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People & Places

# Job creation among new and existing businesses in Thames-Coromandel District to 2022



Prepared for: Thames-Coromandel District  
Council (TCDC)

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Released: May 2023

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## 2. Introduction and overview

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This report explores entrepreneurship trends among new and existing businesses in Thames-Coromandel. From an economic development perspective, these insights can help inform the extent to which resources should be focused on business attraction or building up resilience of existing enterprises.

To understand things better, this report contains data on the following questions:

- How many businesses are created each year? How many fail?
- Do new or existing businesses create more jobs?
- Are jobs from existing businesses lost because the business fails or scales back?
- Do job creation trends among new and existing businesses differ between industries?
- How do the wages of jobs that are created each year compare to wages of existing jobs?
- How does Thames-Coromandel compare to other parts of New Zealand?

The data in this report is predominantly drawn from the Business Register, so includes employment within businesses and other organisations, but doesn't cover self-employment. Data to 2022 is evaluated.

### 2.1. Key findings

- Business numbers in Thames-Coromandel have risen rapidly since the Covid-19 pandemic, from 4,374 businesses in 2019 to 4,788 businesses in 2022.
- Between 2019 and 2022, new businesses added 11.9% to Thames-Coromandel's business stock each year, with business closures sitting at an average of 9.0% per annum over the same period.
- Economic development's twin roles of business attraction and building up the resilience of existing enterprises are both important for job creation. New businesses generate a steady stream of jobs, but these gains can be quickly eroded when existing businesses backpedal.
- Thames-Coromandel's existing businesses have struggled more than the national average to maintain jobs over the past three years. Employment in new businesses in Thames Coromandel has tracked slightly closer to the national average.
- Over the three years to 2022, the top five types of businesses for job creation in Thames-Coromandel District were: construction, retail trade, arts and recreation services, professional, scientific and technical services, and health care and social assistance.
- At the other end of the spectrum, the industries where business employment suffered the most were accommodation and food services followed by manufacturing.
- The accommodation and food services job losses stand in stark contrast to the five years before the Covid-19 pandemic when accommodation and food services was the key growth industry in Thames-Coromandel, with particularly high rates of job creation among new businesses.

### 2.2. Lessons

Creative destruction is a natural way of restructuring within an economy, where new, more innovative and productive firms replace less innovative ones. This more efficient reallocation of resources between growing and shrinking firms is critical to support a higher level and quality of employment in a local area.

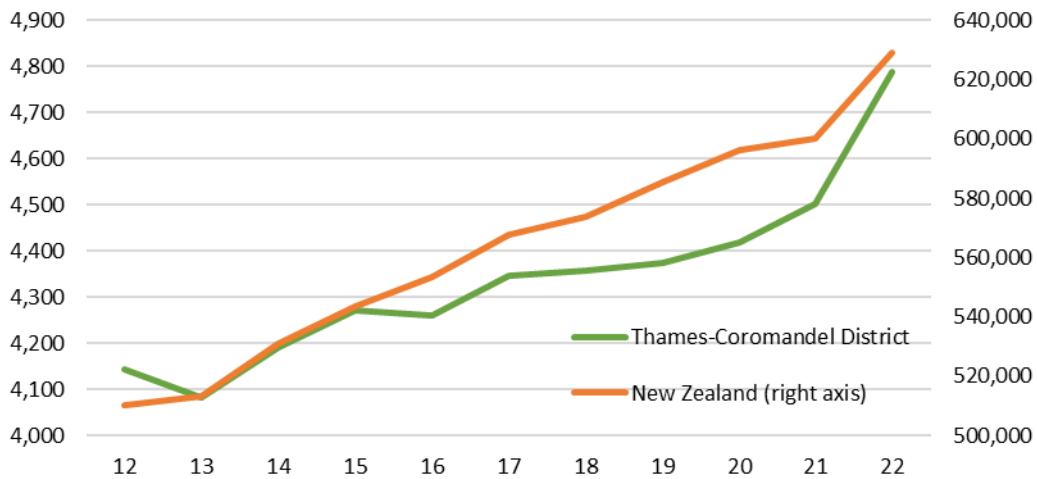
At face value these observations could lead someone to conclude that economic development resources are best directed at startups. But such a conclusion would be short-sighted. Although startups are indeed an important part of the jobs growth engine and must be supported, excessive swings in the fortunes of existing businesses are the more detrimental factor during bad times.

