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## Introduction

This chapter presents statistics on the structure and performance of the main broad industry sectors of the Australian economy and their relative contributions to overall economic activity in terms of employment, production and investment.

Tables 12.1 and 12.3 dissect the economy's production by industry. The remaining tables provide more detailed indicators of economic activity by industry, but they are limited in scope. Tables 12.4 to 12.7 and 12.10 to 12.14 include private employing and public trading businesses (i.e. non-employing businesses and general government organisations are excluded). Tables 12.8, 12.9 and 12.15 include private employing businesses but exclude public trading businesses.

Statistics in this chapter are presented at broad industry levels, generally equating to the Division level in the *Australian and New Zealand Standard Industrial Classification (ANZSIC)* (1292.0). However, the label Private community services has been adopted in some cases to emphasise the fact that general government units have been excluded from the Economic Activity Survey (EAS), an important source of data for this overview.

While the statistics presented in this chapter provide the basis for comparisons of business performance across industries, care should be taken when comparing data in industry-specific chapters with the data in this chapter. Any differences in the frequency, scope, statistical units and methodologies of the various collections used to compile the statistics should be taken into account when making such comparisons.

## Industry contribution to Gross Domestic Product

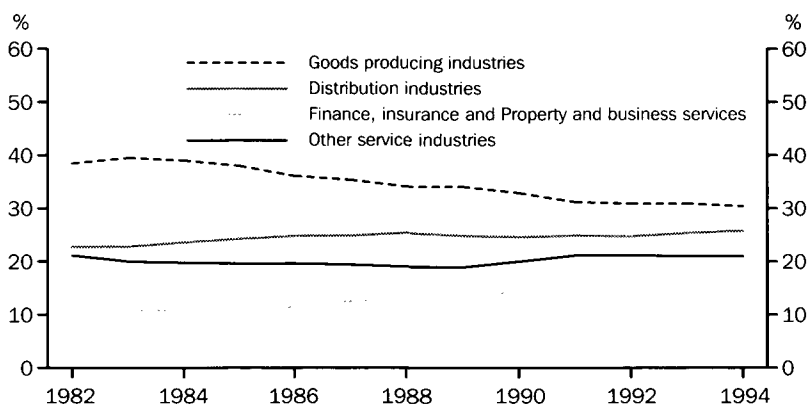
One measure of the changing importance of an industry within the economy is its contribution to Gross Domestic Product (GDP), as presented in the National Accounts. This is shown in percentage terms in table 12.1 and summarised, at a broader level, in figure 12.2. Table 12.3 shows the gross product of each industry in value terms at five-yearly intervals from 1974–75. While the proportions in table 12.1 are best calculated using data valued in current prices, trends in value aggregates, as in table 12.3, are best assessed in constant price terms, presently at average 1989–90 prices.

**12.1 GROSS PRODUCT, By Industry — Proportion of GDP at Current Prices**

Industry	1982–83 %	1984–85 %	1989–90 %	1992–93 %	1993–94 %	1994–95 %
Agriculture, forestry and fishing	3.6	4.5	4.0	3.2	3.2	2.9
Mining	6.4	6.6	4.3	4.1	3.9	3.7
Manufacturing	17.8	17.4	15.2	14.1	14.3	14.6
Electricity, gas and water	3.7	3.7	3.3	3.4	3.3	3.0
Construction	6.9	6.8	7.3	6.1	6.2	6.2
Wholesale trade	8.4	9.4	10.4	10.1	10.6	10.7
Retail trade	7.0	6.9	7.4	7.4	7.5	7.5
Accommodation, cafes and restaurants	1.7	1.6	1.9	2.0	2.0	2.1
Transport and storage	5.6	5.8	5.3	5.3	5.3	5.6
Communication	2.1	2.2	2.3	2.7	2.6	2.8
Finance and insurance	4.6	4.5	5.4	7.1	7.1	7.1
Property and business services	6.0	6.3	8.2	8.2	8.0	8.1
Government administration and defence	4.5	4.1	3.5	3.9	3.9	3.8
Education	5.2	4.8	4.4	5.0	4.9	4.7
Health and community services	5.5	5.1	5.0	5.6	5.5	5.6
Cultural and recreational services	1.9	1.9	1.9	2.1	2.2	2.3
Personal and other services	1.8	1.7	1.7	1.9	1.8	1.8
Ownership of dwellings	8.6	8.3	9.4	9.9	9.7	9.5
Import duties	1.2	1.3	1.1	0.8	0.8	0.8
Less imputed bank service charge	2.5	2.7	2.0	3.0	2.8	2.7
<b>All industries (GDP(I))</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Australian National Accounts, National Income, Expenditure and Product (5204.0).

## 12.2 CONTRIBUTION TO GDP, By Broad Industry



Source: Australian National Accounts, National Income, Expenditure and Product (5204.0).

In figure 12.2 goods-producing industries include Agriculture, forestry and fishing, Mining, Manufacturing, Electricity, gas and water and Construction. Distribution industries include Wholesale trade, Retail trade, Accommodation,

cafes and restaurants and Transport and storage. Other service industries include Communication, Education, Health and community services, Cultural and recreational services and Personal and other services.

## 12.3 GROSS PRODUCT, By Industry — Average 1989–90 Prices

	1974–75 \$m	1979–80 \$m	1984–85 \$m	1989–90 \$m	1994–95 \$m
Agriculture, forestry and fishing	10 745	12 334	14 115	14 820	13 558
Mining	9 129	9 557	12 115	15 829	17 967
Manufacturing	43 847	48 066	49 226	56 370	64 623
Electricity, gas and water	6 285	7 967	9 969	12 214	13 449
Construction	17 910	20 159	21 792	27 067	27 033
Wholesale trade	28 858	30 862	32 075	38 311	40 941
Retail trade	18 409	19 850	24 324	27 308	30 008
Accommodation, cafes and restaurants	4 652	4 795	5 402	6 935	7 892
Transport and storage	10 464	13 284	15 663	19 449	23 724
Communication	3 214	3 910	5 569	8 504	13 467
Finance and insurance	10 545	11 929	14 113	19 983	17 034
Property and business services	15 142	16 729	21 316	30 512	33 698
Government administration and defence	8 782	9 580	11 331	13 090	15 226
Education	8 596	12 056	13 324	16 448	19 153
Health and community services	10 151	12 661	15 138	18 559	22 042
Cultural and recreational services	4 131	4 914	6 264	7 205	9 106
Personal and other services	4 191	4 408	4 799	6 314	6 839
Ownership of dwellings	19 388	24 919	29 231	34 686	40 444
Import duties	1 934	2 140	3 074	3 952	5 314
Less imputed bank service charge	6 241	5 919	7 344	7 486	7 545
<b>All industries (GDP(P))</b>	<b>(a)228 617</b>	<b>(a)261 946</b>	<b>301 496</b>	<b>370 070</b>	<b>413 973</b>

