GEM UK 2006

Dr Rebecca Harding

ACKNOWLEDGEMENTS

I gratefully acknowledge the support of the GEM UK team, Jonathan Levie, Mark Hart, David Brooksbank and Dylan Jones-Evans, for their support during the course of the 2006 cycle. In particular, the whole team is indebted to Jonathan Levie and Mark Hart for their statistical and analytical work on the datasets.

My thanks to the DTI's Small Business Service, Barclays Bank, the East of England Development Agency, Yorkshire Forward, East Midlands Development Agency, the South East of England Development Agency, Advantage West Midlands, the North West Development Agency, the North East Government Offices for the Region, the Welsh Development Agency, the Hunter Centre for Entrepreneurship, Invest NI and the Institute of Family Business for their financial support for GEM UK.

GEM UK 2006
Rebecca Harding

Disclaimer

This report is based on data collected by the GEM consortium and the GEM UK team, responsibility for analysis and interpretation of those data is the sole responsibility of the author.

CONTENTS

1.0

EXECUTIVE SUMMARY

The following headings summarise the key Global Entrepreneurship Monitor (GEM) UK results from the 2006 research. This research was based on an adult population survey of 43,000 and a set of in-depth interviews with practitioners in policy, business support, academia and entrepreneurial businesses.

GENERAL HEADLINES

1. In 2006, Total Early stage entrepreneurial activity (TEA) across the G8 countries declined. In the UK, the decline in TEA was from 6.2% to 5.8% of the adult population and was not statistically significant. There were bigger declines in the US (12.4% to 10.0%), France (5.4% to 4.4%), Germany (5.4% to 4.2%) and Canada (9.3% to 7.1%).

2. The UK has generally very positive attitudes towards entrepreneurship, especially towards entrepreneurial skills and the perception of start-up opportunities in comparison to the other G8 countries. However, nearly 36% of the population would let fear of failure prevent them from starting a business. This is higher than for the US, where the figure is 21%, but it is lower than for the major European economies.

3. Generally, there are fewer people in any country owning or managing an established business compared to those engaged in entrepreneurial activity. In the US, established business ownership is just 54% of early stage entrepreneurial activity. In the UK, established business ownership is 93% of early stage entrepreneurial activity.

UK REGIONS

1. The South West was the region with the highest levels of entrepreneurial activity at 7.6% of the adult population. It also had the highest level of female entrepreneurial activity at 5.5%. Scotland, Northern Ireland, Yorkshire and Humberside and the North East have significantly lower TEA rates than the UK average.

2. Rural areas have significantly higher levels of entrepreneurship compared to urban areas (8.1% compared to 5.2%). They have proportionately higher levels of opportunity entrepreneurship compared to urban areas and the levels of female entrepreneurial activity are also higher meaning that the gap between male and female entrepreneurship is narrower in rural areas than it is in urban areas. 64% believe they have the skills to start a business in rural areas compared to 50% of urban respondents.

WOMEN'S ENTREPRENEURSHIP

1. Female TEA was 3.6% of the adult population in 2006. This is 45.6% of male activity, which was 7.9%. This was similar to 2005.

2. The UK has one of the lowest ratios for female established business ownership compared to TEA of the G8. Female established business ownership is just 33% of male established business ownership. This compares to nearly 42% in the US and 54% in Germany.

3. Female entrepreneurial activity has stayed the same or increased in most regions of the UK, but there have been particularly marked increases in the South East and the East of England.

4. Women are approximately half as likely as men to be thinking of starting a business (5.3% compared to 10.4%) Further, their perceptions of opportunities are lower (31.1% compared to 42.2%), as is the likelihood of their knowing an entrepreneur (22.5% compared to 31.7%) and they are nearly a third less likely to think that they have the skills to start a business (39.8% compared to 58.6). Although they are substantially more likely to fear failure (39.2% compared to 32.6%), they have similar levels of positivity towards seeing entrepreneurship as high status and as being a good career choice.

ATTITUDES

1. Attitudes have stayed broadly consistent for the last four years, with similar numbers seeing opportunities and thinking they have the skills to start up a business. However, the numbers expecting to actually start up a business in the next three years has fallen since 2004 and the numbers fearing failure have risen to a six year high.

AGE

1. Levels of entrepreneurial activity are highest amongst the 35-44 year old age group. The younger age groups (18-24, 25-34 and 35-44) are most likely to be thinking of starting a business. Over 64% of 18-24 year olds think entrepreneurship is a good career choice and 80% think that entrepreneurs have a high status in society. These are the highest of any age group.

EDUCATION AND TRAINING

1. Respondents who graduated before 2000 are more likely to be entrepreneurs than those who graduated after 2000. However, those men who graduated after 2000 are more likely to be thinking of starting a business and both men and women are more likely to see entrepreneurship as a good career choice.

2. Business and/or enterprise training does appear to affect the likelihood of an individual thinking of starting a business. Whether this is training at school, university or public sector training, there are substantially more men and more than twice the number of women who expect to start a business in the next three years amongst the groups who have taken training than for the population as a whole. The increase is not as large for work placements in small firms (SMEs) for either men or women, but it is still positive and significant. The effects on TEA are less marked. Enterprise training at school and work placements in SMEs did not affect the propensity of men to be entrepreneurially active. Women are slightly more likely to be TEA active but the result is only significant at the 10% level.

3. Compulsory training at school does not significantly increase the likelihood of either men or women being TEA active and compulsory training at university does not increase significantly the likelihood of men being entrepreneurially active. Compulsory work experience and government and public sector training do not have a significant

impact on the propensity of women to be entrepreneurially active and significantly decreases the likelihood that men will be entrepreneurs.

4. Voluntary training of all types significantly increases the likelihood that men and women will be considering starting a business, but it is voluntary training or work experience at college and government or public sector programmes that have a significant impact on TEA activity for women. For men, only voluntary government programmes appear to have a significant and positive association.

ETHNICITY AND MIGRANTS

1. The most entrepreneurial ethnic groupings are mixed white/black Caribbean (14.5%), Black Caribbean (12%) and black African (11.4%). These groupings are between twice and two and a half times as likely to be entrepreneurial as their white British counterparts (5.4%).

2. People born outside the UK are more likely to be entrepreneurs than those born inside the UK.

FINANCE

1. The survey found that in 2006, the median amount of money required in the UK to start a business was £10,000. For men, the figure was £15,000 and for women it was £7,250. Men and women will invest the same amount themselves, but men have higher projected median turnovers both in the first year of trading and after three years.

2. The most popular form of start up finance used by men and women is a bank overdrafts. Women are not significantly more likely to use any one source of finance than men, but men are more likely to use finance from individual investors, unsecured bank loans, bank overdraft, secured non-bank and equity finance. Men are significantly more likely to fail in their attempts to gain finance than women in all areas except government grants or programmes where the differences are not significant.

CHALLENGES AND BARRIERS

1. Men are more likely to close their business for business-related reasons (financial and competition) while women are more likely to close their business for non-business reasons (found another job or personal reasons).

2. Although women and men demonstrate broadly similar patterns of aversion to entrepreneurship (fear of debt, fear of not getting finance, lack of ideas, lack of skills, fear of failure and age being key deterrents), women are significantly more likely to cite multiple reasons for not starting a business compared to men.

2.0

GEM IN A GLOBAL CONTEXT

It is now eight years since the inception of the Global Entrepreneurship Monitor (GEM). What has been remarkable over that period of time is that, although entrepreneurial activity has fluctuated slightly at an individual country level, the relative position of countries has not changed significantly. In 2006, as other years, it is the emerging economies in South America and Asia that have particularly high levels of entrepreneurial activity, while the developed economies of the G8 and the developed and emerging economies of the EU do not have such high levels of entrepreneurial activity. There was a slight reduction in the UK, from 6.2% in 2005 to 5.8% in 2006, but this was not statistically significant and there were more substantial reductions in entrepreneurial activity in the US in 2006 (from 12.4% to 10.0%) and in Canada (from 9.3% to 7.1%).

What this suggests is entrepreneurial activity in different regions of the world takes various forms and serves different purposes in economic development. Entrepreneurial activity (or potential) can be high, as it is, say in Peru, but not all of this will end up in sustainable, established firms that create wealth (because the structures to support growing firms do not exist). There is plenty of entrepreneurial potential, but this has yet to be converted into entrepreneurship, the "process by which an individual or group identifies and successfully exploits a new idea or opportunity".[1]

Yet it is the process of entrepreneurship that allows entrepreneurial activity to create the societal and economic wealth that leads to economic development. The challenge for policy then, is to harness entrepreneurial activity into sustainable entrepreneurship through mechanisms that recognise the different starting contexts in which entrepreneurs can be found. As the challenges of climate change, social and economic inequality, and sustainable development become more globally compelling, the role of entrepreneurs as agents of change cannot be understated.

WHAT DOES GEM STUDY?

GEM's primary focus is on the study of three areas:

1. To measure differences in the level of entrepreneurial activity between countries.

2. To uncover factors that underpin these differences in entrepreneurial activity.

3. To identify policies that may enhance the levels of entrepreneurial activity.

GEM's goal therefore is to understand the role of entrepreneurship in economic development, whether in the most or the least prosperous nations of the world. This is an ambitious aspiration. Successive GEM reports have shown the importance of entrepreneurship as a phenomenon in the world. In so doing, we aim to demonstrate the diversity of entrepreneurship, the economic contexts in which it is based and the policies to nurture it globally.

1. HM-Treasury/Department for Trade and Industry (2006): 'Productivity in the UK 6: progress and new evidence." P 61.

2. TEA is calculated in an identical way in each country:

- A telephone and/or face to face survey of a representative sample of the adult population in each country is conducted between May and September.

- Respondents are asked to respond to three questions that are the basis of the TEA index: Are you, alone or with others, currently trying to start a new business independently of your work? Are you, alone or with others, currently trying to start a new business as part of your work? Are you, alone or with others, currently the owner or manager of a business?

- Those who respond positively to these questions are also asked filter questions to ensure they are actively engaged in business creation as owners and managers, how long they have been paying wages to employees, and other questions about cost and start-up time, sources of finance and numbers of jobs created. A distinction is made between two types of entrepreneurs: nascent entrepreneurs (those that have been paying salaries for less than three months) and baby business owner-managers (those that have been paying salaries for between three and 42 months).

- The TEA index is the sum of the nascent entrepreneurs and baby business owner/managers minus any double counting (i.e. those who respond positively to both).

- Additionally, those respondents who have owned or managed a business and paid salaries for more than 42 months are classified as Established Business Owners (EBO).

- The GEM survey asks all respondents about their attitudes to entrepreneurial activity, their motivations for setting up a business, their innovativeness and use of technology, and their sources of finance.

The 2006 GEM global study was based on an analysis of adult population survey results from 42 countries and some 170,618 people across the world. The core of the adult population survey is identical in each country and asks whether or not respondents are involved in starting a business, whether they own or manage a business, what motivates them, where their finance comes from, if they are involved in some form of entrepreneurial activity and what their attitudes are towards entrepreneurship. A full report on the quality and characteristics of the data is published separately and can be found at www.gemconsortium.org.

From the survey, we examine individual entrepreneurs at three key stages:

- Nascent entrepreneurs: The point at which resources are committed to starting a business.

- Baby business entrepreneurs: Those who have been paying salaries for more than three months, but less than forty-two months.

- Established business owners: Those who have been in operation for more than 42 months.

What is important here is that GEM is studying the entrepreneurs themselves and not the businesses that they run. We are looking at their entrepreneurial activity at the very earliest stages of development, either at the nascent stage or the baby business stage, which we aggregate into the early stage entrepreneurial activity index, or TEA index[2]. Because much of this activity is at a very early stage, it will not necessarily match with published statistics on business ownership and, indeed, should not be interpreted as such. Rather, we are looking at the propensity of particular countries to be entrepreneurial given the current social, cultural and economic framework conditions that exist there.

GEM UK

GEM UK is the largest single study of entrepreneurial activity in the world. Since 1999, it has grown from a survey of 2,000 adults aged 18-64 to a survey in 2006 of some 43,000 adults. It uses the same methodology as the GEM global project to calculate TEA, but in addition asks questions about barriers to entrepreneurship, access to finance, and critically, social entrepreneurship and enterprise training that other countries generally do not. In 2006, an additional boost was made to the sample to provide a better understanding of ethnic minority entrepreneurship. Further demographic questions were added to better understand graduate entrepreneurship and enterprise education.

The distribution of respondents is not even across the UK, as some RDAs and the devolved administrations in Wales and Northern Ireland choose to boost their sample in order to have more detail about entrepreneurship in their region.[3] But, because of its size, GEM UK has the capacity to analyse the entrepreneurs captured in the survey and their businesses in more detail. For example, we are able to understand access to finance, reasons for failing to gain finance and social enterprises. As a number of government departments, and particularly the DTI's Small Business Service use GEM to inform policy development, every attempt is made to ensure that the results reported are as reliable and robust as possible. Hence there are three sets of weightings used on the UK data:

- Weightings for the whole of the UK, take into account the differential sample sizes across the UK and that produce identical results to those produced in the global study for comparative purposes.
- Weightings for the whole UK which take the differential samples and the age, gender and ethnic balance of the population of the UK into account.
- Weightings that take into account the population distributions within UK regions (based on 2003 mid-year estimates) by education, age and gender and which take into account the differential sample sizes. These are used to report intra-UK comparisons.

This report is largely based on the adult population survey conducted between April and September 2006. Additionally, we interviewed practitioners in policy, public and private sector support and delivery, in academia and entrepreneurs themselves to understand their experiences of the entrepreneurial framework conditions, or context, in the UK. Their opinions are included at the end of each section in a broader discussion and interpretation of the data.

3. The distribution of the sample of 43,033 in 2006 was as follows: East Midlands: 2,993, West Midlands: 3013, East of England: 2,992, London: 3,528, 2,000, North East + Newcastle: 5,006, North West: 3,015, Northern Ireland: 5,101, Scotland: 2,421, South East: 2,980, South West: 1,014; Wales: 7,966, West Midlands: 3,013, Yorkshire and Humberside: 3,004.

3.0

POLICY AND THE ROLE OF ENTREPRENEURS IN THE ECONOMY

"It seems to be taken for granted in the literature that, even if entrepreneurs are not in complete control of our economic destiny, they influence its direction as few, if any, others are able to do" (Baumol 1993)[4]

Policy makers, business leaders and academics alike have long been convinced of the centrality of entrepreneurs to economic prosperity based on wealth creation and innovation.[5] For example, the European Union's Lisbon Agenda of March 2000 was aimed at making the European region the world's "most competitive and dynamic knowledge-based economy in the world", largely through innovation and entrepreneurship.[6] In line with this goal, the European Union has committed some £510 million to providing structures for access to finance and some £2.2 billion to promoting R&D within the start-up and small business sectors.

Similarly, some 80% of World Bank finance to less developed countries goes towards promoting a viable entrepreneurial and SME sector because of the interests of policy makers in those countries in creating locally targeted approaches to alleviate poverty and engender sustainable development.[7] The emergence of microfinance in the public and private sectors in Africa and South America in particular, but in Europe as well, demonstrates the central role that businesses and policy makers alike see entrepreneurs in creating both social sustainability and economic wealth. More than this, the UN's eight Millennium Goals[8] are framed around the principle of individual empowerment, to enable developing nations to find lasting routes out of poverty and debt dependence.

4. Baumol, W.J. (1993):"Formal Entrepreneurship Theory in Economics: Existence and Bounds," Journal of Business Venturing Vol. 8, Issue 3, May 1993, pp 197,210. Elsevier, Holland.

5. For example see, Audretsch, D., Keilbach, M. and Lehman, E. (2006): "Entrepreneurship and Economic Growth", Oxford University Press, Oxford. Harding, R. (2006): "Entrepreneurs: the World's Lifeline?" Business Strategy Review, Winter 2006, pp4-7.

6. See the Summary of the Portuguese presidency of the EU in March 2000: http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/00100-r1.en0.htm

7. For example see, Beck, T. and Demirgüc-Kunt, A. (2006): "Strengthening Access to Finance for SMEs while Improving the Business Environment for all firms", World Bank, August 2006

8. United Nations Development Goals Report, 2006, UN, New York. http://unstats.un.org/unsd/mdg/Resources/Static/Products/Progress2006/MDGReport2006.pdf

There are several inter-related reasons why there is this interest in the role of entrepreneurs. First, entrepreneurs have distinct characteristics and motivations that make them agents of change and development in an economy.[1] While the contexts in which entrepreneurs can be found differ and while entrepreneurial activity is diverse and complex, it is nevertheless the case that the "genus" entrepreneur is different to the general population. The behaviours of entrepreneurs can be understood, monitored and studied in a rigorous manner and the implications for policy assessed.[2] Second, entrepreneurship has a role in generating endogenous economic growth. While entrepreneurs are themselves not engines of economic growth[3], the process of entrepreneurship, i.e. the process by which know-how and ideas are translated into commercial products and processes, acts as a catalyst to wealth creation through innovation. This has clear policy implications since, by means of investment in the innovation process or system, this catalytic role can be maximised. Finally, there are several "species" of entrepreneur that extend their role as change agents beyond economic wealth creation to social and environmental change[4]. This is a relatively new area within the whole field of entrepreneurship, but is central to the understanding of its role in sustainable development. As the world faces the growing challenges of widening income inequality and environmental destruction, innovation in the social and environmental arenas becomes an economic as well as a societal imperative[5].

1. Kirzner, I (1973): "Competition and Entrepreneurship", University of Chicago Press, Chicago.

2. Minniti, M. with Bygrave, W. and Autio, E. (2006): "Global Entrepreneurship Monitor, 2005 Executive Report", Babson College and London Business School.

3. Beim, S. and Hofmann, J. (2005): "Globale Wachstumszentren 2020: fundierte Langfristprognosen mid Hilfe von Formel-G". Deutsche Bank Research, April; www.db.com. Romer, P (1990): "Endogenous Technological Change." Journal of Political Economy Vol 98 pp 71-102. Keilbach, M. and Audretsch, D. (2004): "Entrepreneurial Capital – determinants and impact on regional economic performance." Discussion papers on entrepreneurship, growth and public policy, Max Planck Institute for Economics, Jena, #37-04. Harding, R. (2007, forthcoming): "The Unmovable Elephant: Germany and the UK's productivity performance compared." German Politics, Taylor and Francis, London.

