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Labour Statistics at a Glance

Self-employed Canadians: Who and Why?

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Table of contents

Highlights	4
Introduction.....	4
Self-employment in Canada: Historical summary	5
Reasons for being self-employed.....	7
Conclusion	10
Data source and definitions	10

Self-employed Canadians: Who and Why?

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Highlights

- In 2018, 2.9 million Canadians were self-employed, up from 1.2 million in 1976. Self-employed workers accounted for 15% of total employment, up from 12% four decades earlier. The highest self-employment rate was in British Columbia.
- Self-employment rose in professional, scientific and technical services, while it fell in agriculture, reflecting changes over time in the industry composition of employment.
- One-third of self-employed workers cited independence, freedom, being one's own boss as the main reason they were in self-employment. Nature of the job was the second most common reason for being in self-employment.
- For self-employed workers of all age groups, independence and freedom was paramount—particularly for those aged 55 or older.
- More women than men indicated that work-family balance and flexible hours were top reasons motivating their self-employment.

Introduction

Self-employment is a major aspect of labour-market activity and can be an important source of employment growth. While increases in self-employment have sometimes been linked to economic downturns, there appears to be no evidence that economic necessity is a significant factor in “choosing” this type of work arrangement.¹ In fact, “changes in the self-employment rate are more likely driven by structural factors in the economy, such as changes in the age [structure] of the population and increasing importance of certain industrial sectors [which are more amenable to self-employment than] others, rather than business cycle variation.”²

Data from the Labour Force Survey (LFS) show increases in self-employment during 2007 and 2008—peak years of the most recent pre-recession labour market—that exceeded growth in the number of employees. Yet, the number of self-employed workers also rose in 2009—a recession year—as the number of employees fell. During the last decade, the rate of self-employment—that is the number of self-employed workers as a share of total employment—has been stable, hovering around 15%.³

Circumstances and motivations of being one's own boss differ, mirroring the complex dynamic of the labour market. Indeed, one may be “pushed” into self-employment when the labour market deteriorates and the number of employees declines. However, when the number of employees grows, but self-employment also grows and does so even faster, this might suggest that individuals are being “pulled” into self-employment.⁴

This study presents a historical profile of self-employed workers over a four-decade-period, from 1976 to 2018. It also describes results from a recent supplement to the September 2018 LFS which probed on the reasons motivating workers to be self-employed in their main job. This was the first time that the LFS collected data on the reasons for self-employment. (See *Data source and definitions*.)

1. Christopher Dawson, Andrew Henley and Paul Latreille. Why do individuals choose self-employment? Forschungsinstitut zur Zukunft der Arbeit - Institute for the Study of Labour. IZA discussion paper No. 3974. January 2009.

2. Philip S.J. Leonard, J.C. Herbert Emery and James Ted McDonald. Push or Pull into Self Employment? Evidence from Longitudinal Canadian Tax Data. New Brunswick Research Data Centre. August 2017.

3. For text readability, proportions are rounded when possible or necessary, while rates of change are presented with a decimal point.

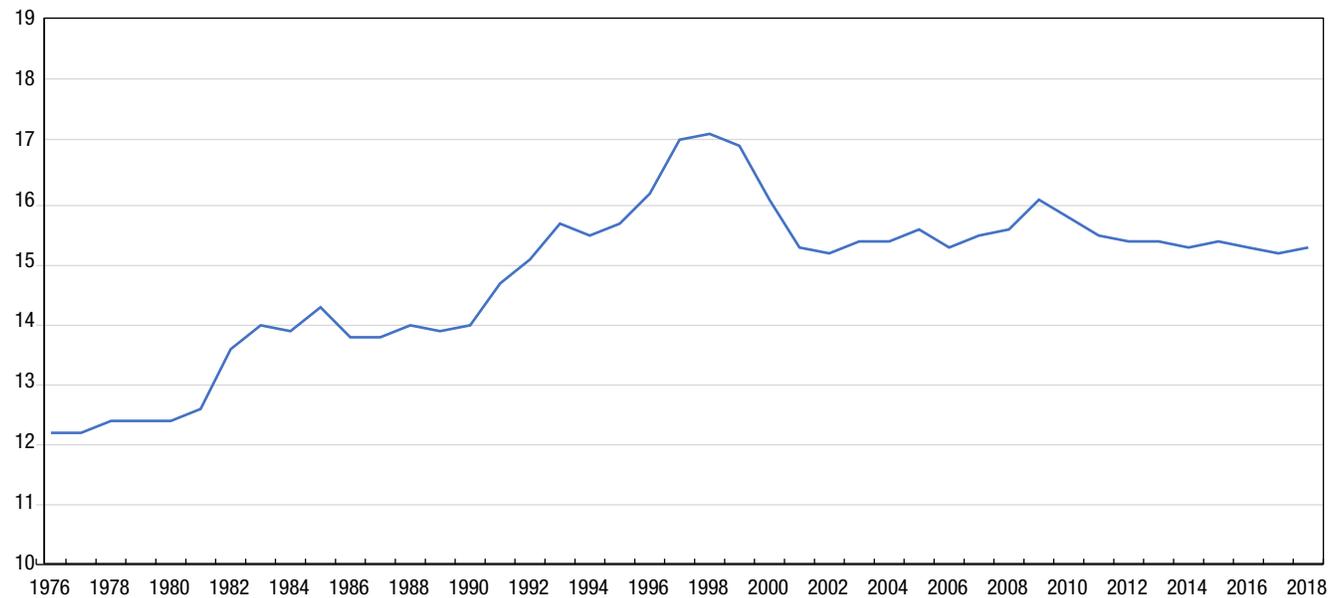
4. Nadja Kamhi and Danny Leung. Recent developments in self-employment in Canada. Bank of Canada. Working Paper 2005-8.

