



GEM UK: Northern Ireland Report 2016

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The Global Entrepreneurship Monitor (GEM) is an international project, involving 65 economies in 2016, which seeks to provide information on the entrepreneurial landscape of countries. Many studies have shown that entrepreneurship is an important driver for economic growth, competitiveness and job creation. The results of the GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. The sample size in Northern Ireland in 2016 was 1,496 adults over 18 years of age.

Main Findings

- **Levels of entrepreneurial activity are a vital sign of any economy as it has been shown that the creation of new ventures is positively connected to the drivers of economic growth and productivity through increased innovation, competition and job creation. While recent years have seen record levels of start-up in the UK in an international context there remains a clear ‘entrepreneurial deficit’ in Northern Ireland as measured by business start-up activity.**
- **Northern Ireland has historically lagged behind the rest of the UK in terms of enterprise start-up activity and the GEM Global project confirms this through its unique annual survey which focuses on the measurement of new business formation at the level of the individual.**
- **The rate of total early-stage entrepreneurship (TEA) in Northern Ireland in 2016 is 6.3%, relatively unchanged from 2015. The 2016 rate compares to 8.8% in the UK overall, 9.2% in England, 7.6% in Wales, and 7.3% in Scotland.**
- **The TEA rate in Northern Ireland is significantly lower than in England and the UK in 2016, likewise when the rates are combined over 2014-16 Northern Ireland has a significantly lower rate than both England and the UK.**
- **Entrepreneurial activity is driven by opportunity motives; necessity-driven TEA in Northern Ireland is 1.0% in 2016 while opportunity-driven TEA is 5.1%.**
- **The female TEA rate in Northern Ireland is 4.9% in 2016 compared to a male rate of 7.8%. This rate of male entrepreneurship is particularly low compared to the UK average resulting in a relatively high female to male TEA ratio of 62%, the highest in the UK (47% average).**
- **TEA rates tend to vary by age with those aged over 30 generally more likely to be engaged in entrepreneurial activity. In 2016, however, the TEA rate of young adults aged 18 to 29 in Northern Ireland is 8.4% (UK 8.7%), not significantly different to the TEA rate of 5.7% for 30 to 64 year olds (UK 8.9%).**
- **Within Northern Ireland the highest TEA rates are typically found in the Mid-Ulster Council area while Derry City and Strabane have the lowest. The rate in Mid-Ulster is driven by male entrepreneurial activity, in fact over 2014-16 the**

male TEA rate in Mid-Ulster is more than double that of the male rate in Derry City and Strabane.

- **Around 30% of the non-entrepreneurial working age population perceive good start-up opportunities locally in 2016. The UK rate of 37.9% continues to be significantly higher than that for Northern Ireland.**
- **Around two-fifths (44.3%) of non-entrepreneurial individuals of working age in Northern Ireland who agreed there were good start-up opportunities report they are afraid of starting a business in case it might fail; this is not significantly different than in the UK (39.6%).**
- **The proportion of non-entrepreneurial working age adults in Northern Ireland who expect to start a business within the next three years is 6.2% in 2016. Northern Ireland's rate continues to remain significantly lower than the UK rate of 11.1%.**
- **High job expectation rates amongst TEA entrepreneurs are similar in Northern Ireland and the UK at around 18% over 2014-16. High job expectation is typically lower for established businesses; in Northern Ireland the high job expectation rate increased considerably for established business owners during 2014-16, and at 6% exceeded the UK rate.**

Background

The Global Entrepreneurship Monitor (GEM) is based on the following premises. First, an economy's prosperity is highly dependent on a dynamic entrepreneurship sector. Second, an economy's entrepreneurial capacity is composed of individuals from all groups in society with the ability and motivation to start businesses, and requires positive societal perceptions about entrepreneurship. Third, high-growth entrepreneurship is a key contributor to new employment in an economy, and national competitiveness depends on innovative and cross-border entrepreneurial ventures.

In 2016 Invest NI sponsored the Northern Ireland component of the GEM UK research project. Stimulating entrepreneurship remains an important challenge for the region; Invest NI has committed significant resources over the years in ensuring that it is embedded within their core activities. Of the 313,000 respondents to GEM UK surveys for the period 2002-2016, over 38,000 respondents were from Northern Ireland. The region now has a large longitudinal database on entrepreneurial attitudes, activity and aspirations. This is particularly useful in conducting trend analysis for important sub-populations in Northern Ireland, such as young people, and enables comparisons to the other home nations.

The results from the GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. They also enable comparisons to be made with the other regions of the UK and other countries participating in GEM. Overall, GEM's unique ability to provide information on the entrepreneurial landscape of countries in a global context makes its data a necessary resource for any serious attempt to study and track entrepreneurial behaviour.

It is important that we better understand the determinants of early-stage entrepreneurship, because there is evidence to suggest a connection between higher rates of entrepreneurship and overall economic prosperity, particularly in innovation-driven economies like Northern Ireland.

How GEM Measures Entrepreneurial Activity

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 1998. In 2016, GEM Global conducted surveys in 65 sovereign nations and represented the world's most authoritative comparative study of entrepreneurial activity in the general adult population. A telephone survey of a random sample of the adult population is conducted each year between May and September.

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 2016 GEM Global study was based on an analysis of adult population survey (APS) results from 65 economies and more than 182,000 adults across the world. 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, about their aspirations for their business. The global GEM Executive 2016 Report was published in February 2017¹ 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.

¹ Herrington, M. and Kew, P. (2017) Global Entrepreneurship Monitor 2016/17 Global Report. London: Global Entrepreneurship Research Association

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. Finally, we ask individuals if they have sold, shut down, discontinued or quit a business, in the past year. 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 stage² and the new business owner-manager stage³, are combined into one index of Total early-stage Entrepreneurial Activity, or TEA, which is represented in Figure 1 below.

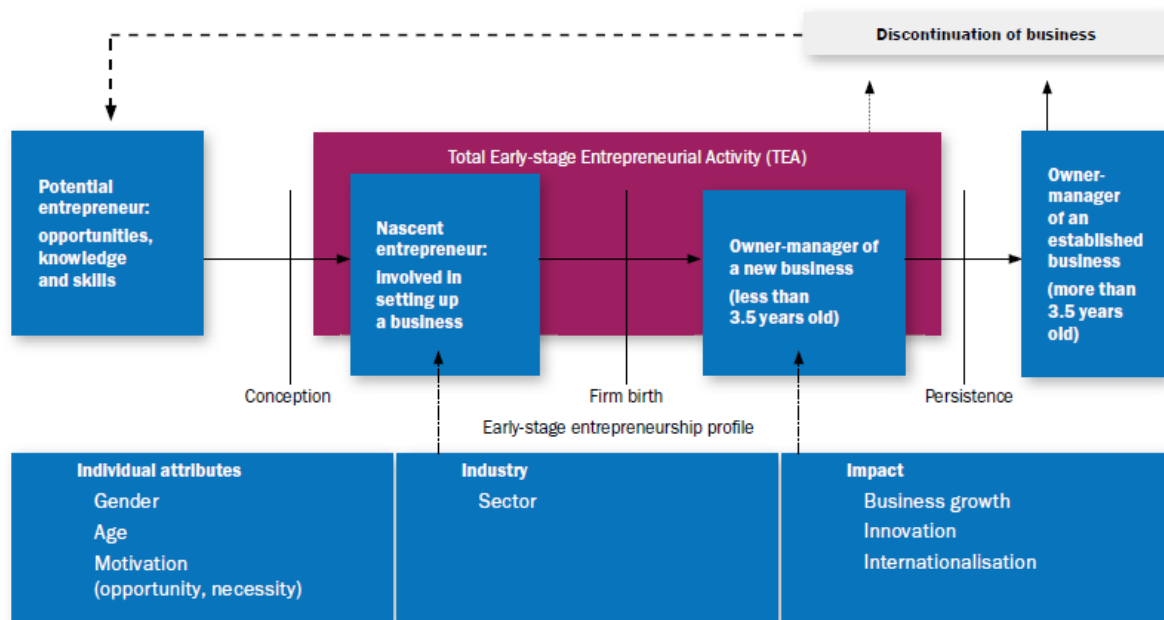


Figure 1: The Entrepreneurial Process and GEM Operational Definitions
(Source: Herrington and Kew, 2017, pg.15)

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.

² The active planning phase in which the entrepreneur has done something during the past 12 months to help start a new business, a new business that he/she will at least part own, and which has not paid wages or other income to the owners in the past 3 months.

³ The second phase is defined as from 4 to 42 months after the new venture begins to provide income to the owners. Entrepreneurs who at least part own and manage a new business that has been paying some form of income to the owners for at least 4 and not more than 42 months are referred to as new firm entrepreneurs.

The TEA index does not measure all entrepreneurial activity and is not based on a survey of business entities. It measures the characteristics of entrepreneurial individuals and the types of entities they establish. As such it is a unique and internationally comparative measure of the cultural propensity of a nation, or region, to be entrepreneurial.

One way of distinguishing between different types of entrepreneurial activity is the extent to which the activity is based on necessity (i.e. there are no better alternatives for work) or opportunity (where entrepreneurs may be exploiting the potential for new market creation). In addition since 2011, entrepreneurial activity among employees has been measured, adding to our knowledge about the variety of contexts in which entrepreneurial activity can be expressed. In addition to activity, the GEM survey asks all respondents about their attitudes to entrepreneurial activity, and asks entrepreneurs about their aspirations.

The methodology, sample sizes and weighting systems used for the GEM UK 2016 adult population survey are explained in more detail in the GEM UK 2016 report (www.gemconsortium.org). 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 2013, this was increased to 20%, in line with recent estimates in the proportion of mobile-only households in the UK. The following report presents a summary of the headline results, and key themes arising from the GEM survey in 2016 and the analysis of the fourteen years of GEM data (2002-16).

Total Early-Stage Entrepreneurial Activity - The TEA Index

The rate of early-stage entrepreneurship in Northern Ireland in 2016 is 6.3%. This compares to 8.8% in the UK overall, 9.2% in England, 7.3% in Scotland and 7.6% in Wales. The TEA rate for Northern Ireland is significantly lower than that in England and the UK in 2016 (Figure 2). Pooling the data over the most recent three years (2014-16) to remove annual fluctuations gives a TEA rate of 6.2% for Northern Ireland. This rate, along with that in Scotland (6.5%) and Wales (7.2%) is significantly lower than the rate of 8.6% in England and 8.2% in the UK.

Overall, the TEA rate of 6.3% in Northern Ireland in 2016 equates to around one in every sixteen adults aged 18-64, or over 71,000 individuals, engaged in early-stage entrepreneurial activity, 56% of whom were in the very early stages of starting a business (nascent entrepreneurs: 3.6%) and the remainder those who had a new business which was between 3 and 42 months old (2.8%).

