

The Vital Six Per Cent

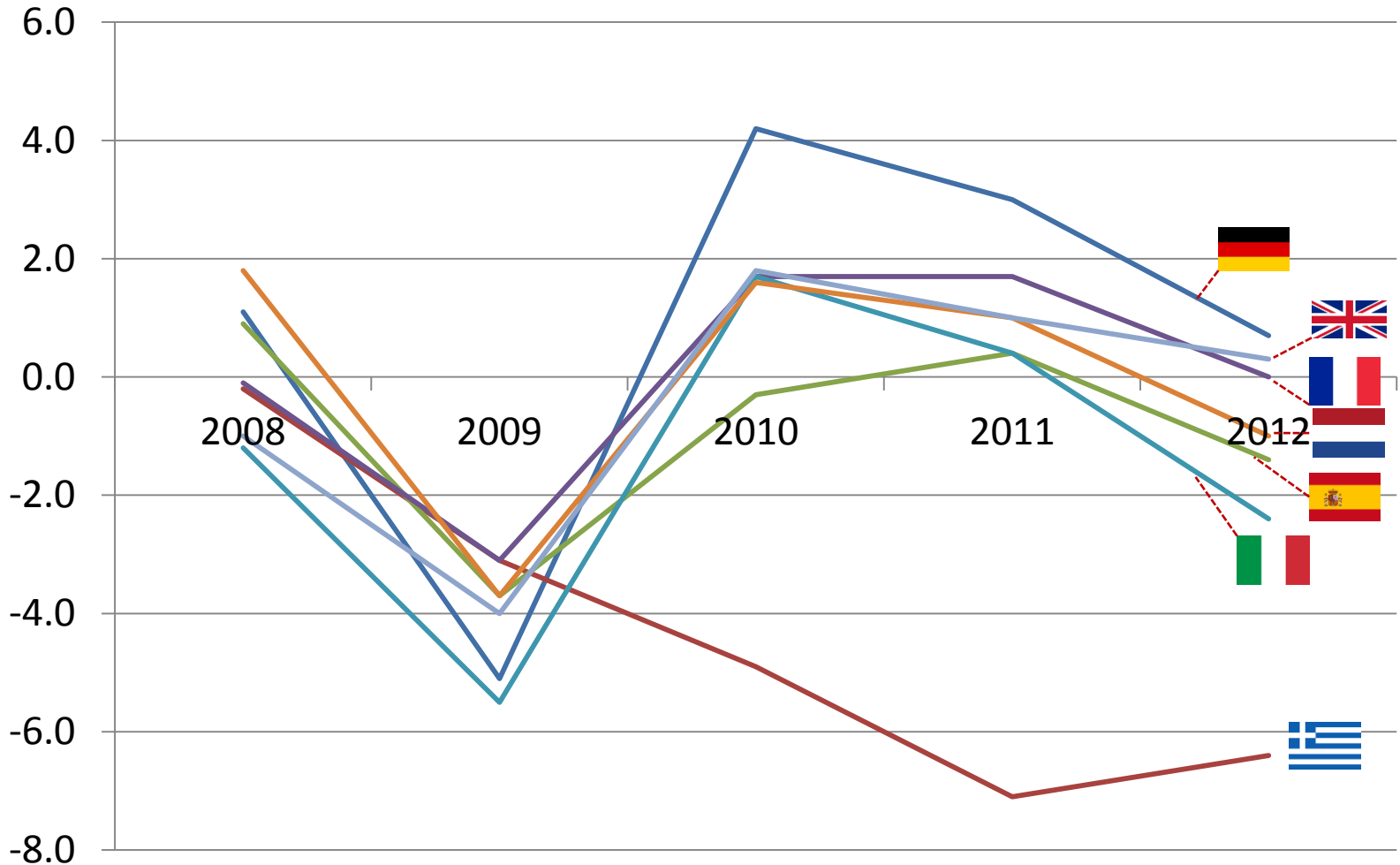
The high-growth, innovative businesses that power the UK economy

Young Company Finance, Stirling
12 September 2013

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Where are the jobs? Where's the growth?

GDP growth, %



Which businesses really matter?



Big business?



Small businesses?



