

## Feature: Doing Our Thing In Lotusland – The New Self-Employed In British Columbia

'Working for yourself' has become the fastest growing vocational option of the 1990s. British Columbians have been discovering record numbers of self-employment possibilities in services, construction, and other industries.

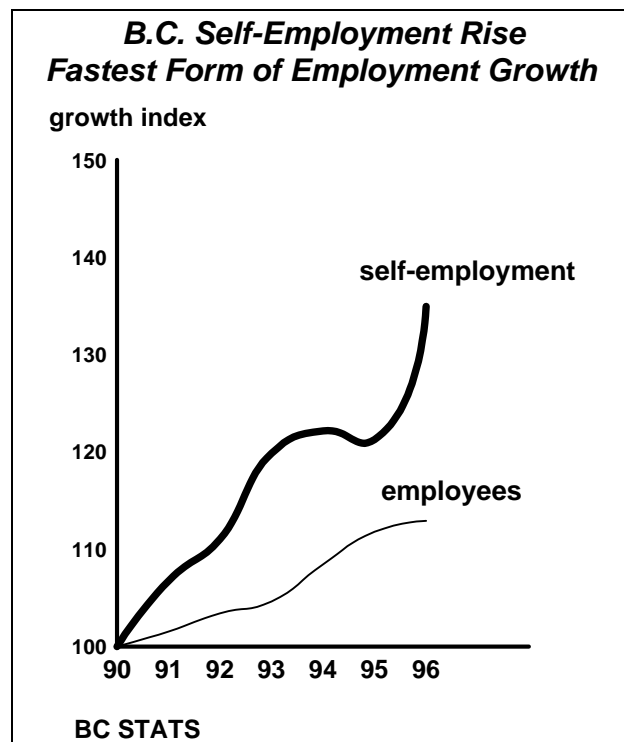
The number of self-employed people in the province has risen from 249 thousand in 1990 to 334 thousand in 1996. As a portion of the total provincial workforce, they have grown from 16 per cent to 19 per cent. There are, in addition, many people working as employees who have taken up self-employed work to augment their salaried income. These people are not included in figures quoted in this article except where specifically indicated. The 'self-employed' as counted here are people for whom their self-employed work constitutes the job 'at which they work the most hours.'

Non-statistical evidence of the self-employment trend has become increasingly obvious. Numerous 'how to' books, and night school courses proffer advice to people starting their own businesses. Specialised magazines catalogue small business opportunities. Local newspapers advertise a myriad of specialised services offered by home-based based entrepreneurs. Financial institutions focus more on small business needs than they once did and governments have instituted programmes to support it.

The addition of so many new entrepreneurs without a matching increase in the number employees has changed the small business profile of the province. The number of self-employed in British Columbia (themselves mainly owner-operators of small businesses) has grown very close to the number of employees of small businesses. If present trends continue, the number of small busi-

ness owners may exceed the number of small business employees sometime this year.

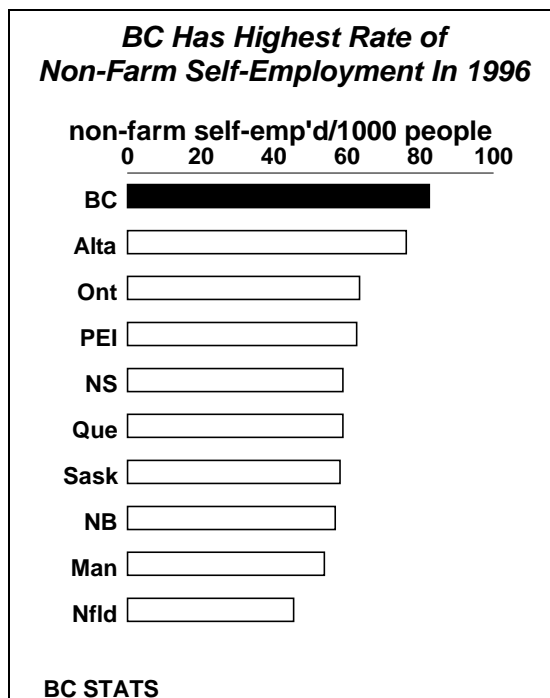
There is every likelihood that self-employment will continue to grow as the economy restructures, and diversifies away from the large natural resource industries upon which the province has traditionally relied. British Columbians are apparently already well prepared to accommodate this shift. A Survey in April this year conducted by Angus Reid for the Royal Bank found that respondents in British Columbia are significantly more likely to believe that they will be self-employed in five years (49 per cent) than those in other provinces.



