



SMALL BUSINESSES IN NEW ZEALAND

How do they compare with larger firms?



SMALL BUSINESSES * DOMINATE OUR INDUSTRIES

97%

OF ENTERPRISES HAVE FEWER
THAN 20 EMPLOYEES (473,846
ENTERPRISES) (CHART 1)

69%

OF ENTERPRISES HAVE ZERO
EMPLOYEES (CHART 1)

30%

OF EMPLOYEES IN NEW ZEALAND
ARE EMPLOYED BY ENTERPRISES
WITH FEWER THAN 20 EMPLOYEES
(597,500) (CHART 2)

27%

OF NEW ZEALAND'S GDP IS
ESTIMATED TO BE PRODUCED BY
ENTERPRISES WITH FEWER THAN 20
EMPLOYEES (CHART 3)

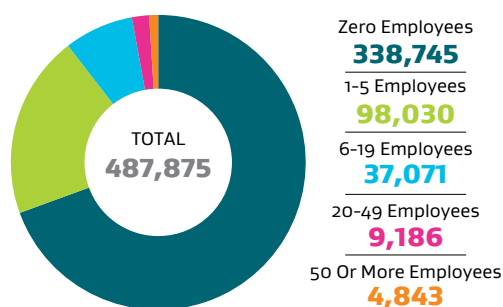
THE RENTAL, HIRING, AND REAL
ESTATE SERVICES INDUSTRY
HAS THE HIGHEST NUMBER OF
ENTERPRISES WITH FEWER THAN 20
EMPLOYEES (CHART 4)

96%

OF ENTERPRISES WITH FEWER THAN
20 EMPLOYEES ARE INDEPENDENT
OPERATIONS NOT OWNED BY
OTHERS (CHART 5)

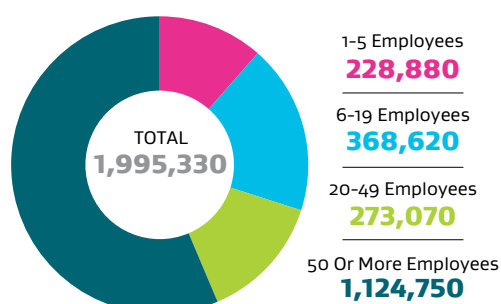
*Small businesses are defined here as those enterprises with fewer than 20 employees. There is no official definition of a small business in New Zealand, however enterprises with fewer than 20 employees has traditionally been used and referred to in some legislation. Australia also uses the same definition which enables comparisons to be made. Internationally there is no universally used definition for a small business: many economies use a limit higher than 20 employees.

Chart 1: Number of Enterprises by Employee Size Group



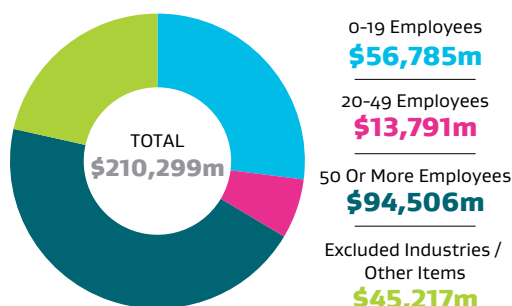
Data source: Statistics New Zealand Business Demography, Feb 2014

