

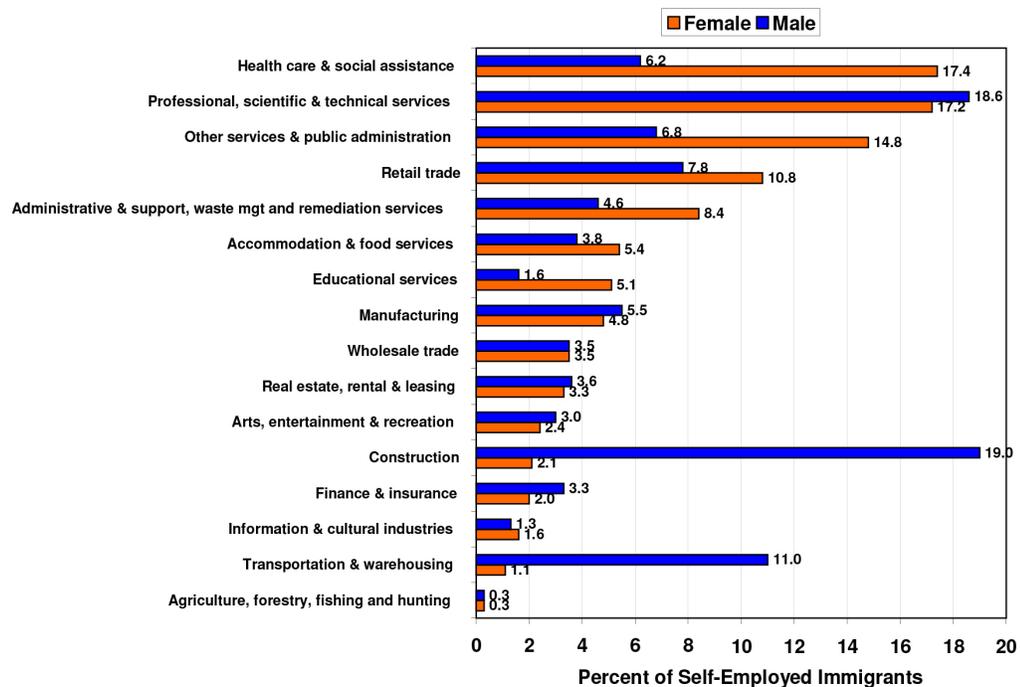
Maytree and Metcalf Foundation Insight

Two recent reports by the Maytree Foundation in conjunction with the Metcalf Foundation and the J.W. McConnell Family Foundation highlight the importance of small and medium enterprises (SMEs) and immigrant entrepreneurship in the Canadian economy. This insight will paint a picture of current trends and issues by combining the findings of Sarah Wayland’s report on immigrant self-employment and entrepreneurship in the GTA and ALLIES’s report on global talent for SMEs. Full reports are available online: [Immigrant Self-Employment and Entrepreneurship in the GTA](#) and [Global Talent for SMEs: Building Bridges and Making Connections](#). *The Martin Prosperity Institute is releasing this Insight to facilitate the continual discussion regarding small business and immigrants, and as a summary of papers released by the Maytree and Metcalf Foundation.*

Structural changes in the global and local economy have brought about the growth of smaller business and entrepreneurship in the Canadian business environment. In the past ten years, 98.5 percent of jobs in the nation were created by firms with under 200 employees, 60% of which had fewer than 5 employees. Collectively, SMEs generate 54 percent of Canada’s gross domestic product and employ 64 percent of its private sector workers. Although they are vital drivers of the economy, SMEs face disadvantages in finding talent and clients alongside larger corporations.

Self-Employment Rates & Industry, Immigrants, Toronto CMA, (%)

Exhibit 1



250,000 newcomers arrive in Canada every year, the majority of which have high levels of education and international work experience that are under-utilized in the Canadian labour market. These phenomena present a mismatch that, if addressed, could propel both individuals and the larger economy forward.

