

# NEW BUSINESS CREATION IN SCOTLAND'S REGIONS AND INDUSTRIES SINCE 2010

Dr. Paul Hopkins, SE Economic Research Team ([Paul.Hopkins@Scotent.co.uk](mailto:Paul.Hopkins@Scotent.co.uk))  
April 2019

## **What is this about?**

This note presents analysis of ONS data<sup>1</sup>. It considers the change in new business creation (start-ups) since 2010 across regions and industries. It draws on a [previous paper](#) looking at start-ups across regions and links to a wider, ongoing study of growth dynamics across Scotland and its regions.

## **Why is this important?**

Without new firms, there is less competition and the pool of companies who could become high-growth and mid-sized is smaller. New firms are also important in sustaining jobs in rural and urban areas<sup>2</sup>.

Creating more new businesses would provide a larger business base from which to develop more growth as well as more mid-sized businesses (MSBs) companies, which disproportionately contribute to growth and are more innovative, more likely to export and have higher productivity<sup>3</sup>. New business creation is the principal way to address this, but the previous paper shows new business growth is strongest in Edinburgh and Aberdeen City Regions<sup>4</sup>.

In addition to this, evidence has shown growth and high-growth is achievable anywhere in Scotland<sup>5</sup> yet performance is weakening<sup>6</sup>. So, if growth in the business population (relative to its size) falls behind in some regions compared to others, then the disparities in economic performance across (and within) regions of Scotland are only likely to increase. Evidence in this paper highlights that this is happening at pace.

## **What you need to know**

In areas outside Scotland's cities, not also is business density, start-up rates and growth **lower**, but a larger share of start-up and growth companies are in locally traded sectors and a lower share are in less productive industries.

The evidence suggests four stages where there appears to be obstacles to growth:

1. The interest and intrigue in **starting a business** is weaker in Scotland than elsewhere
2. There continues to be **fewer start-ups** in Scotland compared to elsewhere in the UK, and those that do have **lower growth ambitions and performance**.
3. Of businesses that do grow, evidence suggests many reach a **growth plateau** at around £4-£5m turnover.
4. This creates a '**bottleneck**' which means Scotland does not produce enough growth businesses and enough businesses **sustaining growth**. As a result, high-growth business performance has weakened.

These factors combine to **limit further growth in Scottish Scale-Ups**. This is seen in the performance of **Scottish-owned Mid-Sized Businesses (MSBs)** that are, on average, **becoming smaller** and seeing their growth being outpaced by foreign-owned counterparts.

This sits within Scotland's context of having fewer businesses per head of population, as well as a trend towards companies in Scotland becoming smaller. **95% of new businesses in Scotland since 2010 have fewer than 10 employees; over 80% of companies in every industry have less than 10 employees; and for three quarters of all industries, this figure is over 90%.**

<sup>1</sup> Please note, there are limitations on the extent of the data. It does not enable analysis of the growth performance of the new business starts and those that survive. It is also not able to identify individual companies. ONS provides data at the aggregated level, and all figures are rounded. Therefore, as the analysis breaks into region, local authority and industry (and combinations of these), results may not round to 100%.

<sup>2</sup> Federation of Small Businesses, Scotland. '[Scottish smaller firms support up to 70% of rural private sector jobs](#)', 29 November 2018

<sup>3</sup> Hopkins, P. [Mid-Sized Businesses in Scotland](#) (2018) and [Mid-Sized Businesses across the regions and industries of Scotland](#) (2018).

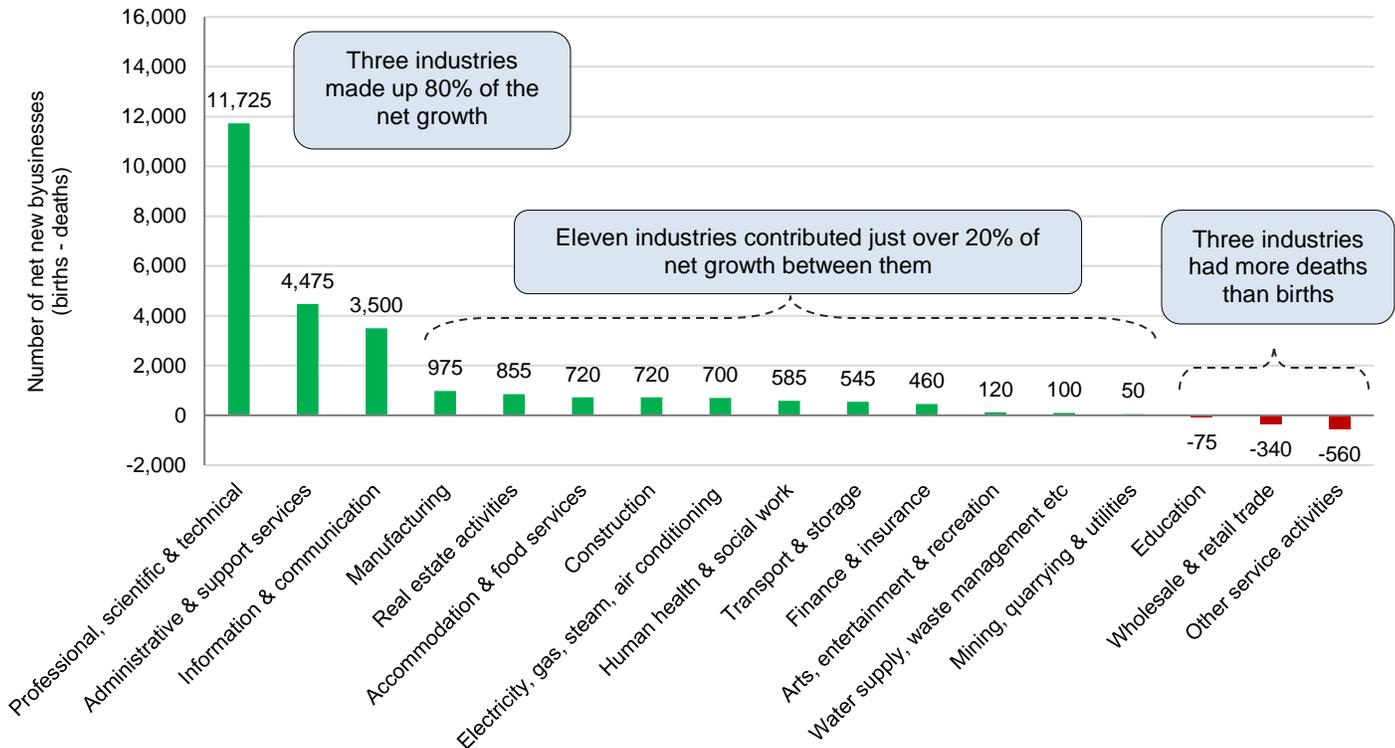
<sup>4</sup> This sits within the overall context of a slowing in the rate of creating new businesses across all of Scotland. Only 6 of 32 local authorities saw growth in their new business creation relative to their business base from 2015-17 compared to 2012-14.

