

Research Briefing

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# Business statistics



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## Summary

This note presents a statistical analysis of businesses in the UK.

It includes information on the number of businesses since 2000, small businesses, businesses by region, businesses by industry, and business births and deaths. There are also statistics on business leaders by gender and minority-ethnic background.

The excel sheet attached to this briefing paper provides business numbers by Parliamentary constituency, including by size and industry.

## Businesses by size

As of 1 January 2022, there were [5.5 million private sector businesses in the UK](#), 1.5% fewer than in 2021. This was smaller than the 6.5% drop between 2020 and 2021, which was the largest fall in the business population since the series began in 2000. The fall was largely driven by very small businesses with no employees, the largest category of UK businesses.

74% of UK businesses had no employees in 2022. Over 99% of businesses are small or medium-sized businesses (SMEs), employing 0-249 people. SMEs accounted for 61% of UK employment and 7% of business turnover.

There were around 8,000 large businesses in January 2022 (with 250 or more employees). While representing just 0.1% of the business population, these business support 39% of jobs and nearly half of all business turnover.

### Private sector businesses in the UK by number of employees, 2022

	Businesses 000s	Employment 000s	Turnover £ billions	Businesses %	Employment %	Turnover %
With no employees	4,061	4,399	278	74%	16%	7%
SMEs (0-249 employees)	5,501	16,432	2,124	99.9%	61%	51%
Micro (0-9 employees)	5,248	8,708	808	95%	32%	19%
Small (10-49 employees)	217	4,228	609	4%	16%	15%
Medium (50-249 employees)	36	3,497	708	1%	13%	17%
Large (250+ employees)	8	10,622	2,032	0.1%	39%	49%
<b>Total, all businesses</b>	<b>5,509</b>	<b>27,054</b>	<b>4,157</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: BEIS, [Business Population Estimates, 2022](#), Table 25

## Businesses by location

In 2022, there were 1.0 million businesses in London, the most of any region or country in the UK. Combined, London and the South East of England accounted for just over a third of UK businesses.

## Businesses by sector

Service industries accounted for 76% of businesses, 80% of employment and 72% of turnover. The retail industry accounted for 35% of business turnover, but only 10% of the businesses population. The manufacturing sector accounted for 4% of businesses, 9% of employment and 14% of turnover.

## Women in business

In 2021, [19% of SMEs employers were led by women](#). 20% of SMEs with no employees were led by women.

In February 2022, [39.1% of FTSE 100 directorships were occupied by women](#). There were no all-male boards in the FTSE100. 36.8% FTSE250 directorships and 37.6% of FTSE350 directorships were held by women.

## Minority ethnic led businesses

In 2021, [6% of SME employers were minority ethnic group \(MEG\) led](#). 5% of SMEs with no employees were MEG-led.

[94 FTSE 100 companies had at least one director from a minority ethnic background](#) as of May 2022, compared to 74 in November 2020. Of the 1,056 board positions on FTSE 100 companies in December 2021, 155 (15%) were held by minority ethnic directors. Of these 155 minority ethnic directors, 76 (49%) were women.

## Further reading

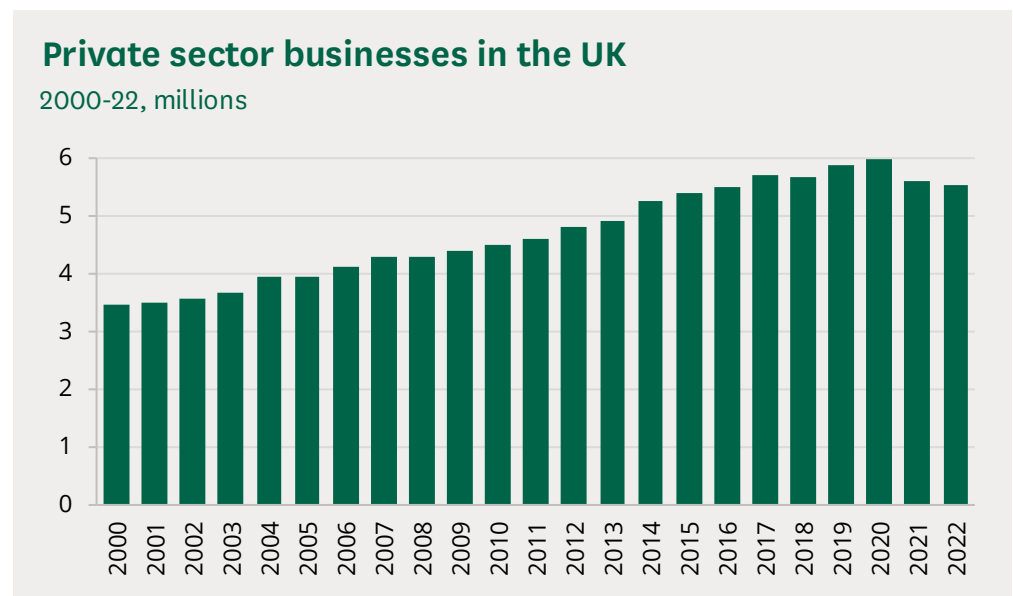
Section 8 of this briefing includes further resources on business diversity.

## 1

## Businesses in the UK

As of 1 January 2022, there were 5.5 million private sector businesses in the UK.

The chart below shows the number of businesses in the UK since 2000.<sup>1</sup>



Source: BEIS, [Business Population Estimates, 2022](#), Table 25

The number of businesses in the UK fell by 1.5% between 2021 and 2022

There were 1.5% fewer businesses in January 2022 than in 2021. This is compared to the 6.5% drop from 2020 to 2021, which was the largest fall in business population since the series began in 2000. This is the first time that the number of private sector businesses fell for two years in a row since comparable records began in 2000.

Businesses can take a number of different legal forms and can range from self-employed sole traders to large multinationals. The fall in the number of businesses since 2020 has been driven by small businesses with no employees (see Box 1 below).

