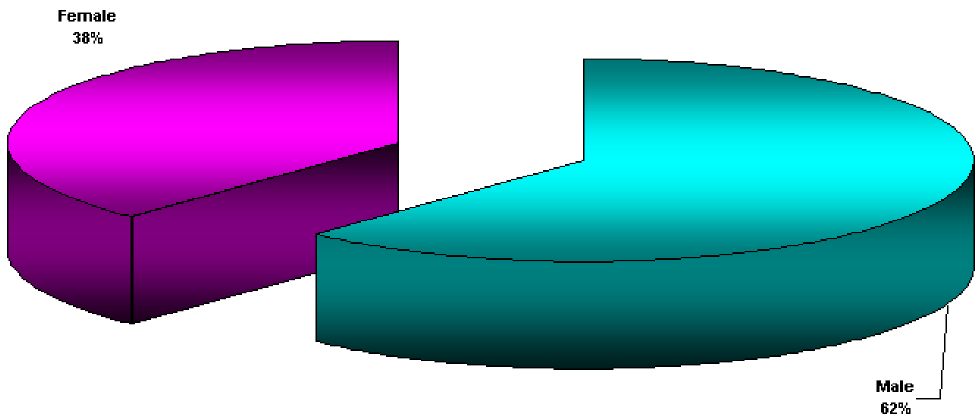
Figure 3: Owners/ Controlling Interest - Ethnicity



Base: Respondents with ownership/ controlling interest in business enterprise (1137)

Source: mruk

Figure 4: Owners/ Controlling Interest - Gender



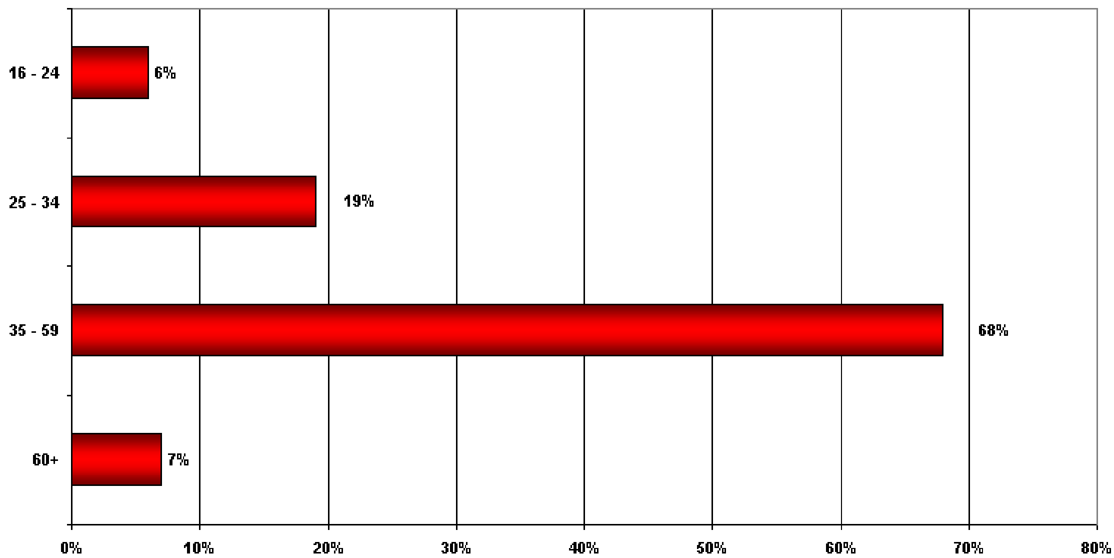
Base: Respondents with ownership/ controlling interest in business enterprise (1137)

Source: mruk

2.3.2 Age

The age profile indicates that some 6% are 'young entrepreneurs' aged between 16 - 24 years. Whilst it is not surprising the majority are in the 35 - 59 age bracket some 7% are aged 60 years or over.

