



ONE YEAR OF COVID-19: 7 WAYS THE WORLD HAS CHANGED FOR SMALL BUSINESS

March 2021

CFIB

CANADIAN FEDERATION
OF INDEPENDENT BUSINESS

In business for your business.

Foreword

One year ago, restrictions and other measures put in place by governments to fight the pandemic started to hit Canadian businesses.

Lockdowns, capacity limits, travel bans and PPE obligations are just a few examples of how suddenly business conditions were turned upside down.

This report, based on exclusive CFIB data, shows how thousands of independent businesses in all regions and industries experienced the past 12 months and how it changed their reality.

We hope this 'story behind the storefront' will be as informative for you as it was for us at CFIB as we continue our work to make the road ahead less bumpy for small businesses.

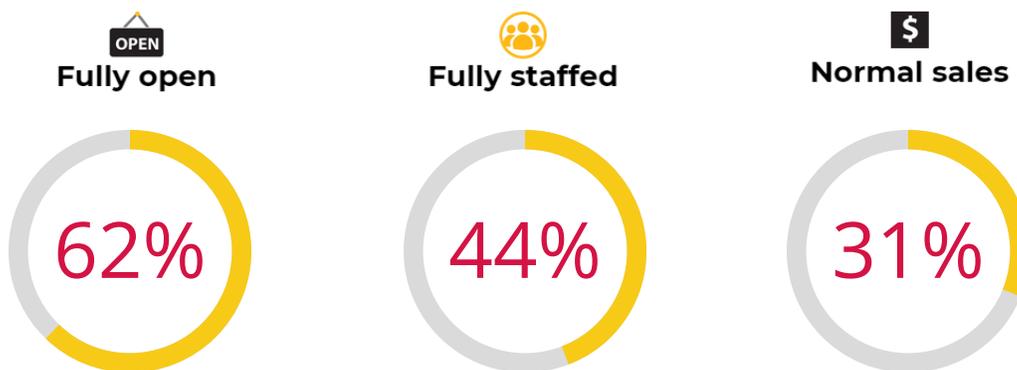


Laura Jones
Executive Vice-President
and Chief Strategic Officer

Impact: Three Core Metrics

Back in mid-March 2020, COVID-19 was largely unknown and spreading fast, leading governments to take bold and unprecedented public health measures to contain the virus. These measures, which significantly impacted businesses' capacity to conduct their usual operations, are still mostly in force today. Since the beginning of the pandemic, the Canadian Federation of Independent Business (CFIB) has been collecting data on business conditions almost in real time [1]. CFIB also started its Small Business Recovery Dashboard [2] to track the economic impact, based on three core metrics:

March 2021 – Canadian Small Businesses:



Source: CFIB, *Small Business Recovery Dashboard*, data as of 2021-03-09 [2]



only **11%**

of Canadian small businesses strongly agree that their provincial government has done a **good job handling lockdowns and business restrictions**

Source: CFIB, *Your Voice* – March 2021 survey [3]



28%

have seen their **sales drop** by half or more since mid-March 2020

Source: CFIB, *Your Voice* – February 2021 survey [4]



