the economy and RESILIENCE of newcomers

Exploring Newcomer Entrepreneurship
The Economy And Resilience of Newcomers (EARN): Exploring Newcomer Entrepreneurship

ISBN: 978-1-894199-33-9

Co-authored by: Maya Roy, Navjeet Sidhu & Beth Wilson

Graphic Design: Stephanie Zeng

Published in Toronto, 2014
www.socialplanningtoronto.org
www.newcomerwomen.org
Governments are increasingly giving support to entrepreneurship as a strategy for labour market access for newcomers; however, many newcomer entrepreneurs continue to live below the poverty line and have increasingly higher rates of unemployment. In 2012, Newcomer Women’s Services Toronto (NEW) and Social Planning Toronto (SPT) collaborated on a community-based research project to examine whether newcomer entrepreneurs fare better or worse than their Canadian-born counterparts. Can entrepreneurship strategies support economic and social inclusion for newcomers?

**The Economy And Resilience of Newcomers (EARN)** resulted in research that challenges the notion that entrepreneurship is a panacea for unemployment and poverty among immigrants. As two agencies committed to social justice, we wanted to explore whether entrepreneurship is a tangible response to: the current economic downturn; regressive immigration policy changes; and, the racialized and gendered poverty that disproportionately impacts newcomer women.

As a front line service provider, we wanted to challenge ourselves to rethink how we could support economic development for our members and clients. We were curious: What is the current picture for newcomer entrepreneurs? How can a small women centered agency facilitate concrete outcomes for the newcomer women who attend our programs?

Over a three year period, the City of Toronto, Atkinson Foundation and the United Way Toronto supported the project. The funders’ commitment to equity ensured that we could purchase previously unreleased census data and also host a community-based research component.

The rigorous data collection and analysis would not have been possible without the expertise of SPT’s senior researcher Beth Wilson and researcher, Navjeet Sidhu. It was a pleasure discussing and debating policy with two professionals who have an unparalleled commitment to good jobs and inclusive economies. NEW staff Stephanie Zeng developed the report design and communications strategy.

I would also like to thank the academics who supported training for the community research team, and provided report feedback: Dr. Kara Santokie of Toronto Women’s City Alliance, Dr. Anver Saloojee of Ryerson University, Professor Ruth Koleszar-Green and Dr. Sarah Flicker of York University. A special thank you to the EARN project consultants who shaped the report through developing the research questions, conducting interviews and data analysis. The following team of consultants spent many hours with EARN: Faruk Arslan, Taslima Begum, Carol Boate, Tings Chak, Tenzin J. Dekyi Khangsar, Mahgoub Khair, Melissa Lai, Sumita Majumdar, Dona Ransirini Pandithartne, Olga Stankevych, and Samiera Zafar. Our colleagues from Statistics Canada entertained many questions over the years. We appreciate their time and expertise.

We look forward to collaborating with you on our goal of creating and sustaining a Toronto labour market that works for all newcomers.

Sincerely,

Maya Roy
Executive Director, Newcomer Women’s Services Toronto
# Table of Contents

<table>
<thead>
<tr>
<th>PG</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>INTRODUCTION</td>
</tr>
<tr>
<td>02</td>
<td>RESEARCH METHODS</td>
</tr>
<tr>
<td>04</td>
<td>METHODOLOGICAL LIMITATIONS</td>
</tr>
<tr>
<td>05</td>
<td>BACKGROUNDER</td>
</tr>
<tr>
<td>08</td>
<td>RESEARCH FINDINGS</td>
</tr>
<tr>
<td>11</td>
<td>Profile of Toronto Residents Reporting Self-Employment Earnings in Their 2010 T1 Personal Income Tax Return</td>
</tr>
<tr>
<td>17</td>
<td>Self-Employment: Examining Race, Gender and Immigration Status</td>
</tr>
<tr>
<td>20</td>
<td>INTEGRATING FINDINGS FROM THE EARN INTERVIEWS</td>
</tr>
<tr>
<td>22</td>
<td>Impact of Migration</td>
</tr>
<tr>
<td>28</td>
<td>Impact of Income &amp; Class</td>
</tr>
<tr>
<td>34</td>
<td>Impact of Gender</td>
</tr>
<tr>
<td>38</td>
<td>Impact of Racialization</td>
</tr>
<tr>
<td>40</td>
<td>REFERENCES</td>
</tr>
<tr>
<td>43</td>
<td>APPENDIX A: Participant Profile</td>
</tr>
</tbody>
</table>
Introduction

In 2008, the global financial crisis resulted in the restructuring of markets and prompted unemployment, income inequality and poverty rates to increase both worldwide and in Toronto. In the context of the “Great Recession” what are the implications for addressing newcomer labour market access through entrepreneurship in Toronto? Moreover, what should policymakers and service providers consider to ensure new Canadians succeed and prosper in their new home?

To understand the experiences of newcomer entrepreneurs, Social Planning Toronto (SPT) and Newcomer Women’s Services Toronto (NEW) embarked on a research project, The Economy and Resilience of Newcomers (EARN). Both organizations wanted to explore whether entrepreneurship is a concrete solution to the high rates of newcomer unemployment within the City of Toronto.

In recent years, there has been a focus on entrepreneurship training by policymakers and service providers to address poverty and labour market access. All three levels of government have invested significant dollars in training programs and small business development supports for newcomers, women, youth and the working poor. Are these programs supporting newcomer entrepreneurs to access the labour market?

Using previously unreleased Statistics Canada data, complemented by interviews with newcomer entrepreneurs and service providers, the EARN report will offer a critical perspective on the nature of self-employment for new Canadians. Project objectives include examining the lens of the intersecting:

01 IMPACT OF MIGRATION
Do newcomers experience self-employment differently than Canadian-born entrepreneurs?

02 IMPACT OF INCOME & CLASS
Why do newcomer entrepreneurs engage in self-employment? Does it provide an entry point into the labour market?

03 IMPACT OF GENDER
How do female newcomer entrepreneurs fare in comparison with their male counterparts?

04 IMPACT OF RACIALIZATION
Is there a relationship between ethno-racial status and gender as to how newcomer entrepreneurs succeed or fail in self-employment?

The EARN project was initiated to investigate how newcomers fared in developing and maintaining their small businesses throughout the recession; the personal and economic factors that influenced their decision; as well as exploring the opportunities, challenges and obstacles they have encountered.

As service providers with a social justice mandate, we were especially interested to know if newcomer women and racialized newcomers faced additional challenges in accessing the labour market through self-employment. The report will also highlight recommendations to support how key community organizations and institutions work with self-employed newcomers to become successful.

Regrettably, the purchased data did not have inclusive gender categories for trans and cis-gender individuals. Thus, for the purposes of this report only the terms ‘female’ and ‘male’ will be used.
Research Methods

RESEARCH APPROACH

The EARN project was a community-based research initiative, which worked to include newcomer voices at all stages in the development of the research project. Newcomer Women’s Services Toronto and Social Planning Toronto recruited 11 community researchers to work with NEW and SPT staff to develop and implement the project. Members of the research team were either internationally-trained professionals or second-generation newcomers, all of whom had extensive research backgrounds. Languages spoken by the team included Bengali, Arabic, Turkish, Mandarin, Tibetan, Sinhalese and Russian. The research team worked with the partner organization staff to develop the research methods, interview guides, and outreach strategies; conducted outreach and one-on-one in-depth interviews with self-employed newcomers; took part in interviews with additional key informants; and engaged in a data workshop to code and analyze interviews. The partner organizations provided honoraria to facilitate the participation of research team members.

The EARN project steps were as follows:

1. Capacity Building Training for Research Team: In 2012, SPT and NEW hosted an orientation, and training weekend to bring the team together, develop the research methods, and provide networking opportunities for community researchers. The weekend included discussions and presentations with local researchers, policy analysts, community advocates and a Toronto Star journalist.

2. Conducted Interviews with Entrepreneurs & Service Providers: The research team, SPT and NEW staff conducted in-depth interviews to better understand the experience of self-employed newcomers, the challenges and barriers that newcomers face in starting and developing their businesses, and the programs and services available to support them.

3. Identification of Trends & Demographic Data: SPT purchased data from Statistics Canada to illustrate trends in self-employment, provide a socio-demographic profile of self-employed newcomers, and examine income levels of self-employed residents by race, gender and immigration status.

4. Coding & Analysis of Research Themes: Partner organization staff worked with the research team to analyze interview results, coding it into various themes. The team brought rigorous skills and an international perspective to the work which enriched the research direction and methods and offered insightful analysis to the development of the research report.

SPT and NEW adopted a community-based approach to this project for many reasons: to enrich the research, ensure effective community outreach, engage newcomers in research about newcomers, and also to provide consulting and networking opportunities for the research team. It was our hope that the research team would benefit personally, educationally and/or professionally.
from this experience. To date, several members of the research team have engaged in new and exciting pursuits including new careers and employment, entry into graduate school, and further participation in community initiatives. We hope that participation in the EARN project has assisted members of the research team to take on these new challenges.

**QUANTITATIVE:**
**TRENDS AND DEMOGRAPHIC DATA**

Quantitative data was purchased from Statistics Canada to demonstrate self-employment trends in Canada, Ontario and the city of Toronto, provide a socio-demographic profile of self-employed newcomers residing in the city of Toronto, and examine income levels of self-employed residents in the city of Toronto by race, gender and immigration status.

Data sources are:

- Longitudinal Administrative Data (2010) based on personal income tax returns for the socio-demographic profile
- Census (2006) for the income analysis based on race, gender and immigration status

**QUALITATIVE:**
**IN-DEPTH INTERVIEWS**

Interview guides were developed for use with self-employed newcomers, service provider organizations, cultural business associations and financial institutions.

a. The self-employed newcomer interview guide included questions about business and work experience, reasons for entry into self-employment, challenges and barriers to engaging in self-employment, use of programs, services and supports, advice and recommendations for supporting self-employed newcomers, and socio-economic and demographic information.

b. The interview guide for the service provider/cultural business association/financial institution groups asked about the programs and services offered, their experience with self-employed newcomers, challenges and barriers self-employed newcomers face, and advice and recommendations for better supporting self-employed newcomers.

A total of 42 interviews were conducted with 28 newcomer businesses and 14 key informants. The eligibility criteria for self-employed newcomer participation were: self-employed newcomers who were living in Canada for 10 years or less (since 2002); self-employed newcomers who had started a business in the past five years (since 2008); and, operated that business in the city of Toronto. Through personal contacts and ‘snowball’ research techniques, the research team identified and interviewed newcomer business owners. Once identified, the researchers scheduled interviews with the business owner, offering to conduct the interview in the business owner’s mother tongue, where possible. The majority of team members spoke multiple languages and used these linguistic skills. In addition to English, interviews were conducted in Bengali, Russian, Tibetan and Sinhalese. Each newcomer entrepreneur participant was provided with a $50 honorarium to offset his/her costs of participation.

“It was an egalitarian environment and transparent. I felt comfortable to share my information and my experience.”

