



BANKWEST CURTIN ECONOMICS CENTRE

THE ENGINE ROOM FOR GROWTH?

The Role, Performance and Future Prospects of
Small Business in Western Australia

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About the Centre

The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within the Curtin Business School at Curtin University. The Centre was established in 2012 through the generous support of Bankwest (a division of the Commonwealth Bank of Australia), with a core mission to examine the key economic and social policy issues that contribute to the sustainability of Western Australia and the wellbeing of WA households.

The Bankwest Curtin Economics Centre is the first research organisation of its kind in Western Australia, and draws great strength and credibility from its partnership with Bankwest, Curtin University and the Western Australian government.

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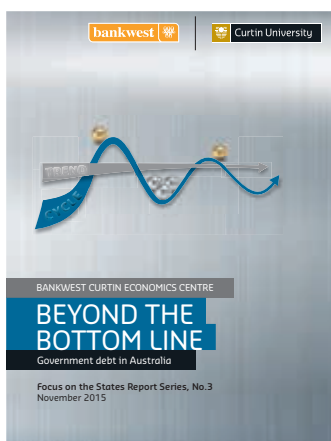
BCEC report series



Focus on Western Australia

This series presents a West Australia centric approach at analysing global events and domestic policy issues

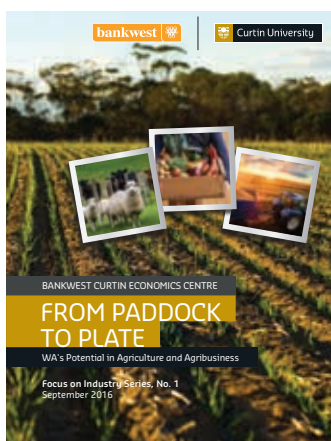
First release 2014



Focus on the States

This series presents a critical comparison of topical issues between the states and territories of Australia

First release 2014



Focus on Industry

This series examines trends in important industries and sectors within the context of the West Australian economy

First release 2016

Foreword



The 2015 Federal Budget referred to small businesses as the ‘engine room’ of the economy. Australia’s changing economic landscape means that Governments are placing greater emphasis on the important role of small businesses for growth and employment. This is not unique to Australia, with small firms seen as the driving force of growth across many of the developed OECD nations.

This report examines the history of WA’s small business sector, its current contribution to the WA economy, and the future prospects for small businesses in the state.

We ask if small businesses are in fact the engine room for growth in WA, by looking at their value added and employment contribution to the economy. The factors contributing to and impacting on their survival, growth and succession are addressed.

Key findings are supported by the BCEC Small Business Survey 2017. With 1,500 small businesses surveyed, this new dataset ensures that the diverse nature of the small business sector in WA, at both a regional and industry level, are adequately captured and represented.

The BCEC Small Business Survey 2017 emerges on the back of BCEC’s sincerity in developing a new kind of research partnership - one where stakeholders are engaged at all stages of the research process.

During our engagement with key stakeholders, it was evident that there were gaps in existing data on the small business sector. The BCEC Small Business Survey enables us to comment, with confidence, on the success of small businesses in WA, and their level of competition, innovation and the regulatory burdens they face. In addition, the survey captures the characteristics of small business owners in WA, including their health and wellbeing, lifestyle choices and succession plans.

We value highly the engagement from the small business community in developing this report. It is hoped that, through this engagement, the report’s findings will inform policy debates and service delivery to support the growth of WA’s engine room.

A handwritten signature in black ink, appearing to read 'Alan Duncan', with a stylized flourish at the end.

Professor Alan Duncan

Director, Bankwest Curtin Economics Centre
Curtin Business School, Curtin University

Executive summary

The small business sector is critical to the Australian and Western Australian economies. Key findings from the research conducted for this report show that the small business sector accounts for 97% of all businesses in the state, has a value added contribution of \$39.7 billion, and accounts for 41% (512,000 persons) of WA's overall employment. Over three quarters of small businesses are based in Perth, with the remaining 53,470 distributed among the regions. These along with other key findings from the report, including key findings from the *BCEC Small Business Survey 2017* are presented below.

Key findings: Evolution and current state of small business in WA

Number of small businesses in WA

- As of June 2016, there were 224,920 businesses in WA, of which 97% (218,150) were small businesses (0 to 19 employees).
- In 2013, the number of small businesses in WA stood at 209,070. Therefore, between 2013 and 2016, the number of small businesses in WA increased by 7.6%. This growth corresponds with a 4.5% decline in the number of medium sized businesses from 2014 (6,716) to 2016 (6,428).
- WA did experience a 3.5% decline in the number of small businesses between 2011 (216,600) and 2013 (209,070). However, this corresponds with a 9% growth in the number of medium sized businesses between 2011 (5,925) and 2013 (6,505). This suggests that some small businesses may have experienced growth and increased employment above 19 employees.
- 62% (140,055) of all businesses in WA are non-employing. The remaining 38% is distributed as follows:
 - 25% (56,400) employed between 1 to 4 employees
 - 10% (21,695) employed between 5 to 19 employees
 - 3% (6,428) employed between 20 to 199 employees
 - less than 1% (413) employed more than 200 employees.

- There are 83.4 small businesses per thousand of the population in WA. This compares to 91.9 for NSW.

Small businesses in the regions

- The Perth metropolitan region accounts for the vast majority of small businesses in WA (75.4%). This is followed by the South West (6.9%), Wheatbelt (4.4%), Peel (3.7%) and Great Southern (3.1%).
- 16% of all businesses in the Gascoyne have between 5 to 19 employees. This compares to 9% for Perth.
- Agriculture accounts for 24% of all small businesses in WA's regions.
- For Perth, 13.8% of small businesses are in Professional, scientific and technical services. This is 6.1% for the regions as a whole.

Industry distribution of small businesses

- The Construction industry hosts the greatest number of small businesses in WA (41,500), accounting for 19% of small businesses.
- This is followed by Professional, scientific and technical services (11.9%), Rental, hiring and real estate services (10.9%), Financial and insurance services (9.3%) and Agriculture, forestry and fishing (7.6%).

- Accommodation and food services account for the greatest number of medium sized (20 to 199 employees) businesses (15.1%), followed by Retail trade (11.6%), Construction (11.0%) and Manufacturing (10.0%).
- Large businesses (200+ employees) are dominated by the Mining industry (16.9%), followed by Construction (15%), Administrative and support services (10.7%) and Manufacturing (9.9%).

Value added contributions to the economy

- Small business contributed \$39.7bn to the WA economy in 2014-15. This accounts for 19.7% of WA's Gross State Product (GSP).
- At the Australian level, small businesses contributed \$302.5bn to the economy in 2014-15.
- If the small business sector in WA was considered as an industry in of itself, it would rank second only to Mining (\$64,375m) in terms of Industry Gross Value Added.
- Of the \$39.7bn, the Construction industry contributed 23.4%, followed by Mining (10.1%), Professional, scientific and technical services (9.6%) and Agriculture, forestry and fishing (8.0%).
- Small businesses accounted for 23% of total wages and salaries in WA in 2014-15.

Employment

- For Australia (2015), over 4.76 million people are employed by the small business sector. This accounts for almost 45% of total employment in Australia.

- This figure is lower than that reported in 2006-07, when almost 5 million workers were employed by small businesses in Australia (52.6% of total employment).
- While employment by the small business sector in Australia declined by 4.5% between 2006-07 and 2014-15, employment by medium and large businesses increased by 33% and 29%, respectively, over the same period.
- However, in the year 2014-15, employment by the small business sector in Australia increased by 4%. This was coupled with declines in employment by medium sized enterprises.
- There are over 1.24 million people employed in the private sector in WA. Of this, 512,000 people (41%) are employed in small businesses. 304,000 (25%) are employed in medium businesses, with 425,000 (34%) employed in large businesses.
- For WA, employment by the small business sector declined by 14.1% in 2008-09. This coincided with the GFC period. However, the same year saw increases in employment for medium (9.0%) and large (12.2%) enterprises.
- Employment by the small business sector in WA declined by 2.8% in the year to 2013-14, but there was no change to 2014-15. This indicates a possible stabilisation for the small business sector in WA. Employment by the medium and large sectors continued to decline in 2014-15.

- While overall employment for the Construction sector declined by 8.1% between 2012-13 and 2014-15, small businesses in construction increased employment by 10%.

Entries, exits and growth ‘hotspots’

- For WA, only 54.3% of new small business entries in WA in 2013-14 survived to 2016.
- For Education and training only 48% of new entrants in 2013-14 survived to 2016. For Construction, this figure was 51%.
- This compares to 71.5% survival for Financial and insurance services and 67.9% for Health care and social assistance.
- There are a number of ‘hotspots’ in terms of the growth in the number of small businesses in WA. For example, Jandakot experienced growth of 35% in the number of small businesses per 1,000 of the population between 2011 and 2016 following approval of a \$60 million master plan to transform it into a commercial and industrial precinct.
- Nine regions (SA2 level) in WA had growth levels from 5% to 10% between 2011 and 2016 (per 1000 of the population).
- However, WA only features once (Jandakot) in the top 30 growth regions (SA2 level) between 2011 and 2016 for Australia.
- The number of small businesses per 1,000 population in Perth declined by 24.6% between 2011 and 2016. The decline for Perth was particularly evident in the Financial and insurance services industry.

Innovation

- Since 2006-07, Australian small businesses have shown a steady increase in innovation activity.
- For Australia, a lack of skilled persons is the most reported barrier to innovation.
- For small businesses in Australia employing between 0 to 4 employees, lack of access to additional funds is reported as a significant barrier to innovation.
- For businesses with 5 to 19 employees in Australia, the share of Research and Development (R&D) expenditure by Mining businesses peaked in 2008-09.
- Businesses with 5 to 19 employees are just as likely to receive online orders as those businesses employing between 20 to 199 employees.

Key findings:

BCEC Small Business Survey 2017

Community contribution

- Over 55% of businesses surveyed in Perth were established over 20 years ago. This figure is over 70% for the Wheatbelt and Great Southern.
- 20% of small businesses surveyed were passed down from family. Inter-generational succession is particularly evident in the regions, with a figure of over 36% for the Mid West and Wheatbelt.

Health of the business

- On a scale between 0 and 10, on average, small business owners reported a positive (6.5) current position/health for their business.
- This current position was strongest for small businesses in Education and training (7.7), followed by Financial and insurance services (7.3) and Health care and social assistance (7.2).
- It was lowest for Mining (4.7), Information media and telecommunications (5.4) and Utilities (5.6).
- Overall, 73% of small business owners intend to maintain their current full-time equivalent (FTE) staffing levels within the next twelve months.
- 20.6% of businesses intend to increase their FTE staffing level over the next twelve months, compared to 5.8% that intend to decrease their staffing level.

Competition and competitive advantage

- Over 60% of respondents from Perth reported very intense levels of competition. This compares to 51% of respondents reporting a similar level of competition for WA as a whole.
- The industries reporting the highest level of competition were Construction, Wholesale trade, and Financial and insurance services.

- Quality of product, level of service and location were the three main sources of small business competitive advantage.

Key markets

- Around 37% of Perth's small businesses sell entirely within their own region, with a further 37% limiting sales to within WA.
- Fewer than one in ten small businesses in WA export products and services to international markets.
- Small businesses in Perth export only 2.4% of their product internationally, and regional small businesses 4.2%.
- The majority destination for exporting small businesses is Asia, taking 37.1% of all export sales.
- Goldfields-Esperance and the Mid West have the highest shares of small business sales to international markets, at 16.7% and 15.6% respectively.
- A quarter of the sales of small businesses in the Accommodation and food services sector (25.0%), and one fifth (20.5%) of agricultural small business sales are to international markets.

Resourcing for growth

- Over one-fifth of small businesses that supply to larger businesses experience payment delays of 30 days or more.
- Lack of knowledge on the availability of government funding and support is by far the largest gap reported by small business owners to support their business growth.
- This gap was largest for Construction, Manufacturing, and Professional services.
- The activities that small businesses are most likely to outsource, irrespective of business size, relate to IT, communication, website services or social media.

Adopt, adapt and diversify

- Innovation activity is more likely in small businesses with 15 or more employees.
- The main source of innovative ideas is one's own ideas, most notably for businesses with less than 10 employees.
- Industry associations are important for small businesses of all sizes as a source of ideas for innovation.
- By contrast, government departments and university research feature less prominently as avenues for innovative ideas.
- Females report a higher level of business related stress than males.
- Business related stress increases with the number of employees.
- Financial stress including unpredictable income and cash flow is the top driver of business stress.
- Business related stress has a more pronounced negative impact on relationships and health in regional WA.
- Access to GP, and health professionals, and access to family and friends is more difficult for small business owners in regional WA.

Barriers to growth

- Small businesses regard tax and Business Activity Statements as the most burdensome area of regulation and compliance.
- Licenses and occupational health and safety were also identified as areas of compliance burden for the respondents.

Health and wellbeing

- On a scale of 0 to 10, the average stress level of small businesses owners is 6.5.
- Perth lies on the state average. Small business owners in the Wheatbelt reported the highest level of stress (6.9).
- There is a positive association between owners stress and their rate of absenteeism at work.
- With the exception of the Mid West, more than 50% of small business owners in all regions reported a negative impact on their physical and mental wellbeing arising from work related stress. This was as high as 73% for the Pilbara.

Intentions to exit

- Over 30% of small business owners in WA intend exiting their business within the next five years. This is over 35% for the Pilbara and Kimberley.
- The main factor influencing this is age/retirement.
- 31% of survey respondents had an age profile of 60 years and above, with 63% having an age profile of 50 years and above. Only 13% of respondents had an age profile below 40 years of age.
- These point to an ageing profile of small business owners in WA, which has implications for succession planning and policy development to support this transition and to support the entry of new and younger people into small business ownership.

Introduction

"We know the hard working women and men of Australian small businesses are the engine room of our economy...There is no doubt small business is at the forefront of Australia's jobs and growth..."

The Commonwealth of Australia, Budget 2015: Growing Jobs and Small Business, p. 2.

The small business sector has been described as the 'engine room' of the Australian economy, driving growth, creating jobs and generating some of the best and most creative new ideas to enhance our productivity and innovation.

As of June 2016, small businesses account for around 97 per cent of all businesses in Western Australia. They contribute a staggering \$40 billion to the State's economy in direct value added alone, and employ over 41 per cent of WA's overall workforce. And yet these figures, impressive as they are, don't fully capture the great contributions of the small business sector to the State's economic trajectory. Neither do they recognise the critical role that small business owners play in supporting local communities, especially in regional areas.

Governments are placing greater emphasis on the important role that small businesses play in Australia's economic and social landscape, especially in the current climate of labour market fragility, slow productivity growth, and disruptive technologies. Indeed, the 2015 Australian Federal Budget referred to small businesses as the 'engine room' of the economy. Others express similar sentiments, with, for example, the Asian-Pacific Economic Cooperation (APEC) calling small and medium enterprises (SMEs) the 'engines of growth and innovation' in the APEC region (APEC, 2016).

This latest *Focus on Western Australia* report examines the recent trajectory of WA's small business sector, its current contribution to the WA economy, and the future prospects for small businesses in the State in a changing industrial landscape.

The report is supported by findings from an important new dataset collected by the Centre: the *BCEC Small Business Survey 2017*. This Survey collects information from 1,500 small businesses in Perth and across each of WA's diverse regions, and provides some unique perspectives on the life of the small business owner.

The Survey enriches our understanding of the opportunities and challenges faced by the sector and will help frame policy discussions aimed at supporting business owners and managers, as well as the sector as a whole, in the immediate years ahead. The data collected in this Survey go a long way towards bridging a gap in currently available information on the WA small business sector.

In addition to looking at the health and wellbeing of small business owners and managers, the report looks at the general characteristics of small business in WA, the characteristics of their owners and managers, and the current prosperity of the business. The report also examines the extent of innovative activity amongst small businesses in WA, the geographic markets they service, and the extent of regulation and compliance costs for the sector. We address the important issue of entrepreneurial exit and succession planning. We conclude by returning to the primary question of the report: Is small business the engine room of the WA economy?

This report is presented in two key parts. Part I uses existing publically and unpublished data to analyse the evolution of small business sector in WA. The overall level of employment in the sector is reported and we estimate the value added contribution of the small business sector in both WA and Australia. Part II focusses on key findings from the *BCEC Small Business Survey 2017*.

Through the use of existing and new data, this report aims to inform policy debates, policy development and service delivery to ensure that the engine room of the WA economy is adequately understood, fuelled, and serviced to enable its prosperity and growth.

Part I:

Evolution and Current State
of the Engine Room

Introduction:

About small business in WA

Part I of this report addresses a number of fundamental topics which go towards answering if small businesses, together with their owners and employees are the engine room of the WA economy. The number of small businesses in WA, as well as their distribution by industry and region are presented. The contribution of small business to WA employment as well as the value added contribution to the economy are outlined. Where relevant and feasible, WA trends are compared to other states and territories.

We report on the most recent data relating to entry and exit levels of small business in WA, and compare the survival rates of small business to that of medium and large businesses. We address the geographical areas that have seen the largest increase and decline in small business numbers, for Australia and WA.

Where data is not available at the state level, we present key issues facing the sector at a national level. This relates in particular to findings on levels of innovation and level of regulation and compliance faced by the small business community. Such findings are developed further in Part II of this report, via the *BCEC Small Business Survey 2017*.

Defining small businesses

For the purpose of this report, unless otherwise stated, small businesses are defined as those actively trading business employing between 0 and 19 employees. This is a standard definition used by the Australian Bureau of Statistics (ABS). The ABS considers micro-businesses as those businesses employing between 0 and 4 employees, with, in certain instances, 'non-employing' (or *nano*) businesses given their own sub-category.

The ABS defines medium businesses as those actively trading businesses with between 20 and 199 employees, with large businesses employing 200+ employees.

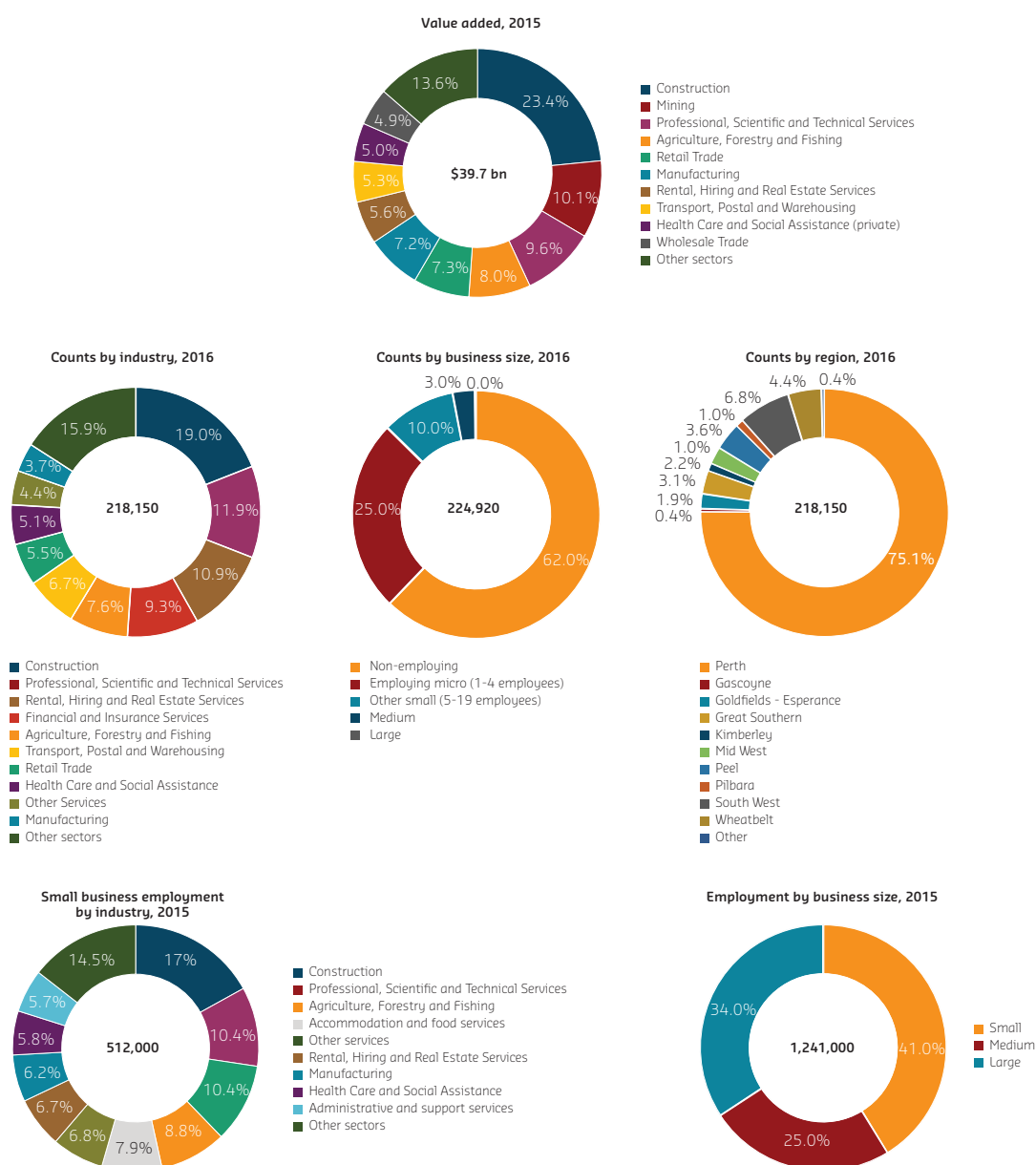
Due to differences in definitions used, it is not always easy to draw international comparisons between Australia and other developed economies. For example, many OECD and EU economies define small business as those employing between 1 and 50 employees, with the USA considering small business as those employing between 10 and 100 employees. This is an important consideration when comparing international policies aimed at supporting small businesses.

For Australia too, there is no one agreed definition of small business. The Australian Tax Office defines small businesses as those with an annual turnover of less than \$2 million dollars. Small businesses are sometimes defined by legal structure (unincorporated), individual loan size or even as a combination of employment size and turnover.

At a glance: Small business in WA

Figure 1 provides a snapshot of the contribution of the small business sector to the WA economy. There are 225,000 businesses in WA, of which 97 per cent are small businesses and 62 per cent are 'non-employing' nano businesses. By region, 75 per cent of all small businesses are based in Perth, with 6.9 per cent in the South West and 4.4 per cent in the Wheatbelt. The small business private sector contributes \$39.7 billion in value added, and employs around 512,000 of the State's workforce.

Figure 1 Small businesses in WA at a glance



Note: Overall totals rounded to nearest 10

Source: Bankwest Curtin Economics Centre | ABS cat no 5220.0, 8155.0, 8165.0 and BCEC analysis using unpublished ABS data

By industry, the Construction sector has the largest number of small businesses in WA (19%). This is followed by Professional, scientific and technical services (11.9%), Rental, hiring and real estate services (10.9%), Finance and insurance services (9.3%), and Agriculture, forestry and fishing (7.6%).

Small business contributed \$39.7 billion to the WA economy in 2014-15, with over 50 per cent of that coming from the top four industries, namely, Construction (\$9.30bn), Mining (\$3.99bn), Professional, scientific and technical services (\$3.80bn), and Agriculture, forestry and fishing (\$3.19bn).

Of the 1.24 million people employed in WA's private sector in 2015, 41 per cent (512,000) were employed by small businesses. This compares to 25 per cent (304,000) for medium enterprises and 34 per cent (425,000) for large businesses.

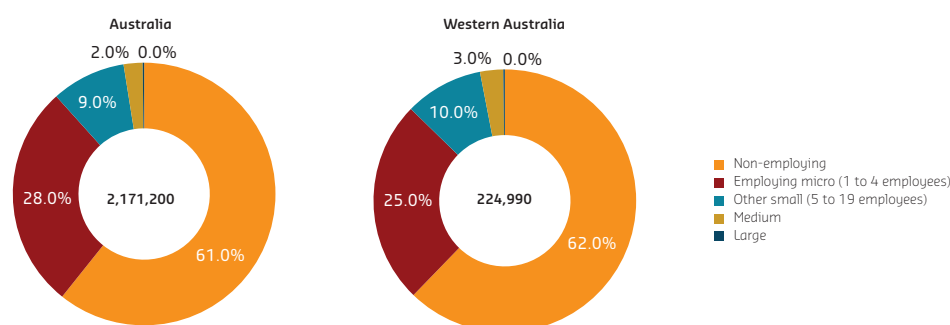
The largest contribution to small business employment comes from the Construction sector (86,870), followed by Retail trade (53,280), Professional, scientific and technical services (53,330), Agriculture forestry and fishing (44,890) and Accommodation and food services (40,440). Together, these five industries account for 54.5 per cent of all employment in the small business sector.

The nature and distribution of small businesses

Now that definitions have been established, this section examines the evolution of the small business sector in WA and the distribution of small businesses by industry. Overall, small businesses account for 97 per cent of all businesses in WA. Of the 225,000 businesses operating in WA, 62 per cent are non-employing, 25 per cent employ between 1 and 4 employees, with 10 per cent employing between 5 and 19 employees. Around 3 per cent of businesses in WA are considered to be medium sizes businesses – that is, employing between 20 and 199 employees. There are 413 businesses in WA that employ more than 200 employees. These patterns are very similar to those presented for Australia, as shown in Figure 2 with further details in Table 1 below.

Small businesses account for 97% of all businesses in WA.

Figure 2 Number of businesses in Australia and WA, by employment size, 2016



Note: Small businesses are defined as those businesses employing between 0-19 employees. Overall total rounded to nearest 10.
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Over 10.3 per cent of all small businesses in Australia are in WA. NSW has 33.5 per cent of all small business in Australia, with 26 per cent in Vic, 19.5 per cent in QLD and 6.6 per cent in SA. WA has a slightly larger proportion of businesses in the medium and large categories, relative to Australia as a whole. This implies that WA's share of all businesses in Australia is closer to 11 per cent, and in line with our share of the Australian population.

Of the 225,000 businesses in WA, over 218,000 are small businesses.

Table 1 Number of businesses in Australia, by employment size, all states, 2016

Number of employees	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Other	Australia
Small	709,990	556,620	414,510	140,980	218,150	36,000	13,630	25,340	1,390	2,116,620
Non-employing	425,920	351,050	261,040	94,000	140,050	22,120	8,260	14,850	1,280	1,318,570
Employing micro (1 to 4 employees)	219,540	156,260	112,760	33,520	56,400	9,610	3,490	7,710	100	599,390
Other small (5 to 19 employees)	64,530	49,310	40,710	13,460	21,700	4,270	1,890	2,780	10	198,660
Medium	15,810	12,700	10,210	3,260	6,430	1,000	670	740	10	50,810
Large	1,440	990	610	200	410	70	30	30	-	3,770
Total	727,360	569,990	425,820	144,480	224,920	37,020	14,300	26,240	1,410	2,171,530

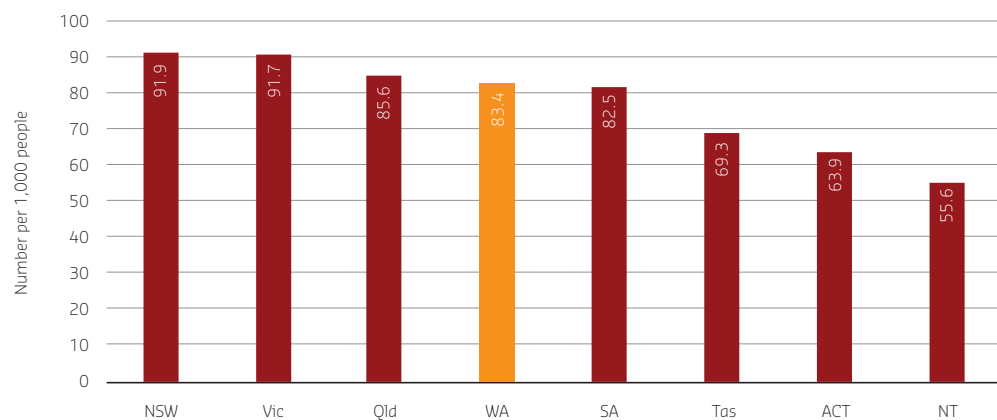
Note: As a result of ABS perturbation for areas with low level values the data presented at detailed levels will not always be additive. Data rounded to nearest 10.
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

62% of all businesses in WA are non-employing.

There are 83 small businesses per 1,000 people in WA. The equivalent for NSW is 92.

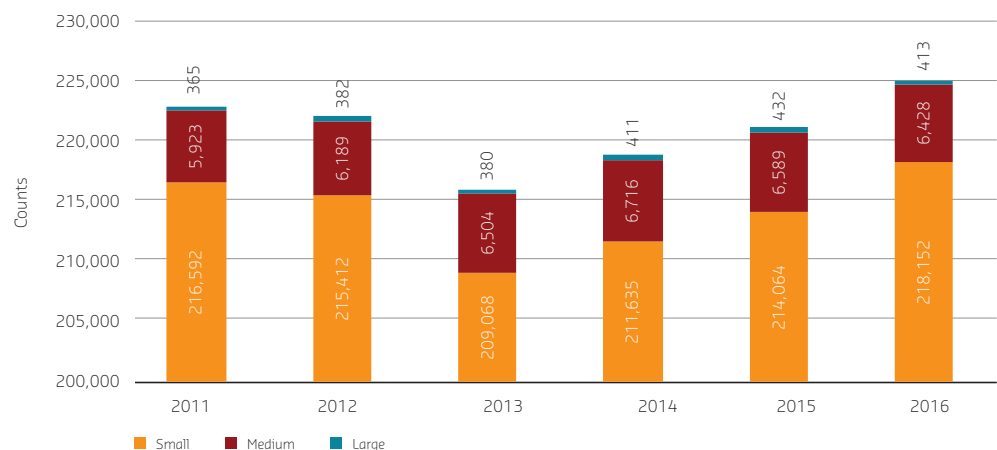
Given that more populous regions may well have a greater number of small businesses to cater for demand, Figure 3 charts the counts of small businesses per thousand of the state and territory population. There are 83.4 small businesses per thousand people in WA. This is lower than that of New South Wales (91.9), Victoria (91.7) and Queensland (85.6), but higher than South Australia (82.5) and other states and territories.

Figure 3 Number of small businesses in Australia per 1,000 population, 2016



Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016 and 3101.0, Sep 2016.

Figure 4 Number of businesses by type, WA, 2011 to 2016



Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0

There were 431 large businesses in WA in 2015-16, the greatest number of large businesses in WA over the period 2010 to 2016.

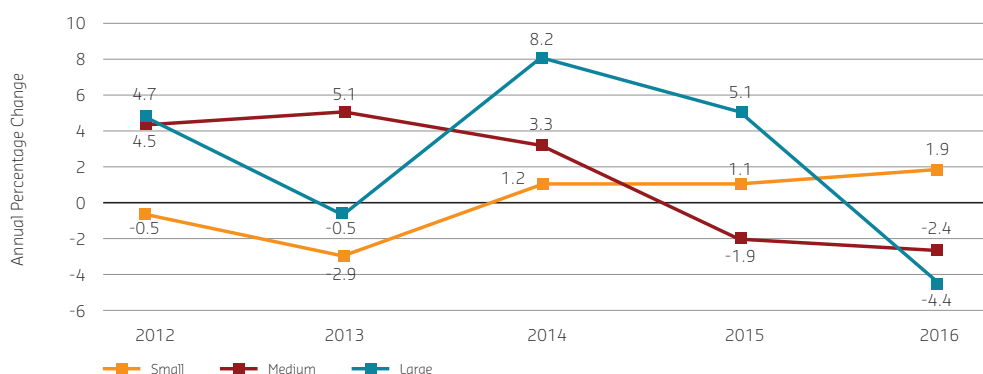
The total number of businesses in WA increased from 222,700 in 2010-11 to 225,020 in 2015-16, implying a 1 per cent increase over the period (see Figure 4). Over this period, small business numbers in WA increased by only 0.8 per cent (from 216,448 to 218,144). However, the number of medium sized businesses increased by over 9 per cent, with large businesses seeing an increase of almost 17.5 per cent (from 367 to 431). The latter was driven by the 10 per cent increase from 2010-11 to 2011-12 and by the 17.8 per cent increase in large business numbers from 2013-14 to 2014-15.

Small business numbers have continued to recover from the 2.9 per cent decline experienced in 2012-13 (see Figure 5). However, while the number of small businesses in WA have increased by 1.9 per cent in 2015-16, there has been a decrease in the number of medium sized businesses (2.4%) and the number of large businesses (4.4%). There was also a decline of (1.9%) in the number of medium sized businesses in 2014-15.

Therefore, net changes in the number of businesses by employment category size must be interpreted with caution, since any changes will be partially driven by expansions and/or contractions in other category sizes.

The number of large businesses in WA increased by 17.8% between 2013-14 and 2014-15, but declined by 3% in 2015-16.

Figure 5 Change in number of businesses in WA, by type, 2012 to 2016



Note: Data on business count are subject to revision and geographical recoding. The data sourced for this chart are obtained from several sets of ABS data. As such there may be discontinuities in the series trends.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, various.

Small business by annual turnover size

Defining small businesses by annual turnover leads to a lower count (10,000 lower) of small businesses in WA (see Table 2). Using this definition of small business, 26 per cent of small businesses in WA have an annual turnover of less than \$50,000, with 37 per cent of businesses having an annual turnover between \$50,000 and \$200,000, with a similar percentage for those small businesses with an annual turnover between \$200,000 and \$2 million.

Around 7.5 per cent of all businesses in WA have an annual turnover of \$2 million or more, which by this definition is considered a large business. This implies that WA has the highest proportion of large businesses as a share of all businesses, by annual turnover, of all the states and territories after the Northern Territory (with 9.7%). South Australia (at 6.0%) has the lowest number of large business by annual turnover size, with shares in other states ranging between 6.4 and 7.2 per cent.

For the remainder of this report, we define small businesses by employment size.

26% of small businesses in WA have an annual turnover of less than \$50k.

7.5% of all businesses in WA have an annual turnover of \$2m or more. This is the highest proportion of large businesses of all the states in Australia.

The Construction industry accounts for 19% of all small businesses in WA.

Table 2 Number of businesses in Australia, by annual turnover size, 2016

Size	Annual turnover	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	Other	Australia
Small	Zero to \$2m	676,720	531,970	398,380	136,010	208,280	34,670	12,960	24,400	1,150	2,024,300
	Zero to less than \$50k	174,260	139,970	103,280	38,200	53,840	9,070	2,930	6,070	340	527,870
	\$50k to less than \$200k	255,700	202,820	147,210	50,340	77,180	12,740	4,670	8,660	380	759,490
	\$200k to less than \$2m	246,760	189,180	147,900	47,470	77,250	12,870	5,370	9,670	430	736,940
Large	\$2m or more	50,590	38,090	27,250	8,630	16,770	2,370	1,380	1,870	250	147,240
Total		727,480	570,000	425,580	144,540	225,020	37,000	14,220	26,160	1,360	2,171,540

Note: As a result of ABS perturbation for areas with low level values the data presented at detailed levels will not always be additive. Data rounded to nearest 10.
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

The industry distribution of businesses in WA

The distribution of all businesses in WA, by industry are reported in Table 3 below. The Construction industry hosts the largest number of small businesses in WA (over 41,500), and accounts for 19.3 per cent of all small businesses in WA. This is followed by Professional, scientific and technical services (11.9%), Rental, hiring and real estate services (10.9%), and Agriculture, forestry and fishing (7.6%).

Accommodation and food services account for the largest number of medium sized businesses (15.1%), followed by Retail trade (11.6%), Construction (11.0%) and Manufacturing (10.0%). Meanwhile, large businesses are dominated by the Mining industry (16.9%), followed by Construction (15%), Administrative and support services (10.7%) and Manufacturing (9.9%).

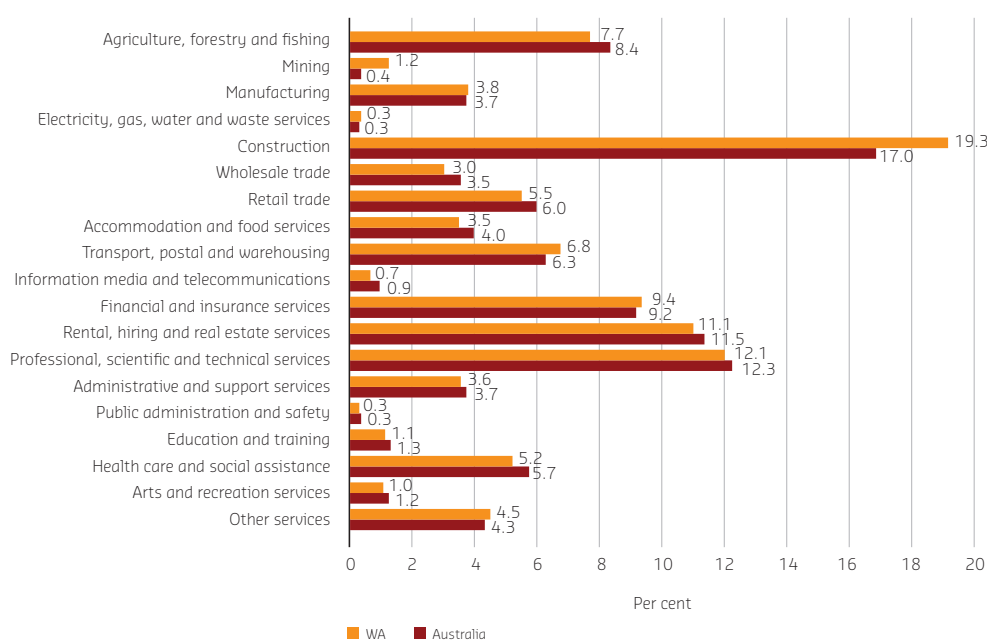
Table 3 Industry distribution of businesses in WA, by employment size, 2016

Industry	Small			Medium			Large			Total		
	Count	Per cent	Rank	Count	Per cent	Rank	Count	Per cent	Rank	Count	Per cent	Rank
Agriculture, forestry and fishing	16,600	7.6%	5	300	4.6%	9	10	2.2%	11	16,910	7.5%	5
Mining	2,630	1.2%	15	190	3.0%	13	70	16.9%	1	2,890	1.3%	15
Manufacturing	8,110	3.7%	10	640	10.0%	4	40	9.9%	4	8,790	3.9%	10
Electricity, gas, water and waste services	660	0.3%	19	60	0.9%	18	10	2.2%	11	720	0.3%	19
Construction	41,500	19.0%	1	710	11.0%	3	60	15.0%	2	42,270	18.8%	1
Wholesale trade	6,430	2.9%	13	340	5.3%	7	20	3.6%	10	6,790	3.0%	13
Retail trade	11,920	5.5%	7	750	11.6%	2	20	4.8%	8	12,690	5.6%	7
Accommodation and food services	7,480	3.4%	12	970	15.1%	1	20	5.6%	7	8,480	3.8%	11
Transport, postal and warehousing	14,540	6.7%	6	230	3.6%	11	30	7.0%	6	14,800	6.6%	6
Information media and telecommunications	1,400	0.6%	18	40	0.7%	19	-	0.7%	16	1,440	0.6%	18
Financial and insurance services	20,190	9.3%	4	100	1.6%	15	10	1.9%	14	20,300	9.0%	4
Rental, hiring and real estate services	23,830	10.9%	3	240	3.8%	10	-	0.7%	16	24,070	10.7%	3
Professional, scientific and technical services	25,920	11.9%	2	590	9.1%	5	20	4.8%	8	26,520	11.8%	2
Administrative and support services	7,670	3.5%	11	410	6.4%	6	40	10.7%	3	8,120	3.6%	12
Public administration and safety	610	0.3%	20	70	1.0%	17	-	0.7%	16	680	0.3%	20
Education and training	2,350	1.1%	16	170	2.6%	14	10	2.2%	11	2,520	1.1%	16
Health care and social assistance	11,190	5.1%	8	300	4.7%	8	30	7.7%	5	11,520	5.1%	8
Arts and recreation services	2,220	1.0%	17	90	1.3%	16	10	1.7%	15	2,310	1.0%	17
Other services	9,660	4.4%	9	220	3.4%	12	-	0.7%	16	9,880	4.4%	9
Currently unknown	3,260	1.5%	14	30	0.4%	20	-	0.7%	16	3,280	1.5%	14
Total	218,150	100%		6,430	100%		410	100%		224,990	100%	

Notes: Counts are rounded to nearest 10. Percentages and ranking are calculated from unrounded values.
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

The industry distribution of small businesses in WA is, for the most part, in line with that of Australia, as reported in Figure 6. The most notable differences are in Construction, Mining, Agriculture, Wholesale trade, and Health care and social assistance.

Figure 6 Industry distribution of small businesses in Australia and WA, 2016



Note: Percentages exclude the category 'Currently unknown'
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

A greater level of decomposition of small business count by employment size sub-category (non-employing, employing micro and other small) is presented in Figure 7 with further details provided in Table 4. As previously noted in this report, the majority (62%) of businesses in WA are non-employing businesses. This figure is much higher for industries such as Rental, hiring and real estate services (85%), Financial and insurance services (83%) and Transport, postal and warehousing (74%). These are followed by Information media and telecommunications, Agriculture, Construction, and the Arts, all of which report non-employing percentages of greater than 60 per cent.

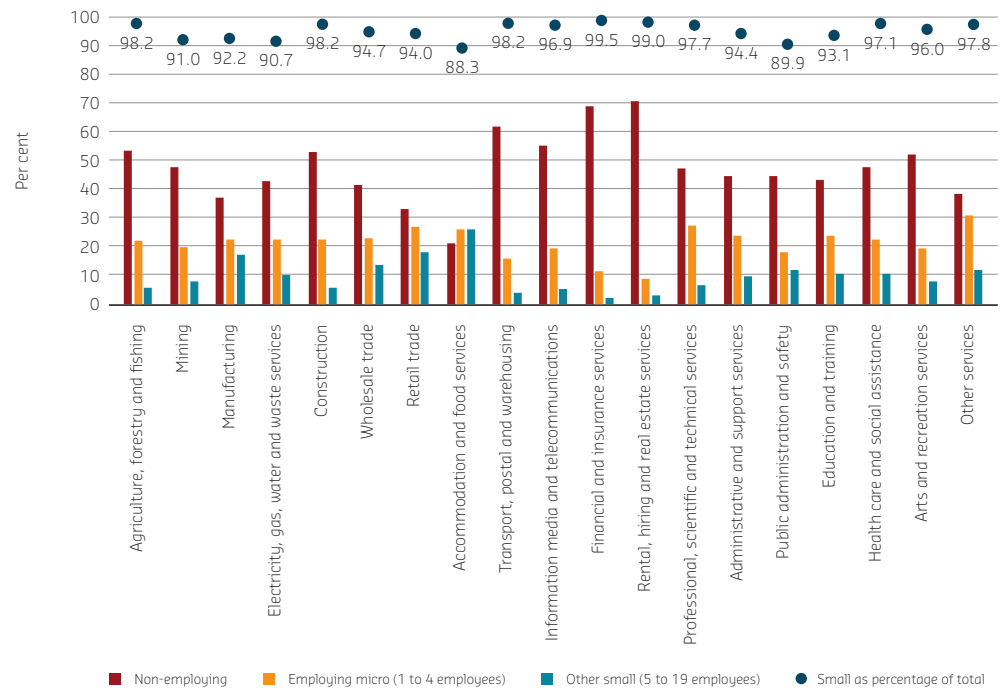
It was also reported earlier in this report that 97 per cent of all businesses in WA were small businesses. This does vary by industry (see Figure 7), from a low of 88.3 per cent for Accommodation and food services, to a high of 99.5 per cent for Financial and insurance services.

