

EY Global Job Creation Survey

2016



EY

Building a better
working world

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Disruption at work



We live in exceptionally transformative times. Record numbers of jobs are disappearing – whether through automation, digitization or disintermediation – while more and more work is being done on a freelance or “gig” basis. Against this backdrop, the global hiring plans of entrepreneurs, as reported in the fifth annual *EY Global Job Creation Survey: Disruption at work*, are more important than ever.

For more than three decades, EY has recognized the vital part entrepreneurs play in creating capital value and, with it, jobs. Our work supporting, recognizing and celebrating the achievements of entrepreneurs, culminating in the EY Entrepreneur Of The Year™ Program and Awards, remains a strategic priority for us. We know that entrepreneurship is the engine of global growth, creating new opportunities and new solutions to global problems.

For this year’s report, we surveyed a record number – nearly 2,700 – of entrepreneurs in 12 major economies. Almost 6 in 10 (59%) respondents expect to increase their workforce in 2016, a leap of more than a quarter year-on-year. It is also twice the proportion of large companies planning to grow headcount, as reported in our recent *Capital Confidence Barometer*.

The report also finds incontrovertible evidence of the link between disruption and growth. We asked respondents to categorize themselves by the degree to which they are disrupting their sector or innovating a product and service, and we found that the most disruptive and innovative groups are also the most likely to be creating jobs.

There are important insights in this study that will help policymakers, governments and all who care about growth and employment.

A handwritten signature in black ink that reads "Uschi Schreiber". The signature is fluid and cursive, with a prominent flourish at the end.

Uschi Schreiber
EY Global Vice Chair
Markets and Chair of Global Accounts Committee



Entrepreneurs driving job growth

Entrepreneurship has long been the driving force behind economic growth and job creation. But with the exponential acceleration of technological advances, from artificial intelligence and robotics to big data and predictive analytics, are entrepreneurs still engines of job growth?

“Creative destruction” – as economist Joseph Schumpeter described it in the 1930s – has been driving employment change since the first steam-powered textile looms displaced craft workers in 18th-century Britain. Consider the effects of the first Industrial Revolution: at one point, more than 95% of jobs involved growing food; today fewer than 2% of people in the developed world work in agriculture.

Entrepreneurs are at the forefront of this change, as they disrupt incumbent market leaders and accelerate productivity, replacing sclerotic business models with agile innovations. Schumpeterian economists estimate that more than 50% of productivity growth derives from this creative destruction. Jobs disappear, and new jobs demanding different skill sets take their place. So far, so good.

But recent reports, such as the World Economic Forum’s 2016 *The Future of Jobs*, suggest that we are entering a very different jobs era. In this fourth industrial revolution, automation and

disintermediation are destroying jobs at such an unprecedented pace that new jobs are no longer sufficient to replace those redundant roles. In addition, radically different models of employment are enabling many enterprises to grow and scale with extraordinarily lean workforces. You only have to look at Uber to see the gig economy – in which people juggle a portfolio of jobs for multiple employers, in action – or Airbnb, to grasp the scale of the sharing economy, which allows property owners to maximize the value of their assets by renting them out.

Against this backdrop, the fifth annual EY Global Job Creation Survey into the views of entrepreneurs in 12 major economies throws a beam of optimism into the gathering gloom. In surveying the hiring intentions and recent hiring practices of a wide range of young and mature private companies, we find that entrepreneurs are indeed creating jobs. Of the 2,673 entrepreneurs surveyed, almost 6 in 10 (59%) say they intend to increase their workforces in the next 12 months, leading to an aggregate workforce increase of 9.3%, up from 47% and 7.8%, respectively, in 2015.

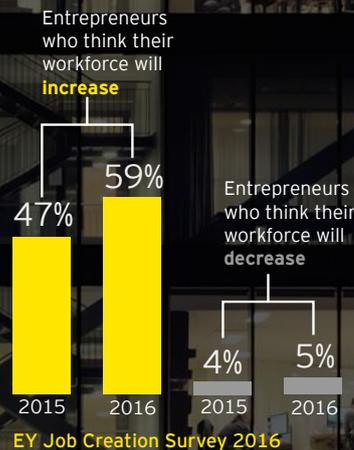
This year’s survey seeks to understand more about what causes the greatest job growth. Is it merely financial growth, or is it aligned to an organization’s behavioral characteristics? Are

Growing the workforce: Corporates vs. entrepreneurs



EY Capital Confidence Barometer, April 2016

The CCB, a survey released in April of 1,700 executives in 45 countries, tracks job creation in large public and privately held companies.



EY Job Creation Survey 2016

there patterns that correlate between business life cycle and workforce growth? Are there significant differences between sectors? Do women entrepreneurs grow and hire more than their male peers? Do larger businesses behave differently? Is there significant difference between entrepreneurs located in fast-growth economies and those headquartered in low-growth areas?