### 3. Business creation and destruction

Business numbers in Thames-Coromandel have risen rapidly since the Covid-19 pandemic. In 2019, there were 4,374 businesses in the district, while by 2022 there were 4,788 businesses.

**Graph 1**

**Rapid rise in Thames-Coromandel business numbers**  
*Number of business units (as at Feb), calculations from Stats NZ*

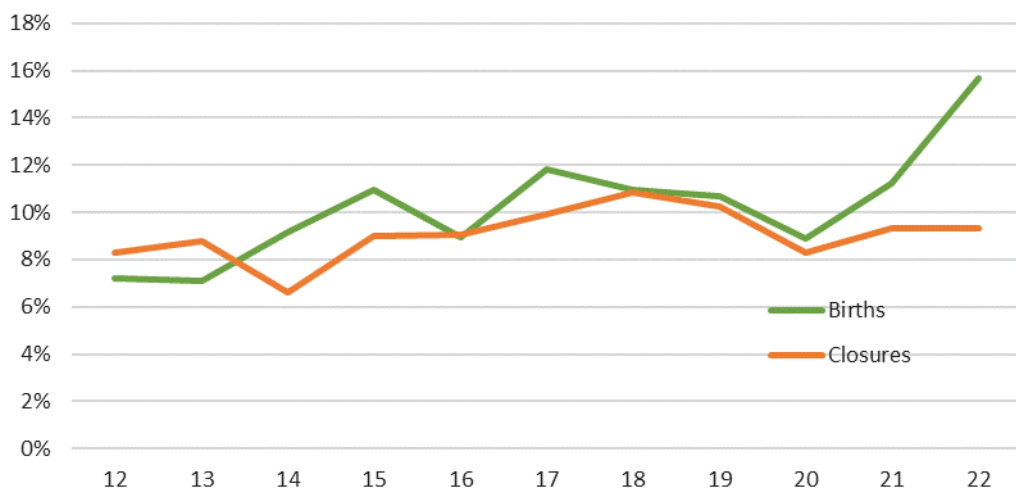


Growth in the stock of businesses is the net result of the appearance (birth) and disappearance (closure) of businesses over a given year. This process is often referred to as “creative destruction”. Since Covid-19 hit, business starts have spiked higher, while business closures have stayed remarkably low. As difficult as change is to navigate, change also creates opportunities which is great for entrepreneurship.

Between 2019 and 2022, new businesses added about 11.9% to Thames-Coromandel’s business stock each year, with business closures sitting at an average of 9.0% per annum over the same period. New business starts in Thames Coromandel have been similar to the national average (11.9%), while closures have been slightly lower than nationally (9.3%).

**Graph 2**

**Creative destruction evident in Thames-Coromandel**  
*Business births and closures as % of total businesses (Feb yr)*



## 4. Job creation among new and existing businesses

The previous section showed how business numbers have evolved over recent years. It also highlighted the process of creative destruction, where a flow of new businesses replaces those that cease operations.

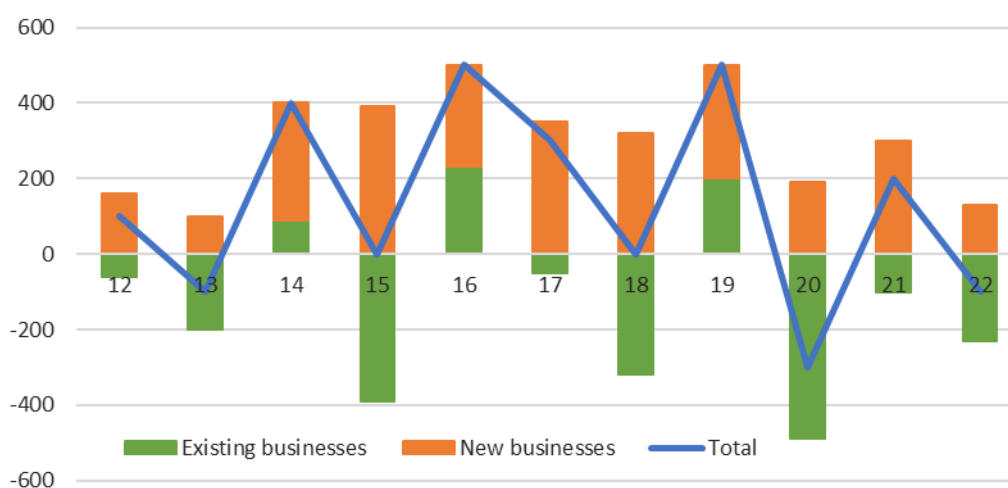
This section looks at the upshot for what these entrepreneurial trends mean for the number of jobs provided by businesses. After all it is all well and good to see how business numbers are changing, but the real goal for improving wellbeing is to translate this entrepreneurial spirit into jobs on the ground!

