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Key Small Business Statistics

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Foreword

Key Small Business Statistics is a semi-annual publication that provides baseline data on the small business sector in Canada. This twelfth edition updates data found in previous editions. The following sections have been updated with new data:

- How many businesses are there in Canada?
- How many businesses appear and disappear each year?
- How long do small businesses survive?
- How many jobs do small businesses create?
- What is the contribution of small businesses to Canada's gross domestic product?
- How many people are self-employed?
- How many small businesses use e-business?

New Section:

- What are the characteristics of the self-employed?

This new edition and previous publications are available on the Small Business Research and Policy website: www.ic.gc.ca/sbresearch.

Highlights

Industry Canada's definition of "small business" is firms that have fewer than 100 employees.

Number of Businesses

- There are just over 1 million small businesses in Canada that have employees (excludes self-employed entrepreneurs). Ninety-eight percent of businesses in Canada have fewer than 100 employees.
- Between 2002 and 2006, 130 000 new small businesses, on average, were created in Canada each year.

Contribution to Gross Domestic Product (GDP)

- Small businesses that have fewer than 50 employees contribute about 26 percent to Canada's GDP.

Employment

- As of 2007, small businesses employed approximately 5 million individuals in Canada, or 48 percent of the total labour force in the private sector.
- Small businesses created about 100 000 jobs in 2007, accounting for over 40 percent of all jobs created in Canada. Over the 1997 to 2007 period, small firms accounted for 37 percent of all jobs created on average, in the private sector.
- Approximately 15 percent of all employed workers in the Canadian economy in 2007 were self-employed.

Earnings

- On average, small business employees in Canada earned around \$694 per week in 2007, less than the overall average of \$762.

Sectoral Breakdowns

- Small businesses account for over two thirds of employment in five Canadian industry categories: non-institutional health care, construction, accommodation and food, forestry, and other services.
- Roughly 25 percent of small businesses operate in Canadian goods-producing industries; the remaining 75 percent operate in service industries.



Survival

- Failure rates for small businesses in Canada decline over time. About 96 percent of small businesses (1–99 employees) that enter the marketplace survive for one full year, 85 percent survive for three years and 70 percent survive for five years.
- The number of business bankruptcies in Canada fell by 50 percent between 1997 and 2007 to about 6300 in 2007.

Women in Business

- It is estimated that 47 percent of small and medium-sized enterprises (SMEs) have some degree of female ownership: 16 percent of SMEs are majority-owned by women, 20 percent are owned in equal partnerships between male and female owners, and 11 percent of SMEs have a minority female ownership.

Research and Development

- In 2003, small businesses in Canada spent just over \$3 billion on research and development (R&D).
- Among firms performing R&D, small businesses in Canada spend significantly more as a percentage of their revenue than larger firms.

E-Commerce

- The overall rate of Canadian firms selling online was 8 percent in 2007, while the overall rate of firms buying online was 48 percent. In both categories, small firms lagged behind large firms. Only 7 percent of small firms sold online compared with 22 percent of large firms. Similarly, online purchases were conducted by 45 percent of small firms, well below the 74 percent of large firms purchasing online.

When is a business “small”?

The size of a business can be defined in many ways, by the value of its annual sales or shipments, for example, or by its annual gross or net revenue, the size of its assets or the number of its employees. Many institutions define small businesses according to their own needs — the Canadian Bankers Association classifies a company as “small” if it qualifies for a loan authorization of less than \$250 000, whereas the Export Development Corporation defines small or “emerging” exporters as firms with export sales under \$1 million. Industry Canada has often used a definition based on the number of employees — goods-producing firms are considered “small” if they have fewer than 100 employees, whereas for service-producing firms the cut-off point is 50 employees. Above that size, and up to 499 employees, a firm is considered medium-sized. The smallest of small businesses are called micro-enterprises, most often defined as having fewer than five employees. The term “SME” (for small and medium-sized enterprise) refers to all businesses with fewer than 500 employees, whereas firms with 500 or more employees are classified as “large” businesses.

As will be seen, in practice, reporting on small businesses seldom adheres to any strict definition due to data limitations.

How many businesses are there in Canada?

The Business Register of Statistics Canada maintains a count of business establishments¹ and publishes results twice a year. Business establishments can belong to the same company; each company owns at least one business establishment. For an individual business establishment to be included in the Business Register, the company to which it belongs must meet at least one of the following minimum criteria: it must have at least one paid employee (with payroll deductions remitted to the Canada Revenue Agency (CRA)), it must have annual sales revenues of \$30 000, or it must be incorporated and have filed a federal corporate income tax return at least once in the previous three years.

As of June 2008, there were more than 2.3 million business establishments² in Canada, as shown in Table 1, compared with 2.4 million establishments in June 2007. About half of all business establishments are called “employer businesses” because they maintain a payroll of at least one person (possibly the owner). The other half are classified as “indeterminate” because they do not have any employees

1. Statistics Canada uses four standard business units for purposes of compiling statistics. Establishments are the smallest unit/grouping for which data are published. Establishments must:

- a) produce a homogeneous set of goods or services;
- b) not cross provincial boundaries; and
- c) provide data on the value of output together with the cost of principal intermediate inputs used, along with the cost and quantity of labour resources used to produce the output.

For example, a business unit of a larger enterprise that provides independent accounting information to the government on sales taxes and payroll deductions would be recognized as an individual business establishment.

2. This number includes both commercial and non-commercial business establishments.

registered with the CRA. Such businesses may indeed have no workforce (they may simply be paper entities that nonetheless meet one of the criteria for recognition as a business establishment) or they may have contract workers, family members and/or only the owners working for them. The “indeterminate” category was created because information about their workforce is not available.

Approximately 58 percent of all business establishments in Canada are located in Ontario and Quebec. Virtually all the rest are divided between the western provinces (36 percent) and the Atlantic provinces (6 percent). The Northwest Territories, Yukon and Nunavut represent only 0.3 percent of Canada’s businesses.

Table 1: Total Number of Business Establishments, and Number of Establishments Relative to Provincial/Territorial Population and Gross Domestic Product, June 2008

Provinces/Territories	No. of Business Establishments			No. of Establishments per 1000 Population	GDP per Business Establishment (\$ thousands)
	Total	Employer Businesses	Indeterminate ¹		
Newfoundland and Labrador	26 861	17 877	8 984	52.8	1 081
Prince Edward Island	10 524	6 021	4 503	75.5	431
Nova Scotia	55 648	30 711	24 937	59.5	598
New Brunswick	42 866	25 987	16 879	57.0	616
Quebec	470 130	237 938	232 192	60.7	634
Ontario	904 019	370 134	533 885	70.1	644
Manitoba	75 824	35 090	40 734	63.4	641
Saskatchewan	90 851	36 920	53 931	89.9	563
Alberta	338 642	150 546	188 096	96.4	768
British Columbia	364 540	170 692	193 848	82.3	522
Yukon Territory	2 881	1 571	1 310	91.4	586
Northwest Territories	2 668	1 614	1 054	62.8	1 717
Nunavut	859	618	241	27.6	1 596
Canada Total	2 386 313	1 085 719	1 300 594	71.8	642

Source: Statistics Canada, Business Register, June 2008; National Income and Expenditure Accounts 2007; Estimates of Population by Age and Gender for Canada, the Provinces and the Territories, June 2008.

Note 1: The “indeterminate” category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members and/or owners.

Relative to population, the western provinces, Yukon and Prince Edward Island have more business establishments than elsewhere, with the highest rates in Alberta and Yukon at 96.4 and 91.4 per 1000 population respectively. Nunavut, Newfoundland and Labrador, Nova Scotia and New Brunswick have the lowest ratios of business establishments per 1000 population. Ontario and Quebec are below the national average of 71.8, with 70.1 and 60.7 business establishments per 1000 population respectively.

In terms of gross domestic product (GDP) per business establishment by province, the Northwest Territories shows the highest ratio at \$1 717 000 per establishment. (This is likely due, in part, to the low number of establishments per 1000 residents; therefore, its GDP is spread over fewer establishments.) More broadly, there is a noticeable negative relationship between the number of establishments per 1000 inhabitants and contribution to GDP per establishment in that a higher number of establishments per 1000 population corresponds to a lower GDP per establishment. Alberta is an exception to this rule, with a relatively high GDP per establishment as well as a high number of establishments per 1000 residents.

Of the 1 085 719 employer businesses, 2940 or about 0.3 percent have 500 employees or more, 1 062 549 employer businesses (98 percent) have fewer than 100 employees, 75 percent have fewer than 10 employees and 55 percent have only 1 to 4 employees (see Table 2).

Table 2: Number of Business Establishments by Sector and Firm Size (Number of Employees), June 2008

Number of Employees	Cumulative Percent of Employer Businesses	No. of Business Establishments		
		Total	Goods-Producing Sector ²	Service-Producing Sector ²
Indeterminate ¹		1 300 594	315 798	984 796
<i>Employer Business Total</i>	<i>100.0</i>	<i>1 085 719</i>	<i>238 279</i>	<i>847 440</i>
1–4	55.0	597 432	131 978	465 454
5–9	75.3	219 771	47 002	172 769
10–19	87.4	131 387	27 285	104 102
20–49	95.2	85 123	19 001	66 122
50–99	97.9	28 836	7 054	21 782
100–199	99.1	13 417	3 581	9 836
200–499	99.7	6 813	1 809	5 004
500+	100.0	2 940	569	2 371
Grand Total		2 386 313	554 077	1 832 236

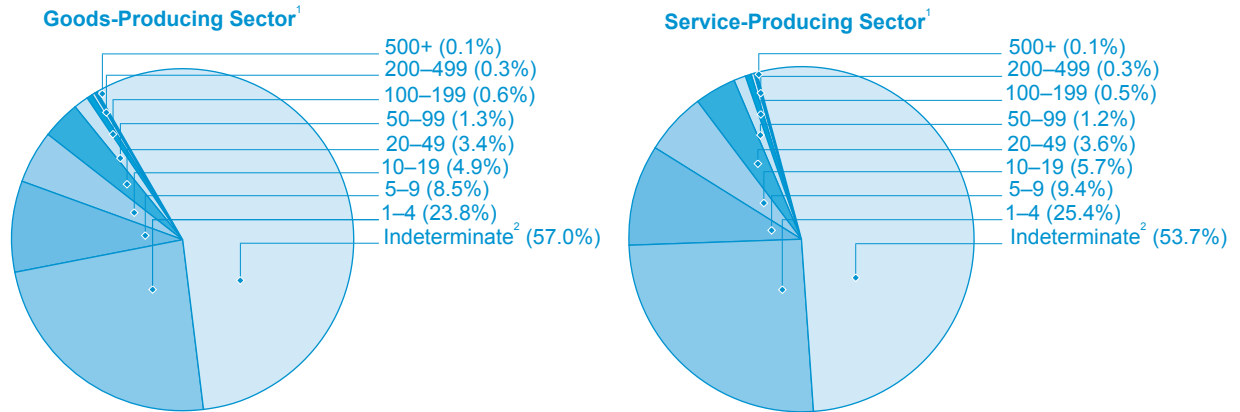
Source: Statistics Canada, Business Register, June 2008.

Note 1: The “indeterminate” category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members and/or owners.

Note 2: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

About one quarter of all business establishments (indeterminate and employer businesses alike) produce goods, whereas the remainder provide services. Small firms (those with fewer than 100 employees) make up 97 percent of goods-producing employer businesses and 98 percent of all service-producing employer businesses (Table 2 and Figure 1). Using an alternative definition of small businesses in the service-producing sector that defines small businesses as those with fewer than 50 employees, small firms account for 95 percent of all service-producing employer firms.

Figure 1: Distribution of Business Establishments in the Goods-Producing and Service-Producing Sectors by Firm Size (Number of Employees), June 2008



Source: Statistics Canada, Business Register, June 2008.

Note 1: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31-33, while NAICS codes 41 to 91 define the service-producing sector.

Note 2: The “indeterminate” category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members and/or owners.

Table 3 shows the distribution of employer businesses by size of business establishment in each province and territory. Generally speaking, the distribution by size in the provinces is similar to the national average distribution by size. However, there is some variation among the provinces and territories; for example, there is a higher percentage of micro-enterprises (1 to 4 employees) in Alberta (59 percent) and Newfoundland and Labrador (58 percent) than in Ontario (55 percent), Quebec (52 percent) or the territories (from 27 percent to 50 percent).

Table 4 presents the distribution of employer businesses by size of business establishment in each industry. The most variation across industries is found among micro-enterprises. The highest percentage of micro-industries is in professional, scientific and technical services (74.3 percent) and in agriculture, forestry, fishing and hunting (71.2 percent). The lowest percentages of micro-enterprises are found in public administration (20.7 percent), accommodation and food services (28.3 percent) and in manufacturing (33.7 percent).

Table 3: Employer Businesses by Firm Size (Number of Employees) in the Provinces and Territories, June 2008

Provinces/Territories	Employer Businesses										
	Total	Percent of Total									
		1-4	5-9	10-19	20-49	50-99	Small (<100)	100-199	200-499	Medium (100-499)	Large (500+)
Newfoundland and Labrador	17 877	57.8	21.5	10.7	6.4	1.9	98.3	0.9	0.5	1.4	0.3
Prince Edward Island	6 021	52.1	23.1	12.6	8.3	2.3	98.4	1.0	0.5	1.5	0.2
Nova Scotia	30 711	55.2	20.7	11.8	7.7	2.5	97.9	1.3	0.5	1.8	0.2
New Brunswick	25 987	55.3	20.4	12.1	8.0	2.4	98.1	1.1	0.5	1.6	0.2
Quebec	237 938	52.0	22.0	12.7	8.5	2.7	98.0	1.2	0.6	1.8	0.3
Ontario	370 134	54.9	19.7	12.1	7.9	2.9	97.5	1.4	0.8	2.2	0.3
Manitoba	35 090	50.1	21.7	13.6	9.0	3.2	97.6	1.4	0.7	2.1	0.3
Saskatchewan	36 920	54.9	20.9	12.6	7.6	2.3	98.4	1.0	0.5	1.4	0.2
Alberta	150 546	59.0	18.2	11.2	7.2	2.4	98.0	1.2	0.6	1.8	0.2
British Columbia	170 692	57.0	20.0	11.7	7.2	2.4	98.3	1.0	0.5	1.5	0.2
Yukon Territory	1 571	49.1	22.4	14.1	10.1	2.2	97.9	1.1	0.8	1.9	0.2
Northwest Territories	1 614	35.3	24.5	19.7	13.7	4.2	97.3	1.9	0.7	2.6	0.1
Nunavut	618	26.7	24.8	21.2	18.6	5.5	96.8	2.3	0.8	3.1	0.2
Canada Total	1 085 719	55.0	20.2	12.1	7.8	2.7	97.9	1.2	0.6	1.9	0.3

Source: Statistics Canada, Business Register, June 2008.

