

INTRODUCTION

Small business is acknowledged as a vital and significant sector of the Western Australian economy. Small business performance is recognised world-wide to be one of the keys to general economic goals such as business and employment growth.

Western Australia is at the national forefront of small business growth and employment, performing consistently above the national average. Over the 15 year period from 1983–1984 to 1998–1999, the number of Western Australian small businesses doubled while employment increased 84%. These represent average annual rates of increase of 4.9% for businesses (nationally 3.7%) and 4.2% for employment (3.1% nationally), both higher than any other State or Territory.

SMALL BUSINESS OPERATIONS

The ABS periodically conducts the Characteristics of Small Business Survey which provides a range of information relating to small businesses and their owners. The following section draws on the results from these surveys. Unless otherwise indicated, small businesses are defined as non-employing businesses together with businesses employing less than 20 people.

Size and industry

Around 19 in 20 Western Australian businesses are classified as small businesses. In November 1999, there were 104,100 small businesses in Western Australia, the majority (57%) of which were non-employing businesses.

While the number of small businesses fell slightly in November 1999 compared with February 1997, of particular significance was the change in mix of employing and non-employing small businesses over this 33 month period. Non-employing small businesses fell by 5,200 (or 8%) whereas employing small businesses grew by 4,800 (or 11%).

NUMBER OF SMALL BUSINESSES IN WESTERN AUSTRALIA

	February 1995	February 1997	November 1999
	'000	'000	'000
Non-employing	48.8	61.8	56.6
Employing	38.5	42.7	47.5
Total	87.2	104.5	104.1

Source: *Characteristics of Small Business* (Cat no. 8127.0).

A number of factors may be responsible for the fall in small business numbers (including non-employing business numbers) between February 1997 and November 1999. They include non-employing businesses taking on employees, natural attrition (the number of older businesses has declined over this period) and business bankruptcies (which were relatively high over the financial years 1996–1997 to 1998–1999).

In 1998–1999, over half (around 54%) of all WA small businesses were in the Construction, Retail trade and Property and business services industries, a proportion that has remained fairly constant since 1983–1984. Over that period, however, the proportion held by each of these three industries has changed. The most notable changes were the Property and business services industry, up from 13% of all small businesses in 1983–1984 to 23% in 1998–1999 (an increase of 17,100 businesses); and the Retail trade industry, which declined from 28% to 15% although, in overall numbers, there was an increase of 1,800 retail businesses.

Size and industry *continued*

WESTERN AUSTRALIA SMALL BUSINESS, By Industry

	1983-1984	1995-1996	1996-1997	1997-1998	1998-1999
Industry	%	%	%	%	%
Retail trade	27.9	18.9	17.7	16.4	15.3
Construction	14.5	18.1	17.7	16.7	16.1
Property and business services	13.3	18.5	19.8	21.2	22.5
<i>Sub total</i>	55.7	55.5	55.2	54.3	53.8
Manufacturing	7.7	7.5	8.2	8.6	7.5
Wholesale trade	7.3	5.4	5.4	4.8	5.2
Transport and storage	6.0	5.8	6.0	5.9	6.9
Health and community services	4.4	6.8	6.1	5.8	5.5
Personal and other industries	6.9	6.6	7.2	7.5	7.8
Other industries	11.9	12.3	11.8	13.1	13.1

Source: *Small Business in Australia* (Cat no. 1321.0).

Number of operators

Business operators are generally identified as the proprietor of a sole proprietorship; the partners of a partnership; or the working director(s) of an incorporated company.

There were 152,900 small business operators in November 1999, a fall since February 1997 of 4%. The decline was due to a fall in the number of female small business operators, down by 12% (or 7,100) to 50,300 after rising 21% over the preceding two years. The fall in female operators may relate, in part, to changes in the Corporations Law in 1995 which made it no longer compulsory to have multiple business operators as a prerequisite for incorporation, thereby reducing the number of female "silent partners" registered as business operators.

The ratio of small business operators to businesses has fallen consistently since February 1995, the number of single operator small businesses increasing from 50% of all small businesses in February 1995 to 57% in November 1999.

