

# A Nation of Entrepreneurs

## *Census 2006 findings on the self employed*

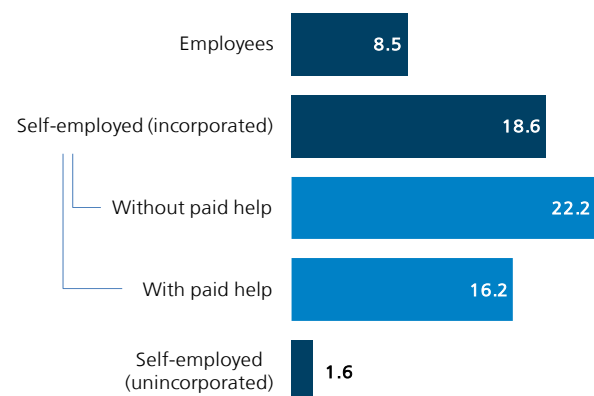
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Information from the 2006 Census released earlier in March indicated that Canada's job creation record was the best in the G7 during the first half of this decade.<sup>1</sup> An 8.5 per cent increase in the number of paid employees between 2001 and 2006 is indeed a strong result. But jobs don't just appear on their own. Diving deeper into the Census findings reveals one of the root causes of Canada's enviable job creation record—a massive increase in the number of self-employed in incorporated businesses. From 2001 to 2006, their numbers increased by 18.6 per cent, more than double the rate of growth of total employment.

Not only did these individuals contribute to the gains with respect to their own jobs, they also became *employers* in much greater numbers—increasing 16.2 per cent (see Figure 1). These increases were the largest seen in the incorporated segment in 20 years, and far larger than the mere 1.6 per cent change in the number of self employed in unincorporated businesses. The most recent Census results are a clear reversal from findings five years ago (see Table 1). Although the incorporated self employed are still a smaller group (719,000) than their unincorporated counterparts (1,275,000), their economic clout is stronger and more stable.

The strengthening of Canada's entrepreneurial culture is clearly a positive development.

Figure 1:  
**Census 2006: 5-year % Change in Employment**



<sup>1</sup> Statistics Canada Daily, March 4, 2008

With this greater ‘do-it-yourself’ capability among the workforce, the economy is far more resilient to business cycles and external shocks. International studies have shown that business creation is one of the significant drivers of long-term GDP growth.

Public attitudes are also important. Poll results show that the public holds small business owner-entrepreneurs in much higher regard than other major groups including big businesses, educators, the healthcare sector, politicians and unions. Polls of employees also show that job satisfaction is measurably higher among small business employees than those in larger establishments. The flexibility and personal touch of small workplaces more than make up for differences in wages and benefits.

Entrepreneurship has of course been a growing force for decades, so what has changed since 2001 that would explain the shift toward more-formalized businesses? The answers are varied and open to interpretation, but most likely they contain elements of the following:

- ▶ **Maturing of previously informal businesses:** The strong growth in unincorporated businesses in the mid-1990s would have had an echo effect. Through this experience, many more people would have demonstrated a business case for more formalized incorporations.
- ▶ **Tax and regulatory policy that encouraged business formation:** Federal and provincial governments were beginning to recognize small firms far better in their policy setting processes, resulting in lower tax rates and a more growth-friendly regulatory approaches.
- ▶ **Maturing of technologies that allow smaller firms to operate productively:** Cost reductions and feature advancements in computing and communications technologies allowed many more businesses to capture efficiencies.
- ▶ **Demographics:** Continued movement of the boomer generation into the prime business ownership age groups

Table 1:

### Self Employment in Canada, 1981-2006

	1981	1986	1991	1996	2001	2006	2001-06	1981-2006
<b>Total</b>							% change	
Self employed	1,094,795	1,208,890	1,405,760	1,802,365	1,861,200	1,993,715	7.1	82.1
Incorporated	326,810	383,160	478,175	592,735	606,485	719,205	18.6	120.1
Without empl	83,400	99,550	157,650	219,895	238,365	291,385	22.2	249.4
With empl	243,410	283,610	320,525	372,840	368,115	427,815	16.2	75.8
Unincorporated	767,985	825,730	927,585	1,209,630	1,254,715	1,274,510	1.6	66.0
Without empl	508,370	536,040	611,570	850,470	892,475	900,615	0.9	77.2
With empl	259,620	289,685	316,020	359,160	362,235	373,885	3.2	44.0
<b>Men</b>								
Self employed	890,130	948,195	1,014,180	1,223,345	1,230,750	1,310,140	6.5	47.2
Incorporated	269,670	309,315	362,230	435,780	441,545	522,905	18.4	93.9
Without empl	66,380	79,060	117,300	158,495	170,635	206,430	21.0	211.0
With empl	203,285	230,255	244,930	277,285	270,910	316,475	16.8	55.7
Unincorporated	620,460	638,880	651,950	787,565	789,205	787,235	-0.2	26.9
Without empl	404,850	405,005	413,500	526,910	534,735	529,560	-1.0	30.8
With empl	215,610	233,875	238,450	260,655	254,470	257,670	1.3	19.5
<b>Women</b>								
Self employed	204,665	260,695	391,580	579,020	630,450	683,575	8.4	234.0
Incorporated	57,140	73,845	115,945	156,955	164,940	196,300	19.0	243.5
Without empl	17,020	20,490	40,350	61,400	67,730	84,955	25.4	399.1
With empl	40,125	53,355	75,595	95,555	97,205	111,340	14.5	177.5
Unincorporated	147,525	186,850	275,635	422,065	465,510	487,275	4.7	230.3
Without empl	103,520	131,035	198,070	323,560	357,740	371,055	3.7	258.4
With empl	44,010	55,810	77,570	98,505	107,765	116,215	7.8	164.1