22%

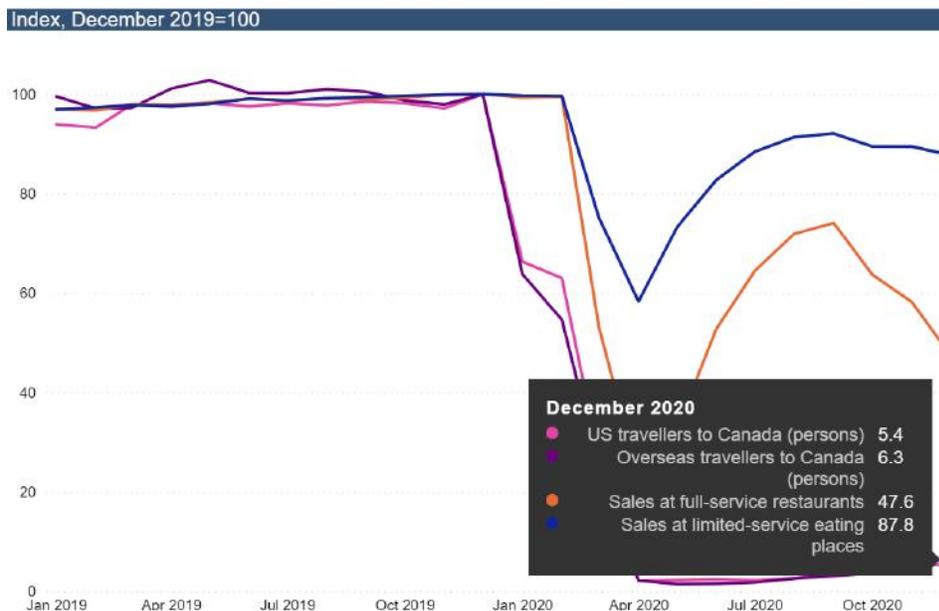
had, during the pandemic, to **permanently let go employees** they would have otherwise kept

Source: CFIB, *COVID-19 recovery survey* – November 2020 [5]

Takeaway #1 – The Rules Have Changed For Small Business

Lockdowns and restrictions have completely changed the business environment

After the first COVID-19 case was reported in Canada on January 25, 2020, business restrictions were very soon issued by the federal government (international travel: March 18 & 21, April 15) and by the provinces (restrictions on gatherings, capacity and non-essential services issued as soon as March 12 (NB) and up to April 3 (PEI)) [6]. The chart below shows the impact on activity has been immediate and dramatic:



Source:
Statistics Canada,
*Canadian Economic
Dashboard and COVID-19*

Restrictions, which were initially expected to last for two weeks, are still in place today, forcing small business owners to pivot and rethink how they do business. Plexiglass barrier shields, hand sanitizer at the door and face mask policy signs are the new normal.



The rotating lockdowns have hampered any ability to plan. We have a large winter stock that did not sell because we went into lockdown. Now we are trying to plan for summer with no money left and potentially entering another change to red status.
– Retail Business Owner, Ontario, March 2021

Wanted: Business Navigators

With the pandemic, the landscape has gone from tricky to incredibly challenging to navigate for most independent businesses. Countless legislative and regulatory changes, brand new major business support programs and a new labour reality mean that business owners must:

- Learn more about keeping their business open and developing a plan for dealing with COVID-19.
- Get the right information on financial aid programs such as CEBA, CERS, CEWS or work-sharing programs.
- Familiarize themselves with best practices for managing their employees and keeping them safe.

CFIB business concillors answered a record 78,000 member and non-member calls in 2020 from businesses seeking advice on how to navigate the business environment. Of those, about half were related to COVID-19, including 12,500 calls from non-members. This year is on track to be very busy as well. If you are a business owner, you can contact CFIB business councilors through our helpline at **1-888-234-2232** or at cfib.ca/covid19.

Takeaway #2 – Small Businesses Are Pivoting

Most have changed/will change their business model due to COVID-19

Unprecedented times call for unprecedented actions. That's why many entrepreneurs started seeing and doing things in an entirely different way over the past 12 months:



of business owners agree that their business model (what/how they sell) has already changed or will permanently and significantly change, due to the pandemic

Source: CFIB, *Your Voice* – March 2021 survey [3]

Everything from dance classes to therapy appointments went online. Craft distilleries started making hand sanitizer, restaurants changed their menus to accommodate take out, and face mask production became popular.



