



Manitoba - Small Business Primer

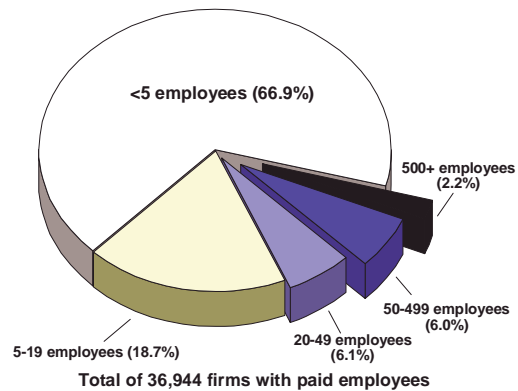
Brett Gartner, Economist
December 2003

I. Business Overview

Most Businesses in Manitoba Are Very Small

Two-thirds of Manitoba's businesses employ fewer than five people, and more than 90 per cent of MB businesses have fewer than 50 employees—the upper limit most often used in defining small business. Businesses with more than 50 employees make up about eight per cent of Manitoba's business population.

Source: Statistics Canada, *1983-1999 Employment Dynamics* (2002)

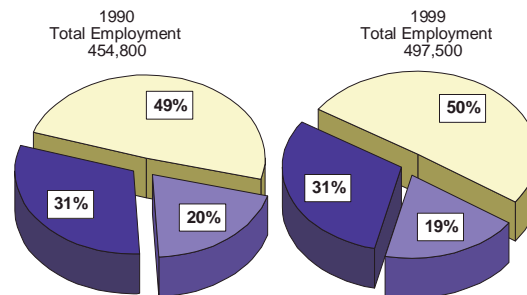


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SMEs Employ More Than Half of the Workers in Manitoba

In 1999, small and medium-sized enterprises (SMEs) accounted for half of total employment in Manitoba, almost unchanged from 1990. Small businesses, those with less than 50 employees, account for nearly one-third of employment

Source: Statistics Canada, *1983-1999 Employment Dynamics* (2002)

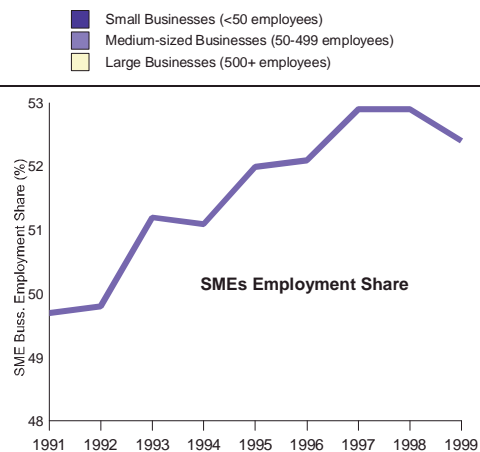


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SMEs Employment Share Growing in Manitoba

Manitoba's SMEs have increased their share of total business employment to 52.4 per cent in 1999 up from 49.7 per cent in 1990. The SMEs employment share has followed an upward trend in the last decade.

Source: Statistics Canada, *1983-1999 Employment Dynamics* (2002)

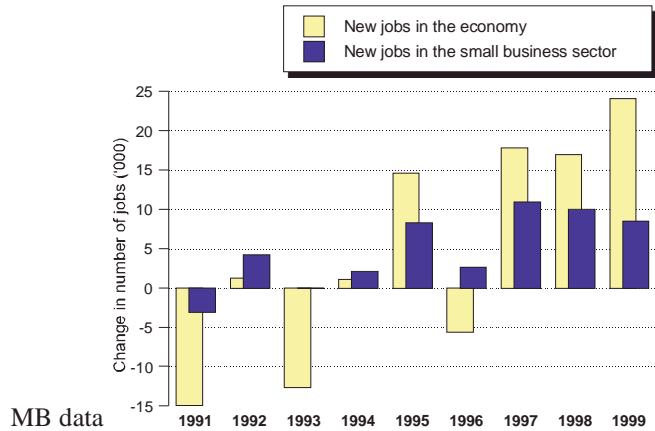


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The Small Business Sector Creates Most of the New Jobs in the Manitoba Economy

Small businesses, with fewer than 50 employees, are the engine of the economy. In 1999, the small business sector created one-third of the new jobs in the province. During the 1990's, a significant proportion of new jobs were due to small business expansion.

