

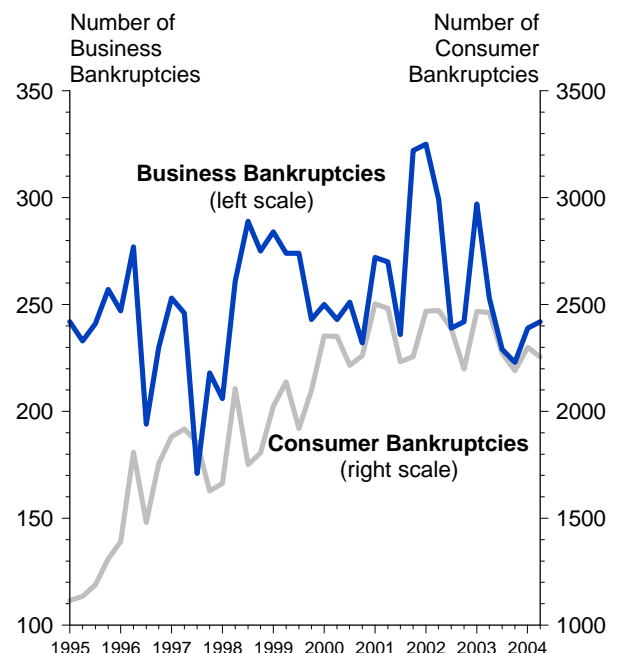
## Small Business Quarterly ♦ 2<sup>nd</sup> Quarter 2004

- The number of small businesses in BC (excluding self-employed persons) edged up 0.7% in the second quarter compared to the same period in 2003.
- Year-over-year growth in small business employment was 2.7% in the second quarter, well above the 1.5% change in overall employment. Most of the increase was in businesses with 1 to 19 employees, where employment jumped 3.8%.
- The number of self-employed in BC increased to over 395 thousand in the second quarter, a 5.4% jump from the same quarter in 2003. Self-employed with paid help expanded a robust 9.0%, while self-employed without paid help also contributed to the rise, climbing 5.0%. This marked the thirteenth consecutive quarterly increase in self-employed without paid help.
- The number of new business incorporations experienced robust year-over-year growth of 17.1% in the second quarter. This was the largest number of new incorporations in a single quarter since the first quarter of 1995.
- For the seventh consecutive quarter, both business and consumer bankruptcies in BC have experienced year-over-year declines. Business bankruptcies dropped 4.3% in the second quarter and consumer bankruptcies fell 8.5%.
- Construction firms continue to be busy in British Columbia as urban housing starts were up 47.7% in the second quarter compared to the same quarter in 2003. In Van-

cover there was an even larger increase in activity as housing starts jumped 62.1%. Low interest rates are helping drive demand for new housing. The Prime Rate remained at 3.75% in the second quarter while conventional five-year mortgage rates edged up slightly, but still remained relatively low, averaging 6.45% over the quarter.

- Chartered bank business loans edged up 0.6% in the second quarter, but loans less than \$200,000 continued to decline, falling 5.0%. Loans of this size, which are more likely to be taken out by small businesses, have experienced declines in 20 of the last 22 quarters (i.e., since the beginning of 1999).

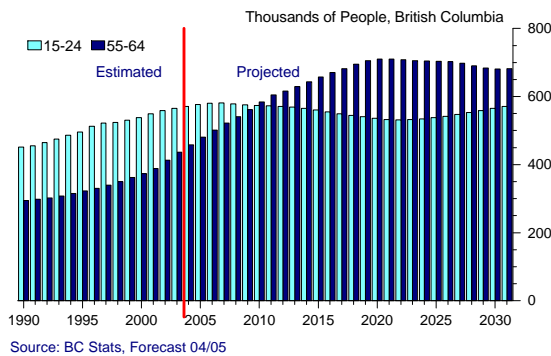
Both business and consumer bankruptcies in BC have been falling over the last couple of years



## Small Business and Older Workers

As the baby boom generation ages, the talk about impending labour shortages increases. The problem is particularly acute for small businesses. In the latest *Business Conditions Survey*,<sup>1</sup> 20% of companies with annual shipments valued at under \$10 million were experiencing a skilled labour shortage, a complaint that has been common over the last several years. For those companies shipping in excess of \$10 million per year, 8% were having difficulty finding skilled labour. As the first wave of baby boomers reaches retirement age, this situation may be exacerbated.

Workers getting ready to leave the workforce will soon outnumber those coming into the workforce



One option for employers having trouble finding qualified help is to look at hiring from groups that are under-represented in the labour force, such as seniors. However, according to a member survey by the Canadian Federation of Independent Business conducted in November 2002,<sup>2</sup> even though 52% of respondents in BC believed it would be harder to find employees in the next

<sup>1</sup> The *Business Conditions Survey* is a quarterly survey of manufacturers done by Statistics Canada. The latest results from this survey were from July 2004.

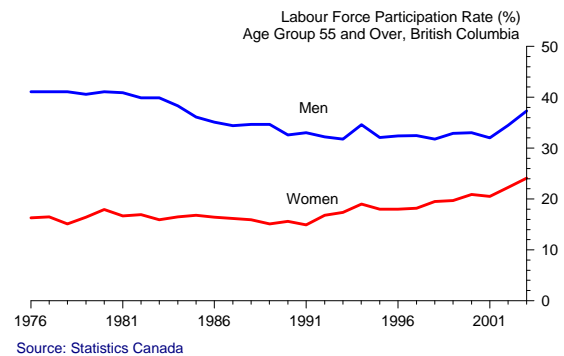
<sup>2</sup> Canadian Federation of Independent Business, *Availability of Labour and Training Survey*, November 2002.

three years, almost three-quarters of them had no experience in hiring seniors. In addition, only 11% suggested pursuing under-represented groups in the labour market as a possible method of reducing the shortage of labour.

