WORKING PAPER No. 11
November 1992

SHOULD WE ABANDON
THE SUPPORT TO
START-UP BUSINESSES?

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1. INTRODUCTION

During the 1980s the UK government was concerned to promote an "Enterprise Culture". A key component of this was the encouragement given to individuals to start their own businesses. This encouragement included the creation of the Enterprise Allowance Scheme (EAS), the provision of free and subsidised advice to people wishing to start, the provision of training programmes such as Firmstart, the provision in some parts of the country of subsidised accommodation for new and small businesses and more general attempts to encourage particular groups of individuals to consider the option of becoming self employed - such as the Graduate Enterprise Programme.

This paper argues that, at the present time, policies intended to increase the formation rate of new firms are unlikely to be as cost effective with public funds as policies to enable growing businesses to grow somewhat faster. It argues that, particularly in current conditions, a shift of resources away from the encouragement of start up businesses and towards growing businesses is entirely appropriate.

Section 2 provides a review of some key research findings in this area. It argues that the impact of public policies encouraging start ups is extremely diffuse, primarily because of the high proportion of new businesses which fail in their early years and the fact that job creation amongst surviving firms is heavily concentrated amongst a few. The problem for policy makers is that, at start up, it is extremely difficult to distinguish between those businesses which will succeed in the sense of creating significant numbers of jobs, compared with those which will fail. In short, assistance to start up businesses is a lottery in which the odds of winning are not good.\footnote{1}

Section 3 then discusses current research on "growth" businesses i.e. those businesses which are small and independent but which experience significant employment growth over a short period of time. The section argues that many of the constraints on these growth businesses have been identified in
prior research, although these are likely to vary in severity from one firm to another.

Section 4 provides evidence that, in terms of international comparisons, the United Kingdom currently has relatively high rates of new firm formation. It also shows that countries with high increases in self employment - which may reflect high rates of new firm formation - are those with high increases in rates of unemployment. Most significantly it shows that despite a huge increase in self employment in the UK in the 1980s, the UKs employment growth was virtually identical to that in the 1970s.

The fifth section of the paper discusses how, in practice, a policy of targeting public assistance towards growth businesses might be implemented in the current UK context. It argues that Training and Enterprise Councils (TECs) would be well advised to shift a proportion of their enterprise budgets away from the promotion of start ups and towards "growth" small businesses. The paper then provides a blueprint for the operation of procedures needed.

2. THE SURVIVAL AND PERFORMANCE OF NEW FIRMS

The single most important fact to be borne in mind by policy makers when implementing measures for smaller firms is the high death rate of such businesses. Ganguly (1985) showed that the de-registration rate for Value Added Tax (VAT) of the smallest size of firms (those with less than a turnover of £14,000 in 1980) was more than six times as high as that of the de-registration rates for businesses with a turnover of £2 million or more. Ceasing to trade is therefore endemic and central to the small firm sector.

The second clear finding from the analysis of VAT-based data is that de-registration rates are very much higher for new small businesses than for longer established small businesses. For example 36% of new businesses cease to trade within three years, whereas only a further 37% cease to trade in the following seven years (Department of Employment, 1992).

The third key research finding is that small firms exhibit considerably greater year to year fluctuations in both their profitability and their
sales than is the case for larger firms (Storey, Keasey, Watson and Wynarczyk, 1987). This reflects the fact that small firms are much more likely to have a single product and a single customer than larger firms (Cambridge Small Business Research Centre, 1992) and that they are therefore much more strongly influenced by changes in demand, by either that one customer or for that one product.

The fourth key research finding is that employment growth in small firms is heavily concentrated amongst a few. My own research has been pointing to this since 1985 (Storey, 1985), but it is interesting to note that the contribution of fast growing firms is now increasingly widely recognised [Gallagher and Miller (1991), Smallbone et al. (1992)]. For example, Gallagher and Miller in their study of firms in South East England which started between 1980 and 1982, found that 18% of all firms accounted for 92% of the jobs created. The figure which has consistently emerged from my own work is that, over a decade, 4% of the businesses which start will end up providing 50% of the jobs. The clear message is that the small firms which Gallagher and Miller refer to as "fliers" are the main source of new job creation amongst smaller firms.

