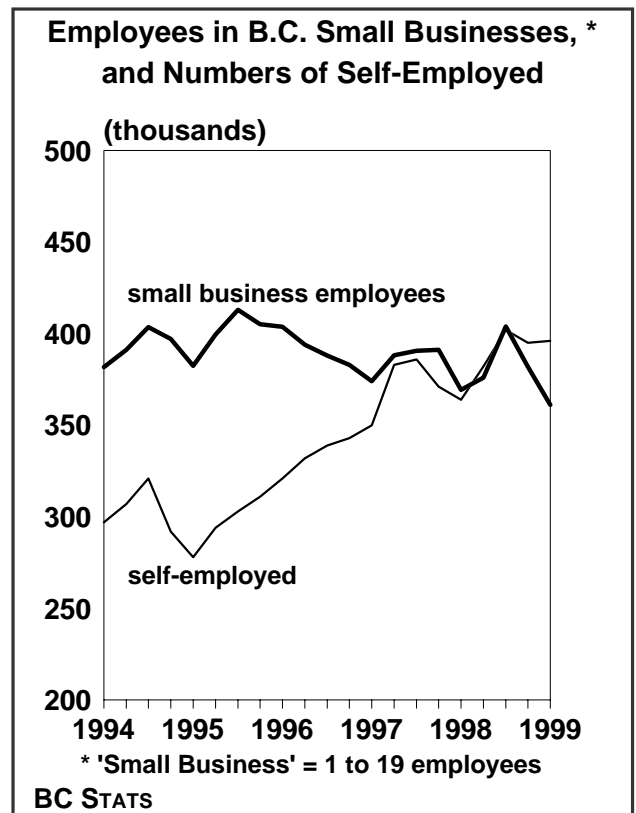


Small Business Quarterly ♦ First Quarter 1999

- Self-employed people with no employees of their own continue to account for most new small business growth in British Columbia. The number of self-employed workers without employees was up 11 per cent in first quarter 1999 from the same quarter of 1998. This compared to a 5 per cent rise in numbers of self-employed with employees.
- The number of self-employed workers without employees operating in the province amounted to 268 thousand in the first quarter of 1999, more than twice as many as the 128 thousand self-employed who had employees.
- The number of new business incorporations declined 4 per cent in the first quarter. The number of extraprovincial companies registering to do business in British Columbia dropped 9 per cent. These developments are consistent with patterns of previous years when business incorporations and extraprovincial registrations have fallen off during periods of weak economic growth.
- Business bankruptcies were up a sharp 38 per cent in first quarter. Increasing number of bankruptcies would be expected during a period of slow economic growth, but at least some of this rise reflects changes in regulations affecting the value of personal assets that can be retained after insolvency. These changes may have effectively weakened some of the disincentives to declaring bankruptcy.
- Consumer bankruptcies also rose, climbing 22 per cent in first quarter 1999 over the same months of 1998.
- The value of new business loans issued by chartered banks in British Columbia fell 2 per cent in first quarter 1999 from the same period of 1998. The drop for loans of less than \$500,000 was slightly sharper than for loans of greater than \$500,000. This may indicate a slightly greater drop in financing activity for smaller firms, than for larger firms.



Self-Employment In British Columbia Takes On New Profile

The 1990s have been a decade of unprecedented self-employment growth in British Columbia. Between 1990 and 1998, the number of self-employed workers rose 54 per cent, the sharpest increase recorded for any province. British Columbia now has proportionately more self-employed people in its non-agricultural workforce than any other province.

Each of these people is conventionally recorded as another small business, so that rapid growth in self-employment numbers has also produced a surge in the figures for small businesses operating in the province.

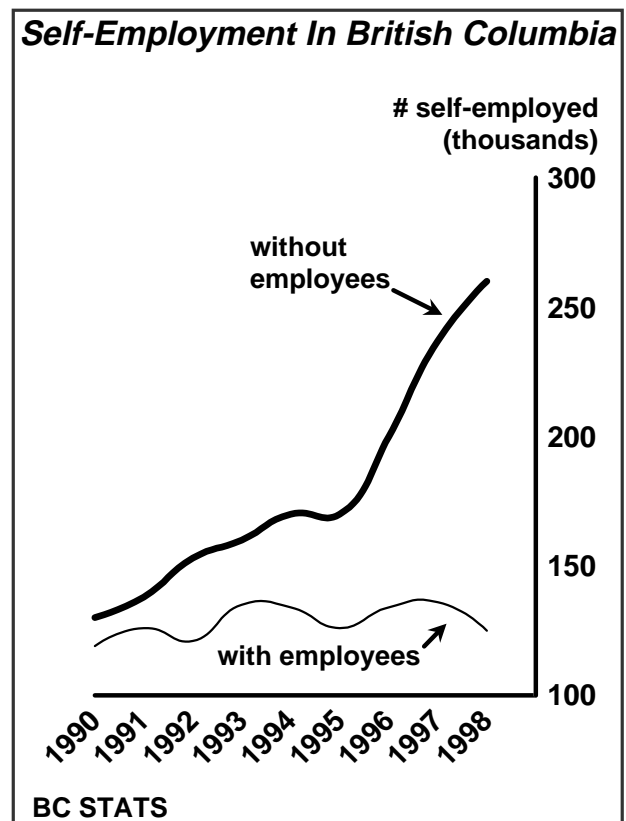
But few of the new self-employed have become employers. Most are 'own account workers', individuals operating on their own, without employees. This has been the pattern across Canada, but nowhere in Canada has there been such a sharp decrease in the proportion of self-employed who are employers, or the proportion who have incorporated their businesses.

