

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

**THE ROLE OF SMALL BUSINESS IN EMPLOYMENT GENERATION:
A MANAWATU STUDY**

**A research paper presented in partial fulfilment of the requirements
for the degree of**

**Master of Philosophy
in Development Studies
Massey University**

Chindarat Sincharoenkul

1993

ABSTRACT

Unemployment rates in NZ have increased steadily throughout the recessionary period dating back to the early 1970s. This study, using both quantitative and qualitative analysis, examines what role small businesses can play in both regional and national economic revival. In the literature review it is demonstrated both internationally and regionally, that small businesses contribute significantly to employment opportunities during recessionary periods - far more than large firms. This was supported in a Manawatu study of 56 small businesses. Quantitatively small firms in the region are, albeit slowly, expanding their workforces despite the economic climate. The chances of setting up a small firm are still not too difficult. Qualitatively these small businesses are found to be positive and dynamic environments. Nearly all respondents had little difficulty in retaining workers and all stated that the working environment was based on 'friendship and trust'. Thus small firms not only contribute to the quantitative expansion of employment but also significantly improve the qualitative nature of the workplace. Finally, while government assistance in the form of direct financial assistance, has not been significant in these findings, it is argued that the role of government policy is critical in the role and success of small enterprises in the economy.

ACKNOWLEDGEMENTS

This work acknowledges the New Zealand government that provides study assistance funds to those from other countries.

My accomplishment in this degree brings along much happiness no more than to my parents. I am glad to be able to fulfill this part of my gratitude.

It would have been impossible to finish this thesis without assistance from Donovan Storey. With patience and the endeavour to understand my notions, Donovan helped this thesis to be communicable and stand out.

My supervisor Croz Walsh has taken a very supportive and guiding role towards this achievement, as has David Tweed, my other supervisor who assisted me throughout the survey process.

I have many people to acknowledge and thank during my study here even before I had begun this thesis, especially Jaya, Brian, and Barry.

Most of the computer work with figures and diagrams, which saved me a lot of time, was with the help of my friend, Gerardo Arias.

Special thanks for all the co-operation from the respondents which encouraged the important steps of this research and made it all possible by providing all the information.

TABLE OF CONTENTS

ABSTRACT	i
ACKNOWLEDGEMENTS	ii
TABLE OF CONTENTS	iii
LIST OF TABLES	vii
LIST OF FIGURES	ix
LIST OF DIAGRAMS	ix
 CHAPER ONE: INTRODUCTION	 1
 CHAPTER TWO: SMALL BUSINESS STUDIES: EXAMPLES FROM NEW ZEALAND AND OVERSEAS	 3
2.1 Introduction	3
2.2 Statistical Studies: National Outcomes	3
2.2.1 The Initial Study in the USA	3
2.2.2 The United Kingdom	4
2.2.3 Comparative Studies	5
2.2.4 Organisation for Economic Co-operation and Development (OECD) Countries	7
2.2.5 New Zealand	7
2.3 Limitation of Studies	11
2.4 Statistical Studies: Conclusions	11
2.5 Policy Studies: General	12
2.5.1 Canada	12
2.5.2 Europe	13
2.5.3 USA	14
2.6 Conclusion	17

CHAPTER THREE:	GOVERNMENT POLICY	19
3.1	Lessons from Government Policy, Economic Outcomes and Effects on Unemployment Experiences	19
3.1.1	The Period of Prosperity and Full Employment (1940-1967)	19
3.1.1.1	The Social and Economic Foundation	19
3.1.1.2	The Foundations of Full Employment	20
3.1.2	The Period of Economic Decline, Rising Unemployment, and Restructuring (1967-)	21
3.1.2.1	Monetary Policy and Unemployment: Overvalued Exchange Rates and Inflation	22
3.2	Unemployment and the Economy	24
3.2.1	Structural Problems: Capital Burden	24
3.2.2	Unemployment Vicious Cycle	26
3.3	The Role of Small Business in Job Creation -Studies	28
3.4	Government Policy in Job Creation Through Small Business	31
3.4.1	Employment Schemes: Job Plus Programme, Taskforce Green and the Community Taskforce (Temporary Job Creation Policy)	31
3.4.2	Government Assistance policy for Small Business	32
3.4.2.1	Regional Development Grants	32
3.4.2.2	Analysing Grants Output	33
CHAPTER FOUR:	METHODOLOGY	39
4.1	Questionnaire Construction	39
4.1.1	Job Generation	39
4.1.2	Job Quality	40
4.1.3	Questionnaire Problems	40

-Finding and Retaining	40
-Hardwork Indicator	41
-Background of Business	41
-Operational Periods and Stage of Business	41
-Ethnicity	42
-Question Order	42
-Overall	42
4.1.4 Conclusion	42
4.2 Sampling Selection	43
4.2.1 Population and Sampling Frame	43
4.3 Data Collection	45
4.3.1 Mail Survey	45
4.3.2 Monitoring Returns	45
CHAPTER FIVE: OVERALL FINDINGS	46
5.1 Quantitative Findings	46
5.2 Qualitative Findings	50
5.2.1 Sources of Recruiting	51
5.2.2 Fluctuating Needs	53
5.2.3 Difficulty in Finding and Retaining	54
5.2.4 Government Assistance	55
5.2.5 New Comers	56
5.2.6 Holidays	56
5.2.7 Business Expansion	62
5.2.8 The Effects of Unemployment	63
5.2.9 Status and Relationships	65
CHAPTER SIX: CONCLUSION	70
Government Policy towards Small Busines	73

APPENDICES

I.a	Introduction Letter	77
I.b	Reminding Letter	78
II.a	The First Questionnaire	79
II.b	The Second Questionnaire (Improved)	85
III	Universal Business Directories (Sampling Sample)	91
IV	Respondents Detail by Size (Range of Full Time Employees)	91
V	Categories of Employees - Gender and Age	94
VI	Categories of Employees - Gender and Age by Type of Business	95

BIBLIOGRAPHY

96

LIST OF TABLES

2.1	Percentage of Net New Jobs Generated by Size in the USA	4
2.2	Percentage of Net New Jobs Generated by Size in the UK (1971-1981)	5
2.3	Manufacturing Employment Change by Size in Britain (East Midlands) and the United States, as a Percentage of Total Manufacturing Employment	6
2.4	Surviving Establishments - Change in Employment by Various Size Categories (Chemical Products and Plastics)	7
2.5	Net Increase in Employment by Various Size Categories (Chemical Products and Plastics)	8
2.6	Surviving Establishments - Change in Employment by Various Size Categories (Furniture Industry)	8
2.7	Net Increase in Employment by Various Size Categories (Furniture Industry)	9
2.8	Employment Change by Establishment Size in New Zealand, Manufacturing (1980-1984)	10
3.1	Unemployment Measurements	23
3.2	Social Welfare as Government Expenditure	25
3.3	The Response Rate by Group of Recipients	34
3.4	Status of Business Benefiting from Grants	34

3.5	Full Time Equivalent Job Creation: Benefiting from Grants	37
3.6	Cost per New Job Created	38
5.1	Present Year Full Time Employees Compared with Next Year Employees	46
5.2	Present Year Part Time Employees Compared with Next Year Employee Expectations	48
5.3	Categories of Present Employees -Gender and Age	49
5.4	Categories of Employees - Ethnicity	50
5.5	Small Business and Leisure Time (Holidays) Satisfaction by Size, Type and Stage of Business, and by Ages of Administrators	57
5.5.1	By Size of Business	57
5.5.2	By Type of Business	58
5.5.3	By Stage of Business	59
5.5.4	By Age of Administrators	60
5.6	Business Expansion Plan (Expectation Trend) by Size and Type of Business	62
5.7	The Effect of Unemployment by Size and Type of Business	63
5.8	Comparison of Whether Small Business Employees Get Paid Less Wages and Fringe Benefits than Big Business by Size, Type and Gender	66

LIST OF FIGURES

3.1	Small Business Benefiting from Grants: Survival Rate (1991-1992)	36
3.2	Overall Survival Rate (1989-1991)	36
4.1	Response Rate Recorded during Data Collection	45
5.1	A Comparison of the Amount of Present Employees (1992) Compared with Future Expectation (1993) by Type of Business	47
5.2	Recruiting Sources	52
5.3	Average Operation Period by Type of Business	67
5.4	The Characteristics of Employees in Small Businesses	68

LIST OF DIAGRAMS

3.1	Unemployment Vicious Cycle	26
-----	----------------------------	----

THE ROLE OF SMALL BUSINESS IN EMPLOYMENT GENERATION: A MANAWATU STUDY

CHAPTER ONE

INTRODUCTION

Unemployment rates in New Zealand have increased continuously since 1967 and rapidly over the past decade. Registered unemployment has risen from 41,415 in 1981 to 172,233 in 1991 (Labour Market Statistics 1991). As a percentage of the labour force, the unemployment rate has risen from 'only' 2.6% in 1981 (census year) to 6% in December 1988 and 10.1% in June 1991 (New Zealand Official Year Book 1991, 1992 : Based on quarterly Household Labour Force Survey). The severity of this problem can be measured both in terms of tangible national economic stagnation and household income decline, and through the intangible effects in regard to the unemployed and their families. The effects of unemployment can be compared to throwing a stone into clear water. The impacts of declining wealth reflect and expand from one sector to other sectors. In regard to the current economic recession, small businesses have been supported as one solution in various countries. The objectives of this study, therefore, are firstly to study and examine New Zealand's period of economic decline and rising unemployment. Then to investigate whether the role of small businesses can be significant in relation to the unemployment problem. From this comprehension of unemployment factors and related effects, government policy is considered as a major variable to be considered. Therefore after the literature review in chapter two, government policy with regard to the New Zealand unemployment situation has been discussed in chapter three. The survey on small firms and their employment strength and extent was conducted by mail survey in the Manawatu region between September 9 and October 6, 1992. The period of

interest of the survey in regard to the relationships of employment and the small business sector was over the period 1990-1992. Data collection methods are discussed in chapter four. Finally, the findings are then discussed in regard to both their quantitative and qualitative aspects.

The results of this study established that small businesses are still a critical source of employment and that even during the current recessionary trends they have maintained a general level of expansion. The relationship of employers and employees in small firms is notably positive if using definitions of 'friendship and trust'. The chance of becoming self-employed or starting a small firm is still not too difficult. Finally, it is argued with support from government policy small firms could contribute positively to both the quantitative and qualitative recovery of the region and of the country.

CHAPTER TWO

SMALL BUSINESS STUDIES: EXAMPLES FROM NEW ZEALAND AND OVERSEAS

2.1 Introduction

This chapter aims to review the literature regarding small business and employment studies. To demonstrate how this area of study has been conducted, to link this research and the objectives of my study, and finally, to discuss by reviewing other studies, the evidence regarding small business growth and employment creation. There are numerous studies on small businesses and employment creation. However, most of these are based on small or local studies. Only large studies which can represent national data, and how these relate with government policy, will be raised in this research.

2.2 Statistical Studies: National Outcomes

2.2.1 The Initial Study in the USA

The initial interest and research into the role of small businesses and job creation had its original contribution from Birch (1979). Birch computed potential of employment change through 5.6 million establishments, covering 80% of all private sector employment in the USA during the period 1969-1976 (Storey and Johnson 1987).

Table 2.1 Percentage of Net New Jobs Generated by Size in the USA

Firm size	0-20	21-50	51-100	101-500	500+	Total
All	66	11.2	4.3	5.2	13.3	100
Manufac.	360	61.7	-27.3	-163.4	-336.4	-100

Source: Birch (1979)

Birch figured "net job change" from the concept of "gross new jobs", new openings plus expansions, minus "gross job losses", closures plus contractions. From table 3.1, he concluded that more than half (66 percent) of net new jobs were generated from small firms employing less than 20 people. In addition, small sized expansion firms and new set up firms played approximately equal roles in job creation while the larger firms contributed to greater employment loss. However Gallagher and Stewart (1986) (citing Birch and MacCraken, 1983) demonstrated that later work by Birch has found that the contribution of small firms to net job creation is subject to considerable variation over time, and depends heavily on the performance of large firms. Nevertheless much if the original thrust of Birchs' thesis still stands.

2.2.2 The United Kingdom

Fothergill and Gudgin (1979) concluded from a manufacturing survey of 10,000 firms in the East Midland region between 1968 and 1975 that while small and new firms are important, they have not been an overwhelming source of new jobs in the UK which the data from Birch suggested regarding the US.

Gallagher and Stewart (1986) examined job generation performance in the UK between 1971 and 1981 using data from Dun and Bradstreet. The records represent 75% of private sector employment, covering 180,000 establishments in 1971, and 200,000 in 1981.

Table 2.2 Percentage of Net New Jobs Generated by Size in
the UK (1971-1981)

Firm size	1-19	20-49	50-99	100-499	500-999	1000+
All	36	7	8	27	11	11

Source: Gallagher and Stewart (1986)

The finding noted that all sizes of firms took part in work creation in the UK. Nevertheless, small firms provided a substantial role (36%) of all employment in the period of study.

Storey and Johnson (1987) summarised the synthesis of various studies in the UK which vary greatly from sectoral and geographical coverage, the time period covered, and methodology of analysis. The results conclude that small firms represent a substantial role in job creation in the UK, whereas job losses occurred more in the large firms. However, the majority of the UK studies mostly cover only the manufacturing sector. Gallagher and Stewart (1986) have suggested that these results are partly due to both limitations in the available data and the fact that most British studies have been limited to a single region. Furthermore Fothergill and Gudgin (1979) have argued that this focus has been on the Manufacturing sector due to its importance in the national economy. Finally Bannock and Peacock (1989) have indicated that the contribution of small firms to employment creation in Britain in the 1970s reflects the rapid shift to service industries.

2.2.3 Comparative Studies

Storey (1980) presented a comparative study, comparing employment change by size of firm in the US, (Birch, 1979) and in the UK, (Fothergill and Gudgin, 1979) over roughly comparable periods.

Table 2.3 Manufacturing Employment Change by Size in Britain (East Midlands) and the United States, as a Percentage of Total Manufacturing Employment

Firm size	0-20	21-50	51-100	101-500	500+	Total
USA 1969-1976	3.2	0.5	-0.2	-1.5	-2.9	0.9
East Midlands 1968-1975	2.7	2.3	1.5	-2.2	-5.9	-1.5

Source: Storey (1980)

If the UK can be represented by the East Midlands data, then the role of job generation in manufacturing firms by size of both countries is similar. Thus small firms perform the more significant role in total new job generation in both places.

In one study Storey and Johnson (1987) discovered three interesting and important findings when studying job generation by region in the US. During times of prosperity, large firms appear to expand their labour force proportionately more rapidly than small firms. In recessionary periods small firms seem to be proportionately more important. Finally, in the slowest growing regions small sized firms create the largest percentage of new jobs. This is a most important finding for the present study.

Comparative studies by Storey, *et al.* (1987) analyzed research by Gallagher and Stewart (1986), Doyle and Gallagher (1986), covering the whole region of the United Kingdom in both the Service and Manufacturing sectors and compared this with the Birch and Brookings studies of the US. The results of employment change between 1971-1981 and between 1982-1984 show that, small firms (1-19 employees) are the only group that increased employment during 1971-1981. And it showed a similar result regarding the later period of study.

2.2.4

Organisation for Economic Co-operation and Development (OECD) Countries

Storey, *et al.* (1987) has concluded that for most of OECD countries there is no clear relationship between the performance of an economy in terms of job creation or unemployment reduction and the size structure of its employment units.

2.2.5

New Zealand

In the New Zealand context, Lawrence, S.R. (1984) demonstrated the role and relative importance of the small business in job creation in two Manufacturing groups in 1975 and 1979.

Table 2.4 Surviving Establishments - Change in Employment by Various Size Categories (Chemical Products and Plastics)

Size (1975)	No. of Estab.	No. of Employees		Change	
		1975	1979	Absolute	%
10 or less	174	1011	1314	303	30%
11-20	80	1174	1466	292	25%
21-40	63	1843	1972	129	7%
41-80	60	3569	3615	46	1%
81-160	37	4158	4631	473	11%
161-320	16	3253	2834	-419	-13%
321+	10	4432	3988	-444	-10%
Total		19440	19820	30	2%

Source: Lawrence (1984)

Table 2.5 Net Increase in Employment by Various Size Categories (Chemical Products and Plastics)

Size	Expansion and Contraction	Openings and Closures
Small		
-Firms	340	461
-Business Units	453	217
Large	132	283
Total	925	961

Source: Lawrence (1984)

Table 2.6 Surviving Establishments - Change in Employment by Various Size Categories (Furniture Industry)

Size (1975)	No. of Estab.	No. of Employees		Change	
		1975	1979	Absolute	%
10 or less	154	756	885	129	17%
11-20	52	805	831	26	3%
21-40	34	967	957	-10	-1%
41-80	11	593	522	-71	-12%
81+	6	862	940	78	9%
Total		3983	4135	152	4%

Source: Lawrence (1984)

Table 2.7 Net Increase in Employment by Size of Establishment (Furniture Industry)

Size	Expansions minus Contraction	Openings and Closure
Small 20 or less	155	515
Large More than 20	-3	-345
Total	152	170

Source: Lawrence (1984)

The outcome of job creation from both groups of samples shows a similar pattern with other studies. The smaller firm was found to be more significant in job growth than the larger firm. Furthermore, the newly created smaller firm proved more significant than the established smaller grouping.

In "An Investigation into the Role of Small Firms in Maintaining and Creating Employment in New Zealand: Manufacturing Industry" (Lawrence 1984), Devlin (1984), from two manufacturing categories studied between 1975 and 1979, verified that new start-up firms are the majority source of new job creation rather than from the growth of established firms. Lawrence found that the increase in job creation occurred in smaller (under 20 employees) firms and job cutbacks resulted in larger firms (over 100 employees). Devlin (1984) thus suggested one practice to generate more jobs was to encourage a number of new small business start-ups. Nevertheless, while Lawrence (1984) found that most employment creation occurred through small start-up firms, new small businesses are vulnerable and unstable organisations. Therefore, the number of new jobs developed by capital introduction could be temporary.

Devlin (1985), citing Turner (1984) in "Small Business Failure in New Zealand- An Internal Examination" confirmed that small business contributed significantly in particular roles such as employment, innovation, competition, exporting and economic growth. Hence the closure rate of small business and reasons for these is a highly rewarding topic. Turner clearly indicated a significant slowdown in new jobs created as the rate of small business closure increases (1978-1982). However, there is no evidence to indicate that the situation during the research period was worse than it had been ten years ago. Devlin (1985) concluded that new job creation is occurring as a result of an excess of more small business start-ups over small business closure.

