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Portraits of Small Business Growth and Change in Western Canada: 1988-1999

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INTRODUCTION

How important are small business entities to the Western Canadian economy?

Comparisons with other parts of the country, and in particular with the heartland of Ontario and Quebec, indicate that the economic structure of the west is different. Is this difference reflected in the extent of small business and its distribution across the sectors of the economy? It is generally agreed that small business predominates in the service sectors – is this also true in Western Canada? One of the most significant transitions of the last fifty years is the increased feminisation of the labour force. How has this affected small business ownership in Western Canada? Small business is generally regarded as a job creator. What share of employment in Western Canada is provided by small business and how many new jobs does it create annually? Small business is considered a locus of innovative and entrepreneurial activity. What is the Western Canadian record on new business formations and their survival rates, and how does it compare with other parts of Canada? Flexibility in adapting and modifying existing processes and products to fit client needs ins inherent in small business. How prevalent is small business in the 'High Tech' sector? Many communities have tried to live the principle of 'thinking globally and acting locally'. Is there evidence that the small enterprise may be instrumental in strengthening local communities?

The above questions are frequently asked. Unfortunately, until now there has been no comprehensive study of small business in the west to furnish reliable answers and offer benchmarks against which future changes could be considered. This book about small business addresses these questions for Western Canada, for the four provinces and for inta-provincial regions. In so doing, it also creates a benchmark against which future changes can be evaluated. Our approach has been to construct a systematic and comprehensive quantitative assessment of what has happened to the small business sector since the latter half of the nineteen eighties. We also believe the study offers the knowledge foundation necessary in understanding an extensive and complex set of policies aimed at small business, and how appropriate these are in addressing the needs of these enterprises.

In Chapter 1, *Canadian Business Patterns* and the *Labour Force Survey* are used to report the number and employment offered by small business firms in Western Canada. Chapter 2 uses three different data bases to examine the job creation record of small business over the 1988-1999 period, as well as for the years 1988-1992, 1992-1996 and 1996-1999. Chapter 3 pays specific attention to the self-employed and their characteristics in terms of growth, gender, age, education, and industry sector. In Chapter 4 growth industries and the positioning of High Tech activities in the region and in each of the four provinces are considered. Chapter 5 uses *Employment Dynamics* to evaluate the life status of businesses in the region over the 1988-1996/97 period. The experience of continuing small businesses and annual rates of entry and exit by size of business and industry group are considered. Chapter 6 provides intra-provincial insights by looking at small business growth in Western Canada's economic regions as delineated by the *Labour Force Survey*. Chapter 7 contains a summary of the findings and policy implications.

The study required the extraction and analysis of information from several data bases including *Canadian Business Patterns, Employment Dynamics, Survey of Employment, Payrolls and Hours,* and the *Labour Force Survey.* A coherent picture of the role of small business required integration and, where necessary, reconciliation of the contents of these respective sources. Further, the last available year in the latest edition of these data bases are not uniform. *Canadian Business Patterns,* for example, has data through 1999 while complete data for *Economic Dynamics* always runs at least two years behind the current date.

The study reports on the role and positioning of small business in the four provincial economies. These economies differ in their economic structure and in the range of social and economic issues that they must address. It is scarcely appropriate to consider a litany of these matters in the introduction to this Report.

However, in the pages that follow, the reader will encounter marked provincial differences in the growth and positioning of small business. We believe it useful to provide some context for the findings.

Context includes both micro and macro elements — factors both outside and inside small business enterprises. Important contextual elements are the external economic and demographic changes that have occurred in the region and each of the four provinces. For example, between 1988 and 1999, while Manitoba's population increased by 41,000 and the number living in Saskatchewan grew not all, the population of British Columbia and Alberta grew by slightly more than 900,000 and 500,000 respectively. These changes reflect what has happened in North America generally in recent decades — population shifts to the Pacific Coast and the Rocky Mountain areas and away from the Great Plains. Since domestic market demand in the aggregate is a product of the number and the income level of households, the opportunity set for small business expanded much more rapidly in British Columbia and Alberta than in either Manitoba or Saskatchewan. Thus, while aggregate factors are not the whole story, they do constitute an important part.

Table 0.1. Provincial Profiles: Percent Rates of Growth in Population, Real GDP, Real GDP per Capita, and Average Labour Force Participation Rate From 1988 to 1999

	Population	GDP	GDP/Capita	Labour Force Part. Rate
Alberta	1.64	3.65	2.05	72.4
British Columbia	2.48	2.33	-0.40	66.1
Manitoba	0.36	1.45	1.08	67.0
Saskatchewan	0.09	2.88	2.82	66.5

Source: CANSIM

Table 0.1 provides a summary of some important provincial demographic and economic variables. Population annual growth rates ranged from 2.48% in British Columbia to 0.09% in Saskatchewan. The annual growth rate of Gross Domestic Product (GDP) adjusted for inflation was highest in Alberta at 3.65% and lowest in Manitoba at 1.45%, while GDP/capita ranged from a high of 2.82% in Saskatchewan to a low of –0.40% in British Columbia. In Alberta, labour force participation was 7% to 8% higher than in the other three provinces.

Additional perspective on the socio-economic environment is revealed by sub-period changes in economic and demographic experience during the 1988-1999 years. A summary of the growth behaviour of two socio-economic variables — population and GDP— by province during these intervals is found in Table 0.2 for the years 1988-1992, 1992-1996, 1992-1999, and 1995-1999.

Table 0.2. Provincial Growth Rates (%) in Population and GDP for Selected Periods, 1988-1999

Indicators	AB	BC	MB	SK
1988-1992				
Population	1.79	2.69	0.25	-0.64
GDP	1.65	1.67	0.86	2.74
1992-1996				
Population	1.34	2.82	0.48	0.38
GDP	4.38	2.84	1.64	3.07
1995-1999				
Population	2.02	1.52	0.27	0.32
GDP	4.41	1.50	3.07	3.11
1992-1999				
Population	1.68	2.19	0.37	0.35
GDP	4.44	2.29	2.19	3.35

Source: CANSIM

Table 0.2 reveals large differences in growth rates not only between the provinces but also in the varying experience of any one province from one time period to another. For example, population growth in British Columbia ranges from a high of 2.82% annually to a low of 1.52%, a difference of 1.30%. Saskatchewan varies from a negative population growth rate of –0.64% to a positive rate of 0.38%. Manitoba's GDP displays a range of growth rates from 3.06% to 0.86%, while Alberta's GDP rates range from 4.44% to 1.65%. As well, the period of highest growth rate in both population and GDP differs among provinces. Macro conditions do influence, in a quite pronounced way, the opportunities available to small business.

There is a further context to the numbers contained in this Report arising from what goes on inside small business enterprises. Behind these numbers are a whole series of issues that confront the small business. Small business owners must deal with the fragility of newness and adolescence. They require a high degree of initiative and entrepreneurial energy, and substantial negotiation and transaction costs to get the business launched. The small business needs strong, charismatic leadership yet, in many instances — such as the case of family business — there is a balancing act between individual and collective decision making. Sooner or later the small business may face an important decision about growth — whether to expand, and if so, how is growth to be secured. Growth often entails a search for new capital and it is at this stage that many firms become financially vulnerable and encounter cash flow problems. Growth can also bring about transitions in both the organisation's structure and its personnel, not to mention the need for greater task specialisation, better information systems, new decisions about markets, forging relationships with new customers, and the consideration of alternative distribution channels.

All of the above, whether it is the socio-economic environment or the challenges present within the enterprise, simply serve to reinforce the importance of context.

1. SMALL BUSINESS CONCENTRATION AND GROWTH

Methods and Definitions

This is a study about small business in Western Canada, its role and positioning in the four provincial economies that make up the region. It excludes medium sized enterprises despite the fact that for many purposes they are grouped with smaller enterprises and referred to as SMEs (small and medium enterprises). The SME is usually identified as an independent establishment that employs fewer than a given number of employees. There is no universal agreement about what that number is, in part because its size depends on the research needs to be served, or the geographic area under study, or the industry sector be under investigation. The European Union identifies the SME as a business with less than 250 employees but in the United States the limit is higher at 500 employees. The small business is a subset of the SME. The OECD identifies the small business as an independently owned establishment with less than 50 employees. (OECD *Small and Medium Enterprise Outlook, 2000,* p.7). This definition is followed in the paper.

Small business as a whole is far from homogeneous. There would be general agreement that the enterprise with 40 employees faces a considerably different set of managerial requirements than the enterprise with 4 employees, and the entity with 4 employees requires a range of managerial actions absent from the self-employed individual with no employees. The self-employed *without paid help* together with the small business of less than 5 employees — which we refer to as micro-businesses — make up the overwhelming share of small business numbers, though their position is somewhat less dominant in terms of jobs created.

Counting the number of small businesses

The count of small businesses in the following tables required the integration of two data bases: *Canadian Business Patterns* and the *Labour Force Survey.*

Canadian Business Patterns comes from the Business Register, a central enterprise based repository of information on businesses operating in Canada. The Register includes incorporated businesses, unincorporated businesses, non-profit organizations, government institutions, and government departments for all sectors of the economy. There is blanket coverage of incorporated and unincorporated businesses with employees, but only partial coverage of unincorporated business without employees based upon the criterion of sales of at least $30,000 subject to the GST.

Data from the *Labour Force Survey* is household based, and comes from a monthly sample survey of households in Canada. In the case of Western Canada, the sample survey of 16,938 households is distributed among the four provinces as follows:

Alberta	3,906
British Columbia	4,969
Saskatchewan	4,072
Manitoba	3,906

The numbers of self-employed, who constitute a very large share of small business activity, are estimated from the sample. The sample divides the self-employed by gender into a 2x2 breakdown: the incorporated and the unincorporated, and those *with* and those *without paid help*. Of the four cells, we have taken those *with paid help* to be included in the *Canadian Business Patterns* data. We took the incorporated *without paid help* also to be counted in this data source with an employee size code of 1 to 4 since the owner/operator would be drawing a wage. In dealing with unincorporated *without paid help*, we relied on the *LFS*. In doing so, we ignored the unincorporated *without paid help* as reported in the Business Register since this source, by excluding the self-employed not registered for the GST, understates the actual numbers of the self-employed. We included this group by relying on *LFS* estimates for the count of the unincorporated self-employed *without paid help*.

The *LFS* is also the only source among the data bases employed that reveals, together with gender, some of the other characteristics of the self-employed. These include educational attainment and age, and permit a broader understanding of the small business sector.

This chapter contains a series of tables and figures based on the extracts from *Canadian Business Patterns* and *Labour Force Survey* databases. The first set contains data on the average annual number of businesses and their size distribution for Western Canada and the provinces over the 1992-1999 period. The second set contains the annual rates of growth in the numbers of businesses operating classified by firm size and province. The third set of tables presents annual rates of growth in the small business classes. The sets on growth rates provide a better sense of comparative performance because of the differential in population numbers between British Columbia or Alberta which together have three-quarters of the population, and the less densely populated provinces of Manitoba and Saskatchewan. The final set of tables in the chapter show the distribution in each province of small business by major industry groups based on North American Industrial Classification System (NAICS).

Concentration and Growth by Number and Size

Small Business Numbers

Table 1.1 and Figure s 1.1 and 1.2 provide a comparative statistical overview of small business numbers in Western Canada. Table 1.1 reveals that during 1992-1999 the number of businesses in Western Canada averaged 758,936 or 36.8% of the national total. Small businesses numbered 746,663 or 98.4% of all business entities in the west. The self-employed *without paid help* were the major small business group with an average of 428,088 operators or 57.3% of the region's small business total. Entities with 1 to 4 employees and the unincorporated self-employed *without paid help*, i.e. micro-business, amounted to 81.9% of all businesses in the west compared with a share of 80.4% in the rest of the country. There were on average 621,605 micro-businesses in the west. British Columbia had the highest annual average with 249,191; Alberta, Saskatchewan and Manitoba reported averages of 205,806, 94,938 and 68,938 respectively.

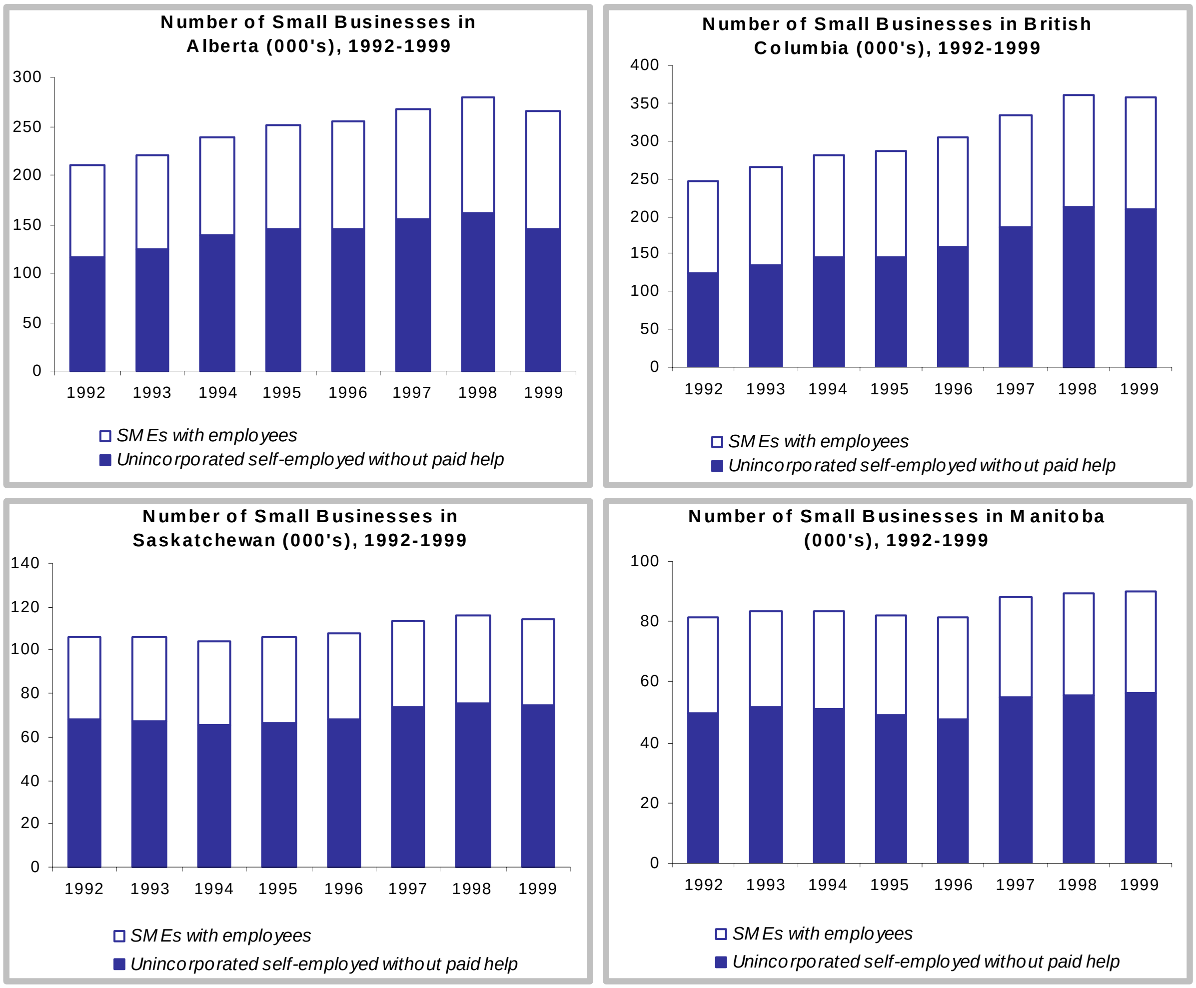
Table 1.1. Average Annual Number of Businesses in Western Canada and the Provinces and Comparison with the Rest of Canada and Canada, 1992-1999

Categories of businesses	Average Annual Number of Businesses, 1992-1999							
	AB	BC	SK	MB	Western Canada	Rest of Canada	Canada	Western Canada as % of Canada
Total Small Businesses	**248,246**	**304,520**	**109,005**	**81,528**	**746,663**	**1,275,669**	**2,022,332**	**36.9%**
Self-employed *without paid help* unincorporated	**141,538**	**164,588**	**69,925**	**49,800**	**428,088**	**678,387**	**1,106,475**	**38.7%**
Businesses with less than 50 employees	**106,709**	**139,933**	**39,080**	**31,728**	**318,575**	**597,282**	**915,857**	**34.8%**
Businesses with 1 to 4 employees	*64,268*	*84,603*	*25,013*	*19,138*	*193,517*	*369,884*	*563,401*	*34.3%*
Businesses with 5 to 9 employees	*20,071*	*26,290*	*7,255*	*5,846*	*59,594*	*107,115*	*166,709*	*35.7%*
Businesses with 10 to 19 employees	*13,589*	*17,916*	*4,404*	*3,943*	*40,244*	*71,159*	*111,403*	*36.1%*
Businesses with 20 to 49 employees	*8,781*	*11,124*	*2,409*	*2,801*	*25,221*	*49,122*	*74,343*	*33.9%*
Total Large Businesses	**4,377**	**5,142**	**1,148**	**1,466**	**12,273**	**28,418**	**40,691**	**30.2%**
Total All Businesses	**252,623**	**309,663**	**110,153**	**82,994**	**758,936**	**1,304,087**	**2,063,023**	**36.8%**

Source: *Canadian Business Patterns* and *Labour Force Survey*

Figure 1.1 permits an inter-provincial comparison of the dynamics of the number of small businesses during the period of 1992-1999 reveals a consistent growth trend across Western Canada. British Columbia led small business growth in Western Canada with an increase from 247,512 in 1992 to 358,767 in 1999, a growth of 44%. Alberta recorded a 26% increase in the number small businesses of 210,813 in 1992 to 266,069 in 1999. Small business growth in Manitoba and Saskatchewan was significantly lower. Saskatchewan small businesses grew by 7% from 106,308 in 1992 to 113,761 in 1999. Manitoba small businesses in Manitoba grew by 11% from 81,528 in 1992 to 90,338 in 1999.

Figure 1.1. Dynamics of Number of Small Businesses in Western Canada (000's), 1992-1999



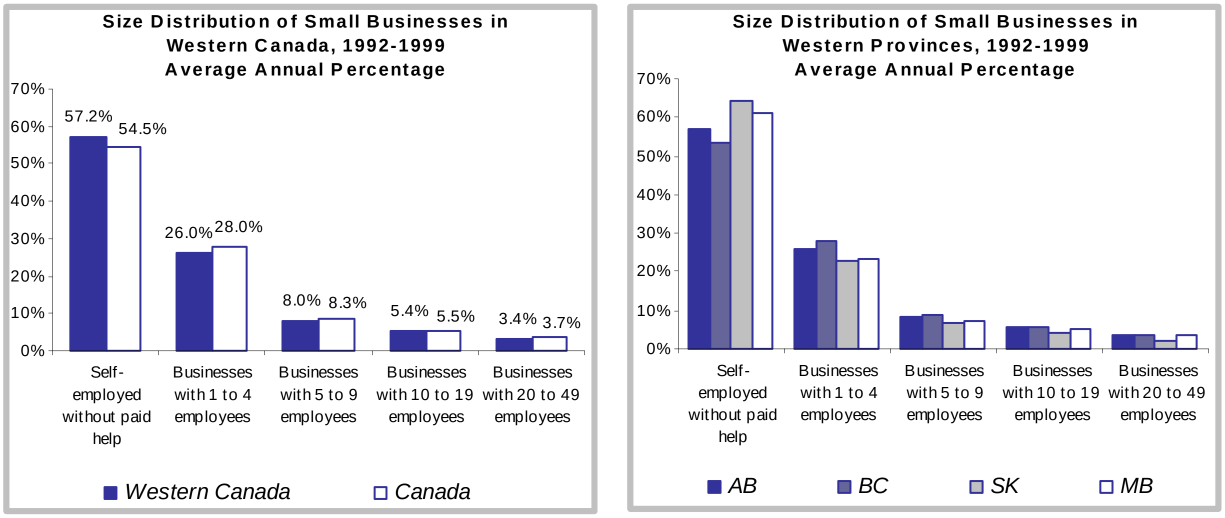
Source: *Canadian Business Patterns* and *Labour Force Survey*

Figure 1.2 summarizes the annual percentage distribution of the Western Canada's small businesses by size. During 1992-1999, Western Canada had a higher share of unincorporated self-employed *without paid help* in the total number of small businesses than the Canadian average, or 57.2% versus 54.5%. All other groups of small businesses had a smaller share than Canada. During 1992-1999, the remaining 42.8% of small businesses in Western Canada were mainly those with less than 5 employees (26%), and the rest (16.8%) were entities with 5 to 49 employees. Businesses with 5 to 9 employees had an average annual share of 8.0%, those with 10 to 19 employees had a 5.4% share, and the 20 to 49 employees group comprised only 3.4% of the total.

Saskatchewan small business numbers reflect the dominant role of the family farm in its economy. The province had the greatest average annual share of unincorporated self-employed with no paid employees at 64.1% in comparison to 57.0% in Alberta, 53.6% in British Columbia, and 61.3% in Manitoba.

Micro-businesses represented almost 85% of Western Canada's small businesses. Their highest share at 87.1% was in Saskatchewan. Alberta, British Columbia and Manitoba had micro-business shares of 82.9%, 81.6% and 84.4%, respectively.

Figure 1.2. Size Distribution of Small Businesses in Western Canada, Average Annual Percentage, 1992-1999



Source: *Canadian Business Patterns* and *Labour Force Survey*

Comparison of Small Business Concentration

How does the concentration of small business in Western Canada and its four provinces compare with that in other parts of the country? A comparison is found in Table 1.2 showing average numbers of small businesses per thousand people over the 1992-1999 period.

The table reveals that in Western Canada there were on average 8.52 small businesses per thousand people, a figure which is some 40% higher than the 6.16 per thousand people in the rest of the country. The western provincial ratios ranged from 10.73 in Saskatchewan to 7.22 in Manitoba, all above average levels elsewhere in the country. These findings are strong evidence of the importance of small business to the Western Canadian economy.

Table 1.2. Average Number of Small Businesses per Thousand of Population, 1992-1999: Western Canada vs. the Rest of Canada

Provinces	Number of Small Businesses	Population (thousands)	Small Business Per Thousand Population
Alberta	248,246	2,779.9	8.93
British Columbia	304,520	3,796.3	8.02
Saskatchewan	109,005	1,016.2	10.73
Manitoba	81,528	1,129.7	7.22
Western Canada	**743,299**	**8,722.1**	**8.52**
Rest of Canada	**1,279,033**	**20,761.3**	**6.16**

Source: Table 1.1 and CANSIM

Growth in the Number of Small Businesses

Table 1.3 summarizes the annual average growth in the number of businesses in Western Canada. From 1992 to 1999 approximately 16,000 new small businesses emerged each year in British Columbia, 8,000 in Alberta, 1,300 in Manitoba, and about 1,000 in Saskatchewan.

Table 1.3. Average Annual Growth in Number of Businesses in Western Canada, 1992-1999

Categories of businesses	Average Annual Growth in Number of Businesses, 1992-1999							
	AB	BC	SK	MB	Western Canada	Rest of Canada	Canada	Western Canada as % of Canada
Total Small Businesses	**7,894**	**15,894**	**1,065**	**1,259**	**26,111**	**48,772**	**74,883**	**34.9%**
Self-employed *without paid help* unincorporated	**3,986**	**12,271**	**929**	**957**	**18,143**	**38,843**	**56,986**	**31.8%**
Businesses with less than 50 employees	**3,908**	**3,622**	**136**	**301**	**7,968**	**9,929**	**17,897**	**44.5%**
Businesses with 1 to 4 employees	*2,535*	*2,636*	*(78)*	*132*	*5,224*	*6,770*	*11,994*	*43.6%*
Businesses with 5 to 9 employees	*524*	*344*	*70*	*36*	*974*	*692*	*1,666*	*58.4%*
Businesses with 10 to 19 employees	*483*	*321*	*100*	*83*	*987*	*1,140*	*2,127*	*46.4%*
Businesses with 20 to 49 employees	*367*	*322*	*44*	*50*	*783*	*1,327*	*2,110*	*37.1%*
Total Large Businesses	**227**	**167**	**20**	**49**	**463**	**623**	**1,086**	**42.6%**
Total All Businesses	**8,121**	**16,060**	**1,084**	**1,308**	**26,573**	**49,396**	**75,969**	**35.0%**

Source: *Canadian Business Patterns* and *Labour Force Survey*

In Western Canada, the unincorporated self-employed *without paid help* accounted for about 69% of new small business entities. In British Columbia, average annual growth was 12,271 firms or 77.2% of total provincial growth. In Alberta, this group generated 3,986 new firms each year, or 50.5% of all new small businesses. In Saskatchewan, this group averaged 929 new firms annually, or 87.2% of the total, while in Manitoba it constituted 76% of new small businesses, or 957 annually. In a broader context, Western Canada accounted for 31.8% of the national growth in the numbers of this small business class.

Table 1.3 also reveals that an average of 23,400 *micro-businesses* were created each year in Western Canada, or 34% of total micro-business in Canada. Well over one half of the region's new micro-businesses were in British Columbia – approximately 15,000 per year, while Alberta, Saskatchewan and Manitoba created annually about 6,500 (27.9%), 850 (3.6%) and 1,100 (4.7%) micro-businesses, respectively.

Growth Rates of Small Business

Table 1.4 shows that the rate of growth in small business numbers in the west slightly exceeded that of the rest of Canada, due to the very strong performance in British Columbia. The growth rate in Alberta was slightly below and, in the case of Saskatchewan and Manitoba, substantially below both the region as a whole and the rest of the country.

Table 1.4. Average Annual Compound Growth Rates of Small Businesses in Western Canada, 1992-1999

Categories of businesses	Average Annual Compound Growth Rate (Fitted Linear Trendline), 1992-1999						
	AB	BC	SK	MB	Western Canada	Rest of Canada	Canada
Total Small Businesses	**3.77%**	**5.66%**	**1.44%**	**1.44%**	**3.92%**	**3.90%**	**3.91%**
Self-employed *without paid help* unincorporated	**3.79%**	**8.13%**	**1.89%**	**1.69%**	**4.89%**	**5.87%**	**5.49%**
Businesses with less than 50 employees	**3.73%**	**2.72%**	**0.62%**	**1.03%**	**2.62%**	**1.68%**	**2.01%**
Businesses with 1 to 4 employees	*3.76%*	*3.16%*	*-0.19%*	*0.58%*	*2.66%*	*1.79%*	*2.09%*
Businesses with 5 to 9 employees	*2.81%*	*1.59%*	*1.27%*	*0.93%*	*1.90%*	*0.63%*	*1.09%*
Businesses with 10 to 19 employees	*4.17%*	*2.14%*	*3.07%*	*2.20%*	*2.94%*	*1.72%*	*2.16%*
Businesses with 20 to 49 employees	*4.82%*	*2.90%*	*2.61%*	*2.57%*	*3.51%*	*3.06%*	*3.21%*
Total Large Businesses	**5.57%**	**3.39%**	**2.13%**	**3.46%**	**4.06%**	**2.37%**	**2.87%**
Total All Businesses	**3.80%**	**5.62%**	**1.45%**	**1.48%**	**3.93%**	**3.87%**	**3.89%**

Source: *Canadian Business Patterns* and *Labour Force Survey*

Figure 1.3 illustrates provincial growth rates in the numbers of small business by size category. Patterns of growth in the west may be summarised as follows:

- ***Self-employed*** – The rate of growth in British Columbia exceeded the national average and was from 2 to more than 4 times the rate in the other three western provinces.

- ***Businesses with 1 to 4 employees*** – The west grew significantly faster than the rest of the country led by the performances in Alberta and British Columbia.

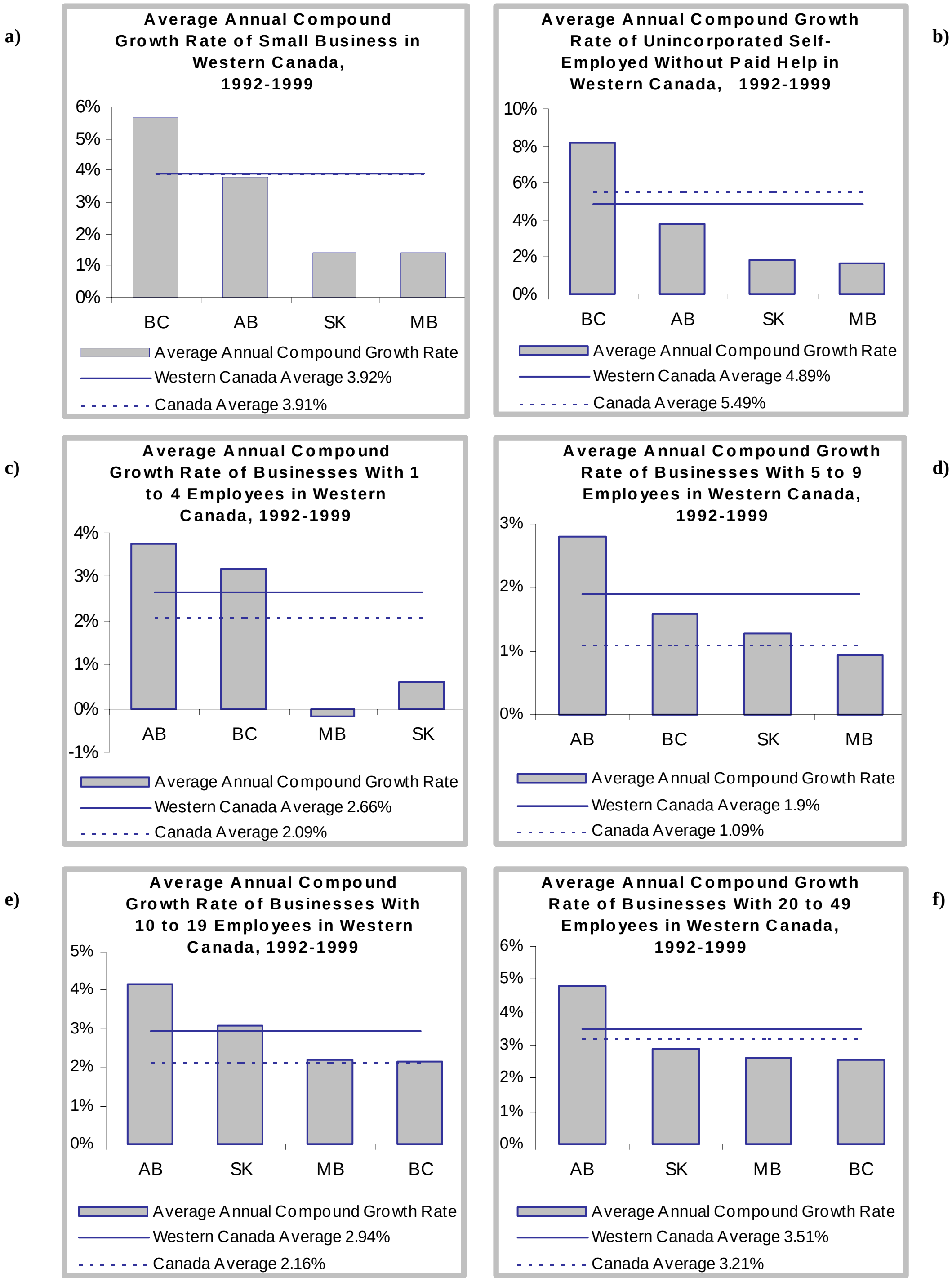
- ***Businesses with 5 to 9 employees*** – Growth in the west was about double that in other parts of Canada and was led by a particularly strong performance in Alberta and also substantial growth in British Columbia.

- ***Businesses with 10 to 19 employees*** – Growth rates in the west were substantially above those in the rest of Canada led by strong performances in Alberta and Saskatchewan.

- ***Businesses with 20 to 49 employees*** – The growth rate in the west was above that in the rest of the country, primarily accounted for by the strong performance in Alberta.

Micro-businesses (combination of data from Figure 1.3b and Figure 1.3c) in Western Canada grew at 4.20%, slightly below the Canadian average of 4.34%. British Columbia and Alberta had rates of 6.45% and 3.80% respectively. Micro-businesses in Saskatchewan and Manitoba had a considerably slower pace of development at 1.35% and 1.39%, respectively.

Figure 1.3. Small Business Growth by Size in Western Canada, 1992-1999



Source: *Canadian Business Patterns* and *Labour Force Survey*

Concentration in Industry Sectors

Table 1.5 shows the distribution of small businesses by major industry sector for the average of two years, 1998 and 1999. [1] Regionally, in Western Canada 32.4% of small businesses were in the goods sector and 67.6% in the service sector, a ratio of about 1:2, a rather sharp contrast with the rest of the country where the ratio was 1:4. Small business shares in the goods sector in the west are dominated by the primary sectors of Agriculture/Forestry, and by Construction.

Notable in the west is the substantial provincial differences in the sector shares. British Columbia, for example, has a distribution between the goods and service sectors very similar to that in the rest of the country. Alberta's shares are rather similar to those in the west as a whole, while Manitoba and Saskatchewan, with higher concentrations in the goods sector, are strongly influenced by the numbers in Agriculture.

Table 1.5. Average Distribution of Small Businesses in Major Industry Sectors, 1998-1999

Industry Sectors	Average Distribution, 1998-1999, %						
	AB	BC	SK	MB	Western Canada	Rest of Canada	Canada
Goods Sector	**35.3%**	**21.6%**	**52.7%**	**41.2%**	**32.4%**	**20.6%**	**25.0%**
Agriculture, Forestry, Fishing & Hunting	*19.7%*	*5.5%*	*43.4%*	*28.8%*	*17.9%*	*4.1%*	*9.2%*
Construction	*10.8%*	*11.9%*	*6.3%*	*9.1%*	*10.5%*	*6.5%*	*8.0%*
Manufacturing	*2.8%*	*3.9%*	*1.9%*	*3.2%*	*3.2%*	*6.1%*	*5.0%*
Mining, Oil, Gas, & Utilities	*1.9%*	*0.3%*	*1.1%*	*0.1%*	*0.9%*	*3.9%*	*2.8%*
Service Sector	**64.7%**	**78.4%**	**47.3%**	**58.8%**	**67.6%**	**79.4%**	**75.0%**
Accommodation & Food	*2.9%*	*3.9%*	*2.7%*	*3.0%*	*3.3%*	*2.5%*	*2.8%*
Business Services	*17.3%*	*21.0%*	*8.2%*	*12.5%*	*17.1%*	*18.0%*	*17.7%*
Finance & Real Estate	*5.5%*	*7.7%*	*4.0%*	*5.0%*	*6.2%*	*5.5%*	*5.7%*
Health, Social Care & Education	*9.4%*	*11.6%*	*7.5%*	*8.7%*	*10.0%*	*10.6%*	*10.4%*
Information, Culture & Recreation	*2.6%*	*5.5%*	*2.0%*	*3.0%*	*3.8%*	*7.3%*	*6.0%*
Other Services (inc. Public Admin.)	*10.0%*	*10.1%*	*9.4%*	*9.8%*	*10.0%*	*14.9%*	*13.1%*
Trade	*11.4%*	*14.0%*	*9.9%*	*11.4%*	*12.3%*	*12.3%*	*12.3%*
Transportation & Warehousing	*5.6%*	*4.7%*	*3.8%*	*5.3%*	*4.9%*	*8.3%*	*7.1%*
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

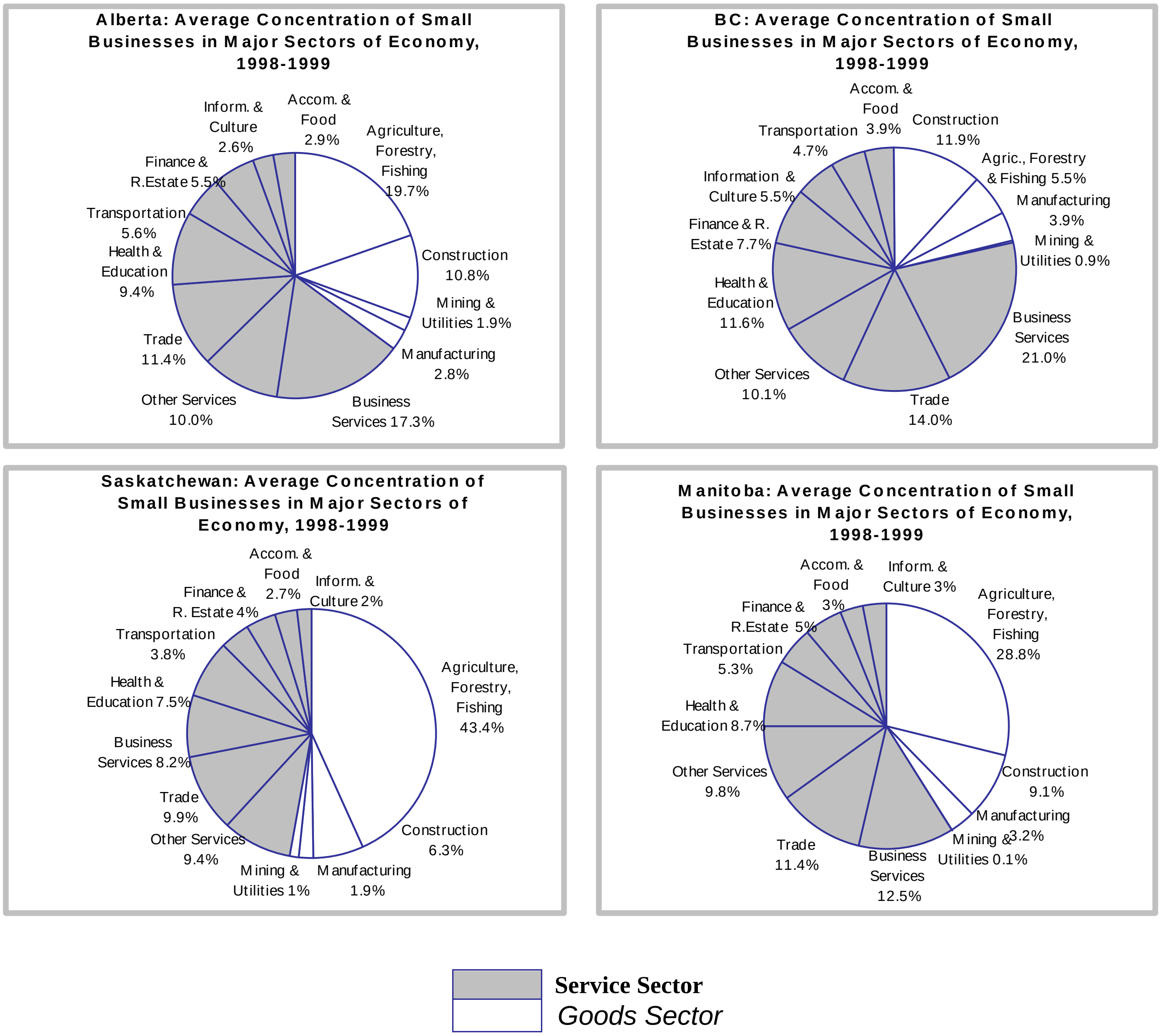
Source: Special runs of *Canadian Business Patterns* and *Labour Force Survey*

The top four sectors by concentration of small businesses in Western Canada are Business Services, Agriculture/Forestry/Fishing/Hunting, Trade, and Construction, where on average 57.7% of small businesses operate. Top industry sectors vary across the provinces. Alberta, Manitoba and Saskatchewan share the pattern of the highest concentration of small businesses in the primary sectors of Agriculture/Forestry/Fishing/Hunting, while British Columbia's top sector is Business Services.

For *micro-businesses* in the west, the ratio of business in the service sector to businesses in the goods sector was also about 2:1. One fifth of all Western Canada's micro-businesses are in the Agriculture/Forestry/Fishing/Hunting sector. 18% are Business Services (18%), while Construction, Trade and Health/Social Care /Education sectors each have about 10%.

[1] Industry sectors are defined according to the *North American Industry Classification System*, 1997. Data prior to 1998 are not available in *NAICS* format.