The following graph shows the total number of jobs created by businesses each year, split into those from new and those from existing businesses.

Immediately obvious is that new businesses consistently create jobs. Existing businesses, on the other hand, are a frequent detractor from overall job creation – especially over the challenging past three years.

Graph 3

Total job gains highest when existing businesses grow  
Annual job creation in Thames-Coromandel businesses (Feb yr)



In 2022, the 4,788 businesses in Thames-Coromandel accounted for 10,700 jobs<sup>1</sup>. By comparison, the 4,503 businesses in the district in 2021 collectively employed slightly more people (10,800 jobs). The slight decline in employment over the past year, was due to shedding among existing businesses, with new businesses still creating a steady stream of jobs (albeit slightly fewer than they had the previous year).

<sup>1</sup> Estimates in this report capture all those employed in businesses that are maintained on Statistics New Zealand's business register. Those that are self-employed and derive income as a contractor or from informal enterprises not on the business register are not captured within business employment and are excluded from the analysis. The 2018 Census showed that 22% of people in paid work in Thames-Coromandel were self-employed, compared to 15% nationally. Estimates from Infometrics showed that total employment in the district, including jobs in both businesses and the self-employed, was 13,749 jobs in 2022.

Taking a long horizon shows that there have only been three years over the past decade where existing businesses were a net contributor to job creation in the district. These three years coincided with the years in which there was the biggest employment lifts. Long-term growth is summarised below in Table 1.

Table 1

### Contributions to jobs growth in Thames-Coromandel businesses

*Average annual % point contributions to total jobs growth in businesses*

Year	Existing businesses	New businesses	Total growth
2012	-0.7%	1.7%	1.1%
2013	-2.2%	1.1%	-1.1%
2014	1.0%	3.4%	4.3%
2015	-4.1%	4.1%	0.0%
2016	2.4%	2.8%	5.2%
2017	-0.5%	3.5%	3.0%
2018	-3.1%	3.1%	0.0%
2019	1.9%	2.9%	4.8%
2020	-4.5%	1.7%	-2.8%
2021	-0.9%	2.8%	1.9%
2022	-2.1%	1.2%	-0.9%

Comparisons can also be made between the sources of jobs growth among Thames-Coromandel's businesses to the national average. Table 2 summarises average data since Covid-19.

Table 2

### Average annual contributions to jobs growth in businesses

*Average annual % point contributions 2019-22*

Business type	Thames-Coromandel District	New Zealand
Existing	-2.5%	-1.4%
New	1.9%	2.9%
<b>Total growth</b>	<b>-0.6%</b>	<b>1.5%</b>

Thames-Coromandel's existing businesses have struggled more than the national average to maintain jobs over the past three years. Employment in new businesses in Thames Coromandel has tracked slightly closer to the national average.

New businesses' higher contribution to jobs growth in Thames-Coromandel may stem from people moving to the area from other parts of New Zealand choosing to start businesses to generate income, given that quality local job options are relatively thin on the ground.

## 4.1. Do businesses shed workers because they fail or scale back?

We have established that existing businesses frequently shed workers. But does shedding occur because businesses actually fail or are the job losses instead centred on businesses that are simply scaling back in response to something more transient in the business environment?

