

Women Entrepreneurs: Leading the Charge

The number of employed women has been steadily climbing, and the number of self-employed women has been rising even faster. Over the past 15 years, the number of female employees rose by 30%, more than double the pace seen among male employees. But this impressive growth is dwarfed by the dazzling 50% growth seen among women who were self-employed¹ during the same period.

What's more, at an average annual growth rate of 3.3% since 1989, the number of women-run businesses is rising 60% faster than those run by men (Chart 1). Still, at the current count of just above 800,000, self-employed women constitute only one-third of the total number of self-employed Canadians, and men are still more likely to be running their own businesses across all age groups (Chart 2). Having said this, if the current pace of growth is maintained, the number of women-run enterprises will top the one million mark by the end of the decade.

Chart 1
Women Drive Self-Employment Growth

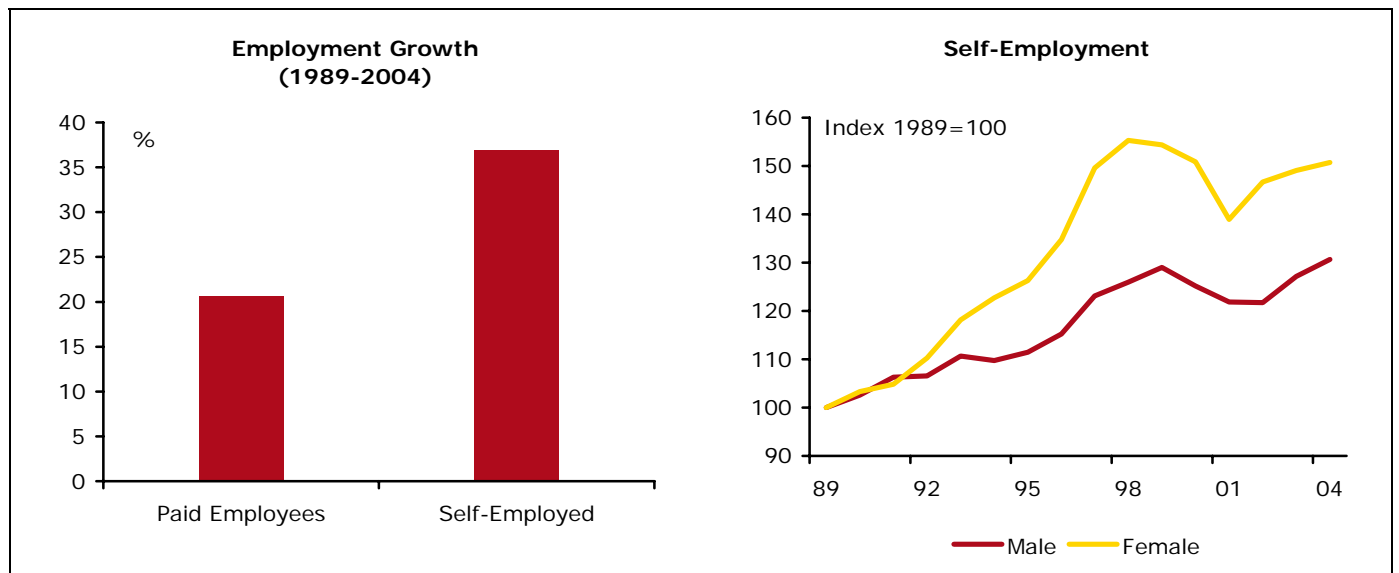
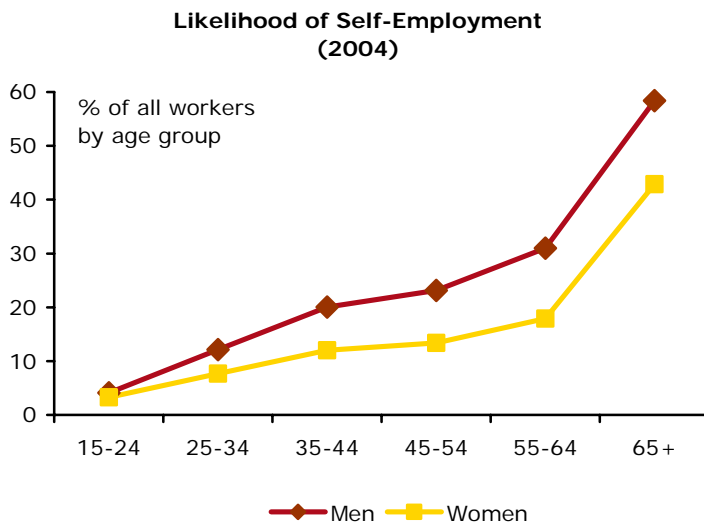


