

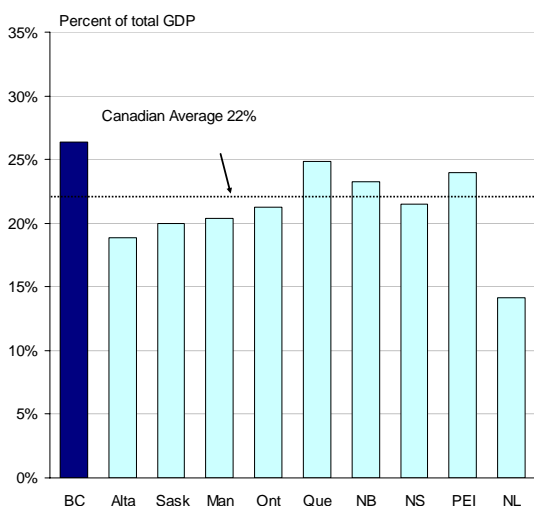
Business Indicators ♦ October 2006

Small Business Continues to Expand in BC¹

It is always interesting to look at how small business fares in the province, especially in view of the recent buzz about BC's hot economic climate, labour shortages and the upcoming 2010 Olympic Games. Small business contributes to the provincial economy not only by creating and maintaining jobs, but also through its production of goods and services, and by meeting payrolls that support families and stimulate further economic activity.

In 2005, British Columbia's small business accounted for 26% of provincial GDP, the highest of all provinces and well above the Canadian average (22%). This indicates that small business plays a more significant role in the provincial economy in British Columbia than it does in other parts of the country.

BC ranked first among the provinces in 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*
- *Operated by a self-employed person with no paid help*

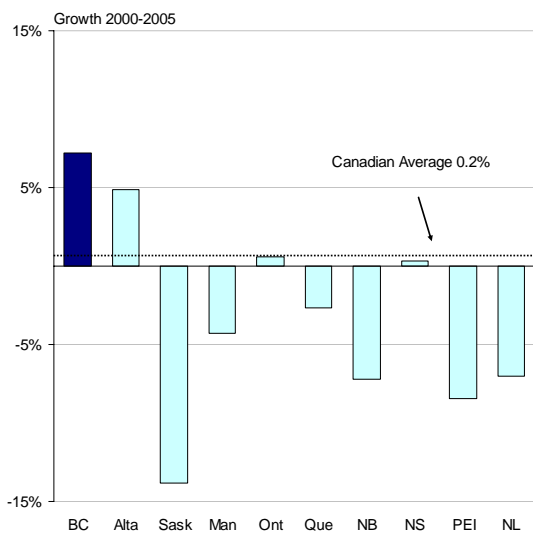
Small business continues to climb in BC

The number of businesses in British Columbia in 2005 totalled 371,700. Of those, about 98%, or 364,000, were small businesses. Just over 56% of all businesses in the province were operated by self-employed individuals with no paid employees. In 2005, the total number of small businesses operating in the province increased for the fourth straight year, up 1.7% from 2004. Both small businesses with employees (+2.6%) and businesses operated by unincorporated self-employed individuals without paid help (+1.1%) increased in number.

Over the past five years, British Columbia has led the provinces in growth in the number of small businesses. Between 2000 and 2005, the count of small businesses in the province climbed 7.2%, well above the national growth average of 0.2%. Alberta (+4.9%), Ontario (+0.6%) and Nova Scotia (+0.3%) were the only other provinces to exceed the Canadian average. Declines among other provinces ranged from 2.7 percent in Quebec to 13.8% in Saskatchewan.

¹ This article is a summary of a larger publication entitled "Small Business Profile 2006," which is available online at http://www.bcstats.gov.bc.ca/data/bus_stat/busind/sm_bus/SBP2006.pdf

BC led the country in growth in the number of small businesses between 2000 and 2005

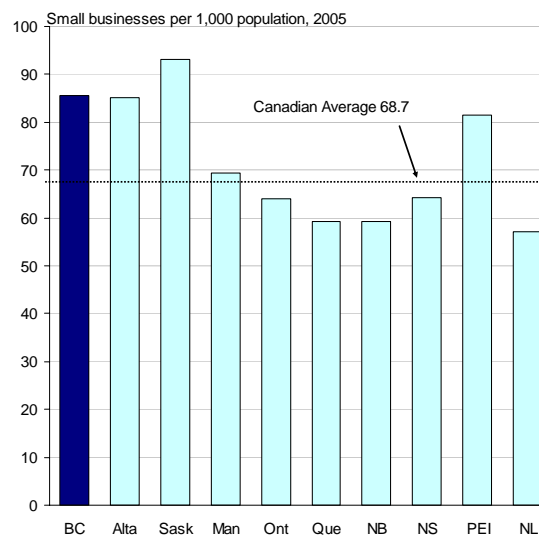


BC's significant growth over this five year period translates to an average expansion of 4,900 small businesses per year, an average annual growth rate of 1.4%. Overall small business growth remained on par with that of large businesses (those with 50 or more employees), which also grew at an average annual rate of 1.4% from 2000 to 2005.