- Feedback from the community research team following the orientation, training and networking weekend
SPT, NEW and the research team conducted interviews with key informants that support newcomer entrepreneurs. Key informants included nine service providers, three cultural business associations and two financial institutions. Key informants were identified through an environmental scan, partner organization and research team contacts, and newcomer entrepreneurs.

Written consent was obtained from all research participants, and all information was kept confidential as per SPT and NEW research ethics policies.

All interviews were transcribed. Dragon Dictation software was used to transcribe the majority of the interviews. Researchers who conducted interviews in languages other than English also provided translation services.

NEW and SPT organized a full-day data workshop with the research team to reflect on the research process and analyze interview transcripts. The team discussed key issues, identified emerging themes from the research, and began the process of formulating policy recommendations based on the data. Proceedings were documented. The partner agencies incorporated this analysis into the final research report.

Methodological Limitations

The qualitative data gathered through in-depth interviews provided important insights into the experience of newcomers engaged in self-employment. However this group of 28 self-employed newcomers did not constitute a representative sample of self-employed newcomers in Toronto. Findings such as income level based on the 28 participants, for example, are not generalizable to the broader group of self-employed newcomers.

There are also limitations related to the quantitative data purchased through Statistics Canada. Each data source provides an important and unique perspective but also carries limitations. Using the Labour Force Survey, individuals are categorized as self-employed based on their previous week’s major work activity. This method results in a relatively narrow definition of self-employment, and likely excludes many people who would consider themselves self-employed. The use of personal income tax returns results in a much broader definition of self-employment including anyone who reported any self-employment earnings on their personal income tax return. In this case, we are likely including many individuals who have some self-employment earnings but would not consider themselves self-employed.

The Census data allows for an analysis of self-employment by race, gender and immigration status. The 2006 Census was the only data source at the time of data purchase that allowed for this analysis. However the data are not up to date. Presently, the 2011 National Household Survey is available. However, many organizations have raised concerns about the National Household Survey’s data quality, particularly pertaining to income, due to the voluntary nature of the survey. Despite limitations, the quantitative and qualitative data presented in this report increase our understanding of newcomer self-employment in Toronto.
Entrepreneurship and self-employment is the cornerstone of a capitalist economy, with governments and business leaders extolling the benefits of small business development as the foundation for a successful and growing economy. Many industrialized countries around the world have witnessed a steady increase in the number of individuals entering self-employment. Canada is no exception to this trend. Between 1987 and 2011, Canadian rates of self-employment expanded by nearly 57%. Immigrants are disproportionately represented among the self-employed in Canada. According to Statistics Canada, in 1981, 12% of immigrants were self-employed compared to 10% of the Canadian-born population. By 2009, these figures rose to 19% and 15%, respectively. Immigrants living in Canada for 10 years or more have higher rates of self-employment, by between 5-8 percentage points, than newcomers living in Canada less than 10 years.

The self-employed in Canada, whether immigrant or Canadian-born, are more likely to be male (two-thirds of self-employed immigrants are men), are usually older (33 to 54 years), and more likely to be married and have children at home compared to paid workers. Immigrants in paid work and self-employment are much more likely to have a university degree compared to the Canadian-born population. The business and professional services sector is the most common industry for self-employed Canadians, whether immigrant or Canadian-born. Self-employed immigrants are more likely to work in trade and transportation industries compared to the self-employed Canadian-born population. Canadian-born self-employed individuals are more likely than self-employed immigrants to work in the agriculture and goods-producing industries. About two-thirds of the self-employed, both immigrant and Canadian-born, have no paid employees. Both self-employed groups work a similar number of hours.

Why do Newcomers Become Self-Employed? The Push and Pull Factors

The rise in the number of workers entering into self-employment has been attributed to a range of both economic and motivational ‘push’ and ‘pull’ factors. Individuals may be involuntarily ‘pushed’ into self-employment due to various barriers in accessing the labour market (e.g. poor job prospects, layoffs, economic downturns) to supplement their paid employment incomes. The ‘pull’ factors can include coming to Canada to take advantage of new economic opportunities and customer markets.

Despite possessing higher levels of education and skills compared to the native-born...
population, many newcomers to Canada face multiple barriers in accessing the Canadian labour market including:

- Difficulty having professional and educational credentials recognized
- Language barrier or perceived ‘accent’ problems
- Employers demanding previous Canadian work experience
- Lack of proper networks and contacts in their field
- Overt/covert discrimination

Statistics Canada has documented the issue of push factors, referring to its Survey on Self-Employment conducted in 2000. The study noted 33% of immigrants compared to 20% of non-immigrants reported that they entered into self-employment involuntarily, due primarily to the difficulty in accessing paid employment through the labour market.

Figure 1. Examples of the Push and Pull Factors

<table>
<thead>
<tr>
<th>EXAMPLES OF PUSH FACTORS</th>
<th>EXAMPLES OF PULL FACTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laid off from existing job due to restructuring and/or economic downturn.</td>
<td>Came to Canada specifically as an entrepreneur with a special visa.</td>
</tr>
<tr>
<td>A way to deal with long-term unemployment, completion of E.I. benefits.</td>
<td>Taking advantage of tax incentives to start a business.</td>
</tr>
<tr>
<td>To supplement income from existing part-time jobs.</td>
<td>Additional flexibility and choice around work arrangements.</td>
</tr>
<tr>
<td>Lack of child care and responsibilities around caring for elders and extended family as a driving force.</td>
<td>Due to government-sponsored training (Ontario Self-Employment Benefit, Second Career, Ontario Works training, etc).</td>
</tr>
</tbody>
</table>

Newcomers are more likely to enter into self-employment as a result of labour market difficulties than more established immigrants. One Canadian study found 40% of self-employed newcomers who had been in Canada for 10 years or less entered into self-employment due to labour market difficulties compared to 31% of immigrants that had been in Canada longer. Among self-employed immigrants, 39% had lost their paid employment just prior to becoming self-employed. Only 16% of immigrant entrepreneurs reported entering into self-employment voluntarily after losing their paid jobs.

Conversely, workers choose self-employment due to a desire to have greater control and flexibility over their work arrangements. They are ‘pulled’ by the prospects of increased income earnings and of being “their own boss”. Government policies have also facilitated the rise in rates of self-employment through training programs, tax incentives, immigration policies and

---

6 The Conference Board of Canada estimates this costs the economy between $3.42 to $ 4.97 billion a year.
7 Schellenberg & Maheux (2007); Shields, Lo, Zikic & Atlin (2011)
8 Hou & Wang (2011)
9 ibid
loans. In 1978, the Canadian government created a separate “business” immigration entry stream, followed by an “investor” stream in 1986, efforts to attract additional business entrepreneurs to the country and stimulate the economy.\(^\text{10}\)

Overall, the research seeking to understand which of these factors has been most influential in transitioning people into self-employment has proven to be largely inconclusive, with evidence supporting both sides of the argument.\(^\text{11}\)

**Entrepreneurship as Job Creation**

According to Statistics Canada, self-employment can be broken down into two broad categories:

1. **incorporated businesses**: legally separate entities which can include business establishments such as retail stores, restaurants or small manufacturing firms;

2. **unincorporated businesses**: mostly small operations, often own-account businesses (i.e. without paid staff).\(^\text{12}\)

These categories can be further broken down into those with and without hired paid help or those who make use of unpaid family help.

Despite the common perception of small business owners as job creators, most self-employed individuals in Canada, including newcomers, operate relatively small own-account businesses. Nearly two-thirds of the 2.7 million self-employed Canadians had no paid help present.\(^\text{13}\)

According to Statistics Canada’s Labour Force Survey, from 2006 to 2010, nearly two-thirds of self-employed immigrants (67%) did not have employees. Over half (57%) of immigrant businesses were unincorporated and most (43.5%) were concentrated in the business and professional services industries.\(^\text{14}\)

**The Impact of Recession on Canadian Self-Employment Rates**

Economic conditions also play a role in influencing rates of self-employment. During periods of economic slowdown self-employment rates increase. During the recent recession in Canada, rates of self-employment increased by 3.9% between October 2008 and October 2009; while both private and public sector paid employment decreased by 4.1% and 1.6%, respectively.\(^\text{15}\)

Moreover, economic downturns do not impact all groups of workers equally. It is newcomers, particularly those recently arrived (5 years residency in Canada or less) who are more likely to lose their paid employment compared to Canadian-born workers.\(^\text{16}\) These workers are often left to compete for low-paying, part-time and temporary types of precarious jobs to survive. During the 2008 recession, the gap in the unemployment rate between Canadian-born and newcomers increased. Newcomers are also less likely to receive Employment Insurance (E.I.) benefits when unemployed compared to Canadian-born workers.\(^\text{17}\)

Some workers are pushed into self-employment as a means to replace lost income from paid employment and due to the failure of government social safety nets.

However, not all workers who were pushed out of paid employment during the recession entered into self-employment. An analysis of Canadian longitudinal employment data suggests that a “relatively low proportion of paid employees became self-employed workers in the months following the loss of their paid jobs. Consequently, the implication is that layoffs explain some, but not all, of the recent increase in self-employment.”\(^\text{18}\)

\(^{10}\) Schuetze (2005)

\(^{11}\) Public Interest (2013)

\(^{12}\) LaRochelle-Côté & Uppal (2011)

\(^{13}\) ibid

\(^{14}\) Hou & Wang (2011)

\(^{15}\) LaRochelle-Côté & Uppal (2011)

\(^{16}\) Kelly, Park & Lepper (2011)

\(^{17}\) Black & Shillington (2005)

\(^{18}\) LaRochelle-Côté & Uppal (2011)
Research Findings

Sections I-III of the research findings are based on Statistics Canada data reflecting overall trends in self-employment, a profile of individuals with self-employment earnings, and an examination of self-employment earnings by race, gender and immigration status.


**KEY FINDING:** Self-Employment Rates Increase During Recession Years; Higher Proportion of Toronto Residents Turn to Self-Employment (Compared to Ontario and Canada)

Figure 2 shows the annual average rates of self-employment in the city of Toronto, Ontario and Canada from 2006 to 2012 for the population aged 15 years and older based on the Labour Force Survey (LFS). In the LFS, respondents were asked if they were an employee or self-employed based on their main work activity. In 2012, the self-employment rate was 16.1% in the city of Toronto with 206,900 residents engaged in self-employment, compared to 15.4% and 15.2% in Ontario and Canada, respectively. Since 2007, annual average self-employment rates have been consistently higher in the city of Toronto compared to Ontario and Canada. Self-employment rates were at their peak in 2009 at the height of the “Great Recession” with rates at 17.1%, 15.6% and 16.0% in the city of Toronto, Ontario and Canada, respectively.

