TECH PARTNERSHIP
skills for the digital economy

JUNE 2016

Factsheet: Digital industries in the UK

Introduction

This fact sheet provides an overview of the digital industry structure in the UK using the latest data from the Office for National Statistics Interdepartmental Business register (IDBR), Annual Population Survey (APS) and Annual Business Survey (ABS).

Key findings

- Of the 31m people working in the UK in 2015 1.75m (6%) were working in the digital sector – 1.1m (61%) within digital businesses and a further 0.65m (39%) as digital specialists within other parts of the economy.
- There were 170,000 digital enterprises in the UK in 2015 representing 7% of the entire UK business population.
- Just under one half (48%) of digital enterprises were located in London/the South East of England.
- At sub-regional level, Reading was the local authority with the highest density of digital enterprises – 21% of local business in 2015.
- More than nine in ten digital enterprises in 2015 were IT businesses (91%) and virtually all (93%) were digital service providers.
- The number of digital business increased by 30% between 2010 and 2015 – almost twice the increase in UK business enterprises as a whole (17%).
- Virtually all digital enterprises (99.8%) were classed as SMEs and the proportion of large digital employers was half that for UK industry as a whole (0.2% and 0.4% respectively).
- In total there were 1.16m people working in digital businesses in 2015 – 3% of the UK workforce.
- Employment across digital businesses is mainly focussed in IT (74%), with Telecoms employing 24% and Games 2%.
- The number of workers in the digital industries increased by almost three times the rate recorded for all UK workers over the past five years (2010-2015).
- Turnover amongst digital businesses in 2014 was £209bn, 6% of the UK total.
- The gross value added (GVA) by digital enterprises was £94.8bn – 6% of the annual total across all UK industries.
- Of the digital GVA contribution, 62% was from IT businesses, 37% from Telecoms and 0.4% from Games establishments.
- The increase in digital GVA over the five years 2009-14 exceeded overall growth in the economy in the same period with comparison figures of 27% and 20% respectively.
- The gross value added to the economy per worker in the digital industries was almost double the norm for UK workers, £92,000 for digital industry workers compared with just £54,000 for workers as a whole.

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About the Tech Partnership

The Tech Partnership is a growing network of employers, collaborating to create the skills for the digital economy. It acts for the good of the sector by inspiring young people about technology, accelerating the flow of talented people of all backgrounds into digital careers, and helping companies to develop the digital skills they need for the future.

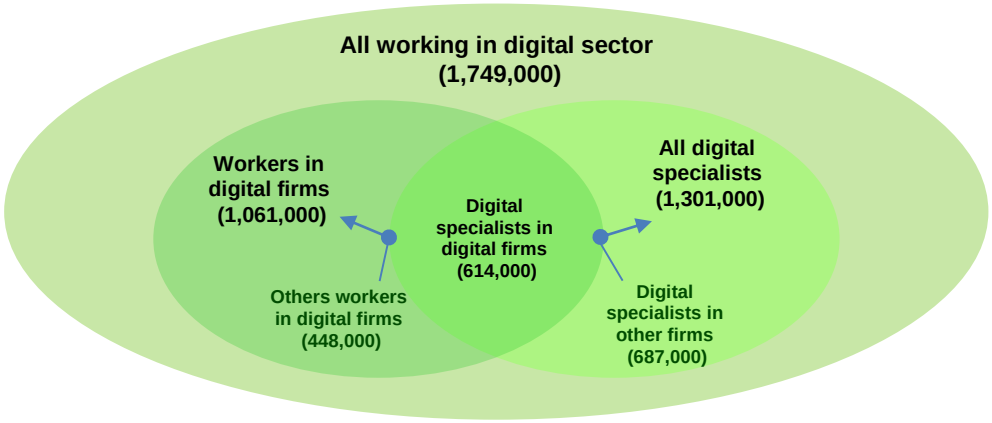
For further information please visit www.thedigitalpartnership.com

Factsheet: Digital industries in the UK

1. Digital industries, digital specialists and the digital sector

Latest estimates from the Office for National Statistics (ONS) show there were approximately 31m people working in the UK in 2015[1] of which 1.75m (6%) were working in the digital sector – 1.1m (61%) within digital businesses (in digital or support roles) and a further 0.65m (39%) working as digital specialists within other parts of the economy.

Figure 1: The digital sector and the digital workforce, 2015



Source: Analysis of data from the ONS Annual Population Survey (APS) undertaken by The Tech Partnership

The characteristics and growth trends associated with the digital workforce are explored in detail within a series of factsheets published by the Tech Partnership whilst this report seeks to build on this knowledge base by presenting an analysis of employer characteristics using information from the Office for National Statistics Interdepartmental Business Register (IDBR), the Annual Population Survey (APS) and the Annual Business Survey (ABS).

1 Workforce estimates in this publication supersede those presented within previous factsheets and are not directly compatible due to the utilisation of different ONS datasets

2. Digital enterprises across the UK

There were approximately 170,000 digital enterprises in the UK in 2015 – 7% of all UK enterprises at that time. As with other elements of the economy, digital enterprises are heavily concentrated in London/the South East of England though the degree of clustering for digital businesses is even more pronounced than for other industries - these two regions together accounting 48% of all digital businesses in 2015 compared with 34% of enterprises as a whole.

After London/the South East, the next largest concentration of digital enterprises can be found in the East of England (11% of digital establishments in 2015), the South/North West of England (8% in each case) and the West Midlands (7%) – all other regions/devolved nations were home to 5% or less of digital business enterprises.