[Our business is a] home decor small business, 4 years old. Eclectic one of a kind [...]. Created a reputation of very unique shopping experience and destination. Pivoted many times during the last year... created an online store but the business model was always one of the customer experience while in the store.
– Ontario Business Owner, March 2021



at
least **152,000**

Canadian small businesses have
adopted eCommerce since the
start of the pandemic

Source: CFIB (2020), *Small Businesses' Experience
with eCommerce during the Pandemic* [7]



18%

will have a **smaller physical
footprint** (less square footage
owned/leased) this year, with
another 8% undecided

Source: CFIB, *Your Voice* – January 2021 survey [8]



25%*

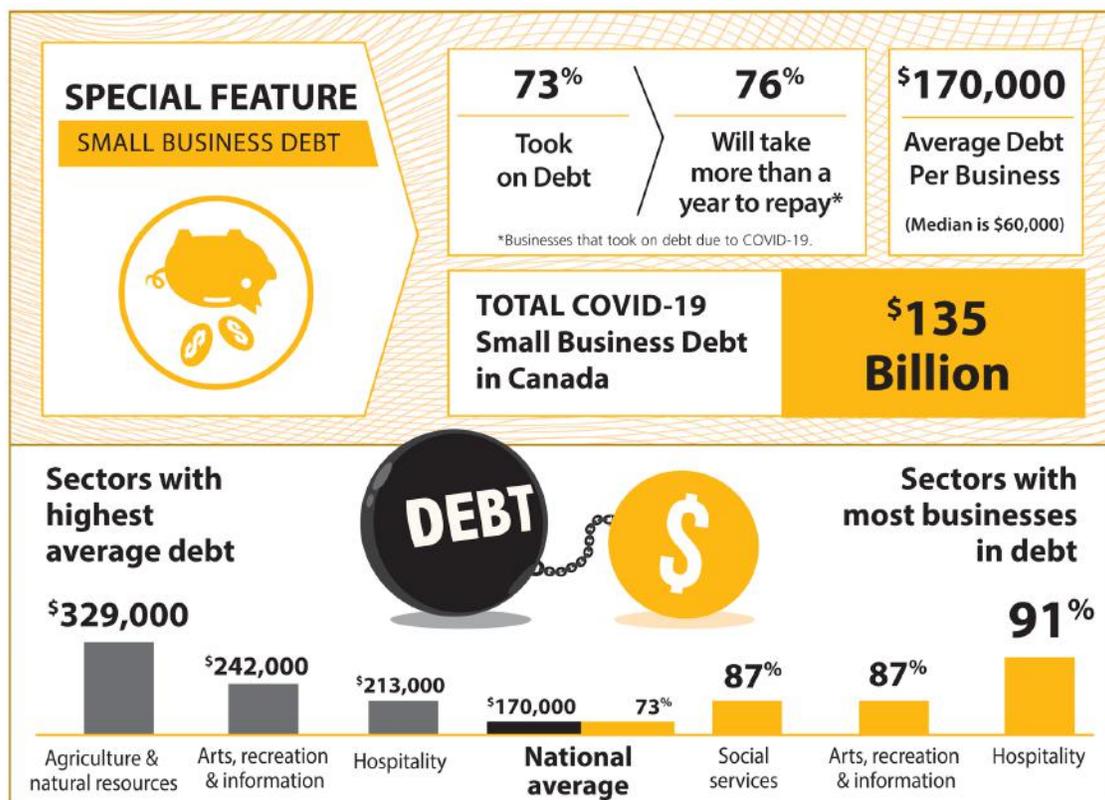
will have **more employees working
remotely** than before, even once
the pandemic is over, with another
6% undecided (*Note: for
businesses where it is applicable)

Source: CFIB, *Your Voice* – March 2021 survey [3].

Takeaway #3 – Sales and Profits Falling, Debt Soaring

A \$135-billion COVID-19 tab for Canada's small businesses

Many Canadian small businesses are in a risky financial situation right now, with an average debt per business of \$170,000, and this figure nearly doubling in some sectors:



Source: CFIB (2021), *Small business debt and profitability: The COVID-19 Impact* [9]



I am going to lose my business if the restrictions in Alberta aren't lifted soon. As it is, I have accumulated over \$90,000 in debt and that number keeps going up. It will take me years to pay it off.
— Hospitality Business Owner, Alberta, January 2021



4 in 10

**businesses say it will be
at least a year from now,
if not more, until they expect
to see normal profits**

Source: CFIB (2021), *Small business debt and
profitability: The COVID-19 Impact*, [9]



1 in 6

(181,000)

