



**SMALL AND MEDIUM-SIZED ENTERPRISE (SME) STATISTICS  
FOR THE UK AND REGIONS, 2009**

**METHODOLOGY NOTE**

**PUBLISHED BY THE ENTERPRISE DIRECTORATE OF THE DEPARTMENT FOR  
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## Introduction

1. *Small and Medium Enterprise (SME) Statistics for the UK and Regions* is an annual publication produced by the Department for Business, Innovation and Skills (BIS).
2. There is no single database in the UK which contains details on every active business. This publication takes data from the 2.2 million<sup>1</sup> enterprises which are on the government business register, the IDBR<sup>2</sup>, which contains all enterprises operating VAT and/or PAYE schemes, and then estimates how many very small *unregistered* enterprises there are to create a total business population for the UK.
3. This publication, therefore, is the best official source for understanding the estimated size, employment and turnover of the entire UK business population at a particular point in time.
4. *Small and Medium Enterprise (SME) Statistics for the UK and Regions* (hereafter referred to as *SME Statistics*) is a National Statistics publication.
5. National Statistics are produced to high professional standards set out in the *Code of Practice for Official Statistics*. They undergo regular quality assurance reviews to ensure that they meet customer needs. They are produced free from any political interference. Further information on National Statistics can be found on the UK Statistics Authority website<sup>3</sup>.
6. In line with the *Principle on Frankness and Accessibility* from the *Code of Practice for Official Statistics* this document provides guidance for users on classifications and methods. It describes how to interpret the data in *SME Statistics*, and how it differs from other National Statistics on the business population. Users will also find information on the ways in which the publication is likely to change over the next few years.
7. *SME Statistics* publications for the years 1994 to 2009 can be downloaded from <http://stats.bis.gov.uk/ed/sme>. For further information or to give feedback on the *SME Statistics* publication please contact [enterprise.statistics@bis.gsi.gov.uk](mailto:enterprise.statistics@bis.gsi.gov.uk)

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<sup>1</sup> This differs from figure published in the ONS publication *UK Business* – see paragraph 34.

<sup>2</sup> IDBR = Inter Departmental Business Register – for more details, see Annex A

<sup>3</sup> Link to information on National Statistics is <http://www.statisticsauthority.gov.uk/national-statistician/types-of-official-statistics/index.html>

# Section 1 - Definitions and Coverage

## Definitions used in *SME Statistics*

### Enterprises

8. An Enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy within an Enterprise Group. A branch or office of a larger organisation is not in itself an enterprise.

*For example, a large supermarket chain will count as one enterprise, with the employment and turnover of individual stores, distribution centres etc included within this.*

### Employees

9. The number of employees refers to the number of people working within the enterprise under a contract of employment in return for a wage or salary. An enterprise can be classed as having no employees if all the business is conducted by people classed as being working proprietors. In the data file for *SME Statistics 2009*, Table 1 shows employment split out between working proprietors and employees.

*For example, 20 partners in a partnership could all be defined as working proprietors if none of them were drawing a salary and therefore classed as an employee.*

*For example, an enterprise with two partners and three employees will have five employment.*

### Employment

10. This refers to the number of employees plus the number of self-employed people that run the enterprise (working proprietors). Individuals with two jobs in different enterprises and self-employed people running two enterprises will be counted against each enterprise. Both full-time and part-time employees are counted, and both are counted as an employee.

*For example, an enterprise with 5 full-time and 5 part-time employees will be classed as having 10 employees.*

### Turnover

11. This refers to the value of sales, work done and services rendered. It excludes VAT. Turnover data for registered enterprises comes from the IDBR<sup>4</sup>.

### Size of enterprise

12. This refers to the number of employees within an enterprise. In the Statistical Press Release, we refer to small as those with 0 to 49 employees, medium as 50 to 249 employees and large as 250 or more employees. Employees may work full or part-time – each count as one employee.

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<sup>4</sup> Where there is an enterprise group, turnover for all the VAT enterprises within the group may be notified (to HMRC) by a reporting or 'standard' unit. If this is not updated from other sources the IDBR record will hold an unusually high turnover for the reporting enterprise and other enterprises within the group will hold an estimated turnover. Therefore turnover in a small number of businesses may be too high.

## The time period covered

13. *SME Statistics* is a snapshot of the number of enterprises at the start of a calendar year.

14. A count of IDBR enterprises that were “live” at the start of the year is achieved by referring to each enterprise’s recorded start date and, where appropriate, its closure date.

15. The reporting of these dates is subject to a number of time delays. For example when an enterprise closes there may be a delay before HMRC, who collect VAT, are informed. Closure of the VAT record may then be delayed until all liabilities are settled. There may also be lags in recording PAYE data.

16. BIS is currently investigating options to improve the timeliness of the publication- for further information refer to Section 3.