The inclination to try self-employment was particularly strong among younger workers.

The Survey found that generation 'X' respondents ranked 'entrepreneur' as their most desirable profession.

The exceptional strength of the self-employment trend in British Columbia is confirmed by Statistics Canada labour force statistics. These indicate that the number of self-employed British Columbians (excluding those who are full-time students) rose 34 per cent between 1990 and 1996, faster than anywhere else in Canada. British Columbia already has substantially the highest proportion of non-agricultural self-employed people of any province. There were over 82 self-employed British Columbians per 1,000 people in 1996, compared to an average of 65 for Canada.



Our high incidence of self-employment is likely linked to the large number of overseas immigrants and interprovincial migrants who have settled here. Both groups appear to be more than usually entrepreneurial. Sometimes attracted to British Columbia by its west coast climate and lifestyle, and unlikely to find work in the province's traditional resource industries, they often bring their

businesses with them or create new ones after they arrive.

### New Industries Open Opportunities For Self-Employment

The self-employment surge is by no means confined to British Columbia. It is part of a widespread economic restructuring in which changing technologies, consumer tastes and markets leave some industries to wither away as new ones flourish. In this process, sometimes described as the 'creative destruction of capitalism', self-employed people are key agents in the regenerative process.

Older industries are often dominated by a few very large corporate players. Large firms find natural and sometimes overwhelming competitive advantages when the industry norms are standardised products, large markets, established commercial names, vertical integration and significant barriers to entry (capital investments or complicated regulations). This scenario leaves little room for self-employed individuals.

New industries, on the other hand, often lack all or most of these characteristics, making them far more hospitable to self-employed entrepreneurs. Their small and medium sized companies thrive in the changeable and often unpredictable business environments of emerging sunrise industries.

It may be that many of today's emerging industries will mature in such a way that they will always provide more opportunities for entrepreneurs than have been available in older industries. This seems possible for the new personal services, business services, software, and specialised high technology industries where the main assets are often the skills and energy of the owners themselves.

Other new industries may merely pass through an early phase in which many small independent operators thrive for a time before gradually being absorbed or displaced by larger enterprises. Some of the host of new independent service businesses, for example, could give way to franchise or chain operations.

Whether the large presence of self-employed individuals in new industries is permanent or transitory, it is essential to their early development. Self-employed entrepreneurs develop new product and service concepts, establish markets and incubate the businesses that will become the large companies of tomorrow.

The statistical evidence suggests that the self-employed are also finding more opportunities in older industries. In some cases, changing market conditions and business practices have favoured contracting out by larger firms and have created niche market opportunities for smaller ones.

### **What The New Self-Employed Are Doing**

New ventures being created by self-employed people include many that would have been unheard of before the 1990s. Some are made possible by new technologies. Good examples can be found among recent clients of the Greater Victoria Economic Development Commission. These have included:

- ◆ a venture providing 'highly specialised consulting services in the field of gene cloning and molecular biology.'
- ◆ a service offering powder coating of metal products for steel fabricators, boat builders, etc., in a local area.
- ◆ tissue culture services for plant propagation.

- ◆ a service offering digitising of old photographs, maps and other images, including digital editing services.
- ◆ a preventative maintenance service for high technology manufacturing equipment.

