

# Female owned businesses in the South East

**July 2008**

This briefing note has been prepared by the ONS Regional Team for the South East.

Peggy Causer  
Regional Statistician  
Tel: 01483 501 301  
Mobile: 07788 178756  
Email: [peggy.causer@ons.gov.uk](mailto:peggy.causer@ons.gov.uk)

Neil Park  
Regional Analyst  
Tel: 01483 501 339  
Mobile: 07788 418840  
Email: [neil.park@ons.gov.uk](mailto:neil.park@ons.gov.uk)

## Contents

Executive summary	1
Introduction	3
Current trends in self-employment	6
Why people are self-employed?	13
Nature of female self-employment	18
Self-employment to business ownership	28
References	36

## Executive Summary

A 'Strategic Framework for Women's Enterprise' was published by the Government in 2003, setting targets to raise the proportion of UK businesses that are majority women-owned from 15 per cent to 18-20 per cent by 2006. Regional Development Agencies were required to follow this framework with detailed implementation plans. In 2006, the South East England Development Agency (SEEDA) published its Regional Economic Strategy (RES) 2006-2016, setting a target to increase the number of new businesses run by women by 10,000 by 2010.

Increasing female business ownership also supports Smart Growth targets in the RES which requires an increase in the business stock of the region. A third strand for this work is that the South East leads on the Women's Enterprise Task Force and there is a need to champion improvements in the understanding and measurement of female entrepreneurship.

Measuring the amount of female entrepreneurship in the South East is not a straight forward task. First one has to define what is meant by entrepreneurship, as well as developing ways of monitoring over time. The number of businesses owned by females is considered a suitable measure, however this information cannot be obtained directly from administrative systems. The gender of owners (or senior partners) is not collected as part of the company registration process and is not available from the Inter-Departmental Business Register (IDBR).

People who are self-employed are often used as a proxy for business ownership, as these numbers are much easier to estimate. A major source of information on self-employment is the Labour Force Survey (LFS) which is a quarterly survey carried out by the Office for National Statistics (ONS). This report is largely based on analysis of the LFS.

The Labour Force Survey provides a breadth of information about the activities of both males and females in the work-place. The data extends beyond the usual employment and self-employment rates and levels and can be used to specifically measure the number of business owners. By scrutinizing LFS data, further details of their activities can be uncovered, such as the number of people they employ, the occupations they are in, the industries they work for and the hours they work. These aspects and others are covered in various sections of this report.

### ***Key Findings***

- Female self-employment reached its highest level in 2007 in the UK and in the South East.
- Male self-employment in the South East has remained at a relatively stable level for the past two years following a period of decline from 2004.
- Those reporting that they were business owners were in many cases self-employed.
- Business owners as a group comprised a slightly higher proportion of managerial or professional occupations than the self-employed.
- Female self-employment was much more likely to be part-time than self employment for men. This difference was most evident in the South East where just 37 per cent of the female self-employed worked full-time in the period October-December 2007.

- The increasing level of female self-employment in the South East is largely due to the increase in part-time workers.
- Female self-employees are more likely than men to work at home, this partly reflects the types of work the two groups do and partly the reasons why each group chose to be self-employed.
- Men and women have different drivers for becoming self-employed. Men overwhelmingly choose to be self-employed for 'entrepreneurial' reasons such as to make more money, to be independent or the nature of their occupation. Women often mentioned the same reasons but were significantly more likely to cite family reasons as a key driver. Family reasons were mentioned more regularly in the South East than in other regions.
- Female business ownership in the South East was estimated to be about 25,000 higher in April-June 2006 than self-employment, using additional information from the Labour Force Survey

The majority of analysis of business ownership still needs to be conducted on a self-employment basis as the data relating to business owners is only collected occasionally. More regular collection of this data would obviously make analysis of female business owners easier.

LFS data collection for April-June 2008 (Q2) provides a unique opportunity for investigating the characteristics of female business owners. For the first time questions on business ownership have been asked alongside new questions of national insurance and income tax and the regular questions on self-employment. This should allow better development of synthetic estimates of business ownership to be produced. Further work is planned for later in the year to take on board these new estimates and update findings in this report.

Although this report focuses on the South East and the national picture, datasets used are available throughout the UK. The intention was always to look at whether similar data could be produced for other areas. However it has become clear that the South East has a major advantage over many other regions when analysing data from the Labour Force or Annual Population surveys. The South East has the largest population of any English region with a large amount of self-employment enabling the data to be disaggregated in ways that are not feasible in some other regions. For example, the latest estimate of female self-employment in the South East is about 180,000, in the North East the figure is nearer 30,000. A lot of avenues of research available in the South East are simply not possible elsewhere. Occupational and industrial breakdowns in other regions must be less detailed than those in the South East or risk being rendered meaningless. Similarly we can find out more about male self-employment than female self-employment.

## Introduction

A key factor in initiating this research project was to assist the South East of England Development Agency (SEEDA) in monitoring the number of female owned businesses in the South East for their Regional Economic Strategy 2006-2016. The strategy sets a target of a net increase of 10,000 in the total number of female owned businesses in the South East in the period 2005 to 2010.

There is also interest in wider issues relating to females in business, entrepreneurship and relevant drivers to assist in developing strategies to enhance the number of female owned businesses. The Global Enterprise Monitoring (GEM) report can provide an overview of the situation and there have been several academically focussed research projects undertaken. However, exploring how far regularly collected data sources could be exploited to provide monitoring was an important driver.

The sample size of many surveys is not sufficient to provide reliable data disaggregated by sex and location and, with the exception of the Labour Force Survey (LFS), many do not include descriptions of gender.

There are five objectives for this report:-

- 1) Provide some basic information on the prevalence of self-employment amongst women
- 2) Attempt to go beyond merely using self-employment and explore the potential of other modes of measurement.
- 3) Provide some analysis of the ways in which female business owners work.
- 4) Provide evidence relating to factors that lead to female self-employment.
- 5) Identify potential avenues for future analysis and possibilities for enhancing data sources.

Whilst the LFS cannot directly measure the number of female owned businesses, as it measures people rather than any businesses/enterprises they may own, it can provide an estimate of self-employment which can be used as an indicator of the wider level of business ownership.

### ***The problem of finding suitable data***

There are a number of data sources which can be used to research business activity, for example the Inter-Departmental Business Register (IDBR) contains data on the turnover, number of employees, business structure and industry of all UK businesses registered for Value Added Tax (VAT) or with a Pay As You Earn (PAYE) scheme. However, the IDBR does not cover the whole economy as many small 'micro' businesses do not need to register for VAT or PAYE. Crucially for this exercise, the IDBR does not record the sex of the owner or principle partner.

There are some sources that provide data on the ownership of businesses (by sex, ethnicity, nationality etc.) but these sources are often characterised by small sample sizes and/or uncertain coverage. One potentially valuable source of information is the Business Link customer data. This data contains a rich array of information on each business that approaches a Business Link provider, which includes the gender and ethnicity of owner along with details of the size of the business. Unfortunately the information only covers a subset of all businesses and the precise nature of this subset and quality of data is difficult to ascertain.

Another source of relevant information is the Global Enterprise Monitoring surveys which are carried out internationally, every few years. The London Business School heads the consortium for the UK and provides data on entrepreneurial activity in the regions and

constituent countries of the UK. Their latest report relates to 2007<sup>1</sup> and indicates that entrepreneurial activity in the South East is above average and about third after London and the South West. Entrepreneurial activity does not necessarily translate to business ownership.

There have been some attempts to provide estimates of the total number of businesses in the UK. The Enterprise Directorate (formerly SBS, part of the Department for Business, Enterprise and Regulatory Reform - BERR) produce what are considered to be the best estimates. These are a composite of data from the IDBR and of self-employment data from the Labour Force Survey (LFS). However these figures are only released on a regional basis once every two years and cannot provide a breakdown by the sex of the owner(s).

### ***Possible data***

The use of the Labour Force Survey (LFS) data in BERR estimates of the total number of businesses gives an indication of its potential in measuring business ownership. The LFS is a survey of households throughout the United Kingdom; it contains information about the sex and ethnicity of each person surveyed. As would be expected of a labour force survey, it also contains information on the economic activity of each person, including whether they work for themselves, what industry they work in and the size of the company they work for.

The LFS offers the potential to measure changes in business ownership on a quarterly basis through using self-employment or using a more specific estimate of business ownership through combining existing variables together. The principle use of the Labour Force Survey is the measurement of employment trends across the UK and the main components of the data are published on a monthly basis with microdata published on a quarterly basis<sup>2</sup>.

The Annual Population Survey (APS) is an annual version of the LFS and uses data from the LFS alongside several boost surveys to provide more precise estimates for lower geographic levels. Typically the APS has a sample size three times as large as the quarterly LFS. This means that whereas the threshold of reliability for a figure from the LFS is about 10,000 the APS is reliable for some estimates as small as 2,000<sup>3</sup>.

### ***Current use of the LFS self-employment data to count businesses***

As mentioned earlier, LFS self-employment data, in conjunction with IDBR data, is used to estimate the total number of businesses. The IDBR covers all large businesses, but because only VAT and PAYE businesses need to be on the register there is limited coverage of small businesses. The LFS is used to estimate the number of businesses which have no employees. At a simple level each self-employed person is said to constitute one enterprise (with some allowance made for partnerships), this number added to the number of businesses which do have employees (available from IDBR) to provide an estimate of the total number of businesses in the South East. Figure 1 shows the composition of SBS estimates of the total number of businesses.

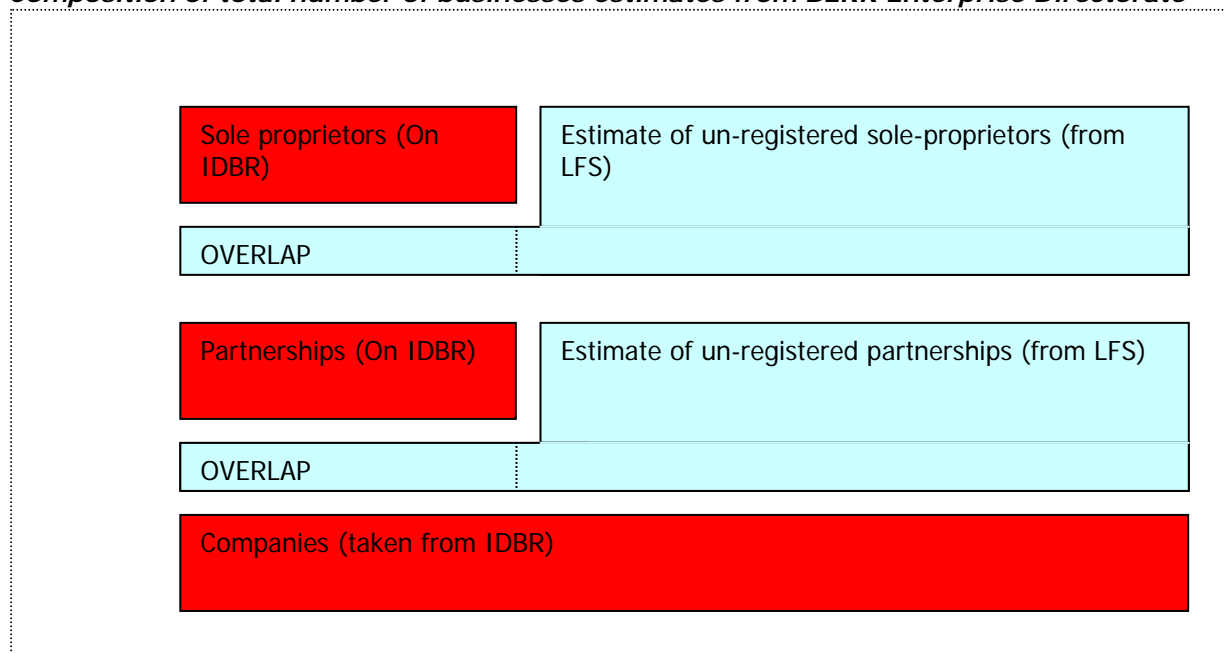
---

<sup>1</sup> Global Entrepreneurship Monitor for UK:  
[http://www.london.edu/assets/documents/PDF/GEM\\_UK\\_2007\\_Report.pdf](http://www.london.edu/assets/documents/PDF/GEM_UK_2007_Report.pdf)

<sup>2</sup> See LFS user guide Vol.1 'LFS Background and Methodology' for more details,  
[http://statistics/downloads/theme\\_labour/LFSUG\\_vol1\\_2007.pdf](http://statistics/downloads/theme_labour/LFSUG_vol1_2007.pdf)

<sup>3</sup> See LFS user guide Vol.6 'Local Area Data' for more details,  
[http://statistics/downloads/theme\\_labour/Vol6.pdf](http://statistics/downloads/theme_labour/Vol6.pdf)

### **Composition of total number of businesses estimates from BERR Enterprise Directorate**



The above figure shows that BERR Enterprise Directorate estimates assume that the LFS has better coverage of the number of sole-proprietors and those working in partnerships, but that it's coverage of the total number of companies is inferior to that of the IDBR. These are both reasonable assumptions to make as:

1. not all small businesses need to register for VAT or PAYE and
2. not all business owners appear on the LFS, only business owners **active** in the labour market are identifiable from the LFS.

### **Additional value of the LFS/APS**

Aside from providing a means of measuring the number of self-employed/business owners and the types of activity that they undertake, the LFS also provides an opportunity to investigate the ways in which a number of demographic factors impact on self-employment. For example, why people choose to become self-employed, how they work.

### **Longitudinal data**

A key feature of the LFS is that it is a panel survey, meaning that respondents are contacted on more than one occasion (in the LFS respondents are contacted 5 times at quarterly intervals). One of the outputs from the survey is a selection of longitudinal files where answers from consecutive quarters are presented together allowing changing employment circumstances to be monitored. An added benefit of the LFS being a panel survey is that estimates of change are more precise than for an equivalent survey with independent quarterly samples. This means that the LFS is especially suited to measuring the change in self-employment over time.

# Section 1: Current trends in self-employment

Self-employment as measured by the Labour Force Survey (LFS) is one of the most commonly used proxies for business ownership. Self-employment is measured through the question **[Stat]** which asks whether someone is working as an employee or is self-employed.