<sup>5</sup> Hopkins, P. [Growth Companies in Scotland](#) (2017), Scottish Enterprise.

<sup>6</sup> Richmond, K. & Turnbull, J. (2018) [Performance of high-growth firms in Scotland](#). Fraser of Allander Economic Commentary; 42:2.

## Net growth (births minus deaths) in new business creation

Net growth in start-ups 2010-17. By industry.



Source: SE analysis of ONS data

The data identifies net (births minus deaths) start-up creation from 2010-17 in Scotland of +24,555, with 48% of this growth coming in the Professional, Scientific and Technical area.

Three industries make up four in every five new Scottish businesses created since 2010. There was a decline in startups in three industries: Education, Wholesale & Retail, and Other Service Activities.

### Growth within the business base

Whilst start-ups are not the only method through which the Scottish business base has changed since 2010, it is the largest driver of change in the composition of the business base in many industries – and responsible for 52% of the total growth in the Scottish business base from 2010-17. Whilst other mechanisms such as acquisitions, mergers and joint ventures also contribute, the evidence about the extent to which they impact the business base highlights how marginal they are in Scotland (with associated growth implications)<sup>7</sup>.

Of the new businesses in Scotland (not just new start-ups) since 2010, 81% have no employees. 9% have less than 5 and 5% have 5-10. **This means 95% of new businesses in Scotland have fewer than 10 employees.**

Perhaps this should not be surprising since starting, growing and eventually scaling a company takes a lot longer than many perceive. Contrary to some assumptions, even the likes of Skyscanner, FanDuel and Brewdog were in their second decade of existence when the accelerated rapid growth took place.

However, the evidence indicates that whilst the time to develop and begin to grow may be longer for most businesses than observers may realise, **over 80% of companies in every industry will always have fewer than 10 employees; and for three quarters of all industries, this figure is over 90%**<sup>8</sup>.

<sup>7</sup> See 'Acquisitions in Scotland 2003-17' (2018) and 'The role of acquisition in company growth' (2014)

<sup>8</sup> When excluding companies with zero employees, over 75% of companies in more than half of all industries have fewer than 10 employees.

New business creation accounted for most of the growth within several industries; particularly Professional, Scientific and Technical. Construction as well as Transport and Storage have seen their total numbers of businesses in Scotland decline since 2010, offset in part by growth in the start-ups; perhaps reflecting changing context in these industries.

**78% of the net growth in start-ups came in what we assign to be higher productivity industries;** an important indicator in realizing Scotland’s economic ambitions. **29% of the net start-up growth came in locally traded industries;** companies typically more likely to generate local and part-time employment, lower skill levels, lower pay rates and generally (although not exclusively) have lower productivity.

**Growth in Scotland’s business base 2010-17**

	Net new business creation	% share of change in Scotland’s business base (2010-17) due to start-ups (by industry)
Professional, scientific & technical	+11,725	+24.7%
Administrative & support services	+4,475	+9.4%
Information & communication	+3,500	+7.4%
Manufacturing	+975	2.1%
Real estate activities	+855	+1.8%
Accommodation & food services	+720	+1.5%
Construction	+720	+1.5%
Electricity, gas, steam, air conditioning	+700	NA
Human health & social work	+585	+1.2%
Transport & storage	+545	+1.1%
Finance & insurance	+460	+1.0%
Arts, entertainment & recreation	+120	+0.3%
Water supply, waste management etc	+100	NA
Mining, quarrying & utilities	+50	+0.1%
Education	-75	-0.2%
Wholesale & retail trade	-340	-0.7%
Other service activities	-560	-1.2%

Source: SE analysis of ONS data. Industries ranked by net new business creation.

### **Change within the business base**

Data was analysed to show the change in industry over time by employment (the most accurate indicator of company size from the available data)<sup>9</sup> which provides further insight into the trends in new business creation.

**A significant majority of companies in Scotland have less than 10 employees and since 2010 companies in Scotland have on average, become smaller.** This trend is found in every industry except: Construction; Transportation and Storage; Agriculture, Forestry & Fishing; and Accommodation & Food Services where since 2010 the trend – albeit very marginally – has been towards larger companies. These may be unsurprising since each of these industries are likely to require employment to trade and grow.

Appendix A compares the employment size across industries to provide a guide to the likelihood of employment size in new companies in industries. This raises implications as to where growth will come from; for example, if a quarter of **all** growth in the business base from 2010-17 is via start-ups in Professional Scientific and Technical; and existing performance suggests it is 95% likely any new company in the industry will never have more than ten employees. This is important because in **every** local authority across Scotland, the industry with the largest net increase in new businesses was Professional, Scientific and Technical.

