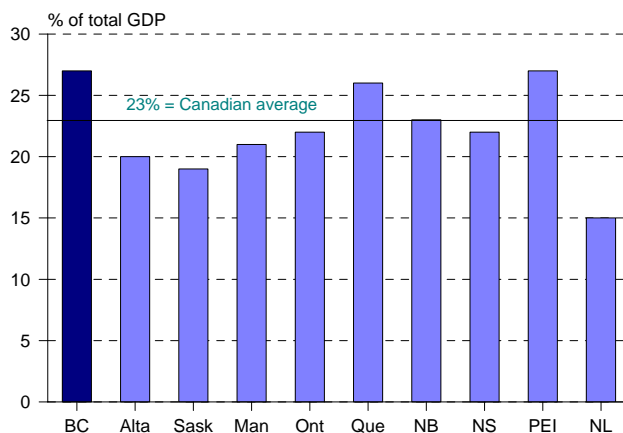


Business Indicators ♦ October 2007

Small Business Continues to Thrive in BC

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.¹ Small business contributes to the provincial economy in a number of ways: by creating and maintaining employment, through its production of goods and services, as a source of innovation and by meeting payrolls that support families and stimulate further economic activity.

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



In 2006, small business in British Columbia accounted for 27 per cent of the province's GDP, well above the national average of 23 per

¹ This article is a summary of a larger publication entitled "Small Business Profile 2007," which is available online at <http://www.bcstats.gov.bc.ca>

cent. British Columbia ranks the highest of all provinces (tied with Prince Edward Island), suggesting that small business plays a more significant role in the provincial economy in British Columbia than it does in other parts of the country.

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

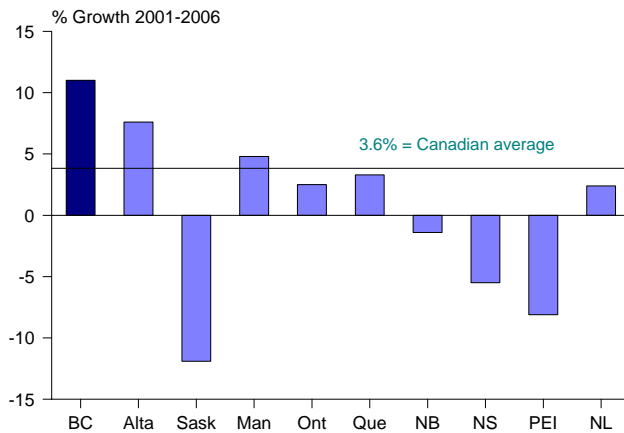
- A business with fewer than 50 employees
- Operated by a self-employed person with no paid help

Small business expands in BC

A total of 378,700 businesses were operating in British Columbia in 2006. Of those, 370,700, or 98 per cent, were small businesses. Nearly 56 per cent of all businesses in the province were operated by self-employed individuals with no paid help. By comparison, only 53 per cent of all Canadian businesses were comprised of self-employed people with no paid employees. The total number of small businesses operating in the province increased for the fifth consecutive year in 2006, climbing 1.8 per cent from 2005. Both small businesses with employees (+3.1 per cent) and businesses operated by unincorporated self-employed individuals without paid help (+0.9 per cent) saw their numbers increase.

Over the last five years, British Columbia has led the country in growth in the number of small businesses. Between 2001 and 2006, the count of small businesses in the province surged 11.0 per cent, more than triple the national growth average of 3.6 per cent. Alberta (+7.6 per cent), and Manitoba (+4.8 per cent) were the only other provinces to exceed the Canadian average. Declines among other provinces ranged from 1.4 percent in New Brunswick to 11.9 per cent in Saskatchewan.

BC led the country in growth in the number of small businesses between 2001 and 2006



Source: BC Stats using data supplied by Statistics Canada

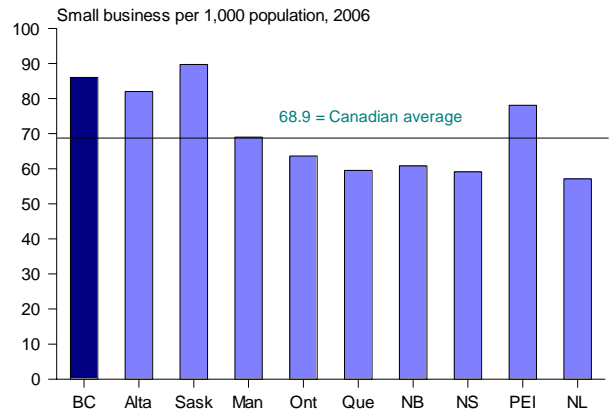
The small business count in the province expanded by an average of 7,300 per year from 2001 to 2006, translating to an average annual growth rate of 2.2 per cent. However, the rate of growth of small businesses overall lagged that of businesses with 50 or more employees. There was an average annual net increase in large businesses in the province of 2.6 per cent from 2001 to 2006.