Table 1: Business enterprises by UK nation/region, 2015

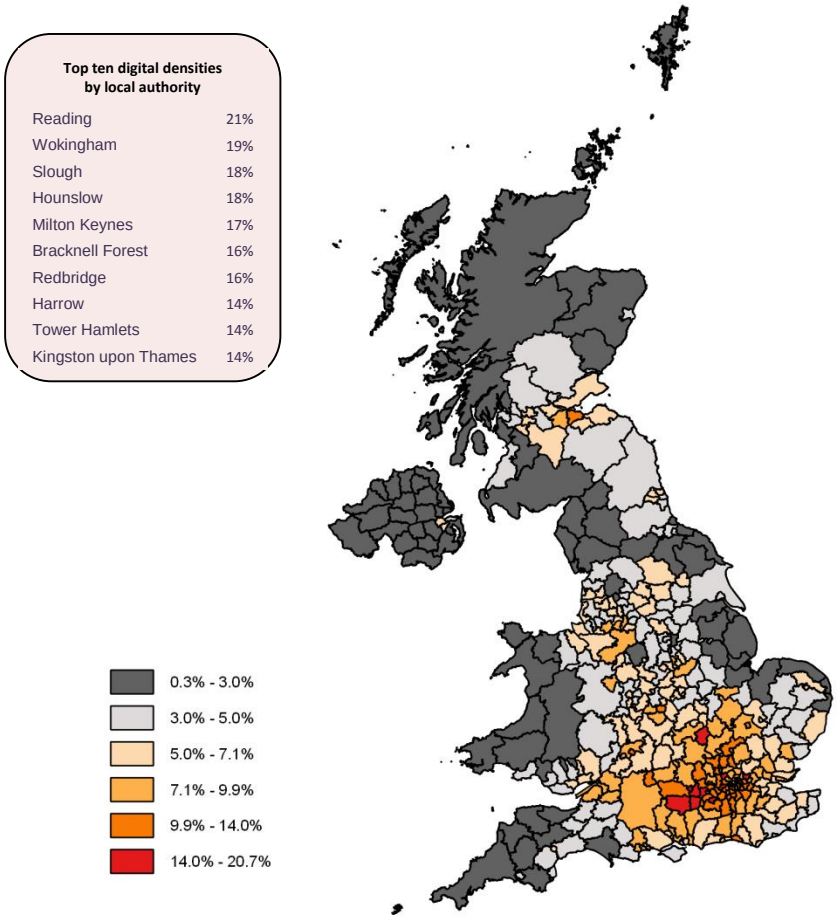
	Number of enterprises		Share of UK enterprises		
	Digital enterprises	All enterprises	Digital enterprises	All enterprises	Digital density (digital as a % of area total)
United Kingdom	169,900	2,449,400	100%	100 %	7%
England	156,400	2,116,300	92%	86%	7%
Wales	3,600	97,800	2%	4%	4%
Scotland	8,400	168,300	5%	7%	5%
Northern Ireland	1,500	67,100	1%	3%	2%
English regions:					
North East	2,700	65,700	2%	3%	4%
North West	13,100	236,000	8%	10%	6%
Yorkshire and The Humber	8,400	172,200	5%	7%	5%
East Midlands	8,400	164,700	5%	7%	5%
West Midlands	11,200	191,600	7%	8%	6%
East	18,400	243,000	11%	10%	8%
London	44,900	444,900	26%	18%	10%
South East	36,200	377,400	21%	15%	10%
South West	13,100	220,800	8%	9%	6%

Source: Analysis of data from NOMIS/IDBR undertaken by the Tech Partnership

As illustrated in the table above, digital enterprises also account for a much higher proportion of the regional total within London/the South East of England (10% in each case) whilst amongst the remaining nations/regions only the East of England has a 'digital density' approaching this level (8%). All other major geographies instead are seen to exhibit a digital density of 6% or less with the North East of England and Northern Ireland in particular associated with figures of 4% and 2% respectively.

This picture is broadly consistent at sub-regional level though there are 'small areas' associated with above average digital densities outside of the South East of England – notably Edinburgh (11%), West Lothian, Coventry and Solihull (10% in each case) along with Poole and South Gloucestershire (9%). Conversely, the Isle of While, though within the South of England, is associated with a digital density of just 4%.

Figure 1: Digital 'density' by local authority district, 2015



Source: Analysis of data from NOMIS/IDBR undertaken by the Tech Partnership

3. Trends in digital enterprises

Between 2014 and 2015, the number of digital enterprises in the UK rose by 7% (11,500) – a slightly lower rate of growth than that associated with enterprises as a whole during this period (i.e. 8%). Looking longer term however, growth in the number of digital businesses has been far above the norm and almost double the rate of growth for UK businesses more generally over the 2010 – 2015 period (with comparison figures of 30% and 17% respectively for digital/all industries).

By nation/region, growth in digital enterprises has been much higher in London than in other areas of the UK with associated increases of 11% and 54% respectively in the capital's digital business base over the past year/five year period. In fact over the past 12 months, London was the only region in which growth in digital enterprises actually exceeded the overall growth rate for UK businesses as a whole (i.e. 11% growth digital enterprises in London vs 8% for all industries across the UK).