Chart 2
Men Are Still More Likely To Be Self-Employed

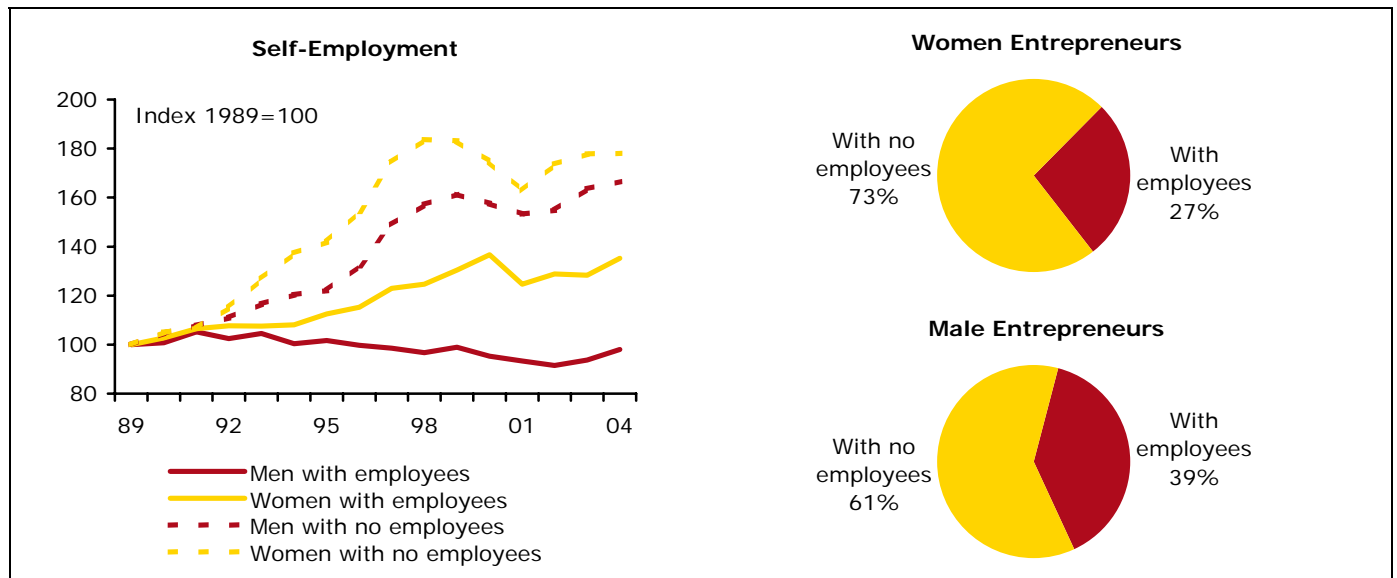


How should we interpret this women-led growth in self-employment? Does it reflect the enterprising nature of women? Is it the result of women pursuing self-employment as an emancipatory route to by-pass gender segregation and glass ceilings within paid employment? Is business ownership a lifestyle choice or is self-employment simply the job of last resort? To get a better sense of the true nature behind the surge in women entrepreneurs, this analysis takes a closer look at the composition of the growth in the number of self-employed women over the past 15 years and assesses whether this trend is a good news story.

One-Person Operations Are Driving Small Business Growth

Not all small businesses fall into one category. Critical here is the distinction between small business owners who employ other people and one-person operations. The latter is, by far, the fastest-growing segment of self-employed Canadians, registering an annual average growth rate of close to 4% over the past 15 years. Among one-person operations, women lead the way, with women sole proprietors being the fastest-growing segment of the Canadian small business landscape (Chart 3).

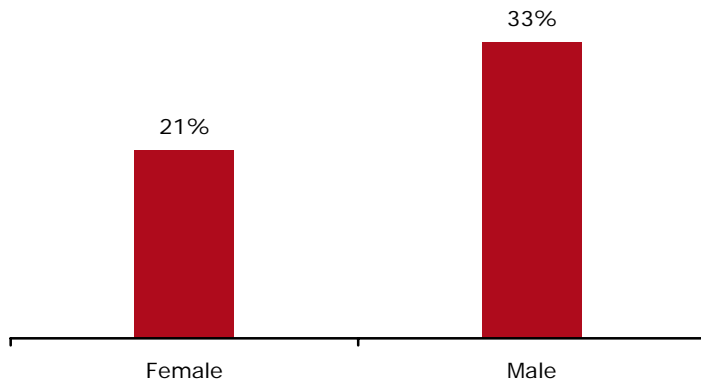
Chart 3
One-Person Operations Are Leading Growth