4.www.ashoka.org

5.This point, based on an conometric analysis of the costs of climate change, could not be more clearly made than in the recent Stern report: (http://www.hmtreasury.gov.uk/independent_reviews/stern_review_economics_climate_changesternreview_index.cfm).

THE UK POLICY CONTEXT

The UK government regards enterprise, including the creation of new firms[9], as one of the major drivers behind closing the productivity gap with the United States alongside innovation, investment, skills development and a strong competitive environment. It regards these areas of policy as being inter-related and mutually reinforcing. Thus, for example, appropriate skills development and access to capital are vital for providing the right supply conditions for entrepreneurship to create wealth, while the education system can help to build an enterprise culture over a longer term to stimulate demand.

Since 2004, specific policy towards entrepreneurship has been focused around seven themes as outlined in previous GEM UK reports:

1.Creating an enterprise culture.

2.Engendering and sustaining dynamic start-up markets.

3.Increasing capability for business growth.

4.Improving access to finance.

5.Improving the business experience of government services.

6.Enterprise for all, with an emphasis on increasing entrepreneurial activity amongst hard to reach and excluded groups.

7.Better regulation.

During 2006, however, there have been a number of changes in the enterprise policy and the delivery of business support. Moving forward, the substance of the seven strategic themes will continue, consolidated within four broad policy groups. There will be a stronger emphasis on: encouraging entrepreneurship in women; stimulating entrepreneurship in disadvantaged communities; the requirements of high growth innovative businesses; and the UK's engagement in EU enterprise and small business policy development. There is also the major Business Support Simplification Programme aimed at reducing the many schemes and programmes funded centrally, regionally and locally from over 3,000 to less than 100.

Specific initiatives during 2006 to support and promote entrepreneurship include:

- The launch of two new Enterprise Capital Funds (ECFs). These are mixed public and private capital funds, similar to the US "Small Business Investment Company" scheme to provide growth finance to bridge the "equity gap" of between £0.5 million and £2 million. The two funds were announced during 2006 and a second round representing a total government commitment of £50 million was announced on the 13th November 2006. £50 million was set aside in the 2006 budget for an additional round, closing in 2007.

9. HM-Treasury/Office of the Deputy Prime Minister/Small Business Service (July 2005): "Enterprise and economic opportunity in deprived areas: LEGI next steps."

- The government is reviewing its procurement policies through the Small Business Research Initiative. This is not a grant, but is a mandatory extra-mural procurement guideline to government departments that 2.5% of all procurement should be with small, innovative businesses. Currently, some £429 million is set aside in 2006/7 for this initiative.

- In the 2006 budget a new 30% tax relief threshold was set for investments in Venture Capital Trusts.

- The Local Economic Growth Initiative (LEGI) funding round was completed with successful areas having responsibility for creating economic regeneration through enterprise and investment. Specific targets include improving levels of total entrepreneurial activity, creating sustainable growth, reducing the failure rates of existing local businesses, attracting appropriate investments and franchising in deprived wards of England[10].

- The creation of the "Office of the Third Sector" (OTS) within the Cabinet Office and a Social Enterprise Action plan to increase the profile of social enterprise in government. This includes the announcement of a £2.4 million funding opportunity to increase nationwide representation of social enterprises (an extension of the existing programmes for the voluntary and community sectors) and £200,000 pilots to help social enterprises gain access to private investment.

- The launch of the Task Force for Women's Enterprise to act as a single national voice, promoting the interests of female entrepreneurs and to help increase female participation in entrepreneurial activity and enterprise through the spectrum.

- Running the Enterprising Britain competition to identify the town, city, place or area in the country that is best improving economic prospects and encouraging enterprise activities. The competition aims to reward the UK's entrepreneurial spirit, recognise enterprising places, and to showcase and share good practice in support of enterprise.

- Continued support of Enterprise Insight's 'Make Your Mark' campaign and 'Enterprise Week', which has continued to grow in size and influence – totalling 3,184 events during Enterprise Week 2006 run by more than 1,400 organisations and reaching circa 450,000 participants.

THE SCOPE OF THIS REPORT

The report documents and discusses entrepreneurial and established business activity in the UK during 2006 and where possible looks at any emerging trends since 2001. There appears to be a stabilising level of TEA since 2002 after a higher level in 2001, which could partially be explained in terms of the wider trend in Europe and the G8 over the same period.

10.HM-Treasury/Office of the Deputy Prime Minister/Small Business Service (July 2005): "Enterprise and economic opportunity in deprived areas: LEGI next steps."

As entrepreneurial activity seems to have declined in Europe's major economies over the same period, it suggests a systemic reaction to the hype of the dotcom boom at the end of the 1990's.

The structure of enterprise support is undergoing substantial change and although each section describes the relevant policy measures, no attempt is made to link the data with them. Instead, the focus of the report is on adding to the evidence base by identifying some of the challenges ahead for the UK, for regions and for specific groups.

Section 1, puts the UK in a comparative setting. Entrepreneurial activity has marginally dropped but, it is argued that the real challenge is to create a structure where more businesses can grow and survive, particularly female owned established businesses (since this is where the UK has an apparent gap with the rest of the G8 economies). Levels of female entrepreneurial activity are higher in India and China, and this may be a function of their relative stage of development, but there is strong growth potential in these economies through entrepreneurship.

Regions increasingly compete in global market places and the next section looks at the regional dimension to UK entrepreneurship. As overall entrepreneurial activity, while declining marginally, has not changed much over the past four years and, with the decentralisation of responsibility for enterprise strategy, the challenge for regional development agencies and devolved assemblies will be to harness the positive attitudes towards opportunities and skills as well as turning the strong expectations of future start-up activity into real entrepreneurship.

The third section looks at entrepreneurship in terms of the demographic make-up of the UK. In particular, it looks at women, young people, graduates and ethnic minorities and assesses the impact of enterprise and business training. Interestingly, training appears to increase the likelihood that an individual will be thinking of starting a business or be TEA active. Although if the training is compulsory, it does not have the impact that voluntary training has, especially on the likelihood that people will be thinking of starting a business in the next three years. For women, voluntary enterprise training at college or university doubles the likelihood that someone is TEA active and for government public sector programmes nearly trebles the likelihood.

Finance is examined in section 4. In 2006, the median amount of money required in the UK to start a business was £10,000. For men, the figure is £15,000 and women it is £7,250. Men and women will invest the same amount themselves, but men have higher projected median turnovers, both in the first year of trading and after three years. The most popular form of start-up finance for men and women is a bank overdraft. Women are not significantly more likely to access any one source of finance than men, but men are more likely to access finance from individual investors, unsecured bank loans, bank overdrafts, secured non-bank and secured bank loans and equity finance. Men are significantly more likely to fail in their attempts to gain finance than women in all areas except equity and government programmes, where the differences are not significant.

Finally, the report looks at barriers. Men are more likely to close their businesses for business-related reasons (finance, competition etc.), while women are more likely to close their business for non-business reasons (found another job or personal reasons). Although women and men demonstrate similar patterns of aversion to entrepreneurship (for example, lack of skills and finance being key deterrents), women are significantly more likely to cite multiple reasons for not starting a business compared to men.

4.0

ENTREPRENEURSHIP IN THE G8

Many economic forecasts were very positive about the world economy in 2006, expecting it to grow at, or above 5%.[11] For example, the November 2006 assumptions of the Economists' Intelligence Unit (EIU) suggested that the world's five year GDP growth had been remarkably steady. However, much of this steady growth has been accounted for by growth in the emerging economies of China and India, as well as in South America and the rest of Asia. The combination of high oil prices, geopolitical uncertainties, the slowing of the US economy and potential over-heating of the global economy led the EIU and the OECD to predict that growth will slow during 2007.[12]

11. Barrell, R and Holland, D. (2006): "World Economic Forecast" National Institute Economic Review, October 2006, www.niesr.ac.uk

12. Cotis, Jean-Phillipe (September 2006): "What is the economic outlook for OECD Countries: An interim assessment." www.oecd.org/databasecd/3/51/37357106.pdf; Economists Intelligence Unit, November 2006, "Country Report: The World Economy." www.eiu.com.

- EMEA: In Europe, GDP growth has been mildly positive for the last year with economists predicting it to rest at around 2.7%, unemployment is likely to fall to below 8% for the Euro region, public borrowing will be below 3% of GDP and business confidence, particularly in Germany is improving. However, consumer demand in Germany is predicted to slow as Value Added Tax is increased and this, combined with general economic slow-down will have a dampening effect on growth. Middle Eastern and African growth has been fuelled by high oil prices, but even in non-oil producing African economies, GDP growth is greater than 5%[1] with an average for the region of 4.8%.[2]

- Australia/Asia: Growth in emerging markets (particularly India and China) and transition economies have been strong, especially in the early part of 2006 and the Asian emerging economies remain the "world's most dynamic" region.[3] High oil prices have particularly helped transition economies, while inflows of funds have helped emerging economies. ASEAN also reports strong growth within its free trade area at above 5% for 2006.[4]

- South American, Latin America and the Caribbean: Growth has been strong, but the EIU predicts that South America will feel the effects of a slow down in the US more than other regions. GDP growth was 4.3% in 2005 and is expected to be 6% in 2006 which is still slower than for other emerging economies. Investment remains low and government debt high.[5]

- North America: US growth is slowing rapidly according to both the OECD and the EIU.[6] The weak dollar has caused a decline in exports and the housing market has weakened, apparently placing pressure on borrowing (because of reduced equity in housing). The public sector deficit is at around 3% of GDP, and although labour productivity is improving and unemployment reducing, real wages are declining. In contrast, Canada's economic performance has been, according to the OECD" excellent in all respects".

1. Wegner, L., Solignac-Lecomte, H. (2006):"African Economic Outlook, 2006: Moving towards Political Stability?" OECD Policy Insights, No. 20 www.oecd.org/dev/insights.

2. Francois Bourguignon, World Bank Chief Economist and Vice President for Development Economics, April 2006 "World Bank Data show Growth Rates Converging Aong Developing Regions" www.worldbank.org

3. Economist Intelligence Unit op cit.

4. www.aseansec.org

5. www.eclac.org

6. Barrel, R. and Holland, D. (2006): op cit

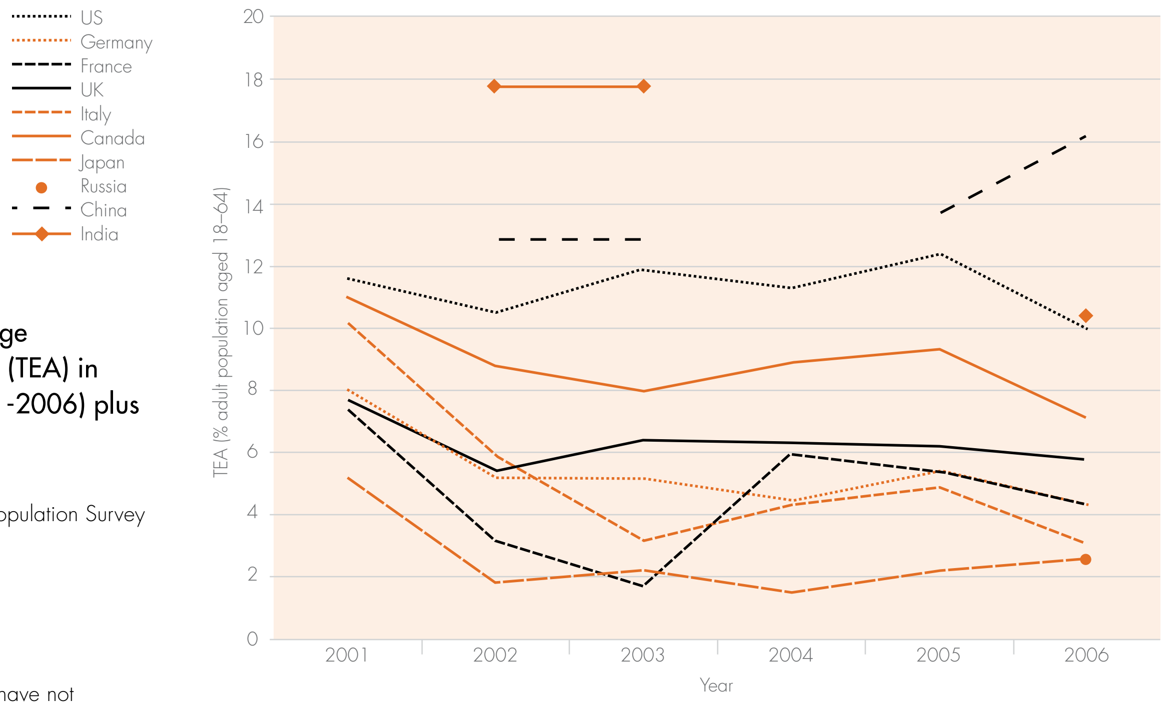


Figure 1 Total Early Stage Entrepreneurial Activity (TEA) in the G8 Countries (2001-2006) plus China and India.[13]

Source: GEM Global Adult Population Survey (APS) 2001-2006

Figure 1 demonstrates that for the G7 from 2001 to 2006 the relative position of the US (1st), Canada (2nd), Germany (4th) and Japan (7th) has not changed but that there have been movements for Italy (3rd to 6th), UK (5th to 3rd), whilst France has moved from 6th to 7th to 4th. The Chinese, Indian and US levels of TEA remained the highest in 2006 at 16.2%, 10.4% and 10.0% of the adult population respectively. The Japanese is the lowest at 2.6%. The level in the UK is about average for the G8 at 5.8%. This was lower than the figure for Canada (7.1%) but significantly higher than Germany (4.2%), France (4.4%) or Italy (3.1%).

The changes over time are interesting. In 2001, TEA rates were higher in all of the G8 than they were in 2006 but there was a statistically significant drop between 2001 and 2002 in most GEM participating countries and in the G8 in particular, explained at least in part by the economic fall out from the end of the dotcom boom and an uncertain geopolitical climate.[14] However, if we exclude 2001 from our interpretation of the trend, then the drop is negligible over the period in the US, Canada, Italy and Germany, and very slightly upward (although not significant) in the UK and France.[15]

Unlike the G8 countries, the levels of early stage entrepreneurial activity increased in China between 2005 and 2006 quite markedly. Care should be taken in interpreting this statistic as the sample size in China is small relative to the size of the population. Nevertheless, the change is a positive one.

TEA is comprised of nascent entrepreneurs (those who have been involved in some form of start up activity, but not paying salaries for more than three months) and new (or baby) business owners (those who have not been paying salaries for more than 42 months).

13. India, China and Russia have not participated in all years of the GEM study. Hence Figure 1 illustrates the average for 2002-3 participation and the final figure for 2006.

14. See Reynolds, P., Bygrave, W.D., Autio, E. and Hay, M. (2002): "Global Entrepreneurship Monitor, Executive Summary, 2002." London Business School and Babson College, November 2002.

15. Russia and India participated in the GEM study in 2001 and 2002. The average TEA over those two years was 4.8% but this data is excluded as the elapsed time between 2002 and 2006 does not allow a consistent time series to be developed.

Established business owners (EBO) are those who have owned or managed a business for more than 42 months. The overall estimation of business owners is the figure for TEA plus the figure for established business ownership. The results for the G8 countries plus India and China are given in Table 1.

	Nascent Entrepreneurial Activity (0-3 months)	New Business Owners (4-42 months)	TEA (Nascent + New business owners)	Established Business Owners (>42 months)	Proxy survival ranking (EBO/TEA)	
					Ratio	Rank
Canada	4.1%	3.2%	7.1%	5.1%	0.72	4
France	3.8%	0.7%	4.4%	1.3%	0.30	10
Germany	2.9%	1.7%	4.2%	3.0%	0.71	5
Italy	2.2%	1.4%	3.5%	3.0%	0.97	2
Japan	1.6%	1.4%	2.9%	4.8%	1.85	1
Russia	3.5%	1.7%	4.9%	1.2%	0.46	9
UK	3.2%	2.8%	5.8%	5.4%	0.93	3
US	7.5%	3.3%	10.0%	5.4%	0.54	7=
China	6.7%	10.5%	16.2%	9.0%	0.56	6
India	5.4%	5.3%	10.4%	5.6%	0.54	7=

Table 1 Early stage business ownership, established business ownership and overall levels of business ownership in the G8 plus India and China, 2006.

Source: GEM APS 2006

Because GEM is a household survey and not a survey of registered businesses, the figures for business ownership will not necessarily tally with official statistics on the size of the business stock in GEM participating countries. Nevertheless, the table presents some interesting summary points:

- TEA is generally higher than established business ownership in the G8 countries, India and China. This suggests that not all entrepreneurial activity translates into established business ownership.
- The ratio of established to early stage entrepreneurs acts as a proxy for the survival chances of early stage entrepreneurs in a country[16]. The US has higher levels of entrepreneurial activity, but similar levels of business survival to those in the UK. Indeed, when the ratios are ranked, the UK has the third highest survival ratio in the G8 plus India and China after Japan and Italy.
- Established business ownership is higher in Japan than TEA. This suggests there are a large number of established owner-managed firms that have been running for more than 42 months, but much lower levels of early stage activity.

TYPES OF ENTREPRENEURIAL ACTIVITY

The potential of entrepreneurial activity to promote regeneration and growth will reflect the types of business being established. If the entrepreneur expects to create a large number of jobs, or if the product market is new, then there is more potential for growth and regeneration through entrepreneurship.

16. Minniti, M (2005): "Global Entrepreneurship Monitor, 2005 Executive Report" London Business School and Babson College, January 2006.

17. Where the product is new to all or most customers and where there is little or no competition.

18. There were no entrepreneurs who thought their business had profound growth potencial in Russia. The high figures for job creation should therefore be treated with casution - as this is expections it may be overly optimistic or reflective fo a job creation culture.

