

SMEs in New Zealand:

Structure and Dynamics

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Summary

Small and medium sized enterprises constitute the majority of all enterprises in New Zealand....

- 85% of enterprises employ 5 or less full time equivalents (FTEs).
- 96% of enterprises employ 19 or fewer FTEs.

...and the number of SMEs is increasing.

- The number of SMEs (0-19 FTEs) increased 30.9% between 1994 and 1998.
- Small firms (0-5 FTEs) have shown the greatest growth, with the number of enterprises increasing 35% between 1994 and 1998.

In line with this increase has been a decline in the average enterprise size.

- The average number of workers per enterprise has fallen from seven in 1994 to just over six in 1998.

SMEs also account for a significant proportion of total employment...

- SMEs account for 42% of all employees.
- Small firms account for 24% of all employees.

....and output.

- Using sales and other income as a measure of output, SMES account for 33% of the economy.
- Small firms contribute 17% of total output.

SMEs have played a key part in the increase in enterprise dynamic in New Zealand

- Births and deaths among small firms have increased 142% and 126% respectively over the last decade.
- These increases account for 95% of the total increase in enterprise dynamic in the economy.

By international comparison, SMEs form a significant component of the New Zealand economy.

- SMEs are more predominant in New Zealand than in many other countries.
- SMEs account for a high proportion of employment in New Zealand relative to other countries.

Introduction

Small and medium sized enterprises (SMEs) are viewed as source of flexibility and innovation, and make a significant contribution to economies, both in terms of the number of SMEs and the proportion of the labour force employed by these firms. The significance of the SME sector in New Zealand is increasing, with further opportunities presented by globalisation and technological development.

This report aims to provide a statistical summary of the nature of the SME sector in New Zealand, examining its significance to the economy, its financial performance, the dynamics of SMEs – births, deaths and transition rates, and the significance of the SME sector internationally.

Small and Medium Sized Enterprises (SMEs)

There is no globally recognised definition of an SME....

Definitions of SMEs differ across industry sectors and countries, and can be based on a number of criteria, such as number of employees, invested capital and total value of sales. However, more important for policy consideration are the characteristics of these businesses, which typically include:

...although SMEs generally share some key characteristics

- Personal ownership and management
- Few, if any, specialist managerial staff
- Not being part of a larger business enterprise.¹

These characteristics mean that the managers in small firms need to be multi-skilled rather than specialists, with expertise in a diverse range of areas such as marketing, production and accountancy. They are also constrained in the amount of time and money they can invest in searching for and using assistance. These factors, together with a culture of self-help and independence prevalent amongst New Zealand firms, have implications for business development policy.

For the purposes of this report, SMEs employ 19 or fewer staff

The above characteristics are typically exhibited by businesses with fewer than 20 employees. Therefore, for the purposes of this report, SMEs will therefore be defined as enterprises employing 19 or fewer full time equivalent employees² (FTEs) unless otherwise stated. Within this, small enterprises will be defined as those employing 0-5 FTEs and medium enterprises as those employing 6-19 FTEs.

¹ Burrell M and Lynch C (1994), *Small Business Employment* Department of Labour, p. 2.

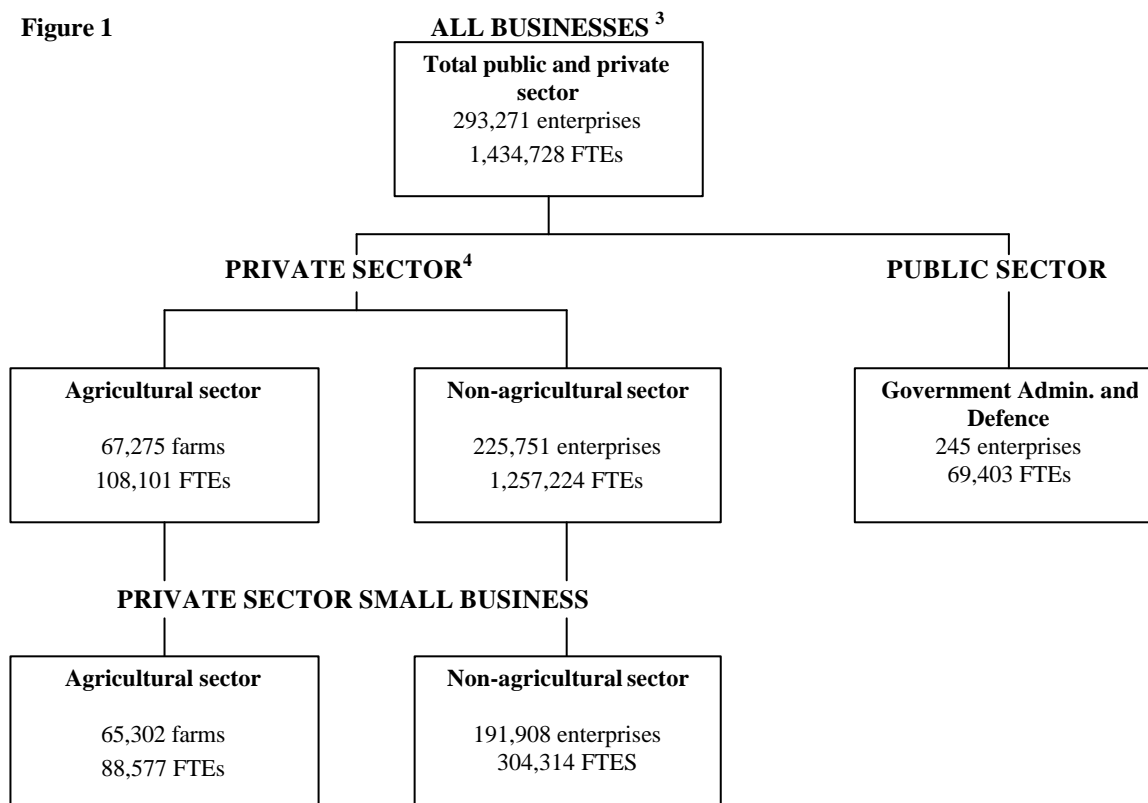
² The number of full time equivalents (FTEs) is calculated as the number of full-time employees and working proprietors plus half the number of part-time employees and working proprietors.

Structure of Business in New Zealand

Agriculture still forms a significant part of the economy

Figure 1 illustrates the structure of businesses in New Zealand, highlighting the significance of the agricultural sector. 23 percent of all private enterprises are involved in the agricultural sector, accounting for 8 percent of private sector employment. The majority of these farms are small, with the agricultural sector making up 25 percent of all small (0-5 FTEs) private enterprises and 23 percent of employment in these enterprises.

Figure 1



Number of SMEs

New Zealand is predominantly a nation of small firms

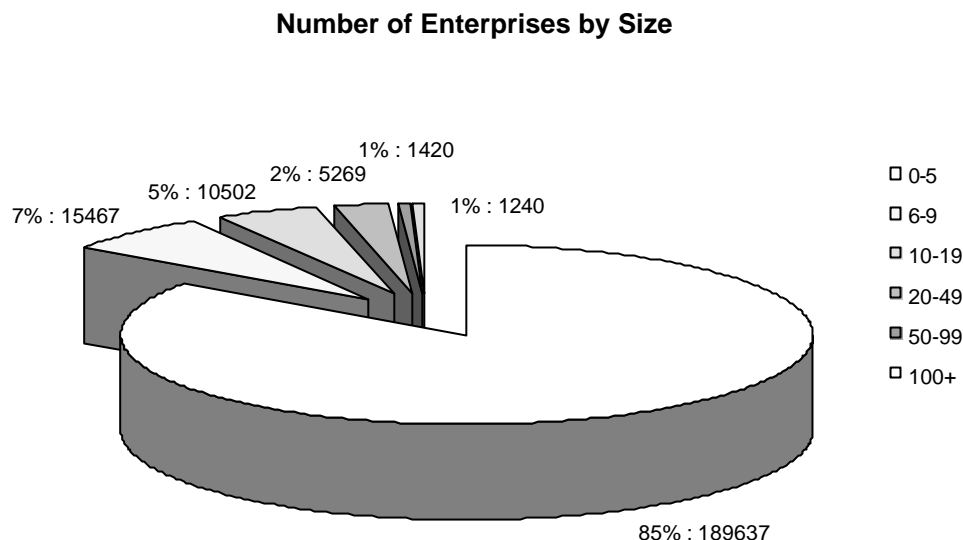
Small and medium sized enterprises constitute the majority of all enterprises in New Zealand:

- 85% of enterprises employ 5 or less full time equivalent staff
- 96% of enterprises employ 19 or fewer staff (N.B. these figures exclude most of agriculture and some industries within business, community, recreational and personal services, which include many SMEs and economically insignificant enterprises).

³ Statistics drawn from Business Activity 1996, Statistics New Zealand.

⁴ Agriculture statistics from Agriculture Production Survey year end June 1996, Statistics New Zealand.

Figure 2



The number of SMEs is increasing...

