

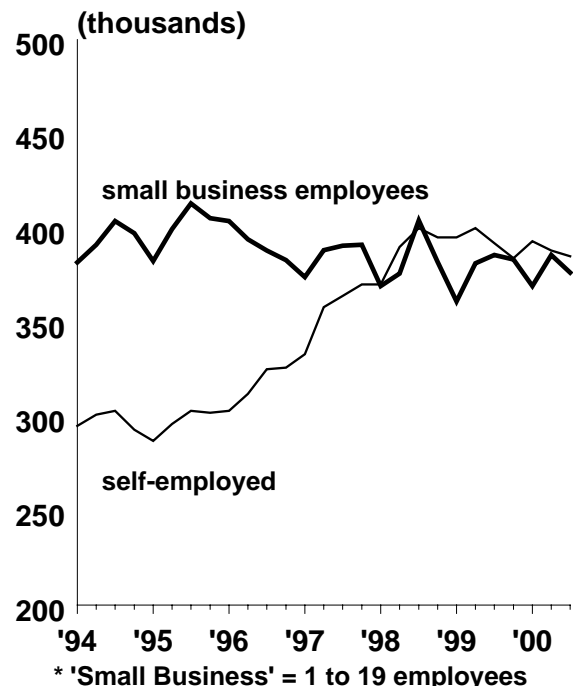
Small Business Quarterly ♦ Third Quarter 2000

- The number of self-employed persons with employees of their own fell 10 percent in third quarter 2000 over the same three months of 1999. This represents a net decline of 13,000 people. Conversely, the number of self-employed people without paid employees was up over 2 percent from the third quarter of 1999. This is a somewhat ambiguous indicator because some of these self-employed people choose to be so because of a lack of attractive employee jobs. Others prefer the independence and flexibility of self-employment and are so employed by choice.
- Although the number of businesses with between 1 and 4 employees was down 2 percent compared to the third quarter of 1999, the number of small businesses in other size categories continued to rise. Businesses with 5 to 9 employees increased 3 percent, those with 10 to 19 employees were up 7 percent and those with 20 to 49 employees jumped 9 percent.
- There was a 5 percent drop in the number of new business incorporations, from 5,322 in the third quarter of 1999 to 5,044 in the third quarter of 2000. However, there was 4 percent growth in the number of businesses incorporated outside the province registering to do business in British Columbia.
- On the more positive side, the number of business bankruptcies in the province fell 8 percent. However, consumer bankruptcies rose 15 percent. This could be an indicator of possible future problems

for small businesses if consumers are obliged to cut back on spending.

- The value of commercial building permits issued in British Columbia was up 8 percent in the third quarter of 2000 compared to the same months of 1999. In Vancouver, the increase was 13 percent. However, urban housing starts dropped 20 percent, both for British Columbia as a whole and for the Vancouver area. The drop in construction activity is bad news for the small business sector since many construction firms and contractors are either small businesses or self-employed. However, the increase in the value of building permits may indicate that construction activity will be on the rise soon.

**Employees in B.C. Small Businesses, *
and Numbers of Self-Employed**



Profile of Self-Employed in British Columbia

Rapid Growth in Self-Employment Easing

Throughout the nineties, there was rapid growth in the number of people who were self-employed in British Columbia. Near the end of the decade, the number appears to have levelled off at around 390,000.

It is unlikely that there is any single explanation for the burgeoning incidence of self-employment in British Columbia. Undoubtedly, economic uncertainty and a scarcity of good jobs have forced a number of people to become self-employed when they may have preferred to be employees. On the other hand, self-employment offers some flexibility that other types of employment do not. Students, semi-retired persons, or even people looking to earn extra income by moonlighting may prefer self-employment to other options. These people may not view self-employment as a career, but rather as a short-term arrangement to meet current needs.

In addition to people forced into self-employment and those choosing to be self-employed to fit their current lifestyle, there are also those driven by entrepreneurial spirit, who desire to build their own businesses from the ground up and perhaps plan to become employers some time in the future.

The growth in self-employment occurred entirely within the group of self-employed with no paid help. The group of self-employed persons with employees has remained fairly constant over the last ten years. This would seem to indicate that the motivation for self-employment has changed in the last decade. The newly self-employed are far less likely to be looking to create jobs for anyone other than themselves.

