



Australian Government



Australian
Small Business and
Family Enterprise
Ombudsman

Small Business Matters

June 2023

Australian Small Business and
Family Enterprise Ombudsman

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Director, Communications and Media
Australian Small Business and Family Enterprise Ombudsman
GPO Box 1791
Canberra City, ACT 2601

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We depend heavily on the small and family-run businesses in our lives – whether it is your childcare operator, sporting coach, your dog groomer, GP, local accountant or your favourite winemaker or café owner who work every day to delight customers and energise enterprise.

These are great people in plain sight, and we see them everywhere, every day.

Almost 98% of businesses are small businesses – some 2.5 million who generate \$500 billion of economic activity accounting for one-third of our nation's GDP.

Small businesses provide jobs for over 5.1 million people and employ 42% of all apprentices and trainees in training – nearly double the amount employed by big business.

We celebrate the vital and deeply personal contribution they make to Australia's prosperity, wellbeing, and community,

Small business owners come with varied ambitions, backgrounds and experiences. What they have in common is the entrepreneurial flare and desire to have a go.

Statistically, the average small business owner is a self-employed man, aged 50, who works full-time and earns below the average full-time wage.

Yet that is far from the full story.

Female ownership is trending up and now accounts for 35% of all our small business owners – almost double the rate from the 1970s. But we know there is a glass ceiling in women's entrepreneurship, especially around accessing finance.

The flexibility of self-employment is an attractive livelihood option for some 1.55 million Australians

from all walks of life, but particularly women and older people. Small business owners are more likely than the general population to perform unpaid childcare and have other caring responsibilities particularly for those with a disability, health condition or old age.

It would be wrong to miscast these people as vulnerable gig economy workers.

Mature age people are more likely to be a business owner than an employee. Nearly half of all small business owners are over the age of 50. The average age of a small business owner has been steadily climbing.

Just 8% of small business owners are under 30. That's half the peak for this age group of 17% achieved in the mid-1970s.

We need to replenish and nurture the next generation of entrepreneurs, value self-employment and encourage and enable smaller enterprises and the livelihoods they make possible. We need to understand why it is not as appealing as it perhaps should be for younger Australians to own a small business.

Taking on the responsibility of owning and running a small business can be inspired by a range of goals and motivations, an abundance of purpose and meaning and be rich with unpredictability of challenges and income. It can be a hard slog and not always be as rewarding as people might hope. Around 43% of small businesses failed to make a profit and 75% of small business owners take home less than the average wage.

However, the spirit that drives people to run a small business also makes them great advocates for and contributors to their community and they are more likely than the general population to volunteer for an organisation or group.

Our small and family business owners and managers are great people, and we salute the terrific contribution they make everywhere, every day.

A handwritten signature in black ink, appearing to read 'Bruce Billson', written in a cursive style.

The Hon. Bruce Billson

Australian Small Business and Family Enterprise Ombudsman

A Nation of Small and Family Businesses

Almost 98% of all businesses are small businesses.

There were 2,506,012 small businesses operating in Australia in June 2022.

The number of small businesses increased by 164,172, or 7%, from the year before.

A common definition of small business used by the Australian Taxation Office (ATO) are those businesses with a turnover of \$10 million or less. Using this definition, 98% of Australian businesses are small businesses.

The vast majority (93%) of these businesses have a turnover of less than \$2 million.

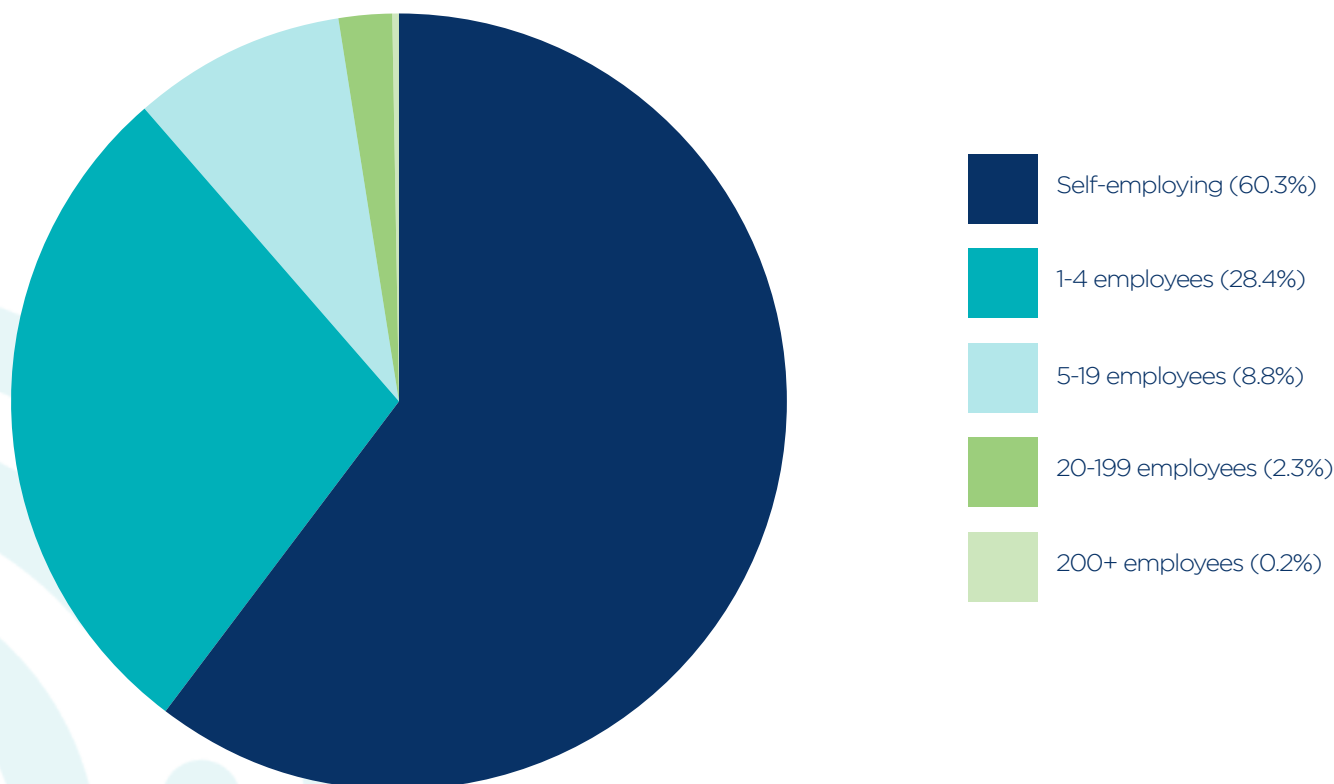
Table 1: Business numbers by annual turnover, June 2022

Annual turnover	Number of businesses	% of total businesses
Zero to less than \$50,000	699,077	27.2
\$50,000 to less than \$200,000	823,844	32.1
\$200,000 to less than \$2m	856,169	33.3
\$2m to less than \$5m	108,939	4.2
\$5m to less than \$10m	39,227	1.5
\$10m or more	42,644	1.7
Total	2,569,900	100

Source: ABS Counts of Australian Business 8165.0, Table 17, June 2022 and ASBFEO calculations.



