



New Brunswick - Small Business Primer

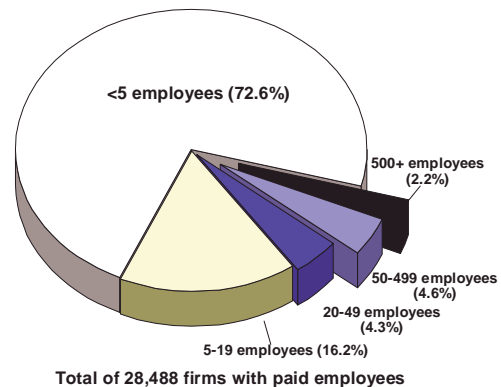
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I. Business Overview

Most Businesses in New Brunswick Are Very Small

Almost three quarters of New Brunswick's businesses employ fewer than five people, and 93 per cent of NB businesses have fewer than 50 employees—the upper limit most often used in defining small business. Businesses with more than 50 employees make up only seven per cent of New Brunswick's business population.

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



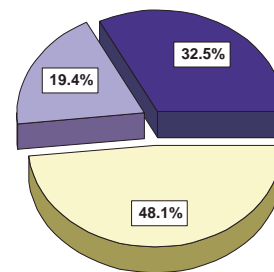
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SMEs Employ More Than Half of the Workers in New Brunswick

In 1999, small and medium-sized enterprises (SMEs) accounted for 52 per cent of total employment in New Brunswick. Total employment reached 293,400 in 1999, up about ten per cent in the last decade.

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

1999 Total Employment: 293,400 employees



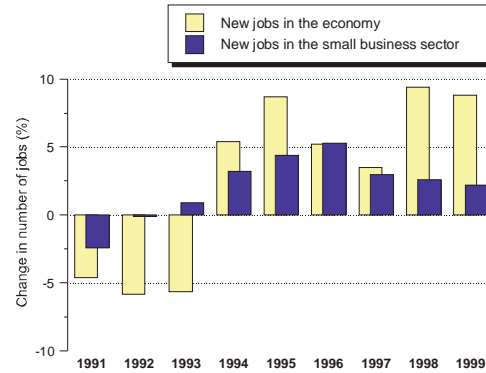
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- <50 employees
- 50-499 employees
- 500+ employees

The Small Business Sector Plays a Key Role in the Creation of New Jobs in NB

Small businesses, those with fewer than 50 employees, are the engine of the economy. In 1999, the small business sector was responsible for one quarter of net new jobs created in New Brunswick.

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

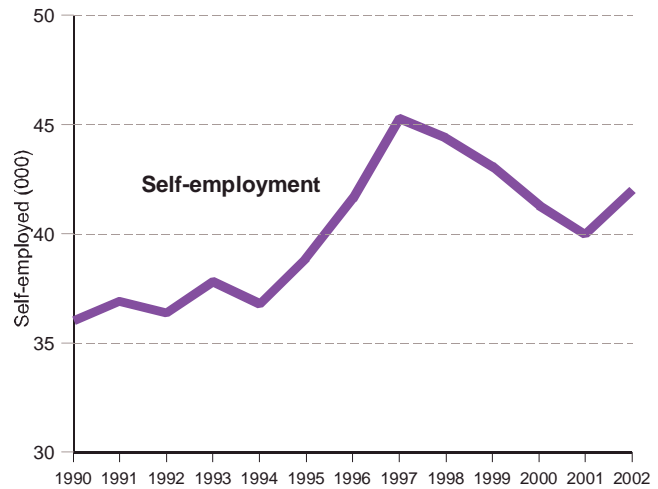


Self-employment in New Brunswick

The peak of self-employment was registered in 1997 with 45,300 people working as self-employed in New Brunswick. After decreases from 1998 to 2001, self-employment in New Brunswick saw growth in 2002 reaching 42,000 self-employed individuals.