Accommodation and food services is unique case given that the majority (31.5%) of businesses in that industry are micro-businesses (employing between 1 to 4 employees) with 31 per cent being small (employing between 5 to 19 employees) in nature. Other industries that report higher levels in the larger end of the small business scale – that is, employing between 5 to 19 employees, include Retail trade (22.0%), Manufacturing (20.6%) and Wholesale trade (16.8%).

85% of businesses in the rental, hiring and Real estate services industry in WA are non-employing.

63% of all Accommodation and food services businesses employ between 1 and 19 employees.

Figure 7 Small businesses, by employment size sub-categories, as a percentage of total businesses in WA, by industry, 2016



Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Table 4 Industry distribution of small businesses in WA, by employment size sub-categories, 2016

Industry	Non employing			Employing micro (1 to 4 employees)			Other small (5 to 19 employees)			Total		
	Count	Percentage	Rank	Count	Percentage	Rank	Count	Percentage	Rank	Count	Percentage	Rank
Agriculture, forestry and fishing	10,900	7.8%	6	4,540	8.1%	3	1,160	5.4%	8	16,600	7.5%	5
Mining	1,670	1.2%	15	690	1.2%	15	270	1.3%	15	2,630	1.3%	15
Manufacturing	3,930	2.8%	11	2,370	4.2%	11	1,810	8.3%	5	8,110	3.9%	10
Electricity, gas, water and waste services	370	0.3%	19	200	0.3%	19	90	0.4%	20	660	0.3%	19
Construction	27,080	19.3%	1	11,460	20.3%	1	2,970	13.7%	1	41,510	18.8%	1
Wholesale trade	3,400	2.4%	12	1,900	3.4%	13	1,140	5.3%	9	6,440	3.0%	13
Retail trade	5,040	3.6%	8	4,090	7.2%	4	2,790	12.9%	2	11,920	5.6%	7
Accommodation and food services	2,180	1.6%	14	2,660	4.7%	9	2,650	12.2%	3	7,490	3.8%	11
Transport, postal and warehousing	10,990	7.8%	5	2,850	5.0%	8	710	3.3%	12	14,550	6.6%	6
Information media and telecommunications	960	0.7%	18	340	0.6%	18	100	0.4%	19	1,400	0.6%	18
Financial and insurance services	16,840	12.0%	3	2,850	5.1%	7	500	2.3%	13	20,190	9.0%	4
Rental, hiring and real estate services	20,470	14.6%	2	2,520	4.5%	10	850	3.9%	11	23,840	10.7%	3
Professional, scientific and technical services	15,050	10.7%	4	8,790	15.6%	2	2,080	9.6%	4	25,920	11.8%	2
Administrative and support services	4,360	3.1%	10	2,350	4.2%	12	960	4.4%	10	7,670	3.6%	12
Public administration and safety	360	0.3%	20	150	0.3%	20	100	0.4%	18	610	0.3%	20
Education and training	1,310	0.9%	17	720	1.3%	14	320	1.5%	14	2,350	1.1%	16
Health care and social assistance	6,610	4.7%	7	3,130	5.6%	6	1,450	6.7%	6	11,190	5.1%	8
Arts and recreation services	1,450	1.0%	16	550	1.0%	17	220	1.0%	16	2,220	1.0%	17
Other services	4,570	3.3%	9	3,690	6.5%	5	1,410	6.5%	7	9,670	4.4%	9
Currently unknown	2,540	1.8%	13	580	1.0%	16	140	0.6%	17	3,260	1.5%	14
Total	140,050	100%		56,400	100%		21,700	100%		218,150	100%	

Notes: Counts are rounded to nearest 10. Percentages and ranking are calculated from unrounded values.
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Table 4 shows the distribution of small businesses by its employing size sub-categories by industry groupings. As previously noted the Construction sector has the largest number of small businesses, followed by Professional, scientific and technical services, and Rental, hiring and real estate services.

The contrast between Construction and Mining is interesting. Both are significant contributors to WA's economy, with Mining being first and Construction second in terms of industry gross value added. While the Construction sector has the highest percentage of non-employing, employing micro and other small businesses, Mining ranks 15 out of 19 sectors in terms of the number of employees.

Figure 8 plots the number of small business in Western Australia over time by industry. In this figure small businesses (0 to 19 employees) are separated into non-employing (0 employees), employing micro (1 to 4 employees) and other small (5 to 19 employees) in order to allow any differences between employee size to be discerned. The growth rate of small businesses in each industry is also plotted over time, along with the growth rate in the corresponding WA industry-specific gross value added (component of Gross State Product), which represents how each sector is performing at the aggregate level in WA.

There are several notable observations. First, for almost all industries, non-employing businesses make up the highest percentage of all small businesses. These include sole proprietorships or partnerships without employees. Accommodation and food services is the only industry where the number of employing micro (1 to 4 employees) businesses outnumber non-employing businesses. Retail trade is another sector where the employing micro sector is almost as prominent as non-employing businesses.

Second, Accommodation and food services is also the sector with the highest proportion of other small (5 to 19 employees) businesses. Industries such as Financial and insurance services, Rental, hiring and real estate services and Transport, postal and warehousing have low percentages of other small businesses in their mix.

Third, there are industries where the three components of small businesses move together. In general, it can also be observed that where they deviate from each other the growth rates of counts of non-employing and employing micro businesses tend to move together more so than for the other small category. As an example, for the Public administration and safety industry, there is a clear correlation between the growth rates of all three types of small businesses in WA. The counts of all three fell in the cyclical downturns of 2013 and 2015 while all three rose in 2014 and 2016. The Administration and support services industry is an example where 'other small' businesses moved independently of the other two types of small businesses.

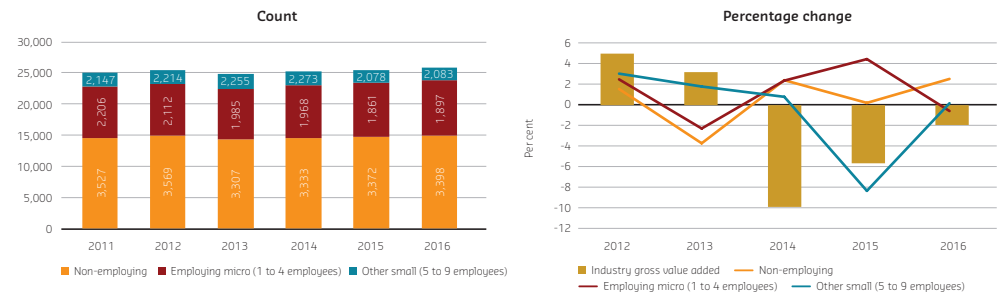
The fourth is an examination of any correlations between the economic growth rate of individual sectors (as represented by industry gross value added) and the growth rate in small businesses (by employment size). At the outset, it should be noted that a visual comparison between the two (industry gross value added and small business counts) cannot reveal the complete nature of the relationship, and there should be absolutely no attribution to causality when looking at just two variables without regard for time lags and other determinants of small business growth. Nevertheless, charting the growth rate in small business counts by industry with their corresponding economic growth can potentially reveal interesting trends. Again taking Public administration and safety as an example, the lower growth rate in industry value added from 2012 to 2013 and 2014 to 2015 corresponds with a decline in the growth of the in the number of all three categories of small businesses. The rebound in industry growth value added from 2013 to 2014 and 2015 to 2016 coincides with a corresponding increase in the growth rate of all three types of small businesses.

Figure 8 Number of small businesses by industry, 2011/12 to 2016

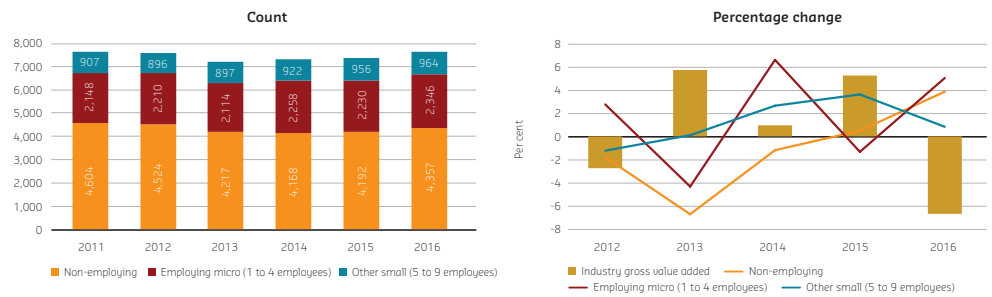
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Figure 8 Number of small businesses by industry, 2011/12 to 2016 (continued)

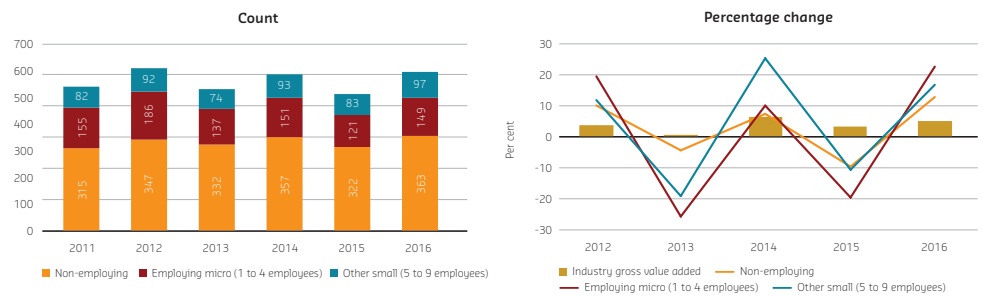
Professional, scientific and technical services



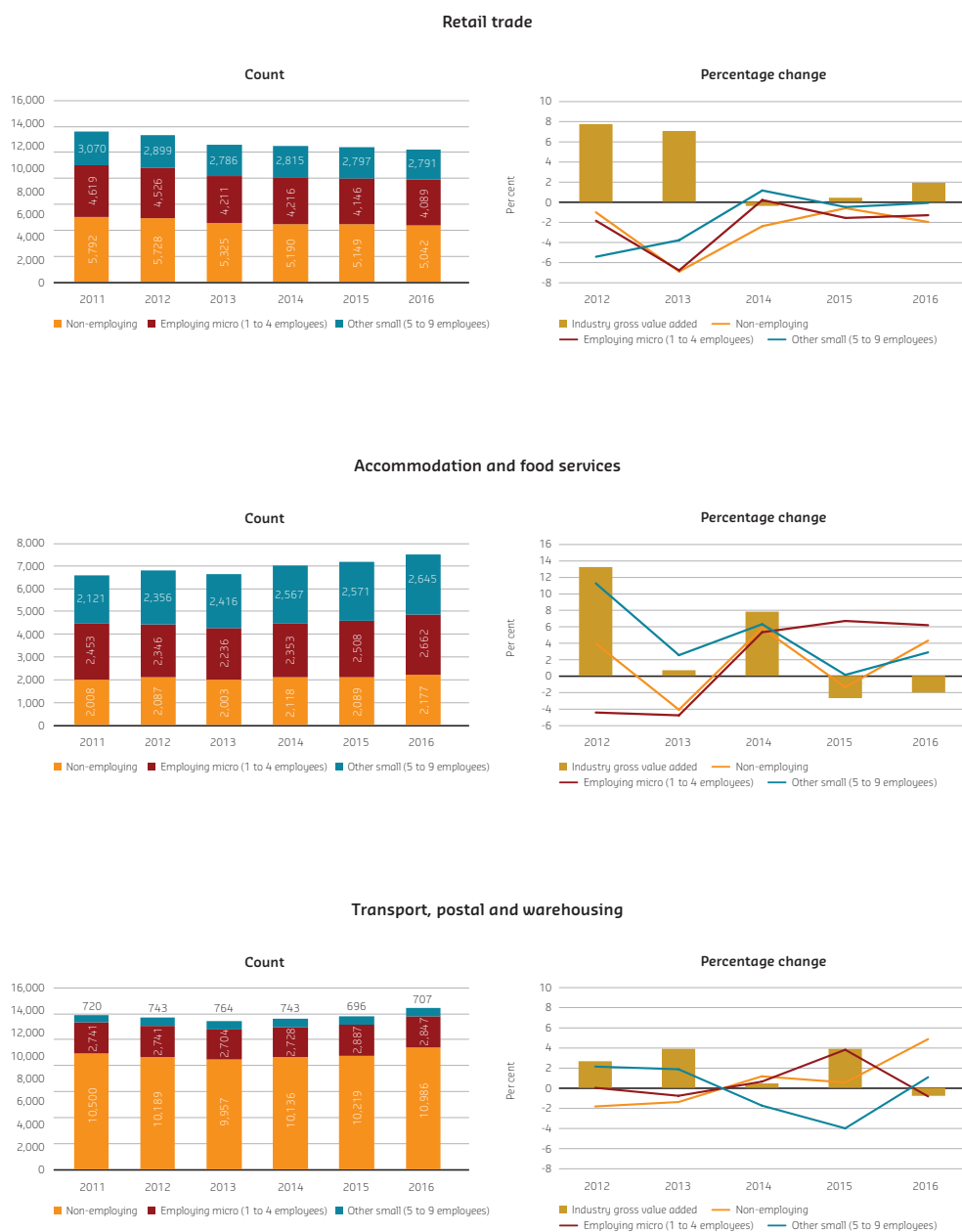
Administrative and support services



Public administration and safety



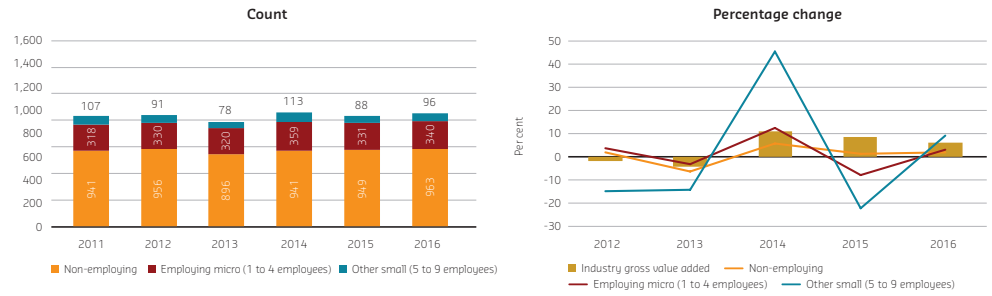
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Figure 8 Number of small businesses by industry, 2011/12 to 2016 (continued)

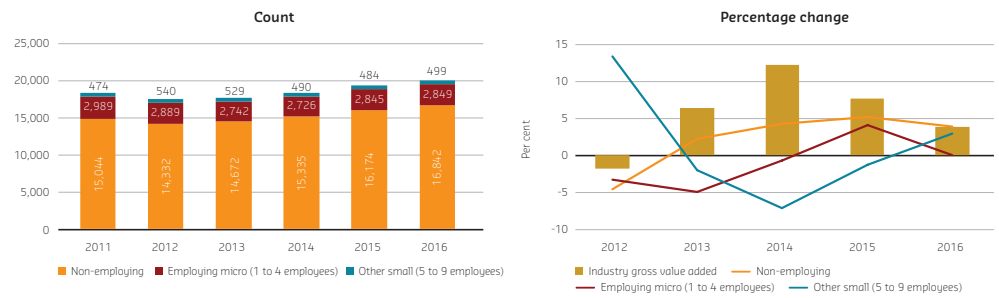
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Figure 8 Number of small businesses by industry, 2011/12 to 2016 (continued)

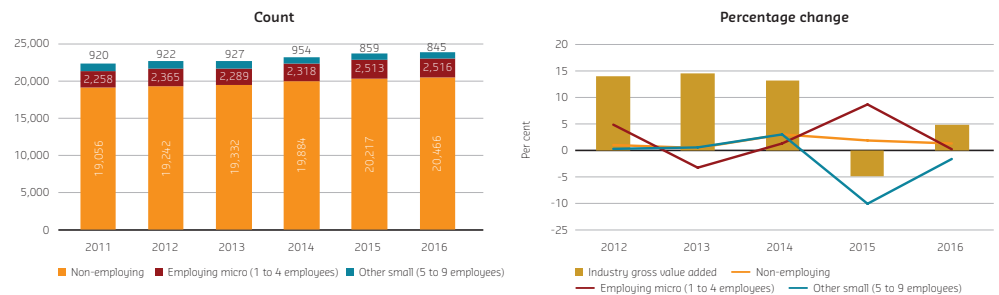
Information media and telecommunications



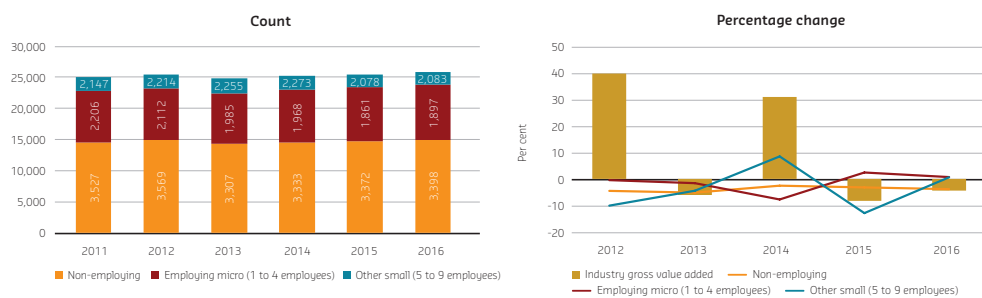
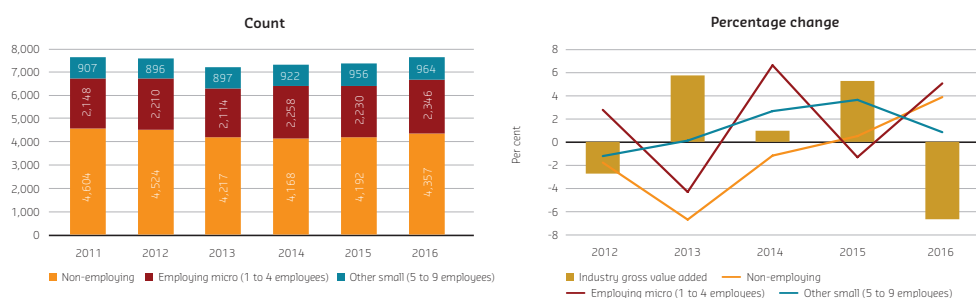
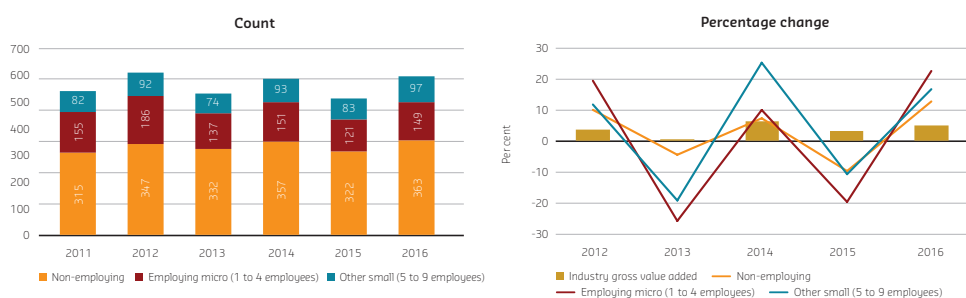
Financial and insurance services



Rental, hiring and real estate services



Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Figure 8 Number of small businesses by industry, 2011/12 to 2016 (continued)**Professional, scientific and technical services****Administrative and support services****Public administration and safety**

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Figure 8 Number of small businesses by industry, 2011/12 to 2016 (continued)



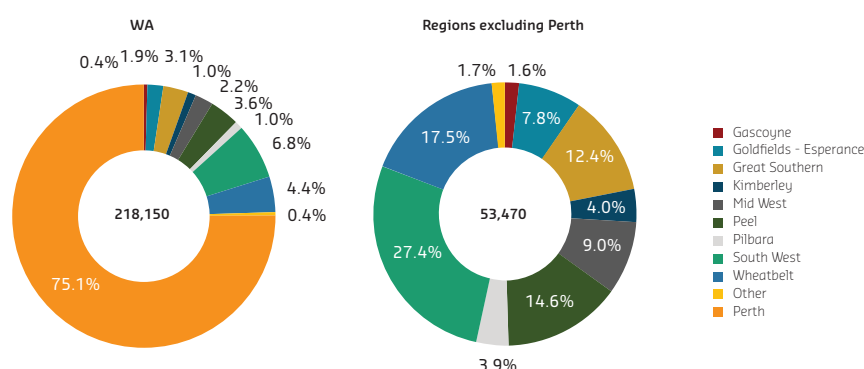
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Small business in the regions

There are 218,000 small businesses in WA, of which 75.4 per cent are based in the Perth metropolitan region. This is followed by the South West (6.9%), Wheatbelt (4.4%), Peel (3.7%) and Great Southern (3.1%). This is broadly in line with the population distribution in WA's regions – Perth (1,938,560) has the highest population followed by South West (177,640). The main exception is the Pilbara (65,680), which has the fifth highest population in WA but has the 9th (of 10) highest count of small businesses.

Of the 53,500 small businesses in WA's regions, as shown in the second panel of Figure 9 below, 27.4 per cent are based in the South West, with 17.5 per cent in the Wheatbelt, 14.6 per cent in Peel, and 12.4 per cent in Great Southern. Other regions' percentages are reported in single digits, with the smallest number reported for the Gascoyne (1.6%).

Figure 9 Number of small businesses in WA, by region, 2016



Note: As a result of ABS perturbation for areas with low level values the data presented at detailed levels will not always be additive. Data rounded to nearest 10. Regions total excludes the category 'Other'.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

75% of all small businesses in WA are based in Perth.

27% of all small businesses in regional WA are based in the South West.

Table 5 shows the change in the number of small businesses in WA by region for the period between 2011 and 2016. In comparing 2016 to 2011 data, with the exception of Perth, all regions saw a decline in the number of small businesses. Perth's percentage share increased by 1.5 percentage points from 73.6 per cent to 75.1 per cent.

Table 5 Number of small businesses in WA, by region, 2011 to 2016

Region	2011		2012		2013		2014		2015		2016	
	Count	Per cent	Count	Per cent	Count	Per cent	Count	Per cent	Count	Per cent	Count	Per cent
Gascoyne	970	0.4%	950	0.4%	960	0.5%	930	0.4%	930	0.4%	950	0.4%
Goldfields - Esperance	4,560	2.1%	4,470	2.1%	4,290	2.1%	4,230	2.0%	4,210	2.0%	4,250	1.9%
Great Southern	6,970	3.2%	6,810	3.2%	6,580	3.1%	6,700	3.2%	6,710	3.1%	6,710	3.1%
Kimberley	2,400	1.1%	2,390	1.1%	2,290	1.1%	2,260	1.1%	2,220	1.0%	2,190	1.0%
Mid West	5,300	2.4%	5,140	2.4%	4,980	2.4%	5,000	2.4%	4,930	2.3%	4,890	2.2%
Peel	8,030	3.7%	7,790	3.6%	7,440	3.6%	7,550	3.6%	7,770	3.6%	7,940	3.6%
Perth	159,450	73.6%	159,070	73.8%	154,590	73.9%	157,410	74.4%	160,010	74.7%	163,800	75.1%
Pilbara	2,250	1.0%	2,340	1.1%	2,280	1.1%	2,280	1.1%	2,210	1.0%	2,100	1.0%
South West	15,270	7.0%	14,910	6.9%	14,500	6.9%	14,700	6.9%	14,660	6.8%	14,920	6.8%
Wheatbelt	10,120	4.7%	9,690	4.5%	9,440	4.5%	9,680	4.6%	9,580	4.5%	9,530	4.4%
Other	1,290	0.6%	1,850	0.9%	1,720	0.8%	890	0.4%	850	0.4%	880	0.4%
Total	216,590	100%	215,410	100%	209,070	100%	211,640	100%	214,060	100%	218,150	100%

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0

On average, there are 83 small businesses in WA per thousand of the population (Table 6). This figure is highest in the Wheatbelt (128.9) followed by Great Southern (111.4) and Gascoyne (96). Perth and the South West have approximately 84 small businesses per thousand of the population, with only 58.7 for the Peel. The lowest number is recorded for the Pilbara at 32 small businesses per thousand of the population.

Table 6 Number of small businesses in WA per 1,000 population, by region, 2011 to 2016

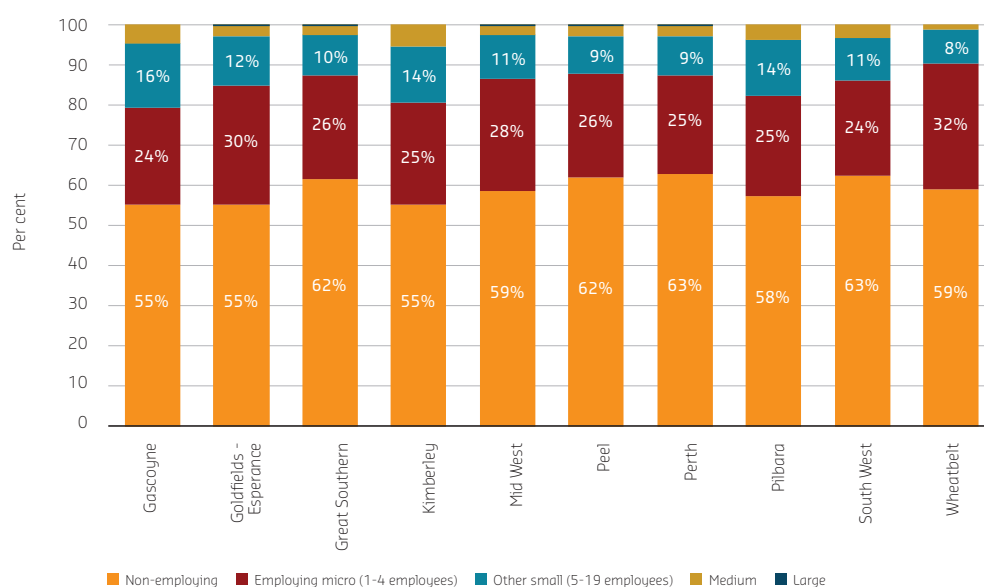
Region	2011			2012			2013			2014			2015			2016			2016-2011
	Count per 1,000 population	Rank		Count per 1,000 population	Rank		Count per 1,000 population	Rank		Count per 1,000 population	Rank		Count per 1,000 population	Rank		Count per 1,000 population	Rank		Percentage change
Gascoyne	99.8	3		97.0	3		97.3	3		94.1	3		93.5	3		96.0	3		-3.7%
Goldfields - Esperance	76.7	7		73.5	7		69.4	7		69.3	7		69.5	7		71.6	7		-6.7%
Great southern	121.7	2		117.2	2		111.2	2		112.1	2		111.5	2		111.4	2		-8.5%
Kimberley	65.1	9		62.6	9		58.0	9		58.2	9		57.2	9		56.4	9		-13.4%
Mid West	95.7	4		90.9	4		86.3	4		86.1	4		85.1	4		84.8	4		-11.4%
Peel	71.2	8		65.7	8		59.8	8		59.0	8		58.9	8		58.7	8		-17.6%
Perth	92.3	6		88.7	6		83.4	6		83.4	6		83.6	5		84.5	5		-8.5%
Pilbara	36.4	10		36.4	10		34.5	10		34.4	10		33.6	10		32.0	10		-12.2%
South West	95.6	5		90.5	5		85.6	5		84.9	5		83.3	6		84.0	6		-12.1%
Wheatbelt	138.3	1		131.0	1		126.4	1		129.8	1		128.7	1		128.9	1		-6.8%
Total	92.0			88.4			83.1			82.8			82.7			83.4			-9.4%

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016 and 3218.0

For WA, 62 per cent of all businesses in 2016 were non-employing. This is higher for Perth and the South West (both 63%), but lower in the other regions (see Figure 10). The Gascoyne reports the lowest number of non-employing businesses (55%) in 2016, with this region also recording the highest percentage of all businesses in that region having between 5 to 19 workers (16%). The latter averages at 9.7 per cent for WA as a whole, and is lowest in the Wheatbelt (8%) followed by Perth and Peel (both 9%).

16% of all businesses in the Gascoyne region have between 5-19 employees. This compares to 9% for Perth.

Figure 10 Composition of businesses in regional WA, by employment size sub-category, 2016



Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

24% of all small businesses in WA's regions are in the Agricultural industry.

For Perth, 13.8% of small businesses are in Professional, scientific and technical services. This is 6.1% for the regions as a whole.

The industry distribution of businesses in WA regions

The distribution of small businesses in WA by industry are presented in Table 7. A key difference between Perth and the other regions is the importance of the Agriculture, forestry and fishing industry in the regions. In five of the nine regions, the Agriculture, forestry and fishing industry has the highest count of small businesses, and with the exception of the Pilbara, is in the top three for all regions in WA. In the Wheatbelt, 47.5 per cent of small businesses are in the Agriculture industry. This is 35.9 per cent for the Great Southern, 28.6 per cent for the Mid West, and 26.8 per cent for the Gascoyne.

Other differences in the proportion of small businesses in Perth compared to the regions are in Professional, scientific and technical services and Financial and insurance services industries. For Perth, 13.8 per cent of small businesses are in the Professional, scientific and technical services industry. This is 6.1 per cent for the regions as a whole. As for Financial and insurance services, this industry makes up 10.3 per cent of small businesses in Perth, compared to 6.1 per cent for the remaining regions.

Table 8 takes a closer look at the industry distribution of non-employing businesses, which is the most significant in terms of numbers among the three categories of small businesses, in regional WA.

Perth has the highest percentage (76.0%) of non-employing businesses (106,490) in the State. The top three sectors that make up Perth's non-employing businesses are Construction, Professional, scientific and technical services, and Rental, hiring and real estate services.

Among the regions, the South West has the highest percentage of non-employing businesses, at 14,915 out of the State total of 218,150. The top three sectors that make up the South West's total non-employing businesses are Construction, Agriculture and Rental, hiring and real estate services.

Agriculture, forestry and fishing again comprises the most number of non-employing businesses in Gascoyne, Goldfields-Esperance, Great Southern, Mid West and the Wheatbelt.

Table 7 Industry distribution of small businesses in regional WA, 2016

Industry	Gascoyne		Goldfields-Esperance		Great Southern		Kimberley		Mid West		Peel	
	Count	Rank	Count	Rank	Count	Rank	Count	Rank	Count	Rank	Count	Rank
Agriculture, forestry and fishing	255	1	790	1	2,405	1	190	3	1,400	1	640	3
Mining	5	16	185	9	20	18	5	19	40	15	40	17
Manufacturing	30	10	135	12	240	10	75	11	135	11	295	10
Electricity, gas, water and waste services	5	16	10	19	15	19	10	18	20	18	30	19
Construction	165	2	640	2	870	2	470	1	725	2	2,100	1
Wholesale trade	15	13	85	14	110	13	55	13	95	13	205	13
Retail trade	70	5	265	7	385	4	190	4	290	6	490	7
Accommodation and food services	55	6	170	10	255	8	115	9	180	9	245	12
Transport, postal and warehousing	90	3	280	6	300	7	150	5	300	5	630	5
Information media and telecommunications	5	19	15	18	25	17	15	17	5	20	25	20
Financial and insurance services	30	8	290	4	330	6	120	8	370	4	540	6
Rental, hiring and real estate services	75	4	445	3	630	3	240	2	420	3	725	2
Professional, scientific and technical services	30	9	250	8	375	5	145	6	245	8	640	4
Administrative and support services	30	10	130	13	150	12	100	10	115	12	280	11
Public administration and safety	5	19	5	20	10	20	5	19	15	19	30	18
Education and training	5	16	35	16	40	15	20	16	30	17	80	16
Health care and social assistance	20	12	150	11	215	11	65	12	165	10	340	9
Arts and recreation services	10	15	25	17	25	16	25	15	30	16	90	15
Other services	40	7	285	5	240	9	135	7	250	7	425	8
Currently unknown	15	14	50	15	65	14	50	14	65	14	90	14
Total	950		4,245		6,715		2,190		4,885		7,940	
Percentage	0.4%		1.9%		3.1%		1.0%		2.2%		3.6%	

Note: Data rounded to nearest 5.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Table 7 Industry distribution of small businesses in regional WA, 2016 (continued)

Industry	Perth		Pilbara		South West		Wheatbelt		Other		Total		Percentage
	Count	Rank	Count	Rank	Count	Rank	Count	Rank	Count	Rank	Count	Rank	
Agriculture, forestry and fishing	3,430	13	90	10	2,735	2	4,530	1	135	1	16,600	5	7.6%
Mining	2,145	15	25	16	45	18	45	15	65	6	2,625	15	1.2%
Manufacturing	6,195	9	60	12	640	8	250	9	50	8	8,110	10	3.7%
Electricity, gas, water and waste services	470	20	15	19	45	18	25	18	5	17	655	19	0.3%
Construction	31,810	1	480	1	3,140	1	1,015	2	90	3	41,500	1	19.0%
Wholesale trade	5,300	12	35	14	315	13	185	11	30	12	6,435	13	2.9%
Retail trade	8,680	7	120	8	940	6	465	5	35	10	11,920	7	5.5%
Accommodation and food services	5,455	11	95	9	630	9	245	10	35	9	7,485	12	3.4%
Transport, postal and warehousing	11,480	5	180	3	555	11	515	4	60	7	14,540	6	6.7%
Information media and telecommunications	1,220	18	5	20	70	17	10	19	5	17	1,400	18	0.6%
Financial and insurance services	16,835	4	130	7	1,085	5	385	6	75	5	20,190	4	9.3%
Rental, hiring and real estate services	18,840	3	235	2	1,435	3	675	3	105	2	23,825	3	10.9%
Professional, scientific and technical services	22,555	2	135	6	1,125	4	335	8	80	4	25,915	2	11.9%
Administrative and support services	6,110	10	135	5	440	12	155	12	25	14	7,665	11	3.5%
Public administration and safety	480	19	15	17	35	20	5	20	-	19	610	20	0.3%
Education and training	1,920	16	35	15	130	16	45	17	10	16	2,345	16	1.1%
Health care and social assistance	9,390	6	85	11	590	10	150	13	30	11	11,190	8	5.1%
Arts and recreation services	1,800	17	15	17	145	14	45	16	-	19	2,215	17	1.0%
Other services	7,070	8	155	4	675	7	365	7	20	15	9,660	9	4.4%
Currently unknown	2,615	14	50	13	145	15	80	14	25	13	3,255	14	1.5%
Total	163,800		2,100		14,915		9,530		880		218,150		100%
Percentage	75.1%		1.0%		6.8%		4.4%		0.4%		100%		

Note: Data rounded to nearest 5.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Table 8 Industry composition of non-employing businesses in regional WA, 2016

Industry	Gascoyne		Goldfields-Esperance		Great Southern		Kimberley		Mid West		Peel	
	Count	Rank	Count	Rank	Count	Rank	Count	Rank	Count	Rank	Count	Rank
Agriculture, forestry and fishing	155	1	450	1	1,555	1	125	3	775	1	475	3
Mining	5	14	130	6	15	18	-	20	20	16	30	17
Manufacturing	25	6	60	12	125	8	45	10	75	10	165	10
Electricity, gas, water and waste services	5	14	5	19	10	19	5	18	10	18	20	20
Construction	110	2	340	3	535	3	265	1	445	2	1,325	1
Wholesale trade	5	16	40	13	55	13	30	14	50	13	120	12
Retail trade	25	7	100	9	140	7	65	8	95	8	210	7
Accommodation and food services	20	8	40	15	75	12	45	9	60	11	80	13
Transport, postal and warehousing	45	4	170	5	190	6	90	5	185	5	445	5
Information media and telecommunications	5	16	10	18	15	17	5	17	5	20	20	18
Financial and insurance services	30	5	255	4	280	4	105	4	325	4	460	4
Rental, hiring and real estate services	55	3	375	2	580	2	200	2	380	3	615	2
Professional, scientific and technical services	15	9	115	7	235	5	90	6	145	6	385	6
Administrative and support services	10	12	60	11	90	11	40	11	60	12	165	11
Public administration and safety	5	16	5	20	5	20	5	19	10	19	20	18
Education and training	5	16	20	16	30	15	10	16	20	17	45	16
Health care and social assistance	10	13	75	10	120	9	35	13	85	9	205	8
Arts and recreation services	5	16	15	17	20	16	10	15	20	15	50	15
Other services	15	9	110	8	115	10	70	7	120	7	195	9
Currently unknown	15	11	40	13	50	14	40	12	50	14	65	14
Total	550		2,415		4,230		1,275		2,935		5,085	
Percentage	0.4%		1.7%		3.0%		0.9%		2.1%		3.6%	

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016

Table 8 Industry composition of non-employing businesses in regional WA, 2016 (continued)

Industry	Perth		Pilbara		South West		Wheatbelt		Other		Total		Percentage
	Count	Rank	Count	Rank	Count	Rank	Count	Rank	Count	Rank	Count	Rank	
Agriculture, forestry and fishing	2,590	12	65	8	2,045	2	2,590	1	75	2	10,895	6	7.8%
Mining	1,370	15	15	15	30	18	25	16	25	8	1,665	15	1.2%
Manufacturing	2,890	10	40	11	335	7	140	9	30	7	3,930	11	2.8%
Electricity, gas, water and waste services	260	20	5	19	25	19	20	17	5	16	370	19	0.3%
Construction	21,010	1	275	1	2,085	1	625	2	65	3	27,080	1	19.3%
Wholesale trade	2,770	11	20	14	180	13	110	10	15	11	3,400	12	2.4%
Retail trade	3,835	7	50	10	345	6	175	8	10	12	5,040	8	3.6%
Accommodation and food services	1,545	14	30	13	200	12	80	12	10	13	2,175	14	1.6%
Transport, postal and warehousing	9,095	5	100	4	335	7	290	5	40	5	10,985	5	7.8%
Information media and telecommunications	845	18	5	18	40	17	10	19	5	16	965	18	0.7%
Financial and insurance services	13,980	3	120	3	930	4	320	4	40	6	16,840	3	12.0%
Rental, hiring and real estate services	16,165	2	200	2	1,230	3	595	3	80	1	20,465	2	14.6%
Professional, scientific and technical services	13,070	4	65	7	660	5	215	6	45	4	15,050	4	10.7%
Administrative and support services	3,520	8	75	5	230	11	95	11	10	13	4,355	10	3.1%
Public administration and safety	300	19	5	20	15	20	5	20	-	19	365	20	0.3%
Education and training	1,075	17	15	16	75	16	15	18	5	16	1,310	17	0.9%
Health care and social assistance	5,595	6	50	9	335	7	75	13	20	10	6,605	7	4.7%
Arts and recreation services	1,190	16	10	17	100	15	30	15	-	19	1,450	16	1.0%
Other services	3,340	9	70	6	320	10	205	7	10	15	4,565	9	3.3%
Currently unknown	2,035	13	40	12	115	14	65	14	20	9	2,545	13	1.8%
Total	106,490		1,255		9,630		5,685		500		140,055		100%
Percentage	76.0%		0.9%		6.9%		4.1%		0.4%		100%		

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016

Small business, big impact: Contributions to the economy

Much discussion occurs around the contribution of small businesses in WA. Small businesses contribute significantly to our society - economically, socially and from a community cohesion perspective.

This section of the report looks at two key economic indicators relating to the contribution of small business to the Australian and WA economies – the value added and employment contributions. Using unpublished data provided by the ABS, we are able to estimate the value added contribution of the small business sector to the Australian and WA economies, and at an industry level. We also report the most up to date employment, wages and salaries data for the small business sector in WA, again at an industry level.

Value added contribution of small business

Here, we derive an estimate of the value added contribution of the small business sector in WA. The ABS provides publically available data (cat 8155.0) on the industry value added of small businesses for Australia. However, this catalogue does not provide industry value added data at a state level. Furthermore, while Gross State Product (GSP) data is available by industry (cat 5220.0), it does not differentiate the contribution of various businesses by size.

To derive an estimate of industry value added by business employment size, we first obtain the share of small business wages and salaries, by industry, as a proportion of overall wages and salaries by industry in WA. These results are, in of themselves, of interest and are reported in Table 9.

This weighting is then applied to the GSP data obtained from cat. 5220.0 to obtain an implied Industry Value Added (IVA) of small businesses by industry. These estimates were derived for the three years for which unpublished data was available (2012-13, 2013-14 and 2014-15), the results of which are presented in Table 10.

In terms of wages and salaries (see Table 9) in 2014-15, small business accounted for 22.8 per cent of all wages and salaries in WA, which is higher than that reported for 2013-14 (20.7%) and 2012-13 (21.5%). Given that small businesses accounted for 41 per cent of total employment in WA in 2014-15, it is the case, as one would expect, that medium and larger businesses, on average, provide higher wages and salaries for each industry.

The industry where wages and salaries align closest to the overall employment contribution is in Retail trade, where small businesses account for 35.0 per cent of wages and salaries in this industry, with 37.2 per cent of employment.

Small businesses in the Agriculture, forestry and fishing industry account for 56.0 per cent of wages and salaries in that industry. This is the highest of all industries, but has declined from 62.0 per cent in 2012-13.

Small businesses accounted for 23% of wages and salaries in WA in 2014-15.

Small businesses in the Agriculture, forestry and fishing industry account for 56% of wages and salaries in that industry.

Agriculture, forestry and fishing is followed by Other services (48.8%) and Rental, hiring and real estate service (45.3%). Small businesses in the Mining industry had the lowest share of wages and salaries (6.0%), which is expected given that small businesses in the Mining industry also had the smallest share of employment with an industry in 2014-15 (8.6% as is reported later in Table 11).

Only six of the 18 industries reported in Table 9 saw an increase in the share of small business wages and salaries going from 2012-13 to 2014-15, the largest being in Construction (from 17.7% to 28.6%), and again lines up with increases in the employment share of the Construction industry, as outlined in Table 11. Agriculture, Rental hiring and real estate services, and private Education and training saw the largest decline in wages and salaries.

Table 9 Small business wages and salaries, WA, 2013 to 2015

Industry	Small			Total			Small business percentage of total		
	2012-13	2013-14	2014-15	2012-13	2013-14	2014-15	2012-13	2013-14	2014-15
	\$m	\$m	\$m	\$m	\$m	\$m	%	%	%
Agriculture, forestry and fishing	540	505	575	870	900	1,020	62.2%	56.0%	56.3%
Mining	895	660	775	12,385	13,395	12,890	7.2%	4.9%	6.0%
Manufacturing	1,105	1,165	1,420	6,405	6,525	6,490	17.3%	17.9%	21.9%
Electricity, gas, water and waste services	80	85	90	1,260	1,350	1,370	6.5%	6.4%	6.4%
Construction	2,215	2,670	3,550	12,505	13,375	12,390	17.7%	20.0%	28.6%
Wholesale trade	775	895	845	3,165	3,380	2,980	24.4%	26.5%	28.3%
Retail trade	1,410	1,650	1,515	4,365	4,510	4,320	32.3%	36.6%	35.0%
Accommodation and food services	760	660	825	2,795	2,890	2,845	27.2%	22.8%	29.0%
Transport, postal and warehousing	705	595	720	4,020	4,275	4,400	17.5%	14.0%	16.4%
Information media and telecommunications	95	95	90	745	750	790	12.5%	12.8%	11.6%
Rental, hiring and real estate services	955	1,120	930	1,945	2,170	2,055	49.1%	51.6%	45.3%
Professional, scientific and technical services	2,945	2,740	2,440	8,785	8,395	8,040	33.5%	32.6%	30.4%
Administrative and support services	810	845	795	5,625	5,525	5,360	14.4%	15.3%	14.8%
Public administration and safety (private)	70	65	85	525	540	585	13.3%	11.6%	14.2%
Education and training (private)	310	270	280	1,690	1,770	1,890	18.4%	15.1%	14.8%
Health care and social assistance (private)	1,045	830	1,055	4,265	4,685	4,915	24.5%	17.7%	21.5%
Arts and recreation services	95	90	90	605	645	630	15.7%	13.8%	14.1%
Other services	1,085	1,090	1,050	2,105	2,285	2,155	51.4%	47.6%	48.7%
Total	15,895	16,025	17,120	74,070	77,370	75,125	21.5%	20.7%	22.8%

Notes: Counts are rounded to nearest 10. Percentages are calculated from unrounded values. Data for 'Financial and Insurance Services' are not available. The estimates for several industries have low relative standard errors and should be interpreted with caution.

