

British Columbia

Small Business Profile 2009



Western Economic
Diversification Canada

Diversification de l'économie
de l'Ouest Canada

Canada



BRITISH
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BCStats

Small Business Profile 2009:

A Profile of Small Business in British Columbia

October 2009 Edition



Western Economic
Diversification Canada

Diversification de l'économie
de l'Ouest Canada

Canada



BRITISH
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Information on programs and services for small businesses can be obtained by contacting:

Small Business BC

601 West Cordova St.
Vancouver, B.C. V6B 1G1
Telephone: 604 775-5525
Toll Free: 1 800 667-2272
www.smallbusinessbc.ca

Statistics related to small business are available at:

BC Stats

Data Services
553 Superior St.
Box 9410 Stn Prov Govt
Victoria, B.C. V8W 9V1
Telephone: 250 387-0327
www.bcstats.gov.bc.ca

Information on provincial government programs and services can be found at:

Ministry of Small Business, Technology and Economic Development

Small Business Branch
Box 9822 Stn Prov Govt
Victoria, B.C. V8W 9N3
Telephone: 250 387-4699
Fax: 250 925-0113
www.gov.bc.ca/sted

Information on federal government programs and services can be found at:

Western Economic Diversification Canada

Suite 700 – 333 Seymour St.
Vancouver, B.C. V6B 5G9
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A Profile of Small Business in British Columbia

Preface

Small Business Profile 2009: A Profile of Small Business in British Columbia is an update of previous versions published annually since 1997. The 2009 report reflects data from 2008, the most recent year for which data are available. This report is designed to answer some common questions about the role of small business in British Columbia through both an examination of trends in growth and, when possible, comparisons with other provinces. Key indicators addressed in this report include the number of small businesses, growth in employment and earnings, small business economic impacts, industry distribution, and the role of small business exporters.

Statistical information was prepared by BC Stats from data provided by Statistics Canada databases including the Business Register, the Survey of Employment, Payrolls and Hours, the Labour Force Survey and the Exporter Registry.

Small Business Profile 2009 is jointly produced by the federal and provincial governments. The report was prepared by BC Stats in the British Columbia Ministry of Citizens' Services in partnership with Western Economic Diversification Canada and the British Columbia Ministry of Small Business, Technology and Economic Development.

Small Business Success Stories

For the past 12 years, the Small Business Profile has reported on the small business climate in British Columbia using measures such as small business growth, employment and GDP. This year, as a complement to the statistics, the report highlights eight small businesses that provide visionary, innovative and inspiring examples of entrepreneurship at its best. Small business is an engine of British Columbia's economy, and these small businesses are among the many making it happen.

Breakdown of businesses in British Columbia, 2008

	Number of businesses	Per cent of total
Total small businesses	384,300	98%
Self-employed without paid help †	216,300	55%
Businesses with less than 50 employees	168,000	43%
Total large businesses	7,000	2%
Total all businesses‡	391,300	100%

† Incorporated self-employed are not included in this figure in order to avoid double-counting, since they are already included in the count of businesses with fewer than 50 employees.
Source: BC Stats using data supplied by Statistics Canada

Number of self-employed business owners in British Columbia, 2008

	Incorporated	Unincorporated	Total self-employment
With paid help	95,600	39,300	134,900
Without paid help	74,400	216,300	290,700
Total	170,000	255,600	425,600
Per cent	40%	60%	100%

Source: Statistics Canada / Prepared by BC Stats
For more information on incorporation, please see pages 13-14.

Highlights

- ▶ **Small Business** – There were approximately 384,300 small businesses operating in British Columbia in 2008, accounting for 98 per cent of all businesses in the province. About 82 per cent of these small businesses were micro-businesses with fewer than five employees.
- ▶ **Small Businesses Per Capita** – With 87.7 small businesses per 1,000 people, British Columbia ranked first in the country in terms of small businesses per capita in 2008. Saskatchewan had marginally fewer small businesses per 1,000 people at 87.5, but third-ranked Alberta was well behind at 78.0 businesses per 1,000 people. The national average was 70.3.
- ▶ **Employment** – There were an estimated 1,058,100 people employed by small business in British Columbia in 2008. These jobs accounted for just under 56 per cent of private sector employment in the province, ranking British Columbia second in the country, a touch behind Saskatchewan, where small business employment represented just over 56 per cent of private sector employment.
- ▶ **Employment Growth** – Between 2007 and 2008, small business employment in British Columbia grew by 1.0 per cent, slightly faster than the national rate of 0.8 per cent.
- ▶ **Self-Employed** – On average, the self-employed tend to be older, are more often men and are more likely to work longer hours than paid employees. Approximately 34 per cent of the self-employed in British Columbia are women, on par with the national average.
- ▶ **Gross Domestic Product** – Approximately 34 per cent of British Columbia's Gross Domestic Product was generated by small business in 2008, the highest ratio of any province.
- ▶ **High Technology Sector** – There were almost 8,500 small businesses in British Columbia's high tech sector in 2008, encompassing approximately 96 per cent of all high technology businesses.
- ▶ **Regional Focus** – At 8.2 per cent, the Cariboo region recorded the highest net growth in the number of small businesses between 2007 and 2008.
- ▶ **Exports** – British Columbia small businesses shipped approximately \$11.9 billion worth of merchandise to international destinations in 2007, representing just over 38 per cent of the total value of goods exported from the province.

1. Small Business Growth

The small business sector continues to play a key role in strengthening job creation and economic growth in British Columbia. It is the province's primary provider of private sector jobs, reflecting an important and ongoing trend toward economic diversification within the provincial economy. Small business is also a vital source of innovation; for example, nearly all high technology businesses in British Columbia are small businesses (approximately 96 per cent in 2008).

The province's historical growth in entrepreneurship has had a profound impact on its economic landscape. Despite recent economic downturns across the country and around the world, British Columbia's small business owners continue to report relatively high expectations for the future. According to a survey of its members, the Canadian Federation of Independent Business (CFIB) reports that business confidence in British Columbia is higher than the Canadian average and above that of several other provinces, including Ontario and Quebec, which have the country's two largest provincial economies.¹

Data from surveys, such as the CFIB's *Business Barometer Index*, are useful subjective measures of the health of small business. However, it is equally important to examine more objective measures – such as business counts, employment, GDP and revenues – to see if they paint a similar picture of small business.

What is a small business?

The concept of “small business” must be defined to study its scope and development. Several methods exist to define a small business, the most common of which focuses on the number of employees. In British Columbia, a small business is defined as one with fewer than 50 employees, or a business operated by a person who is self-employed and without paid help.

How many businesses operate in British Columbia and is that number growing?

A total of 391,300 businesses were operating in British Columbia in 2008. Of those, 98 per cent (384,300), were small businesses. More than half (55 per cent) of all businesses in the province were run by self-employed individuals with no paid help. Three provinces had a higher percentage: Saskatchewan, Manitoba and Ontario (57 per cent each). The national average of businesses operated by entrepreneurs with no employees in 2008 was 53 per cent.

Figure 1.1:

Number of small businesses in British Columbia, 2007-2008

	2007	2008	% change
Small businesses with employees	165,500	168,000	1.5%
Self-employed without paid help	219,300	216,300	-1.4%
Total Small Businesses	384,800	384,300	-0.1%

Source: BC Stats using data supplied by Statistics Canada

Figure 1.2:

Size distribution of small businesses in British Columbia, 2008

	Number of businesses	Per cent of total
Total businesses with 0 to 4 employees	313,800	82%
Self-employed without paid help	216,300	56%
Businesses with 1-4 employees	97,500	25%
Businesses with 5-19 employees	57,400	15%
Businesses with 20-49 employees	13,100	3%
Total small businesses	384,300	100%

† Figures do not add due to rounding

Source: BC Stats using data supplied by Statistics Canada

Figure 1.3:

Growth in number of British Columbia businesses, 2007-2008

	Annual growth (#s)	Annual growth rate
Total small businesses†	-500	-0.1%
Self-employed without paid help	-3,000	-1.4%
Businesses with 1-4 employees	1,200	1.3%
Businesses with 5-19 employees	1,000	1.7%
Businesses with 20-49 employees	300	2.1%
Total large businesses	100	2.1%
Total all businesses	-400	-0.1%

† Figures do not add due to rounding

Source: BC Stats using data supplied by Statistics Canada

¹Mallet, Ted. (July, 2009). Business Barometer Index: Monthly Results of June 2009 SME Business Outlook Survey. Canadian Federation of Independent Business.

A small business in British Columbia is defined as:

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

A micro-business is defined as a small business with fewer than five employees.

Incorporated businesses

Incorporated businesses consist of those organized and maintained as legal corporations. A corporation is created (incorporated) by one or more shareholders who have ownership of the corporation, as represented by their possession of common stock.

Self-employed

Self-employed individuals are those who spend most of their working hours operating their own businesses. The self-employed can be categorized as either incorporated or unincorporated. Each of these classifications can be further divided between those operating with paid help (i.e., with employees) or without paid help (i.e., working alone). This division produces four major categories of self-employed workers.

Unincorporated businesses

Unincorporated businesses consist of those not organized and maintained as legal corporations and where the tie between members need not be a legally-enforceable contract.

Statistics Canada has changed the method used to measure business counts such that data reported here are inconsistent with figures reported in earlier editions of this publication. Previously, the concept of a 'statistical establishment' was the measure that was used. Statistics Canada defined a statistical establishment as a production entity that:

- (a) produces a homogeneous set of goods or services;
- (b) does not cross provincial boundaries; and
- (c) provides data on the value of output together with the cost of principal intermediate inputs and labour resources used to produce the output.

With the release of the 2008 data, the concept of a 'statistical location' was introduced. The location, as a statistical unit, is defined as a producing unit at a single geographic location at which, or from which, economic activity is conducted and for which, at a minimum, employment data are available. The change to business location counts was made because they provide a better measurement of actual business units. This report is adopting the new measure as 2008 will be the last year for which establishment counts will be published, and because the location counts are a superior measure. One consequence of this change is that location data prior to 2007 are not available, and the only time series analysis possible will be a year-over-year comparison.

Due to this change to business location counts, the reported number of businesses will be higher than would be the case if the statistical establishment framework was still in use. Based on the data for 2007 and 2008, the difference in the number of small businesses in British Columbia is an addition of about three per cent over the number of establishments, or just in excess of 5,000 businesses. Significant variation occurs in the difference by business size, ranging from an addition of only 0.1 per cent for businesses with 50 or more employees to about eight per cent for those businesses with between 20 and 29 employees.