Figure 5: Owners/ Controlling Interest - Age Range



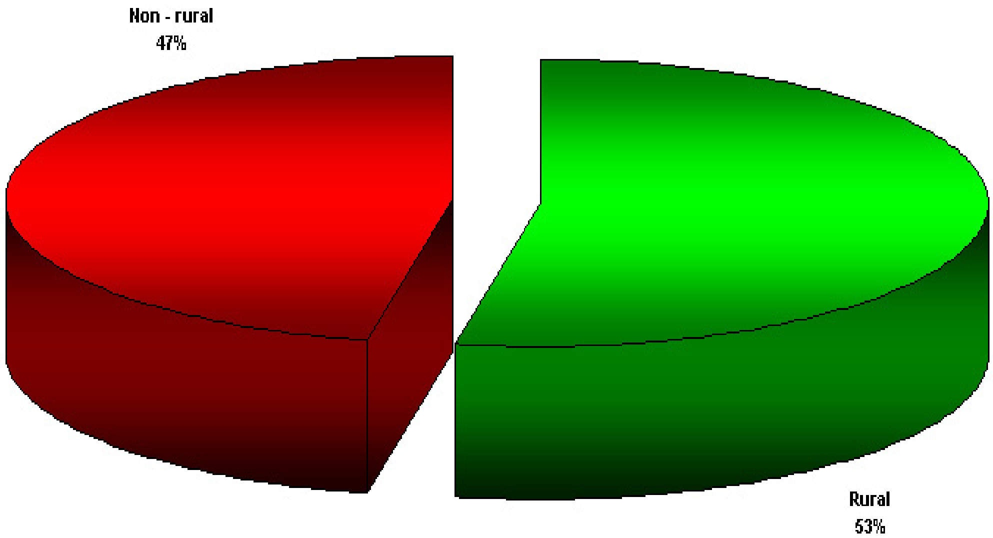
Base: Respondents with ownership/ controlling interest in business enterprise (1137)

Source: mruk

2.3.3 Location of Home and Business

Based on the Countryside Agency definition of a 'rural' area it is of interest to note that over half (53%) of the business enterprise owners are resident in such locations.

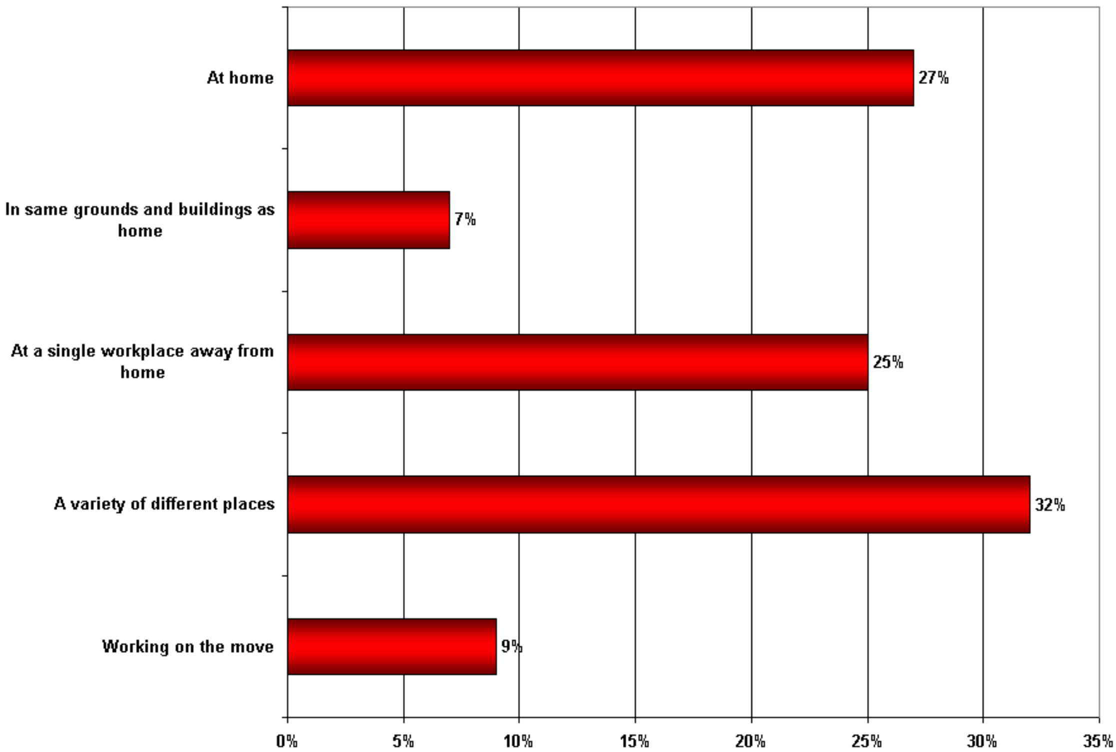
Figure 6: Rural/ Non Rural Residential Location



Base: Respondents with ownership/ controlling interest in business enterprise (1137)
Source: mruk

In order to compare place of residence with main place of work further sub analysis shows that over one third (34%) of business enterprise owners describe their home (or same grounds as their home) as their main place of work. A further 32% consider their main place of work to be 'a variety of different places' whereas one quarter (25%) specifically say they work at a single work place away from their home.