Source: Statistics Canada, *1983-1999 Employment Dynamics* (2002)



Self-employment in Manitoba

After decreases in 2000 and 2001, self-employment rebounded in 2002. The peak of self-employment was registered in 1999 with about 95,000 people working as self-employed, while the current level is 86,100 self-employed.

Source: Statistics Canada, *Labour Force Historical Review* (2002)

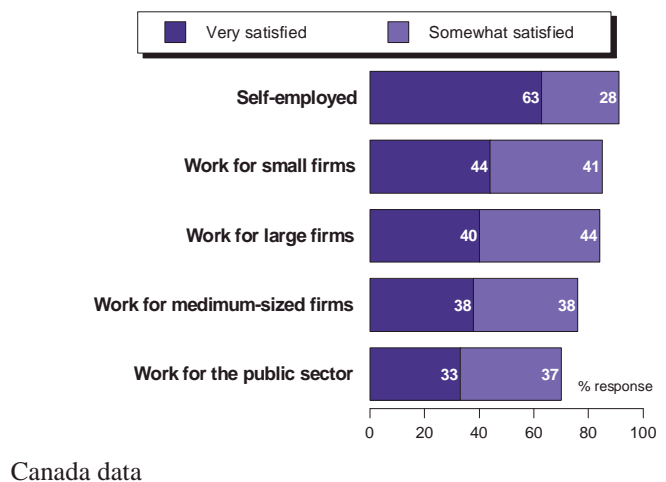


II. SME Workforce

Job Satisfaction Among SME Employees and Self-employed is High

Canadian self-employed are most likely to be very satisfied with their jobs. Moreover, the self-employed and the employees of small companies are more likely to be very or somewhat satisfied with their workplace than those working in large firms or for the public sector.

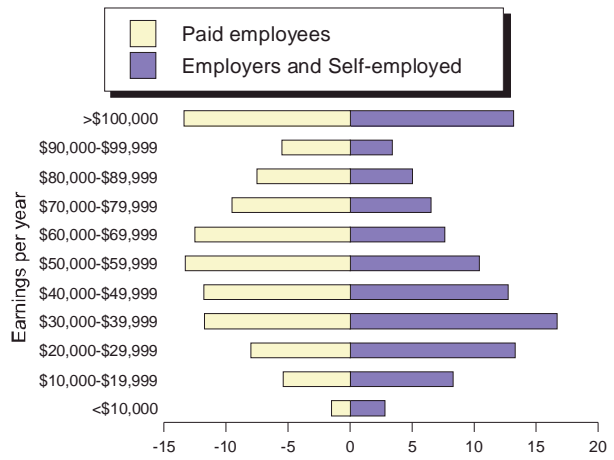
Source: Goldfarb Consultants, CFIB and Scotiabank, *Small is Big, National Poll Results on Canadians' Attitudes About Small Business*, 1,003 responses (October 1999)



Canadian Business Owners Earn Less Than Paid Employees

Family incomes of employers and self-employed are generally lower than family incomes of paid employees. In 1997, the median family income of employers and the self-employed was about \$47,000, compared to about \$59,000 for families headed by paid employees.