Figure 1.4. Average Concentration of Small Businesses by Percentage in Major Industry Sectors in Western Canada, 1998-1999, %

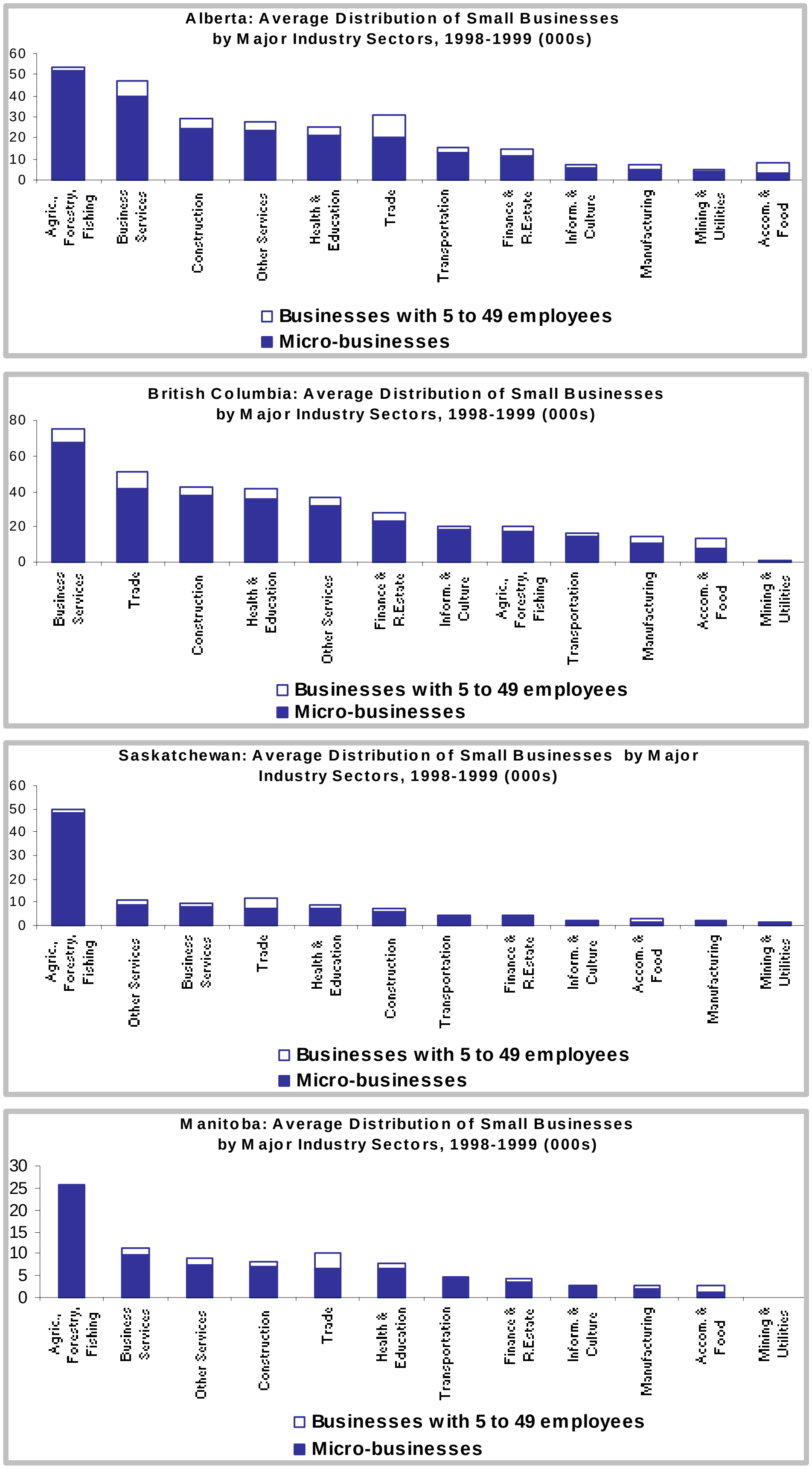


Source: Special run of *Canadian Business Patterns* and *Labour Force Survey*

As Figure 1.5 illustrates, micro-businesses constitute at least 70% of the small business portion in each industry in Western Canada.

Businesses with 5 to 49 employees are more evident in the Trade, Business Services, Health/Education Services, and Accommodation/Food Services sectors.

Figure 1.5. Average Industrial Distribution of Small Businesses by Size in Western Canada, 1998-1999



Source: *Canadian Business Patterns* and *Labour Force Survey*

Conclusions

This chapter lays out some basics from data in *Canadian Business Patterns* and the *Labour Force Survey* about the number and growth of small business entities in the 1992-1999 years. The single most important finding confirms the fact that small business plays a very important role in the economy of Western Canada and in each province. In Western Canada there are 8.52 small businesses per thousand population, a figure which is 40% higher than in other parts of the country. Further, the higher ratio is found in each of the provinces. Micro-businesses — those with 0 to 4 employees — constitute more than 4 out of every 5 businesses in the west.

The growth in small business numbers, which averaged 23,400 per year, was heavily weighted by the growth in the unincorporated self-employed *without paid help*, a group that accounted for almost 70% of small business creation. The growth in the number of this group was most apparent in British Columbia.

The composition of the economy in Western Canada is reflected in the ratio of service sector to goods sector small business numbers which averaged 2:1, though there was substantial variation by province. In the rest of the country the ratio is about 4:1.

2. SMALL BUSINESS EMPLOYMENT

Methods and Definitions

Employment Data for the 1988-1996 Period

The *Employment Dynamics* data base is used in this section to assess the contribution of small businesses to employment growth. Job creation experience at the aggregate and major SIC industry division levels are provided for Canada, the rest of Canada, Western Canada and each of the four provinces. The first set of tables in each sector reports the aggregate job record separating the contribution of small from large businesses. Snapshots of the relative importance of small businesses to employment are taken in 1988, 1992 and 1996. Analysis at the industry level is for the small business sector only. To facilitate comparisons, the data covering the years from 1988 to 1996 are collated and then evaluated over two time periods: from 1988 to 1992 and from 1992 to 1996. The first of these time periods coincides with the initial structural adjustments to the Free Trade Agreement with the United States and with the cyclical downturn whose duration extended from 1990 into 1992. The second of these periods coincides with the first portion of the 1990's cyclical expansion in the Canadian economy.

Employment Dynamics, generated from Revenue Canada T4 tax records provides annual data on employment, payroll and numbers of businesses with employees for Canada, the provinces and territories. Because the information is limited to businesses *with paid help*, the base does not contain the self-employed *without paid help*. Data base availability has an approximate two to three year lag.

This database provides a number of business firm classifications in the aggregate and by SIC class. One set of these is employment by size of business in the following categories: less than 5; 5-19.9; 20-49.9; 50-99.9; 100-499.9; and 500 or more employees. In the Tables that follow, businesses with 50 or more employees are identified as large businesses. Employment is expressed in Average Labour Units (ALUs) defined as (the firm's total annual payroll)/(average annual earnings per employee). Effectively ALU is a firm's annual average level of employment. Because ALU is an average annual head count it does not explicitly measure hours worked and, therefore, cannot distinguish between part and full time employment.

Employment Dynamics also contains information on what can be described as the 'life status' of businesses. Life status is separated into firms that are continuing businesses and grouped into those with either increasing or decreasing numbers of employees; firms that no longer exist (exits); and firms that commence business in a given year (entrants).

Job gain is the increase in employment occurring in**:**

- expanding continuing firms
- newly identified firms (births)

Job loss is the decrease in employment occurring in

- contracting continuing firms
- no longer identified firms (deaths)

Net job creation reported in this chapter is the difference between job gain and job loss. In sum, net job creation is influenced by the incidence and size of births and deaths, and changes in the level of employment offered by continuing firms.

Note: in the tables derived from *Employment Dynamics* data may not add-up to the rounding and suppression.

Employment Data for the 1996-1999 Period

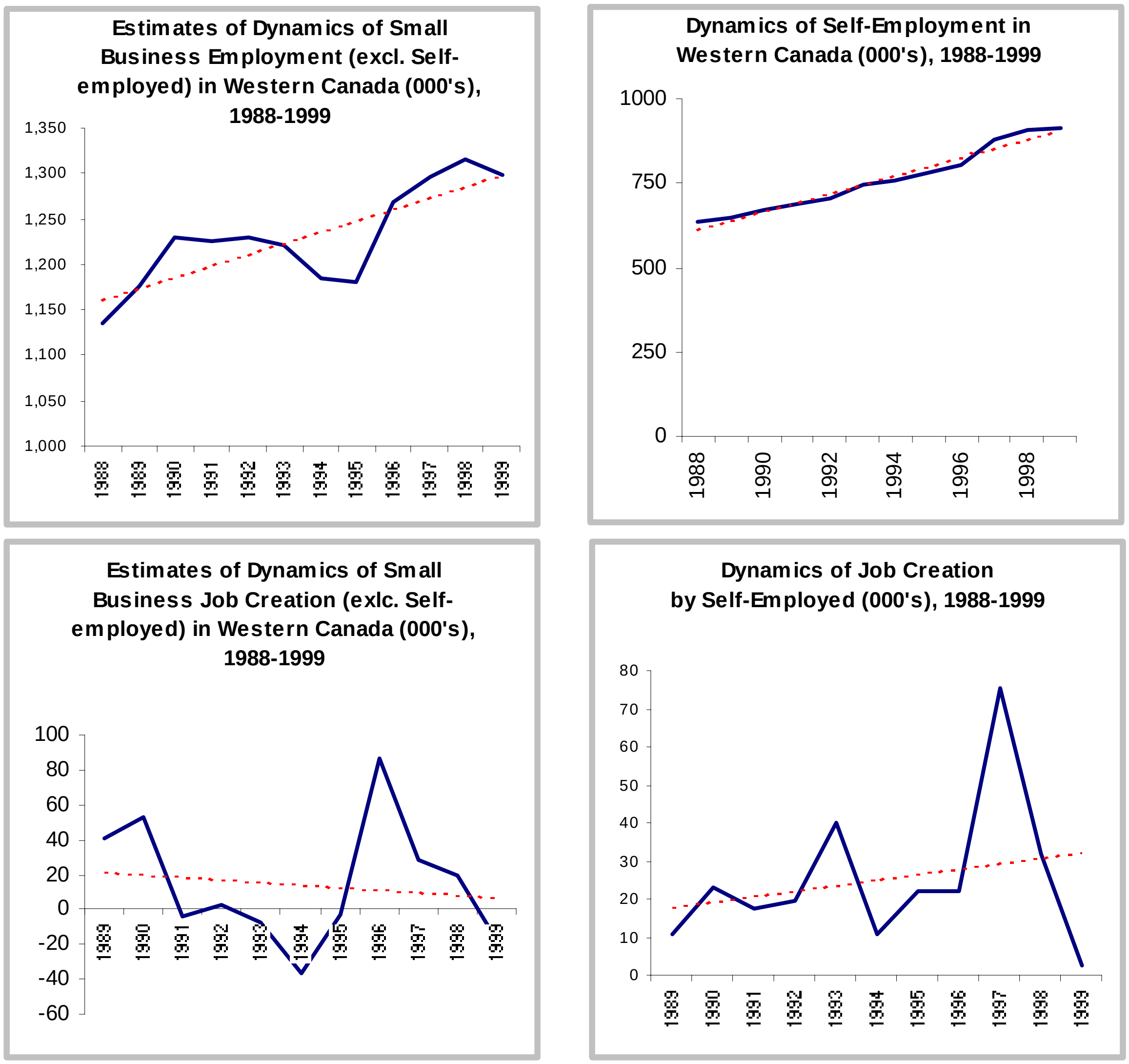
Employment data for small businesses with less than 50 employees for 1996-1999 are from special runs of the *Survey of Employment, Payrolls and Hours* (*SEPH*). Because the target population of *SEPH* using SIC classification does not include agriculture, fishing and trapping industries and self-employed persons, *SEPH* data was supplemented with the *Labour Force Survey* (*LFS*) data reclassified to SIC in order to estimate the total small business employment. The *SEPH* employment estimate for firms with 0-49 employees differs in the range of 2% to 5% from the *LFS* total employment numbers due to this coverage factor. Data for the self-employed were drawn from the *Labour Force Survey* for the same time period.

Annual Small Business Employment: Levels and Change During the 1988-1999 Period

Figure 2.1 below contains aggregate data on small business employment in Western Canada showing both the levels and the changes in small business paid employment and the self-employed annually over the 1988-1999 period. These data are derived by combining special runs of the *SEPH* with the *Employment Dynamics* and the *LFS*. They reveal continuous growth for the self-employed but at substantially varying annual increments. The picture is rather different on the left hand side of Figure 2.1, which contains the *SEPH* runs on jobs in small business, *i.e.* excluding the self-employed. Levels grew from 1988 to 1992-93, diminished through 1995, grew again through 1998 and leveled off in 1999. The figure records the variability in small business job creation over the period.

To evaluate changes the following sections use the three data bases for the three periods: 1988-1992, 1992-1996 and 1996-1999. These represent equal time intervals, overlap at 1992 and 1996, and correspond approximately to fluctuations in the level of job offerings in small business evident in the Figure 2.1.

Figure 2.1. Dynamics[2] of Small Business Employment and Job Creation in Western Canada (000's) During the 1988-1999 Period



Source: *Employment Dynamics*, special runs of *Survey of Employment, Payrolls and Hours,* and *Labour Force Survey*

[2] To produce rough estimates, data from *Employment Dynamics* measured in ALUs were combined with numbers from *SEPH* by transforming the latter into ALUs with help of a coefficient. The coefficient was derived by dividing 1996 *ED* number by the 1996 *SEPH* number, and used to multiply the 1997-1999 *SEPH* figures. Data on self-employed are real numbers.

Small Business Employment During the 1988-19996 Period

Some historical perspective on employment in small business entities for the years before 1996 can be found in *Employment Dynamics*. The following tables report data from this source in two forms for the four provinces, the west, the rest of Canada and nationally. The first set show employment for small business by three size categories and for large business; the second set of tables shows the distribution of small business employment across industry sectors. The industry in which the entity operated could be identified for almost all reporting units. For the small number of units — two to three percent – where industry affiliation could not be determined, they are placed in an 'Unclassified' row of each table. The years 1988, 1992, and 1996 are taken as points of reference. Changes are calculated over the two intervals 1988-1992 and 1992-1996. These periods correspond approximately to the national business cycle experience during these years. 1988 represents a year close to the 1990 cyclical peak, while 1992 is the transitional year between cyclical decline and the ensuing expansion of the nineties. 1995 is clearly a year of strong positive economic growth.

Note that the results presented in the following tables do not include the unincorporated self-employed *without paid help*. Hence, the measure of job creation is more limited than that found in the evaluation below covering 1996-1999. However, we believe that the tables give an acceptable overview of existing conditions at the time and of small business changes during these earlier years.

Western Canada Compared with the Rest of Canada

Tables 2.1 through 2.3 report job creation nationally, for the west, and for the rest of Canada by size of business entity. They identify several differences between the west and other parts of the country.

First, the share of employment in small business was four to five percentage points larger in the west in each of the years – 34.9%, 35.5% and 35.2% compared with 30.4%, 30.6% and 30.6%. The larger share was apparent in each of the three small business size classes.

Second, Western Canada and the rest of the country experienced markedly different job creation in 1988-1992. In this period jobs in small business in the west grew by 8.3% compared with a decline of 4.8% elsewhere. This added up to small business employment gains in the west of 94,000 compared with a loss of 117,000. In employment terms, the recession of the early 1990s was concentrated in the rest of the country.

Third, the 1992-1996 period presents a different picture. In the west, job creation was comparatively sluggish, influenced strongly by the sharp job decline in 1994 and the limited declines of 1993 and 1995 as previously revealed in the left hand panels of Figure 2.1. The modest job creation in the west between 1992 and 1996 resulted entirely from the large number of new jobs in 1996. Thus, job market expansion accompanying the recovery of the early 1990s was less evident in the west.

Table 2.1. Canada: Employment Patterns for Businesses of All Life Statuses, 1988-1996

Firm Size (# of ALUs)	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996		Average Annual Compound Growth Rate (Fitted Linear Trendline)
	000's ALUs	%	000's ALUs	%	000's ALUs	%	ALUs	%	ALUs	%	
Total Small Businesses	3,610.2	31.7%	3,586.3	32.0%	3,766.4	32.1%	-23,900	-0.7%	180,100	5.0%	-0.3%
< 5 ALUs	953.0	8.4%	981.4	8.8%	1,009.5	8.6%	28,400	3.0%	28,100	2.9%	0.4%
5-19.9 ALUs	1,493.3	13.1%	1,492.0	13.3%	1,531.6	13.1%	-1,300	-0.1%	39,600	2.7%	-0.8%
20-49.9 ALUs	1,163.9	10.2%	1,112.9	9.9%	1,225.3	10.5%	-51,000	-4.4%	112,400	10.1%	-0.2%
Total Large Businesses	7,787.4	68.3%	7,613.9	68.0%	7,957.8	67.9%	-173,500	-2.2%	343,900	4.5%	0.1%
Total All Businesses	11,397.6	100.0%	11,200.3	100.0%	11,724.3	100.0%	-197,300	-1.7%	524,000	4.7%	-0.1%

Source: *Employment Dynamics*

Table 2.2. Western Canada: Employment Patterns for Businesses of All Life Statuses, 1988-1996

Firm Size (# of ALUs)	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996	
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%
Total Small Businesses	1,134.9	34.9%	1,228.9	35.2%	1,267.9	35.5%	94.0	8.3%	39.0	3.2%
< 5 ALUs	313.9	9.7%	330.5	9.5%	352.8	9.9%	16.6	5.3%	22.3	6.7%
5-19.9 ALUs	483.1	14.9%	523.2	15.0%	518.8	14.5%	40.1	8.3%	-4.4	-0.8%
20-49.9 ALUs	337.9	10.4%	375.2	10.7%	396.3	11.1%	37.3	11.0%	21.1	5.6%
Total Large Businesses	2,115.5	65.1%	2,265.8	64.8%	2,301.4	64.5%	150.3	7.1%	35.6	1.6%
Total All Businesses	3,250.3	100.0%	3,494.4	100.0%	3,569.3	100.0%	244.1	7.5%	74.9	2.1%

Source: *Employment Dynamics*

Table 2.3. Rest of Canada: Employment Patterns for Businesses of All Life Statuses, 1988-1996

Firm Size (# of ALUs)	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996	
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	ALUs	%
Total Small Businesses	2,475.3	30.4%	2,357.4	30.6%	2,498.5	30.6%	-117.9	-4.8%	141.1	6.0%
< 5 ALUs	639.1	7.8%	650.9	8.4%	656.7	8.1%	11.8	1.8%	5.8	0.9%
5-19.9 ALUs	1,010.2	12.4%	968.8	12.6%	1,012.8	12.4%	-41.4	-4.1%	44.0	4.3%
20-49.9 ALUs	826.0	10.1%	737.7	9.6%	829.0	10.2%	-88.3	10.7%	91.3	12.4%
Total Large Businesses	5,671.9	69.6%	5,348.1	69.4%	5,656.4	69.4%	-323.8	-5.5%	30.83	5.8%
Total All Businesses	8,147.3	100.0%	7,705.9	100.0%	8,155.0	100.0%	-441.4	-5.4%	449.1	5.8%

Source: *Employment Dynamics*

Tables 2.4 to 2.6 provide a picture of small business employment by industry sector over the same time intervals for Canada, Western Canada and the rest of the country. Gains and losses in employment are shown. The sector percentage shares contained in the tables exclude 'Unclassified' and are based only on entities with identifiable sector affiliation. First, a comparison of the west with other parts of the country reveals sharp differences in the goods sector. Between 1988 and 1992 in the rest of the country, job loss occurred throughout the goods producing sector, while in the west job loss in the goods sector was limited to mining. In 1992-1996 job loss occurred in the rest of the country in primary activity (Agriculture and Forestry) in contrast to the west where only Construction experienced a decline.

A second comparison is in the percent distribution of employment within the goods sector. In the west, Primary and Mining accounted for 6.3% of employment in 1988 compared with 2.7% elsewhere; Construction represented 9.9% in the west compared with 8.6%; and Manufacturing jobs were 7.6% of total employment in Western Canada compared with 12.1%

A third emphasis in the tables is the wide distribution of job loss in the rest of the country compared with western job creation during the 1988-1992 years. In the rest of the country there was a loss of 83,000 ALUs compared with a gain of 94,000 in the west. Five service sectors in the rest of the country experienced employment losses whereas in the west all sectors but one created jobs. In the 1992-1996 years job gains in the west were more modest and less prevalent across the secotrs, while in the rest of the country the economic recovery was widely diffused.

Table 2.4. Canada: Industry Distribution of Employment in Small Businesses of All Life Statuses, 1988-1996

Industry	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996		% of Total Change in Employment, 1992-1996
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	
Primary	130.9	3.7%	129.6	3.6%	118.6	3.18%	-1.3	-1.0%	-11.0	-8.5%	-7.2%
Mining	28.3	0.8%	24	0.7%	27.3	0.73%	-4.3	-15.2%	3.3	13.8%	2.2%
Manufacturing	423.6	11.9%	391.9	11.0%	394.9	10.60%	-31.7	-7.5%	3.0	0.8%	2.0%
Construction	384.2	10.8%	326.1	9.1%	337.9	9.07%	-58.1	-15.1%	11.8	3.6%	7.7%
Transportation & Storage	112.6	3.2%	121.9	3.4%	129	3.46%	9.3	8.3%	7.1	5.8%	4.6%
Communication & Utilities	21.7	0.6%	24.8	0.7%	24.6	0.66%	3.1	14.3%	-0.2	-0.8%	-0.1%
Wholesale Trade	304.2	8.5%	309.7	8.7%	324.6	8.71%	5.5	1.8%	14.9	4.8%	9.7%
Retail Trade	622.7	17.4%	627.2	17.6%	637.3	17.10%	4.5	0.7%	10.1	1.6%	6.6%
Finance & Insurance	102.5	2.9%	90.8	2.5%	90.8	2.44%	-11.7	-11.4%	0.0	0.0%	0.0%
Real Estate	132.9	3.7%	120.2	3.4%	115.4	3.10%	-12.7	-9.6%	-4.8	-4.0%	-3.1%
Business Services	279.8	7.8%	280	7.8%	317	8.51%	0.2	0.1%	37.0	13.2%	24.1%
Community and Government Services	287.6	8.1%	350.5	9.8%	376.1	10.09%	62.9	21.9%	25.6	7.3%	16.7%
Accommodation, Food & Beverage Services	387.6	10.9%	408.3	11.4%	439.3	11.79%	20.7	5.3%	31.0	7.6%	20.3%
Other Services	352.2	9.9%	367.9	10.3%	393.7	10.56%	15.7	4.5%	25.8	7.0%	16.8%
Identified Total	3570.8	100.0%	3572.9	100.0%	3726.5	100.00%	2.1	0.1%	153.6	4.3%	100.0%
Unclassified	39.4		13.4		39.9		-26.0		26.5		
Total	3,610.2		3,586.3		3,766.4		-23.9		180.1		

Source: *Employment Dynamics*

Table 2.5. Western Canada: Industry Distribution of Employment in Small Businesses of All Life Statuses, 1988-1996

Industry	**Employment Distribution, 1988**		**Employment Distribution, 1992**		**Employment Distribution, 1996**		**Net Change in Employment, 1988-1992**		**Net Change in Employment, 1992-1996**		**% of Total Change in Employment, 1992-1996**
	000's ALUs	**%**	**000's ALUs**	**%**	**000's ALUs**	**%**	**000's ALUs**	**%**	**000's ALUs**	**%**	
Primary	52.4	4.7%	56.3	4.6%	60.5	4.8%	3.9	7.4%	4.2	7.5%	11.1%
Mining	18.8	1.7%	15.7	1.3%	19.8	1.6%	-3.1	-16.5%	4.1	26.1%	10.8%
Manufacturing	93.7	8.4%	96.5	7.9%	96.8	7.7%	2.8	3.0%	0.3	0.3%	0.8%
Construction	116.1	10.4%	127.6	10.4%	125.4	10.0%	11.5	9.9%	-2.2	-1.7%	-5.8%
Transportation & Storage	38.7	3.5%	43.4	3.6%	46.8	3.7%	4.7	12.1%	3.4	7.8%	8.9%
Communication & Utilities	4.7	0.4%	6.8	0.6%	5.9	0.5%	2.1	44.7%	-0.9	-13.2%	-2.4%
Wholesale Trade	90.1	8.1%	98.4	8.1%	100.7	8.0%	8.3	9.2%	2.3	2.3%	6.1%
Retail Trade	191.2	17.1%	203.5	16.7%	202.1	16.0%	12.3	6.4%	-1.4	-0.7%	-3.7%
Finance & Insurance	29.7	2.7%	34.7	2.8%	30.1	2.4%	5.0	16.8%	-4.6	-13.3%	-12.1%
Real Estate	43.8	3.9%	46.7	3.8%	38.7	3.1%	2.9	6.6%	-8.0	-17.1%	-21.1%
Business Services	88.6	7.9%	96.2	7.9%	112.3	8.9%	7.6	8.6%	16.1	16.7%	42.4%
Community & Government Services	103.4	9.3%	122.5	10.0%	134.7	10.7%	19.1	18.5%	12.2	10.0%	32.1%
Accommodation, Food & Beverage Services	130.4	11.7%	149.4	12.2%	151.9	12.1%	19.0	14.6%	2.5	1.7%	6.6%
Other Services	114.2	10.2%	124.2	10.2%	134.2	10.7%	10.0	8.8%	10.0	8.1%	26.3%
Identified Total	1115.8	100.0%	1221.9	100.1%	1259.9	100.2%	106.1	9.5%	38.0	3.1%	100.0%
Unclassified	19.1		7.0	0.6	8.0		-12.1		1.0		
Total	1,134.9		1,228.9		1,267.9		94.0		39.0		

Source: *Employment Dynamics*

Table 2.6. Rest of Canada: Industry Distribution of Employment in Small Businesses of All Life Statuses, 1988-1996

Industry	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment,1988-1992		Net Change in Employment, 1992-1996		% of Total Change in Employment, 1992-1996
	000's ALUs	%	000's ALUs	%	000's ALUs	%	ALUs	%	ALUs	%	
Primary	78.5	3.2%	73.3	3.1%	58.1	2.4%	-5.2	-6.6%	-15.2	-26.2%	-13.1%
Mining	9.5	0.4%	8.3	0.4%	7.5	0.3%	-1.2	-12.6%	-0.8	-10.7%	-0.7%
Manufacturing	329.9	13.4%	295.1	12.6%	298.1	12.1%	-34.8	-10.5%	3.0	1.0%	2.6%
Construction	268.1	10.9%	198.5	8.4%	212.5	8.6%	-69.6	-26.0%	14.0	6.6%	12.1%
Transportation & Storage	73.9	3.0%	78.5	3.3%	82.2	3.3%	4.6	6.2%	3.7	4.5%	3.2%
Communication & Utilities	17	0.7%	18.0	0.8%	18.7	0.8%	1.0	5.9%	0.7	3.7%	0.6%
Wholesale Trade	214.1	8.7%	211.3	9.0%	223.9	9.1%	-2.8	-1.3%	12.6	5.6%	10.9%
Retail Trade	431.5	17.6%	423.7	18.0%	435.2	17.6%	-7.8	-1.8%	11.5	2.6%	9.9%
Finance & Insurance	72.8	3.0%	56.1	2.4%	60.7	2.5%	-16.7	-22.9%	4.6	7.6%	4.0%
Real Estate	89.1	3.6%	73.5	3.1%	76.7	3.1%	-15.6	-17.5%	3.2	4.2%	2.8%
Business Services	191.2	7.8%	183.8	7.8%	204.7	8.3%	-7.4	-3.9%	20.9	10.2%	18.0%
Community & Government Services	184.2	7.5%	228.0	9.7%	241.4	9.8%	43.8	23.8%	13.4	5.6%	11.6%
Accommodation, Food & Beverage Services	257.2	10.5%	258.9	11.0%	287.4	11.7%	1.7	0.7%	28.5	9.9%	24.6%
Other Services	238.0	9.7%	243.7	10.4%	259.5	10.5%	5.7	2.4%	15.8	6.1%	13.6%
Identified Total	2,455.0	100.0%	2,350.7	100.0%	2,466.6	100.0%	-104.3	-4.2%	115.9	4.7%	100.0%
Unclassified	20.3		6.7		31.9		-13.6		25.2		
Grand Total	2,475.3		2,357.4		2,498.5		-117.9		141.1		

Source: *Employment Dynamics*

The Alberta Experience

The Alberta experience for businesses of all life status is summarised in Table 2.7. The small business share of total employment increased from 33.2% in 1988 to 34.8% in 1996. During the 1988-92 period, there was an increase of 53,000 ALUs in the province of which small businesses generated 24,900, or 47.0%, and micro businesses generated 5,100 jobs or 9.6% of the total. In the second period the net increase in employee units was considerably lower at 30,500 with small business generating 22,100 ALUs, or 72.0% of the total. Micro business alone accounted for 10,000 jobs, or approximately one-third of the total ALUs created. The smaller net increase of ALUs in the second period was primarily a result of reduced job creation in larger businesses and in enterprises with from 5 to 19.9 ALUs.

Table 2.8 contains the distribution of small business employment across sectors together with change by sector. 25.0% of Alberta small business generated employment was in the goods producing sectors in 1988 compared with 24.1% in 1996. Cross-sector variability in employment generation is apparent in the sector contribution to net job creation in the 1992-96 period which ranged from a maximum of 35.7% in Business Services to a minimum of –12.2% in Retail Trade.

Table 2.7. Alberta: Employment Patterns for Small Businesses of All Life Statuses, 1988-1996

Firm Size (# of ALUs)	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996		Average Annual Compound Growth Rate (Fitted Linear Trendline)
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	
Total Small Businesses	374.3	33.2%	399.2	33.8%	421.3	34.8%	24.9	6.7%	22.1	5.5%	0.6%
< 5 ALUs	106.1	9.4%	111.2	9.4%	121.2	10.0%	5.1	4.8%	10.0	9.0%	1.4%
5-19.9 ALUs	158.5	14.1%	167.9	14.2%	169.8	14.0%	9.4	5.9%	1.9	1.1%	-0.3%
20-49.9 ALUs	109.7	9.7%	120.1	10.2%	130.3	10.8%	10.4	9.5%	10.2	8.5%	1.2%
Total Large Businesses	753	66.8%	781.2	66.2%	789.5	65.2%	28.2	3.7%	8.3	1.1%	0.5%
Total All Businesses	1127.3	100.0%	1180.3	100.0%	1210.8	100.0%	53.0	4.7%	30.5	2.6%	0.5%

Source: *Employment Dynamics*

Table 2.8. Alberta: Industry Distribution of Employment in Small Businesses of All Life Statuses, 1988-1996

Industry	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996		% of Total Change in Employment, 1992-1996	Average Annual Compound Growth Rate (Fitted Linear Trendline)
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%		
Primary	13.1	3.5%	13.3	3.4%	14.3	3.4%	0.2	1.5%	1.0	7.5%	4.6%	0.2%
Mining	12.9	3.5%	10.7	2.7%	13.4	3.2%	-2.2	-17.1%	2.7	25.2%	12.5%	-0.9%
Manufacturing	27.6	7.5%	27.3	6.9%	28.1	6.7%	-0.3	-1.1%	0.8	2.9%	3.7%	-0.4%
Construction	40.2	10.9%	43.9	11.1%	45.3	10.8%	3.7	9.2%	1.4	3.2%	6.5%	-0.1%
Transportation & Storage	12.8	3.5%	13.5	3.4%	16.8	4.0%	0.7	5.5%	3.3	24.4%	15.3%	3.2%
Communication & Utilities	1.3	0.4%	2.3	0.6%	2.2	0.5%	1.0	76.9%	-0.1	-4.3%	-0.5%	6.3%
Wholesale Trade	28.8	7.8%	31.7	8.0%	33.0	7.9%	2.9	10.1%	1.3	4.1%	6.0%	0.4%
Retail Trade	60.5	16.4%	67.1	16.9%	64.4	15.4%	6.6	10.9%	-2.7	-4.0%	-12.5%	0.3%
Finance & Insurance	9.3	2.5%	9.5	2.4%	8.6	2.1%	0.2	2.2%	-0.9	-9.5%	-4.2%	-2.9%
Real Estate	13.5	3.7%	15.5	3.9%	13.1	3.1%	2.0	14.8%	-2.4	-15.5%	-11.1%	-0.8%
Business Services	35.8	9.7%	35.8	9.0%	43.7	10.5%	0.0	0.0%	7.9	22.1%	36.6%	1.7%
Community & Government Services	36.5	9.9%	41.7	10.5%	42.9	10.3%	5.2	14.2%	1.2	2.9%	5.6%	1.0%
Accommodation, Food & Beverage Services	39.0	10.6%	42.5	10.7%	45.9	11.0%	3.5	9.0%	3.4	8.0%	15.7%	2.1%
Other Services	38.0	10.3%	41.6	10.5%	46.3	11.1%	3.6	9.5%	4.7	11.3%	21.8%	1.5%
Identified Total	369.3	100.0%	396.4	100.0%	418.0	100.0%	27.1	6.8%	21.6	5.2%	100.0%	
Unclassified	5.0		2.8		3.3		-2.2		0.5			
Total All Industries	374.3		399.2		421.3		24.9		22.1			0.6%

Source: *Employment Dynamics*

The British Columbia Experience

Table 2.9 contains the British Columbia data for businesses of all life status. The small business share of total businesses remained almost constant over this period, falling from 37.3% in 1988 to 37.1% in 1992 and rising again to 37.3% in 1996.

Table 2.9. British Columbia: Employment Patterns for Small Businesses of All Life Statuses, 1988-1996

Firm Size (# of ALUs)	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996		Average Annual Compound Growth Rate (Fitted Linear Trendline)
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	
Total Small Businesses	493.6	37.3%	564.5	37.1%	581.9	37.3%	70.9	14.4%	17.4	3.1%	1.2%
< 5 ALUs	131.3	9.9%	146.4	9.6%	158.6	10.2%	15.1	11.5%	12.2	8.3%	2.0%
5-19.9 ALUs	212.1	16.0%	242.2	15.9%	240.7	15.4%	30.1	14.2%	-1.5	-0.6%	0.4%
20-49.9 ALUs	150.2	11.4%	175.9	11.6%	182.6	11.7%	25.7	17.1%	6.7	3.8%	1.6%
Total Large Businesses	828.7	62.7%	955.3	62.9%	979.6	62.7%	126.6	15.3%	24.3	2.5%	1.7%
Total All Businesses	1322.4	100.0%	1519.8	100.0%	1561.5	100.0%	197.5	14.9%	41.7	2.7%	1.5%

Note: Figures do not always add up exactly due to rounding
Source: *Employment Dynamics*

During the 1988-92 period, the net job creation in British Columbia amounted to 197,400 jobs, an increase of 14.9%. Of this growth in net jobs, 35.9% took place in all small businesses, and 7.6% in micro businesses. Net job creation was much slower in the second period, falling to 41,700, or by 2.7%. Small businesses played a considerably larger role in the smaller job creation totals accounting for 41.7% of the net ALUs created. Micro business jobs, which increased by 12,200, dominated the growth in the small business category. Employment in the 5-19.9 size class actually fell during the 1992-96 period.

Table 2.10 reports job creation and small business employment shares by sector in British Columbia. In 1988, 24.8% of small business jobs were in the goods producing sector. This rose to 25.3% in 1992 but fell back to 24.5% in 1996. Looking at the 1992-96 period there were, as in the case of Alberta, great differences in the small business sector contribution to the growth in jobs with many sectors experiencing declines. This contrasts with the 1988-92 period of spectacular small business employment generation across all sectors save Mining. 55.7% of net 1992-1996 job creation was accounted for by Community Services (health and education). Business Services increased by 46.6%, a development similar to that in Alberta but British Columbia enjoyed a higher rate of growth.

Table 2.10. British Columbia: Industry Distribution of Employment in Small Businesses of All Life Statuses, 1988-1996

Industry	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996		% of Total Change in Employment, 1992-1996	Average Annual Compound Growth Rate (Fitted Linear Trendline)
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%		
Primary	23.4	4.9%	27.4	4.9%	30.0	5.2%	4.0	17.1%	2.6	9.5%	14.7%	0.7%
Mining	3.2	0.7%	2.4	0.4%	3.4	0.6%	-0.8	-25.0%	1.0	41.7%	5.6%	1.6%
Manufacturing	45.4	9.4%	49.9	8.9%	49.4	8.5%	4.5	9.9%	-0.5	-1.0%	-2.8%	0.6%
Construction	51.0	10.6%	63.5	11.3%	59.1	10.2%	12.5	24.5%	-4.4	-6.9%	-24.9%	0.7%
Transportation & Storage	17.7	3.7%	20.9	3.7%	20.3	3.5%	3.2	18.1%	-0.6	-2.9%	-3.4%	0.7%
Communication & Utilities	2.4	0.5%	3.0	0.5%	2.7	0.5%	0.6	25.0%	-0.3	-10.0%	-1.7%	2.8%
Wholesale Trade	38.5	8.0%	43.4	7.7%	44.6	7.7%	4.9	12.7%	1.2	2.8%	6.8%	0.8%
Retail Trade	82.4	17.1%	89.5	15.9%	91.6	15.8%	7.1	8.6%	2.1	2.3%	11.9%	1.1%
Finance & Insurance	11.7	2.4%	16.1	2.9%	13.1	2.3%	4.4	37.6%	-3.0	-18.6%	-16.9%	-0.2%
Real Estate	20.4	4.2%	22.0	3.9%	18.3	3.2%	1.6	7.8%	-3.7	-16.8%	-20.9%	-3.0%
Business Services	37.8	7.8%	45.2	8.0%	53.3	9.2%	7.4	19.6%	8.1	17.9%	45.8%	3.1%
Community & Government Services	39.8	8.3%	50.4	9.0%	60.1	10.4%	10.6	26.6%	9.7	19.2%	54.8%	4.8%
Accommodation, Food & Beverage Services	61.5	12.8%	74.3	13.2%	74.3	12.8%	12.8	20.8%	0.0	0.0%	0.0%	1.9%
Other Services	46.9	9.7%	53.7	9.6%	59.2	10.2%	6.8	14.5%	5.5	10.2%	31.1%	2.0%
Identified Total	482.1	100.0%	561.7	100.0%	579.4	100.0%	60.0	12.4%	17.7	3.2%	100.0%	
Unclassified	11.5		2.8		2.5		10.9		-0.3			
Total All Industries	493.6		564.5		581.9		70.9		17.4		100.0%	1.2%

Source: ***Employment Dynamics***

The Saskatchewan Experience

Table 2.11 presents results for small business employment patterns for Saskatchewan. The share of small businesses in total employment declined from 37.3% in 1988 to 36.2% in 1996 as a result of smaller relative shares for firms with less than 19.9 employees. Between 1988 and 1992, there was in Saskatchewan, as in Manitoba, a net loss of 3,600 jobs concentrated in the micro business and the 5-19.9 ALU groups. Jobs increased in the 20-49.9 group and in large businesses. In the second period, 1992-96, Saskatchewan (unlike Manitoba) recorded a net increase of 6,200 jobs, of which 1,400 or 22.6% occurred in small businesses. Micro business and the 5-19.9 class, however, recorded job decreases.

Table 2.11. Saskatchewan: Employment Patterns for Small Businesses of All Life Statuses, 1988-1996

Firm Size (# of ALUs)	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996		Average Annual Compound Growth Rate (Fitted Linear Trendline)
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	
Total Small Businesses	132.1	37.3%	127.9	36.5%	129.3	36.2%	-4.2	-3.2%	1.4	1.1%	-0.9%
< 5 ALUs	41.3	11.7%	38.7	11.0%	38.6	10.8%	-2.6	-6.3%	-0.1	-0.3%	-1.2%
5-19.9 ALUs	55.9	15.8%	53.2	15.2%	52.7	14.8%	-2.7	-4.8%	-0.5	-0.9%	-1.7%
20-49.9 ALUs	34.9	9.9%	36.0	10.3%	38.0	10.6%	1.1	3.2%	2.0	5.6%	0.7%
Total Large Businesses	222.3	62.7%	222.8	63.5%	227.6	63.8%	0.5	0.2%	4.8	2.2%	0.4%
Total All Businesses	354.3	100.0%	350.7	100.0%	356.9	100.0%	-3.6	-1.0%	6.2	1.8%	-0.1%

Source: *Employment Dynamics*

Table 2.12. Saskatchewan: Industry Distribution of Employment in Small Businesses of All Life Statuses, 1988-1996

Industry	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996		% of Total Change in Employment, 1992-1996	Average Annual Compound Growth Rate (Fitted Linear Trendline)
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%		
Primary	10.0	7.6%	9.6	7.5%	9.8	7.7%	-0.4	-4.0%	0.2	2.1%	66.7%	-1.1%
Mining	2.2	1.7%	2.1	1.6%	2.5	2.0%	-0.1	-4.5%	0.4	19.0%	133.3%	-0.8%
Manufacturing	7.3	5.6%	7.0	5.5%	7.4	5.8%	-0.3	-4.1%	0.4	5.7%	133.3%	-0.9%
Construction	12.6	9.6%	9.9	7.8%	10.0	7.8%	-2.7	-21.4%	0.1	1.0%	33.3%	-3.3%
Transportation & Storage	4.1	3.1%	4.5	3.5%	4.6	3.6%	0.4	9.8%	0.1	2.2%	33.3%	0.8%
Communication & Utilities	0.7	0.5%	0.8	0.6%	0.2	0.2%	0.1	14.3%	-0.6	-75.0%	-200.0%	-12.3%
Wholesale Trade	10.8	8.2%	10.6	8.3%	11.5	9.0%	-0.2	-1.9%	0.9	8.5%	300.0%	0.2%
Retail Trade	25.1	19.2%	23.1	18.1%	22.9	17.9%	-2.0	-8.0%	-0.2	-0.9%	-66.7%	-1.5%
Finance & Insurance	4.0	3.1%	4.0	3.1%	3.9	3.1%	0.0	0.0%	-0.1	-2.5%	-33.3%	-2.5%
Real Estate	4.2	3.2%	3.4	2.7%	3.2	2.5%	-0.8	-19.0%	-0.2	-5.9%	-66.7%	-3.4%
Business Services	7.3	5.6%	6.5	5.1%	6.7	5.2%	-0.8	-11.0%	0.2	3.1%	66.7%	-1.9%
Community & Government Services	14.1	10.8%	15.4	12.1%	15.7	12.3%	1.3	9.2%	0.3	1.9%	100.0%	0.7%
Accommodation, Food & Beverage Services	15.0	11.5%	16.3	12.8%	15.4	12.1%	1.3	8.7%	-0.9	-5.5%	-300.0%	0.5%
Other Services	13.6	10.4%	14.2	11.1%	13.9	10.9%	0.6	4.4%	-0.3	-2.1%	-100.0%	-0.3%
Identified Total	131.0	100.0%	127.4	100.0%	127.7	100.0%	-3.6	-2.7%	0.3	0.2%	100.0%	
Unclassified	1.1		0.5		1.6		-0.6					
Total	132.1		127.9		129.3		-4.2		1.4	1.1%		-0.9%

Source: *Employment Dynamics*

Table 2.12 illustrates sector by sector experience of small business employment in Saskatchewan. The goods producing sector accounted for 24.3% of jobs in 1988, 22.3% in 1992 and 22.9% in

1996. Between 1988 and 1992, there was a net loss of 4,200 ALUs shared throughout the goods sector and in the service sector which had a loss of 2,000 jobs in Retail Trade. The service sector also experienced a loss of 800 Business Service jobs. Service sector job growth occurred, however, in Hotel and Food services, and in Community/Government Services—gains of 1,300 units each. Over the 1992-96 period, all goods sectors gained employment, while the service sector yielded mixed results limiting net job gains in the service sector to 200.