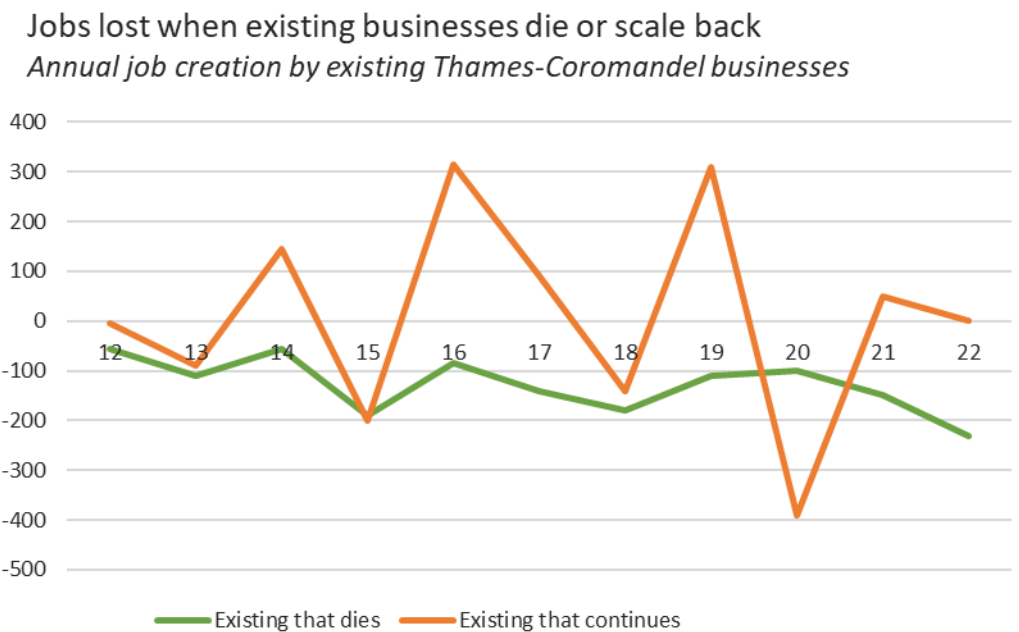
Graph 4 below breaks job losses from existing businesses into these twin trends.

The graph highlights that failing businesses' contributions to job losses are relatively consistent through time. This finding is best explained by the creative destruction process outlined earlier, which reflects natural pruning to weed out business models that are out-of-sync with longer-term trends in supply and demand.

For businesses that continue operations, there is a high degree of volatility between job creation and destruction across the business cycle. These businesses are dynamically adjusting their business model in response to external conditions so that they flourish during good times and can survive when macroeconomic conditions become more challenging.

The dynamic adjustment among businesses that survived the Covid-19 pandemic was most evident in 2020 data when there was a high degree of pruning of headcounts in the early, uncertain stages of the pandemic.

Graph 4





## 5. The demographics of businesses

This section considers the demographics of businesses. Table 3 highlights that most businesses have no employees (non-employing).

The share of non-employing businesses in Thames-Coromandel has risen from 68% of all businesses in 2019 to 71% of businesses in 2022.

Table 3

### The demographics of Thames-Coromandel businesses

Number of business units in each category, as at February 2022

Type	Thames-Coromandel District		New Zealand	
	Proportion	Number	Proportion	Number
Non-employing	71.2%	3,411	68.0%	427,407
Employing	28.8%	1,377	30.1%	189,384
<b>Total</b>	<b>100.0%</b>	<b>4,788</b>	<b>98.1%</b>	<b>628,944</b>

Considering employing businesses only, shows that the average number of employees per business unit in Thames-Coromandel is 7.8 employees, smaller than the national average of 12.6 employees.

Table 4

### Average number of employees

Per employing business unit, as at February 2022

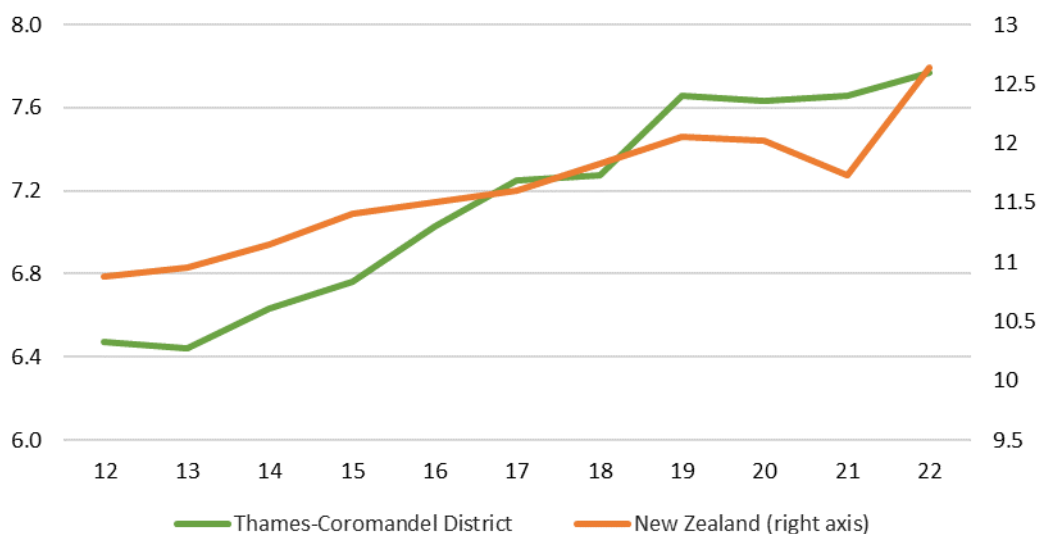
Thames-Coromandel District	New Zealand
7.8	12.6

