

# Self-employment activity of rural Canadians

by Valerie du Plessis and Melissa Cooke-Reynolds

Self-employment is more common in rural than urban Canada. In 2001, about one in four workers in rural areas, villages and small towns earned at least some of their income from self-employment, compared with only one in six in Canada as a whole.

Of course, farming is a key element explaining high self-employment rates in rural and small town Canada. But although farm self-employment remains a key source of income and employment for many, its importance has declined and self-employment activity on the non-farm side has been increasing rapidly.

Other, less well-understood characteristics that also influence self-employment include "metro-adjacency" and low population density. Simply put, greater distances from larger urban centres mean there is less access to the jobs, markets and employment-related services that tend to be concentrated in bigger towns. Thus, researchers suggest, some rural workers may be self-employed out of necessity, because paid employment or job choice is lacking, whereas others may see an opportunity to provide products and services that their

community would not offer otherwise.<sup>1,2</sup> As well, the low population density of smaller towns and villages may produce greater levels of self-employment due to scale. Because local businesses employ fewer people, the ratio of self-employed entrepreneurs to their paid workers is higher than it would be in cities, where every law office, restaurant, retail store and trucking company would have a larger workforce.

The forces driving self-employment in smaller labour markets may be complex, but there

is no doubt that entrepreneurship is thriving in rural Canada, despite the waning importance of farm self-employment. This article uses data from the Census of Population to describe non-farm self-employment among workers aged 20 to 64 living in Canada's rural areas and small towns. Because it is not uncommon to hold more than one job,<sup>3</sup> this article uses the concept of self-employed *activity* rather than *job* to identify workers who earn at least some of their income from self-employment.



## **GST** What you should know about this study

This analysis is based on data from the 1981 to 2001 Censuses of Population. The age group 20 to 64 was selected because this group tends to have a stronger attachment to the labour market than workers under 20 or over 64; in fact, it represented 92% of all workers aged 15 and over in Canada in 2001. Data about the respondent's job or business refer to the week prior to the Census, while sources of income data refer to the previous year. However, this does not affect the rate of self-employment or the contribution of self-employment to the worker's income. The Census collects self-employment income in two categories only: net farm income and net non-farm income from an unincorporated business or professional practice. However, if self-employed working owners of an incorporated business reported that it was their main job, they were included in this study.

**Self-employment activity** includes all workers who are self-employed in their main job, as well as employees who reported earning self-employment income from a farm, unincorporated business or professional practice on their Census questionnaire. Those earning income from an

incorporated business outside their main job could not be included because this type of income is not itemised by the Census.

**Self-employed workers:** Working owners of incorporated or unincorporated businesses, with or without paid help, and individuals working without pay for a relative in a family business or farm.

**Main job:** For a person with more than one job, the main job refers to the job at which he or she worked the most hours.

**Rural and small town (RST) labour market:** The labour market that exists *outside* the main commuting zones of larger urban centres of 10,000 or more people.

**RST small towns:** Towns and villages in the RST labour market with populations of 1,000 to 9,999 people.

**RST rural areas:** The RST labour market *outside* small towns and villages of 1,000 or more people.

**Larger urban centres:** The combined populations living in census metropolitan areas (CMAs) and census agglomerations (CAs).

### **Self-employment activity is most common in rural areas**

About 2.5 million workers aged 20 to 64 were living in Canada's rural and small town (RST) labour market in 2001. They comprised 1.6 million workers living in rural areas, and 840,000 in small towns and villages. Twenty-three percent of these workers engaged in at least some self-employment activity, compared with the Canada average of 16%.

Within the RST labour market itself, though, the rate of self-employment activity was almost twice as high for workers in rural areas as in small towns — 28% versus 15%. The principal reason for this

difference is farming, which is dominated by self-employment and is concentrated in the rural countryside. But proportionally more workers in rural areas are now engaged in non-farm than farm self-employment activity — 16% versus 12% in 2001 — representing a major shift since the early 1980s.