Source: Bankwest Curtin Economics Centre | ABS unpublished data.

Applying the small business share of wages and salary by industry, Table 10 reports the derived value added contribution of small business in both Australia and WA, by industry for the three years 2012-13, 2013-14 and 2014-15. For Australia, the small business sector was worth \$302.4 billion in 2014-15. For Australia, the largest contribution was from Construction (\$59.7 billion) followed by Professional, scientific and technical services (\$36.3 billion), and Rental, hiring and real estate services (\$25.0 billion). The value added contribution of the small business sector in Australia increased by 11.0 per cent between 2013-14 and 2014-15.

Table 10 Value added contribution of small business, Australia and WA, 2013 to 2015

	Australia (\$m)					WA (\$m)				
	2012-13	2013-14	2014-15	2013 to 2014 change (%)	2014 to 2015 change (%)	2012-13	2013-14	2014-15	2013 to 2014 change (%)	2014 to 2015 change (%)
Agriculture, forestry and fishing	23,240	20,690	23,110	-11.0%	11.7%	3,045	3,435	3,185	12.8%	-7.2%
Mining	9,895	7,775	7,165	-21.4%	-7.8%	5,355	4,305	3,990	-19.6%	-7.3%
Manufacturing	19,000	19,095	22,080	0.5%	15.6%	2,265	2,375	2,860	5.0%	20.5%
Electricity, gas, water and waste services	2,970	3,265	3,230	9.9%	-1.0%	395	395	395	-0.1%	0.5%
Construction	41,115	45,340	59,740	10.3%	31.8%	6,090	6,705	9,295	10.1%	38.6%
Wholesale trade	15,210	18,545	16,840	21.9%	-9.2%	1,700	1,915	1,940	12.7%	1.2%
Retail trade	23,165	21,745	22,020	-6.1%	1.3%	2,975	3,105	2,895	4.4%	-6.9%
Accommodation and food services	13,600	12,010	14,380	-11.7%	19.7%	1,005	890	1,145	-11.7%	28.8%
Transport, postal and warehousing	13,210	11,295	14,030	-14.5%	24.2%	2,200	1,810	2,105	-17.7%	16.2%
Information media and telecommunications	4,790	4,660	4,760	-2.6%	2.1%	415	435	410	4.9%	-6.1%
Rental, hiring and real estate services	24,640	25,140	25,015	2.0%	-0.5%	2,430	2,695	2,210	10.9%	-18.1%
Professional, scientific and technical services	35,970	36,380	36,295	1.1%	-0.2%	4,680	4,330	3,805	-7.4%	-12.1%
Administrative and support services	9,090	9,275	9,365	2.1%	1.0%	1,160	1,175	1,155	1.1%	-1.4%
Public administration and safety (private)	1,140	985	1,170	-13.8%	18.9%	70	60	70	-14.0%	18.3%
Education and training (private)	4,240	2,690	3,650	-36.6%	35.8%	440	390	405	-10.7%	3.6%
Health care and social assistance (private)	19,295	16,085	21,125	-16.7%	31.4%	1,970	1,445	1,985	-26.7%	37.6%
Arts and recreation services	2,920	2,525	2,490	-13.6%	-1.3%	175	145	165	-16.1%	12.2%
Other services	15,615	15,090	16,030	-3.4%	6.2%	1,920	1,595	1,650	-16.7%	3.3%
Total	279,120	272,585	302,495	-2.3%	11.0%	38,285	37,205	39,665	-2.8%	6.6%

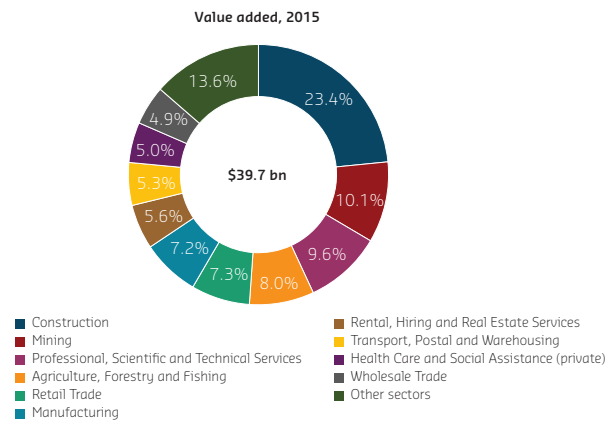
Note: Values expressed in 2017 dollars.

Source: Bankwest Curtin Economics Centre | BCEC calculations using data from ABS unpublished data and cat no 5220.0.

For WA, the value added contribution of the small business sector currently stands at \$39.6 billion. This accounts for 19.7 per cent of WA's GSP. This implies that if the small business sector was considered as an industry in of itself, it would rank second only to Mining in terms of economic contribution to the WA economy.

Of the \$39.7 billion, as shown in Figure 11, the Construction industry contributed 23.4 per cent (\$9.3bn), followed by Mining (10.1%), Professional, scientific and technical services (9.6%) and Agriculture, forestry and fishing (8.0%).

Figure 11 Value added contribution of small businesses in WA, by industry, 2015



Source: Bankwest Curtin Economics Centre | BCEC calculations using data from ABS unpublished data and cat no 5220.0.

Employment contribution of small businesses in Australia

Australian employment by business size for the period 2006-07 and 2014-15, is displayed in Figure 12. The annual percentage change in employment in small businesses is also displayed. Figure 13 shows more clearly the distribution of employment for businesses, by employment size, for a selection of years (four year intervals) since 2006-07.

The overall level of employment in Australia rose from 9.48 million in 2006-07 to 10.54 million in 2010-11, an increase of 11.2 per cent. However, over the next four year period to 2014-15, employment rose by less than 1 per cent, from 10.54 million to 10.64 million people.

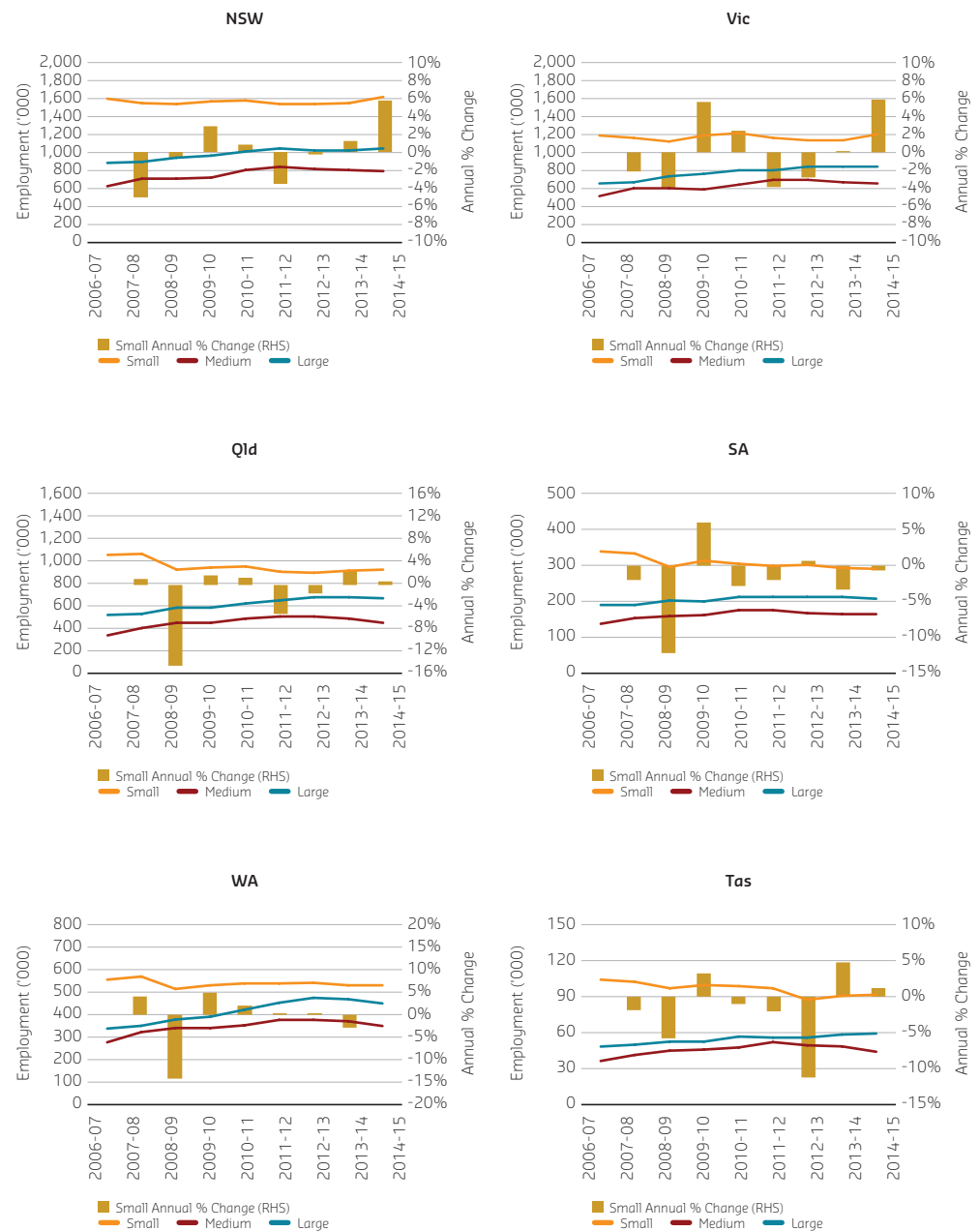
So what has been the contribution of businesses by employment size to the latter growth in employment for Australia? Almost 5 million workers were employed by small business in 2006-07. This accounted for 52.6 per cent of all employment in Australia (refer to Figure 14). This contribution declined substantially to 4.78 million (45.4% of total employment) in 2010-11 and further to 4.76 million (44.8% of total employment) in 2014-15. Absolute numbers have also declined from almost 5 million workers employed by small business in Australia in 2006-07 to 4.76 million workers in 2014-15.

Small business employment numbers declined by 4.1 per cent between 2006-07 and 2010-11, and by a further 0.4 per cent between 2010-11 and 2014-15. Medium sized businesses increased employment by 35.9 per cent between 2006-07 and 2010-11, but declined by 2.15 per cent between 2010-11 and 2014-15. Large businesses saw an increase in employment for both periods by 22.4 per cent and 5.5 per cent, respectively.

More recently (see Figure 12), for all states and territories, the small business sector reported an increase or stable level of employment in 2014-15. For most, this is coupled by a decline in employment by medium sized businesses. This inverse relationship between employment in the medium and large sectors appears also in other years over the period reported.

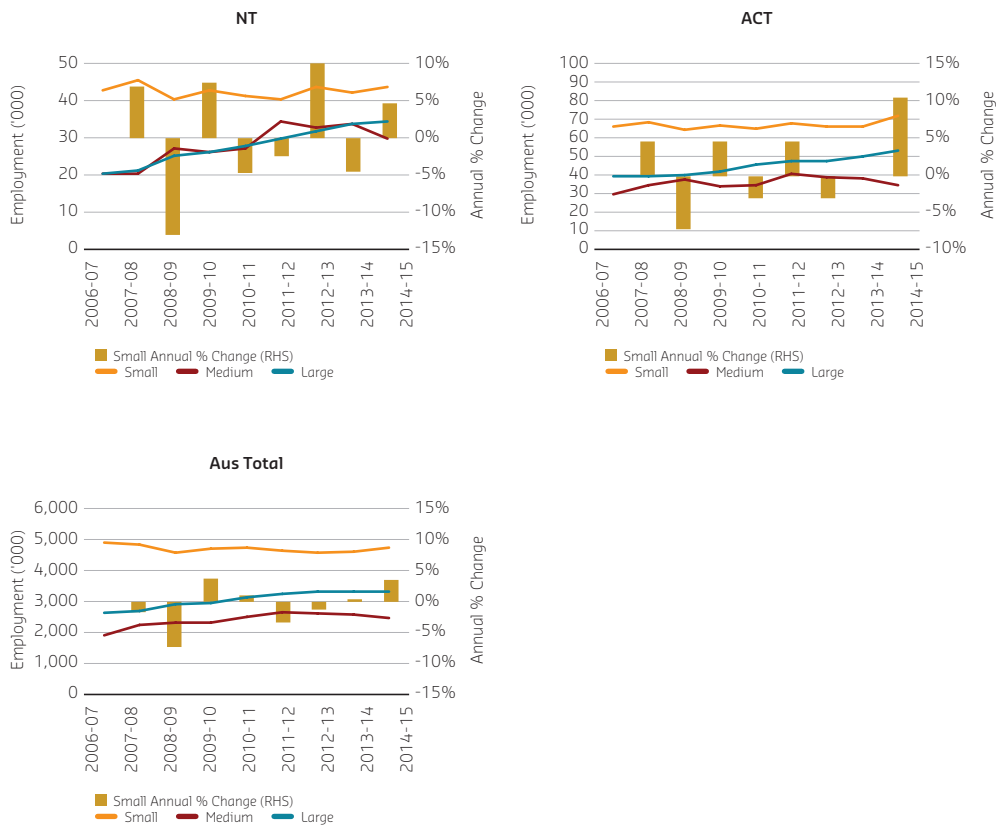
53% of workers in Australia were employed by small business in 2006-07. This now stands below 45%.

Figure 12 Employment by business size, all states, 2006-07 to 2014-15



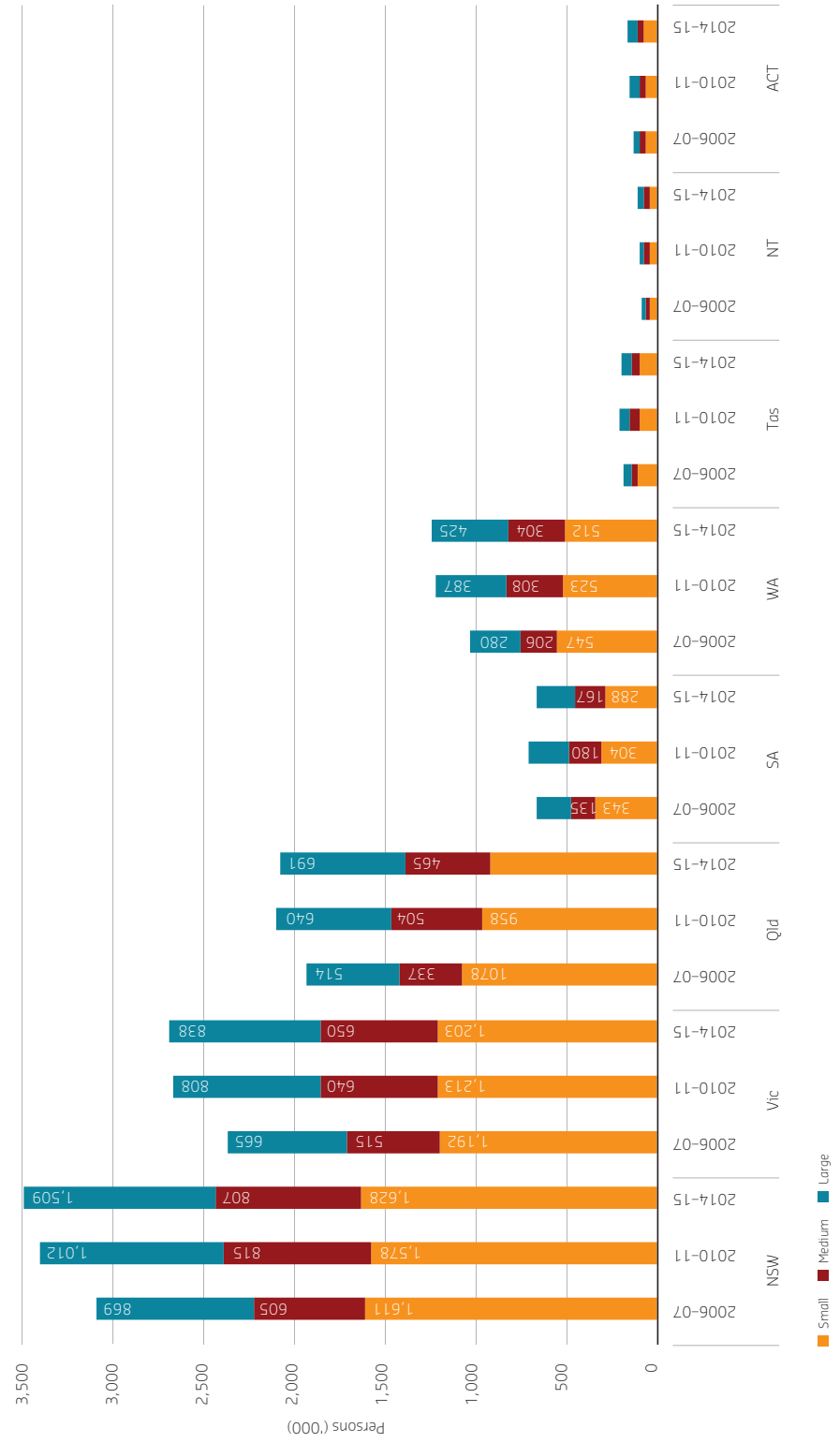
Source: Bankwest Curtin Economics Centre | BCEC calculations using data from ABS 8155.0 unpublished data

Figure 12 Employment by business size, all states, 2006-07 to 2014-15 (continued)



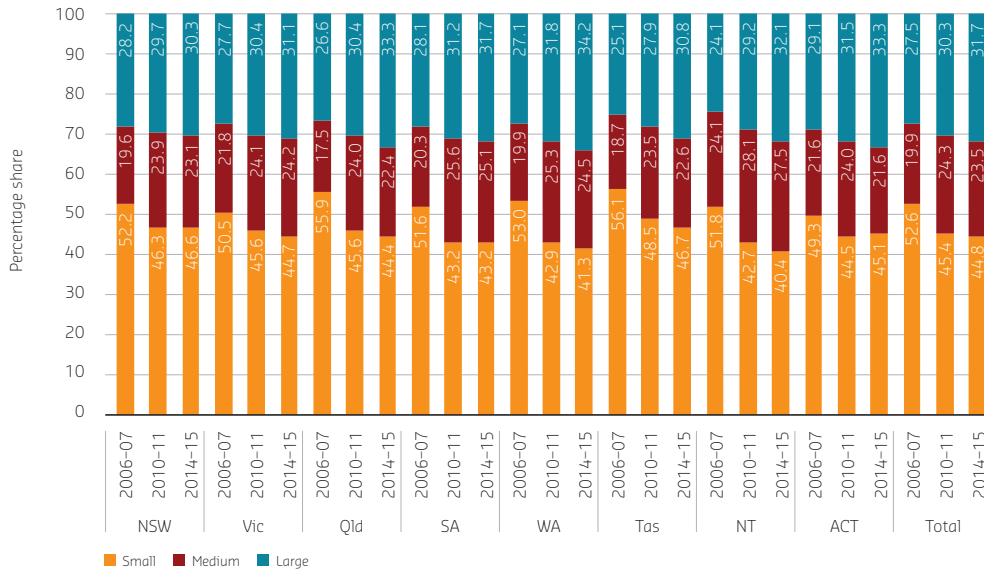
Source: Bankwest Curtin Economics Centre | BCEC calculations using data from ABS 8155.0 unpublished data

Figure 13 Number of employees, by business size, all states, 2006-07, 2010-11 and 2014-15



Source: Bankwest Curtin Economics Centre | ABS unpublished data.

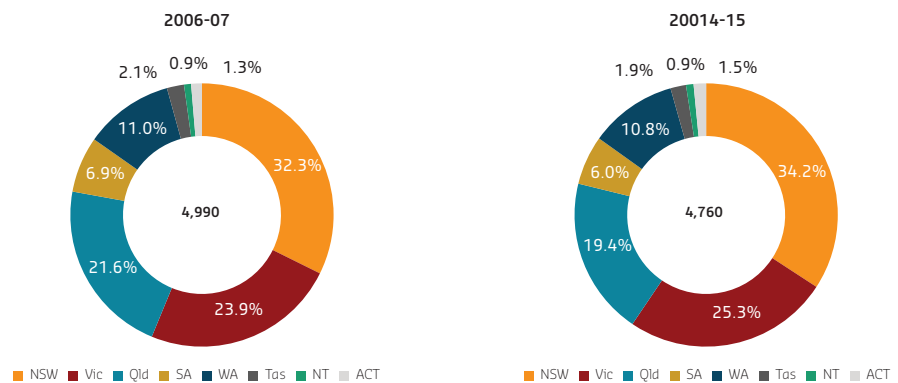
Figure 14 Share of employment by business size, all states, 2006-07, 2010-11 and 2014-15



Source: Bankwest Curtin Economics Centre | ABS unpublished data.

The state share of small business employment has remained reasonably stable between 2006-07 and 2014-15, as shown in Figure 15 below. WA's share did decline slightly from 11 per cent to 10.8 per cent. NSW saw an increase in its share of small businesses in Australia (from 32% to 34%), as did Vic (from 24% to 25%) and the ACT (from 1% to 2%). Qld saw a decline in its share of small business employment from 22 per cent to 19 per cent. For Qld, there was an absolute decline in employment in the small business sector of 156,000 workers from 1.08 million employees in 2006-07 to 9.22 million employees in 2014-15.

Figure 15 State share of employment by small businesses, 2006-07 and 2014-15



Note: The total number presented in the centre of the donut pie are rounded to the nearest thousand.
Source: Bankwest Curtin Economics Centre | ABS unpublished data.

Employment contribution of small businesses in WA

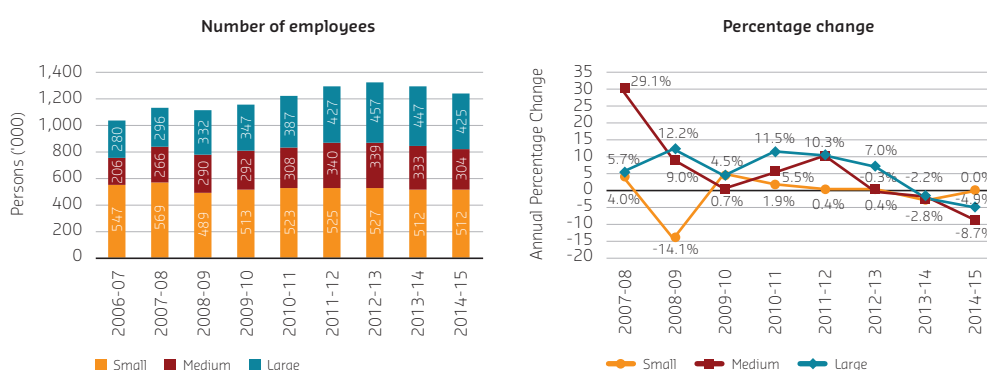
This section looks in more detail at employment by business size for WA.

WA employment (private sector) has increased from over 1.03 million in 2006-07 to 1.24 million in 2014-15, having reached a peak of 1.32 million in 2012-13, as displayed in Figure 16.

However, the number of people employed in small businesses in WA has declined from 547,000 in 2006-07 to 512,000 in 2014-15. Meanwhile, the number of employees in medium and large businesses has increased. This implies that the proportion of the workforce employed in small business in WA has declined from a height of 53 per cent in 2006-07 (0.4% above the national average) to 41 per cent in 2014-15 (3.5% below the national average).

Medium sized businesses accounted for 24.5 per cent of employment in WA in 2014-15, up from 19.9 per cent recorded in 2006-07. Large businesses accounted for 34 per cent of employment in 2014-15, increasing from 27 per cent in 2006-07.

Figure 16 Number of employees, by business size, WA, 2007 to 2015



Source: Bankwest Curtin Economics Centre | ABS unpublished data.

The number of workers employed by small business in WA stood at 512,000 (41%) in 2014-15, well below the peak of 569,000 (53%) recorded in 2007-08.

Medium and large businesses accounted for a larger number and proportion of employment in WA in 2014-15 compared to their 2006-07 contribution.

From 2012-13 to 2014-15, small business employment in WA decreased from 526,970 to 512,120.

In the Mining industry, small business employment declined by 32% between 2012-13 and 2014-15. Overall employment in the industry only declined by 6.5% over the same period.

Using unpublished data provided by the ABS, Table 11 outlines industry employment for small businesses and all businesses for the three years 2012-13, 2013-14 and 2014-15.¹

From 2012-13 to 2014-15, small business employment in WA decreased from 526,970 to 512,120. However, the share of small business employment has increased from 39.8 per cent to 41.3 per cent over the same period.

By industry, between 2012-13 and 2014-15, employment in small businesses has increased in ten of the eighteen industries reported here.² Most notable increases (refer to Table 11 and Figure 17) were seen in Public administration and safety (private) (from 2,050 to 2,490, a 21.5% increase), Construction (from 78,930 to 86,870, a 10.1% increase) and Wholesale (from 17,390 to 18,770, a 7.9% increase). Interestingly, for the latter two industries, total employment declined by 8.1 per cent and 7.6 per cent respectively, implying a shift of workers from medium and large businesses to smaller businesses for these industries post-mining boom. For example, for the Construction industry, the share of small business employment increased from 45.8 per cent in 2012-13 to 54.9 per cent in 2014-15.

Of the eight industries reporting a decline in employment in the small business sector, most striking is the decline in Mining from 9,810 to 6,680. For the Mining industry, this is a decrease in employment of 31.9 per cent in the small business sector. Overall employment in the Mining industry declined by 6.5 per cent over the same period, which suggests that employment in smaller mining companies was significantly more impacted by the decline in mining activity in WA. Between 2012-13 and 2014-15 the employment contribution of small businesses in the Mining industry declined from 11.8 per cent to 8.6 per cent.

Professional, scientific and technical services also saw a significant decline in small business employment from 68,790 to 53,330 (a 22.5% decline), followed by Electricity, gas, water and waste services, which saw a decline of 20.5 per cent (from 1,990 to 1,580).

1 The ABS could not provide industry level data for these years for medium and large businesses, due to confidentiality and data quality reasons.

2 Data on Financial and insurance services was not available.

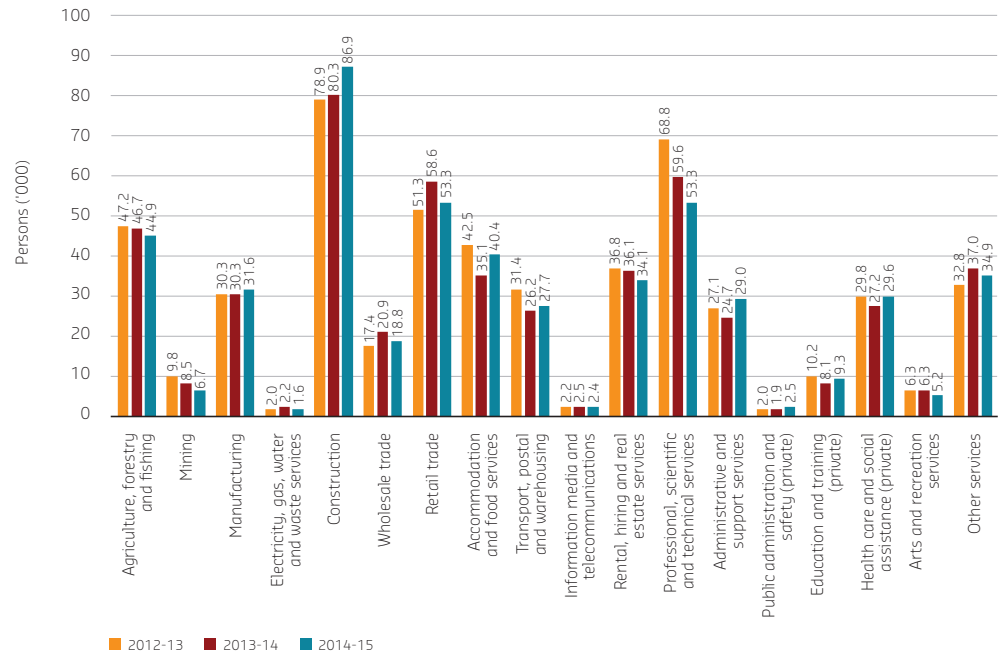
Table 11 Employment by small businesses, by industry, WA, 2012-13 to 2014-15

Industry	Small			Total			Small business percentage of total		
	2012-13	2013-14	2014-15	2012-13	2013-14	2014-15	2012-13	2013-14	2014-15
	No.	No.	No.	No.	No.	No.	%	%	%
Agriculture, forestry and fishing	47,220	46,710	44,890	58,910	58,880	56,830	80.2%	79.3%	79.0%
Mining	9,810	8,480	6,680	83,150	82,300	77,760	11.8%	10.3%	8.6%
Manufacturing	30,350	30,340	31,580	94,940	95,970	91,840	32.0%	31.6%	34.4%
Electricity, gas, water and waste services	1,990	2,240	1,580	14,370	13,690	13,500	13.8%	16.3%	11.7%
Construction	78,930	80,300	86,870	172,320	173,760	158,350	45.8%	46.2%	54.9%
Wholesale trade	17,390	20,920	18,770	52,510	54,700	48,510	33.1%	38.2%	38.7%
Retail trade	51,310	58,570	53,280	149,050	141,770	143,370	34.4%	41.3%	37.2%
Accommodation and food services	42,520	35,140	40,440	105,140	99,910	98,580	40.4%	35.2%	41.0%
Transport, postal and warehousing	31,390	26,180	27,720	71,170	69,840	68,830	44.1%	37.5%	40.3%
Information media and telecommunications	2,250	2,470	2,380	10,030	10,520	10,210	22.4%	23.5%	23.3%
Rental, hiring and real estate services	36,830	36,050	34,150	50,430	50,980	48,320	73.0%	70.7%	70.7%
Professional, scientific and technical services	68,790	59,570	53,330	130,220	115,920	106,810	52.8%	51.4%	49.9%
Administrative and support services	27,100	24,680	28,980	108,780	89,650	84,620	24.9%	27.5%	34.2%
Public administration and safety (private)	2,050	1,930	2,490	9,750	10,330	10,490	21.0%	18.6%	23.7%
Education and training (private)	10,200	8,050	9,250	37,360	37,300	38,710	27.3%	21.6%	23.9%
Health care and social assistance (private)	29,790	27,250	29,560	105,850	109,410	110,990	28.1%	24.9%	26.6%
Arts and recreation services	6,270	6,300	5,230	18,570	19,850	18,650	33.8%	31.7%	28.0%
Other services	32,790	37,040	34,950	50,530	57,440	54,260	64.9%	64.5%	64.4%
Total	526,970	512,210	512,120	1,323,080	1,292,220	1,240,620	39.8%	39.6%	41.3%

Notes: Counts are rounded to nearest 10. Percentages are calculated from unrounded values. Data for 'Financial and Insurance Services' are not available. The estimates for several industries have low relative standard errors and should be interpreted with caution.

Source: Bankwest Curtin Economics Centre | ABS unpublished data.

Figure 17 Employment by small businesses, by industry, WA, 2012-13 to 2014-15



Note: The percentages are the share of small businesses to all businesses for each industry in each year.
Source: Bankwest Curtin Economics Centre | ABS unpublished data.

Survival of small business

This section presents data relating to the count of entries and exits of small businesses in WA by industry, as well as the survival rates of all businesses by size and industry.

Entries and exits

Many businesses enter and exit in any year. Businesses can exit for a variety of reasons including the sale or merger of a business when it is acquired by another business. In this way, even successful businesses could exit the market when they are acquired by another business. As per the ABS Explanatory Notes on Cat 8165, business survival rates do not consider changes in employment or turnover size ranges. That is, businesses remain classified to their original base year classification, irrespective of whether they have expanded or contracted. Therefore, analysing the number of businesses does not necessarily indicate sectors that are expanding or contracting, but could indicate other trends about those industries. Table 12 shows the number of businesses in WA in each sector in 2016 as well as the number of entries, exits and the change in the number of businesses in each sector.

Many sectors in WA have seen growth in the number of businesses. In particular the Electricity, gas, water and waste services saw an increase of 6.2 per cent in the number of businesses in WA. Similarly, the needs of the ageing population in Australia may be encouraging an expansion in the number of businesses in the healthcare and social assistance sector. There has also been growth in the number of businesses in the Transport, postal and warehousing, Arts and recreation services, Financial and insurance services and Information, media and telecommunications sectors.

Compared to 2011, there is a better outlook for the Arts, but a worsening outlook for Mining and Retail trade. Counts in Agriculture continue to decline.

Table 12 Small business entries and exits by industry, WA, 2016

Industry	2011				2016				Percentage difference
	Operating at start of year	Entries	Exits	Operating at end of year	Operating at start of year	Entries	Exits	Operating at end of year	
Agriculture, forestry and fishing	20,484	1,345	2,181	19,670	17,104	1,115	1,555	16,634	-2.7%
Mining	2,704	465	315	2,847	2,689	296	354	2,615	-2.8%
Manufacturing	9,005	1,065	1,152	8,972	8,244	992	1,048	8,136	-1.3%
Electricity, gas, water and waste services	589	74	65	596	625	121	89	664	6.2%
Construction	40,578	7,012	6,329	41,248	40,686	7,094	6,119	41,584	2.2%
Wholesale trade	6,698	903	859	6,745	6,344	869	824	6,390	0.7%
Retail trade	13,399	1,937	1,888	13,451	12,042	1,513	1,685	11,882	-1.3%
Accommodation and food services	6,322	1,280	1,049	6,570	7,285	1,462	1,164	7,516	3.2%
Transport, postal and warehousing	14,047	1,927	2,123	13,865	13,777	2,789	2,025	14,532	5.5%
Information media and telecommunications	1,331	223	184	1,366	1,356	241	228	1,405	3.6%
Financial and insurance services	18,205	2,267	1,895	18,574	19,422	2,514	1,777	20,177	3.9%
Rental, hiring and real estate services	21,915	2,508	2,142	22,257	23,554	2,372	2,095	23,832	1.2%
Professional, scientific and technical services	24,292	3,956	3,229	25,006	25,514	3,975	3,562	25,943	1.7%
Administrative and support services	7,583	1,411	1,355	7,619	7,326	1,429	1,191	7,582	3.5%
Public administration and safety	568	93	81	574	583	108	102	593	1.7%
Education and training	2,187	405	323	2,258	2,278	374	344	2,329	2.2%
Health care and social assistance	8,524	1,153	784	8,877	10,533	1,580	981	11,172	6.1%
Arts and recreation services	2,275	331	365	2,251	2,163	337	280	2,255	4.3%
Other services	9,277	1,553	1,325	9,500	9,472	1,520	1,311	9,679	2.2%
Currently unknown	4,768	1,456	2,002	4,202	2,967	906	651	3,224	8.7%
WA	214,751	31,364	29,646	216,448	213,964	31,607	27,385	218,144	2.0%

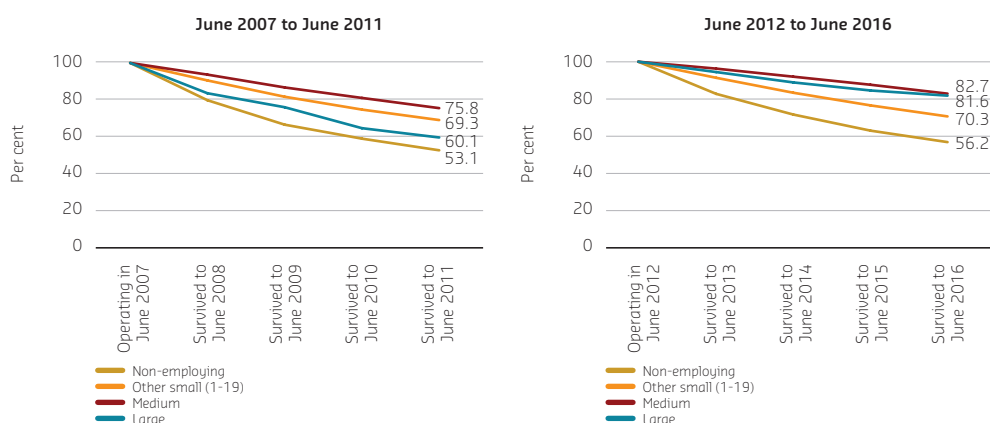
Note: The category 'Balancing item' for 2011 and 2016 has been omitted.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Four sectors have seen a decline in the number of businesses. As will be seen in Table 13 and Table 14, poor survival rates for forestry businesses are driving the decrease in the number of businesses in Agriculture, forestry and fishing. Current economic conditions might be the cause of a decline in the number of businesses in Mining and Manufacturing, while a decline in Retail trade in WA is also likely to reflect a flow on effect from the end of the mining boom.

Figure 18 and Table 13 examine the survival rates of businesses already operating in 2012-13. Firstly, Figure 18 examines the effect of the global financial crisis on the survival of operating businesses in 2007, just prior to the global financial crisis, compared to businesses operating in 2012. For businesses operating in 2007, the four-year survival rate for large businesses was 60 per cent but for small businesses it was 69 per cent. Small businesses appear untouched by the financial crisis compared to medium and large businesses with similar four-year survival rates for small businesses operating in 2012 compared to 2007. But for businesses with more than 20 employees, four-year survival rates increased from 76 per cent to 83 per cent for medium-sized businesses and 60 per cent to 82 per cent for large businesses.

Figure 18 Survival rates of businesses operating in WA, pre and post GFC



Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, Jan 2012 and June 2016.

Therefore, small businesses seem to be more resilient to the financial crisis than larger rivals. However, these survival rates could be partly related to exposure to financial markets. As is shown in the next section, small businesses often cite financial barriers to innovation or investment. Given this difficulty, it could be expected that small businesses are less exposed to investor sentiment than their larger rivals.

Table 13 examines the one-, two-, three- and four-year survival rates of operating firms in June 2012 by subsector. The colour of the cells describing the survival rate in June 2016, describe how well a subsector performs relative to the sector as a whole, with green cells describing where a subsector performs better than the overall sector and red describing subsectors with the lowest survival rates in their sector.

The high survival rate of incumbent agriculture businesses, but a poor survival rate for forestry and logging businesses shows that aggregate sector trends do not necessarily reflect the experience of businesses in different subsectors. Similarly, the ageing population could explain the high survival rate for businesses providing residential care and drive the overall high survival rates of businesses in the health sector, while businesses in the social assistance subsector have a poor survival rate. The end of the mining boom has resulted in low survival rates for businesses operating in the coal mining or petroleum and coal product manufacturing sectors.

The end of the mining boom has resulted in low survival rates for businesses operating in the coal mining or petroleum and coal product manufacturing sectors.

