

BIS | Department for
Business Innovation & Skills

**SMALL AND MEDIUM ENTERPRISE
STATISTICS FOR THE UK AND
REGIONS**

Government Response to
Consultation on Small and
Medium Enterprise
Statistics for the UK and
Regions

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INTRODUCTION

1. This document summarises the responses received and the subsequent Government response to the consultation on *Small and Medium Enterprise Statistics for the UK and Regions (SME Statistics)*. The consultation opened on 22 December 2008 and ran for 13 weeks, closing on 23 March 2009.
2. *Small and Medium Enterprise (SME) Statistics for the UK and Regions* is a National Statistics¹ publication produced by the Department for Business, Innovation and Skills (BIS)².
3. The publication consists of high quality estimates of the total business population in the UK, Devolved Administrations and English Regions. Data is presented by size of enterprise (based on the number of employees) and a hierarchy of detail on the Standard Industrial Classification. Information on employment and turnover in these businesses is also published.
4. Further information on the *SME Statistics*, including the latest releases and details of the current methodology, can be found on the BIS web site here: <http://stats.berr.gov.uk/ed/sme>
5. 2007 saw the 14th annual release of *SME Statistics* for the UK, which included the seventh release of regional statistics. Office for National Statistics (ONS) guidance states that the production methodology and the usefulness of National Statistics publications should be reviewed once every five years.
6. The purpose of the consultation is to help shape the *SME Statistics* report so that it more closely meets the needs of users from across business, academia and national, regional and local government. It captures evidence of user requirements for the content, format and dissemination of the publication.
7. The consultation also contained questions for users and stakeholders on how the current methodology for producing the statistics could be improved to make it more accurate and useful.
8. This response document is structured around the questions in the consultation document. Responses are organised into four key themes – methodology, publication scope, presentation of data and

¹ National Statistics are a subset of official statistics which have been nominated by ministers for assessment by the UK Statistics Authority and certified by the UK Statistics Authority as compliant with its Code of Practice for Statistics. For further information see: <http://www.statisticsauthority.gov.uk/uk-statistical-system/statistics/index.html>

² Formerly the Department for Business, Enterprise and Regulatory Reform (BERR)

format and dissemination. Each question from the consultation document is repeated followed by a summary of the responses to that question and the Government response.

9. Throughout this publication the phrase *SME Statistics* is used to refer to the publication *Small and Medium Enterprise Statistics for the UK and Regions*.

INDICATION OF WHO RESPONDED

10. The consultation was relevant to users of the *SME Statistics*. A total of 29 responses were received, the majority being from central government and business representative bodies.
11. The table below gives a summary of the types of organisations that responded. Of those listed as other all were either on behalf of university business schools or other research organisations.

0	Micro business (up to 9 staff)
0	Small business (10-49 staff)
0	Medium business (50-249 staff)
1	Large business (250 or more staff)
5	Business representative organisation/trade body
0	TU or staff association
0	Charity or social enterprise
3	Local Government
17	Central Government
0	Individual
3	Other

REPORTING ON THE DEVOLVED ADMINISTRATIONS

12. The *SME Statistics* publication is a key source of information on businesses in Wales, Scotland and Northern Ireland. Analysts representing each of the devolved administrations were invited to respond to the consultation.
13. Question 12 deals with the frequency of the publication of regional *SME Statistics*, which includes data on each of the devolved administrations. We will continue to keep officials in the devolved administrations informed of changes that will have an impact on the frequency or content of the sub-UK data.

CHAPTER A: GOVERNMENT RESPONSE TO THE METHODOLOGY QUESTIONS

Question 1. Should the methodology be changed to use a different source (or series) for estimating the unregistered self employed population?

14. 10 respondents replied to this question. On the whole respondents were in favour of the investigation of alternative sources of data to improve estimates of the unregistered business population. Suggestions included the use of the HM Revenue and Customs (HMRC) Self Assessment data, ONS Annual Population Survey (APS) and the Department for Work and Pensions (DWP) Lifetime Labour Market Database (LLMDB).
15. However there was some support for the continued use of the ONS Labour Force Survey (LFS) and for consistency of estimates produced for time series and monitoring trends over time.

Government Response

16. *Since the ONS Annual Population Survey (APS) is an annual survey covering all 12 months of the year it cannot be used to estimate of the self-employed population at the start of the calendar year, as is required in the current SME Statistics methodology. The use of APS data may be more relevant to producing small area statistics that require the larger sample sizes it offers.*
17. *BIS will continue to investigate the use of HMRC self-assessment and corporation tax data in the SME Statistics methodology. For a full response see questions 5 and 10.*
18. *BIS will investigate how the DWP Lifetime Labour Market Database can inform the methodology of the SME Statistics. However a number of issues such as the scope of the database, the timing of the data availability and difficulties in gaining access to the data may preclude BIS using this as a future source of self-employment estimates.*
19. *Although not mentioned by respondents, the new methodology developed by ONS for improving the self-employment estimates from the Labour Force Survey³ offers a good opportunity for BIS to improve the estimates of un-registered businesses. It would however introduce a significant discontinuity into the series. This consideration is especially important during times of potential*

³ See Annex A BERR Consultation on Small and Medium Enterprise Statistics for the UK and the Regions

change in the business population, such as in the current economic downturn. In such circumstances users require stability in methodology so that trends can be accurately assessed. BIS believes it most appropriate for the changes to be introduced once the full impact can be assessed. If investigations demonstrate that the new methodology is reliable, BIS is expecting to make these changes in time for SME Statistics 2010.