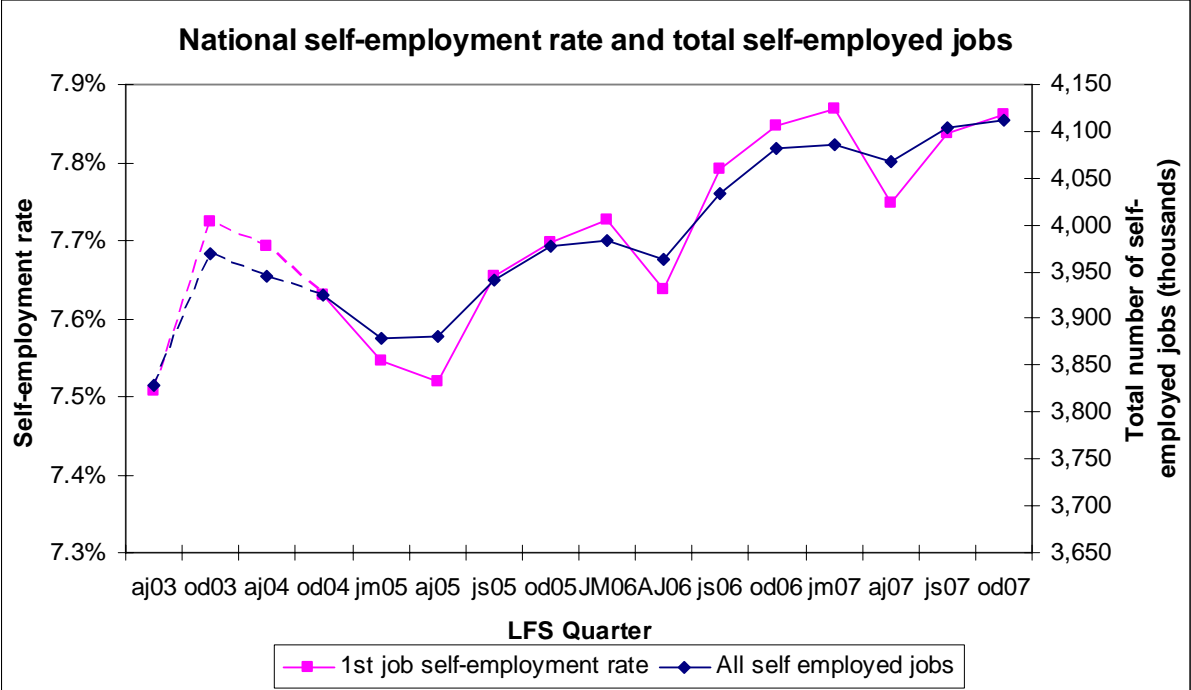
The LFS asks about the activities of each respondent in both their main and second jobs (should they have one). The vast majority of self-employed jobs are main jobs although there are a significant number of self-employed second jobs. In the charts in this section, self-employment rates are based on main job whilst the total number of self-employed jobs is the sum of both first and second jobs.

This first section summarizes the latest trends in self-employment rates.

## The National picture

The national (UK) self-employment rate<sup>4</sup> has risen slightly over the last few years, between April and June 2003 the rate was 7.5 per cent, this had risen to 7.9 per cent by the October to December quarter of 2007. The total number of self-employed jobs in the UK rose from just over 3.8 million to more than 4.1 million. The total number of self-employed jobs now stands at its highest level.

Chart 1



Source: Labour Force Survey

Notes: 1. Convention for denoting LFS quarters is the initial letter of the first and last month plus last 2 digits of year – e.g. jm04 represents January-March 2004.

2. LFS data for July-September 2003, January-March 2004 & July-September 2004 not available at time of writing.

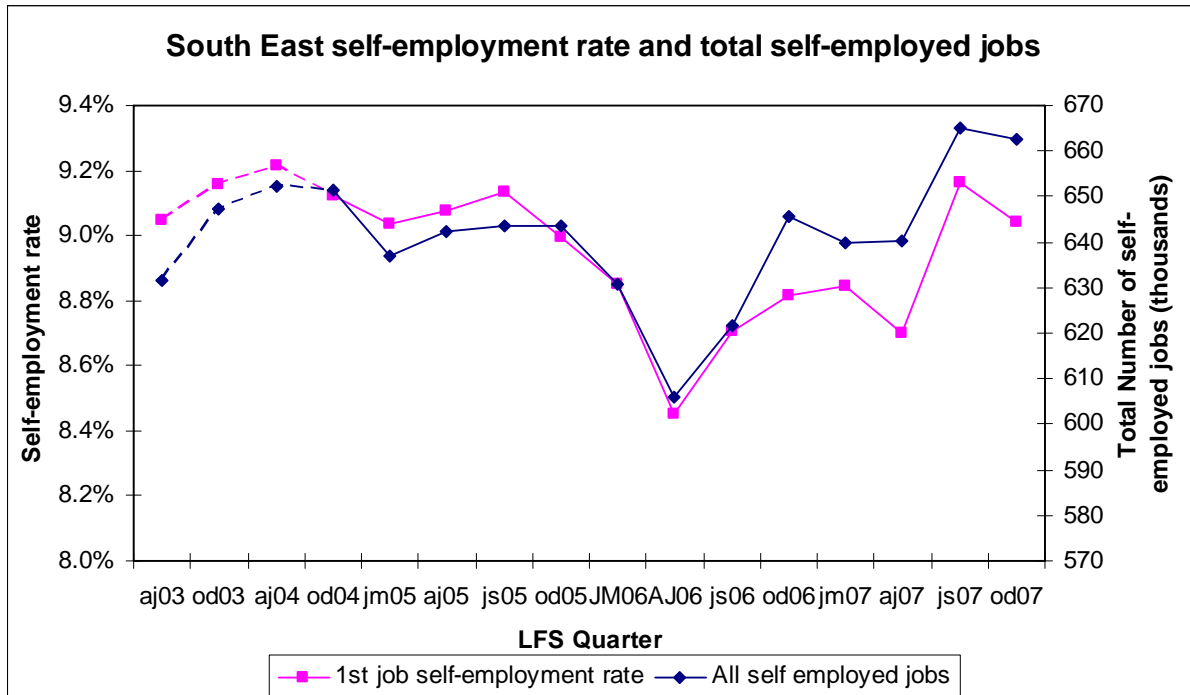
<sup>4</sup> Self-employment rate = (number of self-employed/all those aged 16+)\*100



## The South East

Apart from a sharp drop in self-employment in mid-2006 the South East self-employment rate has been relatively steady over the past 5 years. In April-June 2003 the rate was 9.1 per cent and in October-December 2007 it was 9 per cent. The total number of self-employed is currently more than 660,000, this represents the second highest level of self-employment in the past five years, although a slight decrease on the quarter before.

**Chart 2**



Source: Labour Force Survey

Notes: 1. LFS data for July-September 2003, January-March 2004 & July-September 2004 not available at time of writing.

## Females in South East

In recent quarters the number of females who are self-employed as measured by the LFS has increased substantially (see chart 3). The most recent LFS quarter (October-December 2007) showed that there are nearly 218,000 female self-employed jobs in the South East and that the number has increased considerably in the last year (in April-June 2006 the number was around 180,000). By contrast the level of male self-employment has been more erratic over the past few years reaching a peak of 464,000 in October-December 2003 and a low of 424,000 in April-June 2006.

**Chart 3**

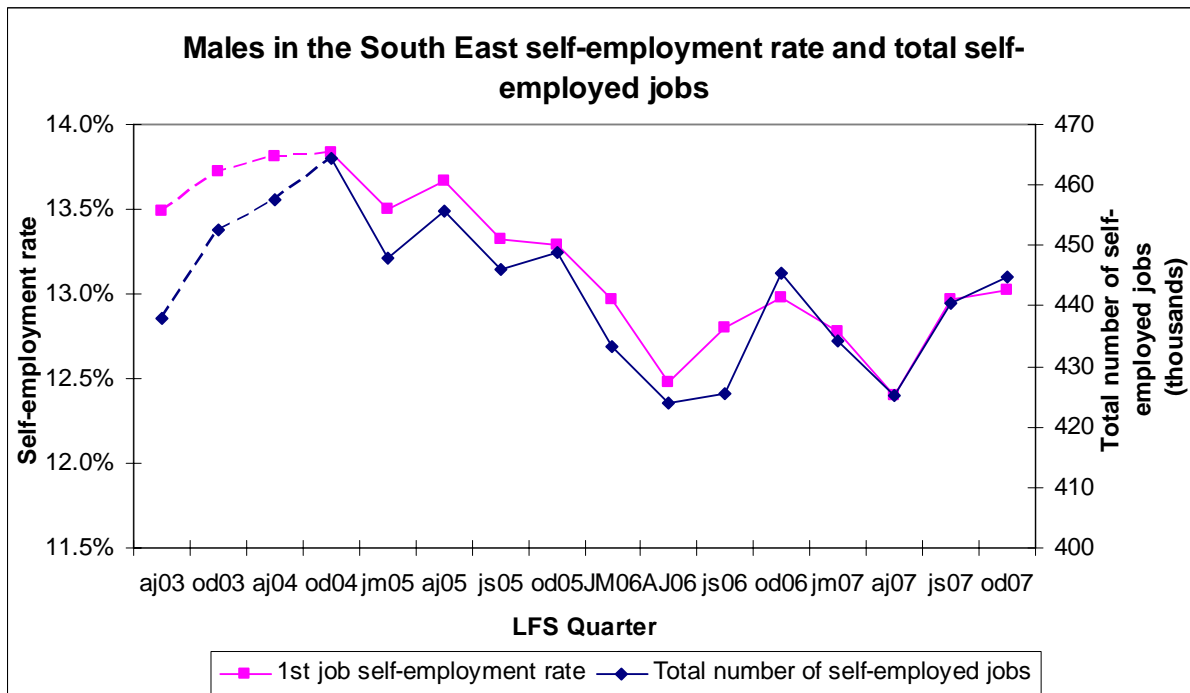


Source: Labour Force Survey

Notes: 1. LFS data for July-September 2003, January-March 2004 & July-September 2004 not available at time of writing.

The female self-employment rate in the South East has risen from 4.9 per cent in April-June 2003 to 5.3 per cent in October-December 2007. Nationally, the female self-employment rate has increased by a similar amount from 3.7 per cent to 4.2 per cent. However, the male self-employment rate in the South East has fallen from 13.5 per cent in 2003 to 13 per cent in October-December 2007.

**Chart 4**



Source: Labour Force Survey

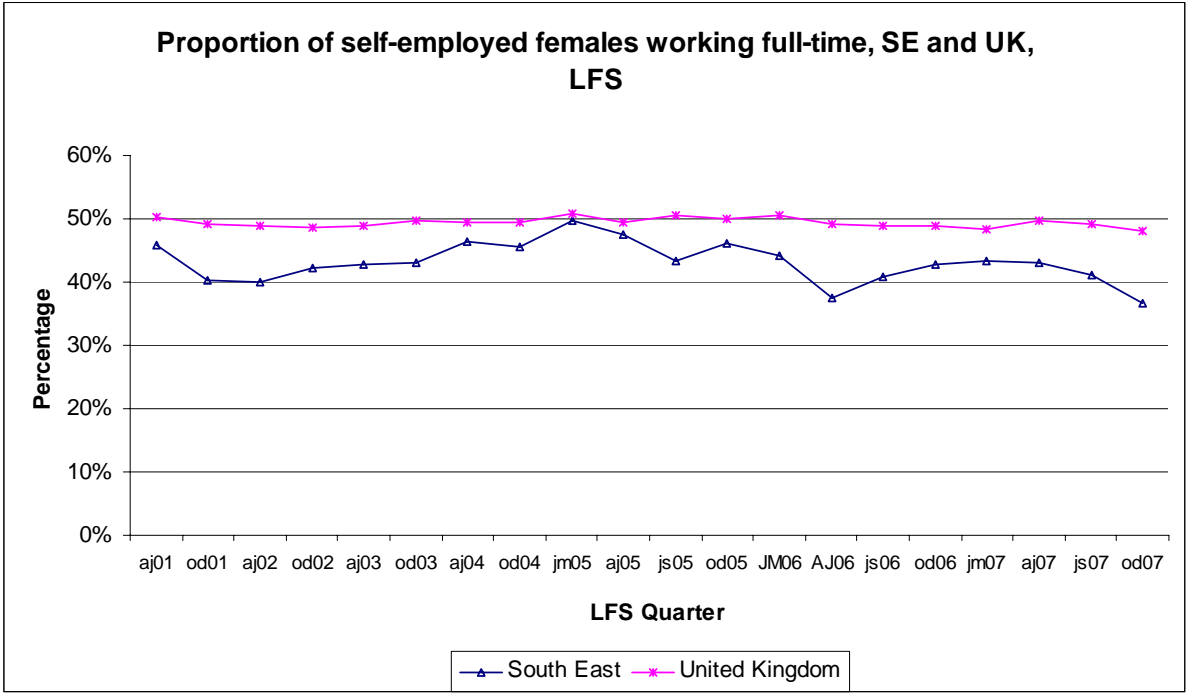
Notes: 1. LFS data for July-September 2003, January-March 2004 & July-September 2004 not available at time of writing.

**Full/time & Part/time working**

Female self-employment is more prevalent in the South East than in the rest of the UK as a whole. However, females in the South East are more likely to work on a part-time basis than females elsewhere. Chart 5 shows the difference between female self-employment rates between the South East and the UK as a whole for all those working, i.e. those working full-time and those working part-time combined.

The major factor in the difference in self-employment rates between the South East and the UK overall is a higher number of part-time self-employed. Indeed, just 37 per cent of self-employed females in the South East were working full-time in October-December 2007 compared to a national average of 48 per cent working full-time.

**Chart 5**

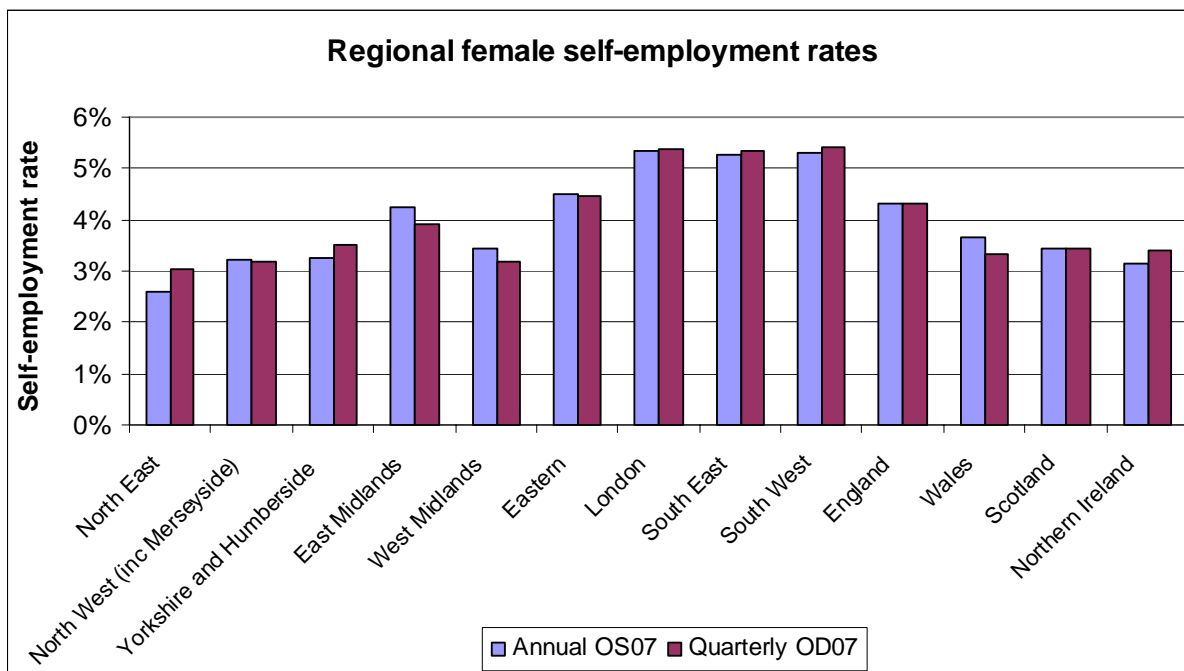


Source: Labour Force Survey  
 Notes: 1. LFS data for July-September 2001, January-March 2002, July-September 2002, January-March 2003, July-September 2003, January-March 2004 & July-September 2004 not available at time of writing.