Chart 1: Number of Australian businesses measured by employment size in June 2022



Source: ABS Counts of Australian Business, Table 13a, August 2022 and ASBFEO calculations (excludes businesses that are not registered for GST).

Widespread Growth

The number of small businesses increased in all states and territories and across capital city and regional areas.

Almost seven out of 10 small businesses (1.7 million) are in a greater capital city area and three out of 10 (758,477) are in a regional area.

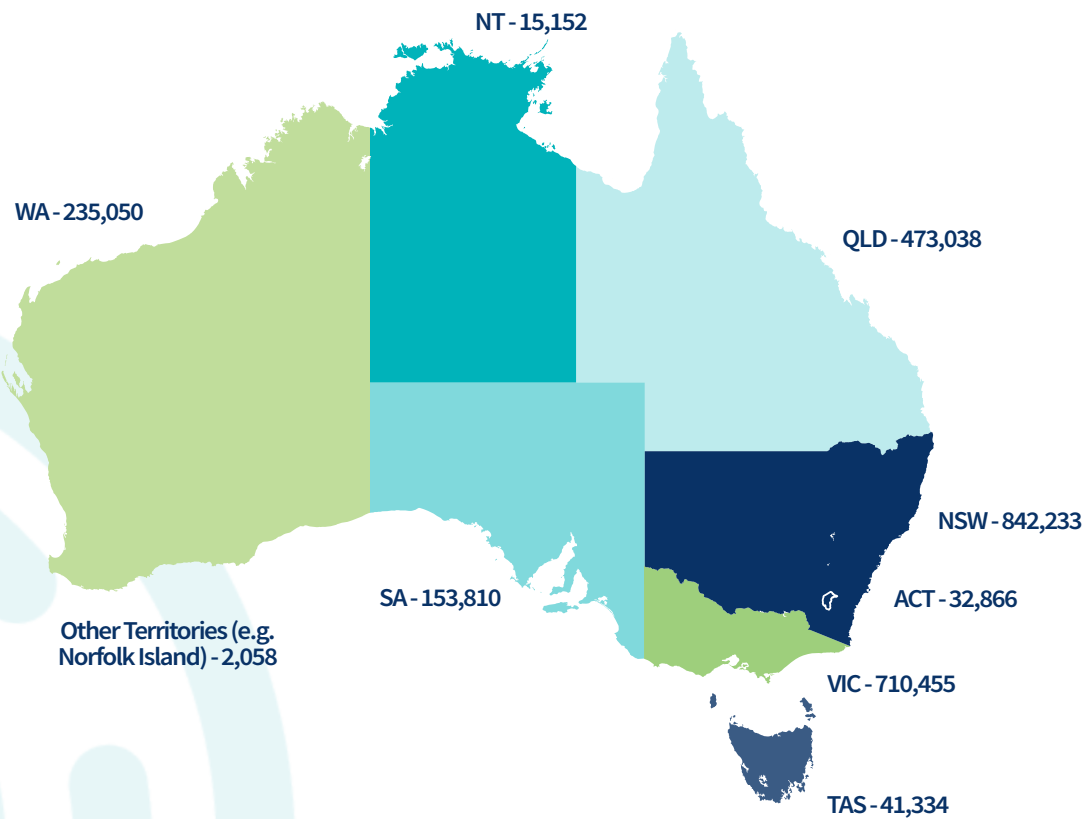
Queensland and Tasmania had the highest proportion of small businesses located in regional areas.

- The top five regions with the highest number of small businesses were all in Greater Capital City areas: Sydney Inner City (NSW), Melbourne City (Vic), Wyndham (Vic), Boroondara (Vic), and Perth City (WA).
- The non-capital city areas with the highest number of small businesses were Geelong (Vic), Ormeau – Oxenford (Qld), Newcastle (NSW), Toowoomba (Qld) and Townsville (Qld).



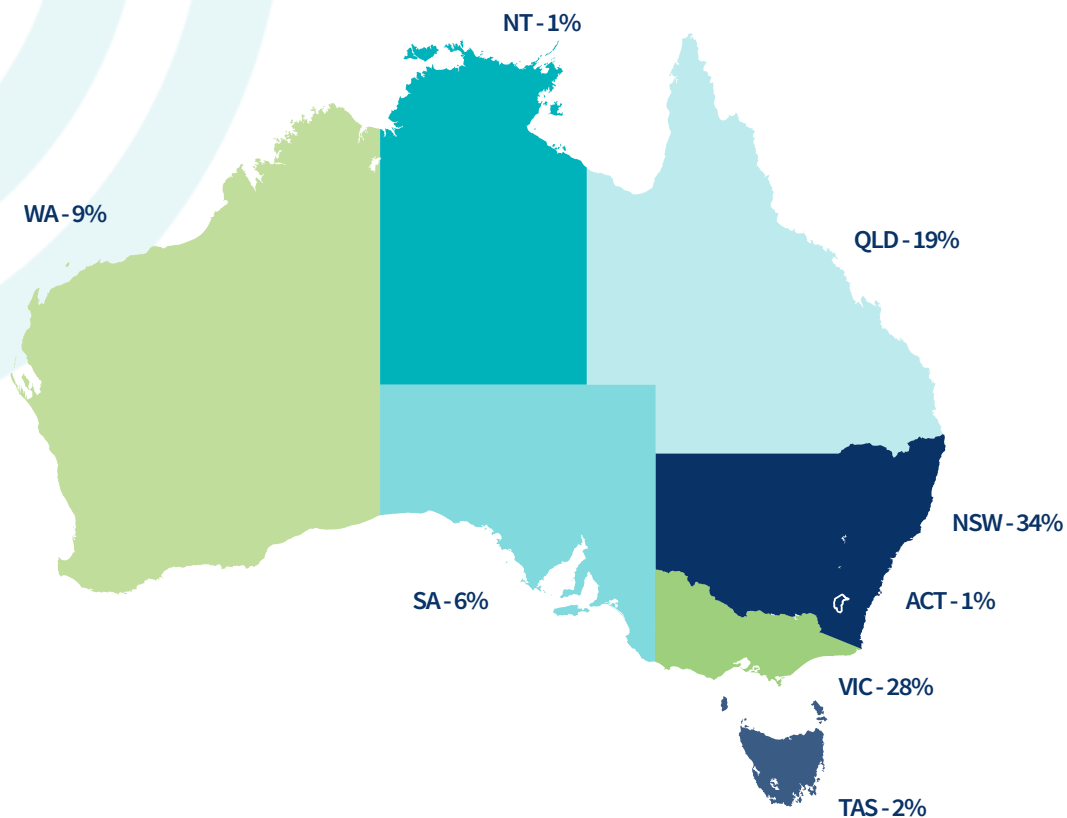
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Chart 2: Number of Australian businesses in each state and territory



Source: Based on Australian Bureau of Statistics, customised data, 2022.