Figure 7: Main Place of Work



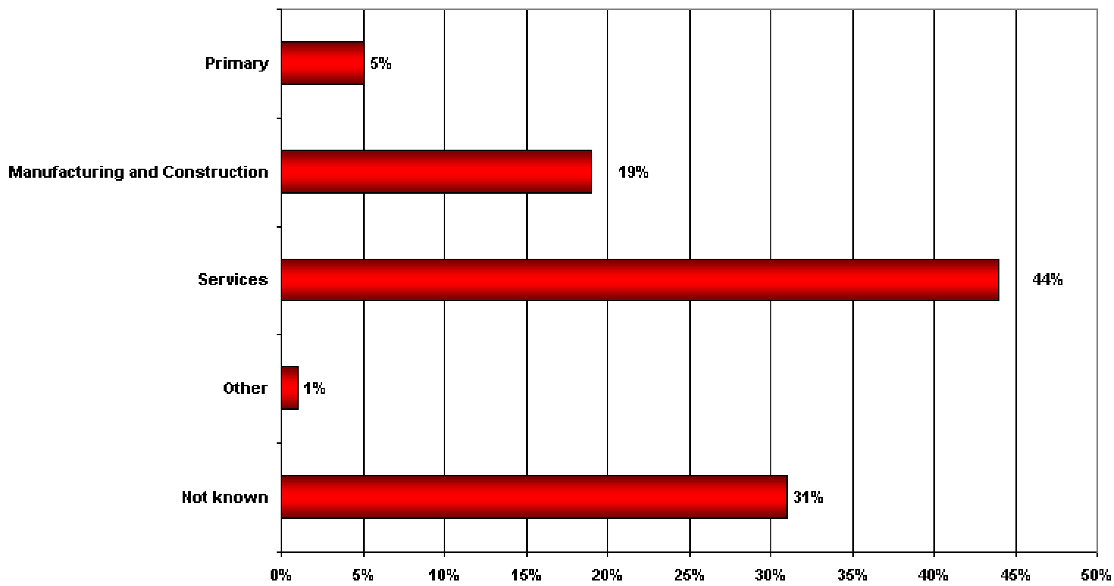
Base: 1137

Source: mruk

2.4 Type of Business

In examining the nature of the business enterprise owned/ controlled by the respondents concerned figure 8 below illustrates that by using the Standard Industrial Classification nearly half (44%) of the businesses are related to services. A further 19% are manufacturing and construction with 5% a primary industry. However, it should be noted that nearly one third could not be classified within SIC headings.

Figure 8: Type of Business



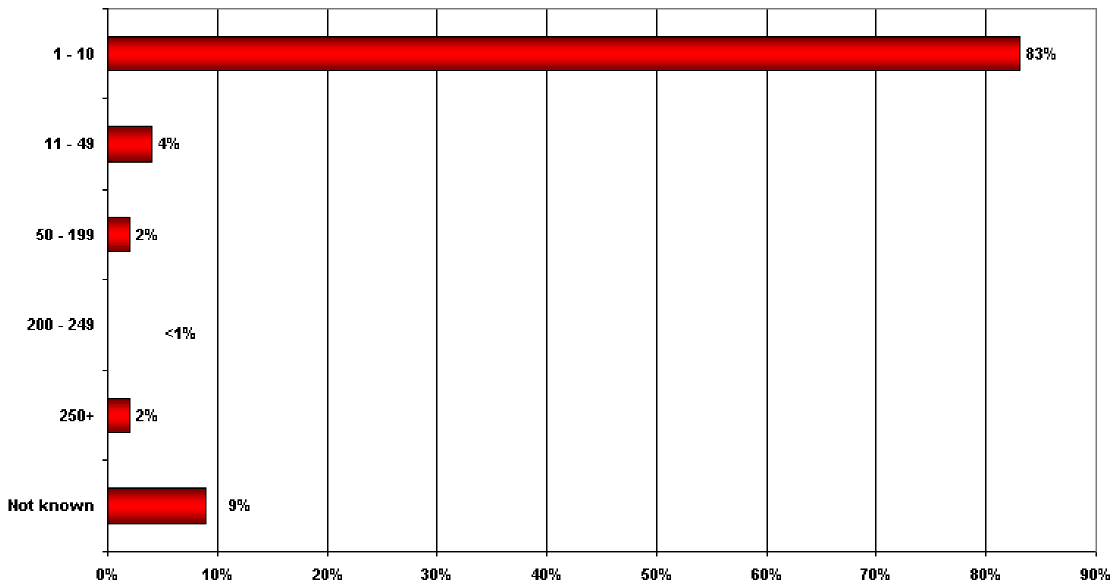
Base: Respondents with ownership/ controlling interest in business enterprise (1137)

Source: mruk

2.5 Size of Business

The vast majority (83%) of the businesses concerned are small employing up to 10 people. Less than 3% employ over 200 although some 9% are unclear about the number of employees within the business.

