

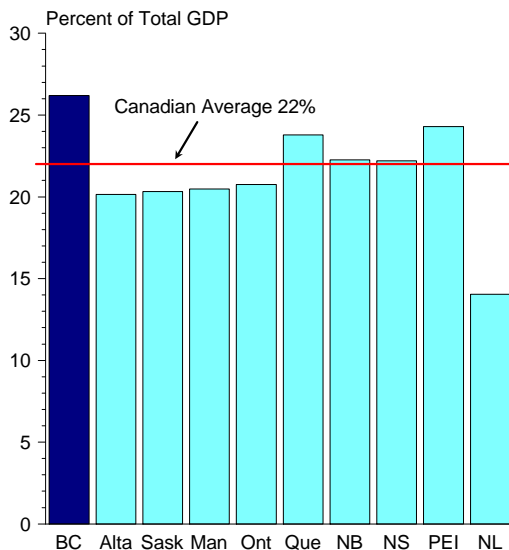
Business Indicators ♦ October 2005

Small Business Plays a Large Role in BC's Economy¹

The small business sector is a key instrument of job creation and economic growth in British Columbia. It is the primary source of private sector jobs in the province, reflecting an ongoing trend toward economic diversification. It is also a vital source of innovation: approximately 95% of high technology businesses in BC are small businesses.

Among the provinces, the importance of small business is most acute in British Columbia. In 2004, approximately 26% of the province's GDP was generated by the small business sector. This was the highest rate of contribution of any province and well above the national rate of 22%.

BC ranked first among the provinces in terms of proportion of GDP generated by small business



A business is defined as a small business if it is either:

- A business with fewer than 50 employees
- A business operated by a self-employed person with no paid help

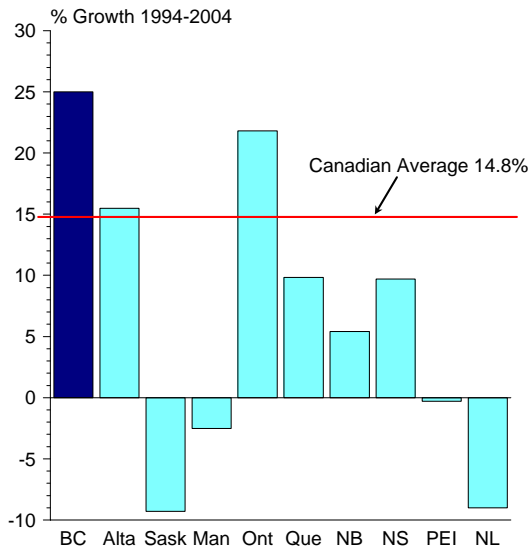
Small business keeps growing in BC

There were a total of 363,000 businesses operating in British Columbia in 2004, of which 98% (355,600) were small businesses. Of these, well over half (56%) were operated by self-employed individuals with no paid employees. The total number of small businesses operating in the province increased for the third consecutive year in 2004, edging up 0.5% from 2003. A boost in the number of self-employed entrepreneurs working alone (+1.1%) was responsible for the increase as the number of businesses with employees actually dipped 0.2%, marking the first time in at least 15 years that there has been a drop in the number of small businesses with employees.

Over the last decade, BC has led the country in terms of growth in the number of small businesses. Between 1994 and 2004, the count of small businesses in the province climbed 25.0%, well above the national average of 14.8% growth. The only other provinces to exceed the Canadian average were Ontario, with a 21.8% rise in the number of small businesses and Alberta, where the small business count jumped 15.5%.

¹ This article is a summary of a larger publication entitled "Small Business Profile 2005," which is available online at http://www.bcstats.gov.bc.ca/data/bus_stat/busind/sm_bus/SBP2005.pdf

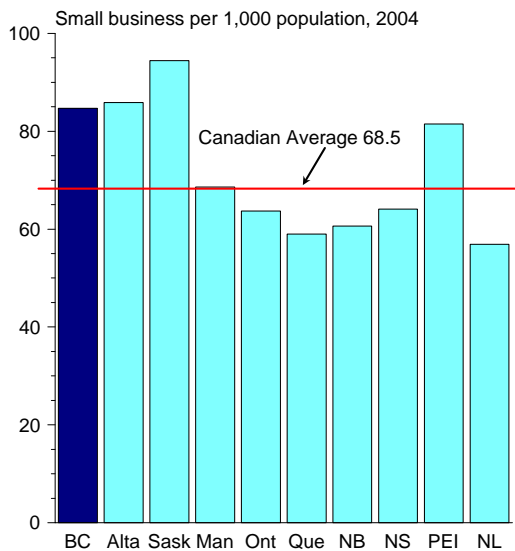
BC led the country in growth in the number of small businesses between 1994 and 2004



Small business bigger in the West

There is a much higher prevalence of small businesses in Western Canada compared to the rest of the country, at least in terms of businesses per capita. In 2004, BC ranked third among the provinces with 84.7 small businesses per 1,000 people.

Western Canada generally has more small businesses per capita



Only Saskatchewan (94.4) and Alberta (85.9) had more small businesses relative to

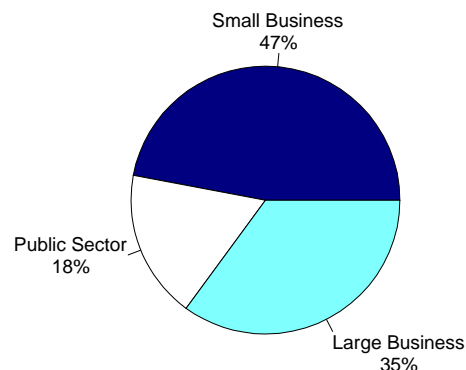
their populations. The only other provinces exceeding the Canadian average of 68.5 small businesses per 1,000 people were PEI (81.5) and, marginally, Manitoba (68.6).

Almost half of working people in BC work in small business

Small businesses can be found in a wide spectrum of activities ranging from “mom and pop” corner stores to self-employed computer programmers to small lumber milling operations, just to name a few. Almost three-quarters of all businesses in the province are in the service sector, with small businesses only slightly more likely to be providing a service compared to large businesses.

This diverse small business sector employs almost half of all working British Columbians. In 2004, there were 971,000 people employed by the small business sector in BC, or 47% of total employment. Excluding the public sector from the calculation, small business accounted for 57% of all private sector jobs in the province, ranking BC second among the provinces, marginally behind Saskatchewan by one-tenth of a percentage point. By comparison, only 50% of private sector employment in Canada as a whole was supplied by small business. Ontario, with less than 46%, had the least dependence on small business for private sector employment.

Almost half of all jobs in BC were in small business in 2004



Small business employment in BC climbed 3.3% in 2004, marking the third straight year of growth, following on the heels of two years of declines. Both employees of small businesses and self-employed individuals have contributed to the expansion in employment in the last few years. BC's small business employment growth was well above the national average of 1.9% and ranked second only to Newfoundland and Labrador, which saw 4.3% growth in small business employment.

The Northeast region leads the province in small business growth

Within the province, the Northeast region has had the strongest economic growth in recent years, mainly as a result of activity in the oil and gas sector, and this has been reflected in rising numbers of small businesses and small business employment within the area. Between 1999 and 2004, the number of small businesses in the Northeast region grew at an average annual rate of 5.4%, by far the fastest increase in the province. In fact, Kootenay (+1.5%) and Mainland/Southwest (+0.6%) were the only other regions in the province to experience growth in the number of small businesses. Provincially, there was an average annual drop of 0.2% in the number of small businesses over this five-year period.

The Northeast was also among the top regions in terms of expansion in self-employment. The 16.7% jump in the number of self-employed from 1999 to 2004 in the Northeast region was second only to Thompson-Okanagan (+17.9%). On the opposite end of the scale, Vancouver Island/Coast saw a 19.2% fall in self-employment in the five-year period. Cariboo (-13.3%) also had a double-digit decline in the number of self-employed. The provincial average was a 1.0% drop over the period.

Self-employment has grown

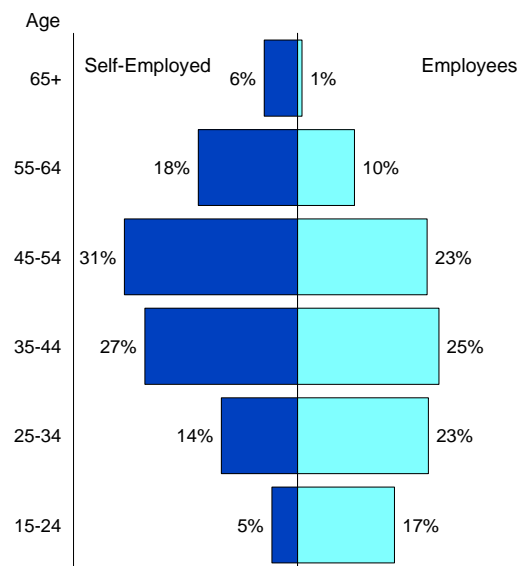
Although the number of self-employed dipped through the early part of the dec-

ade, a longer-term view shows that there has been a trend toward increasing self-employment, particularly self-employed without paid help. The number of self-employed *without* paid help was more than double that of self-employed *with* paid help in 2004, which is a substantial transformation from a decade earlier when the margin between the two groups was much smaller. The rapid growth in self-employed working alone is not a phenomenon unique to BC. The same pattern is evident throughout the country and even around the world.

Self-employed have a different profile compared to employees

The average self-employed person in British Columbia tends to be older than the average employee. Well over half (58%) of the self-employed are between the ages of 35 and 54, compared to only 48% of employees. While 40% of employees are under the age of 35, only 19% of self-employed business owners fit this description. At the other end of the scale, 24% of entrepreneurs are 55 and over compared to only 11% of employees.

Self-employed workers in BC tend to be older on average



Almost two-thirds (65%) of the self-employed in BC in 2004 were men. By com-

parison, employees were equally likely to be men or women. Nevertheless, BC had a higher percentage of self-employed who were women (35%) compared to the national average (34%).

Another difference between the self-employed and employees is in terms of hours worked. The average work week for a self-employed person in BC was 40.1 hours in 2004, compared to 34.9 hours for all employees.

In British Columbia, the self-employed comprised just under 19% of total employment. Only Saskatchewan (20%) had a higher proportion of self-employed workers than BC in 2004. The lowest proportion of self-employed was in New Brunswick, at 12%, while the Canadian average was just over 15%.

With BC at or near the top rank among the provinces in categories such as small business employment (including self-employment), growth of small businesses and output generated by the small business sector (GDP), it is clear that small businesses are a vital component of the province's economy.