Schumpeter distinguished between “replicative” entrepreneurs, who enter a market and make incremental improvements to compete, and “innovative” entrepreneurs, who upset or disrupt entire business sectors. In our 2016 survey, EY asked a range of questions to distinguish between different levels of disruption and innovation among the survey base. We found that the most disruptive and innovative entrepreneurs are both growing and hiring at much faster rates than peers who follow more replicative approaches.

These disruptive businesses, which combined account for more than half of all entrepreneurs surveyed, are also more likely to enter new markets, change business models, create more globalized workforces and hire more young people than the rest of the sample.

“The results provide us with a global snapshot

of the economic landscape as it is being created by its most dynamic agents,” says Bryan Pearce, EY Global Leader - Entrepreneur Of The Year and Venture Capital. “They answer key questions about who the world’s most disruptive and innovative businesses are, as well as the locations and industry sectors where they are most likely to be found.”

In doing so, there are lessons for governments and policymakers, for large market-leading corporations who face threats from disruptive start-ups, and for young businesses setting out along the path to growth.

Not only are survey respondents in the EY Global Job Creation Survey more optimistic about workforce increases than they were in 2015, but there is a substantive difference between the hiring expectations of large established companies and surveyed entrepreneurs. While 72% of executives surveyed in EY’s *Capital Confidence Barometer* (CCB) expect either the same or reduced headcount, only 5% of entrepreneurs in our Job Creation Survey think their overall workforce will decrease in the next year. Entrepreneurs in our survey were twice as likely as large enterprises to anticipate hiring in the next 12 months.



Disruption creates new opportunities

Disruptive innovation, the term coined by Harvard Business School Professor Clayton Christensen, is both destructive and creative. Disruptive entrepreneurs displace an existing market, industry or technology, producing something new and more efficient. In doing so, they capture value, but do they also create jobs?

Our survey reveals a close correlation between disruptive strategies for growth and job creation. More than half (52%) identify as disruptors, reporting they had changed at least some or all the rules of their sector, and a further 13% describe themselves as innovators, creating an entirely new product, service or business model in the last year.

The most disruptive entrepreneurs, the 17% of respondents who say they have changed all or many of the rules in their sector, are 58% more likely to forecast an increase in their overall workforce in the next 12 months, compared with their more conventional competitors.

Across the whole sample of entrepreneurs, 59% expect to increase the size of their global workforce, compared with just 47% in 2015, representing a 25% increase in hiring intention, year-on-year. Additionally, entrepreneurs say 12% of all new hires will be young people fresh to employment.

Contrast this with the segment of entrepreneurs who are not breaking the rules in some fundamental way. Just 4 in 10 of these plan to create jobs in the next 12 months – and at a much lower rate of only 3%.

The generative power of youth

Furthermore, nearly 67% of young entrepreneurs – those under 35 – expect to grow their workforce in the year ahead. Additionally, they anticipate their net workforce growth to be 14.4% – almost five times the expected growth rate among those over 55 (3%).

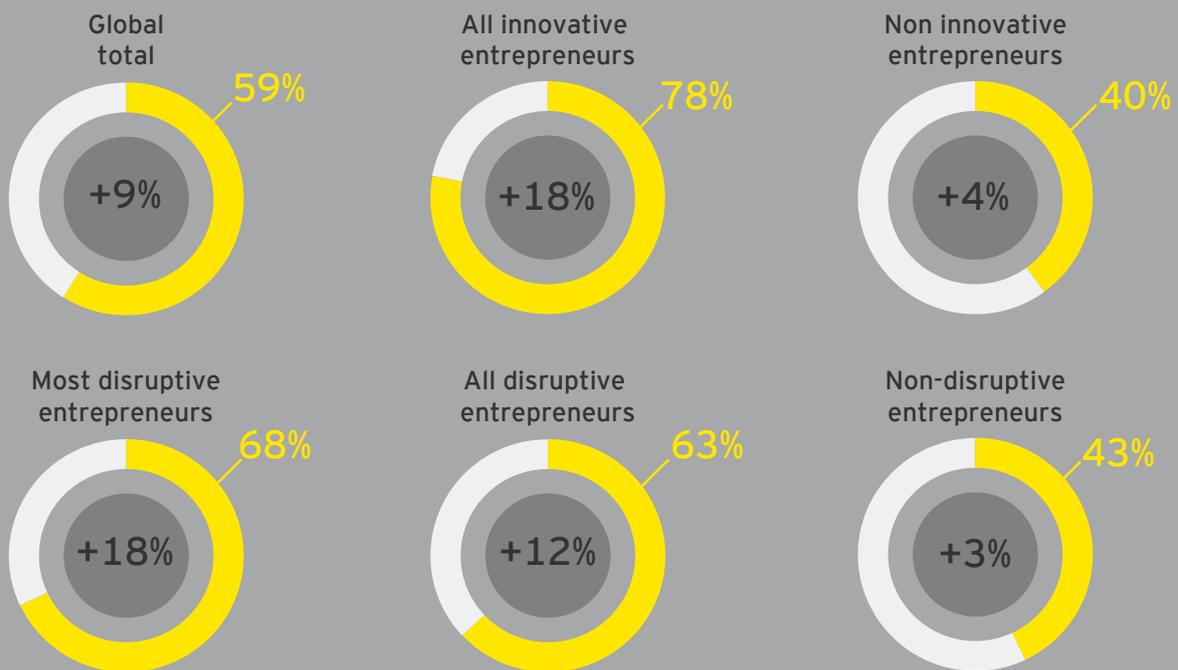
This may feel intuitively right. Younger entrepreneurs are usually at an earlier stage of their company's life cycle than more mature peers. This is when we would expect to see more dynamic growth, and the figures correlate with entrepreneurs running businesses less than five years old.

