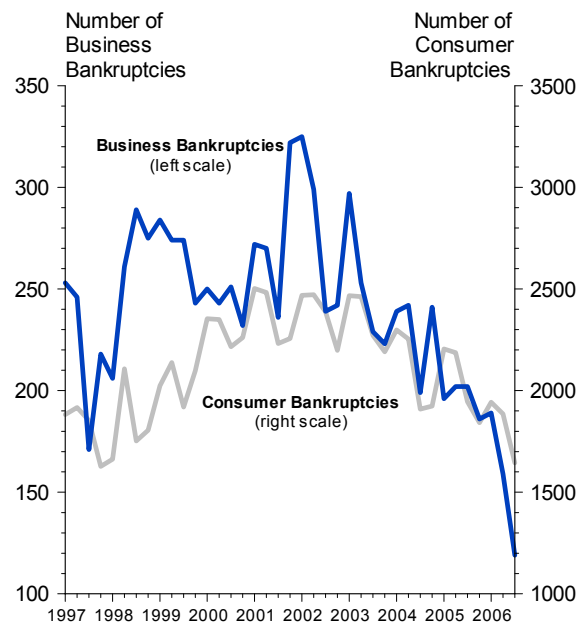


Small Business Quarterly ♦ 3rd Quarter 2006

- The number of self-employed workers in the province slipped 0.3% in the third quarter as a decline in the number of self-employed without paid help (-2.3%) offset gains in those with employees (+0.8%).
- While the number of self-employed fell, the number of employees of small business climbed (+2.7%) in the third quarter. Small business employment grew at the same pace among businesses with 20-49 employees (+2.7%) and those with fewer than 20 employees (+2.7%).
- The number of small businesses in BC (excluding self-employed persons without paid help) climbed 4.8% in the second quarter of 2006 compared to the same period a year earlier. This comes on the heels of a similar increase last quarter (+4.5%) and was again fuelled by a 6.5% increase in micro businesses with fewer than five employees.
- Both business and consumer bankruptcies experienced the fourth straight double-digit year-over-year decline in the third quarter. For business bankruptcies, the 41.1% plunge pushed the number to the lowest level in at least ten years. The 15.5% drop in consumer bankruptcies also resulted in a record low.
- The number of new business incorporations in BC jumped 6.2% in the third quarter, continuing a streak of year-over-year increases that began in the second quarter of 2002.
- The number of urban housing starts in the province was down 2.9% in the third quarter as starts in BC's largest metropolitan area—Vancouver—plunged 10.9%. This marked the province's first decline in urban starts since the second quarter of last year.
- The value of both commercial (+25.5%) and industrial (+8.0%) building permits continued to rise in the third quarter. In Vancouver, commercial permits rose 57.3% and industrial permits jumped 62.0%. Conversely, in the provincial capital, industrial permits decreased 12.0% and commercial permits plummeted 68.1%.
- Manufacturers in the province continue to experience significant labour shortages. Over a quarter (27%) of companies with annual shipments of less than \$10 million report skilled labour shortages as an impediment to production, while an increasing number (16%) also state a shortage of unskilled labour as a concern.

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



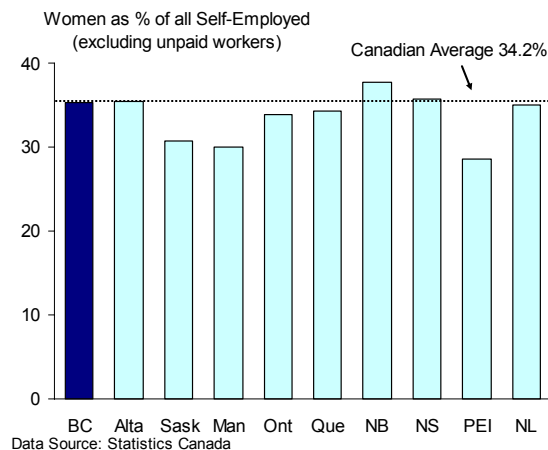
Female Enterprise in British Columbia

In November 2006, *PROFIT* magazine announced its annual *W100* list of top (by revenue) Canadian women business owners. In 2006, emphasis on the growth of their businesses was of key importance for these successful businesswomen. Indeed, this year's top ranked businesses managed to employ an average of 100 people, produce average revenues of \$27.5 million (up almost \$2 million from 2005), and post a three-year average growth rate of 137%. In addition, some of these female entrepreneurs have become successful in industries that have traditionally been dominated by men, including construction and manufacturing.¹

