

Canadian businesses and jobs at risk due to COVID-19

Winter 2021 estimate

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Current business conditions

Since mid-March, governments across Canada have imposed severe restrictions on business/economic activity as part of their plans to fight COVID-19. While some restrictions have since been relaxed, most small businesses have not yet returned to normal staffing or sales levels. The latest [small business recovery dashboard](#) shows COVID-19 continues to impact activity at Canadian independent businesses. Only 47 per cent are currently fully open, with 36 per cent at or above normal staffing capacity and 22 per cent at or above normal revenues. Moreover, the recovery has halted recently due to second wave restrictions and lockdowns.

Business turnover

Under normal conditions, businesses enter and exit the economy. Statistics Canada data shows¹ that on average, business entries (starts) were about 141,000 each quarter between the fourth quarters of 2016 and 2019. Business exits (permanently closing) averaged roughly 126,000 per quarter. Net business creation over this period has been positive for every single one of the 13 measured quarters, averaging +15,000 (+1.3%). These pre-COVID numbers help put current business exits into perspective. No data are yet available in this series for 2020.

However, things significantly changed for Canadian businesses since then, with many currently struggling to survive. Statistics Canada recently developed an experimental estimate to track openings, closures and active businesses, based on whether or not they keep payroll.² While it is possible that businesses with no payroll will start operating again, this series show that in September 2020, approximately 7% fewer businesses had at least one employee in Canada, compared to September 2019. Businesses in Arts/Entertainment/Information (-13%), Accommodation/Food Services (-12%), Newfoundland and Labrador (-11%) and Ontario (-11%) were relatively more impacted.

¹ Statistics Canada. Table 33-10-0165-01 Quarterly estimates of business entry and exit, <https://doi.org/10.25318/3310016501-eng>

² Statistics Canada. Table 33-10-0270-01 Experimental estimates for business openings and closures for Canada, provinces and territories, census metropolitan areas, seasonally adjusted <https://doi.org/10.25318/3310027001-eng>

How many Canadian businesses are currently at risk of closing?

CFIB estimates that the number of Canadian businesses at risk of closing due to COVID-19 is now in the range of 71,000 to 222,000 (between 7% and 21% of all businesses). This estimate is an **update** of our first estimate released this summer.³ The wide range reflects high uncertainty business owners are still feeling about the future. **CFIB's mid-range estimate is 181,000 (17% of businesses, or one in six).**

The estimate of businesses at risk is on top of those that have already closed. Adding the -7% decrease in active businesses as of September 2020 measured by Statistics Canada and referenced in the previous section gets us even closer to a picture of the full potential impact of the pandemic on Canadian businesses. Although limited in scope (not covering the period since October), the data series shows that in September 2020, there were 58,000 fewer active businesses in Canada than in September 2019.

In other words, up to 239,000 businesses (58,000 + 181,000) could disappear in Canada because of COVID-19.

To estimate the proportion of businesses that are at risk of closing permanently, CFIB used results from a January 12-16 member survey where respondents were asked to what extent they agreed or disagreed with the following statement: "We are actively considering bankruptcy/winding down our business as a result of COVID-19". Projecting these results to all Canadian businesses allowed us to determine an estimate and a range around the estimate for businesses at risk across Canada, by province and by sector. The methodology, including how the range was determined, is more fully discussed in the appendix.

Detailed results of CFIB's estimates are presented in Table 1. For example, the first row of the table shows that the mid-range estimate for businesses at risk of closing in Newfoundland and Labrador is 2,992 businesses (18% of all businesses in the province). The table also provides a low and high-end range around the estimate.

Based on the survey results, Alberta and Ontario have higher percentages of businesses at risk of closure compared to the average, with 22% and 20%, respectively (about one in five) actively considering bankruptcy or winding down their business.

Industries most at risk include Hospitality (33%) and Arts/Recreation/Information (28%).

³ The summer mid-range estimate was 158,000 (14%, or one in seven). See full report: <https://www.cfib-fcei.ca/sites/default/files/2020-07/research-snapshot-businesses-at-risk-of-closing.pdf>.

