Female-led company and investment in England

Professor Stephen Roper

Director, Enterprise Research Centre,

Co-Director, National Innovation Centre for Rural Enterprise

Warwick Business School,

The Rose Review of Female Entrepreneurship (2019) and the continuing work of the Rose Review Board and the Investing in Women Council has focused the attention of policy makers across England on womens' enterprise. For the first time, the Gender Index provides comprehensive and timely data on the gender of business owners across England and investment by women and in women-led businesses. Based on an analysis of data for 4.4m businesses across the UK, the Gender Index highlights marked contrasts between English regions and sectors in terms of business leadership and investment.

Overall, the Gender Index suggests that levels of women-led businesses in England compare well to that in other parts of the UK. However, women-led businesses remain under-represented in some Northern regions of England, in some high value-added sectors, and in terms of high growth and equity investment. These continuing challenges relate directly to many of the themes in the recent Levelling-Up White Paper, and suggest the need for continued national and local policy attention in England to promote women-led businesses and their development.

Key findings

- As of January 2022, 16.8% of UK firms were women-led. Leadership in a further 16.5% of UK firms was evenly balanced between genders. The highest overall levels of women-leadership were evident in London (18.3%), the South East (16.8%), with the lowest proportions of women-led firms in Yorkshire and the Humber (15.6%), and the North East (15.3%).

- Compared with other parts of the UK, most English regions have a higher proportion of women-led firms than Northern Ireland and Scotland. Levels of women's business leadership in Wales are comparable with that of the highest English regions outside London (Table 1.1).

- Overall, 16.9% of firms in England are women-led, however, this rises to 35.5% in human health and social work activities, 33% in education, and 29.7% in public administration. Much lower levels of women's business leadership are evident in England in manufacturing (12.5%), and construction (6.0%).

- We find low levels of women's business leadership in a range of high value added service sectors. Women's business leadership at 9.1% in financial and insurance activities, and 12.2% in information and communication technologies are both considerably below the national average proportion of 16.9% for England as a whole.

- Mean turnover growth was highest in women-led firms in London (22%) over this period followed by the East and West Midlands (19 percent). Average growth among women-led firms in Yorkshire and the Humber and the North East was significantly slower at 16% and 14% respectively. Average growth of women-led firms was marginally higher than that of male-led firms across all English regions with the exception of the North East.

- Relatively strong turnover growth was recorded among women-led firms in the sectors where their leadership is concentrated: Human health and social work activities, 20%; Education, 16%; Public administration and defence; compulsory social security, 15%; and, Other service activities 17%. Turnover growth was also highest among micro-businesses (with 1-9 employees) in England which were women-led (22%) with lower average growth rates among larger firms.

- As noted earlier, 16.9% of UK firms are women-led, however, as Table 3.1 suggests, this figure falls to 8.7% when we consider the proportion of high growth firms which are women-led. The implication is that across the UK women-led firms are under-represented in those firms achieving high growth, a pattern which is consistent across the home nations.

- Looking across English regions, the share of high growth firms which is women-led is highest in the South West (10.9%), and Yorkshire and the Humber (10.1%), lower in the West Midlands (7.0%), and the North East (6.1%). Most notably perhaps, in London which had the highest overall proportion of female firms among the UK regions, the proportion of high growth firms which are women-led at 8.2% is lower than a range of other English regions.

- The Gender Index database also provides information on over 1.3 million external investments made in UK businesses. In England 12.0% of these investments were in women-led firms, a slightly higher level than that in either Northern Ireland or Scotland, and a level comparable to that in Wales.

- Notably, the share of investments made in women-led firms both in England, and in the UK more generally, is below the overall percentage of women-led firms within the business population. The implication is that a lower proportion of women-led firms are able to access (or are accessing) external investment than other firms within the general business population. Comparison of the overall proportions suggests the extent of this disparity, with 16.3% of the UK business population being women-led but women-led firms only accounting for 11.9% of all external investments.

- Venture capital investments and investments by private equity firms account together for only 0.6% of all external investments in women-led firms. It is notable that the share of external investments in women-led firms accounted for by formal venture capital is around 0.8% in London, 0.6% in the South East of England but less than 0.3% in the South West, West Midlands, East Midlands, and North East.

- The Gender Index identifies 2.24 million individual Angel investors across the UK of which 30.2% are female, 50.8% male, 19% of uncertain gender. The proportion of Angel investors identified as female is highest in the East Midlands and East of England (33%), but significantly lower in Yorkshire and the Humber (25.4 percent).

1. Profiling business leadership

The Gender Index examines the leadership of 4.4 million businesses across the UK. As of January 2022, 16.8% of UK firms were women-led. Leadership in a further 16.5% of UK firms was evenly balanced between genders. Nearly two-thirds (60.3%) of UK firms remain male led, with the gender of business owners being uncertain in 6.3% of firms. There was some variation in the proportion of women-led firms across English regions (Table 1.1). The highest overall levels of women-leadership were evident in London (18.3%), the South East (16.8%), with the lowest proportions of women-led firms in Yorkshire and the Humber (15.6%), and the North East (15.3%). It is notable however, that in London in particular, the proportion of businesses with mixed leadership, i.e., run by equal numbers of male and female directors, was significantly lower than that in most other regions. It is also worth noting that the proportion of businesses in which the gender of directors was uncertain is significantly higher in London than other regions, potentially reflecting the greater ethnic diversity of business directors in the capital.

Compared with other parts of the UK, most English regions have a higher proportion of women-led firms than Northern Ireland and Scotland. Levels of women's business leadership in Wales are comparable with that of the highest English regions outside London (Table 1.1).

Looking in more detail at the group of women-led firms suggests significant sectoral and size band differences. Overall, 16.9% of firms in England are women-led, however, this rises to 35.5% in human health and social work activities, 33% in education, and 29.7% in public administration (Table 1.2). Essentially similar patterns are observed in other parts of the UK, suggesting the generality of higher levels of women's businesses leadership in services and particularly public service sectors. Much lower levels of women's business leadership are evident in England in manufacturing (12.5%), and construction (6.0%). More interesting perhaps, are the relatively low levels of women's business leadership in a range of high value added service sectors. Women's business leadership at 9.1% in financial and insurance activities, and 12.2% in information and communication technologies are both considerably below the national average proportion of 16.9% for England as a whole. Again, the under-representation of women-led businesses in these sectors is evident in other areas of the UK (Table 1.2).

Turning to the size distribution of women-led businesses we find that across the UK women-led businesses are disproportionately represented in the micro category, i.e., firms with 1-9 employees. In England, 17.3% of micro-businesses are women-led compared to 16.9% of all businesses (Table 1.3). Among larger firm size bands, levels of women-leadership are significantly lower averaging around 11% in England, a broadly similar level in other parts of the UK (Table 1.3).

Table 1.1: Share of women-led firms by region

	Women-led	Male-led	Mixed owners	Uncertain owners	Total %	Total Number
London	18.3	59.7	12.3	9.7	100.0	1,242,242
South East	16.8	59.0	19.2	5.0	100.0	625,168
West Midlands	16.7	59.9	16.2	7.2	100.0	349,699
North West	16.5	62.8	15.6	5.0	100.0	447,317
East of England	16.2	60.0	18.3	5.5	100.0	411,531
East Midlands	16.1	59.4	18.9	5.6	100.0	252,068
South West	15.6	58.7	22.0	3.7	100.0	295,369
Yorkshire and The Humber	15.6	61.8	17.9	4.7	100.0	269,324
North East	15.3	63.0	17.3	4.4	100.0	100,581
Northern Ireland	13.5	65.1	18.9	2.5	100.0	64,767
Scotland	15.4	62.5	18.4	3.7	100.0	223,985
Wales	16.5	60.6	18.3	4.6	100.0	129,791
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Total UK	16.8	60.3	16.5	6.3	100.0	4,411,842

Table 1.2: Share of women-led firms by sector

	England	Northern Ireland	Scotland	Wales
Human health and social work activities	35.5	30.1	34.4	33.3
Education	33.0	30.6	33.8	32.4
Public administration and defence; compulsory social security	29.7	24.3	22.5	23.4
Other service activities	27.5	28.4	28.2	28.4
Arts, entertainment and recreation	21.7	18.2	21.8	19.6
Accommodation and food service activities	19.7	17.7	20.0	20.6
Administrative and support service activities	19.6	16.9	16.3	20.2
Professional, scientific and technical activities	19.4	13.6	15.1	17.2
Wholesale and retail trade; repair of motor vehicles and motorcycles	18.3	14.1	18.3	17.2
Activities of extraterritorial organisations and bodies	15.0	33.3	21.4	12.0
Agriculture, Forestry and Fishing	14.1	7.7	8.1	13.6
Real estate activities	13.7	11.1	13.9	13.9
Transportation and storage	12.9	18.1	9.6	21.6
Manufacturing	12.5	8.4	10.7	10.6
Information and communication	12.2	9.9	12.2	11.3
Financial and insurance activities	9.1	9.5	9.9	10.0
Water supply, sewerage, waste management and remediation activities	8.3	5.8	6.8	7.2
Mining and Quarrying	6.4	5.2	3.7	4.3
Construction	6.0	5.0	4.8	5.9
Electricity, gas, steam and air conditioning supply	4.4	6.3	4.1	5.4
All sectors	16.9	13.5	15.4	16.5