Small towns have not been so reliant on farming jobs, and farm self-employment activity rates remained below 2% during the study period from 1981 to 2001. However, this part of the RST labour market also recorded a rise in non-farm self-employment activity from 11% to 14% in 2001.

### **Who are the non-farm self-employed in RST Canada?**

In some respects, they are really no different than workers engaged in self-employment activity on the farm. Nine in 10 self-employed RST workers lived with their immediate family (that is, spouse and/or children) whether their work was done on or off the farm. Interestingly, farming families were marginally more likely to include children: 57% compared with 53% of non-farm self-employed workers lived with their spouse (or common-law partner) and their children. Of those workers who did not live with family, most were living alone.

On the other hand, non-farm self-employed workers are significantly better educated. Sixty per cent had at least some education beyond high school, compared with 47% of

workers self-employed on the farm. This gap may reflect the age distribution of people in farming.<sup>4</sup> In fact, people self-employed on the farm were more likely to be in their

50s or early 60s — almost 39% compared with 33% of non-farm self-employed workers.

One-third of non-farm self-employed workers in the RST labour market were new to the area. According to the 2001 Census, some had moved from a larger urban centre (12%) or another RST area (7%) within the past five years, while 14% had moved within the RST labour market itself. In contrast, only 16% of people self-employed in farming had changed addresses.

### Highest growth in non-farm self-employment is among older workers

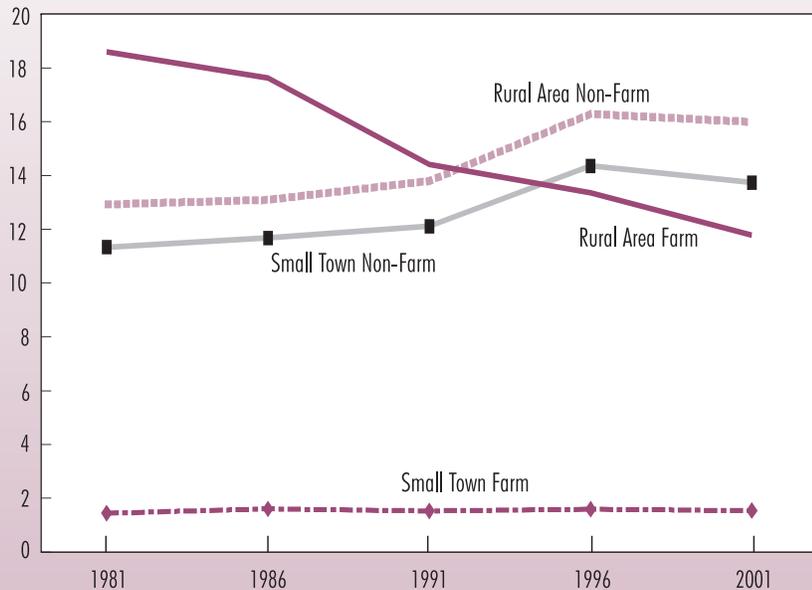
Men and women in their 50s and 60s have been at the forefront of the shift to non-farm self-employment. In rural areas, they experienced greater increases in non-farm self-employment activity than workers in younger age groups. (Concurrently, they reported greater losses on the farm side.) Between 1981 and 2001, non-farm self-employment rates for men aged 50 to 64 increased from 16% to 23%, while rates for younger men remained flat. And although rural women in every age group recorded gains, those aged 50 to 64 experienced the greatest increase, with non-farm self-employment rates rising from less than 12% to 17% over the period.

In the workforces of small towns and villages, it is also older workers who have recorded the greatest gains. Among workers aged 50 to 64, non-farm rates increased from 17% to 22% for men and from 9% to 16% for women. The growth experienced by women under age 50 was much smaller, while rates for younger men declined slightly over the period.