But young entrepreneurs are also more than twice as likely to characterize themselves as disruptors than entrepreneurs over the age of 55 (65% compared with 27%). The survey also indicates that younger, more disruptive companies tend to begin life with a more global mindset. They expect to make more hires in overseas markets than their older peers, anticipating 32% of their workforce

Hiring intentions

 % expecting to increase workforce in next year

 Expected net workforce growth levels



growth in overseas markets versus just 18% in the over-55 cohort.

This statistic reveals another facet of disruption: it knows no borders. You have only to look at how, for example, mobile payment systems were pioneered in India and Kenya and then migrated to developed economies.

Female entrepreneurship comes of age

Much ink has been spilled discussing women entrepreneurs, their access to funding, and their ability to scale start-ups as fast and effectively as men. Between 2010 and 2015, just 10% of venture dollars globally (US\$31.5b) funded a start-up with at least one woman founder, and just 15% of seed dollar investment went to a team that included a woman.¹ While these figures remain woefully short of parity, they show a marked increase over previous years.

Women entrepreneurs comprise 37% of survey respondents – the greatest proportion since the survey was first undertaken. They also show strong growth

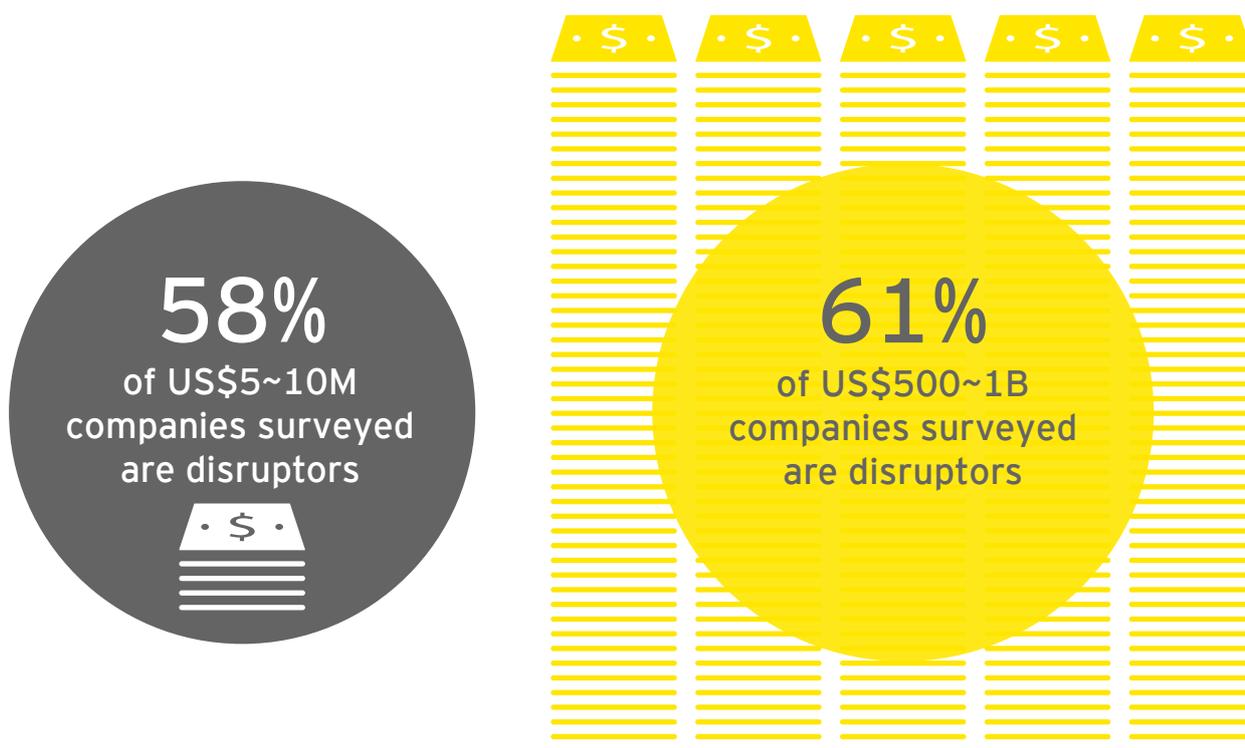
ambitions, and they are scaling. While the median expected hiring increase among male respondents is 8.3%, female respondents expect to increase their workforces by 10.9% – a rate that is 31% higher.

Women under 35 mirror their age group as a whole and expect to swell their teams by 16% over the next 12 months.

