

EXPLANATORY NOTES

INTRODUCTION

1 This publication presents counts of businesses based on snapshots of actively trading businesses as at June 2010, 2011, 2012, 2013 and 2014 from the Australian Bureau of Statistics Business Register (ABSBR). This publication contains counts and rates of business entries and exits from the Australian economy as well as counts and rates pertaining to the survival of businesses.

2 The scope of *Counts of Australian Businesses, including Entries and Exits* (CABEE) (cat. no. 8165.0) is significantly different to previously released, but now discontinued ABS business counts publications. In particular, the publication only includes businesses which actively traded in goods or services during the reference period in question, whereas the scope of the discontinued releases focused on different populations. Refer to the section entitled 'Scope' and 'Appendix 1 ABS Businesses Counts' for further information.

3 The following Explanatory Notes contain further information about the collection methods used in compiling CABEE. This includes information about the data source, the Australian Business Register (ABR) and the Australian Taxation Office (ATO) and processes or transformations which have been applied to the data.

4 Most businesses in Australia need to obtain an Australian Business Number (ABN). These businesses are then included on the whole of government register of businesses, the Australian Business Register (ABR). The results in this CABEE publication are based, in part, on tax data supplied by the Australian Tax Office (ATO) under the *Taxation Administration Act 1953* and ABR data supplied by the Registrar under *A New Tax System (Australian Business Number) Act 1999*. The *Taxation Administration Act 1953* requires that such data is only used for the purpose of administering the *Census and Statistics Act 1905* and the *Australian Business Number Act 1999* requires that such data is only used for the purpose of carrying out functions of the ABS. Further information about the two Acts can be found at www.comlaw.gov.au. Information about the ABR can be obtained from the ABR website www.abr.gov.au or the ATO website www.ato.gov.au/business. The ABS uses information from the ABR to populate its internal register of businesses, the Australian Bureau of Statistics Business Register (ABSBR), which is used as a source for business survey frames and business counts.

5 Legislative requirements to ensure privacy and secrecy of these data have been followed. Only people authorised under the *Australian Bureau of Statistics Act 1975* have been allowed to view data about any particular firm in conducting these analyses. Results have been confidentialised in accordance with the *Census and Statistics Act 1905*, to ensure that they are not likely to enable identification of a particular person or organisation.

STATISTICAL UNIT

6 In mid 2002, the ABS commenced sourcing its register information from the ABR and at that time changed its business register to a two population model. The two populations are known as the profiled population and the non-profiled population, formerly known as the Australian Bureau of Statistics maintained population (ABSMP) and the ATO maintained population (ATOMP). The main distinction between businesses in the two populations relates to the complexity of the business structure and the degree of intervention required to reflect the business structure for statistical purposes.

7 The vast majority of businesses included on the ABSBR are in the non-profiled population. Most of these businesses are understood to have simple structures. After some system processes are applied to the unit registered for an ABN, the resulting statistical unit is a good approximation satisfying ABS statistical requirements. For these businesses, the ABS statistical units structure directly aligns with the ABN unit: one ABN equates to one business.

EXPLANATORY NOTES *continued*

STATISTICAL UNIT *continued*

8 For a relatively small number of businesses, the ABN unit is not suitable for ABS economic statistics purposes and the ABS maintains its own units structure through direct contact with businesses. These businesses constitute the profiled population. This population consists typically of large, complex and diverse groups of businesses. In the profiled population, a type of activity unit (TAU) equates to one business.

9 The TAU is comprised of one or more business entities, sub entities, or branches of a business entity within an enterprise group that can report production and employment data for similar economic activities. When a minimum set of data items are available, a TAU is created which covers all the operations within an industry subdivision. Where a business cannot supply adequate information for each industry, a TAU is formed which contains activity in more than one industry subdivision. These TAUs are classified according to the industry subdivision of the main activity. TAUs may have operations in one or more states / territories.

10 The statistical unit referred to as a 'business' thus consists of ABNs from the non-profiled population and TAUs from the profiled population. For a comprehensive definition of a business, refer to the publication's Glossary.

SCOPE

11 Counts of businesses produced from the ABSBR are comprised of actively trading businesses in the Australian economy. Actively trading businesses are:

- TAUs from the profiled population (where activity is monitored by direct contact by ABS)
- ABNs from the non-profiled population which are actively remitting in respect of a Goods and Services Tax (GST) role.

12 Limiting the scope to only businesses with a GST role means that only entities which are actively trading in goods or services are included. Businesses which have not submitted a Business Activity Statement (BAS) and/or have reported zero dollar amounts over five consecutive quarters (or three consecutive years for annual remitters) are treated as 'long term non-remitters' (LTNRs). These businesses are not considered to be actively trading and are excluded from the counts as they are not remitting GST.

13 Units contained on the ABSBR have been allocated within the following classifications:

- Standard Institutional Sector Classification of Australia (SISCA) 2008
- Type of Legal Organisation (TOLO)
- Australian and New Zealand Industry Classification (ANZSIC) 2006.

14 Entities which are not considered to be actively trading in the market sector are not considered to be businesses and, as such, are excluded from the business counts.

15 Entities classified to the following categories of SISCA are excluded:

- 2110 Reserve Bank of Australia
- 3000 General Government
- 5000 Not For Profit Institutions Serving Households
- 6000 Rest of the World.

16 Entities classified to the following TOLO categories are excluded:

- 12 Charitable Institution
- 15 Social and Sporting Clubs
- 16 Trade Unions and Other Associations
- 20 Other Unincorporated Entity
- 41 Diplomatic or Trade Missions
- 42 Other Foreign Government.

17 Entities classified to the following 4 digit ANZSIC classes are excluded:

- 7711 Police Services
- 7713 Fire Protection and Other Emergency Services

EXPLANATORY NOTES *continued*

SCOPE *continued*

- 9540 Religious Services
- 9551 Business and Professional Associations
- 9552 Labour Association Services
- 9559 Other Interest Group Services n.e.c.
- 9601 Private Households Employing Staff
- 9602 Undifferentiated Goods Producing Activities of Private Household for Own Use
- 9603 Undifferentiated Service Producing Activities of Private Household for Own Use.

18 The exclusion of the General Government Institutional Sector particularly impacts on counts for the 'Public Administration and Safety', 'Education and Training' and 'Health Care and Social Assistance' ANZSIC divisions (O, P and Q respectively). This focuses the business counts in these divisions on private sector and public corporations activity only.

19 Most unincorporated entities (known as Sole Proprietors/Traders) are included in the 'Households' sector. An unincorporated entity is an entity which has not become a corporation under the *Corporation Act 2001*. Unincorporated entities can choose to remain 'unincorporated', whereby the business does not possess a separate legal identity to that of its owner, or it can choose the limited liability status of a company where the business assets are legally separate to that of the owners. Some unincorporated businesses are excluded from CABEE because these are operated/controlled by other SISCA categories such as General Government or the Not for Profit Institutions Serving Household (NPISH) sectors which are out of scope of CABEE.

20 In addition, the scope for business counts includes those businesses that are yet to be coded by the ATO to an industry, sector and/or main state of operation through the Australian Business Register (ABR) new business registration process. Analysis conducted on these businesses indicates that, despite not having a complete set of characteristics data, these businesses were actively trading and also met the other scoping criteria of the collection (refer to the 'Conceptual and Practical Basis for Counts' section for further details). It was therefore considered appropriate that they be included within scope of CABEE.

21 These actively trading businesses have been grouped together into 'Currently Unknown' codes in the publication tables and the forthcoming data cubes. The inclusion of these businesses in CABEE provides a more accurate annual snapshot of businesses that are actively trading in the Australian economy.

22 In June 2010, the ABS implemented a new methodology for identifying annual long term non-remitters (LTNRs). For annual remitters, the LTNR period was increased from 5 consecutive quarters to 3 consecutive years. This change in LTNR methodology resulted in a more accurate count of active businesses, particularly in the small business sector. However, the change resulted in a noticeable and identifiable increase in business counts in June 2010. It also led to an increase in business entries, because some businesses who would have previously been excluded were brought back into scope, and therefore appeared as business entries. An estimated 20,909 of the 342,753 business entries in 2009–10 can be attributed to the new LTNR methodology, and the majority are clustered in the 'Non-employing' size category. They are also clustered in the Households category of Standard Institutional Sector Classification of Australia (SISCA) and the Sole Proprietor and Partnerships categories of Type of Legal Organisation (TOLO). As such, users should exercise care when comparing June 2010 business counts and 2009–10 business entries with business counts and entries from earlier or later periods.

EXPLANATORY NOTES *continued*

COVERAGE

23 There are actively trading businesses which have not registered for an ABN, either because they do not have any obligations under the Goods and Services Tax (GST) legislation or are under the threshold for registration and have chosen not to register. These businesses have not been identified or quantified and are not included in counts presented in this publication.