Across the world, the majority of firms expect little or no growth. However, GEM creates a ranking from 1-4 (1 equals no growth and 4 equals profound growth) of entrepreneurs who expect to create ten or more jobs, export markets, have few competitors and operate in new product markets.[17] The results are illustrated in Table 2 for TEA and established business owners. Table 2 also looks at the number of entrepreneurs expecting to create more than ten jobs, operating in new product markets[18] and using technologies that were not available a year ago for the G8 countries plus India and China.

China, India and Canada have any established business activity with profound growth potential. Qualifying for the "profound growth potential" category means having exports, new product markets, creating jobs and being in new technology areas. However, when we relax these criteria and look at three of the categories separately, the numbers with some growth potential increase.

However, for many countries in this table there is very high rate of attrition between the early stages and established business ownership.

Table 2

Growth potential of entrepreneurial activity in the G8 plus India and China, 2006 (% TEA or EBO active respondents).

Source: GEM APS 2006

	Profound growth potential		Create > ten jobs		New Product Markets		Technology not available a year ago	
	TEA	EBO	TEA	EBO	TEA	EBO	TEA	EBO
Canada	0.1	0.1	10.2	3.7	19.6	4.2	9.2	4.9
France	0.8	0.0	6.1	0.0	29.9	0.0	12.9	13.3
Germany	0.1	0.0	17.2	1.0	19.9	5.4	1.0	3.2
Italy	0.1	0.0	12.5	0.0	18.1	1.5	14.3	4.7
Japan	0.7	0.0	9.9	2.2	5.1	1.0	7.9	2.4
Russia[18]	0.0	0.0	70.6	24.3	13.7	0.0	3.1	5.3
UK	0.1	0.0	19.0	5.7	22.7	2.2	7.3	1.3
US	0.3	0.1	23.6	6.6	27.3	8.6	7.0	4.2
China	0.2	0.1	27.0	14.0	6.8	1.5	29.6	23.0
India	0.3	0.1	12.2	2.6	10.5	3.0	18.6	10.5

What is immediately obvious from Table 2 is just how little entrepreneurial activity does actually have profound growth potential. Care must be taken in interpreting the tables, since sample numbers in the majority of countries are very small. However, it appears that in France and Japan, where the figures are the highest, just 0.8 and 0.7% of the TEA or EBO active respondents fell into this category. Further, levels of attrition are very high: only the US,

For example, the number of established businesses in the US in new product markets is one third of early stage entrepreneurial activity in new product markets (8.6% compared to 27.3%) while in the UK, the number of established businesses in new product markets is just 10% of early stage entrepreneurial activity with this potential. Similarly, 4.2% of established business owners in the US are using technologies that were not available a year ago compared to

7.0% of early stage entrepreneurs. The TEA rate for new technology is similar in the UK (7.3%), but this falls to 1.3% of established business owners.

Interestingly, there are more established business owners in Germany and France using technologies that were not available a year ago compared to early stage entrepreneurs.

NECESSITY AND OPPORTUNITY ENTREPRENEURSHIP

One indicator of the long term viability of entrepreneurial activity is the extent to which it is based on necessity (i.e. there are no better alternatives for work) or opportunity (where entrepreneurs may be exploiting the potential for new market creation). Where necessity entrepreneurship is higher, for example in developing nations, GEM global results suggest that the attrition between early stage and established entrepreneurial activity is likely to be greater.

Figure 2 demonstrates that levels of necessity entrepreneurship are lower than levels of opportunity entrepreneurship in all the G8 countries as well as in India and China. For example, in the UK, opportunity entrepreneurship is 82% of all entrepreneurial activity while in the US it is 83% and in Canada it is 84%. What is interesting about Figure 2 is just how low the proportion of total entrepreneurial activity accounted for by opportunity entrepreneurship is in Germany and France at 58% and 62% respectively.

These highlights demonstrate the underlying labour market conditions in each of the economies. Where unemployment is relatively low and stable and consumer spending high, as in the US, the UK, Japan and Canada,[19] opportunity entrepreneurship is higher. In contrast, where labour market and demand conditions are sluggish, as has been the case in Germany and France, necessity entrepreneurship is

19. Cotis, Jean-Phillipe (September 2006): "What is the economic outlook for OECD Countries: An interim assessment." www.oecd.org/databasecd/3/51/37357106.pdf; Economists Intelligence Unit, November 2006, "Country Report: The World Economy." www.eiu.com

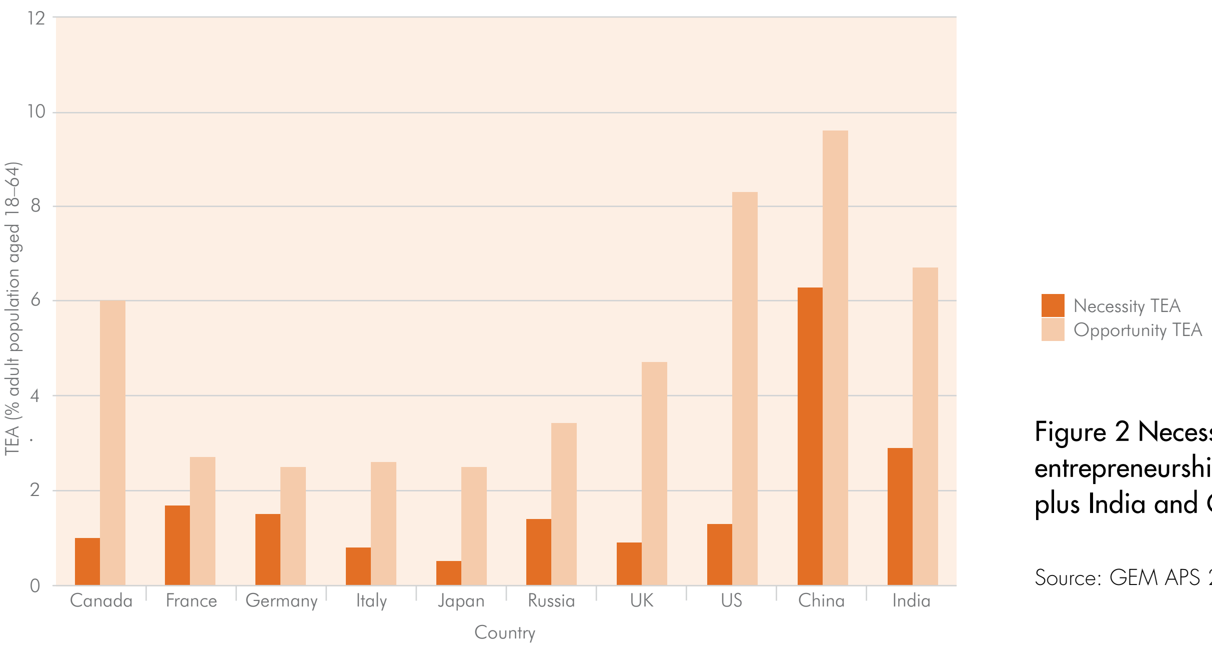


Figure 2 Necessity and opportunity entrepreneurship in the G8 countries plus India and China in 2006.

Source: GEM APS 2006

20. See Harding, R. (2007): "The Unmoveable Elephant" German Politics Forthcoming, Spring 2007; Taylor and Francis, London and www.bmwa.de for a full explanation. There may be a lagged effect in the 2006 data since the programme has now been reformed and the number of start-ups under its ambit reduced.

21. Hausman, R., Tyson, L., and Zahidi, S. (2006): "World Economic Forum Gender Gap Report, 2006." World Economic Forum, Geneva

22. 15th February 2005, Martin Wyn Griffiths, speech to the World Bank on Women's Enterprise.

proportionately higher. Indeed, higher levels of necessity entrepreneurship in Germany could also be explained by labour market reforms, such as the "Ich-AG" and "mini-jobs",[20] which encourage unemployed individuals to set up businesses and also provide subsidies to those firms, rather than unemployment benefit to the individual.

MALE AND FEMALE ENTREPRENEURIAL ACTIVITY COMPARED

It is worth dwelling on the gender balance of entrepreneurial and established business activity since policy makers place a particular focus on increasing levels of female entrepreneurship. International organisations, such as the World Bank and the International Finance Corporation, the European Union, ASEAN and the United Nations as well as individual national governments increasingly see entrepreneurship as a way of engaging women in the process of economic development. Women are central to the development of communities and economies throughout the world and, as Hausman et al argue, "equality between men and women is seen both as a human rights issue and as a precondition for, and indicator of, sustainable people development."[21] More than this, it is argued, without increasing women's engagement in the labour market generally and entrepreneurship in particular, resources are lost in both the developed and developing world.[22]

Men are more likely to be early stage entrepreneurs than women in all the countries covered here. While the gap is narrower in Italy, Canada, Japan, China and India, men were 42% more likely to be entrepreneurial in the US and 54% more likely to be entrepreneurial in the UK compared to women.

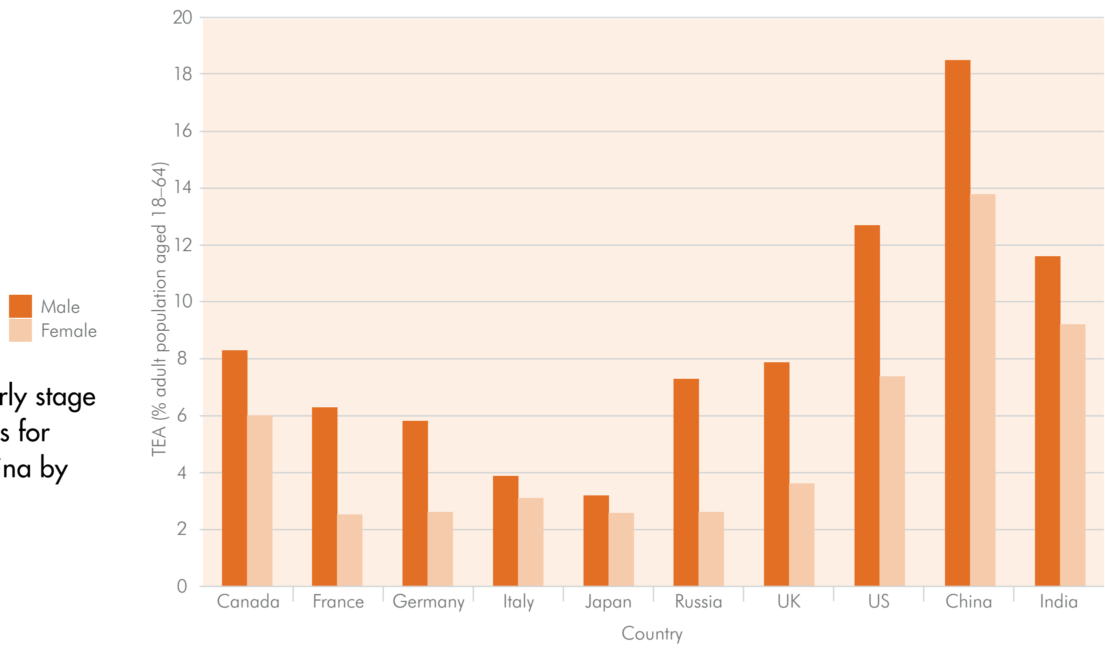


Figure 3, Summary of the early stage entrepreneurial activity results for all the G8 plus India and China by gender.

Source: GEM APS 2006

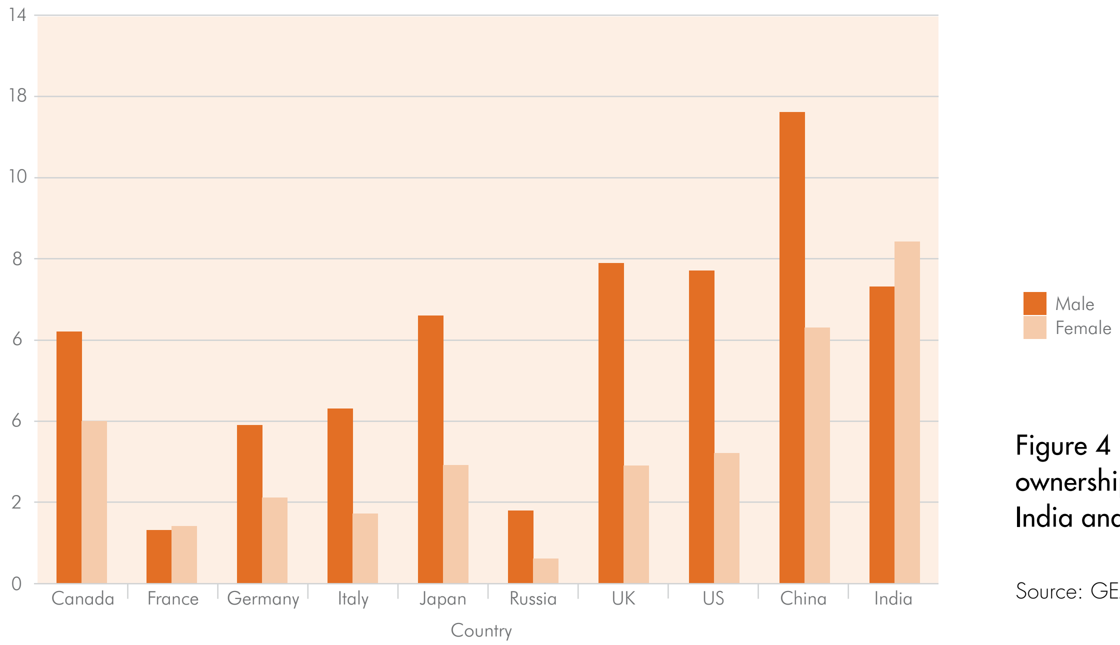


Figure 4 Established business ownership by gender in the G8 plus India and China, 2006.

Source: GEM APS, 2006

What is of particular concern here is that, generally speaking, the gap between men and women widens when we look at established business ownership. Thus, for example, in the UK, female early stage activity is 44% of male activity but established business ownership is just 33% of male ownership. The figures for the US are 58% and 42% respectively.

The only exceptions are France, where women are slightly more likely to own established businesses than men. In Germany, where female early stage activity is 44% of male, established business activity by women is 54%. In India, women are more likely to be established business owners than men.

Finally, while world policy makers are concerned to increase the levels of female engagement in entrepreneurial activity, GEM suggests that, for the G8 at least, the levels of female activity have broadly dropped since 2001, as illustrated in Figure 5 (p26).

There are several highlights from Figure 5:

- In all G8 countries over the period (except the UK and Japan), female early stage entrepreneurial activity has dropped. If the effects of the overall drop in entrepreneurial activity in 2001 are excluded, then the levels of female entrepreneurial activity have dropped slightly, but not significantly.
- In the UK levels of female entrepreneurial activity have remained at a similar level over the whole period. In Japan, there has been a slight increase in female entrepreneurial activity.
- The differences between the G8 countries appears to have narrowed over the time period, with levels in US, Canada and Italy decreasing and Japan increasing. India and China both have higher levels of female entrepreneurship.

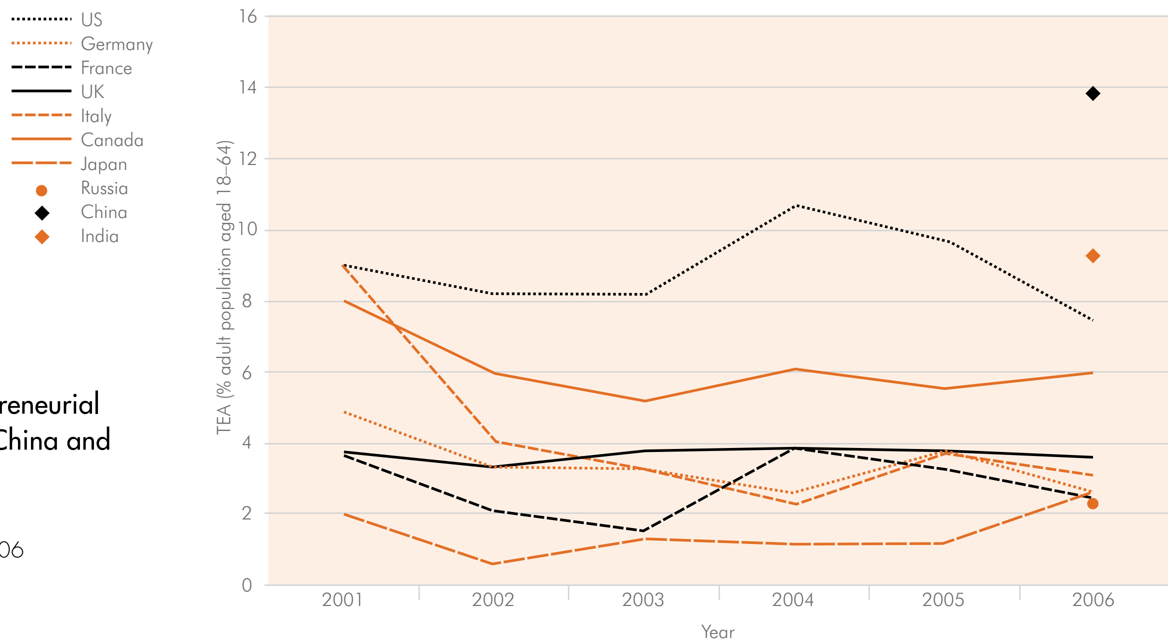


Figure 5 Female entrepreneurial activity in the G8 plus China and India, 2001-2006.

Source: GEM APS, 2001-2006

This is in line with other emerging and developing countries within the GEM study, where female participation tends to be higher.

ENTREPRENEURIAL ATTITUDES AND PERCEPTIONS

At least some of the differences in entrepreneurial activity can be explained in terms of the attitudes of the population towards entrepreneurship. These are presented for the G8 and for China, and India in Table 3.