Source: Statistics Canada, *Labour Force Historical Review* (2003)

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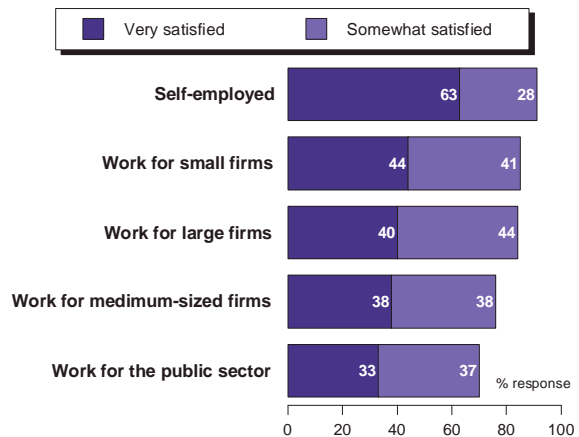
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II. SME Workforce

Job Satisfaction Among SME Employees and Self-employed is High

Self-employed Canadians 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)

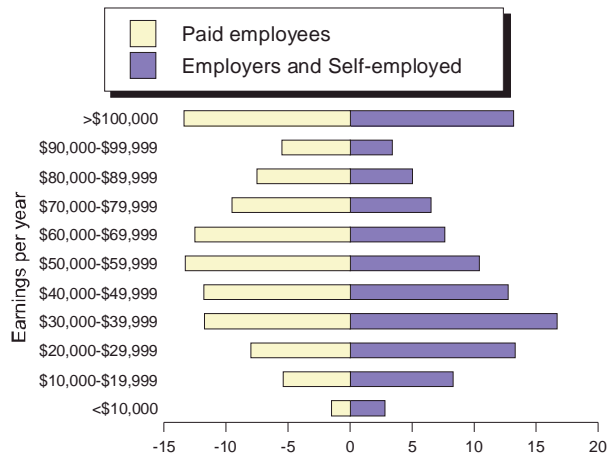


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Canadian Business Owners Earn Less Than Paid Employees

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)

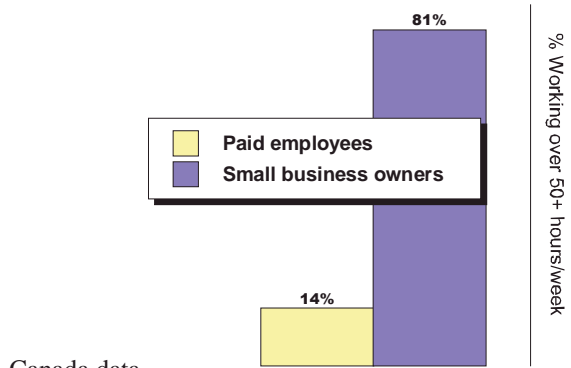


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Small Business Owners Work Longer Hours

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

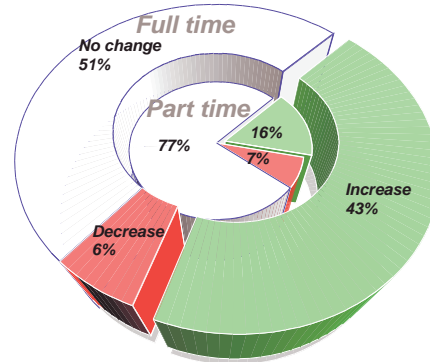


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Employment Plans for 2004

Forty percent of NB SMEs plan to increase full-time staffing levels in 2004, while only 6 per cent plan to decrease their full-time employment. Half of SMEs expect to retain the same employment levels. Changes to part-time staffing levels are expected to be smaller, with 16 per cent planning increases and 7 per cent planning decreases.