However, a closer examination of the numbers reveals that women in this category also tend to be more responsive to the economic cycle. Note, for example, that between 1998 and 2001 — a period of strong overall labour market activity — total self-employment fell by 5.8%, in large measure due to improved paid-employment opportunities for those who were pushed into self-employment. But the largest decline was among women entrepreneurs who were sole proprietors, with their number falling by 11.4% during that period. This observation is important, as it suggests that the strong growth in the number of women entrepreneurs in the years leading up to 1998 was, at least in part, due to difficult economic circumstances. The good news is that since 2002, the resurgence of self-employment in general, and women entrepreneurs in particular, occurred alongside relatively strong labour market conditions — leading us to believe that this time around, choice dominates necessity. In fact, as of 2004, only one in five self-employed women who has worked as an employee indicated that she was pushed into self-employment due to negative employment circumstances. This is notably lower than the rate reported by men, which is one in three (Chart 4).

Chart 4 Forced Into Self-Employment

Percentage of Small Business Owners Who
Opened a Business Due to Downturn in
Employment Situation
(2004)



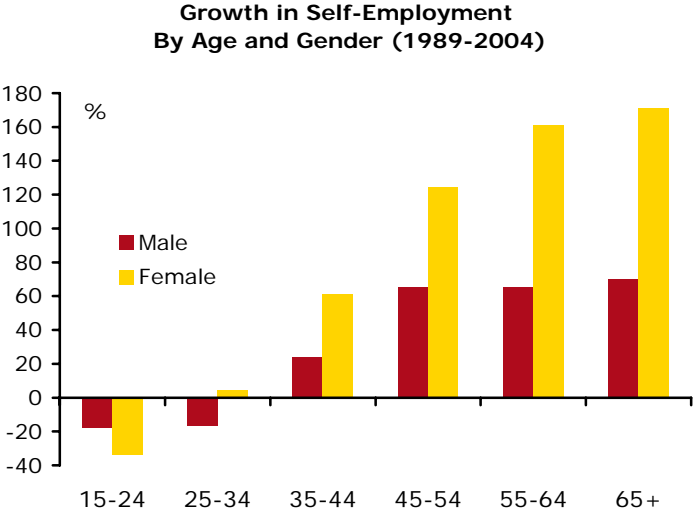
Even more intriguing is the sharp divergence between the growth rates in the number of female business owners with employees and their male counterparts. Over the past 15 years, all of the growth in male self-employment was in the one-person operations category, while the number of male-owned businesses with employees remained virtually unchanged. At the same time, the number of women small business owners with employees rose by an impressive 40%. This trend is another testament to the improved business conditions of firms run by women in Canada as, in general, a business with employees is more stable and generates, on average, 20%-30% more revenues than one-person operations.

Women Entrepreneurs Are Getting Older

The perception is that self-employment is more popular among young Canadians since they are more comfortable with new and evolving technologies and are more open to the philosophy of self-reliance. But this perception differs from reality. With the widespread pursuit of post-secondary education, a growing number of young Canadians postpone their entry into the labour market. And when they are ready to go to work, their first choice of employment is primarily paid employment. In fact, 96% of women entrepreneurs indicated that before opening their own businesses, they worked as employees for someone else. After all, one needs capital, experience and familiarity with the business environment before setting up a successful business.

Currently, the average age of a self-employed woman is 41, roughly in line with the average self-employed man. But if the current trend is sustained, self-employed women will soon open an age gap over their male counterparts. Note that the fastest pace of growth in women who are self-employed is among older Canadians, with the age group of women entrepreneurs over 55 years old seeing an annual growth rate of around 4% since 1989, double the pace seen among self-employed men in the same age group (Chart 5).

