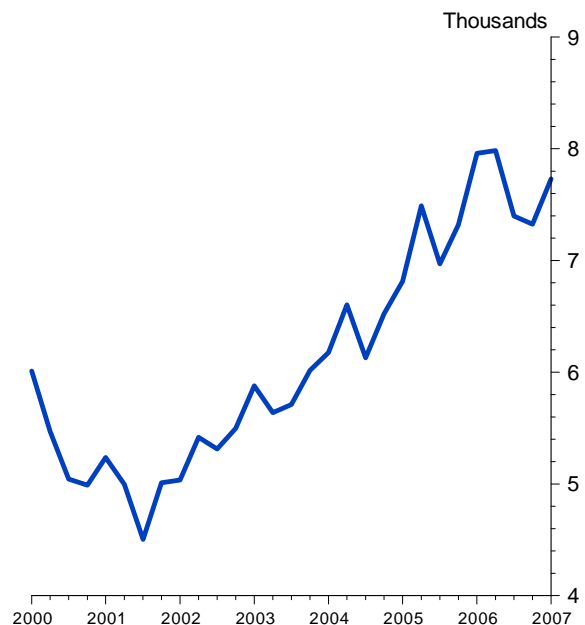


Small Business Quarterly ♦ 1st Quarter 2007

- In the first quarter, employment in small businesses (excluding self-employed) climbed 1.8% over the same quarter of 2006. The fastest growth was in the number of jobs in businesses with 20-49 employees (+3.3%) as employment growth in businesses with fewer than 20 employees was only 1.1%.
- The number of self-employed persons with employees of their own grew 9.4% in first quarter of 2007 over the same three months of 2006. This represents a net increase of over 12,000 people. The number of self-employed people without paid employees was also up (+1.8% year-over-year) contributing to an overall increase of 3.5% for self-employment in BC.
- The number of small businesses in BC (excluding self-employed persons without paid help) grew 4.1% on average in 2006, including a 3.1% jump in the fourth quarter compared to the same period in 2005. The most significant growth in the fourth quarter was in the number of medium-sized businesses with between 20 and 49 employees. The count of businesses in this group climbed 4.5%.
- New business incorporations were down 2.9% in the first quarter of 2007, compared to the same quarter a year earlier. This ended a long growth streak, marking the first quarter of year-over-year decline since 2002.
- Consumer bankruptcies fell for the sixth straight quarter, dropping 7.6% from the first quarter of last year. Business bankruptcies also continued to slide, experiencing a substantial decrease (-37.6%).
- The value of commercial building permits issued in BC continued to soar, rising 54.8% in the first quarter, while the value of industrial building permits also increased, up 3.6% from a year earlier. Urban housing starts in the province, on the other hand, continued to slip, dropping 9.0% over the same period of 2006.
- Compared to the first quarter of last year, mortgage rates were higher at the beginning of 2007 (+0.20 percentage points). Interest rates also continued to head back up, reaching levels comparable to those of 2001.
- The number of chartered bank business loans jumped 13.5% in the first quarter. Larger loans increased substantially, while smaller loans under \$200,000 declined (-3.9%).

The number of new business incorporations in BC has been trending up since mid-2001



BC's Entrepreneurs

Being your own boss was the fastest growing vocational option of the 1990s. Over that decade, British Columbians discovered record numbers of self-employment possibilities in both the goods and services sectors. The record-growth of the 1990s showed signs of levelling off at the turn of the century, but as we move through the first decade of the 2000s, the pattern appears to be repeating itself.

How many British Columbians work for themselves?

BC experienced a slight decrease (-0.5%) in self-employment between 2005 and 2006 as the number of self-employed slipped from 415,800 to 413,700. This coincided with a 3.5% increase in overall employment in the province. One possible explanation for the decline in self employment is that, given BC's tight economy and recent labour shortages,¹ some self-employed workers are making a move into the employee workforce.