The Manitoba Experience

Table 2.13 reveals the Manitoba data for businesses of all life status. Manitoba small business accounts for a somewhat lower share of total employment than in either Alberta or British Columbia. The shares were 30.2%, 31.0%, and 30.8% respectively in 1988, 1992 and 1996. This lower share represents primarily the smaller employment contribution of micro business in Manitoba. In the 1988-92 period, there was a net loss of 2,700 ALUs in Manitoba. Large business jobs declined by 5,000 while there was an increase of 2,400 small business ALUs. Noteworthy was the increase of 3,000 ALUs in the 5-19.9 small business class. In the 1992-96 period, a further net job loss of 3,700 occurred, distributed about evenly between small and large businesses. Within the small business groups, jobs in micro business increased by 200 and those in firms with from 20-49.9 ALUs rose by 2,200 but the 5-19.9 group declined by 4,300 ALUs.

Table 2.13. Manitoba: Employment Patterns for Small Businesses of All Life Statuses, 1988-1996

Firm Size (# of ALUs)	Employment Distribution, 1988		Employment Distribution, 1992		Employment Distribution, 1996		Net Change in Employment, 1988-1992		Net Change in Employment, 1992-1996		Average Annual Compound Growth Rate (Fitted Linear Trendline)
	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	000's ALUs	%	
Total Small Businesses	134.9	30.2%	137.3	31.0%	135.4	30.8%	2.4	1.8%	-1.9	-1.4%	-0.2%
< 5 ALUs	35.2	7.9%	34.2	7.7%	34.4	7.8%	-1.0	-2.8%	0.2	0.6%	-0.4%
5-19.9 ALUs	56.6	12.7%	59.9	13.5%	55.6	12.6%	3.3	5.8%	-4.3	-7.2%	-1.4%
20-49.9 ALUs	43.1	9.7%	43.2	9.7%	45.4	10.3%	0.1	0.2%	2.2	5.1%	1.4%
Total Large Businesses	311.5	69.8%	306.5	69.1%	304.7	69.2%	-5.0	-1.6%	-1.8	-0.6%	-0.4%
Total All Businesses	446.3	100.0%	443.6	100.0%	440.1	100.0%	-2.7	-0.6%	-3.5	-0.8%	-0.3%

Source: *Employment Dynamics*

Table 2.14. Manitoba: Industry Distribution of Employment in Small Businesses of All Life Statuses, 1988-1996

Industry	Employment Distribution, 1988 000's ALUs	Employment Distribution, 1988 %	Employment Distribution, 1992 000's ALUs	Employment Distribution, 1992 %	Employment Distribution, 1996 000's ALUs	Employment Distribution, 1996 %	Net Change in Employment, 1988-1992 ALUs	Net Change in Employment, 1988-1992 %	Net Change in Employment, 1992-1996 ALUs	Net Change in Employment, 1992-1996 %	% of Total Change in Employment, 1992-1996	Average Annual Compound Growth Rate (Fitted Linear Trendline)
Primary	5.9	5.0%	6.0	4.9%	6.4	5.3%	0.1	1.7%	0.4	6.7%	-23.5%	2.6%
Mining	0.5	0.4%	0.5	0.4%	0.5	0.4%	0.0	0.0%	0.0	0.0%	0.0%	0.0%
Manufacturing	13.4	11.4%	12.3	10.1%	11.9	9.9%	-1.1	-8.2%	-0.4	-3.3%	23.5%	-1.8%
Construction	12.3	10.5%	10.3	8.5%	11.0	9.2%	-2.0	-16.3%	0.7	6.8%	-41.2%	-2.8%
Transportation, Communication & Utilities	4.1	3.5%	4.5	3.7%	5.1	4.3%	0.4	9.8%	0.6	13.3%	-35.3%	1.9%
Wholesale Trade	0.3	0.3%	0.7	0.6%	0.8	0.7%	0.4	133.3%	0.1	14.3%	-5.9%	7.3%
Retail Trade	12.0	10.2%	12.7	10.4%	11.6	9.7%	0.7	5.8%	-1.1	-8.7%	64.7%	-0.9%
Finance & Insurance	23.2	19.7%	23.8	19.6%	23.2	19.3%	0.6	2.6%	-0.6	-2.5%	35.3%	0.8%
Real Estate	4.7	4.0%	5.1	4.2%	4.5	3.8%	0.4	8.5%	-0.6	-11.8%	35.3%	-2.0%
Business Services	5.7	4.8%	5.8	4.8%	4.1	3.4%	0.1	1.8%	-1.7	-29.3%	100.0%	-4.6%
Community & Government Services	7.7	6.5%	8.7	7.1%	8.6	7.2%	1.0	13.0%	-0.1	-1.1%	5.9%	0.5%
Accommodation, Food & Beverage Services	13.0	11.0%	15.0	12.3%	16.0	13.3%	2.0	15.4%	1.0	6.7%	-58.8%	2.4%
Other Services	14.9	12.7%	16.3	13.4%	16.3	13.6%	1.4	9.4%	0.0	0.0%	0.0%	0.2%
Identified Total	117.7	100.0%	121.7	100.0%	120.0	100.0%	4.0	3.4%	-1.7	-1.4%	100.0%	
Unclassified	17.2		15.6		15.4		-1.6		-0.2			
Total All Industries	134.9		137.3		135.4		2.4		-1.9			-0.5%

Source: *Employment Dynamics*

Table 2.14 contains small business employment shares and numbers by sector for all business life status in Manitoba. Employment shares in the goods producing sector was 23.8% in 1988, fell to 21.3% in 1992, and rose again to 22.0% in 1996. In the 1988-92 period, job losses in the goods producing sector of Mining, Manufacturing and Construction — amounting to 500 jobs — and in other services were more than offset by small business job gains elsewhere in the service sector, particularly in Community/Government Services, Accommodation/Food/Beverage Services, and in Business Services. Net job gains in the 1992-96 period occurred in the goods producing sector, with net job loss concentrated in services where the combined loss in Wholesale Trade and Real Estate amounted to 2,700 ALUs. Notably there was also a small job loss in Business Services, an experience in marked contrast to Alberta and British Columbia job generation but similar to Saskatchewan.

Inter-Provincial Comparison

Table 2.15 provides a comparison of job growth across the provinces by small business size class and for large businesses. The table shows the contrasting provincial experience as well as the differences in small and larger business contributions to changes in employment during the two periods. Small business accounted for a measurably larger share of employment growth in both periods in Alberta compared with British Columbia. During 1988 to 1992 small business accounted for 47.0% and 25.9% respectively in Alberta and British Columbia compared with 72.4% and 41.7% in the 1992-1996 period. Notably, the small business contribution to job growth in both provinces was more significant in the second period. Manitoba and Saskatchewan also present a contrast in the changing role of small business. During 1988-1992 small business in Manitoba displayed gains while Saskatchewan had an opposite experience. In the 1992-1996 period small business displayed job gains in Saskatchewan but losses in Manitoba. Micro businesses showed gains in all provinces in the 1992-1996 period, but lost ground in 1988-1992 in Manitoba and Saskatchewan.

Table 2.15. Provincial Comparisons of the Net Change in Employment Generated by Small and Large Businesses of All Life Statuses, 1988-1996, ALUs

Size of Business	Net Change in Employment, number of ALUs			
	AB	**BC**	**MB**	**SK**
1988-1992				
Total Small Business	24,900	70,900	2,400	-4,200
< 5 ALUs	5,100	15,100	-1,000	-2,600
5-19.9 ALUs	9,400	30,100	3,300	-2,700
20-49.9 ALUs	10,400	25,700	100	1,100
Total Large Businesses	28,200	126,600	-5,000	500
Total All Businesses	53,000	197,400	-2,700	-3,600
Small Business Share, %	47.0%	25.9%	-88.9%	116.7%
1992-1996				
Total Small Business	22,100	17,400	-600	1,000
< 5 ALUs	10,000	12,200	200	600
5-19.9ALUs	1,900	-1,500	-900	200
20-49.9 ALUs	10,200	6,700	100	200
Total Large Businesses	8,300	24,300	1,300	3,400
Total All Businesses	30,500	41,700	900	4,500
Small Business Share, %	72.4%	41.7%	-66.7%	22.20%

*Totals may not add due to rounding ; Source: *Employment Dynamics*.

More generally, during 1988-1996, provincial small business job growth experience differs markedly in several ways. First, the positive growth over the 1988-96 period in Alberta and British Columbia contrasts with a relatively stagnant performance in Manitoba and Saskatchewan. Second, there are differences between the two periods. Small business job growth in both Alberta and British Columbia was considerably less in the 1992-96 period than in 1988-92. In Manitoba, though small business job growth was modest in 1988-92, there was an actual decline in the 1992-1996 period. On the other hand, in Saskatchewan, negative job growth in the first period was followed by positive growth in the second.

Small Business Employment During the 1996-1999 Period

Number of Jobs

During the 1996-1999 period, there were about 4.24 million jobs on average in Western Canada in the commercial and public sectors. This constituted 31.3% of the total employment in Canada. British Columbia had the highest number of jobs in the region, contributing 42.6% or 1.805 million jobs to Western Canada's total employment. Alberta provided 1.46 million jobs on average, or 34.4% of the regional employment. Saskatchewan and Manitoba had average levels of 454,600 and 523,900 jobs, corresponding to 10.7% and 12.3% of the total Western Canadian employment respectively.

During the 1996-1999 period, half (50.3%) of all jobs in Western Canada were in the small business sector, while the remaining 49.7% were provided by large businesses and the public sector. Western Canada's small business employment constitutes on average about one third (34.3%) of the Canadian total (Table 2.16). Small business employment in Western Canada during the 1996-1999 period included, on average, 875,000 self-employed and 1,256,000 people who worked for small businesses with less than 50 employees. Western Canada's 50.3% of total employment in small business compared with 43.4% in other parts of the country.

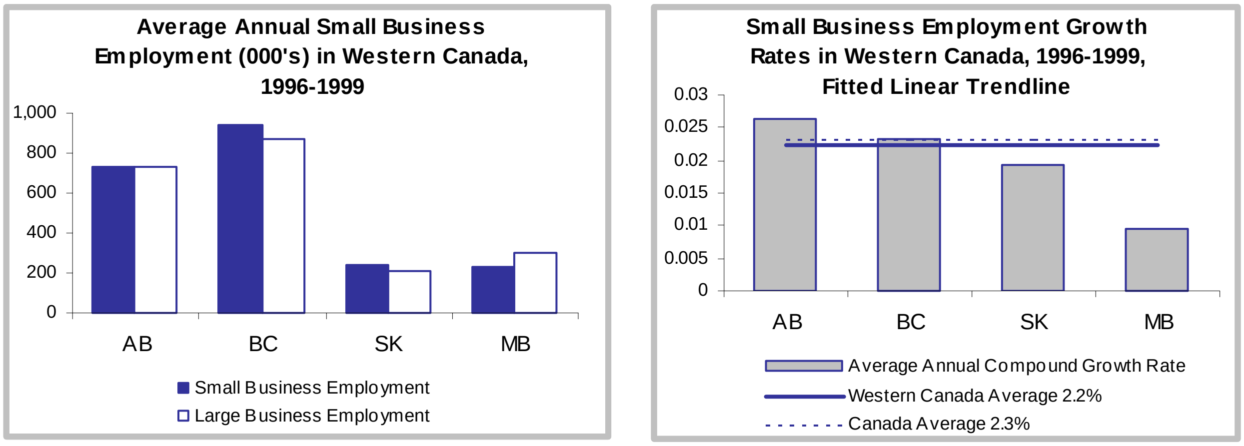
Table 2.16. Employment in Canada (000's), 1996-1999

	Average Annual Employment (000's)								
Categories of businesses	AB	BC	SK	MB	Western Canada	Rest of Canada	Canada	Western Canada as % of Canada	Distribution of Employment in Western Canada
Total Small Business Employment	**725.3**	**935.1**	**243.2**	**227.3**	**2,130.90**	**4,082.5**	**6,213.40**	**34.3%**	**50.3%**
Self-employed	298.4	366	118.4	92.2	874.9	1,477.4	2,352.80	37.2%	20.6%
Employed by small businesses	426.9	569.1	124.8	135.2	1,256.00	2,602.6	3,860.60	32.5%	29.6%
Large Business and Public Sector Employment	731.7	869.8	211.4	296.6	2,109.50	5,330.7	7,440.20	28.4%	49.7%
Total Employment	**1,457.00**	**1,805.00**	**454.6**	**523.9**	**4,240.40**	**9,413.2**	**13,653.60**	**31.1%**	**100.0%**

Source: ***Survey of Employment, Payrolls and Hours*** **(special run), and** ***Labour Force Survey***

British Columbia led the number of small business jobs with average annual employment of 935,100 (51.8% of the total) exceeding the aggregate employment in large firms and the public sector. The same trend is evident in Saskatchewan, where 243,200 of jobs (53.5%) are provided by small businesses, a factor strongly influenced by the farm sector. Alberta and Manitoba have a bit lower share but small business still provides 725,300 and 227,300 jobs or 49.8% and 43.4% of total employment, respectively (Figure 2.2).

Figure 2.2. Average Annual Employment in Western Canada, 1996-1999



Source: ***Survey of Employment, Payrolls and Hours*** **(special run), and** ***Labour Force Survey***

Job Growth

In Western Canada, on average, about 46,648 new jobs were created in small business each year. This is a 2.2% average annual compound increase, and is similar to the national trend of 2.3%. During 1996-1999, this added up to approximately 140,000 new small business jobs in Western Canada or 32% of the national increase. In all provinces, the self-employed had significantly higher rates of employment growth than did small businesses with less than 50 employees, and were responsible for 36,700 new jobs annually, or almost 80% of all small business job gain. Alberta and British Columbia consistently exceeded the Canadian average in small business growth (Figure 2.2).

Inter-provincial comparison indicates that, though British Columbia was the leader in generating small business jobs, Alberta had higher rates of small business employment growth in both the self-employed and in firms with less than 50 employees (Table 2.17). The Alberta growth rate of 2.6% translated to 19,165 new small business jobs each year. British Columbia's small business employment growth during 1996-1999 occurred primarily in the self-employed, which rose by 23,767, an annual rate of 6.7%, offsetting the decrease in the formation of new jobs in small businesses with less than 50 employees of -0.5%. On average during 1996-1999, Manitoba and Saskatchewan had the small business employment growth of 1.0% (2,621 new jobs) and 1.9% (4,125 new jobs), respectively.

Table 2.17. Employment Growth in Western Canada Compared with the Rest of Canada, 1996-1999

Categories of businesses	Average Annual Employment Increase							Average Annual Compound Growth Rate (Fitted Linear Trendline)					
	AB	BC	SK	MB	Western Canada	Rest of Canada	Canada	AB	BC	SK	MB	Western Canada	Rest of Canada
Total Small Business Employment	**19,165**	**20,737**	**4,125**	**2,621**	**46,648**	**99,006**	**145,654**	**2.6%**	**2.3%**	**1.9%**	**1.0%**	**2.20**	**2.3%**
Self-employed	7,500	23,767	2,267	3,167	36,700	61,133	36,700	2.3%	6.7%	2.2%	3.0%	4.20	4.1%
Employed by small businesses	11,665	-3,030	1,859	-546	9,948	37,873	9,948	2.8%	-0.5%	1.6%	-0.4%	0.9%	1.5%
Large Business and Public Sector Employment	**34,963**	**20,602**	**9,906**	**14,363**	**79,834**	**152,846**	**232,680**	**4.8%**	**2.3%**	**4.8%**	**4.8%**	**3.7%**	**2.9%**
Total Employment	**54,128**	**41,339**	**14,031**	**16,984**	**126,482**	**249,852**	**378,334**	**3.7%**	**2.3%**	**3.2%**	**3.1%**	**3.0%**	**2.7%**

Source: ***Survey of Employment, Payrolls and Hours*** **(special run), and** ***Labour Force Survey***

As Table 2.17 illustrates, during the most recent four year period, job creation in small businesses was considerably less than the numbers created in large businesses and the public sector. In Western Canada as a whole there were on average 1.7 jobs created in business with over 50 employees and in the public sector for every one job created in small business. At the provincial level three of the four provinces displayed this pattern. The exception was British Columbia where small business job creation was approximately equal to that in larger businesses and in the public sector.

The table also reveals that the rate of growth in small business employment was below that in the rest of the country. More rapid growth rates in self-employment failed to offset slower growth in small business employees. Large sector and total employment growth rates exceeded those in the rest of the country.

Sector Small Business Job Growth by Industry Sector, 1996-1999

How was small business job growth distributed on a sector basis during this period? Tables 2.18 through 2.24 combine special runs of *SEPH* and the *LFS* to provide this information for Canada, Western Canada, the rest of Canada and the four western provinces. In these tables, the first column shows job creation in the numbers of small business employees followed in the second column by the numbers of unincorporated self-employed *without paid help* covering the 1996-1999 years. The numbers in these two columns are rounded to the nearest thousand.

Table 2.18. Canada Estimates: Small Business Employment in Major Industry Sectors, 1996-1999[3]

Major Industry Sectors	Employment in Small Businesses (000's)				Self-employment (000's)				Small Business Job Creation, # of Employees, 1996-1999 (000's)		
	1996	1997	1998	1999	1996	1997	1998	1999	Employed in Small Businesses	Self-employed	Total Small Business Employment
Agriculture	-	-	-	-	286.7	295.2	293.3	295.1	-	8.4	-
Logging and Forestry	33.4	35.1	34.7	33.5	13.5	15.4	15.5	15.9	0.1	2.4	2.6
Mining, Quarrying and Oil Wells	25.7	26.8	28.8	27.4	7.1	10.8	8.9	10.0	1.6	2.9	4.5
Manufacturing	424.9	429.4	446.7	452.4	102.2	100.9	105.9	105.6	27.5	3.4	30.9
Construction	342.7	355.9	370.4	382.7	248.5	264.2	266.9	271.1	40.0	22.6	62.5
Transportation, Storage, Communication & Other Utilities	166.8	168.7	174.4	176.8	93.1	121.5	127.5	132.9	10.0	39.8	49.8
Trade	1,022.6	1,009.9	1,002.3	1,000.8	400.6	417.4	407.5	414.9	-21.8	14.3	-7.5
Finance, Insurance and Real Estate	208.5	214.7	214.1	213.8	113.2	122.2	114.7	118.3	5.3	5.1	10.4
Public Administration	36.4	53.2	49.2	48.0	0.0	0.0	0.0	0.0	11.6	0.0	11.6
Community, Business & Personal Services	1,514.2	1,554.2	1,580.1	1,580.6	865.4	967.3	1,043.2	1,055.7	66.5	190.3	256.7

Source: Special runs of *Survey of Employment*, *Payrolls and Hours,* and *Labour Force Survey*. Note: * suppressed, - N/A

Table 2.19. Western Canada Estimates Small Business Employment in Major Industry Sectors, 1996-1999

Major Industry Sectors	Employment in Small Businesses (000's)				Self-employment (000's)				Small Business Job Creation, # of Employees, 1996-1999 (000's)		
	1996	1997	1998	1999	1996	1997	1998	1999	Employed in Small Businesses	Self-employed	Total Small Business Employment
Agriculture	-	-	-	-	170.5	177	178.1	179.0	-	8.5	-
Logging and Forestry	17.2	17.1	17.1	16.3	4.1	5.3	6.0	5.8	-0.8	1.7	0.9
Mining, Quarrying and Oil Wells	18.5	20.7	21.7	20.7	5.2	9.8	7.9	8.1	2.2	2.9	5.1
Manufacturing	104.2	106.2	107.5	107.1	15.0	14.0	15.2	14.6	3.0	-0.4	2.6
Construction	122.9	129.7	133.8	130.8	92.7	97.0	96.1	96.9	7.9	4.2	12.1
Transportation, Storage, Communication & Other Utilities	57.3	58.0	58.3	57.0	34.7	46.3	42.1	45.0	-0.3	10.3	10.0
Trade	312.2	307.2	312.8	310.3	113.1	121.6	124.4	125.3	-1.9	12.2	10.3
Finance, Insurance and Real Estate	64.0	68.0	66.1	64.2	38.7	43.4	42.5	43.5	0.2	4.8	5.0
Public Administration	12.4	*	17.2	17.1	0.0	0.0	0.0	0.0	4.7	0.0	4.7
Community, Business & Personal Services	520.7	533.5	542.0	536.3	279.3	316.5	351.4	352.0	15.7	72.7	88.3

[3] 1999 data for self-employed were forecasted. As a result of this projection, aggregate numbers for small business job creation are considered estimates only, referred to Tables 2.3 - 2.9

Source: Special runs of *Survey of Employment, Payrolls and Hours,* and *Labour Force Survey*. Note: * suppressed, - N/A

Table 2.18 reports the national experience. Paid employment growth was strongest in the Community, Business and Personal Services sector, but also strong in the Construction and Manufacturing sectors. Among the self-employed, by far the largest growth occurred in the Community, Business and Personal Services sector. Growth in Transport, Storage and Communications related activities was also strong. The conclusion is that growth in the self-employed was more heavily concentrated in the service sector.

Table 2.19 summarises the experience in Western Canada. Here job growth in the unincorporated self-employed *without paid help* was four times greater than the growth in small business employees. By far the largest share of the growth occurred in the service sector led by Community, Business and Personal Services. Other significant growth was recorded in Transport, Storage and Communications and in Trade. A major contrast with the national experience was the small job growth in Manufacturing.

Table 2.19 shows what occurred in small business in the rest of Canada. Comparing Tables 2.19 and 2.20 reveals the strong goods sector relative growth in Manufacturing and Construction elsewhere in Canada compared with the west. On the other hand, the service sector provided relatively strong job growth in the west.

Table 2.20. Rest of Canada Estimates: Small Business Employment in Major Industry Sectors, 1996-1999

	Employment in Small Businesses (000's)				Self-employment (000's)				Small Business Job Creation, # of Employees, 1996-1999 (000's)		
Major Industry Sectors	**1996**	**1997**	**1998**	**1999**	**1996**	**1997**	**1998**	**1999 projected**	**Employed in Small Businesses**	**Self-employed**	**Total Small Business Employment**
Agriculture	-	-	-	-	116.2	118.2	115.2	116.1	-	-0.1	-
Logging and Forestry	16.2	18.0	17.6	17.2	9.4	10.1	9.5	10.1	0.9	0.7	1.6
Mining, Quarrying and Oil Wells	7.2	6.1	7.1	6.7	1.9	1.0	1.0	1.9	-0.6	0.0	-0.6
Manufacturing	320.7	323.2	339.2	345.3	87.2	86.9	90.7	91.0	24.5	3.8	28.3
Construction	219.8	226.2	236.6	251.9	155.8	167.2	170.8	174.2	32.1	18.4	50.4
Transportation, Storage, Communication & Other Utilities	109.5	110.7	116.1	119.8	58.4	75.2	85.4	87.9	10.3	29.5	39.8
Trade	710.4	702.7	689.5	690.5	287.5	295.8	283.1	289.6	-19.9	2.1	-17.8
Finance, Insurance and Real Estate	144.5	146.7	148.0	149.6	74.5	78.8	72.2	74.8	5.1	0.3	5.4
Public Administration	24.0	*	32.0	30.9	0.0	0.0	0.0	0.0	6.9	0.0	6.9
Community, Business & Personal Services	993.5	1020.7	1038.1	1044.3	586.1	650.8	691.8	703.7	50.8	117.6	168.4

Source: Special runs of *Survey of Employment, Payrolls and Hours,* and *Labour Force Survey*. Note: * suppressed, - N/A

The Alberta Experience

Table 2.21 reports Alberta's small business job creation record. Job growth was led by the Community/Business/Personal Services sectors followed by Construction, the Transportation/ Communications, and the Trade sectors. Noteworthy also was the growth in small business Manufacturing employment.

Table 2.21. Alberta Estimates: Small Business Employment in Major Industry Sectors, 1996-1999

Major Industry Sectors	Employment in Small Businesses (000's)				Self-employment (000's)				Small Business Job Creation, # of Employees, 1996-1999 (000's)		
	1996	1997	1998	1999	1996	1997	1998	1999	Employed in Small Businesses	Self-employed	Total Small Business Employment
Agriculture	-	-	-	-	73.2	70.4	72	71.3	-	-1.9	-
Logging and Forestry	1.6	1.9	2.2	2.0	*	*	*	*	0.4	*	0.4
Mining, Quarrying and Oil Wells	13.1	14.1	15.6	15.4	4.4	7.2	5.4	6.2	2.3	1.8	4.1
Manufacturing	30.7	31.3	34.2	35.1	3.5	3.3	2.0	2.1	4.4	-1.4	3.0
Construction	44.2	49.2	52.9	53.7	29.3	29.1	33.0	32.3	9.6	3.0	12.5
Transportation, Storage, Communication & Other Utilities	19.5	20.3	19.9	21.0	13.5	18.7	17.6	18.8	1.5	5.3	6.8
Trade	100.9	101.9	105.7	104.4	32.3	35.0	33.4	34.1	3.4	1.8	5.3
FIRE	19.3	20.7	20.0	20.0	11.6	11.7	10.1	10.4	0.8	-1.2	-0.5
Public Administration	3.1	4.7	4.1	3.7	0.0	0.0	0.0	0.0	0.6	0.0	641
Community, Business & Personal Services	171.4	181.2	185.6	183.3	93.2	110.8	114.7	117.3	11.9	24.1	36.0

Source: Special runs of *Survey of Employment*, *Payrolls and Hours,* and *Labour Force Survey*. Note: * suppressed, - N/A

The British Columbia Experience

Table 2.22 contains the data for British Columbia where recorded job growth occurred overwhelmingly in the Community/Business/Personal service sectors. Next in importance were the Trade, Finance/Insurance/Real Estate, and the Transportation/Communication groups. Small business employment in Construction, however, declined by approximately 5,900.

Table 2.22. British Columbia Estimates: Small Business Employment in Major Industry Sectors, 1996-1999

Major Industry Sectors	Employment in Small Businesses (000's)				Self-employment (000's)				Small Business Job Creation, # of Employees, 1996-1999 (000's)		
	1996	1997	1998	1999	1996	1997	1998	1999 projected	Employed in Small Businesses	Self-employed	Total Small Business Employment
Agriculture	-	-	-	-	13.7	16.7	14	15.0	-	1.3	-
Logging and Forestry	14.7	14.2	13.9	13.3	3.6	5.3	5.5	5.8	-1.4	2.2	0.8
Mining, Quarrying and Oil Wells	2.9	3.2	3.0	2.6	*	1.8	1.7	1.1	-0.3	*	*
Manufacturing	52.8	53.7	52.4	51.4	10.0	8.9	11.5	10.8	-1.3	0.8	-0.5)
Construction	58.1	58.1	56.8	53.2	48.8	51.7	46.5	47.8	-4.9	-1.0	-5.9
Transportation, Storage, Communication & Other Utilities	25.1	25.2	26.2	23.9	13.1	18.4	16.6	17.9	-1.2	4.8	3.6
Trade	140.2	135.2	136.9	136.6	57.0	61.8	67.9	67.7	-3.6	10.7	7.128
Fin ance, Insurance and Real Estate	28.8	30.0	29.5	27.5	20.9	25.2	26.3	26.9	-1.2	6.0	4.8
Public Administration	3.4	4.8	4.8	4.9	0.0	0.0	0.0	0.0	1.5	0.0	1.5
Community, Business & Personal Services	243.5	248.5	250.5	246.8	135.7	153.2	181.9	179.9	3.3	44.2	47.6

Source: Special runs of *Survey of Employment*, *Payrolls and Hours,* and *Labour Force Survey*. Note: * suppressed, - N/A

The Saskatchewan Experience

Table 2.23 records the Saskatchewan experience. Here the highest job growth occurred in Construction, followed by Community/Business/Personal Services, Public Administration, and Finance/Insurance/Real Estate. Manufacturing employment also recorded a measurable increase.

Table 2.23. Saskatchewan Estimates: Small Business Employment in Major Industry Sectors, 1996-1999

Major Industry Sectors	Employment in Small Businesses (000's)				Self-employment (000's)				Small Business Job Creation, # of Employees, 1996-1999 (000's)		
	1996	1997	1998	1999	1996	1997	1998	1999 projected	Employed in Small Businesses	Self-employed	Total Small Business Employment
Agriculture	-	-	-	-	55.9	58.6	61.8	61.7	-	-	-
Logging and Forestry	0.6	*	*	0.6	0.5	*	*	*	0.0	*	*
Mining, Quarrying and Oil Wells	2.6	2.8	*	2.1	0.8	0.8	0.8	0.8	-0.5	-	-0.5
Manufacturing	7.9	8.1	8.8	8.4	-	0.5	0.5	0.5	0.5	0.5	1.0
Construction	10.0	11.1	12.1	11.8	6.7	8.2	7.3	7.7	1.8	1.0	2.8
Transportation, Storage, Communication & Other Utilities	5.8	5.8	6.0	6.1	3.8	4.5	3.5	3.8	0.3	0.0	0.3
Trade	34.2	34.4	34.5	34.2	12.1	12.0	12.8	12.6	0.0	0.5	0.5
Finance, Insurance and Real Estate	7.1	8.0	7.9	8.2	2.8	3.0	3.0	3.0	1.0	0.2	1.3
Public Administration	3.6	*	5.0	5.2	0.0	0.0	0.0	0.0	1.7	10.0-	1.7
Community, Business & Personal Services	49.3	48.4	50.0	50.0	25.6	25.0	27.5	27.0	0.8	1.4	2.1

Source: Special runs of *Survey of Employment, Payrolls and Hours* and *Labour Force Survey*. Note: * suppressed, - N/A

The Manitoba Experience

Table 2.24 reports the Manitoba experience. Highest levels of small business job creation were recorded in Community/Business/Personal service sectors and in Construction. However, negative job growth appeared in Manufacturing, Trade, Finance/Insurance/Real Estate and the Transport/Communications groups.

Table 2.24. Manitoba Estimates: Small Business Employment in Major Industry Sectors, 1996-1999

Major Industry Sectors	Employment in Small Businesses (000's)				Self-employment (000's)				Small Business Job Creation, # of Employees, 1996-1999 (000's)		
	1996	1997	1998	1999	1996	1997	1998	1999 projected	Employed in Small Businesses	Self-employed	Total Small Business Employment
Agriculture	-	-	-	-	27.7	31.3	30.3	31.1	-	3.4	-
Logging and Forestry	*	*	*	0.4	*	*	0.5	*	*	*	*
Mining, Quarrying and Oil Wells	*	*	*	0.6	*	*	*	*	*	*	*
Manufacturing	12.9	13.0	12.2	12.2	1.5	1.3	1.2	1.2	-0.7	-0.3	-1.0
Construction	10.6	11.3	11.9	12.1	7.9	8.0	9.3	9.1	1.4	1.2	2.6
Transportation, Storage, Communication & Other Utilities	7.0	6.7	6.2	6.1	4.3	4.7	4.4	4.5	-0.9	0.2	-0.7
Trade	36.8	35.8	35.7	35.0	11.7	12.8	10.3	10.9	-1.8	-0.8	-2.6
Finance, Insurance and Real Estate	8.8	9.4	8.8	8.5	3.4	3.5	3.1	3.2	-0.3	-0.2	-0.6
Public Administration	2.3	3.2	3.3	3.2	0.0	0.0	0.0	0.0	0.9	0.0	0.9
Community, Business & Personal Services	56.5	55.4	55.9	56.2	24.8	27.5	27.3	27.8	-0.4	3.0	2.7

Source: Special runs of *Survey of Employment*, *Payrolls and Hours,* and *Labour Force Survey*. Note: * suppressed, - N/A

Comparative Job Creation

Table 2.25 is a summary of estimated small business job creation in the four provinces, the west, the rest of Canada, and nationally. Western Canadian growth is shown as a share of the national in the right hand column. For the Community, Business and Personal Services sector, the west's share of 34.4% indicates that jobs in this sector grew at about the same rate as the national rate. In two primary sectors — Agriculture and Mining — the job growth was almost exclusively in Western Canada. In one primary sector — Mining, Quarrying and Oil Wells — and in the service sectors of Finance/Insurance/Real Estate and Public Administration, job creation in the west accounted for two-fifths to one-half of national job creation. In the Transport and Communication sector and in the goods producing sectors of Construction and Manufacturing, western job growth lagged that in the rest of the country. Trade is a unique case with positive job growth in the west more than offset by job loss elsewhere.

Provincially in the west, there is substantial heterogeneity with a number of sectors experiencing a mix of job gain with job loss. For example, though the west as a whole showed a small growth in manufacturing jobs, job creation in Alberta and Saskatchewan contrasted with job loss in

Manitoba and British Columbia. Also, the relationship between growth in the goods sector and in the service sector differed between provinces. British Columbia growth was entirely in the service sector, while Alberta, and to a less uniform extent, Saskatchewan and Manitoba, also recorded job creation in the goods sector.

Table 2.25. Estimates of Small Business Job Creation by Major Industry Sectors in Provinces, Western Canada, Rest of Canada, and Canada, 1996-1999

Major Industry Groups	Small Business Job Creation, 1996-1999, Number of Employees (ooo's)							Share of Western Canada, %
	AB	BC	SK	MB	Western Canada	Rest of Canada	Canada	
Agriculture	-1.9	1.3	3.8	3.8	7.0	1.4	8.4	83.3%
Logging and Forestry	0.4	0.8	-1.0	0.0	1.1	1.5	2.6	44.2%
Mining, Quarrying and Oil Wells	4.1	0.8	-0.5	0.0	4.4	0.1	4.5	42.5%
Manufacturing	3.0	-0.5	1.0	-1.0	2.6	28.3	30.9	8.4%
Construction	12.5	-5.9	2.8	2.6	12.1	50.4	62.5	19.4%
Transportation, Storage, Communication & Other Utilities	6.8	3.6	0.3	-0.7	10.0	39.8	49.8	20.1%
Trade	5.3	7.1	0.5	-2.6	10.3	-17.8	-7.5	137.3%
Finance, Insurance and Real Estate	-0.5	4.8	1.3	-0.6	5.0	5.4	10.4	48.3%
Public Administration	0.6	1.5	1.7	0.9	4.7	6.9	11.6	40.2%
Community, Business & Personal Services	36.0	47.6	2.1	2.7	88.3	168.4	256.7	34.4%

Source: Special runs of *Survey of Employment*, *Payrolls and Hours* and *Labour Force Survey*. Note: * suppressed, - N/A

Conclusions

This chapter has reviewed small business employment over the 1988-1992, 1992-1996, and 1996-1999 periods. These periods gave rise to considerable differences in western experience. In the first period, 1988-1992, job growth in small business substantially exceed that in other parts of the country where there was actually a decline of 4.8% associated with the impacts of the 1990-1991 cyclical decline. In the 1992-1996 years, in contrast, growth in small business jobs in other parts of the country grew more rapidly – nearly twice as fast reflecting the cyclical recovery – than in Western Canada. In the 1996-1999 period, the rate of small business job growth was at 2.2% just slightly less than in other parts of Canada.

The consideration of small business concentration by sectors of the economy reveals the contribution of the Business Services sector to the job growth recorded during the 1992-1996 years. A very large share of the growth, more than two in every five new jobs, was recorded in this sector. That is nearly three times the contribution of this sector to job growth in other parts of Canada during 1996-1999. The record also shows that small business job growth in the service sector as a whole outstripped that in the goods sector in all western provinces, this despite the fact that there is substantial provincial variation in the ratio of goods to service sector jobs. British Columbia and Alberta dominated small business job growth throughout the period with rates substantially in excess of those in Manitoba and Saskatchewan.

Finally, it is impossible to minimize the importance of small business to the west. This reality is clearly evident in the fact that during the nineteen nineties one-half (50.3%) of the jobs in the west were found in small business, measurable greater than elsewhere in the country (43.4%).

3. Characteristics of the Self-Employed During the 1988-1999 Period

Because such a large share of small business entities is made up of the self-employed, it is important to provide a more detailed profile by considering their characteristics in terms of gender, age, education and the industry sector in which they are engaged·

Counting the Self-Employed

The major source of systematic information about the self-employed comes from the Labour Force Survey, the data source for the analysis which follows. As previously pointed out the LFS is a household sample survey which separates, by gender, the self-employed into four categories: working owners of incorporated businesses with and without paid help, and working owners of unincorporated businesses with and without paid help. Unpaid family workers (persons who work without pay on a farm or non-farm business owned and operated by another family member living in the same dwelling) are regarded as employees of self-employed entities. This adds up to a very broad definition of the self-employed. In some countries, the self-employed count consists of the unincorporated with employees, with other classes identified in the LFS regarded as owner/manager employees of the business.

In this chapter, for purposes of description and analysis all four categories of the self-employed are grouped together. The data used are monthly snapshots of the self-employed from the LFS and, when grouped, these provide an upper bound measure. The LFS count is the result of net changes in the self-employed. i.e. the difference between entries into and exits from self-employment added to the number of self-employed in the previous observation period. By aggregating across all categories of the self-employed we will not be concerned with intra-category changes but only with net changes in the group as a whole.

The *LFS* definition of 'self-employment' raises interesting questions relating to entrepreneurship and management. It might be mistakenly taken to imply that, in self-employment, entrepreneurial and managerial skills are common across the four classes of the self-employed. In fact, they are likely to range from less to more sophisticated. The unincorporated self-employed without paid help is the simplest kind of entrepreneurship with its relative ease of entry and exit. Staying in business requires an effective relationship with customers and the ability to manage one's time. The incorporated self-employed with paid help have the same requirements though they do go through the process of incorporation. But in neither of these two cases is there a managerial interface with employees which for the other categories increases significantly the breadth and depth of managerial activities and may call for a more comprehensive set of managerial skills.

Number and Growth of the Self-Employed

The last row of Table 3.1 reveals that, on average over the 1988-1999 period, the self-employed numbered 732,400 in Western Canada. This was 36.6% of the self-employed in Canada, a share larger than Western Canada's proportion of the national labour force. The data also indicate that about two-thirds of the businesses were unincorporated. Those unincorporated without paid help were the largest group accounting for 53.7% of self-employment in the west, a figure slightly higher than the national average of 50.8%. Provincially in the west, this proportion was driven by farm ownership patterns and, therefore, was highest in Saskatchewan (64.0%) and Manitoba (60.3%), and lowest in British Columbia (49.0%) where the farm sector is much less significant.

Table 3.1. Average Annual Number of Self-Employed Businesses (000's), 1988-1999

Categories of self-employed	**AB**	**BC**	**SK**	**MB**	**Western Canada**	**Rest of Canada**	**Canada**	**Category Share of Western Canada in Canada Total**
Self-employed incorporated, *with paid help*	62.0	79.5	15.4	15.5	172.4	325.3	497.7	34.6%
Self-employed incorporated, *without paid help*	26.8	28.0	4.6	4.0	63.4	107.6	171.0	37.1%
Self-employed unincorporated, *with paid help*	28.3	42.2	19.0	14.0	103.5	213.0	316.8	32.7%
Self-employed unincorporated, *without paid help*	129.2	143.7	69.4	50.9	393.1	623.3	1016.4	38.7%
Total self-employed businesses	**246.3**	**293.4**	**108.4**	**84.4**	**732.4**	**1269.5**	**2001.9**	**36.6%**

Source: ***Labour Force Survey***

The growth rates of the incorporated and unincorporated self-employed and those *with* and *without paid help* are found in Table 3.2 for the four western provinces, Western Canada, the rest of Canada, and nationally. Regionally, the table reveals that growth rates in the west have been higher than in the rest of the country and, for the self-employed as a whole, annual growth in the west was higher at 3.8% compared with a rate of 3.1% elsewhere.