**Figure 2. Self-Employment Rates in the City of Toronto, Ontario and Canada**

<table>
<thead>
<tr>
<th>Year</th>
<th>CITY OF TORONTO</th>
<th>ONTARIO</th>
<th>CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>15.1%</td>
<td>14.4%</td>
<td>15.2%</td>
</tr>
<tr>
<td>2007</td>
<td>15.7%</td>
<td>14.9%</td>
<td>15.5%</td>
</tr>
<tr>
<td>2008</td>
<td>15.7%</td>
<td>14.9%</td>
<td>15.4%</td>
</tr>
<tr>
<td>2009</td>
<td>17.1%</td>
<td>15.6%</td>
<td>16.0%</td>
</tr>
<tr>
<td>2010</td>
<td>16.5%</td>
<td>15.4%</td>
<td>15.4%</td>
</tr>
<tr>
<td>2011</td>
<td>16.7%</td>
<td>15.4%</td>
<td>15.4%</td>
</tr>
<tr>
<td>2012</td>
<td>16.1%</td>
<td>15.4%</td>
<td>15.2%</td>
</tr>
</tbody>
</table>

Source: Statistics Canada, Labour Force Survey, custom tabulation V0713_06.ivt

---

19 Labour Force Survey data on self-employment by immigration status has only been collected since 2006.
KEY FINDING: Toronto Newcomers Have Lower Rates of Self-Employment as their Main Work Activity Compared to Established Toronto Immigrants and Toronto Residents Born in Canada

Figure 3 shows the annual average rates of self-employment in the city of Toronto by immigration status. Toronto newcomers living in Canada 10 years or less had consistently lower rates of self-employment compared to established immigrants living in Canada over 10 years and residents born in Canada. Self-employment rates have generally increased during the recession years for all three groups.

In 2012, 11.9% of Toronto newcomers were self-employed, representing 25,800 individuals, compared to 17.1% of established immigrants (73,900 individuals) and 16.8% of Canadian-born residents (100,600 individuals).

In 2011, the self-employment rate for Toronto newcomers was at its peak, at 13.6%.

Figure 3. Percentage of Self-Employed Population in the City of Toronto by Immigration Status, 2006-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>TOTAL</th>
<th>NEWCOMERS¹</th>
<th>ESTAB. IMMI.²</th>
<th>BORN IN CANADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>15.1%</td>
<td>11.2%</td>
<td>15.9%</td>
<td>15.8%</td>
</tr>
<tr>
<td>2007</td>
<td>15.7%</td>
<td>8.9%</td>
<td>17.9%</td>
<td>16.8%</td>
</tr>
<tr>
<td>2008</td>
<td>15.7%</td>
<td>11.3%</td>
<td>17.3%</td>
<td>16.1%</td>
</tr>
<tr>
<td>2009</td>
<td>17.1%</td>
<td>12.9%</td>
<td>18.8%</td>
<td>17.6%</td>
</tr>
<tr>
<td>2010</td>
<td>16.5%</td>
<td>12.6%</td>
<td>18.4%</td>
<td>17.0%</td>
</tr>
<tr>
<td>2011</td>
<td>16.7%</td>
<td>13.6%</td>
<td>17.6%</td>
<td>17.4%</td>
</tr>
<tr>
<td>2012</td>
<td>16.1%</td>
<td>11.9%</td>
<td>17.1%</td>
<td>16.8%</td>
</tr>
</tbody>
</table>

¹NEWCOMERS: Newcomers, 10 years or less  ²ESTAB. IMMI.: Established immigrants, 10+ years

Source: Statistics Canada, Labour Force Survey, custom tabulation V0713_06.ivt
KEY FINDING: Toronto Newcomer Men More Likely to be Self-Employed than Toronto Newcomer Women

Figure 4 shows the rates of self-employment for male and female newcomers in the city of Toronto. In 2012, 15% of Toronto newcomer men, representing 16,100 men, and 8.9% of Toronto newcomer women were self-employed, representing 9,700 women.

As shown, male newcomers have consistently higher rates of self-employment than female newcomers in Toronto. At times, the male newcomer rate is more than double that of the female newcomers.

This substantial gender gap is the case for most years with the exception of 2007 when self-employment was down and the gap was the smallest, with the newcomer men’s rate just 1.3 percentage points above the newcomer women’s rate.

Rates of self-employment among newcomer men showed a notable increase beginning in 2009. For newcomer women, their self-employment rate substantially increased in 2011 and 2012.
II. Profile of Toronto Residents Reporting Self-Employment Earnings in Their 2010 T1 Personal Income Tax Return

The following profile of working-age (18-64 years) Toronto residents with self-employment earnings is based on 2010 T1 personal income tax files linked to immigration landing records. Unlike the LFS self-employment rates, the following profile includes working-age Toronto residents who reported any self-employment income on their 2010 personal income tax return. In contrast, the LFS requires respondents with paid work/self-employment to identify as either employees or self-employed based on their main work activity.

**KEY FINDING:** Toronto Newcomers with Self-Employment Earnings: More Men, More Families with Children

Figure 5 shows the profile of working-age City of Toronto residents with self-employment income for newcomers, non-newcomers and the total population. While men make up a larger proportion of self-employed earners than women for all groups, the gap is greatest among newcomers.

Most self-employed earners are between the ages of 25-54 years. This is more pronounced among the newcomer group. Couples with children make up the largest proportion of self-employed earners followed by couples without children. Among newcomers, couples with children make up a larger proportion of self-employed earners compared to the non-newcomer group. Unattached individuals make up a smaller proportion of self-employed earners among newcomers compared to non-newcomers.

As shown in Figure 6, 43% of the newcomer group arrived in Canada in the most recent five year period, 2005-2009.
KEY FINDING: Chinese Newcomers Make Up Over 20% of Toronto Newcomers with Self-Employment Earnings

Figure 7 shows the top 20 countries of birth of newcomers with self-employment earnings. Over one-fifth of newcomers with self-employment earnings were born in China. Toronto newcomers with self-employment earnings are a diverse group, with over 100 countries of birth represented.
KEY FINDING: Most Toronto Newcomers with Self-Employment Earnings are from the Family Class and Skilled Worker Class

Figure 8 shows the breakdown of newcomers with self-employment earnings by immigration category. Most newcomers with self-employment earnings did not enter the country through the self-employment, entrepreneur or investor programs. Instead the majority entered through the family class and skilled worker programs.

![Figure 8. Number of Newcomers in the City of Toronto with Self-Employment Earnings in 2010 by Immigration Category](image-url)

**KEY FINDING:** Despite Having a Lower Self-Employment Rate Based on Their Main Work Activity, Toronto Newcomers More Likely to Report Self-Employment Income on Tax Returns (than Non-Newcomers)

A total of 20.2% of working-age Toronto residents reported self-employment income on their 2010 personal income tax returns, representing 226,075 individuals. Toronto newcomers living in Canada for 10 years or less were *more likely to report* self-employment income than non-newcomers (includes established immigrants and Canadian-born population). A total of 24.7% of Toronto newcomers reported self-employment income, representing 41,705 newcomers, compared to 20.9% of non-newcomers, representing 184,370 non-newcomers.

Figure 9 provides a comparison of self-employment rates based on the LFS and the 2010 T1 personal income tax return. Toronto newcomers had a self-employment rate of 12.6% in 2010 based on the LFS but nearly double that figure, at 24.7%, reported self-employment income on their 2010 personal income tax return. In contrast, the gap between self-employment rate and percentage with self-employment income is much smaller for Toronto residents overall (4.4 percentage points) and for non-newcomers (3.3 percentage points) compared to newcomers (12.1 percentage points).

Self-employment status on the LFS is based on main work activity in the week preceding the survey. In contrast, individuals with self-employment earnings according to personal tax returns are those reporting any self-employment income earned *throughout the year*. Individuals who identify as self-employed on the LFS may or may not report self-employment earnings on their personal tax return.

Those with incorporated businesses may receive income from their company by means other than self-employment earnings. For example, they may draw a salary from their company (which would be reported as employment income on a T4 slip) or receive a dividend from the company. As well, some individuals that identify as self-employed on the LFS may have self-employment earnings and not report them on their tax return.

Individuals that reported self-employment earnings on their personal tax return may not identify as self-employed on the LFS because they were unemployed or not in the labour market in the week preceding the LFS. Alternatively, they may identify as employees based on their main work activity during the reference week.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Toronto residents</td>
<td>16.5%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Newcomers (10 Years or Less)</td>
<td>12.6%</td>
<td>24.7%</td>
</tr>
<tr>
<td>Established Immigrants (More than 10 Years)</td>
<td>18.4%</td>
<td>--</td>
</tr>
<tr>
<td>Residents Born in Canada</td>
<td>17.0%</td>
<td>--</td>
</tr>
<tr>
<td>Non-Newcomers (Established Immigrants + Canadian-Born)</td>
<td>17.6%</td>
<td>20.9%</td>
</tr>
</tbody>
</table>
**KEY FINDING:** Toronto Newcomers More Reliant on Self-Employment Income than Non-Newcomers

Among working-age Toronto residents with self-employment income, a slightly higher percentage of Toronto non-newcomers (41.3%) reported also having employment income compared to Toronto newcomers (38.3%). As well, working-age Toronto newcomers with self-employment income reported a higher percentage of their individual income came from self-employment (median of 63.1%) compared to their non-newcomer counterparts (median of 57%). At the household level, self-employment income also made up a larger proportion of total household income for working-age Toronto newcomers (median of 38.5%) compared to their non-newcomer counterparts (median of 28.3%).

**KEY FINDING:** Toronto Residents with Self-Employment Income: Majority Report Low Income from Self-Employment; Newcomers Worse Off than Non-Newcomers

Figure 10 shows the 2010 income distributions for newcomers, non-newcomers and the total population with self-employment income. As shown, most residents with self-employment income earned modest amounts from their self-employment. This was particularly true for newcomers, where nearly 63% reported earning less than $10,000, compared to about 57% for non-newcomers. About 87% of newcomers reported self-employment earnings of less than $20,000 compared to 75% of non-newcomers. At the upper end, only 0.6% of newcomers with self-employment income earned over $100,000 from self-employment compared to 6.0% of non-newcomers.

Among the newcomer group, the median income from self-employment was $7,270 compared to $7,830 for the non-newcomer group. The total individual incomes of newcomers and non-newcomers with self-employment earnings also differed. The newcomer group had a median before-tax total income of $17,220 compared to $25,180 for non-newcomers. Based on household income, newcomers with self-employment earnings had a considerably higher before-tax rate of low income at 46% compared to 28% for the non-newcomer group.

![Figure 10. 2010 Self-employment income for newcomers, non-newcomers and total population, aged 18-64 years, living in the City of Toronto](source: Statistics Canada's Longitudinal Administrative Databank, 2010, custom tabulation.)
**KEY FINDING:** Toronto Newcomers with Self-Employment Earnings: Women Fare More Poorly than Men; Self-Employment Income Makes Up Larger Portion of Newcomer Men's Income, Than Newcomer Women's Income

As shown in Figure 11, newcomer women with self-employment earnings have lower earnings from self-employment than newcomer men. Seven out of ten newcomer women earn less than $10,000 from self-employment compared to 58% of newcomer men.

Moreover, nine out of ten newcomer women earn less than $20,000 from self-employment compared to 85% of newcomer men. The median self-employment earnings for newcomer men is $8,060 compared to $6,500 for newcomer women. A total of 36% of newcomer women with self-employment earnings reported receiving employment income as well, compared to 38.6% of newcomer men.