Table 1.3: Percentage of women-led businesses by sizeband

	England	NI	Scotland	Wales
Micro	17.3%	13.8%	15.7%	16.7%
Small	11.8%	10.7%	13.2%	13.9%
Medium	9.8%	9.0%	9.1%	10.2%
Large	11.4%	7.1%	9.2%	11.9%

2. Turnover growth across the regions

Turnover or sales growth is a key metric suggesting the vibrancy and competitiveness of firms. It also provides the basis for the discussion of so-called high-growth firms which is the subject of Section 3. Here, we compare the turnover growth of firms over a three-year period, a metric chosen as it gives a more robust indication of longer-term regional patterns than a single year metric. The growth rates considered here relate to the 2018-2021 period, including the pre-pandemic period as well as the first year of the COVID-19 pandemic. Mean turnover growth was highest in women-led firms in London (22%) over this period followed by the East and West Midlands (19 percent). Average growth among women-led firms in Yorkshire and the Humber and the North East was significantly slower at 16% and 14% respectively (Table 2.1). Average growth of women-led firms was marginally higher than that of male-led firms across all English regions with the exception of the North East. Among the devolved territories, average growth in women-led firm was strongest in Wales, nearly on a par with that in London (Table 2.1).

Table 2.1: Turnover growth (3 year) by region and type of leadership

	Women-led	Male-led	Mixed owners	Uncertain owners	Total Number
London	22%	21%	19%	31%	63,764
East Midlands	19%	14%	14%	15%	10,334
West Midlands	19%	15%	19%	26%	13,544
East of England	18%	16%	17%	31%	18,308
South West	18%	15%	17%	32%	14,901
North West	17%	15%	17%	17%	16,609
South East	17%	15%	16%	18%	31,900
Yorkshire and The Humber	16%	16%	16%	21%	10,984
North East	14%	16%	15%	30%	4,615
Northern Ireland	18%	14%	16%	26%	3,431
Scotland	17%	15%	15%	24%	11,596
Wales	21%	16%	18%	18%	5,548

Sectoral average growth rates for women-led firms need to be regarded with some caution due to relatively small sample sizes in some sectors (construction, manufacturing) and therefore the possibility that average growth rates are strongly influenced by either positive or negative outliers. This situation is exacerbated for Northern Ireland, Scotland and Wales where the regional samples themselves are relatively small. In England, however, relatively strong turnover growth was recorded among women-led firms in the sectors where their leadership is concentrated: Human health and social work activities, 20%; Education, 16%; Public administration and defence; compulsory social security, 15%; and, Other service activities 17%. Turnover growth was also highest among micro-businesses (with 1-9 employees) in England which were women-led (22%) with lower average growth rates among larger firms. This pattern was replicated in the other home nations of the UK (Table 2.3).

Table 2.2: Turnover growth (3 year) among women-led firms by sizeband

	England	Northern Ireland	Scotland	Wales
Micro	22%	24%	21%	24%
Small	12%	9%	10%	15%
Medium	7%	4%	3%	9%
Large	14%	4%	2%	4%

2.3 High growth

We now turn to examine women-led firms as part of the broader group of high-growth firms. As noted earlier, 16.9% of UK firms are women-led, however, as Table 3.1 suggests, this figure falls to 8.7% when we consider the proportion of high growth firms which are women-led. Conversely, while 60.3% of businesses in the UK are male-led (Table 1.1), this figure rises to 77.2% when we consider the share of male leadership among those firms achieving high growth. The implication is that across the UK women-led firms are under-represented in those firms achieving high growth, a pattern which is consistent across the home nations.

