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SMEs in New Zealand: Structure and Dynamics 2011

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Much of the data supplied in this document are provisional and, particularly for the more recent years, are therefore subject to change. For more information please refer to Appendix 2: Technical Details on Databases.

List of Commonly Used Abbreviations

AES	Annual Enterprise Survey
ANZSIC	Australian and New Zealand Standard Industrial Classification
BF	Business Frame
BOS	Business Operations Survey
EU	European Union
GDP	Gross domestic product
HLFS	Household Labour Force Survey
ICT	Information and Communication Technology
LBF	Longitudinal Business Frame
LEED	Linked Employer-Employee Database
MED	Ministry of Economic Development
nfd	Not further defined – a type of residual category that is used in hierarchical classification for responses containing insufficient detail to be classified to the most detailed level of a classification, but which can be classified to a less detailed category further up the hierarchy.
OECD	Organisation for Economic Co-operation and Development
QES	Quarterly Employment Survey
RME	Rolling Mean Employment
SME	Small and Medium Enterprises

Part 1: Overview

Introduction

Small and medium-sized enterprises (SMEs), defined as those with less than 20 employees, account for 40 percent of the economy's total output on a value-added basis, and 31 percent of all employees. It is therefore important to know how this vital part of New Zealand's economy is faring.

SMEs in New Zealand: Structure and Dynamics 2011 (Structure and Dynamics) is the twelfth in a series of annual reports on the most recent SME business statistics produced by MED and Statistics NZ. The report provides a statistical snapshot of the nature, structure and performance of New Zealand's SMEs and larger enterprises, along with data on how they have changed over time.

The report is also a reference tool for anyone with an interest in quantitative data on New Zealand firms. It enhances our knowledge of SMEs and provides an accessible evidence base for everything from developing policy and conducting research to producing media reports and analysing business trends. Media, business owners, investors, business advocacy groups, prospective entrepreneurs, policy analysts and researchers are just some of the groups likely to have an interest in feeling the pulse of SMEs on a regular basis.

To provide a comprehensive picture of the current status of SMEs, data have been drawn together from a number of sources. One source is the Longitudinal Business Frame (LBF), which contains data from Statistics NZ's Business Frame (BF), and payroll tax records drawn from the Linked Employer-Employee Database (LEED). Other sources include Statistics NZ's Business Operations Survey (BOS), and Annual Enterprise Survey (AES). Eurostat, the statistical arm of the European Commission, data have also been used. (Refer to Appendix 2: Technical Details for more information on these databases.)

The statistics in this report include both public and private enterprises, with the exception of data from the BOS, which cover only private enterprises with six or more employees. Public enterprises include central and local government enterprises and other local authorities. Private enterprises include private corporate and non-corporate producer enterprises, producer boards, private registered banks and private insurance and pension funds.

There are limits to the conclusions that can be drawn from the data because they do not explain why enterprises change (or do not change) over time. This report is intended to complement qualitative research on New Zealand firms. Sources of other general data on economic conditions include:

- Reserve Bank statements
- Statistics NZ surveys, including the Retail Trade Survey and Household Labour Force Survey (HLFS)
- business confidence surveys, such as the New Zealand Institiute of Educational Research (NZIER) Quarterly Survey of Business Opinion

- research into the SME sector, for example the Firm Capability, Regulation and Compliance project.[1]

The majority of statistics in this report cover the period up to February 2010, so they do not cover the September 2010 or February 2011 earthquakes in Canterbury.

Layout of Structure and Dynamics

The report is divided into five parts:

Part 1 – introduces the report's purpose, describes who the report is for, details how the material in the report is structured, and provides a synopsis of what the statistics are telling us.

Part 2 – presents data relating to the structure of SMEs in New Zealand, including their contribution to employment, location, density, type and the profile of business owners.

Part 3 – contains data relating to the dynamics of SMEs in New Zealand, including their performance, survival and transition rates, growth and contribution to gross domestic product (GDP).

Part 4 – contains the appendices, including technical details and terms and definitions.

Part 5 – is a list of all the figures and tables referred to in the report (page numbers are provided to aid navigation through the report).

While the focus of *Structure and Dynamics* is on SMEs, this report also provides information for all sizes of enterprise.

Synopsis of the Findings/Statistics on SMEs

So what do the statistics tell us for 2009/10?

The headline finding is that fewer New Zealanders are setting up their own businesses than we have seen for some years. For the first time in a decade more SMEs closed than were established in New Zealand. In the year to February 2010 the overall number of SMEs dropped by 1.7 percent to 457,374. However, within the SME group only zero-employee enterprises recorded net deaths, whereas more SMEs with employees were established in the year to February 2010 than ceased.

No sector was untouched. The decline in the overall number of SMEs was across almost all sectors, and those sectors that were still growing slowed significantly. The reduction in enterprise numbers was led by four sectors: Agriculture, Fishing and Forestry; Construction; Rental, Hiring and Real Estate Services; and the Professional, Scientific and Technical Services sector.

On a more positive note, enterprises with 1-5 employees continue to have the highest average real profit per employee at just over $12,000 (in 1997 prices).

1 This was a joint Inland Revenue/MED two-year project investigating the issues that determine the capability of SMEs to effectively deal with government regulations.

The decline in the number of SMEs and other findings are discussed in more detail below and in the body of the report.

SME Structure in New Zealand

SME Definition and Numbers

For the purposes of this report, SMEs in New Zealand are defined as enterprises with 19 or fewer employees. They are generally managed and operated by the owner. Like SMEs worldwide, New Zealand SMEs tend not to have specialist staff at management level and are not part of a larger business or group of companies with access to managerial expertise.

Like most economies, New Zealand's enterprises are mainly small and medium-sized, with 97 percent of all enterprises employing 19 or fewer people.

Ninety percent (421,823) of all enterprises employ five or fewer people, and 69 percent (323,935) of all enterprises have no paid employees. These enterprises are described as zero-employee enterprises.

Zero-employee enterprises are often structured and operated differently to businesses with employees. An employee count of zero is typically an indicator of enterprises with only a working-proprietor who is not receiving a salary or wage. These enterprises might operate in areas such as asset management, property investment, or where the labour input is provided by the employees or working owners of other businesses.

The definition of an SME varies from country-to-country. Given that there is no universally used definition, comparisons of New Zealand SMEs with other countries is problematic. However, European Union (EU) statistics allow us to make some comparisons between enterprises with 0-9 employees. The proportion of enterprises in this group was similar for the EU (92.0 percent) and New Zealand (93.8 percent). These enterprises accounted for 29.0 percent of employment in the EU, but only contributed 19.4 percent in New Zealand. Also of note is that this group contributes more to total value-add in New Zealand (30.5 percent) than in the EU (21.8 percent). (Refer to Table 9.)

SMEs' Contribution to Employment

SMEs make a significant contribution to employment in New Zealand, accounting for 31 percent (580,680) of all employees. Self-employed people comprise 10.5 percent of the workforce, firms with five or fewer employees account for 12 percent, and enterprises with 6-19 employees account for 9.5 percent.

Job creation for SMEs and larger enterprises has dropped significantly over the past few years. These reductions could be viewed as a consequence of the economic downturn. From 2008 to 2009 the average quarterly net job creation for enterprises with 1-19 employees dropped by 32 percent, and for larger enterprises it dropped by 88.4 percent. (Refer to Figure 9.)

From February 2009 to 2010 almost all employee size groups had a reduction in employment numbers, and the number of people employed by SMEs decreased by 1.7 percent (from 590,560 to 580,690 employees). This builds on reductions of 2.7 percent in the year to February 2009,

for a combined reduction of 4.3 percent over the two years. SMEs employing 6-9 staff have had the largest percentage drop in employment for all enterprise-size groups in the year to February 2010, with a 2.8 percent reduction in the total number of employees in this SME group.

Larger enterprises were not exempt from this reduction. Between 2009 and 2010 enterprises employing 500+ staff had a 2.5 percent reduction in employment. This represents a reduction from 559,717 to 545,780 employees, which is the largest reduction in employment numbers of any employee size group, and larger than the combined reductions of all SME groups. (Refer to Figure 6.)

Self-employed People

The data show that the majority of self-employed people in this country are New Zealand European men, aged between 35-59 years.

In 2009, 75 percent of new self-employment was by people aged between 30-59. Sixty-three percent of new self-employed people in 2009 were men.

Māori and Pacific Island categories of ethnicity (excluding Pacific Peoples nfd)[2] have the lowest proportion of people who are self-employed without employees, and the lowest proportion of employers, according to 2006 Census data. Other Asian is classified as having the highest percentage of self-employed individuals without employees (18.6 percent) and the highest percentage of employers (9.1 percent). Thirteen percent of the New Zealand European ethnicity was recorded as self-employed without employees and 8.2 percent were recorded as employers. As the New Zealand European group constitutes 67.6 percent of the population, they represent the largest number of self-employed persons. (Refer to Figures 12-14 and Table 8.)

SMEs – Location, Density, Age and Type

Not surprisingly, the largest numbers of SMEs are found in the regions with large urban centres, particularly Auckland (147,578), Canterbury (58,891), Waikato (47,717) and Wellington (46,874).

Tasman, Gisborne and Northland, on the other hand, have the highest proportion of employment generated by SMEs. Areas with lower proportions of SME employment tend to be in larger metropolitan areas where larger businesses are more likely to be located.

The World Bank's Entrepreneurship Survey shows that New Zealand had the highest density of businesses (the number of enterprises per head of population) of all OECD countries measured.

The majority of SMEs are less than six years old, with very few over 20 years old. By comparison, larger enterprises tend to be much older. Most larger enterprises have been operating for 10 years or more.

Despite a reduction in the overall numbers of SMEs for 2010, they continue to dominate in:

- Rental, Hiring and Real Estate Services (99.8 percent)

2 nfd = not further defined – a type of residual category that is used in hierarchical classification for responses containing insufficient detail to be classified to the most detailed level of a classification, but which can be classified to a less detailed category further up the hierarchy.

- Finance and Insurance Services (99.4 percent).

They are also a particularly high percentage operating in Agriculture, Fishing and Forestry (98.9 percent), Construction (98.5 percent) and Other Services (98.2 percent). (Refer to Figure 24.)

SME Dynamics and Performance in New Zealand

SMEs are a dynamic group of enterprises. This section of the synopsis looks at the performance of SMEs over the last year.

SMEs – Births and Deaths

For the first time since 2001 there has been a decline in the overall number of SMEs. This is led by a reduction in births (or new business creation) rather than an increase in deaths (or business closures). The overall number of SMEs has dropped by 1.7 percent in the last year to 457,374. (Refer to Figures 27-29.)

The number of enterprises dropped for all enterprise size groups in 2010. The reductions in 2010 and 2009 stand in stark contrast to the increase seen for most of the previous 10 years. (Refer to Figure 30.)

Data on the net births and deaths for selected industries from 2007 to 2010 show a net loss across most industries, including many of those that in 2009 were still showing a growth in numbers. The key sectors driving this reduction are:

- Construction
- Rental, Hiring and Real Estate Services
- Professional, Scientific and Technical Services.

The Construction sector was one of the first industries to be hit by the global financial crisis and recorded the largest drop in enterprise numbers, from net births of 1,661 in 2008 to net deaths of 3,422 in 2010.

Enterprises in Rental, Hiring and Real Estate Services have been steadily declining for the past three years. In 2008 there were 3,041 net births, but in 2010 there were 2,619 net deaths of SMEs in this sector. Likewise, net births and deaths for the Professional, Scientific and Technical Services division have dropped from 1,762 net births in 2008 to 1,670 net deaths in 2010. (Refer to Figure 31.)

Only seven sectors showed a positive number for net birth/deaths for 2010: Agriculture, Forestry and Fishing; Financial and Insurance Services; Information Media and Telecommunications; Health Care; Accommodation and Food Services; Education and Training; and Public Administration and Safety. Agriculture, Forestry and Fishing, which slumped to 625 net births in 2009, rebounded to close to 1,415 net births in 2010. For all other industries the number of net births was low. Furthermore, many of them suffered a significant reduction in the number of net births, especially Financial and Insurance Services which recorded the largest drop of all industries (reducing from 2,097 net births in 2009 to only 350 in 2010).

Employing SMEs (this excludes zero-employee enterprises) continued to have a greater number of births than deaths. Births of enterprises with 1-19 employees reduced from 8,299 in 2007 to 5,392 in 2010, but the number of deaths also decreased from 5,151 in 2007 to 3,877 in 2010. (Refer to Figure 28.)

Over the past decade there has been a similar number of births and deaths each year for enterprises with 20+ employees, whereas SMEs usually have many more births than deaths, except for 2010.

SMEs' Sales, Profits and Contribution to GDP

Across all employee size groups, firms with five or fewer employees continue to generate the highest average real profits per employee, at $12,132 (in 1997 dollars) profit per employee (measured on a rolling mean employee – RME[3] – basis) in the year to March 2009. However, this profit level is a significant drop from $18,634 in 2007 and $17,974 in 2008.

The average real profit per RME for SMEs employing 6-9 staff is $7,062 and $6,741 for SMEs employing 10-19 staff.

Enterprises with 100-499 employees have traditionally had the second highest average real profits per employee. However, in the figures ending March 2009 enterprises with 500+ employees have moved into second place. (Refer to Figure 33.)

'Value-added' is a measure of the contribution to total output by enterprises in the economy. SMEs' contribution to the total value-added output in 2009 was 40 percent, down from 42 percent in 2008. Enterprises with 100-499 employees were again the strongest performing single employee size group, accounting for 22 percent of the value-added output. (Refer to Figure 38.)

SME Survival Rates

Very small firms are less likely to survive over time than larger firms. (Refer to Figure 39 and Figure 41.)

The industries with the highest survival rates are: Mining; Health Care and Social Assistance; Agriculture, Forestry and Fishing; and Financial and Insurance Services. The industries with the lowest survival rates are: Administrative and Support Services; and Information Media and Telecommunications. (Refer to Figure 40 and Figure 42.)

SME Size Transition Rates

Small and medium-sized firms, particularly those with fewer than five employees, are more likely to remain the same size over time than larger firms. However, if they do change size they are equally as likely to become smaller or larger. Large firms are slightly more likely to become larger over time. (Refer to Figure 43.)

3 A 12-month moving average of the monthly employee count figure.

Performance of Self-employed People by Gender and Age

People younger than 40 years who became self-employed tended to increase their income, whereas those older than 40 years tended to show a decrease in their income. (Refer Figure 44.)

Businesses owned by self-employed people aged between 40-59 years are most likely to survive. On average, businesses owned by self-employed females were also slightly more likely to survive than those operated by self-employed men. (Refer to Figure 45.)

High-growth Enterprises

High-growth firms[4] are of particular importance because they generate the majority of new jobs and economic growth.

The percentage of high-growth enterprises continued to drop in 2010. Apart from a minor increase in 2008, the rate has steadily been dropping since 2004. (Refer to Figure 46.)

SMEs which meet the definition of a high-growth enterprise (10-19 employees) accounted for only 5 percent of high-growth enterprises in 2010 when measured by employment, and 33 percent when measured by GST liable sales in 2009. The majority of high-growth enterprises are in the 20-49 employee size group, accounting for 64 percent when measured by employment in 2010 and 43 percent when measured by GST sales in 2009. (Refer to Figures 49-50.)

When measured by turnover, New Zealand is near the bottom of the Organisation for Economic Co-operation and Development (OECD) for the percentage of high-growth enterprises. When measured by employment, New Zealand is mid-range in the OECD. (Refer to Figure 51.)

4 Those enterprises with 10+ employees and average annualised growth greater than 20 percent over a three-year period.

Part 2: SME Structure in New Zealand

Defining SMEs

For the purposes of this report SMEs are defined as enterprises with 19 or fewer employees.[5] However, for those wishing to use other categorisations, this report provides information broken down by the following employee size groups:

- zero-employees (typically an indicator of enterprises with a working-proprietor only who is not paid a salary or wage)
- 1-5 employees
- 6-9 employees
- 10-19 employees
- 20-49 employees
- 50-99 employees
- 100-499 employees
- 500+ employees.

Enterprises in these categories correspond to tax reporting units. Enterprises represent a legal entity, which may be a company, partnership, trust, estate, incorporated society, producer board, local or central government organisation, religious organisation, voluntary organisation or self-employed individual.

5 For policy development purposes, the MED is interested in SMEs' general behaviour, performance and growth patterns. Therefore it takes the view that a characteristics-based definition of an SME with an employment threshold of 19 or fewer employees is more useful than a multi-layered definition.

SME Numbers

New Zealand is mainly a nation of small businesses.

Like most economies, New Zealand's enterprises are mainly small and medium-sized.

Table 1. Number, Percentage, and Cumulative Percentage of Enterprises by Size (February 2010)

Employee Size Group	Number of enterprises	Percentage of all enterprises	Cumulative percentage
0	323,935	68.9%	68.9%
1-5	97,888	20.8%	89.7%
6-9	19,571	4.2%	93.8%
10-19	15,980	3.4%	97.2%
20-49	8,420	1.8%	99.0%
50-99	2,489	0.5%	99.6%
100-499	1,739	0.4%	99.9%
500+	324	0.1%	100.0%
Total	470,346	100%	-

Figure 1. Number of Enterprises by Employee Size Group (February 2010)

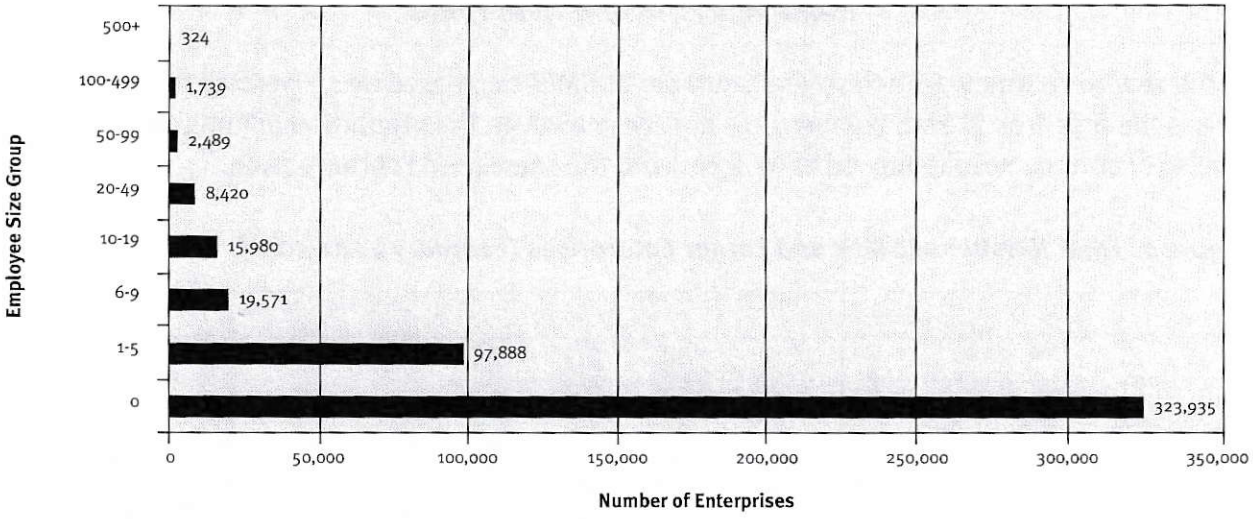


Table 2 shows the number and size of enterprises in the private and government sectors.

Table 2. Private and Government Sector Enterprises by Size (February 2010)

Employee size group	Private sector[1]		Government sector[2]	
	Number of enterprises	Employee count	Number of enterprises	Employee count
0	323,639	0	296	0
1-5	97,523	224,640	365	1,280
6-9	19,266	138,940	305	2,120
10-19	15,318	204,420	662	9,280
20-49	7,520	220,980	900	28,590
50-99	2,121	145,670	368	25,010
100-499	1,405	275,340	334	67,870
500+	215	310,200	109	235,590

Notes:

(1) Private sector defined as enterprises with a New Zealand Standard Institutional Sector Classification 1996 code in the following list: 1111, 1121, 1211, 2211, 2221, 2291, 2311, 2411, 4111, 6111.

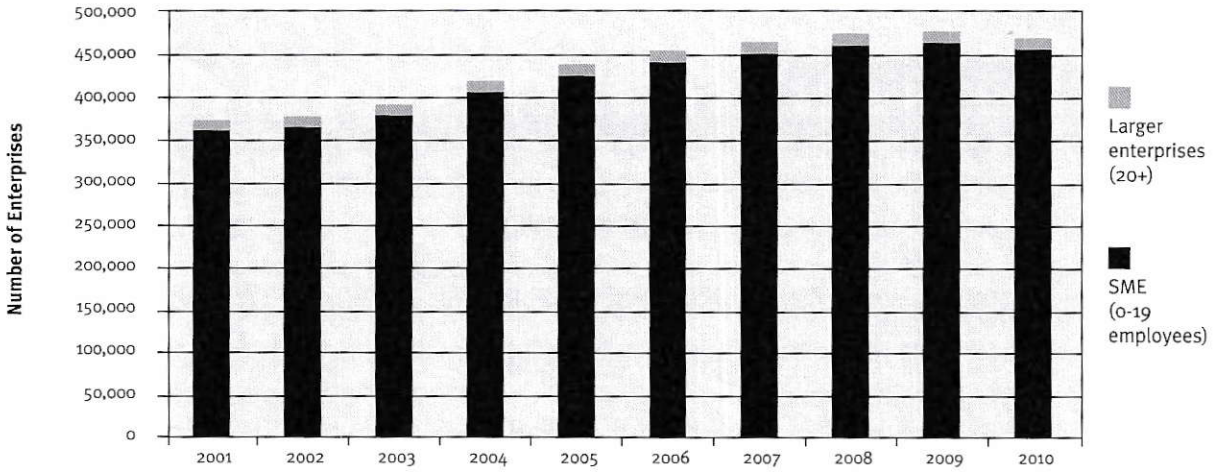
(2) Government sector defined as enterprises with a New Zealand Standard Institutional Sector Classification 1996 code in the following list: 1311, 1321, 2111, 2212, 2312, 2412, 2413, 3111, 3211, 3291, 3311.

There is a much smaller proportion of SMEs in the government sector, and in general government sector enterprises are much more evenly spread across the employee size groups than those in the private sector.

The proportion of SMEs relative to larger enterprises has remained relatively constant over time.

In the year to February 2010 the overall number of SMEs decreased by 1.7 percent to 457,374. This is the first drop in SME numbers in a decade. However, the proportion of firms defined as SMEs at February 2010 remained at 97.2 percent, the same as in February 2009.

Figure 2. Total Number of SMEs and Larger Enterprises (February 2001-2010)



SMEs' Contribution to Employment

The number of workers employed by SMEs has decreased.

The number of people employed by SMEs decreased by 1.7 percent between February 2009 and 2010 from 590,560 to 580,680. This is likely to be an effect of the economic downturn.[6] This is the second year in a row that employment in SMEs declined, whereas over the previous seven years employment rose each year. SMEs accounted for 30.7 percent of total employment at February 2010, marginally up from 30.6 percent in 2009.

Figure 3. Total Employment by Employee Size Group (February 2010)

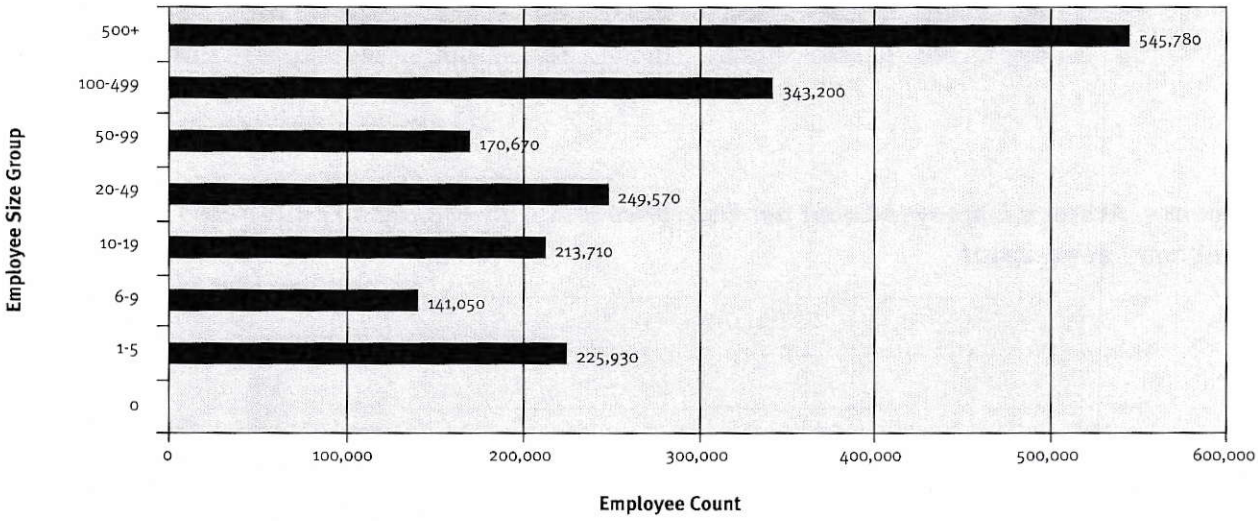


Table 3. Employment Accounted for by SMEs (February 2001-2010)

SMEs	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total SME employment	503,240	523,990	545,510	563,530	583,180	591,400	598,880	606,970	590,560	580,680
Percentage change from previous year		4.1%	4.1%	3.3%	3.5%	1.4%	1.3%	1.4%	-2.7%	-1.7%
As a percentage of total employment	31.1%	31.5%	31.7%	31.4%	31.4%	31.3%	31.1%	30.7%	30.6%	30.7%

The average size of New Zealand firms remains similar to 2009.

The average number of employees per enterprise decreased slightly in the year to February 2010 from 4.03 to 4.02. This is noticeably lower than the peak of 4.41 in 2002. When non-employing firms (zero-employee enterprises) are removed the average number of employees per enterprise in February 2010 increased slightly from 12.89 to 12.91.

6 For a list of the key figures and tables relating to SMEs' performance during the 2008/2009 recession refer to Appendix 1.