**Comparison of regional self-employment rates for women**

Chart 6 shows the self-employment rates for each of the regions and countries that constitute the United Kingdom from the latest LFS and APS data respectively. As can be seen, the female self-employment rate is highest in the three southern regions of England - London, the South East and the South West - each at just over 5 per cent of the population aged over 16. The lowest self-employment rate is in the North East at around 3 per cent.

**Chart 6**



Source: Labour Force Survey October to December 2007, Annual Population Survey October 2006 to September 2007

Self-employment rates for men and women are closely correlated and the highest self-employment rates for women are found in regions with the highest self-employment rates for men. There is one exception to this rule, Northern Ireland, which has the highest level of male self-employment and the second lowest level of female self-employment as can be seen in Chart 7.

**Chart 7**

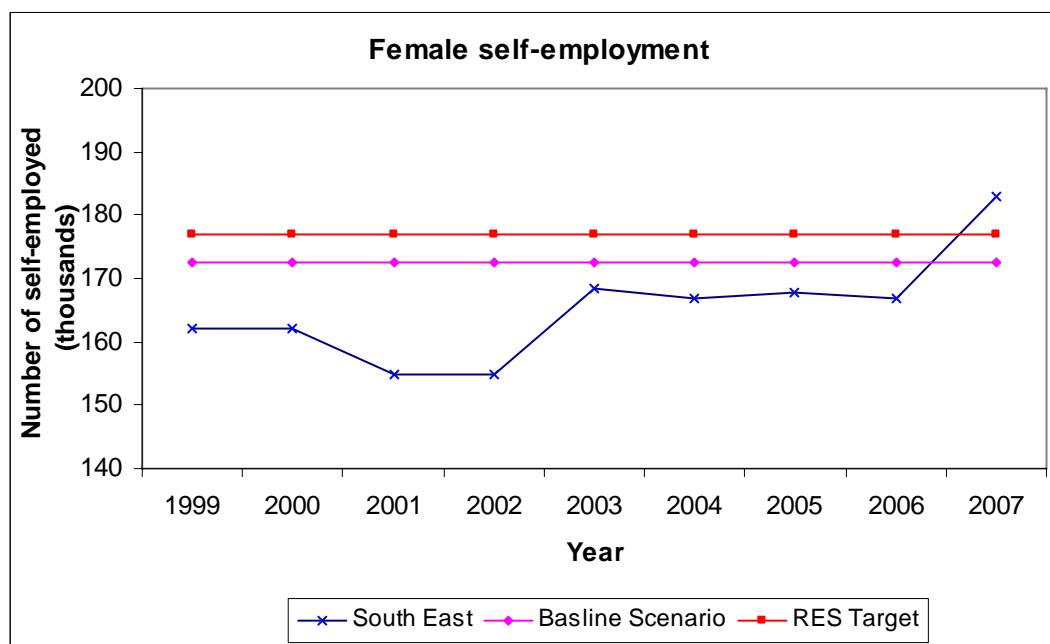


Source: Annual Population Survey October 2006 to September 2007

## Female self-employment and the Regional Economic Strategy

The Regional Economic Strategy (RES) for the South East of England sets a target of 10,000 extra female owned businesses in the South East by 2010. The baseline for the data is Annual Population Survey data from 2005 which showed there were about 168,000 self-employed women in the South East and that this had remained relatively stable over the last two years. In 2006 this trend continued albeit with a slight decrease, however in 2007 the level of self-employed women increased rapidly (as discussed elsewhere). Chart 8 shows that the current level of female self-employment in the South East appears to be above the RES target of 177,000 for 2010.

Chart 8



Source: Local Labour Force Survey 1999-2003, Annual Population Survey 2004-2007

Note 1: This chart shows data for first jobs only; this is comparable to the data in the South East Regional Economic Strategy

### Strengths and Weaknesses of LFS self-employment data

Self-employment is often used as a proxy for business ownership, and in many ways it is suited to this purpose, however it is important to be aware of both the strength and limitations in using self-employment in this way.

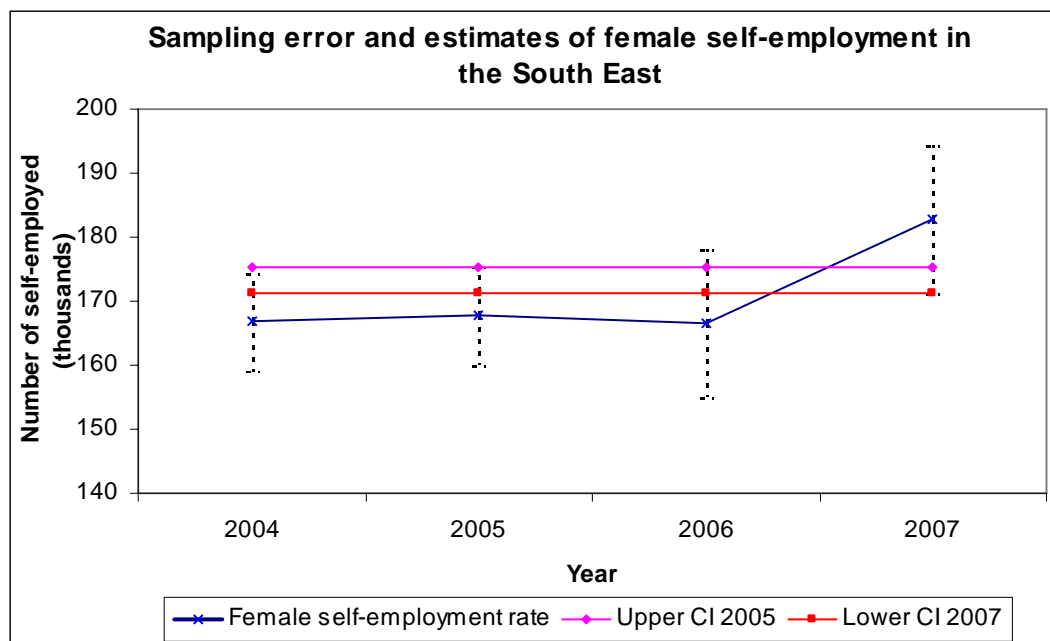
Self-employment is measured using the LFS/APS, these are surveys of people living in private households. Respondents classify their own economic activity<sup>5</sup>. As such the measure of self-employment is an estimate; for example if the number of self-employed in the South East were estimated at 200,000 (using the LFS) we would be 95 per cent confident that the true level of self-employment was between 183,000 and 217,000. For the APS estimates are more precise, yet the confidence interval is still +/- 12,000.

For the South East the minimum size of change that would indicate an increase in female self-employment from the 2005 level is about 19,000 (at the 95% confidence interval). The actual change in the level of self-employed females was 15,000. As such we cannot say confidently that the target of 10,000 extra self-employed females has been met. Chart 9 shows data for 2004 to 2007 for female self-employment in the South East from the APS. The overlap between the upper confidence interval from 2005 and the lower

<sup>5</sup> Prior to the 2003 re-weighting exercise this was not the case; the LFS operated the Census matrix edit, this reclassified certain self-employed people to employees based on the nature of their occupation. The rationale for this was that certain occupations cannot be carried out as self-employment.

confidence interval from 2007 indicates that we cannot be confident that there has been a real increase in self-employment between the two years.

**Chart 9**



Source: Annual Population Survey

As the chart shows the sampling error around the estimates from 2004 and 2005 is lower than for 2006 and 2007, this reflects the end of the APS boost in 2005. With the implementation of the Integrated Household Survey it is expected that sampling errors will move towards the 2004 and 2005 levels.

Other questions which can be used to quality assure the level of self-employment are also asked. These suggest that the 'real' level of self-employment is similar to LFS/APS estimates. Additionally LFS/APS data can be used to estimate the number of employee business owners this is discussed in detail later in Section 4.

The LFS/APS cover a wider range of the economy than the IDBR. The IDBR is primarily composed of administrative records (VAT and PAYE) and these only apply to businesses above the VAT threshold, the LFS/APS covers small businesses more comprehensively.

### Summary

- In recent times the level and rate of female self-employment has been growing steadily in both the South East and across the rest of the UK. By contrast, the male self-employment rate in the South East has been erratic.
- Whilst the growth in female self-employment is encouraging the nature of the increase is less so being mainly the result of part-time working. The number of female full-time self-employed has remained relatively stable in recent times.
- The APS estimate of female self-employment in the South East increased by 15,000 between 2005 and 2007, more than required by the South East Regional Economic Strategy target of 10,000 additional female who are self-employed by 2010. However, the sampling error around the estimates may mean that the real increase is less or more than this. It is also worth remembering that the level of self-employment could decrease in the future.

## Section 2: Why are people self-employed?

This section looks at differences in male and female business ownership and at different patterns of female business ownership across the country. A variety of data from the LFS is used to explore patterns of self-employment.

### *Why are there more male business owners than female business owners?*

The LFS/APS provide a wide range of variables with which to investigate the nature and 'risk' factors of female business ownership. The obvious place to start is to look at the variable **[Whyse]** – Why did you become self-employed? This variable is asked in just one quarter per year, but has not been part of the published datasets for several years.

The most popular reasons given for becoming self-employed are shown in Table 10 which compares proportions of self-employed people in the South East to the UK average.

**Table 10: Reasons for becoming self-employed, April-June 2007**

	United Kingdom			South East		
	Male	Female	All people	Male	Female	All people
To be independent/ for a change	33%	26%	31%	33%	28%	31%
Wanted more money	15%	8%	13%	15%	9%	13%
For better conditions of work	8%	6%	7%	8%	5%	7%
Family commitments/ wanted to work at home.	4%	19%	8%	3%	24%	10%
Opportunity arose – capital, space, equipment available.	10%	10%	10%	10%	8%	9%
Saw the demand/ market	9%	8%	9%	9%	8%	9%
Joined the family business.	5%	6%	5%	3%	7%	4%
Nature of occupation.	23%	26%	24%	21%	23%	22%
No jobs available (locally)	2%	1%	2%	2%	-	2%
Made redundant	9%	4%	8%	10%	3%	8%
Other	13%	13%	13%	14%	14%	14%
No reason given	6%	4%	5%	6%	3%	5%

Source: Labour Force Survey

Note: Column Totals sum to more than 100% as respondents could supply more than one answer.

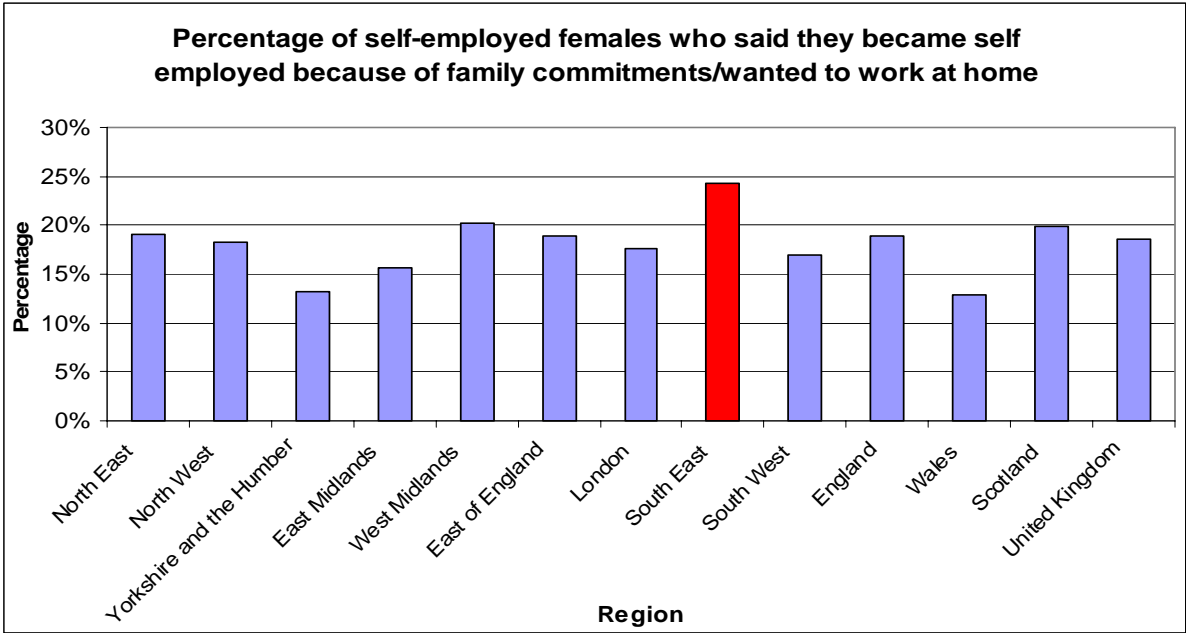
Across the whole of the UK the most popular reasons for becoming self-employed were a desire 'to be independent' or 'for a change', 'because of the nature of the occupation' or 'wanted to make more money'. Despite general similarities between the reasons men or women became self-employed there are some significant differences. The most notable differences were between those who responded that 'family commitments/wanted to work at home' was a key reason for becoming self-employed. Women were nearly five times more likely to mention family reasons for becoming self-employed than men. Conversely, men were twice as likely to say that one of the reasons they became self-employed was to 'make more money' than were women.

In the South East some of these differences were even more pronounced with 'family commitments/wanted to work at home' eight times more likely to be mentioned by women than their male counterparts (24 per cent rather than 3 per cent). This illustrates one of the key features of female self-employment, rather than working for themselves for particularly entrepreneurial reasons women work for themselves because it is easier to organise their working life around their other responsibilities. This desire to fit work around the rest of their lives is further demonstrated by the large number of self-employed females working part-time.

The South East had the highest proportion of self-employed females saying that they chose to work in this way because of family commitments or they wanted to work at

home (Chart 11). In Yorkshire and the Humber and Wales less than 15 per cent of women were self-employed because of family commitments.

**Chart 11**

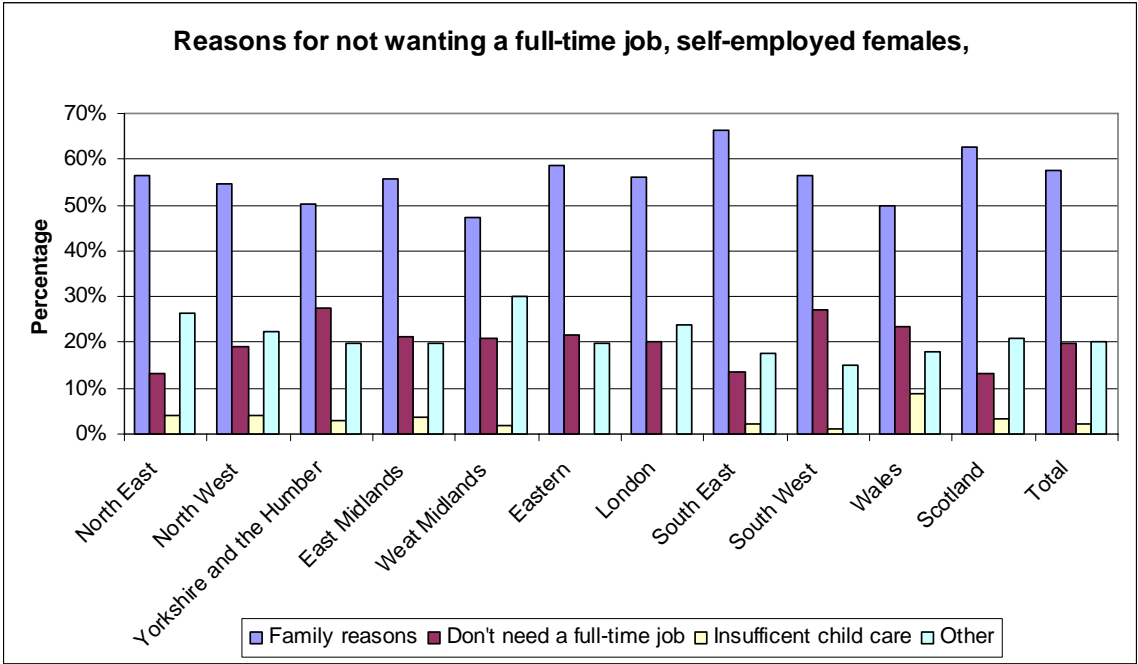


Source: Labour Force Survey, April to June 2007  
 Note: Northern Ireland data not available at this time.