Source: Canadian Federation of Independent Business, *Quarterly Business Barometer*, 158 responses in New Brunswick, September to December 2003



NB data

Persistently High Labour Shortage

Throughout the first half of 2003, concern over the shortage of labour remained high in Canada, with almost one in two (48.7 per cent) businesses having difficulties finding qualified labour. In New Brunswick, a similar proportion of businesses (48.5 per cent) encountered problems over qualified labour. This chronic shortage has reached unprecedented levels over the last decade, affecting the abilities of businesses to compete and grow.

Sources: Canadian Federation of Independent Business, Results of *Our Members' Opinions Surveys* #24-52, 1989-2003; and Statistics Canada



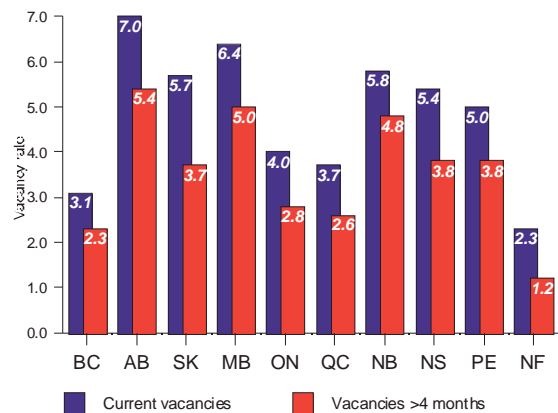
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Unfilled Jobs Rate in the SME Sector

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 New Brunswick was 5.8 per cent. Long-term vacancies (longer than four months) were at 4.8 per cent. This was the third highest level of unfilled jobs in the country.

Source: Canadian Federation of Independent Business, Results of *Our Members' Opinion Survey* No. 50, January-June 2002

Job vacancy rate, by province

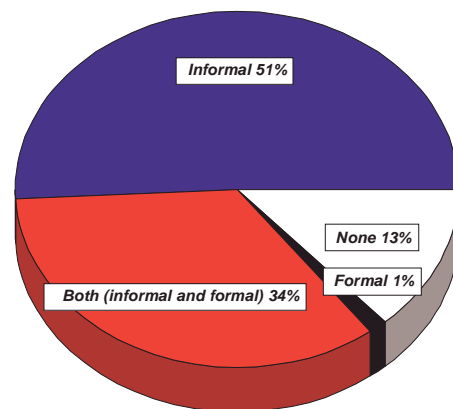


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SMEs Training Approaches

The majority of SMEs in New Brunswick provide some form of training to their employees. Half of them report using informal approaches to training, while 34 per cent report using both informal and formal training methods in building their employees' skills. Only one per cent report using only formal approaches.

Source: Canadian Federation of Independent Business, Results of the *Survey on Labour Availability and Training*, 241 responses, Sept.-Nov. 2002



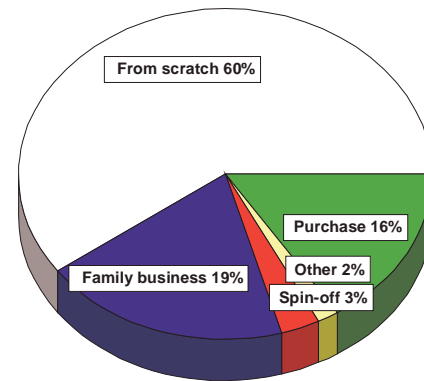
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III. Community Environment

SMEs' Origins

More than half of New Brunswick SMEs, 60 per cent, start their business from scratch, and about 19 per cent start by taking over a family business. Those who start by purchasing an existing business represent 16 per cent of new owners, while only 3 per cent start as a spin-off from another business.