Per cent difference between business location counts and establishment counts



Source: Statistics Canada

The total number of small businesses operating in the province inched down 0.1 per cent between 2007 and 2008. The slight decline was entirely due to a drop in the number of self-employed unincorporated small businesses with no paid help, a drop of 1.4 per cent. This decline offset increases in businesses with employees, which rose 1.5 per cent. This decrease in the total number of small businesses coincides with the markedly low unemployment rates in both of those years (4.2 per cent in 2007 to 4.6 per cent in 2008), suggesting that some workers may have taken advantage of the stable economy and shifted to paid employment. Given the significant labour shortages in 2007 and 2008, some self-employed workers may have been enticed into the employee workforce as business operators began offering better compensation and/or benefits in hopes of luring more workers.

What is the size distribution of small businesses?

By far, most of the small businesses in British Columbia are classified as micro-businesses: those with fewer than five employees. There were 313,800 businesses fitting this description in 2008, accounting for 82 per cent of the province's small businesses. Well over half (56 per cent) of small businesses consisted of self-employed persons without paid help, while a quarter (25 per cent) were made up of those with one to four employees. Businesses with five or more employees represented less than 20 per cent of the province's small businesses.

The slight decline in the small business count in the province translated into a loss of approximately 500 businesses. This decrease resulted from losses among businesses operated by self-employed individuals with no paid help. Businesses with employees, by contrast, saw notable growth. Between 2007 and 2008, businesses with 20 to 49 staff represented the fastest-growing segment of the small business sector. This segment expanded by 2.1 per cent (a net addition of about 300 new businesses). In terms of actual numbers, most new businesses were among those with one to four employees, with a net addition of 1,200 businesses (an increase of 1.3 per cent). While overall small business growth in the province slowed down, large businesses (those with 50 or more employees) saw an annual net increase of 2.1 per cent.

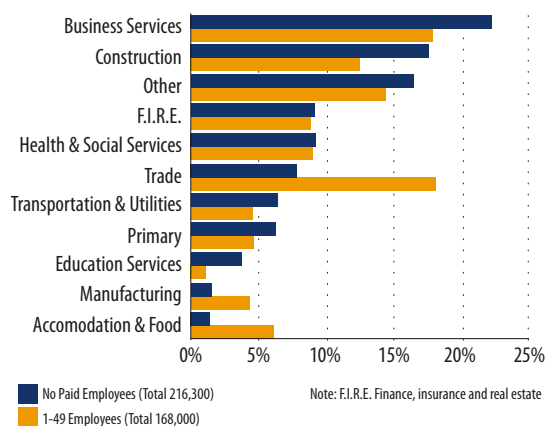
In which sectors are small businesses concentrated?

Small businesses in British Columbia engage in a range of activities, including family-operated corner stores, self-employed computer programmers, and small industrial operations. Almost 75 per cent of all businesses in the province are in the service sector, with small businesses just as likely to be providing a service as large businesses.

Figures 1.4a and 1.4b show the industry breakdown for small businesses both with employees and as operated by a self-employed person with no paid help. For the small business service sector, the largest concentration is in business services, which contains over 20 per cent of the province's small businesses, followed by wholesale and retail trade with 12 per cent. Business services, which include occupations such as lawyers and accountants, are more prevalent in businesses with no employees, while firms involved in trade are more likely to have staff.

Figure 1.4a:

Small businesses, with and without employees, by industry, 2008

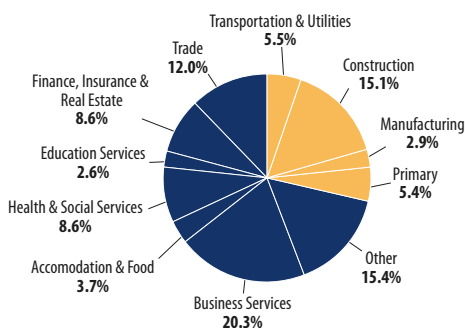


Source: BC Stats using data supplied by Statistics Canada

Figure 1.4b:

Total small businesses with 0-49 employees, 2008

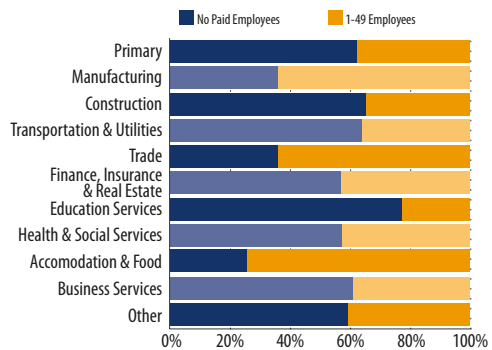
(Total: 384,300)



Source: BC Stats using data supplied by Statistics Canada

Figure 1.5:

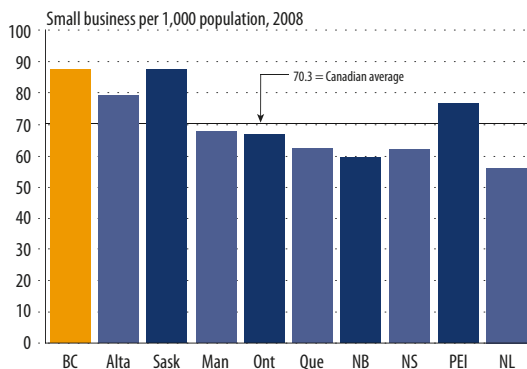
Small businesses by industry, with and without employees, 2008



Source: BC Stats using data supplied by Statistics Canada

Figure 1.6:

Western Canada generally has more small businesses per 1,000 population, 2008



Source: BC Stats using data supplied by Statistics Canada

In the goods sector, construction is the most significant industry, accounting for 15.1 per cent of all small businesses in the province. Construction is more amenable to smaller operations than most manufacturing industries, and so contains the largest concentration of small businesses among industries outside the service sector.

Within the small business sector, some industries are dominated by businesses without employees, while other industries consist largely of businesses with employees. For example, in education services, almost 79 per cent of small businesses are comprised of self-employed individuals without paid help. By contrast, in accommodation and food, about three-quarters of small businesses employ staff and only 25 per cent have no paid employees.

How does small business in British Columbia compare with other provinces?

Small businesses are more prevalent in the western part of the country, at least in terms of businesses per capita. British Columbia held on to its first place ranking among the provinces in 2008, boasting 87.7 small businesses per 1,000 people. Saskatchewan (87.5 small businesses per 1,000 people) was right on its heels, followed by Alberta (78.0 per 1,000 people). At 77.1, Prince Edward Island was the only other province to exceed the Canadian average of 70.3 small businesses per 1,000 people.

Did you know?

British Columbia has more small businesses per capita than any other province.



Eldoren Design Dawson Creek

A booming northern B.C. company is proof that you can be successful any place and at any time. Gordon Currie, CEO and president of Eldoren Design, says the dip in the economy has changed the playing field for his Dawson Creek web design and marketing company – but for the better.

“We’re busier than ever before,” says Currie, adding that the company adapted to the marketplace by shifting more of its business focus to marketing than web design.

As the 2010 Olympics loom, companies are turning to Eldoren for marketing guidance on how to prepare for business opportunities that will spin from the international event, he says. Currie has been in business 21 years, starting by offering Internet training and website development while mixing in some fun building computer gaming communities for games like *Myst* and *River* (both trademarks of Cyan Inc.).

Today Eldoren has satellite offices in Toronto, San Francisco/Bay Area and Victoria, and its services extend to business consulting, digital imaging, web hosting/domains, e-commerce and specialized consulting. More than 275 commercial websites are credited to Eldoren, and its impressive client list is drawn from the computer game industry, financial service sector, tourism industry, automotive sector and entertainment field. Currie credits Eldoren’s success to relationship-building, and working with talented people. His customer service commitment must be part of it as well. Anyone contacting the company is promised a response in six to ten hours.

For more information, please visit
www.eldoren.com



Feathercraft Vancouver

As a prospector in the Canadian Arctic, Doug Simpson set out in search of minerals. What he came back with instead was a revolutionary design for light-weight foldable kayaks.

Simpson's prospecting quest to access hard-to-reach areas got him thinking about improving the Arctic's iconic transportation device: the kayak. By 1977, with a patent approved, Simpson had founded Feathercraft at a Granville Island facility he continues to operate today with wife Theresa McCarthy.

"We were the first to use aluminum aircraft tubing for frames," said Simpson. "This revolutionized the first foldable boats – made out of wood in Germany in 1908 – and brought about the responsive, durable and portable boats we're known for today."

Feathercraft also created a hot-air welding technique to bind its fabrics, making it the first kayak company in the world to boast zero production emissions. To reduce its environmental impact further, all Feathercraft products are hand-made in Vancouver using only materials manufactured in North America. Today the company exports to more than 20 countries and continues to earn international accolades for its innovative designs and quality craftsmanship.

Simpson credits his success to his small, highly-skilled team, which can respond nimbly to the marketplace. Passion also plays a role. "Our staff kayak for recreation and often kayak right to work. To me the greatest motivation is in knowing our products bring so many people around the world such wonderful experiences with nature."

For more information, please visit
www.feathercraft.com

2. Small Business Employment

How many jobs does small business provide in British Columbia?

In 2008, there were approximately 1,058,100 jobs in small business in British Columbia, representing close to half (46 per cent) of the province's 2,314,200 jobs. This share was unchanged from 2007, and has remained relatively stable in recent years.

The private sector employed 1,892,800 people in British Columbia in 2008 (including both small and large businesses). Of this total, 56 per cent were in small business, a ratio that has remained essentially unchanged for the past decade. Self-employed workers accounted for 23 per cent of total private sector employment, while 33 per cent worked for a small business. The remaining 44 per cent of private sector workers were employees of large businesses.

Small business employment in British Columbia climbed 1.0 per cent in 2008, marking the seventh consecutive year of growth. The expansion was due to both small business employees, which grew 1.2 per cent, and self-employment, which rose 0.7 per cent. Since 2002, self-employment has enjoyed a growth rate of at least 3.0 per cent annually, aside from a 0.5 per cent dip in 2006. Although self-employment grew at a slower pace in 2008 than in previous years, the province had 52,000 more self-employed workers in 2008 than in 2003, a 13.8 per cent increase over the five-year period. Small business employees also showed solid growth over the same span, jumping 11.6 per cent. These increases pushed overall small business employment (including self-employed and employees) up 12.5 per cent between 2003 and 2008. Employment in large businesses jumped 17.0 per cent over that same period.