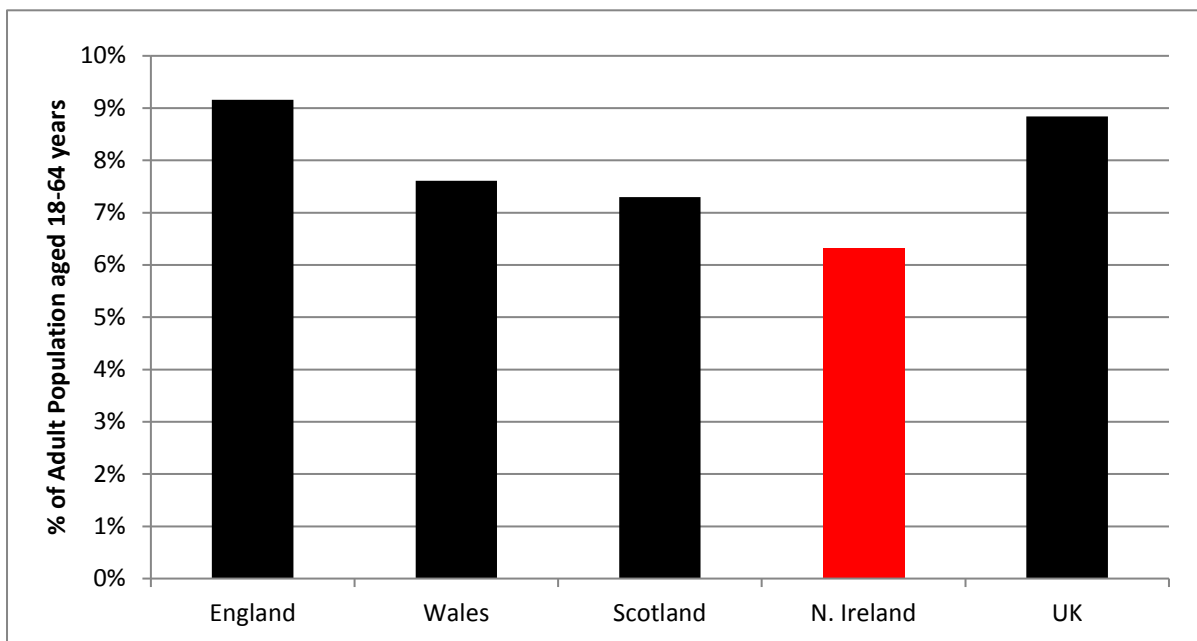


Figure 2: Total early-stage Entrepreneurial Activity (TEA) in the UK Home Nations 2016 (Source: GEM APS)

Entrepreneurial activity in the UK and Northern Ireland has been on an upward trend over the long-term 2002-16 period (Figure 3). Historically the level of early-stage entrepreneurial activity in Northern Ireland has tracked that of the UK; since 2011 a gap of around 2-3 percentage points has remained between the two which, in 2016, was statistically significant.

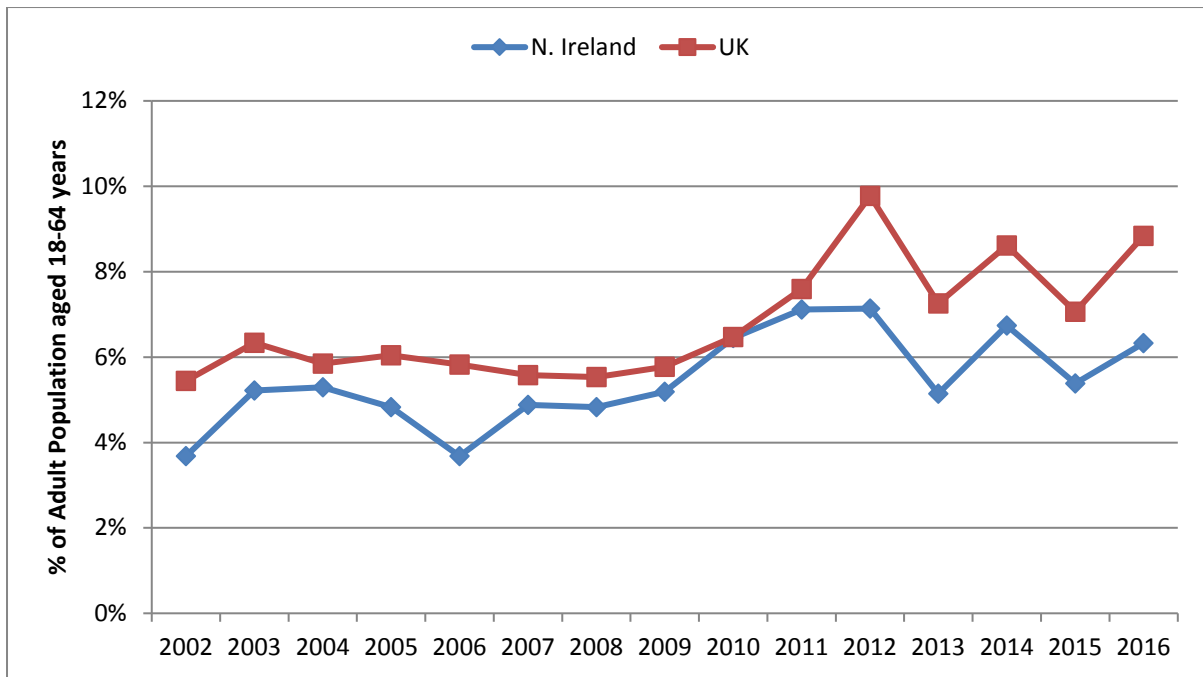


Figure 3: Total early-stage Entrepreneurial Activity in Northern Ireland and the UK 2002-2016 (Source: GEM APS 2002-16)

There are no significant differences in the TEA rates across Northern Ireland Council areas in 2016 however one year observations on GEM can be unreliable due to small sample sizes. Figure 4 plots the pooled TEA rates over the 2002-2016 period; this method averaging out any random annual fluctuations. It indicates that over the period the highest rate of entrepreneurial activity was in the Mid Ulster area with a TEA rate of 6.6% whilst the lowest was the Derry City and Strabane area with a rate of just 4.2%; the difference between these two statistically significant. Notably Belfast lies below the Northern Ireland average with a TEA rate of 4.4% which is also significantly lower than that for Mid Ulster.

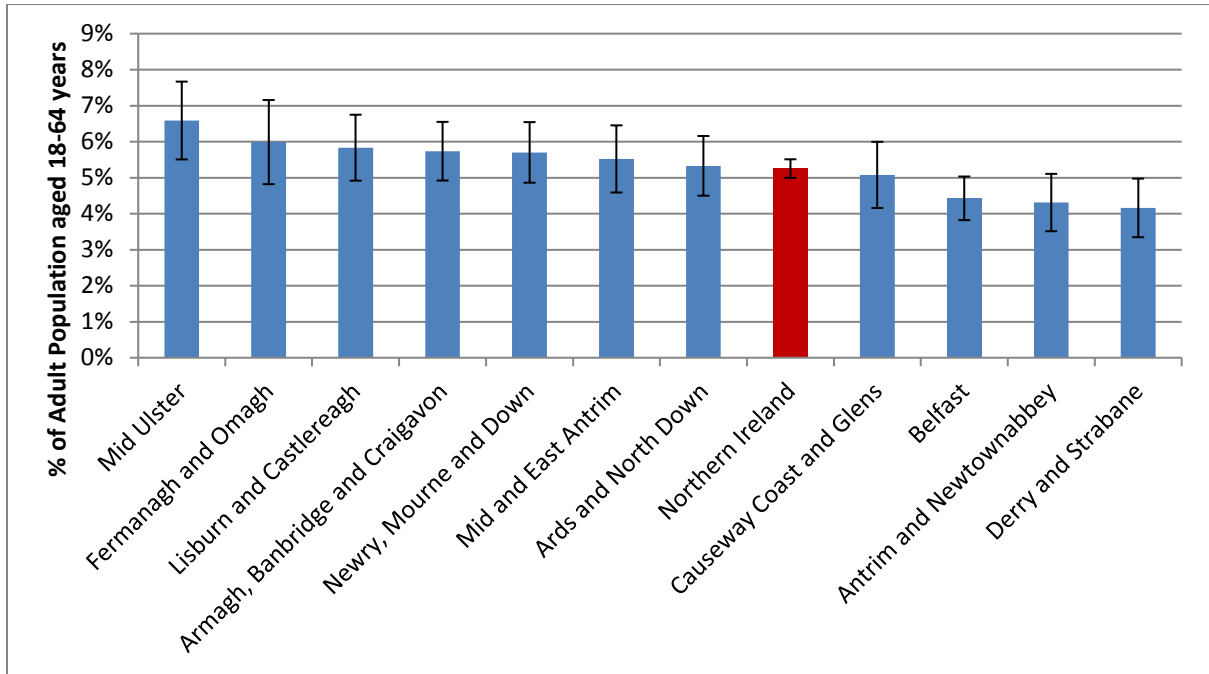


Figure 4: Total early-stage Entrepreneurial Activity in Northern Ireland in 2003-2016 by Council Area, with 95% confidence intervals⁴. (Source: GEM APS 2003-16)

Figure 4a presents the pooled TEA rates for the Invest NI regional office areas over the 2002-16 period. There is no statistical difference between the rates over this period.

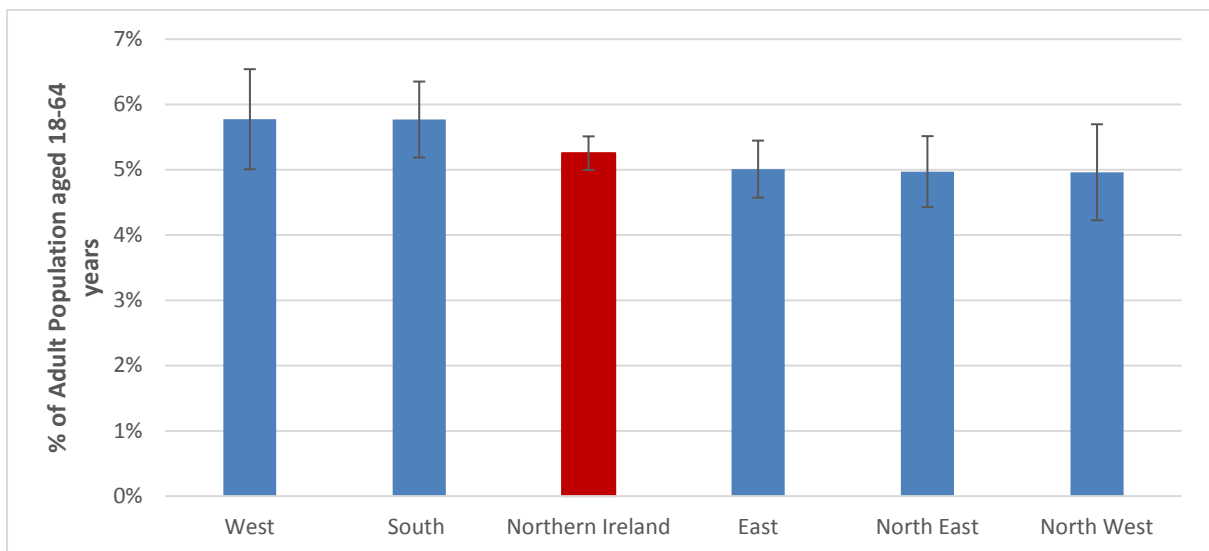


Figure 4a: Total early-stage Entrepreneurial Activity in Northern Ireland in 2003-2016 by Invest NI Regional Office Area, with 95% confidence intervals (Source: GEM APS 2003-16)

⁴ Confidence intervals for a mean specify a range of values within which the unknown population mean may lie. At the 95% level we are 95% confident that the interval contains the true population mean.

Depicting the TEA rates in a slightly different way, Figure 5 displays the trend by Council area using 3 year rolling averages from 2002-04 to 2014-16. At the start of the period, and for several years, there was little difference in the entrepreneurial activity rates across Council areas. Over time some divergent trends have emerged; from the late 2000s entrepreneurial activity surged in the Mid Ulster Council area, Armagh, Banbridge and Craigavon followed a similar but shorter trend. Fermanagh and Omagh saw a drop in its entrepreneurial activity rates over the same period but by 2014-16 had recovered to exceed the NI average rate.