Although high growth in non-farm self-employment among older workers is consistent with the national trend, in RST areas affected by the decline in farming, it may also speak to falling demand for farm labour. It is possible that some workers in their 50s and 60s started non-farm businesses after retiring from

## GST More rural workers were engaged in non-farm than farm self-employment activity by the mid-1990s

% of RST workers aged 20 to 64 engaged in self-employment activity



Source: Statistics Canada, Censuses of Population, 1981-2001, custom tabulation.

## GST Self-employment activity is most common in rural areas

	Canada	Rural and small town areas		
		Total	Rural areas	Small towns
'000s				
<b>All workers (aged 20-64)</b>	13,522	2,500	1,660	840
% of all workers				
<b>All self-employment activity</b>	16	23	28	15
Self-employed in main job	13	19	22	12
Income from self-employment	3	5	6	3
<b>Non-farm self-employment activity</b>	14	15	16	14
Self-employed in main job	11	13	14	12
Income from self-employment	2	2	3	2
<b>Farm self-employment activity</b>	2	8	12	2
Self-employed in main job	1	6	8	1
Income from self-employment	1	3	3	1

Source: Statistics Canada, Census of Population, 2001, custom tabulation.

farming, or in addition to their regular farming operations.<sup>5</sup> Switching careers would be entirely feasible since many of the skills required in modern-day farming, such as

computer operation and business management, as well as the type of equipment and facilities farmers own, are generally transferable to other industries.<sup>6,7,8</sup>

### Why is non-farm self-employment activity growing?

A variety of reasons account for the steady rise in non-farm self-employment while farm self-employment falls. Among them is the fact that the number of census farms has declined and that productivity is higher among those operations that remain. Both factors reduce the requirement for farm labour. But according to a 2002 Statistics Canada study, another element should also be taken into account: the sharp rise in demand for non-farm labour that provided more off-farm employment opportunities, especially for farmers' spouses, during the late 1990s.<sup>9</sup>

The 2001 Census data support this suggestion. Only 69% of RST workers engaged in self-employed farming activity said that farming was in fact their main job. This indicates that many workers in rural and small town labour markets found there was something to be gained working off the farm.

### Most non-farm self-employed workers operate businesses in the service sector

Where are self-employed people in rural and small town Canada finding non-farm business opportunities? Although the majority have carved out niches in the service sector, fully 29% are operating businesses in the goods sector.<sup>10</sup> This is a substantially larger proportion of the self-employed workforce than in Canada as a whole (21%) and reflects mainly a greater concentration of self-employed workers in the forestry, fishing and hunting industries. Like farming, these are primary industries whose activities are based in the rural countryside and are characterized by a high incidence of self-employment.

A smaller share of the non-farm self-employed RST workforce has built businesses in the services sector — 71% compared with 79% nationally — reflecting lower demand for this kind of work outside urban centres. For example, in 2001, only 17% of self-employed persons in the RST

## GST Are self-employed workers running businesses in the city?

At the same time that rates of non-farm self-employment activity have been growing in rural and small town Canada, people have been moving into these areas. A 2002 Statistics Canada study documents the migration into rural areas throughout the 1970s, 1980s and into the 1990s. Specifically, the study notes the "small but noticeably higher rate" of RST in-migration among the 55 to 64 age group.<sup>1</sup>

Of course, one of the attractions of self-employment is the freedom to choose one's place of work. In the era of the Internet and telework, many potential entrepreneurs may dream of working from home. One must therefore ask if some of the growth in non-farm self-employment, especially among those workers aged 50 to 64, can be attributed to people who live in the country but actually conduct their business in larger urban centres.

According to the 2001 Census, about 12% of non-farm self-employed RST workers were recent arrivals, that is, they had been living in an urban centre five years before (1996). Proportionally more had moved from the city to small towns (13%) than to rural areas (11%). One in 10 were actually running their businesses in the city, but fewer from small towns were commuting into the city to work (7% versus 11% living in RST rural areas). This probably reflects entrepreneurs who moved to the rural countryside but commute back and forth to larger urban centres to work.