**Canadian businesses
are at risk of
permanent closure**

Source: CFIB (2021), *Canadian businesses and jobs
at risk due to COVID-19 – Winter 2021 estimate* [10]



1 in 5

(2.4 million)

**private sector jobs are at stake
in those businesses that are
at risk of permanently closing**

Source: CFIB (2021), *Canadian businesses and jobs at risk
due to COVID-19 – Winter 2021 estimate* [10]

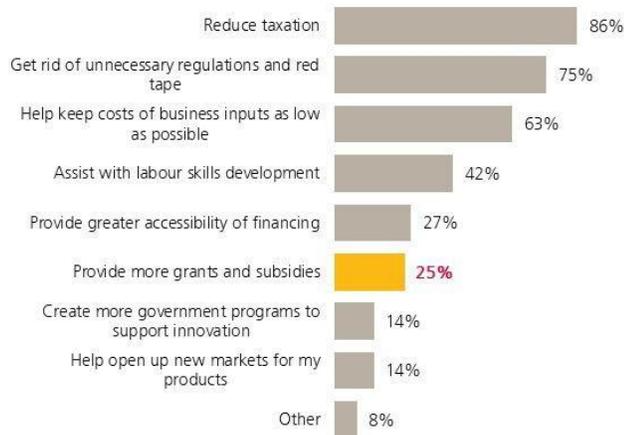
Takeaway #4 – COVID-19 Support Remains Critical

7 out of 10 businesses consider government supports critical to their survival in 2021

CFIB has surveyed Canadian entrepreneurs for almost 50 years and their message has been fairly consistent over decades and decades: general tax relief for all should be prioritized over business subsidies. But during the pandemic, businesses were locked down by governments in order to protect the public. They should not be on the hook for these costs.

2018

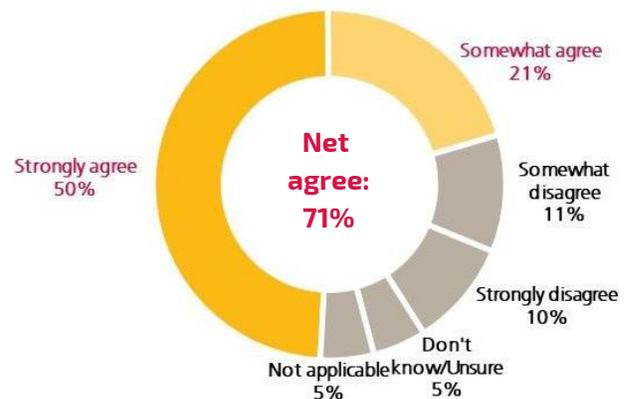
Measures most likely to help the business grow



Source: CFIB, 2019 federal election survey [11]

2021

"Government programs (like CEWS, CERS, CEBA or provincial small business relief programs) are crucial for our business survival in 2021"



Source: CFIB, Your Voice – January 2021 survey [8]



More needs to be done for the businesses that are new corporations or new businesses. Many of my clients are not being supported by COVID-19 relief and many small businesses are getting a lot of coverage while some are not getting any at all.
— Professional Services Business Owner, British Columbia, January 2021

Small Business Recommendations

Based on survey responses, CFIB is proposing a 6-point roadmap to recovery for small businesses for the 2021 Federal Budget:

- #1** **Extend and expand COVID-19 relief** for small businesses until the entire economy can reopen (including our borders) and small businesses can once again serve customers in person.
- #2** Put in place a **moratorium on any new costs** to small businesses. Any new programs and initiatives should be funded through general revenues rather than have the cost burden placed on small businesses. This includes any changes to social programs, new fees and taxes.
- #3** **Forgive more small business debt** and allow longer repayment terms for loans.
- #4** Introduce significant **hiring incentives** to help reunite employees and employers, as well as offset the cost of CPP/QPP increases.
- #5** Make **reducing red tape** a priority, including eliminating unnecessary regulations, putting things in plain language and simplifying forms and processes.
- #6** **Hold off on introducing consumer incentives** until small businesses can fully open and benefit.