TABLE 1

Projection of businesses at risk of closing due to COVID-19, Canada, winter 2021

	Low end estimate		Mid-range estimate		High end estimate	
	total businesses at risk	as a share of all businesses	total businesses at risk	as a share of all businesses	total businesses at risk	as a share of all businesses
Newfoundland and Labrador	1,499	9%	2,992	18%	4,478	28%
Prince Edward Island	406	7%	1,030	18%	1,259	22%
Nova Scotia	473	2%	2,783	11%	3,471	14%
New Brunswick	1,562	7%	3,846	18%	5,040	24%
Quebec	9,681	5%	23,441	11%	32,106	16%
Ontario	29,195	8%	74,561	20%	90,440	24%
Manitoba	2,122	6%	5,601	15%	6,645	18%
Saskatchewan	2,858	8%	6,483	17%	7,891	21%
Alberta	13,039	8%	34,498	22%	39,973	25%
British Columbia	10,223	6%	25,260	15%	30,042	18%
Territories	249	7%	632	18%	772	22%
CANADA	71,307	7%	181,127	17%	222,117	21%
Agriculture and Natural Resources	0	0%	4,241	6%	6,358	9%
Construction	5,973	4%	15,311	9%	20,995	12%
Manufacturing	2,399	5%	6,329	12%	8,165	15%
Wholesale	1,924	4%	6,197	12%	7,284	15%
Retail	6,105	6%	17,426	15%	22,251	20%
Transportation, Warehousing & Utilities	10,877	13%	22,743	25%	25,483	28%
Arts, Recreation & Information	3,895	12%	10,180	28%	12,250	33%
Finance, Insurance, Real Estate & Leasing / Enterprises & Administration Management	7,528	5%	19,632	12%	25,725	15%
Professional Services	7,819	5%	22,776	13%	27,059	15%
Hospitality	13,207	18%	28,083	33%	32,301	38%
Other Services	11,580	10%	28,209	23%	34,246	28%
CANADA	71,307	7%	181,127	17%	222,117	21%

How many jobs are in jeopardy in businesses at risk of closure?

Based on this estimate, CFIB derives a potential number of jobs at risk. To estimate the average number of jobs in businesses that are at risk of closing permanently, CFIB used results from a January 12-16 member survey. Respondents who agreed or were uncertain about the statement "We are actively considering bankruptcy/winding down our business as a result of COVID-19" were then asked to give the total number of positions that currently exist in their business, including filled and vacant employee positions, employees still tied to the business but not currently working (COVID-19, seasonal employees, etc.) and those of active business owners. Multiplying the number of businesses at risk by the average number of jobs gives an estimate of the total number of jobs at risk. The methodology is more fully discussed in the appendix.

CFIB estimates that the number of Canadian jobs in businesses at risk due to COVID-19 is now in the range of 962,000 to 2,951,000 (between 8% and 24% of all private sector jobs, or 5% to 16% of all employment). The wide range reflects high uncertainty business owners are still feeling about the future. **CFIB's mid-range estimate is 2,417,000 (20% of private sector jobs – about one in seven, or 13% of all employment in Canada).**

This estimate is on top of any permanent jobs losses that already materialized since the start of the pandemic.

Detailed results of CFIB's estimates are presented in Table 2. For example, the first row of the table shows that the mid-range estimate for jobs at risk in Newfoundland and Labrador is 39,965 (30% of all private sector jobs in the province). The table also provides a low and high-end range around the estimate.

Based on the survey results, Alberta (41%) and Hospitality (67%) have higher percentages of jobs at risk compared to the average.