Figure 4. Average Employee Count per Enterprise (February 2000-2010)

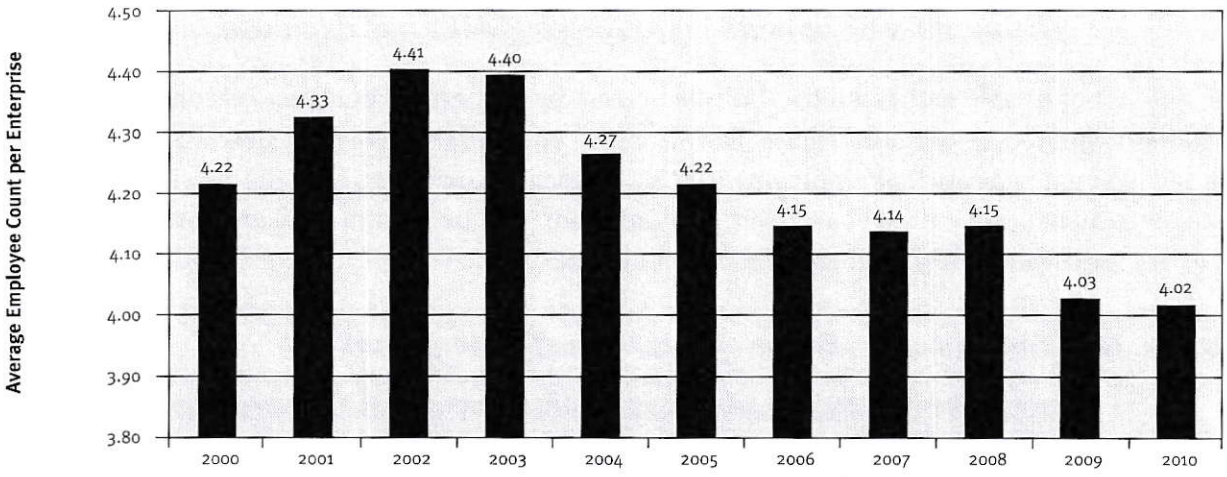
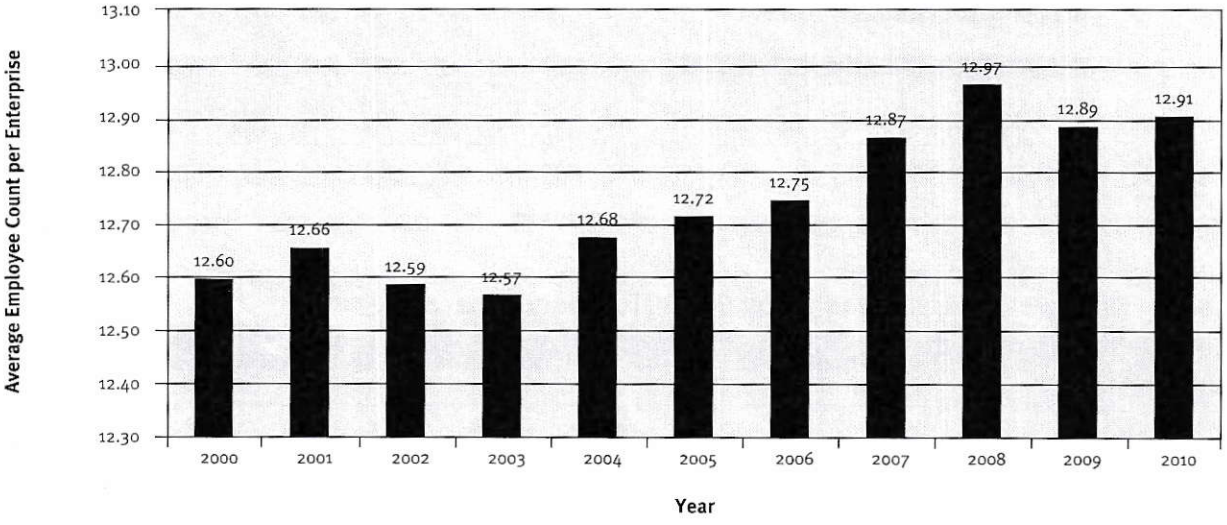


Figure 5. Average Employee Count per Enterprise less Non-employing Enterprises (February 2000-2010)



However, the number of people employed in every employee size group has reduced since the start of the global financial crisis.

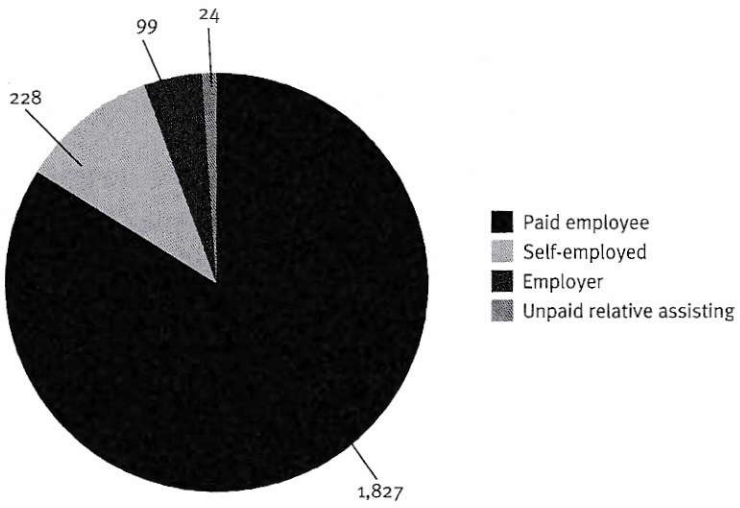
Overall, employment dropped by 4.25 percent between 2008 and 2010. Employment also reduced across all employee size groups. This was again felt most strongly by firms with 20-49 employees (down 7.1 percent) and 100-499 employees (down 5.4 percent).

Figure 6. Annual Percentage Change in Numbers of Employees by Employee Count Group (February 2001-2010)

Most New Zealanders in the labour force are paid employees.

Data from the 2010 HLFS show that more than 80 percent of people in the workforce are paid employees. The next most significant group is those who are self-employed, who make up 10.5 percent of the workforce.

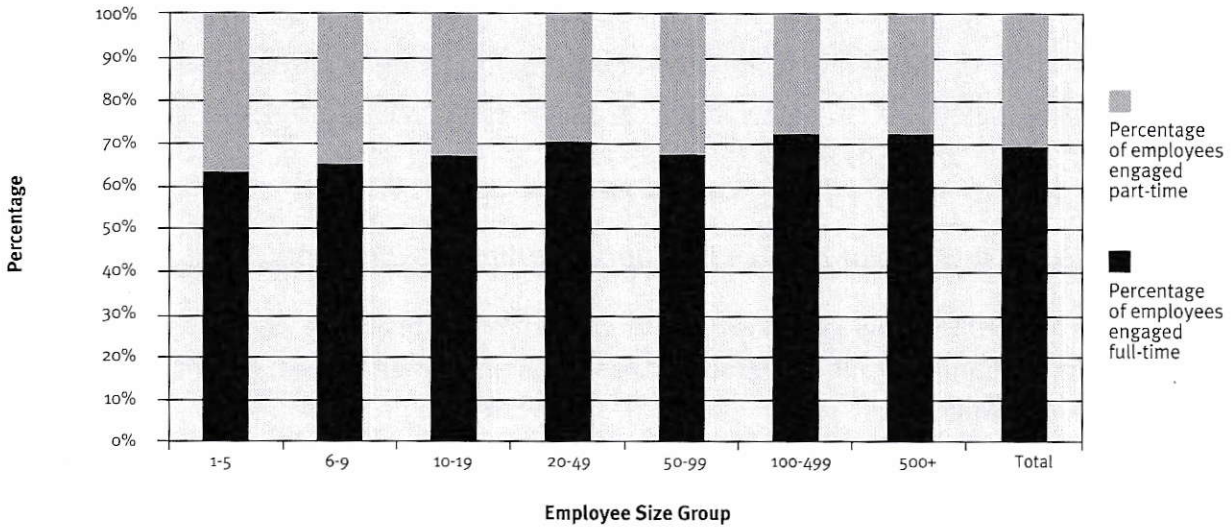
Figure 7. HLFS Data – Employed Labour Force by Type of Employment (Year Ended December 2010)



SMEs employ a larger proportion of part-time employees than larger firms.

The December 2010 Quarterly Employment Survey (QES) shows that SMEs are more likely to employ people on a part-time basis than are larger firms. Firms with 6-9 employees had the largest proportion of part-time staff (35 percent). As Figure 8 indicates, most employees (69.3 percent) are full-time across all employee size groups.

Figure 8. QES Data – Percentage of Full/Part-time Employees by Employee Size Group (December 2010)



Employment by Gender

More men are self-employed and employers than women.

Most of the self-employed and employers are male. Females make up the greatest proportion of salary and wage earners, and of unpaid relatives providing care. For example, in December 2010: 13.1 percent of males were self-employed, compared with 7.5 percent of females; and 88.1 percent of females were paid employees, compared with 80.1 percent of males.[7]

7 For more information on women in business refer to the joint publication released by the Ministry of Women's Affairs (MWA) and MED in July 2008, Women in Enterprise: A report on women in small and medium enterprises in New Zealand. It is available on the MWA website: http://www.mwa.govt.nz/news-and-pubs/publications/work-and-enterprise.

Table 4. HLFS Data – Gender and Employment Status (December 2006-2010)

		Paid employee		Self-employed		Employer		Unpaid relative assisting		Not specified		Total
	Year	No (000)	%	No (000)	%	No (000)	%	No (000)	%	No (000)	%	No (000)
Male	2006	890.3	77.9	162.8	14.2	81.8	7.2	7.0	0.6	0.9	NA	1142.8
	2007	914.1	78.7	153.9	13.3	82.9	7.1	8.8	0.8	1.4	NA	1161.1
	2008	916.8	78.7	160.2	13.8	78.6	6.7	8.2	0.7	1.2	NA	1,164.9
	2009	914.1	79.6	148.9	13.0	75.1	6.5	9.2	0.8	1.1	NA	1,148.5
	2010	930.0	80.1	151.6	13.1	69.6	6.0	9.1	0.8	1.1	NA	1161.4
Female	2006	851.1	87.3	76.7	7.9	33.2	3.4	12.4	1.3	1.0	NA	974.4
	2007	866.9	87.2	79.1	8.0	32.2	3.2	15.3	1.5	0.9	NA	994.4
	2008	894.4	87.4	83.1	8.1	31.9	3.1	12.8	1.3	S	NA	1,023.2
	2009	895.6	88.2	75.7	7.5	29.8	2.9	13.9	1.4	S	NA	1015.9
	2010	897.3	88.1	76.7	7.5	29.2	2.9	14.4	1.4	1.2	NA	1018.8
Total	2006	1741.4	82.2	239.6	11.3	115.0	5.4	19.4	0.9	1.8	NA	2117.2
	2007	1781.0	82.6	233.1	10.8	115.1	5.3	24.0	1.1	2.3	NA	2155.6
	2008	1811.2	82.8	243.3	11.1	110.5	5.0	21.0	1.0	2.2	NA	2188.2
	2009	1809.7	83.6	224.6	10.4	105.0	4.9	23.1	1.1	1.9	NA	2164.4
	2010	1827.3	83.8	228.3	10.5	98.9	4.5	23.5	1.1	2.3	NA	2180.3

The LEED produced by Statistics NZ gives an insight into the dynamics of the labour market.[8]

Table 5 shows a selection of labour market variables relating to gender and employee size groups for the December 2009 quarter.

8 You can access LEED datasets and find more information at http://www.stats.govt.nz/products-and-services/table-builder/leed-table-builder.htm.

Table 5. LEED Data – Measures by Gender and Employee Size Group (December 2009)

Male	Firm size			
Measures	**0**	**1-9**	**10-49**	**50+**
Mean earnings of continuing jobs	-	11980	14110	16790
Mean earnings of new hires	-	9350	10200	12130
Median earnings of continuing jobs	-	10710	12360	14100
Median earnings of new hires	-	8610	9020	10070
Total filled jobs	-	196950	217510	482920
Worker turnover rate (%)	-	14.6	13.5	10.5

Female	Firm size			
Measures	**0**	**1-9**	**10-49**	**50+**
Mean earnings of continuing jobs	-	7700	9460	11500
Mean earnings of new hires	-	5970	6750	8600
Median earnings of continuing jobs	-	6920	8560	10370
Median earnings of new hires	-	5200	5930	7430
Total filled jobs	-	169890	216620	514230
Worker turnover rate (%)	-	15	14.1	10.8

Worker and Job Flows

SMEs are highly dynamic, with high worker flows.

In Table 6 below, separations represent the number of employees who have left employers since the previous reference date. Accessions represent the number of new employees who have joined employers since the previous reference date. The worker turnover rate is the ratio of the average total accessions and separations to the average of the total jobs in the reference quarter and the previous quarter. The worker turnover rate is a measure of how stable employment has been across the country.

Table 6 shows that worker turnover rates tend to decrease as firm size increases. Worker stability is lowest in firms with 1-5 employees. The average rate of worker turnover for SMEs in December 2009 was 14.6 percent, slightly higher than the December 2009 average for all businesses (12.7 percent) and the December 2008 average for businesses with 20+ employees (11.4 percent).

Table 6. LEED Data – Quarterly Worker Flows (March-December 2009)

Firm size[1,2]	Filled jobs[3]				Separations[4]				Accessions[5]				Worker Turnover Rate (%)[6]			
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-09	Jun-09	Sep-09	Dec-09	Mar-09	Jun-09	Sep-09	Dec-09	Mar-09	Jun-09	Sep-09	Dec-09
0	0	0	0	0	19,080	26,110	21,870	14,800	0	0	0	0	-	-	-	-
1–5	233,830	229,040	228,990	231,080	43,140	39,390	34,180	30,010	36,710	37,640	37,760	39,280	17.0	16.6	15.7	15.1
6–9	135,820	133,160	133,300	135,770	22,960	20,160	17,730	16,070	21,200	21,820	19,560	22,220	16.1	15.6	14.0	14.2
10–19	197,600	193,110	192,110	199,360	36,110	29,190	25,820	24,020	31,530	32,140	28,090	32,120	16.9	15.7	14.0	14.3
20–49	229,360	231,250	229,770	234,770	43,540	32,630	29,530	27,430	35,220	39,670	31,160	34,640	16.7	15.7	13.2	13.4
50–99	156,260	156,080	155,640	162,730	28,570	21,290	18,830	19,260	23,800	24,420	19,620	21,680	16.3	14.6	12.3	12.9
100–499	318,600	325,460	323,420	321,910	52,660	42,210	39,040	33,030	45,860	48,550	33,540	36,680	15.0	14.1	11.2	10.8
500+	518,590	530,670	507,560	512,510	81,580	69,160	59,860	47,960	72,050	84,590	49,150	53,290	14.7	14.7	10.5	9.9
Total	1,790,060	1,798,770	1,770,790	1,798,130	327,640	280,140	246,860	212,580	266,370	288,830	218,880	239,910	16.3	15.9	13.0	12.7

Symbol:

- Not applicable

Footnotes:

(1) The firm size dimension refers to the size of the business at the enterprise level. It is taken on the 15th of the middle month of the quarter.

(2) Although both are sourced from the LEED database, there are a number of conceptual differences between the published LEED employment statistics and the business demography size measures. These are fully detailed in the 'New Zealand Business Demography Statistics (Business Dynamics)' technical notes.

(3) Total filled jobs are the number of jobs on the 15th of the middle month of the reference quarter.

(4) Separations are the number of employees who have left employers since the previous reference date.

(5) Accessions are the number of new employees who have joined employers since the previous reference date.

(6) Worker turnover rate is the ratio of the average of the total accessions and separations to the average of the total jobs in the reference quarter (t) and the previous quarter (t-1).

Notes:

These figures correspond to data from the December 2009 quarter LEED release (on 23 February 2011).

Figures for the September 2009 and December 2009 quarters are provisional. LEED statistics are provisional for 2 quarters. Figures for the September 2009 quarter will be finalised in the March 2010 quarter release (released on 24 May 2011). Figures for the December 2009 quarter will be finalised in the June 2010 quarter release (released on 26 August 2011).

All counts in this table have been rounded. This may result in a total not agreeing with the sum of the individual items as shown in this table.

For further information, please refer to the Linked Employer-Employee Data information release.

Larger enterprises contributed more to job growth over 2009 than SMEs ...

Table 7 illustrates the contribution of firms to job creation from March to December 2009. Large firms (500+ employees) employ the greatest number of people and showed the greatest growth of employment (in actual numbers) over the 2009 year. Enterprises with 1-5 employees had the next highest employment growth. Overall, SMEs contributed less (in actual numbers) towards job growth over 2009 than businesses with 20+ employees.

... but had a slightly lower rate of employment reduction.

Between March and December 2009, SMEs disestablished an average of 68,975 jobs per quarter (approximately 0.15 jobs per enterprise), compared to larger firms disestablishing 69,428 jobs per quarter (approximately 5.35 jobs per firm). Firms with 500+ employees were the greatest contributors to job destruction, disestablishing an average of 29,120 jobs per quarter (approximately 90 jobs per firm). Firms with 1-5 employees were the second-largest contributors, averaging 25,093 disestablishments per quarter (approximately 0.25 jobs per firm).

Table 7. LEED Data – Quarterly Job Flows (March-December 2009)

Firm size[1,2]	Filled jobs[3]				Job creation[4]				Job destruction[5]			
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-09	Jun-09	Sep-09	Dec-09	Mar-09	Jun-09	Sep-09	Dec-09
0	0	0	0	0	0	0	0	0	19,080	26,110	21,870	14,810
1–5	233,840	229,040	228,990	231,080	23,970	26,080	26,290	28,710	30,400	27,830	22,710	19,430
6–9	135,830	133,160	133,300	135,770	10,860	12,350	11,090	13,820	12,620	10,680	9,260	7,670
10–19	197,600	193,120	192,110	199,360	14,160	16,140	14,190	17,670	18,740	13,190	11,930	9,570
20–49	229,350	231,240	229,770	234,770	14,410	20,030	14,240	16,960	22,740	12,980	12,610	9,750
50–99	156,270	156,080	155,650	162,730	8,850	11,270	8,450	9,760	13,620	8,140	7,660	7,340
100–499	318,600	325,460	323,430	321,910	16,890	21,700	11,300	14,180	23,690	15,360	16,800	10,540
500+	518,600	530,680	507,570	512,510	30,960	49,340	15,930	20,770	40,480	33,910	26,640	15,450
Total	1,790,090	1,798,780	1,770,820	1,798,130	120,100	156,910	101,490	121,870	181,370	148,200	129,480	94,560

Footnotes:

(1) The firm size dimension refers to the size of the business at the enterprise level. It is taken on the 15th of the middle month of the quarter.

(2) Although both are sourced from the LEED database, there are a number of conceptual differences between the published LEED employment statistics and the business demography size measures. These are fully detailed in the 'New Zealand Business Demography Statistics (Business Dynamics)' technical notes.

(3) Total filled jobs are the number of jobs on the 15th of the middle month of the reference quarter.

(4) Job creation is the number of jobs created, since the previous reference date, when businesses expand or start up. For example, a business employing 100 workers with 10 accessions and 5 separations has job creation of 5.

(5) Job destruction is the number of jobs lost, since the previous reference date, when businesses contract or shut down. For example, a business employing 100 workers with 5 accessions and 15 separations has job destruction of 10.

Notes:

These figures correspond to data from the December 2009 quarter LEED release (on 23 February 2011).

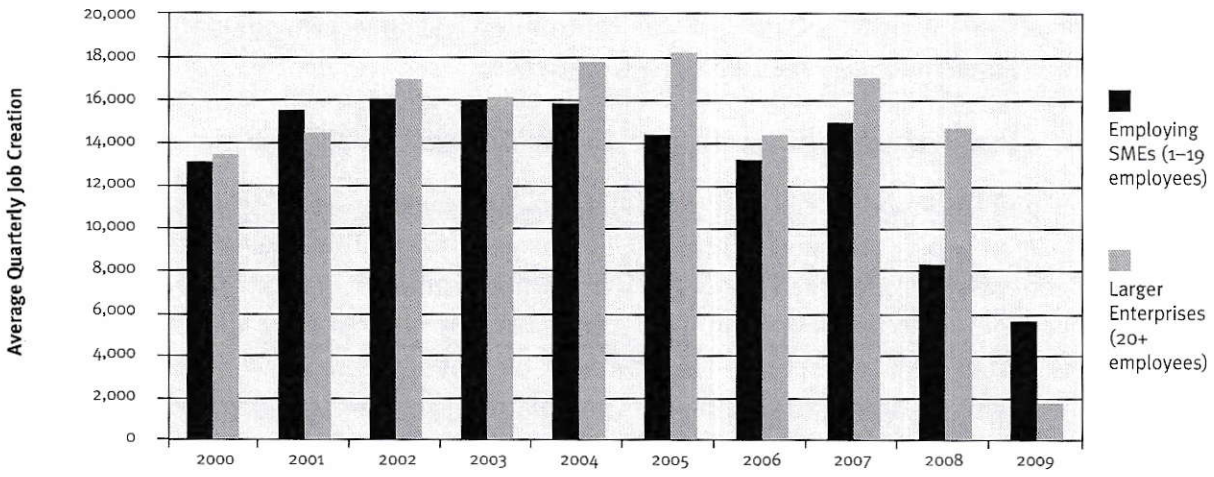
Figures for the September 2009 and December 2009 quarters are provisional. LEED statistics are provisional for 2 quarters. Figures for the September 2009 quarter will be finalised in the March 2010 quarter release (released on 24 May 2011). Figures for the December 2009 quarter will be finalised in the June 2010 quarter release (released on 26 August 2011).

All counts in this table have been rounded. This may result in a total not agreeing with the sum of the individual items as shown in this table.

For further information, please refer to the Linked Employer-Employee Data information release.

Figure 9 below shows that over the past 10 years enterprises with 20+ employees have usually had a larger contribution to average quarterly job creation than employing SMEs. However, in 2009 this turned around with employing SMEs contributing a much larger proportion. Both groups faced a significant decline between 2008 and 2009, but larger enterprises faced a bigger drop (88.4 percent) than employing SMEs (32 percent).

Figure 9. Average Quarterly Job Creation for Employing SMEs and Larger Enterprises (2000-2009)

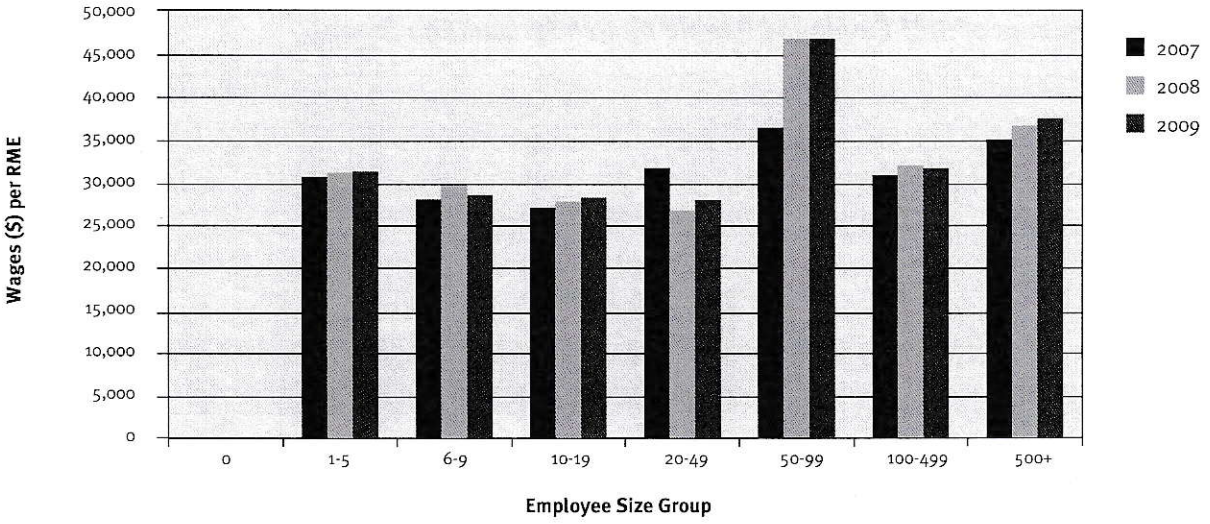


Average Salaries and Wages

Average salaries and wages are lower for SMEs.

Average real salaries and wages are generally higher in large firms than in SMEs. In 2009, the highest average salaries and wages were paid to employees of firms with 50-99 employees ($47,003 per RME), followed by firms with 500+ employees ($37,532 per RME). This measure has been largely stable over the 2007 to 2009 period.

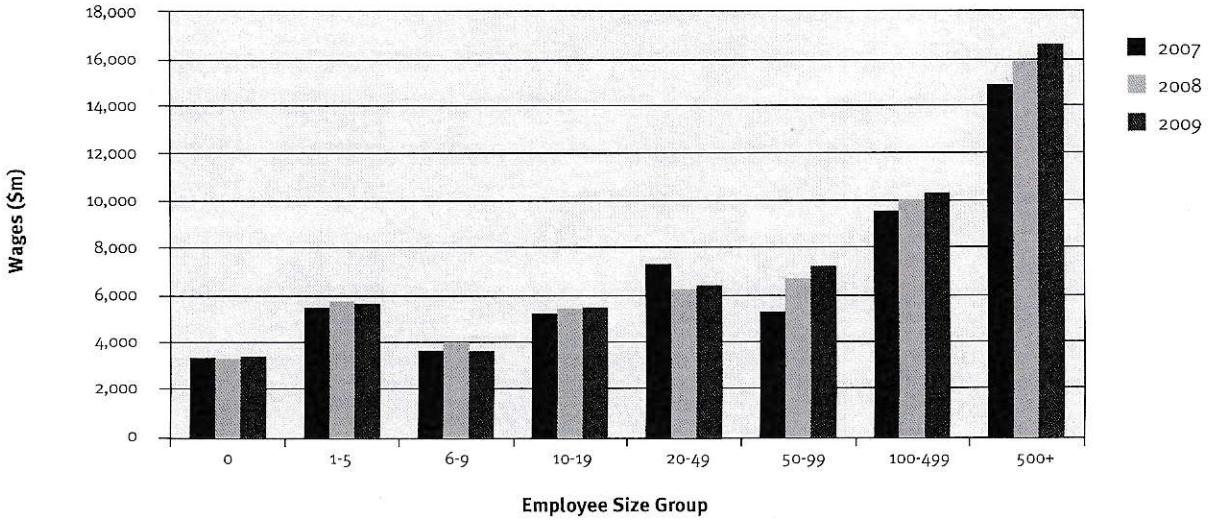
Figure 10. AES Data – Average Real Salaries and Wages per RME by Employee Size Group (March 2009)



Large firms account for almost half of total salaries and wages.

Firms with 100+ employees accounted for 45.8 percent of total salaries and wages in 2009, compared to the 45.1 percent in 2008 and 44.5 percent in 2009. SMEs accounted for 31 percent of total salaries and wages, down from 32.3 percent in 2008 and 32.4 percent in 2006.