Chart 2: Number of Employees by Employee Size Group



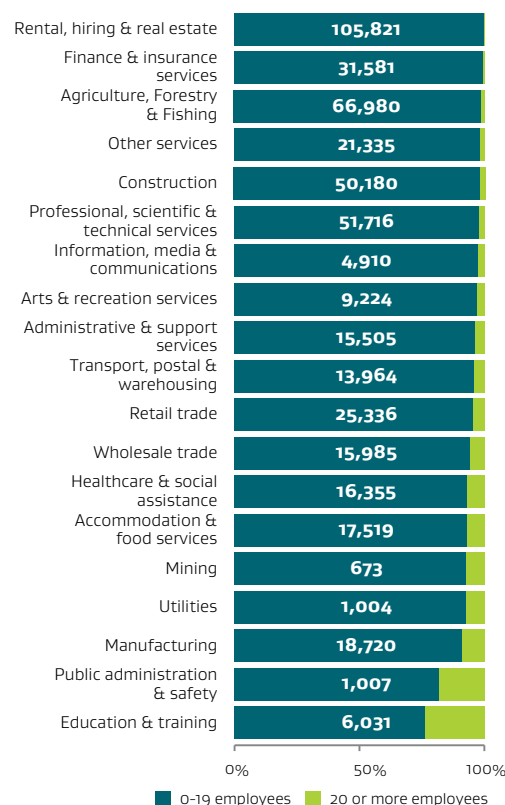
Data source: Statistics New Zealand Business Demography, Feb 2014

Chart 3: Estimated Contribution to GDP by Employee Size Group



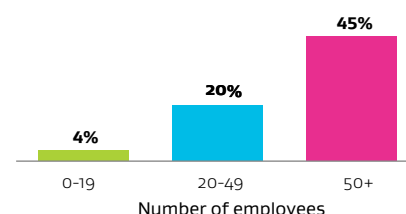
Data source: Statistics New Zealand, National Accounts Mar 2012

Chart 4: Number and Percentage of Enterprises with 0-19 Employees by Industry



Data source: Statistics New Zealand Business Demography, Feb 2014

Chart 5: Percentage of Enterprises with Common Ownership



Data source: Statistics New Zealand Business Demography, Feb 2014



SMALL BUSINESSES ARE YOUNG AND DYNAMIC

34%

OF FIRMS WITH 1-19 EMPLOYEES HAVE EXISTED FOR FIVE YEARS OR FEWER. THIS COMPARES TO 16% FOR LARGER FIRMS (CHART 7)

50%

OF FIRMS WITH ZERO EMPLOYEES BORN IN 2010 CEASED TO EXIST BY 2014. FIRMS WITH 1-19 EMPLOYEES HAVE SIMILAR SURVIVAL RATES TO FIRMS WITH 10-49 EMPLOYEES, BUT MUCH LOWER THAN LARGER FIRMS (CHART 8)

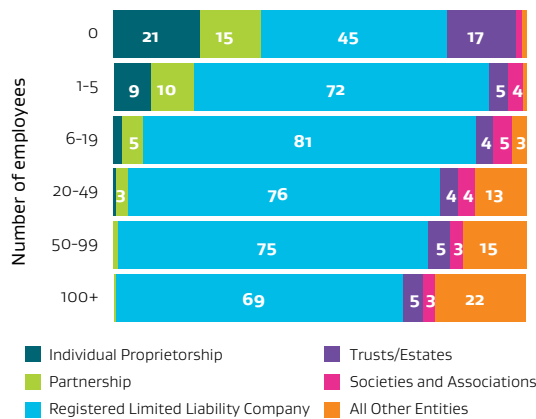
42%

OF ALL JOBS CREATED IN THE YEAR ENDING SEPTEMBER 2013 WERE IN FIRMS WITH 1-19 EMPLOYEES (CHART 10)

\$42,775

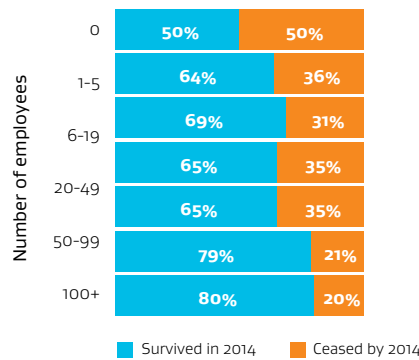
WAS THE AVERAGE SALARY OF EMPLOYEES IN ENTERPRISES WITH 1-19 EMPLOYEES (CHART 9)