Bollard and Harper (1986) in investigating employment change by size in the New Zealand manufacturing industry between 1980-1984 found that large firms relatively were a greater source of job creation than smaller groups. Net employment change in New Zealand presents contrasting outcomes to that of other overseas findings. Bollard and Harper indicated that the difference may be due to the period of study in which various energy projects had been established. However there is no other alternative period of study that has been done recently.

Table 2.8 Employment Change by Establishment Size in New Zealand, Manufacturing (1980-1984)

Size	Gross employment growth (%)	Gross employment loss (%)	Net employment change (%)
2-5	10.3	18	7.9
6-10	11.4	13.1	-1.9
11-20	8.8	11.7	-2.9
21-30	7.8	11.2	-3.7
31-50	7.6	7.3	0.6
51-100	4.3	7.5	-3.6
101-200	6.3	6.3	0.1
201+	9.3	6.2	3.4

Source: Ballard and Harper (1986)

In evaluating the structure of New Zealand business over the period 1987-1991 (using Business Activity Statistics 1991), there was a trend for the 0-5 small business group to increase in number. However, the largest studied size group (100+) decreased by 9.7% in number and 10.6% in employment power. On the contrary, the number of people employed in the small business sector increased by 6.6%.

2.3 Limitation of Studies

Hull and Hjern (1987) confirmed literature studies regarding job generation in most cases are limited to only the manufacturing sector, due both to the availability of information and that the studies are confined to the present survivor firms rather than the closure firms. Storey *et al.* (1987) in reviewing these studies found that the majority of them cover only part of a country within a short time period. Subsequently without including the closure businesses the result is subject to bias.

2.4 Statistical Studies: Conclusion

General results indicate that small businesses are the source of job creation rather than large firms but the scale of job creation studies are not as significant as Birch originally argued, and the reasons of small firm growth are different from one area to another. The time period of study is a significant factor especially in small countries such as New Zealand. Notably Ballard and Harper's study in 1986 is contradictory to other national results, including Lawrence's study in 1984.

2.5 Policy Studies: General

2.5.1 Canada

It was reported by Dingwall (1984) that during the high unemployment period in the 1980s in Canada, large industries were generally perceived as the only group capable of reducing unemployment. However anonymous (1990) confirmed that there was a major shift in private sector employment shares from larger to smaller employers in Canada during the 1980s. Between 1978-1988, the proportion of workers employed in the largest company class size (500 plus) fell from 44% to 39%. Actually, only Canadas' small business sector had the potential to provide the jobs needed to combat unemployment. According to the Canadian Federation of Independent Business, businesses with fewer than 50 employees (the same measurement concept as New Zealand) accounted for 70% of the private sector jobs created in the 1980s (Dingwall, 1984). The share of employment increased by 2 percentage points in companies with 1-19 employees, by 2 points in those with 20-99 employees, and by one point in those with 100-499 employees (Anonymous, 1990). Reasons found for the shift in the structure of employment from larger to smaller firms include: new technologies and economic relationships favour smaller units of organization; secondly, that job growth in small firms is a result of a rise in entrepreneurship stemming from economic hardship in the 1980s; and thirdly, that public policies, such as wage subsidies for newly created small-firm jobs, or tax credits based on job creation, favour small firms. Wage subsidies are an interesting aspect which will be discussed in the next chapter. Additionally Dingwall argued that government policies to stimulate investment in small business were needed to aid small businesses' job creation. Changes in tax policy and financing would make more funds available to small businesses.

Finally, Stante (1986) reported that while governments in Canada granted large amounts of money to thousands of small companies, many eligible small firms

remained unaware of the grant opportunities available to them. Financial aid was present in many forms, from non-repayable grants to low-interest loans and guarantees. In the export area, for example, companies might receive a reimbursement of up to 50% for expenses, including research and participation in trade shows in entering new markets. Bankers took part in helping enumerate suitable grant options, preparing applications for grant money, and assessing grant terms and conditions after the application was approved.

2.5.2 Europe

McDermott, K. (1987) has found that high levels of unemployment and a lag in new technology have led to a revived European interest in entrepreneurial activity.

European governments now regard small business as a route to industrial revival as well as a source of new jobs. Small business has always been present in European economies, but it has not been the great source of job creation as it has in the US and many Southeast Asian countries. Reasons analyzed by Ward suggest (1989) that the European economy is uncompetitive in almost all aspects. This is due to difficulties in; raising capital especially for small business; high labour costs; social charges are considerably higher than in the US; and relationships are mandated. All government-mandated policies are built into a product's cost. By virtue of government policies or cultural preferences, European cultures discourage hard work and encourage leisure and holidays.

Subsequently, Berney (1990) has argued that the 13.4 million small and medium-sized enterprises (SME) in Europe are the key to its economic dynamism, innovation, and job creation and provide the base on which large global companies succeed. However, SMEs in the European Community (EC) will be unable to take full advantage of the 1992 single market because they have a scarcity of both human and financial resources.

The European Community (EC) and national governments, on being well aware of small and medium enterprises in job creation, have taken several steps to encourage small business and to rectify the aforementioned conditions which hinder their growth and development. These mainly simplify taxation and sweep away other restrictions to allow businesses to spend more time on wealth creation and less on paperwork. Small and medium enterprises are the backbone of European business. They form 99.9% of the 13.5 million businesses in the European Community (EC), and provide 57% of the employment in manufacturing, 90% in construction, and 78% in services (Bannock *et al.* 1992). In the UK, a solution to high unemployment now being considered is to deregulate small business and to streamline transfer payments to individuals into a "guaranteed minimum income" plan. The objective is to create employment by reducing or eliminating the obstacles to private sector job creation (Stanley, 1985).

2.5.3 USA

Birch (1987) has suggested that a comparison of American versus European and Canadian entrepreneurship patterns indicated that the US depended heavily on smaller businesses for new job creation. Americans were 2.5 times more likely than the British to create new jobs by starting a company. Between 1974-1984, Americans created 18 million jobs, while Common Market countries lost 3 million jobs. Moreover, Bureau of Labour (US) Statistics reported that 31 million new jobs were created since 1972 and there were expectations of an additional 21 million by the end of the century. In contrast to their European counterparts, US business responded to a changing competitive environment by shifting resources and workers (Richman 1988). Birch illustrated that the difference in American versus European business culture lay partly in the Europeans' fundamentally different value system that favoured social protection and minimum living standards over aggressive growth and the possibility of inequality. While Americans valued the entrepreneurial characteristics of innovation, imagination, freedom and courage, Europeans viewed

entrepreneurship as a practice of the lower classes. In the US local incentives were needed to foster the entrepreneurial traits of independence, hard work, and risk-taking. Small businesses needed an environment in which they can grow and in which job creation is enhanced (Sloan 1985). Regardless, Ticknor (1988) argued that the most effective economic development strategies began with a realistic appraisal of the external environment and an accurate assessment of the present and future competitive advantage of the area. Recent research has encouraged a focus on entrepreneurial firms instead of small businesses. Richman (1988) suggested that small start-up businesses could be credited with the creation of many of today's jobs. However, corporations would need to help employees cope with the uncertainties in the job market by addressing such issues as education needs and pension portability.

In Kirchoff (1988), from an analysis of recent data, it was found that new small firms had created most of the new jobs in the US during the last 25 years. According to the analysis, exits from the marketplace remained relatively stable over time. Thus variations in the number of new entries accounted for differences between economic expansion and contraction in the US. Three job additions and two job losses occurred for each net new job created as result of the firm dynamics of entry, exit, expansion and contraction. This indicates that the US is an excellent example of competitive capitalism. New firm entry might have been stimulated by recent deregulation, although government policies did not consider firm entry a significant factor in competition and growth. Nevertheless, Brown *et al.* (1990) argued that in the 1980s, 'small business' became a successful term of economic hope. The image of small firms had to be reexamined and expanded. The most widespread misconception about small business in the US might be that, since they generated the vast majority of jobs, they were the key to economic growth. Research indicated that small businesses did not create as many jobs as advocates claimed. In general, the economy was not becoming more dependent on smaller businesses for employment. In fact, the proportion of workers employed in small firms in 1986 was about the same as the proportion in 1958.

Anonymous (1990) has presented that the broadest measure of the small firm

phenomenon in the US was real gross national product (GNP) per company: the lower the number, the smaller the size of the average firm. This figure declined from \$234,000 in 1981 to \$214,000 in 1985, while US average GNP had remained around \$212,000 in constant dollars since 1985. Data from the Small Business

Administration suggests that small businesses' share of new job creation during most of the 1980s was about 60%-65%, compared with a 50% share of existing jobs.

Furthermore, shares in job creation from small firms appeared to have fallen sharply toward the end of the 1980s. Small firms might have difficulty in hiring skilled labour in the 1990s when skill shortages affect all firms. Employees in large firms earned about 30% more than their counterparts in small firms.

Finally, Mandy (1986) has argued that, although from a US 1985 study, 80% of new job creation was in firms with 100 or fewer employees, the small firm might not be the only target for development aid. The primary consideration should be the type of business, whether it was basic or derivative in nature. Basic firms exported products to meet needs that arose from other geographical areas. Derivative firms were local and serve the existing population and industry. If basic industry was fostered, derivative industries would thrive. Therefore, development funds should be used to encourage basic industry, thereby drawing income and wealth into the country.

The Occupations Study Group identified the industries that were responsible for job creation since 1981 and were likely to create another 0.5 million jobs until 1990. Identified were wholesale distribution, business services, contract cleaning, research and development, finance, hotels and catering. The featured groups were small firms, the self-employed, female employees and part-time workers (Rajan and Havdav, 1988).

The legislative intent of most of the laws creating public venture capital funds had been to create jobs. Fisher (1988) described the rationale that venture capital was an appropriate vehicle for job creation based on several assumptions: Small businesses, particularly small new firms, were a major source of new jobs and innovation. Small and new firms were more likely to need equity, rather than debt financing. Private

financial institutions did not supply sufficient equity financing to small businesses. The Massachusetts Technology Development Corp. (MTDC)'s experience clearly showed that a public sector could operate a venture capital fund that was successful in private sector terms.

The "Small Business Incubator" is an instrument for stimulating entrepreneurship and small business development, which state and local economic development officials in the US were promoting for job-creation potential of smaller businesses. "Business incubator" aimed to support new businesses during the start-up period, when they were most vulnerable to financial problems. The business incubator facility provided low-cost work space, a support network of accountants, other professional and consulting assistance and also access to financing support. Business Incubators centralize physical facilities that "incubate" new and small ventures by providing them with varying support services and other assistance, and were the fastest growing approach to economic development and job creation. However emphasis was needed on those components that were likely to have a positive impact, such as mentoring and financial, management, marketing, and technical assistance. (Gumbert 1985, Carroll 1986, Udell 1990)

2.6 Conclusion

The literature review shown as examples in this chapter represented the national outcomes of small business role in job generation in a few major countries. The data was assembled and analyzed based on official databases on a national scale. Therefore the replication of job generation methodology was not the purpose of this survey. Rather it explained the reason of interest in this study.

Even though awareness should be shown towards the differing economic structures and contexts of these studies a certain amount of information could be extracted from these examples. Most of these studies have been quantitative in approach and have

alluded to the importance of structural change in job generation in terms of national wealth and economic benefits, including government policy.

A significant role for small businesses in job creation has been highlighted and argued in the aforementioned research. However the quality of jobs created has not been studied as much. A qualitative approach towards employment, small business, employers and employees will be the principal topic of this study.

CHAPTER THREE

GOVERNMENT POLICY

3.1 Lessons from Government Policy, Economic Outcomes and Effects on Unemployment Experiences

3.1.1 The Period of Prosperity and Full Employment (1940-1967)

The purpose of this chapter is to consider the role of government policy in the economy and to show how New Zealand developed successfully and then declined from growth. Macroeconomic policies are considered in general terms, followed by the economic situations which lead to unemployment. Causes, effects and solutions are explained in terms of macroeconomic policy, labour market policy, and small business policy.

3.1.1.1 The Social and Economic Foundation

New Zealand's initial prosperity was rooted in its close relationship with the colonial motherland. New Zealand's trade benefitted from this fertile market for many years in which its pastoral products were in high demand. Government policies of subsidising export products and protective policies for import products, trade tariffs, and import licences supported growth and full employment. During this period small scale farming developed into a substantial part of the economy's foundation.

However, it can be argued that the consequences of government policies prevented adaptation in a highly competitive world market, although this was not recognized at the time.

From this flourishing economy, New Zealand established a welfare state with free education, preventive health schemes, a free public hospital system, adequate standards of housing, improved physical working conditions, a basic minimum wage, full employment and many social welfare benefits. The country was socially and economically secure. Even though seen by some as a significant government burden nowadays, the effects appeared to create a highly stable and content society.

3.1.1.2

The Foundations of Full Employment

While the production and servicing of the farming sector was the dominant source of employment, manufacturing and state services developed as alternative sources. However, most manufacturing was internationally non-competitive under the protective and state enterprises system. For both sectors, much of this investment and growth was determined by a strong government role.

Therefore a full employment situation in New Zealand was based on capital intensive policies rather than from any productivity in terms of technological investment or free market competition. Industrial relationships were founded on the (strictly) 40 hour week which in the opinion of some, tended to produce an easy going working culture.

Full employment and the welfare state, produced economic and social security. Racial problems were contained. Maori and Pacific Islanders obtained jobs in both rural and urban areas. The basic unit of rural production came from family farms where the output per worker was substantial and output increased significantly between 1950 and 1960 from capital and technological substitution.

In all of these developments government played an important role, supplying the infrastructure, welfare and security needed to produce both social and economic benefits. Nevertheless business competitiveness declined and the terms of trade deteriorated, ironically, in part due to these very same policies.

3.1.2 The Period of Economic Decline, Rising Unemployment, and Restructuring (1967-)

New Zealand's most recent economic recession began when the British market combined with the European Economic Community (EEC) market, thus offering New Zealand goods increased competition from European subsidised rural products. The terms of trade decline was another factor in economic change. In addition, international trade protection and substitution invention decreased New Zealand's competitive opportunities. These international disadvantages over which government had little to no control seriously affected the New Zealand economy.

In this phase, there was no adequate foreign exchange to maintain full employment. Government endeavoured to support industrial exports, and diversification in horticulture, forestry, fishing, manufacturing, tourism and other services. In 1970 these policies impacted back onto the labour market (Ian, *et al.* 1990). Redeployment in expanding industries and occupation involved some frictional unemployment due to work force replacement gaps.

With export restructuring, the effect of capital investment caused the role of small businesses in the economy to decline. National economic decisions were taken by a few big companies. Centralised administration increased and industrial growth was concentrated with employment in certain regions (Ian, *et al.* 1990). However, compared with other countries, growth was still reasonably well distributed geographically.

Unemployment began to rise from the 1970s. In 1980, the government invested in an integral energy project to generate employment but the project was undermined by the world energy glut and jobs contracted as the world economy stagnated.

In the later half of the 1980s, policy directions changed, following foreign advice to reform fundamental economic factors. The full-employment policy was no longer perceived as a priority. The New Rights' promotion of freedom in economic activity instead of intervention by government gained support.

A central component of the New Right's social and economic agenda was the undermining of full employment. This concept of human welfare was not consistent with the New Right's objective of freedom which overlooked the fact that unemployment imposes significant restrictions on freedom. It was argued that unemployment was a necessary element in restructuring the economy and could not be avoided in the long run (Ian, *et al.* 1990). Furthermore was the contention that the unemployed did not always seize available employment opportunities.

3.1.2.1 Monetary Policy and Unemployment: Overvalued Exchange Rates and Inflation

The impacts of monetary policy on the New Zealand economy have been prolonged and complicated. Immediate affects were felt both in the investment and employment sectors. From the oil price shock in 1973, New Zealand's long-term overseas debt rose steadily resulting in a large budget deficit which reached \$60 Billion in 1985. Restrictive monetary and fiscal policies plus the floating exchange-rate policy resulted in higher rates of interest. In addition, funding currency speculation was lost through the high cost of overseas debt services. Tradable goods were costs incurred by the exchange rate being over valued. Whereas the level of and growth for money demand directly affected the price level and the rate of inflation. Additionally the effects of sustained fiscal deficits and a tight monetary policy forced up domestic

interest rates. High interest rates resulting from budget deficits due to the governments demand for money from the domestic market attracted foreign capital. Furthermore, pressures generated by foreign investors seeking New Zealand dollars to invest in high interest bonds forced up the exchange rate. This higher exchange rate meant that it was more profitable to import rather than export. Import goods increased due to the removal of subsidies from the export sector and the scaling down of economic protection.

High levels of exchange and interest rates directed spending flows away from productive investment and into speculative investment. As it became more difficult to compete in the international marketplace, firms reduced production and employment and the economy moved into a deep recession.

Table 3.1 Unemployment Measurements

Year March	Jobless ¹	Unemployment Rate ²	Total Avail. Labour Pool ³
1987	115,400	6.2%	1,663,000
1988	120,900	7.2%	1,667,600
1989	157,100	9.6%	1,643,700
1990	175,400	10.7%	1,637,700
1991	211,700	12.6%	1,681,800

Source: Labour Market Statistics 1991

¹ Those persons who were without a paid job and who were available for work, but not seeking, plus those who were actively seeking work but not available.

² The measure as a percentage of the total available labour pool.

³ The number of employed plus officially unemployed persons plus the excess of the measure over the number of official unemployed.

In the period 1985-1990 New Zealand experienced the worst economic performance in its post-war history. The promises of improved performance from these new policies have not yet been attained. From labour market statistics, the number of unemployed persons (include not seeking) have increased significantly from 115,400 or 6.2% in 1987, then doubling within 5 years to 211,700 or 12.6% in 1991.

Trends toward high and continuing unemployment began in the second phase of national development (1967-1984). It was the fundamental shift in economic and social relations after 1985 which produced a dramatic contraction in employment. With the New Rights policies, inflation became governments highest economic priority and unemployment was treated as an adjustment problem. Unemployment was a low priority with the government convinced that a spontaneous recovery in employment would automatically follow disinflation. The most damaging aspects of this development strategy was the way in which it undermined the productive sector of society in favour of short term financial gain. By 1988 New Zealand had become the country with the worst employment outlook of all the OECD nations.

3.2 Unemployment and the Economy

3.2.1 Structural Problems: Capital Burden

Being a welfare state, New Zealands fiscal budget was largely used for a high proportion of social welfare expenditure each year particularly in health, social services and education.

