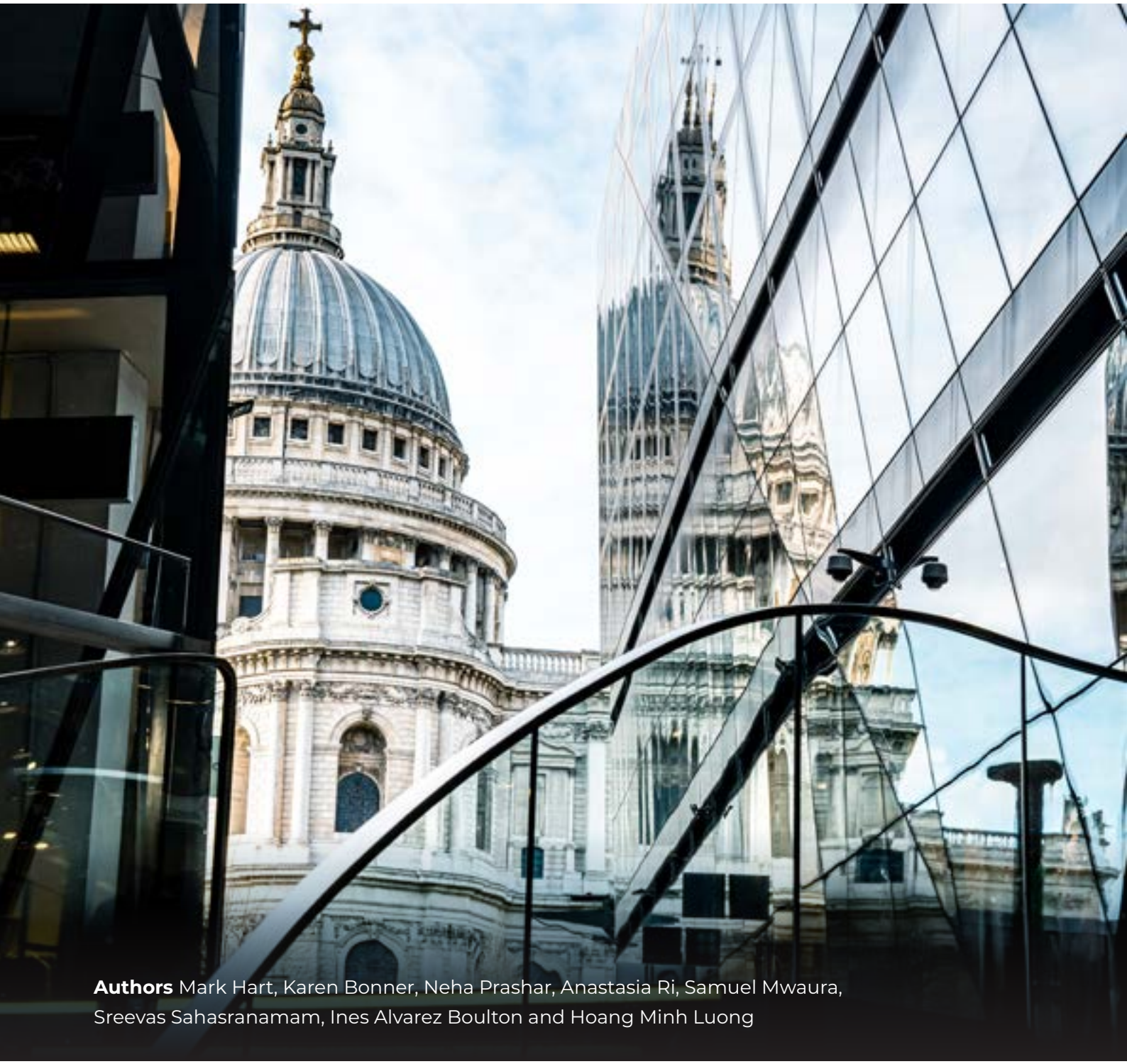
Global Entrepreneurship Monitor

In partnership with NatWest

United Kingdom

2023/2024 National Report



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Although GEM data were used in the preparation of this report,
the interpretation and use of the data are the sole responsibility of the authors.

ACKNOWLEDGEMENTS

We are pleased once again to have NatWest sponsor the 2023 Global Entrepreneurship Monitor UK Report. As the UK's biggest supporter of small businesses, they understand the important role that start-ups, scale-ups and high-growth businesses play in a strong and prosperous UK economy.

Participation in the GEM Global project in 2023 by the UK consortium was again made possible by funding from the Department for Business and Trade (DBT) Business Innovation Directorate, Hunter Centre for Entrepreneurship at the University of Strathclyde, the Welsh Government, Department for the Economy (NI) and NatWest. These funders have supported the GEM UK project for almost all of the last 25 years and we owe them an enormous debt.

The vendor for the Adult Population Survey (APS) was BMG Research Ltd and we would like to thank Dawn Hands, Roger Sant and Sharon Gowland for their role in the timely execution of the survey and the creation of the UK dataset. In particular, we would like to thank Roger Sant for his on-going invaluable contribution to the weighting protocols designed address the dual method used to obtain responses to the GEM APS survey – that is, CATI and CAWI (i.e. online).

Design and production:
www.mortonward.co.uk

Foreword

DARREN PIRIE, NATWEST HEAD OF ACCELERATOR

The GEM report has been a singular voice in the measurement of attitudes and trends in entrepreneurship since 1999, so NatWest is glad once again to be sponsoring the UK version. We especially welcome this unique examination of how entrepreneurship has evolved over the past 25 years.

As the UK's biggest bank for start-ups, we recognise that entrepreneurs make a huge contribution to business in the UK. They create a wide range of employment opportunities and are often the first to innovate, spotting trends and pivoting their ideas.

The seven key questions posed by this report underline how the confidence of entrepreneurs to start and grow businesses was rocked by the pandemic. However, the perception that great opportunities for start-ups exist is returning to levels not seen since the 2000s. For example, 30% of working age individuals in the UK were engaged in entrepreneurship by the end of 2023.

It's pleasing to see that early-stage business activity is on the rise across all regions of the UK and that the motivations for starting a business are becoming multifaceted. Entrepreneurs are moving away from just opportunity or necessity as the key driver, with female founders especially valuing social considerations.

At NatWest in 2023 50% of support from our enterprise programmes went to women and 34% went to people from ethnic minority backgrounds*, which backs up the GEM finding that non-white ethnic groups have become a cornerstone of the UK's entrepreneurial activity.

In 2023 we supported over 1,300 entrepreneurs through our unique Accelerator programme, which empowers UK entrepreneurs to develop and grow. We have ambitious plans to develop the programme to help more people than ever start, run and grow their own businesses and meet the challenges of contributing to a robust national economy.

*NatWest Group, 2023 Environmental, Social and Governance Disclosures report

Executive Summary

BACKGROUND

- Established in 1999 by Babson College and London Business School, and with the UK being one of the founding participating national teams, we now have the opportunity in this report to reflect on the development of the UK's entrepreneurial journey over the last 25 years.
- The last 25 years has included events such as the World Trade Centre disaster in September 2001 and subsequent turmoil in international finance markets and the collapse of the 'high-tech boom', the global financial crisis (GFC), exit from the EU, the Covid-19 pandemic, war in Ukraine and now the Middle East, rocketing inflation fuelling a cost of living crisis, stagnant growth bordering on recession and not forgetting the UK's own political soap opera since 2022. Against this background we ask the questions "how have attitudes to entrepreneurship evolved and what have been the key trends in entrepreneurial activity and aspirations?"
- Over this period the emphasis has been on fast-growth, high-growth and scaling as the watch-words of business support policy. Yet these 'high-growth' firms represent a tiny proportion of the total number of people who successfully set up businesses or are self-employed or who expand existing businesses. It is this mass of "everyday entrepreneurs" who generate the employment, the productivity, the innovation and the economic growth and regeneration of their communities, their regions and their countries. Any commitment by governments to supporting this group of people simply reflects the vital role that these people play in the competitive future of any country.
- We have identified 7 key questions that enable us to organise the vast amount of data we have collected over the last quarter of a century as part of the GEM Global project, and this years' report will focus on them in a departure from our normal reporting of the results from the 2023 APS and NES surveys[1]. They are:
  - Have attitudes to entrepreneurship changed?
  - A rise of an entrepreneurial class in the UK?
  - Convergence of entrepreneurial activity within the UK?
  - Have the motivations of entrepreneurs changed?
  - A more diverse population of entrepreneurs?
  - Embracing Sustainable Development Goals?
  - How has the entrepreneurial ecosystem evolved?

1 The usual set of published tables and charts from the GEM UK APS and NES for 2023 will be available online for download in an Excel file from www.enterpriseresearch.ac.uk

HAVE ATTITUDES TO ENTREPRENEURSHIP CHANGED?

- In 1999 the UK reported a relatively low perception of opportunities for new start-ups and the fact that only one-third thought that if good opportunities did exist, they would start a business is lower than all other all other GEM countries participating in the first year of the global project[2], except Denmark.
- The GFC opportunity perception rose steadily in the UK over the decade that followed before collapsing during the pandemic, and despite a sharp recovery to almost one in two of the adult population, it is now back to where it was in the early years of the new millennium. This GEM metric is broadly sensitive to cyclical movements in the macro economy and that adverse economic conditions tend to create a low perception of opportunities for start-up. The is corroborated with the data from the United States (US), France and Germany.
- After a series of severe economic shocks since the start of the new millennium the proportion of non-entrepreneurial individuals who report that fear of failure is now at historically high levels in the UK: 6 out of 10. This also true for all the home nations and indeed the comparator countries of the US, France and Germany.
- Men are more likely than women to report good opportunities for start-up irrespective of the economic context. However, the reverse is true for the perception that the fear of failure would prevent them from starting a business, with women more likely than men to report that this would be a barrier to setting up their own business.
- The overwhelming conclusion from this analysis of entrepreneurial attitudes is that fear of failure remains a formidable obstacle to new start-ups, especially for women and that this is a concern globally and not just in the UK. Addressing that persistent obstacle could involve both reducing the economic and social costs and stigma of failure.

2 In 1999 GEM focused on the G7 countries (i.e. Canada, France, Germany, Italy, Japan, United Kingdom and United States). Three additional countries, Denmark, Finland and Israel, were added the first year because selected scholars in these countries had particular expertise relevant to the project. In this first year more than 10,000 adults worldwide were surveyed and more than 300 interviews conducted with experts in entrepreneurship. https://www.gemconsortium.org/report/gem-1999-global-report

A RISE OF AN ENTREPRENEURIAL CLASS IN THE UK?

- The rate of business start-ups in the UK in 1999 (3.3%) was significantly lower than the most active countries (e.g. 8.4% in the US), but not significantly different from other participating European nations. Throughout the first decade of the new millennium the rate of early-stage entrepreneurial activity remained fairly stable at around 6-7%.
- After the GFC 2011 may turn out to be a "break-out" year in terms of early-stage entrepreneurial activity in the UK: the year in which the Total early-stage Entrepreneurial Activity (TEA) rate moved above its long run stable rate. The increase in the TEA rate in 2012 to 9.8% would seem to have confirmed that break in the long-term trend in early-stage entrepreneurial activity.
- Despite the constant rise in the perception that the fear of failure would prevent people from starting their own business, as well as the poor growth record of the economy, the UK is a significantly more entrepreneurial society than it was at the start of the millennium.
- For the first time since GEM records began, just under 30% of working age individuals in 2023 either intended to start a business within the next three years, were actively trying to start a business, or running their own business. The Covid-19 pandemic was clearly a contributory factor as many individuals began to re-evaluate their position in the labour market and take control of their future economic activity.
- There has been a remarkable increase in the level of early-stage entrepreneurial activity by women in the UK since 2002 from just over 3.5% to 10% – a three-fold increase – which accelerated after the pandemic.
- The relative participation of women engaged in entrepreneurial activity in 1999 was the highest in those countries with the highest start-up rates, such as the US (60%), while in the UK it was only 41%. However, in 2023 it stood at 85% in the UK as a result of the steady rise in women setting up their own businesses.
- In 2023, the differences remain stark with the US recording a TEA rate for women at 18% compared to 10% in the UK and under 8% in France and Germany. These consistent differences, especially between the US and the UK, have led to some very simplistic policy solutions. For example, what might be called 'closing the gap' type thinking which results in statements such as "*increase significantly the numbers of women starting and growing businesses in the UK, to proportionately match or exceed the level achieved in the USA*".[3]
- There are many structural explanations for these US:UK differences which are deep-rooted and encompass such issues as social welfare provision in the US, affirmative action policies to address administration against women and minorities, and indeed, the role of the Small Business Administration in recognising the role and importance of small businesses to economic development and employment generations since 1953[4]. So, as Marlow et al., (2008) conclude – "*the expansion of female entrepreneurship in the US is historically and culturally specific to that country*".
- A significant amount of enterprise support has been directed at young people in particular in the UK. The evidence would indicate that these initiatives would seem at face value to be working as the trends in the early-stage entrepreneurial activity rate for 18-29 year olds, which were stable at around 5% for the decade until the GFC, then began to rise and more than doubling at just over 13% in 2023.

3 Small Business Service (2003), ``A strategic framework for women's enterprise, page 4, Small Business Service, London, http://www.prowess.org.uk/pdfs/strategic%20framework.pdf

4 Marlow, S; Carter, S and Shaw, E (2008) "Constructing female entrepreneurship policy in the UK: is the US a relevant benchmark?", Environment and Planning C: Government and Policy, Vol. 26, pp 335-351. https://pureportal.strath.ac.uk/files-asset/440845/Environment_and_Planning_C_Government_and_Policy.pdf

CONVERGENCE OF ENTREPRENEURIAL ACTIVITY WITHIN THE UK?

- We present evidence for the four home nations and the 9 English regions and look at three distinct periods. From 2002-10 TEA rates were relatively stable for the most part with only Scotland appearing to be negatively impacted by the financial crash.
- Post-2010 until 2019 the GFC prompted an uptick in entrepreneurial activity across all regions, although with a degree more volatility in the rates. Here England diverges from Wales, Scotland and Northern Ireland while rates in these three home nations converge at a higher level than previously.
- Finally post-pandemic we see another notable rise in early-stage entrepreneurial activity across all four home nations. As with earlier periods the rate in England generally exceeds the others but in 2023, despite the variation in point estimates, there is no statistically significant difference across the home nations.
- We draw the conclusions that, despite the geographical variances, economic shocks generate a rising entrepreneurial tide across the whole of the UK.
- To analyse the regional picture within England we use pooled data for the Government Office Regions (GOR) alongside the home nations. To provide larger sample sizes for each region the data is pooled over three 6-year periods up to 2019 and then pooled over 2020-23. It is clear that London is an outlier and a primary driver of early-stage entrepreneurial activity within England. In fact, TEA rates in the other English.
- regions are more similar to those of the three devolved home nations throughout the whole period.
- London's performance post-pandemic is particularly striking with a clear divergence from the rest of the country. The diverse nature of the population in London, the resulting scope for entrepreneurial opportunity and the availability of entrepreneurial finance no doubt fuel this sharp rise in early-stage entrepreneurial activity.
- The rise in early-stage entrepreneurial activity in the two decades since the start of the millennium is being experienced in all regions and nations of the UK. However, London has been experiencing a more rapid rise since the immediate pre-pandemic period and its trend has now detached itself from the other regions and nations.

HAVE THE MOTIVATIONS OF ENTREPRENEURS CHANGED?

- For much of the early period of GEM, globally, focus was on identifying whether engagement in entrepreneurial activity was driven by the pursuit of a promising business opportunity or if such activity was mainly attributable to necessity, in response to absence of good work alternatives. Some critiques rightly observed that these concepts appeared to be reductive, oversimplifying entrepreneurial motivations to just two competing factors. GEM thus moved towards understanding entrepreneurship as driven by multifaceted motivations.
- The overwhelming majority of TEA in the UK was opportunity-driven between 2002 and 2016. However, in the years following the GFC, there was a notable uptick in the share of early-stage entrepreneurial activity that was driven by more people in society pursuing entrepreneurship out of necessity or to maintain incomes.
- Having abandoned the strict categorisation of entrepreneurial activity as either opportunity or necessity driven, in 2017 and 2018, GEM explored a wide array of motivations behind engagement in entrepreneurship. The vast majority of TEA entrepreneurs were motivated by factors arguably associated with self-determination. Nine in ten pursued entrepreneurship to be free to make their own decisions with the pursuit of a personal challenge and fulfilling a personal vision cited as key motivating factors by over 65% of TEA entrepreneurs. To build great wealth or very high income was a key factor for just over half of entrepreneurs with continuing a family tradition only an important motivator for around 15% of entrepreneurs.
- Notably, pro-social factors, including to contribute to society and help others were cited by less than half of all entrepreneurs in 2017-18. Women were far more likely than men to highlight these two as key motivators of their engagement in entrepreneurial activity. We see further that women are more likely than men to cite relationships as important factors in their entrepreneurial activity, with advancing a family tradition and fulfilling a personal vision also slightly greater motivators for women than men.
- Since 2019, GEM has settled on evaluating a smaller selection of entrepreneurial motivations. Pro-social motivations have become more important in the 2020s with over half of entrepreneurs now citing making a difference in the world as an important driver of their engagement in entrepreneurship. This is not surprising, as sensitivity to social and environmental issues has grown significantly over the last several decades, especially among the younger generations now establishing themselves as leaders in the economy.
- More women are now also highlighting the need to build great wealth or a very high income as an important driver of their engagement in early-stage entrepreneurial activity, although gender gaps in this motivation remain. This may be attributable to changes in society with old gender-based perspectives around female modesty more increasingly getting publicly rejected.
- In the 2020s, when we consider “to earn a living because jobs are scarce” as a motivating factor alongside others discussed above, we find that around two-thirds of early-stage entrepreneurs indicate this to be a key factor for them. That two-thirds of entrepreneurs cite this to be a key motivation for them is thus perhaps not as alarming as it suggests that a lot of people look to entrepreneurship to create economic activity they would deem to fit with their desired lives and livelihoods.
- More women than men were more likely to indicate that they pursued entrepreneurship to earn a living because jobs are scarce. Research continues to highlight childcare as a major issue impacting women’s economic participation with many mothers looking to entrepreneurship to help with work-life balance matters when the children are young.

A MORE DIVERSE POPULATION OF ENTREPRENEURS?

- In 2002 ethnic entrepreneurship made a strong and vibrant contribution to total entrepreneurial activity in the UK. Asian, Caribbean and African communities are all more entrepreneurial than their White counterparts.
- The UK's immigration policy was seen by some experts in 2002 as attracting a rich and diverse range of skills and attributes into the business community, while 25 years later that policy has been turned on its head by a series of Conservative administrations.
- The UK is composed of a highly diverse population and rates of entrepreneurial activity are influenced by this diversity. However, there are various ways of analysing diversity in relation to entrepreneurial activity. Recent research has coined the term "super diversity" to refer to a highly diverse UK population and analysed entrepreneurial rates among migrants and ethnic minorities. In line with academic research, GEM views diversity in two determinant characteristics of entrepreneurs, ethnicity and resident status.
- In recent years the proportion of immigration flows by country/region entering the UK have changed dramatically. Both changes in immigration policy and economic shocks such as the GFC, the Brexit referendum, the Covid-19 pandemic and the resumption of travel (in 2022), have changed the immigration landscape, as well as impacted entrepreneurial activity. For instance, in the aftermath of the Brexit referendum, which was followed by the Covid-19 pandemic, there has been a fall in EU migrant population and a rising non-EU migrant population entering the UK.
- However, despite changes in the demographic composition of migration, one statistic has remained relatively constant, immigrant and non-white ethnic populations continue to be the most entrepreneurial groups in the UK.
- In the period between 2003-2023, the TEA rates of immigrants although considerably higher than those of UK life-long residents (by 1.6 times on average over the period) is more volatile.
- Volatility in immigrant TEA rates is possibly subject to immigration policy and variation in all three groups is partially subject to shocks. Since 2010, immigration policy has included the "hostile environment" policy, culminating in Brexit and the fallout thereof. These will have had both complex and straightforward implications on TEA.

EMBRACING SUSTAINABLE DEVELOPMENT GOALS?

- The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership.
- The UK experts are fairly positive about the conditions that will encourage entrepreneurs and businesses and their actions to pursue the UN SDGs. Three out of the five dimensions received scores higher than 5.0: perceived social contribution and social responsibility of UK firms shows the highest score (5.83), followed by cultural norms for sustainability (5.72) and firms' environmental practices (5.5).
- In Scotland, experts evaluated more highly the pursuit of SDGs across all dimensions compared to overall UK and Northern Ireland, however the differences are not statistically significant.

HOW HAS THE ENTREPRENEURIAL ECOSYSTEM EVOLVED?

- Key informants, or national experts as they became in later years of the GEM project, perceived the entrepreneurial capacity to pursue the available opportunities in the UK to be below the average of all other GEM countries in 1999.
- Since the pandemic, the UK has been part of an increasing group of high-income economies with an assessed overall entrepreneurial environment that has slipped from sufficient to less than sufficient. The scores for the two different entrepreneurial finance EFCs have fallen over the last three years, surely a major concern for a leading international finance centre.
- In the 25 years that the GEM UK team have been collecting the views of our national experts, the most disturbing conclusion to be drawn is that many of the deficiencies they have identified with the entrepreneurial ecosystem at the start of the millennium remain today.
- Entrepreneurial education post-school continues to remain a challenge despite numerous public and private initiatives to address this important weakness in the UK. Indeed, entrepreneurial education in most economies continues to be assessed as poor by national entrepreneurship experts across the world and has not changed much over time, thus requiring further action from policymakers and other stakeholders.

ACTIONS FOR THE NEW LABOUR GOVERNMENT?

As the UK heralded in a new Government led by Sir Keir Starmer on 5th July 2024, he accepted that now is the time for action across his whole ministerial team: "*Our work is urgent, and we begin it today*." So, what are the main action points for enterprise and entrepreneurship that we can suggest are top priority aligned with the analysis of the last 25 years of GEM data.

1. In the 25 years that the GEM UK team have been collecting the views of our national experts, the most disturbing conclusion to be drawn is that many of the deficiencies they have identified with the **entrepreneurial ecosystem** at the start of the millennium remain today. Entrepreneurial education post-school continues to remain a challenge despite numerous public and private initiatives to address this important weakness in the UK.
2. Further, since 2018, there has been a weakening in a number of the of the **entrepreneurial framework conditions, most notably in the availability of sufficient entrepreneurial finance, government policies in relation to business support, and physical infrastructure**. It is perhaps easy to explain this decline in terms of the combined effects of the pandemic, exiting the EU, the invasion of Ukraine, the cost of living crisis and a slow growing economy. However, the fact that other European counties, such as the Netherlands and Estonia, have continued to improve their entrepreneurial ecosystem despite these challenges means that the UK needs to engage with the home-grown nature of these deficiencies and address them as a matter of priority.
3. In 2002 ethnic entrepreneurship made a strong and vibrant contribution to total entrepreneurial activity in the UK. Asian, Caribbean and African communities are all more entrepreneurial than their White counterparts. The UK's immigration policy was seen by some experts in 2002 as attracting a rich and diverse range of skills and attributes into the business community, while 25 years later that policy has been turned on its head by a series of Conservative administrations. **Immigration policy needs an urgent reset to ensure we can return to a society that welcomes individuals to enhance our entrepreneurial stock**.
4. The overwhelming conclusion from the analysis of entrepreneurial attitudes is that **fear of failure remains a formidable obstacle to new start-ups**, especially for women and that this is a concern globally and not just in the UK. Addressing that persistent obstacle could involve both reducing the economic and social costs and stigma of failure.
5. London dominates the entrepreneurial landscape in 2023 and, while early-stage entrepreneurial activity has increased in all regions and home nations since 2002, this imbalance does need to be addressed, especially with respect to the availability of finance, infrastructure and business support across the English regions.

KEY GEM DEFINITIONS AND ABBREVIATIONS

Adult Population Survey (APS)	The APS is a comprehensive interview questionnaire, administered to a minimum of 2,000 adults in each GEM economy, designed to collect detailed information on the entrepreneurial activities, attitudes and aspirations of respondents.
National Expert Survey (NES)	The NES is completed by selected experts in each GEM economy and collects views on the context in which entrepreneurship takes place in that economy. It provides information about the aspects of a country's socio-economic characteristics that, according to research, have a significant impact on national entrepreneurship: referred to as the Entrepreneurship Framework Conditions (EFCs).
Total early-stage Entrepreneurial Activity (TEA)	The percentage of adults (aged 18–64) who are starting or running a new business, i.e. one that has not yet paid wages or salaries for 42 months or more.
Established Business Ownership (EBO)	The percentage of adults (aged 18–64) who are currently the owner-manager of an established business, i.e. owning and managing a business that has paid salaries, wages or any other payments to the owners, for more than 42 months.
Entrepreneurial Framework Conditions (EFCs)	The conditions identified by GEM that enhance (or hinder) new business creation in a given economy and form the framework for the NES. The conditions are: **A1. Entrepreneurial Finance** Are there sufficient funds for new start-ups? **A2. Ease of Access to Entrepreneurial Finance** And are those funds easy to access? **B1. Government Policy: Support and Relevance** Do they promote and support start-ups? **B2. Government Policy: Taxes and Bureaucracy** Or are new businesses burdened? **C. Government Entrepreneurial Programmes** Are quality support programmes available? **D1. Entrepreneurial Education at School** Do schools introduce entrepreneurship ideas? **D2. Entrepreneurial Education Post-School** Do colleges offer courses in starting a business? **E. Research and Development Transfers** Can research be translated into new businesses? **F. Commercial and Professional Infrastructure** Are these sufficient and affordable? **G1. Ease of Entry: Market Dynamics** Are markets free, open and growing? **G2. Ease of Entry: Burdens and Regulation** Do regulations encourage or restrict entry? **H. Physical Infrastructure** Is this sufficient and affordable? **I. Social and Cultural Norms** Does culture encourage and celebrate entrepreneurship?
National Entrepreneurial Context Index (NECI)	This summarises in one figure the average state of 13 national EFCs selected by GEM researchers as the most reliable determinants of a favourable environment for entrepreneurship. It is calculated as the simple average of 13 variables that represent the EFCs, and which have been measured through a block of items evaluated by an 11-point Likert scale and summarised by applying factorial analyses (principal component method).

1. Introduction

1.1 GEM: A PROJECT 25 YEARS IN THE MAKING

Established in 1999 by Babson College and London Business School, and with the UK being one of the founding participating national teams, we now have the opportunity in this report to reflect on the development of the UK's entrepreneurial journey over the last 25 years.

