Global Entrepreneurship Monitor

United Kingdom 2011 Monitoring Report

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GEM UK 2011 was made possible by funding from BIS Enterprise Directorate, Hunter Centre for Entrepreneurship at the University of Strathclyde, Welsh Government, Invest Northern Ireland and Belfast City Council. In addition, Enterprise UK and PRIME sponsored specific questions on aspects of their service delivery in the UK.

The vendor for the Adult Population survey was IFF Research Ltd and we would like to thank Steve Lomax and Ben Davies for their role in the timely execution of the survey and the creation of the UK dataset. Marla Nelson and Liz Blackford undertook the NES expert surveys and we would like to thank them for their efforts.

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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Executive Summary

- In 2011, the Global Entrepreneurship Monitor (GEM) research consortium measured entrepreneurial activity of individuals in 54 economies, making it the world's most authoritative comparative study of entrepreneurial activity in the general adult population. In 2011, 10,573 adults aged 16 to 80 participated in the GEM UK survey.

- This monitoring report compares Global Entrepreneurship Monitor (GEM) measures of entrepreneurial attitudes, activity and aspirations in the UK, France, Germany and the United States, and the four home nations of the UK. It also examines the anticipated and actual challenges facing individuals starting a business in the UK.

- Attitudes of non-entrepreneurial individuals to entrepreneurship were more subdued than in 2010, reflecting uncertainties in the wider economy.

- In the UK, 9.8% of working age adults expected to start a business within the next 3 years in 2011, compared with 15.8% in the US.

- Total early-stage entrepreneurial activity or TEA (the sum of the nascent entrepreneurship rate and the new business owner-manager rate - without double counting) in the UK in 2011 was 7.6%[1]. The rise in the UK TEA rate, while just not significantly different from the 2010 figure, appears to bring it beyond the historical trend (2002-2010) which was very stable at close to 6%.

- Despite the apparent rise in entrepreneurial activity in the UK since 2010, the gap with the US widened as a result of a sharp rise in the TEA rate in the US: the UK TEA rate was around two-thirds (62%) of the US equivalent rate of 12.3% and above that of France (5.7%) and Germany (5.6%).

- When surveyed in mid-2011, 4.2% of the adult population in the UK were actively trying to start a business (nascent entrepreneurs), compared with 8.3% in the US. Nascent entrepreneurship rates in the UK, US, France and Germany rose between 2010 and 2011 – in fact, they doubled in the US.

- When surveyed in 2011, 3.4% of the UK working age adult population were owner-managers of a business that was 3 - 42 months old (new business owner-managers). This is unchanged on the 2010 estimate of 3.4%, and it compares favourably with the estimate for France (1.7%) and Germany (2.4%) although it is slightly lower than the US (4.3%).

- In 2011, the proportion of the adult population who owned and managed a business older than 42 months (established business owner-managers) in the UK was 6.5%, similar to 2010 (6.2%). This was similar to Germany (5.6%), higher than in France (2.4%) but lower than in the US where the rate returned to pre-crisis levels at 9.1% after a dip since 2008. The estimated proportion of working age people in the UK who discontinued a business (whether through closure or sale) in the past 12 months rose slightly but not significantly to 1.6% from 1.2%, while they increased slightly to 2.9% in the US. On average, discontinuations by entrepreneurs of businesses in France and Germany were the same in 2011 as in 2010 (around 1.5%).

- The proportion of UK TEA entrepreneurs reporting new product/market combinations, export propensity and high or medium technology sectoral choices were just as high as in the US although fewer had high growth expectations.

- Necessity-driven early-stage entrepreneurship in the UK rose significantly in 2011 from 0.7% to 1.3%.

- In 2011, UK levels of female early-stage entrepreneurship (TEA rate of 5%) were 49% of male early-stage entrepreneurial activity – up from 44% in 2010. This is similar to France but in the US and Germany male and female TEA rates were much closer although they had widened since 2010.

- The sub-national distribution of TEA rates in 2011 was Scotland: 6.2%, Northern Ireland: 7.1%, England: 7.7% and Wales: 8.1%.These differences across the home nations were not statistically significant.

1 This differs slightly from the 2011 GEM Global Report (7.6 versus 7.3) because the Global report did not weight for ethnicity.

1 INTRODUCTION

1.1 SCOPE OF REPORT

This report compares Global Entrepreneurship Monitor (GEM) measures of entrepreneurial attitudes, activity and aspiration in the UK with France, Germany and the United States (US). It also summarizes entrepreneurial attitudes, activity and aspiration across the four nations of the UK and reports on awareness in the UK of Global Entrepreneurship week, the incidence of employee entrepreneurial activity among private for-profit sector employees in the UK, and barriers and difficulties in starting a business.

1.2 GEM: HISTORY, PURPOSE AND MEASURES

The Global Entrepreneurship Monitor (GEM) research consortium has been measuring entrepreneurial activity of working age adults across a wide range of countries in a comparable way since 1998. In 2011, the study conducted surveys in 54 sovereign nations and represented the world's most authoritative comparative study of entrepreneurial activity in the general adult population.

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

1. To measure differences in entrepreneurial attitudes, activity and aspiration among countries
2. To uncover factors determining the nature and level of national entrepreneurial activity
3. To identify policy implications for enhancing entrepreneurship in an economy.

The 2011 GEM global study was based on an analysis of adult population survey (APS) results from 54 economies and more than 140,000 adults across the world. The core of the APS is identical in each country and asks respondents their attitudes towards entrepreneurship, if they are involved in some form of entrepreneurial activity, and if so what their aspirations for their business are. The global GEM Executive 2011 Report was published in January 2012[2] and can be downloaded from www.gemconsortium.org.

From the 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 forty-two months.

In addition, we measure general intention to start a business by asking individuals if they

2 Bosma, N; Wennekers, S and Amorós, J.E.. (2012) Global Entrepreneurship Monitor 2011 Extended Global Report. London: Global Entrepreneurship Research Association.

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[3], which is represented in Figure 1 below.

As much of this entrepreneurial activity is pre-start-up or includes very small new businesses that do not have to register, 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 2011 adult population survey are explained in more detail in Appendix 1. An 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. In 2011 the proportion of mobile-only households in the survey (13%) closely matched the OfCom latest estimates for the UK (15%). This change from a purely landline sampling methodology may be responsible for some of the apparent rise in the point estimates for many UK GEM measures since 2009. Once again in 2011, as in 2010, 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). See Appendix 1 for further details on the implications of the growth in mobile only households for the GEM survey.

3 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:

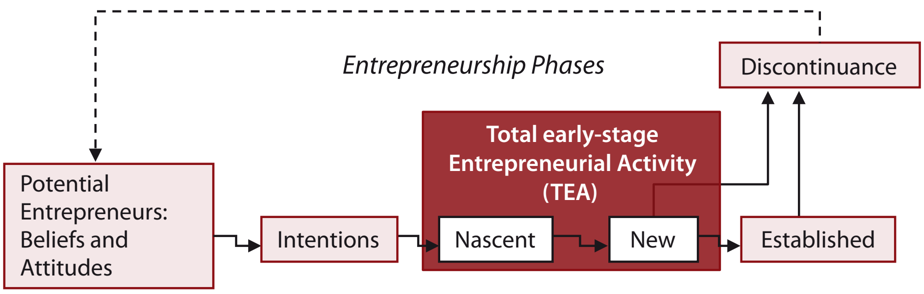
1) "are you, alone or with others, currently trying to start a new business independently of your work?",

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 wages 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.

Figure 1: The Entrepreneurial Process and GEM Operational Definitions
(Source: Bosma et al., 2012, p.10)



2.1 ENTREPRENEURIAL ATTITUDES IN THE UK AND BENCHMARK COUNTRIES IN 2011

At least some of the difference in entrepreneurial activity rates between countries may be explained by differences in attitudes of the population towards entrepreneurship. Some researchers have suggested that GEM attitudinal data is best treated at the group rather than individual level, because individuals who are already entrepreneurs may feel compelled to provide positive answers in the APS. In this section we compare attitudes in the UK, France, Germany and the US for that portion of the working age (18-64) population who are not already nascent entrepreneurs or business owner/managers for 2011[4]. Points of note include the following:

- France continues to have higher rates of awareness of a recent start-up entrepreneur than the UK, where awareness remains higher than in Germany or the US. Since 2010, awareness rates have slipped by around 3 to 5 percentage points in all four countries.
- At 28%, the proportion of the UK non-entrepreneurial working age population that perceived that there were good opportunities in the next 6 months is slightly lower than in its benchmark nations.
- The UK start-up skills perception rate of 37% was higher than the skills perception rates of Germany but lower than the US by 10 percentage points.
- Fear of failure among those who perceived opportunities in the UK was the same as France, lower than Germany but higher than the US.

4 In Appendix 2, the data on entrepreneurial attitudes and perceptions for all adults aged 18-64 are presented in Table 1a.

Table 1: Attitudes towards entrepreneurship in the UK, France, Germany and the US in 2011 - percentage of working age population who are neither nascent entrepreneurs nor existing business owner/managers, who expressed an opinion and agreed with the statement at the top of the column

(Source: GEM APS 2011)

Note: The UK attitudinal data in this table differs slightly from that published in the GEM Global Report for 2011 as that was based on an interim sample of 2,000 submitted in July 2011.

	I know someone who has started a business in the last 2 years	There are good start-up opportunities where I live in the next 6 months	I have the skills, knowledge and experience to start a business	Fear of failure would prevent me starting a business (for those who agree there are good start-up opportunities)
UK	**28.2**	**27.9**	**36.7**	**41.4**
France	41.3	32.4	34.8	40.7
Germany	22.6	33.0	31.7	48.4
US	21.5	33.1	47.0	35.6

2.2 ENTREPRENEURIAL ATTITUDES IN THE UK IN 2010 AND 2011

Table 2 shows estimates of changes in attitudes towards entrepreneurship in the UK among the non-entrepreneurially active working age population by gender between 2010 and 2011, and Figure 2 (next page) shows the trend from 2002 to 2011. Because the 2010 and 2011 samples included mobile-only households, we show the break in the series between 2009 and 2010. Two points can be noted here. The first is the steep decline of around ten percentage points in skills perception. Skills perception also declined in the US (down by 7%) and in Germany (down by 5%). This could be due to a perception that starting a business in current economic conditions is more difficult than before.

Secondly, there is a continued divergence between the increasing proportion of the population who think that successful business founders have a high status in society, and the reducing proportion who think that most people would agree that starting a business is a good career choice. According to the GEM 2011 Global extended Report (p.18), the gap between these two measures in the UK (along with Ireland, Finland and Norway) is very unusual in comparison with other countries, where they tend to be more similar. One can speculate as to whether this implies that, increasingly, people in the UK do not see stories in the media of successful entrepreneurs as role models than might spur them to try.

Table 2 shows that men tend to have more positive entrepreneurial attitudes than women. The gap is particularly marked in skills self-perception where it has been

Table 2: Entrepreneurial attitudes in the UK among households in 2010 and 2011 (% non-entrepreneurially active respondents aged 18-64 expressing an opinion and agreeing with the statement)
(Source: GEM UK APS, 2010, 2011)

Note: The UK attitudinal data in this table differs from that published in the GEM Global Report for 2011 as that was based on an interim sample of 2,000 submitted in July 2011.

	2010	2011	2010	2010	2011	2011
	All	All	Male	Female	Male	Female
I personally know someone who has started a business in the last two years	31.1	28.2	34.7	27.9	30.1	26.5
There will be good start-up opportunities where I live in the next six months	26.8	27.9	29.3	24.7	29.7	26.4
I have the skills, knowledge and experience to start a business	47.2	36.7	55.8	39.3	45.0	29.3
Fear of failure would prevent me from starting a business (for those who agree there are good start-up opportunities)	36.0	41.4	34.9	37.2	38.7	44.0
Most people consider that starting a business is a good career choice	52.6	50.4	53.1	52.2	50.6	50.2
Those successful at starting a business have a high level of status and respect in society	76.3	81.4	76.5	76.0	82.2	80.7
You will often see stories about people starting successful new businesses in the media	51.5	44.2	51.7	51.4	45.5	42.9

very stable since 2002, even with the steep decline in 2011 which was identical for males and females. However, the gap in fear of failure between women and men, and the apparent rise since 2010, are not statistically significant. Interestingly, the rate of female to male opportunity perception (among non-entrepreneurs) increased slightly to 89%, having dipped to 74% in 2008. Taken together, these trends over time support the view that when it comes to entrepreneurship, women may be more risk-aware than men.