Table 3.2 Social Welfare as Government Expenditure

Year	Total Social Policy Expenditure (\$million)	As a % of Adjusted Govt. Expenditure
1984/85	15,204	76.7%
1985/86	15,854	79.0%
1986/87	16,446	80.0%
1987/89	16,510	79.5%
1988/89	17,498	80.4%
1989/90	18,026	80.4%
1990/91	18,053	79.8%

Source: Ministry of Finance, Economic Strategy 1990

Since the beginning of economic stagnation, government budget deficits have been consistently vulnerable. One substantial growth in expenditure is social welfare. Approximately 63% of government spending in 1993 or \$19.4 billion annually was in social welfare including health and education. Social service expenditures tend to increase almost twice as rapidly as GDP in periods of sharply rising unemployment (OECD Economic Survey 1988/1989). This comprehensive social welfare system and non-contributory finance load made the government burden unbearable. Public borrowing was a reactionary 'solution'. Public debt rose dramatically until 77% of GDP in 1987 before it began to decline. Nearly half of New Zealand's debt burden originates from foreign currency.

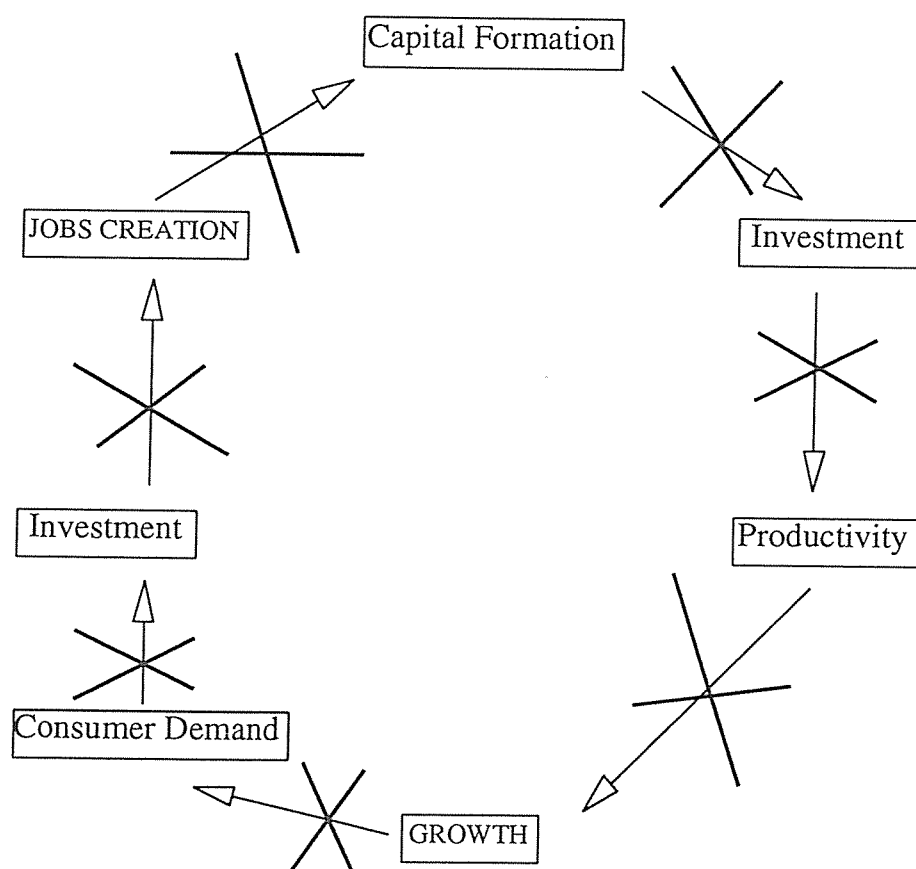
Social services account for 11-12% of GDP which is about half of income tax revenue. Public debt increased rapidly, reaching more than 60% of GDP half of which was foreign debt. As the unemployment rate increased, capital investment which was needed to build production was caught up in a dramatic rise in

unemployment welfare expenditure.

As growth declined, budget deficits were compensated with overseas loans. Public debt servicing and the growth of interest payments in turn multiplied the expenditure deficit. This contributed to a unemployment vicious cycle referred to in Table 3.1.

3.2.2 Unemployment Vicious Cycle

Diagram 3.1 Unemployment Vicious Cycle



Without capital investment, it is impossible to go through the process of growth and toward job creation. Keynes theory and experiences studied in the past supports that

capital spending by government will be a substantial factor stimulating economic expansion (Economic Monitoring Group No.2, 1984). Capital investment increases economic productivity. Value added by resource investment expands monetary markets which in response enlarge the economy's purchasing power. Income purchasing earnings will induce aggregate demand for goods and services within the economy and therefore increase production and employment.

This cycle needs to be broken. Public Investment should concentrate on low interest loans for infrastructure projects or any projects that will stimulate backward and forward private investment. New Zealand could learn through its own experience of past growth by placing the goal of full-employment at a priority. To do this it would need a reorientation in economic and social policy that would incorporate high employment as a necessary part of the cycle. On the contrary, currently unemployment is accepted as a natural part of the system with no solution.

Richwhite (1992)¹ asserted that many investment decisions were made by government. They still have direct control over subsidies and import licences. Various business groups have suggested that business performance activities should have been deregulated and opened up to competition. Business groups require short-term policy or practical implements which government has to decide and implement corresponding with the economic situation. However, the combination of tighter fiscal setting and better monetary policy arrangements have succeeded in bringing inflation down to very low levels.

On the contrary, instead of spending on investment, government is increasing expenditure for welfare benefits which undermines economic investment. In budget deficits, these capital burdens are paid with overseas debts with interest repayments. Instead of this debt being used for investment, it is being used for social welfare purposes with the result being that aggregate demand is increased for cheaper more competitive impact import goods. This in turn is a result of New Zealand goods

¹. Fay Richwhite and Company Limited, Joint Chief Executive, Sydney.

being relatively uncompetitive due to a lack of investment in production. Finally this 'subsidization' of import goods is contributing to an expanding balance of payment and budget deficit and a worsening terms of trade.

Myer (1992)² has argued that welfare benefit expenses especially using borrowed debt which spends the next generations income should be reduced. The effect of the minimum wage being above the social security level has been to increase unemployment. Instead pay-rates should depend on the experience and productivity of the workers. The Employment Contracts Act has not altered or adjusted these patterns.

Investment and productivity are the logical panacea to unemployment. Capital investment is thus critical. Borrowing to pay unemployment benefits is not productive, due to increasing dependency and decreasing education participation rates especially among the unskilled group. Furthermore high interest rates make this borrowing expensive.

To create value added from borrowed debt through capital gains from productivity government would be better served by using employment subsidies which would have a greater impact on the unemployment problem, and at the same time decreasing welfare dependency.

3.3 The Role of Small Business in Job Creation -Studies

Small businesses in New Zealand could be seen as a well laid part of the economy's foundation. Small scale farming had contributed successfully in being the source of pastoral produce inducing wealth to the nation in the post war period. Undoubtedly, it contributed significantly in employment creation. However with the decline in

². Lion Nathan Ltd, Chief Executive Officer and Chairman New Zealand Business Roundtable, Auckland.

pastoral products prices and markets due to capital intensive replacement, eventually many of these jobs were lost to the agricultural sector and rural productivity and income contracted.

The impact of jobs lost in the farming sector furthermore affected the whole economy. Small business role in job creation declined as with big business. So far small business in New Zealand has strong correlation with government operation.

However Manufacturing and various small commercial sectors such as trading and services which have a vital role to play in economic prosperity and employment growth, have still been able to survive and expand (albeit slowly) during difficult times.

In general, small businesses are still a key source of job creation and workplace corporation and they are substantial sources of skilled training for unskilled and semi-skilled workers for the community. Quickley (1988) supported that, in this sense, small businesses developed and adopted their culture of innovation. During the economic decline, small businesses, in being versatile and innovative, are the most likely level of economic unit which can adopt employment effectively due to their flexibility in regard to economic direction.

Nonetheless while being small scale in operation size but significant in numbers, small business will be effected by changes in the economic situation rapidly and widely. Also they will adapt or respond quicker because of New Zealands small and interdependent economy.

Dwyer (1985) argued that small firm growth is encouraged in periods of prosperity. The interesting policy question can be raised whether small firms are better able to respond with flexibility and be a substantial unit for economic recovery. Dwyers response was that the growth of new start-ups is related to the absolute size of GDP. And the expectation rate of this economic role related to the overall rate of change in economic activity. It has been argued that self-employment can grow in opposite

directions to economic recession because more self-employment will be created for individual livelihood. And the failure and contraction of large businesses in recessionary periods creates gaps in production which provide opportunities for small firms.

Devlin (1984) has confirmed that "one way to create more jobs is to encourage large numbers of small business start-ups". It has been assumed that the assistance of growing small business, the expansion of surviving existing firms and reducing the rate of business closures will increase current employment.

Even though government policy can play a leading part to support new start-up establishments, one factor to be addressed is what the elements are that contribute to small firm growth. Government supportive programmes can assist new start-ups in their early development. But the economic environment needs free market mechanisms to stimulate demand for products. Without aggregate demand stimulation during recessionary periods, the new start-ups are less likely to survive. Employment assistance investment wastes these necessary resources. Lawrence (1984) has reported that small firms' employment is more vulnerable and less stable and therefore employment in especially expensive start-ups could be more temporary than in larger firms. Apparently new start-ups require more resources and operation time in setting up compared with the established firms especially during recessionary periods in which aggregated demand is stagnant. By being small, small firms are able to be more flexible in adjusting to changing economic condition by adapting their cost structure, for example through employment contracts. Furthermore established firms have advantages during recessionary periods over new start-ups or larger firms. Therefore established firms are a better source of job creation in terms of resource investment during recessions than new set-up organisations. While in an inclining economy most job creation may occur in new start up firms rather than through the expansion of established small firms (Devlin 1984).

Therefore government employment policies need to focus their policies not only on increasing start ups but also consider the types of marketing opportunities which exist

for these enterprises. Otherwise resources will be wasted on unsustainable activities which only temporarily create employment. Subsequently government should concentrate on creating a positive macroeconomic environment and policy approach in which these firms can survive and employment can be generated.

3.4 Government Policy in Job Creation Through Small Business

The New Zealand government is currently experimenting with various labour market policies and employment initiatives, with the ones most relevant to this study summarized as follows:

3.4.1 Employment Schemes : Job Plus Programme, Taskforce Green and the Community Taskforce (Temporary Job Creation Policy)

One interesting concept of the Job Plus programme is the unemployment benefit being transferred into wage subsidies with the purpose of the long-term unemployed being placed into permanent jobs. Thus any small business throughout New Zealand can hire more staff partially by government subsidy for a period of time. The principle of transferring the unemployment benefit into a wage subsidy is an adjustment of welfare spending to an investment. Therefore it makes use of welfare spending for investing in apprenticeships and productivity. Community Taskforce and Taskforce Green are other opportunities to gain employment skills and experience. Investing in apprenticeship creation is another form of practical assistance. Finally, the Community employment group is another supportive channel through training and advising within local community.

Approximately \$614 million or 0.79% of GDP will be spent on labour market policies in the 1992/93 budget. Together with generating the conditions for economic

growth and tightening the administration of the unemployment benefit toward encouraging self achievement (for example through wage subsidies) shows that government at least has increased some efforts to overcome economic barriers and job opportunities.

3.4.2 Government Assistance Policy for Small Business

In terms of entrepreneurial encouragement, there are a number of supporting schemes for access to investment funds and in enterprise creation.

Between 1978-1986, government supporting policy was established through the Small Business Agency within the Development Finance Corporation (DFC). After the abolishing of the DFC, most government assistance toward small enterprise is coordinated through a network of Business Development Boards (BDBs). The assistance is not venture capital funded the way that the DFC had been provided but to support pre-venture start-up costs.

The Business Development Programme provides grants for feasibility studies for new businesses and in improving the established firms through advice and finance for exporting businesses.

3.4.2.1 Regional Development Grants

After the Small Business Agency was abolished, the small business supporting scheme is now in the hands of the Ministry of Commerce. The responsibility for operating Regional Development Grants was transferred to the Business Development Boards on February 1992. Standing on the twin objectives of increasing job opportunities and increasing wealth through business growth, the grants provide three

types of assistance. These consist of the Business Development Investigation Grants, The Enterprise Growth Development Scheme, and Expert Assistance Grant Scheme.

Business Development Investigation Grants (BDIG) rely on encouraging innovative, commercially new realistic ideas using feasible research grants. The grant provides 50% of eligible costs up to \$20,000 reimbursement for investigating the feasibility studies of the application projects. This scheme uncovers the established expense or, everyday business costs.

The Enterprise Growth Development Scheme (EGDS) assists existing businesses to improve international competitiveness of their goods and service and explore export opportunity through marketing competition. The grant contributes 50% of approved qualifying costs up to \$20,000.

Finally, the Expert Assistance Grant Scheme (EAGS) assists existing businesses, small and medium size businesses which employ no less than five and no more than 100 full time staff. The assistance deals with improving management performance through expert consultants.

The aims of this grant focus on business growth rates and profitability through internationally tradable goods and services. The grant contributes 50% of a qualifying consultancy project costing up to a maximum of \$8,000.

3.4.2.2 Analysing Grants Output

The outcome from this programme will be analyzed from the survey finding done in June 1991 and September 1992 by the Ministry of Commerce. But to correctly understand the results, the response rate in table 3.1 should be kept in mind.

Table 3.3 The Response Rate by Group of Recipients

Recipients	1991	1992
Group I Established Group	353 out of 663	363 out of 489
Group II Investigating Group	514 out of 787	231 out 370
Group III New Approvals	176 out of 293	371 out of 556
Total response recipients	1043 out of 1743	965 out of 1415

Source: Ministry of Commerce, (1991-1992)

From Table 3.3 it is notable that new approval grant recipients increased significantly from 293 in 1991 to 556 in 1992.

Table 3.4 Status of Business Benefiting from Grants

1991 Group I Established Group Firms Failure 37 (10% of Total) Still in oper. 316 (90% of Total) ----- Total 353 (60% of Respondents)	1992¹ Firms Failure 52 (15% of Total) Still in oper. 305 (85% of Total) ----- Total 357 (73% of Respondents)
Group II Investigating Group Estab. 130 (88% of Total) in Process 18 (12% of Total) ----- Total 148 (18% of Respondents)	Estab. 92 (66% of Total) in Process 46 (33% of Total) ----- Total 138 (37% of Respondents)
Group III New Approvals Estab. 40 (95% of Total) in Process 2 (5% of Total) ----- Total 42 (14% of Respondents)	Estab. 102 (57% of Total) in process 77 (43% of Total) ----- Total 179 (32% of Respondents)

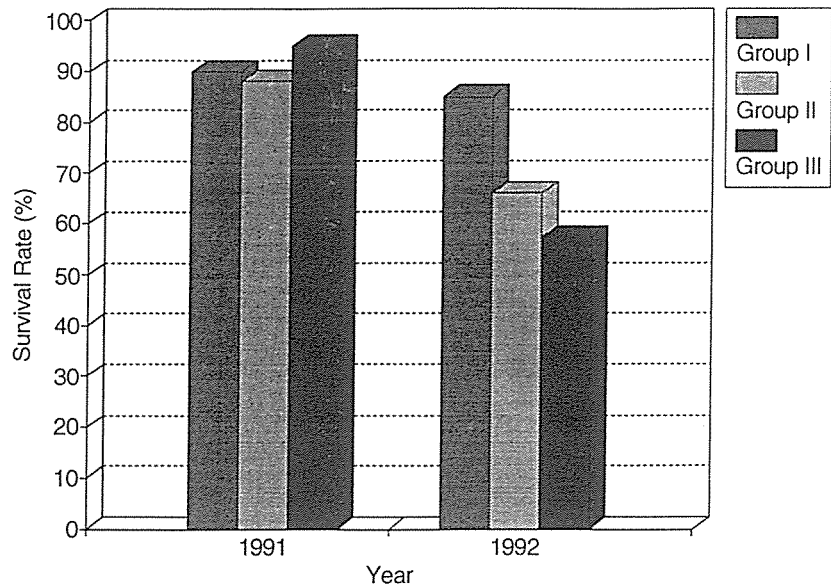
Source: Ministry of Commerce, (1991-1992)

¹. This covers businesses established in the period 1988-1991.

From Table 3.2. the established rate from year 1991 to 1992 has been compared for analysing progress. According to respondents, 90% of recipients who set up in 1990 remain in business after one year, 85% of recipients who set up in 1990 and 1991 remain after one or two years. Compared with the overall business survival rate through out New Zealand during 1989-1991, (see figure 3.1 and 3.2) the average rate of survival of small business is 83% after the first year, 69% and 56% after two and three years respectively.

New approval projects expanded from 40 to 102 firms. The outcome of the survey shows that those new businesses which attended the feasibility study at least have been stimulated. From the responses, 364 new businesses have been established as a result of the schemes. In addition, the established group, after some years of operation, became a significant group in business growth and job creation.

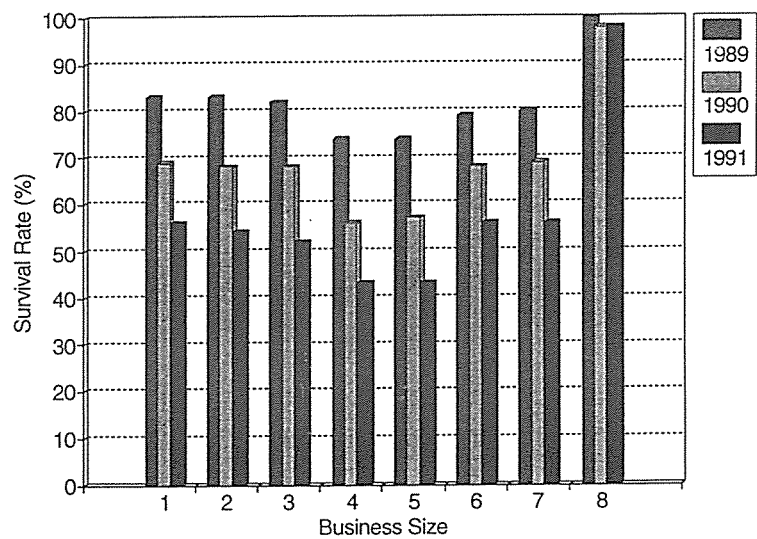
Figure 3.1 Small Business Benefiting from Grants: Survival Rate (1991-1992)



Source: Ministry of Commerce

Group I: Established Group; Group II: Investigating Group; Group III: New Approvals

Figure 3.2 Overall Survival Rate (1989 - 1991)



Source: Based on Department of Statistics, Business Demography Database

Number of full time equivalent staff:

- | | | | |
|-------------|--------------|---------------|-------------|
| 1 = 0-5.5 | 2 = 6-10.5 | 3 = 11-20.5 | 4 = 21-30.5 |
| 5 = 31-50.5 | 6 = 51-100.5 | 7 = 101-200.5 | 8 = 201+ |

Table 3.5 Full Time Equivalent Job Creation: Benefiting from Grants

Number of Jobs Currently		Number of Jobs Anticipate Establishing ¹	
Group I Established Group			
1991	1,500 (75%)	513	(25%)
1992	1,243 (78%)	345	(22%)
	-----		-----
Total	2,013	858	
Group II Investigating Group			
1991	279 (46%)	325	(54%)
1992	183 (208%)	-271	(-308%)
	-----		-----
Total	462	54	
Group III New Approvals			
1991	135 (42%)	183	(58%)
1992	338 (44%)	437	(56%)
	-----		-----
Total	473	620	

Source: Ministry of Commerce, (1991-1992)

¹. Anticipate Establishing: Anticipate establishing before financial years end.