**Chart 5
Percentage Of Self-Employed Women Rises With Age**



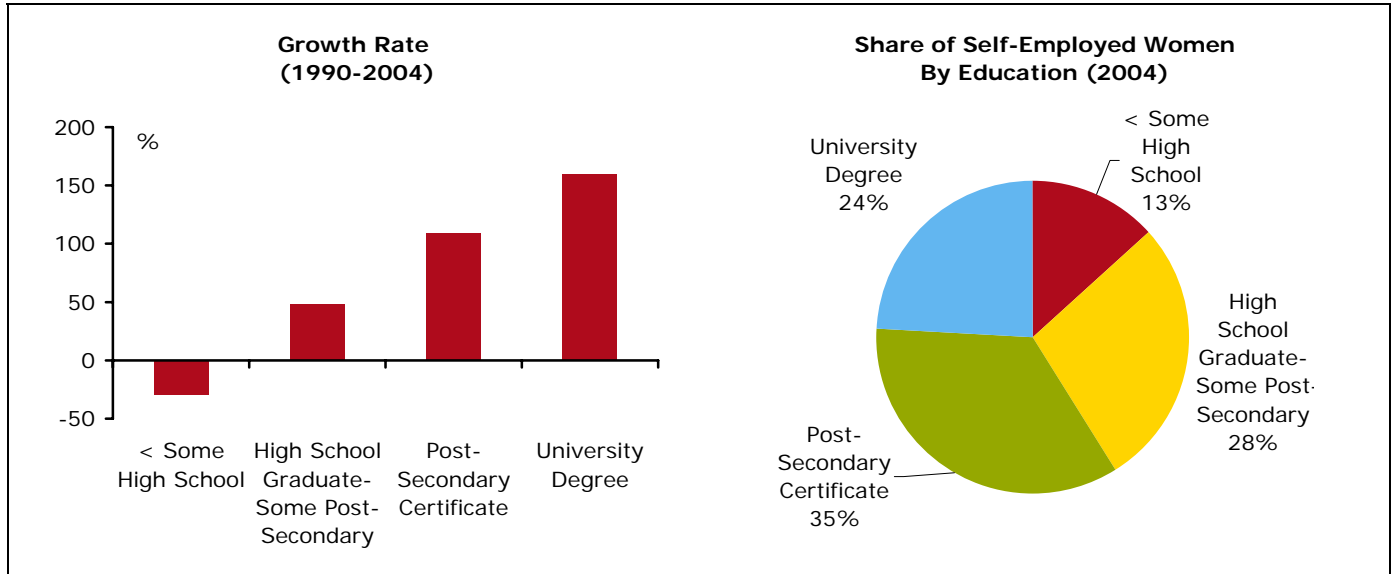
The increased correlation between age and growth in self-employment is a key element of our prediction that the pace of growth in self-employment in general, and among women in particular, will accelerate in the coming decade, as the Canadian population ages. As noted in the CIBC report entitled *Canadian Small Business: Back in High Gear*, "seniorpreneurs" (small business owners over the age of 55) are a key driver of small business growth.

Women Entrepreneurs Are Increasingly Well-Educated

With the return on education rising quickly over the past two decades, Canadian small business owners are more educated than they have ever been before. And once again, women entrepreneurs are ahead of the pack. The number of women small business owners who hold a university degree rose at an annual average rate of more than 10% since 1990 — double the pace seen among men. As of 2004, nearly one in four self-employed women is university-educated, a record-high. At the same time, the number of self-employed women

with less than high school education fell by close to 30%, with the share of this group in the total number of self-employed women falling to a record-low of 13% in 2004 (Chart 6).

Chart 6
Rising Education Levels Among Self-Employed Women



Better education leads to higher quality jobs and indeed, this is reflected in the occupational distribution of self-employed women, which has improved dramatically during the past decade and a half. During this period, the number of women entrepreneurs in occupations with above-average wages has risen at an impressive annual rate of 7.2% — more than three times the rate seen in occupations with below-average compensation. Currently, one in two self-employed women are in occupations with above-average wages — up from only one-third in 1989. It is important to note that the improved employment quality among self-employed women was evident among both sole proprietors and business owners with paid help (Chart 7).

Women Entrepreneurs Do Not Want To Be Treated Differently

Women entrepreneurs overwhelming say (89%) that they do not want to be treated differently than their male counterparts. However, many women entrepreneurs may not be treated equally or fairly. Among women small business owners, 41% say they are taken less seriously than male entrepreneurs.

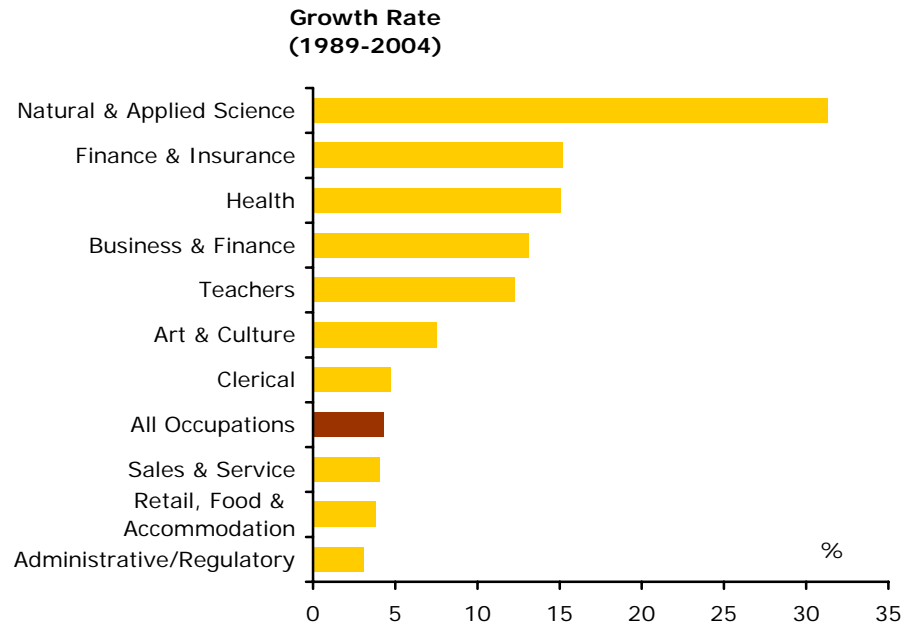
Chart 7
Improved Employment Quality Among Self-Employed Women