**Why do many self-employed females work part-time?**

The LFS asks those working part-time why they don't want to work full-time. The main reasons given by self-employed females are that they want to spend more time with their family or that they have domestic commitments. In just 2 per cent of cases overall in the UK, a lack of available childcare facilities was mentioned as a reason for not wanting a full-time job. In the South East, this pattern was more pronounced with 66 per cent of self-employed females who worked part-time saying that they did so in order to spend more time with their families or because of domestic commitments (see Chart 12).

**Chart 12**



Source: Labour Force Survey, April to June 2007



### ***The age at which people become self-employed***

Chart 13 shows the age at which men and women become self-employed. The first thing to note is that there is a difference between the sexes; men tend to become self-employed at a younger age than women. The difference is about 4 years, based on the median age of becoming self-employed which is 32 years for men and 36 for females<sup>6</sup>.

Differences in the types of work undertaken between men and women, is an important factor, this is explored further in Section 3. The building trades provide many men with the opportunity for self-employment, indeed if the building trades are excluded the median age of commencing self-employment for men increases.

The higher age at which women become self-employed also reflects their reasons for doing so. For many women self-employment provides them with the flexibility to work around domestic commitments, they are their own boss and can choose to work when it is convenient to them.

**Chart 13**



Source: Annual Population Survey, July 2006 to June 2007

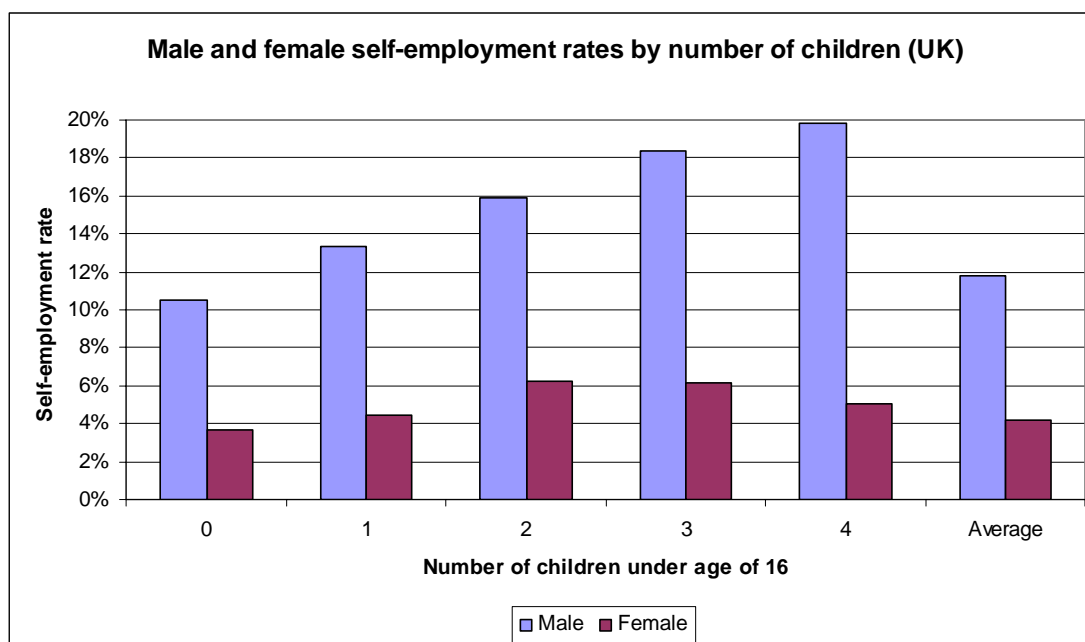
<sup>6</sup> The median age of self-employment is calculated by taking the current year and subtracting the year in which the respondent said they became self-employed to give then duration of their self-employment. The duration of self-employment is then subtracted from their age. It should be noted that the assumption has been made that self-employment is a 'one way ticket', and the year that a respondent became self-employed is the first and only time they became self-employed.

### ***The effect of family size on self-employment rates***

Self-employment rates appear to vary with the number of children that people have, the more children that women have the more likely they are to work as self-employed rather than as an employee. In light of the reasons given for becoming self-employed this should come as little surprise.

Chart 14 below shows the self-employment rates for men and women by the number of children they have who are aged under 16. As can be seen, self-employment rates for those with children are higher than for those without children, and this is more obvious for men than women. For women the self-employment rate for those without children was 4 per cent whilst for those with children the rate was 5 per cent when there was one child, 6 per cent when there were two or three children and 5 per cent when there were four children. For men the rate increases with each child so that those with no children have a self-employment rate of 10 per cent whilst those with four children have a rate of nearly 20 per cent. It is worth noting that an element of this relationship is at least in part likely to be due to increasing age; self-employment is generally an activity taken with greater regularity with increasing age.

**Chart 14**

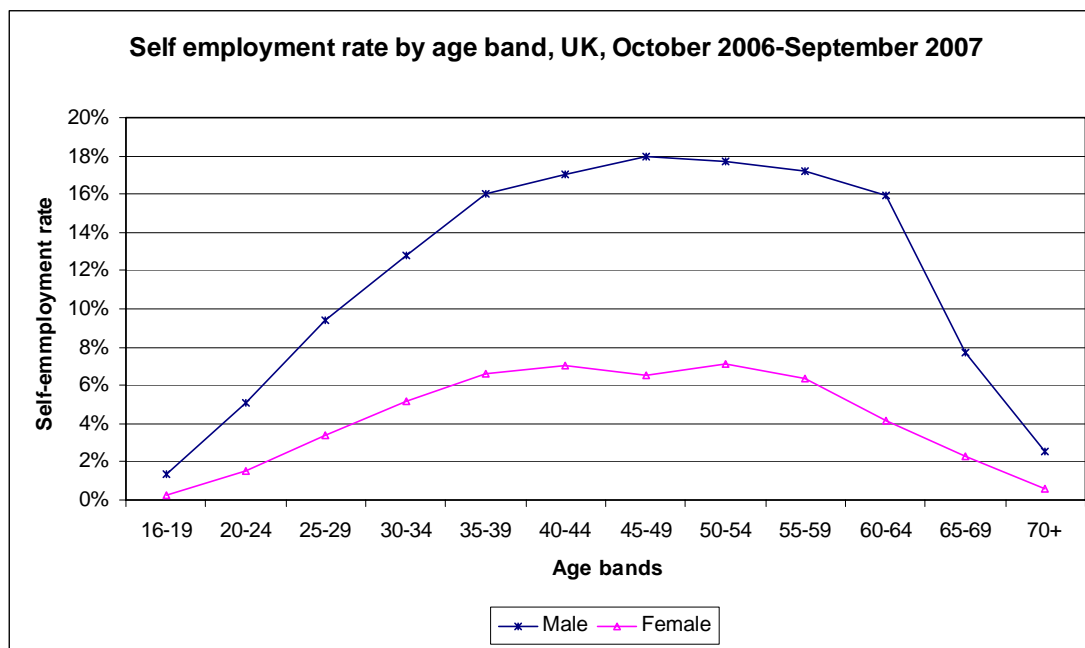


*Source: Annual Population Survey, October 2006-September 2007*

### Self-employment rates by age

Self-employment rates vary by age and sex, as shown in Chart 15 below. The pattern of self-employment is similar for both men and women, with the highest self-employment rates for those in the age range between 35 and 59. The highest self-employment rate for men is 18 per cent (for those aged 45-49) and the highest for women is 7 per cent (for those aged 40-44 and 50-54).

Chart 15



Source: Annual Population Survey

### Summary

- Women are far more likely than men to become self-employed for 'lifestyle' reasons, such as wanting to look after their family. Self-employment provides them with the freedom to work and look after a family.
- Self-employed females in the South East were more likely to say they became self-employed because of family reasons than those in other regions.
- Females who said they became self-employed for family reasons were more likely to work part-time than women who gave other reasons.
- Female part-time self-employment is most prevalent in the South East.
- There is some evidence that self-employment rates for women are linked to family size; peaking around two or three children.
- Men are more likely to become self-employed at a younger age than women.
- The highest self-employment rates for men and women occur between the late 30s and late 50s.

### Section 3: The nature of female self-employment

The LFS/APS provide a wide range of information relating to the type of occupations that self-employed people are doing, the industries they work in, hours worked, where they work, the size of their businesses and the qualifications they hold.

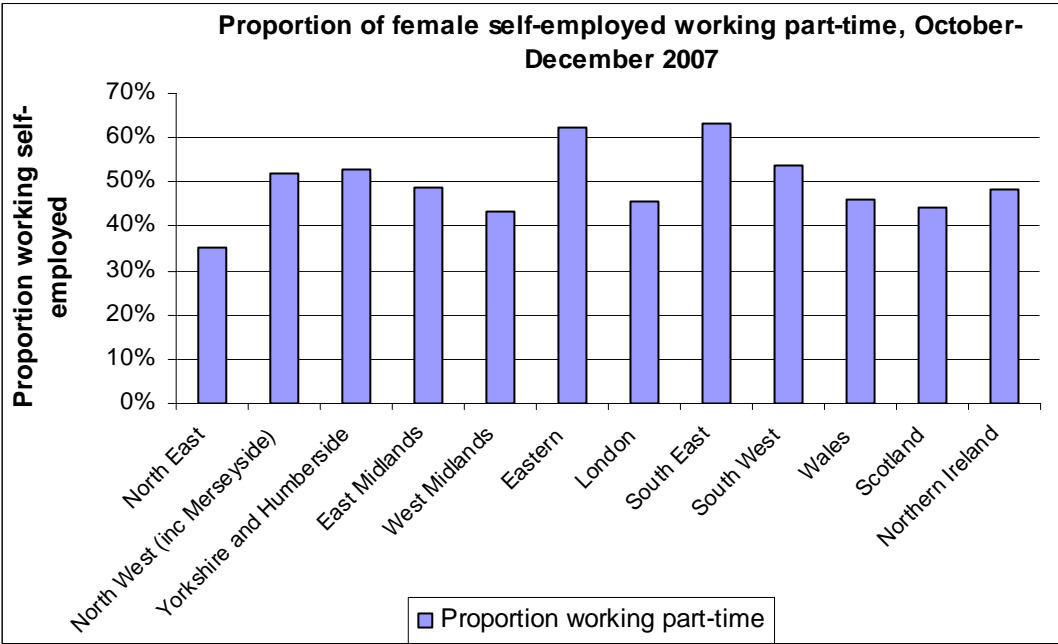
In this section we will look at a number of different strands of evidence from the LFS and attempt to reconcile them.

#### Full-time/ part- time

LFS data show considerable variations in the proportions of full-time and part-time self-employed between regions and by sex. It may not be a great surprise that male self-employment is predominantly full-time, but the regional differences in self-employment are more difficult to explain.

About 85 per cent of self-employed males in the UK work full-time compared to just 48 per cent of self-employed females. In the South East this difference is more pronounced; 83 per cent of self-employed males work full-time compared to just 37 per cent of self-employed females, the lowest proportion of any area of the country. Chart 16 shows the different proportions of self-employed females working part-time in each region of the UK.

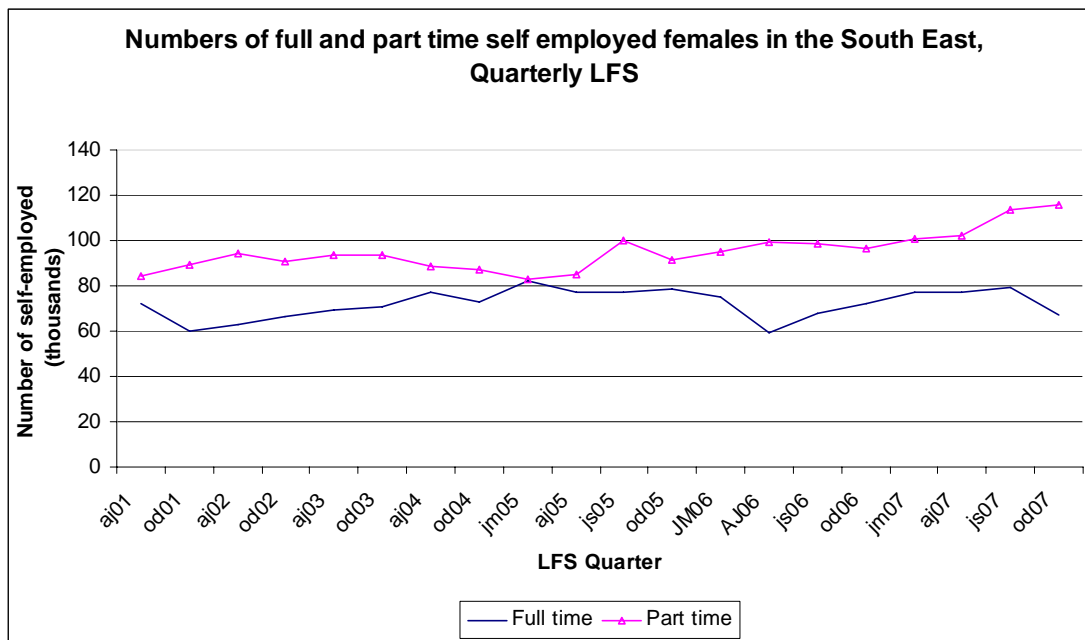
Chart 16



Source: Labour Force Survey

In Section 1 we saw that the level of female self-employment has increased significantly over the past two years. From the point of view of increasing the level of female entrepreneurship an increase in self-employment is very positive. However, the LFS data suggest that a considerable amount of the increase in self-employment is due to increases in part-time self-employment, see Chart 17 below. Over the period from 2001 to 2007 female full-time self-employment has stayed within the 60,000-80,000 band, however part-time self-employment has grown from just over 80,000 to well over 100,000.

