

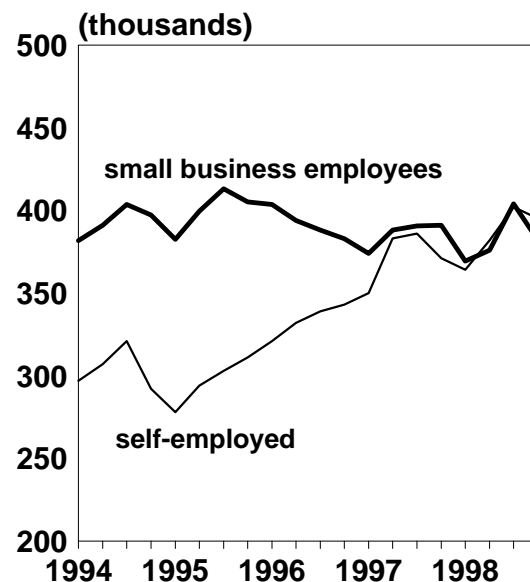
Small Business Quarterly ♦ Fourth Quarter 1998

- Self-employed people with no employees of their own continue to account for most new small business growth in British Columbia. The number of these 'own account' workers in the province rose to 274 thousand in the third quarter of 1998, before falling back to 265 thousand in the fourth quarter. Even with the slightly lower figure at the end of the year, there were still 27 thousand more of these micro-businesses in the province than at the close of 1997.
- Unfortunately, there has been no such increase in the number of self-employed people with paid workers of their own. This group fell from 133 thousand in fourth quarter 1997, to 130 thousand in fourth quarter 1998. Increases in this category are more likely to reflect improving economic conditions, while increases of self-employed without paid workers may suggest scarcities of well paying, full-time employee jobs.
- Numbers of self-employed without paid workers have been increasing for some time. In 1992, self-employed without paid workers accounted for 56% of all self-employed in British Columbia. By 1998, this ratio had expanded to 67%.
- Other indications of difficult times for small businesses could be seen in statistics on the number of active businesses operating in the province. While businesses with 1 to 4 employees increased between fourth quarter 1997 and fourth quarter 1998, the number of businesses in larger employment size categories decreased. This suggests that

downsizing may have shifted businesses from larger employee size categories into smaller ones. Businesses in the 1 to 4 employment size category increased by 5%, as those in the 5 to 9 employee size range fell 4%; those in the 10 to 19 size range fell 7%, and those in the 20 to 49 size range fell 10%.

- Indicators of business start-ups and failures also indicated poor business conditions late last year. New business incorporations were down 11% in fourth quarter 1998 from the same quarter of 1997, as business bankruptcies were up 26%.

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



* 'Small Business' = 1 to 19 employees

BC STATS

Co-operative Movement Grows Through the 1990s

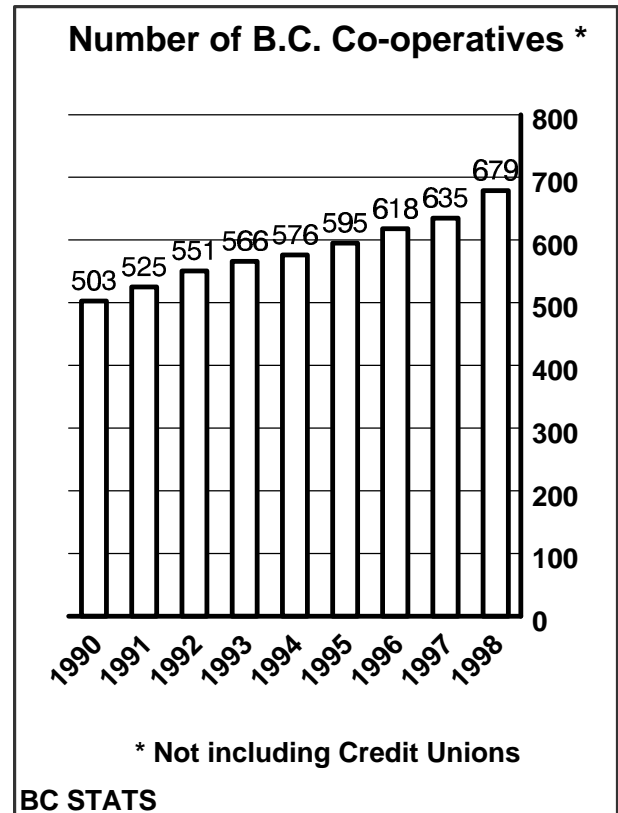
More co-operatives are being registered in British Columbia than ever before. Their numbers have increased in every year of this decade, rising 35 per cent from 503 in 1990 to 679 registered at the end of 1998.