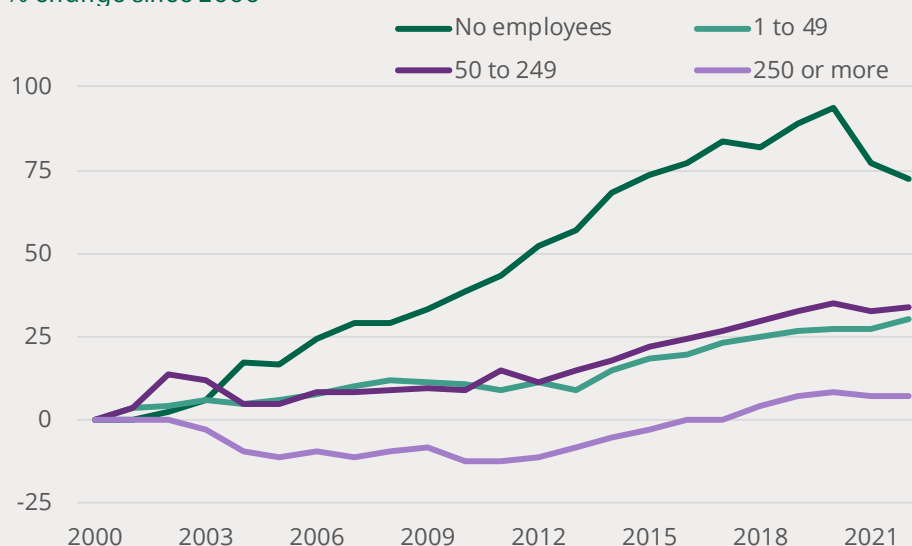
<sup>1</sup> Department for Business, Energy and Industrial Strategy (BEIS), [Business population estimates 2022](#)

## 1 Businesses with no employees have driven the decline in business numbers since 2020

The fall in business population in 2021 and 2022 has been driven by small businesses with no employees, the largest category of UK businesses. This category was seeing strong growth prior to the pandemic, but saw a 9% fall in number between 2020 and 2021 and a 3% fall between 2021 and 2022. In comparison, the number of small, medium and large employers increased between 2021 and 2022. The chart below illustrates the growth in private sector businesses by size from 2000.

### Business population growth by employee size band

% change since 2000



Source: BEIS, [Business population estimates 2022](#)

The decline in the number of businesses with no employees correlates with a decline in the population of self-employed workers during the coronavirus pandemic. According to the Office for National Statistics (ONS) Labour Force Survey, the number of self-employed workers was 15% lower in Q1 2022 compared to Q1 2020.<sup>2</sup> The ONS explains that some of this fall is partly due to people changing their survey responses during the pandemic. For example, some people who own their business but who pay themselves through PAYE began to describe themselves as employees when they realised they could claim on the Coronavirus Job Retention Scheme.<sup>3</sup>

<sup>2</sup> ONS, Labour Force Survey, [AQ1 Table 3](#), 15 November 2022.

<sup>3</sup> ONS, [Painting the full picture: what our statistics tell us about the labour market](#), Debra Leaker, 29 January 2021. Because the Business Population Estimates are also informed by the Labour Force Survey, this in theory could also affect the estimates for number of businesses with no employees.

Over the longer term, the number of businesses has grown from 3.5 million businesses in 2000 to 5.5 million in 2022 – an increase of 2 million or 59% over the period.<sup>4</sup>

The proportion of businesses with employees has fallen since 2000 from around a third, to around a quarter. This decline in the number of employers as a proportion of all businesses is due to the growth in self-employment over this period.

The table below shows data on the number of businesses in each year since 2000. The data is as at 1 January each year.

<b>Private sector businesses in the UK, 2000-2022</b>				
	Number of businesses (000s)	Change on year (000s)	% change on year	% that are employers
2000	3,467	-	-	32.1%
2001	3,502	35	1.0%	32.8%
2002	3,573	71	2.0%	32.5%
2003	3,679	106	3.0%	32.1%
2004	3,925	247	6.7%	29.6%
2005	3,927	1	0.0%	29.9%
2006	4,125	199	5.1%	29.0%
2007	4,272	146	3.5%	28.7%
2008	4,284	12	0.3%	28.9%
2009	4,375	92	2.1%	28.3%
2010	4,483	108	2.5%	27.3%
2011	4,589	106	2.4%	26.4%
2012	4,818	229	5.0%	25.7%
2013	4,914	97	2.0%	24.6%
2014	5,247	333	6.8%	24.3%
2015	5,401	154	2.9%	24.3%
2016	5,498	97	1.8%	24.1%
2017	5,695	197	3.6%	24.0%
2018	5,668	-27	-0.5%	24.5%
2019	5,868	200	3.5%	24.0%
2020	5,981	113	1.9%	23.6%
2021	5,591	-390	-6.5%	25.3%
2022	5,509	-82	-1.5%	25.7%

Source: BEIS, [Business Population Estimates, 2022](#), Table 25

<sup>4</sup> BEIS, [Business population estimates 2022](#).



## 2 Businesses by size

The table below shows businesses in the UK by size (the number of employees per business).

### Private sector businesses in the UK by number of employees, 2022

	Businesses 000s	Employment 000s	Turnover £ billions	Businesses %	Employment %	Turnover %
With no employees	4,061	4,399	278	74%	16%	7%
SMEs (0-249 employees)	5,501	16,432	2,124	99.9%	61%	51%
Micro (0-9 employees)	5,248	8,708	808	95%	32%	19%
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Large (250+ employees)	8	10,622	2,032	0.1%	39%	49%
<b>Total, all businesses</b>	<b>5,509</b>	<b>27,054</b>	<b>4,157</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: BEIS, [Business Population Estimates](#), 2022, Table 1. Figures are rounded.

The usual definition of small and medium sized enterprises (SMEs) is any business with fewer than 250 employees. There were 5.5 million SMEs in the UK in 2022, which was 99.9% of all businesses.<sup>5</sup>