Source: Statistics Canada, *Income Distribution by Size in Canada*, Catalogue 13-207 (1998)

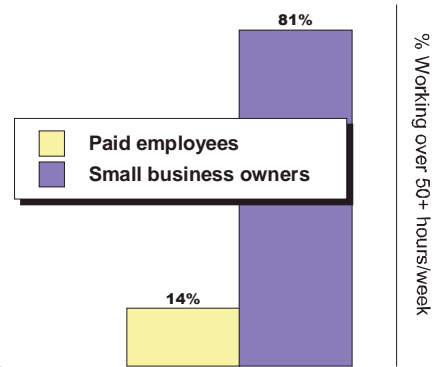


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Small Business Owners Work Longer Hours

Over 80 per cent of small business owners reported never working less than 50 hours a week, compared to only 14 per cent of paid employees. About half of small business owners devote over 60 hours a week to their businesses.

Source: Statistics Canada, *Labour Force Historical Review*, 1998, Business Development Bank, *Beyond their Small Business: A Survey*, 1998

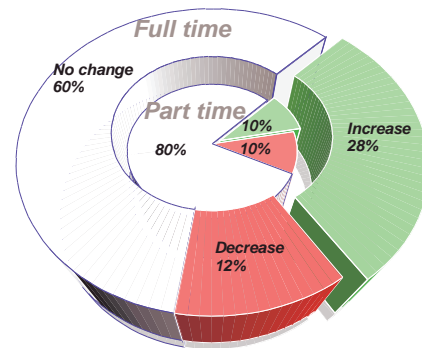


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Employment Plans for 2004

Almost one-third of Manitoba SMEs plan to increase full-time staffing levels in 2004, while 12 per cent expect to decrease their full-time employment. About two-thirds expect to retain the same employment levels. Changes to part-time staffing levels are expected to be smaller, with 10 per cent planning increases and the same proportion planning decreases.

Source: Canadian Federation of Independent Business, *Quarterly Business Barometer*, 154 responses in Manitoba, September to December 2003



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Persistently High Labour Shortages

In 2002, the concern over the shortage of labour increased close to its 2000 high. An alarming 58 per cent of businesses had difficulties finding qualified labour to meet their staffing needs in 2002.

Sources: Canadian Federation of Independent Business, Results of *Our Members' Opinions Surveys #24-51*, 1989-2002; and Statistics Canada

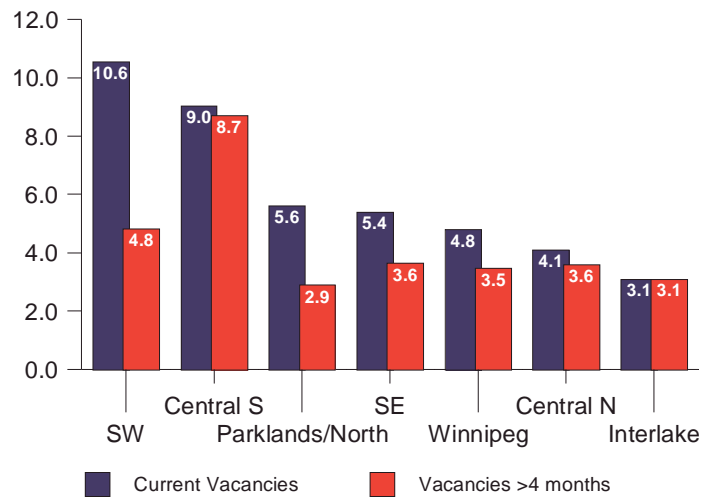


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Unfilled Jobs Rate in the SME Sector

CFIB research revealed that there were about 250,000 vacant jobs among Canada's million or so small and medium-sized employers. In 2002, the rate of current unfilled jobs in Saskatchewan was 5.6 per cent – second highest in the nation. Long-term vacancies (longer than four months) measured 4.1 percent. By region, the highest rate of current job vacancies is found in Southwest Manitoba, followed by Central South and Parklands/North.

