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# A MESSAGE FROM

The Honourable Lawrence MacAulay

Secretary of State for  
the Atlantic Canada  
Opportunities Agency



I am pleased to introduce the fourth edition of *The State of Small Business and Entrepreneurship in Atlantic Canada*. Within these pages is the most current and comprehensive picture available of the activities, concerns, conditions and characteristics of the region's growing pool of small- and medium-sized enterprises (SMEs).

ACOA works, in partnership with businesses, business associations, educational institutions, provincial governments and other federal departments, to coordinate a wide variety of activities designed to improve the climate for business growth across Atlantic Canada and to provide resources for improving productivity and competitiveness within the private sector itself.

The region both seeks and depends upon new business opportunities at home and abroad. There are opportunities: at least 75 million consumers – and potential customers for Atlantic firms – reside within 1,000 kilometres of the region's perimeters. At the same time, research indicates that the SME sector in Atlantic Canada is a net job producer, that SMEs are largely responsible for the diversification of the economy into

high-growth and technology-based industries, and that SMEs are characteristically inclined to adapt rapidly to productive change.

Since 1991, with the publication of the inaugural edition, *The State of Small Business and Entrepreneurship in Atlantic Canada* has been a key source of valuable information on the challenges and opportunities facing our region's small businesses. In an information age, information is the currency of change. This document is intended to be useful for educators, business leaders, policymakers and entrepreneurs themselves, in their efforts to better understand the dynamics at work in our economy – the forces and trends that are shaping the future.

I invite you to read on.

Lawrence MacAulay, P.C., M.P.

# ACKNOWLEDGEMENTS

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This publication forms a key component of ACOA's Entrepreneurship Development Strategy and appreciation is extended to members of the Management Committee for the Pan-Atlantic Entrepreneurship Development Program who approved funding for this project activity.

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# EXECUTIVE SUMMARY

## Growing New Businesses

The 1996 edition of *The State of Small Business and Entrepreneurship in Atlantic Canada* analyses the dynamics of growth in overall employment and number of businesses (by firm size) over the 1989-1993 period and presents summarized versions of recent research studies on home-based businesses, entrepreneurship among Francophones, young entrepreneurs, and entrepreneurship and education. It adds to the knowledge base on small business and entrepreneurship needs and issues established in the three previous editions of this report.

During much of the 1989-1993 period, Canada experienced an economic downturn. While Atlantic Canada was certainly not immune to the recession, the region created new firms at a rate disproportionate to its size, outstripping the performance of the national economy. In fact, the region managed to increase the total number of businesses by approximately one percent per year. This compares favourably with the national performance which remained in a relatively stable position.

By the end of 1993, there were over 926,000 employer-firms in Canada and approximately 90,000 in the Atlantic region (this includes public administration). The vast majority of these were very small firms. By the end of 1993, over 75% of all firms in Atlantic Canada had fewer than five employees; 89.4% had fewer than 20 employees and 95.2% had fewer than 100 employees.

From 1990-1993, firms with fewer than five employees were responsible for the total increase in the number of firms in the region, experienced the highest number of entrants and exits,

and the highest percentage increase in number of firms (5.1%) in any size category. There was virtually no change in the number of firms with more than one hundred employees. The average annual rate of new business entries over the four-year period was 20.2% while the average annual exit rate was 19.2%. These rates for Canada were both 15.5% (thus no net gain). This reflects a considerable amount of turbulence within the small and medium-sized enterprise (SME) sector as relatively high numbers of businesses entering the economy are partially offset by high numbers exiting, especially in the smallest firms (under 5 employees). However, the base of firms continues to grow as evidenced by more recent data that between 1993 and 1995, the net number of businesses increased by 4.1% in Nova Scotia, 6.1% in New Brunswick, 5.3% in Prince Edward Island and 0.9% in Newfoundland and Labrador. This compares to a national increase of 4.3%. There are in excess of 17,000 new firm entries on an annual basis. The high entry rate, coupled with a high exit rate also means that the average firm age is decreasing. In 1993, Atlantic Canadian firms had an average age of 5.2 years compared to 6.5 years for Canada.

Growth in overall number of firms varies by sector. The strongest growth was in Personal and Business Services and in Community Services. The highest entry rates were in Primary Industries (21.1%), Accommodation and Food (21.0%) and Business Services (20.8%). Among the highest exit rates were businesses in Primary Industries (26.1%), Mining (20.0%) and Accommodation and Food (18.5%).

Shrinking firms (“sliders”) outnumbered growing firms by approximately four to three; only 4% of all firms grew into the next employment size category over the 1990-1993 period. Again, however, the very small business sector generated the highest number of growing firms. Larger firms, those with over 100 employees, tended to shrink.

## **Anatomy of Job Creation**

While overall employment levels in Canada declined over the 1990-1993 period, the Atlantic region performed much better than the country as a whole. Employment in Canada declined by 7% compared to 5% in Atlantic Canada. The decline in Atlantic Canada was influenced primarily by the loss of some 30,000 jobs resulting from the closure of the groundfish fishery.

From 1989 to 1993, the small firm share of total employment increased from 38.4% to 41.1%; the SME share increased to 53.5%; the large firm share dropped to 46.4%, a trend which has been occurring over the past ten years. In 1979, large firms accounted for 54% of total employment.

Firms in Atlantic Canada with fewer than five employees were the only significant employment creators over the four-year period, in spite of their volatility (high entry and exit rates). Employment in these micro-firms increased by 22,600 while employment in medium to large firms (>100 employees) decreased by 51,700. Small businesses also led the way out of the recession. Between late 1994 and the end of 1995, firms with fewer than 50 employees created 13,500 of the 17,300 or 78% of the net new jobs in the Atlantic region.

Over the period, about 167,000 gross new jobs were reported through Statistics Canada Employment Dynamics data. Almost three-quarters of these gross new jobs were created by new firm entries - a total of 72,384 new firms contributed 121,900 gross new jobs. The greatest percentage of these new jobs (43%) occurred in firms which started with fewer than five employees. Notwithstanding the jobs lost due to new firms which did not survive the four-year period, the net impact was an additional 99,000 jobs. This was a bright spot in an economy which saw an overall employment decrease of 46,500.

The remainder of the gross new jobs were created by the 4% (3,200) of firms which grew into the next employment size category (41,700 jobs) and the firms (47% of the total) which added employees but did so within the same size category (3,800 jobs). Thus, 4% of existing firms created almost a quarter of total gross new jobs and about 90% of jobs created by existing firms (as opposed to new entries). In addition, the 142 firms which grew rapidly (only 0.16%) created 5,400 jobs, again exclusively in the small firm sector.

Many more jobs were lost by “sliders” or shrinking firms than were created by “growers”, and job losses from exiting firms, especially among larger firms, exceeded job gains from entrants. As a group, firms that existed at the end of 1989 experienced decreases in employment across the board by the end of 1993. Only jobs created by new firms provided relief. About 44% of the firms which existed in 1989 no longer existed by the end of 1993, taking over 113,000 jobs with them (over half of the gross job loss). The 5% of total firms which shrank produced over one-third of the gross job losses.

The dynamic of employment creation and loss varied within industry sectors and by province. The biggest net increases by industry sector were in Transportation, Communications and Utilities (14%), Personal and Business Services (13%) and Community Services (13%). The greatest losses were the Goods-Producing sector (16%) and Wholesale Trade (13%). In terms of provincial comparisons, over 80% of total employment loss in the region occurred in Newfoundland and Labrador and in Nova Scotia. In all four provinces, the micro-firms (under five employees) were net employment generators.

Self-employment in Canada and the Atlantic region also grew substantially over the period from 1989 to 1995. Between 1989 and 1991 self-employment in the Atlantic region increased by

7.7% (reaching 135,000) compared to 6.6% in Canada. After a slight setback in 1992 as a result of the impact of problems related to the fishery, the Atlantic region again outpaced the country as a whole in self-employment growth. Between 1992 and 1995, self-employment in the region grew by almost 13%. In Canada, growth over the same period was only 11%.

### **Home-Based Business**

This edition of *The State of Small Business and Entrepreneurship in Atlantic Canada* reports on two studies related to home-based business. The first is an Atlantic Canada study carried out by The Rural and Small Towns Programme at Mount Allison University. The second is a study by the Economic Recovery Commission of Newfoundland and Labrador. Each study is quite comprehensive, providing a profile of home-based business and addressing the problems and opportunities faced by this sector of economic activity.

Many issues were addressed in these studies but, in general, it can be said that:

- home-based businesses make a significant contribution to household income;
- there are important advantages to locating in the home that are not available to owners of businesses operating from commercial establishments (life style, family care, costs);
- the positive impacts on family life far outweigh the negative;
- while the home is seen by many as an incubation location, a significant percentage of firms remain in the home for long periods of time;
- family members play an important role in home-based enterprise as employees or helpers;



- various forms of technology are being used as aids in operating a business from the home.

While there appears to be a very positive perception of home-based enterprise on the part of the owners, three major problems have been identified:

- lack of planning
- poor regulatory environment
- limited government support

### **Entrepreneurship among Persons with Disabilities**

Because a very high percentage of business owners with disabilities operate from the home, the results of a Nova Scotia study were also included in this chapter.

This study reported on some of the problems faced by disabled persons, although the respondents indicated that their disabilities did not present insurmountable barriers to their work. The problems these individuals faced can be summarized in the specific recommendations that resulted from the findings of the report:

- improve access to training opportunities for entrepreneurs with disabilities;
- develop financial assistance programs targeted to entrepreneurs with disabilities;
- establish a network of entrepreneurs with disabilities to act as mentors.

## **Entrepreneurship among Francophones**

A study conducted by the Conseil économique du Nouveau-Brunswick (CENB) in 1996 represents the only attempt to document and analyze the entrepreneurial phenomenon within the francophone community in the region in the last number of years. The purpose of the CENB study was to better understand Acadian entrepreneurship and to utilize knowledge of the entrepreneurial process among Francophones to further enhance the contribution they make to the economy of Atlantic Canada. More specifically, the study provided valuable information concerning the profile of these entrepreneurs and their ventures, as well as information on the support structures, especially financial support, utilized by francophone entrepreneurs.

As with most entrepreneurs, the need to achieve and to be in control were the primary motivators underlying the decisions of francophone entrepreneurs to establish businesses. The majority of their businesses were incorporated (56%), family-owned (70%), started from scratch (73%), in the service sector (55%), and had annual sales of less than \$500,000 (52%). In addition, a significant proportion (43%) of Acadian entrepreneurs owned more than one business.

Again, much like all entrepreneurs, financing and financial support were significant issues. Although requirements for start-up capital were fairly small, personal guarantees and an over-reliance on debt were the major financing problems faced by Acadian entrepreneurs. Females also experienced the added problem of insufficient collateral. In terms of non-financial support, it appears that francophone entrepreneurs prefer to rely on internal resources. The majority of francophone businesses did not have a board of directors and of those that did, the internal board members, such as spouses, employees and

partners, were considered to be the most valuable. Similarly, a significant percentage (44%) did not utilize any outside marketing support.

Overall, three key issues were identified in order to enhance the growth of Acadian entrepreneurship in the region. First, many entrepreneurs are satisfied with the status quo and resist sharing ownership. As a result, growth-willingness needs to be encouraged and promoted. Second, these firms are confronted with a capital market that appears to be inefficient. There is a need for better access to capital, especially equity, improved venture proposals, more effective investment mechanisms and improved information flow. Finally, there appear to be gaps in the support network and some resistance on the part of entrepreneurs to utilize the support that is available. Mentoring and networking can be used much more effectively to support the start-up and growth of firms owned by francophone entrepreneurs.

### **Entrepreneurship and Youth**

To date, very little research has been undertaken to document and analyze the needs of young people with respect to starting and growing small businesses. As a result, in 1995 ACOA undertook an exploratory study based on surveys of existing young entrepreneurs, young people who want to become entrepreneurs, and a number of interviews with representatives of the banking community and small business support organizations. In addition to information on support programs, the ACOA report provided some useful insights into the profile of young entrepreneurs and their businesses, their motivations for establishing ventures and the barriers they faced at the start-up and growth stages of their businesses.

These young entrepreneurs were approximately 22 years old at start-up, were well educated and had almost five years of work experience in small private firms before going into business for themselves. In addition, approximately 40% had established more than one business and these multi-firm owners had created more employment and generated greater revenues per firm than their single-firm counterparts.

The desire for independence and the need for personal accomplishment were the primary factors cited by young people for pursuing an entrepreneurial career strategy. Interestingly, the lack of job opportunities was not cited as a significant influencing factor. Parental influence was an important factor with young people, especially the established entrepreneurs, 43% of whom had self-employed parents.

Access to financing was the most significant barrier faced by young entrepreneurs. Personal resources and various government departments and agencies represented the primary sources of capital for young entrepreneurs. The majority of young entrepreneurs relied primarily on themselves and their close personal networks to overcome various obstacles. This has significant implications for the development and delivery of various support programs targeted towards young entrepreneurs.

Overall, while it is generally acknowledged that much has been done in recent years to encourage an entrepreneurial spirit in youth and to support their efforts to start businesses, the number and the proportion of young people interested in entrepreneurship and self-employment still lags well behind the general population. As a result, there is a significant opportunity associated with encouraging young people to consider an entrepreneurial career. While efforts in this area have improved, much more can and should be done. In

particular, access to capital and other support must be improved and young people must be encouraged to take full advantage of the support structure. This will require innovative and collaborative programming tailored specifically to the needs of young entrepreneurs.

### **Entrepreneurship and Education**

The years between 1990 and 1996 saw major efforts to refocus the education system at all levels toward the encouragement of entrepreneurship. The basis of much of this effort, especially at the secondary level, was the completion in 1989 of the *Projet Entrepreneurship Project (PEP)*. This report examined the degree to which grade 12 students were exposed to entrepreneurial concepts during their twelve years of schooling and recommended modifications to enhance the development of an entrepreneurial culture in the region. Following its release, all four Atlantic provinces undertook initiatives designed to introduce entrepreneurship education at various grade levels.

The first of these initiatives focused on the high school system and led to dramatic increases in the number of enterprise or entrepreneurship courses available to students throughout the region. Students can now learn more about business through a variety of delivery methods including in-class presentations and lectures, guest speakers drawn from the business community, analysis of locally-based case materials, and the completion of entrepreneurial projects. This exposure enables the students to increase personal networks both inside and outside the school environment, to become more aware of the role of business and business owners in their communities, and to learn more about the economy of the region.

In order to measure the short-term impact of these efforts to inculcate entrepreneurial knowledge and skills, the Université de

Moncton followed up the original PEP study in 1995 with a survey of grade 12 students' attitudes toward entrepreneurship and compared the results with the 1989 study. Overall the 1995 students exhibited similar characteristics to those of the 1989 group. There was, however, evidence that the 1995 students were provided with more opportunities to develop the qualities of entrepreneurs and that exposure to the world of business had increased as did social contacts with entrepreneurs. These students also had a more positive perception of business people and the role of business, particularly small business, in the community. About one quarter of the students surveyed in 1995 expressed high intentions to own their own business someday.

The report revealed a number of differences between anglophone and francophone students, males and females, and between provinces. Additional analysis included a comparison of the intent to become an entrepreneur with other survey variables. The best predictors of entrepreneurial intent were personal competencies, knowledge, and skills, which were influenced by exposure to the world of business, social contacts with entrepreneurs, and socioeconomic factors.

There has also been an impressive growth in the number of entrepreneurship programs offered at post-secondary institutions in the region. Twenty-nine of thirty respondents to a survey conducted by Memorial University's P.J. Gardiner Institute for Small Business Studies reported that entrepreneurship courses played a significant role in their curricula. Over one half of the programs were introduced during the 1990s, mainly in response to an increase in student interest and a need perceived by the institutions for this type of education. Twelve of the institutions also indicated that they offered some type of outreach entrepreneurship education program to non-traditional learners.



# **BACKGROUND AND INTRODUCTION**

As background to this report, it is important to have an understanding of the Atlantic region economy, in particular its demographics, economic circumstances and future outlook.

## **The Atlantic Economy in Perspective**

The four provinces in Atlantic Canada cover 195,000 square miles of land or 5% of the area of Canada. As of January 1, 1996, 2.4 million people lived in the region or 8.1% of the Canadian total. Growth in the Atlantic Canadian population has been much slower than the national average. While the national population grew by 49.7% during the 30-year period between 1961 and 1991, the population of Atlantic Canada increased by only 22.4%. Factors contributing to this include the tendencies of Atlantic Canadians to migrate to more prosperous parts of Canada and of immigrants to settle in larger provinces. The small population base and resulting small domestic market have been major impediments to enhancing economic development.

People are more likely to live in rural areas or small towns in Atlantic Canada (45% of the population) than in Canada as a whole (25% live in rural areas). Nova Scotia has Atlantic Canada's largest urban agglomeration, the Halifax metro area, whose population of about 300,000 is one-third of the province's total. Other large centres (over 100,000 people each) are St. John's, Newfoundland and Saint John and Moncton, New Brunswick. Since only a portion of the region's population is located in large metropolitan areas, concentrations of population required to sustain a large and diversified set of economic activities are lacking.



Atlantic Canada developed a dependency on resource industries early in its history and continues to rely on fishing, mining, forestry and agriculture, more than other parts of Canada. The region's dependency on resources has led to the establishment of many small communities in isolated areas. In Atlantic Canada, 856 communities or 96% out of a total of 892 have a population of less than 10,000. In 1991, 349 communities could be classified as single industry communities, where one industry accounts for 25% or more of the total labour force. Almost all of these communities are reliant on the resource sectors for their employment. In many of these communities, the resource sectors, both primary and processing, account for almost all of the non-government employment. Employment in these communities has become much more vulnerable, due not only to resource depletion but also mechanization.

### **Economic Circumstances**

The performance of the economy of Atlantic Canada has been influenced by a number of key demographic trends, such as slow population growth, few large urban centres and a significant number of widely-dispersed small communities. In addition, the dependence on natural resources for employment has led to the seasonal nature of the economy. Atlantic Canada's economy is much more sensitive to seasonal swings in employment than the rest of the country.

The Gross Domestic Product (GDP) of the region was \$47.1 billion in 1995 or 6.0% of the Canadian total. The goods-producing industries accounted for 27.5% of the region's economic output in 1995, while the service-producing industries accounted for the remaining 72.5%.

Natural resources in Atlantic Canada continue to provide the foundation for the region's economy. These industries and their associated processing activities accounted for 44% of output in the goods-producing industries in Atlantic Canada during 1995. Resource-based industries accounted for 12% of Atlantic Canada's total real Gross Domestic Product in 1995 and 13% of the region's total employment. In addition, these industries indirectly generate significant economic spin-offs in the rest of the economy through the intermediate purchase of goods and services.

Exports have largely underpinned economic growth. The value of exports was equal to 22% of the region's GDP in 1995. Major commodity exports include wood pulp, newsprint, coated paper, lumber, fish products, potatoes, gasoline and fuel oil, iron ore, lead, zinc, potash and tires. Exports to the United States represent over two-thirds of total foreign exports. Other major markets include Western Europe and Japan.

The region's exports are dominated by natural resource products. Total foreign exports from Atlantic Canada amounted to \$10.5 billion in 1995, of which \$6.9 billion or 66% were natural resource products. The resource industries are expected to continue to stimulate economic activity in the region. New mineral discoveries, offshore energy development, aquaculture and ocean industries all represent continued utilization of the region's natural resources.

Over the last 20 years, economic growth in the Atlantic provinces lagged that of the nation, with real GDP increasing at an annual average rate of 2.1%, compared with 2.7% for Canada as a whole. During the late 1980s and early 1990s, Atlantic Canada has been slowly adjusting to globally competitive market conditions and rapid technological change, while at the same time, experiencing downsizing in the public

sector and restructuring in the resource industries. The recovery from the 1990-91 recession was led by strong export markets; however, consumer markets have been soft and job growth weak.

The Atlantic economy has begun to transform itself, with emerging growth areas being found, not only in knowledge-based industries, but in the traditional industries as well. In Newfoundland, a number of high-growth industries, such as information technologies, aquaculture and adventure tourism are becoming increasingly important in the diversification of the economy. In Prince Edward Island, potential growth opportunities have been identified in food processing and research, tourism and the service-sector. Health care services, computer-software manufacturers, marine-related instrumentation and biotechnology are a few of the key growth industries in Nova Scotia that are being developed from the knowledge base that resides in the province. New Brunswick continues to diversify its economy, with the establishment of several call centres by major national and international companies.

Despite the recent growth among the various traditional sectors and diversification of the economy into new areas, there are major challenges that need to be addressed to reduce regional disparity. Some improvement has taken place; however, Atlantic Canada's earned income per capita is only at 75% of the national level and the region's unemployment rate is still almost four percentage points higher than the national rate (13.4% compared to 9.5%). Labour market participation rates are below the national level (58% versus 65% nationally) and the self-employment rate is two percentage points below the national average (13.4% compared to 15.5%). Low productivity levels remain a problem with improvements being hindered by the slower rate of advanced technology adoption,

low levels of research and development and a less educated workforce.

### **Current Situation**

The economy of Atlantic Canada experienced weak economic conditions over the first half of this year. Average monthly employment during the first six months of 1996 was basically unchanged from year ago levels. Employment was up 1.3% for Canada as a whole for the same period. Modest employment growth in the three Maritime provinces was offset by job losses in Newfoundland. Employment fell by 11,000 in Newfoundland during the first half of the year, with losses concentrated in the service industries.

Reflecting the weak job market was the 1.5% gain in labour income in Atlantic Canada during the first quarter of the year. The unemployment rate averaged 14.6% during the first six months of the year, down slightly from the comparable 1995 level of 14.9%. The average participation rate fell slightly from 57.4% to 56.9% during this period.

With the slowdown in sales of forestry products, industrial goods and machinery and equipment, export growth has been modest so far this year. During the first four months of 1996, the value of foreign exports in Atlantic Canada increased by 5.3%. Public and private investment is expected to decrease by 2.3% in Atlantic Canada during 1996, mainly due to the winding down of the Hibernia project. Overall, according to the Conference Board of Canada, the Atlantic economy is expected to increase by only 0.7% for 1996, the same rate of growth as 1995. Economic growth of 1.8% is estimated for Canada as a whole.

## **Medium-Term Outlook, 1996-2000**

Over the medium term, the economies of both Canada and the United States are forecast to experience moderate growth. Over the 1996-2000 period, economic growth in Atlantic Canada is forecast to average 2.1%, slightly lower than the 2.6% rate of increase predicted for Canada as a whole. Employment in the region is forecast to increase at an average rate of only 1.3%, compared with a national rate of 2.2%.

Since Atlantic Canada's resource industries represent 44% of the region's goods-producing output and its public sector represents 40% of the region's service output, the performance of these two sectors determines the overall pace of economic expansion. Several major projects in the resource sector are expected to be undertaken over this period; however, this activity will be partially offset by government restraint.

In addition, Atlantic Canada is expected to register very weak population growth over the next five years, averaging just 0.2% compared with 1.1% for Canada as a whole. Slower population growth coming from continued net out-migration will dampen economic activity and depress job growth.

## **The 1996 Report**

This background discussion serves as a backdrop for the 1996 *State of Small Business and Entrepreneurship in Atlantic Canada*. Previous editions have documented the contribution of small firms and entrepreneurship to economic development and growth and have profiled research in the region related to such themes as female entrepreneurship, small business financing and entrepreneurship education. The current edition extends the analyses of growing small businesses (chapter 1) and the anatomy of job creation (chapter 2), summarizes recent

contributions to the empirical knowledge base in the areas of home-based business (chapter 3), entrepreneurship among francophones (chapter 4) and entrepreneurship and youth (chapter 5), and updates the research effort in the area of entrepreneurship education (chapter 6).

Chapters 1 and 2 are based largely on Statistics Canada data and provide the specifics of firm dynamics and employment dynamics for the period from 1990-1993 with comparisons to previous periods where appropriate.

The theme chapters are based on current studies and are intended to get behind the broad-based statistical data in an effort to understand components of the economy that underlie the entrepreneurial activity that so clearly contributes to the economic strength of the Atlantic Region. The better these components are understood, the better governments and other private sector and quasi-government partners can design and implement programs that have a positive impact on employment, income and the general economic and social well-being of the region.