Factsheet: Digital industries in the UK

Table 2: Change in the number of business enterprises by UK nation/region, 2010-15

	2010	2014	2015	Change 2014-15		Change 2010-15	
All enterprises	**2,100,400**	**2,263,600**	**2,449,400**	**185,800**	**8%**	**349,000**	**17%**
Digital enterprises	**130,600**	**158,400**	**169,900**	**11,500**	**7%**	**39,300**	**30%**
UK nation:							
England	120,300	145,900	156,400	10,500	7%	36,200	30%
Wales	3,100	3,300	3,600	300	8%	600	18%
Scotland	6,100	7,800	8,400	600	8%	2,300	37%
Northern Ireland	1,200	1,400	1,500	100	6%	300	23%
English region:							
North East	2,300	2,500	2,700	200	8%	500	21%
North West	10,700	12,400	13,100	700	6%	2,400	22%
Yorkshire and The Humber	6,700	7,800	8,400	600	8%	1,700	26%
East Midlands	7,100	8,000	8,400	400	5%	1,300	18%
West Midlands	9,300	10,600	11,200	600	5%	1,900	20%
East	15,000	17,300	18,400	1,200	7%	3,400	23%
London	29,100	40,500	44,900	4,500	11%	15,800	54%
South East	29,400	34,200	36,200	2,000	6%	6,800	23%
South West	10,700	12,700	13,100	500	4%	2,400	22%

Source: Analysis of data from NOMIS/IDBR undertaken by the Tech Partnership

Though London demonstrated the highest region-wide rate of digital enterprise growth, much greater increases in the number of digital enterprises were recorded within a number of UK sub-regions outside of the capital over both the 2014-15 and 2010-15 periods. Limavady, Northern Ireland was the most notable of these with annual/5 year growth rates of 50% and 200% respectively, though as with many other such cases, the recorded growth was from a very low initial base.

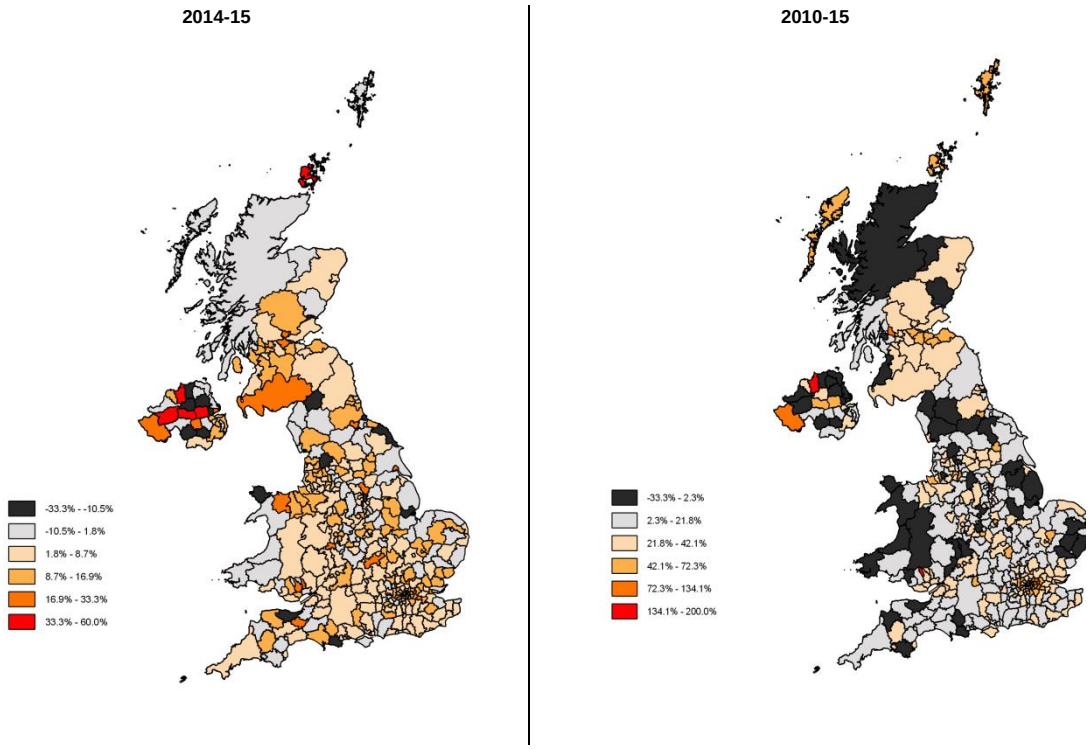
Table 3: Largest changes in digital enterprises by sub-region 2014-15 and 2010-15

Rank	District	Enterprises (2015)	Change (2014-15)	District	Enterprises (2015)	Change (2010-15)
1	Antrim	40	60.0%	Merthyr Tydfil	30	200%
2	Orkney Islands	15	50.0%	Limavady	15	200%
3	Cookstown	15	50.0%	Barking and Dagenham	515	134%
4	Limavady	15	50.0%	Newham	1,105	133%
5	Omagh	15	50.0%	Redbridge	1,835	116%
6	Carrickfergus	20	33.3%	Hackney	1,490	104%
7	Craigavon	60	33.3%	West Dunbartonshire	70	100%
8	Conwy	115	27.8%	Fermanagh	30	100%
9	Rotherham	300	27.7%	Islington	1,930	83%
10	Darlington	140	27.3%	Hounslow	2,135	81%

Source: Analysis of data from NOMIS/IDBR undertaken by the Tech Partnership

Whilst many areas were associated with substantial increases in the size of their digital business base in recent years, there were also a number in which a decline in digital enterprises was recorded – most often within what could be described as outer areas of the UK as illustrated in the figures below.

Figure 2: Changes in digital enterprises by local authority district, 2014-15 and 2010-15



Source: Analysis of data from NOMIS/IDBR undertaken by the Tech Partnership

4. Digital specialisation

The UK digital industry is predominantly IT focussed and in 2015, 91% of all digital enterprises were classed as IT organisations compared with 8% that were Telecoms focussed and 1% that were Games related.

In each case (IT/Telecoms/Games), the majority of enterprises are seen to be providers of digital services as opposed to manufacturers/distributors, though the services bias is less pronounced amongst Telecoms enterprises – 10% of which were classed as manufacturers in 2015 (compared with 1% for the digital industries as a whole, 1% for IT enterprises and <1% for games).