Table 4: Employer Businesses by Firm Size (Number of Employees) in Industries, June 2008

Industry (Ranked by number of employer businesses)	Employer Businesses										
	Total	Percent of Total									
		1-4	5-9	10-19	20-49	50-99	Small (<100)	100-199	200-499	Medium (100-499)	Large (500+)
Retail Trade	133 933	39.4	30.0	16.8	8.4	3.1	97.7	1.6	0.6	2.3	0.1
Other Services	128 680	70.7	17.8	7.2	3.1	0.7	99.5	0.3	0.1	0.4	0.0
Construction	120 205	59.4	21.5	10.6	6.0	1.6	99.1	0.6	0.2	0.9	0.1
Professional, Scientific and Technical Services	119 322	74.3	12.6	7.0	4.0	1.2	99.1	0.5	0.3	0.8	0.1
Health Care and Social Assistance	87 449	55.6	21.2	11.6	6.5	2.4	97.3	1.5	0.8	2.3	0.4
Accommodation and Food Services	74 078	28.3	24.4	22.4	17.2	5.9	98.2	1.3	0.4	1.7	0.1
Wholesale Trade	63 414	46.1	22.6	16.2	10.5	3.0	98.3	1.1	0.5	1.6	0.1
Manufacturing	57 271	33.7	20.4	16.3	15.3	7.2	92.8	4.2	2.3	6.5	0.7
Administration, Waste Management	50 177	53.0	21.8	12.0	7.6	2.8	97.2	1.5	0.9	2.4	0.4
Agriculture, Forestry, Fishing and Hunting	49 538	71.2	15.8	7.5	4.0	1.0	99.5	0.4	0.1	0.5	0.0
Transportation and Warehousing	49 335	63.8	15.2	9.5	7.1	2.4	97.9	1.1	0.7	1.8	0.3
Real Estate and Rental and Leasing	39 704	66.5	17.9	8.7	4.7	1.3	99.1	0.5	0.3	0.8	0.1
Finance and Insurance	35 456	53.9	17.3	11.8	12.2	2.3	97.5	1.2	0.8	2.0	0.5
Arts, Entertainment and Recreation	17 467	46.0	21.9	14.1	11.1	4.0	97.0	1.9	0.7	2.6	0.3
Management of Companies and Enterprises	14 589	59.6	14.9	9.1	8.2	3.6	95.5	2.1	1.5	3.6	0.9
Information and Cultural Industries	13 515	50.6	17.5	12.2	11.4	4.1	95.8	2.3	1.2	3.5	0.7
Educational Services	12 475	43.8	19.6	14.6	10.8	4.0	92.9	2.0	1.7	3.6	3.4
Mining, Quarrying, and Oil and Gas Extraction	9 944	55.9	14.4	12.8	9.6	3.8	96.5	1.7	1.3	3.0	0.6
Public Administration	7 846	20.7	17.3	16.8	18.5	10.0	83.3	7.2	5.3	12.4	4.3
Utilities	1 321	35.0	20.5	17.0	11.5	6.5	90.5	3.9	2.9	6.8	2.6
Canada Total	1 085 719	55.0	20.2	12.1	7.8	2.7	97.9	1.2	0.6	1.9	0.3

Source: Statistics Canada, Business Register, June 2008.

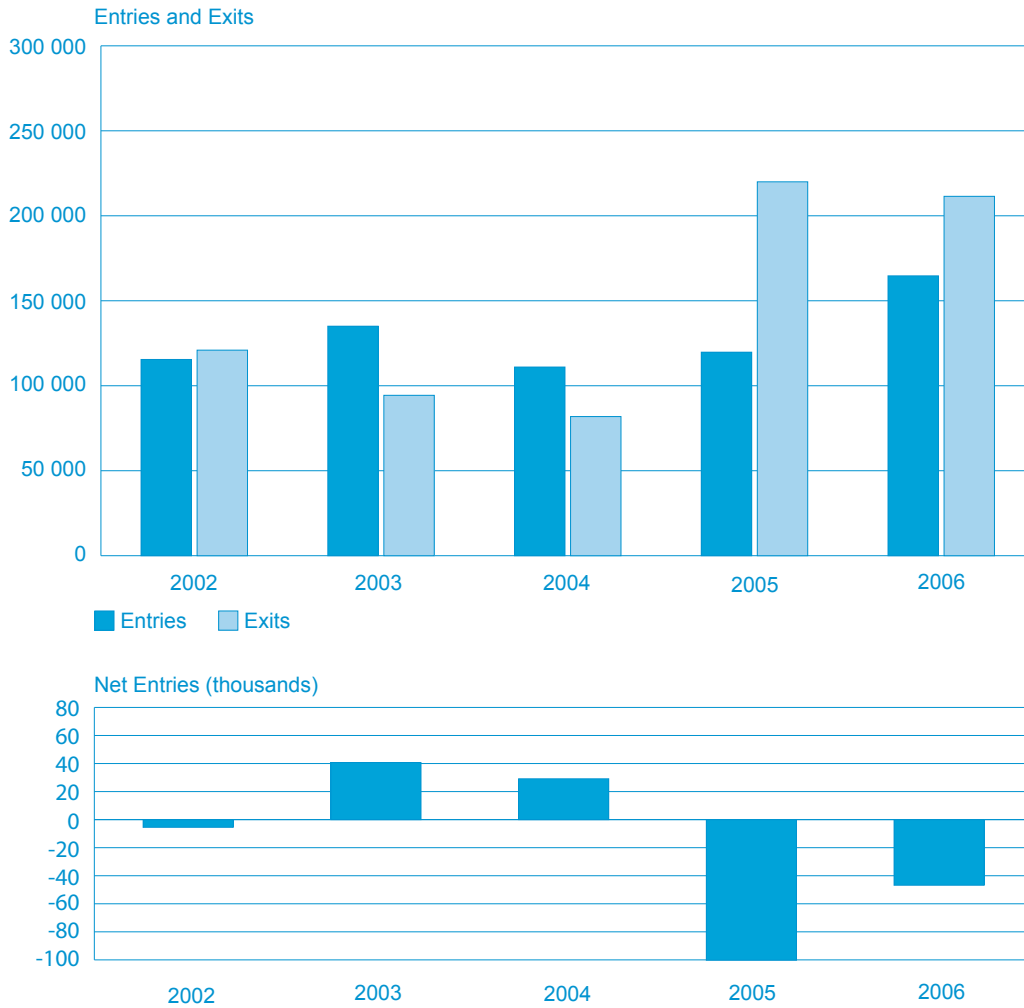
How many businesses appear and disappear each year?

Thousands of businesses enter and exit the marketplace throughout the year. Keeping track of these births and deaths is no easy matter. In July 2008, Statistics Canada made available data on SMEs in Canada through the Small and Medium-Sized Enterprises Data Warehouse (SMEs Data Warehouse).

Figure 2 shows the number of small businesses (those with fewer than 100 employees) that entered and exited the marketplace annually between 2002 and 2006. Over this period, 130 000 new small businesses, on average, were created in Canada each year. There was no clear pattern of business entries over the period. In 2002, there were approximately 115 000 entries, increasing to 135 000 in 2003 and falling back to 111 000 in 2004. In 2006, the number of entries attained a peak of 164 000, representing 45 000 more new businesses over 2005. The number of exits decreased gradually from approximately 120 000 in 2002 to 82 000 in 2004. In the following two years, the number of exits grew to more than 200 000. On a net basis, there was a positive number of entries in only two years of the study period: 2003 and 2004. In 2005, there were about 100 000 net exits. This high number of exits is mainly due to increases in exits among businesses with revenues under \$30 000 (these were not considered in previous editions), as well as exits in the construction industry, retail trade and professional, scientific and technical services. Together, they represented about 80 percent of all exits in 2005.



Figure 2: Entries and Exits of Small Businesses with up to 100 Employees, 2002 to 2006.



Source: Statistics Canada, Small and Medium-Sized Enterprises Data Warehouse, July 2008.



Bankruptcy statistics

Only a small proportion of firms that exit the marketplace end up filing for bankruptcy. On average over the last 18 years, there have been approximately 12 000 business bankruptcies per year in Canada. In the 1990s, they gradually increased from about 11 000 to a peak of more than 14 000 in 1997. Since then, business bankruptcies have been on the decline, to about 6300 in 2007.

More detailed statistics on business bankruptcies and the liabilities involved are regularly reported in Industry Canada's *Small Business Quarterly* (www.ic.gc.ca/SMEquarterly) and are also available on the website of the Office of the Superintendent of Bankruptcy at www.osb-bsf.gc.ca.

How long do small businesses survive?

One way to answer the question of how long small businesses are likely to survive is to determine the probability of survival based on predictable factors. Geographic location, type of industry, size and age are some useful factors in predicting how long a business stays active. Other, unforeseen, factors can also affect the survival of a business, including general economic conditions, as well as market influences such as the number and size of competitors and new entrants.

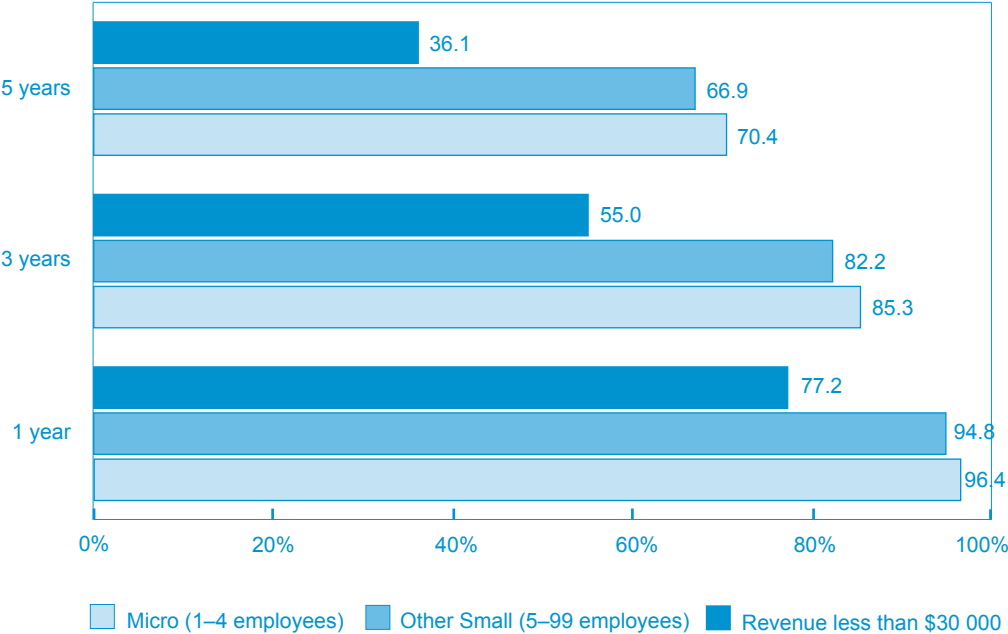
Survival is defined as the percentage of new firms that continue to operate when they reach a given age. Failure rates for small businesses in Canada decline over time. About 96 percent of small businesses (1–99 employees) that enter the marketplace survive for one full year, 85 percent survive for three years and 70 percent survive for five years.

Figure 3 presents survival rates for the 2001 cohort of start-ups that are micro-enterprises (those with 1 to 4 employees), other small businesses (those with between 5 and 99 employees) and those with revenues of less than \$30 000. Figure 3 shows that slightly more micro-enterprises survived in comparison with other small businesses. For example, 96.4 percent of micro-enterprises that entered in 2001 survived for one year, whereas 94.8 percent of other small businesses that entered in 2001 survived for one year. The gap in survival rates between the two categories almost doubles, however, as the number of years in business increases. In fact, 85.3 percent of micro-enterprises created in 2001 survived for three years, whereas 82.2 percent of other small businesses created in 2001 survived for three years.

The percentage of new firms that remain in business declines steadily for both categories over the five-year period observed. After five years in business, 70.4 percent of micro-enterprises survived compared with 66.9 percent of other small businesses.

Survival rates of businesses with revenues of less than \$30 000 are significantly lower than those observed for businesses with revenues of more than \$30 000. Of those businesses with revenues of less than \$30 000 that started in 2001, 55.0 percent survived after three years and only 36.1 percent survived after five years.

Figure 3: Survival Rates of Micro-Enterprises and Other Small Businesses (Employer Businesses Only), 2001–2006



Source: Statistics Canada, Small and Medium-Sized Enterprises Data Warehouse, July 2008.

Data sources and methodology

Statistics Canada's SMEs Data Warehouse³ provides information on general business demographic statistics, including business counts, employment and revenue by industry, size and geography.

In previous editions of *Key Small Business Statistics*, exit and entry figures were derived through special tabulations of data from the *Longitudinal Employment Analysis Program* (LEAP). There are a few differences between LEAP and SMEs Data Warehouse methodologies that explain the change in figures in this publication and previous editions. First, the count of the number of businesses differs. For example, LEAP counts business establishments rather than enterprises, which results in LEAP including considerably more firms than the SMEs Data Warehouse. Second, the count of entries and exits differs. For example, in a case of two companies merging, LEAP preserves the business number of the larger company and counts it as “continuous,” while the smaller business number no longer exists and is labelled as an exit. In the case of the SMEs Data Warehouse, both business numbers would be destroyed (two exits) and a new number would be created for the new business, counted as an entry. Overall, the new figures using the SMEs Data Warehouse show lower entry and exit rates, mainly due to a higher number of entries and exits at the establishment level, which are captured by LEAP only.