# CHAPTER 1

## GROWING SMALL BUSINESSES

The 1994 *State of Small Business and Entrepreneurship in Atlantic Canada* identified entrepreneurship as the main engine of growth in the Atlantic region and presented statistical data to support that claim. Economic statistics for the period 1990-1993 continued to demonstrate the importance of small firms to the region, and, in fact, to the nation. There were, however, some indications that the rate of increase in the number of firms generated in previous time periods might be slowing. Analysis of the dynamics of small business entries and exits reveals that the region experienced a decline in the rate at which businesses were being started and a relatively high rate at which businesses were exiting the economy. The number of new firms entering the region's economy on an annual basis has decreased each year since 1990; however, in 1993, this was still in excess of 17,000 business entries.

This chapter contains a four-year analysis of data derived from *Statistics Canada*<sup>1</sup>, focusing on business entries and exits. In reviewing this material, however, it must be kept in mind that both the region and the nation were in the throes of a recession for much of the 1990-93 period, and that the statistics will reflect that fact. Since that period, there has been a gradual improvement in the economy, and one would expect a

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<sup>1</sup>Data in this chapter, unless otherwise stated were sourced from Employment Dynamics, Business Size and Life Status, Small Business and Special Surveys Division, Statistics Canada and from a special run of Employment Dynamics. There was a structural change in the Statistics Canada database in 1989 and, currently, data prior to 1989 are no longer comparable with data after 1989. The structural change consists of a change from the 1970 SIC system to the 1980 SIC system as well as a change from Business Register Division's BRID system of business identification to the current CFDB system (Central Frame Data Base).



corresponding improvement in the growth of new firms. In fact, the Atlantic provinces outperformed the remainder of the country in firm creation from 1990 to 1993, good news in a region which depends heavily on entrepreneurship as a vehicle for growth.

### Distribution of Firms by Industry Sector

Despite the recession experienced throughout most of the early 1990s, the number of firms operating in Canada remained relatively stable between 1989 and 1993. The economy started the period with 926,653 firms and ended with 926,935. As Table 1.1 indicates, however, there were variations among the industry sectors. The most significant increase in the number

**Table 1.1**  
**Distribution of Firms by Industry Sector, Canada**  
**1989-1993**

Industry sector	# of firms 1989	Share of total	# of firms 1993	Share of total	Net change in # of firms
		%		%	
Goods-producing	245,711	26.5	237,219	25.6	-8,492
Trade	196,200	21.2	197,671	21.3	+1,471
Market Services	364,343	39.3	390,023	42.1	+25,680
Funded Sector	68,322	7.4	77,925	8.4	+9,603
Unclassified	52,077	5.6	24,097	2.6	-27,980
All INDUSTRIES	926,653	100.0	926,935	100.0	+282

Source: Employment Dynamics

of businesses, 25,680, occurred in market services<sup>2</sup>; the funded sector<sup>3</sup> contributed a net increase of 9,603 firms. Almost 8,500 firms were lost in the goods-producing sector between 1989 and 1993. Unfortunately, it is difficult to interpret these numbers in light of a huge shift of firms out of the “unclassified” category, which resulted from the changes to the Statistics Canada database.

In Atlantic Canada, and in each of the four provinces, there were net gains in the total number of firms during the four-year period. Tables 1.2 and 1.3 show that these increases occurred

**Table 1.2**  
**Distribution of Firms by Industry Sector**  
**Atlantic Canada**  
**1989-1993**

Industry sector	# of firms 1989	Share of total	# of firms 1993	Share of total	Net change in # of firms
		%		%	
Goods-producing	23,577	27.3	25,429	28.6	+1,852
Trade	18,132	21.0	18,910	21.2	+ 778
Market Services	33,721	39.1	36,494	41.0	+2,773
Funded Sector	5,847	6.8	6,485	7.3	+ 638
Unclassified	5,031	5.8	1,718	1.9	- 3,313
All INDUSTRIES	86,308	100.0	89,036	100.0	+2,728

Source: Employment Dynamics

<sup>2</sup> The market services sector consists of Transportation, Communications and Utilities, Finance, Insurance and Real Estate, and Personal and Business Services.

<sup>3</sup> The funded sector consists of Community Services (education, health and welfare) and Public Administration.

**Table 1.3**  
**Net Change in Number of Firms**  
**by Province and by Industry Sector**  
**1989-1993**

Industry sector	NF	NS	NB	PEI	Total
Goods-producing	860	328	529	135	1,852
Trade	372	243	109	54	778
Market Services	1,142	1,116	505	10	2,773
Funded Sector	593	- 365	287	123	638
Unclassified	-1,110	-1,022	-1,012	- 169	-3,313
All Industries	1,857	300	418	153	2,728
SIC Industries	2,967	1,322	1,430	322	6,041
% of 1989 SIC Firms	15.3	4.4	5.6	4.8	7.4

Source: Employment Dynamics

in every major sector except for the funded sector in Nova Scotia. The total number of firms in the region increased by 2,728 over the period compared to an increase of only 282 for Canada as a whole (including Atlantic Canada). This illustrates that, while Atlantic Canada was certainly not immune to the recession, the region did create firms at a rate disproportionate to its size. The market services sector, the largest of the major sectors, led the way. It is worth noting that this sector tends to be comprised of a relatively large number of small firms.

A surprising fact in view of the well-publicized problems in the region's fishery was that Atlantic Canada's goods-producing sector grew by 1,852 firms. In fact, during the course of this analysis it was found that similar anomalies of increasing number

of firms, often coupled with decreasing employment levels, existed in other sectors of the economy and within firm size categories. Some of these will be commented on later.

### **Entries and Exits**

It is generally agreed that small businesses have high mortality rates during their first years of existence. As a result of this, a growing economy needs a constant supply of new firms which can generate employment and wealth, and which hopefully can “beat the odds” of survival. These new businesses must also replace employment losses in firms which decline over a period. It becomes important then to assess the region’s performance with regard to business entries and exits as an indicator of the dynamics of new firm creation.

In the context of this discussion, “entries” are defined as businesses that enter the region’s economy during a particular period. Entry rates are calculated by dividing the number of entries by the number of firms which existed at the beginning of the period in question. “Exits” are firms that have left the economy in a particular period; exit rates compare exits with the number of firms in existence at the beginning of the particular period. It must be kept in mind that exits are not necessarily failures. In fact, firms of all ages are discontinued for a number of reasons, including mergers, acquisitions, and voluntary closures. In some cases a change in legal status, name change, or change in ownership may also appear as an exit in Statistics Canada reports. Firms may also simply become inactive for a period of time and reappear later as a contributor to the economy.

**Table 1.4**  
**Average Entry and Exit Rates for Businesses**  
**Canada, Atlantic Canada and Provinces**  
**1990-1993**

Province	Entry rate (%)	Exit rate (%)	Net gain in # of businesses (%)	Average life expectancy (years)
NF	25.8	23.8	2.0	4.2
PEI	19.8	18.4	1.4	5.4
NS	18.6	18.0	0.6	5.6
NB	17.6	17.2	0.4	5.8
ATL CAN	20.2	19.2	1.0	5.2
CAN	15.5	15.5	-	6.5

Source: Special run of Employment Dynamics

Table 1.4 provides a summary of entry and exit rates for each province, for the region, and nationally for the 1990-1993 period. The table indicates that, despite the relatively low economic growth experienced throughout the region during that period, the average annual entry rate for new businesses remained relatively high at 20.2%. This compares very favourably with the national entry rate of 15.5%.

Table 1.5, which presents annual entry rates for each province, for the region, and nationally, indicates a slow-down in the region's start-up rate from 21.9% to 19.1% over the four-year period. This parallels the national experience, which saw a decline in entry rates from 17.2% to 14.7% over the same period.

Table 1.5 also demonstrates that the four-year decline in start-up rates was experienced by all provinces. Newfoundland and Labrador continued to lead the region in business start-up performance with an average annual growth rate of 25.8%, but its decline was also the most precipitous, from 28.8% to 24.3%, perhaps because of the impact of the closure of the northern cod fishery on rural areas of the province. The other three provinces lagged somewhat. Nova Scotia's rate of decline was lowest, from 19.2% to 18.0%. Although New Brunswick experienced the lowest start-up rate, an average of 17.6%, this was still commendable when compared with the 15.5% experienced nationally.

**Table 1.5**  
**Trends in Business Entry Rates<sup>4</sup>**  
**Canada, Atlantic Canada and Provinces**  
**1990-1993**  
**(%)**

Region	1990	1991	1992	1993	Average
NF	28.8	25.8	24.3	24.3	25.8
PEI	21.2	21.7	18.3	17.8	19.8
NS	19.2	19.2	18.2	18.0	18.6
NB	19.5	18.0	16.6	16.5	17.6
ATL CAN	21.9	20.7	19.3	19.1	20.2
CAN	17.2	15.5	14.7	14.7	15.5

Source: Special run of Employment Dynamics

As might be expected in light of the economic climate, the region experienced high business exit rates between 1990 and 1993. Table 1.4 indicates that the Atlantic average annual exit rate of 19.2% was much higher than the national average of

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<sup>4</sup> Annual start-up rates expressed as a percentage of the total firms in existence during the year.

15.5%. However, the region generated a net increase in firms of 1.0%, whereas the national entry and exit rates were about equal. Newfoundland and Labrador had the highest exit rate, at 23.8%, but managed to retain a net gain in businesses of 2.0%, also the region's highest. Given the low average life expectancy of firms in that province, however, this net increase was certainly necessary. The other three Atlantic provinces were much less volatile, experiencing both lower entry and exit rates. Despite having the lowest exit rate in the region, New Brunswick generated the lowest net gain in new firms, at 0.4%. Again, however, each of the provinces outperformed the nation, which essentially had no net entries.

Although the data presented here might appear to indicate an unusually high turnover in firms, it must be remembered that small firm entries and exits are always somewhat turbulent, and that this turbulence was magnified by the recession which the region experienced during the period under review. It is to the region's credit that such a positive result was attained under these circumstances.

As with business start-ups, there were wide variations among the provinces with regard to business exits. Table 1.6 provides an overview of exit activity by province, together with a comparison of regional and national rates. Once again, the highest rate belonged to Newfoundland and Labrador, which actually experienced two years of decline prior to the sharp increase in 1993. The most noteworthy increase was Prince Edward Island, which increased from just under 17% in 1990 to nearly 21% in 1992 before dropping to about 19.5% in 1993. New Brunswick, despite experiencing a decline from just under 19% in 1990 to just over 16% in 1993, also had the lowest retention rate in the region, reflecting its relatively low entry rate. By comparison, the national rate decreased from just over 16% to just under 15% over the same period.

**Table 1.6**  
**Trends in Business Exit Rates<sup>5</sup>**  
**Canada, Atlantic Canada and Provinces**  
**1990-1993**  
**(%)**

Region	1990	1991	1992	1993	Average
NF	24.6	23.4	22.4	24.6	23.8
PEI	16.9	16.7	20.8	19.3	18.4
NS	17.8	18.2	18.2	18.0	18.0
NB	18.8	17.8	16.1	16.2	17.2
ATL CAN	19.7	19.3	18.7	19.1	19.2
CAN	16.2	16.4	14.6	14.9	15.5

Source: Special run of Employment Dynamics

The net effect of this activity was that, although entry rates have maintained a level in the range of 20%, an increase in exit rates has restricted the net growth in firms. Table 1.7 provides an analysis of the net growth in businesses by year. Net gains in the number of businesses declined steadily from 2.13% in 1990 to a net decrease in 1993. While this was still better than the national performance, it should not be considered acceptable in a region which must rely heavily on new businesses to revive its lagging economy.

More recent but less complete data suggest that the Atlantic economy is slowly beginning to improve. Between 1993-1995, the number of businesses increased by 4.1% in Nova Scotia, 6.1% in New Brunswick, 5.3% in Prince Edward Island and 0.9% in Newfoundland. This compares to a national average of 4.3%.

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<sup>5</sup> Annual business exits expressed as a percentage of total firms in existence during the year.



**Table 1.7<sup>6</sup>**  
**The Dynamics of a High Turnover**  
**Atlantic Canada**  
**1984-1993**

Year	Total # of firms the year before	Entries this year	Exits identified this year	Net gain	%
1984	69,126	13,895	10,199	3,696	5.35
1985	72,822	14,244	10,126	4,118	5.65
1986	76,940	14,867	10,982	3,885	5.05
1987	80,825	15,796	12,559	3,237	4.00
1988	84,062	16,523	13,974	2,549	3.03
1989	86,611	17,060	13,433	3,627	4.19
1990	88,197	19,280	17,397	1,883	2.13
1991	89,490	18,532	17,239	1,293	1.44
1992	90,053	17,369	16,806	563	0.63
1993	90,616	17,203	17,255	-22	-0.02

Source: Special run of Employment Dynamics

In order to identify areas of strength and weakness within the region it is useful to examine entries, exits and net retentions within various industry sectors. This information is presented in Table 1.8.

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<sup>6</sup> Note: Statistics Canada has modified the manner in which the data presented in Table 1.7 is compiled. Readers are cautioned that direct comparisons between pre-1990 and post-1989 data may not be possible.

**Table 1.8**  
**Entries and Exits by Industry<sup>7</sup>**  
**Atlantic Canada**  
**1990-1993**

Industry sector	Total entries	Total exits	Entry rate	Exit rate	Net gain
	#		%		
Primary	10,297	12,710	21.1	26.1	-5.0
Mining	191	211	18.1	20.0	-1.9
Manuf.	3,096	3,012	16.9	16.3	0.6
Const.	8,081	7,193	17.0	15.2	1.8
Wholesale	3,044	2,707	15.3	13.6	1.7
Retail	9,353	8,912	16.8	16.0	0.8
T, C & U	3,298	2,930	19.1	17.0	2.1
FIRE	2,319	2,155	15.1	14.0	1.1
P & B Services					
<i>Business</i>	3,823	2,963	20.8	16.1	4.7
<i>Accom./food</i>	4,566	4,006	21.0	18.5	2.5
<i>Misc.</i>	19,418	18,345	26.9	25.4	1.5
Community Services	4,541	3,157	18.2	12.6	5.6
Public Admin	357	366	13.6	13.9	-0.3
<b>TOTAL</b>	<b>72,384</b>	<b>68,667</b>	<b>20.2</b>	<b>19.2</b>	<b>1.0</b>

Source: Employment Dynamics

Note: Abbreviations - Transportation, Communications and Utilities (T, C & U), Finance, Insurance and Real Estate (FIRE) and Personal and Business Services (P & B Services). Community Services includes Education and Health and Welfare.

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<sup>7</sup> Entry and exit rates are based on the number of firms in existence at the end of 1989.

It can be readily seen that traditionally strong industrial sectors in the region, such as the primary sector, have experienced net decreases in the number of firms. Firms entering the sector did so at a relatively high annual rate of 21.1%. On the other hand, exits from this sector took place at an even higher rate, 26.1%, resulting in a net decrease of 5.0%. Although not as dramatic, the performance of another traditional area of strength, mining, resulted in annual rates of 18.1% for entries and 20.0% for exits, an overall decrease of 1.9%. With a net increase of 1.8%, the construction sector remained flat despite the impact of megaprojects, such as construction of the Hibernia project, which may have been offset by an overall decrease in other types of construction.

Reflecting trends in the remainder of the country, the areas of greatest strength in the region were the service sectors. Community services, at 5.6%, provided the greatest area of growth, followed closely by business services. These sectors were also relatively stable, particularly the community services sector with only a 12.6% exit rate. Accommodations and food also turned in a relatively strong performance, further demonstrating the importance of the tourism industry to the region.

### **Business Dynamics**

The previous section of this chapter examined the pattern of business entries and exits, revealing that large numbers of new firms are needed each year to provide the economy with momentum, as well as to replace firms which leave the economy for one reason or another. This section will investigate the growth patterns of firms in existence at the end of 1989 as well as firms established after that time (Table 1.9).

**Table 1.9**  
**The Dynamics of Firms in Atlantic Canada**  
**1990-1993**  
**(000s)**

Status <sup>8</sup>	<5 emp.	5<20 emp.	20<50 emp.	50<100 emp.	100<500 emp.	500+ emp.	Total frms
Firms in existence at the end of 1989	63.2	13.4	3.7	1.6	2.4	2.0	86.3

**FIRMS COMING INTO THE SIZE CATEGORY**

New entrants	61.9	4.7	2.1	1.2	1.6	0.9	72.4
Inflows	2.8	2.8	0.9	0.5	0.4	0.1	7.5
Total	64.7	7.5	3.0	1.7	2.0	1.0	79.9

**FIRMS LEAVING THE SIZE CATEGORY**

Exits of 1989 firms	32.1	3.1	1.0	0.6	0.8	0.5	38.1
Growers	2.1	0.6	0.3	0.1	0.1	NA	3.2
Sliders	NA	2.7	0.8	0.3	0.3	0.2	4.3
Exits of post-1989 firms	25.4	2.3	1.1	0.6	0.8	0.4	30.6
Total	59.6	8.7	3.2	1.6	2.0	1.1	76.2

Net change	5.1	-1.2	-0.2	0.1	-	-0.1	3.7
Firms in existence at the end of 1993	68.3	12.2	3.5	1.7	2.4	1.9	90.0
% of all firms	75.9	13.5	3.9	1.9	2.7	2.1	100.0

Source: Special run of Employment Dynamics

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<sup>8</sup> Firms are categorized by employment size.

The analysis looks at the growth in number of firms by employment size category. A small firm is defined as one with fewer than 100 employees, a medium-sized firm is one with 100-499 employees, and a large firm is one with 500 or more employees.

As one reviews Table 1.9, several patterns emerge. First, only a relatively small number of firms grew into a larger employment size category over the period. Second, most firms remained stable, or, at best, experienced modest increases or decreases in terms of growth. Third, there were firms which experienced steady decline, sometimes to a point where it became impossible to continue.

In order to understand the implications of these patterns, an examination of the movement of firms between employment size categories is useful. Before doing that, however, some clarification of the terminology is necessary. “Entrants” are defined as the business start-ups that entered the size category during the four-year period under review. “Exits” are firms leaving the economy during that period. “Growers” are firms which existed in a particular size category at the end of 1989 and which grew sufficiently to move from that employment size category to a larger one. “Sliders,” on the other hand, are firms which decreased in size over that period to a point where they moved to a smaller size category. It follows, therefore, that the smallest size category experienced no sliders, as there was no where for them to go except out of the economy. Similarly, there were no growers from the largest size category. “Inflows” are the net numbers of growers and sliders that moved into a category.

Not surprisingly, the most volatile size category was the smallest; those firms with fewer than five employees. This category experienced by far the highest number of entrants and

exits, the highest percent increase in number of firms (5.1%) and was responsible for the total increase in number of firms in the region. The number of medium-sized businesses remained the same at 2,400 and the number of large firms decreased to 1,900. What was surprising, however, was that relatively few of these new firms grew to a point where they entered a larger size category, thereby suggesting that most surviving small firms remained relatively small. There may be a number of reasons for this. Many small businesses remain small by choice. In addition, smaller businesses tend, as a group, to have restricted access to the human and financial resources necessary for growth. Finally, the recession experienced throughout the region in the early 90s temporarily dampened the growth aspirations of many small firms, a situation that is likely to change as the economy improves.

A further review of Table 1.9 indicates that sliders—firms that are becoming smaller—outnumbered growers in all of the other size categories. Given the relatively poor economic conditions the region experienced during the period, this pattern is understandable. Table 1.9 also reinforces the view of the importance of new business entrants into the economy; as one would expect, the smallest size category generated the most impressive growth in new firms. Despite the surprisingly large numbers of new firms entering the economy in other size categories, relatively high exit rates left an overall net decrease in the number of firms in these size categories. This phenomenon should be examined more closely. It would be expected that larger firms should have access to the resources that would provide greater protection against recessionary periods. The reasons why this did not occur merit investigation.

In conclusion, during 1990-1993, Atlantic Canada once again led the nation in new business entries and in the retention of new firms. By 1993, over three quarters of regional firms had fewer

than five employees, 89.4% had fewer than 20 employees, and 95.2% had fewer than 100 employees. Despite the recession which the region experienced for much of that period, Atlantic Canadians retained sufficient confidence in their region to commit their efforts and, just as importantly, their resources, to building a future in the area. Small businesses were at the forefront of this performance both in new firm creation, and as the next chapter will point out in more detail, in the creation of new employment.

## CHAPTER 2

# ANATOMY OF JOB CREATION

The early 1990s was a period of significant downturn in the Canadian economy, especially during the 1990-1993 period, and the overall impact on employment was considerable. National unemployment rates increased from 8.1% to 11.2% (Table 2.1); bankruptcies increased<sup>9</sup>; both private and public sector employment declined. (See Table 2.2 for employment trends in the public sector.) However, the employment situation improved considerably in 1994 and 1995 and unemployment levels dropped to 9.5%. While Canada and the Atlantic region at least maintained their stock of businesses through the recession, the employment picture looked somewhat different.

**Table 2.1**  
**Unemployment Rates, Canada, Atlantic Canada**  
**1989-1995**

Region	Year						
	1989	1990	1991	1992	1993	1994	1995
CAN	7.5	8.1	10.3	11.3	11.2	10.4	9.5
NF	15.8	17.1	18.4	20.2	20.2	20.4	18.3
PEI	14.1	14.9	16.8	17.7	17.7	17.1	14.7
NS	9.9	10.5	12.0	13.1	14.6	13.3	12.1
NB	12.5	12.1	12.7	12.8	12.6	12.4	11.5

Source: Historical Labour Force Statistics, 1966-1993, Statistics Canada, Cat. No. 71-201 and update

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<sup>9</sup> *Small Business Annual Report, 1995*, Canadian Bankers Association, Toronto



**Table 2.2**  
**Changes in Public Sector Employment**  
**Atlantic Canada**  
**1989-1993**

Region	Year				Net change in emp.	
	1990	1991	1992	1993	Actual 1990-93	% chg. 1990-93
NF	44,505	44,500	45,829	43,640	-865	-1.9
PEI	15,102	14,889	14,222	14,187	-915	-6.1
NS	106,689	106,101	103,520	101,743	-4,946	-4.6
NB	75,211	76,329	76,708	77,082	1,871	2.5
ATL CAN	241,507	241,819	239,739	236,652	-4,855	-10.2

Source: Public Sector Employment and Remuneration, 1990-1993, Statistics Canada, Cat. No. 72-209

This chapter is devoted to a discussion of the following dimensions of job creation and employment: job creation and job loss; employment distribution by firm size; employment distribution by industry sector; and self-employment.<sup>10</sup>

### **Job Creation and Job Loss**

There was significant new firm creation over the 1990-1993 period as indicated in Chapter 1. This was especially true in Atlantic Canada where employment created by new firms went a long way in offsetting employment lost by firms exiting the economy and by firms that downsized. Just as in the 1979-1989

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<sup>10</sup> Data in this chapter, unless otherwise stated were sourced from Employment Dynamics, Business Size and Life Status, Small Business and Special Surveys Division, Statistics Canada. There was a structural change in the Statistics Canada database in 1989 and, currently, data prior to 1989 are no longer comparable with data after 1989. The structural change consists of a change from the 1970 SIC system to the 1980 SIC system as well as a change from Business Register Division's BRID system of business identification to the current CFDB system (Central Frame Data Base).

period, small firms created more jobs and lost less in relative terms than firms in the medium and large size categories.

Table 2.3 presents an overview of the employment gains and losses caused by the movement of firms into and out of the economy, as well as between employment size categories. The overall effect of the general trend toward downsizing and the exiting of firms that existed at the beginning of 1990 resulted in a net decrease of 46,500 jobs. About 44% of the firms that existed at the beginning of the period exited the economy, taking 113,900 jobs with them. An additional 77,200 jobs disappeared as firms grew smaller. This was partially compensated for by the small growth in employment recorded by firms that held their own (3,800 jobs) and, to a larger extent, by firms that managed to grow and create 41,700 new jobs over the period (4% of 1989 firms). This latter group accounted for 24% of total gross new jobs created during the period, and 90% of gross new jobs created by existing firms.

