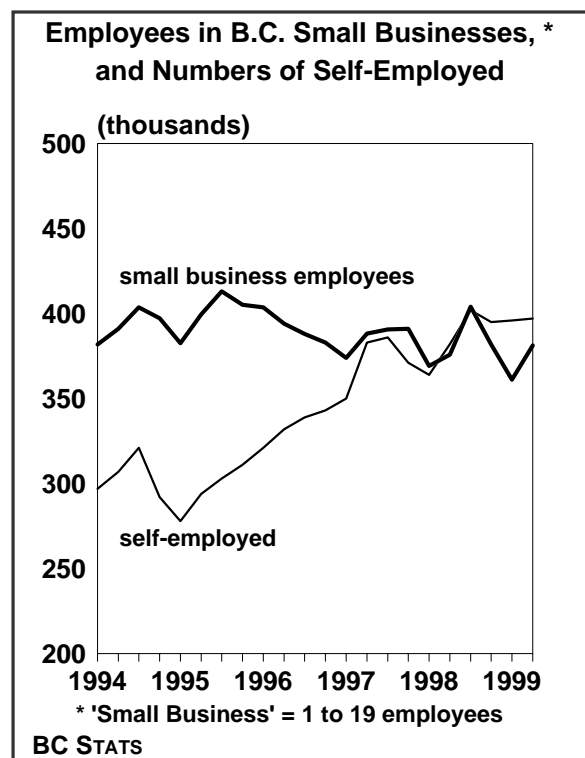


Small Business Quarterly ♦ Second Quarter 1999

- Self-employed people with employees of their own rose 11 per cent in second quarter, over the same months of 1998. This reflected a net increase of 13 thousand.
- This indication of small business growth was supported by a 2 per cent increase in the total number of businesses with between 1 and 4 employees. The total number of businesses of all sizes increased 1 per cent.
- A third positive indicator of small business growth in the province was a 2 per cent rise in the number of new business incorporations, from 5,270 in second quarter 1998 to 5,362 in second quarter this year. There was an even stronger gain (9 per cent) in the number of businesses incorporated outside the province registering to do business in British Columbia.
- A more ambiguous reading was the 1 per cent second quarter rise in the number of self-employed people without paid employees. Growth in this category of self-employment is more difficult to identify as positive or negative, since it can include people 'pushed' into self-employment by poor job prospects, as well as those 'pulled' into self-employment by such attractions as freedom or flexibility of work arrangements.
- On the negative side, business bankruptcies were up 5 per cent over second quarter 1998, an increase from 261 to 274. This may have indicated some worsening of business conditions, but there are also other potential reasons.

The long-term increase in the number of small businesses in the province provides a larger pool of business enterprises that could potentially become bankrupt.

- Consumer bankruptcies were up a modest 2 per cent in second quarter over the same months of 1998.
- The cumulative value of business loans under the value of \$200,000 issued by chartered banks in British Columbia dropped by 3 per cent in second quarter. The value of loans of between \$200,000 and \$500,000 dropped by 6 per cent. These drops may reflect a decline in new investment by small firms.



A Quarter of All Employees In British Columbia Work for Small Employers

'Small employers' as described here are those with fewer than 20 employees. Some are government (public sector) operations, but most are small private sector businesses. Some may operate at more than one location. All employ less than 20 people at all locations combined.

This report is based on data that have only recently become available from Statistics Canada's Labour Force Survey.

A substantial part of British Columbia's workforce now works for employers with payrolls of less than 20 people. The 360 thousand employees working for small employers in 1998 constituted 25 per cent of all employees in the province.

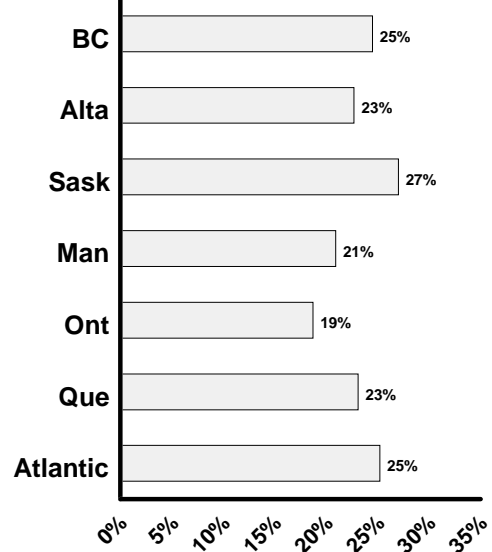
Changes in the economy, and especially growth in the services sector suggest that these figures could climb higher. Projections for the new economy often include more people working in small, specialised knowledge based businesses.