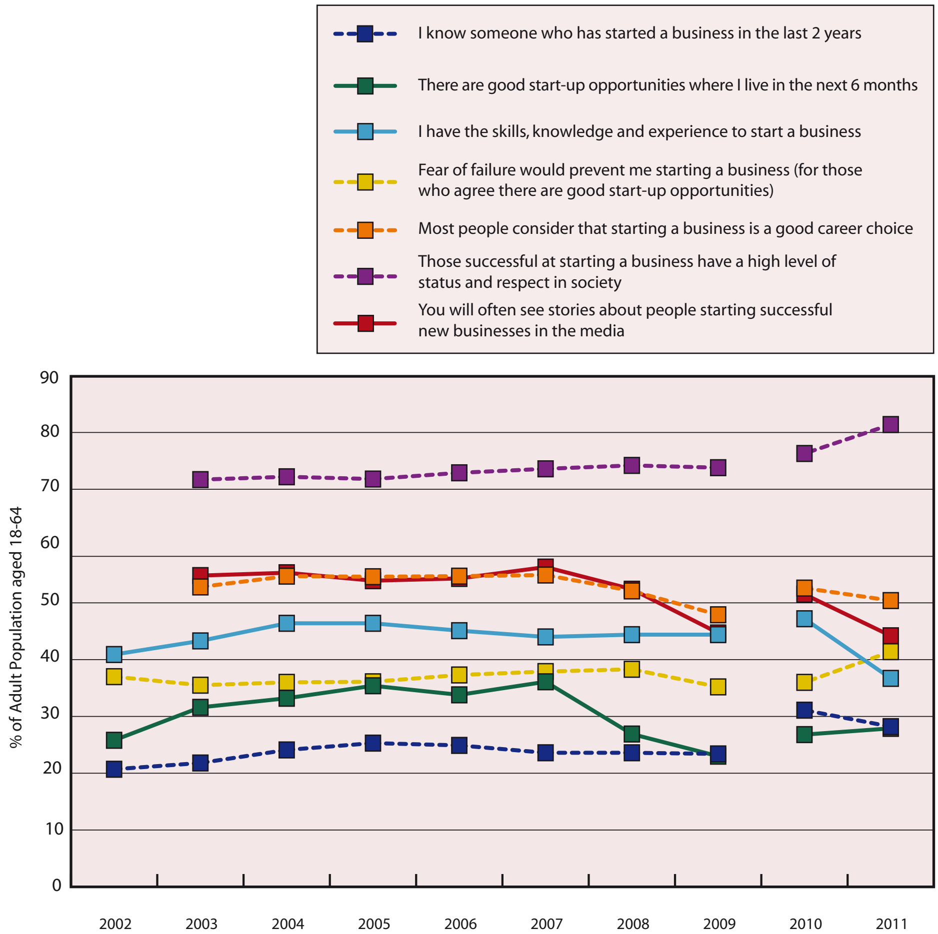


Figure 2: Entrepreneurial attitudes in the UK, 2002-2011: (% non-entrepreneurially-active respondents aged 18-64 expressing an opinion and agreeing with the statement)
(Source: GEM UK APS, 2002-2011)

Note: the gap between 2009 and 2010 is a reminder that from 2010, mobile-only households were included in the sample.

2.3 ATTITUDES TOWARDS ENTREPRENEURSHIP IN THE UK NATIONS

The self-reporting of attitudes of the non-entrepreneurially active working age population towards entrepreneurship in the four UK nations in 2011 is presented in Table 3. The key findings are as follows:

- The item "I personally know someone who has started a business in the last two years" may reflect the prevalence of new business start-up in a nation as well as the amount of networking by individuals in a nation. It was significantly lower in Wales (25%) than in England (29%).

- A significantly lower proportion of the non-entrepreneurially active population reported that there were good start-up opportunities in their local area in the next 6 months in Wales (18%) and Northern Ireland (16%) than in England (29%) and Scotland (25%).[5]

- The proportion of non-entrepreneurially active respondents who thought they had the skills to start a business was similar across all home nations.

- The point estimates for fear of failure for Scotland and Northern Ireland are significantly different from each other.

- The proportion of non-entrepreneurial individuals who agreed that you will often see stories about people starting successful new businesses in the media was significantly lower in Wales (38%) than in other home nations (44%). The proportion of non-entrepreneurial individuals in the home nations who agreed that those successful at starting a business have a high level of status and respect in society was also significantly lower in Wales (79%) than in Northern Ireland (83%). The proportion of non-entrepreneurial individuals in the home nations who agreed that most people consider that starting a business is a good career choice was lower in Wales (44%) and Northern Ireland (44%) than in England (51%).

5 The 2002-2011 home nation data for the 'Good Opportunities' attitude variable in the GEM UK pooled dataset is included in the Appendix (Table 3b).

	England	Wales	Scotland	Northern Ireland	United Kingdom
I know someone who has started a business in the last 2 years	28.5	25.3	28.2	24.1	**28.2**
There are good start-up opportunities where I live in the next 6 months	29.3	17.7	24.8	15.7	**27.9**
I have the skills, knowledge and experience to start a business	36.5	38.3	37.9	34.9	**36.7**
Fear of failure would prevent me from starting a business (for those who agree there are good start-up opportunities)	41.2	48.9	38.0	52.1	**41.4**
Most people consider that starting a business is a good career choice	51.2	43.9	48.1	44.4	**50.4**
Those successful at starting a business have a high level of status and respect in society	81.7	78.5	80.0	82.6	**81.4**
You will often see stories about people starting successful new businesses in the media	44.5	38.2	44.2	43.6	**44.2**

Table 3: Perceptions of entrepreneurship among non-entrepreneurially active individuals in the UK Home Nations, 2011
(Source: GEM UK APS 2011)

3.1 ENTREPRENEURIAL ACTIVITY IN THE UK AND BENCHMARK COUNTRIES

GEM views entrepreneurship as a process in which individuals become increasingly engaged in entrepreneurial activity. Figure 3 illustrates the proportion of respondents by stage of entrepreneurial activity in the UK over the period 2002 to 2011. In this figure, individuals who engaged in more than one stage of the process at a time are included **in their most established stage** (see Figure 3a in Appendix for gross rates for each stage).

In the UK in 2011, for the first time since GEM records began, less than 80% of working age individuals were not engaged in entrepreneurial activity and had no intention of starting a business within the next three years. Significant increases from 2010 to 2011 were recorded in the start-up intention rate and the nascent entrepreneurship rate. A record 6.8% (4.6% in 2010) expected to start a business in the next three years, but were not actively trying to start a business or running an existing business. An additional 4.1% (2.9% in 2010) were nascent entrepreneurs and 3.4% (3.3% in 2010) were new business owner/managers. Finally, 6.3% (6.2% in 2010) were established business owner/managers.

Total early-stage Entrepreneurial Activity (TEA) is the sum of the nascent entrepreneurship rate and the new business owner/manager rate. Figure 4 shows trends in TEA rates of the UK, France, Germany and the US between 2002 and 2011. Between 2010 and 2011, increases in the TEA rate were recorded in the UK, Germany and the US. The rise in the US and German rates restore them to peak levels not seen since 2005, while the rise in the UK TEA rate to 7.6%, while just not significantly different from the 2010 figure, appears to bring it beyond the historical trend which was very stable at close to 6%.

In addition to TEA, GEM measures the proportion of established business owner-managers in the working age population (EBO). Established business owner-managers have owned or managed a business for more than 42 months. Finally, GEM measures the proportion of individuals of working age who closed down a business in the last 12 months, one that did not continue under a different form of ownership.

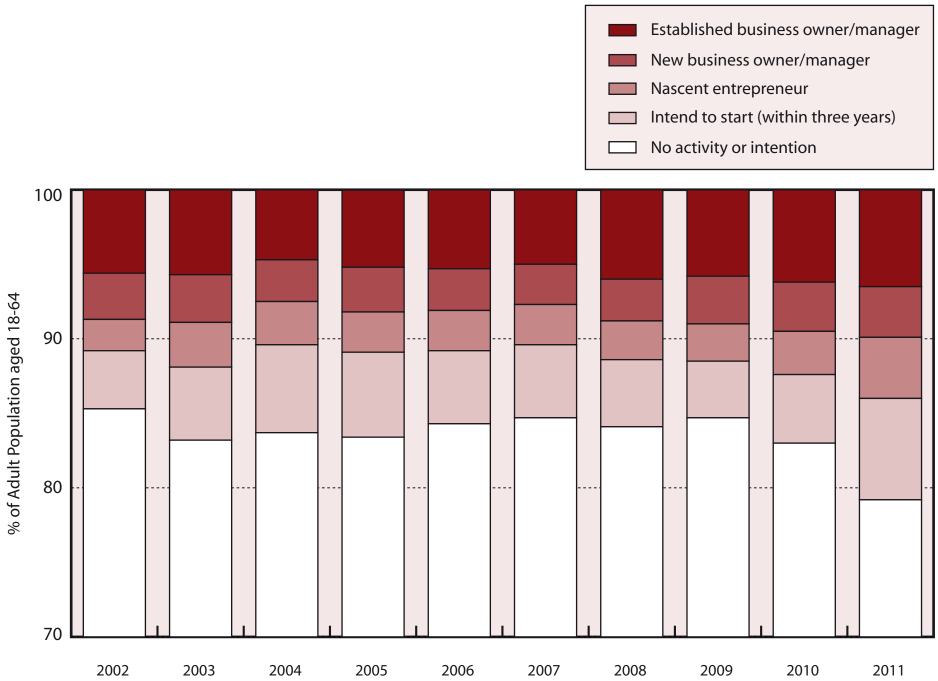


Figure 3: Participation in Entrepreneurship in the UK by most established stage of entrepreneurial activity, 2002 to 2011

(Source: GEMUK APS 2002 to 2010)

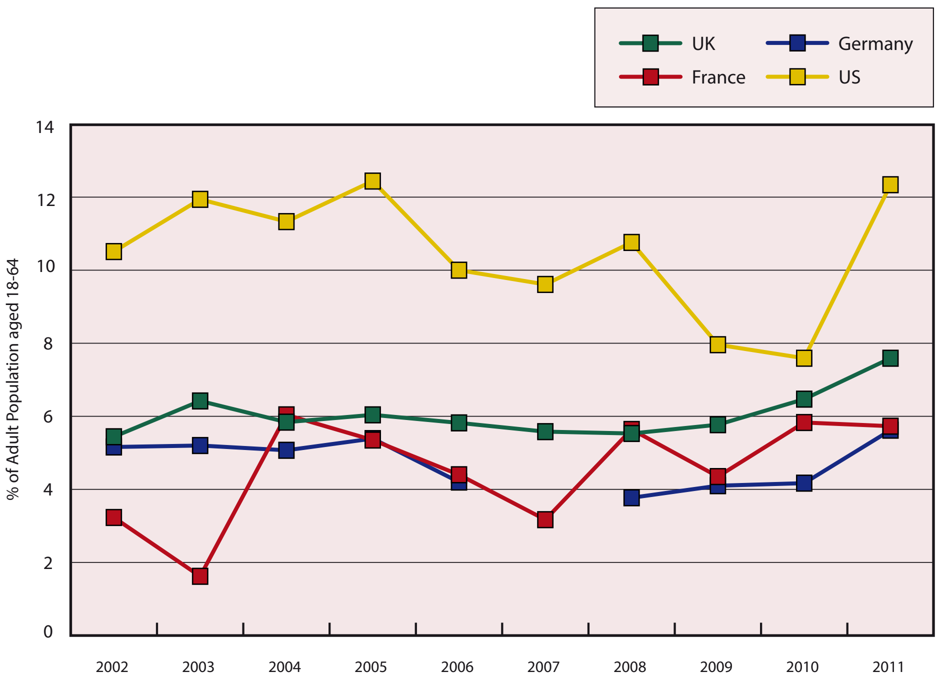


Figure 4: Total early-stage Entrepreneurial Activity (TEA) in UK, France, Germany and US (2002-2011)

(Source: GEM Global Adult Population Survey (APS) 2002-2011)

The ratio of established business ownership to early-stage entrepreneurship gives a proxy measure of transition rates from early stage entrepreneurship to established business ownership[6]. This can be interpreted as a proxy survival measure. The ratio of closure to business ownership (new plus established) gives a proxy of entrepreneurial dynamism or "churn". The 2011 results for the UK, France, Germany and the US are given in Table 4.

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

- Rates for the UK on almost all these measures and ratios are between France and Germany on the one hand and the US on the other. An exception is business intention rates, which are highest in France.
- France has relatively high business start-up intention rates, low established business owner rates, low survival rates and relatively high business churn rates.

6 This measure assumes that early-stage entrepreneurship and established business ownership does not fluctuate over time.

