



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 (499,944 ENTERPRISES) (CHART 1)

70%

OF ENTERPRISES HAVE ZERO EMPLOYEES (CHART 1)

29%

OF EMPLOYEES IN NEW ZEALAND ARE EMPLOYED BY ENTERPRISES WITH FEWER THAN 20 EMPLOYEES (614,580) (CHART 2)

28%

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

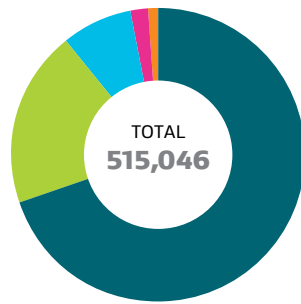
THE RENTAL, HIRING, AND REAL ESTATE SERVICES INDUSTRY HAS THE HIGHEST NUMBER OF ENTERPRISES WITH FEWER THAN 20 EMPLOYEES (CHART 4)

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.

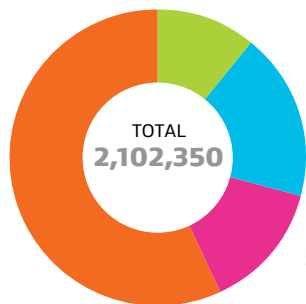
Chart 1: Number of Enterprises by Employee Size Group



Zero Employees
362,856
1-5 Employees
98,748
6-19 Employees
38,340
20-49 Employees
9,780
50 Or More Employees
5,325

Data source: Statistics New Zealand Business Demography, Feb 2016

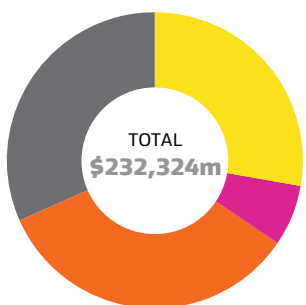
Chart 2: Number of Employees by Employee Size Group



1-5 Employees
231,400
6-19 Employees
383,450
20-49 Employees
290,400
50 Or More Employees
1,197,100

Data source: Statistics New Zealand Business Demography, Feb 2016

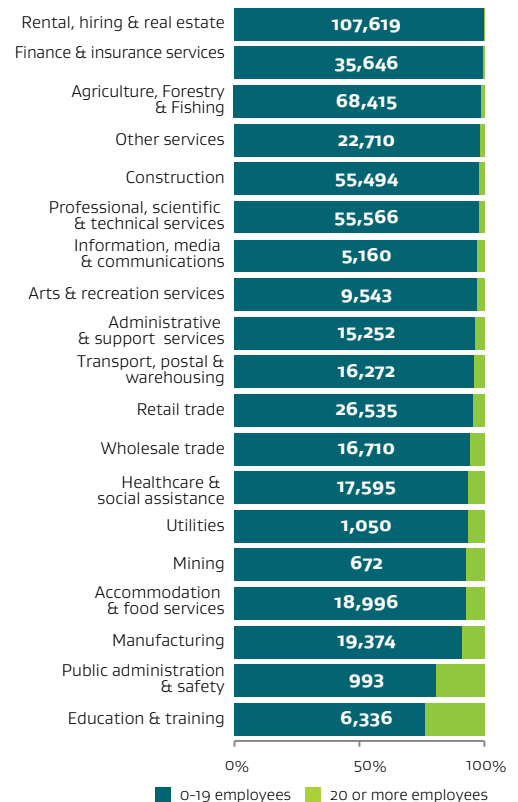
Chart 3: Estimated Contribution to GDP by Employee Size Group



0-19 Employees
\$64,853m
20-49 Employees
\$15,775m
50 Or More Employees
\$78,151m
Excluded Industries / Other Items
\$73,545m

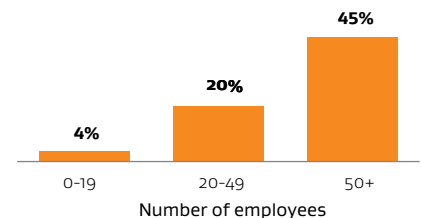
Data source: Statistics New Zealand National Accounts Mar 2014