Women were more likely than men to have underestimated their hiring growth over the last 12 months, too. Just under half (43%) say they hired more than anticipated compared with just 39% of men. This figure grows to 56% among women entrepreneurs under 35.

Dynamic growth is not, however, limited to youth or women. Our sample of “master entrepreneurs” – those who have competed in their country’s EY Entrepreneur Of The Year™ Program – are the most likely to plan headcount growth in the next 12 months. Nearly three in four (74%) of the program’s alumni plan to increase their employee numbers over the next year.

Highest percentage of disruptors exist at both ends of the growth spectrum



Size plays a role

Entrepreneurs who reported revenues of more than US\$1b in the past year – 6% of the wider sample – were more global in their workforce growth plans than anyone else. More than one-third (35%) of their total workforce growth will be in overseas markets, compared with 29% across the wider sample.

Three countries – China, the US and the UK – are home to 64% of respondents in the US\$1b-plus group, and one-third come from just two sectors: manufacturing and technology.

The largest entrepreneurs (by revenue) are most likely to describe themselves as the most disruptive – 3 out of 10 US\$1b+ business owners described themselves as changing many or all of the rules of their sector, almost twice the average global figure.

This data shows the advantages of size: greater access to resources, a better brand and reputation, and greater ability to expand internationally.

¹ CrunchBase Women in Venture Report, 2016, <http://techcrunch.com/2016/04/19/the-first-comprehensive-study-on-women-in-venture-capital/>



Are hiring intentions matched by execution?

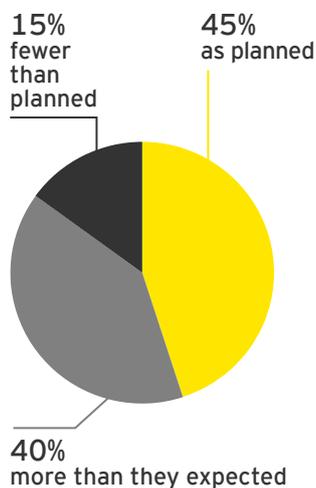
The EY Global Job Creation Survey has always focused on hiring intentions, but this year we asked respondents to quantify actual hiring behavior over the past 12 months compared to expectations. Are entrepreneurs overly optimistic about their plans for growth?

Quite the reverse, the survey shows. Across the whole sample, 85% of respondents hired as planned or more than they expected.

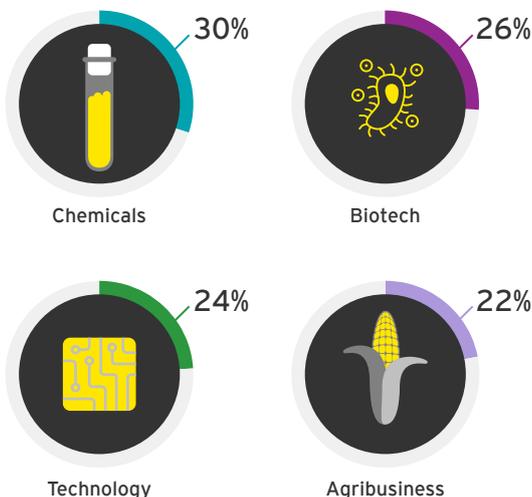
But far more important than sector in determining job growth over the past year is the degree to which entrepreneurs are disrupting and innovating.

A significant 42% of the most disruptive entrepreneurs grew their workforce by more than 20% in the past year. This is three times higher than the global average score and 26 times higher than the group of entrepreneurs who indicated that they are not disrupting at all.

Hiring plans over past 12 months versus expectations



13% of respondents hired 20% or more than expected. These tend to cluster in certain industry sectors:



Proportion who exceeded hiring expectations by 20%+



Most Conventional entrepreneur

1.6%

Most Disruptive entrepreneur

42%



Entrepreneurs who have created a new product or service in the past 12 months – our innovators – are 4.5 times more likely to have exceeded hiring expectations by at least 20% compared with those who have indicated that they have not innovated.

While positive market conditions and government incentives provide a helpful tailwind, growth in share can be attributed to actions taken by innovative, disruptive entrepreneurs to access new markets. These entrepreneurs bring new business models that are superior to those of competitors, as well as new products and services – all enabled by securing the right funding. Entrepreneurs are the architects of their growth and show an ability to grasp opportunities that the whole economy can learn from.

The underlying causes of hiring growth outstripping expectations are revealing.



Anatomy of growth

While M&A continues to be a strong strategic imperative for large companies eager to access leading innovations through acquisitions, entrepreneurs are much more focused on organic growth. As revealed in a recent EY study *The Innovation Paradox*, we can see the dynamic growth of corporate venture funds as evidence of a growing sense of urgency in Fortune 2000 enterprises to bring the outside in through investments in start-ups.