Many Forms of Co-operative

Co-operatives come in many shapes and sizes, but most are small-scale business organisations in which the customers are also the owners. Goods or services are provided to members and operating surpluses, if any, are distributed back to the membership.

Co-operatives can be established to operate almost any type of business that might be carried out by a standard commercial enterprise. But they are more likely to be found in situations where consumers perceive that market competition is inadequate, or that standard commercial operations cannot or will not supply their needs for particular goods or services, at prices they can afford.

For example, residents of a rural community might establish a co-operative general store because no private retailer is willing to set up in their area, or because they mistrust the alternative of a single private retail outlet with a local monopoly. They may feel confident trying the co-operative route because their rural setting eases the problems of organising co-op members and maintaining the necessary democratic dialogue.



Although co-ops are often associated with rural communities, there have also been successful urban based co-ops. Some have been formed to service specific market niches not occupied by conventional commercial enterprises. An organic food co-op, for example, may be originally established to provide products generally unavailable in local grocery outlets, or at least, unavailable at acceptable prices

Once formed, co-ops can become more firmly established as their membership increases and becomes accustomed to co-operative procedures. Co-op operating guidelines may sometimes include adherence to moral or ethical principles relating to environmental issues, animal rights, local community concerns, or overseas human rights issues.

Some urban co-ops have grown very large. Vancouver based mountain Equipment Co-op claims 1.1 million Canadian members and another 100 thousand outside the country. It maintains large retail outlets in Vancouver, Calgary, Ottawa, Toronto and Edmonton, and is a major commercial player in the Canadian retail market for sports equipment and clothing.

But although retail co-ops boast some of the largest memberships, the most numerous co-ops in British Columbia are those providing housing services. Many were established to develop and operate housing projects built with federal or provincial government financial assistance. Social concerns have figured as much as economic forces in their creation.

There were 342 British Columbia housing

co-operatives registered in 1998, just over half of all co-operatives in the province. This proportion is large by comparison with other provinces. It reflects the greater need for alternative housing caused by the high cost of residential land in British Columbia.

Although housing co-ops are the most numerous in British Columbia, other types of co-operative are being created at a faster pace. During the 1990s, the fastest rates of co-operative formation have been for general services, marketing and production. Between 1990 and 1998, the number of co-operative ventures registered in these sectors grew 69 per cent, 61 per cent and 55 per cent, respectively.

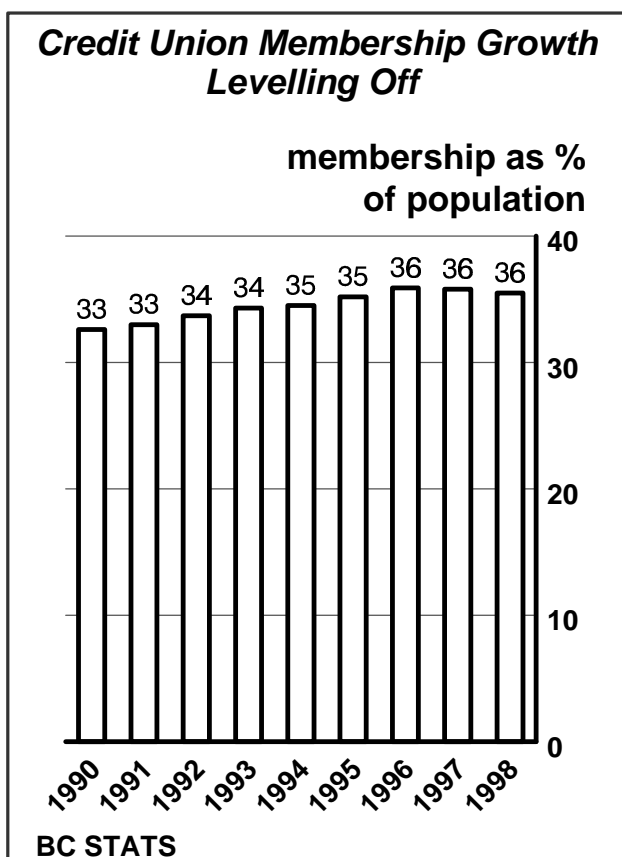
By comparison, the number of housing co-ops grew a relatively modest 20 per cent, slowed by a sharp reduction in the amount of government funding available for social housing projects.