Self-employment income made up a larger proportion of total individual income for newcomer men (median of 74.3% of all individual income) compared to newcomer women (median of 49.7% of all individual income). When factoring in all household income, self-employment income made up a larger proportion of household income for newcomer men (median of 40.1% of all household income) compared to newcomer women (median of 36.4% of all household income).

The total individual incomes of newcomer men and women with self-employment earnings also differed. The male newcomer group had a median before-tax total individual income of $17,420 compared to $16,880 for newcomer women. Based on household income, male and female newcomers with self-employment earnings had similar before-tax rates of low income at 46.1% and 45.7%, respectively.

---

**Figure 11. 2010 Self-employment income for newcomer men and women, aged 18-64 years, living in the City of Toronto**

III. Self-Employment: Examining Race, Gender and Immigration Status

KEY FINDING: Self-employed white Toronto newcomers had higher individual and household median incomes, than their self-employed racialized newcomers counterparts.

We accessed data from the 2006 Census in order to examine the city of Toronto newcomer self-employed population by racial status (white/racialized), gender and immigration status. Figure 12 shows self-employment, individual and household income by racial status (white vs. racialized) and self-employment status (self-employed with an incorporated business vs. self-employed with an unincorporated business) for newcomers residing in the city of Toronto. As shown, the white Toronto newcomer self-employed group had higher self-employed, individual and household median incomes than the racialized Toronto newcomer self-employed group. This was the case comparing groups with incorporated businesses, as well as, unincorporated businesses.

As shown, after-tax low income rates were higher for the racialized Toronto newcomer self-employed group compared to their white counterparts with incorporated businesses and with unincorporated businesses. The high rates of poverty among self-employed racialized newcomers in Toronto is striking at 41.3% for those with incorporated businesses and 46.9% for those with unincorporated businesses.

Figure 12. 2005 Self-employment income for white and racialized newcomers, arriving 1997-2006, aged 15 years and over, living in the City of Toronto

<table>
<thead>
<tr>
<th></th>
<th>WHITE SELF-EMPLOYED, INCORPORATED</th>
<th>RACIALIZED, SELF-EMPLOYED, INCORPORATED</th>
<th>WHITE SELF-EMPLOYED, UNINCORPORATED</th>
<th>RACIALIZED, SELF-EMPLOYED, UNINCORPORATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median self-employment income</td>
<td>$11,352</td>
<td>$10,558</td>
<td>$13,692</td>
<td>$10,253</td>
</tr>
<tr>
<td>Median total individual income</td>
<td>$18,978</td>
<td>$15,865</td>
<td>$14,672</td>
<td>$11,998</td>
</tr>
<tr>
<td>Median household income</td>
<td>$49,330</td>
<td>$40,075</td>
<td>$40,991</td>
<td>$36,880</td>
</tr>
<tr>
<td>Low income, after-tax</td>
<td>29.1%</td>
<td>41.3%</td>
<td>34.4%</td>
<td>46.9%</td>
</tr>
</tbody>
</table>

---

20 At the time of the data purchase, the 2006 Census was the most recently available data source that allowed for this analysis.
21 Statistics Canada uses the term “visible minority”. Racialized group includes individuals that reported a single visible minority group as their racial status. The white group includes individuals that gave a single response of ‘white’ as their racial status on the census form.
**KEY FINDING:** The white male newcomer group had higher median incomes and a lower rate of poverty, than the racialized male newcomer group.

Figure 13 shows the median self-employment, individual and household incomes by gender and racial status for city of Toronto newcomers with incorporated businesses. The white male newcomer group had higher median incomes and a lower rate of poverty than the racialized male newcomer group. In contrast, the white female newcomer group had a lower median self-employment income than the female racialized newcomer group, but a (slightly) higher median individual income, a (substantially) higher household income, and a (slightly) lower poverty rate than the female racialized newcomer group. In particular, the white female newcomer group had the highest median household income among the four self-employed groups with incorporated businesses. In contrast, the racialized male newcomer group had the highest rate of after-tax low income at 43.6%.

Figure 13. 2005 Self-employment income from incorporated businesses for white and racialized newcomers by gender, arriving 1997-2006, aged 15 years and over, living in the City of Toronto.

<table>
<thead>
<tr>
<th></th>
<th>MALE, WHITE SELF-EMPLOYED, INCORPORATED</th>
<th>MALE, RACIALIZED SELF-EMPLOYED, INCORPORATED</th>
<th>FEMALE, WHITE SELF-EMPLOYED, INCORPORATED</th>
<th>FEMALE, RACIALIZED SELF-EMPLOYED, INCORPORATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median self-employment income</td>
<td>$11,938</td>
<td>$10,026</td>
<td>$9,555</td>
<td>$11,229</td>
</tr>
<tr>
<td>Median total individual income</td>
<td>$20,291</td>
<td>$16,060</td>
<td>$16,459</td>
<td>$15,551</td>
</tr>
<tr>
<td>Median household income</td>
<td>$47,325</td>
<td>$37,954</td>
<td>$60,460</td>
<td>$46,205</td>
</tr>
<tr>
<td>Low income, after-tax</td>
<td>28.1%</td>
<td>43.6%</td>
<td>33.0%</td>
<td>36.3%</td>
</tr>
</tbody>
</table>
**KEY FINDING:** For those with unincorporated businesses, the white female newcomer group had higher median incomes and a lower rate of poverty, than the racialized female newcomer group.

Figure 14 shows the median self-employment, individual and household incomes by gender and racial status for city of Toronto newcomers with unincorporated businesses. The white male newcomer group had higher median incomes and a lower rate of poverty than the racialized male newcomer group. Likewise, the white female newcomer group had higher median incomes and a lower rate of poverty than the racialized female newcomer group.

Similar to the analysis with incorporated businesses, the white female newcomer group had the highest median household income of all four groups, and the racialized male newcomer group had the highest rate of after-tax low income with nearly half living in poverty.

Figure 14. 2005 Self-employment income from unincorporated businesses for white and racialized newcomers by gender, arriving 1997-2006, aged 15 years and over, living in the City of Toronto

<table>
<thead>
<tr>
<th></th>
<th>MALE, WHITE SELF-EMPLOYED, UNINCORPORATED</th>
<th>MALE, RACIALIZED, SELF-EMPLOYED, UNINCORPORATED</th>
<th>FEMALE, WHITE SELF-EMPLOYED, UNINCORPORATED</th>
<th>FEMALE, RACIALIZED, SELF-EMPLOYED, UNINCORPORATED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median self-employment income</td>
<td>$16,140</td>
<td>$11,043</td>
<td>$10,630</td>
<td>$9,135</td>
</tr>
<tr>
<td>Median total individual income</td>
<td>$15,990</td>
<td>$12,728</td>
<td>$12,694</td>
<td>$11,158</td>
</tr>
<tr>
<td>Median household income</td>
<td>$39,816</td>
<td>$35,417</td>
<td>$44,839</td>
<td>$39,662</td>
</tr>
<tr>
<td>Low income, after-tax</td>
<td>36.0%</td>
<td>49.6%</td>
<td>31.6%</td>
<td>42.9%</td>
</tr>
</tbody>
</table>
Integrating Findings From The EARN Interviews

Why do Newcomers Start their own Firms?

Newcomers are well-versed in the concept of risk: i.e. the risk of starting over and leaving behind a well-established life. Not surprisingly, more and more newcomers are also embracing the risk of starting one’s own business in a tenuous global economic climate. EARN newcomer participants described many reasons for starting a small business and their choice in the type of business launched. Generally, it was not one single factor that led to their decision, but rather a variety of circumstances that contributed to their move into self-employment.

In speaking with study key informants, five themes emerged:

1. As a job creation strategy to cope with tough economic times
2. Accommodation of family responsibilities and disability
3. A previous history of self-employment
4. Working in an occupation where self-employment is the norm
5. An opportunity for personal fulfillment

“"You can’t find a job. So I created my own job. I actually tried before I started the business. I tried to find a job in different places. I applied for so many places. There was no job at that time. That really made me think about opening my own business.”

– Male, self-employed in cleaning services

EARN key informants mentioned the ‘intrinsic’ qualities that they believe newcomers in general possess that can prove advantageous in self-employment, such as risk-taking, determination, focus, drive and a strong work ethic. These newcomers are able to bring knowledge and practices into their business that native-born Canadians may lack. They also have the benefit of seeing the Canadian market from the perspective of an ‘outsider’, an advantage in recognizing where domestic demands and gaps exist. Representatives from cultural business associations also commented on the drive, determination and persistence that many newcomers hold – qualities integral to success in self-employment.

Similarly, a staff member from a financial institution commented that newcomers are more “hungry” than native-born Canadians, more eager to make their businesses work. In the participant’s experience, newcomers are more determined to start a successful business with just one micro-loan and, for the most part, pay it off quickly.
Many people engage in self-employment in response to the failures of the labour market and as a means to make ends meet, especially during difficult economic times.

In our study, half of the 28 newcomer participants cited poor economic conditions, layoffs, and limited job opportunities as reasons for entering into self-employment.

For newcomers that entered self-employment in response to poor job prospects, many described additional decision-making factors such as: interest and expertise in a particular skill set; seeing the market potential of specific businesses; the flexibility of self-employment; and, the low start up cost for certain types of businesses. These themes have been supported by recent studies of newcomer entrepreneurs.\textsuperscript{22}

Two participants quit stable, full-time jobs in order to realize their aspirations of starting a small business. Nine participants were engaged in both self-employment and paid employment working for others as a way to generate income. Another five participants reported their business as their sole source of income, but also lived with family members who contributed to the household budget.

Service providers remarked that many newcomers, due to poor labour market conditions created by the economic downturn, entered into self-employment, creating an increase in demand for related services and resources. For some, this represented an opportunity for newcomers who had established their businesses in their home country, to once more enter into self-employment. For others, it was a necessity in order to generate household income.

Interviewees noted that many newcomers, women especially, engage in informal businesses as a survival strategy when faced with economic hardship in order to provide for their families. This includes those who have educational qualifications and international experience, but are excluded from full participation in the labour market for a variety of reasons. This will be further explored in the section on gender.

Two cultural business associations commented on the increase in the demand from self-employed newcomers for networking platforms and mentoring programs, looking for new opportunities and leads during the economic downturn. Financial hardship created by underemployment and unemployment was identified as another driving force.

Financial institutions remarked on the growth in demand for small business loans over the past four years. In response to poor economic conditions, many newcomers are creating their own work through self-employment.

Half of the research participants identified poor economic conditions, layoffs, and limited job opportunities as reasons for their entry into self-employment.

\textsuperscript{22} Public Interest (2013); Wayland (2012).
Canada has traditionally relied on newcomers to bring in skills, capital and market contacts as part of economic development. The Conference Board of Canada frames immigration as “more than a matter of visas and residency; it is an invaluable opportunity for innovation, new markets and global competitive edge.” The Conference Board contends that an additional 375,000 new immigrants are needed annually to ensure economic growth. Changes in immigration legislation and policy play a significant role in whether newcomer entrepreneurs will succeed in their venture. In 2013, the federal government implemented the “Start-Up Visa Program” to attract entrepreneurs specifically to Canada.