Western Canada generally has more small businesses per capita

In terms of businesses per capita, small businesses are more prevalent in Western Canada compared to the rest of the country. In 2005, British Columbia surpassed Alberta (85.1) ranking second among the provinces with 85.5 small businesses per 1,000 people. Saskatchewan had the highest ratio of small businesses to population with 93.0 per 1,000 people, while the only other provinces exceeding the Canadian average of 68.7 small businesses per 1,000 people were Prince Edward Island (81.4) and, marginally, Manitoba (69.4).

Small business is bigger in western Canada

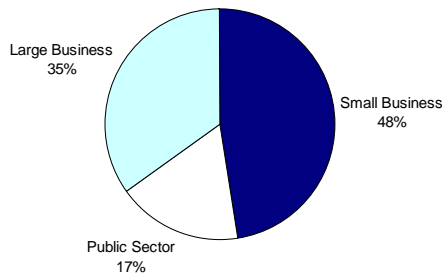


Small business accounts for nearly half of all jobs in the province

The activities in which small businesses in British Columbia are engaged are diverse and can range from family-owned and operated restaurants to self-employed software engineers to small lumber milling operations. Almost three-quarters of all businesses in the province are in service sector industries, with small businesses only slightly more likely to be providing a service compared to large businesses.

Approximately 1,012,100 jobs in BC were derived from small business in 2005. This accounts for 48% of total employment in the province, a slight increase from the share of jobs attributed to small business in 2004 (47%). The private sector (including both small and large businesses) employed 1,760,800 people in the province in 2005. The 1,012,100 people working for a small business translate to 57% of private sector jobs. This ratio has remained essentially unchanged since 1999. In 2005, self-employed workers represented 24% of total private sector employment. Of those people who were employed by a business, 44% worked for a small business and the remaining 56% were employees of large businesses.

Almost half the working people in BC worked in small business



Small business employment in British Columbia grew for the fourth straight year in 2005, climbing by 3.8%. Both employees of small businesses and self-employed individuals have contributed to the expansion in employment in the last few years.

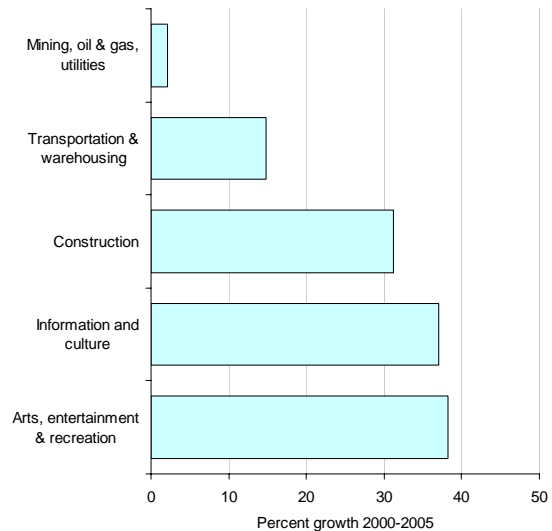
The 3.8% rise in small business employment in British Columbia between 2004 and 2005 was by far the most significant in the country and well above the Canadian average of 0.9%. Other than British Columbia, only Quebec (+1.7%) had a rate of growth higher than one percent. A recent construction boom in both housing and other projects has contributed significantly to the surge in small business employment in British Columbia.

Construction sector created the most new jobs between 2000 and 2005

With an employment increase of 31.3%, the construction industry was the largest provider of new jobs between 2000 and 2005. As a result of the recent construction surge in the province, approximately 16,000 jobs were created in this industry over the five year period. The retail trade sector also added a substantial number of new jobs, increasing its employment by 13.5% and creating over 10,000 new jobs. The arts, entertainment & recreation sector recorded the most significant increase in employment over this period with a 38.2% spike in em-

ployment (an addition of about 3,500 jobs) and, with equally solid increases, the information and cultural (+37.0%, or approximately 2,300 new jobs) industry was not far behind.

Small business employment - fastest growing industries in British Columbia, 2000-2005



Self-employment is on the rise

Over the past five years, the proportion of total employment comprised of self-employed workers has been increasing in BC. In 2005, self-employment accounted for 19.5% of total employment, up 0.5 percentage points from 2004.