In short, the evidence is that the small firm population may usefully be separated into three categories: short life businesses which are unlikely to trade for more than three years, ['turnover' firms or 'failures'] businesses likely to survive for a considerable period of time, but which are unlikely to create significant numbers of jobs ['trundlers'] and thirdly a tiny proportion of small firms which are disproportionately important in terms of job creation ['flyers' or 'gazelles'].

Hence when politicians and others make statements about the extent to which "the small firm sector" is a source of new job creation, this might be thought to imply that job creation occurs in the "typical" small firm. It does not. Significant job creation occurs amongst very few small firms [the 'flyers'], yet it is these firms which are disproportionately important to the economy.

We now turn to a very brief review of research which has examined the factors which influence the survival of new and small businesses. This is shown in Table 1.
### Table 1: Factors Influencing the Survival of Small Firms

<table>
<thead>
<tr>
<th>MACRO</th>
<th>United Kingdom</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rates</td>
<td>?</td>
<td>X</td>
</tr>
<tr>
<td>Output Growth</td>
<td>?</td>
<td>X</td>
</tr>
<tr>
<td>Youth/Age</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

**INTERNAL**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Growth</td>
<td>?</td>
<td>✓</td>
</tr>
<tr>
<td>Education</td>
<td>?</td>
<td>✓</td>
</tr>
<tr>
<td>Gender</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Experience</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

**Key:**
- ✓ = clear relationship
- X = no relationship
- ? = 'mixed' results or not tested

The table makes two distinctions: it distinguishes between research on small firm survival in the United Kingdom and those for the United States. It also makes a distinction between macroeconomic factors which influence survival and what are referred to as "internal" factors. It identifies three categories of response: the first where a fairly consistent relationship has been identified in several studies, the second where no relationship has been identified, and the third where either the picture is inconsistent or where the subject has been inadequately examined.

Taking the macroeconomic factors first, the work by Robson (1991) and that by Cuthbertson and Hudson (1990) and Hudson and Cuthbertson (1993) on the United Kingdom suggests that the failure rate of small firms or the number of personal bankruptcies rise when interest rates are high and when output growth is low. The VAT deregistration data, however, seem to tell a different story. For the UK as a whole de-registration rates were 11% of the stock of businesses in every year between 1980 and 1990 except for 1981 when they were only 9%—probably because of a civil servants dispute in that year. This is despite widely varying macro-economic conditions, Daly (1991). It is for this reason the table shows the symbol ? in Table 1 as reflecting an uncertain outcome of macro-economic variables. The Youth/Age variable has not been fully incorporated in these studies.
The results from the United States on business failures by Lane and Schary (1990) suggest that the business cycle has only a very modest impact upon small business failure rates. Their key conclusion is that business failure rates in year $t$ are primarily influenced by the numbers of business started three years previously in year $t-3$ - so that a high number of business starts in a particular year lead to more deaths three years later, irrespective of current macro economic conditions.

A second, and almost unrelated, area of research into small business survival has attempted to relate the characteristics of the entrepreneur or business owner to whether or not the business survives. These we refer to as "internal" factors - distinguishing them from the macroeconomic conditions discussed above. The table identifies four "internal" factors which have been the subject of some discussion amongst researchers.

There is no comprehensive UK study which has attempted to relate these personal characteristics of the individual to the survival or non-survival of the business. The problem with undertaking such work is that of obtaining a comprehensive record of all start up businesses, together with data on the personal characteristics of the individuals. The second problem is that of conducting analyses of a large enough sample to enable all the variables to be held constant.

There have been a number of useful studies of businesses which have ceased to trade, such as that by Hall (1992), but the work of Cressy (1992) now seems likely to satisfy the conditions set out above. His work, looking at 2,000 individuals who started business with National Westminster Bank in 1988 and a further 700 starting in 1991, can provide some useful insights into this matter but the precise implications are likely to be commercialised by the sponsor of the research, rather than being available to public authorities.

To some extent these problems have been overcome in the United States where more comprehensive and accessible data bases exist and have been the subject of analysis for longer periods of time. Probably the key finding in this area is that by Phillips and Kirchhoff (1988). They find:
"Within the first two years of a new firm's life, the firm which generates any jobs has about a 20% higher chance of lasting two years than a firm which does not create any jobs ....... After only four years the firm which generates jobs has a 40% higher chance of survival ....... If the new firm has created between 1 and 4 jobs during its first four years its chances of survival rise to 80% ....... Clearly the ability to generate jobs allows a firm the ability to adjust to the business cycle as it increases its cash flow and is a dramatic correlation of the firms' ability to survive .......