Table 4: Measures of entrepreneurial activity in the UK, France, Germany and the US, 2011
(Source: GEM APS 2011)

	I expect to start a business in the next 3 years	Nascent Entrepreneurial Activity rate (paying wages for 3 months or less)	New Business Owner-manager rate (4-42 months)	Nascent + New business owner-manager rate	Established Business Owners (>42 months)	Business closure rate (Business closed in the last 12 months that has not continued)	Proxy early-stage business survival rate	Proxy business churn rate
	(FUT)	(NEA)	(NBO)	(TEA)	(EBO)	(BC)	(EBO/TEA)	BC/(NBO+EBO)
UK (full sample)	**9.8**	**4.2**	**3.4**	**7.6**	**6.5**	**1.6**	**0.9**	**0.2**
France	19.8	4.1	1.7	5.7	2.4	1.6	0.4	0.4
Germany	7.6	3.4	2.4	5.6	5.6	1.3	1.0	0.2
US	15.8	8.3	4.3	12.3	9.1	2.9	0.7	0.2

Figure 5 compares the TEA rate by age group of the UK, France, Germany and the US in 2011. TEA rates are highest in the middle years. The UK has the closest profile to the US, with high TEA rates in the 25-34 age group, but average TEA rates among younger adults. TEA rates among young Germans appear to be particularly high; in 2010 they were noticeably low. This high variability may be a result of small sample sizes.

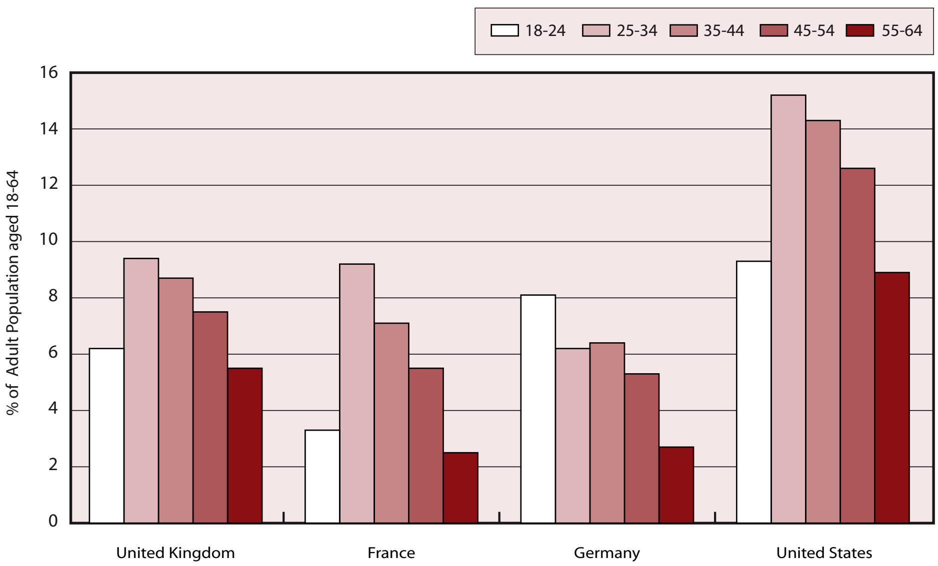


Figure 5: Total early-stage Entrepreneurial Activity (TEA) in the UK, France, Germany and the US by Age Group (2011)
(Source: GEM Global Adult Population Survey (APS) 2011)

3.2 OPPORTUNITY AND NECESSITY-BASED ENTRY INTO ENTREPRENEURSHIP

Different people may have very different motivations to enter into entrepreneurial activity. For example, in some cases, the motivation to start a business may be based on necessity, i.e. there are no better alternatives for work. Others may be motivated to start a business by opportunity, or the potential for new market creation. GEM identifies early-stage entrepreneurs according to their original motivation to start: opportunity or necessity. Most early-stage entrepreneurs can be classified into either of these two groups.

Opportunity-motivated early-stage entrepreneurship rates (Opportunity TEA) and Necessity-driven early-stage entrepreneurship rates (Necessity TEA) for the UK, France, Germany and US in 2011 are presented in Figure 6. In all four countries, levels of necessity TEA in 2011 were lower than levels of opportunity TEA. In the UK, 6.0% of the working age adult population were opportunity-motivated early-stage entrepreneurs, compared with 5.1% in 2010, and 1.3% were identified as necessity-driven early-stage entrepreneurs, up significantly from 0.7% in 2010.

Both the UK necessity and UK opportunity-driven TEA rates lie midway between France and Germany on the one hand and the US on the other, as shown in Figure 6. Figure 7 shows that there was a significant rise in both necessity and opportunity-based nascent entrepreneurial activity in the UK between 2010 and 2011, and also in the necessity-driven new business owner-manager rate.

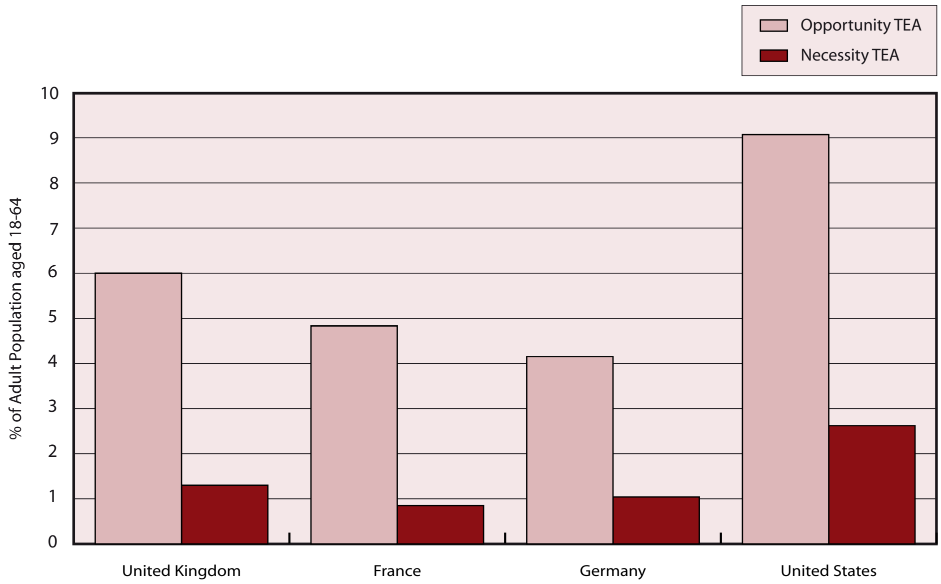


Figure 6: Necessity and opportunity TEA rates in the UK, France, Germany and the US in 2011

(Source: GEM APS 2011)

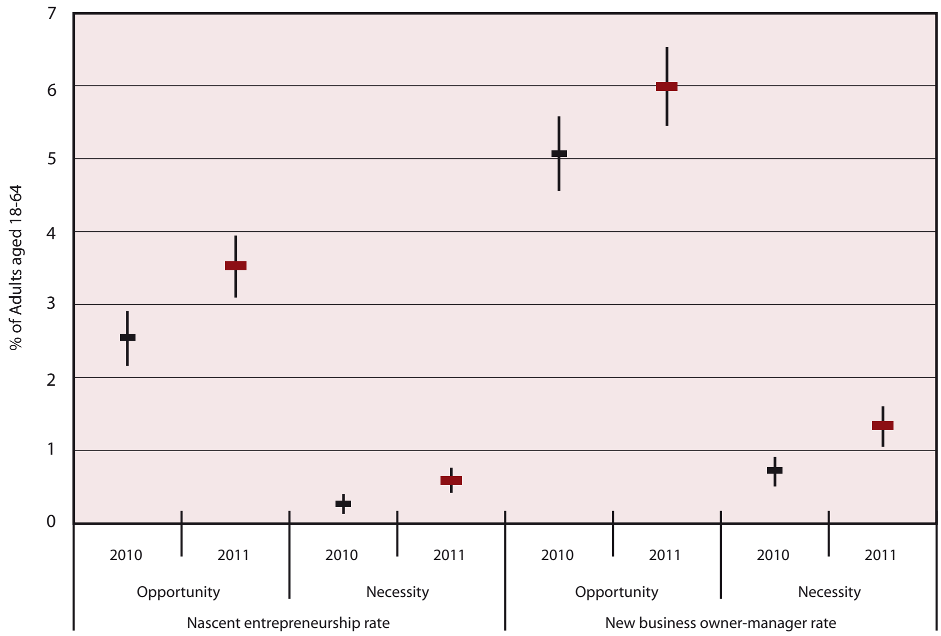


Figure 7: Necessity and opportunity nascent and new business owner-manager rates in the UK showing 95% confidence intervals, 2010 and 2011

(Source: GEM APS 2010 and 2011)

3.3 MALE AND FEMALE ENTREPRENEURIAL ACTIVITY COMPARED

Figure 8 presents a summary of Total early-stage Entrepreneurial Activity (TEA) rates for the UK, France, Germany and the US by gender. In most high income countries, men are around twice as likely to be entrepreneurially active as women. But in the US and Germany in 2011, male and female TEA rates were much closer than in the UK and France. In the UK the level of female TEA was 49% that of males, up from 44% in 2010 and close to levels in 2007 (48%), 2008 (49%) and 2009 (47%): 5.0% compared to 10.2% for men.

In the US the ratio of female to male TEA in 2010 was 73%, down from 85% in 2010, but higher than the 60% observed in 2009 (70% in 2008 and 60% in 2007). The gap between UK and US female early-stage entrepreneurial activity widened again in 2011 as the US female TEA rate increased from 7.0% to 10.4%. At the same time, the US male TEA rate rose from 8.2% to 14.3%, after a fall from 10% in 2009.

Comparing Figures 8 and 9, the difference in participation rates between men and women appears to be higher among established business owner-managers (EBO) than among early-stage entrepreneurs (TEA) in the UK, Germany and the US in 2011. For example, the UK female early stage entrepreneurial activity was 49% of male activity, while female established business ownership at 4.1% was 45% that of males (9.0%). The equivalent ratios for the US are 73% and 60% respectively, while for Germany they are 66% and 35%. France stands out as having low rates of both male and female EBO.

Figure 10 suggests that there appears to have been a recovery in US female TEA rates in 2011, while smaller (not significant) rises above the long term trend are apparent in the UK and Germany. Neither the female nor the male UK TEA rate was significantly higher in 2011 than in 2010.

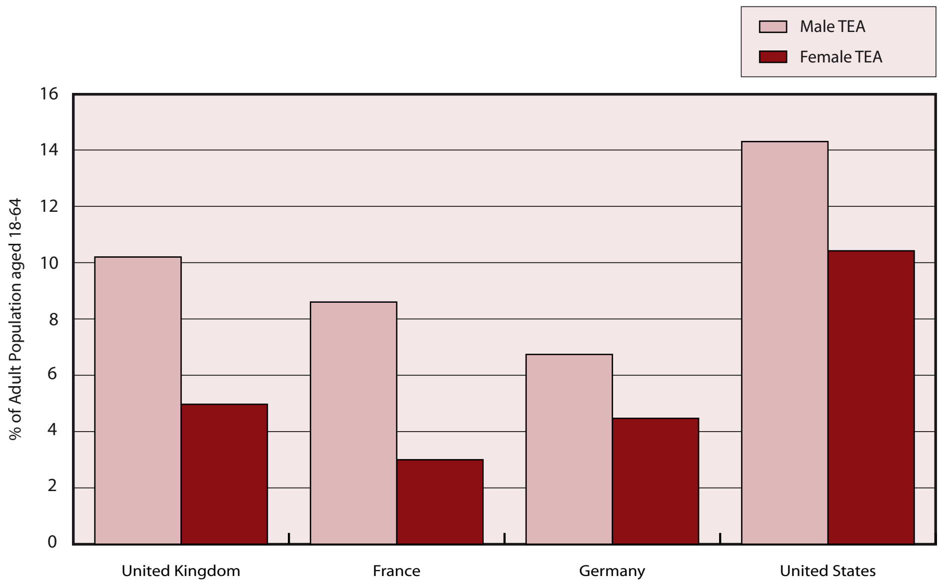


Figure 8: Total early-stage entrepreneurial activity by gender in the UK, France, Germany and the US in 2011
(Source: GEM APS 2011)