3. See text box for more details.

Small and Medium-Sized Enterprises Data Warehouse

SMEs Data Warehouse was developed by Statistics Canada with the objectives of providing general characteristics and performance indicators of small and medium-sized enterprises and supporting future research on SMEs. The first release of data was in July 2008 on firm entries and exits.

The Data Warehouse contains information on the following: new enterprise entries and exits, business performance (survival rates) and high growth companies (gazelles). These indicators are distributed by revenue, employment size and industry sector, and cover the period from 2001 to 2006.

The Data Warehouse is based on the Statistics Canada Business Register and administrative tax data (incorporated (T2) and unincorporated (T1) tax declaration, GST remittance and payroll deduction accounts (PD7)) from the Canada Revenue Agency (CRA). These data contain a list of small and medium-sized enterprises in Canada from 2001 to 2006, based on the Business Register. The enterprises included are those with fewer than 250 employees and less than \$50 million in total revenue. The data also contain information on business entries and exits. If a business is observed to exist in the base year but not in the following year, it is considered to be an “exit” and vice versa for an “entry.” Although there may be other reasons why a business cannot be found in either year,⁴ the data give a good overall picture of the turbulence (often called “churn”) of new and disappearing businesses.

Results from the SMEs Data Warehouse are an important contribution to the Entrepreneurship Indicators program of the Organisation for Economic Co-operation and Development and Eurostat. The first results from this program on developing indicators of entrepreneurial performance were published in November 2008. A copy of the report can be found at www.oecd.org/statistics/entrepreneurshipindicators.

4. Reorganization in a firm may involve name changes, mergers, a division of existing payroll accounts or more. To the greatest extent possible, false signals about deaths and births are deleted from the data. A legitimate firm death can occur in certain merger cases, as a result of an owner's decision to cease operations, because the firm has gone bankrupt or for a number of other reasons. For more on bankruptcies, see **Bankruptcy statistics**.

How many people work for small businesses?

To best answer this question, it is necessary to look at business establishments as part of the larger enterprise to which they belong, where applicable. Statistics Canada defines a business enterprise as “a family of businesses under common ownership and control for which a set of consolidated financial statements is produced on an annual basis.” Statistics Canada’s *Survey of Employment, Payrolls and Hours* (SEPH) covers employer businesses in Canada and reports the number of employees at the enterprise level. Self-employed persons who are not on a payroll are not included in these figures, nor are employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Firms are grouped into seven size categories: those with fewer than 5 employees, from 5 to 19, from 20 to 49, from 50 to 99, from 100 to 299, from 300 to 499, and 500 and more employees.

According to SEPH data, on average in 2007, just over 5.1 million employees on payroll, or 48 percent of the total private sector labour force,⁵ worked for small enterprises (those with fewer than 100 employees) as shown in Table 5. More than 1.7 million, or 16 percent, worked for medium-sized enterprises (those with 100 to 499 employees). In total, therefore, SMEs employed just over 6.8 million, or 64 percent, of private sector employees covered by SEPH.

The distribution of employment by size of firm varies considerably across industries. As shown in Table 5 and Figure 4, small businesses account for over two thirds of employment in five industries: the (non-institutional) health care sector (89 percent), the construction industry (75 percent), other services (72 percent), forestry (68 percent), and accommodation and food (66 percent). In three other industries, at least half of the workforce is employed by small businesses. Lastly, in terms of the total number of employees, industries that had the largest number of employees working for small firms were, in order of magnitude, retail trade (0.80 million), accommodation and food (0.69 million), manufacturing (0.60 million), construction (0.59 million), professional services (0.43 million) and wholesale trade (0.40 million). These industries alone accounted for 68 percent of all jobs in small firms in Canada.

5. Private sector employment in the SEPH data was identified with the aid of *Employment Dynamics* and *Small Business Profiles* data for corresponding years and by projecting trends for more recent years. A technical note on the methodology used in this process is available and can be obtained by contacting **Customer Services** at sbrp-rppe@ic.gc.ca. In addition to the industries excluded from SEPH, data shown in Table 5 and Figure 4 exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.



Table 5: Number of Private Sector Employees by Industry and Size of Business Enterprise, 2007^{1,2,3}

Industry (Ranked by number of employees in small businesses)	Size of Business Enterprise (No. of Employees)									Total
	0–4	5–19	20–49	50–99	Small (<100)	100–299	300–499	Medium (100–499)	Large (500+)	
Retail Trade	116 315	294 262	220 612	177 186	808 375	163 633	36 866	200 499	781 107	1 789 982
Accommodation and Food	47 376	238 222	238 698	169 005	693 301	136 614	36 485	173 099	179 791	1 046 193
*Manufacturing	43 051	165 349	205 208	190 330	603 938	311 000	135 615	446 615	734 168	1 784 722
*Construction	137 380	228 602	142 148	83 341	591 471	85 612	23 041	108 653	85 712	785 836
Professional Services	137 414	144 513	90 521	60 548	432 996	79 227	31 274	110 501	182 014	725 511
Wholesale Trade	55 088	144 079	118 953	83 961	402 081	109 741	41 073	150 814	205 891	758 786
Other Services	102 814	164 433	70 915	40 729	378 891	54 693	17 551	72 244	73 012	524 148
Administration, Waste Management	50 345	94 943	70 711	54 705	270 704	102 995	51 542	154 537	289 189	714 430
Transportation and Warehousing ²	42 790	63 215	50 645	41 448	198 097	51 988	20 816	72 804	277 867	548 768
Health ²	67 649	92 963	26 640	7 478	194 730	1 823	825	2 648	20 307	217 685
Real Estate and Rental	42 195	56 795	32 704	22 869	154 563	25 740	11 452	37 192	59 327	251 084
Finance and Insurance	29 522	41 245	36 877	31 430	139 074	44 341	23 782	68 123	417 025	624 222
Arts, Entertainment and Recreation	15 410	38 670	35 286	27 696	117 062	32 365	10 348	42 713	79 493	239 268
Information and Cultural	10 554	22 085	21 994	18 877	73 510	28 881	15 301	44 182	236 571	354 263
*Mining	8 766	15 711	13 472	10 733	48 682	20 457	12 674	33 131	109 701	191 514
Management of Companies and Enterprises	10 636	13 730	11 224	6 585	42 175	9 554	3 448	13 002	42 747	97 924
*Forestry	8 795	14 659	10 101	6 157	39 712	6 528	1 605	8 133	10 565	58 409
*Utilities ²	122	384	292	396	1 193	2 956	1 344	4 300	103 593	109 086
Percent in Service-Producing Sector	78.6	76.8	73.4	71.8	75.2	66.4	63.3	65.5	73.2	72.9
Percent in Goods-Producing Sector	21.4	23.2	26.6	28.2	24.8	33.6	36.7	34.5	26.8	27.1
Industry Aggregate Total	926 221	1 833 860	1 397 001	1 033 473	5 190 555	1 268 147	475 043	1 743 190	3 888 080	10 821 831

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2008, and calculations by Industry Canada. Industry data are classified in accordance with the North American Industry Classification System (NAICS).

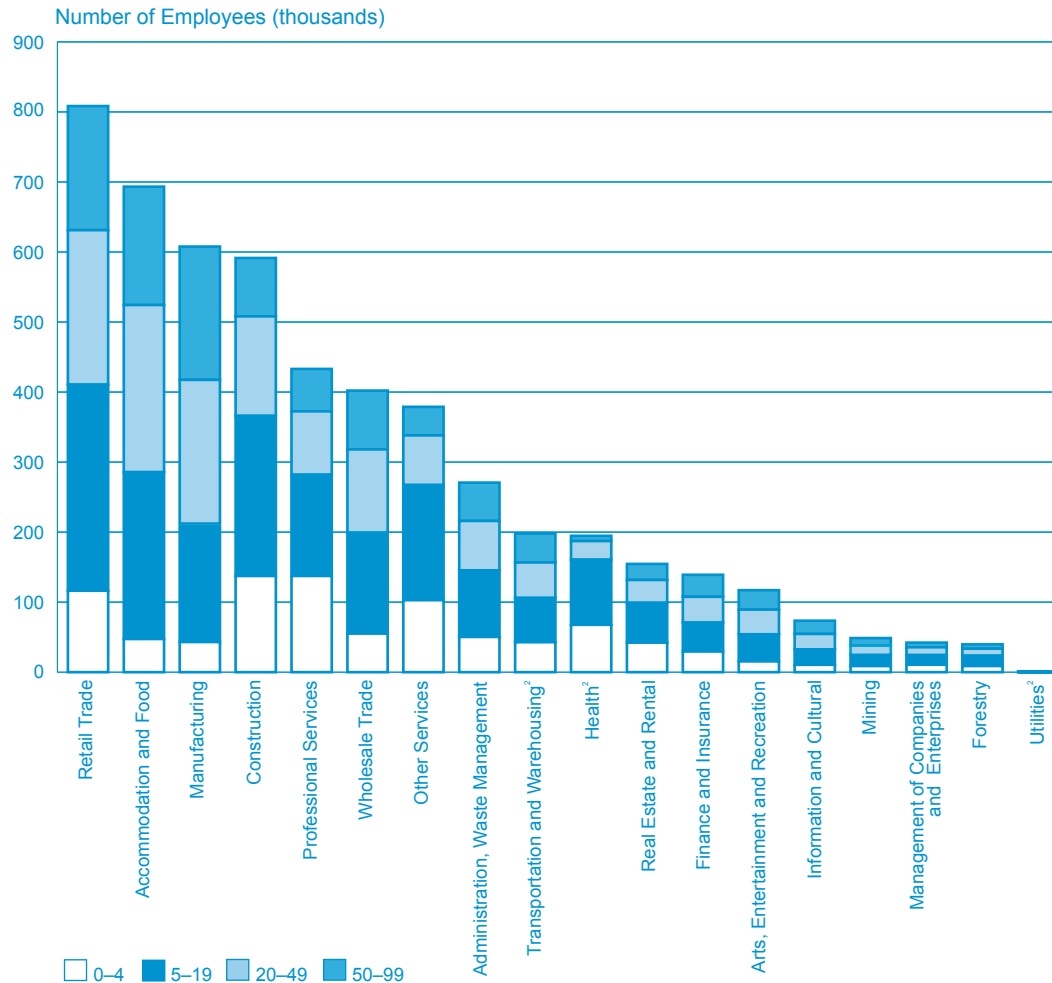
* Industries in the goods-producing sector. They account for 27.1 percent of total employment in the private sector and 24.8 percent of employment in small businesses.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data breaking down employment by size of firm also exclude unclassified industries.

Note 2: Besides data excluded from the SEPH, data shown in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores. Industry Canada's *Small Business Quarterly* regularly publishes data similar to those in Table 5, but without excluding public sector employment. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Note 3: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

Figure 4: Number of Private Sector Employees by Industry and Size of Business Enterprise, 2007^{1,2}



Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2008, and calculations by Industry Canada. Industry data are classified in accordance with the North American Industry Classification System (NAICS).

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data breaking down employment by size of firm also exclude unclassified industries.

Note 2: Besides data excluded from the SEPH, data shown in this figure also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores. Industry Canada's *Small Business Quarterly* regularly publishes data similar to those in Figure 4, but without excluding public sector employment. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

How many jobs do small businesses create?

The data that make it possible to answer this question are derived from Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH), and are regularly published in Industry Canada's *Small Business Quarterly*. SEPH data exclude self-employed workers who are not on a payroll. Other limitations also apply (see **How many people work for small businesses?**). Historical employment data for the period from 1996 to 2000 are reported for only three firm-size categories (small, medium and large), so job creation over these years was estimated for the seven size categories (including four sub-categories for small businesses) using ratios to distribute annual employment levels across the size categories. Since 2000, Statistics Canada has been publishing the SEPH data with the seven size categories.

Table 6 and Figure 5 display relative contributions to the net year-over-year change in private sector paid employment by small, medium-sized and large businesses from 1997 to 2007. Over the years, the relative contribution in terms of size varied greatly. During the period under review, each of the business-size categories played the leading role at different times in net job creation in Canada. For five years, in 1997, from 2000 to 2002 and in 2006, small businesses made the greatest contribution to net job creation. On the other hand, large businesses played the leading job-creation role in 1998 and 1999, from 2003 to 2005 and in 2007. The year 2003 was very atypical because job creation only occurred in small businesses with fewer than 20 employees and in large businesses, resulting in skewed relative contributions to job creation. Over the 1997 to 2007 period, small firms accounted for 37 percent of all jobs created, on average, in the private sector.

A significant limitation of these data is that they are for a period when the economy was generally expanding. In a more severe downturn or a recession, the percentage contributions to job creation (or loss) by smaller businesses may be quite different.

Table 7 and Figure 6 show year-over-year quarterly changes in paid employment from the first quarter of 2005 to the second quarter of 2008 by business size. Jobs were created in the private sector in every quarter over this entire period and the number of jobs created increased rapidly, especially in 2006. In 2007, the rate of job creation stabilized at about 230 000 per quarter, but remained very high compared with the 141 783 jobs created at the beginning of 2005. From the last quarter of 2007 to the second quarter of 2008, however, there was a significant drop in the rate of job creation (from 232 000 in Q4 2007 to 170 000 in Q2 2008). Few jobs were shed in any firm-size category, but some job losses occurred in small and medium-sized businesses in 2005 and only in medium-sized businesses in the second quarter of 2008.

Small businesses created jobs in each year-over-year period between the first quarter of 2005 and the second quarter of 2008, except for the first quarter of 2005. Large businesses created the most new jobs in seven of the quarters over that period, while small businesses created more jobs in seven quarters (Q3 2005, Q1 2006, Q2 2006, Q3 2007, Q4 2007, Q1 2008, Q2 2008).

Job creation among micro-businesses was the most volatile of the seven firm-size categories. Micro-businesses shed jobs in three quarters in 2007. In 2006, however, micro-businesses were a significant source of job creation when they created more than 19 000 jobs in three of the four quarters.

