



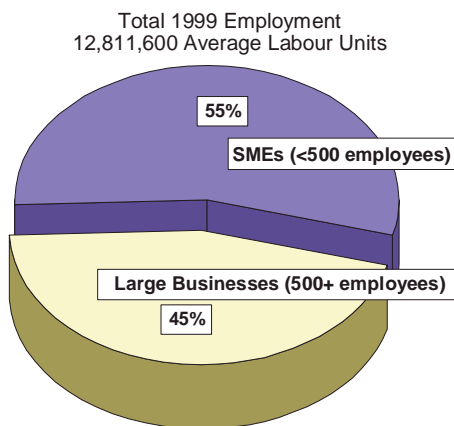
### Behind the Numbers: SME Employment – the Lion’s Share

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Any way you look at it, more Canadians work in a small and medium-sized enterprise (SME) than in government or large business. According to Statistics Canada, in 1999<sup>a</sup>, at a minimum, **SMEs accounted for 55 per cent of total employment in Canada.**

This number represents the total number of employees working for all entities with fewer than 500 people compared to the total number of people employed in the economy (see Figure 1). The total number of employees is derived by estimating the average number of persons employed over the course of the year including both part-time and full-time employees.

**Figure 1**  
**Total Employment Shares**



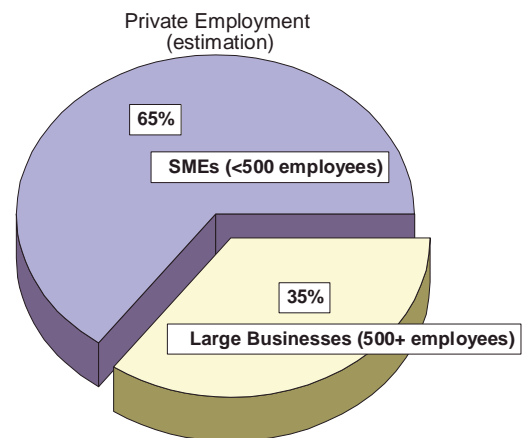
Source: 1983-1999 Employment Dynamics, Statistics Canada, 2002

There are two ways to calculate the share of SME employment within the private sector. The simplest, is to extract the government sector from the total employment, which slightly increases the SME share to 57.7 per cent of the non-government sector. The second and more meaningful method is to calculate the SME employment share only within the private sector. A true definition of the private sector excludes government and all other quasi-government employers<sup>b</sup> found predominantly in the education and health industries.

The education sector includes schools, universities, museums, etc, while the health care and social service sector is comprised of hospitals and other institutional health and social services. Labour Force Survey data shows that 93.5<sup>c</sup> per cent of educational industries and about 59.4<sup>d</sup> per cent of health industries is public employment. By excluding them from the calculations, **the SME employment share increases to 63 per cent of private employment.**

However, even this would include some public entities. A large part of the utility sector as well as some sub-sectors are mostly public. Crown corporations, for example, are registered under various SIC codes making it problematic to distinguish clearly between public and private employees. Petro-Canada is a public entity; however, within its sector of activity there are numerous private firms.

**Figure 2**  
**SME Employment Share**



Without all public entities, conservatively, **SMEs would employ about seven (65 per cent) of every ten Canadians working in the private sector** (see Figure 2). This percentage would vary slightly by province depending on the size of the province and its sectoral distribution.

Regardless of the method used to calculate it, SME employment share in the economy is highly significant.

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<sup>a</sup> The most recent year for which Statistics Canada published the Employment Dynamics series.

<sup>b</sup> This second option is more difficult to calculate given that there is no single source of data providing a public/private split of the number of employees by size of business from the employers' perspective.

<sup>c</sup> Calculated based on Labour Force Survey data, August 2003. LFS offers information on employment such as private/public sector, size of business, etc. based on employees' perspectives. This is the percentage for total sector share of public employment. However, in the process, the exact percentages by size of business have been used.

<sup>d</sup> See note above.