Question 2. In estimating the number of un-registered working proprietors should we move to only using businesses with no employees and self-employed with no employees, rather than using the total self-employed population as in the current methodology?

20. Seven respondents replied to this question. Respondents were in favour of making this change if it would increase the accuracy of the results.

Government Response

21. *In principle BIS favours making this move as it is more logical than the current approach of using all working proprietors on the IDBR and all self-employed from the LFS. The move would better reflect the unregistered population.*
22. *However the move would also reduce the sample sizes of the LFS (in Q4 2006 78 per cent of main job self-employed and 92 per cent of second job self-employed had no employees – the overall average was 79 per cent) and the impact of this on a sector by sector basis needs to be considered carefully.*
23. *BIS also needs to consider whether the variable on the Labour Force Survey which reports whether a self-employed person has employees or not is representative of the real situation. Initial analysis of HMRC self-assessment data for 2006/7 suggests that around 80 per cent of the self employed have no employee costs. This is in line with the Labour Force Survey data and, while more work is required, suggests that self-reporting of employer status is reliable.*
24. *BIS will conduct further testing of Labour Force Survey variables and their impact on the SME Statistics. This work may not be completed in time for the SME Statistics 2008, and in which case BIS will introduce this alongside other methodological changes at a later date. BIS will inform users of these changes in the related methodology notes.*

Question 3. The current methodology assumes a) that there are two working proprietors per partnership and b) that unregistered businesses with zero employees - are there better ways of estimating these ratios?

25. Five respondents replied to this question. Respondents are happy for BIS to review all evidence sources to ensure the continued validity of this assumption.
26. Respondents suggest reviewing the use of new data sources such as the *BIS Survey of SME Finances*, HMRC self assessment data and the DWP Lifetime Labour Market Database (LLMDB).

Government Response

27. *BIS has investigated the use of the Survey of SME Finances as a possible source of data about the number of partners per partnership. However the question in this survey asks how many partners are in 'day to day control' rather than the total number of partners. In this respect it is phrased in a similar way to the BIS Annual Small Business Survey (ASBS), which also asks about partners in 'day to day control'. However, analysis of ASBS data shows on average fewer than two 'working' partners per partnership and since there must be two or more partners for a partnership to exist the true value has to be higher than two.*
28. *BIS will therefore be undertaking further investigations of alternative data sources that could be used to help inform these assumptions. The Department will be working with HMRC and DWP to assess whether self assessment data or the Lifetime Labour Market Database could be used to provide better estimates of the ratios.*
29. *Initial work on the HMRC self-assessment data 2006/7 shows the average number of partners per partnership is greater than the 2.0 currently used in the methodology. However this represents the overall population of partnerships and work needs to be to refine this to represent only those businesses likely to be un-registered for VAT and PAYE.*
30. *BIS will implement changes to these assumptions as soon as investigations are complete providing that they do not introduce another significant discontinuity. If the discontinuity would be large then they would be introduced at the same time as other major methodological changes, together with information on the scale of the impact.*

Question 4. Should the criteria of the Inter Departmental Business Register (IDBR - VAT and PAYE registered) data used in the *SME Statistics* match that used in the ONS publications such as *UK Business: Activity, Size and Location or Business Demography*?

31. Six respondents replied to this question. Respondents generally agreed that there should be consistency between the BIS and ONS publications, though there was some lack of awareness as to what the actual differences were.

Government Response

32. *BIS agrees with respondents that it would be ideal for the SME Statistics to use the same criteria as other ONS publications where possible.*
33. *BIS will produce full guidance to users on the differences between the SME Statistics and ONS business publications. This will be included in the methodology note that will accompany the SME Statistics 2008.*
34. *BIS will also investigate the possibility of changing the criteria of the SME Statistics to more closely match that of the ONS publication UK Business: Activity, Size and Location. Any changes to the criteria will be applied to the statistics at the same time as other major methodological changes (most likely in SME Statistics 2010).*

Question 5. Specifically should the publication switch to recording businesses with any activity during the calendar year, rather than just those registered at the start of the year?

35. Six respondents replied to this question. There was a divergence of opinion between respondents here. Four respondents stated that they would prefer the status quo for a number of reasons.
36. One respondent said:

“The major consequence of counting the number of businesses operating at any one time during the year would be to include failed start ups and non-recurring, short term self employment in the estimates. This would hopelessly conflate labour market trends with the business start-up cycle and furthermore introduce a large number of businesses that are unlikely to be affected by regulatory changes or respond to policy through changes of behaviour.”

37. Another respondent believes that “most interest is in the number of businesses at a given time, rather than how many were active over the course of a year.”
38. Two other respondents were keen to move to using activity during the year, with one stating that information on activity during both the calendar year and tax year would be beneficial.
39. There was some interest to investigate this further and it was stated that the implications of a significant change like this should be considered before implementing.

Government Response

40. *In general the levels of response to this question did not provide widespread evidence of support for changing the methodology to measure any business activity during the year, as opposed to point in time estimates.*
41. *ONS have stated that producing enterprise activity data from the IDBR on the basis of tax years is not possible.*
42. *BIS has an ongoing work plan with HMRC and ONS to evaluate their respective data sources. However, moving away from point in time estimates of the business stock does not seem to be popular with respondents. Therefore, this will not be a priority work area for BIS and there are currently no plans to work towards compiling data on a different basis. However, we will continue to keep the merits of this under review.*

Question 7. Should we exclude second job self-employment and/or should a lower limit on the number of hours a self employed person works for each week be applied to filter out businesses with a very low economic contribution? The LFS asks how many hours were worked in the reference week, or if we moved to using HMRC data we could set a limit on income?