SME and Immigrant Entrepreneurial Trends

Immigrants are found to be more likely to seek self-employment than non-immigrants, especially during economic downturns, possibly due to less job security in the positions available to them. They are mostly self-employed by choice, also at a higher rate than the Canadian-born self-employed population. Among immigrants, recent immigrants are more likely to prefer paid employment, as are younger immigrants. Only 3.2 percent of immigrants aged 15-24 are self-employed, while 14.9 percent of immigrants aged 45-54 are self-employed. Men are more likely than women to be self-employed, and in more concentrated industries. Almost half of self-employed male immigrants work in 3 sectors: construction; professional, scientific and technical services; and transportation and warehousing. Immigrants who are self-employed are more likely to be married and/or have at least one child at home, adding to the time pressure and responsibilities of owning a business.

Lower immigrant entrepreneurial rates were found in Toronto in comparison to the rest of Ontario and Canada. This may be due to greater paid employment opportunities in the city and also due to the city's relatively younger population. Personal factors also play a role in shaping self-employment trends, with more than 7 in 10 self-employed immigrants citing entrepreneurial values such as independence, challenge, control, creativity, etc., as the reason for self-employment.

Barriers of SMEs and Immigrant Businesses

SMEs and immigrant businesses face many of the same challenges as larger, Canadian competitors, but have less resources and upstream support in addressing them. One main disadvantage is in the search for skilled employees. Small businesses are less able to find skilled employees, and have fewer resources for hiring and training employees. They are willing to hire skilled immigrants, but do not know where to find qualified candidates or how to access the programs and services that facilitate this employment. Another shared barrier is financing. The general two-year Canadian credit history required to obtain financing make bank loans inaccessible to new immigrants, most of whom turn to government backed lending programs. SME's, on the other hand, expressed a need for incentives such as wage subsidies and tax credits to encourage hiring immigrants.

Immigrant businesses face additional obstacles in starting and maintaining a business. Linguistic barriers such as technical and legal vocabulary lead to difficulty in expanding business activity beyond their ethnic enclaves, or manifest in larger time costs beyond their enclaves. Combined with different business cultures and a lack of connections from the past, immigrant business are often confined to a more homogenous social and professional network, limiting their ability to hire Canadian-born employees and access Canadian-born clients.

Current support programs in the GTA are lop-sided both geographically (none are available in the East end of the city) and structurally, catering to specific populations such as women, Francophones, and youth. Responses from immigrant entrepreneurs described government programs to be insufficient in size and scope, and not flexible enough to meet their needs.

Better Support for SMEs and Immigrant Entrepreneurs

To sustain the growth of SMEs and immigrant businesses, programs need to provide stable, multi-year funding rather than project-based support. Entrepreneurs are more encouraged to

invest—whether it be hiring immigrants or expanding beyond their networks—knowing their actions are accompanied by longer term, secure funding. Programs also need to have a more nuanced understanding which types of support are most widely used by businesses, and the various reasons for self-employment and varying degrees of entrepreneurship among immigrants. The settlement sector has a critical role to play, although its funding and structure have not traditionally fostered a business focus.

The value added of support programs can be increased by providing aid that is directed at SMEs' and immigrant businesses' steeper learning curves and lack of stable financing. Designing incentives for private lenders to engage small businesses, promoting micro loans and orientation and wage subsidies for hiring can all contribute in this regard. Programs can also compliment existing innovative social media hiring practices by building accessible and diverse platforms of networking, such as an online database of screened candidates or business-to-business mentoring programs.

Small scale enterprises, although a key driver of the Canadian economy, face shortages of labour market linkages and resources. SMEs and immigrant businesses have unique needs and niches that, when addressed by government policy and programs, can bring growth and prosperity to both individual entrepreneurs and the regional and national economy.

The [Martin Prosperity Institute](#) at the [University of Toronto's Rotman School of Management](#) is the world's leading think-tank on the role of sub-national factors—location, place and city-regions—in global economic prosperity. We take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential.