

# Improving the Coverage of the Standard Business Survey Population

## Summary

- The coverage of the ONS Standard Business Survey Population has been extended to include a population of solely PAYE based businesses. The introduction of these businesses is not a result of new PAYE births onto the IDBR. These businesses have been operating for a number of years, but due to the risk of duplication have been held outside of the Standard Business Survey population.
- The improvement in coverage is estimated to have increased the business survey population by 95,000 businesses between December 2015 and January 2016. This representing a 4% increase in the number of businesses on the register.
- The register employment of these businesses has estimated to have risen by 266,000 (1%) as a result of the business increase.
- The register turnover of these businesses has estimated to have risen by £20,485 million (0.4%) as a result of the business increase.
- Of the 95,000 additional businesses, most were within the 1-4 employment size band having shown an increase of 83,000 (87%), with all businesses having less than 20 employment.
- The Business Survey population now stands at 2.53 million businesses compared with 2.44 million in December 2015.

## Background

The Inter-Departmental Business Register (IDBR) is a statistical business register and is the main sampling frame for surveys of businesses carried out by the Office for National Statistics (ONS) and by other government departments. It is also a key data source for analyses of business activity.

The IDBR combines information on Value Added Tax (VAT) traders, Pay As You Earn (PAYE) employers and incorporated businesses registered at Companies House. It covers all sectors of the UK economy, other than some very small businesses (those without employees, and with turnover below the tax threshold) and some non-profit making organisations.

Since the introduction of PAYE onto the IDBR in the 1990's, PAYE only businesses that have been raised onto the IDBR undergo an extensive matching process to link with a VAT trader or incorporated business already within the population. Those units that do not match are referred to as non-corporate PAYE employers. The matching process is carried out in order to minimise the risk of duplication. Those non-corporate PAYE employer businesses (PAYE records with no link to VAT or incorporation with Companies House), have been held outside of the population because of the risk of duplication with VAT records where matching has been unsuccessful. As these businesses are employers, it was thought that most would have sufficient turnover to require a VAT registration. The 2015/2016 VAT registration threshold is £82,000.

Approximately 95,000 businesses have fallen into this category.

## Changes to the Standard Business Survey Population

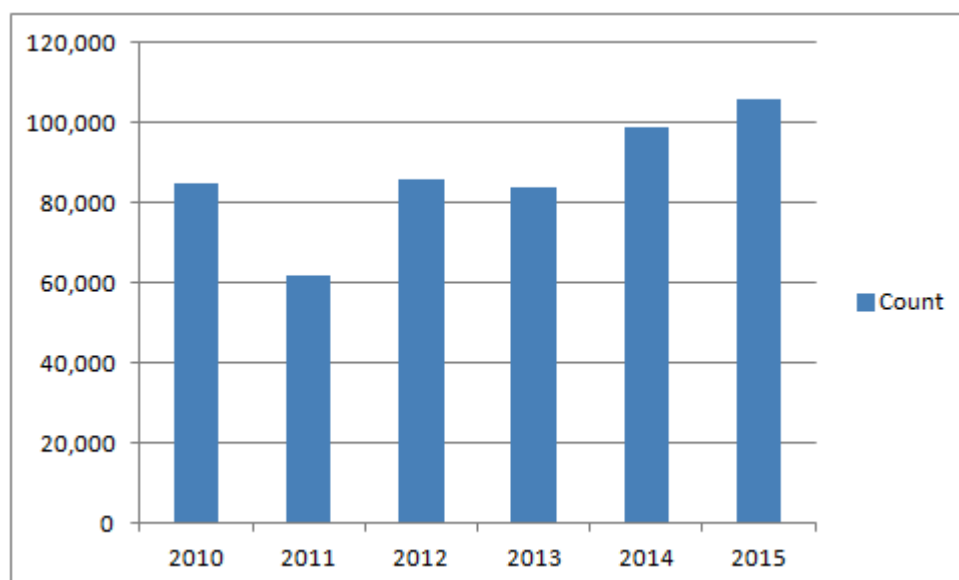
The ONS Standard Business Survey Population had previously excluded non-corporate PAYE employers that did not match to a VAT trader, unless they were in a VAT exempt industry or previously contacted by the ONS (proved) via survey. This was because of the potential risk of duplication with VAT based businesses.

Businesses that operate a PAYE scheme are reported to ONS, by HMRC, on a quarterly basis. These businesses are employing someone, and paying them above the PAYE threshold, currently set at £486 per month (2015/2016 tax year). The employment value that is held on the IDBR businesses in these cases is an average of the last four quarters of PAYE returns.