The number of enterprises in the SME sector increased 6.6 percent in the year to February 1998, following an increase of 5.4 percent in the previous year. These compare with increases of 6.3 percent and 5.2 percent for all businesses over the same periods.

...led by the rise in the number of small firms

The enterprise size group that experienced the greatest level of growth was those employing 0-5 FTEs, with an increase of 7.4 percent in the year to February 1998, following an increase of 6.0 percent in the previous year. This increase was somewhat offset by negative growth observed amongst several other size groups over the year to February 1998, as illustrated in table 1.

The contribution made by enterprises with 0-5 FTEs to the total number of enterprises in New Zealand continues to increase, rising from 83.3 percent in 1996 to 84.0 percent in 1997 and most recently to 84.8 percent in 1998.

Table 1. Annual Percentage Increase in Numbers of Enterprises (years to February)

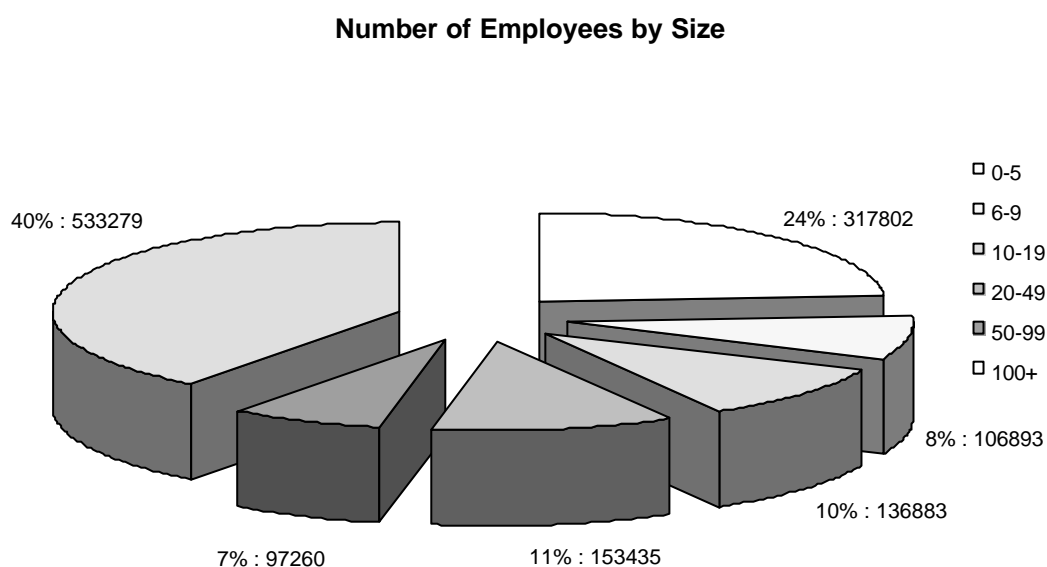
Enterprise Size	1996	1997	1998
0-5 FTE	3.7	6.0	7.4
6-9 FTE	2.2	0.7	-0.7
10-19 FTE	1.8	1.9	3.4
20-49 FTE	5.7	1.8	-0.4
50-99 FTE	3.6	0.3	1.6
100+ FTE	3.6	1.8	-1.1
Total	3.6	5.2	6.3

SMEs Contribution to Employment

SMEs contribute a small, but increasing amount to employment...

Although SMEs contribute significantly less to employment than to the total number of enterprises, this contribution has increased over the years. The number of full time equivalent employees hired by SMEs increased by 3.2 percent in the year to February 1998, following an increase of 2.6 percent in the previous year. A significant proportion of this increase comes from employment generated by small businesses (0-5 FTEs). The number of FTEs hired by small firms increased by 4.3 percent in the year to February 1998, with small firms now employing 23.6 percent of the labour force, up from 22.5 percent in 1996.

Figure 3



...continuing growth observed over the last decade

This growth amongst SMEs in terms of both enterprise numbers and employment levels continues trends observed over the last decade. These trends are illustrated in table 2.⁵

The number of small firms is increasing...

Over the period from 1994 to 1998, the most significant increase in establishments has been amongst small businesses employing 0-5 full time equivalent staff. A smaller increase has been observed in the number of full time equivalent employees hired by these small firms. However, the increase is still significantly greater than that experienced by other sized enterprises.

...reducing the average size of firms in New Zealand

In line with the increasing proportion of SMEs in the New Zealand economy is the decline in the average number of workers employed by enterprises, as illustrated in figure 4. The average

⁵ Figures collected prior to 1994 are not comparable due to a change in the surveyed population.

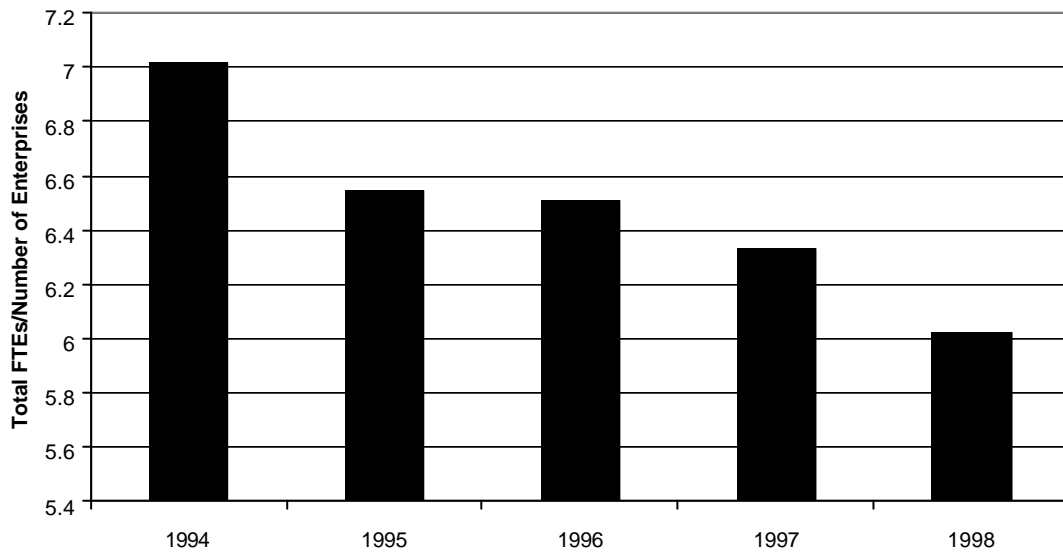
number of FTEs per enterprise has fallen in recent years from seven FTEs in 1994 to just over six in 1998.

Table 2. Percentage Changes in Establishments/Employees 1994-1998

	Establishments (% change)	Full Time Equivalent Employees (% change)
0-5 FTE	35.0	22.5
6-9 FTE	4.6	4.6
10-19 FTE	12.0	11.5
20-49 FTE	15.1	15.6
50-99 FTE	10.2	8.8
100+ FTE	7.8	6.9
Total	30.2	11.7

Figure 4

Average FTEs per Enterprise

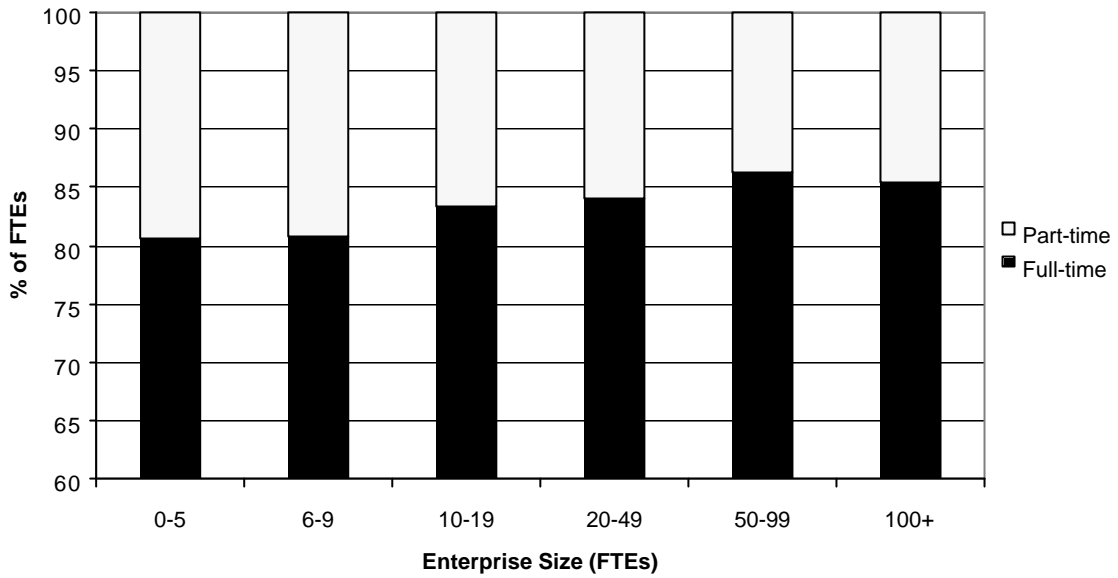


SMEs utilise the greatest proportion of part time employees

Utilisation of part-time employees is greatest amongst smaller firms, comprising 19 percent of all FTEs employed by firms with less than 9 employees. The lowest proportion of part-time employees (14 percent) is observed amongst firms employing 50-99 FTEs, with only a slightly greater proportion employed by firms larger than this.