What Types Of Businesses Are Women Running?

The improvement in the employment quality among self-employed women can be largely attributed to rising education levels and consequently a higher concentration in professional occupations. Women entrepreneurs have been gravitating towards the natural and applied sciences, as well as business and finance-related occupations, such as advertising, business consulting and accounting, reflecting the improving educational credentials of women in recent years. Furthermore, technical and professional occupations in the health sector have become an important source of growth for self-employed women, averaging 15.1% annual growth since 1989. And with the aging Canadian population, this trend is likely to accelerate, as there will be more demand for health-related services. At the same time, the pace of growth in more “traditional” businesses, based on sales, hospitality and clerical occupations, has slowed dramatically (Chart 8). One consequence of the improvement in occupational quality among self-employed women in Canada is that a growing number of them now belong to trade associations. In fact, close to 40% of women sole proprietors are members of a trade association — double the rate seen among men. Membership in these types of associations may provide networking opportunities and business prospects for small business owners.

Chart 8
Self-Employed Women In Selected Occupations (1989-2004)



While this picture is encouraging, one should note the polarization of the employment quality of women who run small businesses. The gap between high-paying and low-paying occupations is wider among women entrepreneurs than in any other category of workers in Canada. That is, self-employed women in sectors such as retail and personal services not only earn significantly less than the average self-employed women, but also 30% less than their male counterparts in the same occupations. Self-employed women on the lower end of the income scale may find it more difficult to secure supplemental health and disability insurance, and their pension savings may be inadequate due to lower earnings and less stability in their businesses. While the gap is closing as women open businesses in more lucrative professions, it nevertheless exists.

Women-Run Businesses Are Not Necessarily For Women

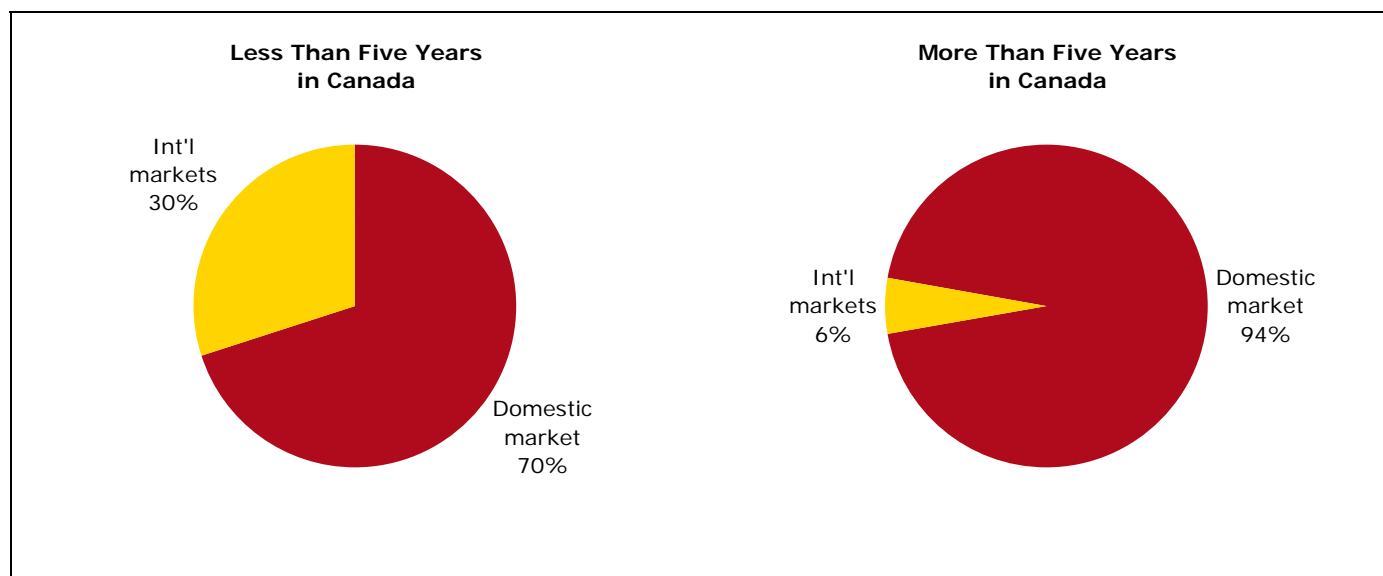
A common misconception regarding women-run businesses is that they primarily provide products and services for women. In fact, only one in five (22%) women entrepreneurs say their businesses are geared towards a female clientele.