A comparison of the digital industry distribution across the four UK nations in 2015 reveals a similar picture for England, Scotland and Wales - however in the case of Northern Ireland there was a much larger proportion of digital enterprises focussed upon sales/distribution activities (15% vs 6% for the UK as a whole) and this holds true for both IT and Telecoms businesses. In addition, within the Telecoms sub-sector, a much lower proportion of digital firms in Northern Ireland in 2015 were classed as

manufacturers then in other UK nations (i.e. 5% compared with around 10% for England, Scotland and Wales).

Table 4: Digital enterprises by nation and digital sub-group, 2015

	United Kingdom	England	Wales	Scotland	Northern Ireland
Digital enterprises	**169,900**	**156,400**	**3,600**	**8,300**	**1,500**
IT	91%	91%	89%	**92%**	86%
Telecoms	8%	8%	10%	7%	14%
Games	1%	1%	1%	1%	<1%
IT	**154,900**	**142,700**	**3,200**	**7,700**	**1,300**
IT - manufacturing	1%	1%	1%	1%	1%
IT - sales/distribution	4%	4%	4%	3%	10%
IT - services	96%	96%	95%	97%	89%
Telecoms	**13,500**	**12,300**	**400**	**600**	**200**
Telecoms - manufacturing	10%	10%	11%	10%	5%
Telecoms - sales/distribution	29%	28%	29%	27%	51%
Telecoms - services	62%	62%	60%	62%	44%
Games	**1,500**	**1,400**	**<100**	**100**	**<100**
Games - manufacturing	-	-	-	-	-
Games – sales/distribution	12%	12%	-	10%	-
Games – services	88%	88%	-	90%	-
Digital	**169,900**	**156,400**	**3,600**	**8,300**	**1,500**
Manufacturing	1%	1%	2%	1%	1%
Sales/distribution	6%	6%	7%	5%	15%
Services	93%	93%	91%	94%	83%

Source: Analysis of data from NOMIS/IDBR undertaken by the Tech Partnership

Further analysis for the English regions again presented a similar picture though London, like Northern Ireland was notable for a below average proportion of manufacturing enterprises within the Telecoms sub-sector (i.e. 5% again – half the UK average figure of 10%).

5. Change in digital structure

Between 2010 and 2015 the most notable increase in the number of digital enterprises was for Games establishments which grew in number by 171% over the five year period – a rate far above that for both IT businesses (up 31%) and Telecoms firms (14%).

The other broad industry trend apparent from the IDBR data is the decline in the number of manufacturing and sales/distribution businesses over the past five years (down 14% and 5% respectively) which is in stark contrast to the changes recorded for digital services (up 34%).

In fact, a closer examination of the services data reveals a further three industry sub-groups for which the number of businesses has more than doubled over the past five years i.e. IT programming (131%), wired telecoms (138%) and wireless telecoms (142%).

Table 5: Industry trends, 2010-15

	2010	2014	2015	Change 2014-15		Change 2010-15	
All enterprises	**2,100,400**	**2,263,600**	**2,449,400**	**185,800**	**8%**	**349,000**	**17%**
Digital enterprises	**130,600**	**158,400**	**169,900**	**11,500**	**7%**	**39,200**	**30%**
Digital manufacturing	**2,700**	**2,100**	**2,300**	**200**	**8%**	**-400**	**-14%**
IT - manufacturing	1,000	800	1,000	200	21%	<1%	-1%
Telecoms - manufacturing	1,700	1,300	1,300		<1%	-400	-22%
Games - manufacturing	-	-	-	-	-	-	-
Digital sales/distribution	**10,100**	**9,500**	**9,700**	**200**	**2%**	**-500**	**-5%**
IT - sales/distribution	6,200	5,500	5,600	100	2%	-600	-10%
Telecoms - sales/distribution	3,800	3,800	3,900	<100	1%	100	1%
Games – sales/distribution	100	200	200	<100	20%	100	89%
Digital services	**117,800**	**146,800**	**157,900**	**11,100**	**8%**	**40,100**	**34%**
IT services	**111,000**	**137,400**	**148,300**	**10,800**	**8%**	**37,300**	**34%**
IT - programming	12,700	29,000	29,400	300	1%	16,600	131%
IT - consultancy	66,700	80,300	90,600	10,300	13%	23,900	36%
IT - data	2,700	3,000	3,100	100	5%	400	17%
IT - other	28,900	25,100	25,200	100	<1%	-3,700	-13%
Telecoms services	**6,400**	**8,100**	**8,300**	**300**	**3%**	**2,000**	**31%**
Telecoms - wired	600	1,300	1,400	100	7%	800	138%
Telecoms - wireless	500	1,100	1,200	100	11%	700	142%
Telecoms - other	5,300	5,700	5,800	100	1%	500	8%
Games services	**500**	**1,300**	**1,300**	**<100**	**3%**	**900**	**187%**
All IT	**118,200**	**143,800**	**154,900**	**11,100**	**8%**	**36,700**	**31%**
All Telecoms	**11,900**	**13,200**	**13,500**	**300**	**2%**	**1,600**	**14%**
All Games	**600**	**1,400**	**1,500**	**100**	**5%**	**1,000**	**171%**