## Industrial Classification

17. The industrial classification used in this publication is the *Revised Standard Industrial Classification 2003 (SIC2003)*.

18. Private households and extra-territorial bodies (sections P and Q) are not included, as they are outside the scope of this publication.

19. SIC 745 (Labour recruitment and provision of labour personnel) is also excluded to avoid possible double counting of employees, who could be counted both as employees of the employment agency, and as employees of the business they are currently working for.

20. The most detailed tables provided in the publication are disaggregated to 3-digit SIC 2003 level for enterprises identified as employers only. This is because the estimates of the enterprises with no employees relies heavily on the ONS Labour Force Survey (LFS) which is a sample survey and not robust enough to provide accurate estimates at this level of detail.

21. Tables have not been provided at either 4 or 5 digit level, as the level of suppression would be very high.

## Coverage

22. With the exception of the Whole Economy table (Table 2), the *SME Statistics* cover the market sector - all private sector enterprises<sup>5</sup>, even if they sell their products

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<sup>5</sup> The private sector includes a small number of public corporations and nationalised bodies.

exclusively to the Government. It excludes central and local government<sup>6</sup>, charities and other non-profit organisations, which are shown in Table 2 of the publication only.

23. There is no lower boundary for inclusion in the *SME Statistics*. Even a small amount of enterprise activity counts. However, many “no employee” businesses are labour-only sub-contractors; that is, self-employed people trading in their own skills or professional knowledge. They might work for just one customer. Many are genuine entrepreneurs or at least think of themselves as separate from the organisation to which they sell their skills. Others probably do not - for example people whose employers have simply shifted their job from employee to self-employed status. The *SME Statistics* includes both these types of self-employed person.

24. Apart from Table 2, which also includes Government and non-profit enterprises, the *SME Statistics* are comprised of enterprises from three types of legal status. These are *sole proprietorships*, run by one self-employed person; *partnerships*, run by two or more self-employed people; and *companies* (including public corporations and nationalised bodies) in which the working directors are counted as employees. We assume that all unregistered enterprises are from the first two categories, and exclude companies that are not on the IDBR due to inactivity.

25. Since the publication of *SME Statistics 2000*, single employee companies have been moved from the “1 employee” category into the “no employees” category. This was done to ensure that incorporations by individuals operating alone did not distort the overall numbers of enterprises with employees. If the reallocation of companies from the 1 to the no employee band had not been undertaken then the distribution of companies across the various employee size bands would have been as shown in Table A below.

Table A: Companies (including public corporations and nationalised bodies): number of enterprises, employment and turnover by number of employees, UK, start 2009

	Enterprises	Employment ( / 1,000)	Turnover <sup>1</sup> ( / £million)
All enterprises	1,300,390	16,855	2,936,730
All employers	1,282,445	16,849	2,931,387
With no employees	17,945	5	5,343
1	534,970	535	96,077
2+	747,475	16,314	2,835,311

1. "All Industries" turnover figures exclude Section J (financial intermediation) where turnover is not available on a comparable basis.

<sup>6</sup> The local and central government sector is comprised of all enterprises classed by ONS as having an institutional classification of either local or central government and private sector enterprises with SIC 2003 classification codes 751 (administration of the state and the economic and social policy of the community, 752 (provision of services to the community as a whole) and 753 (Compulsory social security activities).

26. As seen in Table A above, almost 18 thousand companies have no employees. Companies without employees can be holding companies, investment trusts or pension funds and most of these will have no associated employment. In addition a small number are companies where, for technical reasons, employee directors are treated as working proprietors.

27. Over 55,000 enterprises have been excluded from the registered enterprise counts in *SME Statistics 2009*:

- The majority of these (49,475) are Composite and Managed Services Companies.
- A further 5,745 enterprises, registered at the address of an Official Receiver's Office, are also excluded.

28. In both cases the address does not represent the location of the activities of these enterprises and they have been excluded to avoid giving a false impression of growth in these locations. Further details on Composite and Managed Services Companies can be found on the HM Revenue & Customs website<sup>7</sup>.

## **Comparisons with other published data**

### **Workforce jobs (ONS)**

29. The Office for National Statistics (ONS) publishes official estimates of “workforce jobs”, which totalled 31.3 million in December 2008<sup>8</sup>. The estimate shown in most tables in this publication (22.8 million) differs in that it excludes employment in central and local government, charities and other non-profit organisations, HM Forces and participants on government training programmes who do not have a contract of employment.

30. The “Whole Economy” table shows total employment of 30.1 million at the start of 2009. This is different from the ONS ‘workforce jobs’ series which is seasonally adjusted and drawn from a number of different sources, including employer surveys.

31. The workforce jobs series also includes counts of individuals on government training programmes and those listed as employed by recruitment agencies, which are excluded from *SME Statistics*.

### **UK Business: Activity, Size and Location (ONS)**

32. The count of the number of enterprises in *SME Statistics 2009* differs from the statistics shown in the ONS publication *UK Business: Activity, Size and Location*. The main difference is due to *SME Statistics* providing estimates of the whole UK private sector, including businesses registered for either VAT and/or PAYE and those businesses which are unregistered, whilst *UK Business* only covers registered enterprises.

33. Also, the criteria used to select the number of active enterprises from the IDBR are different in the analysis used to produce *SME Statistics* to those used in *UK Business*.

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<sup>7</sup> <http://www.hmrc.gov.uk/bulletins/tbissue74.htm#d>

<sup>8</sup> Source: ONS Economic and Labour Market Review July 2010 Table 2.05, [http://www.statistics.gov.uk/elmr/07\\_10/2.asp](http://www.statistics.gov.uk/elmr/07_10/2.asp)

34. The *SME Statistics* includes around 100,000 records that are excluded from the UK Business publication. Around 70,000 of these are PAYE records that have yet to be matched to a VAT or survey source. There is a possibility that these units are duplicates and are excluded from 'UK Business: Activity, Size and Location' for this reason<sup>9</sup>.

### **Business Demography (ONS)**

35. The ONS *Business Demography* publication estimates the stock of registered enterprises active at any point over a year. Therefore the stock is higher than the *UK Business* stock since some enterprises may have started and left during the year and will be counted. However, the total is still lower than *SME Statistics* as it excludes unregistered enterprises and the agriculture sector.

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<sup>9</sup> The SME statistics methodology adjusts the unregistered business population accordingly to take account of possible duplication of IDBR enterprises.

## Section 2 – Current Methodology

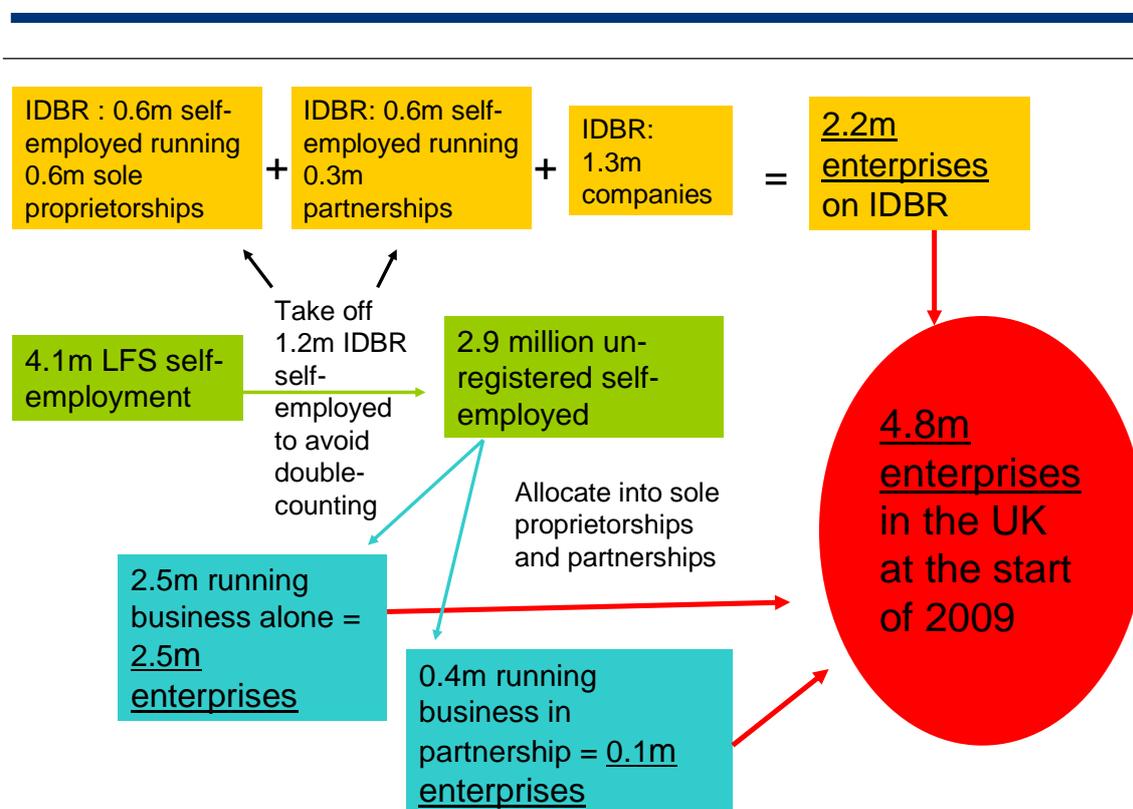
36. As there is no database of all enterprises in the UK in existence, we must use available sources to estimate the number of enterprises not on the IDBR (the business register). Further background on the IDBR can be found in Annex A.