How does BC compare to other provinces?

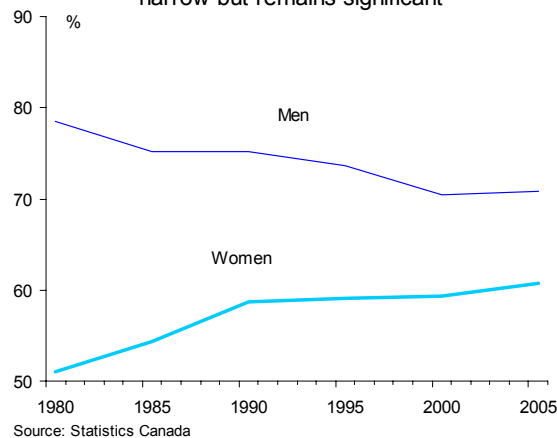
As in the rest of the country, women entrepreneurs in British Columbia are making some important strides for business in the province. In 2005, approximately 35% of all business owners in British Columbia were women. This was above the national average of 34% and the third highest rate among the provinces. BC was on par with Alberta (35%), and behind only Nova Scotia (36%) and New Brunswick (38%) in terms of the share of businesses owned by women.

BC ranks third among the provinces in terms of percentage of businesses owned by women in 2005



Since 1995, the average annual growth for self-employed women in the province has been 3.8%, compared to 3.2% for men. Of course the overall gap between male and female labour force participation has also narrowed substantially over the same period, which partially explains why there are proportionately more women business owners compared to the past decade and especially compared to 25 years ago.

The gap between labour force participation among men and women continues to narrow but remains significant

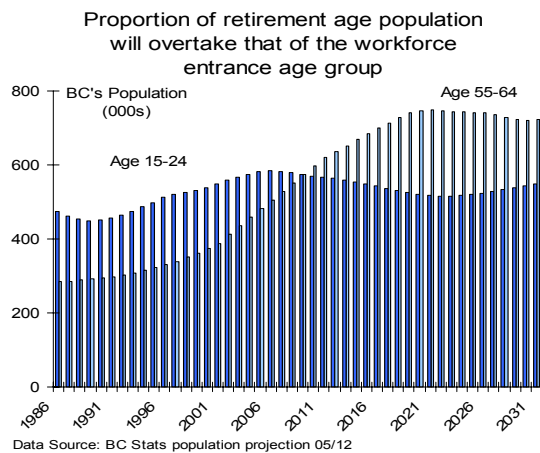


¹Profit Magazine's *W100*, 2006 ranking list and overview. <http://www.canadianbusiness.com>

The proportion of British Columbia business owners that are women has increased by over eight percentage points in the last 25 years, from 27% in 1980. Though inarguably significant, this is likely, at least in part, a result of increasing participation by women in the labour force. Labour force participation by women in British Columbia increased from about 51% in 1980 to around 61% in 2005. Over the same period, the participation rate of men dropped from 79% to 71%. In coming years, participation rates for both men and women are expected to fall as the population ages.²