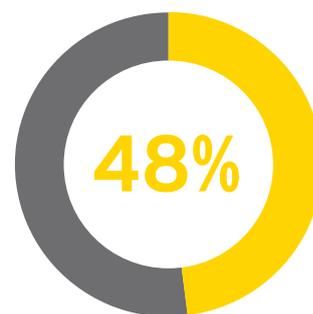
Big buys, small builds

According to EY's *Capital Confidence Barometer*, half of large enterprises are planning an M&A transaction in the next year, and 40% are considering alliances. In contrast, just 15% of entrepreneurs surveyed see M&A or alliances as a growth priority at all this year, and only 3% see it as their top priority.

Entrepreneurs are laser-focused on winning customers. Almost half (48%) of respondents cite identifying, attracting and serving new customers as a priority; 27% say it's their top priority; and 30% say it's a challenge for growth. Developing new products and services (34%) and attracting bright new talent

(32%) are the next most important growth priorities for entrepreneurs. Only 25% of respondents expect growth to come from selling existing products and services to existing customers.

Pearce views these findings as "very consistent with EY's work on the 7 Drivers of Growth, which show that successful entrepreneurs focus on the customer at the center but also drive continuous improvement and innovation in their growth strategy around people, digital, funding, operations, transactions and alliances and risk."



Almost half of respondents cite identifying, attracting and serving new customers as a priority.



Threats to growth

While the survey reveals that 72% of respondents are confident in the economic direction of their domestic market and 67% are confident in the global economy – a 1% improvement in confidence from 2015 – geopolitical and economic uncertainty are clouds on the growth horizon. It is also interesting to note the varying levels of confidence about domestic and global economic direction held by respondents from each of the 12 territories.

Economic instability at home (17%) and globally (15%) rank as the largest threats perceived by respondents to their growth plans. Domestic political instability (11%) and global political instability (10%) outweigh threats such as currency fluctuations (7%), bureaucratic red tape (6%) and global competition (4%).

Governments keen to create an environment conducive to employment growth need to maintain a strong and stable regulatory framework and

encourage economic stability to help foster entrepreneurial growth.

It's also become increasingly clear for governments that creating an environment conducive to entrepreneurship – including strong education and access to capital – can lead to job growth, which ultimately creates a more productive, politically stable economy. A recent EY report on G20 governments found that in cultures where targeted public policies on education and job-training are more prevalent, these same markets consistently develop entrepreneurship and innovation as engines of economic growth.¹

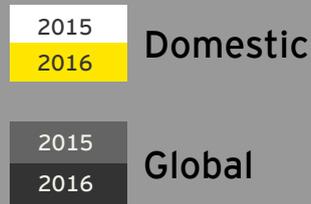
“Whether or not entrepreneurs appreciate the efforts of government to create a benign environment in which they can thrive,” says Pearce, “our series of studies and investigations clearly indicate that public policies which support entrepreneurship are dynamic forces for economic growth.”

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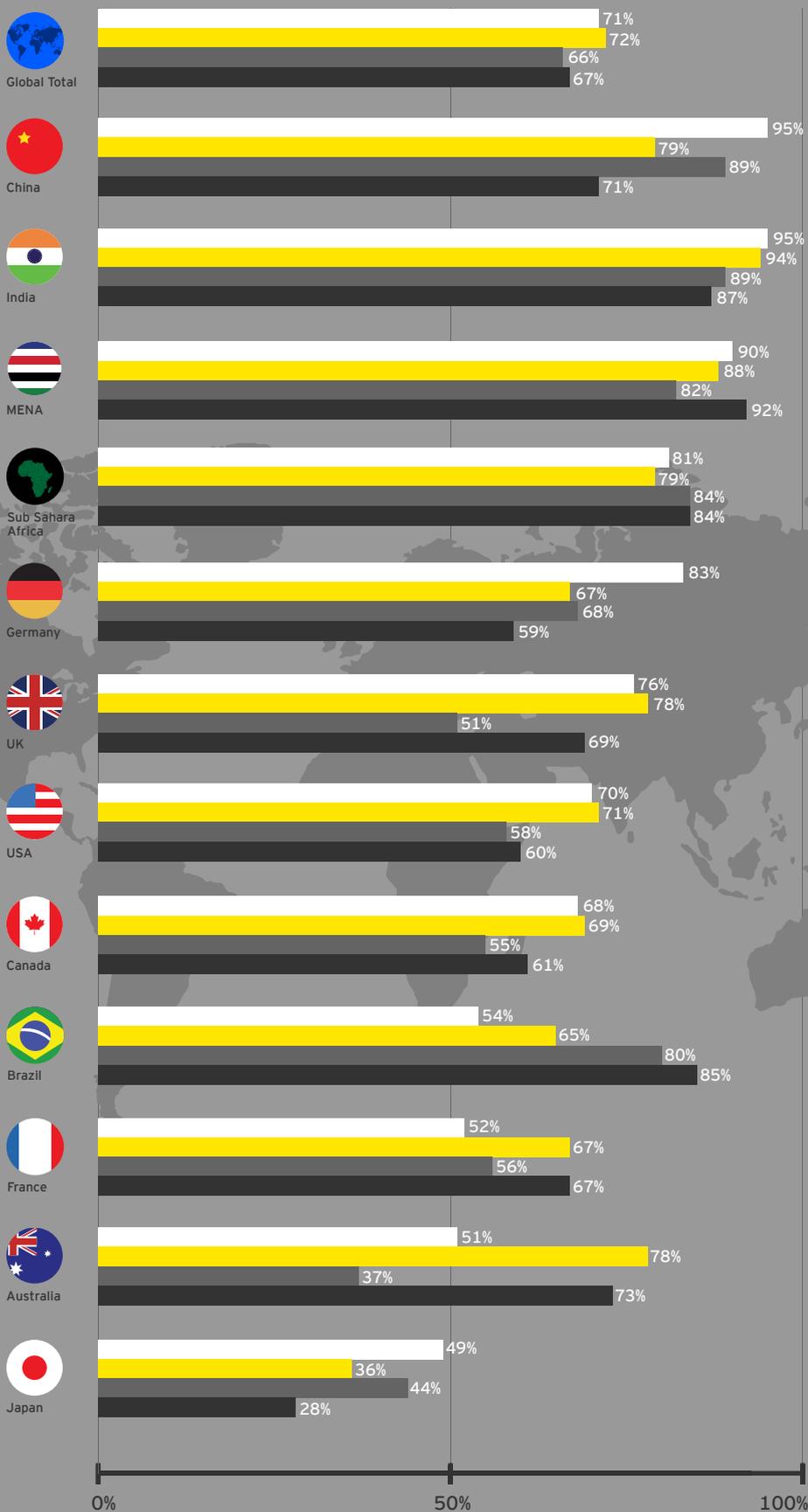
- Bryan Pearce, Global Entrepreneurship Leader