(a) Estimates before 1984–85 have been derived by linking estimates for earlier base years to estimates at average 1989–90 prices. Since this linking has been done separately for components and totals, additivity has not been maintained.

Source: Australian National Accounts: National Income, Expenditure and Product (5204.0).

Table 12.1 and figure 12.2 indicate that the contribution to GDP from goods-producing industries (Agriculture, forestry and fishing, Mining, Manufacturing, Electricity, gas and water, and Construction) has declined steadily (by a total of almost eight percentage points from the contribution of the mid-1980s). Within the service industries, the contribution of the distribution industries, of Wholesale trade and Retail trade, Accommodation, cafes and restaurants and Transport and storage, has risen just over three percentage points since the mid-1980s; the contribution of the Finance, insurance and Property services group has risen just over four and a half percentage points and the other services industries, as a group, have returned to a contribution level of 21% of GDP, after having contributed just under 19% in 1989–90.

Despite the decline in Manufacturing's share of GDP from 17.8% in 1982–93 to 14.6% in 1994–95, it remains the most important industry in gross product terms. Other industries with large changes in their contribution to GDP from 1982–83 to 1994–95 include Mining, which

declined from 6.4% to 3.7%, Finance and insurance, which increased from 4.6% to 7.1%, and Wholesale trade which increased from 8.4% to 10.7%.

GDP, at average 1989–90 prices, has increased by 81.1%, from \$228,617m in 1974–75 to \$413,973m in 1994–95. Between 1989–90 and 1994–95 the increase has been 11.9%.

## Industry structure: classification, numbers and sizes of businesses

For many purposes the term 'business' is taken to mean a legal entity such as a registered company, partnership, sole proprietor, government enterprise or any other legally recognised organisation which provides goods or services. The business units about which the ABS collects and publishes information have been defined to reflect, as far as possible, the way businesses are structured and the units for which accounts are kept.

### 12.4 BUSINESSES AND EMPLOYMENT, By Industry and Size — June 1995

Industry	Small and medium businesses		Large businesses		All employing businesses
	\$m	%	\$m	%	\$m
Agriculture, forestry and fishing(a)	26 961	n.a.	..	..	26 961
Mining	6 728	20	26 452	80	33 181
Manufacturing	65 594	33	130 364	67	195 958
Electricity, gas and water supply	4 426	16	24 097	84	28 522
Construction	36 922	77	11 284	23	48 206
Wholesale trade	113 554	67	55 699	33	169 252
Retail trade	87 146	63	50 726	37	137 872
Accommodation, cafes and restaurants	19 198	80	4 938	20	24 136
Transport and storage	15 630	38	25 270	62	40 900
Communication services	944	5	18 428	95	19 373
Finance and insurance	8 341	40	12 739	60	21 080
Property and business services	33 732	71	13 552	29	47 285
Private community services(b)	11 590	72	4 548	28	16 138
Cultural and recreational services	6 952	36	12 170	64	19 122
Personal and other services	6 707	77	2 010	23	8 716
<b>All industries</b>	<b>444 425</b>	<b>53</b>	<b>392 276</b>	<b>47</b>	<b>836 701</b>

(a) As separate details are not available for large businesses, all businesses are classified as small and medium businesses.

(b) Includes private education, health services and community services businesses, but excludes those in the public sector.

Source: *Business Operations and Industry Performance* (8140.0).

Throughout this chapter the term 'business' refers to the 'management unit'. This is defined as the highest level accounting unit in a business for which accounts are maintained, provided that the unit does not include too wide a range of activities. For the majority of businesses, the management unit coincides with the legal entity (i.e., company, partnership, trust, sole operator, etc.). In the case of large diverse businesses, however, there may be more than one management unit, each coinciding with a division or line of business for which separate accounts are kept.

Table 12.4 provides an overview of the structure of Australian employing businesses (public and private sector) at June 1995 in terms of the

number of operating businesses and the number of persons employed. Table 12.13 provides a time series of employment in industries between June 1991 and 1995.

For the purpose of these statistics, large businesses are defined as management units which employ 200 or more persons or have assets worth more than \$200m.

Tables 12.4 to 12.7 show that, in 1994-95, small and medium businesses accounted for 99.6% of the total number of public trading and private employing businesses, and represented 61% of the employment, 53% of the sales, 39% of the profits and 50% of the industry gross product of these businesses.

### 12.5 SALES OF GOODS AND SERVICES, By Industry and Size of Business — 1994-95

Industry	Small and medium businesses		Large businesses		All employing businesses
	\$m	%	\$m	%	\$m
Agriculture, forestry and fishing(a)	26 961	n.a.	..	..	26 961
Mining	6 728	20	26 452	80	33 181
Manufacturing	65 594	33	130 364	67	195 958
Electricity, gas and water supply	4 426	16	24 097	84	28 522
Construction	36 922	77	11 284	23	48 206
Wholesale trade	113 554	67	55 699	33	169 252
Retail trade	87 146	63	50 726	37	137 872
Accommodation, cafes and restaurants	19 198	80	4 938	20	24 136
Transport and storage	15 630	38	25 270	62	40 900
Communication services	944	5	18 428	95	19 373
Finance and insurance	8 341	40	12 739	60	21 080
Property and business services	33 732	71	13 552	29	47 285
Private community services(b)	11 590	72	4 548	28	16 138
Cultural and recreational services	6 952	36	12 170	64	19 122
Personal and other services	6 707	77	2 010	23	8 716
<b>All industries</b>	<b>444 425</b>	<b>53</b>	<b>392 276</b>	<b>47</b>	<b>836 701</b>

(a) As separate details are not available for large businesses, all businesses are classified as small and medium businesses.