Figure 5

Full/Part Time Employees By Enterprise Size

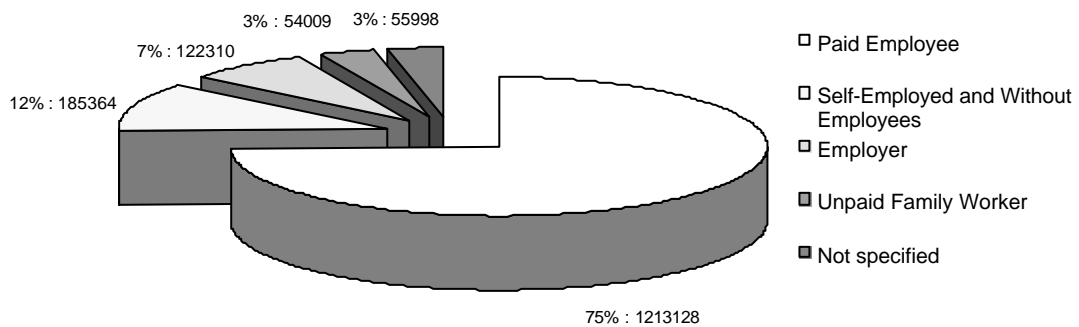


12% of the employed labour force is self-employed without staff

Figure 6 illustrates data from the 1996 Census, showing the largest proportion (75 percent) of the employed New Zealand labour force are paid employees, while 12 percent are self-employed and without employees

Figure 6

Employed Labour Force by Type of Employment



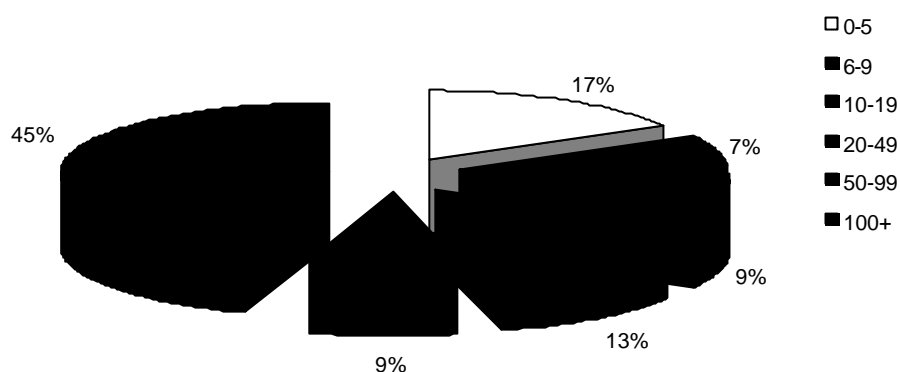
SMEs Contribution to Output

SMEs account for one third of New Zealand's output

Using sales and other income as a measure of the contribution of SMEs to total output in the economy, we can see from figure 7 that SMEs account for 33 percent of total sales, with small enterprises employing 0-5 FTEs making up just over half of this.

Figure 7

Total Sales and Other Income by Enterprise Size



SMEs and Industry Sectors⁶

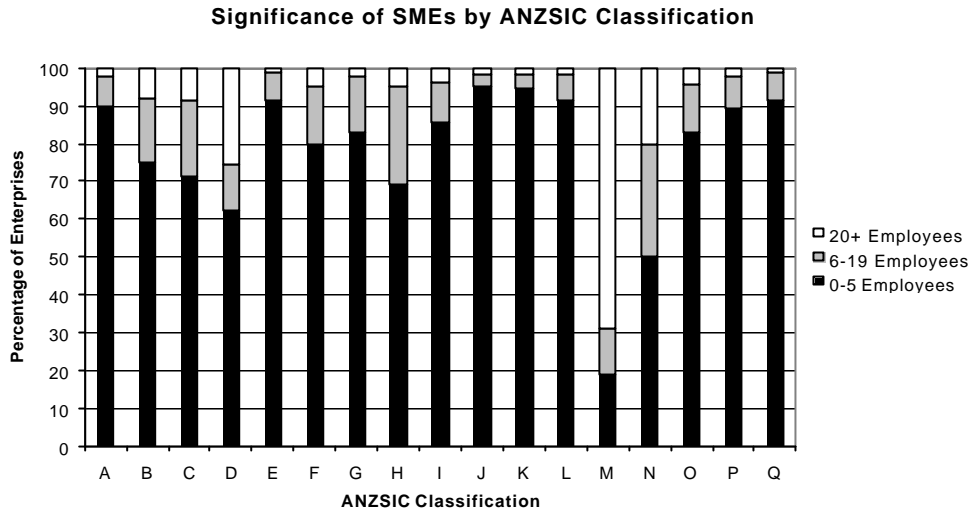
SMEs constitute over 98% of enterprises in several industries

Businesses with 0-19 employees are most predominant in the personal and other services sector, with SMEs accounting for 99 percent of all enterprises in this sector. Small businesses constitute the majority of these, making up 91 percent of enterprises in this industry. SMEs are also dominant in finance and insurance, construction, property and business services and communications sectors, making up over 98 percent of businesses in each of these industry groups. Small businesses again account for the majority of SMEs in each of these sectors.

Figure 8 illustrates the significance of SMEs in each ANZSIC group, highlighting the importance of smaller enterprises employing 0-5 FTEs.

⁶ ANZSIC industry classifications used in this section are: A – Agriculture, forestry and fishing, B – Mining, C – Manufacturing, D – Electricity, gas and water supply, E – Construction, F – Wholesale trade, G – Retail trade, H – Accommodation, cafes and restaurants, I – Transport and storage, J – Communication services, K – Finance and insurance, L – Property and business services, M – Government administration and defence, N – Education, O – Health and community services, P – Cultural and recreational services, Q – Personal and other services.

Figure 8

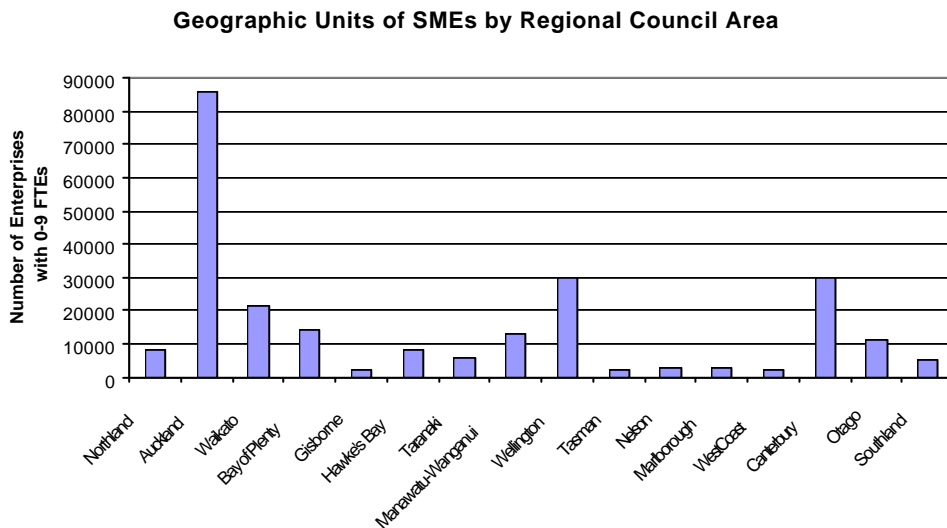


Location of SMEs in New Zealand⁷

Most SMEs are located in the major centres

Due to reasons of data availability, SMEs in this section will be defined as geographic units employing 9 or fewer FTEs. The graphs below give an indication of the concentration of these firms around New Zealand. Not surprisingly, the majority of SMEs are found in the larger centres, with the highest numbers of these enterprises located in Auckland, Wellington and Canterbury.

Figure 9



The regions where the highest proportion of employment is generated by SMEs are Tasman and Northland at 49 percent and 47

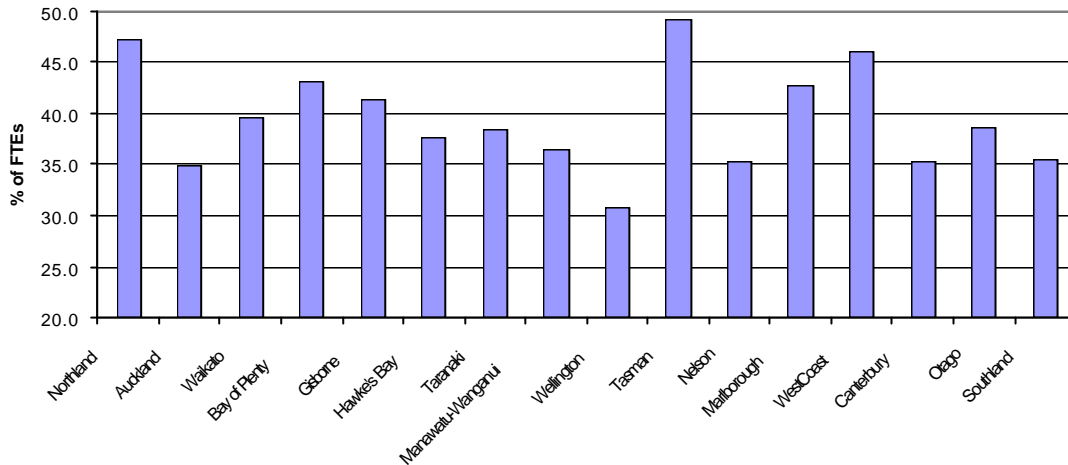
⁷ Statistics drawn from Business Activity Statistics 97, Statistics New Zealand.