TABLE 2

Projection of private sector jobs at risk due to COVID-19, Canada, winter 2021

	Low end estimate		Mid-range estimate		High end estimate	
	total jobs at risk	as a share of all priv. sect. jobs	total jobs at risk	as a share of all priv. sect. jobs	total jobs at risk	as a share of all priv. sect. jobs
Newfoundland and Labrador	20,318	15%	39,965	30%	59,828	44%
Prince Edward Island	5,503	13%	13,763	31%	16,822	38%
Nova Scotia	6,411	2%	37,169	13%	46,369	16%
New Brunswick	14,756	6%	35,797	15%	46,926	20%
Quebec	121,961	4%	290,934	10%	398,595	14%
Ontario	347,027	7%	873,176	17%	1,059,422	21%
Manitoba	39,455	10%	102,598	26%	121,755	31%
Saskatchewan	40,064	12%	89,551	27%	109,033	32%
Alberta	239,756	16%	624,998	41%	724,395	48%
British Columbia	123,586	7%	300,872	18%	357,936	21%
Territories	3,262	n/a	8,158	n/a	9,972	n/a
CANADA	962,099	8%	2,416,981	20%	2,951,053	24%
Agriculture and Natural Resources	0	0%	55,417	12%	82,937	19%
Construction	101,674	9%	265,208	23%	363,061	32%
Manufacturing	31,043	2%	83,345	5%	107,344	6%
Wholesale	15,321	2%	50,220	6%	58,928	7%
Retail	41,327	2%	120,027	6%	153,011	8%
Transportation & Warehousing	139,681	22%	297,170	46%	332,437	52%
Arts, Recreation & Information	76,766	8%	204,159	20%	245,281	24%
Finance, Insurance, Real Estate & Leasing / Enterprises & Administration Management	96,671	6%	256,523	17%	335,591	22%
Professional Services	64,603	5%	191,481	15%	227,115	18%
Hospitality	272,131	31%	588,822	67%	676,171	77%
Other Services	122,882	22%	304,609	54%	369,177	66%
CANADA	962,099	8%	2,416,981	20%	2,951,053	24%

Conclusion

Since mid-March, things have been far from business as usual in Canada. Many independent businesses continue to be negatively affected, with only 47 per cent fully open, 36 per cent at or above normal staffing capacity and 22 per cent at or above normal sales. **CFIB estimates that going forward 181,000 (17%) Canadian businesses and 2.4 M associated jobs (20% of all private sector jobs, or 13% of all employment in Canada) are at risk due to COVID-19,** numbers that do not include businesses that have already shut their doors and any permanent jobs losses that already materialized since the start of the pandemic.

The low range of CFIB's estimate for businesses at risk of closure is 71,000 and the upper end of the range is 222,000 (between 7% and 21% of all businesses). Sectors most at risk include Arts/Recreation/Information and Hospitality.

Factoring in businesses that became inactive since March according to Statistics Canada, up to 239,000 businesses in total could potentially disappear because of COVID-19.

The low range of CFIB's estimate for jobs in jeopardy in businesses at risk of closure is 962,000 and the upper end of the range is 2,951,000 (between 8% and 24% of all private sector employees). Sectors most at risk include Hospitality and a broad group including Social, Personal and Miscellaneous Services.

Appendix: Methodology

To estimate the proportion of businesses that are likely to be at risk, CFIB used preliminary survey results from a recent member survey (January 12-16, 2021). Respondents were asked to indicate their level of agreement with the statement: “We are actively considering bankruptcy/winding down our business as a result of COVID-19” (see Table A1 and Figures A1 and A2 below).

TABLE A1

“We are actively considering bankruptcy/winding down our business as a result of COVID-19” – Canada

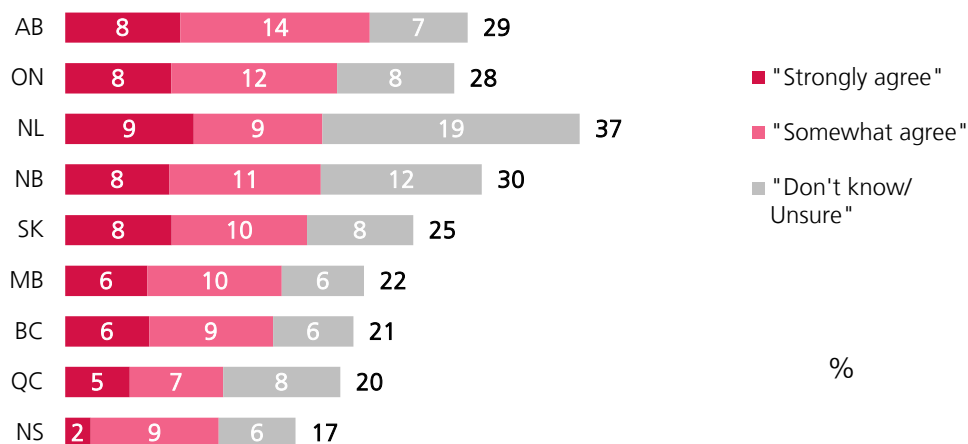
	n	%
<i>Strongly agree</i>	289	7.0%
<i>Somewhat agree</i>	445	10.8%
<i>Somewhat disagree</i>	431	10.4%
<i>Strongly disagree</i>	2,121	51.4%
<i>Don't know/Unsure</i>	331	8.0%
<i>Not applicable</i>	512	12.4%
<i>Total</i>	4,129	100.0%