Table 13 Survival rates of businesses operating in 2012-13 to 2015-16, WA, by industry

	Operating in June 2012	Survived to June 2013		Survived to June 2014		Survived to June 2015		Survived to June 2016		
	Count	Count	Per cent	Count	Per cent	Count	Per cent	Count	Per cent	Rank
Agriculture, forestry and fishing	18,872	17,104	90.6%	15,117	80.1%	13,939	73.9%	12,890	68.3%	4
Agriculture	14,678	13,570	92.5%	12,094	82.4%	11,263	76.7%	10,504	71.6%	
Aquaculture	197	174	88.3%	145	73.6%	134	68.0%	123	62.4%	
Forestry and logging	1,387	1,081	77.9%	832	60.0%	678	48.9%	548	39.5%	
Fishing, hunting and trapping	1,263	1,097	86.9%	1,001	79.3%	930	73.6%	856	67.8%	
Agriculture, forestry and fishing support services	1,347	1,182	87.8%	1,045	77.6%	934	69.3%	859	63.8%	
Mining	2,949	2,606	88.4%	2,347	79.6%	2,080	70.5%	1,867	63.3%	5
Coal mining	27	21	77.8%	19	70.4%	15	55.6%	15	55.6%	
Oil and gas extraction	149	134	89.9%	116	77.9%	106	71.1%	93	62.4%	
Metal ore mining	476	406	85.3%	379	79.6%	333	70.0%	300	63.0%	
Non-metallic mineral mining and quarrying	293	258	88.1%	234	79.9%	209	71.3%	183	62.5%	
Exploration and other mining support services	2,004	1,787	89.2%	1,599	79.8%	1,417	70.7%	1,276	63.7%	
Manufacturing	8,831	7,646	86.6%	6,783	76.8%	6,044	68.4%	5,468	61.9%	7
Food product manufacturing	750	640	85.3%	565	75.3%	492	65.6%	437	58.3%	
Beverage and tobacco product manufacturing	313	272	86.9%	251	80.2%	221	70.6%	203	64.9%	
Textile, leather, clothing and footwear manufacturing	680	579	85.1%	481	70.7%	416	61.2%	368	54.1%	
Wood product manufacturing	506	450	88.9%	399	78.9%	358	70.8%	332	65.6%	
Pulp, paper and converted paper product manufacturing	42	36	85.7%	33	78.6%	28	66.7%	24	57.1%	
Printing (including the reproduction of recorded media)	544	481	88.4%	433	79.6%	388	71.3%	336	61.8%	
Petroleum and coal product manufacturing	42	37	88.1%	30	71.4%	24	57.1%	22	52.4%	
Basic chemical and chemical product manufacturing	250	209	83.6%	185	74.0%	167	66.8%	150	60.0%	
Polymer product and rubber product manufacturing	334	282	84.4%	257	76.9%	234	70.1%	213	63.8%	
Non-metallic mineral product manufacturing	424	381	89.9%	335	79.0%	301	71.0%	275	64.9%	
Primary metal and metal product manufacturing	277	247	89.2%	224	80.9%	202	72.9%	185	66.8%	
Fabricated metal product manufacturing	1,842	1,537	83.4%	1,349	73.2%	1,187	64.4%	1,064	57.8%	
Transport Equipment Manufacturing	795	683	85.9%	608	76.5%	554	69.7%	507	63.8%	
Machinery and equipment manufacturing	1,127	1,028	91.2%	932	82.7%	846	75.1%	780	69.2%	
Furniture and other manufacturing	905	784	86.6%	701	77.5%	626	69.2%	572	63.2%	
Electricity, gas, water and waste services	626	537	85.8%	475	75.9%	429	68.5%	389	62.1%	6
Electricity supply	80	66	82.5%	57	71.3%	55	68.8%	47	58.8%	
Gas supply	56	43	76.8%	37	66.1%	33	58.9%	28	50.0%	
Water supply, sewerage and drainage services	95	88	92.6%	76	80.0%	68	71.6%	61	64.2%	
Waste collection, treatment and disposal services	395	340	86.1%	305	77.2%	273	69.1%	253	64.1%	
Construction	40,608	33,216	81.8%	28,449	70.1%	25,082	61.8%	22,411	55.2%	16
Building construction	6,172	5,103	82.7%	4,426	71.7%	3,941	63.9%	3,564	57.7%	
Heavy and civil engineering construction	1,424	1,171	82.2%	1,002	70.4%	879	61.7%	802	56.3%	
Construction services	33,012	26,942	81.6%	23,021	69.7%	20,262	61.4%	18,045	54.7%	
Wholesale trade	6,799	5,803	85.4%	5,120	75.3%	4,586	67.5%	4,129	60.7%	8
Basic material wholesaling	1,624	1,395	85.9%	1,226	75.5%	1,109	68.3%	1,004	61.8%	
Machinery and equipment wholesaling	1,554	1,381	88.9%	1,246	80.2%	1,139	73.3%	1,037	66.7%	
Motor vehicle and motor vehicle parts wholesaling	467	400	85.7%	352	75.4%	323	69.2%	287	61.5%	
Grocery, liquor and tobacco product wholesaling	915	775	84.7%	683	74.6%	608	66.4%	544	59.5%	

Notes: The colour scales are relative to the overall average survival rate of 61.2%, where shades of green indicate survival rates above the average, while shades of red indicate survival rates below the average.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Table 13 Survival rates of businesses operating in 2012-13 to 2015-16, WA, by industry (continued)

	Operating in June 2012	Survived to June 2013		Survived to June 2014		Survived to June 2015		Survived to June 2016		
	Count	Count	Per cent	Count	Per cent	Count	Per cent	Count	Per cent	Rank
Other goods wholesaling	1,697	1,392	82.0%	1,205	71.0%	1,047	61.7%	927	54.6%	
Commission-based wholesaling	542	460	84.9%	408	75.3%	360	66.4%	330	60.9%	
Retail trade	13,093	11,052	84.4%	9,595	73.3%	8,420	64.3%	7,456	56.9%	14
Motor vehicle and motor vehicle parts retailing	1,036	896	86.5%	801	77.3%	732	70.7%	668	64.5%	
Fuel retailing	287	254	88.5%	232	80.8%	206	71.8%	188	65.5%	
Food retailing	2,128	1,811	85.1%	1,598	75.1%	1,411	66.3%	1,245	58.5%	
Other store-based retailing	8,291	7,095	85.6%	6,185	74.6%	5,436	65.6%	4,838	58.4%	
Non-store retailing and retail commission-based buying and/or selling	1,351	996	73.7%	779	57.7%	635	47.0%	517	38.3%	
Accommodation and food services	6,785	5,613	82.7%	4,820	71.0%	4,199	61.9%	3,650	53.8%	17
Accommodation	1,105	981	88.8%	882	79.8%	789	71.4%	718	65.0%	
Food and beverage services	5,680	4,632	81.5%	3,938	69.3%	3,410	60.0%	2,932	51.6%	
Transport, postal and warehousing	13,732	11,787	85.8%	10,371	75.5%	9,195	67.0%	8,187	59.6%	9
Road transport	7,561	6,571	86.9%	5,843	77.3%	5,220	69.0%	4,649	61.5%	
Rail transport	4	4	100.0%	4	100.0%	4	100.0%	3	75.0%	
Water transport	107	100	93.5%	91	85.0%	76	71.0%	62	57.9%	
Air and space transport	149	133	89.3%	121	81.2%	109	73.2%	106	71.1%	
Other transport	373	327	87.7%	298	79.9%	277	74.3%	246	66.0%	
Postal and courier pick-up and delivery services	2,207	1,804	81.7%	1,550	70.2%	1,323	59.9%	1,146	51.9%	
Transport support services	3,188	2,712	85.1%	2,339	73.4%	2,071	65.0%	1,867	58.6%	
Warehousing and storage services	143	136	95.1%	125	87.4%	115	80.4%	108	75.5%	
Information media and telecommunications	1,399	1,137	81.3%	961	68.7%	835	59.7%	746	53.3%	18
Publishing (except internet and music publishing)	283	239	84.5%	210	74.2%	178	62.9%	165	58.3%	
Motion picture and sound recording activities	548	440	80.3%	369	67.3%	314	57.3%	281	51.3%	
Broadcasting (except internet)	32	24	75.0%	20	62.5%	18	56.3%	14	43.8%	
Internet publishing and broadcasting	129	99	76.7%	85	65.9%	75	58.1%	63	48.8%	
Telecommunications services	131	112	85.5%	95	72.5%	90	68.7%	83	63.4%	
Internet service providers, web search portals and data processing services	265	215	81.1%	175	66.0%	153	57.7%	134	50.6%	
Library and other information services	11	8	72.7%	7	63.6%	7	63.6%	6	54.5%	
Financial and insurance services	17,784	15,780	88.7%	14,420	81.1%	13,329	74.9%	12,384	69.6%	3
Finance	4,636	4,048	87.3%	3,614	78.0%	3,269	70.5%	3,002	64.8%	
Insurance and superannuation funds	7,920	7,123	89.9%	6,670	84.2%	6,279	79.3%	5,902	74.5%	
Auxiliary finance and insurance services	5,228	4,609	88.2%	4,136	79.1%	3,781	72.3%	3,480	66.6%	
Rental, hiring and real estate services	22,650	20,619	91.0%	19,084	84.3%	17,717	78.2%	16,558	73.1%	1
Rental and hiring services (except real estate)	2,834	2,468	87.1%	2,212	78.1%	1,946	68.7%	1,722	60.8%	
Property operators and real estate services	19,816	18,151	91.6%	16,872	85.1%	15,771	79.6%	14,836	74.9%	
Professional, scientific and technical services	25,585	21,934	85.7%	19,211	75.1%	17,020	66.5%	15,159	59.2%	10
Professional, scientific and technical services (except computer system design and related services)	21,863	18,808	86.0%	16,515	75.5%	14,675	67.1%	13,069	59.8%	
Computer system design and related services	3,722	3,126	84.0%	2,696	72.4%	2,345	63.0%	2,090	56.2%	
Administrative and support services	7,656	6,223	81.3%	5,276	68.9%	4,565	59.6%	4,041	52.8%	19
Administrative services	3,433	2,844	82.8%	2,438	71.0%	2,128	62.0%	1,895	55.2%	
Building cleaning, pest control and other support services	4,223	3,379	80.0%	2,838	67.2%	2,437	57.7%	2,146	50.8%	
Public administration and safety (private)	587	501	85.3%	441	75.1%	391	66.6%	347	59.1%	11
Public administration	28	25	89.3%	19	67.9%	15	53.6%	15	53.6%	
Defence	3	3	100.0%	3	100.0%	3	100.0%	3	100.0%	

Notes: The colour scales are relative to the overall average survival rate of 61.2%, where shades of green indicate survival rates above the average, while shades of red indicate survival rates below the average.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Table 13 Survival rates of businesses operating in 2012-13 to 2015-16, WA, by industry (continued)

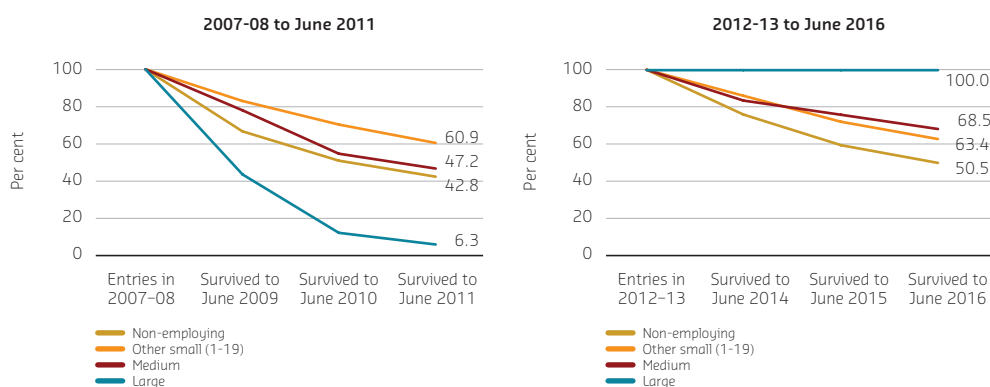
	Operating in June 2012	Survived to June 2013		Survived to June 2014		Survived to June 2015		Survived to June 2016		
	Count	Count	Per cent	Count	Per cent	Count	Per cent	Count	Per cent	Rank
Public order, safety and regulatory services	556	473	85.1%	419	75.4%	373	67.1%	329	59.2%	
Education and training (private)	2,286	1,888	82.6%	1,614	70.6%	1,432	62.6%	1,273	55.7%	15
Preschool and school education	110	100	90.9%	92	83.6%	85	77.3%	74	67.3%	
Tertiary education	850	696	81.9%	590	69.4%	530	62.4%	464	54.6%	
Adult, community and other education	1,326	1,092	82.4%	932	70.3%	817	61.6%	735	55.4%	
Health care and social assistance (private)	9,265	8,420	90.9%	7,741	83.6%	7,180	77.5%	6,717	72.5%	2
Hospitals	105	91	86.7%	83	79.0%	79	75.2%	73	69.5%	
Medical and other health care services	8,270	7,563	91.5%	6,990	84.5%	6,505	78.7%	6,095	73.7%	
Residential care services	104	95	91.3%	90	86.5%	85	81.7%	84	80.8%	
Social assistance services	786	671	85.4%	578	73.5%	511	65.0%	465	59.2%	
Arts and recreation services	2,220	1,867	84.1%	1,596	71.9%	1,405	63.3%	1,270	57.2%	13
Heritage activities	48	41	85.4%	39	81.3%	34	70.8%	33	68.8%	
Creative and performing arts activities	1,104	911	82.5%	761	68.9%	671	60.8%	605	54.8%	
Sports and recreation activities	878	745	84.9%	648	73.8%	572	65.1%	507	57.7%	
Gambling activities	190	170	89.5%	148	77.9%	128	67.4%	125	65.8%	
Other services	9,497	8,012	84.4%	7,024	74.0%	6,216	65.5%	5,574	58.7%	12
Repair and maintenance	6,354	5,468	86.1%	4,841	76.2%	4,337	68.3%	3,947	62.1%	
Personal and other services	3,143	2,544	80.9%	2,183	69.5%	1,879	59.8%	1,627	51.8%	
Currently unknown	4,089	2,528	61.8%	1,821	44.5%	1,466	35.9%	1,226	30.0%	
Unknown	4,089	2,528	61.8%	1,821	44.5%	1,466	35.9%	1,226	30.0%	
Total	215,313	184,273	85.6%	162,266	75.4%	145,530	67.6%	131,742	61.2%	

Notes: The colour scales are relative to the overall average survival rate of 61.2%, where shades of green indicate survival rates above the average, while shades of red indicate survival rates below the average.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Figure 19 shows the impact of the financial crisis on the survival rates of new entrants of various sizes. In particular, the same trend appears that small businesses were relatively unaffected by the global financial crisis with a four-year survival rate of 61 per cent increasing to 63 per cent for small businesses that entered in 2012-13. However, large businesses entering in 2007-08 were extremely exposed to the financial crisis with a four-year survival rate of only 6.3 per cent, rising to 100 per cent for large businesses that entered in 2012-13. Medium sized entrants saw a modest increase in their four-year survival rate after the financial crisis.

Figure 19 Survival rates of new business entries in WA, pre and post GFC



Source: Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, Jan 2012 and June 2016.

It is possible that some large businesses that exited during the financial crisis have since re-entered with new branding and a new ABN which would reduce the changes identified here, but the impacts of the financial crisis on entrants are clearly very different for small and large businesses.

Table 14 shows the one-, two- and three-year survival rates for entrants in 2013-14 in various subsectors. The poor survival rates of operating businesses in production and petroleum and coal product manufacturing also resulted in very few entries in these subsectors.

New entrant businesses have typically lower survival rates than businesses that are already operating, but, entrants in some subsectors go against this trend, with even better survival rates than incumbents. For example, in Manufacturing, new entrants in the beverage and tobacco product manufacturing sector have a 8.6 per cent higher three-year survival rate, the wood product manufacturing sector has a 10 per cent higher survival rate and the printing sector has a 10 per cent higher survival rate compared to businesses already operating. This indicates that these industries are experiencing a churn of new businesses replacing established rivals. This trend is not the same for all manufacturers though, with entrants in Primary metal and metal product manufacturing and Transport equipment manufacturing sectors experiencing three-year survival rates that are respectively 34.5 per cent lower and 22.8 per cent lower than incumbent operators.

In many sectors, entrants struggle to compete with incumbents. For example, existing Telecommunications businesses have a three-year survival rate of 68.7 per cent but entrants have a rate of only 33 per cent. This could, in part, be caused by incumbents acquiring small business entrants or having a first mover advantage. Similarly, entrants in the Internet publishing and broadcasting subsector have a 24.8 per cent lower survival rate than incumbents. Entrants in Tertiary education also have a 17.7 per cent lower three-year survival rate than existing businesses. Residential care providers have lower survival rates than established businesses for three years, but for established businesses, the three-year and four-year survival rates are similar, suggesting that the risks of entry dissipate for these businesses after approximately four years.

Table 14 Survival rates of new small business entries in 2013-14 to 2015-16, WA, by industry

	Entries in 2013- 2014	Survived to June 2014		Survived to June 2015		Survived to June 2016		
	Count	Count	Per cent	Count	Per cent	Count	Per cent	Rank
Agriculture, forestry and fishing	944	750	79.4%	614	81.9%	536	56.8%	8
Agriculture	636	526	82.7%	444	84.4%	393	61.8%	
Aquaculture	12	9	75.0%	8	88.9%	8	66.7%	
Forestry and logging	108	68	63.0%	44	64.7%	32	29.6%	
Fishing, hunting and trapping	66	55	83.3%	42	76.4%	38	57.6%	
Agriculture, forestry and fishing support services	122	92	75.4%	76	82.6%	65	53.3%	
Mining	236	197	83.5%	160	81.2%	131	55.5%	12
Coal mining	3	0	0.0%	0	0.0%	0	0.0%	
Oil and gas extraction	15	13	86.7%	11	84.6%	10	66.7%	
Metal ore mining	45	36	80.0%	29	80.6%	26	57.8%	
Non-metallic mineral mining and quarrying	19	14	73.7%	12	85.7%	12	63.2%	
Exploration and other mining support services	154	134	87.0%	108	80.6%	83	53.9%	
Manufacturing	741	623	84.1%	495	79.5%	416	56.1%	9
Food product manufacturing	74	59	79.7%	45	76.3%	40	54.1%	
Beverage and tobacco product manufacturing	24	21	87.5%	20	95.2%	19	79.2%	
Textile, leather, clothing and footwear manufacturing	47	35	74.5%	29	82.9%	23	48.9%	
Wood product manufacturing	26	24	92.3%	23	95.8%	21	80.8%	
Printing (including the reproduction of recorded media)	43	37	86.0%	31	83.8%	29	67.4%	
Petroleum and coal product manufacturing	3	3	100.0%	3	100.0%	0	0.0%	
Basic chemical and chemical product manufacturing	15	13	86.7%	8	61.5%	8	53.3%	
Polymer product and rubber product manufacturing	30	28	93.3%	22	78.6%	20	66.7%	
Non-metallic mineral product manufacturing	35	32	91.4%	25	78.1%	21	60.0%	
Primary metal and metal product manufacturing	26	20	76.9%	12	60.0%	10	38.5%	
Fabricated metal product manufacturing	215	175	81.4%	137	78.3%	104	48.4%	
Transport equipment manufacturing	64	50	78.1%	38	76.0%	30	46.9%	
Machinery and equipment manufacturing	84	75	89.3%	60	80.0%	54	64.3%	
Furniture and other manufacturing	55	51	92.7%	42	82.4%	37	67.3%	
Electricity, gas, water and waste services	69	59	85.5%	53	89.8%	43	62.3%	4
Electricity supply	18	16	88.9%	13	81.3%	9	50.0%	
Water supply, sewerage and drainage services	6	0	0.0%	0	0.0%	0	0.0%	
Waste collection, treatment and disposal services	45	43	95.6%	40	93.0%	34	75.6%	
Construction	5,440	4,323	79.5%	3,362	77.8%	2,784	51.2%	16
Building construction	905	753	83.2%	601	79.8%	497	54.9%	
Heavy and civil engineering construction	173	133	76.9%	103	77.4%	82	47.4%	
Construction services	4,362	3,437	78.8%	2,658	77.3%	2,205	50.6%	
Wholesale trade	615	509	82.8%	416	81.7%	357	58.0%	5
Basic material wholesaling	127	109	85.8%	90	82.6%	75	59.1%	
Machinery and equipment wholesaling	137	117	85.4%	97	82.9%	89	65.0%	
Motor vehicle and motor vehicle parts wholesaling	47	39	83.0%	34	87.2%	32	68.1%	
Grocery, liquor and tobacco product wholesaling	106	87	82.1%	73	83.9%	58	54.7%	
Other goods wholesaling	135	106	78.5%	82	77.4%	71	52.6%	
Commission-based wholesaling	63	51	81.0%	40	78.4%	32	50.8%	
Retail trade	1,277	1,075	84.2%	863	80.3%	734	57.5%	6
Motor vehicle and motor vehicle parts retailing	94	80	85.1%	66	82.5%	58	61.7%	
Fuel retailing	41	35	85.4%	27	77.1%	23	56.1%	
Food Retailing	217	180	82.9%	147	81.7%	129	59.4%	
Other store-based retailing	703	595	84.6%	480	80.7%	410	58.3%	
Non-store retailing and retail commission-based buying and/or selling	222	185	83.3%	143	77.3%	114	51.4%	

Notes: The colour scales are relative to the overall average survival rate of 54.3%, where shades of green indicate survival rates above the average, while shades of red indicate survival rates below the average.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Table 14 Survival rates of new small business entries in 2013-14 to 2015-16, WA, by industry (continued)

	Entries in 2013- 2014	Survived to June 2014		Survived to June 2015		Survived to June 2016		
	Count	Count	Per cent	Count	Per cent	Count	Per cent	Rank
Accommodation and food services	1,062	845	79.6%	657	61.9%	561	52.8%	13
Accommodation	111	91	82.0%	75	67.6%	66	59.5%	
Food and beverage services	951	754	79.3%	582	61.2%	495	52.1%	
Transport, postal and warehousing	1,600	1,294	80.9%	1,041	65.1%	842	52.6%	14
Road transport	759	610	80.4%	500	65.9%	415	54.7%	
Water transport	12	11	91.7%	8	66.7%	6	50.0%	
Air and space transport	13	11	84.6%	10	76.9%	8	61.5%	
Other transport	35	32	91.4%	28	80.0%	27	77.1%	
Postal and courier pick-up and delivery services	316	250	79.1%	201	63.6%	155	49.1%	
Transport support services	451	368	81.6%	284	63.0%	222	49.2%	
Warehousing and storage services	14	12	85.7%	10	71.4%	9	64.3%	
Information media and telecommunications	195	158	81.0%	115	59.0%	92	47.2%	18
Publishing (except internet and music publishing)	60	51	85.0%	39	65.0%	34	56.7%	
Motion picture and sound recording activities	81	65	80.2%	46	56.8%	36	44.4%	
Internet publishing and broadcasting	15	11	73.3%	6	40.0%	5	33.3%	
Telecommunications services	17	12	70.6%	9	52.9%	7	41.2%	
Internet service providers, web search portals and data processing services	22	19	86.4%	15	68.2%	10	45.5%	
Financial and insurance services	2,185	1,885	86.3%	1,694	77.5%	1,563	71.5%	1
Finance	429	338	78.8%	276	64.3%	241	56.2%	
Insurance and superannuation funds	1,217	1,101	90.5%	1,042	85.6%	991	81.4%	
Auxiliary finance and insurance services	539	446	82.7%	376	69.8%	331	61.4%	
Rental, hiring and real estate services	2,059	1,717	83.4%	1,469	71.3%	1,320	64.1%	3
Rental and hiring services (except real estate)	346	308	89.0%	267	77.2%	236	68.2%	
Property operators and real estate services	1,713	1,409	82.3%	1,202	70.2%	1,084	63.3%	
Professional, scientific and technical services	2,983	2,491	83.5%	1,988	66.6%	1,674	56.1%	10
Professional, scientific and technical services (except computer system design and related services)	2,495	2,083	83.5%	1,665	66.7%	1,400	56.1%	
Computer system design and related services	488	408	83.6%	323	66.2%	274	56.1%	
Administrative and support services	1,003	784	78.2%	574	57.2%	458	45.7%	19
Administrative services	383	308	80.4%	206	53.8%	164	42.8%	
Building cleaning, pest control and other support services	620	476	76.8%	368	59.4%	294	47.4%	
Public administration and safety (private)	84	69	82.1%	52	61.9%	44	52.4%	15
Public administration	8	6	75.0%	3	37.5%	3	37.5%	
Public order, safety and regulatory services	76	63	82.9%	49	64.5%	41	53.9%	
Education and training (private)	302	252	83.4%	183	60.6%	145	48.0%	17
Preschool and school education	3	3	100.0%	3	100.0%	3	100.0%	
Tertiary education	132	115	87.1%	80	60.6%	59	44.7%	
Adult, community and other education	167	134	80.2%	100	59.9%	83	49.7%	
Health care and social assistance (private)	1,079	946	87.7%	835	77.4%	733	67.9%	2
Hospitals	6	6	100.0%	6	100.0%	6	100.0%	
Medical and other health care services	942	835	88.6%	738	78.3%	647	68.7%	
Residential care services	10	8	80.0%	6	60.0%	6	60.0%	
Social assistance services	121	97	80.2%	85	70.2%	74	61.2%	
Arts and recreation services	260	209	80.4%	170	65.4%	148	56.9%	7
Heritage activities	3	3	100.0%	3	100.0%	3	100.0%	
Creative and performing arts activities	131	99	75.6%	72	55.0%	60	45.8%	
Sports and recreation activities	110	92	83.6%	83	75.5%	74	67.3%	
Gambling activities	16	15	93.8%	12	75.0%	11	68.8%	
Other services	1,162	958	82.4%	777	66.9%	647	55.7%	11
Repair and maintenance	661	548	82.9%	449	67.9%	380	57.5%	
Personal and other services	501	410	81.8%	328	65.5%	267	53.3%	
Currently unknown	1,801	744	41.3%	504	28.0%	401	22.3%	
Unknown	1,801	744	41.3%	504	28.0%	401	22.3%	
Total	25,097	19,888	79.2%	16,022	63.8%	13,629	54.3%	

Notes: The colour scales are relative to the overall average survival rate of 54.3%, where shades of green indicate survival rates above the average, while shades of red indicate survival rates below the average.

Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

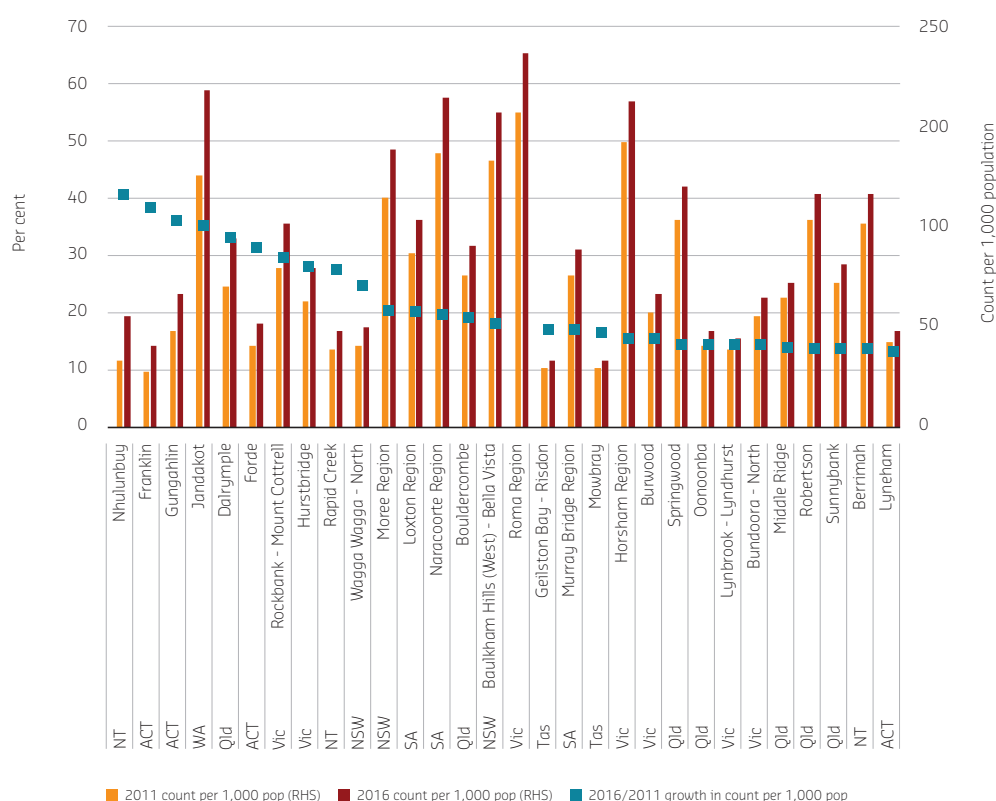
Jandakot had a substantial increase in the number of small businesses per 1,000 people, possibly due to an increase in the supply of commercial and industrial land in recent years.

Hotspots: Small businesses in the suburbs

This section looks at those suburbs that demonstrate the greatest level of growth and decline in small business numbers between 2011 and 2016.

Figure 20 shows the top 30 suburbs across Australia for growth in the number of small businesses per 1,000 people. Hot spots of new small businesses appear across the country. A few characteristics seem to explain an increase in the number of small businesses per 1,000 people. Growing suburbs in capital cities are excellent candidates for new small businesses to become established. In particular, the Perth suburb of Jandakot had a substantial increase in the number of small businesses per 1,000 people, possibly due to an increase in the supply of commercial and industrial land in recent years.

Figure 20 Top 30 small business growth areas, by SA2, Australia, 2011 to 2016

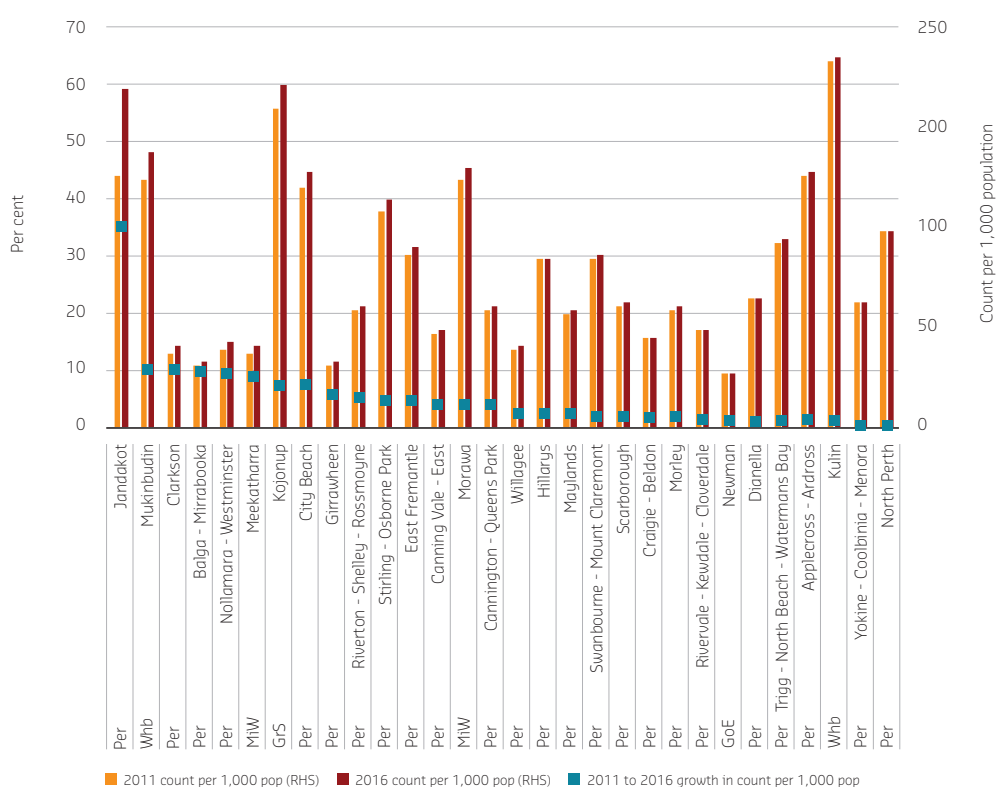


Note: Analysis excludes SA2 regions with a small business count of less than 100, and population less than 1,000.
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Small regional towns also feature a growing number of small businesses per 1,000 people, but this could be occurring, in part, due to population decline. For example, the town of Nhulunbuy in the Northern Territory has experienced a population decline from 4,500 in 2011 to 2,000 in 2016 while its count of small businesses only decreased from 192 to 144.

Similar patterns appear in WA (see Figure 21), although the rate of growth in small businesses was typically lower than the eastern states between 2011 and 2016 due to current economic conditions. While Jandakot featured strongly as a hotspot for new small businesses, other growth suburbs in Perth include Balga – Mirrabooka, Nollamara – Westminster, Riverton – Rossmoyne – Shelly, City Beach and Clarkson.

Figure 21 Top 30 small business growth areas, by SA2, WA, 2011 to 2016



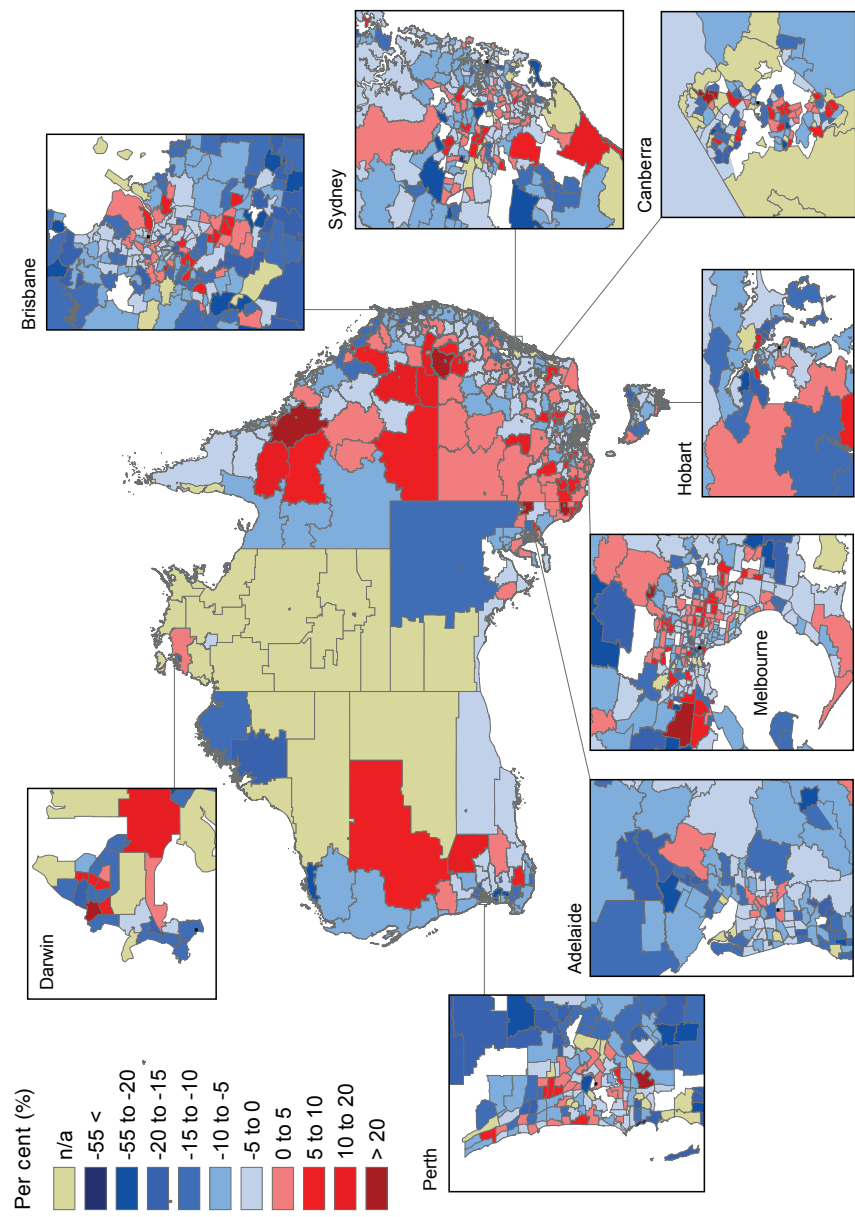
Growth suburbs in Perth include Balga – Mirrabooka, Nollamara – Westminster, Riverton – Rossmoyne – Shelly, City Beach and Clarkson.

Note: Analysis excludes SA2 regions with a small business count of less than 100, and population less than 1,000.
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Also similar to the national trend, the number of small businesses in small regional areas per 1,000 people also typically increased, in part due to declining population. For example, Mukinbudin in WA's Wheatbelt, experienced its population fall from 3,500 in 2011 to 3,200 in 2016 with little change in the number of small businesses.

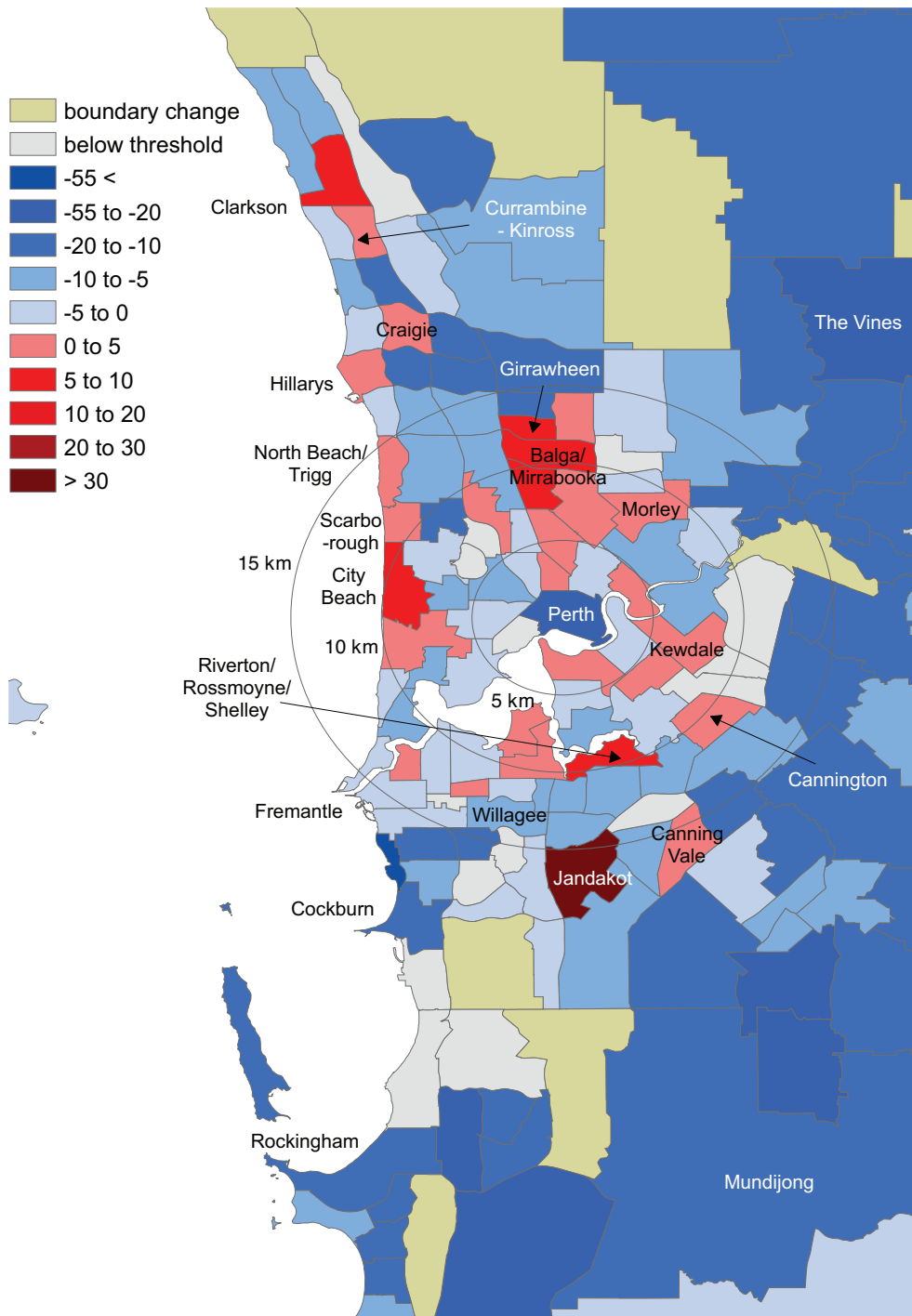
While central cities have seen a decline in the number of small businesses per 1,000 people, this could be due to two trends: an increase in the inner city population, as well as a greater number of larger businesses in city centres. Growth in the number of small businesses has instead occurred in well-connected suburbs. These results can also be viewed geographically in Figure 22 and Figure 23.

Figure 22 Growth in small businesses per 1,000 population, by SA2, Greater Perth, 2011 to 2016



Note: Analysis excludes SA2 regions with a small business count of less than 100, and population less than 1,000.
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

Figure 23 Growth in small businesses per 1,000 population, by SA2, Greater Perth, 2011 to 2016



Note: Analysis excludes SA2 regions with a small business count of less than 100, and population less than 1,000.
Source: Bankwest Curtin Economics Centre | ABS cat no 8165.0, June 2016.

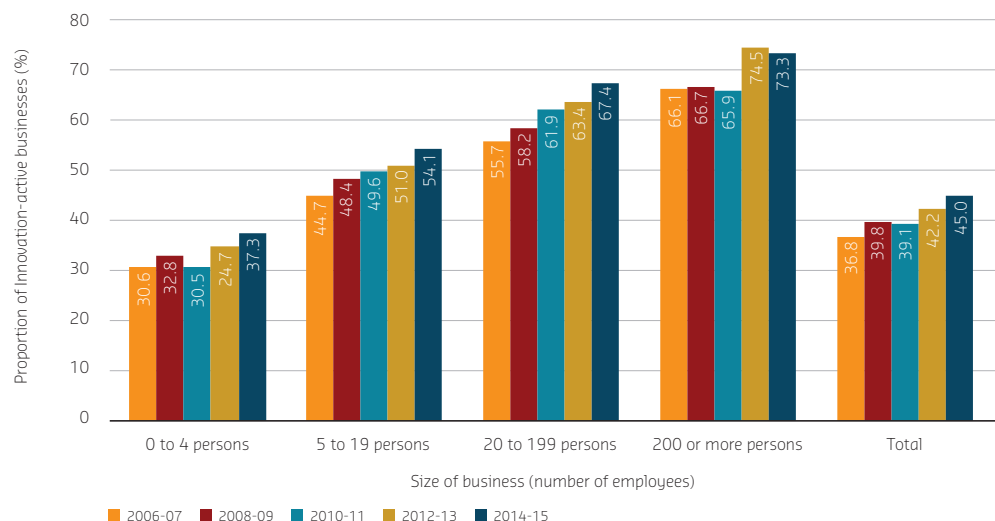
Innovation – does size matter?

Small businesses have shown a steady increase in innovation activity over time.

This section features information on the level of innovation in Australian businesses and draws comparisons, where possible, to business size. The analysis builds on BCEC's previous report on productivity and innovation, *'Positioned for an ideas boom'*³ to focus on small business and includes updated information from the latest release of Business Characteristics Survey.⁴ Unfortunately, much of the data presented here is not available at the state level. However, this data is complimented by the *BCEC Small Business Survey 2017*, which is reported in detail in Part II of this report.

Figure 24 shows the share of innovation active businesses by employment size from 2006-07 to 2014-15. The share of businesses reporting to undertake innovation activities has steadily increased over the last 10 years. Smaller businesses are less likely to report that they undertake innovation activities. Large businesses show a period of flat innovation activity, while smaller businesses have shown a steady increase in innovation activity over time.

Figure 24 Share of innovation-active businesses, by business size, 2006-17 to 2014-15



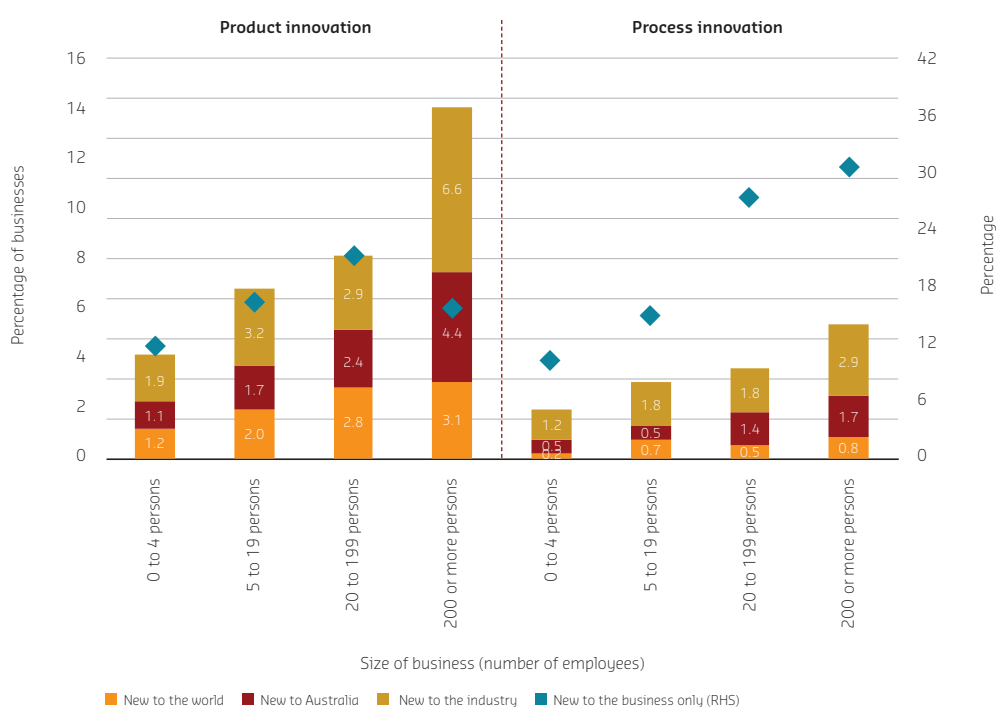
Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Cat No 8158.0.

³ Bond-Smith et al. (2016) 'Positioned for an Ideas Boom? Productivity and Innovation in Australia', Bankwest Curtin Economics Centre, Focus on the States Series, Issue #4, March 2016.

⁴ Australian Bureau of Statistics (2016) 8158.0 Innovation in Australian Businesses, 2014-15 available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8158.0Main+Features132014-15>

Figure 25 shows the incidence and novelty of product and process innovations by firm size in 2014-15. More large businesses reported introducing innovations than small businesses. There has been a large increase in product innovations that are new to industry for large businesses, but decreases for new to industry innovations for small businesses. There are also substantial differences between innovation activities of small businesses than large businesses. Small businesses are likely to report both innovations that copy the practices of others by introducing products and processes that are new to the business only, as well as experimenting with ideas that are entirely new to the world. While large businesses are more likely to report innovation activity, small businesses are equally likely to report innovations that are new to the world. This could reflect a more creative and experimental entrepreneurial culture in businesses with less than 200 employees.