43. Seven respondents replied to this question. All respondents agreed that second job self employment should be maintained.
44. Two respondents thought that restriction in terms of income would be useful, but only one thought that a limit on the number of hours should be applied.

Government Response

45. *There is little interest in making changes to exclude second job self employment or to place an inclusion threshold based on economic*

contribution. No clear rationale exists in the responses provided for either placing a lower limit on business turnover or on the number of hours.

46. *BIS has conducted analysis to look at the impact of excluding second job self-employment and excluding self-employment where the number of hours worked is low. Analysis of Q4 2006 Labour Force Survey data showed that the self-employment count would decrease by around nine per cent (360,000) if all second job self-employed were excluded. Removing self-employment where no hours were worked in the reference week (in first and second jobs) would result in a nine per cent decrease (390,000).*
47. *BIS has no plan to exclude second job self-employment or place a limit on the number of hours in future publications.*

Question 8. Should we exclude second job self employment, where for an individual, it is in the same Standard Industrial Classification (SIC) as first job self-employment?

48. Seven respondents replied to this question. The response contained a divergence of opinion. Some respondents favoured exclusion if in the same SIC code, whilst other respondents emphasised their importance in terms of contributions to the economy, so should be counted regardless of whether they are in the same SIC sector or not.
49. "Portfolio Managers" were specifically identified as a case where each business should be reported separately. In addition one respondent pointed out that even within each two digit SIC code, there are a variety of very different activities.
50. One respondent pointed out that the situation is not the same for each legal status. Sole proprietorships with no employees (sole traders) can only ever be counted as one business, even if they carry out multiple activities.

Government Response

51. *There is a divergence of opinion on whether multiple self-employment jobs from one individual within the same SIC do actually represent more than a single business.*
52. *The current method relies on the self-employment data from the ONS Labour Force Survey, from which it is not possible to differentiate sole proprietors from partners. It would therefore not be possible to exclude second job self-employment for sole proprietors only. Only around two per cent (90,000) of the overall*

self-employed population are self-employed in both first and second jobs. As some of those will be partners then the issue of double counting sole proprietors is likely to be fairly small.

53. *Analysis of Q4 2006 Labour Force Survey shows that only 0.5 per cent (20,000) of the self-employed population was self-employed in the same two digit Standard Industrial Classification in their main and second job. Excluding these businesses would only have a very minor effect on the SME Statistics.*
54. *BIS believes while there is uncertainty as to the way individuals are reporting their self-employment activity on the Labour Force Survey, it is better to keep these individuals in the statistics to maintain a consistent series.*
55. *BIS will continue to investigate the impact of multi-business ownership on the SME Statistics.*

Question 9. The HMRC Survey of Personal Incomes (SPI) data, used to estimate the ratio of sole proprietors to partners, is untimely (for example SPI 2005/06 was available at the time of production of the *SME Statistics 2007*). Are there any other sources that could be used?

56. Only two respondents gave suggestions in response to this question.
57. HMRC stated that data from self-assessment returns might be a timelier source.
58. Another respondent suggested investigating the use of the Lifetime Labour Market Database (LLMDB).

Government Response

59. *BIS is working with HMRC and DWP to explore the various data sources. Further information on these investigations will be published at a later date.*

Question 10. BIS is looking into using other data sources that would allow the accurate estimation of the unregistered small business population, specifically HMRC self-assessment data. Suggestions of other potential data sources, or comments on the use of HMRC data would be welcomed.

60. Six respondents replied to this question. Respondents were generally in favour of investigating other sources in particular HMRC self-assessment data for unincorporated businesses and corporation tax data for incorporated businesses.

61. Respondents also mentioned Companies House, the DWP Lifetime Labour Market Database and the data produced by banks on the number of active business bank accounts.

Government Response

62. *BIS is involved in ongoing investigations of HMRC data (self assessment data and corporation tax) and the DWP Lifetime Labour Market Database. Where appropriate, new insights will be incorporated into the SME Statistics methodology.*
63. *BIS believes the IDBR represents the best source of information on the number of active companies and as such is unlikely to begin using data taken directly from the Companies House register.*
64. *BIS does not consider that data currently collated on the number of active business bank accounts would be appropriate for the SME Statistics. Firstly, it is still believed that a significant number of businesses do not operate through a business bank account and would not be included in the statistics. Secondly the data collection systems are still not in place to produce UK wide estimates of the stock of active business bank accounts at any one time.*

Question 11. Currently self-employment data used to calculate unregistered businesses comes from the fourth quarter of the calendar year. So for example start 2007 SME data uses quarter four 2006 Labour Force Survey data. Is this the most relevant quarter to use? The first quarter of the following year could just as easily be used. Or should the two quarters be averaged to produce a more reliable estimate?

65. Six respondents replied to this question. Two respondents were in favour of investigating and possibly implementing the proposal to pool the Q4 and Q1 LFS data. Two respondents questioned whether seasonality was an issue, with one suggesting that all four quarters should be pooled together. Another respondent said the latest data should be used.