45%

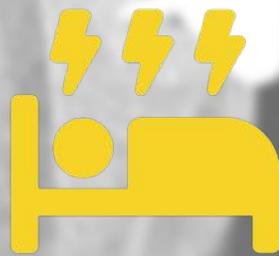
of business owners have had to work significantly longer hours as a result of the pandemic

Source: CFIB, COVID-19 Recovery Survey – November 2020 [5]



49%

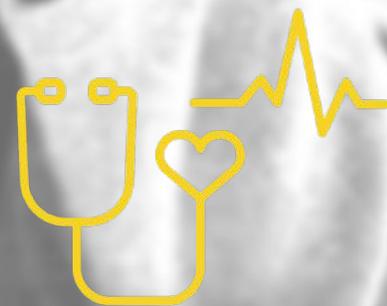
have been impacted by psychological health issues as a result of the pandemic



48%

of business owners mention overwhelming stress as one of their top worries

Source: CFIB, Your Voice – February 2021 survey [4]



49%

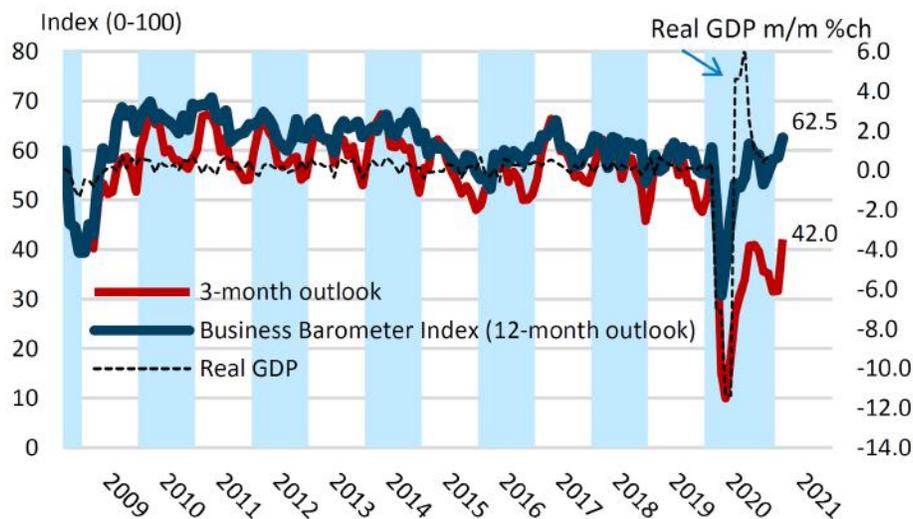
say physical health impacts (on themselves, their staff or others) is a top worry

Takeaway #6 – A Much Shorter Business Outlook

The way to interpret entrepreneurs' perspectives has changed

CFIB has been tracking small business owners' confidence on a monthly basis since 2008. In the past 12 months, CFIB's Business Barometer® [1] has revealed that the short-term and medium-term outlooks for Canadian entrepreneurs have started to diverge significantly:

Business Barometer Index, 3 and 12-month outlook — as of February 2021



Source: cfib.ca/barometer [1]

This recent decoupling between entrepreneurs' 3-month and 12-month expectations shows that while certain factors might improve the longer-term outlook (for example, vaccines), many are still very much focused on immediate threats to their business survival.



Ours is a seasonal business depending on travel and tourism. With virus variants and travel restrictions between provinces I expect much of the same as the summer of 2020. So keeping costs down just to keep the doors open.

— Hospitality Business Owner, Nova Scotia, February 2021

Takeaway #7 – Retirement Plans Are Being Re-Drawn

Business succession: Over a trillion dollars in asset transfers put on hold

In a 2018 research report [12], CFIB estimated that over \$1.5 trillion in business assets would be in play over the next decade, as nearly three quarters (72 per cent) of small business owners intended to exit their business. As of early 2021, it seems most of these plans have been shelved.