Table 6: Percent Contribution to the Net Change in Private Sector Paid Employment by Size of Business Enterprise (Annual Averages), 1997–2007^{1, 2}

Year	Size of Business — Number of Employees (Percent Contribution)						
	0–4	5–19	20–49	50–99	Small (<100)	Medium (100–499)	Large (500+)
1997	3	25	11	10	49	10	41
1998	2	3	14	12	31	29	40
1999	4	-1	9	11	23	25	52
2000	4	18	17	11	50	15	34
2001	16	10	17	13	57	9	34
2002	-2	5	28	31	62	9	28
2003	80	142	-5	-185	32	-118	193
2004	-12	19	-3	1	4	2	93
2005	8	-5	6	11	20	24	56
2006	7	9	13	12	41	19	40
2007	-3	16	15	9	37	23	41

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2008, and calculations by Industry Canada. Historical data are frequently revised and, as of 2000, are available on a North American Industry Classification System (NAICS) basis. Updates for the total economy covered by SEPH are regularly published in Industry Canada's *Small Business Quarterly*.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* are largely due to revisions to the historical SEPH data. A small proportion of the differences is the result of refinements in the methodology used to separate the private and public sectors. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.



Figure 5: Percent Contribution to the Net Change in Private Sector Paid Employment by Size of Business Enterprise, 1997–2007



Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2008, and calculations by Industry Canada. Historical data are frequently revised and, as of 2000, are available on a North American Industry Classification System (NAICS) basis. Updates for the total economy covered by SEPH are regularly published in Industry Canada's *Small Business Quarterly*.

Table 7: Year-Over-Year Net Private Sector Paid Employment Change and Percent Contribution by Size of Business Enterprise, Quarterly, 2005 Q1 to 2008 Q2^{1, 2, 3}

Year and Quarter	Total Net Change	Net Private Sector Paid Employment Change by Size of Business								
		0-4	5-19	20-49	50-99	Small (<100)	100-299	300-499	Medium (100-499)	Large (500+)
2005 Q1	141 783	9 576	-2 160	-9 829	2 037	-376	20 717	20 266	40 983	101 179
Q2	118 933	6 014	-15 977	11 150	14 808	15 996	29 836	-1 605	28 230	74 715
Q3	117 244	13 828	-12 375	21 284	25 042	47 780	27 908	-680	27 228	42 231
Q4	148 608	12 367	2 631	9 542	16 458	40 997	21 358	9 702	31 060	76 553
2006 Q1	265 882	19 903	29 176	35 436	30 960	115 475	50 761	4 757	55 518	94 892
Q2	271 944	20 696	34 904	36 183	37 267	129 050	38 100	15 682	53 782	89 110
Q3	279 607	14 203	22 851	31 199	26 494	94 747	33 803	19 020	52 823	132 043
Q4	288 568	19 473	13 652	43 636	37 050	113 811	28 763	27 508	56 271	118 482
2007 Q1	215 847	-7 757	21 354	27 581	18 512	59 690	31 844	27 803	59 647	96 510
Q2	220 457	-5 549	18 143	28 570	18 026	59 189	32 824	21 024	53 849	107 416
Q3	242 528	5 811	39 708	34 541	20 939	101 000	30 454	15 899	46 352	95 175
Q4	231 989	-9 695	50 824	35 609	22 579	99 318	29 060	14 317	43 377	89 296
2008 Q1	203 707	11 557	35 465	31 301	26 306	104 628	3 127	7 487	10 614	88 463
Q2	169 811	12 348	32 137	30 223	27 111	101 819	-3 632	11 696	8 063	59 926
% Contribution to Private Sector Employment Change by Size of Business										
2005 Q1	100	6.8	-1.5	-6.9	1.4	-0.3	14.6	14.3	28.9	71.4
Q2	100	5.1	-13.4	9.4	12.5	13.4	25.1	-1.3	23.7	62.8
Q3	100	11.8	-10.6	18.2	21.4	40.8	23.8	-0.6	23.2	36.0
Q4	100	8.3	1.8	6.4	11.1	27.6	14.4	6.5	20.9	51.5
2006 Q1	100	7.5	11.0	13.3	11.6	43.4	19.1	1.8	20.9	35.7
Q2	100	7.6	12.8	13.3	13.7	47.5	14.0	5.8	19.8	32.8
Q3	100	5.1	8.2	11.2	9.5	33.9	12.1	6.8	18.9	47.2
Q4	100	6.7	4.7	15.1	12.8	39.4	10.0	9.5	19.5	41.1
2007 Q1	100	-3.6	9.9	12.8	8.6	27.7	14.8	12.9	27.6	44.7
Q2	100	-2.5	8.2	13.0	8.2	26.8	14.9	9.5	24.4	48.7
Q3	100	2.4	16.4	14.2	8.6	41.6	12.6	6.6	19.1	39.2
Q4	100	-4.2	21.9	15.3	9.7	42.8	12.5	6.2	18.7	38.5
2008 Q1	100	5.7	17.4	15.4	12.9	51.4	1.5	3.7	5.2	43.4
Q2	100	7.3	18.9	17.8	16.0	60.0	-2.1	6.9	4.7	35.3

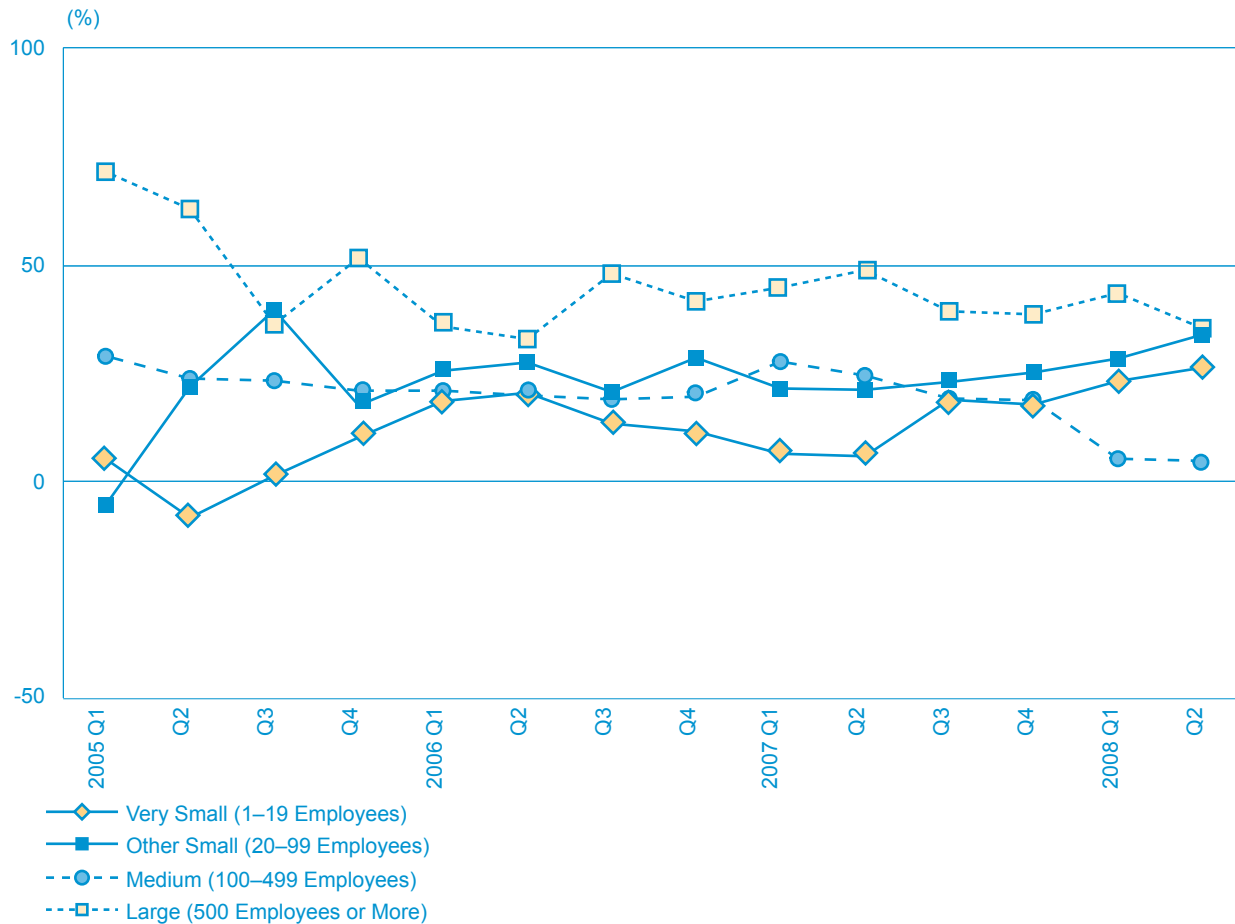
Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), July 2008, and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* are largely due to revisions to the historical SEPH data. A small proportion of the differences is the result of refinements in the methodology used to separate the private and public sectors. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Note 3: Minor discrepancies between total net employment change and the sum of changes by size are largely due to small differences between aggregate and the sum of disaggregated source data.

Figure 6: Percent Contribution to Year-Over-Year Net Change in Private Sector Employment by Size of Business Enterprise, Quarterly, 2005 Q1 to 2008 Q2^{1, 2}



Source: Statistics Canada, *Survey of Employment, Payrolls and Hours (SEPH)*, July 2008, and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this figure also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* are largely due to revisions to the historical SEPH data. A small proportion of the differences is the result of refinements in the methodology used to separate the private and public sectors. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

How much do employees of small businesses earn?

Statistics Canada's *Survey of Employment, Payrolls and Hours* (SEPH) publishes average weekly earnings at the enterprise level based on weekly payroll data. Data include gross pay, as well as overtime and bonuses, commissions and other special payments, before major deductions such as income taxes, employment insurance contributions, etc., but exclude taxable allowances and benefits, and employer contributions to employment insurance, pension plans and other welfare plans. Average weekly earnings are derived by dividing total weekly payrolls by payroll employment (see **How many people work for small businesses?**). SEPH excludes self-employed persons not on a payroll and does not cover the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. The data shown below also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores.

In 2007, an average worker in Canada's private sector earned approximately \$762 per week (Table 8 and Figure 7). Generally, employees' weekly earnings were positively related to the size of the business — employees working for businesses with fewer than 100 employees earned below the average with weekly earnings of \$694, whereas those working for medium-sized firms (more than 100 but fewer than 500 employees) and large firms (500 employees or more) earned above the average with weekly earnings of \$798 and \$827 respectively. In the service-producing sector, micro-firms had the highest weekly earnings of all small businesses at \$696. This may be because employment in larger small firms is concentrated in the three lowest-paying industries, namely retail trade; accommodation and food services; and arts, entertainment and recreation.

On average in 2007, employees in the goods-producing sector were paid \$301 more per week than those working in the service-producing sector. The difference in earnings between the two sectors was greatest in large firms at approximately \$384 per week or an annual average differential of \$19 968. However, goods-producing employees also worked longer hours, so the difference in earnings per hour would be less pronounced.

Table 8: Average Weekly Earnings by Firm Size (Number of Employees) in the Private Sector, 2007^{1,2}

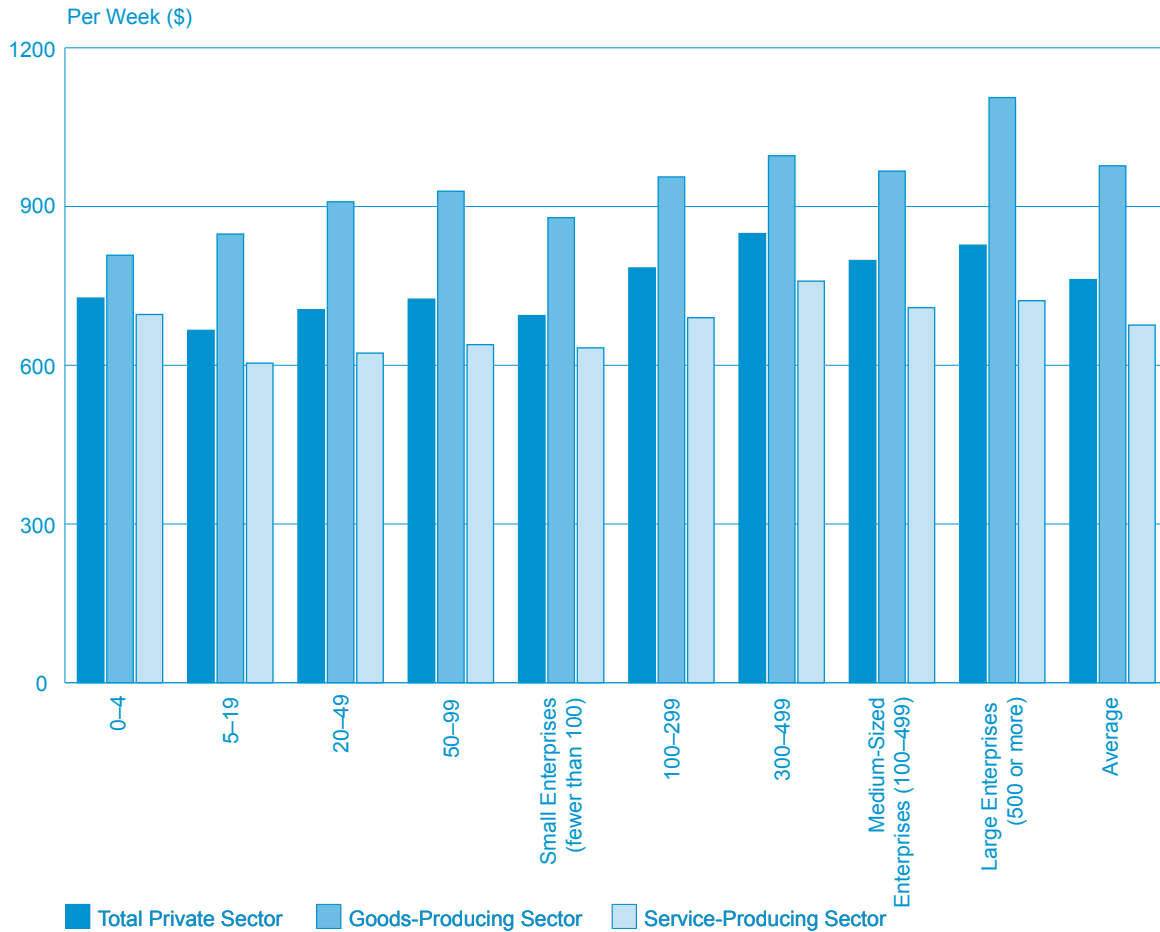
Number of Employees	Private Sector	Goods-Producing Sector ²	Service-Producing Sector ²
0–4	\$727	\$808	\$696
5–19	\$666	\$848	\$604
20–49	\$705	\$909	\$623
50–99	\$725	\$929	\$639
<i>Small Enterprises (fewer than 100)</i>	\$694	\$879	\$633
100–299	\$784	\$956	\$690
300–499	\$849	\$996	\$759
<i>Medium-Sized Enterprises (100–499)</i>	\$798	\$967	\$709
<i>Large Enterprises (500 or more)</i>	\$827	\$1106	\$722
Average	\$762	\$977	\$676

Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2008, and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this table also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Note 2: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31–33, while NAICS codes 41 to 91 define the service-producing sector.