BC's ageing population

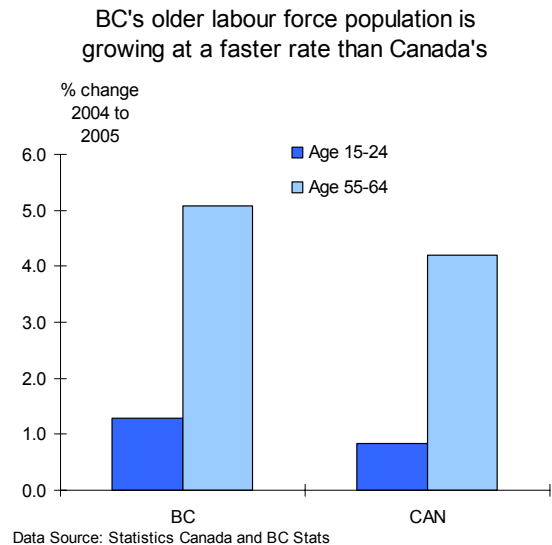
Along with BC's ageing population comes the risk of long-term labour shortages. Employers in small, medium, and large enterprises alike are having more difficulty finding and retaining qualified employees to fill ever increasing numbers of job vacancies.³



² The participation rate is based on the population 15 and over, which means as a larger proportion of the population reaches retirement age, overall labour force participation will decline.

³ For more information on labour shortage, see the 1st Quarter 2006 issue of the *Small Business Quarterly*, "Now Hiring: BC Labour Well Running Dry"

Although immigration is an important component in addressing the labour shortage, it will not be sufficient to solve the problem. The proportion of BC's population who are over the age of 65 will continue to grow.



Partly as a response to the possibility of such a labour shortage, in BC's 2006 budget,⁴ the government committed to spend \$90 million over the next three years towards new tax credits for training and also increased support of programs encouraging increased participation of groups underrepresented in the labour force such as First Nations, disadvantaged youth, older workers and women.

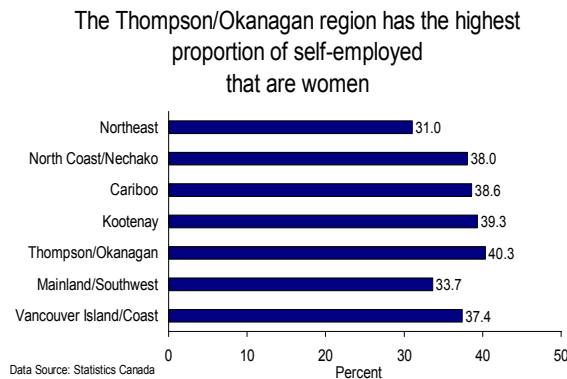
There has also been dialogue surrounding retirement age in BC and in Canada as a whole. The average overall retirement age for women in Canada remains lower than that of men, and the gap is more substantial among the self-employed. Among all retirees in Canada, the average age for men was 63 in 2005, compared to 61 for women. The self-employed in general tend to retire

⁴ October 2005 news release from the BC Chamber of Commerce: www.bcchamber.org

at a later average age than the general workforce. The average retirement age for self-employed women in 2005 was 63 years, down from nearly 65 in 2004. The average retirement age for self-employed men also decreased in 2005, dropping from 68 to 67 years, but remained significantly higher than that of their female counterparts.

BC's regions differ

In 2005, approximately 15% of working women in BC were self-employed, compared to 24% of working men. These percentages were up for men over the past five years (up from 22% in 2000), but remained unchanged for women (15% in 2000).

