

QUEEN  
HD  
2346  
.C2  
A25  
1981  
c.2

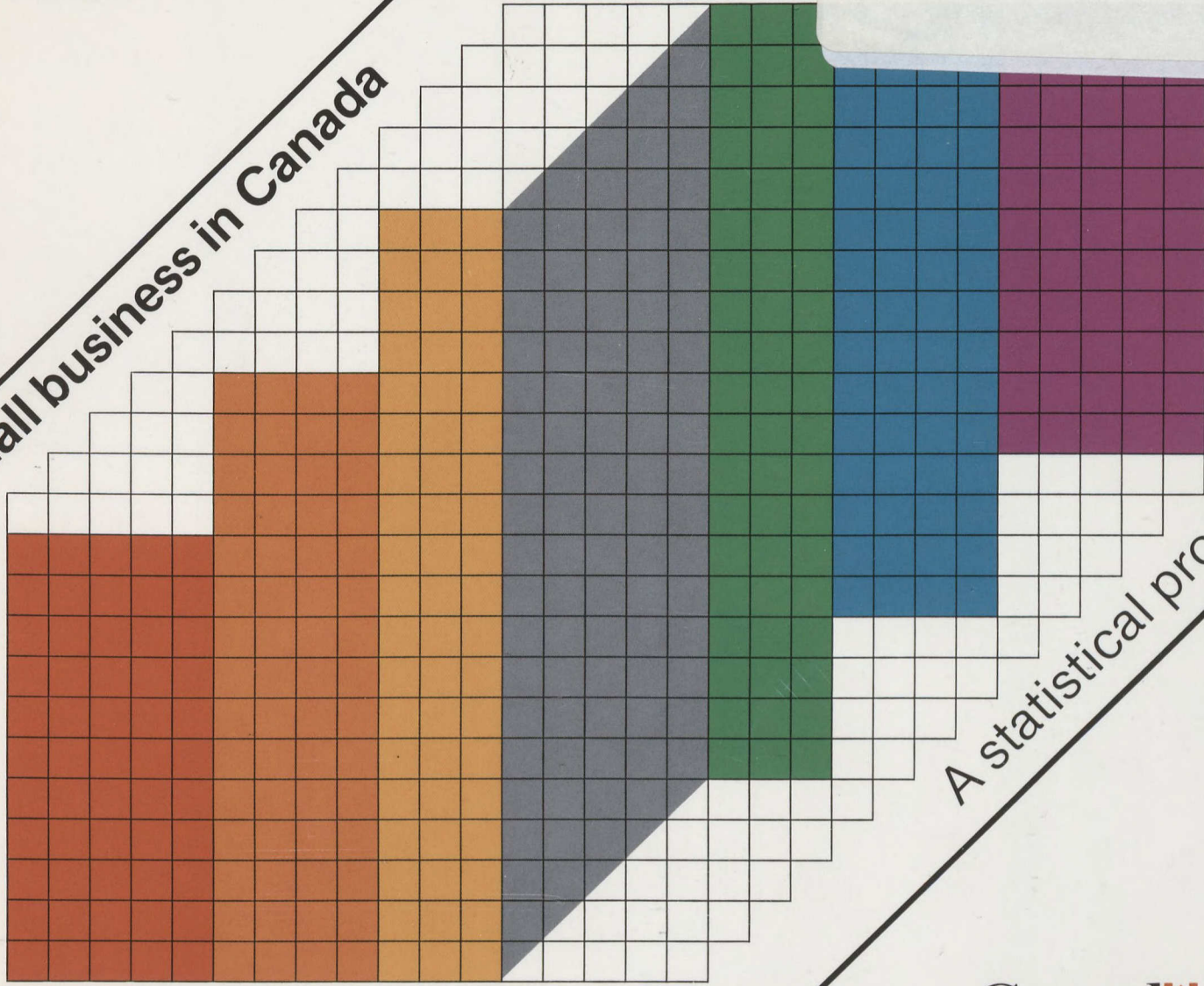
RESOURCE CENTRE

DOCUMENT #:

DATE: 1981

1981

Small business in Canada



A statistical profile

Canada

QUEEN-S

SBPB

14D

2346

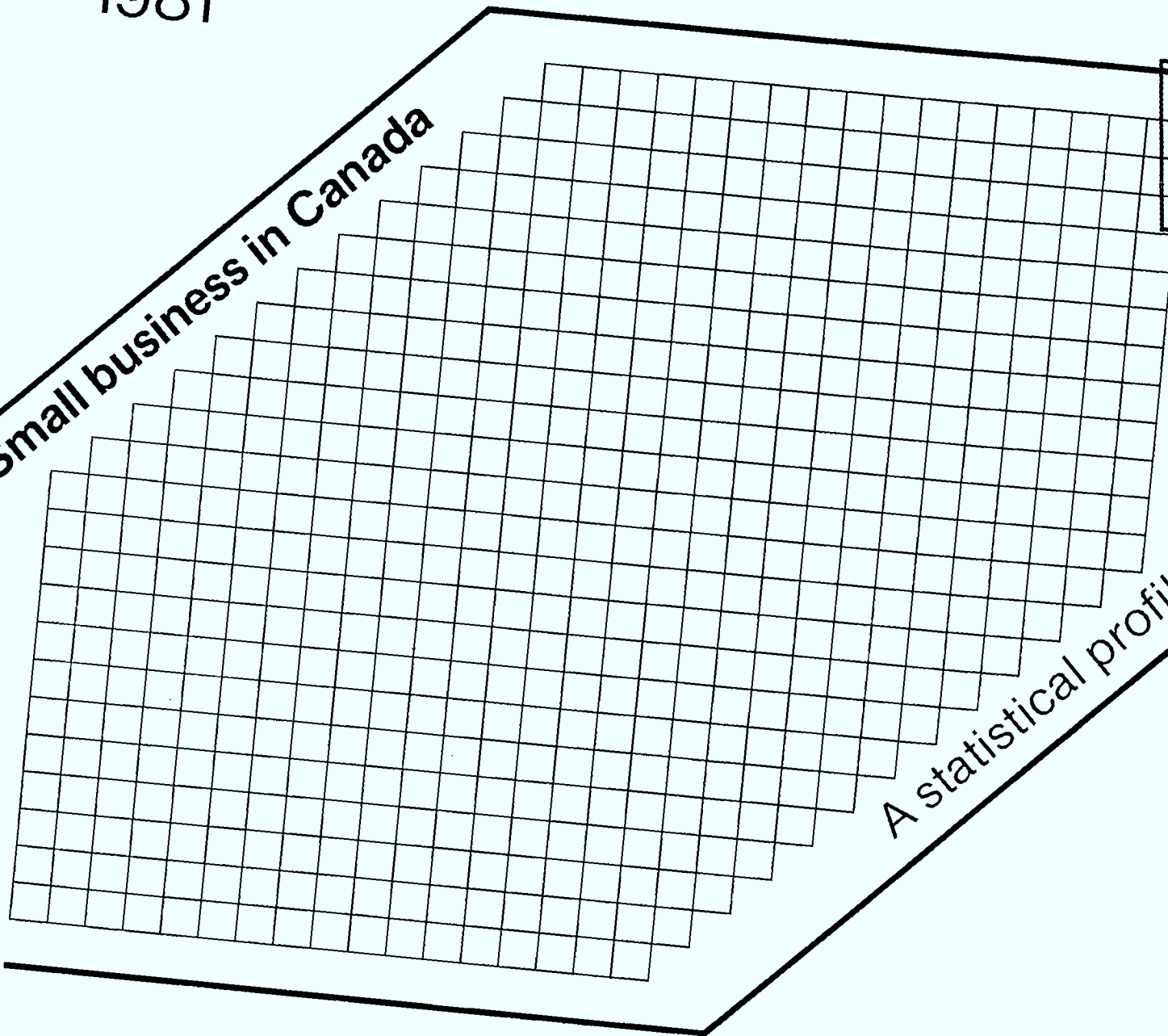
. C2

S68

1981

1981

**Small business in Canada**



**A statistical profile**

Industry Canada  
Library - Queen  
SEP 18 2007  
Industrie Canada  
Bibliothèque - Queen



# Table of contents

4	Message from the Minister
5	Introduction
6	Overview of all business in Canada: 1976 and 1978
8	Percentage of businesses and sales, by province: 1976 and 1978
10	Number of businesses by size and sector: 1976 and 1978
12	Number of new corporations and growth rates: 1977
14	Total sales by size of business and sector: 1976 and 1978
16	Business contribution to GNP, by size: 1976 and 1978
18	Employment profile: 1976 and 1978
20	Taxes paid and rate of taxation for various sizes of incorporated businesses: 1976 and 1978
22	Ownership characteristics of Canadian corporations: 1976 and 1978
24	Export capability of Canadian manufacturers: 1979
26	Appendix

## List of figures

7	Percentage comparison of number of businesses and total sales for small, medium and large businesses: 1976 and 1978
9	Relative distribution of businesses and sales, by size and province: 1978
11	Distribution of businesses within a sales class, by sector: 1978
13	New corporate formations: 1977
15	Distribution of sales within a sales class, by sector: 1978
17	Relative contribution to business GNP made by businesses within a sales class, by sector: 1978

19	Distribution of people employed within a sales class, by sector: 1978
21	Percentage comparison of taxes paid versus pre-tax profits earned for various sales classes for all profitable incorporated business for four commercial sectors: 1978
23	Percentage of Canadian business that is foreign controlled in each of five sales classes for four commercial sectors: 1978
25	Exports as a percentage of sales within various sales classes, for manufacturing: 1979

## List of tables

6	Profile of all business for various sales classes for all Canada: 1976 and 1978
8	Profile of all business for various sales classes for each province: 1976 and 1978
10	Number of businesses for various sales classes for four commercial sectors: 1976 and 1978
12	New corporate formations: 1977
14	Total sales for various sales classes for four commercial sectors: 1976 and 1978
16	Contribution to business GNP for various sales classes and four commercial sectors: 1976 and 1978
18	Employment profile for each of four commercial sectors and various sales classes: 1976 and 1978
20	Ratio of taxes payable to pre-tax profit and taxable income for various sales classes for all profitable incorporated business in four commercial sectors: 1978
22	Ownership characteristics of incorporated business for various sales classes for four commercial sectors: 1976 and 1978
24	Export activity of businesses of various sizes, for manufacturing: 1979
26	Provincial summary of selected small business statistics: 1976 and 1978

27	Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for four commercial sectors: 1976 and 1978
28	Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for the manufacturing sector: 1976 and 1978
28	Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for the construction sector: 1976 and 1978
29	Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for the trade sector: 1976 and 1978
29	Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for the service sector: 1976 and 1978
30	Employment profile of all business in Canada for four commercial sectors and various sales classes: 1976 and 1978
31	Ratio of taxes payable to pre-tax profit for various sales classes for all profitable incorporated business for four commercial sectors: 1976 and 1978



This profile of small businesses, the third in a series of statistical publications prepared by the Small Business Secretariat, Department of Industry, Trade and Commerce, has been prepared to provide a better understanding of the role of this important segment of Canada's business community.