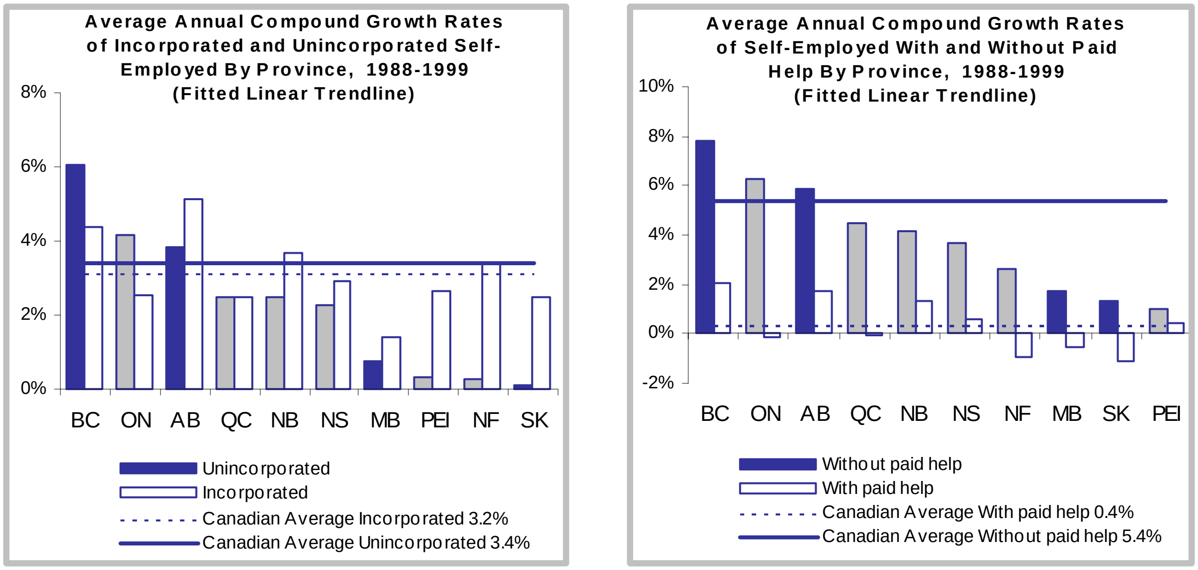
Table 3.2. Average Annual Compound Growth Rates of Self-Employed Businesses By Type (Fitted Linear Trendline), 1988-1999

Types of self-employed	**AB**	**BC**	**SK**	**MB**	**Western Canada**	**Rest of Canada**	**Canada**
Self-employed *with paid help*	1.7%	2.1%	-1.1%	-0.6%	1.3%	1.3%	0.4%
Self-employed *without paid help*	5.8%	7.8%	1.3%	1.7%	5.3%	5.3%	5.4%
Self-employed incorporated	5.1%	4.4%	2.5%	1.4%	4.2%	4.2%	3.2%
Self-employed unincorporated	3.8%	6.1%	0.1%	0.8%	3.6%	3.6%	3.4%
Total self-employed businesses	**4.3%**	**5.5%**	**0.6%**	**0.9%**	**3.8%**	**3.8%**	**3.3%**

Source: ***Labour Force Survey***

Figure 3.1 provides an inter-provincial comparison of growth rates for the incorporated and unincorporated self-employed in the left hand panel, and for combined incorporated and unincorporated *with* and *without paid help* in the right panel. In both panels British Columbia ranks first and Alberta third. In contrast, Saskatchewan and Manitoba are in the lower half of the distribution.

Figure 3.1. Growth of Self-Employed, 1988-1999



Source: ***Labour Force Survey***

Shares of the Self-Employed in Total Employment

What was the average share of self-employment in total employment over the 1988-1999 period? Was there any change in these shares over these years? These are questions that relate to the preferences to be one's own boss rather than being on someone else's payroll. International study after international study of those working have found the self-employed to be happier in their job than those who are employees. This has been well summarised as follows: "The self-employed are more satisfied with their jobs than are individuals who work for somebody else". (Blanchflower, 2000, p.21)

The average annual proportion of self-employment in Western Canada during 1988-1999 accounted for 18.8% of total employment in the Western provinces, which is higher than Canadian average of 15.5% (Figure 3.2.). In Saskatchewan, one quarter of the provincial employment is comprised of self-employed reflecting the relative importance of the family farm. Alberta, British Columbia and Manitoba also all had significantly higher shares of self-employed in the total employment exceeding the Canadian average with levels of 28.9%, 17.4% and 17.2% respectively and leading the Canadian growth of self-employment together with PEI (Figure 3.2).

The right hand panel of Figure 3.2 reports growth in the share of self-employment in total employment, 1988-1999. Within the west there were notable provincial differences. British Columbia's growth rate led all other provinces with an average annual compound growth rate of 2.8%, substantially above Canadian average. Other western provinces were below the Canadian average in the growth of self-employed component. Moreover, Saskatchewan reported a rate of decreased share of –0.3% over the 1988-1999 period. In Western Canada the average annual share was increasing at a rate of 1.6%. This is below the Canadian average rate of 2.1%.

Figure 3.2. Share of Self-Employed in Total Employment, 1988-1999

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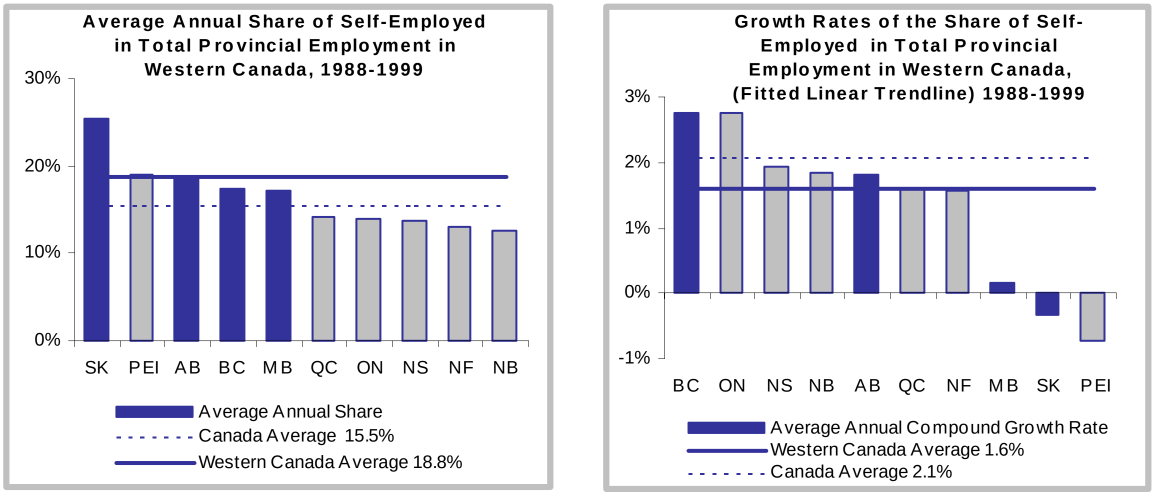


Source: ***Labour Force Survey***

Self-Employed by Industry Sectors

In Western Canada, during the 1988-1999 period, there were on average three persons in the service sector for every two in the goods sector. British Columbia had the highest share of self-employed in service industries at 72.5%. Alberta and Manitoba had more than half of all self-employed in this sector, but Saskatchewan's smaller share at 37.5% again reflected the significance of agriculture (Table 3.4).

Table 3.3. Trends of Self-Employed by Industry Sectors and Divisions , 1988-1999

	Average Annual Number (000's)							Average Annual Compound Growth Rate (Fitted Linear Trendline)						
	AB	BC	SK	MB	Western Canada	Rest of Canada	Canada	AB	BC	SK	MB	Western Canada	Rest of Canada	Canada
TOTAL	**256.6**	**298.8**	**116.9**	**88.8**	**761.1**	**1305.4**	**2066.5**	**3.9%**	**5.4%**	**0.1%**	**0.7%**	**3.8%**	**2.9%**	**3.1%**
GOODS SECTOR	112.3	82.3	72.9	42.3	309.8	371.4	681.2	1.6%	2.0%	-1.4%	0.2%	0.8%	0.2%	0.5%
Agriculture, Forestry, Fishing	71.1	15.8	62.8	30.3	179.9	122.3	302.2	0.0%	-1.6%	-1.7%	-0.4%	-0.8%	-1.3%	-1.0%
Mining, Oil and Gas	7.1	10.3	1.2	1	19.5	28.6	48.1	3.2%	-0.1%	1.7%	5.3%	1.5%	-1.4%	0.7%
Construction	26.4	42.3	7.1	8.1	83.8	148.9	232.7	4.8%	3.1%	0.3%	1.7%	3.2%	0.8%	1.7%
Manufacturing	7.7	13.8	1.9	3	26.4	71.5	97.9	3.2%	4.5%	-0.8%	0.5%	3.3%	1.1%	1.7%
SERVICE SECTOR	144.3	216.6	44	46.5	451.3	933.9	1385.2	5.7%	6.7%	2.6%	1.1%	5.4%	4.1%	4.5%
Trade	29.8	45.7	10.9	11.3	97.7	217.8	315.5	1.9%	4.4%	0.3%	-1.7%	2.5%	0.6%	1.2%
Transportation	12.9	14.3	3.4	4.1	34.7	60.4	95.1	6.7%	4.6%	3.7%	3.1%	5.1%	4.6%	4.8%
Finance & Real Estate	11.8	18.7	3	3.4	36.8	68.1	104.9	5.3%	11.2%	4.1%	2.6%	7.7%	4.3%	5.5%
Professional & Technical Services	24.7	37.1	3.8	5.6	71.2	151.2	222.4	8.5%	8.7%	7.8%	5.3%	8.3%	7.6%	7.8%
Management & Administrative Services	10	15.2	2.5	3	30.6	59.3	89.9	9.4%	10.1%	7.6%	5.5%	9.2%	6.9%	7.7%
Educational Services	3.7	6.3	1.1	1.2	12.3	17.8	30.1	9.4%	12.8%	2.9%	1.0%	9.5%	9.1%	9.3%
Health Care and Social Assistance	15.7	24.4	6.3	5.9	52.4	116.7	169.1	5.7%	6.3%	1.1%	0.6%	4.8%	4.8%	4.8%
Information, Culture and Recreation	6.9	13.9	1.7	2	24.5	51.7	76.2	5.8%	7.1%	5.7%	1.8%	6.2%	3.7%	4.5%
Accommodation and Food Services	7.5	12.5	3.2	2.9	26	57.1	83.1	6.8%	5.0%	1.8%	1.9%	4.7%	2.5%	3.2%
Other Services	21.3	28.2	8	7.2	64.6	133.0	197.6	4.7%	4.1%	1.3%	-2.2%	3.2%	3.4%	3.3%

Source: ***Labour Force Survey***

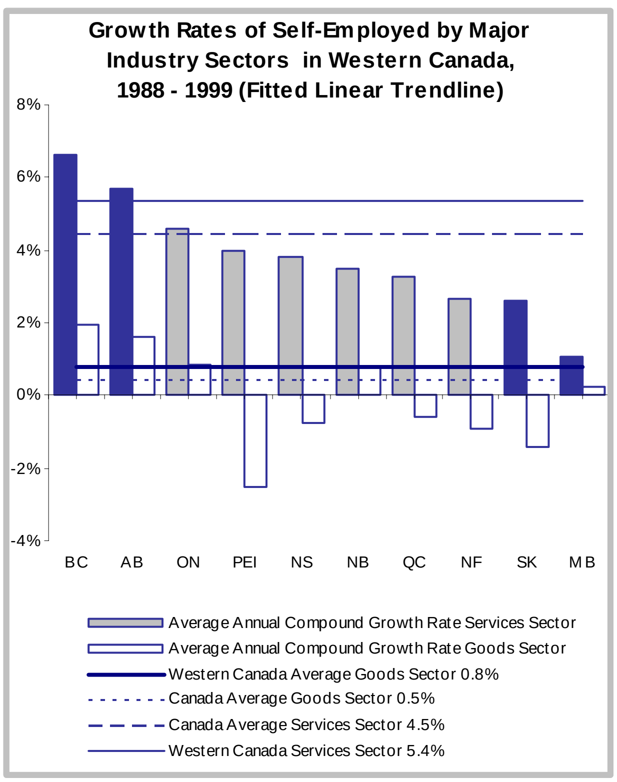
In Western Canada, the highest concentrations of the self-employed were in Agriculture/Forestry/Fishing, Trade, Construction, and Business Services. Agriculture/Forestry/Fishing industries had the highest numbers of self-employed in Alberta (27.7%), Saskatchewan (54.0%), and Manitoba (34.0%), while in British Columbia the self employed were more evenly distributed where the Trade sector ranked first (15.3%).

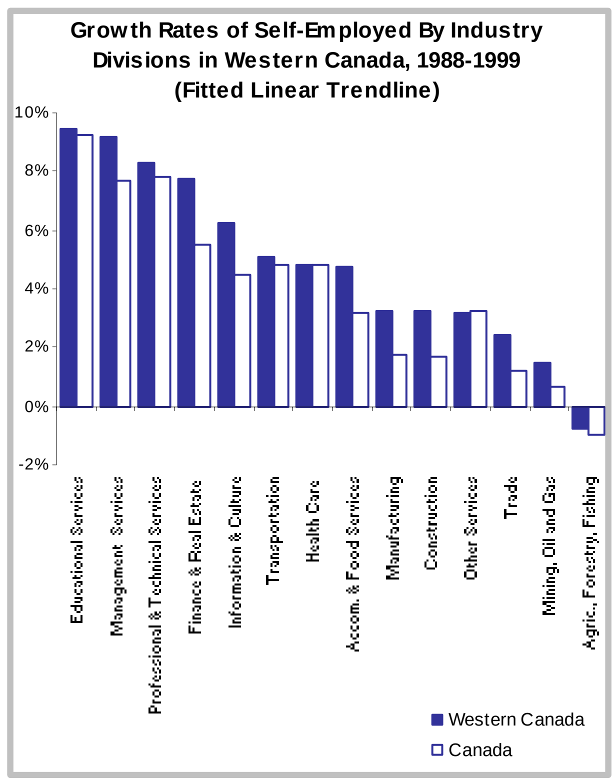
The self-employed in Western Canada showed the most rapid growth in the service sector with an annual compound rate of 5.4%, greatly exceeding the goods sector rate of 0.8%. Growth rates in both sectors exceeded the national averages of 4.5% and 0.5% respectively (Figure 3.3 and Table 3.3). There were substantial differences across the western provinces ranging in the goods sector from 2.0% in British Columbia to -1.4% in Saskatchewan, and in the service sector from 6.7% in British Columbia to 1.1% in Manitoba.

The greatest growth of Western Canada's self-employed is reported in the Management and Administrative Services, Educational Services, Professional and Technical Services, Finance and Real Estate, and Information Culture and Recreational Service industries. Despite the high concentration of the number of self-employed in Agriculture/Forestry/Fishing, this area of small business is in relative decline throughout the region.

In sum, self-employed growth in Western Canada is outperforming the Canadian averages in all instances with the exception of a slightly lower rate in Other Services.

Figure 3.3. Industrial Growth of Self-Employed





Source: ***Labour Force Survey***

Profiles of the Self-Employed

Gender

Knowledge of the gender composition of small business ownership can be acquired only from the *LFS* and is therefore limited to the self-employed. Identifying gender experience is important because men and women face quite distinct costs and benefits to self-employment. Self-employed men and women do different things and possess different labour market characteristics. For example, several factors make a woman's self-employment decision dissimilar from a man's. These include experience and skill differentials and the reality of labour market segmentation. There are also child care concerns which suggest alternative lifetime occupational strategies.

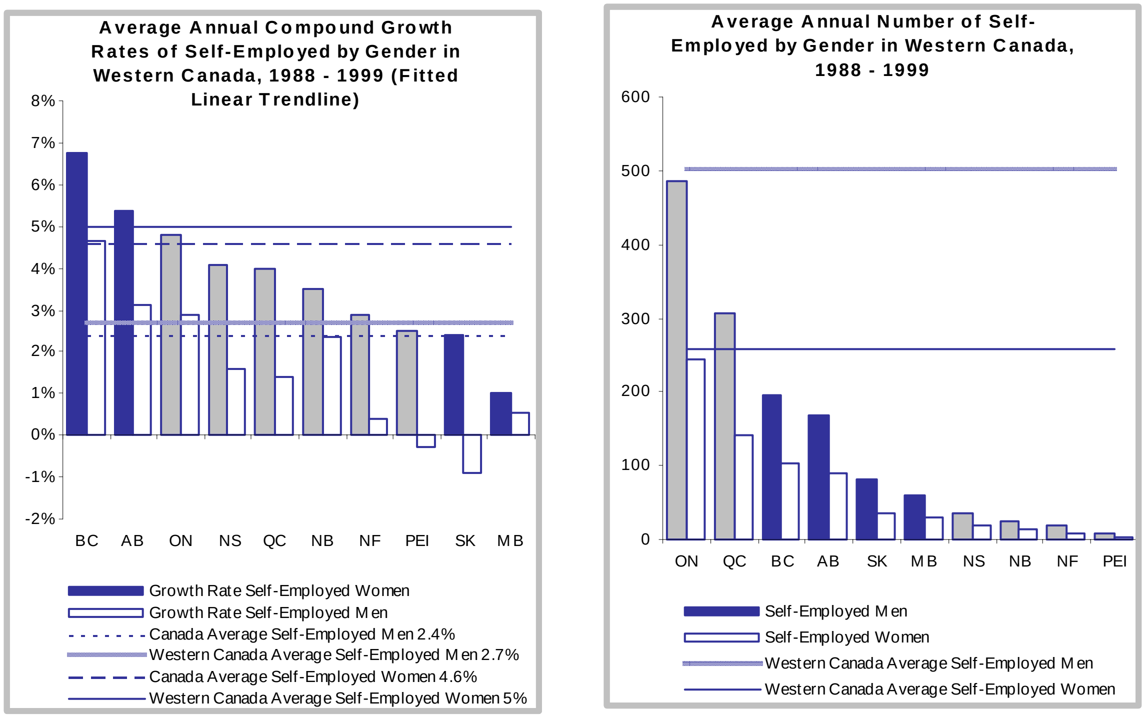
Table 3.4 and Figure 3.4 reveal the gender composition of self-employment in total during the period under study, as well as rates of growth by gender. On average over the period there were some 500,000 male and 250,000 female self-employed in Western Canada, a ratio of 2:1. This ratio was about equal to the Canadian average. Alberta and British Columbia had substantially higher proportions of self-employed women (34.5%-35.5%). Saskatchewan had the lowest share of the western provinces at 30.9%.

Table 3.4. Trends of Self-Employed by Gender, 1988-1999

	Average Annual Number (000's)		**Average Annual Share, %**		**Average Annual Compound Growth Rate (Fitted Linear Trendline)**	
	Men	**Women**	**Men**	**Women**	**Men**	**Women**
Alberta	167.7	88.9	65.6%	34.4%	3.1%	5.4%
British Columbia	194.8	104.1	65.5%	34.5%	4.7%	6.8%
Saskatchewan	80.8	36.1	69.2%	30.9%	-0.9%	2.4%
Manitoba	60.1	28.7	67.7%	32.3%	0.5%	1.0%
Western Canada	503.4	257.7	66.1%	33.9%	2.7%	5.0%
Rest of Canada	878.8	426.6	67.3%	32.7%	2.2%	4.4%
Canada	**1382.2**	**684.3**	**67.1%**	**33.7%**	**2.4%**	**4.6%**

Source: ***Labour Force Survey***

Figure 3.4. Trends of Self-Employed by Gender, 1988-1999



Source: ***Labour Force Survey***

The self-employed shares in the four western provinces for men and women are found in Table 3.5 below. Studies traditionally find that, not only in Canada, but also internationally, the shares are higher for men than for women, and this is also true in the four provinces.

The highest provincial share of self-employment for men is in Saskatchewan where the share, on average, was about half again as large as in the other three provinces. This reflects the dominance of the agricultural sector which continues to contain well over half of Saskatchewan's self-employed men. The share of self-employed women, where more than one-third is in agriculture, was also highest in that province.

In two of the provinces, Alberta and British Columbia, there was a rising trend in self-employment for both genders, but no evidence of a trend in Manitoba. In Saskatchewan, the share was rising for women and declining for men.

Table 3.5. Share (%) of Self-Employment in Total Employment, Average During 1988-1999 and Trend in the Share of Self-Employment for the Four Provinces

	AB	BC	SK	MB
Men	**22.4%**	**20.8%**	**31.7%**	**21.3%**
Trend in share	**rising**	**rising**	**declining**	**constant**
Women	**14.5%**	**13.4%**	**17.6%**	**12.2%**
Trend in share	**rising**	**rising**	**rising**	**constant**

Source: Basic data from the *Labour Force Survey*.

Gender Composition by Major Sectors

The gender composition of the self-employed by major sector differs considerably in Western Canada from that in other parts of the country. These differences suggest some distinctive features of the western region as a whole, though the profile of one of the provinces, British Columbia, loosely resembles that of other parts of the country.

Table 3.6 displays the gender distribution between self-employment in the goods producing and the service sectors for Western Canada, each of the provinces and the rest of the country. The table reveals that in the region there is a larger concentration of both male and female self-employment in the goods producing sectors. On average, some 48% of the male and 26% of female self employment was found in this sector, compared with only 35% and 15% respectively in other parts of the country.

Table 3.6. Average Gender Percent Distribution of the Self-Employed by Sector, 1988-1999

Gender	AB	BC	SK	MB	Western Canada	Rest of Canada
GOODS						
Male	50.4	34.8	70.8	55.2	48.2	35.2
Female	31.3	14	43.4	31.8	26.1	14.6
SERVICES						
Male	49.6	65.2	29.2	44.8	51.8	64.8
Female	68.7	86	56.6	68.2	73.9	85.4

Source: *Labour Force Survey*

The higher shares in Western Canada reflect, primarily, allocations in the three prairie provinces. Female self-employment almost entirely reflects the farm-based participation of women. The female goods sector share in British Columbia, though less than half that in the other provinces, is accounted for by Agriculture and Contract Construction. The higher male goods sector share results from concentrations in Agriculture in Saskatchewan and Manitoba, Contract Construction and Manufacturing in British Columbia, and Agriculture and Contract Construction in Alberta.

In the service sector, female self-employment in each of the four provinces is concentrated in Retail Trade, Business Services, Health Care/Social Services, and Personal services. The most rapid rates of growth are Business Services including Professional, Technical Scientific and Managerial activities. Male service sector self employment is concentrated in Retail Trade, Business Services and, to a somewhat lesser extent, Personal Services. The Business Services component displays the most rapid rate of growth over the period.

Education Levels

There are studies, (*e.g* .Lin *et.al.*, 1999) which look at the years of education as a significant factor in a person's decision to become self-employed. However, the previous identification of the self-employed by industry sector shows the diversity of self-employed activities. This suggests that there is no simple relationship between years of formal education and the decision to work for one's self. To identify the education of the self-employed, we examined two years, 1992 and 1999. Table 3.7 identifies three categories of education attainment:

- Low: combines 0-8 years of elementary and those with some high school;
- Moderate: combines those with high school graduation and those with some post-secondary;

- High: combines those with a post-secondary certificate or diploma and those with a university degree.

The results are shown in Table 3.7 for the four provinces, Western Canada, Canada, and the rest of Canada. Several matters in the table deserve comment. First, there has been change in the educational attainment self-employment shares between 1992 and 1999. In 1999 in Western Canada, one-half of the self-employed of both genders possessed high education levels. This share increased from levels of slightly less than 40% in 1992. The share of the self-employed with lower levels of education declined in Western Canada and in all of the provinces. The share of those with low education attainments was highest in Saskatchewan where, in 1999, this group included 26.0% of women and 37.4% of self-employed men. The general result is that, in 1999, self-employment shares for both genders became much more skewed toward high levels of education. This trend, however, is much more pronounced in British Columbia and Alberta than in Manitoba and Saskatchewan.

These findings can be related to the growth in numbers of the self-employed and in the growth rates experienced in higher order service industries such as Health Care and Social Assistance, Professional and Technical services, and Management and Administrative Services requiring highly trained mean and women. Self-employment in the goods producing sector which does not necessarily involve the same educational requirements has also grown slowly in the last dozen years, an indication of more limited opportunities for those with fewer years of education.

Second, it is a fact that in 1992 three-fifths and in 1999 one-half of the self-employed of both genders had low or moderate educational attainments. This helps to understand why years of education have not shown up as a significant factor in explaining why people choose to work for themselves.

Third, comparison with data from the rest of Canada indicates the self-employed in other parts of the country have slightly higher levels of educational attainment than found in the west as a whole, but not in the case of males in British Columbia and Alberta.

Fourth, the question can be asked how the changes in the educational distribution of the self-employed compares with the change in the educational attainment of the employed work force as a whole. For example, between 1992 and 1999 in Western Canada, the numbers of self-employed with high education increased for men and women by slightly more than one-quarter while the numbers of those with few years of schooling fell by 30% for both sexes. These changes can be roughly compared to the national growth in total employment by educational attainment between 1990 and 1999. In this period, the employed with high educational attainment rose by more than 40% while those with low educational attainment fell by approximately 30%.[4] The latter decline corresponds with declines recorded in this educational category of the self-employed in the west.

The gap between the respective growth rates in those with high attainment may be attributable to the fact that younger age cohorts entering employment in the nineties are more highly educated than their predecessors. Also, as revealed in the next section of the Report, younger age cohorts are much less likely to enter self-employment.

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[4] Statistics Canada, Labour Force Update 71-005-XP p. 61

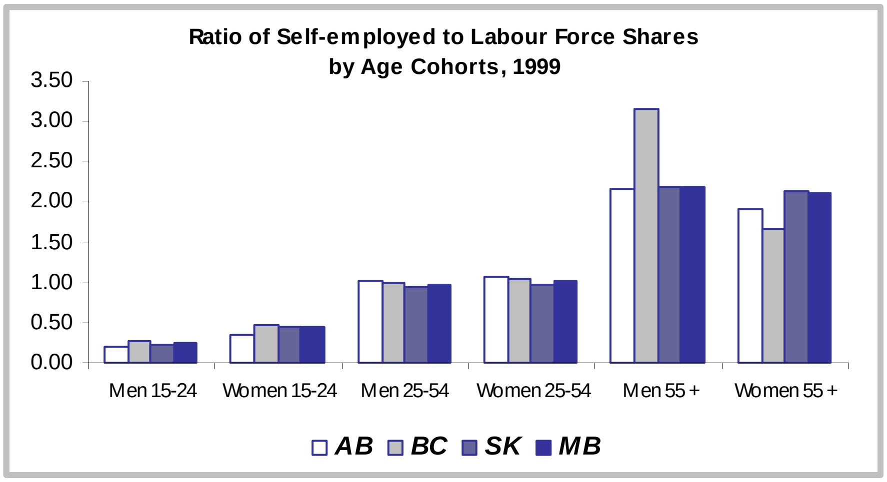
Table 3.7. Self-Employed Educational Attainment 1992 and 1999

	1992				1999			
	000's		share, %		000's		share, %	
ALBERTA	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**
Total	155.4	68.2	100.0%	100.0%	191.0	105.8	100.0%	100.0%
0 - 8 years	13.4	3.3	8.6%	4.8%	10.1	3.6	5.3%	3.4%
Some high school	31.2	14.0	20.1%	20.5%	31.9	14.5	16.7%	13.7%
High school graduate	30.6	18.3	19.7%	26.8%	36.1	24.5	18.9%	23.2%
Some post-secondary	11.8	5.5	7.6%	8.1%	14.2	10.7	7.4%	10.1%
Post-secondary certificate or diploma	43.2	18.6	27.8%	27.3%	64.3	35.1	33.7%	33.2%
University degree	25.1	8.4	16.2%	12.3%	34.5	17.4	18.1%	16.4%
BRITISH COLUMBIA	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**
Total	174.7	90.5	100.0%	100.0%	250.3	137.0	100.0%	100.0%
0 - 8 years	13.5	3.9	7.7%	4.3%	9.0	3.1	3.6%	2.3%
Some high school	25.8	14.5	14.8%	16.0%	32.4	16.6	12.9%	12.1%
High school graduate	42.3	26.9	24.2%	29.7%	48.7	32.6	19.5%	23.8%
Some post-secondary	16.5	9.5	9.4%	10.5%	22.2	15.0	8.9%	10.9%
Post-secondary certificate or diploma	41.0	22.1	23.5%	24.4%	77.1	44.3	30.8%	32.3%
University degree	35.6	13.6	20.4%	15.0%	60.9	25.5	24.3%	18.6%
SASKATCHEWAN	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**
Total	78.5	26.7	100.0%	100.0%	77.6	37.3	100.0%	100.0%
0 - 8 years	15.3	2.2	19.5%	8.2%	11.1	1.6	14.3%	4.3%
Some high school	20.9	6.2	26.6%	23.2%	17.9	8.1	23.1%	21.7%
High school graduate	15.8	7.1	20.1%	26.6%	15.9	8.2	20.5%	22.0%
Some post-secondary	4.9	2.4	6.2%	9.0%	5.8	3.0	7.5%	8.0%
Post-secondary certificate or diploma	15.5	6.8	19.7%	25.5%	19.9	13.0	25.6%	34.9%
University degree	6.0	1.9	7.6%	7.1%	7.1	3.3	9.1%	8.8%
MANITOBA	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**
Total	57.8	24.4	100.0%	100.0%	62.1	29.2	100.0%	100.0%
0 - 8 years	9.0	2.3	15.6%	9.4%	8.2	1.9	13.2%	6.5%
Some high school	15.3	6.6	26.5%	27.0%	13.2	5.5	21.3%	18.8%
High school graduate	10.4	5.8	18.0%	23.8%	10.4	6.3	16.7%	21.6%
Some post-secondary	3.8	1.7	6.6%	7.0%	3.7	2.5	6.0%	8.6%
Post-secondary certificate or diploma	12.2	5.4	21.1%	22.1%	16.2	8.9	26.1%	30.5%
University degree	7.1	2.5	12.3%	10.2%	10.3	4.2	16.6%	14.4%
WESTERN CANADA	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**
Total	466.4	209.8	100.0%	100.0%	581.0	309.3	100.0%	100.0%
0 - 8 years	51.2	11.7	11.0%	5.6%	38.4	10.2	6.6%	3.3%
Some high school	93.2	41.3	20.0%	19.7%	95.4	44.7	16.4%	14.5%
High school graduate	99.1	58.1	21.2%	27.7%	111.1	71.6	19.1%	23.1%
Some post-secondary	37.0	19.1	7.9%	9.1%	45.9	31.2	7.9%	10.1%
Post-secondary certificate or diploma	111.9	52.9	24.0%	25.2%	177.5	101.3	30.6%	32.8%
University degree	73.8	26.4	15.8%	12.6%	112.8	50.4	19.4%	16.3%
CANADA	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**
Total	1293.9	558.7	100.0%	100.0%	1585.4	831.8	100.0%	100.0%
0 - 8 years	152.9	40.1	11.8%	7.2%	112.1	39.2	7.1%	4.7%
Some high school	243	115.2	18.8%	20.6%	230.2	118.4	14.5%	14.2%
High school graduate	248.4	132.8	19.2%	23.8%	294.7	168	18.6%	20.2%
Some post-secondary	91.4	47.4	7.1%	8.5%	114.1	69.4	7.2%	8.3%
Post-secondary certificate or diploma	314.6	141.1	24.3%	25.3%	489.5	275.5	30.9%	33.1%
University degree	243.6	82.1	18.8%	14.7%	344.8	161.3	21.7%	19.4%
REST OF CANADA	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**	**Males**	**Females**
Total	827.5	348.9	100.0%	100.0%	1004.4	522.5	100.0%	100.0%
0 - 8 years	101.7	28.4	12.3%	8.1%	73.7	29.0	7.3%	5.6%
Some high school	149.8	73.9	18.1%	21.2%	134.8	73.7	13.4%	14.1%
High school graduate	149.3	74.7	18.0%	21.4%	183.6	96.4	18.3%	18.4%
Some post-secondary	54.4	28.3	6.6%	8.1%	68.2	38.2	6.8%	7.3%
Post-secondary certificate or diploma	202.7	88.2	24.5%	25.3%	312.0	174.2	31.1%	33.3%
University degree	169.8	55.7	20.5%	16.0%	232.0	110.9	23.1%	21.2%

Age

The self-employed have pronounced age profiles that differ only slightly in terms of gender. Figure 3.5 contains an age profile for each of the four provinces and for Western Canada as a whole by gender with three age cohorts: 15-24, 25-54, and 55 and over. Data are for 1999. In the west, 71.6% of the male and 75.7% of the female self-employed are in the 25-54 age group. Self-employment among younger members of the labour force, irrespective of gender, is quite low with only 3.9% of males and 7.1% of females running their own businesses. About one-quarter of self-employed men are 55 and over. The share of self-employed women in the 55 and over group is somewhat lower at 17.1% in the west.

Figure 3.5. Ratio of Self-Employed to Labour Force Shares by Age Cohorts, 1999



Source: Labour Force Survey

The shares of the 25-54 and 55 and over age cohorts for men differ measurably in British Columbia and Alberta from those in Saskatchewan and Manitoba. For women the difference is still evident but not quite so strongly. In Saskatchewan and Manitoba, self employed men 55 and over account for 32.6% and 27.5% of the self-employed compared with 23.4% and 22.1% in Alberta and British Columbia respectively. The difference is largely explained by the importance of the agricultural sectors and the prevalence of older age farmers in Manitoba and Saskatchewan.

To further underscore the pronounced age profile of the self-employed, Figure 3.5 expresses the ratio the share of the self-employed to the share of the labour force for men and women in the respective age cohorts. A ratio of 1.0 means that the age cohort share of the self-employed is exactly equal to the age cohort share of the labour force; a ratio greater than 1.0 means that the age cohort share of the self-employed exceeds that of the labour force, and a ratio less than 1.0 means the age cohort of the self-employed is less than that of the labour force as a whole.

Figure 3.5 reveals that the ratio in the 25-54 age group for both men and women approximates 1.0 for the west and for each of the provinces. This age class is a very broad but US data provide some insights into how the self-employed may be distributed within this cohort.[5] The US experience is that the heaviest concentration of the self-employed, both male and female, is in the 35-44 and 45-54 age cohorts.

The ratio for both genders is far below unity for the 15-24 age group and substantially in excess of unity for the 55 and over cohort, suggesting the importance of experience to self-employment, and the prime factor in

[5] *Current Population Survey*, 1988 March Supplement

experience is age. In other words, the probability of self-employment rises with age, though the effect is arguably somewhat less for women in British Columbia, Alberta and Manitoba. Judging by the prevalence of the self-employed in the 55 and over cohort, there is also a tendency for them to retire later in life.

Macro-influences On Being Self-Employed: Opportunity for Employment and Labour Force Growth

It is a well known that there are cyclical and growth influences on the availability of jobs. Changes in the numbers of jobs offered occur in response to cyclical changes in product demands; they can also result from downsizing, or from restructuring which may result in tasks being contracted out rather than completed in-house; and personal characteristics, such as years of experience in a particular occupation, may bring about a change from paid to self-employment. There is also reason to believe that the processes of entry to and exit from self-employment will be somewhat different for men and women.

What, then, is the relationship between movements in the numbers of the self-employed and the numbers of people working for someone else? There are at least two strands of thought on this question, both of which emphasise the importance of general economic conditions. One is that a slack labour market acts to discourage self-employment because individuals see a reduced probability of carrying on a successful business venture. An alternative strand is self-employment is encouraged because of the lack of viable alternatives in the job market.

A transition between paid and self-employment is not the only option possible. A person may enter self-employment from unemployment, or they may choose to enter the labour force by engaging in self-employment. Exits from self-employment may also be to unemployment or by leaving the labour force.

In order to answer the questions about transitions between paid and self-employment, the ideal situation would be to consider a group of individuals, separate them by gender, and over a period of years trace their entries and exits into and out of self-employment, to and from unemployment, paid employment or the labour force. Unfortunately, we do not have that luxury. We can, however, make use of the *LFS* to consider the relationship between self-employment, paid employment, and the labour force. This requires relating net changes — the end result of gross entry and exits — in each of the self-employed, the paid employed, and the labour force from one observation period to the next.

Table 3.8 below reports regression results for a test of the possible relationship in Alberta and British Columbia, the two provinces with the highest growth rates in self-employment. The regression uses quarterly seasonally adjusted data from the *LFS* from 1988 to 1999. The quarterly rate of change in the self-employed is regressed on the quarterly rates of change in employees and in the labour force. Regressions are adjusted for first order serial correlation. Separate regressions were run for self-employed men and women.

The results in three of the four regressions are that the rate change in self-employment is negatively related to the rate of change in paid employment and positively related to the labour force. These results indicate that self-employment is influenced by both the strength of the labour market, whose proxy is the rate of growth in paid employment, and the rate of change in the labour force, a proxy for re-entry to the labour market and net in-migration — whether domestic or international.

Table 3.8. Regression Results by Gender for Alberta and British Columbia of the Relation of Self-Employment, Paid Employment and the Labour Force

	Coefficient	T-value	Significance
ALBERTA MEN			
constant	**1.0440**	2.2657	0.0386
% change in paid employment	-1.3018	-4.4553	0.0000
% change in labour force	0.3130	0.4929	0.6046
Durbin-Watson = 1.9; significance of Q = 0.047; Adjusted R squared = 0.326-			
ALBERTA WOMEN			
constant	**0.6587**	**1.0067**	**0.3198**
% change in paid employment	**-3.1639**	**-6.3748**	**0.0000**
% change in labour force	**3.1647**	**4.5703**	**0.0000**
Durbin-Watson = 2.04; significance of Q = 0 .475; Adjusted R squared = 0 .547			
BRITISH COLUMBIA MEN			
constant	**0.7493**	**1.9463**	**0.0583**
% change in paid employment	**-1.0958**	**-3.8497**	**0.0004**
% change in labour force	**1.4263**	**2.7216**	**0.0094**
Durbin-Watson = 1.93; significance of Q = 0 .168; Adjusted R squared = 0.263			
BRITISH COLUMBIA WOMEN			
constant	**1.1048**	**1.4977**	**0.1417**
% change in paid employment	**-2.3134**	**-4.4732**	**0.0000**
% change in labour force	**2.2649**	**3.4704**	**0.0012**
Durbin-Watson = 2.01; significance of Q = 0.172; Adjusted R squared = 0.318			

When the labour market is strong, the preference for self-employment is more tempered. On the other hand, a more rapid growth in the labour force raises the interest in self-employment. The results for both British Columbia and Alberta indicate that these relationships are strongest for women.

For example, in the case of British Columbia, a 1% acceleration in the labour force generates a 2.26% acceleration in self-employment, while a 1% acceleration in paid employment is associated with a 2.31% deceleration in self-employment.

Conclusions

This chapter examines the selfemployed over the 1988-1999 period using the LFS data base. The self-employed is a group that constitutes a large share of the small business sector. Among the self-employed, the largest group is the unincorporated *without paid help*, amounting to more than one-half of all self-employed, the vast majority of whom are in service sector activities. Several findings of the analysis lead to implications about program delivery to the self-employed. These include the fact that self-employed women, though still numerically less than self-employed men, are growing at a substantially faster rate and possess about the same levels of educational attainment as men. This situation is consistent throughout the west. The question is: do women face different dilemmas in self-employment than men, and if so, how can these be best addressed?

The evidence is also clear that membership in the self-employed is becoming more skewed toward higher levels of educational attainment with about half their numbers holding either a university degree or a diploma from a post-secondary institution. The implication is that years of schooling are increasingly important in the choice to work for one's self. The disproportionate share (relative to labour force participation) of the self – employed who are 55 and over leaves no doubt that experience counts in self-employment, and suggests further that the self-employed remain active in the labour market beyond normal retirement age.

Some insights into the transitions between self-employment and paid employment are found in the analysis of male and female self-employed in Alberta and British Columbia. In the cases of men and women in British Columbia and women in Alberta, rates of growth in the self-employed are negatively related to rates of growth in paid employment and positively related to rates of growth in the labour force. This suggests both a push into self-employment when paid jobs experience slack and an increased attractiveness of self-employment when labour force growth rates accelerate, as they tend to do under favourable economic conditions.

Finally, we need to know more about the self-employed, particularly both the incorporated and the unincorporated *without paid help*. The chapter analysis is based on net flow figures. They tell a very partial story. We cannot know how long an individual stays in self-employment, whether the person over time creates jobs for others, and what the life expectancy of the typical self-employed business is. A series of snapshots based on net changes in the various categories of the self-employed offers a very imperfect picture of their contribution to Western Canada where they make up such an important component of small business.

Methods and Definitions

This chapter reports on two key findings from analysing small business growth during 1992-1999. The first identifies and evaluates the 10 top small business growth sectors in the Western Canadian and the provincial economies. Growth measures report both the increase in the number of, and employees in, operating establishments and their respective rates of growth over the 1992-1999 period. The second finding concerns small business growth in the 'High Technology' sector for the region as a whole and provincially in creating small business entities and jobs. Estimates are based solely on the *Canadian Business Patterns* database.