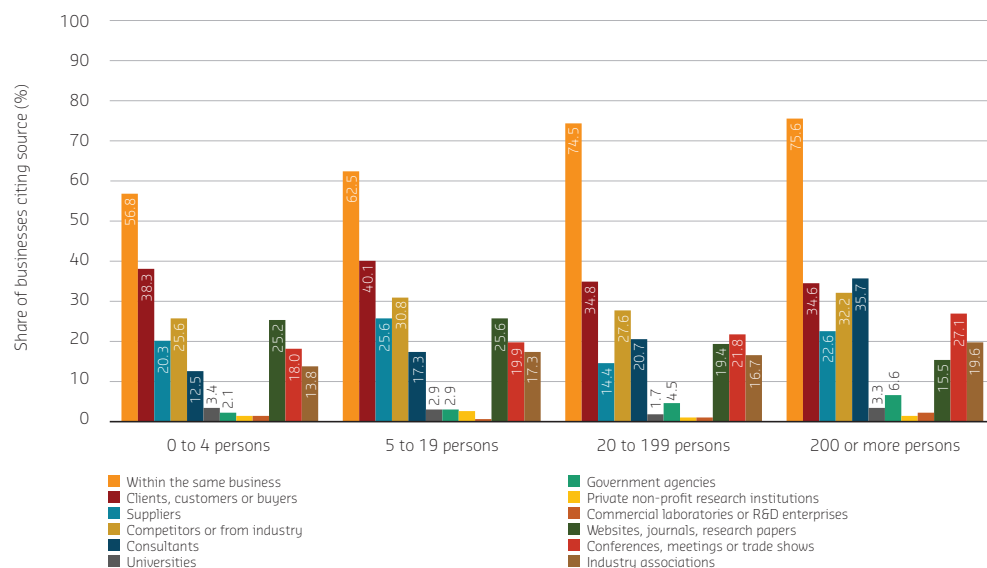
Figure 25 Incidence and novelty of product and process innovation, by business size, 2014-15



Notes: The overall height of each bar represent the share of businesses in each industry sector that introduced an innovation that is at least new to the industry. Separate shades within each bar represent the degree of novelty of innovation. The diamond markers (RHS scale) show the share of businesses that introduced an innovation new to the business only.

Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Cat No 8158.0.

Figure 26 Sources of innovative ideas, by business size, 2014-15

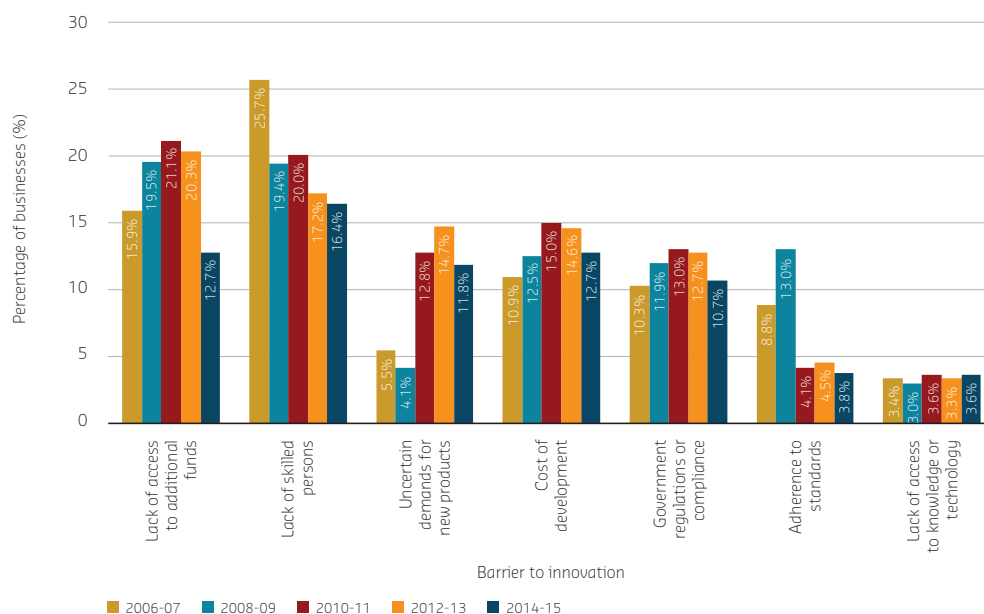


Source: Bankwest Curtin Economics Centre | ABS Cat No 8158.0.

The importance of ideas within the business highlight the significance of finding skilled staff as a source of innovative ideas.

Figure 25 shows that the primary source of ideas for businesses of all sizes is within the business. Small businesses are more likely than large businesses to report ideas from clients, customers or buyers; and websites. In addition, small businesses report fewer ideas from suppliers, conferences, meetings or trade shows, consultants or government agencies than large business.

The importance of ideas within the business highlights the significance of finding skilled staff as a source of innovative ideas. With small businesses reporting fewer ideas within the business, this backs up small business responses regarding skilled staff as a barrier to innovation (see Figure 26). The importance of ideas from clients, suppliers, competitors, conferences and industry associations emphasises that innovation builds upon shared knowledge.

Figure 27 Self-reported barriers to innovation, all industries, 2006-07 to 2014-15

Source: Bankwest Curtin Economics Centre | ABS Cat No. 8158.0.

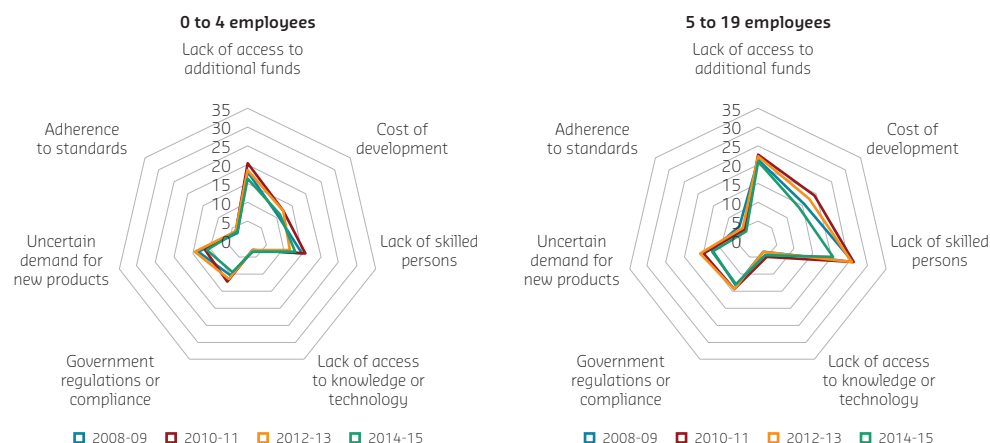
Figure 27 shows a substantial drop in 2014-15 in businesses reporting a lack of access to additional funds as a barrier to innovation. While financial barriers to innovation during the global financial crisis may be dissipating, businesses persist in reporting uncertain demand for new products as a barrier to innovation.

While unemployment is currently rising, it is only partly reflected by reported innovation barriers. Although a lack of skilled persons is once again the most reported barrier to innovation, the rate of citing it as a barrier has declined from 26.7 per cent in 2006-07 to 16.4 per cent in 2014-15. This probably reflects lower hiring activity, rather than an improvement in the supply of skilled workers.

Notably, there is continued low reporting of adherence to standards as a barrier to innovation since 2010-11.

A lack of skilled persons is the most reported barrier to innovation.

Figure 28 Changes in self-reported barriers to innovation by business size, 2008-09 to 2014-15

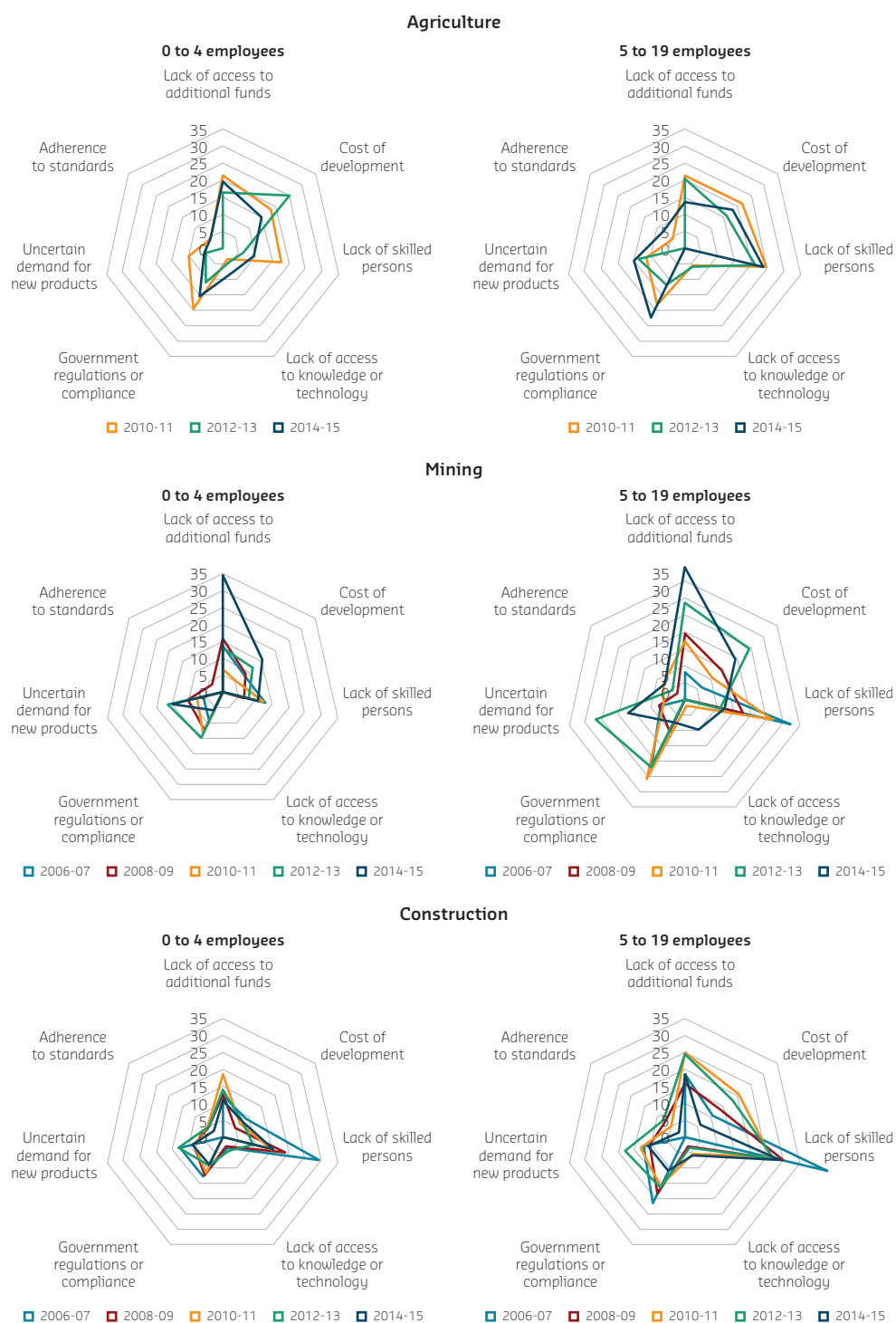


Source: Bankwest Curtin Economics Centre | ABS Cat No. 8158.0.

Businesses with 0 to 4 and 5 to 19 employees often report a lack of access to additional funds as a barrier to innovation, reflecting the difficulty for small businesses to participate in capital markets.

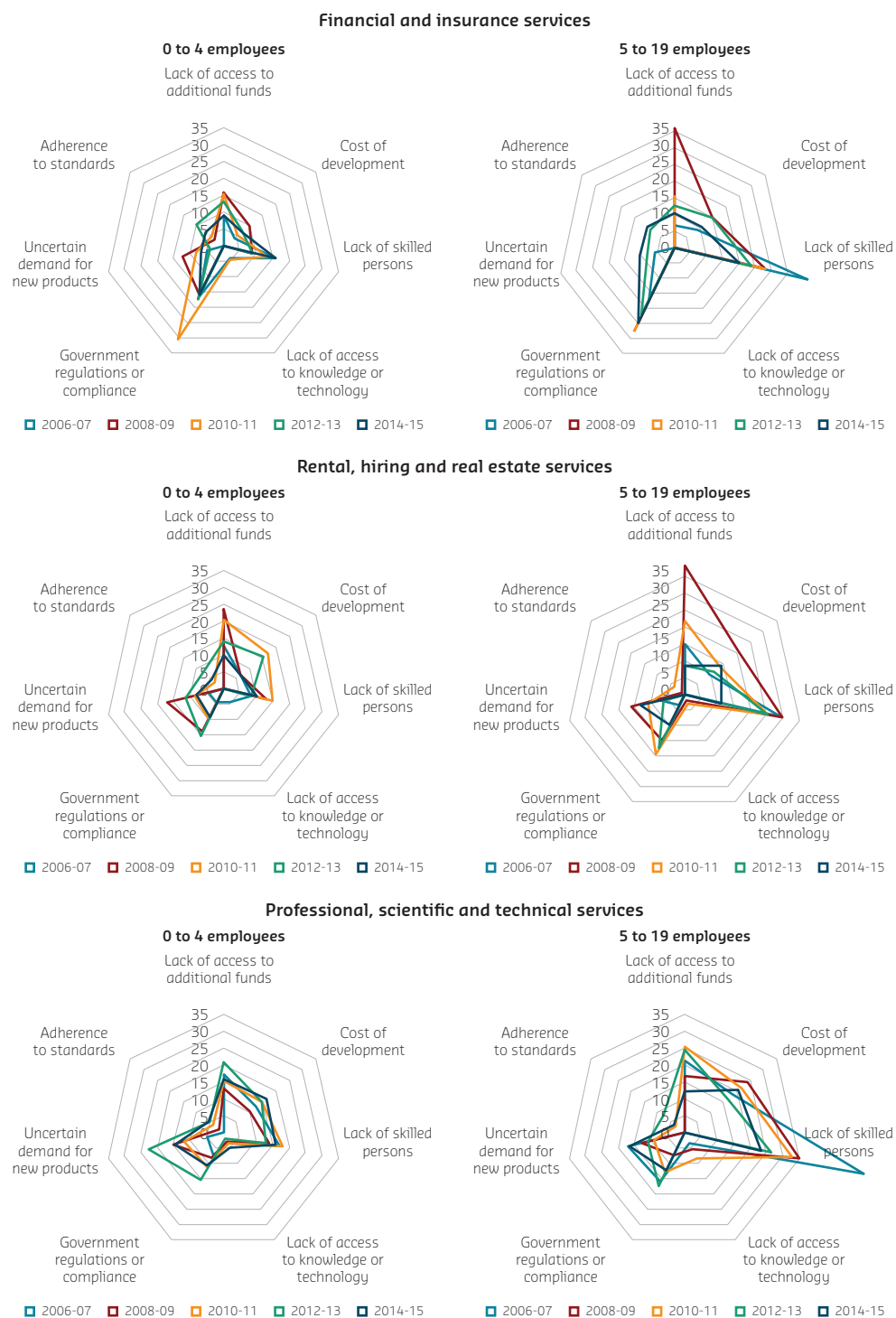
More businesses with 5 to 19 employees are reporting a lack of skilled persons as the greatest barrier to innovation than businesses with 0 to 4 employees. This reflects the needs of large businesses to hire more staff, but it is an issue that applies particularly to small businesses who face greater barriers to hiring than large businesses. For businesses with 0 to 4 employees a lack of access to additional funds is the most commonly reported barrier to innovation. Access to funds is also a large barrier to innovation for businesses with 5 to 19 employees. The emphasis on access to funding is reflective of a market failure, commonly known in economics as *information asymmetry* or the so-called '*market for lemons*'. The problem is caused because a business seeking funding knows more about the business than the lender does, but a lender does not know whether to believe the business is successful or not since both low and high quality businesses would try to show an image of success when seeking funds. It is more difficult for a lender to understand the credit-worthiness of a small business than a larger business, so less funding tends to be available for innovation and expansion activities in small businesses. Businesses with 0 to 4 and 5 to 19 employees are also likely to report cost as a barrier to innovation. All barriers appear to be generally declining in the latest survey results (2014-15) with the exception of access to skills for businesses with 0 to 4 employees.

Figure 29 describes the particular barriers faced by small businesses in selected industries. In 2012-13 small businesses in Agriculture strongly report government regulations or compliance as a barrier to innovation. Small businesses in Mining increasingly report access to additional funds as a barrier to innovation, particularly increasing in 2014-15 for businesses with 0 to 4 employees and in 2012-13 for businesses with 5 to 19 employees. More small businesses in the Construction industry report a lack of skilled persons than any other barrier to innovation especially in 2012-13, but this particular pressure has since lessened a little. Businesses with 0 to 4 employees in Finance and insurance report government regulations or compliance as the main barrier while businesses with 5 to 19 employees also cite access to funds and a lack of skilled persons as barriers. Similarly, small businesses in the Rental, hiring and real estate services industry also cite access to funds and a lack of skilled persons as the main barriers to innovation, particularly in 2008-09. More Professional services firms cite a lack of skilled persons as a barrier to innovation than other barriers, but this has declined rapidly since 2006-07 with more businesses now reporting access to funds as a barrier to innovation.

Figure 29 Self-reported barriers to innovation by industry and business size: 2006-07 to 2014-15

Source: Bankwest Curtin Economics Centre | ABS Cat No. 8158.0.

Figure 29 Self-reported barriers to innovation by industry and business size: 2006-07 to 2014-15 (continued)

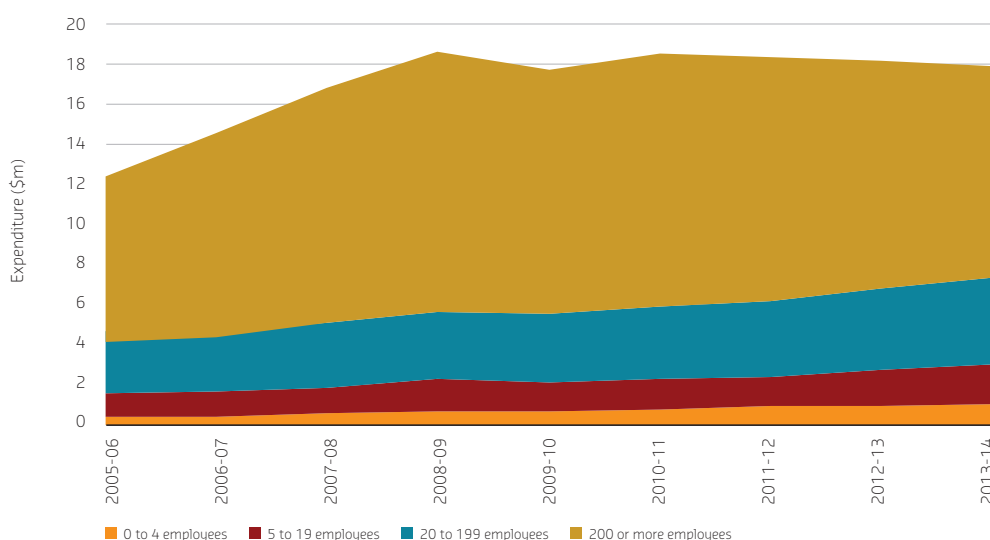


Source: Bankwest Curtin Economics Centre | ABS Cat No. 8158.0.

Research and Development expenditure

Business expenditure on research and development is shown in Figure 30 with a breakdown across business size. While real expenditure on Research and Development (R&D) has been stagnant since 2008-09, this is predominantly caused by a decline in R&D investment by large firms, with smaller businesses continuing to increase their investment in research. Small businesses are increasingly realising the importance of R&D with real expenditure on R&D by businesses with 0 to 4 employees tripling between 2005-06 and 2013-14.

Figure 30 Expenditure on research and development by business size, 2005-06 to 2013-14



Notes: The Survey of Research and Experimental Development (R&D), Businesses is a biennial survey. The change to the collection frequency from annual to biennial was made after the 2011-12 survey – reporting for 2012-13 is a midpoint between survey results in 2011-12 and 2013-14.

Source: Bankwest Curtin Economics Centre | ABS Cat No. 8104.0.

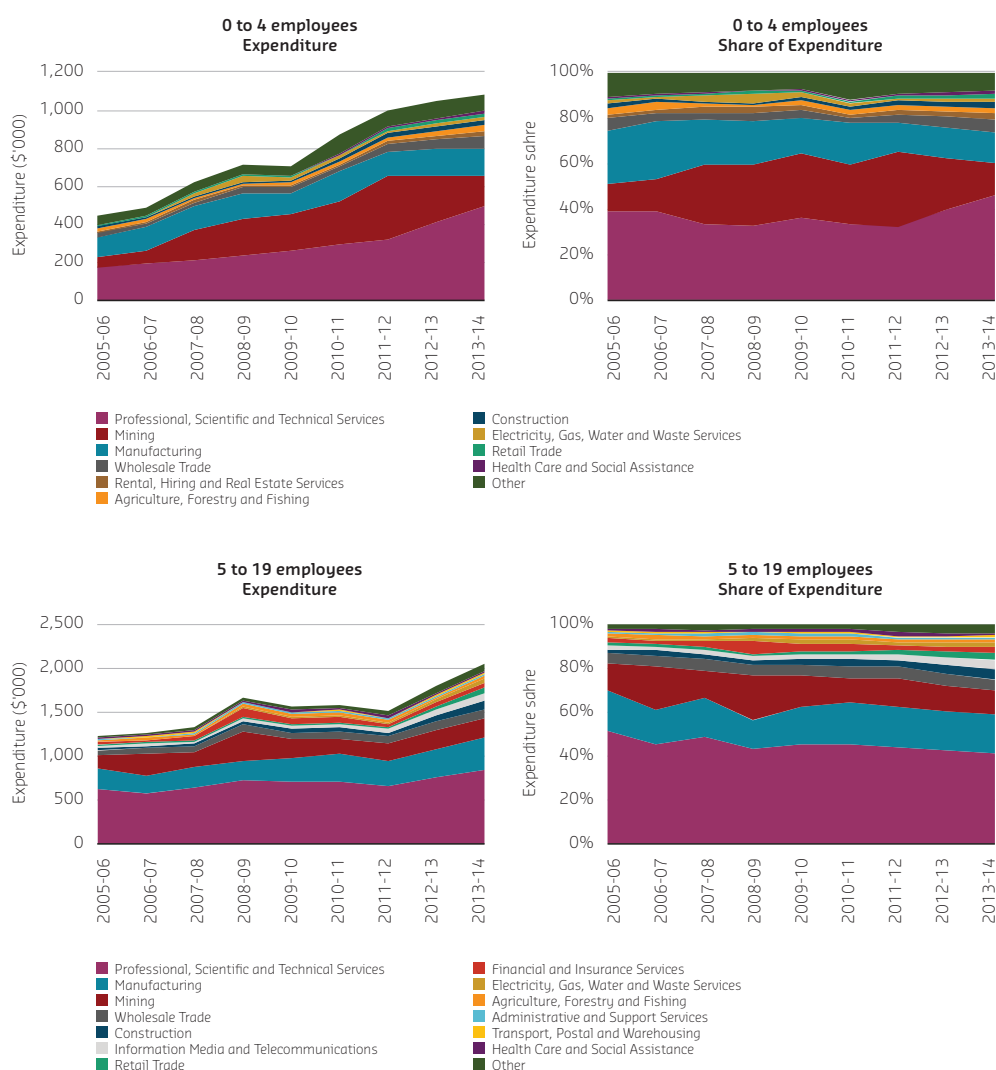
Small businesses are increasingly realising the importance of R&D, with real expenditure on R&D by businesses with 0-4 employees tripling between 2005-06 and 2013-14.

For businesses with 5 to 19 employees, the share of R&D expenditure by Mining businesses peaked in 2008-09 during the mining boom.

Figure 31 describes how R&D expenditure has changed for small businesses in different industries. For businesses with 0 to 4 employees there has been a substantial decline in R&D expenditure in the Mining industry, but a significant expansion by business in the Professional, scientific and technical services industry. For Manufacturing businesses with 0 to 4 employees, expenditure has been constant, but expansion by other small businesses has meant their share of R&D expenditure by businesses with 0 to 4 employees has declined.

For businesses with 5 to 19 employees, the share of R&D expenditure by Mining businesses peaked in 2008-09 during the mining boom, but has since returned to historic levels. While R&D expenditure by businesses in the Professional, scientific and technical services industry has increased, its share has declined as many smaller sectors have also expanded.

Figure 31 Expenditure on research and development, by industry, for businesses with 0 to 4 employees, 2005-06 to 2013-14



Source: Bankwest Curtin Economics Centre | ABS Cat No. 8104.0.

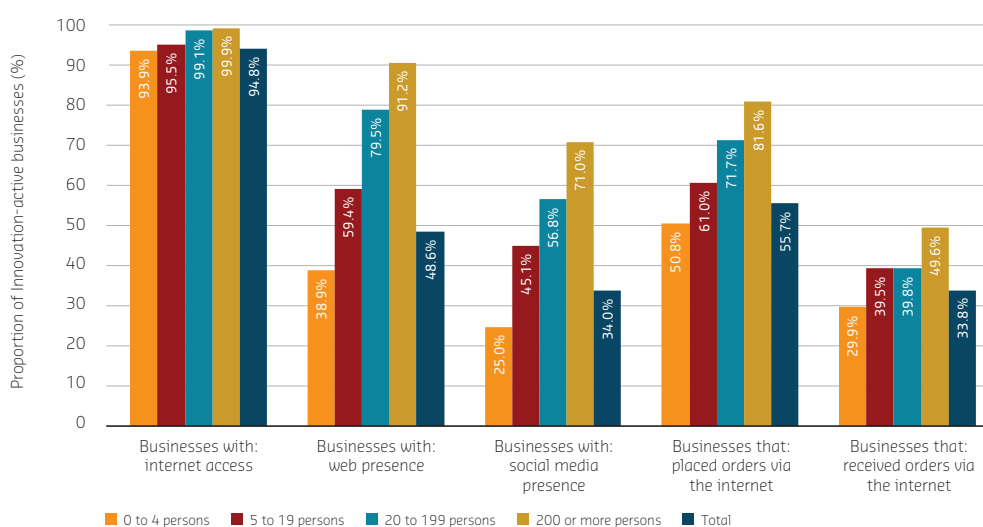
Information and communication technology usage

Figure 32 describes the use of information and communication technology (ICT) by business size. Larger businesses are more likely to use all ICT technologies than smaller businesses. While 94-95 per cent of small businesses have internet access which is typically a broadband connection, small businesses are far less likely to have a web presence, social media presence or place or receive orders via the internet.

Businesses with 0 to 4 employees are half as likely to have a web presence compared to businesses with 200+ employees while businesses with 5 to 19 employees are two thirds as likely. Similarly, only a quarter of businesses with 0 to 4 employees have a social media presence. On the other hand, businesses with 5 to 19 employees are just as likely to receive orders via the internet as larger businesses with 20 to 199 employees. These observations do not imply that small businesses are less innovative or less likely to adopt ICT, but probably reflect the different needs of different sized businesses.

Businesses with 5 to 19 employees are just as likely to receive orders via the internet as larger businesses with 20 to 199 employees.

Figure 32 ICT usage (various), by business size, 2014-15



Source: Bankwest Curtin Economics Centre | ABS Cat No. 8166.0.

Innovation policy

This section describes how policies to support innovation are tailored to the needs of small businesses, including some examples from Australia. The National Innovation and Science Agenda is intended to stimulate Australia's National Innovation System. A National Innovation System refers to the flow of technology and knowledge between people, businesses, institutions and all of the innovative processes and interactions that encompass these flows. The latest review of Australia's Innovation System identifies that "innovation-active businesses outperform non-innovation-active businesses on a range of measures."⁵ While only a small share of Australia's income is from the sale of innovative goods and services, Australia's small businesses perform well for innovation activity, ranking 5th out of 30 OECD countries for the proportion of innovation-active small- and medium-sized businesses.

Reflecting the strength of innovation activity in small businesses in Australia, the Agenda emphasises the importance of start-ups to support the National Innovation System. While only a small number of firms grow enough to create a significant number of jobs, the Agenda particularly focuses on financing growth in small businesses. This reflects the findings in this report that highlight a lack of access to funds as a barrier to innovation for small businesses. This is a particular problem for small businesses because entrepreneurs in small businesses may find it difficult to credibly communicate the prospects of their ideas, and investors find it difficult to assess a small business's financial viability, especially for expansion into a new, innovative area.

Small business policy

While innovation policy typically aims to support innovation activities in all businesses and organisations, small business policies and more recently entrepreneurship policy have a particular focus on the small business sector as the driver of economic and employment growth.⁶ Despite this emphasis, most small businesses remain small, with most new employment from initially small businesses emerging in only a few high-growth "Gazelle" firms.

There are typically six themes for small business policy: (1) business environment, (2) services and support, (3) financial, (4) entrepreneurship, (5) research and innovation and (6) market access.⁷ Each of these intend to address aspects that are unique to the small business sector.

When setting up a new business, larger organisations have much greater resources to devote to navigating legal and operational hurdles. Policies that make this easier enable small businesses to enter the marketplace and compete with much larger rivals. These types of policies avoid large businesses being 'protected' from competition simply because of their size. While a small business owner might be an expert in the particular product or service they have developed, other practical knowledge, such as book-keeping or human resource management skills, may be new. Governments can support the growth of new businesses by making it easier to access mentors or advice that can assist small business owners to take on these new tasks. For example, the Small Business Development Corporation (SBDC) has

5 Australian Government (2016) Australian Innovation System Report, Office of the Chief Economist, www.industry.gov.au/innovationreport.

6 Mazzarol, T. and Clark, D. (2016) The evolution of small business policy in Australia and New Zealand, *Small Enterprise Research*, 23, 239-261.

7 Mazzarol and Clark (2016).

provided free advice to small businesses in Western Australia since 1984. As found in both the survey and national data, small businesses particularly find access to finance to be a barrier because of the information asymmetry problem. Lenders find it difficult to assess the creditworthiness of a small business so are often reluctant to lend. Governments can help to address these kinds of problems by providing grants and financial assistance as well as setting financial information disclosure standards. The final two themes are closely related to innovation policy. Policies that support development of new businesses and entrepreneurs through incubators, information and education help to develop an entrepreneurial culture. Similarly, policies that support research and innovation, encourage industry relationships with universities and research institutes and support intellectual property law are essential to developing new technologies, products and processes.

Small business policy is now a national strategy in Australia and other countries, with greater integration across different types of policies and an emphasis on entrepreneurship.

WA Innovation Strategy and Small Business Policy

States also implement innovation and small business policies of their own. In Western Australia, SBDC seeks to address a number of issues facing small businesses by providing skills workshops, advisory services, dispute resolution, policy advice and assistance with licencing, registration and codes of practice.

More recently, the Western Australian Innovation Strategy announced in November 2016 aims to help small businesses in Western Australia to commercialise new ideas, to increase investment in innovation in WA, to increase the number of innovations of significant commercial scale and to reduce the cost and time of commercialising and scaling up new ideas. Similar to national innovation strategies, the WA strategy includes four themes: talent and skills, investment and infrastructure, culture and collaboration, and marketing and promotion.⁸

⁸ Government of Western Australia (2016) Western Australian Innovation Strategy, Office of the Government Chief Information Officer (Western Australia), gcio.wa.gov.au/initiatives/wa-innovation-strategy/.

Key learnings and gaps

Part I of this report has provided a current and historic picture of the small business sector in WA. It has been shown that the small business sector contributes significantly to the WA economy in terms of value added contribution, employment and the number of businesses, including in regional WA.

The small business sector contributed \$39.7 billion to the WA economy, and employed over half a million people, as of June 2016. By industry, Construction is the largest contributor to the small business sector in terms of the number of small businesses, the value added contribution and the employment contribution.

There appears to be an inverse relationship between the number of small businesses and the number of medium and large businesses. This suggests that the small business sector plays a pivotal role in the economy, particularly during more difficult economic times, when people may opt for self-employment.

While employment in the small business sector has declined since 2006-07, it has increased in the most recent period, as has the count of small businesses. Coupled with the fact that the value added contribution of the small business sector in WA increased by 6.6 per cent in 2014-15 (having declined by 2.8% in 2013-14) suggests that things are improving for the sector as a whole.

On average, 54 per cent of new business entries in 2013-14 survived to June 2016. The survival rate was as high as 72 per cent for Financial and insurance services, but as low as 47 per cent for small businesses in the Information media and telecommunications industry.

There were a number of growth hotspots in WA by SA2 regional level, with for example, Jandakot reporting growth of 35 per cent in the number of small businesses per 1000 of the population between 2011 and 2016. However, this was the only WA SA2 region to feature in Australia's top 30 growth areas. Other regions in WA's top 30 had growth rates of 10 per cent or below between 2011 and 2016. Jandakot's growth followed the approval of a \$60 million master plan to transform it into a commercial and industrial precinct.

The innovation section presented in Part I clearly shows some of the additional challenges that the small business sector faces, relative to larger businesses. However this section also highlights that there is a lack of data at the state and in particular regional level for WA.

The gap is not related to innovation alone. There is a lack of data on the characteristics of small business owners in WA, particularly at a regional level. This includes information on factors such as the level of competition in their industry, the markets they trade in and what resources they draw from to grow their business. There is also a lack of information on the general health and wellbeing of small business owners in WA, such as the level of stress they face and the drivers of such stress.

Therefore, to help bridge this gap, the Bankwest Curtin Economics Centre (BCEC) has developed a survey of small business owners and managers. Data for the *BCEC Small Business Survey 2017* was collected in March 2017. This results derived from this survey are presented in Part II of this report.

Part II:

BCEC Small Business Survey
2017

About the *BCEC Small Business Survey 2017*

A key contribution of this report arises from analysis of the data collected in the *BCEC Small Business Survey 2017*.

After a review of existing publically available data, and with extensive engagement with key stakeholders in the small business sector, it was evident that there was a significant gap in the data available on the small business sector in WA, particularly at a regional level.

The BCEC Small Business Survey 2017 provides meaningful insight into the opportunities and challenges faced by the sector and will help frame policy discussions aimed at supporting the sector and its owners/managers in the immediate years ahead.

The data obtained from this survey will go towards bridging a gap that exists in relation to currently available data on the sector. This survey will ensure that the diverse nature of this sector, particularly nuances at the regional and industry levels are sufficiently captured to ensure that policy discussions and decisions are appropriately informed.

In addition to looking at the health and wellbeing of small business owners/managers, this survey generated data on the general characteristics of small business owners in WA, their business outlook, and their plan to exit. It also looks at the level of innovation amongst small businesses in WA, the geographic markets they service, and the extent of regulation and compliance costs for the sector.

BCEC commissioned Research Solutions in association with Thinkfield to undertake the survey of small business owners and managers throughout Western Australia. This data was collected in March 2017. The survey was conducted over the telephone, with a broad cross-section of small business owners/managers randomly selected from around the State.

A total of 1,500 small business owners/managers across WA took part in the survey. To ensure that we captured the diverse nature of WA's nine regions, an important aspect of the survey design methodology involved oversampling of the regions.

BCEC is sincere in developing a new kind of research partnership - one where stakeholders are engaged at all stages of the process, from the framing and conceptualisation of research questions, through the conduct of research, to the communication and implementation of research findings. Therefore, the survey was formulated by capturing the views of key stakeholders in the small business sector. This led to a survey consisting of over 40 questions, which has provided an extensive and unique dataset on the small business sector in WA. The key data from this survey is assessed and reported on in Part II of this report.

This survey received approval from Curtin University's Ethics/Research Integrity Office, and all data collected was anonymised and stored in a safe and secure manner.

The engine room

This section discusses the broad characteristics and mode of operation of the small business survey respondents. Having reported the key characteristics of respondents, we discuss the self-reported health of small businesses in WA and their intentions to hire in the immediate future. The level and intensity of competition is discussed, as well as key sources of competitive advantage. The market reach of small business is also addressed, where we look at the importance of local, regional, national and international markets. Where appropriate, results are presented at a regional and industry level.

Characteristics

While over sampling the regions to ensure adequate coverage and representation of regional small businesses, quotas representative of the population (at an industry and regional level) were established. On that basis, a random sample of small business owners (79% of respondents) and managers (21% of respondents) were voluntarily surveyed over the telephone during the month of March 2017. There were 1,500 respondents in total. The key characteristics of small business owners/managers (hereafter referred to only as 'owners') are presented in the infographic and discussed below.

The infographic shows the regional location of the 1,500 respondents. By design, approximately one-third (33.9%) are based in the Perth metropolitan region and two-thirds (66.1%) are distributed across the WA regions in line with Table 7.⁹ The proportion of respondents by industry is also shown in the infographic, with for example, 17 per cent of respondents in Agriculture, forestry and fishing, 16.4 per cent in Construction and 8.6 per cent in Professional, scientific and technical services.

By age, 63 per cent of respondents were aged 50 years and above, with 23 per cent aged 40 to 49 and 13 per cent aged 39 years and younger. By gender, 63 per cent of respondents were male, with 38 per cent being female. Only 1 per cent of respondents had a primary level of education only, with 36 per cent having a high school education, 34 per cent with a VET qualification and 39 per cent with a college/university education.

By place of birth, 75 per cent of respondents were born in Australia, with 11 per cent born in the UK and Ireland, and 4 per cent born in both Europe and New Zealand. The remaining 6 per cent was spread across the globe.

Among the 1,500 businesses surveyed, almost 23 per cent were established before 1980, with 45 per cent established between 1980 and 2000. A further 23 per cent were established between 2000 and 2010, with the remaining 9 per cent established after 2010.

⁹ The proportions do not exactly correspond with those in Table 7 since we oversampled the regions.

BCEC Small Business Survey 2017

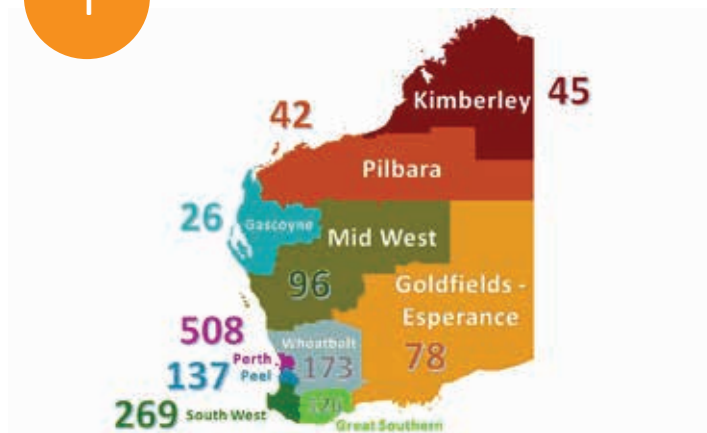


Profile

A random sample of small business owners and managers in WA were surveyed via telephone interview as part in the *BCEC Small Business Survey 2017*. BCEC oversampled the regions to ensure meaningful insights could be drawn at both the regional and industry levels. This is a snapshot of the characteristics of the WA small businesses surveyed.

1

Where does your business operate?

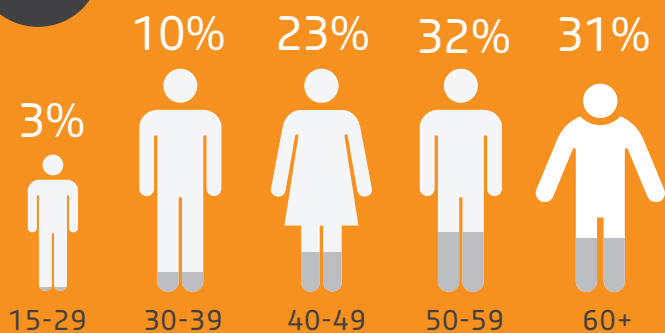


2

n = 1,500

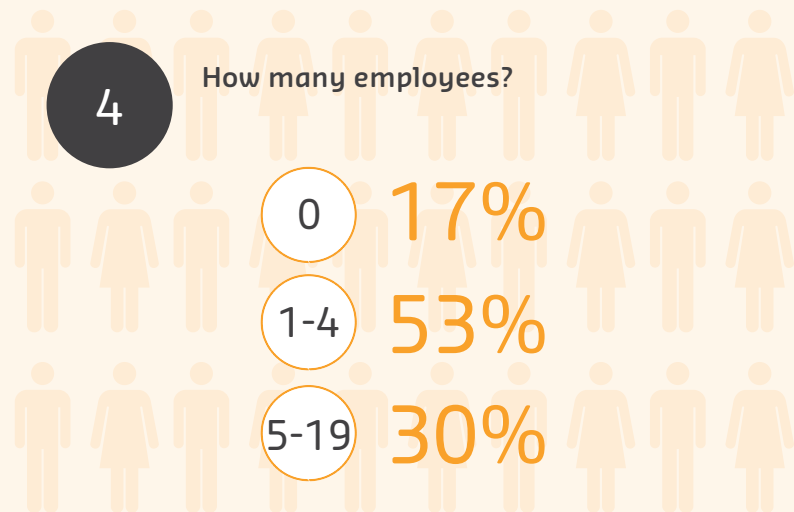
3

What is your current age range?



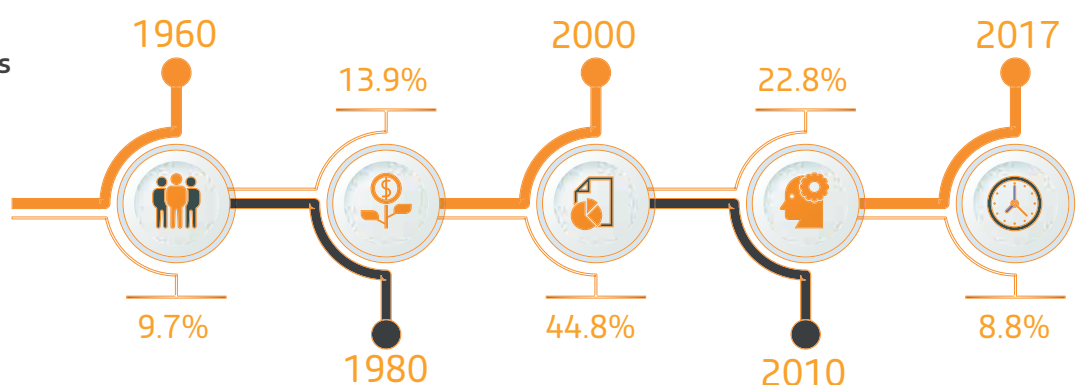
4

How many employees?



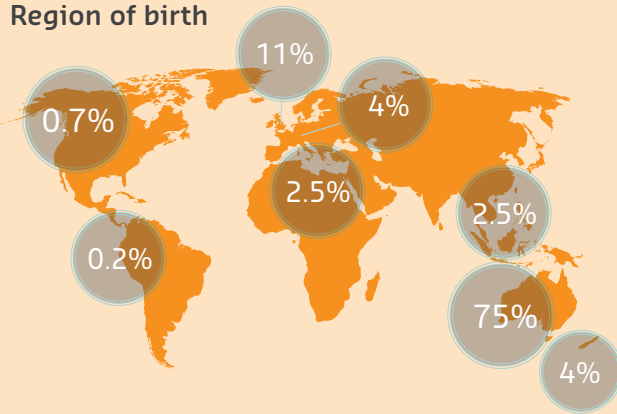
5

When was your business established?



6

Region of birth



7

Male

Female

62%

38%



8

What is your highest level of education?