Figure 7: Average Weekly Earnings in the Goods-Producing and Service-Producing Sectors by Firm Size in the Private Sector, 2007^{1,2}



Source: Statistics Canada, *Survey of Employment, Payrolls and Hours* (SEPH), April 2008, and calculations by Industry Canada.

Note 1: SEPH data exclude self-employed workers who are not on a payroll, and employees in the following industries: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defence services. Data in this figure also exclude employment in public administration, public utilities (water, sewage and other systems), postal services, public transit, educational services, and institutional and other government-funded health care services, but include employment in the CBC, private practices (physicians, dentists and other health practitioners), and beer and liquor stores. A technical note on the separation of public and private sector employment is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Note 2: By conventional Statistics Canada definition, the goods-producing sector consists of North American Industry Classification System (NAICS) codes 11 to 31-33, while NAICS codes 41 to 91 define the service-producing sector.



What is the contribution of small businesses to Canada's gross domestic product?

Gross domestic product (GDP) is a key measure of economic production that can be used to compare any two industries' value added, i.e., the value that an industry, through its activities, adds to its inputs. The main advantage of the GDP concept is that it avoids double counting; hence, it is considered superior in gauging economic performance over, for example, revenue, business counts or even employment.

GDP data are not available by firm size, but the Government of British Columbia's statistical service (BC Stats) has developed a method to determine the small business contribution to GDP by province using the income-based approach of the System of National Accounts.⁶ Table 9 shows the percentage of small business' contribution to GDP for Canada and each province from 2000 to 2007.

BC Stats' definition of small business is restricted to businesses with fewer than 50 employees, plus those operated by the self-employed with no paid employees. By this definition, it is estimated that, in 2007, small businesses accounted for approximately 26 percent of Canada's GDP. The percentage varies from a low of 18 percent in Newfoundland and Labrador to a high of 33 percent in British Columbia. Over the 2000 to 2007 period, the contribution of small businesses to GDP increased slightly at the national level from 23 to 26 percent. In the Atlantic provinces and Alberta, the contribution of small businesses has remained fairly constant, while the contribution increased in the largest provinces (Ontario and Quebec) as well as in Manitoba and Saskatchewan. The most volatility occurred in British Columbia, where the GDP contribution was 26 percent in 2000, 36 percent in 2005 and 33 percent in 2007.

6. A background note describing the method in somewhat greater detail is available upon request by contacting **Customer Services** at sbrp-rppe@ic.gc.ca.

Table 9: Small Business' Contribution to GDP by Province, 2000 to 2007^{1, 2}

Province	Contribution to GDP (Percent)							
	2000	2001	2002	2003	2004	2005	2006	2007
Newfoundland and Labrador	18	19	17	16	20	20	18	18
Prince Edward Island	31	30	30	27	28	29	31	30
Nova Scotia	24	23	23	23	24	23	24	24
New Brunswick	21	22	23	21	22	22	22	22
Quebec	24	24	25	25	27	28	29	28
Ontario	22	23	22	22	23	24	24	24
Manitoba	22	23	22	22	24	24	24	24
Saskatchewan	25	24	24	22	27	29	29	29
Alberta	23	23	24	23	23	24	24	24
British Columbia	26	26	26	27	32	36	35	33
Canada	23	23	23	23	25	26	26	26

Source: British Columbia's Statistical Service.

Note 1: In these data, small businesses comprise businesses with fewer than 50 employees, plus those operated by the self-employed with no paid employees.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* reflect changes to the underlying data on which the numbers are based, as well as a refinement of the methodology used to generate the estimates.





Who is self-employed?

Self-employed workers are people who earn income directly from their own business, trade or profession rather than earn a specified salary or wage from an employer. Statistics Canada defines the self-employed as working owners of an unincorporated or incorporated business, persons who work on their own account but do not have a business and persons working without pay in a family business.

How many people are self-employed?

In 2007, there were 2.6 million self-employed workers, representing around 15 percent of all employed workers in the Canadian economy (Table 10). The number of self-employed reached an all-time high of 2.65 million in the third quarter of 2007, and decreased slightly by the third quarter of 2008 to 2.64 million. Over the past decade, the number of self-employed workers increased by 11 percent, while the growth rate of the overall labour force was 23 percent. Slightly more than one third of self-employed workers were female — the share of female self-employment rose steadily from 1976 to 1998, from 26 percent to 36 percent, and has remained at around 35 percent since 1999.

Table 11 shows a breakdown of the self-employed in five categories from 1997 to 2007. On average in 2007, of 2.6 million self-employed workers, 66.3 percent had no paid help, 32.7 percent worked with paid help and 1 percent were unpaid family workers. Self-employed workers with and without paid help are further categorized according to whether their businesses⁷ were incorporated or not. Of those who worked without paid help, 1.3 million or 74 percent were unincorporated in 2007; this category accounted for half the total number of self-employed in Canada. In the category with paid help, 70 percent were incorporated. Therefore, the preferred choice of those with paid help is to be incorporated, while those without paid help are mostly unincorporated.

7. Although the term “incorporated activities” generally refers to businesses, this is not necessarily the case when we speak of “unincorporated activities.” According to the definition used by Statistics Canada’s *Labour Force Survey*, self-employed workers involved in unincorporated activities are “active owners of a business, farm or unincorporated professional office and independent workers who do not have a business as such (child-care workers, newspaper delivery agents, etc.).”



Table 10: Total Number of Self-Employed Persons (Thousands) by Gender, Yearly and Quarterly, 1997–2008^{1,2}

Year and Quarter	Total Self-Employment	Self-Employment as % of Total Employment	Male Self-Employed	% of Self-Employed	Female Self-Employed	% of Self-Employed
1997	2349.4	17.1	1522.2	65	827.2	35
1998	2405.7	17.1	1550.6	64	855.1	36
1999	2433.0	16.9	1582.8	65	850.2	35
2000	2373.7	16.1	1538.7	65	835.1	35
2001	2276.7	15.2	1503.3	66	773.4	34
2002	2314.5	15.1	1499.7	65	814.7	35
2003	2401.8	15.3	1571.1	65	830.7	35
2004	2453.4	15.4	1614.5	66	838.9	34
2005	2511.6	15.5	1645.6	66	866.0	34
2006	2498.0	15.2	1621.4	65	876.6	35
2007	2615.0	15.5	1703.2	65	911.9	35
2004 Q1	2393.7	15.4	1564.9	65	828.7	35
Q2	2461.7	15.4	1621.4	66	840.3	34
Q3	2487.1	15.3	1649.5	66	837.6	34
Q4	2470.9	15.4	1622.1	66	848.8	34
2005 Q1	2470.8	15.7	1613.1	65	857.8	35
Q2	2505.0	15.4	1636.3	65	868.7	35
Q3	2521.2	15.3	1664.5	66	856.7	34
Q4	2549.1	15.7	1668.6	65	880.6	35
2006 Q1	2508.3	15.6	1640.2	65	868.1	35
Q2	2491.7	15.0	1611.2	65	880.5	35
Q3	2491.8	14.9	1609.2	65	882.6	35
Q4	2500.1	15.1	1625.1	65	875.1	35
2007 Q1	2539.9	15.5	1656.0	65	884.0	35
Q2	2637.2	15.6	1721.6	65	915.5	35
Q3	2651.2	15.5	1719.9	65	931.3	35
Q4	2631.8	15.5	1715.0	65	916.8	35
2008 Q1	2592.6	15.4	1703.4	66	889.2	34
Q2	2 622.5	15.2	1 705.1	65	917.4	35
Q3	2 646.4	15.3	1 742.7	66	903.7	34

Source: Statistics Canada, *Labour Force Survey*, October 2008.

Note 1: Figures for men and women may not add up to total due to rounding.

Note 2: Differences between these data and those published in previous versions of *Key Small Business Statistics* are due to revisions made to data from the *Labour Force Survey*.

The number of self-employed persons with incorporated businesses increased 2.7 percent annually, on average, over the past 10 years (not shown), compared with 1.0 percent for all self-employed. However, there was a great difference in the pattern of growth between incorporated businesses with paid help

and those without. The number of incorporated businesses with paid help grew 1.1 percent annually, on average, between 1997 and 2007. In contrast, the number of incorporated self-employed persons without paid help increased rapidly between 1997 and 2007, with average annual increases of 5.4 percent.

Table 11: Average Annual Number of Self-Employed Persons by Category (Thousands), 1997–2007, and Average Annual Growth Rates (Percent), 1977–2007¹

Year	Total	With Paid Help			Without Paid Help			Unpaid Family Workers
		Total	Incorporated	Unincorporated	Total	Incorporated	Unincorporated	
1997	2349.4	816.6	528.9	287.7	1468.4	252.5	1215.9	64.4
1998	2405.7	805.2	508.9	296.3	1541.2	247.6	1293.6	59.3
1999	2433.0	825.5	532.9	292.6	1562.7	276.8	1285.9	44.8
2000	2373.7	815.6	519.8	295.8	1516.5	292.0	1224.5	41.6
2001	2276.7	787.1	495.3	291.8	1457.2	304.2	1153.0	32.4
2002	2314.4	781.1	497.2	283.9	1500.8	323.2	1177.6	32.5
2003	2401.8	796.2	513.1	283.1	1571.6	355.3	1216.3	34.0
2004	2453.5	835.3	559.4	275.9	1588.5	384.6	1203.9	29.7
2005	2511.5	863.8	590.4	273.4	1622.1	400.3	1221.8	25.6
2006	2498.1	847.9	584.9	263.0	1621.9	407.9	1214.0	28.3
2007	2615.0	855.5	594.8	260.7	1734.2	448.7	1285.5	25.3
Average Annual Growth Rate, 1977–2007								
1977–1987	1.1%	1.4%	2.0%	0.8%	1.1%	2.5%	1.0%	-0.9%
1987–1997	1.1%	0.3%	0.7%	-0.3%	1.7%	3.1%	1.5%	-1.2%
1997–2007	1.0%	0.4%	1.1%	-0.9%	1.5%	5.4%	0.5%	-8.1%
1977–2007	2.5%	1.9%	3.2%	0.2%	3.4%	7.7%	2.6%	-4.9%

Source: Statistics Canada, *Labour Force Survey*, April 2008.

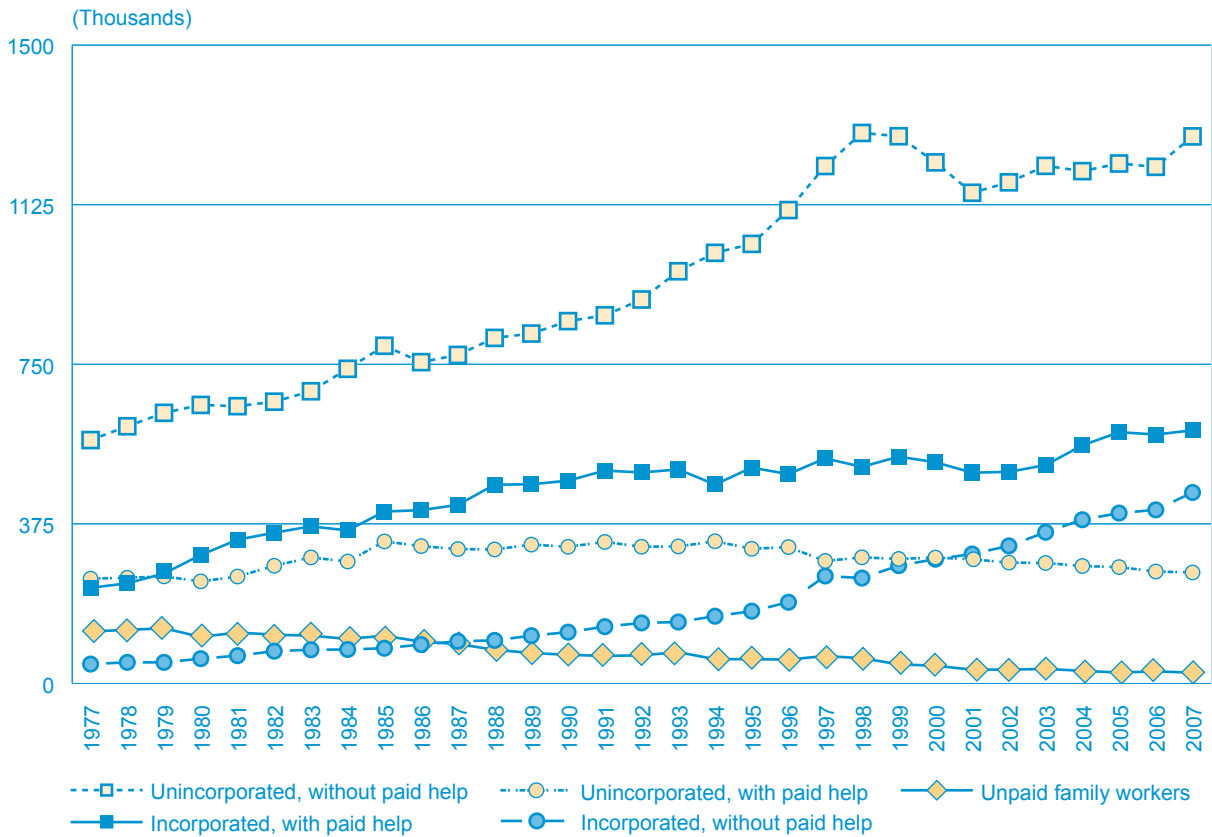
Note 1: Differences between these data and those published in previous versions of *Key Small Business Statistics* are due to revisions made to data from the *Labour Force Survey*.