Women and the Young More Likely to Be Working For Small Employers

Female employees were generally more likely to be working for small employers in 1998 than were male employees. Twenty-six per cent of British Columbia women employees worked for small employers as compared to 23 per cent of male employees.

B.C. Among Provinces Relying Most On Small Employers For Jobs

(% of employees working for small employers - 1998)

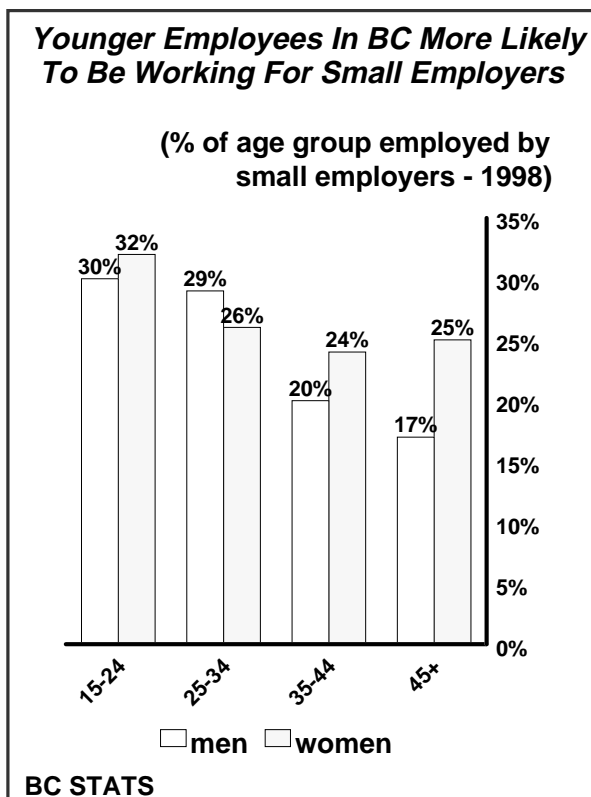


BC STATS

Younger workers of either sex were also more likely to be working for small employers. This is not surprising, as younger workers could be expected to be concentrated in more recently formed businesses; and recently formed businesses are likely to be smaller. Thirty-one per cent of employees between the ages of 15 and 24 were working for small employers, as compared to 21 per cent of employees over the age of 45.

Younger women employees were only slightly more likely to be working for small employers than younger men. But older women were considerably more likely to be working for small employers than were older men.

Thirty-two per cent of female employees aged 15 to 24 were working for small employers in 1998, as compared to 30 per cent of male employees in that age group. The portion of female workers 45 years of age or older who were working for small employers was 25 per cent, seven percentage points less than for females in the 15 to 24 year age group. But only 17 per cent of male employees 45 years of age and older were working for small employers, 13 percentage points less than for males in the 15 to 24 year age group.



Small Employers Less Likely to Be Unionised

Employees working for small employers were much less likely to be unionised than employees working for employers with more than 20 people on staff.

Smaller bargaining units are generally less practical targets for union organising drives because the resources required produce relatively fewer new members, and because capital investment in the business is apt to be smaller and possibly more portable, effectively increasing the options open to management.

Only 8 per cent of British Columbians working for small employers were unionised in 1998, compared to 44 per cent of those working for employers with 20 or more employees. Men who worked for small employers were more likely to be unionised than women – 10 per cent as compared to 6 per cent.

The younger a person was who was working for a small employer, the less the chance that they were a union member. Thirteen per cent of people aged 45 and over working for small employers in British Columbia were union members in 1998. This ratio fell to 9 per cent for those aged 35 to 44. It dropped to 6 per cent for those aged 25 to 34, and to less than 3 per cent for those aged 15 to 24.

The age pattern was similar for larger employers, with older workers more likely to be unionised than younger workers. Unionisation rates of people working for larger employers ranged from 56 per cent for those aged 45 and over, to 20 per cent for those aged 15 to 24.