### Estimating Unregistered Enterprises

#### Methodology in brief

37. The IDBR contains all registered enterprises. It is assumed that all active companies are on the IDBR. Therefore we can use the IDBR to count how many self-employed people are running IDBR businesses, either alone or in partnership. We can use the ONS Labour Force Survey (LFS) to get estimates of all self-employed people<sup>10</sup>. By subtracting the IDBR total self-employed from the ONS LFS we know how many self-employed people there are running non-registered enterprises. We then use the ratio of self-employed working alone or in partnership and the average number of partners per partnership to allocate these working proprietors into enterprises. We then add these to the IDBR registered enterprises to get the estimated total business population in the UK (see Figure A).

Figure A: Flowchart to illustrate SME statistics methodology



<sup>10</sup> More background on the ONS Labour Force Survey can be found at Annex B

## Methodology in detail

### Self-employment estimates from the ONS Labour Force Survey (LFS)

38. There were an estimated 4.1 million self-employed jobs in the UK at the start of 2009. This has been calculated by combining data from the Q4 2008 and the Q1 2009 quarterly LFS micro-data (seasonally unadjusted) files. Pooling two quarters of the LFS was introduced for the first time for the *SME Statistics 2008*, as part of the current methodology review.

39. The 4.1 million is made up of 3.7 million people describing themselves as self-employed in their main job, and 0.4 million (in some cases the same people) who had a second job with self-employed status.

### Overlap of the IDBR and LFS self-employment count

40. Simply adding the self-employment estimate from the LFS to the IDBR count would lead to double-counting in some instances since:

- (i) not all self-employed people run enterprises on their own - some are in a partnership.
- (ii) some of them run enterprises that are VAT and/or PAYE registered and so already appear on the IDBR.

41. The LFS does not ask individuals whether they work alone or in a partnership, or whether their enterprises are VAT or PAYE registered, so this must be estimated.

### Self-employed on the IDBR

42. The first step is to estimate how many self-employed people are registered for VAT or PAYE with HMRC, and are therefore on the IDBR.

43. The IDBR records employment via survey forms. If there is no source of employment information then the employment figure is imputed by turnover. The number of working proprietors is assumed to be one per sole proprietorship, and two per partnership. [Evidence from HMRC Tax Self-Assessment suggests it is slightly more than two].

44. At the start of 2009 there were 875,000 sole proprietorships and partnerships within the scope of the *SME Statistics* on the IDBR run by 1.2 million self-employed people (see Table B).

### Self-employed not on the IDBR

45. The second step is to estimate how many enterprises are run by the remaining 2.9 million self-employed.

46. HMRC's Survey of Personal Incomes (SPI) is a further source of self-employment data<sup>11</sup>. We use this data to estimate the proportion of unregistered self-employed people working either as a sole proprietor or a partner.

47. The 2007/08 SPI (the latest data available) estimated that the proportion of self-employed people who were in partnership, rather than acting alone, was around a quarter. However, this varied from industry to industry and in the *SME Statistics* specific ratios are applied for each industry division (2 digit SIC).

48. Due to the implementation of more rigorous data quality routines by HMRC this year, which has led to more data being suppressed due to stricter release rules, some ratios have been imputed by BIS.

49. Each sole-proprietorship is assumed to have only one working proprietor (self-employed person). Therefore the number of unregistered sole-proprietors is assumed to equal the number of unregistered sole proprietorships.

50. Partnerships are assumed to have two or more working proprietors. Using information from the 2007/08 HMRC self assessment data, BIS calculate that the average number of working proprietors (self-employed partners) in each partnership was 2.45 (based on self-employed businesses below the 2008/9 VAT registration threshold of £67,000 and with zero employment costs). This ratio is then used to estimate the number of unregistered partnerships.

51. The results showed that amongst unregistered enterprises, sole proprietorships were much more common than partnerships, making up 94 per cent of unregistered enterprises at the start of 2009, with partnerships making up the remaining 6 per cent (see Table B).

52. Amongst IDBR registered enterprises at the start of 2009, sole proprietorships represented 27 per cent of all enterprises, partnerships 14 per cent and companies 60 per cent.

Table B: Enterprises and self-employment on and off the IDBR, UK, millions  
(private sector; excludes Standard Industrial Classification, 745, P and Q)

	On the IDBR		Not on the IDBR, unregistered	
	Number of Enterprises	Self-employed people	Number of Enterprises	Self-employed people
Sole proprietorships	0.578	0.578	2.512	2.512
Partnerships	0.297	0.626	0.147	0.360
Companies	1.300	N/A	N/A	N/A
All	2.175	1.203	2.659	2.872

<sup>11</sup> For more detail on the HMRC SPI, see Annex C

## Economic contribution

53. Unregistered enterprises are clearly very small. It is assumed that they are all in the smallest size class (no employees), and are all self-employed people working alone or in partnership. Some may generate employment, but it is likely to be transitory or low paid, otherwise a PAYE scheme would be in operation.