COMPARABILITY WITH FRAMES FOR ABS BUSINESS SURVEYS

24 The basis for business counts in this release is broadly consistent with that used for frames in most ABS business surveys. There are two exceptions to this:

- The scope with regard to industry, sector, or type of legal organisation can vary according to the requirements of the survey. In some cases, classifications excluded from these business counts are included in a survey frame in order to measure a particular part of the economy more comprehensively. Other survey frames may only include a subset of these classifications such as excluding businesses with invalid ANZSIC codes. Most frames currently include 'Employing' businesses only.
- Most survey frames include entities with a tax role to withhold income tax from their employees (ITW role) but without a GST role. There are approximately 41,000 such entities. Investigations indicate that units with an ITW role but no GST role are likely to be part of a complex business structure. Such entities are excluded from these counts as they are not considered to be actively trading in goods and services. For business surveys designed to, amongst other things, provide estimates of wages and salaries paid (irrespective of whether the entity is actively trading or not), it is important that these entities are included on frames.

REFERENCE PERIOD

25 Counts of businesses provided in the CABEE suite of products are based on annual snapshots of the ABSBR from 30 June 2010 to 30 June 2014 (inclusive) and also reflect changes and continuity between those periods.

TIME SERIES

26 The data presented in this publication were produced on a similar conceptual basis to the data included in previous publications. In terms of time series, at an aggregate level, data comparability is considered high between this and previous publications. Refer to the section entitled 'Scope' for further information.

27 However, users should exercise caution when comparing geographical data between this publication and publications released prior to the June 2007 to June 2011 publication. The ABS has implemented a new geographical framework, namely the *Australian Statistical Geography Standard (ASGS)*. With the move to the new geography framework, both national data and state based data will remain unchanged. Refer to section entitled 'ASGS' for further information.

28 Users should also exercise caution when making data comparisons between this publication and previous publications containing ANZSIC 1993 industry detail and annual turnover size ranges which will not be directly comparable with the data included in this publication.

BUSINESS EVENTS

29 This release contains snapshots of counts of active businesses at regular points in time. These data also assist in providing a point in time 'snapshot' of those businesses that are entering and exiting the Australian economy, as well as those businesses that continue to survive. For further information, refer to the publication's Technical Notes.

30 Business entry and exit counts are restricted to new or ceasing businesses. The movement of businesses between the profiled and non-profiled populations can also have an impact, though this is usually minor. In 2013–14, the ABS undertook some maintenance activity to improve the recording of businesses with agriculture related activity. The net impact of these movements was to increase the number of businesses operating in June 2014 by 383. This represents less than 2% of the 20,496 increase in businesses operating in June 2014 compared with June 2013. These movements inflated the 2013–14 business entry rate from 13.5% to 13.7% and the 2013–14 business exit rate

EXPLANATORY NOTES *continued*

BUSINESS EVENTS *continued*

from 12.5% to 12.7% because they were counted as business exits and entries. The effects of the movements were more pronounced for the Agriculture, Forestry and Fishing industry, the household sector, and partnerships, because the movements were fairly concentrated in these business subpopulations. For example, the movements reduced the decrease in Agriculture, Forestry and Fishing industry businesses during 2013–14 from 2.1% to 2.0%, increased this industry's 2013–14 business entry rate from 6.4% to 8.4%, and increased its 2013–14 business exit rate from 8.5% to 10.4%.

ENTRIES

31 A business entry event is the registration of a new business for an ABN and the allocation of a GST role, or the allocation of a GST role to an existing ABN which previously did not have this role.

32 This also includes businesses which had either:

- their ABN or GST role cancelled and subsequently recommenced activity under their original ABN and GST role
- ceased remitting BAS for at least five consecutive quarters (or three consecutive years for annual remitters) but had recommenced remitting prior to the next reference period.

33 Thus, a business entry is defined as a business which is actively trading on the business register at 30 June in the reference year but was not actively trading at 30 June the previous year.

EXITS

34 A business exit event is the cancellation of a business' ABN or GST role and/or when a business ceases to remit GST for at least five consecutive quarters in respect of that ABN (or 3 consecutive years for annual remitters).

35 Thus, a business exit is defined as a business which was actively trading on the business register at 30 June in the previous year but was not actively trading at 30 June in the reference year.

36 It is important to note that a business exit event does not necessarily equate to a business 'failure'. There may be a number of other reasons why a business exit event has occurred, including events relating to selling a business (e.g. due to an owner/operator retiring), and events relating to changes in a business' structure (e.g. due to merger or takeover activities), etc. Such events may result in one or more business exit events occurring, and in some cases, no net loss of businesses.

SURVIVALS

37 A surviving business is defined as a business which is active on the ABSBR at 30 June of the current year and was also active in the previous year. In this release, two types of survivors are recorded:

- businesses that were on the ABSBR at 30 June 2010. Due to the changed basis of the ABSBR in 2003, the ABS has determined that it is not feasible to ascertain the age of these businesses. The survival of these businesses is measured in terms of whether they were still on the ABSBR at 30 June 2011, 30 June 2012, 30 June 2013 and 30 June 2014
- businesses that were entries in 2010–11. That is, they were not on the ABSBR at 30 June 2010 but were on 30 June 2011. The survival of these businesses is measured in terms of whether they were still on the ABSBR at 30 June 2012, 30 June 2013 and 30 June 2014.

38 One of the enhancements to the business counts data in recent publications involves the provision of data which indicates the growth of business survivals (in terms of employment and annual turnover classifications) over time. For further information, refer to the publication's Technical Notes.

EXPLANATORY NOTES *continued*

INTRA-YEAR ENTRIES AND EXITS

39 It is possible that a business can enter after 30 June in a given year and exit before 30 June in the following year. A small number of these instances occur in any given year. This release excludes those instances in order to assist interpretation of results.

DATA QUALITY

40 The counts in this publication are subject to non-sampling error and the cyclical administrative workflows of the ATO may impact on data interpretability. The counts are not subject to sampling error as they represent a complete enumeration of those 'economically active' businesses on the ABSBR. For further information on this and other likely sources of error in this release, refer to the Quality Declaration associated with CABEE.

A COMPREHENSIVE COUNT OF ALL ECONOMICALLY ACTIVE ENTITIES

41 Ideally, the ABS would capture all economically active entities in Australia. These would then be split by actively trading businesses and other entities. However, it is not possible to capture all such entities accurately at this stage as there are a number of options open to these entities with regard to registration or participation in the tax system using existing data sources. Only partial coverage of these entities is possible using existing data sources and it is not possible to quantify the extent of this partial coverage.

INDUSTRY

42 Each business (either an ABN unit or TAU on the ABSBR) has been classified to a single ANZSIC 2006 industry class, irrespective of any diversity of activities undertaken. The industry class allocated is the activity which provides the main source of industry value added (sales of goods and services, wages and salaries or number of employees as a proxy), which is generally based on a description provided by the business.

43 For further information on ANZSIC 2006, users may wish to consult the *Australian and New Zealand Standard Industrial Classification (ANZSIC), 2006* (cat. no. 1292.0) on the ABS website <www.abs.gov.au>.

ASGS AUSTRALIAN STATISTICAL GEOGRAPHY STANDARD (ASGS)

44 The ASGS is the new geographical framework used by the ABS. It brings together all regions for which the ABS publishes statistics within the one framework and has been used for the collection and dissemination of geographically classified statistics since 1 July 2011.

45 The ASGS replaces the *Australian Standard Geographical Classification (ASGC)*, which is no longer produced. While there are superficial similarities between the ASGS and the ASGC, it is important to recognise that the two are fundamentally different and there are significant differences between their respective regions, both in their geographical extent and their conceptual foundation. As a whole, the ASGS represents a more comprehensive, flexible and consistent way of defining Australia's statistical geography than the ASGC. For further information to assist users move from the ASGC to the ASGS refer to the ABS website <www.abs.gov.au/geography>.

46 Since the move to the new geography framework in the June 2007 to June 2011 edition of CABEE, state and territory level data have remained unchanged. However small area data have been produced using the ASGS. In terms of business counts data, the base unit of the ASGS is the Statistical Area Level 2 (SA2). This SA2 data replaced the previously published Statistical Local Area (SLA) business counts data. Refer to section entitled 'Statistical Area Level 2' for further information.

MAIN STATE

47 Businesses can operate in more than one state or territory. For businesses in the non-profiled population, Main State is derived from the main business address. For businesses in the profiled population, Main State is the state or territory with the highest employment. Therefore, for some businesses in the profiled population, Main State is not necessarily the state or territory of the main business address.

EXPLANATORY NOTES *continued*

MAIN STATE *continued*

48 The Australian taxation system provides flexibility during the new business registration process, as it allows businesses operating in single or multiple states or territories to register on the ABR and report taxation obligations in a variety of ways. For instance, it is possible for a business entity to register for a single ABN regardless of the number of commercial activities it undertakes (sometimes visible in the number of physical shopfronts it may operate from). Alternatively, multiple commercial activities of a single business enterprise may be registered for separate ABNs, depending on the legal structure adopted by the enterprise. Hence, where commercial activities are carried out by a number of different but related entities, each entity may register for a separate ABN. As this publication defines a business on the basis of an ABN (or TAU in the profiled population), the counts may be regarded as providing partial coverage of businesses in a given state. For further information, refer to the data Quality Declaration associated with CABEE.

