

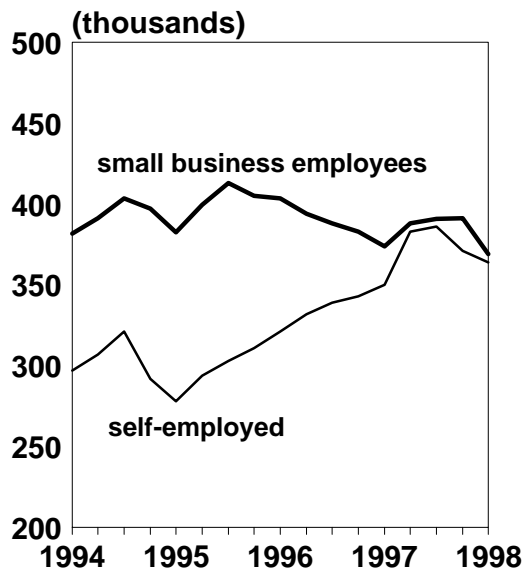
Small Business Quarterly ♦ Second Quarter 1998

- The number of British Columbians self-employed in their main job continued to climb in the second quarter. Since second quarter 1997, there has been an increase of 20 thousand entrepreneurs in the workforce.
- Self-employed people who have employees working for them can be counted separately from those who work entirely on their own. The sharp rise in self-employment so far during the second half of the 1990s has been entirely due to increases in the number of those self-employed people who have not hired paid help. Numbers of these people rose 59% between second quarter 1995 and second quarter this year, from 164 thousand to 261 thousand. The number of self-employed people in the province who had employees working for them actually fell 7%, from 130 thousand to 121 thousand.
- The number of new British Columbia incorporations fell 12% in the second quarter, from the same period of last year. Declines in numbers of new incorporations generally coincide with economic slowdowns. The lower number of business incorporations this year is likely the result of sinking business confidence, as Asian economic difficulties have created problems in the British Columbia economy.
- Other indicators also suggest that the provincial business cycle has entered a downturn. More small manufacturers

(those with annual shipments of less than \$10 million) were reporting lower values of new orders in second quarter than were reporting higher values of new orders. More were also reporting excessively high inventory levels than were reporting low inventory levels.

- On the other hand, there was some positive indication of small business activity in figures on bank lending. The total value of loans of less than \$200 thousand extended to businesses by chartered banks increased 29% in first quarter 1998 from first quarter 1997.

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



* 'Small Business' = 1 to 19 employees

BC STATS

People Trying Self-Employment As A Second Job

More British Columbians are taking on second jobs than ever before, and many are doing it by setting up their own businesses 'on the side'. In 1997 there were 41 thousand people in British Columbia who worked as moonlighting entrepreneurs – employees in their main job, but also working as self-employed individuals in a second job. This figure was up from 18 thousand in 1990, reflecting one of the fastest growing employment trends of the decade. About three out of every hundred employees in the province was working in some way as a moonlighting entrepreneur in 1997. An estimated 5.5 thousand of them had hired employees for their second job businesses.

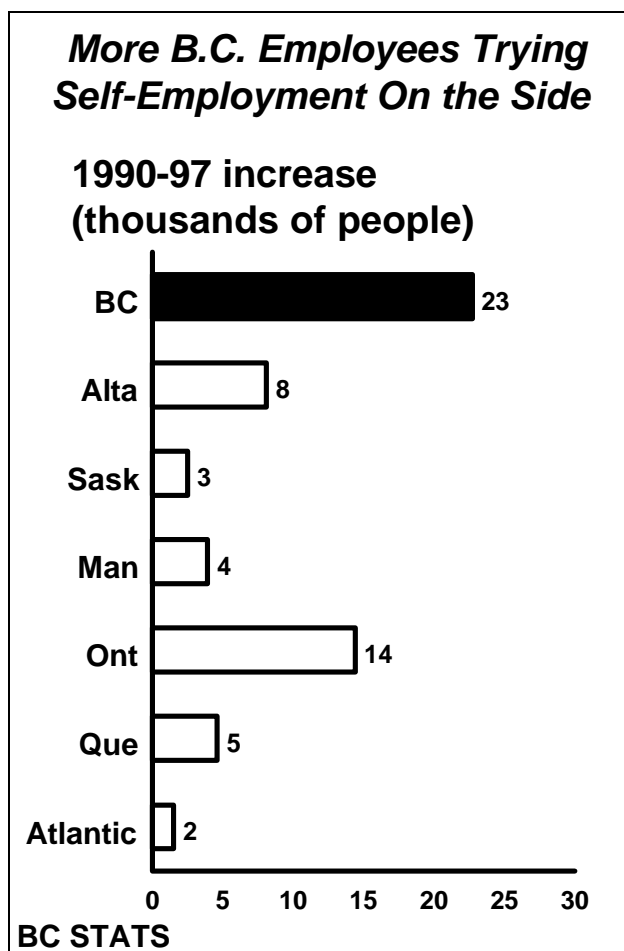
Businesses operated by moonlighting entrepreneurs have come to account for a sizeable portion of all small businesses in the province.