Despite the stall in self-employment growth last year, the overall picture has been notably positive in recent years. Between 1996 and 2006, there was a 38% increase in self-employment in British Columbia. Over the past five years alone, the number of self-employed people jumped from 351,400 in 2001 to 413,700 in 2006 (+18%).² Over the same five-year period, the

proportion of total employment comprised of self-employed workers remained fairly steady at between 18 and 19 percent. Of the 413,700 self-employed individuals working in British Columbia last year, about 4,600 were working in family businesses without pay, leaving 409,100 self-employed business owners. The large majority (62%) of self-employed businesses were unincorporated. Unincorporated individuals working on their own with no employees made up the largest class of self-employed small businesses, with 52% of all self-employed in this category.

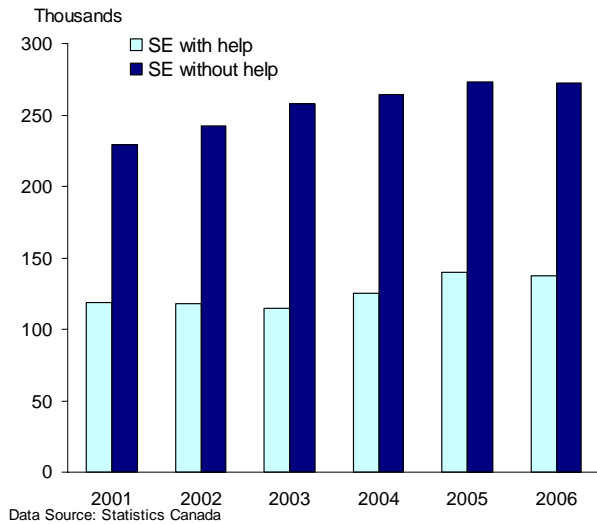
The growth in self-employment in the province has occurred most substantially within the group of self-employed *without* paid help. Meanwhile, the number of self-employed persons *with* employees remained fairly constant. However, in recent years, both classifications have exhibited similar signs of growth. Between 2001 and 2006, the number of self-employed *without* employees experienced a 19% rise, while the number *with* employees climbed 16%. Despite recent growth in the number of self-employed *with* paid help, the share of self-employed *without* employees has remained at about 65% of total self-employed over the past 5 years.

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

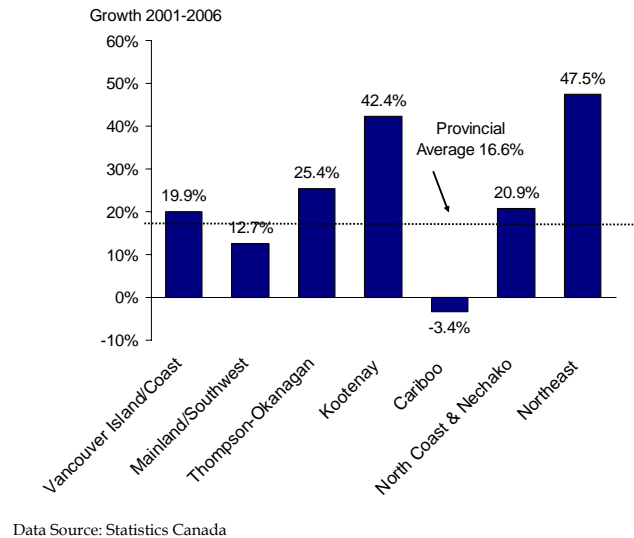
² There are, in addition, likely many people working as employees who have taken up self-employed work to augment their salaried income. However, such workers are not included in figures quoted in this article except where specifically indicated. The

'self-employed' as counted here are people for whom their self-employed work constitutes the job 'at which they work the most hours.'

Self-employed without paid help have grown the fastest



Northeast shows most substantial growth in self-employment



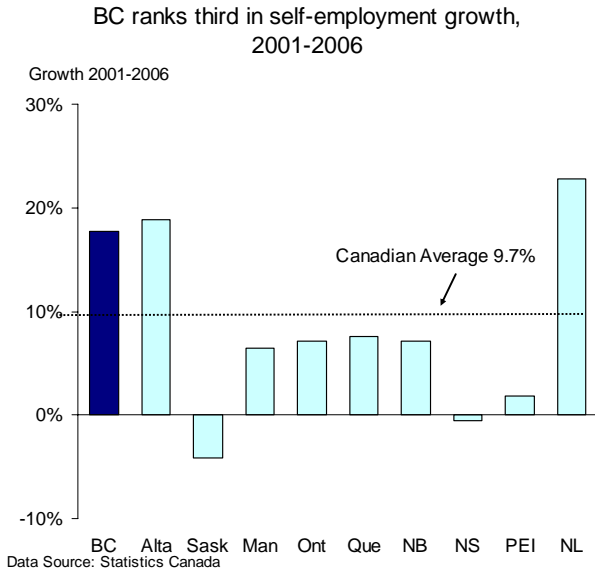
In which region of the province is self-employment growing the fastest?