The support grants helped create 2,000 jobs and has encouraged even further anticipation of employment. Furthermore, this finding is most significant in the established group. From table 3.4, cost invested for each new job from grants disbursed decreased from \$5,100 in 1991 to \$3,817 in 1992.

Table 3.6 Cost per New Job Created

Year	Grants ¹	G.M. ²	G.M.B. ³
1991	5,100	7,700	10,200
1992	3,817	4,837	7,658

Source: Ministry of Commerce, (1991-1992)

¹. Grants : On Grants disbursed.

². G.M. : On Grants disbursed plus Ministry Business Development overheads.

³. G.M.B. : On Grants disbursed plus Ministry Business Development overheads plus Business Development Boards overheads.

CHAPTER FOUR

METHODOLOGY

4.1 Questionnaire Construction

The questionnaire was designed for two purposes. The first part asked for demographic variables and numbers of employees hired last year, this year and those expected next year. The second part asked for qualitative characteristics and relationships in the workplace.

4.1.1 Job Generation

The study was concerned with small business roles in generating jobs during this period of severe unemployment. Questions were asked about numbers of employees hired to compare this year, last year and next year. Information was also sought on demographic variables : sex, age and ethnicity. Only present employees and some indication of future expected figures were asked for. Respondents were asked if they employed more, the same, or less employees than last year.

Using this type of question, answers were accurate and precise and useful information could be obtained. However the ticked style with choices: More, the Same, Less in question number 2 and 3.B was unable to provide useful or valid information. The responses were discovered to be inconsistent, as the tick form proved not to provide enough detail. Detail for 'last year employed' was not completed, therefore it was not much use for analysing.

The simple form of questionnaire construction by repeating the same question for each period of time employed would be the best solution for this type of data collection, if the respondents would be willing to fill out every question. Then the comparison of small business employment trends over the three years could be evaluated through a continuum.

4.1.2 Job Quality

The second part of the questionnaire used closed-ended questions with open-ended comments to study employers and employees relationships in the small business workplace. This included both parties' working conditions and background.

4.1.3 Questionnaire Problems:

-Finding And Retaining

The question "Do you have any difficulty in finding and retaining the people you want?" was a double-barrelled mistake. From the first group of responses received, answers concentrated on finding but I was more interested in the retention of employees. In the follow-up mail, I changed the question asking only the retaining aspect: "Do you have any difficulty in retaining the people you want?". The results were better but the follow-up mail responses generally provided less detail than the first group. The improved questionnaire did not resolve all response problems.

-Hard Work Indicator

One question asked about the duration of the last holidays. Leisure time was used as an indicator of working conditions for the small business owner/manager. Each individual has a different definition of hard work but this question gave some indication of working conditions and satisfactory time utilisation that could be chosen. This was the reason behind this question.

-Background of Business

The questions on the demographic background of the owner/manager and on the businesses, were useful in deducing the relationship between variables. One problem here was the lack of a code on the questionnaire. If a respondent did not identify their background such as a business name, it was impossible to code the type of business or make use of any dependency variables from that questionnaire in various aspects.

-Operational Periods and Stage of Business

Business operation periods enabled me to stratify the range of years operating related with numbers of employee changes and the stage of business progression. It drew a picture of the respondents successfully. Using stages of business was another problematic approach. The reasons for low responses should be, firstly, the definition for each stage was unclearly differentiated. Secondly, choices were not exhaustive. Some firms were at a static stage such as these businesses in the stable, mature or consolidated stage, while the questionnaire merely concentrated on the dynamic stages: start up, expansion and contraction. Another problem came from uncompleted

answers in the contingency question. When the respondents chose "Expansion" or "Contraction" they failed to complete the following data thus again giving incomplete information.

-Ethnicity

Ethnicity responses also caused some problems. Instead of identifying by race, for example: Maori, Pakeha etc., some responses identified with the nationality as "New Zealander", while others did not answer at all. An example in bracket form could have been shown to solve this problem.

-Question Order

Question order was intended to mix up each response rather than allow it to influence the next question.

-Overall

The rest of the questionnaire proved satisfactory in measuring what I wanted to know, especially the question about the difficulty regarding newcomers. The question "In your business area, how difficult do you think it is for newcomers to get established?", gained very good responses. I believed that the respondents were fair and the outcome valid.

4.1.4 Conclusion

This questionnaire was constructed to provide as much information as possible but not be too long. At the same time it was hoped the questions would be interesting to answer and easy to understand.

4.2 Sampling Selection

4.2.1 Population and Sampling Frame

A random sample was selected from the Wellington Provincial Universal Business Directories (UBD) 55th edition of March 1992. This business directory was classified by type of business in alphabetical order from region to region. With Manawatu as the sampling unit, every category of business which had up to or more than five names of firms listed was chosen as the secondary sampling unit. Then the fifth firm in each category was selected. Certain types of businesses which could be identified clearly at the first instance as big business such as banking, and supermarkets were excluded.

The reasons for choosing categories of occupations with more than five firms was to isolate these activities which are likely to be a source of job creation. By so doing, the survey aimed to incorporate a wide range of firms in a limited area.

Types of business which were found to be more established in the same category seemed adequate to represent the type of business in groups longer than ten names. A firm was selected as a observation unit from every tenth name (see Appendix III). If the name was selected twice because it was included in more than one category of business, the eleventh or twenty-first firm was chosen. Familiar names of business

chains and branches of big business were ignored. The first set of 63 names of business mostly represented one firm from each category. Then all the selected firms were classified into six groups: Services; Retailers; Motels/Restaurants/Grocery; Food Processing; Manufacturing/Industrial (small businesses which involve with mechanical supply or jobs); and Building/Construction (any types of businesses involved with household construction, for example a builder, a flooring supply, a painter, a heating supply).

Fifty-eight firms were finally selected for observation. Businesses were grouped according to economic effects. For example, if the demand for housing increases, it is likely to affect all other types of business involved in the Building/Construction group. Similarly, the Motel/Restaurant or any other groups were assembled by the consumer demand reasons. Changes in demand stimulates price of products, investment and the labour market.

This survey was originally intended to focus on two groups of business: the newly set up group, particularly the self-employed, and the established group, divided at the "Expansion" and the "Contraction" stage.

Unfortunately, a list of start up groups was not possible to obtain as no registered system of such firms is available. Therefore this sampling unit could not be obtained for the sampling process although during the analysing data process, some were identified. However, respondents seemed to hesitate in determining their stage of business from the open choices which had been provided for the respondents to determine freely. The variation of products and types of business also needed to be put into different time stages.

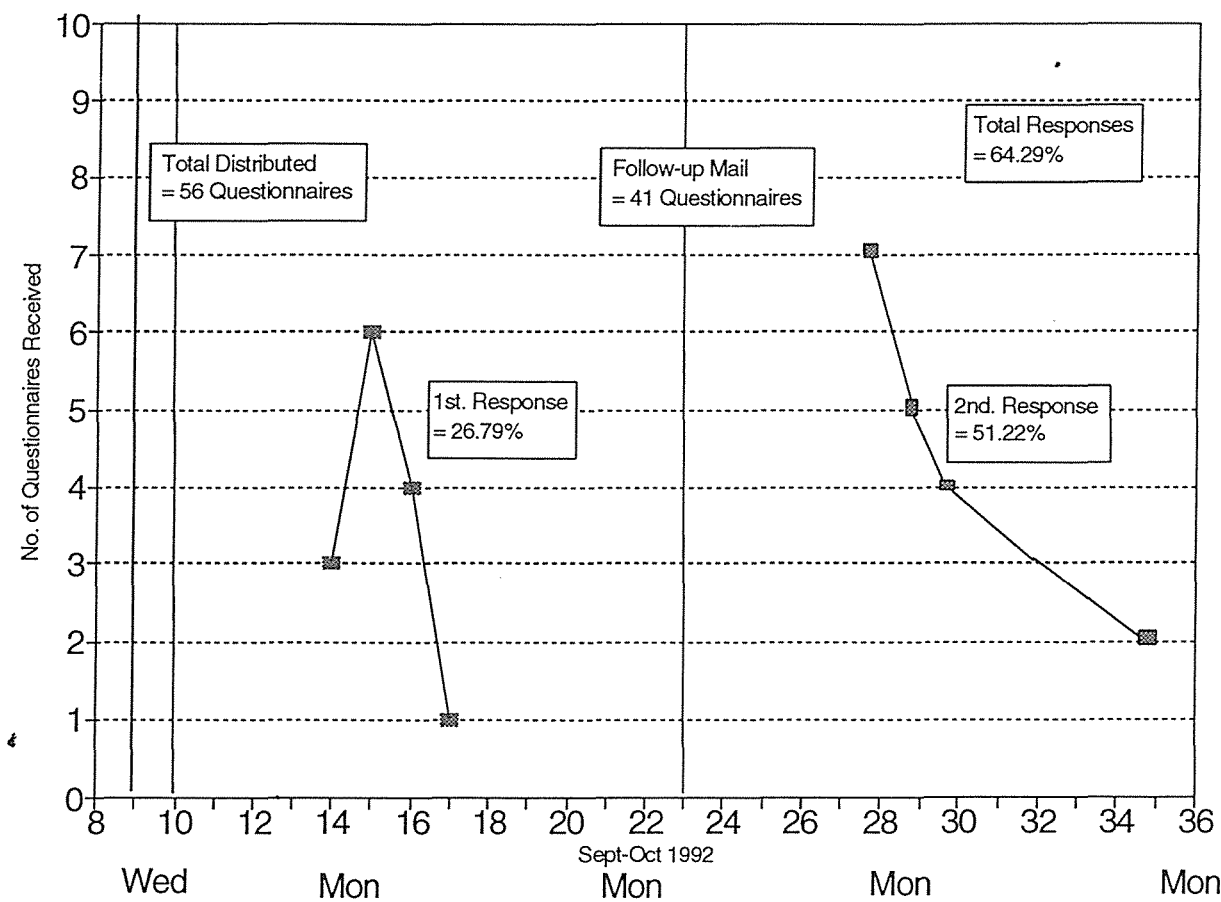
4.3 Data Collection

4.3.1 Mail Survey

Fifty-six questionnaires, each accompanied by an introductory letter and a return envelope were distributed on 9 September 1992. After 12 days, 15 questionnaires were received. Follow-up reminders after 12 days finally resulted in thirty- five respondents finishing the questionnaire and returning them through the envelope provided. Two questionnaires were returned without receivers.

4.3.2 Monitoring Returns

Figure 4.1 Response Rate Recorded during Data Collection



CHAPTER FIVE

OVERALL FINDINGS

5.1 Quantitative Findings

Total respondents whom participated in this survey were 34 small business firms from Palmerston North city. All the respondents were classified into six groups by type of business.

There were eight firms each from Services, Retailers and the Motel/Restaurant group, two firms from Manufacturing, three firms from the Building/Construction group and five firms from other. These five firms were positioned in this "other" group because they could not be identified. Note that the system of categorizing chosen could influence the results in some small way.

Table 5.1 Present Year Full Time Employees Compared with Next Year Employees

Present year (108)	Persons			Next year (115)
FULL TIME	Total	Range	Average	Average
Services (8)	39	0-25	4.9	5.1 ↑
Retailers (8)	34	2-8	4.3	4.4 ↑
Motel,Rest. (8)	8	2-4	1	1.1 ↑
Manufacturing (2)	5	1-4	2.5	2.5 -
Building (3)	12	1-9	4	4.3 ↑
Other (5)	10	1-5	2	2.4 ↑
Total (34 firms)	108	0-25	3.2	3.4 ↑

From Table 5.1 the total number of present full time employees from this survey were 108 persons from 34 small businesses. Small business size or range of employees in this survey varied, mostly from 0-2 persons (see Appendix IV) but some firms employed up to eight or nine people. The range of all employees was 0-25. The average number of employees per firm was 3.2 persons. Overall, total employment was expected to increase to 3.4 persons per firm next year. According to the survey, full time employment requirements would increase in most areas except in the manufacturing group which would remain stable.

Services and Building/Construction groups with an expected 5.1 and 4.3 persons per business appear likely to expand the most next year. However most expected increases are small and unlikely to contribute significantly to unemployment relief.

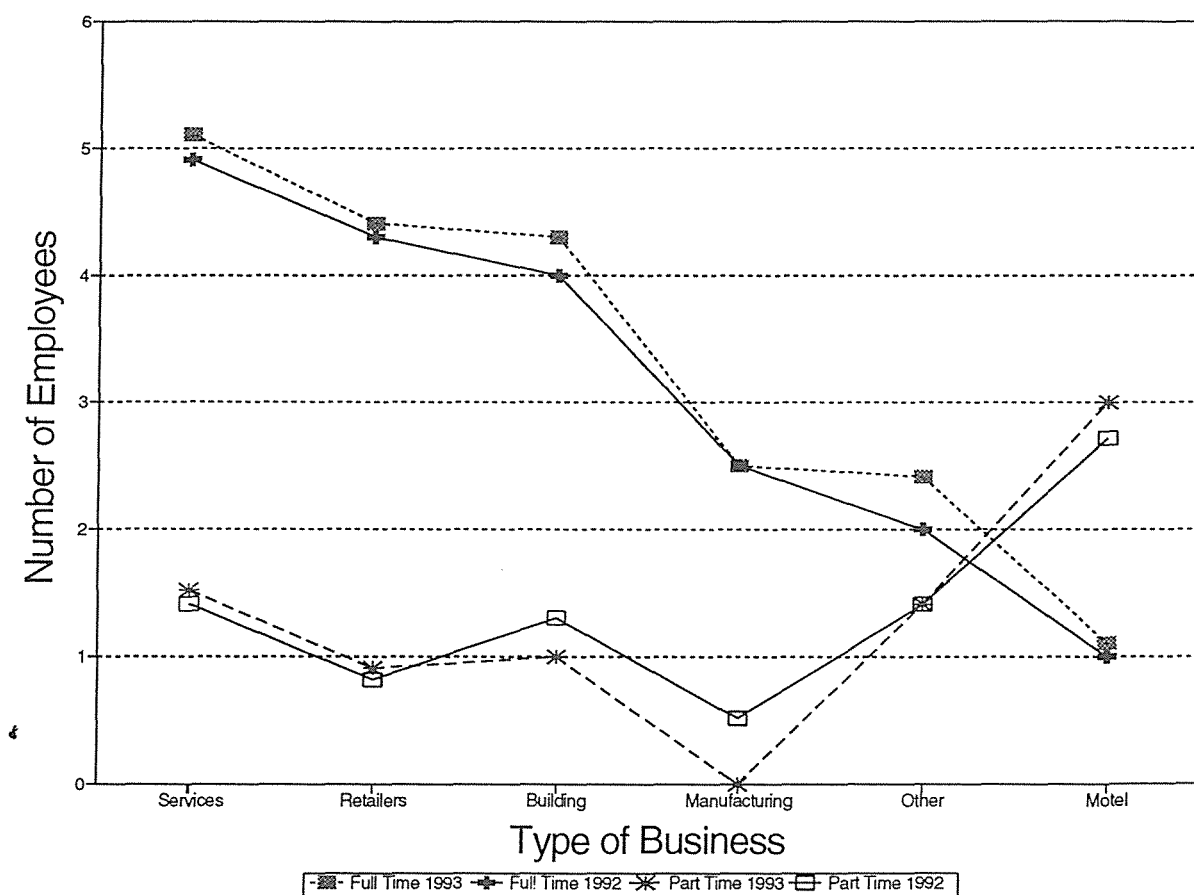


Figure 5.1 A Comparison of the Amount of Present Employees (1992) Compared with Future Expectation (1993) by Type of Business

The Service sector is the highest source of full time employment in small business both this year and based on next years expectations. The Motel/Restaurant group hire the fewest full time employees and the highest part time jobs at present and based on future. This graph shows a generally favourable trend of increased full time employment in most sectors. Full time and part time employee numbers are expected to increase in 1993. However, there is an expected decrease in building and manufacturing part time employment.

Table 5.2 Present Year Part Time Employees Compared with Next Year Employee Expectations

Present Year (50)	Persons			Next Year (53)
PART TIME	Total	Range	Average	Average
Services (8)	11	0-3	1.4	1.5 ↑
Retailers (8)	6	0-3	0.8	0.9 ↑
Motel,Rest.(8)	21	1-8	2.6	~3 ↑
Manufacturing (2)	1	0-1	0.5	0 ↓
Building (3)	4	1-2	1.3	1 ↓
Other (5)	7	1-3	1.4	1.4 -
Total (34 firms)	50	0-8	1.5	1.6 ↑

The total number of part time employees shown in table 5.2 were 50 persons for 34 firms, or 1.5 persons per firm, ranging mostly between 0-3. The Motel/Restaurant sector (includes Coffee Shops, Takeaways, Groceries, and Diary Stores) hired most of its employees in a part time capacity (21 persons out of total 50 persons). Services was the second most important. The reason for the strong emphasis of part time

employment was due to the type and nature of the business. Motel/Restaurant’s service characteristics enhanced the prospect for part time jobs. In the motel business, a New Zealand couple are often able to manage by themselves. Several types of work such as reception, cleaning or catering can be arranged as a part time job within a certain period of time. The part time job trend was on the increase for Motel/Restaurant and Services sectors more than for other sectors.

Table 5.3 Categories of Present Employees -Gender and Age

Gender-Age Group	Age Group		Gender
	Less than 25 years old		Male
Male <25	18 (11.39%)	Total 46 (29.11%)	77 (48.73%)
Female <25	28 (17.72%)		
	More than 25 years old		
Male >25	59 (37.34%)	Total 112 (70.89%)	Female
Female >25	53 (33.54%)		81 (51.27%)
Total	158 (100.00%)		

From Table 5.3 employees were identified by gender and age group. By gender, slightly more females were hired than males. A total of 81 females (or 51.27% of total employees) worked in 34 small businesses while the rest (77 employees or 48.73%) were male. By age group classification, the majority of employees were

over 25 years old (112 persons or 70.89%). Males over 25 years old were the largest group hired (59 persons or 37.34%). Females over 25 years old were the second highest grouping (53 persons or 33.54%) (see Appendix V). Females under 25 years old comprised 28 persons or 17.72%. Males less than 25 years old were the least hired (18 persons or 11.39%). Classification details of employees age and gender by type of business is shown in Appendix VI.