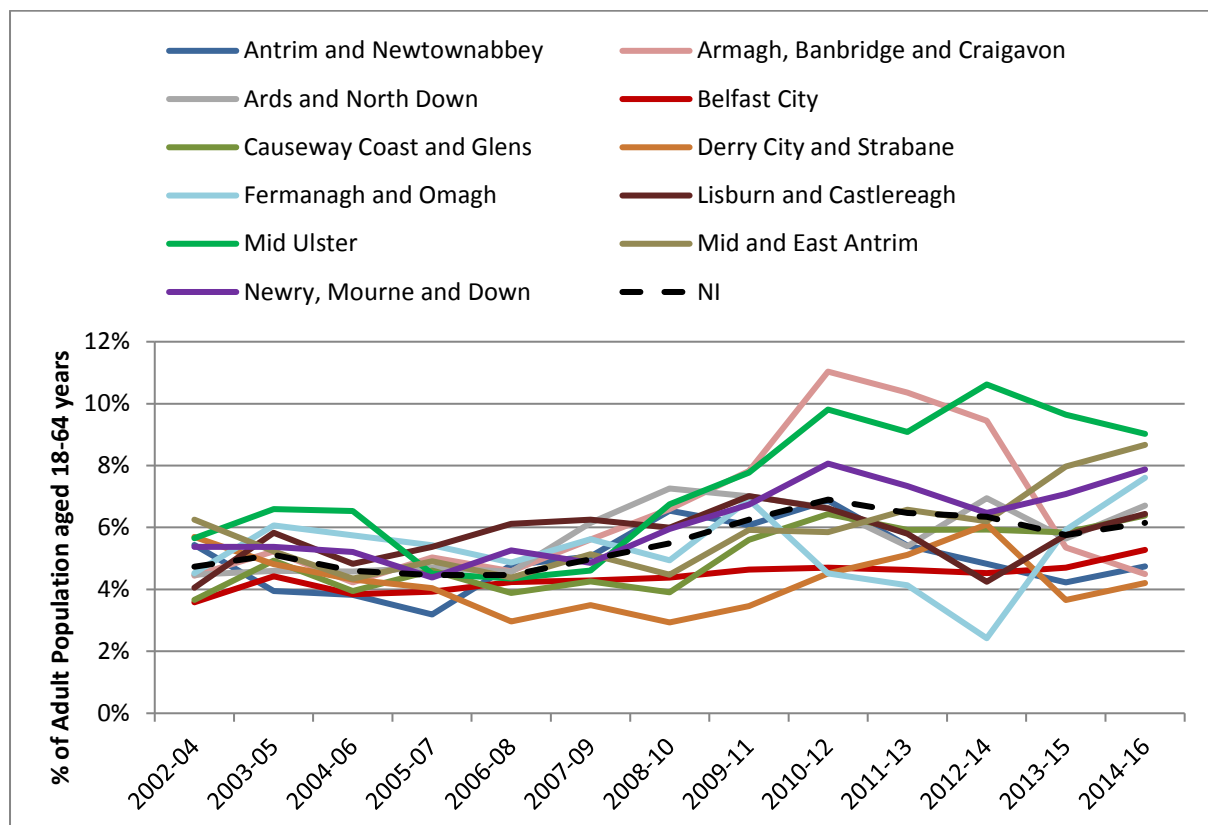


Figure 5: Total early-stage Entrepreneurial Activity in Northern Ireland by Council Area, rolling averages 2002-2004 to 2014-2016 (Source: GEM APS)

The divergence is also reflected in the TEA rates across Regional Office Areas over the same time period. Figure 5a shows the increase in entrepreneurial activity rates in the South and the decline in the West in the years between 2009-13. Notably, the rate in the South peaked at over 9% during 2010-12 whilst the rate in the West was at its lowest at just 4.3% during this same period. By 2014-16 the rates had all converged around 6%.

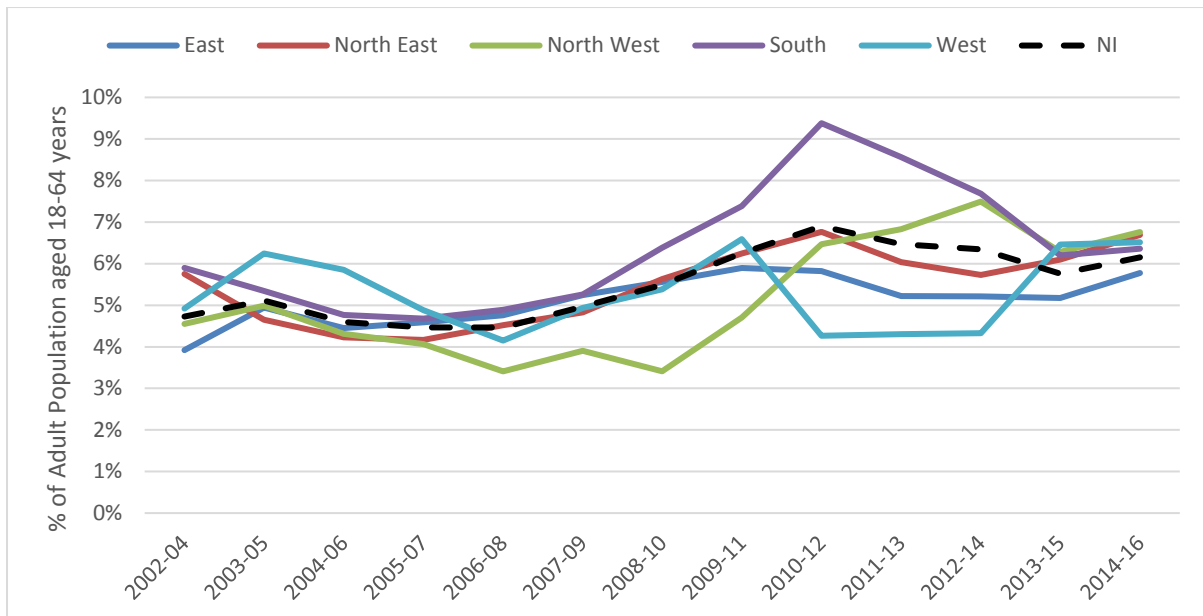


Figure 5a: Total early-stage Entrepreneurial Activity in Northern Ireland by Invest NI Regional Office Area, rolling averages 2002-2004 to 2014-2016 (Source: GEM APS)

Northern Ireland’s TEA rate rose from 5.4% in 2015 to 6.3% in 2016 and although this was driven by opportunity-motivated entrepreneurship the change was not statistically significant. Opportunity TEA in 2016 is 5.1% (3.8% in 2015) while necessity TEA is 1.0% (1.5% in 2015). Opportunity TEA rates in Northern Ireland and Wales are significantly lower than in England and the UK in 2016 (Figure 6) although there is no difference in necessity rates. In 2016, amongst the home nations, necessity-driven TEA constituted the highest proportion of total TEA in Wales at 21%; the share in Northern Ireland was 17%.

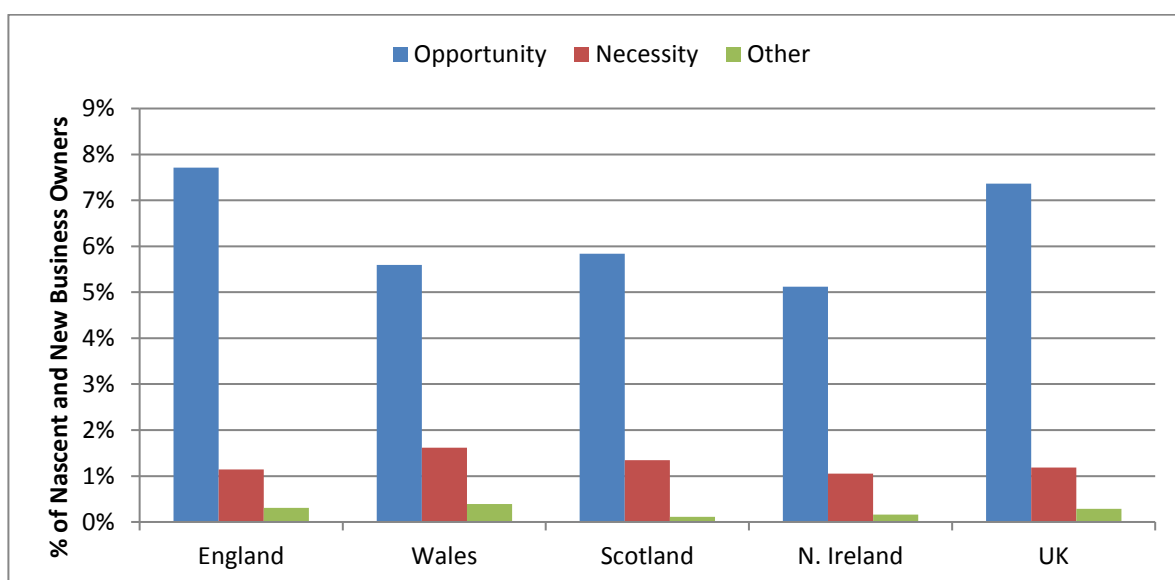


Figure 6: Opportunity and Necessity Entrepreneurship in the UK Home Nations in 2016 (Source: GEM APS)

Who are the Entrepreneurs in Northern Ireland?

Gender: In 2016 males have a significantly higher TEA rate than females in all home nations, except Northern Ireland; the latter due largely to the low male rate (Figure 7). The male TEA rate in Northern Ireland is significantly lower than the male rate in England and the UK; there is no difference in the female TEA rates across home nations.

There is some variation in the ratio of female to male early-stage entrepreneurial activity across the home nations in 2016. The UK average ratio is 47%; the gap between male and female rates is narrower in Wales, Scotland and Northern Ireland due to the lower than average male TEA rates in those areas. The female to male ratio is 55% in Scotland; 61% in Wales and 62% in Northern Ireland.

Annual ratios in female to male entrepreneurial activity may vary. Using the long run average ratios over the 2002 to 2016 period suggests a ratio of 38% in Northern Ireland compared to 49% in England, 54% in Wales and 53% in Scotland. The significantly lower female to male ratio in Northern Ireland over the long term is due to historically lower female TEA rates compared to males.

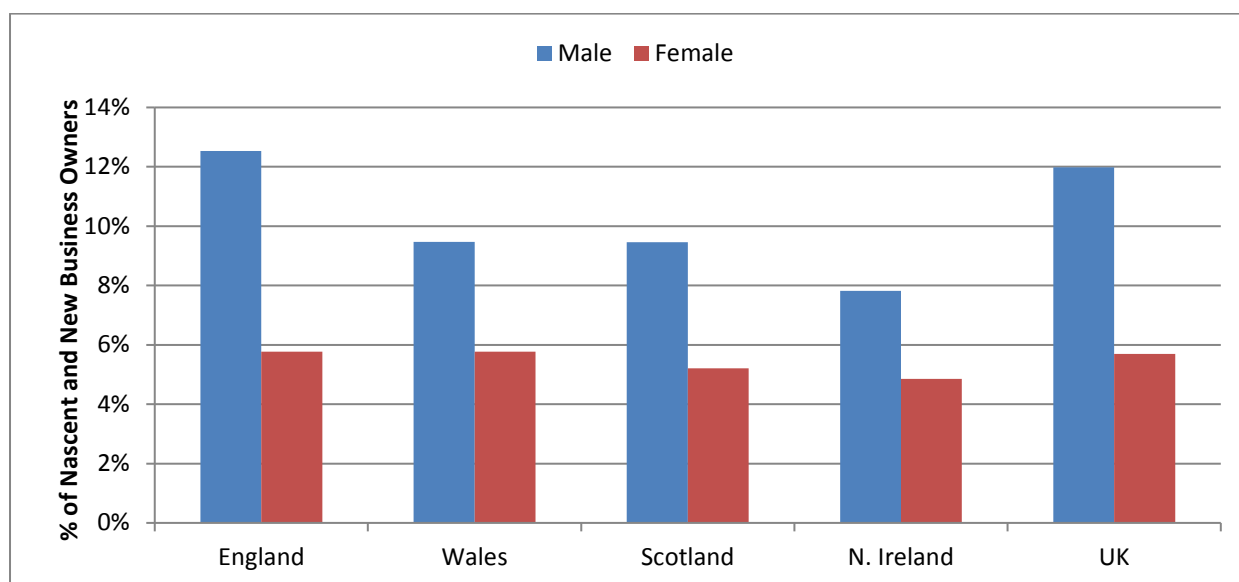


Figure 7: Total early-stage Entrepreneurial Activity in the UK Home Nations in 2016
(Source: GEM APS)

The female TEA rate in Northern Ireland stood at 4.9% in 2016, up, but not significantly so, from 3.4% in 2015. Figure 8 shows that female TEA rates in Northern Ireland historically matched the UK trend, although at lower levels. There was a divergence in the two series between 2011 and 2013 although this has since reverted back to trend.