The average number of employees per business in Thames-Coromandel has been growing through time. The average number of employees per business unit in Thames-Coromandel rose from 6.5 in 2012 to 7.8 in 2022. The average nationally rose from 10.9 to 12.6 employees over the same period.

Graph 5

### The size of employing business units has been increasing

Average number of employees per employing business unit



## 6. Do trends in job creation among new and existing businesses vary between industries?

Diving deeper into the data shows that there are significant differences between industries in terms of job creation across both new and existing business units.

Over the three years to 2022, the top five industries for job creation in Thames-Coromandel District were:

1. Construction
2. Retail trade
3. Arts and recreation services
4. Professional, scientific and technical services
5. Health care and social assistance.

Retail trade is a particularly cut-throat industry. Job creation was concentrated in new businesses, with existing businesses shedding large numbers of workers.

The other key growth industries showed stronger performances by existing businesses.

At the other end of the spectrum, the industries where business employment suffered the most were accommodation and food services followed by manufacturing.

The accommodation and food services job losses stand in stark contrast to the five years before the Covid-19 pandemic when accommodation and food services was the key growth industry in Thames-Coromandel, with particularly high rates of job creation among new businesses.

Table 5

### Job creation in Thames-Coromandel by startup and existing businesses

*Jobs created within businesses over the three years to February 2022*

	Startups	Existing	Total
Construction	96	14	110
Retail Trade	185	-85	100
Arts and Recreation Services	47	43	90
Professional, Scientific and Technical Services	42	8	50
Health Care and Social Assistance	18	32	50
Information Media and Telecommunications	30	15	45
Electricity, Gas, Water and Waste Services	0	20	20
Financial and Insurance Services	15	5	20
Other Services	50	-30	20
Wholesale Trade	3	7	10
Mining	0	-9	-9
Rental, Hiring and Real Estate Services	25	-35	-10
Agriculture, Forestry and Fishing	27	-47	-20
Public Administration and Safety	0	-20	-20
Education and Training	0	-40	-40
Transport, Postal and Warehousing	30	-100	-70
Administrative and Support Services	12	-102	-90
Manufacturing	9	-149	-140
Accommodation and Food Services	290	-590	-300
Not included elsewhere	1	-17	-16
<b>Total</b>	<b>880</b>	<b>-1,080</b>	<b>-200</b>

## 7. Comparing wages of new and existing jobs

Being entrepreneurial and creating jobs matters, but we also care about the quality of employment created. When considering social wellbeing, it is important to understand how wages of new jobs compare to those in existing jobs.

PAYE taxation data shows average annual earnings for new jobs within businesses in Thames-Coromandel in the March 2022 were \$45,180pa, while average earnings for continuing employment in existing jobs within businesses were \$56,540pa.

The average new job pays the equivalent of 80% of an existing job.