Hourly Wage Rates Lower On Average, For Small Employers

Average hourly wage rates earned by British Columbians working for small employers were less than those earned by people working for employers with 20 or more employees on staff.

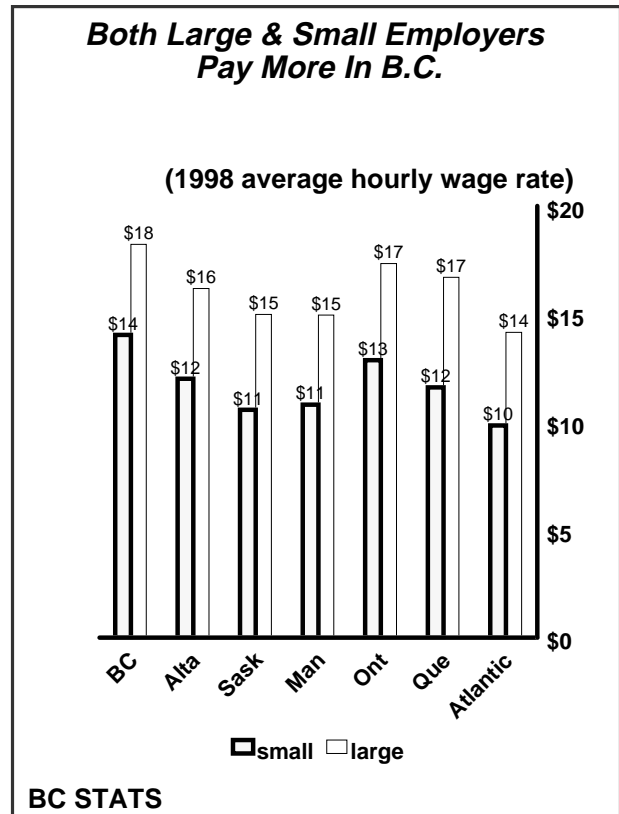
The \$14.03 average hourly wage earned by people working for small employers in 1998 amounted to 77 per cent of the average rate of those working for larger employers.

This figure is not a precise indicator of employee earnings because it does not take into account average hours worked. It may be that people working for smaller employers put in longer hours. If that were so, it would boost their earnings to a level closer to the earnings of people working for larger employers. With no statistics presently available to explore this, it can only be stated that people employed by smaller employers receive less, on average, for each hour worked than people working for larger employers.

This pattern applied for both sexes and across age groups. However, the difference in average hourly wage rates was less when employees were unionised. Unionised workers employed by small employers earned an average hourly rate that was 90 per cent of the average rate earned by unionised workers employed by larger employers.

There are a number of possible reasons why people working for small employers would earn less than people working for large employers.

Retail and other service businesses in which many small employers are concentrated are not traditionally high wage industries. It could also be that collective bargaining gains are reflected in higher wage rates, so that average wage rates are lower in the largely non-unionised small employer labour force.



Small Employers Pay Better In British Columbia Than Elsewhere In Canada

Average hourly wage rates are higher in British Columbia, both for small and large employers. Possible reasons for this include the province's industrial mix, its high minimum wage, and its relatively high rates of unionisation. Wage settlements granted union workers may set standards, to some extent, for workers in the non-unionised sector.

People working for small employers in British Columbia earned higher average hourly wage rates than people working for small employers elsewhere in Canada.

At \$14.03, the British Columbia small employer wage rate was substantially above the next highest rate of \$12.86 in Ontario, and well above the \$12.20 average hourly wage rate for all Canada. The lowest average wage rates for small employers were in Saskatchewan (\$10.55) and in the Atlantic provinces (\$9.83).

The gap between small employer rates and large employer rates is relatively smaller in British Columbia than in any other province. British Columbia small employer wage rates averaged 77 per cent of wage rates paid by large employers in 1998. This compared to a Canadian average of 73 per cent. The

next highest provincial ratio was 74 per cent in both Alberta and Ontario. The lowest ratios were for Quebec, Saskatchewan and the Atlantic provinces, all at 70 per cent

British Columbia also claims the distinction of having the highest unionisation rate for people working for small employers. Eight per cent of British Columbians working for small employers were unionised in 1998, compared to 7 per cent in Quebec (the next highest) and only 3 per cent in Alberta. The Canadian average was 6 per cent.

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