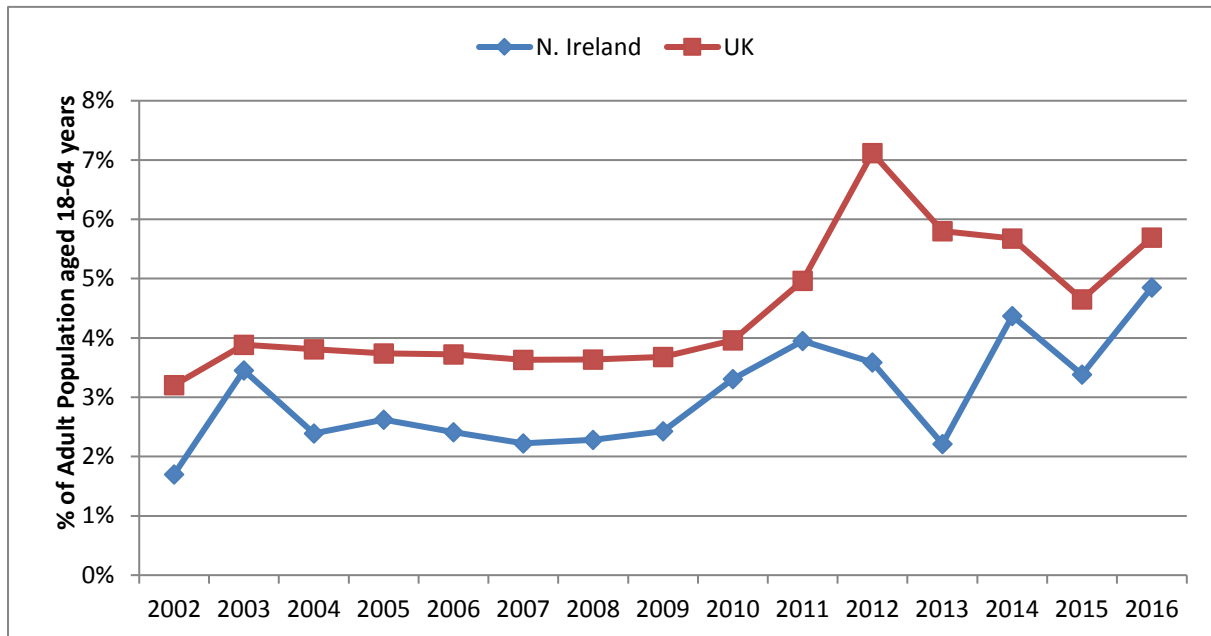


Figure 8: Total early-stage Female Entrepreneurial Activity in Northern Ireland and the UK, 2002-2016 (Source: GEM APS)

Examining the TEA rates for males and females by Council area over the 2014-16 period combined (Figure 9) reveals a higher variability across Councils for males (plotted in order) compared to females, with the male rate ranging from 4% to 15% and the female rate ranging from 4% to 7%.

Mid-Ulster has the highest male TEA rate and the second highest female TEA rate but this correlation between male and female rates does not hold across all areas. In fact, of those Councils whose male TEA rates lie above the Northern Ireland average only Mid Ulster and Mid and East Antrim also have higher than average female TEA rates.

On average female TEA rates over the 2014-2016 period are around half the male TEA rate however this varies considerably from a ratio of 17% in Causeway Coast and Glens to 103%

in Armagh, Banbridge and Craigavon⁵. The areas with the smallest gap between male and female TEA rates are typically those with the lowest male rates suggesting that this is due to males having lower than average entrepreneurial activity rather than females having a higher than average rate.

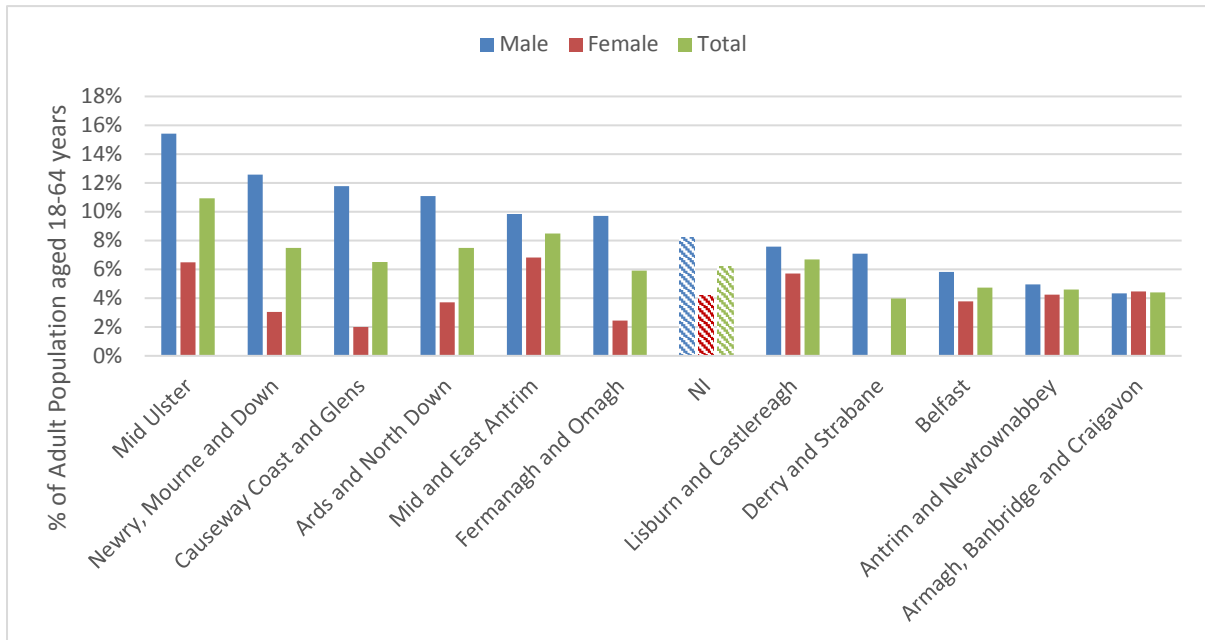


Figure 9: Total early-stage Male and Female Entrepreneurial Activity in Northern Ireland by Council Area, combined over 2014-2016 (Source: GEM APS)

Figure 9a shows the male and female TEA rate averages over 2014-16 for the Regional Office Areas. The West has the highest male TEA rate but also the lowest female rate, resulting in a female-to-male ratio of around 21%. In contrast the East, which has the lowest male TEA rate has a female TEA rate similar to the Northern Ireland average, resulting in a female to male ratio of 57%.

⁵ Note that due to small sample sizes it was not possible to calculate a female TEA rate for the Derry City and Strabane Council area.

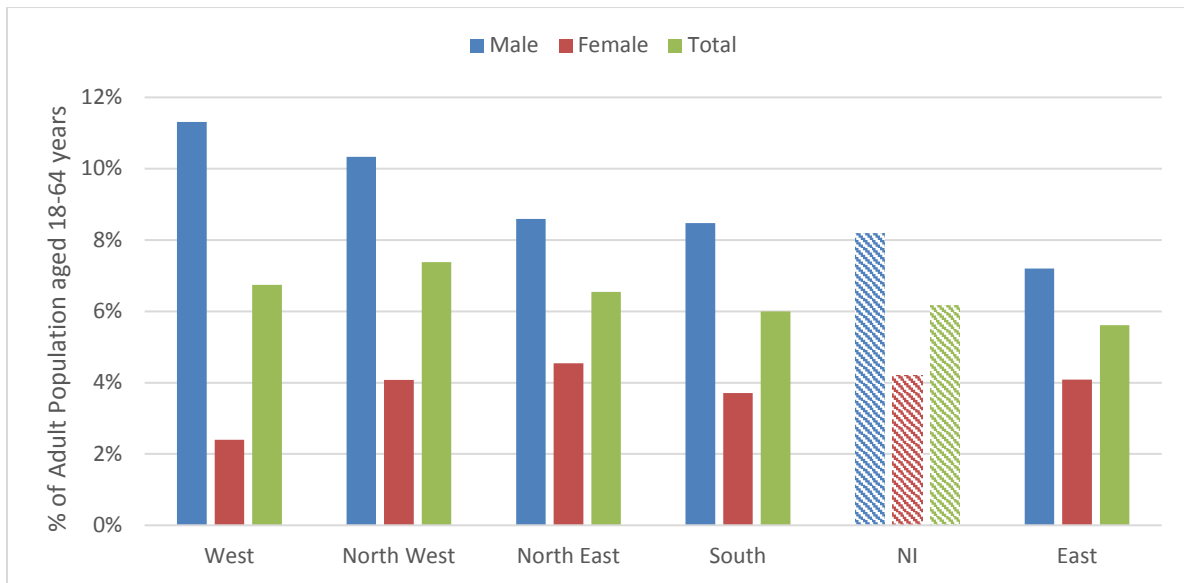


Figure 9a: Total early-stage Male and Female Entrepreneurial Activity in Northern Ireland by Invest NI Regional Office Area, combined over 2014-2016 (Source: GEM APS)

Age: Figure 10 shows TEA rates by age combined over the 2014-16 period. In the UK individuals aged between 25 and 44 display the highest rates of early-stage entrepreneurial activity; the rate for these age groups significantly higher than for 18-24 year olds and 45-64 year olds. In Northern Ireland TEA rates for those aged between 25 and 54 are significantly higher than for those aged 55-64.

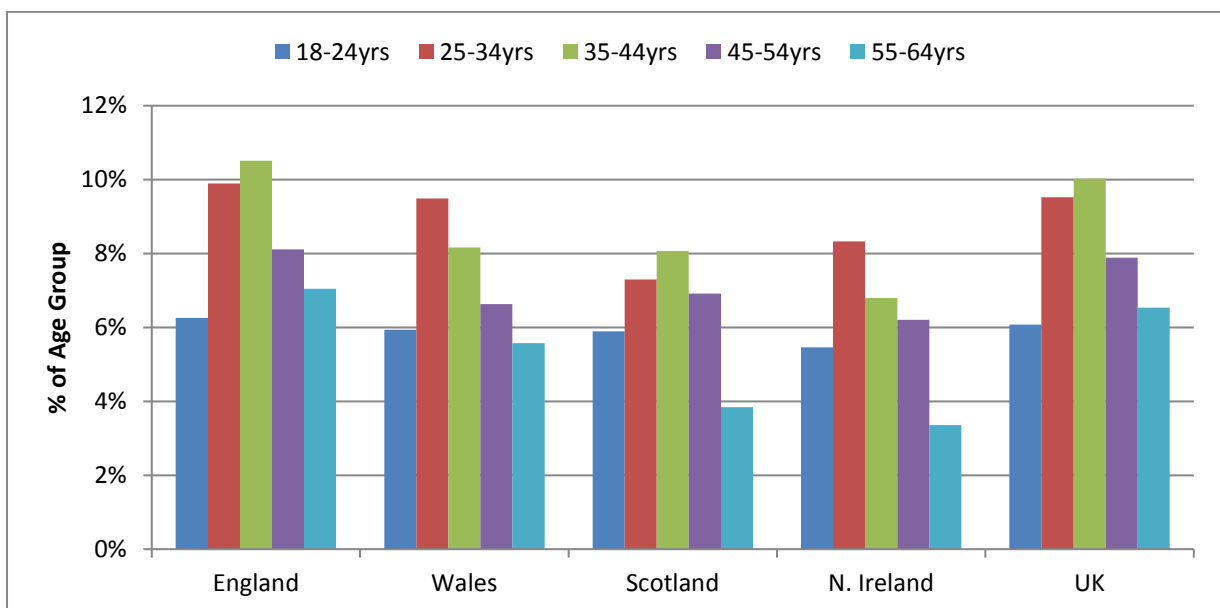


Figure 10: Total early-stage Entrepreneurial Activity in the UK Home Nations, 2014-2016 (Source: GEM APS)

A potentially more meaningful analysis is to assess how the TEA rate has changed in the 18 to 29 age group (where there seems to be a natural break in UK GEM activity data) and compare that to the 30 to 64 age group. Figures 11 and 12 show that, in Northern Ireland the rates for these two age groups have moved in the same direction over time, and both are broadly of the same magnitude. In fact, since 2002 there have been no significant differences in the TEA rates for these two age groups in Northern Ireland.

In 2016 there were no significant differences across the home nations in the TEA rates of the 18-29 age group. For the 30-64 age group the TEA rate in Northern Ireland was significantly lower than that for England and the UK.