SMALL BUSINESS OPERATORS, By Sex

	February 1995	February 1997	November 1999
	'000	'000	'000
Males	91.3	102.1	102.6
Females	47.6	57.4	50.3
Persons	138.9	159.5	152.9
Ratio of business operators to businesses	1.59	1.53	1.47

Source: *Characteristics of Small Business* (Cat no. 8127.0).

Since February 1997, the number of non-employing small businesses with multiple operators has fallen by 26%. Over 90% of multiple operator non-employing businesses have two operators, suggesting that a significant proportion of the decline was family businesses.

By contrast, employing businesses with multiple operators increased over the same period by 11% (or 2,900 businesses), almost five times the increase recorded between February 1995 and February 1997.

SMALL BUSINESSES, By Number of Business Operators

	February 1995	February 1997	November 1999
	'000	'000	'000
Non-employed			
1 operator	29.9	39.5	40.1
Multiple operators	18.9	22.4	16.5
Total	48.8	61.8	56.6
Employing			
1 operator	13.3	17.1	19.0
Multiple operators	25.0	25.6	28.5
Total	38.4	42.7	47.5
Total			
1 operator	43.2	56.6	59.2
Multiple operators	44.0	47.9	44.9
Total	87.2	104.5	104.1

Source: *Characteristics of Small Business* (Cat no. 8127.0).

BUSINESS LONGEVITY

Non-employed businesses have a younger age profile than employing businesses. The majority of non-employed businesses in November 1999 had been in operation under the same owner for 1 to less than 5 years, whereas most employing businesses had operated under the same owner for 10 years or more.

The most significant change since February 1997 was a drop in the number of non-employed small businesses operating with the same owners for 10 years or more (down 25%).

LENGTH OF OPERATION OF SMALL BUSINESS: CURRENT OWNER, By Employer Size Group

	February 1995	February 1997	November 1999
	'000	'000	'000
Non-employed businesses			
Less than 1 year	9.5	9.6	8.5
1 to less than 5 years	19.4	24.8	24.5
5 to less than 10 years	10.5	12.4	12.2
10 or more years	9.4	15.1	11.4
Total	48.8	61.8	56.6
Employing businesses			
Less than 1 year	4.8	4.5	5.5
1 to less than 5 years	12.3	13.6	14.8
5 to less than 10 years	9.9	10.0	10.4
10 or more years	11.4	14.5	16.7
Total	38.4	42.7	47.5

Source: *Characteristics of Small Business* (Cat no. 8127.0).

BUSINESS LONGEVITY *continued*

Although there are no official statistics for actual failures in the small business sector, bankruptcy statistics from the annual report of the Inspector-General on the operation of the *Bankruptcy Act* provide a useful indicator. Business bankruptcies remained relatively high, averaging 494 over the financial years 1996–1997 to 1998–1999, then falling to 399 in 1999–2000. The most frequent causes for Western Australian businesses in 1999–2000 were Lack of business ability (23% of business bankruptcies), Economic conditions (21%), and Lack of capital (17%). Lack of business ability accounted for 8% of bankruptcies in the previous year.

EMPLOYEE EARNINGS (Average Weekly Gross Wages and Salaries)

Overall, the average weekly gross wages and salaries of small business employees in 1999–2000 was below that recorded for all Western Australian private sector employees. While this also applied to majority of industries, three notable exceptions were the Electricity, gas and water supply, Finance and insurance, and Health and community services industries.

SMALL BUSINESS EMPLOYEES, Wages and Salaries, 1999–2000

Industry	Average weekly gross wages and salaries \$	Earnings as a proportion of all employee earnings %
Mining	933.80	70.2
Manufacturing	518.60	70.2
Electricity, gas and water supply	1 326.90	140.3
Construction	663.60	76.6
Wholesale trade	579.90	88.2
Retail trade	393.40	103.1
Accommodation, cafes and restaurants	275.60	84.5
Transport and storage	698.50	90.1
Finance and insurance	921.80	114.6
Property and business services	617.50	101.4
Education	394.50	64.7
Health and community services	602.10	119.6
Cultural and recreational services	347.60	74.6
Personal and other services	353.00	91.2
All industries	534.40	87.8

Source: Unpublished data, Wage and Salary Earners.