Table 5.4 Categories of Employees - Ethnicity

Ethnicity (from 34 firms)	Total (Persons)	Average/firm	Percentage
Maori	9	0.265	5.77%
Pacific Islanders	2	0.059	1.28%
Pakeha & (others)	145	4.265	92.95%
Total	156		100.00%

Regarding ethnicity in Table 5.4, most of the employees were Pakeha or European (145 employees or 92.95%) from the total 156 employees. Only nine (5.77%) and two (1.28%) workers were Maori and Pacific Islanders respectively.

It should be noted, however, that the ethnicity of two employees was not recorded. Other data suggested they were both Pakeha.

5.2 Qualitative Findings

In regard to the analysis which follows, respondents were grouped according to

similarity of product in servicing customer demand. From this one can see the trends of business and economic growth and how they relate with employment.

The outcomes from closed-end questions were discussed in the quantitative analysis. Additional information and comments from the opened-end questions will be discussed in this section. The information in this part combines a number of ideas in the form of direct responses from the survey. None of these comments were ignored. Every idea and issue raised is subsequently considered.

5.2.1 Sources of Recruiting

Most firms (20 firms or 47.62%) recruited their labour from referrals and other sources. There were several firms that used more than one recruiting channel. However, referrals were the principal means of recruiting new labour for small business firms in this survey. Some 13 firms (or 30.95% of employees) recruited from other sources and nine firms (or 21.43%) from public agencies. No private agency served in the labour recruitment for the samples.

The question should be raised of why public agencies were not as popular as referrals and other sources. Some possible reasons for this may have been the workers who were passed on by the agency were likely to be unskilled workers; the strength of the referral system; and that other sources served employment needs such as newspapers and other advertising and the demand for job positions were well served from casual enquiries.

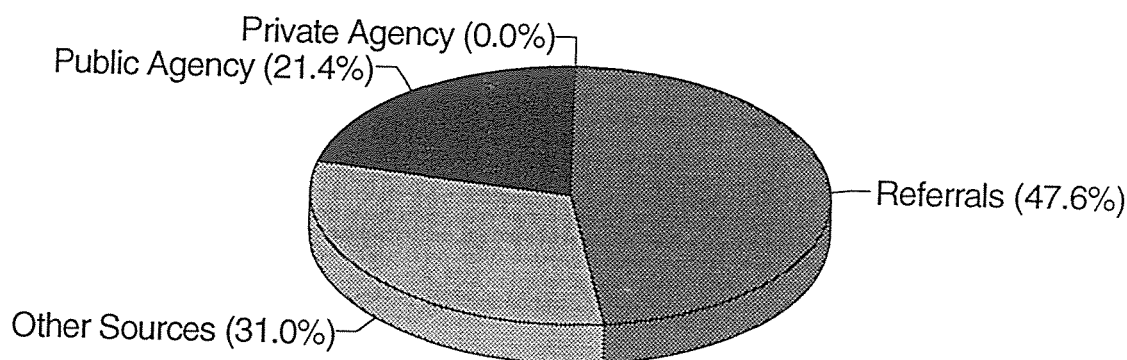


Figure 5.2 Recruiting Sources

Most of the workers (47.62%) recruited from referrals. The second source of recruitment was from other sources such as advertising (30.95%). The final source was comprised of public agencies (21.43%). Most firms (73.53%) did not have any difficulty in finding and retaining employees, only 14.7% of the firms had difficulty (the rest did not answer). There were not many problems with qualifications and labour relations in the small business area (see figure 5.4). It is possible that these factors are related. New Zealand workers appear also to be well "qualified" in social behaviours: reliability, honesty and responsibility. Compared with my knowledge of Thailand, New Zealand small businesses seem to have fewer problems retaining unskilled and semiskilled workers with these attributes.

Where there were problems of recruitment, they concerned difficulty in hiring people with particular skills. One motel appointed by telephone and casual interviewing ("Someone just knocked at the door"). This suggests a high level of trust of

prospective employees. Another motel, hiring employees through New Zealand Employment Services, experienced some difficulty in recruiting honest and hard working employees. This finding may not be significant. It should be noted that responses exceed the numbers of firms because respondents could give more than one answer.

Services and retailers tended to be more strict about the people they recruited. Sources of recruitment in the service sector primarily come from Polytechs, newspaper advertisements, advertising apprenticeships, private advertising and also through returning employees. The Retail sector recruited employees from similar sources such as newspaper advertising and direct from school or personal approaches, staff referrals, and recommendations from staff or friends. One owner/manager revealed that a second party plays an important role in obtaining jobs nowadays (or the 'who you know' factor). For the Motel/Restaurant group including coffee shops, takeaways, dairies and grocery shops, the recruiting system tended to be more informal. The employees would be people who rang up seeking work, or through Student Job Search or New Zealand Employment Services. For the Construction sector, the other source of recruiting was from newspaper advertisements, similar to the non-identifying group which also derived its employees from newspaper advertising and even door knockers.

5.2.2 Fluctuating Needs

Only 20 firms answered this question. There were 8 firms requiring seasonal workers over periods such as Christmas. The alternating requirement factor then depends on the type of business. The service sector contributes most of the variety in terms of seasonal needs due to changing demands because of factors such as weather, festive periods, and holidays, which effected social and customer behaviour. For example, a photo-studio stated that "Summer, Christmas build up are much busier than winter". A dry cleaning business commented that business is more prevalent in the cold

months of the year. A horticulture retailer agreed with the oscillating need for more employees "because we are a horticulture seasonal business". A motel firm suggested that "School holidays, tourist season affect occupancy, need more staff".

Nevertheless, other groups experienced decreasing demand through seasonal influences for example; a liquor retailer explained that "Christmas/festive seasons-quiet periods during January and February". Firms in the Motel & restaurant group also confirmed "Christmas time is very quiet, so December and January we go to skeleton staff". A manufacturing firm increased employment because of "larger turnover prior to Easter and Christmas" Therefore there are variations in job hire according to the fluctuating demand in terms of extra staff at that period or part-time workers. The typical period of this fluctuation was around one to four months. The requirements were different starting from a single part-time employee up to three full-time workers, but most only required the addition of one staff member. Also different employment needs for small firms can and are met by differing strategies. For example, "Seasonal vacancies are usually filled by a newspaper advertisement or through the job search of labour department. Department vacancies are usually filled from seasonal workers who prove promising".

5.2.3 Difficulty in Finding and Retaining

This topic aims to observe the status of relationship between workers and employers, whether this relationship is steady and positive. If workers able to stay for long periods it should mean that the working condition suites their needs. Also they are working at a satisfactory productivity level.

The majority (25 firms out of 30 firms which answered) stated that there were not many difficult problems in this aspect. For example, all service firms administered employees without difficulty. The reasons are "just very careful on who you get, and generally we know them", and "Fairly stable working environment". "they must be happy to stay in a small business and get a big variety of work each day", A

manufacturing respondent commented that there was no problem because "a large number of knowledge people in the trade".

However, the rest revealed the difficulties involved. Problems arose from being unable to attract either qualified or quality staff. These needs vary from type of business, being either in education and skills or in working morality. A retailer justified " Being a specialized company, we require people with engineering background as well as sales". A motel firm revealed that "Difficult to find staff who have initiative, honesty and want to work, rather just show up to be in the pay books". While a non-identifying group reported that "Honesty a problem, on-call work a problem".

Notwithstanding, the solutions were dependent on individual firm characteristics such as "Very selective in selecting personnel", "The work is basically simple and most people seem to be able to adapt easily".

The Motel/Restaurant sector expressed this problem differently, due to the different type of individual jobs (but with similar type of customer need, therefore they were classified in the same group). It was articulated that "Plenty of people ring up! I believe retaining staff depends on good personnel management", "Because it is a good job and we treat them well". They showed a positive circumstance.

5.2.4 Government Assistance

Almost all the respondents (32 firms out of 33 firms which answered this question) never received any assistance from the government. This was due to the fact that they were established firms (note that the operating period of all respondents was 14.6 years on average). Only one business (a new takeaway firm of one and a half years) received financial assistance from the government. This may have been the result of government assistance directed towards the self-employment programme.

5.2.5 Newcomers

Two groups of similar numbers of businesses from the total of 32 answers had different opinions. Slightly less than half of all firms (14 firms or 43.75%) such as Services and Retailers said that it was not too difficult to set up a new business in their area. Whereas 12 firms or 37.5% thought that it was difficult. Five businesses said it was very difficult. Finally, only one firm said that it was easy.

5.2.6 Holidays

This question intended to measure the level of business obligation of the small business owners but the question may not have been clear, many respondents answered with the comment that they were not sure whether the question asked about the employers or employees holidays. Therefore this aspect should be taken into account by the reader. However based on my own judgement that New Zealand's working culture is a 'non-workoholic', easy-going, and egalitarian society, it should be seen that the employer and employees have similar holidays unless there are other reasons involved.

Slightly over half of the businesses (18 firms or 53%) had holidays other than the statutory holidays while 13 firms or 38% of the responses did not have any additional periods of rest. Most of the firms which responded this way, however, were not satisfied with this situation. However an equal number of firms were satisfied with their holiday periods.

Table 5.5 Small Business and Leisure Time (Holidays) Satisfaction by Size, Type and Stage of Business, and by Ages of Administrators

Table 5.5.1 By Size of Business

Holidays /Size	Small	Medium	Larger	Total Responses
Holidays ¹ (Firms)	38.5% (5)	61.5% (8)	62.5% (5)	52.94% (18)
No Holidays ² (Firms)	46% (6)	38.5% (5)	35% (2)	38.24% (13)
Did not answer (Firms)	15.5% (2)	0% (0)	12.5% (1)	8.82% (3)
Total (Firms)	100% (13)	100% (13)	100% (8)	100% (34)

Sat./Size	Small	Medium	Larger	Total Responses
Satisfied ³ (Firms)	23% (3)	38.5% (5)	63% (5)	38.2% (13)
Not satisfied ⁴ (Firms)	38% (5)	53.8% (7)	12.5% (1)	38.2% (13)
Did not answer (Firms)	38% (5)	7.7% (1)	25% (2)	23.5% (8)
Total (Firms)	100% (13)	100% (13)	100% (8)	100% (34)

¹ Holidays : Have other holidays in addition to statutory holidays.

² No other holidays : No any other holidays than statutory holidays.

³ Satisfied : Satisfied with amount of leisure time (holidays).

⁴ Not satisfied : Not satisfied with amount of leisure time (holidays).

-Size of business

The larger businesses tended to have more chances of adequate vacations than the smaller businesses. More than half of the medium businesses attitudes (54%) were not satisfied with their holiday periods. Small businesses had the fewest holidays and were the least satisfied.

Table 5.5.2 By Type of Business

H/T*	S*	R*	M*	Mf*	B*	O*	TR*
Holidays ¹ (Firms)	65.5% (5)	62.5% (5)	25% (2)	100% (2)	3.3% (1)	60% (3)	52.94% (18)
No Holidays ² (Firms)	25% (2)	37.5% (3)	62.5% (5)	0% (0)	33.3% (1)	40% (2)	8.82% (13)
Did not Answer (Firms)	12.5% (1)	0% (0)	12.5% (1)	0% (0)	33.3% (1)	0% (0)	8.82% (3)
Total (Firms)	100% (8)	100% (8)	100% (8)	100% (2)	100% (3)	100% (5)	100% (34)

Sat./ Type	S*	R*	M*	Mf*	B*	O*	TR*
Satisfied ³ (Firms)	50% (4)	50% (4)	0% (0)	50% (1)	33.3% (1)	60% (3)	38.24% (13)
Not Satisfied ⁴ (Firms)	25% (2)	37.5% (3)	50% (4)	50% (1)	33.3% (1)	40% (2)	35.29% (13)
Did not Answer (Firms)	25% (2)	12.5% (1)	50% (4)	0% (0)	33.3% (1)	0% (0)	(8) 26.47%
Total (Firms)	100% (8)	100% (8)	100% (8)	100% (2)	100% (3)	100% (5)	100% (34)

H/T*: Holidays per Type

S*: Services; R*: Retailers; M*: Motel/Restaurant;

Mf*: Manufacturing; B*: Building/Construction; O*: Other

¹ Holidays : Have other holidays in addition to statutory holidays.² No other holidays : No any other holidays than statutory holidays.³ Satisfied : Satisfied with amount of leisure time (holidays).⁴ Not satisfied : Not satisfied with amount of leisure time (holidays).**-Type of business**

Motel/Restaurant had the least holidays (25%) and were the least satisfied (50%).

Most Services and Retailers seemed to be able to manage time for holidays (63%).

Other group sample sizes were too small to analyze.

Table 5.5.3 By Stage of Business

Holidays/ Stage	Start up	Stable	Expand.*	Contact.**	Not known	Total Responses
Holidays ¹ (Firms)	0% (0)	25% (1)	86% (6)	73% (8)	43% (3)	52.94% (13)
No Holidays ² (Firms)	80% (4)	25% (1)	14% (1)	27% (3)	57% (4)	38.24% (13)
Did not Answer (Firms)	20% (1)	50% (2)	0% (0)	0% (0)	0% (0)	8.82% (3)
Total (Firms)	100% (5)	100% (4)	100% (7)	100% (11)	100% (7)	100% (34)

Satisfied/ Stage	Start up	Stable	Expand.	Contact.	Not known	Total Responses
Satisfied ³ (Firms)	0% (0)	50% (2)	57% (4)	36% (4)	43% (3)	38.24% (13)
Not Satisfied ⁴ (Firms)	20% (1)	0% (0)	43% (3)	55% (6)	43% (3)	38.24% (13)
Did not Answer (Firms)	80% (4)	50% (2)	0% (0)	9% (1)	14% (1)	23.53% (8)
Total (Firms)	100% (5)	100% (4)	100% (7)	100% (11)	100% (7)	100% (34)

* Expand. : Expanding

** Contact. : Contaction

¹. Holidays : Have other holidays in addition to statutory holidays.². No other holidays : No any other holidays than statutory holidays.³. Satisfied : Satisfied with amount of leisure time (holidays).⁴. Not satisfied : Not satisfied with amount of leisure time (holidays).**-Stage of Business**

The "Start Up" group had no other holidays but most accepted this condition. The "Expansion" group had the most holidays (86%) and were most satisfied (57%). Most of the contraction group had holidays (73%) but it was too short a time to satisfy (only 36% were satisfied).

Table 5.5.4 By Age of Administrators

Holidays/ Admin. Ages	< 30	30-40	41-50	> 50	Not Known	Total Responses
Holidays ¹ (Firms)	100% (2)	40% (4)	64% (7)	50% (4)	33.3% (1)	52.94% (18)
No Holidays ² (Firms)	0% (0)	50% (5)	27% (3)	37.5% (3)	66.3% (2)	38.24% (13)
Did not Answer (Firms)	0% (0)	10% (1)	9% (1)	12.5% (1)	0% (0)	8.82% (3)
Total (Firms)	100% (2)	100% (10)	100% (11)	100% (8)	100% (3)	100% (34)

Sat./ Admin. Ages	< 30	30-40	41-50	> 50	Not Known	Total Responses
Satisfied ³ (Firms)	100% (2)	30% (3)	36% (4)	37% (3)	33% (1)	52.94% (18)
Not Satisfied ⁴ (Firms)	0% (0)	50% (5)	27% (3)	37.5% (3)	66.3% (2)	38.24% (13)
Did not Answer (Firms)	0% (0)	20% (2)	36% (4)	25% (2)	0% (0)	8.82% (3)
Total (Firms)	100% (2)	100% (10)	100% (11)	100% (8)	100% (3)	100% (34)

¹. Holidays : Have other holidays in addition to statutory holidays.

². No other holidays : No any other holidays than statutory holidays.

³. Satisfied : Satisfied with amount of leisure time (holidays).

⁴. Not satisfied : Not satisfied with amount of leisure time (holidays).

-Ages of administrators

No significant result emerged (which could be due to a small sample size) although administrators aged 41-50 seemed overall to be better placed than the others. Table 5.5.4 classifies holidays and satisfaction by the type of business. In the service area,

five firms had 14.2 days in average for holidays outside of the statutory holidays. With this period in regard to their own experience of holidays, four out of eight firms were satisfied, two firms were not, and one firm did not answer.

Comments on holiday terms and efforts from the owners/managers were; "I am the only full-time person, it costs me more to have a holiday as have to pay extra to cover", "Working directors can't leave the business for large leave of absence as no one to fill the gap" this owner explained in terms of holidays that "Days taken are spread through the year no three weeks break" and "We could do with a break during the year as well, maybe two weeks".

From the survey, Retailer holidays were less flexible than the Service. Indeed five out of eight firms had 14.2 days off on average on top of the statutory holidays. In regard to this four were satisfied, three were not and one did not answer. One reason for being unable to take extra days off was "The trend is to open 7 days a week. I think we could have stayed a 6 day a week country". The Motel/Restaurant group had the least holidays. Only two firms out of eight respondents had 11 days extra vacation. Three said their holiday time was insufficient. Four firms did not answer. The reasons for insufficient holidays were : "We are in a 7 days competitive business which requires personal involvement". "Didn't take it all at once. So it didn't feel long enough".

Among Manufacturing, both firms had ten days holiday in addition. One firm felt this was enough, the other did not. A common expression was "holidays are never long enough". One respondent in the Building/Construction group had been satisfied with having six days extra vacation. Another firm did not answer.

In the non-identifying group, three firms out of five firms which had 22 more vacation days in average than statutory holidays said these were enough. Another two firms said it was not. One reason was "7 days dairy operation".

5.2.7 Business Expansion

On the expansion expectations in which the respondents could choose more than one answer, 18 choices voted for employing more workers, while 12 choices would invest in equipment, technology, buildings etc. The other five responses would employ subcontractors. There were two motelliers, and one service firm that did not answer this question.

Table 5.6 Business Expansion Plan (Expectation Trend) by Size and Type of Business

Expansion/Size and Type of Business	0-1 employees	2-4 employees	≥ 5 employees	Total Responses
Employment Subcontracting	◇ 7.7%	□△★ 23%	△ 12.5%	5=13.2%
Invest in Equipment	□□★⚙ 31%	○○○□⚙ 38%	○○⚙ 37%	12=31.6%
Employed More	△△□□⚙⚙ 46%	△△○○□◇ 46%	△○○○◇⚙ 75%	18=47.4%
Did not Answer	△□ 15.38%	□ 7.7%		3=7.8%
Total	13	15	10	38

Type of Business

- △= Services
- = Retailers
- = Motel and Restaurant
- ★= Manufacturing
- ◇= Construction
- ⚙= Other

If business expanded, respondents said the most important expansion was in employing more workers (47%). This was especially important in the larger firms (75%). Whereas 32% of respondents indicated that they would expand through the purchase of new equipment. Employment subcontracting was not overly significant (11%). Responses exceed the numbers of firms because respondents could give more than one answer.