Over this period the emphasis has been on fast-growth, high-growth and scaling as the watch-words of business support policy. Yet these 'high-growth' firms represent a tiny proportion of the total number of people who successfully set up businesses or are self-employed or who expand existing businesses. It is this mass of "everyday entrepreneurs" who generate the employment, the productivity, the innovation and the economic growth and regeneration of their communities, their regions and their countries. Any commitment by governments to supporting this group of people simply reflects the vital role that these people play in the competitive future of any country.

The Global Entrepreneurship Monitor (GEM) research consortium has been measuring the entrepreneurial activity of working age adults across a wide range of countries in a comparable way since 1999. GEM's primary focus is on the study of three areas:

- To measure differences in the level of entrepreneurial activity between countries
- To uncover factors leading to appropriate levels of entrepreneurship
- To suggest policies that may enhance the national level of entrepreneurial activity.

The GEM research consortium measured rates of entrepreneurship across multiple phases in 49 economies in 2023, making it the world's most authoritative comparative study of entrepreneurial activity in the general adult population. The 2023 GEM global study was based on an analysis of adult population survey (APS) results from over 170,000 interviews across 49 different economies which cover around two-thirds of the world's population. The core of the APS is identical in each country and asks respondents about their *attitudes* towards entrepreneurship, whether they are involved in some form of entrepreneurial *activity* and, if so, their *aspirations* for their business. The global GEM Executive 2023/24 Report was published in February[5] and can be downloaded from www.gemconsortium.org.

In the UK in 2023, 10,234 adults aged 18 to 80 participated in the GEM survey. Once again 2023 provided a volatile backdrop against which to undertake the GEM APS in the UK with geo-political events creating economic uncertainty manifested in a cost of living crisis, record high inflation and falling output in a slow growth economy. The resilience of small businesses over recent years is both inspiring and important. As the economy faces significant turbulence in the year ahead, it is critical that the UK has a thriving ecosystem to support the historically high levels of entrepreneurship, which will be central to future economic stability and growth.

5 Hill, S., Ionescu-Somers, A.; Coduras, A.; Guerrero, M.; Menipaz, E; Boutaleb, F; Zbierowski, P; Sahasranamam, S. and Shay, J (2024) Global Entrepreneurship Monitor 2023/24 Global Report, 25 Years and Growing. London: Global Entrepreneurship Research Association. https://gemconsortium.org/report/global-entrepreneurship-monitor-gem-20232024-global-report-25-years-and-growing

1.2 STRUCTURE OF THE REPORT

The last 25 years has included the World Trade Centre disaster in September 2001 and subsequent turmoil in international finance markets and the collapse of the 'high-tech boom', the global financial crisis (GFC), exit from the EU, the Covid-19 pandemic, war in Ukraine and now the Middle East, rocketing inflation fuelling a cost of living crisis, stagnant growth bordering on recession and not forgetting the UK's own political soap opera since 2022 which had the effect of suppressing many decisions to start a business[6]. Against this background we ask the questions "how have attitudes to entrepreneurship evolved and what have been the key trends in entrepreneurial activity and aspirations?"

We have identified 7 key questions that enable us to organise the vast amount of data we have collected over the last quarter of a century as part of the GEM Global project, and this year's report will focus on them in a departure from our normal reporting of the results from the 2023 APS and NES surveys[7]. They are:

- Have attitudes to entrepreneurship changed?
- A rise of an entrepreneurial class in the UK?
- Convergence of entrepreneurial activity within the UK?
- Have the motivations of entrepreneurs changed?
- A more diverse population of entrepreneurs?
- Embracing Sustainable Development Goals?
- How has the entrepreneurial ecosystem evolved?

Throughout the report we will use data from the GEM Global report for international comparisons with the UK – in particular with the US, France and Germany – as well as data from the home nations[8] of Scotland, Wales and Northern Ireland and the English regions.

6 https://theconversation.com/the-johnson-truss-debacle-of-2022-made-people-more-afraid-of-starting-businesses-new-findings-208496

7 The usual set of published tables and charts from the GEM UK APS and NES for 2023 will still be available online for download in an Excel file from www.enterpriseresearch.ac.uk

8 Additional reports one each for Scotland, Northern Ireland and Wales will be published separately to provide more contextualised analysis and discussion for each of these nations who fund boosted samples to the main UK survey.

2. Have Attitudes to Entrepreneurship Changed?

2.1 INTRODUCTION

Potential entrepreneurs are people first and can be influenced by the culture or cultures in which they were raised. For example, it has long been argued that in the United States, where the concept of "pulling yourself up by your bootstraps" illustrates class mobility toward the "American Dream", entrepreneurship and owning your own business are seen as highly desirable, worthy pursuits. By way of contrast, in Asian cultures there is more of a focus on the family and community so the entrepreneurial journey must factor in the greater good of the community and the family when making decisions, rather than just what might be good business idea.

Attitudes toward risk, which are often culturally determined, also affect perceptions of entrepreneurs. In countries that are more risk averse, individuals may focus on the possibility of failure in business. In countries that embrace and reward taking risks, then individuals are less likely to focus on the fear of failure – and go ahead with their big idea. Again, the stereotype of the United States is often advanced where failure is just an accepted part of the entrepreneurial journey, whereas in the UK the opposite is the case where entrepreneurial failure attracts a stigma that can be almost impossible to shake off.

An important dimension of the GEM Global project from the outset was to capture data on the general populations attitudes to entrepreneurship as it has been argued that the perception of entrepreneurial opportunity, the risk involved and society's attitude to successful entrepreneurs are considered some of the key determinants of the entry into new venture creation[9]. In this section we pose the simple question – how have attitudes changed in the population towards entrepreneurship? We focus here on three main attitudes – perception of good opportunities in the local area for start-up; possession of the skills, knowledge and experience to start a business and whether the fear of failure would prevent the individual starting a business[10].

9 Stephan et al., (2015) "Understanding Motivations for Entrepreneurship", BIS Research Paper No. 212, March 2015. https://publications.aston.ac.uk/id/eprint/25296/1/Understanding_motivations_for_entrepreneurship.pdf

10 The GEM Global and UK APS datasets contain other attitudinal variables which are not reported here and these are: entrepreneurship as a good career choice; successful entrepreneurs have a high status in society; personally know an entrepreneur and perception of the media regularly carrying stories about successful entrepreneurs. Data on these attitudes for the UK is available online.

2.2 TRENDS IN ATTITUDES TO ENTREPRENEURSHIP IN THE UK

In 1999, the UK adult population reported a low perception of opportunities for new start-ups and only one-third thought that if good opportunities did exist, they would start a business. By 2001, this had fallen even further to less than one-quarter of the non-entrepreneurial adult population and although it rose over the next 5 years it fell back to this level very sharply between 2007 and 2009 (Figure 2.1). After the GFC it rose steadily over the decade that followed to just under two-fifths before collapsing during the pandemic and despite a sharp recovery to almost one in two of the adult population it is now back to where it was in the early years of the new millennium. The conclusion to draw is that this GEM metric is broadly sensitive to cyclical movements in the macro economy and that adverse economic conditions tend to create a low perception of opportunities for start-up. However, does that correlate with reduced levels of start-up activity in subsequent years? We will address that question in Section 3 of this report.

Perception of the skills, knowledge and expertise the non-entrepreneurial population has of themselves remained relatively stable since 2001 ranging between 37% and 47% (Figure 2.1). In 2023 it is at exactly the same level as it was in 2002 – 41%. Turning to fear of failure we can see quite clearly that this had remained relatively stable at just under 40% of the non-entrepreneurial population until 2011 when, in the aftermath of the GFC, is began to rise (Figure 2.1).

Since 2011 the proportion of the population reporting that the fear of failure would prevent them from starting a business it remained unchanged until after the Brexit referendum in 2016 after which it rose markedly to a peak of just under 60% in 2022 and plateauing 2023. This increase is not surprising given the long period of uncertainty in the economy triggered initially by the Brexit vote and then compounded by the pandemic, war in Europe and the subsequent rise in inflation and stagnant economic growth. Does this high level of fear of failure manifested in the working age population not engaged in entrepreneurship translate into a reduced level of start-up activity? We will look at this in the next section when we explore the trends in start-up activity as measured in the GEM UK APS.

FIGURE 2.1
Attitudes to entrepreneurship (Source: GEM UK APS 2002-23)

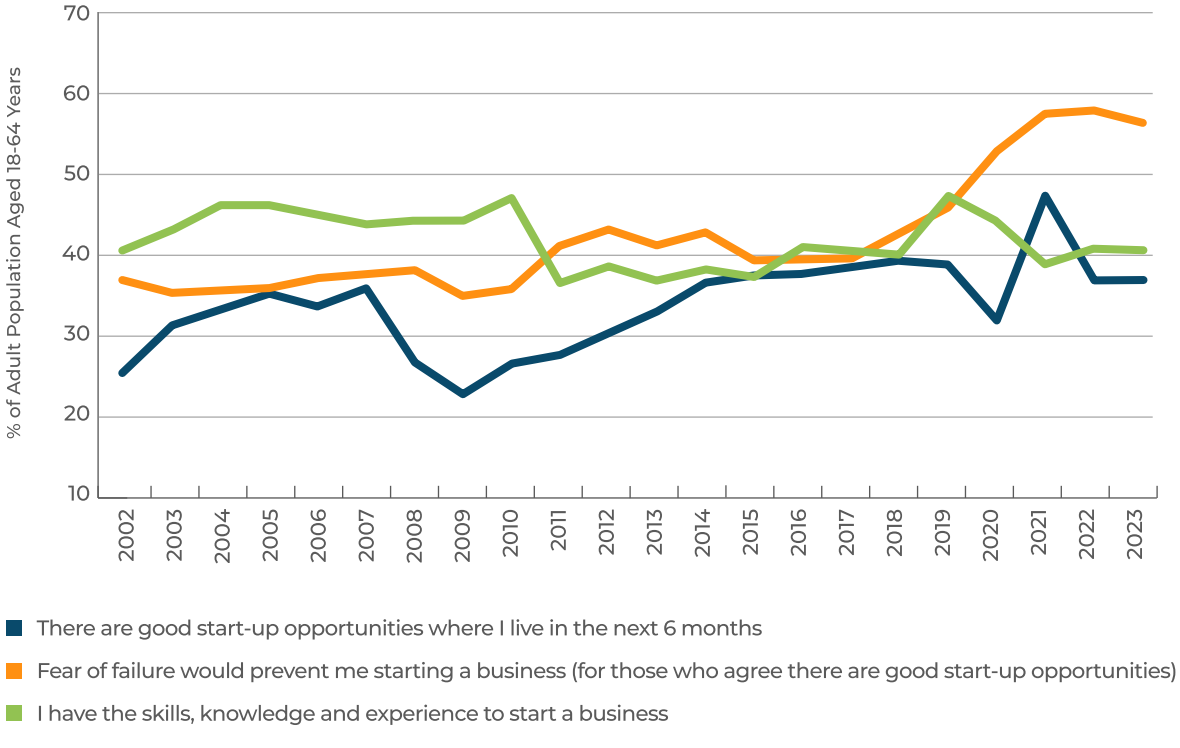
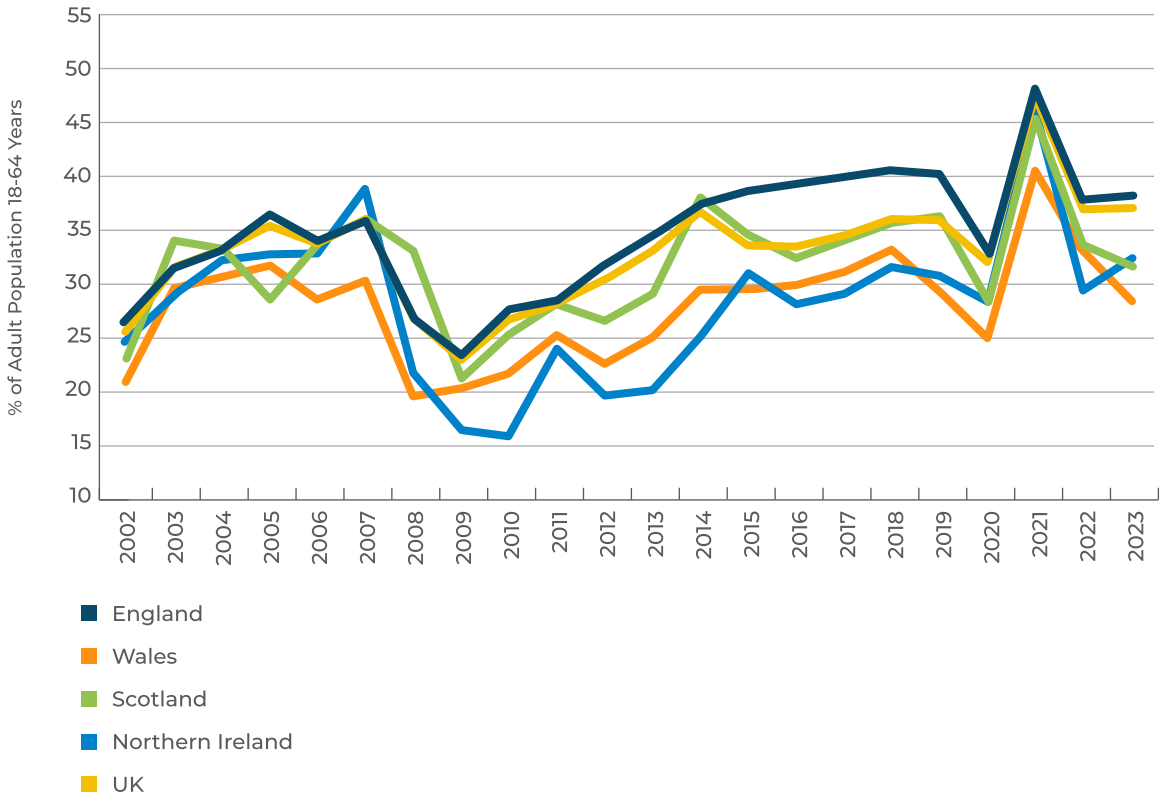


FIGURE 2.2
Perceived opportunities by UK Home Nation (Source: GEM Global APS 2002-23)



Are these trends in attitudes to entrepreneurship consistent across the home nations of the UK? Figure 2.2 presents the time series on the perceived opportunities for start-up in the local area for each of the UK's home nations. The time trend is broadly similar for each of the home nations although the levels are markedly different with respondents in Wales and Northern Ireland consistently reporting that they are less confident about the opportunities for start-up in their local area. Between 2014 and 2019 respondents living in England were more likely to perceive good opportunities for start-up compared to the other three home nations. All the home nations experienced a rapid jump in 2021 as the pandemic lockdowns in the UK were wound down but soon fell back in 2022 and 2023 as a result of the worsening economic context.

The proportion who feared failure in the UK (58%) remained high in 2023 and there were no significant differences between the home nations. Again, the turbulent economic context, and the rapid rise in inflation putting a squeeze on household incomes, meant that around three-fifths of the adult population were risk averse in each of the home nations in 2023 (Figure 2.3). In addition, one thing does stand out and that is that Northern Ireland throughout the whole of the period recorded consistently higher rates of fear of failure than the other three home nations and has never fallen below 40% even at time of relative economic stability and growth and is just under two-thirds (63%) in 2023. We have commented upon this on many occasions over the years and our interpretation is that the relatively high proportion of public sector employment in Northern Ireland which may go some way in explaining this persistent high level of fear of failure.

FIGURE 2.3
Fear of failure by Home Nation (Source: GEM Global APS 2002-23)

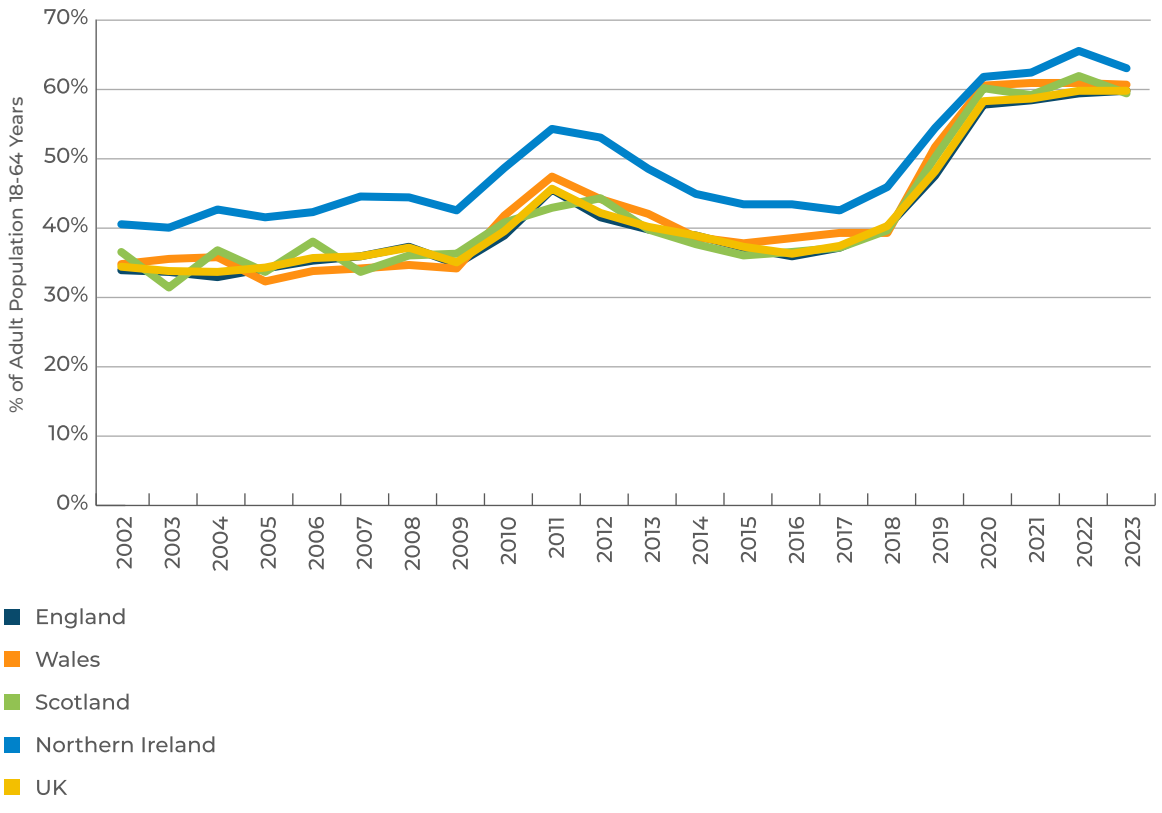


FIGURE 2.4
Perceived opportunities and fear of failure by gender 2002-23 (Source: GEM UK APS 2002-23)

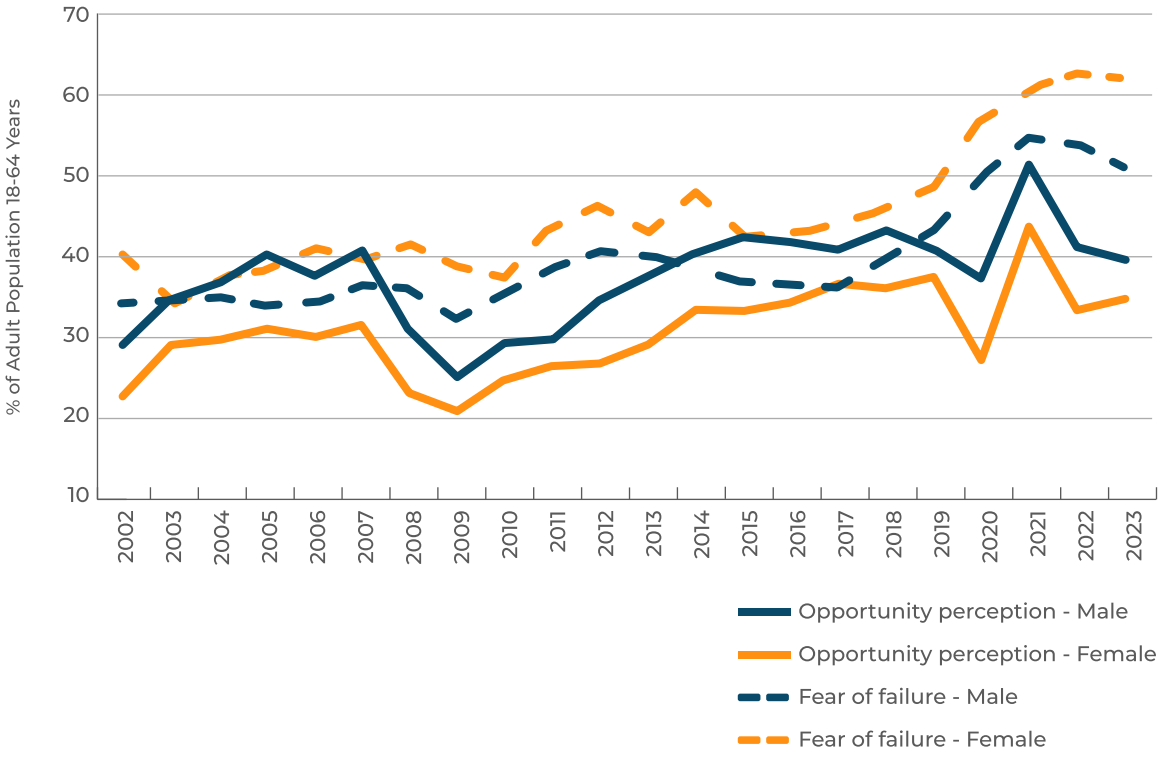


Figure 2.4 shows the trend in perceptions of good start-up opportunities in the local area in the next 6 months by gender; perceptions of men and women have followed the same trend since 2002, albeit with a consistent gap between the two. Men are more likely than women to report good opportunities for start-up irrespective of the economic context. However, the reverse is true for the perception that the fear of failure would prevent them from starting a business, with women more likely than men to report that this would be a barrier to setting up their own business.

Post-pandemic, men and women reacted similarly with a sharp rise then fall in the perception of good start-up opportunities. Fear of failure has also increased since the pandemic although it has started to decline for men in 2022 and 2023. In both men and women, there has been an upward trend in the fear of failure since the GFC.

2.3 ATTITUDES TO ENTREPRENEURSHIP – INTERNATIONAL COMPARISONS

In 1999 the UK reported a relatively low perception of opportunities for new start-ups and the fact that only one-third thought that if good opportunities did exist, they would start a business is lower than all other participating GEM countries in the very first year of the global project[11], except Denmark. From 2001 onwards, with some volatility around global events, there has been an overall rise in that proportion in all the comparator countries we normally use (US, France and Germany) and in the case of France the increase has been quite remarkable, rising from less than one in ten to almost one in two by 2023 (Figure 2.5).

It is clear that the events in the wider economy have an influence on opportunity perception in and the most significant being the GFC, the pandemic and the invasion of Ukraine and the subsequent rise in inflation and cost of living crisis. However, there are some important differences that merit attention. In the first decade of the new millennium the proportion of adults perceiving good opportunities for start-up in their local area in the UK actually overtook the United States as the few years after 9/11 proved difficult for the domestic economy. The negative impact of the GFC on both the UK and the US on opportunity perception is clear but perhaps surprisingly not so in France and Germany which saw a rise.