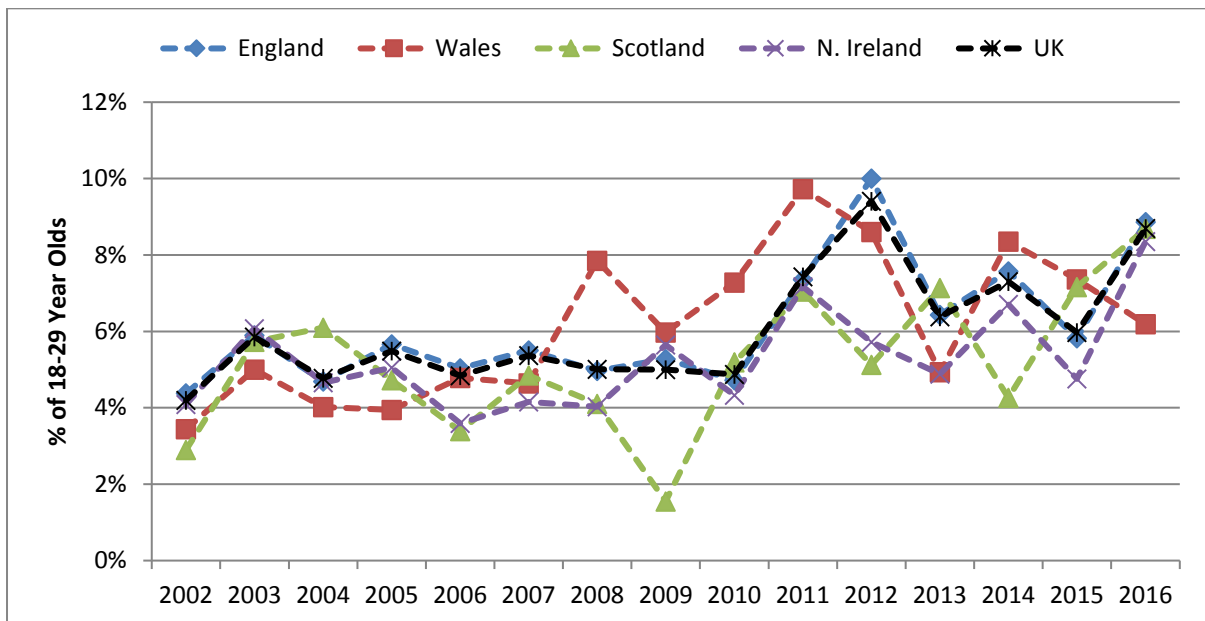


Figure 11: Trend in Total early-stage Entrepreneurial Activity in the UK Home Nations for 18-29 year olds, 2002 to 2016 (Source: GEM APS)

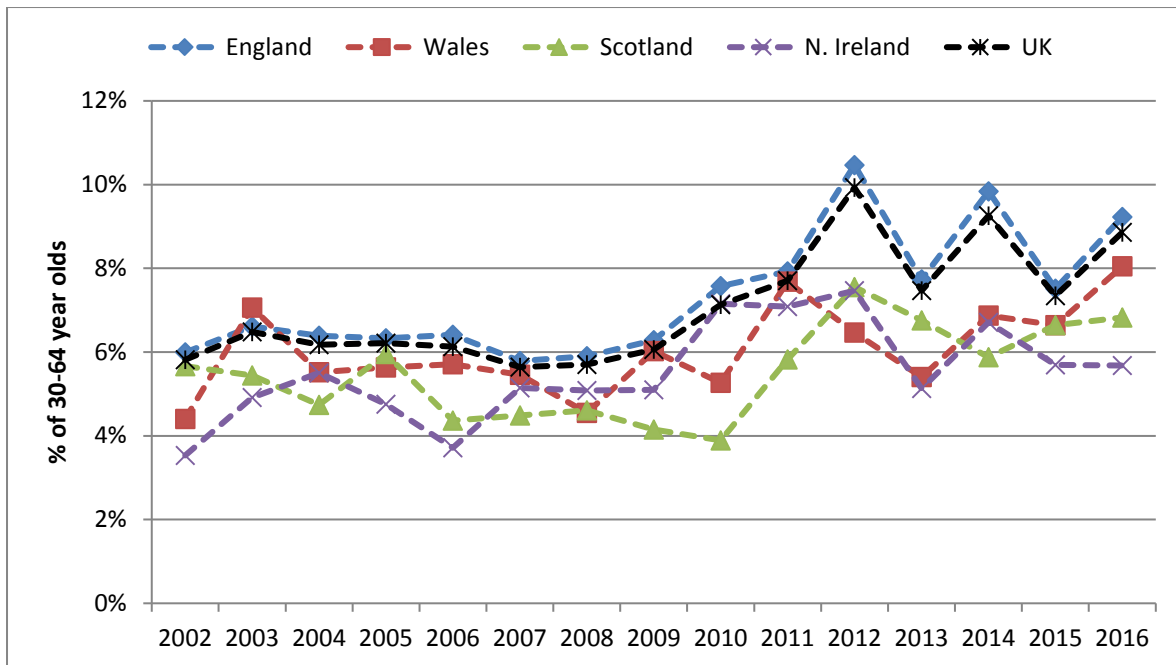


Figure 12: Trend in Total early-stage Entrepreneurial Activity in the UK Home Nations for 30-64 year olds, 2002 to 2016 (Source: GEM APS)

Total early-stage entrepreneurial activity by these broad age groups is plotted in Figure 13 for the Council areas, combined over 2014-16. The series is given in descending order for 18-29 year olds and shows above average TEA rates for young individuals in a number of Council areas, particularly Ards and North Down, Mid and East Antrim and Mid Ulster. These three areas also had higher than average TEA rates for 30-64 year olds.

TEA rates across age groups are not necessarily correlated; this is demonstrated in those Council areas with lower than average TEA rates for 18-29 year olds but above average rates for 30-64 year olds, such as in Newry, Mourne and Down; Lisburn and Castlereagh and Fermanagh and Omagh⁶.

For Northern Ireland as a whole there is little difference in the TEA rates of the two age groups. The most notable gaps by age are in Derry City and Strabane where the TEA rate of 18-29 year olds is around two fifths that of 30-64 year olds, and conversely, in Mid Ulster where the TEA rate of 30-64 year olds is 150% that of 18-29 year olds.

⁶ Note that due to small sample sizes it was not possible to calculate a TEA rate for 18-29 year olds in Fermanagh and Omagh.

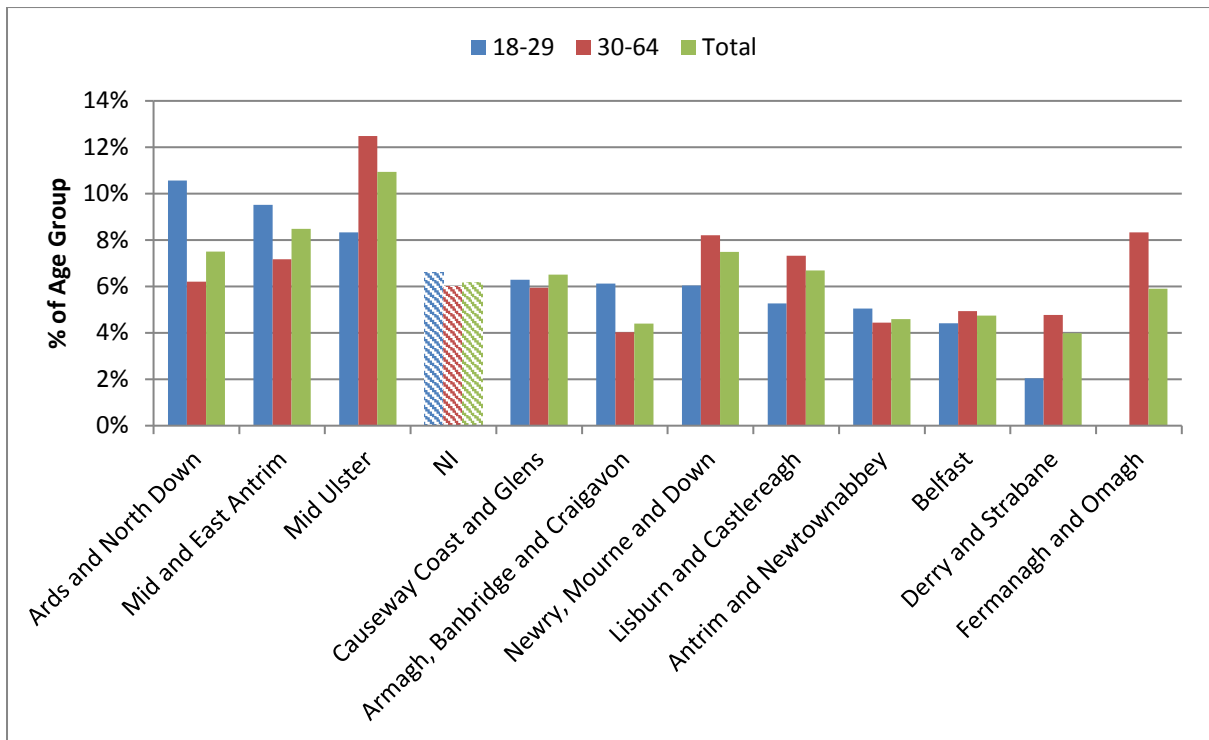


Figure 13: Total early-stage Entrepreneurial Activity in Northern Ireland by Age and Council Area, combined over 2014-2016 (Source: GEM APS)

The combined TEA rates by age for the Regional Office areas over 2014-16 are shown in Figure 13a. The highest activity rates amongst the young are in the South and North East, although these areas also have the largest gaps between the TEA rates of 18-29 and 30-64 year olds, with ratios of 160% and 142% respectively between the young and older groups. The West regional areas is the only one in which the TEA rate for 30-64 year olds is considerably higher than that for 18-29 year olds; with the TEA rate for the latter just 68% of that for 30-64 year olds.

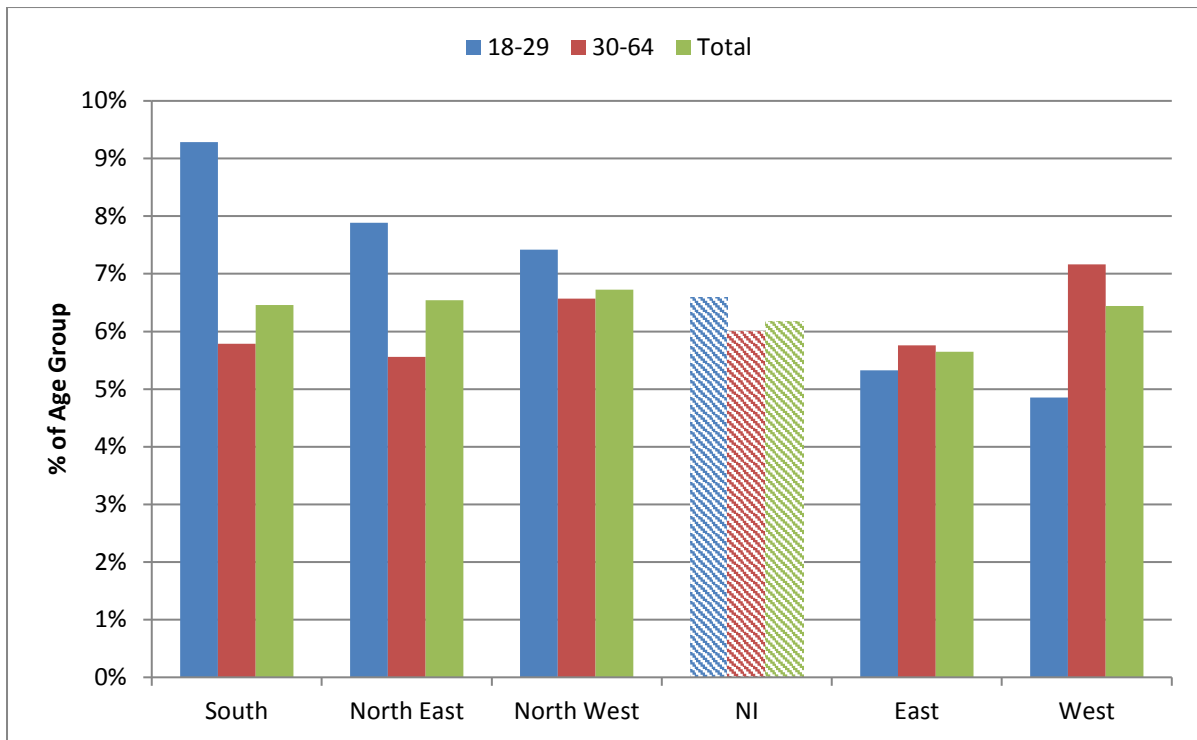


Figure 13a: Total early-stage Entrepreneurial Activity in Northern Ireland by Age and Invest NI Regional Office Area, rolling average 2014-2016 (Source: GEM APS)

Education: The rate of total early-stage entrepreneurial activity for graduates in the UK in 2016 is 10.4% (Figure 14), significantly higher than for non-graduates (7.8 %). Graduate TEA rates in Scotland are also significantly higher than non-graduates.