Chart 3: Percentage of Australian businesses in each state and territory



Source: Based on Australian Bureau of Statistics, customised data, 2022.

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Industries

Half of all small businesses are in four industries:



Construction (18%)



Professional, Scientific and Technical Services (13%)



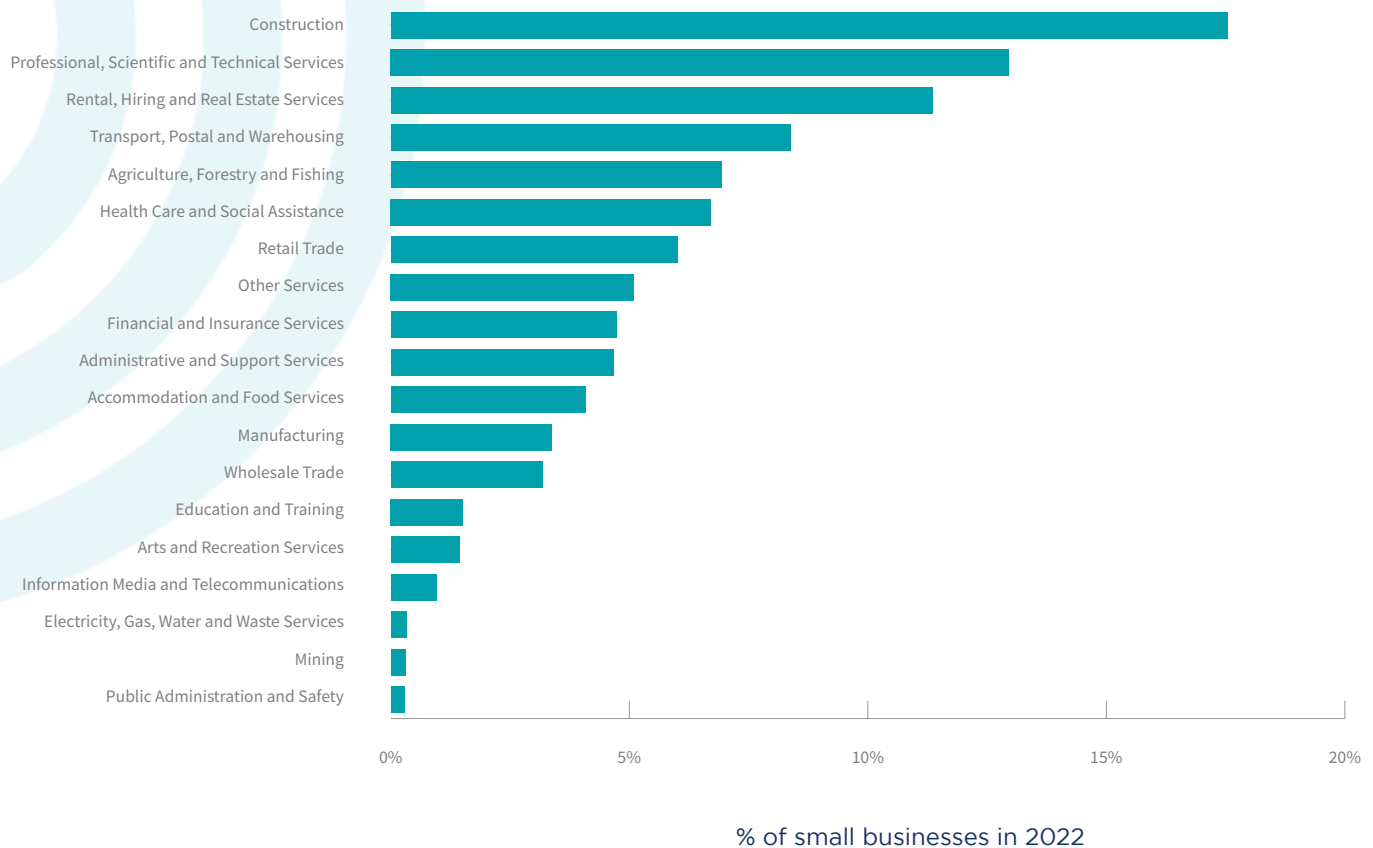
Rental, Hiring and Real Estate Services (11%)



Transport, Postal and Warehousing (8%)

Source: Based on *Australian Bureau of Statistics*, customised data, 2022.

Chart 4: Small businesses by industry, June 2022



Source: *ABS Counts of Australian Business 8165.0*, Table 17, August 2022 and ASBFEO calculations

Contribution to Gross Domestic Product (GDP)

Small business accounts for nearly one-third of Australia's GDP, some \$506 billion.

This is a 15% increase from the previous year.

Table 2: Industry value added by business size

Value added by business size	2019-20		2020-21		2021-22	
	\$m	%	\$m	%	\$m	%
Small business (0-19 employees)	424,155	33	438,673	33	505,975	32
Medium business (20-199 employees)	279,804	21	285,230	21	344,938	22
Large business (100+ employees)	602,079	46	619,553	46	711,199	46
Total	1,306,037	100.0	1,343,456	100.0	1,562,032	100.0

Source: ABS Australian Industry, Table 5, May 2023, and ASBFEO calculations, private sector industry.

Small business adds more value than other business sizes in the following sectors:

- Agriculture, forestry and fishing (78% of the industry's total value added in past financial year came from small businesses).
- Rental, hiring and real estate services (74% of total value added).
- Construction (52% of total value added).

Jobs

Australia's small businesses provide jobs for over 5 million people – that's 2 out of 5 private sector jobs.

The number of people employed by small businesses increased by 120,000 over the last year.

Small businesses in the construction, professional, scientific and technical services industries and food and accommodation sector were the largest employers.

