



strive



# Striving to Thrive:

The state of play  
for UK micro and  
small businesses

A Cebr report  
for Mastercard



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# Foreword



By Kelly Devine,  
President, UK & Ireland,  
Mastercard

For many of the country's six million micro and small businesses, simply surviving these last two years has felt like winning. The challenges of retaining staff, continuing to serve customers and manage cash flow during multiple lockdowns have weighed heavy but owners have fought to keep their businesses afloat and – as we come out the other side of the pandemic - will be absolutely crucial to our economic recovery, and rebuilding our communities.

Small businesses are the beating heart of the British economy – they account for around 36% of turnover in the UK private sector and make up 48% of the labour force. More than that, the pandemic has highlighted the essential roles they play in our communities, providing services when others couldn't, creating jobs, enriching our high streets and keeping the country going – economically and emotionally. At the height of multiple lockdowns when many were forced to close up shop, we missed them and counted down the days to their return.

As the UK emerges from the worst impacts of Covid-19, the value we collectively place in small businesses has never felt higher. Yet the road ahead is still far from smooth. According to Goldman Sachs, nearly two thirds had seen a decrease in revenues in 2020, with 44% having to cut jobs.<sup>1</sup>

McKinsey found that at the end of 2020, more than half of the small businesses it surveyed feared they could be out of business in fewer than 12 months given the trading conditions.<sup>2</sup>

To ensure the small businesses that are so crucial to our communities, high streets and economies not only survive but flourish we need to equip them with the digital tools and skills necessary to grow their businesses. We have all seen examples of small businesses who've adapted in the last year thanks to digital technology and tools – whether it's a corner shop offering online deliveries, a gym providing online personal training, or a local pub or restaurant using QR codes to access menus and ordering. That confidence to use, and knowledge of, digital technology should be available to all small business owners.

The research we commissioned Cebr to conduct reveals the significant benefits that technology brings to small businesses such as time saved, new customers acquired and increased revenues. Indeed, help accessing digital tools was cited as the biggest factor in helping them achieve their future revenue growth – collectively estimated at up to £827 billion over the next five years – following funding and government support.



Among businesses with ethnic minority and female decisionmakers, we could see revenue growth of £204 billion and £120 billion, respectively, if these businesses were fully able to achieve their aspirations.

And yet too often entrepreneurs and small business owners – particularly women and ethnic minorities – don't know where to find the right digital tools for their businesses, or how to navigate their way through the plethora of choices available.

The Government's Help to Grow Digital scheme is going to be vital in helping small businesses access grants to pay for technology and yet the smallest businesses – those with fewer than five employees – are not eligible. There is also limited guidance on how to spend the vouchers which will pose a momentous challenge for a business owner who is the CEO, HR department, customer service team and Chief Financial Officer all in one.

In Cebr's research we heard from business owners like Rohan, running a grocery store in Hertfordshire. While digital technology allows him to better manage stock and ordering, a sense among his staff that they haven't the time to learn the skills to use the tools themselves remains an obstacle. We have also heard from Amy, a business leader in the West Midlands, and David, an architect in the South East, both using digital tools, but only to a fraction of their capability. We have heard from Andrew, who is keen to fill the digital skills gap in his business, not least in recruiting new staff. And we have heard from Nina who identifies uneven access to Government help and a need for greater clarity about what is available.

Their challenges are not isolated. The wider research tells a similar story across the country of the potential for digital technology to help small businesses achieve their ambitions, with the right support to access and the right skills to make the most of it.

It is against this backdrop that we have launched Strive UK.

Strive UK is a philanthropic programme created by the Mastercard Center for Inclusive Growth, aiming to reach over half a million micro and small businesses around the country, empowering them to succeed in the digital economy through free guidance, helpful tools, and personalised, one-to-one mentoring. Strive UK forms part of the global Strive programme that helps small businesses strengthen their financial resilience and growth and builds on Mastercard's commitment to invest \$250 million to support micro and small businesses make the most of the digital economy globally.

With philanthropic funding from the Mastercard Impact Fund and in partnership with a team of small business experts - Enterprise Nation, Digital Boost and Be the Business - Strive UK will support 650,000 small businesses over the next three years – including female business owners and those from minority ethnic backgrounds.

Working together with our partners, and complementing Government initiatives such as Help to Grow, Strive UK can move the dial for hundreds of thousands of businesses across the UK as we recover from the pandemic and look to build a more inclusive economy.

Winning should mean more than just surviving; now is the time for small businesses to thrive.



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# Executive summary



£827 billion

growth could be achieved over the next 5 years

Cebr has been commissioned by Mastercard for the launch of the Strive UK\* programme to conduct an independent review into the landscape of sole traders and micro and small enterprises, with specific reference to technological access. The following represent key findings from this research.



46%

of businesses expect to expand over the coming five years

Business turnover amongst those small businesses expecting to grow could reach £1.9 trillion by 2026. This would represent an uplift of around £827 billion over the next five years if businesses were indeed able to reach their growth aspirations.

Among businesses owned by ethnic minorities and women, we could see revenue growth of £204 billion and £120 billion respectively, if these businesses can achieve their aspirations.

Businesses are currently optimistic in terms of their future growth outlook. 45.5% of businesses expect to expand over the coming five years, with 12.5% the average annual expected growth rate.



45%

of businesses have noted that use of technology has already helped to expand their customer base

Technology could be crucial in achieving this. 44.6% of businesses have noted that use of technology has already helped to expand their customer base. Meanwhile, 32.7% and 32.5% of respondents reported that technological adoption has led to increased turnover and increased profit, respectively.

After grants and government support schemes, help in accessing digital tools was the most frequently cited external source in helping to achieve this growth.

47.3% of small business owners believe technology will be more important to their company's operations/success over the next five years.

Businesses are most positive about their use of technology in finance and accounting. 69.3% of respondents perceived their use of technology in this space as good or very good. At the other end of the scale, just 32.4% reported good or very good use of technology in the area of HR and recruitment.

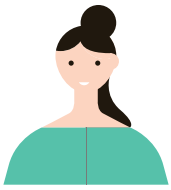
41.2% of respondents believe their business would not have survived the pandemic without digital tools.

Yet, there are challenges in accessing digital tools. 32.0% of respondents want to use more digital tools, but don't know which ones are best for their business, this rises to 49.3% in the case of respondents from an ethnic minority background.

Costs of technology and costs of implementation were the two most common responses when considering barriers to adopting technology for businesses.

\*A programme of the Mastercard Center for Inclusive Growth with philanthropic capital from Mastercard Impact Fund.





Ethnic minority leaders were

**49%**

more likely to have concerns about the security of technology than the wider sample

Barriers varied by demographic categories, however. Respondents with ethnic minority backgrounds were 49.0% more likely to state that they had concerns regarding the security of technology than the wider sample. Meanwhile, female respondents were 25.7% more likely to report this than the wider sample.

Meanwhile, 38.9% of respondents agreed they feel overwhelmed by the amount of choice when it comes to digital tools, increasing for those from ethnic minority backgrounds (50.7%) and women (41.7%).

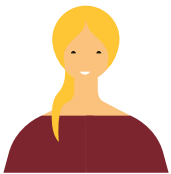
49.4% of respondents agreed that speaking to other owners of similar businesses would be helpful when looking to implement changes, such as implementing new tools.

41.3% of respondents wish there was a 'one stop shop' to find out which technologies are right for their business. Respondents from ethnic minority backgrounds, respondents with young children and those with aspirations for rapid growth over the next five years were particularly likely to cite this, being the case for 61.3%, 64.9%, and 63.8% of such respondents respectively.



**39%**

feel overwhelmed by choice when it comes to digital tools



**Half**

want to speak to other business owners like them when making changes to the business



## Mastercard Inclusive Growth Score

Mastercard's Inclusive Growth Score (IGS) data reveal further insights into the small business landscape, showing divergence between regions.

The IGS data show differences in internet access speeds. For instance, the average postcode in the East Midlands has the highest proportion of premises achieving broadband speed of at least 30 MB/s.

The average postcode in the West Midlands saw the largest year-on-year change in the number of small business loans in 2021.

The average postcode in London has the highest prevalence of small businesses.



# Introduction

Technological adoption has long been a key aspect of business strategy. Nevertheless, it is clear that the Covid-19 pandemic has accelerated this adoption, by virtue of impacting social interaction. With social interaction forcibly curtailed by the pandemic, greater importance has been placed on digital tools as a means of communication, with many firms now relying significantly on technology for their operations.

As such, any potential barriers to technological adoption could significantly hinder businesses' prospects, particularly given the expectation that the pandemic has triggered longer-term structural shifts in working habits. The aim of this research is to consider the extent to which these barriers exist amongst sole traders and micro and small enterprises. A further aim is to consider whether particular demographics of business decisionmakers are more prone to experiencing these barriers than others.