British Columbia's small business employment compares favourably with other provinces

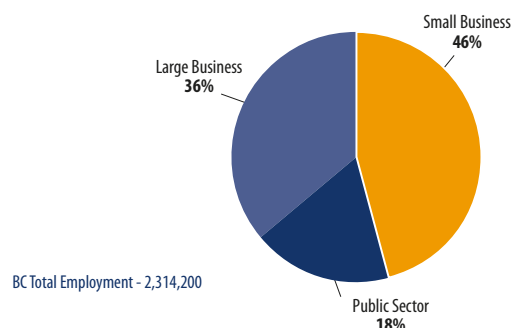
In 2008, British Columbia ranked second among the provinces in its share of private sector jobs stemming from small business, at nearly 56 per cent. Prince Edward Island ranked first at just over 56 per cent, while Saskatchewan ranked third (55 per cent) and Newfoundland and Labrador, fourth (52 per cent). Ontario (45 per cent) reported the least reliance on small business for private sector employment, while the national average stood at about 49 per cent.

Canada's regions differ significantly in economic structure, a likely cause of much of the variation in small business employment among the provinces. For example, Ontario is more dependent on employment from large manufacturing businesses, particularly in the automotive sector. On the other hand, provinces such as Saskatchewan and Prince Edward Island rely heavily on agriculture, an industry characterized by smaller operations with fewer employees.

Between 2007 and 2008, small business employment in British Columbia expanded 1.0 per cent, slightly above the national growth rate of 0.8 per cent. This growth eased in 2008 compared to 2007, when the national average stood at 2.4 per cent.

Figure 2.1:

Nearly half of all jobs in British Columbia were in small business in 2008



Source: BC Stats using data supplied by Statistics Canada

Figure 2.2:

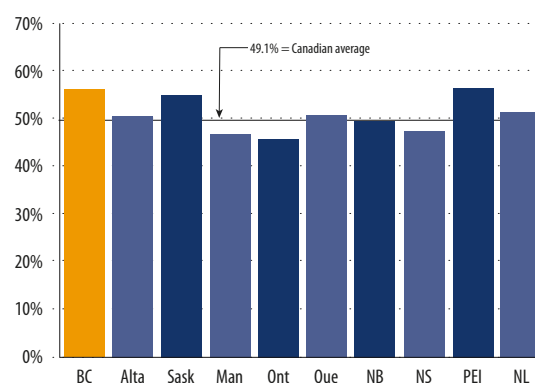
Private sector employment in British Columbia by size of business, 2008

	Employment	Per cent of total
Total small business employment	1,058,100	56%
Self-employed	428,300	23%
Employed by small business	629,800	33%
Large business employment	834,700	44%
Total private sector employment	1,892,800	100%

Source: BC Stats using data supplied by Statistics Canada

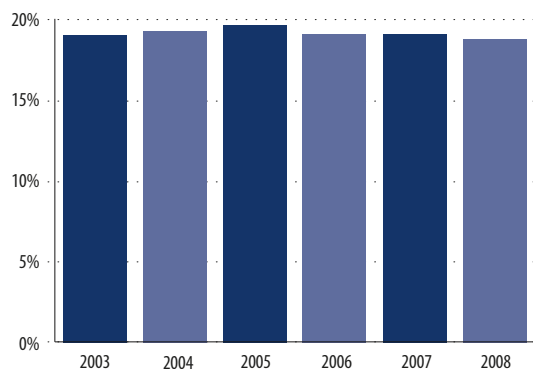
Figure 2.3:

British Columbia ranks second in small business as a per cent of private sector employment, 2008



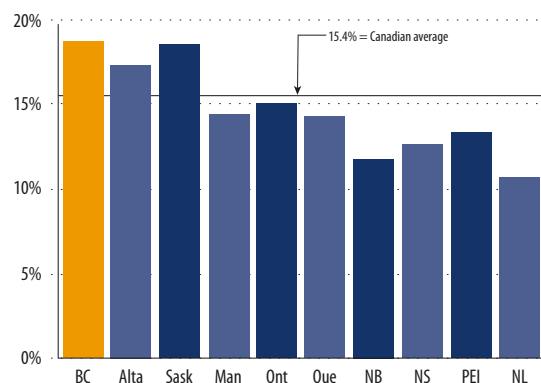
Source: BC Stats using data supplied by Statistics Canada

Figure 2.4:

British Columbia's self-employment as a per cent of total employment, 2003-2008

Source: Statistics Canada / Prepared by BC Stats

Figure 2.5:

Self-employment as a per cent of total employment by province, 2008

Source: Statistics Canada / Prepared by BC Stats

Only four other provinces exceeded the national average in 2008, with Alberta leading overall at 1.7 per cent. Ontario recorded growth of 1.1 per cent and both Prince Edward Island and Saskatchewan grew 1.0 per cent. The construction boom that began in British Columbia in 2005 may have contributed to the growth in small business employment last year. However, building intentions for both housing and other projects eased in the latter half of 2008, which likely tempered overall growth. The global economic downturn that began mid-way through 2008 likely influenced the demand for construction activities and probably affected employment growth in other sectors as well. The recession will likely continue to dampen new employment opportunities in 2009.

Self-Employment

What proportion of total employment is comprised of the self-employed?

Self-employed individuals – those who spend most of their working hours running their own businesses – have remained a sizeable part of British Columbia's workforce over the past five years. In 2008, self-employment accounted for 18.5 per cent of total employment, almost unchanged from 2007 (18.8 per cent). And last year, British Columbia's share of self-employed workers was the highest in the country, well above the national average of 15.4 per cent.

In 2007, British Columbia displaced Saskatchewan as the top-ranked province in the proportion of self-employed workers, and maintained this standing in 2008. Saskatchewan had long been the leading province in self-employment, given the province's heavy reliance on family farming and the link between self-employment and family businesses. However, over the past 20 years, Saskatchewan has experienced a decline in the number of farmers, resulting in a lower proportion of self-employed workers.

The construction industry is another area that tends to involve significant proportions of self-employed individuals. In preparation for the 2010 Winter Olympics, some areas of British Columbia saw a spike in housing and other types of construction activity. Although construction has since slowed, the province's comparatively-large proportion of self-employment may reflect the increased demand for skilled workers in the construction industry. In fact, between 2003 and 2008, the province's construction industry saw self-employment surge 66 per cent.

In the rest of the country, Newfoundland and Labrador had the lowest proportion of self-employed workers (11.0 per cent) in 2008, while Alberta (17.2 per cent) was the only other province besides British Columbia and Saskatchewan to exceed the Canadian average.

How many self-employed people are there in British Columbia and how fast is this number growing?

British Columbia had 428,300 self-employed workers in 2008, of which 425,600 were paid self-employed individuals and about 2,700 worked in family businesses without pay. Over half of these self-employed workers were unincorporated individuals working on their own with no employees.

In 2008, the overall number of self-employed workers in British Columbia edged up 0.7 per cent, or by approximately 3,000 workers. This increase was much less than the 2.8 per cent increase (or 11,600 individuals) that occurred in 2007. A myriad of factors can contribute to the ebb and flow in self-employment numbers, including the overall economic condition of the region at the time.

Recent changes in the provincial, national and global economic landscape have already impacted the overall trend of self-employment in British Columbia. At the outset of 2008, British Columbia was still feeling the effect of a labour crunch, which is likely to have had at least some influence on self-employment levels in the province. In particular, a tight economy and labour shortages can potentially draw self-employed workers into the employee workforce. Conversely, the economic downturn in the latter part of 2008 is likely to have had its own impact on people's tendencies to choose self-employment. This trend becomes more apparent when referring to the monthly breakdown of self-employment for 2008.

In 2008, self-employment reached a low early in the year (approximately 403,300 self-employed, province-wide), while its highest level was recorded in September (454,100). This highlights a stark monthly variation in numbers of self-employed last year, which could imply that in such unsure economic times, some people turned to self-employment in the face of layoffs or lack of job security.

Another interesting pattern is found in examining the different types of self-employed individuals. Among the self-employed in British Columbia, sole operators are more common than employers with staff. This is not surprising, particularly when it is coupled with simultaneous growth in the number of small businesses. Many small businesses begin with one individual running the business, often from home. As the business grows, owners may take on employees. Working for oneself can offer flexibility that other types of employment do not. Students, retirees, or people looking to earn a secondary income may have a higher propensity to choose self-employment over other options. Still others turn to self-employment not because of conditions in the wage-labour market, or to fit their lifestyles, but because they are compelled by an entrepreneurial spirit.

Figure 2.6:

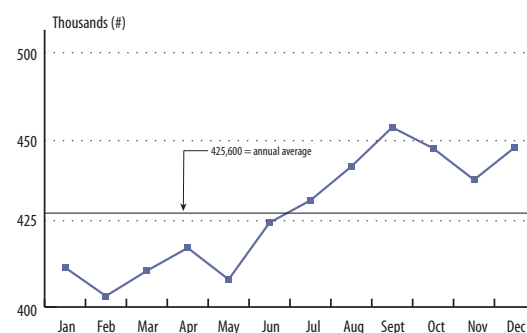
Number of self-employed business owners in British Columbia, 2008

	With paid help	Without paid help	Total	Per cent
Incorporated	95,600	74,400	170,000	40%
Unincorporated	39,300	216,300	255,600	60%
Total self-employment	134,900	290,700	425,600	100%

Source: Statistics Canada / Prepared by BC Stats

Figure 2.7:

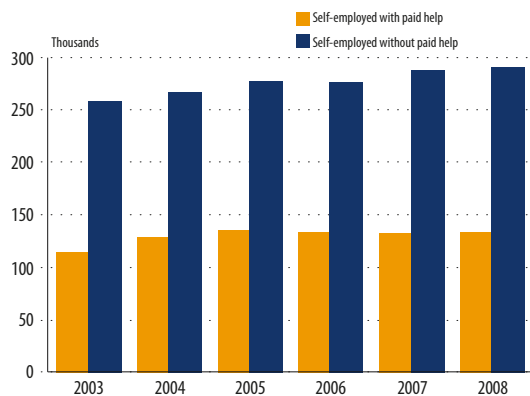
There was marked monthly variation in self-employment over the course of the year, 2008



Source: BC Stats using data supplied by Statistics Canada

Figure 2.8:

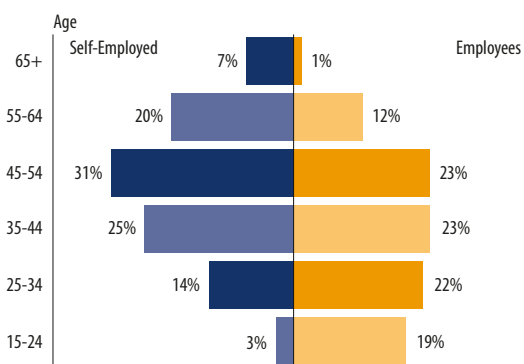
There are twice as many self-employed without paid help than there are those with employees, 2003-2008



Source: Statistics Canada / Prepared by BC Stats

Figure 2.9:

Self-employed workers tend to be older, on average – British Columbia, 2008



Source: Statistics Canada / Prepared by BC Stats

In 2008, the number of British Columbia's self-employed *without* paid help, regardless of incorporation status, was well over twice the number of self-employed *with* paid help. This gap, however, appears to be narrowing. In the last five years, the number of self-employed business owners operating with staff has increased at a higher rate (up 17.5 percent between 2003 and 2008, compared to 12.8 per cent for those without employees), although most of that growth occurred in 2004 and 2005. With the exception of those two years, the number of self-employed with paid help has climbed at a slower pace than those without employees. In 2008, the number of self-employed individuals without employees remained relatively unchanged (0.1 per cent growth), while the self-employed with staff increased 0.9 per cent.