Table 3: Employment by business size

Value added by business size	2019-20		2020-21		2021-22	
	('000)	%	('000)	%	('000)	%
Small business (0-19 employees)	4,663	41	5,035	42	5,155	42
Medium business (20-199 employees)	2,757	24	2,848	24	3,009	24
Large business (100+ employees)	3,979	34	4,022	34	4,202	34
Total	11,299	100	11,905	100	12,367	100

Source: ABS Australian Industry, Table 5, May 2023, and ASBFEO calculations, private sector industry.

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Table 4: Employment by industry and business size, 2021-22

Industry Sector	Small ('000)	Medium ('000)	Large ('000)	All ('000)	Small Business Share (%)
Agriculture, forestry and fishing	336	69	21	426	79
Rental, hiring and real estate services	318	65	46	429	74
Other services	367	102	80	549	67
Construction	801	265	163	1,229	65
Accommodation and food services	461	338	261	1,061	43
Professional, scientific and technical services	655	344	293	1,293	51
Transport, postal and warehousing	282	109	250	651	43
Arts and recreation services	83	67	95	245	34
Wholesale trade	196	295	183	583	34
Retail trade	443	250	726	1,419	31
Manufacturing	268	301	301	870	31
Health care and social assistance (Private)	449	315	773	1,537	29
Administrative and support services	282	295	422	999	28
Education and training (private)	115	159	191	466	25
Information media and telecommunications	42	39	102	183	23
Public administration and safety (private)	19	31	46	96	20
Electricity, gas, water and waste services	22	25	84	131	17
Mining	16	27	157	200	8
Total selected industries	5,155	3,009	4,202	12,367	42

Source: ABS Australian Industry, Table 5, May 2023, and ASBFEO calculations, private sector industry.

Apprentices and Trainees

Small businesses employ 42% of all apprentices and trainees in-training.

The number of apprentices and trainees in-training employed by small businesses was 167,328 – an annual increase of 12%.

Nearly half (49%) of apprentices and trainees in-training employed by small business are in the construction industry.

Over two-thirds of apprentices and trainees in-training employed by small business were aged 24 and under in June 2022.

Source: VOCSTATS, extracted on 28/03/2023.



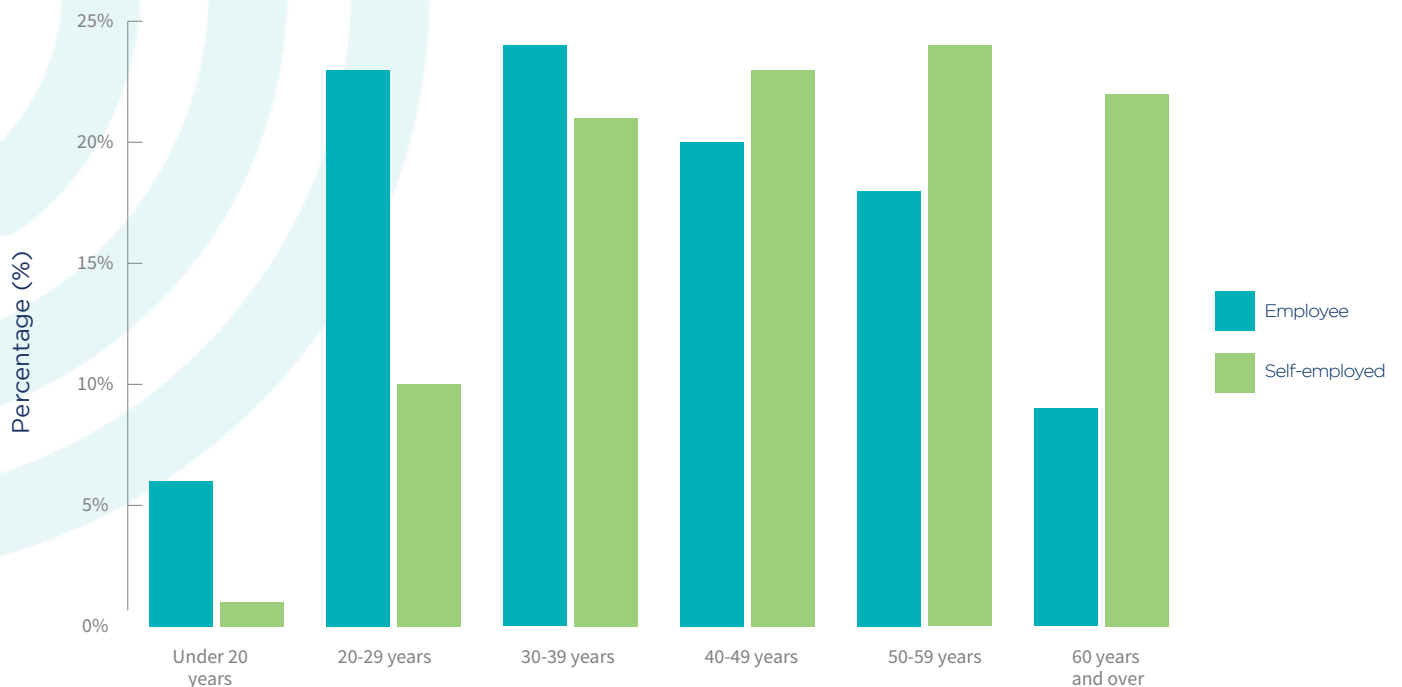
Self-employed

There are 1,550,151 self-employed businesses, which accounts for 60% of all small businesses.

The flexibility of self-employment remains an attractive livelihood option for many Australians.

22% of self-employed business owners are aged 60 and over, compared to 9% of employees.