1. Rothwell, N., R.D. Bollman, J. Tremblay and J. Marshall. March 2002. "Migration to and from rural and small town Canada." *Rural and Small Town Canada Analysis Bulletin* 3, 6 (Statistics Canada Catalogue no. 21-006-XIE).

### One in 10 RST workers engaged in self-employment activity run their business in the city

Residence in 2001	Total ('000s)	% working in a larger urban centre	% residing in a larger urban centre in 1996
Workers aged 20-64 engaged in non-farm self-employment activity			
<b>RST Total</b>	380	10	12
Men	233	10	11
Women	147	10	13
<b>Small towns</b>	115	7	13
Men	68	8	12
Women	48	6	13
<b>Rural areas</b>	265	11	11
Men	165	11	11
Women	100	12	13

Source: Statistics Canada, Census of Population, 2001, custom tabulation.

labour market were working in producer services, compared with 27% in Canada as a whole. On the other hand, proportionally more were working in distributive services, suggesting that self-employed RST workers have found demand for their skills in those industries.

Looking at self-employment rates within each individual industry enriches the story further, because it identifies whether individuals operating small business are helping to meet the needs of the market. The RST non-farm self-employment rate is considerably higher than the national average in the following industries: wholesale and retail trade;

transportation and warehousing; business, building and other support services; information, culture and recreation services; accommodation and food services; and other services.<sup>11</sup> These are areas of the economy that might easily lend themselves to exploitation by local entrepreneurs since they are largely dependent for their success on intimate knowledge of the area, its markets and its development potential. Furthermore, each of these sectors can be served by smaller firms, meaning that the ratio of self-employed owners to paid workers would be higher in these industries.

### Majority of non-farm self-employed earn their main living operating their business<sup>12</sup>

Over half — 53% — of self-employed non-farm workers in rural and small town Canada earn at least 75% of their income from their own unincorporated business. This is somewhat lower than the national figure of 57%. However, the overall figure masks the fact that average earnings can vary substantially, depending on the industry in which an individual works. Self-employed workers in producer services, for example, have much higher average earnings relative to those in “other services” or the goods sector.<sup>13</sup>

As is the case among paid workers, a gap in earnings exists between women and men. Men running an unincorporated business were considerably more likely to earn more than three-quarters of their total income from non-farm self-employment: on average, 58% of men compared to 47% of women in the RST labour market. There are many reasons why women generally earn less than men from self-employment, among them the fact that women more typically work in lower-paying industries; they more often work part-time, especially in rural and small-town Canada; and they are much less likely than men to employ paid workers, which is generally associated with larger enterprises and higher income.<sup>14</sup>

### Summary

Self-employment has always been more common in rural and small town Canada than in larger urban centres. This has historically been due to the effect of farming, but it remains true as the importance of the non-farming economy strengthens. During the past two decades, non-farm self-employment activity has become increasingly important as a source of employment and income.

**CST Rates of non-farm self-employment in distributive services and producer services are higher in RST labour markets**

	Canada	Rural and small town areas		
		Total RST	Rural areas	Small towns
<b>Self-employed as % of non-farm employment (aged 20-64)</b>				
<b>All non-farm industries</b>	12	14	15	12
<b>Goods sector</b>	11	13	15	9
Forestry, fishing and hunting	26	29	32	20
Mining, oil and gas extraction, utilities	4	6	8	5
Construction	26	29	30	26
Manufacturing	5	5	7	4
<b>Services sector</b>	12	14	15	13
Distributive services	11	16	17	13
Wholesale trade	9	12	13	10
Retail trade	12	17	18	14
Transportation and warehousing	13	17	19	14
Producer services	19	23	25	21
Finance, insurance, real estate and leasing	9	11	11	9
Professional, scientific and technical	27	34	36	32
Business, building and other support	19	28	30	25
Social, cultural and professional services	9	11	12	10
Educational services	3	3	3	3
Health, care and social assistance	11	9	8	10
Informational, cultural and recreational	14	19	21	15
Accommodation and food services	10	16	18	13
Other services	23	32	34	29

Source: Statistics Canada, Census of Population, 2001, custom tabulation.