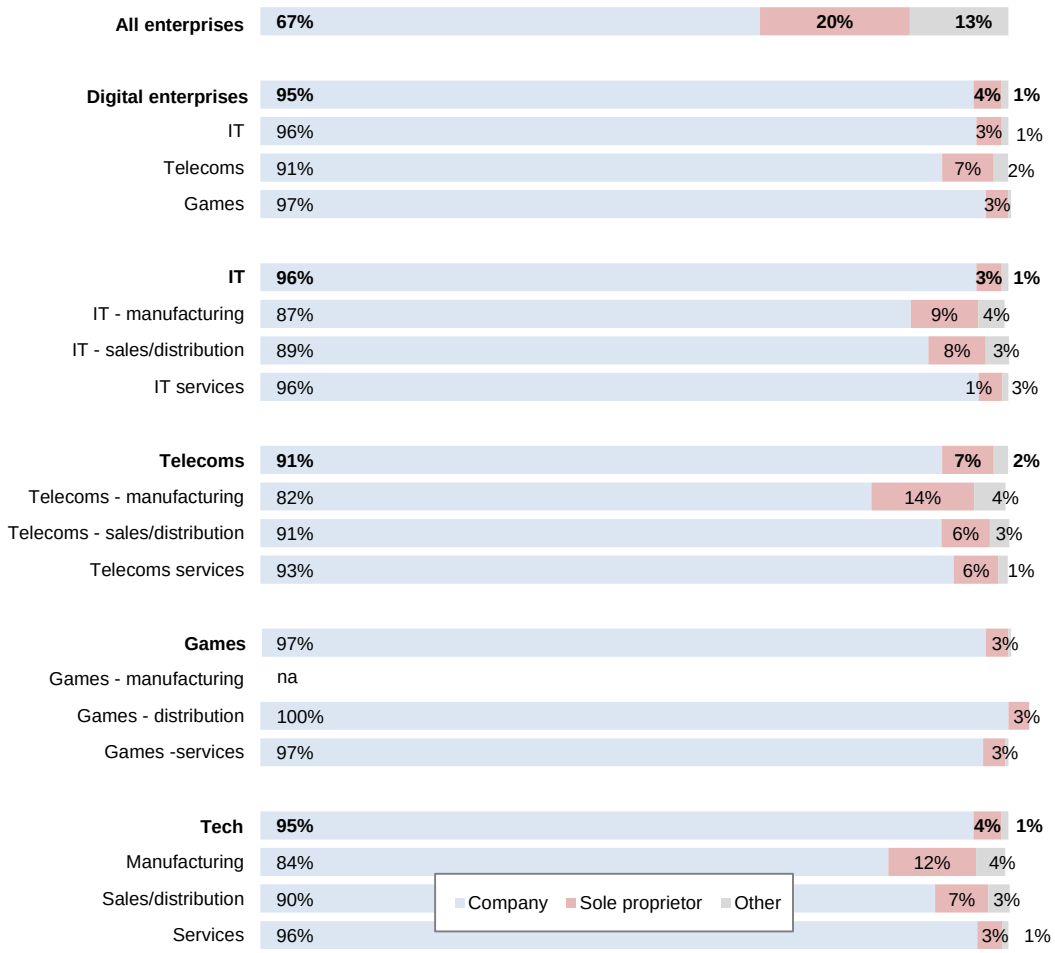
Source: Analysis of data from NOMIS/IDBR undertaken by the Tech Partnership

6. Legal status

Virtually all (95%) digital businesses in 2015 were registered as companies as opposed to sole proprietor (4%) or other business entities (i.e. partnership, non-profit organisations etc.). By contrast, amongst the wider economy just 67% of enterprises were companies and 20% were found to be sole traders.

The proportion of digital businesses registered as sole traders was notably higher within the digital manufacturing sub-sector (12%) - Telecoms manufacturing in particular (14%) though still well below the all industry average for the UK.

Figure 3: Legal status of digital and other enterprises in the UK, 2015



Source: Analysis of data from NOMIS/IDBR undertaken by the Tech Partnership

7. Change in legal status distribution

As would be expected, growth in the digital business base over the past five years was more pronounced amongst digital SMEs (up 30% over the period compared with growth of 18% in the number of large establishments). Given the overall predominance in the number of businesses of this size there has however been little change in the broad distribution of digital businesses in the UK with SMEs accounting for 99.8% of digital enterprises throughout the five year period.

8. Digital enterprises by number of employees

As with the economy as a while, virtually all digital enterprises can be classed as SMEs (small/medium sized enterprises) and in 2015 just 0.2% of digital businesses were considered as large organisations (employing 250 or more staff). By comparison, the proportion of large enterprises in the UK overall was actually double this level (0.4%).

Conversely, 94% of digital enterprises and 89% of enterprises as a whole were found to employ less than ten staff – again illustrating the extent to which micro businesses predominate within the economy.

Analysis of the digital industries by size and sub-sector shows a relatively large proportion of Telecoms enterprises to be medium/large organisations and this was also the case for digital sales/distribution businesses.

Table 6: Digital industry by size (employment based) and sub-sector, 2015

	n	Micro	Small	Medium	Large
All enterprises	**2,449,400**	**89%**	**9%**	**2%**	**0.4%**
Digital enterprises	**169,900**	**94%**	**5%**	**1%**	**0.2%**
IT	154,900	95%	4%	1%	0.1%
Telecoms	13,500	86%	11%	2%	0.6%
Games	1,500	91%	7%	1%	0.3%
IT	**154,900**	**95%**	**4%**	**1%**	**0.1%**
IT - manufacturing	1,000	92%	6%	2%	-
IT - sales/distribution	5,600	87%	10%	2%	0.5%
IT services	148,3000	95%	4%	1%	0.1%
Telecoms	**13,500**	**86%**	**11%**	**2%**	**0.6%**
Telecoms - manufacturing	1,300	83%	12%	4%	0.8%
Telecoms - sales/distribution	3,900	81%	16%	3%	0.6%
Telecoms services	8,300	89%	8%	2%	0.5%
Games	**1,500**	**91%**	**7%**	**1%**	**0.3%**
Games - manufacturing	-	-	-	-	-
Games - sales/distribution	200	91%	9%	-	-
Games - services	1,300	91%	7%	1%	0.4%
Digital	**169,900**	**94%**	**5%**	**1%**	**0.2%**
Manufacturing	2,300	87%	10%	3%	0.4%
Sales/distribution	9,700	85%	12%	2%	0.6%
Services	157,900	95%	4%	1%	0.1%