Chart 6: Type of Enterprise by Employee Size Group (%)



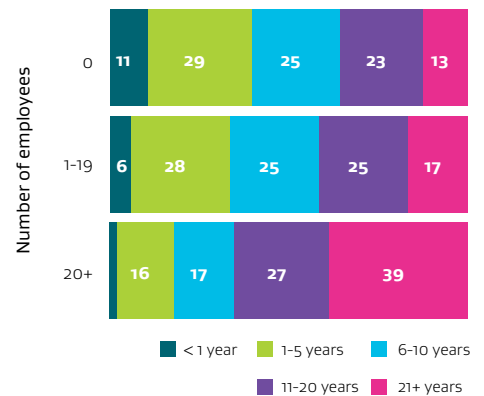
Data source: Statistics New Zealand Business Demography, Feb 2014

Chart 8: Survival Rates of Enterprises Born in 2010



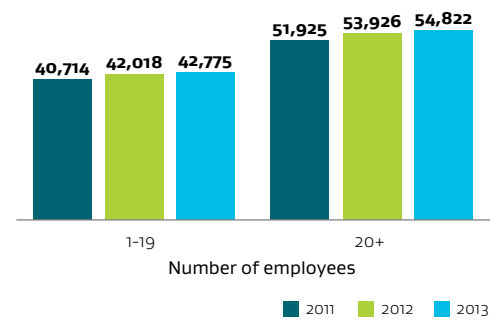
Data source: Statistics New Zealand Business Demography, Feb 2014

Chart 7: Age of Enterprise by Employee Size Group (%)



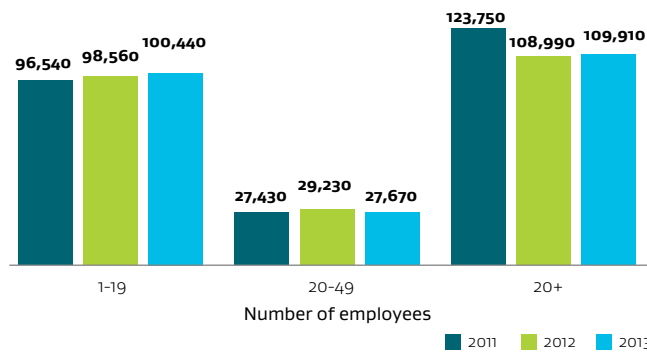
Data source: Statistics New Zealand Business Demography, Feb 2014

Chart 9: Average Salaries and Wages per Employee (RME)



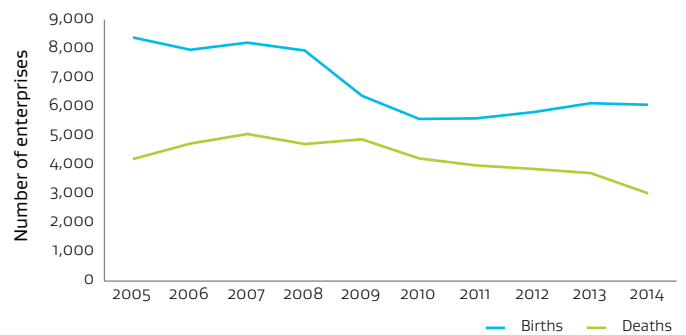
Data source: Statistics New Zealand Annual Enterprise Survey, Aug 2014

Chart 10: Annual Job Creation by Employee Size Group



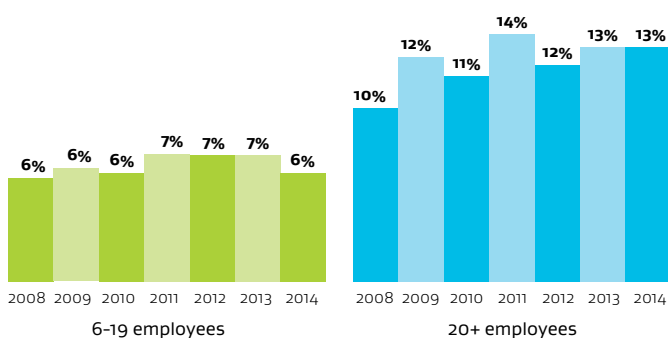
Data source: Statistics New Zealand Linked Employer-Employee Data, Sep 2011-13