The North-East was the BC region with the strongest growth in the number of self-employed between 2001 and 2006. Its staggering 47.5% jump in self-employment slightly outstripped the 42.4% rise recorded in Kootenay. Vancouver Island/Coast (+19.9%), home to BC’s capital city, and Mainland/Southwest (+12.7%), home to the main metropolitan centre of Vancouver, have also seen strong growth in self-employment over the past five years. The only region with a decline in entrepreneurs over this period was Cariboo (-3.4%).

How does BC measure up to other provinces?

Flourishing self-employment is not a phenomenon unique to BC. More and more Canadians across the country are creating their own jobs.

Nonetheless, British Columbia's five-year growth rate of 17.7% between 2001 and 2006 is much higher than that of the national average (+9.7%) over the same period. Only Newfoundland & Labrador (+22.8%) and Alberta (+18.8%) saw greater growth in the number of self-employed than BC and no other province exceeded the Canadian average. Over this period, Saskatchewan saw the most notable decline (-4.2%) in self-employed, likely reflecting a drop in the number of independent farmers. Nova Scotia (-0.6%) was the only other province to see smaller numbers of self-employed.



In what industries do BC’s self-employed work?

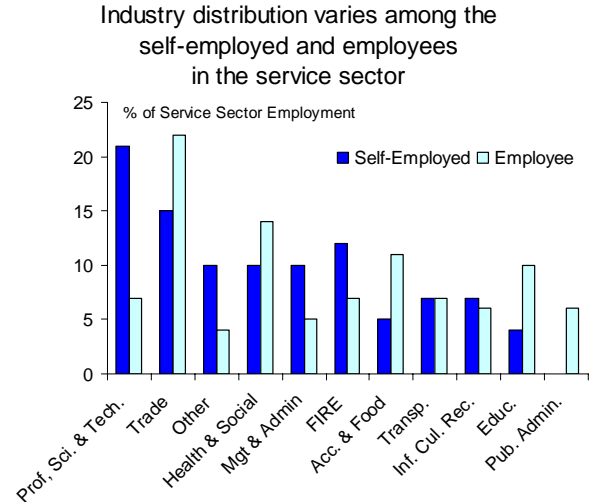
The variety of business ventures established across the country are grouped for statistical purposes by industry. Last year, three-quarters (75%) of self-employed workers in British Columbia worked in a service sector industry. Within this group, 21% were in the professional, scientific and technical services classification. Trade (15%) and finance, insurance, real estate & leasing (12%) were the other two largest industries in the service sector.

Of the one-quarter of self-employed workers who were occupied in a goods-producing industry, nearly two-thirds (61%) were employed in construction, with a further 16% working in manufacturing.

British Columbia’s numbers are similar to those for Canada as a whole. Nationally, there is a slightly smaller proportion of self-employed workers in the service sector (73% versus BC’s 75%), but the breakdown of industries within the service sector is fairly similar in terms of their share of self-employed workers. Within

the goods-producing sector, construction still leads the way at the national level (48% of self-employed workers in that sector). One notable difference in the breakdown between Canada and BC is that agriculture is much more significant at the national level, with a 30% share of goods-producing self-employed workers (compared to only 13% in BC).

It is not surprising that most self-employed people work in service industries, for this is also true of employees (80% in service industries). However, the distribution within the service and goods-producing sectors are quite different. For example, within the service sector, the self-employed are most prevalent in the professional, scientific & technical services industry, whereas among employed workers, work in retail & wholesale trade is more common.



What are the fastest growing industries among the self-employed in BC?