Table 6

### Mean annual earnings in businesses

Source: Stats NZ (LEED), Mar-22 year

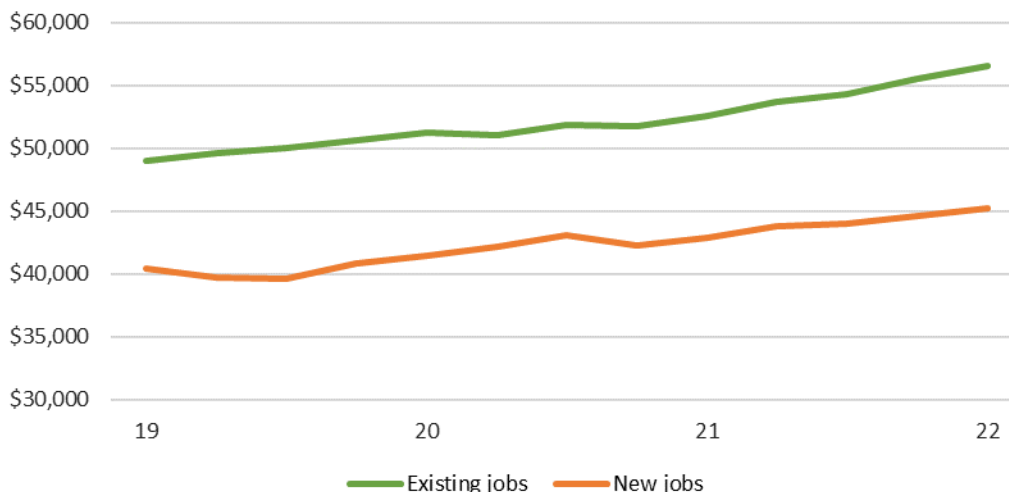
New jobs	Continuing jobs
\$45,180	\$56,540

Lower earnings for new jobs is no surprise. New employees often start out on a lower wage than colleagues, but wages improve as they develop more institutional knowledge and begin to add more value within the enterprise. Similarly, owners of new business often cannot afford to pay themselves or give as many hours to staff initially until they find their feet. Success for economic development practitioners is providing startups with the appropriate support and assistance to remain in business. The data shows that as a business develops, the earnings potential for staff in continuing jobs is higher.

Graph 6

### Changes in wages of new jobs and existing jobs

Mean annual earnings from Stats NZ (LEED)



## 8. How does Thames-Coromandel compare to others?

This section makes comparisons between Thames-Coromandel and the neighbouring districts of Hauraki and Matamata-Piako. Table 7 shows that there are higher levels of creative destruction among Thames-Coromandel's businesses than among peers' business environments. Not only does Thames-Coromandel show higher levels of business creation than Hauraki and Matamata-Piako, but closure rates of businesses are also higher.

Surprisingly for a regional centre, Thames-Coromandel has shown similar levels of creative destruction to the New Zealand average, which is generally pulled higher by entrepreneurial activity concentrated in the major urban areas.

Table 7

### Creative destruction of businesses

*Business births and closures as % of total business stock, average 3 years to 2022*

	Thames-Coromandel	Hauraki	Matamata-Piako	New Zealand
Business births	11.9%	9.4%	9.0%	11.9%
Business closures	9.0%	8.1%	7.5%	9.3%

Looking at the role of businesses in jobs creation shows that Thames-Coromandel's existing businesses have struggled more than existing businesses in Hauraki to create jobs, though have outperformed Matamata-Piako businesses. New businesses in Thames Coromandel have been relatively similar creators of jobs to neighbouring areas.

Table 8

### Contributions to business jobs growth

*% point contributions to total jobs growth in businesses, average 3 years to 2022*

	Thames-Coromandel	Hauraki	Matamata-Piako	New Zealand
Existing	-2.5%	-1.1%	-2.5%	-1.4%
New	1.9%	2.3%	2.1%	2.9%
<b>Total growth</b>	<b>-0.6%</b>	<b>1.2%</b>	<b>-0.4%</b>	<b>1.5%</b>

Jobs in businesses in Thames-Coromandel offer lower remuneration on average than jobs in neighbouring districts, both for newly created jobs and for continuing jobs.

Table 9

### Mean annual earnings in businesses

*Source: Stats NZ (LEED), Mar-22 year*

	Thames-Coromandel	Hauraki	Matamata-Piako	New Zealand
New jobs	\$45,180	\$50,780	\$52,490	\$56,570
Continuing jobs	\$56,540	\$64,170	\$70,010	\$73,540
Ratio of new to continuing	0.80	0.79	0.75	0.77

Wages for newly created jobs in Thames-Coromandel have risen at a similar rate to Hauraki, and risen at a faster rate than wages for new jobs in Matamata-Piako. Wages for continued jobs in Thames-Coromandel have risen just ahead of Matamata-Piako, but behind Hauraki.

Table 10

### Growth in mean annual earnings in businesses

*Source: Stats NZ (LEED), average annual growth over 3 years to March 2022*

	Thames-Coromandel	Hauraki	Matamata-Piako	New Zealand
New jobs	2.2%	2.0%	0.8%	2.7%
Continuing jobs	2.9%	3.2%	2.7%	2.5%