5.2.8 The Effects of Unemployment

Table 5.7 The Effect of Unemployment by Size and Type of Business

The Effect of Unemployment / Business Size	Small	Average	Larger	Total Responses
Sale Volumes Less	□ △ △ ⚙ ⚙ ⚙ ○ ○ ○ ○ △ △ △ △ ○ △ ◇ 46%	○ ○ ○ ○ △ △ △ △ □ □ ◇ ★ 46%	○ △ ◇ 33.3%	21 43%
Laid Off Workers	□ △ ⚙ 23%	○ ○ △ △ 15.4%	△ 11%	8 16.33%
Easy to Get Skilled Workers	□ 7.7%	□ □ ★ △ 15.4%	△ ◇ ⚙ ⚙ 33.3%	8 16.33%
Easy to Get Unskilled Workers	-	□ ★ 7.7%	⚙ 11%	3 6.12%
Other Issues	□ 7.7%	□ △ 7.7%	-	3 6.12%
No Effect	□ ★ 15.4%	○ ⚙ 7.7%	○ ○ 22.2%	6 12.24%
Total	13	26	9	49

Type of Business

△= Services ○= Retailers □= Motel/Restaurant
★= Manufacturing ◇= Construction ⚙= Other

Unemployment had the most significant effect on sale volumes (43% of all choices). The "Average" size firms (2-4 full time employees) were the most affected group by this effect (12 firms out of 13 firms) and also in overall effects (43%). Another negative effect was the laying off of workers (16% of all influences). Positive effects were being more able to get skilled and unskilled workers (22% of all answers). However, some firms, most notably retailers, manufacturers and motelliers from all sizes of business did not record any effects from the unemployment situation (12%).

Most of the respondents (28 firms or 82%) stated that they had been effected by the unemployment situation. The majority (20 firms or 51.28%) of firms indicated that their sales volume was on the decline. This was probably due to an aggregate demand contraction. A beauty-salon owner described that "For many people, a hair do becomes a luxury rather than an every week thing". The situation from the Motel & Restaurant group's owner/managers were "Unemployed people don't go away for weekends & use motels. Businesses don't encourage their reps to stay away for extra nights at their expense", and the "Overall economic situation affects occupancy which is depending to a large extent, on travelling executives and sales people etc. e.g. businesses have cut back, closure of businesses". Some employers revealed a decreasing confidence in regard to the business and economic situation, such as "we are reluctant to employ when busy because we don't feel confident it'll last and don't want to have face lay offs".

Although unemployment causes the labour force to increase, skilled training does not correspond to employers demands. One firm expressed an interesting opinion that "Skilled workers are never easy to get because of the individuality of each business operation. But there is too much talk of skills too much emphasis on C.V.s. and not enough understanding of the needs of the employers and of in job training the message is he willing to learn and ready to adapt". Some firms get benefits from unemployment effects such as through the wage subsidies programme. One motel owner commented that "Not crucial, but we took advantage of employing a girl who'd been unemployed for 12 months, to get her wages subsidised" However a non-identifying firm argued that "Better pool of employees to select from".

All the firms involved in services recognized that present unemployment affected their business in the following ways: seven stated that sale volumes had fallen, four said workers may be laid off, three said that it was easier to get skilled workers, and one stated other issues. Only four out of seven retailers said that they are influenced by the present unemployment situation. However falling sales volumes concerned the retailing group the most. The Motel/Restaurant group also felt strongly affected. Four firms experienced falling sales volumes, three firms stated that it was easier to get skilled workers, one voted for 'easier' to get unskilled workers. One firm considered laying off workers, another two stated other issues.

However, one out of three manufacturing respondents felt consistently effected. In the Building sector, one firm out of two felt affected by decreasing sales. Most of the non-identifying group (four out of five firms) were affected by unemployment conditions, three firms had falling product sales, one firm might lay off workers.

5.2.9 Status and Relationships

Nineteen firms or 63.33% of 30 respondents did not agree with the statement that "In general, employees in small business firms get paid less wages and fringe benefits than large firms".

Most of the respondents 25 firms or 78.12% of the 32 respondents whom answered this question, disagreed with the statement that "In general, employees in small business firms are less qualified than large firms".

Slightly over half of the respondents (56%) disagreed with the proposal that smaller business pay employees less and offer fewer fringe benefits than larger businesses. Most disagreement came from motelliers and other businesses mostly employing women. It should be noted that female employees were relatively more numerically significant in the smaller sized businesses. The proposal had more support from

medium and larger firms. For example, compared with an overall disagreement figure of 37%, 15% of smaller businesses, 30% of medium and 50% of larger businesses thought bigger firms offered better wages and fringe benefits.

Table 5.8 Comparison of Whether Small Business Employees Get Paid Less Wages and Fringe Benefits than Big Business by Size, Type and Gender

Attitude of Payment / Business Size*	Small	Medium	Larger	Total Responses
Disagree	□□ ^f □ ⁿ △ ^f ◇ ^f 38.5%	○○○○ ^m □ ⁿ ★△ ^m 53.9%	○ ^f ○ ^m △ ^m 37.5%	15 55.6%
Agree	□ ^f △ ^f 15.4%	□□ ^f △ ^f △ ^m 30.8%	○○ ^m ★ ^m △ ^f 50%	10 37%
Do Not Know	★ ^m 12.5%	◇ ⁿ 8%		2 7.4%
Total	8	12	7	27

Gender

^f= Female Employees are the majority

^m= Male Employees are the majority

ⁿ= Neutral

Type of Business

△= Services

○= Retailers

□= Motel and Restaurant

★= Manufacturing

◇= Construction

⊛= Other

*= Number of full time employees

Nevertheless, 29 firms or 100% of respondents who answered this question all agreed with the statement that "In general, employer-employee relations in small firms rely more on 'friendship and trust' than in large firms".

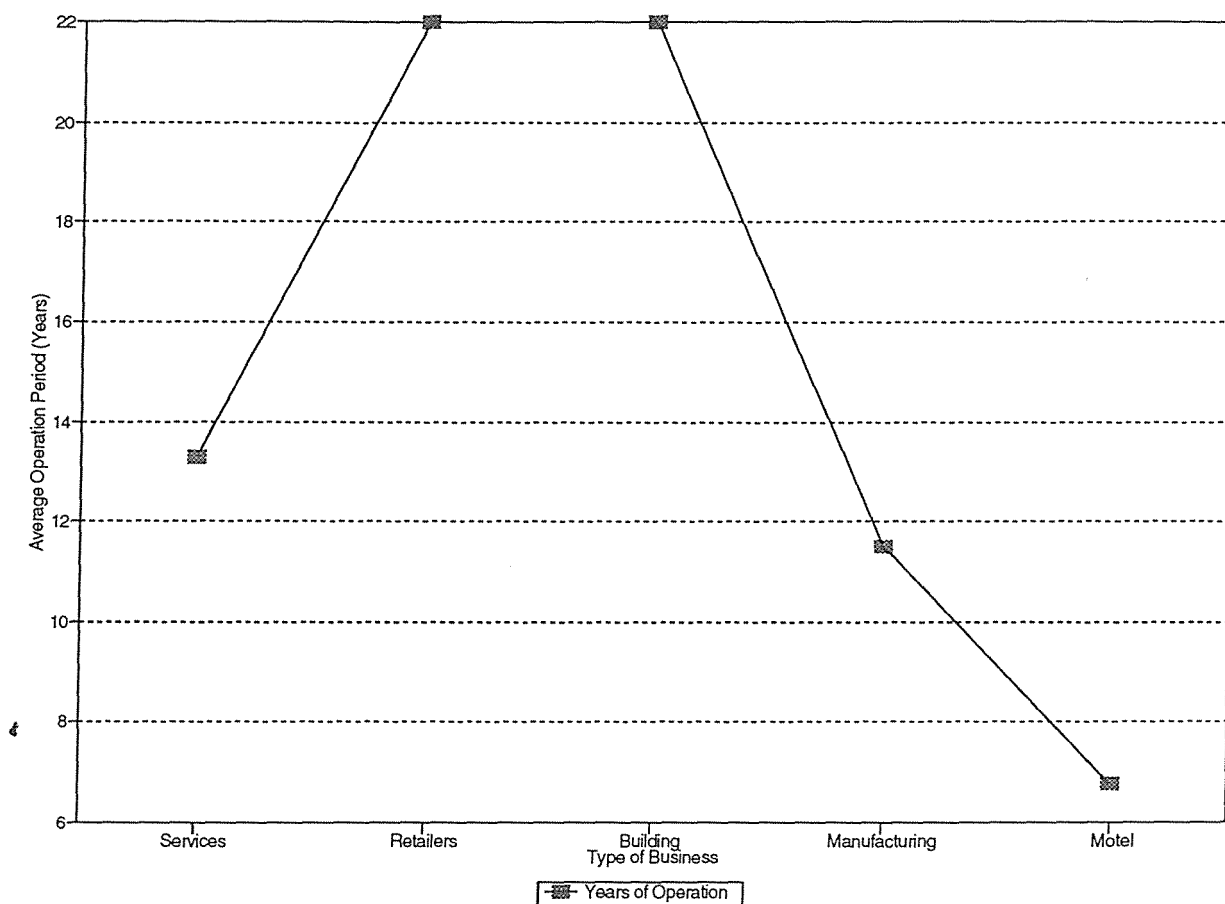


Figure 5.3 Average Operation Period by Type of Business

This graph (figure 5.3) is arranged in the order of highest to lowest for consistency with the full time employment expectation trends from figure 5.1. Retailers and Building/Construction sectors have been established for the longest time, 22 years on average. Services and Manufacturing are younger (11-13 years), and the Motel/Restaurant group is most recent (seven years). Note that a dairy shop included

in this category has operated for 66 years which significantly affected the Motel/Restaurant average. A true average would be about two-three years. The conclusion from both figures 5.1 and 5.3 is that the Services and Motel group employment trend is generally good. Building/Construction appears stagnant and the Retailer and Manufacturing groups may not see rapid recovery due to competition from cheap imported products which is a direct result of government policy.

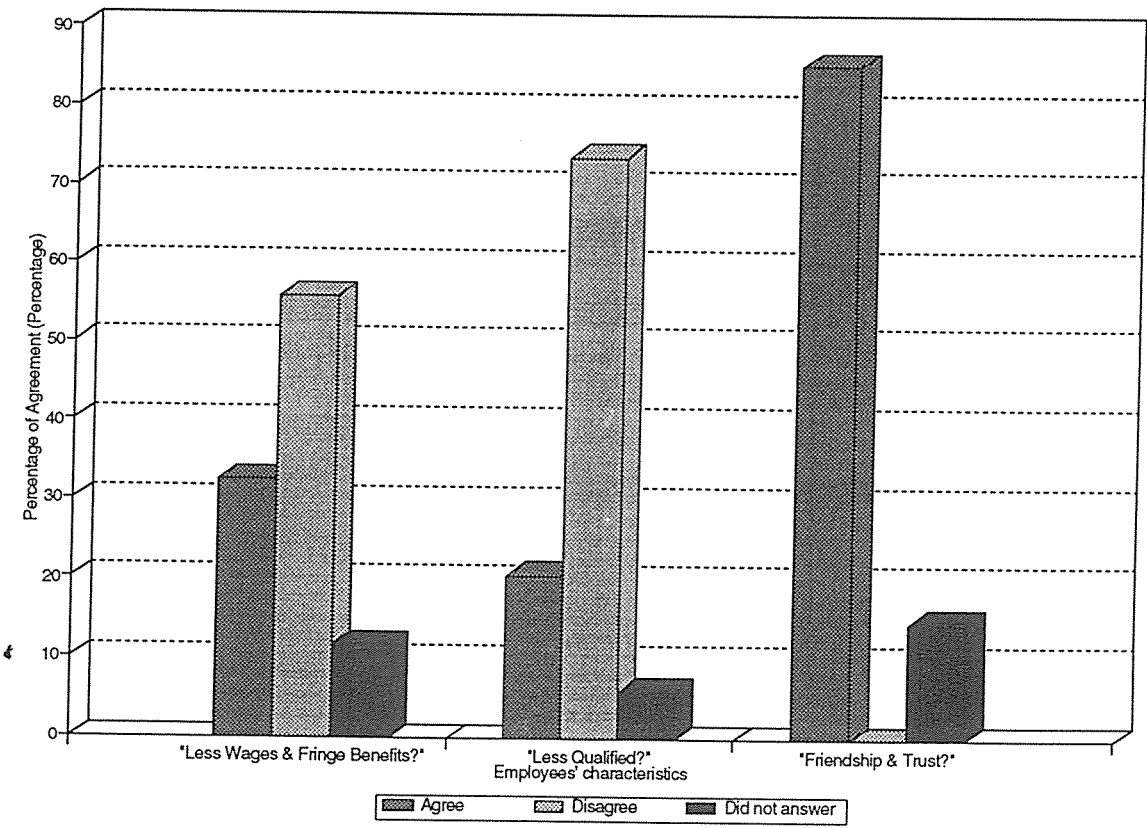


Figure 5.4 The Characteristics of Employees in Small Businesses (see question number 12 in Appendix II)

business did not pay less wages and fringe benefits to their employees compared with big business. Most of the administrators (73.53%) considered small business employees as well qualified as big business employees. All of them (85.29%) agreed that small business operated on the basis of friendship and trust. The rest, 14.71%, did not answer.

CHAPTER SIX

CONCLUSION

This thesis has sought to establish the role of small businesses in economic growth, particularly in periods of economic hardship. In light of the historical increases in New Zealand unemployment this thesis has sought to evaluate the role that small business can play in economic recovery using government policy as the critical variable. The survey attempted to investigate this topic in regard to the Manawatu region using both quantitative and qualitative analysis.

Chapter two critically examined the literature regarding the role of small business in economic growth especially in periods of recession using predominantly national and international studies. As noted in the literature review time periods and regional factors are two significant variables which may determine the outcome of studies. So one should note in regard to this study both the period of recession in which it has taken place and the particular geographical region, both of which have contributed strongly to the character of the survey findings. In chapter three, I discussed how New Zealand's policies contributed to unemployment and analyzed the role of small business in job generation to understand the impacts of government policy towards unemployment problems. The methodology of studies discussed in chapter four explained the utilized method of data collection through the mail survey to 56 established local small businesses. Reasons of sampling were also illustrated. Finally, chapter five outlined the contribution of information from the survey on the role of small business in job creation through mostly established firms (rather than new set-up firms). The area of study focused furthermore on information on employment after the job had been created.

Small businesses have proven most significant in regard to job creation roles in

several countries as demonstrated and reviewed in chapter two. This interest is strongly influenced by the current unemployment situation in New Zealand. Therefore unemployment and associated government policies have been discussed throughout this paper. The survey was used as a tool of analysis. Thus local small business (limited to choosing the Manawatu region) roles in job creation have been examined.

In approaching the quantitative aspects, the purpose was to note the trend of small business in job creation (once this had been established in the literature review) rather than to prove its significance. The quantitative findings presented a consistent trend with other studies reviewed during this period of recession. Most sample groups will increase employment next year (1993), if only slightly. Total employment is expected to increase from 3.2 persons per firm this year (1992) to 3.4 persons per firm next year (1993). Full-time employment in most areas except in the manufacturing group will remain stable. For part-time employment the Motel/Restaurant sector which has a high demand in part-time workers (42%), will increase hiring from 2.6 persons per firm to be 3 persons per firm.

Employment trends simultaneously relate with other factors. There are components other than economic conditions which affect employment demand. In (Manawatu) New Zealand, weather and festive periods such as christmas have a notable impact in the fluctuating needs of some types of business.

In considering future trends, small businesses still emphasise a labour intensive approach from the findings. Slightly more than half of respondents (51.43%) will require more workers in their expansion plans rather than investing in capital.

In regard to the question of how new job seekers take part in job opportunities and through what channels, the findings were that public agencies such as the New Zealand Employment Service were responsible for 21.47% of placements. Nearly half of employment opportunities (47.62%) are a result of the strength of the referral system. This reflected low rates of labour market flexibility.

Apart from this quantitative trend of employment demand, in the qualitative analyses, the purpose was to provide further information on the widely discussed sources of job generation, but in terms of the quality of employment. Therefore the qualitative aspects of working life in small businesses including the behaviour and characteristics of employment were examined.

The relationship between employers and employees including working conditions was expected to be a significant factor in discovering the difficulties of retaining workers. However, there were a few problems in this approach. Most firms did not have much difficulty in retaining workers.

The responsibility of tasks or time devoted by small business owners/managers was measured by two variables: amount of holidays and satisfaction. This was further compared with some other factors: type, stage, size of business and ages of administration, to detect working conditions of the small business owners related to business status. From the findings, the larger group tend to have more holidays than the smaller firms. The Motel/Restaurant sector had the least amount of holiday time and were the least satisfied group. The "start ups" group had no other holidays but most accepted this condition. The "expansion" group had the most holidays and were the most satisfied. No significant relationship in regard to the ages of administrators was discovered, although the 41-50 age group seemed to be in a better position than other age groups.

Employment trends and the quality of working conditions were also studied. Subsequently the chances of becoming self-employed or starting a small business was examined as well as the effects on job creation. From the survey findings, nearly half of the entrepreneurs (43.75%) affirmed that the chances of being self-employed or in setting up a new small business are not too difficult.

In comparison with larger business, (from the literature review) anonymous (1990) claimed that employees in big firms in the US earn about 30% more than their counterparts in small firms. Whereas the finding argued that 63% of small firms'

owners/managers did not agree that large firm payments and fringe benefits are higher than small firms. Moreover 73% of small firms' owners/managers did not agree that small firm employees are less qualified than in large firms.

In regard to the qualitative findings, in terms of relationships in the workplace, 100% of small firms' owner/managers whom answered (29 firms) agreed that employer-employee relations in small firms rely on 'friendship and trust'.

Government Policy towards Small Business

The findings showed that the respondents in this survey did not get any financial assistance from the government. This was primarily due to being unable to gather new start-up responses as explained in the previous chapter. Additionally the established samples were not the target group for the government assistance programme. Therefore government direct assistance has been of limited significance toward employment creation in this survey.

Nevertheless government policy illustrated significant influence on the findings as demonstrated by the unemployment effects question. For example, falling sales volumes in most firms result from aggregate demand contraction in economic systems.