<sup>9</sup> [Businesses in Scotland](#) (2018), Scottish Government

### Percentage change *within* industry composition 2010-17

	Business base 2017	Zero employees	Less than 10 employees	10-49 employees	50-249 employees	250+ employees
Professional, Scientific Technical	51,795	+1.7%	-0.3%	-1.0%	-0.3%	-0.1%
Construction	44,415	-1.4%	+1.4%	0.0%	+0.1%	0.0%
Wholesale & Retail	35,545	+2.1%	-2.5%	+0.4%	+0.1%	0.0%
Administrative & Support Services	27,555	+4.6%	-2.9%	-0.9%	-0.5%	-0.3%
Other Service Activities	26,555	+6.4%	-5.9%	-0.3%	-0.1%	-0.1%
Human Health & Social Work	25,385	+0.4%	-0.5%	0.0%	0.1%	0.0%
Information & Communication	20,560	+4.1%	-2.7%	-0.7%	-0.3%	-0.3%
Arts, Entertainment & Recreation	19,930	+6.1%	-5.2%	-0.7%	-0.2%	-0.1%
Agriculture, Forestry & Fishing	19,580	+3.3%	-3.5%	+0.1%	+0.1%	+0.1%
Transportation & Storage	18,125	-2.4%	+1.3%	+0.6%	+0.3%	+0.2%
Manufacturing	17,915	+10.5%	-6.2%	-2.6%	-1.3%	-0.5%
Accommodation & Food Services	17,655	-2.5%	-2.0%	+4.3%	+0.1%	+0.1%
Education	14,730	+2.1%	-1.5%	+0.1%	-0.2%	-0.4%
Real Estate Activities	7,770	+8.0%	-6.6%	-0.9%	-0.3%	-0.3%
Mining & Quarrying, Utilities	4,150	+10.3%	-3.5%	+0.1%	+0.1%	+0.1%
Financial & Insurance	3,065	+2.4%	-0.9%	-1.0%	-0.2%	-0.4%

Source: SE analysis of [Businesses in Scotland \(2018\)](#) data. Industries ranked by size of business base.

#### Summary

- ***New business creation is responsible for 52% of the growth in the business base since 2010***
- ***Scotland's business base overwhelmingly small across all industries***
- ***The trend is for the business base, becoming smaller***
- ***One quarter of all growth in the Scottish business base from 2010-17 is in one industry (Professional, Scientific and Technical), and these companies have a 95% chance of having under 10 employees.***
- ***New business creation in this industry is the biggest contributor to growth in the business base across all 32 local authorities.***

#### ***New business creation by region and industry<sup>10</sup>***

By way of recap, the [prior research paper](#) set out the extent to which each region had seen growth in start-ups relative to its business base. It found:

- Growth as a percentage of the existing business base was strongest in and around cities.
- Cities are also the greatest contributors to overall new business creation in Scotland in total numbers.
- This means the gap between cities and non-cities/rural and remote areas is increasing.

In addition, previous reports in this series have highlighted some regions are being left behind not just in start-ups but also in MSBs and MSB growth. This is the starting point for this section, considering the industry composition of this growth across Scotland and the policy implications of this from an overall, regional and industry level. As appendices, the performance across each region is presented except for the South of

<sup>10</sup> Please note, there are limitations on the extent of the data. It does not enable analysis of the growth performance of new business starts. It is also not able to identify individual companies. ONS provides data at the aggregated level, and all figures are rounded. Therefore, as the analysis breaks into region, local authority and industry (and combinations of these), results may not round to 100%.

Scotland<sup>11</sup>. The regions are presented in order of their contribution to new business creation across Scotland over the period 2010-17.

### Start-ups in industries and regions across Scotland

#### Summary

- The three industries that collectively comprise 80% of the net start-up growth in Scotland since 2010, were the largest contributors to growth in every region:
  - Professional Scientific Technical
  - Administrative and Support Services
  - Information and Communication
- Start-up growth is driven by the main cities of Edinburgh, Aberdeen and Glasgow.
- The growth in higher-productive start-ups is driven by Edinburgh and Aberdeen.
- Those regions with smaller businesses bases, smaller start-up rates, lower growth and fewer MSBs and MSB growth tend to have lower start-up rates in higher productivity industries and higher start-up rates in locally traded industries.
- **This is widening the divide in performance and growth potential across Scotland.**

#### New business creation in Scotland 2010-17 by region

	Net growth in start-ups (2010-17) as a % of the business base (2017)	Regional % of total net start-ups in Scotland (2010-17)
Edinburgh and South East	15.6%	34.4%
Aberdeen City & Shire	13.8%	15.3%
Glasgow City Region	11.6%	30.2%
Tay Cities	10.6%	12.5%
Stirling, Clackmannan & Falkirk	10.2%	4.6%
Ayrshires	9.0%	4.9%
Highlands and Islands	4.8%	5.5%
South of Scotland	0.4%	0.2%

Source: SE analysis of ONS data. Note that Fife is included in both Edinburgh and South East, as well as Tay Cities; Scottish Borders is included in both the South of Scotland, as well as Edinburgh and South East.

#### Highest share of Scotland's net start-up growth 2010-17. By region and industry.

Industry	Region	Contribution to net start-up growth across Scotland 2010-17
Professional Scientific Technical	Edinburgh and South East	+14.3%
Professional Scientific Technical	Glasgow City Region	+12.5%
Professional Scientific Technical	Aberdeen City and Shire	+10.6%
Information and Communication	Edinburgh and South East	+7.2%
Administrative and Support Services	Edinburgh and South East	+6.1%
Professional Scientific Technical	Tay Cities	+5.9%
Administrative and Support Services	Glasgow City Region	+5.8%
Information and Communication	Glasgow City Region	+5.2%
Professional Scientific Technical	Highlands and Islands	+3.0%
Administrative and Support Services	Tay Cities	+2.7%

Source: SE analysis of ONS data. Note that Fife is included in both Edinburgh and South East, as well as Tay Cities; Scottish Borders is included in both the South of Scotland, as well as Edinburgh and South East.

<sup>11</sup> This is because the overall numbers of business start-ups and deaths across the South is very small. When these are broken down by industry, the changes from 2010-17 are significant and as a result are not valid to include in comparison with other regions. The South of Scotland is included in Appendix B.

**Growth in start-ups in locally traded and higher productivity industries (2010-17). By region.**

Net % growth in start-ups 2010-17 (in region) in locally traded industries	Net % growth in start-ups 2010-17 (in region) in high-productivity industries
Ayrshires +40.2%	Glasgow City Region +79.9%
Glasgow City Region +34.8%	Stirling, Clackmannan & Falkirk +79.1%
Scotland +29%	Tay Cities +78.9%
Tay Cities +28.9%	Aberdeen City & Shire +78.5%
Stirling, Clackmannan & Falkirk +28.9%	Scotland +78%
Edinburgh & South East +27.7%	Edinburgh & South East +76.4%
Aberdeen City & Shire +26.3%	Highlands & Islands +75.9%
Highlands & Islands +18.9%	Ayrshires +73.8%

**Source: SE analysis of ONS data. Assignment of industries as locally traded (or not) and high or low productivity can be found in Appendix D.**

When considering the start-up and MSB performance across regions, what begins to emerge is a story about the performance and trends - the 'role' of each region in the economy. This can assist not only in articulating the role of industries in regions but assist policy-makers to develop targeted initiatives to help support growth in industries and places.