The following represent potential barriers faced by business decisionmakers in relation to technology:

- Lack of digital skills
- Costs, both in terms of purchasing and implementation
- Lack of time and other resources
- Lack of external support
- Security concerns

Via a bespoke survey of 1,000 business decision makers, we have sought to obtain insight into businesses' perceptions of these barriers. This has also encompassed discussion of the types of technology businesses currently use, and the areas of their business operations to which technology is applied. Further analysis from the survey included covered the benefits that businesses have experienced as a result of technology.

The discussion of technology within the survey was complemented by further analysis of businesses' finances and their future aspirations. Survey respondents were optimistic about their future growth prospects, with 45.5% expecting

expansion over the coming five years. Amongst those anticipating growth, an average annual growth rate of 12.5% was reported. Combining this with businesses' reports of annual turnover, as well as the total number of small enterprises in the UK as per official data sources, suggests that turnover amongst these businesses could reach £1.9 trillion by 2026, if indeed businesses are able to achieve their growth aspirations. This would represent an uplift to turnover of approximately £827 billion.

Case studies of five business leaders provided further insight into attitudes towards technology and digital skills, as well as the impact of their demographics on being a business leader, the impact of the pandemic, and business finances.

These case studies highlight some of the difficulties women and ethnic minorities experience in the workplace, and also show the importance of supporting small and micro businesses in the UK with developing their digital skills.



# The state of play for micro and small businesses – bespoke survey

Adoption of technologies has been pivotal to business growth for many years. Nevertheless, the rate of technological adoption has been particularly fast in recent times, being driven further by the Covid-19 pandemic. The impact of the pandemic on social interaction and contact with others has changed the way many businesses operate, particularly in the non-consumer facing service sector, such as business and professional services. Here, remote working practices have been adopted almost across the board, increasing businesses' dependence on technology. Though this could be expected to yield a number of benefits, from the perspective of employees, employers, and for broader economic reasons, there is the risk that some businesses may be left behind if they feel like such technology is inaccessible. The following section explores the results of a bespoke survey of 1,000 decisionmakers, covering sole traders and micro and small businesses, considering their attitudes towards technology in terms of both their present and future use.

## Barriers to success

There are many potential barriers to success for businesses outside of the effects of the Covid-19 pandemic. Our survey sought to consider the extent to which business decisionmakers' personal characteristics provided examples of such barriers. Respondents were asked whether any of the following have ever been barriers to their success in work or business:

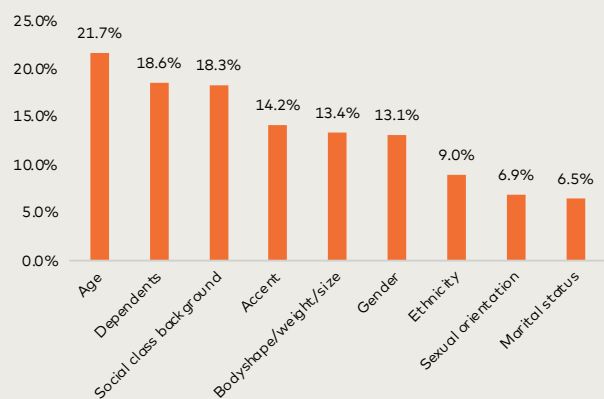
- Ethnicity
- Gender
- Age
- Sexual orientation
- Body shape/weight/size
- Social class
- Accent
- Marital status
- Dependents (e.g. children)

Amongst these characteristics, age was most commonly cited as a barrier to success in work or business, as shown in Figure 1. This was the case for 21.7% of respondents. Younger people were more likely to have perceived this as a barrier than older people, with this being the case for 31.7% of those aged 18 to 34, compared to just 22.4% of those aged 35 to 54 and 19.0% of those over 55.

Mothers to children under the age of 13 were also particularly likely to have seen age as a barrier, being the case for 33.7% of such respondents.

Whether the respondent has dependents, be that children or elderly or disabled relatives, was also commonly cited as a barrier. This was cited by 18.6% of respondents, highlighting the difficulty of balancing care and work commitments. This was particularly common amongst women, being selected by 30.3% of female respondents. This compared to just 11.5% of male respondents.

Figure 1: Proportion of respondents perceiving characteristic to be a barrier to success in work or business



Source: Opinium, Cebri analysis

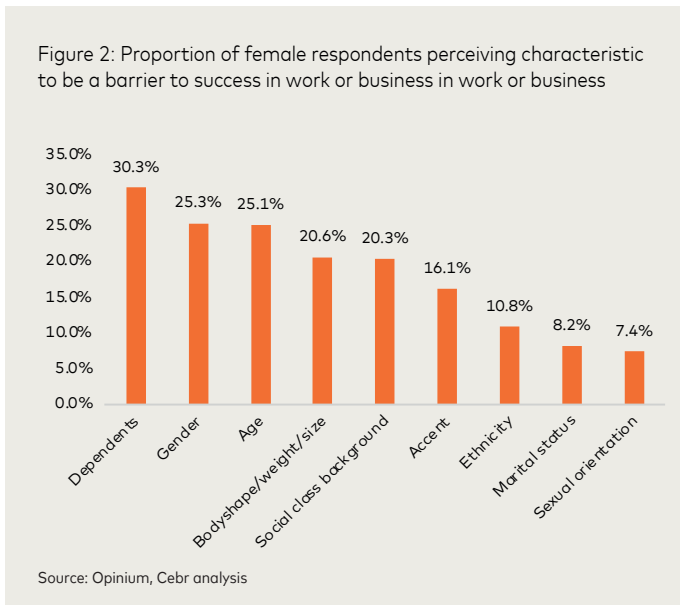




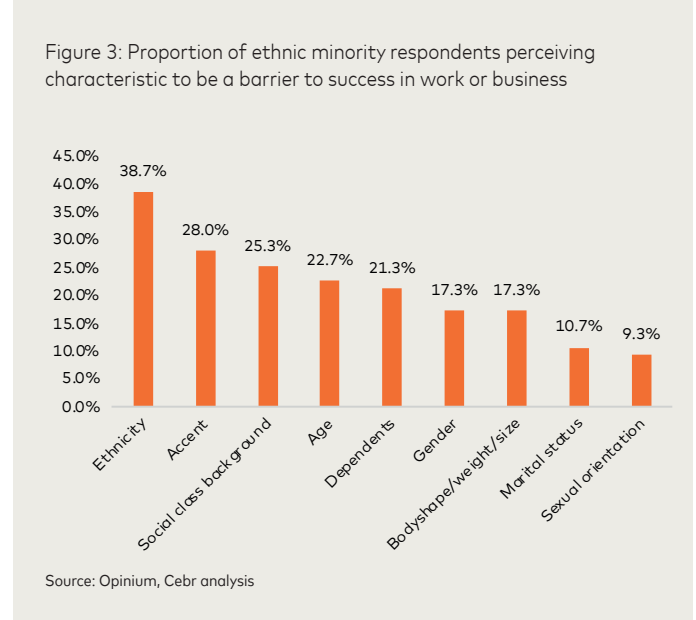


When confining the analysis to female respondents, 25.3% reported that they felt their gender had been a barrier to work or business success. This proportion increased to 37.0% of women with children under the age of 13. These figures compare to just 5.5% of the entire sample of men and 13.9% of men with children under the age of 13. As shown in Figure 2, gender was the most commonly cited barrier to work or business success for women, with the exception of dependent status.

of such respondents, far outweighing the other response categories, as shown in Figure 3. This highlights the importance of considering potential barriers to success through the lens of those most likely to be experiencing that barrier, as opposed to the population as a whole.



Meanwhile, amongst those identifying as being from an ethnic minority, ethnicity was by far the most common perceived barrier. This was the case for 38.7%



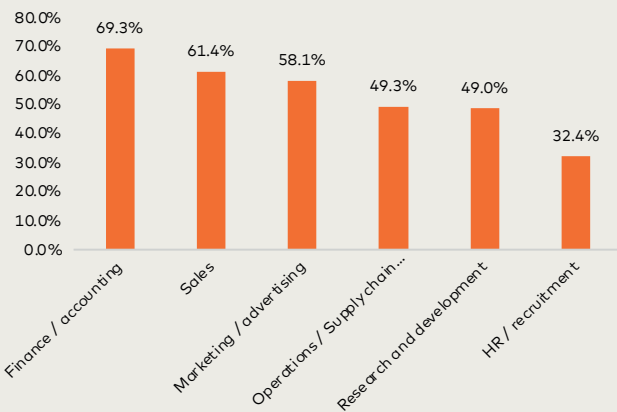
Overall, the above findings highlight that certain demographic groups perceive themselves to experience barriers in the workplace to a much greater extent than others. This is particularly the case for young people, women, those with dependents, and those from ethnic minority backgrounds.