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



Data source: Statistics New Zealand Business Demography, Feb 2016

Chart 5: Percentage of Enterprises with Common Ownership



Data source: Statistics New Zealand Business Demography, Feb 2016



SMALL BUSINESSES ARE YOUNG AND DYNAMIC

33%

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

37%

OF FIRMS WITH ZERO EMPLOYEES BORN IN 2010 SURVIVED IN 2016. FIRMS WITH 1-19 EMPLOYEES HAVE SIMILAR SURVIVAL RATES TO FIRMS WITH 10-99 EMPLOYEES, BUT MUCH LOWER THAN LARGER FIRMS (CHART 8)

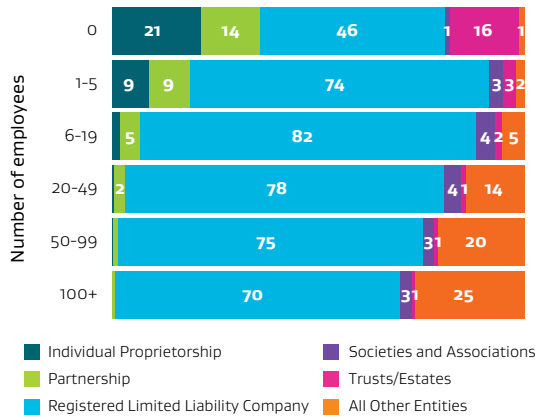
42%

OF ALL JOBS CREATED IN THE YEAR ENDING DECEMBER 2015 WERE IN FIRMS WITH 1-19 EMPLOYEES (CHART 10)

\$45,867

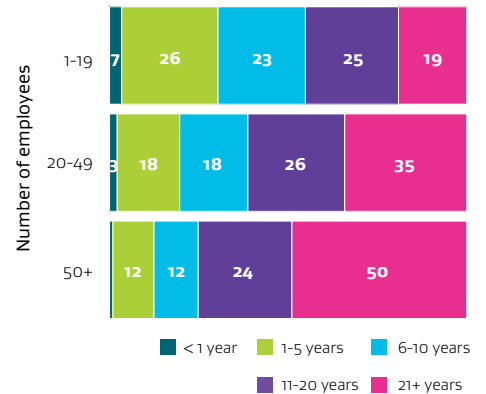
WAS THE AVERAGE SALARY OF EMPLOYEES IN ENTERPRISES WITH 1-19 EMPLOYEES (CHART 9)

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



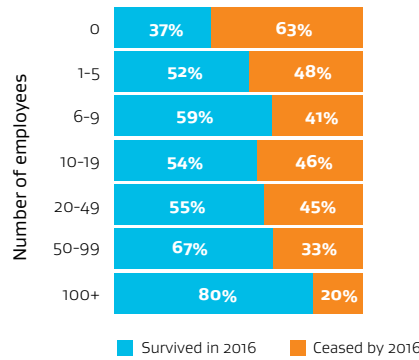
Data source: Statistics New Zealand Business Demography, Feb 2016

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



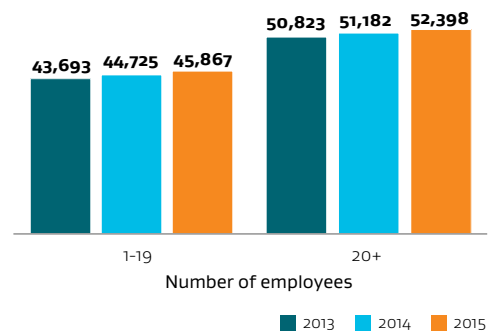
Data source: Statistics New Zealand Business Demography, Feb 2016