Small businesses account for 47 per cent of private sector employment and 34 per cent of turnover



Start-ups?



Start-ups... are almost the sole drivers of job growth



Tech companies?

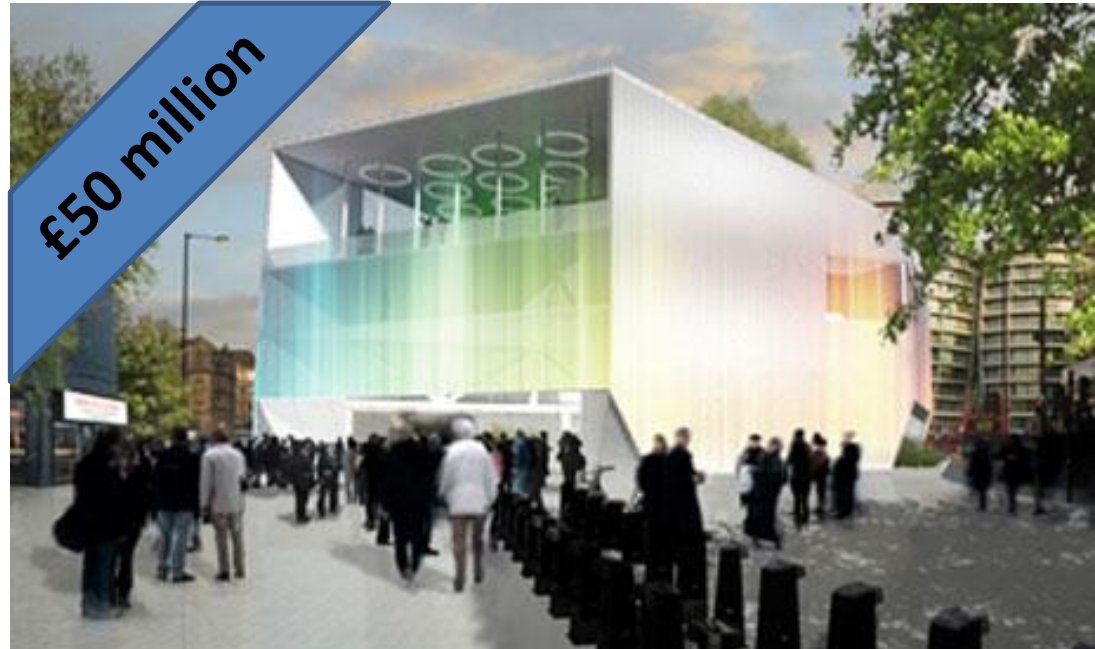


High-tech job creation growing nearly four times faster than other sectors

The intersection of the sets?

JOBS AT UK TECH STARTUPS GROW BY RECESSION-BUSTING 22%

By Tech City News, Editorial
Friday May 3rd, 2013

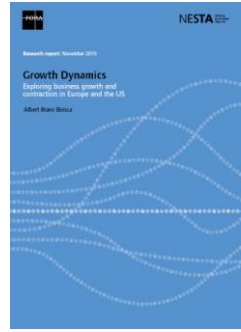


What does the research show?

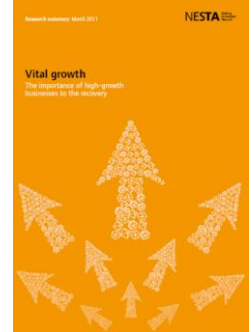
We looked at employment growth and revenue growth among *all* businesses in UK and 11 other countries in the last decade (2002-05, 2005-08, 2007-10)



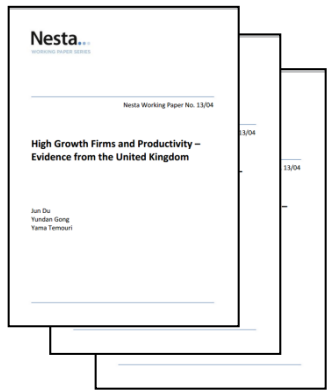
The Vital Six Per Cent; Business Growth and Innovation; Measuring Business Growth (2009)



Growth Dynamics (2010)



Vital Growth (2011)