The total number of self-employed workers in Canada increased at an annual rate of 2.5 percent between 1977 and 2007 but, as shown in Figure 8, the various categories of self-employed workers experienced slightly different growth rates over that period. For example, in the last two decades, there was negative growth in the category of unincorporated self-employed individuals with paid help. The annual average growth over the entire period for this group was 0.2 percent. The highest growth for self-employed workers without paid help occurred over the 1987–1997 period (1.7 percent). For those with paid help, the highest growth occurred during the 1977–1987 period (1.4 percent).

Self-employed workers owning incorporated businesses registered the highest growth rates — 7.7 percent for businesses without paid employees, followed by incorporated businesses with paid employees at 3.2 percent. A third category also showed a relative increase in importance — 2.6 percent for self-employed workers owning unincorporated businesses with no paid employees.

Two categories experienced growth rates below the 2.5-percent average, which means their relative importance in terms of self-employed workers diminished. These categories were self-employed workers owning unincorporated businesses with paid employees (0.2 percent) and unpaid family workers (-4.9 percent).

Figure 8: Self-Employed Persons (Thousands) by Category, 1977–2007



Source: Statistics Canada, *Labour Force Survey*, April 2008.

How has self-employment contributed to job creation?

Generally, the increasing trend toward self-employment has supported total employment growth. Positive contributions to total net employment growth in the private sector have ranged from 9 percent to 52 percent per year between 1996 and 2007 (Table 12).⁸ The number of self-employed workers fell in 2006, which is only the fourth time this has happened over the 1977–2007 period (Figure 9). The other three years were 1986, 2000 and 2001. In 1982, 1991 and 1992, self-employment grew, while total employment growth turned negative due to economic recessions. It is interesting to note that the two greatest increases in the number of self-employed persons relative to the overall change in private sector employment occurred at the end of these recessions (in 1983 and 1993) — 167 percent in 1983 and 125 percent in 1993. This is because when job market conditions tighten, people who cannot find suitable employment tend to start their own businesses and become self-employed.

Table 12: Private Sector Total Net Employment Change and Net Self-Employment Change, Year-Over-Year, 1996–2007^{1, 2, 3}

Year	Private Sector Total Net Employment Change (thousands)	Private Sector Employees		Self-Employed Persons	
		Net Change (thousands)	Percentage of Total Private Sector Employment Change	Net Change (thousands)	Percentage of Total Private Sector Employment Change
1996	169.2	80.7	48	88.5	52
1997	340.8	162.9	48	177.9	52
1998	350.9	294.6	84	56.3	16
1999	299.8	272.5	91	27.3	9
2000	258.8	318.0	123	-59.2	-23
2001	138.3	235.4	170	-97.1	-70
2002	298.9	261.1	87	37.8	13
2003	315.0	227.6	72	87.3	28
2004	186.2	134.7	72	51.5	28
2005	144.1	85.9	60	58.2	40
2006	240.0	253.6	106	-13.6	-6
2007	295.9	180.2	61	115.7	39

Source: Statistics Canada, *Labour Force Survey*, April 2008.

Note 1: (-) indicates a negative contribution to total net employment change.

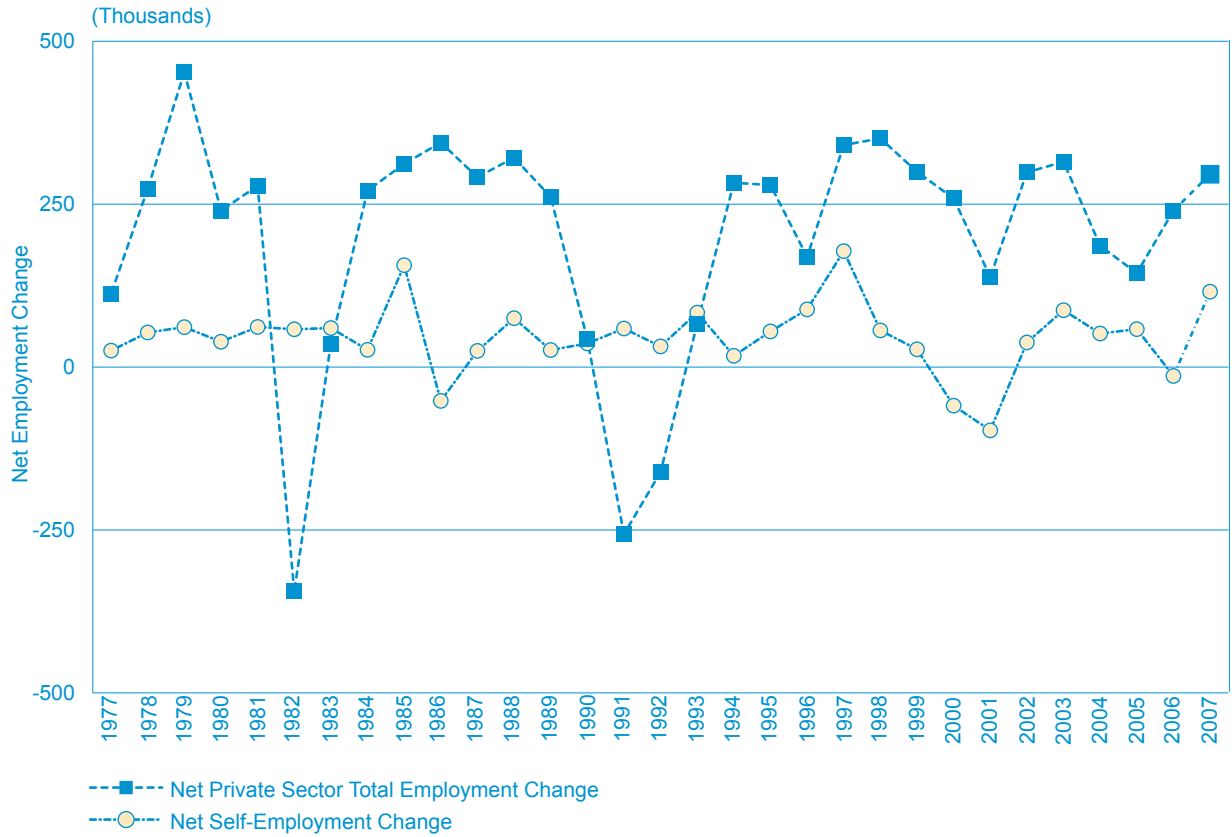
Note 2: Net change figures may not add up to total net change due to rounding.

Note 3: Differences between these data and those published in previous versions of *Key Small Business Statistics* are due to revisions made to data from the *Labour Force Survey*.

8. In Table 12, employment in the private sector is defined as the total of self-employed workers and private sector employees, regardless of business size. The definition of private sector employees in the *Labour Force Survey* used in Table 12 is not identical to the definition in the *Survey of Employment, Payrolls and Hours* (SEPH) data in Tables 5 to 7, but the differences are minor.



Figure 9: Private Sector Total Net Employment Change and Net Self-Employment Change, Year-Over-Year (Thousands), 1977–2007



Source: Statistics Canada, *Labour Force Survey*, April 2008.

Do the self-employed work longer hours than employees?

The evidence is strong that the self-employed work longer hours than employees; this has been the case since at least 1987. On average, the self-employed worked 41.6 hours per week in 2007 compared with 35.6 hours for employees. Even more striking is the large difference in those who usually worked over 50 hours per week in 2007 — 35 percent of self-employed persons worked over 50 hours compared with less than 5 percent of employees (Figure 10). Clearly, the self-employed usually work longer hours than employees.

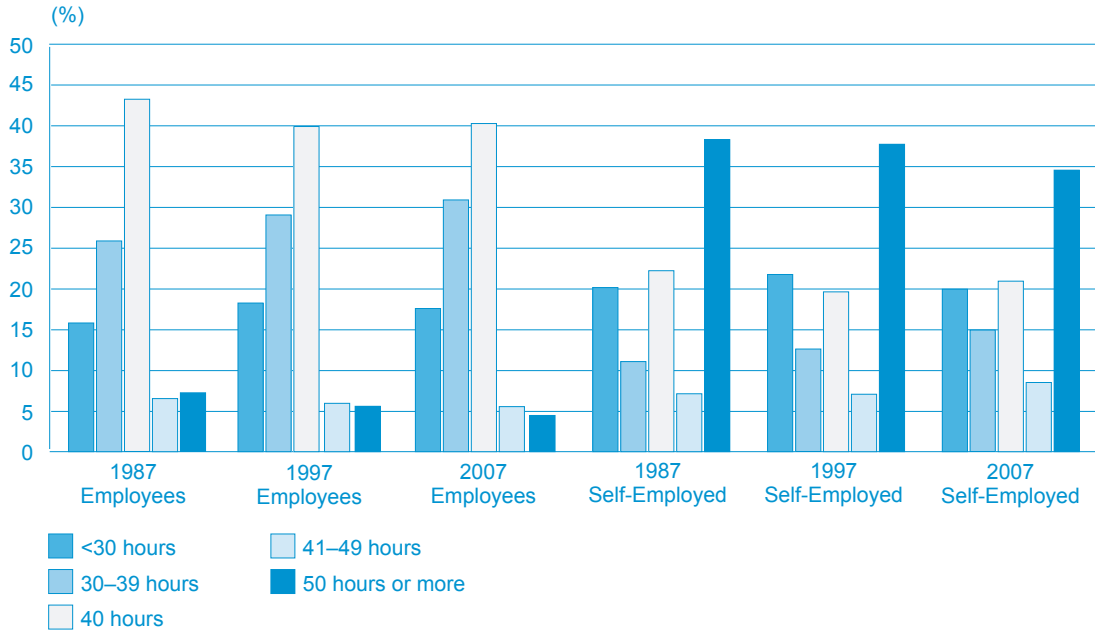
When it comes to working part-time (less than 30 hours per week), the self-employed are very similar to employees — 20.2 percent of the self-employed and 17.8 percent of employees worked part-time in 2007.

These differences between the self-employed and employees persisted over the 1987–2007 period, although there has been some abatement in the tendency of the self-employed to work over 50 hours per week since 1999. As well, there has been a small change in the proportion of those working part-time, both among the self-employed and among employees.

As shown in Figure 11, there are also major differences between men and women in usual weekly hours worked — men are more likely to work long hours, whereas women are more likely to work part-time. On average, self-employed men worked 45.3 hours per week in 2007 compared with 34.8 hours for self-employed women. Furthermore, 42.2 percent of self-employed men worked over 50 hours in 2007 compared with 21.3 percent of self-employed women. The same pattern applies among employees, although at much lower levels — 7.1 percent of male employees worked over 50 hours in 2007 compared with 1.8 percent of female employees.

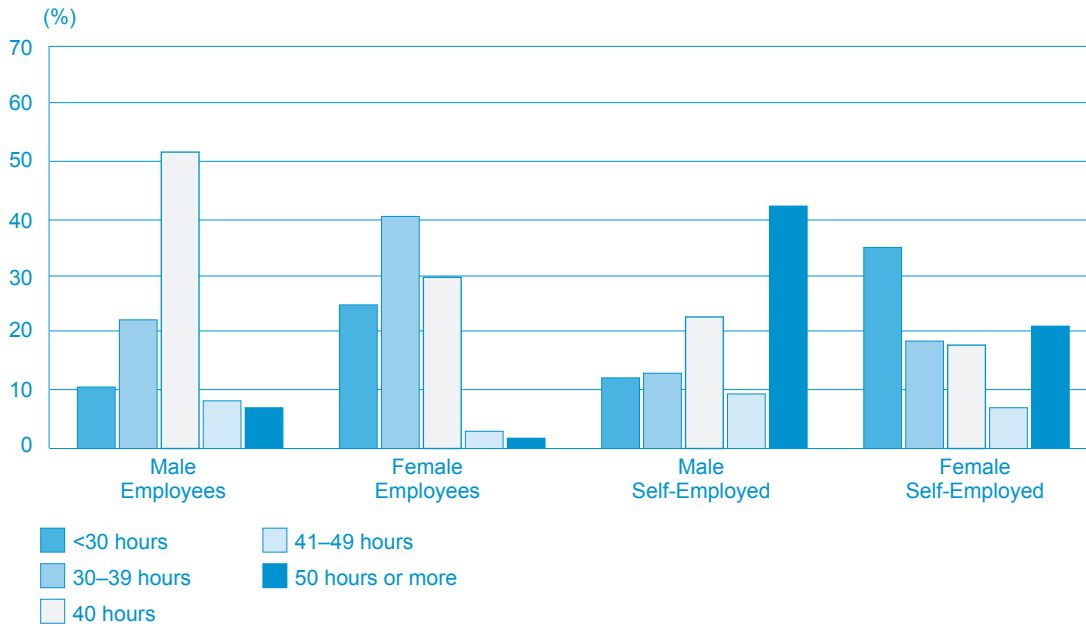
Females are more likely to work part-time, whether they are self-employed or are employees. Among the self-employed, 35 percent of women worked part-time (less than 30 hours) in 2007 compared with 12.3 percent of men. Among employees, 25 percent of women worked part-time in 2007 compared with 10.7 percent of men.

Figure 10: Percentage Distribution of Usual Weekly Hours for Employees and the Self-Employed, 1987, 1997 and 2007



Source: Statistics Canada, *Labour Force Survey*, April 2008.