54. Turnover in unregistered enterprises will generally be lower than that of registered businesses of the same size, as turnover in the former would usually be below the VAT threshold.

55. Turnover for unregistered enterprises is imputed by calculating the average turnover per working proprietor for no employee enterprises, and then halved.

56. For four 2-digit industry divisions, this still left average annual turnover per unregistered enterprise above the VAT threshold. In these cases, the unregistered turnover total was adjusted until turnover per enterprise was equal to the 2008/2009 VAT threshold of £67,000.

57. The addition to total turnover from unregistered enterprises at the start of 2009 was about £101 billion (only 3.1 per cent of the overall figure).

## Statistical disclosure control

58. The disclosure of data relating to individual undertakings without consent is prohibited under the Statistics of Trade Act 1947, the Value Added Tax Act 1994 and the Finance Act 1969.

59. Counts of enterprises based only on IDBR data have been rounded to avoid disclosure using controlled rounding to base five. Controlled rounding means that cells are rounded up or down to the adjacent multiples of five in a way that retains the additivity of tables. For example, an original value of 23 will be rounded to either 20 or 25, and rounded values in a row or column always add up to the rounded row/column total. Original cell values of zero or multiples of the base are unchanged. Values may be rounded down to zero and so all zeros are not necessarily true zeros<sup>12</sup>.

60. As the *SME Statistics* publication is sourced from both the IDBR and Labour Force Survey, there will be a few cases where the addition of estimates of unregistered businesses to the IDBR data means totals do not equal the sum of the data in columns. In addition, percentages may not always add to 100.

61. Employment and turnover information has to be suppressed where the count is deemed to be disclosive. To avoid disclosure by deduction additional values have been removed.

62. The 'no employees' size class estimates rely heavily on the Labour Force Survey, which is a sample survey of around 50,000 households in the UK every three months. In the *SME Statistics* 2002 to 2004, any enterprise estimates using an LFS estimate of

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<sup>12</sup> Controlled rounding is performed using Tau Argus software.

less than 10,000 self-employed in the industry were suppressed, along with additional values to avoid disclosure by deduction. This was consistent with the publication guidelines used by ONS at the time to advise users which estimates met a certain level of reliability.

63. In April 2004, the Statistical Policy Committee expressed a strong preference for publishing data rather than suppressing data for reasons of quality. Following this discussion, the threshold of 10,000 has been removed from labour market outputs where possible. Therefore since the publication of *SME Statistics 2005*, such estimates are no longer suppressed, although footnote 3 in the tables advises users about their reliability.

64. The exception to this is where estimates are based on fewer than three cases. These could potentially be disclosive, so they are still suppressed in the *SME Statistics 2009*, along with additional values to avoid disclosure by deduction.

## Section 3 – Methodology Changes

### Discontinuities

65. In *SME Statistics 2002*, and earlier releases, Primary Care Trusts and National Health Service trusts were classified as public corporations / nationalised bodies, and therefore included with the figures for companies and the private sector.

66. In 2003, the ONS reclassified these trusts, resulting in 275 enterprises, with employment of 990,000 and turnover of £41 billion, being moved out of the figures for companies and private sector, and into the figures for Central Government. So for *SME Statistics* before 2003, private sector figures will appear larger and Government figures will appear smaller than in subsequent years. This will also affect the proportion of private sector employment and turnover in small, medium and large enterprises, since many of these were medium or large enterprises.

67. In April 2004, ONS brought the historical LFS micro data into line with the results of the 2001 population census, taking into account the February – March 2003 population estimates. The new population data was significantly higher than the previous population estimates, so previous estimates of self-employment used in the production on *SME statistics* were lower than they actually were in reality.

68. The *SME Statistics 2003, 2004, 2005 and 2006* are all consistent, but as mentioned in the *SME Statistics 2003* statistical press release, the number of unregistered enterprises in *SME Statistics 2002* should have been about 70,000 higher. Earlier estimates of unregistered enterprises should also have been higher, but by increasingly smaller amounts as you go back in time.

69. A National Statistics Quality Review (report number 34 “Strategic Review of Farming and Food Statistics”) has led to an improvement in the quality of agricultural statistics from January 2006, by aligning information on the IDBR and the DEFRA Farm Survey System. This has impacted on SIC’s 011 – 013 and resulted in approximately a 7 per cent increase in the number of units registered in the *SME Statistics 2006*, at the 2-digit level (for SIC 01). However at the 3-digit level where data is taken directly from the IDBR, this change will have more variable impact.

70. A change in the way schools could return their PAYE records meant that they could either continue to be recorded against their local authority’s PAYE report or, from *SME Statistics 2006* onwards, may appear as a completely separate enterprise. This has led to a small increase in the number of enterprises in Education between 2005 and 2006, but it will not have an impact on the Whole Economy data.