In terms of government policy towards unemployment and in considering the small business role as a solution, the contribution from this study concludes as follows. The effects of rapidly increasing unemployment has been to increase welfare spending which has in turn driven up government expenditure with the result of an ever-increasing debt servicing burden. In using government expenditure to financially support high unemployment rates, the government is risking increasing dependency of the population onto the state. Instead of this scenario, government would be better advised to use this expenditure on increasing productive capacity and in creating

employment, for example, through wage subsidies which result in an exchange of social welfare for productivity and employment creation. This thesis has found and supported that small firms are both highly sensitive but adaptable to changes in the business community and the broader economy. Therefore any moves toward ensuring economic recovery will significantly enhance support for the small business community.

While there are many factors involved one important aspect of this thesis was that government policy can play an important part in the solution to unemployment through indirectly and specifically supporting small business growth. Selective government assistance in the form of financial support and advice can contribute significantly towards job creation through increasing the growth rate of new small firms which are potentially capable of great productivity. For example, inequities in the tax system which distort small business operations should be restructured. In New Zealand relative tax burdens do not vary by firm size (Bollard, 1988).

Government regulations imposed for non-economic reasons had strong economic effects such as being barriers to entry and providing restrictions on input and on conditions of service. Some small business types that dominate, for example baking, pharmacies, egg production etc. have been heavily regulated which means new firms are potentially prevented from entering the market. This is the case even though government has been committed to reviewing and removing unnecessary quantity licensing in a wide range of industries and replacing them with more liberal quality licences (Ballard, 1988). Removing these obstacles will go a long way in supporting small business growth. Financial support is also a key measure in encouraging new set ups and established firms. Other measures should be to provide available information, specialist assistance, technical advice and guidance and training.

In taking qualitative aspects into account, small businesses contribute strongly to job satisfaction. This was demonstrated by employers and employees describing their relationship as being based on "friendship and trust" implying relationships in which employers can rely on their employees. Therefore their 'job is not just a paid job', it

conceals more meaningful aspects. It creates an element of mutual respect that everybody has something of value to contribute. Therefore it enhances job satisfaction and workplace cooperation.

There is strong evidence to suggest that job satisfaction is associated with a reduced incidence of turnover, absenteeism, and other negative work-related acts. (cited from Lincoln and Kalleberg 1990 : Mowday, Porter, and Steers, 1982; Porter and Lawler, 1965). Therefore in terms of social functions, job satisfaction increases the quality of the workplace community. In an individual sense, it increases the quality of working life: self-esteem, self-reliance, competence, autonomy and motivation towards work. Eventually it increases productivity and participatory efforts in the small-firm environment. According to Zipp (1991), the quality of jobs in small, medium and large establishments can be assessed by using data from the 1977 Quality of Employment Survey (N=2,291 US adults). Results indicate that, in general, small businesses provide jobs with lower wages, benefits and stability, but with more creativity, autonomy and overall job satisfaction.

In concluding it has been noted that small business contributes significantly as a source of employment expansion. During recessionary periods, larger firms decline in numbers and personnel employed whereas small firms increase employment opportunities.

Evidence from the Department of Statistics (Business Activity Statistics 1991) supports this finding. Over the period 1987-1991, small businesses (0-5 persons) have increased in number and expanded in average size from 2.2 to 2.8 persons. Nearly one-third (24,647) of the 84,347 small firms studied in 1987 had increased their staff levels by 1991. Whereas 807 of the 1,119 large firms (100+) surveyed actually decreased in size, and overall employment (expanding and contracting industries) fell from an average of 282.4 to 215.8 persons per firm.

In addition small businesses have distributed job creation along regional areas more than larger firms which are more concentrated in certain areas. The number of jobs

created by small firms will not lead to massive employment in comparison to large firms in prosperous periods but this activity and employment will be better distributed.

Consequently, government policy can and should play a critical role in both improving the macroeconomic and microeconomic quantitative and qualitative environment conducive to small firm growth and expansion. In so doing, it will aid in the economic revival of the regions and of the country.

Appendix I.a
Introduction Letter

MASSEY
UNIVERSITY

Private Bag 11222
Palmerston North
New Zealand
Telephone 06-350 9000
Facsimile 06-350 5008

FACULTY OF
BUSINESS STUDIES

D M Tweed
Management Systems Department
Massey University
Private Bag
Palmerston North

DEPARTMENT OF
MANAGEMENT
SYSTEMS

7 September 1992

Dear Sir/Madam

Attached is a questionnaire on employment trends in small to medium sized enterprises. I have a postgraduate student who is currently researching this area. We believe that small and medium sized enterprises hold the key to future growth in employment and would greatly appreciate it if you would complete the questionnaire and return it to us.

If you would like a summary of the results of the finished work please indicate this on the reply. The student concerned and I will be the only people to view your completed questionnaire. Please also note that no individual firms will be identified in the final work and so your confidentiality is assured.

If this questionnaire should be answered by someone else in your organisation, I would be most grateful if you pass it on to them. Contact me if there are any points that need further clarification.

D Tweed
Lecturer

Appendix I.b
Reminding Letter

MASSEY
UNIVERSITY

Private Bag 11222
Palmerston North
New Zealand
Telephone 0-6-356 9099
Facsimile 0-6-350 5608

FACULTY OF
BUSINESS STUDIES

DEPARTMENT OF
MANAGEMENT
SYSTEMS

D M Tweed
Management Systems Department
Massey University
Private Bag
Palmerston North

17 September 1992

Dear Sir/Madam

re Reminder to return questionnaire on employment trends [sent 7/9/92]

If you have already completed and returned this questionnaire then please ignore this letter.

I have attached another copy of the questionnaire in case your copy is misplaced. This questionnaire concerns employment trends in small to medium sized enterprises. I have a postgraduate student who is currently researching this area. We believe that small and medium sized enterprises hold the key to future growth in employment and would greatly appreciate it if you would complete the questionnaire and return it to us.

If you would like a summary of the results of the finished work, then please indicate this on the reply. The student concerned and I will be the only people to view your completed questionnaire. Please also note that no individual firms will be identified in the final work and so your confidentiality is assured.

If this questionnaire should be answered by someone else in your organisation, I would be grateful if you pass it on to them. Contact me if there are any points that need further clarification.

Sincerely Yours

David Tweed
Lecturer in Entrepreneurship and Small Enterprise

Appendix II.a

The First Questionnaire

PURPOSE. This survey examines the role of small business firms in generating jobs in the Manawatu during this current period of chronic unemployment. Your assistance by completing the questionnaire is greatly appreciated. Information received will be treated confidentially and no individual business will be identified in the results.

1) **A.** How many employees do you have at this period of time?
(August 1992)

a). Full time employees _____ persons.
(employed more than 30 work-hours/week)

b). Part-time employees _____ persons.
(employed less than 30 work-hours/week)

1) **B. Present employees.** Please indicate the number in each category. (Both full time and part time)

a). **Male under 25 years old** _____ persons.

Female under 25 years old _____ persons.

Male over 25 years old _____ persons.

Female over 25 years old _____ persons.

b). Maori | Pacific Islanders | Pakeha or others |

Male _____ | _____ | _____ persons.

Female _____ | _____ | _____ persons.

2). How many employees did you have **last year**? (August 1991)

Please tick the box [/]

	More	The same	Less
Males	[]	[]	[]
Female	[]	[]	[]
Maori	[]	[]	[]
Pacific Islanders	[]	[]	[]
Pakeha or others	[]	[]	[]
Age: under 25	[]	[]	[]
25 upwards	[]	[]	[]

3).A How many employees do you expect to have **next year**?
(August 1993)

a).Full time employees_____ persons.
(employed more than 30 work-hours/week)

b).Part-time employees_____persons.
(employed less than 30 work-hours/week)

3).B. What do you expect the characteristic of **next year's** employees (which includes the employees who will still be employed) to be:

Please tick the box [/]

	More	The same	Less
Males	[]	[]	[]
Female	[]	[]	[]
Maori	[]	[]	[]
Pacific Islanders	[]	[]	[]
Pakeha or others	[]	[]	[]
Age: under 25	[]	[]	[]
25 upwards	[]	[]	[]

PLEASE TICK WHERE APPROPRIATE [/]

4). Mostly where do you recruit your employees from?

- [] a). Referrals.
- [] b). Public Agency. (Labour Department)
- [] c). Private Agencies. (Personnel Agencies)
- [] d). Other Sources. (Please specify)

5). Does your need for employees fluctuate seasonally?

☐ YES

☐ NO

a). If you answered yes, please explain.

And how many extra employees you need?

For how long?

6). Do you have any difficulty in finding and retaining the people you want?

☐ YES

☐ NO

If yes, please briefly explain.

If no, please briefly explain why not.

7). Has government assistance been important for your business?

☐ YES

☐ NO

a). If yes, please specify any area of the following

- ☐ Financial
- ☐ Managerial skill
- ☐ Technological knowledge
- ☐ Marketing
- ☐ Tax/Subsidy
- ☐ Worker skills/Training
- ☐ Other (Please specify)

8). In your business area, how difficult do you think it is for newcomers to get established?

- ☐ Very difficult.
- ☐ Difficult.
- ☐ Not too difficult.
- ☐ Easy.

9).Did you have holidays last year other than statutory holidays?

☐ YES ☐ NO

a).If yes, for how many days?

b).Was this long enough?

☐ YES ☐ NO

COMMENT

10).If you need to expand the business, will you?

- ☐ Invest in equipment, technology.
- ☐ Employ more workers.
- ☐ Employ subcontractors.

11).Does the present unemployment situation affect your business?

☐ YES ☐ NO

The effects are: (you can choose more than one answer)

- ☐ Easier to get skilled workers.
- ☐ Easier to get unskilled workers.
- ☐ Sale volumes is less.
- ☐ Workers may be laid off.
- ☐ Other issues.(Please detail)

12). Do you **agree or disagree** with the following **statements**?

a). In general, employees in small business firms get paid less wages and fringe benefits than large firms.

[] Agree.
[] Disagree.

b). In general, employees in small business firms are less qualified than in large firms.

[] Agree.
[] Disagree.

c). In general, employer-employee relations in small firms rely more on "friendship and trust" than in large firms.

[] Agree.
[] Disagree.

BACKGROUND OF THE BUSINESS

This information will allow me to do some comparisons and will also let me check with you if I don't understand an answer. Individual businesses will not be identified in the final results. You do not have to answer these questions if you do not want to do so.

1). Name of your business.

2). Number of years you have been operating.

3). At what stage is your business right now?

[] a). **Start up**

How many employees did you have at the start up period?

[] b). **Expansion** (i.e. employee numbers are increasing)

[] c). **Contraction**. (i.e. employee numbers are decreasing).

Appendix II.b

The Second Questionnaire (Improved)

PURPOSE. This survey examines the role of small business firms in generating jobs in the Manawatu during this current period of chronic unemployment. Your assistance by completing the questionnaire is greatly appreciated. Information received will be treated confidentially and no individual business will be identified in the results.

1) **A.** How many employees do you have **at this period of time?**
(August 1992)

a). Full time employees _____ persons.
(employed more than 30 work-hours/week)

b). Part-time employees _____ persons.
(employed less than 30 work-hours/week)

1) **B. Present employees.** Please indicate the number in each category. (Both full time and part time)

a). **Male under 25 years old** _____ persons.

Female under 25 years old _____ persons.

Male over 25 years old _____ persons.

Female over 25 years old _____ persons.

b). Maori | Pacific Islanders | Pakeha or others |
Male _____ | _____ | _____ persons.
Female _____ | _____ | _____
persons.

2). How many employees did you have **last year?** (August 1991)

Please tick the box [/]

	More	The same	Less
Males	[]	[]	[]
Female	[]	[]	[]
Maori	[]	[]	[]
Pacific Islanders	[]	[]	[]
Pakeha or others	[]	[]	[]
Age: under 25	[]	[]	[]
25 upwards	[]	[]	[]

3).A How many employees do you expect to have **next year**?
(August 1993)

a).Full time employees_____ persons.
(employed more than 30 work-hours/week)

b).part-time employees_____persons.
(employed less than 30 work-hours/week)

3).B. What do you expect the characteristic of **next year's** employees (which includes the employees who will still be employed) to be:

Please tick the box [/]

	More	The same	Less
Males	[]	[]	[]
Female	[]	[]	[]
Maori	[]	[]	[]
Pacific Islanders	[]	[]	[]
Pakeha or others	[]	[]	[]
Age: under 25	[]	[]	[]
25 upwards	[]	[]	[]

PLEASE TICK WHERE APPROPRIATE [/]

4). Mostly where do you recruit your employees from?

- [] a). Referrals.
 [] b). Public Agency. (Labour Department)
 [] c). Private Agencies. (Personnel Agencies)
 [] d). Other Sources. (Please specify)

5).Does your need for employees fluctuate seasonally?

[] YES [] NO

a). If you answered yes, please explain.

And how many extra employees you need?

For how long?

6). Do you have any difficulty in retaining the people you want?

[] YES [] NO

If yes, please briefly explain.

If no, please briefly explain why not.

7). Has government assistance been important for your business?

[] YES [] NO

a). If yes, please specify any area of the following

- [] Financial
- [] Managerial skill
- [] Technological knowledge
- [] Marketing
- [] Tax/Subsidy
- [] Worker skills/Training
- [] Other (Please specify)

8). In your business area, how difficult do you think it is for newcomers to get established?

- [] Very difficult.
- [] Difficult.
- [] Not too difficult.
- [] Easy.

9). Did you (the owner/manager) have holidays last year other than statutory holidays?

[] YES [] NO

a).If yes, for how many days?

b).Was this long enough?

[] YES [] NO

COMMENT

10).If you need to expand the business, will you?

[] Invest in equipment, technology.

[] Employ more workers.

[] Employ subcontractors.

11).Does the present unemployment situation affect your business?

[] YES [] NO

The effects are: (you can choose more than one answer)

[] Easier to get skilled workers.

[] Easier to get unskilled workers.

[] Sale volumes is less.

[] Workers may be laid off.

[] Other issues.(Please detail)

12).Do you **agree or disagree** with the following **statements**?

a).In general, employees in small business firms get paid less wages and fringe benefits than large firms.

[] Agree.

[] Disagree.

b). In general, employees in small business firms are less qualified than in large firms.

[] Agree.

[] Disagree.

c).In general, employer-employee relations in small firms rely more on "friendship and trust" than in large firms.

- [] Agree.
 [] Disagree.

BACKGROUND OF THE BUSINESS

This information will allow me to do some comparisons and will also let me check with you if I don't understand an answer. Individual businesses will not be identified in the final results. You do not have to answer these questions if you do not want to do so.

1). Name of your business.

2). Number of years you have been operating.

3). At what stage is your business right now?

[] a). **Start up**

How many employees did you have at the start up period?

[] b). **Expansion** (i.e. employee numbers are increasing)

[] c). **Contraction**. (i.e. employee numbers are decreasing).

4). Please briefly describe each owner/ manager of the business.

1). [] Male [] Female

Approximate age _____

Position (i.e. owner, manager or both)

Ethnicity _____

2). [] Male [] Female

Approximate age _____

Position (i.e. owner/ manager or both)

Ethnicity_____

3).[] Male [] Female

Approximate age _____

Position (i.e. owner/ manager or both)

Ethnicity_____

THANK YOU VERY MUCH FOR YOUR COOPERATION.

Appendix III
Universal Business Directories
1989 March¹
(Sampling Sample)

89 UBD WELLINGTON PROVINCIAL BUSINESS DIRECTORY PALMERSTON NORTH
AVON SHEETMETAL LTD

(063) 296-874

SHEET METAL FABRICATORS

Main Rd, Rangiotu

P.O. BOX 1192

Specialists in STAINLESS STEEL MINI TANKERS,
CELLAR TANKERS & 5 GALLON to 5000 GALLON
tanks & all types of STAINLESS STEEL, MILD STEEL &
ALUMINIUM ALLOY. Main Rd, Rangiotu, Palmerston
North, Ph (063) 296-874.

■ SWIMMING POOL MANUFACTURERS

Manawatu Pool Centre, 410 Rangitikei St.

■ SWIMMING POOL TREATMENT PLANTS

Filtermaster Ltd, Railway Rd.
Water Tech, 300 Church St.

■ SWIMMING POOLS PUBLIC

Lido Swimming Pool, 46 Park Rd.
Wagon Wheel Family Spa, 18 McGiffert St.

■ T SHIRT PRINTERS

E & G Logos, 256 Cuba St.

■ TAILORS BESPOKE

Keen K T, 16 Union St.

■ TAILORS LADIES & MENS

Bambury B & Co, 142 The Square.
The Hussif, Regent Arcade, 71 Broadway Ave.

■ TAKEAWAY FOODS

777 Burger Bar, 777 Main St.
Bamboo Grove Takeaways, 889 Main St.
Captain Delicious Fast Food Takeaway Service, 469 Main St.
Central Fish Shop, 198 Featherston St.
City Limits, 648A Tremaine Ave.
Cloverlea Takeaways, 5 Botanical Rd.

Coffee Spot, T & G Bldg, 16 Broadway Ave.
Cousteau's Seafood Bazaar, 187 Main St West.

Deli 26, 26 The Square.

Dong Fong Restaurant, 169 Cuba St. 10th name

Fishworld, 390 Ferguson St.
Fishworld Takeaways, 193A College St.

Fox & Firkin, 296 Cuba St.

Gibbs Burger Bar, 395 Main St West.

Golden Coast Lunch Bar, 260 Featherston St.

Golden Phoenix Takeaway, Melford Centre, 108 College St.

Golden Take-Aways, 505 Main St.

Graemes, PDC Plaza, 96 The Square.

Hanns Takeaways, 285 Broadway Ave.

Havelock Lunch Box, 57 Havelock Ave. 20th name

Havelock Takeaways Ltd, 1 Robinson Cres.

Hawaiian Takeaways, 278 Cuba St.

Highbury Fish Shop, 115 Highbury Ave.

Hokowhitu Fish Supply, 348 Albert St.

Homestead, 31 Princess St.

Incredible Edibles, 274 Rangitikei St.

J J's Lunch Bar, 314 Tremaine Ave.

JC's Kitchen, 100 Albert St.

Kai Fish Shop, 541 Featherston St.

Kentucky Fried Chicken, 109 Princess St.

Keres Fish & Chip Shop, 6 Hodgens Pl.

La Pizza Bar Forno, 247 Ruahine St.

Loft Coffee Lounge The, Broadway Mall, 19-25 Broadway Ave.

Lunch Box, 205-207 Rangitikei St.

McDonald's Family Restaurants, The Square.

Mac's Fish Supply, 709 Main St.

Main St Takeaways, 608 Main St.

Manawatu Street Fish Shop, 56 Manawatu St.

Mayflower Chinese Takeaways, 276 Rangitikei St.

Miami Takeaways, 791 Main St.

Milson Takeaways, 73 Milson Line.

