



DISCLAIMER: Please note that SME Fact Sheets are not standalone instruments, do not constitute a comprehensive assessment of Member States' policies and should be regarded as a supplement to, and not a substitute for, available national publications. **Please refer to the methodological note before reading this SME Fact Sheet.**

1. SMEs in the United Kingdom – a brief fact check:

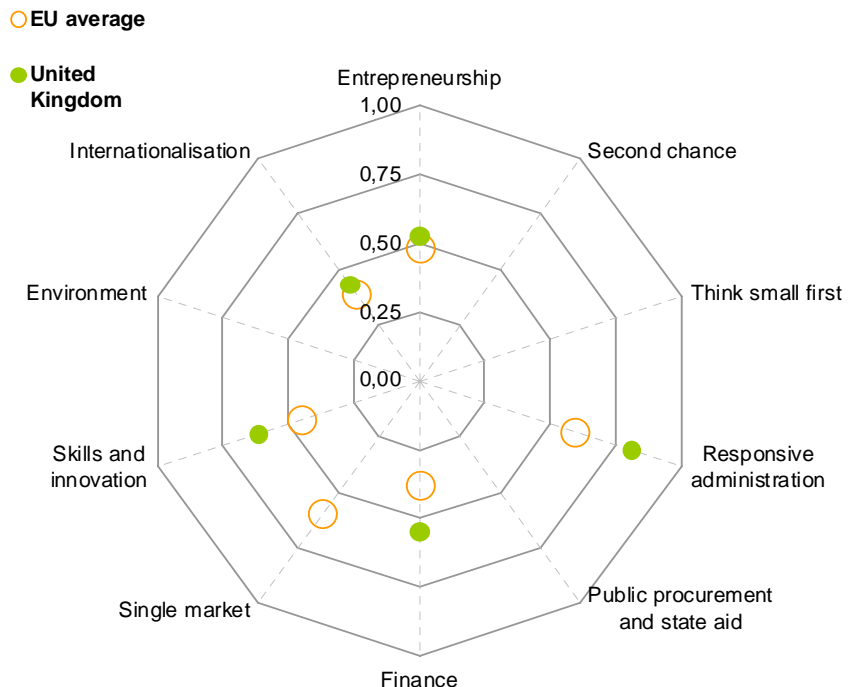
There are approximately 26 SMEs per 1000 inhabitants in the United Kingdom, which is below the EU-27 average of almost 40. Consequently, SMEs appear to play a slightly less important role in the economy of the United Kingdom than in the EU on average. The share of SMEs in total employment as well as in overall value-added is lower. Nonetheless, SMEs in the UK (as elsewhere in Europe) form the backbone of the economy as the SME population of the UK (almost 1,6 million) is – in absolute terms – one of the largest in the EU.¹

	Number of enterprises			Number of persons employed			Value added (MEUR)		
	Value	%	EU-26 average	Value	%	EU-24 average	Value	%	EU-26 average
Micro	1.383.311	87,1%	91,8%	3.869.435	21,4%	29,6%	193.123	18,9%	21,1%
Small	171.703	10,8%	6,9%	3.161.903	17,5%	20,6%	162.362	15,9%	19,0%
Medium	27.562	1,7%	1,1%	2.755.698	15,2%	16,8%	171.571	16,8%	17,8%
SMEs	1.582.576	99,6%	99,8%	9.787.036	54,0%	67,1%	527.055	51,6%	57,9%
Large	6.240	0,4%	0,2%	8.323.762	46,0%	32,9%	494.351	48,4%	42,1%

Source: Eurostat SBS data base, 2004 and 2005 data.

2. The United Kingdom's SBA profile²

The United Kingdom outperforms the EU-average in all categories of the SBA profile. In a number of them, such as “Responsive administration”, “Finance” and “Skills and Innovation”, the UK actually ranks among the top performing countries in the EU. “Public procurement and State Aid” is the only area where the two available indicators show lower values than in most EU countries.



¹When analysing the data in this section, it should be taken into account that the SME data presented here is based on registered SMEs. The UK has the highest VAT threshold in the EU and therefore a large number of SMEs operate below the VAT threshold.

²It should be noted that the different dimensions of the radar correspond to the set of 10 principles foreseen in the European Commission's Small Business Act.