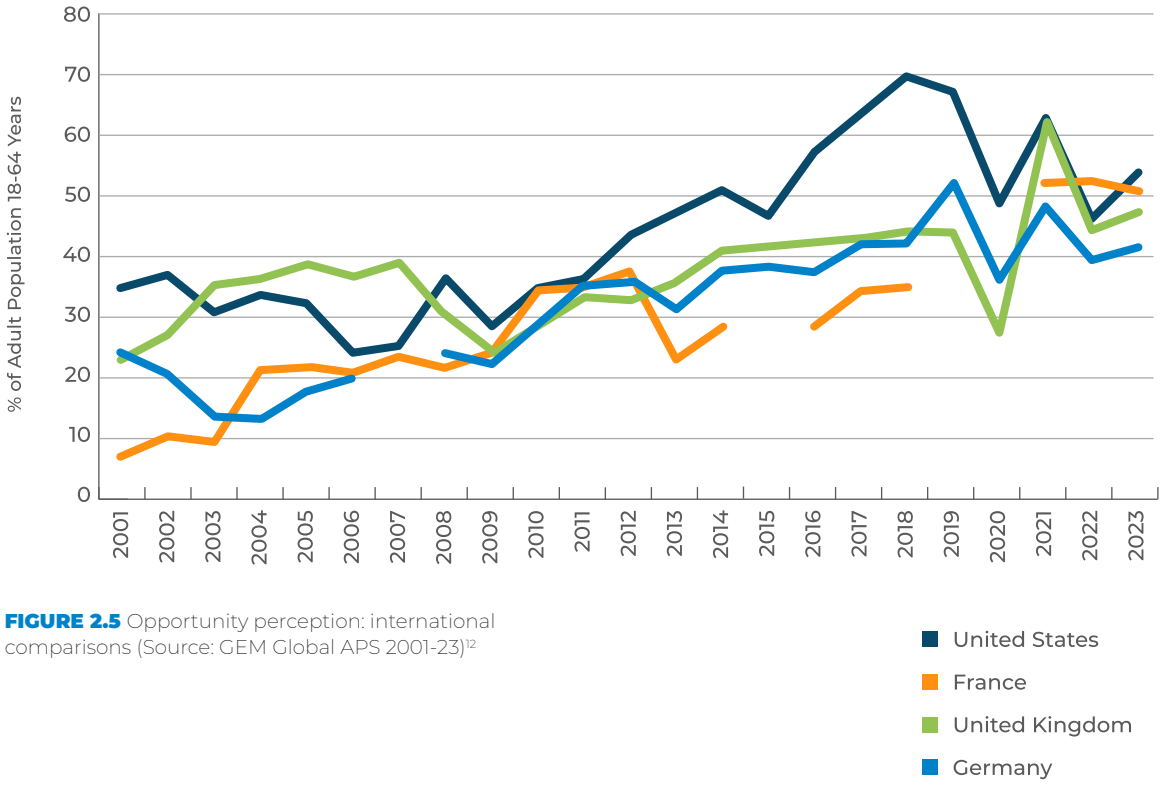
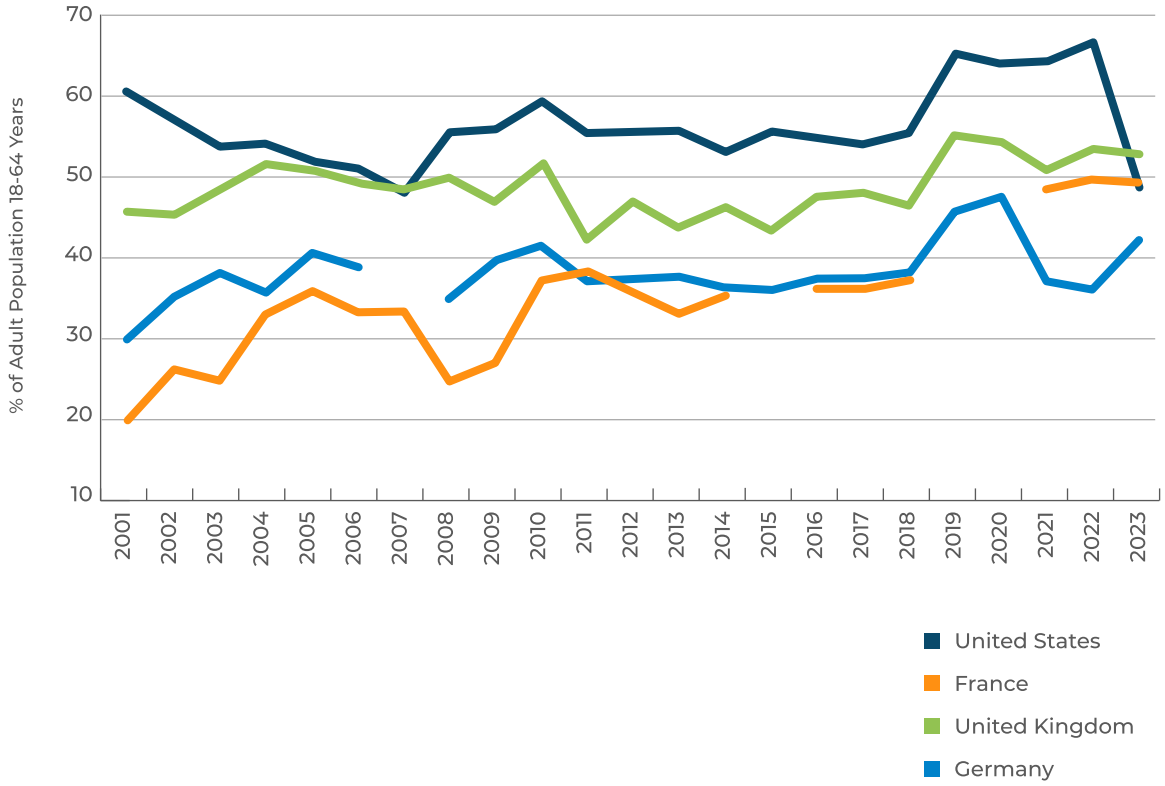


FIGURE 2.5 Opportunity perception: international comparisons (Source: GEM Global APS 2001-23)[12]

11 In 1999 GEM focused on the G7 countries (i.e. Canada, France, Germany, Italy, Japan, United Kingdom and United States). Three additional countries, Denmark, Finland and Israel, were added the first year because selected scholars in these countries had particular expertise relevant to the project. In this first year more than 10,000 adults worldwide were surveyed and more than 300 interviews conducted with experts in entrepreneurship. https://www.gemconsortium.org/report/gem-1999-global-report

12 France was unable to participate in GEM in 2015, 2019-20 as was Germany in 2007.

FIGURE 2.6
Skills, knowledge and experience to start a business: international comparisons (Source: GEM Global APS 2001-23)

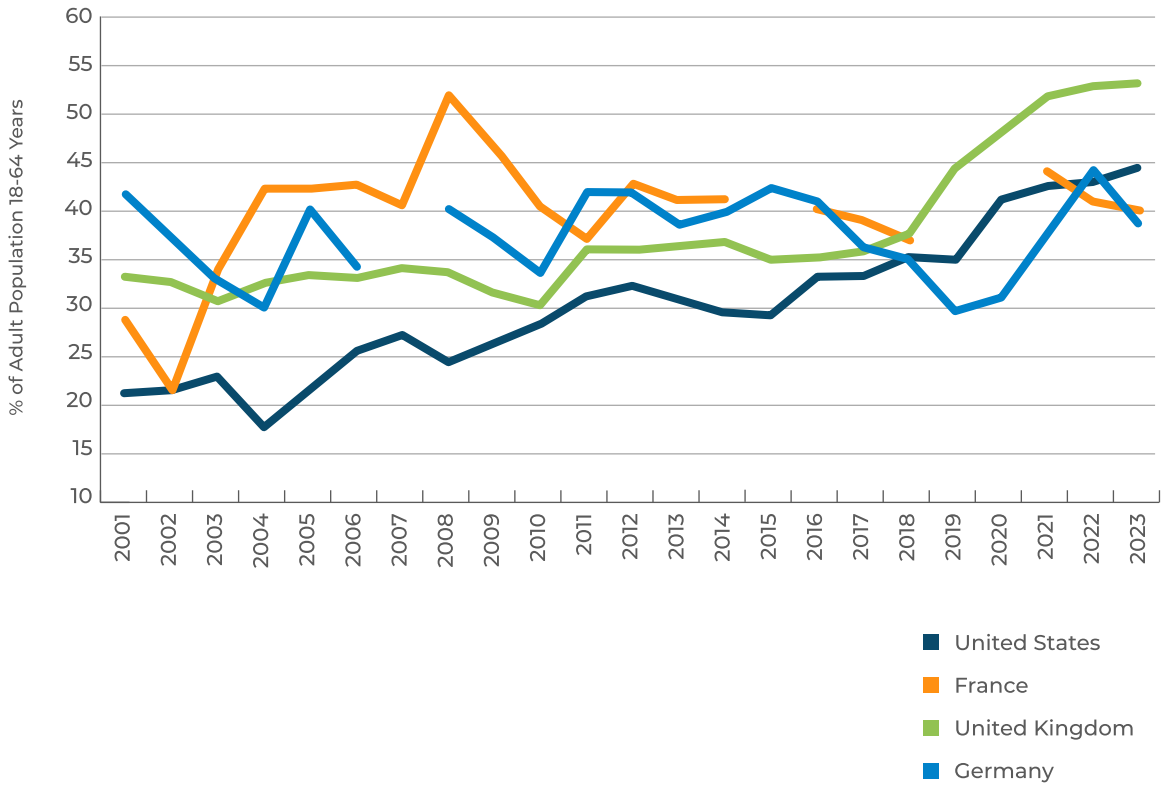


What is interesting when we look at the trends on whether individuals feel they have the skills, knowledge and expertise to start a business is the consistent different in levels between the US and the UK, and between the UK and the two other European comparators – especially in the post-GFC period (Figure 2.6). By 2023 individuals in France and Germany are much more likely to report that they have the requisite skills to start their own business, whereas in the UK it has remained around the 50% mark for over 20 years. The collapse of the US skills perception metric in 2023 is surprising but we need to await the 2024 data point before accepting that this is more than a one-year statistical artefact.

Finally, we examine the trends in whether the fear of failure would prevent an individual from setting up a business (Figure 2.7). For the US and the UK this has risen steadily over the period and it would seem that the each 'economic shock' from 2001 is having a cumulative effect on the adult populations perception of how failure might affect their decision-making about a start-up. In France and Germany, the trend is more volatile but the decline in fear of failure before the pandemic has been reversed post-2020.

The overwhelming conclusion from this analysis is that fear of failure remains a formidable obstacle to new start-ups, especially for women and that this is a concern globally and not just in the UK. Addressing that persistent obstacle could involve both reducing the economic and social costs and stigma of failure.

FIGURE 2.7
Fear of failure
(Source: GEM Global APS 2001-23)



3. A Rise of an Entrepreneurial Class in the UK?

3.1 INTRODUCTION

The key question we address in this section is the extent to which the UK has been transformed over the last 25 years in terms of the participating in the various stages of the entrepreneurial journey and indeed the overall level of early-stage entrepreneurial activity. We will answer this question in the following manner.

First, we will track the trends of all stages of the entrepreneurial process from the intention to start a business in the next three years, nascent entrepreneurs, new business owners and established business owners. Second, we will examine the trends in the key GEM metric – the Total early-stage Entrepreneurial Activity (TEA) – over time and compare to the three international comparators of the US, France and Germany. Third, we will present analysis of the TEA rate by gender and age since 2002 to provide evidence on the extent to which women are becoming just as likely as men to start a new business venture and to investigate how the age profile of new entrants has changed since the start of the millennium.

3.2 PARTICIPATION IN THE STAGES OF THE ENTREPRENEURIAL JOURNEY

The lack of systematic, representative descriptions of the firm creation process has hindered the development of effective, efficient approaches to facilitate business creation. GEM views entrepreneurship as a process in which individuals become increasingly engaged in entrepreneurial activity. Figure 3.1 illustrates the proportion of respondents by stage of entrepreneurial activity in the UK over the period 2002 to 2023. In this figure, individuals who engaged in more than one stage of the process at a time are included **in their most established stage.**

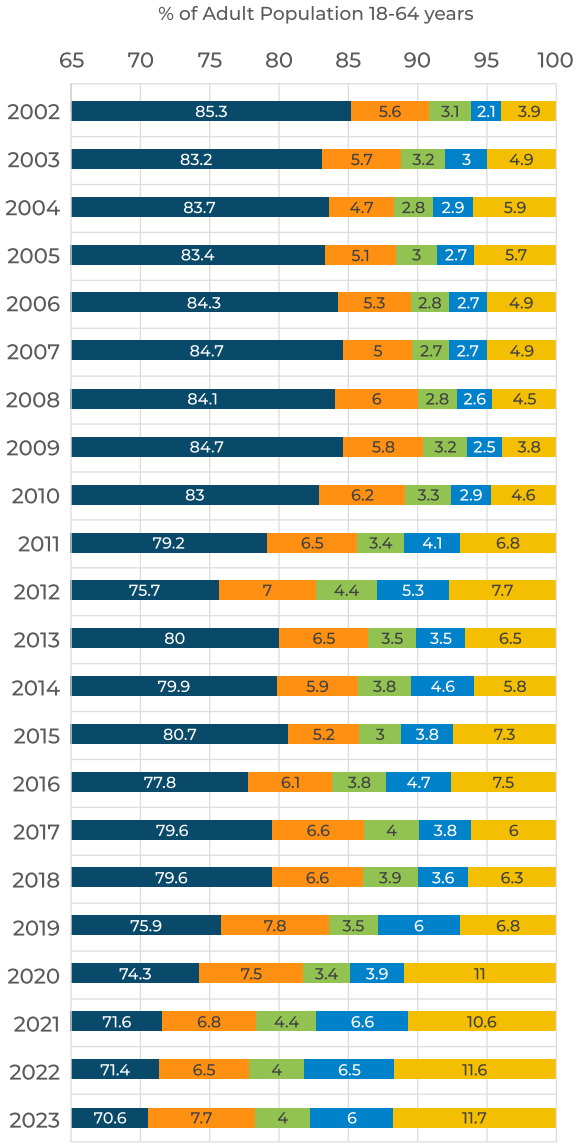


FIGURE 3.1
Participation in entrepreneurship in the UK by most established stage of entrepreneurial activity (not including intrapreneurs), 2002 to 2023 (Source: GEM UK APS 2002 to 2023)

In the UK in 2023, just under 30% of working age individuals were either engaged in entrepreneurial activity or intended to start a business within the next three years. This has been increasing since 2018. Participation in the stages of entrepreneurship in 2023 revealed that 7.7% were engaged in established business ownership, 4% in new business ownership, 6% in nascent entrepreneurship and 11.7% intending to start a business within the next 3 years. The major trend that we can see is that nascent entrepreneurship remains high at 6% and well above its historical level since 2002. Further, the number of individuals stating that they intended to start a business in the next three years is now settling around 12% which is nearly double what it was a decade ago and clearly reflecting an on-going reassessment for many of their labour market position post-pandemic.

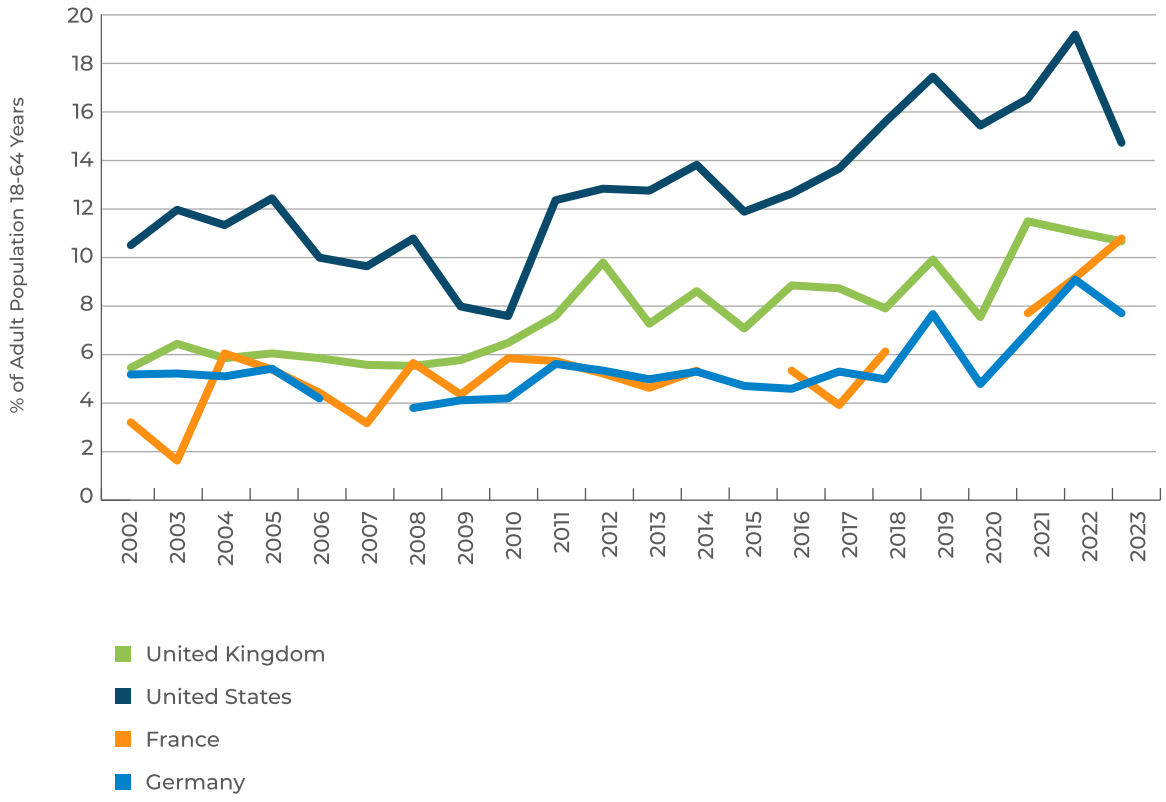
It is clear from this that, despite the constant rise in the perception that the fear of failure would prevent people from starting their own business, as well as the poor growth record of the economy, the UK is a significantly more entrepreneurial society than it was at the start of the millennium. This apparent conundrum will be explored in more detail in Section 5 which examines the trends in the motivations of early-stage entrepreneurs in starting their own business.

3.3 EARLY-STAGE ENTREPRENEURIAL ACTIVITY: INTERNATIONAL COMPARISONS

Total early-stage Entrepreneurial Activity (TEA) is the sum of the nascent entrepreneurship rate and the new business owner/manager rate. The trends in TEA rates between 2002 and 2023 for the UK, France, Germany, and the US are shown in Figure 3.2. For all countries, higher average TEA rates were observed after 2010. There was a drop in TEA in 2020 but this picked up in Germany, US, and the UK as the recovery got underway after the pandemic and it would seem that the TEA rate in the UK has now stabilised around 11%[13], which is still a high watermark since we began the GEM project 25 years ago.

By contrast TEA rates in the US and Germany reached their highest point in 2022 with France doing so in 2023. However, a sharp fall in the US TEA rate in 2023 is the first reversal since the turbulent years after 9/11 that were further exacerbated by the GFC.

FIGURE 3.2
Total early-stage Entrepreneurial Activity (TEA) in UK, Germany and US (2002-2023) (Source: GEM Global APS 2002-2023)



13 This is lower than the 11.8% reported in the GEM Global report for the UK as that was based on only the first 2,000 CATI interviews achieved by the mid-July 2023 deadline for all participating countries in GEM in 2023. The GEM UK achieved sample is just over 10,000 (CATI and CAWI) and we also introduce ethnicity into our weighting protocols which the GEM Global team do not for the global report.

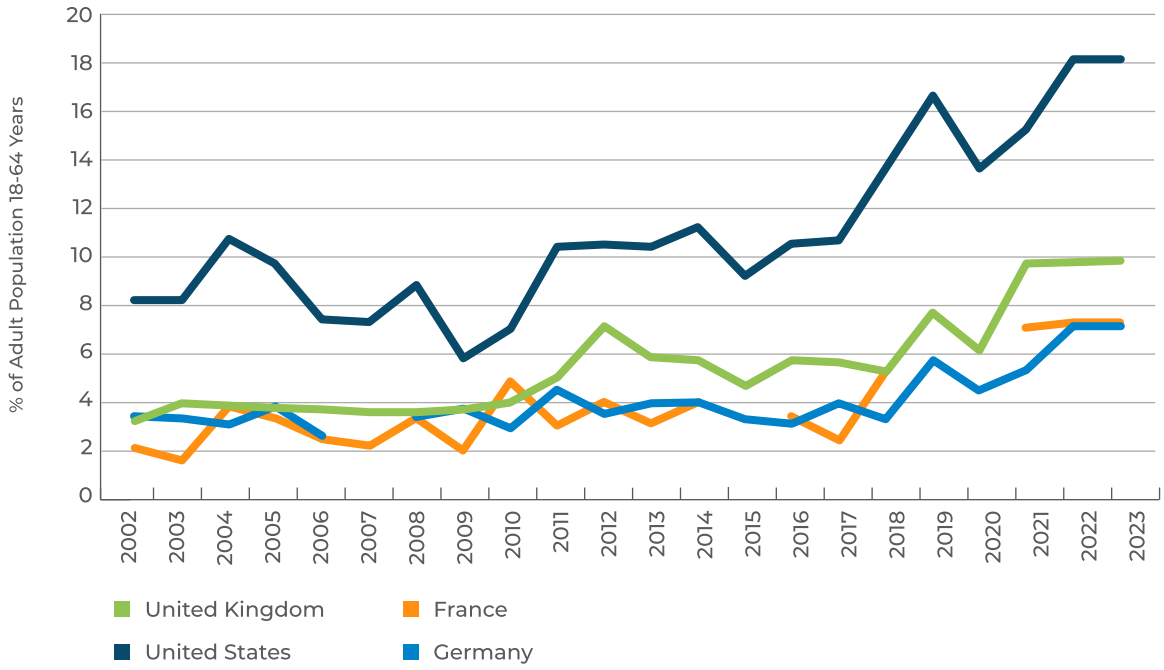
3.4 EARLY-STAGE ENTREPRENEURIAL ACTIVITY: GENDER AND AGE

There has been a remarkable increase in the level of early-stage entrepreneurial activity by women in the UK since 2002 from just over 3.5% to 10% – a three-fold increase – which accelerated after the pandemic (Figure 3.3). Successive UK governments have introduced a range of policy initiatives designed to encourage more women to start new firms.

While the same trend can be observed in all the comparator countries there is a noticeable difference in the level of the TEA rates over this period. TEA rates for women in the US are consistently higher than the three European economies since 2002, and in turn the UK TEA rate has been consistently higher than in France and Germany since the GFC. In 2023, the differences remain stark with the US recording a TEA rate for women at 18% compared to 10% in the UK and under 8% in France and Germany.

These consistent differences, especially between the US and the UK, have led to some very simplistic policy solutions in the domain of women's entrepreneurship. For example, what might be called 'closing the gap' type thinking which results in statements such as "*increase significantly the numbers of women starting and growing businesses in the UK, to proportionately match or exceed the level achieved in the USA*".[14] While it is useful to use these US:UK differences to initiate a conversation they fail to recognise the context in which women seek to develop an expression of their entrepreneurial aspirations and intentions[15]. A clear example of this is the level of competition that women tend to engage in new venture creation. Funding also remains an issue for women business owners and there would appear to be a particular need to ensure that the financial institutions, especially VC and private equity,

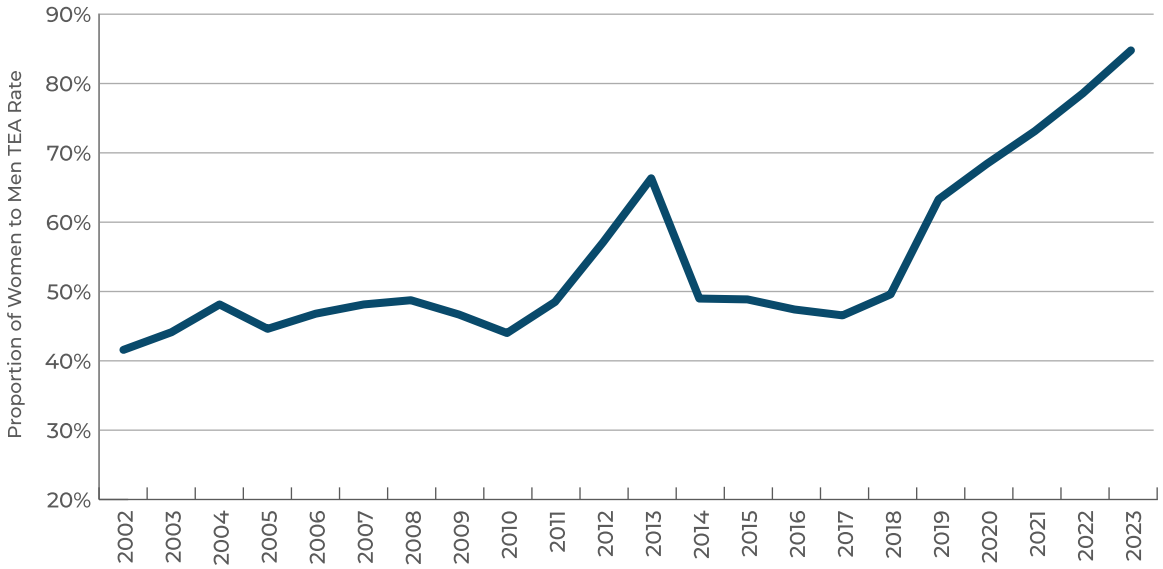
FIGURE 3.3
Total Early-stage Entrepreneurial Activity for women in the UK, Germany and the US, 2002-2023 (Source: GEM APS 2002-2023)



14 Small Business Service (2003), ``A strategic framework for women's enterprise, page 4, Small Business Service, London, http://www.prowess.org.uk/pdfs/strategic%20framework.pdf

15 Marlow, S; Hart, M; Levie, J and Shamsul, MK (2012) Women in Enterprise: A Different Perspective, RBS Group. https://pure.strath.ac.uk/ws/portalfiles/portal/17293549/Women_in_Enterprise.pdf

FIGURE 3.4
Ratio of women to men early-stage entrepreneurs in the UK 2002-2023 (Source: GEM APS 2002-2023)



are responding to the needs of women business owners. However, the picture is complex and it is sometimes unhelpful to analyse simply by a gender split. A stronger emphasis upon evidence which challenges assumptions of gender discrimination is vital including developing a more robust analysis of data regarding the use of financial products, including term lending which looks at gender in the context of business age, sector and size.

There are many structural explanations for these US:UK differences which are deep-rooted and encompass such issues as social welfare provision in the US, affirmative action policies to address administration against women and minorities, and indeed, the role of the Small Business Administration in recognising the role and importance of small businesses to economic development and employment generations since 1953[16]. So, as Marlow et al., (2008) conclude – *"the expansion of female entrepreneurship in the US is historically and culturally specific to that country"*.

Women do not have any individual or collective entrepreneurial deficit; but their position in society is highly influential in shaping their attitudes and steps they take towards running successful small businesses. What we can see from the GEM data is that things have changed dramatically in the UK since the start of the new millennium and, more importantly, the gap between women and men TEA rates have converged very sharply indeed (Figure 3.4). In 2023, the ratio of women to men early-stage entrepreneurs stood at 85% rather than the average 40-50% that fuelled the accepted narrative on women's entrepreneurship. So the common mantra that *"Women in the UK are about half as likely as their male counterparts to begin new firms"* is, according to GEM data, no longer valid.

16 Marlow, S; Carter, S and Shaw, E (2008) *"Constructing female entrepreneurship policy in the UK: is the US a relevant benchmark?", Environment and Planning C: Government and Policy, Vol. 26, pp 335-351.* https://pureportal.strath.ac.uk/files-asset/440845/Environment_and_Planning_C_Government_and_Policy.pdf

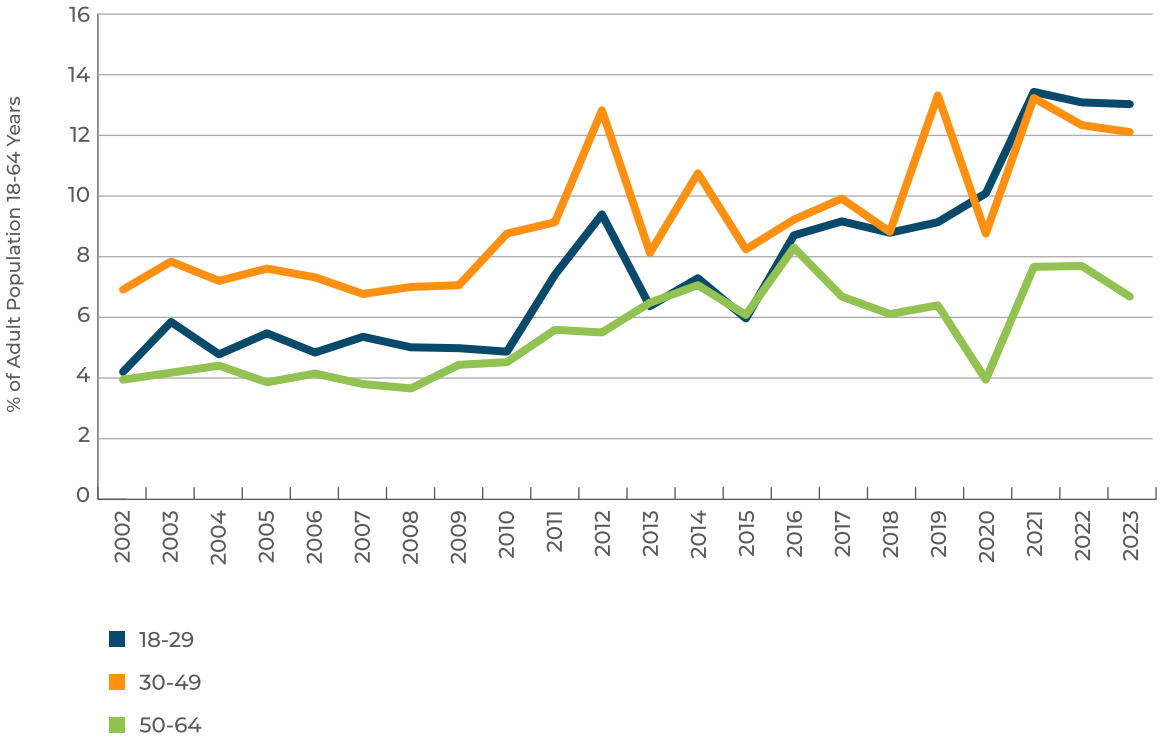
International evidence suggests that there are high levels of latent or potential entrepreneurship amongst young people. Using GEM data, it was argued that these high levels of latent entrepreneurship were not being translated into similar number of young people setting up and running their own business[17]. Promotion and support of youth entrepreneurship is an important aspect of wider entrepreneurship policy and economic growth. A significant amount of enterprise support has been directed at young people in particular in the UK. Among other initiatives, the government and its partners have helped to establish the StartUp Britain and Business in You campaigns, the Start-Up Loans scheme, the Enterprise Finance Guarantee scheme, MentorsMe programme. We have also witnessed the growth of many non-state enterprise support initiatives such as Youth Business International (YBI) and within universities and the role of Enterprise Educators UK[18].