Small business employees in industries with a larger proportion of part-time or casual employees recorded the lowest average earnings; those in the Accommodation, cafes and restaurants industry earning the least (\$275.60, or 84% of the average earned by employees of all businesses in that industry). Although earnings of small business employees in Retail trade were one of the lowest, they still earned more than the average earned by employees of all businesses in that industry.

RESEARCH AND DEVELOPMENT EXPENDITURE

Almost \$1 in every \$10 spent on research and development in Western Australia in 1998–1999 was attributable to small business. Of the \$40.9 million spent by small business, 81% was invested in the Western Australian Property and business services (\$13.3 million), Manufacturing (\$12.8 million) and Mining (\$7.0 million) industries. These industries together contribute almost 40% of the State's economic activity.

SMALL BUSINESS RESEARCH AND DEVELOPMENT EXPENDITURE IN WESTERN AUSTRALIA, By Selected Industries, 1998–1999

Industry	Contribution of small business expenditure to total industry expenditure	
	Small business expenditure \$'000	%
Mining	6 980	3.3
Manufacturing(a)	12 750	8.8
Food, beverages and tobacco	583	12.6
Petroleum, coal, chemical and associated products	289	2.1
Motor vehicle and part and other transport equipment	1 463	n.p.
Photographic and scientific equipment	795	20.7
Electronic and electrical equipment	5 277	37.7
Industrial machinery and equipment	3 118	38.6
Property and business services(a)	13 318	31.7
Scientific research	5 094	54.7
Other industries	7 884	24.3
All industries	40 932	9.4

(a) The sum of the components may not add to totals as some industries are not listed in the breakdown.

Source: Unpublished data, Research and Experimental Development, Businesses.

Research and development investment in WA by small business was highest in the technical and scientific fields. Small businesses accounted for over half (55%) of all business expenditure in the Western Australian Scientific research industry, and over a third of expenditure in each of the Electronic and electrical equipment manufacturing and Industrial machinery manufacturing industries (38% and 39% respectively).

PROFILE OF SMALL BUSINESS EXPORTERS

Less than 5% of all small businesses in Western Australia had exported goods and services over 1997–1998 according to the latest data from the Business Longitudinal Survey, which covered a large proportion of Western Australia's exporting businesses but excluded non-employing businesses. In the main, small businesses exported irregularly rather than on an on-going basis. While the majority of exporters within the State were small businesses, most export revenue was being generated by larger businesses.

Exporting small businesses in 1997–1998 were more likely than larger exporting businesses to be paying their employees above the annual average weekly earnings level of \$39,000. Turnover per full time equivalent employee was higher for exporting small businesses than non-exporting small businesses.

Exporting small businesses were also more likely to be using computers in the workplace than other small businesses, with over half using the Internet for email and information gathering.

BUSINESS EXPECTATIONS

Short-term: The business expectations of Western Australia's small business owners in December quarter 2000 were more pessimistic than medium and large businesses, with operating incomes, profits and full time equivalent employment all expected to decrease compared with September quarter 2000. The expectation for profit was down by 19%, mirroring the fall expected for all Australian small businesses of 11%.

Medium-term: Western Australian small business is expecting operating income, profits and full time equivalent employment to increase into the first half of 2001 compared with the same period in 2000. The rate of increase for operating incomes and profits is expected to slow in September quarter 2001.

USE OF COMPUTERS AND THE INTERNET

Western Australian small businesses are embracing information technology to the extent that they are at the forefront of small business computer and Internet use Australia-wide.

In November 1999, 63% of Western Australian small businesses were using a computer in their business operations, second only to the Australian Capital Territory (with 78%). Of these, 60% (or 38% of all small businesses) had access to the Internet.

As the size of small businesses increased, so too did the likelihood that a business would use a computer and access the Internet. Just over half of non-employing small businesses (52%) were using computers in their business operations compared with 88% of those employing 5–19 employees. These larger businesses were more than twice as likely to be accessing the Internet than non-employing businesses.