(b) Includes private education, health services and community services businesses, but excludes those in the public sector

Source: *Business Operations and Industry Performance* (8140.0).

**12.6 OPERATING PROFIT BEFORE TAX, By Industry and Size of Business — 1994–95**

Industry	Small and medium businesses		Large businesses		All employing businesses
	\$m	%	\$m	%	\$m
Agriculture, forestry and fishing(a)	3 460	n.a.	..	..	3 460
Mining	1 261	21	4 610	79	5 871
Manufacturing	4 226	26	11 950	74	16 175
Electricity, gas and water	522	14	3 235	86	3 757
Construction	2 560	93	203	7	2 763
Wholesale trade	4 778	68	2 202	32	6 979
Retail trade	3 402	71	1 420	29	4 822
Accommodation, cafes and restaurants	1 668	97	59	3	1 726
Transport and storage	1 017	39	1 562	61	2 579
Communication	150	5	2 649	95	2 799
Finance and insurance	1 634	8	18 369	92	20 003
Property and business services	4 484	58	3 292	42	7 777
Private community services(b)	2 291	83	486	17	2 776
Cultural and recreational services	774	36	1 382	64	2 156
Personal and other services	628	90	69	10	697
<b>All industries</b>	<b>32 853</b>	<b>39</b>	<b>51 489</b>	<b>61</b>	<b>84 342</b>

(a) As separate details are not available for large businesses, all businesses are classified as small and medium businesses. (b) Includes private education, health services and community services businesses, but excludes those in the public sector.

Source: *Business Operations and Industry Performance* (8140.0).

Both the Economic Activity Survey and the Australian National Accounts measure overall economic activity, although the Economic Activity Survey is substantially narrower in scope and coverage. Differences also occur in the

industry dissection of the two sets of statistics because they rely on different units frameworks. A Technical Note discussing this topic is included as Appendix 1 to *Business Operations and Industry Performance, Australia* (8140.0).

**12.7 INDUSTRY GROSS PRODUCT, By Industry and Size of Business — 1994–95**

Industry	Small and medium businesses		Large businesses		All employing businesses
	\$m	%	\$m	%	\$m
Agriculture, forestry and fishing(a)	9 411	n.a.	..	..	9 411
Mining	3 047	18	14 014	82	17 061
Manufacturing	20 425	34	39 212	66	59 638
Electricity, gas and water	2 336	18	10 632	82	12 968
Construction	9 890	83	2 018	17	11 908
Wholesale trade	16 118	70	6 982	30	23 101
Retail trade	13 909	63	8 000	37	21 909
Accommodation, cafes and restaurants	7 177	77	2 179	23	9 356
Transport and storage	5 911	34	11 325	66	17 236
Communication	393	3	12 007	97	12 400
Finance and insurance(b)	1 345	..	-1 811	..	-466
Property and business services	17 098	72	6 521	28	23 619
Private community services(c)	8 242	69	3 757	31	12 000
Cultural and recreational services	2 314	44	2 935	56	5 250
Personal and other services	2 729	74	949	26	3 678
<b>All industries</b>	<b>120 348</b>	<b>50</b>	<b>118 719</b>	<b>50</b>	<b>239 068</b>

(a) As separate details are not available for large businesses, all businesses are classified as small and medium businesses.

(b) Industry Gross Product for Finance and insurance is negative because it does not take account of implicit charges for financial services included in interest. (c) Includes private education, health services and community services businesses, but excludes those in the public sector.

Source: *Business Operations and Industry Performance* (8140.0).

Tables 12.8 and 12.9 present statistics, in respect of 1994–95, from the first year of the ABS' new longitudinal survey of business growth and performance. The survey also collected some data in respect of 1993–94. All sized businesses are included in the scope of this survey.

Businesses with static employment were defined as those where the change in employment ranged from –10% to +10%. Businesses with

increasing employment were those where the growth in employment was more than 10%. Businesses with decreasing employment were those where employment declined by more than 10%.

Just over two-thirds of private employing businesses in the selected industries had static employment between 30 June 1994 and 30 June 1995.

### 12.8 CHANGE IN EMPLOYMENT, By Industry — 30 June 1994 to 30 June 1995

Selected industries	Proportion of businesses with employment		
	Decreasing %	Static %	Increasing %
Mining	12.4	73.6	14.0
Manufacturing	15.1	59.6	25.3
Construction	17.8	68.6	13.6
Wholesale trade	9.6	69.4	21.1
Retail trade	12.0	68.4	19.6
Accommodation, cafes and restaurants	11.6	70.5	17.9
Transport and storage	14.1	72.1	13.8
Finance and insurance	10.0	78.6	11.4
Property and business services	13.3	70.1	16.7
Other selected industries	17.7	67.2	15.1
All selected industries	13.6	68.7	17.7

Source: *Small and Medium Enterprises, Growth and Performance, Australia (8141.0)*.

Almost 18% of businesses increased their employment by more than 10%.

Manufacturing and Wholesale trade recorded the largest percentages of businesses which increased employment by more than 10%.

Wholesale trade was the only industry in which fewer than 10% of businesses decreased their employment by more than 10%. In the Construction industry, 17.8% of businesses reported decreases in employment of more than 10%.

### 12.9 CHANGE IN SALES OF GOODS AND SERVICES, By Industry — 1993–94 to 1994–95

Selected industries	Proportion of businesses with sales of goods and services		
	Decreasing %	Static %	Increasing %
Mining	38.4	36.2	25.4
Manufacturing	16.7	35.7	47.6
Construction	23.1	32.8	44.1
Wholesale trade	14.5	40.3	45.3
Retail trade	15.2	52.6	32.2
Accommodation, cafes and restaurants	9.6	56.4	34.0
Transport and storage	14.4	33.5	52.2
Finance and insurance	21.0	41.7	37.3
Property and business services	18.8	37.3	43.9
Other selected industries	15.0	51.2	33.9
All selected industries	17.0	42.4	40.6

Source: *Small and Medium Enterprises, Growth and Performance, Australia (8141.0)*.