Source: Analysis of data from NOMIS/IDBR undertaken by the Tech Partnership

There was little difference in the overall size distribution of digital enterprises by nation/region though in Northern Ireland the proportion of micro enterprises in the digital sector was seen to be slightly below average (92% vs 94% for all digital enterprises) – this said, the proportion of micro and small enterprises combined was little different from the overall digital figure.

9. Change in size distribution

As would be expected, growth in the digital business base over the past five years was more pronounced amongst digital SMEs (up 30% over the period compared with growth of 18% in the number of large establishments). Given the overall predominance in the number of businesses of this size there has however been little change in the broad distribution of digital businesses in the UK with SMEs accounting for 99.8% of digital enterprises throughout the five year period.

10. Employment levels

There were 1.06m people working in digital businesses in 2015 – 3% of the UK workforce at that time. Of these workers, more than eight in ten (83%) were working in services establishments, one in ten within digital sales/distribution businesses and less than one in ten within digital manufacturing firms.

As noted for enterprises in the digital industry in section 4, employment across digital businesses is mainly focussed in IT (74%), with Telecoms employing 24% and Games 2%.

Table 7: The digital workforce by industry sub-group, 2010-2015

					Change			
	2010	2014	2015	Share	2014-15		2010-15	
All industries	**28,882,000**	**30,257,000**	**30,889,000**		**632,000**	**2%**	**2,007,000**	**7%**
Digital industries	**883,000**	**1,031,000**	**1,061,000**	**100%**	**29,000**	**3%**	**178,000**	**20%**
Digital manufacturing	**82,000**	**74,000**	**68,000**	**6%**	**-7,000**	**-9%**	**-15,000**	**-18%**
IT - manufacturing	57,000	55,000	49,000	5%	-5,000	-9%	-7,000	-13%
Telecoms - manufacturing	26,000	20,000	18,000	2%	-2,000	-8%	-7,000	-29%
Games - manufacturing								
Digital sales/distribution	**113,000**	**116,000**	**111,000**	**10%**	**-5,000**	**-4%**	**-3,000**	**-2%**
IT - sales/distribution	61,000	63,000	56,000	5%	-7,000	-11%	-5,000	-9%
Telecoms - sales/distribution	50,000	52,000	53,000	5%	2,000	3%	3,000	6%
Games - sales/distribution	2,000	2,000	2,000	0%		10%	-1,000	-25%
Digital services	**687,000**	**841,000**	**882,000**	**83%**	**41,000**	**5%**	**195,000**	**28%**
IT services	**495,000**	**629,000**	**684,000**	**64%**	**55,000**	**9%**	**188,000**	**38%**
IT - programming	199,000	247,000	270,000	25%	23,000	9%	71,000	36%
IT - consultancy	203,000	302,000	325,000	31%	23,000	7%	122,000	60%
IT - data	12,000	17,000	10,000	1%	-7,000	-40%	-1,000	-12%
IT - other	82,000	61,000	78,000	7%	17,000	27%	-4,000	-4%
Telecoms services	**182,000**	**191,000**	**180,000**	**17%**	**-10,000**	**-5%**	**-2,000**	**-1%**
Telecoms - wired	60,000	56,000	55,000	5%	-1,000	-2%	-5,000	-8%
Telecoms - wireless	84,000	88,000	77,000	7%	-11,000	-13%	-7,000	-8%
Telecoms - other	38,000	46,000	48,000	5%	2,000	5%	10,000	26%
Games - services	**10,000**	**22,000**	**18,000**	**2%**	**-4,000**	**-17%**	**8,000**	**86%**
All IT	**613,000**	**746,000**	**789,000**	**74%**	**43,000**	**6%**	**176,000**	**29%**
All Telecoms	**258,000**	**262,000**	**252,000**	**24%**	**-10,000**	**-4%**	**-6,000**	**-2%**
All Games	**12,000**	**23,000**	**20,000**	**2%**	**-3,000**	**-15%**	**8,000**	**65%**

Source: Analysis of data from the ONS Annual Population Survey (APS) undertaken by the Tech Partnership

Compared with the previous year, the number of digital workers was up by 3% - a rate of growth 50% greater than that recorded for the UK workforce as a whole (2%). Over the longer term, the difference was even more striking however with digital workers increasing in number by almost three times the rate for workers as a whole between 2010 and 2015 (i.e. with growth rates of 20% and 7% respectively).

Even greater increases in workforce numbers over the 2010-15 period were recorded for the games services (development) and IT consultancy sub-industries (86% and 60% respectively) and in the second case such growth was all the more notable due to the relatively large size of this employment sector (302,000 people in 2014 and 325,000 in 2015).

11. Turnover for the digital industries

Turnover amongst digital businesses in 2014 was £209 billion – 6% of total turnover in the UK at that time. Digital services businesses accounted for the major share of turnover (75%) followed by digital sales/distribution firms (23%) and digital manufacturing (2%) whilst the spit between IT, telecoms and games businesses was 59:40:1.