COMPUTER USE AND INTERNET ACCESS, Size of Small Business, November 1999

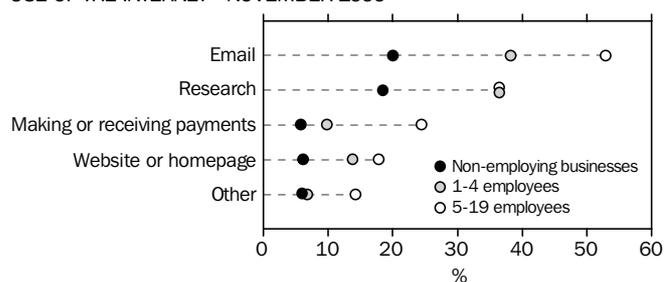
	Uses a computer.....		Accesses the Internet	
	'000	% of small businesses	'000	% of small businesses
Non-employing businesses	29.7	52.4	15.0	26.6
1–4 employees	25.2	70.7	17.0	47.6
5–19 employees	10.5	88.2	7.3	61.1
Total	65.3	62.8	39.3	37.7

Source: *Characteristics of Small Business* (Cat no. 8127.0).

Western Australia's larger small businesses (those with 5–19 employees) had the second highest proportion of computer use and highest proportion of Internet access of the States and Territories.

The most common uses of the Internet were email (30% of total small businesses) and research (27%). At November 1999, 9% of small businesses were engaging in direct e-commerce (making or receiving payments), with those in small businesses employing 5–19 people leading the nation with a quarter engaging in direct e-commerce.

USE OF THE INTERNET - NOVEMBER 1999



SMALL BUSINESS OPERATORS

Age and sex

Small business operators in Western Australia are getting older. Between February 1997 and November 1999, operators aged greater than 50 increased by 17% (or 6,000 persons); male operators accounting for two thirds of the rise. Over the same period, the number of operators aged from 30 to 50 decreased by 11% (or 11,500); female operators accounting for most (71%) of the fall, while the proportion of small business operators aged less than 30 has remained fairly constant.

Of the 152,900 operators in November 1999, 67% were male, the highest proportion recorded over the three survey periods.

AGE OF SMALL BUSINESS OPERATORS, By Sex

	February 1995	February 1997	November 1999
	'000	'000	'000
MALES			
Aged less than 30	12.4	11.7	11.6
Aged 30–50	58.8	65.3	62.0
Aged greater than 50	20.1	25.0	29.0
Total	91.3	102.1	102.6
FEMALES			
Aged less than 30	5.6	6.8	5.9
Aged 30–50	34.7	40.2	32.0
Aged greater than 50	7.4	10.4	12.4
Total	47.6	57.4	50.3
PERSONS			
Aged less than 30	18.0	18.5	17.5
Aged 30–50	93.4	105.5	94.0
Aged greater than 50	27.5	35.4	41.4
Total	138.9	159.5	152.9

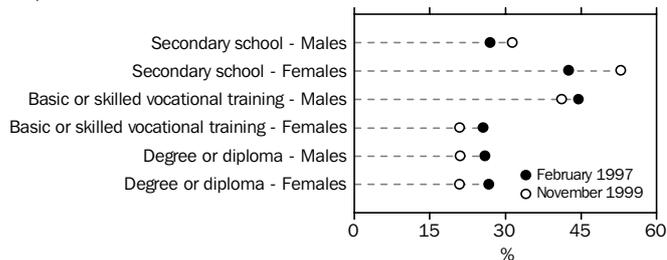
Source: *Characteristics of Small Business* (Cat no. 8127.0).

Qualifications

Between February 1997 and November 1999, the proportions of small business operators who had gained either a basic or skilled vocational qualification or a degree or diploma have decreased. As a result, the completion of secondary school (without gaining a degree) was the most common qualification in November 1999.

Male operators tend to have higher educational qualifications than females. While the majority (41%) of males had a basic or skilled vocational qualification, most female operators (53%) had achieved a secondary school qualification only. Interestingly, similar numbers of males and females had obtained qualifications at the degree or diploma level.

QUALIFICATIONS OF SMALL BUSINESS OPERATORS,
Proportions of All Males and All Females



Hours worked

The most notable change between February 1997 and November 1999 was a decrease of 19% in the number of part-time female operators. This may be linked to a reduction in the number of female "silent partners" registered as business operators previously referred to. There was a marginal increase in male operators working full time hours (83% in 1997; 84% in 1999).