Just over 40% of all businesses in the selected industries recorded increased sales of goods and services from 1993–94 to 1994–95. During this time, sales decreased for 17% of businesses.

The Transport and storage industry recorded the largest proportion of businesses with an increase in sales from 1993–94 to 1994–95 (52.2%).

The Accommodation, cafes and restaurants industry was the only industry to have less than 10% of businesses recording a decrease in sales.

In the Mining industry, 38.4% of businesses reported decreases in sales of more than 10%.

## Business operations and performance

Table 12.10 presents measures of business operations (in terms of income and expenditure) by industry. The statistics relate only to employing businesses (public and private sectors) but exclude general government. Table 12.11 shows a selection of performance ratios suitable for comparing performance across industries. All the data items listed are defined in *Business Operations and Industry Performance, Australia* (8140.0) and the derivations of the performance ratios are presented after table 12.11.

These tables also show the relative importance (based on financial measures) of various industries. The Finance and insurance industry accounted for 24% of the operating profits and 41% of the net worth of all industries included. Manufacturing accounted for 19% of operating profits and 9% of net worth. Agriculture, forestry and fishing accounted for 4% of operating profits but 14% of net worth.

The relative performance of industries, like the relative performance of businesses, is best analysed by reference to a combination of performance ratios and level estimates. Various ratios commonly used in financial analysis are included in table 12.11. These show, for example, that in 1994–95:

- industries which converted the highest proportion of their sales into profit (as represented by the profit margin) were Finance and insurance and Mining;
- businesses in Cultural and recreational services, Construction and Retail trade reported, on average, the highest return on assets;
- the greatest ability to service debt charges from profits (as represented by the interest coverage ratio) was shown in Private community services, Cultural and recreational services and Manufacturing; and
- the industry with the highest return on net worth was Construction.

## 12.10 FINANCIAL TRANSACTIONS — 1994-95

	Agriculture, forestry and fishing \$m	Mining \$m	Manufacturing \$m	Electricity, gas and water \$m	Construction \$m	Wholesale trade \$m	Retail trade \$m	Accommodation, cafes and restaurants \$m
Sales of goods and services	26 961	33 181	195 958	28 522	48 206	169 252	137 872	24 136
Less								
Cost of sales	18 023	16 359	137 827	16 139	36 650	146 391	115 992	14 819
Trading profit	8 938	16 822	58 131	12 383	11 556	22 861	21 880	9 317
Plus								
Interest income	245	748	698	361	166	798	460	219
Other operating income	1 190	934	1 787	1 318	1 236	1 644	850	507
Less								
Labour costs	3 202	4 958	33 781	3 449	8 589	13 953	15 250	6 211
Depreciation	1 760	4 064	5 592	3 275	725	1 563	1 292	876
Other operating expenses	366	2 179	2 386	151	366	707	529	277
Earnings before interest and tax	5 046	7 304	18 857	7 186	3 278	9 080	6 119	2 679
Less								
Interest expenses	1 585	1 433	2 682	3 429	515	2 101	1 297	953
Operating profit before tax	3 460	5 871	16 175	3 757	2 763	6 979	4 822	1 726
	Transport and storage \$m	Communication \$m	Finance and insurance \$m	Property and business services \$m	Private community services(a) \$m	Cultural and recreational services \$m	Personal and other services \$m	All industries \$m
Sales of goods and services	40 900	19 373	21 080	47 285	16 138	19 122	8 716	<b>836 701</b>
Less								
Cost of sales	25 444	7 275	21 594	24 572	8 286	14 095	5 213	<b>608 679</b>
Trading profit	15 456	12 098	-514	22 713	7 851	5 027	3 503	<b>228 023</b>
Plus								
Interest income	284	148	53 014	2 622	292	131	155	<b>60 341</b>
Other operating income	3 190	245	12 810	6 155	7 574	872	1 284	<b>41 597</b>
Less								
Labour costs	11 530	6 355	11 818	16 768	11 546	2 646	3 431	<b>153 487</b>
Depreciation	2 934	2 538	1 823	1 892	674	567	475	<b>30 050</b>
Other operating expenses	443	195	903	970	279	312	155	<b>10 219</b>
Earnings before interest and tax	4 023	3 403	50 765	11 861	3 217	2 504	882	<b>136 205</b>
Less								
Interest expenses	1 444	605	30 762	4 084	441	348	185	<b>51 863</b>
Operating profit before tax	2 579	2 799	20 003	7 777	2 776	2 156	697	<b>84 342</b>

(a) Includes private education, health services and community services businesses, but excludes those in the public sector.

Source: *Business Operations and Industry Performance* (8140.0).

## 12.11 INDUSTRY PERFORMANCE RATIOS — 1994–95

Industry	Profit margin %	Return on assets %	Return on net worth %	Long-term debt to equity times	Current ratio times	Interest coverage times
Agriculture, forestry and fishing	12.2	2.7	3.2	0.1	2.4	3.2
Mining	16.8	8.3	16.3	0.5	1.1	5.1
Manufacturing	8.2	10.0	22.4	0.5	1.2	7.0
Electricity, gas and water	12.4	3.4	5.8	0.5	0.8	2.1
Construction	5.6	12.2	54.4	1.3	1.1	6.4
Wholesale trade	4.1	8.5	32.6	0.7	1.2	4.3
Retail trade	3.5	12.0	40.6	0.8	1.1	4.7
Accommodation, cafes and restaurants	6.9	6.4	15.2	0.8	0.8	2.8
Transport and storage	5.8	4.1	9.7	0.9	0.8	2.8
Communication	14.2	8.9	19.7	0.5	0.8	5.6
Finance and insurance	23.0	2.2	6.4	..	..	1.7
Property and business services	13.9	5.5	14.2	0.7	1.0	2.9
Private community services(a)	11.6	11.3	21.6	0.5	0.5	7.3
Cultural and recreational services	10.7	12.4	28.3	0.8	0.9	7.2
Personal and other services	6.9	6.5	11.5	0.4	1.5	4.8
All industries	9.0	4.6	11.0	—	—	2.6

(a) Includes private education, health services and community services businesses, but excludes those in the public sector.