Moore's Lunchbar, 66 Rangitikei St.

Mr Mac's Food Place, 79 Ruahine St.

Noels Lunch Bar, 98 Malden St.

Oriental Restaurant, 539 Main St.

Peacock Takeaways, 253 Main St West.

■ TAPE MANUFACTURERS

Meredith J O C Ltd, 1A Tiki Pl.

■ TAR SEALING CONTRACTORS

Carroll Des, 21 Frimley St.
Ross J C, 10 St Albans Ave.

■ TARPAULIN & COVER MANUFACTURERS

Shortland Canvas Ltd, 10 Waldegrave St.
Straitline Canvas, 5 Milson Line.
Tarp & Covers NZ Ltd, 30 Bennett St.

■ TAVERNS LICENSED

Cafe De Paris Tavern, 267 Main St West.
Cloverlea Tavern, 301 Tremaine Ave.
Lion Tavern, 820 Tremaine Ave.
New Royal Tavern The, 44-54 Rangitikei St.
Princess Tavern, 789 Main St.

■ TAXATION CONSULTANTS

Charles D L, 239 Ruahine St.
Farquhar S R, 65 Princess St.
H & R Block, 37 Queen St.
Palmerston North Taxation Service Ltd, 154 Broadway Ave.

■ TAXI PROPRIETORS

Palmerston North Taxis Ltd, 56 Bennett St.

★ TELECOMMUNICATION EQUIPMENT SUPPLIERS

**COMPUTER CABLE
SERVICES LTD**

*Computer & Telecommunication
Equipment Installation
Maintenance and Supply*

**23 HAINING STREET
P.O. Box 11-086
WELLINGTON**

PH: (04) 859-605

FAX: (04) 854-150

¹ A different UBD directory edition has been used as an example to avoid identification of chosen respondents.

Appendix IV
Respondents Detail by Size
(Range of Full Time Employees)

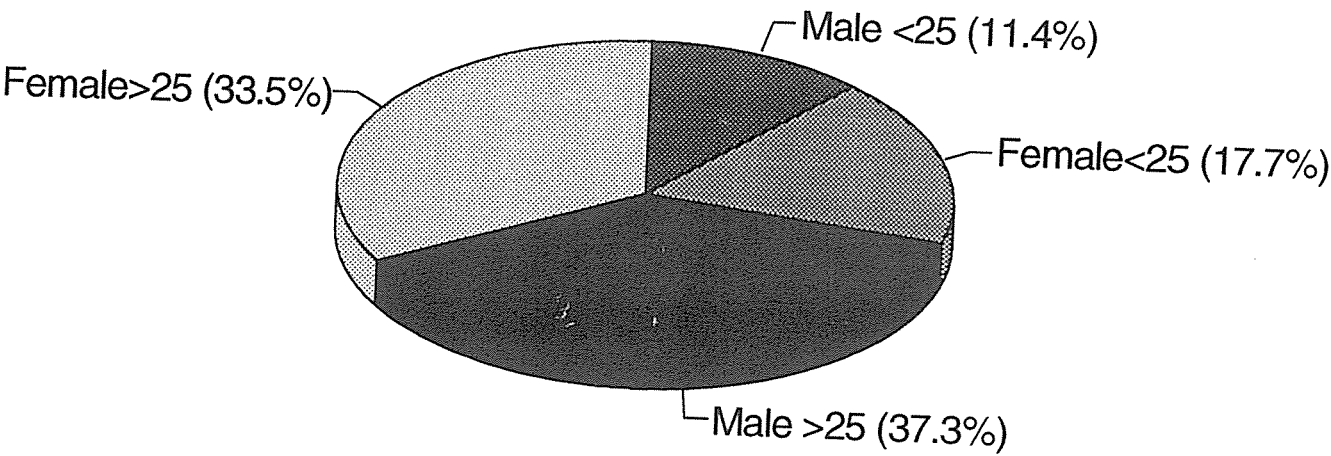
Size of Respondents

1. Self Employed (none full time employees) (Takeaway, Grocery, Motel, Laundry, Diary)	7	firms
2. One Full Time Employees (Construction, Engineering, Hair Salon, Other)	6	firms
3. Two Full Time Employees (Photo-studio, Menwears, Coffee shop, Restaurant, Construction, Auto-painter, Liquor shop, Sport shop, Other)	9	firms
4. Three Full Time Employees (LMVD)	1	firms
5. Four Full Time Employees (Jointnery, Refridgerator-services, Motel)	3	firms
6. Five Full Time Employees (Engineering supply, Plumbing, Batteries, Other)	4	firms
7. Seven Full Time Employees (Nurseries)	1	firms
8. Eight Full Time Employees (Farmer supply)	1	firms

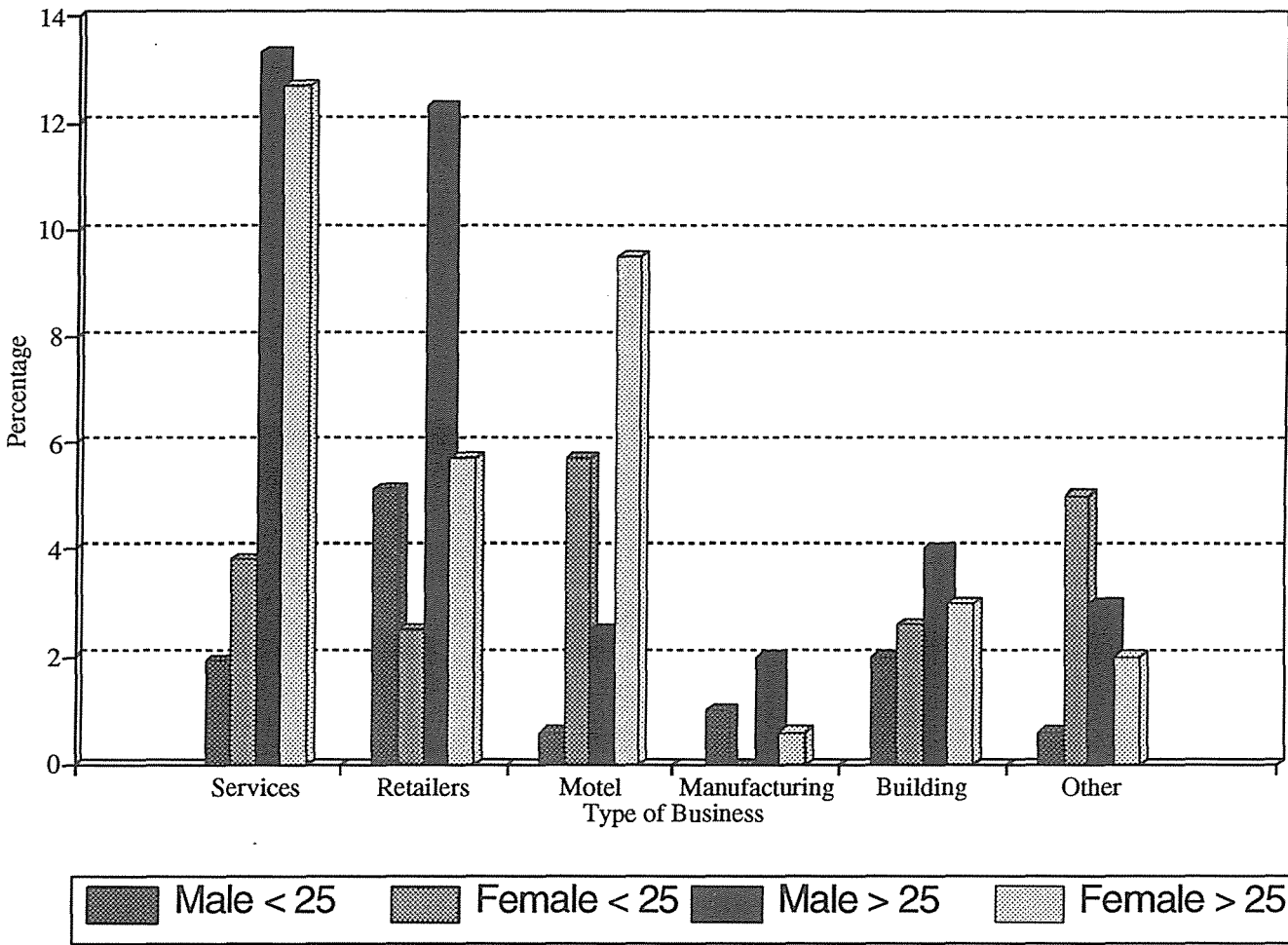
9. Nine Full Time Employees (Heating)	1	firms
10. Twenty-five Full Time Employees (Real Estate)	1	firms

Total	34	firms

Appendix V
Categories of Employees - Gender and Age



Appendix VI
Categories of Employees - Gender and Age
by Type of Business



BIBLIOGRAPHY

Acs, Zoltan J. and Audretsch, David B., edited, 1990

The Economics of Small Firms A European Challenge, Kluwer Academic Publishers, Dordrecht.

Anonymous, 1990

"Did America's Small Firms Ever Get Off the Launching Pad?" *The Economist*, Vol.315 June, 30 : 61-62.

Anonymous, 1992

"Smaller Firms Take Bigger Employment Share", *Worklife Report*, Vol.8, (5): 11.

Babbie, Earl R., 1973

Survey Research Methods, Wadsworth Publishing Company, Inc., California.

Bannock, Graham, 1985

A paper presented to the 30th Annual World Conference of the International Council for Small Business, Montreal.

Bannock, Graham and Peacock, Alan, 1989

Governments and Small Business, Paul Chapman Publishing Ltd., London.

Bannock, Graham *et al.*, 1992

"Choking the Spirit of Enterprise", *International Management*, Vol.47, (3): 30-39.

Berney, Karen, 1990

"EC Affairs: Small players on the Big Stage", *International Management*, Vol.45, (3): 40-42.

Birch, David L., 1987

"Yankee Doodle Dandy", *Inc.(INO)*, Vol.9, (8): 33-36.

Bollard, Alan, 1988

Small Businesses in New Zealand, Allen & Unwin, Port Nicholson Press, Wellington.

Bollard, A. and Harper, D., 1986

Employment Generation and Establishment Size in New Zealand Manufacturing, *International Small Business Journal*, Vol.4, (4): 10-28.

Brown, Charles *et al.*, 1990

"Big Is Beautiful", *Across the Board*, Vol.27, (9): 32-35.

Callister, Paul, 1991

Expanding Our Horizons New Zealand in the Global Economy, New Zealand Planning Council, Wellington.

Callister, Paul, 1989

What Creates New Jobs?, New Zealand Planning Council, Wellington.

Clover, Vernon T. and Balsley, Howard L., 1974,

Business Research Methods, Grid Inc., Ohio.

Department of Labour, 1992

Employment Initiatives, Wellington.

Department of Statistics, 1991

Business Activity Statistics, Wellington.

Department of Statistics, 1991

Labour Market Statistics, Wellington.

Devlin, M. H., 1984

The Small Business Sector in New Zealand: An Introductory Perspective,
Small Business Research Series Paper No.1, Development Finance
Corporation.

Devlin, Martin H., 1984

The Status of Small Business Research in New Zealand, Small Business
Research Series No.2.

Devlin, M.H., 1984

Economic Growth and Prosperity: The Small Business Sector in New Zealand,
Small Business Research Series Paper No.3, Development Finance
Corporation.

Devlin, M. H., 1984

Employment in the Small Business Sector, Small Business Research
Monographs Paper No.5, Development Finance Corporation.

Dingwall, James, 1984

"In Canada: Small Business - A Potential Hero", *D&B Reports*, Vol:22, Iss:6 :
54-55.

Dwyer, Máire, et al., 1985

Self-employment and Small Business" New Zealand Planning Council,
Wellington.

Economic Monitoring Group Report No. 2, 1984

The Government Deficit and the Economy, New Zealand Planning council,
Wellington, July.

Economic Monitoring Group Report No. 7, 1986

Labour Market Flexibility, New Zealand Planning Council Monitoring report,

Wellington, June.

Employment Matters, May 1992, Vol.3 (5): 1.

Fisher, Peter S., 1988

"State Venture Capital Funds as an Economic Development Strategy", *Journal of the American Planning Association*, Vol:54 (2): 166-177.

Gallagher, C.C. and Stewart, H., 1986

Jobs and the Business Life-Cycle in the UK., *Applied Economics* Vol.18, (8): 875-900.

Ganguly, Pom, 1985

UK Small Business Statistics and International Comparisons, Harper & Row, London.

Gumpert, David, E., 1985

"New Help for Start-ups", *Working Woman*, Vol.10, (7): 31-34.

Haines, Lesley, 1989

Work Today: Employment Trends to 1989, New Zealand Planning Council, Wellington.

Harper, D. and Bollard, A. 1985

The Employment Dynamics Project: The Generation of Jobs and Businesses in New Zealand Manufacturing 1980-84, New Zealand Institute of Economic Research.

Hart, P.E., edited 1986

Unemployment and Labour Market Policy, Aldershot, Gower.

Kirchhoff, Bruce A., 1988

"The Effect of Firm Formation and Growth on Job Creation in the United States" *Journal of Business Venturing*, Vol.3, (4): 261-272.

Lawrence, S. R. 1984

An Investigation into the Role of the Small Firms in Maintaining and Creating Employment in New Zealand Manufacturing Industry, A report prepared for the Development Finance Corporation of New Zealand, Department of Management Studies, University of Waikato.

Levering, Robert, 1988

A Great Place to work: What Makes Some Employers So Good, and Most So Bad, Random House, New York.

Levicki, Cyril, edited 1984

Small Business Theory and Policy, Croom Helm, London & Sydney, Action Society Trust.

Lincoln, R. James and Kalleberg, Arne, L. 1990

Culture, control, and commitment, Cambridge University Press, Cambridge.

Manawatu Business Development Board, 1991

Introducing the Business Development Programme, Business Development Investigation Grant, Enterprise Growth Development Scheme, Expert Assistance Grant Scheme.

Mandy, David, 1986

"Small Business: Panacea or Pipedream?", *Montana Business Quarterly*, Vol. 24, (3): 9-11.

McDermott, K., 1987

"Europe Gets the Entrepreneurial Itch", *D&B Reports*, Vol.35, (1): 36-39.

Ministry of Commerce, 1991

Results of Regional Development Grant Schemes Survey.

Ministry of Commerce, 1992

Results of Business Development Programme Schemes Survey.

Ministry of Finance, 1990

Economic Strategy, Wellington.

Minister of Finance, 1991

Economic Strategy, Wellington.

Minister of Finance, 1991

Budget, Wellington.

Minister of Finance, 1992

Budget, Wellington.

Myers Douglas, 1992

"A Tiger on Your Tail", H R Nicholls Society, Melbourne, April 1992, *From Recession to Recovery*, New Zealand Business Roundtable, September 1992: 77-90.

National Sectoral Working Group

Prospects: Economic and Sectoral Trend to 1997, New Zealand Planning Council, Wellington.

New Zealand Demographic Society Conference 23-24 May 1989,

1990, *One Thousand Years of New Zealand Population: Heading the Past and*

Planning for the Future, proceedings of the 1989, Population Studies Centre.

New Zealand Planning Council, 1980

Employment: Towards an Active Employment Policy, Wellington.

New Zealand Official Year Book, 1991

New Zealand Official Year Book, 1992

OECD, 1988/89

Economic Survey - New Zealand, Paris.

OECD, 1990/91

Economic Survey - New Zealand, Paris.

OECD, 1991

Employment Outlook, Paris.

OECD, 1992

Employment Outlook, Paris.

OECD, 1986

Labour Market Flexibility, Paris.

OECD, 1989

Mechanisms for Job Creation, Paris.

Palmerston North City Council, 1991

Economic Report, December.

Phillot, Bryan, 1990

Labour Market Flexibility in A General Equilibrium Analysis Of Paths to Full

Employment, Research Project on Economic Planning, Occasional Paper 98, Wellington.

Quigley, D. F., 1981

New Zealand Agricultural Science, Vol.5, (4), November: 157-163.

Rajan, Amin and Havdavi, Susan, 1988

"Employment Puzzle: Job creation or Job Diversion?" *Futures*, Vol.20 (4): 443-446.

Ratnatunga, Janek and Dixon, John, edited 1993

Australia and New Zealand Small Business Manual 3rd edition, CCH Australia Limited, NSW.

Richman, Louis S., 1988

"Tomorrow's Jobs: Plentiful, But....", *The Fortune*, Vol.117, April 11 : 42-56.

Richwhite, David, 1991

"Competing on the World Market", Australia- New Zealand Business council Annual Conference, November 1991, *From Recession to Recovery*, New Zealand Business Roundtable, September 1992: 11-20.

Rose, Dennis, 1990

The Fully Employed High Income Society, New Zealand Planning Council, Wellington.

Rothwell, Roy and Zegveld, Walter, 1982,

Innovation and the Small and Medium Sized Firm: Their Role in Employment and in Economic Change, Frances Pinter (Publishers), London.

Savage, John, 1990

Recession, Recovery and the Labour Market: The OECD experience, New

Zealand Institute of Economic Research (Inc.), Wellington.

Scase, Richard and Goffee, Robert, 1987

The Real World of the Small Business Owner, Croom Helm Ltd., London.

Shirley, Ian. *et al.*, 1990

Unemployment in New Zealand, The Dunmore Press Ltd., Palmerston North.

Sloan, John, Jr., 1985

"Small Business and Jobs - Local government and Tax Reforms", *Vital Speeches*, Vol:51, April 1, : 379-382.

Small Business Agency, 1979

Annual Report, Wellington.

Stanley, Guy, 1985

"Could Markets Run the Social Services?", *Canadian Business Review*, Vol:12, (1): 48-50.

Stante, Michael, 1986

"Grants Anyone?", *Canadian Banker*, Vol.93, (6): 54-57.

Storey, D.J. and Johnson, S., 1987

Job Generation and Labour Market Change, The Macmillan Press Ltd., London.

Ticknor, Thomas J., 1988

"Opportunity Analysis: Reading the Economic Development Environment for Jobs and Tax Base" *Economic Development Review*, Vol.6, (1): 40-44.

Udell, Gerald G., 1990

"Are Business Incubators Really Creating New Jobs by Creating New

Businesses and New Products" *Journal of product Innovation Management*, Vol.7, (2): 108-122.

Univeral Business Directories -Wellinton Provincial, 1992
Business & Trade Directory, 55th Edition.

Ward, Oliver O., 1989

"Job Creation and European Employment Issues: A Business Owner's Perspective", *Journal of Labour Research*, Vol.10 (1): 57-60.

Zipp, John F., 1991

The Quality of Jobs in Small Business, *Economic Development Quarterly*, Urban Research Centre University, Wisconsin, Milwaukee, Vol.5, Feb 1 : 9-22.