The strongest contributors to gross new jobs are new firm entries. Over the four-year period, some 72,384 new firms created 121,900 gross new jobs, nearly three quarters of the total of 167,400. Many of these firms (30,611) subsequently exited the economy with a resulting loss of some 22,800 jobs. The net increase of 99,000 jobs created by surviving new firms was, however, one of the few bright spots in an economy which saw an overall employment decrease of about 46,500.

Despite the volatility of entries and exits of firms with fewer than five employees, Table 2.4 indicates that this category actually produced the only real increase in employment in the region. Employment created by new entrants (post 1989) with fewer than five employees (52,100 jobs) more than compensated for jobs lost from the high rate of exit and other employment losses due to downsizing within the category. By the end of

1993 there was a net employment gain of 22,600 in the smallest firms. This is a sharp contrast with firms employing more than 500, which experienced a significant net employment decrease of 37,400. By the end of 1993, small firms had maintained their level of employment while medium and large firms (100+ employees) had a net loss of 51,700 jobs.

**Table 2.3<sup>11</sup>**  
**Employment Gains and Losses**  
**Atlantic Canada**  
**1990-1993**

Status	Number of firms	As a % of 1989 firms	Net chg. in emp. 1990-93
		%	(000s)
Total firms end of 1989	86,314	100	-145.6
Job creators:			
Unchanged	40,767	47	3.8
Growers	3,200	4	41.7
Post-1989 entrants	72,384	84	121.9
Total jobs gained			167.4
Job losers:			
Exits of 1989 firms	38,056	44	-113.9
Sliders	4,291	5	- 77.2
Exits of post-1989 entrants	30,611	35	- 22.8
Total jobs lost			-213.9
Net change			- 46.5

Source: Special run of Employment Dynamics

<sup>11</sup> The starting point for data in this section is the firms in existence at the end of 1989. Subsequent measures of employment gains and losses caused by the movement of firms into and out of the economy as well as between size categories are for the period 1990-1993.

Table 2.4 also illustrates that many more jobs were lost by sliders than were created by growers, and job losses from exits, especially among larger firms, exceeded job gains from entrants. As a group, firms that existed at the end of 1989 experienced decreases in employment across the board. Only the jobs created from new firms provided some relief.

**Table 2.4**  
**Employment Gains and Losses by Firm Size**  
**Atlantic Canada**  
**1990-1993**

Status	<5	5-19	20-49	50-99	100-499	500+	Total
	<b>Jobs (000s)</b>						
Employment in firms existing at end of 1989	78.3	120.0	82.3	54.5	116.9	419.7	871.7
Exits of 1989 firms	-25.7	-22.4	-8.7	-8.6	-17.9	-30.6	-113.9
Unchanged	-5.3	0.9	1.4	-0.6	-2.2	9.6	3.8
Growers	12.6	11.2	7.8	3.7	6.4	NA	41.7
Sliders	NA	-17.3	-11.9	-6.1	-9.9	-32.0	-77.2
Net change for 1989 firms	-18.4	-27.6	-11.4	-11.6	-23.6	-53.0	-145.6
Post 1989 entrants	52.1	22.1	12.0	8.0	11.5	16.2	121.9
Exits of post-1989 entrants	-11.1	-4.3	-2.5	-2.1	-2.2	-0.6	-22.8
Employment in firms existing at the end of 1993	100.9	110.2	80.4	48.8	102.6	382.3	825.2
Net change	22.6	-9.8	-1.9	-5.7	-14.3	-37.4	-46.5

Source: Special run of Employment Dynamics

There were a small number of outstanding performers which contributed greatly to the growth in job creation by existing firms. At the same time, declines in employment in a relatively small number of existing firms accounted for a disproportionately large share of job losses. Table 2.5 illustrates these points quite well. A total of 142 firms, only 0.16% of those in existence at the end of 1989, grew rapidly enough during the period to jump two size

**Table 2.5**  
**Big Achievers and Job Losers**

Net employment gains by Atlantic Canadian firms that grew or declined during 1990-1993 into a size category two or more higher or lower than their 1989 category. Only firms in existence at the end of 1989 were included in this data.

Size of firms in 1989 (# of employees)	Number of firms	As a % of 1989 firms	Net change in employment	As a % of total gains
Achievers:				
<5	53	0.06	1,400	3.0
5-19	37	0.04	2,200	4.8
20-49	50	0.06	1,800	3.9
50-99	2	0.002	0.00	0.00
Total	142	0.16	5,400	11.7
Losers:				
20-49	93	0.11	- 2,300	- 5.0
50-99	53	0.06	- 2,200	- 4.8
100-499	100	0.12	- 5,500	-11.9
500+	13	0.01	- 4,400	- 9.5
Total	259	0.30	-14,400	-31.2

Source: Special run of Employment Dynamics

categories, creating 5,400 new jobs as they did. This growth occurred exclusively in small businesses, again underscoring the potential of these firms to add dramatically to the region's economy. These figures included only firms in existence at the end of 1989; new entrants after that time which conceivably could have enhanced this impressive performance were not included.

At the same time, about 0.3% of firms existing at the end of 1989 were responsible for 31.2% of the net job loss for the period. Firms having fewer than 100 employees accounted for 9.8% of this total. The remaining 21.4% resulted from the downsizing activities of medium and larger size firms in the region.

While the employment picture for the Atlantic region, and generally for the whole country was somewhat bleak over the 1990-93 period, the trend started to reverse itself as the mid 1990s approached. Table 2.6 shows there was significant job creation by firm size between the fourth quarter of 1994 and the end of 1995. Firms with fewer than 50 employees led the recovery in Atlantic Canada, producing 13,500 net jobs in 1995, representing 78% of the total net jobs created.

Notwithstanding the positive impact of small firms on job creation during the period under review, some interesting shifts in the distribution of employment occurred within the various size categories.

**Table 2.6**  
**Job Creation by Firm Size**  
**Oct. 1994 - Dec. 1995**  
**(000s)**

Firm size	CAN	ATL CAN	NF	NS	NB	PEI
0 - 49	161.0	13.5	1.7	3.1	5.4	3.3
50 - 299	38.6	5.0	- 1.4	- 4.2	3.7	0.7
300+	5.5	1.8	- 1.2	2.0	1.8	2.3
Total	205.1	17.3	- 0.9	1.0	10.9	6.3

Source: Survey of Employment, Payroll and Hours, Statistics Canada

### **Employment Distribution by Firm Size<sup>12</sup>**

Despite the fact that there was an overall decline in employment over the four-year period, small businesses had a very positive impact on job creation. This is reflected in Canada, the Atlantic region and in each of the Atlantic provinces.

Overall, employment in Canada decreased by 7% (890,000) over the 1989-93 period. Employment in the small business sector (<100 employees) declined by 3% (136,800) over that period, accounting for 15.4% of the total decline in employment (Table 2.7). Employment in very small firms or micro-businesses (<5 employees) on the other hand, increased by 344,800; 35% higher than the 1989 level. This dramatic surge in employment over the 1989-93 period resulted in an increase in the micro-business share of total employment in Canada from 8% to 11.5%. The greatest decline in employment occurred in large firms (500+ employees). Employment in this category

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<sup>12</sup> Data in this section and the subsequent section on employment distribution by industry sector are for the 1989-1993 period and measure the change in employment distribution from 1989 to 1993.

decreased by 9.2% over the four-year period, or 58% (517,900) of the total employment loss in the country. The second highest decline (235,300), 26.4% of the total, was in medium-sized firms (100-499).

**Table 2.7**  
**Employment Patterns by Size of Firm, Canada**  
**1989-1993**

Firm size (# of employees)	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993	
	(000s)	%	(000s)	%	(000s)	%
< 5	1,000.3	8.0	1,345.1	11.5	344.9	35
5-19	1,690.9	13.5	1,533.4	13.2	-157.5	-9
20-49	1,350.0	10.8	1,154.2	9.9	-195.8	-15
50-99	933.5	7.4	805.2	6.9	-128.3	-14
<b>Small firms</b>	<b>4,974.7</b>	<b>39.7</b>	<b>4,837.9</b>	<b>41.5</b>	<b>-136.8</b>	<b>-3</b>
100-499	1,924.5	15.3	1,689.2	14.5	-235.3	-12
500 or more	5,635.5	45.0	5,117.6	44.0	-517.9	-9
<b>All firms</b>	<b>12,534.7</b>	<b>100.0</b>	<b>11,644.7</b>	<b>100.0</b>	<b>-890.0</b>	<b>-7</b>

Source: Employment Dynamics

The Atlantic region did reasonably well over the 1989-1993 period compared to Canada as a whole (Table 2.8). The region accounted for only 5% of the total decline in employment over the period, even though its share of total employment in Canada was 7%. It was the small business sector that produced employment in the region, adding 5,200 net jobs to the region's economy. The micro-business category was the biggest contributor. This size category increased employment by 22,600, an increase of 29%, and increased its share of the region's total employment from 9% to 12.2%. By the end of 1993 small firm share of total employment was 41.1% while the



large firm share had declined to 46.4%. This represents a continuation of the trend reported in the previous ten-year period (1979-1989) which indicated that small firm share of employment had increased from 31.5% to 38.4%. The large firm share had declined from 53.9% to 48.1% over the same period. Increases in the share of total employment for the small firm category were consistent in each of the provinces.

**Table 2.8**  
**Employment Patterns by Size of Firm, Atlantic Canada**  
**1989-1993**

Firm size (# of employees)	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993	
	(000s)	%	(000s)	%	(000s)	%
< 5	78.3	9.0	100.9	12.2	22.6	29
5-19	120.0	13.8	110.2	13.3	-9.8	-8
20-49	82.3	9.4	80.4	9.7	-1.9	-2
50-99	54.5	6.2	48.8	5.9	-5.7	-10
<b>Small firms</b>	<b>335.1</b>	<b>38.4</b>	<b>340.3</b>	<b>41.1</b>	<b>5.2</b>	<b>2</b>
100-499	116.9	13.4	102.6	12.4	-14.3	-12
500 or more	419.7	48.1	382.3	46.4	-37.4	-9
<b>All firms</b>	<b>871.7</b>	<b>100.0</b>	<b>825.2</b>	<b>100.0</b>	<b>-46.5</b>	<b>-5</b>

Source: Employment Dynamics

There were some significant differences in the employment patterns among the provinces in Atlantic Canada (Tables 2.9 through 2.12). Newfoundland and Labrador and Nova Scotia which represented 61.1% of the region's total population and 63.1% of total employment, accounted for a decrease in employment of 38,000 or 81.7% of the 46,500 net decrease.

As was the case with Canada as a whole, medium and large firms (100+ employees) in Atlantic Canada experienced significant employment decreases caused by closures and downsizing. In fact, employment in these firms declined by 51,700, while the net decrease for the region was 46,500, indicating that small firms (<100 employees), especially micro-firms (<5 employees), had to bear the burden of job creation. Employment in firms with fewer than 100 employees increased by 2% in Atlantic Canada compared to a decline of 3% in Canada as a whole. The increases in the micro-firm category ranged from 25% in Nova Scotia to 35% in Newfoundland and Labrador. In Newfoundland and Labrador and in Prince Edward Island there were also small increases in the 20-49 employee category.

**Table 2.9**  
**Employment Patterns by Size of Firm**  
**Newfoundland and Labrador**  
**1989-1993**

Firm size (# of employees)	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993	
	(000s)	%	(000s)	%	(000s)	%
<5	17.4	9.4	23.5	14.0	6.1	35
5-19	23.9	12.9	22.2	13.2	-1.7	-7
20-49	15.9	8.6	17.0	10.1	1.1	6
50-99	10.5	5.7	8.5	5.1	-2.0	-19
<b>Small firms</b>	<b>67.7</b>	<b>36.6</b>	<b>71.2</b>	<b>42.4</b>	<b>3.5</b>	<b>5</b>
100-499	21.5	11.6	19.4	11.5	-2.1	-9
500 or more	95.7	51.8	77.4	46.1	-18.3	-19
<b>All firms</b>	<b>184.9</b>	<b>100.0</b>	<b>168.0</b>	<b>100.0</b>	<b>-16.9</b>	<b>-9</b>

Source: Employment Dynamics

In the Atlantic region 77% of the gains by the micro-firm category were offset by employment losses in the 5-99 employee size category. This phenomenon was even more dramatic in the country as a whole, where employment losses in firms in the 5-99 employee size category actually exceeded gains in the micro-business category by 136,800.

In general it can be said that small businesses in the region outperformed Canada as a whole and continued to be job creators even in difficult economic times, indicating a strong entrepreneurial propensity. Larger firms, on the other hand, experienced significant employment losses in both the region and nationally.

**Table 2.10**  
**Employment Patterns by Size of Firm, Nova Scotia**  
**1989-1993**

Firm size (# of employees)	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993	
	(000s)	%	(000s)	%	(000s)	%
< 5	29.4	8.0	36.6	10.6	7.2	25
5-19	48.2	13.2	43.4	12.6	-4.8	-10
20-49	34.2	9.3	32.0	9.3	-2.2	-6
50-99	22.9	6.3	20.9	6.1	-2.0	-9
<b>Small firms</b>	<b>134.7</b>	<b>36.8</b>	<b>132.9</b>	<b>38.5</b>	<b>-1.8</b>	<b>-1</b>
100-499	53.6	14.6	47.6	13.8	-6.0	-11
500 or more	177.8	48.6	164.5	47.7	-13.3	-7
<b>All firms</b>	<b>366.1</b>	<b>100.0</b>	<b>345.0</b>	<b>100.0</b>	<b>-21.1</b>	<b>-6</b>

Source: Employment Dynamics

**Table 2.11**  
**Employment Patterns by Size of Firm, New Brunswick**  
**1989-1993**

Firm size (# of employees)	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993	
	(000s)	%	(000s)	%	(000s)	%
< 5	25.5	9.4	33.2	12.5	7.7	30
5-19	39.0	14.3	36.1	13.6	-2.9	-7
20-49	27.0	9.9	26.0	9.8	-1.0	-4
50-99	17.5	6.4	16.3	6.1	-1.2	-7
<b>Small firms</b>	<b>109.0</b>	<b>40.0</b>	<b>111.6</b>	<b>42.0</b>	<b>2.6</b>	<b>2</b>
100-499	34.1	12.5	28.7	10.8	-5.4	-16
500 or more	129.0	47.4	125.1	47.1	-3.9	-3
<b>All firms</b>	<b>272.1</b>	<b>100.0</b>	<b>265.4</b>	<b>100.0</b>	<b>-6.7</b>	<b>-2</b>

Source: Employment Dynamics

**Table 2.12**  
**Employment Patterns by Size of Firm**  
**Prince Edward Island**  
**1989-1993**

Firm size (# of employees)	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993	
	(000s)	%	(000s)	%	(000s)	%
< 5	6.0	12.3	7.6	15.9	1.6	27
5-19	8.9	18.3	8.5	17.8	-0.4	-4
20-49	5.2	10.7	5.4	11.3	0.2	4
50-99	3.6	7.4	3.1	6.5	-0.5	-14
<b>Small firms</b>	<b>23.7</b>	<b>48.8</b>	<b>24.6</b>	<b>51.5</b>	<b>0.9</b>	<b>4</b>
100-499	7.7	15.8	6.9	14.4	-0.8	-10
500 or more	17.2	35.4	16.3	34.1	-0.9	-5
<b>All firms</b>	<b>48.6</b>	<b>100.0</b>	<b>47.8</b>	<b>100.0</b>	<b>-0.8</b>	<b>-2</b>

Source: Employment Dynamics

## **Employment Distribution by Industry Sector<sup>13</sup>**

In both Canada (Table 2.13) and the Atlantic region (Table 2.14), the goods-producing sector accounted for most of the decline in employment (70.6% and 63.4% respectively). While the Atlantic region fared somewhat better in this sector, employment was down in Atlantic Canada in the funded sector by 5,500 (11.4%) compared to an increase in Canada as a whole of 122,500 (13.4%). On the other hand, the market services sector was down significantly in Canada, although it was up marginally in Atlantic Canada and was the only sector to show any employment gains. Employment in the goods-producing sector dropped by 20% in Canada and 16% in Atlantic Canada (mostly in manufacturing and construction). Other sectors remained relatively constant compared to 1989.

Table 2.15 shows the percentage changes in employment between 1989 and 1993 in the four major industry sectors for Canada, Atlantic Canada and individually for the four Atlantic provinces.

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<sup>13</sup> There was an unexplained difference of 20,000 employees between the total number employed in 1989 as reported in Table 2.7 and the number reported in Table 2.13.

**Table 2.13**  
**Distribution of Employment by Industry Sector, Canada**  
**1989-1993**

Industry sector	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993		% of total change in emp.
	(000s)	%	(000s)	%	(000s)	%	
Primary	169.6	1.4	165.5	1.4	- 4.1	-2	0.4
Mining	190.4	1.5	144.9	1.2	- 45.5	-24	5.0
Manuf.	2,185.5	17.4	1,786.1	15.3	-399.4	-18	43.8
Const.	660.8	5.3	465.0	4.0	-195.8	-30	21.5
<b>Goods-producing</b>	<b>3,206.3</b>	<b>25.5</b>	<b>2,561.5</b>	<b>22.0</b>	<b>-644.8</b>	<b>-20</b>	<b>70.6</b>
Wholesale	777.0	6.2	639.2	5.5	-137.8	-18	15.1
Retail	1,544.4	12.3	1,506.8	12.9	- 37.6	-2	4.1
<b>Trade</b>	<b>2,321.4</b>	<b>18.5</b>	<b>2,146.0</b>	<b>18.4</b>	<b>-175.4</b>	<b>-8</b>	<b>19.2</b>
T, C & U	766.3	6.1	787.4	6.8	21.1	+3	- 2.3
FIRE	974.4	7.8	847.9	7.3	-126.5	-13	13.9
P & B services	2,230.7	17.8	2,167.3	18.6	- 63.4	-3	6.9
<b>Market services</b>	<b>3,971.4</b>	<b>31.6</b>	<b>3,802.6</b>	<b>32.7</b>	<b>-168.8</b>	<b>-4</b>	<b>18.5</b>
Community services	1,858.3	14.8	2,036.4	17.5	178.1	+10	- 19.5
Public admin.	1,101.1	8.8	1,045.5	9.0	- 55.6	-5	6.1
<b>Funded sector</b>	<b>2,959.4</b>	<b>23.6</b>	<b>3,081.9</b>	<b>26.5</b>	<b>122.5</b>	<b>+4</b>	<b>- 13.4</b>
<b>Unclassified</b>	<b>97.5</b>	<b>0.8</b>	<b>51.2</b>	<b>0.4</b>	<b>- 46.3</b>	<b>-47</b>	<b>5.1</b>
<b>TOTAL</b>	<b>12,556.0</b>	<b>100.0</b>	<b>11,643.2</b>	<b>100.0</b>	<b>-912.8</b>	<b>-7</b>	<b>100.0</b>

Source: Employment Dynamics

Note: Abbreviations - Transportation, Communications and Utilities (T, C & U), Finance, Insurance and Real Estate (FIRE) and Personal and Business Services (P & B Services). Community Services includes Education and Health and Welfare.

**Table 2.14**  
**Distribution of Employment by Industry Sector, Atlantic Canada**  
**1989-1993**

Industry sector	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993		% of total change in emp.
	(000s)	%	(000s)	%	(000s)	%	
Primary	23.2	2.7	22.5	2.7	-0.7	-3	1.5
Mining	10.9	1.3	8.7	1.1	-2.2	-20	4.6
Manuf.	110.6	12.7	91.9	11.2	-18.7	-17	38.9
Const.	45.7	5.2	36.8	4.5	-8.9	-19	18.5
<b>Goods-producing</b>	<b>190.4</b>	<b>21.8</b>	<b>159.9</b>	<b>19.4</b>	<b>-30.5</b>	<b>-16</b>	<b>63.4</b>
Wholesale	41.6	4.8	36.3	4.4	-5.3	-13	11.0
Retail	128.1	14.7	124.1	15.1	-4.0	-3	8.3
<b>Trade</b>	<b>169.7</b>	<b>19.5</b>	<b>160.4</b>	<b>19.5</b>	<b>-9.3</b>	<b>-5</b>	<b>19.3</b>
T, C & U	49.3	5.7	51.3	6.2	2.0	+4	-4.2
FIRE	43.5	5.0	38.3	4.7	-5.2	-12	10.8
P & B services	125.0	14.3	128.5	15.6	3.5	+3	-7.3
<b>Market services</b>	<b>217.8</b>	<b>25.0</b>	<b>218.1</b>	<b>26.5</b>	<b>0.3</b>	<b>0</b>	<b>-0.6</b>
Community services	122.9	14.1	127.1	15.4	4.2	+3	-8.7
Public admin.	165.2	19.0	155.5	18.9	-9.7	-6	20.2
<b>Funded sector</b>	<b>288.1</b>	<b>33.1</b>	<b>282.6</b>	<b>34.3</b>	<b>-5.5</b>	<b>-2</b>	<b>11.4</b>
<b>Unclassified</b>	<b>5.5</b>	<b>0.6</b>	<b>2.4</b>	<b>0.30</b>	<b>-3.1</b>	<b>-56</b>	<b>6.4</b>
<b>TOTAL</b>	<b>871.5</b>	<b>100.0</b>	<b>823.4</b>	<b>100.0</b>	<b>-48.1</b>	<b>-6</b>	<b>100.0</b>

Source: Employment Dynamics

**Table 2.15**  
**Percentage Change in Employment**  
**Canada, Atlantic Canada and Provinces**  
**1989-1993**  
**(%)**

Sector	CAN	ATL CAN	NF	NS	NB	PEI
Goods-producing	-20	-16	-26	-20	-8	-6
Trade	-8	-5	-5	-7	-4	-2
Market services	-4	0	0	+4	-3	-9
Funded sector	+4	-2	-7	-2	+3	0

Source: Employment Dynamics

Focusing on the Atlantic region, the decline in employment in the goods-producing sector was 30,500, followed by 9,300 in the trade sector. These two sectors accounted for 63.4% and 19.3% of total employment losses in all sectors. Most notable of these declines were those that occurred in Newfoundland and Labrador and Nova Scotia in the goods-producing sector (Table 2.16 and Table 2.17). A decrease of 25,000 jobs in this sector in the two provinces combined accounted for 52% of the total employment decline in the region. Within this sector, manufacturing was the clear loser. These two provinces also accounted for 88% of the total decline in employment in the manufacturing sector in the region. These numbers are reflected in the sectoral percentage distribution presented in Table 2.18, where these provinces had the lowest percentage of employment in the goods-producing sector.