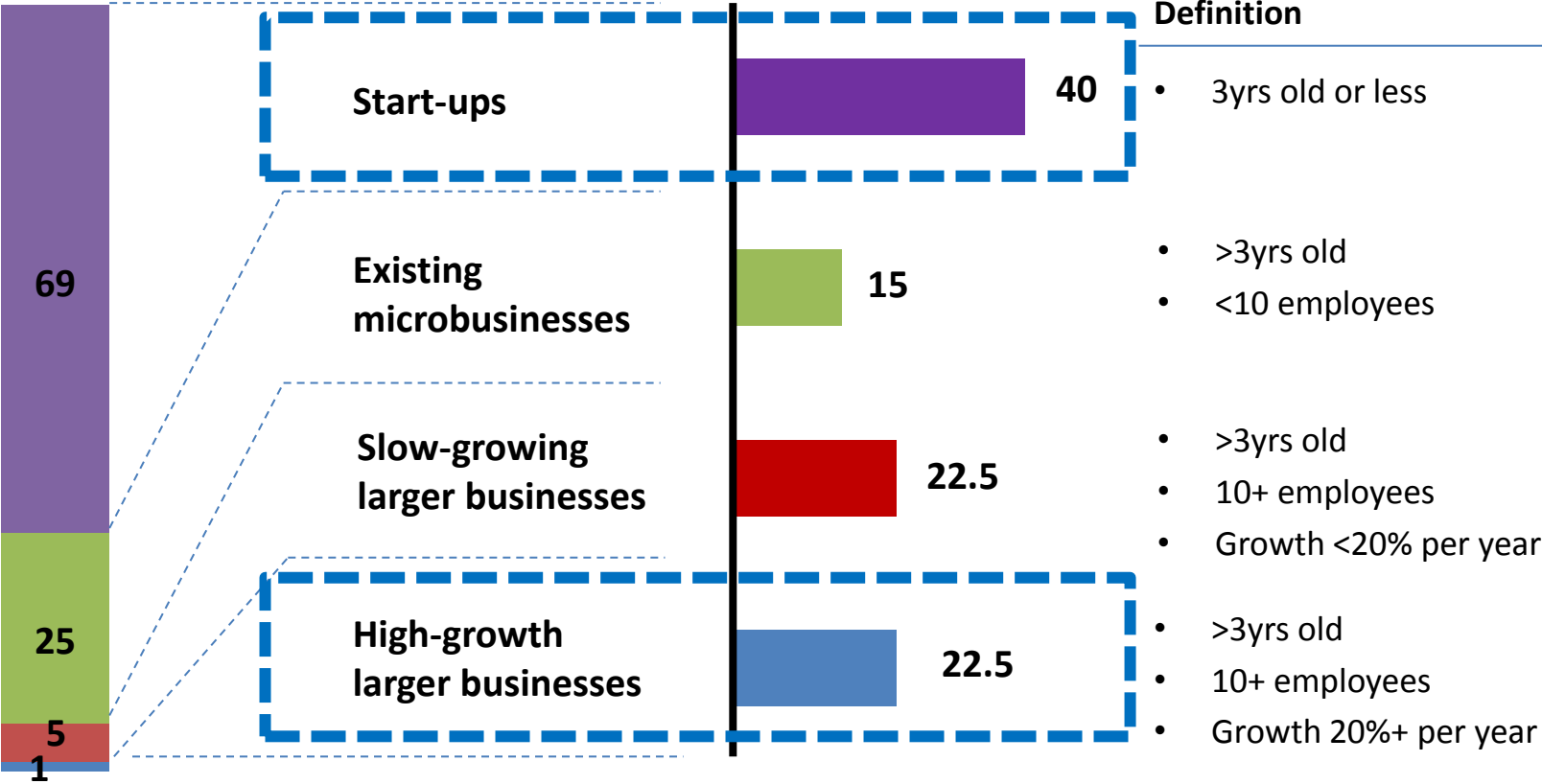


Working papers from ongoing research (2012-13)