Chart 8: Survival Rates of Enterprises Born in 2010



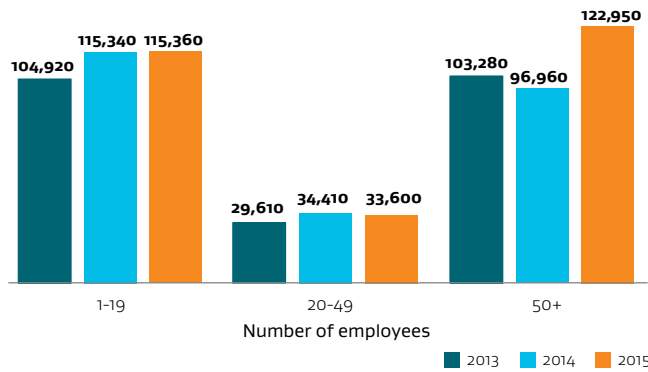
Data source: Statistics New Zealand Business Demography, Feb 2016

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



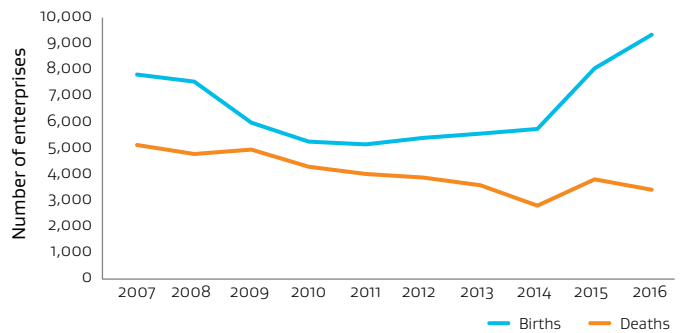
Data source: Statistics New Zealand Annual Enterprise Survey, 2016

Chart 10: Annual Job Creation by Employee Size Group



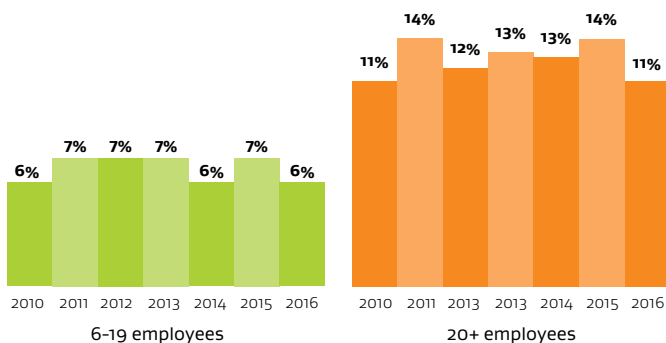
Data source: Statistics New Zealand Linked Employer-Employee Data, Dec 2013-2015

Chart 11: Births and Deaths of Employing Small Business



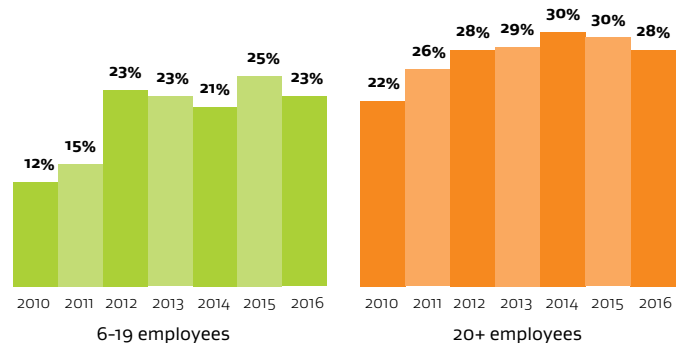
Data source: Statistics New Zealand Business Demography, Feb 2016

Chart 12: Percentage of Businesses Undertaking R&D



Data source: Statistics New Zealand Business Operations Survey, 2016

Chart 13: Percentage of Businesses Exporting



Data source: Statistics New Zealand Business Operations Survey, 2016

→ ZERO-EMPLOYING FIRMS GENERATE VALUE

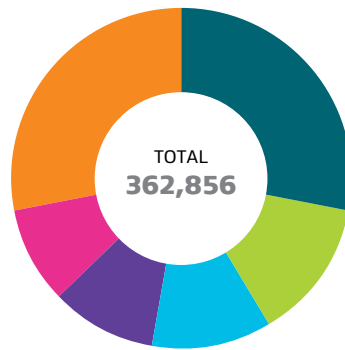
\$204,066

WAS THE AVERAGE REVENUE PER ENTERPRISE FOR FIRMS WITH ZERO EMPLOYEES IN 2015. THIS COMPARES WITH AN AVERAGE REVENUE OF \$846,574 FOR FIRMS WITH 1-19 EMPLOYEES (ANNUAL ENTERPRISE SURVEY, AUG 2016)