**Table 2.16**  
**Distribution of Employment by Industry Sector**  
**Newfoundland and Labrador**  
**1989-1993**

Industry sector	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993		% of total change in emp.
	(000s)	%	(000s)	%	(000s)	%	
Primary	3.5	1.9	3.1	1.9	-0.4	-11	2.3
Mining	4.0	2.2	2.8	1.7	-1.2	-30	6.8
Manuf.	22.1	12.0	14.3	8.5	-7.8	-35	44.3
Const.	8.8	4.8	8.2	4.9	-0.6	-7	3.4
<b>Goods-producing</b>	<b>38.4</b>	<b>20.8</b>	<b>28.4</b>	<b>17.0</b>	<b>-10.0</b>	<b>-26</b>	<b>56.8</b>
Wholesale	9.2	5.0	7.4	4.4	-1.8	-20	10.2
Retail	26.2	14.2	26.2	15.7	0.0	0	0.0
<b>Trade</b>	<b>35.4</b>	<b>19.1</b>	<b>33.6</b>	<b>20.1</b>	<b>-1.8</b>	<b>-5</b>	<b>10.2</b>
T, C & U	10.7	5.8	11.5	6.9	0.8	+7	-4.5
FIRE	7.8	4.2	6.3	3.8	-1.5	-19	8.5
P & B services	23.6	12.8	24.4	14.6	0.8	+3	-4.5
<b>Market services</b>	<b>42.1</b>	<b>22.8</b>	<b>42.2</b>	<b>25.2</b>	<b>0.1</b>	<b>0</b>	<b>-0.6</b>
Community services	27.6	14.9	25.5	15.2	-2.1	-8	11.9
Public admin.	40.0	21.6	37.1	22.2	-2.9	-7	16.5
<b>Funded sector</b>	<b>67.6</b>	<b>36.6</b>	<b>62.6</b>	<b>37.4</b>	<b>-5.0</b>	<b>-7</b>	<b>28.4</b>
<b>Unclassified</b>	<b>1.4</b>	<b>0.8</b>	<b>0.5</b>	<b>0.3</b>	<b>-0.9</b>	<b>-64</b>	<b>5.1</b>
<b>TOTAL</b>	<b>184.9</b>	<b>100.0</b>	<b>167.3</b>	<b>100.0</b>	<b>-17.6</b>	<b>-10</b>	<b>100.0</b>

Source: Employment Dynamics

**Table 2.17**  
**Distribution of Employment by Industry Sector, Nova Scotia**  
**1989-1993**

Industry sector	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993		% of total change in emp.
	(000s)	%	(000s)	%	(000s)	%	
Primary	7.3	2.0	6.9	2.0	- 0.4	-5	1.9
Mining	2.1	0.6	2.0	0.6	- 0.1	-5	0.5
Manuf.	48.0	13.1	39.3	11.4	- 8.7	-18	41.4
Const.	19.5	5.3	13.7	4.0	- 5.8	-30	27.6
<b>Goods-producing</b>	<b>76.9</b>	<b>21.0</b>	<b>61.9</b>	<b>18.0</b>	<b>-15.0</b>	<b>-20</b>	<b>71.4</b>
Wholesale	16.2	4.4	14.3	4.1	- 1.9	-12	9.0
Retail	55.6	15.2	52.2	15.1	- 3.4	-6	16.2
<b>Trade</b>	<b>71.8</b>	<b>19.6</b>	<b>66.5</b>	<b>19.3</b>	<b>- 5.3</b>	<b>-7</b>	<b>25.2</b>
T, C & U	17.9	4.9	21.4	6.2	3.5	+20	-16.7
FIRE	19.5	5.3	18.2	5.3	- 1.3	-7	6.2
P & B services	52.3	14.3	53.7	15.6	1.4	+3	- 6.7
<b>Market services</b>	<b>89.7</b>	<b>24.5</b>	<b>93.3</b>	<b>27.1</b>	<b>3.6</b>	<b>+4</b>	<b>-17.1</b>
Community services	56.1	15.3	58.4	16.9	2.3	+4	-11.0
Public admin.	69.1	18.9	63.9	18.5	- 5.2	-8	24.8
<b>Funded sector</b>	<b>125.2</b>	<b>34.2</b>	<b>122.3</b>	<b>35.5</b>	<b>- 2.9</b>	<b>-2</b>	<b>13.8</b>
Unclassified	2.1	0.6	0.7	0.2	- 1.4	-67	6.7
<b>TOTAL</b>	<b>365.7</b>	<b>100.0</b>	<b>344.7</b>	<b>100.0</b>	<b>-21.0</b>	<b>-6</b>	<b>100.0</b>

Source: Employment Dynamics

**Table 2.18<sup>14</sup>**  
**Percentage Distribution of Employment**  
**by Province and by Sector**  
**1993**  
**(%)**

Region	Goods-producing sector	Trade sector	Market services sector	Funded sector
NF	17.0	20.1	25.2	37.4
PEI	20.7	19.8	25.7	33.6
NS	18.0	19.3	27.1	35.5
NB	22.6	19.3	26.7	31.0
ATL CAN	20.0	20.0	27.2	32.5

Source: Employment Dynamics

Employment in the market services sector was up slightly in the region primarily as a result of increases in Nova Scotia. Had there not been a significant decline in employment in the finance, insurance and real estate categories, the performance in the market services sector in Nova Scotia would have been much stronger.

Clearly, many jobs disappeared as a result of the closure of fish plants associated with the groundfish moratorium which came into effect in July 1992. Table 2.19 shows the number of individuals who were clients of The Atlantic Groundfish Strategy (TAGS) in May of 1996 in Newfoundland and Labrador and Nova Scotia. These represent 90% of the total of 39,671 TAGS clients in the region. While it is difficult to determine the total impact of the groundfish closure on jobs in the region, the data indicate that 21,261 individuals in these two provinces, who were formerly employed as part-time or

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<sup>14</sup> Percentages do not total 100 since the unclassified category is not included.

full-time plant workers, were on TAGS program in May of 1996. In addition, 14,328 individuals from the harvesting sector of the fishery were TAGS program recipients. Some unknown percentage of these were registered as unemployed, some had moved to other part-time employment but were still registered as TAGS clients and still others had left the work force totally with their only income coming from the TAGS program. In any event, the impact on employment in Newfoundland and Labrador and Nova Scotia has been substantial and, had the groundfish fishery not closed in 1992, the overall performance with respect to employment in Atlantic Canada would have been much better, especially in the goods-producing sector.

**Table 2.19**  
**Impact of Groundfish Closure on**  
**Plant Workers and Harvesters, NF and NS**

Eligible for TAGS	NF		NS	
	Total	%	Total	%
Plant workers	16,662	60	4,599	58.9
Harvesters	11,108	40	3,220	41.1
<b>TOTAL</b>	<b>27,770</b>	<b>100</b>	<b>7,819</b>	<b>100.0</b>
	78%		22%	

Source: The Atlantic Groundfish Strategy, An Overview of Program Participants and Profiles on a Regional Basis, 1996-1999, Newfoundland and Labrador Cabinet Secretariat May 1996, and correspondence with HRD Canada, May 1996

The negative multiplier effect of lost production jobs also affected the trade sector in these two provinces. For example, of the total decline in employment (9,300) in the trade sector in the Atlantic region, 76% (7,100) occurred in Newfoundland and Labrador and Nova Scotia. The funded sector also suffered in

Newfoundland and Labrador and in Nova Scotia, experiencing a decline in employment of 7,900.

The total employment decline in New Brunswick (Table 2.20) was 7,600 or 16.4% of the regional total. As was the case with Newfoundland and Labrador and with Nova Scotia, the impact of the decline in the goods-producing sector in New Brunswick was also substantial with 64.5% of the total decline in employment occurring in this sector. The profile within the goods-producing sector in New Brunswick was somewhat different from that of Newfoundland and Labrador, and Nova Scotia in that manufacturing did not suffer as much. The construction industry represented the greatest employment decrease in the goods-producing sector in New Brunswick with a decline of approximately 2,200. Another difference between New Brunswick and the other provinces in the region was the net gain in employment in the funded sector. While the rest of the region experienced a decline of 7,900, New Brunswick increased by 2,400.

**Table 2.20**  
**Distribution of Employment by Industry Sector, New Brunswick**  
**1989-1993**

Industry sector	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993		% of total change in emp.
	(000s)	%	(000s)	%	(000s)	%	
Primary	9.8	3.6	9.9	3.7	0.1	+1	- 1.3
Mining	4.8	1.8	3.9	1.5	-0.9	-19	11.8
Manuf.	35.8	13.1	33.9	12.8	-1.9	-5	25.0
Const.	14.6	5.3	12.4	4.7	-2.2	-15	28.9
<b>Goods-producing</b>	<b>65.0</b>	<b>23.8</b>	<b>60.1</b>	<b>22.6</b>	<b>-4.9</b>	<b>-8</b>	<b>64.5</b>
Wholesale	13.9	5.1	12.5	4.7	-1.4	-10	18.4
Retail	39.3	14.4	38.7	14.6	-0.6	-2	7.9
<b>Trade</b>	<b>53.2</b>	<b>19.5</b>	<b>51.2</b>	<b>19.3</b>	<b>-2.0</b>	<b>-4</b>	<b>26.3</b>
T, C & U	18.3	6.7	17.1	6.4	-1.2	-7	15.8
FIRE	14.2	5.2	11.8	4.4	-2.4	-17	31.6
P & B services	40.6	14.9	41.9	15.8	1.3	+3	-17.1
<b>Market services</b>	<b>73.1</b>	<b>26.8</b>	<b>70.8</b>	<b>26.7</b>	<b>-2.3</b>	<b>-3</b>	<b>30.3</b>
Community services	31.6	11.6	35.6	13.4	4.0	+13	-52.6
Public admin.	48.3	17.7	46.7	17.6	-1.6	-3	21.1
<b>Funded sector</b>	<b>79.9</b>	<b>29.3</b>	<b>82.3</b>	<b>31.0</b>	<b>2.4</b>	<b>+3</b>	<b>-31.6</b>
<b>Unclassified</b>	<b>1.9</b>	<b>0.7</b>	<b>1.1</b>	<b>0.4</b>	<b>-0.8</b>	<b>-42</b>	<b>10.5</b>
<b>TOTAL</b>	<b>273.1</b>	<b>100.0</b>	<b>265.5</b>	<b>100.0</b>	<b>-7.6</b>	<b>-3</b>	<b>100.0</b>

Source: Employment Dynamics

The changes in employment distribution in Prince Edward Island (Table 2.21) differed from the other provinces in that most of the decline occurred in transportation, communications and utilities, a sub-sector of market services. Losses in this sector represented 57.9% of the total decline in employment in the province. Similar to the rest of the region, losses in the goods-producing sector were not inconsequential (31.6% of the total). However, Prince Edward Island did fare much better in this sector than any other province in the region and Canada as a whole. The overall picture for Prince Edward Island was that the province emerged from the 1989-93 period in a relatively stable employment position.

### **Self-Employment**

Self-employment in Canada plays a significant role in the economy. An Industry Canada report<sup>15</sup> indicates that over 1,900,000 persons reported some earnings from self-employment in 1993 representing 15.4% of the total work force (up from 13.5% in 1983). The most significant increases over the 1983-1993 period occurred in the finance, insurance and real estate (FIRE) sector, the services sector and the construction sector (Chart 2.1).

Table 2.22 shows the number of self-employed in Canada, Atlantic Canada and the four Atlantic Provinces between 1989 and 1995. Over the period, there was an increase in self-employment in Canada as a whole of 19.4% compared to an increase in Atlantic Canada of 15.8%. The lower percentage increase in Atlantic Canada is the result of a decrease in 1992 in almost every Atlantic province. Overall, the number of self-employed in the region in 1992 decreased by 4.7% over 1991. At the same time, Canada as a whole registered a slight increase of 1%.

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<sup>15</sup> *Small Business in Canada, A Statistical Overview, 1994*, Industry Canada, Ottawa.

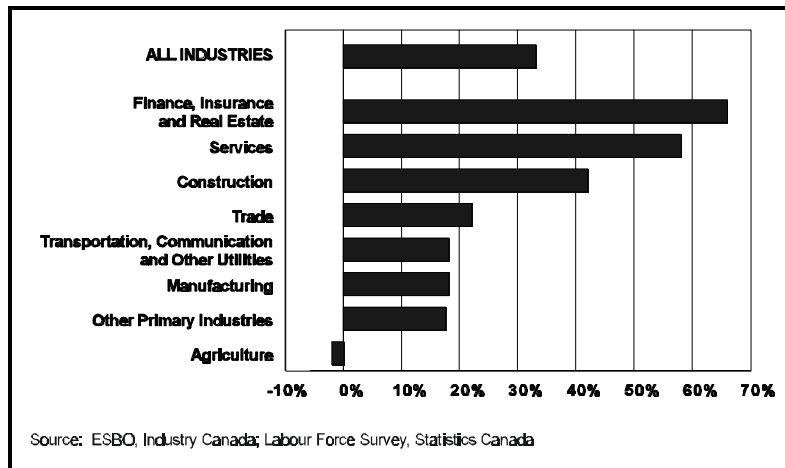
**Table 2.21**  
**Distribution of Employment by Industry Sector**  
**Prince Edward Island**  
**1989-1993**

Industry sector	Employment distribution 1989		Employment distribution 1993		Net change in employment 1989-1993		% of total change in emp.
	(000s)	%	(000s)	%	(000s)	%	
Primary	2.6	5.4	2.6	5.7	0.0	0	0.0
Mining		0.0		0.0	0.0	0	0.0
Manuf.	4.7	9.8	4.4	9.6	-0.3	-6	15.8
Const.	2.8	5.9	2.5	5.4	-0.3	-11	15.8
<b>Goods-producing</b>	<b>10.1</b>	<b>21.1</b>	<b>9.5</b>	<b>20.7</b>	<b>-0.6</b>	<b>-6</b>	<b>31.6</b>
Wholesale	2.3	4.8	2.1	4.6	-0.2	-9	10.5
Retail	7.0	14.6	7.0	15.3	0.0	0	0.0
<b>Trade</b>	<b>9.3</b>	<b>19.5</b>	<b>9.1</b>	<b>19.8</b>	<b>-0.2</b>	<b>-2</b>	<b>10.5</b>
T, C & U	2.4	5.0	1.3	2.8	-1.1	-46	57.9
FIRE	2.0	4.2	2.0	4.4	0.0	0	0.0
P & B services	8.5	17.8	8.5	18.5	0.0	0	0.0
<b>Market services</b>	<b>12.9</b>	<b>27.0</b>	<b>11.8</b>	<b>25.7</b>	<b>-1.1</b>	<b>-9</b>	<b>57.9</b>
Community services	7.6	15.9	7.6	16.6	0.0	0	0.0
Public admin.	7.8	16.3	7.8	17.0	0.0	0	0.0
<b>Funded sector</b>	<b>15.4</b>	<b>32.2</b>	<b>15.4</b>	<b>33.6</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Unclassified</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>TOTAL</b>	<b>47.8</b>	<b>100.0</b>	<b>45.9</b>	<b>100.0</b>	<b>-1.9</b>	<b>-4</b>	<b>100.0</b>

Source: Employment Dynamics



**Chart 2.1**  
**Growth in Self-Employed by Industry**  
**Canada**  
**1983-1993**



**Table 2.22**  
**Growth in Self-Employment**  
**Canada, Atlantic Canada**  
**1989-1995**

Region	1989 (000s)	1990 (000s)	1991 (000s)	1992 (000s)	1993 (000s)	1994 (000s)	1995 (000s)	% chg. 1989-95
NF	23	25	28	27	28	30	29	22.8
NS	50	49	50	48	52	54	56	12.1
NB	34	39	38	36	37	40	41	19.1
PEI	10	10	10	10	10	10	11	7.1
ATL CAN	117	122	126	120	127	135	135	15.8
CAN	1,741	1,822	1,856	1,873	1,984	2,056	2,079	19.4

Source: Labour Force Surveys, Statistics Canada

Again, much of the decline in Atlantic Canada in 1992 can be attributed to the closure of the groundfish fishery. The Atlantic region rebounded quickly following the closure and between 1992 and 1995 self-employment grew by 12.4% compared to 11% for Canada as a whole. Normally, self-employment runs counter-cyclical to employment trends, since the unemployed endeavour to find some way to earn a living. The magnitude of the sudden groundfish closure in 1992, however, was an anomaly in that people in rural areas of Newfoundland and Labrador, and Nova Scotia took some time to recover. This was especially true for people with limited training and living in isolated coastal communities.

In conclusion, it can be said that the 1989-1993 period was a difficult one for Canada and the Atlantic region. On a positive note, however, Atlantic Canada was able to withstand the recession somewhat better than the country as a whole. Furthermore, as the economy improved in 1994-95, small firms led the way in their role as job creators.



## CHAPTER 3

# HOME-BASED BUSINESS

The present chapter summarizes the results of three recently completed research projects related to the topic of home-based business. The first is a study<sup>16</sup> carried out by the Rural and Small Towns Programme of Mount Allison University between June 1993 and late 1994 on home-based business in Atlantic Canada. This study was a follow-up on two previous studies by the same group in 1986 and in 1992. The second is a report<sup>17</sup> of the Economic Recovery Commission of Newfoundland and Labrador which included the results of a study of home-based business by the Home-Based/Micro Industries Working Group. The third is a study<sup>18</sup> of entrepreneurship among persons with disabilities in Nova Scotia completed by the Metro Resource Centre for Independent Living in Halifax. Although not focused specifically on home-based business, this latter report is included here since the vast majority of businesses operated by persons with disabilities are home-based.

Few studies have endeavoured to focus on the nature of home-based business. The studies by Foster and Orser<sup>19</sup> and Good

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<sup>16</sup> *The State of Home-Based Business in Atlantic Canada: The Report of Research Findings from the Mount Allison University Study of Home-Based Business in Atlantic Canada*, 1995, sponsored by ACOA and The Donner Foundation.

<sup>17</sup> *New Opportunities for Growth*, 1992, Economic Recovery Commission of Newfoundland and Labrador, St. John's.

<sup>18</sup> *Toward Promoting The Concept Of Entrepreneurship among Persons with Disabilities*, 1994, Published by Metro Resource Centre for Independent Living, Halifax, Nova Scotia.

<sup>19</sup> *Home Enterprise: Canadians and Home-Based Work*, 1993, Mary K. Foster and Barbara J. Orser, *Journal of Small Business and Entrepreneurship*, Vol. 10, No. 4, p. 81-89.

and Levy<sup>20</sup> represent the Canadian benchmark studies. Both of these studies indicated that businesses operated in and from the home environment are increasingly important in our economic system.

The Foster and Orser study used a broad definition of home-based work that included self-employed individuals and employees who worked out of their home for reasons of convenience. Twenty-three percent of Canadian homes had some form of home-based business activity and 50% of these were self-employed. This study also indicated that 50% of all businesses start in the home and projected that by the end of the decade home work (of all types) may account for 40% of all employment. Little wonder then that home-based business is gaining some attention.

### **Home-Based Business in Atlantic Canada**

The 1995 report of The Rural and Small Towns Programme, Mount Allison University, set out to identify the contribution home-based business makes to the Atlantic region economy and to focus on the problems and opportunities associated with operating a business from the home. Also included in the objectives was an effort to develop an understanding of the interplay between home-based business activities and domestic activities. On the micro level, the study endeavoured to determine the impact of the business operation on family life and the degree to which the family affected the business.

The definition of a home-based enterprise used by the Mount Allison team was somewhat more specific than that used by

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<sup>20</sup> *Home-Based Business: A Phenomenon of Growing Economic Importance*, 1992, W.S. Good and M. Levy, *Journal of Small Business and Entrepreneurship*, Vol. 10, No. 1, p. 34-46.

Foster and Orser in that it did not include the employee category referred to previously. Specifically, the definition used was a business “which is owned and/or operated by a self-employed individual working from his or her own home or from another building on the property, which may or may not employ other people, and which provides a service or product from that workplace.”<sup>21</sup>

### **Profile of the Home-Based Business Owner**

The survey, with 855 completed questionnaires (a response rate of 28%), reported on several important aspects of home-based enterprise. Of the total respondents, 73% had no other job outside the home while 17% had some type of part-time job. Only 10% were able to operate a home-based business while still maintaining a full-time job outside the home.

In terms of the contribution to household income, almost 19% (165 households) relied totally on the home-based enterprise to support the family and 36.8% of respondents contributed more than 50% of household income. On the other hand, 27% indicated that the home-based business contributed 10% or less to the household income.

It is likely that those businesses that contributed the higher percentage to household income were in the construction and business/professional sectors, while those contributing the lower percentages would be in the arts and crafts, personal services and retail/wholesale sectors.

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<sup>21</sup> *The State of Home-Based Business in Atlantic Canada: The Report of Research Findings from the Mount Allison University Study of Home-Based Business in Atlantic Canada, 1995, p. 2*

## Profile of the Ventures

Apart from a few exceptions, most businesses operating from the home were small (fewer than 10 employees). This is clearly a characteristic of home-based business related to the physical constraints of the location and the nature of the business itself. Only 7% of those responding had more than 10 employees (Table 3.1) and only four firms reported that they had more than 50 employees.

**Table 3.1**  
**Distribution of Respondents by Business Size**

Employees	Number of Businesses	Percentage
< 3	436	53.7
3 to 5	231	28.5
6 to 10	88	10.9
Over 10	<u>52</u>	<u>6.9</u>
Total	807	100.0

Source: The State of Home-Based Business in Atlantic Canada

The distribution of respondents by industry type was quite broad. Construction represented the highest percentage (23%), followed by hospitality (17%) and personal services (16%) (Table 3.2). Since the sample was chosen from rural areas and small towns where municipal regulations are not generally strict, it is not surprising that the range of business types is wide and that construction is the most prevalent. A person with a backhoe and two trucks operating from the home in a rural area is a common sight and can easily constitute a viable small business. Likewise, beauty parlours, Bed and Breakfast establishments and small retail stores in or attached to a home form part of the rural culture.

**Table 3.2**  
**Distribution of Respondents by Business Type**

<b>Type</b>	<b>Number of Businesses</b>	<b>Percentage</b>
Hospitality	147	17
Business/Professional	64	8
Crafts/Arts	71	8
Construction	191	23
Equip. service and repair	42	5
Manufacturing	87	10
Personal services	134	16
Retail/Wholesale	76	9
Other	<u>35</u>	<u>4</u>
<b>Total</b>	<b>847</b>	<b>100</b>

Source: The State of Home-Based Business in Atlantic Canada

Measured in terms of revenue, 77.6% of home-based businesses reported gross revenues of \$100,000 or less with 31.9% of these falling into the \$25,001-\$100,000 category (Table 3.3). It is significant, however, that 182 (22.4%) firms in the sample had gross revenues of over \$100,000. It is safe to assume that these

**Table 3.3**  
**Annual Gross Revenue for Respondents for 1992**

	%
Over \$200,000	12.2
\$100,001 - \$200,000	10.2
\$25,001 - \$100,000	31.9
\$5,001 - \$25,000	27.6
Under \$5,000	18.0

Source: The State of Home-Based Business in Atlantic Canada



firms contributed the most to household income. As stated earlier, the group that contributed greater than 50% of household income represented some 37% of the households in the sample.

### **Other Issues**

The study focused on some key issues other than income and employment issues. These included:

- Motivation for operating out of the home
- Competitive/Cost advantage
- Technology
- Impact on family lifestyle
- Use of the home for business purposes
- Incubation

**Motivation.** When respondents were asked about their motivations for locating the business in their home the three most cited reasons were that (1) it represented the preferred lifestyle, (2) the business was too small to locate outside the home, and (3) there were financial constraints related to locating in commercial facilities. In many ways, reasons two and three are related, in that the very small enterprise may not be capable of generating the level of revenue required to purchase or rent commercial space and this consequently created a financial constraint.

The fourth most mentioned reason for starting a home-based business was the need to care for the family. Clearly, a preferred lifestyle, the most cited reason, and family care are not mutually exclusive reasons for locating an enterprise in the home. In fact, if the only option available to some home-based entrepreneurs was to locate outside the home, the enterprise

would probably not be created because of the overriding desire to ensure that family needs are adequately taken care of.

**Competitive/Cost Advantage.** While respondents did not rank competitive advantage as a major motivation for locating their business in the home, there are generally several advantages that could at least lead to a competitive advantage. These include lower overheads, lower taxes, and, although not stressed in the study, the use of the unpaid help of family members. The latter, while difficult to quantify, would include such activities as answering the telephone and taking messages, minding the store, servicing customers and counting inventory. When asked to state the reason for the success of their home enterprise, 66.2% mentioned service or product quality or unique service and market niche, while only 20.8% used lower price as a reason, despite the fact that the sample rated lower cost as the primary competitive advantage. This would appear to suggest that owners of home-based businesses are strongly attached to the business activity and proud to be providing a product or service that is of high quality.

**Technology.** Rapidly developing technologies are making it possible for many types of businesses to operate effectively and efficiently from the home. While longitudinal comparisons are not available, it would appear that home-based enterprises are embracing a number of the electronic and telecommunications technologies now available. Table 3.4 gives an indication of the usage patterns: only 32.0% use a computer; only 8.5% have a modem; only 33.5% have a business telephone line. Slightly more than a quarter of them even have a fax machine. The relatively low use of computers and modems is at least partially explained by an expression of “intimidation” on the part of some of the respondents. Some 97% of them were over 30

years old, which may account for this. Furthermore, since 54% of the sample were in the very small business category (<3 employees), the purchase of a computer or some of the other devices may result in capital and operating costs beyond the means of the business.