The evidence would indicate that these initiatives would seem at face value to be working as the trends in the early-stage entrepreneurial activity rate for 18-29 year olds, which were stable at around 5% for the decade until the GFC, then began to rise and more than doubling at just over 13% in 2023 (Figure 3.5). This is an interesting 'spike' in a long-term historical trend of low-levels of entrepreneurial activity in this age group and clearly represents a step-change in the engagement of young people with the entrepreneurial process. This was particularly the case after the pandemic as more and more young people began to reevaluate their career choice and starting a new business became more popular than ever.

17 Hart, M., Levie, J. and Shamsul, M. K. (2012) Closing the Generational Start-up Gap. Edinburgh: RBS Group. https://pure.strath.ac.uk/ws/portalfiles/portal/17293521/Closing_the_Generational_Start_Up_Gap.pdf

18 https://www.enterprise.ac.uk/

FIGURE 3.5
Trend in Total early-stage Entrepreneurial Activity by age, 2002 to 2023 (Source: GEM UK APS 2002-2023)



The optimum age window for starting a business has historically been an individual's thirties and forties but this would seem to be no longer the case, as there is now no difference between this age group and younger individuals (Figure 3.5). There was a rise in older individuals starting their own business after the GFC which reached a peak in 2016 but declined rapidly back to its 4% level in the first decade of the millennium, before rising again after the pandemic again perhaps due to a re-evaluation of their role and position in the labour market. Official statistics did show that there was a fall in self-employment of 500,000 as a direct result of the pandemic[19] and both the older age groups mirrored this fall.

19 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/understandingchangesinselfemploymentintheuk/january2019tomarch2022#trends-in-self-employment

4. Convergence of Entrepreneurial Activity within the UK?

4.1 INTRODUCTION

As previously identified, rates of entrepreneurial activity in a country or region are influenced by wider cultural and institutional factors and also by the extent of supportive infrastructure. But there is no one combination of factors that can be easily replicated to ensure an even distribution of entrepreneurial activity, either within or across regions of the same country. The makeup of the population, attitudes to risk and other opportunities for work will all contribute to geographical variations in early-stage entrepreneurial activity (TEA rate).

For example, a lack of employment opportunities in a region could potentially prompt more necessity-driven entrepreneurship, but within a risk-averse population, or disadvantaged region, it may not. Availability of childcare or flexible working opportunities may also influence the extent to which different groups within the population engage with entrepreneurship. Lack of, or affordability, of childcare may encourage more women to start their own business but the availability of other flexible working opportunities may lower the extent of entrepreneurial activity for those with caring opportunities.

Given the complexities involved, we would expect to see a degree of spatial variation in entrepreneurial activity rates across the UK. But given policy priorities and the desire for 'levelling-up' across the UK, do we see convergence over time in early-stage entrepreneurial activity?

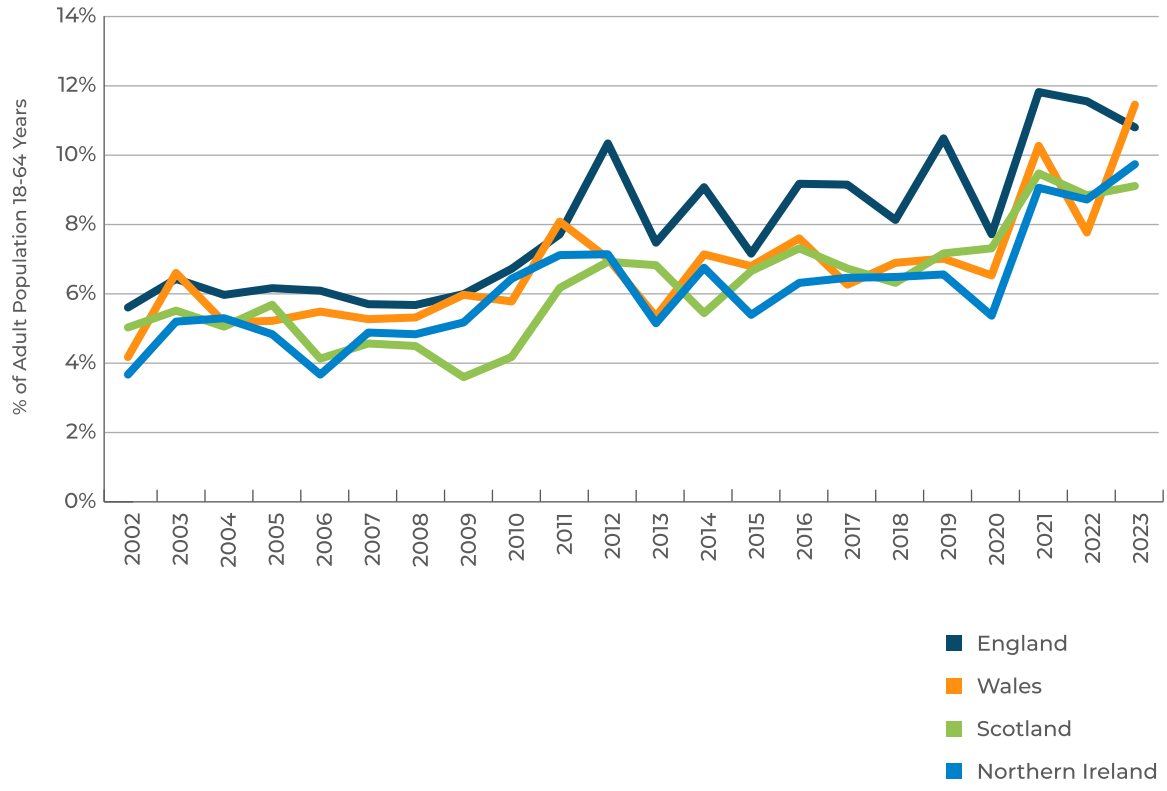
4.2 ENTREPRENEURIAL ACTIVITY IN THE UK'S HOME NATIONS 2002-2023

Trends in early-stage entrepreneurial activity (TEA rate) portray both divergence and subsequent convergence over time when we examine the four home nations of the UK. For ease of analysis, we can divide the period into three distinct phases corresponding to the two major economic shocks in the period, namely the GFC and the pandemic.

From 2002-10 TEA rates were relatively stable for the most part with only Scotland appearing to be negatively impacted by the financial crash. Post-2010 until 2019 the GFC seemingly prompted an uptick in entrepreneurial activity across all regions, although with a degree more volatility in the rates. Here England diverges from Wales, Scotland and Northern Ireland while rates in these three home nations converge at a higher level than previously.

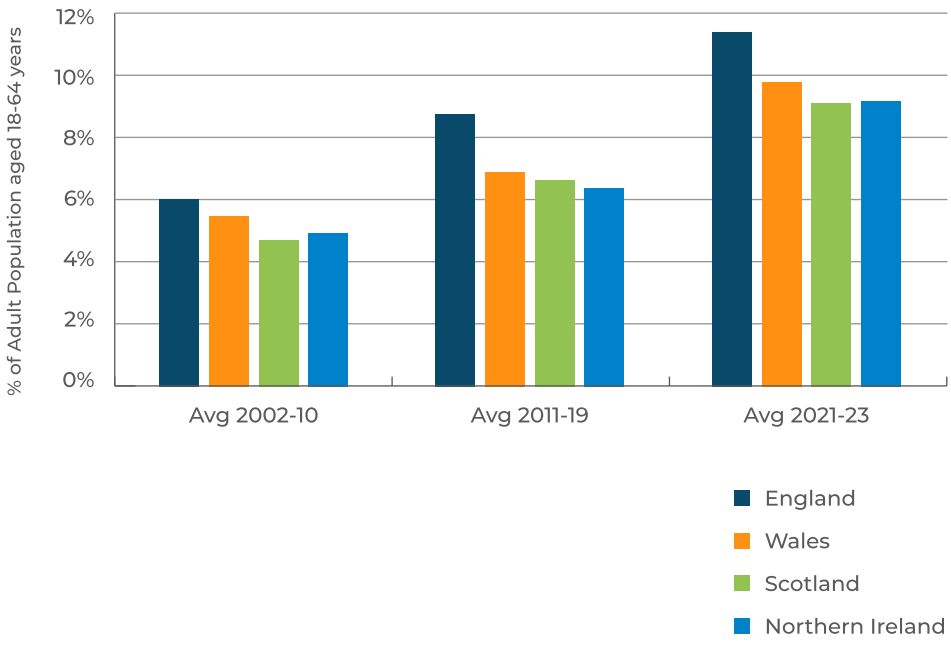
Finally post-pandemic we see another notable rise in early-stage entrepreneurial activity across all four home nations. As with earlier periods the rate in England generally exceeds the others but in 2023, despite the variation in point estimates, there is no statistically significant difference across the home nations.

FIGURE 4.1
Total early-stage Entrepreneurial Activity in the Home Nations 2002-23 (Source: GEM APS 2002-23).



Perhaps more-so than an obvious convergence geographically, what we see over time is a similar degree of step-change in early-stage entrepreneurial activity across all the home nations. This suggests, despite the geographical variances, that economic shocks generate a rising entrepreneurial tide across the whole of the UK. Figure 4.2 shows this increase in average TEA rates across the three time periods. During 2002-10 TEA rates averaged between 5-6% for the home nations. During the recovery period from the GFC until 2019, TEA rates were around 2-3 percentage points higher than previously in each of the home nations, averaging 6-9%. Finally, post-pandemic TEA rates again rose by around 3 percentage points, averaging 9-11%.

FIGURE 4.2
Rates of Total early-stage Entrepreneurial Activity in the Home Nations 2002-23 (Source: GEM APS 2002-23)



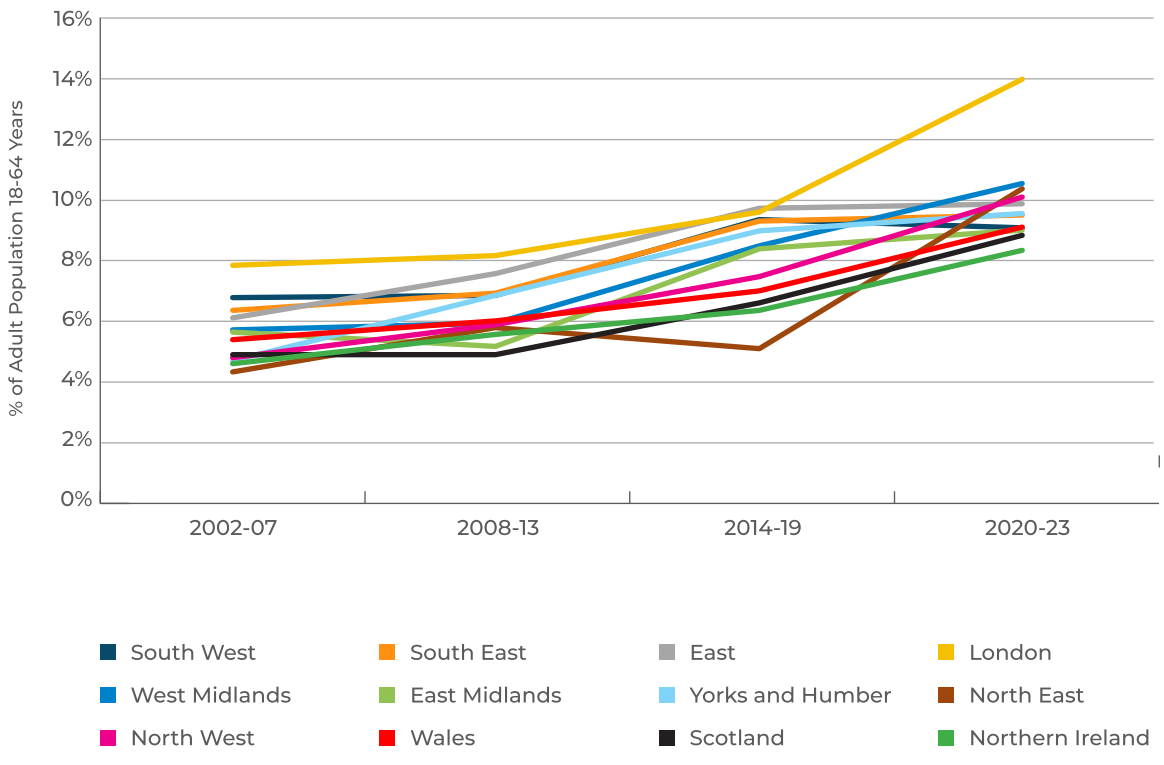
4.3 ENTREPRENEURIAL ACTIVITY IN THE ENGLISH REGIONS 2002-2023

To analyse the regional picture within England, Figure 4.3 plots pooled data for the Government Office Regions (GOR) alongside the home nations. To provide larger sample sizes for each region the data is pooled over three 6-year periods up to 2019 and then pooled over 2020-23. Again, the step change in early-stage entrepreneurial activity can be observed at the regional level over time. The North East took longer to recover than other regions but when it did, it did so rapidly with the TEA rate in 2020-23 double that of 2014-19. Notably, it is clear that London is an outlier and a primary driver of early-stage entrepreneurial activity within England. In fact, TEA rates in the other English regions are more similar to those of the three devolved home nations throughout the whole period and in 2020-23 there is no statistically significant difference noted amongst the regions and home nations, with the exception of London.

London's performance post-pandemic is particularly striking with a clear divergence from the rest of the country and the only region with a TEA rate statistically significantly higher than the others in 2020-23. The diverse nature of the population in London, the resulting scope for entrepreneurial opportunity and the availability of entrepreneurial finance no doubt fuel this sharp rise in early-stage entrepreneurial activity. Whether the other regions will ever converge with London is doubtful given its particular population and economic activity mix but even without that, increasing TEA rates across the country provide a good basis for economic growth.

To conclude, the rise in early-stage entrepreneurial activity in the two decades since the start of the millennium is being experienced in all regions and nations of the UK. However, London has been experiencing a more rapid rise since the immediate pre-pandemic period and has now detached itself from the other regions and nations.

FIGURE 4.3
Rates of Total early-stage Entrepreneurial Activity in the English Regions and Home Nations 2002-23 (Source: GEM APS 2002-23)



5. Have the Motivations of Entrepreneurs Changed?

5.1 INTRODUCTION

Engagement in entrepreneurship will certainly be driven by a range of factors, including by general social and cultural attitudes towards entrepreneurship as discussed in Section 2. A study using GEM data to re-survey willing respondents showed that motivations for starting a business were complex and that motivations other than the traditional opportunity-driven and necessity-driven distinction are more closely related to business survival and success[20]. These motivations can be best classified in terms of the importance attached to 'autonomy and better work', 'challenge', 'financial' and 'family and legacy' aspects. Across all business types, entrepreneurs say autonomy is their most important motivator. Of note is that businesses can do well regardless of whether they were started out of opportunity or necessity. Both opportunity-driven businesses and necessity driven businesses create jobs, innovate and export.

Nevertheless, for much of the early period of GEM, globally, focus was on identifying whether engagement in entrepreneurial activity was driven by the pursuit of a promising business opportunity or if such activity was mainly attributable to necessity, in response to absence of good work alternatives. As noted, some critiques rightly observed that these concepts appeared to be reductive, oversimplifying entrepreneurial motivations to just two competing factors. GEM thus moved towards understanding entrepreneurship as driven by multifaceted motivations.

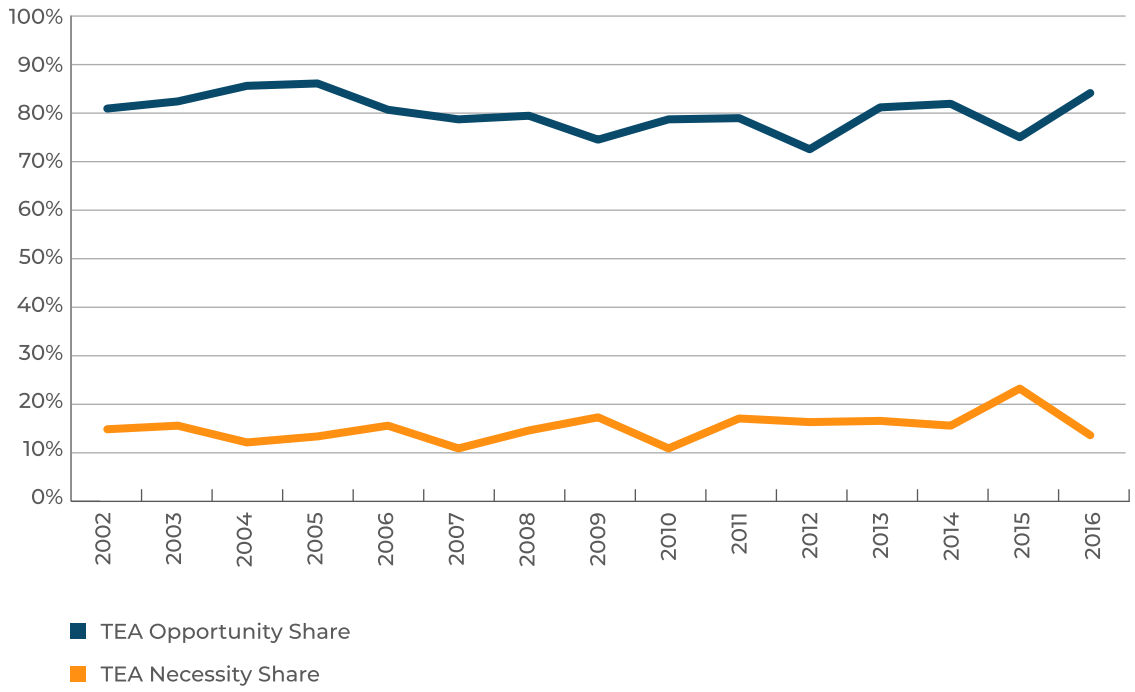
As other motivations have been increasingly recognised, understanding the various opportunity-necessity factors remains valid. This is not least because it helps unpack some differences in entrepreneurial activity among countries and between male and female early-stage entrepreneurial activity over time. Given in particular that female entrepreneurship has been a subject of much policy discourse in the UK over the last two decades, most recently the Rose Review[21] and the Stewart and Logan Report in Scotland[22] it should be instructive to explore how entrepreneurial motivations have changed, especially between male and female entrepreneurs.

20 Stephan, U; Hart, M: Mickiewicz, T and Drews, C-D (2015) Understanding Motivations for Entrepreneurship, BIS Research Paper No. 2012, March 2015 https://publications.aston.ac.uk/id/eprint/32841/1/Stephan_et_al_Understanding_motivations_for_entrepreneurship_2015.pdf

21 Rose, A. (2019), The Alison Rose Review of Female Entrepreneurship, available at: https://assets.publishing.service.gov.uk/media/5c8147e2e5274a2a595bb24a/RoseReview_Digital_FINAL.PDF, (accessed 18/03/2024).

22 Stewart, A., & Logan, M. (2023). Pathways: A new approach for women in entrepreneurship. Retrieved from https://www.gov.scot/publications/pathways-new-approach-women-entrepreneurship/documents/

FIGURE 5.1
Opportunity vs. necessity Total early-stage Entrepreneurial Activity 2002–16 (Source: GEM APS 2002-16)



5.2 OLD NECESSITY VS. OPPORTUNITY MOTIVATIONS

Looking, firstly, at the old opportunity-necessity dichotomy, Figure 5.1 shows that the overwhelming majority of TEA in the UK was opportunity-driven between 2002 and 2016. However, in the years following the GFC, there was a notable uptick in the share of early-stage entrepreneurial activity that was driven by more people in society pursuing entrepreneurship out of necessity or to maintain incomes.

Figure 5.2 adds further nuance to the gender dynamics in entrepreneurial motivations. As discussed in greater detail in Section 3, female entrepreneurship rates have been generally increasing over the 25 years of GEM research. Until 2016, GEM observed the TEA rate as either necessity or opportunity-driven and female rates were lower for both. However, we find that while the female to male ratio of opportunity-driven entrepreneurial activity was more or less stable in the 40-50% range, the female to male ratio of necessity-driven entrepreneurship was more fluctuant over the ten years we measured this directly between 2002 and 2012. This suggests that, at the margin, female necessity entrepreneurship is more likely to be driven by social and economic factors that may vary significantly from year to year while female opportunity-driven entrepreneurship remains more or less stable, notwithstanding the gender gaps therein.

FIGURE 5.2
Opportunity vs. necessity Total early-stage Entrepreneurial Activity (female to male ratios) 2002–12 (Source: GEM APS 2002-12)

5.3 MULTIPLE ENTREPRENEURIAL MOTIVATIONS

Having abandoned the strict categorisation of entrepreneurial activity as either opportunity or necessity driven, in 2017 and 2018, GEM explored a wide array of motivations behind engagement in entrepreneurship. Here, we asked those already observed to have engaged in entrepreneurial activity to indicate what various factors had motivated them to do so. This allowed us to measure the prevalence of a range of motivating factors among entrepreneurs.

As Figure 5.3 shows, the vast majority of TEA entrepreneurs were motivated by factors arguably associated with self-determination, in line with aforementioned research[23]. Nine in ten pursued entrepreneurship to be free to make their own decisions with the pursuit of a personal challenge and fulfilling a personal vision cited as key motivating factors by over 65% of TEA entrepreneurs. To build great wealth of very high income was a key factor for just over half of entrepreneurs with continuing a family tradition only an important motivator for around 15% of entrepreneurs.

Notably, pro-social factors, including to contribute to society and help others were cited by less than half of all entrepreneurs in 2017-18. However, as Figure 5.4 shows, there are significant gender differences here with women far more likely than men to highlight these two as key motivators of their engagement in entrepreneurial activity. We see further that women are more likely than men to cite relationships as important factors in their entrepreneurial activity, with advancing a family tradition and fulfilling a personal vision also slightly greater motivators for women than men. The latter could suggest that there are fewer opportunities outside of entrepreneurship for women to fulfil a personal vision. Overall, with a greater array of factors considered, we see that beyond necessity and opportunity considerations, entrepreneurs are simultaneously motivated by a range of factors to varying extent with women more likely to be driven into entrepreneurship by pro-social factors, the need for better quality relations, and the need to fulfil a personal vision.