STATISTICAL AREA LEVEL 2

49 SA2s are general-purpose, medium-sized areas built from whole SA1s. Their aim is to represent a community that interacts together socially and economically. SA2s are the base spatial units used to disseminate ABS business counts data and replace the previously used SLAs. In aggregate, 2,214 SA2s cover the whole of Australia without gaps or overlaps. Further, SA2 data can be aggregated to larger geographical areas, including SA3, SA4 and states and territories, as part of the ASGS.

50 Small area level data cubes will be released using SA2 as the base spatial unit. For further information to assist users with the transition from the ASGC to the ASGS refer to the ABS website <www.abs.gov.au/geography>.

51 The issues of geocoding multi location business locations are more pronounced for count data at the SA2 level, as multi location businesses (i.e. in respect of businesses registered under a single ABN/TAU) will only be attributed to a single SA2. As such, care should be taken not to assume that business counts at the SA2 level reflect all business operations within that SA2. For further information, refer to the data quality declaration associated with CABEE.

BUSINESS SIZE

52 The sizing classifications presented in this release are based on employment and turnover reported by businesses, as defined below. The Technical Note 1 Measures of Business Growth contains additional information on business size and how business growth is represented.

EMPLOYMENT SIZE

53 The methodology used to derive the non-profiled population business counts for employment size changed in the last edition of CABEE to provide a more accurate representation of the size of businesses. A more detailed description of the new methodology and its affects are described in this CABEE publication. See Technical Note 2 Improved Employment Range for more detail.

54 Prior to the previous release, the method used to quantify employment varied depending on where (i.e. in which population) a business resided in the ABSBR.

55 The technical definition of employing units depends upon whether the unit resides in the profiled or non-profiled population. Employing units are defined as:

- profiled population – businesses with greater than zero employees
- non-profiled population – businesses with a non-cancelled Income Tax Withholding (ITW) role and which have remitted to the ATO at least once in the preceding five quarters (or three years for annual remitters). This may include a small number of businesses which have ITW roles for purposes other than withholding amounts from wages and salaries, and as such have zero employment.

EXPLANATORY NOTES *continued*

EMPLOYMENT SIZE *continued*

56 In the profiled population, businesses report 'employment' as defined by the number of persons who are employed by a public or private employer and receive remuneration in wages or salaries (including working proprietors and working partners), or are paid a retainer fee by their employer. Employment excludes non-salaried directors, volunteers, persons paid by commission only, and self employed persons such as consultants and contractors. These data are collected through direct contact with businesses in the profiled population and reflect a 'point in time headcount' of current employees.

57 In the non-profiled population, payees estimates are updated monthly for those ITWs whose reported payees and/or ANZSIC has changed, and yearly for those ITWs that haven't changed throughout the past two years. The new process uses Business Activity Statement wages and salaries information and ABS survey information to bring the counts into closer alignment with the target variable (i.e. number of employees at the end of the financial year). Adjustment factors are calculated, based upon unit record differences between reported employment in ABS business surveys and information from the ATO, including payment summaries. These factors, along with payment summary information, form the inputs into the derived employment variable and, in turn, the employment size range.

58 The employment data extracted from the ABSBR are generally suitable for the purposes of attributing an employment size classification to each in scope business.

ANNUAL TURNOVER SIZE

59 Annual turnover values are based on data reported to the ATO through Business Activity Statements (BASs) and include imputation for missing periods for all businesses in the non-profiled population. For businesses in the profiled population, turnover reported on BAS for ABNs is aggregated to Enterprise (EN) level and is apportioned to the relevant TAUs.

60 Where businesses report zero values on their BAS or have failed to report at all, these data are compared with auxiliary BAS data, which are then used for the purposes of assigning annual turnover values for each in scope business. In cases where auxiliary BAS data are not available, an imputation based on auxiliary ABSBR data (including wages and salaries and employment data) is used.

61 The imputation technique described therefore classifies all in scope businesses to a single annual turnover size range in CABEE.

REVISIONS

62 The ABS Business Register receives updated information when a business entity reports changes to either the ABR or the ATO, such as a new registration, revised payee information, or when the business entity reports changes in its business structure or activity. These reporting changes can impact upon the business entity's industry classification (ANZSIC); institutional classification (SISCA); legal classification (TOLO); geographic classifications (state / territory); or business size (Employment or Turnover categories). These changes to the register generate revisions to data previously published in earlier editions of CABEE.

63 Some of the revisions to 'Currently Unknown' categories are attributable to updated classificatory information, such as ANZSIC, SISCA or TOLO, where this information did not previously exist for the business entity. Revisions to the 'Currently Unknown' category can be more substantial as new information comes to hand from the ABR and the ATO.

CONFIDENTIALITY

64 The confidentialising process applied is expected to maximise the availability of data without introducing any bias to the estimates.

EXPLANATORY NOTES *continued*

CONFIDENTIALITY *continued*

65 The confidentiality process perturbs data in such a way that the data presented at these detailed levels will not always be additive. That is, opening stock from the beginning of the financial year, plus entries, minus exits, may not be equal to the closing stock for the end of the financial year. This is due to the fact that each of those components are individually perturbed.

COMPARISON WITH OTHER BUSINESS COUNTS DATA

66 Estimates of the number of businesses operating in the Australian economy may be derived from a number of sources within the ABS or from non-ABS sources. They may relate to a point in time, or may be average annual data. These estimates will not always show the same results. Variations occur because of the differing data sources, differing definitions of a business, differing scope and coverage as well as variations due to sampling and non-sampling errors.

67 The definition of Employing/Non-employing in the ABS can also vary according to collection methodology, data sources, and user requirements.

68 Users comparing data from this publication with other ABS data should do so with care, as some other ABS publications may exclude 'Non-employing' businesses or particular industries or sectors.

69 For further details see the Explanatory Notes section of the relevant publications.

PREVIOUS RELEASES

70 Information regarding previous releases of CABEE may be accessed on the ABS website <www.abs.gov.au>.

NEXT RELEASE

71 The next release of CABEE is currently scheduled for February 2016.

APPENDIX 1 ABS BUSINESS COUNTS

INTRODUCTION

The ABS has been producing business counts for many years, either as direct counts of businesses, as a by product from survey processing, or as a combination of the two.

Over time, the scope and coverage of businesses included in these counts has changed significantly.

Business counts included in this release are a relevant source for users interested in understanding the number of businesses actively producing or distributing goods or providing services in the Australian economy. Nevertheless, these counts are still subject to information gaps, mainly due to difficulties in accurately identifying when businesses have ceased trading. While the ABS will retain the conceptual basis of these counts in future releases, continuing refinements will be made in an effort to improve the alignment between the conceptual basis of the counts and available information. The Explanatory Notes discusses these factors and ABS plans to improve information sources over time.

DISCONTINUED ABS BUSINESS COUNTS

Counts from the ABS Business Register (Prior to 2002)

The ABS has maintained an integrated business register (ABSBR) since the development phase of the first Integrated Economic Censuses conducted in respect of 1968–69.

From the amendment of the Income Tax Assessment Act in 1986 until 2002, this was primarily sourced from Group Employer (GE) registrations with the Australian Taxation Office (ATO). When a business commenced employing staff, a GE registration was required to enable the business to deduct income tax from its employees.

No comprehensive register of 'Non-employing' businesses was maintained by any government organisation and the ABS did not seek to create such a register.

As such, any business counts produced from the ABSBR prior to 2002 included employing businesses only.

A further short coming in these counts was that proper recording of businesses which had commenced, ceased or continued operation did not occur consistently over time. For example, a units survey in 1991 identified a significant number of businesses which had previously been included on the ABSBR but had ceased operation. These businesses were subsequently removed from the ABSBR. In 1996, a survey of businesses which had been removed as a result of feedback from survey processing identified a significant number of businesses which were in fact still operating.

In both these cases and in other similar instances over time, ABS economic statistics were backcast to adjust for these effects over time.

Counts from Small Business in Australia (1988 to 2001)

The ABS first released *Small Business in Australia* (cat. no. 1321.0) in 1988. This compendium release included a range of statistics about small businesses.

'Non-employing' businesses (such as self employed tradespeople) are a significant component of the small business sector. As such, it was important to include both counts and characteristics of these in *Small Business in Australia*.

These counts were derived from the monthly Labour Force Survey (LFS) and were progressively updated until the final issue of *Small Business in Australia* (cat. no. 1321.0) in 2001. To produce a comprehensive count of small businesses, the LFS-sourced counts of non-employers were added to counts of employing businesses sourced from the Survey of Employment and Earnings (which used the ABSBR as a frame). The counts of small businesses stood at approximately 1.2 million in 2001.