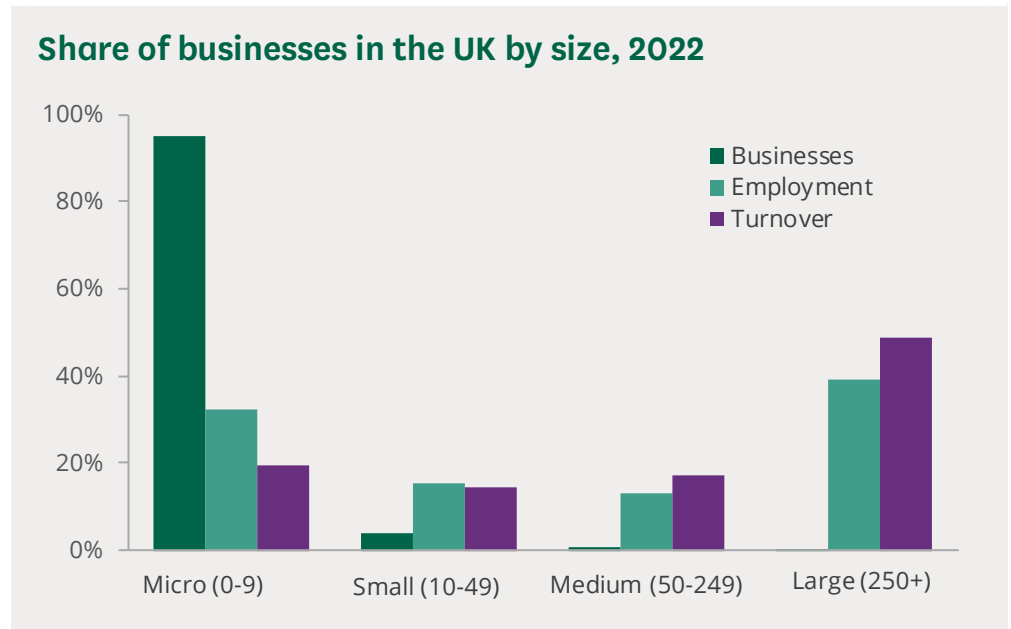
Micro-businesses have 0-9 employees. There were 5.2 million micro-businesses in the UK in 2022, accounting for 95% of all businesses. While representing the vast majority of businesses in the UK, micro-businesses only account for 32% of employment and 19% of turnover.

There are around 8,000 large businesses (defined as businesses with 250 or more employees), accounting for 0.1% of businesses but 39% of employment and 49% of turnover.

The following chart shows the proportion of businesses, employment and turnover accounted for by businesses of different size.

<sup>5</sup> BEIS, [Business population estimates 2022](#).

# 95% of businesses in the UK have fewer than 10 employees



Source: BEIS, [Business Population Estimates](#), 2022, Table 1

## 3 Businesses by region

The chart below shows how the number of businesses per head of population differs across the regions of the UK.



Notes: Business count is based on businesses' head office location.

Source: BEIS, [Business Population Estimates](#), 2022, Table 8

In the UK in 2022 there were 1,014 businesses per 10,000 resident adults. In London there were 1,452 businesses per 10,000 residents. In the North East there were 704 businesses per 10,000 residents.<sup>6</sup>

Just over a third of UK businesses are in London and the South East (1.0 million in London and 0.8 million in the South East). Northern Ireland has 0.1 million businesses, the fewest of any country or region in the UK.

Overall, there was a 1.5% decrease in the number of businesses in the UK between 2021 and 2022. Not all regions and nations saw a fall in business numbers. The greatest percentage fall was in Yorkshire and The Humber, where the number of businesses fell by 7% between 2021 and 2022, followed by the East of England and the South East, where the number of businesses

<sup>6</sup> BEIS, [Business Population Estimates](#), 2022.

fell by 4%. Wales saw a 5% increase in the number of businesses between 2021 and 2022, the largest of any country or region.

The table below shows data on businesses by country and region of the UK.

<b>Business statistics by regions and countries of the UK, 2022</b>						
	Number of enterprises (000s)	% change 2021-22	Per 10,000 resident adults	Employers (000s)	SMEs (000s)	
North East	155	1%	704	43	155	
North West	513	-3%	861	146	512	
Yorkshire & Humber	386	-7%	862	108	385	
East Midlands	368	0%	929	103	368	
West Midlands	437	-2%	913	122	437	
East of England	543	-4%	1,075	143	542	
London	1,038	-1%	1,452	256	1,036	
South East	844	-4%	1,134	211	843	
South West	537	3%	1,152	127	537	
England	4,821	-2%	1,055	1,257	4,815	
Wales	219	5%	839	57	218	
Scotland	341	0%	749	96	340	
Northern Ireland	128	4%	855	38	128	
<b>United Kingdom</b>	<b>5,509</b>	<b>-1%</b>	<b>1,014</b>	<b>1,448</b>	<b>5,501</b>	

Notes: Business count is based on businesses' head office location. Figures are rounded to nearest 100.

Source: BEIS, [Business Population Estimates](#), 2022.

## 4 Businesses by industry

The table below shows private sector businesses by industry in the UK in 2022.

Businesses by industry in the UK, 2022				
	Number of businesses		Employment	Turnover
	000s	%	%	%
Agriculture, mining and utilities	180	3%	3%	6%
Manufacturing	244	4%	9%	14%
Construction	914	17%	8%	8%
Total services	4,170	76%	80%	72%
<i>Of which:</i>				
Retail	548	10%	18%	35%
Transportation	339	6%	6%	4%
Accommodation & food	221	4%	9%	2%
IT and communications	335	6%	5%	8%
Financial and insurance	84	2%	4%	..
Real estate activities	130	2%	2%	2%
Professional and scientific	762	14%	10%	9%
Administrative & support service	473	9%	11%	7%
Education	308	6%	2%	1%
Health and social work	341	6%	7%	2%
Arts and recreation	275	5%	3%	2%
Other service activities	355	6%	3%	1%
<b>Total</b>	<b>5,509</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: Turnover excludes the financial services sector. Data is for 1 January 2022.

Source: BEIS, [Business Population Estimates 2022](#).

### Retail businesses account for over a third of UK turnover (excluding financial services)

In 2022 there 4.2 million businesses in the services industries, just over three quarters of all businesses in the UK.<sup>7</sup> The biggest of the service industries in terms of the number of businesses was the professional and scientific sector, which at 762,000 businesses accounted for 14% of businesses. The retail sector and the administrative and support services sector accounted for 10% and 9% of all businesses, respectively.

Overall, businesses in the service industries accounted for 80% of employment and 72% of total turnover.<sup>8</sup> Businesses in the retail sector accounted for 18% of employment and 35% of turnover in 2022.

<sup>7</sup> BEIS, [Business Population Estimates, 2022](#)

<sup>8</sup> Turnover excludes financial services businesses.

Construction sector businesses accounted for 17% of all businesses, but only 8% of employment and turnover. A large number of construction workers are self-employed, which increases the number of enterprises, but not the number employed in the sector.

Manufacturing firms accounted for 4% of businesses, 9% of employment and 14% of turnover.