23 Stephan, U; Hart, M: Mickiewicz, T and Drews, C-D (2015) Understanding Motivations for Entrepreneurship, BIS Research Paper No. 2012, March 2015 https://publications.aston.ac.uk/id/eprint/32841/1/Stephan_et_al_Understanding_motivations_for_entrepreneurship_2015.pdf

FIGURE 5.3
Multiple Total early-stage Entrepreneurial Activity motivations, 2017–18 (Source: GEM APS 2017-18)

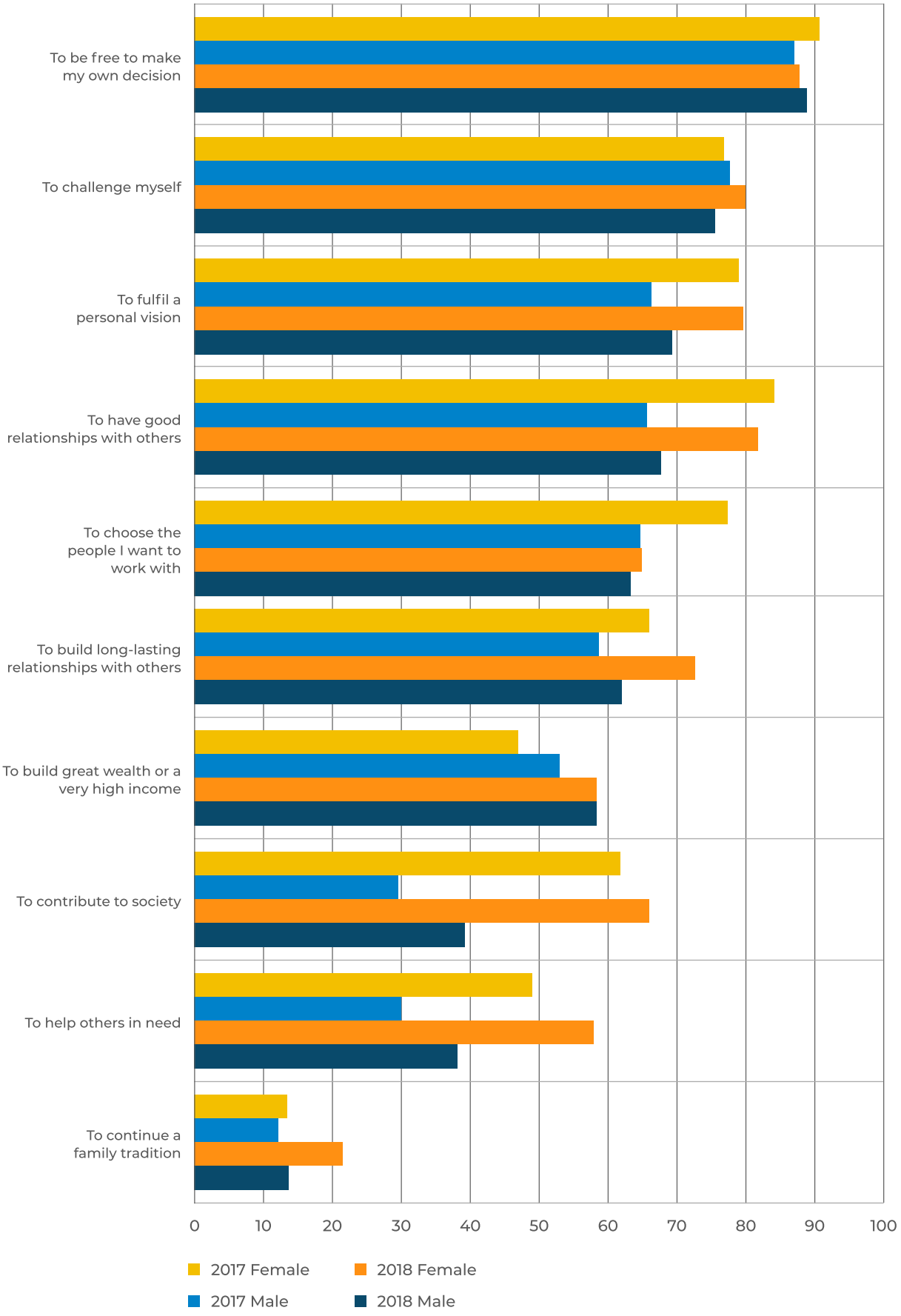
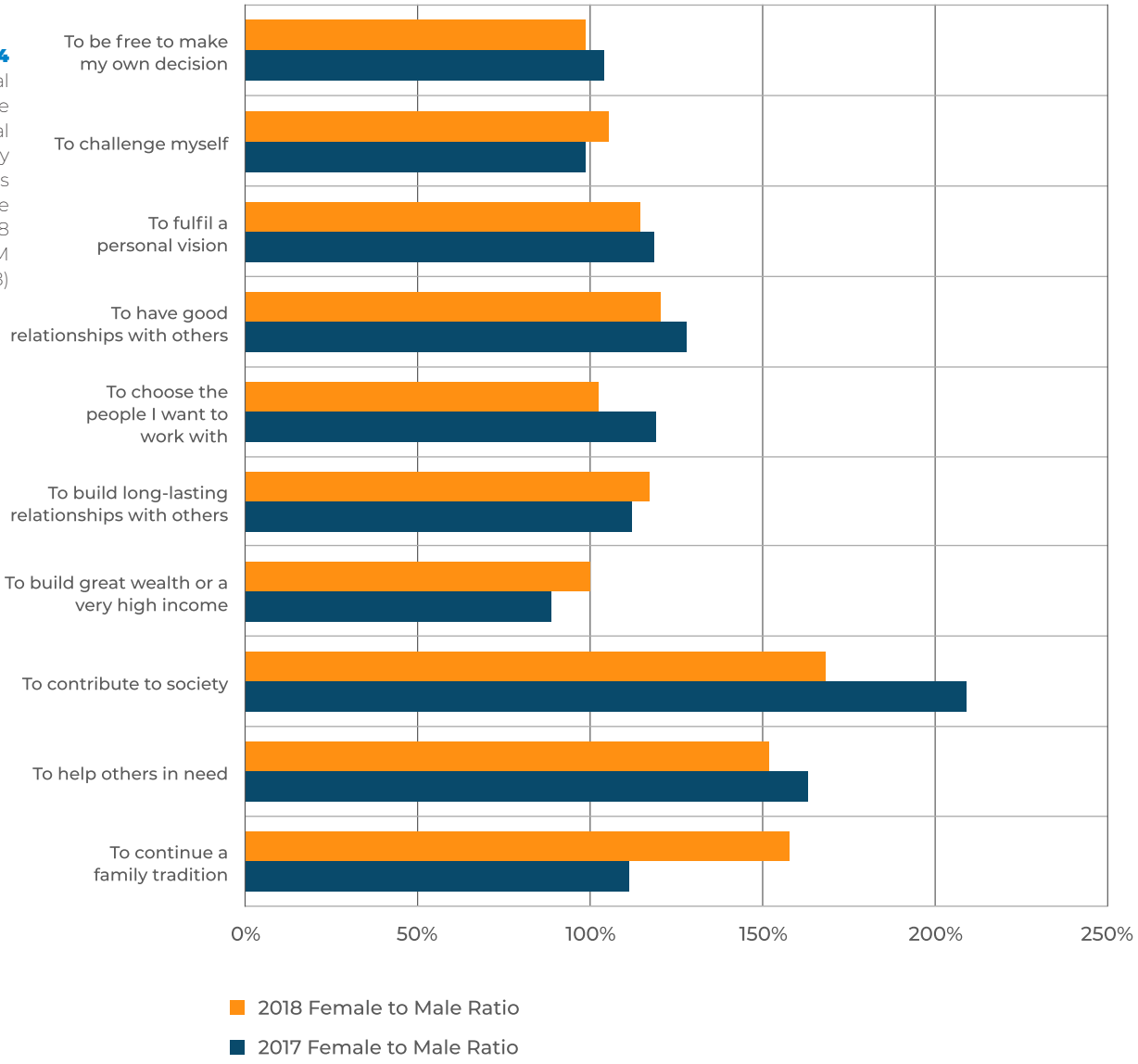


FIGURE 5.4
Multiple Total early-stage Entrepreneurial Activity motivations (female to male ratios) 2017–18 (Source: GEM APS 2017-18)



5.4 SELECT ENTREPRENEURIAL MOTIVATIONS

Since 2019, GEM has settled on evaluating a smaller selection of entrepreneurial motivations. As entrepreneurial activity has increased in society in general in the 2020s, the prevalence of the various motivations appears to have also gone up (Figure 5.5). Still, continuing a family tradition remains the lowest cited motivation although this has itself increased from around 10% between 2017 and 2019 to now being highlighted by almost 30% of TEA entrepreneurs as an important factor behind their engagement in entrepreneurship.

Within the family business sector, changes in culture and technology can sometimes lead younger family members to launch new spin-out businesses that leverage on the family tradition while simultaneously charting new markets. More generally, continuing a family tradition is often utilised for marketing purposes, even outwith family business. As Figure 5.6 further highlights, this motivation has gained greater traction with men over recent years such it is no longer the case that women are significantly more likely than men to cite continuing a family tradition as a key motivator of entrepreneurship.

FIGURE 5.5
Select Total early-stage Entrepreneurial Activity motivations 2019–23 (Source: GEM APS 2019-23)

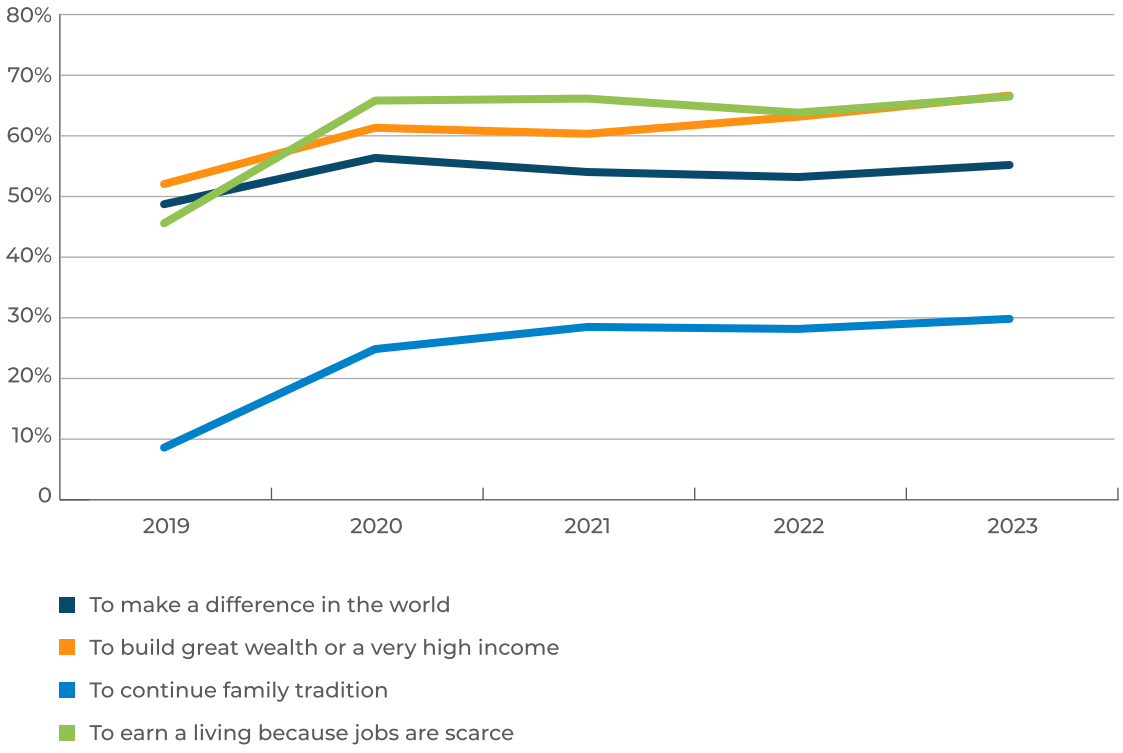
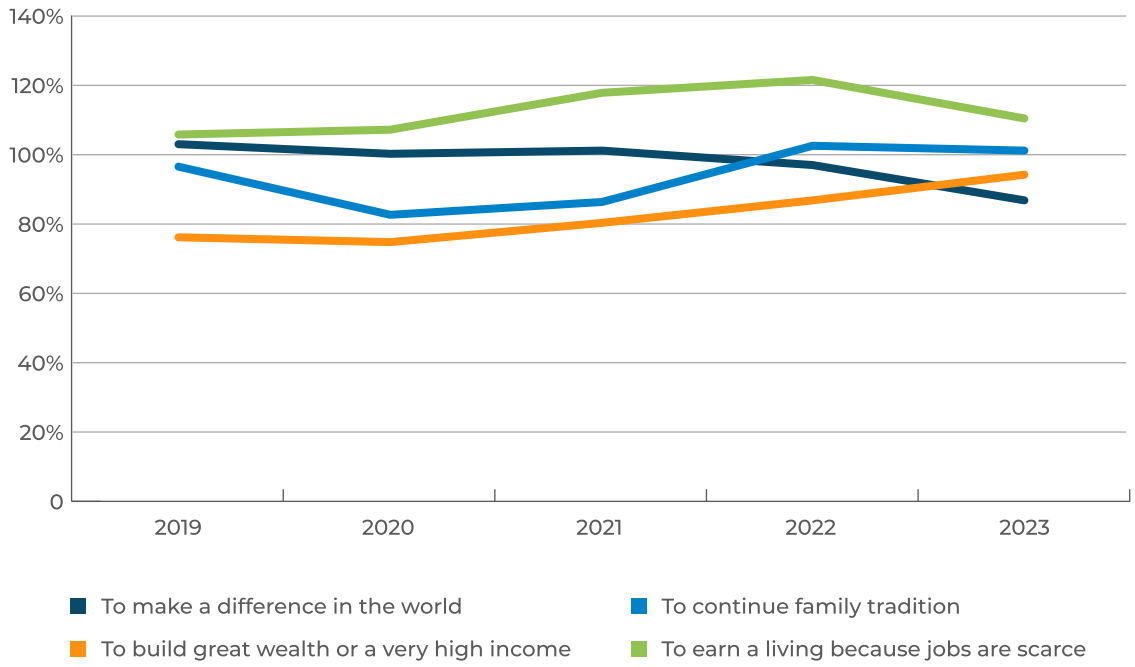


FIGURE 5.6
Select Total early-stage Entrepreneurial Activity motivations (female to male ratios) 2019–23 (Source: GEM APS 2019-23)



We find further that pro-social motivations have become more important in the 2020s with over half of entrepreneurs now citing making a difference in the world as an important driver of their engagement in entrepreneurship. This is not surprising, as sensitivity to social and environmental issues has grown significantly over the last several decades, especially among the younger generations now establishing themselves as leaders in the economy. Notably, further, in the 2020s, engaging in entrepreneurial activity to help make a difference in the world is now not overwhelmingly more likely to be cited by female entrepreneurs compared to male, suggesting that more men are now also engaging in entrepreneurship for pro-social reasons.

Simultaneously, more women are now also highlighting the need to build great wealth or a very high income as an important driver of their engagement in early-stage entrepreneurial activity, although gender gaps in this motivation remain. This may be attributable to changes in society with old gender-based socialisations around female modesty more increasingly getting publicly rejected. Within entrepreneurship, there has been much debate encouraging women entrepreneurs to embrace traditional "male" behaviours and attitudes when pitching or negotiating, for example[24]. Other developments have called for men to be more sensitive to inbuilt gender biases and for society as a whole to start to more intentionally dismantle these old gender-based socialisations and biases. It is unclear what exactly could be driving the neutralisation of old gender effects in these entrepreneurial motivations but it is clear that acquisitive entrepreneurial tendencies are no longer an overwhelmingly male phenomenon, just as pro-social entrepreneurial motivations are also not the reserve of women anymore.

24 Balachandra, L., Briggs, T., Eddleston, K., & Brush, C. (2019). Don't Pitch Like a Girl!: How Gender Stereotypes Influence Investor Decisions. Entrepreneurship Theory and Practice, 43(1), 116-137. doi:10.1177/1042258717728028

A perhaps surprising insight around how entrepreneurial motivations have changed regards necessity entrepreneurship. As previously noted, GEM used to categorise entrepreneurial activity strictly as either necessity or opportunity-driven. Between 2002 and 2016, only 10-20% of entrepreneurs in the UK indicated that they were mainly motivated by necessity considerations. In contrast, in the 2020s, when we consider "to earn a living because jobs are scarce" as a motivating factor alongside others discussed above, we find that around two thirds of early-stage entrepreneurs indicate this to be an important factor for them.

The thinking around necessity entrepreneurship has changed from one associated with poverty and an absolute lack of economic opportunity to perhaps a more nuanced consideration of desired livelihoods within a modern work-life balance framework, with other motivations also playing a part. That two thirds of entrepreneurs cite this to be a key motivation for them is thus perhaps not as alarming as it suggests that a lot of people look to entrepreneurship to create economic activity they would deem to more suitably fit with their desired lives and livelihoods.

This notwithstanding, there appears to be a clear gender effect in this motivation with more women than men more likely to indicate that they pursued entrepreneurship to earn a living because jobs are scarce. Research continues to highlight childcare as a major issue impacting women's economic participation with many mothers looking to entrepreneurship to help with work-life balance matters when the children are young. In a sense, it is good that some mothers find that entrepreneurship affords them an opportunity to earn a living amid their other household demands. However, the prevalence of this motivation also highlights the need to elevate the debate and policy around childcare support, flexible work, and other related factors that appear to at least in part push many female, and indeed male entrepreneurs, in the UK into engaging in entrepreneurship because suitable jobs are scarce.

6. A More Diverse Population of Entrepreneurs?

6.1 INTRODUCTION

The UK is composed of a highly diverse population and rates of entrepreneurial activity are influenced by this diversity. However, there are various ways of analysing diversity in relation to entrepreneurial activity. Recent research has coined the term "super diversity" to refer to a highly diverse UK population and analysed entrepreneurial rates among migrants and ethnic minorities[25]. In line with academic research, GEM views diversity in two determinant characteristics of entrepreneurs, ethnicity and resident status.

One way to analyse variation in the TEA rate can be perceived from differences between ethnic groups. For instance, over many years, the TEA rate of the white ethnic population in the UK was significantly lower than the non-white population[26]. This trend stands in 2023 (Figure 6.1). Moreover, another important feature of diversity regarding ethnicity is to distinguish between gender, because TEA rates between male and female populations differ within ethnic groups.

Beyond ethnicity, another perspective to analyse diversity in UK is by comparing TEA rates by resident status, based on migrant as compared to life-long UK resident and UK regional migrant status. In recent years the proportion of immigration flows by country/region entering the UK have changed dramatically. Both changes in immigration policy and economic shocks such as the global financial crisis (GFC), the Brexit referendum, the Covid-19 pandemic and its accompanying resuming of travel (in 2022), have changed the immigration landscape, as well as impacted entrepreneurial activity. For instance, in the aftermath of the Brexit referendum, which was followed by the Covid-19 pandemic, there has been a sinking EU migrant population and a raising non-EU migrant population entering the UK[27].

However, despite changes in the demographic composition of migration, one statistic has remained relatively constant, immigrant and non-white ethnic populations continue to be the most entrepreneurial groups in the UK.

25 Ram, M., Jones, T. & Villares-Varela, M. Migrant entrepreneurship: Reflections on research and practice. *International Small Business Journal.* **35**, 3–18 (2017).

26 Hart, M; Bonner, K; Prashar, N; Ri, A; Mwaura, S, Sahasranamam, S; Loung, A and Levie, J (2003) Global Entrepreneurship Monitor: UK Report 2022/23, https://www.enterpriseresearch.ac.uk/wp-content/uploads/2023/07/105637_GEM_Report_UK_2023_FINAL.pdf

27 Struge, G. (2024). *Migration statistics.* House of Commons. Report.

6.2 TRENDS IN ETHNIC MINORITY ENTREPRENEURSHIP

The TEA rate of the white ethnic population in the UK in 2023 was significantly lower than that of the non-white population, at 9% compared to 18.7% respectively. The trends in TEA rates of the white ethnic population and non-white ethnic populations between 2002 and 2023 are shown in Figure 6.1. The TEA rate of the white population doubled from 5% in 2002 to over 10% in 2021 and 2022, with the step change observed in the aftermath of the GFC and in the post-pandemic period. The TEA rate of the non-white population had greater volatility with dramatic uplifts, increasing for example from 7.2% in 2009 to 17.4% in 2012, and equally spectacular drops, for example in the aftermath of the Brexit referendum, when it dropped from 15.1% in 2016 to 6.9% in 2018. With the notable exception of 2018, it has been consistently higher than the TEA rate of the white population.

In the last five years, the TEA rate of the non-white population was 2.1% higher than the TEA rate of the white population, meaning that for every white early-stage entrepreneur there were two non-white entrepreneurs starting up a business.

FIGURE 6.1
Total early-stage Entrepreneurial Activity rate by white and non-white ethnic status (Source: GEM UK APS 2002-2023)

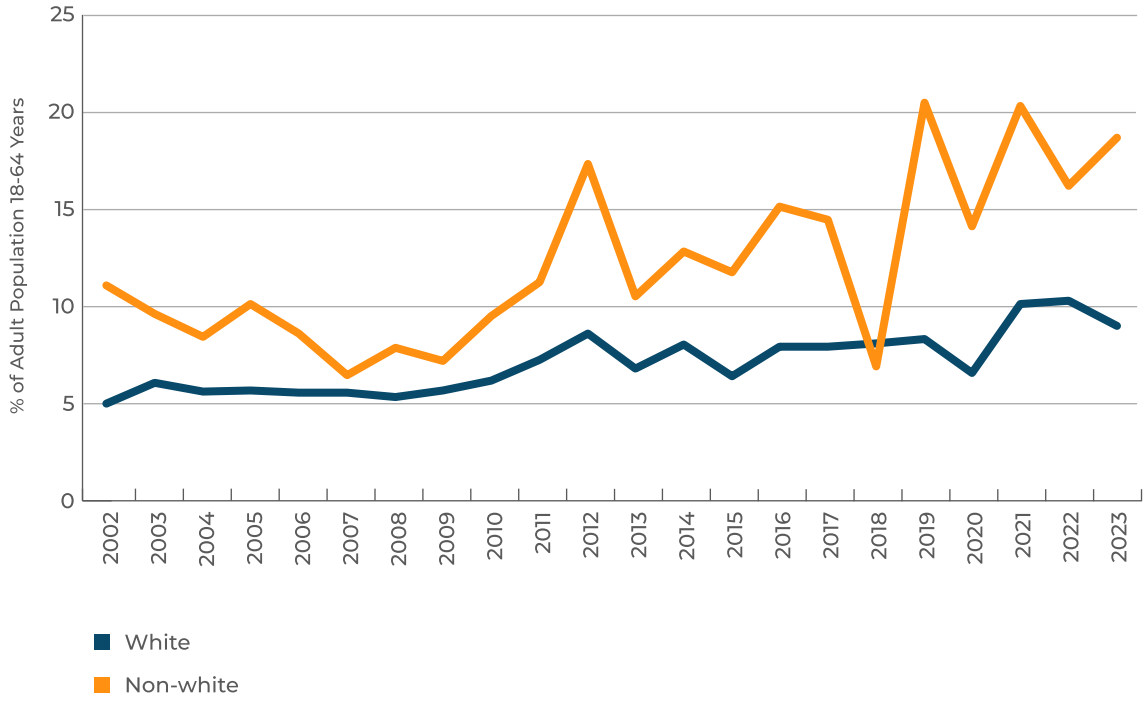
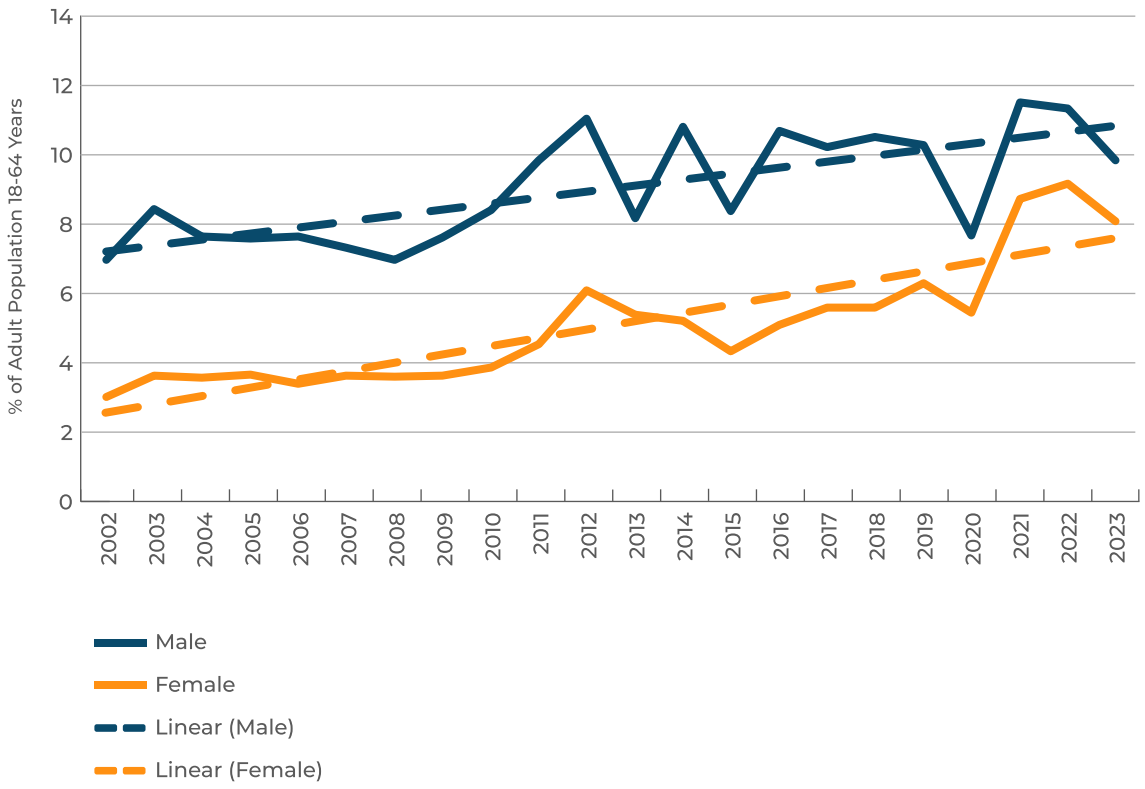


FIGURE 6.2
Total early-stage Entrepreneurial Activity rate for white ethnic status group by gender (Source: GEM UK APS 2002-2023)



When analysing trends of TEA of the white population by gender (Figure 6.2), we clearly see a positive dynamic of a narrowing gender gap over the last two decades. In 2023, white females were 82% as likely to be early-stage entrepreneurs as white males. For comparison, the white female to white male TEA ratio was only 43% in 2002. It is during the last five years, since 2019, that the convergence of early-stage entrepreneurial activity rates between females and males of the white ethnic group became noticeable. We earlier also observed that entrepreneurial motivations between males and females have been largely converging in the 2020s.

However, when looking at the gender trends for the non-white population (Figure 6.3), the picture is much less clear. For both non-white females and males, the volatility of TEA rates was high, with rates converging and diverging in different years. However, when looking at the linear trend over the whole period, there is no clear sign that the early-stage entrepreneurial gender gap is narrowing. There is, however, a sign for optimism: in 2023, non-white females were 92% as likely as non-white men to start up a business.