What is the profile of a self-employed person in British Columbia?

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

Over half (56 per cent) of British Columbia's self-employed are between 35 and 54, while just 46 per cent of paid employees fall into this age category. Similarly, only 17 per cent of self-employed business owners are under the age of 35, whereas 40 per cent of employees are under this age. At the other end of the scale, 27 per cent of entrepreneurs are aged 55 and over, compared to only 14 per cent of employees.

At least a couple of reasons exist for the variance in age of self-employed people versus employees. Many younger people under the age of 25 lack the skill-set and capital resources to start and operate a business of their own. On the other hand, for older workers, self-employment may be used as a transition from working at a full-time job to moving into retirement. Indeed, over seven per cent of self-employed business owners are 65 or over, while less than two per cent of employees fall into this age range. Conceivably, as they reach potential retirement age, self-employed business owners may be more inclined to continue working as they are the main decision-makers in their business. For employees working for a business, it is more common that a pension and/or retirement package will act as incentives to retire at a socially pre-determined age.

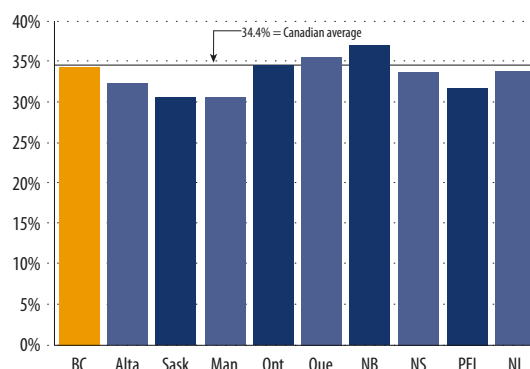
In British Columbia, self-employment as a percentage of all workers has been growing steadily in all age groups. In particular, a sharp increase in self-employment has occurred for people over 55 years of age. One contributing factor for the high incidence of self-employment among older Canadians may be retirement-related. Many who have retired or semi-retired from their salary-based careers seek the alternative income sources and flexibility that self-employment provides. Generally, the self-employed tend to retire at an older median age than the overall workforce. In 2008, the median retirement age for all Canadian retirees was 60.8 years, relatively unchanged from 2007 (61.1 years). Meanwhile, the median retirement age for the self-employed decreased in 2008, dropping from 64.6 to 63.9, but remained significantly higher than that of the average Canadian. Interestingly, since the beginning of this decade, the median retirement age for the self-employed has declined by more than a year (65.1 in 2000), while that for all workers has changed only slightly (61.2 in 2000). It remains to be seen what effect, if any, the recent easing of mandatory retirement in British Columbia will have on the age structure of the province's self-employed.²

Another difference that emerges between self-employed persons and employees is in gender balance. While employees are equally likely to be men or women, those who are self-employed are more often male. In 2008, almost two-thirds (65 per cent) of B.C.'s self-employed were men. Although female entrepreneurs are less common, women have made important strides in British Columbia's business environment. In 2008, 34.3 per cent of all business owners in British Columbia were women. This was on par with the national average of 34.4 per cent and the fourth-highest rate among the provinces. British Columbia trailed New Brunswick (38.3 per cent), Quebec (36.7 per cent), and Ontario (34.5 per cent) in terms of the share of businesses owned by women.

A substantial difference also exists in the hours worked per week between self-employed people and employees. On average, the self-employed work much longer days. Approximately 30 per cent of self-employed people work 50 or more hours per week, compared to only four per cent of employees working that same amount. Most employees in British Columbia (65 per cent) work between 35 and 40 hours per week, compared to only 30 per cent of the self-employed. The average work week for self-employed workers in 2008 was 39.2 hours, compared to 35.1 hours for employees. In the past 10 years, this disparity has remained comparatively unchanged. The average work week for the self-employed has fluctuated only slightly (between about 38 and 40 hours) while the average for employees has also remained fairly stable (between approximately 35 and 36 hours per week). Several possible reasons exist to explain why some self-employed business owners work longer hours. They may lack the staff to do extra work, lack capital to pay staff overtime or in some cases, a self-employed individual may have more passion for a business they own themselves, and therefore are driven to work longer hours.

Figure 2.10:

Proportion of self-employed who are women, 2008



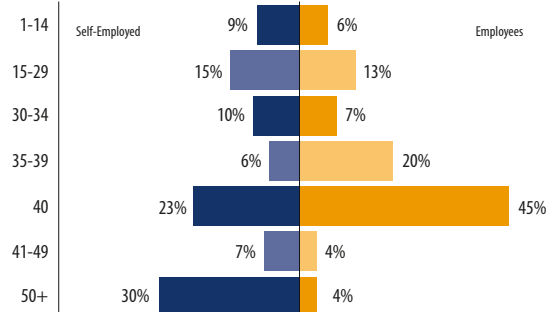
Source: Statistics Canada / Prepared by BC Stats

²British Columbia recently adopted legislation, which came into force on January 1, 2008, expanding the definition of "age" to cover persons who are 65 years of age and older, thus prohibiting mandatory retirement.

Figure 2.11:

Self-employed tend to work longer hours – British Columbia, 2008

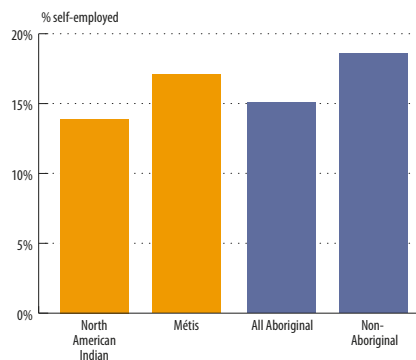
Usual hours worked per week



Source: Statistics Canada / Prepared by BC Stats

Figure 2.12:

Aboriginal people are less likely to be self-employed compared to non-aboriginals, 2008-2009

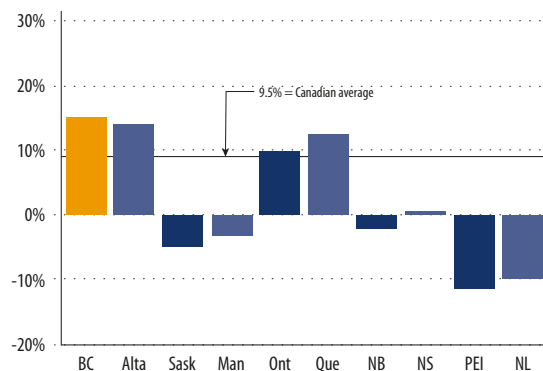


Note: Includes Aboriginals living off-reserve only

Source: BC Stats using data supplied by Statistics Canada

Figure 2.13:

Self-employment growth in British Columbia exceeds the national average, 2003-2008



Source: Statistics Canada / Prepared by BC Stats

Nationally, self-employed Canadians put in even more hours on average than self-employed people in British Columbia. Across Canada, 33 per cent of self-employed workers averaged 50 hours or more per week in 2008. The average work week for self-employed workers in Canada is approximately 41 hours, almost two hours more than the British Columbia average of 39 hours.

Aboriginal people living off-reserve continue to be significantly less likely to be self-employed than non-aboriginals. In the period from April 2008 to March 2009, 15.1 per cent of Aboriginal people in British Columbia were self-employed, compared to 18.6 per cent of non-Aboriginals who worked for themselves. Those Aboriginal people who defined themselves as Métis were more likely to be self-employed (17.1 per cent) than those who were classified as North American Indian (13.9 per cent). Despite the lower overall rate of self-employment, the total proportion of self-employed Aboriginals was higher in the 2008/09 fiscal year than that recorded the previous year (13.7 per cent).

How does self-employment growth in British Columbia compare with other provinces?

Over the past five years, British Columbia has bucked the national trend in self-employment growth. Between 2003 and 2008, the number of self-employed in the province soared 13.8 per cent, well above the national average (9.5 per cent). In British Columbia, over the five-year period, only one exception to notable growth was seen—in 2006, where self-employment eased slightly (-0.5 per cent), most likely due to the labour shortages experienced in the province in that year. That said, the Canadian average also declined in 2006 (-5.4 per cent), and to a much greater degree than that of British Columbia. Alberta experienced growth of 13.3 per cent, Quebec of 12.3 per cent, and Ontario of 9.6 per cent. Several provinces lost ground over this same time span, most notably Prince Edward Island at a 12.1 per cent drop.



Just Beginnings Flowers

Surrey

In 2010, Just Beginnings Flowers will be part of every Olympian's podium moment – a major coup for the Surrey florist training company that was created to give a hand up to marginalized women. June Strandberg started teaching floristry at a women's prison in 1990. "It was heartbreaking to see the cycle of women leaving and then coming back. There was nowhere for them to go," she says.

So Strandberg created Just Beginnings Flowers, which today is dedicated to training and finding floristry jobs for people returning from prison, single parents, women who have experienced violence, and those recovering from drug and alcohol abuse. "I thought if I could train them and help them get working, that would be a start. That was the beginning of my big picture."

Graduates have found jobs in garden centres and floristry companies, and some have even started their own businesses. Community support has also been key as evident from the orders it takes for Surrey schools, weddings and special events.

In 2008, Just Beginnings Flowers forged a partnership that will give students the experience of a lifetime. Margitta Schulz of North Vancouver's Margitta's Flowers approached Strandberg about bidding on a job for the 2010 Olympic Games. The strong partnership helped win them the bid to design and create athlete bouquets for the event. Up to a dozen students are expected to work on the project, cementing Just Beginnings Flowers as a catalyst for social and economic change.

