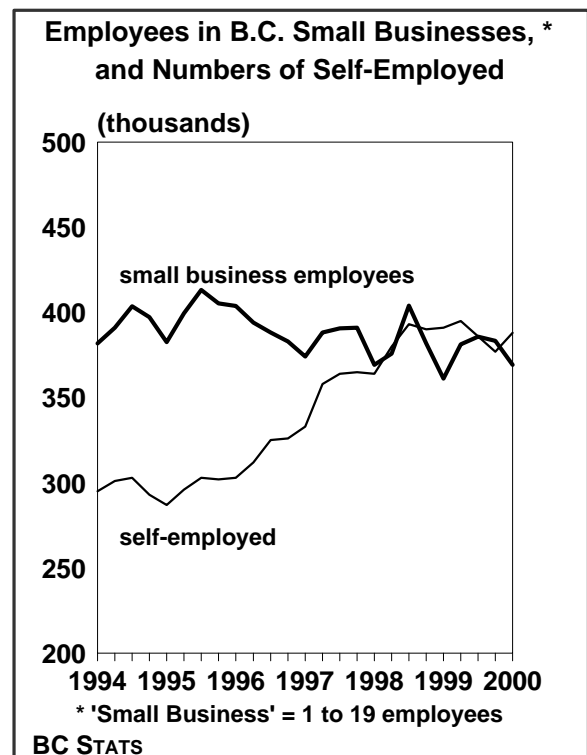


Small Business Quarterly ♦ First Quarter 2000

- Numbers of self-employed people with employees of their own fell 1% in first quarter, from the same quarter of 1999, as 1000 fewer people reported themselves in this category.
- Numbers of self-employed people without paid workers also shrank by 1%, as 2000 fewer people reported themselves in this category. This statistic is a more ambiguous indicator of conditions in the small business sector. Some self-employed people without paid workers choose that form of employment because a lack of attractive employee jobs. Others prefer the independence and flexibility of self-employment and have enough confidence in their local economy to start their own businesses.
- A more clearly positive indicator was the 16% increase in the number of new British Columbia business corporations established during the first quarter of the year. This increase, combined with the drops in self-employment, suggests that many existing businesses felt confident enough to commit themselves to legal incorporation, even though new business creation appeared to be slow.
- Another statistic that is difficult to interpret as either positive or negative was the 13% rise in the number of extra-provincial companies registering to do business in British Columbia. These are companies incorporated in jurisdictions outside the province. Some of the 651 registrations during the first quarter of 2000 were companies operating outside of British Columbia who were in the process of extending their business opera-

tions into this province. Others were companies that had been British Columbia based and might continue to do business in the province, but who have shifted their corporate charters to federal jurisdictions or to the jurisdictions of other provinces.

- Business bankruptcies were down 12% in first quarter, from first quarter 1999. The improvement mainly reflects better conditions in the Vancouver area, where business bankruptcies fell from 41% of the B.C. total in first quarter 1999 to 38% in first quarter 2000. The drop continued an established trend that has seen business bankruptcies in Vancouver fall from 44% of the B.C. total in 1995 and 1996.



Some Distinctive Features of The Small Business Workplace

Notes on definitions and data:

'Small businesses' as described here are private sector companies with fewer than 20 employees. Each is an independent business, possibly operating at more than one location, but employing less than 20 people at all locations combined.

'Larger businesses' include both medium sized (20 to 49 employees) and large businesses (50 plus employees).

Except where otherwise noted, statistics in this report are based on special tabulations produced from Statistics Canada's Labour Force Survey.

Small businesses have become an increasingly important part of British Columbia's business community. They have created many new jobs in the province in recent years, and will likely create many more in the years to come. In 1999 they provided employment for 362 thousand private sector employees, 31 per cent of the provincial total.

Statistics indicate some important differences in jobs being provided by small businesses, and those provided by larger employers. Employees of small businesses are more likely to be working part-time than are employees of larger businesses, are less likely to be unionised, and that their average wage rates are lower.

These differences reflect the types of industries in which small businesses are concentrated, and the very competitive business climates in which they operate. In effect, the famously nimble operating style of small businesses is reflected in the profile of their employee workforce.

More Likely To Be Working Part-Time

Part-time work is one way in which small businesses achieve operating flexibility

On average, employees in small firms are far more likely to be working part-time (less than 30 hours per week) than those in larger firms. Twenty-seven per cent of British Columbia small business employees worked part-time in 1999, as compared to 18 per cent of employees in larger firms.