Table 8: Turnover (£ m's) amongst the digital industries, 2009-2014

					Change			
	2009	2013	2014	Share	2013-14		2009-14	
All industries	**2,968,900**	**3,643,600**	**3,729,500**	**-**	**85,900**	**2%**	**760,600**	**26%**
Digital industries	**178,200**	**201,800**	**209,400**	**100%**	**7,600**	**4%**	**31,200**	**17%**
Digital manufacturing	**4,500**	**4,900**	**4,500**	**2%**	**-400**	**-7%**	**<1%**	**1%**
IT - manufacturing	1,800	2,100	1,800	1%	-300	-15%	<1%	3%
Telecoms - manufacturing	2,700	2,700	2,700	1%	<100	-1%	<-1%	-1%
Games - manufacturing								
Digital sales/distribution	**42,700**	**48,700**	**47,200**	**23%**	**-1,500**	**-3%**	**4,600**	**11%**
IT - sales/distribution	25,000	29,900	28,800	14%	-1,100	-4%	3,800	15%
Telecoms - sales/distribution	17,000	18,100	17,800	8%	-300	-2%	700	4%
Games - sales/distribution	600	700	700	<1%	<100	-1%	100	9%
Digital services	**131,100**	**148,300**	**157,700**	**75%**	**9,400**	**6%**	**26,600**	**20%**
IT services	**66,700**	**84,600**	**93,100**	**44%**	**8,500**	**10%**	**26,400**	**40%**
IT - programming	12,900	17,100	19,000	9%	1,900	11%	6,100	47%
IT - consultancy	30,600	37,000	40,500	19%	3,500	9%	9,900	32%
IT - data	5,400	8,500	9,100	4%	600	7%	3,800	70%
IT - other	17,800	22,000	24,600	12%	2,600	12%	6,800	38%
Telecoms services	**63,500**	**62,600**	**63,600**	**30%**	**1,000**	**2%**	**<100**	**<1%**
Telecoms - wired	1,100	1,500	1,600	1%	100	7%	600	52%
Telecoms - wireless	1,400	1,900	2,300	1%	400	19%	900	64%
Telecoms - other	61,100	59,200	59,700	28%	500	1%	-1,400	-2%
Games - services	**800**	**1,000**	**1,000**	**<1%**	**-100**	**-6%**	**100**	**15%**
IT	**93,500**	**116,700**	**123,700**	**59%**	**7,000**	**6%**	**30,200**	**32%**
Telecoms	**83,300**	**83,500**	**84,000**	**40%**	**600**	**1%**	**800**	**1%**
Games	**1,400**	**1,700**	**1,600**	**1%**	**-100**	**-4%**	**200**	**13%**

Source: Analysis of data from the ONS Annual Business Survey (ABS) undertaken by the Tech Partnership

Compared with the previous year (2013), turnover was up by 6% amongst the digital services industries - three times the overall growth rate registered for the UK economy as a whole (2%). Growth amongst IT businesses was also higher over the 2009-14 period (32% vs 26%) and, in the case of wireless telecoms/IT-data businesses in particular was more than double the overall rate recorded.

12. Digital contribution to the economy

The digital industries gross value added (GVA) to the UK economy in 2014 was £94.8bn – 6% of the annual total for all industries. Of the digital contribution, 62% was from IT businesses, 37% from Telecoms enterprises and just 0.4% from Games establishments. Digital manufacturers accounted for just 2% of digital GVA during 2014 compared with 9% for sales/distribution businesses and 89% for digital service providers.

Table 9: Gross value (£ m's) added by the digital industries, 2009-2014

					Change			
	2009	2013	2014	Share	2013-14		2009-14	
All industries	**1,348,500**	**1,546,900**	**1,618,300**	-	**71,400**	**5%**	**269,800**	**20%**
Digital industries	**74,800**	**88,100**	**94,800**	**100%**	**6,600**	**8%**	**19,900**	**27%**
Digital manufacturing	**1,800**	**2,400**	**2,000**	**2%**	**-400**	**-15%**	**200**	**14%**
IT - manufacturing	700	1,000	900	1%	-100	-6%	200	37%
Telecoms - manufacturing	1,100	1,400	1,100	1%	-300	-21%	<100	<1%
Games - manufacturing	-	-	-	-	-	-	-	-
Digital sales/distribution	**7,000**	**9,500**	**8,300**	**9%**	**-1,200**	**-12%**	**1,400**	**19%**
IT - sales/distribution	4,100	5,600	4,400	5%	-1,200	-22%	200	5%
Telecoms - sales/distribution	2,800	3,600	3,800	4%	200	6%	1,000	37%
Games - sales/distribution	-	300	200	<1%	-200	-50%	100	307%
Digital services	**66,000**	**76,200**	**84,400**	**89%**	**8,200**	**11%**	**18,300**	**28%**
IT services	**38,600**	**50,000**	**53,700**	**57%**	**3,800**	**8%**	**15,200**	**39%**
IT - programming	6,900	10,200	10,800	11%	600	6%	3,800	55%
IT - consultancy	18,500	22,400	24,200	26%	1,800	8%	5,700	31%
IT - data	3,800	6,400	6,500	7%	100	2%	2,700	71%
IT - other	9,400	11,000	12,400	13%	1,300	12%	3,000	31%
Telecoms services	**27,100**	**26,000**	**30,400**	**32%**	**4,400**	**17%**	**3,200**	**12%**
Telecoms - wired	400	800	900	1%	100	13%	500	115%
Telecoms - wireless	800	1,000	1,300	1%	300	34%	500	68%
Telecoms - other	25,900	24,200	28,100	30%	3,900	16%	2,200	8%
Games - services	**300**	**300**	**300**	**<1%**	**<100**	**-1%**	**-100**	**-22%**
IT	43,400	56,500	59,000	62%	2,500	4%	15,600	36%
Telecoms	31,100	31,000	35,300	37%	4,300	14%	4,200	14%
Games	400	600	400	<1%	-200	-29%	100	16%

Source: Analysis of data from the ONS Annual Business Survey (ABS) undertaken by the Tech Partnership

Compared with the previous year, digital GVA is estimated to have increased by 8% - a rate of growth far in excess of that for UK businesses as a whole (5%). Moreover, the increase in digital GVA was also found to have exceeded overall growth in the economy over the previous five years (2009-14) with comparison figures of 27% and 20% respectively.