Looking across English regions we see a slightly different pattern to that relating to female leadership. The share of high growth firms which is women-led is highest in the South West (10.9%), and Yorkshire and the Humber (10.1%), lower in the West Midlands (7.0%), and the North East (6.1%). Most notably perhaps, in London which had the highest overall proportion of female firms among the UK regions, the proportion of high growth firms which are women-led at 8.2% is lower than a range of other English regions.

Looking across sectors, we also see significant differences in the proportion of high growth firms which are women-led. This inevitably reflects the overall importance of women-led firms within each sector. In England, around one in four (26%) high growth firms in Education are women-led with a slightly lower proportion (21%) of high growth firms being women-led in Human Health and Social Work activities and Other Service Activities (18%). Again, reflecting the overall share of women women-led firms in sectors such as Manufacturing, Transportation Storage, and Construction, the percentage of high growth firms which are women-led in these sectors is markedly lower at around 2%. These patterns are largely consistent across the home nations of the UK (Table 3.2).

Notions of high growth, particularly the OECD definition which relates to a percentage growth rates, make little sense for micro businesses with less than 10 employees. For larger firms, we can again look at the proportion of high growth firms which are women-led (Table 3.3). In England, the share of high growth firms which are women-led is higher among small firms (10.3%) than that in either medium or large firms. This pattern is consistent across UK home nations, although the difference between the proportion of small and medium/large high growth firms which are women-led is perhaps less extreme in England than in either Scotland or Wales. Small sample sizes suggest that any implications are tentative, but the suggest that the business ecosystem in England maybe better at supporting high growth among medium and large women-led firms than that in either Scotland or Wales.

Table 3.1: High growth among women-led and other businesses in your region

	Women-led	Male-led	Mixed owners	Uncertain owners	Total %	Total Number
South West	10.9	75.3	13.4	0.5	100.0	433
Yorkshire and The Humber	10.1	80.2	9.7	0.0	100.0	455
East Midlands	8.7	77.7	12.9	0.7	100.0	403
South East	8.5	79.0	10.8	1.7	100.0	1080
East of England	8.4	77.0	12.9	1.7	100.0	526
North West	8.3	78.6	12.1	1.0	100.0	677
London	8.2	77.0	12.6	2.2	100.0	2986
West Midlands	7.0	78.9	12.8	1.3	100.0	540
North East	6.1	78.5	12.2	3.3	100.0	181
Northern Ireland	9.8	77.7	11.6	0.9	100.0	112
Scotland	11.9	71.8	16.0	0.3	100.0	319
Wales	12.3	66.7	17.3	3.7	100.0	162
UK	8.7	77.2	12.4	1.6	100.0	7874

Table 3.2: High growth among women-led businesses by sector

	England	NI	Scotland	Wales
Education	26%	25%	44%	33%
Human health and social work activities	21%	33%	38%	31%
Other service activities	18%	29%	33%	29%
Agriculture, Forestry and Fishing	14%	0%	0%	12%
Arts, entertainment and recreation	12%	33%	24%	0%
Real estate activities	10%	0%	0%	0%
Electricity, gas, steam and air conditioning supply	8%	0%	0%	3%
Accommodation and food service activities	8%	0%	5%	14%
Administrative and support service activities	7%	11%	16%	21%
Wholesale and retail trade; repair of motor vehicles and motorcycles	7%	0%	5%	13%
Public administration and defence; compulsory social security	6%	10%	0%	0%
Professional, scientific and technical activities	5%	11%	3%	13%
Information and communication	5%	0%	10%	9%
Financial and insurance activities	3%	0%	0%	6%
Manufacturing	2%	0%	5%	5%
Water supply, sewerage, waste management and remediation activities	2%	0%	14%	0%
Transportation and storage	2%	0%	0%	0%
Mining and Quarrying	2%	0%	0%	0%
Construction	2%	14%	0%	7%

Table 3.3: High growth among women-led businesses by sizeband

	England	NI	Scotland	Wales
Small	10.3%	16.1%	21.4%	22.5%
Medium	6.7%	0.0%	2.5%	3.0%
Large	7.4%	15.4%	2.4%	8.0%

2.4 Investment

The Gender Index database also provides information on over 1.3 million external investments made in UK businesses. This includes investment by venture capital firms, private equity, corporate investments, and business angels. In England 12.0% of these investments were in women-led firms, a slightly higher level than that in either Northern Ireland or Scotland, and a level comparable to that in Wales (Table 4.1). Notably, the share of investments made in women-led firms both in England, and in the UK more generally, is below the overall percentage of women-led firms within the business population. The implication is that a lower proportion of women-led firms are able to access (or are accessing) external investment than other firms within the general business population. Comparison of the overall proportions suggests the extent of this disparity, with 16.3% of the UK business population being women-led but women-led firms only accounting for 11.9% of all external investments.