For more information, please visit
www.justbeginningsflowers.com



Siwash Lake Ranch

70 Mile House

Siwash Lake Ranch in the Kamloops foothills is proof that luxury and conservation can be partners. It's the only Canadian ranch to be recognized by Forbes among the "Top 10 Luxury Dude Ranches" – yet the all-inclusive resort produces only one bag of garbage per month.

Husband and wife team Allyson Rogers and Roy Grinder infuse sustainability into all elements of their operations. "Promoting harmony with nature is paramount to the experience we provide our guests," says Rogers, highlighting the ranch's recycling and composting efforts and the larger conservation programs on the property's surrounding wetlands. Nestled among 32,000 hectares of pristine wilderness, the ranch offers guests a range of adventures including horseback riding, fly fishing, canoeing and fine dining. All the activities encourage guest participation in stewardship of the land.

The Hotel Association of Canada has awarded Siwash Lake Ranch a Five Green Key eco-rating for achieving the highest standards in environmental and social responsibility through all areas of operation. The ranch now functions completely off the grid, using solar power to generate its clean, renewable electricity.

"We're proud to set an example for other small businesses wanting to achieve both growth and a low environmental footprint," says Rogers. "Our clients are excited about the work we do and want to support other businesses that show innovation and leadership in responding to the needs of our planet."

For more information, please visit
www.siwashlakeranch.com

3. Contribution to the Economy

How large is the contribution of small business to British Columbia's economy relative to other provinces?

Small business contributes to the British Columbia economy in many ways. It creates and maintains employment, is a source of innovation and meets payrolls that support families and stimulate new economic activity.

The key measure of economic production of a sector is its gross domestic product (GDP). GDP represents the value that a sector adds to the materials and services it uses.

In 2008, small businesses in British Columbia accounted for 34 per cent of the province's GDP, well above the national average of 29 per cent. In fact, the province's small business GDP is higher than that of any other province, suggesting that small business plays a more significant role in the B.C. economy than in other parts of the country. This is due in part to the fact that British Columbia has traditionally been more service sector-oriented than most other provinces, and that Canada's growth in small businesses is concentrated in service sector industries. At 33 per cent, Saskatchewan ranked second after British Columbia, followed by Quebec and Alberta (each at 31 per cent). The province with the smallest contribution to GDP from small business was Newfoundland and Labrador (18 per cent), which likely reflects the increased role of large business in that province's offshore oil industry.

How does average pay compare between small and large businesses?

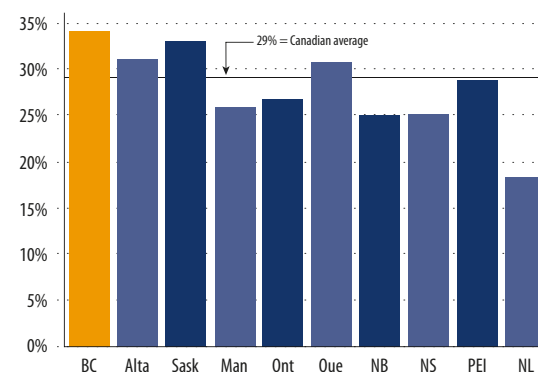
On average, large businesses have traditionally paid their employees more compared to small businesses. Small businesses make up much of this wage disparity by offering benefits that may not be possible for some larger businesses, such as more flexible hours. In British Columbia, the average small business employee earned \$37,800 in 2008, compared to \$43,059 for employees of large business, which amounts to a difference of about \$5,300 annually. Part of the wage gap may be related to productivity. Larger firms can take advantage of economies of scale and can better afford necessary capital improvements, such as machinery and equipment that substitute for low-skilled labour. These advantages allow large firms to be more productive than small businesses. As a result, larger firms tend to achieve more output per employee and can consequently afford to pay their employees higher wages. Another possible factor is that small businesses are much less likely to be unionized; in general, employees who belong to unions tend to earn higher wages than non-unionized employees.

The gap in pay scales between small and large businesses in British Columbia has narrowed substantially in recent years. Between 2003 and 2008, small business employees saw more than double the growth in their average earnings compared to employees of large businesses. Employees of small businesses saw their average wages increase 24 per cent over that period, compared to an 11 per cent boost for those working for larger businesses. Early in the decade, the earnings gap between employees at small and large businesses held fairly steady at approximately \$8,000. This has contracted significantly since 2005. By 2008, it had shrunk to \$5,300. In nearly every industry, average earnings increased at a faster pace in small business than in large business.

Gross Domestic Product (GDP) refers to the total market value of all the goods and services produced within national or provincial borders during a specified period. The growth rates of GDP provide an indication of how well an industry, or an economy, is doing. The GDP of an industry (also referred to as value added) equals output by the industry minus the value of intermediate inputs purchased from other industries, domestic or foreign. Value added is a measure of how much an industry has contributed to the value of its output over and above the value of intermediate inputs. GDP by industry for the economy as a whole is the sum of values added by all industries resident in Canada.

Figure 3.1:

British Columbia ranked first among the provinces in terms of small business contribution to GDP, 2008



Source: BC Stats

Figure 3.2:

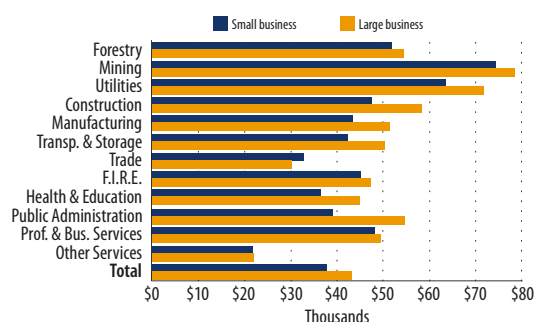
Changes in average annual earnings, British Columbia, 2003-2008

	Small Business	Large Business
Earnings 2003 (payroll/employee)	\$ 30,507	\$ 38,817
Earnings 2008 (payroll/employee)	\$ 37,800	\$ 43,059
Per cent change	24%	11%

Source: BC Stats using data supplied by Statistics Canada

Figure 3.3:

Average annual earnings by industry, British Columbia, 2008



Note: F.I.R.E. = Finance, Insurance, and Real Estate

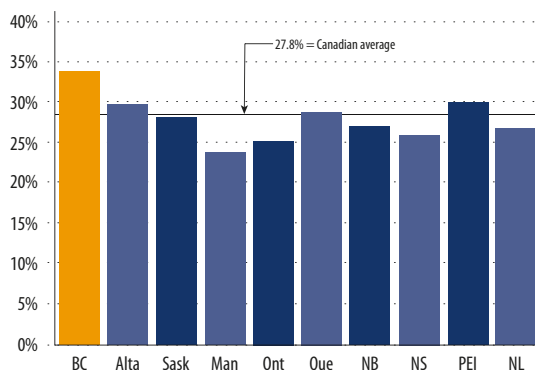
Source: BC Stats using data supplied by Statistics Canada

Did you know?

British Columbia's small businesses lead the nation in contributions to provincial payrolls.

Figure 3.4:

British Columbia small business represents over a third of the 2008 provincial payroll



Source: BC Stats using data supplied by Statistics Canada

The province's increase in wages among small businesses may be due in part to the labour shortage in the province during 2006, 2007 and part of 2008. Wage increases are used by many small or medium-sized businesses as a partial solution to the scarcity of workers. The premise is that substantial wage hikes will draw more people back into the workforce. Since larger companies can offer their employees more benefits, they may have less need for raising wages. This principle may also apply to times of economic uncertainty. For example, job security in a large business can be higher if there is a smaller chance of going out of business. Large businesses often offer higher wages to begin with, along with other employee benefits such as pension plans and extended medical coverage. For small business employers, increasing wages is perhaps the most effective method of retaining existing employees, as well as attracting new ones. Many small businesses may raise wages in hopes of attracting employees that would normally be drawn to big companies. It remains to be seen what impacts the recent economic downturn and potential layoffs will have on small business, and whether a new pattern will emerge.

How does average pay compare across industries for small versus large businesses?

In 2008, wages in businesses with 50 or more employees were higher than those in small businesses over most major industry groupings, with the exception of employees working in trade (wholesale and retail trade). Small business workers in this industry continue to earn more on an average annual basis than their counterparts working for large businesses. In recent years, including 2008, this disparity remained localized to retail trade, which has been one of the sectors most impacted by labour shortages. Employers in retail trade have consequently had to offer raises in order to maintain the staffing levels needed to operate their businesses. Outside the trade sector, some significant wage differences remain among small and large business earners. The largest wage gap is in public administration, where large businesses pay about \$15,500 more, on average, than their counterparts in small business. Another industry with historically significant wage disparity is construction; in 2008, employees working for small businesses earned nearly \$10,200 less per annum than those working for large construction companies. At less than \$700, the smallest gap between small and large business salaries is in administrative and support, waste management and remediation services. For businesses of any size, employees in the accommodation and food sector earned the lowest wages, on average, followed by retail trade. The highest wage earners were in mining, oil and gas extraction.³

How does British Columbia compare in terms of the portion of total payroll generated by small business?

In 2008, small business accounted for 34 per cent of wages paid to workers in British Columbia, by far the highest in Canada and well above the national average (28 per cent). Second-ranked Prince Edward Island was more than four percentage points lower than British Columbia, with approximately 30 per cent of its provincial payroll comprised of wages paid to small business employees. At 24 per cent, Manitoba was the province with the smallest percentage of payroll derived by small business. Wages tend to be lower in some industries, such as agriculture, that are not as prevalent in British Columbia as in other provinces. The wages of these industries can have an effect on the size of payrolls in provinces where they are more predominant.

³Note that the wage data are from Statistics Canada's Survey of Employment, Payrolls and Hours, which does not include data for the agriculture and fisheries industries. Data for the accommodation and food sector does not include gratuities.



Cherry Point Vineyards

Cobble Hill, Vancouver Island

For centuries, First Nations depended on a powerful connection to the land for their well-being. Today, that tie is evolving as evident with the Cowichan Tribes which own Cherry Point Vineyards.

The Cowichan Tribes still harvest blackberries for sustenance. But they also sell the luscious fruit to the winery which is furthering their economic self-sufficiency. The Cowichan Valley operation includes grape growing, processing and a retail operation, providing employment opportunities for First Nations, Glenn White, general manager explained.

The Khowutzun Development Corporation, which is the economic development arm of the Cowichan Tribes, added the vineyard to its suite of business ventures in 2004, taking it over from a pair of Saskatchewan farmers who saw the area's glacial moraine and Mediterranean-like temperatures as great wine-growing territory. It is one of only four wineries worldwide owned by a First Nation.