Table 3 contains a number of interesting features:

	I expect to start a business in the next 3 years	I have closed a business in the last 12 months	I personally know an entrepreneur	There are good start-up opportunities where I live	I have the skills to start a business	Fear of failure would prevent me starting a business
Canada	8.7	2.4	30.6	44.7	53.2	24.2
France	14.8	3.0	46.6	20.8	33.2	49.7
Germany	6.7	1.9	24.0	20.0	39.0	46.5
Italy	10.2	1.3	36.9	23.2	44.5	38.8
Japan	2.4	1.2	28.0	9.2	15.7	26.0
Russia	8.5	1.3	41.1	23.7	25.1	51.6
UK	7.8	2.0	27.2	36.8	49.6	35.8
US	13.5	2.6	34.2	24.3	50.2	21.0
China	32.3	6.2	51.1	29.0	35.5	23.3
India	31.9	15.0	63.2	52.1	62.5	36.2

Table 3 Attitudes and perceptions towards entrepreneurship, G8 countries plus India and China, 2006.

Source: GEM APS 2006

- Attitudes and perceptions are more mixed in India and China. Entrepreneurial activity is high in China and respondents were more likely to know an entrepreneur and less likely to fear failure than everywhere else except the US. The perceptions of skills and opportunities for starting a business were higher in India than in all of the G8 countries and China. In both India and China nearly a third of the population is thinking of starting a business in the next three years.

- In the US and Canada, fear of failure is low and perception of skills high compared to the European G8 countries. Interestingly though, in the US the perception of start-up opportunities is nearly half the level in Canada and two thirds of the UK level.

- Of the G8 countries, the UK has the most positive attitude towards opportunities outside of Canada and nearly 50% of people believe they have the skills to start a business. However, although lower than the other European G8 countries, the UK's fear of failure level is over a third higher than in the US or Canada.

- Perception of start-up opportunities is exceptionally low in Japan, where less than 10% of the population believe that there are good opportunities for starting a business where they live. This is in contrast to 52.1% in India.

One final point about the link between entrepreneurial confidence and the macro economic climate is worth highlighting here. Attitudes in the US appeared to have become more negative between 2004 and 2005. This trend has continued during 2006, with respondents less likely to know other entrepreneurs (down to 34.2% from 41.4% in 2005), less likely to see good start-up opportunities (down to 24.3% from 32.3% in 2005) and less likely to think that they have the skills to start a business (down to 50.2% from 52.1% in 2005). Attitudes towards entrepreneurship have become less positive and this could be a measure of confidence in the overall performance of the US economy.[23]

ENTREPRENEURIAL ATTITUDES IN THE UK FROM 2001-2006

In contrast, macroeconomic performance in the UK remained strong during 2006, with forecast GDP growth at 2.6% and increased labour market participation at 74%. Against this positive background, there are a number of influences which may have influenced the propensity of individuals to set up their own businesses:

- Inflationary pressures in the economy have resulted in increases in interest rates, which may impact on the propensity of entrepreneurs to take out loans and use credit cards to finance start-ups.

- Increased university tuition fees in September 2006 may potentially have an impact on the confidence of households, students and graduates to incur additional debt. These changes came after the completion of the survey for the adult population in 2006, but had been widely anticipated during the year.

23. See Harding, R. et al (2006): Global Entrepreneurship Monitor, United Kingdom 2005

Table 4

Entrepreneurial attitudes and perceptions in the UK, 2001-2006 (% respondents).

Source: GEM UK APS, 2006

	2001	2002	2003	2004	2005	2006
I expect to start a business in the next three years	-	4.6	6.2	9.5	8.7	7.8
I personally know an entrepreneur	27.0	23.0	24.6	27.7	27.7	27.2
There will be good start-up opportunities where I live	18.2	22.3	35.2	35.9	38.5	36.8
I have the skills to start a business	40.2	42.9	48.4	51.7	50.7	49.6
Fear of failure would prevent me from starting a business	30.1	34.0	33.6	32.9	34.2	35.8
Starting a business is a good career choice	-	-	51.2	54.1	54.3	53.9
Entrepreneurs have a high status in society	-	-	71.0	71.7	71.7	72.6
Media coverage of entrepreneurship is good	-	-	56.2	55.7	54.4	54.6

The impact of wider events on attitudes is inferred in Table 4, which shows changes since 2001.

Table 4 shows that since 2001, attitudes towards entrepreneurship in the UK have become more positive. This suggests that improving attitudes reflect the amount of effort that has been put in, both by the private and the public sector, to raise the profile of entrepreneurship and improve the demand side generally. For example, since 2002, when the question was first asked, the number of people expecting to start a business has increased from 4.6% to 7.8% of the population, while perception of opportunities has doubled from 18.2% to 36.8%. Encouragingly, the number of people who think they have the skills to start a business has increased from 40.2% to 49.6%.

However, there is an indication that there are dampening effects on entrepreneurial confidence across the UK, as fear of failure has grown throughout the period, from 30.1% in 2001 to 35.8% in 2006.

INTERPRETATION

There are some key summary points to be made from this section:

- Levels of entrepreneurial activity in the UK have remained static over the period since 2002, and the negative changes between 2005 and 2006 are less marked in the UK than they are for the US and for the largest European economies. The relative position of the UK to Canada and the US is unchanged over the period, although the gap between the UK and the other European countries in the G8 has widened, with the UK now significantly more entrepreneurial than France, Germany, Italy or Russia.

- The decline in entrepreneurial activity has been one that has affected all G8 countries to a greater or lesser extent over the period. Although the change is less significant in 2001 when entrepreneurial activity was especially high is excluded. The fluctuations between 2005 and 2006 are reflected in slightly more negative attitudes in the UK and the US towards entrepreneurial opportunities and prospects for starting a business.

- In most of the G8 countries plus India and China, there are fewer people who are established business owners than there are people who are entrepreneurially active at the earliest stages of start up. By looking at the ratio of established business ownership to early stage entrepreneurial activity, a proxy ranking of the probability of business survival was developed. Using this, the UK fares well, ranking third behind Japan (where established business ownership is higher than early stage entrepreneurial activity) and Italy. Established business ownership is some 93% of early stage activity in the UK. In contrast, the level of established business ownership in the US is just 54% of early stage activity.

- Early stage entrepreneurs and established business owners do not generally have profound growth potential (strong export markets, high levels of job creation, development of new product markets and new technology). Indeed, the figure is just 0.3% of all TEA active respondents in the US and India, and just 0.1% of established business owners in these countries. The figure for the UK is 0.1% of TEA active respondents with profound growth potential. In line with the rest of the European economies in the G8, the survey did not register any established business owners who thought their businesses had profound growth potential[24].

- UK TEA rates are about average for the G8 in terms of job creation potential, new product market development and use of technologies not available a year ago. However, there is a high level of attrition between early stage entrepreneurial activity and established business activity in each of these areas.

- The UK fares less well when we look at the proxy survival ratio for female entrepreneurs as outlined above. In 2006, the UK female early stage activity, is 44% of male activity but established business ownership is just 33% of male ownership.[25] In other words, where men are more than twice as likely to be starting up a business, they are three times as likely to be running an established business. This is the second worst ratio after Russia in the G8 plus India and China.

So for policy the challenges are still three fold. First, there is an issue of growth and sustainability. While the UK has had relatively stable early stage entrepreneurial activity, and while the levels of attrition between the early stages and established business ownership is low for the G8, there is a high level of attrition amongst the job, market and technology creating businesses relative to the US and to Germany and France in particular.

24. The profound growth potential is an index based on responses to questions about the employment growth, innovativeness and numbers of competitors the business has. The fact that numbers are small, implies that very few businesses globally have profound growth potential.

25. The proxy survival ratio developed as part of GEM Global 2005 uses the ratio of EBO to TEA to suggest a current year probability that an entrepreneurial entity will survive beyond 42 months. As GEM does not have a panel element to its survey, this proxy is indicative only.

Second, levels of female entrepreneurial activity in the UK are better than those in the European G8 countries, but are still too low to fully utilise the economic and development potential that women offer the country. Further, the ratio of established business ownership to early stage activity amongst women is one of the worst in the G8, suggesting there is a real issue of sustaining and growing businesses owned by women in the UK.

Finally, the latent potential in India and China cannot be ignored. TEA rates are higher and attitudes towards entrepreneurship arguably more positive than in G8 countries. These countries still exhibit entrepreneurial activity patterns consistent with under-development, such as high levels of TEA and established business ownership, proportionately high female participation and high levels of necessity entrepreneurship, use of new technologies and profound growth potential. Similarly, as GEM experts interviewed as part of the qualitative research for the GEM UK report were keen to point out, the UK has a number of advantages in terms of language, its knowledge base and very strong design and creativity expertise, which lends us a competitive edge. However, the challenge that these economies present is ignored at our peril.

5.0

ENTREPRENEURIAL REGIONS[26]

This section looks at the UK levels of early stage entrepreneurial activity (TEA) in more detail, by examining it by region.[27] The focus is on TEA rather than established business activity, since this is the indicator that is used as a national and international benchmark for the RDAs, Invest Northern Ireland, Welsh Assembly, Scottish Enterprise and for LEGI (Local Enterprise Growth Initiative) areas, whose focus is now on rural and urban regeneration through enterprise.

REGIONAL ENTREPRENEURIAL ACTIVITY

The delivery of enterprise support in England is now the responsibility of the RDAs through the regional offices of the Business Link network. Each RDA has a regional enterprise board to oversee the success of regional economic and enterprise strategy and to evaluate the success of interventions.

Similarly, Invest Northern Ireland, the Welsh Assembly (now incorporating the Welsh Development Agency) and Scottish Enterprise have devolved responsibility for enterprise strategy and support measures.

Figure 6 shows the levels of TEA in UK regions since 2002 when regional comparisons were first made. It illustrates that over the period TEA has gone up in most regions. The only exceptions were the East Midlands, where it has stayed the same at 6.1% following a significant increase in TEA between 2005 and 2006, and Scotland where it was 4.3% in 2002 and 4.2% in 2006.[28] Although the fluctuation in London is quite substantial, the trend over the period is nevertheless upward.

What is interesting about Figure 6 is that the South West has overtaken London as the UK's most entrepreneurial region with

26. Unless specified, results for this and subsequent sections are significant at the 5% level.

27. For simplicity "region" is used as a generic term to include the countries of Scotland, Wales and Northern Ireland.

28. This change is not statistically significant.

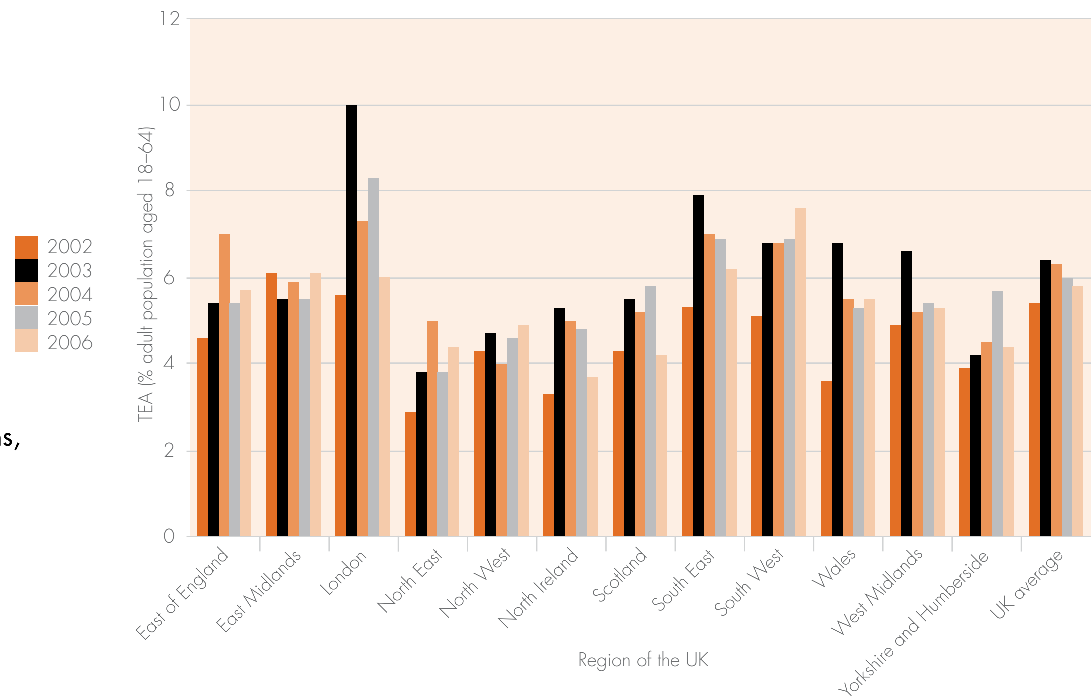


Figure 6 TEA in the UK regions, 2002-2006.

Source: GEM UK APS, 2002-2006

some 7.6% of the adult population engaged in entrepreneurial activity compared to 6% in London.

Northern Ireland had the lowest level of entrepreneurial activity at 3.7% of the population.

It is necessary to be cautious in examining the regional differences in TEA. There is, for example, no statistically significant difference between most of the regions once sampling error is taken into account. However, it is possible to say that in 2006, Scotland, Northern Ireland, Yorkshire and Humberside and the North East have significantly lower TEA rates than the UK average..

Some of these differences may be due to differing attitudes at a regional level and these are presented in Table 5.

Several points can be drawn out of Table 5:

- Although levels of TEA were lower in London in 2006, the numbers of people expecting to start a business in the next three years were significantly higher than other UK regions. However, London does not come out as the most positive region for any of the other attitudinal aspects.

- Northern Ireland has the highest fear of failure rate in the UK at just 41.5%.

- Knowing an entrepreneur is a proxy for networking and general entrepreneurial activity. There are no statistically significant differences in responses to this question, suggesting that this is very similar across the UK.

	I expect to start a business in the next 3 years	I know an entrepreneur	There are good start-up opportunities where I live	I have the skills to start a business	Fear of Failure would prevent start up
East of England	6.6	27.1	38.6	49.5	35.3
East Mids	7.8	24.2	36.1	51.6	34.3
London	11.4	25.6	32.8	45.8	35.5
N. East	6.4	24.5	34.0	43.5	38.6
N. West	6.4	23.5	34.6	44.7	37.0
N. Ireland	5.6	25.7	35.2	41.5	41.8
Scotland	5.9	26.1	35.0	48.5	38.1
S. East	8.6	26.8	39.3	52.7	34.9
S. West	5.3	30.2	38.8	55.7	31.9
Wales	6.9	24.6	31.0	45.9	33.8
W. Mids	7.6	26.1	34.6	49.6	37.1
Yorks & Humber	6.3	26.1	33.5	44.5	34.6

Table 5 Regional perceptions of entrepreneurship, 2006.

Source: GEM UK APS 2006

29. 15th February 2005, Martin Wyn Griffiths, speech to the World Bank on Women's Enterprise.

30. The figures for 2002-2006 are based on data used in previous published reports. Because of differences is weighting protocols since 2002, numbers, particularly for Scotland, may be reported differently in some regional or sub-national reports.

WOMEN'S ENTREPRENEURSHIP IN UK REGIONS

One objective for the RDAs is increasing the numbers of women engaged in entrepreneurial activity as outlined in the Strategic Framework for Women's Enterprise in May 2003. As Martin Wyn Griffith, the Chief Executive of the DTI's Small Business Service argued in his speech to the World Bank in February 2005[29], if the UK had the same level of female business ownership as the US, then we would have some 750,000 more businesses – with obvious consequences for economic development and wealth creation.

The results for 2006 at a regional level are presented in Figure 7. The South West is the region with the highest level of female entrepreneurial

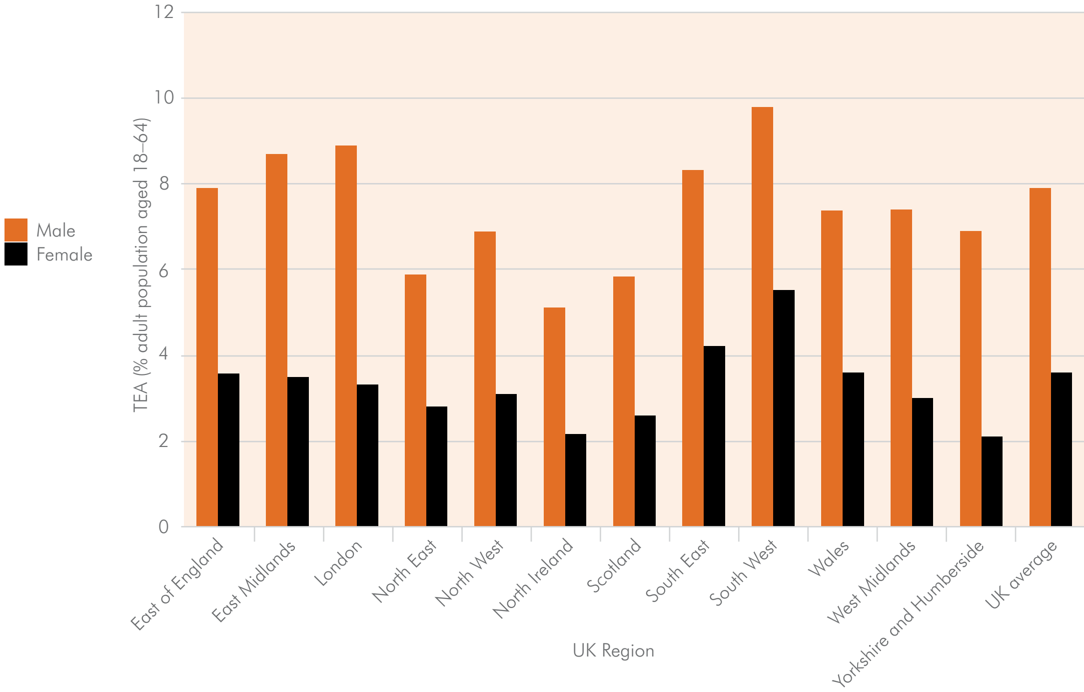


Figure 7 TEA in UK regions by gender, 2006.