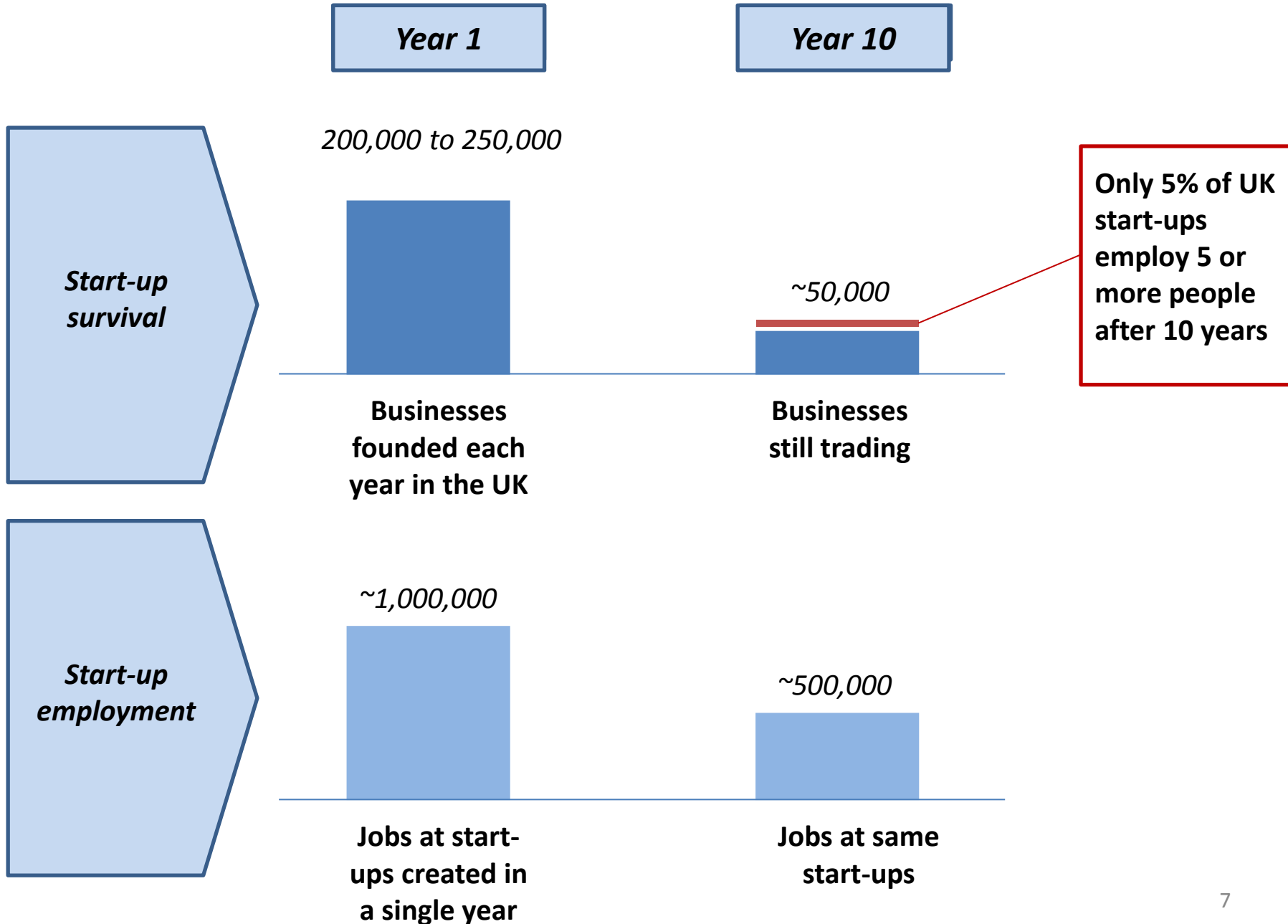
So who does create jobs?