## Use of technology

Beginning with the business applications in which respondents use technology, the most positivity was seen in finance and accounting, as shown in Figure 4. 69.3% of respondents perceived their use of technology in this space as good or very good. At the other end of the scale, just 32.4% reported good or very good use of technology in the area of HR and recruitment.

Figure 4: Proportion of respondents stating 'Good' or 'Very good' in response to 'How would you rate your business's use of technology in each of the following areas?'

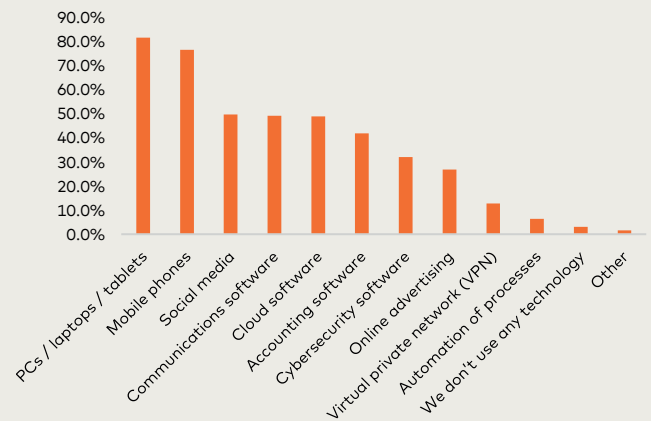


Source: Opinium, Cebr analysis

Turning to the types of technology already adopted by businesses, the most common response category was personal computers, laptops and tablets, with these devices being used by 81.4% of respondents. This was closely followed by the 76.4% of businesses reporting the use of mobile phones in their business. Around half of the sample reported the use of social media, communications software, and cloud software, with exact response rates of 49.6%, 49.1%, and 48.8%, respectively. At the other end of the scale, just 3.1% of the sample reported that their business does not currently use technology. This response rate was relatively uniform across subsets of the sample, though businesses describing their location as not accessible were more than twice as likely to not use technology, at a rate of 6.7%.

Meanwhile, 90.6% of the sample as a whole reported that they are either very confident or fairly confident in their personal use of technologies at their business. This proportion held relatively constant across most respondent and business demographics, though there was a degree of divergence. For instance, young people were more likely to report being very confident or fairly confident in the use of technology at their business than older people. Confidence was reported amongst 95.2% of those aged 18 to 34, falling to 89.3% of those aged over 55.

Figure 5: Most common technologies used by small businesses



Source: Opinium, Cebr analysis

The survey enquired extensively about businesses' adoption, or lack of adoption, of digital tools. 32.0% of respondents agreed that they want to use more digital tools but don't know which ones are best for their business. Meanwhile, 38.9% of respondents agreed that they feel overwhelmed by the amount of choice when it comes to choosing digital tools. The fact that these figures are positive, and thus more respondents agree with these statements than disagree, suggests there is a degree of information deficiency for certain business owners.

Some respondents exhibited much higher figures on these metrics, however, suggesting a starker information gap for certain business and individual demographics. For instance, 44.5% of respondents at small businesses agreed that they want to use more digital tools but don't know which ones would be best for their business. This compares to just 25.4% of sole traders and 35.0% of micro businesses. In terms of industries, 43.8% of respondents in construction agreed with this statement, the highest of any industry. The lowest figure was seen amongst businesses in real estate, at 23.3%. On a regional basis, the highest figure was seen amongst those in the South East, at 38.7%, while the lowest was seen amongst those in Yorkshire and the Humber, at 21.3%.

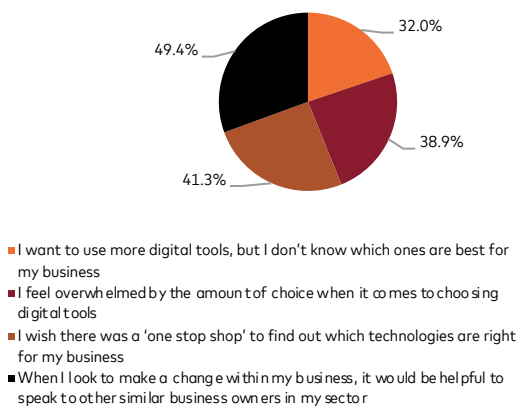
Meanwhile, in terms of the statement concerning whether respondents feel overwhelmed by the choice of digital tools, particularly high figures were seen amongst respondents from ethnic minority backgrounds, at 50.7%. This figure suggests a high degree of information deficiency among those from ethnic minority backgrounds, highlighting the importance of providing more clarity about the choice of digital tools for these individuals.



In terms of the potential tools to plug this information gap, respondents were positive about the proposed solutions. 49.4% of respondents agreed that speaking to other owners of a similar business would be helpful when looking to implement change. Particularly high proportions were seen amongst various subsets, including respondents from ethnic minority backgrounds and respondents aged 18 to 34, at 73.1% and 66.7%, respectively. Of the industries, the highest proportion agreeing was seen amongst construction businesses, at 62.5%, while the lowest was seen amongst those in education, at 39.2%.

Meanwhile, 41.3% of respondents were amicable towards the idea of a 'one stop shop' to find out which technologies are right for their business. Respondents from ethnic minority backgrounds, respondents with young children, and those with aspirations for rapid growth over the next five years exhibited particularly high figures of 61.3%, 64.9%, and 63.8%, respectively. In terms of industries, those in construction exhibited the highest proportion, of 57.8%, while the lowest was seen amongst those in real estate, at 33.3%. In terms of regions, agreement was most likely amongst businesses in the South East, at 48.4%, and least likely amongst those in Yorkshire and the Humber, at 29.2%.

Figure 6: Proportion of respondents agreeing with the following statements regarding digital tools and technological change



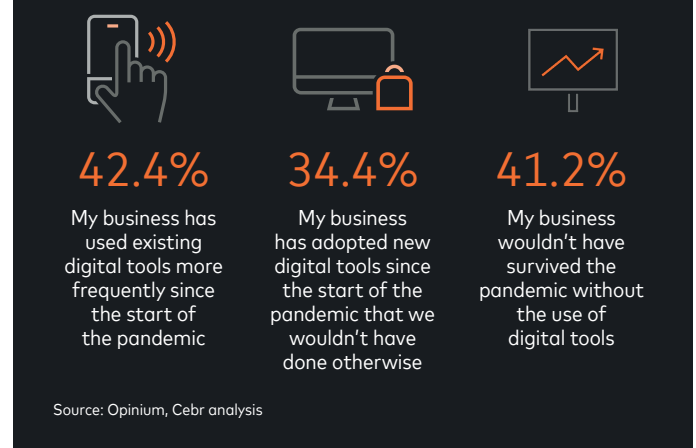
Source: Opinium, Cebr analysis

It is clear that the pandemic has brought heightened use of technology across many businesses. This is supported by our survey findings, with 42.2% of respondents stating that their business has used digital tools more frequently since the start of the pandemic.

Respondents were slightly more subdued when asked whether the pandemic triggered adoption of tools that otherwise wouldn't have been used. Though 34.4% agreed with this statement, this was outweighed by the 38.6% of those who disagreed.

Nevertheless, the use of technology has still been pivotal to businesses during the pandemic, amidst the shift to remote working and greater dependence on e-commerce, amongst other factors. This is supported by the fact that 41.2% agreed that their business wouldn't have survived the pandemic without the use of digital tools. Particularly high proportions on this metric were seen amongst small businesses, respondents with young children and those from ethnic minority backgrounds. These subsets exhibited figures of 62.3%, 63.5%, and 54.7%, respectively. Amongst industries, the proportion was seen amongst IT businesses, at 55.6%, while the lowest was seen amongst real estate, with a score of 21.7%. This low score likely reflects the surge in housing market activity over the past 18 months, facilitated by factors such as the temporary stamp duty holiday and more structural shifts in demand.

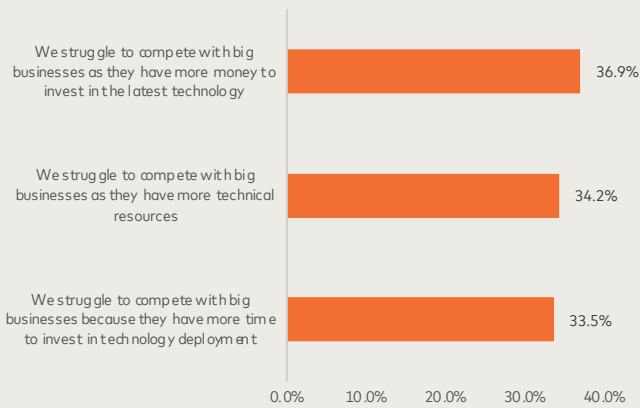
Figure 7: Proportion of respondents agreeing with the following statements regarding digital tools and the pandemic



Perhaps surprisingly, differences in the uses of, and access to, technology were not seen as the main barriers between small businesses and their larger counterparts. For instance, though 33.5% of small businesses agreed that they struggle to compete with big businesses because the latter have more time to invest in technology deployment, this was outweighed by the 34.3% of respondents who disagreed. A similar trend was seen when businesses were asked if they struggle to compete with big businesses because the latter have more technical resources. Though 34.2% agreed with this statement, a greater proportion (35.1%) disagreed. As such, if smaller businesses do perceive there to be barriers to competing with larger businesses, technological access does not appear to be a main driver.