Source: Canadian Federation of Independent Business, *Our Members' Opinion Survey #50*, 1116 Manitoba responses, January-June 2002

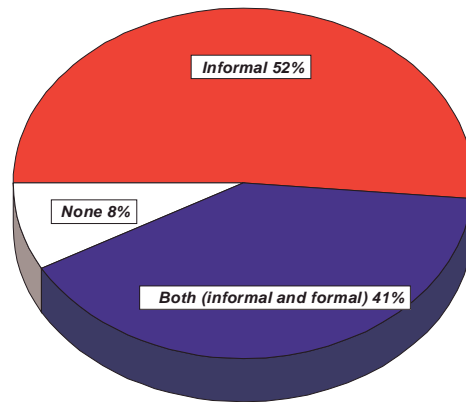


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SMEs Training Approaches

Virtually, all SMEs provide some form of training to their employees. Four in ten SMEs use both informal and formal approaches to training while over half use informal training methods in building their employees' skills.

Source: Canadian Federation of Independent Business, Results of the *Survey on Labour Availability and Training*, 331 responses, September-November 2002

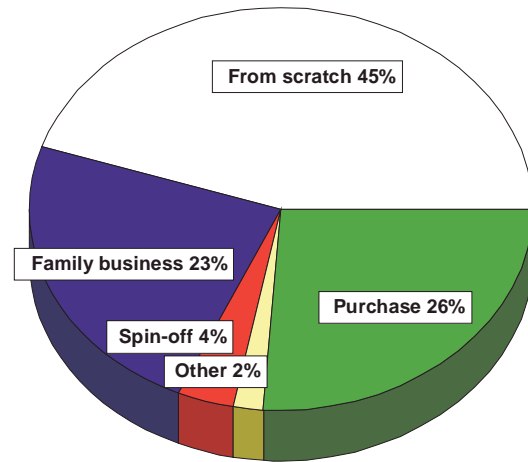


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III. Community Environment

Manitoba's SMEs' Origins

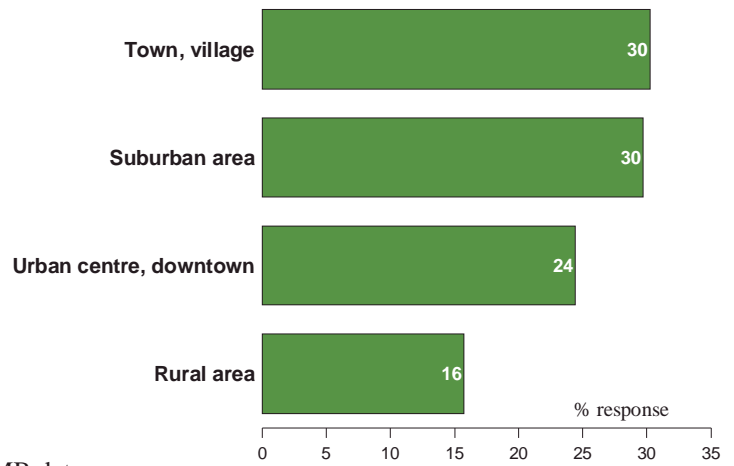
About half of Manitoba's SMEs start from scratch, and about one-quarter start by purchasing an existing business or by taking over a family business respectively.



Source: Canadian Federation of Independent Business, Results of the *Building a Better Community Survey*, 467 responses in Manitoba (March-April 2001)

Business Locations

One-third of businesses are located in towns or villages and in suburban areas respectively. About one-quarter of Manitoba businesses are situated in urban centers and in downtowns, while one-in-six firms do business in rural areas.