Immigrant Women Are Opening New Doors

One in five self-employed women was not born in Canada, a ratio that is lower than the one in four rate observed among men. However, women are narrowing the gap, with the pace of business creation among immigrant women outpacing that of immigrant men by 30% over the past decade. On average, immigrant women tend to be younger and more educated than the Canadian population in general, and immigrant men in particular. One-third of the women between the ages of 25 and 44 who have arrived in Canada in the past decade are university graduates. Naturally, only a slim minority of those women open up shop immediately upon arrival — and the tendency for those who do so is to disproportionately rely on international markets as a source of revenues, likely from their country of origin.

But after five years in Canada, as familiarity with the Canadian business environment increases, immigrant women turn to self-employment at an impressive pace. As of 2004, nine in ten self-employed women who are immigrants had been living in Canada for more than five years. Interestingly, the longer self-employed immigrant women live in Canada, their reliance on international markets as a source of revenue dwindles (Chart 9). In fact, after five years, one is hard-pressed to find any material difference between the characteristics of businesses run by immigrant women and those run by Canadian-born women entrepreneurs.

Chart 9
Sources of Revenue — Self-Employed Immigrant Women

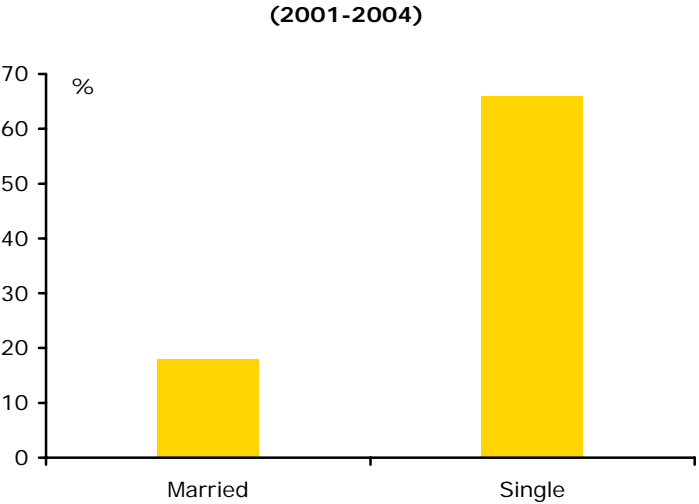


Growing Responsibilities

Opening a business is one thing, growing it is another. The key question, given the current demographics of small business owners in Canada, is to what extent do they plan to expand their businesses?

The answer to why or why not women entrepreneurs plan to expand their businesses is not easily determined. More than 70% of Canadian women who run a business are married and nearly one-third of them have children under the age of 12. Add to this the growing need for the “sandwich generation” to care for their aging parents, and time becomes a woman entrepreneur’s greatest challenge. To illustrate this point, note that between 2001 and 2004, revenue growth for firms run by single self-employed women rose by a cumulative 70% — three times faster than revenue growth among firms run by married women (Chart 10). We estimate that more than 60% of self-employed women can be described as “lifestylers” — that is, business owners who are not actively looking for growth opportunities, but rather who choose self-employment as a way to balance work and family demands.

Chart 10
Women Entrepreneurs — Growth In Revenue



Balancing Act

Being better able to balance work and family commitments seems to be a positive side-effect of being self-employed. According to the results of the 2004 CIBC Small Business Outlook Poll, small business owners overwhelmingly say that being an entrepreneur gives them the flexibility to take care of their family commitments (79%), with minimal difference between male and female responses (79% and 78% respectively). However, when asked whether they are making more money than they ever would have working for someone else, women entrepreneurs were much less likely to agree (38%) than their male counterparts (55%).

Furthermore, on average, revenues generated by women-run businesses are significantly lower than those seen in businesses operated by men. This is consistent with the wage gap in the general Canadian work force noted by Statistics Canada, which shows that a woman earns, on average, \$0.80² for every dollar earned by a man. Unfortunately, entrepreneurship may not be the quickest root to income parity for women. As of 2004, one-third of all women-run enterprises generated less than \$50,000 in annual revenue, which is double the rate seen among firms run by men. At the same time, more than 20% of firms owned by men generated annual revenue of more than \$500,000 — almost double the rate seen among women (Table 1).