***Trends in start-ups and mid-sized businesses***

- The Edinburgh and South East region, driven by the city at its core is the strongest driver of growth in start-ups; both as a share of the region's business base, and by contributing over one-third of all net start-ups in Scotland. The region is also where the strongest growth in MSBs has been since 2010.
- Simply looking at performance between 2010 and 2017, Aberdeen City and Shire saw significant growth in start-ups, both within the region and in its contribution to growth across Scotland. This disguises the high-degree of volatility seen during the period. Pre-2015, the rate of growth was exceptional, but slowed immediately due to the recession in the oil industry. Both council areas are still struggling to get back to these pre-recession levels. In MSB terms, the recession's effects are more pronounced; despite having a significant share of MSB totals and activity, growth was minimal since 2010, with declines from 2015 wiping out the growth from 2010-15.
- The Glasgow City Region, both in start-ups and MSBs, is more likely to have locally traded industries and larger employment. The region sees a significant share of activity in both, but relative to its business population, arguably underperforms compared to other regions with a city-centric focus.
- Stirling, Clackmannanshire and Falkirk have lower than average performance for start-ups but has seen strong MSB growth, with levels exceeding the regions overall share of MSB activity.
- The Highlands and Islands region is seeing steady, consistent growth in its start-up rate, across several industries and a shift towards higher productivity industries, and away from locally traded industries start-up. There is also strengthening performance amongst MSBs.
- The South of Scotland struggles to generate many net new businesses, even relative to its business base, contributing to weak performance at the MSB level.
- The Ayrshires region faces a multiple layered challenge. There is less overall economic growth, less growth in start-ups than other regions, and a significantly larger share compared to elsewhere of these are in locally traded industries and/or lower productivity industries. The regions MSBs are not growing significantly in number or turnover but have shown substantial employment growth.

***What the evidence is telling us***

What this, as well as other evidence is highlighting is the divergence of the Scottish economy; between cities and then towns, rural and remote areas. At the Scotland level, most companies are becoming smaller on average, weakening the key small and medium-sized business market. This hollowing out of the small and the mid-market where Scottish companies struggle to grow and sustain growth (or high-growth) is corroborated by evidence previously published both in this series and before:

- Evidence suggests Scottish start-ups perform well<sup>12</sup> but data (using FAME) identifies that following this, achieving and then sustaining growth becomes less common around the £4m-£5m turnover range, creating growth bottlenecks<sup>13</sup>.
- Further investigation into the extent of these bottlenecks to growth is underway, using the same ONS data on which this (and MSB) evidence is based and presented.
- ONS data highlights that high growth firms in Scotland contribute less to economic and productivity growth than those in other parts of the UK, and over recent years, Scotland's performance has worsened compared to elsewhere in the UK<sup>14</sup>.
- This slowing of growth amongst Scottish companies unsurprisingly manifests in MSB data. The trend is for growth in Scottish MSBs, increasingly concentrated in cities, to lag that seen in Scotland by overseas owned MSBs.
- We can now add to this evidence four further aspects (which will be further considered in the forthcoming analysis of growth and sustaining growth across regions);
  1. Firstly, the concentration of new business creation also predominantly in cities<sup>15</sup>
  2. The Scottish business base is gradually becoming smaller, on average.
  3. Evidence of a disconnect between the industries where Scotland sees most startups and the composition of MSBs. This suggests few startup companies are likely to become MSBs.
  4. And finally, that most start-ups are in higher productivity industries and less likely to be locally traded, suggests those companies emerging in Scotland could fit the profile for growth potential. But this is weakest in regions which arguably need greatest support for growth.

### **Implications**

Following on from these trends, it is vital, given Scotland's already low business base and in new business creation, to considerably increase the number of companies who startup, especially in more productive industries, in order to have more companies who could develop the ambition and capability to become high-growth and mid-sized, through addressing these bottlenecks, leading to better growth and sustaining growth (and high-growth) performance, contributing to stronger MSB growth.

In addition to this, there is the need, given the stated objective of the Scottish Government to achieve sustainable economic growth with opportunities for all<sup>16</sup> to focus on towns, rural and remote areas rather than cities. Evidence shows are falling further behind across a range of business growth indicators. How can growth be stimulated to contribute not just to national economic growth, but also economic growth in regions, towns and rural areas?

This represents a significant challenge for policy-makers who over recent years at the UK and Scotland level have been driven by the needs and desires of the cities. While instruments like City Deals have recognised the importance of tailoring support to individual locations, these have reinforced thinking that cities are the areas where most activity needs to focus, contributing to an imbalanced growth picture, heavily dependent on cities at the expense of rural areas and towns, as this (as well as other) data shows.

There is a lot of talk about inclusive growth – and with good reason. However, the data suggests that a more substantial shift in focus is needed, turning prevailing policy thinking away from a narrow focus and onto a wider economic development standpoint. There will be many ways to achieve this, but to increase the number of high-growth companies and MSBs, a continuous cycle of business creation business growth needs to be prioritised, ensuring that the system encourages, stimulates and supports companies from start-up to mid-sized in all parts of Scotland.

The challenge, as this and other evidence has shown, is significant and only increasing in importance if sustainable, inclusive economic growth is to be realised.

---

<sup>12</sup> [An Update of the Global Entrepreneurial Development Index for Scotland](#) (2017), Hunter Centre for Entrepreneurship, Strathclyde University.

<sup>13</sup> Maximising the Growth Potential of Scottish Businesses (2018). Internal Scottish Enterprise Board discussion paper.

<sup>14</sup> Richmond, K. & Turnbull, J. (2018) [Performance of high-growth firms in Scotland](#). Fraser of Allander Economic Commentary; 42:2.

<sup>15</sup> See Hopkins, P. [New Business Creation in Scotland](#) since 2010 for more.

<sup>16</sup> [Scotland's Economic Strategy](#) (2015)

## Edinburgh and South East

From 2010-17 the region saw an increase in its start-ups relative to its business base of +15.6%, above the Scotland average of +11.1%; whilst 34.4% of the total growth in start-ups in Scotland from 2010 came in this region.

### Summary

Three industries accounted for 80% of net start-up growth, reflecting the broad pattern seen across Scotland, particularly in regions with a city-focus.