Primary School

1%



High School

36%



VET

29%



College

34%

9

Owner

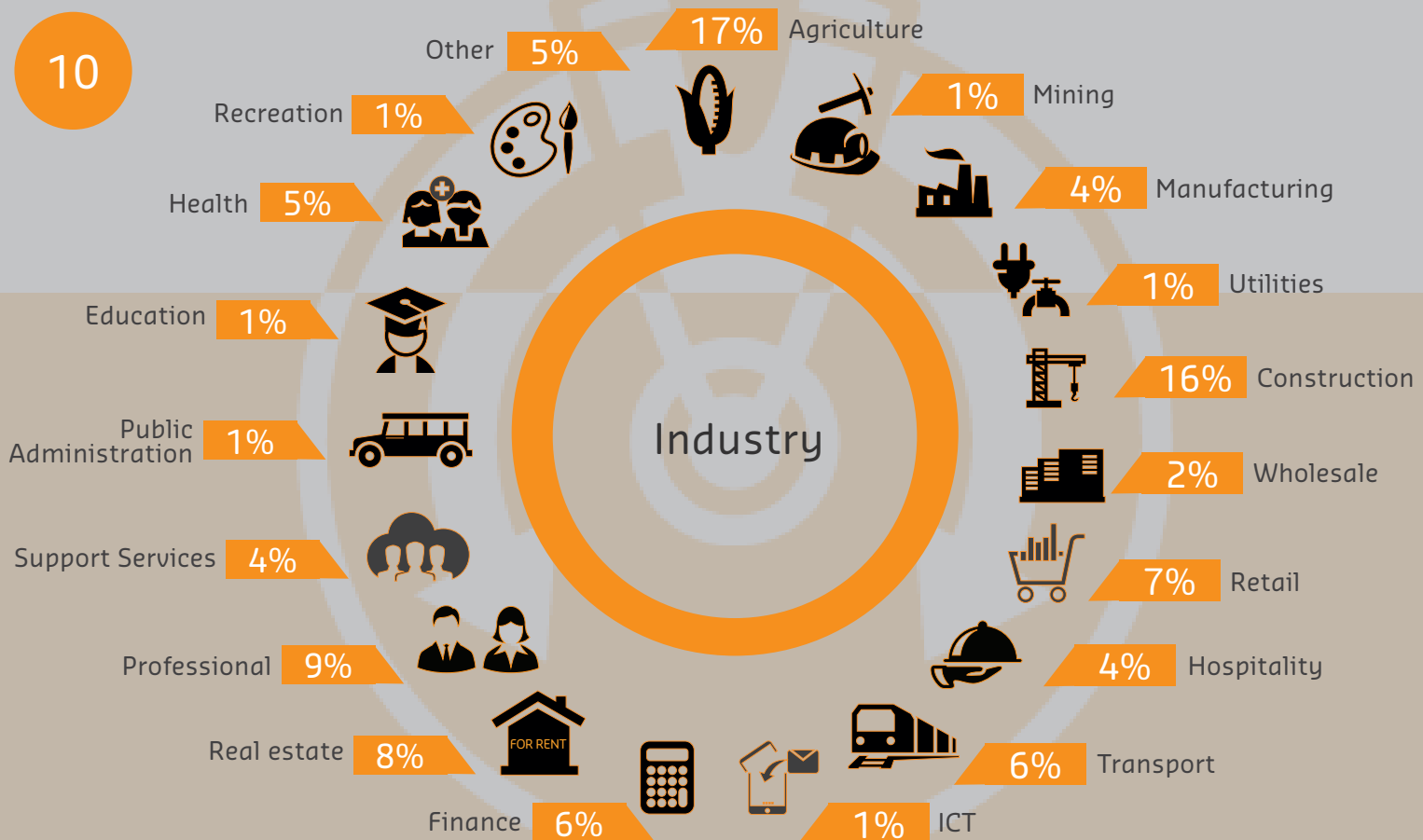
Manager

79%

21%



10



The average health of small business in WA was 6.5, on a scale of 0-10.

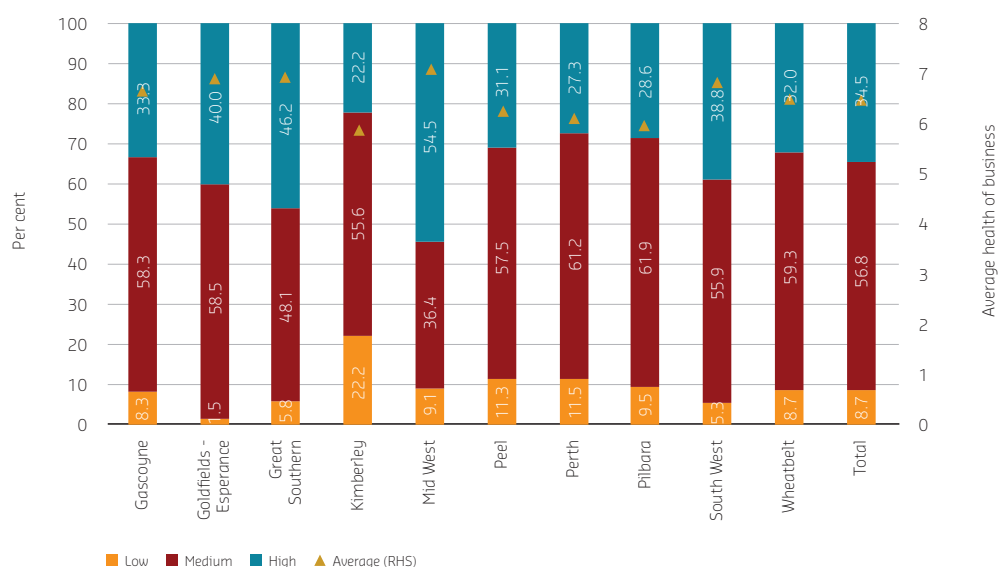
State of the engine room

One of the first questions asked of survey participants was to rate the overall health of their business from a scale of 0 (about to fail) to 10 (absolutely thriving). The results are presented by region in Figure 33 and by industry in Table 15.

The average health of small business in WA was 6.5. It was highest in the Mid West (7.1), followed by Great Southern (7.0), and Goldfields-Esperance and South West (both 6.9). The Mid West also had the largest proportion of businesses reporting a high level of health (with 54.5% reporting a health level between 8 and 10) followed by Great Southern (46.2%).

Kimberley (5.9), Pilbara (6.1) and Perth (6.1) reported the lowest average current state of the business. The Kimberley also reported the greatest proportion of businesses in the low/distressed state of business health (22.2%). This is followed by Perth (11.5%). Perth and the Kimberley also had the lowest proportion of respondents reporting a more positive (between 8-10) current business health.

Figure 33 Current state of health of the business, by region, WA, 2017



Notes: Low is 0-3, Medium is 4-7, and High is 8-10. Scale from 0 (about to fail) to 10 (absolutely thriving). There were 315 null records for this question.
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

While noting that some caution should be taken in the interpretation of averages reported for those industries with small sample sizes (see Table 15), Education and training reported the highest average business health (7.7) followed by Financial and insurance services (7.3) and Health care and social services (7.2). Mining reported the lowest health (4.7) followed by Information media and telecommunications (5.4). Construction (6.2) was ranked 14th of the 19 industries, with a better picture presented by the Agriculture industry, ranked 5th with an average health of 6.8.

Table 15 Measure of self-reported health of business, by industry, WA, 2017

Industry	Health of business		
	Count	Average	Rank
Agriculture, forestry and fishing	238	6.8	5
Mining	13	4.7	19
Manufacturing	28	6.7	7
Electricity, gas, water and waste services	10	5.6	17
Construction	206	6.2	14
Wholesale trade	28	5.8	16
Retail trade	72	6.2	13
Accommodation and food services	42	6.5	8
Transport, postal and warehousing	68	6.5	9
Information media and telecommunications	12	5.4	18
Financial and insurance services	68	7.3	2
Rental, hiring and real estate services	102	6.3	11
Professional, scientific and technical services	109	6.2	12
Administrative and support services	43	6.5	10
Public administration and safety	7	6.0	15
Education and training	12	7.7	1
Health care and social assistance	39	7.2	3
Arts and recreation services	12	7.2	4
Other services	76	6.8	6
Total	1,185	6.5	

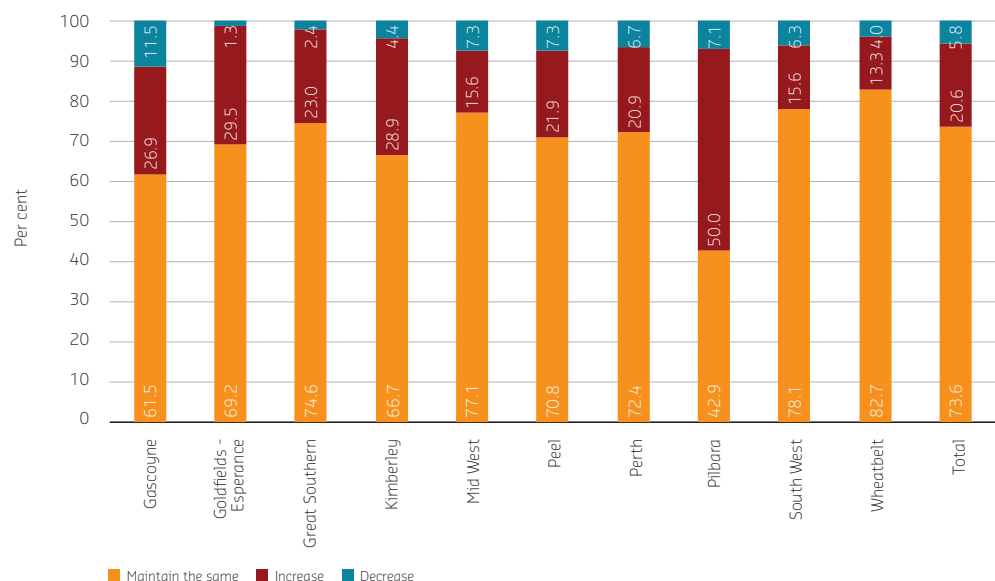
Note: There were 315 null records for this question.

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

The employment intentions of small business owners are reported by region (Figure 34) and industry (Table 16) below. Overall, 73 per cent of small business owners intend to maintain their current full-time equivalent (FTE) staffing levels within the next twelve months. One fifth of owners intend to increase FTEs, with 5.8 per cent intending to decrease FTEs within the next twelve months.

For Perth, 72.4 per cent of businesses intend to maintain their current staffing levels within the next year, with 21 per cent intending to increase employment and 6.7 per cent intending to decrease their current FTE level. 50 per cent of small businesses in the Pilbara intend increasing their workforce within the next year, with 43 per cent signalling an expectation to maintain current FTEs.

Figure 34 Intention to hire, WA, 2017



Note: Low is 0-3, Medium is 4-7, and High is 8-10.
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

There are more businesses that intend to increase employment than to decrease employment within the next twelve months.

For all industries (Table 16), there are more businesses that intend to increase employment than to decrease employment within the next twelve months. In Part I of this report we saw that the small businesses employing the greatest number of workers were in Construction, Professional, scientific and technical services, and Retail trade. These all show a positive hiring outlook for the next 12 months, with 23 per cent of businesses in Construction intending to increase FTEs within the next year, and 21 per cent for both Manufacturing and Retail trade.

Table 16 Intention to hire, by industry, WA, 2017

Industry	Share of small businesses	Increase	Decrease	Maintain the same
Agriculture, forestry and fishing	17%	9.4%	1.6%	89.0%
Mining	1%	41.2%	5.9%	52.9%
Manufacturing	4%	21.7%	13.3%	65.0%
Electricity, gas, water and waste services	1%	27.3%	0.0%	72.7%
Construction	16%	22.8%	5.7%	71.5%
Wholesale trade	2%	18.9%	16.2%	64.9%
Retail trade	7%	21.1%	13.8%	65.1%
Accommodation and food services	4%	20.3%	6.3%	73.4%
Transport, postal and warehousing	6%	22.6%	5.4%	72.0%
Information media and telecommunications	1%	35.7%	14.3%	50.0%
Financial and insurance services	6%	19.8%	7.7%	72.5%
Rental, hiring and real estate services	8%	23.3%	4.2%	72.5%
Professional, scientific and technical services	9%	18.6%	6.2%	75.2%
Administrative and support services	4%	21.4%	1.8%	76.8%
Public administration and safety	1%	50.0%	25.0%	25.0%
Education and training	1%	26.3%	10.5%	63.2%
Health care and social assistance	5%	27.5%	1.4%	71.0%
Arts and recreation services	1%	13.6%	4.5%	81.8%
Other services	5%	29.6%	1.2%	69.1%
Total	100%	20.6%	5.8%	73.6%

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Rosa's story

The many faces of small business owners

Accommodation and food services. South West WA

I find myself constantly changing aprons – from the black apron to the white apron, and then to overalls. I am the emergency chef, the housekeeper, the farmer, the gardener and receptionist for my small business.

A lifestyle choice

I am originally from Costa Rica and met my Australian husband in the US. I arrived in Perth in 1984 to start a new life; my English was poor and I had left my family, my culture, my friends and career behind.

We started our academic careers in Perth, and after juggling our professional lives and three small children, we made a big change in our lives: moving to a farm. 22 years ago we made the big move and purchased 110 acres of farming land 200 kilometres south of Perth. Armed with no more than a tent, a few tools and our children aged 2, 3, and 4, we arrived on our new piece of dry land with no house, no water and no electricity. The idea of a farm setting was, and continues to be, the best choice my husband and I ever made in our lives.

Growth and diversification

The minute we arrived, we realised that there was no money in farming. The land was too small for a farm and there was no source of water during the dry months. We had to think of another way to cater to our growing family.

The start of our farmstay business was a slow process. We lived in the shed for three years while we built our first chalet. Much to our delight, the bookings became more frequent and we were able to build a second chalet. My husband and I did as much of the physical work as we could, plumbing, tiling, painting and carpentry. Over 22 years, we built 10 chalets and our house, the restaurant, 500-capacity amphitheatre and all the necessary infrastructure.

Establishing a small business from scratch is hard work – mistakes and blunders have been part of the process. Not every step has produced the rewards we intended. It is not unusual for guests to ask what makes our small business successful. The answer is always be the same – hard work.

Multiple aprons

Our family-operated small business is limited to the help and skills the owners can offer. There must be a strong family commitment and desire to make the business successful. My three children now have their own professions and interests. However, I am fortunate they are willing to help in any way they can.

I find myself constantly changing aprons – from the black apron to the white apron, and then to overalls. I am the emergency chef, the housekeeper, the farmer, the gardener and receptionist for my small business.

We also rely on the help of casual workers and employ casual cleaners, farm-hands and handymen. I have a note on the door of my office which reads: 'Sorry, we have no full time receptionist in the office. She doubles up as a cleaner, gardener, cook and handyman.'

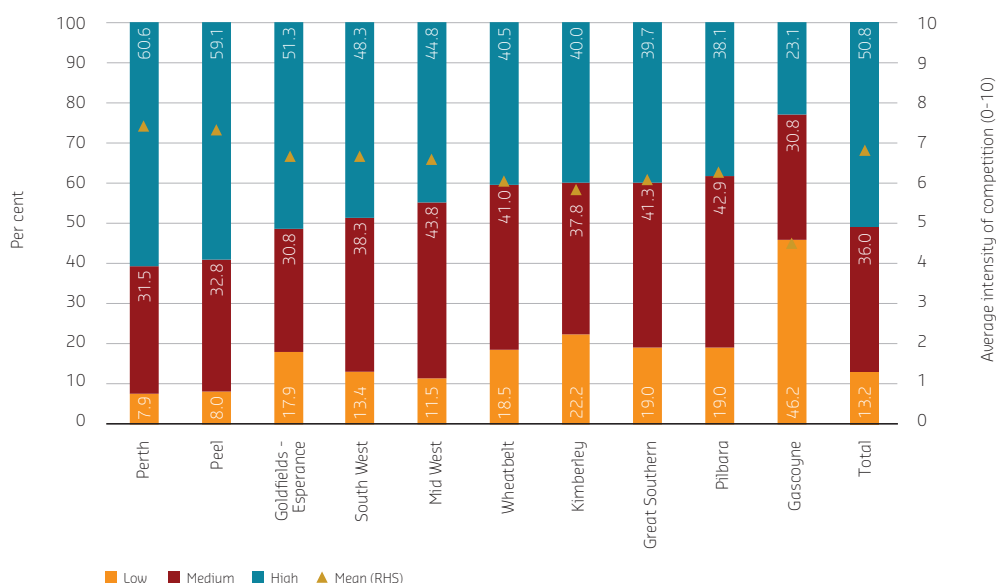
Competition and sources of competitive advantage

Respondents were asked to rate the intensity of competition they face for their products or services on a scale from 0 (no competition) to 10 (extremely intense competition). Alongside this, respondents also provided insights on what they regard as their main sources of competitive advantage. This section reports the outcomes and implications of the competitive business environment in which WA small businesses operate.

Figure 35 shows the percentage of respondents within each region that reported 'Low', 'Mid' or 'High' levels of competition. On average in WA, 50.8 per cent of respondents reported High, or intense, levels of competition. There are clear regional differences with a greater percentage of small businesses from Perth (60.6%) and Peel (59.1%) experiencing high intensity of competition compared to other regions. Gascoyne has the lowest number of businesses reporting high levels of competition (23.1%). Among all regions, businesses in Perth and Peel reported the lowest proportions of Low competition.

On average, Perth based small businesses report the highest intensity of competition in WA.

Figure 35 Intensity of competition, by region, WA, 2017



Note: Low is 0-3, Medium is 4-7, and High is 8-10.

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Figure 35 also plots the average level of intensity (from 0 to 10) for each region. Small businesses in Perth reported the highest average level of competition, 7.5, followed by the Peel region at 7.3 and the South West at 6.7. On the other end of the scale, Gascoyne's average level of competition is 4.5, followed by the Kimberley at 5.8 and Wheatbelt at 6.0.

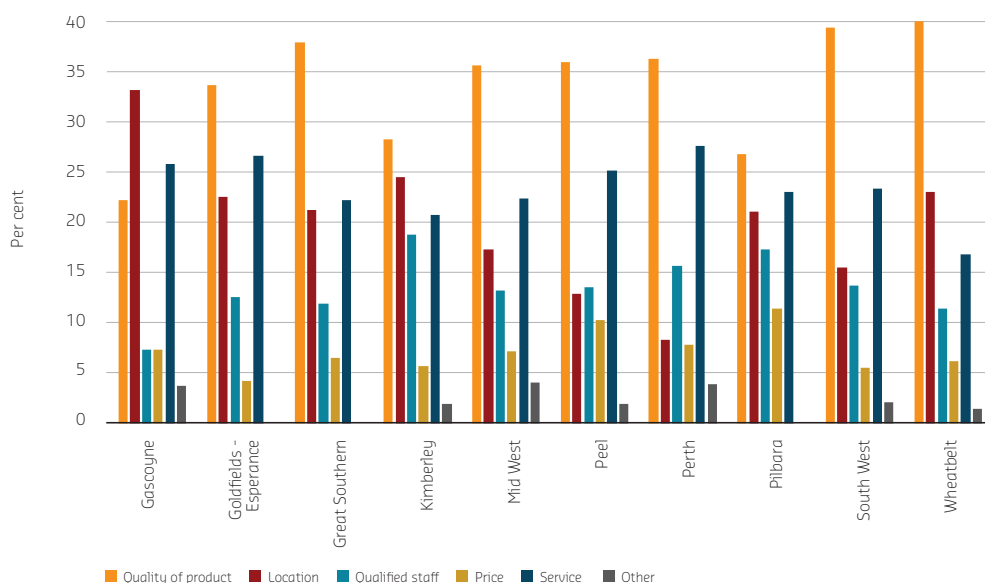
Table 17 Intensity of competition, by industry, WA, 2017

Industry	Share of small businesses	Intensity of competition score (0-10)	Degree of intensity of competition		
			Low	Medium	High
Agriculture, forestry and fishing	17%	6.2	15.7%	44.1%	40.2%
Mining	1%	7.4	17.6%	17.6%	64.7%
Manufacturing	4%	7.1	11.7%	30.0%	58.3%
Electricity, gas, water and waste services	1%	5.8	18.2%	54.5%	27.3%
Construction	16%	7.6	6.1%	33.3%	60.6%
Wholesale trade	2%	7.6	5.4%	29.7%	64.9%
Retail trade	7%	7.2	11.0%	31.2%	57.8%
Accommodation and food services	4%	6.9	9.4%	39.1%	51.6%
Transport, postal and warehousing	6%	6.9	14.0%	31.2%	54.8%
Information media and telecommunications	1%	6.3	21.4%	35.7%	42.9%
Financial and insurance services	6%	7.5	5.5%	30.8%	63.7%
Rental, hiring and real estate services	8%	7.0	10.8%	37.5%	51.7%
Professional, scientific and technical services	9%	7.2	8.5%	38.8%	52.7%
Administrative and support services	4%	6.4	21.4%	28.6%	50.0%
Public administration and safety	1%	5.3	37.5%	25.0%	37.5%
Education and training	1%	5.1	42.1%	31.6%	26.3%
Health care and social assistance	5%	6.1	20.3%	40.6%	39.1%
Arts and recreation services	1%	5.1	36.4%	27.3%	36.4%
Other services	5%	5.5	25.9%	42.0%	32.1%
Total	100%	6.8	13.2%	36.0%	50.8%

Note: Low is 0-3, Medium is 4-7, and High is 8-10.

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Table 17 analyses the reported intensity of competition by industry of small businesses in WA. The three industries where owners/managers reported the highest average levels of competition, out of 10, are Construction (7.6), Wholesale trade (7.6), and Financial and insurance services (7.5). By contrast the industries facing the least competition are Arts and recreation (5.1), Education and training (5.1), and Public administration and safety. The table also reports the counts and proportions of businesses in each industry that face 'Low', 'Medium' and 'High' levels of competition. Using this metric, Wholesale trade experiences the highest proportion of 'High' competition among all industries, with 24 out of 37 (64.9%) businesses reporting High levels of competition, as compared with 11 businesses reporting Mid levels of competition and 2 reporting Low levels of competition. The main regions driving Wholesale traders in reporting High competition are Perth and the South West.

Figure 36 Main sources of competitive advantage, WA, 2017

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Figure 36 charts the percentages of small businesses in each region that regard aspects of their competitive advantages as being important. Small businesses in all regions except for Gascoyne (where Location triumphs) regard the Quality of their product as the main source of competitive advantage. In general, Service is the second most important aspect of competitive advantage. Location also features prominently in the Kimberley and Wheatbelt. 'Price' does not feature as highly as one might expect among the regions, with Quality products, Qualified staff, Location, and Service being regarded as more important than Price in all regions.

Sue's story

Striking it alone, making the leap to small business owner

Administrative and support services. Perth Metro South

If something isn't working, you go back to the drawing board and look for other opportunities.

From maternity leave to self-employment

I am a mother of two children, and passionate about providing great customer service.

I started my business for a number of reasons, but mainly I was unhappy in my job. I had just returned to work from maternity leave and I felt overworked, undervalued and I suffered from depression.

I spent my career in business management and thought I could run a business better than my employers. I decided to start my own business and make it a successful one!

At first, my business was driving new immigrants to Perth to view rental properties. When I began to see a decline in the number of people moving here, I had to brainstorm ideas to grow or diversify my business. There is no point growing and selling lemons if no one wants lemonade! For me, that's business 101. If something isn't working, you go back to the drawing board and look for other opportunities.

A gap in the market

One of my property management clients was experiencing challenges with tenants not handing over a clean, well-maintained property before leaving Perth.

I saw a gap in the fragmented services offered to international visitors looking to relocate to Perth, and in 2010, I established a business to make the process as smooth as possible.

We provide tailored relocation programs for employees of medium to large resource companies that are moving to Australia, or exiting after their secondment. In conjunction with another business I run, we also offer cultural training and ongoing support programs to provide workers and their families with a smooth transition to Australia.

Positive and inclusive workplace

I started my business because I wanted to deliver a service to the community; customers and employees alike. The flexible conditions I am able to offer employees have allowed me to attract a fantastic team, with a positive and inclusive workplace culture. As a working mum, this makes me really proud.

My goal is to expand into the international market that we already service on an adhoc basis. It will be a staged process, building our networks with truly global companies and showing them what we can offer.

We're always seeking feedback from our customers, so we can offer high quality, tailored service. In our business, customer satisfaction is paramount.

The reach of small business by key markets

The opportunities afforded to small businesses in Western Australia to access international markets is often highlighted by both government and industry bodies as a particular advantage. The State's geographical proximity to Asia, and alignment to time zones in some of Australia's key international markets, are particular advantages that small businesses could exploit through international sales.

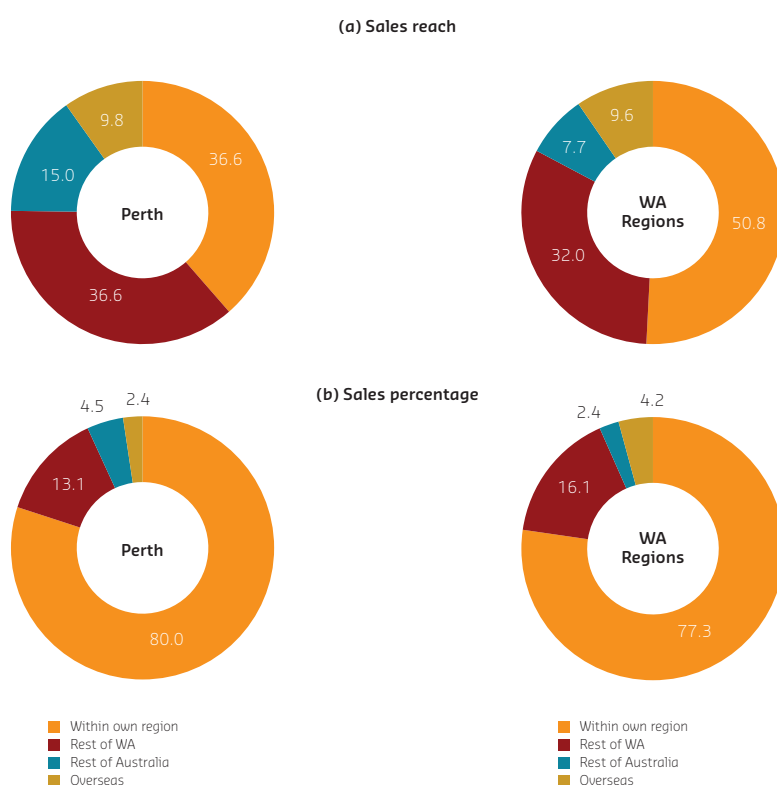
The *BCEC Small Business Survey 2017* asked each respondent to describe their sales patterns, and specifically whether – and how much – they sell entirely within their own region, to the rest of WA, to the rest of Australia, and to international markets.

Figure 37 shows the distribution of sales reach and sales percentage separately for small businesses within Perth and across WA's regions. Around 37 per cent of Perth businesses sold entirely within their own region, with a further 37 per cent limiting sales only to Western Australia. Only 15 per cent of Perth small businesses sold to the rest of Australia, and surprisingly, less than 10 per cent of small businesses in our survey sold any product to international markets.

For small businesses in WA's regions, sales are even more concentrated in the immediate locality of the business. Nearly 51 per cent of regional small businesses sell only within their own region, 32 per cent have sales limited to Western Australia only, and 7.7 per cent extend their sales to the rest of Australia. Around 9.6 per cent of regional small businesses in our sample sell to international markets, a similar share to small businesses in metropolitan Perth.

Fewer than
1 in 10 small
businesses in WA
export products
and services to
international
markets.

Figure 37 Sales reach and percentage sales to key markets, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Perth's small businesses sell only 2.4% of their product to international markets, and regional small businesses 4.2%.

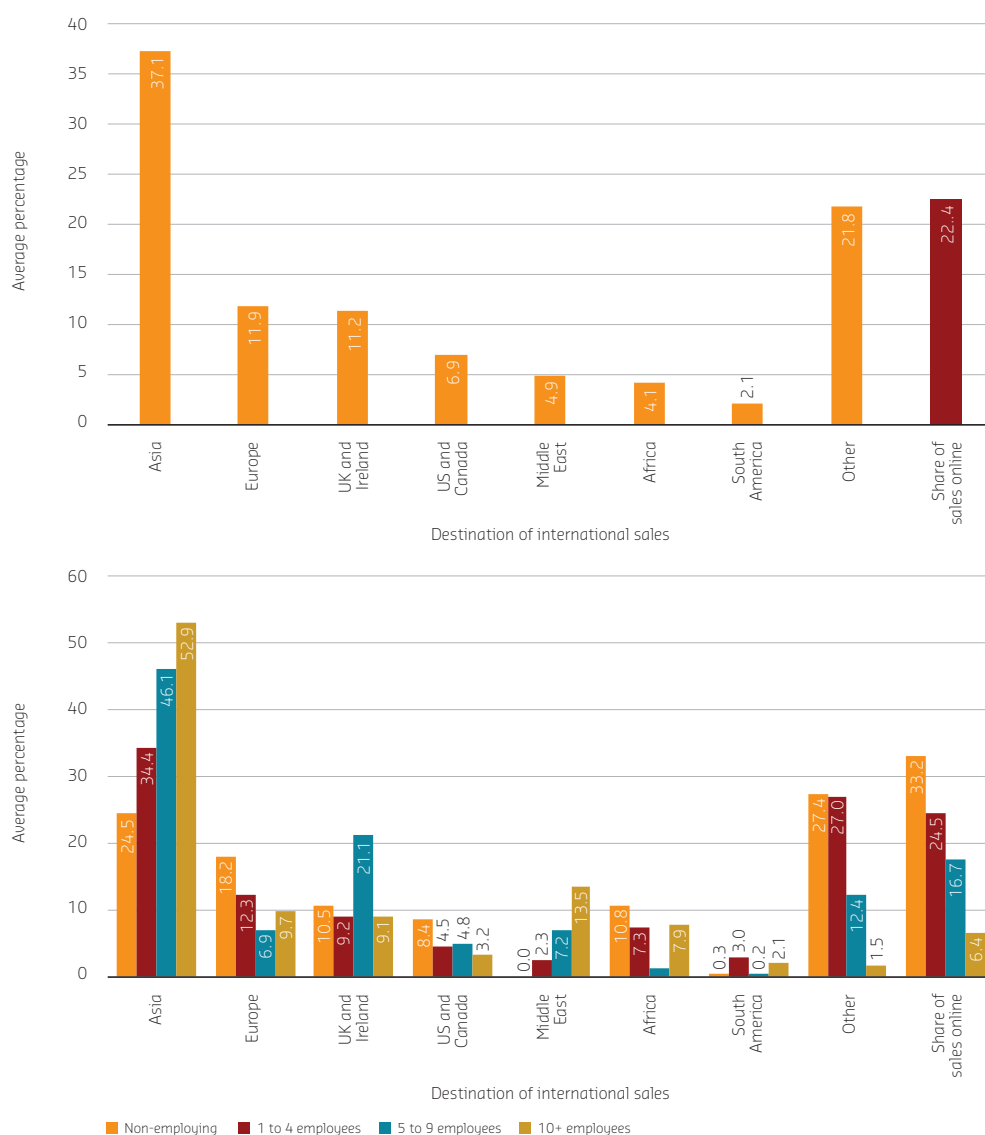
The majority trading partner for exporting small businesses is Asia, taking 37.1% of all export sales.

Looking at the overall percentage of sales by destination (panel b of Figure 37) the vast majority of sales for small businesses occur within Western Australia – some 93 per cent for businesses both in Perth and the regions. Perth's small businesses sell only 2.4 per cent of their product to international markets, and regional small businesses 4.2 per cent.

Among those businesses that do export a share of their products and services, which are the most common international markets? And is access to international sales markets dependent on business size for the small business sector? Figure 38 shows the average share of sales to each of WA's principal trading partners among exporting businesses, both in aggregate (panel a) and differentiated by business size (panel b).

Unsurprisingly, the majority trading partner for exporting small businesses is Asia, taking 37.1 per cent of all export sales. Europe accounts for 11.9 per cent of export sales, followed by UK and Ireland (11.2%) and US and Canada (6.9%). The Middle East, Africa and South America each account for less than 5 per cent of WA's small business exports.

Figure 38 Average percentage of sales in international markets, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Exports to Asia increase significantly with the size of the small business, with export shares rising from 24.5 per cent for non-employing export businesses to nearly 53 per cent among businesses with 10 or more employees. Europe attracts proportionately more of the sales of the smallest (non-employing) exporting businesses, at 18.2 per cent.

Significantly, around a third of non-employing small businesses take advantage of online sales, compared to a quarter of those employing 1 to 4 workers and no more than one sixth of those employing 5 to 9 workers. Noticeably, the regional distribution of online sales is relatively even across most regions (Table 18), with generally no more than 11 per cent of sales conducted online. By exception, small businesses in some regions take greater advantage of online sales – in the Mid West (with an average of 16.8% of sales carried out online), Wheatbelt (14.0%) and Goldfields-Esperance (at 14.6%).

Table 18 Average percentage of sales done online, WA, 2017

WA regions	Percentage	
	Average	Rank
Gascoyne	10.5	5
Goldfields - Esperance	14.6	2
Great Southern	7.5	10
Kimberley	9.7	8
Mid West	16.8	1
Peel	11.0	4
Perth	10.2	6
Pilbara	10.2	7
South West	9.0	9
Wheatbelt	14.0	3
Total	10.9	

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Table 19 looks at the reach of market destinations for sales by small businesses in each of WA's regions. Around two thirds (65.4%) of the sales by surveyed small businesses in the Gascoyne are to outlets within the Gascoyne region, the highest across all WA regions. The Pilbara ranks second for the share of small business sales within its own region (64.3%). Small businesses in Peel sell nearly half of their goods and services (48.2%) to other WA regions, but little to the rest of Australia or to international markets. Goldfields-Esperance and the Mid West are among those regions with the highest shares of small business sales to international markets – at 16.7 per cent and 15.6 per cent respectively.

Goldfields-Esperance and the Mid West are among those regions with the highest shares of small business sales to international markets – at 16.7% and 15.6% respectively.

A quarter of all small business sales in the Accommodation and food services sector, and one fifth of agricultural small business sales, are to international markets.

Table 19 Distribution of sales across key markets, 2017

WA regions	Only within region	Other regions in WA	Rest of Australia	International
	Average	Average	Average	Average
Gascoyne	65.4	23.1	-	11.5
Goldfields - Esperance	53.9	24.4	5.1	16.7
Great Southern	54.0	25.4	7.9	12.7
Kimberley	55.6	20.0	13.3	11.1
Mid West	41.7	37.5	5.2	15.6
Peel	40.2	48.2	6.6	5.1
Perth	38.6	36.6	15.0	9.8
Pilbara	64.3	23.8	11.9	0.0
South West	53.2	29.7	10.4	6.7
Wheatbelt	50.3	34.1	5.2	10.4
Total	46.7	33.5	10.1	9.7

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Which industry sectors have the greatest 'reach' in terms of the penetration of small business sales into other WA regions, to the rest of Australia, or to international markets? Table 20 looks at the concentration of small business sales by destination and industry sector, and highlights some significant variations in the shares of businesses that sell interstate or to international markets.

A quarter of the sales of small businesses in the Accommodation and food services sector (25.0%) and one fifth (20.5%) of agricultural small business sales are to international markets, whereas small businesses in the Construction sector sell only a very small fraction (1.6%) of their products and services internationally.

Table 20 Distribution of sales across industries, WA, 2017

Industry	Reach of small business sales							
	Only within region		Other WA regions		Rest of Australia		International	
	%	Rank	%	Rank	%	Rank	%	Rank
Agriculture, forestry and fishing	45.3	13	29.5	10	4.7	18	20.5	2
Mining	58.8	6	23.5	15	5.9	14	11.8	7
Manufacturing	31.7	15	41.7	5	16.7	5	10.0	8
Electricity, gas, water and waste services	45.5	12	27.3	11	9.1	10	18.2	3
Construction	51.6	10	41.9	3	4.9	17	1.6	17
Wholesale trade	27.0	16	37.8	6	29.7	2	5.4	14
Retail trade	55.1	8	33.0	9	9.2	9	2.8	16
Accommodation and food services	60.9	4	7.8	18	6.3	12	25.0	1
Transport, postal and warehousing	44.1	14	34.4	8	9.7	8	11.8	6
Information media and telecommunications	21.4	18	50.0	1	21.4	3	7.1	13
Financial and insurance services	16.5	19	41.8	4	31.9	1	9.9	9
Rental, hiring and real estate services	54.2	9	36.7	7	5.0	16	4.2	15
Professional, scientific and technical services	23.3	17	46.5	2	20.9	4	9.3	10
Administrative and support services	48.2	11	25.0	13	12.5	6	14.3	5
Public administration and safety	62.5	3	25.0	13	12.5	6	0.0	18
Education and training	73.7	2	5.3	19	5.3	15	15.8	4
Health care and social assistance	79.7	1	18.8	17	1.5	19	0.0	18
Arts and recreation services	59.1	5	22.7	16	9.1	10	9.1	11
Other	58.0	7	27.2	12	6.2	13	8.6	12
Total	46.7		33.5		10.1		9.7	

Note: Industries in italics are made up of less than 15 cases each, so estimates for these industries should be treated with caution.
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

We clearly see from Table 21 that the share of sales delivered to destinations outside the small business' own region is highly correlated with the share of sales delivered online. Indeed, among small businesses that conduct more than 85 per cent of their sales online, nearly 12 per cent of their export are to international markets, more than triple the average share of exports to international markets across all small businesses in WA.

Table 21 Mean percentage of sales in different markets, by percentage of sales done online, WA, 2017

Conducted online	Within region	Outside region in WA	Rest of Australia	International
0%	80.7%	14.0%	2.4%	2.8%
1% - 10%	77.3%	15.6%	4.6%	2.4%
11% - 30%	76.9%	16.8%	4.3%	2.0%
31% - 50%	71.3%	16.5%	3.5%	8.7%
51% - 85%	61.3%	22.3%	7.7%	8.7%
86% - 100%	63.8%	20.7%	3.7%	11.8%
All	78.2%	15.1%	3.1%	3.6%

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Table 22 groups small businesses according to each business' largest market. For instance, businesses for which international market sales represent the largest share of total sales are assigned to the 'international' column. This analysis points to a negative association between the quality of infrastructure and the reach of small business sales to markets outside their own region.

Table 22 Perceived quality of infrastructure, by main market, percentage in each quality band, 2017

Perceived quality of infrastructure	Main market				
	Within region	Outside region in WA	Rest of Australia	International	All
The mobile phone service: 0 is dreadful and 10 is excellent					
0 - 3	15.5	28.1	31.3	34.6	17.9
4 - 6	21.6	23.5	6.3	36.5	22.0
7 - 8	36.4	28.1	46.9	23.1	35.3
9 - 10	26.5	20.3	15.6	5.8	24.8
Total	100.0	100.0	100.0	100.0	100.0
Internet & broadband access: 0 is dreadful and 10 is excellent					
0 - 3	17.8	24.2	21.9	23.1	18.8
4 - 6	27.4	29.4	28.1	28.8	27.7
7 - 8	34.0	30.7	18.8	38.5	33.4
9 - 10	20.9	15.7	31.3	9.6	20.1
Total	100.0	100.0	100.0	100.0	100.0
Physical infrastructure: 0 is dreadful and 10 is excellent					
0 - 3	8.0	13.7	12.5	17.3	9.0
4 - 6	25.4	32.0	9.4	40.4	26.3
7 - 8	45.2	40.5	56.3	34.6	44.6
9 - 10	21.4	13.7	21.9	7.7	20.1
Total	100.0	100.0	100.0	100.0	100.0

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Raf's story

Accessing international markets for growth

Manufacturing. Perth Metro North

There's always a financial limitation, and WA's economic downturn has impacted us quite a lot.

From ownership to innovation

I established my manufacturing business in 1991, deciding it was time to become my own boss. Essentially, I wanted more control over the products I was selling, so decided to manufacture them myself.

I'm always trying new things with our business, innovating where I can. We've introduced automation for some of manual tasks we do, freeing us up to concentrate on higher-level projects.

My goal is to expand our business into international markets, but it is much more expensive and time consuming than I anticipated.

One of the biggest challenges is coming up with new ideas and working out the feasibility of these ideas. There's always a financial limitation, and WA's economic downturn has impacted us quite a lot. But, I'm ever the optimist and there are small signs of us picking up, internationally.

Interestingly, we're now being approached by new customers to implement automation into their own manufacturing processes to improve efficiencies.

International markets

Most of our customers are international: America, Asia and Africa. In particular, we've started to make some real growth in Indonesia. We have a few customers in the Eastern States, but the market is very small here in WA.

The main challenge with our international clients comes when they require maintenance and repairs on the equipment we've built them. Our customer support and advice is usually done over the phone, and we have dreadful internet and phone service at our workshop. Thankfully, our largest clients have their own maintenance teams so they aren't impacted by this.

Tackling new technology

Most of our new customer enquiries come through our website, although I struggle to find the time to regularly update it. When I first started the business, direct marketing and leaflets were our staple marketing tool, and I've found it hard to transfer across to electronic direct marketing. Most of our emails are flagged as spam and never make it to the recipient.

I've also struggled to find a relevant social media channel. I tried LinkedIn for a while, but didn't get any value out of it for the business.

Fuel for growth

This section of the report discusses a fundamental issue for any business – the key inputs or fuel for growth. We discuss key resources for growth including sources of funding, cashflow and payments from larger businesses, and access to skills and knowledge, including outsourcing of activities. We then address small business innovation in WA, and their sources for new ideas. Finally in this section, we address regulation and compliance burdens faced by small businesses in WA.

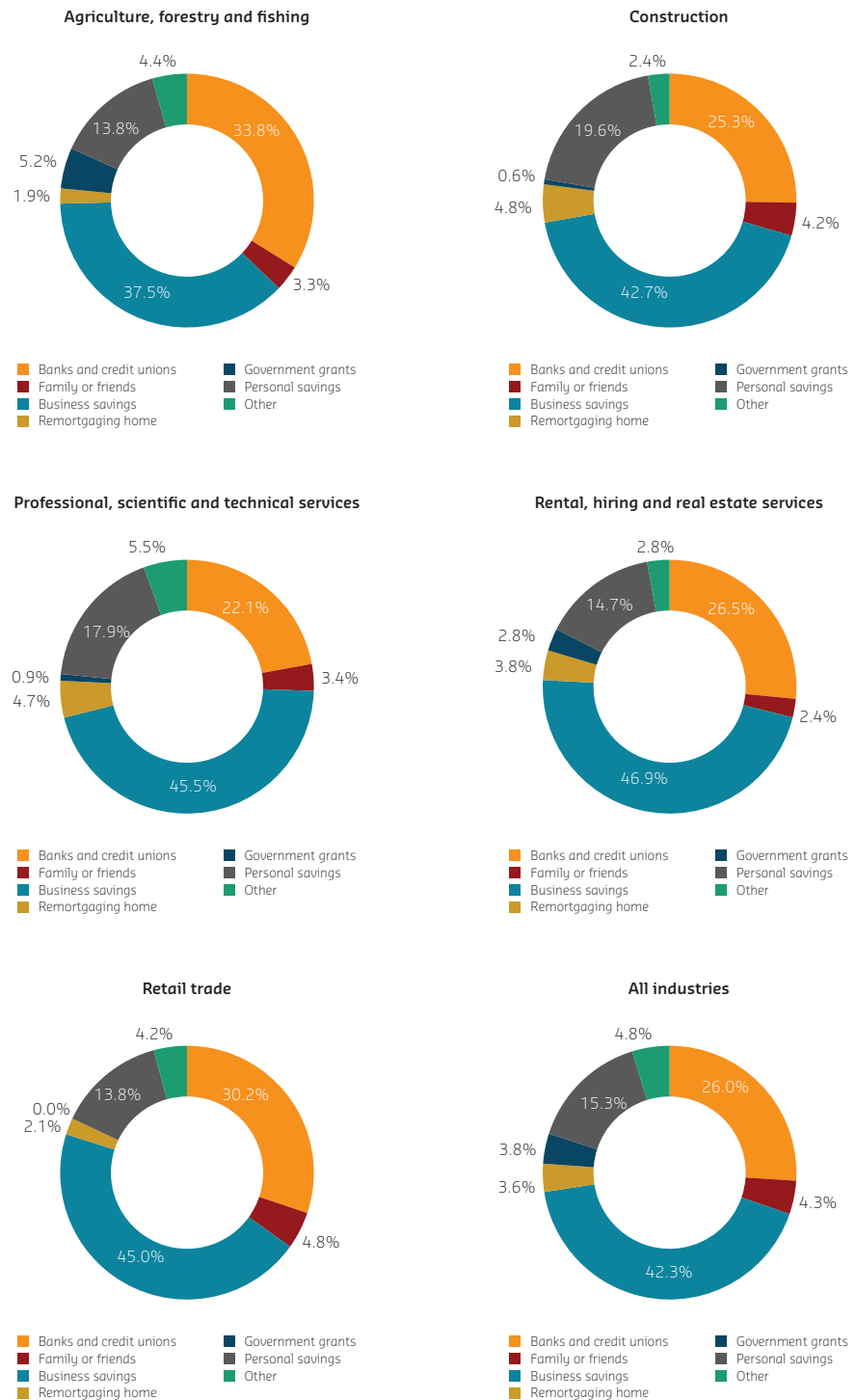
Resourcing for growth

In the *BCEC Small Business Survey*, respondents are asked what funding sources they have used to maintain or grow their business over the past five years. These include banking institutions and credit unions, family or friends, savings from your business/cash flow, re-mortgaging the small business owner's home (as collateral), government grants, personal savings and credit cards, or other sources.