Since then, the valley has sprouted close to a dozen vineyards, and the 10-hectare Cherry Point Vineyards has ridden the crest of that growth industry, being the first licensed in 1994 and now the second largest on Vancouver Island.

Capitalizing on the spinoff tourism that comes with growing grape varieties that do well in the climate, Cherry Point offers wine tastings and a popular bistro where the produce of the surrounding area can be savoured on warm summer days.

Key to its business model is collaboration with other area vintners.

"We are all small businesses and, yes, we compete with each other, but we also work collaboratively through WIVA (Wine Islands Vintners Association) to bring tourists to the area," says White.

For more information, please visit
www.cherrypointvineyards.com



Birch Place Farm

Quesnel

B.C.'s Cariboo region has been faced with a sharp decline in the forestry sector over the past several years. However, with economic challenge comes economic opportunity – and one company is finding that opportunity in the trees.

Birch Place Farm has become home to one of only two commercial birch syrup producers in Canada.

Success started more than seven years ago with 150 mini-bottles of birch syrup at a farmer's market in Quesnel. Those bottles sold out in half an hour. Today, Birch Place Farm annual birch syrup sales are approaching 9,000 large bottles as consumers look for unique, local and sustainable products.

Owners Kim McIvor and Pete Thumand credit their success to keeping their business small, focused and fun. "There are unlimited opportunities out there with these birch trees. As long as we're enjoying it, we'll keep doing it," says Pete Thumand.

For more information, please visit
www.birchplacefarm.com

4. Growth Industries and Specially Defined Sectors

Historically, British Columbia's industries were developed around its natural resources and resource extraction-based sectors, such as mining and forestry. These industries still play a prominent role in the province's economy; however, sectors such as tourism and high technology have come to represent a significant portion of the economy, while the secondary manufacturing sector has the potential to herald future economic growth for the province. Given that these industries are less dependent on capital than are resource extraction sectors, they are a good fit for the expansion of small business in the province.

In the high tech sector, for example, 96 per cent of employers are small businesses.⁴ Innovation is the basis for growth in this sector, and high tech services can often be performed proficiently – and by a small number of employees – from small offices, plants or even private homes.

Number of Small Businesses

Which industries show the greatest increase in the number of small businesses?

In British Columbia, the construction sector is the leader by far in small business growth. Between 2007 and 2008, this sector added a net of 1,277 small businesses. Despite a slowdown toward the end of 2008, the recent boom in residential and non-residential construction was likely a driving factor in small business growth in the industry. This boom stemmed partly from anticipation of the upcoming 2010 Olympics in Vancouver.

Second-ranked business services saw an addition of 635 businesses in 2008. This sector includes services provided to other businesses, such as advertising, accounting and cleaning. It was followed by "other" retail trade, which had an increase of 176 small businesses and includes retail trade other than automotive, furniture, food and beverage and clothing. Financial services, ranked third, recorded a net gain of 142 small businesses.

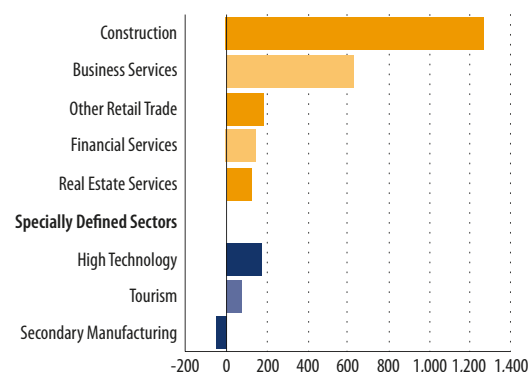
Specially Defined Sectors

This section contains information on industries that are not defined under the North American Industry Classification System (NAICS) used by Statistics Canada. In this report, the tourism, high technology and secondary manufacturing sectors are called "specially defined sectors." These sectors are actually composites of smaller parts of traditionally defined industries under NAICS. Tourism, for example, includes data from parts of the transportation industry, accommodation and food services, and information, culture and recreation services, among others. High technology includes both manufacturing and services components.

Two of these three specially defined sectors experienced an increase in the number of small businesses over the last reporting year. High technology led the way with a net addition of 169 new businesses between 2007 and 2008. Over that period, the

Figure 4.1:

Net number of new small businesses – fastest growing sectors in British Columbia, 2007-2008



Note: Excludes self-employed without paid help

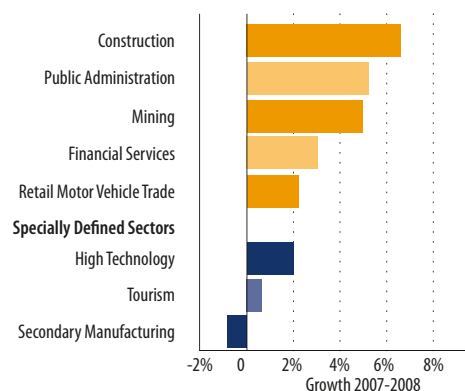
Source: BC Stats using data supplied by Statistics Canada

North American Industry Classification System (NAICS)

The North American Industry Classification System (NAICS) is an industry classification system used in Canada, the United States and Mexico. It is designed to provide common definitions of the industrial structure of the three countries. NAICS is Statistics Canada's comprehensive system, encompassing all economic activities. It has a hierarchical structure: at the highest level, it divides the economy into 20 sectors; at lower levels, it further distinguishes the different economic activities in which businesses are engaged.

Figure 4.2:

Sector growth rates for number of small businesses, 2007-2008



Note: Excludes self-employed without paid help

Source: BC Stats using data supplied by Statistics Canada

⁴Note that reliable data for self-employment by industry are not available; therefore, the figures provided in this chapter are for paid employees only and may differ from other parts of this report.

Special Sector Definitions

Tourism includes industries such as transportation, accommodation, food services and other tourism-related activities. More information on the tourism sector is available at: www.bcstats.gov.bc.ca/data/bus_stat/busind/tourism.asp.

High technology industries may employ a high proportion of scientists and researchers or invest a high proportion of revenues in research and development. Other industries that produce high technology products are also included. More information on the high technology sector is available at: www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp.

Secondary manufacturing industries are those that produce goods from the products of other manufacturers. For example, a sawmill is a manufacturing operation, but not a secondary manufacturer, because its logs do not come from another manufacturer. By contrast, a factory producing wooden doors with lumber obtained from sawmills is a secondary manufacturer.

gains were all in the service sector as the number of high technology manufacturing businesses dipped slightly. A lull in the manufacturing sector is not uncommon in today's economy. In 2008, factors such as the appreciation of the Canadian dollar and a reduction in demand in the wake of global recession took their toll on the manufacturing sector as a whole, across most industries. The province's secondary manufacturing sector saw a net decline of approximately 55 small businesses between 2007 and 2008. Meanwhile, the number of tourism businesses increased in 2008, with a net addition of 83 establishments. Although 2008 was generally a slow year economically, some tourism-related businesses, including restaurants, did fairly well, perhaps partially contributing to the creation of new businesses in this sector.

Which industries show the fastest rates of growth in new businesses?

At a notable 6.6 per cent, construction experienced the most prominent annual increase in the number of new small businesses of any of the standard sectors. Public administration also saw solid growth in net new small businesses (5.2 per cent), as did mining (4.7 per cent). The growth in mining was likely caused by heightened demand for metals for export to overseas markets in 2007, and the consequent rise in prices for those commodities.

In the specially-defined sectors, high technology led the pack with a 2.0 per cent rise in the number of establishments between 2007 and 2008, while the number of tourism firms increased at a slower rate (0.5 per cent). Meanwhile, secondary manufacturing experienced a 0.9 per cent loss in the number of firms in that sector.

Small Business Employment

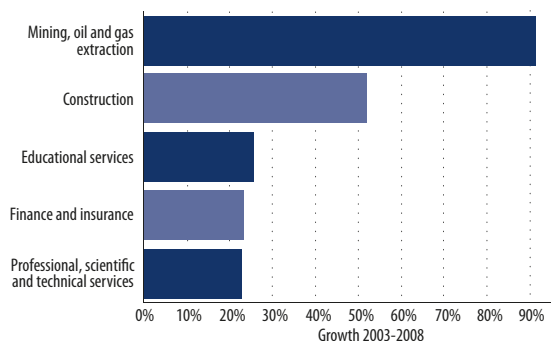
Which industries are experiencing the most job growth?

Between 2003 and 2008, the construction industry was the largest provider of new small business jobs in British Columbia. Employment in this industry surged 52.0 per cent, as the recent construction boom in the province created about 30,360 new jobs over the five-year period. Construction jobs have increased annually since at least the beginning of the decade, with the biggest jump occurring in 2007 (during the peak of construction in preparation for the 2010 Winter Olympics). The professional, scientific and technical services sector also added a substantial number of new jobs from 2003 to 2008, increasing its employment by 23.5 per cent and creating nearly 11,800 new jobs.

In terms of growth rates, the mining, oil and gas extraction industry recorded the most substantial increase in employment over this same period, with a 91.2 per cent surge (an addition of about 2,300 jobs). The continued growth of this sector could possibly be attributed partly to the boost in overseas demand — namely from China and India—for nonferrous metals such as copper, zinc and aluminum, particularly in 2007. The educational services sector also recorded a notable boost in employment, with an increase of 26.1 per cent over the five year period (an addition of about 2,760 jobs). The finance and insurance industry was not far behind, with an increase of 23.8 per cent (around 2,840 jobs).⁵

Figure 4.3:

Small business employment – industries in British Columbia experiencing the most job growth, 2003-2008



Source: BC Stats using data supplied by Statistics Canada

⁵Note that data on employment by size of business are not available for the specially defined sectors.



Bardel Entertainment Vancouver

Bardel Entertainment has come a long way from being a small service provider to a full-blown, successful animation studio based in Vancouver.

Barry Ward had worked as an artist for several animation studios before wife Delna Bhesania suggested starting their own studio. Never a couple to back away from a challenge, Barry and Delna launched Bardel Entertainment with just \$2,000 in startup cash.

Today the studio employs 300 people and has partnerships with major Canadian and international entertainment companies, providing content for feature films, TV series and interactive online sites. With a wealth of insight into media culture drawn from more than 20 years of experience, the studio now develops, produces and distributes its own proprietary content. This includes holiday specials (The Christmas Orange), TV series (Silverwing and Zeke's Pad) and movies (Dragons – Fire and Ice; and Dragons – Metal Ages).

Bardel Entertainment has garnered an impressive list of awards, including 10 for television programming and four for home video. The two most recent awards came from the 2009 International Awards for the Electronic and Animated Arts.

