

GEM Canada report 2018/2019 – summary

Entrepreneurship is alive and well in Canada. According to the latest GEM (Global Entrepreneurship Monitor) report Canada has the highest rate of entrepreneurship in the G7 countries and higher than the US. It also has the highest rate of female entrepreneurship – women start businesses at almost 85% of the men's rate. Remarkably, the rate of entrepreneurship has increased by over 50% since 2013. A big part of the rise has been due to the increasing rate of women's entrepreneurship. Other countries have also seen a rise in entrepreneurship - for example the US rate has increased by about a quarter since 2013. But none have increased as much as Canada. We are not exactly sure what has driven this increase, but speculate that it is connected with the rise of the gig economy, where more and more people are working part time and in contract and temporary roles where people identify as entrepreneurs.

The Canadian public is very supportive of entrepreneurship. Three quarters see entrepreneurs as having high status, and 64% see entrepreneurship as a good career choice. Three quarters see good media coverage for entrepreneurs, and 40% actually know an entrepreneur. This is roughly in line with the other G7 countries. About a quarter of the public say they have an intention to start a business in the next three years, but almost half express fear of failure in a new venture. 63% of the public see opportunities for creating a new business, which is a higher rate than all other G7 countries apart from the US, but only 56% believe they have the capabilities to do so.

Entrepreneurs tend to be young and well educated. We see the highest rate of entrepreneurship in the 25-34 age groups, where almost 30% are engaged in some way in starting a new business. This was followed by the 35-44 age group. In this report we saw a marked rise in entrepreneurship in the 18-24 age group. This overall picture is in line with the 54 other countries in the GEM study, which shows that the most prevalent age groups for starting a business are 25-34 and 35-44. Over a quarter of entrepreneurs have some graduate experience, by far the highest rate among the G7 countries. 20% have a graduate degree, while 20% have only some secondary education, also the highest level in the G7 countries.

Canada has a similar distribution of business areas for startups as other G7 countries. Most new businesses are in consumer services (about half of all new businesses), followed by business oriented services, manufacturing and extractive industries (such as agriculture and oil and gas and mining).

The owners of established businesses (those in business for three and a half years or more) have a different profile than owners of startups. They tend to be older - owners of established businesses are most prevalent in the 45-54 and 55-64 age groups. They also tend to be more male. Women own established businesses at only 68% of the

men's rate, compared with 85% for startups. However this rate for women ownership is the highest among the G7 countries. Some countries have much lower rates of women ownership. In Italy, for example, women own established business at only 38% of the men's rate.

Canada has a reasonable support system for entrepreneurs. Canada is ranked third among the G7 countries, but there isn't a huge amount of difference among the G7 countries. The report rates nine separate factors that can impact entrepreneurs. It ranks performance and importance of these nine factors. The strongest areas (which are also rated the most important) are physical infrastructure and access to professional and commercial infrastructure. The weakest areas include government policies, bureaucracy and taxes (which are not rated as being that important), government programs and education for entrepreneurs, at both the K-12 and post-secondary levels.

The entrepreneurship story is not entirely rosy in Canada. Despite all the positive aspects mentioned above, Canada has the highest rate of "necessity" based entrepreneurship in the G7. Necessity based entrepreneurship (as opposed to opportunity based entrepreneurship) is defined as when the entrepreneur has no better choice for work. Canada's rate of necessity based entrepreneurship is twice the US rate. 14% of all entrepreneurs in Canada become entrepreneurs because they have no other way to make a living. This metric suggests that there are many people in Canada unable to find a job and turning to entrepreneurship because of a lack of other alternatives. Canada also has the highest rate of discontinuance and exits among the G7 countries. If you combine this with the very high rate of entrepreneurship in Canada, this metric suggest that we probably have too many startups, and many fail due to the lack of education, knowledge and experience of the entrepreneur.

Peter Josty