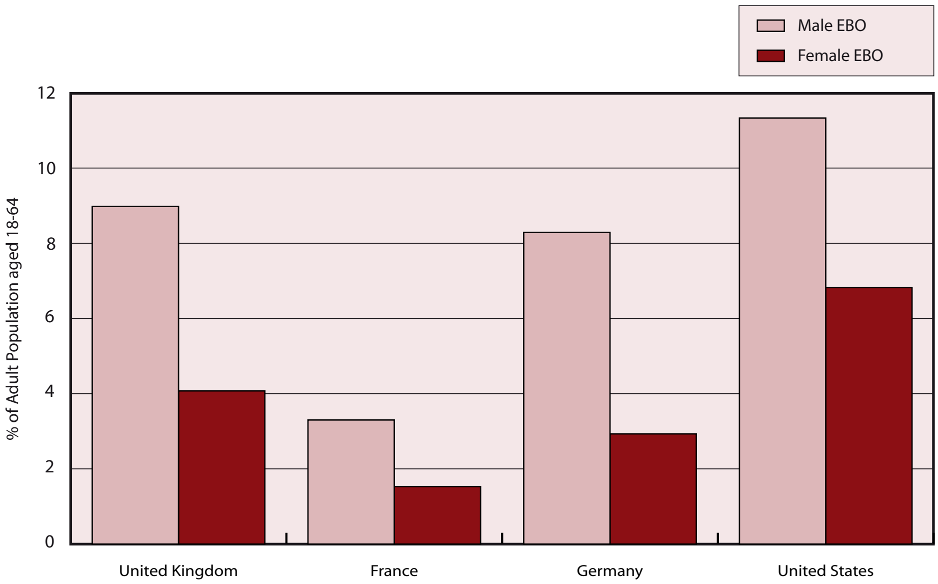


Figure 9: Established business ownership by gender in the UK, France, Germany and the US, 2011

(Source: GEM APS, 2011)

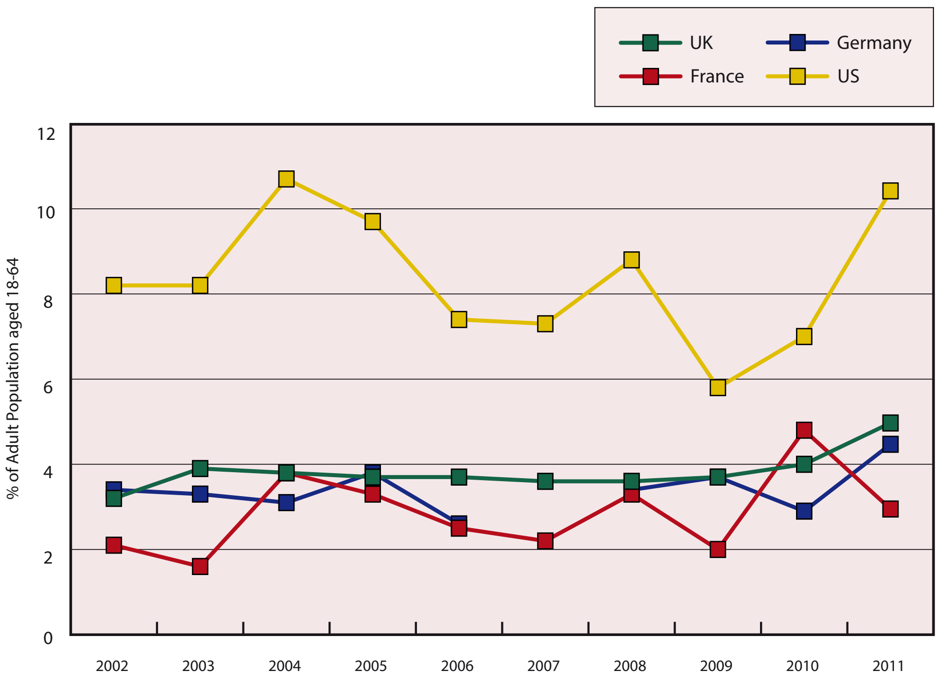


Figure 10: Female early-stage entrepreneurial activity in the UK, France, Germany and the US, 2002-2011

(Source: GEM APS, 2002-2011)

3.4 ENTREPRENEURIAL ACTIVITY IN THE UK HOME NATIONS

Table 5 displays different measures of entrepreneurial activity in the four home nations of the UK for 2011. Together, these measures allow us to assess the degree of dynamism and stability across different parts of the UK.

The proportion of people who expected to start a business in the next three years (intention rate) rose significantly in Wales and Scotland in 2011, and the intention rate was significantly lower in Northern Ireland than in the other three home nations. At the other end of the entrepreneurial process, the proportion of people who had closed their own business in the last 12 months (business closure rate) was significantly lower in Scotland than in England. There was no significant difference between home nations in the nascent, new or established business owner-manager rate.

Female early-stage entrepreneurial activity in the UK in 2011 was 5%, and Figure 11 shows that there are small variations across the four home nations, though none of these differences are statistically significant. While females had significantly lower TEA rates than males in all home nations, the ratio of female to male early-stage entrepreneurial activity varies markedly across them. Northern Ireland, as in previous years, has the lowest ratio of female to male TEA rate (42%) which was seven percentage points lower than in the UK as a whole. Wales had the highest ratio at 60%.

Table 5: Measures of entrepreneurial activity in the UK Home Nations, 2011
(Source: GEM APS 2011)

	I expect to start a business in the next 3 years	Nascent Entrepreneurial Activity rate (paying wages for 3 months or less)	New Business Owner-manager rate (4-42 months)	Nascent + New business owner-manager rate	Established Business Owners (>42 months)	Business closure rate (Business closed in the last 12 months that has not continued)	Proxy early-stage business survival rate	Proxy business churn rate
	(FUT)	(NEA)	(NBO)	(TEA)	(EBO)	(BC)	(EBO/TEA)	BC/(NBO+EBO)
England	9.9	4.3	3.4	7.7	6.7	1.7	0.9	0.2
Wales	9.5	4.9	3.3	8.1	6.1	1.2	0.8	0.1
Scotland	9.8	3.4	2.9	6.2	5.2	0.7	0.8	0.1
Northern Ireland	7.0	4.3	2.9	7.1	6.7	0.9	0.9	0.1
UK	**9.8**	**4.2**	**3.4**	**7.6**	**6.5**	**1.6**	**0.9**	**0.2**

Figure 12 shows that individuals aged between 25-34 years displayed the highest rate of early-stage entrepreneurial activity in the UK in 2011, but for the second year running the age group with the highest TEA rate in Scotland was 18-24 year olds. The TEA rate in this age group was also relatively strong, again for the second year running, in Wales. This relatively high rate of entrepreneurial activity among 18-24 year olds is unusual. The average ratio of the TEA rate among 18-24 year olds to the TEA rate among 25-34 year olds across all 23 innovation-driven countries that participated in GEM in 2011 was 65%. The TEA rate among young Welsh has steadily risen from 3.5% in 2002 to a remarkable 10.2% in 2011. Because of the small numbers of 18-24 year olds in each home

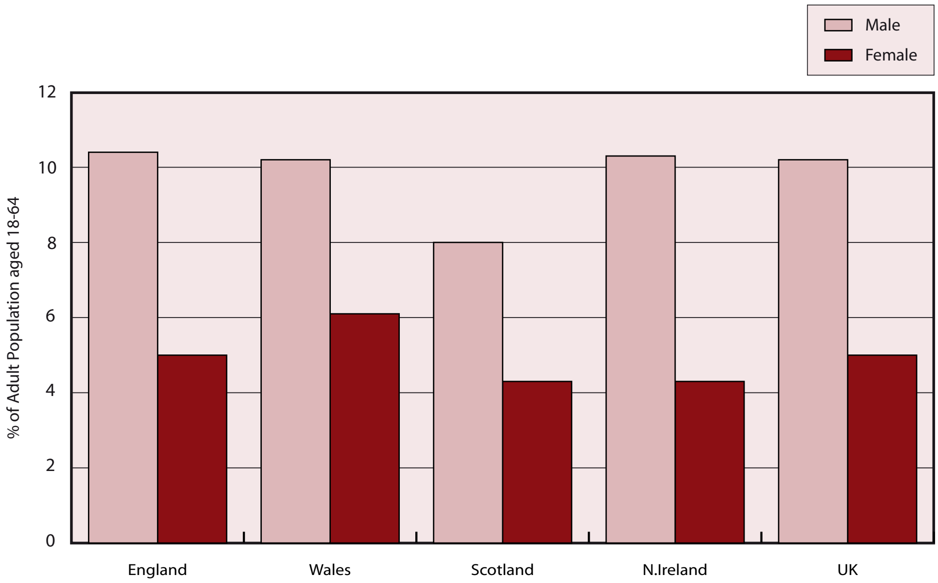
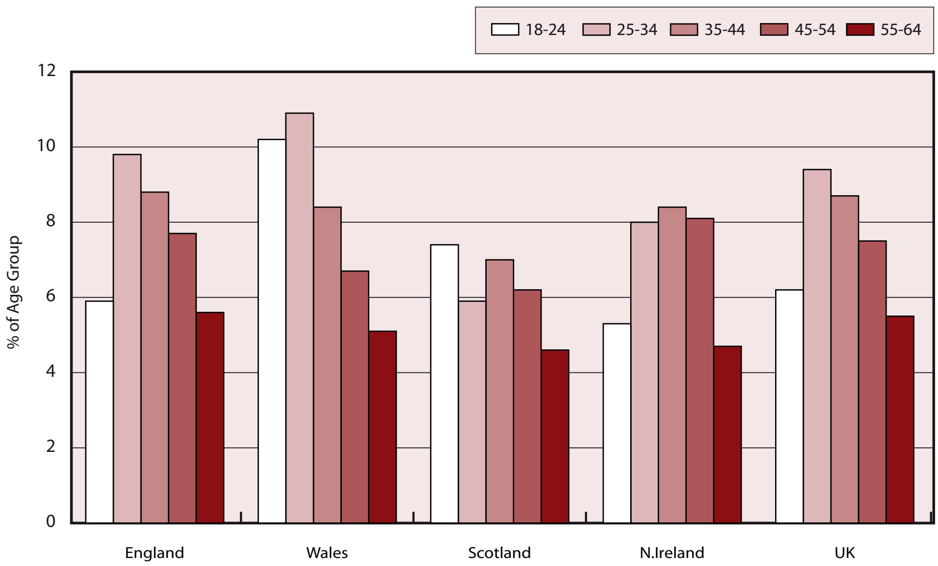


Figure 11: Male and Female Total early-stage Entrepreneurial Activity in the UK Home Nations, 2011
(Source: GEM APS, 2011)

Figure 12: Total early-stage Entrepreneurial Activity in the UK Home Nations by Age Group, 2011
(Source: GEM APS, 2011)



nation sample, the TEA rates by standard GEM age group are not statistically significant across nations, while the only statistically significant difference within a home nation was between 25-34 and 55-64 year olds in Wales. However, when we group 18 to 29 year olds together, a clear increase in activity across all four home nations can be seen (Figure 13), and across the UK as a whole, this rise is statistically significant, while the rise among 30 to 64 year olds as a group is not. The steady rise in TEA rates among young Welsh is since 2002 particularly striking.

Nascent and new business activity (TEA rate) declines with age and for those aged 55-64 years the UK average is 5.5%. There was little variation across the home nations in the TEA rate for this age group with England displaying the highest rate (5.6%) and Scotland (4.6%) the lowest.

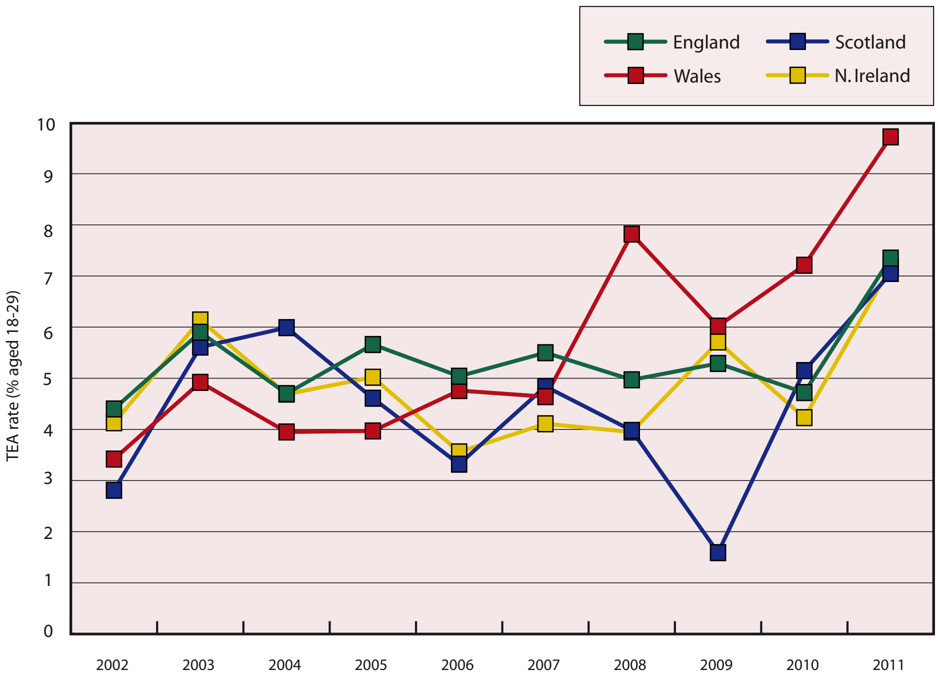


Figure 13: Trend in Total early-stage Entrepreneurial Activity in the UK Home Nations for 18 to 29 year olds, 2002 to 2011
(Source: GEM APS, 2011)

4 ENTREPRENEURIAL ASPIRATION

The potential of entrepreneurial activity to promote regeneration and growth will reflect the types of business being established. If an entrepreneur expects to create a large number of jobs, or if the product market is new, then his or her potential contribution to growth and regeneration through entrepreneurship may be greater. The importance of high growth firms as job creators in the UK has been highlighted by recent research[7].