B.C. Registered Co-operatives - By Type										% change
(not including Credit Unions)										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1990-1998
Housing	285	300	310	319	321	330	337	339	342	20.0%
Other Service	81	82	85	87	93	101	110	116	137	69.1%
Consumer	46	47	50	50	50	50	52	55	58	26.1%
Supply	8	9	10	11	11	11	11	11	11	37.5%
Production	47	51	56	59	61	62	64	65	73	55.3%
Marketing	36	36	40	40	40	41	44	49	58	61.1%
Total	503	525	551	566	576	595	618	635	679	35.0%
BC STATS										

A Credit Union Province

Credit unions are co-operative organisations providing financial services to their members. They are well established in British Columbia, accounting for a very large part of the province's co-operative business sector.

A series of mergers during the 1990s has reduced the number of credit unions operating in British Columbia from 111 in 1990, to 86 in 1998. This has been the result of consolidation in the movement, not a loss of market share to chartered banks or other types of financial service institutions. It has taken place as credit union membership in the province has been rising to record high levels.



Membership figures have risen every year this decade, climbing from 1,073 thousand in 1990, to 1,423 thousand in 1998. Growth was fastest in the first half of the decade, increasing by 322 thousand between 1990 and 1996. Since 1996, the number of credit union members in the province has risen by another 28 thousand.

In the years up to 1996 credit union memberships were rising at a faster pace than provincial population. In 1990 the ratio of credit union memberships to provincial population was 32.6 per cent. By 1996, this had risen to 35.9 per cent. However, since then the ratio has fallen somewhat, slipping to 35.5 per cent in 1998.

Canadian Co-operative Movement Concentrated In West

Canada's co-operative movement is strongest in the west. Saskatchewan in particular, has long been known for its large co-operative sector. There were 493 co-operative memberships per thousand people in Saskatchewan, in 1996. Alberta had the next highest concentration of any province, with 396 per thousand people. British Columbia followed with 334.

Prairie agricultural industries have played a key role in nurturing the western Canadian co-operative movement, and still include a wide variety of very active co-operative ventures. For example, in 1996, Saskatchewan could boast 174 grazing and feeder co-operatives, and numerous other types providing agricultural goods and services. In the same year, Alberta could claim 74 grazing and feeder co-ops, 138 rural electric co-ops, 82 water co-ops and 68 natural gas co-ops, among others.

Co-op experience gained in prairie agricultural appears to have produced a co-operative culture that has since taken root in urban settings.

Saskatchewan's commitment to co-operativism also extends to credit unions, giving it one of Canada's strongest credit union movements. However, it is not the province with the strongest or oldest credit union movement in Canada. That distinction goes to Quebec.

Quebec is the home of the first credit union in North America, established in 1900 at Levy by Alphonse Desjardins. Desjardin's 'Caisse Populaire' has grown into a very prominent force in the province's financial services industry, and has also spread to neighbouring provinces.

In 1996, the Quebec movement could claim 697 caisse populaire memberships per thousand people. Saskatchewan's rate of credit union membership was next with 544 per thousand people, and New Brunswick (where the Caisse Populaire is also well established) followed with 382 credit union memberships per thousand people. British Columbia followed New Brunswick with 360 memberships per thousand people.

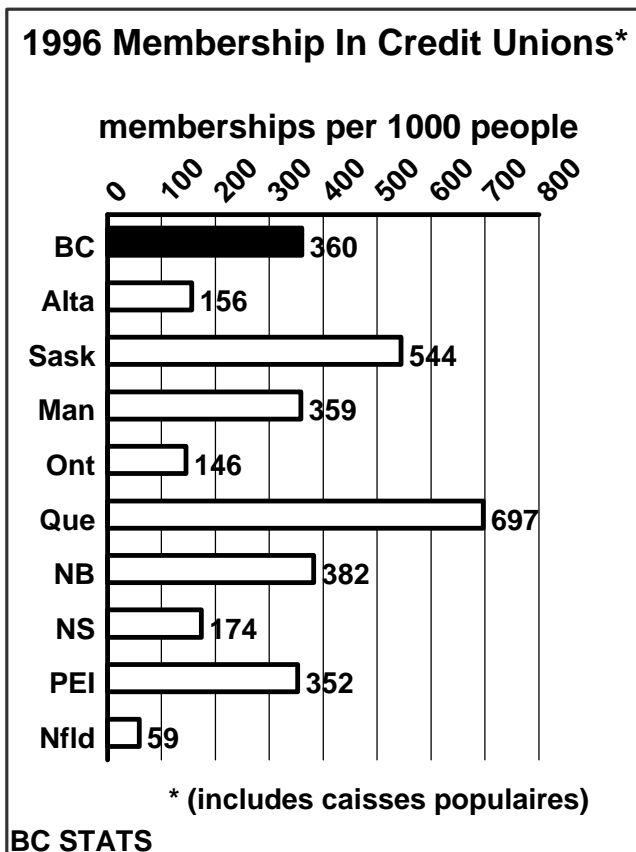
These rates are high by international standards. According to the World Council of Credit Unions, the movement is particularly well developed in Canada and the United States. They report that, at year-end 1997, there were 73 million credit union memberships in the United States and Canada. This compared with only 3 million for all of Europe, 9 million for Asia and 96 million worldwide.

