

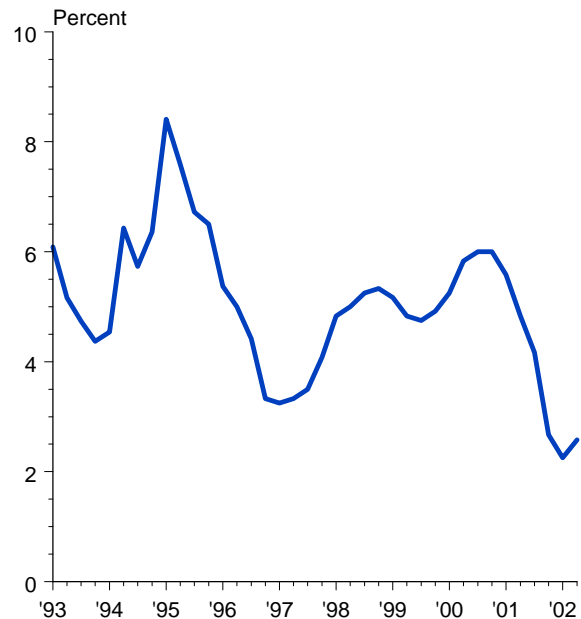
Small Business Quarterly ♦ Second Quarter 2002

- For the fourth consecutive quarter there was a year-over-year increase in the number of self-employed in British Columbia (+4.7%). Both self-employed with (+7.6%) and without paid help (+4.5%) experienced strong growth.
- The number of small businesses in British Columbia (excluding self-employed persons) fell slightly (-0.1%) in the second quarter 2002 compared to the same period a year earlier. Micro-businesses (i.e., those employing less than 5 people) increased 0.6%, but all other size categories experienced some decline.
- The number of employees of small businesses in the first quarter of 2002 was virtually unchanged from the same period a year earlier. A 0.6% decline in employment in businesses with 1-19 employees was offset by a 1.5% rise in employment in those businesses with 20-49 workers.
- New business incorporations rebounded from an almost two-year slump in the second quarter, jumping 8.4% over the number posted a year earlier. The 5,417 new incorporations were the most since the first quarter of 2000.
- Business bankruptcies experienced another increase in the second quarter with a year-over-year increase of 10.7%. The 299 bankruptcies constitute the highest second quarter figure in at least a decade. Consumer bankruptcies, on the other hand, fell slightly (-0.4%) compared to the first quarter of 2001.
- The number of commercial building permits issued in BC experienced a fourth straight year-over-year decline in the

second quarter, dropping 13.1% from the same period in 2001. Conversely, industrial building permits rose substantially, up 34.1% over the second quarter of 2001. In Vancouver, the number of industrial building permits issued was double that of a year ago.

- Interest rates have started to climb back up after bottoming out in the first quarter, but are still well below the rates recorded in the same period last year. The bank rate and prime rate were 2.25 points lower in the second quarter 2002 compared to a year earlier. As of August, the rates are still 1.25 points lower than a year ago.

The Bank Rate is starting to edge up, but it is still comparatively low



A Comparison of Small Business Size, 1993 and 2001

The phenomenon of businesses starting small and growing into larger enterprises is often viewed as an important factor in economic development. This article uses data from Statistics Canada's *Business Register* (BR) to compare small businesses by employment size in 1993 versus 2001 in British Columbia to see what kind of changes occurred over that period. Only those establishments that existed in both years were examined. Establishments that were coded as *Indeterminate*¹ in the 2001 BR were excluded because this category was not compiled in 1993 and the nature of the category makes comparisons of employee size over time impossible. There were a total of 53,041 businesses with one or more employees that existed in both the 1993 and 2001 data.

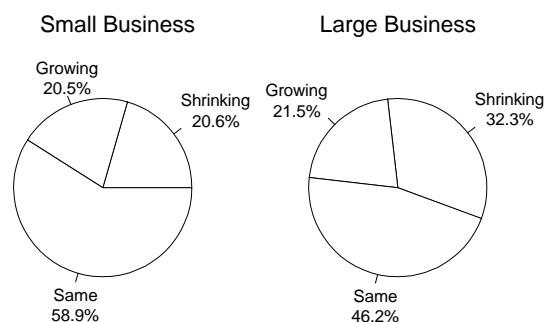
Change in business size

Of the 53,041 businesses that existed in both years, about 58% remained within the same employee size class,² while equal percentages (21% each) advanced to a larger employee size category or dropped to a smaller size level. While the story remains the same for small businesses, there was more of a split between growing and shrinking large businesses (i.e., those with 50 or more employees). About 46% of large businesses remained in the same employee size category as they were in 1993, 22% had added employees and 32% had diminished in size.

There were 1,591 establishments that were small businesses in 1993, which grew into large businesses by 2001. On the other hand, 632 businesses shed enough em-

ployees to go from being a large business in 1993 to a small business eight years later. While most size changes involved rising or falling one size class, there were some significant changes where businesses that had a handful of employees in 1993 employed hundreds in 2001, and vice versa.