Source: *Business Operations and Industry Performance* (8140.0).

The derivations of the performance ratios shown in table 12.11 are as follows:

- Profit margin is operating profit before tax as a percentage of sales of goods and services plus interest income plus Other operating income;
- Return on assets is operating profit before tax as a percentage of total assets;
- Return on net worth is operating profit before tax as a percentage of net worth;
- Long-term debt to equity is non-current liabilities as a proportion of net worth;
- Current ratio is current assets as a proportion of current liabilities; and
- Interest coverage is earnings before interest and tax as a proportion of interest expenses.

## Employment in industries

The following table shows the total number of working proprietors, partners and employees on the payrolls of employing businesses (public and private sectors), classified by industry, at the end of June 1991 to 1995. Businesses which have not registered as group employers with the Australian Taxation Office are out of scope of

the estimates in table 12.12, that is self-employed persons working in non-employing businesses are excluded (although they may be included in some other ABS measures of employment).

Of the goods-producing industries, Mining and Manufacturing and the utilities of Electricity, gas and water have experienced declining employment, while Agriculture, fishing and forestry and Construction have increased employment. Employment in most of the service-providing industries has been increasing, particularly in Property and business services, Cultural and recreational services and Personal and other services, where it has risen by over 20% in the five years from June 1991. Employment in Finance and insurance, Transport and storage and Communication has declined during the same period.

Despite the decline in employment in Manufacturing, this industry remains the largest employer, closely followed by Retail trade.

Broader discussion of employment changes over time is included as part of *Chapter 6, Labour*.

**12.12 EMPLOYMENT IN INDUSTRIES**

Industry	June 1991 '000	June 1992 '000	June 1993 '000	June 1994 '000	June 1995 '000
Agriculture, forestry and fishing	334	330	348	349	348
Mining	93	89	81	77	81
Manufacturing	1 079	1 009	991	950	960
Electricity, gas and water	110	99	91	81	73
Construction	280	256	261	275	289
Wholesale trade	393	401	396	422	413
Retail trade	846	860	848	873	908
Accommodation, cafes and restaurants	319	351	344	379	380
Transport and storage	325	294	294	292	311
Communication	127	124	114	116	124
Finance and insurance	330	314	297	296	284
Property and business services	506	567	556	552	618
Private community services(a)	488	495	512	517	534
Cultural and recreational services	103	112	120	123	158
Personal and other services	124	139	137	143	152
<b>All industries</b>	<b>5 458</b>	<b>5 441</b>	<b>5 389</b>	<b>5 444</b>	<b>5 632</b>

(a) Includes private Education, Health services and Community services businesses, but excludes those in the public sector.

Source: *Business Operations and Industry Performance* (8140.0).

**Labour productivity**

Changes in the number of hours worked tend to reflect the level of economic activity of an industry. A developing or buoyant industry will generally show an increase in the number of hours worked over time. However, structural reform or increased use of technology within an

industry may result in changes in employment relative to output.

A general indication of such effects is provided in the following table, showing constant price estimates of gross product per hour worked.

**12.13 INDEXES OF GROSS PRODUCT PER HOUR WORKED, By Industry(a)(b)**

Industry	1984-85	1990-91	1991-92	1992-93	1993-94	1994-95
Agriculture, forestry and fishing	97.8	106.8	107.0	113.8	116.1	98.2
Mining	94.4	112.8	122.0	126.9	119.9	129.1
Manufacturing	88.6	103.4	110.1	114.1	120.2	123.0
Electricity, gas and water	66.7	108.4	107.5	119.5	125.8	133.5
Construction	107.5	101.7	103.5	101.0	103.0	102.3
Wholesale trade	102.4	90.7	93.0	92.8	93.4	107.8
Retail trade	108.5	99.3	104.4	104.5	107.0	104.9
Accommodation, cafes and restaurants	103.2	94.2	90.6	93.0	93.7	95.2
Transport and storage	92.2	100.6	106.8	111.7	115.7	120.9
Communication	67.7	103.4	119.4	151.4	148.8	141.7
Cultural and recreational services	119.2	109.1	103.6	115.4	111.3	107.8
<b>All industries</b>	<b>97.4</b>	<b>100.3</b>	<b>102.4</b>	<b>105.0</b>	<b>107.2</b>	<b>108.3</b>

(a) Average 1989-90 prices. (b) Estimates of gross product per hours worked are not presented for six industries: Finance and insurance; Property and business services; Government administration and defence; Education, Health and community services; and Personal and other services, because the estimates of gross product at average 1989-90 prices are derived using input data as indicators of output.

Source: *Australian National Accounts: National Income, Expenditure and Product* (5204.0).

## Industry contribution to capital expenditure

The following table shows estimates of the level of private expenditure on capital assets (non-dwelling structures and equipment) by industry, providing a general indication of trends in productive capacity. Industries with the most significant increases in levels of capital

expenditure since 1984–85 were Mining (more than double), Manufacturing, Health and community services and Cultural and recreational services, while capital expenditure in the Agriculture, forestry and fishing industry has been substantially lower in recent years.