Identification of Growth Industries

Growth industries were identified considering both entities and employees during 1992-1999. The 20 fastest growing industries were ranked by average annual compound growth rates in the number of businesses and in employees. The following constraints were imposed:

1. ***Growth in the number of businesses:***

- Alberta and British Columbia - a minimum yearly average of 50 firms in the sector;
- Manitoba and Saskatchewan - a minimum yearly average of 10 firms in the sector;
- Western Canada – a minimum yearly average of 100 firms in the sector.

2. ***Growth in the number of employees:***

- Alberta and British Columbia - a minimum yearly average of 500 employees in the sector;
- Manitoba and Saskatchewan - a minimum yearly average of 100 employees in the sector;
- Western Canada – a minimum yearly average of 1000 employees in the sector.

Estimates of Employment

Employment estimates by firm size were obtained as a product of the mean an of the employee class size and the actual counts of businesses in the respective class sizes. 2-digit SIC data were used for the estimates.

Definition of High Technology Sector

Defining the 'High Tech' sector operationally was as difficult for us as it has proved to be in other research. It is a concept without generally accepted content. Many would argue that High Technology is ubiquitous in our economy and, therefore, the attempt to isolate a High Technology sector is fraught with difficulties. Certainly, if the focus is on High Tech process then talking about a High Tech sector is not particularly useful.

High Tech processes are found all the way from Mining to Personal Services. The fact is that economic activities in an advanced economy invariably employ state of the art processes and instruments to maintain profitability, pay high wages, and remain competitive. At the same time it can be argued that if the focus is new products, or the development of new technology rather than its application, attempting to define a High Tech sector may make more sense, but does not solve the dilemma. 'New' methods and 'new' products become inputs to the production of 'old' products: sensors make for more secure and efficient pipeline transmission; improved software enables the clothing retailer to better service customers; computer assisted manufacturing allows for tailoring a product to the specific needs of the individual customer; MRIs expedite the diagnosis of age old diseases; and more. The appropriate test of a High Tech economy is one characterised by both product and process innovation and their rapid absorption.

How then, should we identify a workable 'High Tech' sector in this study of small business? Our approach has been to use the SIC system at the 4-digit level and base our choice of activities on recent studies [Baldwin and Gellatly 1998, Miller 1996]. Our list of those sectors that make up the 'High Tech' sector in this study is found in Table 4.1 It is wide ranging and inclusive rather than narrow and limiting. Some may quarrel with the inclusive approach. What can be said is that interpretations of our findings suggest that they will be more nearly an upper than a lower bound to the sector's presence in Western Canada.

Table 4.1. Industries in the High Technology Sector of Western Canada

SIC code	Industry	SIC code	Industry
3111	Agricultural Implementation Industry	***3994***	Musical Instruments and Sound Recording
3121	Commercial Refrigeration Equipment Industry	***3999***	Other Manufactured Products Inds., n.e.c.
3192	Construction Mining & Handling Machinery	***4821***	Telecommunication Carriers Industry
3194	Turbine and Power Transmission Equipment	***4839***	Other Telecommunication Industries
3199	Other Machinery and Equipment Industry	***7711***	Employment Agencies
3211	Aircraft and Aircraft Parts Industry	***7712***	Personnel Suppliers
3241	Truck and Bus Body Industry	***7721***	Computer Services
3242	Commercial Trailer Industry	***7722***	Computer Equipment Maintenance & Repair
3256	Motor Vehicle Plastic Parts Industry	***7731***	Offices Of Chartered & Certified Accountants
3259	Other Motor Vehicle Accessories & Parts	***7739***	Other Accounting & Bookkeeping Services
3271	Shipbuilding and Repair Industry	***7741***	Advertising Agencies
3311	Small Electrical Appliance Industry	***7742***	Media Representatives
3321	Major Appliances (Electric & Non-elect.)	***7743***	Outdoor Display & Billboard Advertising
3331	Lighting Fixture Industry	***7749***	Other Advertising Services
3341	Record Players, Radio & TV Receivers Ind	***7751***	Offices Of Architects
3351	Telecommunication Equipment Industry	***7752***	Offices Of Engineers
3352	Electronic Parts and Components Industry	***7759***	Other Scientific & Technical Services
3359	Other Electronic Equipment Industries	***7761***	Offices Of Lawyers & Notaries
3361	Electronic Computers & Peripheral Equip.	***7771***	Management Consulting Services
3362	Electronic Office, Store & Business Machine Industry	***7791***	Security & Investigation Services
3369	Other Office, Store & Business Machine Industries	***7792***	Credit Bureau Services
3372	Electrical Switchgear & Protective Equip	***7793***	Collection Agencies
3379	Other Electrical Industrial Equipment	***7794***	Customs Brokers
3381	Communications & Energy Wire & Cable Ind	***7795***	Telephone Answering Services
3399	Other Electrical Products Inds., n.e.c.	***7796***	Duplicating Services
3711	Industrial Inorganic Chemicals n.e.c.	***7799***	Other Business Services n.e.c.
3712	Industrial Organic Chemicals n.e.c.	***8681***	Medical Laboratories
3731	Plastic and Synthetic Resin Industry	***8682***	Radiological Laboratories

3741	Pharmaceutical and Medicine Industry	***8683***	Combined Medical & Radiological Laboratories
3761	Soap and Cleaning Compounds Industry	***8684***	Public Health Laboratories
3799	Other Chemical Products Industries n.e.c.	***8685***	Blood Bank Laboratories
3911	Indicating & Recording Instruments Industries	***8689***	Other Health Laboratories
3912	Other Instruments and Related Products		

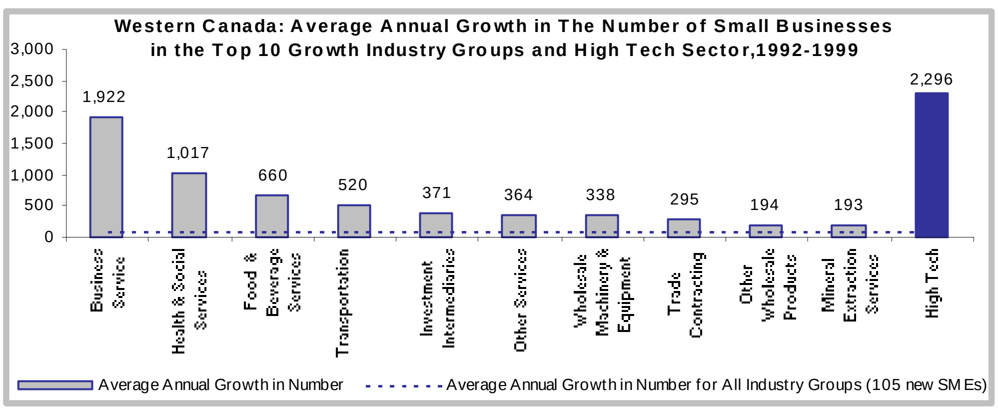
Source: Western Centre for Economic Research

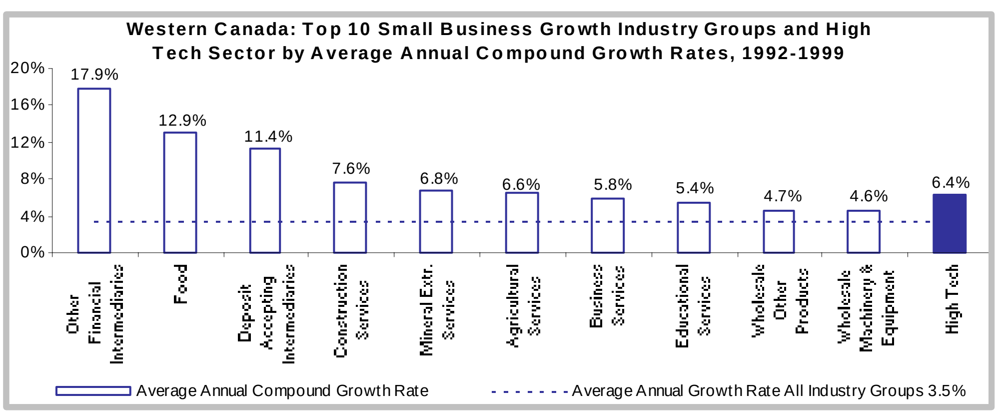
Top Growth Industries and High Tech Sector by Number of Small Businesses During 1992-1999

Western Canada

The numbers of small businesses in the top growth industries and the High Tech sector in Western Canada as a whole are found in Figure 4.1. The top portion of the figure shows average annual absolute growth in the number of operating establishments for the top ten sectors over the 1992-99 period. Leading the way is Business Services with an annual average creation of 1,922 units, followed by 1,017 in Health/Social Services, and by 660 in Food/Beverage services. Of the top then, only Health/Social Services is not in the commercial sector. Over these years the average annual increase in operating small business units for all sectors was 105. Thus the increase in units in the tenth most rapidly growing sector—Mineral Extraction/Services—was slightly less than double the all industry group average.

Figure 4.1. Western Canada: Top Growth Industries and High Tech Sector in the Number of Small Businesses, 1992-1999

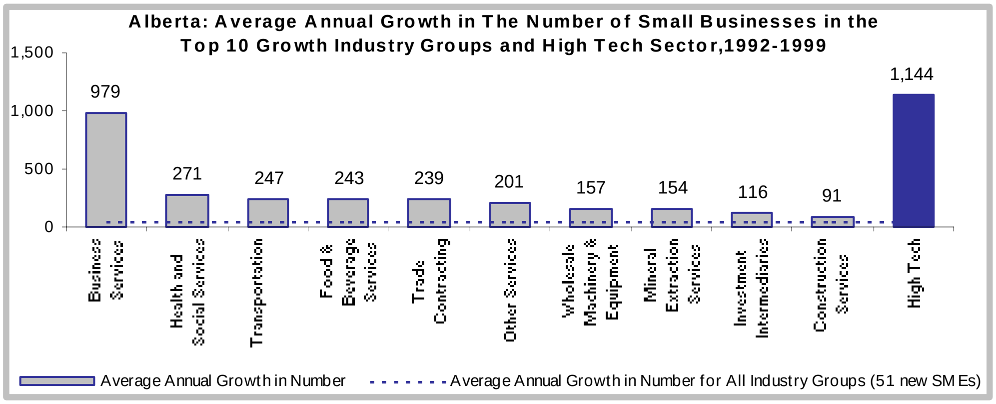


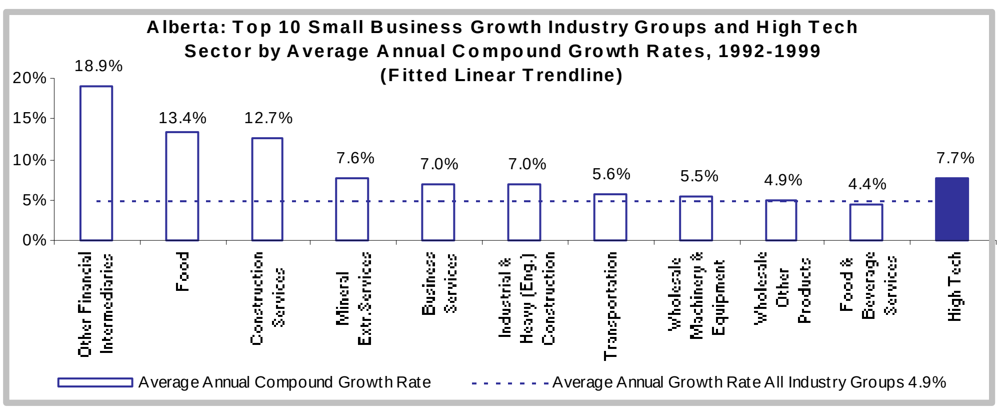


Source: Canadian Business Patterns

For the High Tech sector as a whole, the average annual increase in the number of operating establishments amounted to 2,296, an annual rate of increase of 6.4% over the period, or almost twice as high as Western Canada's industrial average of 3.5%. The Miscellaneous Investment Intermediary Services industry was determined as the fastest growing group in Western Canada with an average annual compound growth rate of 17.9%. The Food industry group followed this lead with the annualised growth rate of 12.9%. The Deposit Accepting Intermediaries sector ranked third, showing a 11.4% growth rate. This compares with the all industry average of 3.5%.

Figure 4.2. Alberta: Top Growth Industries and High Tech Sector in the Number of Small Businesses, 1992-1999





Source: Canadian Business Patterns

Alberta Experience

Alberta results are found in Figure 4.2. Leading the top 10 growth industry groups in unit growth were Business Services, Health/Social Services and Transportation. The growth in the number of Business Service units was dominated at 979 units, about 3.6 times that in the second leading sector. The industry average annual growth in the number of new small businesses was 51.

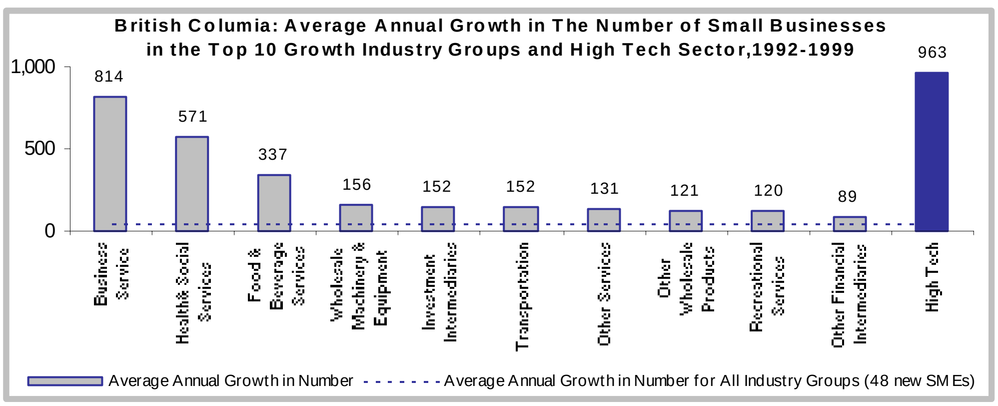
The Other Miscellaneous Financial Intermediaries sector led in growth rates with an average annual compound growth rate of 18.9%, higher than that for Western Canada as a whole. The Food group was ranked second at a 13.4% annual increase. Construction Services was third with a growth rate of 12.7%. All identified top growth industries were above the provincial industrial average of 4.9%, excepting Food & Beverage Services with the growth rate of 4.4%.

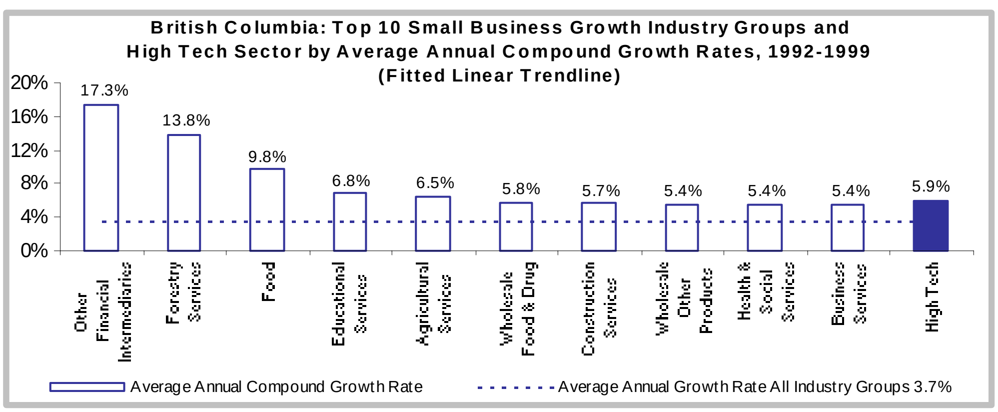
For the High Tech sector as a whole, the average annual growth in the number of new small businesses was 1,144, primarily accounted for by the growth in Business Services. The annual growth rate of the new operating High Tech establishments was 7.7% compared with a 4.9% all-industries average during 1992-1999.

British Columbia Experience

British Columbia results are depicted in Figure 4.3. Of the leading 10 growth sectors in unit growth, 9 of the 10 were in the commercial sector. The top three were Business Services, Health/Social Services and Food/Beverage Services, where annual growth ranged between 814 and 337 units. Each of the other 7 growth industries generated less than 160 new small businesses per year during the 1992-1999 period. The tenth ranked sector, Other Financial Intermediaries, created an annual average of 89 new units. Average annual growth for all industry groups during 1992-1999 was 48 new small businesses. The High Tech sector created on average 963 new units annually, an average annual compound increase of 5.9%.

Figure 4.3. British Columbia: Top Growth Industries and High Tech Sector in the Number of Small Businesses, 1992-1999





Source: Canadian Business Patterns

The 10 fastest growing industrial groups in British Columbia and the High Technology sector displayed growth rates exceeding 5%, and significantly above the industrial average annual compound growth rate of 3.7%. This growth was led by the top three sectors: Other Financial Intermediaries group (17.3%), Forestry Services (13.8%) and Food Industries (9.8%).

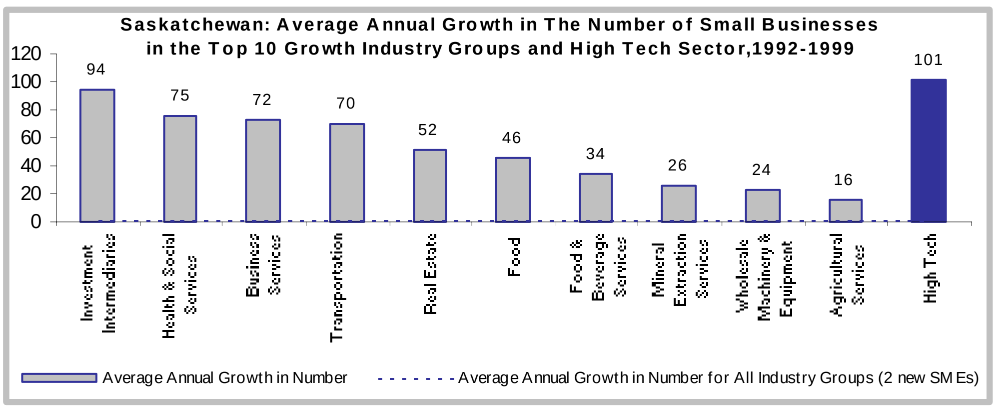
Saskatchewan Experience

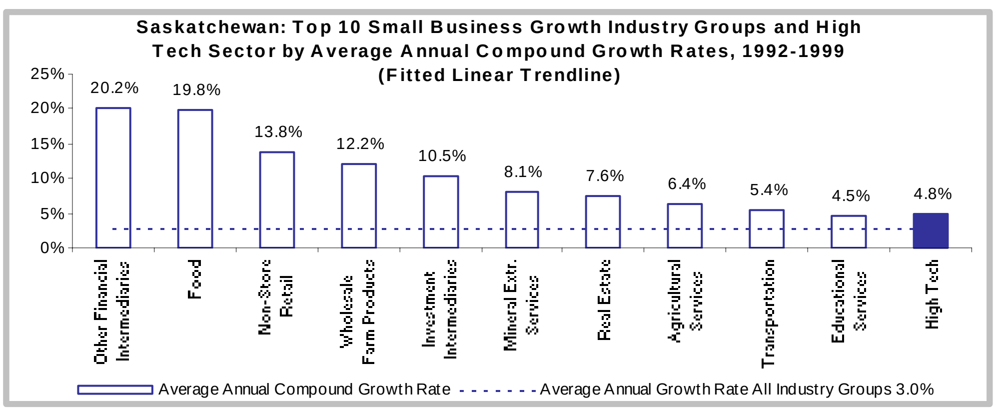
Results for Saskatchewan are in Figure 4.4. The top three sectors in terms of numbers of new small businesses during 1992-99 were Investment Intermediaries, Health/Social Services, and Business Services with new units ranging from an annual average of 94 to 72. Remaining top growth industries created new businesses in the range from 16 to 7 entities. These numbers compare with an average annual growth of 2 new units across all industry groups, a number strongly influenced by restructuring in the farm sector.

Annual growth in the High Technology businesses amounted to 101 new High Tech firms.

Figure 344 shows that in terms of rates of growth, the highest growth groups were Other Financial Intermediaries group, showing an average annual growth rate of 20.2%, the Food sector at the rate of 19.8%, and the Non-store Retail industry (13.8%). Of the top 10 growth industry groups, Educational services showed the lowest level of growth of 4.5%, but all were significantly above the industrial average of 3.0%. High Tech firms grew at an annual rate of 4.8%.

Figure 4.4. Saskatchewan: Top Growth Industries and High Tech Sector in the Number of Small Businesses, 1992-1999





Source: Canadian Business Patterns

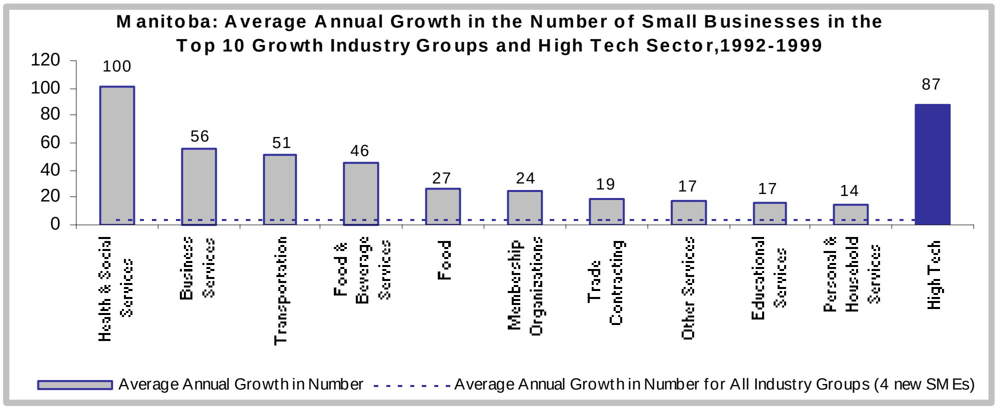
Manitoba Experience

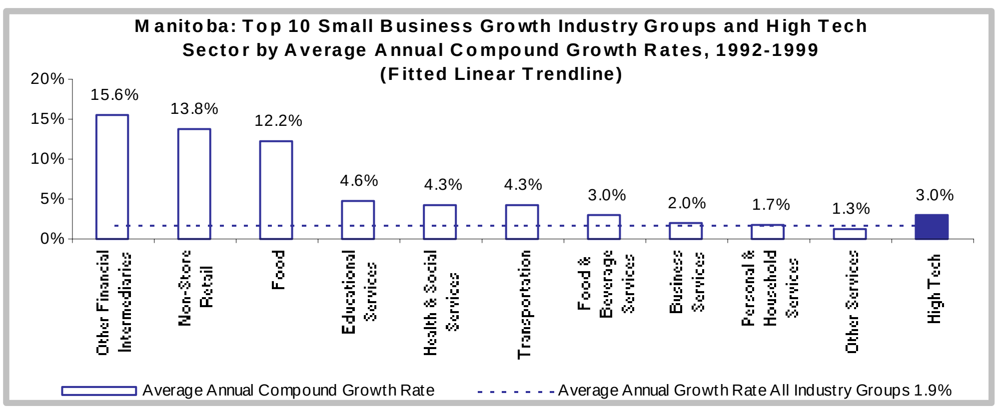
In Manitoba, the top three growth sectors in terms of the number of operating units were Health/Social Services, Business Services and Transportation. 8 of the 10 leading groups were in the Commercial sector. The annual average growth in the number of small business units in the top three ranged from 100 in Health/Social Services to 51 in Transportation.   The tenth ranked growth area—Personal and Household

Services—accounted for an average of 14 new businesses annually. The average annual growth in small business units for all industrial groups over the period of 1992-1999 was 4.

Among the top 10 fastest growing industry groups, Other Financial Intermediaries, Non-Store Retail and Food Industries were showing average annual growth rates exceeding 10% (15.6%-12.2% range), while the remaining identified growth industries and the High Technology sector were expanding with rates of less than 5% per year.

Figure 4.5. Manitoba: Top Growth Industries and High Tech Sector in the Number of Small Businesses, 1992-1999





Source: Canadian Business Patterns

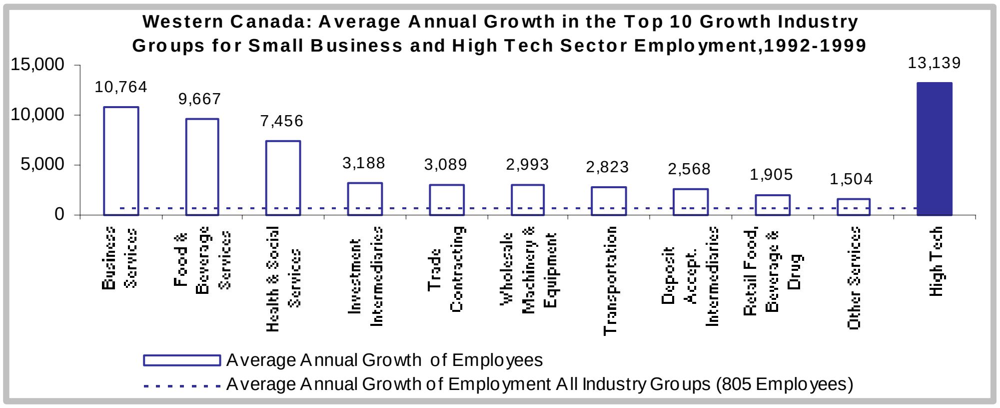
For the High Tech sector as a whole, the average annual growth in small business units amounted to 87 new small businesses, which was lower than in the top growth industry – Health/Social Services. The annualised growth rate in High Tech business units for Manitoba amounted to 3.0% compared with the industrial average rate of 1.9%.

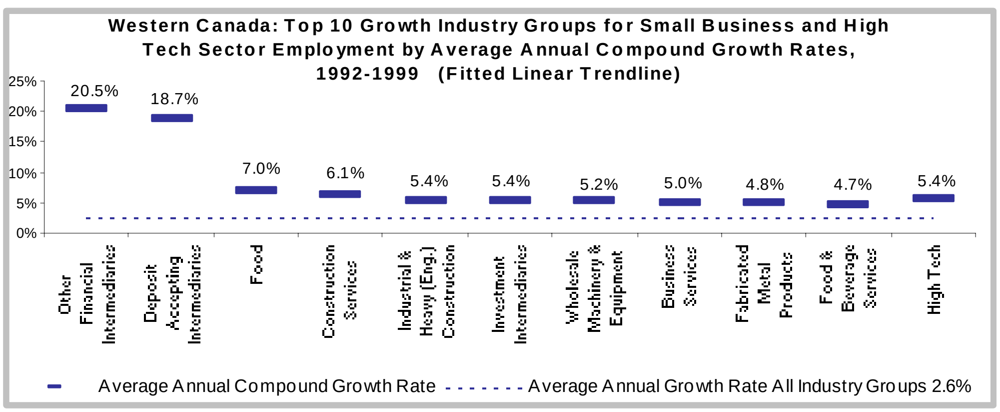
Top Growth Industries and the High Tech Sector in Small Business Employment During 1992-1999

Western Canada

Figure 4.6.6 reports the job creation record for small business in each of the top 10 sectors and the record for the High Tech sector as a whole for Western Canada. The top three sectors in terms of job creation were again Business Services, Food/Beverage Services, and Health/Social Services creating an annual average number of jobs of 10,764, 9,667, and 7,456 respectively. Apart from Health/Social Services all other growth leaders wer in the commercial sector. Their annual growth did not exceed the level of 3,200 employees per year, but this was still three times higher than the industrial average. Over the period, the average employee growth across all industry groups was 805 new jobs.

Figure 4.6. Western Canada: Small Business Employment Growth in the Top 10 Industry Groups and High Technology Sector, 1992-1999





Source: Canadian Business Patterns

Other Financial Intermediaries, the most rapidly growing sector, created jobs at a an annual rate of 20.5%. This rate exceeded the industrial average of 2.6% by almost 8 times. Another financial services group, Deposit Accepting Intermediaries showed the second best result, growing with the average annual compound growth rate of 18.7%. The rest of the identified faster growing industries generated levels of growth in the range of 4.7% to 7.0%, considerably higher than the average, with the Food/Beverage Services group showing the lowest result among them.

During 1992-1999, the High Tech sector in Western Canada created jobs at an average of 13,139 annually, the vast majority of which were in the Business Services sector. The annual rate of growth in High Tech sector employment was 5.4%, twice as double the industries average of 2.6%.

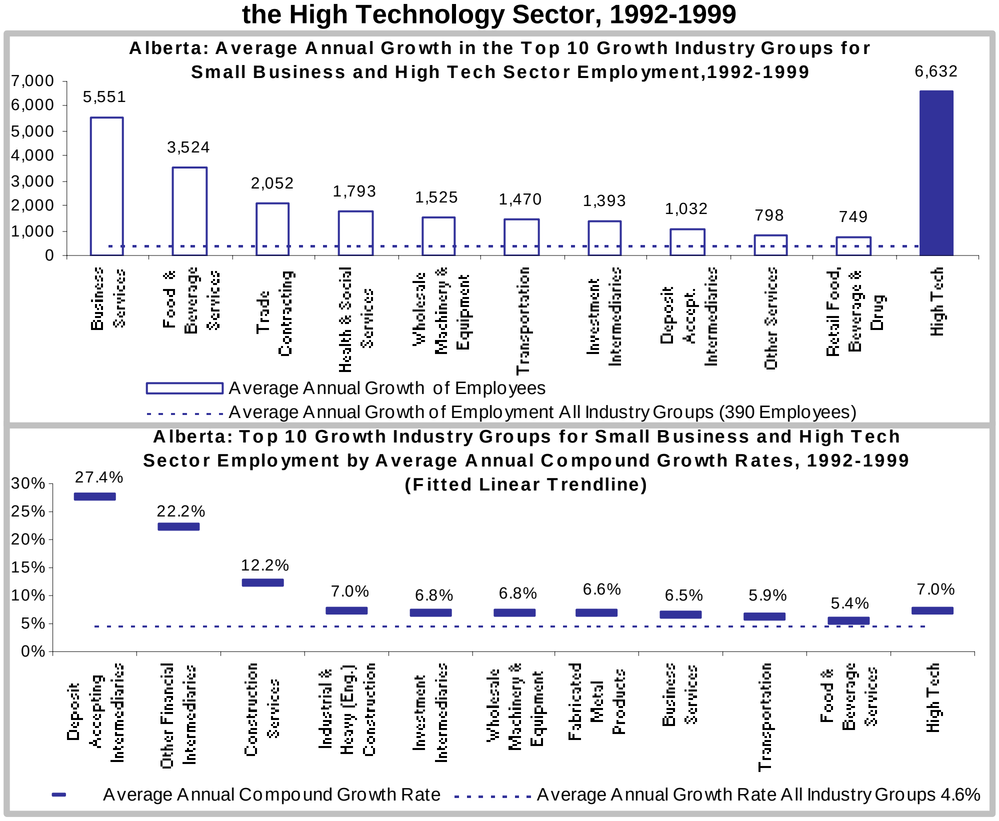
Alberta

In Alberta, the top three small business job creation sectors were Business Services, Food/Beverage Services and Trade Contracting. Annual average small business job growth in these sectors amounted to 5,551, 2,524, and 2,052 respectively (Figure 4.7). These numbers are 6 to14 times higher than the average annual job growth across all industry groups of 390 jobs.

Average annual compound growth rates for the fastest growing industries in terms of small business job creation exceeded the all-industries growth rate of 4.6%. The highest rate of employment growth was achieved by Deposit Accepting Intermediaries, Other Financial Intermediaries and construction services, showing growth rates of 27.4%, 22.2%, and 12.2% respectively. Growth rates in the remaining sectors fluctuated in the range of 5.4% to 7.0%.

In the High Tech sector as a whole, 6,632 jobs were created by small business, the vast majority of which were in Business Services. The annualised rate of job growth in the High Tech sector was 7.0% compared with an all-industries annual growth rate of 4.6%.

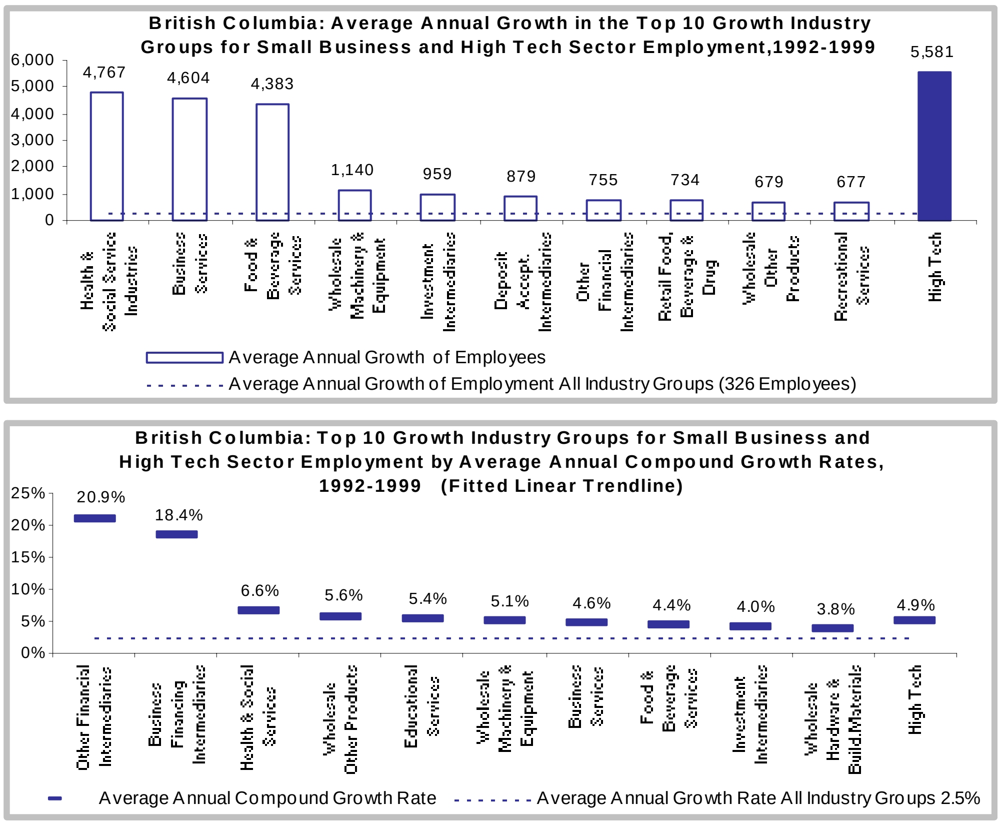
Figure 4.7. Alberta: Small Business Employment Growth in the Top 10 Industry Groups and the High Technology Sector, 1992-1999



British Columbia

In British Columbia during 1992-1999, the Health/Social Services industry group moved to the top rank of small business job growth with annual growth slightly exceeding that in Business Services and Food & Beverage Services. Each of the top three sectors created approximately 4 to 5 times the number of new jobs in small business compared with the remaining top growth sectors.

Figure 4.8. British Columbia: Small Business Employment Growth in the Top 10 Industry Groups and High Technology Sector, 1992-1999



Source: Canadian Business Patterns

The average increase in the small business employment across all industries in the province during 1992-1999 was 326 employees per year. Identified growth industries exceeded the average by 2 to 14 times, depending on the industry.

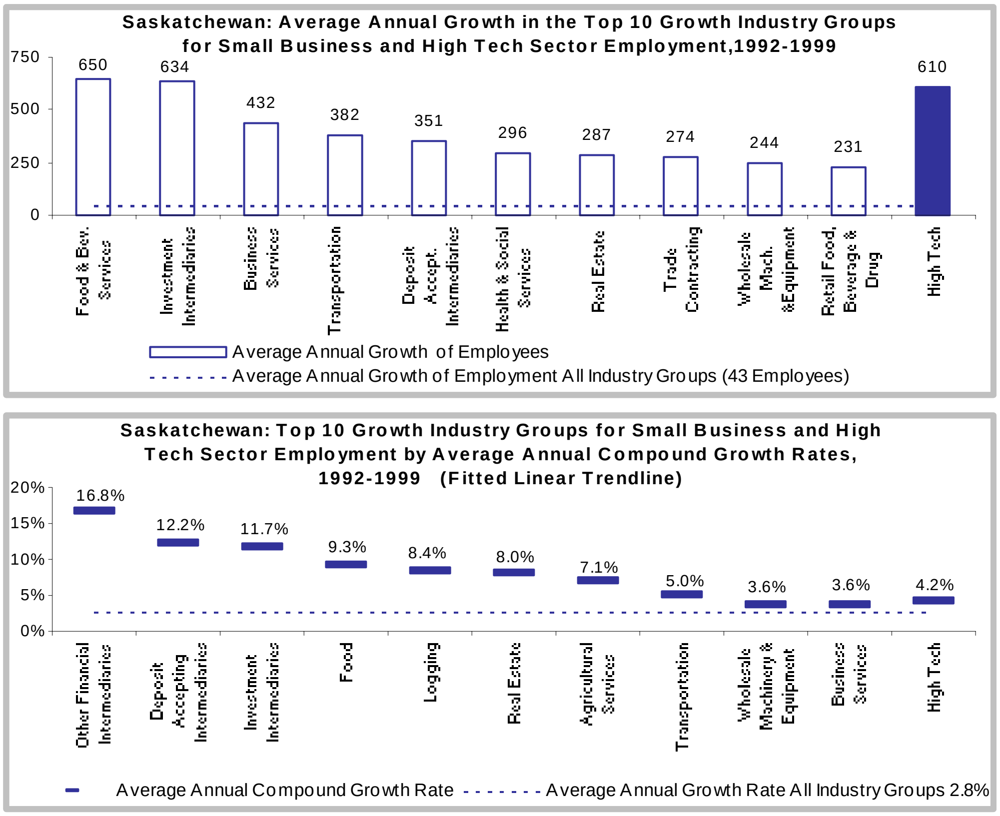
The fastest growing industry in terms of small business employment was Other Financial Intermediaries, generating an average annual growth rate of 20.9%, exceeding the average industrial growth of 2.5% by 4 times. Business financial intermediaries industry group followed with 18.5% growth rate. The rest of the identified growth industries stayed within the growth rate range of 3.8%-6.6%, also exceeding the industrial average in the province.

In the High Tech sector as a whole, the job growth averaged 5,581 annually. This exceeded the levels of the top ten identified growth industries, which was 17 times higher than the industrial average. The annual growth rate in the High Tech sector employment amounted to 4.9% or twice as high as the all industry group average of 2.5%.

Saskatchewan

Saskatchewan's small business job creation experience during 1992-1999 is shown in Figure 4.9. The top three job creators were Food/Beverage Services, Investment Intermediaries and Business Services which generated from 650 to 432 new jobs annually. The remaining top growth industries did not exceed the level of 400 new small business jobs per year. Nevertheless, the small business employment growth in the top ten identified industries was 5 to 15 times higher than the all sector average of 43 new jobs per year.

Figure 4.9. Saskatchewan: Small Business Employment Growth in the Top 10 Industry Groups and High Technology Sector, 1992-1999



Source: Canadian Business Patterns

In terms of the average annual small business employment growth during 1992-1999, Other Financial Intermediaries, Deposit Accepting Intermediaries and Investment Intermediaries were the top three growth industries with growth rates of 16.8%, 12.2% and 11.7%, respectively. The rest of the top ten showed less than 10% average annual growth ranging form 3.6% to 9.3%. All identified top 10 growth industries exceeded the average industrial growth rate of 2.8% by 1.2 to 6 times.

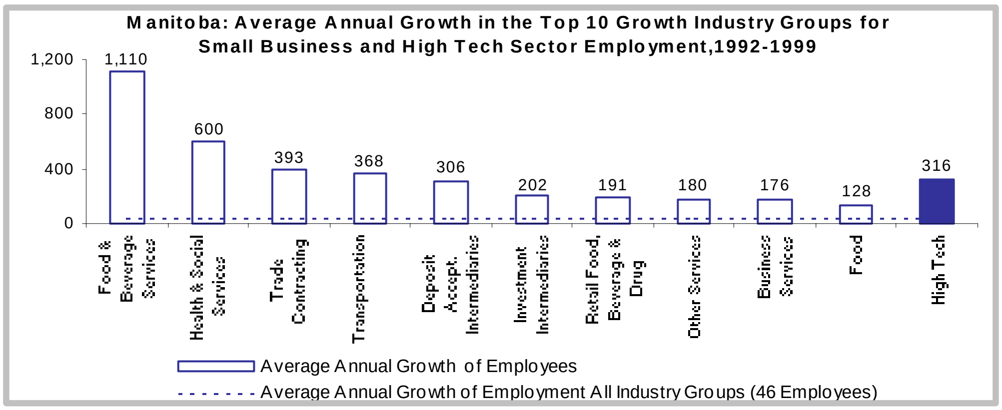
Annual growth in High Tech sector jobs during 1992-1999 amounted to 610 small business jobs, close behind the top performances of the Food/Beverage Services and Investment Intermediaries industry groups. It showed a growth rate of 4.2% which was 1.5 times the provincial industrial average.

