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THE COMPOSITION OF BUSINESS ESTABLISHMENTS IN SMALLER AND LARGER COMMUNITIES IN CANADA

Robert Mendelson

HIGHLIGHTS

- ◆ There was a large number of new business starts in both smaller and larger communities in the 1993 to 1996 period.
- ◆ Smaller communities have relatively more businesses.
- ◆ Small communities are more likely to have smaller businesses.
- ◆ Service industry businesses dominate in both smaller and larger communities.
- ◆ Producer service businesses have a relatively lower presence in smaller communities while distributive services, personal services and social services are almost equally spread across smaller and larger communities.

Introduction

One component of a development strategy for rural communities is often to promote the establishment and growth of business enterprises. The purpose of this bulletin is to provide an overview of businesses with one or more employees located in smaller communities (incorporated towns and municipalities with less than 20,000 population).



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Note of Appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

There was a large number of business starts in both smaller and larger communities

Among the 365,000 businesses with employees operating in smaller communities at the end of 1996, 138,000 (38 percent) had started since the beginning of 1993 (Table 1). This rate of new business creation¹ is somewhat lower than the rate for larger communities (42 percent).

¹ This is the share of businesses which had started in the four-year period from the beginning of 1993 to the end of 1996 and which were still in business at the end of 1996. Businesses which started and failed in this four-year period were not included.

Definition of smaller and larger communities

In this bulletin, smaller communities are census subdivisions with a population less than 20,000 people. Larger communities are census subdivisions with a population of 20,000 or more people. Census subdivisions are generally incorporated towns and municipalities.

Data source

The Statistics Canada's Business Register (BR) File was used to derive the data. The BR derives its data from Revenue Canada's Remitting Payroll Deduction Accounts. This includes businesses with one or more employees. Thus, self-employed persons with no employees are not included. For statistical purposes, some businesses (e.g. banks) have only one reporting unit per province. Since their address tends to be in a larger community, this study understates the number of businesses in smaller communities.

Table 1

Number of businesses (with one or more employees), Canada, 1996

	Smaller communities ¹	Larger communities ¹	All communities
Total number of establishments ² (December 1996)	365,415	603,312	968,727
Number which started in the 1993 to 1996 period	138,583	255,884	394,467
Percent which started in the 1993 to 1996 period	37.9	42.4	40.7

¹ Smaller communities are incorporated towns and municipalities with fewer than 200,000 persons.

Larger communities are incorporated towns and municipalities with 200,000 or more persons.

² Business establishments in the Yukon and Northwest Territories are excluded.

Source: Statistics Canada, Business Register Division, Custom Tabulation, 1996.

As a share of total new businesses, 35 percent were started in smaller communities. On a regional basis, the proportion between smaller and larger communities differed. In the less populated provinces of Newfoundland, Nova Scotia and New Brunswick² and in Saskatchewan, 60 percent or more of the total new business starts were located in the smaller communities. In the more populated provinces of Ontario and British Columbia with a lower share of their population in smaller communities, only 30 percent or less of the total starts were located in smaller communities.

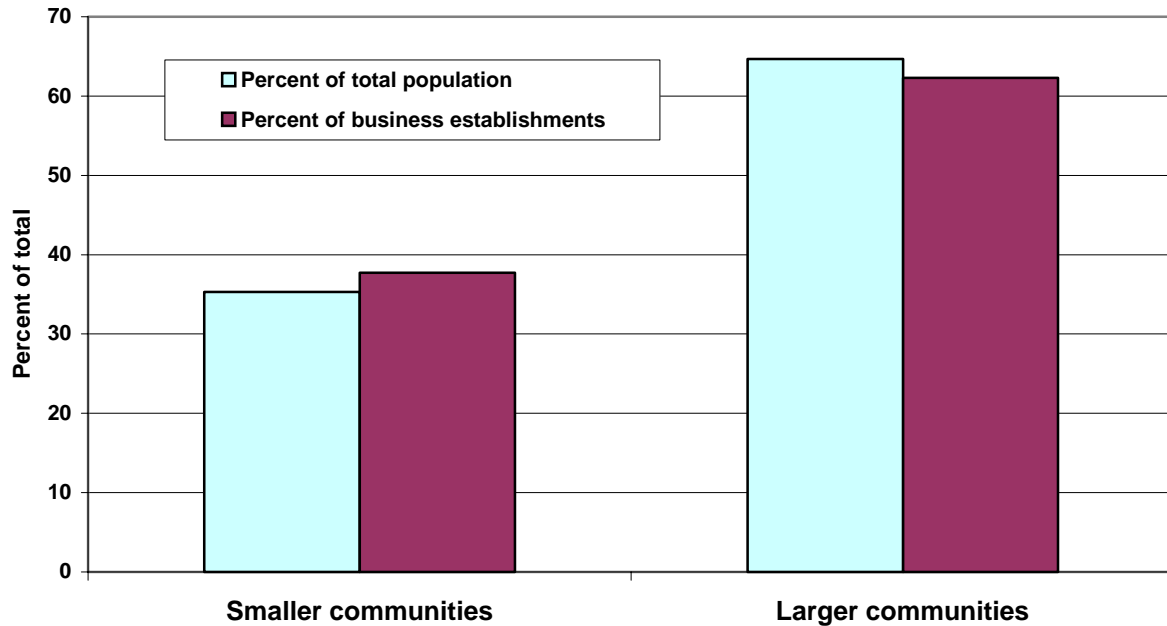
Smaller communities had relatively more businesses