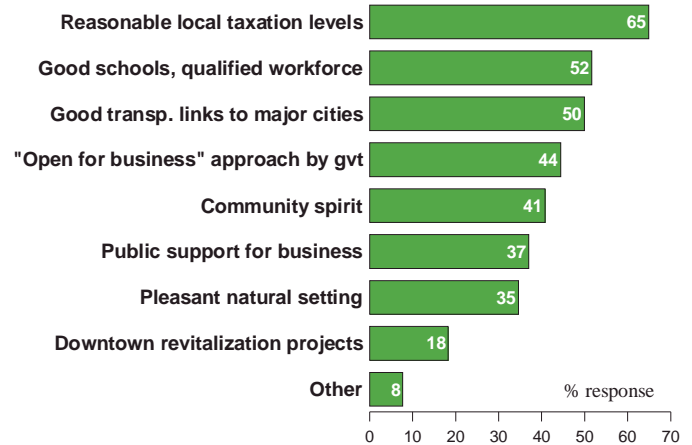


Source: Canadian Federation of Independent Business, Results of the *Building a Better Community Survey*, 467 responses in Manitoba (March-April 2001)

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Community Attributes with Positive Impacts on Business Success

Reasonable tax levels, a good school system and workforce, good transportation links and a general business-friendly local government top the list of positive attributes that contribute to the business success.



Source: Canadian Federation of Independent Business, Results of the *Building a Better Community Survey*, 467 responses in Manitoba (March-April 2001)

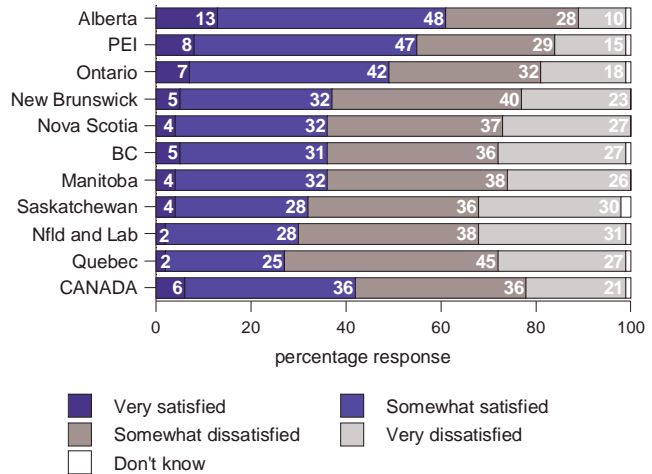
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IV. Views on Health Care

Satisfaction with Provincial Health Care System

Satisfaction with provincial health care varies widely across Canada. Thirty-six per cent of Manitoba SMEs are satisfied with the provincial health care system compared to 42 per cent nationwide.

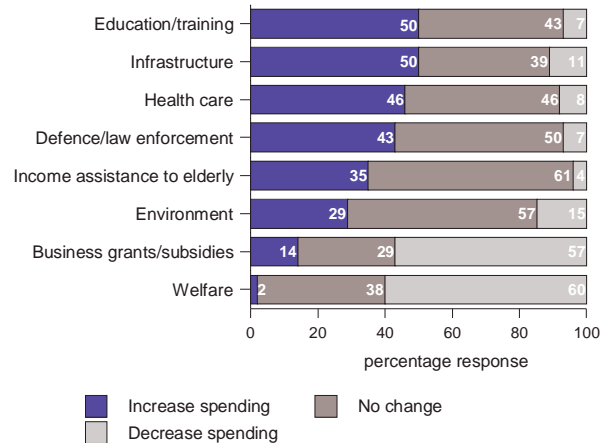
Source: Canadian Federation of Independent Business, *Health Matters Survey*, 14,494 responses in Canada and 661 responses in Manitoba (May-June 2002)



SME's Priorities for Government Spending

When asked what kind of change they would like to see in existing government spending, an equal number (50 percent) of Manitoba SMEs said to increase spending on educations and training and infrastructure. Following close behind at 46 per cent was health care.