The counts of 'Non-employing' businesses were almost certainly significantly understated for two reasons:

- Those counts did not fully capture businesses operated by people whose predominant labour force status was other than a small business operator.
- Those counts did not fully capture multiple businesses owned by one operator. It has not been possible to accurately quantify this underestimate.

APPENDIX 1 ABS BUSINESS COUNTS *continued*

Counts from *Characteristics of Small Business (1995–2006)*

The ABS first released *Characteristics of Small Business* (cat. no. 8127.0) in 1995. This compendium release also included a range of information about small businesses, including counts of small businesses and small business operators.

The decision to discontinue *Characteristics of Small Business Operators (COSBO)* was driven by the development of superior data sources, and the findings of a methodological review of the 2005 and 2006 COSBO surveys.

The review compared data from the 2005 and 2006 COSBO surveys with data from the 2006 Census of Population and Housing and a range of Labour Force Supplementary Surveys. It concluded that, while some data items collected continue to provide an ongoing and accurate picture of the changing nature of the Australian small business and small business operator populations, a more consistent picture was provided by the alternate data sources.

Users should note that since the discontinuation of COSBO, the ABS has developed a new publication focussing exclusively on Australian business operators. *Counts of Australian Business Operators* (cat. no. 8175.0) was first released in October 2008 and again in October 2013 and utilises data from the ABS Census of Population and Housing and the ABS Forms of Employment Survey to present a range of demographic data. Further information can be obtained from the ABS website <www.abs.gov.au>.

Counts from *Australian Bureau of Statistics Business Register, Counts of Businesses (2005)*

From 2002, the ABS changed the basis of the ABSBR from GE registrations to ABN registrations sourced from the Australian Business Register (ABR). From the introduction of the new tax system in July 2000, businesses required to remit GST, deduct income tax from employees or to participate in several other aspects of the tax system were required to register for an ABN on the ABR.

The ABS released experimental estimates of business entries and exits and the first counts from the ABR based ABSBR in 2005.

The release of *Australian Bureau of Statistics Business Register, Counts of Businesses* (cat. no. 8161.0.55.001) in October 2005 showed 3.0 million businesses operating as at June 2004, 2.9 million of which were small businesses.

These counts significantly overstated the number of businesses actively producing or distributing goods or providing services in the Australian economy for two reasons:

- They included businesses which did not have a GST role and whose only tax role was to enable the payment of Income Tax Instalment Provisions. Subsequent investigations indicate that these entities tend to be investment vehicles rather than actively trading businesses.
- They also included businesses with a GST role but which had not remitted GST obligations for at least five successive quarters. These businesses have been termed "long term non-remitters" (LTNRs). Subsequent investigations indicate that the majority of these businesses were no longer active.

Both categories of businesses, which in combination (noting some overlap) contributed over 1 million to these previously released counts, have been excluded from the counts in this release.

CURRENT ABS BUSINESS COUNTS

Counts from *Australian Bureau of Statistics Business Register, Counts of Businesses, including Entries and Exits (2007 to current)*

Feedback from users since the 2005 release indicated that counts of actively trading businesses, rather than all entities carrying out economic activity, were more valuable for the various uses to which business counts were being put.

This resulted in the development of *Counts of Australian Businesses, including Entries and Exits* (cat. no. 8165.0), first released in February 2007.

The counts showed that there were approximately 1.9 million actively trading businesses at that time. The differences between the count of 1.9 million and the count of approximately 3.0 million from the 2005 release was due to the exclusion of:

APPENDIX 1 ABS BUSINESS COUNTS *continued*

Counts of Australian Businesses, including Entries and Exits (2007 to current) continued

- Entities which had an active ABN but which did not have a GST role. While economically active, these entities were mainly businesses with asset holdings and consequent income flows but had not traded in goods and services.
- Businesses with a GST role which had not returned a Business Activity Statement (BAS) for more than five quarters or had returned a BAS reporting zero dollar amounts. These businesses were likely to be no longer trading.

In combination (noting some overlap) there were approximately 1 million businesses in the above categories.

CABEE was released again in December 2007 and showed that Australia's population of actively trading businesses had exceeded 2 million. A third release of CABEE in October 2010 showed that business counts had dropped slightly, but still remained above 2 million.

In January 2012, a fourth release of CABEE showed that business counts increased over the 2009–10 (3.6%) and 2010–11 (0.4%) years.

In May 2013, a fifth release of CABEE showed that business counts increased over the 2010–11 (0.4%) and 2011–12 (0.4%) years.

The sixth release of CABEE in June 2014 reported a 2.9% decrease in the number of actively trading businesses in Australia between June 2012 and June 2013.

The ABS plans to continue releasing CABEE. The publication is expected to provide users with a regular snapshot of Australia's population of actively trading businesses.

Counts Produced from ABS Business Surveys (1968 to current)

Since 1968, several ABS business surveys, using the ABSBR to provide a survey frame, produced counts of businesses as by product from survey processing.

These counts were consistent with business counts sourced directly from the ABSBR except they were adjusted to account for businesses identified in survey processing as no longer operating. However, the scope of these counts aligned with the scope of the respective surveys.

Therefore, counts of business entities derived from ABS surveys may not necessarily be comparable with the counts of actively trading businesses included in CABEE. Users should refer to the Explanatory Notes of the respective publications for further information.

APPENDIX 2 SUPPLEMENTARY INFORMATION

INTRODUCTION

ABS publications which may be of interest to users of *Counts of Australian Businesses, including Entries and Exits* are listed below.

Business Demography Publications:

- *Australian Industry, 2012–13* (cat. no. 8155.0)
- *Selected Characteristics of Australian Business, 2012–13* (cat. no. 8167.0)
- *Counts of Australian Business Operators, 2011 to 2012* (cat. no. 8175.0)
- *Australian Bureau of Statistics Business Register, Counts of Businesses – Summary Tables, June 2004* (cat. no. 8161.0.55.001), replaced by 8165.0
- *Australian Small Business Operators – Findings from the 2005 and 2006 Characteristics of Small Business Surveys, 2005–06* (cat. no. 8127.0), replaced by 8165.0 and 8175.0
- *Experimental Estimates, Entries and Exits of Business Entities, Australia, 2001–02 to 2003–04* (cat. no. 8160.0.55.001), replaced by 8165.0
- *Small Business in Australia, 2001* (cat. no. 1321.0), replaced by 8165.0
- *Experimental Estimates, Regional Small Business Statistics, Australia, 1995–96 to 2000–01* (cat. no. 5675.0), replaced by 8165.0.

Information Technology Publications:

- *Summary of IT Use and Innovation in Australian Business, 2012–13* (cat. no. 8166.0)
- *Business Use of Information Technology, 2011–12* (cat. no. 8129.0)
- *Innovation in Australian Business, 2012–13* (cat. no. 8158.0).

Current publications and other products released by the ABS are available from the ABS website <www.abs.gov.au>. The ABS also issues a daily Release Advice on the website which details products to be released in the week ahead. There is a link from this *Release Advice* to a six month release schedule.

ADDITIONAL DATA

Further detailed data are available through ABS.Stat and data cubes which will accompany the release of this publication through the ABS website <www.abs.gov.au>. These data cubes include detailed cross classified information using industry, geographical and business size dimensions.

Users may also be interested in accessing data from other collections. Please refer to the section below entitled 'ABS Data Available on Request' for further information.

ABS DATA AVAILABLE ON REQUEST

As well as the statistics included in this and related publications, the ABS may have other relevant data available on request and for a charge. Inquiries should be made to the ABS National Information and Referral Service on 1300 135 070.

Information is also available online via a selection of economic-specific theme pages. To access these theme pages, go to the ABS website home page <www.abs.gov.au>, open the Economy link shown under 'Key Products' (located in the left side navigator), then select one of the links shown under 'Business Demography'.

ACKNOWLEDGEMENT

ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated: without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence and are subject as required by the *Census and Statistics Act 1905*.

TECHNICAL NOTE 1 MEASURES OF BUSINESS GROWTH

INTRODUCTION

1 In CABEE, the stock of businesses is updated each year according to a standard equation:

2 Operating at start of financial year + Entries – Exits = Operating at end of financial year

3 In previous releases of CABEE, all data was presented in accordance with this equation at both a national level, and for selected classifications: Industry; Main State; Institutional Sector; Type of Legal Organisation; Employment Size; and Annual Turnover Size.

4 To ensure additivity, the classification values (e.g. industry code, main state, employment size range, etc.) attributed to each business were held constant over the lifetime of the business in previous editions. Specifically, for each business, the latest available data were used to overwrite any periods of conflicting or missing data.

5 The main issue with this approach is that it is possible for businesses to change their characteristics over time, particularly for employment size and annual turnover size. In fact, this change can be of interest in itself as business growth can be considered in terms of whether a business is increasing with respect to that characteristic, remaining stable, or decreasing in size over time. To address this, recent releases of CABEE have extended the standard equation for employment size and annual turnover size to:

- Operating at start of financial year + Entries – Exits + Inflow – Outflow = Operating at end of financial year, where:
- Inflow = the number of surviving businesses that have changed their classification to the classification of interest; and
- Outflow = the number of surviving businesses that have changed their classification from the classification of interest.