A conventional measure often used to estimate the current number of small businesses is calculated by taking the number of businesses with between one and 49 employees and adding to that the number of people who are self-employed in their first job but who have no employees of their own. This produces an estimate of 383 thousand small businesses in British Columbia in 1997. If the 36 thousand moonlighting entrepreneurs having no employees of their own are added to this, the figure for the total number of small businesses in the province is expanded to 419 thousand.

Using this more comprehensive figure, it could be said that roughly one in ten of all small businesses in the province were operated on the side by a person who was an employee at their first job.

B.C. Small Business Moonlighting Growth Exceptional In Canada

The number of small businesses operated by moonlighting entrepreneurs has grown faster in British Columbia than anywhere else in Canada. It grew at an average annual rate of 10 per cent between 1990 and 1997, well above the next highest provincial rates of 8 per cent in Nova Scotia and 6 per cent in Quebec. Growth in British Columbia was more than three times the 3 per cent rates reported for Alberta and Ontario, and more than double the 4 per cent rate for Canada as a whole.



The trend has been accelerating in recent years as British Columbia moonlighting entrepreneurs have grown from 27 thousand people in 1995, to 31 thousand in 1996, to 41 thousand in 1997.

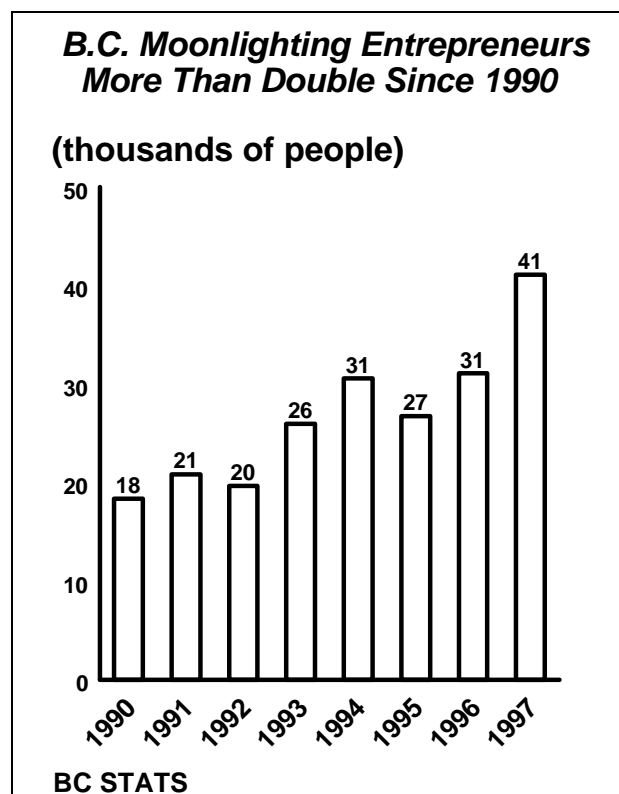
Part of A Broader Trend To Self-Employment In the Workforce

The number of people in British Columbia who are self-employed either in their first job or in a second job, has been growing considerably faster than other workforce categories. The 10 per cent average annual growth for moonlighting entrepreneurs and the 6 per cent growth for people self-employed in their first job were both far faster than the 1 per cent average annual growth in numbers of public employees in the province, or the 2 per cent growth in numbers of private sector employees. Each moonlighting entrepreneur is also, of course, either a private or public sector employee.

