

CHARACTERISTICS OF WA SMALL BUSINESS

Introduction

The Australian Bureau of Statistics (ABS) recently released publication *Characteristics of Small Business (8127.0)* presents the results of the Characteristics of Small Business Survey which was conducted in June 2001 as a supplementary topic to the monthly Labour Force Survey conducted by the ABS. This collection was based on a survey of households and addressed a number of aspects of the operations of small business as well as identifying the characteristics of small business operators. The survey covered all private sector, non-agricultural small businesses.

The survey covered those persons who consider their main job or second job as operating their own (non-agricultural) small business. The businesses included are those businesses which the owners considered were their main or second job; businesses which were not considered part of the owners' main or second job are excluded from the survey. Small businesses are those businesses employing less than 20 people and the categories used in this report are:

- non-employing businesses – sole proprietorships and partnerships without employees;
- businesses with 1-4 employees; and
- businesses with 5-19 employees

Note that because operators of all incorporated business are considered employees of that corporation, all incorporated businesses are classified as employing businesses.

Characteristics of Small Business Operators

In June 2001, there were an estimated 186,300 business operators of the estimated 132,000 small businesses in WA. This represents an average annual increase of 13.3 per cent in the number of small business operators since the previous survey conducted in November 1999. This compares to an average annual growth of 16.2 per cent in the number of businesses operated.

Of the small business operators, 122,000 (65.5%) were male and 64,300 (34.5%) were female. Between November 1999 and June 2001 the number of male operators increased by an average annual growth rate of 11.5 per cent, while females increased by 16.7 per cent.

While the distribution of small business operators across States and Territories generally reflect population distribution, growth in WA was third highest in Australia and above the national average of 8.8 per cent. The growth in WA was driven by strong growth in the number of female business operators, the highest of any of the States and Territories.

Most small business operators (58.5%) were aged between 30 and 50 years, 12.1 per cent were aged less than 30 and 29.4 per cent were aged greater than 50.

At June 2001, the highest educational attainment most commonly held by small business operators was a Certificate level qualification (40.7%), followed by school education (38.4%) and an Advanced Diploma or above (20.9%).

Of the 186,300 in WA at June 2001, 68.8 per cent were classified as full-time operators, that is they usually worked 35 hours or more each week in the business, slightly less than the 69.4 per cent full-time operators recorded in November 1999. Of the total number of operators, 45.1 per cent of all

operators usually worked between 35 and 50 hours each week, 20.8 per cent usually worked between 51 and 75 hours each week while 2.9 per cent worked more than 75 hours a week. Most male small business operators worked full time (83.5%) and of these, 63.3 per cent usually worked between 35 and 50 hours per week. By contrast, only 40.9 per cent of female operators worked full-time with 70.3 per cent of these usually working between 35 and 50 hours per week.

In June 2001, an estimated 36.5 per cent of small business operators in WA were born overseas, up 2.6 percentage points on November 1999 and significantly higher than the national average of 29.1 per cent. An estimated 38.9 per cent of males small business operators were born overseas compared to 32.2 per of females.

Most small business operators in WA owned just the one business (93.2%), a further 5.2 per cent were involved in two businesses while 1.5 per cent were involved in three or more businesses.

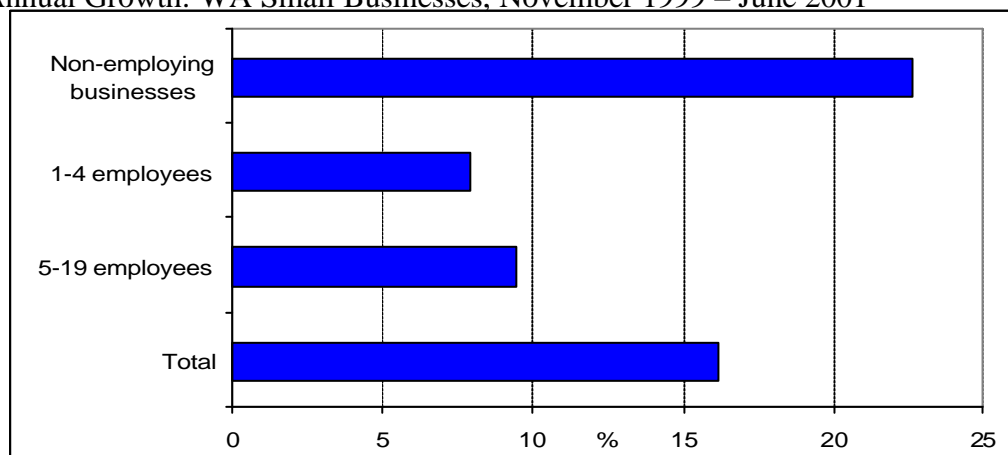
Characteristics of Small Business

Of the estimated 132,000 small businesses operating in WA in June 2001:

- 59.2 per cent were non-employing businesses up by an average annual rate of 22.6 per cent since November 1999;
- 30.5 per cent employed 1-4 people, up by an average annual rate of 7.9 per cent since November 1999; and
- 10.4 per cent employed 5-19 people, up by an average annual rate of 9.4 per cent since November 1999.

ABS statistical series are however being impacted to varying degrees by The New Tax System (TNTS), introduced in July 2000. It is likely that TNTS may have impacted on the number of small businesses reported for the June 2001 collection, as business operators previously not registered with the ATO as a business complied with the new regulations.