EXAMPLE

6 Consider the following example involving a small business which is active during the 2010–11 and 2011–12 financial years. During this two year period, the business:

- Did not employ any staff at the start of 2010–11 financial year
- Took on 2 employees during 2010–11
- Grew to 6 employees over 2011–12.

7 Under publications where classifications were held constant for each business at their latest available value, this business would have been included in the '5–19' employees category for June 2010, June 2011 and June 2012. This can result in some misunderstanding regarding the size of the businesses in earlier time periods.

8 Now, under the new approach, the business would be classified according to its size for the respective year:

	<i>Operating at start of financial year</i>	<i>Plus Entries</i>	<i>Minus Exits</i>	<i>Plus Inflows</i>	<i>Minus Outflows</i>	<i>Operating at end of financial year</i>
2010–11						
Non–employing business	1	0	0	0	1	0
1–4 employees	0	0	0	1	0	1
5–19 employees	0	0	0	0	0	0
2011–12						
Non–employing business	0	0	0	0	0	0
1–4 employees	1	0	0	0	1	0
5–19 employees	0	0	0	1	0	1

TECHNICAL NOTE 1 MEASURES OF BUSINESS GROWTH *continued*

EXAMPLE *continued*

9 Using this approach, it is possible to present the change in business numbers (of surviving businesses) for different classifications (of employment size and annual turnover). For example, consider the following partial extract from the publication's Growth of Business Survivals by Employment Size Range table below.

CHANGE IN BUSINESS SIZE OVER TIME FOR SURVIVING BUSINESSES (a): June 2012–June 2014

	CHANGED BUSINESS SIZE CATEGORY (EMPLOYMENT SIZE RANGES)					Inflow at end of financial year	Outflow at end of financial year	Net movement of surviving businesses(b)
	Non–employing	1–4(c)	5–19	20–199	200+			
	no.	no.	no.	no.	no.	no.	no.	no.
CHANGED BUSINESS SIZE CATEGORY AT JUNE 2013								
BUSINESS SIZE CATEGORY AT JUNE 2012								
(Employment Size Ranges)(d)								
Non–employing	1 037 633	38 981	1 650	223	4	65 374	40 858	24 516
1–4(c)	57 206	432 068	32 917	1 022	27	63 290	91 172	–27 882
5–19	6 694	23 410	149 040	7 540	12	39 873	37 656	2 217
20–199	1 461	868	5 293	40 655	284	8 989	7 906	1 083
200+	13	31	13	204	3 188	327	261	66
Total	1 103 007	495 358	188 913	49 644	3 515	177 853	177 853	—

CHANGED BUSINESS SIZE CATEGORY AT JUNE 2014

BUSINESS SIZE CATEGORY AT JUNE 2013

(Employment Size Ranges)(d)

Non–employing	1 025 044	41 198	1 882	252	7	58 956	43 339	15 617
1–4(c)	51 390	423 602	32 334	1 316	25	65 553	85 065	–19 512
5–19	6 076	23 510	149 547	7 545	14	39 822	37 145	2 677
20–199	1 471	817	5 600	40 655	328	9 347	8 216	1 131
200+	19	28	6	234	3 109	374	287	87
Total	1 084 000	489 155	189 369	50 002	3 483	174 052	174 052	—

— nil or rounded to zero (including null cells)

- (a) Please refer to paragraphs 53–58 in the Explanatory Notes for more information regarding employment size ranges.
- (b) The net movement of surviving businesses is calculated by subtracting the total outflow at the end of the financial year from the total inflow at the end of the financial year. See Glossary and Technical Note 1 Measures of Business Growth for more information.

(c) A small number of businesses which have ITW roles for purposes other than withholding amounts from wages and salaries (and as such have zero employment), are included in this category.

(d) The methodology used to derive employment size changed in the previous release. Please refer to the Technical Note 2 Improved Employment Range for more information regarding change in methodology.

TECHNICAL NOTE 1 MEASURES OF BUSINESS GROWTH *continued*

EXPLANATION OF CONTENTS

Business Size Range Matrix

10 The primary purpose of the table is to quantify the businesses which grow or contract between financial years. The first five columns provide a cross-classified matrix which shows how many businesses were classified to one business size at the start of the financial year, and a different business size at the end of the financial year.

11 Note that the majority of businesses do not change their size category between years, and the counts of these businesses are represented along the main diagonal of the table. For example, 1,025,044 'Non-employing' businesses at the end of June 2013, remained 'Non-employing' at the end of June 2014. Equally, 3,109 businesses in the largest size category at the end of June 2013, remained in the largest size category at the end of June 2014. In the above table, it can be seen that:

- 51,390 businesses had '1–4' employees at the start of the financial year and contracted to be 'Non-employing' by the end of the financial year (negative growth)
- 423,602 businesses had '1–4' employees at the start of the financial year and continued to have '1–4' employees at the end of the financial year (stability)
- 32,334 businesses had '1–4' employees at the start of the financial year and expanded to have '5–19' employees at the end of the financial year (growth).

Inflow at End of Financial Year

12 The total number of business that moved into a size range from another range. Note that these businesses may have come from larger or smaller size range (depending on the range being analysed).

Outflow at End of Financial Year

13 This column accounts for the total number of business that moved out of a size range into another range. Note that these businesses may have come from larger or smaller size ranges (depending on the range being analysed).

Net Movement of Surviving Businesses

14 The net movement of surviving businesses for each range, i.e. accounting for all businesses that moved into (inflow) and out of (outflow) a particular size range.

15 The net movement of surviving businesses is calculated by taking total inflow at the end of the financial year minus total outflow at the end of the financial year.

16 The above information (particularly the last column) can then be included in the traditional business counts tables. A partial extract from the publication's Businesses by Employment Size Ranges table is included below.

TECHNICAL NOTE 1 MEASURES OF BUSINESS GROWTH *continued*

BUSINESSES BY EMPLOYMENT SIZE RANGES (a): June 2012–June 2014

	Operating at start of financial year	Entries	Exits	Net movement of surviving businesses (b)	Operating at end of financial year	Change	Percentage change
	no.	no.	no.	no.	no.	no.	%
2012–13							
Non–employing	1 306 093	161 291	227 602	24 516	1 264 298	–41 795	–3.2
Employing							
1–4(c)	582 719	68 054	59 479	–27 882	563 412	–19 307	–3.3
5–19	198 340	8 499	11 644	2 217	197 412	–928	–0.5
20–199	50 522	1 302	1 961	1 083	50 946	424	0.8
200+	3 606	83	157	66	3 598	–8	–0.2
Total employing	835 187	77 938	73 241	–24 516	815 368	–19 819	–2.4
Total	2 141 280	239 229	300 843	—	2 079 666	–61 614	–2.9
2013–14							
Non–employing	1 264 298	189 769	195 915	15 617	1 273 769	9 471	0.7
Employing							
1–4(c)	563 412	82 021	54 745	–19 512	571 176	7 764	1.4
5–19	197 412	10 546	10 720	2 677	199 915	2 503	1.3
20–199	50 946	1 686	2 075	1 131	51 688	742	1.5
200+	3 598	131	202	87	3 614	16	0.4
Total employing	815 368	94 384	67 742	–15 617	826 393	11 025	1.4
Total	2 079 666	284 153	263 657	—	2 100 162	20 496	1.0

— nil or rounded to zero (including null cells)

(a) Please refer to paragraphs 53–58 in the Explanatory Notes for more information regarding employment size ranges.

(b) The net movement of surviving businesses is calculated by subtracting the total outflow at the end of the financial year from the total inflow at the end of the financial year. See Glossary and Technical Note 1 Measures of Business Growth for more information.

(c) A small number of businesses which have ITW roles for purposes other than withholding amounts from wages and salaries (and as such have zero employment), are included in this category.

Net Movement of Surviving Businesses continued

17 Including the net movement of surviving businesses column in the employment size ranges table provides more detailed (point in time) information about the movement of businesses within specific business size ranges, whilst maintaining additivity within each business size table. For example, the table above demonstrates that during 2013–14, the 16 change recorded for businesses employing 200 employees or more was partly driven by the 87 net movement of surviving businesses in this employment size range. That is, during 2013–14, there was a positive net movement of 87 existing small or medium businesses which grew to become large businesses.

Application within Other Tables

18 While it is possible to develop similar tables and data cubes for the other classifications (industry, main state of operation, institutional sector and type of legal organisation) used in CABEE, ABS investigations have determined that relatively few businesses tend to change these classifications values from year to year. Thus, allowing for the classifications to change over time appears to offer limited additional information while increasing the complexity of the tables (including introducing a need to confidentialise data for those rare changes in classifications). For these reasons, additional tables for the non-business size range topics have not been created in this version of CABEE.