The industry showing the strongest self-employment growth over the past five years is construction. The number of self-employed

British Columbians working in some form of construction surged 65.7% between 2001 and 2006, from approximately 41,000 to 65,000. This is likely due in part to higher demand for skilled workers resulting from escalating building projects in preparation for the 2010 Olympics in Vancouver and also the recent housing boom across the province.

In the finance, insurance and real estate industry, there have always been self-employment opportunities open to independent advisors and contractors. These, along with other self-employed workers in the industry have come to account for a considerably larger part of its workforce since the beginning of the decade. They expanded from seven percent to nine percent of the overall industry workforce between 2001 and 2006, as their numbers jumped from 25 to 36 thousand.

As major industries grow, demand becomes higher for workers in business, building & other support services. This includes, for example, office administrative services, employment placement agencies, call centres, security guards and document preparation services among many others. This industry has seen a traditionally large base of self-employed people grow even larger in recent years. Indeed, the number of self-employed British Columbians working in such fields surged nearly 30% between 2001 and 2006, adding approximately 7,000 jobs to the industry.

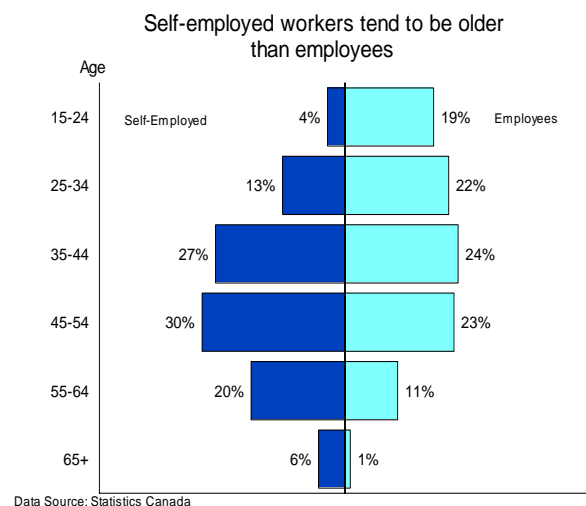
Of course there has always been a certain amount of self-employed work associated with the natural resource industries that still have a strong foothold in the British Columbia economy. For example, there are independent logging operations in forestry and independent fish boat owners in the fishing industry. Employment in general in the forestry, fishing,

mining, oil & gas industry classification has shown significant volatility in recent years and self-employment was by no means an exception. Levels for the self-employed in this industry have seesawed since 2001, reaching a record low of 6,700 in 2005. However, last year marked a substantial growth period and numbers showed signs of rebounding, reaching nearly 11,000. Overall, the industry saw self-employment levels grow 17.4% between 2001 and 2006.

Older British Columbians account for larger proportion of self-employment

Self-employment as a percentage of all workers has been growing steadily in all age groups, but for those over 55 there has been a particularly sharp increase in the likelihood that they will be self-employed.

Well over half (58%) of BC's self-employed are between the ages of 35 and 54, compared to only 48% of employees. While 41% of employees are under the age of 35, only 17% of self-employed business owners fit this description. At the other end of the scale, 25% of entrepreneurs are aged 55 and over, compared to only 12% of employees.

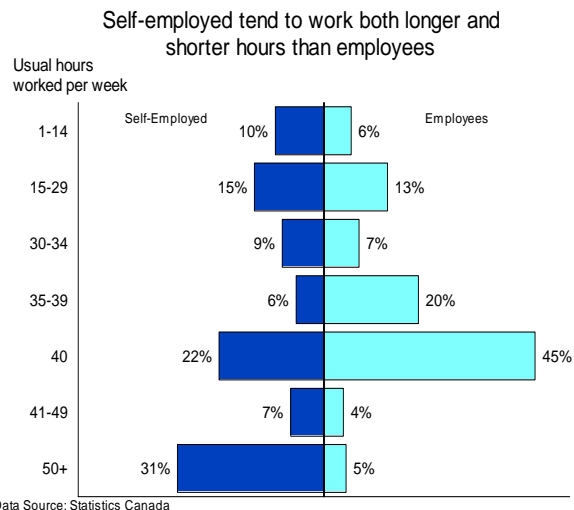


One possible reason for the high incidence of self-employment among older Canadians may be related to the retirement age in BC and in Canada as a whole. Many of those who have retired or semi-retired from their professions seek alternative sources of income and livelihood that offer them the flexibility possible with self-employment. Also, the self-employed in general tend to retire at a later average age than the general workforce. The average retirement age for all Canadian retirees in 2005³ was 61 years, down from nearly 62 in 2004. The average retirement age for the self-employed also decreased in 2005, dropping from 67 to 66 years, but remained significantly higher than that of the average Canadian. Of course, it remains to be seen what sort of effect the loosening of mandatory retirement regulations will have on the employment and self-employment of older Canadians.

