

Growth returns to pre-crisis levels for smaller businesses

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Small and medium-sized enterprises have recovered from the recession, according to the Enterprise Research Centre, with growth and start-up rates returning to pre-2008 levels.

The ERC, an academic centre, found that by the end of 2014 the number of private sector jobs created since 2008 had exceeded those lost by 400,000.

It said 1m SMEs collapsed between 2008 and 2014, costing 5.7m jobs. A further 7.3m jobs were cut by larger companies, accounting for 13m in total.

New start-ups created 4m jobs over the same period while other companies hired 9.4m, creating 13.4m new jobs.

SMEs, defined as having fewer than 250 employees, account for 60 per cent of private sector employment.

The economy returned to its pre-recession size in mid-2014 after contracting by 5.2 per cent from peak to trough. But it remains smaller when measured by gross domestic product per head because of a larger population.

Mark Hart, deputy director of ERC, a consortium of five university business schools, said: "SME Britain is finally back to where it was before the recession in terms of jobs, growth and start-up activity.

"For many SMEs it's been a long, hard road over the past few years but our research is showing that entrepreneurs and small to medium-sized businesses right across the UK have the wind back in their sails," said Professor Hart.

They have been helped by the recovering economy; growth was 2.8 per cent in 2014. They have also begun to borrow again: recent figures from the Bank of England showed banks increasing small business lending after years of decline.

There are 5.2m businesses in the UK, 99 per cent of which are classified as SMEs. They employ more than 15m people and have a total turnover of £1.6tn, 47 per cent of business turnover.

Some 5m have fewer than nine employees. Although these micro-businesses have lower productivity, they are active in some of the fastest-growing industries, according to a report last week by the RSA charity.

Out of a total of 2.61m jobs created on average each year between 1998 and 2010, existing small companies — with fewer than 50 employees — contributed 34 per cent, or 870,000. Start-ups also contributed about a third.

However, some economists warn that the economy is still fragile, relying on consumer demand buoyed by low inflation that cannot last.

The ERC's figures will be published today at its State of Small Business Britain conference in Birmingham, which will launch a "growth dashboard" showing where SME activity is taking place nationally.

The number of companies being established in 2014 also recovered to 2008 levels, with 294,300. But start-up rates fell 27 per cent in 2009 and have only now made up lost ground despite rising sharply year on year.