TECHNICAL NOTE 2 IMPROVED EMPLOYMENT RANGE

BACKGROUND

1 The methodology used to derive business counts, based upon employment size ranges, has changed on the ABS Business Register and is reflected in this and the previous edition of *Counts of Australian Businesses, including Entries and Exits* (CABEE). Prior to the previous edition, employment size ranges were based on businesses' payee information, which is the estimated number of employees to whom payment summaries are issued during the financial year. That number reflects the total number of people employed by a business throughout a given year, rather than the number of people employed by a business at a point in time (end of the financial year). Hence, business size will be overstated if there is any turnover of employees during the year.

2 The new employment derivation method uses a statistical adjustment to provide the ABS' best estimate of the number of employees at the end of the financial year. This statistical adjustment is based on the most recent and consistent information from surveys, the Australian Business Register (ABR) and the Australian Tax Office (ATO). As such, the new derivation is a more representative view of business size than a cumulative total number of employees throughout the year. The adjustment is applied to the payees data using Business Activity Statement (BAS) wages and salaries data and ABS survey information to bring the counts closer into alignment with the target variable (i.e. number of employees at the end of the financial year). Adjustment factors are calculated, based upon unit record differences between reported employment in ABS business surveys and information from the ATO, including payment summaries. These factors, along with payment summary information, form the inputs into the derived employment variable and, in turn, the employment size range. For a minor proportion of businesses, the employment estimate derived from BAS data will be higher than that derived from payees.

3 The new employment derivation method has no impact on the number of 'Non-employing' businesses.

OVERVIEW OF RESULTS

4 The use of this new employment derivation method has resulted in changes in the number of businesses allocated to the various employment range categories.

- The revised methodology for calculating employment size ranges has resulted in 113,147 of the total 2,100,162 businesses (5.4%) changing employment size categories for the 2013–14 financial year.
- The majority of this movement was businesses moving from the:
 - '5–19' range to the '1–4' range (69,414 businesses)
 - '20–199' range to the '5–19' range (34,770 businesses)
- The 'Accommodation and Food Services' and 'Retail Trade' industries exhibited the greatest percentage movement in numbers (15,553 – 18.2% and 14,098 – 10.5% respectively).

TOTAL IMPACT ON BUSINESS SIZE RANGES

5 Table 1 shows that the bulk of total movement (92.1%) is due to businesses moving from the '5–19' to the '1–4' employment size range (69,414 businesses) and businesses moving from the '20–199' to '5–19' employment size range (34,770 businesses).

6 A small number of businesses moved from the '1–4' to '200+' range (113 businesses) and also from the '200+' range to the '1–4' (597 businesses). These changes reflect the wider range of additional information sources (particularly Business Activity Statement wages and salaries), used to derive the employment variable and in turn, calculate a more accurate business size range.

7 The results in Table 1 included business entries in the 2013–14 financial year and showed minimal relative change when entries were excluded from the analysis.

TECHNICAL NOTE 2 IMPROVED EMPLOYMENT RANGE *continued*

TOTAL IMPACT ON BUSINESS
SIZE RANGES *continued*

TABLE 1. IMPACT UPON BUSINESS SIZE RANGE - DERIVED
EMPLOYMENT METHOD: 2013-14

<i>Direction of Movement</i>	<i>Number of businesses changing size</i>		<i>Movements</i>
	<i>no.</i>	<i>%</i>	
Did not change categories	1 987 015	94.6	
Moved from (1-4 to 5-19)	2 500	0.1	
Moved from (1-4 to 20-199)	1 422	0.1	
Moved from (1-4 to 200+)	113	—	
Moved from (5-19 to 1-4)	69 414	3.3	
Moved from (5-19 to 20-199)	64	—	
Moved from (5-19 to 200+)	7	—	
Moved from (20-199 to 1-4)	1 891	0.1	
Moved from (20-199 to 5-19)	34 770	1.7	
Moved from (20-199 to 200+)	11	—	
Moved from (200+ to 1-4)	597	—	
Moved from (200+ to 5-19)	59	—	
Moved from (200+ to 20-199)	2 299	0.1	
Total Movement	113 147	5.4	
Total	2 100 162	100.0	

— nil or rounded to zero (including null cells)

NET IMPACT ON BUSINESS
SIZE RANGES

8 The net impact upon business size ranges was analysed for the financial years 2010-11, 2011-12, 2012-13 and 2013-14. The '1-4' employment size range increased in each of the four years analysed (2011, 2012, 2013, 2014) on average by 13.6%. The '5-19', '20-199' and '200+' employment size ranges all resulted in a decrease in business counts. These decreases are proportionally consistent through the '5-19', '20-199' and '200+' employment size ranges. The smallest number of businesses changing size categories was the '200+' size range, where 2,824 businesses were categorised to smaller size ranges on the basis of the revised methodology (See Table 2, 2013-14).

TECHNICAL NOTE 2 IMPROVED EMPLOYMENT RANGE *continued*

NET IMPACT ON BUSINESS
SIZE RANGES *continued*

TABLE 2. COMPARISON OF EMPLOYMENT SIZE RANGE ALLOCATION,
Total Number of Businesses

Size Category	Payees Data	New Employment Derivation Method	Difference	% Difference
2010-11				
1-4	508 579	581 741	73 162	14.4
5-19	230 583	191 812	-38 771	-16.8
20-199	81 006	49 302	-31 704	-39.1
200+	6 221	3 534	-2 687	-43.2
Total Employing	826 389	826 389	—	—
2011-12				
1-4	514 859	582 719	67 860	13.2
5-19	231 591	198 340	-33 251	-14.4
20-199	82 326	50 522	-31 804	-38.6
200+	6 411	3 606	-2 805	-43.8
Total Employing	835 187	835 187	—	—
2012-13				
1-4	497 576	563 412	65 836	13.2
5-19	228 092	197 412	-30 680	-13.5
20-199	83 457	50 946	-32 511	-39.0
200+	6 243	3 598	-2 645	-42.4
Total Employing	815 368	815 368	—	—
2013-14				
1-4	503 309	571 176	67 867	13.5
5-19	232 071	199 915	-32 156	-13.9
20-199	84 575	51 688	-32 887	-38.9
200+	6 438	3 614	-2 824	-43.9
Total Employing	826 393	826 393	—	—

— nil or rounded to zero (including null cells)

INDUSTRY ANALYSIS

9 The impact of the new employment derivation method was analysed at the industry level, where the largest changes occurred in the 'Accommodation and Food Services', 'Construction', 'Retail Trade', and 'Professional, Scientific and Technical Services' industries. Table 3 shows the 'Accommodation and Food Services' industry had the highest number of businesses changing employment size ranges. The largest percentage movement for businesses changing employment size ranges was also in the 'Accommodation and Food Services' industry (18.2%). In this industry, 45.4% of the changes were from the '5-19' to '1-4' range and 48.6% were from the '20-199' to '5-19' employment size range.

10 Approximately 8.0% of businesses in the 'Administrative and Support Services' industry were subject to a change in business size range, with 7.3% changing from the '200+' range to the '20-199' range. Similarly, 8.4% of businesses in the 'Public Administration and Safety' industry had a change in their business size and 8.9% of these changes were from the '200+' category to the '20-199' category.

11 The least affected industry was 'Financial and Insurance Services', where only 2.3% of businesses changed employment size range.

TECHNICAL NOTE 2 IMPROVED EMPLOYMENT RANGE *continued*

INDUSTRY ANALYSIS *continued*

TABLE 3. IMPACT OF NEW EMPLOYMENT DERIVATION METHOD AT THE INDUSTRY LEVEL, Summary Analysis: **2013–14**

<i>Industry Code</i>	<i>Label</i>	<i>Total Movement</i>	<i>% of businesses changing size</i>
A	Agriculture, Forestry and Fishing	8 513	4.6
B	Mining	563	6.8
C	Manufacturing	6 699	8.0
D	Electricity, Gas, Water and Waste Services	402	6.8
E	Construction	14 997	4.4
F	Wholesale Trade	4 467	5.9
G	Retail Trade	14 098	10.5
H	Accommodation and Food Services	15 553	18.2
I	Transport, Postal and Warehousing	4 378	3.5
J	Information, Media and Telecommunications	886	4.6
K	Financial and Insurance Services	4 013	2.3
L	Rental, Hiring and Real Estate Services	5 450	2.4
M	Professional, Scientific and Technical Services	8 767	3.5
N	Administrative and Support Services	6 304	8.0
O	Public Administration and Safety	616	8.4
P	Education and Training	2 134	8.1
Q	Health Care and Social Assistance	5 270	4.7
R	Arts and Recreation Services	1 422	5.4
S	Other Services	7 127	8.1
X	Currently Unknown	1 488	3.4
All Industries		113 147	5.4

ANALYSIS OF ENTRIES

12 The business entries and exit subpopulations were also analysed to assess the impact of the new employment derivation method, with the results presented in Tables 4 and 5 respectively. The impact on business entries and exits is consistent over time, and also consistent with the impact on the total business stock, presented in Table 2.