**Chart 17**

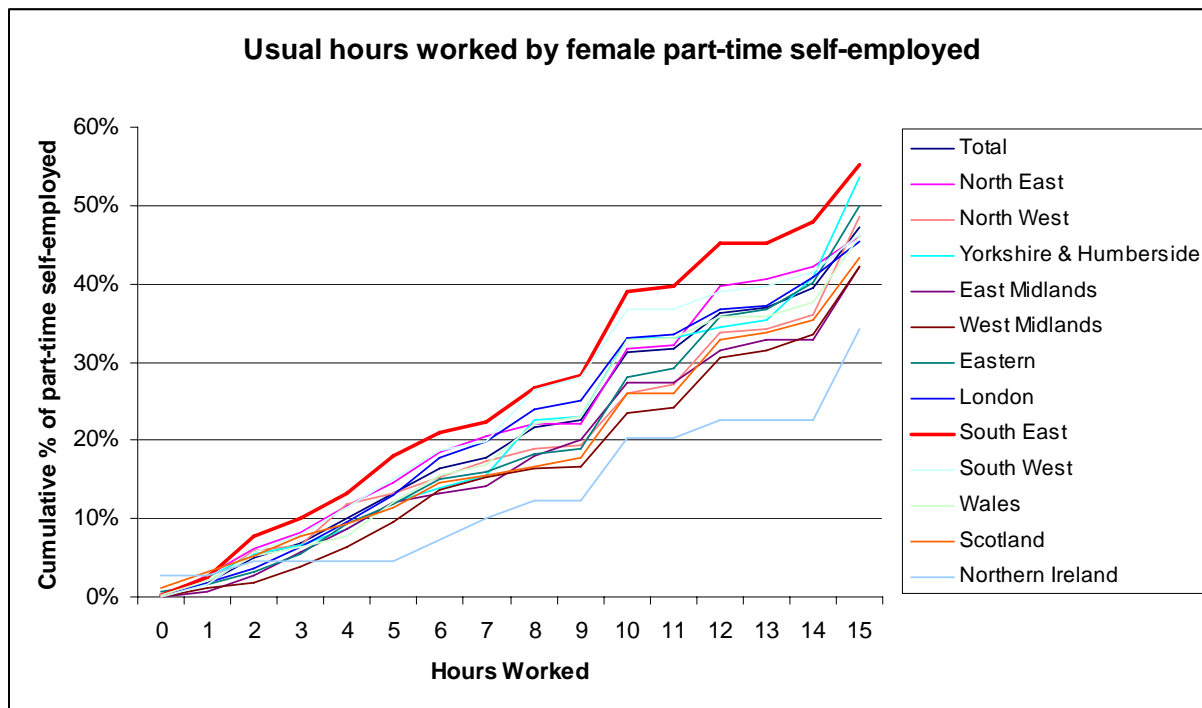


Source: Labour Force Survey

Notes: LFS data for Jul-Sep 2001, Jan-Mar 2002, Jul-Sep 2002, Jan-Mar 2003, Jul-Sep 2003, Jan-Mar 2004 & Jul-Sep 2004 not available at time of writing.

Data from the Annual Population Survey shows that in the South East, self-employed women working part-time typically work fewer hours than their equivalents in other regions. In the South East the average number of hours worked per week is 15 compared to an average of 16 hours across the United Kingdom as a whole; part-time self-employed men worked an average of 19 hours across the UK and in the South East. Chart 18 shows that higher proportions of women in the South East work less than 16 hours per week than in other regions.

**Chart 18**



Source: Annual Population Survey, July 2006-June 2007

Notes: Chart shows only part-time self-employed working less than 16 hours.

### ***Occupations of the self-employed***

The females who are self-employed tend to undertake different types of occupations to their male counterparts. The building trades are a notable example, a large proportion of self-employed males work in construction and building related occupations; five of the top seven Occupational classes for men are in construction amounting to about 85,000 jobs in the South East alone.

For the female self-employed there is less occupational clustering and a total absence of building trades in the most popular occupations. The most popular occupations for males and females in the South East are shown in Table 19.

As mentioned earlier, there are some differences in the composition of the self-employed group compared to the business owners group, and that business owners tend to be in more senior occupations than the self-employed. Chart 20 below shows the different types of occupational classification using the most up-to-date data available.

***Table 19: Most common occupations of the self-employed in the South East, July 2007***

	Men	Thousands	Women	Thousands
1	Construction trades n.e.c. (5319) <sup>1 2</sup>	24 (5%)	Childminders and related occupations (6122)	13 (6%)
2	Carpenters and joiners (5315)	23 (5%)	Teaching professionals n.e.c. (2319) <sup>3</sup>	11 (5%)
3	Taxi cab drivers and chauffeurs (8214)	20 (4%)	Cleaners domestics (9233)	11 (5%)
4	Gardeners and grounds(wo)men (5113)	17 (4%)	Personal assistants & other secretaries (4215)	9 (4%)
5	Painters and decorators (5323)	14 (3%)	Accounts, wages clerks & bookkeepers (4122)	8 (4%)
6	Plumbing, heating & ventilating engineers (5314)	14 (3%)	Shopkeepers, wholesale & retail dealers (1234)	7 (3%)
7	Managers in construction (1122)	11 (2%)	Therapists n.e.c. (3229)	6 (3%)
8	Shopkeepers, wholesale & retail dealers (1234)	10 (2%)	Hairdressers / barbers (6221)	6 (3%)
9	Medical practitioners (2211)	9 (2%)	General office assistants or clerks (4150)	5 (3%)
10	Electricians electrical fitters (5241)	8 (2%)	Artists (3411)	4 (2%)
11	IT strategy and planning professionals (2131)	8 (2%)	Medical practitioners (2211)	4 (2%)
12	Labourers, building & woodworking trades (9121)	8 (2%)	Beauticians and related occupations (6222)	4 (2%)
13	Bricklayers masons (5312)	7 (2%)	Authors writers (3412)	4 (2%)
	Total Male Self-employed	441	Total Female Self-employed	209262

1 Four digit codes from Standard Occupational Classification 2000 (SOC 2000)

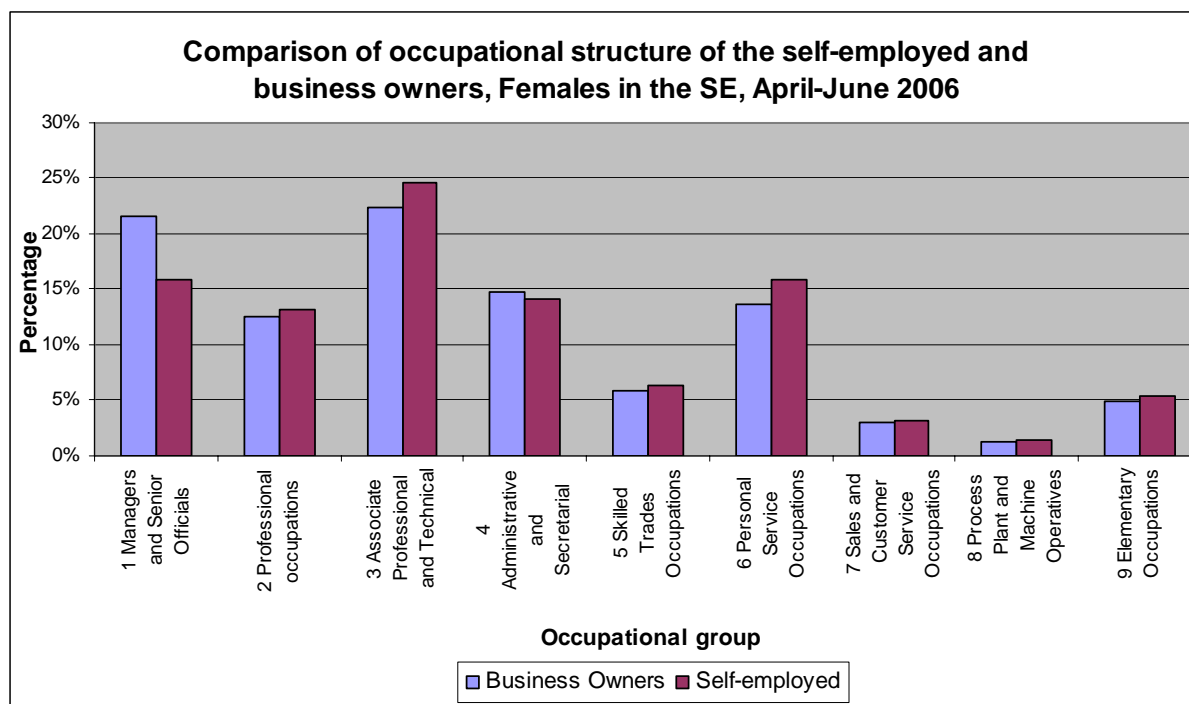
<sup>2</sup>This code includes: Builder (building and contracting), Builder and decorator Building contractor, General builder Steel fixer, Steeplejack

<sup>3</sup> This code includes: Examiner (examination board), Nursery manager (day nursery), Owner (children's nursery), Principal (dancing school/evening institute), Private tutor, Teacher of English as a foreign language, TEFL

<sup>4</sup>This code includes: Acupuncturist, Dietician, Masseur, Orthoptist, Osteopath, Psychotherapist

Source: Annual Population Survey

**Chart 20**



Source: Labour Force Survey

**Industry**

The LFS/APS have data on the industry in which people work, like occupation data this reveals some large differences between self-employment for men and women. Once again the principle difference is due to the building trades, more than six times as many men work in the building trade as in the next most popular industry.

**Table 21: Most prevalent industries of the self-employed, July 2007**

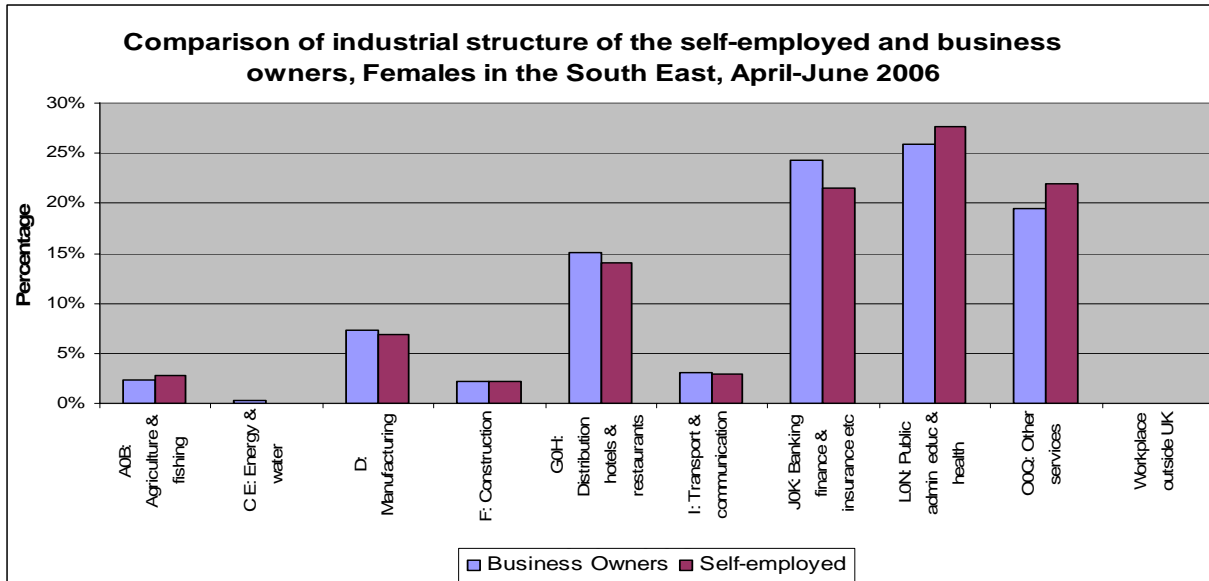
Men	Thousands	Women	Thousands
Building, demolishing & earth moving (45.11-45.50)	131 (30%)	Retail trade (52.11-52.63)	19 (9%)
Taxi (60.22)	21 (5%)	Social work without accommodation (85.32)	18 (9%)
Retail trade (52.11-52.63)	19 (4%)	Hairdressing other beauty treatment (93.02)	11 (5%)
Archit. engineering etc consultancy (74.2)	17 (4%)	Private households with employed persons (95)	11 (5%)
Accounting, auditing, tax consultancy (74.12)	15 (4%)	Artistic, literary, creation etc. (92.31)	9 (4%)
Artistic, literary, creation etc. (92.31)	13 (3%)	Accounting, auditing, tax consultancy (74.12)	8 (4%)
Computer software consultancy (72.2)	13 (3%)	Other human health activities (85.14)	7 (3%)
Private households with employed persons (95)	11 (3%)	Medical practice activities (85.12)	6 (3%)
Business management, consultancy (74.14)	9 (2%)	Business management, consultancy (74.14)	6 (3%)
Medical practice activities (85.12)	9 (2%)	Adult other education (80.42)	6 (3%)
Total Male Self-employed	441	Total Female Self-employed	209

1 Industrial codes relate to Standard Industrial Classification 2003

Source: Annual Population Survey

We can compare the most common industries in which those defined as self-employed work with industries of those saying that they were business owners. Unlike the data on occupations the differences between groups are much smaller.

**Chart 22**



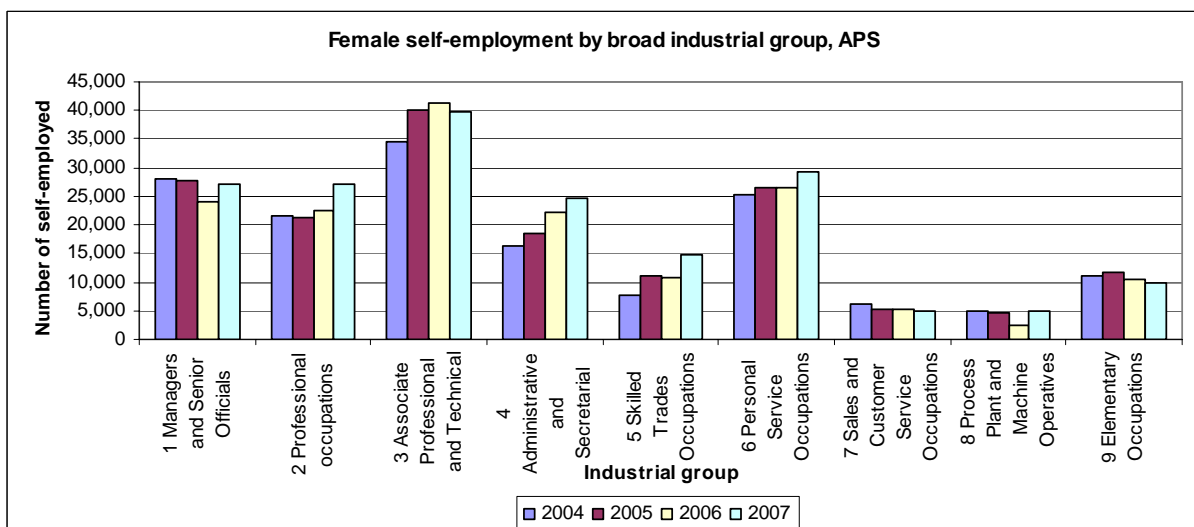
Source: Labour Force Survey

**Trends over time**

The occupational and industrial structure of female self-employment in the South East has remained relatively stable in the recent past (Charts 23 and 24). The key occupational changes between 2004 and 2007 are increases in administrative and secretarial occupations (+9,000), skilled trade occupations (+7,000), professional occupations (+6,000<sup>‡</sup>) and associate professional and technical occupations (+5,000<sup>‡</sup>). Professional occupations include teaching professionals in which approximately 11,000 female self-employed in the South East work.

In terms of the industrial composition of the female self-employed we have seen an increase in banking, finance and insurance (+10,000), Public admin, education and health (+9,000), distribution, hotels and restaurants (+5,000<sup>‡</sup>), and other service (+4,000<sup>‡</sup>). The industries covered by 'other services' include hairdressing, private households with employed persons and artistic, literary creation and interpretation; these comprise three of the most popular industries of the female self-employed (see table 21).