Source: Canadian Federation of Independent Business, Results of the *Building a Better Community Survey*, 293 responses in New Brunswick (March-April 2001)

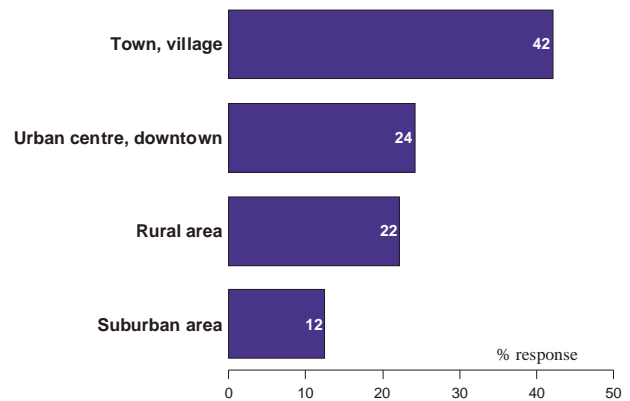


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Business Locations

The distribution of businesses by location is predominantly found in town and villages in New Brunswick. About 42 per cent of businesses in the province are located in town or villages, while 24 per cent of businesses are found in urban centers, and downtown area. For the remaining 22 per cent are located in rural areas and 12 per cent are found in a suburban area.

Source: Canadian Federation of Independent Business, Results of the *Building a Better Community Survey*, 239 responses in New Brunswick (March-April 2001)

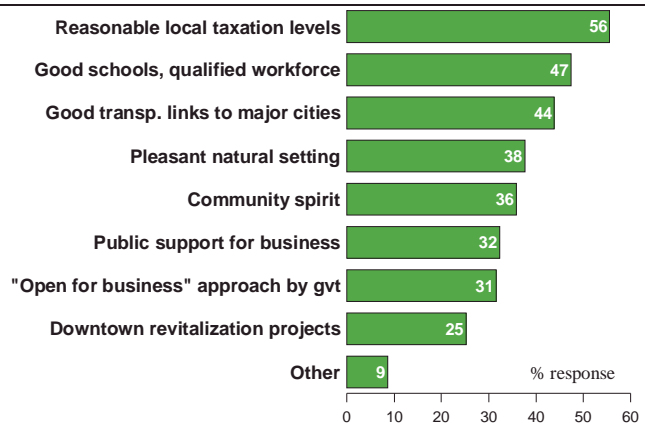


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Community Attributes with Positive Impacts on Business Success

Reasonable tax levels, a good school system and a qualified workforce top the list of positive attributes that contributes to business success in New Brunswick communities. Good transportation links and a business-friendly local government also contribute heavily to improve business' success.

Source: Canadian Federation of Independent Business, Results of the *Building a Better Community Survey*, 239 responses in New Brunswick (March-April 2001)



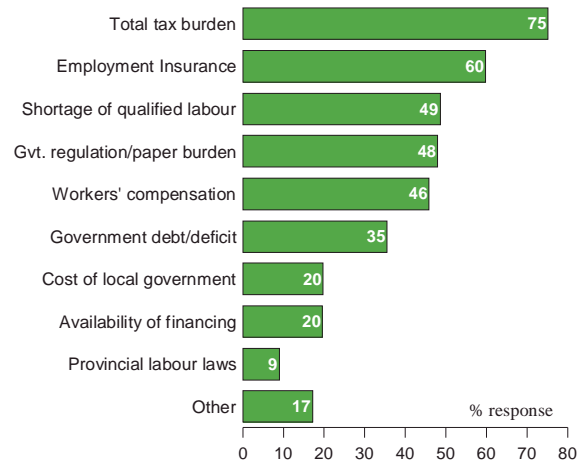
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IV. Economic Environment

Most Important Issues for New Brunswick SMEs

With three quarters of New Brunswick SMEs identifying it as a major issue, the total tax burden continues to be the top concern for firms in NB. Other major concerns are employment insurance, shortage of qualified labour, government regulation and paper burden and workers' compensation to round out the top five.

Source: Canadian Federation of Independent Business, Results of *Our Members' Opinion Survey #52*, 1165 responses in New Brunswick (January-June 2003).