13 Of the total business entries in the 2013–14 financial year (284,153), approximately 3.6% or 10,273 were impacted by the new employment derivation. The '1–4' employment size range increased by approximately 10.6% across the four years analysed, with the larger business size categories all decreasing. The '5–19', '20–199' and '200+' employment ranges decreased in a manner consistent with the total business stock impacts presented in Table 2. The '200+' category decreased by 384 businesses in 2013–14, with an average decrease of 75.8% over the four years, however these large percentage changes reflect the much smaller business counts in this size category.

TECHNICAL NOTE 2 IMPROVED EMPLOYMENT RANGE *continued*

ANALYSIS OF ENTRIES *continued*

TABLE 4. COMPARISON OF EMPLOYMENT SIZE RANGE ALLOCATION
FOR BUSINESS ENTRIES, Total Number of Entries

Size Category	Payees Data	New Employment Derivation Method	Difference	% Difference
2010-11				
1-4	76 390	84 737	8 347	10.9
5-19	15 778	9 273	-6 505	-41.2
20-199	2 804	1 334	-1 470	-52.4
200+	469	97	-372	-79.3
Total Employing	95 441	95 441	—	—
2011-12				
1-4	77 042	84 605	7 563	9.8
5-19	15 410	9 580	-5 830	-37.8
20-199	2 729	1 352	-1 377	-50.5
200+	436	80	-356	-81.7
Total Employing	95 617	95 617	—	—
2012-13				
1-4	61 631	68 054	6 423	10.4
5-19	13 519	8 499	-5 020	-37.1
20-199	2 532	1 302	-1 230	-48.6
200+	256	83	-173	-67.6
Total Employing	77 938	77 938	—	—
2013-14				
1-4	73 779	82 021	8 242	11.2
5-19	16 751	10 546	-6 205	-37.0
20-199	3 339	1 686	-1 653	-49.5
200+	515	131	-384	-74.6
Total Employing	94 384	94 384	—	—

— nil or rounded to zero (including null cells)

ANALYSIS OF EXITS

14 The impact on businesses exits was slightly lower than for business entries, with 7,274 or 2.8% of business exits being impacted by the derived employment method in 2013-14. The number of business exits increased in the '1-4' employment size range for each of the four years analysed, by an average of 10.9%. This result reflects higher business counts in the '1-4' business size range, based upon the new derived employment method and therefore business exits also reflect this higher ratio. There was a corresponding decrease in the number of business exits in the '5-19', '20-199' and '200+' categories, consistent with the results for business entries and total business stock.

TECHNICAL NOTE 2 IMPROVED EMPLOYMENT RANGE *continued*

ANALYSIS OF EXITS *continued*

TABLE 5. COMPARISON OF EMPLOYMENT SIZE RANGE ALLOCATION FOR BUSINESS EXITS, Total Number of Exits

Size Category	Payees Data	New Employment Derivation Method	Difference	% Difference
2010-11				
1-4	48 254	54 070	5 816	12.1
5-19	14 548	10 676	-3 872	-26.6
20-199	3 734	1 989	-1 745	-46.7
200+	338	139	-199	-58.9
Total Employing	66 874	66 874	—	—
2011-12				
1-4	48 175	53 861	5 686	11.8
5-19	14 253	10 595	-3 658	-25.7
20-199	3 769	1 947	-1 822	-48.3
200+	336	130	-206	-61.3
Total Employing	66 533	66 533	—	—
2012-13				
1-4	53 800	59 479	5 679	10.6
5-19	15 375	11 644	-3 731	-24.3
20-199	3 684	1 961	-1 723	-46.8
200+	382	157	-225	-58.9
Total Employing	73 241	73 241	—	—
2013-14				
1-4	50 077	54 745	4 668	9.3
5-19	13 638	10 720	-2 918	-21.4
20-199	3 659	2 075	-1 584	-43.3
200+	368	202	-166	-45.1
Total Employing	67 742	67 742	—	—

— nil or rounded to zero (including null cells)

CONCLUSION FOR USERS

15 There has been a relatively modest overall impact on the number of businesses allocated to the various employment size categories resulting from the introduction of the derived employment method (113,147 business or 5.4%). The impact is consistent across existing businesses, business entries, business exits and consistent across time.

16 In light of these results, the ABS does not recommend comparing employment based business size counts within this June 2010 to June 2014 release of CABEE, with releases earlier than the June 2009 to June 2013 release of CABEE.

GLOSSARY

Australian Business Number (ABN) The Australian Business Number (ABN) is a unique business entity identifier introduced to assist with dealing with the Australian Government. An entity is entitled to an ABN if it meets one of the following criteria:

- it is carrying on an enterprise in Australia
- in the course of carrying on an enterprise, it makes supplies connected with Australia
- it has undertaken sufficient commencement activities for an enterprise.

The ABN is the statistical unit used to represent businesses, and for which statistics are reported, in most cases. The ABN unit is the business unit which has registered for an ABN, and thus appears on the Australian Taxation Office (ATO) administered Australian Business Register (ABR). In most cases, the ABN unit represents the legal entity. This unit is suitable for ABS statistical needs when the business is simple in structure. For more significant and diverse businesses where the ABN unit is not suitable for ABS statistical needs, the statistical unit used is the Type of Activity Unit (TAU).

Australian Bureau of Statistics Business Register (ABSBR) The ABSBR is a register of all Australian businesses and contains identifying and classificatory data for each business. Information to populate the ABSBR is largely sourced from the ABR. The ABSBR is used as a source for survey frames and counts.

The ABSBR consists of two sub populations, namely the profiled population and the non-profiled population. The ABSBR uses an economic statistics unit model to describe the characteristics of businesses and the structural relationships between related businesses. For details, refer to paragraphs 6 to 10 of the Explanatory Notes.

Australian and New Zealand Standard Industrial Classification (ANZSIC) Businesses have been classified according to their description of activities. Businesses are coded to industries in the *Australian and New Zealand Standard Industrial Classification 2006* (ANZSIC06) which is a classification system for grouping producing businesses (of both goods and services) in Australia and New Zealand to permit comparability of data. Within ANZSIC, there is a structure comprising four levels ranging from industry division (broadest level) to the industry class (finest level). For more information, users should refer to the *Australian and New Zealand Standard Industrial Classification 2006* (cat. no. 1292.0).

Australian Standard Geographical Classification (ASGC) The *Australian Standard Geographical Classification* (ASGC) is the former classification used to disseminate ABS business counts data. However, this has now been replaced by the *Australian Statistical Geography Standard* (ASGS). Please refer to section entitled 'Australian Statistical Geography Standard' for further information.

Australian Statistical Geography Standard (ASGS) The ASGS is the new geographical framework used by the ABS. It brings together all regions for which the ABS publishes statistics within the one framework and will be used for the collection and dissemination of geographically classified statistics from 1 July 2011.

The ASGS replaces the ASGC, which will no longer be produced. While there are superficial similarities between the ASGS and the ASGC, it is important to recognise that the two are fundamentally different and there are significant differences between their respective regions, both in their geographical extent and their conceptual foundation. As a whole, the ASGS represents a more comprehensive, flexible and consistent way of defining Australia's statistical geography than the ASGC. For further information to assist users move from the ASGC to the ASGS please refer to the ABS website <www.abs.gov.au/geography>.

With the move to the new geography framework, state based data will remain unchanged, however small area data will be affected, as it will now be produced using the new ASGS. In terms of business counts data, the base unit of the ASGS will be the Statistical Area Level 2 (SA2). This SA2 data will replace the previously published SLA business counts data. Please refer to section entitled 'Statistical Area Level 2' for further information.