The information contained herein presents a broad perspective of the contributions made by small businesses to Canada's economy. Information is presented for 1978 together with comparable data for 1976. Improvements over past publications include a section that describes the export capabilities of small manufacturers. I would like to thank personnel at Statistics Canada for continuing the excellent cooperation that has enabled us to further enhance information contained in successive publications.

This publication was designed to benefit business associations, policy researchers in federal and provincial governments and researchers in general. The report, however, is but a small contribution to what is required to fully understand this important segment of the economy and I hope that other Canadian researchers or organizations will add to, and improve upon, this body of knowledge.

A handwritten signature in cursive script that reads "Charles Lapointe".

Honorable Charles Lapointe

*Minister of State for Small Business  
and Tourism*

Small and medium size businesses are receiving an ever-increasing amount of attention from governments around the world. In Canada, this segment of the business community has, for some time, been recognized as having enormous potential for improving upon the economic and social well-being of the nation. To allow for the realization of this potential, however, it is necessary to ensure that this valued segment of the business universe remains vital and viable.

The statistical profile presented herein is intended to provide the reader with an appreciation of the historical and, by inference, current contributions, with respect to the creation of output, employment and, economic growth, made by small and medium size businesses. This information is, in most instances, presented for two taxation years, 1976 and 1978. For the latter year, these are the most current data available on a comprehensive basis.

### **Size and industry categories**

Defining or categorizing businesses as small, medium or large is a very subjective exercise and should be undertaken in the context in which the definition is to be used. For example, a given business may be viewed as large in a provincial context, of medium-scale on a national basis, and small relative to the size of international markets. For this reason, the size categories, to which businesses have arbitrarily been assigned in this as well as past similar publications, should not be viewed as definitions, but rather a taxonomy that has utility in the context of this publication.

Additionally, the relative size of businesses can be determined by using a variety of attributes. Frequently used attributes include: assets; sales; number of employees; and type of ownership or management structure. In this publication, businesses are classified on the basis of annual sales volume. This attribute is used because detailed statistics for both incorporated and unincorporated businesses are consistently available for only this measure.

The items comprising "sales" differ slightly between unincorporated and incorporated businesses. For unincorporated businesses, the annual sales volume is the total reported gross business income. This does not, in general, include investment, rental or employment income which are reported separately for taxation purposes. For incorporated businesses, all major revenue items, including corporate dividends, may, depending upon the particular industry sector be included in the determination of annual sales volume.

Five sales classes have been selected for purposes of presenting data for a continuum of small, medium and large businesses. These classes are:

- Class 1  
Annual sales up to \$50,000
- Class 2  
Annual sales between \$50,000 and \$250,000
- Class 3  
Annual sales between \$250,000 and \$2,000,000
- Class 4  
Annual sales between \$2,000,000 and \$20,000,000
- Class 5  
Annual sales greater than \$20,000,000

To facilitate discussion of the data to be presented, small businesses can be described arbitrarily as those having less than \$2 million in annual sales; medium-scale businesses as those having between \$2 million and \$20 million in annual sales; and large businesses as those having more than \$20 million in annual sales.

In this publication, data are presented for each of four industry sectors as well as an aggregate of the four sectors. The four sectors are: Manufacturing; Construction; Trade; and Services. The sector breakout differs from past publications in that the Transportation sector has been omitted. Inclusion of this sector

in past publications created a number of data confidentiality problems which in turn created restrictions in that all available information could not be published. The exclusion of the Transportation sector from most of the statistical tables has meant that more comprehensive information is now available for the remaining four sectors.

#### **Source of statistical information**

The statistical information contained in the publication, unless otherwise denoted, was developed using source data from Statistics Canada. Specifically, data were obtained from the Tax Record Access Sub-Division and the Business Finance Division. These data were derived by Statistics Canada from representative samples of unincorporated and incorporated business' tax returns. In the instance of unincorporated businesses, those reporting less than \$10,000 in annual gross business income were excluded from the statistics as they were not considered to be full-time businesses.

#### **Revisions for 1976 data**

Some of the 1976 statistical information presented for unincorporated businesses has been revised for purposes of this publication. The revisions are a result of continuing efforts by Statistics Canada to improve upon the design of the statistical sample that is used to produce these data. A recent enhancement to the sample design revealed some anomalies in the 1976 data for those unincorporated businesses reporting more than \$2 million in annual gross business income. The anomalies have been corrected and the resulting revisions have been made to the data included in this publication.

#### **Additional information**

The Small Business Secretariat endeavours to provide to those interested in the small business community all of the statistical information that is currently avail-

able. Much of this information, however, is too voluminous to distribute in a format suitable for publication. The following information is now available:

- Selected financial ratios by size of business, available at the 3-digit Standard Industry Classification (S.I.C.) level of detail;
- Selected provincial data (number and sales volumes of businesses), by size of business at the 3-digit S.I.C. level of detail; and,
- "A Profile of the Unincorporated Self-employed in Canada — 1978" — a working paper developed in cooperation with Statistics Canada.

The above information is available, upon request, by identifying the requisite information and contacting the Small Business Secretariat, 235 Queen Street, Department of Industry, Trade and Commerce, Ottawa, Ontario, K1A 0H5.

## Overview of all business in Canada: 1976 and 1978

There were a total of 723,591 businesses for all industry sectors in Canada in 1978. This number compares with a total of 646,423 businesses in 1976. This increased growth totals 12% relative to the 1976 figure. The comparable growth rates for unincorporated and incorporated businesses were virtually identical; however, it is not possible to discern from available information what percentage of the growth in incorporated businesses resulted from a change in legal status only. As one might expect, 94 percent of the additional 77,168 businesses were comprised of businesses having less than \$2 million in annual sales. This additional number of businesses observed in the 1978 figures understates the number of new

businesses however, as an unknown number of businesses were discontinued (for a variety of reasons) during this same period (see page 12 for more detail).

The total annual volume of sales increased from \$371.9 billion to \$489.5 billion from 1976 to 1978. This amounts to an increase of almost 32% for these same two years. This increase is in terms of current dollars and as such does not equal the real gain in economic output as no adjustment has been made for inflation.

Total profits (pre-tax) increased from \$27.4 billion to \$34.3 billion or 25% from 1976 to 1978. It is apparent that the increase in profits did not match increased sales volumes or, alternatively, costs increased at a faster rate than revenue.

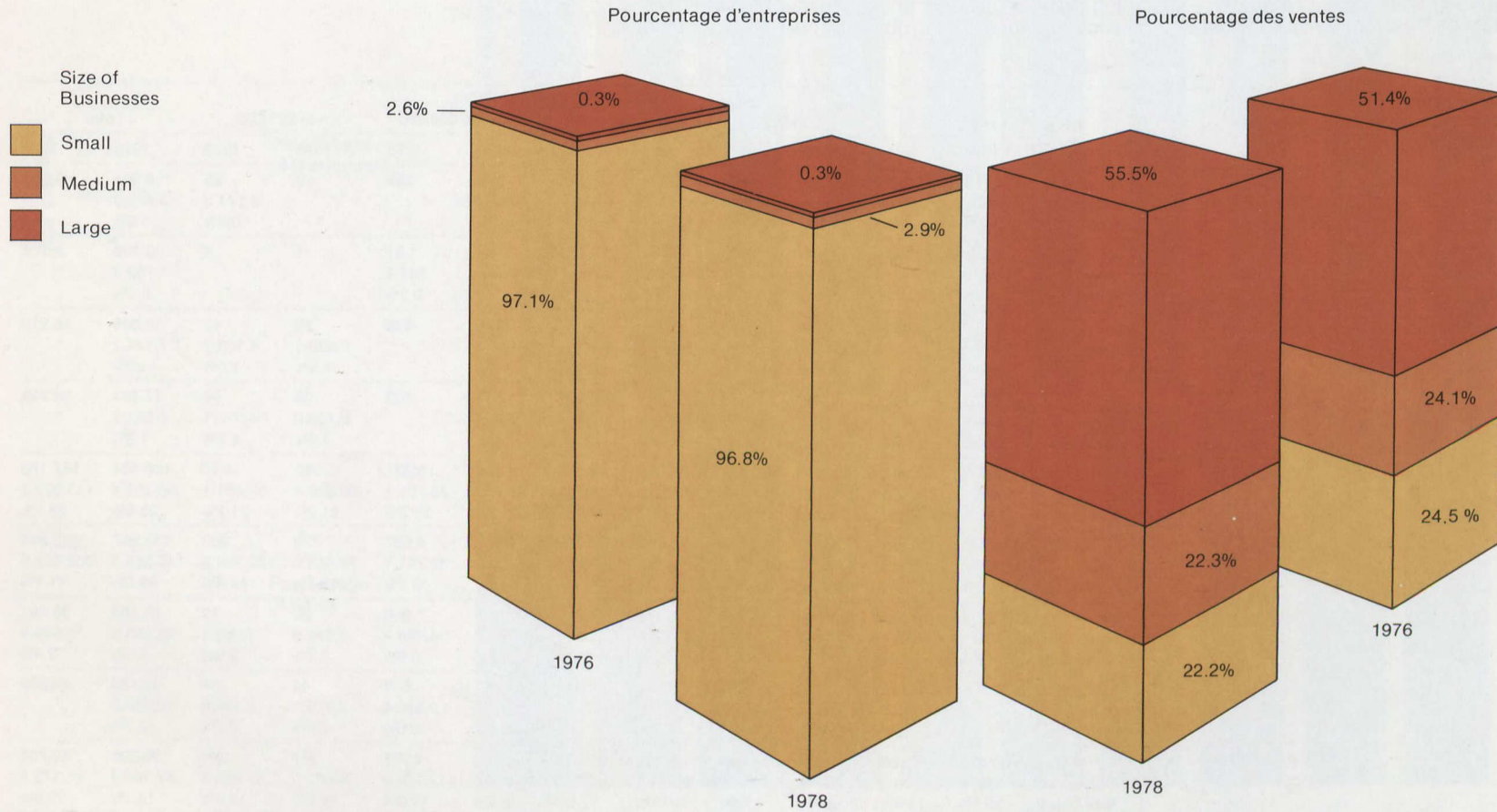
Excluded from the above figures are those who derive the major portion of their income from self-employment. This group includes, for example, farmers, fishermen, professionals and those earning commissions. These are individuals in occupations and as such are distinct from the business entity that is profiled in this publication.