Western Canada generally has more small businesses per capita

Small businesses are more prevalent in Western Canada compared to the rest of the country, at least in terms of businesses per capita. After

surpassing Alberta for the first time in 2005, British Columbia held on to its ranking of second among the provinces in 2006, with 86.0 small businesses per 1,000 people. Saskatchewan had the highest ratio of small businesses to population with 89.7 per 1,000 people last year, followed by British Columbia, and Alberta (82.0). The only other provinces exceeding the Canadian average of 68.9 small businesses per 1,000 people were Prince Edward Island (78.1) and, marginally, Manitoba (69.0).

Small business is bigger in western Canada



Source: BC Stats using data supplied by Statistics Canada

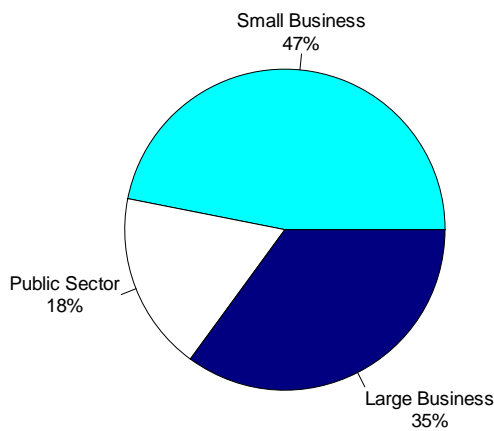
Small business accounts for nearly half of all jobs in the province

There is a wide variety of activities in which small businesses in British Columbia are engaged, ranging from family-owned corner stores, to self-employed computer programmers to small lumber milling operations. Almost three-quarters of all businesses in the province are in service sector industries, with small businesses just as likely to be providing a service as large businesses.

British Columbia’s small business sector was the source of approximately 1,025,600 jobs in

2006. This accounts for almost half (47 per cent) of all the jobs (2,195,500) in the province. The private sector (including both small and large businesses) employed 1,804,300 people in British Columbia in 2006, of which 57 per cent were in small business, a ratio that has remained essentially unchanged over the past seven years. In 2006, self-employed workers represented 23 per cent of total private sector employment. Of those people who were employed by a business, 34 per cent worked for a small business and the remaining 43 per cent were employees of large businesses.

Almost half the working people in BC worked in small business



Source: BC Stats using data supplied by Statistics Canada

Small business employment in British Columbia climbed 1.5 per cent in 2006, marking the fifth straight year of growth. Both employees of small businesses and self-employed individuals have contributed to the expansion in employment in the last few years, although there was a slight decline in the number of self-employed in 2006 (-0.5 per cent).

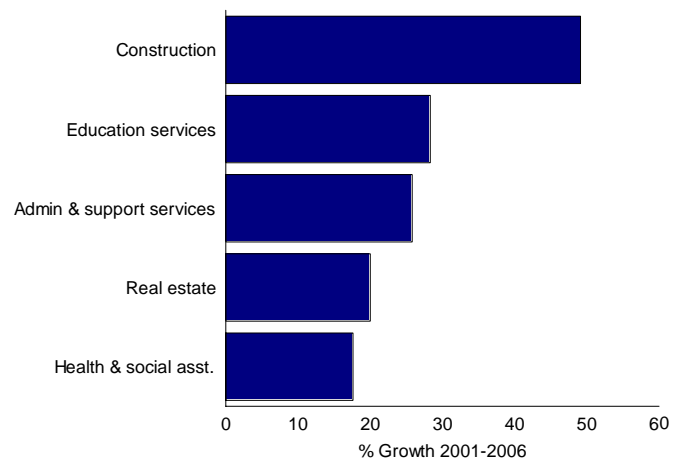
The 1.5 per cent rise in small business employment in British Columbia between 2005 and 2006 remains among the strongest in the country and well above the Canadian average

of 0.9 per cent. Other than British Columbia, only Prince Edward Island (+4.8 per cent) and Alberta (+1.5 per cent) had growth rates exceeding one per cent. The province’s 2005 construction boom in both housing and other projects has carried through to 2006 and continues to play a role in the growth in small business employment in British Columbia.

Construction sector created the most new jobs between 2001 and 2006

Between 2001 and 2006, the construction industry was the largest provider of new small business jobs in British Columbia. Employment in this industry surged 49.1 per cent as the recent construction surge in the province created approximately 25,500 new jobs over the five year period. The retail trade sector also added a substantial number of new jobs, increasing its employment by 12.1 per cent and creating nearly 10,000 new jobs. In terms of growth rates, the educational services sector recorded the second most significant increase in employment (after the construction industry) over this period with a 28.3 per cent spike in employment (an addition of about 2,700 jobs).

Small business employment - fastest growing industries in British Columbia, 2001-2006



Source: BC Stats using data supplied by Statistics Canada

Self-employment is on the rise

Over the last five years, the ratio of self-employed over total employment has remained relatively stable. In 2006, self-employment accounted for 18.8 per cent of total employment, down slightly from 2005 (19.5 per cent).