Types of businesses that create jobs, %age of job-creating firms, UK 2007-10

Gross job creation, % of total, UK 2007-10
 100% = 4.7m new jobs created

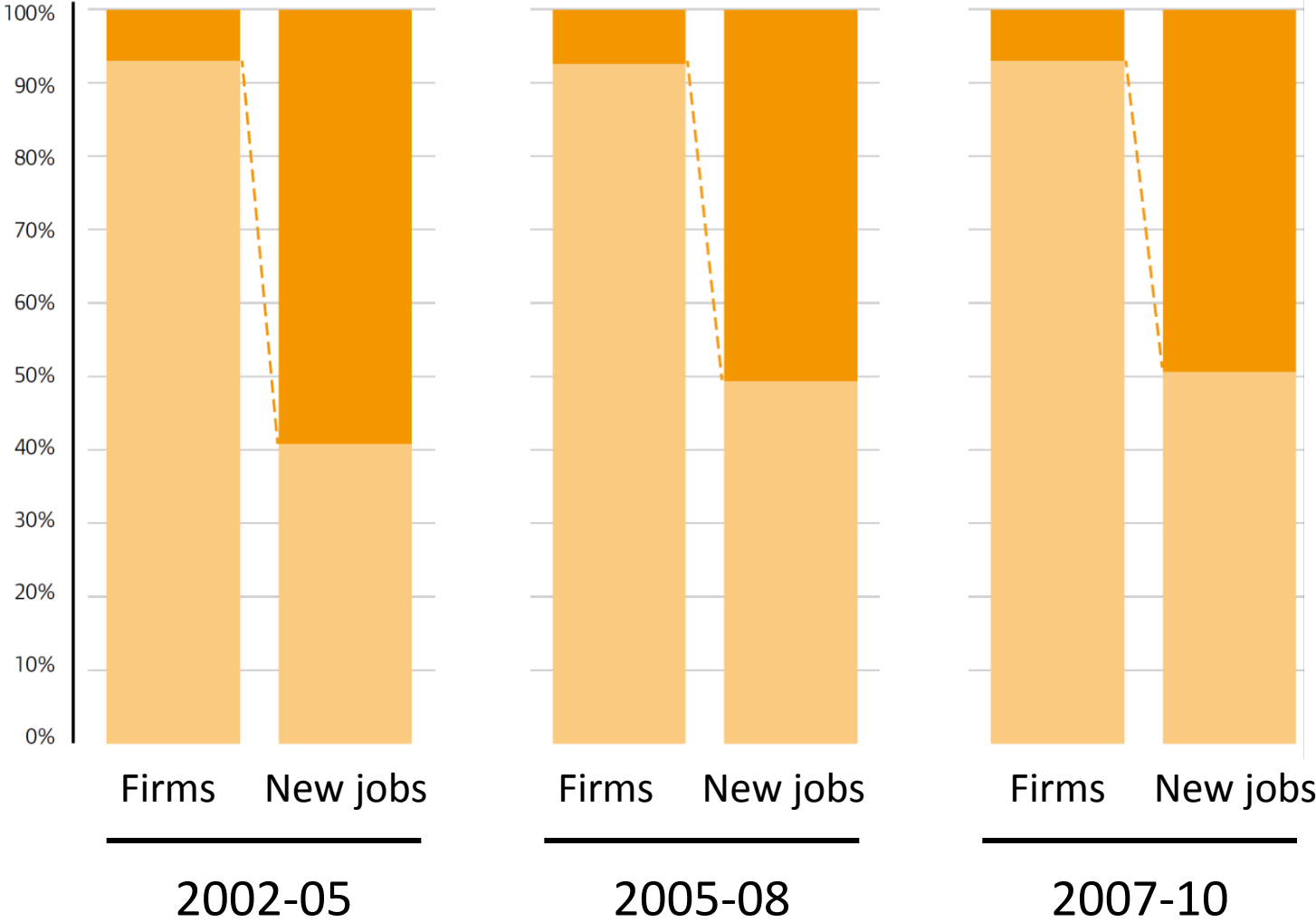


Not all start-ups are equal: growth matters



High growth firms are unusually important

Job creation by existing UK businesses with 10+ employees



Source: Vital Growth (NESTA, 2011), based on the ONS Business Structure Database

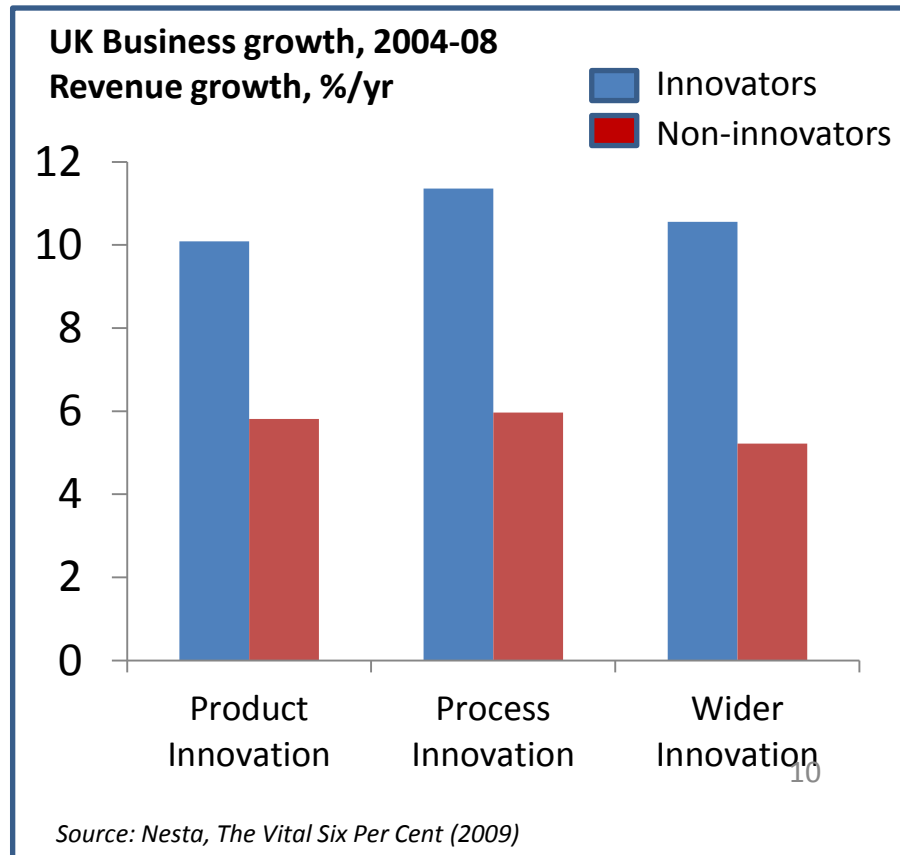