By industry sub-group, the largest increases in digital GVA in recent years appear to have occurred in Games sales/distribution (up 307% between 2009 and 2014), wired/wireless Telecoms (115% and 68%) and data services (71%), whilst Games services (development) was the only digital sub-industry associated with a decline in GVA over the period.

Over the most recent year however, declines were recorded also amongst a number of digital sub-groups i.e. IT/Games sales/distribution, all elements of digital manufacturing along with games services again.

13. Digital contribution per worker

The gross value added to the economy per worker in the digital industries as a whole during 2014 was £92,000 - almost twice the average contribution made by UK workers during the year (£54,000). GVA per head varied substantially in 2014 according to the nature of digital industry with digital services 88% above but digital manufacture ring 49% lower than the all industry average.

Table 10: GVA per head, 2010-14

					Change			
	2010	2013	2014	Percentage above norm	2013-14		2010-14	
All industries	**£48,000**	**£52,000**	**£53,000**	**-**	**£1,000**	**3%**	**£5,000**	**11%**
Digital industries	**£86,000**	**£89,000**	**£92,000**	**72%**	**£3,000**	**4%**	**£5,000**	**6%**
Digital manufacturing	£32,000	£32,000	£27,000	-49%	-£5,000	-14%	-£4,000	-13%
Digital sales/distribution	£70,000	£83,000	£72,000	34%	-£11,000	-13%	£2,000	2%
Digital services	£96,000	£95,000	£100,000	88%	£6,000	6%	£5,000	5%

Source: Analysis of data from the ONS Annual Business Survey (ABS) AND Annual Population Survey (APS) undertaken by the Tech Partnership

As illustrated in the table above, though higher than average, GVA per head in the digital industries appears to have grown at a slower rate over the 2010-14 period than that for UK businesses as a whole (i.e. 6% vs 11% respectively) though over the most recent year the growth rate was slightly higher than the all industry average (4% vs 3%).

Notes on data sources/presentation:

1. Three main sources of data have been employed in the production of this factsheet – the Office for National Statistics (ONS) Interdepartmental Business Register (IDBR), Annual Business Survey (ABS) and Annual Population Survey (APS):
   a. The IDBR is 'a comprehensive list of UK businesses used by government for statistical purposes' comprising data for over 2.1 million businesses in all sectors of the UK economy. The primary IDBR inputs are the Value Added Tax (VAT) system from HMRC (Customs) and Pay As You Earn (PAYE) from HMRC (Revenue).
   b. The ABS is 'the key resource for understanding the detailed structure, conduct and performance of businesses across the UK.' It is based on survey returns from approximately 74,000 UK businesses each year sampled from the IDBR and incorporates data on turnover, purchases, employment costs, capital expenditure and stocks.
   c. The APS is a continuous household survey undertaken across the UK to 'provide information on important social and socio-economic variables at local levels'. The APS (and the LFS) are recommended sources for socio-economic and employment-related statistics, which are collected from approximately 320,000 respondents per year.
2. Data has been extracted using the ONS National On-Line Manpower Information Service (NOMIS), through web/direct enquiry and via the data service.
3. 'Digital industries is the collective term given to businesses classified according to the following ONS Standard Industrial Classification (SIC2007) codes:

Digital manufacturing

IT	18.203	- Reproduction of computer media
	26.2	- Manufacture of computers & peripheral equipment
Telecoms	26.3	- Manufacture of communication equipment
	27.31	- Manufacture of fibre optic cables
Games	-	na

Digital sales/distribution

IT	46.51	- Wholesale of computers, computer peripheral equipment & software
	47.41	- Retail sale of computers, peripheral units & software in specialised stores
	58.29	- Other software publishing
Telecoms	46.52	- Wholesale of electronic & telecommunications equipment and parts
	47.42	- Retail sale of telecommunications equipment in specialised stores
Games	58.21	- Publishing of computer games

Digital services

IT	62.01/2	- Business and domestic software
	63.1	- Data processing, hosting and related activities; web portals
	95.11	- Repair of computers and peripheral equipment
Telecoms	61	- Telecommunications activities
	95.12	- Repair of communication equipment
Games	62.01/1	- ready made interactive leisure and entertainment software development

4. Figures presented in this datasheet have been rounded according to the following convention: businesses/establishment data (IDBR) - to the nearest 100, workforce estimates (APS) – nearest 1,000, GVA/turnover data (ABS) – nearest 100. Slight discrepancies in the data totals may occur as a result of the rounding process.
5. ONS describe a business enterprise as 'the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy within an enterprise group'. The terms enterprise/ business/ firm/ company have been used interchangeably throughout the report.
6. A sole proprietorship is a business that has a single owner who is responsible for making decisions for the company. A partnership consists of two or more individuals who share the responsibility of running the company. A corporation is one of the most recognizable business structures and has a separate identity from the owners of the company. One or more owners may participate as shareholders of a corporation.
7. Gross Value Added (GVA) broadly equates to the revenue (turnover) generated by a service or product less the associated input costs (primarily purchases) involved in production.

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