Government Response

66. *BIS has investigated the impact of combining two quarters worth of data to produce an average estimate of the self-employed (based the results from the final quarter of one year and the first quarter of the next).*
67. *Combining Q4 and Q1 would have on average (over the last four years) made a difference of 0.2 per cent (9,000) to the overall self-employed population estimates (main and second job).*

68. *Applying this methodology to SME Statistics 2007 would produce an estimate with 9,175 (0.2%) businesses higher than estimated previously.*
69. *There are no industries where pooling had an impact of greater than +/-5% that also had counts over 10,000. So there is no evidence that any particular industry sector will be substantially impacted by the change.*
70. *No significant seasonal trends were observed in main or second job self-employment.*
71. *BIS would not want to use all four calendar quarters as the IDBR extract refers to a point at the start of the year. In a similar way using the latest data would not necessarily be the most appropriate.*
72. *Combining the results from Q1 and Q4 will increase the sample sizes that the estimates rely on, thus improving the reliability of the results. BIS are also considering whether combining data in this way would allow more detailed industry data to be published at regional level (see the response to question 16).*
73. *BIS will produce the SME Statistics 2008 on the basis of averaged data from the Q4 2007 and the Q1 2008 Labour Force Surveys and this change will be highlighted in the accompanying Methodology Note together with information on the impact of the change.*

CHAPTER B: GOVERNMENT RESPONSE TO THE QUESTIONS ON THE SCOPE OF THE PUBLICATION

Question 12. Is the biennial release of *SME Statistics* for the regions frequent enough?

74. Eight respondents replied to this question. Two respondents believed the biennial release was sufficient. The other six respondents thought that an annual release would be better. The suggestion was made that other ONS sources may provide sufficient data if the regional estimates were still to be produced biennially.

Government Response

75. *BIS does not believe that other ONS business publications offer a suitable alternative to the information produced in SME Statistics. The Statistics produces the only estimates of the unregistered business population as well as data on employment and turnover.*
76. *To better meet user needs BIS has decided to produce the regional statistics every year. The SME Statistics 2008 will include tables for each English region as well as Wales, Scotland and Northern Ireland.*

Question 13. Currently the definition of private sector includes sole proprietorship, partnerships, companies and public corporations, but excludes central government and the not for profit sector. Is this definition of the private sector the correct one to use? Or should we include the not for profit sector?

77. Nine respondents replied to this question. There was some divergence of opinion here. Generally people were interested in retaining some information on the not-for-profit sector but disagreed about the level of detail. However it was unclear from some respondents whether they wanted the level of detail for the private sector replicating for the not-for-profit sector or whether they were happy to aggregate with the private sector data.
78. Four respondents were keen to keep the definition as it is.
79. One respondent stated that the private sector definition should aim to be consistent with the standard ONS definition.
80. One respondent specifically asked whether a marker for social enterprise could be added to the data collection process.

Government Response

81. *BIS will continue to exclude the not-for-profit sector from the private sector, in contrast to ONS who include the not-for-profit sector in their main publication tables. The SME Statistics publication already includes a table on the 'whole economy' that provides estimates of the total number of enterprises in the not-for-profit sector. The Department will not be releasing a more detailed, breakdown due to (i) the problem of accurately classifying the different types of not-for-profit organisation, and (ii) more detailed tables would be subject to a high level of data suppression for data disclosure reasons.*
82. *There is currently no way of identifying social enterprises on the Inter Departmental Business Register (IDBR) or the Labour Force Survey.*

Question 14. Should revisions to previous SME Statistics be included in the annual release - for example once re-weighted Labour Force Survey data becomes available?

83. Five respondents replied to this question. Four respondents favoured revising the back series but one respondent stated that it depended on how important the revisions would be.

Government Response

84. *BIS will consider the inclusion of revisions for previous editions of SME statistics, but this will depend on the nature of the revisions and on the availability of resources available to produce the publication.*
85. *The impact of any future changes will be considered carefully and documentation will be made available to users to allow them to make more accurate comparisons with earlier editions of the SME Statistics.*
86. *The introduction of major methodological changes will be accompanied by a one-off headline back series.*

Question 15. Are auxiliary variables on employment and turnover the most useful ones to have? For example the number of employees or the number of working proprietors could be included in more tables.

87. Five respondents replied to this question. Two respondents suggested that Gross Value Added (GVA) be estimated. Employment was mentioned by three respondents; one suggesting data on employees be produced and another suggesting that

employees and working proprietors be presented. Another respondent suggested a gender flag for enterprise.

Government Response

88. *BIS understands that users would like additional information on GVA. Unfortunately this information is not held as part of the IDBR so would rely on data from the Annual Business Inquiry (ABI). The ABI data would cover the registered business population only and methodologies for estimating GVA for un-registered businesses are currently not available. Another key consideration is that ABI is also more untimely than IDBR data. BIS will consider ways of estimating GVA for un-registered businesses, but this may ultimately be outside the scope of the SME Statistics.*
89. *Although gender markers are available for the self-employed population, they are not available for the IDBR registered business population, so it is not feasible to include this in the SME Statistics publication.*
90. *BIS is considering publishing the statistics with the split of employees and working proprietors rather than the standard employment (or employment and employees in table 1 and 2). This is subject to further work by ONS investigating the impact of such an approach. If investigations show that such an approach is robust, then BIS expects to publish at least some tables in this format in either the SME Statistics 2009 or SME Statistics 2010.*

Question 16. Considering that no adjustments are made to the three digit Standard Industrial Classification (SIC) information (because it excludes businesses without employees), should the publication just exclude this data as it already exists in greater detail in the ONS publication *UK Business: Activity, Size and Location* (although for a different point in time), or alternatively should it be expanded to provide more detailed (four or five digit SIC) data?

91. Seven respondents replied to this question. Three respondents suggested that making more detailed SIC classifications should not be a priority. Two respondents were broadly in favour of increasing the level of detail in the SIC coverage. In addition one respondent was in favour of more detailed industry sector splits on a regional basis.
92. One respondent questioned the reliability of any more detailed SIC splits than were already published.