Source: Canadian Federation of Independent Business, *Health Matters Survey*, 661 responses in Manitoba (May-June 2002)

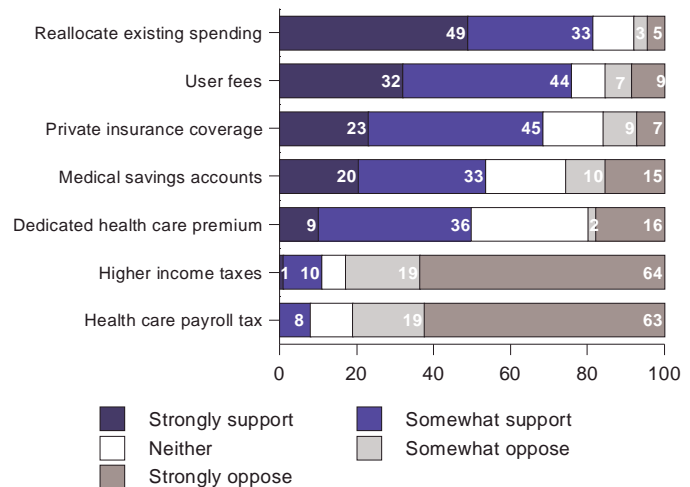


Support for Financing Options

Reallocation of existing government resources is the preferred option for any additional health care spending. In Manitoba, as in the rest of Canada, SMEs are open to the idea of user fees in the system. Firms strongly oppose an increase in tax to pay for additional health care spending.

Source: Canadian Federation of Independent Business, *Health Matters Survey*, 661 responses in Manitoba (May-June 2002)

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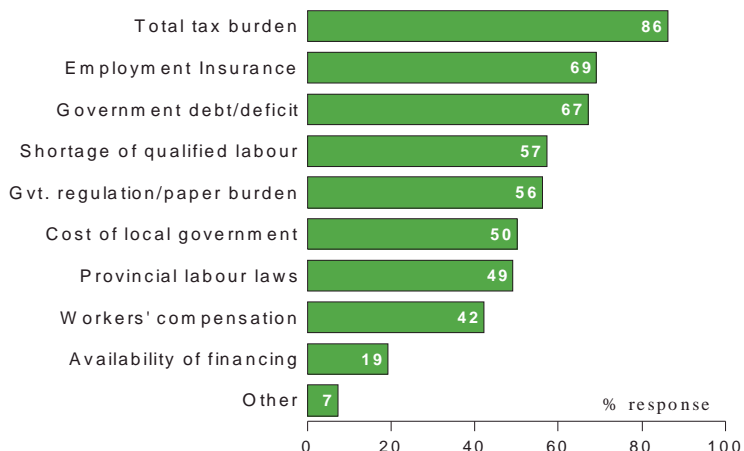
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V. Economic Environment

Most Important Issues for Manitoba SMEs

Total tax burden continues to be the top concern, with over 80 per cent Manitoba SMEs identifying it as a major issue. Other major concerns are employment insurance, government debt and deficit and shortage of qualified labour.

Source: Canadian Federation of Independent Business, Results of *Our Members' Opinions Survey #52*, 558 responses in Manitoba (January-March 2003)

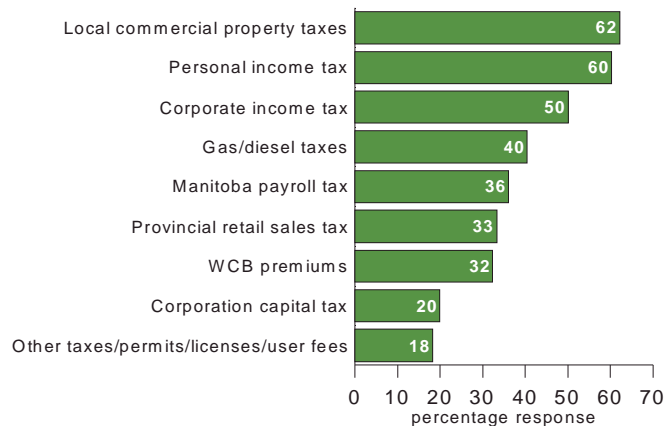


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Most Harmful Taxes and Charges

The most harmful taxes or charges according to Manitoba SMEs are local commercial property taxes. This is followed closely by personal income tax. Corporate income tax was identified as a harmful tax by half of firms.