The number of self-employed *without* paid help (regardless of incorporation status) was almost double that of self-employed *with* paid help in 2005. This was far from the case a decade earlier, when the number of self-employed operating in British Columbia was fairly evenly split between those with paid help and those without paid help. In 1995, there were 1.3 self-employed without paid help for every self-employed person with employees. The number of self-employed working alone soared between 1995 and 1998 and has since retained close to a two-to-one ratio to self-employed with paid employees. Although between 2004

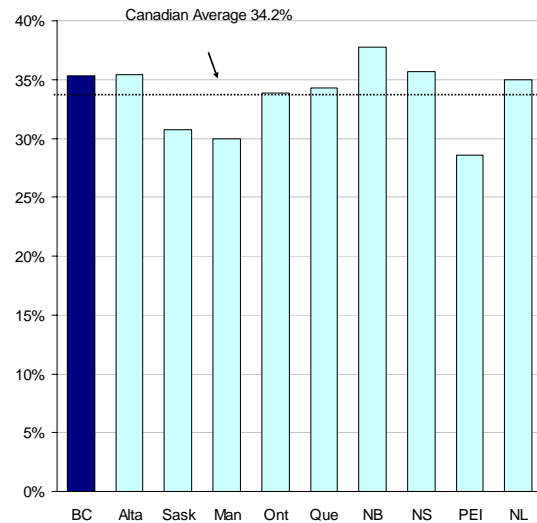
and 2005 the number of self-employed with paid help (+14.8%) increased at a quicker pace than did those without paid help (+8.5%), the gap between the two classes of self-employed persons remains much wider than a decade ago.

Self-employed characteristics differ from those of employees

On average, self-employed people tend to be older, are more often men and work longer hours. Well over half (57%) of the self-employed are between the ages of 35 and 54, compared to only 47% of employees. While 41% of employees are under the age of 35, only 17% of self-employed business owners fit this description. Conversely, 26% of entrepreneurs are aged 55 and over, compared to only 12% of employees.

Another difference that emerges between self-employed persons versus employees is in terms of gender balance. While workers who are employees are equally likely to be men or women, those that are self-employed are more often men. In 2005, in British Columbia, almost two-thirds (65%) of the self-employed were men. However, there is a higher proportion of self-employed that are women in the province (35%) compared to the national average (34%).

Proportion of BC small businesses owned by women is above the national average



There is a substantial difference between self-employed and employees in terms of the usual number of hours worked per week. On average, the self-employed have much longer work days compared to employees. While a significant majority of employees work between 35 and 40 hours per week (64%), only 27% of the self-employed fit in this category. Nearly one third of the self-employed work 50 or more hours per week, compared to only five percent of employees. The average work week for all self-employed workers is 39.5 hours, compared to 35.2 hours for all employees. The disparity between employees and the self-employed in terms of hours worked per week has remained comparatively unchanged over the last five years. The average work week for self-employed workers in British Columbia has fluctuated just slightly (between approximately 38 and 40 hours) in the past decade, while the average for employees has also remained fairly stable (between about 35 and 36 hours per week).

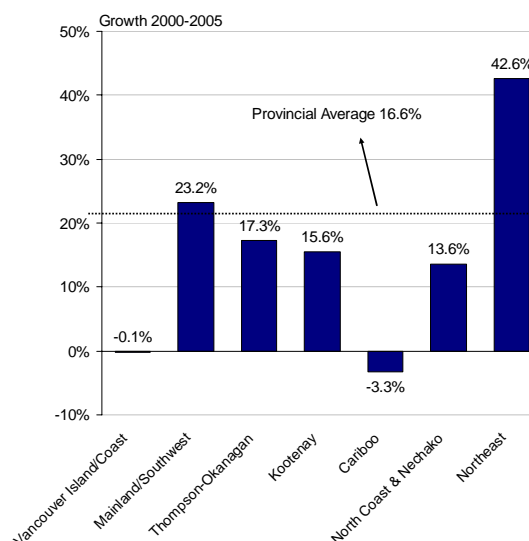
The Northeast region is BC's leader in small business growth

Over the last five years, five of British Columbia's seven regions recorded growth in the number of small businesses. Between 2000 and 2005, the Northeast region led the province in growth in the number of small businesses with an average annual growth rate of 3.8%. This translates to an average increase of 200 businesses per year. The Kootenay region (+3.4%) was second in terms of average annual growth, adding an average of 500 net new small businesses per year, followed by Mainland/Southwest (+1.8%), which added an average of 3,500 small businesses annually. Two regions showed declines in the number of small businesses: the North Coast and Nechako region (-1.9%), which declined by an annual average of about 200 businesses, and Cariboo (-0.5%), which lost an average of about 100 businesses per year. Struggles in the forest sector related to the softwood lumber dispute and problems with the mountain pine beetle were likely major contributors to the falling numbers of small businesses, particularly in the Cariboo.

The Vancouver Island/Coast region and Thompson/Okanagan experienced steady, but less prominent growth in the number of small businesses, with 0.5 and 0.3 percent average annual growth rates, respectively, between 2000 and 2005.

As with total small business growth, the Northeast led the province with the strongest growth in the number of self-employed between 2000 and 2005. This region recorded a 42.6% increase in self-employment, almost 20 percentage points higher than the next fastest growing region, Mainland/Southwest (+23.2%).

Self-employment growth rate highest in Northeast



Small business poised to continue growing in BC

The growth in the Internet and other communications technologies has helped make the world a smaller place, at least in a business sense. The small business sector is already an important part of the British Columbia economy and new technology could help it grow and become even more essential in the future.

It is inarguable that small business in BC has, in more ways than one, shown significant signs of growth in recent years. Indeed, small business appears poised to continue to expand and remains a vital and vibrant part of the province's economic landscape.