Government Response

93. *Producing more detailed SIC coverage is a resource intensive process as it involves much more quality assurance work, as well as additional disclosure control. Data specifications for SME Statistics 2008 and SME Statistics 2009 have been agreed with ONS, therefore BIS consider this as a longer term development for the publication.*
94. *BIS will be pooling data from the Q4 and Q1 Labour Force Survey from the 2008 edition. The impact of pooling is to increase sample sizes and this may enable some more detailed industrial data to be published at the regional level. However this will not be below 1 digit SIC. Further information on what will be possible will be made available if and when more detailed data are produced.*

Question 17. Should improvements in methodology allow (for example larger samples sizes from the ONS Labour Force Survey if averaged over four calendar quarters) would a series of sub regional data add value to the publication? If so, would users be able to accept that in such a table some local areas would be populated with data but some would not (due to small sample sizes)?

95. Ten respondents replied to this question. Eight respondents favoured the inclusion of sub regional data. There were some doubts about its value though. One respondent mentioned that the data was based on enterprise units rather than local units, so it wouldn't provide a true picture of the activity in the local area. This would be more of a problem for employment and turnover than for business count.
96. It was further mentioned that using Labour Force Survey data could lead to substantial movement of estimates between years and that this may not be helpful to users. A suggestion was that the same percentage adjustment (between registered and unregistered) could be applied to all the areas within each region.
97. One respondent thought detailed SIC based data would be more useful than sub regional data.

Government Response

98. *The development of a local level series of the number of businesses will be time consuming, but BIS recognises the value it would represent to local authorities.*
99. *BIS will investigate the methodology for producing an experimental series of district and unitary local authority level enterprise*

estimates. It is not envisioned that this will be part of the standard SME Statistics. Due to problems with allocating enterprise level data to a single district, such a series would be unlikely to include data on employment and turnover or, due to small sample sizes, include industry splits.

- 100. BIS will produce a methodology paper on an estimation method for local area business statistics. This will be available on the BIS website towards the end of 2009.*

CHAPTER C: GOVERNMENT REPOSE TO THE QUESTIONS ON THE PRESENTATION OF DATA

Question 18. Is the publication title, '*Small and Medium Enterprise Statistics for the UK and Regions*', the correct one to use given that it includes data for businesses of all sizes?

101. Seven respondents replied to this question. There were some differences of opinion on whether the name should change.
102. Four respondents were in favour of changing the name to better represent the scope of the publication. These suggestions included Private Sector businesses and Business Structure Estimates for the UK and the Regions.
103. It was suggested that any new title should capture the publication's unique selling point over and above the data available in ONS publications.

Government Response

104. *To avoid confusion for users of SME statistics, BIS intends to maintain the current title of the publication for the SME Statistics 2008 and SME Statistics 2009. BIS will consider changing the title to coincide with any significant methodological changes, potentially to the SME Statistics 2010.*

Question 19. Currently data for businesses with no employees includes sole proprietorships and partnerships with no employees and companies with a single employee director (since the single employee is treated as a working proprietor). Is the presentation of businesses without employees easy to understand, and if not are there better ways of displaying this data?

105. Seven respondents replied to this question. Five respondents were content with the current format and presentation of businesses without employees.
106. One suggested that this could be improved by including 0, 1 and 2-4 employee breakdowns. Other suggestions were for additional guidance to be issued and for the tables to be laid out in a way that made it clear which rows were sub-totals.

Government Response

107. *BIS will produce tables separating out the 1 employee businesses from 2-4 employee businesses. The number of tables that will be*

reformatted has yet to be decided. BIS expects the new table format to be available for the SME Statistics 2008.

108. BIS will look at ways to improve the layout of the standard tables to make them easier to understand.

Question 20. Is employment in businesses without employees displayed in a useful way? If not are there ways to improve the way it is displayed?

109. Five respondents replied to this question. Generally respondents were content with the current approach to displaying the data. One respondent however thought that the distinction between employment and employees could be made clearer, through the inclusion of footnotes.

Government Response

110. BIS is considering producing the data with the split of employees and working proprietors, rather than the standard employment, and this may help users to interpret the data. See question 15 for more detail.

111. The inclusion of additional footnotes will be considered.

Question 21. Is the standard table displaying the column percentages of businesses, employment and turnover across the size-bands useful? Or would users find it easier to calculate additional information as and when it is required?

112. Five respondents replied to this question. All respondents stated that the standard tables with column percentages are useful, although some make additional calculations of their own.

Government Response

113. All respondents are keen to keep the column percentages but given the low response to this question it is difficult to know with certainty whether the majority of SME Statistics readers make use of them. Given there is no evidence to the contrary, BIS intends to retain the column percentages in the standard tables.

114. To include new data on the number of working proprietors and employees, column percentages may be discontinued in some tables.

Question 22. Are the size bands used to present the data the most relevant?

115. Seven respondents replied to this question. Generally respondents were content that the current size bands for splitting the data are the most relevant, especially those for 5+.
116. Some suggestions for improvement include a 1 employee band and sub totals for small medium and large businesses.
117. In addition one respondent was unclear whether employee or employment size bands were being used.

Government Response

118. As in response to Q19 there is the possibility of separating out 1s from 2-4s for headline tables only and also reformatting the way the standard tables are laid out. BIS will look into this issue.

Question 23. Should methodologies for presenting data in new aggregations (for example deprived areas, rural areas, age of business, turnover size bands) be developed? Or would estimates detract from the core function of the publication?

119. Six respondents replied to this question. Generally respondents agreed that new aggregations could be useful. Some suggestions included age of business and turnover bands, Standard Occupational Classification, freelance/contractor aggregations, turnover size bands deprived areas and rural areas.
120. One respondent however said that many of the new aggregations proposed would be difficult to produce as they either cut across standard geographies or have no equivalent in the Labour Force Survey data.

Government Response

- 121. BIS recognises that new aggregations of the SME Statistics series would be useful for some users. However given that there are resource limitations to produce the publication and a lack availability of reliable data, (particularly for unregistered businesses), scope for developing new methodologies is limited.*
- 122. BIS will consider producing other geographical aggregations where investigation shows this would be fairly straightforward. Examples might include markers for rural and urban or level of deprivation. BIS will not at this stage be producing these extra aggregations.*

Question 24. The publication format was designed for printing (footnotes repeat at the bottom of each page if printed). Would users prefer a more friendly layout to make analysis more straightforward?

123. Seven respondents replied to this question. Respondents tended to want a more web friendly publication. One respondent suggested a web portal be set up for analysing the data. Respondents generally wanted to keep the excel spreadsheet but felt that data could be better laid out for data analysis and the use of pivot tables was also suggested.

Government Response

124. It is unclear what is meant by a web friendly publication. The development of a web portal to allow analysis of the data would be costly and resource intensive. BIS is therefore unable to commit to developing such a facility.

125. BIS will continue to make all underlying data available in the form of an excel spreadsheet. There is scope for changes to be made to the format of this spreadsheet, but this is unlikely to be a main priority for the coming year. The way forward is outlined in the Government Response to Question 30.

CHAPTER D: GOVERNMENT RESPONSE TO THE QUESTIONS ON THE FORMAT AND DISSEMINATION

Question 25. Is the standard release, containing Statistical Press Release, methodology note and additional data tables, the best way to disseminate the data?

126. Only four respondents replied to this question. Two respondents thought the current format was the best way of presenting the data. One user suggested that further links to the spreadsheets could be useful. One user suggested the release be disseminated through the ONS web site.

Government Response

127. The low response rate for this question makes it difficult to assess whether the current format is generally acceptable to users. The majority of respondents were happy. The suggestion to put more links between the spreadsheets and the press release will be looked into and implemented if appropriate (taking into account any other presentational changes).

128. All National Statistics releases, including Small and Medium Enterprise Statistics for the UK and Regions are now made available through the National Statistics publication Hub at www.statistics.gov.uk

Question 26. In the Statistical Press Release has the right balance been struck between tables and text?

129. Only three respondents replied to this question. All respondents believed the current format has the right balance of tables and text.

Government Response

130. The low response rate for this question makes it difficult to determine whether the current format is the most appropriate. As all of the respondents were happy with the current format of the publication, BIS will not be making any substantial amendments to the format of the press notice.

Question 27. Are there any areas that you think would benefit from further commentary of the data?

131. Only three respondents replied to this question and only two provided suggestions. Suggestions included adding in summary profiles for each region and that the Statistical Press Release should

include a schedule of further releases and an additional alert facility to notify users of new SME statistical releases.

Government Response

132. *The low response rate for this question again makes it difficult to get a broad idea of where focus should be placed.*
133. *However, BIS will look to produce a profile for each region for the forthcoming release of SME Statistics 2008.*
134. *Small and Medium Enterprise Statistics is produced annually and the precise timing of publication is dependent on many factors, including the data suppliers and the resources available in the course of any given year. It is therefore not possible for the press notice to contain information on forthcoming releases.*
135. *BIS will continue to pre-announce all releases of the SME Statistics at the earliest time possible through the National Statistics publication Hub at www.statistics.gov.uk*

Question 28. Should charts and maps be used to present more of the summary data?

136. Six respondents replied to this question. Respondents were either content with the charts that were currently displayed as part of the publication or would welcome additional charts and maps.
137. One user said that they did not use the charts and maps as they recreated them from the base data. Another user stated that if too many maps were used there would be a danger of them looking the same.

Government Response

138. *The response is generally in favour of the continued use of charts, and the inclusion of maps. It is difficult to get a precise feeling from the response whether the current balance is about right or whether there is room for an expansion in graphical summaries.*
139. *BIS will consider the inclusion of additional charts and maps only where they aid the user to make sense of the general pattern of data quickly. Any new charts and maps will be piloted in the 2008 release of the statistics and key users will be asked for feedback as to whether the release strikes the correct balance between charts/maps, tables and text.*

Question 29. Would users prefer a Statistical First Release format which contains key results up front and an annex of key tables, such as in the ONS Labour Market Statistics First Release?

140. Only three respondents replied to this question and it is clear from these responses that there was no understanding of what the Statistical First Release format meant.

Government Response

141. As respondents did not fully understand the question there is no evidence from this consultation that users would prefer to have summary information up front with an annex of key tables.

142. Although BIS believes moving to this format could possibly aid users, it is dependent on extra resource to produce and would prove a distraction to ongoing work on methodology improvements. BIS will look to improve the Statistical Press Release through an informal peer review in time for the production of SME Statistics 2010.

Question 30. Are the associated data tables in the correct format to allow data analysis and comparisons over time?

143. Only three respondents replied to this question and two of these thought the current format was acceptable. One respondent thought the data tables were good for data analysis but poor for comparisons over time.

Government Response

144. The low response rate for this question does not allow conclusions to be drawn on whether the current format is acceptable to the majority of users.

145. BIS is aware from anecdotal evidence that some users find the formatting applied to the tables frustrating when they wish to use the data for analysis rather than printing. One solution would be to retain key tables for printing but develop a separate data set for analysis (which may include a time-series element).