These businesses undergo extensive matching on the IDBR against existing businesses, in order to reduce duplication. Matching is conducted against all units on the IDBR including VAT records and details of incorporated businesses with Companies House. Where a PAYE unit is matched to a second source of information (VAT or Companies House) these are included in the population. PAYE units that do not match to either VAT or Companies House, which by their nature are non-corporate PAYE employers, have previously been held back from the business population. Although these businesses are employers, it was previously thought that most would have sufficient turnover to hold a VAT registration. The 2015/2016 VAT registration threshold is £82,000.

As the IDBR is a live business register, it is continually changing as new data is received. Non-corporate PAYEs have continued to grow, increasing the under-coverage of businesses in the business publication. Figure 1 below shows the growth over the past five years of the non-corporate PAYEs.

**Figure 1: Count of non-corporate PAYE employers**



*Data as at January each year.*

As a result of a programme of work, ONS is now confident that there is minimal duplication of businesses and therefore, it is safe to add these units to the ONS Standard Business Survey population.

Extending the standard survey population by adding the non-corporate PAYE-only units is desirable because the additional numbers will reduce the burden on smaller businesses as

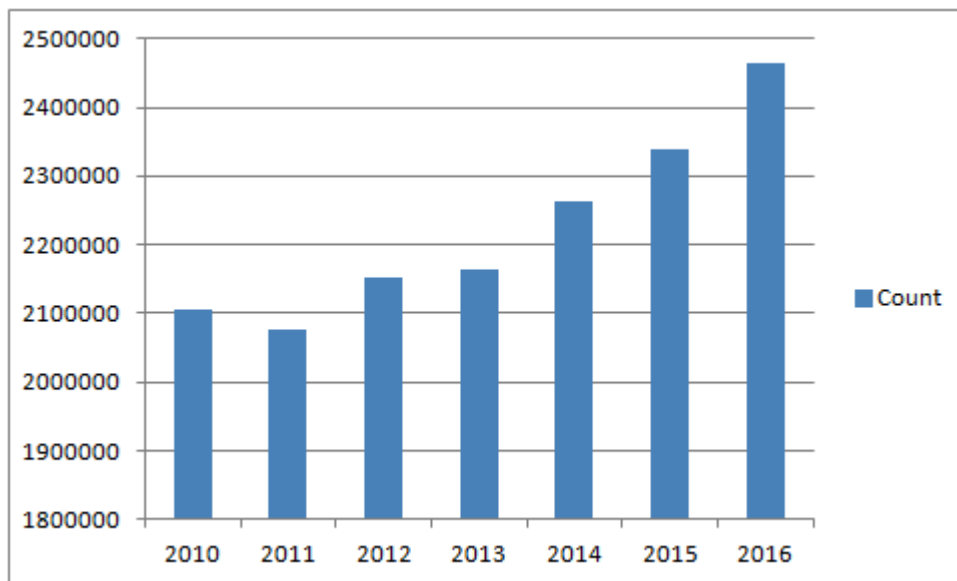
the stock of small businesses available to be sampled will increase across all divisions. This has also improved register coverage.

Users should note that the introduction of these additional businesses is not the result of new PAYE births onto the IDBR. These businesses have been operating for a number of years, but due to the risk of duplication have been held outside of the Standard Business Survey population. All the affected businesses added are non-corporate with less than 20 employment (1)