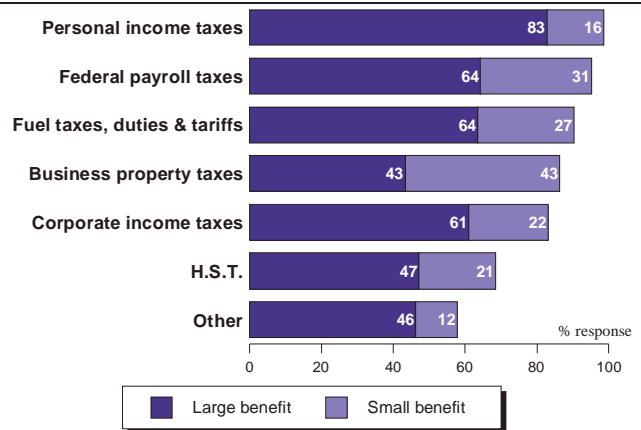


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Tax Cut Initiatives that Would Benefit New Brunswick SMEs the Most

Personal income tax cuts would benefit virtually all SMEs in NB. About nine out of ten businesses would also benefit from cutbacks in federal payroll taxes as well as reductions in fuel taxes, duties and tariffs. Decreases in corporate income taxes and in the business property taxes would also boost the small businesses' economic activity.

Source: Canadian Federation of Independent Business, Results of *Our Members' Opinion Survey #47*, 1159 responses (July-December 2000)

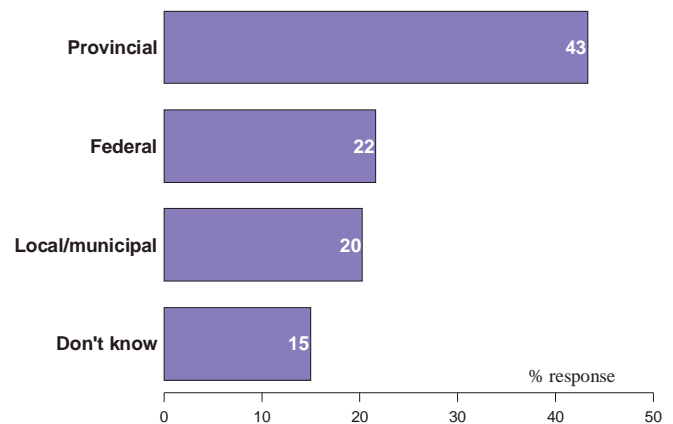


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Level of Government with the Most Impact on the Day-to-Day Operation and Success of Businesses

Businesses are dependent on good policy from all levels of government. In New Brunswick business owners believe the provincial government has the most impact on their day-to-day operations and success of business. Followed by the federal government and municipal government.

Source: Canadian Federation of Independent Business, Results of *the Building a Better Community Survey*, 239 responses in New Brunswick (March-April 2001)



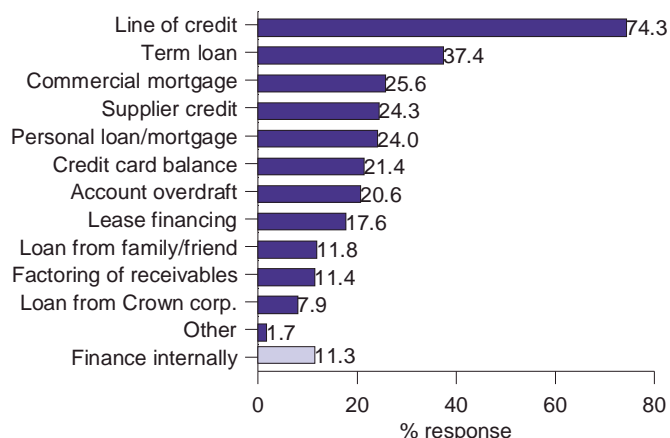
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V. Financial Environment

Types of SME Financing

Lines of credit is, by a significant margin, the chief source of debt financing for small business. Term loans and commercial mortgages, supplier credit, personal loans, and credit cards are all used by at least one-in-four small businesses. A loan from a family member or friend is a financing source for one-in-ten businesses.

