

Why are fewer Canadians starting their own business

by FRANK STRONACH

There are more small businesses in Canada closing up shop than there are people starting a new business.

That's the disturbing finding from a new study carried out by the Business Development Bank of Canada (BDC) and the University of Montreal.

According to the study, Canada has 100,000 fewer entrepreneurs today than 20 years ago, despite the fact that our population has grown by more than 10 million people. In other words, only half as many people are starting their own businesses compared to two decades years ago.

And of that group, approximately one-third will close their doors within the first five years.

BDC, which is a federal crown corporation specifically created to help Canadian entrepreneurs, said the study was "worrying because entrepreneurship is crucial to the economy, fueling innovation and economic growth."

The small business bank also called the decline in Canadian entrepreneurship "alarming" because of the enormous role small business plays in creating new jobs "or as BDC put it: "Entrepreneurs are the backbone of Canada's economy: They spearhead innovations. They're responsible for virtually all net new job creation. They drive growth and transformation."

In searching for reasons why entrepreneurship is no longer an attractive career option for many Canadians, BDC cited the "more complex business environment" that entrepreneurs and small business owners face.

But the real question is: Why is the business environment more complex today than it was 20 or even 50 years ago?

I believe the main reason is that government is suffocating small business to death. Canada's small business owners and entrepreneurs are struggling to cope with a mind-boggling amount of red tape, regulations, rules, forms and never-ending government compliance requests.

All of this added regulatory burden has sapped productivity and crippled the competitiveness of small businesses in Canada.

Last year, the Chartered Professional Accounts of Canada urged the government to act on a task force report from over ten years ago that identified over 60 areas where government could reduce red tape and regulations.

But nothing was done "and in the ten years since the report was published, the paperwork and regulatory compliance that small business gets saddled with each year has continued to get worse.

The other key factor hampering small businesses is the tax that's levied on them in their early stages of incubation and growth "a crucial period when cashflow is king and profits are typically re-invested in product development and hiring new employees to fuel future expansion.

So how do we get more Canadians starting their own small business? And how do we help the hundreds of thousands of small businesses across Canada struggling to make a go of it?

I believe the best solution is the creation of an economic charter of rights "one that takes the chains off small business by reducing the regulatory burden we've imposed on them. By doing this, we'd give small businesses the conditions they need to thrive and flourish.

An economic charter with these key principles would trigger a wave of entrepreneurship and would give existing small business owners a fighting chance to keep their doors open and grow. It's also the reason why small business across Canada should rally together in support of an economic charter.

If any business association in Ontario wants to learn more about the proposed Economic Charter, I'd be happy to speak at your event and tell you more about how the charter can help small business. Email me at info@economiccharter.ca.