Figure 8: Proportion of respondents agreeing with the following statements regarding digital tools and competing with larger businesses



Source: Opinium, Cebr analysis

## Benefits of technology

There are numerous theoretical benefits to technological adoption for businesses. Indeed, at the economy-wide level, technology can have significant impacts on growth, as evidenced by recent Cebr work into the role of digital transformation in the post-Covid-19 recovery<sup>3</sup>. This outlined the potential for a £232 billion boost to UK GDP by 2040 as a result of the accelerated digital adoption resulting from the coronavirus pandemic.

Our survey sought to explore the extent to which small businesses have experienced these benefits of technology. The following subsection considers only the subset of businesses currently utilising technology. This accounts for the overwhelming majority of respondents, at 96.9%.

Figure 9: Main benefits to business of using technology



Source: Opinium, Cebr analysis



There are many channels through which technological adoption can save businesses time, including through automation of processes, more efficient communication, and digital collaborative tools. The broad category of time saving represents the most commonly cited benefit amongst businesses using technology. This was cited by 72.0% of respondents and far outweighed the proportion of respondents selecting any other benefit category.

Where businesses save time, there is often a link to cost savings, by virtue of greater efficiency. Cost savings were the second most commonly cited category when considering the benefits to businesses from adopting technology, being selected by 44.8% of respondents. It ought to be noted that technological adoption usually comes with upfront costs, increasing businesses' burdens in the short run. Though these are often offset by efficiency gains over time, businesses may find themselves in a net cost position for some time after the initial adoption of the technology. This may put downward pressure on the proportion of businesses stating that they've experienced cost savings as a result of implementing technology, depending on the stage of adoption they currently find themselves.



Increases to the size of a business's customer base represented the third most commonly selected benefit, being selected by 44.6% of respondents. Through the adoption of technology, businesses are no longer necessarily confined by geography in supplying their goods and services. This benefit seems to have become even more pertinent since the onset of the Covid-19 pandemic, given the closure of many brick-and-mortar locations and subsequent shift to online operations for many businesses. For instance, according to the ONS, the proportion of retail spending attributed to online sales reached record heights during the pandemic, peaking at 36.5% of the total in January 2021.<sup>4</sup>

### Barriers to technological adoption

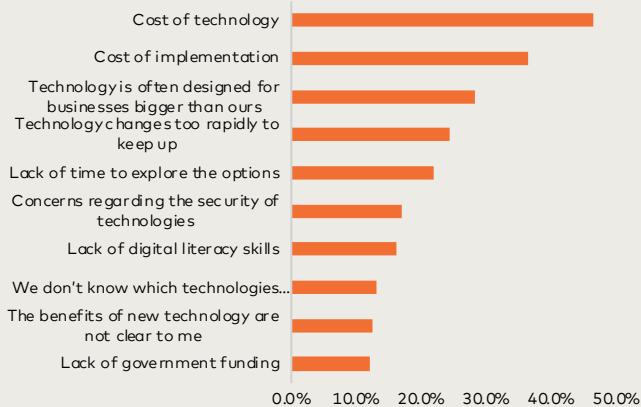
Despite the benefits of technology described in the above section, the prospects of experiencing such benefits is not a sufficient incentive for adoption in the case of many businesses. Indeed, even amongst businesses who do want to implement technologies, there are considerable barriers hindering this process. The following analysis considers barriers to both adoption and use amongst the entire sample of businesses, covering both current users of technology and non-users.

As discussed in Section 2.3, though businesses can often witness cost benefits as a result of technological adoption, there are also upfront costs for businesses to cover in many cases. The cost of the technology itself was cited as a barrier to adoption and use by 46.3% of the sample, while the costs of implementation were cited by 36.3%. These were the two most commonly selected categories amongst the sample as a whole. 25.2% of respondents stated that there were no barriers to using technology at their business.

Several categories of barriers were particularly cited by certain demographics. For instance, respondents with ethnic minority backgrounds were 49.0% more likely to state that they had concerns regarding the security of technologies than the wider sample. Meanwhile, female respondents were 25.7% more likely to report this than the wider sample.



Figure 10: Ten most common response options to "Which of the following do you consider to be barriers to adopting and using new technology in your business?"



Source: Opinium, Cebr analysis



## Future business operations

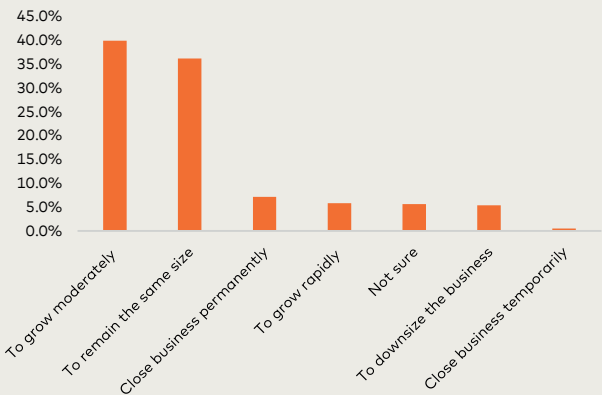
Our survey asked businesses several forward-looking questions relating to technological adoption and growth plans.

One emerging theme from these questions is of a greater importance being placed on technology. 47.3% of respondents stated that they expect technology to be more important for their business's operations over the next five years, with just 2.5% anticipating that technology will become less important.

Respondents at small businesses were particularly likely to expect the importance of technology to increase. This was the case for 75.3% of such respondents. Meanwhile, high rates were also seen amongst those aged 18 to 34, those from ethnic minority backgrounds, and those expecting rapid growth over the coming five years, at 66.3%, 66.7%, and 77.6%, respectively. Amongst industries, wholesale and retail exhibited the highest proportion of businesses expecting technology to increase in importance, at 59.7%. The lowest proportion was seen amongst real estate businesses, at just 35.0%.

With regards to growth aspirations, a large plurality of respondents expect their business to upscale over the coming five years. 45.5% of businesses expect some degree of growth, being split between 39.7% of businesses anticipating moderate growth of up to 20% per year and 5.8% expecting rapid growth in excess of 20% per year. At the other end of the scale, 5.3% of businesses expect to downsize in some capacity, while 7.1% expect their business to close completely. 36.0% of respondents expect their business to stagnate over the next five years. Divergence between demographics was clearest in terms of age groups, with 58.7% of those aged 18 to 34 anticipating growth in their business over the next five years, compared to just 35.1% of those aged over 55. Amongst industries, wholesale and retail businesses were most likely to expect growth, with this being the case for 55.6% of such businesses. Education businesses were the least likely to expect growth amongst industries, at 31.4% of businesses.

Figure 11: What are your expectations for your business's growth in the coming five years?



Source: Opinium, Cebr analysis

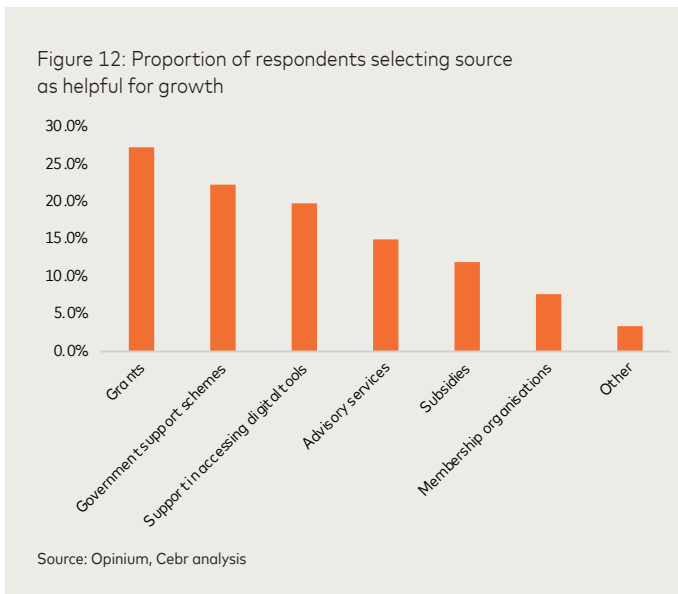
Amongst those businesses anticipating growth, the average annual growth rate amounts to an estimated 12.5% for the whole sample. If we also factor in the average turnover levels reported by the sample, equivalent to around £380,000 per year, as well as the total number of micro and small businesses in the UK, we can produce an estimate for the average gains to turnover that would occur, if these growth aspirations are actually realised.