To identify individuals who expect to create a relatively high number of jobs, GEM created a variable which measures the percentage of all early-stage entrepreneurs who have created more than ten jobs and who expect more than 50% growth in jobs in the next five years[8]. The results are illustrated in Table 6 for early-stage entrepreneurs (nascent and new business owners) and established business owner-managers. Table 6 also shows the proportion of early-stage entrepreneurs and established business owner-managers who state they operate in new product markets[9], operate in "high" or "medium" technology sectors (according to OECD definitions), and have more than 25% of their customers from outside the country, for the UK, France, Germany and the US.

Seventeen per cent of UK early stage entrepreneurs had high job expectations in 2011; this proportion has changed

7 See for example Anyadike-Danes, M, Bonner, K., Hart, M. and Mason, C. (2009). Measuring Business Growth: High-growth firms and their contribution to employment in the UK. London: NESTA.

8 The OECD defines HGFs as: 'enterprises with average annualised growth in employees or turnover greater than 20 per cent per annum, over a three year period, and with more than 10 employees in the beginning of the observation period'. By contrast, the GEM measure is a measure of expected, not realised, growth and of 50% over five years.

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

Table 6: Measures of entrepreneurial aspiration in the UK, France, Germany and the US, 2011
(Source: GEM APS 2011)

	(% of TEA or EBO Entrepreneurs)							
	High Job Expectation: greater than ten jobs and growth >50%		New Product-Market		High or Medium tech sectors		Exporting: >25% of customers outside the country	
	TEA	EBO	TEA	EBO	TEA	EBO	TEA	EBO
UK	**17.3**	**4.6**	**39.2**	**15.6**	**10.8**	**11.5**	**19.1**	**11.1**
France	20.6	0.0	36.9	33.3	18.2	14.0	15.7	29.4
Germany	14.7	2.7	25.3	12.2	12.6	12.4	18.9	14.3
US	24.9	3.6	33.5	13.1	6.5	9.8	13.4	5.7

little since 2007. Figure 14 shows the trend in the relative frequency of high job expectation TEA, i.e. the percentage of TEA entrepreneurs who had high job expectations for the UK, France, Germany and the US, using a three year rolling average presentation that smooths out random fluctuations from year to year due to small sample sizes. It demonstrates that the relative frequency of high job expectation among early-stage entrepreneurs was relatively high in the UK in the early part of the last decade, but that it steadily declined from around 25% to stabilise in recent years around 17%. In the US, it has increased slightly, in Germany it decreased slightly, and in France it doubled to reach 20%.

Figure 15 shows the trend in relative frequency of high job expectation among established business owner-managers, using the same presentation as for Figure 14. Note that the relative frequency of high job expectation among established business owner-managers is around one quarter that of early-stage entrepreneurs. The long term trend is down for the UK and US, towards French and German levels.

Figure 16 shows the absolute frequency of high job expectation early-stage entrepreneurs and established business owners for the same period. The main trends are a decline of early-stage entrepreneurs in the UK and Germany over the whole period, a peak in the US around 2007, or just before the recession hit, and an increase in France through the recession to meet UK levels as the main trends. This suggests that the growth in TEA rates in France is not just confined to "autopreneurs", or individual self-employed. There was an absolute and

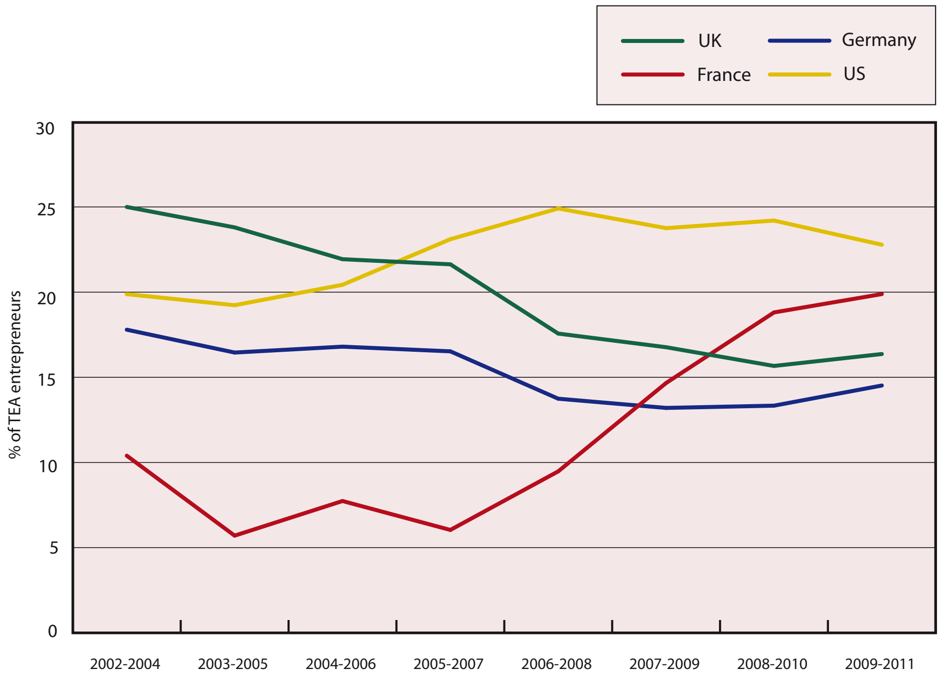


Figure 14: Relative frequency of high job expectation early-stage entrepreneurs in the UK, France, Germany and the US, three year rolling averages, 2002-2005 to 2009-2011

(Source: GEM APS, 2002-2011)

relative increase in high job expectation entrepreneurs in France from the mid 2000's.

Early-stage entrepreneurs tended to be more likely than established business owners to report new product-market creation. Table 6 shows that in the UK in 2011, 39% of early-stage entrepreneurs reported new product-market creation, around the same as in France and the US. Only 16% of established business owners in the UK reported new product-market creation: around the same as in Germany and the US.

The third variable in Table 6 illustrates the percentage of early-stage entrepreneurs and established business owner-managers who were active in high or medium tech sectors according to OECD definitions[10]. In 2011 the UK had a similar proportion of early-stage entrepreneurs and established business owner-managers in high or medium tech sectors to its benchmark countries: 11% and 12% respectively.

The final variable in Table 6 shows the proportion of early-stage entrepreneurs and established business owners who have (or expect to have, in the case of nascent entrepreneurs) over one in four customers from outside the country. At 19% and 11% respectively, the UK performs in line with its benchmark nations except for established business owner-managers in France (on 29%).

By pooling the 2002 to 2010 data we can see how these different measures

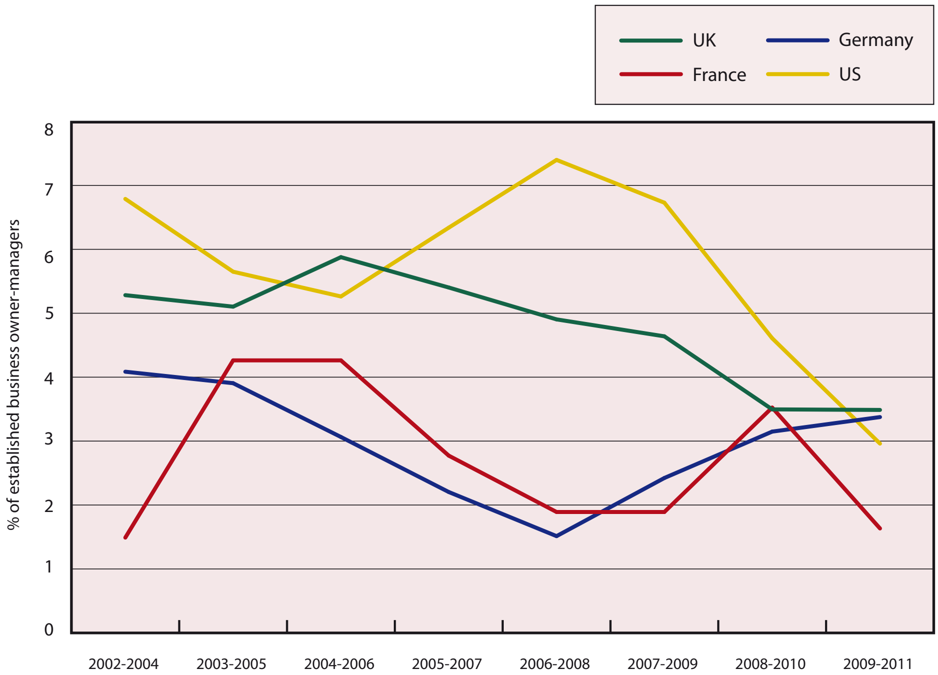
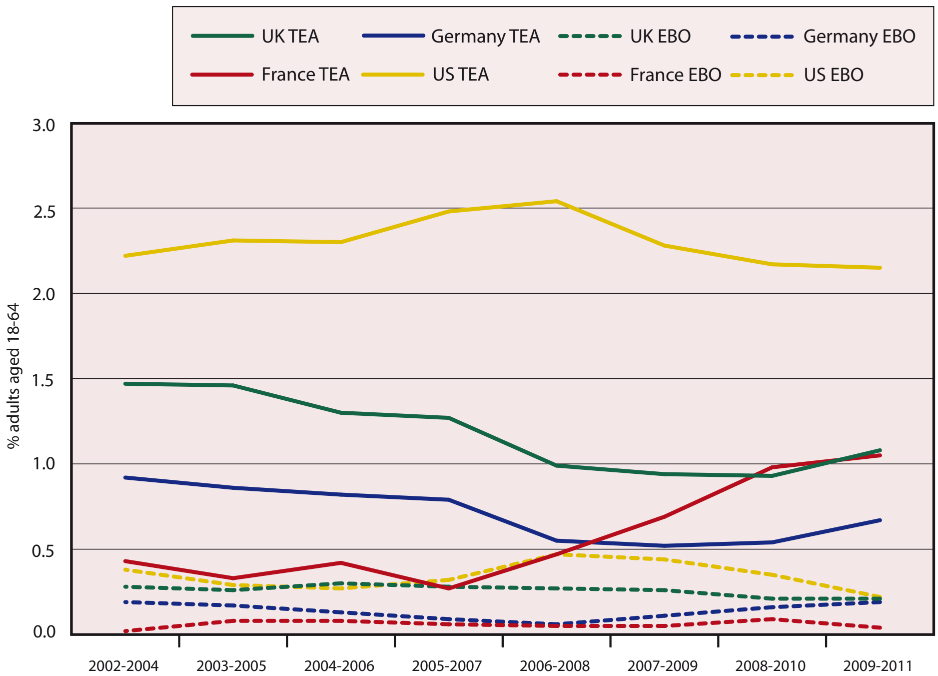


Figure 15: Relative frequency of high job expectation among established business owner-managers in the UK, France, Germany and the US, three year rolling averages, 2002-2005 to 2009-2011
(Source: GEM APS, 2002-2011)

Figure 16: Absolute frequency of high job expectation early-stage entrepreneurs and established business owner-managers in the UK, France, Germany and the US, three year rolling averages, 2002-2005 to 2009-2011
(Source: GEM APS, 2002-2011)



10 GEM collects data for high, medium and low technology sectors according to OECD definitions and also asks if their technology was available one year ago, 2-5 years ago or longer than that. The latter set of variables have been reported in the past but these only give an indication of the newness of the technology in the perception of the respondent. The measure in Table 6 uses OECD definitions of technology.