Profile of all business for various sales classes for all Canada: 1976 and 1978 (in millions of dollars)		Sales Class (\$000)	Number of Businesses		Total Sales		Profit (Pre-tax)	
			1976	1978	1976	1978	1976	1978
Less than \$50	Unincorp.	191,807	207,571	4,709.8	5,105.6	1,107.8	1,306.0	
	Incorp.	122,439	137,150	1,779.8	2,098.6	97.8	-12.7	
	Total	314,246	344,721	6,489.6	7,204.2	1,205.6	1,293.3	
\$50 to \$250	Unincorp.	113,574	117,812	11,985.6	12,273.0	1,485.2	1,676.1	
	Incorp.	104,388	122,790	13,186.2	15,721.0	1,085.7	1,103.0	
	Total	217,962	240,602	25,171.8	27,994.0	2,570.9	2,779.1	
\$250 to \$2,000	Unincorp.	15,581	17,306	6,605.9	7,437.4	406.6	475.8	
	Incorp.	80,218	97,652	53,714.1	66,168.0	3,132.7	3,186.6	
	Total	95,799	114,958	60,320.0	73,605.4	3,539.3	3,662.4	
\$2,000 to \$20,000	Unincorp.	236	276	936.3	1,350.8	91.2	29.4	
	Incorp.	16,399	20,696	86,006.1	107,930.5	5,016.5	5,634.8	
	Total	16,635	20,972	86,942.4	109,281.3	5,107.7	5,664.2	
Over \$20,000	Unincorp.	—	—	—	—	—	—	
	Incorp.	1,781	2,338	192,959.2	271,448.1	15,020.1	20,919.3	
	Total	1,781	2,338	192,959.2	271,448.1	15,020.1	20,919.3	
Total Canada	Unincorp.	321,198	342,965	24,237.6	26,166.7	3,090.8	3,487.3	
	Incorp.	325,225	380,626	347,645.4	463,366.2	24,352.8	30,831.0	
	Total	646,423	723,591	371,883.0	489,532.9	27,443.6	34,318.3	

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.



# Percentage comparison of number of businesses and total sales for small, medium and large businesses: 1976 and 1978



Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

## Percentage of businesses and sales, by province: 1976 and 1978

The distribution of businesses amongst relative size categories changed little from what it was in 1976 to 1978. Small businesses comprise about 97% of all businesses in each of the provinces.

The distribution of total annual sales has not been as stable as the distribution of businesses. There are, however, technical deficiencies related to how these

data are derived which explain some of the instability in the sales figures. Much of the sales and profits that are generated in Canada result from very large businesses operating in more than one province. If these businesses have taxable income, then the sales figures presented in this publication are distributed according to the proportion of taxable income earned in each province. The problem occurs when a business

has no taxable income. In this instance, sales are assigned on the basis of the province in which the business files its tax return and this may result in significant biases in the data for the larger firms.

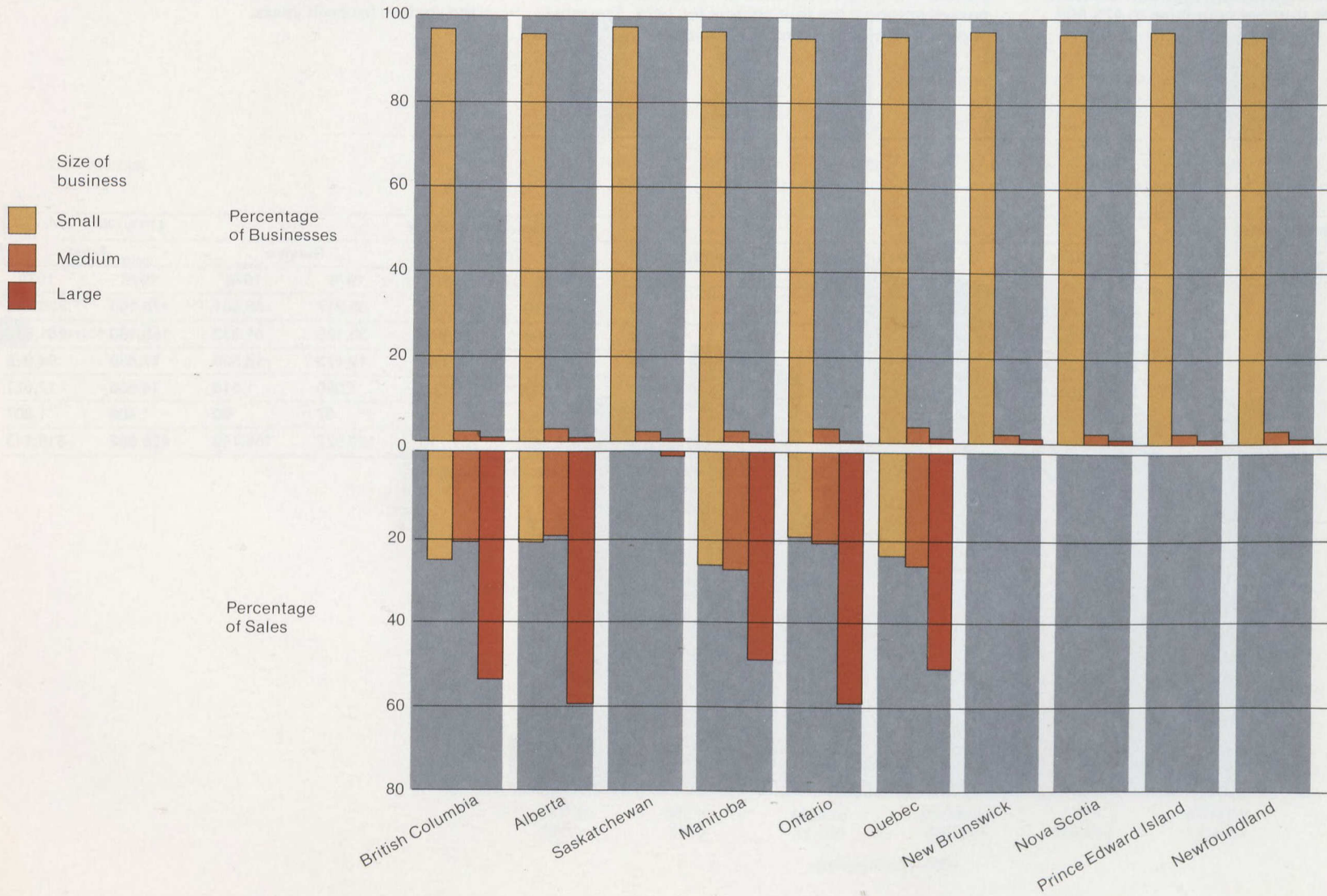
Profile of all business for various sales classes for each province: 1976 and 1978 (In millions of dollars)

Province		Sales Class (\$000)										Total	
		Less than \$50		\$50 to \$250		\$250 to \$2,000		\$2,000 to \$20,000		Over \$20,000		1976	1978
		1976	1978	1976	1978	1976	1978	1976	1978	1976	1978	1976	1978
Nfld.	No. of Bus.	4,105	4,260	2,721	3,493	1,303	1,635	216	264	19	28	8,364	9,680
	Sales	94.7	97.6	327.8	398.6	1,006.9	1,006.9				2,171.3	3,645.9	
	% of Sales	1.4%	1.4%	1.3%	1.4%	1.4%	1.4%				0.8%	1.0%	
P.E.I.	No. of Bus.	1,298	1,433	891	1,088	459	571	57	81	1	3	2,706	3,176
	Sales	27.0		105.2					347.4			782.3	
	% of Sales	0.4%		0.4%					0.3%			0.2%	
N.S.	No. of Bus.	9,080	8,953	7,104	6,461	2,361	3,035	372	488	29	42	18,946	18,979
	Sales	194.4		818.1		1,450.4	1,869.1	1,812.7		2,839.1	4,163.1	7,114.7	
	% of Sales	3.0%		3.2%		2.4%	2.5%	2.1%		1.5%	1.5%	1.9%	
N.B.	No. of Bus.	8,661	8,142	6,168	5,654	2,283	2,495	314	403	28	39	17,454	16,733
	Sales	186.5	173.7	719.9	661.1	1,399.1	1,534.1	1,536.7		2,709.0	4,612.1	6,551.2	
	% of Sales	2.9%	2.4%	2.9%	2.4%	2.3%	2.1%	1.8%		1.4%	1.7%	1.8%	
Que.	No. of Bus.	66,513	73,891	49,842	58,541	24,919	28,572	4,708	5,631	382	535	146,364	167,170
	Sales	1,428.1	1,602.9	5,831.5	6,899.8	16,032.3	18,467.1	24,894.9	28,721.7	40,566.6	57,401.1	88,753.4	113,092.2
	% of Sales	22.0%	22.3%	23.2%	24.7%	26.6%	25.1%	28.3%	26.3%	21.2%	21.2%	23.9%	23.1%
Ont.	No. of Bus.	114,766	127,598	79,276	84,010	34,689	41,596	6,407	8,037	729	963	235,867	262,204
	Sales	2,328.4	2,632.0	9,137.4	9,721.5	22,063.4	26,968.9	34,173.1	42,791.1	79,653.0	120,288.0	147,355.3	202,401.6
	% of Sales	35.9%	36.5%	36.3%	34.7%	36.6%	36.7%	38.9%	39.2%	41.7%	44.4%	39.8%	41.4%
Man.	No. of Bus.	13,728	15,333	7,871	9,772	3,599	4,455	628	806	60	75	25,886	30,441
	Sales	278.5	315.7	894.8	1,137.5	2,267.8	2,798.7	3,165.4	4,298.4	6,386.9	7,969.4	12,993.4	16,519.9
	% of Sales	4.3%	4.4%	3.5%	4.1%	3.8%	3.8%	3.6%	3.9%	3.3%	2.9%	3.5%	3.4%
Sask.	No. of Bus.	11,557	13,171	8,114	9,837	3,256	4,174	451	609	42	57	23,420	27,848
	Sales	256.9	287.6	932.7	1,138.4	2,014.9		2,256.4	2,870.4	4,573.1	7,410.5	10,034.0	
	% of Sales	4.0%	4.0%	3.7%	4.1%	3.3%		2.6%	2.6%	2.4%	2.7%	2.7%	
Alta.	No. of Bus.	33,395	40,165	20,979	26,602	9,730	13,269	1,704	2,367	287	305	66,095	82,708
	Sales	680.8	836.2	2,428.7	3,106.9	6,081.1	8,664.3	8,916.8	12,138.8	34,091.0	36,426.3	52,198.4	61,172.5
	% of Sales	10.5%	11.6%	9.7%	11.1%	10.1%	11.8%	10.2%	11.1%	17.9%	13.4%	14.1%	12.5%
B.C.	No. of Bus.	51,027	51,744	34,918	35,026	13,150	15,102	1,761	2,274	189	290	101,045	104,436
	Sales	1,011.1	1,036.4	3,962.5	4,023.9	7,892.7	9,340.8	9,697.9	11,945.5	18,691.7	30,283.1	41,255.9	56,629.6
	% of Sales	15.6%	14.4%	15.8%	14.4%	13.1%	12.7%	11.0%	10.9%	9.8%	11.2%	11.1%	11.6%
All Canada	No. of Bus.	314,130	344,690	217,884	240,484	95,749	114,904	16,618	20,960	1,766	2,337	646,147	723,375
	Sales	6,486.4	7,203.6	25,158.6	27,976.9	60,280.9	73,556.5	86,453.9	109,239.1	190,911.8	270,950.4	370,684.5	488,926.5
	% of Sales	100%	97.0%	100%	96.9%	98.2%	96.1%	100%	94.3%	99.2%	99.8%	100%	92.0%

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce. \* Data omitted because of confidentiality requirements.

\*\* Statistics for the Yukon and Northwest Territories are included with those for British Columbia and Alberta respectively.