Between 2010 and 2017, the share of start-ups by industry was relatively stable, with minimal fluctuations and no significant shift in structure. The only change of note was in Wholesale & Retail. The number of births steadily declined, particularly in the last few years, which (combined with an increase in business deaths) contributed there being more deaths than births in the industry since 2010.

The percentage (and total number) of Professional, Scientific, Technical business deaths rose steadily year on year, bringing down the overall net growth. This did not prevent it being the largest industry contributor to new businesses not just in the region, but across Scotland. Indeed, the +14.27% share of Scotland's overall net start-up growth was the largest of any regional industry across the nation.

Deaths among Wholesale & Retail companies, as noted above, also increased as did those in Construction.

New start-ups in Edinburgh and the South East were marginally less likely than across Scotland as a whole to be in higher productivity industries (76.4% vs 78% in Scotland). They were also less likely to be in locally traded industries than across Scotland (27.7% vs 29%).

Industry	REGIONAL	SCOTLAND
	% share of net regional start-up growth 2010-17	% share of overall net start-up growth in Scotland 2010-17
Professional, scientific & technical	+41.48%	+14.27%
Information & communication	+20.89%	+7.19%
Administrative & support services	+17.63%	+6.07%
Manufacturing	+4.08%	+1.41%
Accommodation & food services	+3.85%	+1.32%
Finance and insurance	+3.85%	+1.32%
Health and social work	+2.07%	+0.71%
Real estate activities	+2.01%	+0.69%
Electricity, gas, steam & air conditioning	+1.72%	+0.59%
Construction	+1.42%	+0.49%
Arts, entertainment & recreation	+0.89%	+0.31%
Transport & storage	+0.89%	+0.31%
Education	+0.53%	+0.18%
Mining, quarrying & utilities	+0.30%	+0.10%
Water supply, sewerage, waste management	+0.30%	+0.10%
Other service activities	-0.53%	-0.18%
Wholesale & retail trade	-1.36%	-0.47%

Source: SE analysis of ONS data. + figures denote a contribution to the total, whilst – denotes a negative, reducing the total.

## Glasgow City Region

The region saw an increase in its start-ups relative to its business base of +11.6%. Whilst above the +11.1% average seen across Scotland, this is not as strong as seen in other city-centric regions. 30.2% of the total growth in start-ups in Scotland from 2010 was in the region though, reflecting an improving performance which was sustained in 2015-17 when most others saw a slowdown in business creation.

### Summary

The composition of start-ups in the region whilst broadly similar to other regions in Scotland with cities, has marginally larger percentage growth in start-ups that tend to have larger levels of employment (aligning with the City Regions MSB structure which has a larger share of employment than anywhere else).

Glasgow is also significantly above the Scotland average (as well as all other regions with cities) for its start-up population being in locally traded industries (34.8% vs 29%). The Ayrshires is the only other region above the Scottish average, but with the Ayrshires small business population, this highlights start-ups across Scotland in locally traded industries is driven by the Glasgow City Region.

The City Region is also the region with the largest percentage of start-ups in higher productivity industries (79.9% vs 78% across Scotland).

Industry	REGIONAL	SCOTLAND
	% share of net regional start-up growth 2010-17	% share of overall net start-up growth in Scotland 2010-17
Professional, scientific & technical	+41.51%	+12.54%
Administrative & support services	+19.07%	+5.76%
Information & communication	+17.32%	+5.23%
Transport & storage	+6.20%	+1.87%
Real estate activities	+5.26%	+1.59%
Construction	+4.11%	1.24%
Human health & social work	+3.50%	+1.06%
Manufacturing	+2.49%	+0.75%
Finance and insurance	+2.43%	+0.73%
Electricity, gas, steam & air conditioning	+1.48%	+0.45%
Accommodation & food services	+0.81%	+0.24%
Arts, entertainment & recreation	+0.34%	+0.10%
Water supply, sewerage, waste management	+0.34%	+0.10%
Mining, quarrying & utilities	+0.00%	+0.00%
Other service activities	-1.15%	-0.35%
Education	-1.21%	-0.37%
Wholesale & retail trade	-2.49%	-0.75%

Source: SE analysis of ONS data. + figures denote a contribution to the total, whilst – denotes a negative, reducing the total.

## Aberdeen City and Shire

The region saw an increase in its start-ups relative to its business base of +13.8%, higher than the +11.1% average in Scotland. 15.3% of the total growth in start-ups in Scotland from 2010 came in this region.

Despite being impressive compared to other regions, this was arguably disappointing since the rapid expansion from 2010 to 2015 was affected considerably by the recession in oil and gas which took hold (in data terms) in 2015 and still continues to impact Aberdeen City according to the data.

### Summary

Similar to Edinburgh and the South East and the Glasgow City Region there was a decline in births among Professional, Scientific and Technical industries. This became more pronounced over the time period due to the recession. The concentration of new business creation in this industry was the biggest percentage share of growth from any one industry across the regions of Scotland, highlighting the concentration of industry in the area

Net growth in the Wholesale and Retail industry was strongest in this region than anywhere else, particularly since 2015. This may merit further investigation to understand any reasons behind this, especially in light of the wider economic context and changes in the region since 2010.

New start-ups in Aberdeen City and Shire were slightly more likely than start-ups across Scotland to be in higher productivity industries (78.5% vs 78% in Scotland). They were also less likely to be in locally traded industries than across Scotland (26.6% vs 29%) as a result of the Professional, Scientific and Technical growth.

Industry	REGIONAL	SCOTLAND
	% share of net regional start-up growth 2010-17	% share of overall net start-up growth in Scotland 2010-17
Professional, scientific & technical	+69.20%	+10.57%
Wholesale & retail trade	+10.93%	+1.67%
Administrative & support services	+7.73%	+1.18%
Information & communication	+4.93%	+0.75%
Electricity, gas, steam & air conditioning	+3.47%	+0.53%
Human health & social work	+2.00%	+0.31%
Real estate activities	+1.60%	+0.24%
Accommodation & food services	+1.47%	+0.22%
Construction	+1.47%	+0.22%
Transport & storage	+1.20%	+0.18%
Manufacturing	+0.67%	+0.10%
Water supply, sewerage, waste management	+0.53%	+0.08%
Arts, entertainment & recreation	-0.27%	-0.04%
Mining, quarrying & utilities	-0.27%	-0.04%
Education	-0.40%	-0.06%
Finance and insurance	-0.53%	-0.08%
Other service activities	-3.73%	-0.57%

Source: SE analysis of ONS data. + figures denote a contribution to the total, whilst – denotes a negative, reducing the total.