Figure 11. AES Data – Total Real Salaries and Wages by Employee Size Group (March 2009)



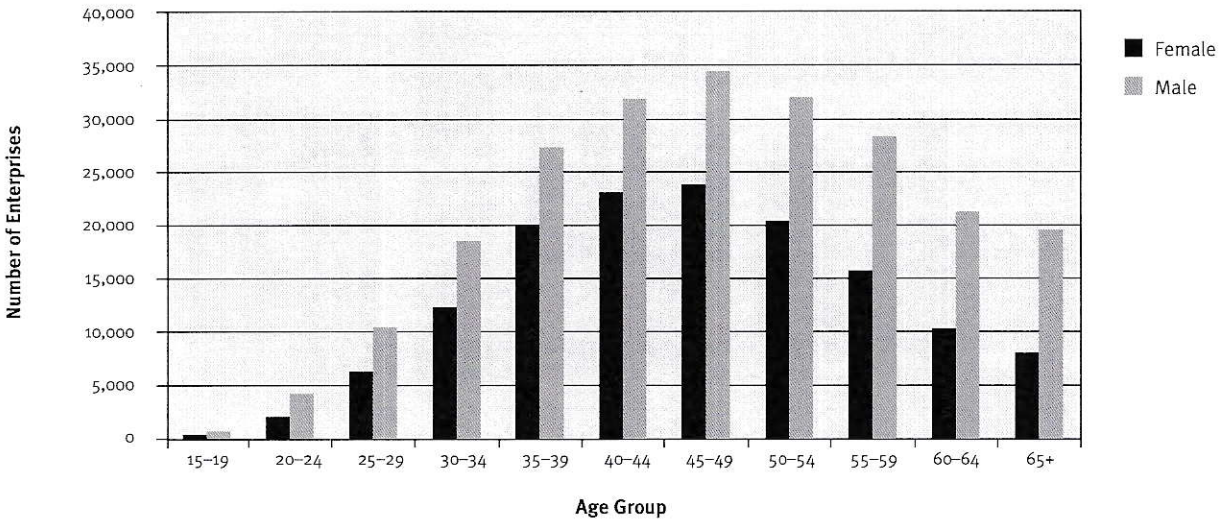
Self-employed People

This section provides a brief overview of some basic statistics about self-employed people[9] in New Zealand. These data do not take into account the number of people employed in enterprises, and thus SMEs cannot be separated out.

Forty-two percent of self-employed people in New Zealand are men aged between 35-59 years.

Self-employed people tend to be aged between 35-59 years (69.2 percent) and male (61.6 percent).

Figure 12. Numbers of Self-Employed People by Gender and Age (2009)

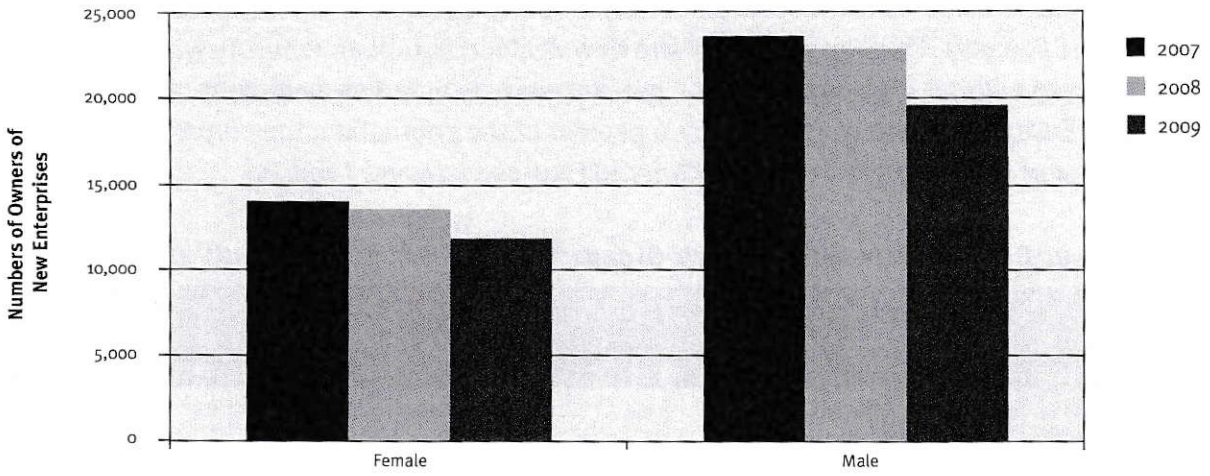


More men became self-employed than women in 2007, 2008 and 2009.

Sixty-five percent more men became self-employed in 2009 than women, which is similar to 2007 and 2008. Both genders had fewer people become self-employed in 2009 than in 2008 and fewer in 2008 than 2007.

9 A self-employed person is anyone who reported self-employment income during the tax year ending 31 March.

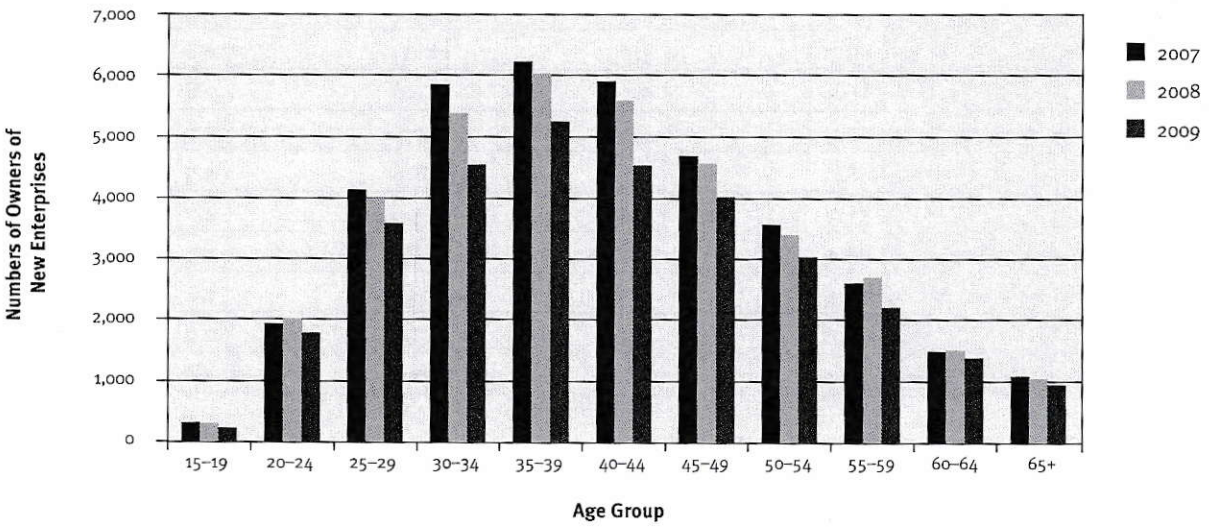
Figure 13. LEED Data – Gender of Newly Self-Employed People in 2007, 2008 and 2009



Almost half of all new self-employment was accounted for by people aged between 30-44.

In 2007, 47.6 percent of all new self-employment was accounted for by people aged between 30-44, with similar proportions in 2008 and 2009. People younger than 30 accounted for 17.8 percent of all new self-employment in 2009, and people older than 44 accounted for 36.8 percent. These percentages were similar in 2008 and 2007.

Figure 14. LEED Data – Age Group of Newly Self-Employed People in 2007, 2008 and 2009



The ethnic group with the highest proportion of self-employed people is Other Asian; the lowest is recorded by Māori and Pacific Peoples.

Data from the 2006 Census show that the Māori and Pacific Island ethnic groups (excluding Pacific Peoples nfd) have the lowest proportion of self-employed individuals without

employees, and the lowest proportion of employers.[10] Other Asian[11] has the highest percentage of self-employed individuals without employees (18.6 percent) and the highest percentage of employers (9.1 percent). Thirteen percent of the New Zealand European ethnicity was recorded as self-employed without employees and 8.2 percent were recorded as employers. As the New Zealand European group constitutes 67.6 percent of the population, they represent the largest number of self-employed persons. (Refer to Figures 12-14 and Table 8.)

Table 8. Census Data – Percentage of Ethnic Groups[12] by Status in Employment[13] (2006)

	Paid employee	Employer	Self-employed and without employees	Unpaid family worker
10 European nfd	81.4	5.2	11.9	1.5
11 New Zealand European	76.8	8.2	13.0	2.1
12 Other European	79.9	5.6	12.7	1.8
21 Māori	88.3	3.3	6.5	1.9
30 Pacific Peoples nfd	73.6	6.4	16.8	2.4
31 Samoan	93.0	1.5	4.4	1.2
32 Cook Islands Maori	93.6	1.5	3.8	1.0
33 Tongan	92.7	1.8	4.1	1.4
34 Niuean	93.6	1.6	3.8	1.1
35 Tokelauan	95.0	1.3	2.8	0.7
36 Fijian	90.5	2.5	5.9	1.1
37 Other Pacific Peoples	91.6	1.8	5.0	1.6
40 Asian nfd	88.1	2.9	7.1	1.9
41 Southeast Asian	85.7	4.2	8.0	2.2
42 Chinese	76.5	8.1	12.6	2.8
43 Indian	82.9	4.5	10.5	2.1
44 Other Asian	68.0	9.1	18.6	4.3
51 Middle Eastern	77.0	7.2	13.6	2.2
52 Latin American	88.1	2.4	8.3	1.3
53 African	88.5	2.5	8.0	1.0
61 Other Ethnicity	74.6	9.3	13.9	2.2
Total Stated	78.4	7.4	12.2	2.0

Note: This data has been randomly rounded to protect confidentiality.

Individual figures may not add up to totals, and values for the same data may vary in different tables.

nfd = not further defined

10 Note that the percentages for Pacific Peoples nfd in particular, but also Other Asian, could be misleading because the counts for these ethnic groups is significantly lower than the other ethnic groups (Pacific Peoples nfd = 375 and Other Asian = 933).

11 Other Asian includes Sri Lankan, Japanese, Korean and Other Asian; and excludes Asian nfd, Southeast Asian, Chinese and Indian.

12 Includes all of the people who stated each ethnic group, whether as their only ethnic group or as one of several ethnic groups. Where a person reported more than one ethnic group, they have been counted in each applicable group.

13 All figures are for the employed New Zealand census usually resident population aged 15 years and over.

SMEs Internationally

Due to data inconsistencies, international comparisons of SME demographics are difficult to make.

There is no universally used definition of an SME, with the diverse structures of economies making adherence to a single statistical definition unworkable. Internationally, firm size is measured in a variety of ways including by numbers of employees, sales figures, assets and industrial classification. International comparisons of SME demographics and performance are also difficult because of the different methods central statistical agencies use to collect and publish firm-level data.

This section must be read with these difficulties in mind. Presented below are data from the EU's Annual Report on Small and Medium-sized Enterprises. The EU uses a different employment measure to define its enterprises:

- micro enterprises – employing fewer than 10 people
- small enterprises – employing at least 10 but fewer than 50 people
- medium-sized enterprises – employing between 50-250 people.

The EU has a similar proportion of SMEs to New Zealand.

In order to make comparisons, Table 9 below uses the micro and small enterprise definitions from the EU.

In 2008 there were approximately 21 million enterprises in the EU. The proportion of enterprises in the micro and small size groups was similar for the EU and New Zealand. A larger proportion of employment was accounted for by micro enterprises in the EU (29 percent) compared to New Zealand (19.4 percent), but small enterprises accounted for less employment in the EU (20.5 percent) compared to New Zealand (24.5 percent). Also of note is that for both groups the contribution to total value-added is larger in New Zealand than in the EU.

Table 9. Eurostat Data – SME Demographics in the EU and New Zealand[14]

	EU (2008)	New Zealand (2010)
Percentage of enterprises with 0-9 employees	92.0%	93.8%
Percentage of enterprises with 10-49 employees	6.6%	5.2%
Percentage of employment accounted for by enterprises with 0-9 employees	29.0%	19.4%
Percentage of employment accounted for by cnterprises with 10-49 employees	20.5%	24.5%
Percentage contribution to total value-add of enterprises with 0-9 employees	21.8%	30.5%
Percentage contribution to total value-add of enterprises with 10-49 employees	18.6%	20.6%

14 It is important to note the different definitions of SME used by the EU and New Zealand. SMEs in the EU employ up to 250 people, but SMEs in New Zealand employ 19 or fewer people.

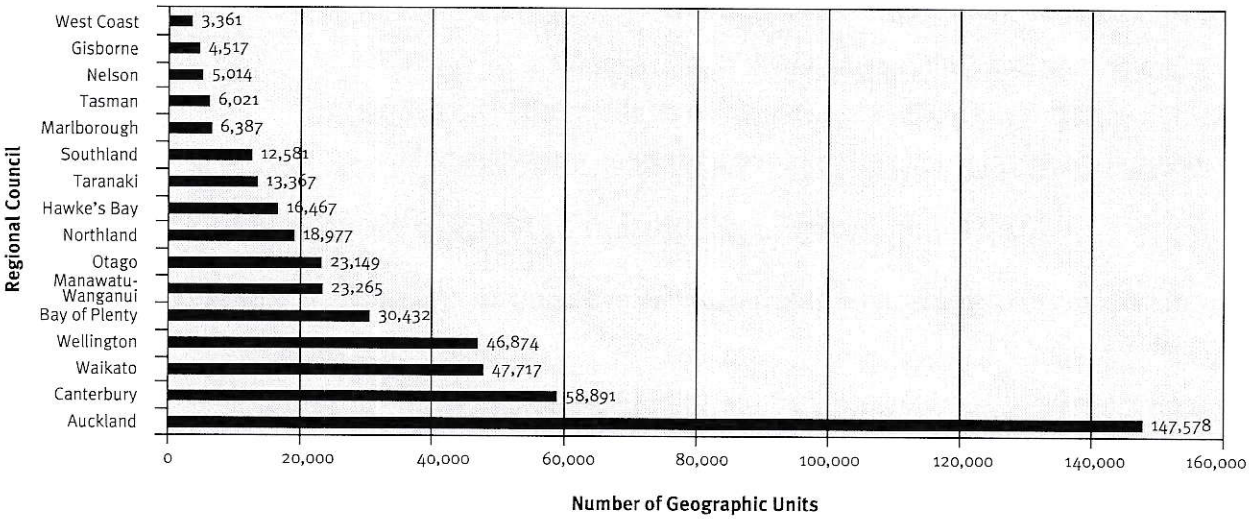
For further data on international comparisons please refer to the OECD publication *Measuring Entrepreneurship: A Digest of Indicators*[15] and the *New Zealand Economic Development Indicators 2011*.

Location of SMEs in New Zealand

Most SMEs are located in the major centres.

Figure 15 below illustrates the distribution of SMEs throughout New Zealand. The largest numbers are in regions with large urban centres, particularly Auckland, Canterbury, Waikato and Wellington.

Figure 15. Number of Geographic Units with 0-19 Employees by Regional Council Area (February 2010)

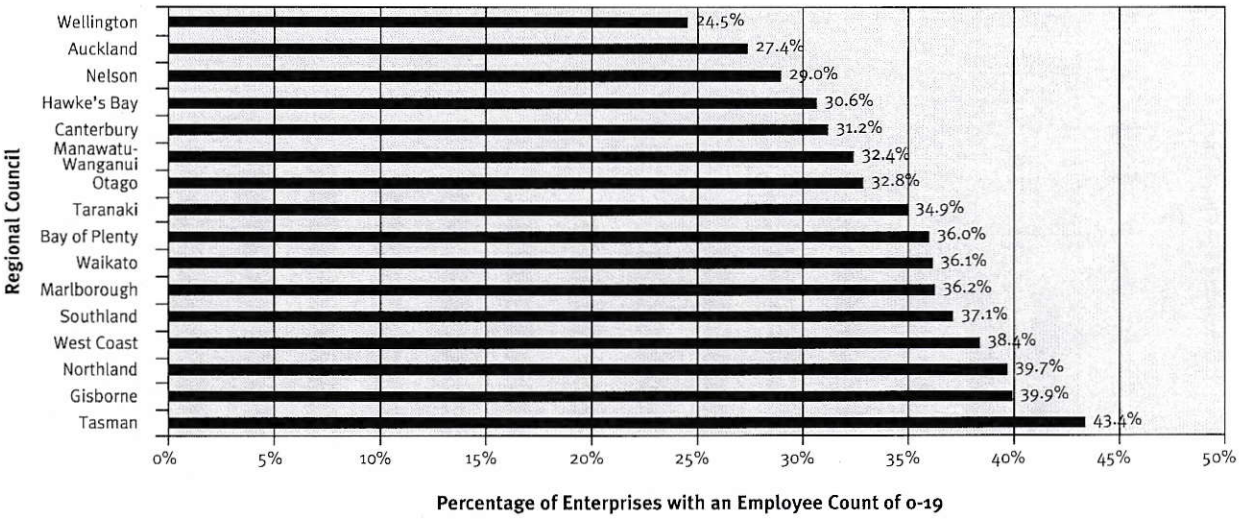


Tasman, Gisborne and Northland have the highest proportion of employment generated by SMEs.

The regions with the highest proportion of employment generated by SMEs are Tasman (43.4 percent), Gisborne (39.9 percent) and Northland (39.7 percent). The areas with lower proportions of SME employment tend to be the larger metropolitan areas, where larger businesses are more likely to be located.

15 http://www.oecd.org/document/31/0,3343,en_2649_33715_41663647_1_1_1_1,00.html

Figure 16. Proportion of Employment by Geographic Units with 0-19 Employees to Total Employment (February 2010)



Business Density

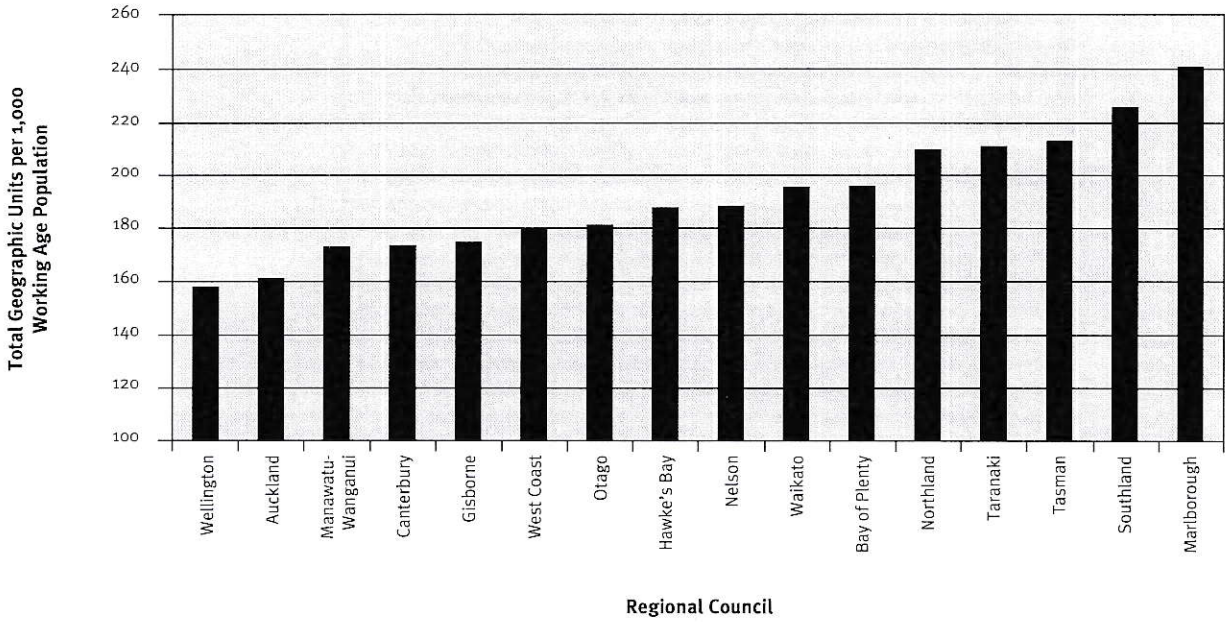
Business density is measured as the number of firms (measured as geographic units) per 1,000 working age population, which is consistent with the international standard used by the World Bank in its entrepreneurship series.[16]

In general, business density is higher in smaller centres.

Marlborough has the highest business density, followed by Southland, Tasman, Taranaki and Northland. Wellington and Auckland have the lowest density. Business density closely correlates with the percentage of small businesses in each region, as presented in Figure 12 above.

16 The full World Bank Survey can be found at: http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:21942814~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html

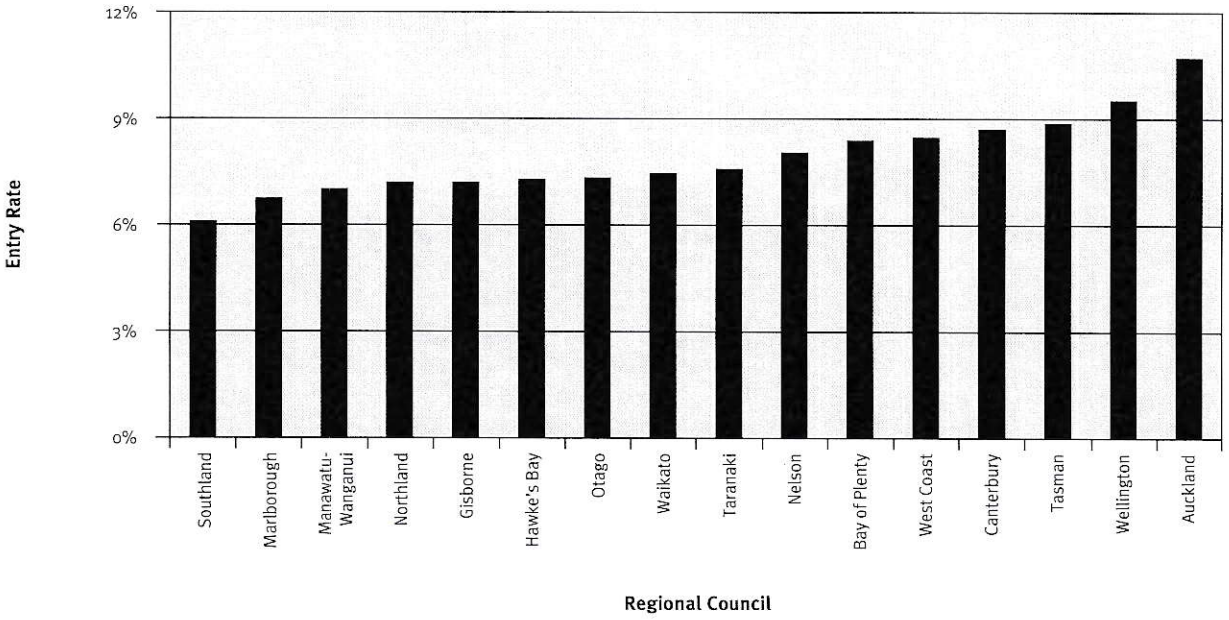
Figure 17. Business Density by Regional Council (Total Geographic Units per 1,000 Working Age Population) (February 2010)



Large centres have a higher percentage of new enterprises.

Figure 18 below shows the percentage of new enterprises compared to existing enterprises for each region. This gives an indication of the rate at which new enterprises are emerging in the context of the total number of enterprise in each region. The larger centres generally have the highest entry rate; however, Tasman also has a comparatively high percentage of new businesses starting up.

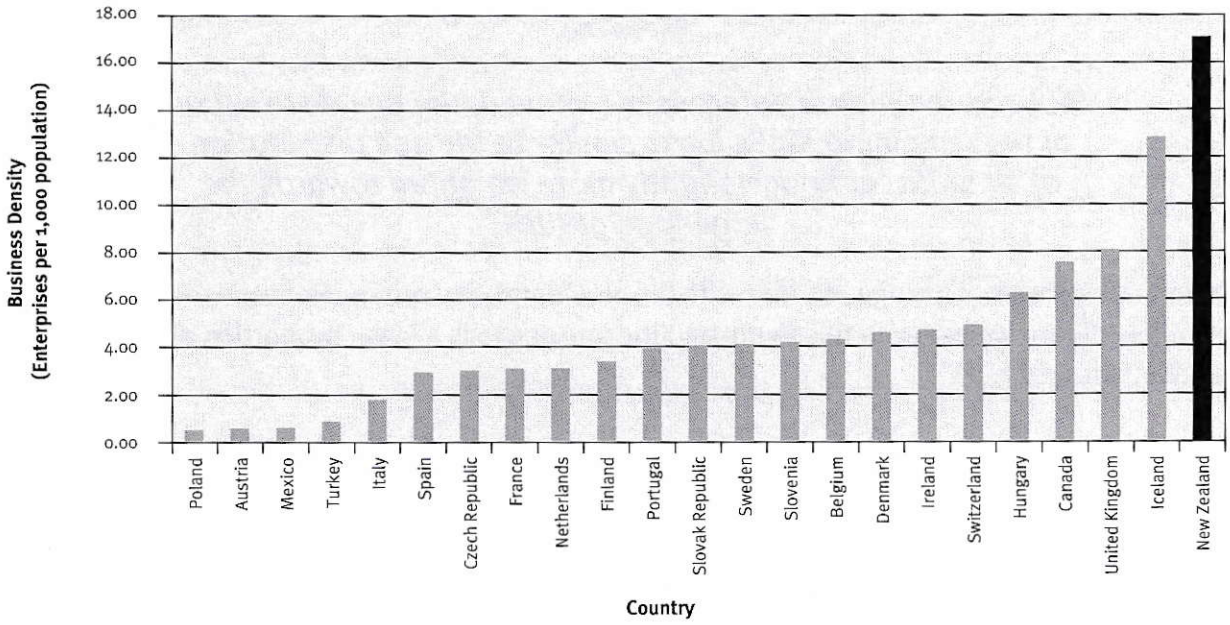
Figure 18. Entry Rate (Percentage of New Firms to Existing Firms) (February 2010)



New Zealand has the highest business density of all OECD countries measured by the World Bank Entrepreneurship Survey.

The best comparative data on business density is the World Bank's Entrepreneurship Survey, last completed in 2009. The business densities of the OECD countries measured in this survey are shown in Figure 19 below. The data going back to 2004 show that each year New Zealand had the highest business density of all OECD countries measured. When compared to all countries, New Zealand has the sixth highest business density. All countries with a higher business density are categorised as offshore financial centres by the International Monetary Fund (IMF) and the Financial Stability Forum (FSF).