# Relative distribution of businesses and sales, by size and province: 1978



Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

## Number of businesses by size and sector: 1976 and 1978

In 1978, incorporated and unincorporated businesses in Manufacturing, Construction, Trade and Services totalled 516,113. This number compares to 426,862

businesses for 1976, a growth of 21% for the two year period. The graph illustrates the distribution of businesses amongst the four sectors for 1978. The table allows for a comparison of the number of businesses -

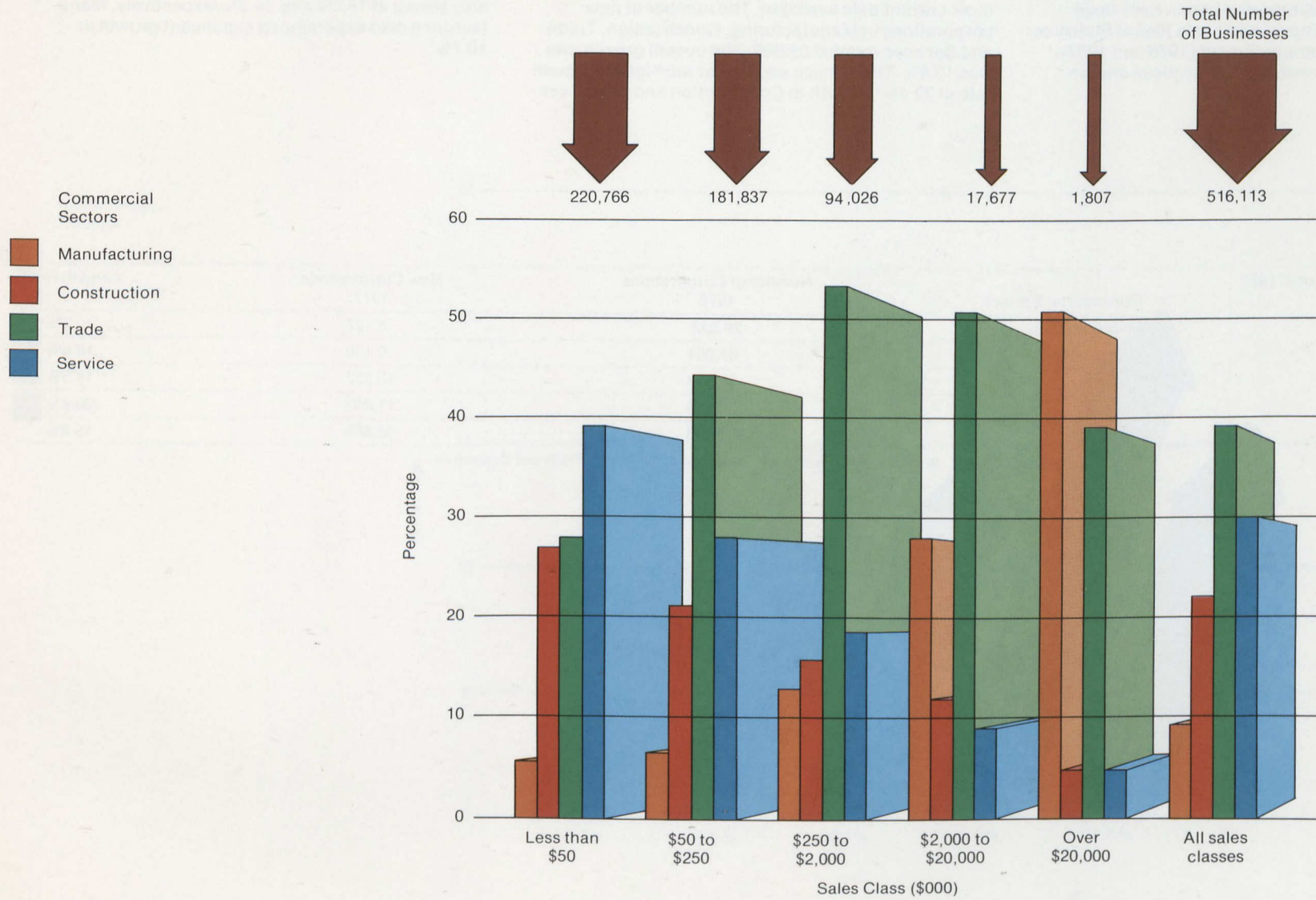
in each sector for 1976 and 1978. Small businesses comprise more than 97% of all businesses in each of the sectors for both years.

Number of businesses for various sales classes for four commercial sectors: 1976 and 1978

Sales Class (\$000)	Commercial Sectors									
	Manufacturing		Construction		Trade		Service		Total	
	1976	1978	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	13,602	13,450	43,971	59,137	52,310	62,798	68,217	85,381	178,100	220,766
\$50 to \$250	16,451	13,480	30,676	37,850	68,908	79,274	39,125	51,233	155,160	181,837
\$250 to \$2,000	11,913	12,556	13,227	15,085	40,276	49,865	12,473	16,520	77,889	94,026
\$2,000 to \$20,000	4,405	4,981	1,767	2,117	7,043	9,063	1,090	1,516	14,305	17,677
Over \$20,000	744	921	74	86	523	710	67	90	1,408	1,807
Total Canada	47,115	45,388	89,715	114,275	169,060	201,710	120,972	154,740	426,862	516,113

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

# Distribution of businesses within a sales class, by sector: 1978



Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

## Number of new corporations and growth rates: 1977

The new corporations reported herein have been identified by comparing relevant data files at Statistics Canada for two consecutive years (1976 and 1977). Information is presented for 1977 as these are the

most current data available. The number of new corporations in Manufacturing, Construction, Trade and Services totalled 32,899. The overall growth rate was 15.8%. The Service sector had the highest growth rate at 20.4%. Growth in Construction and Trade was

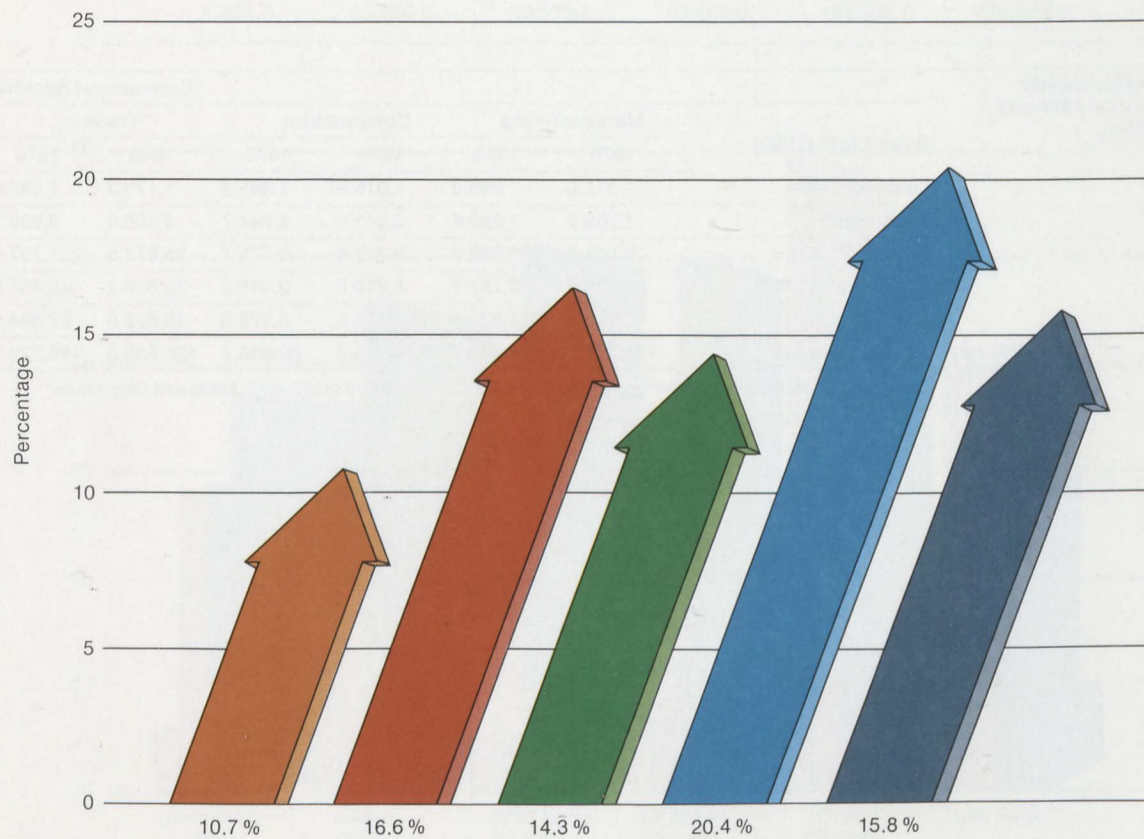
also strong at 16.6% and 14.3% respectively. Manufacturing also experienced significant growth at 10.7%.

New corporate formations: 1977	Number of Corporations 1976	New Corporations 1977	Growth Rate
Commercial Sectors			
Manufacturing	29,233	3,127	10.7%
Construction	37,061	6,156	16.6%
Trade	86,244	12,353	14.3%
Service	55,255	11,263	20.4%
Total	207,793	32,899	15.8%

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

# New corporate formations: 1977

- Commercial Sectors
- Manufacturing
  - Construction
  - Trade
  - Service
  - Total



Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

## Total sales by size of business and sector: 1976 and 1978

The portion of total sales earned by small businesses has remained constant at about 24% in each of the two years for an aggregate of the four commercial

sectors. The portion of sales accounted for by small businesses within each sector has also remained relatively constant over the two year period. In Manufacturing, small businesses earned about 7% of total

sales in each year. Comparable figures for the remaining sectors are: Construction (52%); Trade (29%); and, Services (57%).