Source: GEM UK APS 2006

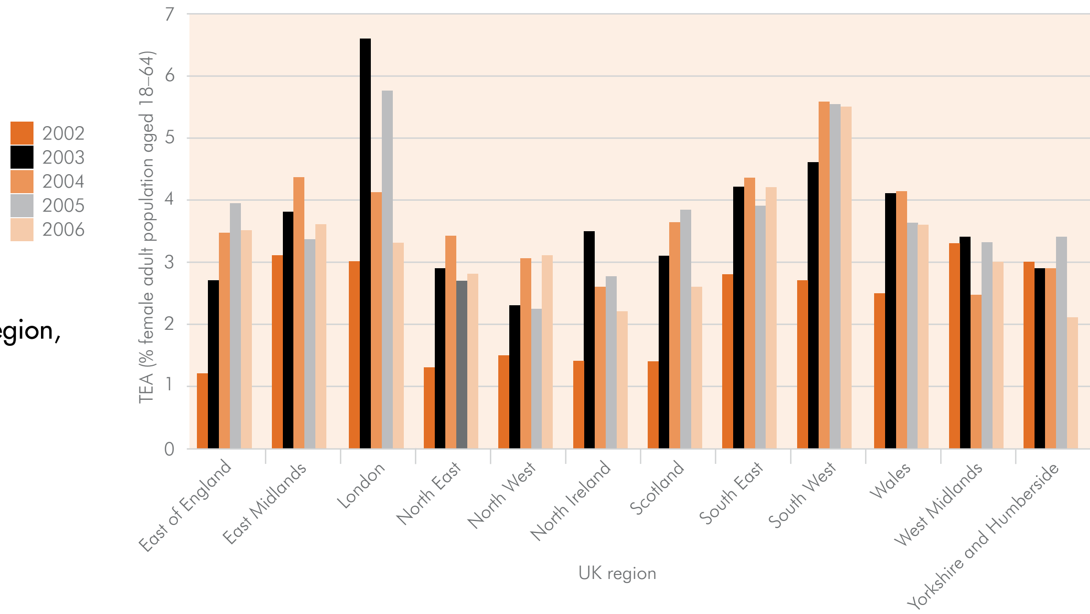


Figure 8 Female TEA by UK region, 2002-2006.[30]

Source: GEM UK APS 2002-2006

activity at 5.5% while Yorkshire and Humberside has the lowest level of female entrepreneurship at 2.1%. Yorkshire and Humberside also has the widest gap between male and female entrepreneurship: men are 70% more likely to be entrepreneurially active than women. Interestingly, London has the second widest gap where men are two thirds as likely as women to be entrepreneurially active.

Of potentially greater interest is the fact that women's entrepreneurial activity has grown in most regions since 2002. This is presented in Figure 8, which shows the trend in female TEA over time for each UK region. Only in Yorkshire and Humberside has there been a substantial reduction in women's entrepreneurship over the five year period. A smaller reduction over the period in the West Midlands is not statistically significant. Everywhere else women's enterprise has increased and, in the East of England, particularly markedly from 1.2% to 3.5%[31].

INFORMAL INVESTMENT ACTIVITY IN THE UK REGIONS

Informal investment is a proxy for the cultural acceptance of entrepreneurship – where individuals take a financial stake in the business activities of others they have a commitment to the ideas of the other person and, hence to the success of their enterprise. Where there are higher levels of informal investment activity it suggests a greater cultural acceptance of entrepreneurship.

Figure 9 shows levels of informal investment at a regional level in the UK. It should be stressed that this is not "business angel" activity as such (which may be larger scale and more systematic), but includes the investments that friends, families and unrelated individuals may make in a business at its earliest stages.

For the UK as a whole, informal investment activity has remained static over the five year period. This disguises a number of interesting features at a regional level. Most regions have had fluctuating levels of

31. In 2002 the base sample in the UK was 500 per region. This increased in 2003 to 1000 yielding a smaller margin of error. In 2006, most RDAs boosted their samples to 3000. However, London and the South West had smaller regional samples at 1500 (excluding Barking and Dagenham) and 1000 respectively.

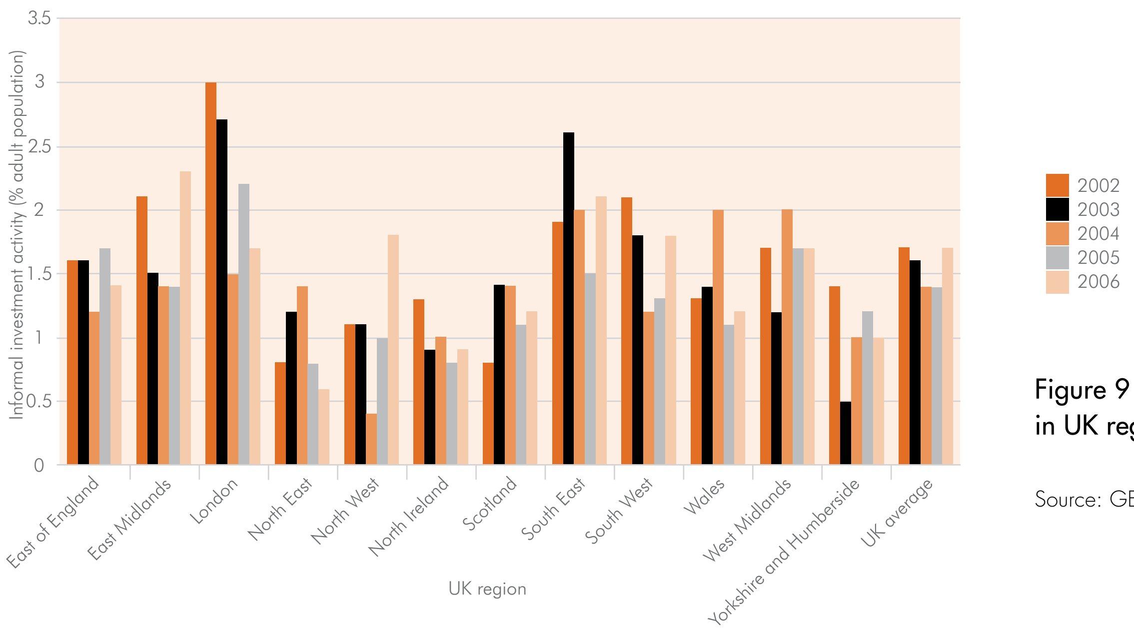


Figure 9 Informal investment activity in UK regions, 2002-2006.

Source: GEM UK APS 2002-2006

investment and no region has had a consistent pattern. However, between 2002 and 2006 there has been a large increase in the North West and a slight increase in the East Midlands, Scotland and the South East. Also, the levels of informal investment appear almost to have halved in London over the period, going from 3% of the adult population to just 1.7%.

Again, caution must be exercised in interpreting these results because of small samples, particularly in London. Nevertheless, one interpretation may be that informal investment activity has not taken off at a regional level in the UK in the way that could drive entrepreneurial ideas at their very earliest stages. The UK has less than a third of the informal investment activity of the US (1.7% compared to 6.0%) and half of the level of informal investment seen in Canada (3.4%).

ENGLISH URBAN AND RURAL DIFFERENCES [32]

Promoting rural regeneration through enterprise is a policy focus for a number of RDAs as well as for the LEGI areas. The well-documented pressure on rural incomes has given prominence to the role of rural enterprise as a means of regenerating rural areas. Most development agencies as well as the Department for the Environment and Rural Affairs (DEFRA) have strategies to promote entrepreneurship in rural areas with a particular focus on social enterprise as a means of delivering many DEFRA targets.[33]

These points are immediately noticeable in Table 6:

- Entrepreneurial activity is higher in rural areas than it is in urban areas, for total TEA when men and women considered separately.
- The gap between men and women is narrower in rural communities compared to urban ones. In rural areas female entrepreneurial activity, is 50.5% of male activity but in urban locations it is only 42.5%.

32. The rural-urban daa here is just fot eh English regions since definitions and meoths of calcultaion differ in Scotland, Wales and Northern Ireland. See http/statistics.gov.uk/geography/nrudp.asp

33. http://www.defra.gov.uk/rural/social-enterprise/default.htm

Table 6 Key TEA statistics by rural/urban location of respondent, 2006 (% adult population aged 18-64).

Source: GEM UK APS 2006

	Rural	Urban
TEA	8.1	5.2
TEA Men	10.7	7.3
TEA Women	5.4	3.1
TEA Opportunity	6.8	4.1
TEA Necessity	1.2	0.9

Table 7 Attitudes and perceptions towards entrepreneurship by urban/rural location of respondent (% all respondents).

Source: GEM UK APS 200

	Rural	Urban
Expect to start a business in the next 3 years	7.5	7.6
Personally know an entrepreneur	33.6	27.9
There are good start up opportunities where I live	34.6	30.9
I have the skills to start a business	63.6	49.8
Fear of failure would prevent me starting up	30.8	33.7
Entrepreneurship is a good career choice	44.4	49.8
Entrepreneurs have a high status in society	66.8	67.5
Entrepreneurship has good media coverage	58.0	52.9

- Opportunity entrepreneurship at 84% compared to urban areas where opportunity, as a percentage of all rural entrepreneurship is slightly higher. Entrepreneurship accounts for 79% of total TEA.

The higher level of entrepreneurial activity can also be seen in the attitudinal and perceptional data, which is presented in Table 7.

Rural respondents are more likely to know an entrepreneur, there are good start-up opportunities and to think they have the skills to start a business. They are also less likely to fear failure. However, they are less likely to see entrepreneurship as a good career choice.

INTERPRETATION AND EXPERT VIEWS

The data covered here suggests several things that are important for some RDAs when forming their enterprise strategies:

- There are still differential levels of entrepreneurial activity by region and, as the sample size increases, we can be more confident on the nature of these. In particular, it appears from the analysis in this section that there are five "less entrepreneurial" parts of the UK: Northern Ireland, Scotland, the North West, Yorkshire and Humberside and the North East where TEA rates are significantly lower than for the other areas of the UK. Apart from Yorkshire and Humberside, these are also the regions where fear of failure is higher and, for the North East and Northern Ireland, where self-perception of skills is lowest.

- In the South West, where entrepreneurial activity is the highest, the perceptions and attitudes towards entrepreneurship are the most positive of any region.

- The levels of female entrepreneurial activity have increased in most UK regions over the period 2002-2006. Even so, the gap between male and female entrepreneurship is substantial with Yorkshire and Humberside, and London having the lowest ratios of female to male entrepreneurship. The South East and the South West have the highest ratios – in both regions the level of female activity is more than half the level of male activity.

- Informal investment activity by individuals in the businesses of others is a third of the level it is in the US and a half of the levels in Canada. Over the five year period since 2002 there has been little change. However, there have been slight increases in activity in the East Midlands, the South East, the North West and Scotland. Everywhere else it has stayed the same or gone down. Care should be taken in interpreting these results because numbers are small. However, they indicate that more could be done to promote informal investment as a mechanism for promoting businesses at their earliest stages, if we are to reach US levels.

- Finally, TEA rates in rural areas are higher than in urban areas and there is proportionately more opportunity entrepreneurship as well as higher levels of female engagement. This suggests that enterprise is happening as a means of accelerating rural regeneration and, as much of it is opportunity based (proportionately more than in urban areas) it augurs well for the future of the rural economy.

Regional Development Agencies, argued one expert, are well-placed to take the responsibility for promoting entrepreneurship at a regional level. The RDAs represent a fulcrum for appropriate regionally focused enterprise strategy, but the challenge ahead is to ensure that the delivery is matched to the evidence base, rather than, he argued, to targets that are of limited value except as diagnostic tools. As one expert argued, "Regions are different and they do matter – especially for small businesses and start-ups. They need support and policy mechanisms that are appropriate and regional."

6.0

ENTREPRENEURIAL PEOPLE

34. See Harding, R. (2006): Stairways to growth: supporting the ascent of women's enterprise in the UK Prowess and GEM UK

35. Howard Davies's Review, Enterprise and Education in the Economy was published by the DfES in February 2002 and recommended that every child should have access to specified amounts of enterprise education

It is people who are entrepreneurially active and people who will turn that activity into the entrepreneurship that generates economic and social change. As the Business Support Simplification Programme, which aims to reduce the number of publicly funded business support schemes from 3,000 to100 takes effect, it becomes more important to understand where help and support is needed from the government and, of course, where the government's assistance can be more limited.

There are three under-represented groups that the government has prioritised in the past: women, ethnic minorities and young people, and it has established stakeholder organisations to promote their interests. For example:

- The launch of the Task Force for Women's Enterprise will be key in raising the profile of women's entrepreneurship building on the 2003 Strategic Framework.[34]
- The Ethnic Minority Business Forum promotes the interests of ethnic minority owned businesses across government and in the regions.
- Initiatives like Enterprise Insight's Make your Mark campaign are aimed at school-aged pupils to promote entrepreneurial thinking and interest in enterprise as a career option.
- The National Council for Graduate Entrepreneurship has launched an International Entrepreneurship Educators' Programme with the support of the Kauffman Foundation, to increase the quality and quantity of enterprise education in colleges.

The government has additionally committed resources to the full implementation of the Davies Review.[35] Some £60 million a year has been dedicated to developing enterprise education in schools at Key Stage 4 (aged 14/15 plus), a process that began in September 2005.

ENTREPRENEURIAL ACTIVITY BY AGE AND GENDER

Figure 10 looks at levels of total entrepreneurial activity by age and gender during 2006. The highest level of TEA is in the 35-44 year old age group at 7.3%, which is not significantly higher than the next highest of 7.0% in the 25-34 year old age group. The very youngest and the oldest age groups are the least entrepreneurial at 3.7% and 3.9% respectively. The highest levels of entrepreneurial activity for men are for the 25-34 and 35-44 year old age groups, whilst for women, entrepreneurial activity peaks slightly at the later age group of 35-44.

However, Figure 10 also demonstrates a wide gap between men and women amongst the youngest and the oldest age groups: female entrepreneurship is 34% and 30% of male activity respectively.

The lack of confidence that women have in their own ability to set up-businesses is well documented and has been a feature of GEM UK since the outset. 2006 is no different

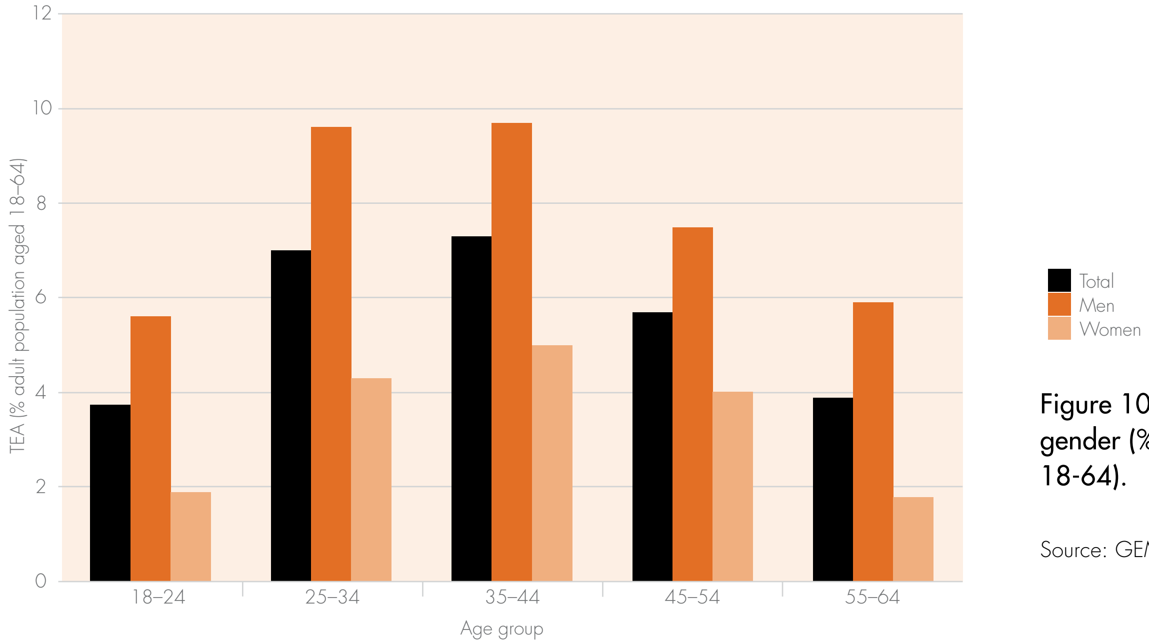


Figure 10 UK TEA by age and gender (% adult population aged 18-64).

Source: GEM UK APS 2006

as the responses to attitudinal and perceptional questions in the survey indicate. Women are approximately half as likely as men to be thinking of starting a business (5.3% compared to 10.4%) and are less likely to know an entrepreneur (22.5% compared to 31.7%) or see good opportunities (31.1% compared to 42.2%).

Although their attitudes towards entrepreneurship as a good career choice and having high status are similar to men, they are nearly a third less likely to think that they have the skills to start a business (39.8% compared to 58.6%) and substantially more likely to fear failure (39.2% compared to 32.6%).

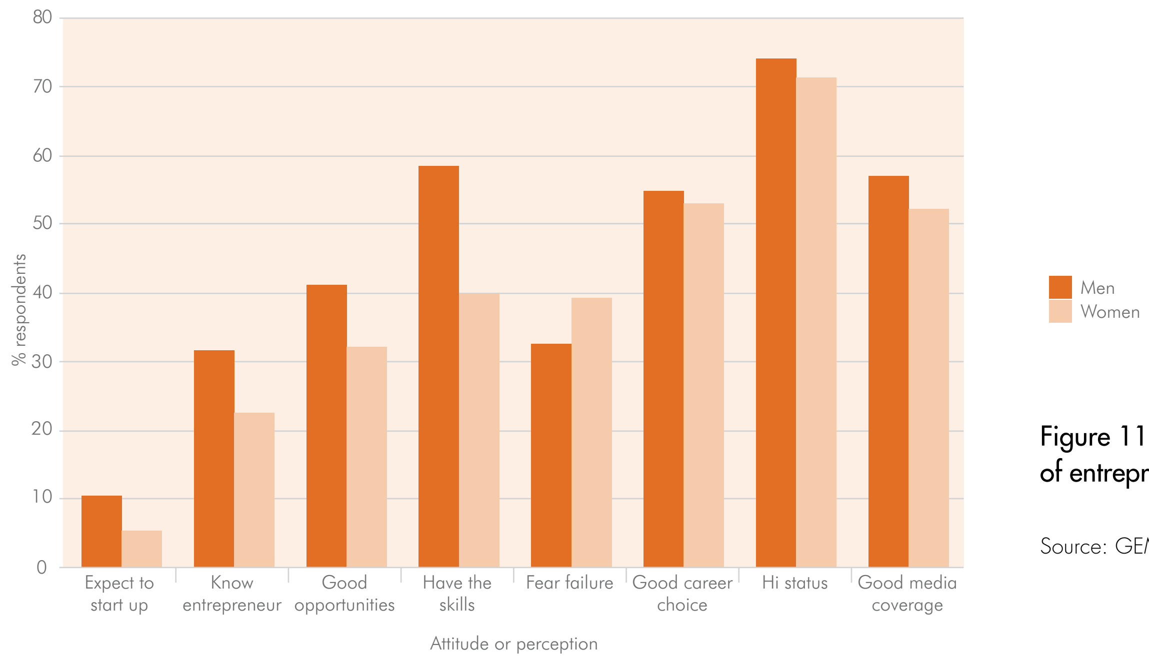


Figure 11 Attitudes and perceptions of entrepreneurship by gender, 2006.