Self-employment in Canada: Historical summary

In 2018, 2.9 million Canadians were self-employed, up from 1.2 million in 1976. Their proportion of total employment rose from 12% to 15% over the four-decade period (Chart 1). Among all self-employed workers, those who were incorporated (with or without paid help) made up 46% in 2018, up from 21% in 1976. At the same time, the share of those who were unincorporated (with or without paid help) fell from 68% to 53%, while the share of unpaid family workers dropped from 11% to 1%.⁵

Chart 1
Self-employment rate at stable levels in last decade, Canada, 1976 to 2018

self-employed as a proportion of total employment (percent)



Source: Statistics Canada, Labour Force Survey.

British Columbia was the province with the largest prevalence of self-employment in 2018, with 18% of its employed population working as self-employed in their main job; this was up from 12% in 1976 (Table 1). In Saskatchewan, too, the proportion of self-employed workers (17% in 2018) was higher than the national average. However, this was 12 percentage points lower than in 1976, reflecting changes in the industry composition in the province. Indeed, the share of agriculture (an industry characterized by a high prevalence of self-employment) in Saskatchewan's total employment fell from 25% in 1976 to 7% in 2018.

5. The decline in unpaid family workers reflects the overall decline in agriculture employment.

Table 1
Self-employment rate in 2018 higher in Western Canada, Ontario and Prince Edward Island

	2018	1976
	percent	
British Columbia	17.9	12.0
Saskatchewan	17.4	29.2
Alberta	17.2	18.1
Ontario	15.5	10.5
Canada	15.3	12.2
Prince Edward Island	15.3	20.0
Manitoba	14.2	13.9
Nova Scotia	13.3	10.6
Quebec	13.3	10.0
New Brunswick	11.2	10.6
Newfoundland and Labrador	8.6	12.0

Source: Statistics Canada, Labour Force Survey.

While men make up the majority of self-employed (62%) in 2018, women's share increased from 26% to 38% over the last four decades. This increase mirrors women's growing participation in the labour market over this time period.

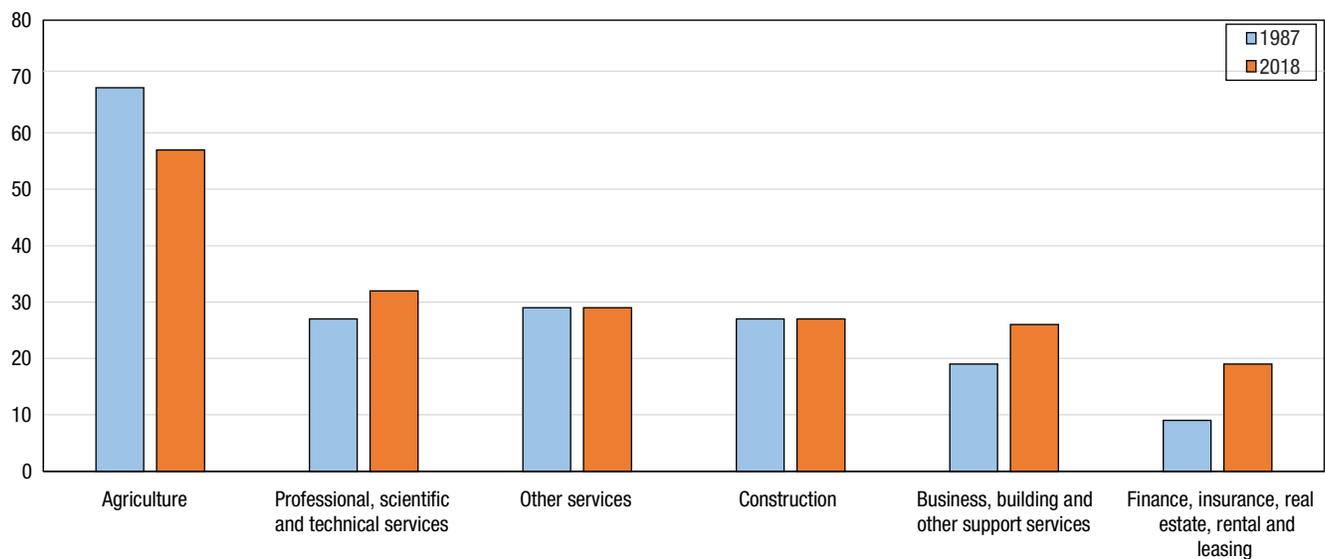
Self-employment down in agriculture, up in professional, scientific and technical services