11 In past GEM UK reports, the rate of "high expectation entrepreneurial activity", or HEA for short has been reported. This is the proportion of early-stage entrepreneurs in the population who expect to employ at least 20 people, in addition to the owners, in five years' time. Because HEA entrepreneurs are so rare, annual comparisons with other countries that have relatively small GEM samples can be misleading, and so this year we focus on the high job expectation measure instead. This latter measure has the advantage of being closer to the OECD definition of (realised) high growth.

of aspiration are linked, and in particular how high job expectation TEA and EBO entrepreneurs differ from other TEA and EBO entrepreneurs[11]. Two main differences emerge from this analysis, summarised in Table 7. First, they are more likely to be male, young, graduates, from an ethnic minority, and a regional or international migrant. Second, they are more likely to be more widely and deeply engaged in entrepreneurship, as portfolio entrepreneurs and investors: high job expectation EBOs are more likely to be also TEA entrepreneurs and vice versa, to have shut down a business recently, and to be informal investors. In summary, the characteristics that distinguish entrepreneurs from other individuals are also the characteristics that distinguish high job expectation entrepreneurs from other entrepreneurs.

Table 7: Characteristics of high job expectation early stage entrepreneurs and established business owner-managers, pooled 2002 to 2010 UK database
(Source: GEM UK Survey 2002 to 2010)

	TEA high job exp.	Other TEA	sig	EBO high job exp.	Other EBO	sig
% male	77.9	65.7	0.000	84.3	72.5	0.000
% aged 18-29	24.6	20.1	0.000	11.4	3.9	0.000
% graduates	49.4	39.9	0.000	48.5	33.9	0.000
% ethnic minority	20.0	12.9	0.000	12.2	5.8	0.000
% regional migrant or immigrant	71.1	63.2	0.000	66.7	57.4	0.000
% established business owners	7.6	2.8	0.000	n.a.	n.a.	
% TEA entrepreneurs	n.a	n.a.		7.5	3.9	0.000
% closed a business in past year	9.2	6.8	0.000	7.8	4.3	0.000
% informal investors	10.1	5.0	0.000	12.5	4.0	0.000

Obtaining funding remains a major issue for many start-up businesses, with around half of nascent entrepreneurs reporting they require external funding. Since 2006, GEM has tracked the mix of funds that nascent entrepreneurs expect to use; sources of funds that they state they have actually used; and, finally those sources which they tried but failed to access.

Table 8 shows trends in expected funding sources for start-ups for the 2006 to 2011 period. Expectation of funding from banks has remained remarkably stable at around one fifth of start-up entrepreneurs.

	2006	2007	2008	2009	2010	2011
Type of funding expected						
No funding needed	5.0	5.1	5.1	5.0	10.3	6.2
All funded by entrepreneur	45.8	54.7	51.2	50.7	43.8	47.0
None funded by entrepreneur	3.5	2.8	2.2	3.9	8.5	4.9
Close family member (spouse, parent, sibling)	8.0	8.8	12.1	10.1	8.6	3.5
Other relatives, kin or blood relations	3.7	4.3	8.0	6.0	1.7	2.0
Work colleagues	7.5	6.1	9.9	6.8	5.0	10.1
A stranger	4.3	2.2	3.6	3.7	0.7	1.1
Friends or neighbours	4.7	3.2	6.1	4.5	6.9	2.5
Banks or other financial institutions	23.5	19.3	18.6	20.0	18.2	18.6
Government programmes	15.0	12.1	17.2	15.1	17.7	11.1
Any other source	7.0	6.4	5.9	8.8	5.0	7.2

Table 8: Percentage of nascent entrepreneurs expecting funding from different sources, 2006 to 2011
(Source: GEM UK APS, 2006 to 2011)

It is instructive to compare the funding expectations of nascent entrepreneurs with their experience. Figure 17 shows trends in the sources of finance that nascent entrepreneurs report that they have ever used to fund a business. Changes over the 2006 to 2011 period may reflect changes in funding preferences and in perceived as well as actual availability of funding. Most sources experienced a fall in use since 2009. The prevalence of repeat entrepreneurs among the nascent entrepreneur population was the same in 2011 as in 2008 (27%), so the decline in experience in using different sources of funding does not appear to be due to a decline in the proportion of serial entrepreneurs.

Finally, we consider the types of funding that nascent entrepreneurs report they sought *and failed to secure*. Table 9 shows an apparent return to a more "normal" profile after jumps in refusal rates in 2009 for family and in 2010 for unsecured bank loans and overdrafts.

These trends fit with recent changes in informal investment, or investment by individuals in other people's new businesses in the last three years shown in Table 10. The informal investment rate fell significantly from 1.6% in 2006 to 1.2% in 2009, but rose to almost 3% in 2010 and remained at 2.4% in 2012, with investment focused more on close family members than friends. This rate is less than half the average rate (5.1%) across 55 participating economies in 2011.

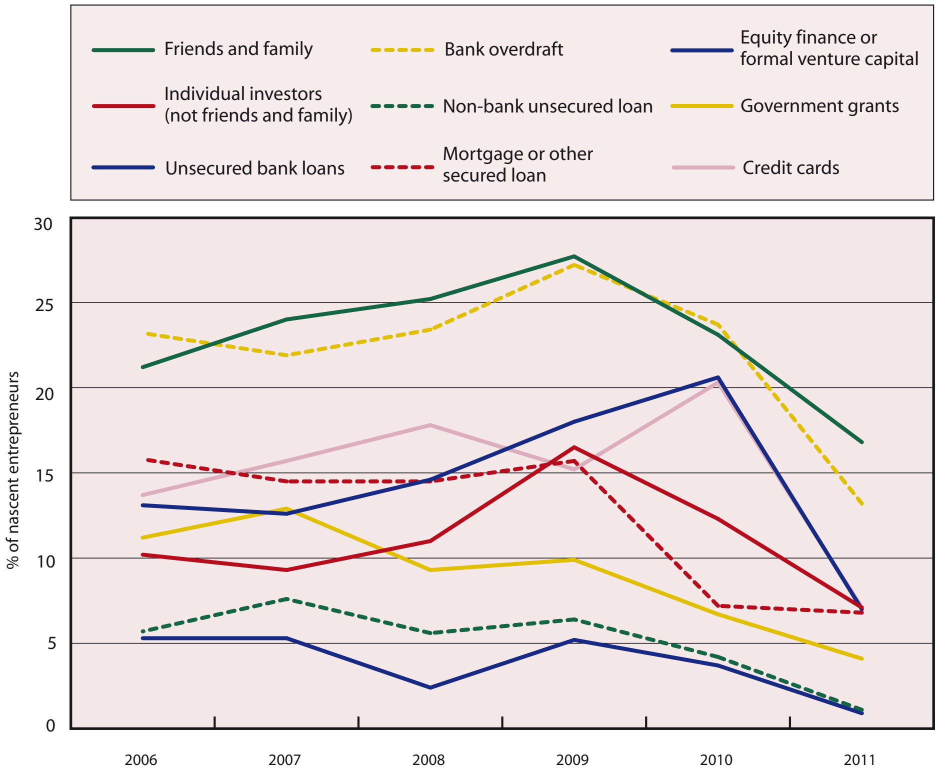


Figure 17: Percentage of UK nascent entrepreneurs who have reported ever using a type of funding for a business, 2006 to 2011

(Source: GEM APS, 2006 to 2011)

	2006	2007	2008	2009	2010	2011
Type of funding sought and refused						
Friends and family	4.7	3.0	4.8	10.8	3.1	6.5
Individual investors (not friends and family)	5.7	2.6	4.5	10.1	3.1	3.6
Unsecured bank loans	6.8	4.4	6.1	9.5	17.0	4.2
Bank overdraft	7.8	5.1	5.6	9.4	12.3	4.5
Non-bank unsecured loan	2.7	1.9	2.7	4.2	3.1	3.5
Mortgage or other secured loan	4.2	5.5	4.7	4.0	3.1	2.5
Equity finance or formal venture capital	2.5	2.3	2.1	2.4	1.3	3.0
Government grants	6.1	8.1	6.1	7.8	7.0	5.7
Credit cards	4.4	4.6	4.7	4.9	8.4	2.0
Grants from local authorities or local enterprise organisations	n.a	n.a.	n.a.	n.a.	n.a.	6.1

Table 9: Percentage of UK nascent entrepreneurs who have reported being refused funding, by type of funding refused, 2006 to 2011

(Source: GEM APS, 2006 to 2011)

	2006	2007	2008	2009	2010	2011
Informal investment rate						
% aged 18-64 who have invested in someone else's new business in the last 3 years	1.6	1.3	1.4	1.2	2.9	2.4
Relationship of latest investee (% of latest investments)						
Close family member (spouse, parent, sibling)	48.0	45.9	39.8	41.0	37.0	50.2
Other relative, kin or blood relations	2.0	5.5	4.5	4.5	7.5	6.2
Work colleague	9.3	8.9	15.7	8.3	2.2	7.4
Friend or neighbour	33.7	34.3	32.3	35.5	48.5	28.4
A stranger with a good business idea	7.0	3.8	7.1	8.6	4.5	7.9
Other	0.0	1.7	0.6	2.1	0.4	0.0

Table 10: Percentage of individuals aged 18-64 who have invested in someone else's new business in the last 3 years, and the distribution of relationships to the latest investee, 2006 to 2011

(Source: GEMUK APS 2006 to 2011)

6 ENTERPRISE CULTURE: GLOBAL ENTREPRENEURSHIP WEEK

The GEM UK survey included questions on Enterprise Week/Global Entrepreneurship Week. The objective here was to estimate if these national campaigns designed to develop an enterprise culture were reaching their target audience. Figure 18 presents the responses for 2011 and compares them to the 2009 and 2010 results.

Awareness of Enterprise Week (EW) or Global Entrepreneurship Week (GEW) was unchanged in 2011 at 22% of the 18-64 age group, but recall of participating in EW/GEW rose from 2.6% to 3.8%, or from 12% of those who had heard of EW/GEW to 17%. This rise is not statistically significant. Young adults aged 18-24 had the highest rates of awareness (36.4% in 2011 compared with 30.3% in 2010) and participation (31.3% of those who had heard of GEW in 2011, up from 18.0% in 2010).

Awareness of GEW was significantly higher among those who subsequently expected to start a business in three years (12.8% versus 8.9%) but not significantly higher among nascent entrepreneurs (14.2% versus 12.5%). Figure 19 illustrates the pattern of awareness and participation in GEW along the stages of the entrepreneurial process. It shows a peak in awareness and participation among those who expected to start a business. It shows that awareness was stronger earlier in the entrepreneurial process, which is a positive result for a campaign designed to raise awareness and celebrate enterprise.

Figure 18: Awareness of and Participation in Enterprise Week/Global Entrepreneurship Week in UK, 2009-2011
(Source: GEM APS, 2009-2011)

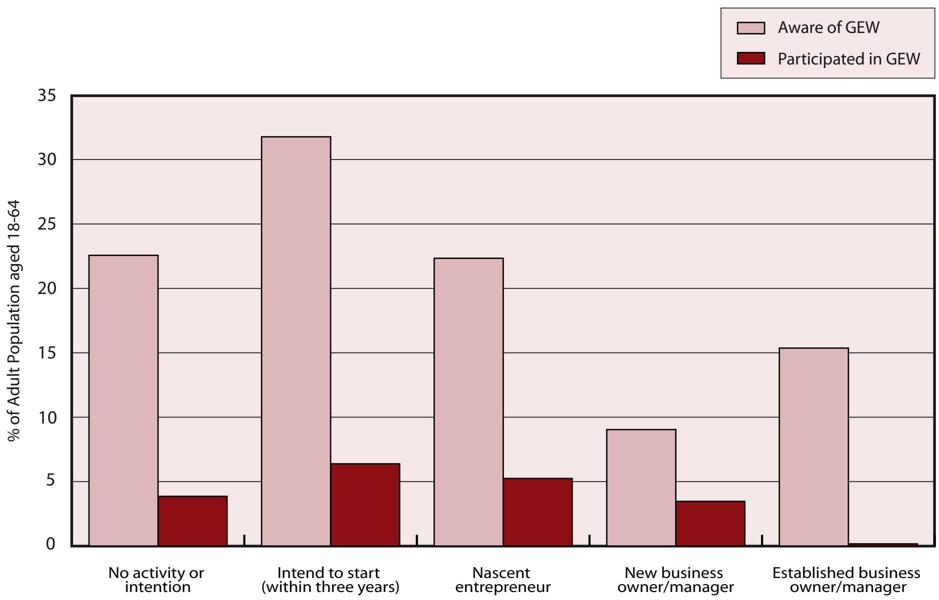


Figure 19: Awareness of and participation in GEW by stages of the entrepreneurial process, 2011
(Source: GEM APS, 2011)

7 QUALITY OF JOBS FOR EMPLOYEES AND ENTREPRENEURS

In 2011, a sub-sample of 2000 GEM respondents, representing a random sample of the UK adult population, were asked a series of additional questions on behalf of the European Commission DG Employment, Social Affairs & Inclusion. Those in the sample who were employed or self-employed were asked about their working conditions and work quality. The results for the UK are displayed in Table 11 and Table 12. They show that business owner-managers, and especially new business owner-managers, feel more empowered at work than employees, in a variety of ways. The percentage of those who were highly satisfied with their work or work income was not significantly different between business owner-managers and employees. However, not-for-profit sector employees were significantly more likely to be high satisfied with their current work than private for-profit sector employees.