Looking at the nature of investment in women-led businesses we see that across UK regions the bulk of external investments (84%) are made by Angel investors, with a further 16% of external investments in women-led businesses coming from corporate share purchases. Venture capital investments and investments by private equity firms account together for only 0.6% of all external investments in women-led firms. Looking across English regions see a broadly similar pattern, with Angel investment and company share purchases dominating the external investment landscape in all areas. It is notable however that the share of external investments in women-led firms accounted for by formal venture capital is around 0.8% in London, 0.6% in the South East of England but less than 0.3% in the South West, West Midlands, East Midlands, and North East. This is likely to reflect the well documented differences in availability of venture capital investment between the Golden Triangle and other more Northern parts of the UK. This point is emphasised by particularly low levels or venture capital investment in women-led firms in the devolved nations (Table 4.2).

Given the importance of Angel investment as a source of external finance for women-led firms -and businesses more generally- it is interesting to examine the composition of the group of Angel investors across the UK. The Gender Index identifies 2.24 million individual Angel investors across the UK of which 30.2% are female, 50.8% male, 19% of uncertain gender. There is some variation across English regions in terms of the proportion of Angel investors clearly identified as female. This proportion is highest in the East Midlands and East of England (33%), but significantly lower in Yorkshire and the Humber (25.4 percent). Note however, that in terms of Angel investors the proportion of uncertain gender remains significant, and that this may be masking or obscuring some regional disparities.

Table 4.1: Share of all external investments by leadership type

	Women-led	Male-led	Mixed owners	Uncertain owners	Total %	Total Number
England	12.0	65.9	17.2	4.9	100.0	1,194,152
Northern Ireland	8.8	70.9	18.6	1.6	100.0	19,251
Scotland	10.8	68.8	17.6	2.7	100.0	64,342
Wales	12.0	65.5	19.1	3.4	100.0	34,359
UK	11.9	66.1	17.3	4.7	100.0	1,312,104

Table 4.1: Percentage and number of women-led firms attracting investment

	Venture Capital	Private Equity	Corporate investment	Angel investment	Total Number
London	0.8%	0.2%	17.7%	81.4%	8,446
South East	0.6%	0.1%	15.5%	83.8%	14,307
East of England	0.5%	0.1%	13.9%	85.5%	48,997
Yorkshire and The Humber	0.4%	0.1%	14.1%	85.3%	2,892
North West	0.4%	0.1%	13.9%	85.7%	14,783
South West	0.3%	0.0%	14.1%	85.6%	23,798
West Midlands	0.3%	0.0%	13.3%	86.4%	10,256
East Midlands	0.2%	0.2%	14.4%	85.2%	11,181
North East	0.1%	0.0%	14.8%	85.0%	8,364
Northern Ireland	0.0%	0.1%	20.8%	79.2%	1,703
Scotland	0.1%	0.2%	15.7%	84.1%	6,980
Wales	0.3%	0.1%	14.5%	85.1%	4,136
UK	**0.5%**	**0.1%**	**15.5%**	**83.8%**	155,843

Table 4.3: Gender breakdown of angel investors

	Female	Male	Uncertain	Total	Number
East Midlands	33.3	48.5	18.2	100.0	123,818
East of England	33.2	46.7	20.1	100.0	111,647
London	32.6	50.6	16.8	100.0	169,592
North East	32.6	48.7	18.7	100.0	215,135
North West	32.0	49.4	18.6	100.0	351,703
South East	31.4	50.0	18.6	100.0	47,582
South West	31.2	50.8	18.0	100.0	216,767
West Midlands	31.2	48.0	20.8	100.0	150,833
Yorkshire and The Humber	25.4	53.7	20.9	100.0	647,726
Northern Ireland	31.6	57.2	11.2	100.0	37,329
Scotland	31.2	52.2	16.7	100.0	109,124
Wales	32.4	49.7	17.8	100.0	62,375
UK	30.2	50.8	19.0	100.0	2,243,631