Chart 5: Age of self-employed vs employees, 2021

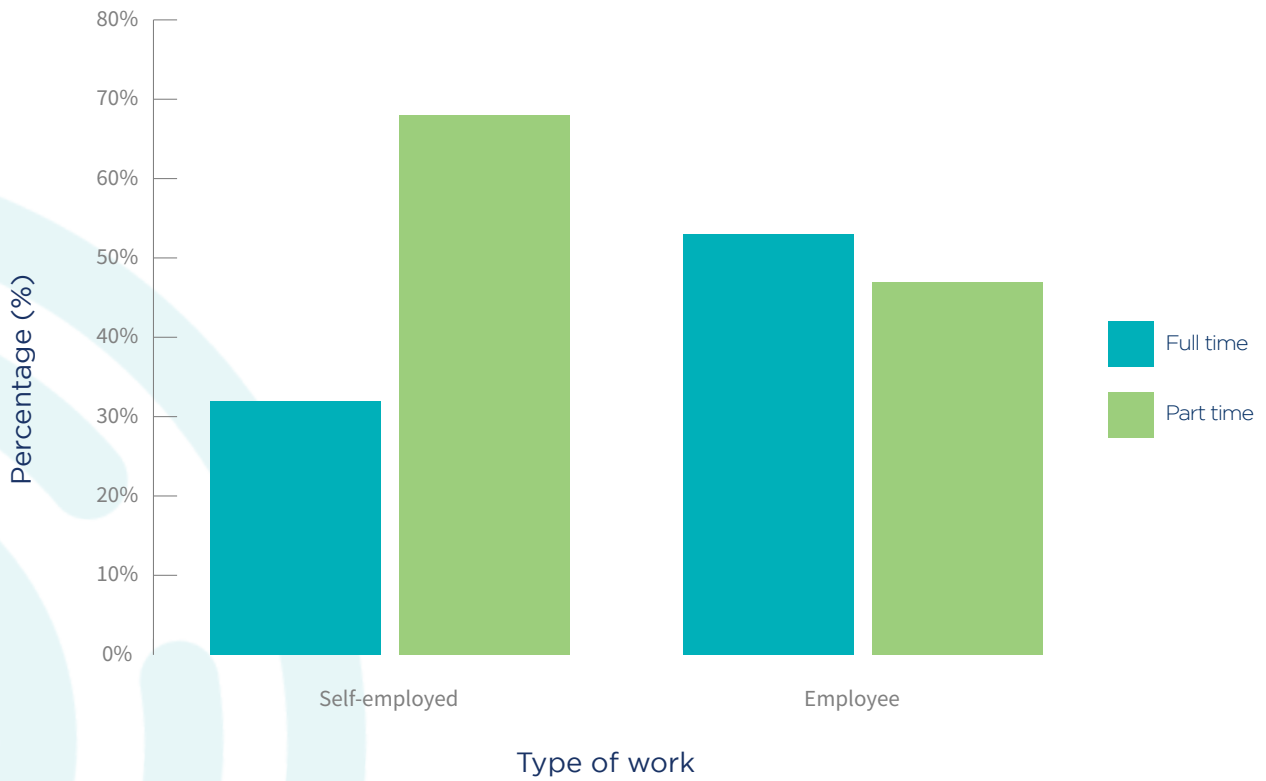


Source: Based on ABS Table Builder, Census 2021

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68% of self-employed females are working part-time, compared to 47% of female employees in the overall workforce who work part-time.

Chart 6: Female self-employed vs employee working arrangements, 2021



Source: Based on ABS Table Builder, Census 2021



Getting older

Nearly half (47%) of small business owners are aged 50 and over. This proportion has increased each Census year since 1996.

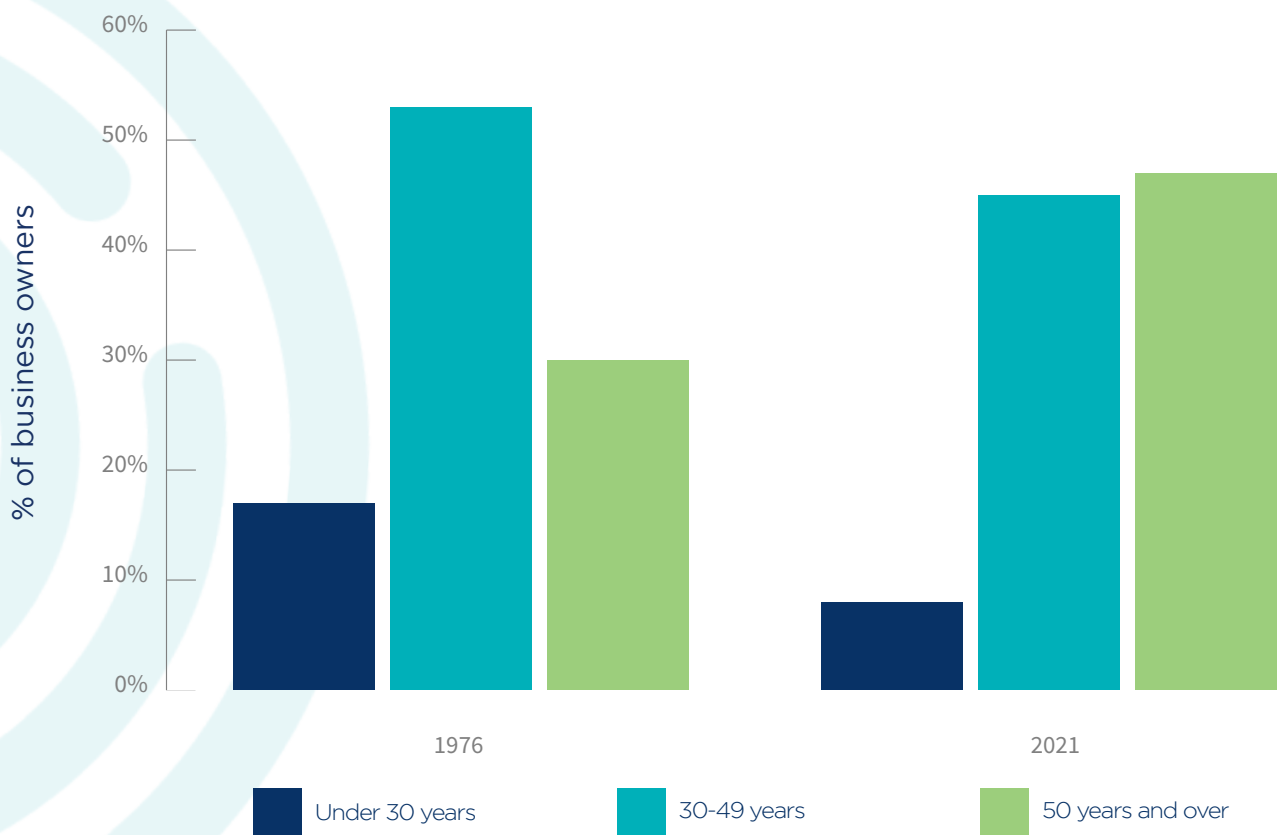
- 22% are aged 60 and over.

Only 8% of small business owners are aged under 30.

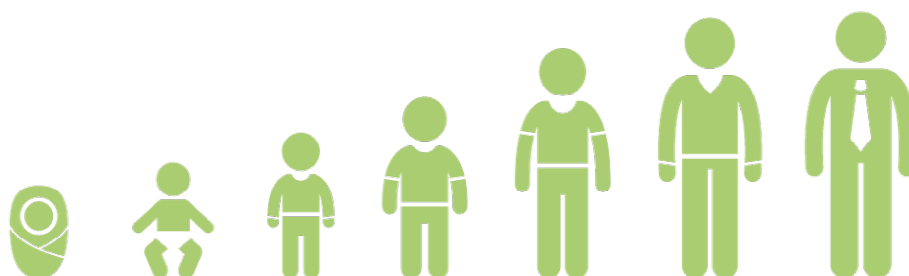
- This is a decrease from the peak of 17% in 1976.

