

Monday » January
9 » 2006

Your own best boss? Maybe not

Observers wary as more flock to risky self-employment

Duncan Mavin

Financial Post

Saturday, January 07, 2006

Canadian workers are gambling their livelihood on the country's current economic boom in ever-larger numbers, by following the risky "dream" of self-employment, according to the country's latest labour-force figures.

More than one-third of Canada's record-busting job growth in 2005 was as a result of entrepreneurial workers stepping out on their own, the December employment report from Statistics Canada revealed yesterday. Eighty-eight thousand self-employed positions were created during 2005, compared with about 233,000 jobs overall.

But with self-employment now the way of life for about 2.5-million Canadians, representing almost 16% of the total workforce, some experts warned working for yourself can be significantly less secure than working for somebody else.

The failure rate for all new owner-managed businesses is as high as 80% to 90%, said Alan Farber, who owns an Ontario-based financial services and insolvency practice.

"It's that hard to start and get through those initial three to five bumpy years," Mr. Farber said.

The flip side of good entrepreneurial spirit and innovation is that "a lot of the self-employed earn fairly low incomes and have a precarious existence," said Eric Lascelles, strategist at TD Securities. Mr. Lascelles said TD's research shows the self-employed tend to work longer hours and their businesses have an average lifespan that is "fairly short."

There are particular concerns about the real estate and construction sectors, which contributed about 20% of the total new self-employment positions in 2005. About one-third of workers in those sectors are now self-employed, and with many economists predicting at least a slowdown in the housing market this year, there's a danger some workers are choosing to launch their own businesses "at the tail end of the boom," said Garth Whyte, executive vice-president of the Canadian Federation of Independent Business.

Mr. Farber had the same warning. "We are at a very late stage in the cycle," he said. "Generally you get a surge of unsophisticated workers that get in close to the top and they'll get banged on the nose if there's a turndown."

However, at least one analyst sees the increase in self-employment as a sign of strength in the labour market. "During times of economic weakness, workers are much more reluctant to start out on their own," said Sal Guatieri.

But with a high standard of living and the strong overall labour market, workers appear confident that if their personal business ventures fail, they can easily find another job, he said.

There has been a steady rise in self-employment during the past 25 years, Mr. Guatieri

said. That's partly due to technological advances -- such as the proliferation of home-office equipment -- that have made working for oneself easier.

Mr. Whyte said the surge in self-employment is also due to a growing number of Canadians choosing to "fulfill the dream" of working for themselves during good economic times, as well as many semi-retired workers that want to be their own bosses as they leave the workforce.

Overall, the December employment figures showed a net loss of 2,000 positions, lifting the unemployment rate 0.1% to 6.5%.

"The numbers were not great, but keep in mind we followed on from two stunning months" Mr. Lascelles said. The creation of 36,000 full-time jobs is "nothing to turn your nose up at" since it shows the quality, and volume, of jobs generated by the Canadian economy may be improving.

© National Post 2006

CLOSE WINDOW

Copyright © 2006 CanWest Interactive, a division of [CanWest MediaWorks Publications, Inc.](#) All rights reserved.