Many conduct their self-employment activity out of their own home. A November 1995 Survey of Work Arrangements reported that just over half of the people who were self-employed in their first job were home based. No equivalent numbers are available for employees who are self-employed in their second job but, because these people are operating in their off hours, it can be reasonably speculated that more than half will be operating out of their own homes.

When moonlighting entrepreneurs are included with those people who are self-employed in their first job, together they constitute a very sizeable group of workers who have a direct personal concern with business conditions in the province. There were 373 thousand British Columbians self-employed in their first job in 1997. Adding the 41 thousand employees doing self-employed work in a second job produces a

grand total of 414 thousand people in the province who were self-employed in either a first or a second job.



To put these figures in perspective with several other overlapping categories in the provincial workforce; there were 175 thousand unemployed people in British Columbia in 1997, 250 thousand public employees at all levels of government, and over 550 thousand union members (estimate based on 1996 membership figures).

A Trend to More Women Employees Self-Employed In A Second Job

Most moonlighting entrepreneurs are men. However, this is changing as the number of women starting up 'on the side' businesses in British Columbia is increasing faster than the number of men. Between 1990 and 1997, there was a 148 per cent increase in the number of women who were working as moonlighting entrepreneurs, increasing from 8 thousand to 19 thousand. For men the in-

crease was 106 per cent, from 11 thousand to 22 thousand. With this faster rate, women may soon account for half or more of all moonlighting entrepreneurs in British Columbia. Their portion of the total number of moonlighting entrepreneurs has already increased from 41 per cent to 45 per cent between 1990 and 1997.

Assuming that the same patterns reported for women who were self-employed in their first job apply for women employees who take up self-employed work as a second job, many will have taken the step largely because it allows them to work from home.

It seems that self-employment, whether it is taken on as a first or second job, is something done mainly by older people. Most moonlighting entrepreneurs in British Columbia are 35 years of age and older. There were 26 thousand in this age range in 1997, compared to only 15 thousand under age thirty-five. Numbers were also growing slightly faster for the above thirty-fivers. There were 124 per cent more moonlighting entrepreneurs in the older age bracket in 1997 than in 1990, compared to 122 per cent more for people in the 15 to 34 year old age range.

Self-Employment Still Strongly Associated With Agricultural Economies

Although the growth trend has been much stronger here, British Columbia is not yet the place in Canada with the highest incidence of moonlighting entrepreneurs.

The explanation for this likely lies in the industrial makeup of the different provincial economies. Agriculture includes the highest proportion of full-time self-employment of any major industry, so that provinces with large agricultural industries tend to boast the largest proportions of people who are self-employed in their main job. It could be

that the same pattern applies for people who are employees in their first job and self-employed in a second job.

Unfortunately no statistics are available to test this. However, the circumstantial statistical evidence seems to suggest that the pattern also holds true for moonlighting entrepreneurs. The province with the highest incidence of moonlighting entrepreneurs among employees is Saskatchewan, which also has a large agricultural industry. Five per cent of all employees in Saskatchewan in 1997, were self-employed in a second occupation. The next highest ratios were for Manitoba, Alberta and British Columbia all with 3 per cent of employees working at self-employed second jobs.

Large agricultural industries could explain the high ratios for the prairie provinces and for Prince Edward Island, which had the next highest ratio after British Columbia. However, agriculture is not a large industry in British Columbia, suggesting that the high, and rapidly growing, proportion of employees who have self-employed second occupations may have other causes in this province. At least one of these other causes may be British Columbia's large immigrant population. Immigrants are often seen as more likely than other Canadians to start their own businesses.

Large numbers of recent immigrants is often cited as one of the reasons why the British Columbia workforce has a higher proportion of non-agricultural workers who are self-employed in their first job than any other province. It is possible, although it cannot be proven from the available data, that British Columbia also has the highest incidence of non-agricultural workers who are employees in their first job and self-employed in a second job.

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