I. Entrepreneurship: The United Kingdom performs above the EU average in this category. In most cases, the results for almost all indicators are just higher than the EU averages. Wherever they fall short of that benchmark, it is missed by a very small margin. The most striking observation in the case of the UK is that while there is no indicator with a really substantial lead over the EU average, almost all of them beat this average in a very consistent way. In line with this, the only two indicators with figures trailing the EU average - the role of school education in developing entrepreneurial attitude and the rate of women entrepreneurs - it is doing so by only a very slim margin.

II. Second chance: For the only indicator available in this bracket - degree of support for allowing a second chance - the United Kingdom's performance is slightly above the EU average.

III. Think small first: There is not enough information for this section to allow for the calculation of a section average, but the available indicators hint at a good performance, in particular as regards the comparatively short time it takes to comply with administrative obligations (5% of total SME working time as opposed to the EU-average of 8%).

IV. Responsive administration: The figures for the United Kingdom clearly outperform the EU average for this category. This result is also mirrored in almost all individual indicators. There is one indicator (conditions for severing employment contracts) where the country ranks first in the EU, and on most of the others it ranks among the top performers. The costs of enforcing contracts (23% in the UK versus the EU average of 19%) of the costs of the claim is the only indicator showing less-positive marks than the EU average.

V. Public procurement and State aid: Both indicators in this section, the share of SMEs in public procurement contracts and the proportion of state aid devoted to SMEs, provide figures for the United Kingdom significantly below the EU-average. In terms of public procurement the United Kingdom ranks very low as compared to the other EU- Member States (31% of the contract volume going to SMEs as opposed to 42% for the EU as a whole).

VI. Finance: Given the United Kingdom's role as a financial centre, it is unsurprising that its figures in this category are well above the EU average. On

some of the indicators the UK assumes the top position in the EU. These include the strength of the legal rights index and the depth of credit information index. Venture capital - in particular for the expansion phase - is another area where the United Kingdom outperforms most of the other EU member states. The indicators with values lower than the EU average include delays in payments (77% of average contract days vs 50%) and the planned share of EAFRD funds dedicated to support measures for business creation and development (1,3% to 2,7%).

VII. Single market: The three indicators related to the implementation and transposition of EU rules in national law does not add up to a clear picture. While two of the three shows above EU average figures, the third one (average transposition delay for overdue directives) points in the other direction.

VIII: Skills and innovation: The United Kingdom performs rather well in this category. Both innovation and education and skills indicators are, in general, higher than the EU average. On the positive side, the two indicators standing out are those that describe the use of the internet to conduct business as well as the share of SMEs offering training in relation to all SMEs (where the United Kingdom tops the EU rating with 90,5%, as compared to 66,5% for the EU-average). On the downside, the average hours spent in CVT course per employee and the participation rate in learning activities are relatively low, compared to the EU average.

IX: Environment: This category does not allow for the calculation of a section average given that three indicators are available. It only can be stated that in general the performance was close or even higher than the EU-average. Strikingly, on the expenditures on environmental protection the United Kingdom's SMEs are found to outspend substantially their average EU-counterparts (ca €3.600 as opposed to almost €900 in 2004).

X: Internationalisation: In this category the situation is mixed, as the individual indicators show rather heterogeneous scores without any clear trend. On the upside, the value of SMEs gaining income from subsidiaries and joint venture clearly exceeds the EU average (7,5% to 4,8%). Indicators based on the number of days required for importing or exporting are rather average (with 13 days in each case, reflecting the EU-average). On the other hand, the share of export in turnover is below the EU-average (3,6% to 4,6%).



Example for a good practice in SME policy

To illustrate the efforts of the Government to promote SMEs, the statistical information of the fact sheet is enriched by an example of a good practice in SME policy - as singled out in the European Commission's Communication on "Think small first – A Small Business Act for Europe":

Title of the Project: Regulation checklist

The objective of the project is to give businesses a complete all-round perspective on the regulations that apply to them and to point them to relevant details on Government departmental sites.

SMEs in the United Kingdom can get a tailored list of regulations that are relevant to their business and cover information from every relevant government department, including tax, VAT, employment law, health and safety, patent law, consumer protection law. Each regulation is linked to easy plain English guidance. A selection of content is made for the user from 2 000 screens of guidance. These screens are approved by subject matter experts and reviewed once every six months. Users can save their list or sign up for e-mail alerts about each regulation. They can also ask for their list to be e-mailed to them.

For further information: www.businesslink.gov.uk

Contact details:
Entr-Craft-Small-Business@ec.europa.eu
Tel : 0032 (0)2 29 92 639