The most common age of small business owners is 50 years, compared to 45 years in 2006. In the 1980s there were twice as many small business owners aged between 30 and 49 as there were aged over 50.

Chart 7: Age of business owners



Total Business Owners. Based on *Australian Bureau of Statistics*, customised data, 2023.



Greater Female Ownership

35% of business owners are women. This has increased from 19% in 1966.

Since 2006 the number of women owning a small business has increased three times faster than the number of men (a 24% increase in the number of female small business owners compared with a 7% increase for males).

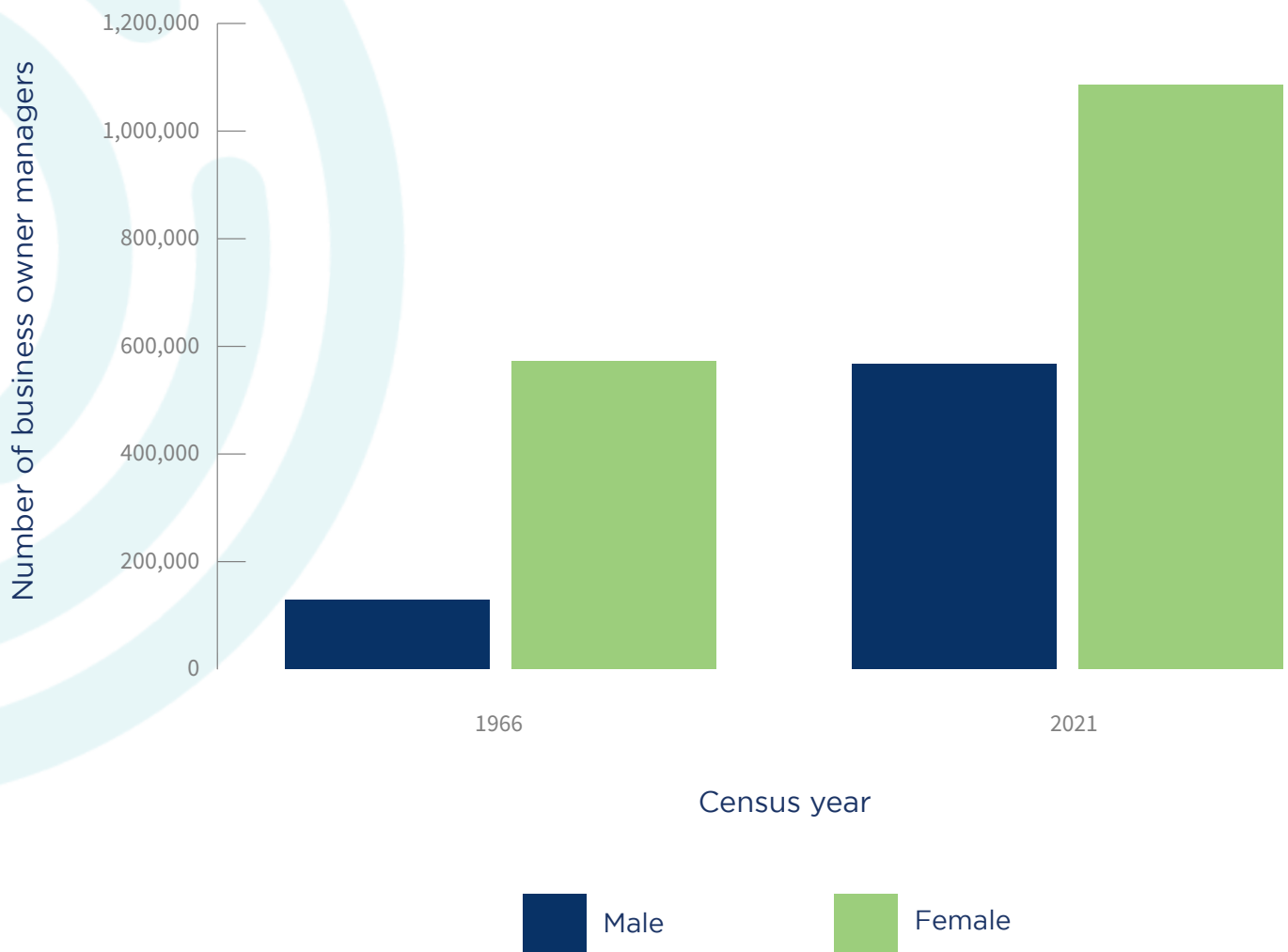
There are almost 550,000 female small business owner managers in Australia and 572,513 female business owner managers overall. This compares to 126,681 female business owner managers in 1966.

More than half (53%) of female small business owners work part-time.

Two-thirds of female small business owner managers were self-employed, compared to 58% of male small business owner managers.

Female small business owner managers account for more than half of owner managers in the health care and social assistance and education and training industries.

Chart 8: Sex of business owners



Total Business Owners. Based on *Australian Bureau of Statistics*, customised data, 2023.

First Nations Australians

The limited available data suggests that First Nations Australians are under-represented in small business ownership. Only 1% of small business owners self-identified as First Nations Australians and this may contribute to under-reporting and data volatility. About 3% of the Australian population self-identified as First Nations Australians.

The main sectors where First Nations Australians are active include construction, personal services, health care and social assistance and administrative and support services.

More research is underway, including by the Centre for Indigenous Business Leadership at the University of Melbourne to deepen the understanding of the Indigenous business sector. Additional research, supportive Government procurement measures and reports of vibrancy in the indigenous business sector are welcomed and encouraging.

Migrant Owned Businesses

One out of three small business owners (34%) were born outside of Australia. This is a greater proportion than the 29% of Australia's general population who were born overseas.

More than half (53%) of small business owners are second generation migrants, with a father and/or mother born overseas.

Nearly one-quarter of small business owners (23%) use a language other than English at home.

Small business owners who were born overseas are more likely than those born in Australia to work in:

- transport, postal and warehousing
- cafes, restaurants and accommodation.

Small business owners who were born overseas are less likely than those born in Australia to work in:

- construction
- agriculture, forestry and fishing.



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Table 5: Proportion of small business owners born overseas vs Australia, by industry, 2021

Industry	% of small business owners born overseas	% of small business owners born in Australia
Construction	14%	22%
Professional, Scientific and Technical Services	13%	13%
Health Care and Social Assistance	12%	9%
Transport, Postal and Warehousing	9%	4%
Accommodation and Food Services	7%	3%
Retail Trade	7%	5%
Other Services	7%	8%
Administrative and Support Services	6%	6%
Manufacturing	4%	4%
Education and Training	4%	4%
Financial and Insurance Services	3%	3%
Rental, Hiring and Real Estate Services	2%	2%
Wholesale Trade	2%	2%
Agriculture, Forestry and Fishing	2%	7%
Arts and Recreation Services	2%	3%
Information Media and Telecommunications	1%	1%
Public Administration and Safety	1%	1%
Mining	0%	1%
Electricity, Gas, Water and Waste Services	0%	0%
Inadequately described or not stated	4%	2%
Total	100%	100%

Source: Based on ABS TableBuilder, Census 2021

Small business owners earn less...

Three-quarters of self-employed small business owners working full-time earn less than the average full-time adult wage.

55% of small business owners working full-time with 1 – 19 employees earn less than the average full-time adult wage.

Chart 9: Small business owners' total weekly earnings from all sources, 2020-21



Source: Based on ABS TableBuilder, Census 2021, ABS Average Weekly Earnings Australia, May 2021, accessed 28/05/2023

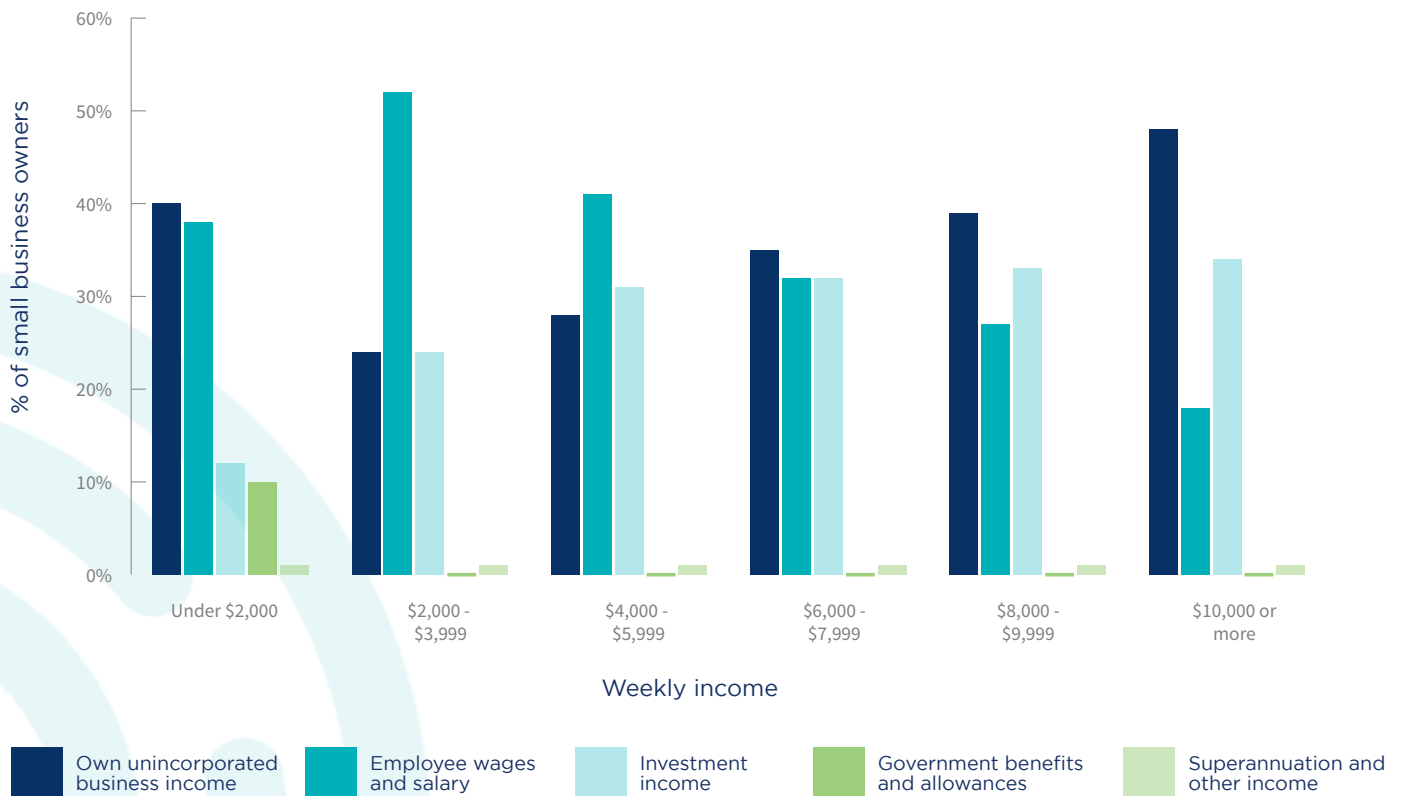
As the total personal income of small business owner managers increases, so does the proportion whose main source of income is from their own unincorporated business income and investments.

For those on an income of \$10,000 or more, 48% received most of their income from their own unincorporated business and 34% from investments.



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Chart 10: Total personal income of small business owners, 2021



Source: Based on ABS TableBuilder, Census 2021



And work more hours...

61% of small business owners with 1 – 19 employees work 39 hours or more per week (the median hours worked in Australia is 38 hours per week).

35% of self-employed small business owners work 39 hours or more.

Overall, 45% of small business owners work 39 hours or more per week.



Chart 11: Hours worked by small business owners, 2021



Source: Based on ABS TableBuilder, Census 2021

ABS figures show small businesses earned \$276 million, an increase of 3.5% compared to the previous year. In terms of value, the strongest growth was in agriculture, forestry and fishing and rental, hiring and real estate services.