**Chart 23**

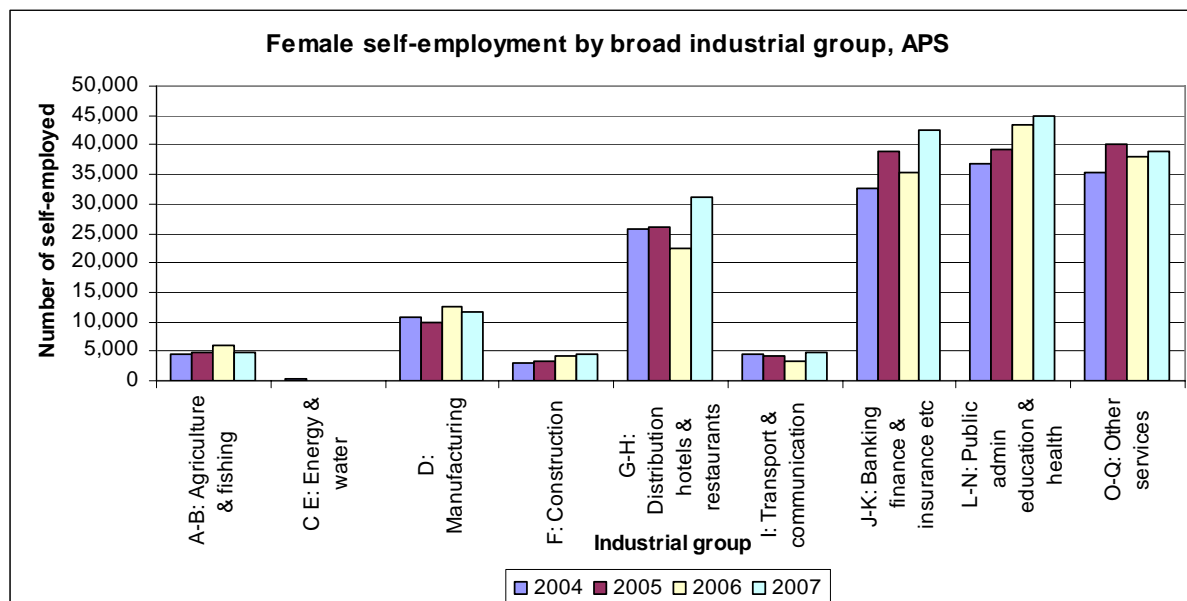


Source: Annual Population Survey

<sup>‡</sup> Not statistically significant.



**Chart 24**



Source: Annual Population Survey

### Home working

The LFS collects data on home working practices and these data reveal some significant differences between the working habits of self-employed men and self-employed women.

**Table 25: Place of work for the self-employed**

	<b>Female</b>			<b>Male</b>		
Location of work:	<i>UK</i>	<i>SE</i>	<i>London</i>	<i>UK</i>	<i>SE</i>	<i>London</i>
<i>Own home</i>	30%	34%	29%	8%	8%	12%
<i>Same grounds or building</i>	5%	3%	1%	4%	3%	1%
<i>Different places with home as a base</i>	29%	33%	32%	44%	48%	38%
<i>Separate from home</i>	36%	30%	37%	44%	41%	50%

Source: Labour Force Survey

Table 25 shows that self-employed women are significantly more likely to work at home than men, with about 30 per cent of self-employed women and just 8 per cent of men working from home. Part of this difference can no doubt be attributed to the differences in occupational structures (for example it makes little sense for those in building related occupations to work at home). However, even in industries and occupation in which both women and men work, there is a greater likelihood that women will work from home than there is for men.

Table 26 shows the percentage of self-employed women and men working at home by a selection of the most popular occupations. In all of the most popular occupations for men, the main place of work is somewhere other than their home, the situation is quite different for women. In about half of the occupations the home is the main place of work and in all except two occupations the proportion women working at home is higher than for all the most popular occupations for the male self-employed.

In the two occupations that are amongst the most popular for both men and women (shop keepers and medical practitioners) it is more likely for women to work at home than it is for men.

**Table 26: Place of work for selected occupations of the self-employed**

	Male			
	Own home	Same grounds or building	Different places with home as a base	Separate from home
Construction trades n.e.c. (5319) <sup>1</sup>	-	-	83%	17%
Carpenters and joiners (5315)	1%	-	67%	32%
Taxi cab drivers and chauffeurs (8214)	-	1%	45%	54%
Gardeners and grounds(wo)men (5113)	-	-	85%	15%
Painters and decorators (5323)	-	-	73%	27%
Plumbing, heating & ventilating engineers (5314)	1%	-	81%	18%
Managers in construction (1122)	7%	3%	43%	48%
Shopkeepers, wholesale & retail dealers (1234)	9%	9%	20%	62%
Medical practitioners (2211)	8%	-	4%	88%
Electricians electrical fitters (5241)	-	-	81%	19%
IT strategy and planning professionals (2131)	3%	-	44%	52%
Labourers, building & woodworking trades (9121)	-	-	53%	47%
Bricklayers masons (5312)	-	-	67%	33%

	Female			
	Own home	Same grounds or building	Different places with home as a base	Separate from home
Childminders and related occupations (6122)	86%	-	3%	10%
Teaching professionals n.e.c. (2319)	38%	-	36%	26%
Cleaners domestics (9233)	-%	-	54%	46%
Personal assistants & other secretaries (4215)	66%	4%	17%	13%
Accounts, wages clerks & bookkeepers (4122)	53%	1%	26%	19%
Shopkeepers, wholesale & retail dealers (1234)	18%	12%	7%	62%
Therapists n.e.c. (3229)	40%	7%	33%	20%
Hairdressers / barbers (6221)	-	-	55%	45%
General office assistants or clerks (4150)	52%	15%	7%	26%
Artists (3411)	65%	9%	12%	14%
Medical practitioners (2211)	10%	-	31%	59%
Beauticians and related occupations (6222)	20%	12%	53%	15%
Authors writers (3412)	76%	-	24%	-

Source: Labour Force Survey

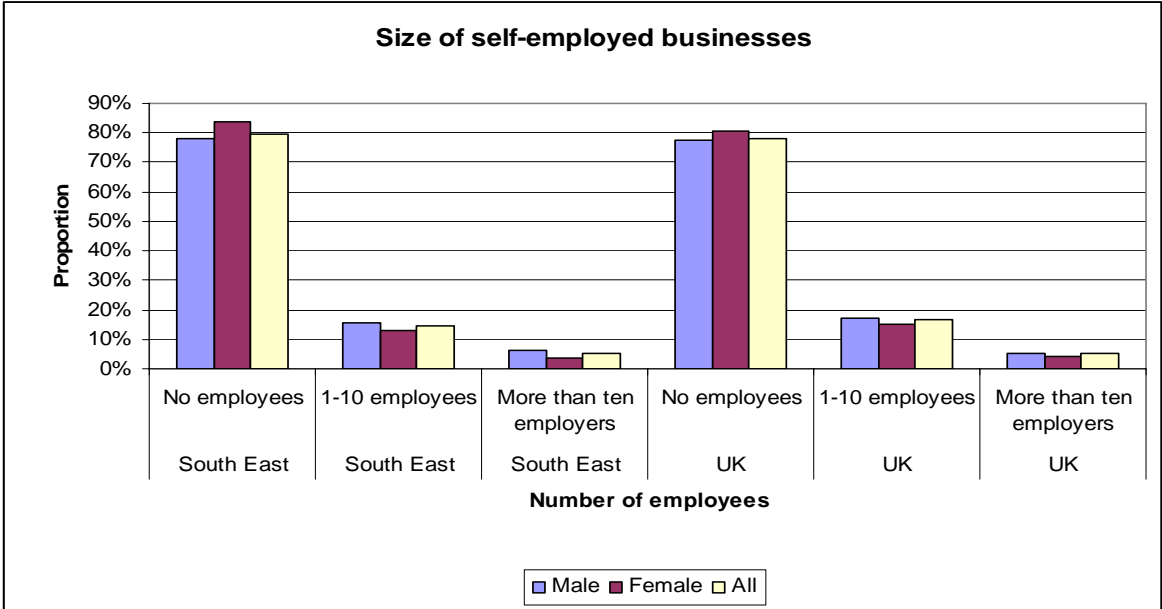
Note – These are the same occupations as shown in Table 19.

Table 26 shows where people in the most popular self-employed occupations for men and women work. As can be seen the trend is for male self-employment, in the most popular occupations to be undertaken away from their place of residence whilst for women the opposite is true. When the same occupation is looked for both men and for women it

becomes clear that women generally have a much higher likelihood of working from home than men, for example, 18 per cent of female self-employed shop-keepers work where they live compared to just 9 per cent of men.

**Size of business**

**Chart 27**



Source: Annual population Survey, October 2006 - September 2007

In order to code respondents social class the Labour Force Survey includes questions on the size of business that employees work for and that the self-employed own. APS data estimates that nationally 81 per cent of female self-employed work alone or with a partner, about 4 percentage points more than male self-employed. In the South East, the proportion of female self-employed working alone is 83 per cent, possibly reflecting the above average proportion of self-employed working part-time. For men the proportion working alone is lower at 79 per cent.

**Regional and Sub-regional self-employment patterns**

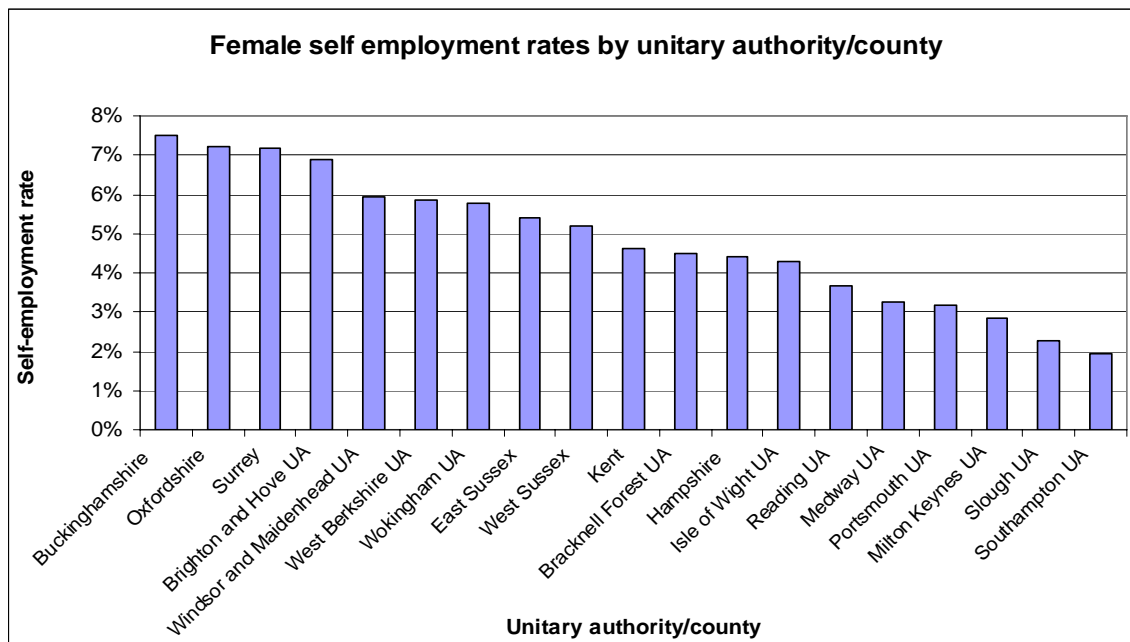
*By Unitary authority and Urban-rural classification*

Self-employment rates vary across and within regions. The highest female self-employment rates are in the South West, South East and London (all about 5.5 per cent) whilst in much of the rest of the country the rate is nearer 3 per cent. A similar pattern of self-employment rates is exhibited by men albeit with one difference; the highest self-employment rate for men is in Northern Ireland (15 per cent).

Within the South East there is also considerable variation in self-employment rates for women as can be seen in Chart 28 below. The highest self-employment rates (of about 7 per cent) are found in Buckinghamshire, Oxfordshire, Surrey and Brighton and Hove. Several areas have self-employment rates of 4 per cent or less, these are overwhelmingly largely urban unitary authorities – e.g. Reading, Medway, Milton Keynes, Portsmouth, Slough and Southampton.

It is interesting that Brighton and Hove has a high level of female self-employment when many other urban areas are characterised by relatively low levels of self-employment. This can partly be explained by the industrial and occupational structure in Brighton and Hove. Brighton and Hove’s higher than average self-employment rate is partly due to a high level of creative industries, which is unlike most other predominantly urban areas.

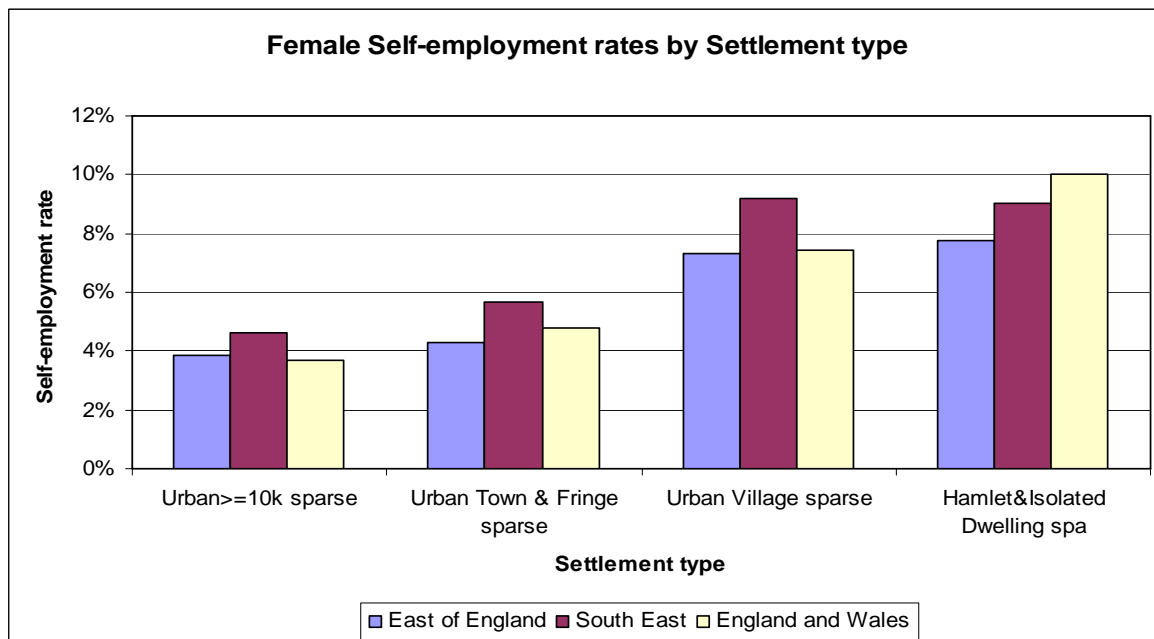
**Chart 28**



Source: Annual Population Survey, October 2006 –September 2007

If we look at self-employment rates in terms of settlement size we see that self-employment rates are highest in more rural areas and lowest in the most urban.

**Chart 29**



Source: Annual Population Survey, October 2006 –September 2007

Note – Chart 29 is based on DEFRA urban/rural classification with sparse and less spares added together.