When a new firm goes to 10 or more employees within the first six years of life it is close to a guarantee of survival for at least ten years".

The United States data also shows that education of the entrepreneur is associated with the survival of the firm. Work by Bates (1990) shows there is a broadly positive association between the level of education of the entrepreneur and the survival of the firm. Kalleberg and Leicht (1991) show there is no evidence that gender influences survival.

Overall the interpretation of these research results for policy makers in the United Kingdom is that our understanding of the human capital characteristics of individuals who are likely to have businesses which survive is weak. It is also highly probable that, even if much more extensive efforts were directed towards a better understanding of these factors, results would not be forthcoming for a number of years. Even then perhaps, our ability to "explain" would only be modest. In short, we have to recognise that currently there is very little basis in research for predicting those businesses, at start up, which are likely to survive for any period of time. There is certainly no basis in research for believing that public monies devoted to encouraging the start up of new businesses could usefully be targeted towards certain types of groups or individuals.

If this is the case it means one of two things: either that start up assistance has to be available to all, on the grounds that we cannot discriminate between individuals. This is current policy. Alternatively uses could be found for resources currently focused upon "start ups". One of these alternative uses could be to provide greater encouragement to established "growth" businesses.
3. MORE "GROWTH" BUSINESSES?

There have been a number of surveys and studies of the growth constraints experienced by smaller firms. Probably the five most frequently identified constraints are shown in Table 2. A number of studies such as those by Aston Business School for the Department of Trade and Industry (1991) and the Cambridge Small Business Centre (1992) have indicated that firms which wish to grow are frequently constrained by an inability to recruit and develop suitable types of labour. A similar point is made by Atkinson and Meager (1992). The difference between the Cambridge and the DTI study however is that the latter placed a much greater emphasis upon labour issues than the former. Thus the Cambridge study argued that the availability and cost of finance for expansion was the key constraint, and this was particularly binding for fast growth and newer firms. It was significantly more important than the inability to recruit skilled labour. The Aston study however, which was conducted one year previously, at a time when bank finance was probably more easy to obtain and the labour market was tighter, chose to place the emphasis upon labour market issues.

<table>
<thead>
<tr>
<th>PROBLEM AREA</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Labour Force</td>
<td>Consistent Problems</td>
</tr>
<tr>
<td>2. Premises</td>
<td>Not now in general</td>
</tr>
<tr>
<td>3. Finance</td>
<td>In general, not a constraint but problems with high tech firms, small sums of venture capital, and over banking relationships</td>
</tr>
<tr>
<td>4. Owners</td>
<td>Motivation</td>
</tr>
<tr>
<td>5. Management Teams</td>
<td>Skill in developing teams is important for those wishing to grow</td>
</tr>
</tbody>
</table>

A number of studies in the early 1980s identified a shortage of premises as a key constraint upon the development of the small business sector (JURUE 1980, Cooper & Lybrand, 1980). This has lead to an extensive programme of primarily public provision of new and converted premises for smaller businesses. It is probably fair to say that this is one aspect in which there has been a clear improvement in the position of small firms over the
last decade or so, although almost certainly there are local instances where this general improvement is not apparent.

Despite these differences of emphasis between the surveys, labour force and finance problems are consistently identified as important constraints upon the growth of small firms. These problems do vary from one geographical area to another, they vary from one business type to another and they clearly vary according to the nature of macro-economic conditions.

For example, the work of Moore and Sedaghat (1991) on high technology firms in the Cambridge area, together with the Advisory Council on Science and Technology (ACOST) study (1990), suggests that high technology firms may have particular difficulties in financing, reflecting the uncertainty associated with innovation.

It is important to make a distinction between the provision of debt and equity capital. For many small firms wishing to grow, irrespective of sector, Mason and Harrison (1991) point to the difficulties of obtaining small sums of equity capital. They show that a number of smaller firms have responded to this problem by forming an association with "business angels" - wealthy individuals making a personal equity investment in a small business. Despite these developments it remains the view amongst observers of small business such as Mason and Harrison that it is difficult to obtain equity sums of less than £100,000.