### 12.14 PRIVATE GROSS FIXED CAPITAL EXPENDITURE(a)

Industry	1984–85 \$m	1990–91 \$m	1991–92 \$m	1992–93 \$m	1993–94 \$m	1994–95 \$m
Agriculture, forestry and fishing	4 191	2 036	2 211	2 435	2 757	3 011
Mining	3 229	5 425	5 061	6 296	6 203	7 147
Manufacturing	5 776	6 984	6 607	7 017	6 897	8 655
Electricity, gas and water	155	134	91	470	904	232
Construction	2 017	1 813	1 475	1 511	1 860	1 836
Wholesale trade	2 198	2 395	1 849	1 921	2 747	2 942
Retail trade	2 543	2 648	2 763	2 838	2 966	3 166
Accommodation, cafes and restaurants	1 508	2 455	1 615	1 121	1 185	2 152
Transport and storage; Communication	2 548	2 244	1 722	2 546	2 576	3 348
Finance and insurance	2 399	2 909	3 622	2 620	2 250	2 839
Property and business services	3 758	6 520	4 486	4 180	4 328	5 305
Education	246	381	342	357	404	391
Health and community services	731	889	983	1 190	1 357	1 292
Cultural and recreational services	517	694	705	490	653	1 318
Personal and other services	212	415	418	369	256	232
Ownership of dwellings	16 687	16 752	16 829	19 306	21 894	22 783
Total (excluding real estate transfer expenses)	48 715	54 694	50 779	54 667	59 237	66 649
Real estate transfer expenses	5 314	5 353	5 881	5 934	6 566	6 350
<b>Total</b>	<b>54 029</b>	<b>60 047</b>	<b>56 660</b>	<b>60 601</b>	<b>65 803</b>	<b>72 999</b>

(a) Average 1989–90 prices.

Source: Australian National Accounts: Capital Stock (5221.0).

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# Women in small business

## Background

Small business is acknowledged as a vital sector of the Australian economy. It is recognised that women play a significant role in Australian business, particularly in small business. This article looks at the overall structure of the Australian small business sector, focusing in particular on the role women play in small business, and on some of the characteristics of female business operators and the businesses they operate.

A business is traditionally regarded as small if: it is independently owned and operated; it is closely controlled by the owners who also contribute most if not all of the operating capital; and the principal decision making functions rest with the owners.

Unfortunately, these characteristics are not readily identifiable for the business population as a whole, which renders such a definition impractical for statistical purposes. Hence business employment is commonly accepted as a proxy for defining businesses by size in most statistics in Australia. For this article small businesses are defined as those non-agricultural businesses employing less than 20 people.

## Participation of women in small business

Employment in Australia has grown over the past 50 years from just over 3 million people to today's level of about 8.3 million, an increase of just over 5 million people. Female employment has contributed slightly more than half of this rise, increasing from 0.8 million to 3.6 million over the period. This percentage increase (350%) represents an average annual rate of

increase of 3.2%. Employment of males has virtually doubled over the last 50 years, representing a significantly lower average annual rate of increase of 1.4%.

Expressing this another way, the participation rate of women in the workforce has risen from about 20% 50 years ago to about 53% today. The participation rate for women is still less than for men, currently running at 73%, but the rate for women is increasing rapidly.

If current trends continue, the number of women in the workforce will be about the same as the number of men in another 50 years.

It is not possible to undertake a similar analysis for women in small business, as the data sources do not support such analysis. However on the assumption that the proportion of females in small business employment is about the same as the proportion for all businesses, it seems reasonable to assume that the same conclusion could be drawn.

## Women in small business by industry

The small business sector in 1994-95 had employment of almost 2.5 million, of which 1.0 million (40%) were female. Of this:

- 206,000 worked by themselves in their own business,
- 104,000 ran businesses which had employees, and
- 709,000 were employees.

Table S2.1 looks at employment in small business by sex and industry.

**S2.1 EMPLOYED PERSONS IN SMALL BUSINESS, By Sex and Industry — 1994-95**

Industry	Employment				All '000
	Females		Males		
	'000	%	'000	%	
Mining	1.4	14.7	8.1	85.3	9.5
Manufacturing	74.6	31.2	164.3	68.8	238.9
Construction	58.7	16.2	303.4	83.8	362.1
Wholesale trade	72.8	33.7	143.2	66.3	216.0
Retail trade	231.7	45.7	275.3	54.3	507.0
Accommodation, cafes and restaurants	83.0	55.9	65.4	44.1	148.4
Transport and storage	29.1	23.7	93.9	76.3	123.0
Finance and insurance	24.0	47.4	26.6	52.6	50.6
Property and business services	174.5	46.2	203.3	53.8	377.8
Education	30.4	69.6	13.3	30.4	43.7
Health and community services	123.1	69.1	55.0	30.9	178.1
Cultural and recreational services	37.7	52.8	33.7	47.2	71.4
Personal and other services	74.8	57.7	54.8	42.3	129.6
<b>Total all industries(a)</b>	<b>1 019.4</b>	<b>41.3</b>	<b>1 450.6</b>	<b>58.7</b>	<b>2 470.0</b>

(a) Includes the Electricity, gas and water supply and Communication services industries.

Source: *Survey of Employment and Earnings*, unpublished data; *Labour Force Survey*, unpublished data. Adapted from table 1.3 in *Small Business in Australia*, 1995 (1321.0).

It can be seen that the industries in which most women worked were:

- Retail trade 231,700
- Property and business services 174,600
- Health and community services 123,100

There were also significant numbers of women employed in Accommodation, cafes and restaurants (83,000), Personal and other services (74,800), Manufacturing (74,600), and Wholesale trade (72,800).

The industries in which women represent the greatest proportion of employment are:

- Education 70%
- Health and community services 69%
- Personal and other services 58%
- Accommodation, cafes and restaurants 56%
- Cultural and recreational services 53%

In the Retail sector, the proportion of women in the workforce is 46%, the same as for Property and business services. Clearly women are having a far greater impact on employment in the services sector of the economy than in the goods producing sector.

### **Women working in their own small business**

In 1994-95 there were 310,000 women working in their own business, nearly 33% of people working in their own business. Over the period 1984-85 to 1994-95, this has grown from 225,000, which was 30% of people working in their own business.

The average annual growth rate of women working in their own business over this period has been 3.3%. This compares to an average annual growth of men working in their own business (518,000 in 1984-85 to 639,000 in 1994-95) of 2.1%.

Table S2.2 shows the industry distribution of the women and men working in their own business.

It can be seen that the industries in which most women work in their own business are:

- Retail trade 86,400
- Property and business services 44,200

Numbers of women working in their own business are also high in Personal and other services (33,000), Construction (28,900), Manufacturing (25,400), and Health and community services (25,200).