## 5

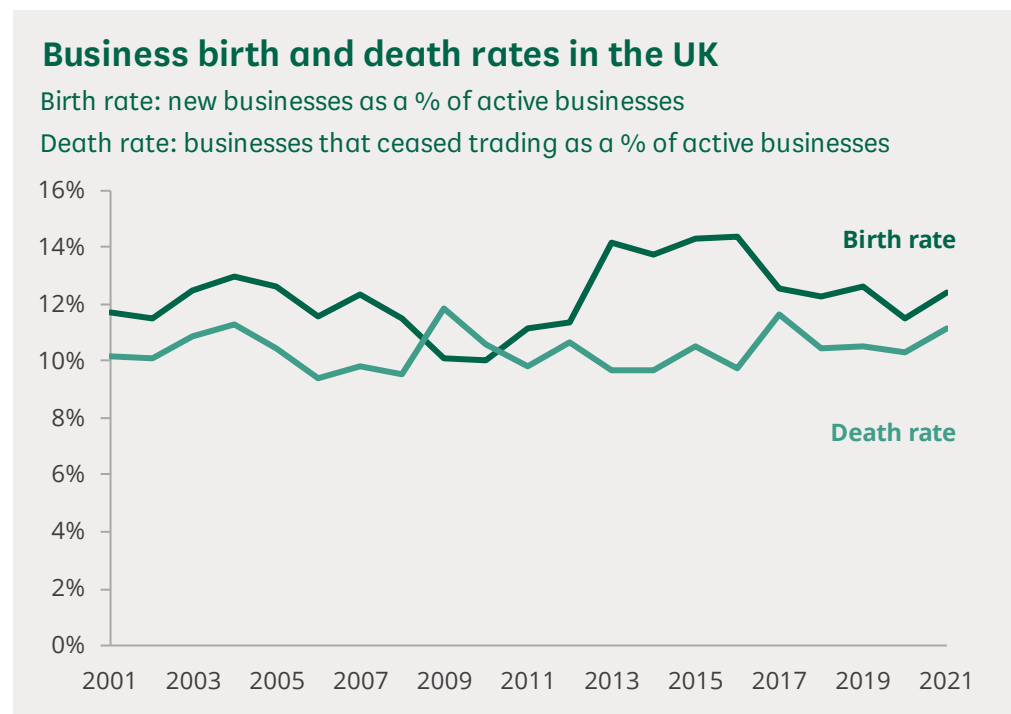
## Business births and deaths

The table and chart below show new businesses (business births) and businesses that ceased trading (business deaths) in each year from 2001 to 2021. The business birth rate is the proportion of active businesses that began trading in the reporting year. The business death rate is the proportion of active businesses that ceased trading in the reporting year.

In 2021 in the UK, there were 364,000 business births, up 31,000 on the previous year. The business birth rate was 12.4%, up from 11.5% in 2020.<sup>9</sup>

There were 327,000 business deaths in 2021, around 28,000 more than 2020. The business death rate was 11.1%, up from 10.3% in 2020.

The volume of business births and deaths is generally proportionate to the business population as a whole – there are more business births and deaths in a bigger business population.



Source: ONS, [Business Demography](#), 17 November 2022; House of Commons Library calculations

<sup>9</sup> ONS, [Business Demography](#), 17 November 2022.

Since 2000 there have only been two years when the business death rate was higher than the business birth rate: 2009 and 2010, the years immediately following the financial crisis. The birth rate remained above the death rate in 2020 and 2021, despite the business impact of the coronavirus pandemic.

The transport and storage industry (which includes postal services) had the highest business birth rate in 2021, at 25.9%, and the highest death rate, at 21.8%.<sup>10</sup>

### Business birth and death rates, UK

	Births (000s)	Birth Rate	Deaths (000s)	Death Rate
2001	243	11.7%	212	10.2%
2002	243	11.5%	213	10.1%
2003	267	12.5%	232	10.9%
2004	280	13.0%	244	11.3%
2005	275	12.6%	228	10.5%
2006	256	11.6%	207	9.4%
2007	281	12.3%	224	9.8%
2008	267	11.5%	223	9.6%
2009	236	10.1%	277	11.8%
2010	235	10.0%	249	10.6%
2011	261	11.2%	230	9.8%
2012	270	11.4%	252	10.6%
2013	346	14.1%	238	9.7%
2014	350	13.7%	246	9.7%
2015	383	14.3%	282	10.6%
2016	398	14.4%	269	9.7%
2017	357	12.5%	331	11.7%
2018	349	12.3%	297	10.4%
2019	364	12.6%	303	10.5%
2020	333	11.5%	299	10.3%
2021	364	12.4%	327	11.1%

Source: ONS, [Business Demography](#), 17 November 2022; House of Commons Library calculations

Notes: excludes non-VAT registered businesses with no employees; Birth rate: new businesses as a % of active businesses. Death rate: businesses that ceased trading as a % of active businesses.

<sup>10</sup> ONS, [Business demography, UK: 2021](#), 17 November 2022.



In 2021, the number of business births was greater than the number of business deaths in all regions and countries of the UK, except for the South East of England and Scotland.

The largest number of business births occurred in London (85,305). The largest number of business deaths also occurred in London (69,860).

Business births and deaths by region and country, 2021				
	Births	Birth rate	Deaths	Death rate
North East	10,080	13.0%	8,535	11.0%
North West	39,135	13.4%	33,895	11.6%
Yorkshire and the Humber	24,985	12.3%	22,060	10.9%
East Midlands	23,370	11.8%	21,530	10.9%
West Midlands	34,155	14.2%	31,255	13.0%
East	33,150	11.4%	31,195	10.7%
London	85,305	14.1%	69,860	11.5%
South East	48,375	10.8%	48,705	10.8%
South West	25,930	10.9%	23,300	9.8%
Wales	13,945	13.2%	12,145	11.5%
Scotland	18,910	10.7%	19,705	11.2%
Northern Ireland	6,655	10.3%	5,200	8.0%
<b>United Kingdom</b>	<b>363,995</b>	<b>12.4%</b>	<b>327,385</b>	<b>11.1%</b>

Source: ONS, [Business Demography](#), 17 November 2022; House of Commons Library calculations

## 6 Women in business

### 6.1 Women-led SMEs

The Department for Business, Energy and Industrial Strategy (BEIS) [Small Business Survey](#) is an annual survey of businesses with fewer than 250 employees. It is a useful source for information on the characteristics of business leaders.