Figures from the Department for Business, Energy and Industrial Strategy (BEIS) pointed to an estimated 5.94 million businesses with fewer than 50 employees in 2020.<sup>5</sup> Our survey suggested that 45.5% of these businesses are anticipating growth over the coming five years, equivalent to around 2.7 million businesses. Applying the above figures on annual growth expectations and average turnover yields aggregate turnover of £1.9 trillion by 2026, solely amongst businesses expecting to grow. This represents an uplift to turnover of £827 billion compared to the present day. If we restrict the analysis to only female respondents and respondents with an ethnic minority background, using the respective reported growth rates and turnover levels, we see that aggregate gains of £204 billion and £120 billion, respectively, could be witnessed amongst these business demographics if these businesses can achieve their aspirations.



Though many businesses grow organically, a role in supporting growth can still come from external sources. When asked whether any such sources could help their business grow, the majority of respondents were positive. 56.5% of respondents stated that at least one of the sources listed in Figure 14 could help their business grow. Along with cash grants and government support schemes, help to access digital tools was one of the main factors cited as necessary to help businesses grow. These categories were selected by 27.2%, 22.3%, and 19.8% of the sample, respectively.

Amongst business sizes, small businesses were most likely to believe that an external source could help their business grow, with this being the case for 78.1% of such respondents. Parents of young children and young people also gave high response rates, at 85.1% and 76.0%, respectively.



Away from technology, we also enquired about businesses' use of financial instruments, including loans, mortgages, overdrafts or external investment. Most businesses expected their use of such instruments to remain roughly the same over the coming five years, with this being the case for 60.2% of respondents. A greater proportion of businesses expected these instruments to become more important than less important, with 22.5% citing the former and 9.3% selecting the latter.

What is clear is that micro and small businesses have strong growth aspirations in the coming years, as exemplified by their expected increases to their turnover. They also see a role for external sources, whether financial or otherwise, to help them achieve this growth, in addition to expansion in a more organic sense.



# Voice of micro and small businesses

In order to understand more about micro and small businesses in the UK, five business leaders have been interviewed across the following key topics:

- a) Their business and how it has been affected by the pandemic
- b) Impacts of their background on being a business leader
- c) Use of technology
- d) Digital skills
- e) Business finances

Please note that names have been changed for the purpose of anonymity.



## Rohan, male ethnic minority leader of suburban grocery store

Cebr/Opinium interviewed Rohan who works for a family run grocery store, selling food, alcohol and other services such as lottery tickets. The business is based in Hertfordshire in the East of England.



### About the business

The store saw demand surge amid the pandemic and has remained busy throughout 2021, as people started to support local businesses more. The shop provided deliveries for shielding people when they were unable to leave their homes amid the pandemic. There has been a rise in local community supportiveness which they observed.

There are around six to eight employees.

The shop is based in a small town, with a good local community with regular customers who live in the area and walk to the shop.

Encouraging mask wearing was a challenge when it was the law, but they still encourage it now. Staff at the shop also struggle with antisocial or disruptive behaviour. When pubs were shut amid the pandemic, it diverted people to the shop as it sells alcohol, which can be a challenge when people drink heavily, affecting their behaviour.

Looking ahead, a potential winter wave of coronavirus is the biggest challenge that the shop expects, especially with regard to employee morale.



## Impacts of being an ethnic minority business leader

The shop is run by a family of Indian ethnicity. However, staff come from a mix of ethnicities, and there is respectfulness amid employees regardless of background. Some customers can present challenges in terms of behaviour towards ethnic minority shop owners. However, for the most part, there hasn't been much in the way of discrimination.

There is still room for improvement in terms of workplace discrimination, although Rohan believes the Black Lives Matter awareness has improved the situation. However, sometimes he sees conflict in the shop related to racism, which could be improved by more education about the issue. He also mentioned that when businesses hire a new employee it is a good opportunity to train them in race-related issues.



## Use of technology

The main technology the shop uses are mobile phones and laptops to place orders. A scanner is also used to determine inventory in the back of the shop and in the stock room, so that they don't over order.

Since the coronavirus pandemic, they have started to order more of their stock online and use technology to source products. They also have installed Wi-Fi in the shop which has improved business efficiency. When deciding what internet supplier to use they compared across sites for the best provider for them. The shop also recently upgraded all their CCTV cameras using a local provider they found through the Yellow Pages. They prefer to use a local supplier, if possible, rather than searching online.

Seeing what types of technology and techniques other businesses are using can highlight to the store what they should be doing to improve the efficiency of the shop.

Technology, such as telephone and video calls, has also helped keep in contact with customers who have not been able to leave their homes at points in the pandemic.





## Digital skills

There are some employees who wouldn't feel that confident using a laptop, so there is definitely room for improvement of digital skills. He also notes that some employees aren't particularly interested in improving their digital skills. Therefore, perhaps there needs to be a focus on showing workers the benefits of digital abilities.

If employees were skilled in making digital orders in a timely fashion it would be beneficial for the business. However, many employees feel too busy to learn new skills.

## Business finances

The business tends to have fairly steady finances, although the number of customers fell for a prolonged period during a harsh winter. To promote business, they phoned regulars to see if they needed anything.

The business does use grants from the government, which Rohan said could be made simpler, as it is currently quite a time-consuming process.



## David, male owner of a small architectural design practice

Cebr/Opinium interviewed David, who runs his own small architectural design practice. He works by himself, although occasionally provides work for other self-employed architects in busy periods for his business. David is from a non-ethnic minority background.

## About the business

David was made redundant from a larger business during the coronavirus pandemic, at which point running his own business became his full-time job. Although he has had his own business for around 10-15 years, it only recently became his full-time job in 2020. The business was a secondary income prior to the pandemic. He works in an office at his home that he built in his garden, and is based in Hove in the South East of England, which is very well connected by public transport.

The biggest challenge for the business is having a consistent stream of clients, and he has fears that there might be a downturn in business in the future.

Prior to the pandemic he was working in a large practice, and was put on furlough from that practice for over a year, at which point he was able to dedicate more time to his own business and get it going ahead of being made redundant.

## Use of technology

He uses his laptop for day-to-day business. He uses Microsoft Office for Word and Excel. He also uses architectural software to develop his designs. He uses Vectorworks, which is a drawing package and also designed his own website using Wix.

He's been using Vectorworks for a number of years, since around 2014 when a previous employer introduced him to it. Although, he would say that he's probably not using it to its full potential, utilising approximately only 10% to 20% of its full capabilities.

When considering what type of laptop he uses, he has contemplated alternative providers, and gets information on potential technology purchases through internet searches.

He has also found technology useful for advertising, finding clients through Facebook.

## Digital skills

The interviewee mentioned that he would like to increase his abilities to make 3D digital sketches, although he would have to find clients to pay for those extra hours and said that, invariably, they don't want to.

When he collaborates with structural engineers, they sometimes write quick designs on pieces of paper instead of directly integrating with the computer drawings, which may be due to a lack of digital skills. This can be frustrating as design issues may not be noticed.

In the past, not having experience using particular drawing packages may have meant that he didn't get some jobs he has applied for, highlighting the importance of specialist digital skills for the industry. However, he has found that online resources, such as YouTube videos, can be useful for improving digital skills in particular types of software. He used YouTube to understand how to use a drawing package, Revit. However, in the future he might consider building his skills through a formal course at an accredited organisation.

## Business finances

As a self-employed worker, he has experienced fluctuations in demand for his business, which has financial implications. He hasn't had to access finance in the past and hopes that now he has a fairly well-established business he won't need to. Although the challenge of maintaining a steady stream of clients is the biggest risk to the company's finances.



## Nina, female ethnic minority business leader at a health business

Cebr/Opinium interviewed Nina, a director at a business based in the North West. They specialise in private women's and men's health and their biggest market is pregnancy scans. They have more than 25 employees in total.



## Impacts of being an ethnic minority and female business leader

As a female leader, Nina stated that she feels as though the language some other businesspeople use towards her may be more informal than for male counterparts. In general, she has not experienced many specific challenges as a result of being female. Although, she did experience sexist remarks early in her career.

Nina said that being a woman has helped her run her business, as she can sympathise and be sensitive to her pregnant clients. She thinks some of her compassion for her clients comes from being a woman.

As she is from a Pakistani background and grew up in Scotland, she said she has experienced discrimination related to her heritage. In a previous job, groups of people tended to stick together in cliques and she experienced questioning and bias against her related to her Asian heritage.

Nina feels that the general level of workplace discrimination or racism will improve in the future because people will not put up with it, knowing that it is unacceptable.