28%

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
102,006

Construction
36,474

Agriculture, forestry & fishing
48,834

Finance and insurance services
33,180

Professional, scientific & technical services
41,262

All others
101,100

Data source: Statistics New Zealand Business Demography, Feb 2016

→ SELF-EMPLOYED ARE ALSO SMALL BUSINESS

45%

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

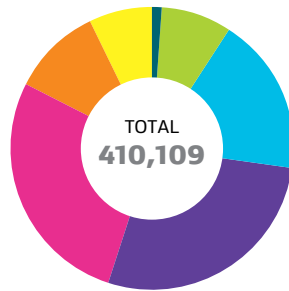
17%

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

10%

OF MĀORI RUN THEIR OWN BUSINESS, BEING EITHER SELF-EMPLOYED, OR EMPLOYING OTHERS (CHART 17)

Chart 15: Self-Employed by Age and Sex



15-19
4,560

50-59
112,704

20-29
33,531

60-65
42,396

30-39
74,583

65+
28,635

40-49
113,697



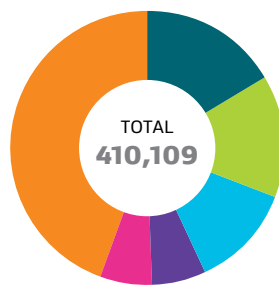
Female
156,369



Male
253,740

Data source: Statistics New Zealand Linked Employee-Employer Data, 2016

Chart 16: Self-Employed by Industry



Construction
67,866

Rental, hiring & real estate
26,658

Professional, scientific & technical services
59,094

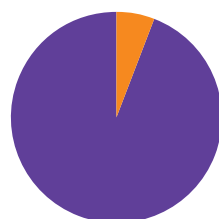
Retail trade
25,101

Agriculture, forestry & fishing
49,914

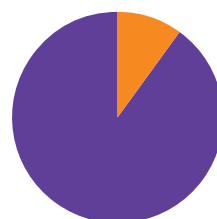
All others
181,176

Data source: Statistics New Zealand Linked Employee-Employer Data, 2016

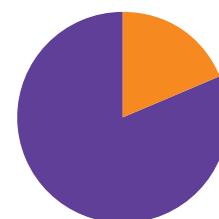
Chart 17: Self-Employed by Ethnicity



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: Household Labour Force Survey 2017



SMALL FIRMS FACE UNIQUE CHALLENGES

EMPLOYMENT

24%

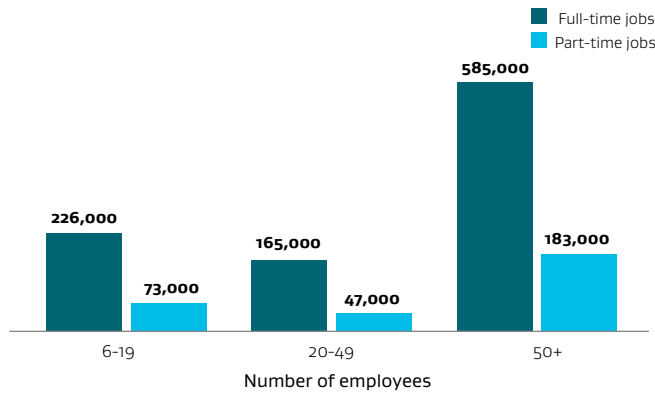
OF EMPLOYEES AT ECONOMICALLY-SIGNIFICANT FIRMS WITH 6-19 EMPLOYEES WERE PART-TIME. THIS COMPARES WITH 22% FOR FIRMS WITH 20-49 AND 24% FOR 50+ EMPLOYEES. (CHART 18)