The information is presented separately for [SMEs with employees](#) and for [SMEs without employees](#). SMEs without employees are typically self-employed people, or businesses with a single owner/proprietor

#### Women-led SMEs with employees

19% of SME employers are led by women

In 2021, 19% of SME employers were led by women (meaning that they were either led by one woman or by a management team of which a majority are women).<sup>11</sup> 24% of SME employers were ‘equally-led’, meaning they had an equal number of men and women in the management team.<sup>12</sup>

There is considerable variation in the proportion of women-led SME employers by industry. In the construction sector only 9% of SME employers were women-led in 2021. In the education sector, 44% of SME employers were women-led, as were 37% in the health and social care sector, 31% in arts and entertainment, 30% in other services and 29% in the accommodation and food service sectors.<sup>13</sup>

20% of SMEs with no employees are led by women

#### Women-led SMEs with no employees

Women-led SMEs with no employees accounted for 20% of all SMEs with no employees in 2021. This is one percentage point lower than in 2020 and one percentage point higher than the proportion of women-led SMEs with employees.<sup>14</sup>

58% of women-led SMEs with no employees are in the health and social care sector and 56% in the accommodation and food sector. There were 8% of

<sup>11</sup> BEIS, [Small business survey \(employers\)](#), 31 August 2022, pg. 61; data table 30.

<sup>12</sup> BEIS, [Small business survey \(employers\)](#), 31 August 2022, data table 32.

<sup>13</sup> BEIS, [Small business survey \(employers\)](#), 31 August 2022, pg. 62, data table 32.

<sup>14</sup> BEIS, [Small business survey \(no employees\)](#), 31 August 2022, pg. 32, data table 31.

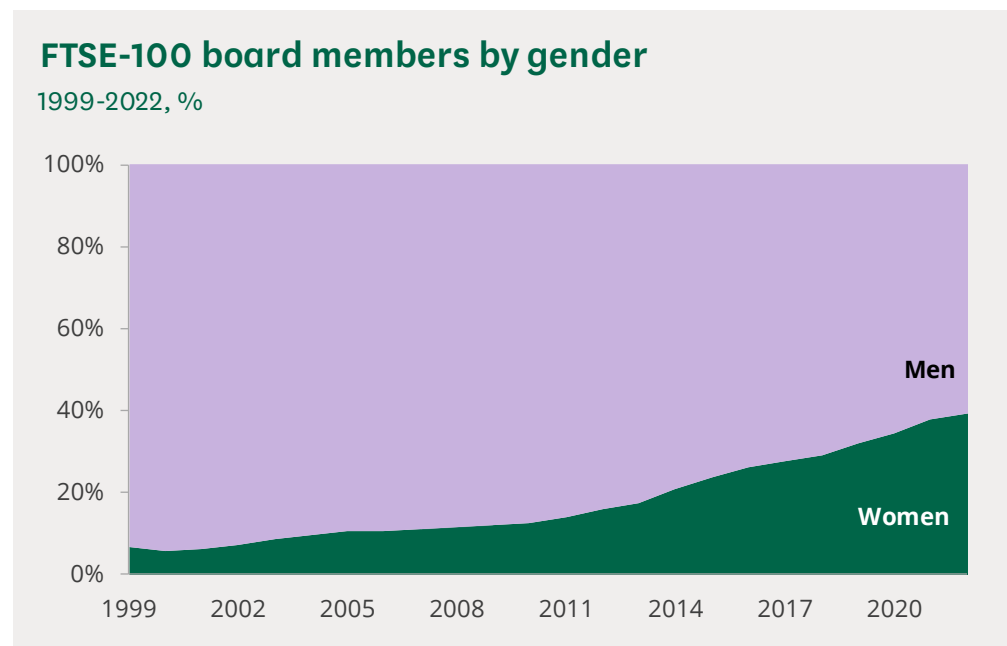
women-led SMEs with no employees in the transport and storage sector and 4% in the construction sector.<sup>15</sup>

## 6.2 Women on boards

In February 2022, [39.1% of FTSE100 directorships were occupied by women](#).<sup>16</sup> 85 FTSE100 companies had at least one third women representation on their board.

In February 2022, 36.8% FTSE250 directorships and 37.6% of FTSE350 directorships were held by women.<sup>17</sup>

The following chart shows how the proportion of women on FTSE100 boards has increased steadily since 1999 with more significant increases in recent years.



Source: [FTSE Women Leaders Review](#), 2022 and House of Commons Library

### Women on boards: targets

A government backed voluntary target that FTSE100 boards should have a minimum of 25% female representation by 2015 was set in the 2011 report by Lord Davies of Abersoch, [Women on boards](#).<sup>18</sup> In October 2015, it was

<sup>15</sup> BEIS, [Small business survey \(no employees\)](#), 31 August 2022, pg. 32, data table 31.

<sup>16</sup> There were 414 women serving on FTSE 100 Boards out of a total of 1058 directorships.

<sup>17</sup> FTSE Women Leaders, [FTSE Women Leaders Review](#), 2022.

<sup>18</sup> Lord Davies of Abersoch and BIS, [Women on boards](#), February 2011, pg. 4

announced that this target had been met, and that 26% of FTSE100 board members were women.<sup>19</sup>

Building on the work of Lord Davies, in 2016 the Government commissioned the [Hampton-Alexander Review on FTSE women leaders](#), which has reported each year from 2016–2021 on women representation at FTSE 350 firms. In 2016 the Hampton-Alexander Review recommended that FTSE 350 companies should aim for a minimum of 33% representation of women on their boards and in their senior leadership positions (Executive Committee and Direct Reports) by 2020.

The final [Hampton-Alexander report \(PDF\)](#) was published in February 2021 (PDF). It reported that FTSE 350 Boards met and exceeded the 33% target on average (220 or 65% of companies met the target). The target for women in FTSE350 leadership roles however fell short of the target, with 85 companies (30%) achieving the target.<sup>20</sup>

The Hampton-Alexander Review has been succeeded by the [FTSE Women Leaders Review](#). This review has set new voluntary targets, including that FTSE 350 companies should reach:

- 40% representation of women on FTSE 350 Boards and leadership teams (Executive Committee and Direct Reports) by the end of 2025; and
- FTSE 350 companies should have at least one woman in the Chair or Senior Independent Director role on the Board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025.<sup>21</sup>

The Cranfield School of Management, [Female FTSE Board Reports](#), provide further statistics on female representation on FTSE 100 and FTSE 250 company boards including commentary on the voluntary approach to representation targets.

## 6.3 Female entrepreneurs

The [Global Entrepreneurship Monitor](#) (GEM Consortium) conducts a large annual survey comparing entrepreneurship across many countries including on a range of diversity factors. Its [UK 2021/22 monitoring report](#) reported that in 2021 the male early-stage entrepreneurial activity (TEA) rate was 13.2% and the female rate was 9.7% - both significantly higher than 2020.<sup>22</sup> This gives a female to male entrepreneur ratio of around 3 to 4 (73%).