71. In August 2007, ONS published mid-year population estimates for 2006 and revised population estimates for 2002-2005. In October 2007 ONS published 2006-based national population projections. In June 2008 ONS brought the LFS micro data into line with the results of the 2006-based population estimates. The effect of the new population data impacted across the LFS and showed that earlier estimates of self-employment were lower than they should have been.

72. The impact of this was that the number of unregistered enterprises in *SME Statistics 2006* should have been about 50,000 higher. Earlier estimates of unregistered

businesses should also have been higher, but by increasingly smaller amounts as you go back in time. We therefore advise caution when comparing the 2007 figures with those in earlier publications.

73. The spring 2006 Labour Force Survey was the final dataset made available by ONS for micro-data analysis on a seasonal quarter basis. Since then all data sets have been released on a calendar quarter basis only. *SME Statistics 2007* therefore uses quarter four (October to December) LFS data for the first time, instead of the usual autumn quarter (September to November) data. The effect of this change was likely to be small, but cannot be accurately estimated for the *SME Statistics 2007*. However this change is an improvement to the quality of the *SME Statistics* as it brings the end point of the period covered by the LFS data up to the reference point for the IDBR extract, which is the 31 December.

74. In *SME Statistics 2008* a further improvement was made by also including quarter one (January to March) data in the estimate of self-employment from the LFS. The main advantage of combining data from two quarters is that an average set of figures can be produced (thus boosting sample sizes and therefore the reliability of the estimates). Investigation of the LFS data by BIS showed that there were no substantial seasonal effects on the levels of self-employment by industrial sector.

75. In addition for *SME Statistics 2008*, BIS has been able to estimate more accurately the number of unregistered partnerships. Previously the average number of partners in each partnership had been assumed to be two. Using information sourced from the 2007/08 HMRC self-assessment data, BIS have calculated an average ratio of partners to partnerships of 2.46 (for businesses below the 2007/8 VAT registration threshold of £64,000 and with zero employment costs). This new ratio has been used in *SME Statistics 2008*. The impact of this is that the total number of enterprises in *SME Statistics 2008* is approximately 35,000 (0.7 per cent) lower than it would have been had BIS not made this improvement.

76. From September 2009 employment data on the IDBR was collected from information from the Business Register and Employment Survey (BRES). Previously this has been sourced from the Annual Business Inquiry part 1 (ABI1) and the Business Register Survey (BRS). However this has introduced a new discontinuity into the *SME Statistics* series as employment data on the IDBR is now updated on a monthly rather than an annual basis. This is because information captured by the 80,000 enterprises surveyed is updated as completed forms are returned from respondents. This means that turnover data on the IDBR tends to be less timely than both enterprise counts and employment data.

77. At the start of 2010 the LFS self-employment series from the Labour Force Survey was re-weighted to the 2009 mid-year population estimates (back to Quarter 3 2006). The 2009 estimates were based on the 2009 population weighting, but the impact of re-weighting the 2008 was a reduction of 4,600 enterprises in the UK private sector.

## Methodology Review

78. In December 2008, BIS launched a public consultation on *SME Statistics* to get the views of users on the usefulness of the publication and obtain suggestions for improvements. The consultation closed in March 2009 and was followed by the release of a government response document in June 2009. This document outlined a planned schedule of changes to the publication, impacting on *SME Statistics 2008* and future editions of the publication. Both the consultation document and the government response document are available here:

[http://www.berr.gov.uk/whatwedo/enterprise\\_old/enterprisesmes/page49415.html](http://www.berr.gov.uk/whatwedo/enterprise_old/enterprisesmes/page49415.html)

79. The response document proposed a number of formatting and methodological changes which were to be implemented in *SME Statistics 2008*. These have now been implemented and include the following:

### Methodological changes in *SME Statistics 2008*:

- Combined self-employment data from the quarter four 2007 and the quarter one 2008 Labour Force Survey. This boosted the sample size of the number of self employed and increased the reliability of the figures used in the estimates.
- Improve the assumption applied about the average number of partners in a partnership for unregistered businesses, using HMRC self-assessment data.

### Presentational changes in *SME Statistics 2008*:

- Split out the 1 employee and 2-4 employee bands from the 1-4 employees bands in Tables 1, 3, 5 and 6.
- More one digit SIC data presented in the tables for the regions and countries. For example in each region splitting out Manufacturing (Section D) from Mining and Quarrying; Electricity, Gas and Water Supply (Sections C and E), which were previously presented together.
- A commitment to produce regular annual breakdowns for each UK country and English region, starting with *SME Statistics 2008*. Data below UK level had previously only been produced every two years.

### Methodological changes in *SME Statistics 2009*:

- There were no significant methodological changes.