FIGURE 6.3
Total early-stage Entrepreneurial Activity rate for non-white ethnic status group by gender (Source: GEM UK APS 2002-2023)

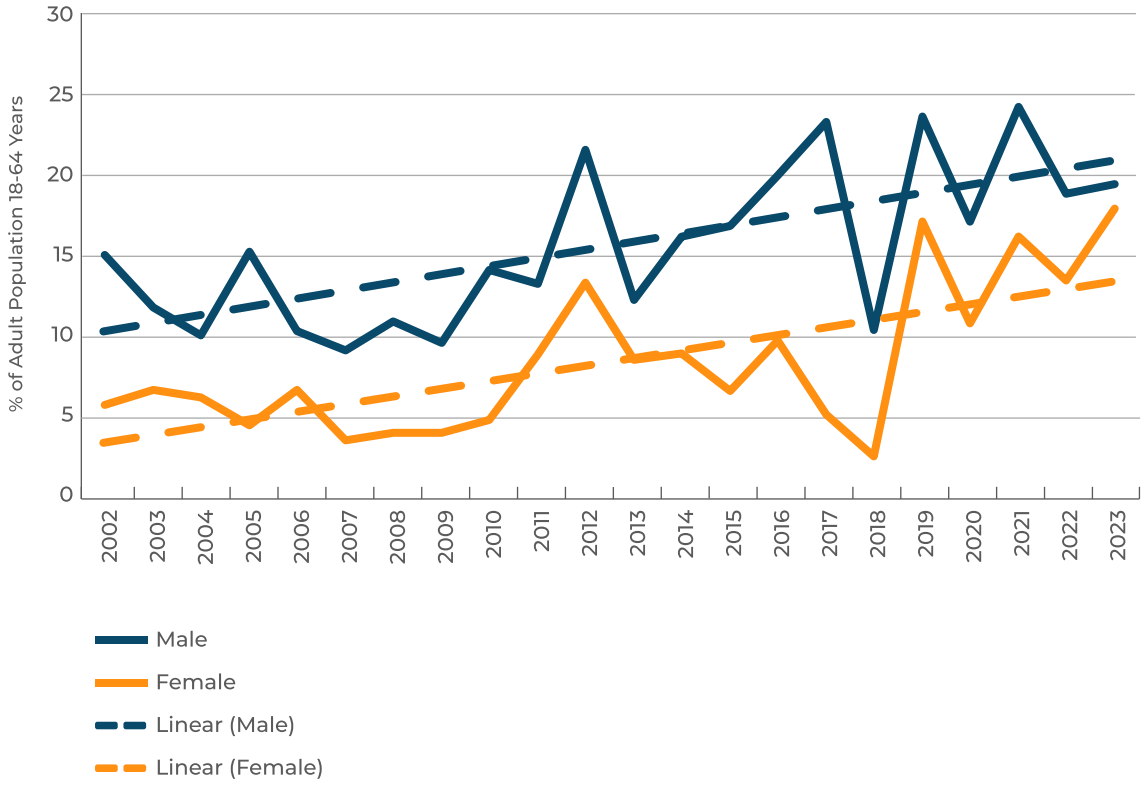
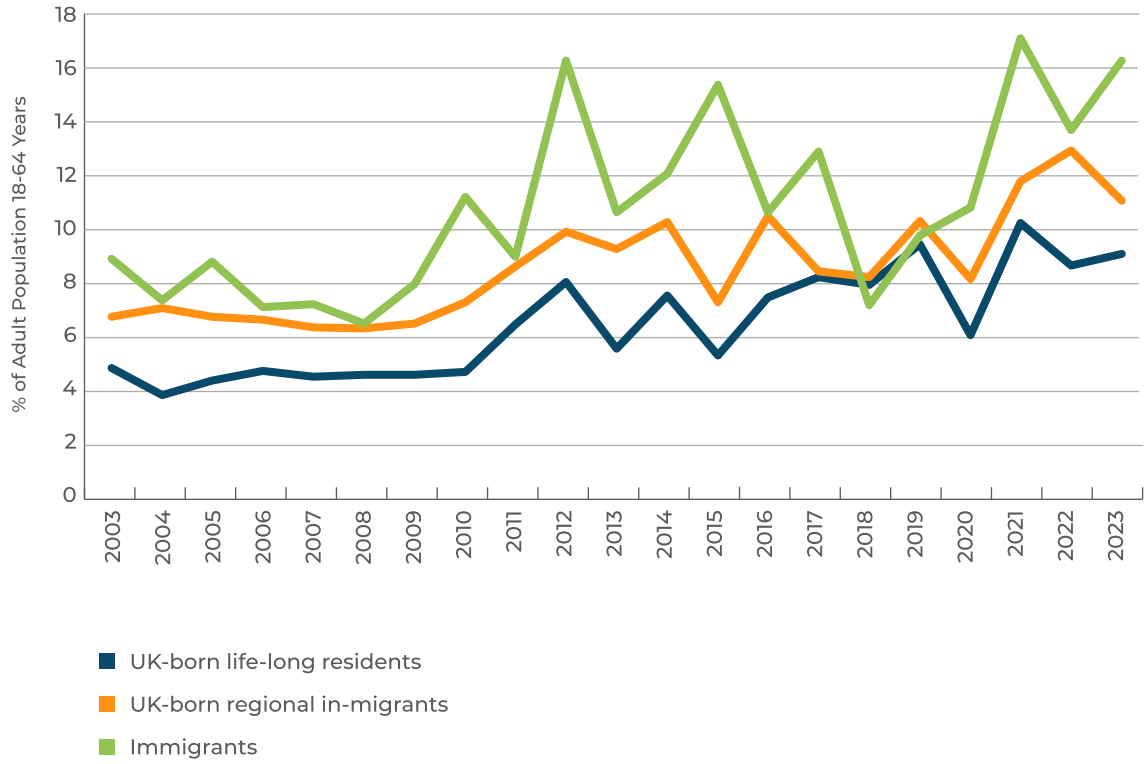


FIGURE 6.4
Total early-stage Entrepreneurial Activity rate by migrant status (Source: GEM UK APS 2003-2023)



6.3 TRENDS IN IMMIGRANT ENTREPRENEURSHIP

Entrepreneurial activity by resident status between 2003 and 2023 is shown in Figure 6.4. In 2023 immigrant TEA rate (16.3%) peaked from the 2022 rate (13.70%) and was still significantly higher than the rate for life-long UK residents (9%) and UK regional in-migrants (11%). In the period between 2003-2023, the TEA rates of immigrants although considerably higher than those of UK life-long residents (by 1.6 times on average over the period) is more volatile. Figure 6.4 shows dramatic uplifts for immigrant TEA rates, increasing for example from 6.5%, during GFC in 2008 to 12.2% in 2010.

Volatility in immigrant TEA rates is possibly subject to immigration policy and variation in all three groups is partially subject to shocks. Since 2010, immigration policy has included the "hostile environment" policy, culminating in Brexit and the fallout thereof. These will have had both complex and straightforward implications on TEA. For example, the peaks and troughs in immigrant TEA could have been necessity-driven responses to securing employment followed by difficulties in setting up setting up new business during the hostile environment years. Similarly, following Brexit, 2018 saw a steep decrease in TEA rates for migrants (7.19%), below life-long UK residents (8%) and UK regional in-migrants (8.2%).

The decrease in TEA rates was possibly due to the impact of Brexit immigration flows, which may have adversely impacted the entrepreneurial activity of immigrants, with a lag of 1-2 years to rebuild because migrants need to settle in before starting new entrepreneurial activity. During the Covid-19 pandemic, while the TEA rate in life-long UK residents decreased (from 9.8% in 2019 to 6% in 2020) and UK regional in-migrants (from 10.3% in 2019 to 8.18% in 2020), the TEA rate increased for immigrant entrepreneurs. TEA rates for immigrants slightly increased from 9.8% in 2019 to 10.8% in 2020.

When analysing TEA rates in life-long UK residents by gender (Figure 6.5), there is again a positive dynamic of a narrowing gap between TEA rates for females and males, particularly pronounced in the last six years, since 2018. In 2023, life-long UK resident females were 86% as likely to be early stage entrepreneurs as life-long UK resident males. In comparison, in 2003, the ratio of life-long UK resident females to life-long UK resident males was only 34%. Since 2018, the ratio of females to males in this group has been closer, rising from 42% in 2017 to 61% the following year and 86% in 2022 and 2023.

FIGURE 6.5
Total early-stage Entrepreneurial Activity rate of UK-born life-long residents by gender (Source: GEM UK APS 2003-2023)

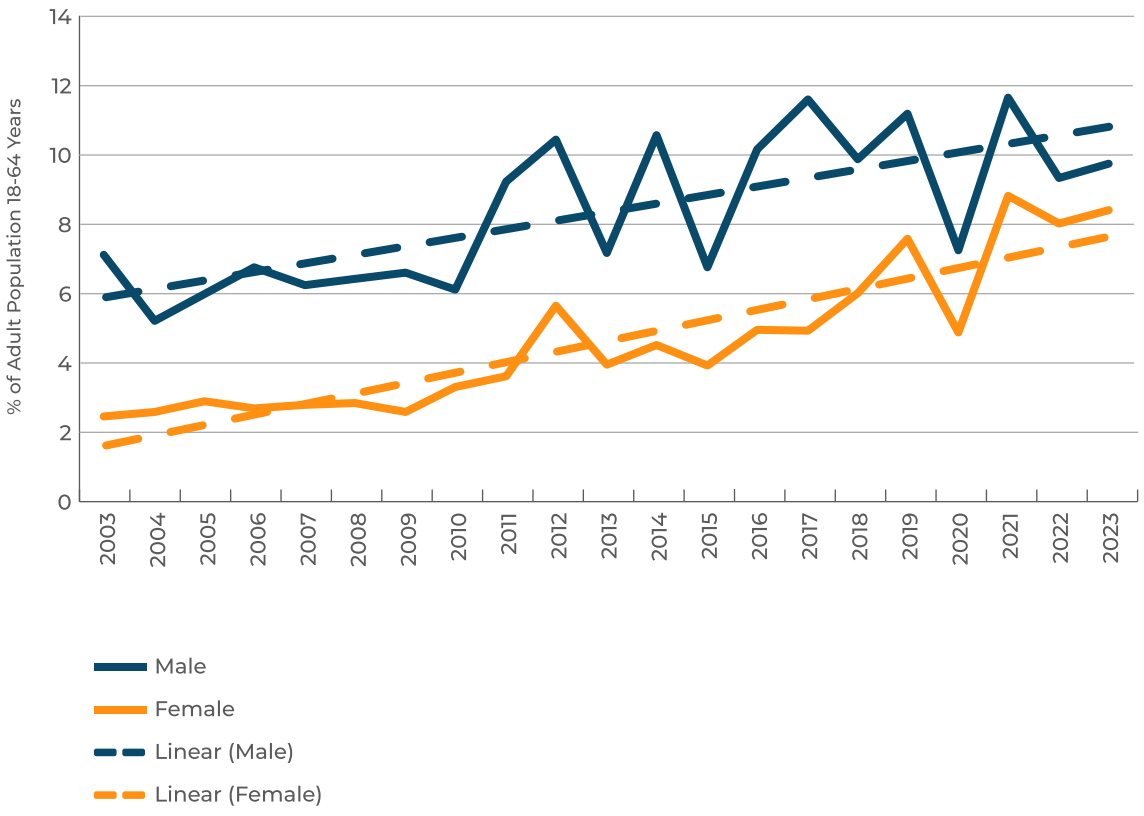
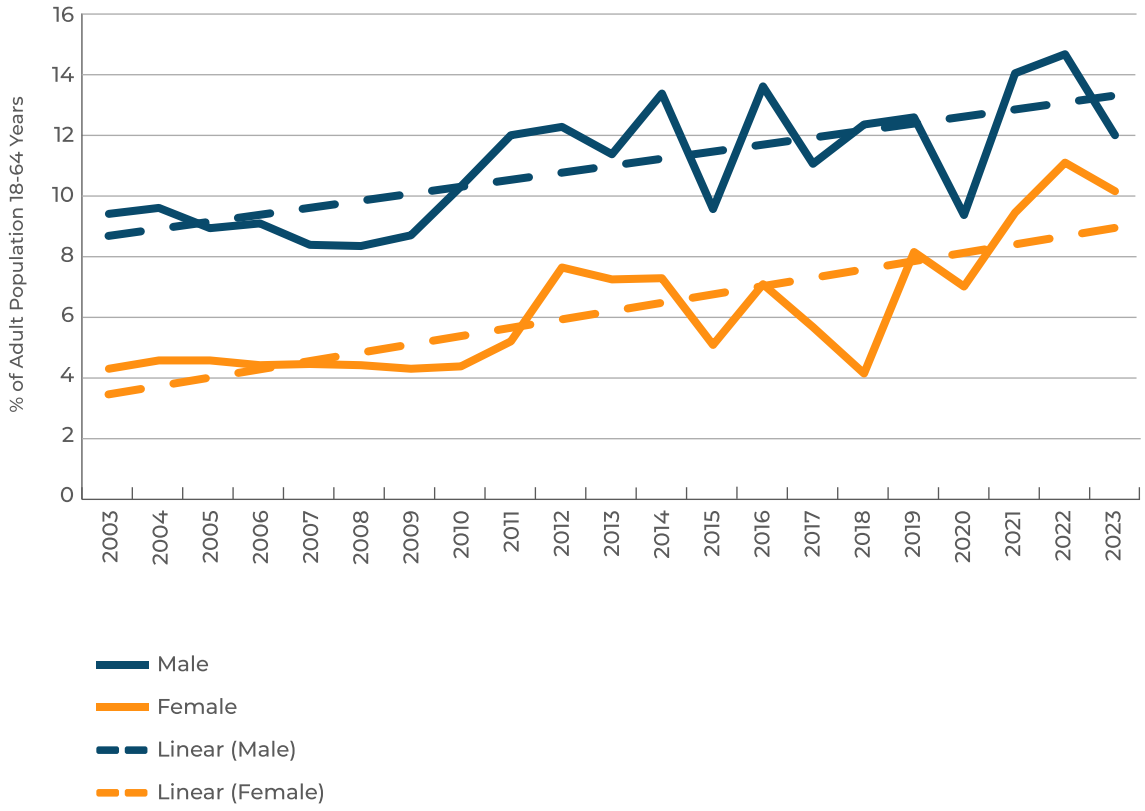


FIGURE 6.6
Total early-stage Entrepreneurial Activity rate of UK-born regional in-migrants by gender (Source: GEM UK APS 2003-2023)

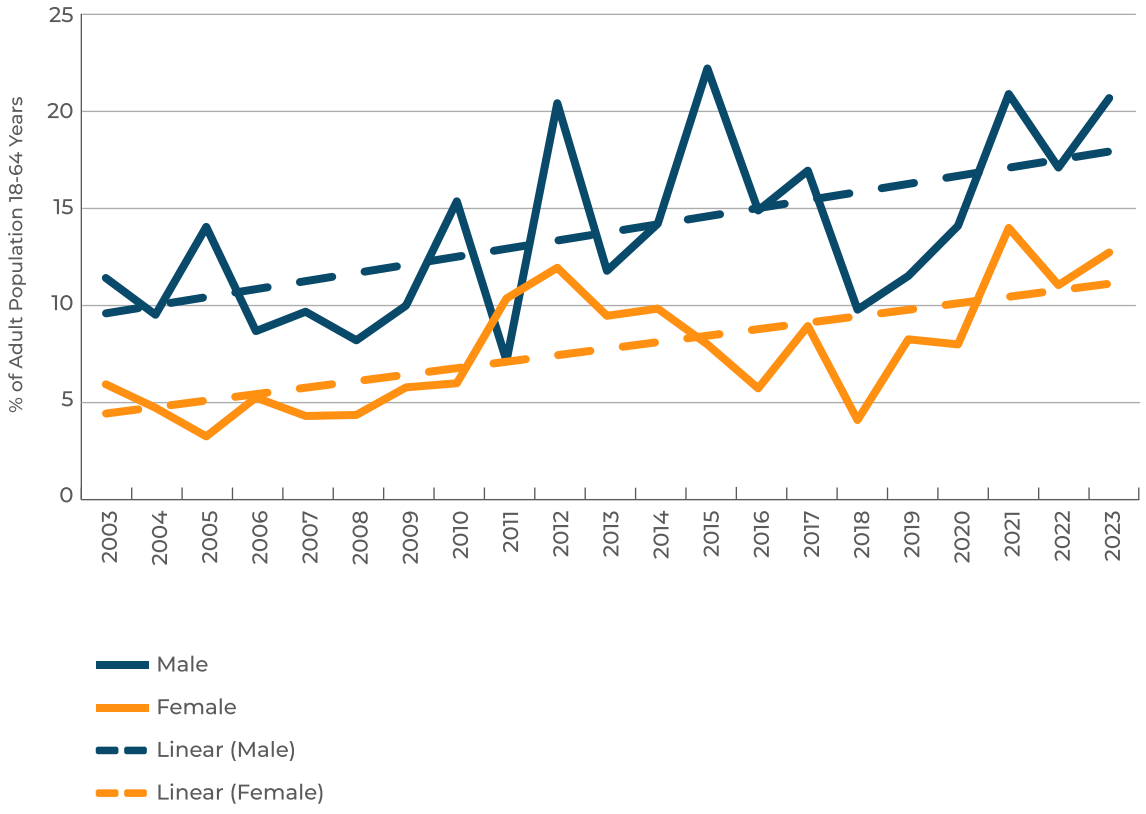


A similar picture emerges for female and male TEA rates among UK regional migrants (Figure 6.6), where the gender gap has narrowed over the last two decades. For example, in 2023, female UK regional migrants were 85% as likely as their male counterparts to become early-stage entrepreneurs. By comparison, 20 years earlier, in 2003, the ratio was 43%. The most significant increase in the ratio of women to men has occurred in the last four years, with the step change in 2019. The female-to-male ratio for this group has been moving closer, from 33% in 2018 to 65% in 2019 and continues to narrow. Thus, compared to the group of UK life-long residents, where the ratio has changed markedly since 2018, the female and male ratio for UK regional migrants has a lag of one year, with observable changes starting in 2019.

However, the TEA rates for female and male migrants (Figure 6.7) are slightly different when compared to UK life-long residents and UK regional migrants, as the ratio of women to men is currently lower. In 2023, female migrants are 62% as likely as their male counterparts to become early-stage entrepreneurs. The migrant group also shows greater volatility, with sharp increases in the female-to-male ratio, for example from 39% in 2010 to 144% in 2011, followed by sharp decreases, for example when it fell from 69% in 2014 to 36% in 2015.

More strikingly, in the last five years, since 2019, the female-to-male TEA ratio has widened, particularly during the Covid-19 pandemic, when the gap widened to 57%, compared to 72% in 2019. This is likely partly attributable to employment dynamics in the wider economy, with many migrant women potentially more easily able to secure jobs in more female dominated sectors, such as healthcare, that have had a very high demand for migrant workers in recent years.

FIGURE 6.7
Total early-stage Entrepreneurial Activity rate of immigrants by gender (Source: GEM UK APS 2003-2023)



7. Embracing Sustainable Development Goals?

7.1 INTRODUCTION

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs)[28], which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

Since 2021, the GEM APS first asked those starting or running existing businesses if they have identified any of the SDGs as a priority for their business. In the UK we did not ask these questions in 2023 as we focused on other topics in our national population survey but in 2022 the results indicated that:

- A higher proportion of early-stage entrepreneurs (68.6%) consider social implications when making decisions about the future of their business compared to established businesses (55.5%). TEA entrepreneurs are also more likely to take active steps to maximise the social impact of their business compared to established business owners (50.0% compared to 39.6%).
- New firms are more likely to consider the environmental consequences of business decisions (68.7% of TEA entrepreneurs) compared to established businesses (57.1% of EBO businesses). In contrast, there is no statistically significant difference between TEA and EBO entrepreneurs when it comes to take actions to minimise environmental impacts of their business activities.

28 https://sdgs.un.org/goals

7.1 VIEWS OF THE NATIONAL EXPERTS

Although the GEM UK APS did not include questions on the SDGs in 2023, the GEM National Expert Survey (NES) in 2023 included blocks of special questions on the extent to which there was any advancement in the pursuit of the United Nations Sustainable Development Goals (SDGs) (Table 7.1).

The UK experts are fairly positive about the conditions that will encourage entrepreneurs and businesses and their actions to pursue the UN SDGs. Three out of the five dimensions received scores higher than 5.0: perceived social contribution and social responsibility of UK firms shows the highest score (5.83), followed by cultural norms for sustainability (5.72) and firms' environmental practices (5.5) which is similar to their views in 2022 (Figure 7.1). Equality and perceived economic opportunities and performances for all businesses slipped down from above sufficiency threshold in 2022 (5.1) to insufficient state at 4.88 in 2023. In Scotland, experts evaluated more highly the pursuit of SDGs across all dimensions compared to overall UK and Northern Ireland, however the differences are not statistically significant.

Government policies and regulations to support sustainability-focused start-ups and firms through grants, special rights or tax cuts have received the lowest score in the UK compared to the benchmark countries (Figure 7.2), with this difference being statistically significant compared to France and Germany. Other dimensions demonstrate scores close to those in the US, with differences not being statistically significant. Firms' environmental practices and cultural norms for sustainability were evaluated statistically significantly higher by experts in Germany compared to the UK.

SDGS. Social contribution and social responsibility: firms prioritise social contribution and introduce social responsibility principles
SDGE. Equality, economic opportunities, and performance: same economic opportunities are available to minority groups, investors are satisfied with economic performances, firms see paying taxes as part of their social responsibility
SDGN. Firms' environmental practices: firms prioritise environmentally conscious practices and energy efficiency
SDGC. Cultural norms: sustainability: national culture encourage sustainability practices and celebrate SDGs within business sector
SDGG. Government policy: business sustainability: policies and regulations to support sustainability-focused start-ups and firms

TABLE 7.1 Assessing SDGs (Source: GEM NES UK 2023)

FIGURE 7.1
SDGs in the UK, Scotland and Northern Ireland (Source: GEM NES 2023)

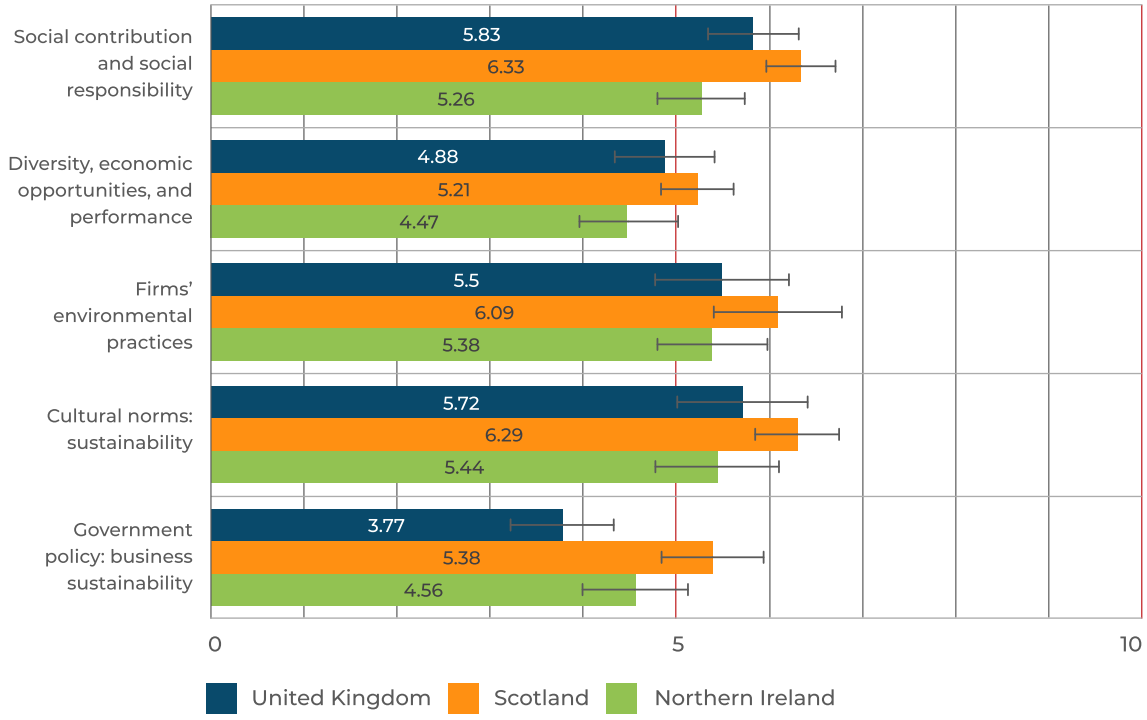
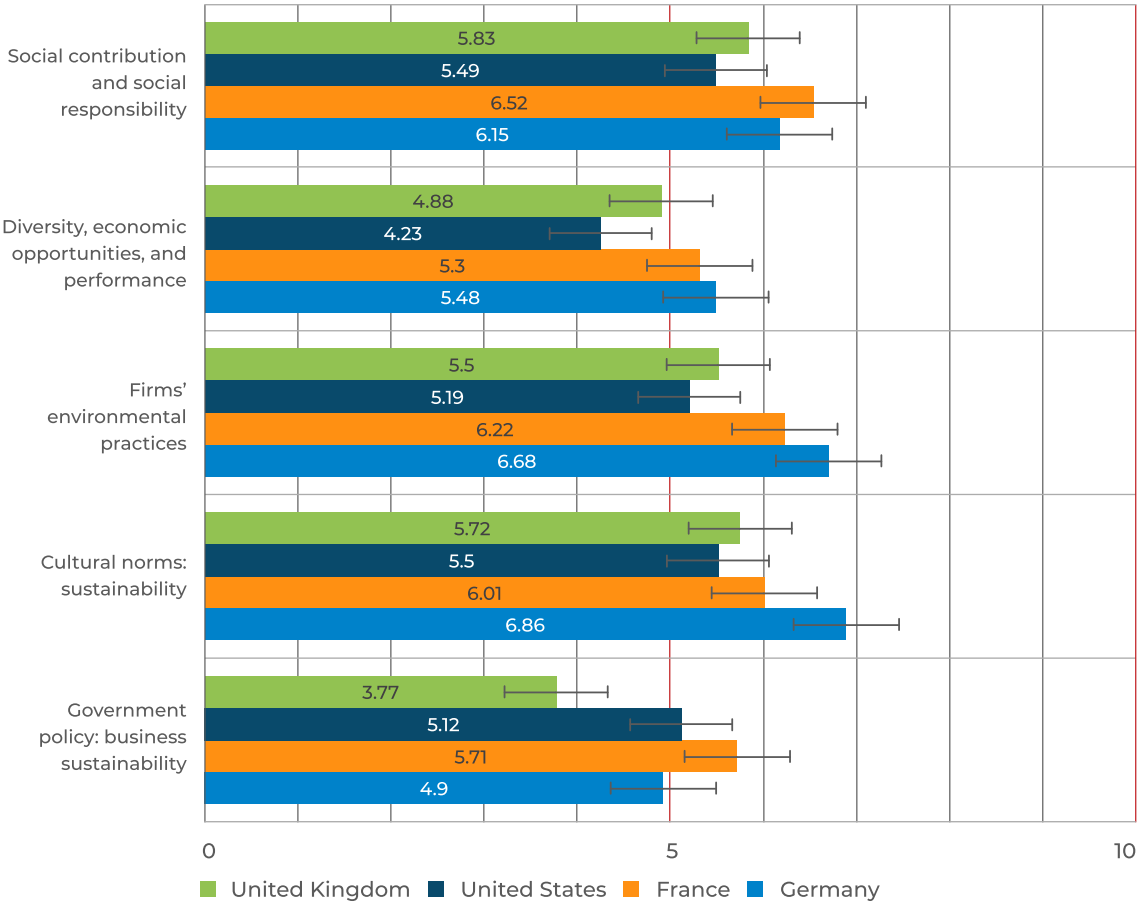


FIGURE 7.2
SDGs in the UK and benchmark economies (Source: GEM NES 2023)



8. How has the Entrepreneurial Ecosystem Evolved?

8.1. ENTREPRENEURIAL ENVIRONMENT IN THE UK

Over the last 25 years the way in which we have assessed the strengths and weaknesses of each country's entrepreneurial system has been changed markedly so we are unable to provide a comparison between 1999 and 2023. Instead, we focus on the last six years, from 2018, when the methodology was improved and has remained consistent since then.