Figure 19. Business Density of OECD Countries Measured in the World Bank Entrepreneurship Survey (2009)



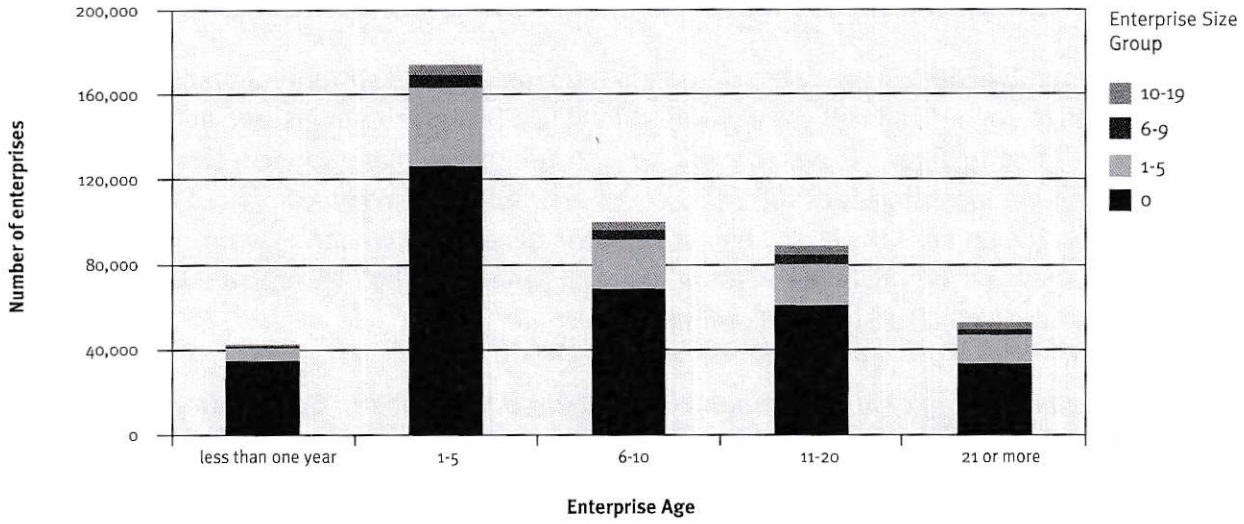
Enterprise Age

Almost half of SMEs are less than six years old, with very few over 20 years old.

Figure 20 below shows the age of SMEs by their employee size groups.[17] Overall, SMEs in 2010 tended to be older than in 2009. In 2009, 51.4 percent were less than six years old, whereas in 2010 the proportion under six years old dropped to 47.3 percent. This is likely to be a consequence of a reduction in the number of enterprise births over the past year.

17 Enterprise age is based on a February reference point. The age of enterprises born in the past nine years is based on the first February that they occurred in the business demography dataset. For enterprises older than nine years, the BF dataset was used.

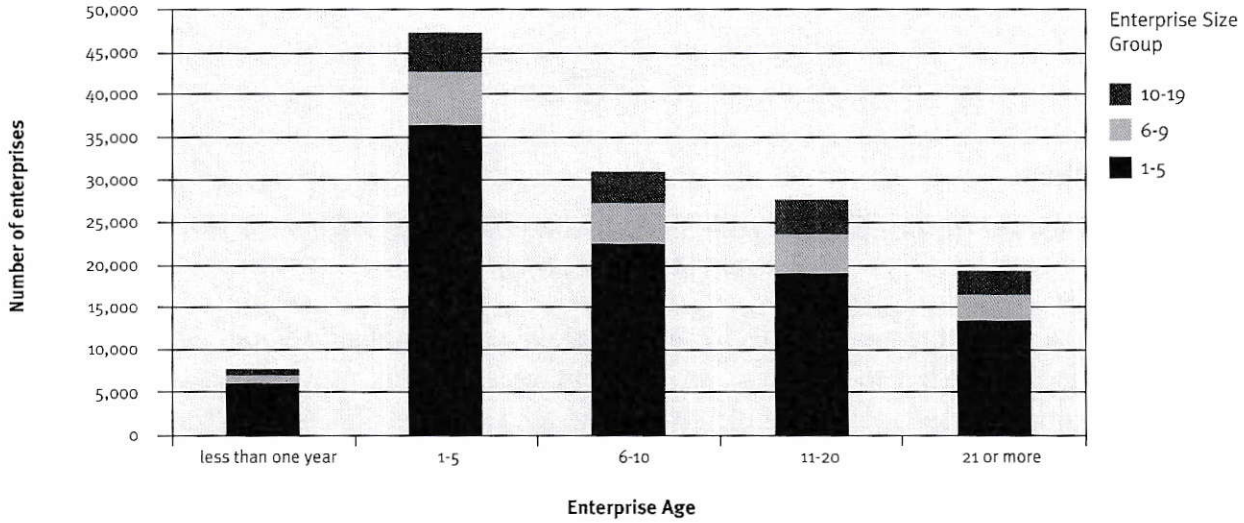
Figure 20. Age of all SMEs by Employee Size Group (February 2010)



With zero-employee enterprises removed, the age distribution of the remaining SMEs looks similar to the age distribution of all SMEs, although slightly more weighted towards the larger age groups.

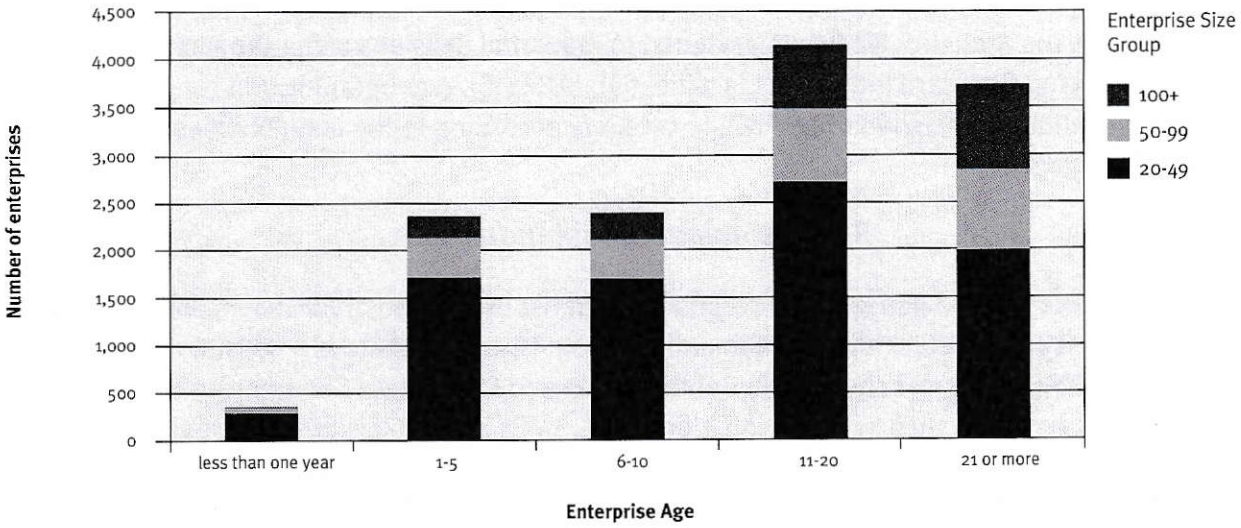
Figure 21 below shows the age of SMEs with the zero-employee group removed. The only noticeable difference between this figure and the one above is a lower proportion of enterprises less than one year old.

Figure 21. Age of SMEs Excluding Zero-Employee Firms by Employee Size Group (February 2010)



By comparison, larger enterprises tend to be much older.

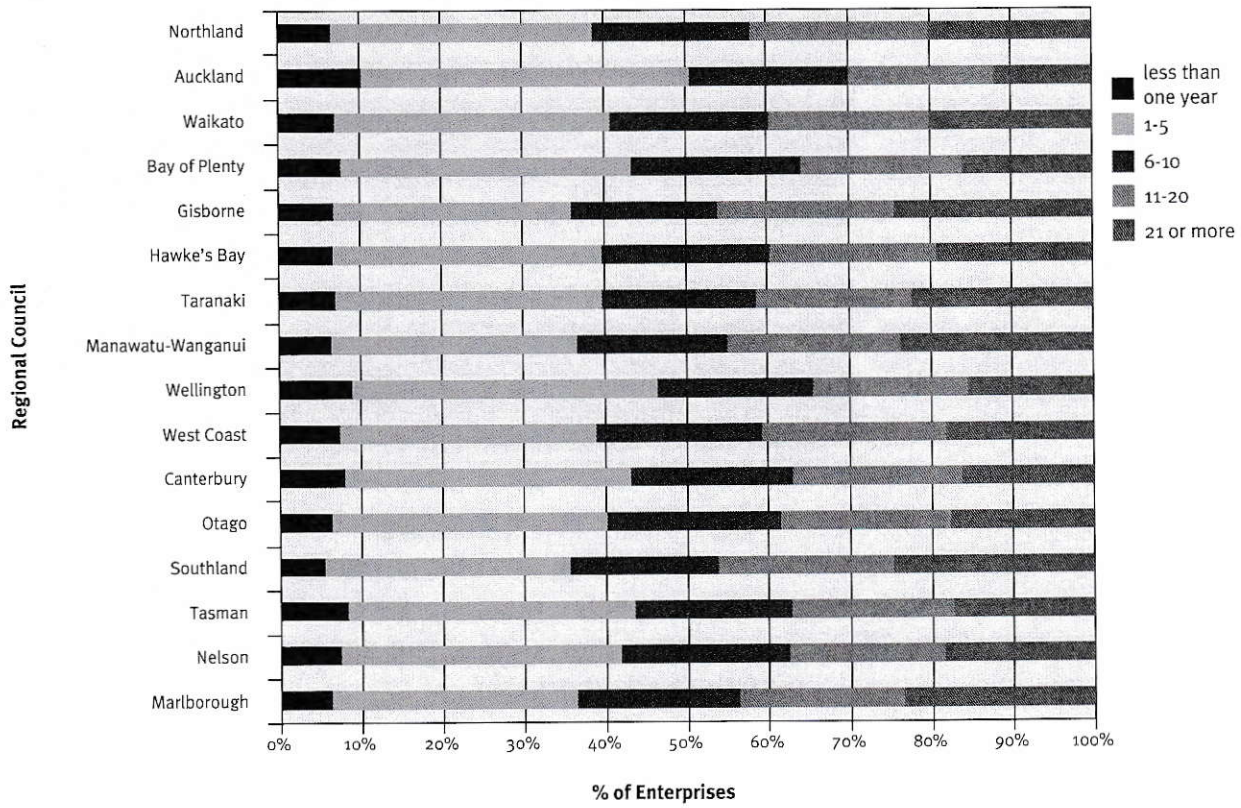
Figure 22. Age of Enterprises with More than 19 Employees by Employee Size Group (February 2010)



Larger regions tend to have a larger proportion of firms five years old or younger.

Auckland (50.6 percent) and Wellington (46.5 percent) have the highest percentage of firms five years old or younger. Southland all had the lowest proportion of firms five years old or younger at 35.6 percent, followed by Gisborne at 36.0 percent.

Figure 23. Distribution of Enterprise Age by Regional Council (February 2010)



SMEs and Industry Sectors

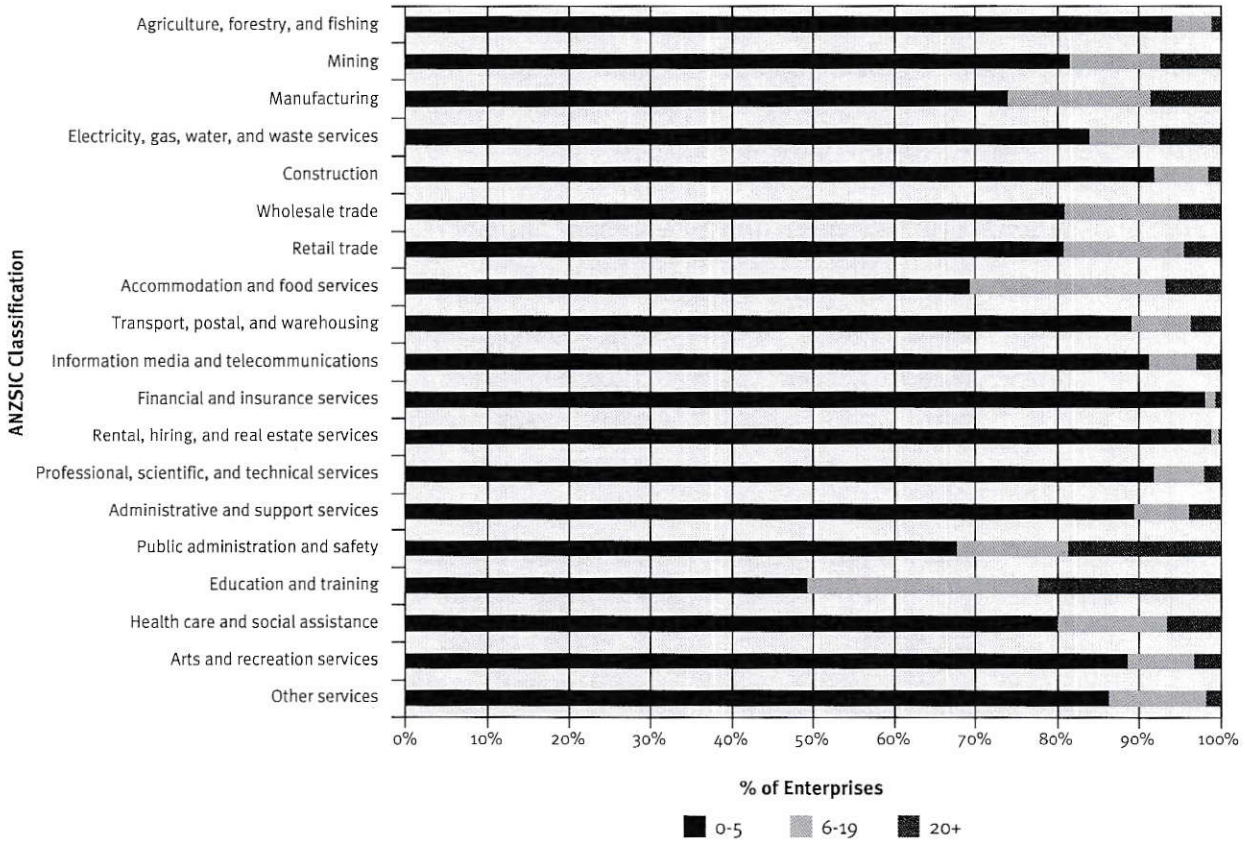
This section looks at the industries in which SMEs operate.

Enterprises in the Statistics NZ BF are assigned to industrial divisions using the Australian and New Zealand Standard Industrial Classification (ANZSIC). A geographic unit (or physical business location) is assigned to an ANZSIC category according to the main business activity in which it is engaged.

SMEs dominate most industries.

SMEs constitute over 90 percent of enterprises in almost every industry division, except Public Administration and Safety and Education and Training. However, there is a considerable amount of variation. SMEs are most common in Rental, Hiring and Real Estate Services (99.8 percent) and Financial and Insurance Services (99.4 percent). SMEs are also a significant majority in Agriculture, Fishing and Forestry, Construction and Other Services, accounting for over 98 percent of businesses in each of these divisions.

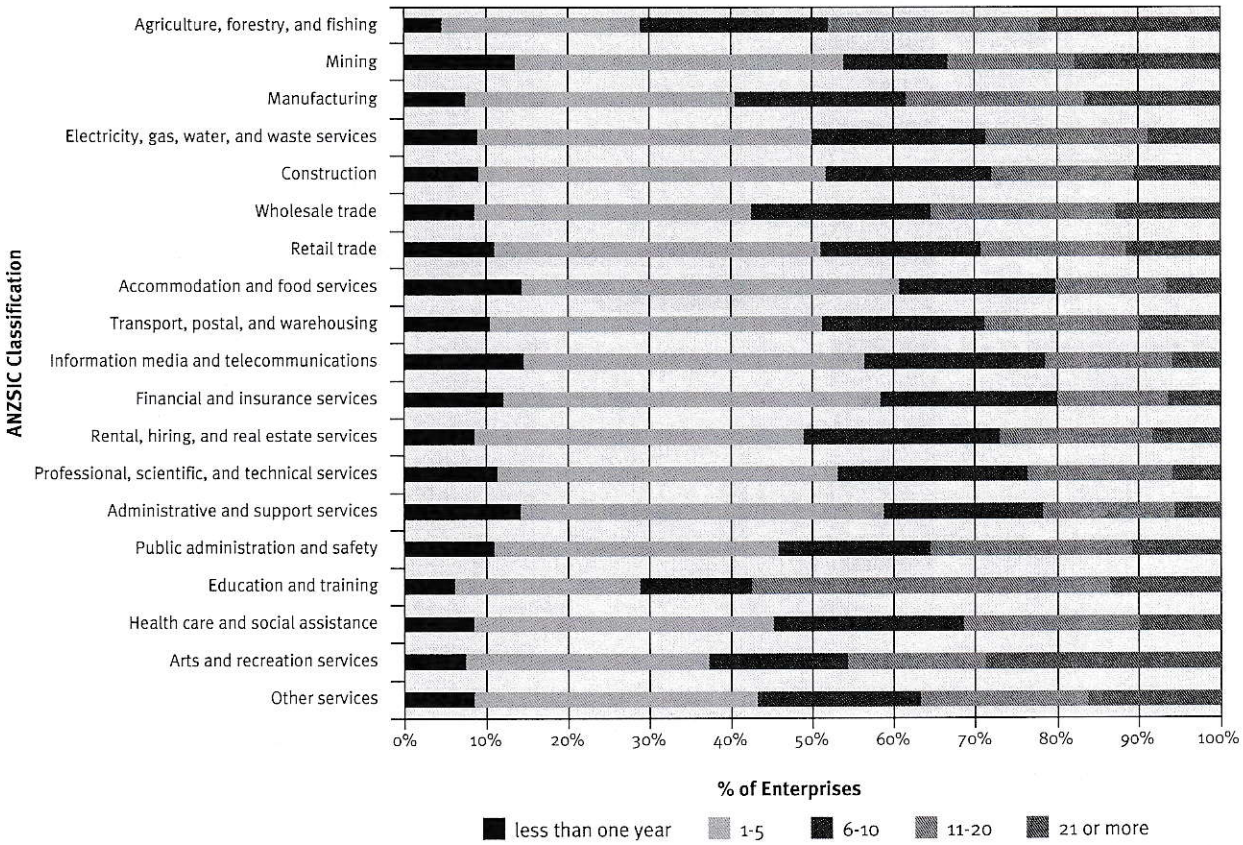
Figure 24. Percentage of Enterprises by Employee Size Group and ANZSIC (February 2010)



In most of the ANZSIC categories over half of the enterprises are less than six years old.

As at February 2010, the ANZSIC categories with the greatest proportion of enterprises under six years old were: Accommodation and Food Services (60.6 percent), Administrative and Support Services (58.7 percent) and Financial and Insurance Services (58.3 percent). At the other end of the spectrum, two divisions have fewer than 30 percent of businesses under six years old: Education and Training (28.8 percent); and Agriculture and Forestry and Fishing (28.9 percent).

Figure 25. Distribution of Enterprise Age by ANZSIC (February 2009)



Zero-employee Enterprises

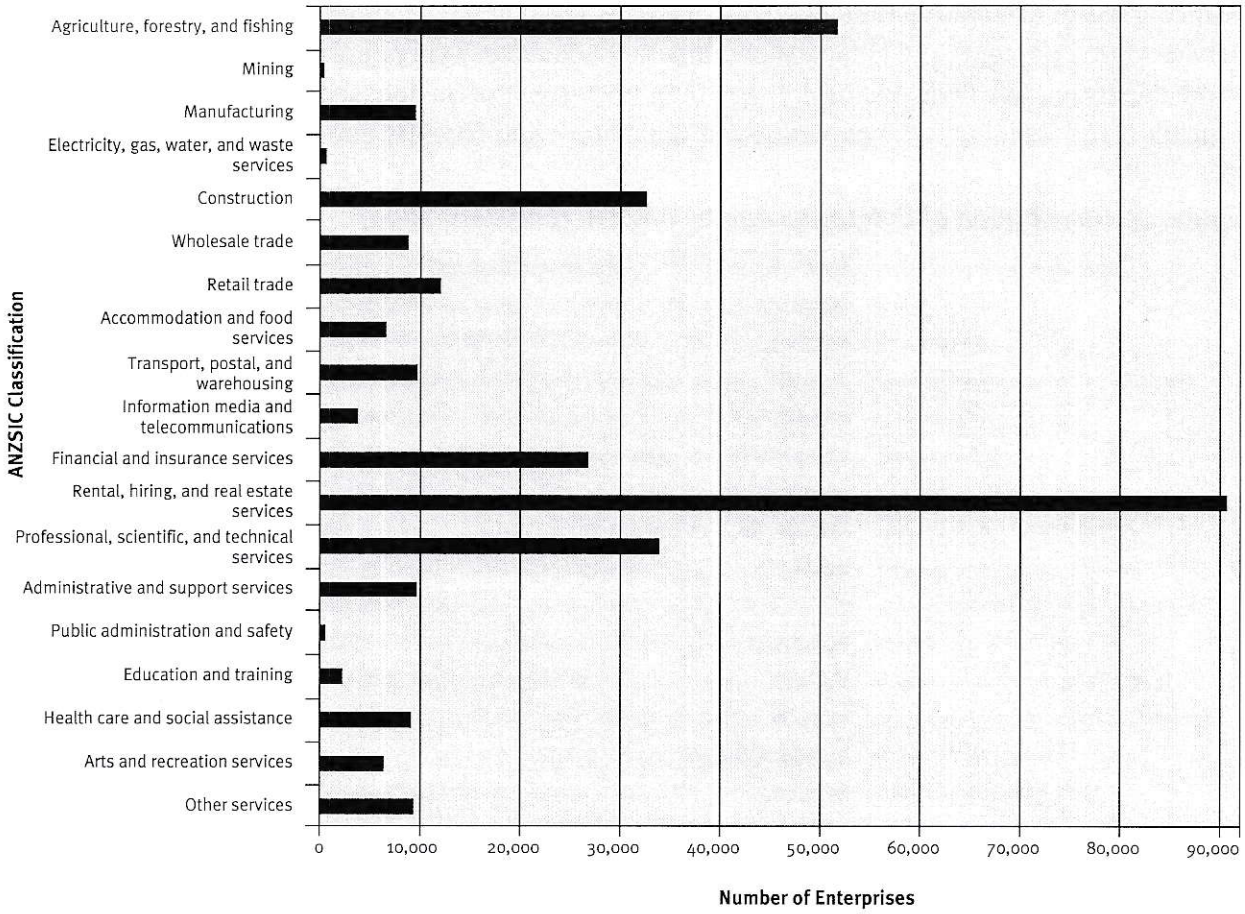
Zero-employee enterprises make up 68.9 percent of all enterprises.

Zero-employee enterprises are a large majority of all enterprises in New Zealand (68.9 percent), and they are often structured and operated very differently to businesses with employees. An employee count of zero is typically an indicator of enterprises with only a working-proprietor who is not receiving a salary or wage. These enterprises might operate in areas such as asset management, property investment, or where the labour input is provided by other businesses.

Almost 30 percent of all zero-employee enterprises are classified as providing Rental, Hiring and Real Estate Services.

Zero-employee enterprises are mainly in five ANZSIC divisions: Rental, Hiring, and Real Estate Services (28 percent of all zero-employee enterprises); Agriculture, Forestry and Fishing (16 percent); Construction (10.1 percent); Professional, Scientific, and Technical Services (10.5 percent); and Financial and Insurance Services (8.3 percent).

Figure 26. Number of Zero-employee Enterprises by ANZSIC Code (February 2010)



Further information about zero-employee firms can be found in other parts of this report. Some of the other key facts related to these firms are:

- Figure 20 shows that most zero-employee firms are five years old or younger.
- Figure 27 shows that in the year to February 2010 there were more enterprise deaths than births. This statistic is dominated by zero-employee firms. Figure 28 shows that if zero-employee firms are excluded then births exceed deaths.
- Figure 34 shows that zero-employee firms account for the greatest share of total real profit compared to other employee size groups. Figure 36 shows that zero-employee firms' contribution to total real sales and other income is less significant than for employing enterprises. Figure 38 shows that zero-employee firms have a significant contribution to total value-added output.
- Figures 39 and 41 show that zero-employee firms have the lowest survival rates out of all employee size groups.
- Figure 43 shows that zero-employee firms are the least likely employee size group to transition into a larger size group.

Overseas Equity

Ninety-eight percent of New Zealand businesses have less than 1.0 percent overseas equity.

The 2010 results for overseas equity in New Zealand firms are largely the same as the results for 2009. A very low percentage of New Zealand businesses have more than 1 percent equity owned by overseas shareholders. Large businesses are the most likely to have overseas equity, with just under one-quarter of businesses with 100+ employees having 50 percent or more overseas equity.

Table 10. Percentage of Enterprises with Overseas Equity by Employee Size Group (February 2010)[18]

	Employee size group							
Overseas equity %	0	1 to 5	6 to 9	10 to 19	20 to 49	50 to 99	100+	Total enterprises
Less than 1%	98.64%	98.16%	96.95%	95.41%	91.16%	82.32%	70.24%	98.01%
1 to 24%	0.24%	0.23%	0.56%	0.72%	1.26%	2.81%	3.93%	0.32%
25 to 49%	0.10%	0.12%	0.24%	0.33%	0.69%	1.25%	1.50%	0.14%
50% or more	1.02%	1.48%	2.25%	3.55%	6.89%	13.62%	24.33%	1.53%

(1) Note that due to confidentiality reasons the employee size groups could not be split into 100 to 499 and 500+ in this table. Overseas equity information is collected from only medium and large enterprises.

18 Note that for confidentiality reasons the separate 100-499 and 500+ employee count size groups are not provided in this table. Also note that overseas equity information is only collected for medium and large enterprises on the LBF.

Part 3: Dynamics – Performance of SMEs in New Zealand

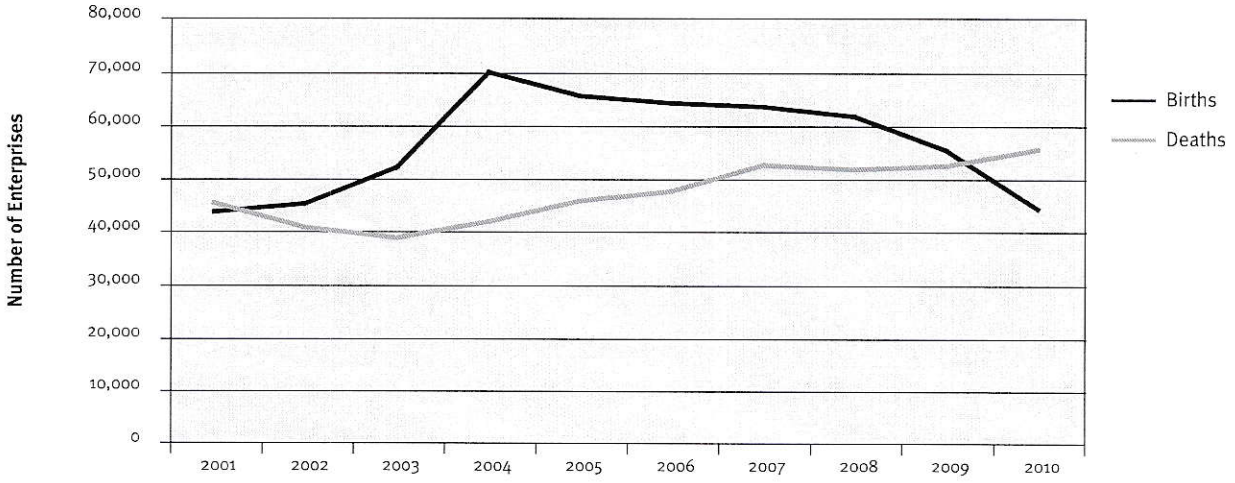
Enterprise Births and Deaths

Fewer New Zealanders are setting up businesses.