## Impact on the IDBR

### Business Count

**Figure 2: Impact on Count in Survey Population**

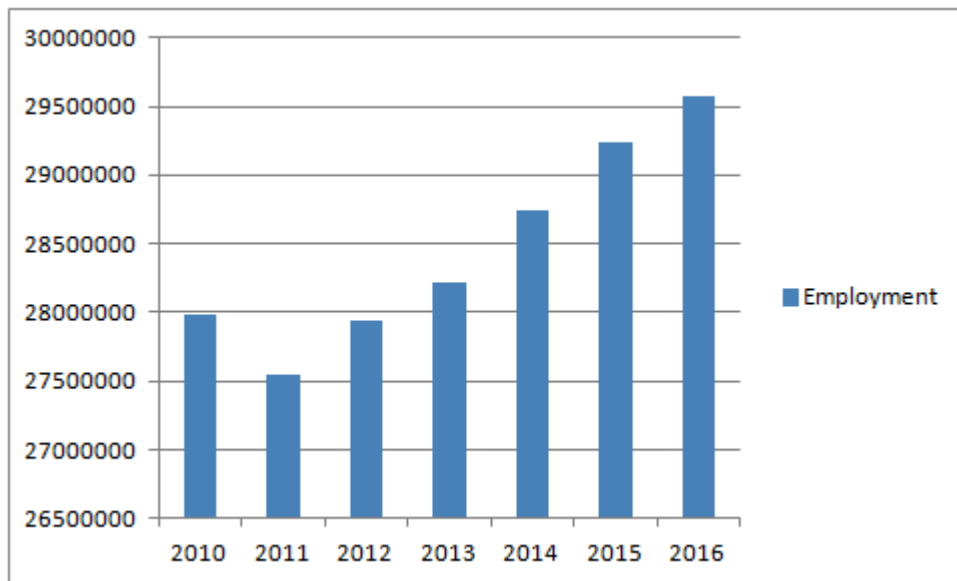


*Data as at January each year.*

As at January 2016 there are approximately 95,000 businesses that meet the exclusion criteria and have moved into the ONS standard survey population. 87% of these units were in the 1-4 employment sizeband and all had less than 20 employment. If these businesses were left outside the ONS standard survey population then the volume of businesses would have grown slowly each quarter, thus increasing the undercoverage of ONS Surveys.

## Register Employment

**Figure 3: Impact on Register Employment in Survey Population**



*Data as at January each year.*

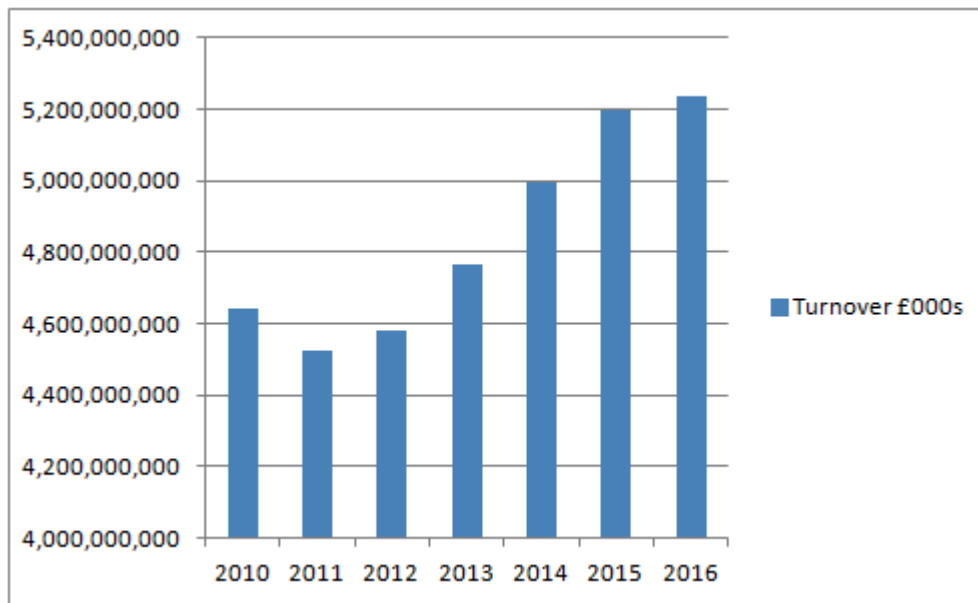
The employment information on the IDBR is drawn mainly from the Business Register Employment Survey (BRES). Because this is based on a sample of enterprises, estimates from previous returns and from other ONS surveys are also used. For the smallest units, either PAYE jobs or employment imputed from VAT turnover using a turnover-per-head ratio, updated on an annual basis, is used.

As the businesses entering the Standard Survey Population are all non-corporate PAYE employer businesses (PAYE records with no link to VAT), the PAYE employment is used.

As well as an increase in the business population, there is also a 266,000 (1%) increase in register employment within the Standard Survey Population.

## Register Turnover

**Figure 4: Impact on Turnover in Survey Population**



*Data as at January each year.*

The turnover on the IDBR is mainly drawn from VAT and supplemented by the Annual Business Survey (ABS). For the smallest units, either VAT or turnover imputed from PAYE jobs using a turnover-per-head ratio, updated on an annual basis.

As the businesses entering the Standard Survey Population are all non-corporate PAYE employer businesses (PAYE records with no link to VAT), the register turnover figure is imputed.

Therefore, as well as an increase in the business population, there is also an imputed £20,485 million (0.4%) increase in register turnover within the Standard Survey Population.

### **Standard Industrial Classification**

In many industrial divisions the impact of this change is small. The table below shows the changes in business count by broad industry group, before and after the introduction of the non-corporate PAYE employers.

