

Australia, the small business nation



Australia has always been an entrepreneurial nation, with small business the backbone of the economy and the labour force. The Australian spirit of independence, a DIY attitude and the courage to give things a go are strongly demonstrated in these latest business statistics.

Of all Australian businesses, 88% employ 4 people or less.

The tough economic times and the terrain in which small businesses operate is having an impact, however, with only half (54%) of new businesses surviving 4 years in operation. For many Australians, the entrepreneurial dream is still alive but as demonstrated by the survival rates of new businesses, without better support, only a minority will achieve success.

Small businesses still dominate

Small businesses continue to dominate the Australian economy, with 99.8% of all Australian businesses considered a small to medium enterprises. Three in five businesses (62%) are non-employing, with 98% of all Australian businesses employing less than 20 people.

The most common size for an employing business is to employ between 1 – 4 employees which makes up 71% of employing businesses.

There is a movement of businesses away from all employing size categories (1-4, 5-19, 20-199 and 200+) towards the non-employing category, the only category to experience an increase in 2017-18 (up 5%).

Tough conditions and almost half of new businesses don't survive

Highlighting the tough business environment, of all the new businesses started 4 years ago, almost half (46%) are no longer operating. Of the more than 2 million businesses operating in Australia 4 years ago, one in three no longer exist (36%), with established businesses being more likely to survive than new businesses. The longer a business is in operation the higher its chances of survival.

Top 3 industries with the highest number of businesses

1. Construction (383,326 businesses)
2. Professional, Scientific and Technical Services (280,425 businesses)
3. Rental, Hiring and Real Estate Services (252,249 businesses).

Of the 2.3 million plus businesses, 93% have an annual turnover of less than \$2 million.

State V State

The number of businesses has increased in all States and Territories, but NSW and VIC lead the way with almost two-thirds (783,050) of all businesses. Victoria experienced the largest annual growth with 27,353 new businesses.

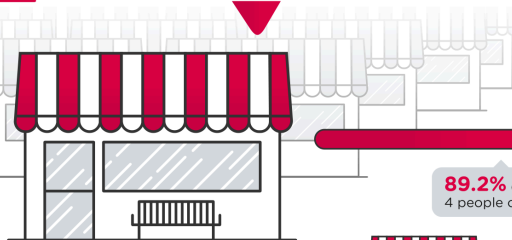
Businesses in the ACT are experiencing the revolving door effect as the Territory has the highest entry rates (18%) but also the highest exit rates (13%). Even so, the ACT has the second highest growth rate after Victoria. On the other end of the scale is Tasmania, with the lowest entry (12%) and exit rates (10%).

AUSTRALIA THE SMALL BUSINESS NATION

SNAPSHOT OF AUSTRALIAN BUSINESSES

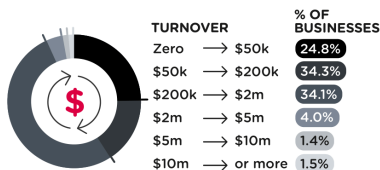
2,313,291
Australian
businesses
in 2018

3.4%
increase or 74,992
businesses from the
previous year



89.2% employ
4 people or less

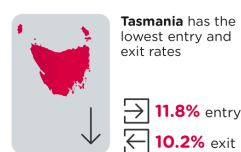
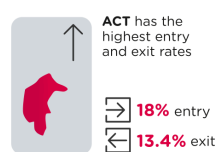
BUSINESSES BY ANNUAL TURNOVER SIZE RANGE



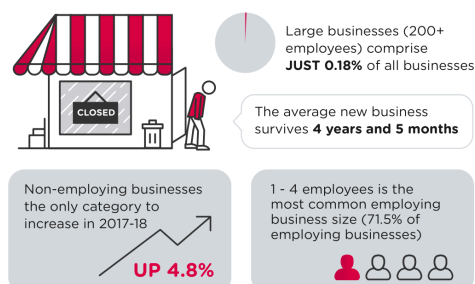
TOP 3 INDUSTRIES BY NUMBER OF BUSINESSES



STATE V STATE



NON-EMPLOYING BUSINESSES DOMINATE BUT HAVE THE LOWEST SURVIVAL RATE



EMERGING TRENDS TO EXPECT IN THE 2020S



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Source: ABS counts of Australian businesses, Feb 2019

Emerging trends to expect in the 2020s

Employing around half the work force, the Australian small business sector is critical to the economy, adding \$380 billion annually to GDP.

The Top 5 Survival Challenges

1. Red tape - One of the difficulties for small businesses is the time and cost requirements related to compliance, legislation and regulations. What's more, it is on the rise and negatively impacting on small businesses.

Two in five business owners and managers (41%) say red tape and compliance costs have an extreme or significant impact on their business performance.

2. Access to finance - The Royal Commission's recommendations for the big four banks will result in the tighter lending criteria. As we know, cash is king so small businesses may struggle as a result of these tougher requirements.

Increasing expenses, both general operating costs and wages are also a challenge for small businesses.

3. Digital presence - Businesses must have a digital presence. Especially for Gen Y (1980 - 1994) and Gen Z (1995 - 2009), if businesses are not online, they don't exist, as much of their world is online.

Having a website that is easy to navigate, up to date and well presented along with a social media platform is vital for reaching and connecting with potential customers.

4. Local infrastructure - One of the top demands of small business is local infrastructure provision (strong public transport links, availability of public parking, connections to uncongested roads and high-speed internet).

Business owners list infrastructure investment which responds to the changing needs of a local area as a key factor in their survival.

5. Staff - Attract and retain top talent by understanding what the younger generations look for in the work life. [Gen Y and Gen Z have different priorities](#) and are attracted by more than just the pay.

Some of the [most desired attributes of a workplace](#) are bosses that provide are:

- flexible working hours
- a sense of purpose
- opportunities for growth
- competitive wages
- collaborative leadership style
- variety of work
- realistic workloads.

For more on small businesses download the [Hills Shire Business Performance Sentiment Index](#) report.

For more information

If you found this article interesting, download our free [McCrindle Insights Report](#) for more information on the trends shaping the future of Australia.

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