



BRITISH COLUMBIA BUSINESS INDICATORS

July 1996

Small Business Job Creation

Small business has earned a reputation as a source of new jobs, even in times when the rest of the economy may be at a standstill. In this note we check the record of the last decade to verify the performance of small business. We then look at some new and up-to-date statistics to assess the most recent developments, and their importance to the overall structure of the economy.

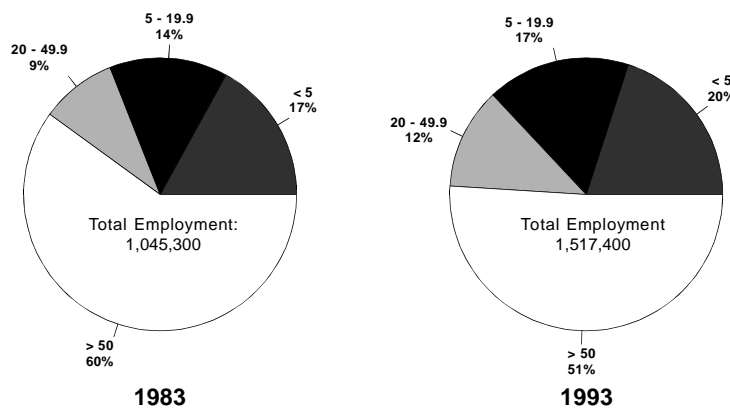
The Past Decade

Small business is defined here to include all enterprises with fifty or fewer employees, plus the unincorporated self-employed with no paid employees. Because firms of medium size (20–50 employees) are included, this group of businesses are referred to as SMEs (small and medium enterprises). The inclusion of the

self-employed among the SMEs recognizes the growing importance of self-employment in small business job creation, while the exclusion of those self-employed who are incorporated, or who have paid workers, provides a conservative estimate of the total numbers.

SMEs account for almost 98 per cent of all businesses in the province. Their numbers increased by 55 per cent between 1983 and 1993, while the number of large businesses increased by 28 per cent over the same period. Large businesses, however, remain major players in the economy. They account for just over 50 per cent of all employment. Nevertheless, the record shows that small businesses accounted for 67 per cent of the net employment creation over the ten years.

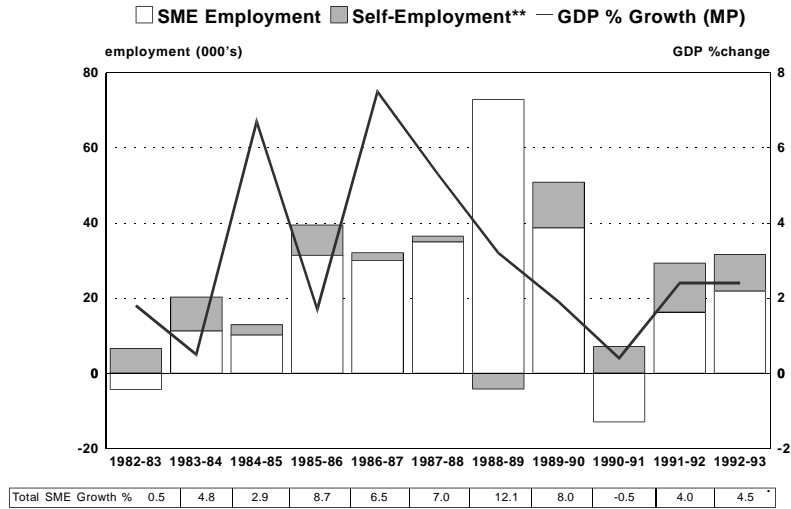
**Distribution of Employment* by Firm Size
British Columbia, 1983 and 1993**



1983 SME Employment 40.0%	1993 SME Employment 48.7%
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*Excludes public administration. Includes self-employed
Source: Employment Dynamics & Labour Force Survey, Statistics Canada.

SME Employment* Change B.C. 1982-1993



*Excludes public administration.
 ** Unincorporated Self-Employed with no paid workers
 Source: Employment Dynamics, Labour Force Survey, & Provincial Economic Accounts, Statistics Canada

SME Employment Change B.C. 1982-1993



Source: Labour Force Survey & SEPH, Statistics Canada

Despite an impressive performance, SME employment growth has not always been consistent. The chart at the top of the facing page shows the year by year variations.

SME employment growth was relatively weak during the recession and recovery of the early '80s, although there were some significant gains in self-employment. In the mid to late '80s SME employment blossomed, and was particularly strong when overall economic activity was weakening in 1988–1990. In the recession year of 1991, SME growth weakened as well; however, the '90s appear to mark the beginning of a period of dramatic growth in the self-employment component. This coincides with economic growth that has been lower on average than in the preceding decade. It is a time when "downsizing" and "economic restraint" seem to more in the public eye, but it may also be a time of SME dynamism and innovation.

The Present

While 1993 is the latest year for which income tax based information on SMEs is available, current information based on surveys and payroll deductions has recently been developed by Statistics Canada . This information indicates that SME employment creation continued in the middle '90s. In terms of paid employees, however, large businesses regained some prominence, accounting for almost 50% of job creation in 1994 and 1995. While the number of unincorporated self-employed has shown contractions in some quarters, the overall pattern of growth continues.

Total SME employment creation was about 19,000 during 1994 and 54,000 during 1995. (This includes the unincorporated self-employed with and without paid employees).

About half of the 1995 growth is attributable to the unincorporated self-employed, generally smaller operations with few, if any, employees. The growth in this group has persisted since 1989, and together with the overall SME employment growth, leads us to surmise that a fundamental change in business organization is underway.

The implications of this change are as yet unknown. Small business productivity, the ability to do research and to innovate, are as yet unproven. The image of dynamic, forward-looking entrepreneurs is juxtaposed with the potential problems of underfinanced, marginal operations. Quality of life for small business owners and employees may be in some cases superior, and in others inferior, to that of workers in larger enterprises. Similarly, small business customers may enjoy more personalized service and customized products. Alternatively, they may face higher prices—the result of lower productivity and smaller production runs. These are important areas of research on which we hope to report in future issues.