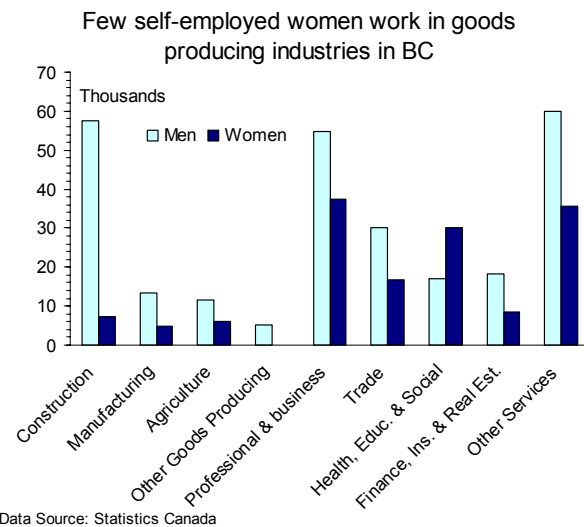


At 40%, the Thompson/Okanagan Region had the highest percentage of self-employed who were women last year. The Northeast had the lowest percentage, with women comprising only 31% of the self-employed in that region. The Northeast has, of late, shown the most significant growth in the province in terms of self-employment. However, the lower proportion of self-employed women in this region is not surprising given its reliance on generally male-dominated goods producing industries (primary industry) such as oil and gas extraction. However, the Mainland/Southwest (33.7%) region was also sig-

nificantly lower than other regions in the province, which seems contradictory, since women are more likely to work in the service professions compared to men and the Lower Mainland is more service-oriented than the remainder of the province. On the other hand, it is possible that there are fewer opportunities for paid employment for women outside the Lower Mainland driving them to create their own prospects.

Industry breakdown

Not only are women in general more likely to work in a service-related industry (91% of women compared to 68% of men in 2005), but this is also true of self-employed women (87% versus 67% of men).



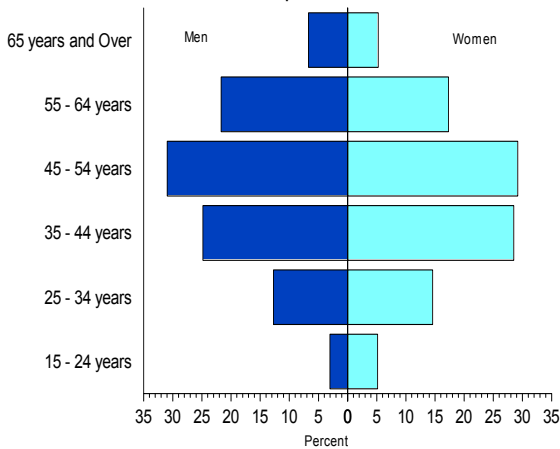
Last year, the one industry sector where self-employed women outnumbered men was in health and social services (30,100 compared to 17,000 respectively). In all other industry aggregations, men outnumbered women, particularly in the goods producing industries. Professional & Business services (approximately 37,400 self-employed workers) is the industry aggregation

with the most self-employed women, followed by Health, Education & Social services (30,100). Most self-employed men, on the other hand, work in the Construction (approximately 57,400) and Professional & Business (54,700) industries.

Young women entrepreneurs

Another way that self-employed women differ from self-employed men is in the age distribution. Self-employed women generally tend to be younger than their male counterparts.

The age distribution of self-employed in BC is somewhat younger for women compared to men



Source: Statistics Canada

Growth rates among the younger age aggregates have also been higher for women entrepreneurs over the past decade. For example, BC's population of self-employed men aged 25 to 34 decreased by 13.2% from 1995 to 2005 while the same age group expanded by 18.7% among self-employed women. Young entrepreneurs aged 15 to 24 years make up over five percent of all self-employed women, but only three percent of self-employed men. There are also greater proportions of self-employed women aged 25 to 34 years (15% compared to 13% for men) and 35 to 44 years (29% versus 25%). Men, on

the other hand, are more represented among the higher age aggregates.

Hours Worked

There is a substantial difference between self-employed women and self-employed men in terms of the usual number of hours worked per week. On average, self-employed women have shorter work days compared to their male counterparts. While a significant share of male business owners work in excess of 50 hours per week (40%), only 17% of self-employed women fit in this category. In 2005, the average work week for self-employed women was 31.6 hours, compared to 43.8 hours for men. The disparity between male and female business owners in terms of hours worked per week has remained comparatively unchanged over the last five years and could result from a myriad of reasons, such as the types of businesses owned by women compared to men and the motivations behind the decision to become self-employed.

