

## Re-evaluate the Definition of Small Business

### Issue

The federal government's definition of small businesses (1- 99 employees) is too broad. A formal definition for businesses with fewer employees is required to address the challenges and barriers these businesses face. These smaller businesses make up our small towns and villages throughout rural Canada, or create that small-town community within large urban centres. When the federal or provincial/territorial governments address "small business" concerns, in many cases the solutions are not practical for the smallest of businesses. They often don't have management or human resource departments to take advantage of grants, skills development programs or navigate government websites, regulations and red tape. Provincial/territorial governments use the current federal small business definition of 1 - 99 employees. With a new designation - or designations - for businesses fewer employees, opportunities will arise at the provincial/territorial level to advocate on their behalf.

Efforts must be made to provide programs and support that address the needs of very small businesses. In addition, data collection from this group would provide a more accurate picture of how they contribute to the Canadian economy.

### Background

According to the Key Small Business Statistics - June 2016, "While it is well understood that small businesses make up nearly the entirety of all firms, just how small these firms are is not common knowledge. Of the 1,167,978 employer businesses active in Canada, micro-enterprises (firms with 1 to 4 employees) constitute 54.1% of all private employers, which is the largest SME group. If the groups of employer businesses with 5 to 9 and 10 to 19 employees are included, they account for 86.2% of employer businesses." *Source - Statistics Canada, Business Register, December 2015.*

The report goes on to say "...the contribution to net employment change between 2005 and 2015 (1.2 million jobs) was 87.7% attributable to small businesses. Medium-sized and large businesses, which account for 1.8% and 0.3% of all firms, respectively, created just 7.7% and 4.6% of net new jobs over the same period." *Sources: Statistics Canada, Labour Force Survey; and Innovation, Science and Economic Development Canada calculations.*

Acknowledging these major contributors to Canada's business demographic is vital to the Canadian economy, job creation, effective programming and data analysis that gives us an accurate picture of what is really happening in "small business" in Canada.

If the federal government were to take the lead and identify this category of businesses, it would open the door for the provinces/territories to follow suit and take the necessary steps to address issues, challenges and seek solutions for them.

### Recommendations

That the federal government re-evaluate the existing business categories identified by number of employees to determine if the current definition of small business is accurately reflected by fewer than 100 employees.