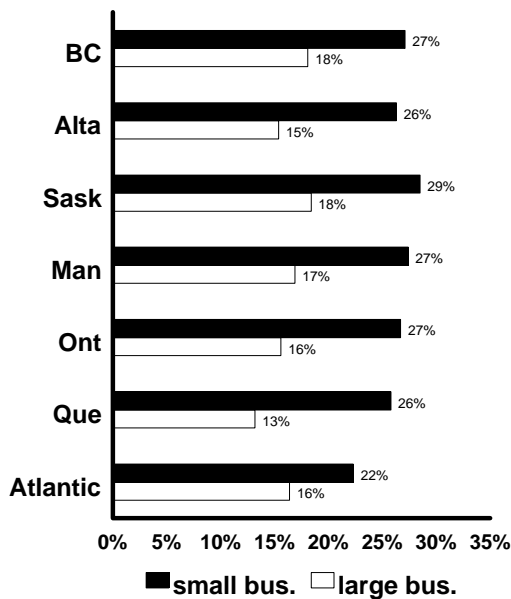
Not all employees of small businesses envy large business employees' longer working hours. While some would no doubt prefer full-time work if it were available, others seek out part-time employment as a means to balance demands of work, family and school.

The greater incidence of part-time work and shorter hours for full-time workers (those working 30 hours or more per week) means the average work week for small business employees is shorter than the work week for employees of larger businesses. The difference is significant but not spectacular. In 1999, British Columbia workers employed in small companies averaged one hour per week less than those in larger companies.

The difference between average working hours for small business employees and employees of larger businesses is much greater in some particular industries.

Across Canada, Part-Time Employment Rates Higher For Small Businesses

1999 rates of part time workers per total private sector employees



BC STATS

In the important British Columbia wood products manufacturing sector, for example, workers in small businesses worked almost five hours per week less than the 1999 industry average for private sector workers. Management, scientific and technical service workers in small businesses worked 6 hours less than the average in their industry, and workers in the performing arts and spectator sports industries worked 5 hours less. Hotel and motel workers employed in small businesses worked 2 hours less per week than accommodation industry workers employed by larger businesses.

In some industries the pattern is reversed, with workers employed by small businesses average longer working hours than workers in larger businesses. Workers in nursing and residential care facilities, for example, are likely to work almost four more hours per week if they are employed by small businesses. Truck transportation workers in

small companies are likely to work three hours more, and employees in the scenic and sightseeing transport industry are likely to be working almost eight hours more if they are employed by small businesses.

For both small firms and large, part-time work is more common in British Columbia than it is in the rest of Canada. In other provinces as a whole, 26 per cent of small firm employees worked part-time in 1999, and 15 per cent of employees in larger firms.

Average Wage Rates Lower

Although British Columbians are more likely to be working part-time than other Canadians, their average hourly wage rates are higher. This applies both for employees in small businesses and those working in larger businesses.

But in British Columbia, as in the rest of Canada, the average wage rate of employees in small businesses is lower than the average wage rate of employees in larger businesses. British Columbia small business employees averaged an hourly wage rate of \$13.90 in 1999, compared to an average rate of \$16.02 for employees working in larger companies. For Canada as a whole, the comparable rates were \$12.29 for employees in small businesses, and \$14.96 for those in larger businesses.

Much of the explanation for the lower average wage rates of small business employees lies in the more competitive operating environments and lower barriers to entry that face small businesses.

Another factor is the industrial profile of the small business sector. To some extent, the lower average wage rates of employees in

small businesses reflect the remuneration standards of those industries in which small businesses employees are concentrated. Small business employees are more likely than employees of larger businesses to be working in service industries, where wage rates are lower, on average, than in other sectors.

Important though they are, industrial concentrations do not appear to be the principal factor behind lower wage rates earned by small business employees. Small business workers are only slightly more concentrated in service industries than are employees of larger businesses. In British Columbia, 77 per cent of all employees of small businesses worked in the service sector in 1999, as compared to 74 per cent of people working for larger businesses.

Most industries within the service sector show large differentials between the wage rates received by employees of small businesses and the wage rates received by employees of larger businesses. These differentials may indicate that small businesses are filling in the less lucrative corners of local service markets. The average wage rate for employees of small service sector businesses was \$13.32. The wage rate for employees of larger service sector businesses was \$15.02.

The more highly paid goods producing sector employed 23 per cent of all employees of small businesses in the province, and 26 per cent of all employees of larger businesses. Small business employees in this sector earned an average hourly wage rate of \$15.83, while employees of larger firms earned \$18.97.

For a few industries, small business wage rates are roughly comparable to wage rates in larger businesses. For example, British Columbia restaurants and pubs employed 39 thousand small business employees who

earned an average of \$9.52 per hour in 1999. This was not much lower than the \$9.63 earned by restaurant and pub employees working for larger firms. There are also some industries in which small business employees average higher hourly wage rates than their large business counterparts. But these are exceptions to the general rule.