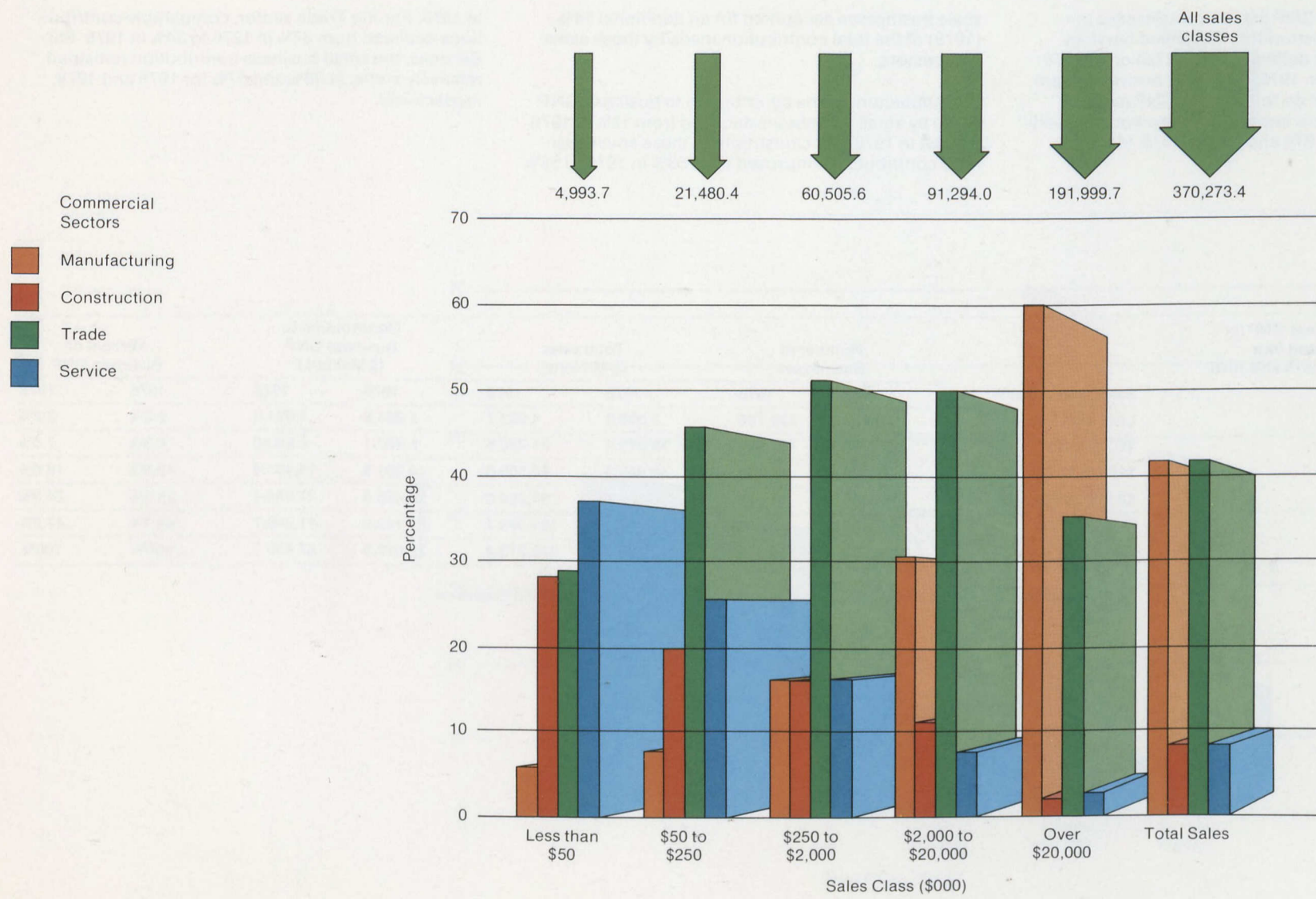
Total sales for various sales classes  
for four commercial sectors: 1976 and  
1978 (In millions of dollars)

Sales Class (\$000)	Commercial Sectors									
	Manufacturing		Construction		Trade		Service		Total	
	1976	1978	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	315.0	289.9	1,016.9	1,393.3	1,175.3	1,442.0	1,492.1	1,868.5	3,999.3	4,993.7
\$50 to \$250	1,969.2	1,659.4	3,441.5	4,244.7	8,596.0	9,868.7	4,365.7	5,707.6	18,372.4	21,480.4
\$250 to \$2,000	8,851.3	9,658.6	8,272.5	9,473.7	25,671.5	31,787.0	7,050.0	9,586.2	49,845.3	60,505.6
\$2,000 to \$20,000	25,439.8	28,757.7	8,219.6	9,846.5	35,623.2	45,767.0	4,974.3	6,922.8	74,256.9	91,294.0
Over \$20,000	92,313.4	114,275.1	3,423.4	3,978.6	49,622.0	67,364.5	4,750.7	6,381.5	150,109.5	191,999.7
All sales classes	128,888.7	154,640.8	24,373.9	28,936.7	120,688.0	156,229.1	22,632.8	30,466.7	296,583.4	370,273.4

Sources: Statistics Canada. Small Business Secretariat. Department of Industry, Trade and Commerce.



# Distribution of sales within a sales class, by sector: 1978



Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

## Business contribution to GNP, by size: 1976 and 1978

The contribution to GNP made by businesses in Manufacturing, Construction, Trade and Services increased in current dollars, from \$72 billion in 1976 to some \$87 billion in 1978. The small business share of the total contribution to business GNP made by these four commercial sectors has remained relatively constant at 30% in 1976 and 29% in 1978. Medium-

scale businesses accounted for an additional 24% (1978) of the total contribution made by these same four sectors.

In Manufacturing, the contribution to business GNP made by small businesses declined from 12% in 1976 to 9.8% in 1978. For Construction, these small business contributions improved from 53% in 1976 to 55%

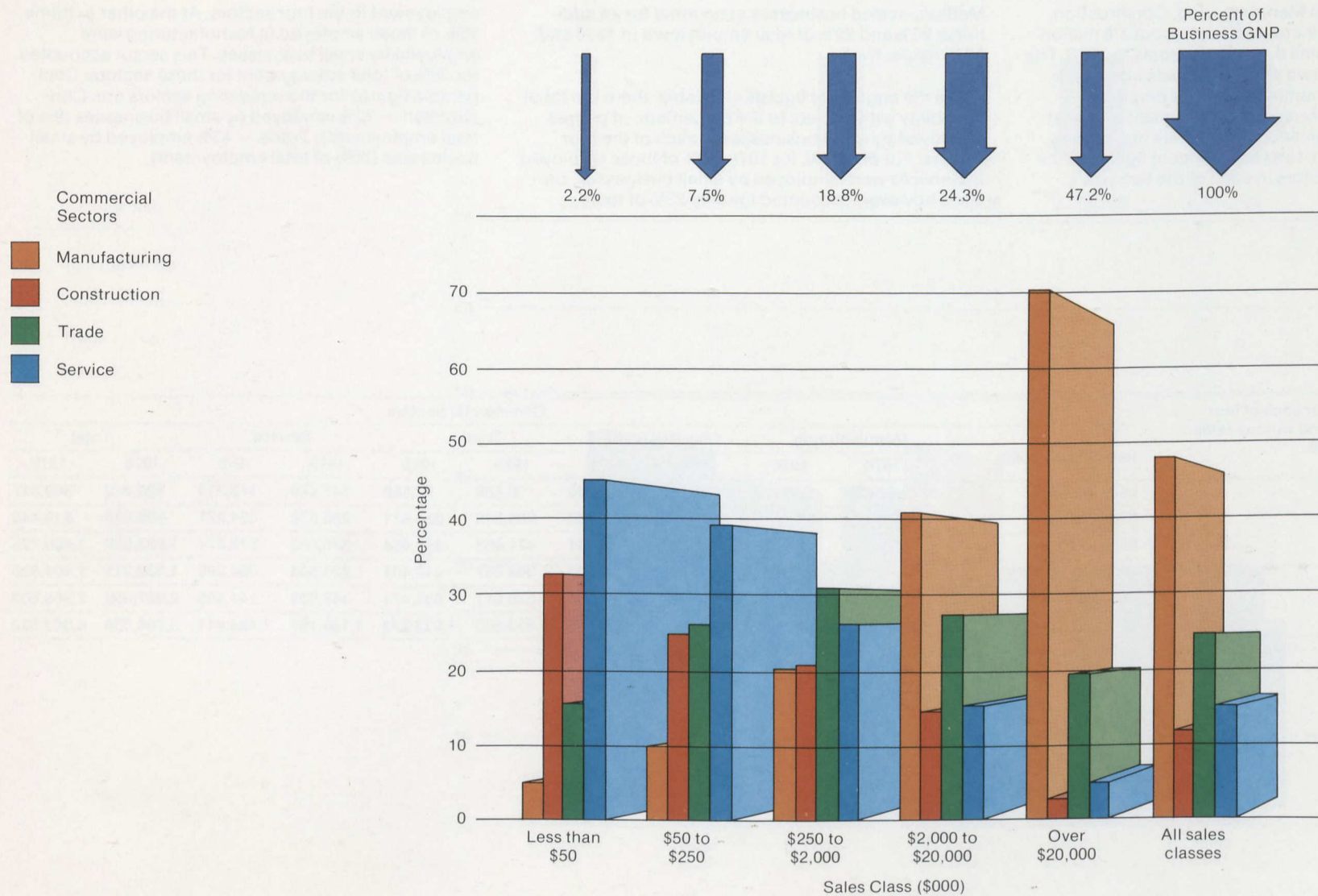
in 1978. For the Trade sector, comparable contributions declined from 37% in 1976 to 34% in 1978. For Services, the small business contribution remained relatively stable at 58% and 57% for 1976 and 1978, respectively.

Contribution to business GNP for various sales classes and four commercial sectors: 1976 and 1978

Sales Class (\$000)	Number of Businesses		Total sales (\$ Millions)		Contribution to Business GNP (\$ Millions)		Percent of Business GNP	
	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	178,100	220,766	3,999.3	4,993.7	1,604.8	1,924.2	2.2%	2.2%
\$50 to \$250	155,160	181,837	18,372.4	21,480.4	5,967.1	6,602.0	8.3%	7.5%
\$250 to \$2,000	77,889	94,026	49,845.3	60,505.6	14,261.9	16,401.4	19.8%	18.8%
\$2,000 to \$20,000	14,305	17,677	74,256.9	91,294.0	18,438.8	21,254.4	25.6%	24.3%
Over \$20,000	1,408	1,807	150,109.5	191,999.7	31,749.9	41,248.7	44.1%	47.2%
All sales classes	426,862	516,113	296,583.4	370,273.4	72,022.5	87,430.7	100%	100%

Sources: Statistics Canada . Small Business Secretariat, Department of Industry, Trade and Commerce.

# Relative contribution to business GNP made by businesses within a sales class, by sector: 1978



Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

## Employment profile: 1976 and 1978

Total employment in Manufacturing, Construction, Trade and Services increased from about 5.8 million people in 1976 to some 6.4 million people in 1978. The total growth for the two year period was about 10%. While the absolute number of people employed increased, the distribution of employment amongst the size classes remained stable. Small businesses employed 42% of the total employment figure for the four commercial sectors in each of the two years.

Medium-scaled businesses accounted for an additional 23% and 22% of total employment in 1976 and 1978 respectively.