Employment generated by SMEs is greatest in Tasman and Northland

percent respectively. The lowest proportions are observed in the larger metropolitan areas of Auckland, Wellington and Canterbury, where larger businesses employ a greater proportion of the labour force. Low levels were also recorded in the regions of Nelson and Southland.

Figure 10

Percentage of FTEs Employed by SMEs by Regional Council Area



Births and Deaths

SMEs account for the majority of all births and deaths

As would be expected, enterprise births and deaths are dominated by firms employing less than 5 FTEs, accounting for over 90% of total number of births and deaths, both in 1998, as illustrated below, and in previous years.

Figure 11

Enterprise Births 1998

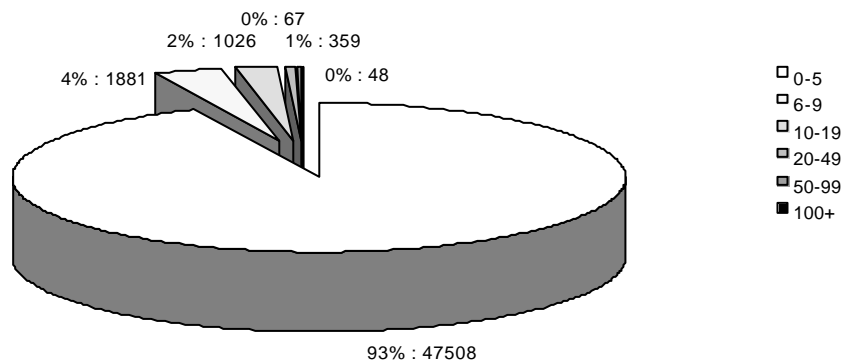
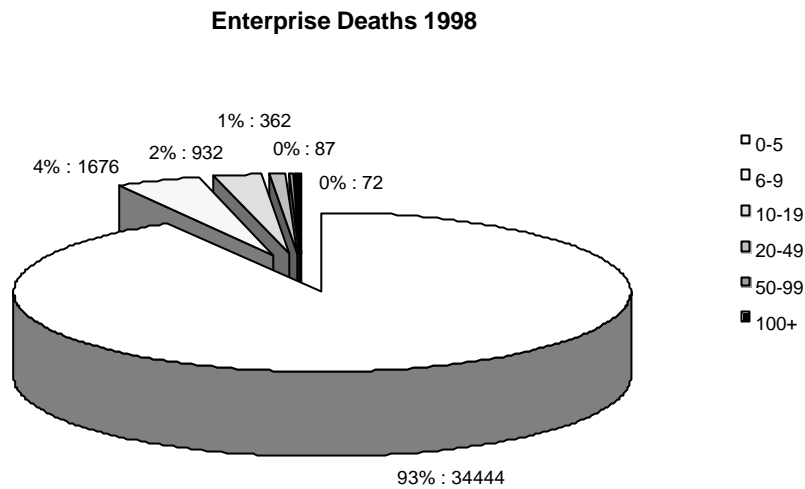


Figure 12



Enterprise dynamic, particularly among SMEs, is increasing

Over the decade from 1988 to 1998, enterprise dynamic has increased significantly, with births rising 136 percent and deaths rising 112 percent. 95 percent of this increase can be attributed to a rise in births and deaths among small enterprises, as illustrated in table 3. This increase should not be seen as a negative as it may reflect greater risk-taking in the economy and a mobility of resources to more efficient uses.

Table 3. Percentage Changes in Births and Deaths 1988-1998

Enterprise Size	% increase in births	% increase in deaths
0-5 FTEs	142	126
6-9 FTEs	84	35
10-19 FTEs	90	27
20-49 FTEs	37	7
50-99 FTEs	14	12
100+ FTEs	-6	13
Total	136	112

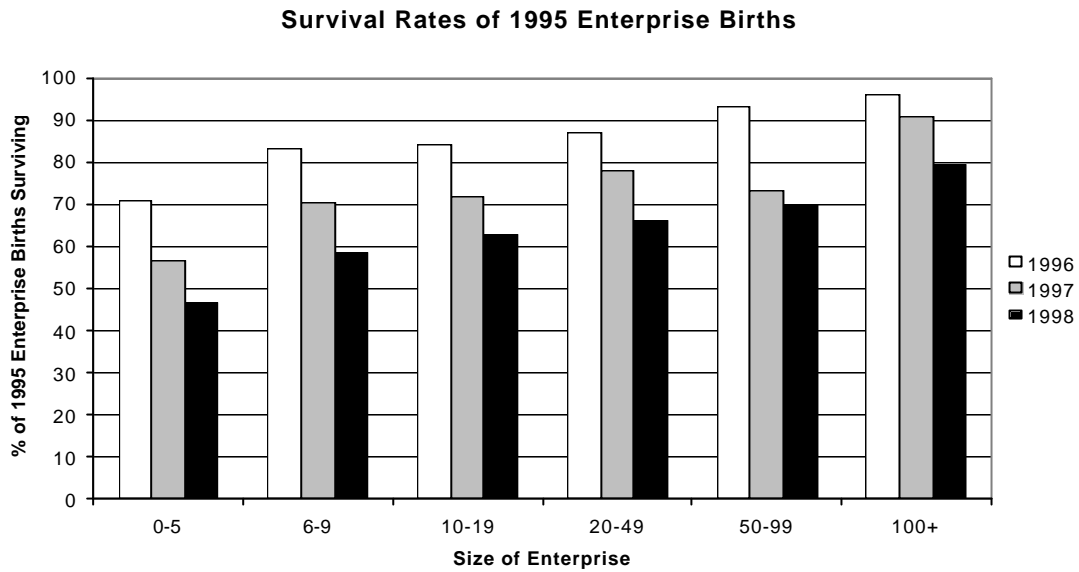
Survival Rates of SMEs

SMEs have a lower survival rate than larger firms

Survival rates are generally perceived to be lower for smaller enterprises. Illustrated in figure 13 is New Zealand data relating to the success of enterprises born in 1995, which supports this presumption. Of all small businesses started up in 1995, 71 percent survived the first year, 56 percent survived the second year and 47 percent survived the third year into 1998. These results are unfortunately not comparable to data collected for 1988 births due

to a change in the population surveyed by Statistics New Zealand.

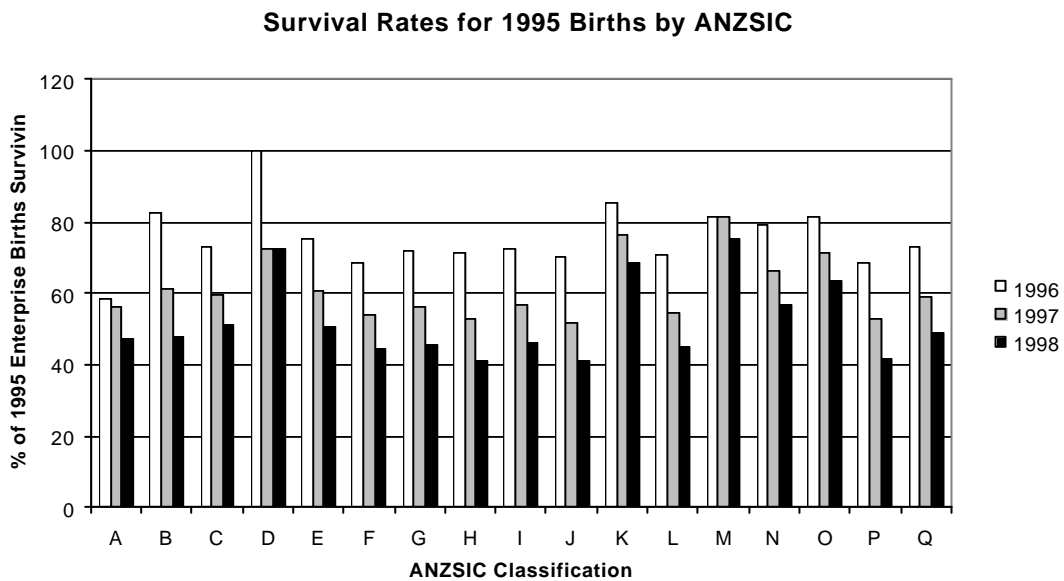
Figure 13



The total number of enterprise births in 1995 by enterprise size were: 0-5: 48967; 6-9: 2008; 10-19: 920; 20-49: 329; 50-99: 60; 100+: 53.