The comparable rate for graduates currently residing in Northern Ireland is 6.4% which is not significantly higher than the TEA rate for non-graduates (6.3%), likewise the rates in England and Wales are not significantly different between graduates and non-graduates.

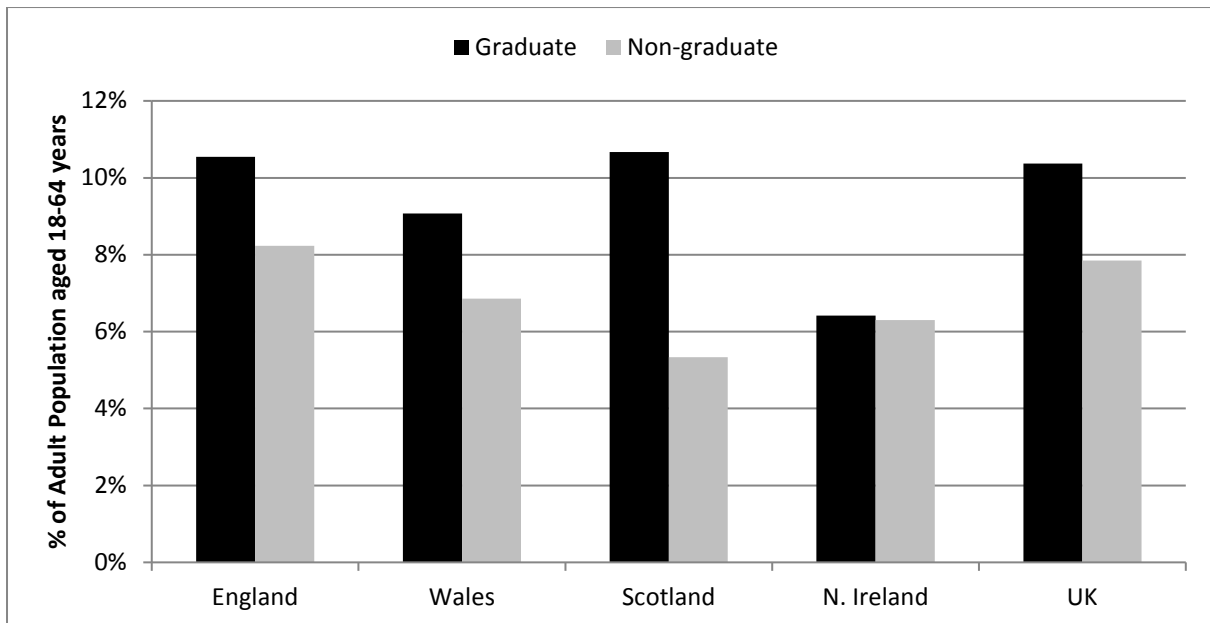


Figure 14: Total early-stage Entrepreneurial Activity in the UK Home Nations by Graduate Status, 2016 (Source: GEM APS)

The graduate and non-graduate TEA rates by Council area are shown in Figure 15 for the combined 2014-16 period. It is generally the case that graduate TEA rates are higher than for non-graduates although the rates are similar in Ards and North Down while in Antrim and Newtownabbey non-graduates have higher TEA rates.

For Northern Ireland as a whole non-graduate TEA rates are around three-quarters of the graduate rate, although this ranges from 45% in Derry and Strabane to over 100% for those with higher non-graduate rates. In the Belfast City Council area the non-graduate TEA rate of 4.7% is around three-quarters that of the graduate rate (6.4%) both rates lying just below the Northern Ireland average.

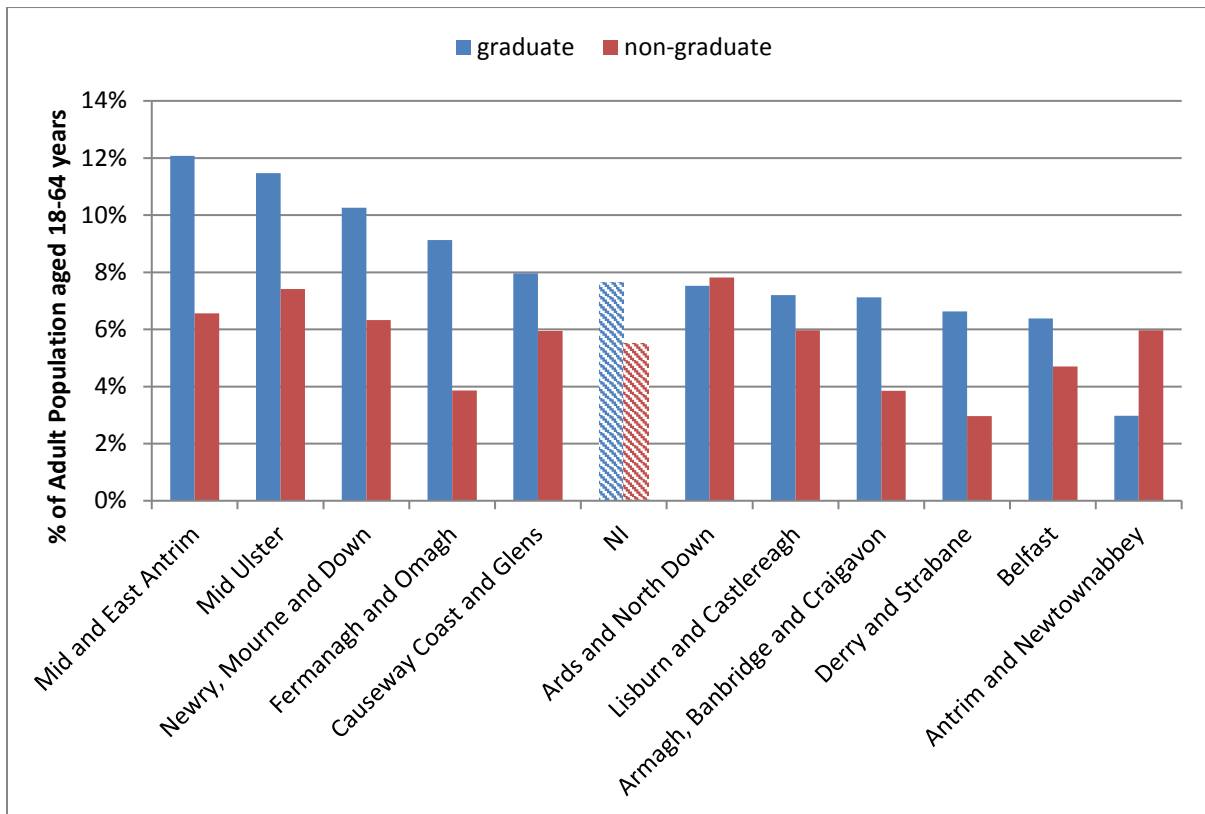


Figure 15: Total early-stage Entrepreneurial Activity in Northern Ireland by Graduate Status and Council Area, combined over 2014-2016 (Source: GEM APS)

The average graduate and non-graduate TEA rates for the Regional Office Areas combined over 2014-16 are shown in Figure 15a. The North West has the highest TEA rate among graduates with almost 10% engaged in early-stage entrepreneurial activity but the region also has the largest gap between the two groups, with the rate for non-graduates around half that of graduates. The East has the lowest graduate TEA rate at 7% whilst the smallest gap between graduate and non-graduate rates is in the North East where the TEA rate for non-graduates is 88% that of the graduate rate.

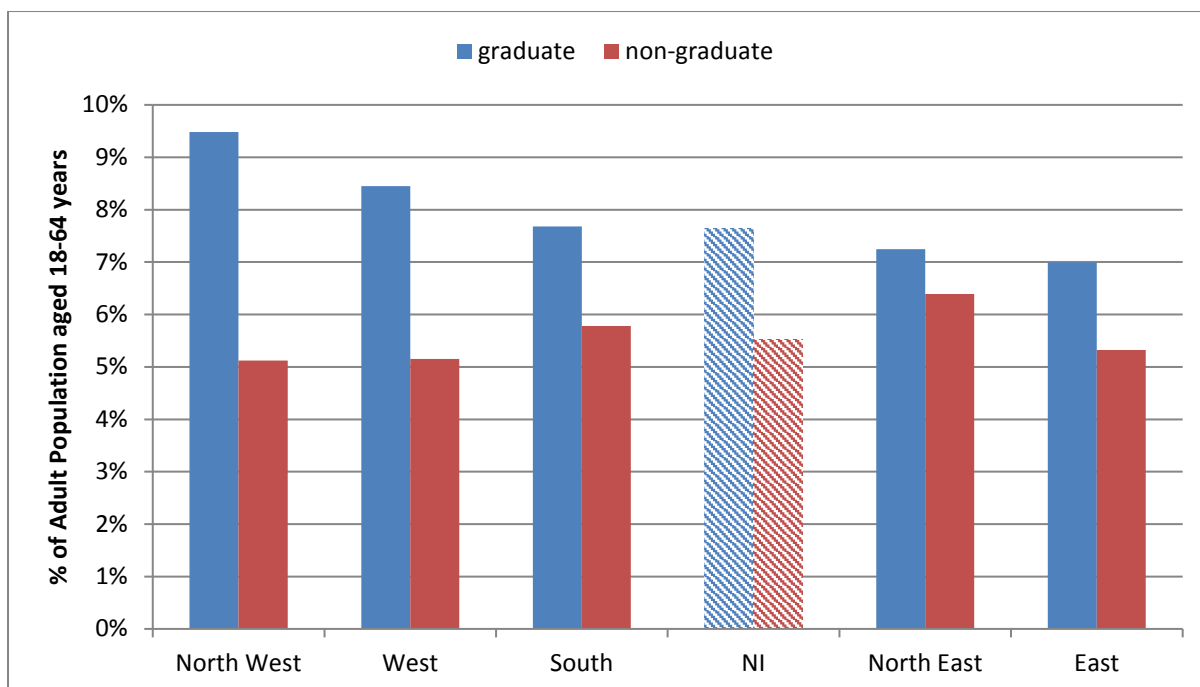


Figure 15a: Total early-stage Entrepreneurial Activity in Northern Ireland by Graduate Status and Regional Office Area, combined over 2014-2016 (Source: GEM APS)

Migrant Status – Figure 16 presents TEA rates for different types of immigrant compared to life-long residents in Northern Ireland using 3 year rolling averages. As life-long residents comprise the majority of the population their trend typically mirrors the overall Northern Ireland average. Entrepreneurial activity peaked for this group over 2010-12 although it has dropped back since. In contrast the TEA rate for in-migrants has continued to rise since 2008 to stand at its highest rate in 2014-16 at over 8%. TEA rates for immigrants in Northern Ireland fall between the two other categories; their entrepreneurial activity averaging around 7% in recent years.

The sample sizes for the ethnic population in NI are too small to produce reliable estimates for entrepreneurial activity rates by ethnicity. However combining the 2002-2016 data results in an average TEA rate of 5.2% for the white population and 5.7% for the non-white population, indicating no significant difference between the two.