## Tay Cities

The region saw an increase in its start-ups relative to its business base of +10.6% vs +11.1% average across Scotland. 12.5% of the total growth in start-ups in Scotland from 2010 came from the Tay Cities.

The performance in Fife has been the principal driver of this, with considerably higher start-up rates than the other local authorities, highlighting a significant variance in performance across the region.

### Summary

In the region, three industries accounted for the majority of net start-up growth, reflecting the broad pattern seen in all regions, particularly those with a city-focus.

The percentage contribution from these industries was more balanced and less concentrated than other regions, and combined with the low number of industries experiencing more business deaths than births, suggests the Tay Cities is one of the more balanced in business creation.

The challenge appears to be two-fold; firstly to increase the number of new businesses being created and secondly, to seek to undertake measures to ensure the growth is seen across all four local authorities.

Perhaps reflecting the balanced industry growth, the region was the closest to the Scottish average for start-ups being in high-productivity industries (78.9% vs 78%) and in locally traded industries (28.9% vs 29%).

Industry	REGIONAL	SCOTLAND
	% share of net regional start-up growth 2010-17	% share of overall net start-up growth in Scotland 2010-17
Professional, scientific & technical	+47.08%	+5.91%
Administrative & support services	+21.75%	+2.73%
Information & Communication	+9.09%	+1.14%
Manufacturing	+9.09%	+1.14%
Construction	+4.71%	+0.59%
Electricity, gas, steam & air conditioning	+4.55%	+0.57%
Real estate activities	+3.25%	+0.41%
Accommodation & food services	+2.76%	+0.35%
Transport & storage	+1.30%	+0.16%
Finance & insurance	+0.97%	+0.12%
Human health & social work	+0.97%	+0.12%
Water supply, sewerage, waste management	+0.81%	+0.10%
Education	+0.49%	+0.06%
Mining, quarrying & utilities	+0.32%	+0.04%
Arts, entertainment, recreation	-0.32%	-0.04%
Other service activities	-2.27%	-0.29%
Wholesale & retail trade	-4.55%	-0.57%

Source: SE analysis of ONS data. + figures denote a contribution to the total, whilst – denotes a negative, reducing the total.

## Highlands and Islands

The region saw an increase in its start-ups relative to its business base of +4.8% against the Scottish average of +11.1%. 5.5% of the total growth in start-ups in Scotland from 2010 came in this region.

### Summary

Given its remoteness, the trend is for the region to be improving its performance.

There is a significant decline in wholesale and retail start-ups, which has overall contributed to increasing levels of higher productivity amongst start-ups in the region.

The region has – by a considerable margin to other regions – the lowest percentage of start-ups in locally traded industries. Only 18.88% of new businesses in the region, compared to 29% across Scotland and 26.3% in Aberdeen City and Shire.

This perhaps reflects a recognition among entrepreneurs that as a remote rural area, starting up in industries which may require (growth assuming) significant employee numbers, may not be advisable; as well as a recognition of the potential for growth from having a product or service that can make geography irrelevant.

However, compared to the 78% across Scotland for start-ups in higher productivity industries, the region is below this with 75.92%.

Industry	REGIONAL % share of net regional start-up growth 2010-17	SCOTLAND % share of overall net start-up growth in Scotland 2010-17
Professional, scientific & technical	+55.56%	+3.05%
Administrative & support services	+31.11%	+1.71%
Manufacturing	+14.07%	+0.77%
Accommodation & food services	+10.37%	+0.57%
Electricity, gas, steam & air conditioning	+10.37%	+0.57%
Real estate activities	+5.19%	+0.29%
Construction	+2.59%	+0.14%
Arts, entertainment, recreation	+1.48%	+0.08%
Information & Communication	+1.48%	+0.08%
Mining, quarrying & utilities	+1.48%	+0.08%
Human health & social work	-0.74%	-0.04%
Water supply, sewerage, waste management	-0.74%	-0.04%
Education	-1.48%	-0.08%
Finance and insurance	-1.85%	-0.10%
Transport & storage	-5.93%	-0.33%
Other service activities	-6.30%	-0.35%
Wholesale & retail trade	-16.67%	-0.92%

Source: SE analysis of ONS data. + figures denote a contribution to the total, whilst – denotes a negative, reducing the total.

## Ayrshires

The region saw an increase in its start-ups relative to its business base of +9.0% compared to +11.1% in Scotland, indicating that this is an area where the region struggles compared to others.

This resulted in a 4.9% contribution to the total growth in further start-ups in Scotland from 2010. These combine to indicate the region is likely to fall behind other regions who have both higher start-up rates as a percentage of its business base, and total number of start-ups.

### Summary

The overall story in the region is that of falling behind elsewhere in Scotland.

However, there were some positive signs. For example, East and South Ayrshire were two of just six areas across the whole of Scotland who saw continued growth in net new business creation from 2015-17 vs 2012-14.

The growth was however only marginal, which suggests a degree of consistency, but perhaps a lack of economic dynamism and 'churn' in the area as new companies emerge, rise and fall for new ones to take their place.

This may be reinforced somewhat by the productivity mix of the start-ups seen in Ayrshires. Only 73.8% of start-ups came in higher productivity industries, below every other region and 78% across Scotland.

40.2% of the start-ups were in locally traded industries, again the highest of any region and considerably above the 29% seen in Scotland.

This presents a significant multi-layered challenge for policy-makers. The Ayrshires appears to be already lagging, but are now falling behind in terms of business creation (it is also behind in mid-sized businesses and performance), but what start-ups do emerge are less likely to be in productive industries and more likely to be in locally traded industries.