Survival rates for enterprises established in 1995 for each industry sector⁸ are illustrated in figure 14.

Figure 14



⁸ See footnote 6 for industry classifications.

Industry survival rates generally appear related to the concentration of SMEs

The industries with the highest survival rate into 1998 were: electricity, gas and water supply; finance and insurance; and government administration and defence. With the exception of finance and insurance, these sectors have a proportion of SMEs significantly below the sector average. The lowest survival rates were shown by enterprises in the sectors: accommodation, cafes and restaurants; communication services; and cultural and recreational services. Each of these sectors has a proportion of SMEs higher than average.

In general, survival rates likely overstate the number of firm deaths

However, evidence suggests that these survival statistics present a situation significantly harsher than reality. The statistics are calculated on the basis that if a firm ceases to exist under exactly the same name or structure then it is assumed to have collapsed, presumably due to financial difficulties. However, these 'deaths' can signify other events, such as:

- Geographic transfers (location is changed but activity, means of production and market are not)
- Changes of ownership (there is a new owner but no change in activity or location)
- Temporary closures (such as for seasonal activities)
- Closure due to health or personal reasons.

Research suggests that actual failure rates may be two thirds of rates indicated by statistics.⁹

Transition Rates

The following series of graphs illustrate the transition of enterprises from their initial size in 1995 through to 1998. For example, the first graph shows the transition in size of all firms that employed 0-5 FTEs in 1995, giving the proportion that then fell into each of the six size categories in the years 1996-1998. Five further graphs follow with the same interpretation for firms in each of the other size groups in 1995. Only enterprises still operating in each year are included in the statistics.

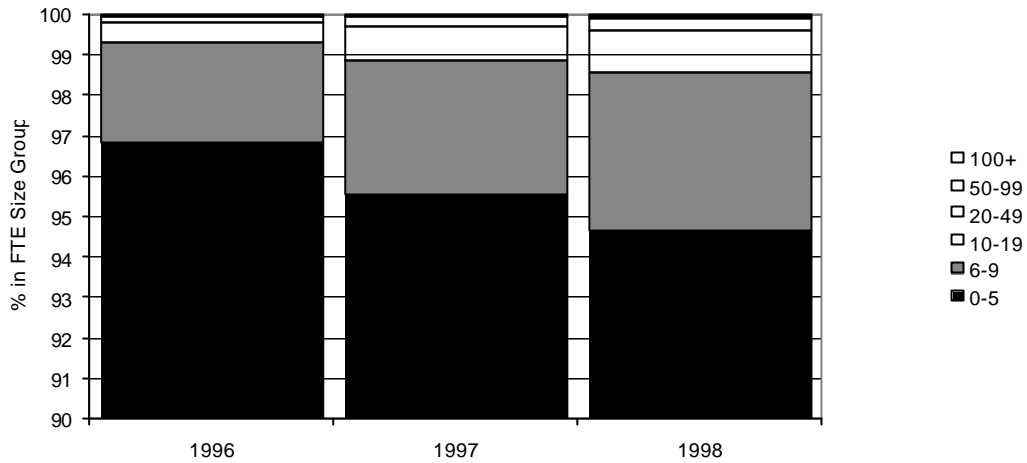
Only a few small firms graduate each year

Of those employing 0-5 FTEs in 1995, only a small proportion graduated into larger size brackets, with 97 percent of these firms still employing 0-5 FTES in 1996, 96 percent in 1997 and 95 percent in 1998.

⁹ Haines L (1991), *Small Business is Big Business*, New Zealand Planning Council, p. 20.

Figure 15

Transition Rates - Enterprises with 0-5 FTEs in 1995

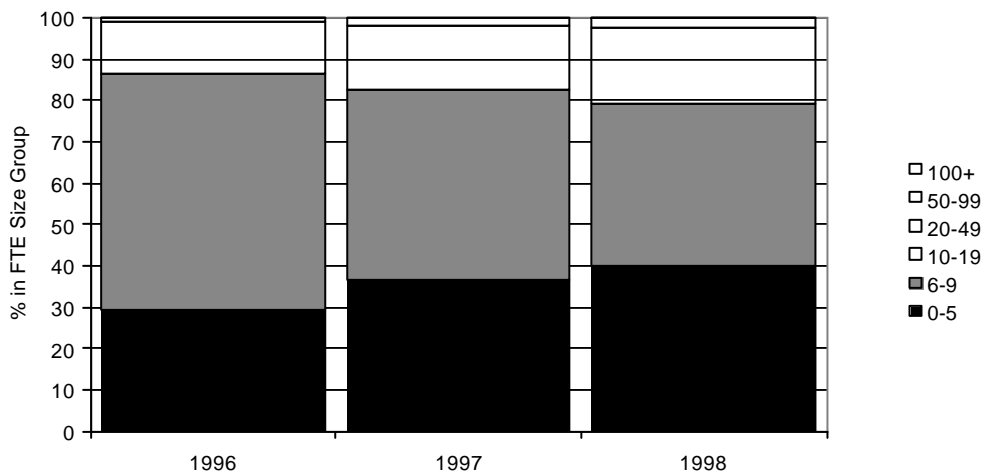


Firms with 6-9 FTEs are the least likely to remain the same size

Of all enterprises with 6-9 FTEs in 1995, amongst those that survived, 57 percent remained in the same size bracket through to 1996, 46 percent in 1997 and only 40 percent in 1998. Of all size groups, those employing 6-9 FTEs in 1995 were least likely to remain the same size through to 1998, suggesting that this size bracket may be a transitional state for firms. Over the period from 1995 to 1998, 21 percent of firms expanded to employ greater than 9 FTEs and 40 percent contracted to employ between 0 and 5 FTEs.

Figure 16

Transition Rates - Enterprises with 6-9 FTEs in 1995

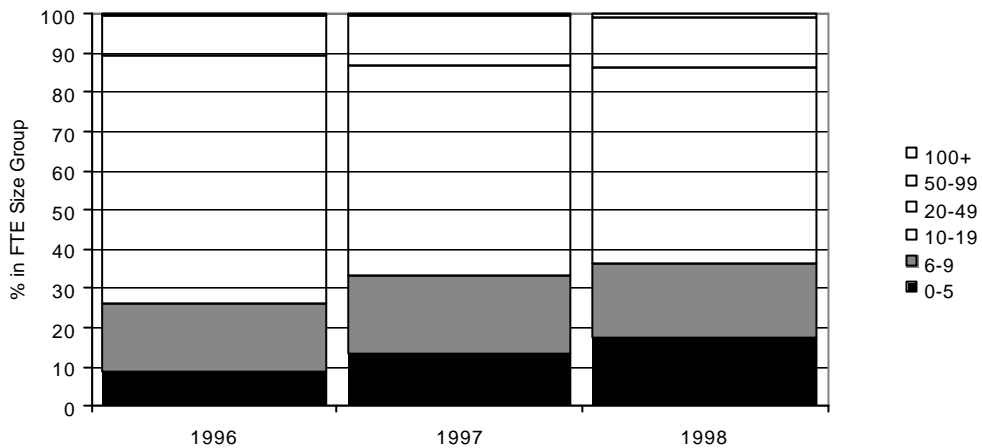


50% of firms with 10-19 FTEs remained the same size...

By 1998, of firms employing between 10 and 19 FTEs in 1995, 50 percent remained the same size, 37 percent contracted and 14 percent expanded. 63 percent of firms employing 10-19 FTEs in 1995 remained in the same size bracket in 1996 falling to 54 percent in 1997.

Figure 17

Transition Rates - Enterprises with 10-19 FTEs in 1995

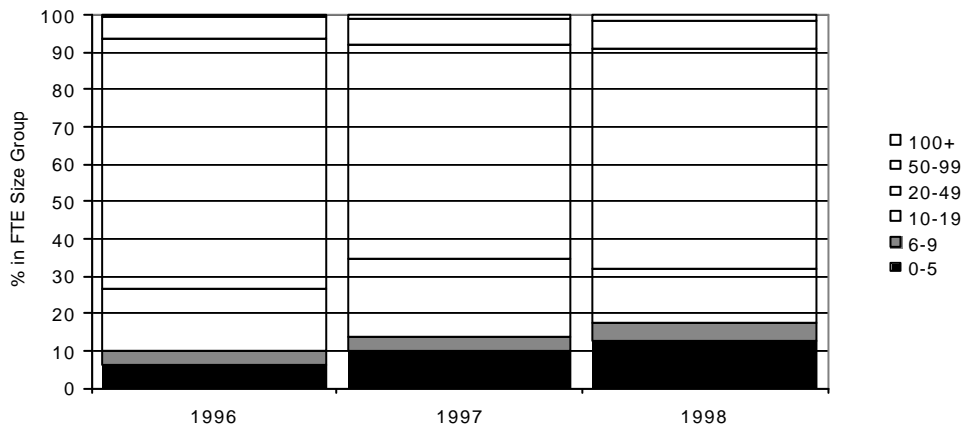


...59% of firms with 20-49 FTEs....