Hours Worked

In general, people who are self-employed tend to work more hours per week compared to those who are employees. Thirty-one percent of self-employed people in British Columbia worked exceptionally long hours (over 49 hours per week) in 2006. This compared to only six percent for employees.

Other self-employed people evidently had very different approaches to their work, and allotted different priorities for their time. These included the ten percent of the self-employed in British Columbia working less than 15 hours per week in 2006 and the further 15% who worked 15 to 29 hours. This compares to six and 13%, respectively, for employees.



For Canada as a whole, the group of long working self-employed represents an even larger proportion, with over 34% averaging 50 hours or more per week. The average work week for self-employed workers in Canada is approximately 41 hours, two full hours more than the British Columbia average (39 hours).

Continued growth?

It is difficult to pinpoint an explanation for the mushrooming incidence of self-employment in British Columbia in recent years. The type of work available for business owners may play an income bolstering role, offering economic opportunity when parts of the economy are weak as well as when they are strong. Working for oneself can offer flexibility that other types of employment do not. Students, semi-retired persons, or even people looking to earn extra income may prefer self-employment to other options. Also, many people may not view self-employment as a permanent role, but rather as a short-term means to meet current needs.

That being said, not everyone turns to self-employment because of conditions in the wage labour market or choose to be self-employed to fit their present lifestyle. There are also those

³ The latest year for which data is available.

compelled by entrepreneurial drive, who aim to build their own businesses and, in doing so, instil innovation and diversity in the provincial landscape.

There is every likelihood that self-employment will continue to grow as the economy restructures, and diversifies away from the large natural resource industries upon which the province has traditionally relied so heavily. Notwithstanding 2006's slowdown in self-employment growth, the overall trend in BC over the past five years has shown clear signs of continued development.

BC inevitably draws people from across the country and around the world for the scenery, warmer climate and overall quality of life. If resources, accessibility and opportunity are made available for the entrepreneurial-minded, there is every likelihood that self-employment will continue to thrive in the province. If the province is to continue to boast an environment hospitable to self-employment while delivering greater employment choice and opportunity for the people of British Columbia, it remains important to develop new incentives and to expand the accessibility of new resources.

The province has numerous organizations, services and offices in place to foster this environment. For example, the Community Futures Development Association of B.C. (CFDA of BC) represents 34 individual Community Futures offices located throughout rural British Columbia. The offices support local entrepreneurship, and promote, coordinate and implement a variety of community development initiatives within their respective communities. They also offer a variety of entrepreneurial programs, business counselling, loan programs and business information to community members interested

in expanding or starting their own businesses. In 2006, the federal government, through Western Economic Diversification Canada (WD), renewed a four-year funding agreement with Community Futures offices, providing more than \$110 million across the four western provinces. During 2005-06, B.C.'s Community Futures approved a total of 397 loans to businesses, with a total value of \$17.8 million, creating or maintaining almost 1,500 jobs.⁴

Earlier this year, the Canadian Government, through WD, announced that they will be providing \$1.8 million toward programs, which will make small loans available to entrepreneurs in the Lower Mainland and Greater Victoria regions who do not qualify for regular business loans.⁵ WD will be working along with Vancity and Coast Capital Savings, providing two four-year Micro-Loan Programs for local entrepreneurs.

Incentives such as these along with organizations, programs and a burgeoning economy all contribute to the overall health and longevity of BC's self-employment landscape.

⁴ CFDA of BC. Pan West Annual Report 2005-06 2007. Retrieved from: www.communityfutures.ca

⁵ Western Economic Diversification Canada. News Release, February, 2007. Retrieved from: www.wd.gc.ca

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