



Ontario Small Business Profile

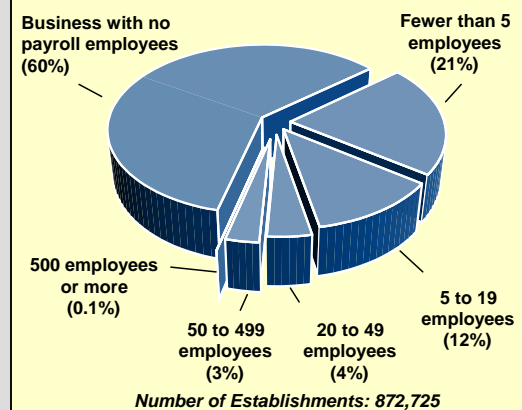
An Overview of Ontario's Small and Mid-sized Business Sector

Melanie Currie, Policy Analyst
Plamen Petkov, Policy Analyst
January 2006

Most Ontario Businesses are Small

Small and mid-sized enterprises (SMEs) make up the bulk of Ontario establishments. Small establishments alone represent over 97% of all Ontario businesses. Three fifths of small firms have no payroll employees and are typically unincorporated¹. The remainder have fewer than 50 employees and are more likely to be incorporated. Mid-sized establishments, with between 50 and 499 employees, comprise slightly more than 3% of the businesses in Ontario.

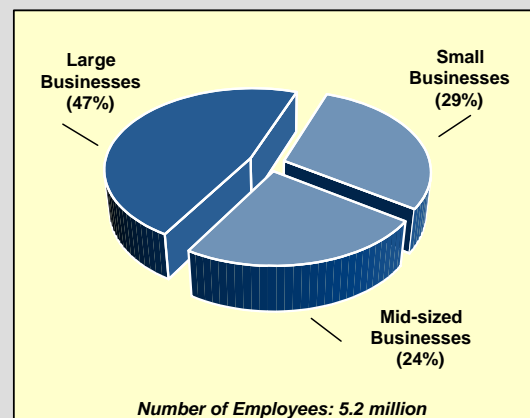
Source: Statistics Canada, Business Register, December 2004, Ontario Data.



A Majority of Employees Work for Small - and Medium Size Firms

The SME sector is Ontario's main employer. A total of 1.5 million (29%) employed Ontarians have a job in a small firm with fewer than 50 employees, while 1.3 million (24%) work for mid-sized businesses employing between 50 and 500 workers.²

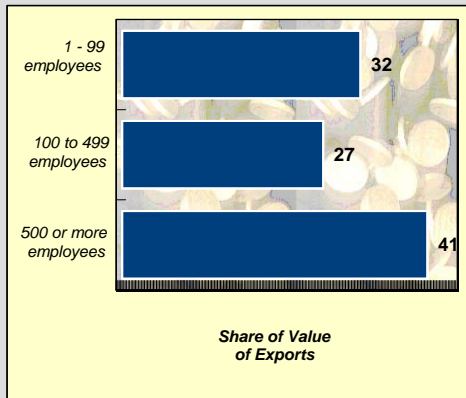
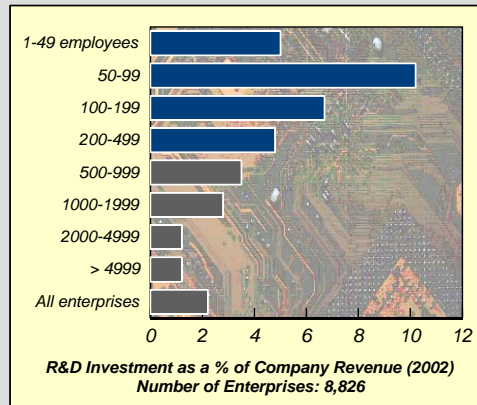
Source: Statistics Canada, Survey of Employment, Payrolls and Hours (SEPH), 2004, Ontario Data.



Small Firms are Leaders in Innovation

Canadian SMEs invest in Research and Development (R&D) proportionally on a far larger scale than big corporations. Among all businesses eligible for the Scientific Research and Experimental Development tax credit, enterprises with fewer than 500 employees invest more in R&D as a proportion of their revenue.