The importance of funding sources differs by industry, with some noteworthy differences (Figure 39). Construction, for example, relies more heavily on personal funding sources such as re-mortgaging of one's home, family or friends, and personal savings and/or credit cards. Agriculture relies more heavily on government grants compared to other industries. Along with Retail trade, Agriculture is more reliant on funding from banks and credit unions, in comparison to other industries.

The main source of funding of small businesses are savings from the business or cash flow, followed by banks and credit unions, and then personal savings.

Figure 39 Sources of funding for business growth, by industry, WA, 2017



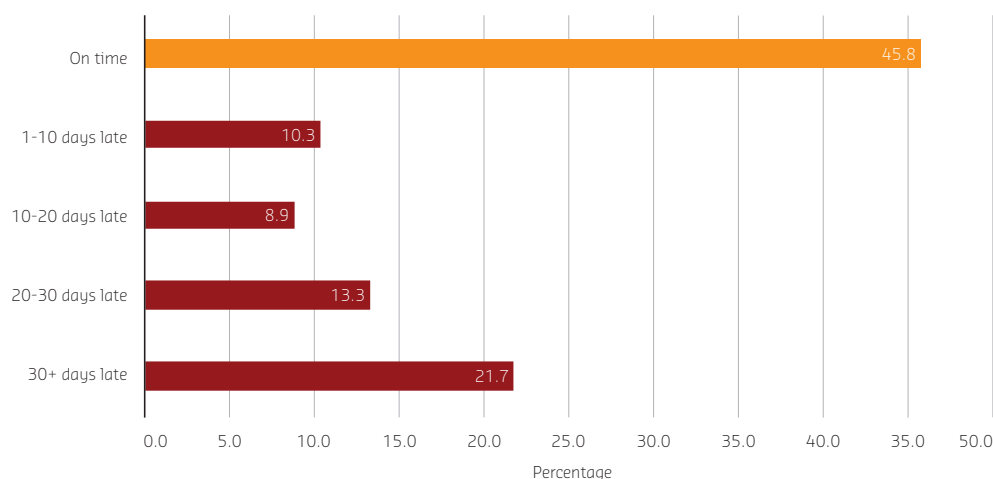
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Late payments from big business

Nearly three-quarters of small businesses are suppliers to larger businesses, so it is critical for general cash flow, financial health and growth resourcing that small businesses' invoices to larger businesses are paid in a timely manner. However, as shown in Figure 40 less than half of small businesses enjoy timely payment of invoices from larger businesses. Worryingly, 35 per cent of small businesses that supply to larger businesses appear to be subject to systemic payment delays from larger businesses of at least 20 days. Furthermore, over one-fifth typically experience payment delays of 30 days or more.

Over one-fifth typically experience payment delays of 30 days or more.

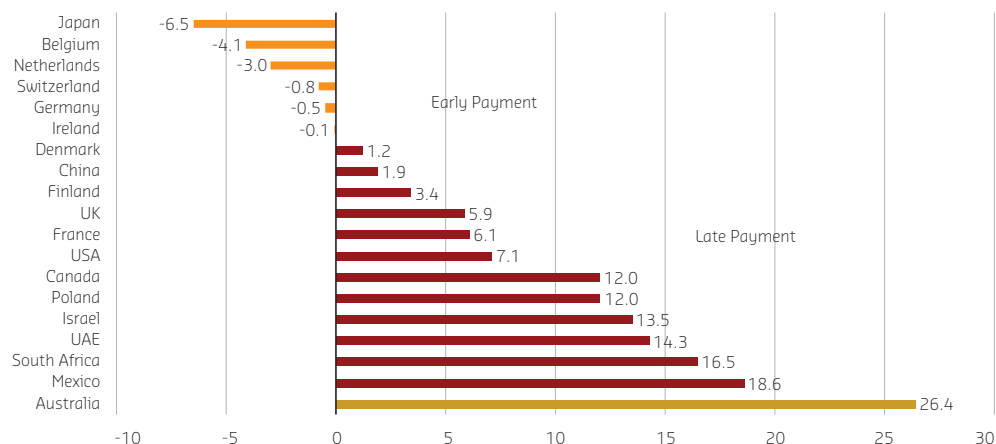
Figure 40 Payment schedule from large businesses, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

These trends are even more troubling when viewed in light of an international context. Figure 41 compares Australia to various other countries in terms of the average payday of small and medium sized enterprises in 2015, drawing from an international report that in turn relies upon a large pool of data captured from 30,000 invoices issued to companies of varying sizes in over 80 countries (Marketinvoice, 2016). As shown in the figure, Japan fares the best among all countries. On average, Japanese small and medium enterprises receive early payment of their invoices by 6.5 days. Belgium, the Netherlands, Switzerland, Germany and Ireland also enjoy early or prompt payment of invoices. However, small and medium enterprises in most countries listed in Figure 40 are subject to late payment of invoices. The most striking finding is that Australian small and medium enterprises fare the worst among all the countries, experiencing delays in payment of invoices of 26.4 days on average.

Figure 41 Average payday, various countries, 2015



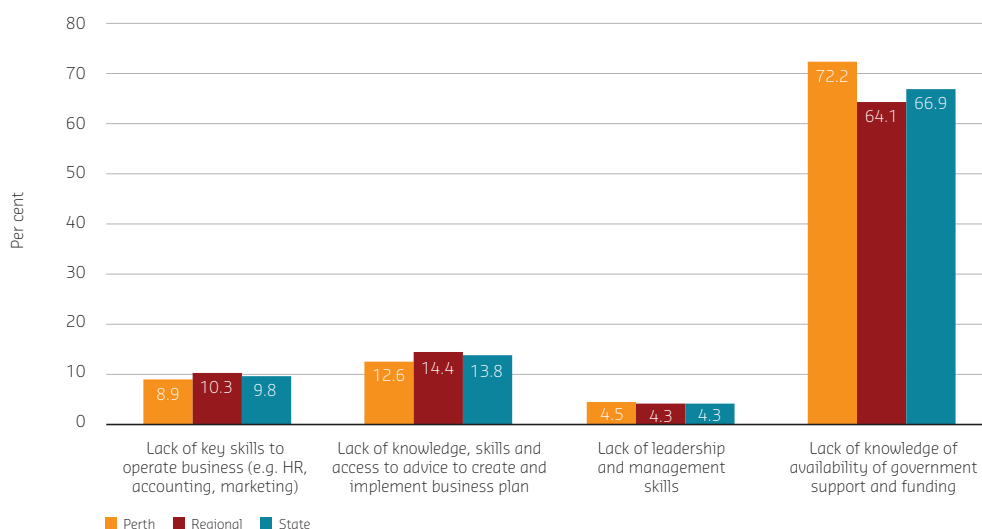
Source: Bankwest Curtin Economics Centre | taken from MarketInvoice (2016).

Around two-thirds of small businesses in WA cite a lack of understanding of the availability of government funding and support as a barrier to growth.

Obstacles to small business survival or growth

Key restrictions on small business growth can potentially stem from a lack of skills or knowledge that are essential to support growth. Figure 42 lists four key areas related to skills or knowledge that may potentially inhibit the growth of small businesses – key operational skills, knowledge skills and access to advice to create and implement business plans, leadership and management skills, and an understanding of the availability of government funding and support.

Small business owners and managers seem to be confident of their skills to operate business, create and implement business plans, and to lead and manage. Only a minority – around 10 per cent – cite a lack in key operational skills and skills to create and implement business plans. An even smaller proportion – around 5 per cent – express reservations about their own leadership and management skills. It is clear that the main concern centres around having an adequate understanding of the availability of government funding and support. Around two-thirds of small businesses in WA cite a lack of understanding of the availability of government funding and support as a barrier to growth. The proportion is slightly higher in Perth at 72 per cent, compared to 64 per cent in regional WA.

Figure 42 Percentage of small business owners lacking personal business skills, Perth versus regional WA, 2017

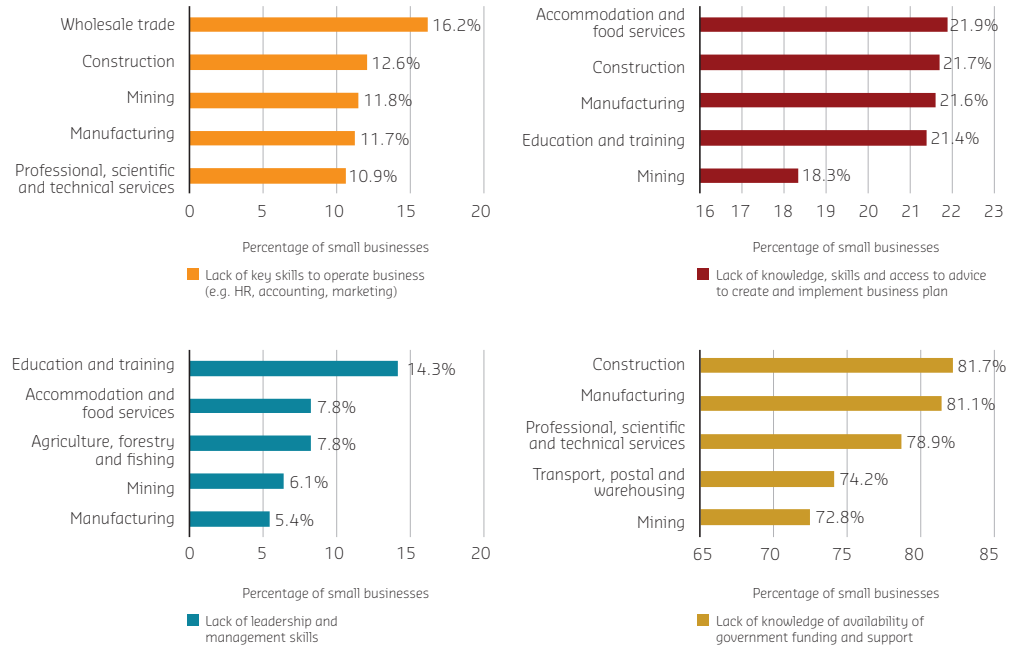
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

It is evident that small businesses are overwhelmingly concerned about government funding and support rather than operational, business plan, leadership or management skills, and the trends do not appear to vary much between Perth and regional WA. However, it is instructive to identify key industries that experience each form of skill or knowledge barrier shown in Figure 42. Figure 43 lists the top five industries with small businesses citing a lack of skills or knowledge in operations, business planning, leadership or management, and availability of government funding and support. There are clear variations in the obstacles to growth experienced by different industries.

Turning first to small businesses that cite a lack of key operational skills, we find that these are most likely to be found in Wholesale trade, where 16 per cent of small businesses cite a concern over a lack of key operational skills. On the other hand, a lack of business planning creation and implementation skills is most commonly experienced by small businesses in the Accommodation and food services industry (22%). Small businesses in the education and training industry are most likely to cite concerns over a lack of leadership and management skills (14%). A lack of understanding of government funding and support is a key concern in over four in every five small businesses in Construction and Manufacturing.

A lack of understanding of government funding and support is a key concern in over 4 in 5 small businesses in Construction and Manufacturing.

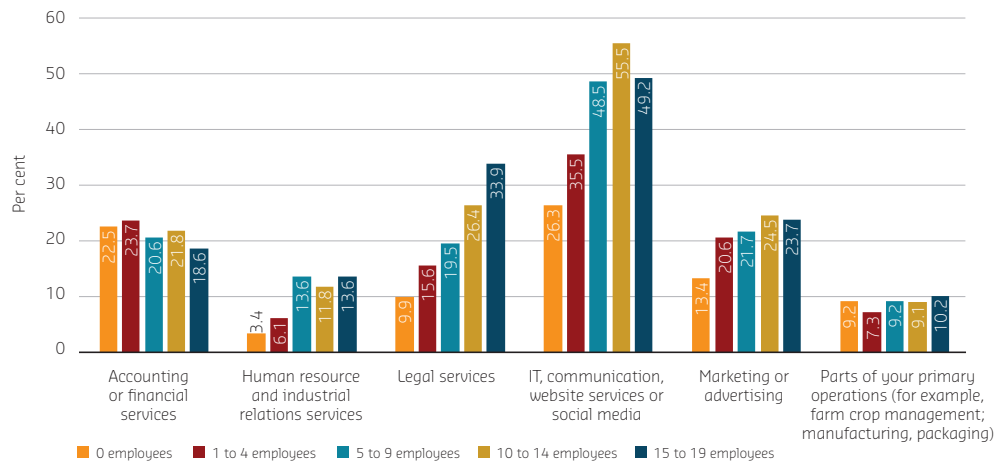
Figure 43 Top five industries lacking personal business skills, by skill and knowledge type, WA, 2017



Notes: The following industries have been excluded due to a small sample of less than 15 per industry - Information, Media and telecommunications, Electricity, Gas, Water and waste, and Public administration and safety.
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Regardless of business size, small businesses are more likely to outsource key services related to IT, communication, website services or social media, although the propensity to outsource these services tends to rise from 26 per cent of small business owners lacking personal business skills among sole owners with no employees to over 50 per cent among small businesses with 10 to 14 employees. The propensity to outsource legal services also rises, from 10 per cent among sole owners to one-third among small businesses with 15 to 19 employees. A similar trend arises with respect to marketing or advertising, with the probability of outsourcing rising from 12 per cent among sole owners to nearly one-quarter among businesses with 15 to 19 employees. Around one-fifth of small businesses outsource accounting and financial services.

Figure 44 Small business outsourcing of key services, WA, 2017

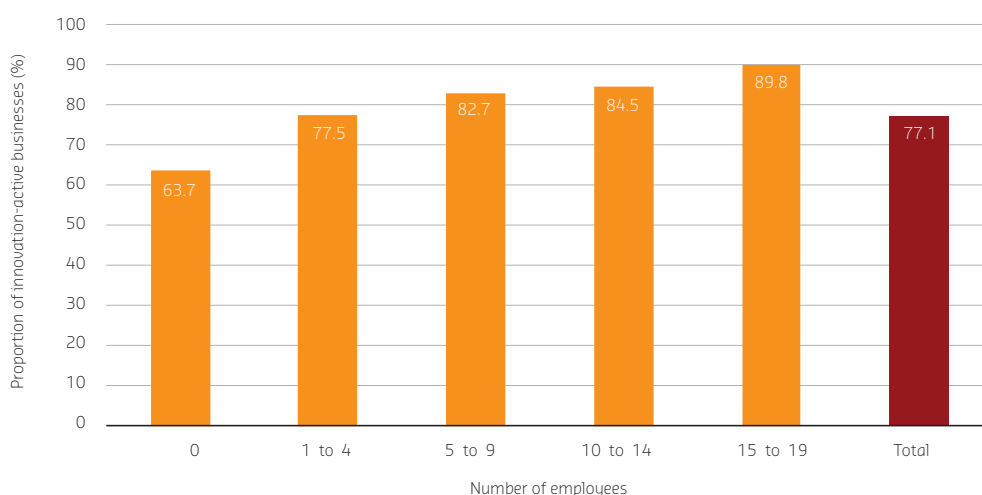


Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Adopt, adapt and diversity

The proportion of businesses reporting innovation activity is shown in Figure 45. Consistent with national survey results by the ABS shown in Figure 24, larger businesses are more likely to report undertaking innovation activities. Notably, innovation activity is more likely in small businesses with 15 or more employees with 90 per cent of these businesses reporting innovation activity. Businesses with 5 to 9 or 10 to 14 employees have approximately 83 per cent reporting innovation activity compared to 78 per cent of businesses with 1 to 4 employees. Businesses with zero employees, report the lowest levels of innovation activity, but 64 per cent are still considered innovation-active.

Figure 45 Proportion of innovation-active businesses by employment size, WA, 2017



Notes: Innovation-active businesses are those that reported the introduction of a new product or a new process within the last two years.
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

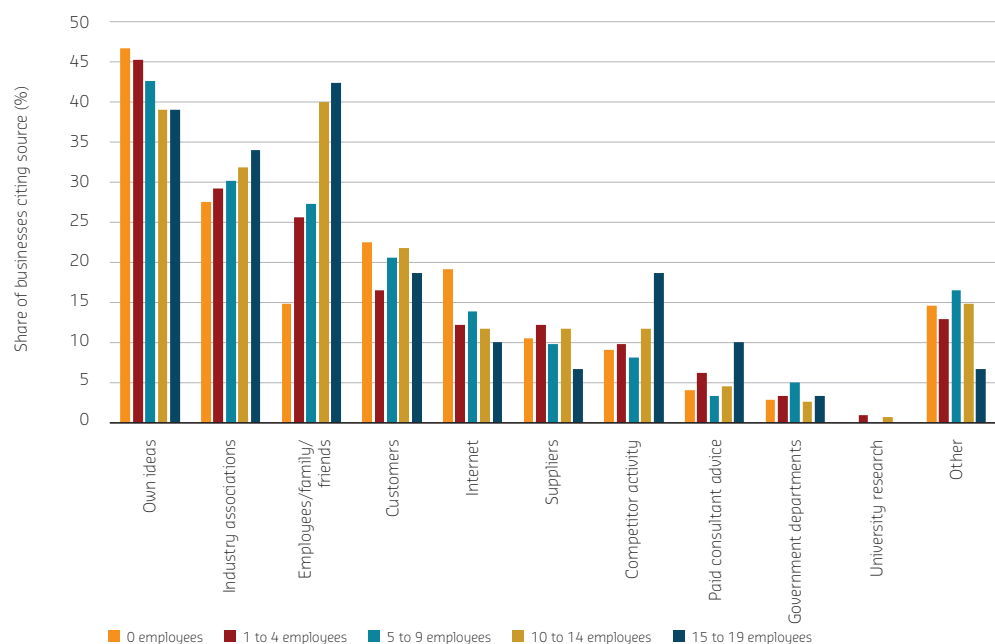
These results are consistent with national survey results reported by the ABS, implying that size might be important for innovation activity.¹⁰ Very small businesses may spend considerable time and effort on everyday functions, with less capacity for creative pursuits such as innovation. Yet the importance of innovation in small businesses is well understood. Larger businesses tend to be innovative in capital intensive industries (such as Mining) while smaller businesses are more innovative in industries using skilled labour.¹¹ The innovation activity results emphasise that innovation is difficult for small businesses, implying the importance of continued support for small businesses to undertake innovation activity.

¹⁰ Australian Bureau of Statistics (2016) Innovation in Australian Business, 2014-15, www.abs.gov.au/ausstats/abs@.nsf/mf/8158.0

¹¹ Acs, Z. and Audretsch, D.B. (1987) Innovation, market structure and firm size, *The Review of Economics and Statistics*, 69(4), 567-574.

Innovative businesses get ideas from many sources. Figure 46 shows the responses about the source of ideas from survey participants categorised by business size. The main source of ideas for small businesses with less than 10 employees are their own ideas, but for businesses with more than 10 employees, employees, family and friends are the most cited source of ideas. This also reflects national survey results citing a lack of access to skilled workers as a key barrier to innovation for small businesses.

Figure 46 Source of innovative ideas, by business size, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Industry associations are important for small businesses of all sizes as a source of ideas for innovation.

The responses highlight the importance of industry associations for small businesses, as a mechanism to share and develop ideas with small businesses of all sizes reporting this as a key source. The third or fourth most reported source of ideas for small businesses is the internet, reflecting the importance of effective ICT infrastructure for the small business sector. For businesses with 5 to 19 employees, understanding their competition is important with 18 per cent reporting competitor activity as a source of ideas for innovation.

These results are also consistent with academic research on innovation, finding that business networks are particularly important for innovation in small businesses in Australia.¹²

¹² Rogers, M. (2004) Networks, firm size and innovation, *Small Business Economics*, 22, 141-153.

Vicki's story

Growing the business

Agriculture, forestry and fishing. South West WA

Starting our second business was about improving our income. We had two young kids to support and everything was getting expensive.

A natural step

Born in Kalgoorlie, and raised in Perth, I always knew I would return to the country life. When my husband John and I finally did, it seemed like a natural step to start our own business. Since 1991, we have been supplying locally grown, freshly cut turf to customers throughout the South West.

Expanding the family business

We were given 100 acres of the 800 acre family farm, to raise our family and start our own business manufacturing wool. The kids enjoyed growing up on the farm, and as I am a vet nurse by trade it was the perfect fit for me too!

However, the decline in the price of wool and the return on investment (or lack of) made us think about how we might diversify and expand our business.

Starting our second business was about improving our income. We had two young kids to support and everything was getting expensive. Not to mention, it was difficult to survive on just one or two annual payments for our sheep wool.

We decided to start producing turf, and it was the best thing we could have done. There was a need for a local product, as our community was having to purchase their turf from regional centres or Perth. When we first started our business, we started out with 2 acres, and now we have 10 acres of high quality turf.

When we started out, John's father was a partner to help us establish the business, but we were able to buy him out when our business began to thrive.

John manages the hands-on farm work and my son and I work in the office. I am mostly self-taught and it was a challenge to begin with. We've grown to three full time staff, one casual and one part time employee.

My son is responsible for sales, marketing and other bits and pieces. We have had brief discussions about him taking on the business when John and I retire, but we're not doing that anytime soon.

Our business is going well, but we do have our ups and downs. We did really well when the WA economy was booming, and now we're much steadier, with quiet periods in the winter.

We don't intend to expand our business any more than we have today. The cost to do so would be substantial, particularly to purchase land and infrastructure.

A regional perspective

One of the challenges of being in regional WA, besides the slow internet speed, is that we're quite isolated. Some East Coast suppliers expect us to collect the freight from Perth and when we're lucky enough to organise delivery onsite, it's much more expensive. We're members of Lawns Solution Australia and Turf Growers Association of WA, so we've tapped into those networks for support and guidance.

Barriers to growth: Regulation and compliance

After looking at funding sources and innovation this section examines the key regulation, compliance and infrastructure barriers for growth as reported by the small business sector in WA.

Table 23 reports aspects of regulation and compliance facing small businesses and the percentages of businesses who regard them as 'burdens' in varying degrees. First, on a scale from 0 (no burden) to 10 (extremely burdensome), the average is reported in the last row of the table. Small businesses regard business tax and activity statements as the most burdensome area of compliance, with the highest mean of 5.4. This is followed by licensing (4.6) and occupational health and safety (4.6).

Table 23 Perceived extent of regulation and compliance burden, by regulatory or compliance requirement, WA, 2017

Regulatory or compliance requirement	Human resources & industrial relations	Occupational health & safety	Environmental planning & compliance	Trading hours	Local planning laws	Business tax / business activity statements	Licenses - occupational / business
0 [no burden]	19.8	15.6	26.2	42.1	29.7	11.7	19.1
1	3.4	4.3	6.3	9.0	6.6	3.4	3.9
2	8.5	9.3	9.3	11.3	8.9	6.2	9.1
3	8.5	8.3	6.8	7.1	6.4	6.7	6.7
4	6.3	7.1	6.3	3.5	5.9	5.1	5.5
5	16.5	18.0	14.2	12.5	13.2	19.3	15.4
6	8.7	7.9	7.0	2.7	4.5	7.5	7.1
7	10.3	9.3	7.9	4.4	7.7	10.8	8.8
8	9.3	10.4	8.1	3.5	7.3	11.8	10.0
9	3.7	4.1	3.1	1.9	4.1	6.3	6.3
10 [extremely burdensome]	4.9	5.7	4.8	2.1	5.7	11.2	8.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Mean burden index	4.4	4.6	3.8	2.4	3.7	5.4	4.6

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Around 29 per cent of small businesses regard business tax and activity statements as being high burden (aggregated 8 to 10), 42.7 per cent as mid burden (aggregated 4 to 7) and 28.0 per cent as low burden (aggregated 0 to 3).

For licenses, 24.5 per cent of small businesses regard this as high burden, 36.8 per cent as mid burden and 38.7 per cent as low burden. As for occupational health and safety, 20.2 per cent of businesses regard this as high burden, 42.3 per cent as mid burden and 37.5 per cent as low burden.

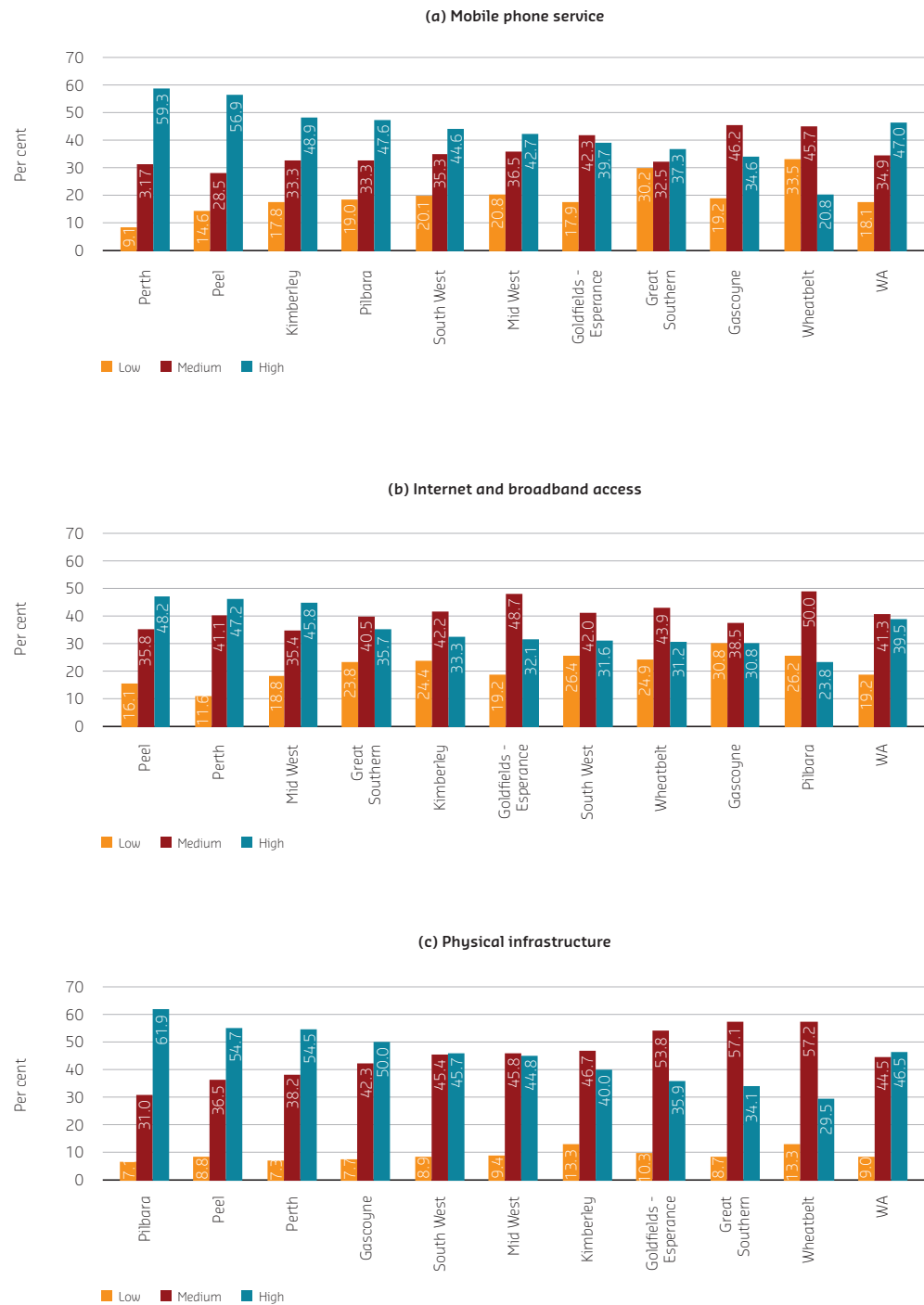
We now turn to essential infrastructure, namely, communication and physical infrastructure. Respondents were requested to rate the current quality of each of these infrastructures on a scale from 0 to 10. Figure 47 reports the findings.

For mobile phone service, 47.0 per cent of all respondents in the State regard the mobile phone service in their area as being of high quality. At the same time 18.1 per cent reported that their mobile services is of low quality.

For internet and broadband access, the statewide distinction between the proportions of businesses reporting a high quality (39.5%) is double that of those reporting low quality (19.2%), with 41.3 per cent reporting a medium quality. However there are interesting differences among regions. Businesses in Peel, Perth and Mid West are more likely to report a high level of internet and broadband access compared to other regions, with 34.9 per cent reporting a medium level of mobile phone service quality.

Finally to physical infrastructure such as roads, rail, ports and airports. 46.5 per cent of small businesses in WA reported a high level of physical infrastructure, with a further 44.5 per cent citing physical infrastructure as being a medium quality. Only 9.0 per cent reported a low quality of physical infrastructure. The Pilbara stands out in particular, with almost 62 per cent of small businesses regarding their physical infrastructure as being of high quality, which may be an outcome of the investment by the iron ore giants operating in areas like Karratha, Dampier, Port Hedland and Tom Price at the height of the mining boom.

Figure 47 Quality of infrastructure by region, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Care and preservation

This section of the report looks at two key, but often overlooked, elements of small business ownership – health and wellbeing and succession planning.

Health and wellbeing

While running a small business can be very rewarding, it can potentially attract additional life stresses from which larger businesses and employees are more likely to be protected from. Some of these stressors may include exacerbated financial stress; uncertainty; business failure; long hours and lack of annual leave; blurred boundaries between work and home; multiple responsibilities; employee responsibility; and isolation (see for example, Lowinger, 2015).

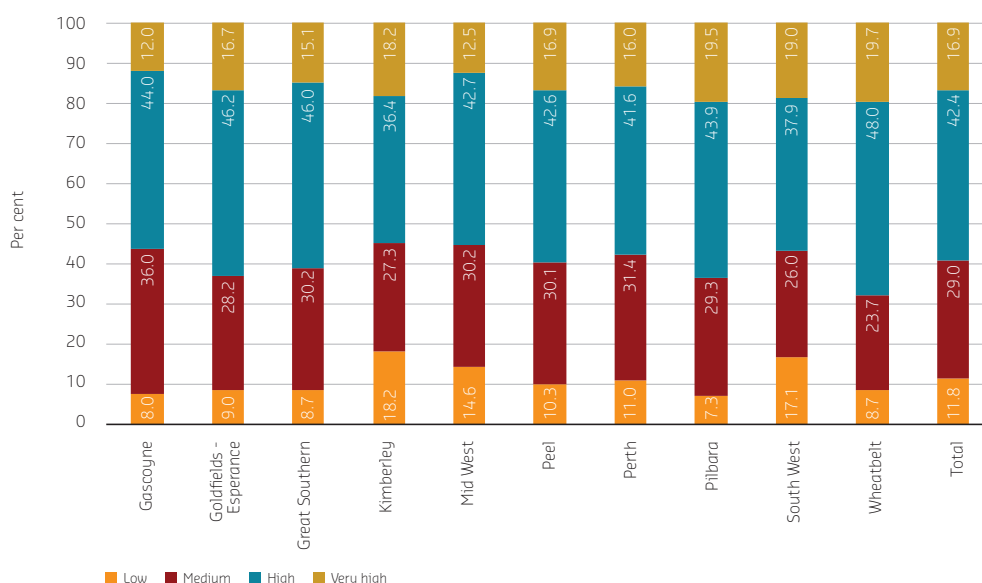
In this section, we develop a small business owner stress index that gauges the extent of stress that WA small business owners experience. The analysis also sheds light on potentially significant inter-regional differences in the levels and drivers of stress, and in the availability and diversity of support that small business owners and managers can access.

Furthermore, we examine the impact of stress on loss of productivity through absences from work among small business owners and managers. The policy and academic literature has shown that employee absenteeism from work can be associated with productivity loss (see for instance Koopmanschap *et al.*, 2013). However, much less is known about the strength of this relationship in the small business sector.

Level of stress

We first examine the level of business stress perceived by small business owners/managers operating in various regions within WA. Figure 48 reports the proportions of respondents reporting a low (0 to 3), medium (4 to 6), high (7 to 8) and very high (9 to 10) level of stress.

Figure 48 Self reported level of stress by region, WA, 2017



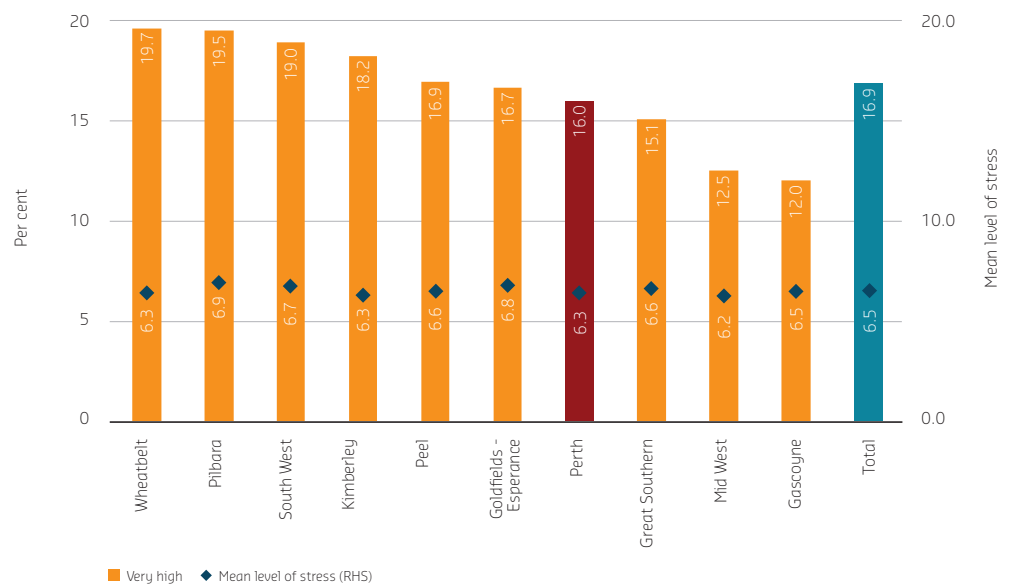
Note: Low is 0 to 3, Medium is 4 to 6, High is 7 to 8, Very high is 9 to 10.
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Across all regions, the majority of respondents have high or very high levels of stress. Almost 17 per cent of business owners report stress levels in the very high category, with 42.4 per cent reporting a stress level in the high category.

The proportion of respondents reporting a very high level of stress is presented again in Figure 49, along with the mean level of stress reported in each region. Business owners in the Kimberley report the highest proportion (19.7%) of respondents in the very high stress category. Small business owners in the Gascoyne present the lowest percentage of respondents in the very high category of stress.

Gascoyne also reports the lowest mean level of stress (mean of 6.2) followed by the Kimberley (6.3). The highest mean level of stress is reported in the Pilbara (6.9) followed by Goldfields-Esperance (6.8) .

Figure 49 Self-reported level of very high stress by region, WA, 2017



Note: Mean level of stress is for all respondents. Proportions relate to those reporting a stress level of 9 or above on a scale of 0 to 10.
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Table 24 reports the mean level of stress by industry, as well as the proportion of respondents in the low, medium, high and very high categories.

After Public administration and safety, Manufacturing and Retail report the highest mean level of stress (both at 7.0). What is most interesting however, is the proportion of respondents reporting a high level of stress by industry. Almost 30 per cent of business owners in Mining are experiencing very high levels of stress. The industry with the lowest proportion in the very high category of stress is Health care and social assistance industry.

Table 24 Level of stress by industry, WA, 2017

Industry	Mean	Low	Medium	High	Very High
Agriculture, forestry and fishing	6.2	16.1%	29.5%	38.6%	15.7%
Mining	6.2	17.6%	29.4%	23.5%	29.4%
Manufacturing	7.0	8.5%	25.4%	47.5%	18.6%
Electricity, gas, water and waste services	7.0	9.1%	18.2%	45.5%	27.3%
Construction	6.8	9.8%	25.3%	46.9%	18.0%
Wholesale trade	6.8	8.1%	32.4%	40.5%	18.9%
Retail trade	7.0	9.3%	25.9%	42.6%	22.2%
Accommodation and food services	6.7	9.4%	32.8%	34.4%	23.4%
Transport, postal and warehousing	6.6	12.9%	22.6%	45.2%	19.4%
Information media and telecommunications	6.9	7.1%	21.4%	50.0%	21.4%
Financial and insurance services	6.6	11.0%	26.4%	49.5%	13.2%
Rental, hiring and real estate services	6.3	16.7%	26.7%	43.3%	13.3%
Professional, scientific and technical services	6.6	7.8%	34.1%	41.1%	17.1%
Administrative and support services	6.2	12.7%	38.2%	38.2%	10.9%
Public administration and safety	7.4	0.0%	37.5%	37.5%	25.0%
Education and training	6.7	0.0%	47.4%	36.8%	15.8%
Health care and social assistance	6.2	11.8%	33.8%	47.1%	7.4%
Arts and recreation services	5.2	36.4%	18.2%	31.8%	13.6%
Other services	6.5	8.6%	35.8%	39.5%	16.0%
Total	6.5	11.8%	29.0%	42.4%	16.9%

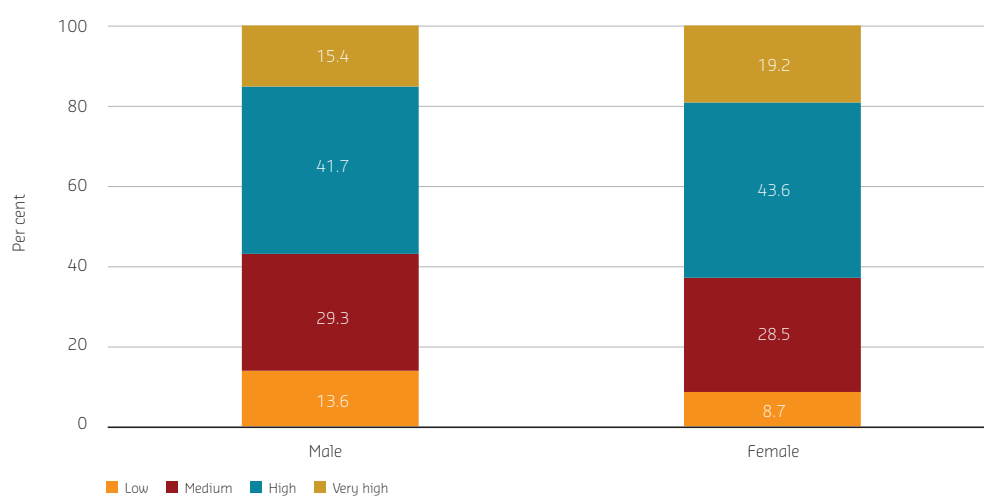
Note: Mean level of stress is for all respondents. Low is 0 to 3, Medium is 4 to 6, High is 7 to 8, Very high is 9 to 10.

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Nearly 63% of female small business owners report high levels of business-related stress, compared with 57% of male business owners.

Figure 50 represents the level of stress of business owners by gender. Females display a much higher level of business related stress than males, with 63 per cent of females reporting high or very high levels of stress. By contrast, this figure is 56 per cent for males. The fact that females display a higher level of business related stress suggests that there may be additional stresses associated with juggling between managing/owning the business and fulfilling their traditional care-giving and family responsibilities.

Figure 50 Level of stress by gender, WA, 2017



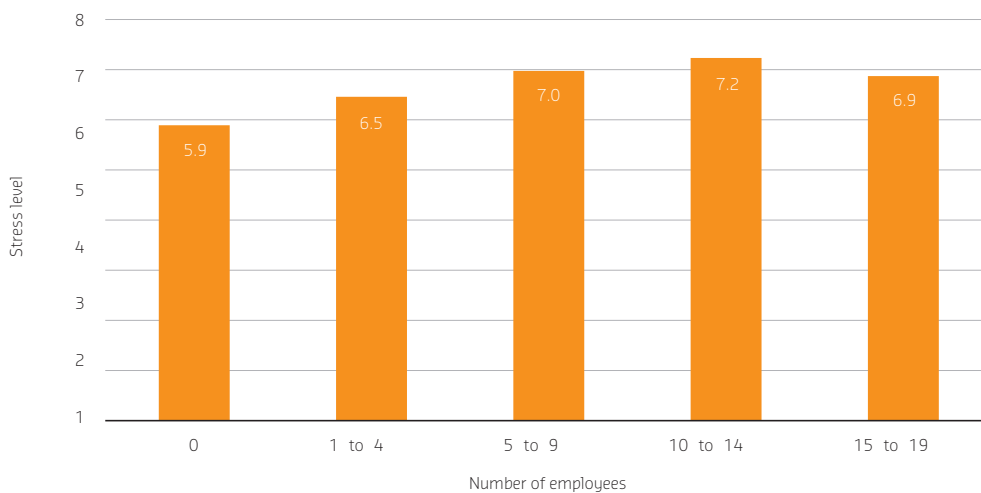
Note: Low is 0 to 3, Medium is 4 to 6, High is 7 to 8, Very high is 9 to 10.
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

The relationship between the size of business (measured by the number of employees) and business related stress level of its owner-manager appear to follow an inverted U shaped pattern: the level of stress first increases with the number of employees then starts to decrease when the business reaches a particular size of around 10 to 14 employees (see Figure 51).

The fact that the level of stress increases with the size of business is consistent with the idea that as the business grows the stressors including financial stress and multiple responsibilities may exacerbate. However, as the business increases in employee size, the impact of those stressors tends to plateau. This may be explained by 'economies of scale', or the hiring of managers and related delegation of HR duties and responsibilities. So we observe a slightly lower level of stress for larger small business owners.

Business-related stress among small business owners increases with the number of employees.

Figure 51 Level of stress by number of employees, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Financial stress, including the unpredictability of income and cash flow problems, is the top driver of business stress.

Drivers of stress

Respondents were asked to score the impact of eight pre-specified aspects of running the business on their level of stress. These aspects included financial stress (including unpredictable income and cash flow); multiple responsibilities; sense of isolation; employee responsibility; feeling obliged to work when sick; opening hours/long hours of work; red tape and compliance burden; and succession planning. On average, the three top drivers of business related stress are: financial stress (mean of stress level is 6.37), multiple responsibilities (6.16) and red tape (5.91).