Figure 9: Size of Business (Number of Employees)



Base: Respondents with ownership/ controlling interest in business enterprise (1137)

Source: mruk

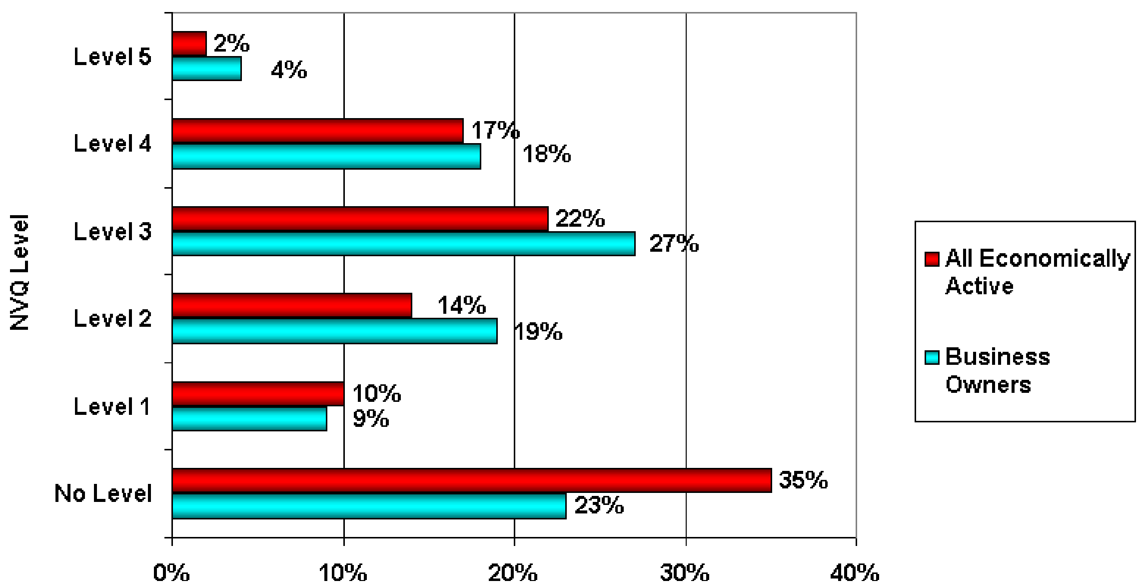
2.6 Qualifications - NVQ Equivalence

It is of interest to note the relationship between those who are business owners and the level of qualifications they have.

Figure 10 provides analysis based on NVQ equivalence (given the importance of this measure to LSC's) and, also compares business owners to the wider sample of all those economically active across the region.

Allowing for the difference in confidence intervals (ie business owners close to $\pm$3% and the wider sample closer to $\pm$1%) it is evident from findings that levels of qualifications (in relation to NVQ equivalence) are very close between business owners and the wider sample. However a more significant variation is evident in relation to those with no equivalent NVQ level. Of the wider sample the survey estimates that 35% have no level of NVQ equivalent compared to 23% of business owners.

Figure 10: NVQ Equivalence



Base: 1609 + 1137

Source: mruk

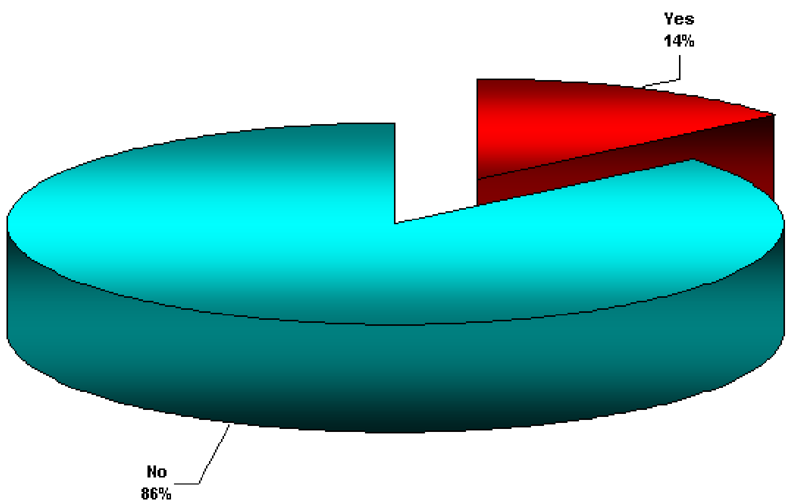
3. STARTING UP

Section 3 of the report examines the level of aspiration to start a business enterprise and seeks to illustrate relationships between respondents concerned and their key characteristics in a similar way to those identified for existing business owners in Section 2.

3.1 Aspirations

Excluding those who already have ownership or controlling interests in a business enterprise 14% of the total sample have at some time considered starting up their own business (the variations between LSC and SSP areas are illustrated in the separate regional summary reports).

Figure 11: Considered Starting Own Business?