The work by Curran et al. (1991) addresses the key question of the motivations and aspirations of business owners. They point out that business owners come from a wide variety of backgrounds and establish a business for a variety of different motivations. Amongst these motivations, the maximisation of income and a desire to grow a business is paramount in only a few cases. Indeed many individuals establish a small business for the sole purpose of avoiding working in a large organisation, and would see growth as one of the least important of their objectives. These business owners are more concerned to generate a particular lifestyle, for the business to survive, and possibly to be passed on to the next generation. For this group the key growth 'constraint' is actually the people who run the businesses themselves. They are unlikely to be changed by the provision of financial or other incentives to grow the
business more rapidly. Indeed, if the results of the work by Rees and Shah (1992) on the self employed apply to the small business owning population more generally, the provision of financial assistance to this sector would simply result in these individuals committing less effort to their business, rather than more.

Finally Table 2 points to the problems of assembling management teams. It emphasises that whilst some businesses may wish to grow, the individual or individuals who own them are unable to recruit suitable managerial staff, delegate responsibilities, or be capable of owning and managing a slightly larger firm. The differences in the way in which managerial teams are assembled is addressed by Wynarczyk et al (1993) and by ACOST (1990).

Overall the table demonstrates there is no single constraint which operates on all small firms. Many do not wish to grow, and those which do may be constrained by a shortage of skilled labour, an inability to recruit suitable management, financial constraints in the form of shortages of equity or bank finance, or a shortage of suitable premises or any combination thereof. Finally the particular configuration of constraints are likely to vary from one geographical area to another.

It means that policies to overcome growth constraints are best implemented at a local level and will have to vary according to the firm concerned. It therefore means that Training and Enterprise Councils (TECs) are in a strong position to development such policies.

4. INTERNATIONAL COMPARISONS OF BUSINESS STARTS AND SELF EMPLOYMENT

The Bolton Committee Report (1971) argued in 1968, the most recent year for which data were available, that 0.4 new companies were registered in Britain per thousand population compared with 1.4 per thousand in the United States. On the basis of this it was inferred that the UK had a relatively low rate of new firm formation, compared certainly with the United States. Storey (1982) challenged this data comparison on the basis that 1968 was a uniquely low year for new company incorporations in the United Kingdom and that the comparison with the United States was therefore exaggerated. Nevertheless, as in many other instances, the stylised fact
which drove small firm policies was that United Kingdom had low rates of new firm formation, compared with more "enterprising" economies, most notably the United States. Policy makers very unwisely embraced the view that this needed to be rectified by stimulating new firm formation on the grounds that this would lead to greater wealth and job creation.

The error of this view is illustrated in Figures 1 and 2. They show changes in both self employment and total civilian employment amongst OECD countries in the 1973-79 period in Figure 2. Comparable data for 1979-90 are shown in the Figure 1. The position of the United Kingdom shows that during the 1973-1979 period the annual increase in employment was virtually identical to that between 1979-90 i.e. about 1%. However, comparing Figures 1 and 2 shows the UK had a massive increase in the numbers of self employed during the 1980s of about 6% annually, with this being considerably out of line with virtually all other OECD countries. The two graphs suggest that, although the United Kingdom did experience a major increase in self employment, (and increases in self employment are likely to broadly reflect new firm formation) there was little evidence that this impacted upon changes in total employment.²
FIGURE 1

Growth of self-employment and total civilian employment
Annual averages

1979-1990

Change in self-employment (%) vs. Change in employment (%)

FIGURE 2

1973-1979

Change in self-employment (%) vs. Change in employment (%)

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FIGURE 3

Growth of unemployment and self-employment
Annual averages

FIGURE 4

1973-1979

1979-1990


The value of OECD time series data is that it also enables a test to be made of the implicit assumption underlying UK small firm policy that increases in self employment or entrepreneurship/enterprise lead to, or are associated with, lower rates of unemployment. This is examined in Figures 3 and 4, where again a distinction is made between the 1973-79 period in Figure 4 and the 1979-1990 period in the Figure 3.

Taking Figure 4, covering the 1973-79 period, the general pattern observed was precisely the opposite to that which has been articulated by UK policymakers. The countries which experienced a large increase in self employment were those countries which experienced a large increase in unemployment. Nevertheless the pattern across countries is extremely diverse during this period.