**S2.2 PERSONS WORKING IN THEIR OWN SMALL BUSINESS, By Sex and Industry — 1994-95**

Industry	Persons working in their own business				
	Females		Males		All '000
	'000	%	'000	%	
Mining	0.4	10.0	3.6	90.0	4.0
Manufacturing	25.4	35.6	46.0	64.4	71.4
Construction	28.9	13.6	184.3	86.4	213.2
Wholesale trade	13.0	30.9	29.1	69.1	42.1
Retail trade	86.4	40.2	124.4	57.9	214.8
Accommodation, cafes and restaurants	16.4	47.8	17.9	52.2	34.3
Transport and storage	10.8	17.9	49.5	82.1	60.3
Finance and insurance	2.2	21.4	8.1	78.6	10.3
Property and business services	44.2	32.1	93.4	67.9	137.6
Education	9.7	61.0	6.2	39.0	15.9
Health and community services	25.2	55.0	20.6	45.0	45.8
Cultural and recreational services	12.7	42.9	16.9	57.1	29.6
Personal and other services	33.0	52.1	30.3	47.9	63.3
<b>Total all selected industries(a)</b>	<b>310.6</b>	<b>32.7</b>	<b>638.9</b>	<b>67.3</b>	<b>949.5</b>

(a) Includes the Electricity, gas and water supply and Communication services industries.

Source: Survey of Employment and Earnings, unpublished data; Labour Force Survey, unpublished data. Adapted from table 1.3 in *Small Business in Australia, 1995* (1321.0).

The industries in which the proportions of women working in their own business are highest are:

- Education 61%
- Health and community services 55%
- Personal and other services 52%
- Accommodation, cafes and restaurants 48%
- Cultural and recreational services 43%

These are the same industries in which women represent the highest proportion of employment (see table S2.1).

The trend in business ownership and operation by women is toward a far greater involvement in the services sector of the economy. Of women working in their own business, 83% are in this sector, compared with only 63% of men.

### Women small business operators

In February 1995, the ABS conducted a sample survey of households which collected details of the characteristics of small business operators. The analysis below is based on the results of that survey and hence the actual number of businesses and their operators is a little different to the ones used in tables S2.1 and S2.2.

In this survey, operators were identified if they were:

- the proprietor of a sole proprietorship, or
- the partner(s) in a partnership, or
- the working director of an incorporated company.

The survey identified 1.25 million small business proprietors in Australia, of which 424,000 were female (34%). The age and qualifications of these operators are shown in table S2.3.

### S2.3 SMALL BUSINESS OPERATORS, By Sex and Selected Characteristics — February 1995(a)

Selected characteristic	Females		Males		All '000
	'000	%	'000	%	
<b>Age</b>					
Less than 30	45.4	10.7	99.8	12.1	145.3
30-50	298.1	70.3	518.0	62.6	816.0
Greater than 50	80.8	19.0	210.0	25.4	290.8
Total all operators	424.3	100.0	827.8	100.0	1 252.1
<b>Qualifications(a)</b>					
Secondary school	228.3	54.1	286.1	34.9	514.4
Basic or skilled vocational	93.5	22.2	323.4	39.4	416.8
Degree or diploma	99.9	23.7	210.6	25.7	310.5
Total all operators	421.7	100.0	820.0	100.0	1 241.7
<b>Ethnicity</b>					
Born in Australia	316.5	74.6	588.1	71.0	904.6
Born overseas	107.7	25.4	239.7	29.0	347.4
Total all operators	424.3	100.0	827.8	100.0	1 252.1

(a) Persons who did not complete the highest available year of secondary school and did not go on to achieve vocational qualifications or a degree/diploma have been excluded from this table.

Source: Adapted from tables 1, 2 and 5 in *Characteristics of Small Business, Australia, 1995* (8127.0).

This table shows that 11% of the female small business operators were less than 30 years old, 70% were between 30 and 50 years old and 19% were older than 50. When compared to males, there is a smaller proportion of small business operators who are women older than 50, but a greater proportion in the 30-50 age category. The proportions are about the same for operators who are less than 30.

Looking at the qualifications of the small business operators, nearly a quarter (24%) of the female small business operators had a degree or a diploma. This is fairly similar to the proportion for male small business operators (26%). However there are significant differences for the other qualification categories. Only 22% of female small business operators had basic or skilled vocational qualifications and 54% had secondary school qualifications as their highest level of qualification. For males these proportions were 39% and 35% respectively.

Three quarters of female small business operators were born in Australia, proportionally slightly greater than for males.

### Hours worked by female small business operators

The ABS Characteristics of Small Business survey also explored the number of hours spent by the small business operators working in their business. Table S2.4 shows the results of this analysis.

This table shows that over half of the female small business operators work less than 35 hours per week in their business. This compares to less than one sixth of male small business operators. As a consequence, there is a far greater proportion of male operators who work between 35 and 75 hours per week in their business. However, the proportion of operators who work more than 75 hours per week is nearly the same for women as it is for men.

This shows that there are important differences between part-time and full-time female small business operators. These are best explored by seeing if there any differences in the characteristics of the two groups.

**S2.4 FULL-TIME AND PART-TIME SMALL BUSINESS OPERATORS, By Sex and Hours Worked(a) — February 1995**

Hours worked(a)	Females		Males		All '000
	'000	%	'000	%	
<b>Part-time operators</b>					
1-10	80.3	33.8	19.1	16.0	99.4
11-20	104.6	44.0	52.9	44.3	157.4
21-34	52.8	22.2	47.3	39.6	100.1
Total part-time operators	237.6	100.0	119.3	100.0	356.9
<b>Full-time operators</b>					
35-50	119.7	64.2	416.7	58.8	536.3
51-75	47.2	25.3	242.5	34.2	289.7
More than 75	19.6	10.5	49.3	7.0	68.9
Total full-time operators	186.5	100.0	708.5	100.0	895.0
<b>Total operators</b>	<b>424.3</b>	<b>100.0</b>	<b>827.8</b>	<b>100.0</b>	<b>1 252.1</b>

(a) Hours worked relates to the usual number of hours worked by an operator in a week.

Source: Adapted from Tables 3 and 4 in *Characteristics of Small Business, Australia, 1995* (8127.0).