The report highlighted that the ratio of female to male entrepreneurship varies across the UK regions varying from 92% in Wales to 65% in Northern

<sup>19</sup> BIS, [Women on boards: 5 year summary \(Davies review\)](#), 29 October 2015.

<sup>20</sup> Hampton-Alexander Review, [FTSE Women Leaders, February 2021](#) (PDF), page 10.

<sup>21</sup> FTSE Women Leaders, [Recommendations & Progress](#) [accessed 18 November 2022].

<sup>22</sup> Global Entrepreneurship Monitor, [UK 2021/22 monitoring report](#)

Ireland in 2021. The TEA rate is the percentage of the working age adult population (aged 18–64) who are early-stage entrepreneurs.<sup>23</sup>

In 2018 the Treasury commissioned Alison Rose to lead a review of female entrepreneurship.<sup>24</sup> The review looked at the barriers faced by women starting and growing a business. The review report, published in March 2019, stated that “up to £250 billion of new value could be added to the UK economy if women started and scaled new businesses at the same rate as UK men”.<sup>25</sup> It made a number of recommendations to help female entrepreneurs reach their full potential.

In response, the Government announced an ambition to “increase the number of female entrepreneurs by half by 2030, equivalent to nearly 600,000 additional female entrepreneurs”.<sup>26</sup>

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<sup>23</sup> Either nascent entrepreneurs or the owner-manager of a new business.

<sup>24</sup> HM Treasury, [The Alison Rose Review of Female Entrepreneurship](#), 8 March 2019.

<sup>25</sup> HM Treasury, [The Alison Rose Review of Female Entrepreneurship \(PDF\)](#), Executive Summary page 6, 8 March 2019.

<sup>26</sup> HM Treasury, [The Alison Rose Review of Female Entrepreneurship: Government response](#), 8 March 2019.

# 7

## Minority ethnic group led businesses

### 7.1

#### Minority ethnic group led SMEs

The BEIS Small Business Survey reports annually on the proportion of small and medium sized businesses that are minority ethnic group led (MEG-led).<sup>27</sup> MEG-led is defined as having a person from an minority ethnic group in sole control or having a management team at least half of which are from an minority ethnic group.

The survey reports separately on SME with employees and SMEs without employees.

#### MEG-led SMEs with employees

In 2021, 6% of SME employers were MEG-led, roughly the same as in each year since 2015.<sup>28</sup> MEG-led SME employers were most likely to be in the following sectors:<sup>29</sup>

- health (10%)
- administration (9%)
- information and communication sector (8%)
- food and accommodation sector (8%)
- transport (8%)

London has the highest proportion of MEG-led SMEs compared to other English regions and the devolved nations (at 20%, up four percentage points on 2020); the North East and the South West had the lowest proportion of MEG-led businesses (both 2%).<sup>30</sup> In England, 7% of SME employers were MEG-led, compared to 4% in Scotland, 3% in Wales and 2% in Northern Ireland.

The following chart shows the most likely ethnicity of the leaders of MEG-led SME employers. The most likely ethnic origin of the owners/directors were Indian (27% of leaders of SME employers with owners/directors from minority-ethnic background).

<sup>27</sup> In the survey, minority ethnic group means “those that are not White British, where White British includes White English, White Scottish etc.”.

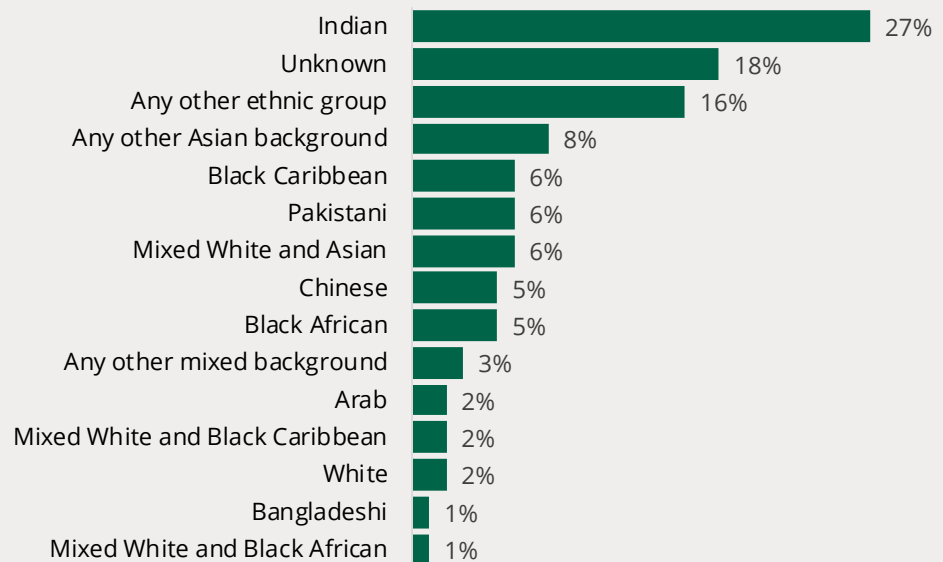
<sup>28</sup> BEIS, [Small business survey \(employers\)](#), 31 August 2022, data table 34.

<sup>29</sup> Note that in almost every survey category, the proportion of SME employers where it is unknown whether they were MEG-led is similar or higher than the proportion known to be MEG-led.

<sup>30</sup> BEIS, [Small business survey \(employers\)](#), 31 August 2022, page 62.

## Ethnic group of business leaders: MEG-led SME employers

% of MEG-led SMEs in 2021



Notes: White includes White British and any other White background. Unknown includes 'don't know' and 'refused to answer'. Other Black background and White Irish are not included due to low response rates.