Relatively, smaller communities had a greater share of businesses compared to larger communities. This was observed when comparing the share of the total population in smaller and larger communities with the share of businesses located in smaller and larger communities. In Canada, while smaller communities had a population share of 35 percent, their business share was 38 percent (Figure 1). This contrasts with larger communities, which had a population share of 65 percent and a business share of only 62 percent. While this occurs at the national level, it also evident in most of the provinces. Only Newfoundland and New Brunswick have a lower share of businesses compared to their population in smaller communities.

² Prince Edward Island was not included. The data for larger communities were suppressed to maintain confidentiality.

Figure 1

Smaller communities have relatively more businesses, Canada, 1996



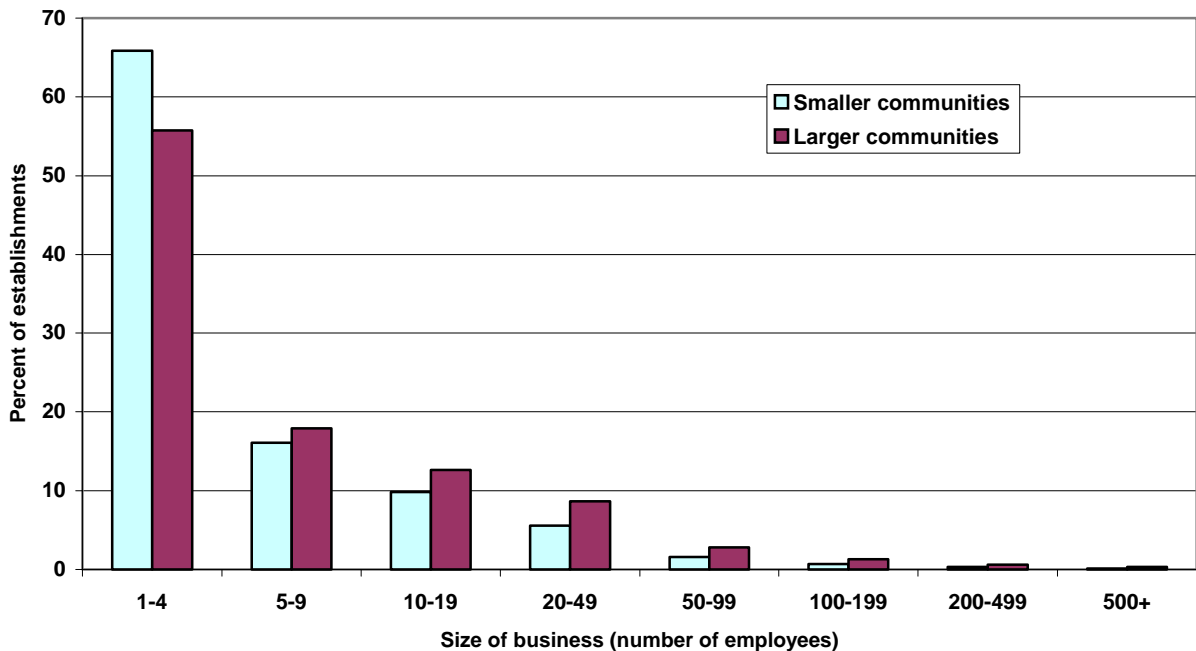
*Smaller communities are census subdivisions (incorporated towns and municipalities) that have fewer than 20,000 persons.
Larger communities are census subdivisions that have 20,000 or more persons.
Source: Statistics Canada, Business Register Division, Custom Tabulation, 1996, and Census of Population, 1996.*