Industry	REGIONAL	SCOTLAND
	% share of net regional start-up growth 2010-17	% share of overall net start-up growth in Scotland 2010-17
Professional, scientific & technical	+44.40%	+2.18%
Administrative & support services	+26.14%	+1.28%
Construction	+12.86%	+0.63%
Manufacturing	+8.71%	+0.43%
Information & communication	+4.56%	+0.22%
Real estate activities	+4.15%	+0.20%
Human health & social work	+3.73%	+0.18%
Arts, entertainment, recreation	+2.07%	+0.10%
Water supply, sewerage, waste management	+2.07%	+0.10%
Electricity, gas, steam & air conditioning	+1.24%	+0.06%
Finance & insurance	+0.41%	+0.02%
Mining, quarrying & utilities	+0.41%	+0.02%
Transport & storage	+0.41%	+0.02%
Accommodation & food services	+0.00%	+0.00%
Education	+0.00%	+0.00%
Other service activities	-5.39%	-0.26%
Wholesale & retail trade	-5.81%	-0.29%

Source: SE analysis of ONS data. + figures denote a contribution to the total, whilst – denotes a negative, reducing the total.

## Stirling, Clackmannanshire & Falkirk

The region saw an increase in its start-ups relative to its business base of +10.2% vs the Scotland average of +11.1%. Only 4.6% of the total growth in start-ups in Scotland from 2010 came in this region.

### Summary

The region appears to underperform in terms of its start-up rate and its contribution to the Scotland performance, relative to its business population size.

This may be linked to strong performance in the region since 2010 amongst mid-sized businesses (responsible for 15% of the turnover and 14% of the employment growth in Scotland, despite having just 7% of the total MSB population). Further investigation may suggest that (similar to Glasgow) if it is 'easier' to find paid employment, then entrepreneurship and start-up rates are lower.

The region was second to the Glasgow City Region for the percentage of start-ups in higher productivity industries (79.1% vs the Scotland average of 78%), which may suggest (in addition to the lower start-up rate creation) a link between these and larger MSBs, in terms of creating companies to feed into supply chains of larger (and successful) MSBs.

In terms of locally traded industries, 28.9% of startups in the region were found in these areas, vs 29% across the whole of Scotland.

Industry	REGIONAL % share of net regional start-up growth 2010-17	SCOTLAND % share of overall net start-up growth in Scotland 2010-17
Professional, scientific & technical	+48.44%	+2.22%
Administrative & support services	+15.11%	+0.69%
Information & communication	+13.78%	+0.63%
Accommodation & food services	+8.44%	+0.39%
Manufacturing	+4.89%	+0.22%
Real estate activities	+4.44%	+0.20%
Transport & storage	+4.44%	+0.20%
Construction	+2.22%	+0.10%
Electricity, gas, steam & air conditioning	+1.78%	+0.08%
Human health & social work	+1.78%	+0.08%
Finance & insurance	+1.33%	+0.06%
Arts, entertainment, recreation	+0.89%	+0.04%
Mining, quarrying & utilities	+0.89%	+0.04%
Water supply, sewerage, waste management	+0.44%	+0.02%
Education	-1.33%	-0.06%
Other service activities	-3.56%	-0.16%
Wholesale & retail trade	-4.00%	-0.18%

Source: SE analysis of ONS data. + figures denote a contribution to the total, whilst – denotes a negative, reducing the total.

**Appendix A – Scotland’s business population (2017). By industry and employee size**

	<b>0 Employees</b>	<b>Less than 10 employees</b>	<b>10-49 employees</b>	<b>50-249 employees</b>	<b>250+ employees</b>
Agriculture, Forestry & Fishing	64.7%	33.0%	2.1%	0.2%	0.1%
Mining & quarrying, utilities	79.5%	13.4%	3.6%	1.6%	1.9%
Manufacturing	65.8%	21.7%	7.8%	3.2%	1.4%
Construction	72.7%	22.9%	3.4%	0.7%	0.3%
Transportation & storage	82.2%	12.2%	3.4%	1.2%	0.9%
Accommodation & food services	29.4%	51.4%	16.7%	1.7%	0.8%
Information & communication	80.7%	16.1%	2.0%	0.7%	0.5%
Financial & insurance	51.9%	36.4%	4.9%	2.6%	4.2%
Real estate activities	60.9%	33.0%	4.5%	1.1%	0.6%
Professional, scientific & technical	72.7%	23.3%	2.9%	0.7%	0.4%
Administrative & support service	71.8%	22.4%	3.6%	1.1%	1.0%
Education	91.0%	6.2%	1.9%	0.6%	0.3%
Human health & social work	76.0%	14.3%	7.5%	1.6%	0.6%
Arts, entertainment & recreation	85.1%	10.7%	3.3%	0.6%	0.3%
Other service activities	72.1%	25.0%	2.3%	0.4%	0.2%
Wholesale & Retail	50.6%	39.1%	7.1%	1.8%	1.5%

Source: SE analysis of [Businesses in Scotland \(2018\)](#) data.

<b><i>(excluding companies with zero employees)</i></b>	<b>Less than 10 employees</b>	<b>10-49 employees</b>	<b>50-249 employees</b>	<b>250+ employees</b>
Agriculture, Forestry & Fishing	93.4%	5.9%	0.4%	0.2%
Mining & quarrying, utilities	65.3%	17.6%	7.6%	9.4%
Manufacturing	63.6%	22.9%	9.4%	4.1%
Construction	84.0%	12.3%	2.6%	1.1%
Transportation & storage	68.8%	19.3%	7.0%	5.0%
Accommodation & food services	72.8%	23.6%	2.4%	1.2%
Information & communication	83.5%	10.6%	3.5%	2.4%
Financial & insurance	75.6%	10.2%	5.4%	8.8%
Real estate activities	84.2%	11.5%	2.8%	1.5%
Professional, scientific & technical	85.4%	10.6%	2.5%	1.5%
Administrative & support service	79.6%	12.8%	4.1%	3.5%
Education	68.8%	21.1%	6.4%	3.8%
Human health & social work	59.6%	31.2%	6.7%	2.5%
Arts, entertainment & recreation	71.8%	22.0%	4.0%	2.2%
Other service activities	89.8%	8.2%	1.4%	0.6%
Wholesale & Retail	79.1%	14.3%	3.6%	3.0%

Source: SE analysis of [Businesses in Scotland \(2018\)](#) data.