INNOVATION

17%

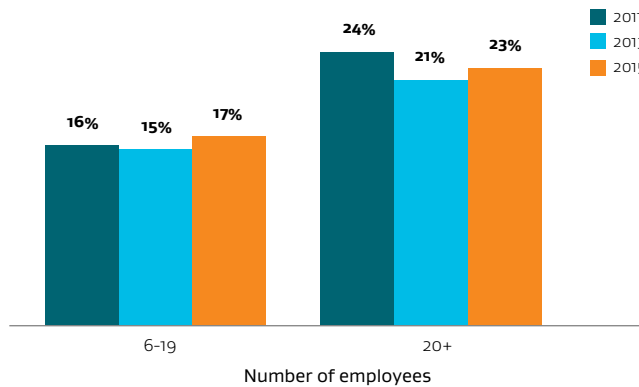
OF FIRMS WITH 6-19 EMPLOYEES INTRODUCED INNOVATIVE GOODS OR SERVICES IN 2015. THIS COMPARES TO 23% FOR FIRMS WITH 20 OR MORE EMPLOYEES

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



Data source: Statistics New Zealand Business Operations Survey, 2016

Chart 19: Percentage of firms introducing new or significantly improved products by employee size group



Data source: Statistics New Zealand Business Operations Survey, 2015

ACCESS TO ICT

FOR BUSINESSES WITH 6-19 EMPLOYEES:

96%

USE INTERNET

20%

ARE CONNECTED VIA FIBER COMPARED TO 12% IN 2014

69%

HAVE A WEBSITE

72%

HAVE INTERNET SALES

*Data source: Statistics New Zealand Business Operations Survey, 2016

ACCESS TO FINANCE

94%

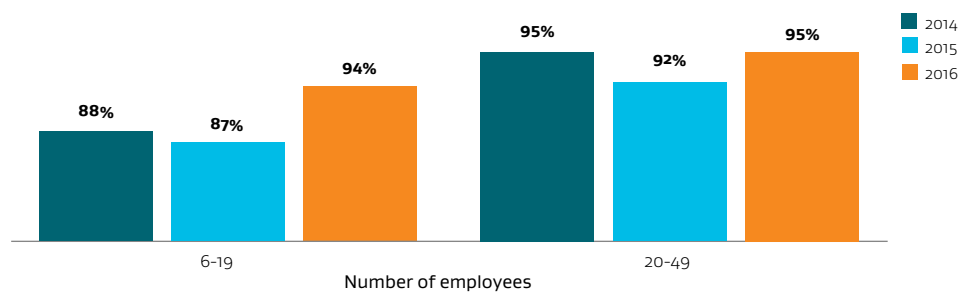
OF FIRMS WITH 6-19 EMPLOYEES WHO REQUESTED DEBT FINANCE COULD ACCESS IT ON ACCEPTABLE TERMS (CHART 20)

88%

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

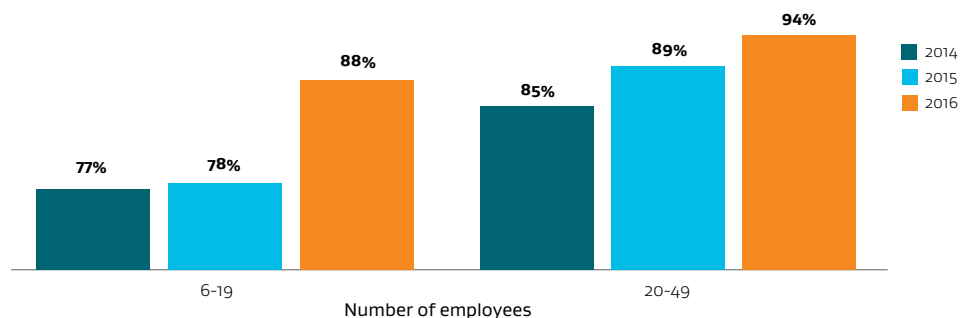
DEBT FINANCE IS SOUGHT BY MORE BUSINESSES THAN EQUITY FINANCE

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



Data source: Statistics New Zealand Business Operations Survey, 2016

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



Data source: Statistics New Zealand Business Operations Survey, 2016

→ 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_HOTPFeb16.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.