Agriculture remains the industry with the highest prevalence of self-employment, although the proportion fell from 68% in 1987 (when such data first became available) to 57% in 2018 (Chart 2). This likely reflects the rising trend in farm concentration and industrialisation of agriculture.

Professional, scientific and technical services have emerged as the industry with the second highest rate of self-employment among all industries (32% in 2018, up from nearly 27% in 1987). Professional, scientific and technical services include occupations in legal services, accounting, architectural, engineering and related services, computer systems designs, management, scientific and technical consulting, as well as scientific research and development. This is one of the higher paid industries, and much of the expertise in it requires university or college education.

Chart 2
Self-employment share in selected industries, Canada, 1987 and 2018

proportion of self-employed workers (percent)



Note: The 'other services' industry includes repair and maintenance services, services related to civic and professional organizations, as well as personal and laundry services.

Source: Statistics Canada, Labour Force Survey.

As women made inroads in the labour market, their share of self-employment increased in a number of industries such as professional, scientific and technical services, where their proportion rose from 23% to 38% between 1987 and 2018. Self-employed women's proportion also grew in the finance, insurance, real estate, rental and leasing services industry, increasing from 21% to 39% over the same period (Table 2).

Table 2
Women self-employed in selected industries, Canada, 1987 and 2018

	Women's share of total self-employed workers		Number of self-employed women		
	percent		thousands	percent change	
	2018	1987	2018	1987	1987 to 2018
All industries	37.7	30.2	1,079.0	513.2	110.2
Health care and social assistance	69.7	63.1	219.7	75.1	192.5
Educational services	66.0	68.4	54.7	11.9	359.7
Other services	55.2	54.7	129.8	101.2	28.3
Business, building and other support services	49.2	39.3	97.9	20.6	375.2
Information, culture and recreation	44.4	35.2	60.0	22.2	170.3
Accommodation and food services	42.7	34.1	44.4	25.0	77.6
Finance, insurance, real estate, rental and leasing	38.6	21.1	84.2	13.9	505.8
Professional, scientific and technical services	37.6	23.0	174.7	30.9	465.4
Agriculture	26.7	26.0	42.6	82.5	-48.4
Construction	9.0	6.1	35.1	11.7	200.0

Note: The 'other services' industry includes repair and maintenance services, services related to civic and professional organizations, as well as personal and laundry services.

Source: Statistics Canada, Labour Force Survey.

Reasons for being self-employed

In 2018, the Labour Force Survey collected data on the reasons for self-employment. According to these data, about one third (33.5%) of self-employed workers reported having this type of work arrangement for the independence and freedom it affords (Table 3). Nature of the job, that is, 'had to be self-employed' because of the

type of employment, was the second top reason at 15%. Fewer than 1 in 10 reported work-family balance as a reason for their choice of self-employment.

Table 3
Top reasons for being a self-employed worker, Canada, 2018

	2018
	percent
Independence, freedom, being one's own boss	33.5
Nature of job - had to be self-employed	15.2
Work-family balance	8.6
Flexible hours	8.4
Challenge, creativity, success, satisfaction	6.6
Could not find suitable paid employment	5.0
Joined or took over family business	4.8
Control, responsibility, decision making	3.4
More money and unlimited income	3.2

Note: See complete list of reasons in Data source and definitions.

Source: Statistics Canada, Labour Force Survey.

The proportion of self-employed who reported independence, freedom or being their own boss varied provincially: from a low of 29% in Newfoundland and Labrador to a high of 38% in New Brunswick. This proportion was 36% in Quebec and 34% in Ontario, compared to a national average of about 33% (Table 4).