	Full-time employee	Part-time employee	New business owner-manager	Established business owner-manager	Sig.
Percentage agreeing strongly versus all other opinions					
I can decide on my own how I go about doing my work	40.1	32.7	71.3	63.0	0.000
The work I do is meaningful to me	65.7	56.7	79.5	70.2	0.008
At my work, I am not exposed to excessive stress	16.6	26.5	33.7	23.4	0.001
Percentage very satisfied versus all other opinions					
Overall, how satisfied are you with your current work?	34.3	34.8	31.1	42.0	0.421
Overall, how satisfied are you with your current work income?	13.1	12.1	14.2	16.8	0.677

Table 11: Percentage of full-time and part-time employees and new and established business owner-managers in the UK who strongly agree with statements about their working conditions and are very satisfied with their current work or work income, 2011

(Source: GEM UK 2011 survey sub-sample for European Commission; N =1210)

Table 12: Percentage of employees in different sectors and new and established business owner-managers in the UK who strongly agree with statements about their working conditions and are very satisfied with their current work or work income, 2011

(Source: GEM UK 2011 survey sub-sample for European Commission; N =1210)

	Private for-profit sector employee	Government employee	Not for profit employee	New business owner-manager	Established business owner-manager	Sig.
Percentage agreeing strongly versus all other opinions						
I can decide on my own how I go about doing my work	38.1	34.3	54.8	71.3	63.0	0.00
The work I do is meaningful to me	54.2	76.6	86.4	79.5	70.2	0.00
At my work, I am not exposed to excessive stress	21.3	11.3	25.7	33.7	23.4	0.00
Percentage very satisfied versus all other opinions						
Overall, how satisfied are you with your current work?	31.7	36.2	46.0	31.1	42.0	0.031
Overall, how satisfied are you with your current work income?	13.0	12.1	13.3	14.2	16.8	0.805

8 BARRIERS AND DIFFICULTIES IN STARTING A BUSINESS

Between 2004 and 2010, GEM UK asked non-entrepreneurially-active individuals what their biggest barriers were to starting a business or becoming self-employed. In the 2011 survey, business founders and nascent entrepreneurs were asked to state the biggest difficulties they faced in starting their business. Table 13 ranks the barriers cited by non-entrepreneurs and the difficulties mentioned by entrepreneurs in order of frequency of mention by non-entrepreneurs. It shows that around half of both non-entrepreneurs and entrepreneurs put 'getting finance for the business' as one of their biggest barriers or difficulties. Beyond this, there is little agreement. Non-entrepreneurs appear to underestimate the issues of appropriate skills, getting customers and staff, and the complexity of regulations. These are all areas where training could help nascent entrepreneurs. Entrepreneurs are less likely to cite lack of interest or security concerns, but this is to be expected as they have already opted in to entrepreneurship.

Barrier/Difficulty	Biggest barrier (non-entrepreneurs)	Biggest difficulty (entrepreneurs in 2011)
Getting finance for the business (2005 to 2010)	50.6	46.0
Lack of interest in starting a business (2004 to 2010)	16.6	2.1
Loss of security/income from current job (2008 to 2010)	13.8	4.1
Lack of skills/knowledge (2004 to 2010)	12.7	28.0
The time commitment it would require (2004 to 2010)	10.5	7.7
Not having an idea for a business (2004 to 2010)	9.8	3.2
Age (2004 to 2010)	9.0	0.3
The chance that the business might fail (2004 to 2010)	7.6	4.4
The economic climate at the moment (2010 only)	6.4	9.6
Fear of debt (2008 to 2010)	4.0	6.3
The complexity of regulations (2004 to 2010)	2.9	15.8
The economic climate at the moment (2005 to 2010)	1.7	0.0
Getting customers	0.0	8.4
Getting staff	0.0	6.3

Table 13: The biggest barriers cited by non-entrepreneurs and the biggest difficulties mentioned by nascent entrepreneurs and business owner-managers in order of frequency of mention of barriers by non-entrepreneurs
(Source: GEM UK surveys 2004 to 2011)

Conclusion

The year 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 TEA rate moved above its long run stable rate of close to 6%. For the first time since GEM records began, more than a fifth of working age individuals either intended to start a business within the next three years, were actively trying to start a business, or running their own business. The biggest rises were seen early in the entrepreneurial process, in intention and nascent entrepreneurship, while necessity-driven new business ownership also rose significantly. In addition, the long run decline in high job expectation TEA in the UK appears to have been arrested. However, nascent entrepreneurs appear to have been less likely to seek external funding than in the past, raising the danger of more underfunded start-ups struggling to survive.

Attitudes of non-entrepreneurial individuals to entrepreneurship, however, were more subdued than in 2010, reflecting uncertainties in the wider economy.

This combination of higher activity and less positive attitudes among non-entrepreneurs is to be expected at this stage in the economic cycle. To turn this investment of personal energy into growth, further investment of capital may be required, but this will require willingness on the part of entrepreneurs to accept external funding beyond close family and on the part of external funders to back the next generation of post great recession entrepreneurs.

Appendix 1

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 200,000 individuals interviewed since monitoring began with a sample of 1,000 adults in 1998. In 2011, 10,573 adults aged 16-80 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, Welsh Government, Invest Northern Ireland and Belfast City Council chose to boost sampling in their region in order to have more detail about entrepreneurship in their region.

The raw sample of 10,573 was distributed across 13 geographic areas within which representative sub-samples of the population aged 16-80 were taken. These areas and the sample sizes are: South West: 262; South East: 421; East of England: 270; West Midlands: 267; East Midlands: 219; Yorkshire & Humberside: 267; North East: 146; North West: 311: Wales: 3003; Scotland: 2001; London: 398; Belfast: 1008; rest of Northern Ireland: 2000. The Scottish sample was paid for by the Hunter Centre for Entrepreneurship from its endowment income.

According to OfCom[12], households in the UK which have access to a mobile phone but not to a fixed telephone landline have grown steadily from 5% in 2000 to 15% in Q1 of 2011. To mirror this increase, in 2011, 13% of the GEM sample across the UK consisted of mobile-only households, compared with 10% in 2010 and none in previous years.

Meanwhile the decline in the proportion of households with a fixed telephone line has stabilised at 85% in 2010 and 2011. Eurobarometer estimates[13] suggest that in 2009, 20% of UK households were "mobile-only". Whatever the true figure, it is clear that fixed line surveys are becoming increasingly unrepresentative of UK households, that the distribution of mobile-only households is different to that of fixed line households, and that these differences are not fixed but change over time. In 2010, sampling methods for mobile only households had advanced to a stage where it was felt that inclusion of this group was not only desirable but feasible (though at greater cost). Increases in activity in 2011 are unlikely to be solely due to the slightly higher mobile-only household proportion in the 2011 sample.

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 (e.g. Belfast).

- Government Official Region (GOR) weights that create representative samples at the GOR level from all sub-samples within the same GOR. Eleven out of twelve GORs were not sub-sampled in 2010; Northern Ireland had one over-sample (Belfast)[14].

- In addition, separate weights were constructed for England, based on balanced GOR samples for each English region, to develop a final "home nations" weight.

12 Source: Ofcom (August 2011) The Communications Market in 2011, Figure 1.76. Available at www.ofcom.org.uk

13 See Special Eurobarometer 335, available at http://ec.europa.eu/public_opinion/archives/ebs/ebs_335_en.pdf

14 In order to minimise the effect of over-samples in sub-regions within Northern Ireland, a random sample was created from the Belfast sample to produce a representative sample for Northern Ireland.

Appendix 2

Additional Tables and Data for Figures

Table 1a: Attitudes towards entrepreneurship in UK, France, Germany and US in 2011 - percentage of total working age population (including the entrepreneurially active) who expressed an opinion and agreed with the statement at the top of the column

(Source: GEM APS 2011. These estimates are comparable with measures used in the 2007 GEM UK report)

	I know someone who has started a business in the last 2 years	There are good start-up opportunities where I live in the next 6 months	I have the skills, knowledge and experience to start a business	Fear of failure would prevent me starting a business
UK	**32.4**	**31.1**	**43.9**	**45.7**
France	43.4	34.9	38.4	43.8
Germany	25.5	35.2	37.1	49.9
US	27.0	36.2	55.7	37.1

Table 2b: Entrepreneurial attitudes in the UK in 2010 and 2011 (% respondents aged 18-64 expressing an opinion and agreeing with the statement)

(Source: GEM UK APS, 2010, 2011. These estimates are comparable with measures used in the 2007 GEM UK report)

	2010	2011	2010	2010	2011	2011
	All	All	Male	Female	Male	Female
I personally know someone who has started a business in the last two years	33.6	32.4	38.3	28.9	35.7	29.0
There will be good start-up opportunities where I live in the next six months	29.4	31.1	32.5	26.5	34.2	28.0
I have the skills, knowledge and experience to start a business	52.3	43.9	61.8	42.8	53.8	34.0
Fear of failure would prevent me from starting a business (for those who agree there are good start-up opportunities)	39.5	36.4	35.8	43.2	32.6	41.0
Most people consider that starting a business is a good career choice	52.1	49.8	52.5	51.7	50.0	49.6
Those successful at starting a business have a high level of status and respect in society	76.4	80.4	77.0	75.8	80.2	80.6
You will often see stories about people starting successful new businesses in the media	52.4	45.4	53.0	51.8	46.7	44.1

Figure 2: Entrepreneurial attitudes and perceptions in the UK, 2002-2011 (% non-entrepreneurial respondents aged 18-64 expressing an opinion and agreeing with the statement)

(Source: GEM UK APS, 2002-2011)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
I know someone who has started a business in the last 2 years	20.7	21.8	24.1	25.3	24.9	23.6	23.6	23.4	31.1	28.2
There are good start-up opportunities where I live in the next 6 months	25.8	31.6	33.2	35.4	33.8	36.1	26.9	23.0	26.8	27.9
I have the skills, knowledge and experience to start a business	40.9	43.3	46.4	46.4	45.1	44.0	44.4	44.4	47.2	36.7
Fear of failure would prevent me starting a business (for those who agree there are good start-up opportunities)	37.0	35.5	36.0	36.1	37.3	37.9	38.3	35.2	36.0	41.4
Most people consider that starting a business is a good career choice		52.8	54.7	54.6	54.7	54.9	52.1	47.9	52.6	50.4
Those successful at starting a business have a high level of status and respect in society		71.7	72.2	71.8	72.9	73.6	74.2	73.8	76.3	81.4
You will often see stories about people starting successful new businesses in the media		54.8	55.3	53.9	54.3	56.3	52.4	44.7	51.5	44.2

Figure 2a: Attitudes towards entrepreneurship in UK from 2002 to 2011 - percentage of total working age population who expressed an opinion and agreed with the statement at the left of the row

(Source: GEM APS 2002 -2011)

Note: These figures are calculated on the same basis as in GEM UK Reports prior to 2008 – that is, for the 18-64 year sample overall and not solely the non-entrepreneurial adult population. However, due to the revisions undertaken in the new pooled 2002-11 UK database there will be small differences between these figures and those published prior to 2008.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
I know someone who has started a business in the last 2 years	23.9	24.6	26.6	27.7	27.3	25.7	25.8	26.5	33.6	32.4
There are good start-up opportunities where I live in the next 6 months	29.1	35.0	35.7	38.2	36.7	39.1	28.8	27.0	29.4	31.1
I have the skills, knowledge and experience to start a business	46	48.3	50.3	50.9	49.6	48.5	49.0	52.4	52.3	43.9
Fear of failure would prevent me starting a business	34.3	33.8	33.7	34.3	35.7	35.9	37.2	35.1	39.5	45.7
Most people consider that starting a business is a good career choice	n.a.	51.7	54.3	54.3	54.4	54.7	51.7	48.1	52.1	49.8
Those successful at starting a business have a high level of status and respect in society	n.a.	71.6	72.1	71.7	72.7	73.6	73.8	73.8	76.4	80.4
You will often see stories about people starting successful new businesses in the media	n.a.	55.6	56.1	54.6	55.0	56.7	53.2	45.9	52.4	45.4