¹ EY, From classroom to boardroom: Creating a culture for high-impact entrepreneurship, 2015

Domestic and global confidence in economic direction



Territory





Globalization vs. regional differences

Disruptors and innovators exist in all economies, but many studies show that entrepreneurial hotbeds – places that combine strong academic institutions with investors and supportive public policies – can increase the odds of success for those lucky enough to be located in them. The phenomenal success of Silicon Valley in incubating some of the giants of contemporary entrepreneurship forms a blueprint for new hubs from Stockholm to Shanghai. And as globalization makes the world a smaller and more connected market, it helps entrepreneurs harness new technologies to facilitate cross-border collaboration and trade with unprecedented ease. How are these drivers affected by regional differences? Are entrepreneurs in higher-growth economies more bullish than those in sluggish regions?

Our findings show no consistent correlation between the expected GDP growth of individual countries (as predicted by the International Monetary Fund, or IMF, in its January 2016 *World Economic Outlook* report) and the hiring plans of entrepreneurs.

However, the survey showed that all of the top eight countries by “percentage expecting to increase their overall workforce” correspond to those with the highest combined percentage of entrepreneurs who describe themselves as either the most disruptive or innovative. This further confirms the correlation between disruption/innovation and job creation.

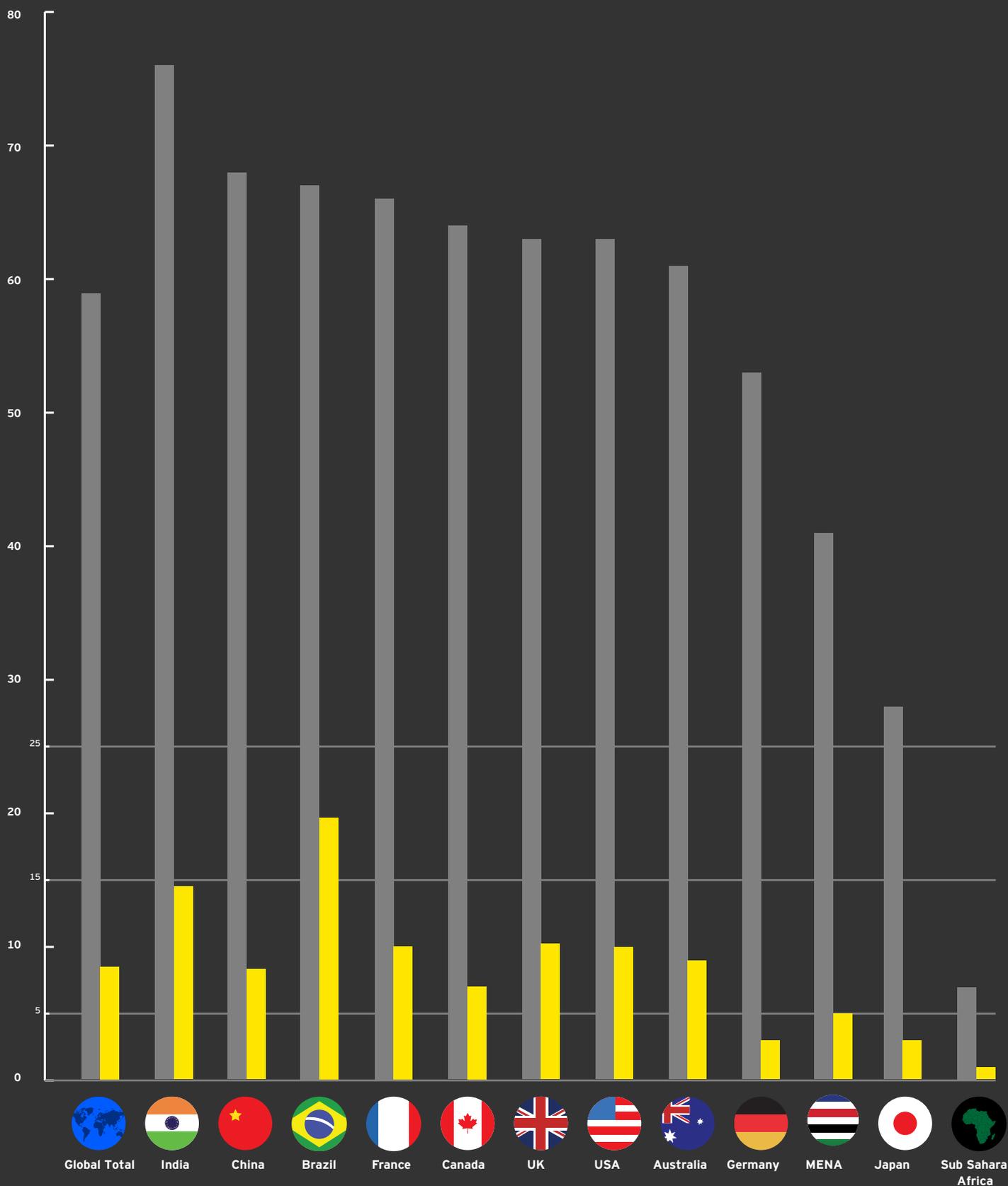
Globally, the highest occurrence of overall disruption is found in MENA (70%), India (64%), Sub-Saharan Africa (60%), Australia and the UK (57%), while in Japan, only 23% of entrepreneurs identified as disruptive, the lowest figure globally.