Table 4
Independence, freedom, being one's own boss: Most cited reason for self-employment in New Brunswick and Quebec, 2018

	2018
	percent
New Brunswick	37.5
Quebec	36.3
Ontario	34.1
Canada	33.5
British Columbia	32.7
Nova Scotia	32.4
Prince Edward Island	32.2
Saskatchewan	31.9
Manitoba	30.0
Alberta	29.7
Newfoundland and Labrador	29.3

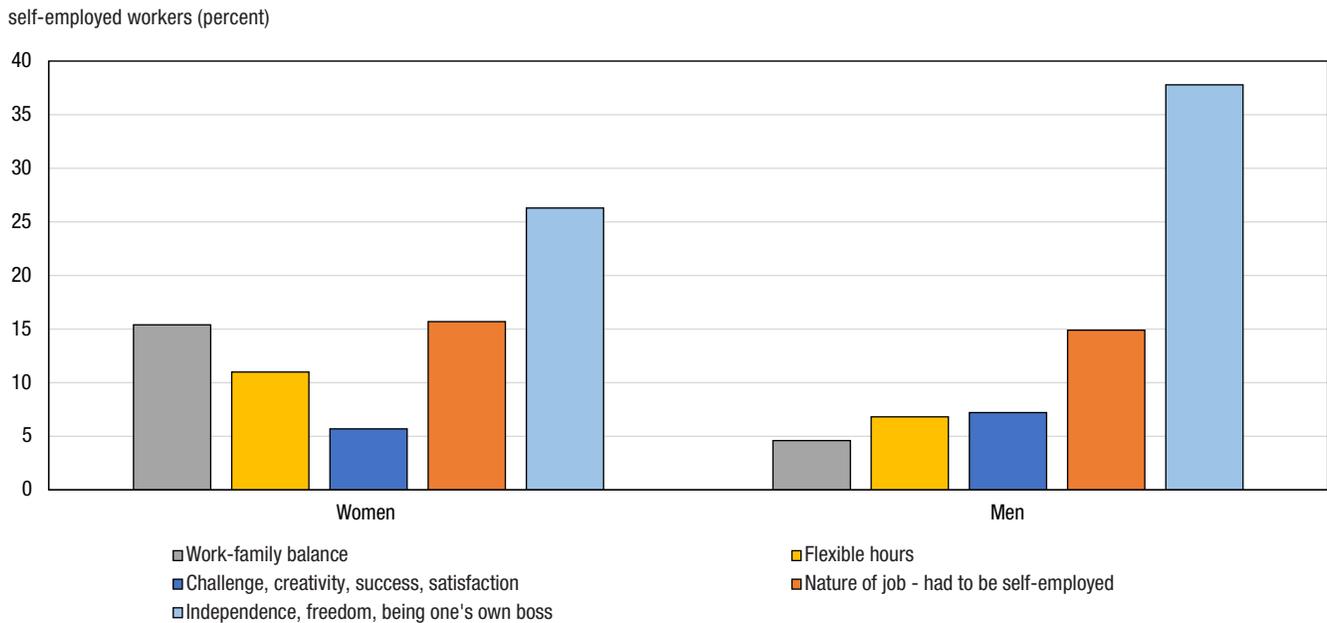
Source: Statistics Canada, Labour Force Survey.

In contrast, self-employed workers in Newfoundland and Labrador were more likely to cite “nature of job - had to be self-employed” as the main reason motivating their self-employment (23%, compared to a national average of 15%). Self-employed workers in Quebec (12%) and New Brunswick (12%) were the least likely to be self-employed because of the nature of the job.

Physicians, dentists and veterinarians were by far more likely to be self-employed due to the nature of their job, accounting for about 14% of self-employed workers who stated that they had to be their own boss. Nature of job was also cited by self-employed workers in occupations as diverse as managers in agriculture and performing artists. This illustrates aspects of certain occupations that do not lend themselves to employer-employee relationship.

While independence, freedom or being one's own boss were the top reason for both men and women in self-employment, a number of differences were evident (Chart 3). Flexible hours and work-family balance were more common reasons among women. This likely reflects the role of family responsibilities and child-care obligations in women's preference for a work arrangement that affords more flexibility overall.