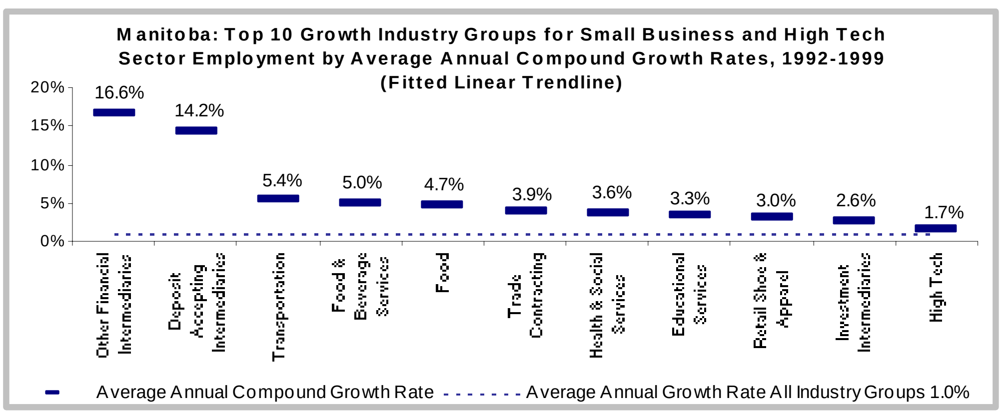
Manitoba

Small business employment growth in Manitoba is depicted in Figure 4.10. The top three sector job creators in the province were Food/Beverage Services, Health/Social Services and Trade Contracting with average small business job creation ranging from 1,110 to 393 annually. Transportation ranked a very close fourth generating 368 small business jobs per year. Despite the fact that Business Services ranked second in the number of new small business units created, this sector ranked ninth in terms of job creation.

The identified top ten small business employment growth industries showed the annual job creation levels above the industrial average of 46 across the province, exceeding it remarkably by 3 to 24 times depending on the industry group.

Figure 4.10. Manitoba: Small Business Employment Growth in the Top 10 Industry Groups and High Technology Sector, 1992-1999





Source: Canadian Business Patterns

The top three industries ranked by rate of growth were Other Financial Intermediaries, Deposit Accepting Intermediaries and Transportation with growth rates of 16.6%, 14.2%, and 5.3% respectively, although Transportation fell to a much lower growth level. The remaining top growth industries showed small business employment growth rates in the range of 2.6% to 5.4%.

In Manitoba, all top ten growth industries were significantly above the industrial average rate of 1%, exceeding it by 2 to16 times. Small business employment in the High Tech sector rose at an annual average of 316 employees compared with an all industry average of 46 employees, or almost 7 times higher. The annual rate of growth in the High Tech sector employment was 1.7% compared with an all industry average of 1.0%. Business Services accounted for a smaller share of growth in Manitoba than in the other provinces.

Inter-Provincial Comparison of Growth Industries Ranked by Growth Rates

How much common ground exists in growth sectors across the four western provinces? Tables 4.2 and 4.3 offer perspective on this with respect to numbers of entities and Tables 4.4 and 4.5 provide similar information on employment. In each of the tables, all sector averages and High Tech performance are included.

Table 4.2 provides a provincial comparison of the 10 largest growth sectors in terms of numbers of new businesses. The data indicate that four industry groups are common across the four provinces and three others occur in at least three of the provinces. The four common sectors ranked by the sum of their positions in each province are:

- *Business Services*
- *Health & Social Services*
- *Transportation*
- *Food & Beverage Services*

Three sectors common to at least three provinces are:

- *Other Services*
- *Wholesale Machinery & Equipment*
- *Investment Intermediaries*

Table 4.2. Inter-Provincial Comparison: Top 10 Growth Industry Groups Ranked by Average Annual Growth in Number of Small Businesses in Western Canada During 1992-1999

Industry Groups	Average Annual Growth in the Number of SMEs				Industry Rank			
	AB	BC	SK	MB	AB	BC	SK	MB
Business Services	979	814	72	56	1	1	3	2
Health & Social Services	271	571	75	100	2	2	2	1
Transportation	247	152	70	51	3	6	4	3
Food & Beverage Services	243	337	34	46	4	3	7	4
Trade Contracting	239	-	-	19	5			7
Other Services	201	131	-	17	6	7		9
Wholesale Machinery & Equipment	157	156	24	-	7	4	9	
Mineral Extraction Services	154	-	26	-	8		8	
Investment Intermediaries	116	152	94	-	9	5	1	
Construction Services	91	-	-	-	10			
Agricultural Services	-	-	16	-			10	
Educational Services	-	-	-	17				8
Food	-	-	46	27			6	5
Membership Organizations	-	-	-	24				6
Other Financial Intermediaries	-	89	-	-		10		
Wholesale Other Products	-	121	-	-		8		
Personal & Household Services	-	-	-	14				10
Real Estate	-	-	52	-			5	
Recreational Services	-	120	-	-		9		
High Tech	1,144	963	101	87				
All Industries	51	48	4	2				

Source: Figures 3.1-3.5

Table 4.3 shows the growth rates in new businesses of the 10 fastest growing sectors of small business formation in Western Canada. Two sectors are common across the four provinces and three others appear in at least three provinces.

Table 4.3. Inter-Provincial Comparison: Top 10 Growth Industry Groups Ranked by Average Annual Compound Growth Rate in Number of Small Businesses in Western Canada During 1992-1999

Industry Groups	Average Annual Growth Rate in the Number of SMEs				Industry Rank			
	AB	BC	SK	MB	AB	BC	SK	MB
Other Financial Intermediaries	18.9%	17.3%	20.2%	15.6%	1	1	1	1
Food	13.4%	9.8%	19.8%	12.2%	2	3	2	2
Construction Services	12.7%	5.7%	-	-	3	7		
Mineral Extraction Services	7.6%	-	8.1%	-	4		6	
Business Services	7.0%	5.39%	-	2.0%	5	10		8
Industrial & Heavy (Eng.) Construction	7.0%	-	-	-	6			
Transportation	5.6%	-	5.4%	4.29%	7		9	6
Wholesale Machinery & Equipment	5.5%	-	-	-	8			
Wholesale Other Products	4.9%	5.43%	-	-	9	8		
Food & Beverage Services	4.4%	-	-	3.0%	10			7
Agricultural Services	-	6.5%	6.4%	-		5	8	
Educational Services	-	6.8%	4.5%	4.6%		4	10	4
Forestry Services	-	13.8%	-	-		2		
Health & Social Services	-	5.41%	-	4.32%		9		5
Investment Intermediaries	-	-	10.5%	-			5	
Non-Store Retail	-	-	13.8%	13.8%			3	3
Other Services	-	-	-	1.3%				10
Personal & Household Services	-	-	-	1.7%				9
Real Estate	-	-	7.6%	-			7	
Wholesale Farm Products	-	-	12.2%	-			4	
Wholesale Food & Drug	-	5.8%	-	-		6		
High Tech	**7.7%**	**5.9%**	**3.0%**	**4.8%**				
All Industries	**4.9%**	**3.7%**	**1.9%**	**3.0%**				

Source: Figures 3.1-3.5

There is greater homogeneity among western provinces in rates of small business growth during 1992-1999, though Alberta and British Columbia still record higher all sector averages of 4.9% and 3.7% respectively, compared with Manitoba (3%) and Saskatchewan (1.9%).

Alberta leads in the growth rates recorded by its top 10 growth industries with annual compound growth rates in the range of 4.4%-18.9%.

Table 4.4 provides the comparison of the average annual number of jobs created by the top 10 job creators. The data indicate that six sectors are common across the four provinces and two others are identified in each of the three prairie provinces. The six common sectors ranked by the sum of their positions in each province are:

- *Food and Beverage Services*
- *Business Services*
- *Health and Social Services*
- *Investment Intermediaries*

- *Deposit Accepting Intermediaries*
- *Retail Food, Beverage and Drug Products*

Table 4.4. Inter-Provincial Comparison: Top 10 Growth Industry Groups Ranked by Average Annual Number of Jobs Created in Western Canada During 1992-1999

Industry Groups	Average Annual Job Growth, # of Employees				Industry Rank			
	AB	BC	SK	MB	AB	BC	SK	MB
Business Services	5,551	4,604	432	176	1	2	3	9
Food & Beverage Services	3,524	4,383	650	1,110	2	3	1	1
Trade Contracting	2,052	-	274	393	3		8	3
Health & Social Services	1,793	4,767	296	600	4	1	6	2
Wholesale Machinery & Equipment	1,525	1,140	244	-	5	4	9	
Transportation	1,470	-	382	368	6		4	4
Investment Intermediaries	1,393	959	634	202	7	5	2	6
Deposit Accepting Intermediaries	1,032	879	351	306	8	6	5	5
Other Services	798	-	-	180	9			8
Retail Food, Beverage & Drug	749	734	231	191	10	8	10	7
Food	-	-	-	128				10
Other Financial Intermediaries	-	755	-	-		7		
Real Estate	-		287	-			7	
Recreational Services	-	677	-	-		10		
Wholesale Other Products	-	679	-	-		9		
High Tech	**6,632**	**5,581**	**610**	**316**				
All Industries	**390**	**326**	**43**	**46**				

Source: Figures 3.6-3.10

Three sectors common to at least three provinces are:

- *Trade Contracting*
- *Wholesale Machinery & Equipment*
- *Transportation*

Table 4.5 provides provincial comparisons of the 10 highest growth rates in small business job creation. The data indicate that two sectors are common across the four provinces and five others appear in at least three provinces.

Table 4.5. Inter-Provincial Comparison: Top 10 Growth Industry Groups Ranked by Average Annual Growth Rate of Small Business Employment in Western Canada During 1992-1999

Industry Groups	Average Annual Compound Growth Rate (Fitted Linear Trendline)				Industry Rank			
	AB	BC	SK	MB	AB	BC	SK	MB
Deposit Accepting Intermediaries	27.4%	-	12.2%	14.2%	1		2	2
Other Financial Intermediaries	22.2%	20.9%	16.8%	16.6%	2	1	1	1
Construction Services	12.2%	-	-	-	3			
Industrial & Heavy (Eng.) Construction	7.0%	-	-	-	4			
Investment Intermediaries	6.79%	4.0%	11.7%	2.6%	5	9	3	10
Wholesale Machinery & Equipment	6.77%	5.1%	3.62%	-	6	6	9	
Fabricated Metal Products	6.6%	-	-	-	7			
Business Services	6.5%	4.6%	3.59%	-	8	7	10	
Transportation	5.9%	-	5.0%	5.4%	9		8	3
Food & Beverage Services	5.4%	4.4%	-	5.0%	10	8		4
Agricultural Services	-	-	7.1%	-			7	
Business Financing Intermediaries	-	18.4%	-	-		2		
Educational Services	-	5.4%	-	3.3%		5		8
Food	-	-	9.3%	4.7%			4	5
Health & Social Services	-	6.6%	-	3.6%		3		7
Logging	-	-	8.4%	-			5	
Real Estate	-	-	8.0%	-			6	
Retail Shoe & Apparel	-	-	-	3.0%				9
Trade Contracting	-	-	-	3.9%				6
Wholesale Hardware & Build.Materials	-	3.8%	-	-		10		
Wholesale Other Products	-	5.6%	-	-		4		
High Tech	**7.0%**	**4.9%**	**4.2%**	**1.7%**				
All Industries	**4.6%**	**2.5%**	**2.8%**	**1.0%**				

Source: Figures 3.6-3.10

The two common industry groups ranked by the sum of their positions in each province are:

- ***Other Financial Intermediaries***
- ***Investment Intermediaries***

The five industry groups common to at least three provinces are:

- *Deposit Accepting Intermediaries*
- *Wholesale Machinery & Equipment*
- *Business Services*
- *Transportation*
- *Food & Beverage services*

Conclusions

Small business activity, in terms of numbers and employment created, was strongest in British Columbia and Alberta. These two provinces had more than 75% of both the population and the work force at the end of the decade. Disparities in population distribution and in population and labour force growth rates requires separation of the absolute growth in numbers from small business growth rates to better understand the changes occurring.

Growth in the absolute numbers of small business was much more apparent in British Columbia and Alberta. There, the top 10 growth sectors had annual average growth in numbers ranging from 979 to 58. In Manitoba and Saskatchewan, new business formations in the highest growth sectors were much lower extending from 100 down to 10. There is some commonality in the industrial composition of the growth in numbers of small businesses in the western provinces. This suggests the broader influences, some national and some international, that made themselves felt in this part of the country. In terms of the numbers of new businesses there were four growth sectors common to all provinces, and three found in three of the provinces. All seven of these were in the service sector.

Growth rates in contrast to absolute growth, while displaying somewhat less disparity, were still higher in sector average terms at 4.9% and 3.7%, respectively, in Alberta and British Columbia compared with 3.0% in Saskatchewan and 1.9% in Manitoba.

Differences in numbers of jobs created reflected the differences in the numbers of new small businesses. In Alberta and British Columbia, the numbers of jobs created in the top 10 employment growth sectors ranged from 5 to 6 times those of Saskatchewan and Manitoba. Six of the top job creating sectors were common to all four provinces and three were common to three of the provinces. In the most rapidly growing sectors of employment, annual growth rates in job creation exceeded 20% in a number of instances in Alberta and British Columbia, while they did not exceed 10% in Manitoba and Saskatchewan.

The study adopts an inclusive definition of High Tech activities but it is clear that growth in this sector is dominated by the Business Services. One would wish for stronger activity reach in other High Tech areas. The numbers and employment in High Tech small businesses show that the locus of these activities is highly concentrated in Alberta and British Columbia with numbers of High Tech small business firms in these provinces ranging from 7 to 9 times the numbers in Saskatchewan and Manitoba.

Methods and Definitions

Dynamic changes characterize a market based economy: firms grow and decline; new firms become active activities (entries); and other firms withdraw from the market and die (exits). Any study of small business would be incomplete without considering the changes — the entries and the exits — to the stock of businesses operating in the market place. The supply of new entrants is a function of expected profitability and therefore involves an investment decision by the entrepreneur. The demand for new entries will depend upon the industry's competitive environment, how much room there is for new firms in the industry, and the ability of the entrant to link successfully to new opportunities. Entries may be reacting to a new niche in the economy, such as an ability to capitalise on new technologies, or new product and service ideas. The importance of new entrants to market change and realignment is determined not only by their birth rate but also by the rate at which they exit the market place, that is to say, by their survival capacity.

This chapter relies on the *Employment Dynamics* data base to evaluate flows into and out of the pool of businesses competing in the market, and on the numbers of firms in continuing operation whose jobs either increase or decrease.

Explanation of Entry and Exit

In the tables that follow the number of entries (births) reported in *Employment Dynamics* are converted to annual entry rates by relating them to the stock of businesses operating in the previous year. Thus, the entry rate for year ***t***, the birth rate, is derived by expressing entries in that year as a percent of businesses operating in ***t-1***, i. e. in the previous year.

The calculation of exit rates, i. e. "death rates", presents a more difficult problem. Those firms exiting the market each year, as reported in *Employment Dynamics*, vary in age. Unfortunately, the data base does not provide information on their age distribution. That is to say, the user of the data base cannot ascertain the number of years that the exiting firm has been in operation. Knowledge of the age distribution of exits is important for a number of reasons, one of which is that it allows estimation of the half life of jobs created by new entrants. In using the data base as made available for this Report, we have had to derive exit rates much more crudely by expressing exits in year *t* as a percent of firms operating in year *t-1*. Thus, the exit rate calculation contains in the numerator all firms, irrespective of age, which have exited the market in a given year. The point is that an annual exit rate calculated in *t*, as a percent of firms operating in *t-1*, has a substantially different interpretation than a similarly calculated entry rate. Some knowledge about the composition of the failure rate of entrants is found in studies carried out by Statistics Canada (Table 5.1).

Table 5.1. Estimated Survival Rates of All Firms in Their First Year of Operation

Province	First year firms in 1980s	First year firms in 1990s
Alberta	0.791	0.745
British Columbia	0.796	0.773
Manitoba	0.740	0.663
Saskatchewan	0.770	0.689

Source: Baldwin *et al, Failure Rates for New Canadian Firms: New Perspectives on Entry and Exit,* (Statistics Canada, Cat. 61-525-XPE, 2000), p. 66

Estimates of the rates of survival in the first year of operation for entrants to the market place during the 1980s and 1990s are summarised for each of the four western provinces in Table 5.1. The table shows that of those firms of all sizes entering business in Alberta during the 1980s, 79.1% survived their first year of operation or, alternatively 20.9%, failed in their first year of operation. The comparable survival rates for the other provinces suggest that the first year survival rates were slightly higher in British Columbia and somewhat lower in Saskatchewan and Manitoba. A comparison with first year survival rates of firms entering in the 1990s indicates that first they were generally lower, and second that the variability across the provinces widened with failure rates in Manitoba and Saskatchewan exceeding 33% and 31%, respectively.

Further evidence of survival rate patterns by province is contained in Table 5.2 which shows the timing of survival rates during the first six years in business of the entrant population during the 1984-1994 period. A cross-province comparison reveals greatest variability in survival during the first two years in business. By the sixth year, 31% of all entrants in Alberta and British Columbia have survived, while the figure for Manitoba and Saskatchewan is 28% .

Table 5.2. Survival Rates of Entrants by Province

Province	Year in business					
	1st	2nd	3rd	4th	5th	6th
Alberta	0.75	0.59	0.48	0.41	0.35	0.31
British Columbia	0.77	0.60	0.49	0.41	0.35	0.31
Manitoba	0.69	0.54	0.45	0.38	0.32	0.28
Saskatchewan	0.71	0.55	0.45	0.38	0.32	0.28

Source: Baldwin *et al, Failure Rates for New Canadian Firms: New Perspectives on Entry and Exit,* (Statistics Canada, Cat. 61-525-XPE, 2000), p. 23

Differences in survival rates between the provinces are likely to be the result of a number of factors including the growth environment, average entrant size, and underlying industry structure.

Table 5.2 reveals that the half life of new entrants is just under 3 years. This aggregate survival rate experience is very much driven by what happens to micro businesses. Micro businesses, because of their numbers, overwhelmingly dominate entries and exits. They also have a much lower survival rate, *i.e.* a much higher failure rate, from the first through the sixth year of their operation. For example, the survival rate in the first year of operation for small and medium sized firms, i.e. those with from 5 to 19.9 employees is approximately 90% in Western Canada [Baldwin *et al*, 2000, p. 94]. Further, for firms of this size, about one half — in contrast to the less than one third of micro businesses — survive through their sixth year of operation. Baldwin *et al* [2000, p.29]point out that micro businesses are less likely to incur sunk costs with scale or financing requirements and generally have lower costs in experimenting with the market [p. 29]. Hence, more small firms are encouraged to take the entry gamble.

The following analysis, crafted with available data, considers the provincial experience in the period 1988 to 1996/97 and says nothing about the years that follow. As reported in the Introduction Section, it is inappropriate to extrapolate the results of this evaluation to the latter 1990s. For example, there is no doubt that Manitoba's economy, as reflected in GDP growth rates, went through a very difficult period of adjustment between 1988 and 1995. In recent years the economy has been much stronger, a situation reflected in the analysis of growth industries in the previous chapter and in the following chapter on intra-provincial regions. On the other hand, British Columbia and Alberta were scarcely touched by the depressed North American economic conditions of the first years of 1990s. These varying circumstances across provinces and over time underscore the importance of tracking, integrating and evaluating entry, exit and survival data on a continuous basis.

Table 5.3 Ratio of Growing to Declining Small Businesses and Entries to Exits, Western Canada and the Rest of Canada, 1988-1997

Business by Size	Ratio Growing to Declining		Ratio Entries to Exits	
	Western Canada	Rest of Canada	Western Canada	Rest of Canada
Small Businesses	1.07	1.09	1.11	1.02
< 5 ALUs	1.13	1.17	1.11	1.03
5-19.9 ALUs	0.91	0.90	1.13	1.00
20-49.9 ALUs	0.92	0.87	1.12	0.97

Source: *Table 5.4*

Small Business Life Status Analysis

Table 5.4 below compares the life status experience of businesses in Western Canada and the rest of Canada over the 1988-1997 period. The table reports the average annual numbers of continuing firms recording increases and decreases in employment, and the average number of entries and exits by firm size.

Table 5.4. Comparison of Small Business Life Status in Western and Rest of Canada[6], 1988-1997

Business by Size	Growing		Declining		Entries		Exits	
	Western Canada	Rest of Canada	Western Canada	Rest of Canada	Western Canada	Rest of Canada	Western Canada	Rest of Canada
Small Businesses	132,968	265,147	124,102	243,021	55,605	98,725	50,072	96,304
< 5 ALUs	101,747	205,007	89,752	175,884	50,477	91,514	45,531	89,070
5-19.9 ALUs	24,579	47,287	27,142	52,353	3,740	5,564	3,304	5,546
20-49.9 ALUs	6,642	12,853	7,208	14,784	1,389	1,646	1,237	1,688
Large Businesses	7,329	11,468	7,042	12,498	1,699	1,917	1,583	1,999
Total All Businesses	140,297	276,615	131,143	255,519	57,305	100,642	51,655	98,302

Source: *Employment Dynamics*

The ratio of average growing and declining small businesses over the years for Western Canada is 1.071 (132,968/124,102) compared with a ratio of 1.091 for Rest of Canada. On the other hand the ratio of growing to declining large businesses exceeded 1 in Western Canada but fell short of 1 in other parts of the country.

For the west, as shown in Table 5.5, the average annual growth in numbers and the accompanying annual growth rates for the continuing businesses, exits and entries during the period. Higher rates for growing small businesses over declining and for entries over exits are driven primarily by the <5 ALU class. Other small business classes present a less favourable picture. Figure 5.1 illustrates data presented in Table 5.4 and Table 5.5.

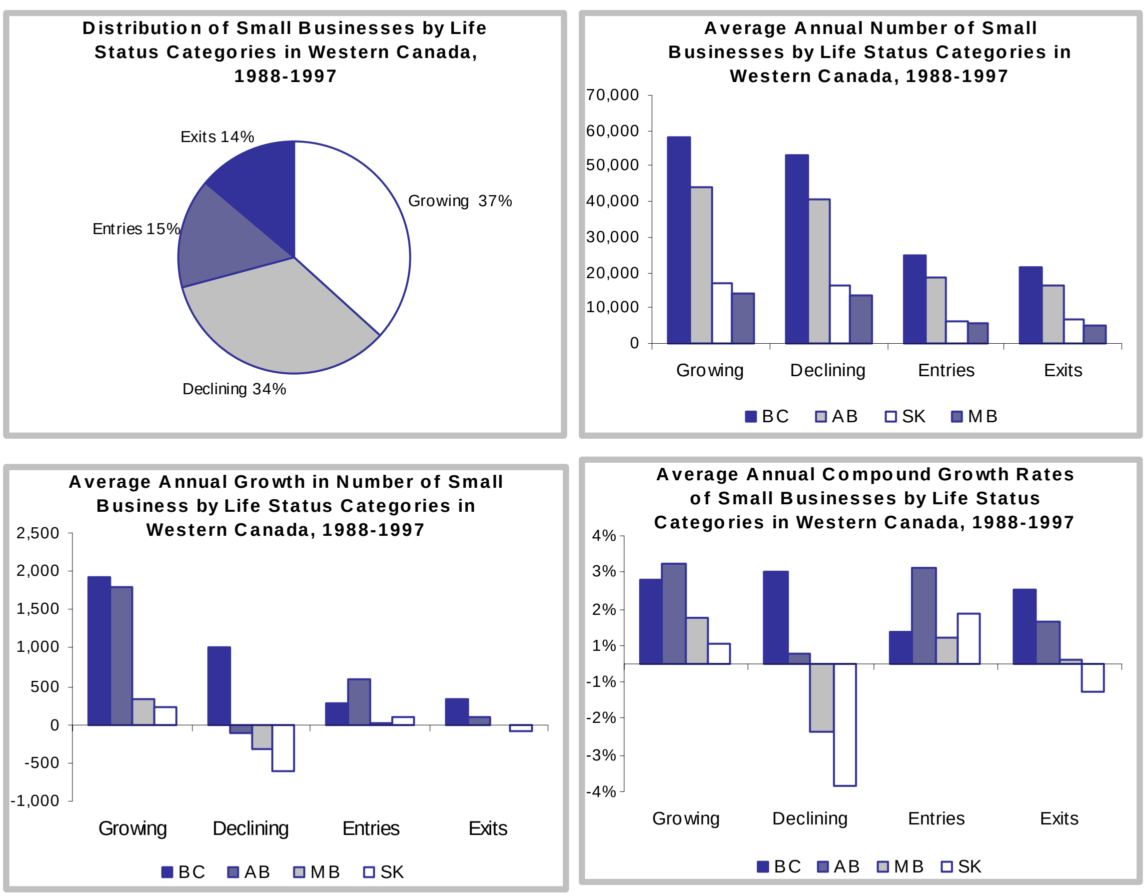
[6] Data for North West Territories are excluded due to suppression

Table 5.5. Western Canada: Small Business Life Status, 1988-1997

Businesses by size	Average Annual Growth by Number in Life Status Categories				Average Annual Compound Growth Rates in Life Status Categories (Fitted Linear Trendline)			
	Growing	Declining	Entries	Exits	Growing	Declining	Entries	Exits
Small Businesses	4,284	(15)	6,600	319	2.1%	0.5%	1.5%	1.2%
< 5 ALUs	3,356	(150)	5,994	216	2.5%	0.4%	1.4%	1.0%
5-19.9 ALUs	814	(84)	423	60	0.8%	0.0%	2.0%	2.4%
20-49.9 ALUs	114	220	182	43	0.7%	2.4%	3.5%	5.0%
Large Businesses	71	220	217	67	0.4%	3.4%	4.4%	6.2%
Total All Businesses	4,355	205	6,817	386	2.0%	0.7%	1.6%	1.3%

Source: *Employment Dynamics*

Figure 5.1. Patterns of Small Business Life Status in Western Canada, 1988-1997



Source: *Employment Dynamics*

The Alberta Experience

The Alberta record for all business classes is found in Tables 5.6 and 5.7 which show the average number of businesses of all life status, the average annual absolute growth in life status categories, and their annual compound rate of growth over the 1988-97 period. In this and the other provincial tables that follow, the first set of four columns shows the annual average numbers of firms in each size category recording growth and decline together with the average annual number of entries and exits.

There were, on average, 44,068 continuing small businesses recording increases in ALUs and 40,691 with decreasing ALUs. Annual average small business entries and exits were 18,869 and 16,530 respectively, or a ratio of 1.14 entries for every 1 exit. The second set of four column shows the average annual growth in each size category. In the case of all small business, the average annual growth in the number of continuing firms with increasing ALUs was 1,804 and the annual average number with decreasing ALUs actually declined by 110. Entries grew on average by 598 and exits by 87. In the final four columns, log linear growth lines were fitted to the annual data to estimate annual rates. The annual growth rate in continuing small businesses with increasing job offerings was 2.7%, while with decreasing job offerings it was 0.3%. The rate of growth in entries was 2.6% and in exits 1.2%. The table reveals that micro businesses exceeded all other size groups by a wide margin in numbers and by a considerable margin in performance. On average, among continuing firms in the 5-19.9 and 20-49.9 groups, those showing increases in ALUs fell short of those recording decreases. Considering entry and exit numbers and growth rates, the performance of the smaller units in the small business sector led the way.

Table 5.6. Alberta: Small Business Life Status, 1988-1997

Businesses by size	Average Annual Number of Businesses by Life Status				Average Annual Growth by Number in Life Status Categories				Average Annual Compound Growth Rates in Life Status Categories (Fitted Linear Trendline)			
	Growing	Declining	Entries	Exits	Growing	Declining	Entries	Exits	Growing	Declining	Entries	Exits
Small Businesses	44,068	40,691	18,869	16,530	1,804	(110)	598	87	2.7%	0.3%	2.6%	1.2%
< 5 ALUs	33,772	29,467	17,082	14,928	1,402	(43)	522	46	3.2%	0.4%	2.5%	0.9%
5-19.9 ALUs	8,091	8,922	1,312	1,170	341	(108)	53	25	1.2%	-0.6%	3.0%	2.8%
20-49.9 ALUs	2,206	2,303	474	432	61	42	22	17	0.9%	1.6%	4.9%	5.7%
Large Businesses	2,365	2,253	513	479	30	56	24	22	0.7%	3.2%	5.0%	6.3%
Total All Businesses	46,433	42,944	19,381	17,009	1,834	(54)	621	109	0.7%	0.4%	2.7%	1.3%

Source: *Employment Dynamics*

Table 5.7 shows the average annual entry and exit numbers for firms over the 1988-1997 period by industry and by small business size class. These annual averages for the small business sector, like others, are strongly influenced by micro business. However, in looking at the results for the 18 industry groups, average annual entries exceeded exits — an entry/exit ration greater than 1 — with the exception of Agriculture.

In micro businesses, levels of entry and exit are largest for Other Service Industries, Business Services, Retail Trade, Construction, Agriculture, and Accommodation/Food/Beverage Services. For the other size classes of small business, Accommodation/Food/Beverage Services, Wholesale and Retail Trade, and Business Services rank at the top of entry and exit activity.

Table 5.7. Alberta: Average Annual Entry and Exit Population by Size of Business and Industry, 1988-1997

Industry	Small Businesses		< 5 ALUs		5-19.9 ALUs		20-49.9 ALUs		Large Businesses	
	Entry	Exit	Entry	Exit	Entry	Exit	Entry	Exit	Entry	Exit
Agricultural and Related Service Industries	1,238	1,439	1,216	1,418	20	19	3	2	2	2
Fishing and Trapping Industries	7	5	7	5	2	0	1	0	0	0
Logging and Forestry Industries	140	116	128	107	9	7	4	3	3	3
Mining, Quarrying and Oil Well Industries	464	343	429	304	26	27	9	12	10	14
Manufacturing Industries	680	575	530	424	89	90	61	60	100	98
Construction Industries	2,149	1,915	1,994	1,764	114	111	41	40	25	23
Transportation and Storage Industries	896	762	834	705	43	40	18	17	18	16
Communication and Other Utility Industries	97	77	85	65	9	8	4	4	7	6
Wholesale Trade Industries	910	760	713	584	120	112	76	65	56	53
Retail Trade Industries	2,075	2,023	1,826	1,780	199	194	50	49	40	38
Finance and Insurance Industries	590	508	537	462	40	34	13	12	22	22
Real Estate Operators and Insurance Agents	599	545	552	501	38	35	10	9	10	12
Business Service Industries	2,453	1,697	2,292	1,561	119	96	42	40	47	40
Government Service Industries	35	32	22	22	8	6	6	4	12	11
Educational Service Industries	124	93	106	77	11	10	7	7	32	32
Health and Social Service Industries	745	547	659	467	66	59	20	21	39	42
Accommodation, Food and Beverage Services	1,279	1,139	971	889	242	196	65	54	48	43
Other Service Industries	2,943	2,660	2,780	2,508	125	114	38	38	35	33

Source: *Employment Dynamics*

The British Columbia Experience

Tables 5.8 and 5.9 summarise the life status experience of businesses in British Columbia. Table 5.8 indicates that within the small business groupings, micro business had the strongest performance. For example, for continuing micro firms, the ratio of those with annual average employment increase to declines was 2.4:1 or 1,565/640.

Table 5.8. British Columbia: Small Business Life Status, 1988-1997

Businesses by size	Average Annual Number of Businesses by Life Status				Average Annual Growth by Number in Life Status Categories				Average Annual Compound Growth Rates in Life Status Categories (Fitted Linear Trendline)			
	Growing	Declining	Entries	Exits	Growing	Declining	Entries	Exits	Growing	Declining	Entries	Exits
Small Businesses	57,901	53,141	24,940	21,500	1,933	1,001	280	323	2.3%	2.5%	0.9%	2.0%
< 5 ALUs	43,836	37,849	23,062	19,922	1,565	640	283	314	2.7%	2.6%	1.0%	2.1%
5-19.9 ALUs	11,133	12,070	1,435	1,203	331	201	(2)	6	0.8%	1.8%	-0.8%	0.0%
20-49.9 ALUs	2,932	3,221	443	375	37	160	(1)	3	0.4%	4.3%	0.8%	1.6%
Large Businesses	2,760	2,559	448	405	40	126	3	3	0.7%	5.3%	1.6%	2.5%
Total All Businesses	60,662	55,700	25,388	21,905	1,973	1,127	283	326	2.2%	2.7%	0.9%	2.0%

Source: *Employment Dynamics*

For small business as a whole, the ratio was 1.9:1 or 1,933/1,001. With respect to the average number of businesses by life status, those growing exceeded those declining only in the micro business group where annual entries exceeded annual exits by a ratio of about 1.2:1.

For all small business the annual growth rate in continuing firms with decreasing ALUs slightly exceeded those with increasing ALUs, and rates of annual growth in exits were more than twice the annual rate of growth in entries. With regard to micro business, the annual growth rate of those with increasing units slightly exceeded those with decreases, but the growth in exits exceeded that in entries.

Table 5.9. British Columbia: Average Annual Entry and Exit Population by Size of Business and Industry, 1988-1997

Industry	Small Businesses		< 5 ALUs		5-19.9 ALUs		20-49.9 ALUs		Large Businesses	
	Entry	Exit	Entry	Exit	Entry	Exit	Entry	Exit	Entry	Exit
Agricultural and Related Service Industries	739	783	712	757	23	23	4	3	2	2
Fishing and Trapping Industries	138	150	132	142	5	7	1	1	0	0
Logging and Forestry Industries	713	696	689	676	21	17	2	3	1	1
Mining, Quarrying and Oil Well Industries	181	175	154	151	18	16	10	9	15	16
Manufacturing Industries	1,074	898	935	759	88	88	51	51	92	88
Construction Industries	3,554	3,211	3,370	3,049	141	126	42	36	28	23
Transportation and Storage Industries	1,035	914	981	863	37	36	18	15	15	13
Communication and Other Utility Industries	114	99	102	86	8	9	4	4	7	6
Wholesale Trade Industries	1,368	1,075	1,177	904	120	110	71	61	53	48
Retail Trade Industries	2,785	2,638	2,570	2,437	179	168	37	33	33	30
Finance and Insurance Industries	935	765	858	708	63	43	15	13	22	22
Real Estate Operators and Insurance Agents	854	743	805	698	38	35	11	11	10	10
Business Service Industries	2,619	1,849	2,439	1,706	135	105	45	38	52	41
Government Service Industries	46	31	29	24	11	4	6	3	8	8
Educational Service Industries	169	111	153	98	13	9	4	4	15	14
Health and Social Service Industries	1,146	734	1,054	671	79	49	13	14	25	23
Accommodation, Food and Beverage Services	1,726	1,504	1,371	1,244	288	216	67	45	36	31
Other Service Industries	3,931	3,543	3,780	3,413	118	103	33	28	25	25

Source: *Employment Dynamics*

Table 5.9 shows the entry/exit record by industry and business size. For small business as a whole annual average entries exceeded exits for all sectors except the primary groups of Agriculture and Fishing/Trapping.

Other Service Industries, Construction, Retail Trade, Business Services, Accommodation/Food/Beverage Services, and Wholesale Trade displayed the largest numbers. For other size classes of small business, entry/exit ratios were almost uniformly positive with the same industry groups named above displaying the most activity.

- The Saskatchewan Experience

The Saskatchewan results are contained in Tables 5.10 and 5.11. Over the 1988-1997 period approximately the same number of continuing small businesses displayed increasing, as opposed to decreasing job opportunities. Micro businesses were responsible for maintaining this balance. In Saskatchewan, however, the ratio of annual average entries to exits was less than 1 (.95/1), a figure very heavily influenced by the high level of micro business exits in the agricultural sector. In other size categories, including large business, the annual entry average exceeded the exit.

The average annual growth in numbers and percentages of increasing ALUs compare very favourably with those continuing businesses with decreasing ALUs.Negative annual entry and exit averages, when coupled with the strong performance of continuing small businesses, are indicative of consolidation in the small business sector.

Table 5.10. Saskatchewan: Small Business Life Status, 1988-1997

Businesses by size	Average Annual Number of Businesses by Life Status				Average Annual Growth by Number in Life Status Categories				Average Annual Compound Growth Rates in Life Status Categories (Fitted Linear Trendline)			
	Growing	Declining	Entries	Exits	Growing	Declining	Entries	Exits	Growing	Declining	Entries	Exits
Small Businesses	16,938	16,648	6,367	6,682	217	(596)	104	(76)	0.6%	-3.3%	1.4%	-0.8%
< 5 ALUs	13,627	12,847	5,673	6,028	149	(507)	65	(100)	0.5%	-3.6%	0.8%	-1.4%
5-19.9 ALUs	2,612	3,029	471	449	59	(96)	29	14	0.4%	-3.1%	6.2%	5.0%
20-49.9 ALUs	698	772	223	205	9	7	10	11	0.6%	0.1%	5.5%	7.4%
Large Businesses	1,002	1,014	321	303	7	16	10	16	0.1%	1.6%	5.4%	8.3%
Total All Businesses	17,940	17,662	6,688	6,985	224	(581)	114	(60)	0.5%	-3.0%	1.5%	-0.4%

Source: *Employment Dynamics*

Industry entry and exit experience is shown in Table 5.11. Most small business activity was found in Agriculture, Other Services, Construction, Retail Trade, Accommodation/Food/Beverage Services, Transportation and Storage, and Wholesale Trade. As in Manitoba, there were a number of industries — Agriculture, Other Services, Construction, Retail Trade, and Real Estate/Insurance — where exits on average exceeded entries, a result strongly affected by micro business. In the larger ALU small business classes, entries and exits were almost evenly balanced.

Table 5.11. Saskatchewan: Average Annual Entry and Exit Population by Size of Business and Industry, 1988-1997

Industry	Small Businesses		< 5 ALUs		5-19.9 ALUs		20-49.9 ALUs		Large Businesses	
	Entry	Exit	Entry	Exit	Entry	Exit	Entry	Exit	Entry	Exit
Agricultural and Related Service Industries	1,612	1,929	1,599	1,918	12	10	2	1	2	2
Fishing and Trapping Industries	6	5	5	5	1	1	0	0	0	0
Logging and Forestry Industries	44	39	40	35	3	2	1	1	1	1
Mining, Quarrying and Oil Well Industries	99	78	74	54	15	14	10	9	16	15
Manufacturing Industries	189	164	145	120	26	25	18	18	52	56
Construction Industries	550	629	471	548	48	51	31	31	23	22
Transportation and Storage Industries	276	250	250	226	17	14	10	9	14	12
Communication and Other Utility Industries	28	26	22	20	4	3	2	3	5	5
Wholesale Trade Industries	247	259	178	192	42	42	27	25	41	42
Retail Trade Industries	694	776	607	686	68	71	20	19	25	23
Finance and Insurance Industries	190	154	172	137	14	13	4	4	11	11
Real Estate Operators and Insurance Agents	161	170	145	152	10	12	6	6	6	6
Business Service Industries	376	313	319	262	37	33	20	18	29	26
Government Service Industries	34	27	22	18	5	4	7	5	12	10
Educational Service Industries	40	32	32	24	5	5	3	3	15	14
Health and Social Service Industries	238	211	200	170	28	27	10	14	19	21
Accommodation, Food and Beverage Services	465	459	356	359	80	75	29	24	22	21
Other Service Industries	701	705	632	638	48	48	21	19	27	26

Source: *Employment Dynamics*

The Manitoba Experience

Tables 5.12 and 5.13 contain Manitoba data on small business life status. When considering all small businesses, the ratios of growing to declining continuing small business and of entries to exits is positive but considerably lower than in either Alberta or British Columbia. The positive ratio of growing to declining businesses is found only in the <5 ALUs class. Entries, on average, about equalled exits for these micro business (4,659/4,653), but exceeded exits in all other groupings.

Table 5.12. Manitoba: Small Business Life Status, 1988-1997

Businesses by size	Average Annual Number of Businesses by Life Status				Average Annual Growth by Number in Life Status Categories				Average Annual Compound Growth Rates in Life Status Categories (Fitted Linear Trendline)			
	Growing	Declining	Entries	Exits	Growing	Declining	Entries	Exits	Growing	Declining	Entries	Exits
Small Businesses	14,061	13,623	5,430	5,360	329	(309)	15	(15)	1.3%	-1.9%	0.7%	0.1%
< 5 ALUs	10,513	9,590	4,659	4,653	240	(239)	(14)	(43)	1.4%	-2.0%	0.3%	-0.7%
5-19.9 ALUs	2,742	3,121	522	482	83	(81)	21	15	0.4%	-2.1%	3.7%	5.0%
20-49.9 ALUs	806	912	249	225	6	11	8	12	1.8%	0.3%	4.4%	7.1%
Large Businesses	1,202	1,215	418	396	(5)	23	14	26	-0.3%	1.3%	6.1%	8.6%
Total All Businesses	15,263	14,838	5,848	5,756	324	(287)	29	26	1.2%	-1.6%	1.1%	0.7%

Source: *Employment Dynamics*

Annual average positive growth was recorded by all categories of continuing small businesses offering increased job opportunities, and negative average growth occurred for two of the three business categories where job opportunities fell. Average annual positive growth in entries (+15) contrasted with negative growth in exits (-15). However, in the case of micro business negative absolute average annual growth for both entries and exits was recorded.