However, transitioning into self-employment can be a daunting challenge for newcomers. Research has found that new Canadians face additional barriers in trying to establish their businesses that may not arise with Canadians-born residents. These barriers include but are not limited to:

- language difficulties
- discrimination, racism and xenophobia
- difficulty in accessing business financing and capital
- limited familiarity around Canadian business culture and practices
- delays in visa processing
- and, lack of social supports and networks

The actual immigration status and how newcomers enter Canada impact their access to the labour market. For example, an entrepreneur who comes under the Start-up Visa program (which offers permanent residence and requires evidence of venture capital investment) experiences entrepreneurship differently from a newcomer with refugee status who comes to Canada to escape war and conflict in their homeland. The implications of one’s immigration status play a role in securing capital, developing the business plan and how well they can navigate services and supports. Based on Statistics Canada data presented in Section II, the majority of Toronto newcomers with self-employment income came to Canada either in the Family Class (they were sponsored by a relative) or as principal applicants under the Federal Skilled Worker Program.
Limited Eligibility for Entrepreneurial Supports

Despite numerous government programs to assist with starting a business, eligibility criteria for these programs make it difficult for newcomers to access the supports. A recent review involving 30 self-employed newcomers found that there were few specific entrepreneurial supports for newcomers, specifically women and youth. For instance, the Ontario Self-Employment Benefit provides training and financial support for unemployed workers interested in self-employment. Acceptance into the program is conditional upon Employment Insurance eligibility and previous paid Canadian work experience – conditions recent newcomers new to the labour market cannot fulfill.

For individuals receiving social assistance, there are limits to how much individuals can save and remain eligible for assistance. A single individual is permitted to have up to $2,500 in allowable assets. While an improvement over previous rules, it presents a barrier for individuals transitioning from social assistance to paid employment. Perhaps a larger barrier is the low rates of social assistance which make saving money for small business development difficult. Social assistance recipients have few incentives to explore self-employment as an option. The Canadian Women’s Foundation has outlined how current social assistance policies further penalize recipients and compromise economic development through the practice of clawing back benefits if a recipient begins to earn income.

A recent 2013 survey of over 100 newcomer entrepreneurs, found that they choose primarily self-employment for its flexibility. Although starting your own business provides flexibility in terms of workload and scheduling, it is not always an ideal working situation. Self-employment often requires working long hours for minimal income, is largely insecure, with no access to government benefits, such as Employment Insurance (aside for recently expanded EI special benefits such as maternity, paternity and sickness benefits to the self-employed) or Workers’ Compensation. In the Statistics Canada 2000 Survey of Self-Employment, involuntarily self-employed newcomers reported some of the challenges they faced:

- Financial risk and lack of stability;
- Lack of benefits;
- Income fluctuations and cash-flow problems;
- Excessively long hours (48.5% reported working between 40 and 56 hours a week) with no time off; experiencing stress and being low-income.

Immigration status plays a significant role in how newcomers start their lives and therefore how they build their firms.

Language Barriers

EARN key informants differed in their perspectives on whether fluency in English compromises newcomer entrepreneurs. Seven EARN key informants identified problems communicating in English as a challenge to the development of their small business.

“Lack of language [has been a challenge] because of this, lack of customers. [There’s] a high level of competition.”

- Male, home renovation

However, even when identified as a challenge, communicating in English was not necessarily seen as a substantial barrier to self-employment, depending on the specifics of the work or their customer base. One woman who runs a life coach practice noted: “I realize I have this belief that my English is not good enough … but then I noticed that Canadians were okay with my way of speaking English.” Another individual who ran his own landscaping company cautioned that “We cannot say there’s no negative influence having English as a second language but if you are running a business is mostly not, because people mostly judge you for your job. In my job, mostly it’s not language.

---

27 Wayland (2011)
28 Wayland (2011)
29 Ministry of Community and Social Services (2013)
30 Canadian Women’s Foundation (2010)
31 Public Interest (2013)
32 Hou & Wang (2011)
that they see. If he is a good guy, working, finishing at a proper time and doing a nice job, those are mostly influencing the job.”

For small businesses serving their own ethno-cultural communities, language was not identified as a challenge. However, when considering expanding, or branching out to sell goods or services to the broader community, some reflected on the need to strengthen their English language skills. Recognizing the diversity of Toronto's population, participants identified their ability to speak multiple languages as an asset to small business development.

In contrast, some service providers noted that language barriers impact newcomers throughout the business cycle. Many self-employment training programs require significant paperwork upon entry, which can act as a deterrent to ESL newcomers. For those who require financing, a viable and detailed business plan is required which is difficult for those who lack the necessary English language skills. The technical language required for a business plan is often times out of reach for newcomers, making it difficult to create a proposal that is detailed enough to be approved. Cultural business associations also identified language as a challenge for newcomers, even for those who have been in Canada for a number of years. One key informant noted it takes newcomers three times as long to develop their business plan during the start-up phase as opposed to Canadian-born entrepreneurs. Another service provider had difficulty offering pro bono legal services, as few applicants came with a completed business plan. These trends could inform community organizations operations and eligibility criteria to accommodate newcomers' particular barriers.

**Access to Information about Canadian and Local Business Practices**

Six participants discussed the challenges of starting a new business in a new country and new city. Specifically, they identified the following:

- Obtaining permits
- The rules and regulations for operating particular types of businesses
- Gaining access to local market information
- Understanding the tax system

The business environment and unspoken conventions can be quite different in Canada compared to people's home countries. The majority of service providers identified a lack of Canadian business knowledge and experience as another significant barrier for newcomer business owners. Not knowing the ins and outs of the Canadian business environment, such as business practices and customs, can be detrimental for newcomers trying to start a business. Lacking such knowledge can also make their business seem less viable and/or less credible to regulators.

Newcomers with no previous experience running a business in Canada are also likely to lack professional and business networks, both informal and formal. Having such networks, and mentoring opportunities, was identified as vital to those moving into self-employment. Connections with other local established business owners can help newcomers come to know business practices, regulatory requirements and industry norms.

Across the board, cultural business association participants agreed that knowledge of Canadian business practices and systems is vital for business owners and represents a significant challenge for newcomers. A lack of knowledge of the local economy represents a significant hurdle for newcomers. The challenge of navigating business systems and regulatory frameworks was a recurrent theme. One key informant pointed out the irony of leaving behind nepotism and corruption in their country of origin, but favouring it to the excessive red tape involved with getting their

One informant identified the “biggest challenge they face is acceptance by the mainstream society, in terms of being accepted as competent enough to compete”. 
firm established. Moreover, cultural business associations spoke about the issue of gaining acceptance by others within Canadian society and being seen as having the ability to create viable businesses. One participant stressed that newcomer business owners face barriers to recognition and discrimination based on ethno-racial status.

Another entrepreneur commented that newcomer businesses can stagnate if they are sustained only by their own ethno-specific community, limiting both growth and productivity. He pointed out that his language-based newspaper is at risk in 10 years, as his readers age and fluent English second-generation Canadians are unlikely to purchase his newspaper in their parents' mother tongue. He suggested that newcomers thinking of self-employment consider sectors such as plumbing or real estate where newcomers can access a more diverse customer base. This is also reinforced by the literature that points out that the ability to tap into ‘mainstream markets’ is limited for some newcomer business models; however this is necessary for successful economic development. Another informant cautioned newcomers of being “boxed in” if they do not recognize Toronto's diverse markets. He spoke of the newcomer founder of FGF Brands as a notable case study: “he came here, started manufacturing rotis and realized there was a huge potential to manufacture flat breads because of a lot of demand. Roti is also Caribbean. He is an Indian and he is a billionaire today, and he has a patented process for manufacturing flat breads.”

An informant from a financial institution also identified lack of Canadian business knowledge and training as a barrier to success in self-employment, particularly with regard to business knowledge around credit and how it works in Canada. One entrepreneur pointed out that although “there are ways of getting around lack of credit” they lead to a vicious debt cycle of using credit cards or online lenders with excessively high interest rates. This trend guarantees failure for the would-be entrepreneur.

**A History of Self-Employment**

One-third of the participants (split nearly evenly between women and men) had previous experience running a business in either their home country, in Canada or working in a family business. For many of these participants, self-employment was a natural extension of their previous experience.

**Occupations Where Self-Employment is the Norm**

In Canada, self-employment is the norm for certain occupations. For instance, in this study, two participants work in the field of alternative health care. While multiple factors influenced their choice of entering into self-employment, they have occupations where they are far less likely to be employed by others or to join an existing group practice.

**Personal Fulfillment and the Limits of Working for Others**

Service providers explained that many newcomers enter into self-employment to follow their specific passion. A staff member from a financial institution commented that self-employed newcomers are “more hungry” than their Canadian-born counterparts. They are more eager to make their businesses work, more determined to start a successful business, and work hard to pay off their loans quickly. One entrepreneur said he liked to be able to invest and ‘hire smart people’. Another service provider pointed out that there are limits to working for others: lack of flexibility in choosing one’s work schedule, not having the ability to balance caregiving responsibilities with work, etc. Starting one’s own business can allow newcomers to take ownership of their schedules as they navigate their settlement process.

**Affordable Commercial and Retail Space**

Some service providers were exploring how they could integrate hot desks or pop-shops into their services, to better connect new entrepreneurs to needed supports. Three participants identified lack of affordable commercial and retail space as a barrier to starting and running their businesses. For some, a home-based business was a financial necessity, though an affordable storefront would be preferred to better meet their needs and increase opportunities to market their products and services to the public.
Most small business owners in our study had little awareness of the programs and services available to support self-employment and small business start-up. Many had not imagined that these kinds of services even existed. The settlement and employment sectors have a responsibility to ensure newcomers are aware of entrepreneurship options as a use of their skills.

**RECOMMENDATIONS**

**Addressing the Impact of Immigration on Self-Employment**

Integrate Key Self-Employment/Entrepreneurial Information at the ‘Front Door’ to Canada.

- Before their arrival in Canada, some individuals already have plans to open businesses. It would be helpful to explore ways to promote business support services to people in their home countries prior to their arrival in Canada. The Canadian Citizenship and Immigration website can act as a portal to link newcomers applying for a visa to entrepreneurial opportunities and supports. As part of streamlined service coordination, Citizenship and Immigration Canada can drive potential newcomer investor traffic to the Government of Canada’s Canada Business Network website, www.canadabusiness.ca.

- As part of the process for registering a business or applying for an HST number, include information and links to available programs and services. This could include a short directory of business services available in various cities and regions. For those who register their business through Enterprise Toronto, staff already provide services and supports customized to individual needs. However, most people register their business online.

- There is, in fact, a myriad of websites that provide small business start-up information where each source may provide part of the story. The Canada Business Network site (www.canadabusiness.ca) has extensive information. It would be a small and practical step to ask these website providers, at a minimum, to include a link on their website to this site.
Develop a City-Wide Communications Strategy to Connect Business Support Services to Newcomers Engaged in or Exploring Self-Employment.

Business support service providers are actively making links with the settlement sector. The communications plan can advance this work, incorporating multiple components such as:

- The Local Immigration Partnerships (geographically based settlement planning bodies) can support entrepreneurship organizations by including them as partners in their work.