From 1991 to 2000, there was a 40 percent increase in the number of self-employed in

British Columbia. The number of self-employed without employees experienced a 77 percent rise, while the number with employees was virtually flat. As a result, the share of self-employed without employees increased from 51 to 65 percent of total self-employed.

Self-Employment in British Columbia

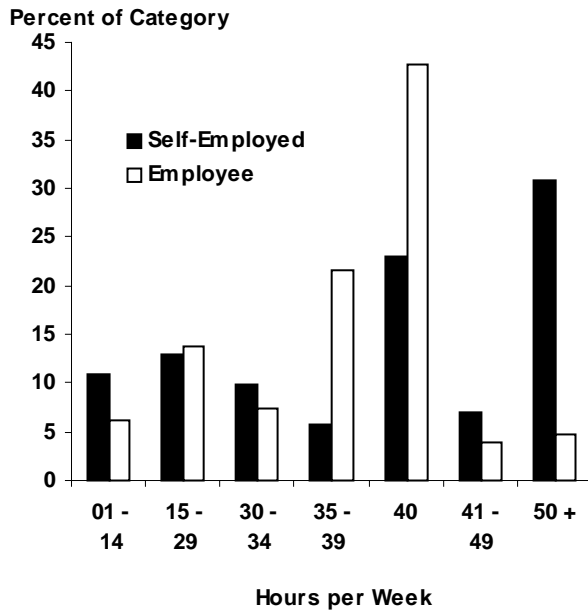


Self-Employed Work Both Longer and Shorter Hours

People who are self-employed tend to work more hours per week compared to those who are employees. In 2000, the average workweek in British Columbia was almost 40 hours for a self-employed person, about 5 hours more than the average 35-hour workweek for employees. However, using an average number can be misleading. Of the group of people who were self-employed, 31 percent worked in excess of 50 hours per week and 34 percent worked less than 35

hours per week. This compares to 5 percent and 27 percent, respectively, for employees.

Average Workweek



It appears that self-employed workers fall into one of three groups. There are the usual part-time and full-time groups that employees fall into, and then there is a group that works overtime as a matter of habit, whether by choice because they enjoy their work, or by necessity because they are trying to keep their heads above water.

For Canada as a whole, this group represents an even larger proportion, with 36 percent of the self-employed averaging 50 hours or more per week. The average workweek for self-employed workers in Canada is approximately 42 hours, two full hours more than the British Columbia average.

Self-Employed by Industry

Over three-quarters of self-employed workers in British Columbia work in a service sector industry. Within this group, 20 percent are in the professional, scientific and technical services classification. Another 16 percent work in trade.

Of the less than one-quarter of self-employed workers who are occupied in a goods-producing industry, over half are employed in construction.

These numbers are roughly comparable to those for Canada as a whole. There is a slightly smaller proportion of self-employed workers in the service sector (72 percent versus 77 percent for BC), but the breakout of industries within the service sector are fairly similar in terms of their share of self-employed workers. Within the goods-producing sector, construction still leads the way (42 percent of self-employed workers in that sector), but agriculture is almost as significant with a 37 percent share of goods-producing self-employed workers (compared to only 17 percent in British Columbia).

There are some significant differences between self-employed with and without paid help. Although the breakdown between service sector and goods-producing sector industries is still about three-quarters to one, the distribution within those sectors is quite different. For self-employed workers with no employees, the professional, scientific and technical services classification comprises 31 percent of the service sector breakdown. Only 16 percent of self-employed people with employees working in a service sector industry are in this classification. Trade is the largest grouping for these workers with 27 percent of the service sector employment (compared to 15 percent for self-employed without paid help). Accommodation and food services is another significant category for those with paid help (15 percent versus only 2 percent for those with no employees).