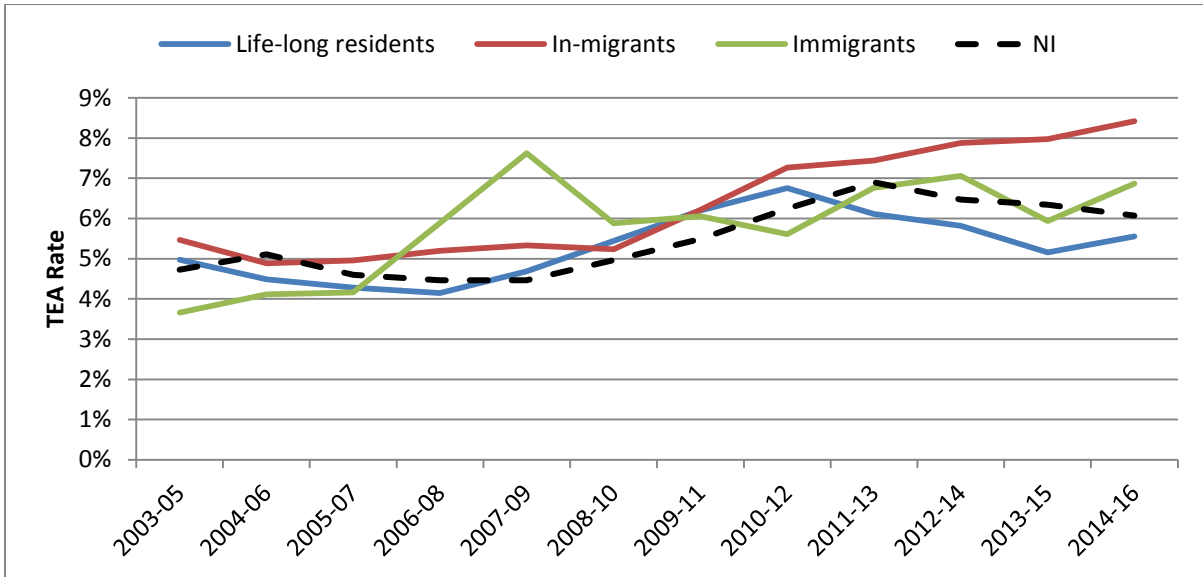


Figure 16: Total early-stage Entrepreneurial Activity in Northern Ireland by Migrant Status, rolling averages 2003-05 – 2014-2016 (Source: GEM APS)

Entrepreneurial Attitudes and Intentions

GEM has developed a number of attitudinal statements which provide a proxy for entrepreneurial potential in a country/region. They include knowing a person who has started a business in the last 2 years, perception of good opportunities for start-up, self-belief in possessing the relevant skills to set up in business and the prevalence of fear of failure as a deterrent to setting up in business.

Individuals who are already entrepreneurs may feel compelled to provide positive answers in the Adult Population Survey (APS). Hence, as in the last number of years, we report attitudinal data only for that portion of the population who are not already entrepreneurs.

In Northern Ireland, over one in four (27.4%) individuals state that they know an entrepreneur (Figure 15), this figure not significantly different to 2015, nor to that in the UK. In Northern Ireland, nearly one-third (37.2%) of non-entrepreneurs believe they have the skills to set up in business, again unchanged from 2015, and unlike 2015, not significantly lower than the UK average of 41.1%.

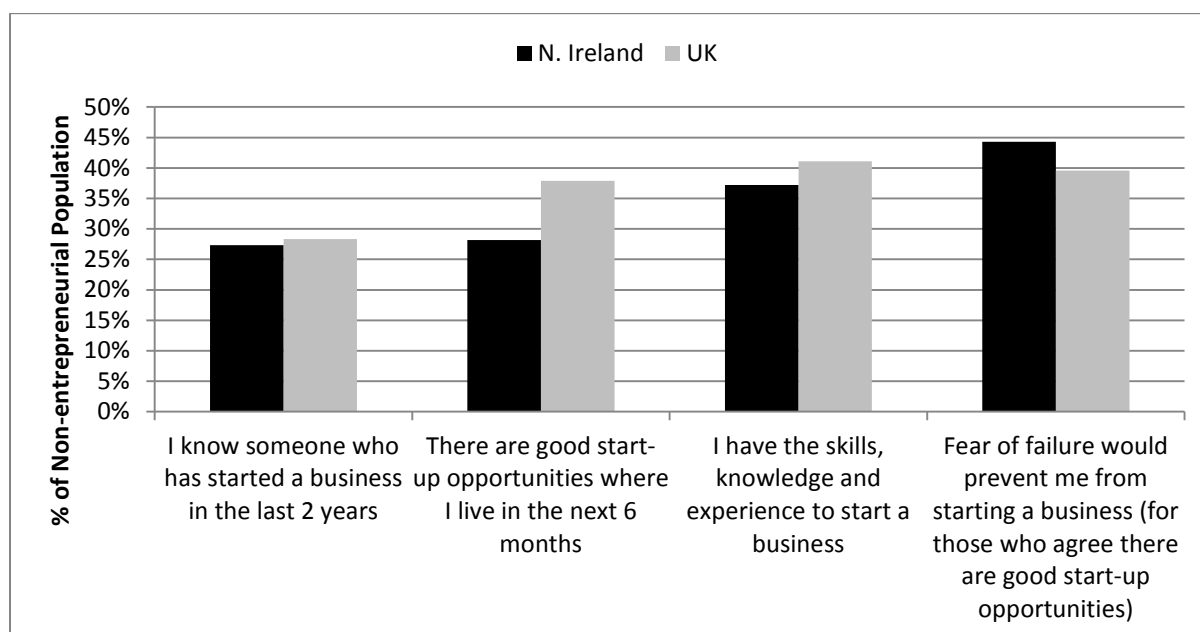


Figure 17: Entrepreneurial Attitudes and Perceptions in Northern Ireland and the UK 2016 (Source: GEM APS)

Restricting the fear of failure analysis to those who see good opportunities in their local area in the next 6 months reveals no significant difference between Northern Ireland (44.3%) and the UK (39.6%) (Figure 17). Figure 18 further shows that Northern Ireland has historically had higher proportions reporting fear of failure than the other home nations; the rate declined from 2012, converging towards those in the other home nations in 2014 and although there was an increase in 2015, the rate in 2016 in Northern Ireland is not significantly different to the other home nations.

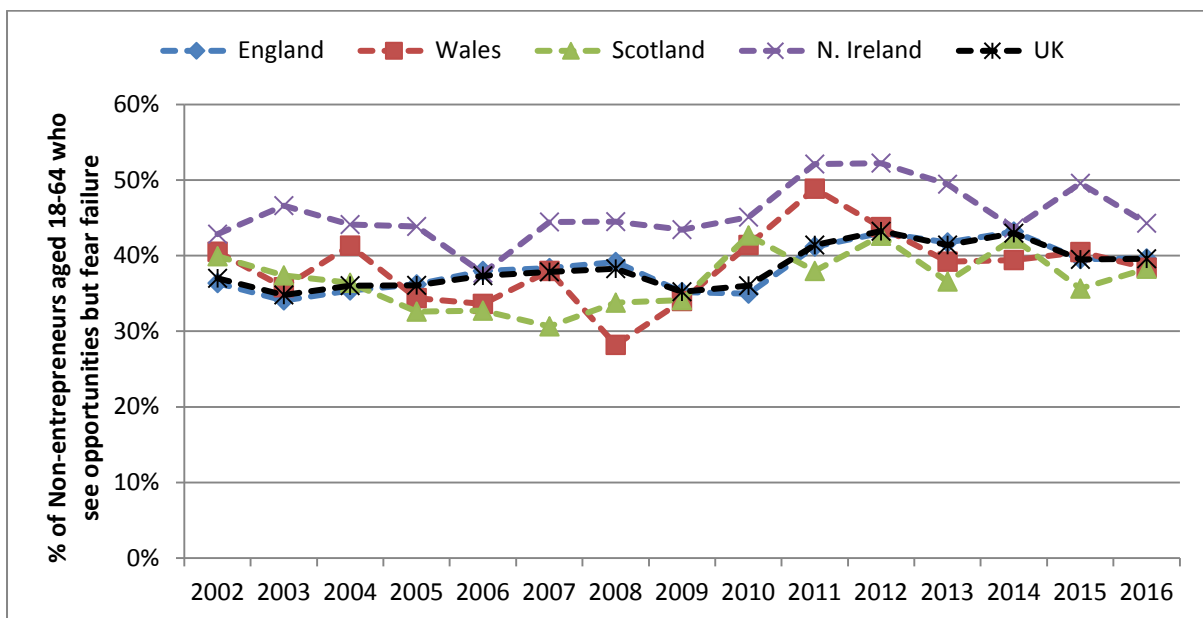


Figure 18: Fear of Failure among those who see Opportunities in the UK Home Nations, 2002-2016 (Source: GEM APS)

In the 2016 survey, 28.2% of the non-entrepreneurial working age population in Northern Ireland agreed there were good opportunities for starting a business in their local area in the next six months compared to 37.9% in the UK (Figure 17). The 2016 Northern Ireland figure is down but not significantly so from 2015 (31.1%), however the gap between Northern Ireland and the UK remains (Figure 19). The trend in the last number of years is in contrast to that observed up to 2007 in which the perception of start-up opportunities between Northern Ireland and the UK was broadly similar.

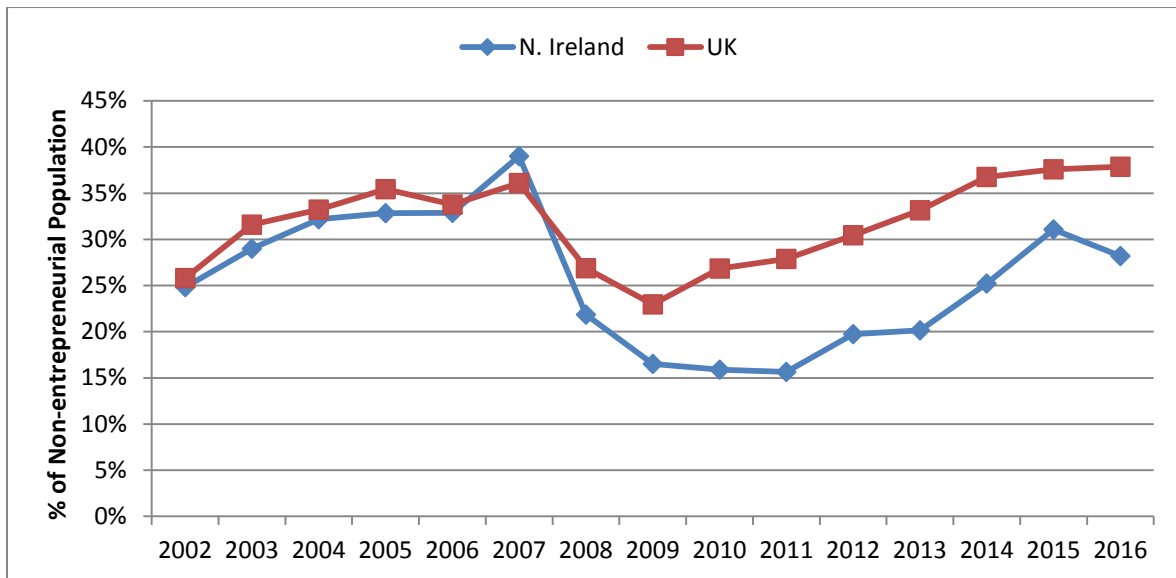


Figure 19: Perception of Start-up Opportunities in Northern Ireland and the UK, 2002-2016 (Source: GEM APS)

Looking to the future, the proportion of non-entrepreneurial working age adults in Northern Ireland in 2016 who expect to start a business within the next three years is 6.2%, not significantly different to the 2015 figure of 7.4% (Figure 20). The UK estimate rose to 11.1 % in 2016 and is significantly higher than the Northern Ireland rate. Figure 20 shows the increase in intention rates during the recession which may have been reflecting necessity reasons; in 2016 it is likely that the increased rates in the UK represent the prospect of more opportunity entrepreneurship.