Source: Statistics Canada, *Industrial Research and Development – 2004 intentions*, Catalogue No. 88-202-XIB, January 2005.



Most Ontario Exporters are Small

The majority of Ontario businesses that trade are small. Businesses with less than 100 employees account for nearly one-third of the total value of exports, while both small and mid-sized firms combined account for 59% of Ontario's total export value.

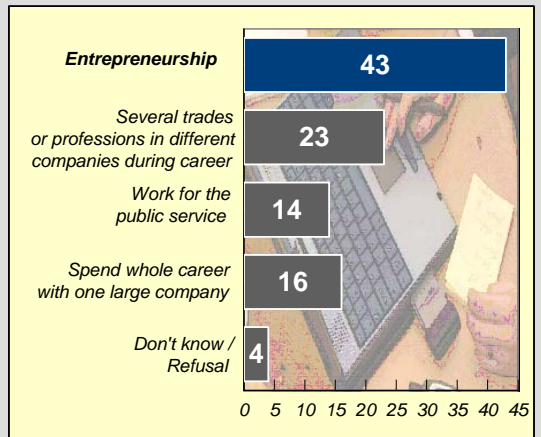
Establishments in Ontario make by far the greatest contribution to exports of all the provinces. Ontario generates \$175 billion in exports, which is nearly half (47.8%) of Canada's total export value.

Source: *Small business exporters: a Canadian profile*. Industry Canada, August, 2005. (Ontario Data)

Entrepreneurship Most Valued Career Path

Entrepreneurship is the leading choice (43%) for Ontarians as a rewarding career path. Starting a company or being self-employed beats the options such as working in several companies (23%), or for the public service (14%), or for one large firm (16%).

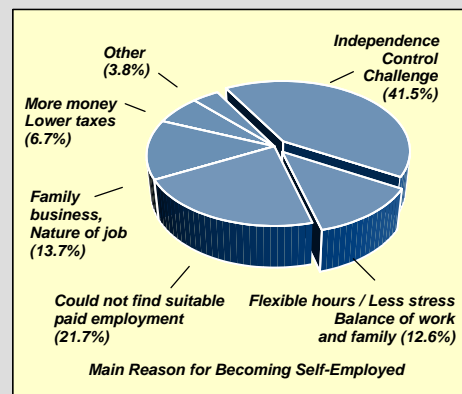
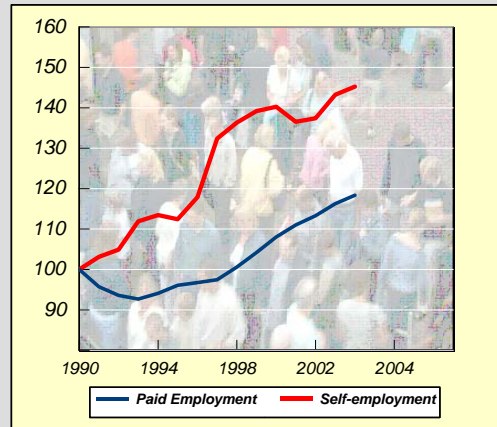
Source: Confidence of Canadians in Companies on Job Creation and Social Responsibilities - report, Léger Marketing, June 2005, Ontario Data.



Entrepreneurs Lead the Labour Market

Self-employment has outperformed paid employment and led the Ontario labour market. The number of self-employed Ontarians increased by more than 40% from 1990 to 2004. Although self-employment levels decreased between the years 1999 and 2001, it remains the prevailing growth force in the labour market.

Source: Statistics Canada, Labour Force Historical Review, 2003, Ontario Data.



Self-Employment Favoured For Right Reasons

Canadian entrepreneurs emphasize positive aspects of running a business as the main reason for being self-employed. While less than 22% of respondents are self-employed for lack of paid employment, close to 55% of entrepreneurs chose to be self-employed for reasons such as having independence and being able to balance work and family.

Source: Statistics Canada, Survey of Self-employment, 2000.

Note¹: “Businesses with no payroll employees” are those that do not have a CRA payroll deduction account. In that case, the business might be operated exclusively by the owner and/or family members and rely on contract workers.

Note²: The following industries are not included: agriculture, fishing and trapping, private household services, religious organizations and military personnel of defense services.