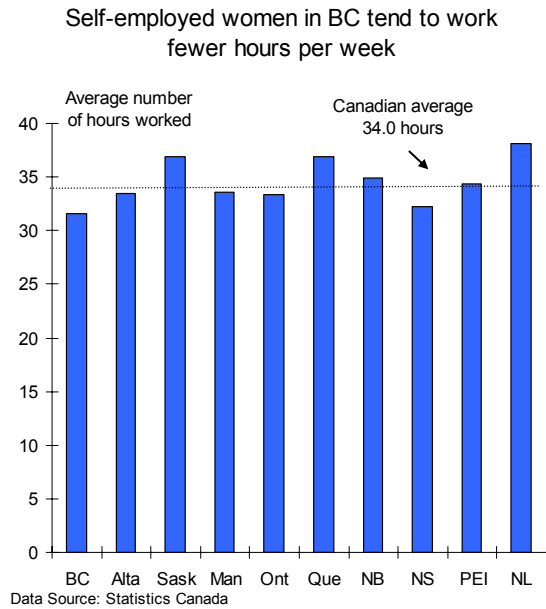
Self-employed men tend to work longer hours than self-employed women



Data Source: Statistics Canada

Women business owners in BC also worked fewer average usual hours per week in 2005 than their counterparts in every other province. With an average of 38.1 hours in their usual workweek,

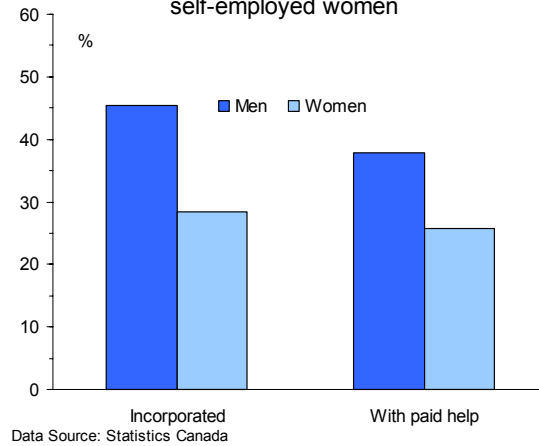
self-employed women in Newfoundland & Labrador recorded the highest average in Canada and BC had the lowest. Again, these disparities are likely attributable to the type of businesses operating in particular provinces.



Class of self-employment

A far smaller percentage of businesses owned by women were incorporated (28%) compared to those owned by men (45%) in 2005. However, this proportion has been rising in recent years. For example, in 1995, only 25% of businesses owned by women in the province were incorporated. Women also continued to be less likely to have paid employees (26%) than men (38%) last year. The number of businesses operating with paid employees has shrunk considerably for those owned by both men and women over the past decade. In 1995, approximately 50% of businesses owned by men had paid employees and 28% of those owned by women.

In 2005, self-employed men were more likely to have an incorporated business and to have employees than were self-employed women



Future growth

According to a recent report by CIBC World Markets, if the current pace of growth in women entrepreneurship is maintained in Canada, the number of women-run enterprises will top the one-million mark by the end of the decade.⁵ In more ways than one, BC's women business owners appear poised to play a significant role in the predicted progression.

⁵ CIBC World Markets. Economics and Strategy Research: <http://research.cibcwm.com>

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06-3: 'Female Enterprise in British Columbia' (released Dec 2006)

06-2: 'Regional Outlook: BC's Northeast' (released Oct 2006)

06-1: 'Now Hiring: BC's Labour Well Running Dry' (released Jun 2006)

05-4: 'The Business Gateway' (released Mar 2006)

05-3: 'BC Restaurants: An Industry Overview' (released Dec 2005)

05-2: 'Effects of Canadian Dollar Mixed for Small Business' (released Oct 2005)

05-1: 'Small Businesses that Export' (released Jun 2005)

04-4: 'Small Business Outlook' (released Mar 2004)

04-3: 'Lumber Dispute Big Issue for Small Business' (released Dec 2004)

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