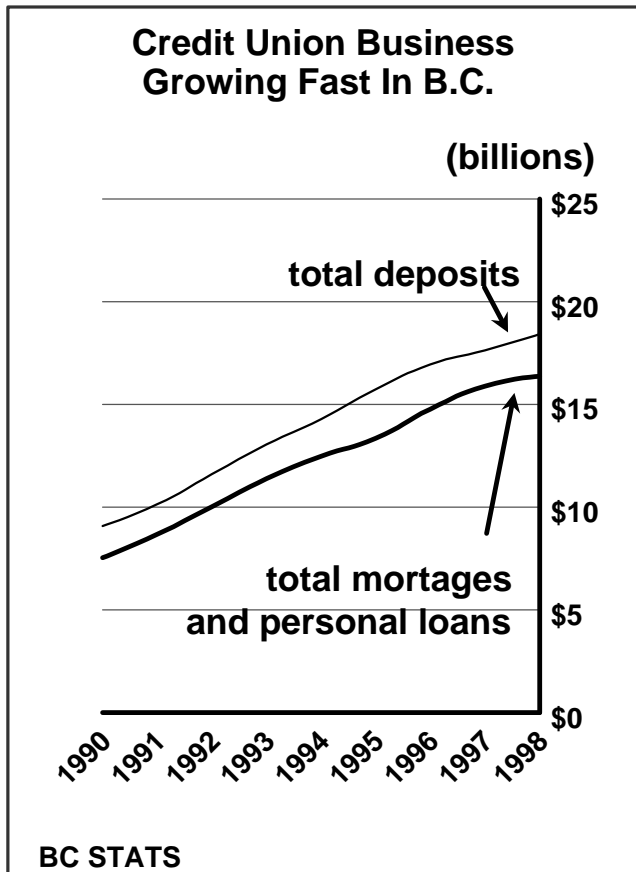
But the movement has also been taking hold in developing countries. Credit unions, along with other forms of co-operative enterprise, have come to be seen as valuable microeconomic tools for fostering development in third world economies. December 1997 figures from the World Council of Credit Unions indicate 3 million credit union members in Africa, 1 million in the Caribbean, and 5 million in Latin America.

Credit Unions A Growing Force In the British Columbia Economy

In many parts of Canada, credit unions have long since established an important place for themselves in the financial services industry.

British Columbia credit unions financed a substantial part of building activity in 1998, holding residential housing mortgages totalling \$13 billion, and non-residential mortgages totalling \$2 billion. Deposits in British Columbia credit unions amounted to \$18 billion.





But so far, credit unions have not yet caught

up with chartered banks in the volume of financial services business being conducted. At the third quarter of 1998 (the latest data available at time of writing), British Columbia credit unions accounted for an estimated 23 per cent of the total value of residential mortgage debt issued in the province by banks and credit unions combined. Credit unions accounted for 41 per cent of non-residential mortgage debt, and 9 per cent of personal loans. Their share of total deposits held either by credit unions or by chartered banks amounted to 25 per cent.

These ratios still lag those in Saskatchewan and Quebec, where credit unionism is more firmly established. However, the movement appears to be growing faster in British Columbia. The total value of deposits held by British Columbia credit unions grew 103 per cent between 1990 and 1998, from \$9 billion to \$18 billion. By comparison, the growth for credit union deposits was 19 per cent in Saskatchewan, and 44 per cent in Quebec.

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