HOURS WORKED BY SMALL BUSINESS OPERATORS, By Sex

	February 1995	February 1997	November 1999
	'000	'000	'000
MALES			
Part-time	13.1	17.1	16.6
Full-time	78.1	85.0	86.0
Total	91.3	102.1	102.6
FEMALES			
Part-time	29.2	36.7	29.6
Full-time	18.4	20.7	20.7
Total	47.6	57.4	50.3
PERSONS			
Part-time	42.4	53.8	46.2
Full-time	96.5	105.6	106.7
Total	138.9	159.5	152.9

Source: *Characteristics of Small Business* (Cat no. 8127.0).

HOME BASED SMALL BUSINESS

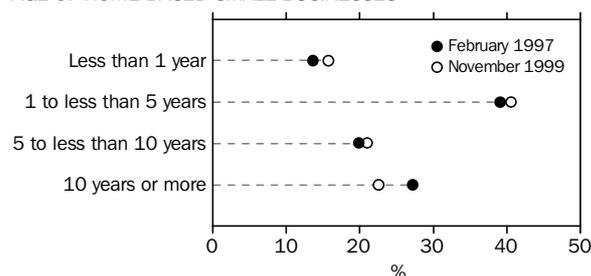
Small businesses are identified as being home based according to two separate but overlapping definitions – either the business operated *at home*, with most of the work being carried out at the home(s) of the operator(s); or the business was operated *from home*, with no other premises owned or rented by the operator(s).

Business characteristics

There were 65,500 Western Australian home based small businesses in November 1999 comprising a significant 63% of all small businesses. The vast majority of home based businesses (97%) operated *from home*. In just under one third of businesses (31%), most of the work was carried out *at home*.

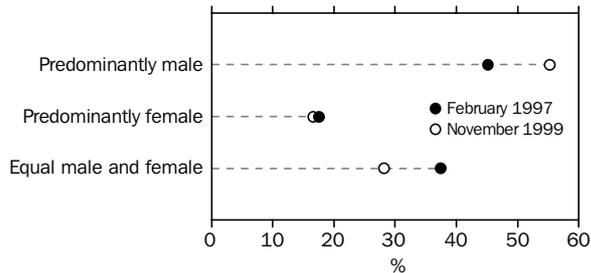
Since February 1997, the number of home based businesses and their operators has been in decline, falling at an average annual rate of 1.8% and 4.9% respectively compared with lower average annual decline rates of 0.2% and 1.6% for the number of all small businesses and their operators. A drop of 3,900 businesses aged 10 years or more has resulted in a lowering of the overall age of home based businesses.

AGE OF HOME BASED SMALL BUSINESSES



Home based businesses are mainly one operator businesses, with the proportion increasing from 60% in February 1997 to 69% in November 1999. Over the same period, home based businesses with predominantly male operators increased from 45% to 55% while those with equal numbers of male and female operators fell from 37% to 28%.

GENDER PREDOMINANCE OF HOME BASED SMALL BUSINESSES



The home based small business sector is dominated by non-employing businesses (71% of all home based businesses in November 1999), although that proportion declined from 74% recorded in February 1997. By contrast, the number of employing businesses grew notably from 26% to 29% (or 1,000 employing businesses).

The two most significant home based industries in November 1999 were Construction (26% of all home based businesses) and Property and business services (23%).

HOME BASED SMALL BUSINESSES, By Industry, November 1999

Industry	'000	%
Manufacturing	4.8	7.3
Construction	17.0	26.0
Retail trade	4.3	6.6
Property and business services	15.3	23.4
Other industries	24.1	36.8
All Industries	65.5	100.0

Source: *Characteristics of Small Business* (Cat no. 8127.0).

In November 1999, four in five home based small businesses (81%) were located in the Perth Statistical Region. Of these, one third were located in the North Metropolitan Statistical Region (comprising the Cities of Joondalup, Wanneroo and Stirling) with one quarter based in the South West Metropolitan Statistical Region (an area from the Cities of Fremantle and Melville south to the City of Rockingham). These two Metropolitan Statistical Regions together with the Lower Western WA Statistical Region (comprising the South West and Upper and Lower Great Southern Statistical Divisions) were the only regions to record growth in business numbers in the 33 months from February 1997 to November 1999.