This isn't a "growth sector" story

Proportion of high-growth firms by sector, %



Source: Vital Growth (NESTA, 2011), based on the ONS Business Structure Database

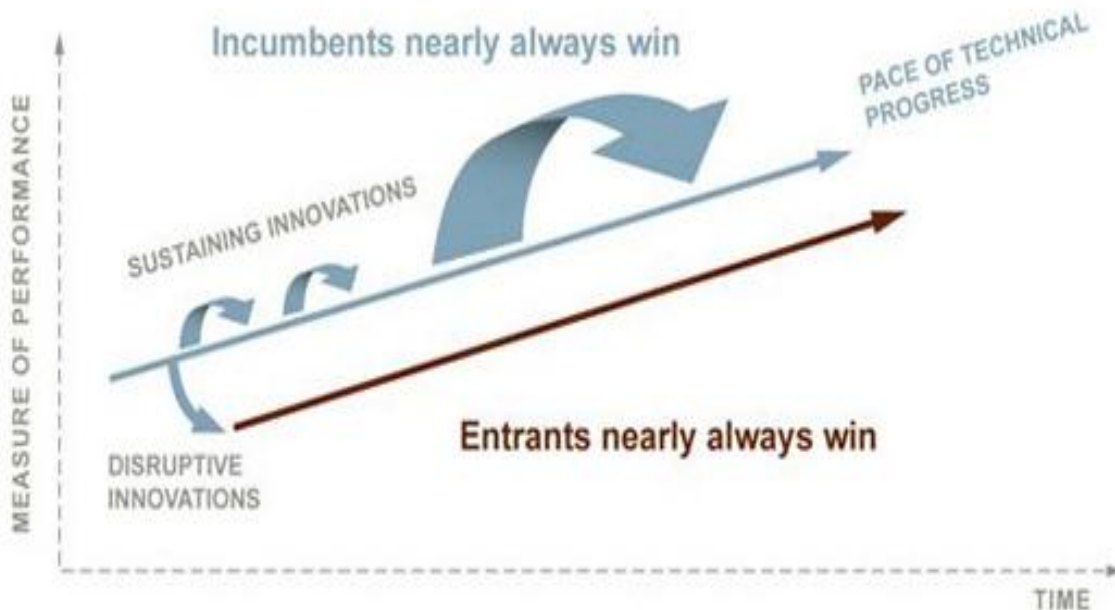
But innovation really matters



Ambitious start-ups reinvent industries

“the firms that led the industry in every instance of developing and adopting disruptive technologies were entrants to the industry, not its incumbent leaders.”