**Table 3.4**  
**Usage of Technology by Home-Based Firms**

	Percentage of Businesses Using the Device
Answering machine	53.8
Business line	33.5
Personal computer	32.0
Fax machine	26.2
Cellular phone	21.1
Multi line phone	18.8
Display phone	16.3

Source: The State of Home-Based Business in Atlantic Canada

**Lifestyle.** Table 3.5 presents a very positive view of home-based enterprise as perceived by the owners. The potentially negative impacts on family life drew consistent ratings below the mid-point, while the potentially positive impacts were rated much higher. The general conclusion of the study was that “the majority had, in their own eyes, achieved a fruitful balance between family and business and were managing the negative impacts of one on the other successfully”.<sup>22</sup>

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<sup>22</sup> Ibid., p. 51

In almost all cases in a home-based business, family members played an important role either as helpers or as employees. The Mount Allison University study did not focus particularly on the role children played in the home-based business except to point

**Table 3.5**  
**Comparison of Positive and Negative Impacts**  
**on Family Life**

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<b>Most Positive Ratings</b> <b>Rating*</b>	<b>Average</b>
More time for household	3.80
Ability to respond to family needs	3.75
More time with family	3.78
Children learn from business	3.49
<b>Most Negative Ratings</b>	
Interruptions from clients	2.92
Family stress caused by business	2.03
Business borrowing from family friends	2.27
Negative feelings about business	2.00

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Source: The State of Home-Based Business in Atlantic Canada

out that children may provide a “source of inexpensive casual labour more reliable than similar labour employed from the labour market outside the household.”<sup>23</sup> Of the survey respondents, 24.8% had children aged 13 to 17 years; an age group when children could contribute most to the home-based business. However, the study did present data on the contribution of the spouse. Husbands of women proprietors

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<sup>23</sup> Ibid., p. 17.

contributed less often to the business than the spouse in the male-owned business (26.1% versus 41%). Furthermore, the spouse assisting in a male proprietorship tended to take on different roles than their male counterparts. These included clerical tasks (in 48% of the cases) and customer contact (in 37% of the cases). For the same tasks, males contributed in 15.9% and 26.1% of the cases respectively.

**Use of the home for business purposes.** The degree of interaction between business activity and family life is directly related to the use of the home for business purposes. The study reported that almost all firms surveyed used the home as a business address even though, in many cases, the business activity took place outside the home location. In 60.5% of the cases the home was used for more than 50% of the time, while 25.4% of the respondents used the home for less than one quarter of the time (Table 3.6).

The degree to which the home is used for business purposes is also a function of the type of business. The construction industry, for example, was heavily represented in the survey accounting for 23% of the respondents. Construction included landscapers, driveway pavers and a number of related businesses that clearly were engaged in activities that were performed outside the home location. Such firms probably represented many of the largest firms in the sample measured in terms of both employment and total gross revenues, but used the home purely as a telephone number and an administrative post to facilitate the rather sporadic and unstructured nature of the business. On the other hand, the hospitality industry, representing 147 (17%) of the respondents, retail and wholesale (9%) and arts and crafts (8%), would likely use the home as the primary location for the business activity.

**Table 3.6**  
**Use of the Home for Business**

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<b>% of business time in home</b>	<b>% of respondents</b>
Over 75%	45.6
51% - 75%	14.9
25% - 50%	14.2

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Source: The State of Home-Based Business in Atlantic Canada

Based on this survey it can be said that the use of the home for business purposes varied with the nature of the business and the number of employees required to operate directly out of the home.

**Incubation.** The home is often considered an incubation location providing an opportunity to test the concept and its viability and to become somewhat established before moving to commercial space. In the Mount Allison study, 42% of respondents had been operating a business from home for less than five years, and hence may be said to still be in an “incubation period.”

Some firms, however, remained as home-based businesses for quite long periods of time. In fact, 35% of the respondents had operated from the home for more than 10 years; well beyond what one would consider a reasonable incubation period. Longevity, as a characteristic of home-based enterprise, is a function of the nature of the business. Some firms like Bed and Breakfast establishments are tied to the home and others such as small crafts operations may lack the desire or the opportunity for growth beyond their present size.

## Barriers to Home-Based Business

Despite the fact that the Mount Allison study found that home-based businesses reported relatively minor problems operating from the home, there may be a number of inhibiting factors that work against home-based start-ups. The study by The Economic Recovery Commission of Newfoundland and Labrador<sup>24</sup> reported on the results of five focus groups of home-based entrepreneurs and a survey of government officials. The outcome of this study suggested three major problem areas related to the creation of new home-based businesses:

- Lack of planning
- Poor regulatory environment
- Limited government support

**Lack of planning.** The individual quite often will endeavour to start a home-based business without proper planning and subsequently encounter problems related to zoning regulations, health and environmental laws and family conflicts. The result is that the business does not get off the ground or is closed soon after opening.

**Poor regulatory environment.** Municipal regulations are not consistent and in many cases, where they do exist, the regulations are not well-publicized, are overly restrictive and are sometimes inappropriately applied. In some cases the municipalities may have no policies and respond only when some problem such as noise or excessive traffic is brought to their attention.

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<sup>24</sup> *New Opportunities for Growth*, 1992, Economic Recovery Commission of Newfoundland and Labrador, St. John's.

**Limited government support.** The Provincial Government pays little attention to home-based business as an economic force. Apart from the arts and crafts industry, the government appears to have no policy regarding the encouragement of home-based enterprise. A press release that preceded the report stated that various departments continued to enforce “an array of complicated and at times contradictory legislation”<sup>25</sup> to the detriment of the healthy development of the home-based sector.

## **Conclusions**

The Mount Allison Study and The Economic Recovery Commission Report present a reasonably comprehensive picture of the structure of home-based business in Atlantic Canada, together with some of the problems and opportunities of operating a business in such an environment. There are clear limitations on the size and type of business that can be operated from the home. These limitations are partly because of the nature of the business and partly because of various restrictions imposed by municipal zoning regulations. There is a growing recognition of the economic impact of home-based enterprise but more research is needed to encourage government bodies to develop programs and policies that support this growing sector of the economy. However, the conclusion is one of optimism. When asked by the Mount Allison researchers about their expansion plans, over 80% of home-based entrepreneurs indicated that they were looking for new markets and/or new products — clearly a growth-oriented perspective! Finally, indications are that the trend toward home-based business will be an important factor in the growth of small business and entrepreneurship in the future.

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<sup>25</sup> *Home-Based Micro Industries Synthesis of Findings and Recommendations*, March 1992, Economic Recovery Commission of Newfoundland and Labrador, St. John's.



## **Entrepreneurship among Persons with Disabilities**

The objectives of this research project<sup>26</sup> were to profile the population of entrepreneurs with disabilities in the Province of Nova Scotia, to determine the barriers they face and to make recommendations on appropriate support mechanisms to encourage and assist persons with disabilities in entrepreneurial endeavours.

A total of 58 entrepreneurs with disabilities completed telephone surveys and another 10 participated in focus groups. Approximately 90% of the participants had been recipients of funding provided under the *Disabled Entrepreneurs Program (D.E.P.)*.<sup>27</sup> The study is considered to be exploratory in nature and does not claim to be based on a random sample of the population of persons with disabilities. Nonetheless, the results of the research provide a useful profile of the population of entrepreneurs with disabilities and insight into their entrepreneurial experiences.

### **Profile of Entrepreneurs with Disabilities**

Over 80% of the group reported having either a moderate or severe disability with nearly 75% of the agility or mobility type. Although the respondents indicated that their disabilities did not represent insurmountable barriers, the disability clearly impacted their work. In terms of formal education, 75% of the group had at least a high school education and over 50% had some post-secondary education or training. Over 90% had previous

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<sup>26</sup> *Toward Promoting the Concept of Entrepreneurship among Persons with Disabilities*, 1994. Published by Metro Resource Centre for Independent Living, Halifax, Nova Scotia.

<sup>27</sup> The D.E.P. was operated by the Provincial Department of Economic Development (now the Nova Scotia Economic Renewal Agency) for the ten-year period up to 1993. The program provided grants of up to \$7,500 to persons with disabilities starting a business.

business experience, although only 31% had supplemented this experience with entrepreneurial training prior to start-up. Finally, only 16% of the entrepreneurs with disabilities were female, a sharp contrast to the 52.6%<sup>28</sup> reported for female persons with disabilities in Nova Scotia.

### **Profile of Entrepreneurial Ventures**

The service sector represented the sector of choice for 42% of the entrepreneurs, followed by the retail sector at 19% and the primary sector at 12%. All other sectors, including manufacturing, communications and tourism accounted for less than 10% each. The preferences for businesses in the service sector and the rather low incidence of participation in the goods-producing sector may have direct implications for access to financing which was cited as a major barrier by respondents.

One of the most significant findings in relation to the types of ventures operated by persons with disabilities was the fact that over 75% were home-based businesses. Almost 80% were operated as sole proprietorships. Additional research is required to explain the rationale for these decisions, since respondents were not provided with an opportunity to elaborate in the survey. It is noteworthy, however, that when one considers the business income of these ventures (58% less than \$15,000) and number of employees (67% with one or none), they are somewhat smaller than the population of home-based businesses discussed previously. Given the relatively low levels of business income, it is not surprising that 60% of respondents indicated that they had other income sources, for example, disability pensions, spousal income and other employment.

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<sup>28</sup> Source: 1991 Health and Activity Limitation Survey (HALS).

## **Motivations for Establishing Ventures**

The survey did not include questions concerning the reasons for starting businesses; however, the focus group discussions provided an opportunity for individuals to discuss their motivation. While the difficulty in finding employment and lack of money were factors for some, interest, challenge and recognition of an opportunity were also highlighted as underlying motivations.

## **Success and Failure Rates**

Measures of success and failure in this study were limited to whether or not businesses were still in operation at the time of the study and for how long. The success rate appeared to be quite good with two-thirds of the businesses still operational. However, this result should be interpreted with caution since 43% of the businesses were less than two years old and almost 80% had been in operation for less than five years.

In addition, the data on firms still in operation were examined from the perspectives of the nature of the disability and the level of education of the entrepreneurs. The exit rate for businesses operated by persons with severe disabilities was significantly greater than those operated by persons with mild or moderate disabilities. Similarly, those with agility and mobility disabilities experienced a significantly higher exit rate than those with other types of disabilities. Further, there was a strong positive correlation between the likelihood of still being in business and the number of years of education.

One final point regarding success and failure rates concerns the nature of the businesses and the income derived from the ventures. As indicated previously, businesses operated by persons with disabilities were generally small and home-based

and provided only partial income support to the owners. These factors may have had some impact on decisions to continue operations and possibly, therefore, on success and failure rates.

### **Barriers to Start-up and Growth**

Participants were not asked directly to identify barriers they faced when establishing or operating their businesses. However, they were asked questions concerning sources of financing, assistance provided and support that would have been useful. The responses were remarkably similar to those expressed by young entrepreneurs (see Chapter 5) especially with respect to the lack of available financing. Excluding the Disabled Entrepreneurs Program, the primary sources of financing for entrepreneurs with disabilities consisted of personal and family funds (50%), banks (38%) and government (12%). Not surprisingly, therefore, over 75% indicated that the D.E.P. had been an important source of funds and that improved access to both loans and grants was an important consideration.

In addition, respondents identified the need for more support in the form of entrepreneurial training, assistance with preparing business plans and access to sound managerial advice. Most felt that better access to a business development officer and a one-stop business development centre would be helpful.

### **Future Directions**

The exploratory nature of the research reported here limits the ability to generalize from the results. Nonetheless, a number of suggestions were made regarding policy measures and programs that would assist entrepreneurs with disabilities to establish and grow their businesses. The specific recommendations are summarized in Table 3.7.

**Table 3.7**  
**Summary Recommendations**  
**on Encouraging Entrepreneurship**  
**among Persons with Disabilities**

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- Improve access to training opportunities for entrepreneurs with disabilities.
  - Develop financial assistance programs targeted to entrepreneurs with disabilities.
  - Establish a network of entrepreneurs with disabilities to act as mentors.
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## CHAPTER 4

# ENTREPRENEURSHIP AMONG FRANCOPHONES

The present chapter summarizes the results of recently completed research into entrepreneurship within the francophone community in Atlantic Canada.<sup>29</sup> The study underlying this report was intended to increase awareness of Acadian entrepreneurship in the region and to provide information to assist in the design and development of policies and programs to support the start-up and growth of firms owned by francophone entrepreneurs. The report focused on: the profile of Acadian entrepreneurs; the profile of their ventures; and the small business support structures, in particular financial support.

The information included in the report was obtained from a combination of primary and secondary sources. Primary data derived from: a mail survey of members of the Conseil économique du Nouveau-Brunswick (CENB); individual open-ended interviews with key individuals and entrepreneurs; and roundtable discussions with business owners. Survey responses were received from 140 entrepreneurs (a response rate of 16%), interviews were conducted with 52 key individuals and 24 business owners participated in the roundtables. Secondary data were taken largely from Statistics Canada reports.

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<sup>29</sup> *Acadian Entrepreneurship: Its Sources, Growth and Future*, 1996, the Cconseil économique du Nouveau-Brunswick, Moncton (unless otherwise indicated the data in this chapter were taken from this report).

## Profile of Francophones in Atlantic Canada

In order to have an understanding of francophone entrepreneurship in Atlantic Canada, it is useful to have some background on the regional francophone community. While the report<sup>30</sup> provides a more complete statistical overview of Acadian entrepreneurship and the economy, a summary of key facts is presented here to provide a context for the discussion to follow.

Firstly, the francophone population in Atlantic Canada, as of 1991, represented 12.4% of the total population and grew at a rate of 6.7% from 1986 to 1991. This is in sharp contrast to the overall increase in population in the region of slightly less than 1%. Secondly, as can be seen in Table 4.1, the francophone population in the region was concentrated primarily in New Brunswick which accounted for 85% of the total. Twelve counties out of a total of 44 in the region accounted for 83.5% of the Francophones in 1991. Thirdly, there was a significant

**Table 4.1**  
**Distribution of Francophones**  
**in Atlantic Canada**

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	%
New Brunswick	85.0
Nova Scotia	12.4
P.E.I.	1.8
Newfoundland and Labrador	<u>0.8</u>
Total	100.0

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Source: Acadian Entrepreneurship: Its Sources, Growth and Future, 1996

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<sup>30</sup> Ibid.

increase (36%) in self-employment in the region between 1986 and 1991. The growth rate in self-employment in the francophone counties was slightly lower at 31%.

### Profile of Acadian Entrepreneurs

The report does not reflect the geographical distribution of Acadians in that there were fewer respondents from New Brunswick than might be expected, given their relative geographic importance (Table 4.2)<sup>31</sup>. This difference should be kept in mind when interpreting results.

**Table 4.2**  
**Distribution of**  
**Survey Respondents**  
(n = 140)

	%
New Brunswick	69.8
Nova Scotia	17.3
P.E.I.	12.2
Newfoundland and Labrador	0.0
Quebec	<u>0.7</u>
Total	100.0

Source: Acadian Entrepreneurship: Its Sources, Growth and Future, 1996

The following profile of Acadian entrepreneurs emerged from the survey responses:

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<sup>31</sup> There was one respondent from Quebec and one respondent who did not indicate province of business residence.



- 72% male
- 83% post-secondary education
- 75% over age 40
- 59% more than 10 years in business

**Education.** The percentage with some post-secondary education was quite high. In fact, over half of the respondents were university graduates, with business administration as the dominant degree and marketing and finance as the primary areas of specialization. In addition, almost half of the respondents had undertaken some informal management training in the form of short courses and seminars. The high level of education and training of respondents may reflect the fact that CENB members are generally well educated.

**Age.** Not only were 75% of respondents over the age of 40, only 1% were under the age of 31.

**Experience.** Francophone entrepreneurs appeared to be relative newcomers with over 40% in business for 10 years or less. However, there was a significant percentage (23%), especially in New Brunswick (29%), which had been in business for more than 20 years.

**Gender.** Less than a third of respondents were woman (28%) and they differed from the overall group of respondents in that they were younger and had been in business for a shorter period of time (44% under the age of 41 and almost 40% in business less than 5 years). No doubt, both these points reflected the growing number of women starting businesses in recent years. Differences in types of ventures and support will be discussed later.

A number of additional observations can be made concerning the profile of Acadian entrepreneurs. Role models, in particular

self-employed parents, did not appear to be a major influence in the decision to establish a business. In fact, almost 60% of respondents indicated that their parents were employed in salaried positions. The most important motivations for going into business were personal and related primarily to the need to achieve and to be in control. Encouragement from others, including parents, friends and relatives was relatively unimportant.

A final observation concerns the issue of succession planning. More than half of the respondents indicated that they were planning for who would succeed them. This relatively high percentage may reflect the fact that survey respondents were both highly educated and older.

### **Profile of Entrepreneurial Ventures**

The businesses operated by francophone entrepreneurs in Atlantic Canada exhibited the following profile:

- 56% incorporated
- 70% family-owned
- 22% export outside the region
- 14% export outside the country
- 73% started from scratch
- 55% service sector
- 52% sales less than \$500,000

**Ownership Structure.** The percentage of businesses that were incorporated (56%) was similar to the percentage reported earlier that were more than 10 years old. Further, the propensity to incorporate increased as the size of the business increased. Although a significant percentage of the businesses were family-controlled, more than one-third had partners.

**Markets.** More than 35% of the firms exported outside the region (14% outside the country) and such exports accounted for approximately 22% of total sales.

**Start-Up.** Almost three quarters of the firms were started from scratch.

**Industry Sectors.** The service sector was the preferred choice of the majority of francophone entrepreneurs (55%) with the tourism and secondary sectors a distant second and third choice at 17% and 16% respectively. Only 3% were in the primary sector.

**Revenues.** While most firms had revenues of less than \$500,000, almost a third generated in excess of \$1 million in annual sales. Professional services firms such as accounting and consulting businesses, which accounted for 30% of the total, were heavily concentrated in the less than \$500,000 range (87%).

A number of additional observations can be made concerning the profile of businesses operated by francophone entrepreneurs. The concept of multi-firm ownership appeared to be well established in the francophone community. More than 43% of Acadian entrepreneurs owned more than one business. Not surprisingly, the larger the size of the main business, the more likely it was for the owner to have had more than one business. Similarly, entrepreneurs with more experience were more likely to be multi-firm owners.

Firms owned by female Francophones tended to be smaller with most having sales of less than \$100,000. An even greater percentage (65%) of females operated in the service sector and no females owned businesses in the secondary sector. Firms owned by females were less likely (21%) to generate revenues

outside the region and more likely (77%) to be owned by single-firm owners.

### **Financing and Francophone Entrepreneurs**

A significant component of the study dealt with the area of financing, including requirements for and sources of start-up capital, current financing sources and financial requirements, the role of financial institutions, satisfaction with the sources of financing and financing problems.

Start-up capital requirements were fairly small; 36% of francophone entrepreneurs started their businesses with less than \$15,000 and 63% started with less than \$50,000. If only first businesses were included, the percentages increased to 44% and 70% respectively. Equity represented less than half of the start-up capital for most businesses, especially those with a total capitalization of less than \$100,000. Not surprisingly, personal sources such as the owner, family and friends accounted for more than half of the start-up capital followed by the chartered banks at 17%. No other source exceeded 8%.

Turning to current capitalization, two observations are noteworthy. Firstly, businesses appeared better capitalized at the time of the study than at start-up as evidenced by the increase to 64% for firms where equity represented most of total capitalization. Secondly, the distribution of current financing sources remained virtually unchanged from start-up, with the exception that retained earnings became an important source of equity.

Concerning the need for financing, almost 60% of respondents indicated that they were currently looking for financing with most needing amounts of less than \$100,000. Firms in the secondary and professional services sectors were more likely to

need new capital, as were export-oriented firms. The desire to expand and the need for working capital appeared to be the two primary reasons for seeking additional financing. Expansion was tied closely to requirements for funds in excess of \$100,000 while working capital requirements were usually for amounts of less than \$100,000. There was a definite preference for debt financing (81%); however, approximately 18% of respondents indicated they were looking for equity. Those in the market for equity required funds primarily for purposes of restructuring, exporting and research and development rather than for working capital and expansion purposes.

The survey explored the role of financial institutions, in particular the caisses populaires, chartered banks and the Business Development Bank of Canada (BDC), in supporting francophone businesses. It also reviewed levels of satisfaction with the various services provided by these institutions. The chartered banks and the caisses populaires were the primary institutional suppliers of capital to Acadian businesses, followed by ACOA and the BDC. The caisses populaires appeared to be the preferred choice for firms in the tourism and traditional service sectors, smaller firms and firms that were 6-10 years old. The chartered banks appeared to be the choice of service firms and older, more established and larger firms. The profile of BDC francophone clients included firms in the services and secondary sectors, very small firms and firms that were either very new or well established.

Overall, the levels of satisfaction with institutional sources were positive, with ACOA leading the group followed closely by the caisses populaires. More specifically, 83% of respondents approved of ACOA's services and almost 90% found their collateral requirements to be reasonable. Also of particular note were the high levels of satisfaction expressed by the very small clients of the caisses populaires. The chartered banks, the BDC

and the trust companies were all rated below average. The levels of dissatisfaction appeared to be greater for small firms and for firms in the professional services, secondary and tourism sectors. The sources of the dissatisfaction appeared to be related to institutional concerns with collateral, inventories and seasonality. Interestingly, the highest levels of satisfaction were reserved for non-institutional sources of capital, such as suppliers, partners, and investors.

Acadian entrepreneurs were asked to consider the difficulties they faced raising capital in 1994-95 and the difficulties they faced prior to 1990. Not surprisingly, in light of the recession, the percentage indicating that they had encountered problems looking for money increased from 69% to 78% over this period. However, the nature of the problems encountered and their order of importance remained virtually unchanged (Table 4.3). The requirement for a personal guarantee continued to be the most significant financing problem. High debt ratios and a lack of profits were problems encountered by a growing percentage of respondents and were largely responsible for the increase in respondents who encountered problems looking for money.

An examination of financing problems by industry sector and the amount of money required revealed that firms in the tourism sector accounted for the highest proportion of businesses experiencing financing problems. The lack of collateral, insufficient profits and the perception of this being a poor sector of the economy took on increasing significance for firms in this sector. Firms in the secondary sector experienced greater difficulty with sources of capital, a problem that is directly related to the profitability and debt ratio problems experienced by firms in this sector. Firms looking for smaller amounts of capital experienced more difficulties with personal guarantees and investor control. Perceptions of a poor sector of the

**Table 4.3**  
**Problems Encountered in**  
**Looking for Money**

	1994-95	prior to 1990
	%	%
Personal guarantee	50	48
Debt ratio too high	29	14
Insufficient profits	23	11
Lack of sources of capital	18	15
Poor sector of the economy	14	9
Insufficient collateral	12	9
Investor wanted control	7	7
Lack of experience	5	11
Being a woman	2	1
No problem	22	31

Source: Acadian Entrepreneurship: Its Sources, Growth and Future, 1996

economy and concerns with too high a debt ratio became more problematic as the requirement for funds increased.

A number of additional comments relate to differences in the financial experiences of female entrepreneurs. More than half of Acadian firms started by females had an initial capitalization of less than \$15,000 and 30% remained in that category. Start-up financing from family and from caisses populaires appeared to be more important for females than for males. The caisses populaires also appeared to be more important sources for females over time while the chartered banks appeared to decrease in importance, especially when compared to male entrepreneurs. In terms of requirements for capital, females were looking for smaller amounts, had less of a need for working capital, were more interested in funds for research and

development and had a definite preference for grants rather than equity. Finally, females encountered the same problems as males in finding capital, although insufficient collateral appeared to be more of a problem for females while the problem of too high a debt ratio was less problematic. Further, it is noteworthy that no females indicated that they were “very satisfied” with their relationships with their financial institutions.

### **Small Business Support Structures**

In addition to financial support, the survey included a section dealing with marketing support, advisory boards and community attitudes. As indicated in Table 4.4, a significant percentage of respondents did not use outside marketing support. Private sector agencies and a formal marketing plan were the only forms of assistance cited by 25% or more of respondents. Smaller firms were less likely to use marketing support but those that did, tended to rely on government assistance. As firms grew and needed to develop professional marketing programs, they turned first to marketing agencies and next to a formal plan. Firms involved in exporting were more likely to use marketing support, especially dedicated staff, than non-exporters. In addition, the very large export-oriented firms also relied on government assistance.