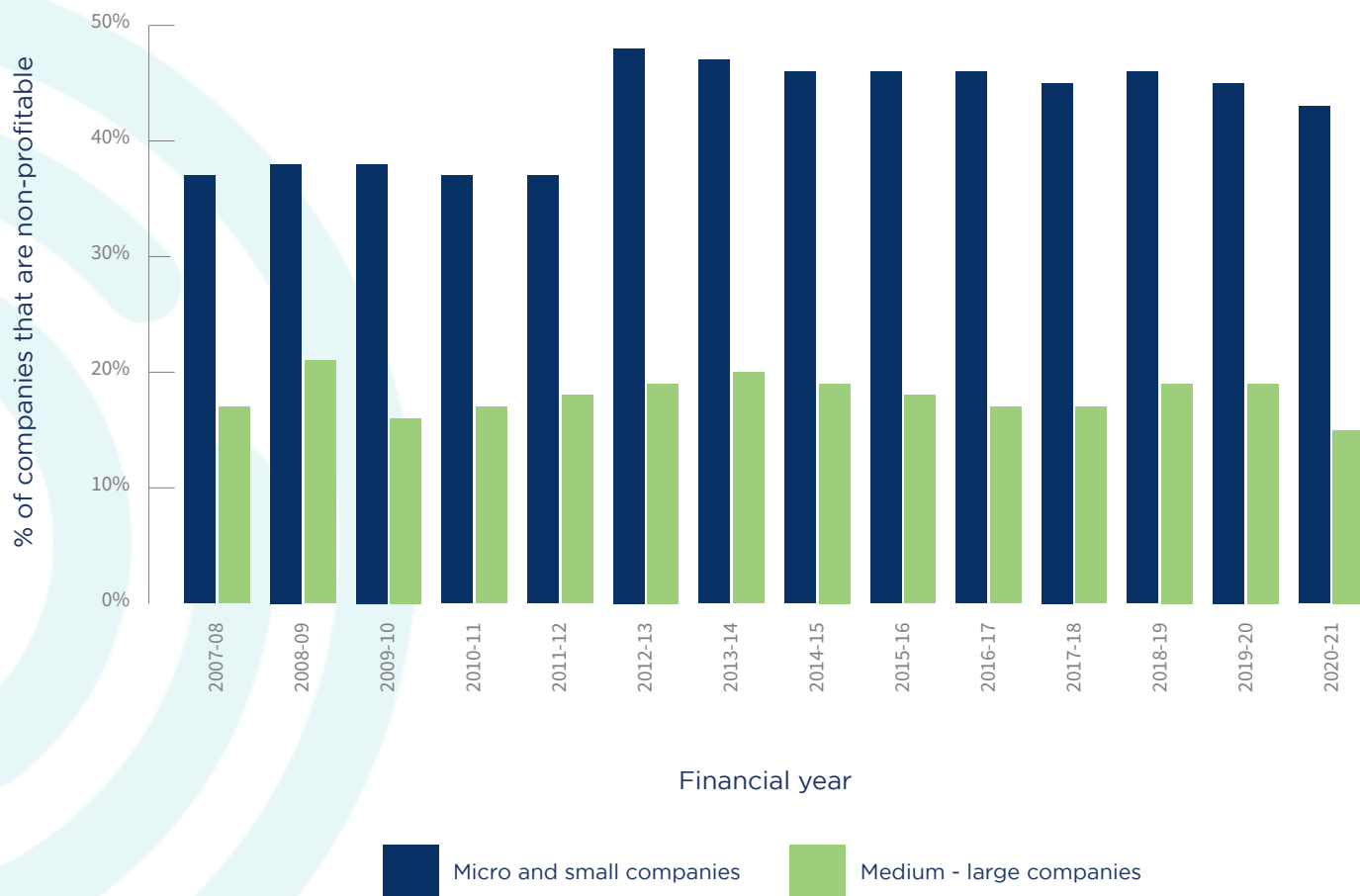
The rental, hiring and real estate services industry accounts for over 20% of total small business earnings (\$58 million).

Many of their companies aren't making a profit either...

Two out of five micro and small companies (43%) are non-profitable. This is the lowest proportion since 2012-13, when 48% of micro and small companies were non-profitable.

This compares to 15% of medium and large companies which were non-profitable. This is the lowest proportion since the Global Financial Crisis.

Chart 12: Non-profitable companies by size



Source: Based on ATO Taxation Statistics, Table 6, 2020-21 and previous editions



Community support

Despite these financial challenges, small business owners still find time to support their family and the broader community.

19% of small business owners undertake volunteer work for an organisation or group.

This was consistent across both self-employed (19%) and small business owners with 1 – 19 employees (20%).

In comparison, 14% of Australians aged 15 and over are volunteers.

2% of small business owners have served in the Australian Defence Force. This was consistent across both self-employed and small business owners with 1 – 19 employees. This percentage is equal with the Australian community (2%).

39% of small business owners provided unpaid childcare to their own and/or other children. In comparison, 27% of Australians aged 15 and over provided unpaid childcare.

The rate is 37% among self-employed small business owners and climbs to 43% of small business owners with 1 – 19 employees.

14% of small business owners provided unpaid caring assistance to a person with disability, health condition or due to old age. For the overall community of Australians aged 15 and over it is 12%.

21% of small business owners worked 15 hours or more in unpaid domestic work. This was consistent with Australians aged 15 and over.

The rate is highest (23%) among self-employed small business owners and 18% of small business owners with 1 – 19 employees.



About the data

This publication uses the ABS definition of small businesses as those with fewer than 20 employees. The exceptions are:

- Businesses based on turnover. This defines small businesses as those with a turnover of \$10 million or less. This refers to businesses as at 30 June 2022.
- Profitability of businesses. This defines small companies as those with a turnover of \$10 million or less. Unless otherwise stated, the reference period is 2019-20. These statistics are limited to company tax returns.

The number of businesses includes businesses with a Goods and Services Tax (GST) role that are actively remitting GST through a Business Activity Statement. Regional data reports on the area of business operation. Businesses that operate in more than one location counted in a single geographical classification to avoid double counting. The Australian Statistical Geography Standard (ASGS) classifies regions. For further information see *Australian Bureau of Statistics, Counts of Australian Businesses, Including Entries and Exits methodology*.

This publication uses the term self-employed when referring to non-employing businesses.

Data on small business owner managers refer to 2021 unless otherwise stated. This data reflects individuals' responses to the ABS Census except for income, which uses the administrative income variable. This includes data from the ATO and the Department of Social Services to calculate the amount and types of income that persons, families, and households received in 2020-21. ABS present sex as a binary classification in most Census data releases to maintain quality at the small area level. For this reason, this report reports on sex as a binary classification. For further information see *Australian Bureau of Statistics, Census of Population and Housing: Census Dictionary*. The number of small businesses is higher than the number of small business owners because individuals may own more than one business.

All data sourced from *ABS Australian Industry 2021-22*, refer to selected industries. For example, entities in the Finance and Insurance and superannuation funds industries. For further information, please see *ABS Australian Industry Methodology, 2021-22*.

ASBFEO has sourced apprentices and trainees data from NCEVER's VOCSTATS. We note that NCEVER states that it is not responsible for the correct extraction, analysis or interpretation of the data obtained from VOCSTATS.

About ASBFEO

The mission of the Australian Small Business and Family Enterprise Ombudsman is to help ensure Australia is the best place to start, grow and transform a small business and family enterprise.

ASBFEO understands the challenges facing small and family business and provides advice and research to improve policies, access to dispute resolution services and mental health support should the need arise.

For more information, resources and checklists please visit www.asbfeo.gov.au