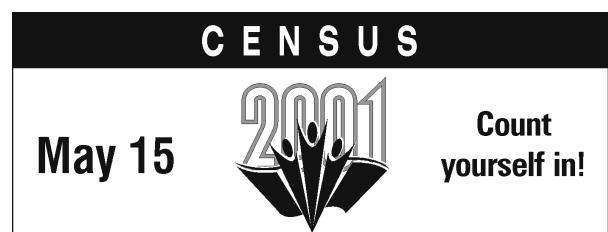
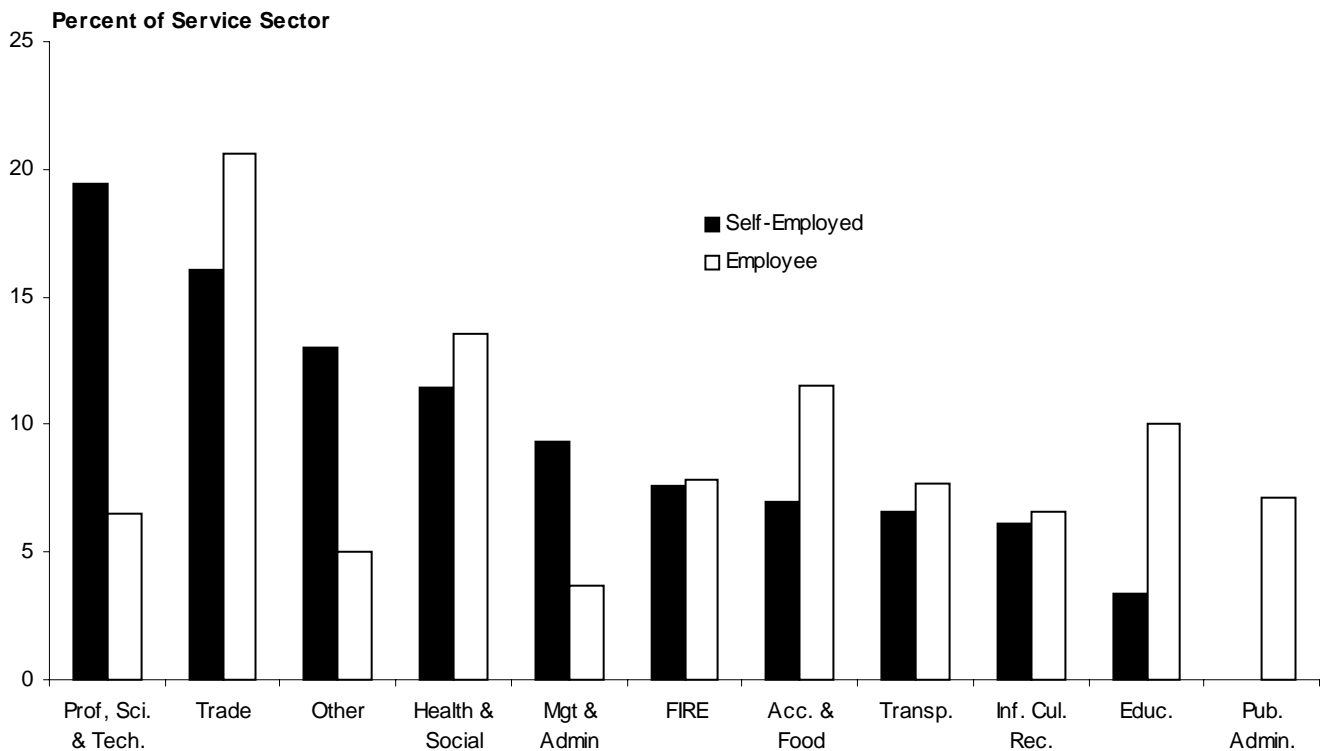
In the goods-producing sector there are also significant differences with 58 percent of self-employed workers with no employees occupied in construction. For those with employees, manufacturing is the largest classification at 40 percent of the goods-producing sector, and construction is second with 33 percent.

It is not all that surprising that the large majority of self-employed people work in service industries, for this is also true of employees (79 percent in service industries). However, the distribution within the service and

goods-producing sectors are quite different as can be seen in the chart below.

Most of the differences between the distribution of self-employed and employee workers by industry are due to the nature of the job. The professional, scientific and technical classification includes many professions for which self-employment is an option, whereas public administration does not. In addition, certain occupations require more of a capital investment than others, and are therefore not as amenable to self-employment.

Employment by Industry in the Service Sector



Feature Articles Listed By Issue Number

00-2: *'Latest Small Business Employment Numbers Show Three Year Changes'* (released Jan. 2001)

00-1: *'Some Distinctive Features of The Small Business Workplace'* (released Oct. 2000)

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)

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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)