As Chart 29 shows self-employment increases with decreasing settlement size; people in more rural areas are nearly twice as likely to be self-employed as those in the most urban areas. It is worth noting that the apparent slight drop in self-employment rate between villages and hamlets & isolated dwellings is probably the result of a small sample size.

## *Summary*

- Self-employed women in the South East are more likely than those elsewhere to work part-time
- The proportion of self-employed women in the South East working part-time has increased in the last 2 years.
- Occupations of self-employed men and women differ considerably; whereas male self-employment is clustered around construction trades, female self-employment encompasses more personal services. The industrial structure of self-employed men and women follows a similar pattern.
- Self-employed women are more likely than men to work at home. This reflects the types of work done by men and women and their motivation in becoming self-employed.
- Self-employed women are less likely than men to employ staff (83 per cent of women and 79 per cent of men work alone).
- Self-employment rates for women are higher in more rural areas.

## Section 4: Self-employment and its use in the measurement of business ownership

The number of self-employed people is widely used as a proxy for the number of business owners. However it is well known that whilst there is a considerable overlap between business owners and the self-employed<sup>7</sup> there are a number of conceptual differences between the two.

One of these being that business owners can be employees – so the total number of business owners will be higher than the number of self-employed. It can be useful to think of the population of business owners as composed of:

- a) Owner-managers of un-incorporated enterprises (commonly called self-employed)
- b) Owner-managers of incorporated enterprises who are employees<sup>8</sup>.

A second point is that a small proportion of the self-employed are not really self-employed, but are in fact employees and a small correction needs to be made to allow for these.

Also, some of the people who respond as (a) above are either sole-directors of their own limited company or are paid a salary or wage by an agency and therefore should be considered as (b). For the purposes of measuring business ownership it is reasonable to include those who respond that they are sole-directors of their own companies and to exclude those who are paid a wage or salary. This section will analyse a number of variables that can help us to move away from using only self-employment as a proxy and towards a better estimate of the number of business owners.

### *Available variables*

The LFS/APS datasets contain several variables (denoted in the text as **[Omcont]** etc.) that can be used to verify the level of self-employment and to move it towards a measure of business owners. Useful variables in LFS:

- 1) **[Nitax]** – which asks whether respondents pay their own tax and national insurance.
- 2) **[Self]** – which asks how people work, whether they run their own business or are a partner in a business.
- 3) **[Omcont]** – which asks whether the respondent owns the business they work for.
- 4) **[Omrole]** - which asks whether they can hire and fire staff.

An article in the September 2007 issue of *Economic and Labour Market Review* (ELMR) discussed the differences between self-employment as stated by respondents and the real circumstances of self-employment and gives further details of **[Nitax]** and **[Self]**. These variables are discussed further later in this section.

To date, all four variables have not appeared on the same LFS dataset, however they will all be present on the dataset relating to April–June 2008, allowing more analysis of the business habits of the self-employed and business owners.

---

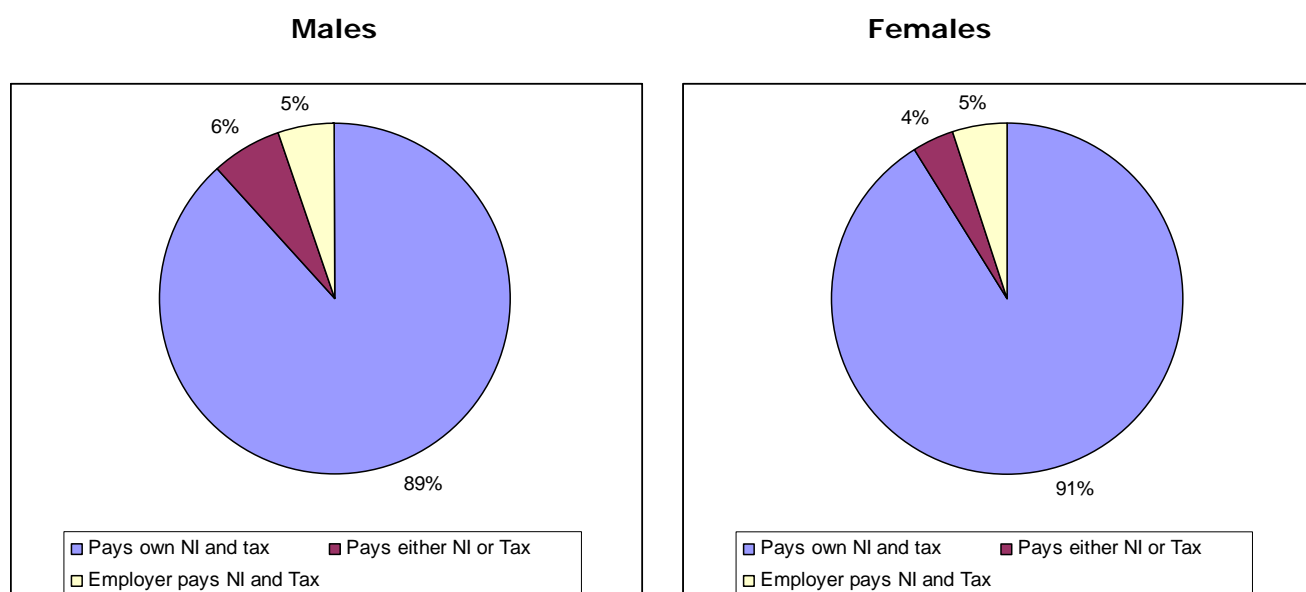
<sup>7</sup> The self-employed can be thought of as owner-managers of un-incorporated enterprises; owner managers of incorporated businesses (which would appear on the IDBR) are technically employees, the difference being that the enterprise has separate legal identity from the owner. They may own the company but the company employs them.

<sup>8</sup> See end of section for further details.

**[Nitax] - The self-employed and national insurance/income tax**

Self-employed people should, with some small exceptions, directly pay their own income tax and National Insurance (NI). The LFS recently (from the first quarter of 2007) introduced a new variable which asks the self-employed and those not directly paid a wage, whether or not they pay their own income tax. As with **[Omcont]** this variable seems to confirm that the self-employed generally are what they claim to be. Over 89 per cent of those who describe themselves as self-employed, pay their own tax and NI contributions, whilst just 4 per cent have their tax and NI paid by an employing organisation. About 5 per cent of the self-employed have either their tax or NI paid by another organisation. In addition about 12 per cent of senior managers in private companies said that they paid their own tax and national insurance.

**Chart 30: Percentage of self-employed males and females by whether they pay National Insurance/Income Tax directly**



Source: Labour Force Survey, October-December 2007

**[Self] – Reasons for not being paid by employer**

This question asks the self-employed and those who don't get paid directly by an employer about how they work, the answer categories cover activities such as being the director of your own business and doing freelance work. In combination with the new variable on income tax/national insurance this can be used to correct the number of self-employed. The next sub-section investigates this in more detail.

**Analysis of the self-employment and income tax**

In the September 2007 issue of Economic and Labour Market Review one of a series of articles on reconciling estimates from the LFS and workforce jobs was published. This article involved estimating the overcounting of self-employment on the LFS (compared to workforce jobs statistics) and used **[Nitax]** and **[Self]** to adjust the level of self-employment.

Respondents who stated that they were paid a salary or wage by an agency or who were sole director of a limited company and who didn't pay their own tax were judged to be employees and the count of self-employed adjusted accordingly. A similar change was made in the opposite direction where employees paying their own tax are treated as self-employed. Overall, this research estimated that there were about 460,000 people

throughout the UK who classified themselves as self-employed but who were in reality employees.

A similar rationale can be applied to our measure of female business owners, but unlike the measure of self-employment we will not be seeking to remove sole-directors of their own limited companies. Whilst members of this group are employees and not self-employed, they are still definitely business owners and therefore relevant to this report.

To measure the real level of business ownership we need to start with the total number of self-employed people:-

- *Minus* self-employed paid a salary or wage and who don't pay their own NI and taxes
- + *Plus* those employees who pay their own income tax or national insurance
- + *Plus* those employees who say they are the sole-director of their own limited company
- + *Plus* other owner managers not directly measured.

### ***[Omcont] and [Omrole] – measuring the number of owner managers of incorporated enterprises***

It is acknowledged that self-employment is not a perfect proxy for business ownership or entrepreneurship as there are certain categories of business owners who are employees. However, the LFS occasionally asks a question which explicitly asks whether the self-employed and senior managers in private companies (employees) own the companies they work for.

It would appear that by using ***[Omcont]*** we may be able to provide a more appropriate method for measuring owner managers. It is a direct question about the ownership of the business for which the respondent works. Unfortunately it is only run on one LFS quarter every other year, so is of limited use in the regular monitoring of the level of business ownership. Despite this, ***[Omcont]*** can be used to create an estimate of the number of business owners by looking at the number of owner employers. A simple cross-tabulation of another variable relating to employment status ***[Statr]*** by ***[Omcont]*** reveals that about 18 per cent of those who are self-employed say they do not own their own business, whilst about 13 per cent of those who said they were employed as senior managers own the business they work for (see Table 31 for details).

By definition those who are self-employed must direct their own enterprises, however, some of the self-employed do not consider themselves to be business owners. Looking at this 18 per cent more closely reveals that 95 per cent of this group are people working on their own or with a partner. These people may say they aren't business owners because their business has no assets or does not employ any staff. Additionally the variable ***[Self]*** confirms that these people are indeed self-employed.

Overall, ***[Omcont]*** suggests that the number of business owners is about 15 per cent higher than the number of self-employed people in the UK in April to June 2006. For similar data from March to May 2004 the difference between the number of business owners and the number of self employed people was 13 per cent. Whether this increase in proportion is significant over time for the South East will require further investigation. The uplift in other regions may differ, depending on the industry/occupation mix of the area.

In the quarter April-June 2006 the difference between the number of self-employed people and the number of business owners in the UK was about 515,000. The number of female business owners increases by 115,000 and the number owned by men by 400,000, increasing the disparity in ownership between the sexes. In the South East the number of female business owners increased by 26,000 and the number of male business owners by 82,000 during the same period.



**Table 31: Business ownership [Omcont] by Employment status [Statr], United Kingdom, April-June 2006**

	<b>Employee</b>	<b>Self-employed</b>	<b>Total ('000s)</b>
Owns business	13%	82%	3,425
Doesn't own business	87%	18%	4,291
	100%	100%	
Stated type of employment ('000s)	4,094	3,621	7,716

Source: Labour Force Survey

### **Differences between self-employment and business ownership**

If the industrial and occupational composition of business owners and the self-employed are analysed it becomes clear that the composition of the two groups differs in several important ways:

- 1) Most obviously, business owners tend to be in more senior occupations than the self-employed. There are about twice as many senior manager business owners than there are senior managers amongst the self-employed. This reflects the status of many senior managers as employees that own the company they work for.
- 2) Business owners belong to different industrial categories to those who are self-employed, a smaller proportion work in construction and a far higher proportion work in manufacturing, distribution and finance.

### **Preliminary analysis of interactions between Omcont, Nitax, Self, and Self-employment**

One confusing aspect of the relationship between business ownership (as defined by **[Omcont]**) and self-employment is that some of those who are self-employed say they are not business owners. If a self-employed person is not a business owner, can they really be self-employed? In the future we will be able to investigate this further by looking at the income tax and national insurance status of those who say they are working as self-employed but aren't business owners. Whilst a full set of this data isn't yet available, we can utilise some of the features of the LFS to provide us with an insight into this issue.

The LFS is a panel survey and respondents are contacted in five successive quarters. This means that we can add the business ownership status of a fifth of the survey sample to data containing their national insurance and tax status. We need to remove those people who changed job in this period from the estimates. Analysis of this is approximate, (only 700 cases have responses for **[Omcont]** and for **[Nitax]** ), but illustrates that it is probably justified to say that those who are self-employed are business owners irrespective of their response to **[Omcont]**. About 93 per cent of those who answer in this way, later go onto say that they pay their own NI and Tax.

The best estimate of the number of business owners from the LFS is therefore:-

- All those who say they are self-employed,
- + Plus all those employees who say they own their own business at **[Omcont]**.
- Minus those who say they are self-employed but work for and get their NI and Tax paid by an employer.



**Table 32: Correcting self-employment and business ownership**

**Employees not paid a wage by employer**

	Paid a salary or wage by agency	Sole director of limited company	Both	Neither or not answered	Total
Pay own tax and NI	6,000	6,000	0	7,000	18,000
Pay own tax or NI but not both	1000	0	0	2,000	3,000
NI and tax deducted by organisation	79,000	1000	0	14,000	94,000
No answer	2000	0	0	3,000	6,000
Total	88,000	7,000	0	26,000	122,000

**Self-employed**

Pay own tax and NI	58,000	296,000	15000	3,006,000	3,375,000
Pay own tax or NI but not both	6,000	9,000	2000	158,000	175,000
NI and tax deducted by organisation	31,000	13,000	1000	136,000	180,000
No answer	1000	1,000	0	32,000	34,000
Total	96,000	320,000	17,000	3,332,000	3,765,000

 Non self-employed business owners  
 Self employed

Source: Labour Force Survey

What does this mean for the number of female business owners in the South East? Quite simply it means that the number of female business owners is about 25,000 higher than an estimate based purely on self-employment would suggest<sup>9</sup>. Nationally the number of 'incorporated' business owners would be about half a million (of which about one-fifth are females) higher than the estimates of self-employment (3.9 million counting both first and second jobs).

**Table 33: Proportions of those classified as self-employed.**

	Pay own NI and tax	Pay own NI or tax but not both	NI and tax are deducted by organisation	Total
Owns business	91%	6%	3%	100%
Doesn't own business	82%	11%	7%	100%
Total	90%	6%	4%	100%

Source: Labour Force Survey

**Adjusting Self-employment to produce a synthetic estimate of business ownership**

Ideally the variable [*Omcont*] would be available every quarter and this would provide a direct measure of business ownership for employees which could be combined with those stating they are self-employed. In the absence of these data we can estimate the value of the true figure by applying previously observed ratios of self-employment to business ownership to our data. On a simplistic level we can apply this by multiplying the ratio of self-employed people to business owners.

However, it may be more realistic to use an intermediary variable, such as industry, occupation or region of residence to apportion employee managers in the same amounts as in [*Omcont*]. Table 34 gives the relationship between private sector managers and

<sup>9</sup> The number of male business owners in the South East increases by about 80,000.

business owners by broad industry group and sex from the latest available period (April to June 2006). This table shows that a higher proportion of male managers in the private sector are business owners than females. Secondly, the table shows that there are considerable differences between industry sectors with 23 per cent of female managers in agriculture and fishing being business owners compared to just 4 per cent of those working in 'Energy and Water' and 'Transport and Communication'.