Source: GEM UK APS 2006

Table 8 Female attitudes and perceptions towards entrepreneurship, 2003-2006 (% respondents).

Source: GEM UK APS 2003-2006

	2003	2004	2005	2006
Expect to start a business in the next 3 years	5.1	5.4	6.4	5.3
Personally know an entrepreneur	23.9	22.4	22.3	22.5
Good start up opportunities where I live	33.1	32.5	33.0	22.5
I have the skills to start a business	42.9	41.5	40.3	39.8
Fear of failure would prevent me starting up	33.9	34.0	36.7	39.2
Entrepreneurship is a good career choice	51.1	54.0	54.5	53.0
Entrepreneurs have a high status in society	70.7	72.4	72.1	71.2
Entrepreneurship has good media coverage	54.4	56.1	53.0	52.2

Table 9 UK attitudes and perceptions of entrepreneurship by age grouping, 2006 (% adult population).

Source: GEM UK APS, 2006

	18-24	25-34	35-44	45-54	55-64
Expect to start business in next 3 yrs	10.1	10.0	9.2	6.2	3.7
Personally know an entrepreneur	32.5	34.9	28.9	22.2	16.3
Good start up opportunities	33.1	43.9	38.7	33.4	32.1
I have the skills to start a business	36.7	50.4	54.3	53.4	47.3
Fear of failure would prevent start up	37.9	39.0	39.3	34.7	26.9
Entrepreneurship good career choice	64.2	57.3	53.4	48.0	48.7
Entrepreneurs high status in society	80.1	76.3	71.0	69.4	68.1
Good media coverage	50.3	52.3	55.0	57.0	58.2

Table 8 shows how attitudes have changed since 2003. Women are as likely to know an entrepreneur, to be thinking of starting a business and that they have the skills to start a business as they were four years ago. However, there are a number of other features of the table. First, women have become less likely to think that there are good business opportunities where they live. This is accounted for by a drop between 2005 and 2006. Second, they are more likely to fear failure and although year on year changes are small, the effect over a four year period is a 3.4% rise. Finally, their views on entrepreneurship as a career choice, its status and the media coverage of it have become more negative.

Attitudes by age are presented in Table 9, which can be summarised as follows:

- The youngest age groups (18-24, 25-34 and 35-44), are the most likely to be thinking of starting a business. They are also proportionately more likely to fear failure than the older age groups.

- The younger groups are more likely to personally know an entrepreneur, from 32.5% at 18-24 down to 16.3% for 55-64. Thinking there are good start up opportunities are highest at 25-34 and then at 35-44, with similar lower figures for the youngest and two older age groups.

- The youngest group are less likely to see themselves as having the skills to start a business (36.7%), with all other age groups being at 47.3% or higher. Thus, seeing opportunities peak at the 25-34 age group, whilst perception of skills peaks at the 35-44 age group.

- Attitudes towards entrepreneurship as a career choice and its status in society mostly decrease incrementally from the younger age groups, which have the most positive attitudes compared to the older age groups who have less positive attitudes, although the reverse is true for the perception of media coverage.

EDUCATION AND GENDER

Figure 12 shows entrepreneurial activity by educational qualification and gender. Male entrepreneurial activity is highest amongst those who have graduated with Doctorates (11.0%) and Masters' qualifications (10.6%). Similarly, women with post-graduate qualifications have the highest levels of entrepreneurial activity (6.3% and 6.7% respectively). The gap between male and female entrepreneurship is narrowest amongst Masters, Bachelor level graduates and other qualifications.[36] The picture is similar if male and female entrepreneurial activity is examined by year of graduation. We group graduate respondents into two groups: those who graduated before 2000 and those who graduated after 2000. The results are presented in Figure 13 (p44).

Figure 13 tells us that:

- Men and women who graduated before 2000 are more likely to be entrepreneurially active than those who graduated after 2000.

- The gap is narrower between men and women who graduated before

36. Vocational qualifications are at post 16, level 4 NVQ

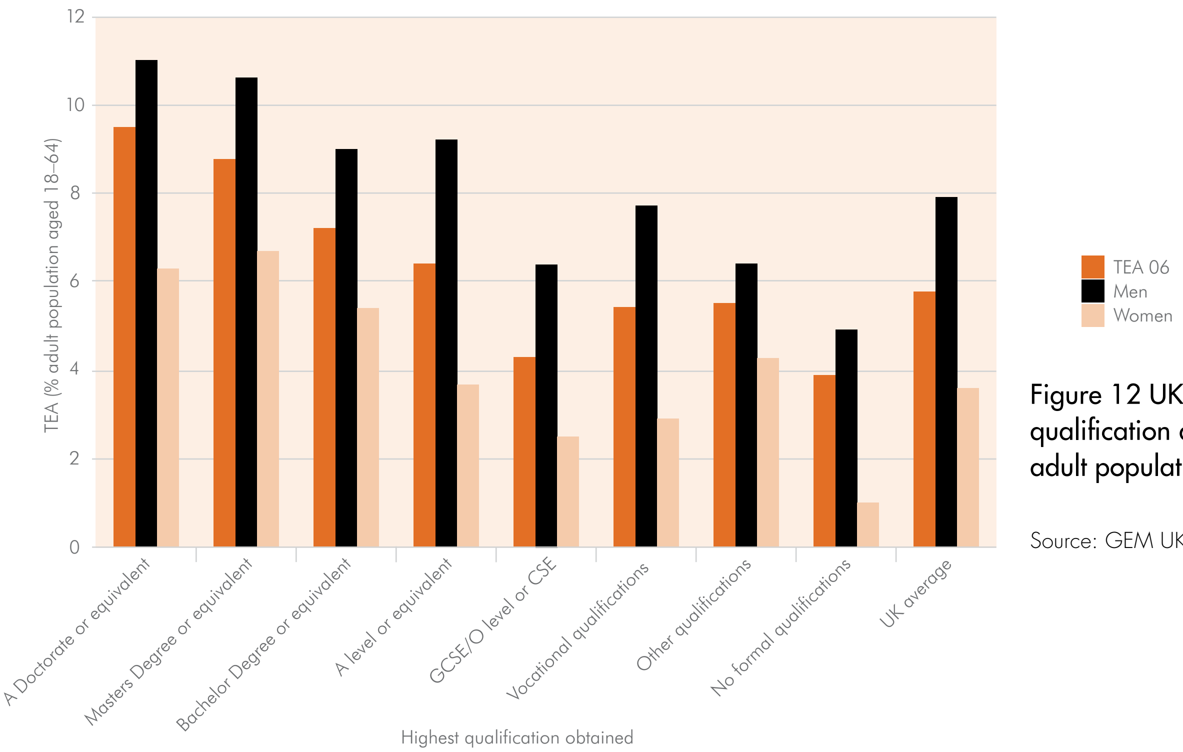


Figure 12 UK TEA by educational qualification and gender, 2006 (% adult population aged 18-64).

Source: GEM UK APS 2006

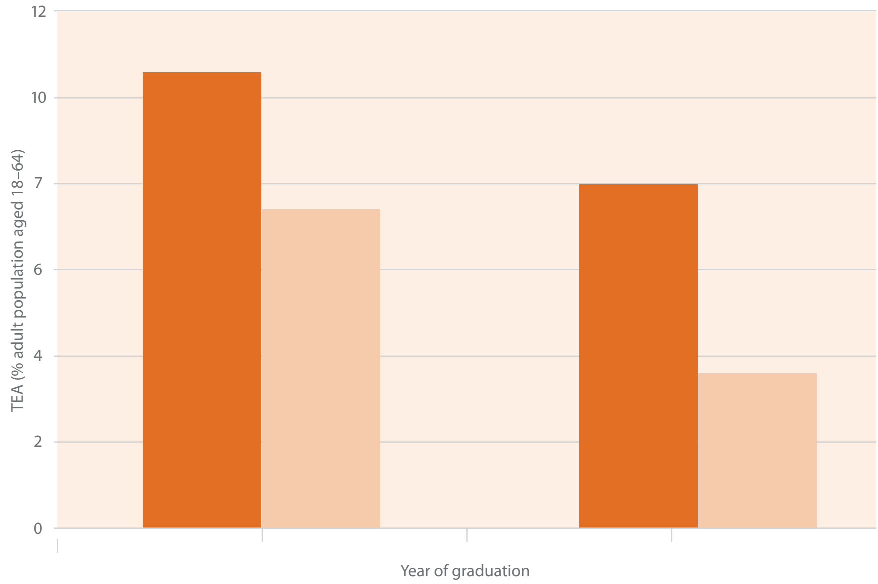


Figure 13 UK TEA by year of graduation and gender, 2006.

Source: GEM UK APS, 2006

37. The age categorisation here should be treated with caution since not all recent graduates will be younger. However, the majority of graduates in this category will be, hence the statement is broadly true.

2000. Women's entrepreneurship is 70% of male entrepreneurship in this group, but falls to 45% of male entrepreneurship amongst those who graduated after 2000.

The reason for this may rest in the attitudes of older and younger graduates and this is illustrated in table 10.[37]

Year of graduation does not make a significant difference to men or women in terms of their likelihood of knowing an entrepreneur, seeing good start-up opportunities or their fear of failure. However, there is some detail here that is significant:

- More recent graduates, whether men or women, are less likely to think that they have the skills to start a business.
- Recently graduated men are more likely to be expecting to start a business in the next three years, although recently graduated women are less likely.
- Recently graduated men and women have more positive attitudes towards entrepreneurship as a career choice.

	Men		Women	
	Before 2000	After 2000	Before 2000	After 2000
Expect to start business in next 3 yrs	12.9	16.5	9.1	7.9
Personally know an entrepreneur	39.6	40.1	30.4	31.5
Good start up opportunities	52.4	51.7	43.0	43.2
I have the skills to start a business	63.4	53.8	56.1	46.0
Fear of failure would prevent start up	35.8	36.3	41.8	43.1
Entrepreneurship good career choice	44.3	56.2	41.7	49.0
Entrepreneurs high status in society	73.1	72.5	68.3	74.8
Good media coverage	60.0	56.4	56.2	52.3

Table 10 Attitudes and perceptions of entrepreneurship by year of graduation, 2006 (% respondents).

Source: GEM UK APS 2006

DOES TRAINING MAKE A DIFFERENCE? [38]

Much effort has been put into enterprise training in schools, colleges and universities in the interests of improving attitudes towards entrepreneurship, as well as giving young people the skills base from which to develop their business ideas. It is instructive, therefore, to look at training and its impact on the likelihood of an individual starting a business or being involved in some form of early stage entrepreneurial activity. GEM UK always ask individuals whether or not they have taken enterprise training, but for the first time in 2006 asked if this training was compulsory or not. The results for all training (compulsory and voluntary) are presented in Table 11, while the results for training by whether or not it was compulsory are presented in Table 12.

Table 11 suggests that TEA and future start-up expectations are influenced by access to training. As in previous years, if a man has taken any type of training, it nearly doubles the likelihood that he will be thinking of starting a business and, in the cases of school training or work experience, increases the likelihood that he will be TEA active. Similarly for women, training more than doubles the likelihood that they will be expecting to start a firm, and significantly increases the likelihood that she will be TEA active.

38. The questions on enterprise training were only asked of the 18-44 year old age group since these are the individuals most likely to have had some form of enterprise training while at school or college through dedicated public or private sector initiatives.

	Expect to start up next 3 years				TEA			
	Training taken		No Training		Training taken		No Training	
	Men	Women	Men	Women	Men	Women	Men	Women
Training taken at School	18.4	10.3	11.7	5.7	10.6	6.9	8.9	4.0
Training taken at college/uni	18.8	14.3	11.3	4.7	7.7	4.0	8.1	3.4
Work experience in SME at college or uni	15.4	8.3	10.3	4.7	11.3	8.4	9.7	4.1
Government or public sector training	20.2	13.2	11.9	5.5	7.6	4.3	8.4	3.4

Table 11 Expects to start a business and UK TEA by access to training and gender, 2006.

Source: GEM UK APS 2006

I expect to start a business in the next three years				
	Training Compulsory		Training Voluntary	
	Men	Women	Men	Women
Training taken at School	11.9	9.0	20.7	10.8
Training taken at college/uni	19.1	13.5	17.8	14.5
Work experience in SME at college or uni	12.4	7.8	18.5	8.8
Government or public sector training	15.7	8.6	20.9	13.9
TEA				
	Training Compulsory		Training Voluntary	
	Men	Women	Men	Women
Training taken at School	7.1	5.4	7.9	3.8
Training taken at college/uni	8.4	5.5	11.4	7.5
Work experience in SME at college or uni	6.5	3.7	9.2	4.5
Government or public sector training	3.5	4.1	13.1	9.7

Table 12 Training, future start-up expectations and early stage entrepreneurial activity by gender and compulsion, 2006 (% respondents).

Source: GEM UK APS 2006

This begs an important question: is there a difference between the individuals who have taken training because they have to, and those individuals who have taken training because they wanted to? GEM UK therefore asked all of the 18-44 year olds whether or not the training, was compulsory or voluntary and while this does not inform us about the original motivations for taking training amongst those who entered voluntary programmes, the results, as shown in Table 12, are interesting:

- If an individual has taken voluntary and compulsory training they are more likely to be thinking of starting a business than the general population. However, voluntary training increases the likelihood of someone thinking of starting a business much more markedly than the effects of compulsory training. Compulsory training at school does not significantly increase the likelihood of men being TEA active, but appears to have a positive association with the likelihood that women will be entrepreneurially active.

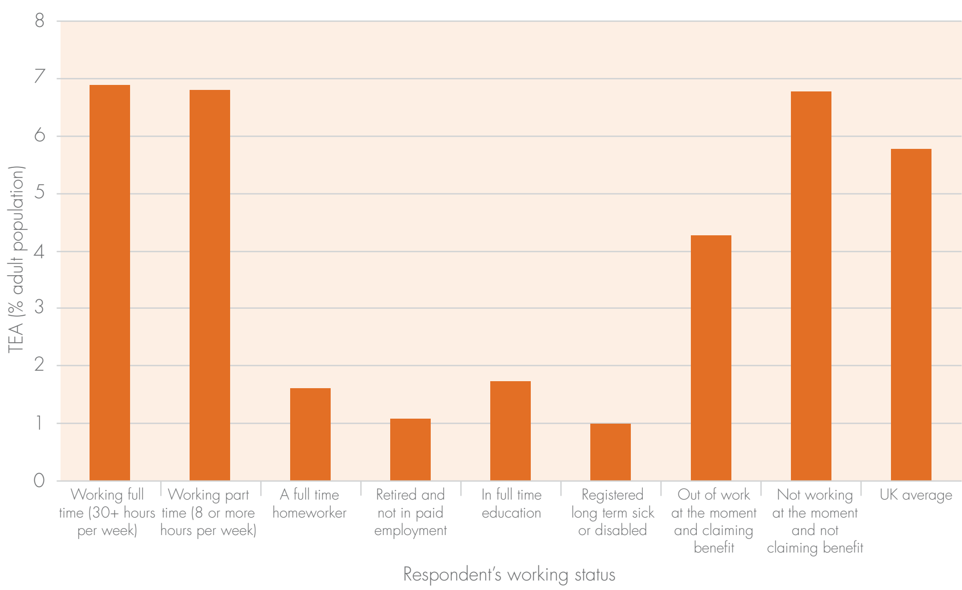
- Voluntary training of all types appears to be positively associated with TEA activity for men in all cases. For women, voluntary training at college/university appears to be positively associated with TEA activity, as does work experience in SMEs at college or university and government or public sector training.

ENTREPRENEURIAL ACTIVITY BY WORKING STATUS AND INCOME

Figure 14 shows the TEA breakdown for the UK by occupation in 2007.

Figure 14 UK TEA by respondent's working status (% adult population aged 18-64).

Source: GEM UK APS 2006



As in previous years, it is those in employment (either full or part time) who are more likely to be entrepreneurially active. However, Figure 14 shows a TEA rate of 6.8% amongst those who are out of work but not claiming benefit and 4.3% amongst those who are out of work, and claiming benefit. These are both small increases on the 2005 figures of 6.6% and 3.6% respectively.

Income is a good predictor of entrepreneurial activity as illustrated in Figure 15. As income rises, so too do TEA rates.

ETHNIC MINORITY AND MIGRANT ENTREPRENEURSHIP

Finally, for this section we look at TEA amongst ethnic minorities and migrant groups. GEM UK finds its sample in London boroughs where ethnic minority representation is high, but additionally in 2006 because of boosted samples in regions outside of London where there are also large ethnic minority populations. There are some 3,098 non-white TEA active individuals within the study after weighting. A full breakdown is given with the chart data in Appendix 1, but this number allows us to look at a greater diversity of ethnic groupings for the ethnic sample as a whole, as illustrated in Figure 16 (p48).

The most entrepreneurial ethnic groupings are mixed white/black Caribbean (14.5%), Black Caribbean (12%) and black African (11.4%). These groupings are between twice and two and a half times as likely to be entrepreneurial as their white British counterparts (5.4%).