Only one-third of respondents indicated having a board, either of directors or advisory. However, an additional 23% responded to the question concerning the contribution of board members, suggesting that the percentage with a board may be somewhat higher. The board of directors was a more popular option than an advisory board, although advisory boards were preferred by medium-sized businesses. The very small firms (sales less than a \$100,000) and the very large (sales more than \$5 million) were less likely to have a board while entrepreneurs with more than 10 years of experience were more likely to



establish one. It is interesting to note that the internal board members, such as spouses, employees and partners, were considered to make the most valuable contributions. However, external members such as accountants and investors were rated more highly than lawyers, family, business contacts and consultants.

**Table 4.4**  
**Marketing Resources**

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	%
No assistance	44
Private sector assistance	32
Formal plan	27
Government assistance	19
Employees assigned solely to marketing	16

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Source: Acadian Entrepreneurship: Its Sources, Growth and Future, 1996

In responding to the question concerning the community's attitudes towards entrepreneurship, francophone entrepreneurs expressed mixed opinions. They felt their communities had positive attitudes towards the following aspects of entrepreneurship: business success of local entrepreneurs, attracting businesses and creating jobs, instilling an entrepreneurial spirit in students, improving the work ethic, and increasing the likelihood of individuals assuming responsibility for their own development. However, entrepreneurs believed their communities were somewhat neutral in their attitudes towards business networking and mentoring and held generally negative attitudes toward entrepreneurs facing difficulties. The bottom line for the entrepreneurs was that their communities supported winners but were not very tolerant when the going got tough.

## Barriers to Start-Up and Growth

Based on the results of the survey and the consultations with entrepreneurs and key informants, the report reached a number of conclusions and made a number of recommendations in the areas of financing and growth, entrepreneurial culture, and competence, training and advice. The conclusions have been summarized and are presented in Table 4.5 as barriers that need to be addressed in order to facilitate the start-up and growth of businesses owned by Acadian entrepreneurs.

**Table 4.5**  
**Barriers to Start-up and Growth**

- 
1. Low commitment to growth
  2. Low level of risk-taking
  3. Ownership closely held
  4. Lack of local investment
  5. Lack of venture/risk capital
  6. Lack of good venture proposals
  7. Lack of funds for new, small firms
  8. Lack of effective investment mechanisms
  9. Overreliance on government assistance
  10. Absence of role models
  11. Limited community support for entrepreneurship
  12. Limited use of support networks
- 

Source: Acadian Entrepreneurship: Its Sources, Growth and Future, 1996

A review of the list reveals that the barriers can be grouped into three key areas: entrepreneurial attitudes, capital markets and support structures. Entrepreneurial attitudes, as reflected in the first three items, refer to the willingness and the desire of entrepreneurs to grow. The existence of too many firms owned by individuals who were satisfied with the status quo and who resisted sharing ownership is an issue that must be addressed.

Similarly, there are concerns with all three of the critical components of a vibrant capital market: risk capital, investment opportunities and information. Items 4-9 on the list combine to present serious barriers to the flow of capital required to support a growing small business sector. Finally, the last three items on the list indicate not only gaps in the support structure but some resistance on the part of francophone entrepreneurs to utilizing the support that is available.

### **Future Directions**

In order to address the barriers noted above, the report made a number of specific recommendations. These recommendations were directed primarily to the CENB; however, it was noted that implementation would depend on a significant level of public/private partnering and collaboration. A list of these recommendations appears in Table 4.6.

It is evident on review of the list that many of the recommendations build on existing infrastructure and relate primarily to the need to increase awareness, share information, explore opportunities and utilize existing resources more effectively. Knowledge, networks and mentoring are important underlying themes. Other recommendations such as those related to improvements in the flow of capital to small growing firms may require more significant structural changes. In any event, overcoming barriers to growth will require multiple approaches targeted towards potential entrepreneurs, existing entrepreneurs, potential investors, financial institutions and intermediaries, government and society at large.

**Table 4.6**  
**Overcoming Barriers to Growth**

- 
- Promote the advantages of growth
  - Increase awareness of financing alternatives
  - Increase awareness of sources of financing
  - Encourage investing at the local level
  - Establish a mechanism to encourage investment
  - Implement a matchmaking service at the local level
  - Put more emphasis on business plans
  - Lobby government for small business loan support
  - Encourage the BDC to emphasize micro lending
  - Encourage mentoring programs for entrepreneurs
  - Promote the use of boards and business contacts
  - Encourage networking among entrepreneurs
  - Increase marketing information and support
  - Increase awareness of the role of entrepreneurship
  - Promote awareness of youth initiatives
- 

Source: Acadian Entrepreneurship: Its Sources, Growth and Future, 1996



# CHAPTER 5

## ENTREPRENEURSHIP AND YOUTH

The importance of fostering an enterprising culture among our youth and encouraging them to consider the option of an entrepreneurial career cannot be overstated. While sweeping social and economic changes have had significant effects on society generally, the impact on young people has been especially pronounced. Increasing unemployment and poverty among today's youth have resulted not only in the need to encourage young people to consider entrepreneurial careers but also to provide them with the support structure to facilitate such endeavours.

The significance of entrepreneurship among young people is aptly summarized in a report of the Canadian Youth Foundation. The report, in suggesting options for addressing the problem of youth unemployment, states that while entrepreneurship is not **the** answer to the problem, it is “one way of beginning to address longer term social and personal issues affecting youth and the employment marketplace.”<sup>32</sup> Average unemployment rates of between 20-29% for young people in Atlantic Canada (Table 5.1) reinforce the magnitude of the problem in the region. The report further states that “The drive and self-determination of young Canadians to start their own businesses demonstrates an important shift away from the climate of dependency that has been demonstrated so often in recent Canadian experience.”<sup>33</sup>

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<sup>32</sup> *Youth Unemployment: Canada's Hidden Deficit*, 1995, published by the Canadian Youth Foundation, Ottawa, p.ii.

<sup>33</sup> *Ibid.* p.17

**Table 5.1**  
**Unemployment Rates for Atlantic Canada**  
**for Ages 15-24**  
**1990-1995 Average**

	%
Nova Scotia	20
New Brunswick	20
Prince Edward Island	21
Newfoundland and Labrador	29

Source: Labour Force Statistics, Statistics Canada

Notwithstanding the positive impact of an entrepreneurial career strategy on employment opportunities for young people, there is evidence that today's youth represents a generation of reluctant entrepreneurs who opt for entrepreneurship only as a last resort.<sup>34</sup> Further, although there are a growing number of initiatives designed to encourage the growth of entrepreneurship among youth<sup>35</sup>, there has been a lack of research documenting the motivations, characteristics and needs of young entrepreneurs and the challenges they face when attempting to start businesses.

A 1995 report by the Atlantic Canada Opportunities Agency (ACOA)<sup>36</sup> represents one of very few empirical research studies on young entrepreneurs in the country. The report is based on

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<sup>34</sup> *Youth Unemployment: Canada's Rite of Passage*, 1995, published by the Canadian Youth Foundation, Ottawa.

<sup>35</sup> *Support Programs for the Development of Young Entrepreneurs: Best Practices*, 1995, published by the Atlantic Canada Opportunities Agency, Moncton.

<sup>36</sup> *Characteristics and Needs of Young Entrepreneurs and Young Persons Wanting to Become Entrepreneurs in Atlantic Canada*, 1995, published by the Atlantic Canada Opportunities Agency, Moncton (unless otherwise indicated, the data in this chapter are taken from this report).

surveys of existing young entrepreneurs and young people who want to become entrepreneurs, as well as on a number of interviews with representatives of the banking community and small business support organizations.

While the purpose of the ACOA study was to examine the supply of, and demand for, business support programs designed to meet the specific needs of young entrepreneurs, the report provides some useful insights into the profile of young entrepreneurs and their businesses, their motivations for establishing ventures and the barriers they faced at the start-up and growth stages of their businesses. This report and the two produced by the Canadian Youth Foundation serve as the basis for much of the following discussion of youth and entrepreneurship in Atlantic Canada.

### **Profile of Young Entrepreneurs and Their Businesses**

The ACOA study, although based on a sample of only 46 existing and 46 potential entrepreneurs<sup>37</sup>, provided some useful information concerning the demographic profile of young entrepreneurs in the region. The average age for young entrepreneurs at start-up was less than 22 and although there was only a slight difference in the ages of males and females, a significantly higher percentage of males started their first businesses as teenagers. Females accounted for over 30% of the total of young entrepreneurs and aspiring entrepreneurs.

The proportion having some post-secondary education was over 80% with more than half having completed a community college or university program.

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<sup>37</sup> Represents a response rate of 20.6% for each group.



In terms of work experience (Table 5.2), the overwhelming majority (70%) of the survey participants had worked in small private sector firms, on average approximately 4.5 years, before venturing out on their own. However, there were some notable differences between the actual entrepreneurs and the aspiring entrepreneurs. A greater percentage of the aspiring entrepreneurs had worked for large firms in the private sector and for government. In addition, a greater percentage of this group were either unemployed or on Workers' Compensation.

**Table 5.2**  
**Type and Duration of Employment**  
**(Aspiring Entrepreneurs)**  
**or Employment Prior to Business Start-up**  
**(Established Entrepreneurs)**

<b>Previous Aspiring Employment Entrepreneurs</b>	<b>Established Entrepreneurs</b>		
	<i>Type (%)</i>	<i>Duration (years)</i>	<i>Type (%)</i>
Large private sector	14.7	6.4	25.0
Small private sector	70.6	4.7	59.1
Private sector*	5.9	4.0	2.3
Government	2.9	5.0	13.6

Source: Characteristics and Needs of Young Entrepreneurs ...

### **Multi-firm Owners**

Forty percent of the entrepreneurs in the study had established more than one business while the remaining 60% were operating their first and only venture. A number of interesting findings relate to the comparison between these single-firm and multi-

firm owners. Young entrepreneurs who owned more than one business were more likely to have started their first business at an earlier age, usually during their school years, as compared to single-firm entrepreneurs who usually waited until after graduation. In addition, multi-firm owners had an average of five years of entrepreneurial experience, nearly twice that of the single-firm owners. However, perhaps even more noteworthy are the differences that appeared to exist between the two groups in terms of firm size, industry sectors and ownership structure.

Measures of firm-size included both sales and number of employees. In both cases there appeared to be a strong correlation between larger size and multi-firm entrepreneurs. In the case of sales, the average for the multi-firm group was approximately \$600,000 which was in the order of four to five times that of the single-firm group (\$125,000). The employment generated by the multi-firm entrepreneurs was also significantly greater (approximately 50%) than that for single-firm owners (Table 5.3). In fact, more than half of the multi-firm group had more than five employees compared to less than 20% of the single-firm category.

**Table 5.3**  
**Employment Distribution**  
**Single-Firm versus Multi-Firm Owners**

Employees	Single-Firm Owners		Multi-Firm Owners	
	#	%	#	%
None	7	26.9	1	5.9
1-5	14	53.9	7	41.2
6-10	3	11.5	5	29.4
11+	<u>2</u>	<u>7.7</u>	<u>4</u>	<u>23.5</u>
Total	27	100.0	17	100.0

Source: Characteristics and Needs of Young Entrepreneurs ...

A second area of comparison between the multi-firm and single-firm entrepreneurs related to choice of industry sector. The areas of choice for single-firm entrepreneurs were retail (37%) and personal services (30%). Multi-firm owners, on the other hand, tended toward higher growth industries such as manufacturing (39%) and business services (22%); although a significant percentage (22%) operated in the retail sector.

Multi-firm entrepreneurs were more likely to either incorporate or take on a partner for their first venture than were single-firm entrepreneurs (33.3% versus 25.9%). Multi-firm entrepreneurs also exhibited a high propensity to incorporate over time; incorporation by multi-firm owners grew from an initial 22% to 80% in their current businesses. Finally, males were more likely to be in the multi-firm category than females.

In terms of industry sectors and types of ventures, the business interests of the young entrepreneurs responding to the survey differed from the normal distribution of small businesses in the region in a few areas. Businesses in the manufacturing sector, which represent only 5% of all small businesses in Atlantic Canada, were the choice of over one-third of young entrepreneurs. The study further reports that these young entrepreneurs operated manufacturing businesses that produced a broad range of products including such items as blaster bags, dental prothesis, clothing, musical instruments and electronics.

Similarly, over 30% of young entrepreneurs were pursuing ventures in the retail sector, which was more than twice the average for all small businesses in the region. Examples of retail products included sporting goods, hockey cards, clothing and computers. The service sector, in particular business services and personal services, was another popular area of endeavour for young entrepreneurs. The rate of participation in personal services was comparable to the average for all firms in the

region, while the interest in business services by young people appeared to be twice that for all small firms. Examples of service firms operated by young entrepreneurs included video production, printing, bookkeeping and marketing research.

Respondents appeared to be under-represented in both the resource-based and construction sectors when compared to the averages for all Atlantic small firms.

### **Motivation for Establishing Ventures**

The Canadian Youth Foundation report<sup>38</sup> cites two reasons for young people getting involved in starting their own businesses: as a final option to dealing with their employment prospects and to have more control over their future. Young entrepreneurs responding to the ACOA survey expressed a similar need for independence citing “being my own boss” as the second most important reason for becoming self-employed. However, the most important motivating factor for this group was personal accomplishment.

In contrast to the Canadian Youth Foundation report, participants in the ACOA study did not report the lack of job opportunities as a significant influencing factor. In fact, the lack of jobs ranked ninth on a list of eleven factors cited as motivations for self-employment. Other important motivators included the opportunity to make more money, higher earnings potential, flexibility, market opportunity and encouragement from others. The two least important factors were previous employment and family tradition. Overall, the findings of the ACOA study are highly consistent with other research on

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<sup>38</sup> *Youth Unemployment: Canada's Hidden Deficit*, 1995, published by the Canadian Youth Foundation, Ottawa.

entrepreneurial motivation for youth<sup>39</sup> and for all Canadian entrepreneurs<sup>40</sup>.

Closely related to motivations for establishing ventures is the issue of key influencers on the decision to become an entrepreneur. Both the existing entrepreneurs and the aspiring entrepreneurs were asked to indicate the level of influence of a number of identified individuals on that decision. Table 5.4 summarizes those ratings for both groups. In both cases, the spouse was clearly the most influential individual; although only 38% of respondents were married. The influence of close

**Table 5.4**  
**Key Influencers on Established and**  
**Aspiring Entrepreneurs**

	<b>Established Entrepreneurs</b> (Average rating)	<b>Aspiring Entrepreneurs</b> (Average rating)
Spouse	2.3	2.4
Parent or guardian	2.9	3.3
Close friend	3.0	2.8
Local business owner	3.5	3.5
Teacher or professor	3.7	3.6
Previous employer	4.0	4.0
Another relative	4.1	3.3

*Ratings are based on a scale of 1 to 5, with 1 being the greatest level of influence.*

Source: Characteristics and Needs of Young Entrepreneurs ...

<sup>39</sup> *Young and Older Entrepreneurs: An Empirical Study of Difference*, 1991, Jean Lorrain and Louis Raymond, Université du Québec à Trois-Rivières.

<sup>40</sup> *Why People Decide to Start a New Business: The Effect of Cultural Values on Entrepreneurs*, 1989, The State of Small Business, Ontario.

friends also received a high rating from both groups. Parents appeared to have considerably greater influence on established entrepreneurs while the aspiring entrepreneurs relied more heavily on other relatives. Overall, 43% of the young entrepreneurs had self-employed parents; however, parental influence appeared stronger for females, half of whom had self-employed parents compared to 39% of the males.

### **Barriers to Start-Up and Growth**

“Young Canadians are not certain of their ability to become entrepreneurs. The participants in this study are all prepared to consider starting a business....; however, they do not take starting a business lightly. They carefully consider the challenges involved and acknowledge that they are not well equipped, with neither capital nor business experience, to be entrepreneurs.”<sup>41</sup>

The lack of finances and the lack of credibility were the two most significant obstacles cited by young people when starting their businesses. The ACOA study identified the following additional issues in order of importance: lack of information, lack of experience, lack of confidence, lack of education and lack of support. Following is a brief discussion of the major barriers and the approaches taken in an attempt to overcome them.

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<sup>41</sup> *Youth Unemployment: Canada's Rite of Passage*, 1995, p. 27.

## Lack of Financing

Not unlike the general population of entrepreneurs, the problem of accessing financing was clearly the most difficult one. As suggested by the Canadian Youth Foundation<sup>42</sup>, the problem is not only one of raising the necessary capital but also the personal financial risk that the aspiring entrepreneur must often take in order to start their venture. However, to their credit, young people in the ACOA study were able to obtain amounts ranging from less than a \$1,000 up to \$150,000, with the average being slightly less than \$16,000.

In terms of the sources of financing utilized by young entrepreneurs (Table 5.5), approximately 25% of the total capital invested in their first business came from their own resources followed closely by 24% from various federal government departments and agencies. Banks, friends and family and private investors were the only other sources that accounted for 10% or more. The primary source of the “personal contribution” was savings from previous employment (76.2%). However, females obtained a smaller proportion from this source than males (64.3% versus 82.1%) but relied more heavily on gifts from parents and relatives (28.6% versus 14.3%) and on credit cards (21.4% versus 10.7%) than did males. Males indicated accessing a greater percentage of their “personal contribution” from the sale of personal assets (17.9% versus 7.1%).

Interestingly, for those who had started additional businesses (Table 5.6), the banks, trust companies and private investors appeared to take on increasing importance. Nonetheless, personal contributions continued to be a significant source of financing for those who established multiple ventures.

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<sup>42</sup> *Youth Unemployment: Canada's Hidden Deficit*, 1995.

**Table 5.5**  
**Sources of Financing for First Business:**  
**Young Entrepreneurs**

	%
Personal contribution	25.6
Friends and family	14.7
Private investor	11.1
Banks and trust companies	17.4
Credit unions	3.7
Insurance companies	0.0
Finance companies	0.2
Business Development Bank	1.2
Other federal government	22.9
Provincial government	1.4
Other	<u>1.6</u>
Total	100.0

Source: Characteristics and Needs of Young Entrepreneurs ...

#### **Average for All Respondents**

Females relied more on their own and their friends' resources than did males, although women also were more likely to utilize sources such as suppliers and partners. Family and friends were the most important sources of financing when the total requirements were very small (i.e. up to \$2,500). For projects that required more than \$25,000, the federal government was the most significant source followed by the banks and credit unions. The personal contributions of the entrepreneurs appeared to be the most significant when the requirements for capital were in the mid-range (i.e. \$2,500 - \$10,000). Private investors appeared to prefer either the very small or the very large projects. Finally, federal government sources were more



**Table 5.6**  
**Sources of Financing for First Business**

	Single-Firm %	Multi-Firm %
Personal contribution	23.5	28.4
Friends and family	23.4	3.5
Private investor	0.0	25.5
Banks and trust companies	6.9	31.1
Credit unions	6.5	0.0
Insurance companies	0.0	0.0
Finance companies	0.4	0.0
Business Development Bank	2.2	0.0
Other federal government	32.1	11.0
Provincial government	2.1	0.5
Other	<u>2.9</u>	<u>0.0</u>
Total	100.0	100.0

Source: Characteristics and Needs of Young Entrepreneurs ...

#### **Single-Firm versus Multi-Firm Owners**

frequently cited with larger projects while the provincial governments were cited more frequently with the smaller ones.

A number of additional observations concerning the investment behaviour of the young entrepreneurs in this study are noteworthy. Firstly, on average, the males invested more than twice that of the females in their first business (\$19,163 versus \$9,154). Secondly, the average investment for those who started their business after they were out of school was five times that of those who started their business while still in school (\$23,329 versus \$4,694). Thirdly, of those who started their ventures while still in school, the average investment for

those in post-secondary institutions was five times that of those in secondary schools (\$8,513 versus \$1,600). Fourthly, the average investment in their current venture for those who had started multiple businesses was more than five times that of the average investment in a first business (\$90,938 versus \$15,682).

### **Lack of Credibility**

A lack of credibility was the second most frequently mentioned obstacle encountered by young entrepreneurs. Interviews with representatives of the banking community in the region provided some insight into the reasons underlying this lack of credibility.

Firstly, the bankers indicated that many aspiring young entrepreneurs did not provide well researched and well documented business plans in support of their requests for financing. Projects were often not well thought through and many potential young entrepreneurs did not appear to utilize available programs and services. Secondly, there appeared to be a “widespread opinion by local bank personnel that ‘a financing applicant is a financing applicant’ regardless of age.”<sup>43</sup> As a result, young people lacked the necessary financial resources, particularly the equity, to qualify for a loan. This led to requests from the bankers for personal guarantees that were difficult for these young people to satisfy. Thirdly, the bank officials interviewed were concerned with the lack of managerial and administrative experience of these budding entrepreneurs. They specifically cited the subsequent monitoring problems for the bank associated with working capital loans when there was a general lack of financial management skills. Not unlike the concerns expressed regarding the lack of planning, the bankers wanted to see a strategy in place for addressing these deficiencies.

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<sup>43</sup> *Characteristics and Needs of Young Entrepreneurs and Young Persons Wanting to Become Entrepreneurs in Atlantic Canada, 1995.*

## **Lack of Information, Experience and Education**

The non-financial hindrances noted by young entrepreneurs in the areas of information, experience and education are closely related to each other. They are also consistent with the concerns expressed by the bankers with the lack of preparation and limited managerial experience and skills of young people wanting to start businesses.

Key informants from government departments and agencies and small business support organizations differed from the bankers in their views on the level of business planning conducted by young entrepreneurs. In comparing individuals under the age of thirty with those over the age of thirty, the former were thought to be better prepared in terms of business planning. However, there was agreement with the bankers' view that the younger entrepreneurs were not as well equipped in terms of financial planning and cash flow management. An area of additional concern and one that appeared to be shared by both the young entrepreneurs and the key informants was the lack of marketing-related expertise. While it was acknowledged that there had been improvement in this area, there was still a consensus that young people lacked necessary marketing research and planning skills.

Given the gaps in the areas of financial planning and marketing, it comes as no surprise that these two areas topped the list of needed business assistance identified by young entrepreneurs. However, it does come as somewhat of a surprise that fewer than 40% of the young entrepreneurs (ACOA study) had undertaken any training in these or any other areas related to their businesses and that very few had used training to address their marketing and financial management needs.

## **Lack of Confidence and Support**

With the possible exception of the lack of support noted by aspiring entrepreneurs, neither of these barriers were considered to be significant obstacles for young entrepreneurs. As a result, they were somewhat further down the list of hindrances cited by young people. However, it is noteworthy that representatives from the banks and small business support organizations felt that lack of self-confidence was a major impediment to potential entrepreneurs. Specifically, this lack of self-confidence was thought to inhibit young people to the point where they failed to take advantage of the many services and programs available to them.

Notwithstanding the absence of major constraints expressed by young entrepreneurs in the areas of lack of confidence and support, it is clear that support from a variety of sources was important to the decision to start a business as well as to the new venture creation process. As noted previously, this appeared to be particularly true of the advice and support provided by parents, spouses, relatives and friends. Results from the two studies indicated the considerable influence of this close personal network on the entrepreneurial actions of young people.

## **Overcoming Barriers**

Young entrepreneurs utilized a variety of approaches to overcome the barriers discussed above. However, with the exception of government assistance which was ranked third by aspiring entrepreneurs, both practising and aspiring entrepreneurs relied primarily on themselves and their own determination and perseverance as well as the close personal network cited previously.

The ACOA study posited two explanations for the low incidence of seeking outside help. On the one hand, young

people may have been either unaware of the sources of assistance or how to access them. On the other hand, they may have lacked confidence in the value of these external sources and thus chose not to use them. In either case, while young entrepreneurs are to be commended for their determination and perseverance, there is concern that under-utilizing the support structure may weaken chances for success.