During the 1979-90 period it is difficult to decipher any relationship between the change in self employment and the change in unemployment. The only clear point is that the United Kingdom is strikingly out of line with other countries in terms of its increase in self employment rates, yet its changes in unemployment appear close to the OECD average.\(^3\)

Finally Table 3 presents data, reproduced by Van der Horst (1992) which attempts to generate cross country comparisons of business start-up rates in Europe. It is clear that, with the exception of Denmark where the data appear to be not comparable to elsewhere, the United Kingdom had, in 1989, the highest rates of business start ups in Europe.
Table 3: Start-ups as a Percentage of the Active Labour Force, 1989.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>(5.4)(^1)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.59</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1.46</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.25</td>
</tr>
<tr>
<td>Italy</td>
<td>1.20</td>
</tr>
<tr>
<td>Germany</td>
<td>1.13</td>
</tr>
<tr>
<td>France</td>
<td>1.12</td>
</tr>
<tr>
<td>Spain</td>
<td>0.64</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.62</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.34</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>0.33</td>
</tr>
<tr>
<td>Greece</td>
<td>n.a.</td>
</tr>
<tr>
<td>EC</td>
<td>0.97</td>
</tr>
</tbody>
</table>

Sources: Eurostat (Luxembourg) and Institut ANCE (Paris)
OECD Employment Outlook.

\(^1\) Data in respect of Denmark are not fully comparable with other countries due to the large number of start-ups for fiscal reasons and a special Category of female entrepreneurship.
These international comparisons have made three important points. The first is that, even if it was the case twenty years ago, the UK currently does not now have low rates of firm formation. For whatever reason the last two decades have seen a major increase in these rates. The second is that, despite this much faster growth in self employment in the 1980s, in the UK, there is no evidence that it has had a major impact upon inducing either increased employment or reduced unemployment, compared with other OECD countries which did not experience this scale of shift. The third point is that, whatever the UK economy needs, it does not require further incentives to stimulate new firm formation, for two reasons. The first is because our rates are higher than almost all of our competitors, and the second is because the impact which incentives have upon employment creation is negligible, since they primarily lead to ‘churning’ (more births and more deaths) rather than to net employment gains.

Instead it is the recommendation of this paper that resources should be shifted away from increasing the number of start up firms, towards encouraging the growth of a small proportion of existing firms.

5. TOWARDS A POLICY OF TARGETING GROWTH BUSINESSES

It is assumed that any policy which focuses upon ‘growth’ businesses would be implemented through Training and Enterprise Councils (TECs). This section provides practical advice to TECs on how to operationalise a policy focusing upon growing SMEs.

The first stage is to identify a list of fast growing young firms in the TEC area. Here it would be possible to use a commercial data base to initially identify firms according to four criteria. The criteria are that the firms should be between three and five years old, cover all sectors, have at least 20 employees and be independent businesses in the sense of not being owned by any other firm.\textsuperscript{4}

Once this list had been compiled for a given TEC area, the firms could be contacted to find whether they were seeking further expansion. If so, they would be invited to discuss these expansion plans with the relevant TEC officials, who would offer to visit the firm at their own premises.
many cases the firms themselves would either indicate that they were not
interested in expansion, or that they were not interested in discussing
these with TEC officials. Nevertheless a proportion of firms might be
interested in further dialogue.

When the TEC official visited the firm the purpose would be to clarify the
nature of any constraints upon growth which the firm might be experiencing.
As we have observed above, these might be financial in the sense of being
unable to obtain a suitable combination of term loans/overdrafts/equity etc.; they might be problems over obtaining suitable premises; they might be problems of obtaining suitable skilled or managerial labour or they
might be basic information about exporting, insurance etc.

The key point of these visits would be to determine whether there was some
way in which the TEC could provide managerial assistance to the firm over a
short time period to enable a specific constraint to be overcome. The
difference between what is being proposed, and that which is in operation
currently, is that the purpose of the TEC officer would be to find out what
problems the firm had, rather than to inform the firm about what assistance
is available. In this sense the provision of advice services has to be
demand, rather than supply, led.5

The key theme of these proposals are a recognition that SME problems vary
markedly from one firm to another, and probably from one TEC to another.
They also recognise that the key constraint upon the growth of SMEs is
likely to be managerial. Hence the TEC is likely to have to provide
temporary managerial assistance to expanding firms to enable them to
overcome short term problems. It may be likened to someone running down a
hill very quickly and observing a brick wall in front. The purpose, in
this context, is that the TEC provides the rope ladder to enable the wall
to be scaled and the individual to continue running down the other side.