Less Likely To Be Unionised

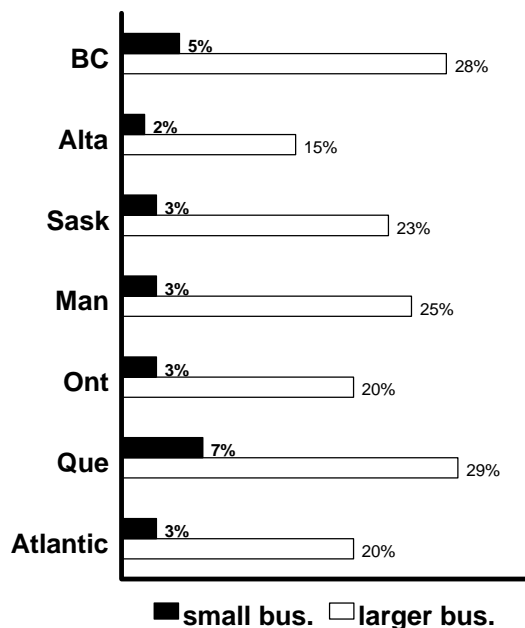
Small business work sites do not generally present attractive conditions for union organisers. The small size of most potential bargaining units can make it difficult to justify allocating scarce union resources for organising campaigns. In some cases the workers involved may be unlikely union enthusiasts. They might, for example, be primarily young transient workers, lacking long term commitment to their jobs.

Only five per cent of British Columbia small business employees were union members in 1999, compared to 28 per cent of employees of larger companies. The pattern was similar in the rest of Canada, where unions had enrolled 4 per cent of small business employees and 22 per cent of employees of larger companies. This general pattern has changed very little in recent years. Neither in British Columbia nor in the rest of Canada has there been consistent evidence that small businesses have become more or less unionised since 1998, the earliest year for which data are available.

As might be expected, part-time workers were much less likely to be unionised than full-time workers, both in small businesses and large. Less than 3 per cent of part-time employees of small businesses in British

Small Business Union Membership Highest In B.C. & Quebec

% of employees who are union members



BC STATS

Columbia were union members in 1999. The ratio for full-time employees of small businesses was 6 per cent. In larger businesses, the ratios were 22 per cent of part-time workers enrolled as union members, and 30 per cent of full-time workers.

Although small business employees are not very likely to be unionised, they are more likely to be union members in British Columbia than in any other province except Quebec. British Columbia employees of larger businesses are also more likely to be union members than are large business employees in most other provinces.

B.C. Has One of The Highest Small Business Employment Ratios In Canada

For a province that does not have a particularly large agricultural sector, British Co-

lumbia has a relatively large portion of its workforce working in small businesses.

Across Canada, agriculture is still largely an industry of small businesses. This means that provinces with large agricultural industries are likely to have large portions of their workforces employed in small businesses. It is natural then, that grain farming Saskatchewan should have a higher proportion of private sector employees working in small businesses than any other province.

British Columbia's 31 per cent of private sector employees working in small businesses in 1999 compared with 33 per cent in Saskatchewan. Atlantic Canada also had 33 per cent of private sector employees working in small businesses, although the reasons for this may have more to do with the scarcity of large business alternatives. Elsewhere in Canada the ratio was lower. For Canada as a whole it was 25 per cent.

British Columbia job growth in recent years has been attributable more to the increasing number of employment opportunities in larger firms, than to new jobs being created by small firms. Monthly counts of employees working for large and small firms indicate that many more jobs have been created in larger firms since the first quarter of 2000, than have been created in companies with less than 20 employees. The number of people working for small businesses in British Columbia rose from 359 thousand in the January to August period of 1999, to 365 thousand in the same months of 2000 – an increase of six thousand. The number working for larger businesses rose from 811 thousand to 857 thousand – an increase of 46 thousand.

Feature Articles Listed By Issue Number

99-4: 'Transfers of Corporate Charters to Other Provinces Suggest Business Migration From British Columbia' (released July 2000)

99-3: '755 Thousand British Columbians Rely On Small Businesses For Jobs' (released Mar 00)

99-2: 'A Quarter of All Employees In British Columbia Work For Small Employers' (released Nov 99)

99-1: 'Self-Employment In British Columbia Takes On New Profile' (released Sep 99)

98-4: 'Co-Operative Movement Grows Through the 1990s' (released Apr 99)

98-3: 'The Long and the Short of Working Hours For Self-Employed' (released Dec98)

98-2: 'People Trying Self-Employment As A Second Job' (released Aug 98)

98-1: 'British Columbians Still Making Their Own Jobs' (released May 98)

97-4: 'Business Bankruptcies Ease With Low Interest Rates, But Consumer Bankruptcies Continue to Climb' (released Mar 98)

97-3: 'Co-operative Movement Grows Steadily In British Columbia' (released Jan 98)

97-2: 'Doing Our Thing In Lotusland - The New Self-Employed In British Columbia' (released Sep 97)

97-1: 'Immigrants Boost Self-Employment In British Columbia' (released Aug 97)

96-3: 'Changes in Business Confidence Expressed In Numbers of New Incorporations' (released Mar 97)

96-2: 'Bankruptcies Rise With Self-Employment and Mounting Consumer Debt Loads' (released Oct 96)

96-1: 'Counting the Business Community in British Columbia' (released Jul 96)