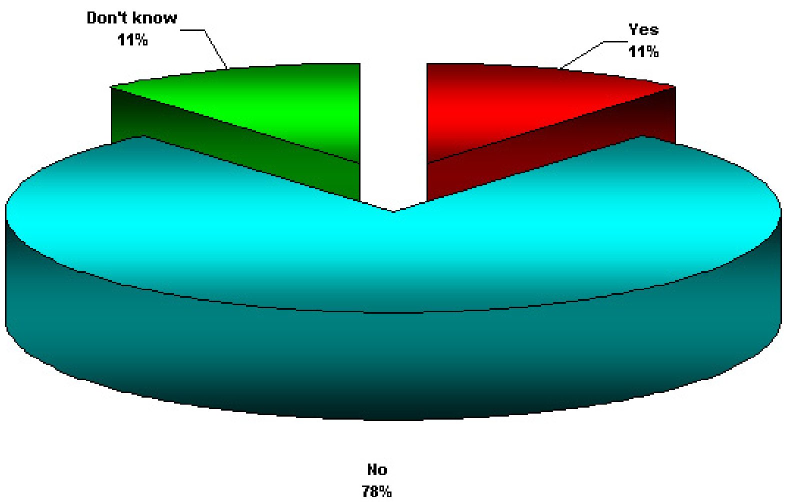


Base: All Respondents (excluding those with ownership or controlling interests) - 15815
Q ref: Q21

3.2 Expect to Start Up in Next 12 Months

Of those who have considered starting up their own business some 11% expect to do so within the next 12 months.

Figure 12: Expect to Start Up in Next 12 Months



Base: Respondents who have considered starting own business (2178)
Q ref: Q22

3.3 Characteristics

Using the same type of analysis as presented in Section 2 earlier, figure 13 below illustrates a range of key characteristics of those who have aspired at some time to start their own business and provides a comparison to those who expect to start up within the next 12 months.

It is important to note that analysis is based on two differing base figures. In relation to those who have 'considered' starting up their own business the base figure allows for robust analysis (confidence interval between $\pm$2% - $\pm$3%). However, the base figure for those 'expecting' to start up is much smaller and findings should be regarded as more indicative (confidence interval just over $\pm$6%).

Nevertheless it is notable that nearly 40% of those who have 'considered' starting up their own enterprise are aged between 16 - 34 years. In terms of those who expect (in proportion to the sample size) to start up the equivalent figure is 42%.

Gender figures show approximately two thirds of those who have considered and, expect to start up their own business are male.

In proportionate terms the expected conversion rate from aspiration to expectation for non-white respondents is 10%. Initially 4% of the much higher sample who have 'considered' starting their own business are from a BME background.

Figure 13: Key Characteristics

	A. Have considered Business Start Up	B. Expect to Start Own Business in next 12 months
AGE BAND	%	%
16 - 24	15	9
25 - 34	24	33
35 - 59	49	51
60+	12	7
GENDER		
Male	63	66
Female	37	34
ETHNICITY		
White	96	90
Non white	4	10

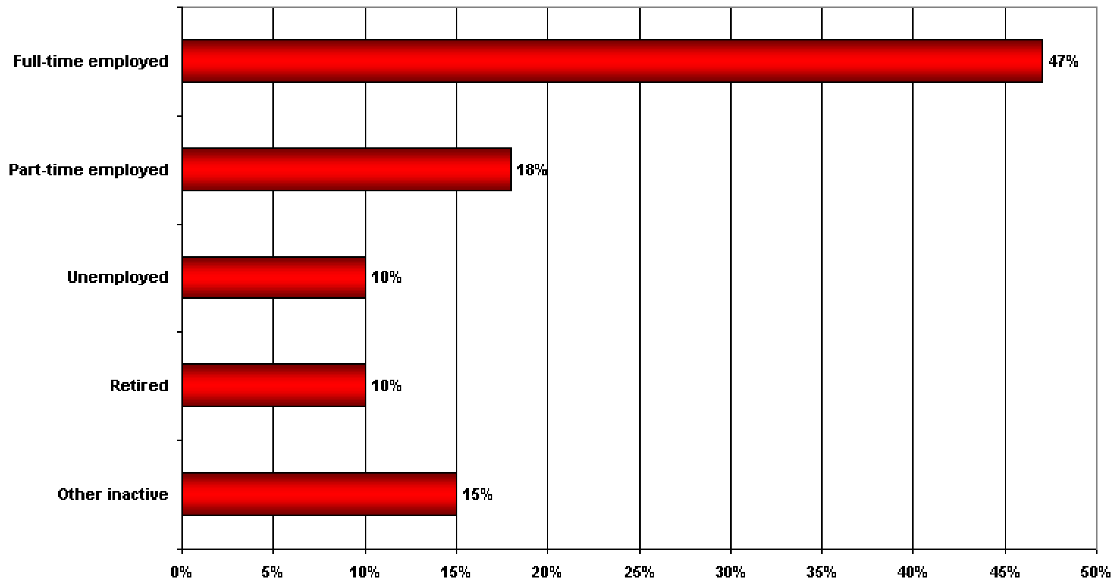
Base: A=2178, B=233

Source: mruk

3.4 Current Employment Status

Of those who have at some point 'considered' starting up their own business figure 14 illustrates the relationship with their current employment status. Nearly half (47%) are at present in full time employment, a further 18% are in part time employment whereas 10% are unemployed. One quarter are retired or in some other way economically inactive.