Figure 11: Percentage Distribution of Usual Weekly Hours Worked by Class of Worker and Gender, 2007



Source: Statistics Canada, *Labour Force Survey*, April 2008.



What are the characteristics of the self-employed?

Table 13 presents a breakdown, by industry and occupation, of self-employed individuals for 1997, 2002 and 2007. The first three data columns of Table 13 show the share of the self-employed in each industry occupation. The next twelve columns show the distribution of the various categories of self-employed within the given industry or occupation. Among all categories of self-employed workers, the highest proportion in 2007 occurred within the unincorporated without paid help category (49.2 percent), followed by the incorporated with paid help category (22.7 percent).

The detailed figures on the categories of workers show the distribution of an industry's or occupation's self-employed across the different categories of worker (unpaid family workers are not included).

Occupation

The largest concentrations of self-employed individuals in 2007 worked in the following occupations: management (19 percent); trades, transport and equipment operators (17.4 percent); and sales and services (16 percent). Primary industry witnessed the greatest reduction in overall share of self-employed workers, decreasing from 15.1 percent in 1997 to 11 percent in 2007.

Over the period studied, the occupation that had the highest proportion of unincorporated self-employed workers without paid help was art, culture, recreation and sport (75 percent, on average, for each of the years observed). By comparison, only 26 percent of the self-employed in management occupations were unincorporated without paid help.

The opposite was observed among the second-largest category of self-employed individuals, i.e., incorporated self-employed workers with paid help. Management occupations (47 percent per year on average) and occupations unique to processing, manufacturing and utilities (35 percent per year on average) had large proportions of their self-employed workers in this category. By contrast, only 7 percent of the self-employed in art, culture, recreation and sport were incorporated self-employed workers with paid help.

Industry

Shares of self-employed individuals working in goods and services sectors have not changed significantly from 1997 to 2007. In the goods sector, the share decreased from 29.8 percent in 1997 to 27.4 percent in 2007. In the services sector, the share increased from 70.2 percent in 1997 to 72.6 percent in 2007.

In 2007, the largest concentration of self-employed individuals worked in professional, scientific and technical services (14.5 percent). Also well represented among the self-employed were the construction industry (13.5 percent) and trade industry (11.6 percent). The largest decrease in the industry share of self-employed individuals was in agriculture, decreasing from 12.6 percent in 1997 to 8.0 percent in 2007.

As to the distribution of the self-employed, in the educational services sector they were predominantly unincorporated self-employed individuals in 2007 (78 percent), while 50 percent of both the manufacturing and accommodation and food services self-employed were primarily incorporated with paid help.

Table 13: Share of Self-Employed by Industry and Occupation; and Distribution of Self-Employed in Industry or Occupation by Category of Worker, Canada, 1997, 2002 and 2007

Occupation	Self-Employed			Incorporated						Unincorporated					
	Self-Employed			With Paid Help			Without Paid Help			With Paid Help			Without Paid Help		
	1997	2002	2007	1997	2002	2007	1997	2002	2007	1997	2002	2007	1997	2002	2007
Business, finances and administration	10.9	9.6	10.9	25.0	20.4	21.7	14.7	18.8	21.6	7.3	9.7	7.6	45.8	47.6	46.5
Health occupations	4.3	4.6	5.4	25.5	20.2	22.8	4.2	5.6	9.4	37.1	30.7	21.4	32.3	43.4	46.3
Management occupations	16.8	20.6	19.0	46.9	47.2	46.8	9.4	10.4	14.5	16.8	17.1	13.0	26.4	25.4	25.7
Natural and applied sciences	4.9	5.7	5.2	23.6	18.6	17.2	22.3	32.1	36.5	5.5	4.9	3.8	48.2	44.1	42.4
Art, culture, recreation and sport	6.2	6.8	7.1	8.5	6.3	7.1	11.8	13.1	16.6	4.2	4.3	3.1	75.3	76.3	73.2
Social science, education and government	7.0	6.9	6.3	10.3	8.9	9.8	5.0	8.6	8.8	10.8	15.0	11.2	73.3	67.1	70.1
Primary industry	15.1	11.7	11.0	10.1	12.4	15.5	9.3	12.2	15.3	11.7	12.9	11.2	61.2	57.0	53.9
Sales and services occupations	16.6	15.7	16.0	16.9	12.0	14.3	9.1	12.4	14.0	10.6	7.3	7.7	60.8	66.5	62.9
Trades, transport and equipment operators	16.9	16.8	17.4	21.7	17.2	20.7	12.9	16.7	21.1	11.9	11.5	9.9	52.6	54.3	47.9
Occupations unique to processing, manufacturing and utilities	1.4	1.6	1.7	32.8	33.6	37.7	7.8	16.7	18.0	16.3	14.2	11.4	40.0	34.4	32.5
Total, all occupations	100.0	100.0	100.0	22.5	21.5	22.7	10.7	14.0	17.2	12.2	12.3	10.0	51.8	50.9	49.2
Industry															
Goods-producing sector	29.8	26.5	27.4	21.5	23.6	26.2	11.2	13.8	17.7	11.7	12.3	10.7	50.3	47.1	43.2
Agriculture	12.6	9.0	8.0	8.7	10.9	13.4	9.4	12.3	13.7	10.6	10.9	10.1	61.4	58.3	56.8
Forestry, fishing, mining, oil and gas	2.3	1.9	1.9	23.4	24.1	23.0	14.9	16.3	28.5	15.6	19.1	13.0	44.4	40.0	34.8
Utilities	0.0	0.0	0.0	—	—	—	—	—	—	—	—	—	—	—	—
Construction	10.4	11.7	13.5	26.6	23.6	27.6	13.0	15.2	19.6	12.4	12.3	10.8	46.1	48.0	41.5
Manufacturing	4.5	4.0	3.9	44.0	51.5	49.5	10.1	11.8	13.8	11.4	12.4	10.8	31.8	23.2	24.8
Services-producing sector	70.2	73.5	72.6	23.0	20.7	21.5	10.6	14.0	17.0	12.5	12.3	9.7	52.4	52.2	51.4
Trade	14.2	12.8	11.6	36.5	36.4	40.2	10.7	13.9	17.3	13.5	14.2	11.2	36.6	33.8	30.5
Transportation and warehousing	5.1	5.5	5.5	19.1	16.1	15.4	14.0	18.9	24.2	8.8	9.6	6.9	56.4	55.1	52.8
Finance, insurance, real estate and leasing	5.8	5.7	7.0	21.8	21.6	17.7	14.9	16.8	17.5	7.8	8.8	7.3	54.6	52.1	57.3
Professional, scientific and technical services	12.4	14.1	14.5	19.9	18.9	17.4	18.0	23.7	26.6	10.6	11.5	8.1	50.7	45.6	47.6
Management of companies and administrative and other support services	4.7	6.4	6.1	20.4	15.5	17.1	9.1	10.5	11.5	11.1	10.5	9.3	57.8	62.7	61.6
Educational services	1.6	2.0	2.0	10.6	7.4	6.8	7.7	7.6	10.1	5.0	6.6	4.9	76.3	77.3	78.0
Health care and social assistance	8.8	8.5	8.6	13.1	11.3	13.6	3.0	4.9	6.7	19.3	19.6	15.3	64.0	63.8	64.2
Information, culture and recreation	4.1	4.6	4.6	15.4	11.3	13.0	9.8	14.2	17.4	5.9	4.5	4.0	68.3	69.5	65.5
Accommodation and food services	3.9	3.9	3.8	46.0	45.6	49.9	3.7	7.5	10.5	25.8	24.1	18.4	19.8	20.9	19.3
Other services	9.4	9.9	8.8	15.9	13.7	16.6	7.6	10.0	13.7	11.1	8.9	9.2	63.8	66.8	60.1
Public administration	0.1	0.0	0.0	0.0	—	—	0.0	—	—	0.0	—	—	0.0	—	—
All industries	100.0	100.0	100.0	22.5	21.5	22.7	10.7	14.0	17.2	12.2	12.3	10.2	51.8	50.9	49.2

Source: Statistics Canada, *Labour Force Survey*, 1997, 2002 and 2007.

Table 14 presents a breakdown of educational attainment and age for various categories of self-employed workers for 1997, 2002 and 2007. In 2007, about 60 percent of self-employed workers had at least a post-secondary education. In the same year, almost two thirds of self-employed individuals were between 30 and 54 years of age.

Education

The general trend observed in Table 14 is that the share of self-employed with less than a high-school diploma has been decreasing over the last decade, while the share with at least a post-secondary diploma has been increasing.

Across all categories of self-employed workers, the highest share of individuals with a post-secondary certificate in 2007 occurred among incorporated self-employed workers without paid help (35.9 percent). The highest share with a university degree (29.8 percent) occurred among unincorporated self-employed workers with paid help. The largest gain in the share of workers with a university degree, from 16.8 percent in 1997 to 24.4 percent in 2007, occurred in the unincorporated without paid help category.

Age

The largest share of self-employed individuals is between 30 and 54 years of age. The proportion of workers in that age group decreased by approximately 5 percentage points from 1997 to 2007. Over the same period, the proportion of older workers (55 years of age and over) increased in all categories by at least 7 percentage points to about 27 percent of self-employed workers. This increase in the average age of self-employed workers reflects the aging Canadian population rather than older workers becoming more interested in entrepreneurship than younger workers.

The most significant changes with respect to age occurred within the unincorporated without paid help category. In 1997, 9.3 percent of the workers in this category were between 15 and 24 years of age as opposed to only 4.8 percent in 2007. In the same category of workers, 19 percent were 55 years of age and over in 1997, with this proportion increasing to 27 percent in 2007. Most changes within the 30–54 years of age group occurred within the incorporated without paid help category (73 percent in 1997, decreasing to 65 percent in 2007).

Table 14: Share of Self-Employed Workers by Category of Worker, Education Level and Age, Canada, 1997, 2002 and 2007

Education level	Self-Employed			Incorporated						Unincorporated					
	Self-Employed			With Paid Help			Without Paid Help			With Paid Help			Without Paid Help		
	1997	2002	2007	1997	2002	2007	1997	2002	2007	1997	2002	2007	1997	2002	2007
0–8 years	6.6	5.1	4.1	4.4	4.0	2.8	4.8	4.2	3.4	7.4	4.9	4.1	7.5	5.5	4.7
Some high school	15.2	12.2	9.6	11.2	9.4	8.3	11.4	9.8	8.2	12.5	10.8	10.7	17.5	14.0	10.3
High school graduate	18.6	18.9	19.1	19.5	20.6	20.2	19.0	17.7	18.3	17.2	19.5	18.5	18.3	18.3	19.0
Some post-secondary	7.5	7.9	6.4	6.6	7.6	5.7	7.2	8.1	6.4	5.9	6.5	5.9	8.2	8.3	6.8
Post-secondary certificate or diploma	31.6	32.6	34.6	26.0	32.8	35.1	34.0	33.4	35.9	30.1	28.8	31.0	31.6	33.4	34.8
University degree	20.5	23.3	26.2	21.7	25.5	27.9	23.6	26.8	27.8	26.8	29.4	29.8	16.8	20.3	24.4
All levels	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Age															
15 years and over	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15–24 years	6.5	4.5	3.4	1.2	0.9	0.9	2.2	1.7	2.1	1.8	1.4	1.7	9.3	6.8	4.8
25–29 years	6.4	5.2	6.0	4.9	3.1	3.7	5.9	4.8	6.2	5.1	4.3	4.6	7.6	6.4	7.3
30–54 years	68.2	67.6	63.7	75.3	72.8	69.3	72.6	70.6	64.8	73.6	72.1	66.1	64.2	64.2	60.7
55 years and over	18.9	22.6	26.8	18.6	23.1	26.1	19.3	22.9	26.9	19.4	22.1	27.7	18.9	22.5	27.2

Source: Statistics Canada, *Labour Force Survey*, 1997, 2002 and 2007.

How many small business entrepreneurs are women?

There is no easy way to precisely determine the number of entrepreneurs in Canada, much less the number of women entrepreneurs. However, it is possible to estimate the number using available data on self-employment and business ownership.

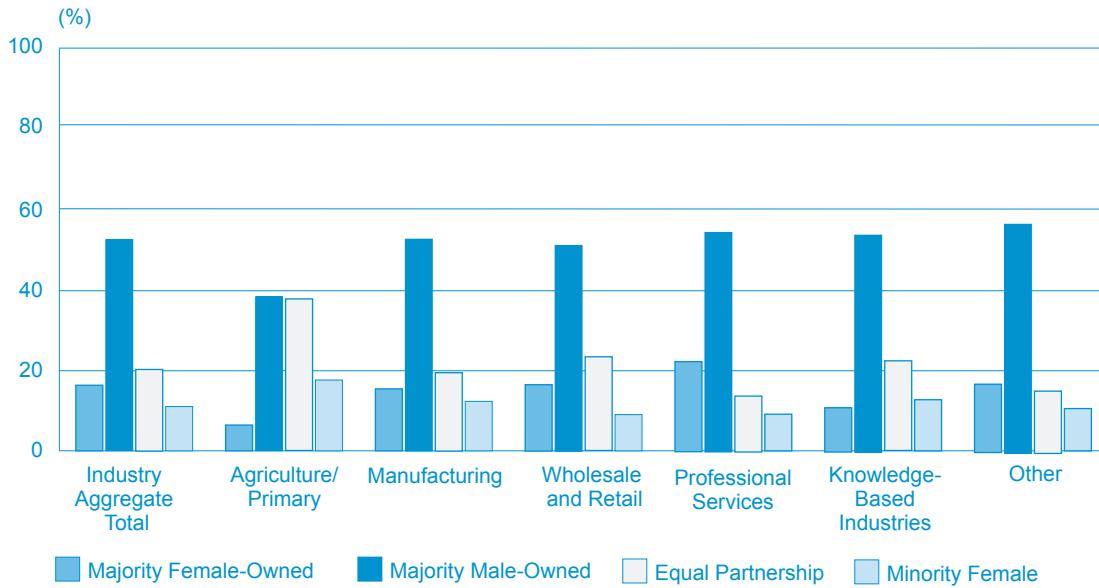
Statistics Canada's *Labour Force Survey* reports there were 877 000 self-employed women in Canada in 2006, accounting for about one third of all self-employed persons. (Although not all of the self-employed would identify themselves as entrepreneurs, the number of self-employed women provides an upper limit for the number of female entrepreneurs.⁹) Between 1996 and 2006, the number of self-employed women grew by 18 percent compared with 14-percent growth in male self-employment.