Chart 11: Births and Deaths of Employing Small Business



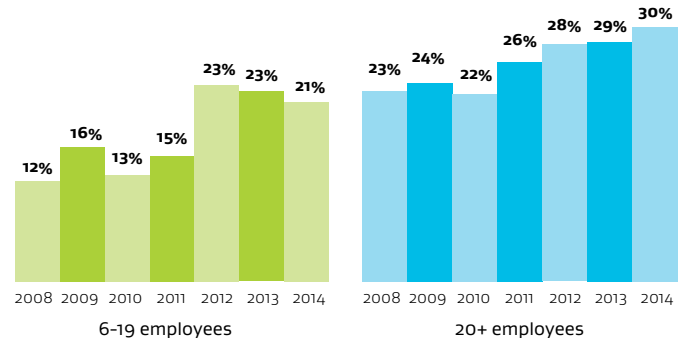
Data source: Statistics New Zealand Business Demography, Feb 2014

Chart 12: Percentage of Businesses Undertaking R&D



Data source: Statistics New Zealand Business Operations Survey, 2014

Chart 13: Percentage of Businesses Exporting



Data source: Statistics New Zealand Business Operations Survey, 2014

→ ZERO-EMPLOYING FIRMS GENERATE VALUE

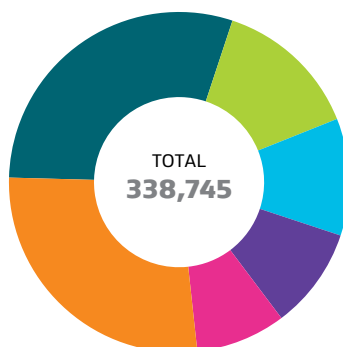
\$193,000

WAS THE AVERAGE REVENUE PER ENTERPRISE FOR FIRMS WITH ZERO EMPLOYEES IN 2013. THIS COMPARES WITH AN AVERAGE REVENUE OF \$178,000 FOR FIRMS WITH 1-19 EMPLOYEES (ANNUAL ENTERPRISE SURVEY, AUG 2014)

30%

OF FIRMS WITH ZERO EMPLOYEES ARE IN THE RENTAL, HIRING AND REAL ESTATE INDUSTRY (CHART 14)

Chart 14: Zero-Employing Firms by Industry



Rental, hiring & real estate

100,454

Construction

32,675

Agriculture, forestry & fishing

46,950

Finance and insurance services

28,992

Professional, scientific & technical services

37,727

All others

91,147

Data source: Statistics New Zealand Business Demography, Feb 2014

→ SELF-EMPLOYED ARE ALSO SMALL BUSINESS

43%

OF SELF-EMPLOYED ARE OVER THE AGE OF 50. MOST OF THE GROWTH IN SELF-EMPLOYMENT OVER THE PAST DECADE COME FROM THOSE OVER 50, WHILE SELF-EMPLOYMENT OF YOUNGER AGE GROUPS HAS FALLEN (CHART 15)

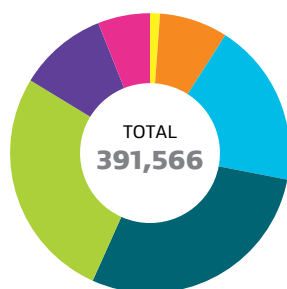
16%

OF THE SELF-EMPLOYED WORK IN THE CONSTRUCTION INDUSTRY (CHART 16)