Looking first at age, there is not much difference between the characteristics of female part-time and full-time small business operators. Those less than 30 years of age account for 10.3% of part-time women small business operators, compared with 11.2% for full-time operators. The proportion of women over 50 is slightly less for part-time operators (18.7%) than it is for full-time operators (19.5%). By definition, there is a slight reversal in the proportions for the 30-50 age group.

There is, however, a significant difference in the ethnicity of women small business operators. Part-time operators who were born in Australia account for 78.7% of total women part-time operators. This compares with a figure for female Australian-born full-time operators of 69.4%. Correspondingly, the proportions for female overseas-born operators were 21.3% for part-time operators and 30.6% for full-time operators. It appears that Australian-born female small business operators have a greater leaning

towards part-time employment than their overseas-born counterparts.

There is also a marked difference in the area of qualifications. Women small business operators holding either a degree or diploma accounted for 27.0% of female part-time operators and 19.6% of full-time operators. The opposite is evident for those women for whom the highest available year of secondary school education was the highest qualification gained. For 51.3% of part-time female small business operators this was the highest level of qualification, compared with 57.7% of full-time operators. Somewhat surprisingly, it seems that part-time operators have a higher level of qualifications.

However, the largest differences become apparent when one examines the industrial classification of the female small business operators. Table S2.5 shows the percentage of female small business operators working full- and part-time classified by industry.

**S2.5 WOMEN SMALL BUSINESS OPERATORS, By Full-time/Part-time Status and Industry — February 1995**

Industry	Women small business operators	
	Full-time %	Part-time %
Mining	0.2	0.1
Manufacturing	10.2	8.1
Construction	5.0	19.8
Wholesale trade	6.4	6.7
Retail trade	31.3	18.6
Accommodation, cafes and restaurants	8.2	2.1
Transport and storage	3.1	5.0
Communication services	0.5	0.1
Finance and insurance	1.1	1.2
Property and business services	13.8	20.3
Education	1.7	2.7
Health and community services	7.2	5.8
Cultural and recreational services	4.0	3.1
Personal and other services	7.5	6.2
<b>Total all selected industries</b>	<b>100.0</b>	<b>100.0</b>

Source: Characteristics of Small Business Survey, unpublished data.

There are some very marked differences in these data. Of part-time operators, nearly 20% are engaged in the Construction industry, while for full-time operators the figure is only 5%. Clearly there are a large number of female small business operators who are working part-time in the building and construction special trades (plumbing etc) industries. Similarly, 20% of part-time female small business operators are in the Property and business services industry, compared with nearly 14% of the full-time operators. On the other hand, there is a higher proportion of full-time than part-time female small business operators in the Retail trade industry (31.3% full-time and 18.6% part-time) and the Accommodation, cafes and restaurants industry (8.2% full-time and 2.1% part-time).

### **Women as major decision makers in small business**

In its 1994-95 Business Growth and Performance survey, the ABS sought information about the major decision maker in the firm, in cases where there was a major decision maker. This survey showed that 60% of small firms with employees had a major decision maker, and of these 10% of the major decision makers were female.

From its February 1995 survey looking at the characteristics of small business operators, the ABS estimated that, in nearly 30% of non-employing small businesses with a single decision maker, the decision maker was female.

Combining these two statistics provides an estimate of a little over 80,000 Australian businesses which have a woman major decision maker. This represents about 10% of all small businesses in Australia. (It should be noted that this estimate excludes any non-employing firms with more than one operator; hence it is likely to be a slight underestimate of the true number of firms with a female major decision maker.)

Looking at the industrial classification of major decision makers from the Business Growth and Performance Survey, one finds a set of proportions similar to those for full-time operators shown in table S2.5. This tends to further indicate that the female small business operators who work part-time are either not the major decision maker in the firm, or are in firms which do not have any employees.

The qualifications of women who were major decision makers were:

- highest available year of secondary school 52.0%
- trade qualifications 16.6%
- tertiary qualifications 28.4%
- not stated 2.9%.

This distribution is fairly similar to that shown earlier in table S2.3 for all female small business operators.

## Female major decision makers in small business — experience in operating a business

The Business Growth and Performance Survey collected information on the years of experience as a business proprietor or director. This is summarised in table S2.6.

**S2.6 WOMEN SMALL BUSINESS OPERATORS, Business Operations Experience — February 1995**

Experience	Female % of total %
Less than 2 years	15.4
3–5 years	14.1
6–10 years	10.2
11–20 years	10.2
21 or more years	4.8

Source: Business Growth and Performance Survey, unpublished data.

This shows the increasing tendency of major decision makers to be female as length of experience as a decision maker decreases, which indicates that the number of women becoming major decision makers has increased significantly in recent years.

The average length of experience of a female major decision maker is about 9 years. For males the figure is 12 years.

## Summary

It can be seen that women are an important part of business in Australia today. Their contribution to the workforce has grown at more than twice the rate for men over the past 50 years. It can reasonably be assumed that the same is true for women in the small business sector.

The proportion of women working in their own business is also growing rapidly. Over the past decade there has been an average annual growth rate of over 3%, which is one and a half times the rate for men.

Of these women working in their own business, 70% are 30–50 years of age. One quarter of them have tertiary qualifications, a further quarter have basic or skilled vocational qualifications and half have no higher qualification than a secondary school certificate. Three quarters of them are Australian born. Interestingly, however, more than half of these women small business operators work part time, or less than 35 hours per week. This is the major difference that seems to exist when compared to men working in their own business, of whom only one in seven work part-time.

Whether one looks at the industry classification of full time or total female small business operators, the predominant industries are Retail trade and Professional and business services. Compared to the number of male small business operators, the industries in which women predominate are the range of personal and community service industries.

Women appear to be the major decision makers in about 10% of all small businesses in Australia. Based on a subset of these — firms which employed staff and which had a single major decision maker — it is possible to look at their length of experience in being a decision maker. On average these women appear to have had about nine years experience as decision makers, compared to 12 years for men. It is also interesting that, as length of experience becomes shorter, the proportion of female major decision makers becomes greater. Of persons with over 20 years decision-making experience, less than 5% are female, but of those with less than two years experience the proportion of women is more than 15%.

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