- The use of ethnocultural and newcomer-focused media to promote self-employment business support services to various communities.

- One organization had taken initiative to develop a ‘starter kit’ with bank information, local maps and directories to give newcomers a head start into the self-employment process.

Increase Training for Front-Line Settlement Workers and Employment Counsellors to Refer Newcomers to Self-Employment/Entrepreneurial Supports.

- Newcomer serving agencies, as part of the settlement intake process, can ensure that clients are asked about their interest and history in self-employment. Ensure that settlement staff use key referral websites such as 211 Toronto, www.settlement.org, inmylanguage.org, www.canadabusiness.ca and employment and labour market websites to help promote self-employment business support services.

- Employment Ontario is a government funded network of 171 service providers with a mandate to provide information about the Ontario Self-Employment Benefit Program which supports unemployed workers who would like to start their own business. However it is difficult to access this program information through the Employment Ontario telephone system. It takes several steps to reach the automated information regarding the Self-Employment Benefit Program. Employment Ontario could rearrange its telephone directory options to make this program information more accessible.

- As well, we recommend the development of online webinar training for all front-line staff working with Employment Ontario-funded agencies to ensure that staff are informed and able to direct clients to self-employment business support programs. There needs to be a set of practice benchmarks for employment counsellors to effectively provide information and refer clients who choose the self-employment pathway.

- There are approximately 74 English as a Second Language schools across Toronto. The creation of an ESL Entrepreneurship module for Canadian Language Benchmark 6-7 where learners conduct market research and write draft business plans would be a useful way to introduce self-employment as an option for newcomers who are currently improving their English skills.
There has been significant media coverage of the ‘Canadian newcomer millionaire’ phenomena. However the self-employment earnings of newcomers tell a different story. As mentioned previously, about two-thirds of self-employed newcomers have no paid staff, and generally earn modest wages through self-employment. In studies of the general population, self-employment earnings differ substantially between self-employed individuals with incorporated versus unincorporated businesses. In Canada, self-employed individuals with incorporated businesses have a higher median household income ($75,600), followed by paid workers ($67,000), and then self-employment individuals with unincorporated businesses ($37,900). Personal income tax data for the Toronto residents show lower levels of income for newcomers with self-employment earnings. About two-thirds of Toronto newcomers reporting self-employment earnings reported earnings below $10,000; 87% earned less than $20,000. The situation was worse for newcomer women with self-employed earnings than newcomer men. The newcomer millionaire is certainly an outlier.

Of note is the intentional misclassification of workers by employers as “self-employed” or “independent contractors”. Employers will deem their workers to be self-employed to avoid paying benefits, thereby compromising basic employment standards for workers. Toronto’s Workers’ Action Centre has documented numerous cases of workers, many of whom were misclassified as independent contractors, that were not paid their full wages, overtime, vacation or holiday pay. These companies seek to shift their operating costs onto employees by forcing workers to pay for their own working supplies and equipment, pay a fee to receive work or deny access to company benefits and sick time. Because of their false status as “self-employed”, these workers also have no access to government programs such as Employment Insurance.

While this is a serious reality facing many workers in Toronto requiring legislative attention, particularly vulnerable workers such as newcomers, women and workers of colour, none of the newcomers we interviewed indicated that they were currently in this exploitative working arrangement.

33 http://www.thestar.com/business/personal_finance/2013/06/13/the_new_canadian_millionaires_women_and_newcomers.html
34 LaRochelle-Côté & Uppal (2010)
35 Gellatly (2007)
Recent American research on the value of self-employment as a policy tool for marginalized workers is cautious. In a review of US data, there was no significant difference in take-home pay between self-employed individuals and salaried employees. With respect to race, the data “fail[ed] to reveal evidence that the self-employment option offers a path to overcome the minority-white earnings gap”. Our data on Toronto newcomers accessed through Statistics Canada demonstrates a similar gap. As well, one study found wage rates for the self-employed are lower than their salaried counterparts in similar occupations.

In contrast, other studies offer an optimistic outlook, finding that although entrepreneurs experience initial slow growth during their start-up phase, their salaries grow faster over time than average salaried employees. One researcher noted that sustained policy development to enhance self-employment rates contributes to prospering local economies through fostering jobs and keeping profits in cities and neighbourhoods.

Since poverty and unemployment rates for newcomers are higher than the Canadian-born population, does entrepreneurship offer a policy option to address this inequity?

SELF-EMPLOYMENT AND THE LABOUR MARKET – THE ENTREPRENEURS’ VOICES

As mentioned, poor economic conditions often contribute to individuals deciding to enter into self-employment. In our study, half of the participants cited poor economic conditions, layoffs, and limited job opportunities as a reason for their entry into self-employment. Where people run up against the failures of the labour market to provide good jobs, they are creating their own employment.

Would You Choose Self-Employment Over a Good Job?

To delve further into the relationship between self-employment and paid work in the labour market, we asked participants if they would want to continue running their own business if they were offered a good job in their chosen field. Their answers revealed much about the appeal of self-employment and perceptions of the capacity of the labour market to provide good jobs.

Twenty-two of twenty-eight participants reported that they would want to continue running their own business rather than accept an offer for a ‘good’ job in their chosen field. Three participants said they would take the job, and three participants told us they would accept the job offer and run their business on the side.

“If the income was higher than my current business and I felt more comfortable and nobody ordered me and I was able to use all my experience I would accept the job offer. But it is like a fairy tale.”

- Entrepreneur, grocery store owner

At first glance, it would appear that the majority of these newcomers would choose self-employment over working for others even with the offer of a good job in their field. However exploring their responses further, we discovered more complex issues at play. While participants are committed to their businesses, have a passion for their work, and value the opportunities that self-employment provides, it is also evident that several participants rejected the notion that decent work or a ‘good job’ is out there. Even when participants accepted the premise that a good job could be had, some commented that it would not last for long.

In the end, many participants not only valued the autonomy and possibility offered by self-employment, but also saw their businesses as a social safety net to protect against the precariousness and inadequacies of paid work.
in the labour market. Traditionally, opening a business would be considered a risky venture. Instead, many newcomer participants are seeing self-employment as the safer bet when contrasted with the precariousness of the labour market and lack of adequate income security programs to protect against unemployment and underemployment.

**Self-Employment and Job Creation**

While small business is often considered an engine of job creation (despite data pointing to the contrary) most of our participants were operating one-person fledgling sole proprietorships. Some self-employed newcomers receive occasional unpaid assistance from family members lending a helping hand. Twelve of the twenty-eight participants reported having paid staff, ranging from one to six employees. Five of the twelve participants with paid staff had part-time and/or casual staff only; four had full-time staff, and three employed both full-time and part-time staff. Most employees were non-family members.

For those providing paid employment, most offered no benefits. Three of the twelve participants with paid staff offered benefits: one provided an employer-contributed RRSP; one offered paid vacation, paid sick days and a pension and one had paid vacation and paid sick days for their staff.

**Start-up Costs, Cash Flow, Access to Capital**

The universal challenge in business start-up is accessing credit. Start-up costs, cash flow problems, and lack of access to capital were common problems for more than half of the participants. Several newcomer business owners spoke about the challenge of paying for equipment, space, and labour to get their businesses up and running. Some relied on their savings, others used personal credit to finance their business, and some received financial assistance from family and friends.

Despite half of the participants commenting on their challenges with start-up costs and cash flow, only five participants had tried to access loans or lines of credit from financial institutions. Some did not think they would qualify due to their personal circumstances. For instance, one person possessed temporary immigration status; others wanted to avoid debt or worried that they may default on their loans. Only two participants from our sample had acquired a bank loan – one of which was initially refused. Other participants talked about starting small and opening businesses that required minimal start-up costs to avoid seeking out external financial assistance.

Overwhelmingly, service providers singled out financial issues as the biggest challenge that newcomers face when looking to start a business. Many lack the necessary start-up funds to get their business off the ground and are in need of financial help from external sources. The lack of a Canadian credit history and limited personal assets are roadblocks in accessing loans from most traditional financial institutions. A front line staff noted that: “a newcomer to Canada may not have access to some sources of funding because they are still getting themselves settled and are spending any family resources...they may not have credit that other people have.”

Service providers also pointed out that accessing capital may not be an option for newcomers from religions or cultures that prohibit paying or receiving interest from loans. Alternative methods are required to open up access to
capital for these communities. Participants from cultural business associations also remarked on the inability of newcomers to carry credit histories over from their home countries, and the challenges related to a lack of a Canadian credit history.

Interviewees from financial institutions identified access to financing as the principle challenge. Many self-employed newcomers lack the necessary credit history and associated ratings to successfully apply for a loan from most traditional financial institutions. Without a positive credit rating, most banks are unwilling to offer financing to applicants, as the perceived risk is too high.

Newcomers that have personal assets, along with a positive credit rating, are slightly more likely to successfully apply for a loan, but the type of business they want to finance and whether or not they have Canadian business experience are also taken into account. Applicants with a greater perceived risk are likely to pay higher interest rates on loans, increasing the burden for newcomer business owners.

Organizations including Access Community Capital Fund and the Canadian Youth Business Foundation (CYBF) offer micro-loans for small business and self-employed individuals. These micro-financing programs provide a pathway for individuals to gain access to larger loans through mainstream financial institutions. Key to the success of the micro-lending programs, these organizations provide a mentoring component that provides support to self-employed individuals. As well, both organizations have adapted their programs for newcomers. As well, after a first successful loan, individuals may apply for larger loans through micro-lending programs. Lack of awareness of programs and services, including micro-lending programs, is a significant barrier for self-employed newcomers.

Among the 28 newcomer entrepreneurs in the EARN project, only 6 had heard of the CYBF and 3 had heard about Access Community Capital Fund.

“You need tools; you need equipment; need to rent somewhere. Even you need to pay guys. Nobody gives you, here’s $10,000 [until the job is done].”

– Male, owner of landscaping firm

“It’s just like finding a job in Canada. We look at your resume to see if you have Canadian experience…It’s related to credit, experience, assets, business type. If you are new to Canada, how do we know that your business is going to be successful?”

– Informant, financial institution
RECOMMENDATIONS

Addressing the Impact of Socioeconomic Status

1. **Develop Models to Support Entrepreneurs in All Phases of the Business Cycle to Support Infrastructure for Growth and Development.**

The majority of small businesses fail after 3 to 5 years. Self-employment supports must focus on all phases of the business cycle. Entrepreneurs emphasized the need for a centre to provide ‘back-office’ administrative supports such as human resources, payroll, filing taxes, legal information and information technology consulting. Most services focus on start-up and incubation; but entrepreneurs need a central hub with additional supports that would allow them to focus and grow their business. This model would build on existing models of shared space from the social enterprise sector to increase access to office, retail and commercial space for self-employed individuals, including newcomers.

In response to the need for affordable office, retail and commercial space, the Centre for Social Innovation model has been effective in supporting urban social entrepreneurs and creating networks of support (www.socialinnovation.ca). The Paro Centre for Women’s Enterprise is a respected Canadian model that nurtures both new and established female entrepreneurs to start their own initiatives in rural Ontario (http://www.paro.ca).