## Use of technology

The business uses laptops and Voice Over Internet phones. Also, their ultrasound systems are connected to the internet. So, for example, if somebody travels from London to Manchester for a scan, they can send their link digital imaging to their doctor's desk straightaway.

When searching for a technology provider, they consider it to be important that the provider can provide in-person support. Overall, they are fairly happy with the technology they use.



## Digital skills levels

Nina says that there is room for improvement in her digital skills, but also that the business has the skills it needs in the form of specialised employees. They also have good access to information on how to use their technology if individuals don't know themselves.



## Business finances

The business was forced to close for one month due to the pandemic in 2020, and they had to let go of some staff to make up for the reduced revenue during the pandemic. The business also received a £10,000 uplift from the council for two clinics. However, they had difficulty accessing government support for the other clinics. Therefore, the Government could have provided more guidance for businesses in accessing the support measures available to them.



## Amy, female leader at a retail business

Amy, a female leader at an online retail company. She's worked there for five years and works in HR and as the accounts manager. The company employs just under 40 people and is taking on new staff quite regularly. Amy is from a non-ethnic minority background.



## About the business

The business started 11 years ago, and is located in a fairly urban area of the West Midlands. It is well connected to rail and road networks via the M6. Therefore, when people need to get to the office, it is fairly easy. However, not everyone goes into the office every day. Even before Covid-19, they employed a lot of remote workers, although they have warehouses where workers need to be in-person.

At the worst of the pandemic business only fell by about 25%. They furloughed warehouse staff for about five months due to lower demand and spacing at the warehouse. There are usually around 15 people in the warehouse and it fell to about six at any one time.

Looking forward, the Amy said they need to consider how best to grow and run the business. She is currently working out costings for the past few years and considering if they are operating in the best way possible.



## Andrew, male director and founder of a recruitment business

Cebr interviewed Andrew, who started the business around January 2019, which has grown steadily since. They now have seven staff, including Andrew. The business focusses on tech sector recruitment, for a range of roles, and it is based in the North West of England. Andrew is from a non-ethnic minority background.



### About the business

The office is fairly rural, based in a town rather than a city. However, the staff work on a very flexible basis, with staff working from home. Around 90% of their clients are based in the North West, mainly in Manchester. Despite not being based in a city, the office is well connected by train to their clients in Manchester and London.

At the moment, the biggest challenge for the business is finding candidates for their clients, with businesses demanding more candidates than are currently readily available. However, recruiting for the business itself is also a challenge as recruiters are in high demand currently.

When the pandemic first hit, business declined by around 90%, and they furloughed staff. However, they are now busier than ever, as the technology sector is booming and searching for staff. Therefore, as a business they have hired more staff.



### Use of technology

They use Windows laptops and mobile phones in terms of hardware. As for software, they use Microsoft Teams and Zoom regularly for internal meetings and client communication. They also use Google Chrome as it has plug-ins that they integrate with their database.

Social media is also very important to their business structure in order to advertise vacancies, such as LinkedIn and CV-Library. Although LinkedIn Recruiter can be an expensive tool, he finds it very useful for his business. He notes that he probably doesn't use it to its full potential, however.

Similarly, the Customer Relationship Management (CRM) database technology Vincere is a very diverse and powerful piece of software. He further notes that they probably only use 20% of its full functionality due to a lack of awareness of what it can provide. Therefore, they recently decided

to invest in some training in the software so they can understand how to use it better.

They would like to see more account management and personal integration so that they could understand better how to use it and where it could be applied to their business more effectively. They have considered alternatives to Vincere, however, they're tied into a contract and have data in the Vincere system. As such, they've decided to stay with Vincere and received a discount for the service.

Andrew is part of a WhatsApp group for recruitment business owners and he turns to that for advice on what technology to use and how best to use it. Indeed, through the group he discovered a training session about the future of technology available for recruitment businesses, such as artificial intelligence.

In the future, he would like to see technology bring about an increase in productivity for the business, and that in turn would increase the profitability of the business.



### Digital skills

The business recently hired an employee solely responsible for marketing, as they felt that they had a gap in the business in terms of social media digital skills. The business also has a weekly meeting where they try to share skills and look at best practice, such as watching pre-recorded LinkedIn training.

They regularly encounter situations where they might feel they have a lack of digital skills and use the opportunity for training where possible. For example, Andrew recently identified a lack of skills with searching for certain candidates on LinkedIn, so he requested some more training from LinkedIn.

The business also enrolls employees on government-funded training schemes when they are available.



### Business finances

When the pandemic hit, it caused a fairly substantial shock to income, with business falling to a tenth of usual levels. They used the furlough scheme and tried to reduce outgoings with suppliers where possible. The Government's Small Business Grant, gave £10,000 during the pandemic. The business also used the Bounce Back Loan scheme, although there were administrative difficulties associated with accessing the loan.





## Impacts of being a female business leader

She said she hasn't experienced any particular difficulties as a female leader at her current company. It is a female retail clothing company and she feels that they support woman leaders at their business.



## Use of technology

All employees at the business use Apple laptops which are provided for them by the business. In the warehouse, they have laptops and printers for processing and packaging orders from their online site using Shopify. They enjoy the support that Apple gives them for using their products. She also enjoys the ability to share sheets and documents on her laptop with her colleagues. This suggests that good customer service from the supplier of the technology is important for businesses such as this.

They also use WhatsApp for some of their communication via company phones, as well as Slack and Monday. Despite communication via WhatsApp they try to switch off out of office hours.

When it comes to alternatives for technology, they do look for cheaper options for laptops for warehouse staff where business relies less on their use.

When it comes to IT support, the business doesn't have IT staff specifically, so would usually rely on online information. Technology support is not a particular issue for their business at the moment, as they are fairly happy with their current IT setup.



## Digital skills levels

Amy says that there is room for improvement in the company for digital skills. She uses a HR software with good online support, but sometimes doesn't feel she makes the most of this type of software, with some features underutilised. Indeed, when they first started using the HR software, they were paying for features that they didn't use.

Therefore, when new software is used by the business, there is a learning curve associated with the digital skills to use that software. However, she feels that there is usually good support and training when using different types of software, from the software provider.

Going forward, when they purchase new packages, she wants to take more time to understand exactly what the software offers, so that they don't pay for software that is not utilised by the company due to a lack of understanding of what the software package fully offers.

The interviewee hasn't had digital training, and this isn't something that the company currently offers. Although the managers would be open to offering training to employees, the challenge is finding training that would be most useful for the business.



## Business finances

Amy says that the company is currently in quite a strong financial position, and the furlough scheme helped during the pandemic.

AMY also said that the Government is quite good at making the business aware of financial schemes that they could use. The Government recently encouraged them to use the Kickstart scheme via email, which will save them money as a company, as the Government will give the business 25 hours' worth of wages per week for 16-24 year-old employees.



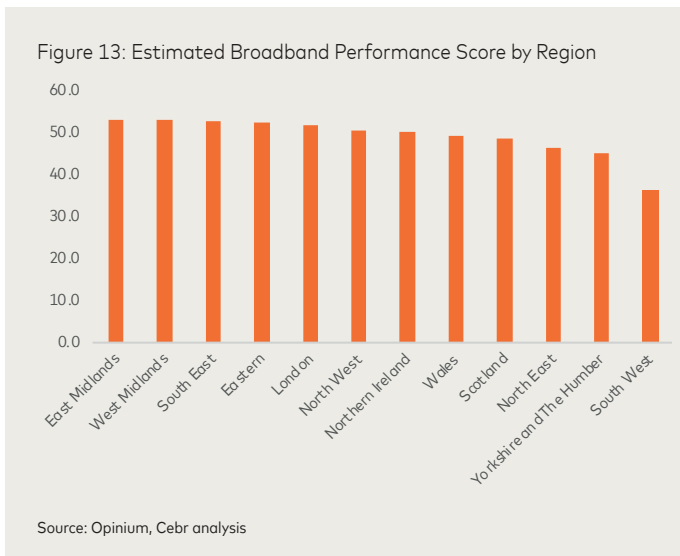
# Inclusive Growth Score – data analysis

The United Kingdom Inclusive Growth Score (UK IGS), produced by the Mastercard Center for Inclusive Growth, measures economic and social indicators across the United Kingdom (UK) at the postcode level. This score encompasses multiple metrics from a range of datasets. Using these metrics, postcodes are given a score via a percentile rank ranging from 0-100, with the average score being 50.