Some companies may hesitate to hire older workers because of misconceptions regarding their ability to work and worries over lost time due to illness. However, according to Statistics Canada's *Labour Force Survey* (LFS), in 2003, in British Columbia, total days of work lost for workers 55 and over averaged only slightly higher than the average for workers of all ages (13.1 days versus 12.8 days for all ages).<sup>3</sup>

Ageing baby boomers are generally healthier than were the cohort preceding them and, as a result, many are working longer, even past the traditional age of retirement. Labour force participation rates for those aged 55 and over have risen significantly in the last few years. This is true even for men, who had been experiencing a slow decline in participation rates over the last couple of decades.

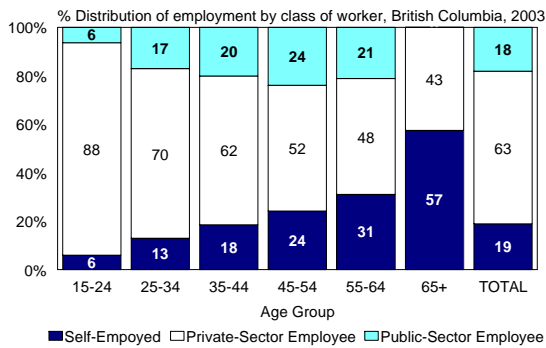
Participation rates for those aged 55 and over are on the rise



<sup>3</sup> Although, for older workers, more days lost were due to illness. Excluding maternity leave, the average days lost for workers of all ages were 9.5.

Self-employment is the route taken by many of these older workers, whether by choice or through necessity because no other employment is available. In fact, the likelihood of being self-employed increases with age. In 2003, in British Columbia, 19% of the labour force was self-employed, compared to 31% of those aged 55 to 64 and 57% of those aged 65 and over.

The likelihood of self-employment increases with age



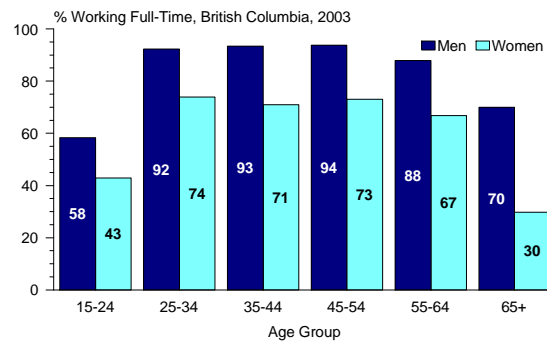
Source: Statistics Canada

For businesses with employees, there is not much difference between small and large businesses in the percentage of employees comprised of workers aged 55 and over, although smaller businesses do tend to employ more seniors (65 and over).

Although there may still be a hesitance on the part of employers to hire older workers, some businesses are coming to the realization that these older employees offer potential benefits, mainly in the form of flexibility. Many older workers, particularly seniors, are not looking for full-time, permanent employment; rather, they prefer part-time employment. Seniors, especially women, are the least likely to be working full-time. For the large majority of these (81%), the reason for working part-time is a personal preference. Many are also willing to take temporary work, such as seasonal employment, allowing businesses to hire additional staff when needed

(such as during the Christmas rush), without having to retain them during the slow times. Of BC workers aged 65 and over in 2003, 20% worked in temporary jobs, almost twice the ratio for all employees (12%). Only young workers aged 15 to 24 had a higher proportion of temporary workers (29%), which is not all that surprising considering that many students work in summer jobs to put themselves through school.

Older workers, particularly women, are less likely to be working full-time



Source: Statistics Canada

As with the employed labour force in general, seniors in BC work mostly in the service sector (77%), although 10% of employees 65 and over work in the construction industry, which compares to only 5% of employees as a whole. This may be because the construction industry offers more flexibility in terms of working hours. Seniors are also over-represented in finance, insurance and real estate (15% compared to 6% of all employees) and ‘other services’ (11% versus 4% for all employees).<sup>4</sup>

The choice of industry is due to a number of factors, including physical and educational requirements. In general, those who are more highly educated are also more likely to continue working beyond age 65 than those with less

<sup>4</sup> ‘Other services’ include repair and maintenance, personal and laundry services, religious and civic organizations, for example.

schooling.<sup>5</sup> As such, seniors are probably more disposed to work in jobs that have higher educational qualifications. This, combined with physical abilities that wane with age, steers seniors away from labour-intensive jobs (although the significant percentage of seniors in construction seems to belie that fact). Another determinant of where seniors work is mandatory retirement restrictions. Most public sector jobs, for example, are off limits to seniors due to enforced retirement at age 65.

With people living longer<sup>6</sup> and healthier lives, perhaps the time has come to reconsider the concept of mandatory retirement. If some people wish to keep working beyond the age of 65 and the labour shortage continues to become more pronounced, it seems foolish to arbitrarily prevent those people from continuing to work.

One thing that is certain is that the leading edge of the baby boom generation will soon reach retirement age. If most choose to retire at, or before, age 65, the annual number of workers leaving the labour force will be far in excess of anything experienced to date. While hiring, or retaining older workers is only one of the options available to deal with the possible labour shortage that could result, it is certainly one worth considering.

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<sup>5</sup> Duchesne, Doreen, "More Seniors at Work," *Perspectives, Statistics Canada catalogue no. 75-001-XPE* (Spring 2004).

<sup>6</sup> In BC, the life expectancy of a man at age 65 in 1950 was under 14 years, but by 2003 that had increased to over 18 years. The comparable numbers for women are just under 16 years in 1950 and over 21 years in 2003.

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