The most recent census findings also show for the first time in recent memory nearly equal growth rates of self employment among men and women. Within incorporated businesses, the growth rate among women was 19.0 per cent between 2001 and 2006, while among men it was 18.4 per cent (see Table 1). In absolute terms that represented an additional 81,000 men and 31,000 women calling themselves self employed and incorporated in 2006 compared to 2001. The growth differences were slightly wider within less formalized unincorporated businesses, but still within 5 percentage points.

These findings are vastly different from what took place in the 1980s and '90s, when absolute and percentage growth in women entrepreneurship significantly exceeded that of men.

The age profile of the self employed provides some additional insight into the process of becoming an entrepreneur. Not surprisingly, it is most often a pursuit of the 'mature' worker. Partly because of the demographic shift in the boomer population and partly because successful business creation most often requires significant technical and management skills, three-quarters of the net growth in self employment came from women and men in the 45-to-64-year age group (see Figure 2).

Provincial findings generally reflect the national norm, suggesting the changes in the entrepreneurial economy were structural rather than random. In virtually all regions, incorporated self employment grew significantly faster than either employment or unincorporated self employment.

The biggest gains were found on the Prairies. Incorporated self employment increased 27.2 per cent in Alberta and 23.6 per cent in Manitoba between the 2001 and 2006 Census (see Table 2). In the east, New Brunswick growth was the next highest at 23.3 per cent.

Incorporated self employment grew a nearly identical 18 per cent in Ontario and 17.9 per cent in Quebec, followed by Saskatchewan (14.5 per cent), British Columbia (13.6 per cent). Growth was about half the national average in Nova Scotia and Newfoundland & Labrador, increasing 11.1 per cent and 10.2 per cent respectively. Prince Edward Island was the only Province in the country where the number of people operating their own businesses actually declined

Figure 2:

### Census 2006: 5-year Net Growth in Incorporated Self Employment, Age Groups, Men and Women

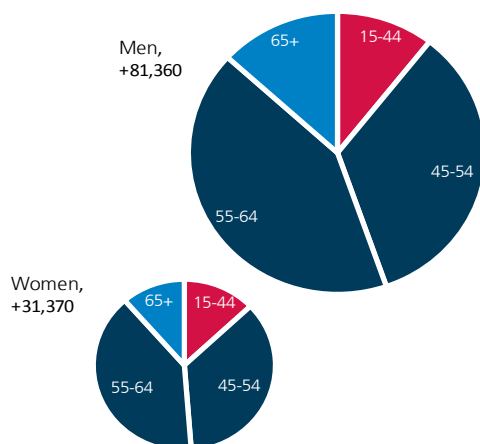


Table 2:

## Census 2006: Self Employment by Province

	2006			% change from 2001		
	Total	Men	Women	Total	Men	Women
<b>Newfoundland &amp; Lab.</b>						
Employees	226,200	115,890	110,315	5.3	2.9	8.0
Self-employed (incorp.)	4,805	3,630	1,180	10.2	12.4	4.4
Without paid help	1,375	1,055	315	8.3	12.8	-4.5
With paid help	3,430	2,575	860	10.8	12.2	8.2
Self-employed (unincorp.)	10,590	6,675	3,910	-17.0	-19.9	-11.6
<b>Prince Edward Is.</b>						
Employees	65,865	31,970	33,895	3.8	1.5	6.1
Self-employed (incorp.)	2,095	1,625	475	-8.1	-6.1	-13.6
Without paid help	435	335	100	-13.0	-17.3	11.1
With paid help	1,665	1,295	375	-6.7	-1.9	-18.5
Self-employed (unincorp.)	6,335	4,330	2,005	-7.0	-8.8	-2.9
<b>Nova Scotia</b>						
Employees	424,850	213,245	211,605	6.6	3.8	9.5
Self-employed (incorp.)	12,160	9,145	3,010	11.1	10.5	12.5
Without paid help	3,790	2,775	1,015	17.2	15.9	21.6
With paid help	8,370	6,370	2,000	8.5	8.3	8.7
Self-employed (unincorp.)	30,680	19,895	10,790	-3.3	-2.9	-4.1
<b>New Brunswick</b>						
Employees	345,325	175,940	169,390	3.6	1.4	6.1
Self-employed (incorp.)	10,465	7,885	2,585	23.3	23.3	23.4
Without paid help	3,025	2,245	775	21.2	23.7	14.8
With paid help	7,440	5,635	1,805	24.0	23.0	27.1
Self-employed (unincorp.)	20,540	12,930	7,605	-9.0	-8.8	-9.3
<b>Quebec</b>						
Employees	3,489,645	1,796,060	1,693,580	7.2	5.2	9.3
Self-employed (incorp.)	161,340	118,515	42,820	17.9	17.8	18.3
Without paid help	69,790	48,550	21,240	24.2	24.0	24.7
With paid help	91,550	69,965	21,580	13.6	13.9	12.5
Self-employed (unincorp.)	268,950	162,285	106,670	12.2	8.1	19.2
<b>Ontario</b>						
Employees	5,719,805	2,896,410	2,823,395	8.2	6.6	9.9
Self-employed (incorp.)	246,970	180,780	66,195	18.0	18.8	15.8
Without paid help	94,025	68,060	25,965	20.3	21.4	17.5
With paid help	152,945	112,715	40,230	16.6	17.3	14.7
Self-employed (unincorp.)	487,950	302,440	185,505	2.5	1.4	4.3
<b>Manitoba</b>						
Employees	528,645	267,890	260,755	5.3	4.3	6.3
Self-employed (incorp.)	23,070	16,370	6,700	23.6	18.9	36.6
Without paid help	9,695	6,405	3,290	40.6	24.7	86.9
With paid help	13,375	9,965	3,410	13.6	15.5	8.4
Self-employed (unincorp.)	48,075	31,940	16,135	-9.9	-11.3	-7.0
<b>Saskatchewan</b>						
Employees	430,030	215,105	214,925	6.3	6.2	6.5
Self-employed (incorp.)	25,200	18,195	7,000	14.5	12.7	19.4
Without paid help	11,605	8,405	3,200	21.3	18.3	29.8
With paid help	13,595	9,790	3,800	9.3	8.4	11.8
Self-employed (unincorp.)	58,205	39,775	18,425	-18.1	-19.4	-15.1
<b>Alberta</b>						
Employees	1,662,940	871,575	791,365	15.9	15.8	16.0
Self-employed (incorp.)	123,610	88,255	35,355	27.2	25.4	31.8
Without paid help	57,040	40,080	16,955	31.7	27.6	42.7
With paid help	66,570	48,170	18,400	23.5	23.6	23.3
Self-employed (unincorp.)	135,135	81,920	53,210	-4.4	-6.7	-0.6
<b>British Columbia</b>						
Employees	1,873,045	948,700	924,350	9.2	7.8	10.6
Self-employed (incorp.)	108,125	77,595	30,525	13.6	14.1	12.3
Without paid help	40,100	28,150	11,950	10.2	8.6	14.4
With paid help	68,025	49,450	18,575	15.7	17.5	11.1
Self-employed (unincorp.)	204,875	123,010	81,865	4.4	4.3	4.5
<b>Yukon</b>						
Employees	16,485	8,140	8,350	7.9	8.7	7.2
Self-employed (incorp.)	695	465	235	4.5	-3.1	30.6
Without paid help	260	210	55	20.9	31.3	10.0
With paid help	435	255	175	-3.3	-21.5	34.6
Self-employed (unincorp.)	1,675	1,090	585	0.6	3.3	-4.1
<b>Northwest Terr.</b>						
Employees	21,795	11,525	10,270	14.8	15.0	14.6
Self-employed (incorp.)	560	375	185	21.7	15.4	32.1
Without paid help	205	125	75	32.3	13.6	87.5
With paid help	360	245	110	18.0	16.7	15.8
Self-employed (unincorp.)	1,075	635	440	12.6	8.5	17.3
<b>Nunavut</b>						
Employees	11,565	6,075	5,490	14.2	12.8	15.7
Self-employed (incorp.)	100	75	30	0.0	-6.3	50.0
Without paid help	50	35	10	42.9	16.7	0.0
With paid help	50	40	15	-23.1	-27.3	50.0
Self-employed (unincorp.)	405	290	115	-18.2	-19.4	-14.8