Indians, interestingly are not significantly more entrepreneurial than white British people but Pakistani and

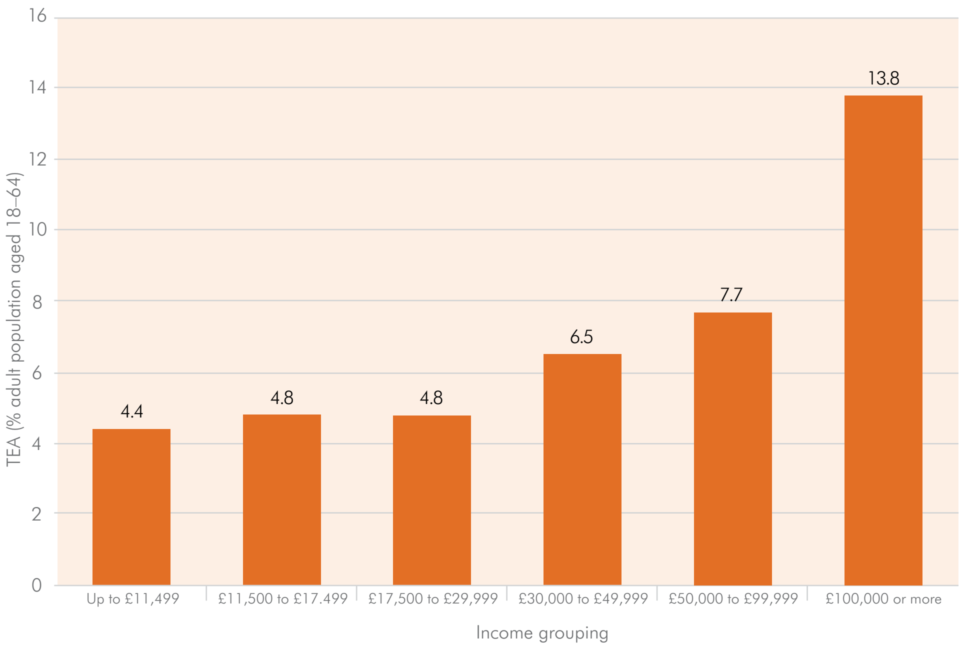


Figure 15 UK TEA by respondent's income grouping (% adult population aged 18-64).

Source: GEM UK APS 2006

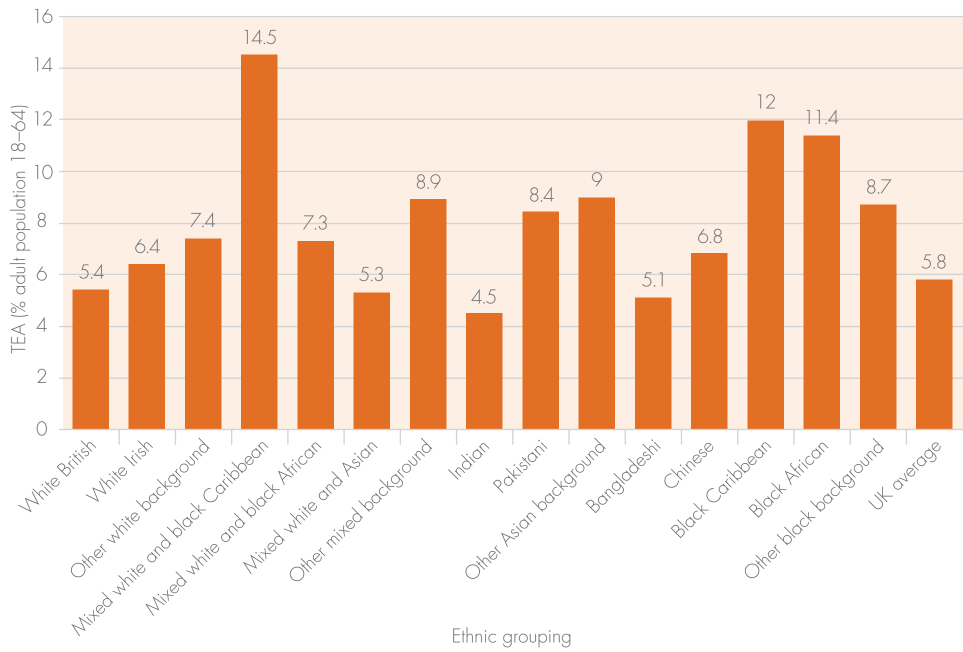


Figure 16 UK TEA by detailed ethnic grouping, 2006.

Source: GEM UK APS, 2006

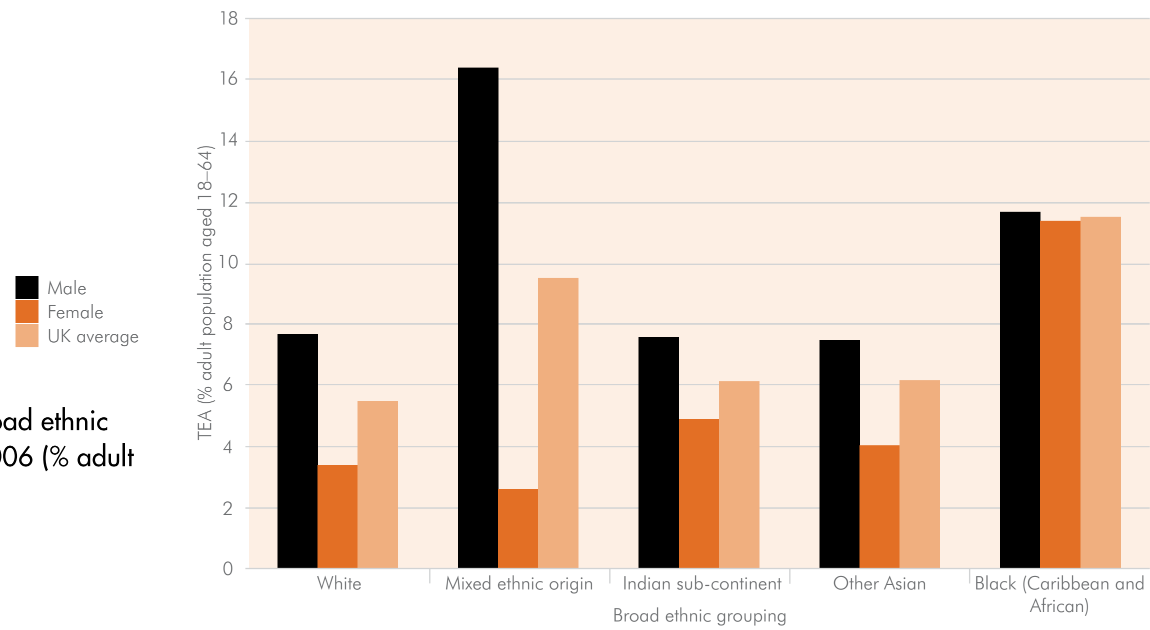


Figure 17 UK TEA by broad ethnic grouping and gender, 2006 (% adult population aged 18-64).

Source: GEM UK APS 2006

39. This provides a more robust analysis where differences are statistically significant. This is necessary as, by breaking the sample down by gender the number of cases in each category reduces.

Bangladeshi people are at 8.4% and 9% respectively.

However, the numbers are smaller for each of the gender groupings, so in order to compare the differences between genders, we have amalgamated the detailed ethnic groupings to broader groups for illustrative purposes[39]. This is shown in Figure 17.

Figure 17 breaks the analysis down by gender. For example, men from a mixed ethnic background are the most entrepreneurial at 16.4%. This is also where the gender gap is the greatest, since female entrepreneurship amongst this group is the lowest of all broad ethnic groupings at 2.6%. Interestingly, black men and black women are similarly likely to be TEA active at 11.7% and 11.3%.

There are substantial differences in attitudes and perceptions of entrepreneurship by detailed ethnic grouping[40], as shown in Table 13.

- Black African (35.0%), black other (27.0%) and other Asian (27.9%) groups are the most likely to be thinking of starting a business in the next three years.
- White British (6.3%) are the least likely to be thinking of starting a business in the next three years.
- All other groupings are more likely to expect to start a business than their white British counterparts.
- 40.9% of the Pakistani and 45.2% of the other mixed groups personally know an entrepreneur in comparison to 7.5% of black other, the 20.8% mixed white/black African and 25.6% of white British groups.
- Perceptions of having the skills to run a business are consistently high at above 46%, with the highest figure of 72.2% for the mixed white/black Caribbean group.
- Fear of failure is greatest amongst the Chinese (43.2%) and white Irish (42.3%) groups and lowest amongst the mixed white/black Caribbean (27.1%), other mixed (26.2%), Bangladeshi (26.7%) and Black Caribbean (27.0%) groups.

40. Based on the unweighted dataset total sample with numbers in each group as given in the appendix.

	I expect to start a business in the next 3 years	I personally know an entrepreneur	There are good start-up opportunities where I live	I have the skills to start a business	Fear of failure would prevent me starting a business
White British	6.3	25.6	36.2	48.3	36.2
White Irish	10.8	36.0	45.3	54.8	42.3
White Other	12.4	36.5	43.1	54.2	32.1
Mix White/Caribbean	19.2	33.7	55.4	72.2	27.1
Mix White/African	22.8	20.8	35.1	61.4	33.3
Mix White/Asian	13.9	31.9	38.6	62.4	34.1
Other mixed	20.6	45.2	39.3	57.3	26.2
Indian	9.4	30.9	27.9	46.4	34.0
Pakistani	18.2	40.9	37.2	48.4	35.7
Bangladeshi	13.7	31.1	37.3	50.8	26.7
Chinese	8.8	39.7	14.4	40.9	43.2
Other Asian	27.9	27.1	44.6	52.2	36.6
Black Caribbean	17.8	30.7	29.2	56.3	27.0
Black African	35.0	36.0	47.3	64.7	38.1
Black Other	27.0	7.5	31.3	46.2	35.0

Table13 UK attitudes and perceptions by ethnic grouping, 2006 (% respondents).

Source: GEM UK APS 2006

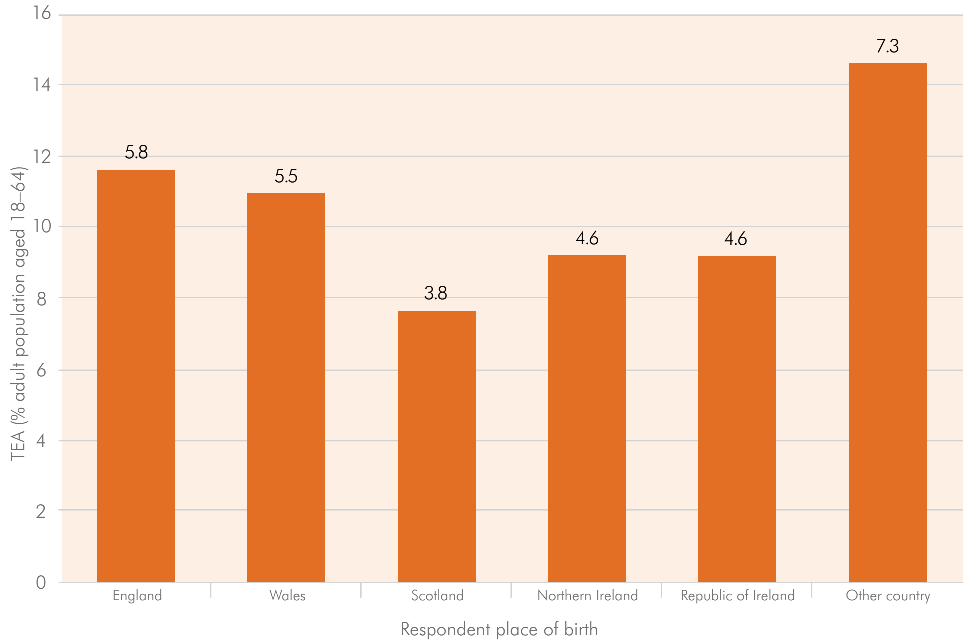


Figure 18 UK TEA by place of birth, 2006 (% adult population aged 18-64).

Source: GEM UK APS, 2006

Figure 18 looks at TEA by place of birth and shows that it is those individuals who were born outside the UK who have substantially higher levels of entrepreneurial activity than the other British groupings.

INTERPRETATION AND EXPERT VIEWS

The government's demand-side policies for entrepreneurship aim to change culture over time and to increase entrepreneurial activity in "under-represented" or "hard to reach" groups. The evidence presented here is based on attitudes and early stage entrepreneurial activity and, although "culture change" is both long term and difficult to measure reliably, it gives some indication of attitudes and perceptions of entrepreneurship.

There is no evidence of a "step change" in culture. Attitudes amongst specific groups in the UK remain positive compared to elsewhere in Europe and in the US. But there are some interesting results amongst target groups for the government as follows:

Women: Female entrepreneurial activity is still lower than male activity and attitudes towards entrepreneurship are weaker. The UK has one of the worst "business survival ratios" for women in the G8 and the data suggest that fear of failure has increased amongst women and that women's perception of their entrepreneurial skills has worsened. However, the evidence also suggests that training has a particularly strong effect on women, especially if it is voluntary.

As our experts highlighted. Examples of the most effective training for women included mentoring and accessing, building and utilising networks alongside access to finance. Compulsory training at school did have a positive effect on women's likelihood of being TEA active and this ties in with the view of our experts that more could be done to link the core curriculum to its uses in business as a means of allowing women to link their education with potential entrepreneurial careers. More than this, many experts stressed that women are not scaling up their businesses and, by focusing on start-up activity in business support, the growth potential of female enterprise is lost. One of the challenges, argued one, is to make a clear case for why women need particular support, in order to overcome the scepticism amongst the more established business community.

Graduates: There is evidence that more recent male graduates are significantly more likely to expect to start a business in the next three years. Recent graduates are also more likely to see entrepreneurship as a good career choice and women in particular are more likely to see entrepreneurs as having a high status in society. Neither men nor women who graduated after 2000 were more likely to fear failure than those who graduated before 2000.

However, these positive attitudes are not matched by differences in the likelihood of more recent graduates knowing entrepreneurs, and women were less likely to see good opportunities. Men and women alike were less likely to think they had the skills to start a business if they had more recently graduated.

Training: Experts stressed the need to focus training on building skills and confidence and the data presented here would corroborate those assertions. One expert argued that the UK is a long way behind the US in terms of technological skills and, although many students and graduates have business acumen, they are uncertain as to how to use it. As another pointed out, "Education doesn't promote entrepreneurship; being entrepreneurial is a mindset. The programmes to develop students and graduates shouldn't promote business, they should promote entrepreneurial thinking."

However, the 2006 data can demonstrate the importance of exposure to voluntary training at an early age. Some 41.9% of respondents who voluntarily undertook enterprise training at school went on to 'sign up' for enterprise training at university – compared to 23.3% of those who were 'forced' to do enterprise training at school. Similarly, 19.2% of those who volunteered for training at school went on to undertake a government or public sector training programme. Both tertiary level enterprise training and public sector training increase the likelihood that an individual will be expecting to start a firm in the next three years.

In other words, this demonstrates the power of enterprise training at an early age: the data here potentially suggest that it increases the likelihood that an individual will take training later in life and go on to start a business in the future.

Ethnic minorities: As in previous years, the ethnic minority and non-British communities of the UK are more entrepreneurial than their white British counterparts. In particular, black Africans and black Caribbeans are twice as likely to be entrepreneurs, and mixed white and black Caribbeans are two and a half times as likely to be entrepreneurs. Pakistani and Bangladeshi communities are also more likely to be TEA active.

One of the difficulties with ethnic entrepreneurship is how to deliver support, which is targeted without limiting the growth potential of the businesses established. One expert argued that the challenge is not the levels of entrepreneurial activity, but making that activity sustainable and growth oriented, beyond ethnic minority communities. “Terminology is important,” she argued, “and although we don’t want to be classified as excluded, we also don’t want to lose the richness of support that this classification gives us.”

7.0

ENTREPRENEURIAL FINANCE

41. The analysis and tables show the responses to questions as they were asked in the GEM UK 2006 questionnaire hence they do not match exactly to normal financing vocabulary.

Many direct policy interventions are focused on ensuring that finance is available for entrepreneurs as their businesses are started and subsequently grow. Support through finance is more developed in the UK than elsewhere in Europe, but the government has identified weaknesses in the funding ladder for entrepreneurial and high growth businesses, which it has sought to address through changes to the Small Firm's Loan Guarantee Scheme, the Regional Venture Capital Funds and the Enterprise Capital Funds in particular. Further changes to the tax treatment of investments in venture capital trusts has additionally enabled high net worth individuals to invest in riskier funds.

As illustrated in Table 14, the median amount of money required in the UK to start a business was £10,000. For men, the figure was £15,000 and for women it was £7250. Men and women will invest the same amount themselves, but men have higher projected median turnovers, both in the first year of trading and after three years than women. There is a funding gap at the earliest stages of businesses in the UK of around £5,000 for men and £2,500 for women). Finance is sought from various sources, as illustrated in Table 15.

Table 15 looks at sources of finance used and also sources of finance sought, but failed[41]. A number of highlights can be drawn from it:

- The most popular form of start up finance used for men and women is a bank overdraft.
- Women are not significantly more likely to access and use any one source of finance more than men, but men are more likely to access and use finance from friends

Table 14 Start-up money required and amount invested by individual (£ median).

Source: GEM UK APS 2006

	Start up money needed	Start up money invested by individual	Projected turnover first year of trading	Projected turnover after 3 years
Men	15,000	10,000	45,000	100,000
Women	7,250	5,000	30,000	60,000
Median for all	10,000	10,000	40,000	80,000

Table 15 Sources of finance used and sources of finance sought unsuccessfully by gender, 2006 (% entrepreneurially active respondents).

Source: GEM UK APS 2006

	Finance Used (% TEA active respondents)		Finance sought but failed (% TEA active respondents)	
	Men	Women	Men	Women
Friends & family	19.8	17.0	3.5	1.9
Individual investor	7.9	3.7	3.5	1.8
Unsecured bank loan	16.2	11.4	5.6	2.6
Bank overdraft	32.4	26.5	5.8	2.6
Secured non-bank loan	6.7	2.8	2.7	0.8
Secured bank loan (mortgage)	15.5	17.3	3.4	1.8
Equity	4.7	3.4	1.7	0.9
Government grant or programme	9.3	9.2	4.2	5.4
Credit cards	15.3	15.1	3.3	2.0

and family, individual investors, unsecured bank loans, bank overdrafts, secured non-bank loans and equity finance.