Preliminary estimates indicate that there were 43,702 SME births and 55,043 SME deaths in the year to February 2010.[19] This is the first time since 2001 that there have been more SME deaths than births,[20] and presumably reflects the economic conditions of 2008 to 2009.[21] The result has largely been driven by a decrease in the number of births over 2009 and 2010, but also reflects a steady increase in the number of deaths since 2003.

Figure 27 shows a significant increase in the number of enterprises in 2004. This was led by the ANZSIC 2006 divisions Financial and Insurance Services and Rental, Hiring, and Real Estate Services. The increase was largely a consequence of improved use of administrative data. Most of the enterprises added were non-employing businesses.

Figure 27. Enterprise Births and Deaths for Employee Size Group 0-19 (February 2001-2010)



However, if zero-employee firms are removed there are more births of employing SMEs than deaths of employing SMEs.

Figure 28 shows births and deaths for enterprises that employ from 1-19 employees. As noted above the large spike in 2004 was largely in non-employing enterprises and therefore does not appear in this figure. While there is still a significant dip in the number of births between 2008

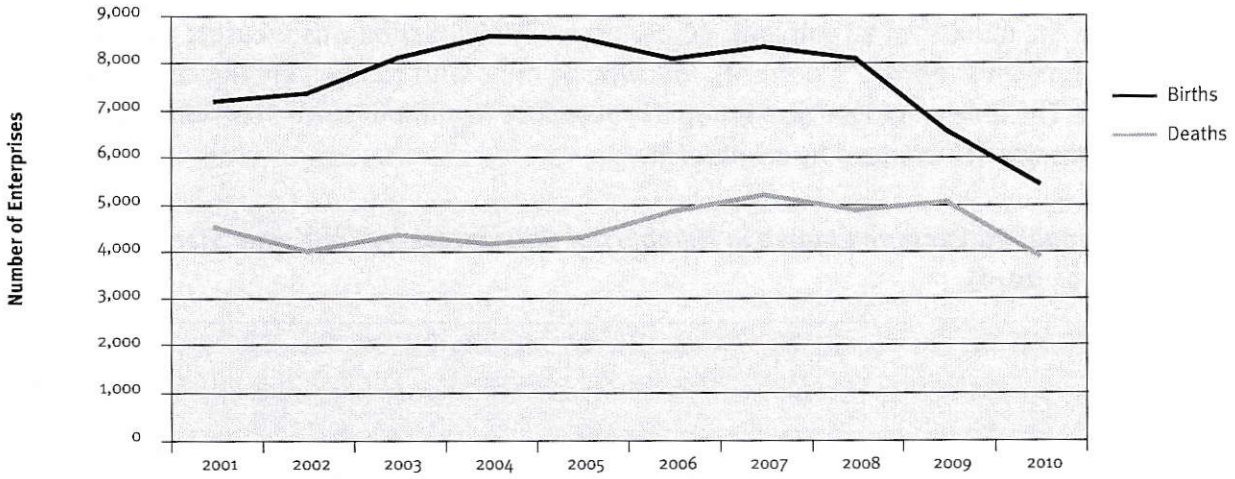
19 The deaths figure is a preliminary estimate and should be treated with caution. These may change as a result of updates to the business demography data. Furthermore, the 'real' death figure requires that a business does not exist for two years. As the most recent deaths figures are only one year old, these are released as preliminary until further data can be gathered in the following year.

20 Note that in the 2010 edition of *Structure and Dynamics* it was reported that preliminary estimates showed a greater number of enterprise deaths than births in 2009. The updated data now shows that there were slightly more SME births than deaths in the year to February 2009.

21 For more details on SME performance during the 2008/2009 recession please see Appendix 1.

and 2010, there is also a dip in the number of deaths. In this measure there are 1,515 more enterprise births than deaths in 2010 if zero-employee firms are taken out of the calculations.

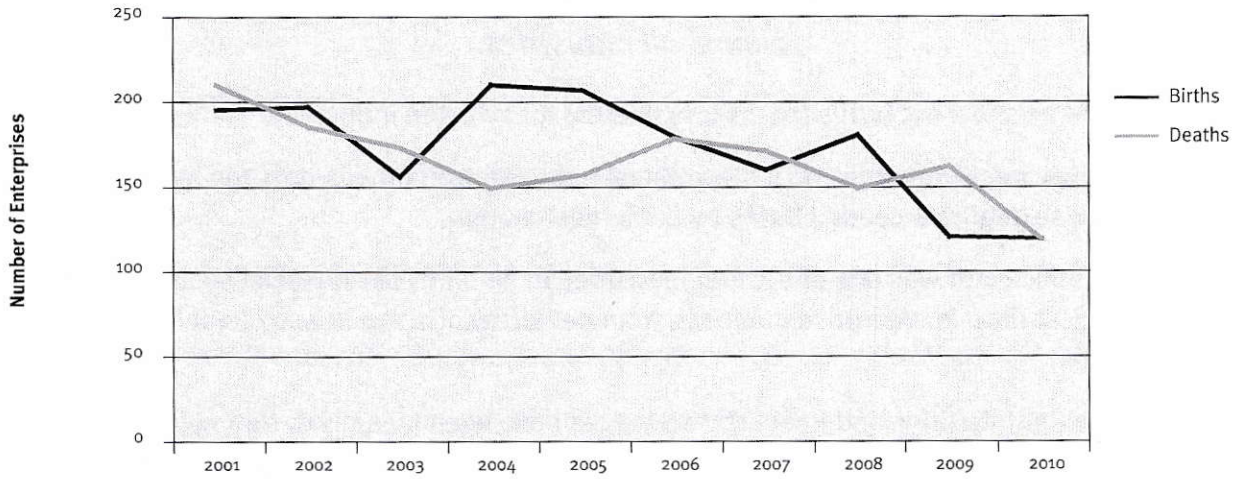
Figure 28. Enterprise Births and Deaths for Enterprises with 1-19 Employees (February 2001-2010)



By comparison, firms with 20+ employees had an equal number of births and deaths in the year to February 2010.

In the year to February 2010, there were 118 births of enterprises with more than 20 employees, slightly down on 2009 and the lowest level in the last 10 years. Deaths for larger enterprises dropped from 161 in 2009 to 118 in 2010.

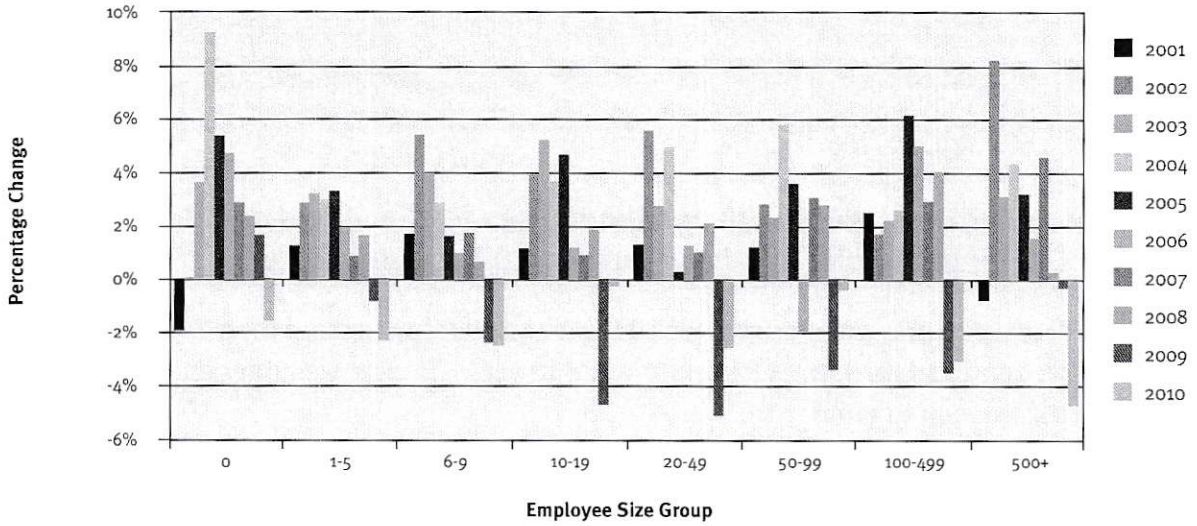
Figure 29. Enterprise Births and Deaths for Enterprises with 20 Employees or More (February 2001-2010)



This has resulted in a decrease in the number of employing enterprises in 2009 and 2010.

The decrease in enterprise births and the increase in enterprise deaths has resulted in a reduction in almost all employee size groups since the start of the global financial crisis in 2008 (down 1.15 percent). 2009 and 2010 were the only years in the last decade that there was a reduction in the number of all employing enterprises. The reduction was greatest for firms with 20-49 employees (down 7.5 percent), followed by firms with 100-499 employees (down 6.46 percent). The only employee size group to not reduce in number since 2008 were zero-employee firms which increased by 0.1 percent.

Figure 30. Annual Percentage Change in Numbers of Enterprises by Employee Size Group (February 2001-2010)



There were a greater number of deaths than births for almost all industries.

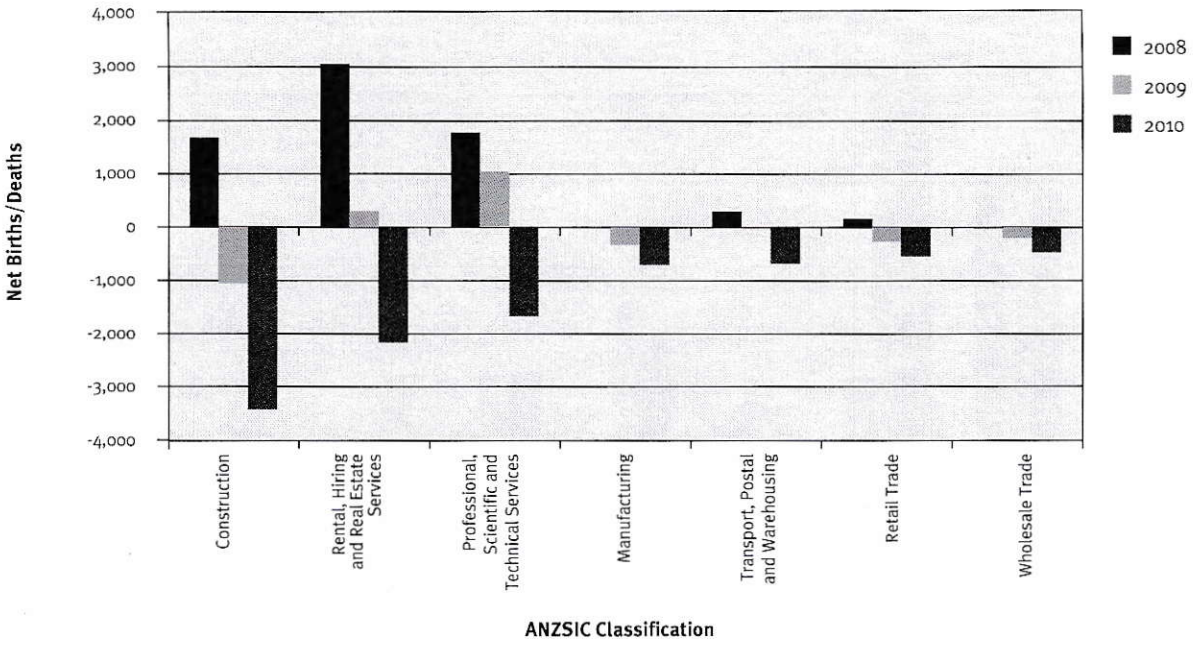
Figures 31 and 32 show net births (births less deaths) for selected industries.

Figure 31 shows those industries with the greatest net deaths, in other words the industries in which enterprise deaths exceeded births by the largest margin.

The construction sector was one of the first industries to be hit by the financial crisis and has faced the largest drop in enterprise numbers, from net births of 1,239 in 2007 to net deaths of 3,474 in 2010.

Enterprises in Rental, Hiring and Real Estate Services have been steadily declining for the past three years. In 2008 there were 3,041 net births, but in 2010 there were 2,619 net deaths of SMEs in this sector. Likewise, net births and deaths for the Professional, Scientific and Technical Services division have dropped from 1,762 net births in 2008 to 1,670 net deaths in 2010.

Figure 31. Net Enterprise Births for Industries with the Greatest Net Deaths in 2010 (February 2008-2010)

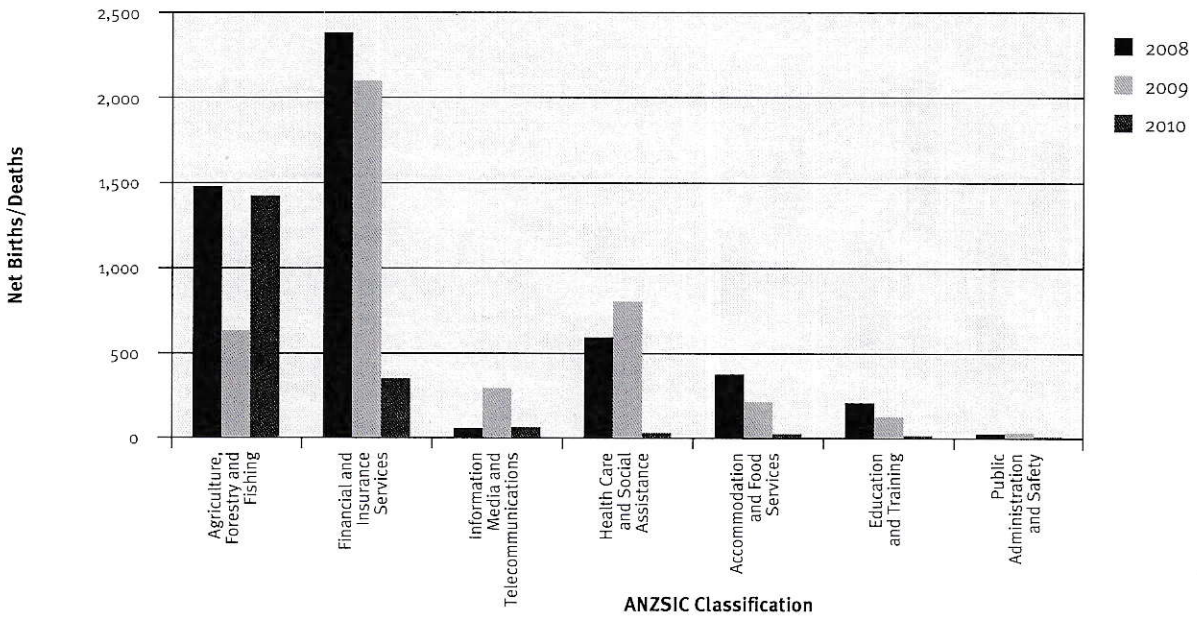


There were only seven industries which continued to show more births than deaths, and many of those faced a significant reduction in the number of net births.

Figure 32 shows the seven industries that had a greater number of enterprise births than deaths in the year to February 2010.

Agriculture, Forestry and Fishing had the greatest number of net births, with 1,415 more births than deaths. However, the number of net births in the other industries is low. Furthermore, many of them suffered a significant reduction in the number of net births, especially Financial and Insurance Services which faced the largest drop of all industries, reducing from 2,097 net births in 2009 to only 350 net births in 2010.

Figure 32. Net Enterprise Births for Industries with the Greatest Net Births in 2010 (February 2008-2010)



SMEs' Sales, Profits and Contribution to GDP

The data below on businesses sales, profits and value-add output are sourced from Statistics NZ's AES. These data cover the period to March 2009. For pragmatic reasons certain ANZSIC subdivisions and classes are not measured by the AES, as listed below.

- Subdivisions not measured:
  - A01 – Agriculture
  - K62 – Finance
  - O75 – Public Administration
- Classes not measured:
  - D2811 – Water Supply
  - K6330 – Superannuation Funds
  - L6711 – Residential Property Operators
  - L6712 – Non-Residential Property Operators.

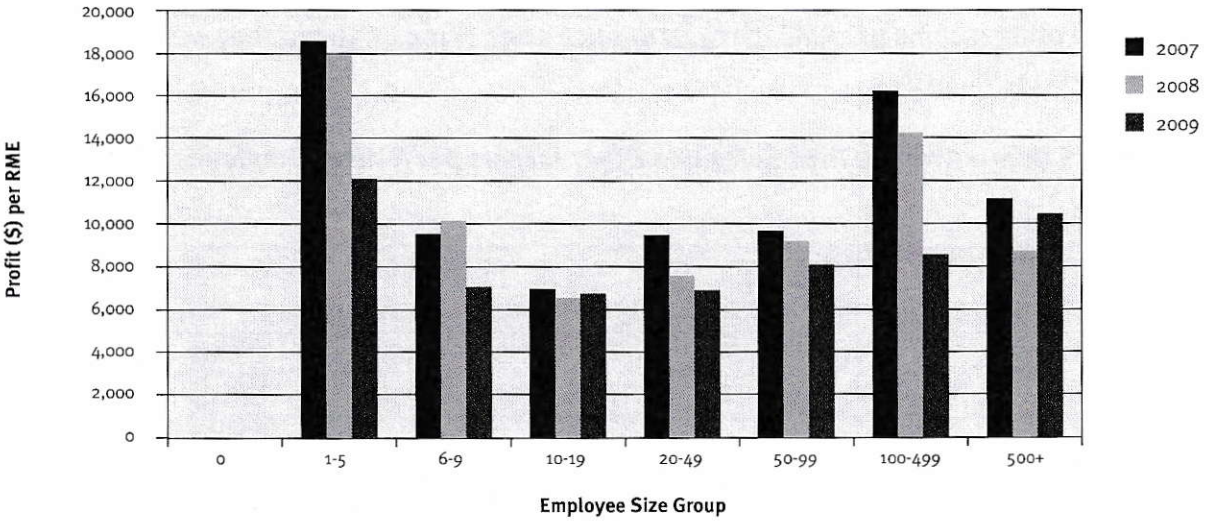
All employee size groups have had a decrease in their average real[22] profits per employee since 2007.

In 2009, enterprises with 1-5 employees had the highest average real profits per RME ($12,132) of all the employee size groups, but also suffered the second largest reduction since 2007

22 The term 'real' refers to data where price effects have been removed.

(when their profit per employee was $18,634). The enterprises with the next average profit per RME in 2009 were those with 500+ employees ($10,470 in 2009 down from $11,187 in 2007), followed by those with 100-499 employees ($8,578 in 2009, down from $16,213 in 2007).

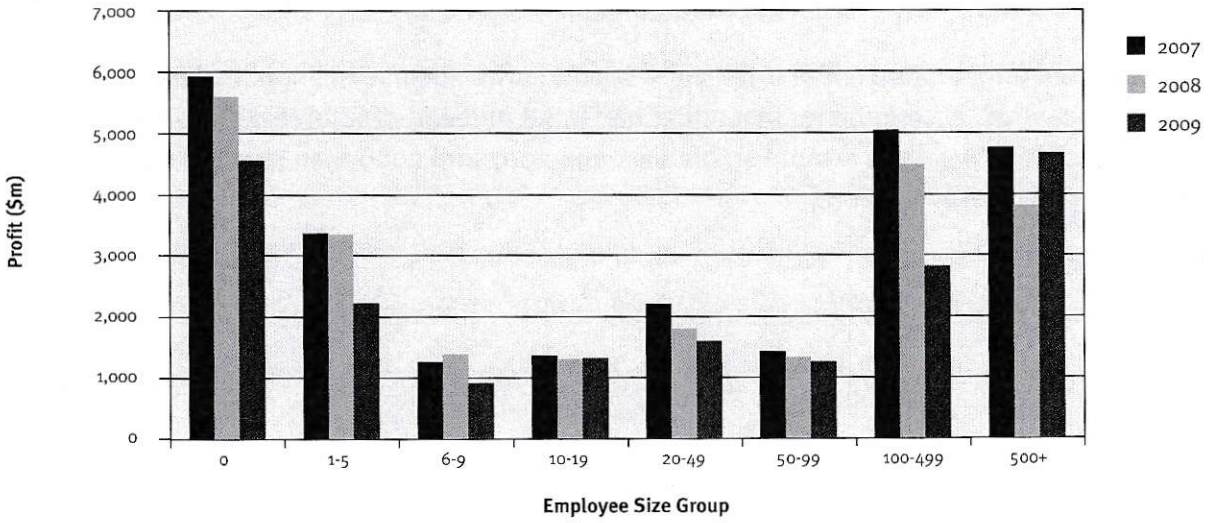
Figure 33. AES Data – Average Real Profit per RME by Employee Size Group (March 2009)



Almost half of total profits were accounted for by SMEs in 2009.

SMEs accounted for 46.6 percent of all profits in 2009. Enterprises with 100+ employees accounted for 38.7 percent of total profits, despite representing less than 1 percent of all businesses. All employee size groups suffered a reduction in total real profits since 2007.

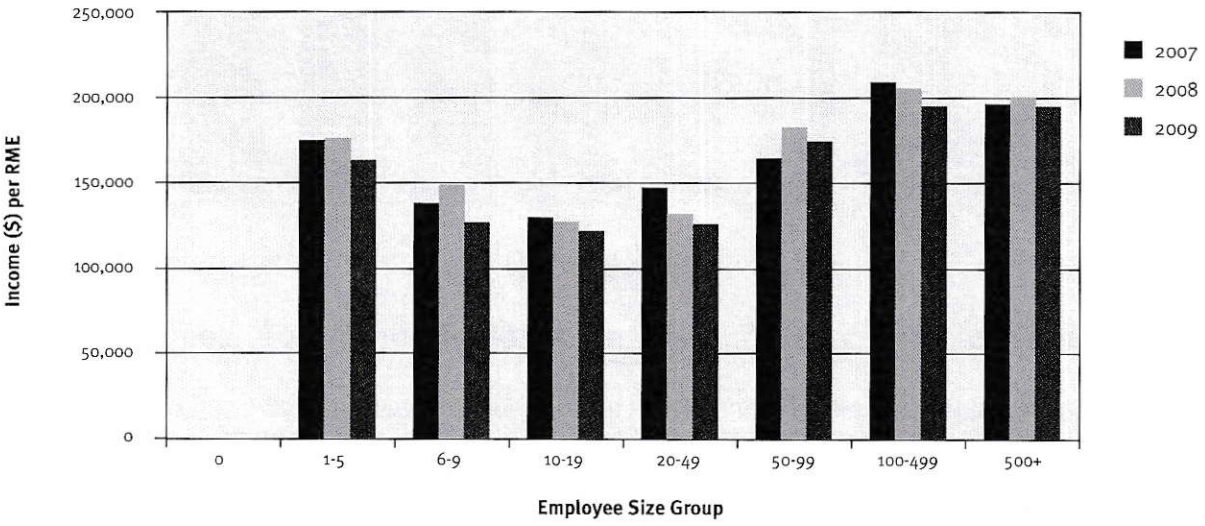
Figure 34. AES Data – Total Real Profit by Employee Size Group (March 2009)



The highest average real sales and other income per employee is achieved in firms with 100-499 employees.

Firms with 100-499 employees achieved the highest average real sales per RME in 2009 ($195,470). The lowest average real sales per RME was recorded by firms with 10-19 employees ($122,093). Firms with 50-99 employees were the only group to not have a reduction in average real sales and other income per RME ($174,824) since 2007 ($164,863), but they were down on their 2008 level ($183,301).

Figure 35. AES Data – Average Real Sales and Other Income per RME by Employee Size Group (March 2009)



SMEs accounted for approximately one-third of total real sales and income.

SMEs accounted for 33.0 percent of total real sales and other income in 2009. Large firms, employing 100+ RME, accounted for just under half (48.8 percent) of total real sales and other income. Overall, this measure is more stable between 2007 and 2009 than much of the other performance data presented here.

Figure 36. AES Data – Total Real Sales and Other Income by Employee Size Group (March 2009)

SMEs account for a significant proportion of New Zealand's GDP.

Value-added is a measure of the contribution enterprises make to the economy's total output.[23] While not identical to the official GDP figures published by Statistics NZ, total value-added by employee size group provides an indication of the contribution of each employee size group to the economic output.

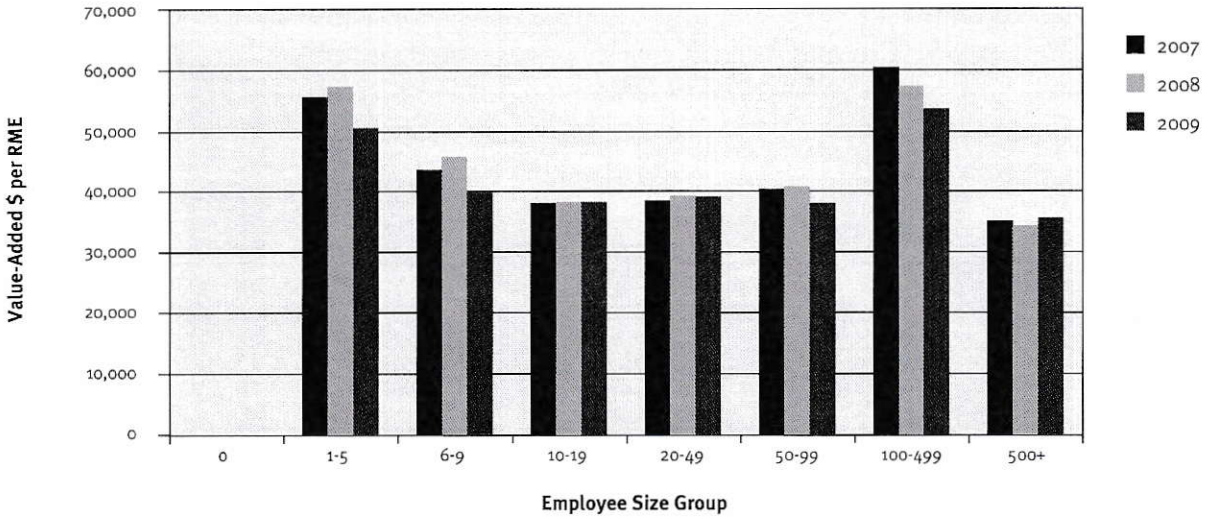
Average value-added output per RME dipped for most employee size groups in the year to March 2009.