Figure 14: Employment Status of those Considering Business Start Up



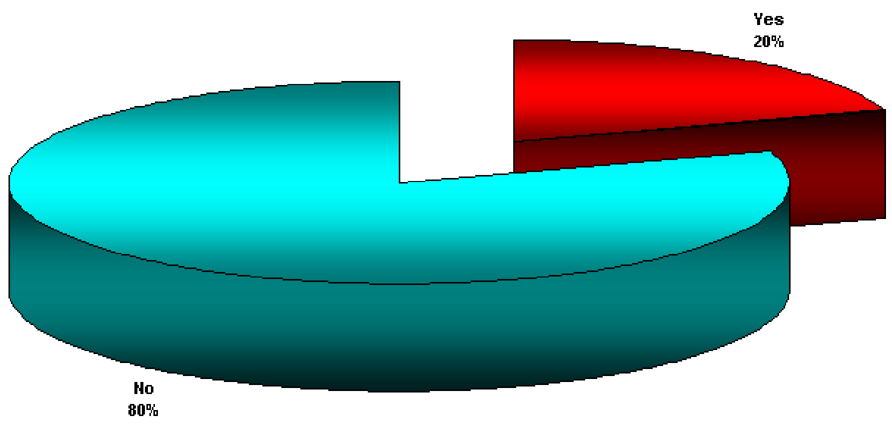
Base: Respondents who have considered starting own business (2178)

Source: mruk

3.5 Unemployment and Business Start Up Aspiration

In examining those who are currently unemployed but economically active some 20% have 'considered' starting up their own business. In turn, nearly the same proportion (19%) of those unemployed respondents who have considered starting up a business enterprise "expect" to go on and do so within the next 12 months.

Figure 15: Unemployed and Considered Business Start Up



Base: Unemployed - Economically Active (1154)
Source: mruk

Of particular note is that (in proportionate terms) the highest apparent level of interest in business start up amongst respondents unemployed is by those who have been unemployed for the shortest periods of time. 24% of those unemployed for up to 6 months and 16% of those unemployed between 6 months - 1 year show interest. This compares to figures declining from 10% (1 - 5 years) to 3% (for those who have never worked) for other periods of unemployment.

Only 9% of all student respondents say they have considered starting up in business of whom in turn only a small minority 'expect' to do so within the next 12 months.

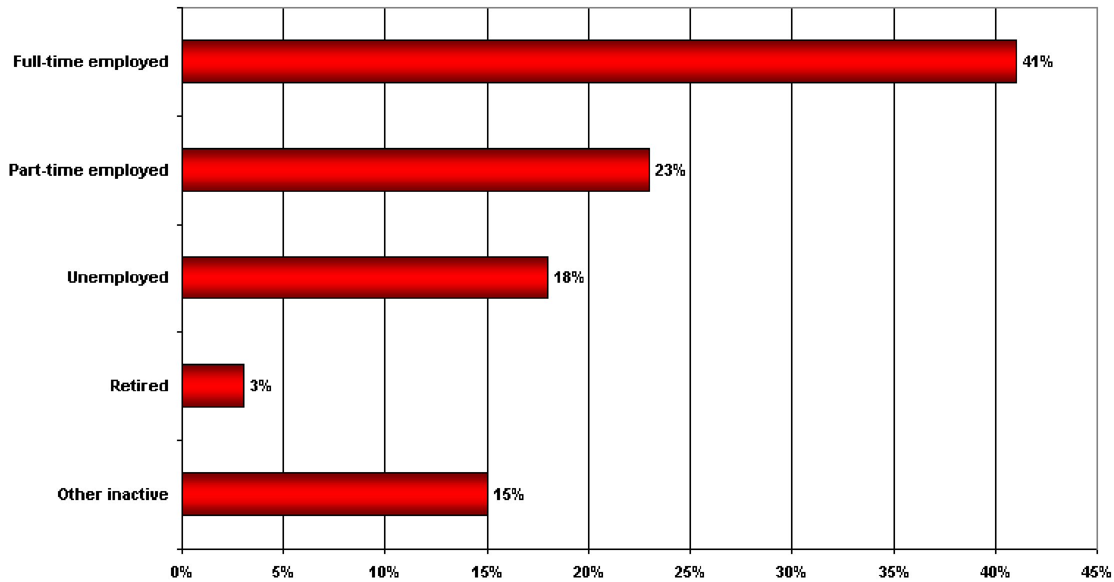
3.6 Converting Aspirations

It has already been illustrated that the level of aspiration to start up a business enterprise is much higher than expectations of doing so in the near future.