Average Annual Growth: WA Small Businesses, November 1999 – June 2001



Source: Australian Bureau of Statistics (ABS) *Characteristics of Small Business, 2001* (Cat. No. 8127.0)

Of the small businesses operating in WA in June 2001:

- 15.9 per cent had been in operation for less than 1 year, up 2.4 percentage points since November 1999;

- 33.3 per cent had been in operation for 1 year but less than 5 years, down 4.5 percentage points from November 1999;
- 21.3 per cent had been in operation for 5 years but less than 10 years, down 0.5 percentage points from November 1999; and
- 29.5 per cent had been in operation for 10 or more years, down 4.5 percentage points from November 1999.

The statistics relate to the business as operated by current owners. Where an established business has been taken over, the operations of the previous owner have not been taken into account and the length of operation refers to the length of time the business has been operated by the current owner only.

For non-employing businesses, the highest proportion (37.3%) had been operating 1 to less than 5 years. For businesses employing 1-4 people, the highest proportion was 33.9 per cent for businesses that had been operating for 10 or more years.

Across the different business size groups, the most significant changes occurred in the newer business, with non-employing businesses operating for less than 1 year increased by an average annual rate of 53.4 per cent and non-employing businesses operating for 10 or more years increasing by 32.0 per cent.

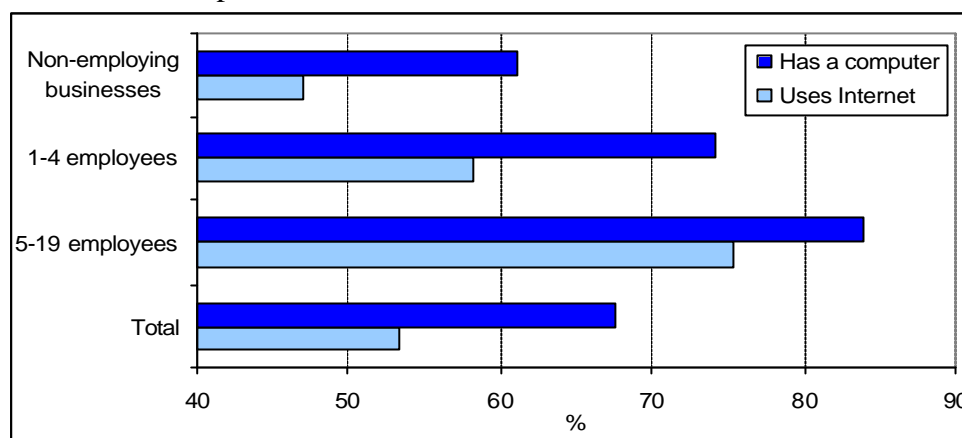
In June 2001 there were 85,000 (64.4%) small businesses operating as single operator businesses. This represented an average annual increase in single operator businesses of 25.7 per cent since November 1999. Numbers of two operator businesses and businesses with three or more operators rose by an average annual rate of 0.7 per cent and 32.3 per cent respectively over the same period.

Of the 132,000 small businesses in WA in June 2001, 68,700 (52.0%) were operated by an individual male or predominantly males. This represented an average annual increase of 18.6 per cent since November 1999. The next most common ownership structure with 29.3 per cent was those operated by equal numbers of males and females. The number of businesses in this group has grown by 3.0 per cent since November 1999. There were a further 18.6 per cent of businesses operated predominantly by females, indicating an average annual growth of 38.1 per cent.

Use of Computers and the Internet

In June 2001, just over two-thirds (67.6%) of small businesses in WA reported they were using computers in their business operations. As the size of the business increases, so does the likelihood that a business would have a computer, with 83.9 per cent of businesses with 5-19 employees having a computer, compared to 61.2 per cent of non-employing businesses. In addition, just over half (53.3%) of small businesses in WA had access to the Internet. (Nationally 66.6% of small businesses had a computer while 52.5% had access to the Internet.)

WA Businesses Use of Computers and the Internet – June 2001



Source: Australian Bureau of Statistics (ABS) *Characteristics of Small Business, 2001* (Cat. No. 8127.0)

The most common usage of the Internet was for email (44.1% of small businesses or 65.1% of businesses with the Internet). As at June 2001, there were 17.9 per cent of small businesses involved in direct e-commerce (making or receiving payments via the Internet) up from 9.3 per cent in November 1999. Increasing use of e-commerce is reported across all small business sizes.

Major Uses of the Internet by Small Businesses in WA – June 2001

	Email	Research	Making or receiving payments	Other
Non-employing businesses	36.7	33.1	10.1	37.7
1-4 employees	50.8	45.7	22.7	48.3
5-19 employees	66.1	58.5	48.1	68.4
Total	44.1	39.6	17.9	44.1

Source: Australian Bureau of Statistics (ABS) *Characteristics of Small Business, 2001* (Cat. No. 8127.0)

Home Based Small Business

Home based businesses have been identified according to two separate but overlapping definitions:

- where most of the work of the business was carried out at the home(s) of the operator(s) – these businesses are referred to as ‘Business operated at home’; and
- where the business has no other premises owned or rented other than homes(s) of the operator(s) – these businesses are referred to as ‘Businesses operated from home’.

Home based businesses make up a very large proportion (87,700 or 66.4%) of the total number of small businesses in WA operating in June 2001. These businesses were operated by 114,300 people which represents 61.4 per cent of all small business operators. Breaking this down further, 83,100 (94.8% of all home based small businesses) were operated from home by 108,400 operators.

At June 2001 62.9 per cent of WA’s home based businesses were using computers in their business operations. This was slightly below the proportion recorded for all small businesses (67.6%). In addition, 49.0 per cent of businesses had access to the Internet, marginally below the proportion for all small business (53.3%). The most common usage of the Internet amongst home based small businesses was for other purposes (40.1%), followed by for Email (38.5%), research (35.1%) and for e-commerce (13.9%).