Firms with 100-499 employees recorded the largest average value-added output per RME over 2007 to 2009, but also faced the largest decline dropping from $60,657 in 2007 to $53,799 in 2009. Firms with 1-5 employees contributed the next largest value-added output per RME. They had a slight increase in the year to March 2008 up to $57,568, but then dropped to $50,743 in the year to March 2009.

23 Value-added is provided with the following caveats:

- The figures should be seen only as a proxy. While source data used for this feed into the system for National Accounts from which GDP is calculated, it has not been through that system and therefore is only provided as an indicator.
- The figures have been deflated by a generic deflator, which is not output-specific, and are not related to the quarterly GDP figures published by Statistics NZ.
- This data is not standard output, and as such is not available in any other cross-tabulations.
- Figures are expressed in terms of 1997 dollars.

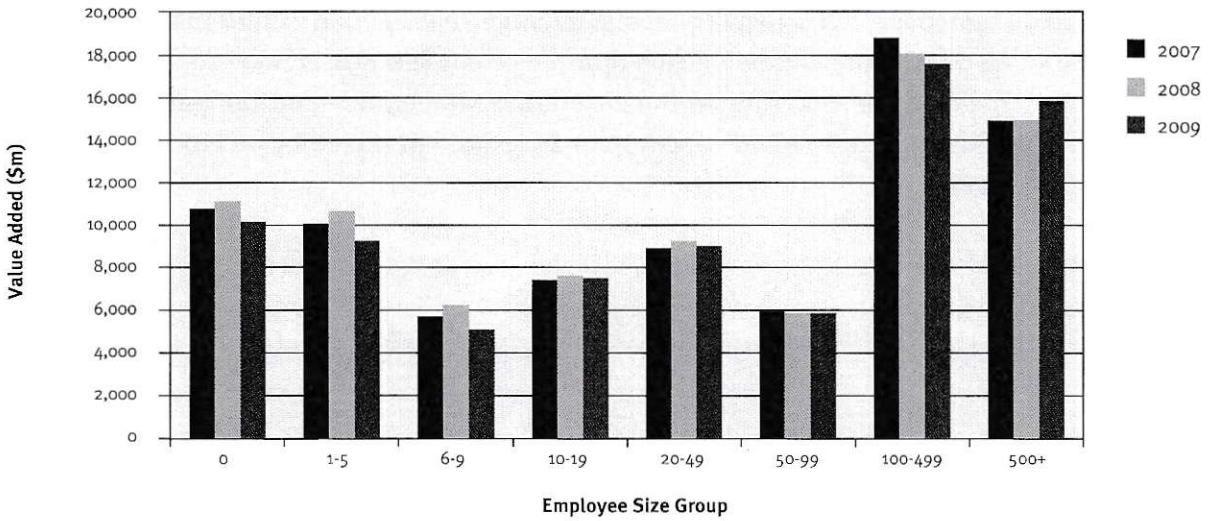
Figure 37. AES Data – Average Value-Added Output per RME by Employee Size Group (March 2007-2009)



Total value-added output also dipped for most employee size groups for the year to March 2009

SMEs' contribution to total value-added output in 2009 decreased to 39.8 percent, from 42.5 percent in 2008. Over 2007 to 2009 enterprises with 100-499 employees were the strongest performing single employment size group. However, this group also suffered the largest drop going from a total value-add of $18,835 million in 2007, to $17,623 million in 2009.

Figure 38. AES Data – Total Value-Added by Employee Size Group (March 2007-2009)



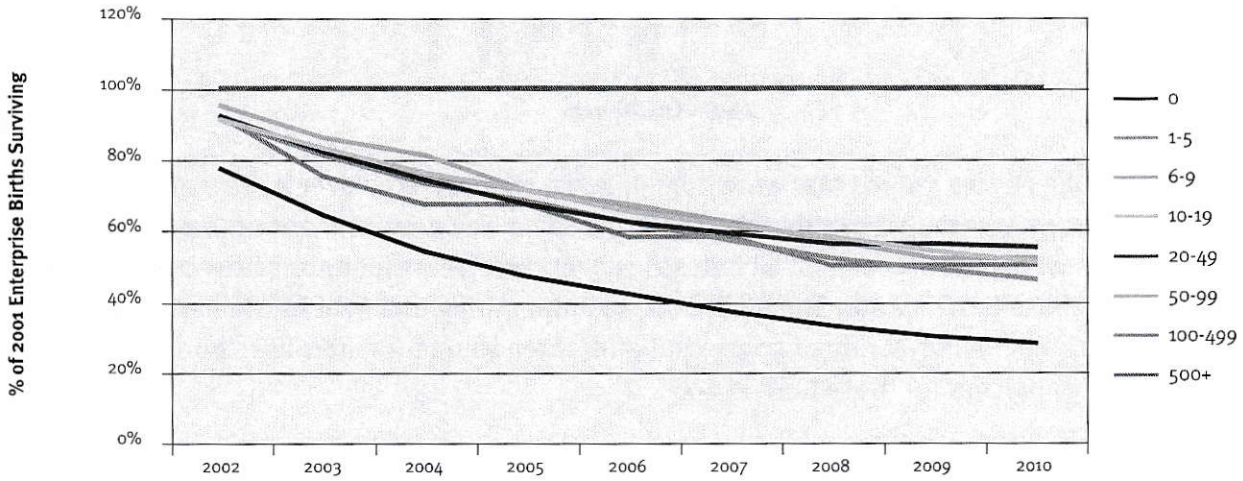
Survival and Transition Rates

Survival rates are calculated as the percentage of enterprise births in each reference year that survive into future reference years in the business demography population.

The following figures show survival rates by employee size groups and ANZSIC 2006 industry divisions for enterprises established in 2001 and 2007.

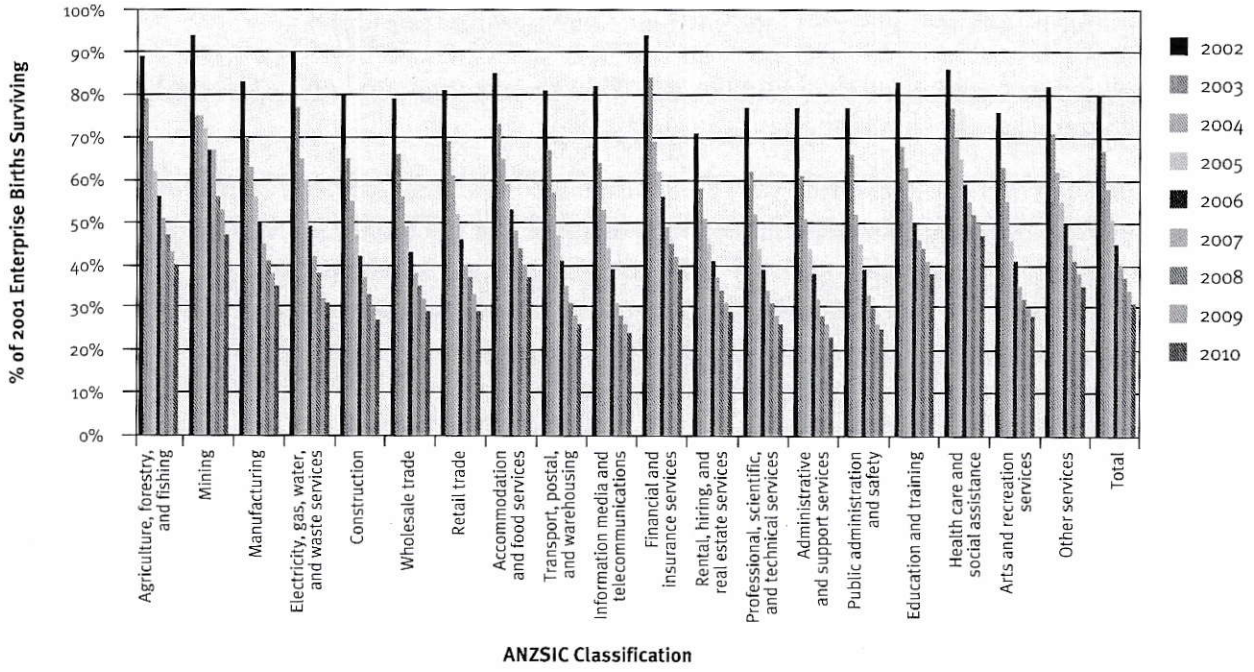
Overall, the survival rates show that very small firms are less likely to survive than larger firms. Enterprises with zero-employees are least likely to survive in the business demography dataset. Of the zero-employee enterprises born in 2001, only 28 percent survived into 2010. Forty-six percent of firms with 1-5 employees born in 2001 survived into 2010, and 50 percent of firms with 100-499 employees at birth survived into 2010. One hundred percent of firms that had 500+ employees when born in 2001 survived to 2010.

Figure 39. Percentage of Enterprises Birthed in 2001 that Survived into Subsequent Years by Employee Size Group



The survival rates of all enterprises born in 2001 are shown by industry sector in Figure 40 below. The industries with the highest survival rates of enterprises into 2010 were: Mining (47 percent); Health Care and Social Assistance (47 percent); Agriculture, Forestry and Fishing (40 percent); and Financial and Insurance Services (39 percent). The industries with the lowest survival rates of enterprises in the same period are: Administrative and Support Services (23 percent); and Information Media and Telecommunications (24 percent).

Figure 40. Percentage of Enterprises Birthed in 2001 that Survived into Subsequent Years by ANZSIC



For most employee size groups that were born in 2007, survival rates over three years (55 percent) are lower than those that started in the same size groups in 2001 (58 percent). Survival rates were lower for almost all industries over three years for enterprises born in 2007, compared to those born in 2001. The exception is Rental, Hiring and Real Estate Services, which has a slightly higher survival rate of 56 percent after three years for enterprises born in 2007, compared to 51 percent for those born in 2001.

Figure 41. Percentage of Enterprises Birthed in 2007 that Survived into Subsequent Years by Employee Size Group

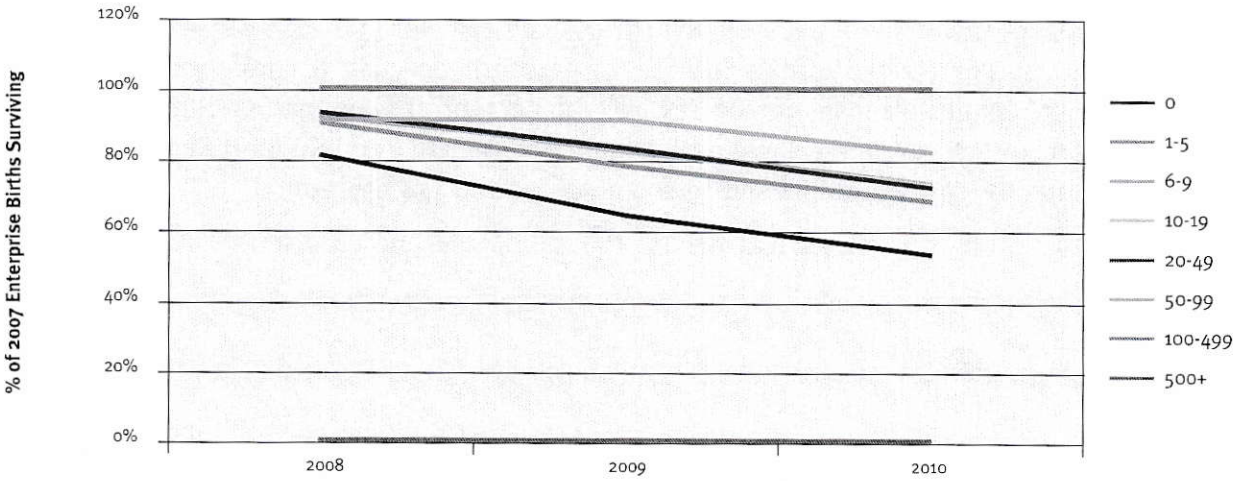
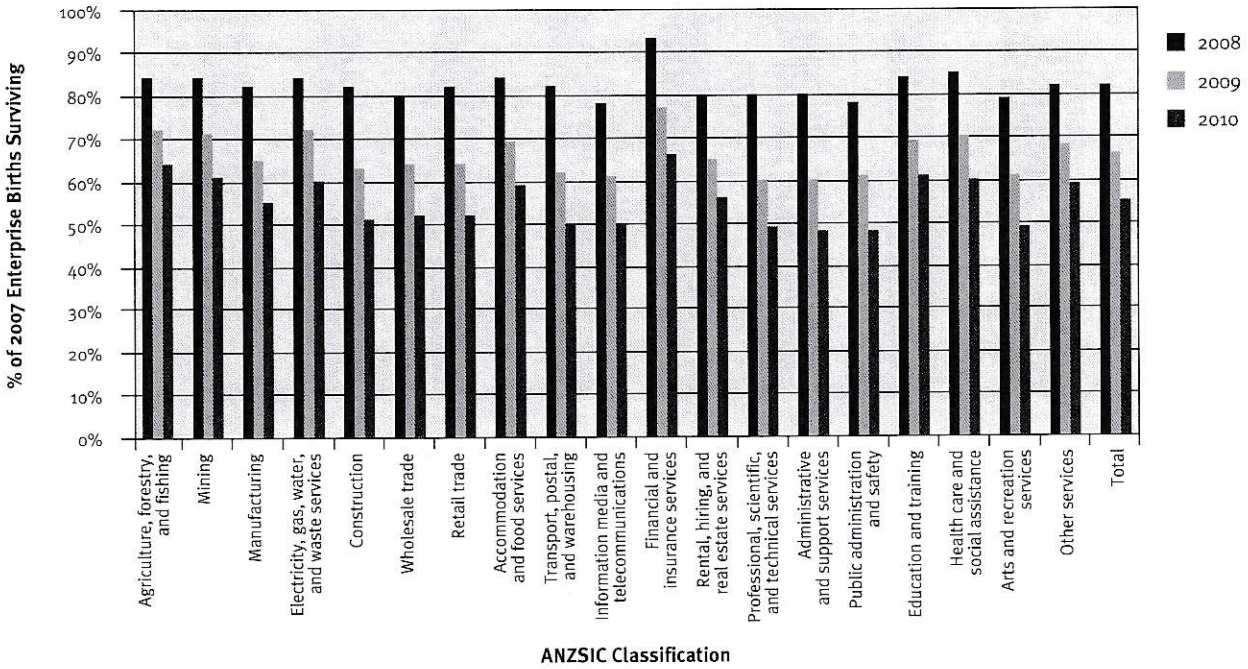


Figure 42. Percentage of Enterprises Birthed in 2007 that Survived into Subsequent Years by ANZSIC

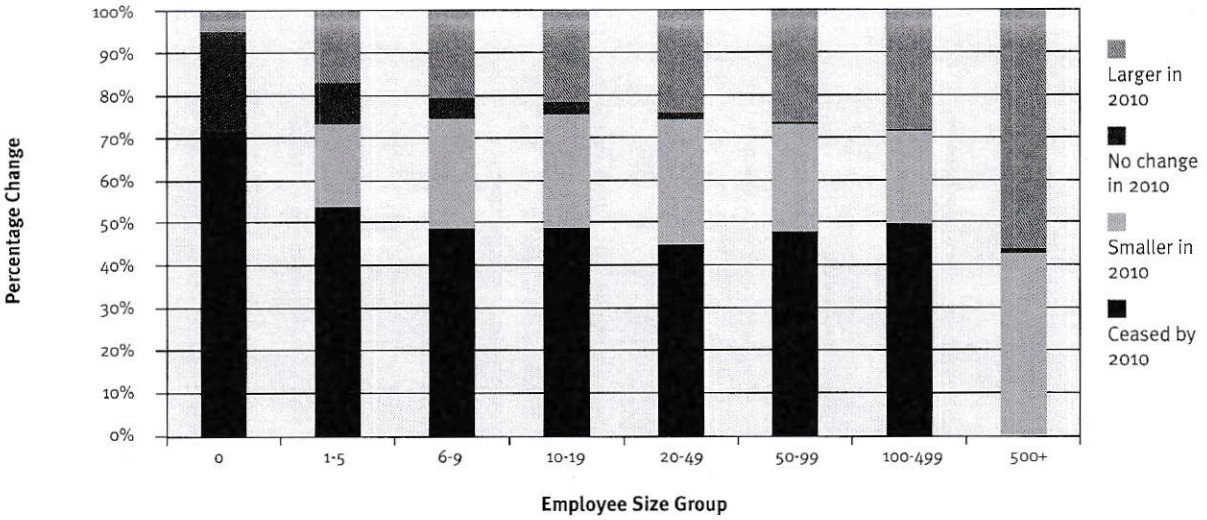


Smaller firms are more likely to remain the same size over time.

A potentially useful proxy measure for firm growth is the transition rate. This measures the percentage of firms that cease, move into larger or smaller employee size groups, or that stay in the same group. Figure 43 below illustrates enterprise transitions between 2001 and 2010.

SMEs that survive, particularly those with fewer than five employees, are more likely to stay with the same size category over time than large firms. However, if they do change size they are equally as likely to become smaller or larger. Surviving firms with 50+ employees are slightly more likely to become larger over time.

Figure 43. Transition of Enterprises (February 2001-2010)



Performance Data on Self-employed People

The purpose of this section is to make comparisons about self-employed owners whose firms survive with self-employed owners of firms that ceased. All earnings data are based on the tax year from 1 April to 31 March.

Self-employed people younger than 40 earned more in their second year of business than they did before starting their businesses, whereas those older than 40 earned less.

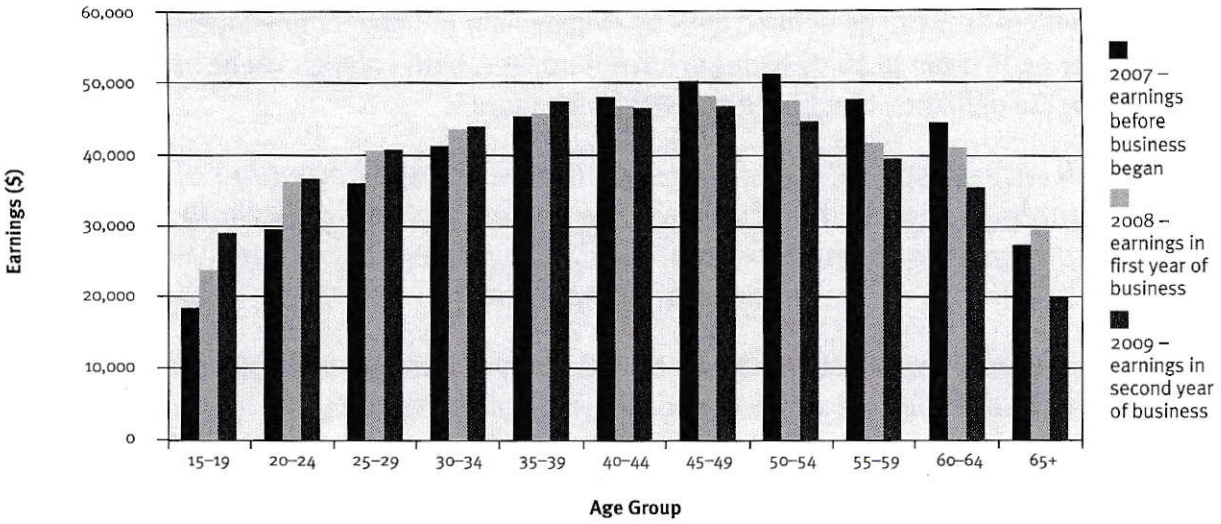
Figure 44 below shows the earnings[24] of self-employed persons who started their businesses in 2008. It shows their earnings in the year before they started their business (2007), their earnings in their first year of business (2008), and their earnings in the second year of their businesses (2009).

Self-employed people under 40 experienced an increase in earnings in both the first year and the second year of business. Conversely, most self-employed people over the age of 40 had a reduction in earning in the first year of a new business. The exception was the 65 and older group, which had a slight increase in income in their first year of business. All self-employed people over 40 earned less in their second year of business compared to both their earnings before starting their business and in the first year of business.[25]

24 Earnings are defined as including taxable income from self-employment, wages and salaries.

25 Note that there was an error in the data on the earnings of the owners of enterprises produced for the 2010 edition of *Structure and Dynamics*. This error meant that people with multiple sources of income were measured multiple times rather than having their income summed together. This meant that average earnings were understated by up to 50 percent.

Figure 44. LEED Data – Mean Earnings of Self-employed People Who Started Businesses in 2008, by Owner Age at 2008

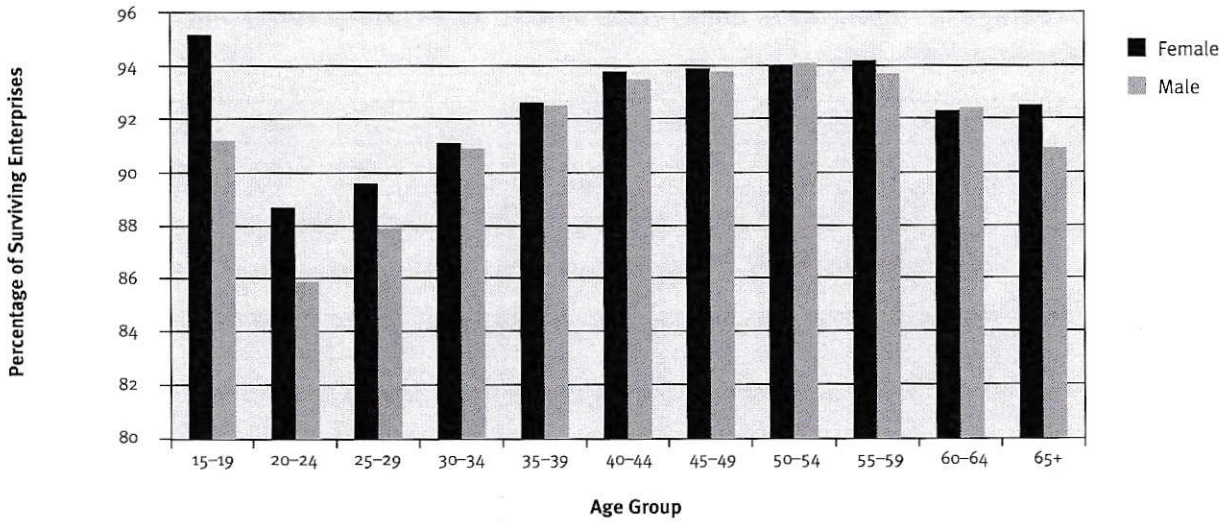


A greater percentage of businesses owned by self-employed women in 2009 survived into 2010 compared to those owned by self-employed men.

Figure 45 shows survival rates of 2009 firms owned by self-employed people into 2010. Most of the enterprises owned by self-employed people in the younger age groups had a lower survival rate. However, the enterprises owned by self-employed people aged between 15-19 had one of the best survival rates, particularly for women, although this age group represents only 0.30 percent of all business owners in 2009 (or 1,104 owners out of over 371,385).

The highest survival rates were found in those enterprises owned by self-employed people aged between 40-59.

Figure 45. LEED Data – Percentage of 2009 Businesses Owned by Self-Employed People that Survived in 2010 by Gender and Owner Age



High-growth Enterprises

A standard definition for a high-growth firm has been agreed between the OECD and Eurostat. High-growth enterprises can be defined both by employment (number of employees) and by sales turnover. In order to study high-growth enterprises, both criteria may be used. Consequently, the definition that has been used as standard is:

> *"All enterprises with 10 or more employees at the beginning of a three-year period that record average annualised growth (in employment or turnover) greater than 20 percent per annum over the three-year period."*

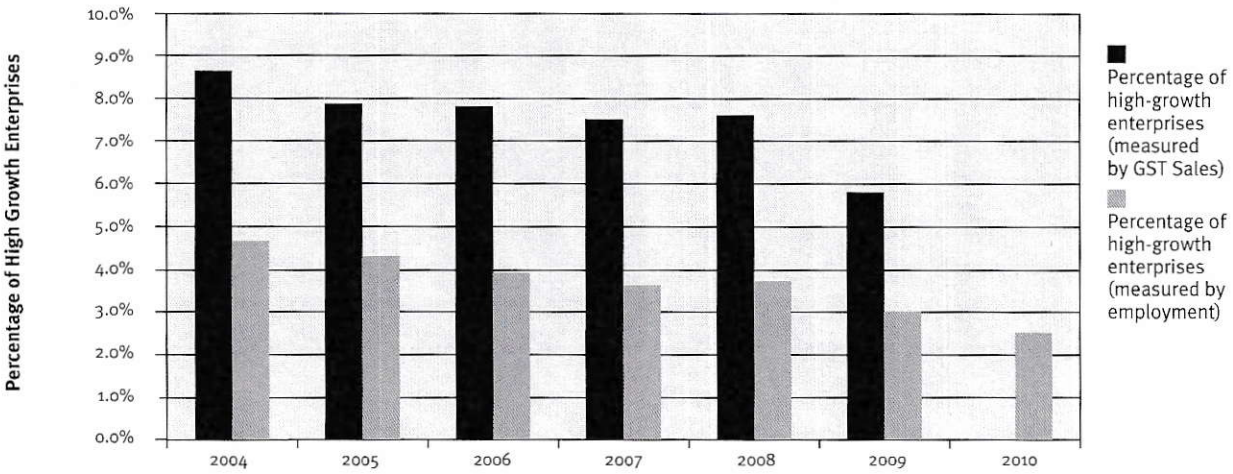
This definition has been applied to the New Zealand business demography dataset and firms have been identified as high growth by both employment and GST sales.

The GST sales data is compiled by Statistics NZ's Christchurch office. Because of the earthquakes in September 2010 and February 2011 this work has been severely disrupted. We have therefore been unable to produce updated data on high-growth enterprises by GST sales for 2010. The data for 2009 has been included and is identical to that in the 2010 edition of Structure and Dynamics.

These two methods produce somewhat inconsistent results. This is largely due to each one capturing firms with different business models in relation to employment and sales. Results based on employment show that in 2010, 2.5 percent of the total population of active enterprises with at least 10 employees are high growth. Results based on GST sales show that in 2009, 5.8 percent of enterprises were high growth. Both of these measures have shown a continuous decline since 2004.

These statistics should be interpreted with caution. The business demography dataset contains employee-count data at February of each reference period. When making comparisons by reference period, the results may be impacted by differences in seasonal cycles and periodic fluctuations in the data.