In order to illustrate this further figure 16 below shows the 'conversion' rate by employment status as a percentage of those who have at some time considered business start up.

Overall (as previously shown) 11% of those expressing interest in business start up expect to achieve this aspiration within the next 12 months. However, in proportionate terms the highest levels of conversion are amongst those in full and part time employment.

Figure 16: Employment Status of those Expecting to Start Own Business in next 12 Months



Base: Respondents Expecting to Start Own Business in next 12 Months (233)
Source: mruk

Caution needs to be exercised in relation to the analysis contained in figure 16 in view of the small base sample. Findings should be regarded as indicative only.

3.7 Qualifications

Figure 17 illustrates relationships between those who have considered starting up in business and levels of qualifications (based upon NVQ equivalence).

It draws comparisons with current business owners and those who expect to start up within the next 12 months - although once again allowances should be made for variable base sample sizes.

Figure 17: Business Start Up - NVQ Equivalence

	A. Considered Starting Own Business	B. Expect to start up in next 12 months	C. Current Business Owners
	%	%	%
NVQ Level 5	4	11	4
" Level 4	21	17	18
" Level 3	24	25	27
" Level 2	15	15	19
" Level 1	10	5	9
No Level	26	27	23

Bases: A (2178), B (233), C (1137)

The analysis shows that in each case the majority of those with aspirations, expectations and some form of current business interests have qualifications and that nearly half (or more) have qualifications equivalent to NVQ level 3 or above.

4. AWARENESS OF BUSINESS SUPPORT PROVISION

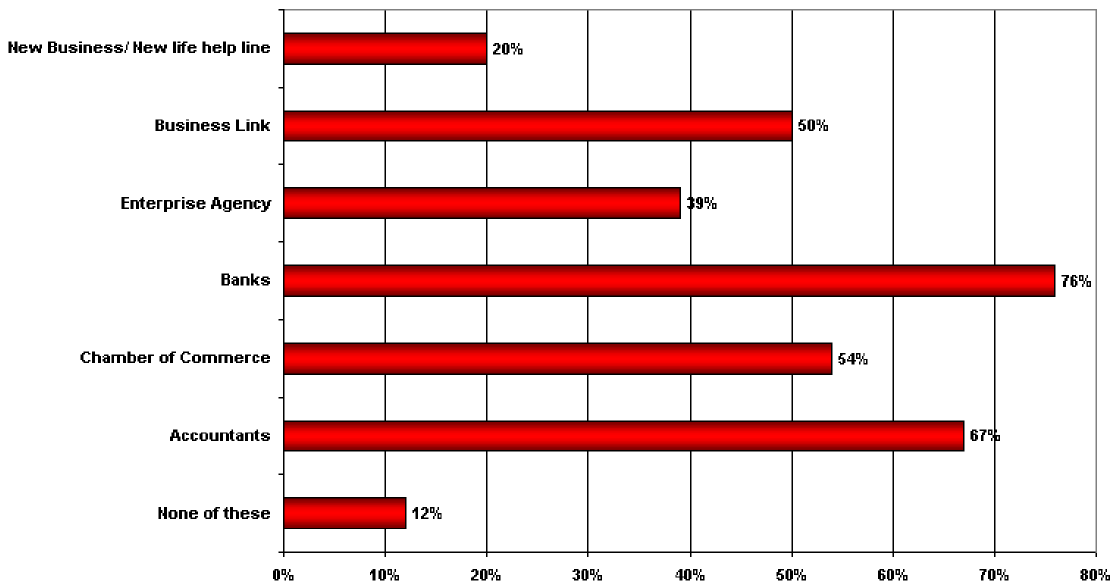
Respondents who have had ownership or controlling interests in their business for up to two years or expect to start up a business in the next 12 months were asked in the survey about awareness and possible use of business support provision.

4.1 Awareness

Figure 18 illustrates the relative awareness of the specified business support providers. Inevitably awareness of Banks and Accountants is fairly high and just over half express awareness of the Chamber of Commerce and Business Link.

Awareness is lowest in relation to the New Business / New Life Help Line (20%) and the Enterprise Agency (39%).

Figure 18: Awareness of Business Support



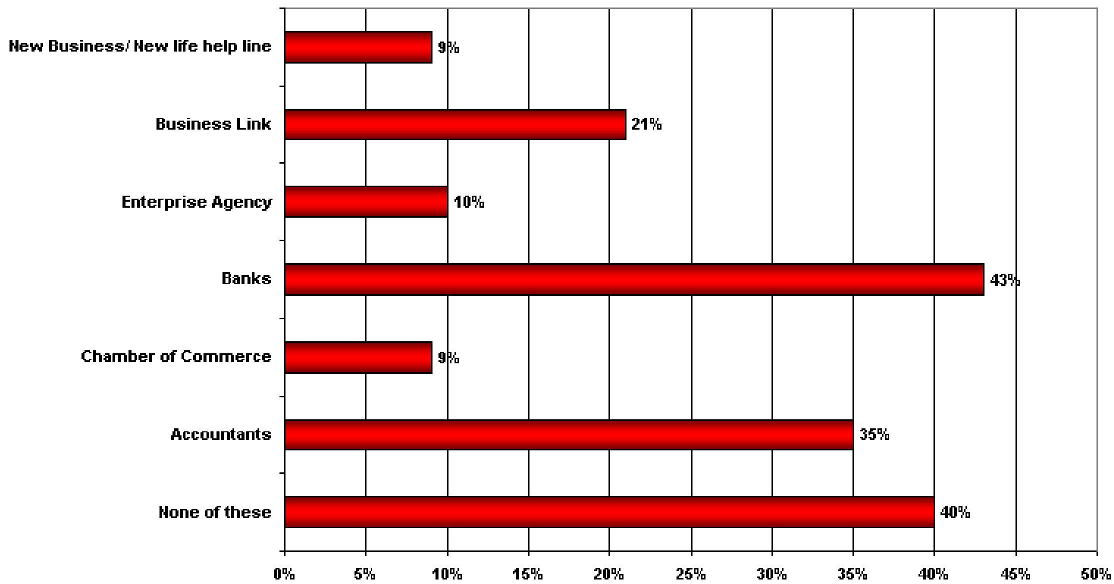
Base: Business Owners (less than two years) or expect business start up in next 12 months (382)
Q ref: Q23 (Multiple Response)

4.2 Use of Business Support Services

In addition, respondents concerned were asked if they have or if they intend to use any of these business support facilities.

The profile (illustrated in figure 19 below) is similar to that shown for levels of awareness. However, use or intended use for any one service does not exceed 45%. Again, highest use applies to Banks and Accountants. Notably, some 40% do not use or do not intend to use any of the services specified.

Figure 19: Use / Intended Use of Business Support Services



Base: 382

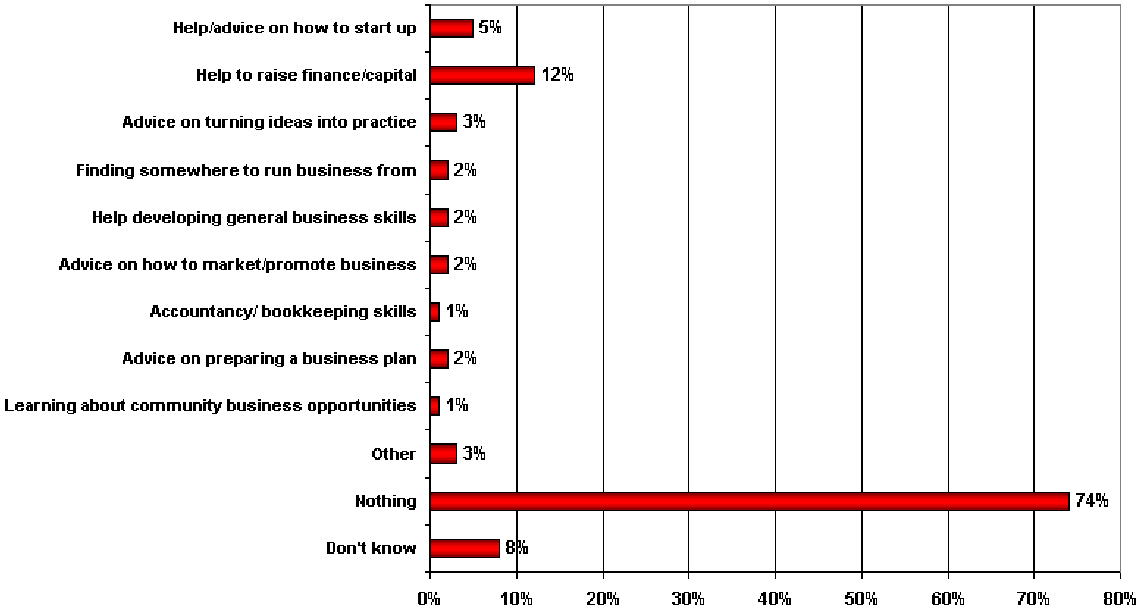
Q ref: Q23 (Multiple Response)

4.3 Encouraging Business Support

As a final question in the section of the survey focusing on business enterprise and start up all respondents (except those already with business interests) were asked to identify what (if anything) it would take to encourage them to start up their own business.

The vast majority (74%) said "nothing" would encourage them whilst a further 8% simply replied "don't know". Otherwise, the most prominent factors identified were 'help to raise finance/ capital' and 'help/ advice on how to start up'.

Figure 20: What Would Encourage Business Start Up?



Base: All Respondents (except those having/ or expecting to start own business) - 15715
Q ref: Q24 (Multiple Response)