Nevertheless, we can summarise the views of over 60 experts that were interviewed over 20 years ago for the 2002 GEM UK report. Collectively, they saw strengths and weaknesses within the UK entrepreneurial structures:

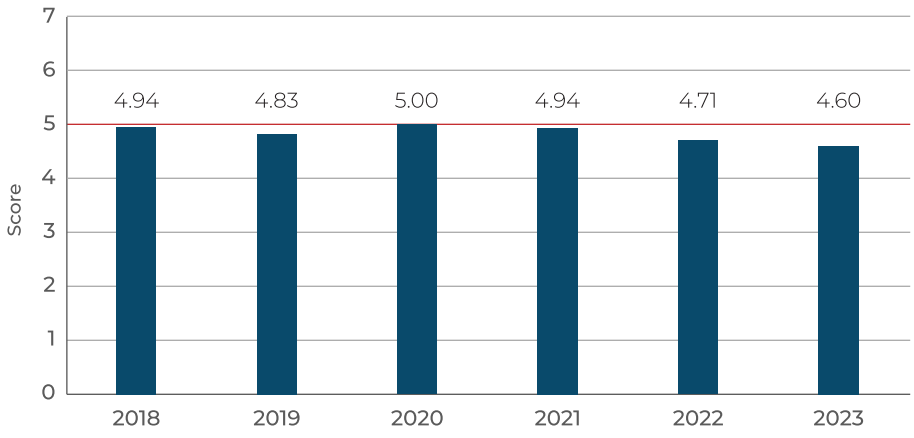
- Finance was seen as a strength and it was argued that the government had done a lot to improve general awareness of entrepreneurship as an alternative to employment.
- The role of education and training in promoting an entrepreneurial culture cannot be understated and the experts were largely negative about the UK's provision of appropriate skills and training within the primary and secondary curriculum as well as at a further and higher education level. The practice of teaching basic business skills is still insufficiently widespread.
- Support through the initial stages of starting up a business was seen by many experts as weak, both in terms of access to finance in order to pay for professional services and in terms of mentoring support.

By 2020, the overall quality of the UK entrepreneurial environment was rated as just satisfactory, with a score of 5.0 (Figure 8.1). Since then, that overall quality score has declined slowly each year. The 2023 a score of 4.6 places the UK 22nd of the 49 participating economies on the quality of entrepreneurship ecosystem (Figure 8.2). Many of the issues identified by our experts in 2002 remains present 20 years later.

Since the global pandemic, the UK has been part of an increasing group of high-income economies with a declining entrepreneurial environment that has slipped from sufficient to less than sufficient. There were declines in nine of the 13 Entrepreneurial Framework Conditions (EFCs). Most of these changes were small, but the net effect for the UK was an overall reduction.

From 2020 to 2023, the NECI decreased by just over 2% to 4.6, which is below the average score of all participating countries (4.71) and OECD average (4.75). The UK's NECI score is slightly lower than in benchmark countries: France (4.95), Germany (4.77) and in the USA (4.78), with United Arab Emirates (7.65), India (6.55) and Saudi Arabia (6.26) leading the ranking in 2023.

FIGURE 8.1
Dynamic of NECI in 2018-2023 (Source: GEM UK National Expert Surveys 2018- 2023)



Two European countries are worthy of further comment: Estonia and the Netherlands. Estonia has a high-quality entrepreneurial environment, as measured by the GEM National Entrepreneurial Context Index (NECI), scored by its own national experts at 5.9, well over sufficient and ranked sixth of the 49 economies in GEM 2023.

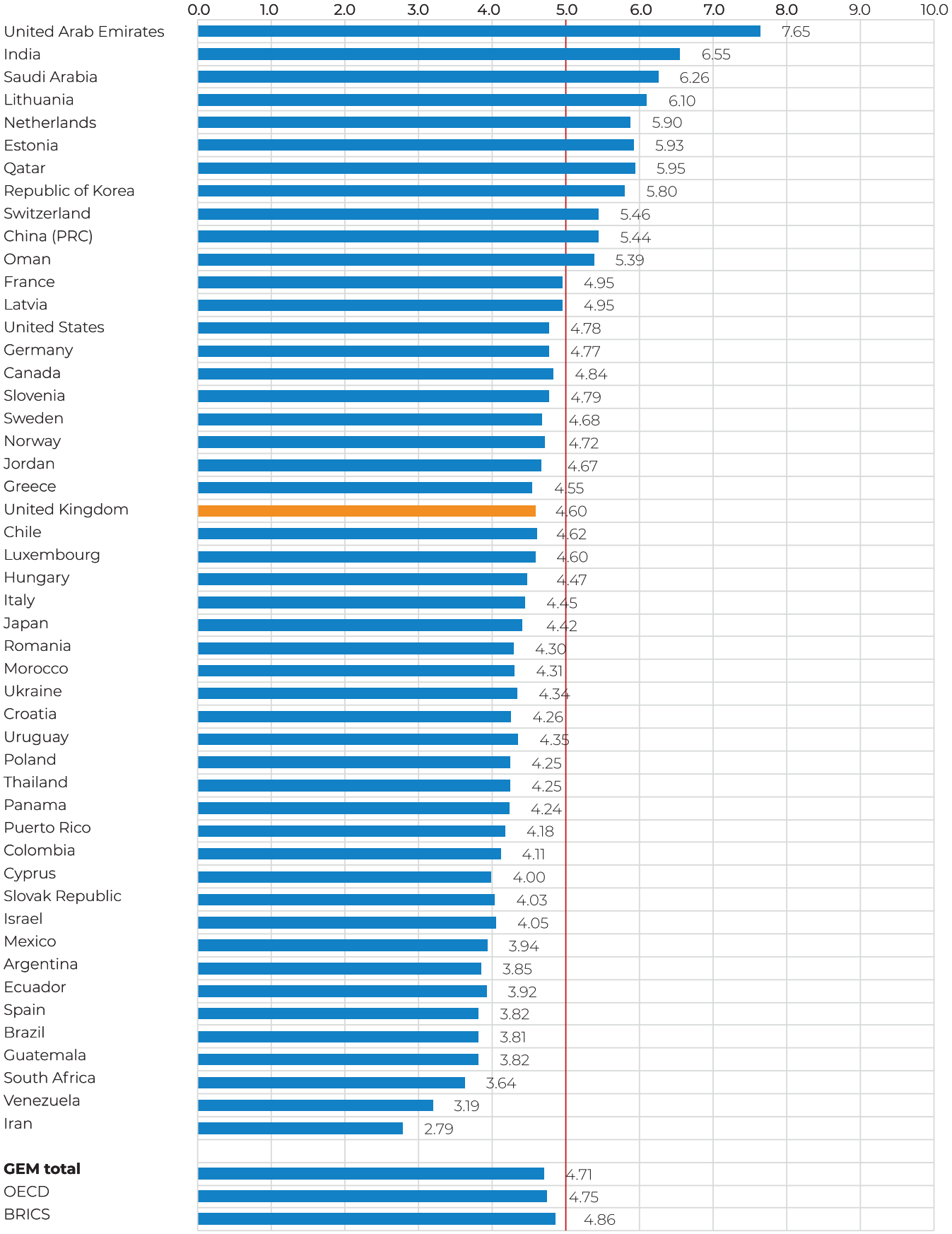
Estonia, a small Baltic nation with a population of just over 1.3 million, has emerged as a surprising hub for entrepreneurship and innovation. Despite its modest size, Estonia boasts a vibrant entrepreneurial ecosystem that has attracted global attention. Estonia has been ranked sixth among the world's emerging start-up ecosystems in the recently published Global Start-up Ecosystem Report 2021, one of the world's most comprehensive and widely-read researches on start-ups. The report, covering 275 start-up ecosystems from around the world, has highlighted Estonia's market reach as its strongest feature[29]. This ecosystem encompasses a range of factors, from government policies and education to technology infrastructure and a vibrant start-up culture. For example, Estonia has the highest number of start-ups per capita according to the State of European Tech 2022 report (1,090 start-ups per 1 million inhabitants)[30].

The Netherlands has emerged as Europe's leading hub for innovation, entrepreneurship, and venture capital. The Netherlands is the country with the second highest Global Entrepreneurship Monitor (GEM) National Entrepreneurship Context Index (NECI) score in the world in 2019, 2020 and 2021, and the highest NECI among European countries for the last few years. The Netherlands maintained its 5.9 score in 2023, but now ranked fifth of the 49 economies in the National Expert Survey (NES). In the last five years, none of the 13 Entrepreneurial Framework Conditions (EFCs) for the Netherlands has scored less than 5.0, the cut-off point for sufficiency.

29 https://estonianworld.com/business/estonia-ranked-among-the-worlds-top-startup-ecosystems/

30 https://startupestonia.ee/statistics-surveys/chapter-2021-of-the-estonian-startup-sector/

FIGURE 8.2 National Entrepreneurship Context Index (NECI) in 2023, (Source: GEM Global NES 2023



ENTREPRENEURIAL FRAMEWORK CONDITIONS (EFCS) AND NATIONAL ENTREPRENEURSHIP CONTEXT INDEX (NECI) – A TOOLBOX TO ASSESS THE QUALITY OF ENTREPRENEURIAL ENVIRONMENT

The context, or entrepreneurial environment, which encompasses a wide range of economic, political, institutional, financial and social conditions may influence individual decision to start a business. That context may be supportive – and encourage the decision to become an entrepreneur and facilitate the progression from a start-up towards established business – or, on the contrary, may be discouraging and burdensome. The context for entrepreneurship also evolves over time and may be dramatically impacted by national and global events and societal challenges, it can also reflect government priorities and spending.

GEM created a specific tool to assess an economy's entrepreneurial ecosystem against nine *Entrepreneurship Framework Conditions* (EFCs). These are based on more than twenty years of research and experience[31]. Each condition is multidimensional and is not directly observed, i.e. a latent variable. To create a quantifiable measure of EFCs, GEM uses scales development methodology and seeks out expert views on the state of entrepreneurial ecosystem by carrying out GEM *National Expert Survey* (NES). At least 36 experts in each country, carefully selected according to their knowledge and experience, participate in the NES each year. Each of the nine framework conditions is derived from the responses of the experts to 5-8 questions and calculated by the application of a Principal Component Analysis. Four of the EFCs (Entrepreneurial finance[32], Government policy, Entrepreneurship education and Ease of entry) were further split into two subsets bringing the overall number of EFCs to thirteen[33].

31 GEM (Global Entrepreneurship Monitor) (2023). *Global Entrepreneurship Monitor 2022/2023 Global Report: Adapting to a "New Normal"*. London: GEM.

32 In 2021, the NES introduced a new dimension related to the ease of accessing funds for entrepreneurship along with traditional entrepreneurial finance dimension focusing on sufficiency of funds. This brings the overall number of constructs describing national entrepreneurship context to thirteen.

33 Each of the thirteen blocks is assessed to satisfy internal consistency and reliability conditions.

In order to provide an overall view of how favourable an environment is for entrepreneurial activity across countries, GEM introduced the National Entrepreneurship Context Index (NECI)[34] in 2018. It is a composite index which represents the arithmetic average of EFCs.

A1. Entrepreneurial Finance: there are sufficient funds for new start-ups **A2. Ease of Access to Entrepreneurial Finance:** and those funds are easy to access
B1. Government Policy: Support and Relevance: policies promote and support start-ups **B2. Government Policy: Taxes and Bureaucracy:** new businesses are not over-burdened?
C. Government Entrepreneurial Programmes: quality support programmes are widely available
D1. Entrepreneurial Education at School: schools introduce entrepreneurial ideas **D2. Entrepreneurial Education Post-School:** colleges offer courses in how to starting a business
E. Research and Development Transfers: research is easily transferred into new businesses
F. Commercial and Professional Infrastructure: quality services are available and affordable
G1. Ease of Entry: Market Dynamics: markets are free, open and growing **G2. Ease of Entry: Burdens and Regulation:** regulations encourage not restrict entry
H. Physical Infrastructure: good quality, available and affordable
I. Social and Cultural Norms: encourage and celebrate entrepreneurship

TABLE 8.1 National Entrepreneurship Framework Conditions (EFCs) (Source: GEM (Global Entrepreneurship Monitor) (2023), p. 106)

34 See, Bosma et al. (2020) for details.

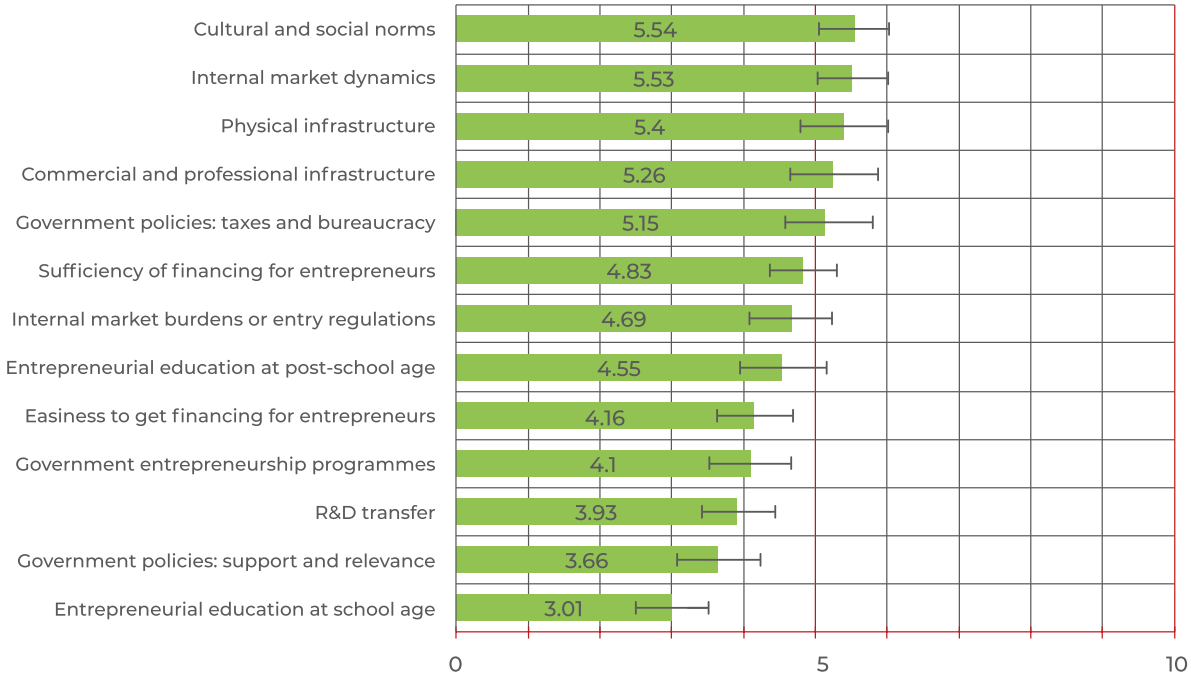
8.2. ENTREPRENEURIAL FRAMEWORK CONDITIONS IN THE UK, 2018-2023

The scores representing each framework condition are evaluated on a scale of 0 to 10. The midpoint 5 may be seen as a threshold: EFCs taking value below 5.0 are evaluated by the experts to be in inadequate or insufficient condition to support entrepreneurial activity and EFCs taking value 5.0 and above are regarded as adequate still allowing differences in magnitude. In 2023, most of the EFCs in the UK occupy the middle ground, taking values between 4 and 6, with only five EFCs in thirteen scoring 5.0 and more.

Figure 8.3 presents a more detailed picture by reporting the values and 95% confidence intervals for each of the thirteen pillars describing the entrepreneurial context. Among these pillars, only two have values statistically significantly higher than 5 (out of 10) meaning that, according to the national experts surveyed, cultural and social norms (5.54) and internal market dynamics (5.53) are rated as sufficient to support entrepreneurial activity. On the contrary, five conditions – easiness to get financing for entrepreneurs (4.16), government entrepreneurship programmes (4.1), R&D transfer (3.93), government policies regarding business support (3.66), and entrepreneurial education at school age (3.01) – may be considered insufficient with 95% of confidence meaning that these are areas that need significant improvement.

FIGURE 8.3
Entrepreneurial Framework Conditions in the UK in 2023 (Source: GEM UK National Expert Survey 2023)

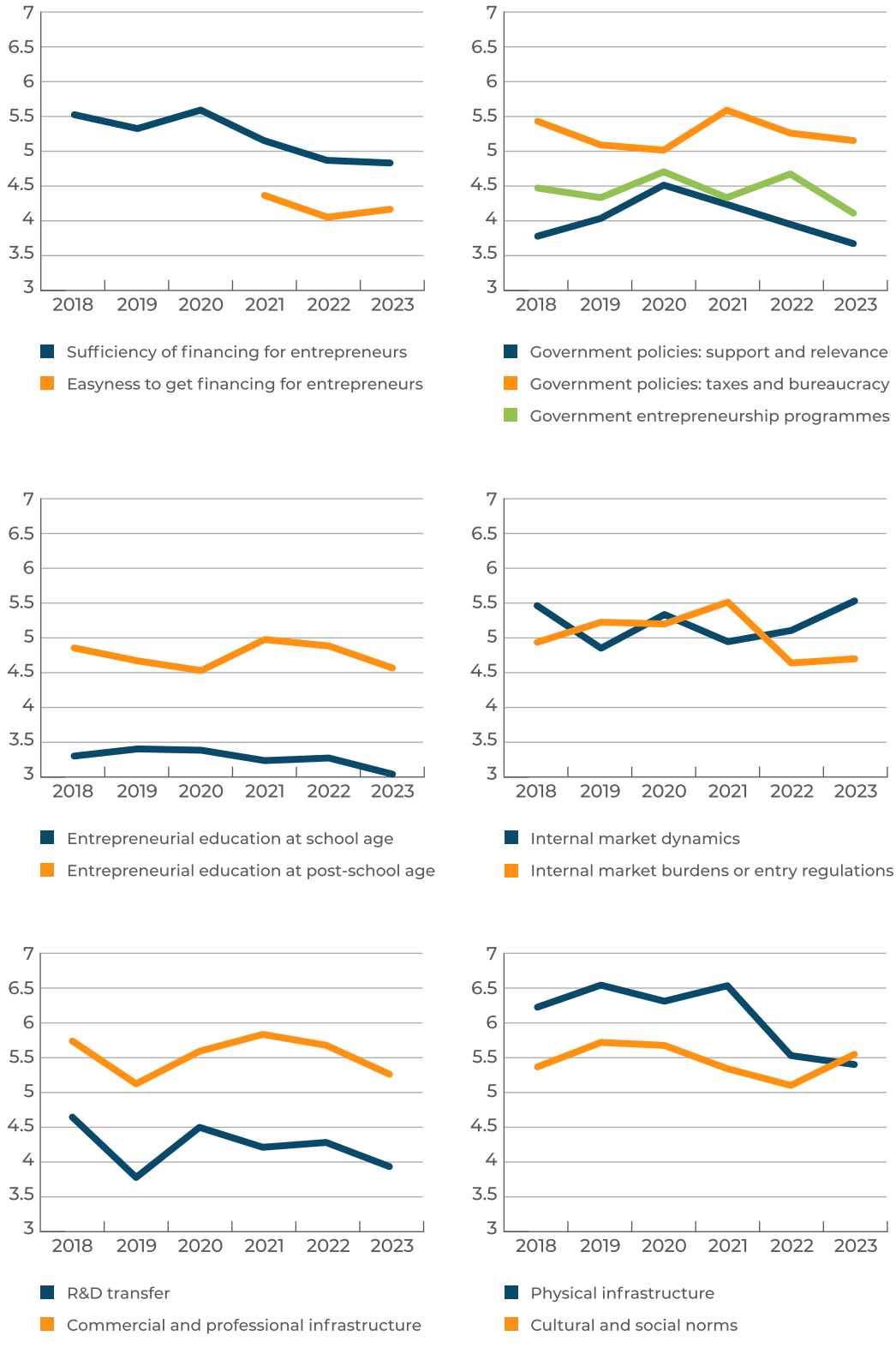
Note: EFCs scale: 0 = very inadequate, insufficient status; 10 = very adequate, sufficient status; black bars represent the 95% confidence intervals



Although the EFCs scores are based on rigorous methodology, the sample size does not allow to reduce the margin of error to compare EFCs taking values close to 5 with sufficient confidence. Yet, three other pillars – physical infrastructure (5.4), commercial and professional infrastructure (5.26), government policies in relation to taxes and bureaucracy (5.15) – scored above five, followed closely by sufficient finance for entrepreneurs (4.83), internal market burdens (4.69), entrepreneurial education at post-school age (4.55), but these figures are not statistically significantly different from the threshold score of 5.

On a more positive note, experts see an improvement in internal market dynamics, confirming a positive trend started in 2022 after a fall in 2021. This EFC is back to the level of 2018 and is again above the sufficiency threshold (5.53). Figure 8.4 shows the dynamic of EFCs in the UK over the last six years, from 2018 to 2023. EFCs scores remain relatively stable over the period, with no evidence of long-term improvement. On the contrary, a worrying trend over the last three years is that our experts see a weakening in the availability of sufficient entrepreneurial finance, government policies in relation to business support and physical infrastructure.

FIGURE 8.4
Dynamic of EFCs in 2018-2023 (Source: GEM UK National Expert Surveys 2018-2023)



8.3. FRAMEWORK CONDITIONS IN NORTHERN IRELAND AND SCOTLAND

In 2021 we conducted the NES in Northern Ireland and Scotland to sit alongside the overall UK analysis for the first time. In 2023, we repeated this analysis to have a better understanding of how the entrepreneurial environment changes for the UK over time but also in the two of the home nations.

In both Scotland and Northern Ireland, overall, 2023 NECI scores were lower than 2021 bringing them further below the sufficiency level. The decline is particularly alarming in Northern Ireland where the score fell by almost 15% from 4.95 to 4.23 (Table 8.2). This reflects a deterioration in all 13 EFCs, with the most dramatic fall related to government policies to support new and growing ventures (28% decrease), entrepreneurial education at school age (21% decrease), but also cultural and social norms (20%).

In Scotland, the overall NECI score slipped by only 1.5%, from 4.98 in 2021 to 4.91 in 2023 due to positive dynamic of eight EFCs counteracting a decline in the others. Contrary to the UK overall, experts evaluated positively the availability of sufficient entrepreneurial finance (5.04), the ease of getting finance (4.76) improving, although not yet reaching the sufficiency threshold. Improvement was also observed in the assessment of infrastructure, both physical and commercial, internal market dynamics and market entry regulations, as well as cultural and social norms. However, scores for government policies fell for all three dimensions of government policies, including entrepreneurship programmes which is in line with the overall UK dynamic.

	United Kingdom			Scotland			Northern Ireland		
EFCs / NECI	**2021**	**2023**	**dynamic**	**2021**	**2023**	**dynamic**	**2021**	**2023**	**dynamic**
Sufficiency of financing for entrepreneurs	5.15	4.83	↘	4.83	5.04	↗	4.48	4.09	↘
Easiness to get financing for entrepreneurs	4.36	4.16	↗	4.74	4.76	↗	4.41	3.88	↘
Government policies: support and relevance	4.23	3.66	↘	4.86	4.77	↘	5.37	3.88	↘
Government policies: taxes and bureaucracy	5.59	5.15	↘	5.43	5.15	↘	5.68	5.11	↘
Government entrepreneurship programmes	4.32	4.1	↘	5.8	5.32	↘	5.67	4.77	↘
Entrepreneurial education at school age	3.2	3.01	↘	3.36	3.37	↗	3.56	2.83	↘
Entrepreneurial education at post-school age	4.96	4.55	↘	5.12	4.68	↘	4.96	4.14	↘
R&D transfer	4.21	3.93	↘	5.1	4.77	↘	5.11	4.21	↘
Commercial and professional infrastructure	5.84	5.26	↘	5.58	5.63	↗	5.66	4.76	↘
Internal market dynamics	4.94	5.53	↗	4.49	4.73	↗	4.59	4.43	↘
Internal market burdens or entry regulations	5.51	4.69	↗	4.8	4.83	↗	4.45	4.36	↘
Physical infrastructure	6.53	5.4	↘	5.71	5.78	↗	6.11	5.09	↘
Cultural and social norms	5.34	5.54	↗	4.98	5.05	↗	4.38	3.5	↘
NECI	4.94	4.60	↘	4.98	4.91	↘	4.95	4.23	↘

TABLE 8.2 EFCs in the UK, Scotland and Northern Ireland in 2021 and 2023 (Source: GEM UK, NI and Scotland NES Surveys 2021; 2023)

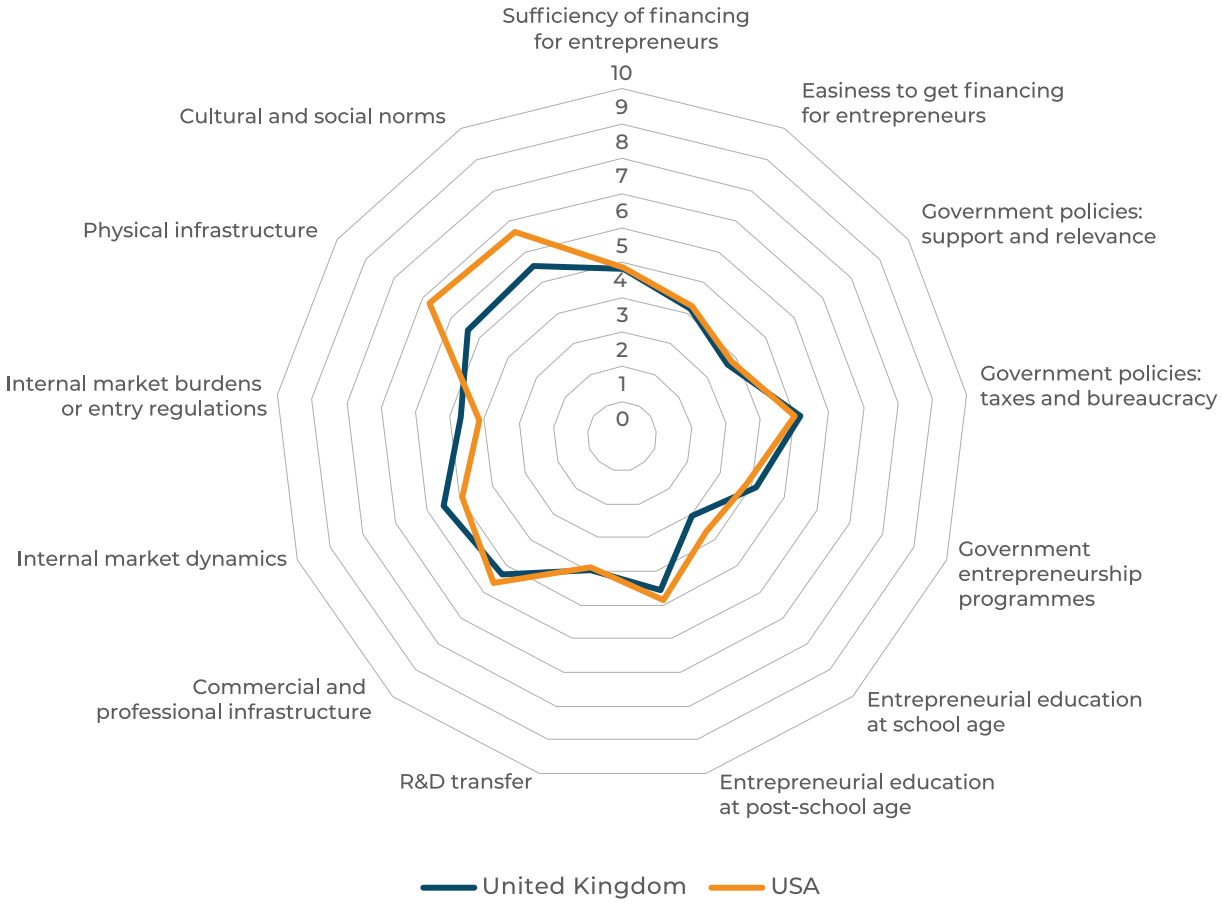
8.4. COMPARISONS WITH THE US, FRANCE AND GERMANY

EFCs and NECI are based on experts' perceptions of the entrepreneurial conditions within a particular economy and in a particular moment of time. Any cross-country analysis should be interpreted with caution. Entrepreneurial activity and ambition, deeply rooted in cultural traditions and norms, can persist despite difficult conditions and, on the contrary, can be lagging despite a relatively favourable context. Nevertheless, the framework and the associated metrics provide a useful benchmarking tool to capture the strengths and the weaknesses of the national entrepreneurial context by comparing it with other countries. This exercise may provide guidance on the possible directions of improvement to better support and stimulate a thriving entrepreneurial ecosystem.