Chart 3
Work-family balance and flexible hours more important for women self-employed, Canada, 2018

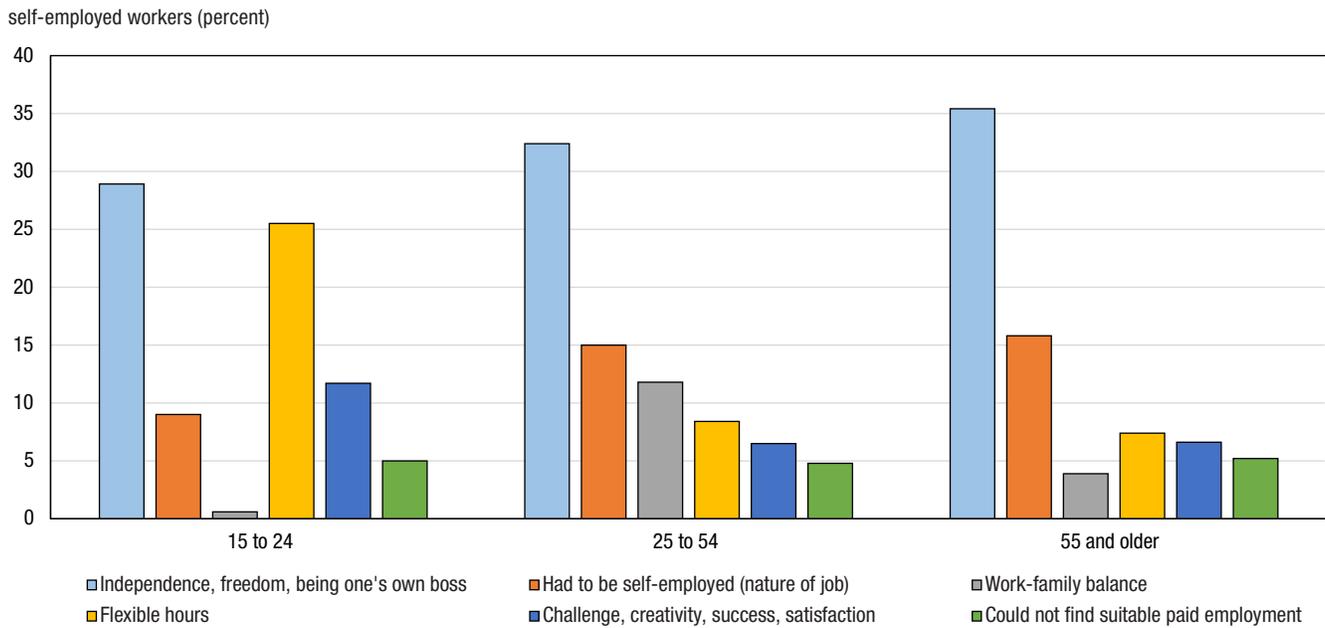


Source: Statistics Canada, Labour Force Survey.

For self-employed workers of all age groups, independence, freedom and the desire to be one's own boss was paramount—particularly for those aged 55 or older (Chart 4). However, other reasons that motivated self-employment varied from one age group to another. For example, flexible hours and the pursuit of challenge, creativity, success and satisfaction ranked higher for younger self-employed workers than for their older counterparts.

Similarly, work-family balance was a more important reason for core-age self-employed workers (nearly 12%) compared to their younger counterparts aged 15 to 24 (0.6%) or older ones aged 55 and over (almost 4%).

Chart 4
Being one's own boss tops all reasons regardless of age, and more so for older self-employed workers, Canada, 2018



Source: Statistics Canada, Labour Force Survey.

Conclusion

A brief look at general trends in self-employment shows some of the changing facets of Canada’s labour market such as the industry composition and the rising labour-force participation of women. In addition, this report examines the reasons motivating some workers to be self-employed in their main job.

The most common reasons cited by self-employed workers were the independence and freedom afforded by this type of work arrangement. The nature of the job was the second most cited reason.

The main reasons for choosing self-employment varied by sex and age, with about 15% of women citing work-family balance, triple the proportion for men (close to 5%). On the other hand, self-employed older workers were more likely to state that their motivation was the independence and freedom afforded by self-employment.

Data source and definitions

Data on the reasons that motivate some workers to be self-employed were collected as part of an *ad hoc* supplement to the LFS of September 2018. This study uses data from respondents aged 15 and older who reported being self-employed in their main job during the 12 months prior to September 2018. These respondents were asked to indicate the main reason motivating their self-employment.

Main reason for self-employment:

1. Could not find suitable paid employment
2. Flexible hours
3. Balance of work and family
4. Possibility to work from home
5. Independence / Freedom / Own boss
6. Control / Responsibility / Decision making
7. Challenge / Creativity / Success / Satisfaction
8. More money / Unlimited income
9. Lower taxes / Deductions
10. Less stress
11. Had to be self-employed (nature of job)
12. Joined or took over family business
13. Other reason- Specify

For more information on self-employment concepts and definitions, see the *Guide to the Labour Force Survey (71-543-G)*.