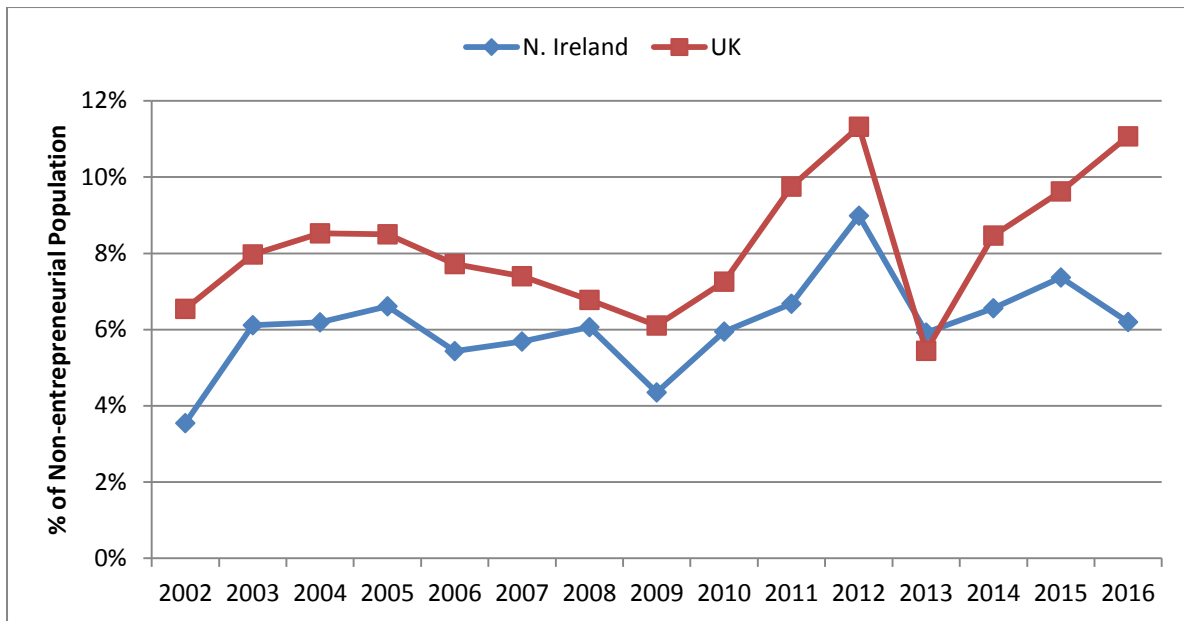


Figure 20: Future Start-up Expectations (within 3 years) in Northern Ireland and the UK, 2002-2016 (Source: GEM APS)

In 2016 males are not more likely than females to report that they intend to start a business in the next three years in Northern Ireland (Figure 21). In 2016, 5.3% of females in Northern Ireland expected to start a business compared to 7.1% of males. Translated into a female to male ratio this equates to 74% per cent; considerably higher than other home nations at 60% in England, 63% in Wales and 68% in Scotland.

In Northern Ireland, the female to male ratio has increased from 43% in 2015, the change in the ratio in 2016 due primarily to the drop in the share of males reporting that they intend to start a business (10.4% in 2015).

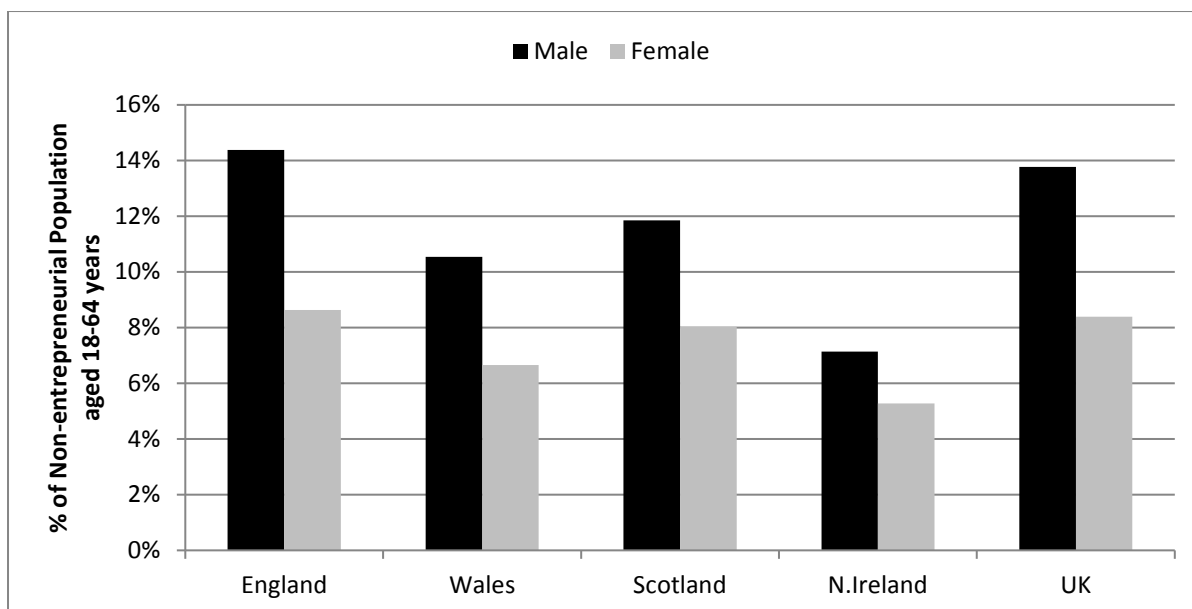


Figure 21: Future Start-up Expectations (within 3 years) in the UK Home Nations by Gender, 2016 (Source: GEM APS)

High Growth

Recent research has suggested that a relatively small number of firms can create a disproportionate number of jobs⁷. If an entrepreneur expects to create a large number of jobs then his or her potential contribution to growth and regeneration through entrepreneurship may be greater.

To identify such individuals GEM generates a variable which measures the percentage of all early-stage entrepreneurs (and separately established business owners) who expect to create more than ten jobs with a growth of more than 50% in the next five years. Figure 22 displays the trend in these high growth expectation entrepreneurs for both Northern Ireland and UK, using 3 year rolling averages. High growth expectation rates amongst TEA entrepreneurs (measured by the left hand axis) in the UK are generally around four times higher than those for established business owners (measured by the right hand axis); although in Northern Ireland the ratio can be higher.

⁷ Hart, M. and Anyadike-Danes, M. (2014) "Moving on from the vital 6%"; Enterprise Research Centre Insight Report, February

Between 2003-16 high expectation rates have been broadly similar for Northern Ireland and UK TEA entrepreneurs, with around 20% reporting high job expectation in the period to 2008, dropping to an average of around 17% thereafter.

The rates of high growth expectation for established business owners have been less consistent. Until 2006-08 the share reporting high job expectation averaged around 5% in both Northern Ireland and the UK. The rate declined for both thereafter, in Northern Ireland dropping to 1.3% in 2008-10, and remaining around half the rate in the UK. Since 2012-14 there has been considerable improvement in the high job expectation rates of Northern Ireland established business owners; in 2014-16 the rate of around 6% in Northern Ireland exceeded the UK rate of 4.5%.

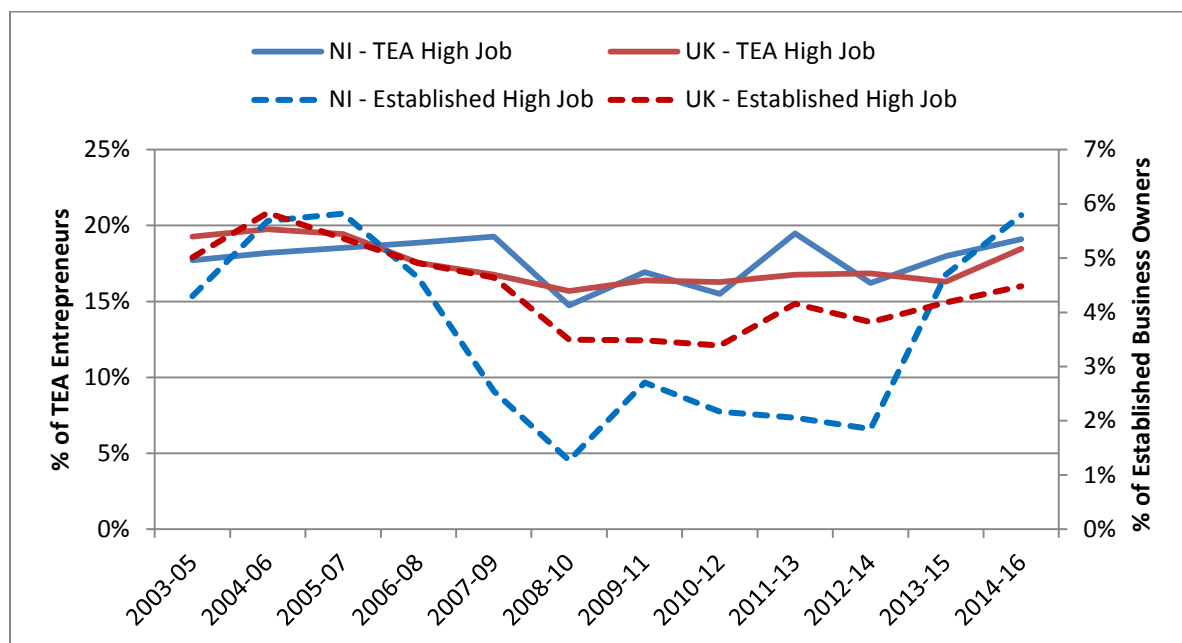


Figure 22: Relative Frequency of High Job Expectation Early-stage Entrepreneurs and Established Business Owners in NI and the UK, three year rolling averages, 2003-2005 to 2014-2016 (Source: GEM APS)

Concluding Observations

Levels of entrepreneurial activity are a vital sign of any economy as the creation of new ventures is positively connected to the drivers of economic growth and productivity through increased innovation, competition and job creation. While recent years has seen record levels of start-up in the UK in an international context there remains a clear ‘entrepreneurial deficit’ in Northern Ireland as measured by business start-up activity. Northern Ireland has historically lagged behind the rest of the UK in terms of enterprise start-up activity and the GEM Global project confirms this through its unique annual survey which focuses on the measurement of new business formation at the level of the individual.

In the 12 months to the Spring/Summer of 2016⁸ there was little change in the overall entrepreneurial activity rate of the Northern Ireland population, however, the rate was significantly lower than that for England and the UK. In addition, although annual rates of entrepreneurial activity can fluctuate, the combined Northern Ireland rate for 2014-16 is also significantly lower than the UK.

Despite this there is evidence that entrepreneurial attitudes remain buoyant, with similar proportions in Northern Ireland and the UK stating that they know someone that started a business; and almost two-fifths of non-entrepreneurs reporting that they have the skills, knowledge and experience to start their own business. Additionally, fear of failure has also historically been higher in Northern Ireland than the UK and other home nations, but the gap has narrowed in 2016 and is no longer significantly different.

Where Northern Ireland still lags the UK is in the perception of start-up opportunities in the local area. In recent years the share perceiving good opportunities for start-up had been increasing in Northern Ireland however the gap with the UK that opened in 2008 has persisted, and widened in 2016 to around 10 percentage points. As a result perceptions in the UK are now at a higher rate than those observed pre-recession whilst in Northern Ireland the rates are lower than those previously recorded.

⁸ The majority of the GEM fieldwork was completed prior to the EU Referendum which was held on 23rd June 2016.

Despite this, and on a more positive note, reported rates of future high job expectation are comparable in Northern Ireland and the UK for early-stage entrepreneurs and, more recently, for established business owners. The rate for the latter has more than doubled in the most recent three year period and actually exceeded the UK rate over 2014-16; these metrics further providing an optimistic outlook for increased entrepreneurial activity, and for growth in the economy, in the short to medium-term. This is important as the attention in UK enterprise policy turns to address the long-established weakness of the number of businesses that grow. Stimulating start-ups is important but providing a support framework from both the private and public sector to help them survive and grow is a crucial element of any developing policy framework.

The current work of the UK's Scale-up Taskforce and the Entrepreneurial Review led by the Department for Business, Energy and Industrial Strategy (BEIS) will provide important recommendations for the Industrial Strategy White Paper which will be launched in the final quarter of 2017. This will re-balance the focus on business growth rather than the encouragement of more and more start-ups as the majority of these fail quickly and those that survive exhibit very little growth.

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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