What's the key to their success? "There's no secret – hard work, dedication and perseverance. You have to be willing to press boundaries and go where no one has gone before," says Barry Ward.

For more information, please visit
www.bardel.ca



Wildwood Media

Kelowna

Creating a children's design company to connect kids with nature has been a wild journey for Marghanita and David Hughes of Kelowna who launched Wildwood Media less than four years ago.

Wildwood Media began with a website, using illustrations to introduce children to the Wildwood characters. The characters reflect the bright colours that mirror nature and seek to grab the attention of children across Canada and the United States.

Wildwood's award-winning products have since evolved to include the Little Humbug Book series, Story Book Character Dolls, Butterfly Girl Dolls, and an All Natural Little Humbugs Body Care line. These products foster social and environmental awareness in children and minimize the company's environmental footprint.

The company won the Rising Star Award at the Kelowna Chamber of Commerce 2008 Business Awards. Several of their toys have received a three-star ranking from the Canadian Toy Testing Council, the highest rating possible.

The recognition encouraged Wildwood to look beyond its North American market. In the future, they will be looking to launch their products throughout Europe.

For more information, please visit
www.wildwoodmedia.ca

5. Regional Focus

Which regions have the greatest number of small businesses?

Naturally, the most populated regions of British Columbia have the most businesses. Comparing the distribution of businesses to share of population helps determine which regions have the greatest number of small businesses. In 2008, the Mainland/Southwest region, which includes Greater Vancouver, was home to about 58 per cent of the province's small businesses, a full two percentage points lower than its 60 per cent share of total provincial population. Conversely, the second most populous region—Vancouver Island/Coast—contained 18 per cent of small businesses, a marginally larger proportion than its share of provincial population (17 per cent). The Thompson/Okanagan region was ranked third with about 13 per cent of small businesses, which was also slightly above its share of the province's total population (12 per cent). The remaining regions together accounted for about 11 per cent of small businesses in 2008, representative of their 11 per cent share of population.

In which regions are the greatest numbers of small businesses forming?

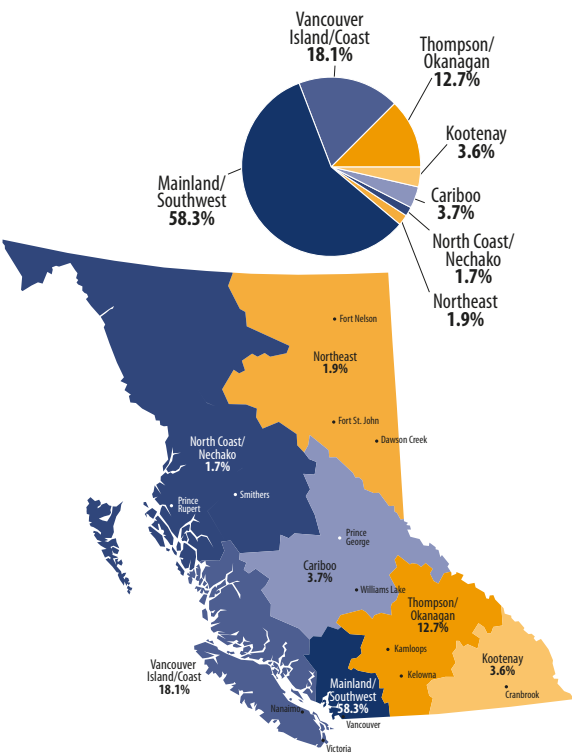
Despite significant declines in other areas, three of British Columbia's seven regions recorded growth in the number of small businesses between 2007 and 2008, such that the province recorded an average loss of just 0.1 per cent (or around 500 businesses). The Cariboo region, where forestry and agriculture are among the principal industries, led the province in the year-over-year increase in small businesses. This region recorded an impressive 8.2 per cent growth in 2008, which translates to an approximate increase of 1,100 businesses. The Vancouver Island/Coast region was second, increasing 1.6 per cent or close to 1,100 net new small businesses. In terms of actual numbers, the Mainland/Southwest region added the most new businesses to the province, growing 1.1 per cent, an addition of about 2,400 establishments.

Four regions experienced declines in the number of small businesses between 2007 and 2008. Losses were most notable in the Kootenay region, with a drop of 15.1 per cent. The North Coast/Nechako region fell 13.0 per cent and the Northeast region slipped 8.0 per cent. The Thompson/Okanagan region experienced a comparatively slower rate of decline of 0.5 per cent.

In what regions is self-employment growing the fastest?

As with total small business development, the Cariboo is also the leader in self-employment growth. Between 2003 and 2008, this region recorded a 25.4 per cent surge in the number of self-employed individuals, slightly ahead of the 21.5 per cent rise recorded in the second-ranked Northeast region. In that period, all other regions of the province also saw positive growth in entrepreneurs, with the exception of North Coast/Nechako, where a 22.2 per cent reduction occurred in the number of self-employed individuals. The self-employed increased by 10.6 per cent in the Vancouver Island/Coast region, by 13.6 per cent in the Thompson/Okanagan region, and by 15.8 per cent in the Mainland/Southwest region. The Kootenay region recorded a more moderate climb of 5.9 per cent.

Figure 5.1:
Mainland/Southwest accounted for over half of all small businesses in British Columbia, 2008



Source: BC Stats using data supplied by Statistics Canada

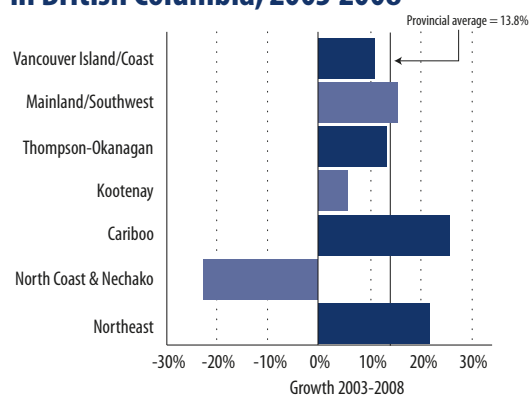
Figure 5.2:
Net change in number of small businesses by region, 2007-2008

	Growth (#)	Growth rate
Vancouver Island/Coast	1,100	1.6%
Mainland/Southwest	2,400	1.1%
Thompson/Okanagan	-300	-0.5%
Kootenay	-2,400	-15.1%
Cariboo	1,100	8.2%
North Coast & Nechako	-1,000	-13.0%
Northeast	-600	-8.0%
Provincial Total†	-500	-0.1%

† Figures do not add due to rounding.
Source: BC Stats using data supplied by Statistics Canada

Figure 5.3:

Self-employment growth rate for regions in British Columbia, 2003-2008



Source: Statistics Canada / Prepared by BC Stats

Figure 5.4:

The specially defined sectors gained establishments in some regions of the province between 2007 and 2008

DEVELOPMENT REGION	Tourism		High Technology		Secondary Manufacturing	
	Change (#)	Rate of change	Change (#)	Rate of change	Change (#)	Rate of change
Vancouver Island/Coast	57	2.1%	35	2.5%	-18	-2.1%
Mainland/Southwest	18	0.2%	154	2.8%	-27	-0.7%
Thompson/Okanagan	64	3.3%	18	2.6%	2	0.3%
Kootenay	21	2.8%	-8	-4.0%	6	3.8%
Cariboo	11	1.9%	1	0.6%	10	5.7%
North Coast & Nechako	7	1.6%	-5	-4.8%	-8	-10.4%
Northeast	-14	-4.9%	-7	-3.9%	-1	-1.9%

Source: BC Stats using data supplied by Statistics Canada

Some noteworthy regional variations exist in the age and sex distribution among British Columbia's self-employed. These differences are likely related in large part to the demographic and industry-driven diversity that is characteristic of the province's regions. For example, the self-employed in the northern regions, such as Northeast and North Coast/Nechako, are more likely to be male than in the central and southernmost regions. Similarly, older self-employed individuals are more common in regions with a higher proportion of retirees, such as Vancouver Island/Coast and Kootenay.

In what regions are the specially defined sectors growing the fastest?

Between 2007 and 2008, the high technology sector expanded its number of small businesses in the two areas with the highest concentration of high technology establishments. The Mainland/Southwest region recorded a 2.8 per cent jump in high tech businesses, while the Vancouver Island/Coast region posted a 2.5 per cent increase. The Thompson/Okanagan region also saw a significant climb in high tech establishments with a 2.6 per cent increase. The increase in the Cariboo region was more modest, at 0.6 per cent. Conversely, three regions suffered declines. The North Coast/Nechako region suffered a decline in high tech small businesses of 4.8 per cent, while the Kootenay region declined 4.0 per cent and the Northeast region saw a decline of 3.9 per cent.

Between 2007 and 2008, the number of small businesses in secondary manufacturing fell in four regions of the province. The North Coast/Nechako region saw the largest decline, with the number of small businesses falling 10.4 per cent, but there were also notable losses in the Vancouver Island/Coast (-2.1 per cent), Northeast (-1.9 per cent) and Mainland/Southwest (-0.7 per cent) regions. The Cariboo region, saw the most pronounced growth in secondary manufacturing small businesses, at 5.7 per cent, while the Kootenay region experienced gains of 3.8 per cent and the Thompson/Okanagan region saw an increase of 0.3 per cent.

Promising growth occurred in the number of tourism-related small businesses in the province. In fact, in only one region – the Northeast region – did it decline, falling 4.9 per cent. All other regions experienced gains, most notably the Thompson/Okanagan region, where the number increased by 3.3 per cent. These increases are particularly interesting given that visitor entries to Canada from the United States via British Columbia's borders were down 8.9 per cent in 2008, as the effects of the global economic slowdown hit home. Tourism is a discretionary expenditure that consumers often postpone when uncertain about their economic future. As confidence has weakened, and consumers around the world have tightened their belts, British Columbia's tourism industries have felt the pinch of a downturn in tourism activities. However, despite the drop in visitors from south of the border, a substantial share of tourism-boosting travel may still be occurring within Canada itself. Like their American counterparts, many Canadians and, likewise, many British Columbians, may be opting to stay closer to home. This change in tourism choices may have given a boost to small tourism-related businesses as money that would normally be spent by Canadian residents travelling abroad may have been injected instead into local economies. The full impact of the economic downturn on British Columbia's small businesses remains to be seen, and may become more apparent in 2009.

6. Small Business Exporters

How is a small business exporter defined?