Older workers have been at the forefront of these changes, reporting the greatest increases in rates of non-farm self-employment and, on the farm side, the greatest losses.

In 2001, about one-third of non-farm self-employed workers in the RST labour market operated businesses in the goods sector. However, fully two-thirds of non-farm business owners worked in the service sector, with high representation in the distributive services and other services industries.

A slim majority of RST entrepreneurs running an unincorporated business earned at least three-quarters of their annual income from self-employment in 2000, with men more likely than women to be making their main livelihood running their own business.



**Valerie du Plessis** is a project officer with the General Social Survey, Housing Family and Social Statistics Division, and **Melissa Cooke-Reynolds** is research assistant for the Canadian Health Measures Survey, Statistics Canada.

1. Freshwater, D. 1997. "Policy alternatives for stimulating rural employment" in *Rural Employment – An International Perspective*. R.D. Bollman and J.M. Bryden (eds.). New York: CAB International in association with the Canadian Rural Restructuring Foundation. p. 353.
2. Findeis, J.L., L. Jenson, and G. Cornwell. 1997. "Rural employment alternatives: Wage work versus self-employment among rural households" in Bollman and Bryden (eds.). p. 286.
3. About 5% of workers held more than one job in 2001; this rate of multiple jobholding has been fairly stable since 1987. Marshall, K. April 2002. "Duration of multiple jobholding," *Perspectives on Labour and Income* 3, 4 (Statistics Canada Catalogue no. 75-001-XIE): 5-11.
4. Generally speaking, the average age of farmers has been climbing over the last two decades. The median retirement age is now 66, compared with 62 years for the overall workforce. Bowlby, G. February 2002. "Farmers leaving the field." *Perspectives on Labour and Income* 3, 2 (Statistics Canada Catalogue no. 75-001-XIE): 13-18.
5. *ibid.* In 1998, people employed in agriculture reported one of the highest multiple job-holding rates of any industry – 15% held another job off the farm.
6. Statistics Canada. Autumn 1997. "The self-employed as employers." *Labour Force Update* 1, 3 (Statistics Canada Catalogue no. 71-005). p. 12.
7. In 1998, over half of farmers who held multiple jobs worked in transportation and warehousing, manufacturing, retail and wholesale trade, health care and social assistance, or educational services. Bowlby. 2002.
8. Reimer, B. 2000. "IWG—self-employment component II: statistics summary." *A Report for the New Rural Economy Project of the Canadian Rural Restructuring Foundation*. Montréal: Concordia University. p. 8.
9. Bowlby. 2002.
10. The Census provides information about the type of industries in which people are self-employed in their main job. This definition is somewhat more limited than the concept of self-employment activity used earlier in this article, but it remains very useful.
11. The industry category "other services" includes car repair and maintenance, repair of household goods, personal care services, funeral services, laundry and dry cleaning, and pet care, as well as services provided by non-government organizations.
12. Census information about income from non-farm self-employment activity is not complete because respondents report only net income from any unincorporated businesses they operate. Income earned from incorporated businesses, which generally report higher revenues, is excluded, meaning that the estimates may be biased downward. Nevertheless, data are available for 65% of rural and 59% of small town non-farm self-employed workers who engaged in non-farm self-employment activity in 2000.
13. Statistics Canada. 1997. p. 31.
14. Hughes, K.D. 1999. "Gender and self-employment in Canada: Assessing trends and policy implications." CPRN Study No. W/04. Ottawa: Canadian Policy Research Networks.