### Presentational changes in *SME Statistics 2009*

- Splitting out working proprietors from employees in Table 1 UK private sector.
- Providing more detail on the regional tables by splitting the 1s from the 2-4s on the employee bands.

## **Ongoing methodology review**

80. BIS is currently undertaking further work in reviewing how the estimates could be improved. BIS aims to minimise the disruption caused by discontinuities to the *SME Statistics* series by applying as many of the main methodological changes as possible at the same time. This is currently expected to happen in *SME Statistics 2010*.

81. For further information on the ongoing methodology review please see the Future Steps section of *Government Response to Consultation on Small and Medium Enterprise Statistics for the UK and Regions*, available here:  
<http://www.berr.gov.uk/files/file51821.pdf>

## **Timeliness of the publication**

82. In the past *SME Statistics* was published in July or August. However *SME Statistics 2008* was published in October 2009 and *SME Statistics 2009* in October 2010 to allow time for improvements to be made to the publication and also to publish regional tables at the same time rather than at a later date.

83. The *SME Statistics* uses an extract from the IDBR taken in March (15 months after the reference point). Selection criteria are applied so that only enterprises active at the reference point are included in the count (for example start of year 2009).

84. BIS are working with the ONS to investigate whether an extract file from the IDBR can be generated with just a three month lag and still provide a high level of accuracy in terms of the counts of enterprises, employment and turnover.

85. Depending on how the investigations into this progress, BIS may be able to bring forward future editions of the publication by as much as nine months.

## **Standard Industrial Classification 2007 (SIC 2007)**

86. This *SME Statistics 2009* publication uses SIC 2003 as a way of classifying the activities of enterprises. A major revision of the UK Standard Industrial Classification of Economic Activities was completed in 2007. The revised classifications in SIC 2007 reflect the growing importance of service activities in the economy over the last fifteen years, mainly due to the developments in information and communication technologies (ICT). BIS is currently investigating if the SIC 2007 classification can be used in the *SME Statistics 2010*, which will be released in 2011. Further background information on SIC 2007 can be found provided below:

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

## Section 4 - Sources of Enterprise Information

### Small and Medium Enterprise Statistics for the UK and Regions

For more information on the SME Statistics please contact the Department for Business Innovation and Skills (BIS), Enterprise Directorate, Analytical Unit.

- Contact BIS: 0114 207 5104
- E-mail: [enterprise.statistics@bis.gsi.gov.uk](mailto:enterprise.statistics@bis.gsi.gov.uk)
- Website: <http://stats.bis.gov.uk/ed/sme>

### Inter-Departmental Business Register (IDBR)

The IDBR is managed by the Office for National Statistics. 'The Inter Departmental Business Register' John Perry, Economic Trends, November 1995 gives more details on the IDBR.

- Contact IDBR Helpdesk: 01633 455200
- E-mail: [idbr.helpdesk@ons.gov.uk](mailto:idbr.helpdesk@ons.gov.uk)
- Website: <http://www.statistics.gov.uk/idbr>

### UK Business: Activity, Size and Location

This annual publication is compiled from the IDBR. The publication contains detailed information on VAT registered and/or PAYE registered enterprises in the UK including size, classification (to 4-digit SIC), business age and location. Previously this was known as the PA1003.

- Contact ONS: 01633 459602
- Email: [idbrdas@ons.gov.uk](mailto:idbrdas@ons.gov.uk)
- Website: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=933>

### Business Demography

This annual publication provides the best official guide to the pattern of enterprise births and deaths. The figures include all businesses registered for either VAT and/or PAYE.

- Contact ONS: 01633 455221
- Email: [idbrdas@ons.gov.uk](mailto:idbrdas@ons.gov.uk)
- Website: <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=15186>

### Labour Force Survey

A wide range of statistics on self-employment data is available from the **Labour Force Survey**, which is run by the Office for National Statistics.

- Contact ONS: 0845 601 3034
- Email: [labour.market@ons.gov.uk](mailto:labour.market@ons.gov.uk)
- Website: <http://www.statistics.gov.uk/>

## Census 2001

The **Census 2001** asked questions about self-employment. Data are already available by gender, ethnic group, location, and main industry group.

- Contact ONS Census Customer Services: 01329 444972
- Email: [census.customerservices@ons.gsi.gov.uk](mailto:census.customerservices@ons.gsi.gov.uk)
- Website: <http://www.statistics.gov.uk/census2001>