While the aggregate figures are stable, there is a lot of variability with respect to the percentage of people employed by small businesses in each of the four sectors. For example, for 1978, 72% of those employed in Services were employed by small businesses; Services however, accounted for only 23% of total

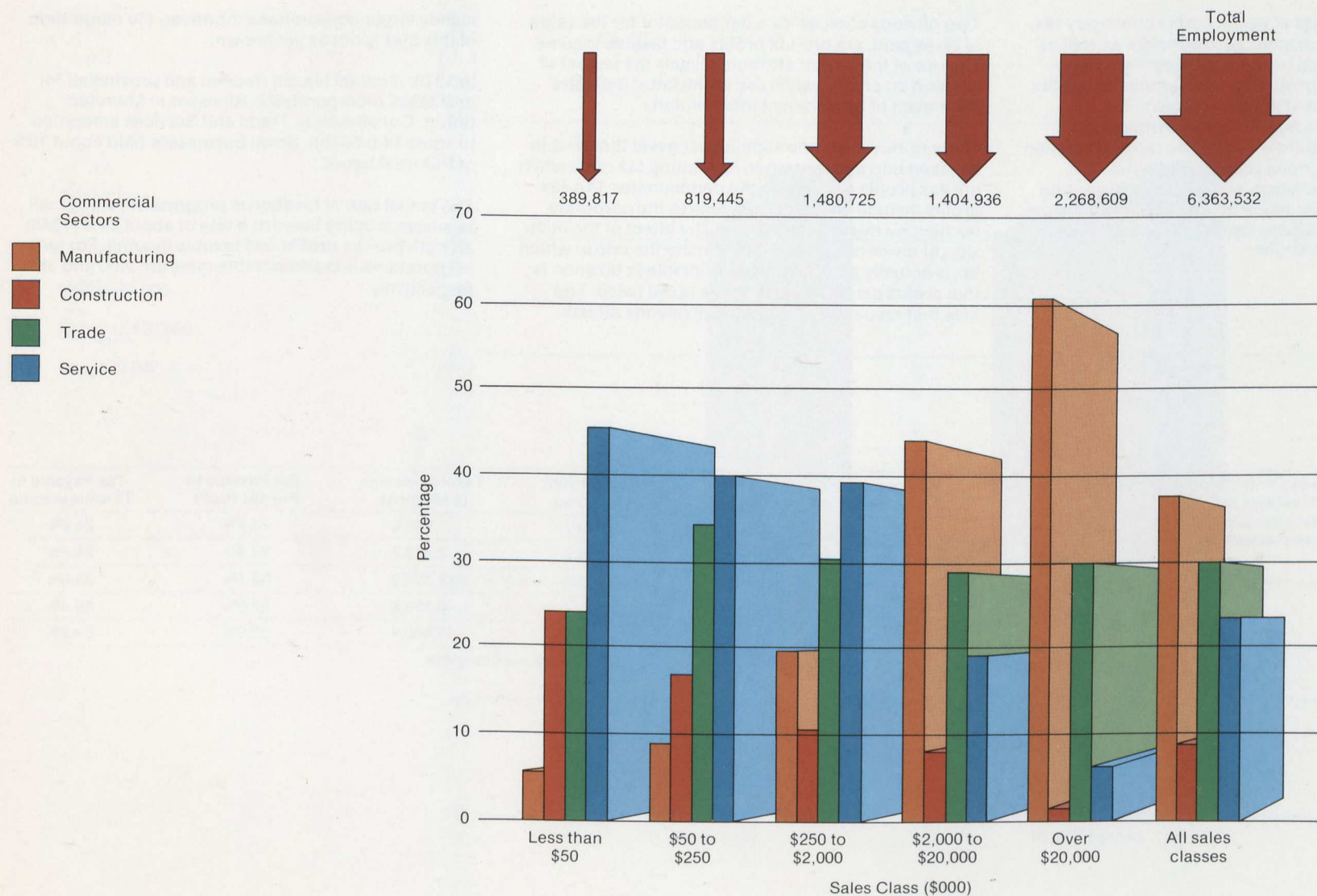
employment in the four sectors. At the other extreme, 16% of those employed in Manufacturing were employed by small businesses. This sector accounted for 38% of total employment for these sectors. Comparable figures for the remaining sectors are: Construction — 72% employed by small businesses (9% of total employment); Trade — 43% employed by small businesses (30% of total employment).

Employment profile for each of four commercial sectors and various sales classes: 1976 and 1978

Sales Class (\$000)	Commercial Sectors									
	Manufacturing		Construction		Trade		Service		Total	
	1976	1978	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	27,889	24,229	73,259	94,706	76,786	92,569	147,978	178,313	325,912	389,817
\$50 to \$250	103,139	75,614	141,584	138,939	265,318	280,671	286,578	324,221	796,619	819,445
\$250 to \$2,000	312,327	285,269	173,257	165,731	421,853	456,454	376,500	573,271	1,283,937	1,480,725
\$2,000 to \$20,000	623,858	614,586	117,893	113,863	368,957	412,107	221,503	264,380	1,332,211	1,404,936
Over \$20,000	1,310,328	1,391,986	49,082	40,696	520,911	691,471	147,638	144,456	2,027,959	2,268,609
All sales classes	2,377,541	2,391,684	555,075	553,935	1,653,825	1,933,272	1,180,197	1,484,641	5,766,638	6,363,532

Sources: Small Business Secretariat, Department of Industry, Trade and Commerce.

# Distribution of people employed within a sales class, by sector: 1978



Source: Small Business Secretariat, Department of Industry, Trade and Commerce.

## Taxes paid and rate of taxation for various sizes of incorporated businesses: 1976 and 1978

When examining rates at which corporations pay tax, there are many circumstances to consider as well as alternatives to choose from when selecting a denominator for the rate of taxation. Governments use tax policy as an instrument of intervention in the economy as well as a method for redistributing income. As a result different effective rates of taxation are applicable for various sectors within the economy. The rate of taxation also varies according to the size of business being taxed. An example of the latter is the small business deduction and its impact on qualifying corporations.

Two obvious choices for a denominator for the value of taxes paid, are pre-tax profits and taxable income. The use of the former attribute reveals the impact of taxation on profits, while use of the latter indicates the impact of government intervention.

There is, however, one significant caveat that should be taken into account when examining tax rates when pre-tax profits are used in the denominator. Pre-tax profits include dividends, payable to the corporate tax filer, by related companies. The effect of the inclusion of dividends is to underestimate the rate at which tax is actually paid. The basic principle in taxation is that profits earned should not be taxed twice. The bias that results from including dividends affects

mainly larger corporations; however, the magnitude of this bias is not as yet known.

In 1978, the total tax bill (federal and provincial) for profitable, incorporated businesses in Manufacturing, Construction, Trade and Services amounted to some \$4.6 billion. Small businesses paid about 18% of this total figure.

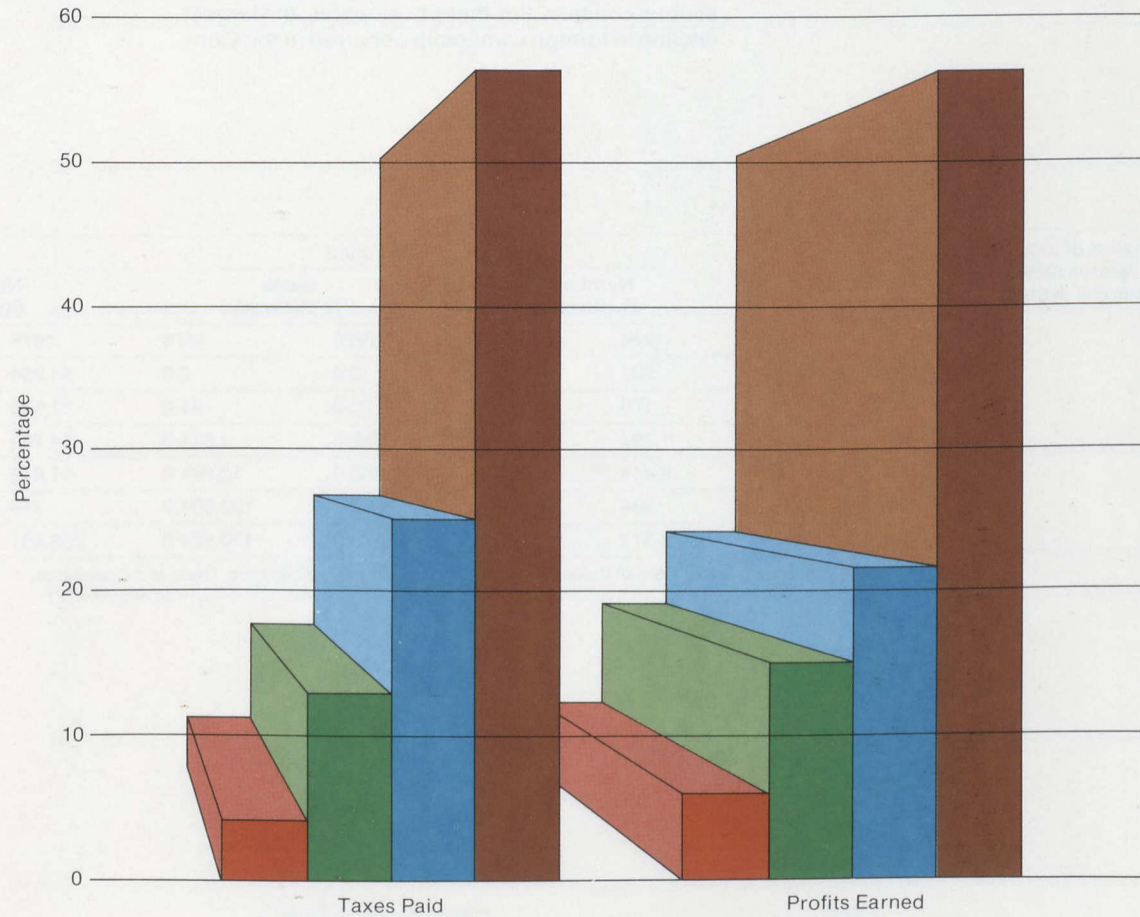
The actual rate of taxation is progressive, with small businesses being taxed at a rate of about 24% (1978) on both pre-tax profits and taxable income. For large corporations, the comparable rates are 28% and 38% respectively.

Ratio of taxes payable to pre-tax profit and taxable income for various sales classes for all profitable incorporated business in four commercial sectors: 1978	Sales Class (\$000)	Number of Businesses	Tax Payable (\$ Millions)	Pre-tax Profit (\$ Millions)	Taxable Income (\$ Millions)	Tax Payable to Pre-tax Profit	Tax Payable to Taxable Income
	Less than \$250	60,893	228.4	1,019.7	945.6	22.4%	24.2%
	\$250 to \$2,000	53,868	612.0	2,564.8	2,473.3	23.9%	24.7%
	\$2,000 to \$20,000	13,499	1,175.9	3,665.8	3,306.9	32.1%	35.6%
	Over \$20,000	1,398	2,629.7	9,419.7	6,854.8	27.9%	38.4%
	Total Canada	129,658	4,645.9	16,669.9	13,580.4	27.9%	34.2%

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

Percentage comparison of taxes paid versus pre-tax profits earned for various sales classes for all profitable incorporated business for four commercial sectors: 1978

- Sales Class (\$000)
- Less than \$250
  - \$250 to \$2,000
  - \$2,000 to \$20,000
  - Over \$20,000



Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

## Ownership characteristics of Canadian corporations: 1976 and 1978

The percentage of Canadian businesses (and corresponding sales) in Manufacturing, Construction, Trade and Services that are foreign controlled has declined slightly since 1976. This statement holds for both small businesses, which have a low level of

foreign presence, as well as large businesses. For small businesses, data limitations may mask the true percentage of foreign control; however, it can be stated that it is not likely that foreign control is on the increase. For large businesses, data reliability is not a serious concern. For these businesses, the largest decline in foreign ownership occurred in the Con-

struction sector where foreign ownership, as a percentage of total sales, fell from 24% in 1976 to 15.5% in 1978. The decline for the Manufacturing sector was marginal only, dropping from 60.8% of total sales to 59.4%.