Source: CFIB “Your Voice Survey – January 2021”, controlled-access online survey, preliminary results for January 12-16, 2021. The number of respondents for that question was 4,129. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of +/-1.5%, 19 times out of 20.

Note: numbers may not add up due to rounding

Figure A1

“We are actively considering bankruptcy/winding down our business as a result of COVID-19” – By province

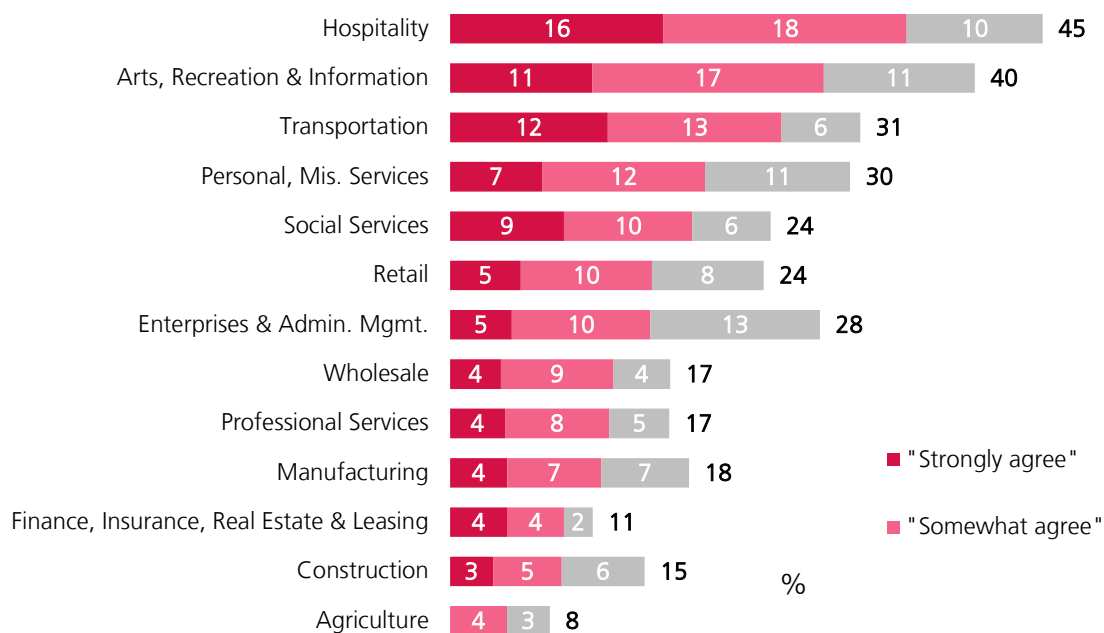


Source: CFIB, “Your Voice Survey – January 2021”, controlled-access online survey, preliminary results for January 12-16, 2021. The number of respondents for that question was 4,129. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of +/-1.5%, 19 times out of 20.

Notes: (1) provinces ranked according to the sum of “Strongly agree” + “Somewhat agree”
 (2) PEI not displayed here because the sample size is too small
 (3) numbers may not add up due to rounding

Figure A2

"We are actively considering bankruptcy/winding down our business as a result of COVID-19" – By industry



Source: CFIB, "Your Voice Survey – January 2021", controlled-access online survey, preliminary results for January 12-16, 2021. The number of respondents for that question was 4,129. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of +/-1.5%, 19 times out of 20.