Table 5.13. Manitoba: Average Annual Entry and Exit Population by Size of Business and Industry, 1988-1997

Industry	Small Businesses		< 5 ALUs		5-19.9 ALUs		20-49.9 ALUs		Large Businesses	
	Entry	Exit	Entry	Exit	Entry	Exit	Entry	Exit	Entry	Exit
Agricultural and Related Service Industries	660	752	648	739	11	11	2	1	2	1
Fishing and Trapping Industries	25	29	25	29	0	0	0	0	0	0
Logging and Forestry Industries	34	29	28	24	4	3	2	2	2	2
Mining, Quarrying and Oil Well Industries	26	24	14	14	7	6	5	4	15	15
Manufacturing Industries	217	200	158	136	31	34	28	30	75	80
Construction Industries	579	611	510	542	45	46	24	23	28	27
Transportation and Storage Industries	299	261	268	233	20	18	12	11	15	14
Communication and Other Utility Industries	28	23	24	18	3	3	2	2	5	5
Wholesale Trade Industries	282	284	190	200	55	52	37	33	55	56
Retail Trade Industries	666	690	555	583	85	81	27	25	33	33
Finance and Insurance Industries	198	195	174	172	18	17	6	7	16	17
Real Estate Operators and Insurance Agents	158	164	138	145	15	15	5	5	7	7
Business Service Industries	424	360	353	300	48	41	22	19	40	36
Government Service Industries	26	20	17	12	5	4	5	4	12	12
Educational Service Industries	46	34	37	26	6	5	4	3	24	23
Health and Social Service Industries	244	181	205	147	28	24	11	10	31	31
Accommodation, Food and Beverage Services	441	428	327	324	81	73	33	31	28	24
Other Service Industries	687	687	615	619	50	48	21	20	27	26

Source: *Employment Dynamics*

Considering growth rates, it is apparent that the annual average rates for small continuing businesses of all sizes that displayed increasing job opportunities exceeded the growth rates (in all but one case negative) of continuing businesses with declining job opportunities. Growth rates for entries exceeded growth rates for exits except in the 20-49.9 ALUs class.

The picture for Manitoba large businesses in the aggregate was somewhat less favourable than for small business, a result that suggests the development of a stronger positioning for small business occurred during the period.

Table 5.13 contains Manitoba's average annual entry and exit record by industry. In this case the largest entry/exit activity was in Agriculture, Other Services, Construction, Retail Trade, Accommodation/Food/Beverage Services and Wholesale Trade. In several industries — Agriculture, Fishing/Trapping, Construction, Wholesale Trade, Retail Trade, Real Estate/Insurance — the ratio of annual average entries to exits was less than 1.0. The latter results were driven very much by the micro business sector. In the case of the higher ALU small business classes, entry/exit ratios were generally close to 1.

Comparative Entry and Exit Rates by Size of Business Entry

Table 5.14 is a comparison of entry and exit rates by size of business for the four western provinces, Western Canada, and the rest of the country. To repeat, these rates express entries and exits in ***t*** as a percent of the stock of firms in ***t – 1***. Entry rates for all small businesses in the west was nearly 2 percentage points higher (18.1% vs. 16.3%) than in the rest of the country. Second, Table 5.14 reveals that rates are dominated by the micro-business sector. The micro-business entry rate in the west was 21.3%, which compares with the rate of 19.6% elsewhere in the country. Third, as small business entrant size rises, rates decline sharply to 6.8% and 9.2%, but are still markedly above the 5.1% and 4.9% in other parts of the country. Fourth, there is considerable inter-provincial variation. Across the western provinces entry rates for all small business ranged from 18.9% in British Columbia, the province with the highest rate of population growth, to 15.8% in Saskatchewan, the province with the lowest rate of population growth. For micro-businesses the range is greater — from 22.8% in British Columbia to 17.5% in Saskatchewan.

The crude exit rate for all small business in the west was 16.5%, slightly above the exit rate of 16.0% found elsewhere. Western exit rates for all size classes of small businesses exceeded those in the rest of the country. Provincially, exit rates showed little variation.

Table 5.14. Average Annual Entry and Exit Rates for Businesses by Size in Western Canada and the Rest of Canada, 1988 –1997

Size of Business	Alberta		British Columbia		Manitoba		Saskatchewan		Western Canada		Rest of Canada	
	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate
Total Small Businesses	18.6%	16.6%	18.9%	16.6%	16.4%	16.2%	15.8%	16.4%	18.1%	16.5%	16.3%	16.0%
< 5 ALUs	21.8%	19.4%	22.8%	20.2%	18.8%	18.8%	17.5%	18.3%	21.3%	19.5%	19.6%	19.0%
5-19.9 ALUs	7.2%	6.6%	5.9%	5.0%	8.2%	7.8%	7.8%	7.6%	6.8%	6.1%	5.1%	5.3%
20-49.9 ALUs	9.6%	9.1%	6.8%	5.9%	12.7%	11.8%	13.3%	12.7%	9.2%	8.5%	4.9%	5.4%
Total Large Businesses	10.0%	9.7%	7.9%	7.2%	14.8%	14.4%	13.8%	13.6%	10.6%	10.2%	7.0%	7.5%
Total All Businesses	18.2%	16.3%	18.4%	16.3%	16.3%	16.1%	15.7%	16.3%	17.7%	16.2%	16.1%	15.7%

Source: *Employment Dynamics*

Comparative Entry and Exit Rates by Industry Sector

Table 5.15 provides data on entry and exit rates for aggregate small business covering the four provinces, the west, and the rest of the country.

The table reveals that regionally, entry rates are uniformly higher in the west with two exceptions — Mining and Oil Drilling and Educational Services. Provincially, there is considerable commonality in the six sectors that rank highest in entry rates in each province:

Accommodation/Food/Beverage Services: common to all 4 provinces;
Transportation/Storage: common to Alberta, Saskatchewan and Manitoba;
Fishing/Trapping: common to Alberta, Saskatchewan and Manitoba;
Logging/Forestry: common to Alberta, Saskatchewan and Manitoba;
Mining and Oil Drilling: common to British Columbia, Saskatchewan and Manitoba;
Communication/Other Utilities: common to British Columbia, Alberta and Manitoba;
Business Services: common to British Columbia, Alberta and Saskatchewan.

Table 5.15. Average Annual Entry and Exit Rates for Small Businesses by Industry in Western Canada and the Rest of Canada, 1988-1997

	Alberta		British Columbia		Saskatchewan		Manitoba		Western Canada		*Rest of Canada*	
Industry	**Entry Rate**	**Exit Rate**	**Entry Rate**	**Exit Rate**	**Entry Rate**	**Exit Rate**	**Entry Rate**	**Exit Rate**	**Entry Rate**	**Exit Rate**	**Entry Rate**	**Exit Rate**
Agriculture & Services	14.4%	16.5%	14.4%	15.1%	14.2%	16.7%	15.2%	17.0%	14.4%	16.4%	12.7%	14.1%
Fishing & Trapping	45.8%	39.4%	18.8%	20.4%	34.1%	30.6%	28.3%	29.8%	20.7%	22.0%	15.5%	12.3%
Logging & Forestry	27.7%	23.3%	18.4%	18.0%	23.3%	21.0%	28.3%	26.1%	20.1%	18.9%	21.3%	19.5%
Mining & Oil	17.3%	13.3%	23.7%	22.8%	20.7%	16.8%	23.8%	23.8%	18.2%	15.9%	19.0%	16.2%
Manufacturing	17.3%	14.8%	15.8%	13.3%	16.3%	14.2%	13.1%	13.2%	15.4%	13.8%	13.6%	12.5%
Construction	18.2%	16.3%	20.2%	18.1%	16.2%	18.0%	16.5%	17.6%	18.6%	17.5%	15.1%	15.8%
Transportation & Storage	20.1%	17.5%	18.2%	16.2%	20.2%	18.4%	22.2%	20.0%	19.1%	17.3%	17.4%	15.3%
Communication & Other Utility	21.3%	17.6%	20.0%	17.4%	19.4%	18.2%	21.4%	18.5%	19.7%	17.7%	18.3%	15.5%
Wholesale Trade	16.2%	13.7%	17.1%	13.7%	12.4%	13.0%	12.9%	13.1%	15.7%	13.5%	13.9%	12.6%
Retail Trade	16.3%	15.9%	15.6%	14.8%	13.3%	14.8%	14.5%	15.0%	15.4%	15.2%	14.0%	14.9%
Finance & Insurance	18.2%	15.8%	19.6%	16.1%	17.6%	14.6%	14.0%	13.8%	17.9%	15.5%	16.1%	14.7%
Real Estate & Insurance	15.1%	13.9%	14.5%	12.7%	13.3%	14.0%	12.0%	12.4%	14.2%	13.2%	12.2%	12.5%
Business Services	20.0%	14.5%	20.2%	14.8%	19.9%	17.0%	19.2%	16.8%	19.9%	15.0%	18.4%	15.0%
Educational Services	14.6%	11.2%	16.7%	11.3%	15.1%	12.1%	13.9%	10.4%	14.8%	11.2%	17.4%	12.7%
Health & Social Services	10.7%	7.9%	12.5%	8.2%	12.5%	11.1%	11.6%	8.6%	11.8%	8.4%	10.9%	8.2%
Accom., Food & Beverage Services	23.1%	20.8%	20.1%	17.8%	19.6%	19.4%	19.7%	19.2%	20.9%	19.1%	19.2%	18.3%
Other Services	19.2%	17.4%	20.3%	18.3%	15.0%	15.0%	14.6%	14.5%	18.7%	17.2%	18.1%	18.3%

Source: *Employment Dynamics*

Exit rates in the west also generally exceed those in the rest of the country with the exception of Logging & Forestry, Mining & Oil Drilling, Educational Services and Other Services. Provincially, there is again considerable commonality across the four sectors that rank highest in exit rates in each province:

Accommodation/Food/Beverage Services: common to all 4 provinces;
Fishing/Trapping: common to all 4 provinces;
Logging/Forestry: common to all four provinces;
Transportation/Storage: common to Alberta, Saskatchewan and Manitoba;
Communication/Other Utilities: common to Alberta, Saskatchewan and Manitoba.

As a general rule, within the sectors, high entry rates are positively related to high exit rates.

The industry results in Table 5.15 for all small business will again be very much influenced by micro-business. The micro-business results in Table 5.16 reveal extremely high entry and exit rates for some sectors across all provinces. These include the primary activities of Fishing/Trapping (excluding British Columbia) and Logging/Forestry in the goods sector, and Accommodation/Food/Beverages together with Communications/Other Utilities in the service sector.

Table 5.16. Western Canada: Average Annual Entry and Exit Rates by Industry for Businesses With Less Then 5 ALUs, 1988-1997

Industry	Alberta		British Columbia		Saskatchewan		Manitoba		Western Canada	
	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate
Agriculture & Services	15.00%	15.70%	14.30%	15.70%	14.90%	17.00%	15.7%	16.90%	14.9%	17.0%
Fishing & Trapping	52.10%	20.00%	32.80%	28.90%	21.70%	22.80%	28.9%	27.90%	21.7%	22.8%
Logging & Forestry	30.70%	22.30%	26.00%	29.20%	23.80%	22.50%	29.2%	23.10%	23.8%	22.5%
Mining & Oil	21.20%	26.90%	23.90%	22.30%	21.50%	18.30%	22.3%	18.50%	21.5%	18.3%
Manufacturing	24.30%	22.90%	21.20%	18.20%	21.80%	18.90%	18.2%	17.60%	21.8%	18.9%
Construction	21.10%	23.40%	17.20%	17.80%	21.30%	19.90%	17.8%	19.40%	21.3%	19.9%
Transportation & Storage	22.80%	21.10%	22.30%	24.70%	21.80%	19.60%	24.7%	20.40%	21.8%	19.6%
Communication & Other Utility	26.00%	24.50%	22.30%	26.10%	24.00%	20.80%	26.1%	20.70%	24.0%	20.8%
Wholesale Trade	21.30%	23.10%	15.10%	15.20%	20.60%	17.50%	15.2%	16.10%	20.6%	17.5%
Retail Trade	21.00%	20.60%	16.70%	18.40%	20.00%	19.70%	18.4%	18.70%	20.0%	19.7%
Finance & Insurance	19.50%	21.30%	20.30%	15.10%	19.60%	17.00%	15.1%	16.80%	19.6%	17.0%
Real Estate & Insurance	17.50%	16.90%	15.00%	13.70%	16.50%	15.20%	13.7%	15.70%	16.5%	15.2%
Business Services	22.20%	23.40%	22.40%	20.90%	22.50%	16.80%	20.9%	19.00%	22.5%	16.8%
Government Services	10.20%	18.10%	3.30%	9.20%	7.40%	6.10%	9.2%	2.70%	7.4%	6.1%
Educational Services	16.80%	22.30%	19.50%	17.00%	18.40%	13.40%	17.0%	14.10%	18.4%	13.4%
Health & Social Services	13.90%	15.10%	14.90%	13.80%	14.60%	10.10%	13.8%	12.80%	14.6%	10.1%
Accom., Food & Beverage Services	31.50%	29.10%	24.80%	26.10%	28.90%	27.10%	26.1%	25.00%	28.9%	27.1%
Other Services	21.50%	22.90%	16.40%	16.20%	21.00%	19.30%	16.2%	16.50%	21.0%	19.3%

Source: *Employment Dynamics*

Table 5.17. Western Canada: Average Annual Entry and Exit Rates by Industry for Businesses With 5 to 19 ALUs, 1988-1997

Industry	Alberta		British Columbia		Saskatchewan		Manitoba		Western Canada	
	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate
Agriculture & Services	4.7%	4.5%	4.5%	4.3%	6.3%	5.4%	5.4%	5.5%	4.8%	4.7%
Fishing & Trapping	15.0%	20.4%	8.2%	11.8%	33.3%	29.6%	16.7%	11.1%	10.0%	13.3%
Logging & Forestry	12.5%	9.1%	3.4%	2.8%	9.9%	8.8%	19.0%	18.1%	4.8%	4.0%
Mining & Oil	5.5%	5.8%	12.7%	11.2%	12.7%	12.0%	22.2%	22.3%	8.1%	8.4%
Manufacturing	7.6%	7.8%	4.7%	4.6%	7.9%	7.8%	6.3%	7.0%	5.9%	6.1%
Construction	6.4%	6.2%	5.6%	4.9%	9.5%	9.9%	9.0%	9.5%	6.4%	6.2%
Transportation & Storage	7.2%	6.8%	4.6%	4.5%	9.3%	7.7%	10.0%	9.2%	6.3%	6.1%
Communication & Other Utility	8.8%	8.0%	7.5%	7.8%	13.0%	10.4%	10.2%	12.1%	8.5%	8.6%
Wholesale Trade	7.6%	7.2%	6.0%	5.5%	7.1%	7.0%	8.5%	8.1%	6.9%	6.6%
Retail Trade	5.8%	5.7%	4.0%	3.7%	5.0%	5.2%	6.5%	6.3%	5.0%	4.9%
Finance & Insurance	10.8%	9.0%	11.1%	7.5%	7.6%	7.3%	9.4%	9.1%	9.8%	8.0%
Real Estate & Insurance	5.7%	5.2%	4.3%	3.9%	5.1%	5.9%	5.9%	5.7%	5.0%	4.7%
Business Services	7.8%	6.4%	6.8%	5.4%	10.8%	9.9%	12.0%	10.3%	7.9%	6.6%
Government Services	9.5%	7.8%	10.9%	4.7%	4.8%	3.3%	6.3%	4.9%	8.1%	4.9%
Educational Services	7.5%	7.0%	5.4%	3.9%	8.9%	9.7%	8.3%	6.6%	6.6%	5.7%
Health & Social Services	3.4%	3.1%	4.2%	2.7%	6.3%	6.1%	5.6%	4.8%	4.2%	3.3%
Accom., Food & Beverage Services	13.3%	10.9%	10.3%	7.8%	11.6%	10.9%	11.0%	10.1%	11.3%	9.3%
Other Services	6.4%	5.9%	4.9%	4.3%	7.2%	7.0%	6.9%	6.7%	5.9%	5.5%

Source: *Employment Dynamics*

In Table 5.17 reporting on the 5-19.9 size group, rates are substantially lower than in Table 5.16. In relative terms, high rates are apparent in Accommodation/Food/Beverage Services in all provinces, in Logging/Forestry in Manitoba, in Fishing/Trapping in Alberta, Saskatchewan and Manitoba, and in Mining/Oil Extraction in British Columbia, Saskatchewan and Manitoba.

In Table 5.18 entry and exit rates for the 20-49.9 group are led by: Logging/Forestry in Alberta, Saskatchewan and Manitoba; Mining/Oil Extraction in British Columbia, Saskatchewan and Manitoba; and Manufacturing in Alberta, Manitoba and Saskatchewan; by Communication and Other Utilities in all provinces; by Wholesale Trade in Alberta, Saskatchewan and Manitoba; by Business Services in Alberta, Saskatchewan and Manitoba; by Government Services in Saskatchewan and Manitoba; by Accommodation/Food/Beverage Services in Alberta, Saskatchewan and Manitoba; and by Other Services in Saskatchewan and Manitoba.

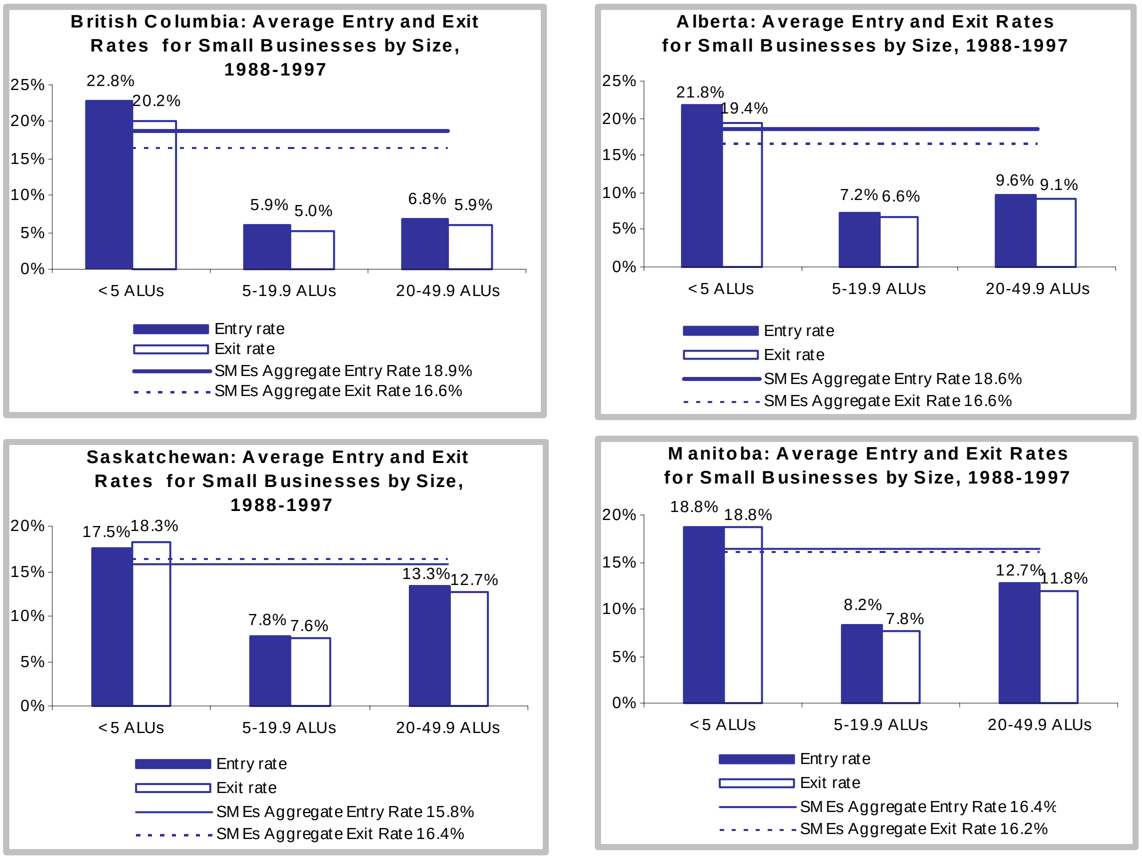
Table 5.18. Western Canada: Average Annual Entry and Exit Rates by Industry for Businesses With 20 to 49 ALUs, 1988-1997

Industry	Alberta		British Columbia		Saskatchewan		Manitoba		Western Canada	
	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate
Agriculture & Services	7.5%	7.7%	6.9%	5.9%	16.4%	12.0%	5.9%	6.7%	6.9%	7.0%
Fishing & Trapping	0.0%	0.0%	8.6%	9.7%	0.0%	0.0%	0.0%	0.0%	9.9%	10.9%
Logging & Forestry	18.1%	18.3%	1.5%	1.6%	18.6%	24.1%	46.7%	43.9%	4.5%	4.8%
Mining & Oil	5.7%	7.7%	19.6%	18.4%	20.9%	18.7%	36.3%	31.4%	12.0%	12.5%
Manufacturing	10.6%	10.4%	6.2%	6.2%	12.3%	12.5%	10.8%	11.5%	8.6%	8.8%
Construction	8.2%	8.1%	7.5%	6.3%	20.7%	20.6%	17.2%	16.6%	10.2%	9.5%
Transportation & Storage	9.7%	9.1%	7.4%	6.1%	14.8%	14.5%	17.9%	16.2%	10.2%	9.3%
Communication & Other Utility	12.6%	12.8%	10.0%	10.2%	14.5%	17.9%	14.8%	16.4%	11.4%	12.5%
Wholesale Trade	11.3%	9.7%	8.6%	7.3%	12.8%	11.9%	13.1%	11.7%	10.7%	9.2%
Retail Trade	8.0%	7.9%	4.4%	4.0%	8.9%	8.7%	9.8%	9.0%	6.8%	6.4%
Finance & Insurance	12.1%	11.8%	9.7%	8.8%	9.2%	8.5%	9.4%	11.3%	9.9%	9.9%
Real Estate & Insurance	7.3%	6.8%	5.1%	4.9%	16.7%	16.0%	9.6%	8.7%	7.2%	6.8%
Business Services	10.7%	10.4%	9.3%	7.9%	17.4%	15.5%	19.7%	17.2%	11.6%	10.4%
Government Services	7.8%	6.6%	10.1%	5.2%	33.4%	25.1%	19.7%	17.5%	13.8%	10.1%
Educational Services	9.5%	9.5%	4.5%	5.3%	7.2%	7.7%	8.6%	8.9%	7.1%	7.4%
Health & Social Services	7.2%	7.3%	4.2%	4.4%	7.7%	10.1%	8.8%	8.0%	6.2%	6.7%
Accom., Food & Beverage Services	10.6%	8.9%	6.5%	4.4%	12.1%	10.2%	13.2%	12.4%	9.0%	7.2%
Other Services	9.0%	9.0%	6.8%	5.8%	12.8%	11.9%	11.6%	11.1%	9.1%	8.3%

Source: *Employment Dynamics*

Aggregate entry and exit rates by size class for the provinces are found in Figure 5.2.

Figure 5.2. Average Annual Entry and Exit Rates for Small Businesses by Size in Western Canada, 1988 -1997



Source: *Employment Dynamics*

Variability in Entry and Exit Rates

Tables 5.19 reports a measure of variation in entry and exit rates for small business size classes by industry for Western Canada and each of the provinces. Such a measure gives some indication how different industry experience is with respect to "births" — new firm involvement in particular markets — and the departure of existing firms from the market scene. This table reports the unweighted mean, standard deviation (SD) and coefficient of variation (SD/Mean) expressed as a percentage for Canada, Western Canada, and the four provinces. The numbers in these tables were derived by calculating the mean, standard deviation, and the coefficient of variation of average annual industry entry and exit rates as reported in previous tables.

The most striking feature of the table is the range in the coefficient of variation values. While the coefficient of variation for entries in Western Canada as a whole is approximately the same as that for the nation, the provincial coefficients range from a maximum of 60.4% in Manitoba to a low of 16.0% in British Columbia. The coefficient of variation for exits in Western Canada is slightly higher than the Canadian but, as in entries, the provincial range is wide — from a high of 41.0% in Alberta to a low of 23.5% in British Columbia.

Table 5.19. Western Canada: Coefficients of Variation for Average Annual Entry and Exit Rates for Small Businesses by Industries , 1988-1997

	Alberta		British Columbia		Saskatchewan		Manitoba		Western Canada	
	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate
Mean	0.19	0.17	0.18	0.16	0.17	0.16	0.14	0.16	0.17	0.15
St Dev	0.08	0.07	0.03	0.04	0.06	0.05	0.09	0.06	0.03	0.04
Coefficient of Variation	41.0%	41.0%	16.0%	23.5%	35.6%	33.5%	60.4%	35.6%	20.7%	25.1%

Source: *Employment Dynamics*

Table 5.20 contains the Western Canadian record for the 3 size classes of small business. Coefficients of exit rates in all size classes are uniformly higher than coefficients of entry rates with the largest variation in both entry and exit found in the 5-19.9 ALU class.

Table 5.20. Western Canada: Coefficients of Variation in Average Annual Entry and Exit Rates For Industry Sectors by Small Business Size Classes, 1988-1997

	Small Businesses		< 5 ALUs		5-19.9 ALUs		20-49.9 ALUs	
	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate	Entry Rate	Exit Rate
WESTERN CANADA								
Mean	0.17	0.15	0.20	0.18	0.07	0.06	0.09	0.09
St Dev	0.03	0.04	0.05	0.05	0.02	0.02	0.02	0.02
Coefficient of Variation	**20.7%**	**25.1%**	**23.0%**	**26.5%**	**29.1%**	**36.3%**	**25.7%**	**24.2%**
ALBERTA								
Mean	0.19	0.17	0.23	0.19	0.08	0.08	0.09	0.09
St Dev	0.08	0.07	0.09	0.08	0.03	0.04	0.04	0.04
Coefficient of Variation	**41.0%**	**41.0%**	**39.9%**	**39.0%**	**38.3%**	**48.2%**	**39.2%**	**39.3%**
BRITISH COLUMBIA								
Mean	0.18	0.16	0.22	0.19	0.07	0.06	0.08	0.07
St Dev	0.03	0.04	0.04	0.04	0.03	0.03	0.04	0.04
Coefficient of Variation	**16.0%**	**23.5%**	**16.7%**	**21.8%**	**43.3%**	**46.3%**	**49.7%**	**52.5%**
SASKATCHEWAN								
Mean	0.17	0.16	0.19	0.18	0.10	0.09	0.14	0.14
St Dev	0.06	0.05	0.06	0.05	0.06	0.06	0.07	0.06
Coefficient of Variation	**35.6%**	**33.5%**	**32.4%**	**29.7%**	**65.4%**	**61.5%**	**49.8%**	**45.3%**
MANITOBA								
Mean	0.14	0.16	0.19	0.18	0.10	0.09	0.15	0.14
St Dev	0.09	0.06	0.06	0.06	0.05	0.05	0.11	0.10
Coefficient of Variation	**60.4%**	**35.6%**	**29.4%**	**32.3%**	**46.8%**	**49.3%**	**71.9%**	**68.1%**

Source: *Employment Dynamics*

Several features of this table deserve attention. The first is the relative uniformity in entry and exit variation across size classes in the case of Alberta. In contrast, in the other three provinces, coefficients of variation increase with class size. Second, British Columbia displays the lowest industry dispersion in entry and exit rates for the micro business class. Third, dispersion about average entry and exit rates for the 5-19.9 ALU class is higher in Manitoba and Saskatchewan than in the other two provinces. However, in the 2-49.9, group Alberta coefficients are below those of the other three provinces.

Entrepreneurial Activity

The *Employment Dynamics* database, if combined with population estimates, allows a measure of entrepreneurial activity in Western Canada and comparisons with other parts of the country. We have seen previously in Chapter 1 (Table 1.2) that the west depends on small business substantially more than other parts of the country. Does the rate of entry, *i.e*. new starts, as reported in *Employment Dynamics* reveal similar differences when related to a measured of demographic change?

Table 5.21. Average Annual Small Business Entries per Hundred Population Aged 15 and Over, 1988-1997

tion	**Entries per hundred of population**
Alberta	*0.95*
British Columbia	*0.91*
Saskatchewan	*0.86*
Manitoba	*0.65*
Western Canada	**0.88**
Other Parts of Canada	**0.62**

Source: *Employment Dynamics* and *Labour Force Survey*

Average annual entries per hundred of the age eligible labour force are found in Table 5.21. The results indicate that start-ups, adjusted for demography, are over 40% more frequent in Western Canada. In both Alberta and British Columbia, there was almost 1 person in every 100, on average, starting up a business annually during the period. And this figure is a lower bound because *Employment Dynamics* does not include the unincorporated self-employed *without paid help*.

Conclusions

Employment Dynamics has permitted examination of births, changes and deaths among small business firms in Western Canada. One significant finding in this chapter is that entrepreneurial activity measured by small firm births per capita is about 40% greater in Western Canada than it is in the rest of the country. This knowledge, when coupled with the previous findings that small business numbers per capita and the share of jobs in small business is greater in the west, lead to a very strong conclusion: the place of small business is more important in Western Canada.

The measure of entry rates adopted in the chapter is far superior to the measure of exit rates. Entry is about the birth of a new enterprise. Entry rates are higher in the west. The exit rate is about is about going out of business. Our measure simply states exits as a percent of enterprises in operation in the previous year. Unfortunately the data available for use does not permit us to comment about many things. We have no profile of the exits except how many employees the firm had at the time of exit. We do not know how long the exiting firm was in operation, what its growth path was, or what kind of growth and decline patterns were experienced. In short, our profile of an exiting firm is inadequate. To understand exits more fully, longitudinal micro-data are required that would permit the tracking of a group of new entrants so that profiles of growth and change can be developed.

It is also clear that across the four provinces there is considerable variation within each industrial sector about the place of entries, continuing firms and exits in meeting market demands and in whatever assessments they may have of market opportunity and profitability.

6. SMALL BUSINESS GROWTH IN ECONOMIC REGIONS OF WESTERN CANADA

Methods and Definitions

The intra-provincial growth considered here focuses on the 27 regions of Western Canada identified in the *Labour Force Survey*. Data sources are the *Labour Force Survey* and *Canadian Business Pattern*. Results are derived by combining small business entities with 1-49 employees and the unincorporated self-employed *without paid help*. The numbers working without pay in the family business are excluded. The period selected for analysis is 1995-1999, a choice dictated in part by the fact that the boundaries of the intra-provincial regions in British Columbia were changed in 1995. Provincial comparability prior to 1995 was therefore not possible.

Growth and Concentration of Small Businesses in Economic Regions

The Alberta Experience

The economic regions identified for Alberta in the *LFS* are found in Table 6.1. The geographic boundaries of all economic regions are found in the map appendix to this chapter. In Alberta, the economic regions of Calgary and Edmonton accounted consistently for more than half (56.8%) of all small businesses in the province during 1995-1999, or almost 150,000 enterprises (Figure 6.1). On average, there were almost 80,000 small businesses operating in Calgary and slightly over 70,000 in Edmonton. In all other economic regions, the average annual number of small businesses did not exceed 25,000. Economic regions with medium concentration of small businesses were Athabasca/Grande Prairie/Peace River, Lethbridge/Medicine Hat, Camrose/Drumheller, and Red Deer, accounting in total for the average annual share of 34.8% or 91,500 small businesses. The lowest concentrations of small businesses were observed in the economic regions of Banff/Jasper/Rocky Mountain House and Wood Buffalo/Cold Lake, constituting on average 8.4% or 22,000 of all small businesses.

Table 6.1. Alberta: Small Business Trends in Economic Regions, 1995-1999

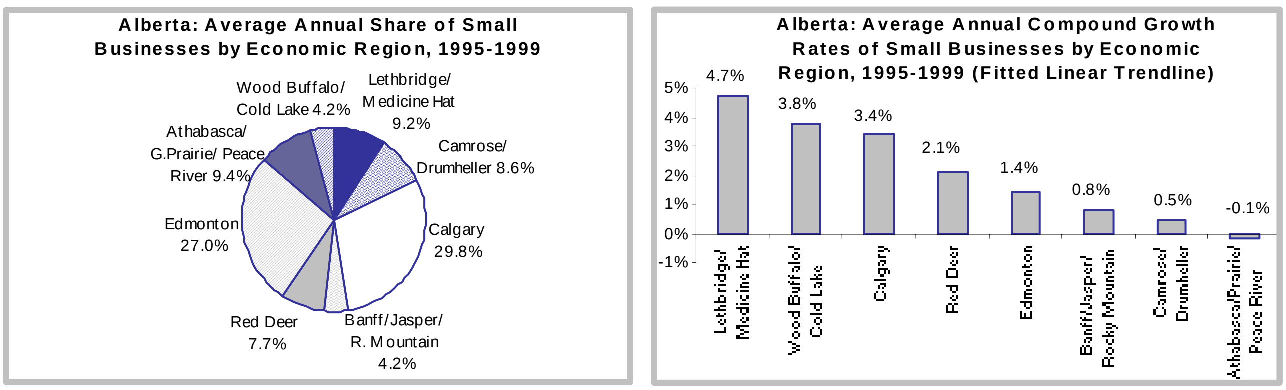
Economic Regions	Average Annual Number (000's)	Average Annual Growth in Number	Average Annual Share, %	Average Annual Compound Growth Rate (Fitted Linear Trendline)
Lethbridge/ Medicine Hat	24.1	887	9.2%	4.7%
Camrose/Drumheller	22.6	50	8.6%	0.5%
Calgary	78.4	1,893	29.8%	3.4%
Banff/Jasper/Rocky Mountain House	11.1	88	4.2%	0.8%
Red Deer	20.2	86	7.7%	2.1%
Edmonton	71.2	948	27.1%	1.4%
Athabasca/Grande Prairie/Peace River	24.6	-265	9.4%	-0.1%
Wood Buffalo/Cold Lake	11.0	354	4.2%	3.8%

Source: Special runs of *Canadian Business Patterns* and *Labour Force Survey*

From 1995 to 1999 the Calgary economic region also reported the highest average annual growth in the number of small businesses with 1,893 small firms forming each year. In the Edmonton region, annual small business formation averaged 948 firms. Lethbridge/Medicine Hat ranked third, reporting growth of 887 small businesses per year, while in Wood Buffalo/Cold Lake average growth was 354 small businesses per year. Other economic regions had average annual increases of less than 100 small businesses per region.

When growth rates are considered, the Lethbridge/Medicine Hat area recorded the highest annual growth rate at 4.7%, followed by Wood Buffalo/Cold Lake with 3.8% and then Calgary with 3.4%. The only economic region which showed decline in the small business formation was Athabasca/Grande Praririe/Peace River, where 265 small businesses exited for an average annual rate of decline of -0.1%. This result may have been influenced by farm conditions in the region during the period.

Figure 6.1. Alberta: Small Business Trends in Economic Regions, 1995-1999



Source: Special runs of *Canadian Business Patterns* and *Labour Force Survey*

The British Columbia Experience

British Columbia regions are found in Table 6.2. During 1995-1999 in British Columbia, the Lower Mainland/Southwest, Vancouver Island/Coast and Thompson/Okanagan economic regions had, on average, 86.7% of all small businesses in the province, or 285,000 firms (Table 6.2). Over half of the small businesses (55.2 %) are located in the Lower Mainland/Southwest. In Vancouver Island/Coast, there were about 60,000 small businesses (18.3% of the total) while in Thompson/Okanagan, the 43,200 small firms amounted to 13.2% of the total. All other economic regions had small business populations of less than 20,000 and together accounted for 13.3% of the total.

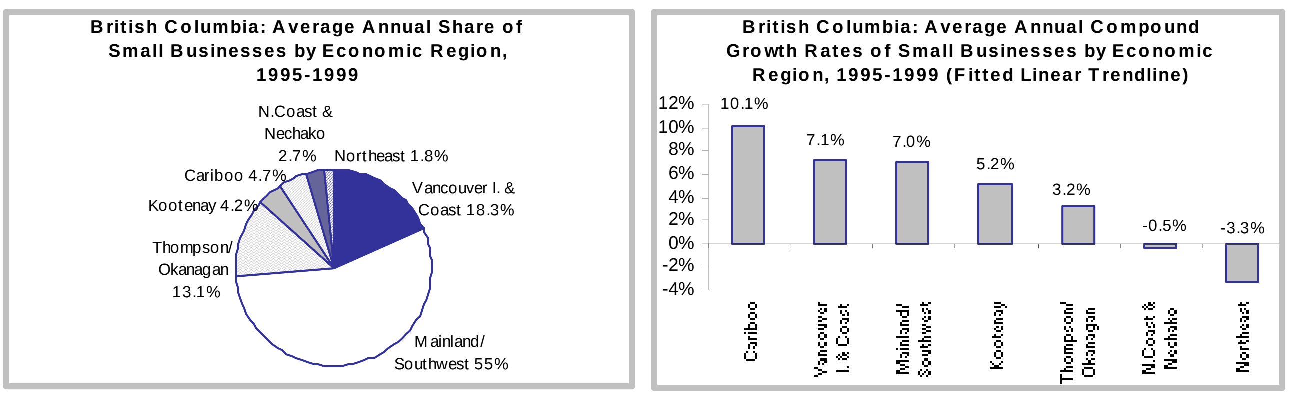
In terms of the growth in numbers and in rates, the Lower Mainland/Southwest economic region reported an annual growth in the number of small business of 11,910 per year, a compound growth rate of 7%. Vancouver Island/Coast showed the second highest result for small business growth in number and pace, almost 4,000 new firms per year and a growth rate of 7.1%. The fastest rate of small business formation occurred in the Cariboo region where, on average, 1,330 businesses annually emerged. This is a compound growth rate of 10.1%, the highest of any region in Western Canada.

Table 6.2. British Columbia: Small Business Trends in Economic Regions, 1995-1999

Economic Regions	Average Annual Number (000's)	Average Annual Growth in Number	Average Annual Share, %	Average Annual Compound Growth Rate (Fitted Linear Trendline)
Vancouver Island/Coast	60.3	3,903	18.3%	7.1%
Lower Mainland/Southwest	181.5	11,910	55.2%	7.0%
Thompson/Okanagan	43.2	511	13.2%	3.2%
Kootenay	13.7	628	4.2%	5.2%
Cariboo	15.4	1,330	4.7%	10.1%
North Coast/Nechako[7]	8.7	-159	2.6%	-0.5%
Northeast	5.8	-80	1.8%	-3.3%

Source: Special runs of *Canadian Business Patterns* and *Labour Force Survey*

Figure 6.2. British Columbia: Small Business Trends in Economic Regions, 1995-1999



Source: Special runs of *Canadian Business Patterns* and *Labour Force Survey*

North Coast/Nechako and the Northeast reported average annual declines in the number of small businesses, amounting in total to 239 per year. In terms of growth rates, the declines in North Coast/Nechako and Northeast regions were -0.5% and -3.5%, respectively (Figure 6.2).

The Saskatchewan Experience

Saskatchewan economic regions are found in Table 6.3. In Saskatchewan, the largest concentration of small businesses was in Saskatoon/Biggar with 30,000 entities representing 26.1% of all small firms in the province. There were about 26,000 small businesses in Regina/Moose Mountain or 23% of the provincial number. The lowest concentration occurred in Yorkton/Melville with only 13,100 small businesses on average per year, representing 11.8% of the provincial total (Table 6.3).

[7] Self-employed data for North Coast and Nechako economic regions were combined by Statistics Canada in order to avoid suppression, which required adequate combination of data from *Canadian Business Patterns* by authors of this report.

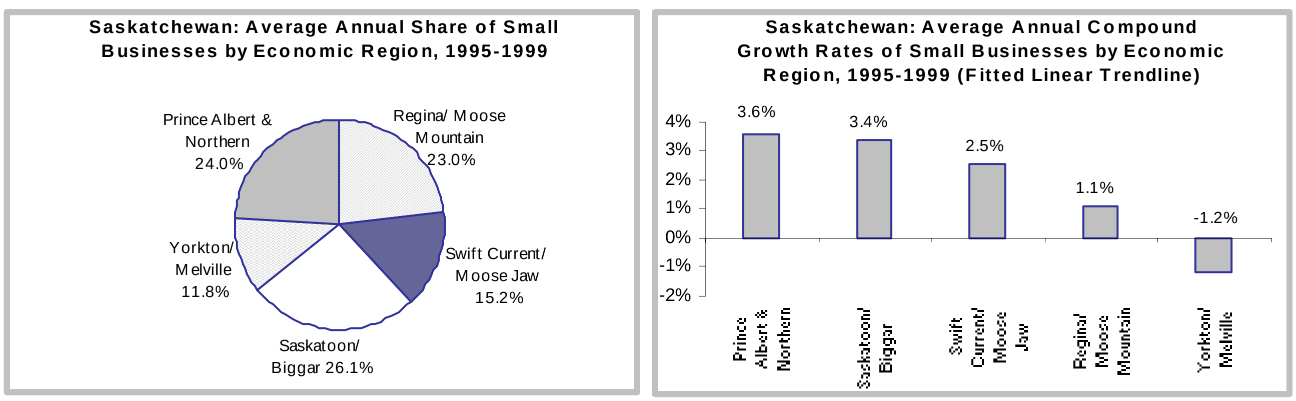
Table 6.3. Saskatchewan: Small Business Trends in Economic Regions, 1995-1999

Economic Regions	Average Annual Number (000's)	Average Annual Growth in Number	Average Annual Share, %	Average Annual Compound Growth Rate (Fitted Linear Trendline)
Regina/Moose Mountain	25.5	71	23.0%	1.1%
Swift Current/Moose Jaw	16.9	263	15.2%	2.5%
Saskatoon/Biggar	29.0	980	26.1%	3.4%
Yorkton/Melville	13.1	-2	11.8%	-1.2%
Prince Albert/Northern[8]	26.6	735	24.0%	3.6%

Source: Special runs of *Canadian Business Patterns* and *Labour Force Survey*

Saskatoon/Biggar showed the highest annual increase of almost 1,000 small businesses and a growth rate of 3.4% (Figure 6.3). The highest rate of growth of 3.6% was reported in the Prince Albert/Northern economic region, where 735 small businesses formed each year. The Swift Current/Moose Jaw economic region showed a growth rate of 2.5% per year or 263 new small businesses annually. In Yorkton/Melville small business numbers declined at an annual rate of -1.2%.