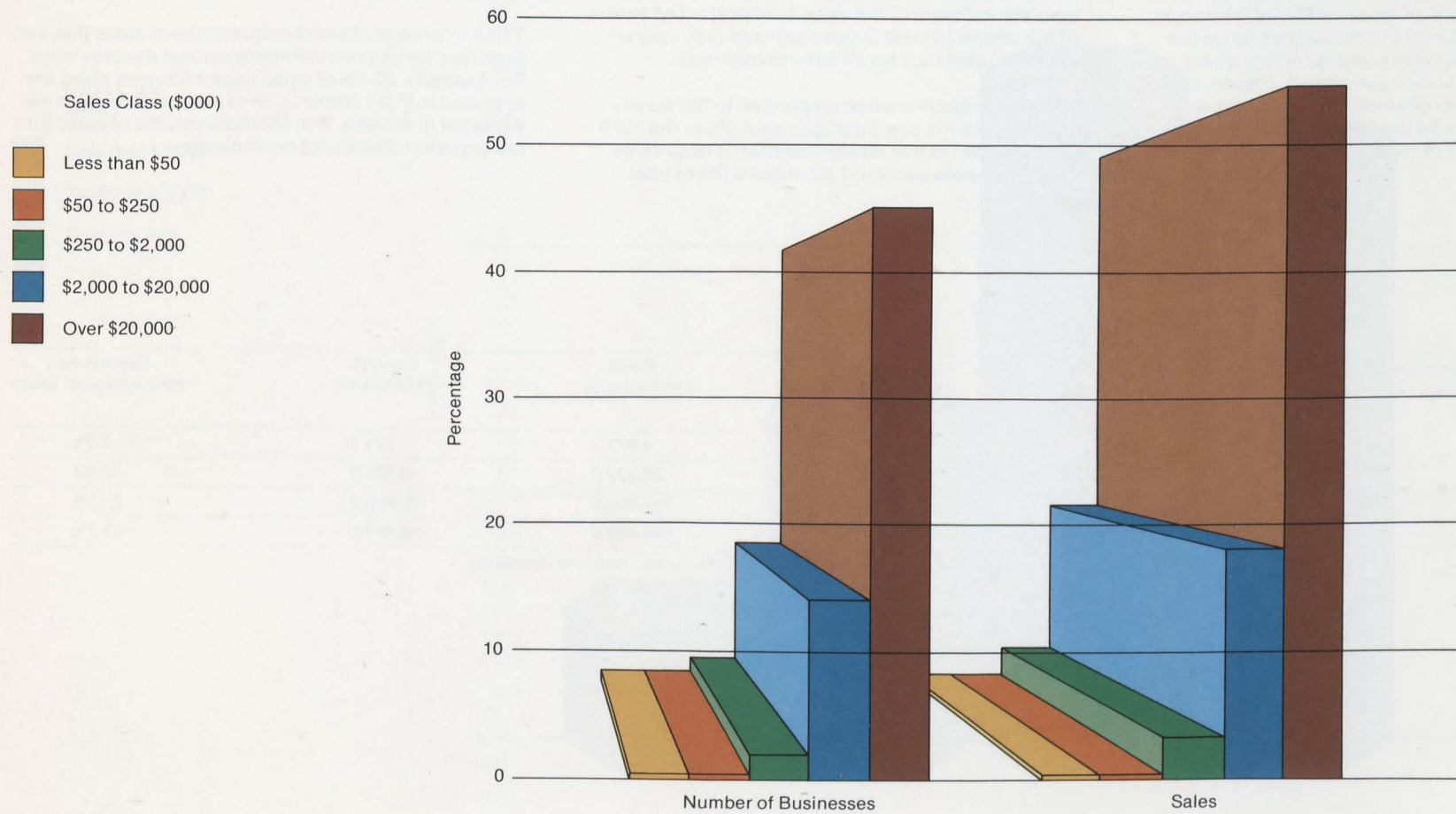
Ownership characteristics of incorporated business for various sales classes for four commercial sectors: 1976 and 1978

Sales Class (\$000)	Foreign Controlled				Canadian Controlled			
	Number of Businesses		Sales (\$ Millions)		Number of Businesses		Sales (\$ Millions)	
	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	202	154	2.0	2.0	54,264	61,850	918.0	1,085.0
\$50 to \$250	179	162	25.0	24.0	71,536	81,936	9,376.0	10,680.0
\$250 to \$2,000	1,794	1,477	1,885.0	1,614.0	64,289	74,291	42,998.0	50,130.0
\$2,000 to \$20,000	2,444	2,434	15,935.0	16,094.0	11,679	14,630	57,487.0	72,078.0
Over \$20,000	694	803	78,688.0	102,894.0	713	977	61,631.0	85,225.0
Total Canada	5,313	5,030	96,535.0	120,624.0	202,481	233,684	172,410.0	219,197.0

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.



# Percentage of Canadian business that is foreign controlled in each of five sales classes for four commercial sectors: 1978



Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

## Export capability of Canadian manufacturers: 1979

The information presented was obtained from special tabulations from the 1979 Survey of Destinations of Manufacturers' Shipments. The respondents to this survey include all but the very small establishments. Those excluded from the survey accounted for only 3.8% of the total value of sales for Manufacturers in 1979. The implication of this fact is that, while the value of sales is relatively accurate (since those excluded from the survey were small in terms of sales volume), the number of small manufacturers that actually export may be grossly inaccurate. For this reason, the number of exporters is not reported.

Additionally, the respondents to the survey reported the first destination of shipments (sales) only. In the event that the first destination was a domestic export broker, those shipments (sales) may be excluded from the value for exports. This occurrence results in an underestimate of the value of exports. The extent of the underestimate is unknown and may very well affect the statistics for all sizes of business.

Small manufacturers that responded to the survey reported exports comprising some 4.5% of the 1979 sales volume for this size of business. These same small businesses account for about 0.6% of total

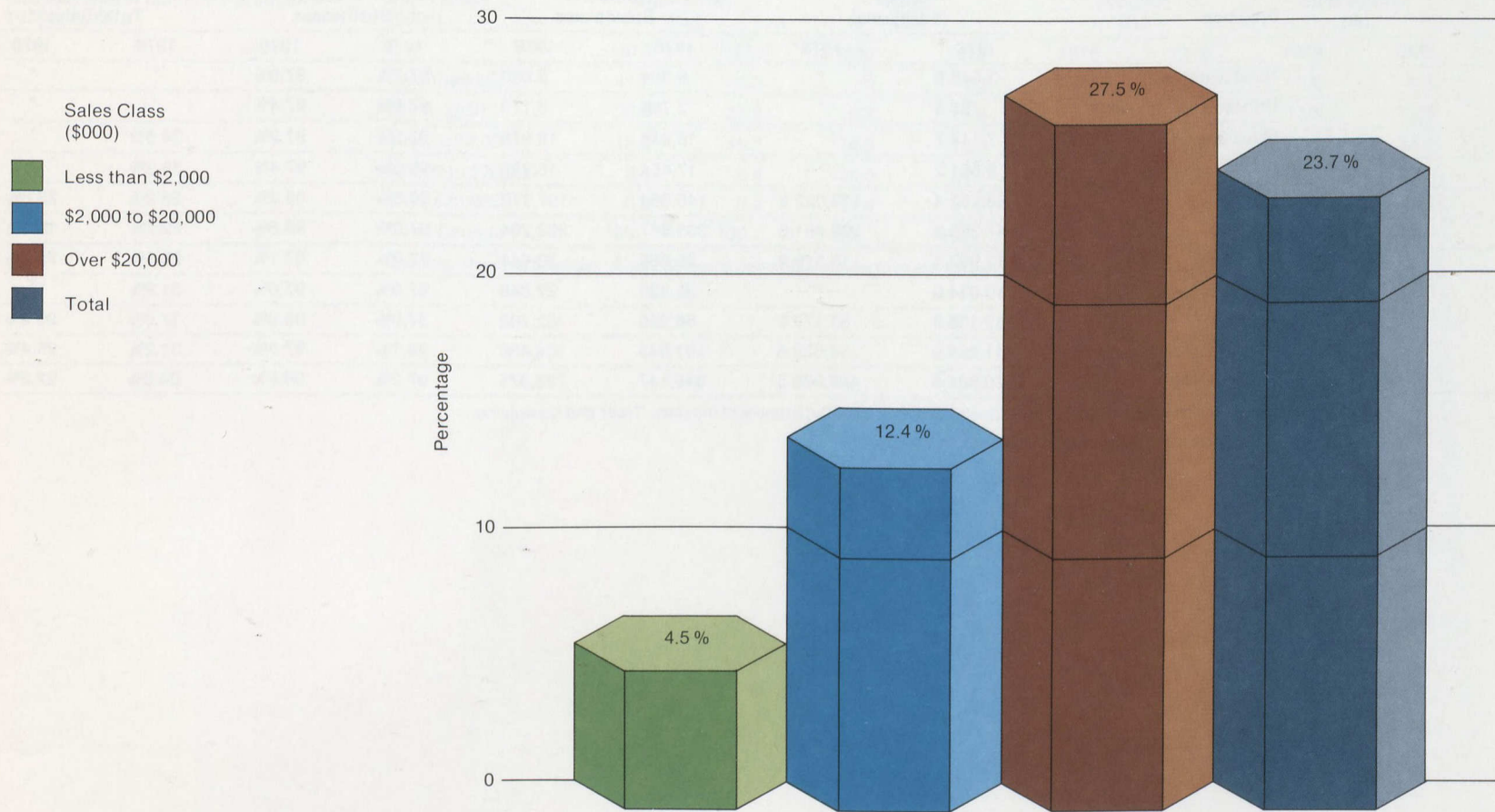
exports for all sizes of businesses; however, the above caveats with respect to the survey should be kept in mind when interpreting these results. Medium-scale manufacturers' reported that they exported some 12.4% of their annual sales.

The percentage of small manufacturers' sales that are exported varies considerably amongst the provinces. For example, 23.4% of small manufacturers' sales are exported in P.E.I., while 2.2% of comparable sales are exported in Alberta. The absolute volume of sales that are exported also varies considerably.

Export activity of businesses of various sizes, for manufacturing: 1979	Sales Class (\$000)	Number of Businesses in Survey	Sales (\$ Millions)	Exports (\$ Millions)	Exports as a Percentage of Sales
	Less than \$2,000	5,345	4,973.3	221.3	4.5%
	\$2,000 to \$20,000	5,083	28,429.0	3,538.9	12.4%
	Over \$20,000	1,063	111,400.5	30,620.8	27.5%
	Total	11,491	144,802.7	34,381.0	23.7%

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

# Exports as a percentage of sales within various sales classes, for manufacturing: 1979



Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

# Appendix

Provincial summary of selected  
small business statistics:  
1976 and 1978

Province	Total Sales (\$ Millions)		Total Number of Businesses		Businesses with Less than \$2 Million Total Sales			
					Percent of Total Businesses		Percent of Total Sales	
	1976	1978	1976	1978	1976	1978	1976	1978
Newfoundland	3,645.9	*	8,364	9,680	97.2%	97.0%	*	*
Prince Edward Island	782.3	*	2,706	3,176	97.9%	97.4%	*	*
Nova Scotia	7,114.7	*	18,946	18,979	97.9%	97.2%	34.6%	*
New Brunswick	6,551.2	*	17,454	16,733	98.0%	97.4%	35.2%	*
Quebec	88,753.4	113,092.2	146,364	167,170	96.5%	96.3%	26.2%	23.8%
Ontario	147,355.3	202,401.6	235,867	262,204	97.0%	96.6%	22.7%	19.4%
Manitoba	12,993.4	16,519.9	25,886	30,441	97.3%	97.1%	26.5%	25.7%
Saskatchewan	10,034.0	*	23,420	27,848	97.9%	97.6%	31.9%	*
Alberta	52,198.4	61,172.5	66,095	82,708	97.0%	96.8%	17.6%	20.6%
British Columbia	41,255.9	56,629.6	101,045	104,436	98.1%	97.5%	31.2%	25.4%
Total Canada	370,684.5	488,926.5	646,147	723,375	97.2%	96.8%	24.8%	22.2%

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

\* Omitted because of confidentiality requirements.

Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for four commercial sectors: 1976 and 1978

Sales Class (\$000)	Total Number of Businesses (%)		Total Sales (%)		Business Gross National Product (%)		Total Employment (%)		Taxes Paid (%)	
	1976	1978	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	41.7	42.8	1.4	1.3	2.2	2.2	5.6	6.1	0.7	1.0
\$50 to \$250	36.4	35.2	6.2	5.8	8.3	7.5	13.8	12.9	3.6	3.9
\$250 to \$2,000	18.2	18.2	16.8	16.3	19.8	18.8	22.3	23.3	12.8	13.2
\$2,000 to \$20,000	3.4	3.4	25.0	24.7	25.6	24.3	23.1	22.1	25.3	25.3
Over \$20,000	0.3	0.4	50.6	51.9	44.1	47.2	35.2	35.6	57.6	56.6
Total Canada	100	100	100	100	100	100	100	100	100	100

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for the manufacturing sector: 1976 and 1978

Sales Class (\$000)	Total Number of Businesses (%)		Total Sales (%)		Business Gross National Product (%)		Total Employment (%)		Taxes Paid (%)	
	1976	1978	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	28.9	29.6	0.2	0.2	0.3	0.2	1.2	1.0	0.1	0.1
\$50 to \$250	34.9	29.7	1.5	1.1	2.3	1.5	4.3	3.2	0.6	0.6
\$250 to \$2,000	25.3	27.7	6.9	6.2	9.4	8.1	13.1	11.9	4.6	4.1
\$2,000 to \$20,000	9.3	11.0	19.8	18.6	23.1	21.1	26.3	25.7	21.5	20.8
Over \$20,000	1.6	2.0	71.6	73.9	64.9	69.0	55.1	58.2	73.2	74.4
Total Canada	100	100	100	100	100	99.9	100	100	100	100

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for the construction sector: 1976 and 1978

Sales Class (\$000)	Total Number of Businesses (%)		Total Sales (%)		Business Gross National Product (%)		Total Employment (%)		Taxes Paid (%)	
	1976	1978	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	49.0	51.7	4.2	4.8	5.0	6.1	13.2	17.1	1.3	1.6
\$50 to \$250	34.2	33.1	14.1	14.7	14.0	15.3	25.5	25.1	8.4	9.0
\$250 to \$2,000	14.7	13.2	33.9	32.7	33.9	33.7	31.2	29.9	31.3	31.0
\$2,000 to \$20,000	2.0	1.9	33.7	34.0	31.5	30.5	21.2	20.6	32.8	31.7
Over \$20,000	0.1	0.1	14.1	13.7	15.6	14.4	8.9	7.3	26.2	26.6
Total Canada	100	100	100	99.9	100	100	100	100	100	99.9

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for the trade sector: 1976 and 1978

Sales Class (\$000)	Total Number of Businesses (%)		Total Sales (%)		Business Gross National Product (%)		Total Employment (%)		Taxes Paid (%)	
	1976	1978	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	30.9	31.1	1.0	0.9	1.6	1.5	4.6	4.8	1.0	1.2
\$50 to \$250	40.8	39.3	7.1	6.3	10.2	8.2	16.0	14.5	5.1	4.7
\$250 to \$2,000	23.8	24.7	21.3	20.3	24.9	24.2	25.5	23.6	21.8	21.9
\$2,000 to \$20,000	4.2	4.5	29.5	29.3	28.1	27.8	22.3	21.3	34.2	35.3
Over \$20,000	0.3	0.4	41.1	43.1	35.2	38.3	31.6	35.8	37.9	36.9
Total Canada	100	100	100	99.9	100	100	100	100	100	100

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

Percentage summary of the contribution made to the Canadian economy by all business for various sales classes for the service sector: 1976 and 1978

Sales Class (\$000)	Total Number of Businesses (%)		Total Sales (%)		Business Gross National Product (%)		Total Employment (%)		Taxes Paid (%)	
	1976	1978	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$50	56.4	55.2	6.6	6.1	7.1	6.4	12.5	12.0	3.5	3.9
\$50 to \$250	32.3	33.1	19.3	18.7	19.4	19.0	24.3	21.8	13.2	15.4
\$250 to \$2,000	10.3	10.7	31.1	31.5	31.9	31.6	31.9	38.6	22.5	27.1
\$2,000 to \$20,000	0.9	1.0	22.0	22.7	23.6	23.8	18.8	17.8	19.9	21.5
Over \$20,000	0.1	*	21.0	20.9	18.0	19.2	12.5	9.7	40.9	32.1
Total Canada	100	100	100	99.9	100	100	100	99.9	100	100

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.

\* Too small to be expressed as a percentage.

Employment profile of all business in Canada for four commercial sectors and various sales classes: 1976 and 1978 ( <i>In millions of dollars</i> )	Sales Class (\$000)	1976	1978
	Less than \$50		
Number of Businesses		178,100	220,766
Total Sales		3,999.3	4,993.7
Employment		325,912	389,817
\$50 to \$250			
Number of Businesses		155,160	181,837
Total Sales		18,372.4	21,480.4
Employment		796,619	819,445
\$250 to \$2,000			
Number of Businesses		77,889	94,026
Total Sales		49,845.3	60,505.6
Employment		1,283,937	1,480,725
Over \$2,000			
Number of Businesses		15,713	19,484
Total Sales		224,366.4	283,293.7
Employment		3,360,170	3,673,545
Grand Total			
Number of Businesses		426,862	516,113
Total Sales		296,583.4	370,273.4
Employment		5,766,638	6,363,532

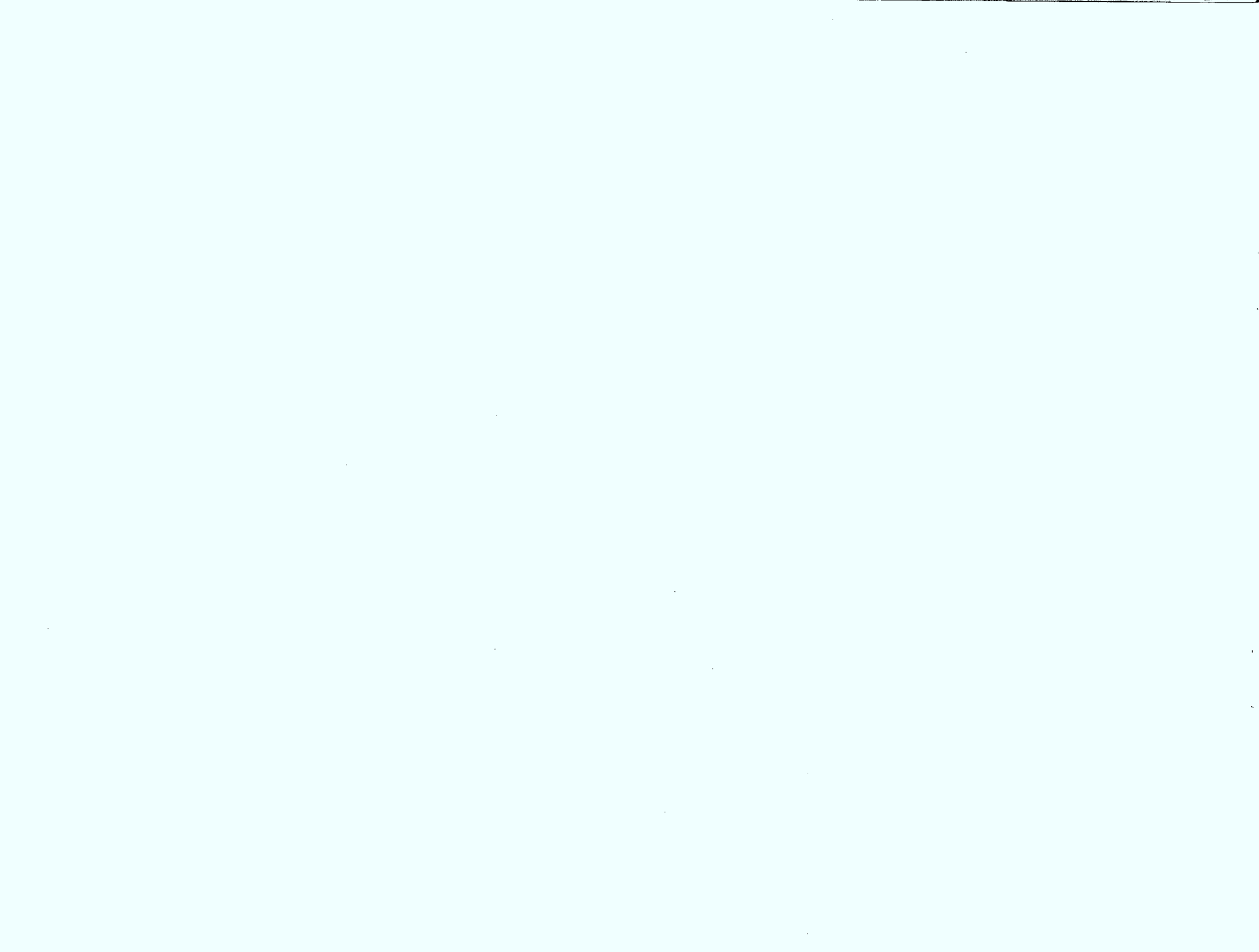
Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.



Ratio of taxes payable to pre-tax profit for various sales classes for all profitable incorporated business for four commercial sectors: 1976 and 1978

Sales Class (\$000)	Number of Businesses		Tax Payable (\$ Millions)		Pre-tax Profit (\$ Millions)		Tax Payable × 100%/ Pre-tax Profit	
	1976	1978	1976	1978	1976	1978	1976	1978
Less than \$250	60,856	60,893	188.0	228.4	894.8	1,019.7	21.0%	22.4%
\$250 to \$2,000	50,670	53,868	553.3	612.0	2,406.3	2,564.8	23.0%	23.9%
\$2,000 to \$20,000	11,867	13,499	1,091.3	1,175.9	3,531.1	3,665.8	30.9%	32.1%
Over \$20,000	1,213	1,398	2,430.7	2,629.7	8,947.9	9,419.7	27.2%	27.9%
Total Canada	124,606	129,658	4,263.3	4,645.9	15,780.1	16,669.9	27.0%	27.9%

Sources: Statistics Canada. Small Business Secretariat, Department of Industry, Trade and Commerce.







Minister of State  
Small Business and Tourism

Ministre d'État  
Petites entreprises et Tourisme

(aussi édité en français)