Small businesses predominated in smaller communities

In Canada, small businesses (with 1-4 employees) made up the overwhelming majority of total businesses in both smaller and larger communities in 1996. However, small businesses were relatively more prevalent in smaller communities. In smaller communities, almost 65 percent of the businesses had 1-4 employees and 82 percent had fewer than 10 employees (Figure 2). This contrasts with larger communities where 56 percent of the businesses had 1-4 employees and 74 percent had fewer than 10 employees.

Figure 2

Small businesses (1-4 employees) are the most common size of establishment in smaller communities, Canada, 1996



*Smaller communities are census subdivisions (incorporated towns and municipalities) that have fewer than 20,000 persons.
Larger communities are census subdivisions that have 20,000 or more persons.
Source: Statistics Canada, Business Register Division, Custom Tabulation, 1996, and Census of Population, 1996.*

Service industry businesses dominated in both smaller and larger communities

At the national level, service industries (i.e., distributive, producer, personal and social services) accounted for 66 percent of all businesses in smaller communities and 80 percent of all businesses in larger communities (Table 2).

Table 2
Smaller and larger communities have different shares of business establishments
within each industry category, Canada and provinces, 1996

	Percent distribution of businesses (with one or more employees) across industry categories								
					Service sector businesses				
	Agriculture	Other primary industries ¹	Manufacturing	Construction	Distributive services ²	Producer services ³	Personal services ⁴	Social services ⁵	All services
	Smaller communities⁶								
Newfoundland	2.5	4.5	4.2	12.1	32.0	6.0	22.8	15.9	76.7
Prince Edward Island	13.3	12.0	4.4	9.8	23.2	9.4	18.7	9.2	60.5
Nova Scotia	5.9	11.0	5.6	12.6	27.8	8.9	19.5	8.7	64.9
New Brunswick	5.5	12.7	4.8	13.2	27.9	7.6	19.9	8.4	63.8
Quebec	9.0	2.8	7.3	11.9	31.5	10.8	18.8	7.9	69.0
Ontario	11.0	1.8	6.3	14.2	28.9	10.5	19.5	7.8	66.7
Manitoba	22.6	2.0	3.8	9.9	26.6	8.0	17.8	9.3	61.7
Saskatchewan	33.6	2.9	2.5	6.6	23.2	8.0	14.2	9.0	54.4
Alberta	15.0	5.5	3.4	11.8	28.0	11.2	17.3	7.8	64.3
British Columbia	5.3	8.3	4.8	14.0	26.5	13.1	18.9	9.1	67.6
Canada ⁷	11.4	4.7	5.5	12.2	28.7	10.3	18.7	8.5	66.2
	Larger communities⁶								
Newfoundland	0.8	1.1	3.9	10.5	28.8	18.1	21.7	15.1	83.7
Prince Edward Island	x	x	x	x	x	x	x	x	x
Nova Scotia	1.7	1.9	4.4	12.2	29.7	17.6	21.6	10.9	79.8
New Brunswick	0.9	1.0	4.4	10.1	29.9	18.2	21.3	14.2	83.6
Quebec	0.9	0.5	8.6	9.2	30.8	19.3	21.1	9.6	80.8
Ontario	1.2	0.3	8.4	10.1	27.7	22.7	19.4	10.2	80.0
Manitoba	1.6	0.2	6.9	8.9	29.7	21.5	20.7	10.5	82.4
Saskatchewan	4.4	0.6	5.1	9.9	30.4	18.3	20.8	10.5	80.0
Alberta	1.8	2.5	5.2	11.1	25.1	26.8	17.6	9.9	79.4
British Columbia	2.4	2.0	6.3	12.2	27.0	22.7	17.4	10.0	77.1
Canada ⁷	1.5	1.0	7.4	10.4	28.2	22.2	19.3	10.0	79.7

¹ Other primary industries include fishing, logging and mining and oil extraction businesses.

² Distributive services include transportation, communication, utility, wholesale and retail trade businesses.

³ Producer services include finance, insurance, real estate and business services.

⁴ Personal services include accommodation, food, entertainment and recreation businesses.