The growth in self-employment in the province has occurred most substantially within the group of self-employed without paid help (+41 per cent between 1996 and 2006). Over the last decade, the number of self-employed persons with employees expanded at a much slower rate (+6 per cent). However, in recent years, both classifications have exhibited similar signs of growth. Between 2001 and 2006, the number of self-employed without employees experienced a 19 per cent rise, while the number with employees climbed 16 per cent. Although it has always been common to see more self-employed individuals without paid help than those with employees, the disparity in number has become even more pronounced in recent years. This may in part be due to the recent growth in the number of new small businesses. Many small businesses begin with one individual running their own business, often from home. As they grow, they in turn take on employees.

Self-employed characteristics differ from those of employees

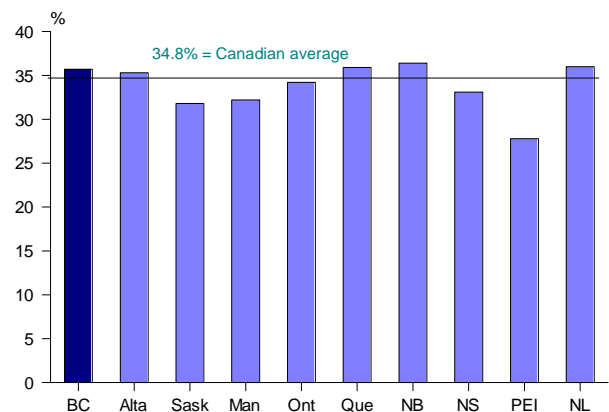
On average, self-employed people tend to be older, are more often men, work longer hours and are less likely to be Aboriginal peoples compared to workers who are employees.

Well over half (58 per cent) of British Columbia's self-employed are between the ages of 35 and 54, compared to only 47 per cent of

employees. While 41 per cent of employees are under the age of 35, only 17 per cent of self-employed business owners fit this description. At the other end of the scale, 25 per cent of entrepreneurs are aged 55 and over, compared to only 12 per cent of employees.

Another difference that emerges between self-employed persons versus employees is gender balance. While workers who are employees are equally likely to be men as women, those that are self-employed are more often men. In 2006, in British Columbia, almost two-thirds of the self-employed were men. As in the rest of the country, women entrepreneurs in British Columbia are making some important strides for business in the province. In 2006, 35.7 per cent of all business owners in British Columbia were women. This was above the national average of 34.8 per cent and the fourth highest rate among the provinces.

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

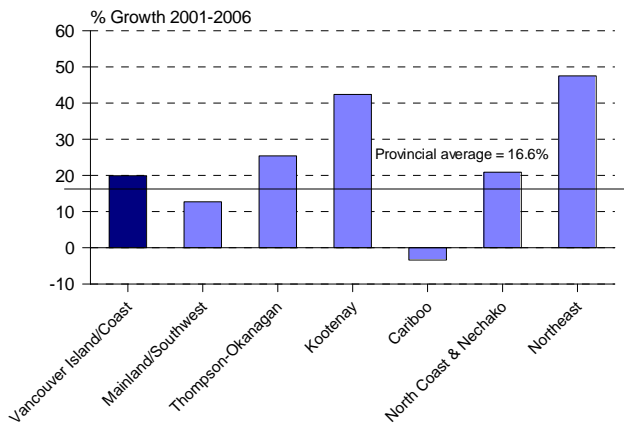


The Northeast region is BC's leader in small business growth

Over the last five years, six of British Columbia's seven regions recorded growth in the number of small businesses. As a result of

activity in the oil & gas sector, along with growing new industries, the Northeast region of British Columbia has been booming in recent years. This economic growth is reflected in rising numbers of small businesses in the area. Between 2001 and 2006, this region led the province in growth in the number of small businesses with an average annual growth rate of 6.3 per cent. This translates to an average increase of 400 businesses per year. The Kootenay region (+3.7 per cent) was second in terms of average annual growth, adding an average of 400 net new small businesses per year, followed by North Coast & Nechako (+3.1 per cent), which added an average of 200 small businesses annually.

Self-employment growth rate highest in Northeast



Source: Statistics Canada / Prepared by BC Stats

In terms of actual numbers, Mainland/Southwest (+1.9 per cent or 3,700 establishments) and Vancouver Island/Coast (+2.8 per cent or 1,600 establishments) added the most new businesses to the province. Only one region showed a decline in the number of small businesses—the Cariboo region (-1.0 per cent), which declined by an annual average of about 100 businesses.

The Northeast was also the region with the strongest growth in the number of self-

employed between 2001 and 2006. The 47.5 per cent surge in self-employment in that region was slightly ahead of the 42.4 per cent rise recorded in the Kootenay region.

Continued growth

The growth in communications technologies such as the Internet has helped make the world a smaller place from the 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.