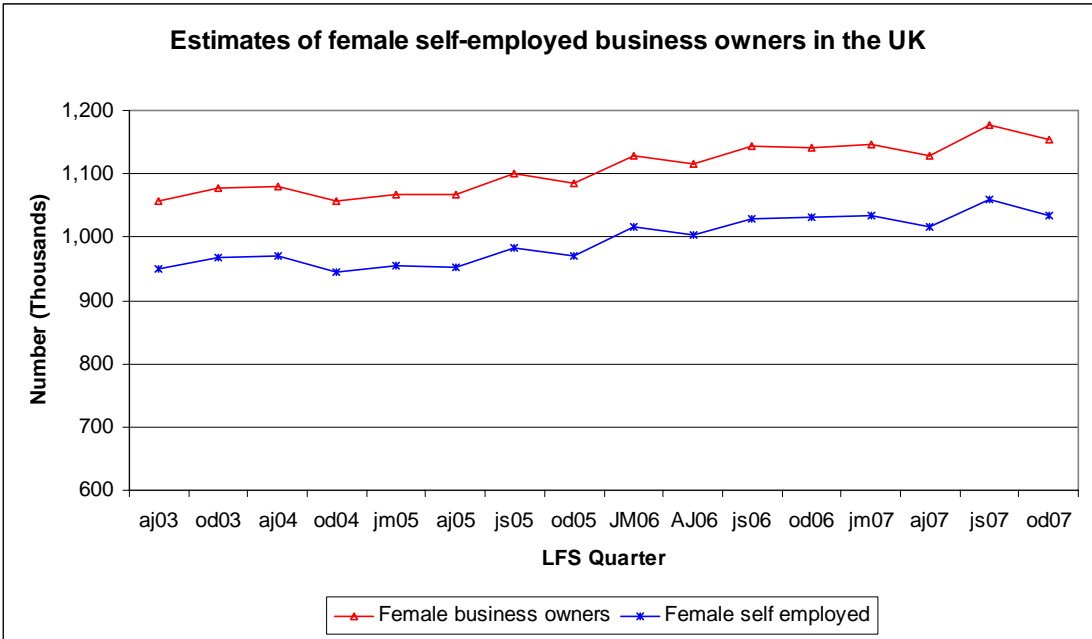
**Table 34: Percentage of employee managers in the private sector who state they own the business they work for by broad industry group, UK**

Industry Sector	Men	Women
A-B: Agriculture & fishing	38%	23%
C E: Energy & water	5%	4%
D: Manufacturing	12%	8%
F: Construction	25%	17%
G-H: Distribution hotels & restaurants	14%	8%
I: Transport & communication	7%	4%
J-K: Banking finance & insurance etc	17%	10%
L-N: Public admin education & health	9%	6%
O-Q: Other services	11%	11%

Source : Labour Force Survey, April to June 2006

Chart 35 shows the effect of applying the proportions in Table 34 to data from the Labour Force Survey. The major component group of business owners (about 87 per cent) is the self-employed. As a result, the total number of business owners is little affected by the changing level of owner managers of incorporated enterprises. Trends in self-employment are identical to those for business owners, although the level of business ownership is slightly higher. Chart 35 below shows the changing levels of self-employment and business ownership in the UK from 2003 to 2007 using estimates from the quarterly LFS.

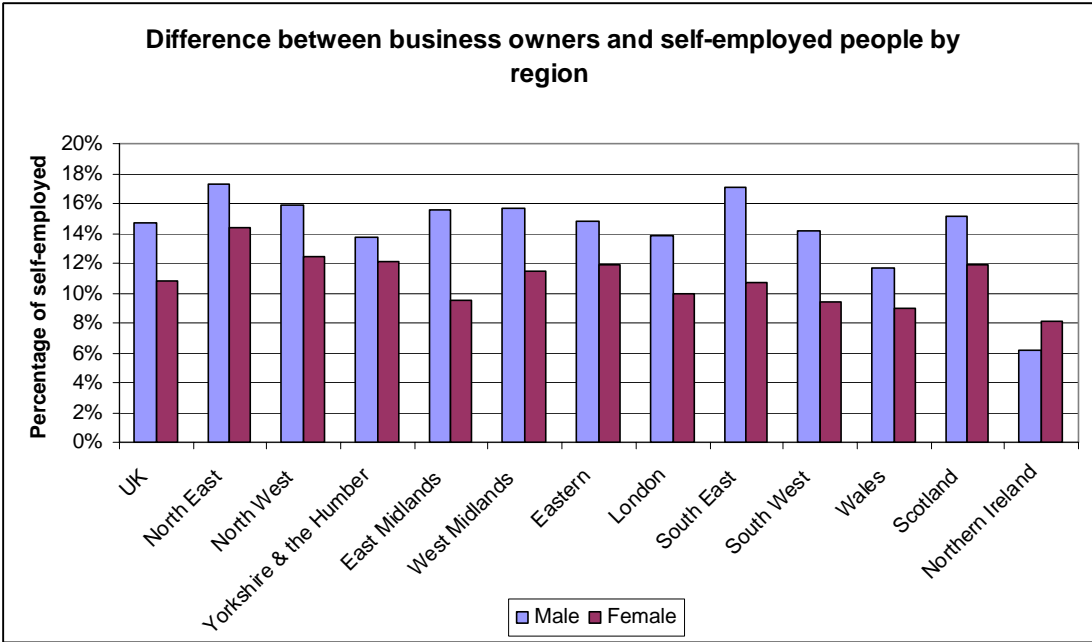
**Chart 35**



Source: Labour Force Survey

**Regional differences between self-employment and business ownership**

**Chart 36**



Source: Annual Population Survey, October to September 2007  
 Note : National data from Table 34 was used to apportion regional data by age and sex

Chart 36 shows the differences between the level of self-employment and the level of business ownership for men and women in each region of the UK. These data use the national proportions in Table 34 to apportion regional data from the Annual Population Survey. Overall, this methodology gives an indication that the real level of business ownership for women across the UK is about 11 per cent higher than the level of self-employment, although it also indicates that the level of business ownership for men is about 15 per cent higher. The South East has a larger disparity between men and women than any other region, whilst the level of female business owners is 11 per cent higher than the level of those who are self-employed, the difference for men is 17 per cent. This indicates that the size of the disparity between men and women business ownership is underestimated by using self-employment as a proxy.

**Providing separate estimates of incorporated and un-incorporated owner managers**

It may be useful to provide estimates of the total number of self-employed and employee owner-managers. Deflating the number of self-employed can be achieved by following the methodology shown in Table 34. This also provides part of the estimate of owner-managers by disaggregating those respondents who claim to be self-employed but are actually sole-directors of their own limited companies. The second part involves using the methodology shown in the section on producing a synthetic estimate of business ownership.

**Summary**

- The number of self-employed females is lower than the number of female business owners.
- A proportion of the self-employed are technically employees as they are sole-directors of their own limited companies. Although they are not self-employed they are business owners.

- A proportion of employees, identified by the variable *[Omcont]*, are business owners. Directly identifying these cases is not always possible as *[Omcont]* is not always available.
- It is possible to use the data in the Labour Force Survey to estimate the total number of business owners.
- The difference between the proportion of business owners who are men and the proportion who are women is underestimated by using self-employment. A higher proportion of owner managers in incorporated enterprises are men than owner managers in un-incorporated enterprises (self-employed people).

### ***The two components of the business owners group***

The following definitions of self-employment and owner-managers of incorporated enterprises come from the International Labour Organisation<sup>10</sup> classifications. As can be seen from the definitions below, different interpretations may be required of ownership or self-employment in various circumstances to obtain a realistic picture of the situation.

**"Self-employment jobs** are those jobs where the remuneration is directly dependent upon the profits (or the potential for profits) derived from the goods and services produced (where own consumption is considered to be part of profits). The incumbents make the operational decisions affecting the enterprise, or delegate such decisions while retaining responsibility for the welfare of the enterprise. (In this context "enterprise" includes one-person operations.)"

**"Owner-managers of incorporated enterprises** are workers who hold a job in an incorporated enterprise, in which they: (a) alone, or together with other members of their families or one or a few partners, hold controlling ownership of the enterprise; and (b) have the authority to act on its behalf as regards contracts with other organizations and the hiring and dismissal of persons in "paid employment" with the same organization, subject only to national legislation regulating such matters and the rules established by the elected or appointed board of the organization. Different users of labour market, economic and social statistics may have different views on whether these workers are best classified as in "paid employment" or as in "self-employment" (see self-employment jobs), because these workers receive part of their remuneration in a way similar to person in "paid employment" while their authority in and responsibility for the enterprise corresponds more to persons in "self-employment", and in particular to "employers". (Note, for example, that to classify them as "employees" will be consistent with their classification in the "System of National Accounts", while they may be best classified as "employers" or "own-account workers" for labour market analysis.) Countries should, therefore, according to the needs of users of their statistics and their data collection possibilities, endeavour to identify this group separately. This will also facilitate international comparisons."

---

<sup>10</sup> <http://www.ilo.org/public/english/bureau/stat/class/icse.htm>

## References

### *Useful articles*

"The introduction of additional questions on employment status to the Labour Force Survey", Hill R in Labour Market Trends, Dec 2000.

"Owner managers in the Labour Force Survey", Laux R & Dellow M in Labour Market Trends, June 1999

"Comparison of statistics on jobs: September 2007", Machin, A in Economic and Labour Market Review, March 2008

<http://www.statistics.gov.uk/cci/article.asp?id=1950>

Guide to the Labour Market:

<http://www.statistics.gov.uk/about/data/guides/LabourMarket/>

### *Labour Force Survey*

<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=1537&Pos=&ColRank=1&Rank=272>

Gives access to various volumes:

- Vol 1: Background and methodology
- Vol 2: LFS Questionnaire
- Vol 2a: Transitional Questionnaire
- Vol 3: Details of LFS variables
- Vol 3: Details of LFS variables (1992-2002)
- Vol 4: LFS Standard Derived Variables
- Vol 5: LFS Classifications
- Vol 6: LFS Local area data
- Vol 7: LFS variables 1979-91
- Vol 8: Household and family data
- Vol 9: Eurostat and Eurostat derived variables

### *Annual Population Survey*

[http://www.statistics.gov.uk/downloads/theme\\_population/Annual\\_Population\\_Survey.pdf](http://www.statistics.gov.uk/downloads/theme_population/Annual_Population_Survey.pdf)

**Annual Survey of Hours and Earnings** (ASHE) provides information about the levels, distribution and make-up of earnings and hours paid for employees within industries, occupations and regions. ASHE was developed to replace the New Earnings Survey (NES) in 2004. This included improvements to the coverage of employees, imputation for item non-response and the weighting of earnings estimates.

<http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=13101>

An **Integrated Household Survey** is being developed by ONS to allow a combination of core outputs to augment data from existing surveys such as the Omnibus, Expenditure and Food and General Household Surveys.

<http://www.statistics.gov.uk/CCI/nugget.asp?ID=936&Pos=1&ColRank=1&Rank=224>

**Nomis** National On-line Manpower Information System contains data on population and the labour market: <https://www.nomisweb.co.uk>

### **Useful definitions**

[http://www.ilo.org/global/What\\_we\\_do/Statistics/topics/Statusinemployment/guidelines/lang--en/index.htm](http://www.ilo.org/global/What_we_do/Statistics/topics/Statusinemployment/guidelines/lang--en/index.htm)

<http://www.ilo.org/public/english/bureau/stat/class/icse.htm>

**Inter-Departmental Business Register (IDBR)** is a list of UK businesses maintained by the Office for National Statistics (ONS) and combines the former Central Statistical Office (CSO) VAT based business register and the former Employment Department (ED) employment statistics system. It complies with European Union regulation 2186/93 on harmonisation of business registers for statistical purposes. <http://www.statistics.gov.uk/idbr/idbr.asp>

**Standard Industrial Classification 2003 (SIC 2003)** is used to classify business establishments and other standard units in the UK by the type of economic activity in which they are engaged. It provides a framework for the collection, tabulation, presentation and analysis of data and its use promotes uniformity. In addition, it can be used for administrative purposes and by non-government bodies as a convenient way of classifying industrial activities into a common structure.

<http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14012>

**Standard Occupational Classification 2000 (SOC 2000)** is used to classify the different types of occupations carried out. The two main concepts of the classification are:

- kind of work performed - job
- competent performance of the tasks and duties - skill.

[http://www.statistics.gov.uk/methods\\_quality/soc/structure.asp](http://www.statistics.gov.uk/methods_quality/soc/structure.asp)

Full structure:

[http://www.statistics.gov.uk/methods\\_quality/ns\\_sec/downloads/SOC2000.doc](http://www.statistics.gov.uk/methods_quality/ns_sec/downloads/SOC2000.doc)

**Urban/rural Classification** of areas is based on small areas - [Output Areas](#) (OAs) as defined for the 2001 Census. Output areas have a minimum of 40 households and 100 resident people, but the recommended size was 125 households. Each OA is described as urban or rural depending on whether the majority of the population falls inside or outside a settlement of population 10,000 or more.

Settlements can be either:

- i) Urban, sub-divided into Sparse and Less-sparse
- ii) Rural, sub-divided into Sparse and Less-sparse then each of these further divided into Small town & fringe, Village and Dispersed

[http://www.statistics.gov.uk/geography/downloads/Introductory\\_Guide.pdf](http://www.statistics.gov.uk/geography/downloads/Introductory_Guide.pdf)

**Enterprise Directorate** (formerly Small Business Service), Department for Business, Enterprise and Regulatory Reform (BERR)

<http://www.berr.gov.uk/bbf/enterprise-smes/index.html>

Regional Economic Development

<http://www.berr.gov.uk/regional/index.html>

**Further reading**

South East Regional Economic Strategy [http://www.seeda.co.uk/res/RES\\_2006-2016/index.asp](http://www.seeda.co.uk/res/RES_2006-2016/index.asp)

The Regional State of Womens' Enterprise in the English regions

<http://www.prowess.org.uk/documents/TheStateofWomensEnglandintheEnglishRegionsthisistheonetodistribute.pdf>

State of Womens' Enterprise in the UK, Dr. Rebecca Harding

<http://www.prowess.org.uk/documents/StateofWomensenterpriseintheukfinal.pdf>

Global Enterprise Monitoring, 2007 report:

[http://www.london.edu/assets/documents/PDF/GEM\\_UK\\_2007\\_Report.pdf](http://www.london.edu/assets/documents/PDF/GEM_UK_2007_Report.pdf)

South East Summary:

[http://www.london.edu/assets/documents/PDF/GEM\\_UK\\_regional\\_summary\\_-\\_South\\_East\\_of\\_England\\_2006.pdf](http://www.london.edu/assets/documents/PDF/GEM_UK_regional_summary_-_South_East_of_England_2006.pdf)

Women's Business Ownership: research and policy - executive summary:

<http://www.dti.gov.uk/files/file38338.pdf>


Womens' enterprise task force:

[http://www.womensenterprise.co.uk/stats\\_wetf.asp](http://www.womensenterprise.co.uk/stats_wetf.asp)

Shaping a further future - executive summary. A Women and Equality Unit publication

[http://www.womenandequalityunit.gov.uk/publications/wwc\\_shapingfairerfuture\\_executive\\_summary\\_06.pdf](http://www.womenandequalityunit.gov.uk/publications/wwc_shapingfairerfuture_executive_summary_06.pdf)





The Office for National Statistics (ONS) is the executive office of the UK Statistics Authority, a non-ministerial department which reports directly to Parliament. ONS is the UK Government's single largest statistical producer. It compiles information about the UK's society and economy which provides evidence for policy and decision-making and in the allocation of resources.

Further details of products prepared by the ONS can be obtained from:

ONS Customer Contact Centre  
Room 1015, Government Buildings,  
Cardiff Road,  
Newport,  
South Wales,  
NP10 8XG

Tel: 0845 601 3034  
Email: [info@statistics.gov.uk](mailto:info@statistics.gov.uk)

[www.statistics.gov.uk](http://www.statistics.gov.uk)