In order to further inform the research on micro and small businesses in the context of access to technology and divergence across business demographics, key indicators from the UK IGS were utilised. These indicators are then compared between regions to consider which areas may particularly benefit from concentrated support for such businesses. The following indicators were considered:

- Broadband Performance
- Small Business Loans
- Small Business Representation
- Minority Worker Representation

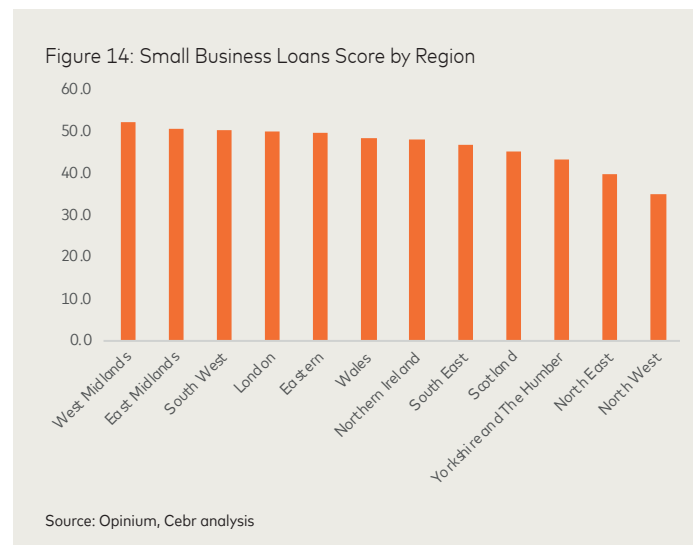
Mastercard’s IGS figures are available for individual postcode sectors, providing considerable insight at a granular level. To consider the data at the wider regional level, simple averages of postcodes within each region were taken to obtain scores for the average postcode in that region.



One of the key determining factors behind success in the digital economy is access to the Internet. Yet, patterns of broadband performance vary across the UK regions. The East Midlands achieved the highest estimated broadband performance score according to the IGS data, of 53.0. Meanwhile, the South West is the worst performing region in the UK, registering an estimated score of 36.0.

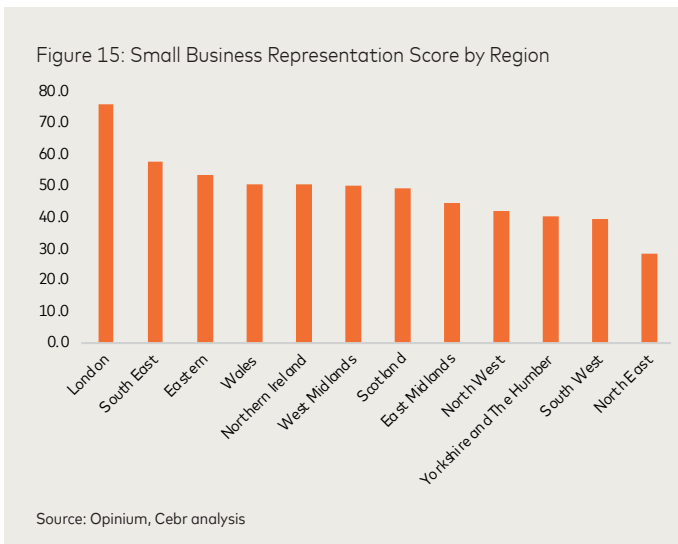
The proportion of premises attaining at least 30MB/s in broadband internet is the key input behind the estimated broadband score. This figures is used as the definition of superfast or higher download speeds by the UK and devolved governments.

Publications from the ONS<sup>3</sup> on exploring the UK’s digital divide highlight the North East as a particularly prominent region for non-internet users, with 12.1% of the population classifying as such in 2018. Given the North East’s relatively low broadband performance score as estimated by weighted averaging of Mastercard’s IGS data, it seems that lower broadband performance could potentially be contributing to lower internet usage in the region. The same could be said for Yorkshire and the Humber. This region ranks fourth from the bottom in terms of estimated Broadband Performance Scores, while being third bottom for non-internet users as a proportion of the population with a figure of 12.0%.<sup>6</sup>



There is also regional variation in the change in small business loans in each region. The West Midlands ranks the highest in this indicator, with a score of 51.9. The northern regions were by far the lowest scorers, with the North East and the North West attaining scores of 39.7 and 34.8, respectively.

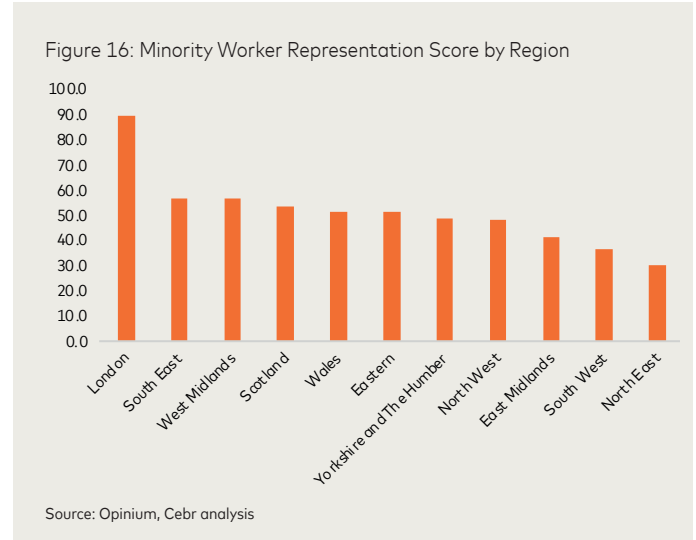
The input serving into the small business loans indicator is the year-on-year change in the number of small business loans, as measured by UK Finance<sup>7</sup>. It is important to note that businesses can use loans for a number of reasons. For instance, a higher prevalence of small business loans could indicate a concentration of investment, with businesses looking to borrow in order to finance new projects. Loans can also be used to tide businesses over during tougher times, with this being particularly pertinent in the past 18 months given the disruption caused by Covid-19 and the rollout of government-backed loan schemes. As such, the year-on-year increase in the number of loans does not give the entire story. The purpose of such loans would be better measure from which to draw conclusions, though this is beyond the scope of the dataset and this research.



Across all the regions, London attained the highest small business representation score, with a weighted average estimate of 75.9, suggesting that the capital is highly populated by small businesses. The North East scores the lowest on this metric, with a score of 28.2.

The input metric for the small business representation score is the percentage of total businesses classed as small, according to the POI Provider. The definition used here is more exhaustive than that utilised in our survey section, instead encompassing all businesses with up to 100 employees and turnover of up to £10 million per year. This definition accounts for the vast majority of UK businesses, as shown by figures from BEIS. Under the

definition of small businesses as being those with fewer than 50 employees, small businesses account for 99.3% of the business population<sup>8</sup>. Extending this definition to those businesses with fewer than 100 employees would increase this proportion even further.



Minority worker representation also varies across regions. London is significantly ahead of other regions in terms of minority representation, yielding an estimated score of 89.5 according to the IGS data. The North East and the South West are less diverse in terms of representation, forming up the bottom two regions with scores of 30.0 and 36.9 respectively.

London's significantly high score on the minority representation indicator reflects its much greater diversity, with 40.8% of the capital's population identifying as minorities, per an ONS study on ethnic groups by borough<sup>9</sup>. Moreover, the North East's and South West's low scores on the indicator is reflective of its weaker diversity compared to the rest of the regions, with only 5.0% and 5.2% of their respective populations identifying as minorities.<sup>10</sup>

Though minority worker representation is clearly important from the perspective of both cultural diversity, there are also potential economic benefits to consider. For instance, figures from the UK Government's McGregor-Smith review on race in the workplace suggested that the benefit to the UK economy from full representation of ethnic minority individuals across the labour market could amount to £24 billion per year, if the gap in employment rates between ethnic minorities and white workers was closed.<sup>11</sup>



# Conclusion

Our survey of 1,000 decision makers showed that micro and small businesses are optimistic towards their growth outlook, though they also acknowledge that external sources of support could help facilitate that growth. The granularity of the survey also enabled conclusions to be drawn regarding demographic categories, particularly with regards to barriers in the workplace, technological use, and barriers to adoption. A general finding is that responses from women, those from ethnic minority backgrounds, those aged 18 to 34 and those with dependents tended to diverge from the sample as a whole. For instance, female respondents and respondents from an ethnic minority background were particularly likely to cite their own demographic characteristics as barriers to success in business or work. Meanwhile, those from ethnic minority backgrounds and those aged 18 to 34, as well as those with rapid growth aspirations, were particularly amicable towards a 'one stop shop' with access to information on using digital technology.

The case studies in this report have shown the importance of having the right technology for small businesses operating in 2021. All businesses noted a reliance on laptops and mobile phones, with social media and more advanced software also growing in importance for the way small and micro businesses operate. When it comes to the skills needed to operate technology, however, nearly all business leaders noted that there is room for improvement, especially as technology develops at such a fast pace. Therefore, supporting smaller businesses in their use of the technology they purchase is crucial to their success. Especially for businesses which may have invested in technology which they don't have the skills or time to understand the full capabilities of.