**Appendix B – % of net growth in business creation by region**

	Scotland	Aberdeen City & Shire	Ayrshires	Edinburgh & South East	Glasgow City Region	Highlands & Islands	South	Stirling, Clacks, Falkirk	Tay Cities
Mining, quarrying & utilities	0.20%	-0.27%	0.41%	0.30%	0.00%	1.48%	9.09%	0.89%	0.32%
Manufacturing	3.97%	0.67%	8.71%	4.08%	2.49%	14.07%	54.55%	4.89%	9.09%
Electricity, gas, steam & air conditioning supply	2.85%	3.47%	1.24%	1.72%	1.48%	10.37%	90.91%	1.78%	4.55%
Water supply, sewerage, waste management & remediation	0.41%	0.53%	2.07%	0.30%	0.34%	-0.74%	-9.09%	0.44%	0.81%
Construction	2.93%	1.47%	12.86%	1.42%	4.11%	2.59%	-236.36%	2.22%	4.71%
Wholesale & retail trade	-1.38%	10.93%	-5.81%	-1.36%	-2.49%	-16.67%	-236.36%	-4.00%	-4.55%
Transport & storage	2.22%	1.20%	0.41%	0.89%	6.20%	-5.93%	-81.82%	4.44%	1.30%
Accommodation & food services	2.93%	1.47%	0.00%	3.85%	0.81%	10.37%	-45.45%	8.44%	2.76%
Information & communication	14.25%	4.93%	4.56%	20.89%	17.32%	1.48%	18.18%	13.78%	9.09%
Finance & insurance	1.87%	-0.53%	0.41%	3.85%	2.43%	-1.85%	-36.36%	1.33%	0.97%
Real estate activities	3.48%	1.60%	4.15%	2.01%	5.26%	5.19%	36.36%	4.44%	3.25%
Professional, scientific & technical	47.75%	69.20%	44.40%	41.48%	41.51%	55.56%	454.55%	48.44%	47.08%
Administrative & support services	18.22%	7.73%	26.14%	17.63%	19.07%	31.11%	209.09%	15.11%	21.75%
Education	-0.31%	-0.40%	0.00%	0.53%	-1.21%	-1.48%	18.18%	-1.33%	0.49%
Human health & social work	2.38%	2.00%	3.73%	2.07%	3.50%	-0.74%	0.00%	1.78%	0.97%
Arts, entertainment & recreation	0.49%	-0.27%	2.07%	0.89%	0.34%	1.48%	-63.64%	0.89%	-0.32%
Other service activities	-2.28%	-3.73%	-5.39%	-0.53%	-1.15%	-6.30%	-81.82%	-3.56%	-2.27%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**Appendix C – % of net growth in business creation across Scotland 2010-17. By region and industry.**

	Scotland	Aberdeen City & Shire	Ayrshires	Edinburgh & South East	Glasgow City Region	Highlands & Islands	South	Stirling, Clacks, Falkirk	Tay Cities
Mining, quarrying & utilities	0.20%	-0.04%	0.02%	0.10%	0.00%	0.08%	0.02%	0.04%	0.04%
Manufacturing	3.97%	0.10%	0.43%	1.41%	0.75%	0.77%	0.12%	0.22%	1.14%
Electricity, gas, steam & air conditioning supply	2.85%	0.53%	0.06%	0.59%	0.45%	0.57%	0.20%	0.08%	0.57%
Water supply, sewerage, waste management & remediation	0.41%	0.08%	0.10%	0.10%	0.10%	-0.04%	-0.02%	0.02%	0.10%
Construction	2.93%	0.22%	0.63%	0.49%	1.24%	0.14%	-0.53%	0.10%	0.59%
Wholesale & retail trade	-1.38%	1.67%	-0.29%	-0.47%	-0.75%	-0.92%	-0.53%	-0.18%	-0.57%
Transport & storage	2.22%	0.18%	0.02%	0.31%	1.87%	-0.33%	-0.18%	0.20%	0.16%
Accommodation & food services	2.93%	0.22%	0.00%	1.32%	0.24%	0.57%	-0.10%	0.39%	0.35%
Information & communication	14.25%	0.75%	0.22%	7.19%	5.23%	0.08%	0.04%	0.63%	1.14%
Finance & insurance	1.87%	-0.08%	0.02%	1.32%	0.73%	-0.10%	-0.08%	0.06%	0.12%
Real estate activities	3.48%	0.24%	0.20%	0.69%	1.59%	0.29%	0.08%	0.20%	0.41%
Professional, scientific & technical	47.75%	10.57%	2.18%	14.27%	12.54%	3.05%	1.02%	2.22%	5.91%
Administrative & support services	18.22%	1.18%	1.28%	6.07%	5.76%	1.71%	0.47%	0.69%	2.73%
Education	-0.31%	-0.06%	0.00%	0.18%	-0.37%	-0.08%	0.04%	-0.06%	0.06%
Human health & social work	2.38%	0.31%	0.18%	0.71%	1.06%	-0.04%	0.00%	0.08%	0.12%
Arts, entertainment & recreation	0.49%	-0.04%	0.10%	0.31%	0.10%	0.08%	-0.14%	0.04%	-0.04%
Other service activities	-2.28%	-0.57%	-0.26%	-0.18%	-0.35%	-0.35%	-0.18%	-0.16%	-0.29%
		15.27%	4.91%	34.41%	30.22%	5.50%	0.22%	4.58%	12.54%

**Appendix D – Assignment of industries as locally traded or not; and high or low productivity.**

	High or low productivity	Locally traded or not
Mining, quarrying & utilities	High	Not
Manufacturing	High	Not
Electricity, gas, steam & air conditioning supply	High	Not
Water supply, sewerage, waste management & remediation	High	Locally traded
Construction	High	Locally traded
Wholesale & retail trade	Low	Locally traded
Transport & storage	High	Locally traded
Accommodation & food services	Low	Locally traded
Information & communication	High	Not
Finance & insurance	High	Not
Real estate activities	High	Locally traded
Professional, scientific & technical	High	Not
Administrative & support services	Low	Locally traded
Education	Low	Locally traded
Human health & social work	Low	Locally traded
Arts, entertainment & recreation	Low	Locally traded
Other service activities	High	Locally traded

SIC classification codes encompass a wide range of activities. At a broad level, to provide an indication of the type and level of activity being undertaken across regions and how this impacts new business creation and changes in the business base, industries have been assigned according to characteristics most companies are believed to have.

Whilst no single definition of 'locally traded' sectors exist, previous analysis has used this typology to provide insights into Scotland's economy. A key characteristic of these industries is their ability to generate employment locally. They are also more likely to have a high rate of part time employment, around twice the Scottish average. They are also more likely to have low productivity, low skill levels and pay relatively low wages.