10%

OF MĀORI RUN THEIR OWN BUSINESSES, BEING EITHER SELF-EMPLOYED, OR EMPLOYING OTHERS

Chart 15: Self-Employed by Age and Sex



15-19

4,524

50-59

105,618

20-29

30,900

60-65

40,248

30-39

74,370

65+

23,610

40-49

112,299



Female

147,687

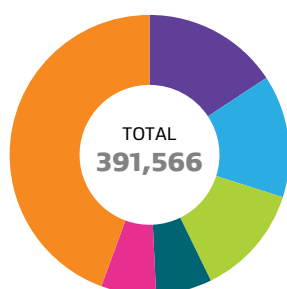


Male

243,876

Data source: Statistics New Zealand Linked Employee-Employer Data, 2013

Chart 16: Self-Employed by Industry



Construction

61,599

Rental, hiring & real estate

25,341

Professional, scientific & technical services

55,470

Retail trade

24,849

Agriculture, forestry & fishing

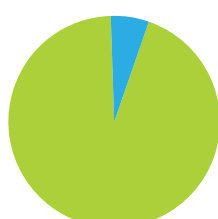
50,427

All others

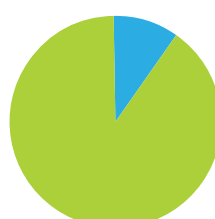
173,883

Data source: Statistics New Zealand Linked Employee-Employer Data, 2013

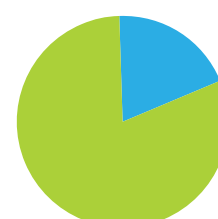
Chart 17: Self-Employed by Ethnicity



Pacific Peoples



Māori



Total

■ Self-employed
■ Rest of employed

*In this factsheet, data on numbers in self-employment comes from linked employee-employer data. A person is self-employed if they derive the majority of their income in one tax year from self employment. A person can be self-employed and also work as an employee in another business. A person who is self-employed at multiple businesses is only counted once.

Data source: Statistics New Zealand Census 2013



SMALL FIRMS FACE UNIQUE CHALLENGES

EMPLOYMENT

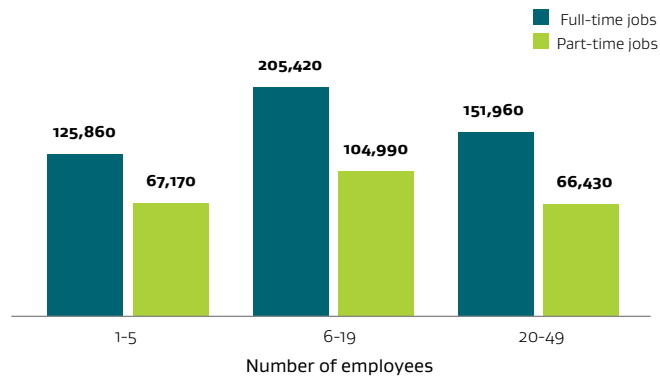
35%

OF EMPLOYEES AT FIRMS WITH 1-5 EMPLOYEES WERE PART-TIME. THIS COMPARES WITH 34% FOR FIRMS WITH 6-19 EMPLOYEES, AND 30% FOR FIRMS WITH 20-49 EMPLOYEES (CHART 18)

53%

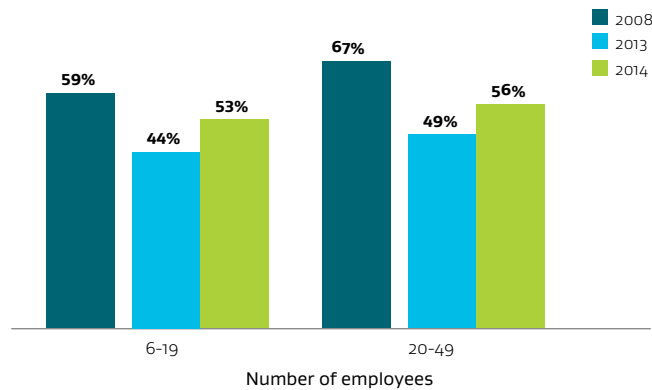
OF FIRMS WITH 6-19 EMPLOYEES HAD HARD TO FILL VACANCIES IN 2014. THIS IS BROADLY SIMILAR TO THE PERCENTAGE OF FIRMS WITH 20+ EMPLOYEES (CHART 19)