⁵ Social services include public administration, education, professional services, health, welfare and defence businesses.

⁶ Smaller communities are census subdivisions (incorporated towns and municipalities) that have fewer than 20,000 persons.

Larger communities are census subdivisions with 20,000 or more persons.

⁷ The Canada total does not include the Yukon and Northwest Territories.

Note: "x" denotes that the data are suppressed to maintain confidentiality.

Source: Statistics Canada, Business Register Division, Custom Tabulation, 1996.

Within smaller communities, producer services represented a lower share of all businesses, while distributive services, personal services and social services had an equal presence within smaller and larger communities

Producer services represented a lower share of businesses in smaller communities (10 percent) than in larger communities (22 percent). Within smaller communities in British Columbia, Alberta, Quebec and Ontario, producer services represented a higher share of businesses than the Canadian average of 10 percent.

Distributive services had an almost equal presence in smaller communities (29 percent) and in larger communities (28 percent) in 1996. In the provincial breakdown of distributive services, smaller communities in Newfoundland, Quebec, Ontario and Alberta had a higher share of distributive services relative to total businesses than in larger communities.

Personal services had an equal presence (19 percent) in smaller and larger communities in 1996. In addition, personal services were almost equally prevalent in the smaller and larger communities of each province, with a maximum difference of only 3 percentage points (except Saskatchewan with a difference of 6.6 percentage points in favour of larger communities).

Social services contributed an almost equal share of businesses in both types of communities. Within the smaller communities, the provinces of New Brunswick, Quebec, Ontario and Alberta had a smaller share of social service businesses than the Canadian average of 8.5 percent.

Among businesses of smaller communities, natural resource businesses had a larger presence, while among businesses of larger communities, manufacturing businesses had a larger presence

Across Canada, in 1996, smaller communities had a higher share of their businesses in agriculture and in other primary industries³. The Prairie Provinces and Prince Edward Island were over the national average of 11 percent for agriculture business share. The smaller communities in British Columbia, Alberta, Prince Edward Island, Nova Scotia and New Brunswick had other primary industry share values over the national average of 5 percent when compared to their total community industry base.

Manufacturing businesses represented a slightly higher share of all businesses in larger communities at the Canada level. In the smaller communities, manufacturing businesses were relatively prominent in Ontario, Quebec and Nova Scotia.

³ Other primary industries include fishing, hunting and trapping, logging, mining and oil extraction.

To conclude

Between 1993 and 1996, there was a large number of new businesses in both smaller and larger communities in Canada, thus indicating significant business development in the post recessionary period in the 1990s. Overall, smaller communities have a relatively higher share of businesses (38 percent) relative to their share of total population (35 percent). Small businesses (with 1 to 4 employees) are the dominant type of establishments in smaller communities.

The importance of service industries in Canada is one of the more striking observations from the analysis. The service sector accounted for 66 percent of all business establishments in smaller communities and 80 percent of those in larger communities. Smaller communities have a much lower share of producer service businesses but a much larger share of businesses in agriculture and other primary industries. The fact that the producer services share is much lower is a concern for smaller communities because producer services are a knowledge-intensive component of the services sector with good potential for further employment growth.

For background details, refer to the working paper: **The Composition of Business Establishments in Smaller and Larger Communities in Canada** (Ottawa: Statistics Canada, Agriculture and Rural Working Paper No.37, Cat. No. 21-601-MPE98037). To order, phone the Agriculture Division of Statistics Canada at 1 800 465-1991 or the Regional Reference Centre at 1 800 263-1136. Robert Mendelson may be contacted at (613) 951-5385 (mendrob@statcan.ca).

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(Vol. 1, No. 3)

Appendix A

**Number and Percent of Business Establishments in Smaller Communities¹
ranked by Percent in Smaller Communities, Canada, December, 1996²**