Other new self-employment opportunities have arisen from the changing lifestyles and attitudes of the 1990s. With so many busy two income families, demand has risen for personal services that can relieve over-worked clients of time consuming chores. Demand has also been created for a whole range of specialised services catering to the health and leisure needs of individuals and families. Among the less conventional examples discovered in Victoria, some have included a distinctive west coast flair:

- ◆ a service using a 'biofeedback camera to photograph the human energy field, referred to as Aura imaging.' This is intended to help 'local alternative health practices increase their business through the use of before and after photos of their clients.'
- ◆ an aromatherapy service 'offering its clients a profound relaxation experience using soft towels, warm aromatic oils in a tranquil space.'
- ◆ a bicycle delivered lawncare service that guarantees its environmentally sensitive clients that it will not use 'gasoline, electricity, petroleum based oils or chemical fertilisers.'
- ◆ a specialist pet minding business that guarantees its charges will receive 'human companionship and the time to socialise with other dogs'. It also offers dog owners the option of having their pets trained to discover natural gas leaks.

- ◆ a relief service for people looking after adolescents or elderly family members including those with 'a history of challenging behaviours.'

The enormous variety of new business ventures being established are grouped for statistical purposes by industry. The industry showing the strongest self-employment growth is business services. This includes, for example, duplicating, telephone answering, security guards, desktop publishing, computer graphics, WEB site designing, legal practices, accounting and bookkeeping – among many others. The number of self-employed British Columbians working in some form of business service jumped a spectacular 71 per cent between 1990 and 1996, from 28 thousand to 48 thousand.

New styles of business operation could explain some of this sudden growth. John Winter, President of the British Columbia Chamber of Commerce feels that self-employment growth in business services reflects 'a trend to specialisation as busy managers contract out training, human resources, accounting and other activities that were previously considered to be part of any normal business operation.'

The self-employed include 'many with well developed trade or professional skills,' he says, 'often those frustrated with classical forms of employment.'

In the finance, insurance and real estate industry, there have always been self-employment opportunities open to independent advisors and agents. These, along with other self-employed workers in the industry have come to account for a considerably larger part of its workforce during the 1990s. They expanded from 10 per cent to 17 per cent of the industry workforce between 1990 and 1996, as their numbers doubled from 10 to 20 thousand.

Construction is another industry that has seen a traditionally large base of self-employed people grow even larger in the 1990s. Over 13 thousand additional self-employed workers appeared in the British Columbia construction industry between 1990 and 1996. The increase continued a long term trend. Self-employment expanded from 29 per cent of the industry's workforce in 1976, to 34 per cent in 1990, and then leapt to 41 per cent in 1996.

Mr. Winter speculates that the 1991 Goods and Services Tax could have been a factor behind the particularly sharp rise in the 1990s. The tax may have tempted some wage earners into self-employment as a way to participate in the underground economy.

Another factor may have been changes in the type of work being undertaken by the industry. Helmut Pastrick, Chef Economist with the Credit Union Central of British Columbia, suggests that some of the shift to self-employment may have been caused by the 'steady increase in money spent on renovations and alterations.' Renovations are usually smaller projects likely to be more attractive to independent trades contractors.

Keith Sashaw, Executive Vice President of the Canadian Home Builders Association in British Columbia agrees that both the GST and more renovation work could have been important factors. He adds that larger companies in the industry have an increasing incentive to engage more self-employed contract workers in lieu of hiring employees. 'Construction firms have 'shifted from typically having a full range of skills in the company, to relying more on sub-contracting for many trades,' he notes, observing that sub-contracting offers flexibility because companies can engage the workforce they require, as they require it.

Construction workers are more able than most to take advantage of self-employment

opportunities. Mr. Sashaw observes that a proportion of wage earners in the industry are likely also moonlighting as self-employed workers. 'They are able to do this,' he says, 'because they are highly skilled and their skills are in demand, making it easy for workers to branch off on their own.'

What may come as a surprise to many, is that manufacturing industries have also been affected by the self-employment trend. There was a 73 per cent increase in self-employed people engaged in some form of manufacturing between 1990 and 1996. This increase, from 11 thousand to 19 thousand, means that 8 thousand more self-employed British Columbians were engaged either producing finished goods for retail or wholesale markets, or working as suppliers of sub-components to larger industrial operations.

Those selling to industrial customers include some with little or no entrepreneurial input, such as piece workers for the apparel industry. Others are running small but sometimes sophisticated operations, occasionally using high technology processes. An example of one such micro-manufacturer is a Victoria home-based business using a specialised metal forming process to produce sub-components for a single corporate customer in Japan. There are many others.