1.4 percent of enterprises with 20-49 FTEs in 1995 grew to have over 100 FTEs in 1998, while 12.4 percent shrank to have only 0-5 FTEs. Over the period to 1998, 59 percent remained the same size, while 32 percent contracted and 9 percent expanded.

Figure 18

Transition Rates - Enterprises with 20-49 FTEs in 1995

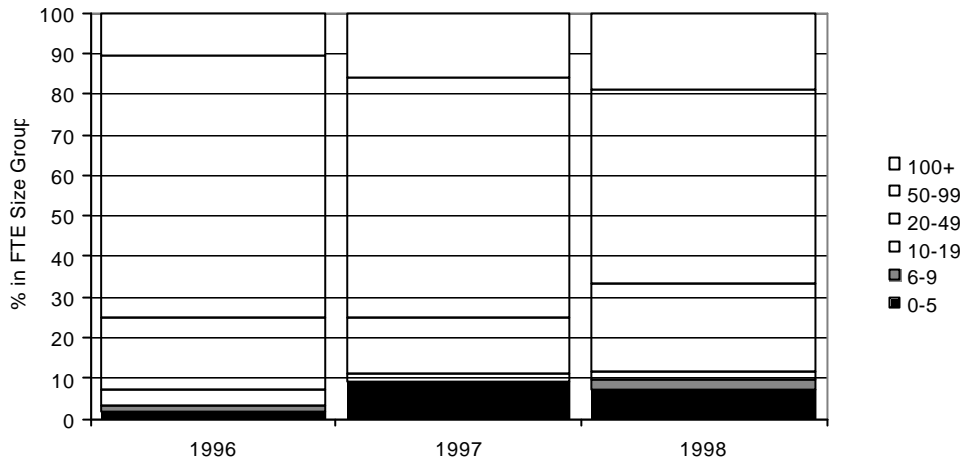


...48% of firms with 50-99 FTEs...

48 percent of enterprises employing between 50 and 99 FTES in 1995 remained in the same size bracket in 1998, while 33 percent contracted and 19 percent expanded.

Figure 19

Transition Rates - Enterprises with 50-99 FTEs in 1995

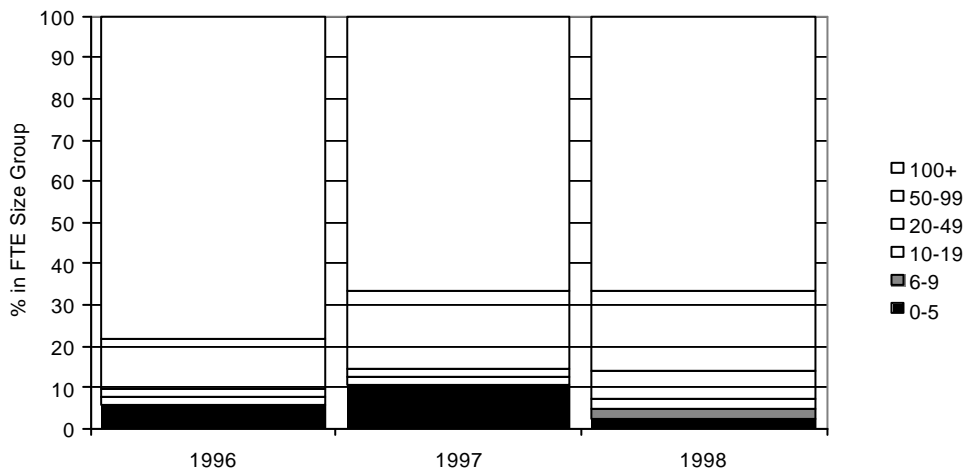


...and 67% of firms with 100+ FTEs remained the same size

Of those enterprises that employed greater than 100 FTES in 1995, 67 percent still employed more than 100 in 1998, while 33 percent employed less than this. 2 percent fell in each of the categories 0-5, 6-9 and 10-19, while 7 percent employed 20-49 FTES and 19 percent employed between 50 and 99.

Figure 20

Transition Rates - Enterprises with 100+ FTEs in 1995



The following table gives the proportion of those firms surviving from 1995¹⁰ to 1998 that expanded, remained the same size, or contracted over the period.

Table 4. Transition of Firms 1995-1998

Enterprise Size 1995	% smaller in '98	% same in '98	% larger in '98
0-5	-	95	5
6-9	40	40	21
10-19	37	50	14
20-49	32	59	9
50-99	33	48	19
100+	33	67	-

Performance Measures^{11,12}

Profits per FTE are highest for small firms

Profits per FTE, illustrated in figure 21, are significantly higher amongst small enterprises than any other size group. Figures are highly variable between years, but in 1997 the lowest level of profits per FTE was recorded by those with 20-49 FTEs.

Profits for all firms declined between 1996 and 1997

Also of note in these statistics is the decrease in profitability observed across all size groups between 1996 and 1997, presumably resulting from the downturn in both the world and local economy. This reduced profitability is most apparent amongst firms with 20-49 employees, with average profits per FTE falling by 72 percent between 1996 and 1997. Those employing between 10-19 FTEs also saw a fall in profits per FTE of 25 percent. Smaller falls of 13 and 12 percent were recorded for those with 0-5 and 100+ FTEs respectively, with decreases of several percent recorded by other sized businesses.

It is also interesting to note that despite only a small decrease in profits between 1996 and 1997, those employing 50-99 FTEs saw a much larger decrease between 1995 and 1996, with a fall in profits per FTE of 50 percent.

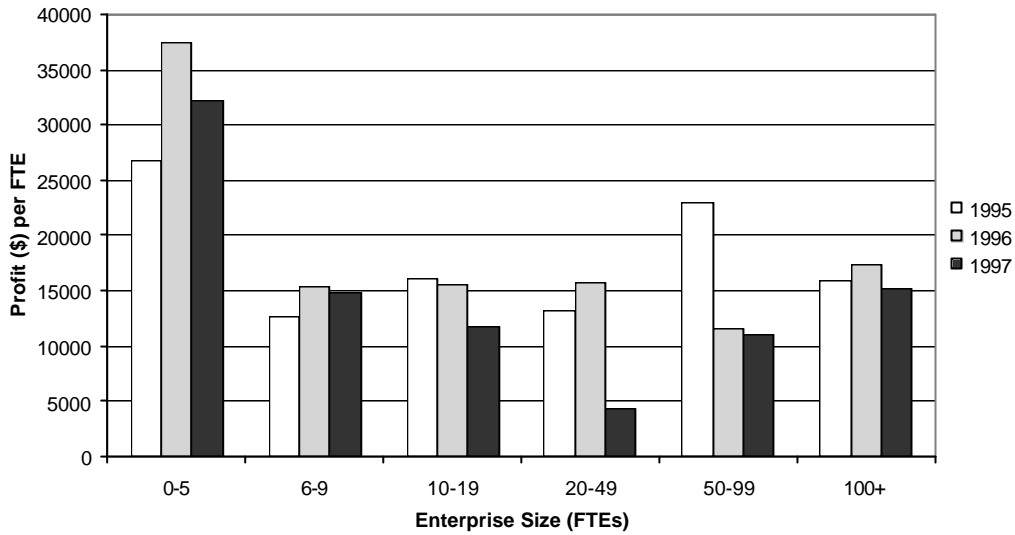
¹⁰ Those firms who have ceased to exist at any time between 1995 and 1998 are not incorporated in this table.

¹¹ All performance statistics presented in this section have been deflated by a four-quarter average of an appropriate price index published by Statistics New Zealand. Profits and Sales and Other Income have been deflated using the Producers Price Index (output), while Salaries and Wages have been deflated using the Labour Cost Index (all labour costs). All real figures are expressed in terms of 1994 dollars.

¹² Statistics in this section are drawn from the Annual Enterprise Survey conducted by Statistics New Zealand.

Figure 21

Real Profit per FTE by Enterprise Size

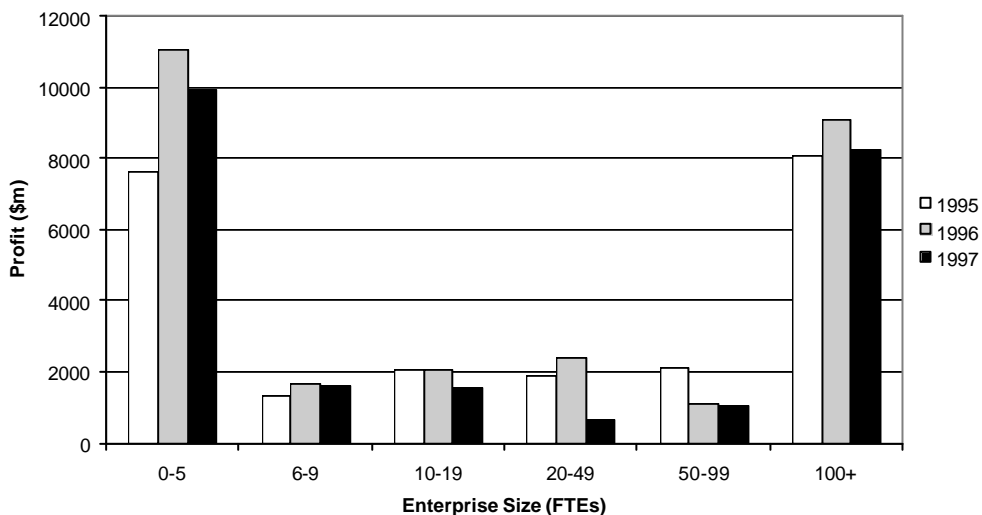


Small businesses recorded the largest combined profits

Due to the number of small businesses in operation, enterprises with less than 5 FTEs recorded the largest combined profit in 1997. However, the average profit for these enterprises was only \$57,000 compared to an average of \$6.7m for enterprises employing 100 or more FTEs.