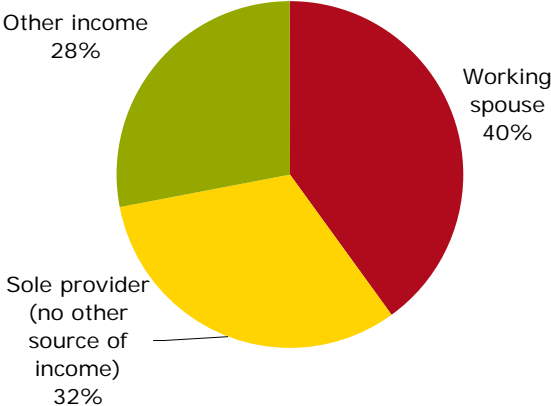
Table 1
Distribution Of Revenues By Gender

Small Business Owners (2004)		
	Women	Men
	%	%
< \$50k	33.0	16.4
\$50k - \$100k	18.8	16.5
\$100k - \$500k	39.0	45.3
\$500k - \$1mn	8.5	10.8
\$1mn & over	4.3	10.7

Having said that, women entrepreneurs appear to be closing the gap in revenue growth. As noted in the CIBC study, *Secrets to Small Business Success*, the average percentage revenue growth over the 2001 to 2004 period is nearly the same for small firms run by women as those run by men.

Closing this gap in revenue is particularly important for self-employed women who have no source of income other than their businesses (nearly one in three women entrepreneurs). Revenue growth may not be as high a priority for the 40% of self-employed women who have a working spouse to supplement their business incomes (Chart 11).

Chart 11
Sources Of Income For Women Entrepreneurs



A Regional Perspective On Women Entrepreneurs — The Spirit Is Alive And Well In The West And In Ontario

By nature, self-employment activity is very responsive to the economic cycle, and self-employed women are no exception. In fact, we estimate that during the early stages of economic recovery, women outpace men at setting up shop by roughly 50%. But during economic slowdowns, self-employed women similarly under-perform their male counterparts.

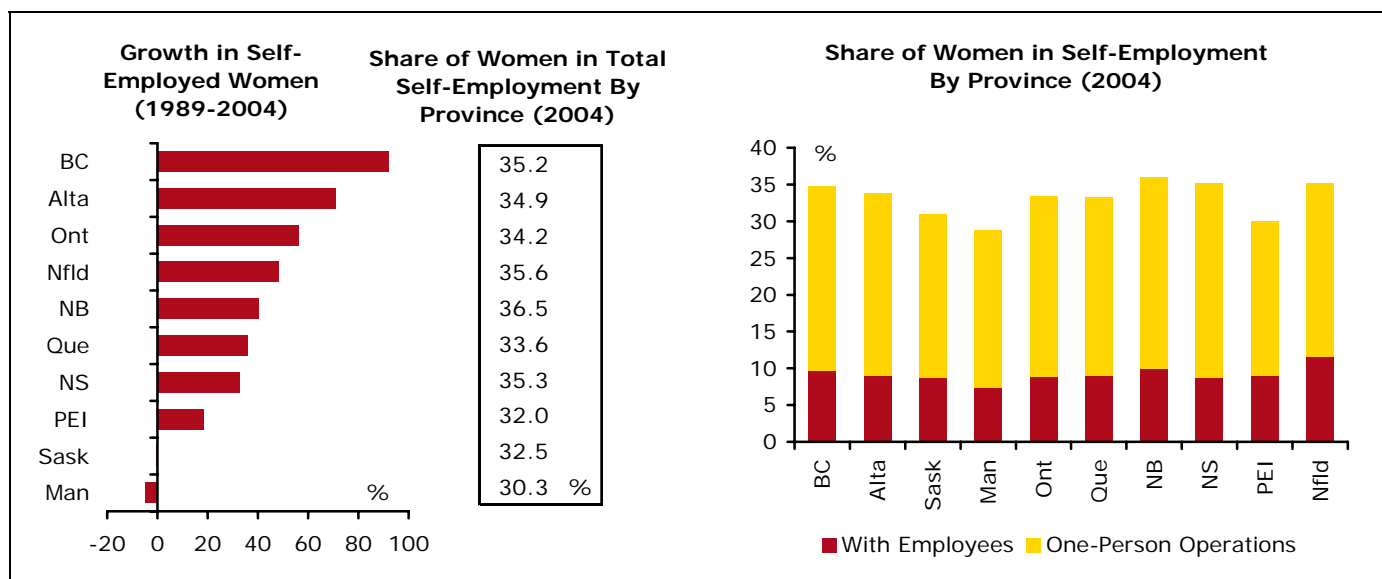
Given this connection between self-employment and the economic cycle, it is hardly surprising that the fastest pace of growth in the number of women small business owners was in Western Canada, where overall GDP growth outpaced the national average by an annual margin of close to half a percentage point over the past decade and a half (Chart 12).