Employment arrangements are changing. Self-employment rates are on the rise, particularly during periods of economic downturn and for newcomers who face the greatest barriers to accessing good, living wage jobs. Like workers in the labour market, individuals engaged in self-employment and struggling to make ends meet need access to a strong income security system. As the research demonstrates, many self-employed newcomers are struggling to make their business financially viable and are living in poverty.

Presently income security programs are failing on multiple counts. While much analysis exists that identifies problems and recommends solutions to address barriers and inadequacies of E.I. and social assistance, these discussions generally focus on unemployed and underemployed workers.

---

40 Industry Canada (2009)
A working group including self-employed individuals and newcomers, as well as, business, labour, academic, government and policy representatives with expertise on labour issues, self-employment and public policy would work to advance policy solutions that address the income security needs of individuals, including newcomers, engaged in self-employment.

Unifor, Canada’s largest private sector, has introduced community chapters to expand the support of the labour movement beyond traditionally unionized sectors. The Canadian Freelance Union became the first nationally chartered community charter. New forms of union organizing hold promise for traditionally excluded workers, and may offer ways to improve income security and working conditions for self-employed newcomers.

In response to poverty, self-employment is only a choice when newcomers have more than one option. Unfortunately, newcomers face significant barriers to accessing good, living wage jobs, and sometimes any job at all. They have the highest poverty rates in Toronto, affecting about half of the newcomer population, with even higher rates for racialized newcomers. In the Greater Toronto Area and Hamilton (GTAH), almost three-quarters of employed newcomers are in precarious employment, lacking permanent, full-time work with benefits and employment security when they first arrive in Canada. It’s not surprising that newcomers are engaged in self-employment with little access to good, stable, living wage jobs.

**3 Develop Creative Solutions that Respond to the Concrete Needs of Low-Income Newcomers Engaged in Self-Employment.**

Traditional financing methods are inaccessible to low-income people. This can force many newcomers to rely on risky methods such as money lenders and high-interest credit cards further perpetuating poverty. However, lending institutions have developed alternative methods to assess lending risk to a newcomer entrepreneur. For example, one lending institution indicated that if newcomers do not have an established credit rating, they assess past utility bills over 3-6 months to see if they have been paid on time. This institution has a low default rate and a successful track record of supporting newcomers through micro-enterprise. Another organization is restructuring their program after consulting with Islamic banking experts, resulting in a more accessible system of credit that is compliant with religious restrictions on interest. Both organizations have developed eligibility criteria which promote the success of low-income newcomer entrepreneurs.

The lack of newcomers’ awareness of micro-financing options presents a barrier. Settlement workers and Employment Ontario staff should be trained on existing options to integrate into their client case management plans. As well, English as a Second Language schools are a venue for reaching newcomers at the beginning of their settlement process. These programs ensure a ready cohort of newcomers who could use gateway programs at Access Community Capital Fund and the Canadian Youth Business Foundation, and develop the necessary skills to procure bank loans.
In 2012, approximately 257,887 women immigrated to Canada, either 1) sponsored by relatives in the family class, 2) as economic newcomers, or 3) as refugees fleeing conflict. In the past 10 years, newcomer women have increasingly come to Canada as economic principal applicants. A gender-based analysis of immigration statistics found that, in 2009, 61% of all overseas sponsored spouses/partners and 57% of all inland sponsored spouses/partners were female. The intersection between immigration class and gender plays out for women at all phases of their transition to life in Canada.

Despite sustained federal and provincial efforts at settlement, a 2010 study recorded unemployment figures for newcomer women at 16.5% in the principal applicant and skilled newcomer class and 21% for women newcomers in the family class. This contrasts sharply with the 7% average unemployment rate among Canadian-born women of similar educational background. When examining economic gender inequality it cannot “be explained away in terms of choices on the part of individual men and women regarding the use of their time, or the ignorance and prejudice of employers. Rather it was structured into market forces by discriminatory practices inherited from the past as well as … by powerful market actors pursuing their own interest.”

Gender-based analysis is particularly relevant when comparing how newcomer men and women fare in regard to labour force participation, unemployment and poverty. Overall, newcomer males have better labour market outcomes than their female counterparts, with higher labour force participation rates. As a general trend, newcomer women are paid lower wages and have less job security than both newcomer men and Canadian-born women in the Canadian labour market. As noted in Shields (2011) in Canada, women overall experience higher rates of poverty and unemployment. However, for newcomer women their unemployment rates are substantially higher (21%) in comparison with Canadian-born women (17%).

Our data obtained through Statistics Canada demonstrates the low incomes and high rates of poverty among newcomers engaged in self-employment, with worse outcomes for newcomer women.

Not surprisingly, many newcomer women look to entrepreneurship as a ‘DIY’ strategy for labour market access. For some newcomer women entry into self-employment can be a result of frustration with lack of child care...
care, family care-giving responsibilities, pay inequity, the instability of precarious work, and not having their credentials/work experience recognized.\textsuperscript{48} Also of note, women are less likely to be eligible for Employment Insurance due to working fewer hours, and taking leaves to care for family and have children.\textsuperscript{49}

The scale of Canadian women entering into self-employment has tripled in recent years. One study estimates women-run businesses have contributed approximately $18 billion to the national economy.\textsuperscript{50} However, a CIBC World Markets study found that although the majority (89\%) of interviewed female entrepreneurs did not "want to be treated differently"; 41\% also reported they "are taken less seriously than male entrepreneurs".\textsuperscript{51}

Previous studies have raised the concern that women are underrepresented in emerging economies which offer the highest rates of return for entrepreneurs. In a review of newcomer women entrepreneurs in Quebec, researchers found women entrepreneurs are substantially underrepresented in knowledge-based sectors such as Information Technology, engineering, biotechnology and manufacturing.\textsuperscript{52} Women are primarily starting service-based firms in 'caring' or 'helping' professions. They suggested that the high amount of capital needed in technology and engineering presented additional barriers for women.

These trends were reflected among the EARN newcomer business owners which included self-employed women that had primarily started informal companies, providing services such as child care and jewelry design. Women entrepreneurs risk staying in the ‘pink ghetto’ of industries with limited opportunities for expansion and advancement.

\section*{The Impact of Family Responsibilities}

For women, the flexibility afforded by self-employment allows them to make the choice between business opportunities and focusing on family responsibilities.\textsuperscript{53} In an era of changing shifts and part-time hours, it is a luxury to be able to dictate one’s own time. However, starting your own firm does not necessarily eliminate the pressures of family and household duties.

It was predominantly women (eight entrepreneurs) who indicated that they started their own business due to lack of child care. Service providers also noted that balancing business start-up with family demands, represents a barrier to some newcomers as well. The availability of child care is often overlooked when discussing challenges in self-employment, but is a reality for many newcomer business owners. As well, women identified the lack of family support as a particular challenge in running their businesses. As the primary caregivers in families, newcomer women can face particular challenges with respect to child care and family demands. One EARN key informant commented “after taking care of household duties and kids; at night when I start my work, my husband, kids feel disturbed and even my neighbour makes complaints against me. It’s a big barrier to run my own business.” This lack of familial support can potentially compromise women’s ability to invest in the business in terms of money and time.

\begin{quote}
First of all I love it [self-employment] and second of all I can’t imagine going back to a job. Once you start your business, you see you are open now to an ocean and you can see what you can reach, and compare that to a little pond. Now you tell me, how can I go back and be satisfied with that pond? No way.”

– Female, financial planner
\end{quote}

\textsuperscript{48}Townson & Hayes (2007)  
\textsuperscript{50} Canadian Women’s Foundation (2010)  
\textsuperscript{51} CIBC Small Business (2005)  
\textsuperscript{52} Kupferberg (2010)  
\textsuperscript{53} Kabir (2012)
Entrepreneurship as Gender Empowerment

Some entrepreneurs discussed how they saw their companies as a way to support other women. One key informant noted that she was driven to start her own business as part of her conscience: “I started [my] business along with my full-time job. I saw that women are tortured by their husbands or by their partners. I thought I should do something for women – that they at least can do something for their livelihood.” In another case, a participant started a home-based business so she could make money while meeting child care demands for her community. She offered the opinion that: “I feel having your own business is more challenging. It really brings out all your skills and also it gives you more satisfaction because you’re doing it for your own.”

Women described how operating their own businesses provided them with the opportunity for self-direction, self-sufficiency, expression, and creativity. Self-employment allowed them to adopt a leadership role, take initiative, and be economically independent. This proved to be a sound alternative to the limitations of working for an employer with few opportunities for advancement and/or a wage gap.

In a majority of our interviews, entrepreneurs expressed a great passion for their work, plans and hopes for the future. As well, it was not uncommon for newcomer women to talk about their businesses as a way to contribute positively to society. A woman who started her own alternative health care practice noted: “It’s an incredibly rewarding job to be able to help people in difficulty. A lot of people we see are at the end of their rope. So if you can help those kinds of people, you have really transformed their lives.”

Unfortunately, despite the promotion of entrepreneurship as a response to gendered poverty, the majority of women we interviewed were making incomes less than $10,000 a year from self-employment, which is substantially below the poverty line. Our data obtained through Statistics Canada show similarly low incomes for newcomer women with self-employment earnings.
RECOMMENDATIONS

Addressing the Impact of Gender

1. **Apply a Critical Gender Lens When Developing Policies and Services for Newcomer Women.**

   Although emerging businesses have similar needs with respect to training, support and access to credit – policymakers need to ask some provocative questions when they are designing, and delivering programming for women. The use of Gender Based Analysis (GBA) as a framework allows for a review of policies and programs with consideration given to the differing needs and circumstances based on one's gender: i.e. the context for cis-gender men and women and how it impacts their day to day lives. GBA is used by policymakers to determine potential social inequities and resolve them through policy development and service provision. It is a framework that asks questions to develop a nuanced understanding as to how issues of race, the colour of one’s skin, a newcomer’s accent, disability, sexual orientation and gender identity play a role in how women experience entrepreneurship and labour market access.

   Using a gender lens, the Canadian Women’s Foundation developed an evidence-based Sustainable Livelihoods framework that understands gender barriers and offers holistic support in transitioning women into self-employment.\(^{54}\) It includes an understanding of the different stages and supports that women require. This is relevant in developing interventions for newcomer women to access the labour market.

2. **Increase Access to Child Care to Facilitate Newcomer Women’s Engagement in Self-Employment.**

   Lack of access to child care was identified as a challenge to engagement in self-employment, particularly for newcomer women as the primary caregivers in most families. In December 2013, there were more than 16,000 children on the waiting list for subsidized child care in the city of Toronto.\(^{55}\)

   In 2013, the City of Toronto voted to use some of its provincial funding to open an additional 264 subsidized child care spaces.\(^{56}\) While modest, Toronto City Council made an important step in expanding subsidized child care spaces. We recommend that provincial and federal governments make a commitment to long-term, stable funding for high quality, child care to meet this growing need for all families, those engaged in the labour market and in self-employment.