Source: Canadian Federation of Independent Business, *Focus on Manitoba Survey* 504 responses in Manitoba (June-August 2002)

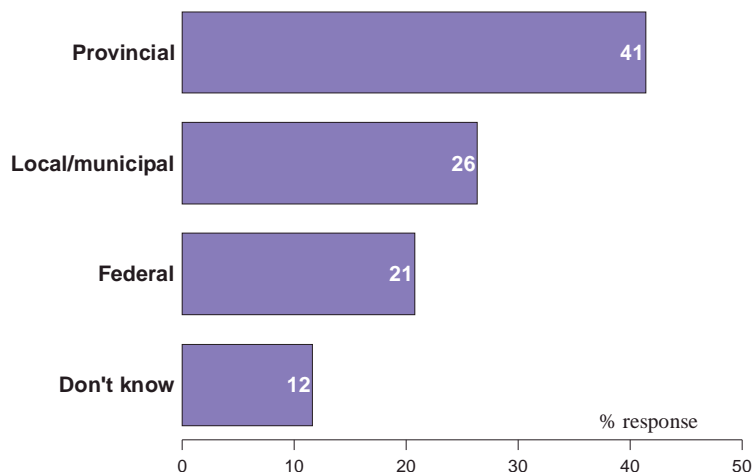


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Level of Government with the Most Impact on the Day-to-Day Operation and Success of Businesses

Businesses are dependent on good policy from all levels of government. However, most business owners say the provincial government has the highest impact on the day-to-day operations of their firms. One-in-four business owners say their local government has the largest impact, while about the same proportion appreciates that the federal government has the biggest impact on their firms.

Source: Canadian Federation of Independent Business, Results of *the Building a Better Community Survey*, 467 responses in Manitoba (March-April 2001)

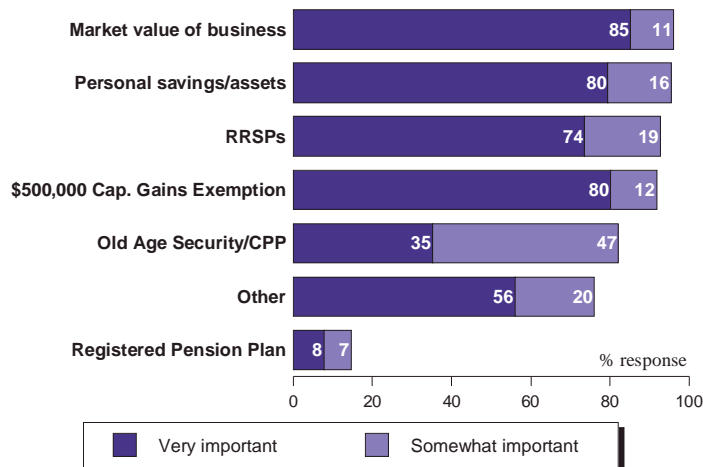


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Personal Savings and Market Value of the Business Crucial to SME Owners' Retirement Plans

Market value of the business and personal savings/assets remain the most important retirement vehicles for almost all SME owners. RRSPs and the \$500,000 capital gains exemption follow in importance. Without access to registered pensions, small business owners must rely on their own investment success to sustain them during retirement.