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

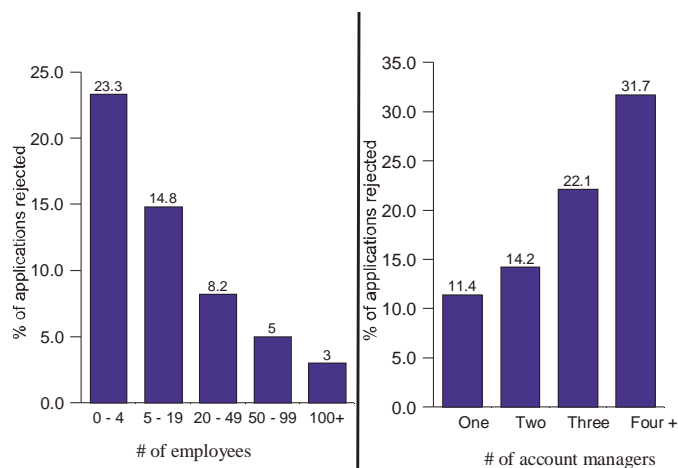


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Loan Rejection Rates by Account Manager Turnover and by Size of Firm

The loan rejection rate varies largely depending mainly on the number of employees and the number of account managers. The smaller the firm, the higher the loan rejection rate. Also, the higher the account manager turnover rate, the higher the loan rejection rate. About one quarter of micro businesses have their loan application rejected compared to only three per cent medium sized business. Similarly, the loan rejection rate is three times higher for firms with four or more account managers compared to firms with only one account manager.

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



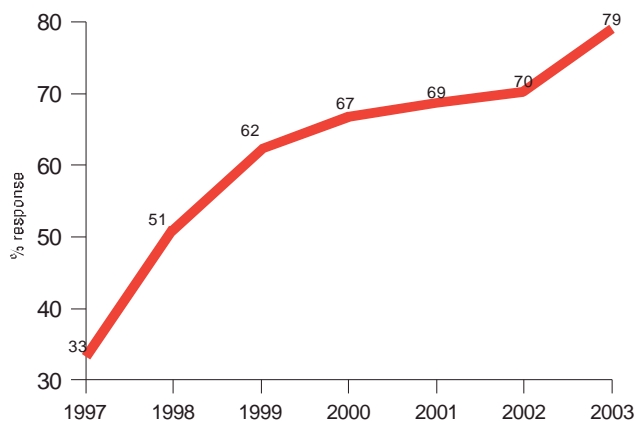
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VI. Technological Environment

Evolution of Internet Usage Among New Brunswick SMEs

Internet use among SMEs has seen exponential growth within the last few years. Currently in New Brunswick, almost 80 per cent of firm owners are online for business purposes.

Source: Canadian Federation of Independent Business, Results of Our Members' Opinions Survey No.47 to 52, New Brunswick

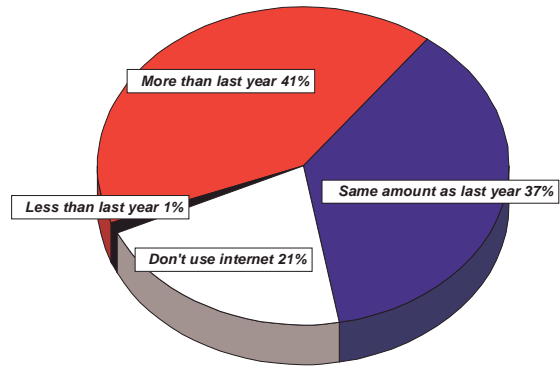


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Internet Usage Among NB SMEs

41 per cent of business owners currently online report they anticipate using the Internet more frequently in the upcoming year, while 37 per cent report they will continue using it regularly.

Source: Canadian Federation of Independent Business, Results of *Our Members' Opinions Survey #52*, 1165 responses in New Brunswick (January-June 2003)



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