Employee size change for BC businesses, 1993-2001



Change in size by region³

The regional districts having the greatest percentage of small businesses that underwent growth in employee size between 1993 and 2001 were:

1. Northern Rockies (31%)
2. Squamish-Lillooet (28%)
3. Central Coast (24%)
4. Kootenay-Boundary (23%)
5. Greater Vancouver (22%)

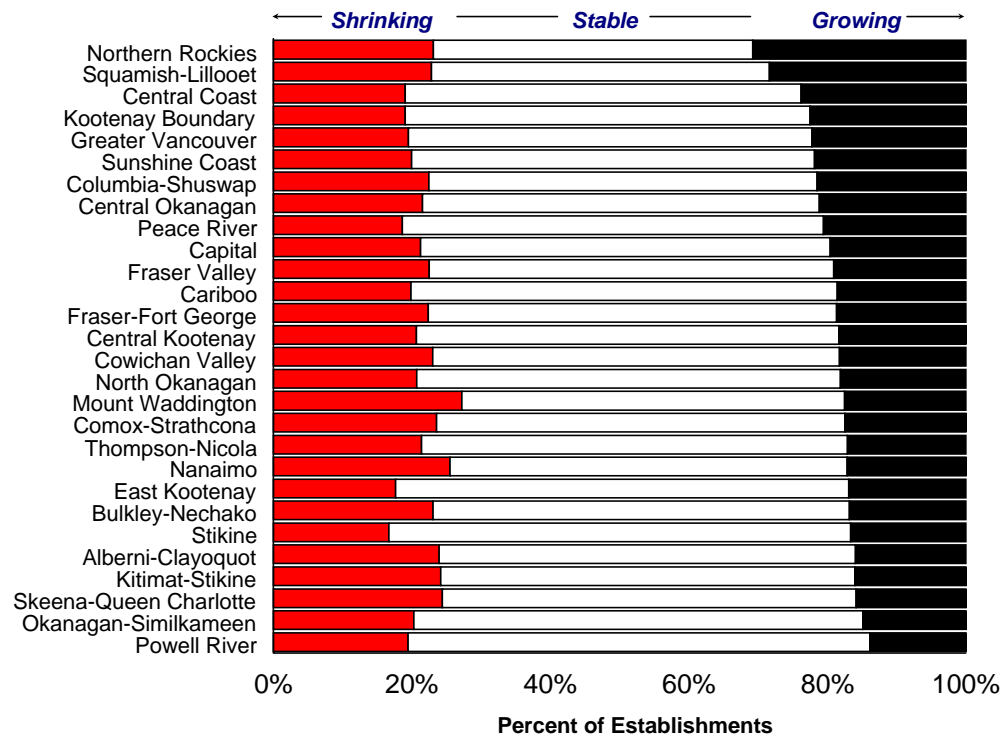
These regions were also among only seven regions (Peace River and Sunshine Coast were the others) that had a greater number of small businesses that grew in employee class size than those that experienced a decline.

¹ Establishments in the *Indeterminate* category do not have an employee payroll, but it is possible they may employ contractors or family members.

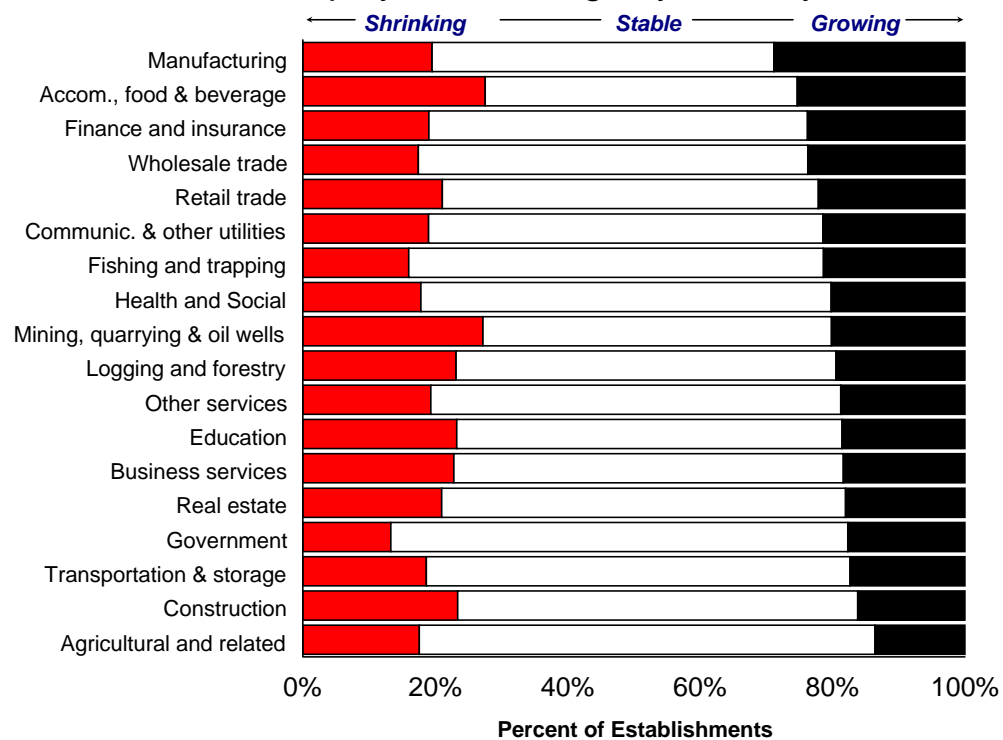
² The employee size ranges are as follows: 1-4, 5-9, 10-19, 20-49, 50-99, 100-199, 200-499, 500-999, 1000-1499, 1500-2499, 2500-4999, 5000 and over.