Once the constraint(s) for the individual firm has been diagnosed the
assistance which the TEC would provide would be managerial. It might be to
provide a finance professional to work with the firm for a period of time
to negotiate a suitable package of finance for expansion; it might be to
provide an individual who specialises in assisting firms to both find new
premises and to help the firm move to those premises; it might be an individual who is able to identify and recruit a Marketing Director.

The point of these illustrations is threefold. The first is that they demonstrate that these are not short term assignments. They will require TEC involvement with the firms for a considerable period of time. The second is that this means that relatively few firms can be helped, so that TECs cannot "play the numbers game". The third is that the TEC is becoming closer to the consultancy services which could be provided by the private sector.

6. SOME CONCLUDING REFLECTIONS

It is appropriate to conclude with some reflections upon this proposal for a fundamental refocusing of small firm policy. The first is that the types of skills which the expanding firm requires are not those likely to be available amongst TEC staff, many of whom were formerly Civil Servants. This expertise will only be available amongst former or current business owners or senior managers with operational experience. Hence there may be a problem for the TEC in obtaining access to those skills. It may indeed be the case that the TEC has to undertake some training itself in order to meet these needs - "physician heal thyself".

Nevertheless the central point is that the criteria by which the "success" of an initiative is judged is not the number of leaflets that were handed out, nor the number of visits made to an Enterprise Agency, nor the number of businesses established in the locality etc. Instead the criteria for success is the ability to stay with only a small number of firms for a significant period of time, perhaps up to six months, and to enable that firm, as a result of the assistance provided, to overcome a particular growth hurdle.

Finally it is appropriate to introduce two important caveats to the scheme. The first is that it is not suggested that only young firms would be included. Our suggestion of perhaps initially focusing upon firms which are three to five years old could be considered to be an appropriate starting point; it would not necessarily exclude the possibility that, at a later stage, firms of different ages would be included for assistance.
The second caveat is that TECs may still choose to provide some resources to facilitate the start up of some types of businesses. They may well wish to be seen to be providing assistance to certain groups of ethnic minorities or handicapped individuals. Nevertheless the main focus has to be to shift away from encouraging the start up of a business, towards enabling growing businesses to reach their full potential.

Despite these caveats, the prime purpose of the proposal is to demonstrate that there is clear evidence of a need to move resources away from a focus upon start ups and towards growing businesses. It also demonstrates that practical and operational procedures to enable this to be successful can now be devised.
1. To continue the analogy, some may find the comparison between horse-racing and small firms policy helpful. I see analogy being that government policy in the 1980s is comparable to an unwise bookmaker, who takes bets and gives the same odds whether the horses are at the starting-gate or whether they have jumped a significant number of hurdles in the race. In effect, despite the risk of falling/failure, government still persists in putting on its (or "our") money on the horses at the start of the race, when it would be much better advised to study their 'form' in the early stages of the race.

2. It is appropriate to be cautious in moving from micro to macro economic changes. On the one hand it can be argued that without the rise in self employment in the 1980s, the level of unemployment would have been even higher. On the other hand the shift in policy towards self employment and enterprise clearly had not net observable effect.

3. It is appropriate to point out that whilst the UK experienced an annual average increase in unemployment which was similar to the OECD average in both time periods, the absolute rates are much lower in the 1980s (around 2%), than in the 1970s (around 15%).

4. It is not suggested that these are the only growing firms in an area. For example some long established firms may currently be undergoing rapid growth because of changed market conditions, a new owner etc. However the current definitions have the advantage of identifying the bulk of growing firms whilst being very convenient to administer.

5. Again we can liken the proposal to the difference between sitting down in a restaurant and being presented with a menu or being asked what you would like to eat. Currently public policy 'tells' small firms that, subject to a number of restrictions, they can choose items from the menu. If what they want is not on the menu then that is unfortunate. The proposals presented here are different. They are asking the firm what it would like to eat, and on the basis of the responses received the TEC formulates the services/assistance which it provides.
REFERENCES


JURUE, (1980), Industrial Renewal in the Inner City, University of Aston, Birmingham.