Notes: (1) industries ranked according to the sum of "Strongly agree" + "Somewhat agree"
 (2) Natural Resources not displayed here because the sample size is too small
 (3) numbers may not add up due to rounding

Data for total business count

CFIB uses the survey results above to project an estimate of businesses at risk for the entire Canadian private sector. Statistics Canada data on businesses that are active employer businesses⁴ (1,140,960 as of Q4 2019) is the main source of data for estimating the private sector. Statistics Canada business location counts⁵ are used to estimate provincial/business size distribution because these breakdowns are not available for their data on active employer businesses. Statistics Canada Experimental estimates for business openings and closures⁶ are used to account for the drop in the number of active businesses since the beginning of the pandemic.

Estimate of all Canadian businesses at risk

The percentages from the CFIB survey described above are applied to the count of businesses that are active employer businesses. Some adjustments are made for province, industry and business size to reflect the differences between the composition of the CFIB membership and

⁴ See first footnote in this report.
⁵ Statistics Canada. Table 33-10-0267-01 Canadian Business Counts, with employees, June 2020, <https://doi.org/10.25318/3310026701-eng>
⁶ See second footnote in this report.

that of all Canadian businesses. Special industry groups are created to account for differences in industry classification between CFIB survey data and Statistics Canada data.

Three estimates are projected based on the responses to the statement "We are actively considering bankruptcy/winding down our business as a result of COVID-19":

- Low end estimate: applying only respondents who selected "strongly agree"
- Mid-range: "strongly agree" + "somewhat agree"
- High end: "strongly agree" + "somewhat agree" + 50% of the "don't know/unsure"

Although the ratio of net "agree" (n = 734) vs net "disagree" (n = 2,552) is about 1 to 3.5, the "don't know/unsure" group has been split into equal shares of net "agree" and "disagree" to reflect the notion of risk, which is linked to high uncertainty about the future right now.

Estimate of all private sector jobs at risk

Multiplying the number of businesses at risk by the average number of jobs (for each province and industry) gives an estimate of the total number of private sector jobs at risk.

To estimate the average number of jobs (for each province and industry) in businesses that are at risk of closing permanently, CFIB used results (n = 964) from a January 12-16 member survey. Respondents who agreed or were uncertain about the statement "We are actively considering bankruptcy/winding down our business as a result of COVID-19" were then asked the following question:

You indicated that bankruptcy/winding down your business due to COVID-19 might be a possibility going forward. If it were to happen, how many jobs would disappear along with your business?

(Please enter the number of filled/vacant *positions* that currently *exist* in your business, including those of *actively working* business owners. Include all people still tied to the business, whether or not they currently work due to COVID-19, seasonal reasons, etc. Exclude any positions that have already been permanently eliminated as of today due to COVID-19 or other reasons. Count any position as '1', no matter if it is full-time, part-time, etc.)

= current headcount (including active business owners) + vacant (not permanently eliminated) positions

Don't know/Unsure

The low end, mid-range and high end estimates derived for the number of businesses at risk are used to project low end, mid-range and high end estimates of the number of jobs at risk.

We use Statistics Canada Labour Force Survey data⁷ to calculate the share of jobs at risk relative to the number of private sector employees and self-employed employers, or to all employment. Key Small Business Statistics⁸ from Innovation, Science and Economic Development Canada are also used to estimate some of the intra-industrial business distribution because these breakdowns are not available online.

⁷ Statistics Canada, Table 14-10-0026-01, Table 14-10-0202-01 and Labour Force Survey custom tabulations.

⁸ Innovation, Science and Economic Development Canada, Key Small Business Statistics – November 2019, [https://www.ic.gc.ca/eic/site/061.nsf/vwapi/KSBS_Nov-2019_En_Final_5.pdf/\\$file/KSBS_Nov-2019_En_Final_5.pdf](https://www.ic.gc.ca/eic/site/061.nsf/vwapi/KSBS_Nov-2019_En_Final_5.pdf/$file/KSBS_Nov-2019_En_Final_5.pdf)

Estimate's scope

CFIB estimates may be conservative:

- They are on top of the extraordinary high (compared to typical years) -7% decline in the number of active businesses registered by Statistics Canada between the start of the pandemic and September (see discussion in 'Business turnover' section on the first page).
- Other business closures due to COVID-19 that already happened prior to mid-January are not included.
- CFIB members are usually more established businesses and therefore more resilient. There is also a "survivor" survey bias as CFIB membership ends when a business stops being active. Worryingly, this indicates high vulnerability even within the most resilient group of Canadian independent businesses.