146. The development of this alongside the production of the SME Statistics would be resource intensive. When resource allows, BIS will explore ways of better formatting the tables for data analysis. These tables will be piloted on the BIS website.

Additional general comments

147. Thirteen respondents gave additional comments. There were various additional ideas.
148. There was the suggestion from more than one respondent that analysis based on local units should be produced, especially at a sub-national level. Another suggestion was that data should be made available in a longitudinal form.
149. One respondent suggested that many people were unaware of the *SME Statistics* and that the publication was difficult to find on the BIS web site.
150. Another respondent took the opportunity to request that Government collect more data on co-operatives and social enterprises.

Government Response

151. *BIS will not be producing a longitudinal element (tracking businesses over time) to the SME Statistics, as it is not possible to produce the data on the unregistered element, only currently available through self-employment data from the ONS Labour Force Survey. This has a very limited longitudinal element where a proportion of the sample at any one time is re-surveyed for 5 consecutive quarters. The IDBR alone presents a much better opportunity for longitudinal data analysis of the registered business population.*
152. *Local unit information is already available through the ONS publication UK Business: Activity, Size and Location. BIS believes this methodology is not appropriate for the SME Statistics publication as information on unregistered local business units could not easily be calculated. In addition to the extra resource it would require to produce, it could also possibly cause confusion if the publication included both enterprise and local unit information.*
153. *BIS will review the way the statistics are signposted on the BIS web site. The development of the new ONS Publication Hub should also improve signposting to our statistics.*
154. *There is currently no way of collecting information on the social enterprises or co-operatives either through the Inter Departmental Business Register or the Labour Force Survey. BIS currently has no plan to actively pursue the development of these sources for the production of social enterprise and co-operative data for the SME Statistics.*

FUTURE STEPS

155. This consultation took place prior to the formation of the Department for Business, Innovation and Skills (BIS)⁴. It was conducted under the responsibility of the former Department for Business, Enterprise and Regulatory Reform (BERR). The joining together of business, innovation and skills in the formation of BIS does not fundamentally effect the core function of the *SME Statistics*. The collection and presentation of data on innovation and skills remains outside the scope of the *SME Statistics* publication⁵.
156. The responses above indicate where BIS will be looking to make changes to the publication methodology, structure and format. Some changes, such as those changing the layout of the data tables, will be relatively easy to include as part of the routine data production process.
157. Other proposed changes will require a considerable amount of work to assess their impact. Given current resource it will not be possible to complete all this work before *SME Statistics 2008* is produced, over the course of the summer.
158. BIS also needs to consider the need for consistency where possible. Each methodological change would lead to a discontinuity in the time series making comparisons difficult. To reduce the number of discontinuities it would be helpful to introduce as many changes as possible at the same time. This is especially important during times of significant change in the business population, such as caused by the current economic downturn. In such circumstances statistical stability in methodology is important for trends to be accurately assessed.
159. Taking into account the aim to minimise the number of discontinuities in the data series and the need for time and resource to explore the implications of improving the methodologies, BIS will implement changes in two key stages:
- Firstly, BIS will introduce a number of changes to *SME Statistics 2008* to improve the reliability of results and usefulness to users. These changes will mainly be ones that can be done relatively easily and quickly, without making a significant change to the methodology and therefore avoiding significant discontinuities,

⁴ The Department for Innovation, Universities and Skills (DIUS) merged with the Department for Business, Enterprise and Regulatory Reform (BERR) to form the Department for Business, Innovation and Skills (BIS).

⁵ Full details of BIS research on innovation and skills can be found here: http://www.dius.gov.uk/research_and_analysis

but will also include some low impact changes to the methodology.

- Secondly, BIS will investigate the key data sources with the aim to introduce improved estimates of the business population for later editions of the *SME Statistics*.

Changes that will be made the *SME Statistics 2008*

160. Depending on the outcome of further investigations the following changes are most likely to be made to the *SME Statistics 2008*:

- Pool fourth quarter and first quarter self-employment data to produce an average set of figures (thus boosting sample sizes and therefore the reliability of estimates)
- Move to produce regional statistics on an annual basis. Regional statistics were not originally planned for *SME Statistics 2008*, but will now be included.
- Split out 1 employee businesses from the 2-4 employee businesses (possibly in tables one, two, three, five and six).
- Publish short sub-national summaries for each English region, Wales, Scotland and Northern Ireland in the SME Statistical Press Release.
- Produce more detailed SIC breakdowns (where possible split out sections where currently grouped) for the regional tables (the precise level of this change is dependent of further investigations).
- Improvements to the assumption on the average number of partners per partnership.

Changes to be made to later editions of the *SME Statistics*

161. It is planned that investigations into the proposed major methodological changes will be completed by summer 2010. Depending on the timing (see 'improvements to the timeliness' below) this may be before *SME Statistics 2009* is published.

162. Given the need to carry out further investigations and to minimise the number of substantial discontinuities in the data, BIS will not implement any major changes before the publication of *SME Statistics 2010*.

163. The name of the publication might change to coincide with significant changes to the methodology.

164. BIS will work with key stakeholders to investigate the following areas:

- Improving the self-employed population estimates by applying new methodologies to the ONS Labour Force Survey (see the response to question 1).
- The use of 'self-employed people with no employees' as the base for estimating unregistered businesses.
- The use of HMRC self-assessment data as a source of information on the self-employed population.
- The reconciliation of corporation tax data with the Inter Department Business Register to improve coverage of incorporated businesses.
- The use of HMRC and DWP data to improve the assumptions on the average turnover of an unregistered business.
- The splitting out of employees and working proprietors for the standard tables.
- The change in IDBR extract criteria to match that used in the ONS publication *UK Business: Activity, Size and Location*.