An export can consist of either a good shipped to another country or a service that is provided to a foreign resident or business. Goods or services traded from one region to another within a country, such as from province to province, may also be considered exports. Data on service exports and interprovincial trade are limited and such data tabulated by business size are unavailable. For the purposes of this report, an exporter is defined as a business that ships merchandise to international destinations. A business with fewer than 50 employees that exports goods out of the country is defined as a small business exporter.

A one-year lag exists in the availability of export data for businesses by employee size. Due to inconsistencies in the coverage, these data are not produced in a manner that permit year-over-year comparisons. Consequently, the figures reported here are for 2007 only. In addition, data for British Columbia on its own are not readily available, since Statistics Canada has grouped the Territories (Yukon, Northwest Territories and Nunavut) into a region with British Columbia in order to meet confidentiality requirements. As such, the data reported here include exporters in the Territories; however, based on years when data for the Territories were available separately, the inclusion of exporters from the Territories should not significantly influence the numbers. Most of the exports from the Territories are diamonds from the Northwest Territories and these are generally large business exports. The numbers for small businesses in British Columbia are probably inflated by less than one per cent; however, the value of exports for large businesses may be slightly more overstated due to the inclusion of the diamond exports from the Northwest Territories.

How many small businesses in British Columbia export?

British Columbia had 6,322 businesses that exported goods to international destinations in 2007.⁶ Of these, 5,146 were businesses with fewer than 50 employees, representing just over 81 per cent of all exporting businesses, but only 1.4 per cent of all small businesses in the province. In other words, 98.6 per cent of small businesses in British Columbia did not export goods in 2007. The small businesses that did export goods employed 60,683 people, or almost six per cent of total small business employment.

While only a fraction of small businesses were exporters in 2007, they shipped approximately \$11.9 billion worth of goods, or about 38 per cent of the total value of exports from the province. The low number of small business exporters may be attributed to high start-up costs associated with an exporting business, or the need to achieve economies of scale to compete internationally.

The year 2007 was characterized by an appreciating Canadian dollar that achieved parity with its American counterpart. This appreciation created significant challenges for exporters of all sizes since a higher-valued domestic currency makes domestically-produced goods more expensive for foreign purchasers. This was reflected in both the

Small Business Exporter

A Small Business Exporter is a business with fewer than 50 employees that exports goods out of the country, regardless of the value of the exports. Small firms can be large exporters and, conversely, some large firms are small exporters.

Figure 6.1:

Number of British Columbia* exporters, employees and value of exports, 2007

	Number of Establishments	Number of Employees	Value of Exports (\$millions)
Small business exporters	5,146	60,683	\$11,915.9
Large business exporters	1,176	293,358	\$19,360.3
Total all exporters	6,322	354,041	\$31,276.2

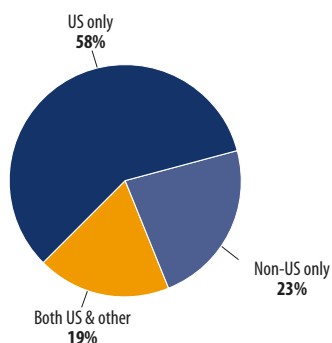
*Includes data for the Territories

Source: Statistics Canada / Prepared by BC Stats

⁶Note that the business counts in this chapter refer to establishment counts, rather than business location counts, as the data in the Exporter Registry, which is the source of exports by business size, are still based on the establishment framework.

Figure 6.2:

Most British Columbia* small business exporters shipped exclusively to the United States in 2007



*Includes data for the Territories

Source: Statistics Canada / Prepared by BC Stats

overall number of exporters in British Columbia, which fell 7.9 per cent between 2006 and 2007, and the value of exports, which dropped 5.7 per cent in that period.

While Statistics Canada does not produce data on exporters by employee-size that can be consistently compared from year to year, given that over four-fifths of exporters were small businesses, it is likely that a significant portion of them were among those that either ceased to operate, or did not export goods in 2007. The global economic downturn that has occurred since that time has exacerbated the situation for many exporters, particularly those in the forestry sector, which saw the value of its exports drop 17.7 per cent between 2007 and 2008.

What is the destination of goods shipped by British Columbia small business exporters?

Approximately 58 per cent of British Columbia small business exporters shipped exclusively to the United States in 2007. Another 19 per cent exported goods to the United States and at least one other country. Less than a quarter (23 per cent) of small business exporters did not ship any goods at all to the United States. The focus on the United States may be due in part to a preference by British Columbia small businesses to deal with American customers over less familiar overseas markets. As well, exporting to the United States involves lower costs for marketing, particularly compared to countries with language differences. Small businesses would also incur higher costs for transportation to overseas destinations, adding to the price of the product. Since small businesses have a smaller profit margin than larger enterprises, they are less able to absorb extra expenses; therefore, exporting to countries more distant than the United States could price them out of the market. Those businesses that did export to other destinations tended to ship greater volumes, which probably helped defray some of these overhead costs.

What types of industries in British Columbia are most likely to be small business exporters?

In British Columbia, small business exporters are far less likely than large businesses to be in manufacturing. In 2007, only 34 per cent of small business exporters were in a manufacturing industry, compared to 58 per cent of large exporters (50 employees or more). In addition, only 21 per cent of the value of merchandise exported by small businesses in British Columbia was produced by the manufacturing sector. For larger businesses, the comparable figure was 63 per cent. However, the proportion of employees in the manufacturing sector was similar for small and large exporting businesses, at 46 per cent for small business exporters and 45 per cent for larger businesses that export.

Across Canada, as in British Columbia, small business exporters are less likely to be in manufacturing than larger exporters. Small business exporters in the Prairies are the least likely to be in manufacturing. Only 29 per cent of small business exporters in that region were manufacturers, and they shipped only nine per cent of small business exports. By contrast, 58 per cent of exporters in the Prairies with 50 employees or more were manufacturers, shipping 35 per cent of the goods exported by businesses of that size. In Ontario, 40 per cent of small business exports were in manufacturing, as compared to 85 per cent of the exports of the province's larger businesses.

How do British Columbia small business exporters compare to those in other parts of the country?

In 2007, British Columbia had more small business exporters than all of the Prairie provinces combined. This is due, at least in part, to the fact that many small farms in the Prairies have their exports handled by large co-operatives such as the Canadian Wheat Board. Ontario had by far the largest number of small business exporters in 2007, twice as many as second-ranked Quebec.

There is significant regional variation in export intensity across Canada. The average value of exports per small business is far higher in some regions of Canada than in others. For example, although there were fewer small business exporters in the Prairies than in any of the top three provinces, that region was the origin of almost half (47 per cent) the value of all Canadian small business exports. Alberta oil and gas producers might be hiring small firms in the finance and insurance sector to deal with exporting their product. If so, this activity could help explain the relatively higher export intensity in the Prairies. Small business exporters in the Prairies exported an average of \$11.9 million per firm in 2007, well above the national average of \$3.8 million per business. In British Columbia, the average annual shipments of small business exporters totalled just over \$2.3 million, while Atlantic Canada's small businesses exported an average of \$8.9 million per firm. In 2007, Ontario and Quebec led the way in terms of the number of small business exporters but they also had the lowest average export value per firm, at \$1.8 and \$2.2 million respectively. This variation in export intensity is likely a result of differences in the industrial structure of the various regions of the country.

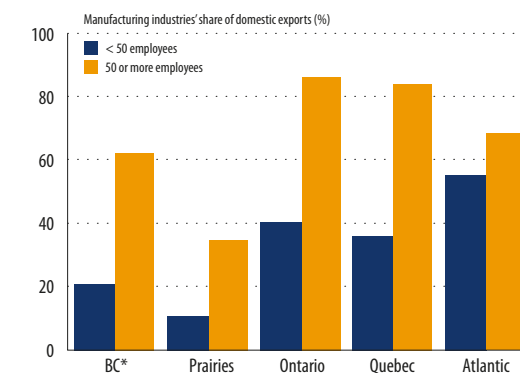
How is technology affecting small business exporters?

Large firms generally have an advantage over smaller businesses in the export market, due to various factors, including economies of scale. However, one area where small businesses may be able to compete with larger firms on a global scale is in niche markets, since small businesses may be better suited to produce specialized items for these smaller markets. The problem these small businesses face is determining how to communicate their presence to customers around the world. The evolution of e-commerce may offer a solution that will give these businesses an opportunity to expand their marketplace internationally. Over the last decade, a substantial increase has occurred in Internet sales of goods and services and a growing portion of these sales have been to customers in other countries.

The growth in e-commerce and other communications technologies has allowed small businesses to get more involved in exporting than ever before. The small business sector is already an important part of British Columbia's economy and new technology could help it grow and become even more vital in the future.

Figure 6.3:

Small business exports are less likely to be manufactured goods, 2007

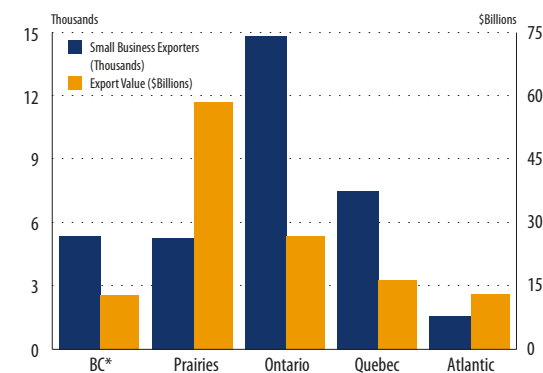


*Includes data for the Territories

Source: Statistics Canada / Prepared by BC Stats

Figure 6.4:

Export intensity for small businesses varies widely by region, 2007



*Includes data for the Territories

Source: Statistics Canada / Prepared by BC Stats

Technical Notes

All statistics presented in this document are based on the best data currently available. A comprehensive listing of all businesses operating in British Columbia or elsewhere does not exist; therefore, business counts must be estimated to some extent. BC Stats has combined data from several sources to produce estimates of the total number of large and small businesses operating in British Columbia and other provinces, as well as the employment and payrolls generated by these businesses.

The results may differ from estimates produced in other studies that use different data and different methodologies. Differences will potentially be more in terms of absolute numbers, rather than direction of trends or the relative standing of British Columbia compared to other provinces. This edition of the Small Business Profile incorporates statistical revisions, such that year-over-year comparisons should not be made using last year's edition.

Data Sources

Estimates of the number of businesses have been produced using data from Statistics Canada's Business Register and Labour Force Survey. Estimates of employment and payrolls have been produced using Statistics Canada's Survey of Employment, Payrolls and Hours and Labour Force Survey. All self-employment numbers have been obtained directly from the Labour Force Survey. Data describing small business exporters are derived from Statistics Canada's Exporter Registry.

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www.canadabusiness.gc.ca

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