- Men are significantly more likely to fail to gain finance than women, in all areas except government grants or programmes.

Table 16 looks at the reasons why individuals fail to gain finance, again by gender. Men are significantly more likely to cite every reason listed as grounds for not getting finance. For both groups, however, the correlation between reasons is strong and significant. In other words, if an individual failed on one count, they were likely to fail on all.

the availability of capital for the right projects, but also pointed out the weaknesses of many of the plans and teams that they reviewed.

In particular, their concerns centred on the growth orientation and sustainability of the plans. They argued that there is growth potential in UK entrepreneurial businesses, but accessing a strong client base is difficult thereby making cash flow forecasting difficult, especially for technology projects. As in previous years, they supported the government's efforts to review and tighten procurement processes to bring the UK into line with the US Small Business Innovation and Research (SBIR) programme.

	Men	Women
Not investor ready	25.8	14.3
Nature of business	33.6	21.4
Weak business plan	19.1	17.0
Business too small	32.8	24.2
Fear of debt	29.4	23.1
Won't share ownership	21.9	15.3
Cost of finance	36.4	22.5
Weak management team	7.4	3.8

Table 16 Reasons for failing to access finance by gender, 2006.

Source: GEM UK APS 2006

INTERPRETATION AND EXPERT VIEWS

The median turnover figures are similar to those cited in previous years and the sources of finance and the reasons for failure are also similar.

This latter point is important because it suggests that if an individual does not successfully access start-up finance, it is because of a complete failure of the planning process at the earliest stages of business development. Experts from venture capital and financial sectors were, as in previous years, keen to stress

8.0

CHALLENGES AND BARRIERS

This final section looks at some of the reasons why businesses close and the reasons why "avoiders" will not start-up a firm (in other words, those who will never consider starting a business).

If the UK is to build strong and sustainable businesses, then the reasons for closure are important to understand. Many fear failure, but often businesses close for other reasons, as illustrated in Table 17.

What is interesting about Table 17 is that men are more likely to close their businesses for business-related reasons (finance, competition etc.), while women are more likely to close their business for non-business reasons (found another job or personal reasons).

Table 18 looks at the reasons why some women and men say they will not start businesses. Although women and men demonstrate similar patterns of aversion to entrepreneurship (for example, lack of skills and finance being key deterrents), women are significantly more likely than men to cite the majority of points in Table 18 as reasons for not starting a business.

Other areas that were cited included: lack of help and advice, no idea on how to promote the business, no premises, bad experiences in the past and the current economic climate, but numbers were small for these and the differences were not statistically significant.

	Men	Women
I have closed a business in the last three years	2.7	1.3
Reasons for closing the business:		
Too much competition	9.9	2.2
Lack of customers	10.8	13.6
Financial reasons	31.1	18.4
Found another job	10.6	14.5
Retired	7.8	10.1
Personal	27.1	39.0

Table 17 Business closures and the reasons behind them by gender, 2006.

Source: GEM UK APS 2006

	Men	Women
Fear of debt	47.9	52.1
Fear of not getting finance for business	44.2	55.8
Lack of interest	13.7	17.1
I don't have any good ideas	45.2	54.8
I don't have the skills/know-how	49.9	53.1
It would take too much time	6.5	12.8
There is a chance it may fail	48.3	51.7
My age	41.3	58.7
My health/stress involved	3.1	2.8
Lack of confidence/Fear of the unknown	0.9	1.2
Lack of customers	1.3	0.8
Complexity of tax and regulatory system	4.0	1.8

Table 18 Reasons for not starting a business amongst "avoiders" by gender, 2006.

Source: GEM UK APS 2006

INTERPRETATION AND EXPERT VIEWS

Once again, the differences between men and women is highlighted here. Women appear to be more easily deterred from starting a business and cite personal and career reasons for closing down their business. This is consistent with the views of experts who argued that the support through the whole process for women, from the first idea right the way through to accessing growth finance, has to include normative or social support (such as mentoring and networking), as well as standard provision of skills training and finance. One argued, "if we are to make women's businesses sustainable, we cannot ignore these softer challenges, as they are fundamental in deterring women from entrepreneurship."

9.0

POLICY CONCLUSIONS

At the time of writing this report the government was undergoing a major review of its enterprise policy, focusing on de-proliferation of services, the restructuring of the Small Business Service and enterprise delivery. Rather than look back over the measures taken previously, this summary is intended to highlight some of the key challenges that the new structures will have to address both regionally and nationally.

First, in some respects the UK still lags behind the US and Canada, and the challenges from India and China cannot be ignored. Our levels of entrepreneurial activity, particularly in its earliest stages are better than those in continental Europe and we do have a better sustainability ratio (of established businesses to start-ups) than the US or Canada. However, these are not grounds for complacency. The data reported here, suggests that in a comparative setting, the UK has a poor record on the survival probabilities of female entrepreneurial activity and, although we have largely positive attitudes towards entrepreneurship, and especially entrepreneurial opportunities, we are still more likely than the US or Canada to fear failure.

Second, there is evidence that entrepreneurial activity outside of London is increasing, but it does not differ significantly between regions. Attitudes do not appear to have made a step change. Regional distinctiveness is important since, in the globalising world, many experts were keen to point out that competition is not necessarily within the UK, but with other regions elsewhere in Europe and beyond. Experts were keen that regional diversity and texture should be the focus of RDA strategy and Business Link delivery, but stressed that keeping the entrepreneurship momentum going was key in ensuring that attitudes and perceptions remained positive.

Third, the GEM UK 2006 report has presented a lot of information on women in order to add to the evidence base for the Women's Task Force for Enterprise. As in previous years, the evidence that women are less confident than men and have lower expectations of how their businesses will grow is still robust. We know as well that women are more likely to resist entrepreneurship or to close their businesses for non-business reasons, such as career change or lack of interest. Yet we also know from the data in this report that women are more likely to be entrepreneurially active if they have had some form of enterprise training and, unlike men, this appears to be particularly effective in a compulsory setting at school or college. The Make Your Mark campaign and the National Council for Graduate Entrepreneurship have targeted younger women. The data presented here suggests that there would be sense in focusing on sustaining interest, building confidence and networks and linking that to finance in the interests of building sustainable female owned businesses.

Finally, there are currently major campaigns to develop entrepreneurship amongst young people in schools and colleges/

universities. The evidence suggests that young people are positive about start-up businesses and that campaigns to encourage them into enterprise activities on a voluntary basis will have a greater effect on subsequent entrepreneurial activity than those who have taken compulsory training. However, compulsory training does have a role, as our experts were keen to stress, in building positive attitudes to the link between education and business.

This GEM UK report has attempted to add to the evidence base for policy in the run up to the next Comprehensive Spending Review, as well as the review of current delivery mechanisms. It is not the intention to use the data to criticise. In the words of one expert, "This is about the future of the UK economy in a globalised and entrepreneurial world. We cannot afford to ignore that challenge and must all contribute in a constructive way."

10.0

APPENDIX

APPENDIX 1: GEM UK APS METHODOLOGY

Target population Population coverage	Persons aged 16-80 years of age, resident to a private household in the United Kingdom.[42]		
Remark	For the purposes of the APS, a household is defined as a collection of individuals sharing the same fixed-line telephone.		
Sampling design	Stratified random sampling by region (weightings in final dataset to reflect UK census 2003 mid-year population estimates for age, gender and ethnicity). Primary sampling units: Twelve regions in the following proportions:		
	Region	No. of respondents	% of sample
	East Midlands	2,993	7.0%
	East of England	2,992	7.0%
	London	3,528	8.2%
	North East	5,006	11.6%
	North West	3,015	7.0%
	Northern Ireland	5,101	11.9%
	Scotland	2,421	5.6%
	South East	2,980	6.9%
	South West	1,014	2.4%
	Wales	7,966	18.5%
	West Midlands	3,013	7.0%
	Yorkshire and Humberside	3,004	7.0%
	Total	43,033	100.0%
Interview method	Telephone (eight callbacks)	Sample frame	UK Changes (RDD Sample)
Percentage of households with phone	92% (according to February 2004 Ofcom estimates)	Estimated number of ineligibles	3,500 (households with no-one aged 16-80)
Projected Sample Size	42,500	Estimated response rate	25%

42.TEA rates are developed on the basis of data for 18-64 year olds. However, the DTI's Small Business Service requests additional sampling in the 16 and 17 year old group and in order to capture the full extent of informal investment activity, it has been GEM Global protocol to interview over 64s as well.

APPENDIX 2: CHART DATA

Figure 1:Total early stage entrepreneurial activity in the G8 countries (2001-2006).

	2001	2002	2003	2004	2005	2006
Canada	11	8.8	8.0	8.9	9.3	7.1
France	7.4	3.2	1.7	6.0	5.4	4.4
Germany	8.0	5.2	5.2	4.5	5.4	4.2
Italy	10.2	5.9	3.2	4.3	4.9	3.5
Japan	5.2	1.8	2.2	1.5	2.2	2.6
Russia	6.9	2.5	2.5			4.9
UK	7.7	5.4	6.4	6.3	6.2	5.8
US	11.6	10.5	11.9	11.3	12.4	10.0
China		12.9	12.9		13.7	16.2
India		17.9	17.9			10.4

Figure 2: Necessity and opportunity entrepreneurship in the G8 countries plus India and China.

	Necessity TEA	Opportunity TEA
Canada	1.0	6.0
France	1.7	2.7
Germany	1.5	2.5
Italy	0.8	2.6
Japan	0.5	2.5
Russia	1.4	3.4
UK	0.9	4.7
US	1.3	8.3
China	6.3	9.6
India	2.9	6.7

Figure 3: Early stage entrepreneurial activity by gender in the G8 plus India and China, 2006.

	Male	Female	Ratio (female/male)
Canada	8.3	6.0	0.723
France	6.3	2.5	0.397
Germany	5.8	2.6	0.448
Italy	3.9	3.1	0.795
Japan	3.2	2.6	0.813
Russia	7.3	2.6	0.356
UK	7.9	3.6	0.456
US	12.7	7.4	0.583
China	18.5	13.8	0.746
India	11.6	9.2	0.793

Figure 4: Established business ownership by gender in the G8 countries plus India and China, 2006.

	Male	Female
Canada	6.2	4.0
France	1.3	1.4
Germany	3.9	2.1
Italy	4.3	1.7
Japan	6.6	2.9
Russia	1.8	0.6
UK	7.9	2.9
US	7.7	3.2
China	11.6	6.3
India	7.3	8.4

Figure 5: Female entrepreneurial activity in the G8 plus India and China, 2001-2006.

	2001	2002	2003	2004	2005	2006
Canada	8.0	6.0	5.2	6.1	5.6	6.0
France	3.6	2.1	1.6	3.8	3.3	2.5
Germany	4.9	3.4	3.3	2.6	3.8	2.6
Italy	9.0	4.1	3.2	2.3	3.7	3.1
Japan	2.0	0.6	1.3	1.2	1.2	2.6
Russia						2.6
UK	3.7	3.3	3.8	3.9	3.8	3.6
US	9.0	8.2	8.2	10.7	9.7	7.4
China						13.8
India						9.2

Figure 6: TEA in the UK regions, 2002-2006.

	2002	2003	2004	2005	2006
East of England	4.6	5.4	7.0	5.4	5.7
East Midlands	6.1	5.5	5.9	5.5	6.1
London	5.6	10.0	7.3	8.3	6.0
North East	2.9	3.8	5.0	3.8	4.4
North West	4.3	4.7	4.0	4.6	4.9
Northern Ireland	3.3	5.3	5.0	4.8	3.7
Scotland	4.3	5.5	5.2	5.8	4.2
South East	5.3	7.9	7.0	6.9	6.2
South West	5.1	6.8	6.8	6.9	7.6
Wales	3.6	6.8	5.5	5.3	5.5
West Midlands	4.9	6.6	5.2	5.4	5.3
Yorks and Humber	3.9	4.2	4.5	5.7	4.5
UK average	5.4	6.4	6.3	6.0	5.8

Figure 7: TEA in the UK regions by gender, 2006.

	Male	Female
East of England	7.9	3.6
East Midlands	8.7	3.5
London	8.9	3.3
North East	5.9	2.8
North West	6.9	3.1
Northern Ireland	5.1	2.2
Scotland	5.8	2.6
South East	8.3	4.2
South West	9.8	5.5
Wales	7.4	3.6
West Midlands	7.4	3
Yorks and Humber	6.9	2.1
UK average	7.9	3.6

Figure 8: Female TEA by UK region, 2002-6.

	2002	2003	2004	2005	2006
East of England	1.2	2.7	3.47	3.937	3.6
East Midlands	3.1	3.8	4.36	3.361	3.5
London	3.0	6.6	4.12	5.759	3.3
North East	1.3	2.9	3.43	2.699	2.8
North West	1.5	2.3	3.06	2.244	3.1
Northern Ireland	1.4	3.5	2.60	2.759	2.2
Scotland	1.4	3.1	3.64	3.842	2.6
South East	2.8	4.2	4.35	3.906	4.2
South West	2.7	4.6	5.58	5.541	5.5
Wales	2.5	4.1	4.14	3.632	3.6
West Midlands	3.3	3.4	2.47	3.315	3.0
Yorkshire and Humberside	3.0	2.9	2.90	3.400	2.1
UK average	3.3	3.8	3.90	3.800	3.6

Figure 9: Informal investment activity in the UK regions, 2002-6.

	2002	2003	2004	2005	2006
East of England	1.6	1.6	1.2	1.7	1.4
East Midlands	2.1	1.5	1.4	1.4	2.3
London	3.0	2.7	1.5	2.2	1.7
North East	0.8	1.2	1.4	0.8	0.6
North West	1.1	1.1	0.4	1.0	1.8
Northern Ireland	1.3	0.9	1.0	0.8	0.9
Scotland	0.8	1.4	1.4	1.1	1.2
South East	1.9	2.6	2.0	1.5	2.1
South West	2.1	1.8	1.2	1.3	1.8
Wales	1.3	1.4	2.0	1.1	1.2
West Midlands	1.7	1.2	2.0	1.7	1.7
Yorkshire and Humberside	1.4	0.5	1.0	1.2	1.0
UK average	1.7	1.6	1.4	1.4	1.7

Figure 10: UK TEA by age and gender, 2006.

	Total	Men	Women
18-24	3.8	5.6	1.9
25-34	7.0	9.6	4.3
35-44	7.3	9.7	5.0
45-54	5.7	7.5	4.0
55-64	3.8	5.9	1.8

Figure 11: Attitudes and perceptions of entrepreneurship by gender, 2006.

	Men	Women
Expect to start-up	10.4	5.3
Know an entrepreneur	31.7	22.5
Good opportunities	41.2	32.1
Have the skills	58.6	39.8
Fear failure	32.6	39.2
Good career choice	55.0	53.0
Hi status	74.2	71.2
Good media coverage	57.1	52.2

Figure 12: UK TEA by educational qualification and gender, 2006.

	TEA 06	Men	Women
A Doctorate or equivalent	9.5	11.0	6.3
Masters degree or equivalent	8.8	10.6	6.7
Bachelor degree or equivalent	7.2	9.0	5.4
A-level or equivalent	6.4	9.2	3.7
GCSE/O-level or CSE	4.3	6.4	2.5
Vocational qualifications	5.4	7.7	2.9
Other qualifications	5.5	6.4	4.3
No formal qualifications	3.9	4.9	1.0
UK average	5.8	7.9	3.6

Figure 13: UK TEA by year of graduation and gender, 2006.

	Men	Women
Before 2000	10.6	7.4
After 2000	8.0	3.6

Figure 14: UK TEA by respondent's occupation, 2006.

	TEA
Working full time (30 or more hours per week)	6.9
Working part time (8 or more hours per week)	6.8
A full time homemaker	1.6
Retired and not in paid employment	1.1
In full time education	1.7
Registered long term sick or disabled	1.0
Out of work at the moment and claiming benefit	4.3
Not working at the moment and not claiming benefit	6.8
UK average	5.8

Figure 15: UK TEA by respondent's income grouping.

	TEA
Up to £11,499	4.4
£11,500 to £17,499	4.8
£17,500 to £29,999	4.8
£30,000 to £49,999	6.5
£50,000 to £99,999	7.7
£100,000 or more	13.8

Figure 16: UK TEA by detailed ethnic grouping, 2006.

	Mean	N
White British	5.4	29013
White Irish	6.4	871
Other white background	7.4	1915
Mixed white and black Caribbean	14.5	176
Mixed white and black African	7.3	80
Mixed white and Asian	5.3	143
Other mixed background	8.9	200
Indian	4.5	689
Pakistani	8.4	334
Bangladeshi	9.0	121
Chinese	5.1	193
Other Asian background	6.8	277
Black Caribbean	12	395
Black African	11.4	420
Other black background	8.7	68
UK average	5.8	34896

Figure 17: UK TEA by broad ethnic grouping, 2006.

	Male	Female	UK average
White	7.7	3.4	5.5
Mixed ethnic origin	16.4	2.6	9.5
Indian sub-continent	7.6	4.9	6.1
Other Asian	7.4	4.0	6.2
Black (Caribbean and African)	11.7	11.3	11.5

Figure 18: UK TEA by place of birth, 2006.

	TEA
England	5.8
Wales	5.5
Scotland	3.8
Northern Ireland	4.6
Republic of Ireland	4.6
Other country	7.3

London Business School
Sussex Place
Regent's Park
LONDON, NW1 4SA
UK

Tel: +44 20 7000 7000
Fax: +44 20 7000 7001

www.london.edu

A graduate school of the University of London

London Business School

The Global Entrepreneurship Monitor is part of the Global Entrepreneurship Research Association. Global Entrepreneurship Research Association is a charitable company limited by guarantee.
Registered in London. Company registration number: 05352027. Registered Office: London Business School, Regent's Park, London, NW1 4SA