In 2023, as in previous years, the UK framework conditions mirror relatively closely the US EFCs (Figure 8.5). For six pillars, scores are higher in the UK and for the other seven lower compared to the US, however these differences are not statistically significant.

FIGURE 8.5
EFCs in the UK and benchmark countries in 2023 (Source: GEM NES 2023)

Note: EFCs scale: 0 = very inadequate, insufficient status; 10 = very adequate, sufficient status; black bars represent the 95% confidence intervals



Compared to France (Figure 8.6) and Germany (Figure 8.7), the UK framework conditions in 2023 as in 2022 were statistically significantly less favourable in terms of government entrepreneurship programmes (4.1 in the UK vs 5.88 in France and 6.43 in Germany). Government policies to support new and growing firms and physical infrastructure, also received lower scores in the UK than in France and Germany, with the difference compared to France being statistically significant. In contrast, in the UK social and cultural norms are typically rated higher than in both France and Germany, with the difference being statistically significant compared to Germany in 2023. The EFCs scores also indicate more favourable conditions in the UK than in France when it comes to internal market dynamics (statistically significant difference).

FIGURE 8.6
EFCs in the UK and benchmark countries in 2023 (Source: GEM NES 2023)

Note: EFCs scale: 0 = very inadequate, insufficient status; 10 = very adequate, sufficient status; black bars represent the 95% confidence intervals

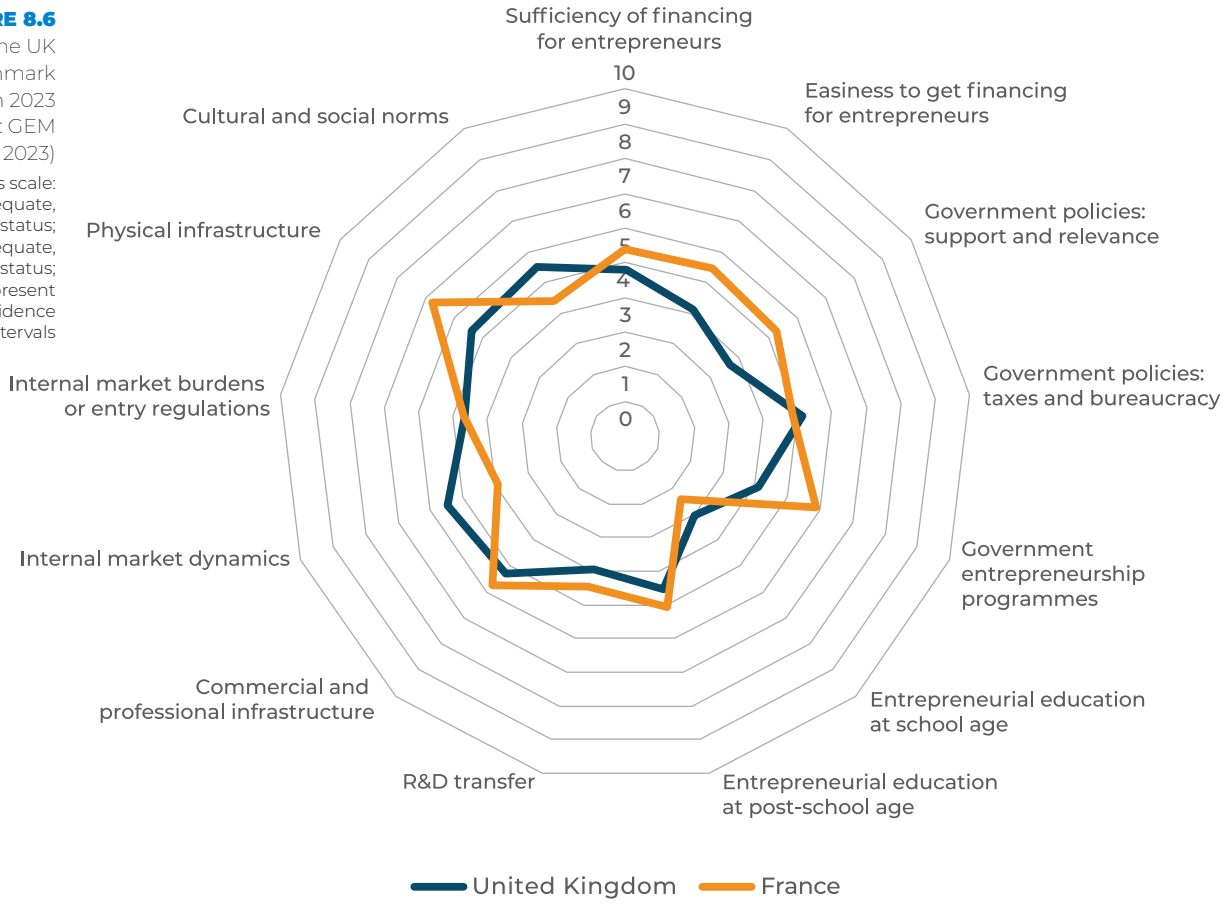
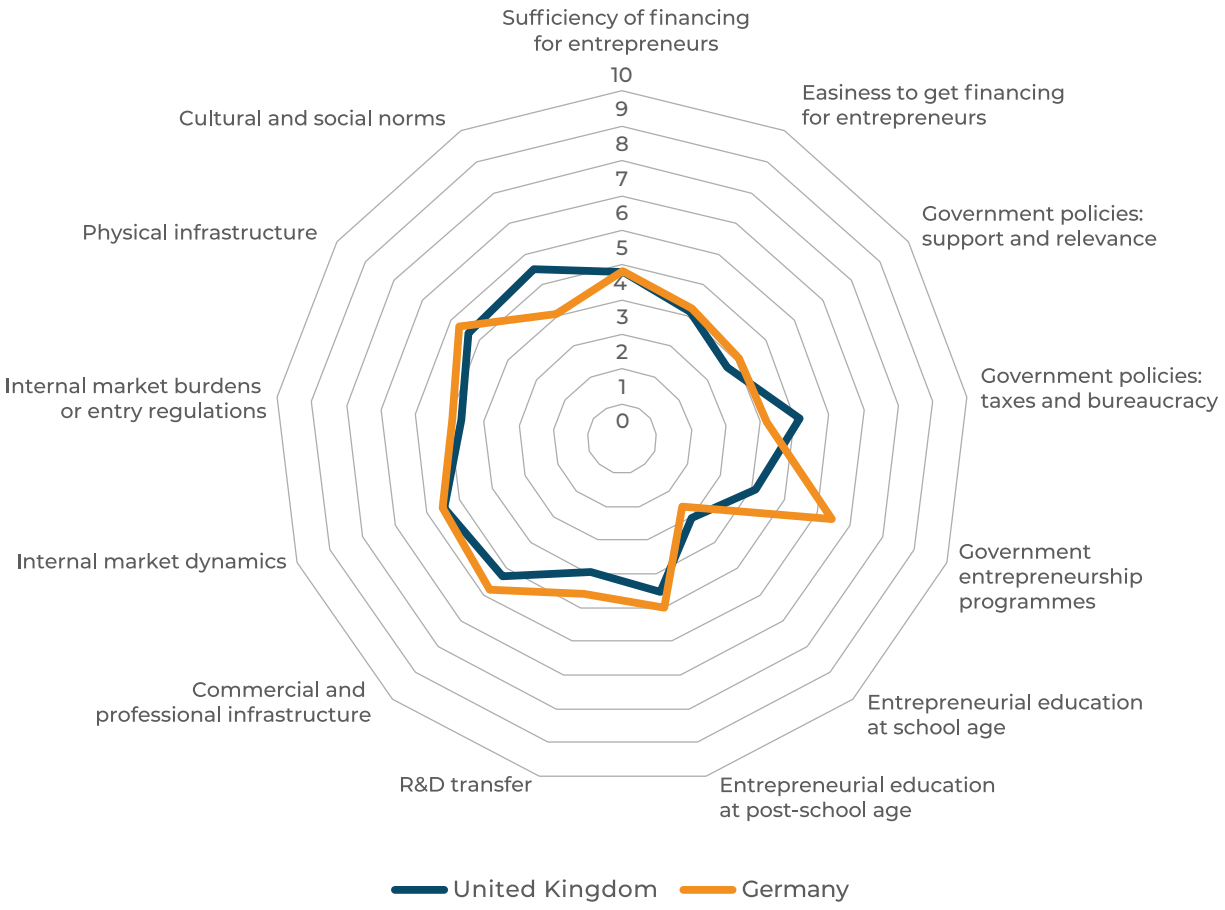


FIGURE 8.7
EFCs in the UK and benchmark countries in 2023 (Source: GEM NES 2023)

Note: EFCs scale: 0 = very inadequate, insufficient status; 10 = very adequate, sufficient status; black bars represent the 95% confidence intervals



8.5. SUMMARY

In the 25 years that the GEM UK team have been collecting the views of our national experts, the most disturbing conclusion to be drawn is that many of the deficiencies they have identified with the entrepreneurial ecosystem at the start of the millennium remain today. Consecutive governments of all persuasions have overseen this situation despite the consistent ambition to make the UK "*the best place to start and grow a business*". There is still work to be done to achieve this and the incoming Labour Government must address this as a matter of urgency.

Entrepreneurial education post-school continues to remain a challenge despite numerous public and private initiatives to address this important weakness in the UK. Indeed, entrepreneurial education in most economies continues to be assessed as poor by national entrepreneurship experts across the world[35] and has not changed much over time, thus requiring further action from policymakers and other stakeholders.

Further, since 2018, there has been a weakening in a number of the of the entrepreneurial framework conditions, most notably in the availability of sufficient entrepreneurial finance, government policies in relation to business support, and physical infrastructure. It is perhaps easy to explain this decline in terms of the combined effects of the pandemic, exiting the EU, the invasion of Ukraine, the cost of living crisis and a slow growing economy. However, the fact that other European counties, such as the Netherlands and Estonia, have continued to improve their entrepreneurial ecosystem despite these challenges means that the UK needs to engage with the home-grown nature of these deficiencies and address them as a matter of priority.

35 https://gemconsortium.org/report/global-entrepreneurship-monitor-gem-20232024-global-report-25-years-and-growing

9. Conclusion

For the first time since GEM records began, just under 30% of working age individuals in 2023 either intended to start a business within the next three years, were actively trying to start a business, or running their own business. There has also been a remarkable increase in the level of early-stage entrepreneurial activity by women in the UK since 2002 from just over 3.5% to 10% – a three-fold increase – which accelerated after the pandemic. Immigrant and ethnic minorities are consistently the most entrepreneurial groups in UK society since the start of the new millennium.

The relative participation of women engaged in entrepreneurial activity in 1999 was the highest in those countries with the highest start-up rates, such as the US (60%), while in the UK it was only 41%. However, in 2023 it stood at 85% in the UK as a result in the steady rise in women setting up their own businesses. Nevertheless, the differences remain stark with the US recording a TEA rate for women at 18% compared to 10% in the UK and under 8% in France and Germany. These consistent differences, especially between the US and the UK, have led to some very simplistic policy solutions. For example, what might be called 'closing the gap' type thinking which results in statements such as "*increase significantly the numbers of women starting and growing businesses in the UK, to proportionately match or exceed the level achieved in the USA*".

A significant amount of enterprise support has been directed at young people in particular in the UK. The evidence would indicate that these initiatives would seem at face value to be working as the trends in the early-stage entrepreneurial activity rate for 18-29 year olds, which were stable at around 5% for the decade until the GFC, then began to rise and more than doubled at just over 13% in 2023.

As the UK heralds in a new Government led by Sir Keir Starmer on 5th July 2024, he accepted that now is the time for action across his whole ministerial team: "*Our work is urgent, and we begin it today*." So, here are the main action points for enterprise and entrepreneurship that we can suggest are top priority aligned with the analysis of the last 25 years of GEM data.

1. In the 25 years that the GEM UK team has been collecting the views of our national experts, the most disturbing conclusion to be drawn is that many of the deficiencies they have identified with the **entrepreneurial ecosystem** at the start of the millennium remain today. Entrepreneurial education post-school continues to remain a challenge despite numerous public and private initiatives to address this important weakness in the UK.

2. Further, since 2018, there has been a weakening in a number of the of the **entrepreneurial framework conditions, most notably in the availability of sufficient entrepreneurial finance, government policies in relation to business support and physical infrastructure**. It is perhaps easy to explain this decline in terms of the combined effects of the pandemic, exiting the EU, the invasion of Ukraine, the cost of living crisis and a slow growing economy. However, the fact that other European counties, such as the Netherlands and Estonia, have continued to improve their entrepreneurial ecosystem despite these challenges means that the UK needs to engage with the home-grown nature of these deficiencies and address them as a matter of priority.

3. In 2002 ethnic entrepreneurship made a strong and vibrant contribution to total entrepreneurial activity in the UK. Asian, Caribbean and African communities are all more entrepreneurial than their White counterparts. The UK's immigration policy was seen by some experts in 2002 as attracting a rich and diverse range of skills and attributes into the business community, while 25 years later that policy has been turned on its head by a series of Conservative administrations. **Immigration policy needs an urgent reset to ensure we can return to a society that welcomes individuals to enhance our entrepreneurial stock**.

4. The overwhelming conclusion from the analysis of entrepreneurial attitudes is that **fear of failure remains a formidable obstacle to new start-ups**, especially for women and that this is a concern globally and not just in the UK. Addressing that persistent obstacle could involve both reducing the economic and social costs and stigma of failure.

5. London dominates the entrepreneurial landscape in 2023 and, while early-stage entrepreneurial activity has increased in all regions and home nations, this imbalance does need to be addressed, especially in the availability of finance, infrastructure and business support in the English regions.

Appendix 1: GEM Global Methodology

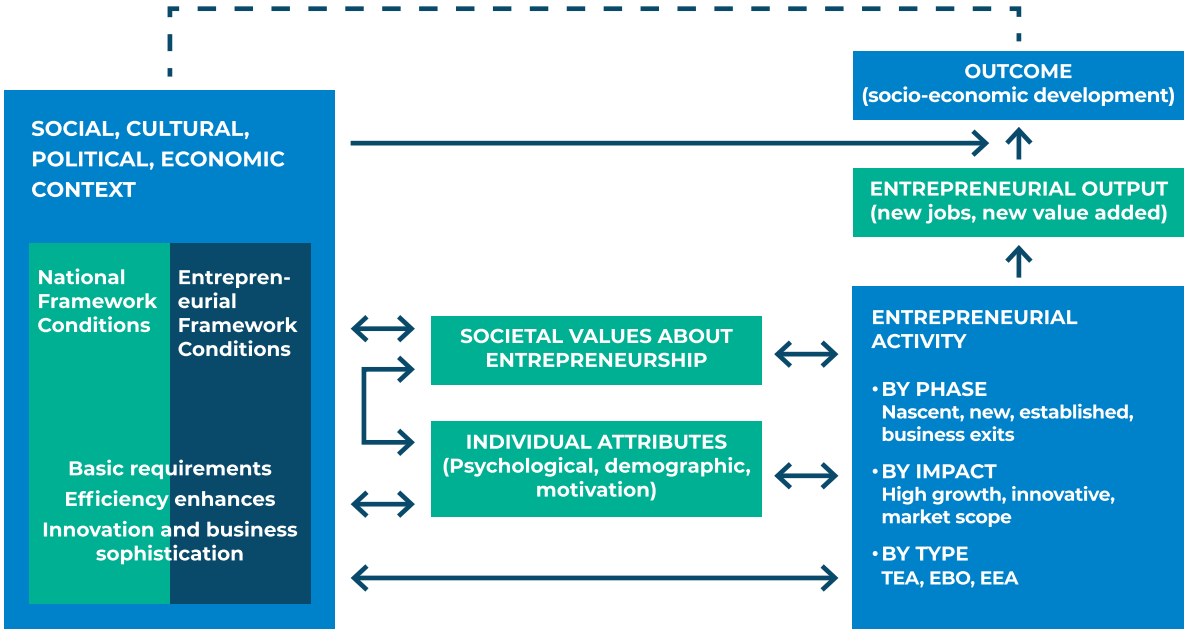
From the Annual Population Survey, we examine individual entrepreneurs at three key stages:

- Nascent entrepreneurs (NAE): The stage at which individuals begin to commit resources, such as time or money, to starting a business. To qualify as a nascent entrepreneur, the business must not have been paying wages for more than three months.
- New business owner-managers (NBO): Those whose business has been paying income, such as salaries or drawings, for more than three, but not more than forty-two, months.
- Established business owner-managers (EBO): Those whose business has been paying income, such as salaries or drawings, for more than 42 months.

In addition, we measure general intention to start a business by asking individuals if they expect to start a business within the next three years (FUT). Finally, we ask individuals if they have sold, shut down, discontinued or quit a business, in the past year (BC). It is important to understand that the main subject of study in GEM is entrepreneurs rather than the businesses that they run. GEM measures the entrepreneurial activity of people from intention to exit. The first two stages of active business development, the nascent entrepreneur stage and the new business owner-manager stage, are combined into one index of Total early-stage Entrepreneurial Activity, or TEA, which is represented in Figure A1.

FIGURE A1
The Entrepreneurial Process and GEM Operational Definitions

(Source: Hill, S., Ionescu-Somers, A.; Coduras, A.; Guerrero, M.; Menipaz, E; Boutaleb, F; Zbierowski, P; Sahasranamam, S. and Shay, J (2023/24), p.33)



TEA is calculated in an identical way in each country. A telephone and/or face-to-face survey of a representative sample of the adult population in each country is conducted between May and September. Respondents are asked to respond to three questions that are the basis of the TEA index: 1) "are you, alone or with others, currently trying to start a new business independently of your work?", 2) "are you, alone or with others, currently trying to start a new business as part of your work?", and 3) "are you, alone or with others, currently the owner or manager of a business?" Those who respond positively to these questions are also asked filter questions to ensure they are actively engaged in business creation as owners and managers, how long they have been paying wages to employees, and other questions about cost and time to start up, sources of finance and numbers of jobs created.

A distinction is made between two types of entrepreneurs: nascent entrepreneurs (those whose businesses have been paying wages for not more than three months) and new business owner-managers (those whose businesses have been paying salaries for more than three months but not more than 42 months). The TEA index is the proportion of nascent entrepreneurs and new business owner/managers (minus any double counting, i.e. those who respond positively to both are counted once) in the working age population.

As much of this entrepreneurial activity is pre-start-up or includes very small new businesses that do not have to register for VAT, TEA rates will not necessarily match with published official statistics on business ownership and, indeed, should not be interpreted as such. Rather, GEM enables the measurement of the *propensity* of individuals in particular countries to be entrepreneurial *given* the current social, cultural and economic framework conditions that exist there.

The methodology, sample sizes and weighting systems used for the GEM UK 2023 Adult Population Survey (APS) are explained in more detail in Appendix 2. In a major departure in 2020 the UK team decided to offer an online mode for respondents to complete the APS and this sat alongside the traditional mode of CATI surveys. We did this for one overriding reason and that was the vastly increased costs of undertaking CATI surveys and the need to maintain the UK sample at around 10,000 respondents to ensure we can continue to provide data for the home nations as well as other important sub-groups of the population such as immigrants, ethnic minorities and women. The first 2,000 APS interviews in 2023 were conducted via CATI as usual and the results were reported in the GEM Global report published in February 2024. Accordingly, the results contained in this report may differ slightly from those already published for the UK in the GEM Global report. The detailed weighting and adjustments we made to the UK APS dataset as a result of this new mixed mode survey methodology are set out in Appendix 2.

Another important change in the sample design was introduced in 2010 when 10% of respondents in each Government Office Region (GOR) were selected at random from households which had mobile phones but not fixed phone landlines. The proportion of mobile-only households in this survey was designed to match Ofcom estimates of the proportion of adults in mobile-only households in 2020[36] for the UK, to account for the higher mobile phone use (around 20%) of some hard-to-reach individuals, such as young men. Once again in 2023 there are no significant differences between landline only data and the full sample which includes mobile only households. Consequently, in this report, comparisons with other countries and time-based trends within the UK are made using the full sample (landline and mobile only households as well as the CATI/Online mixed method). See Appendix 2 for further details.

36 This is last year for which data is available from www.statistia.com

Appendix 2: GEM UK Sampling and Weighting Methodology

GEM UK is one of the largest, longest-running national studies of entrepreneurial activity in the world, with over 250,000 individuals interviewed since monitoring began with a sample of 1,000 adults in 1998. In 2023, 10,173 adults aged 18-80 were interviewed. The distribution of respondents is not even across the UK. This is because the Hunter Centre for Entrepreneurship at the University of Strathclyde and Aston University, Welsh Government, and the Northern Ireland Department for the Economy chose to boost sampling in their region in order to have more detail about entrepreneurship in their area.

The raw sample of 10,234 was distributed across 12 geographic areas within which representative sub-samples of the population aged 18-80 were taken. These areas and the sample sizes are: South West: 572; South East: 910; East of England: 631; London: 853; West Midlands: 585; East Midlands: 470; Yorkshire & Humberside: 542; North East: 268; North West: 723; Wales: 1,517; Scotland: 2,060; Northern Ireland: 1,103.

According to Ofcom, households in the UK which have access to a mobile phone but not to a fixed telephone landline increased from 14% in Q1 of 2016 to 22% in Q1 of 2020[37]. In 2020, 20% of the unweighted GEM sample across the UK consisted of mobile-only households. At the same time, more people are using internet and spending increasing amount of time online each day. According to the World Bank, in 2019 the share of population using internet in the UK has reached 93%[38]. According to Ofcom, the average time spent online each day by adults aged 18+ was 4 hours 2 minutes in April 2020, this increased by 37 minutes compared to January 2020. Internet take-up varies by age group with 100% of aged 25-34 going online[39]. Moreover, younger age groups, and specifically young males, are less likely to respond by phone as experience of GEM UK APS of recent years clearly demonstrated.

37 https://www.statista.com/statistics/386778/share-of-calls-enabled-landlines-in-uk-hoseholds/ accessed 21/06/21

38 https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=GB/ accessed 21/06/21

39 https://www.ofcom.org.uk/__data/assets/pdf_file/0027/196407/online-nation-2020-report.pdf / accessed 21/06/21

In this changing context, the question of the choice of appropriate method for data collection to assure representativeness of the sample has never been so acute. Wherever the truth lies, it is clear that fixed line surveys are no more fully representative of UK households, that the distribution of mobile-only households and online panels is different to that of fixed line households, and that these differences are not fixed but change over time. There are advantages and disadvantages in each before mentioned method of data collection. Online panels are representative in terms of geo-demographics, but there are some questions about the attitudinal representativeness of people who opted into online panels. On the other hand, when answering online, people have more time to re-read questions before responding – this is an important advantage considering the length and complexity of GEM APS survey. In 2020, given the disruptions that the Covid-19 pandemic caused, the GEM UK team felt that it was time to introduce a blended approach to data collection. Hence, GEM UK 2020 APS marked a methodological step change: for the first year, the data was collected via random digit dialling (RDD) of landlines, mobile phone numbers and BMG's online panel network.

Every attempt is made to ensure that the results reported are as reliable and robust as possible. To do this, four sets of weights were calculated for the UK data:

- Weights for the whole UK that take the UK area sub-samples and the age, gender and ethnic minority proportion of the population of the UK (aged 18-64) into account, based on the latest available area estimates from the UK Office of National Statistics, typically mid-year estimates for the previous year.
- Sub-sample area weights that take into account the population distributions within GEM UK sub-sample areas by age, gender and ethnicity. These are used when we report comparisons between GEM UK sub-sample areas.
- Government Official Region (GOR) weights that create representative samples at the GOR level from all sub-samples within the same GOR.
- In addition, separate weights were constructed for England, based on balanced GOR samples for each English region, to develop a final "home nations" weight.
- Moreover, the final dataset was calibrated by using separate weights to account for differences between CATI and online data collection methods (details available on request).

DISCLAIMER

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

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