Figure 46. Percentage of High-growth Enterprises by GST Sales (2004-2009) and Employment (2004-2010)



The figures below show the different measures of high growth (employment and GST sales) by industry and by employee size group. Please note that the Statistics NZ GST series has yet to be converted to ANZSIC06, and thus the data represented in Figure 48 uses ANZSIC96. Therefore comparisons by industry should not be made between the two figures below.

Figure 47. Distribution of High-growth Enterprises by ANZSIC06 Industry (Employment – February 2004-2010)

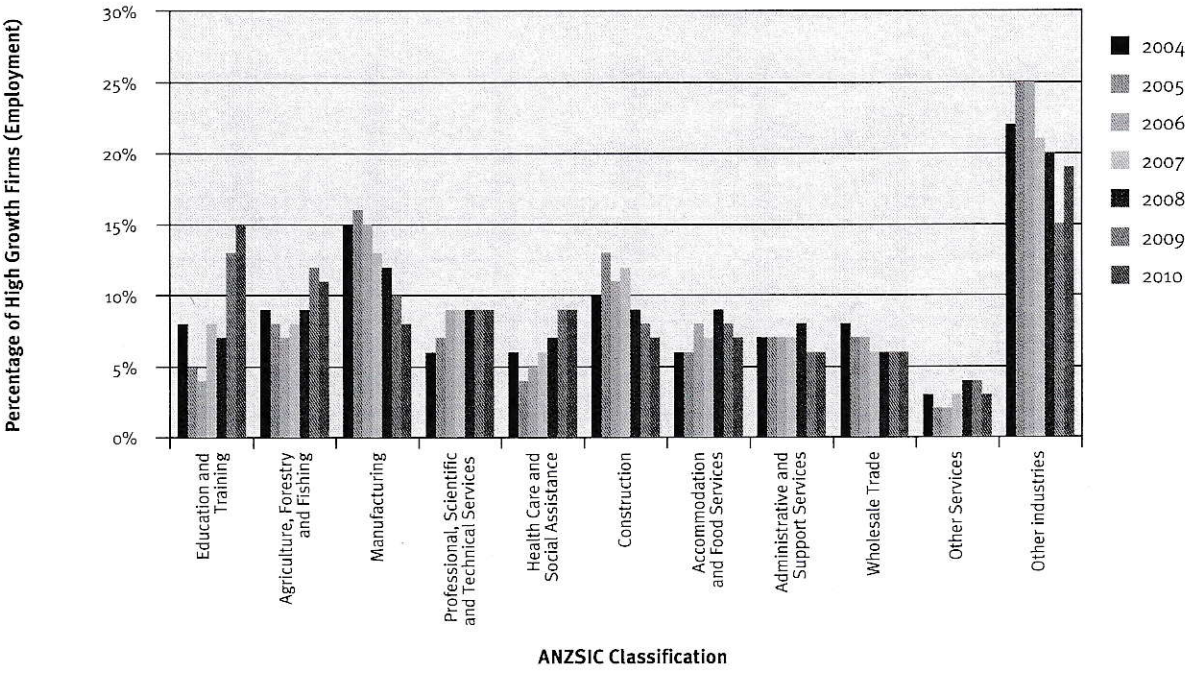
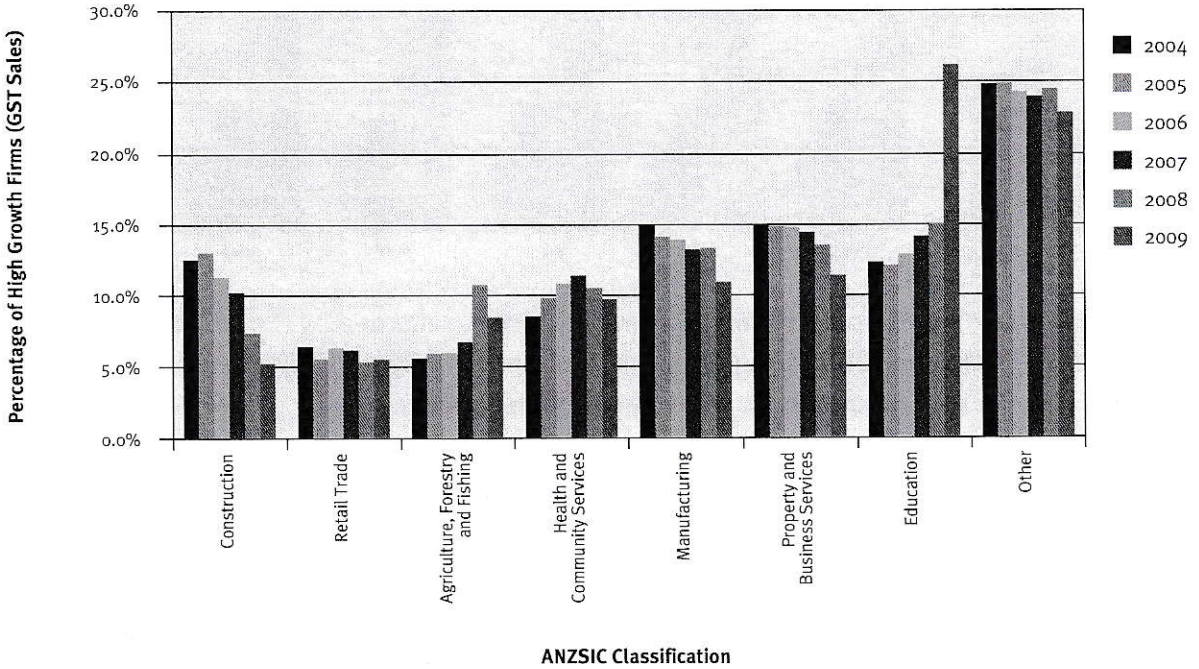


Figure 48. Distribution of High-growth Enterprises by ANZSIC96 Industry Divisions (GST Sales – February 2004-2009)



Under both measures, high-growth firms are most likely to occur in the 20-49 employee size group. When measured by employment, the 50-99 employee size group is the next most likely to have high-growth businesses and, when measured by GST Sales, the 10-19 employee size group is the next most likely.

Figure 49. Distribution of High-growth Enterprises by Employee Size Group (Employment – February 2004-2010)

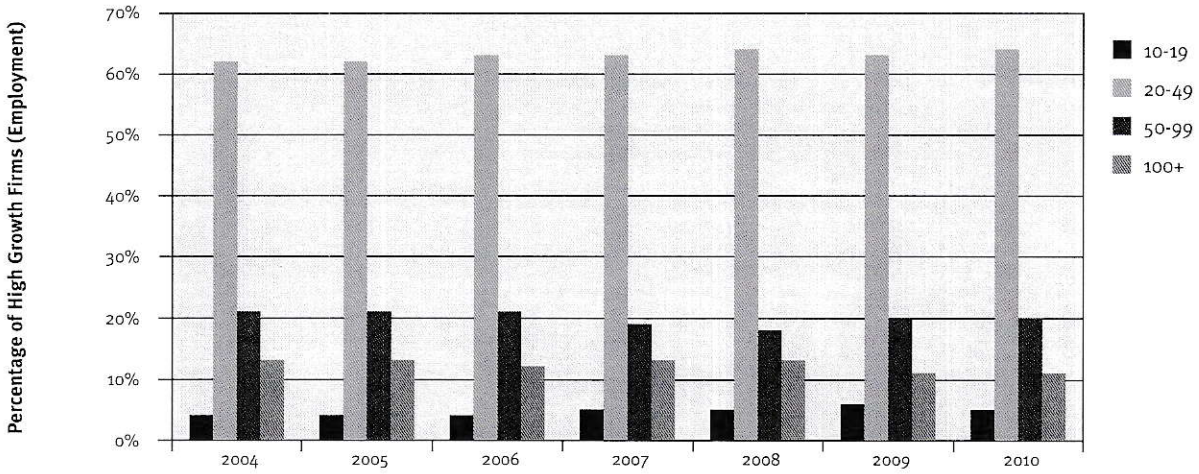
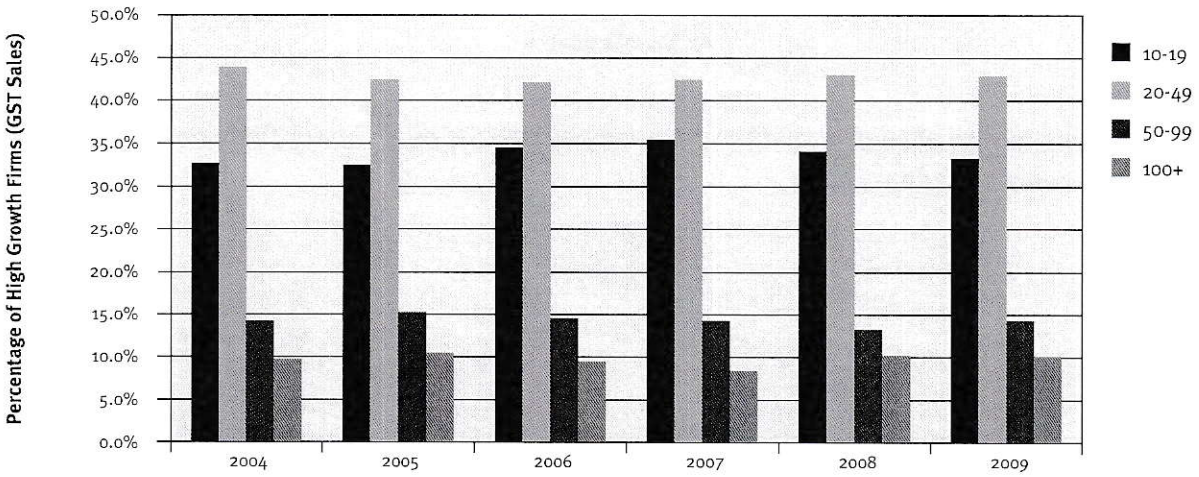


Figure 50. Distribution of High-growth Enterprises by Employee Size Group (GST Sales – February 2004-2009)

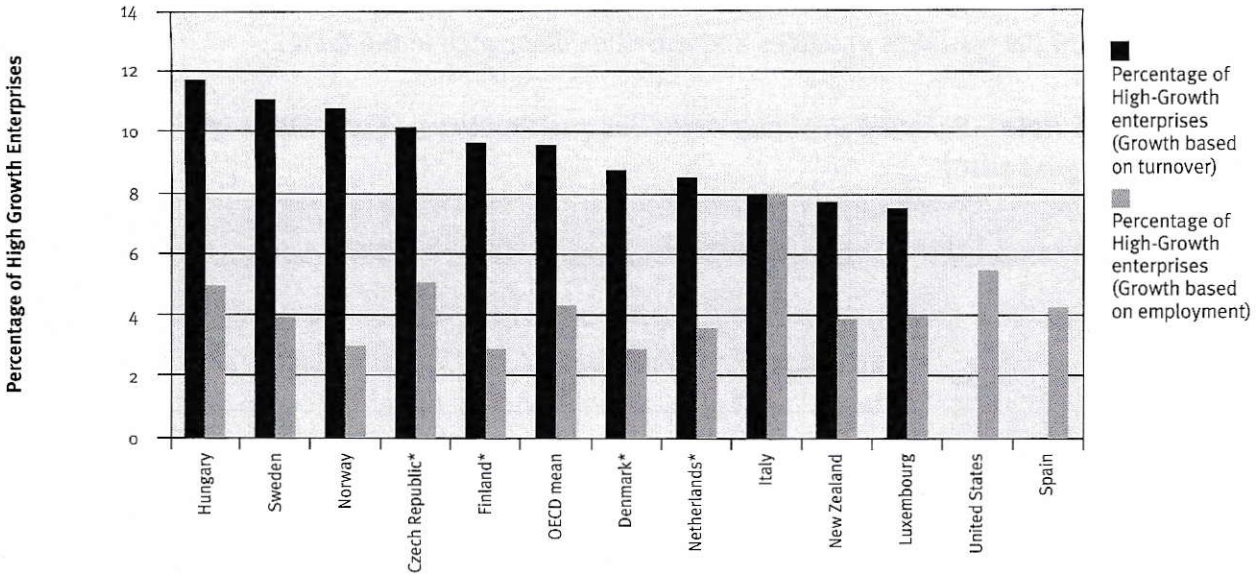


Outlined below are some comparative high-growth indicators recorded by the OECD.[26] These data are extracted from the OECD's Structural and Demographic Business Statistics and provide some insight into the relative position of New Zealand enterprises.[27]

26 Note that the OECD definition for high-growth enterprises refers to "employment or turnover". For the New Zealand data, sales subject to GST has been used as a proxy for turnover

27 For further information on the OECD database see: http://stats.oecd.org/Index.aspx?DataSetCode=SDBS_BDI

Figure 51. OECD Data – Rate of High-growth Enterprises by Turnover and Employment (2006)



* = 2005

The Business Operations Survey

The BOS is an annual survey that began in 2005 and which collects data on the performance and business practices of New Zealand firms. In 2010, over 5,369 businesses participated in the BOS (a response rate of 81.8 percent).

The BOS collects data on businesses:

- with six or more employees
- that have been in operation for more than one year
- that have annual turnover of greater than $30,000.

It also provides a breakdown of responses by industry (including agriculture) and by business size (6-19, 20-49, 50-99 and 100+ employees). While it does not cover the full range of business sizes reported elsewhere in this publication, it is an increasingly rich source of information on business performance and practices.[28]

The composition of the survey varies from year-to-year. There are four modules for 2010:

- a module of questions relating to business operations is included every year and covers financial performance and business environment measures of business performance
- an ICT module is included every other year
- in 2010, modules on price and wage setting and financial conditions were included.

28 More information on the BOS can be found at: http://www.stats.govt.nz/browse_for_stats/businesses/business_growth_and_innovation/business-operations-survey-info-releases.aspx

Table 11 illustrates some key results from the 2010 survey and these illustrate the differences between the employee size groups. Firms with between 6-19 employees are the least likely to engage in all of the business practices and activities illustrated in the table.

Table 11. BOS Data – Selected Business Activities and Practices – Percentage of Firms Engaged (August 2010)

	Total number of firms	Percentage			
Firm size		Expansion investment	Using the internet	Businesses with export sales	Research and development
6-19	26,184	23	96	13	6
20-49	5,961	28	97	19	10
50-99	1,686	36	99	27	13
100+	1,479	47	99	30	17
Selected Industries					
Manufacturing	5,016	33	98	36	17
Agriculture, Forestry and Fishing	3,117	31	87	28	6
Wholesale Trade	2,862	27	97	39	8
Professional, Scientific & Technical Services	3,462	25	99	21	11
Retail Trade	4,215	22	98	7	2
All Firms	35,307	25	96	15	7

Business Operations

The percentage of businesses with export sales reduced between 2009 to 2010, but that of firms investing in expansion remained similar.

Annual data are collected on a range of business activities, including exporting, tourism sales, investment in expansion and overseas ownership or holdings. The data provide some indication of the focus of current business operations.

The survey indicates that 15 percent of participating businesses made export sales in 2010, down from 18 percent in 2009. The only employee size group to record an increase in export sales was those with 100+ employees, which increased from 29 percent in 2009 to 30 percent in 2010. By comparison, only 13 percent of firms with 6-19 employees reported export sales in 2010.

Larger firms were also more likely to invest in expansion, with 47 percent of firms with 100+ employees investing compared to 23 percent of firms with 6-19 employees. Figures 52 and 53 illustrate these differences.

Figure 52. BOS Data – Percentage of Businesses with Export Sales (August 2009 & 2010)

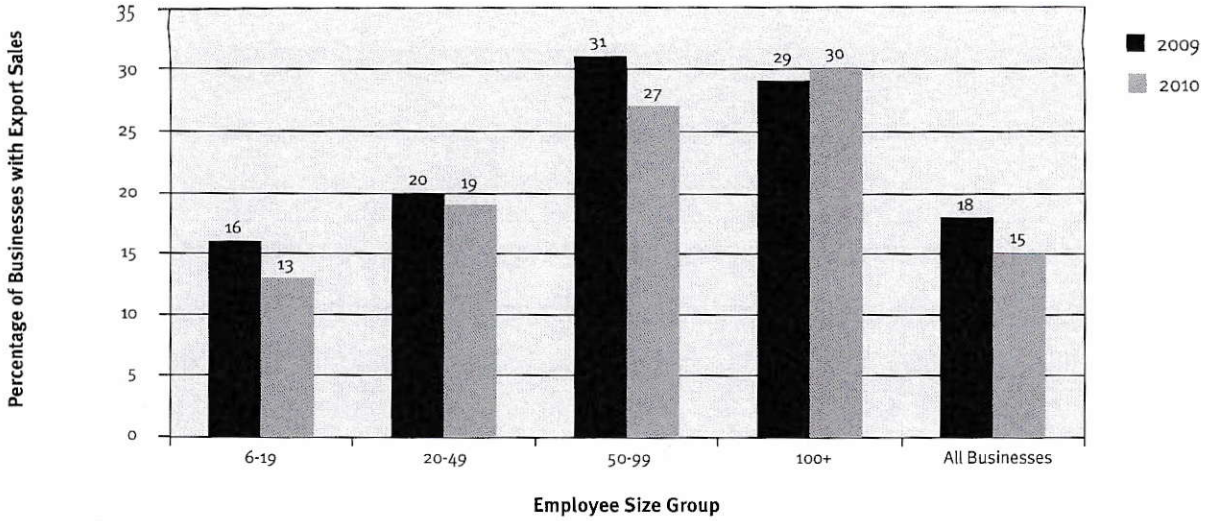
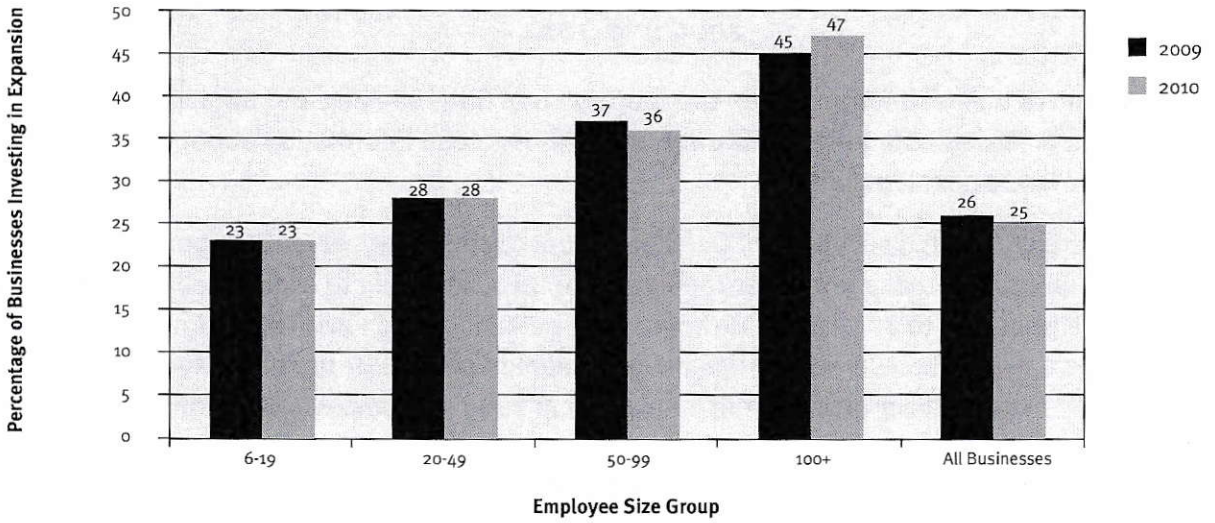


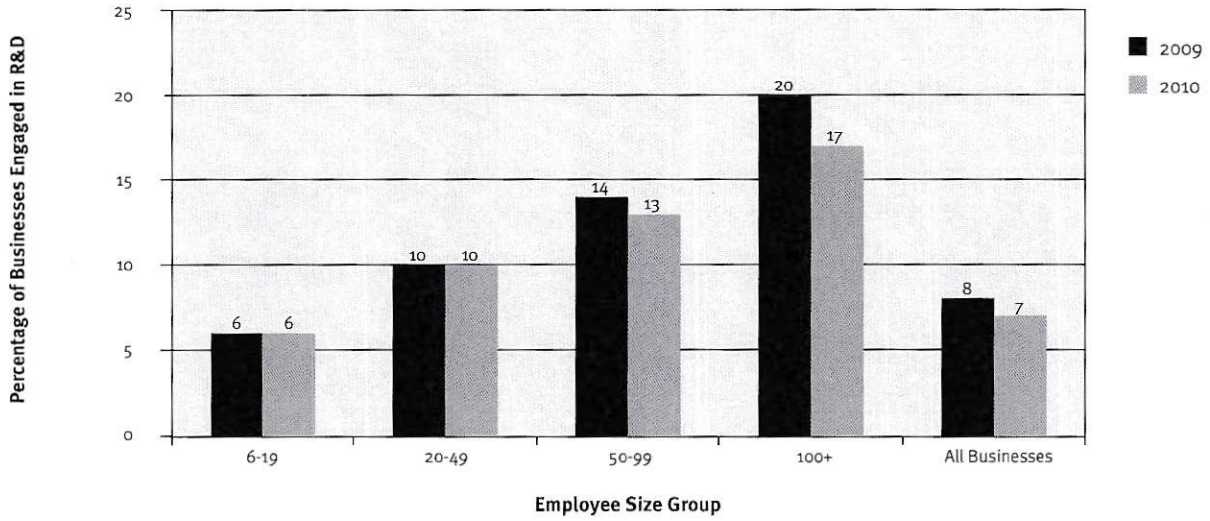
Figure 53. BOS Data – Percentage of Businesses Investing in Expansion (August 2009 & 2010)



The likelihood of a firm engaging in R&D increases with firm size.

The percentage of all businesses that undertook or funded research and development (R&D) activities dropped to 7 percent in 2010 down from 8 percent in 2009. The likelihood of a firm engaging in R&D increased with firm size, with 17 percent of firms with 100+ employees undertaking R&D.

Figure 54. BOS Data – Engagement in Research and Development by Employee Size Group (August 2009 & 2010)

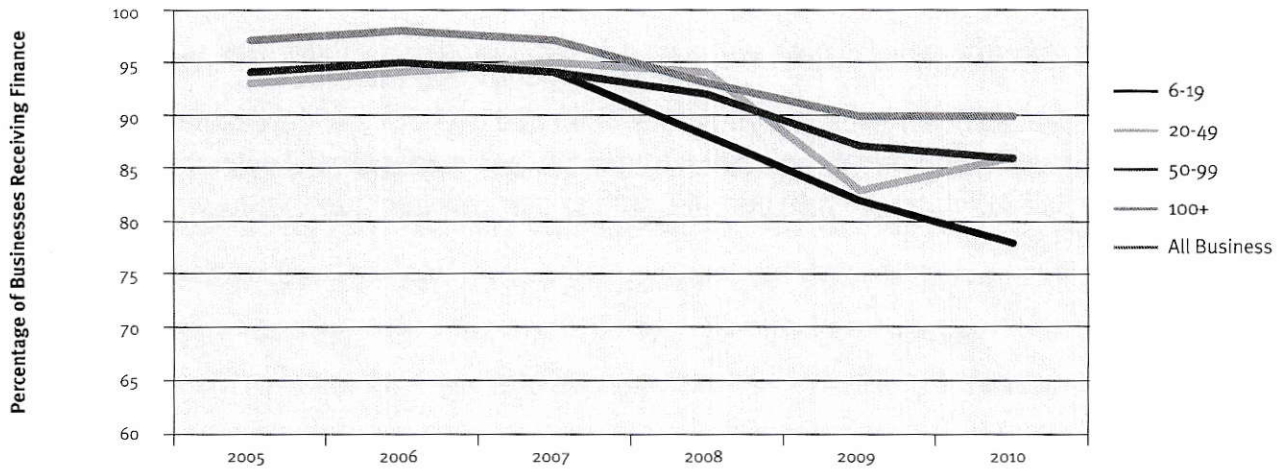


Access to finance on acceptable terms has decreased between 2005 and 2010.

The BOS captures annual information on the proportion of firms seeking and obtaining debt and equity finance on acceptable terms. This data can provide useful information about firm growth and financial market development.

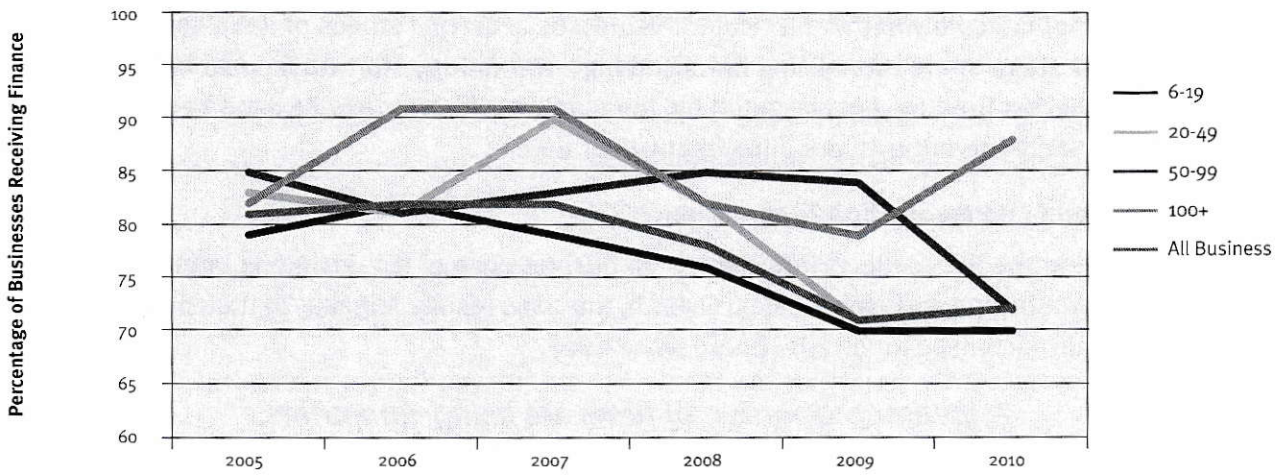
Overall, 27 percent of firms sought debt financing in 2010, down one percentage point on 2009. The proportion of those firms that reported that they were able to access debt finance on acceptable terms fell to 80 percent, down from 83 percent in 2009 and well below the 94 percent in 2007. This decrease was particularly noticeable for small (6-19 employees) firms, which dropped to 78 percent in 2010 from 82 percent in 2009 and 94 percent in 2007.

Figure 55. BOS Data – Finance Available on Acceptable Terms – Debt (August 2005-2010)



Twelve percent of all respondents sought equity finance in 2010, up from 11 percent in 2009 but down from 13 percent in 2007. The overall percentage of firms who received equity finance on acceptable firms also slightly increased in 2010 to 72 percent, up from 71 percent in 2009 but still well down on the 82 percent in 2007.