GLOSSARY *continued*

- Business** For the purposes of the *Counts of Australian Businesses, including Entries and Exits* (CABEE) publication, a business is defined as 'a legal entity engaging in productive activity and/or other forms of economic activity in the market sector. Such entities accumulate assets on their own account and/or hold assets on behalf of others, and may incur liabilities. Excluded are the economic activities of individuals (except where individuals engage in productive activity either as sole traders or in partnership) and entities mainly engaged in hobby activities'. For more information on the ABS definition of a business, users should refer to *Information Paper: A Statistical View of Counts of Businesses in Australia* (cat. no. 8162.0).
- In line with this definition, the business counts in this publication are derived from the ABSBR. The starting point is all economically active entities in Australia. From here, various entities are excluded, such as those without an active ABN, those without an active GST role, those no longer actively remitting Goods and Services Tax (GST) and those not operating in the market sector. These exclusions aim to ensure that only those businesses that are actively trading in the economy are included in the counts. Please refer to the section entitled 'Conceptual and Practical Basis for Counts' of this publication for further information.
- The statistical unit referred to as a 'business' consists of ABNs from the non-profiled population and TAUs from the profiled population.
- Business entry** A business which has newly registered for an ABN and which has a GST role allocated is considered a business entry. Business entry rates are calculated by taking the total business entries during a financial year, dividing by the total businesses operating at the start of the financial year, then multiplying by 100.
- Business exit** A business for which the ABN or GST role has been cancelled and/or which has ceased to remit GST for at least five consecutive quarters (or three consecutive years for annual remitters) is considered a business exit. Business exit rates are calculated by taking the total business exits during the financial year, dividing by the total businesses operating at the start of the financial year, then multiplying by 100.
- It should be noted that a business exit event does not necessarily equate to a business 'failure'. For details, refer to paragraphs 34–36 of the Explanatory Notes.
- Client Activity Centre** The Client Activity Centre is the level where all client contact with the ATO happens. For small businesses that have registered for GST purposes only, they will probably not realise there is a difference between the ABN and the CAC. Most of the roles can be included in one CAC. The ATO determines how best to set the structure up for reporting purposes.
- Each ABN has at least one CAC attached to it, from which tax obligations are assessed. A Client Activity Centre (CAC) can have a number of roles with each role representing a specific taxation obligation. There are eleven different roles:
- DAFG – Diesel and alternative fuels grant scheme (invalid from July 2003)
 - DCIP – Deferred Company Instalments Payer
 - DGST – Deferred Goods and Services Tax
 - EGCS – Energy Grants Credit Scheme (valid from July 2003, replaces DAFG and DFRS)
 - FBTI – Fringe Benefits Tax Instalments
 - FTCCG – Fuel Tax Credit Grant
 - GSTP – Goods & Services Tax Payer
 - ITIP – Income Tax Instalment Payer
 - ITW – Income Tax Withholding
 - LCTP – Luxury Car Tax Payer
 - WETP – Wine Equalisation Tax Payer.
- Employment size ranges** For the purposes of the CABEE publication, businesses are categorised as:

GLOSSARY *continued*

Employment size ranges <i>continued</i>	<ul style="list-style-type: none">■ employing businesses<ul style="list-style-type: none">– businesses employing 200 or more people– businesses employing between 20 and 199 people– businesses employing between 5 and 19 people– businesses employing between 1 and 4 people■ non-employing businesses. <p>The methods used to quantify employment for Australian businesses in ABS economic statistics are based on the concept of a 'headcount', rather than a measure of Full Time Equivalent persons. For further information, refer to paragraphs 53–57 in the Explanatory Notes.</p> <p>In the non-profiled population, businesses with an active Income Tax Withholding (ITW) role are considered to be employing, resulting in some employing businesses having zero employment.</p> <p>Employing businesses in the non-profiled population that have not remitted Business Activity Statement (BAS) data for their ITW role for five consecutive quarters (or three consecutive years for annual remitters) prior to the reference period are deemed to be long term non-remitters. These businesses are counted as non-employing businesses.</p>
Financial corporations	This sector consists of all resident corporations and institutional units mainly engaged in financial intermediation and provision of auxiliary financial services.
GST role	A business entity having a role in producing or distributing goods or providing services.
Households	A household is a group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food. For additional information refer to <i>Standard Economic Sector Classifications of Australia</i> (SESCA) (cat. no. 1218.0).
Industry	See the entry for 'Australian and New Zealand Standard Industrial Classification'.
Industry class	At the industry class level, the activities of businesses are narrowly defined and recognised by a four digit code, e.g. Industry Class 3911 for Car Retailing.
Industry division	The main purpose of the industry division level is to provide a limited number of categories which give a broad overall picture of the economy. There are 19 divisions within ANZSIC06 each identified by an alphabetical letter, that is, 'A' for Agriculture, Forestry and Fishing, 'B' for Mining, 'C' for Manufacturing, etc.
Industry group	This is the intermediate level within an industry division of ANZSIC and is recognised by a three digit code, e.g. Industry Group 391 for Motor Vehicle Retailing. It gives more detail than the industry subdivision and is created in a way that groups like industry classes together.
Industry subdivision	This is the broadest level category within an industry division of ANZSIC and is recognised by a two digit code, e.g. Industry Subdivision 39 for Motor Vehicle and Motor Vehicle Parts Retailing. Industry subdivisions are built up from industry groups which, in turn, are built up from industry classes.
Inflow	The count of surviving businesses that moved from one size range to another size range in a financial year (i.e. an employment or turnover size range). This does not include entries and exits.
ITW role	A business which employs and pays a salary to (or plans to employ and pay a salary to) one or more persons, is required to register as such with the ATO. These business are required to deduct payments from salaries and wages from their employees and send the amounts to the ATO. This is known as Pay As You Go (PAYG) tax.
Main business address	The main business address of a business relates to the physical address where the main business activity takes place. The individual addresses of businesses with multiple locations are not available.

GLOSSARY *continued*

Main state	For businesses in the non-profiled population, main state refers to the state or territory of the main business address. For businesses in the profiled population, main state refers to the state or territory where the business has the highest employment.
Multi state	Refers to those businesses which operate from locations in more than one state or territory.
Net movement of surviving businesses	The net count of surviving businesses for each size range (i.e. employment or turnover size ranges). The net movement of surviving businesses is calculated by taking the total inflow at the end of the financial year minus the total outflow at the end of the financial year.
Non-employing business	A business without an active Income Tax Withholding (ITW) role or which has not remitted ITW for five consecutive quarters (or three consecutive years for annual remitters).
Non-financial corporations	This sector comprises all resident corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.
Non-profiled population	One of two business populations of the ABSBR. The vast majority of businesses are in the non-profiled population. These businesses have simple structures and the unit registered for an ABN satisfies ABS statistical requirements. As such, one ABN equates to one business. For more details, refer to paragraphs 6 to 10 of the Explanatory Notes.
Operating at end of financial year	The count of businesses operating at the end of the financial year, also referred to as 'closing stock'.
Operating at start of financial year	The count of businesses operating at the beginning of the financial year, also referred to as 'opening stock'.
Outflow	The count of surviving businesses that have moved out of a size range (i.e. an employment or turnover size range) and into another size range. This does not include entries and exits.
Profiled population	The profiled population is one of two business populations of the ABSBR. This population is comprised of a relatively small number of businesses who have large, complex structures and the ABN unit is not suitable for ABS statistical purposes. As such, the ABS maintains its own unit structure through direct contact with these businesses. In the profiled population, a type of activity unit (TAU) equates to one business. For more details, refer to paragraphs 6 to 10 of the Explanatory Notes.
Single state	Refers to a business which operates from locations in only one state or territory.
Standard Institutional Sector Classification of Australia (SISCA)	SISCA is the central classification among ABS Standard Economic Sector Classifications. It is based on the System of National Accounts 2008 (SNA08) institutional sector classification, and includes the following sectors: non-financial corporations, financial corporations, general government, households, not for profit institutions serving households, and rest of the world (which includes only non-resident units, these being excluded from all other sectors). For more information, users should refer to the <i>Standard Economic Sector Classifications of Australia</i> (SESCA) (cat. no. 1218.0).
Statistical Area 2 (SA2)	<p>The Statistical Area Level 2 (SA2) is a general purpose spatial unit. It is the base spatial unit used to disseminate ABS business counts data, and replaces the previous Statistical Local Area (SLA). In aggregate, SA2s cover the whole of Australia without gaps or overlaps.</p> <p>Small area data cubes will be released using SA2 as the base spatial unit. The SA2 data cubes replace the previously published SLA based data cubes.</p>

GLOSSARY *continued*

Statistical Local Area (SLA)	The SLA is the former base spatial unit used to disseminate ABS business counts data. However, with the move to the new ASGS, SLA business counts data will no longer be produced. Instead, the base spatial unit will be that of the SA2. Please refer to the sections entitled 'Australian Statistical Geography Standard' and 'Statistical Area Level 2' for further information.
Surviving business	A business which was actively trading at 30 June in the reference year and continued trading to 30 June in the following year is considered a surviving business.
Turnover	The total revenue generated by a business from the provision of goods and/or services for a given accounting period.
Type of activity unit (TAU)	The TAU, residing in the profiled population, is comprised of one or more business entities, sub entities or branches of a business entity within an enterprise group. These entities can report production and employment data for similar economic activities when a minimum set of data items are available. For further information, refer to paragraphs 6–10 of the Explanatory Notes.
Type of Legal Organisation (TOLO)	All legal entities on the ABSBR are classified according to their Type of Legal Organisation (TOLO). Examples of types of legal entities recognised for statistical purposes are companies, partnerships, trusts, sole proprietorships, government departments and statutory authorities. TOLO indicates whether a business is part of the private or public sector, and the type of ownership structure it has.
Unincorporated entity	An unincorporated entity is an entity which has not become a corporation under the <i>Corporations Act 2001</i> . Unincorporated entities can choose to remain 'unincorporated', whereby the business does not possess a separate legal identity to that of its owner(s), or it can choose the limited liability status of a company where the business assets are legally separate to that of the owner(s).

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