³ Some establishments moved to a different region between 1993 and 2001. For these businesses, their location in 2001 is the region that is used here.

Small Business Employment Change by Region, 1993-2001



Small Business Employment Change by Industry, 1993-2001



The Mount Waddington region suffered the largest percentage of small businesses shrinking in employee size, at 27%. The Nanaimo region was ranked second with 26%

Change in size by industry⁴

The manufacturing sector had the highest percentage of small businesses (29%) moving up at least one employee size class. Accommodation, food and beverage services industries were ranked second with 25% of small businesses in that sector growing between 1993 and 2001. However, this sector also had the highest percentage (28%) of small businesses that were reduced in size over that period. As a result, more businesses in accommodation, food and beverage services industries dropped at least one employee size class than jumped to a higher class.

Government services and agriculture and related services industries experienced the least change in employee size with 69% remaining in the same employee size category. Many of the agricultural businesses are small family-based operations and it makes sense that there would be little variation in business size.

The manufacturing sector had the greatest incidence of small businesses expanding into large businesses over the 1993 to 2001 period. There were 315 establishments that fell into this category in manufacturing industries. Next, at 238, was retail trade, followed by wholesale trade at 190. For each of these industries, the businesses increasing from small to large enterprises represented between 80 to 85 percent of businesses that experienced a size change (i.e., only 15 to 20 percent were reduced from large to small businesses). The industry with the most large enterprises that were reduced in size to small businesses was ac-

commodation, food and beverage services, with 122 businesses fitting this description. However, there were also 143 small business establishments in this sector that grew to large businesses.

Conclusion

Data from the *Business Register* is sometimes difficult to analyse since the disappearance of an establishment does not necessarily mean that the business has altogether vanished. It could mean that the business merged with another, or experienced some other transformation such that its establishment identification code has changed. For this reason, the comparisons in this paper can only be applied to companies that existed more or less in the same form in both 1993 and 2001. However, such comparisons can still be useful in that they illustrate the fluidity of businesses over time. Both small and large businesses tend to expand and contract due to various economic and social influences. The data shows that there has been mixed success for both small and large businesses over the last eight years. Some of that success may depend on the location or type of business involved.

⁴ Some establishments were reclassified to a different industry between 1993 and 2001. For these businesses, their industry in 2001 is that which is used here.

Feature Articles Listed by Issue Number

02-2: 'A Comparison of Small Business Size, 1993 and 2001' (released Sept.2002)

02-1: 'Will Retiring Boomers Lead to Labour Bust?' (released Jun.2002)

01-4: 'Expectations of Manufacturers Showing Signs of Improvement' (released Mar.2002)

01-3: 'Business and Consumer Bankruptcies are on the Rise in BC' (released Jan.2002)

01-2: 'The Benefits and Costs of a Higher Minimum Wage' (released Nov.2001)

01-1: 'Small Business On-Line: Internet Use Among SMEs' (released Sept. 2001)

00-4: 'Co-operatives Grew Steadily Throughout the 1990s' (released May 2001)

00-3: 'Profile of Self-Employed in British Columbia' (released Mar.2001)

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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 2000)

99-2: 'A Quarter of All Employees In British Columbia Work For Small Employers' (released Nov 1999)

99-1: 'Self-Employment In British Columbia Takes On New Profile' (released Sep 1999)

98-4: 'Co-Operative Movement Grows Through the 1990s' (released Apr 1999)

98-3: 'The Long and the Short of Working Hours For Self-Employed' (released Dec1998)

98-2: 'People Trying Self-Employment As A Second Job' (released Aug 1998)

98-1: 'British Columbians Still Making Their Own Jobs' (released May 1998)

97-4: 'Business Bankruptcies Ease With Low Interest Rates, But Consumer Bankruptcies Continue to Climb' (released Mar 1998)

97-3: 'Co-operative Movement Grows Steadily In British Columbia' (released Jan 1998)

97-2: 'Doing Our Thing In Lotusland – The New Self-Employed In British Columbia' (released Sep 1997)

97-1: 'Immigrants Boost Self-Employment In British Columbia' (released Aug 1997)

96-4: 'More British Columbia Companies Shift Corporate Charters to Alberta and Ontario' (released Apr 1997)

96-3: 'Changes in Business Confidence Expressed In Numbers of New Incorporations' (released Mar 1997)

96-2: 'Bankruptcies Rise With Self-Employment and Mounting Consumer Debt Loads' (released Oct 1996)

96-1: 'Counting the Business Community in British Columbia' (released Jul 1996)