## **Sources of Assistance and Support**

There is a range of “best practice” services and programs in Atlantic Canada designed to serve the needs of young entrepreneurs, including student entrepreneurs. A 1995 report on support programs for young entrepreneurs<sup>44</sup> provides an extensive, although not all-inclusive<sup>45</sup>, inventory of business assistance programs targeted towards both groups. Student entrepreneurs are defined as “young people who have not completed their education and are running summer or part-time businesses,” while young entrepreneurs are those “who have completed their education and are starting full-time ventures as their career or employment choice.”<sup>46</sup>

Areas covered in the “Best Practices” publication include financial assistance, start-up training and counselling, student venture programs, award and scholarship programs, associations and networking opportunities, and promotional activities and resource materials. A number of these support programs and

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<sup>44</sup> *Support Programs for the Development of Young Entrepreneurs: Best Practices*, 1995, published by the Atlantic Canada Opportunities Agency, Moncton.

<sup>45</sup> Junior Achievement (JA) is one example of an organization whose programs are not included in this publication. Funded primarily by the private sector, JA offers a combination of in-school and after-school programs that served more than 49,000 students in Atlantic Canada during the five-year period from 1990 to 1995 (Source: Junior Achievement).

<sup>46</sup> *Support Programs for the Development of Young Entrepreneurs: Best Practices*, 1995, published by the Atlantic Canada Opportunities Agency, Moncton, p. A.1.

associations are national in scope, such as the “I Want to be a Millionaire” program and the Association of Collegiate Entrepreneurs. However, many are targeted specifically to young entrepreneurs and student entrepreneurs in Atlantic Canada. Table 5.7 includes examples of financial assistance and support programs available in each of the Atlantic Provinces. The 1995 report concludes that there is significantly more support available to student entrepreneurs than to young entrepreneurs and that young entrepreneurs are not a strategic focus in most areas of the country.

In addition, although not necessarily targeted towards youth, there are also traditional sources of assistance available to young entrepreneurs, for example, assistance provided by banks, accountants, lawyers, post-secondary institutions, consultants, business development centres, government departments and agencies and others.

In an attempt to assess the impact of the business support structure on the efforts of young entrepreneurs to establish and grow their businesses, participants in the ACOA study were asked a number of questions relating to membership in, use of, and satisfaction with, various organizations. Firstly, young entrepreneurs were asked to indicate the organizations to which they belonged and then to identify those which had any direct positive influence in terms of preparing them for business ownership. Responses indicated that membership in business associations was generally low and of limited usefulness in preparing young entrepreneurs for being in business for themselves. Junior Achievement, professional associations and Chambers of Commerce were cited by respondents as being the most useful. However, given the small number of mentions, these results should be interpreted with caution.

**Table 5.7**  
**Financial Assistance Programs for**  
**Student and Young Entrepreneurs**

- 
- Youth Entrepreneurship Skills (YES) Program  
(Nova Scotia)
  - New Entrepreneur Loan Program  
(Prince Edward Island)
  - Student Venture Capital Program  
(New Brunswick)
  - Youth Venture Loan & Young Entrepreneur Loan  
Programs (Newfoundland and Labrador)
  - Youth Entrepreneurship Program  
(New Brunswick)
  - Graduate Self-Employment Program  
(Newfoundland and Labrador)
- 

**in Atlantic Canada (1995)**

Secondly, survey respondents were asked to rate their level of satisfaction with the sources of assistance that they had used for their businesses and to rate a number of identified sources of potential assistance. As indicated previously, young entrepreneurs relied most heavily on those in their close personal networks, namely friends, relatives and parents. Other sources of assistance, in order of importance, were the provincial government, business acquaintances, accountants and the federal government and its agencies. In terms of usefulness, the personal networks were again at the top of the list with the banks and post-secondary institutions at the bottom.

There were some notable differences in the views expressed by the actual entrepreneurs and those of the aspiring entrepreneurs as to whether they would use each of the various sources of assistance. Those already in business were more likely to rely on business acquaintances and accountants in addition to their

personal networks. Aspiring entrepreneurs, on the other hand, expressed preferences for provincial government departments and agencies, the Business Development Bank of Canada and customers and suppliers. They were also more likely to indicate use of federal government departments and agencies, consultants and the banks than were established entrepreneurs.

### **Future Directions**

A number of fairly consistent themes emerged from the ACOA study and the work of the Canadian Youth Foundation. Firstly, more needs to be done to encourage young people to consider an entrepreneurial career option. Young people under the age of 25 still represent only 5% of all self-employed in Canada compared to 20% of all employees. The percentages for those under the age of 35 are 25% and 50% respectively. In all cases, these percentages have changed very little in the past decade.<sup>47</sup> As a result, there is a significant opportunity to increase the number and the proportion of young people interested in entrepreneurship and self-employment. However, that process has to start early with an enhanced focus on entrepreneurship in the education system. While it is generally acknowledged that significant improvements have been made in Atlantic Canada in this area, it is also agreed that more could and should be done. The area of entrepreneurship education will be explored further in the next chapter.

Secondly, young entrepreneurs should be encouraged to utilize external sources of assistance and support in order to minimize the barriers to start-up and growth and to enhance the likelihood of establishing successful ventures. Young people rely primarily on a close personal network of family and friends and their own determination and perseverance to establish their businesses.

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<sup>47</sup> Source: *Characteristics and Needs of Young Entrepreneurs...*



This approach can and should be complemented with the information, advice and assistance available from a variety of established external sources. The challenge is to make those sources more accessible to potential young entrepreneurs.

Thirdly, access to financial assistance must be improved in order to ensure that young entrepreneurs can acquire the capital necessary both for start-up and growth. This constraint is magnified by the lack of credibility afforded these young people, especially by financial institutions. Improved access to capital will require innovative programs targeted to the needs of young people and based on collaborations among key stakeholders.

Finally, the support structure should be modified to ensure that young entrepreneurs are provided with the necessary counselling, training and networking opportunities. The issue here appears to be one of ensuring that the assistance is tailored to the specific needs of young entrepreneurs and available in an appropriate and timely manner.

Based on the conclusions and findings of the ACOA study and two follow-up roundtable meetings of young entrepreneurs and representatives of the small business support network,<sup>48</sup> a number of specific recommendations were made "...on the design of a comprehensive business assistance program to accelerate the development of young entrepreneurs and to increase the number of businesses and jobs created by this segment of the entrepreneurial population."<sup>49</sup> A summary of these recommendations is included in Table 5.8.

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<sup>48</sup> ACOA: *Summary of the Roundtable Meeting on the Development of Young Entrepreneurs*, Halifax, Nova Scotia, April 1995 and *Summary Report of the Senior Level Roundtable on the Development of Young Entrepreneurs*, Halifax, Nova Scotia, August 1995.

<sup>49</sup> *Summary Report of the Characteristics and Needs of Young Entrepreneurs ...*

Since the ACOA study, the Canadian Youth Business Foundation announced their Intervision Program Strategy which is designed to support youth entrepreneurs by delivering services through the Internet and World Wide Web. Further, in May of 1996, ACOA introduced a toll-free hotline in Atlantic Canada to help young entrepreneurs obtain information on programs and services designed specifically for them. The hotline, implemented through the Canada Business Service Centres, provides a single point of access to federal, provincial

**Table 5.8**  
**Summary Recommendations on Young Entrepreneurs**  
**and Young Persons Wanting to Become Entrepreneurs**

- 
- Establish an entry point for business assistance
  - Improve access to financial support
  - Develop modularized “just-in-time” training
  - Establish network and mentoring program
  - Deliver entrepreneurship and business opportunities seminars
  - Provide counselling support and assistance with studies
  - Enhance the focus on entrepreneurship in the education system
  - Increase promotion efforts
  - Target efforts to sub-groups of young entrepreneurs  
(new graduates, aboriginals, women, etc.)
- 

Source: Characteristics and Needs of Young Entrepreneurs ...

and private sector business information sources and referral services tailored to meet the needs of existing and aspiring entrepreneurs between the ages of 18 and 29.

More recently, a report<sup>50</sup> by the Ministerial Task Force on Youth made a number of recommendations to the federal

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<sup>50</sup> *Take on the Future: Canadian Youth in the World of Work*, 1996, Ministerial Task Force on Youth, Ottawa.

government on the development of a national youth strategy. Among the report's recommendations are suggestions designed to encourage the entrepreneurial spirit of youth and to support their efforts to start their own companies. Increased collaboration, mentoring and improved access to capital and information were noted as critical components of any strategy designed to support entrepreneurship among Canadian youth.

## CHAPTER 6

# ENTREPRENEURSHIP AND EDUCATION

It is widely recognised that Atlantic Canada needs large numbers of entrepreneurs; men and women who will assume the risks and commitments of business ownership. Until a relatively few years ago the emergence of these people was left largely to chance. Recently, however, there have been initiatives designed to encourage the development of an entrepreneurial mind-set among the populace, to find ways to make the perception of entrepreneurship as a viable career alternative more attractive, and to enhance the image of business in the public's eye. Further, there is a recognition that we must develop employees who are prepared to share responsibility for the success of the organizations in which they work.

Whether entrepreneurship can be "taught" or "learned" is the subject of much debate. Most would agree, however, that an education system which encourages creativity and self-reliance, which acquaints learners with the role of business and entrepreneurship, and which utilizes non-traditional teaching methods to integrate the community at large with the classroom, is a positive factor in achieving these goals. These approaches are currently being incorporated into enterprise and entrepreneurship education programs delivered at post-secondary institutions, at high schools, and at other levels of the region's school system.

The 1991 edition of *The State of Small Business and Entrepreneurship in Atlantic Canada* discussed at length the results of a major study carried out in 1989 by researchers at Mount Allison University and the Université de Moncton

regarding the status of entrepreneurship education in Atlantic schools, particularly at the elementary and high school levels. This project, *Projet Entrepreneurship Project (PEP)*, funded by the Atlantic Canada Opportunities Agency, examined the degree to which students were exposed to entrepreneurial concepts and influences and recommended ways that the education system could be modified to enhance the development of an entrepreneurial environment. One of the purposes of this study was to establish data which could be used as a benchmark in measuring the impact over time of efforts made to breed a stronger entrepreneurial culture in the region.

Since the release of the PEP study, all four Atlantic provinces have introduced enterprise or entrepreneurship education into their high school systems. Although approaches to this education vary throughout the region, commonalities include project-based learning, a greater than usual use of guest speakers, utilization of case materials, and a focus on business planning and business and economic issues. Unlike the high school curricula, which tended to be developed independently within each of the four Atlantic provinces, the introduction of enterprise content into the remainder of the school system has proceeded in a more cooperative manner. The Atlantic Provinces Education Foundation (APEF) has coordinated much of this activity, spearheading the development of regional programming, in cooperation with ACOA and the four Departments of Education. Since 1990, there has also been a substantial increase in the number and quality of entrepreneurship programs offered at the post-secondary level throughout the region.

This chapter summarizes some of these developments and includes a discussion of early impacts on the entrepreneurial attitudes of grade 12 students (the end product of the compulsory education system).

## **Entrepreneurship Education at Pre-High School Levels**

In 1991, the Maritime premiers issued a challenge to their respective Ministers of Education to formulate an initiative for the regional development and implementation of curricula, professional development and in-service programs in entrepreneurship education. In response to this challenge, by 1993 APEF had produced a proposal which was designed to build on progress already achieved in the field by individual provinces, but specifically focused on elementary grades K-6.

The project addressed programming in both official languages. The English language component of the project concentrated on the completion of entrepreneurship learning materials for use in elementary schools, a program which was currently under development by the PEP group at Mount Allison University and the New Brunswick Department of Education. The project also addressed the teacher training and professional development requirements of this new approach to education.

An analysis of the French language curricula identified possible areas where the values, skills and attitudes associated with entrepreneurship could be integrated and also served as a framework for the teacher training and professional development components of a francophone project.

Through the efforts of APEF and the various other partners, the project has met with a good deal of success. The English language program, *Pathways to Enterprise*, was piloted in the region during the 1995 school year, and was set to be integrated into the curricula for grades 3 through 8 in each province by the fall of 1996. The French language program is scheduled to be introduced in grades up to grade 3 in the fall of 1996, and into grades 4-6 by fall, 1997. In addition to the implementation

phase, appropriate training of teachers in both languages has been ongoing.

The original PEP study identified a lack of entrepreneurship education at the elementary level as an important deterrent to the development of an enterprising culture throughout the region. The progress made in the implementation of this initiative should make a substantial contribution toward addressing this deficiency.

### **Entrepreneurship Education in Atlantic High Schools**

The first approaches to addressing the deficiencies in entrepreneurship education identified in the original PEP report took place throughout the region at the high school level. In 1995, the Université de Moncton conducted a follow-up to the survey<sup>51</sup> to draw comparisons between the attitudes of grade 12 students towards entrepreneurship in 1989 and those of 1995 grade 12 students. Although this was not a longitudinal study, in that the groups of students surveyed were different, a reasonable degree of consistency with the 1989 report was attained by surveying students attending grade 12 at the same schools and by using the same survey instrument. The sample sizes were virtually identical, 4,849 in 1989 and 4,864 in 1995. Census data were incorporated to describe and analyse aspects of the economic reality of the localities in which the students lived.

The questionnaire made it possible to collect data on a number of variables intended to measure attitudes towards, exposure to, and experience with entrepreneurship both inside and outside the school environment. These included interpersonal contacts

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<sup>51</sup>*The Intention to Become an Entrepreneur: A Comparison of Two Cohorts of Grade 12 Students in the Atlantic Provinces*, 1996, Draft Report, Université de Moncton, Moncton.

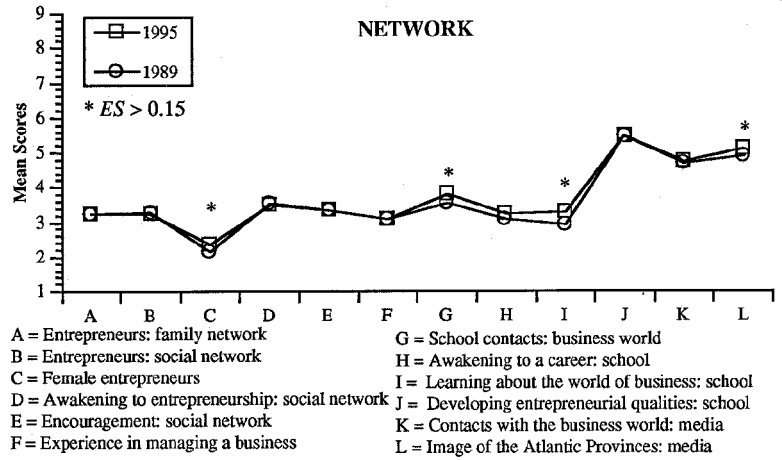
and networks, the intention to become an entrepreneur, personal characteristics and competencies, and students' beliefs with regard to business-related issues. These variables were further divided into measurement scales, as can be seen in Charts 6.1 through 6.4. Students were asked to indicate over a range of 1 (low) to 9 (high) their opinions on each of the scales identified in the questionnaire. The results of this 1995 study are summarized below.

### **Main Results for the Combined Cohorts of Atlantic Canada Students**

Two thirds of the students surveyed in 1995 were 17 years old; slightly more than half were female. Ninety percent were born in the Atlantic region and had spent almost all of their lives there. Approximately one third had experience running their own businesses. A large majority (86%) expressed an intention to pursue post-secondary education, with slightly more than 50% planning to attend university. More than a third would prefer to work outside the Atlantic region; an additional one in five expressed a desire to work somewhere in the region other than their present location. The survey also investigated the demographic profiles of the communities in which the students lived. Unemployment rates in these communities were higher in 1995 than in 1989 (18% vs 16%); however, average household income was substantially higher (\$38, 512 vs \$28,713).

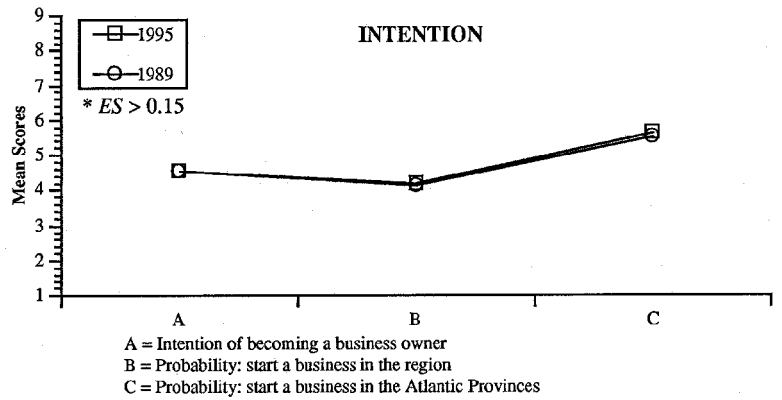


CHART 6.1  
Atlantic Canada Students



Source: Intention to Become an Entrepreneur

CHART 6.2  
Atlantic Canada Students



Source: Intention to Become an Entrepreneur

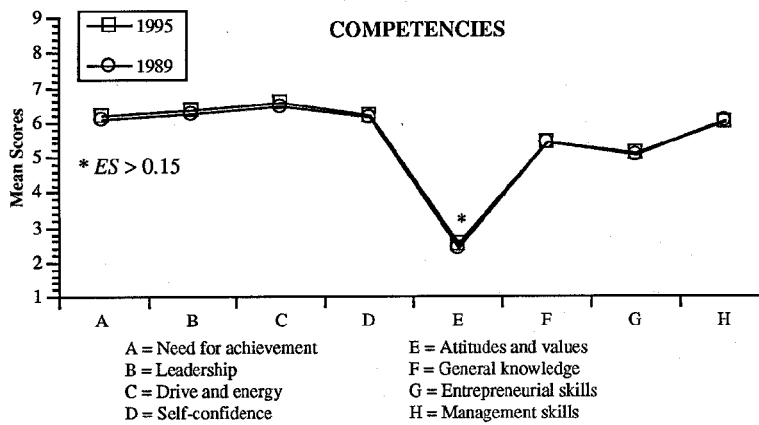
As in 1989, the 1995 cohort reported few contacts with entrepreneurs. On average, they reported knowing 11 entrepreneurs, of whom two were family members. Overall, students felt that the impact of their social milieu in making them aware of entrepreneurship or in providing encouragement to start or acquire a business was moderately weak on a scale ranging from very weak (1) to very strong (9).

In 1989, about 10% of grade 12 students stated they had not been exposed to entrepreneurship-related content in any courses. By 1995, 99.3% of grade 12 students had been exposed to content in anywhere from one to five courses; 45% of these students had learned about entrepreneurship in three or more courses compared to 30% in 1989.

A review of Charts 6.1 through 6.4 indicates that the two groups of students reported similar experiences in school. Contacts with the business world, learning things related to business, and being made aware of entrepreneurship as a career choice were rated as moderately weak. On the other hand, students considered the opportunities provided at school to develop the qualities of entrepreneurs (for example, leadership, problem solving, initiative, self-confidence and the need for achievement) as moderately effective. Students cited the media moderately frequently as a source of information about the business world. Overall, students considered the image of the Atlantic region presented by the media to be rather neutral.

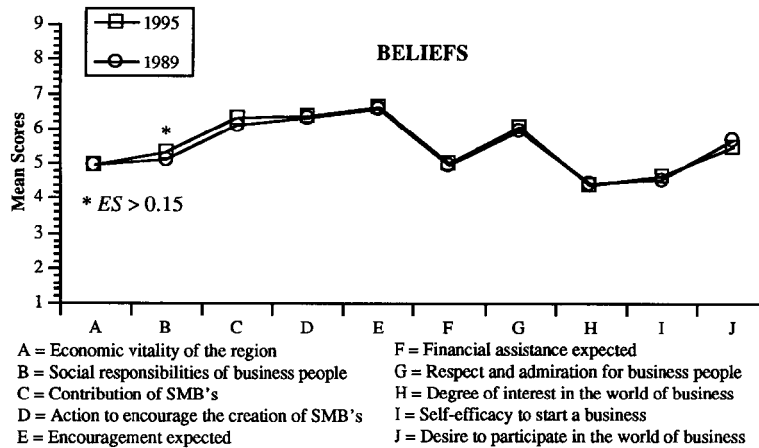
Although students felt the economic vitality of the region where they live was moderate, and had only a moderately positive perception of the degree to which business people fulfilled their social obligations, they felt relatively strongly

CHART 6.3  
Atlantic Canada Students



Source: Intention to Become an Entrepreneur

CHART 6.4  
Atlantic Canada Students



Source: Intention to Become an Entrepreneur

that small and medium-sized businesses make an important contribution to society and that people living in a given region should encourage the creation of new businesses in their area. They felt that should they start a business they would receive a moderately strong level of encouragement and a moderate level of financial support from people they know. While students had a moderately high level of admiration and respect for business people, they rated their degree of interest in business and their personal efficacy to start a business as moderately weak. Students rated themselves as possessing a moderately high level of similarity to persons with entrepreneurial skills in the areas of need for achievement, leadership, drive and energy, and self-confidence.

Despite the relatively positive view of the role of business and their own personal skills, the intent to start a business was rated as moderate. However, many of those that were interested in becoming entrepreneurs were very interested. Approximately one quarter of the students held strong entrepreneurial intentions, with an additional 45% having moderate intention scores. The probability that students would locate a business in the region where they currently resided was moderately weak; however, the probability that it would be located somewhere in the Atlantic provinces was somewhat higher.

### **What's Changed Between 1989 and 1995?**

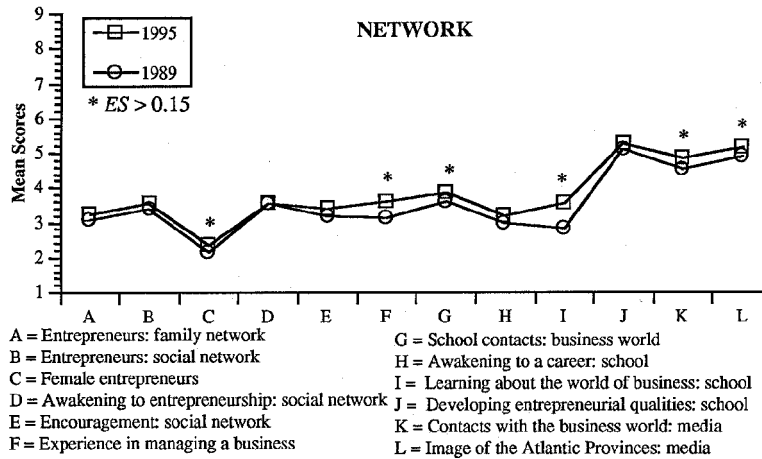
One of the more interesting sections of the *Intention to Become an Entrepreneur (IBE)* report is the comparison between the 1989 and 1995 cohorts with respect to their networks of contacts with entrepreneurship, their intention to become entrepreneurs, and their competencies and beliefs. A review of Charts 6.1 through 6.4 indicates that, in the Atlantic region as a whole, there have been only a few significant changes. The

1995 cohort felt that they were exposed to the business world to a greater extent than the 1989 cohort did, and that they had a greater knowledge of female entrepreneurs. They also felt that the media was marginally more positive in its reporting of economic issues in the region and tended to have a slightly higher regard for the manner in which business people carried out their social responsibilities. In the important areas of intention to become a business owner and competency, however, the 1995 students were almost identical with the 1989 cohort.

The IBE report also provided valuable information with regard to English and French students by province. Although the results for the region as a whole were relatively stable, changes were observable within some of these sub-groups. This is encouraging for the population as a whole, since significant changes were not expected in the short term given the large numbers of students surveyed, the fact that not all were exposed to entrepreneurship education, and the fact that these programs had not been delivered to the same extent and over the same time frame in all of the Atlantic provinces. It should also be kept in mind that efforts to promote entrepreneurship were intended to bring about long-term attitude changes and had been in place for a relatively short period of time.

Chart 6.5 reveals that anglophone students in New Brunswick, for example, had more opportunities to learn about business than they did in 1989. These students also knew a slightly higher number of female entrepreneurs, had slightly more experience in managing their own businesses, and had been in contact with the business world slightly more often. They also had a slightly more positive perception of the degree to which business people fulfill their social responsibilities and had perceived slightly stronger self-efficacies to start businesses.