In British Columbia, the number of self-employed women rose by an annual average of 6.1% since 1989. Consistent with their leadership role nationally, sole proprietors currently

account for more than 70% of all self-employed women in the province. Note that the growing inflow of new Canadians into the province over the past decade has played an important role here, as reflected in the fact that international markets account for close to 10% of revenues in women-run businesses in British Columbia — double the national average.

In Alberta, the number of self-employed women rose by an annual average of 4.8% since 1989, second only to British Columbia. However, the drivers of growth in this province are different. Note, for example, that immigration and outsourcing are only secondary factors influencing growth in the number of self-employed women in Alberta. In fact, only 3% of revenues among women-owned businesses came from international markets and fewer than 20% of businesses receive outsourced work — both figures are well below the national average. It appears that the general strength of the Alberta economy was the main driver of growth in the number of self-employed women, with the province outpacing the rest of the country in economic growth by a wide margin. Critical here is the positive spin-off from the booming oil sector, which no doubt led to increased activity in the services sector and provided many women entrepreneurs with growth opportunities.

Chart 12
Self-Employed Women By Province (1989-2004)



Ontario, the home of 40% of all women-run small businesses in the country, is ranked third in the growth parade for women entrepreneurs. But here, it appears that push factors played somewhat more important role, with close to 30% of self-employed women in the province reporting that they opened their businesses due to negative employment circumstances — well above the national average. Note, however, that our previous

research suggests that the likelihood of success does not differ significantly when comparing those who were pushed into self-employment with those who chose self-employment over paid employment opportunities. In fact, despite the relatively high proportion of forced self-employment among women in Ontario, the profit profile of women entrepreneurs is very similar to the one observed in the rest of the country.

A Good News Story

Women are at the forefront of two primary drivers of current small business growth: the rise in one-person operations and “seniorpreneurs” (small business owners over the age of 55). The fastest pace of small business growth among women who are self-employed is in the over 55 age group, with an annual growth rate of around 4% since 1989, double the pace seen among self-employed men in the same age group. Given these findings, it is no surprise that in the past 15 years, the number of women entrepreneurs in Canada has grown by 50%.

Not only are women driving small business growth, we are also seeing rising education levels and employment quality among women entrepreneurs. Currently, one in two self-employed women are in occupations with above-average wages — up from only one-third in 1989 — with women entrepreneurs gravitating towards professional occupations in the natural and applied sciences, as well as business and finance-related occupations, such as advertising, business consulting and accounting. However, one should not lose sight of the polarization of the employment quality for women entrepreneurs. The gap between high-paying and low-paying occupations is wider among self-employed women than any other category of workers in Canada. While the gap is closing as women open businesses in more lucrative professions, it nevertheless exists.

But, overall, are women entrepreneurs satisfied with their decisions to become business owners? It appears that the answer to this question is a resounding “yes” — more than eight in ten (82%) women small business owners say that if they had it to do over again, they would definitely open their own businesses. As the number of self-employed women in Canada approaches one million by the end of the decade, women entrepreneurs are well-positioned to play a more important role in the Canadian economy.

Sources:

Statistics Canada

2004 CIBC Small Business Outlook Poll

CIBC World Markets

Notes:

1. Statistics Canada defines "self-employment" as working owners of incorporated businesses farm or professional practice, as well as working owners of unincorporated businesses and other self-employed (working owners of a business, farm or professional practice that is not incorporated and self-employed persons who do not have a business).
2. Statistics Canada.

This report was written by CIBC World Markets.

The 2004 CIBC Small Business Outlook Poll was conducted by Decima Research between July 13th and August 6th, 2004 and was based on a randomly selected sample of 1,829 Canadian small business owners (defined as those businesses having between one and 15 employees including the owner and having revenues under \$5 million for the year 2003). With a sample of this size, the results are considered accurate within ± 2.3 percentage points, 19 times out of 20, to what they would have been had the entire Canadian population of businesses with one to 15 employees and revenues under \$5 million been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. The sample of respondents is representative of the region, Census Metropolitan Areas and employee size of Canada's small businesses according to the June 2002 Business Register data produced by Statistics Canada.

* For sample sizes less than 20, the base is too small to report and results are shown as N/A. Percentages of all grouped response categories are rounded based on the final sum of the components. Unless indicated otherwise, "don't know/not stated" responses were excluded from these percentages.

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