While self-employment is in some ways an intriguing new development in manufacturing, it is the old and familiar pattern in agriculture. Agriculture has historically supported the largest proportion of self-employed workers of any industry. However, there has actually been a slight decline recently in the proportion of the British Columbia agricultural workforce that is self-employed, from 50 per cent in 1990 to 46 per cent in 1996.

This may reflect some gradual shift in the industry from traditional family farms relying

heavily on unsalaried family labour, to commercial growing operations using more wage workers.

But the declining proportion of self-employed labour in the agricultural industry does not necessarily mean fewer independent farmers in British Columbia. The number of self-employed people in the industry actually grew by about a thousand between 1990 and 1996. However, the number of employees grew faster.

Agriculture remains the industry most dependent on self-employed labour – but only just. If present trends continue, either construction or the business services industry should win that distinction sometime early in the next century.

### **Why People Are Choosing Self-Employment**

Some of the reasons people choose self-employment were explored in a 1995 Statistics Canada Survey of Work Arrangements. For Canadians who were self-employed in their main job (the group who are the subject of this article), it was discovered that 42 per cent choose self-employment primarily for the independence. About 17 per cent became self-employed as a way of carrying on the family business and another 10 per cent sought to make more money by working for themselves. Twelve per cent became self-employed because they could find no other work available.

Certainly many people have found themselves self-employed in the 1990s because of chronic employment problems. But for some of those the new, more independent lifestyle has turned out to be agreeable. Ted Mallett of the Canadian Federation of Independent Business observes that 'the degenerative process of being downsized can sometimes turn into a (personally) regenerative process as people forced into self-employment rediscover themselves'.

Among the reported 42 per cent who chose self-employment for the independence were some who were attracted to it because it allowed them to tailor their work location and working hours to suit their personal requirements.

Flexibility of this sort can be an important attraction to the 61 per cent of Canadian husband-wife families in which both spouses are working. For example, a spouse who is too busy child-minding to commit regular time to a salaried job may find that his or her best employment option is in self-employed work. Often the work is done at home. Over half (53 per cent) of Canadian self-employed businesses in 1995 were home-based.

For some people, self-employment has provided the best means of fitting a second income earning occupation around a full-time job. The 1995 Survey of Work Arrangements reported 184 thousand Canadians to be working as employees in one job, while operating as a self-employed individual in a second. An estimated 24 thousand of these were British Columbians. For some the self-employment work provided their primary income, while for others it was a secondary

'moonlighting' activity. Most (78 per cent) operated out of their own homes.

Although many people have taken up self-employed work for the flexibility it offers, or because they could find no suitable work as an employee, others have selected it enthusiastically as their career path of choice. Bob Darnell is Manager of Management Services with the Victoria office of the Business Development Bank, a job which brings him in contact with many hopeful entrepreneurs. He feels that one reason more people are considering the self-employment option is because 'the education system has begun to give more attention to self-employment as an important career option and, as a consequence, people are starting to consider self-employment at a much younger age.'



### Women Entrepreneurs On The Rise

Women have started from behind in the self-employment trend. There are still far fewer self-employed women in British Columbia than men – 116 thousand in 1996, as compared to 218 thousand men. But they have been catching up steadily. Thirty-five per cent of all British Columbia self-employed people were women in 1996, up from 33 per cent in 1990 and 29 per cent in 1984. The female percentage of self-employed people for Canada as a whole was 33 per cent in 1996.

What may be most encouraging to women, is that they are closing the gap fastest in numbers of bosses – self-employed people with their own employees. The number of self-employed British Columbia women with employees (excluding those who were also

full-time students) climbed 26 per cent between 1990 and 1996, from 26 thousand to 33 thousand. The number of male self-employed with employees rose 11 per cent, from 88 thousand to 97 thousand. Faster growth raised the female portion of all self-employed people with employees to 25 per cent from 23 per cent. The trend has been going on for some time and reflects the

steady improvement of women's status in the work place.

Taken together, self-employed women with and without employees make up the fastest growing segment of the British Columbia workforce in the 1990s.