Source: Canadian Federation of Independent Business, Results of *Our Members' Opinions Survey #48*, 1,010 responses in Manitoba (January-June 2001)



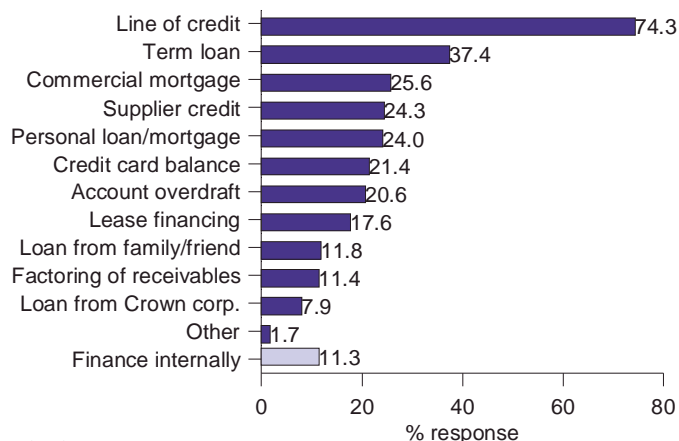
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VI. Financial Environment

Types of SME Financing

Credit lines and term loans are the main forms of credit financing among small businesses. Three-quarters of SME's have a line of credit to finance their business operations, while more than one-third have a term loan. While these types of financing are the mainstay for all types of businesses, they are a more popular financing means among larger and older businesses

Source: Canadian Federation of Independent Business, Results of *The Banking Survey*, 9,565 responses (May 2003)

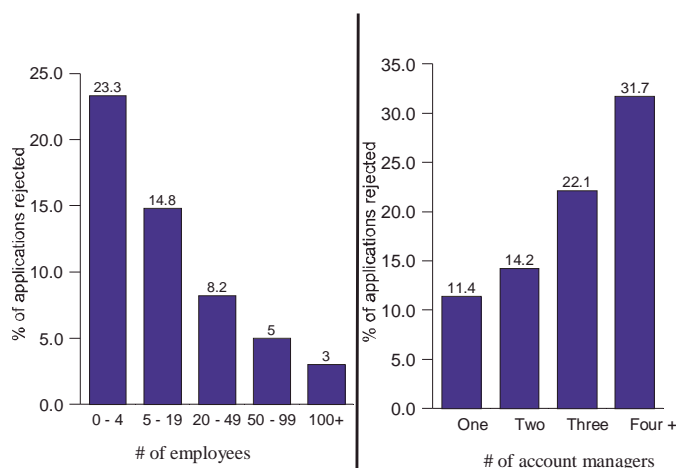


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Loan Rejection Rates by Account Manager Turnover and by Size of Firm

CFIB's survey data shows that major banks are still not retaining account managers with their business clientele long enough to build on the client-bank relationship. The size of the business is also a major factor affecting the likelihood of a loan being rejected. The smaller the firm, the higher the incidence of a loan application being rejected.

Source: Canadian Federation of Independent Business, Results of *The Banking Survey*, 9,565 responses (May 2003)



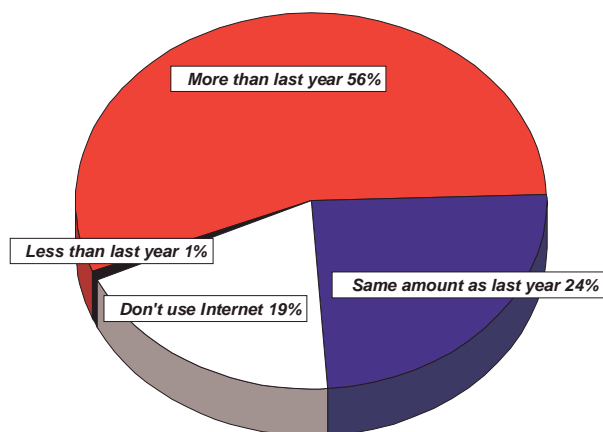
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VII. Technological Environment

Types of Internet Usage Among Mb SMEs

Eighty-one per cent of Manitoba's SMEs use the Internet currently and 56 per cent plan on using it more this year than in 2002. Medium-sized firms are more likely to use the Internet than their smaller counterparts. Young firms tend to use it more and are also more likely to increase their usage than older firms.

Source: Canadian Federation of Independent Business, Results of *Our Members' Opinions Survey #52*, 558 responses in Manitoba (January-March 2003)



MB data