Chart 18: Full-time/Part-time Employment by Employee Size Group



Data source: Statistics New Zealand Quarterly Employment Survey, 2014

Chart 19: Percentage of Firms with Hard to Fill Vacancies by Employee Size Group



Data source: Statistics New Zealand Business Operations Survey, 2014

ACCESS TO ICT

FOR BUSINESSES WITH 6-19 EMPLOYEES:

95%

USE THE INTERNET

92%

ARE CONNECTED BY BROADBAND

66%

HAVE A WEBSITE

44%

HAVE INTERNET SALES

*Data source: Statistics New Zealand Business Operations Survey, 2014

ACCESS TO FINANCE

89%

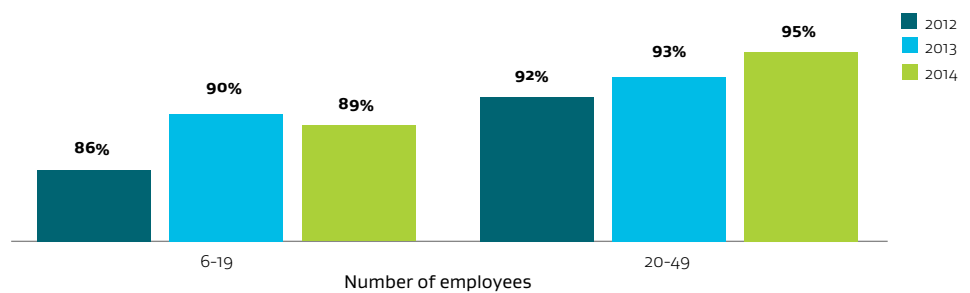
FOR ENTERPRISES WITH 6-19 EMPLOYEES WHO REQUESTED DEBT FINANCE COULD ACCESS ON ACCEPTABLE TERMS (CHART 20)

79%

WHO REQUESTED EQUITY FINANCE COULD ACCESS ON ACCEPTABLE TERMS (CHART 21)

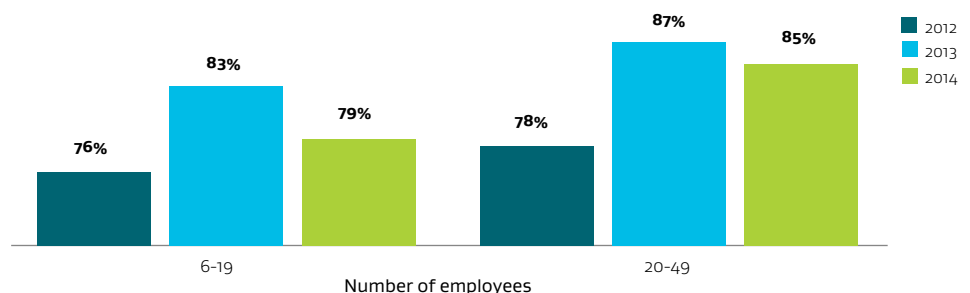
DEBT FINANCE IS SOUGHT BY MORE BUSINESSES THAN EQUITY FINANCE

Chart 20: Percentage of Firms Accessing Debt Financing on Acceptable Terms



Data source: Statistics New Zealand Business Operations Survey, 2014

Chart 21: Percentage of Firms Accessing Equity Financing on Acceptable Terms



Data source: Statistics New Zealand Business Operations Survey, 2014

→ CONDITIONS

This work is based on/includes Statistics New Zealand's data which are licensed by Statistics New Zealand for re-use under the Creative Commons Attribution-Noncommercial 3.0 New Zealand license. Please refer to the following data quality statements outlining the coverage and limitations of each data source:

- › **The Annual Enterprise Survey** provides annual information on financial performance and financial position for industry and sector groups operating within New Zealand. The target population of the survey are economically significant enterprises operating in New Zealand, whose main activity is not superannuation funds, residential property operation, foreign government representation, religious services, or private households employing staff and undifferentiated goods-and service-producing activities of households for own use. http://www.stats.govt.nz/browse_for_stats/businesses/business_finance/annual-enterprise-survey-info-releases.aspx
- › **Business Demography** statistics provide an annual snapshot (as at February) of the structure and characteristics of New Zealand businesses. The series covers all economically significant enterprises engaged in the production of goods and services in New Zealand. http://www.stats.govt.nz/browse_for_stats/businesses/business_characteristics/nz-business-demography-statistics-info-releases.aspx
- › **The Business Operations Survey** is an annual modular survey providing statistics on business practices and behaviours that may have some impact on New Zealand business performance. The target population for the survey are economically significant enterprises with six or more employees operating for one year or more. http://www.stats.govt.nz/browse_for_stats/businesses/business_growth_and_innovation/business-operations-survey-info-releases.aspx
- › **Linked Employer-Employee Data** provides a quarterly insight into the operation of New Zealand's labour market. The data covers all individuals who receive income from which tax is deducted at source: http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/linked-employer-employee-data-info-releases.aspx
- › **The National Accounts** (Industry Benchmarks) provide comprehensive industry data on production, investment, and capital stock. This data was analysed in a supply-use balancing framework to reconcile the production, expenditure, and income measures of gross domestic product (GDP). It focuses on industry data and the benchmarks for the level of economic activity, which update and maintain the quality of quarterly GDP statistics. http://www.stats.govt.nz/browse_for_stats/economic_indicators/NationalAccounts.aspx
- › The **Quarterly Employment Survey** measures the number of jobs (technically referred to as filled jobs), earnings, and paid hours for a sample of economically significant businesses. http://www.stats.govt.nz/browse_for_stats/income-and-work/employment_and_unemployment/labour-market-statistics-information-releases.aspx

→ DEFINITIONS

- › **Enterprise:** is an institutional unit and generally corresponds to legal entities operating in New Zealand. It can be a company, partnership, trust, estate, incorporated society, producer board, local or central government organisation, voluntary organisation, or self-employed individual.
- › **Enterprise birth:** a new enterprise starting operation, with the restriction that no other national businesses are involved. These do not include entries into the population due to reactivations, mergers, break-ups, split-offs, or other restructuring of a group of businesses linked by ownership or control. It also excludes entries into a population resulting from changes to characteristics of existing businesses.
- › **Enterprise death:** an enterprise ceasing operation, with the restriction that no other domestic businesses are involved in the event. This does not include exits from the population due to temporary inactivity, mergers, takeovers, break-ups, or other restructuring of a group of businesses linked by ownership or control. It also excludes exits from a population resulting from changes to characteristics of businesses which remain active.
- › **Enterprise group:** a set of enterprise units linked by common ownership. Statistics New Zealand only records links of over 50% shareholding between enterprises. Enterprise groups include all resident groups, foreign controlled enterprise groups and domestically controlled enterprise groups.

For more information on the definitions of Business Demography sourced data see:

- › http://www.stats.govt.nz/browse_for_stats/businesses/business_characteristics/BusinessDemographyStatistics_HOTPFeb14/Definitions.aspx
- › **Jobs created:** The net number of jobs created by a business, since the previous reference date.
- › **Full-time jobs:** jobs where the employee works for 30 hours or more per week.
- › **Part-time jobs:** jobs where the employee works for less than 30 hours per week.
- › **RME (Rolling Mean Employment)** is a 12-month moving average of the monthly employee count for an enterprise.