Improvements to the timeliness of the *SME Statistics*

165. The timeliness of the *SME Statistics* was not covered in the consultation questions. While users would prefer more timely results, there did not previously appear to be an option to receive more timely IDBR data to allow this.
166. However BIS has begun investigations into the possibility of using an earlier IDBR extract to allow the *SME Statistics* to be published earlier and thus increase their value to users.
167. The current IDBR extract used in the production of the *SME Statistics* has a 15 month time-lag between reference date and time of extract. There is a possibility of using an extract with a three month lag to bring forward the production date substantially. If successful *SME Statistics 2009* could be produced in autumn/winter 2009, rather than summer 2010 for instance. The proposed publication schedule is outlined below in Table 1.

Table 1: Existing and proposed publications schedules

Publication	Existing publication schedule	Proposed publication schedule
SME Statistics 2007	Summer 2008	-
SME Statistics 2008	Summer 2009	Autumn 2009
SME Statistics 2009	Summer 2010	Autumn/Winter 2009
SME Statistics 2010	Summer 2011	Autumn/Winter 2010

Note: *SME Statistics 2008* will now be published in autumn 2009 but this decision is independent from whether the schedule is changed for *SME Statistics 2009* and *SME Statistics 2010*.

168. The most significant difficulty in improving the timeliness is the availability of data on the proportion of sole proprietorships and partnerships which comes from the *Survey of Personal Incomes (SPI)* data. Under the current methodology *SME Statistics 2008* will use 2006/7 SPI data. Bringing forward the 2009 release would mean the 2006/7 SPI would still be the latest available, resulting in outdated estimates of the ratio of sole proprietors to partners being used. BIS will investigate whether this would cause significant problems for the *SME Statistics*, and will look into alternative sources.
169. Depending on the outcome of these investigations the 2009 and future editions may be released up to nine months earlier than they were previously. BIS will publish details of any changes to the methodology either alongside the statistics (if impact is minor) or in advance (if the impact is more significant).

Future Outputs

170. All changes made to the *SME Statistics* will be detailed in a new section of the methodology and accuracy note. This will be published alongside *SME Statistics 2008*, and made available on the following web site:

<http://stats.berr.gov.uk/ed/sme>

171. Due to the additional work involved in producing the *SME Statistics* this year, it is expected that the publication will be released in autumn 2009 rather than the usual July or August. BIS will give advance notification of the publication release date, both on the BIS

SME Statistics web page and through the National Statistics Release Calendar, once this has been determined:

<http://www.statistics.gov.uk/hub/release-calendar/index.html>

172. In addition BIS expects to produce a stand-alone paper detailing the possible methodologies for producing experimental sub-regional *SME Statistics*. This paper is likely to be published on the BIS web site and circulated to stakeholders towards the end of 2009.
173. If *SME Statistics 2009* is also produced in autumn/winter 2009, then full documentation on the changes will be made available to users at the time.
174. A document outlining the proposed major methodological changes to the way the un-registered business population is estimated (from ONS LFS data or HMRC data) will be published on the BIS web site and made available to key stakeholders in advance of any major revisions to the publication methodology. This may be in the form of a paper or an article in the ONS publication *Economic and Labour Market Review*. This is likely to be available by summer 2010 at least three months in advance of *SME Statistics 2010*.
175. A one-off headline back series will be produced to accompany the *SME Statistics* once major methodological changes occur. This will allow users to make more direct comparisons over time.

ANNEX A
LIST OF INDIVIDUALS AND ORGANISATIONS THAT RESPONDED

- Association of Chartered Certified Accountants
- Barclays UK Retail Banking
- Co-operative UK
- Department for Business, Innovation and Skills (BIS) – Enterprise Directorate
- Department for Business, Innovation and Skills (BIS) – Strategic Policy Analysis
- Department for Work and Pensions – Strategy Directorate
- Department for Work and Pensions – Workplace Pension Reform Division
- Department of Enterprise, Trade and Investment in Northern Ireland
- Dorset County Council
- East Midlands Development Agency
- Elevate East Lancashire
- HM Revenues and Customs
- HM Treasury – Small Business Tax
- Imperial College Business School – Jonathan Haskell
- Insolvency Service – Policy Directorate
- London Development Agency
- Low Pay Commission
- North West Development Agency – Research Team
- Office for National Statistics – Business Register Strategy and Outputs
- Office for National Statistics – Regional Statistician London
- Office for National Statistics – Regional Statistician Yorkshire and the Humber
- Professional Contractors Group
- Social Enterprise Coalition – Policy Team
- The Association of Personal Assistants

- The Women's Enterprise Centre of Expertise (WECOE)
- Tyne and Wear Research and Information
- University of Strathclyde – Sara Carter
- Welsh Assembly Government

ANNEX B
LIST OF ACRONYMS USED IN THE DOCUMENT

LIST OF ORGANISATIONS:

BIS	Department for Business, Innovation and Skills
HMRC	HM Revenue and Customs
ONS	Office for National Statistics
DWP	Department for Work and Pensions

LIST OF DATA SOURCES:

LLMDB	Lifetime Labour Market Database
SPI	Survey of Personal Incomes
LFS	Labour Force Survey
ABI	Annual Business Inquiry
IDBR	Inter Departmental Business Register
APS	Annual Population Survey

LIST OF OTHER ACRONYMS:

GVA	Gross Value Added
SIC	Standard Industrial Classification