HOME BASED SMALL BUSINESSES, By Statistical Region(a)

Statistical region	Businesses ('000).....		Operators ('000).....	
	February 1997	November 1999	February 1997	November 1999
Central Metropolitan	5.4	5.3	7.3	5.7
East Metropolitan	8.4	6.7	11.2	10.0
North Metropolitan	17.4	18.2	24.8	24.8
South West Metropolitan	11.6	13.0	17.7	17.9
South East Metropolitan	11.5	9.7	16.0	12.5
Lower Western WA	8.8	9.2	13.6	11.6
Balance of WA	5.6	3.3	8.7	4.0
Western Australia	68.8	65.5	99.2	86.6

(a) A detailed description of Local Government Area's or Statistical Divisions making up the Statistical regions is contained in the Australian Standard Geographical Classification (Cat no. 1216.0).

Source: *Characteristics of Small Business* (Cat no. 8127.0).

Operator characteristics

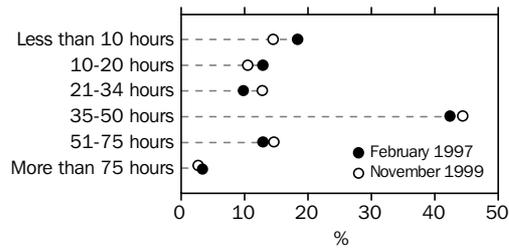
There were 86,600 home based small business operators in November 1999, a fall of 12,600 since February 1997 (an annual average rate of decline of 4.9%). The decrease was mainly attributable to a fall in the number of female operators, most of whom were aged 30 to 50 years, down by 9,100 to 26,600. Female operators comprised 31% of all small business operators in November 1999.

Of the 26,200 operators in businesses operated *at* home, 54% were males. For businesses operated *from* home, 70% of the 83,300 operators were male, with businesses in the male dominated construction industry the main contributing factor.

The qualifications profile of home based operators has changed markedly. Whereas a large proportion (40%) of operators in February 1997 had gained a basic or skilled vocational qualification, those operators that had only completed secondary school (without gaining a degree) dominated in November 1999 (38%) mirroring changes in the qualifications profile of all small business operators. Home based business operators were more likely than other small business operators to have gained either a degree or diploma.

Home based operators are working longer hours, with 62% working full time in November 1999 compared with 59% in February 1997. Nevertheless, home based operators remain more likely to be working part time than other small business operators, with 38% working less than 35 hours per week compared with 30% for all small business operators.

HOME BASED SMALL BUSINESS OPERATORS,
Number of Hours Worked



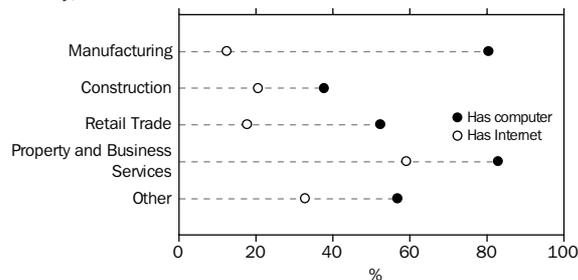
Use of computers and the internet

Almost three in five home based small businesses (59%) reported using a computer in their business operations in the November 1999 survey. One third of home based small businesses (56% of those with a computer) access the Internet, the major uses being email and research. Few businesses used the Internet for direct e-commerce (6%) or had a web site or homepage (7%).

Industries recording high use of computers by home based businesses were Property and business services (83% of all home based Property and business services businesses) and Manufacturing (80%). By comparison, 38% of businesses in the Construction industry used a computer.

Despite high computer use in Manufacturing, the level of Internet use was markedly low (13% of all Manufacturing businesses), whereas 59% of home based businesses in Property and business services accessed the Internet.

HOME BASED BUSINESS COMPUTER/INTERNET USE,
Industry, November 1999



REFERENCES

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Characteristics of Small Business (Catalogue No. 8127.0)

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Research and Experimental Development, Businesses, Australia (Catalogue No. 8104.0)

Small Business in Australia (Catalogue No. 1321.0)

Wage and Salary Earners, Australia (Catalogue No. 6248.0)