Figure 22

Real Profit by Enterprise Size



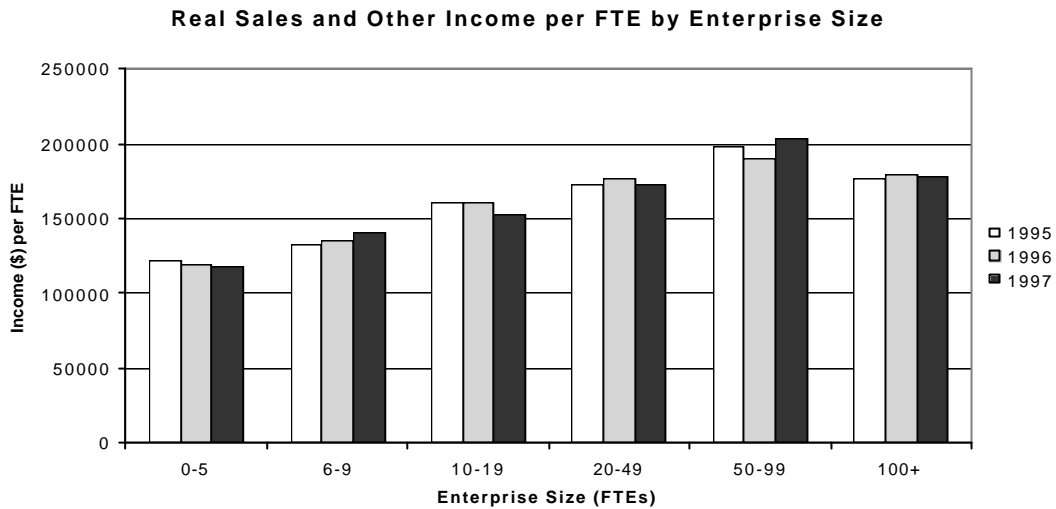
As illustrated in figure 23, sales and other income per FTE increase with enterprise size over the first five size brackets, then decrease slightly for those firms employing 100 or more FTEs. This initial increase may reflect increasing returns to scale, with diminishing

returns contributing the lower result recorded by the largest firms.

Annual income has remained largely static for all firms

Annual income per FTE has remained fairly static for all firm sizes over the period from 1995 to 1997, with only slight increases observed amongst firms employing 6-9 and 50-99 FTEs and small decreases recorded by those in other size brackets.

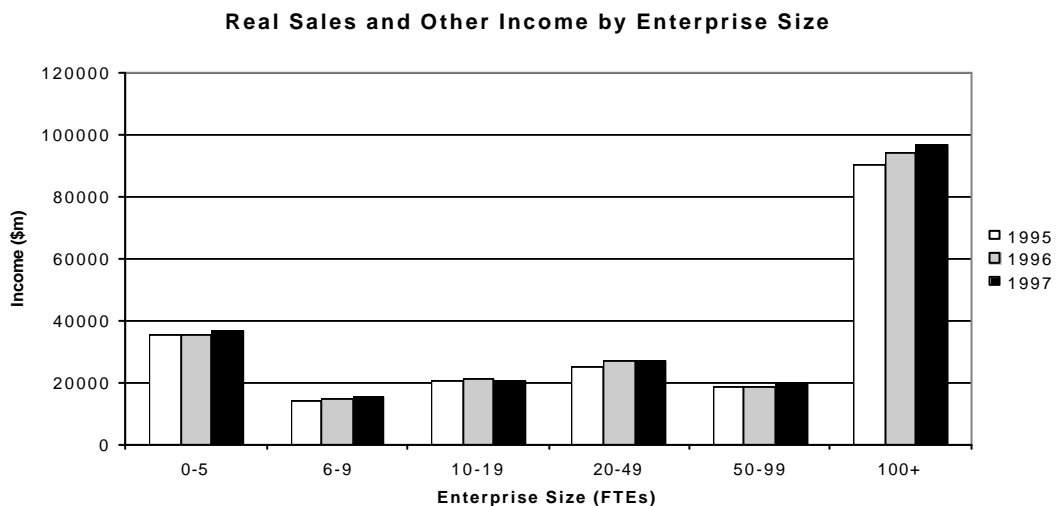
Figure 23



Large firms have the highest combined income

Summing figures over all firms in each size bracket, total sales and other income in 1997 were largest for firms employing 100 or more FTEs, reflecting the size of the individual enterprises. Each enterprise in this size bracket generated an average income of \$78m in 1997. The relatively high level of sales recorded by small enterprises reflects the large number of businesses with less than 5 FTEs, with each individual enterprise recording an average income level for 1997 of only \$209,000.

Figure 24



Wages are highest for firms with 50-99 FTEs

Real salaries and wages per employee¹³ are highest for those enterprises in the 50-99 FTE size group, with small increases observed across most size groups over the last few years.

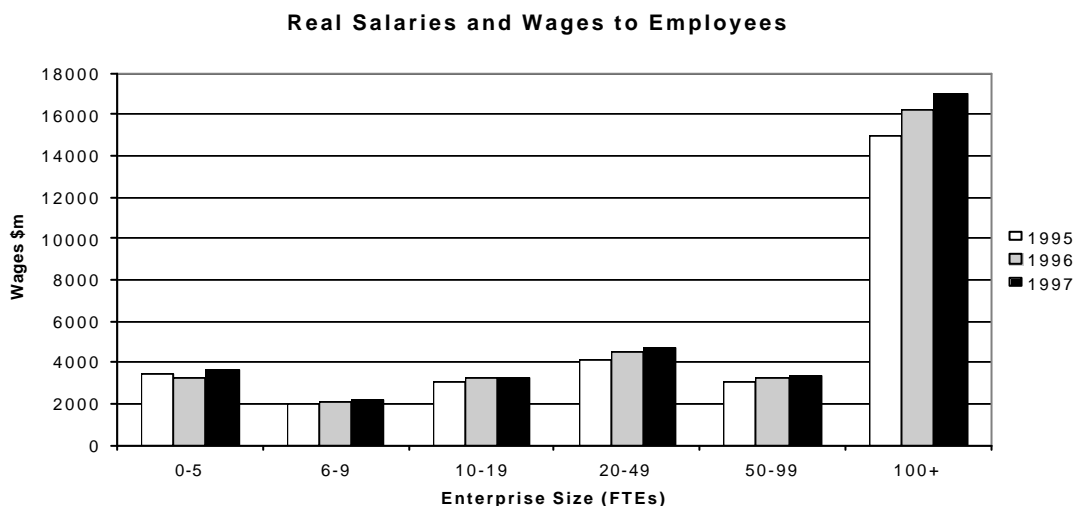
Figure 25



Large firms account for 50% of total salaries and wages

Total salaries and wages paid to employees are greatest for all firms employing greater than 100 FTEs, accounting for 50 percent of all monies paid out. In contrast to the figures for both sales and profits, firms employing 20-49 FTEs record the second highest value, accounting for 14 percent of all payments. Small firms who contribute 11 percent follow in third place, with similar payments made by firms employing 10-19 and 50-99 FTEs.

Figure 26



¹³ Note that salaries and wages in figure 25 are divided by the number of employees in each size bracket (rather than the number of FTEs as in other graphs in this section) as salaries and wages are paid only to employees and not proprietors.

Table 5 gives statistics from 1997 relating to the average performance of firms within each size group, giving an indication of the relative sizes of firms in each bracket.

Table 5. Average Performance Measures by Firm Size

Enterprise Size	Average Profit (\$) per firm	Average Income (\$) per firm	Average Salaries (\$) per firm
0-5 FTEs	56900	209000	20600
6-9 FTEs	105000	990000	144000
10-19 FTEs	155000	2030000	329000
20-49 FTEs	129000	5180000	908000
50-99 FTEs	776000	14300000	2410000
100+ FTEs	6663000	78100000	13700000

Ethnicity, Gender and Employment Status

The highest proportion of self-employed are among Asian and Pakeha populations...

...the lowest are recorded by Maori and Pacific Islanders

Data from the 1996 Census shows that the largest proportion of the employed labour force of any ethnic group classified as self-employed without employees is amongst the Asian population (13.8 percent). The second highest proportion is recorded by European/Pakeha with 12.4 percent. Similar patterns emerge with respect to the proportion that are classified as employers, with 8.4 percent of the employed European/Pakeha labour force classified in this category and 7.3 percent of the Asian employed labour force. In both of these categories, New Zealand Maori and Pacific Islanders record significantly lower proportions, with a greater fraction of these populations instead classified as paid employees.