Global recovery following the financial crash of 2008 is slowing. While 2010 saw global GDP grow by 5.4%, the IMF projects growth of just 3.4% in 2016. But this global economic cooling is not reflected in our survey respondents’ hiring plans, where disruptive entrepreneurship is breaking through, and it is not reflected in confidence levels.

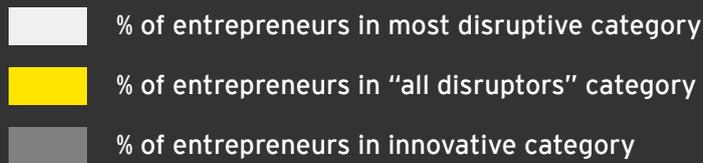
Anticipated workforce growth across countries

■ % expect to increase overall workforce

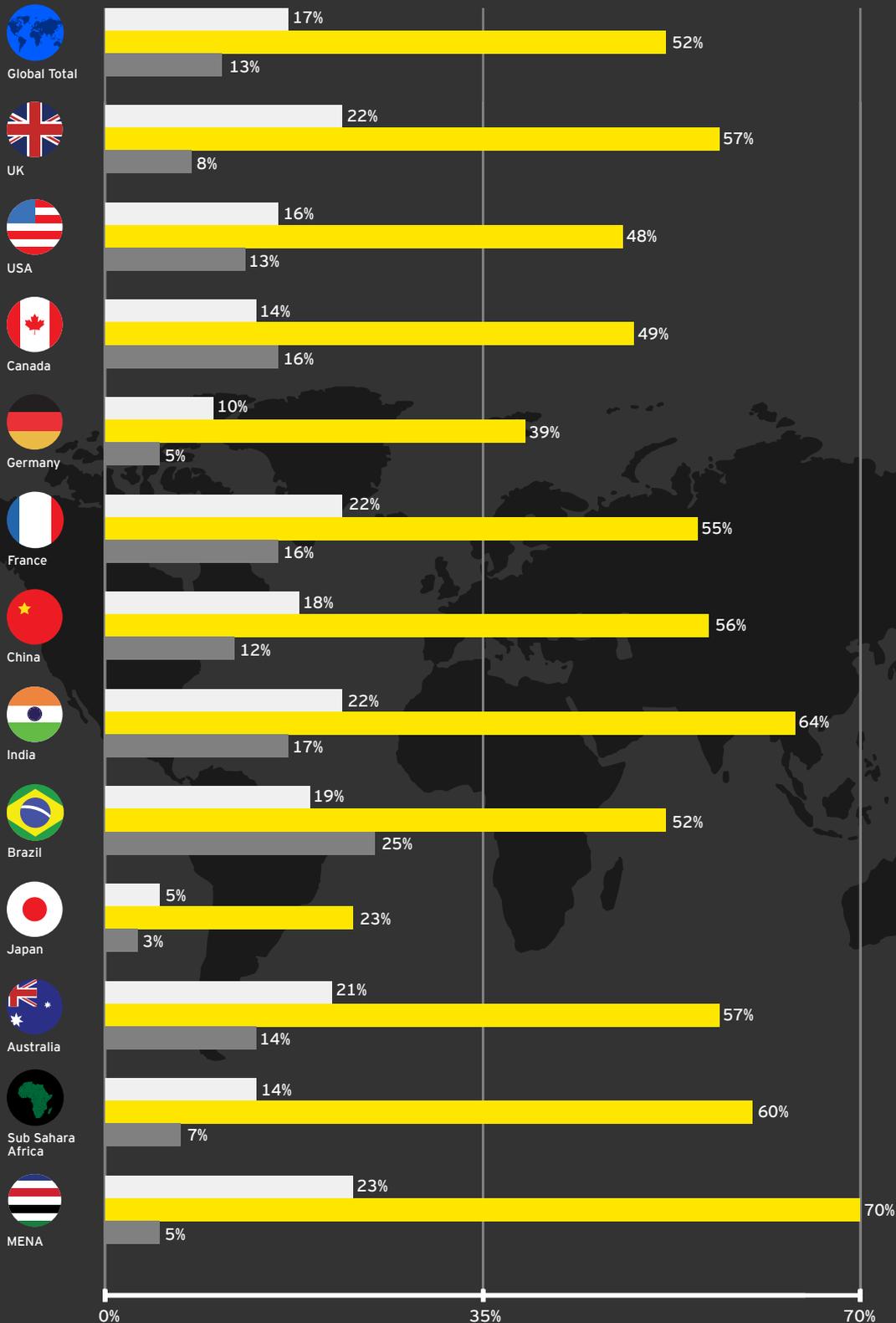
■ Net anticipated workforce growth % (includes growth/static/decline)