CHART 6.5  
New Brunswick Anglophone Students



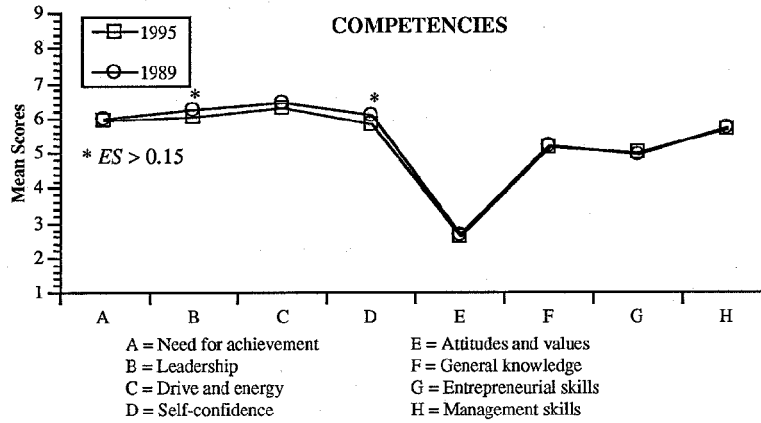
Source: Intention to Become an Entrepreneur

There were few changes between the two surveys of francophone students in New Brunswick, except that the 1995 group felt that they received slightly more frequent contacts with the world of business at school and perceived a slightly more positive image of the Atlantic Provinces as presented by the media.

In contrast with the relatively positive experience of New Brunswick Anglophones, results among Nova Scotia Anglophones appeared to favour the 1989 group. Students in 1995 reported that they were less exposed to opportunities to develop entrepreneurial qualities at school and rated their knowledge of entrepreneurship and management skills lower than the 1989 group. They had a slightly more positive perception of the degree to which business people fulfilled their social responsibilities, but were slightly more negative in

assessing the economic vitality of their region and had slightly less desire to participate in business-related activities.

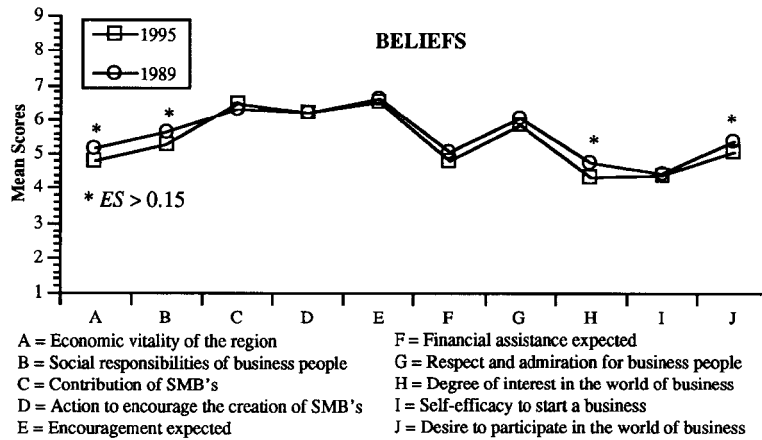
CHART 6.6  
Nova Scotia Francophone Students



Source: Intention to Become an Entrepreneur

Like their anglophone counterparts, francophone students in Nova Scotia were less positive about entrepreneurship issues in 1995 than in 1989. Students in the 1995 group had moderately less experience in managing their own businesses and had a less positive image of the Atlantic region as presented by the media. They were less likely to intend to start their own businesses and, as Chart 6.6 indicates, rated themselves lower in leadership qualities and self-confidence than the 1989 group. Chart 6.7 demonstrates that Nova Scotia francophone students were less positive in assessing the economic vitality of the region, and had less positive beliefs that business people carry out their social commitments satisfactorily, less interest in the business world and a lower degree of desire to participate in it.

CHART 6.7  
Nova Scotia Francophone Students

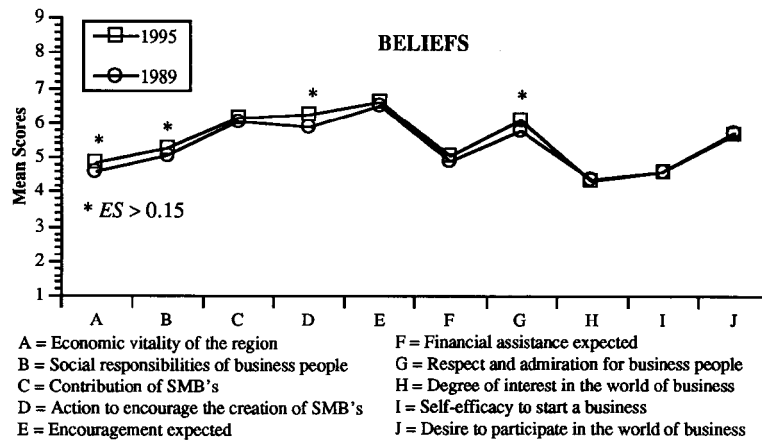


Source: Intention to Become an Entrepreneur

Anglophone students in Prince Edward Island were slightly more positive in 1995 than in 1989. Although they had less experience in managing their own businesses and had a weaker intent to become an entrepreneur, they had a slightly more positive image of the Atlantic Provinces as presented in the media, and considered their leadership qualities more positively. As Chart 6.8 indicates, they had a higher opinion of the economic vitality of the region, the degree to which business people fulfill their social obligations, the importance of taking action to create more small businesses, and respect and admiration for business people. The report cautions that the results reported for Prince Edward Island Francophones may be statistically unstable because the small numbers of students surveyed in both years might not accurately reflect the attitudes of the entire student population. In any case, the 1995 group felt they were presented with a more positive image of the Atlantic Provinces by the media, but had fewer contacts with the



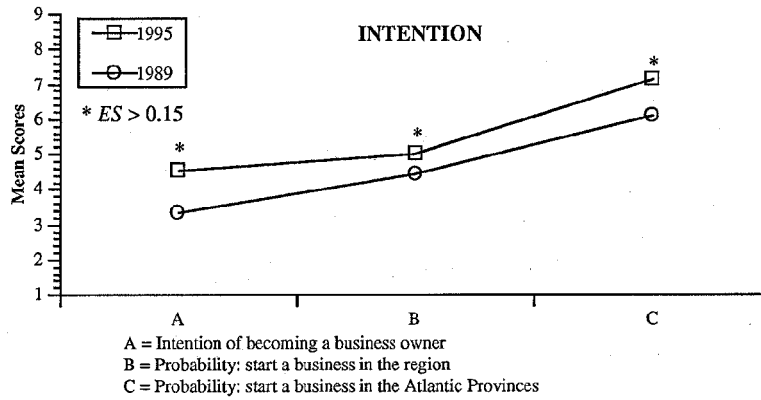
CHART 6.8  
Prince Edward Island Anglophone Students



Source: Intention to Become an Entrepreneur

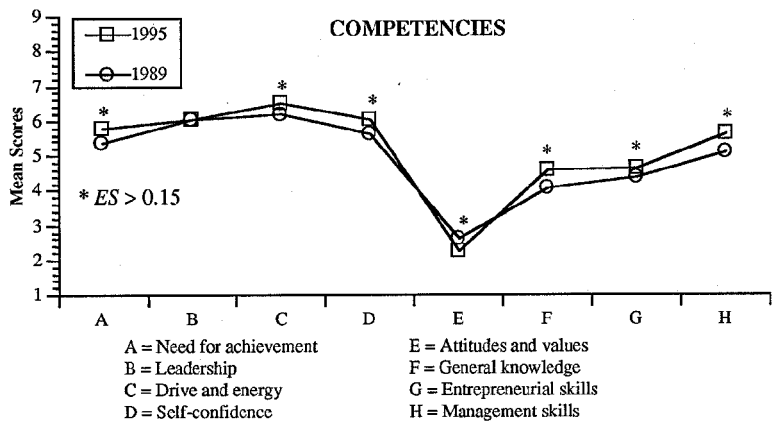
business world through school. The 1995 students knew more entrepreneurs among family members and their social environment, had received slightly more encouragement to go into business, but knew fewer female entrepreneurs and had less experience in managing their own businesses. As Chart 6.9 indicates, they reported a stronger desire to become an entrepreneur and to locate their business in the Atlantic region, possibly where they live. This group rated themselves highly in all of the personal competencies except attitudes and values, and had relatively strong feelings of personal efficacy and desire to engage in business-related activities (Chart 6.10). They also felt slightly stronger than the 1989 group that business people fulfill their social responsibilities, that the creation of new businesses should be encouraged, and that they would receive a high degree of encouragement should they decide to start a business. They had a slightly stronger interest in the world of business and admiration for business people, but were not quite as cognizant of the role of small businesses in the economy.

CHART 6.9  
Prince Edward Island Francophone Students



Source: Intention to Become an Entrepreneur

CHART 6.10  
Prince Edward Island Francophone Students

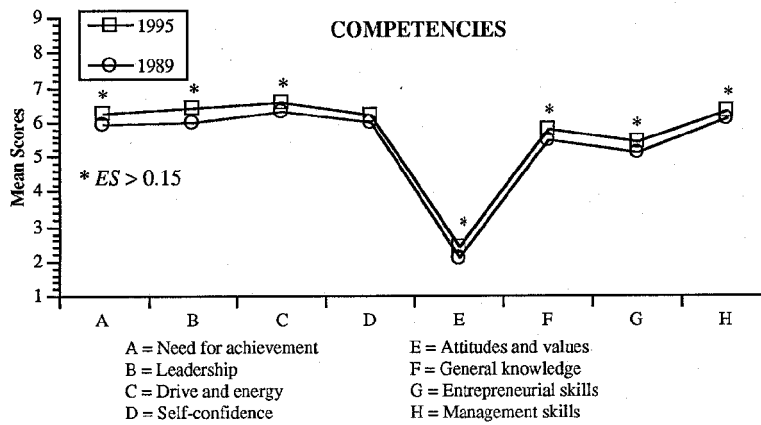


Source: Intention to Become an Entrepreneur

The most significant change between the 1989 and 1995 cohorts took place in Newfoundland. The 1995 students were more likely to know female entrepreneurs, to make contacts within the business world, to learn about business and to be awakened to an entrepreneurial career through school. To a lesser extent they felt school was more successful in assisting them in developing entrepreneurial qualities, they used the media to make contact with the business world, and felt the media was relatively positive in its presentation of the Atlantic Provinces. As Charts 6.11 and 6.12 indicate, the 1995 cohort also rated themselves higher than the 1989 group in all of the competencies and beliefs categories.

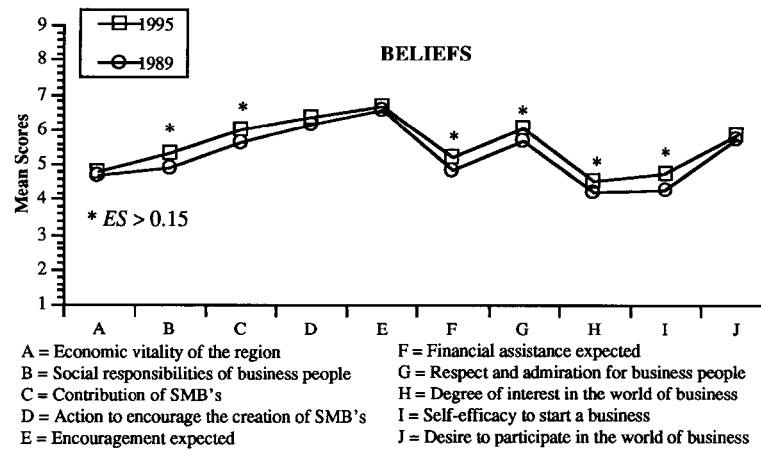
In summary, two groups clearly showed more positive changes than the other groups: the francophone students from Prince Edward Island and the Newfoundland students. Anglophone students from both Prince Edward Island and New Brunswick also showed more positive attitudes, although to a lesser extent. New Brunswick's francophone students tended toward the status quo. Finally, in Nova Scotia, for both the anglophone and francophone students there appeared to be a degree of inertia, or even slippage, in terms of entrepreneurial awareness. This mixed result is puzzling and should be followed up with more in-depth analysis. One possibility for further investigation arises from the fact that although each province has introduced programs in enterprise and entrepreneurship, there may not be consistency in the approaches to the programs delivered, the content and delivery methods utilized, the availability of local examples and teaching materials, and the training available to teachers involved from province to province. In addition, Newfoundland was the first province to begin the process of infusing enterprise/entrepreneurship education throughout the

CHART 6.11  
Newfoundland Students



Source: Intention to Become an Entrepreneur

CHART 6.12  
Newfoundland Students



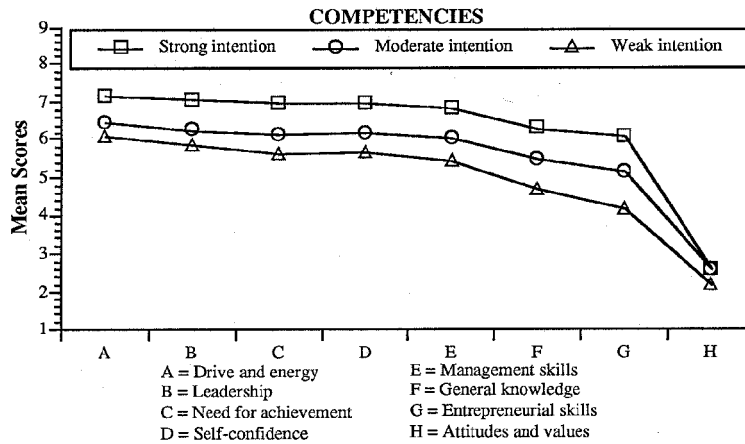
Source: Intention to Become an Entrepreneur

curricula, and to require at least two credits in enterprise education for high school graduation. Because other provinces were later off the mark, their students have not had as much opportunity to be exposed to these programs.

### **What Determines the Intent to Become an Entrepreneur?**

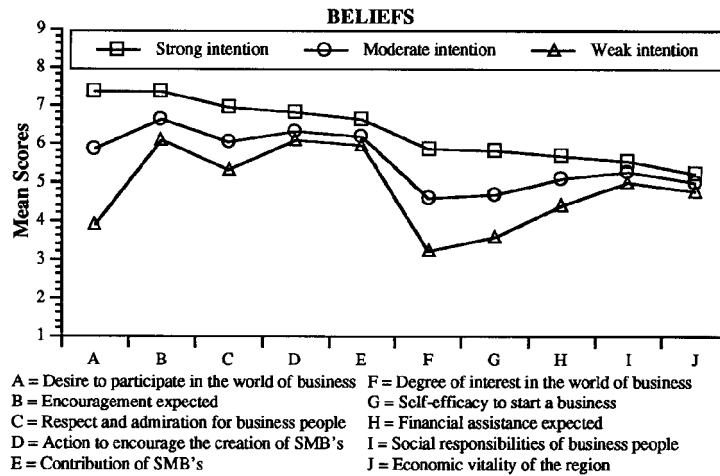
The IBE research group further examined the relationships between an expressed high level of intent to become an entrepreneur and other survey variables to determine which were most closely related. Sociological variables within an area, such as unemployment rates, levels of literacy and average income appeared to play relatively minor roles in determining entrepreneurial intentions. A more significant part was played by students' entrepreneurial experiences, such as awakening to entrepreneurship through social networks or in school. The best predictors, however, were the beliefs and competencies of the students, the most important of which were the desire to engage in business-related activities, the degree that students believed they have the personal competencies often observed in entrepreneurs, feelings of personal efficacy, and knowledge and skills in entrepreneurship (Chart 6.13 and 6.14). It would appear that, from an education perspective, programs that concentrate on the enhancement of these attributes have the greatest impact on development of an entrepreneurial culture. As the IBE report points out, this enhancement may well be a long-term result of entrepreneurship education in schools and of government and institutional initiatives designed to promote entrepreneurship in the media and the community. Thus, it will take longer to produce significant changes in trends.

CHART 6.13  
Atlantic Canada Students



Source: Intention to Become an Entrepreneur

CHART 6.14  
Atlantic Canada Students



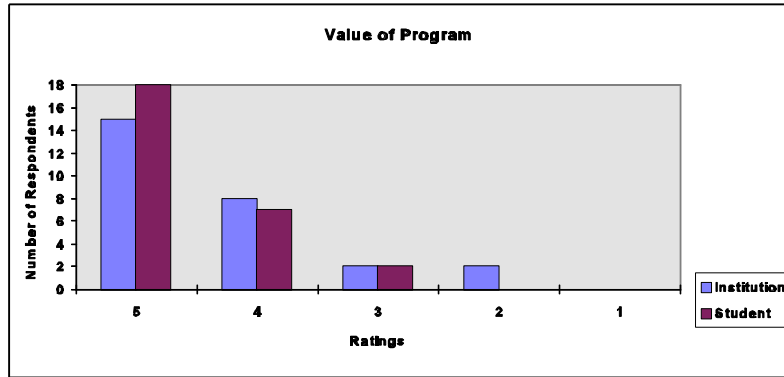
Source: Intention to Become an Entrepreneur

## **Entrepreneurship Education in a Post-Secondary Setting**

The third major component of entrepreneurship education in the Atlantic region consists of programs offered at post-secondary institutions. A recent survey conducted by Memorial University's P.J. Gardiner Institute for Small Business Studies indicates that, in response to a recognition of the growing need for entrepreneurship education, many of these institutions are increasing the program emphasis in this area. The survey was forwarded to 40 community colleges and universities in the Atlantic region. Thirty responses were received, for a return rate of 75%. Twenty-nine of the respondents indicated that they offered small business and/or entrepreneurship courses; over half of these were introduced in the 1990s. These programs tended to be introduced in response to student demand and a need to enhance entrepreneurial skills. There were between 50 and 99 students in a typical program, and enrollments were generally increasing. In addition, one institution, Memorial University, reported an annual enrollment of well over 300 in a compulsory entrepreneurship course within its business program.

Charts 6.15 and 6.16 demonstrate the value and productivity of these programs. Respondents rated the programs as valuable to both the institution and to the student body. Most, in fact, saw the programs as deserving a five, on a scale of 1 (low) to 5 (high). Respondents were also asked to detail the most common outcomes of these programs. Programs were rated highly in terms of the development of business plans and the generation of business ideas. Business start-ups lagged a little, probably because many students have a preference to obtain real world experience as a prerequisite to entrepreneurship. There were a number of different approaches to delivering these programs.

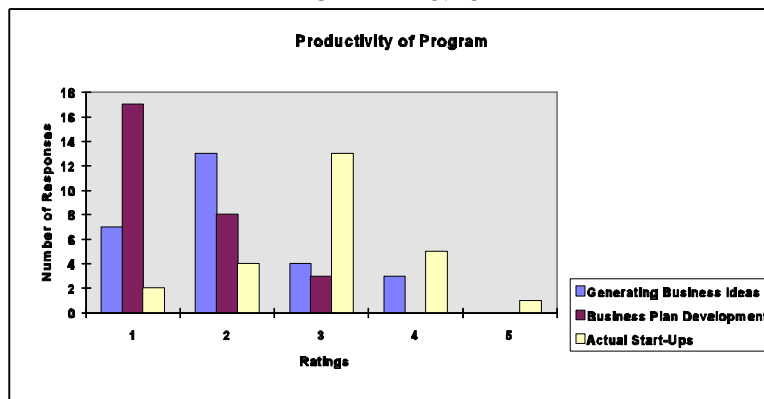
CHART 6.15



Ratings: 5 = high; 1 = low

Source: P.J. Gardiner Institute

CHART 6.16



Ratings: 5 = high; 1 = low

Source: P. J. Gardiner Institute



In a few instances, the traditional classroom style, a combination of lectures and case analysis, was used. The majority of programs, however, required the completion of business plans for entrepreneurial projects. Surprisingly few used cases as the main teaching vehicle. Some of the other innovative methods utilized involved student consulting, guest speakers, and work placements. A majority of respondents felt that entrepreneurship should be incorporated into other business subject areas and, indeed, other faculties, but none indicated that this was currently being done to any great extent at their institution. As with the remainder of the courses delivered by the faculty, gender distribution was about equal, and there was little difference between the age and experience level of students.

### **Outreach Entrepreneurship Education and Training**

Twelve of the thirty institutions which responded to the questionnaire indicated they were involved in the delivery of entrepreneurship programs to an audience outside of their usual student bodies. These programs ranged in length from thirty classroom hours delivered over a ten-week period, to forty weeks at thirty-five hours per week. There were usually about 20 students enrolled in the programs; most required that the participants be displaced fishery workers, unemployed individuals, or recipients of other social benefits. Considering the wide range of program lengths, it is not surprising that there were wide variations in the teaching methods, materials, and subject matter of these programs. Ten of the twelve respondents reported that they did not keep statistics on the number or types of businesses started by graduates; however, of the two that did, one reported a start-up rate of over seventy percent, with the other somewhat lower than that. Gender distribution was about equal, with the typical participant holding a high school diploma.

## Summary

The role of education in bringing about social change is widely recognised. The creation of an enterprising or entrepreneurial culture in the Atlantic region presents our education system at all levels with a tremendous challenge. It is particularly interesting to consider the evidence presented in the IBE report of the development of a more entrepreneurial mind-set in high school students in Newfoundland. Although the report does not directly link this change in attitude to that province's high school enterprise education program, it is surely more than a coincidence that this province, first off the mark in the field, is also the first to exhibit such an improvement. Given time, the impact of this approach to education should be felt in the remainder of the region. The introduction of entrepreneurship education into the elementary school system, although in its infancy, should result in an awakening to the development of entrepreneurial attitudes and characteristics at an even earlier stage.

It is also encouraging to note the increase in the number of entrepreneurship programs offered at the secondary level. The interest exhibited in this type of program by students indicates an awareness that entrepreneurship is a valid career alternative, and augurs well for the region. Too often, our best trained graduates of secondary institutions are the first to leave the area. Entrepreneurship offers these people an alternative, an option to stay and participate in the region's development. It is through the education system at all levels that the growth of an entrepreneurial culture will take place.

## **ABOUT ACOA**

### **Building a Stronger Economy Together**

#### **ACOA's mandate**

The Atlantic Canada Opportunities Agency (ACOA) is a federal government economic development organization mandated to work with businesses, business organizations, provincial governments and other federal departments to help create more and better employment opportunities in Atlantic Canada.

#### **Our strategy**

Because new employment is the direct result of business growth, particularly among small- and medium-sized enterprises (SMEs), ACOA seeks to provide people with the encouragement, advice, access to capital and information, and the technology they need to start and expand their own businesses.

#### **Our priorities**

To carry out this strategy, ACOA focuses on five main economic development areas:

- Entrepreneurship – because SMEs generate more than 90 per cent of all new jobs in Atlantic Canada.
- Trade – because every \$1-billion increase in exports creates 11,000 jobs.
- Innovation and Technology – because innovative companies are growing companies, and growing companies create jobs.
- Business Management Practices (BMP) – because formal BMP make companies more productive and resilient.

- Access to Capital and Information – because adequate access stimulates business start-ups and expansions and job creation.

### **Our services**

To meet its objectives in each economic development area, ACOA administers, or is involved in, a number of key programs and activities:

- Business Development Program – designed to help SMEs establish, expand or modernize by offering access to capital in the form of interest-free, unsecured repayable contributions.
- ACF Equity Atlantic Inc. – a \$30-million venture capital fund, designed to address the deficiency in venture capital availability in Atlantic Canada.
- Community-Based Economic Development – Grass-roots efforts by communities, with ACOA's support, to improve their economic conditions.
- Canada Business Service Centres – a network of five centres providing business-related services and products to SMEs and aspiring entrepreneurs in the region.
- COOPERATION Program – federal/provincial, cost-shared agreements designed to improve the environment for economic growth in Atlantic Canada.
- Pan-Atlantic Programs in Entrepreneurship Development, International Business Development and Tourism.

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- Advocacy, Coordination and Procurement – continuous efforts to represent the region’s interests and to secure more federal government contracting opportunities in the Atlantic provinces.

ACOA is also involved in a number of other activities designed to improve the region’s general economic health, such as:

- Canada Infrastructure Works Program
- DND Base closure adjustment activities
- Borden-Cape Tormentine redevelopment programs

### **THE INDUSTRY PORTFOLIO**

ACOA operates within the Industry Canada Portfolio, which includes 13 departments and agencies that report through the Minister of Industry to Parliament, to enhance employment opportunities for Canadians through SME development; trade and foreign investment; innovation and technology; and employment opportunities for young people.



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