Figure 56. BOS Data – Finance Available on Acceptable Terms – Equity (August 2005-2010)



An increasing percentage of SMEs received none or only some of the debt finance they requested.

Between 2009 and 2010 the same percentage of firms within most employee size groups received none or only some of the debt finance requested. However, the 6-19 employee size group showed a significant increase from 4 percent in 2009 to 7 percent in 2010.

Figure 57. BOS Data – Businesses that Received Some or None of the Debt Finance Requested (August 2009 & 2010)

The survey results indicate that while more businesses reported difficulty in obtaining finance on acceptable terms, most businesses can still obtain the finance they seek. However, the survey does not shed any light on whether firms that could not obtain finance on acceptable terms were being 'rightly' denied because of inadequacies in their business case, or 'wrongly' denied because sources of finance lacked information, lacked liquidity or were excessively risk averse.

Also, it does not indicate whether particular businesses at certain stages of development (for example early-stage internationalising firms and high-technology start-ups) could not obtain finance, or whether funding gaps targeted by, for example, the two New Zealand Venture Investment Fund interventions, are diminishing over time.[29]

Information and Communication Technology (ICT)

Every other year the BOS collects information on business use of ICT, including internet use, broadband penetration and online sales. Overall, the 2010 results suggest that business use of the internet has increased across the board since 2008.

A greater proportion of firms are using computers, the internet and broadband.

The 2010 survey indicated high rates of business use of the internet (96 percent) and the percentage of firms relying upon dial-up connections fell from 15 percent in 2008 to 8 percent in 2010.

Table 12. BOS Data – Internet Access by Firm Size and Industry – Percentage of Businesses (August 2010)

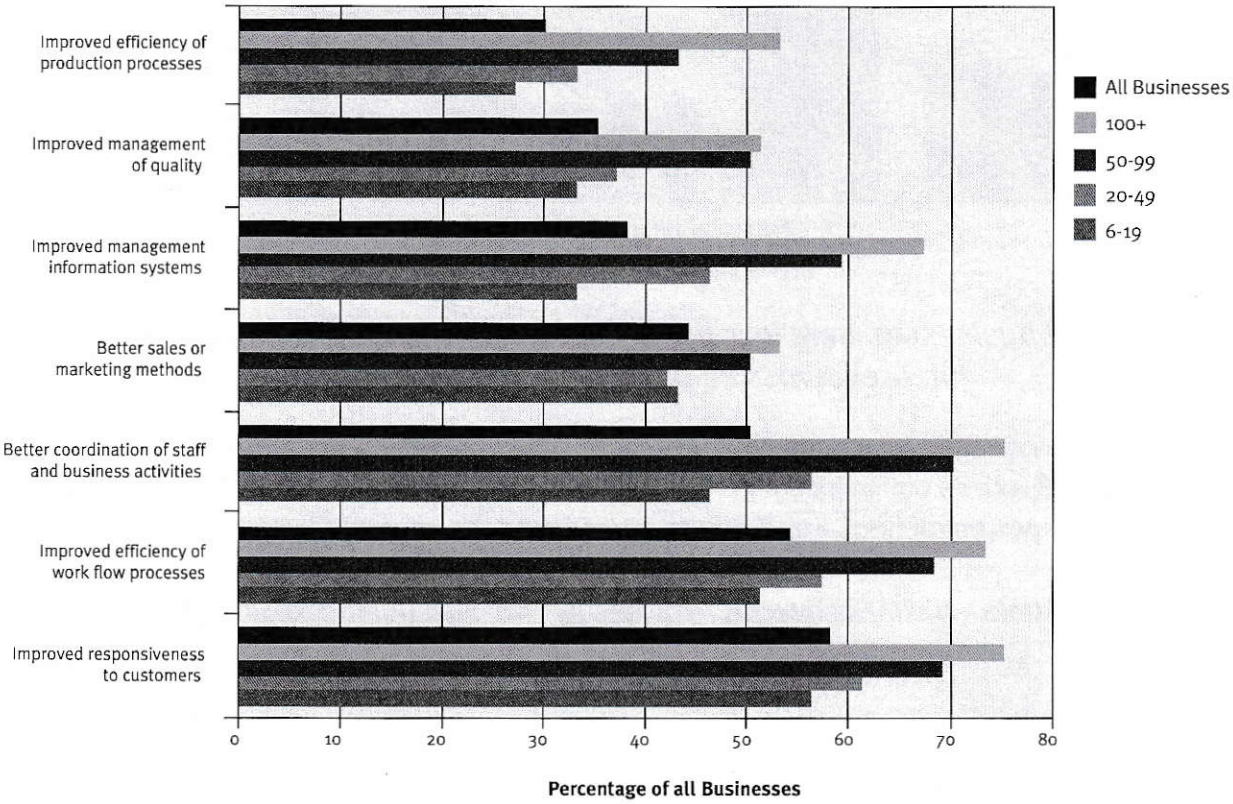
	Businesses using the Internet	Internet connection type						
		Dial-up	Broadband types					
Firm size			DSL	Cellular(2)	Wireless	Fibre	Cable	Satellite
6-19	96	8	79	22	20	6	4	3
20-49	97	9	81	30	20	11	4	3
50-99	99	13	77	41	22	25	7	2
100+	99	18	77	53	23	39	12	4
Selected Industries								
Manufacturing	98	9	83	23	17	8	5	3
Agriculture, Forestry and Fishing	87	13	61	18	26	3	0	20
Wholesale Trade	97	8	82	38	20	17	5	0
Professional, Scientific & Technical Services	99	9	78	36	16	19	9	1
Retail Trade	98	7	88	19	18	3	2	0
All Firms	96	9	79	25	20	9	5	3

29 See http://www.nzvif.com for more information on these interventions – the Venture Investment Fund and Seed Co-Investment Fund.

Using ICT improved business efficiency and responsiveness.

Businesses were most likely to report that ICT improved their responsiveness to customers (58 percent) and the efficiency of workflow processes (54 percent). ICT was slightly less likely to impact upon small businesses, with 56 percent of firms with 6-19 employees reporting better responsiveness to customers compared to 75 percent of businesses with 100+ employees.

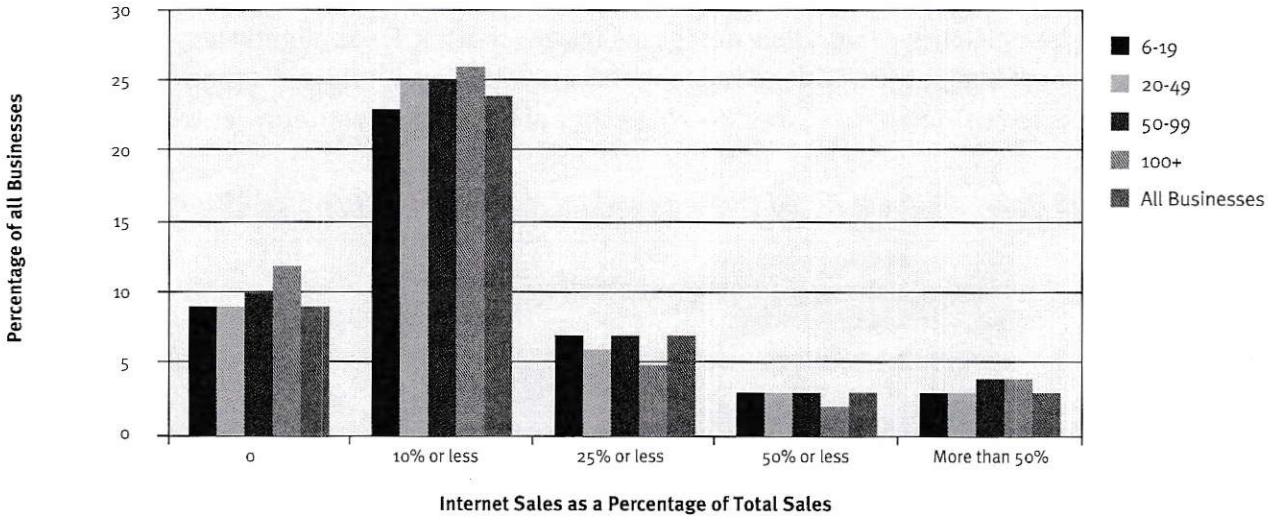
Figure 58. BOS Data – Highest Rated Outcomes of Internet Use by Firm Size (August 2010)



Most firms reported that internet sales represented 10 percent or less of their total sales.

Thirty-one percent of all firms recorded that they undertook internet sales; they also reported that internet sales contributed 10 percent or less to their total sales. Only 3 percent recorded more than 50 percent of their sales from the internet.

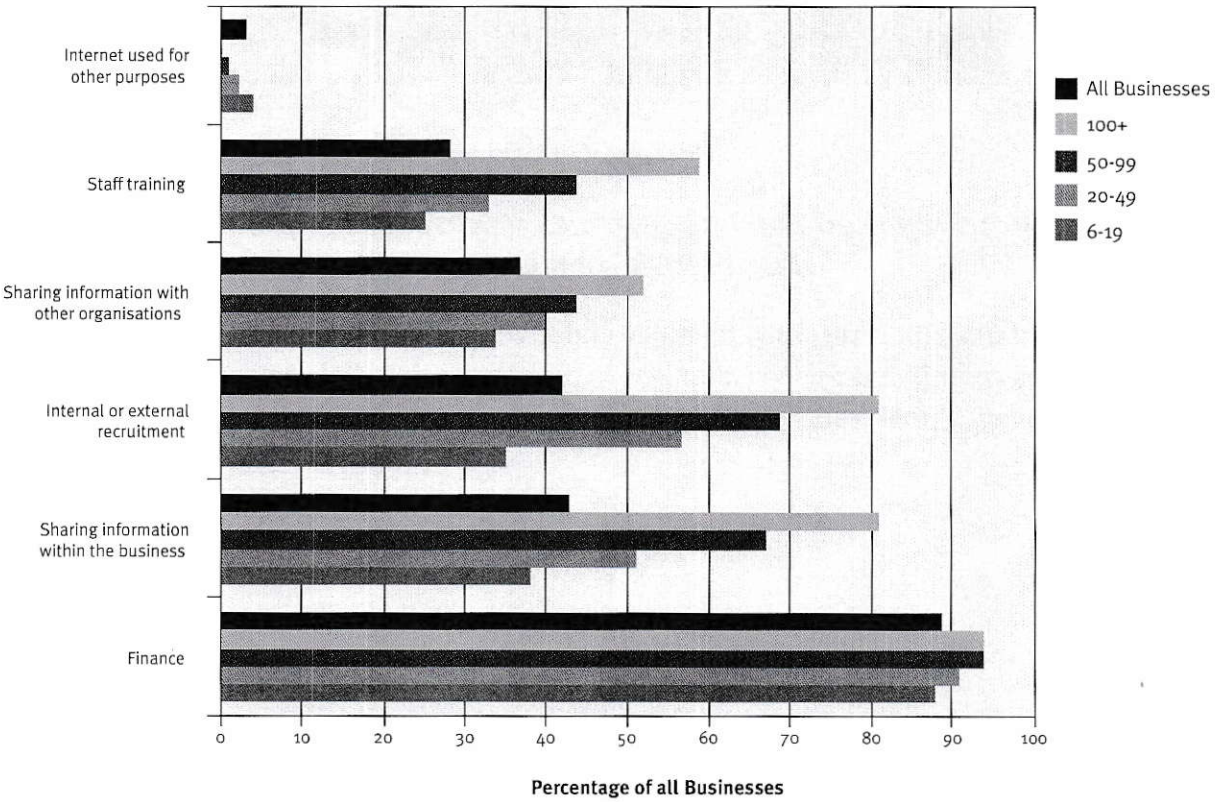
Figure 59. BOS Data – Internet Sales as a Percentage of Total Sales by Firm Size (August 2010)



Small businesses were less likely than larger businesses to use the internet across all business-related activities.

The internet may be used for a number of business-related purposes. The most common use was for finance (such as online banking, invoicing or making payments). Eighty-nine percent of all firms and 88 percent of firms with 6-19 employees used the internet for these purposes.

Figure 60. BOS Data – Business Internet Activities by Firm Size (August 2010)



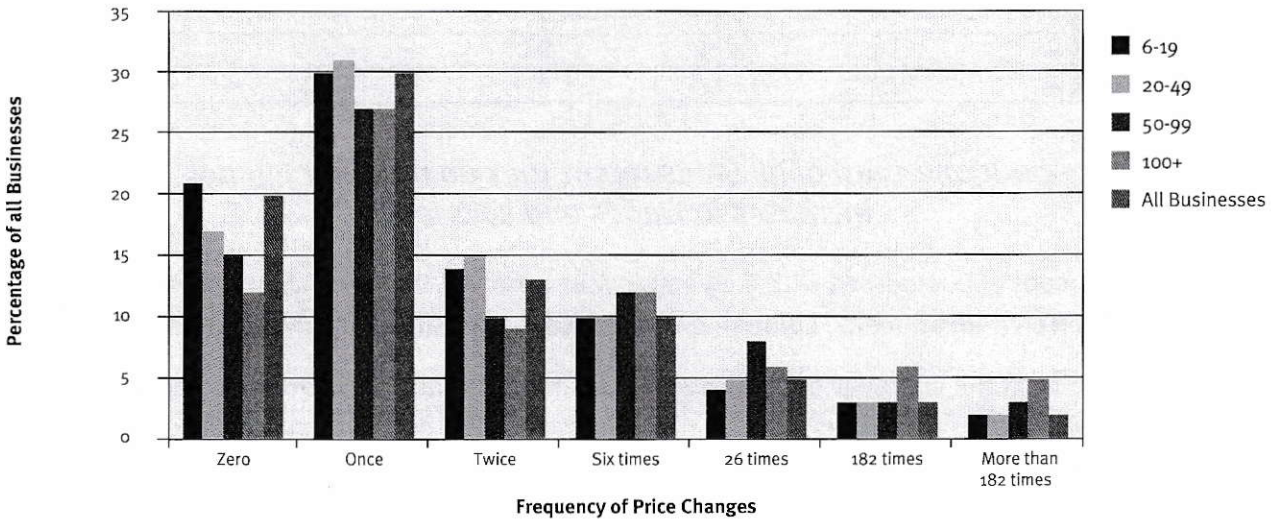
Price and Wage Setting

The 2010 BOS collected data on how businesses set prices and wages. These data have not been collected by the survey in previous years.

Larger firms change prices more frequently than SMEs.

Thirty percent of surveyed businesses with 6-19 employees reported that they changed their prices once a year, and a further 21 percent did not change their prices every year. In contrast only 12 percent of businesses with 100+ employees reported that they did not change their prices every year, and 27 percent changed their prices once a year.

Figure 61. BOS Data – Frequency of Price Changes per Year by Firm Size (August 2010)



The most common factor determining entry wages was comparisons with wages or salaries of similar employees within the same business.

Fifty-one percent of respondents indicated that entry wages were determined by the wages or salaries of similar employees within the business. Interestingly, only 19 percent indicated that entry wages were set by comparisons to similar employees in other businesses. As enterprise size gets larger a greater emphasis is given to collective pay agreements.

Table 13. BOS Data – Factors that Determine Entry Wages or Salaries (August 2010)

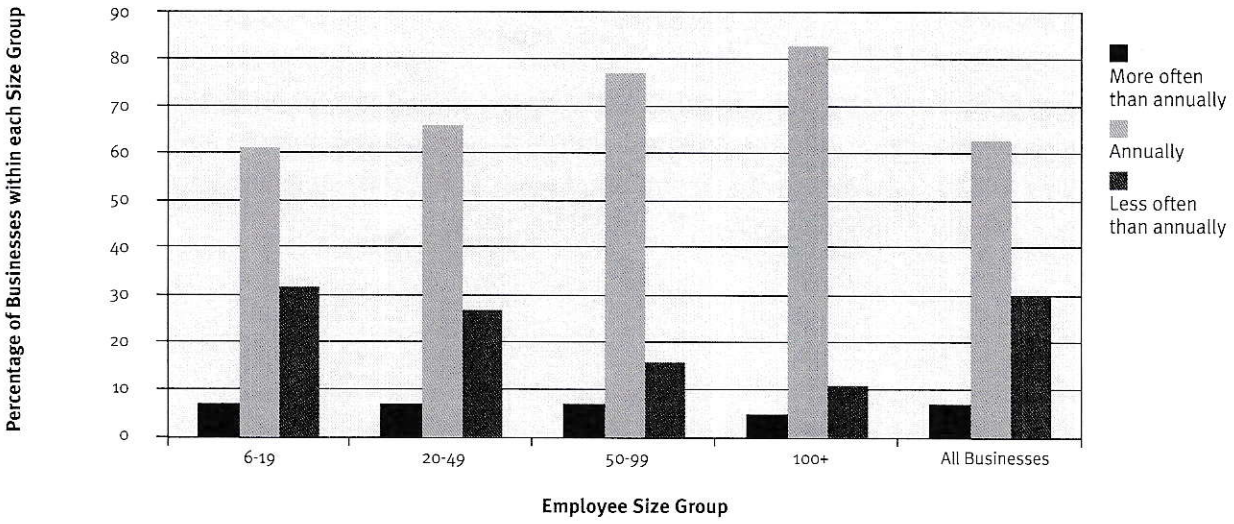
Firm size	Wages or salaries of similar employees within this business	Wages or salaries of similar employees outside this business	Minimum wage rates	Availability of similar workers in the labour market	Other	Collective pay agreement
6-19	51	19	17	10	7	2
20-49	54	18	17	11	3	4
50-99	56	15	14	9	2	9
100+	43	19	13	11	2	17
Selected Industries						
Manufacturing	58	12	14	10	5	6
Agriculture, Forestry and Fishing	44	24	19	9	10	3
Wholesale Trade	55	28	7	13	3	1
Professional, Scientific & Technical Services	50	39	3	12	4	0
Retail Trade	50	14	27	6	8	2
All Firms	51	19	16	10	6	3

About one-third of all SMEs report they do not offer annual increases in wages and salaries.

Thirty-two percent of businesses with 6-19 employees reported that they changed wages or salaries less often than annually, compared to 11 percent of businesses with 100+ employees.

Most businesses in the survey changed wages and salaries annually (63 percent). However, this percentage was larger for businesses with 100+ employees (83 percent) and smallest for those with 6-19 employees (61 percent).

Figure 62. BOS Data – Frequency of Wage or Salary Changes per Year by Firm Size (August 2010)



Part 4: Appendices

Appendix 1: Index of Key Figures and Tables Relating to SMEs' Performance During the 2008/2009 Recession

Many of the tables and graphs in this report help to paint a picture of the performance of SMEs during the 2008/09 recession. They key graphs are listed below:

- Figure 6 shows that the number of people employed in every employee size group has reduced since the start of the global financial crisis.
- Figure 27 shows that for the first time since 2001 there were more enterprise deaths than births.
- Figure 28 shows that if zero-employee firms are removed there are more births than deaths.
- Figure 30 shows that 2009 and 2010 were the only times in the last decade that there was a reduction in the number of all employing enterprises.
- Figures 46-50 show that the proportion of high-growth enterprises has dropped during the recession.
- Figures 52-54 show that the recession has affected the percentage of businesses with export sales, but has had little impact on the percentage of businesses investing in expansion or engaging in research.
- Figures 55 and 56 show that finance has become increasingly difficult to access on acceptable terms, although most requesting it are still able to access finance on acceptable terms.

Appendix 2: Technical Details on Databases

Business Demography Statistics

The business demography statistics used in this publication are based on the LBF. They provide an annual snapshot (as at February 2011) of the structure and characteristics of New Zealand businesses. The series covers economically significant individual, private sector and public sector enterprises that are engaged in the production of goods and services in New Zealand. This generally includes all enterprises with GST turnover greater than $30,000 per year.

The LBF contains data from two main sources: Statistics NZ's BF, and payroll tax records drawn from LEED. Of these, the BF is the main source, as it covers businesses that are registered with Inland Revenue and meet the criteria for economic significance (described in the 'Businesses covered' section below). All economically significant enterprises and their attributes such as industry or region are registered in both the BF and LBF.

The main difference between the two is that the BF shows only the latest available data on businesses, while the LBF records their attributes over time. The main function of the BF is to provide an accurate and timely population source for economic and financial surveys, so that robust economic and financial statistics can be produced. The BF is maintained using

administrative data from Inland Revenue, such as GST registrations and Employee Monthly Schedule (EMS) returns (IR348 form), Companies Office information, as well as Statistics NZ survey information.

The LBF is a more statistically robust data source for business demography in terms of its maintenance and the enterprises covered, providing a rich panel dataset of monthly information on all active business units. It holds historical data back to April 1999 and is updated monthly. It facilitates the creation of a consistent time series for business demography from 2000 without methodological breaks, and allows for updates of previously published data.

Businesses Covered

Businesses covered by the business demography statistics must meet at least one of the following criteria:

- annual GST expenses or sales of more than $30,000
- RME count of greater than three
- in a GST-exempt industry (except residential property leasing and rental)
- part of a group of enterprises
- a new GST registration that is compulsory, special or forced
- registered for GST and involved in agriculture or forestry.

At February 2010, there were 470,346 economically significant enterprises on the LBF. They were estimated to represent 99 percent of all GST sales. All non-trading and dormant companies, as well as companies outside of New Zealand, are excluded from business demography statistics.

All GST registered enterprises recorded on Inland Revenue's client registration file are continually monitored to determine whether they meet the 'economic significance' requirements for inclusion. A buffer zone of $25,000 to $35,000 has been established to prevent enterprises switching repeatedly in and out of the economic significance group. The enterprises maintained on the BF represent the target population from which Statistics NZ's economic surveys are selected.

Limitations of Business Demography Data

The limitations of the business demography data are outlined below.

- Non-coverage of 'small' enterprises that fall below the economic significance criteria.
- Lags in recording business births and deaths.
- Difficulties in maintaining industrial and business classifications for smaller firms (that are primarily maintained using administrative data).
- The business demographic statistics on the number of business births, deaths and continuing business rely on a variety of data sources to identify a continuing business. For example, these statistics identify businesses that undergo a change of legal ownership and restructuring in administrative data sources, as well as genuine business start-ups and closures. These data sources are not comprehensive and are of lower quality for small,

non-employing businesses. When businesses register for GST and are added (or 'birthed') onto the BF, they are given a new reference number. Company restructuring and changes of ownership can result in a new GST registration being filed, even though it relates to an existing business. Both the BF and the LBF have procedures in place to identify links between new and existing businesses, but there is no guarantee that a link will be identified. Therefore, caution is required in the interpretation and use of these statistics.

- Non-availability of overseas ownership information for all the units on the BF.
- Fine-level regional and industry business demography data needs to be used with caution. The BF, which is the main source of data for the business demography series, is designed to support quality national level statistics. It is not designed to provide quality fine level regional or industry statistics. Particularly for small and medium-sized businesses, the BF update sources can have timing lags and less robust information. These quality weaknesses can be highlighted in fine-level business demography statistics.

Data Quality

Care has been taken in surveying, processing, analysing and extracting the data for business demographic statistics. However, all data are subject to statistical uncertainty. Variation may result, for example, from reporting difficulties for respondents or from mistakes in the processing of results. Statistics NZ aims to detect and minimise avoidable variation and eliminate mistakes, but they may still occur and are not quantifiable. At higher levels of aggregation, much of the individual variability cancels out. Business demography data is checked at an aggregate level, by industry, institutional sector and region, to find any detectable errors and uncertainty. Where possible, affected figures are corrected or re-estimated. Business demography data may therefore be subject to revision.

ANZSIC

This report uses ANZSIC 2006. Statistics NZ and the Australian Bureau of Statistics developed ANZSIC in the 1990s to reflect Australia and New Zealand's industrial structure and to improve comparability with other countries' statistics. ANZSIC 2006 updates the 1993 and 1996 versions. The major change to ANZSIC 2006, when compared to ANZSIC 1996, is that ANZSIC 2006 identifies 19 separate divisions, while ANZSIC 1996 only identified 17. The additions to ANZSIC 2006 come from the creation of a new Information Media and Telecommunications division (Division J) and splitting the Property and Business Services division into three new divisions. Structure and Dynamics referred to ANZSIC 1996 prior to 2009.

Provisional Data

The business demography data in this publication are released provisionally to allow the most recent updates to be included. It is expected the largest revisions will occur in the most recent reference periods, with smaller changes earlier in the time series. This is mainly due to the delays associated with the processing of administrative data, which is a key component of the Statistics NZ BF maintenance strategy.

The Statistics NZ AES data provided for 2009 are provisional only and may be revised.

LEED statistics are published 12 months after the reference quarter. The statistics are then revised with updates from Inland Revenue for an additional two quarters. Updates after this stage have an immaterial impact on the statistics. Therefore, 18 months after the reference quarter, the data are considered final and subsequent updates from Inland Revenue are ignored.

Appendix 3: Terms and Definitions

All terms as used in the document refer to New Zealand, unless otherwise specified.

ANZSIC 2006

Australian and New Zealand Standard Industrial Classification 2006. A geographic unit (each individual physical business location) is assigned to an ANZSIC category according to the main activity in which it is engaged. The Enterprise ANZSIC is derived from the ANZSIC and employment levels of the geographic unit(s) belonging to that enterprise.

Business Demography Dataset

Data on the structure and characteristics of businesses in New Zealand. Business characteristics available include region, industry, institutional sector, business type, degree of overseas ownership and employment levels.

Business Frame (BF)

The BF is a 'live' list of the individual, private and public sector businesses and organisations that are engaged in the production of goods and services in New Zealand.

Employee count

Head count of salary and wage earners sourced from taxation data. Employee count data are available on a monthly basis. The employee count used for the derivation of business demography statistics is for the February month.

Enterprise

A business 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.

Geographic unit

A separate operating unit engaged in one, or mainly one, kind of economic activity from a single physical location or base.

Longitudinal Business Frame (LBF)

The LBF was built by unwinding the history of the BF back to 1999. It shows how attributes of enterprises and geographic units change over time and attempts to repair broken longitudinal links between enterprises. Longitudinal links are broken when a business changes its unique identifier due to change in legal structure, restructuring, or being sold as a going concern.

Rolling Mean Employment (RME)

A 12-month moving average of the monthly employee count figure.

Small and Medium-sized Enterprises (SME)

In this report, a SME is defined as an enterprise with an employee count of 19 or fewer.

Value-added

A measure of the contribution to total output by enterprises in the economy. Value-added is calculated as gross output minus intermediate consumption and serves as a proxy measure of GDP.

Working-proprietor

Either a sole-proprietor or partner who is engaged actively in the business, or a shareholder in a limited liability company actively engaged in its management.

Part 5: List of Figures and Tables

Figures

Tables

New Zealand Government