In what countries are entrepreneurs most disruptive versus most innovative?



Territory





Looking ahead

Entrepreneurs play a key role in helping realize the benefits of disruption through the jobs and wealth they create, the new products and services they produce, and in the way they encourage creativity and competition. As the pace of technological change accelerates, it is even more important that the value created by the most disruptive and innovative minds is nurtured and supported.

Governments need to support a healthy entrepreneurial ecosystem with stability at the core and liberal approaches to trade and regulation at the edge.

The EY Global Job Creation Survey 2016 provides resounding evidence of the benefits that entrepreneurs bring to the global economy. Four out of ten entrepreneurs hired more people than they expected last year, and over half expect to grow their overall workforce in the next 12 months.

“While disruption threatens to replace large numbers of routine jobs with algorithms and robots,” says Pearce, “the most innovative entrepreneurs creating the greatest growth are also planning to create the highest number of new jobs. This is evidence at the grassroots level that Schumpeter’s ‘creative destruction’ is alive and well.”

Who we surveyed

-  USA (463)  UK (413)  China & India (200+)
-  Sub Saharan Africa and MENA (100+)
-  Canada, Brazil, Japan, Germany, France and Australia (150+)



3/10 entrepreneurs under the age of 35



4/10 of the sample are female



43% employ more than 250 people



34% have revenues over \$50m

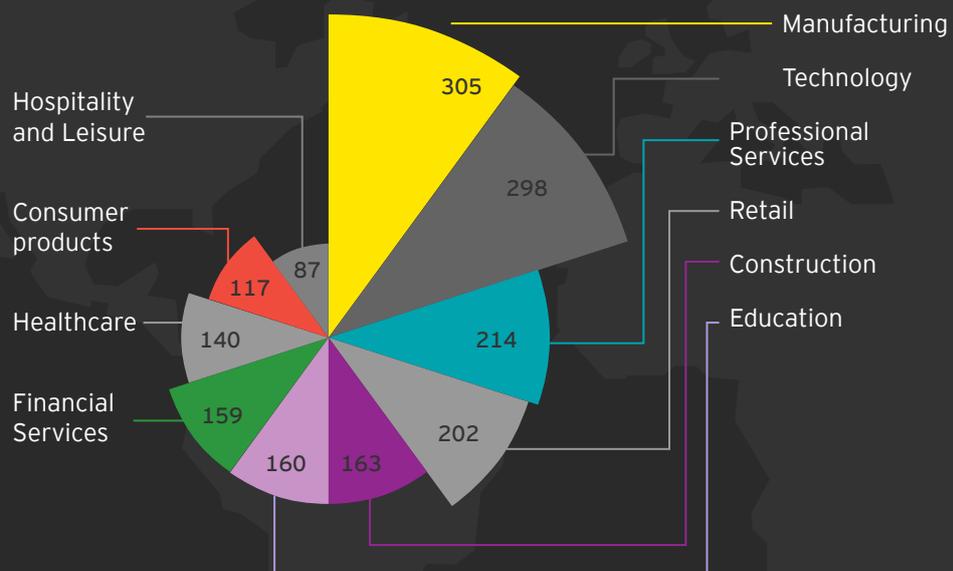


one in ten have revenues over \$500m



3/10 entrepreneurs have been trading for less than 5 years

The ten largest industry sectors include:



Other sectors with more than fifty respondents each included Automotive, Telecoms/Communications, Entertainment/Media, Logistics & Distribution, Public Utilities, Real Estate and Transportation, Travel & Tourism.

Contact



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