SIC	Industries with 20 percent or more establishments in smaller communities	Number in smaller communities	Total	Percent in smaller communities
03	Fishing and Trapping Industries	4,971	5,675	87.6
83	Local Government Services Industries	5,227	5,973	87.5
01	Agricultural Industries	38,947	45,588	85.4
04	Logging Industry	7,743	9,530	81.2
05	Forest Services Industries	1,059	1,444	73.3
08	Quarry and Sand Pit Industries	642	989	64.9
91	Accommodation Service Industries	8,089	12,495	64.7
51	Petroleum Products Industries,Wholesale	1,972	3,190	61.8
09	Service Industries Incidental to Mineral Extraction	2,168	3,528	61.5
25	Wood Industries	3,323	5,577	59.6
64	General Retail Merchandising Industries	3,955	7,181	55.1
45	Transportation Industries	20,652	37,602	54.9
02	Service Industries Incidental to Agriculture	2,799	5,135	54.5
06	Mining Industries	320	597	53.6
41	Industrial and Heavy Construction Industries	2,629	5,011	52.5
49	Other Utility Industries	1,356	2,624	51.7
70	Deposit Accepting Intermediary Industries	1,826	3,578	51.0
50	Farm Products Industries,Wholesale	637	1,324	48.1
10	Food Industries	2,485	5,301	46.9
35	Non-Metallic Mineral Products	1,123	2,505	44.8
63	Automotive Vehicles,Parts and Accessories Industries,Sales and Service	20,421	45,678	44.7
47	Storage and Warehousing Industries	666	1,493	44.6
40	Building,Developing and General Contracting Industries	13,238	30,073	44.0
98	Membership Organization Industries	13,155	31,136	42.3
60	Food,Beverage and Drug Industries,Retail	15,176	36,917	41.1
42	Trade Contracting Industries	27,392	67,454	40.6
85	Educational Service Industries	3,766	9,415	40.0
32	Transportation Equipment Industries	1,019	2,559	39.8
36	Refined Petroleum and Coal Products Industries	112	300	37.3
17	Leather and Allied Products Industries	208	575	36.2
96	Amusement and Recreational Service Industries	6,777	19,131	35.4
92	Food and Beverage Service Industry	20,348	60,171	33.8
99	Other Service Industries	12,239	36,900	33.2
65	Other Retail Store Industries	11,863	35,888	33.1
11	Beverage Industries	203	616	33.0
55	Motor Vehicle,Parts and Accessories Industries,Wholesale	1,953	5,937	32.9

SIC	Industries with 20 percent or more establishments in smaller communities	Number in smaller communities	Total	Percent in smaller communities
26	Furniture and Fixture Industries	934	2,850	32.8
62	Household Furniture,Appliances and Furnishings Industries,Wholesale	4,179	12,889	32.4
31	Machinery Industries	1,151	3,588	32.1
69	Non-Store Retail Industries	803	2,502	32.1
46	Pipeline Transport Industries	33	104	31.7
56	Metals,Hardware,Plumbing,Heating and Building Materials Industries,Wholesale	2,992	9,698	30.9
15	Rubber Products Industries	133	433	30.7
48	Communication Industries	1,227	4,008	30.6
29	Primary Metal Industries	232	765	30.3
97	Personal and Household Service Industries	7,640	25,289	30.2
18	Primary Textile Industries	85	290	29.3
76	Insurance and Real Estate Agent Industries	5,206	17,758	29.3
86	Health and Social Services Industries	22,004	75,324	29.2
27	Paper and Allied Products Industries	341	1,203	28.3
37	Chemical and Chemical Products Industries	647	2,311	28.0
52	Food,Beverage,Drug and Tobacco Industries,Wholesale	2,180	7,868	27.7
61	Shoe,Apparel,Fabric and Yarn Industries,Retail	4,641	16,756	27.7
30	Fabricated Metal Products Industries	2,514	9,370	26.8
16	Plastic Products Industries	551	2,088	26.4
44	Service Industries Incidental to Construction	1,311	4,979	26.3
59	Other Products Industries	4,012	15,482	25.9
19	Textile Products Industries	384	1,508	25.5
12	Tobacco Products Industries	16	63	25.4
57	Machinery,Equipment and Supplies Industries,Wholesale	5,468	22,226	24.6
73	Insurance Industries	385	1,630	23.6
07	Crude Petroleum and Natural Gas Industries	294	1,286	22.9
75	Real Estate Operator Industries	4,371	19,458	22.5
28	Printing,Publishing and Allied Industries	2,010	9,199	21.9
39	Other Manufacturing Industries	1,347	6,351	21.2
72	Investment Intermediary Industries	4,978	24,075	20.7
77	Business Service Industries	20,356	101,029	20.1

¹ Includes CSDs with a population of less than 20,000.

² Does not include the Yukon and Northwest Territories.

Source : Statistics Canada. Business Register Division, Custom Tabulation, 1996.