These trends suggest that the conventional motivations for self-employment are changing. The new self-employed no doubt include many who are driven mainly by traditional entrepreneurial motivations - building their businesses and perhaps planning to become employers in the course of time. But others are less committed to self-employment as a career path. Students and semi-retired people, for example, may primarily seek the flexibility that self-employment can sometimes offer. Still others have been pressed into self-employment by the scarcity of good jobs, and might prefer to become employees should their options improve.

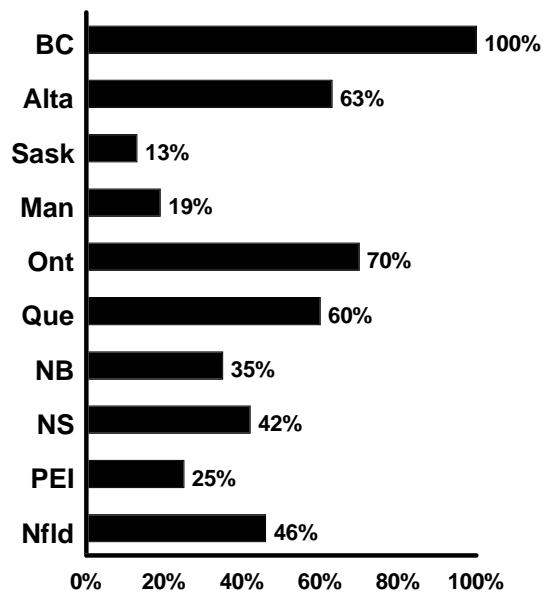
No recent employment statistics are available to explore the motives of people becoming self-employed. But current statistics clearly indicate that proportionately fewer self-employment ventures are creating jobs for anyone other than the self-employed themselves.

Fewer Employers Among Self-Employed

The number of self-employed British Columbians without employees doubled from 130 thousand to 260 thousand between 1990 and 1998. Over the same period, self-employed people with employees grew only slightly from 119 thousand to 125 thousand, so that the portion of all self-employed who were employers shrank from 47 per cent in 1990, to 32 per cent in 1998.



**1990 - 1998 Per Cent Growth
Self-Employed With No Employees**



BC STATS

This 15 percentage point drop was the sharpest for any province, and compared to a drop of 10 percentage points for Canada as a whole. British Columbia's more rapid decline in the percentage of self-employed who are employers has brought the province from three percentage points above the Canadian average in 1990, to two points below the Canadian average in 1998.

The trend for self-employed people not to hire employees has been particularly marked for males. The portion of self-employed British Columbia men with employees fell from 54 per cent in 1990, to 37 per cent in 1998. This reflected a drop in actual numbers from 92 thousand self-employed men with employees in 1990, to an estimated 90 thousand in 1998.

Self-employed women with employees rose from 27 thousand in 1990 to 36 thousand in 1998 - a 33 per cent increase. Meanwhile, the number of self-employed women without employees increased 98 per cent, from 54 thousand to 107 thousand. The result was proportionately fewer self-employed women employers - 24 per cent in 1998, as compared to 32 per cent in 1990.

Although self-employed men are still more likely to be employers than self-employed women, this is less true than it was at the beginning of the decade. In 1990, there was a 22 percentage point difference in the proportion of female self-employed who were employers and the proportion of male self-employed who were employers - 32 per cent of self-employed women with employees, as compared to 54 per cent of self-employed men. By 1998, the difference had narrowed to 13 percentage points - 24 per cent of self-employed women with employees, and 37 per cent of self-employed men.

Proportionately Fewer Self-Employed Incorporating Their Businesses

People may chose to incorporate their businesses for a number of reasons ranging from limiting liability or establishing preferred tax arrangements, to simplifying equity distribution. But generally, the choice to incorporate implies a certain level of commitment, and confidence in the future of the business. Not surprisingly, rates of business incorporations are linked with economic conditions in British Columbia.

The number of self-employed British Columbians who had not incorporated their businesses jumped 69 per cent between 1990 and 1998, as the number with incorporated businesses rose only 33 per cent.

By 1998, there were far more unincorporated self-employed in the province than incorporated self-employed – 257 thousand as compared to 129 thousand.

Self-employed women were less likely to be incorporated than self-employed men. The 34 thousand self-employed women in British Columbia who had incorporated amounted to 23 per cent of all self-employed women. This compared to 39 per cent for men who had incorporated.

More Self-Employed People Working Short Hours

A growing portion of self-employed people in British Columbia are working less than forty hours per week.

In 1990, 42 per cent of British Columbia self-employed people reported their average working hours to be less than 40 per week. By 1998, this portion had risen to 49 per cent. Those working a 40 hour week shrank from 18 per cent to 16 per cent of the total, between 1990 and 1998. Those working more than 40 hours fell from 38 per cent to 35 per cent.

These trends suggest that semi-retired people, students, and others working part-time are accounting for a growing portion of the self-employed workforce.

Self-employed women were far more likely to be working shorter hours than self-employed men in 1998. Sixty-six per cent of self-employed women worked less than 40 hours per week, as compared to 39 per cent of men.

For both sexes the percentages of self-employed people who were working less than 40 hours per week on average grew between 1990 and 1998. However, the trend was strongest for women. Between 1990 and 1998, there was a 112 per cent increase in the number of women working an average of 15 to 29 hours per week, and a 105 per cent increase in the number of women working 30 to 34 hour weeks.

By comparison, the number of self-employed men working 15 to 29 hours increased 98 per cent, while the number working 30 to 34 hour weeks increased 82 per cent.

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