7 in 10

**business owners agree that
COVID-19 has changed their
thinking about how they plan to
retire/exit their business**

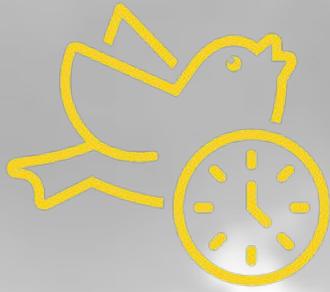
Source: CFIB, *Your Voice* – February 2021 survey [4]

Many business owners are delaying their retirement plans, and the majority feel that the value of their business has gone down because of COVID-19. This has major implications for the future of Canada's entrepreneurs and their families.



I was planning on retiring in 5 to 10 years and passing the business on to my children. Now I don't know if there is a business to pass on. I may be forced to "retire" my business and search for employment elsewhere. Lots of other business owners that I speak to are in a similar situation.

– Manufacturing Business Owner, Ontario, February 2021



5%

**of business owners
say they will retire **sooner**
because of COVID-19**

Source: CFIB, *Your Voice* – March 2021 survey [3]



42%

**of business owners say
they will retire **later**
because of COVID-19**

Source: CFIB, *Your Voice* – March 2021 survey [3]



57%

**estimate that the
value of their business
has gone down
as a result of the pandemic**

Source: CFIB, *Your Voice* – March 2021 survey [3]

Endnotes

1 - CFIB has been conducting monthly surveys on business conditions since 2008 (with increased frequency in Spring 2020). In addition, since March 2020, special weekly (then monthly) surveys have been conducted with members to monitor the unique situation.

More details at cfib.ca/barometer and cfib-fcei.ca/en/covid-19-surveys.

2 - See the latest results from CFIB's Small Business Recovery Dashboard at smallbusinesseveryday.ca/dashboard/

3 - CFIB, *Your Voice – March 2021 survey*, preliminary results for March 4-9, n = 3,351

4 - CFIB, *Your Voice – February 2021 survey*, February 4-28, 2021, n = 5,830

5 - CFIB, *COVID-19 Recovery Survey – November 2020*, November 20-December 11, 2020, n = 6,610

6 - Canadian Institute for Health Information, *COVID-19 Intervention Timeline in Canada*, www.cihi.ca/en/covid-19-intervention-timeline-in-canada [accessed 2021-03-04]

7 - MATCHETT, Taylor, Ashley ZIAĀ and Mandy D'AUTREMONT (2020), *Small Businesses' Experience with eCommerce during the Pandemic*, Canadian Federation of Independent Business, November, www.cfib-fcei.ca/sites/default/files/2020-11/Small-business-and-ecommerce-deck.pdf

8 - CFIB, *Your Voice – January 2021 survey*, January 12-31, 2021, n = 7,096

9 - MATCHETT, Taylor (2021), *Small business debt and profitability: The COVID-19 Impact*, Canadian Federation of Independent Business, February, www.cfib-fcei.ca/sites/default/files/2021-02/SME-Debt-and-Profitability.pdf

Endnotes

10 - GAUDREULT, Simon (2021), *Canadian businesses and jobs at risk due to COVID-19 – Winter 2021 estimate*, Canadian Federation of Independent Business, January, www.cfib-fcei.ca/sites/default/files/2021-01/Businesses-and-jobs-at-risk-due-to-COVID19.pdf

11 - CFIB, *2019 Federal Budget and Election Survey*, October 3-November 14, 2018, n = 6,615

12 - CRUZ, Marvin (2018), *Getting the transition right*, Canadian Federation of Independent Business, November, www.cfib-fcei.ca/sites/default/files/2018-11/Getting-the-transition-right-succession-planning-report.pdf

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About the author

Simon Gaudreault has been CFIB's Senior Director of National Research since 2018. He and his team are responsible for conducting research on a variety of economic, commercial, political and social issues affecting Canadian SMEs.

Since joining CFIB in 2011 as an economist, Simon has authored or co-authored several reports and submissions on a wide range of topics, including local economic development, taxation, labour policy and municipal issues.

Simon holds an Honours BA in Economics from the University of Ottawa and an MSc in Economics from l'Université du Québec à Montréal.

About CFIB

The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 95,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings. Learn more at cfib.ca.