## Annex A

### The Inter-Departmental Business Register (IDBR)

1. The IDBR is a business register administered by the Office for National Statistics (ONS). It holds records of all enterprises registered for Value Added Tax (VAT) and all enterprises operating a Pay As You Earn (PAYE) scheme. Careful monitoring of the Register by the ONS minimises double counting. The IDBR holds information on each enterprise's employment (and hence size), turnover and industry.
2. The main administrative source for the IDBR is HM Revenue & Customs (HMRC) for VAT information (passed to the ONS under the Value Added Tax Act 1994) and PAYE information (transferred under the Finance Act 1969). Other information is added to the register if required for ONS statistical purposes, for example information from Dun and Bradstreet on company structure and information from Companies House.
3. Employment was originally taken from the biennial Census of Employment, an ONS inquiry. From 1995-1998 the main source was the Annual Employment Survey, which was replaced by the Business Register Survey (BRS) and the Annual Business Inquiry part 1 (ABI/1). The employment information currently on the IDBR is drawn mainly from the 2009 Business Register and Employment Survey (BRES). BRES is based on a survey of 80,000 enterprises and the IDBR is updated on a monthly basis as information from returns is captured. Because this is based on a sample of enterprises, estimates from previous surveys and from other ONS surveys have also been used. For the smallest units, either PAYE jobs or employment imputed from VAT turnover is used.
4. Turnover provided to the ONS for the majority of enterprises is based on VAT returns for a 12 month period ending in December 2008, or January / February 2009, according to the reporting pattern of the enterprise. For other records, in particular members of VAT group registrations, turnover may relate to an earlier period. For enterprises who have registered more recently, turnover represents the estimate made by enterprises at the time of registration. For the small number of PAYE only records for which there are no data, turnover is imputed from employment.
5. The IDBR is being continuously updated as new data from surveys are received and enterprises open and close. In addition a variety of checks on individual records improve the quality of the register on an ongoing basis. Thus there will be differences in results taken at different times from the register as new data are added and other data revised.
6. The ONS undertakes numerous and continuous checks on the quality of the data held on the IDBR. Regular VAT and PAYE updates are received from HMRC and these updates are checked with the new VAT and PAYE registrations being matched. Many of the PAYE-based enterprises will have no VAT registration; some units may be waiting to be matched to existing VAT records on the IDBR.

## **Unregistered enterprises**

7. Small enterprises are not completely covered by the IDBR. Enterprises that are neither registered for VAT, nor operate a PAYE scheme are excluded from the IDBR. The threshold for compulsory VAT registration for 2008/2009 was an annual turnover of £67,000. Below that some enterprises will register voluntarily.
8. On the other hand, enterprises with a turnover above the threshold are not required to register if they trade exclusively in exempt goods. If an enterprise has no employees or only low paid (perhaps part-time) employees, then it is unlikely to operate a PAYE scheme.

## **Annex B**

### **ONS Labour Force Survey**

1. The Labour Force Survey (LFS) is a quarterly sample survey of around 50,000 households living at private addresses in Great Britain and Northern Ireland. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies. The questionnaire design, sample selection, and interviewing are carried out by the Social and Vital Statistics Division of the Office for National Statistics (ONS) on behalf of the Statistical Outputs Group of the ONS.
2. ONS publishes full UK LFS results. However, the fieldwork is carried out separately; by ONS for GB, and by the Central Survey Unit of the Department of Finance and Personnel in Northern Ireland on behalf of the Department of Trade and Investment (DETINI).
3. The survey seeks information on respondents' personal circumstances and their labour market status during a specific reference period, normally a period of one week or four weeks (depending on the topic) immediately prior to the interview.
4. The LFS is carried out under a European Union Directive and uses internationally agreed concepts and definitions. It is the source of the internationally comparable (International Labour Organisation) measure known as 'ILO unemployment'.

## **Annex C**

### **HMRC Survey of Personal Incomes**

1. The Survey of Personal Incomes (SPI) is based on information held by HM Revenue and Customs (formed on 18 April 2005, following the merger of Inland Revenue and HM Customs and Excise Departments) tax offices on individuals who could be liable to UK tax.
2. The principal purpose for conducting the SPI is to cost proposed changes to tax rates, personal allowances and other tax reliefs for Treasury ministers. It is also

used to assist in the making of policy decisions within HM Revenue and Customs and the Treasury; for tax modelling and forecasting purposes; and as a basis for the National Accounts, which are prepared by the Office for National Statistics (ONS). Finally, it is used to provide tabulated data for Members of Parliament, other government departments, companies, organisations and individuals.

3. The SPI covers, on a sample basis, all individuals for whom income tax records are held by HM Revenue and Customs. The 2007-08 survey had an approximate sample size of 600,000. Not all of them are taxpayers because the operation of personal reliefs and allowances may remove them from liability. Where income exceeds the threshold for operation of Pay-As-You-Earn (PAYE), the survey provides the most comprehensive and accurate official source of data on personal incomes.
4. Further information about the survey, including income tax and personal incomes statistics, is available on the HM Revenue and Customs web site.
5. The dataset contains a range of variables about taxable personal incomes arising from employment, self-employment, pensions, benefits, property, savings and investments and other income sources. Also included are variables about allowances, deductions and reliefs which people may be due. There is also a regional code variable in the dataset and a trade code for cases of self-employment.