Table 6. Ethnicity and Employment Type 1996

	Paid Employee	Self-employed without employees	Employer
European/Pakeha	73.7	12.4	8.4
New Zealand Maori	82.4	6.1	3.4
Pacific Island	84.7	4.1	1.8
Asian	65.6	13.8	7.3
Other	73.9	11.2	6.7
Not Specified	41.1	6.7	4.0

A greater proportion of males are self-employed

By gender, it is clear that a far larger proportion of the male working population are classified as either self-employed with no employees or as an employer. A greater proportion of the employed female labour force is classified as paid employees.

Table 7. Gender and Employment Type 1996

	Paid Employee	Self-employed without employees	Employer
Male	70.1	14.3	9.8
Female	79.5	7.8	4.8

SMEs Internationally

SMEs generally account for 95% of enterprises and 60-70% of employment in most economies

SMEs form a significant component of modern economies, both in terms of the number of firms in an economy and their contribution to a country's employment level. While comparable figures are not readily available due to the divergence in definitions for class size and underlying units across countries, generally SMEs constitute around 95 percent of enterprises and account for 60 to 70 percent of employment.¹⁴

The following table gives a comparison between selected countries of the contribution that SMEs make to the overall level of employment.

Table 8. Distribution of Employment by Firm Size

	Year	Employment Size Class		
		1-19	20-99	100+
		Percentages		
New Zealand	1998	41.8	18.6	39.6
United States	1993	18.4	18.8	62.7
Canada	1992	25.5	20.8	53.7
France	1992	25.3	21.7	53.0
Germany	1992	31.3	18.2	50.5
Italy	1991	55.6	15.9	28.5
United Kingdom	1991	31.2	15.0	53.8

Note: Statistical unit - establishment except for Canada (average labour unit).

Source: OECD (1997), *Small Business, Job Creation and Growth: Facts, Obstacles and Best Practice*. From table 1.2 (except New Zealand statistics, supplied by Statistics New Zealand).

SMEs contribute a relatively high proportion of total employment in NZ relative to other countries

To allow for the size of the economies considered in this section, we adjust our definition of an SME to be an enterprise that has less than 100 employees. The highest proportion¹⁵ of total employment generated by SMEs is observed in Italy, followed by New Zealand, with a significantly lower rate observed in the U.S. Although not

¹⁴ OECD (1997), *Small Business, Job Creation and Growth: Facts, Obstacles and Best Practices*. SMEs defined as those firms with fewer than 500 employees.

¹⁵ Of the countries considered in the OECD publication *Small Business, Job Creation and Growth: Facts, Obstacles and Best Practices*.

considered here, SMEs¹⁶ also constitute a large share of total employment in Japan, accounting for 78 percent of all FTEs.¹⁷

Table 9. Percentage of Employment in SMEs

Country	Percentage of Total Employment in SMEs
Italy	71.5
New Zealand	60.2
Germany	49.5
France	47.0
Canada	46.3
United Kingdom	46.2
United States	37.2

Source: OECD (1997), *Small Business, Job Creation and Growth: Facts, Obstacles and Best Practice*. From table 1.2 (except New Zealand statistics, supplied by Statistics New Zealand).

The OECD also collects statistics on the significance of SMEs in the manufacturing sector. This sector comprises 9 percent of all enterprises in New Zealand, accounting for 18.5 percent of all FTEs.

The New Zealand manufacturing sector shows a higher proportion of SMEs than most other countries

As illustrated in table 10, the New Zealand manufacturing sector has a higher proportion of SMEs than most other countries, with 90.6 percent of enterprises employing 1-19 FTEs. This compares with an average of 70.5 percent for the countries considered in table 10. Correspondingly, the percentage of total employment generated by SMEs in New Zealand is significantly higher than average, with New Zealand (27.3 percent) recording the second highest proportion, behind Italy (38.7 percent).

New Zealand manufacturers have the lowest average number of employees

Table 11 shows the average size of establishments/enterprises by employment size class for the manufacturing sector. The average size of a New Zealand manufacturer in the 1-19 size class is the lowest of all countries considered in the table, at only 3.8. For the three larger size groups, New Zealand firms have an average size close to or larger than the average of all countries considered. However, overall, New Zealand manufacturers record the lowest average number of employees, reflecting the predominance of small firms in the industry.

¹⁶ Defined in Japan as businesses with fewer than 300 employees (fewer than 100 in wholesale sector, fewer than 50 in retail and service sectors).

¹⁷ Japan Small Business Research Institute (1988), *White Paper on Small and Medium Enterprises in Japan – The Need for Small and Medium Enterprises to Change and Display Entrepreneurship*.

Table 10. Size Distribution of Manufacturing Industry

Country	Year	Percentage of Enterprises / Establishments				Percentage of Employment			
		Enterprise Size (FTEs)				Enterprise Size (FTEs)			
		1-19	20-99	100-499	500+	1-19	20-99	100-499	500+
Australia	1994	82.0	14.1	3.4	0.4	22.3	27.5	32.7	17.5
Austria	1993	43.2	41.5	10.0	5.2	4.3	26.9	23.4	45.5
Canada	1994	50.6	37.8	10.2	1.4	7.6	27.8	39.4	25.2
Czech Republic	1995	94.9	2.9	1.6	0.5	18.0	10.3	24.6	47.1
Germany	1993	71.5	19.4	4.1	5.0	19.9	22.1	10.8	47.2
Greece	1992	59.0	34.3	6.0	0.7	20.4	35.0	27.5	17.2
Italy	1992	89.7	9.0	1.2	0.2	38.7	25.0	17.3	19.0
Japan	1994	74.3	21.6	3.6	0.5	22.4	30.9	25.0	21.6
Korea	1994	69.5	26.1	3.0	1.3	20.5	32.0	14.2	33.3
Luxembourg	1992	79.4	15.0	4.7	0.9	13.0	22.1	35.0	29.9
Mexico	1994	80.3	15.1	2.7	2.0	12.2	21.2	15.6	51.0
Netherlands	1993	78.0	17.2	4.3	0.6	15.7	24.8	27.8	31.7
New Zealand	1994	90.6	7.7	1.5	0.3	27.3	24.7	24.0	24.0
Norway	1994	40.2	47.4	7.5	4.9	9.3	34.9	18.2	37.6
Portugal	1994	85.8	11.8	2.2	0.2	23.5	32.3	27.8	16.5
Sweden	1993	44.4	40.8	12.4	2.4	6.9	23.1	35.3	34.7
Switzerland	1991	84.2	12.3	3.1	0.4	20.2	26.9	31.3	21.5
Turkey	1992	36.6	47.1	13.3	3.0	5.5	22.2	32.2	40.1
United Kingdom	1994	82.7	12.9	3.7	0.8	13.2	21.6	28.9	36.3
United States	1993	73.7	19.8	5.1	1.4	7.4	14.6	16.5	61.5
Average		70.5	22.7	5.2	1.6	16.4	25.3	25.4	32.9

Note: Statistical unit - establishment except for the United States, New Zealand, Czech Republic, Italy, Luxembourg, Portugal (enterprises). Size classes differ: Canada, New Zealand: 0-19; Mexico: 1-15, 16-100; Norway: 1-19, 20-99, 100-199, 200+; Czech Republic: 0-24; 25-99.

Source: OECD (1997), *Small Business, Job Creation and Growth: Facts, Obstacles and Best Practices*. Table 1.1.

Table 11. Average Establishments by Employment Size Class – Manufacturing

Country	Year	Employment Size Class				Total
		1-19	20-99	100-499	500+	
Canada	1994	7.6	37.3	196.4	914.8	50.8
France	1992	13.3	42.8	204.7	1069.5	73.4
Germany	1992	6.6	42.7	213.8	2076.7	35.3
Greece	1992	13.5	39.9	177.2	955.2	39.0
Japan	1994	8.2	38.8	190.3	1190.8	27.1
Korea	1994	9.7	40.2	156.3	818.4	32.8
Mexico	1994	4.0	37.3	156.1	693.8	26.6
New Zealand	1994	3.8	40.3	198.2	1130.6	12.5
Netherlands	1993	5.7	40.8	184.3	1438.0	28.2
Portugal	1994	4.0	40.1	184.4	1044.0	14.6
United States	1993	6.3	41.2	182.4	2396.9	60.9
Turkey	1992	13.2	41.4	213.7	1163.8	87.9
Average		8.0	40.2	188.2	1241.0	40.8

Note: Statistical unit - establishment, except United States, Germany, New Zealand, Portugal. Size classes vary across countries: Canada, New Zealand: 0-19; Japan: 4-19; Mexico: 1-19, 20-99, 100-199, 200+; Turkey: 10-19.

Source: OECD (1997), *Small Business, Job Creation and Growth: Facts, Obstacles and Best Practices*. From table 1.3a.