3. **Explore Industry-Specific Co-operative Models for Newcomer Women.**

   In many countries in the Global South, women have successfully formed co-operatives which support entrepreneurs to create collective power which allows them to negotiate wholesale prices, barter child care and supplies and bid for larger projects and contracts. There are many examples of informal women’s co-operatives operating in the city of Toronto which would benefit from such an arrangement.

---

\(^{54}\) Canadian Women’s Foundation (2010)
\(^{55}\) Toronto Children’s Services (2014)
\(^{56}\) Toronto City Council (2013)
Impact of Racialization

Toronto’s racialized population has increased to include 47% of the population. Despite the population rise, members of racialized groups continue to be disenfranchised with regard to labour market outcomes. Research examining the implications of race shows how it plays a role for racialized residents’ labour market access.

According to the 2006 Census, 62% of Toronto residents living in poverty were racialized; the majority of these racialized persons living in poverty were newcomers (66%). Even with paid employment, the disparity in wages between racialized and white people (77.5 cents earned for every $1) leads to a wage gap.

At times, this pushes people to seek work in the informal economy; however, research has found that even 42% of those engaged in the ‘underground economy’ earn less than $10,000 annually. As Dr. Grace Edward Galabuzi writes,

“Despite comparable average educational attainment, their labour market experience is one of barriers to access, limited mobility in employment, and discrimination in the workplace. They confront a racially segmented labour market in which they are ghettoized into low end jobs and low income sectors.

The resulting social crisis is … a persistent income gap, above average levels of poverty, high levels of unemployment and underemployment, overrepresentation in low income sectors of the economy and occupations, and under-representation in well paid jobs. There is also a disproportionate concentration in part-time, temporary, and home work – particularly for racialised women.”

Canadian research conducted in the 1990s, found that self-employed newcomers of colour earned approximately $3,569 less than white self-employed newcomers (using 1991 figures).

As self-employment is increasingly seen as a potential employment pathway for racialized people, EARN chose to analyse the relevant data. Data from the 2006 Census show inequities in self-employment earnings and median household income of newcomers with self-employment income by race. Among Toronto newcomers, white individuals with self-employment income had a higher median household income and substantially lower after-tax poverty rate than their racialized counterparts. This relationship held for individuals with incorporated and unincorporated businesses. Breaking the analysis down further by gender, revealed inequities as well.

The term “racialized persons” refers to those people who self-described as a visible minority on the 2006 Census. The term ‘person of colour’ is also sometimes used to contrast with the term “Caucasian” or “white.”

Social Planning Toronto (2009)
Galabuzi (2001)
Akter et al. (2013)
Galabuzi (2001)
Li (1997)
RECOMMENDATIONS

Addressing the Impact of Racialization

1. Create a ‘One-Stop Shop’ of Integrated Employment and Settlement Supports to Meet the Needs of Racialized Newcomers.

In Toronto, there is often a distinction between employment service programs that connect people to jobs, and self-employment business support programs that assist individuals in engaging in small business start-ups. With few exceptions, these services are rarely offered under one roof. In our research, many key informants held up the Newcomer Centre of Peel as a model of service coordination where newcomers could find assistance with employment and self-employment, as well as, other key services including counselling, ESL, child care and community activities. It is truly a one-stop shop that includes a well-developed small business training, start-up and support program. The Global Business Centre at the Newcomer Centre of Peel (www.ncpeel.ca) is resourced by the federal government. An expansion of this integrated model of service delivery would serve newcomers in the city of Toronto well.

2. Support Capacity of Racialized Newcomers to Establish Supply Chain Relationships.

The work of the Canadian Aboriginal and Minority Supplier Council (CAMSC) offers a successful case study to address barriers for racialized entrepreneurs through supporting diversity within the business supply chain. The CAMSC promotes firms by racialized minorities to compete in their industry through networking opportunities, communication campaigns, as well as a certification program that offers a stamp of credibility. The council is investing in the long-term competitiveness of racialized entrepreneurs by connecting them to procurement opportunities with larger companies.


The City of Toronto is currently exploring rezoning allowing commercial spaces to co-exist with residential apartments in the high density dwellings that dot the urban landscape. Many residents in these tower apartments are racialized residents who live in low-income neighbourhoods. The potential for temporary pop-up shops presents a win-win for racialized and newcomer entrepreneurs: for isolated residents who cannot access suburban malls, pop-up shops would provide entrepreneurs with a ready customer base. Pilot initiatives of temporary pop-up shops would allow entrepreneurs to innovate, and try out their business ideas with considerably less risk. For example, the low capital requirements of creating a flea market in a parking lot, or setting up barbershops in apartments, do not tie potential entrepreneurs to long-term debt and failure. Despite the need for additional research and policy development, it offers opportunities for creative collaboration between racialized residents, urban planners and community agencies.
Beyond Self-Employment:
Self-employment is only a choice when newcomers have alternative options.

The EARN study and related research make clear that there are both ‘push’ and ‘pull’ factors at play that contribute to an individual’s decision to enter into self-employment. Self-employment may offer individuals opportunities for autonomy, creative expression and avenues to use their skills and abilities.

Today, many paid jobs provide limited autonomy and opportunities for personal advancement. Workplace power is concentrated mainly in the hands of employers. It should come as no surprise that many newcomers and non-newcomers seek out alternative options that are more personally fulfilling, less controlling and restrictive.

These ‘pull’ factors can attract individuals into self-employment. However, even the “pull” factors need to be examined from a critical perspective. As the research findings demonstrate, many self-employed newcomers are struggling to get by; with newcomer women being concentrated among the lowest category of earners.

Regardless of the reasons for entry into self-employment, newcomer entrepreneurs need access to effective programs and services to support their economic development and labour market access. At the same time, it is alarming to note the paradigm shift as self-employment is increasingly seen as a social safety net for newcomers and other marginalized groups, especially during difficult economic times.

Self-employment as the new social safety net -- is a formula for greater precarity. Efforts to attract newcomers into self-employment must be matched by substantive improvement in income security programs and access to good jobs in the labour market.
REFERENCES


Our goal was to include newcomers from a diversity of ethno-racial, cultural and linguistic communities, operating businesses throughout the city of Toronto that offer a variety of goods and services. We also worked to ensure a balance between self-identified males and females in the sample.

Entrepreneurs were engaged in a wide range of businesses involving:
- Bookkeeping, accounting, insurance and financial services
- Office management
- Legal and immigration consulting
- Personal and professional coaching
- Manufacturing of construction building products
- Transportation services
- Commercial and industrial cleaning services
- Landscaping and hardscaping
- Internet and printing services
- Multicultural media through a television program production, or ethno-specific print newspaper
- Alternative health care clinic
- Home-based child care
- Providing accommodations and support
- An art school
- Catering, restaurants, café and a bakery
- Retail home décor stores
- Clothing and jewelry retail stores

Table 1 shows a profile of the 28 self-employed newcomer participants.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Year Business Started</th>
<th>Type of Business</th>
<th>Income Levels from Self-Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>2008</td>
<td>Sole Proprietorship</td>
<td>Under $10,000 (9 female, 2 male newcomers)</td>
</tr>
<tr>
<td>Male</td>
<td>2009</td>
<td>Partnership</td>
<td>$10,000-$19,999 (2 male newcomers)</td>
</tr>
<tr>
<td>Age</td>
<td>2010</td>
<td>Corporation</td>
<td>$20,000-$29,999 (3 male newcomers)</td>
</tr>
<tr>
<td>Age 18-24</td>
<td>2011</td>
<td>Year of Arrival</td>
<td>$30,000-$39,999 (2 female, 1 male newcomer)</td>
</tr>
<tr>
<td>Age 25-34</td>
<td>2012</td>
<td></td>
<td>$40,000-$49,999 (0)</td>
</tr>
<tr>
<td>Age 35-44</td>
<td>2003</td>
<td>Languages Spoken</td>
<td>$50,000-$59,999 (2 female, 1 male newcomer)</td>
</tr>
<tr>
<td>Age 45-54</td>
<td>2004</td>
<td></td>
<td>$60,000-$69,999 (0)</td>
</tr>
<tr>
<td>Age 55-64</td>
<td>2006</td>
<td></td>
<td>$70,000-$79,999 (0)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country of Birth</th>
<th>Year of Arrival</th>
<th>Languages Spoken</th>
<th>Registered Business</th>
<th>Location of Highest Educational Attainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>2008</td>
<td>Farsi</td>
<td>Yes</td>
<td>Outside of Canada 26</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>2009</td>
<td>French</td>
<td></td>
<td>In Canada 2</td>
</tr>
<tr>
<td>China</td>
<td>2010</td>
<td>Hindi</td>
<td>No</td>
<td>Masters Degree 7</td>
</tr>
<tr>
<td>Columbia</td>
<td>2011</td>
<td>Mandarin</td>
<td>Yes</td>
<td>Certificate or Diploma 2</td>
</tr>
<tr>
<td>England</td>
<td>2009</td>
<td>Persian</td>
<td>Yes</td>
<td>Undergraduate Degree 13</td>
</tr>
<tr>
<td>India</td>
<td>2010</td>
<td>Portuguese</td>
<td></td>
<td>Some Post-Secondary 4</td>
</tr>
<tr>
<td>Iran</td>
<td>2011</td>
<td>Romanian</td>
<td></td>
<td>High School/GED 2</td>
</tr>
<tr>
<td>Mexico</td>
<td>2011</td>
<td>Russian</td>
<td></td>
<td>Economic 14</td>
</tr>
<tr>
<td>Moldova</td>
<td>2010</td>
<td>Sinhalese</td>
<td></td>
<td>Family 6</td>
</tr>
<tr>
<td>Nepal</td>
<td>2011</td>
<td>Spanish</td>
<td></td>
<td>Refugee or Other 5</td>
</tr>
<tr>
<td>Romania</td>
<td>2012</td>
<td>Tibetan</td>
<td></td>
<td>Permanent Resident 17</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2012</td>
<td>Turkish</td>
<td></td>
<td>Permanent Resident 17</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2011</td>
<td>Children Under 18</td>
<td></td>
<td>Permanent Resident 17</td>
</tr>
<tr>
<td>Turkey</td>
<td>2011</td>
<td>Yes</td>
<td></td>
<td>Permanent Resident 17</td>
</tr>
<tr>
<td>Ukraine</td>
<td>2011</td>
<td>No</td>
<td></td>
<td>Permanent Resident 17</td>
</tr>
</tbody>
</table>
Figure 1 shows the location of participant businesses. Many operated from their homes and provided services across Toronto.

Key informants that were service providers, described the programs and services they offer to newcomers that aid small business start-up and development. These government funded supports included:

- small business advice offered in-person and through call centres;
- business toolkits offered in a variety of languages;
- business incubation programs aimed at fostering small business start-ups;
- self-employment training programs to help participants design business plans, apply for funding and learn how to navigate the Canadian business environment;
- business legal advice for self-employed newcomers;
- micro-financing programs;
- mentoring programs;
- information programs, seminars, workshops, and materials on Canadian business practices;
- award programs to recognize outstanding businesses;
- business development services tailored to self-employed youth and women.

“We look at micro-finance as a way to bring social and economic inclusion to individuals… It’s not only about the loan for their self-employment. We think beyond that.”

- Participant from financial institution