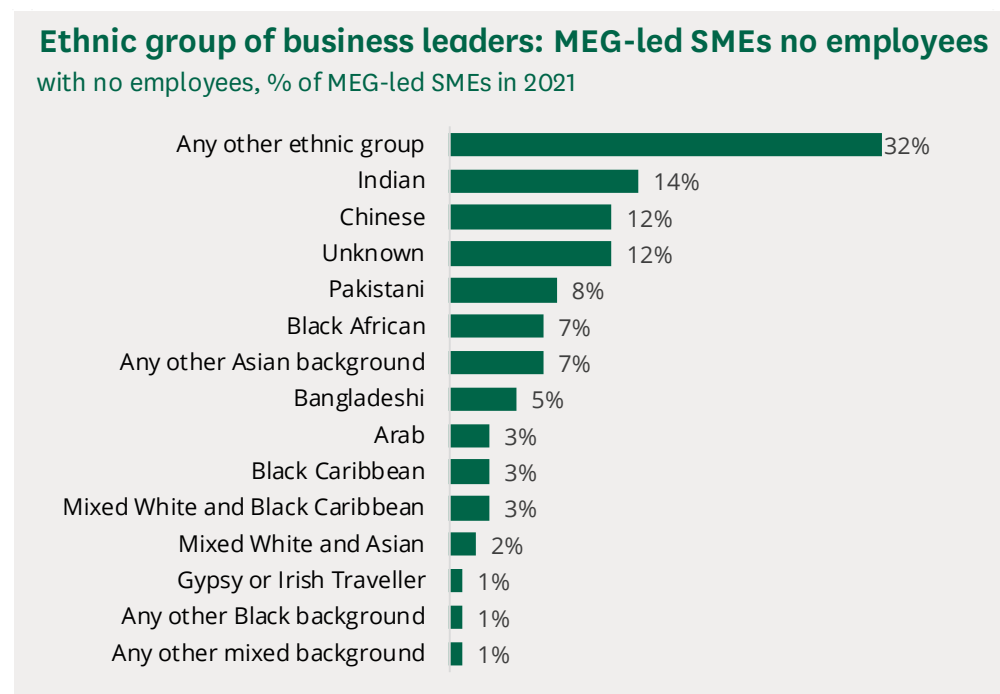
Source: BEIS, [Small business survey \(employers\)](#), 2021, Table 29 A20.

## MEG-led SMEs with no employees

Data on SMEs without employees shows a similar picture to the data on SMEs with employees. Among SMEs without employees, 5% were MEG-led in 2021.<sup>31</sup>

The following chart shows the most likely ethnicity of the leaders of MEG-led SMEs without employees.

<sup>31</sup> BEIS, [Small business survey \(no employees\)](#), 31 August 2022, pg. 32, data table 33.



Source: BEIS, [Small business survey \(businesses with no employees\)](#), 2021, Table 28 A20

MEG-led SMEs with no employees were most likely to be in the other services (10% of SMEs with no employees), IT and communication (8%), accommodation and food (7%) and education (7%) sectors. They were least likely to be in the primary sectors, which includes agriculture, forestry, fishing and mining (1%).<sup>32</sup>

## 7.2

### Ethnic diversity of company boards

[The Parker Review](#) was a government-commissioned independent review into the ethnic diversity of FTSE 100 boards in 2016. Published in 2017, this review recommended that each FTSE 100 board should have “at least one director of colour by 2021; and each FTSE 250 board should have at least one director of colour by 2024.”<sup>33</sup>

Annual reviews are produced by Ernst & Young. The [most recent edition \(published 16 March 2022\)](#) found that:

- 94 FTSE 100 companies had at least one director from a minority ethnic background as of May 2022, compared to 74 in November 2020. 89 FTSE

<sup>32</sup> [Other services](#) includes personal services (such as hair and beauty salons, dry cleaning and funeral services), membership organisations (such as trade unions and industry trade bodies) and computer repair services. BEIS, [Small business survey \(no employees\)](#), 31 August 2022, data table 33.

<sup>33</sup> Sir John Parker, [A Report into the Ethnic Diversity of UK Boards](#), October 2017, pg. 10



100 companies had at least one minority ethnic director on their boards, compared to 74 in November 2020.<sup>34</sup>

- 11 FTSE 100 companies had no minority ethnic directors on their boards as of December 2021.
- 128 FTSE 250 companies had minority ethnic representation on their boards as of December 2021.

Overall, the survey found that of the 1,056 board positions on FTSE 100 companies, 155 (15%) were held by minority ethnic directors. Of these 155 minority ethnic directors, 76 (49%) were women.<sup>35</sup>

All FTSE 100 companies responded to the survey, compared to 95 in November 2020.

## 7.3 Minority ethnic entrepreneurs

The Global Entrepreneurship Monitor Consortium's [UK 2021/22 monitoring report](#) reported that the early-stage entrepreneurial activity (TEA) rate of the non-white population was significantly higher (at 20.4%) than the white ethnic population (at 10.1%) in 2021, a trend consistent with previous years.<sup>36</sup> The report does not provide a breakdown of the non-white population.<sup>37</sup>

Further resources on minority-ethnic led businesses and challenges faced are included in the following section.

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<sup>34</sup> A breakdown by ethnic group was not included in the report.

<sup>35</sup> EY, [2022 update from the Parker Review: improving the ethnic diversity of boards](#), March 2022

<sup>36</sup> The TEA rate is the percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business. Global Entrepreneurship Monitor, [UK 2021/22 monitoring report](#).

<sup>37</sup> Global Entrepreneurship Monitor, [UK 2021/22 monitoring report](#).

## 8 Further resources on business diversity

The above sections have outlined available data on UK business leaders by ethnicity and gender – the data is limited to SMEs, entrepreneurs, and the biggest companies. Various research reports have highlighted a lack of good data in this area, particularly data on detailed ethnic groups.<sup>38</sup>

Other surveys and qualitative research have expanded the evidence base on business diversity demographics and the challenges faced by businesses led by underrepresented groups. The following lists key sources in this area. Many of these reports are intersectional looking at the impact of both ethnicity and gender.

- [Alone together: Entrepreneurship and diversity in the UK](#), British Business Bank, October 2020 – looks at business outcomes for start-ups by diversity characteristics including ethnicity and gender. The report found evidence of persistent disparities in business outcomes for business owners from minority ethnic backgrounds. It also looked at gender, place and household income as factors impacting business outcomes. The British Business Bank is a government-owned bank that supports small businesses access finance.<sup>39</sup>
- [Small Business Finance Markets 2021/22 \(PDF\)](#), British Business Bank – section 1.2 looks at financing diverse entrepreneurs. It reports that ethnic minority-led businesses are more open to using finance but, along with female-led firms, face barriers to getting it.<sup>40</sup>
- [Ethnic Minority Businesses \(PDF\)](#) 2021 – report produced by consultancy firm BVA-BDRC and UK Finance (trade body for financial services sector) based on the experiences of minority ethnic-led SMEs accessing finance in the 18 months to Q2 2020.<sup>41</sup>
- [Advancing the growth potential of UK's Ethnic Minority businesses](#), Aston University Centre for Research in Ethnic Minority Entrepreneurship (CREME) and NatWest, May 2022 – this report discusses ethnic minority businesses' barriers to growth. It summarises and draws on many of the reports listed in this section.<sup>42</sup>

<sup>38</sup> Federation of Small Businesses, [Unlocking Diversity: the value of ethnic minority firms to UK economic activity and enterprise](#), July 2020; Minority Supplier Development UK, [Minority Business Matters](#) published by Minority Supplier Development, February 2021.