Figure 6.3. Saskatchewan: Small Business Trends in Economic Regions, 1995-1999



Source: Special runs of *Canadian Business Patterns* and *Labour Force Survey*

The Manitoba Experience

Manitoba economic regions are identified in Table 5.4. Among the eight regions, Winnipeg had, on average, almost 35,000 small businesses or 40% of those in the province. The Southwest economic region ranked second, reporting an average annual of 13,300 or 15.5% of small businesses during 1995-1999. The number of small businesses in other regions did not exceed 10,000. The North Central economic region had the lowest level of small business concentration, accounting for about 5,000 businesses per annum, only 5.4% of the total.

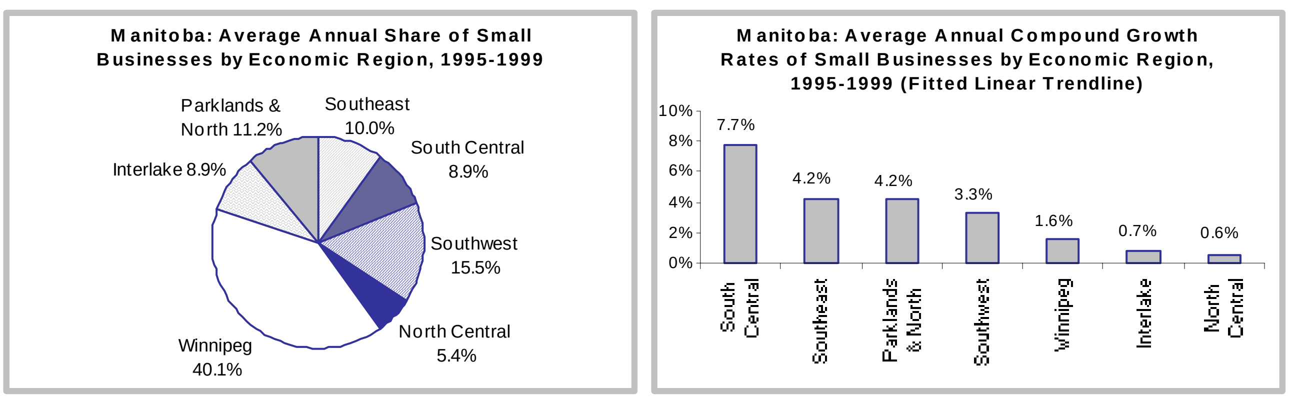
[8] Self-employed data for Prince Albert/Northern economic regions were combined by Statistics Canada in order to avoid suppression, which required adequate combination of data from *Canadian Business Patterns* by authors of this report.

Table 6.4. Manitoba: Small Business Trends in Economic Regions, 1995-1999

Economic Regions	Average Annual Number (000's)	Average Annual Growth in Number	Average Annual Share, %	Average Annual Compound Growth Rate (Fitted Linear Trendline)
Southeast	8.6	342	10.0%	4.2%
South Central	7.7	513	8.9%	7.7%
Southwest	13.3	282	15.5%	3.3%
North Central	4.7	28	5.4%	0.6%
Winnipeg	34.5	718	40.1%	1.6%
Interlake	7.7	-74	8.9%	0.7%
Parklands/North[9]	9.6	258	11.2%	4.2%

Winnipeg leads in the number of new small business formations at about 700 per year, followed by the South Central economic region which generated about 500 new businesses and the Southeast economic region with an average annual growth of about 350 new businesses. All economic regions showed a positive growth in the number of small businesses over 1995-1999, except Interlake where the average was influenced by a large decrease in 1996. The growth trend was, however, positive.

Figure 6.4. Manitoba: Small Business Trends in Economic Regions, 1995-1999



Source: Special runs of *Canadian Business Patterns* and *Labour Force Survey*

The South Central region reported the highest growth rate of 7.7%. The Southeast and Parklands/North regions experienced an average annual growth rate of 4.2%, and Southwest small business numbers were growing at the rate of 3.3%. All these exceeded the 1.0% growth rate of Winnipeg.

► Small Business Densities in Economic Regions

The above sections report numbers, average annual absolute growth, and annual rates of growth in small businesses experienced in each of the intra-provincial economic region. Numbers and their absolute growth

[9] Self-employed data for Parklands/North economic regions were combined by Statistics Canada to avoid suppression, which required adequate combination of data from *Canadian Business Patterns* by authors of this report.

are measures sensitive to population size. Western economic regions vary substantially in demographic size. For example, in 1999 the population aged 15 and over (the population with labour force eligibility) in the Lower Mainland/Southwest area of British Columbia was 1,875,000 or 26 times the 72,000 residing in the Yorkton/Melville area of Saskatchewan. Another dimension of the regional experience is to consider the number of small businesses per thousand population of labour force eligible age — those 15 and over.

The results, based on 1995-1999 averages, are shown in Table 6.5. They reveal a substantial range in density — from about 200 firms per thousand in South Central Manitoba to 69 per thousand in Winnipeg. Those regions containing the largest metropolitan areas have the lowest densities and, with some exceptions such as Northcoast/ Nechako and Kootenay, higher densities are found in the more rural regions. The results provide clear evidence of the high dependence of rural areas on small business enterprises.

Table 6.5. Small Businesses per 1000 Population by Economic Region

Economic Region	Small business firms per 1000 of population (15+)
Manitoba South Central	201.3
Swift Current/Moose Jaw	197.2
Red Deer	191.5
Banff/Jasper/Rocky Mountain House	186.6
Yorkton/Melville	179.9
Prince Albert/North	169.7
Camrose/Drumheller	166.6
Wood Buffalo/Cold Lake	165.8
Manitoba Southwest	164.6
Athabasca/Grande Prairie/Peace River	158.7
Manitoba North Central	141.0
Manitoba Parklands/North	139.7
Medicine Hat/Lethbridge	138.7
Manitoba Southeast	134.5
Saskatoon/Biggar	131.0
Manitoba Interlake	125.7
Manitoba Northeast	123.3
Okanagan	118.4
Cariboo	118.0
Regina/Moose Mountain	117.7
British Columbia North Coast/Nechako	115.1
Kootenay	113.5
Vancouver Island/Coast	109.0
Calgary	107.2
British Columbia Lower Mainland/Southwest	101.1
Edmonton	98.3
Winnipeg	69.4

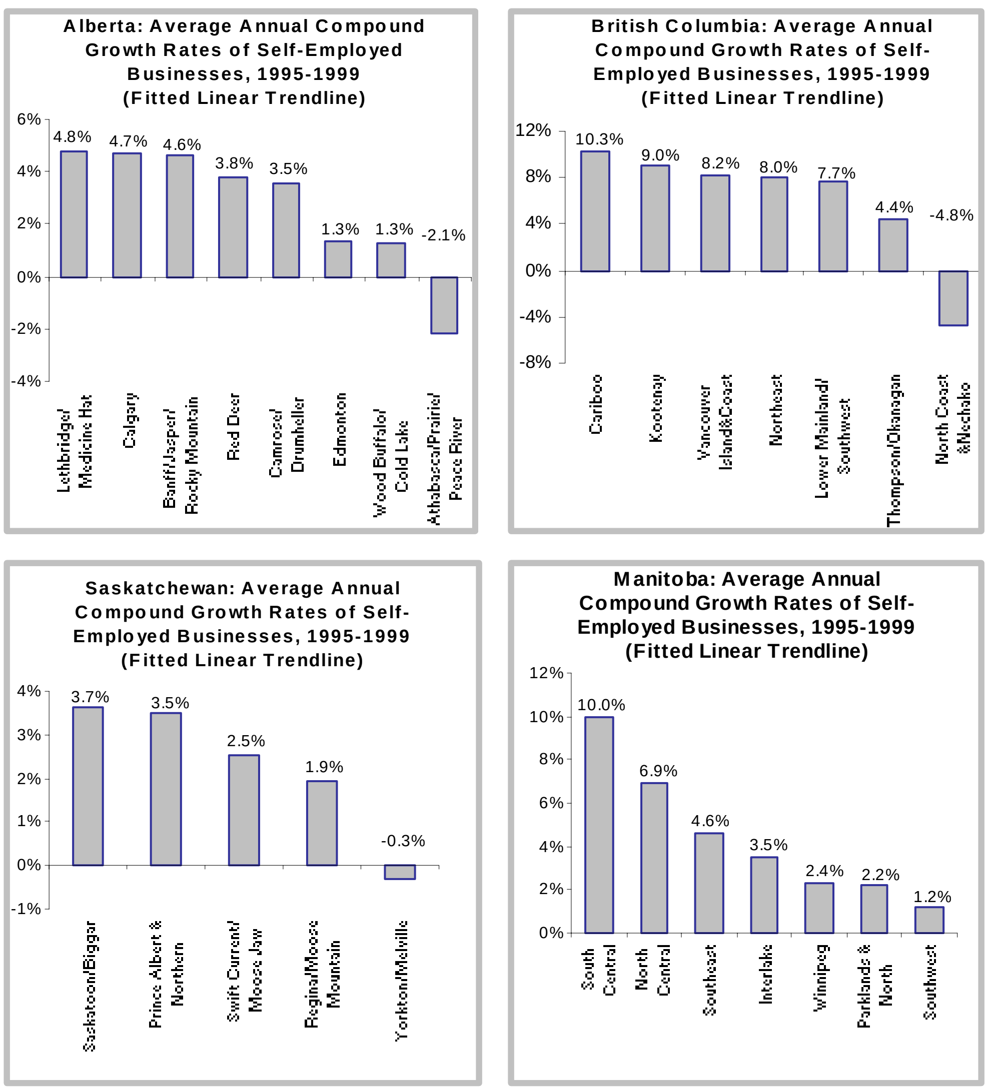
Source: *Canadian Business Patterns* and the *Labour Force Survey*

Growth of Self-employed in Economic Regions

Growth of Self-employed By Number

Analysis of the self-employed is dependent on *LFS* household data. Inter-regional comparison of self-employed business growth during 1995-1999 reveals that British Columbia economic regions generally rank at the top. Growth in the three Manitoba regions is relatively strong, while Alberta growth is led by Lethbridge/Medicine Hat, Calgary and Banff/Jasper economic regions. In Saskatchewan, growth rates were generally lower. Perhaps the most notable feature of Figure 6.5 is the high growth rates recorded outside of the major metropolitan centres.

Figure 6.5. Growth of Self-employed Businesses in Economic Regions of Western Canada, 1995-1999



Source: Special run of *Labour Force Survey*

The growth patterns of the self-employed, which range from 10.3% to -4.8%, are summarized in Figure 6.5. The highest average annual rate of growth of 10.3% was reported in Cariboo, British Columbia, followed by the South Central region of Manitoba, and then the Kootenay region of British Columbia. However, inspection of the data revealed considerable regional differences both across and within provinces.

In Alberta, Lethbridge/Medicine Hat ranked first in the formation of self-employed businesses with a growth rate of 4.8%. Two regions, Calgary and Banff/Jasper/Rocky Mountain, reported nearly equivalent rates of 4.7% and 4.6%. Medium growth in the number of self-employed in the range of 3.8% to 3.5% was recorded in Red Deer and Camrose/Drumheller. Edmonton and Wood Buffalo/Cold Lake fell into the low growth category with a 1.3% rate of average annual growth of self-employed, while a negative trend of -2.1% was reported in the Athabasca/Grande Prairie/Peace River economic region.

In British Columbia, Cariboo ranked at the top with a growth rate of 10.3%. A number of British Columbia economic regions – Kootenay, Vancouver Island/Coast, and Northeast – reported very high self-employed growth in the range of 8% to 9%. Medium level increases in the range of 4.4% to 7.7% were observed in Lower Mainland/Southwest and Thompson/Okanagan economic regions. North Coast/Nechako experienced a decline at a rate of -4.8%.

In Saskatchewan, the Saskatoon/Biggar region reported the highest annual growth rate of 3.7%, followed by the Prince Albert/Northern economic regions at 3.5%. A moderate pace of self-employed formation of 1.9% to 2.5% was observed in Swift Current/Moose Jaw and Regina/Moose Mountain, while a negative trend occurred in Yorkton/Melville.

Manitoba experienced a high rate of growth of self-employed, with the South Central region leading with growth at 10.0%. The North Central region ranked second with an average annual compound growth rate of 6.9%, and the Southeast ranked third with a 4.6% growth rate. Self-employed in other economic regions of the province were growing within the range of 1.2% to 3.5%.

Self-employment by Gender

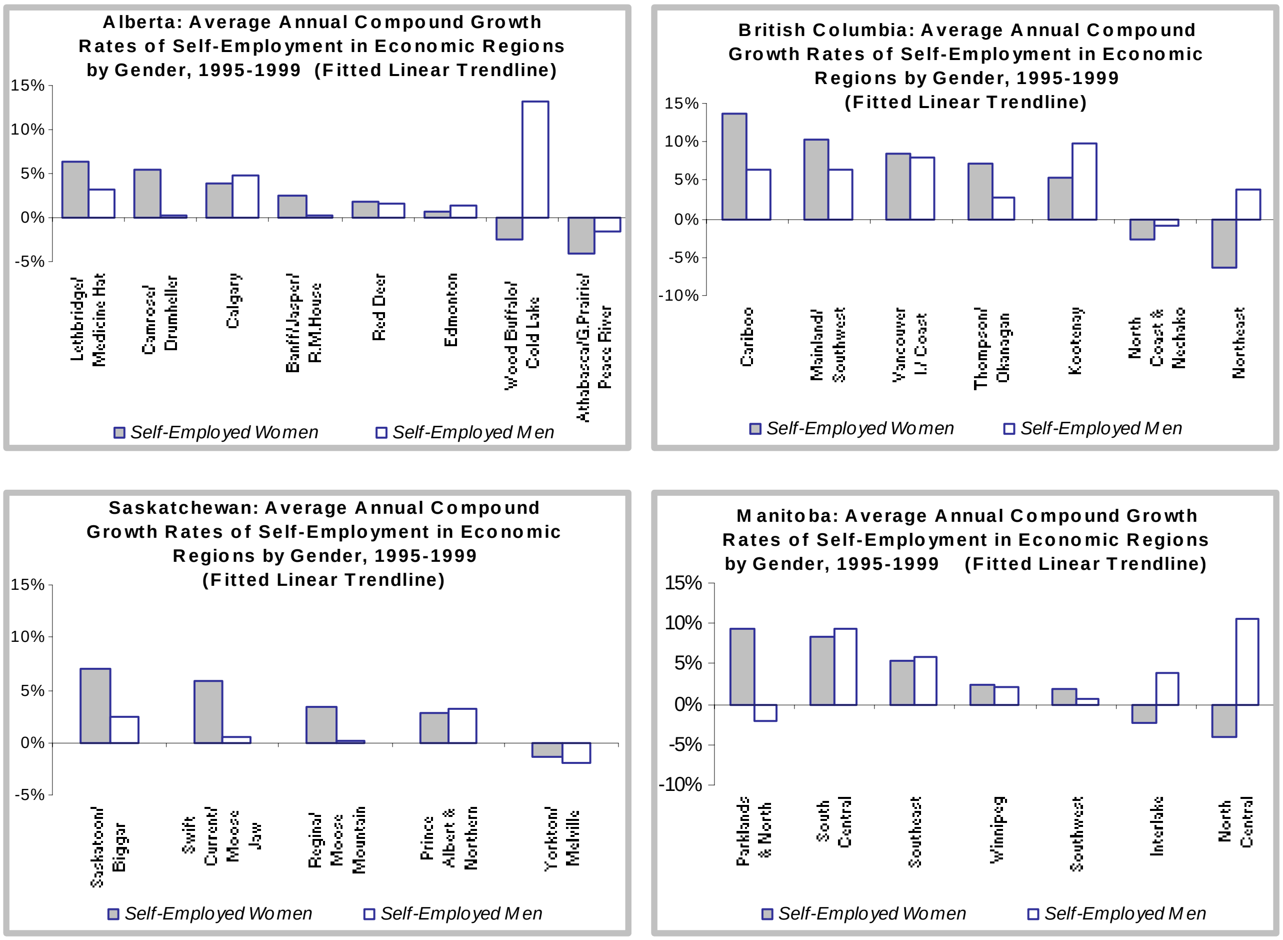
Quite interesting patterns are revealed by the analysis of self-employment by gender. Figure 6.6 indicates that for one-half of the regions, growth in numbers of self-employed women exceeded the growth in numbers of self-employed men.

In Alberta 6 regions out of 8, including the major metropolitan regions of Calgary and Edmonton, reported higher growth rates of self-employed women. The top growth rate of 6.4% was recorded in Lethbridge/Medicine Hat. However, in Wood Buffalo/Cold Lake, self-employed men were growing at an average annual rate of 13.1%, while female self-employed declined with the rate of -2.4%. Negative trends for both male and female self-employed small businesses of -1.6% and -4.0% were reported in Athabasca/Grande and Prairie/Peace River economic regions respectively.

British Columbia showed the highest regional growth of women’s self-employment in Western Canada, but only in half of its economic regions. Cariboo led the growth with an average annual rate of 13.8%, followed by Lower Mainland/Southwest (10.4%) and Vancouver Island/Coast (8.5%). In the Northeast, however, self-employed businesses operated by women declined at the rate of -6.4%, the lowest rate reported among economic regions in Western Canada for both men and women.

In Saskatchewan, dominance of female self-employment growth rates was observed across 4 of 6 economic regions. Saskatoon ranked first in the self-employment of women with average annual growth rate of 7%. The negative trend for both male and female self-employed businesses in Yorkton/Melville was weaker for the women, reflected in the -1.4% and -1.9% rates respectively.

Figure 6.6. Growth of Self-employed by Gender in Economic Regions of Western Canada, 1995-1999



Source: Special run of *Labour Force Survey*

Manitoba reported very high growth in self-employed businesses run by women, with the highest rates observed in the Parklands/North economic regions of (9.3%), followed by South Central (8.3%). The North Central region recorded the highest growth rate of male self-employment, which accompanied a –4.0% decline in female self-employment. A negative trend in women's self-employment was also recorded in the Interlake region (-2.4%).

Growth of Small Businesses in the High Tech Sector[10] in Economic Regions

High Tech small business concentration in the regions of Western Canada for the 1995-1999 period tends to be highly skewed toward one or two economic areas in each province (Figure 6.7). All regions in the west reported positive growth in this small business sector.

Alberta led small business development in the High Tech sector in Western Canada: Calgary and Edmonton had almost 14,000 or 82% of the High Tech small firms in the province. Medium concentrations (500-800 firms) were reported in Lethbridge/Medicine Hat, Red Deer and Athabasca/Grande Prairie/Peace River. Other economic regions had less than 500 High Tech small businesses, with the lowest level being in Camrose/Drumheller (240 firms).

In terms of growth rates, economic regions reporting the highest concentration of High Tech small businesses had moderate rates of growth, while those with small numbers were growing at relatively high average annual growth rates in the range of 8% to 12%. Banff/Jasper/Rocky Mountain, Camrose/Drumheller, and Athabasca/Grande Prairie/Peace River High Tech small businesses grew at rates of 11.9%, 11.1%, and 9.4% respectively. These were the highest rates in the province. Calgary and Edmonton grew more slowly with average annual rates of 7.1% and 5.7%, respectively.

In British Columbia, two economic regions of Lower Mainland/Southwest and Vancouver Island/Coast had almost 16,000 High Tech small businesses or about 83% of all High Tech small firms in the province. About 10%, or 1,800 High Tech small businesses were located in the Thompson/Okanagan region. The remaining economic regions had fewer than 550 High Tech small businesses each.

British Columbia's economic regions with the lowest concentration of High Tech small business are experiencing higher rates of growth than the centres of higher concentration. For example, in Cariboo, Northeast, and North Coast/Nechako, small business High Tech firms led provincial growth with rates of 6.2%, 5.7%, and 5.1%, respectively, while regions of High Tech concentration grew at lower rates of 3.3% to 4.5%.

In Saskatchewan, the Saskatoon/Biggar and Regina/Moose Mountain economic regions accounted for about 70% of High Tech small businesses or about 1,800 firms. The number of High Tech small firms in the rest of the province's economic regions was below 500 per region.

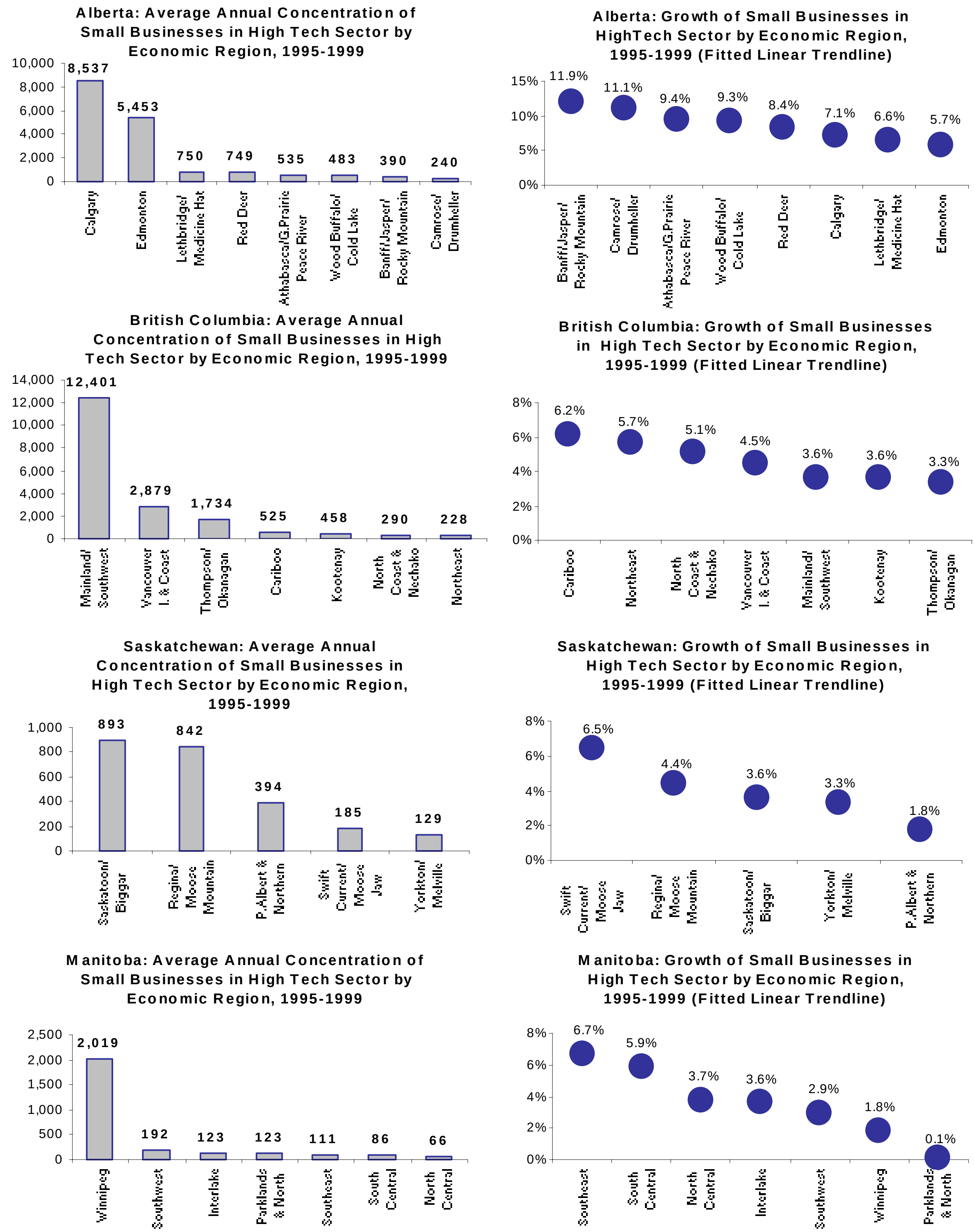
The High Tech intensive regions of Regina/Moose Mountain and Saskatoon/Biggar reported medium rates of growth of 4.4% and 3.6% respectively. The top growth rate of small High Tech firms in Saskatchewan was recorded in the Swift Current/Moose Jaw region (6.6%), while the Prince Albert/Northern economic regions had the lowest rate of growth (1.8%).

In Manitoba, about 75% of small business operations in the High Tech sector were concentrated in Winnipeg with an annual average of 2,000 firms. In other regions small business involvement in High Tech did not exceed 200 per region.

The Manitoba growth situation resembles that of Alberta and British Columbia: the growth rates of High Tech small business in the centres of concentrated technological development were lower, while less technologically developed regions showed higher rates of growth. The Southeast region reported the top growth rate of 6.7% while Winnipeg's average annual growth rate was only 1.8%.

[10] Unincorporated self-employed *without paid help* are not included in calculations due to the absence of data by industry classes in the *Labour Force Survey*.

Figure 6.7. Growth of Small Businesses in the High Tech Sector in Economic Regions of Western Canada, 1995-1999

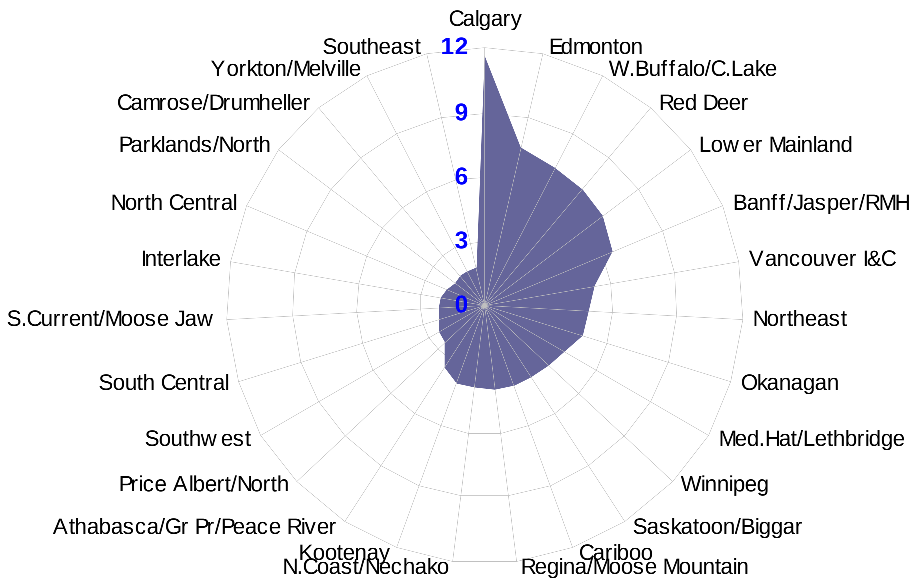


Source: Special run of *Canadian Business Patterns*

High Tech Small Business Densities in Economic Regions

Figure 6.7 revealed that for each province the numbers of High Tech small firms are largest in the economic regions containing the major metropolitan areas. Figure 6.8 also reveals large differences in growth rates. Some more rural regions are at the upper end of the scale in each province, although in some instances, such as Southeast Manitoba, South Central Manitoba, and Northeastern British Columbia, these rates start from quite a small base.

Figure 5.9. Number of High Tech Small Business Firms Per 1000 of Population (15 and over) in Economic Regions of Western Canada



Further insight into the distribution of High Tech firms is found in Figure 6.8 which shows their density per thousand of the labour force eligible population. This measure reveals that the regions may be divided into four categories. The highest density by a considerable margin is found in Calgary. The next group of regions with moderately high density contains Edmonton, Wood Buffalo/Cold Lake, Red Deer, the Lower Mainland/Southwest of British Columbia and Banff/Jasper/Rocky Mountain House. A large group has densities ranging from 5 or more firms per thousand to approximately 3. At the low end are 10 regions, all rural, with densities of 2.5 or lower.

The results permit the generalization that densities in those regions with metro complexes are at the high end, while more rural regions are more widely distributed across the spectrum.

Conclusions

This chapter looked at the concentration and growth of small business intra-provincially in the 27 regions of Western Canada currently identified in the *LFS*. The number of small businesses within each region highly correlates with population size. The great majority of the regions displayed small business growth, with the largest absolute increases occurring in those regions with large numbers of small business entities. If the numbers of small businesses are measured in per capita terms, small business density is greatest in the more rural regions of the west. This result is influenced in some degree, but far from entirely, by regional concentrations of the farm sector. What it generally implies is the supremely important role of small business in these regions.

There were large differences in regional small business growth rates and little relationship of these rates to numbers of small business firms in each region. At the provincial level, the dispersion of regional growth rates was smaller in Alberta and Saskatchewan and larger in British Columbia and Manitoba. The lesser dispersion is suggestive of greater parity of economic opportunity in Alberta and Saskatchewan.

High Tech activity is highly skewed toward one or two regions in each province which possess from 70% to 83% of this entire group. At the same time, all economic regions in the west showed positive growth rates in High Tech business. Alberta turned in the top provincial performance with regions displaying growth rates of 6% to 12% annually.

When the number of High Tech small businesses is stated in per capita terms, the picture is somewhat different, with several of the more rural areas performing strongly.

Appendix Chapter 6: Mapping the Patterns of Regional Small Business Growth

Seeing small business growth portrayed geographically clarifies the degree of heterogeneity in the development of small business across Western Canada. There are four main categories of growth rates: low, medium, high and negative.

- Map 6.1. Concentration of Small Businesses

During 1995-1999, most economic regions showed a medium concentration of small business from 10,000 to 50,000 SMEs. There were 16 economic regions in this category. Only four economic regions are in the high concentration class. Low concentration, less then 10,000 SMEs, was found in the rest of Western Canada's economic regions.

- Map 6.2. Growth of Small Business Number

During 1995-1999, five economic regions showed high growth (>5%) of small business and five others reported decline. The number of economic regions classified as medium generators of SMEs (2.5% to 5%) about equaled the count of low growth regions (>2.5%).

- Map 6.3. Growth of Self-employed Businesses

In most (19) economic regions of Western Canada, self-employment grew at rates higher then 2.5%. In 7 economic regions the growth rate was below 2.5%. Four other regions recorded negative rates.

- **Map 6.4. Growth of Self-employed Men**

An equal number of regions (eight) fall into each of the high, medium and low growth rates for self-employed males. The remaining six display a negative trend.

- **Map 6.5. Growth of Self-employed Women**

Growth rates of self-employed women show considerable regional heterogeneity. Ten economic regions had growth rates exceeding 5%, eight showed a negative trend. The remaining recorded either medium or low rates of growth.

- **Map 6.6. Concentration of High Tech Small Business**

Most (15) of the economic regions of Western Canada had a low concentration of High Tech SMEs, *i.e.* there were less than 500 firms in each region. A high concentration of High Tech small business, *i.e.* more than 2,000 firms, occurred in only six economic regions. seven regions had a medium concentration of High Tech small business activity, ranging form 500 to 2,000 firms per economic regions.

- **Map 6.7. Growth of High Tech Small Business Number**

Growth rates present a rather different regional pattern that is somewhat more favourable in the interpretation of what is occurring in the High Tech sector. The vast majority of economic regions in Western Canada (24) show high and medium growth of these small enterprises (above 3%), while only six economic regions are classified as lagging in growth (below 3%).

7. CONCLUSIONS AND POLICY IMPLICATIONS

This study offers quantitative portraits of small business growth and change in Western Canada commencing with the year 1988. These include small business in total and by categories of size and economic sector. This evidence, assembled from three enterprise and one household data bases, leads to findings on the number, the annual growth in absolute numbers, and the annual rates of growth in small business. The analysis emphasises small business spatial and industrial concentration, small business job creation including the self-employed, sectors of most rapid small business growth, start-ups and failures, small business growth, gender composition, and some indication of small business High Tech location. There is also some consideration of small business activity in 27 sub-provincial regions of Western Canada. Combining data from enterprise surveys with those from the *LFS* household survey has made possible coherent estimates of the self-employed *without paid help* with other forms of small business.

There is no universally accepted definition of small business. At the same time there is quite general acceptance of sales revenue and/or employment numbers as criteria for the size classification of business enterprises. The study is conservative in defining small business as operating units with up to 50 employees. The contents of the data bases used dictated the choice of employment rather than sales revenue as the criterion. Within the small business sector we have included not only businesses *with paid help* but also the self-employed *without paid help*. The classes of small businesses considered are the self-employed and those with less than 5 employees (which constitute what is generally referred to as micro-businesses), those with from 5 to 19 employees, and those with from 20 up to 50 employees.

Some conclusions are quite straight forward and follow obviously from the results of the analysis. Others pose questions arising from the research.

(1) *Small business is strong component of the Western Canadian economy in numbers and in employment.*

In Western Canada there were, on average over the 1992-99 period, 8.6 small businesses per 100 persons. This compares with a figure of 6.1 in other parts of the country. These numbers are based on the sum of the self-employed *without paid help* and those firms with less than 50 employees. Put otherwise, the presence of small business in Western Canada was some 40% higher than in the rest of Canada. The concentration in each of the four provinces exceeded that in the rest of Canada, ranging from 10.7 business per 100 persons in Saskatchewan to 7.2 in Manitoba. Furthermore, over the same period small businesses *with paid help* (i.e. excluding the self-employed *without paid help*) grew at an annual rate of 2.62%, substantially more rapidly than in the rest of the country.

2) Small business is a significant job creator in Western Canada.

In Western Canada in the past four years (1996-1999), one half of the jobs in the region were found in small businesses (50.2%). This compares with 43.4% in other parts of Canada. In the western provinces, the share of jobs in small business ranged from a high of 53.4% in Saskatchewan to 43.4% in Manitoba.

While the contribution of small business to western provincial economies is beyond question, there are differences in the recent experience of the four provinces. Alberta and Saskatchewan, during these years, showed average growth to be above the national average in both the number of self-employed and in the number of small business employees. However, in British Columbia and Manitoba the growth of small business has been entirely dependent on the self-employed *without paid help*. In both provinces the number of small business employees declined and the growth rate during the 1996-1999 period was negative.

*3) **There is significant variation across the four provinces in the rates of small business growth.***

In the 1992-1999 period, this variation is evident in both the growth rate of the number of small businesses and in job creation by small business. Annual rates of growth in the numbers of small businesses range from a maximum of 4.9% in Alberta to 1.9% in Saskatchewan, and in job creation from 4.6% in Alberta to 1.0% in Manitoba. This indicates the need for the delivery and implementation of small business programs to be sensitive to provincial circumstances.

*4) **Entrepreneurial activity in Western Canada appears stronger than in other parts of Canada.***

These findings are based upon *Employment Dynamics* and, therefore, include small businesses *with paid help* but exclude the self-employed *without paid help*. Entry rates in Western Canada, on average over the 1988-1997 period, were 0.88 entrants per 100 population of labour force age, some 42% higher than the ratio of 0.62 for other parts of the country. The ratio for Alberta was 0.95, for British Columbia 0.91, for Saskatchewan 0.86, and for Manitoba's 0.65, all higher than the average for the rest of Canada. An alternative measure of new business formation is to express new entrants for any year as a percent of small businesses in operation the previous year. By this measure the rate of new business formation in Western Canada and in two provinces — Alberta and British Columbia — exceeded that in the rest of the country for every employee size class.

The measure of exit rates used in the report also shows higher rates of exit for every employee size class of business in Western Canada compared with other parts of the country.

*5) **The self-employed account for two of every five small business jobs in Western Canada.***

Among the self-employed, approximately three of every five (62.3%) operate alone *without paid help* and, over the past decade, this group of the self-employed has recorded the most rapid growth in the region and in each of the provinces. The self-employed *without paid help* are an important component of small business in Western Canada and a major contributor to jobs in the micro business portion of the sector. In discussing small business, it is appropriate to separate the self-employed *without paid help* from enterprises *with paid help*. The analysis also reveals some trade-off between self-employment and paid employment and a positive relationship of self-employment to the rate of labour force growth for women in Alberta and British Columbia and for men in British Columbia. There are both 'push' and 'pull' factors affecting self-employment.

*6) **Small businesses operate in all major goods and service producing sectors of the respective provincial economies.***

There are, however, considerable differences across the four provinces in small business presence in the respective sectors. Three of the four provinces — the exception being British Columbia — have a considerably lower service sector and higher goods sector concentration than in other parts of the country.

*7) **The highest rates of small business growth in numbers of firms and in employment occurred in the service sector.***

Most notable was the variety of growth within the services sector as a whole. Rapidly growing areas across the provinces encompassed Business Services, Health and Social Services, distribution activities such as Transportation and Trade, Personal Services including Food and Beverages, and Financial Services.

*8) **The small business High Tech sector in Western Canada is expanding more rapidly than small business as a whole.***

The identification of 'High Tech' activities is difficult and controversial. In this report we have chosen to define High Tech activities broadly rather than narrowly. Utilising this broad definition, High Tech activities are found throughout Western Canadian small business, with both business numbers and employment growing more rapidly than for small business as a whole. This experience is shared by each of the four provinces.

*9) **Intra-provincial analysis reveals that several rural areas in Western Canada are displaying higher, or at least equivalent rates of growth in small business, while in others, rates are lagging behind those experienced in the major metropolitan centres.***

Sub-provincial regions identified in this study are the Economic Regions found in the monthly *Labour Force Survey*. Examples of those regions outside metropolitan areas recording relatively rapid small business growth over the last half of the 1990s include Cariboo, Kootenay, Lethbridge/Medicine Hat, both South Central and South Eastern Manitoba, and Prince Albert. It is also clear that many rural areas are recording a strong performance in High Tech small business growth, refuting the notion that all High Tech activity is concentrated in Western Canada's major metropolitan centres. There would be substantial benefit in further research to identify and assess the socio-economic forces that are contributing to their higher rates of performance with possible application to less flourishing areas.

Future Research

Frequently raised questions about small business concern the ability of the individual enterprise not only to survive, but to grow in profitability, in revenue, and in the creation of employment opportunities. Given the strong identification of small business with the Western Canadian economy it is essential to address those issues. In this report we have used the annual data contained in *Employment Dynamics* to provide some initial findings that leave little doubt of the need for further research.

In order to answer relevant questions in greater depth and with an acceptable degree of certainty, the researcher requires a micro data base in order to trace through time the experience of a given set of small enterprises. For example, under ideal conditions the data set would contain new entrants for given years, say in the late 1980s or early 1990s. Their performance could then be tracked annually for five or six years to provide answers to key questions such as how many grew and how many shrank, measured by increases and decreases in annual employment. What was the failure rate within the group? How was it distributed over time? Longitudinal tracking would give a much better sense of the sustained contribution of small business to economic development.

Employment Dynamics is the data source for this type of analysis. The published data base summaries report provincially the annual number of entrants by employee size. The data base does provide information on continuing small businesses that record increases and decreases in employment but these are snapshots that unfortunately tell the user nothing about the longitudinal profile of those in each category. The question is what is the typical profile of growth and performance profile over time, *i. e*. how do firms perform as they mature? Similarly, while the data base records annual entries and exits to the market place, these numbers are again snapshots of annual experience. This is a particular problem with firm exits since it is impossible determine from the reported data anything about the length of time that those who fail have been in business. Nor can one determine the relationship of those who fail in a given year to their prior record as employers. These results also indicate doubt about the relevance to Western Canada of nationally based studies of small business obtained from the *Employment Dynamics* or other data bases. The next step is to evaluate small business in Western Canada from regionally based micro data.

A large share of small business entities in Western Canada is made up of the unincorporated self-employed *without paid help*. Policy initiatives directed at small business development in Western Canada require a better understanding of the motivations underlying this category of the self-employed. Entering self-employment can, for example, represent a long term commitment to entering the market, though it can also be a stop gap measure until a better opportunity in paid employment presents itself. But, in fact, these motivations may be many and could range from avoiding unemployment, to testing a preference for working independently, to the marketing of hobbies, from full time involvement to home based businesses that tinker at the margins of the market place.

There is an obvious need for more research to collate existing work on motivation and assess its applicability to the circumstances of Western Canada. Longitudinal micro data is also required — particularly in non-agricultural sectors — to understand how the self-employed enter business, how long on average they stay in business, what sorts of growth and change they experience, the extent of the trade-off for this group between paid and self-employment, and their overall contribution to the growth and evolution of the region. Effective public policy requires a better understanding of their typical role in economic development and is but another strong call for a micro data analysis.

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