Clayton Christensen, on hard drives



What has the UK done?

Big tax breaks for early-stage investors (EIS, SEIS, EMI, ECFs)

Start-up loans

Simplification of processes (Start-Up Britain)

Innovation isn't just about science and tech



Creative industries meets technology



Putting Big Data to work for businesses



Innovation in education and health



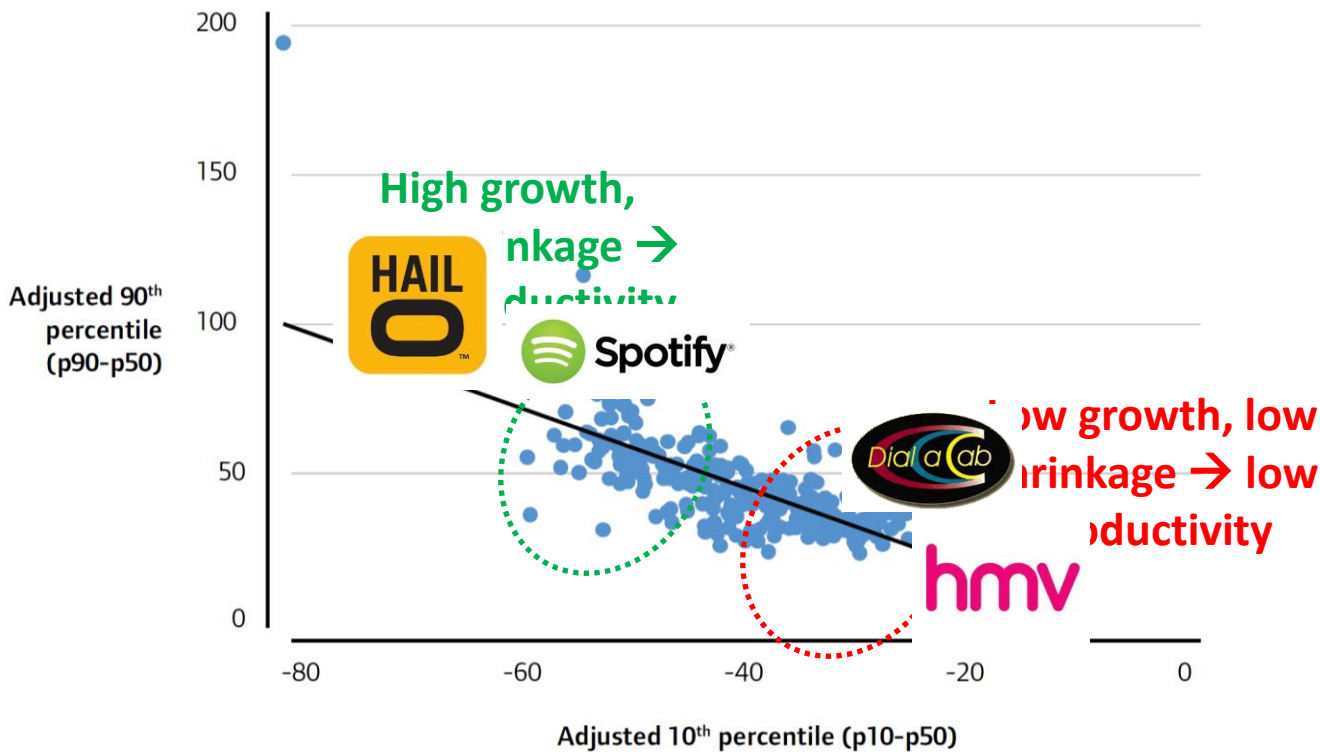
Access to finance



Social innovation: social impact bonds, innovation in social action

Good businesses need room to grow

Growth of fastest-growing firms vs growth of slowest-growing firms (country-industry pairs)



What helps?

Deregulation

Better access to finance
(Funding for Lending, Enterprise Capital Funds, crowdfunding)