<sup>39</sup> British Business Bank, [Alone together: Entrepreneurship and diversity in the UK](#), October 2020.

<sup>40</sup> British Business Bank, [Small Business Finance Markets 2021/22 \(PDF\)](#), March 2021

<sup>41</sup> BVA-BDRC and UK Finance, [Ethnic Minority Businesses \(PDF\)](#) March 2021.

<sup>42</sup> Aston University Centre for Research in Ethnic Minority Entrepreneurship (CREME) and NatWest. [Advancing the growth potential of UK's Ethnic Minority businesses](#), May 2022.

- [Minority Business Matters](#) published by Minority Supplier Development UK (MSDUK, a membership organisation aimed at promoting diversity in supply chains), February 2021 – looks at the economic contribution of “minority businesses” to the economy and includes case studies and interviews with business leaders. Minority businesses are defined to include businesses where a majority of shares are owned by someone from a non-white ethnic minority in addition to minority sole traders and businesses where at least half of the founders or partners are from an ethnic minority.<sup>43</sup>
- [Diversity Beyond Gender](#), published by Extend Ventures (a not-for-profit organisation supporting diverse entrepreneurs), November 2020 – looks at venture capital investment according to ethnicity, gender and educational background over the past 10 years.<sup>44</sup>
- Federation of Small Businesses, [Unlocking Diversity: the value of ethnic minority firms to UK economic activity and enterprise](#), July 2020 – looks at the contribution of minority ethnic led businesses to the economy. Reports that minority ethnic led businesses contribute £25 billion to the UK economy each year.<sup>45</sup>
- [The Black Report](#) is a 2020 report by 10x10 (a community of Black founders and investors) in partnership with Google for Startups, that looked qualitatively at Black start-up founders. The report surveyed 60 Black founders based in London and its reported results are based on the experiences of these individuals.<sup>46</sup>
- The [Enterprise Research Centre](#) publishes reports on a variety of business topics.<sup>47</sup>

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<sup>43</sup> Minority Supplier Development UK, [Minority Business Matters](#), February 2021.

<sup>44</sup> Extend Ventures, [Diversity Beyond Gender](#), November 2020.

<sup>45</sup> Federation of Small Businesses, [Unlocking Diversity: the value of ethnic minority firms to UK economic activity and enterprise](#), July 2020.

<sup>46</sup> 10x10 and Google for Startups, [The Black Report](#), 2020.

<sup>47</sup> Enterprise Research Centre, [Publications](#) [accessed 28 November 2022].

## 9 Annex – UK business statistics: sources and coverage

There are various sources which provide statistics about businesses in the UK. These are explained in the Department for Business, Energy and Industrial Strategy (BEIS) publication, [A guide to the UK Business Population and Demography](#).

Official data on the total number of businesses at national and regional level is published by BEIS in the annual [Business population estimates](#) (BPE). BEIS states that BPE is the only official source for data on the total number of enterprises in the UK and associated turnover and employment.<sup>48</sup>

There are three main sources that inform the BPE:

- the Office for National Statistics (ONS) Inter-Departmental Business Register (IDBR)
- the ONS Labour Force Survey and
- HMRC self-assessment tax returns.

The IDBR draws its information from HMRC records and it covers VAT and/or PAYE registered enterprises only.<sup>49</sup> In order to include businesses that are not covered by the IDBR, the BPE supplements the data with estimates of the number, employment and turnover of unregistered businesses based on data from the Labour Force Survey (which covers self-employed workers) and additional data from HMRC. After adjustment to avoid double counting (for example of VAT-registered sole proprietorships), data from these three sources are combined in BPE.

Data on the number of VAT or PAYE registered enterprises only (excluding unregistered businesses too small to be registered for VAT and with no employees) are published in the annual ONS publication [Business activity, size and location](#). This publication is an annual extract of the Inter-Departmental Business Register (IDBR). It is the best source of information on businesses in local areas such as local authorities and parliamentary constituencies and in small industry sectors. However, since it excludes many small businesses, this publication is not a good source of information about the total number of businesses in the UK.

Information on business births and deaths is published in the annual publication, [Business demography](#). Data in this source is also based on the IDBR, and only covers VAT or PAYE registered enterprises. Business

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<sup>48</sup> BEIS, [BPE: methodology and quality note](#), 2022

<sup>49</sup> The VAT registration threshold is currently VAT taxable turnover of £85,000.

demography examines active businesses across a whole year, rather than at a particular point in the year (whereas Business activity, size and location only includes businesses active in March each year). The data is produced with a year time delay after the reference period to account for businesses that become active again after a period of closure, this is in line with international best practice.<sup>50</sup> During the pandemic, the ONS began publishing [experimental quarterly estimates of business demography](#) to give an earlier indicator of the impact of the pandemic on the economy.<sup>51</sup>

Data on businesses is also available from various surveys of the business population. For example:

- ONS, [Business Insights and Conditions Survey](#) – a fortnightly survey asking questions about current issues impacting businesses.
- ONS [Annual Business Survey](#) – includes data on employment, turnover and approximate Gross Value Added of sectors in the economy, down to very detailed sectoral level.
- BEIS [Annual Small Business Survey](#) – annual survey of the SME population (see sections 6 and 7 of this briefing)
- [Global Entrepreneurship Monitoring report](#) – global survey of entrepreneurship (see sections 6 and 7 of this briefing)
- Federation of Small Business (FSB), [Small Business Index](#) – quarterly index mapping the health and outlook of small businesses
- Various ad hoc surveys conducted by business associations such as the [Federation of Small Businesses](#) and the [Confederation of British Industry](#).

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<sup>50</sup> ONS, [Business demography, quarterly experimental statistics](#), 27 October 2022, Section 6: measuring the data.

<sup>51</sup> [Experimental statistics](#) are official statistics that are in the testing phase and are not yet fully developed

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