	England	Wales	Scotland	Northern Ireland	United Kingdom
I know someone who has started a business in the last 2 years	32.8	28.8	31.8	27.9	32.4
There are good start-up opportunities where I live in the next 6 months	32.6	20.8	27.9	16.7	31.1
I have the skills, knowledge and experience to start a business	44.0	45.1	43.5	41.5	43.9
Fear of failure would prevent me from starting a business	45.6	47.4	43.0	54.3	45.7
Most people consider that starting a business is a good career choice	50.4	45.2	48.2	44.0	49.8
Those successful at starting a business have a high level of status and respect in society	80.5	77.8	80.1	81.7	80.4
You will often see stories about people starting successful new businesses in the media	45.7	39.8	45.4	44.8	45.4

Table 3a: Attitudes towards entrepreneurship in UK regions in 2011 - percentage of total working age population who expressed an opinion and agreed with the statement at the top of the column
(Source: GEM APS 2011)

Table 3b: Good Opportunities for Start-up in the local area in next 6 months - in UK from 2002 to 2011 - percentage of non-entrepreneurially active working age population who expressed an opinion and agreed with the statement
(Source: GEM APS 2002 -2011)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	% change 2002-11	% change 2010-11
England	26.4	31.5	33.4	36.5	34.1	36.3	26.8	23.5	27.7	28.5	8%	3%
Wales	21.1	29.7	30.7	31.8	28.6	30.4	19.6	20.4	21.8	25.3	20%	16%
Scotland	23.3	34.1	33.4	28.6	33.6	36.1	33.1	21.2	25.4	28.2	21%	11%
N. Ireland	24.8	29.0	32.2	32.8	32.9	39.0	21.8	16.5	15.9	24.1	-3%	52%
UK average	25.8	31.6	33.2	35.4	33.8	36.1	26.9	23.0	26.8	28.2	9%	5%

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Established business owner/manager	5.6	5.7	4.7	5.1	5.3	5.0	6.0	5.8	6.2	6.5
New business owner/manager	3.1	3.2	2.8	3.0	2.8	2.7	2.8	3.2	3.3	3.4
Nascent entrepreneur	2.1	3.0	2.9	2.7	2.7	2.7	2.6	2.5	2.9	4.1
Intend to start (within three years)	3.9	4.9	5.9	5.7	4.9	4.9	4.5	3.8	4.6	6.8
No activity or intention	85.3	83.2	83.7	83.4	84.3	84.7	84.1	84.7	83.0	79.2
Total	100	100	100	100	100	100	100	100	100	100

Figure 3: Participation in entrepreneurship in the UK by most established stage of entrepreneurial activity, 2002 to 2011

(Source: GEMUK APS 2002 to 2011)

Figure 3a: Participation in entrepreneurship in the UK by stage of entrepreneurial activity (percentage of working age population), 2002 to 2011

(Source: GEMUK APS 2002 to 2011)

Note: individuals can be in more than one stage at a time; hence annual percentages do not total to 100.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Established business owner/manager	5.6	5.7	4.7	5.1	5.3	5.0	6.0	5.8	6.2	6.5
New business owner/manager	3.1	3.2	2.9	3.1	2.8	2.7	2.9	3.2	3.4	3.4
Nascent entrepreneur	2.5	3.5	3.2	3.2	3.2	3.0	2.8	2.7	3.2	4.2
Intend to start (within three years)	6.5	7.9	8.6	8.7	7.8	7.4	6.8	6.1	7.2	9.8
No activity or intention	85.3	83.2	83.7	83.4	84.3	84.7	84.1	84.7	83.0	79.2

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
United Kingdom	5.44	6.42	5.84	6.04	5.82	5.58	5.53	5.77	6.47	7.59
France	3.23	1.62	6.04	5.35	4.40	3.17	5.64	4.35	5.83	5.73
Germany	5.16	5.2	5.07	5.39	4.20		3.77	4.10	4.17	5.62
US	10.51	11.94	11.33	12.44	10.00	9.61	10.76	7.96	7.59	12.34

Figure 4: Total early-stage Entrepreneurial Activity (TEA) in the UK, France, Germany and US (2002-2011)

(Source: GEM Global Adult Population Survey (APS) 2002-2011)

	Age Group				
	18-24	25-34	35-44	45-54	55-64
United Kingdom	6.2	9.4	8.7	7.5	5.5
France	3.3	9.2	7.1	5.5	2.5
Germany	8.1	6.2	6.4	5.3	2.7
US	9.3	15.2	14.3	12.6	8.9

Figure 5: Total early-stage Entrepreneurial Activity (TEA) in the UK, France, Germany and US by Age Group (2011)

(Source: GEM Global Adult Population Survey (APS) 2011)

Figure 6: Necessity and opportunity entrepreneurship the UK, France, Germany and US in 2011
(Source: GEM APS 2011)

	Opportunity TEA	Necessity TEA
United Kingdom	6.0	1.3
France	4.8	0.9
Germany	4.2	1.0
US	9.1	2.6

Figure 7: Necessity and opportunity nascent and new business owner-manager rates in the UK showing 95% confidence intervals, 2010 and 2011
(Source: GEM APS 2010 and 2011)

	Nascent Entrepreneurship Rate				New Business Owner-Manager Rate			
	Opportunity		Necessity		Opportunity		Necessity	
Year	2010	2011	2010	2011	2010	2011	2010	2011
Upper	2.91%	3.94%	0.39%	0.76%	5.58%	6.53%	0.92%	1.60%
Lower	2.18%	3.11%	0.15%	0.42%	4.57%	5.46%	0.53%	1.08%
Point estimate	2.55%	3.53%	0.27%	0.59%	5.07%	5.99%	0.73%	1.34%

Figure 8: Early stage entrepreneurial activity by gender in the UK, France, Germany and US in 2011
(Source: GEM APS 2011)

	Male TEA	Female TEA
United Kingdom	10.2	5.0
France	8.6	3.0
Germany	6.7	4.5
US	14.3	10.4

	Male EBO	Female EBO
United Kingdom	9.0	4.1
France	3.3	1.5
Germany	8.3	2.9
US	11.3	6.8

Figure 9: Established business ownership by gender in the UK, France, Germany and US, 2011
(Source: GEM APS 2011)

Figure 10: Female entrepreneurial activity in the UK, France, Germany and US, 2002-2011
(Source: GEM APS, 2002-2011)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
United Kingdom	3.2	3.9	3.8	3.7	3.7	3.6	3.6	3.7	4.0	5.0
France	2.1	1.6	3.8	3.3	2.5	2.2	3.3	2	4.8	3.0
Germany	3.4	3.3	3.1	3.8	2.6		3.4	3.7	2.9	4.5
US	8.2	8.2	10.7	9.7	7.4	7.3	8.8	5.8	7.0	10.4

	Male TEA	Female TEA	Ratio Female to Male TEA
England	10.4	5.0	48%
Wales	10.2	6.1	60%
Scotland	8.0	4.3	54%
N. Ireland	10.3	4.3	42%
UK	**10.2**	**5.0**	49%

Figure 11: Male and Female Total early-stage Entrepreneurial Activity in the UK Home Nations, 2011
(Source: GEM APS 2011)

Figure 12: Total early-stage Entrepreneurial Activity in the UK Home Nations by Age Group, 2011
(Source: GEM APS 2011)

	Age Group				
	18-24	25-34	35-44	45-54	55-64
England	5.9	9.8	8.8	7.7	5.6
Wales	10.2	10.9	8.4	6.7	5.1
Scotland	7.4	5.9	7.0	6.2	4.6
N. Ireland	5.3	8.0	8.4	8.1	4.7
UK	6.2	9.4	8.7	7.5	5.5

Figure 13: Total early-stage Entrepreneurial Activity in the UK Home Nations, for 18 to 29 year olds, 2002 to 2011
(Source: GEM APS, 2002-2011)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
England	4.4	5.9	4.7	5.7	5.0	5.5	5.0	5.3	4.7	7.4
Wales	3.4	4.9	4.0	4.0	4.8	4.6	7.8	6.0	7.2	9.7
Scotland	2.8	5.6	6.0	4.6	3.3	4.8	4.0	1.6	5.1	7.0
N. Ireland	4.1	6.1	4.7	5.0	3.6	4.1	3.9	5.7	4.2	7.2

Figure 14: Relative frequency of high job expectation early-stage entrepreneurs in the UK, France, Germany and the US, three year rolling averages, 2002-2005 to 2009-2011
(Source: GEM APS, 2002-2011)

	3 Year Rolling Average							
	2002-2004	2003-2005	2004-2006	2005-2007	2006-2008	2007-2009	2008-2010	2009-2011
UK	25.0%	23.8%	21.9%	21.6%	17.6%	16.8%	15.7%	16.4%
France	10.4%	5.7%	7.7%	6.0%	9.5%	14.7%	18.8%	19.9%
Germany	17.8%	16.5%	16.8%	16.5%	13.7%	13.2%	13.3%	14.5%
US	19.9%	19.2%	20.4%	23.1%	24.9%	23.8%	24.2%	22.8%

	3 Year Rolling Average							
	2002-2004	2003-2005	2004-2006	2005-2007	2006-2008	2007-2009	2008-2010	2009-2011
UK	5.3%	5.1%	5.9%	5.4%	4.9%	4.6%	3.5%	3.5%
France	1.5%	4.3%	4.3%	2.8%	1.9%	1.9%	3.5%	1.6%
Germany	4.1%	3.9%	3.1%	2.2%	1.5%	2.4%	3.1%	3.4%
US	6.8%	5.6%	5.3%	6.3%	7.4%	6.7%	4.6%	3.0%

Figure 15: Relative frequency of high job expectation among established business owner-managers in the UK, France, Germany and the US, three year rolling averages, 2002-2005 to 2009-2011
(Source: GEM APS, 2002-2011)

Figure 16: Absolute frequency of high job expectation early-stage entrepreneurs and established business owner-managers in the UK, France, Germany and the US, three year rolling averages, 2002-2005 to 2009-2011
(Source: GEM APS, 2002-2011)

	3 Year Rolling Average							
	2002-2004	2003-2005	2004-2006	2005-2007	2006-2008	2007-2009	2008-2010	2009-2011
UK TEA	1.47%	1.46%	1.30%	1.27%	0.99%	0.94%	0.93%	1.08%
France TEA	0.43%	0.33%	0.42%	0.27%	0.47%	0.69%	0.98%	1.05%
Germany TEA	0.92%	0.86%	0.82%	0.79%	0.55%	0.52%	0.54%	0.67%
US TEA	2.22%	2.31%	2.30%	2.48%	2.54%	2.28%	2.17%	2.15%
UK EBO	0.28%	0.26%	0.30%	0.28%	0.27%	0.26%	0.21%	0.21%
France EBO	0.02%	0.08%	0.08%	0.06%	0.05%	0.05%	0.09%	0.04%
Germany EBO	0.19%	0.17%	0.13%	0.09%	0.06%	0.11%	0.16%	0.19%
US EBO	0.38%	0.29%	0.27%	0.32%	0.47%	0.44%	0.35%	0.22%

Figure 17: Percentage of UK nascent entrepreneurs who have reported ever using a type of funding for a business, 2006 to 2011
(Source: GEM APS, 2006 to 2011)

	2006	2007	2008	2009	2010	2011
Type of funding ever sought						
Friends and family	21.2	24.0	25.2	27.7	23.1	16.8
Individual investors (not friends and family)	10.2	9.3	11.0	16.5	12.3	7.1
Unsecured bank loans	13.1	12.6	14.6	18.0	20.6	7.0
Bank overdraft	23.2	21.9	23.4	27.2	23.7	13.2
Non-bank unsecured loan	5.7	7.6	5.6	6.4	4.2	1.1
Mortgage or other secured loan	15.8	14.5	14.5	15.7	7.2	6.8
Equity finance or formal venture capital	5.3	5.3	2.4	5.2	3.7	0.9
Government grants	11.2	12.9	9.3	9.9	6.7	4.1
Credit cards	13.7	15.7	17.8	15.2	20.3	7.1

Figure 18: Awareness of and Participation in Enterprise Week/Global Entrepreneurship Week in UK, 2009-2011
(Source: GEM APS, 2009-2011)

	2009	2010	2011
Heard of Global Entrepreneurship Week	18.7	21.8	22.2
Participated in Global Entrepreneurship Week	2.1	2.6	3.8

Figure 19: Awareness of and participation in GEW by stages of the entrepreneurial process, 2011
(Source: GEM APS, 2011)

	No activity or intention	Intend to start (within three years)	Nascent entrepreneur	New business owner/ manager	Established business owner/ manager
Aware of GEW	22.6%	31.8%	22.3%	9.0%	15.4%
Participated in GEW	4%	6%	5%	3%	0%