Another way to count entrepreneurs is through business ownership. Statistics Canada's *Survey on Financing of Small and Medium Enterprises* distinguishes four types of business ownership based on gender: majority female ownership, equal partnership between male and female owners, minority female ownership and no female ownership.

In the 2004 survey, it was estimated that 47 percent of SMEs had some degree of female ownership in 2004. SMEs with equal partnerships between male and female owners accounted for 20 percent, while 16 percent were majority-owned by females. The degree of female ownership varied by industry, but it is clear that the percentage of female-owned businesses lags behind the percentage of majority male-owned businesses in every industry (Figure 12). Professional services industries have the highest share of businesses that are majority-owned by females, at nearly 22 percent, whereas SMEs in agriculture and primary industries have the lowest level, with only 6 percent of businesses majority-owned by females.

9. Some entrepreneurs, especially if they are on the payroll of their own businesses, may not identify themselves as being self-employed; however, this number is likely to be smaller than the number of self-employed who are not entrepreneurs.

Figure 12: Business Ownership Distribution by Gender and Industry, 2004



Source: Statistics Canada, *Survey on Financing of Small and Medium Enterprises*, 2004.

The survey showed that SMEs majority-owned by women were less likely than other SMEs to employ more than 20 employees and also started up more recently than firms that are majority-owned by men. Women owners of SMEs also tended to have fewer years of experience in the industries in which they operated compared with their male counterparts.

Do small businesses innovate as much as large firms?

In a world with limited resources, the fastest way to boost productivity and economic growth is to innovate. Innovation is often thought to be synonymous with high technology inventions, but innovative behaviour also encompasses many more ways of turning creative ideas into innovations. The government's May 2007 science and technology report, *Mobilizing Science and Technology to Canada's Advantage*, explains that Canadian "firms large and small are bringing innovations into our lives, whether in the form of new technologies to address environmental problems, new products to make our homes, schools, and businesses more comfortable and energy efficient, or new therapies to improve the health and well-being of Canadians."¹⁰

One indicator of innovative behaviour is the amount of research and development (R&D) expenditures a firm undertakes. R&D is not necessarily easy to measure, especially in the context of small businesses. However, certain data can be obtained either through surveys or from tax records of firms that claim tax credits for R&D expenditures. Statistics on Scientific Research and Experimental Development tax credits reveal two telling facts about innovation by small businesses — in absolute amounts, they spend far less than large firms; however, as a percentage of revenue (R&D intensity), spending on innovation by small businesses far outstrips that of larger firms.

In 2003, according to Statistics Canada, over 12 000 firms spent more than \$13 billion on R&D as shown in Table 15. Of total R&D spending, 23 percent came from some 10 734 firms with fewer than 100 employees, or an average of \$0.28 million per small business. There were 371 large firms that accounted for 60 percent of total R&D expenditures, an average of \$21.3 million per firm. However, the proportion of R&D expenditure as a percentage of company revenue generally decreased with firm size.

10. Government of Canada, *Mobilizing Science and Technology to Canada's Advantage*, May 2007, p. 9.

Table 15: Scientific Research and Experimental Development Expenditures by Business Size (Number of Employees), 2003

Number of Employees	Number of Companies	R&D Expenditures (\$ millions)	Average Expenditure per Company (\$ millions)	Percentage of Performing Company Revenues
Non-commercial	18	185	10.3	—
1–49	9 609	1 980	0.2	5.8
50–99	1 125	1 042	0.9	6.8
<i>Small (1–99)</i>	<i>10 734</i>	<i>3 022</i>	<i>1.1</i>	<i>12.6</i>
100–199	708	1 034	1.5	5.3
200–499	441	1 234	2.8	3.9
500–999	155	1 314	8.5	4.3
1 000–1 999	114	1 933	17.0	2.0
2 000–4 999	59	2 609	44.2	2.0
≥5 000	43	2 062	48.0	0.8
Total	12 272	13 393	1.1	2.1

Source: Statistics Canada, *Industrial Research and Development — 2005 Intentions*, Cat. No. 88-202-XIB, January 2006.

Note: For firms funding or performing less than \$1 million in R&D and applying for a tax credit under the Scientific Research and Experimental Development program, the data are derived from administrative data of the Canada Revenue Agency. For firms spending more than \$1 million, the data are obtained from a mail-out survey of all firms.

A broader gauge of innovative behaviour, but only among manufacturing firms, can be found in Statistics Canada's Survey of Innovation 1999.¹¹ The survey found that 75 percent of small businesses innovated, slightly less than the proportion of large firms (88 percent). Small businesses are defined here as manufacturing firms with between 20 and 49 employees. An innovative firm is one that offered new or significantly improved products (goods or services) or processes in the previous three years.

11. The Survey of Innovation 1999 covered approximately 6000 provincial enterprises in manufacturing industries and asked about their innovative activities during the three-year period between 1997 and 1999. The definition of innovation, based on the Oslo manual (OECD, 1996), was the introduction of new or improved products or processes. Only firms with more than 20 employees and at least \$250 000 in annual gross business revenues were included in the survey.



Although innovative companies in the manufacturing sector exhibited similar characteristics regardless of size, the magnitude of innovation did vary with size. For example, small businesses scored lower than large firms in all measures of involvement in innovative activities: novelty of the innovation, rate of collaboration, use of intellectual property rights and use of government support.

Statistics Canada's Survey of Innovation 2003, which targeted selected service industries,¹² is another source of data on innovation. Similar to the manufacturing survey, this survey defines innovative establishments¹³ as those that introduced a new or significantly improved product (good or service) on the market or integrated a new or significantly improved process during the survey period (from 2001 to 2003).¹⁴

Results from the Survey of Innovation 2003 suggest that the larger the service establishment, the more it innovates. As shown in Figure 13, 51 percent of establishments with 15 to 49¹⁵ employees and 55 percent of establishments with 50 to 99 employees stated that they were innovators for the 2001–2003 period. For the same period, almost 70 percent of establishments with 100 employees or more identified themselves as innovative. Product innovation was the type of innovation developed by the majority of respondents — 83 percent of small, 83 percent of medium-sized and 78 percent of large innovative establishments undertook this type of innovation. In comparison, process innovation was developed by 62 percent of small establishments, 54 percent of medium-sized establishments and 57 percent of large establishments.

Survey results indicate that clients, management staff and R&D staff are each an important source of information for innovation development. The reasons most frequently cited for undertaking innovation are to help businesses stay competitive and to improve product quality. Conversely, non-innovators most often cited absence of demand in their market as the reason they did not innovate.

Small establishments clearly identified economic challenges as the main obstacle to innovating. Small innovators also cited as contributing factors a lack of market information and qualified staff, which are the main obstacles to innovation cited by medium-sized and large establishments.

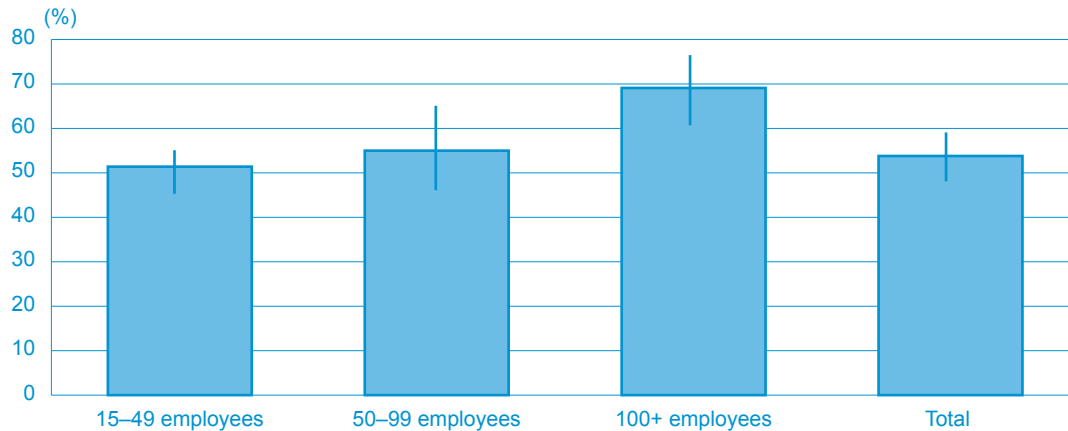
12. The industries covered by this survey were information and communications technologies industries; selected professional, scientific and technical services; transportation industries; and natural resource support industries.

13. The Survey of Innovation 2003 uses the establishment as the base unit, whereas the previous survey (1999) used the business as the reference unit. For a discussion on the difference between establishment and business, see **How many businesses are there in Canada?**

14. In this survey, an innovative product is a product new to the business, whose characteristics differ significantly from those of the unit's previous products. An innovative process is a new or significantly improved process as well as new or significantly improved ways of supplying services and delivering products that are new to the business.

15. Businesses with fewer than 15 employees were not included in the survey.

Figure 13: Percentage of Innovative Service Establishments by Firm Size (Number of Employees), Canada, 2001 to 2003



Source: Statistics Canada, Survey of Innovation 2003.

Note: Vertical rules indicate the 95 percent confidence intervals.

How many small businesses use e-business?

Engaging in electronic business (e-business) is defined as leveraging “the Internet for providing or sharing information, or for delivering services, and/or realizing some or all of its revenues from Internet-based transactions and/or the manufacture and sale of Internet-related products or services.”¹⁶ In addition to online purchases and transactions (referred to as e-commerce), e-business includes portfolio management, business planning, and Internet- or intranet-based communication between a business and its clients, suppliers and other partners.

Embracing e-business can offer many benefits to a firm, regardless of its size. Using the Internet as a business tool can improve coordination within the production process, improve communication with suppliers and customers, optimize supply sources and increase a firm’s presence in the marketplace. However, the extent to which firms use e-business, and for what purposes, varies considerably depending on a firm’s size.

16. *Fast Forward — Accelerating Canada’s Leadership in the Internet Economy*. Report of the Canadian E-Business Opportunities Roundtable, January 2000, p.11.

Data on e-business are available from a variety of sources, which often do not agree. The reason for the discrepancies is that e-business survey results are very sensitive to sample selection and timing. The most reliable source of data on e-business is Statistics Canada's *Survey of Electronic Commerce and Technology* (SECT),¹⁷ which covers more than 21 000 firms. It defines small firms as having fewer than 20 employees, medium-sized firms as having between 20 and 99 employees (499 for manufacturing) and large firms as having 100 employees or more (500 or more for manufacturing). Table 16 is based on this survey.

Having an Internet connection does not necessarily mean a business is embracing e-business, although being connected may serve as an indicator for the use of e-business because it is a minimum requirement for participation in almost any form of e-business. Although the rate of small firms connected to the Internet is increasing, they continue to lag behind medium-sized and large firms in terms of both connection rates and the ways in which the Internet is put to use in the business. The overall rate of firms connected to the Internet was 87 percent in 2007, but small firms (85 percent) lagged well behind medium-sized and large firms (95 percent and 99 percent respectively). However, small firms have been closing the gap in connection rates between themselves and medium-sized and large firms in this respect in recent years.

Website ownership rates also increase with firm size. More than twice as many medium-sized (74 percent) and large (90 percent) firms owned websites compared with small firms (36 percent) in 2007. Over the past seven years, the proportion of firms that own a website has increased across all sizes of firms.

As firm size increases, there is clearly a higher percentage of firms that buy and sell online. Although the proportion of firms selling online has changed very little since 2001, the proportion of small and medium-sized firms that purchase online has doubled. For instance, in 2007, only 7 percent of small firms sold online, whereas 45 percent purchased online; for medium-sized firms, 13 percent sold and 69 percent purchased online; and for large firms, 22 percent sold and 74 percent purchased online. This likely reflects higher costs associated with setting up operations to sell online compared with the low costs of purchasing online.

Small firms that operate in service industries generally have more e-commerce activity than those operating in goods-producing industries. However, small firms have less activity related to e-commerce than medium-sized and large firms across all industries.

17. The minimum level of revenue required to be included in Statistics Canada's *Survey of Electronic Commerce and Technology* (SECT) varies depending on the industry but ranges from \$150 000 to \$250 000 per year. Businesses with no full-time employees but that meet the minimum revenue criterion were included in the survey. Those without full-time employees included self-employed persons without paid help, seasonal businesses and virtual firms.

Table 16: Internet Access and Use by Firm Size (Percent), 2001–2007

		2001	2002	2003	2004	2005	2006	2007
		(Percent)						
Internet Access	Small	68	73	76	79	79	81	85
	Medium	91	92	94	96	96	96	95
	Large	94	99	97	99	98	99	99
	All Firms	71	76	78	82	82	83	87
Own Website	Small	24	27	29	32	33	35	36
	Medium	57	62	66	69	70	71	74
	Large	74	77	77	79	82	89	90
	All Firms	29	32	34	37	38	40	41
Sell Online	Small	6	7	6	7	6	7	7
	Medium	12	13	14	12	10	12	13
	Large	15	16	16	13	16	21	22
	All Firms	7	8	7	7	7	8	8
Purchase Online	Small	20	29	35	40	40	42	45
	Medium	30	47	50	59	63	64	69
	Large	52	57	61	62	68	71	74
	All Firms	22	32	37	43	43	45	48

Source: Statistics Canada, *Survey of Electronic Commerce and Technology* (SECT), 2008.

Note: Statistics Canada's *Survey of Electronic Commerce and Technology* (SECT), on which these data are based, defines small firms as having fewer than 20 employees, medium-sized firms as having between 20 and 99 employees, and large firms as having 100 employees or more for all industries except manufacturing. The upper limit for the medium-sized category in the manufacturing industry is 499 employees, whereas firms with 500 employees or more are defined as large.