**Table 1: Count, Employment and Turnover of businesses on the IDBR before and after implementation.**

Description	Before			After			Difference %		
	Count	Employment	Turnover (£000)	Count	Employment	Turnover (£000)	Count	Employment	Turnover
Agriculture, forestry & fishing	147,400	465,800	42,389,000	147,700	466,600	42,438,700	0.2	0.2	0.1
Production	143,800	2,817,800	726,824,400	146,700	2,824,700	727,221,100	2.0	0.2	0.1
<i>Mining, quarrying &amp; utilities</i>	<i>12,700</i>	<i>367,600</i>	<i>198,668,200</i>	<i>12,800</i>	<i>367,900</i>	<i>198,703,000</i>	<i>0.8</i>	<i>0.1</i>	<i>0.0</i>
<i>Manufacturing</i>	<i>131,100</i>	<i>2,450,200</i>	<i>528,156,100</i>	<i>133,800</i>	<i>2,456,800</i>	<i>528,518,000</i>	<i>2.0</i>	<i>0.3</i>	<i>0.1</i>
Construction	291,000	1,355,900	241,643,100	298,500	1,372,400	243,667,500	2.5	1.2	0.8
Wholesale and retail; repair of motor vehicles	361,200	4,765,300	1,479,124,800	369,300	4,789,600	1,481,297,700	2.2	0.5	0.1
<i>Motor trades</i>	<i>70,500</i>	<i>541,600</i>	<i>174,002,200</i>	<i>73,100</i>	<i>548,800</i>	<i>174,517,700</i>	<i>3.6</i>	<i>1.3</i>	<i>0.3</i>
<i>Wholesale</i>	<i>103,700</i>	<i>1,162,300</i>	<i>925,748,800</i>	<i>104,300</i>	<i>1,163,900</i>	<i>926,123,800</i>	<i>0.6</i>	<i>0.1</i>	<i>0.0</i>
<i>Retail</i>	<i>187,000</i>	<i>3,061,400</i>	<i>379,373,900</i>	<i>192,000</i>	<i>3,076,900</i>	<i>380,656,200</i>	<i>2.6</i>	<i>0.5</i>	<i>0.3</i>
Transport & storage (inc postal)	88,800	1,238,200	181,177,200	90,700	1,243,700	181,545,500	2.1	0.4	0.2
Accommodation & food services	135,800	2,135,400	89,580,000	146,800	2,173,600	91,020,600	7.5	1.8	1.6
Information & communication	202,300	1,215,000	223,575,200	203,800	1,219,100	223,978,400	0.7	0.3	0.2
Finance & insurance	51,200	1,028,400	1,269,962,400	51,900	1,030,000	1,270,088,300	1.3	0.2	0.0
Property	88,900	511,900	63,111,000	90,600	516,500	63,432,200	1.9	0.9	0.5
Professional, scientific & technical	440,200	2,206,300	280,896,100	454,000	2,239,500	283,075,100	3.0	1.5	0.8
Business administration and support services	180,900	2,554,300	214,225,300	204,300	2,617,400	222,621,500	11.5	2.4	3.8
Public administration & defence	6,200	1,055,600	26,115,400	7,000	1,056,700	26,145,900	11.4	0.1	0.1
Education	40,400	3,307,600	82,555,400	41,700	3,312,400	82,805,900	3.1	0.1	0.3
Health	109,700	3,715,600	191,886,200	112,900	3,726,700	192,398,000	2.8	0.3	0.3
Arts, entertainment, recreation and other services	150,400	1,255,100	147,801,500	167,200	1,305,300	149,615,900	10.0	3.8	1.2
<b>Total</b>	<b>2,438,300</b>	<b>29,628,200</b>	<b>5,260,866,900</b>	<b>2,533,100</b>	<b>29,894,400</b>	<b>5,281,352,200</b>	<b>3.7</b>	<b>0.9</b>	<b>0.4</b>

Data rounded to the nearest hundred.

Analysing the data at the level of SIC(2007) Class (4 digit), nearly half of all non-corporate PAYE employers added are clustered in one of four SIC(2007) classes.

- 96.02 Hairdressing and other beauty treatment increased by 9,200 units, 23% of total non-corporate PAYE employers
- 74.90 Other professional, scientific and technical activities n.e.c. increased by 8,600 units, 19% of total non-corporate PAYE employers
- 82.99 Other business support service activities n.e.c. saw an increase of 16,600 units, 18% of total non-corporate PAYE employers (90,000)
- 56.10 Restaurants and mobile food service activities increased by 8,400 units, 10% of total non-corporate PAYE employers

The concentration of non-corporate PAYE employers across these SIC(2007) classes is due to the profile of these businesses. It is possible for these businesses to operate small scale service activities, trading below the VAT threshold.

#### Footnotes

(1) Those businesses that have more than 20 employment are surveyed by ONS via a quarterly proving survey (Business Registers Survey) in order to try to establish more information about the business prior to moving them into the Standard Survey Universe. These businesses are therefore excluded from this update