Table 25 reports the key drivers of stress by industry. Mean levels of stress are reported. On average across all industries (Total), owners cite financial stress and cashflow (mean of 6.4) as the highest driver of stress. This is followed by multiple responsibilities (6.2) and Red tape and compliance (5.9).

The mean stress levels associated with financial stress and cashflow is particularly high for the Construction, Manufacturing, and Mining industries.

Table 25 Drivers of stress by Industry, WA, 2017

Industry	Financial stress and cash flow	Multiple responsibilities	Red tape and compliance	Obliged to work when sick	Hours of work	Employee responsibility	Succession planning	Sense of isolation
Agriculture, forestry and fishing	6.1	5.8	6.2	5.1	5.1	4.1	4.7	3.5
Mining	6.9	5.9	6.5	4.4	4.2	6.6	4.8	4.3
Manufacturing	7.1	6.1	5.9	5.6	5.0	5.6	4.4	3.6
Electricity, gas, water and waste services	6.5	5.9	6.0	4.6	3.9	5.2	3.4	4.1
Construction	7.2	6.3	6.3	6.2	5.4	5.5	4.0	4.0
Wholesale trade	6.2	6.2	4.8	6.0	4.3	5.1	3.8	3.4
Retail trade	6.4	6.5	5.2	6.2	6.0	5.6	4.3	4.0
Accommodation and food services	6.2	6.4	5.8	6.4	6.2	5.8	3.9	4.2
Transport, postal and warehousing	6.6	6.4	6.3	6.2	5.4	5.6	4.2	4.6
Information media and telecommunications	6.8	7.8	6.6	6.4	6.1	7.2	5.3	6.7
Financial and insurance services	5.2	6.2	7.2	5.0	4.8	4.6	4.3	3.4
Rental, hiring and real estate services	6.2	5.5	5.8	5.0	4.4	4.9	3.5	3.3
Professional, scientific and technical services	6.3	6.2	5.5	5.5	5.1	4.8	3.9	4.1
Administrative and support services	6.8	5.9	4.3	6.1	4.2	4.2	3.5	3.8
Public administration and safety	5.6	6.9	6.4	6.1	7.0	6.4	4.0	4.5
Education and training	5.2	7.1	5.9	5.8	5.4	5.1	3.6	4.5
Health care and social assistance	5.4	6.1	5.8	5.1	4.3	5.8	4.5	3.6
Arts and recreation services	5.9	6.6	5.3	5.8	5.0	4.4	5.0	3.8
Other services	6.4	6.3	5.2	5.5	4.9	5.4	4.1	3.9
Total	6.4	6.2	5.9	5.6	5.1	5.1	4.1	3.8

Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

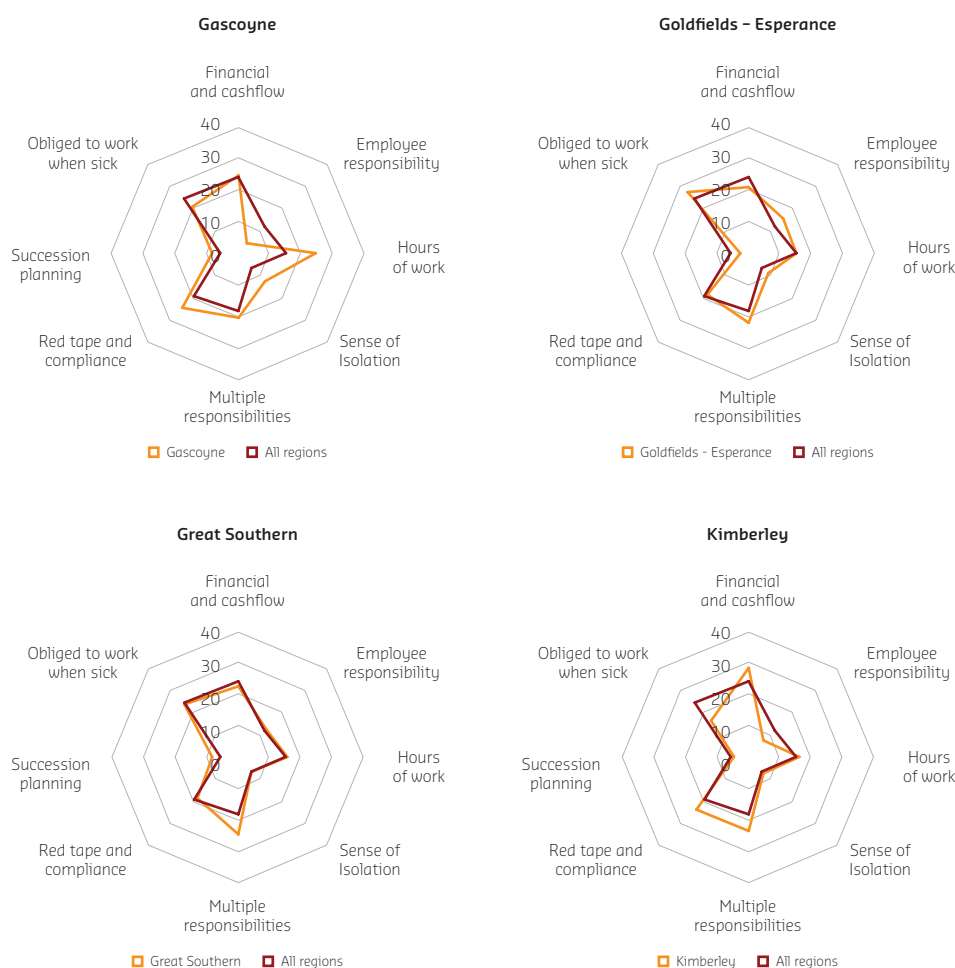
We next consider the top drivers of business stress by region (see Figure 52) among those respondents reporting very high stress (9 or above on a scale of 1 to 10) for each aspect of the eight pre-specified aspects of running the business.

A higher share of small business owners in the Pilbara point to multiple drivers of stress of all WA regional small businesses, with multiple responsibilities, financial and cash flow problems, long hours of work and the need to work while sick all featuring prominently as causal stress factors.

Succession planning and hours worked are particularly evident as drivers of stress for owners in the South West, with cash flow and obliged to work when sick, particular drivers of stress in the Peel. Multiple responsibilities are listed as the top driver of business stress for Gascoyne and Great Southern while financial stress is considered as the top driver of business stress for all remaining regions.

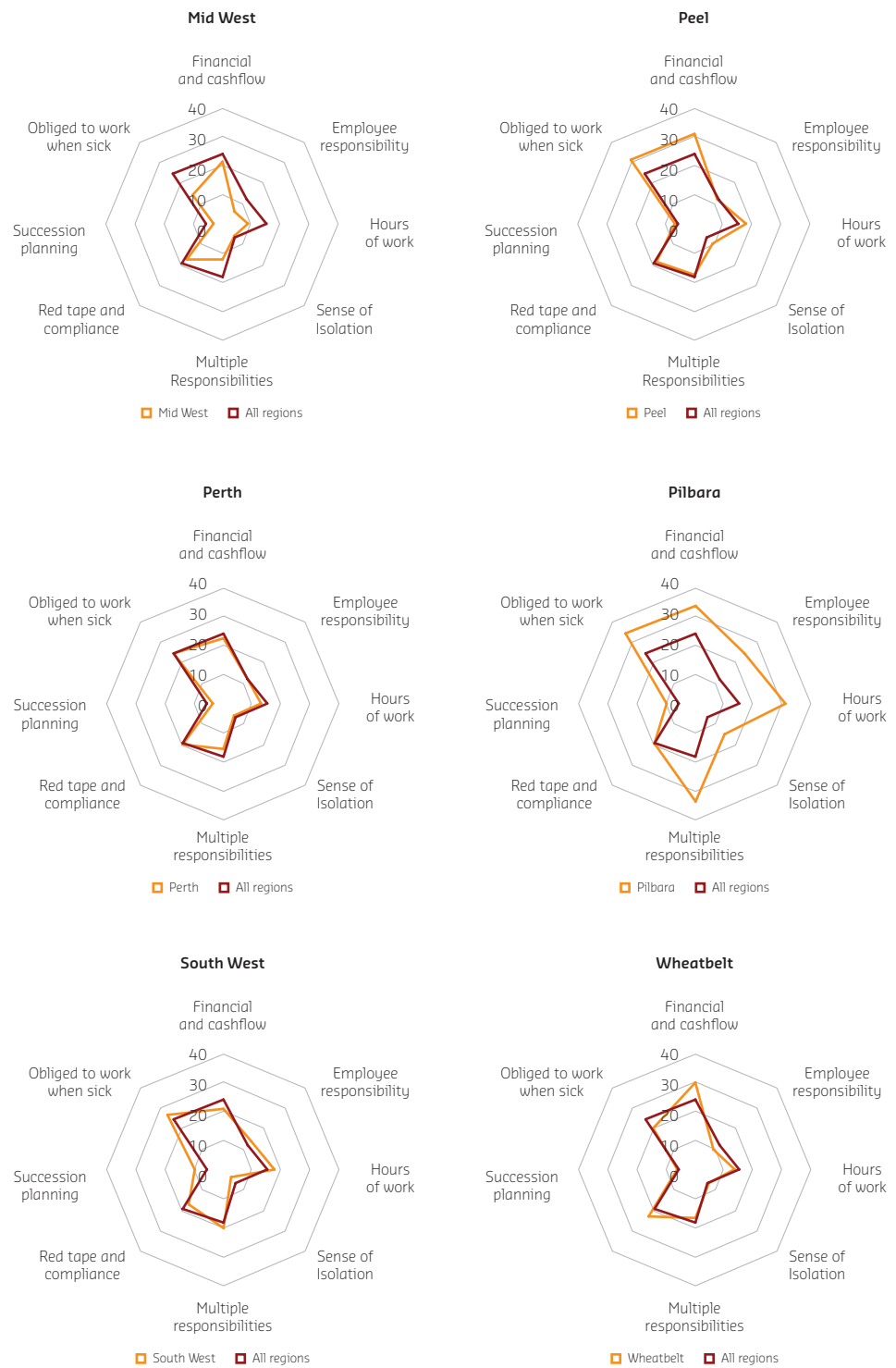
While red tape is not listed among the three top drivers of business stress among all small business owners/managers in Western Australia, it is considered as the second greatest driver of very high stress among those operating in Gascoyne and Great Southern.

Figure 52 Self reported drivers of stress by region, WA, 2017



Note: Percentage of respondents that reported very high levels of stress (9 or above on a scale of 0 to 10).
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Figure 52 Self reported drivers of stress by region, WA, 2017 (continued)



Note: Percentage of respondents that reported very high levels of stress (9 or above on a scale of 0 to 10).
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

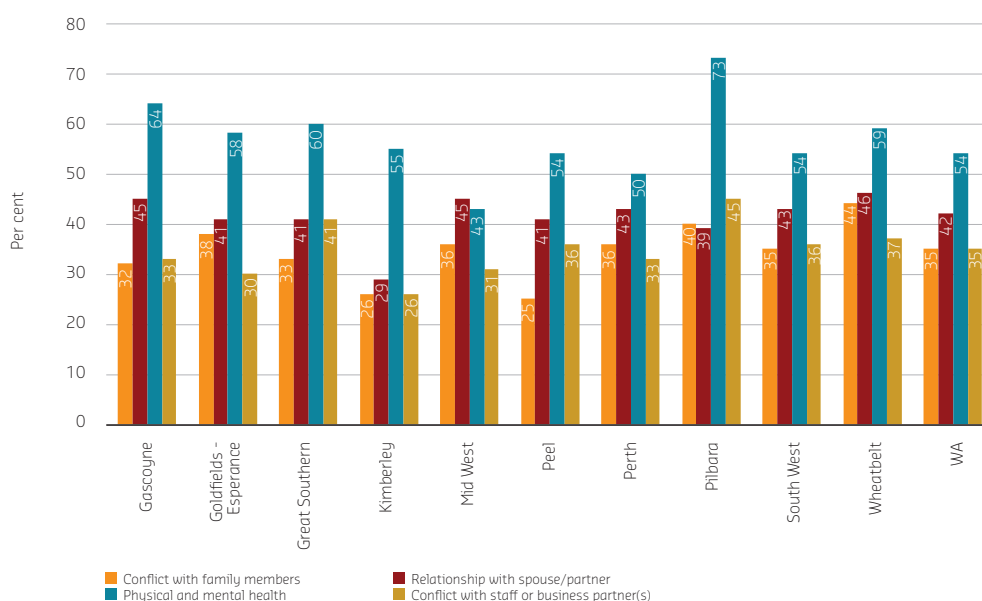
Impact of stress

Figure 53 shows the proportion of small business owners reporting that business related stress has a negative effect (versus no effect) on each of the four pre-listed aspects of life or business: conflict with family members; relationship with spouse/partner; physical and mental health and conflict with staff or business partner(s). Business related stress seems to have the most pronounced negative impact on physical and mental health of business owners, with around 54 per cent reporting that business related stress has a negative impact on their health. Business-related stress also puts a toll on family relationships, with 42 per cent of business owners citing this as a negative impact. Conflict with family members, or conflict with staff or business partners, features as a negative impact of business-related stress for around 35 per cent of small business owners.

The chart also examines the impact of business-related stress by region. The negative impact on health is most visible for small business owners in regional WA with the Pilbara reporting the highest proportion (73%), following by Gascoyne (64%) and Great Southern (60%). Similarly, three regions where business related stress has the most pronounced negative impact on the relationship with spouse/partner are Wheatbelt (46%), Gascoyne (45%) and Mid West (45%). Furthermore, small business owners in Wheatbelt (44% reporting a negative impact), Pilbara (40%) and Goldfields – Esperance are most likely to report a negative impact on conflict with family members. Finally, Pilbara (45%), Great Southern (41%) and Wheatbelt (37%) are regions where the negative impact on conflict with staff or business partners is the most prevalent.

Business related stress has more pronounced negative impacts on relationships and health in regional Western Australia.

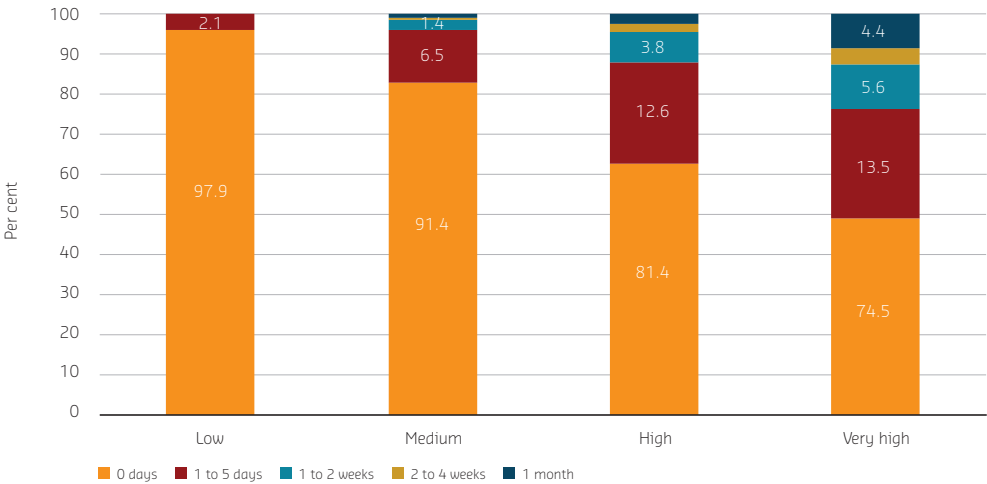
Figure 53 Impact of stress on relationships and health, by region, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Figure 54 displays the number of days lost at work in the past year due to business related stress. The figure shows that respondents with a higher level of stress report a greater number of days lost at work, suggesting that business stress may also lead to a reduction in productivity of business owners.

Figure 54 Stress levels and absenteeism, WA, 2017



Note: Low is 0 to 3, Medium is 4 to 6, High is 7 to 8, Very high is 9 to 10.
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Access to support

Above we observed that business related stress has a negative impact on the relationships, health and productivity of small business owners. When it comes to access to supports for stress, our data shows that the most popular types of support that the small business owners have access to when dealing with stress are GPs and health professionals (92%), followed by family and friends (91%) and local business network and community (60%).

Figure 55 reports the ease of access to these supports by region. The first panel shows small business owners in Perth have the least difficulty of access to GP and health professionals with 89 per cent reporting 'easy access' and the remaining 11 per cent reporting 'some difficulty accessing'. By contrast, those business owners operating in the Kimberley report the most difficulty in gaining access to GPs and health professionals, with just 58 per cent reporting 'easy access', 36 per cent reporting 'some difficulty accessing' and the remaining 6 per cent reporting 'extremely difficult to access' these services.

The second panel shows that small business owners in Perth also have the easiest access to family and friends as only 3 per cent of them reported 'some difficulty accessing' and 1 per cent reported 'extremely difficult to access' when seeking this type of support to deal with business stress. Small business owners in the Gascoyne have the greatest difficulty in accessing family and friends with 13 per cent of them reporting 'some difficulty accessing' and 4 per cent reporting 'extremely difficult to access' this support.

Finally, the third panel shows that around one in five small business owners in Pilbara have at least some difficulty in accessing local business and community networks. By contrast, small business owners in the Mid West appear to be able to access this support more easily.

Access to GP and health professional services is more difficult for small business in regional Western Australia.

Figure 55 Access to supports for stress by region, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Kylie's story

Pressures of running a small business

Transport, postal and warehousing. Peel

The business is starting to negatively impact my stress levels, and I can see this carrying over into other aspects of my life – my personal relationships, finances and general health and wellbeing.

A source of employment

My husband and I originally moved to the Peel region to start a new steel fabrication business. We sold the business in 2009, but remained in Peel. I'm a qualified accountant and found it difficult to find enough work in the area, so three years ago we purchased another business, a small freight operation, originally established in the early 1980s.

We run two vehicles and employ one full-time and one casual staff. We've built up the business enough that it puts food on our table and pays the bills, but the income is nowhere near as good as the previous business I've owned.

The pressures of a small business owner

I've run many successful businesses over the past 15 years, but sometimes the success of a business is out of your control. It could be that the industry is highly competitive, particularly if there are many emerging players. You have to be constantly on the ball, and willing to match competitive price lines. Or, there just isn't a need for the service you offer in the location you operate.

My main challenge in running the business is that it is just me. I have to coordinate all aspects of the business and I can never take a day off. The business is starting to negatively impact my stress levels, and I can see this carrying over into other aspects of my life – my personal relationships, finances and general health and wellbeing.

I've decided that it is the right time to move on and I've started enacting my exit strategy by approaching a business broker.

I'm not too sure what my next step will be when the business sells. My husband started a new business in January 2016, in his field of expertise in conveyor belt servicing and supply. Of course, the logical step is to help my husband out with his business, and I'll take it from there.

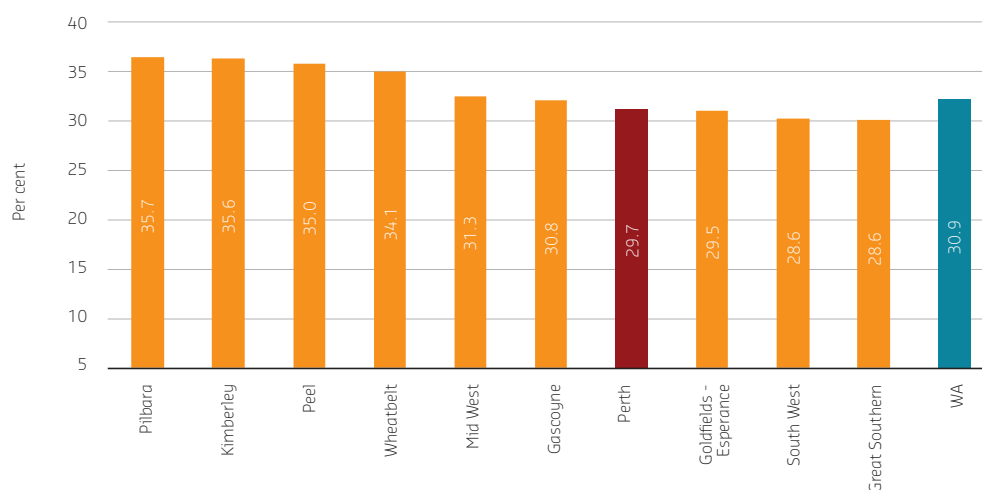
Small business owner-managers in most regional areas report a slightly higher rate of intention to exit than the Perth metropolitan area, where the rate sits at 30%.

Handover and exit

The decision to exit a business is a natural and important part of the lifecycle of a business. It is a key business decision. The choice of exit may or may not lead to the continuation of the business. The primary exit options applicable to small business owner-managers include transferring to a family member, selling to a third party or closing the business.

In total, 463, or 31 per cent of respondents intend exiting their business within the next five years. Small business owner-managers in most regional areas report a slightly higher rate of intention to exit than the Perth metropolitan area, where the rate sits at 30 per cent. For instance, the rates of intention to exit are very similar across the Pilbara (36%), Kimberley (36%), Peel (35%) and Wheatbelt (34%) regions. However, small businesses in Goldfields-Esperance, and the South of WA experience lower rates of intention to exit than Perth at under 30 per cent, as seen in Figure 56.

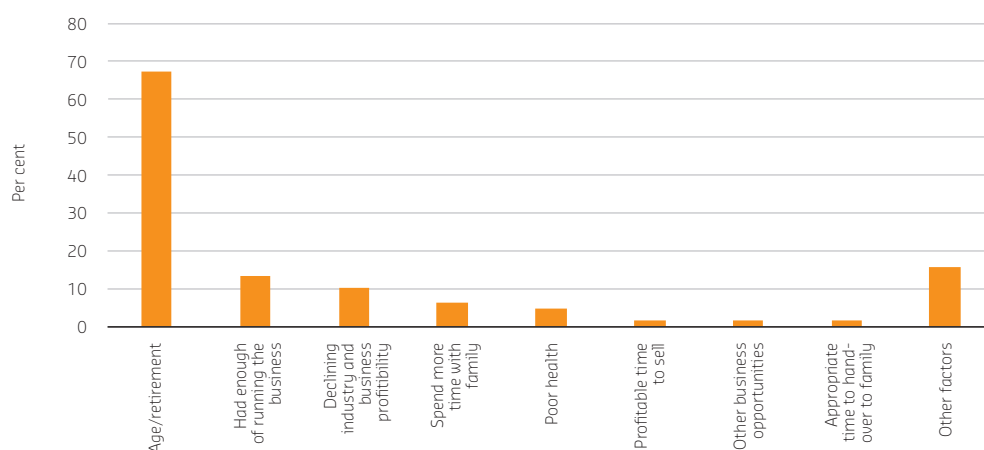
Figure 56 Percentage of businesses intending to exit within the next five years, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

The overwhelming factor influencing small business owners' decisions to exit their business within the next five years is age and retirement considerations (see Figure 57). Nearly 70 per cent of small business owners cite this as a factor influencing the decision to exit. This is not surprising given that the majority of small business owners are of mature age. As indicated earlier, 63 per cent of respondents to the survey were aged 50 years and above, 23 per cent are aged 40 to 49 and only 13 per cent are aged 39 years and younger.

Figure 57 Factors influencing owners' decision to exit the business within the next five years



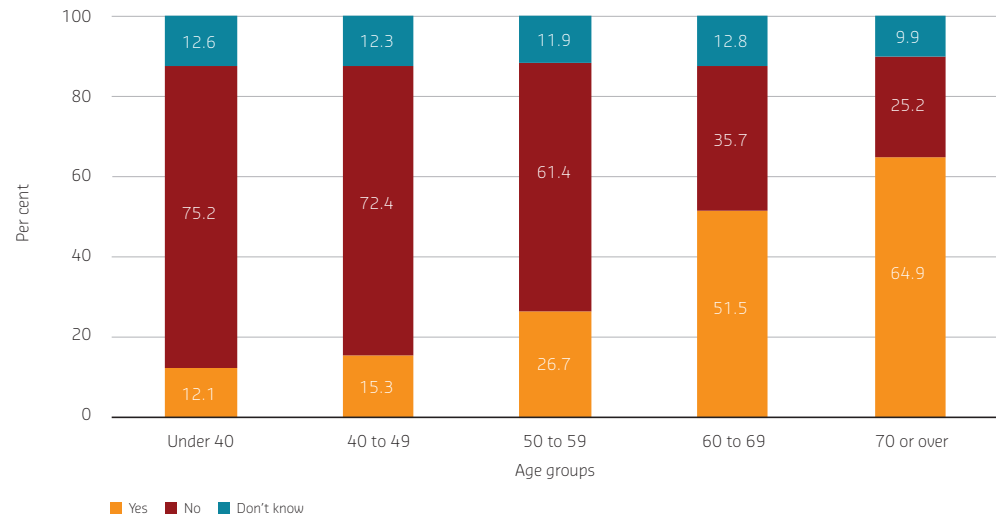
Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

Figure 58 further supports this trend. The percentage of small business owner-managers who intend to exit in the next five years rises exponentially as age increases. It more than doubles from 12 per cent among those aged under 40 to over one-quarter among those aged 50 to 59 years. The rate of intention to exit doubles yet again to over 50 per cent among those aged 60 to 69 years, culminating at 65 per cent among those aged 70 years or over.

The second most cited reason for owners intention to exit the business within the next five years is that the small business owner has had enough of running the business (see Figure 57). However, this trails far behind age and retirement considerations with only 12 per cent of small businesses citing this reason. Declining profitability is the third main motivation for exit at 10 per cent.

Some small business owners cited more positive reasons for exiting, including finding it a profitable time to sell or the emergence of other business opportunities. However, these reasons constitute a rare minority compared to more negative triggers such as declining profitability.

Figure 58 Intention to exit the business, by age group, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

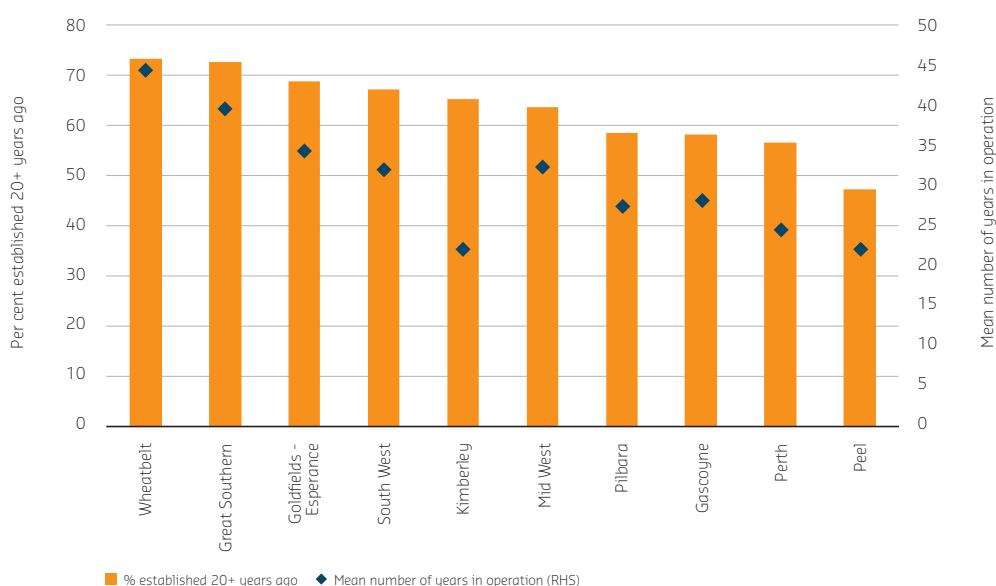
Community cohesion

As shown in Part I of the report, small businesses clearly make a significant contribution to the State's economy. However, the contributions of small businesses are likely to extend beyond the economic realm and influence community wellbeing. Certainly, small businesses have the potential to strengthen local communities through various channels e.g. linking economic and social networks and supporting local causes. This section investigates the extent that small businesses enhance community cohesion, and whether the importance of small businesses for community cohesion varies across regions.

Data from the *BCEC Small Business Survey 2017* indicates that 62 per cent of small businesses in WA were established at least 20 years ago, and the average number of years of operation of small businesses in WA is 30 years. Figure 60 ranks regions according to the proportion small businesses in each region that have been established for 20 years or more. It is clear that regional areas tend to have a higher proportion of businesses that were established more than two decades ago than Perth. In the Wheatbelt and Great Southern regions, over 70 per cent of small businesses have been established for 20 years or more, compared to under 60 per cent in Perth. The average number of years in operation is 25 years in Perth, compared to nearly 45 years in the Wheatbelt.

The Kimberley region is an interesting case. While around two-thirds of small businesses in this region were established over two decades ago, its small businesses exhibit the lowest average number of years in operation among all regions at around 22 years. This finding suggests a polarisation of small businesses at two extremes in the Kimberley region. While the majority were established 20+ years ago, there is clearly a significant proportion that was established relatively recently, hence depressing the average number of years established.

Figure 59 Number of years of small business operation, by region, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

One-third of small businesses in the Mid West and Wheatbelt were passed down through family legacy or succession, compared to just 1 in 10 small businesses in Perth.

Small businesses' life cycles in regional areas are potentially more heavily influenced by family and community considerations than in metropolitan areas. If the evidence supports this hypothesis, it adds further support for the proposition that small businesses make important contributions to community wellbeing, particularly in regional areas.

Figure 60 ranks regions according to two indicators of community cohesion. The first measures the proportion of small businesses in each region that has been passed down from family legacy or succession. The second takes a subset of small business owners who have indicated that they plan to remain in the business in the next five years, and measures the proportion that are planning to remain due to family or community considerations.

Referring to the first indicator, we find that among all small businesses in the survey, around one in five were passed down from family legacy or succession. However, the orange bars show that generational succession is much more evident in regions such as Mid West and Wheatbelt (one-third), followed by the Great Southern and Southwest (one-quarter). On the other hand, only one in ten small businesses in Perth were passed down from family legacy or succession. Clearly, generational succession is a particularly critical ingredient for enhancing longevity within the small business sector in regional areas. The following quote from survey respondents reflect the important of generational succession in some regional areas in WA:

"I am married to the generation that has taken over from parents so no plans to exit the family business."

"I want to remain on the land so I can pass (the) property over to my nephews..."

"... the fact it is in our blood ..."

"We're a family business that has run for two generations."

Turning to the second indicator, around 57 per cent of small business respondents in both metropolitan and regional areas indicate that they do not intend exiting their business in the next five years. However, it is clear from the green bars that among those not intending to exit, family or community considerations are more important in most regional areas than Perth. Indeed, in the Great Southern and South West, 14 per cent of those not intending to exit their business in the next five years cite family or community considerations as the main reason. This is double the percentage in Perth (7%). Indeed, some regional survey respondents convey a strong sense of obligations towards their local communities:

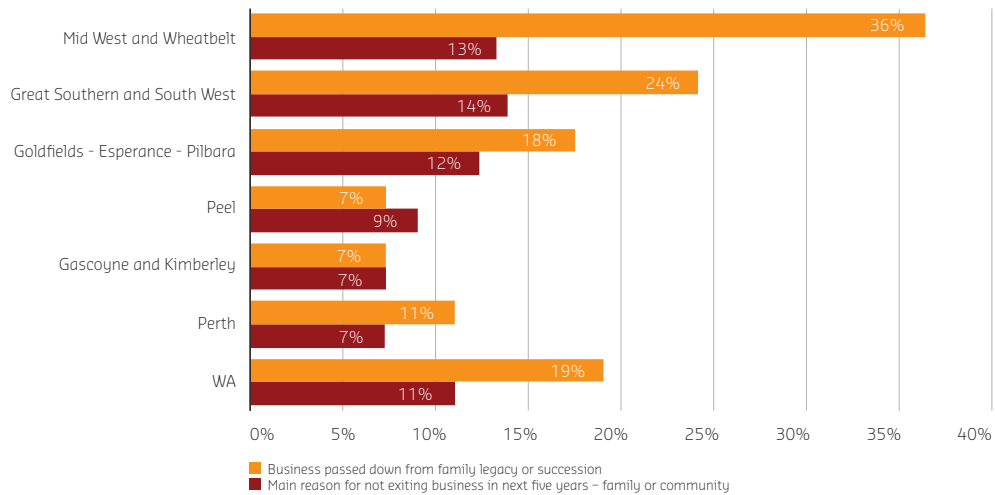
"... (it is) our mandate to support (our local) client base and the need for services ..."

"I supply a service and I need to keep it going to continue to supply that service to the public."

"There is a need for us in the community."

The latter quotes highlight that small businesses contribute much more than the traditional economic indicators of value added and employment, as reported in Part I of this report. Small businesses are embedded in our societies and communities and their existence, survival and the health of their owners and employees is vital for the WA economy and society.

Figure 60 Percentage of small businesses with life cycles that are influenced by family or community considerations, WA, 2017



Source: Bankwest Curtin Economics Centre | BCEC Small Business Survey 2017.

BCEC Small Business Survey 2017: Key learnings and gaps

The Centre commissioned the *BCEC Small Business Survey 2017* after a thorough review of the small business landscape in WA and subsequently identifying gaps for further research. At the outset a key aim is to learn more about businesses in regional WA, which is why two thirds of the 1,500 small business owners or managers surveyed are based in regional WA.

Overall, the *BCEC Small Business Survey 2017*, as a unique and important source of data at the regional and sectoral level on all aspects of the lives of small business owners, has enhanced our understanding of the small business landscape in Western Australia.

The health and wellbeing of owners and managers, and the relationship between adverse personal health and stress factors and the stress of running a small business, is a key feature of the Survey. Several other topical issues are covered, including the overall health of the business, level and sources of competition, key sales markets, sources of finance, innovation and growth, regulation and compliance, and access to support for business owners and managers from business-related stress.

On average, respondents scored the current health of their businesses at 6.5 on a scale of 1 to 10. Almost three-quarters of respondents stated that they intend to maintain the same staffing head count over the next year, and a fifth expressed an intention to increase their head count, most prominently in the Pilbara.

The sectors in which small business owners reported the highest intensity of competition were Construction and Wholesale trade. Drilling deeper, the intensity of competition of these sectors, as well as Mining and Financial services, are most skewed towards 'high competition'. When asked to identify their main sources of competitive advantage, small business owners point to the quality of the product, service and location as key features.

The Survey highlights that fewer than one in ten small businesses in Western Australia export products and services to international markets, but among those that do, more than one third (37%) sell to Asian partners. In share terms, almost 80 per cent of sales are conducted within the business's home region, with only 3.1 per cent of small business sales to interstate destinations and 3.6 per cent to international export markets.

Small business owners in WA rely mainly on cash flow and savings from their own business to maintain or grow their operations. This is followed by access to banks and credit unions, and personal savings.

Innovation and adoption of new ideas are important sources of growth, and most small businesses draw creative input from their own ideas, and – especially for small businesses with 10 or more workers – from employees, family and friends. Innovation activity, in the form of the introduction of new products or services, feature more prominently in businesses with 15 to 19 employees. In general, the proportion of innovation-active businesses is higher the more employees they have. Industry associations are important for small businesses of all sizes as a source of ideas for innovation.

Nearly 30 per cent of small businesses regard tax and Business Activity Statements (BAS) as a burdensome area of regulation and compliance. Licenses and occupational health and safety were also reported as a significant area of compliance burden among respondents.

The Survey finds that more than half of small businesses in WA experience late payments from larger businesses for products and services, with one in five small businesses facing payment delays of a month or more.

An important but often overlooked element of small business ownership is the health and wellbeing of small business owners. Business owners in the Wheatbelt reported very high levels of stress associated with running their businesses. Among industry sectors, Mining has the highest proportion of small business owners experiencing very high stress. Financial stress, including unpredictable income and cash flow, is the top driver of business stress among the respondents.

Among the most common sources of support for owners and managers when dealing with stress are GPs and health professionals, yet more than 40 per cent of small business owners in Kimberley and nearly a third of owners in the Wheatbelt report at least some difficulty in accessing these services.

Summary

and Discussion

Summary and discussion

The 2015 Federal Budget delivered by Treasurer Joe Hockey referred to small businesses as the engine room of the Australian economy. Australia's changing economic landscape means that governments are placing greater emphasis on the important role of small businesses for growth and employment. This is not unique to Australia, with small firms seen as the driving force of growth across many of the developed OECD nations. It is therefore timely that a report on the nature of small businesses in Western Australia is produced to provide a thorough analysis of the trends and data and to facilitate policy debates on the important sector of our economy.

So, is the small business sector the engine room for growth for the WA economy? And what do we learn about the lives of small business owners in WA, and the challenges they face on a daily basis in driving their businesses forward?

This report confirms the importance of the small business sector to WA's economy, and to the State's diverse communities both in Perth and in regional areas.

Directly, the small business sector contributes \$39.7 billion to the WA economy. This puts the sector as a whole second only to the Mining industry in terms of value added contribution.

The small business sector in WA employs over half a million people – fully 41 per cent of total employment in WA. This is below the 2006-07 peak of 569,000 (equivalent to 53% of employment in WA), but it is worth noting that the pattern of employment in the small business sector has stabilised since 2014-15 at a time when employment in the medium and large business sectors continued to decline.

And these figures, impressive though they are, fail to capture the full contributions of small businesses to the State's economic trajectory, nor the critical role that small business owners play in supporting communities, especially in regional WA.

The small business sector has a wide reach across WA playing an important role at both the industry and regional level. By industry, the Construction industry is the largest contributor to the small business sector in terms of the number of small business, the value added contribution and the employment contribution.

By business size, the small business sector was the only sector of the economy to show a growth in the number of businesses in 2016. This highlights the important role that small businesses can play in driving the WA economy forward, particularly during more difficult economic times. As testament to this resilience, the report shows that survival rates of existing and new small businesses have improved post-GFC.

A novel spatial analysis in the report highlights a number of hotspots of growth in small businesses in WA, albeit not as numerous and sizable as those reported in some other states across Australia. Interestingly, the largest growth in the number of small businesses per thousand of the population is in Jandakot. This local growth is likely to have been influenced by the development of a commercial and planning precinct in the area, and emphasises the importance of planning and good infrastructure to support the growth and development of small businesses in the State.

Other hotspots of growth point to the emergence of new WA suburbs providing opportunities for new small businesses, including home-based businesses in 'lifestyle' areas of the State.

With an aim to bridge existing gaps in the data on small businesses and their owners in WA, the BCEC developed the *BCEC Small Business Survey 2017*. Data for this Survey was collected in the most recent March 2017 quarter, giving it a particular currency.

The *BCEC Small Business Survey 2017* shows that, on average, small business owners are positive in their business outlook – both in terms of the current state of the business and their intentions to hire within the next twelve months.

Perth-based small businesses report the highest intensity of competition across all regions in WA, with a level of 7.5 compared to an average of 6.8 out of 10 for WA. By industry, small businesses in the Wholesale trade and Construction industries report the highest levels of competition, followed by those in Financial and insurance services.

The Survey highlights that fewer than one in ten small businesses in Western Australia export products and services to international markets, but among those that do, more than one third (37%) sell to Asian partners.

WA's geographical location, and particularly its proximity to Asian markets and alignment of time zones, create unique opportunities for the small business sector to grow its share of export sales into Asian markets in particular, and indeed beyond, to the UK, US and Europe.

There is potential for a significant economic return to specific measures and initiatives from government and key industry associations that enhance access to international markets for small businesses both in Perth and in regional WA.

One eighth of small businesses in Perth, and one in seven in regional WA, report a lack of skills and knowledge in creating and implementing a business plan, with the majority of business owners also indicating a lack of knowledge of government support and funding opportunities. A significant share of small businesses seek to outsource a number of key services in areas of accounting, marketing, IT and communications skills in particular.

These findings suggest some skill deficiencies among small business owners, and highlight a real opportunity for tertiary education and training institutions to develop courses that provide modern, practical business skills that are increasingly necessary for the modern small business owner to survive in a fiercely competitive business environment.

This report shows that small business owners rely heavily on their own personal and business savings as a source of financing business growth and expansion. As expected, financial institutions also form a key source of funding.

Small businesses in WA are highly innovative, with over 77 per cent claiming to have introduced a new product or process within the last twelve months. This rate

increases to 90 per cent for businesses with 15 or more employees. This finding suggests that size matters, and is in line with ABS data available at the national level.

A key source of innovative ideas comes from the business owners themselves, with employees becoming increasingly important with business size. Industry associations are also a key source of ideas, which again increases with business size. This highlights the important role of networks and access to networks for small business owners.

The *BCEC Small Business Survey 2017* highlights a number of areas of significant stress for those running a small business. Key sources of stress include access to finance and cash flow, multiple responsibilities, and dealing with red tape. Such stressors have significant negative impacts on the lives of small business owners and those close to them. Some owners, particularly in the regions, have indicated difficulty in gaining access to support to deal with such stress and its impacts. More needs to be done to understand these issues and to support small business owners and their families on their journey.

The Survey finds that more than half of small businesses in WA face late payments from larger businesses in return for their products and services, with one in five small businesses facing payment delays of a month or more.

Late payment is a huge problem for small business owners in Western Australia, and adds significantly to the financial stresses they face on a daily basis in maintaining and growing their businesses. The practice of late payments creates unnecessary hardship for small business owners, especially in such difficult economic times, and should be eradicated.

This report also shows that infrastructure constraints, particularly in relation to mobile phone and internet and broadband access remain a drawback for small businesses, particularly in the regions.

Finally, this report shows that over 33 per cent of small business owners intend exiting their business within the next five years. The main driver of this is age/retirement. Small businesses play a significant role in WA communities and are engrained in its fabric. Exiting a business is a key decision with many complicating issues. It is important the business owners are informed of this process and can gain access to supports in dealing with key exit decisions, and to ensure that small businesses continue to exist and play a pivotal role in our local communities.

This report shows that the small business sector is of central importance to the WA economy. There are positive signs that this sector is well positioned to take advantage of future growth opportunities. In the Budget 2015, the Federal Government rightly pointed not only to the importance of small businesses, but also to the 'hard working women and men of *Australian small businesses*'.

It is particularly important that the health and wellbeing of the small business sector is supported and that owners and managers have access to supports and receiving guidance on the preservation of the sector in WA.

This will ensure that the so-called 'engine room of the economy' is adequately fuelled, maintained and supported for growth.

Glossary

Glossary

Businesses by employment size

Small businesses are businesses that employ 0 to 19 people. Medium businesses are those that employ 20 to 199 people. Large are those that employ 200 or more people.

Gross value added

Gross domestic or gross state product less the ownership of dwellings and taxes less subsidies on production components. A measure of the final value of production in an industry less the intermediate inputs to avoid double counting.

Employing micro businesses

Sometimes known as Micro businesses. Businesses that employ 1 to 4 persons.

Entries

Refers to businesses which are actively trading on the business register at 30 June in the reference year but were not actively trading at 30 June the previous year. It includes new ABN registrations, reactivations and businesses who have recommenced remitting.

Exits

Refers to businesses which were actively trading on the business register at 30 June in the previous year, but was not actively trading as at 30 June in the reference year. It is important to note that a business exit does not necessarily equate to a business failure.

Non-employing businesses

Sometimes known as Nano businesses. Businesses employing 0 persons. An example would be self-employed persons or partnerships with no employees.

Small business

In this study small businesses are those who employ between 0 to 19 employees. Note that small businesses are defined differently in different contexts. Examples include businesses that have annual turnovers of less than \$2 million and those who employ less than 15 employees.

Survival

A surviving business is defined as a business that is active on the ABS business register at 30 June of the current year and was also active at 30 June of the previous year.

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