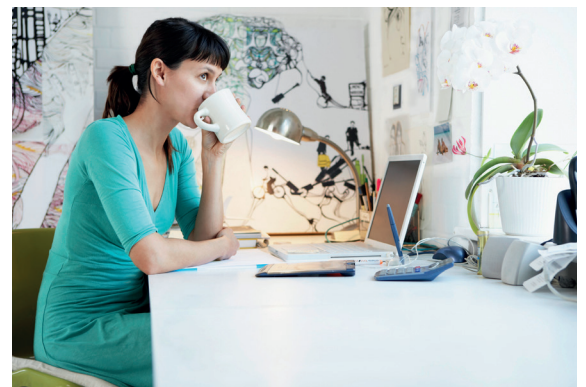
Meanwhile, Mastercard's compendium of data under the Inclusive Growth Score provides further insight into many different aspects of business at the postcode level. Scaling these up for regional estimates shows that the North East lags behind on a number of measures, including minority worker representation and small business representation. The South West also emerged as a relatively weak performer on the metrics

we considered, notably in terms of broadband performance. Given their low starting points on these metrics, targeting these regions for support could yield particularly significant improvements.

Small businesses have had largely positive experiences with implementing technology within their operations. Of those to have adopted digital tools, not a single survey respondent reported that they have not experienced any benefits. The survey responses also pointed to a possible role for technological adoption in helping businesses achieve their growth aspirations. For instance, in addition to the much cited benefit categories of time and cost savings, a large proportion of respondents (44.6%) noted that use of technology has helped to expand their customer base. Meanwhile, 32.7% and 32.5% of respondents reported that technological adoption has led to increased turnover and increased profit, which can both be taken as proxies for growth.

With support using technology also cited as the most important external factor in achieving growth, after funding and government support packages, it is clear that help in this space will be crucial to the post-pandemic recovery effort.

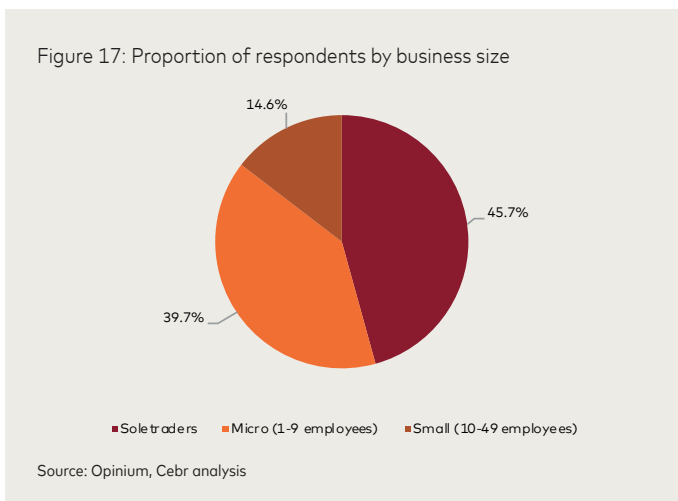
Small businesses are largely positive about the future and have ambitious growth aspirations, but to ensure they can achieve them ongoing support may be required. Government initiatives will play an important role but equally programmes from other reputable sources could go some way to ensuring that small business owners are able to achieve their goals.



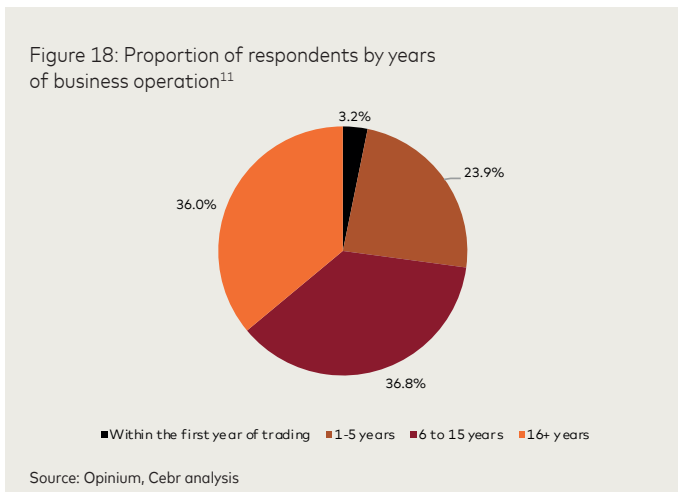
# Appendix 1 – Demographics of survey respondents

Opinium, on behalf of Cebr and Mastercard, interviewed 1,000 private sector small business owners (1-49 employees, including soletraders) between 1-9 Sept 2021. Additional in depth interviews were conducted with 5 case studies.

The survey was targeted towards sole traders and decisionmakers in micro and small businesses. Micro businesses are defined as those with between one and nine employees, while small businesses are those with between 10 and 49 employees. As shown in Figure 19, just under half, 45.7%, of respondents were sole traders. Meanwhile, 39.7% and 14.6% were decisionmakers at micro and small businesses, respectively.



In terms of the number of years for which respondents' businesses have been in operation, most were relatively recently established. Five years of operation represents a common upper bound for businesses to be classed as start-ups. 27.1% of respondents met this condition. A further 36.8% of businesses had been on operation for 6-15 years, while 36.0% had been in operation for over 16 years. The average respondents' businesses had been operating for 12.8 years.

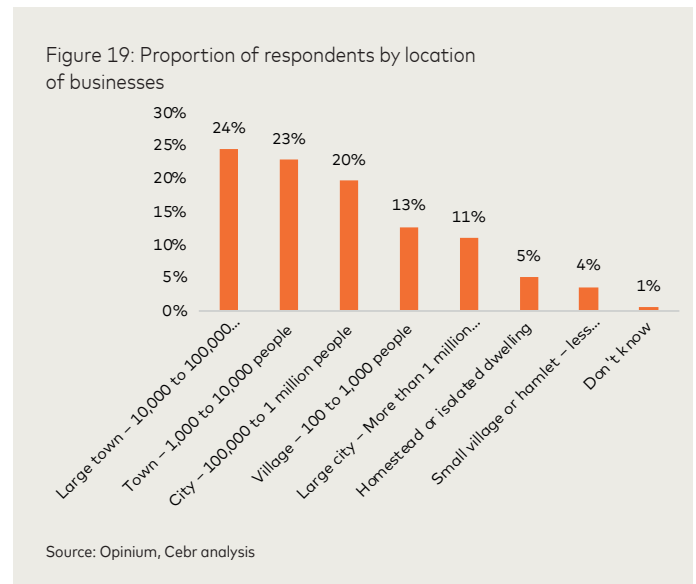


Male respondents were more prevalent in the sample, highlighting the gender gap when it comes to representation amongst decision makers. 61.9% of the sample identified as male, while just 37.9% identified as female.<sup>12</sup>

There was a further stark representation gap in terms of ethnic backgrounds. 92.4% of respondents identified as white, while just 7.5% identified as being a member of an ethnic minority group<sup>13</sup>. This compares to approximately 14.4% of the UK population as a whole.<sup>14</sup>

63.0% of the sample were parents. Of the sample of parents, 62.0% were fathers, while 38.0% were mothers. More respondents reported being parents to adult children than those reporting being parents to under 18s.

Towns were the most commonly cited location, with 47.3% of respondents citing either town or large town. Meanwhile, 30.8% of respondents stated that their location was in either a city or a large city. A considerable proportion of respondents stated that their business was located in a less populous area, however. 12.7% stated that their business was located in a village, while 3.6% reported a location in a small village or hamlet. 5.1% reported a location in a homestead or isolated dwelling.





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- <sup>1</sup> <https://www.goldmansachs.com/citizenship/10000-small-businesses/UK/infographics/small-business-britain/>
- <sup>2</sup> <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/uk-small-and-medium-size-enterprises-impact-of-the-covid-19-crisis>
- <sup>3</sup> Cebr report for Virgin Media Business – ‘The role of digital transformation on the UK economy’ (2021)
- <sup>4</sup> ONS series J4MC – Internet sales as a percentage of total retail sales
- <sup>5</sup> BEIS – Business population estimates for the UK and the regions 2020
- <sup>6</sup> ONS (2019) – Exploring the UK’s digital divide
- <sup>7</sup> UK Finance – SME lending within UK postcodes
- <sup>8</sup> BEIS – Business population estimates for the UK and the regions
- <sup>9</sup> ONS – “Ethnic Groups by Borough”
- <sup>10</sup> Ibid
- <sup>11</sup> McGregor-Smith review: Race in the workplace
- <sup>12</sup> A further 0.1% of respondents cited ‘Don’t know’
- <sup>13</sup> A further 0.2% of respondents cited ‘Other’
- <sup>14</sup> A further 0.1% of respondents did not identify with any ethnic background.
- <sup>15</sup> Parliamentary briefing paper – “Ethnic diversity in politics and public life” (2020)

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The report does not necessarily reflect the views of Mastercard.

London, September 2021



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