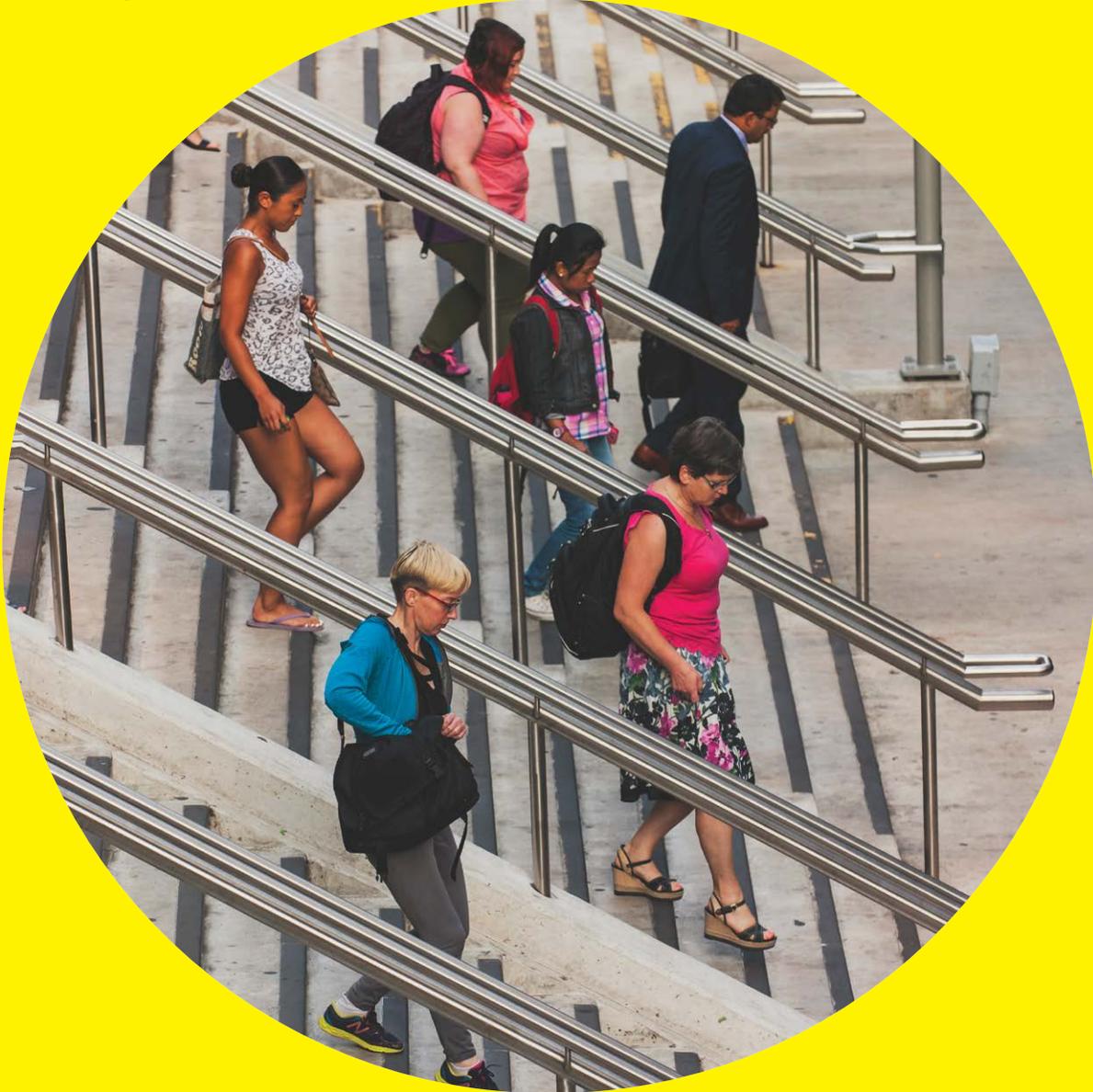


6 **SIX DEGREES
CITIZEN SPACE
2016**

**SIX DEGRÉS
ESPACE CITOYEN
2016**

Vancity



OPEN FOR BUSINESS:

IMMIGRANT/NEW CANADIAN ENTREPRENEURS IN CANADA

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HIGHLIGHTS

- Immigrants come to Canada due to a variety of reasons, among them: safety, diversity, government transparency, low corruption, stable economy, education, family ties, and social inclusion.
- Among all the eligible immigrants in Canada, 85.6 percent had become citizens by 2011. The rate for Australia was 74 percent in 2011, and the rate for the US was 43.7 percent in 2010.
- Immigrants can face credential constraints and discrimination in the labour market, which can result in having periods of unemployment, getting jobs below their qualification, or deciding to start a business.
- Ethnic entrepreneurship is often a way to adapt to the opportunities available. Living in enclaves may also be a way for immigrants to ease social integration and yield job opportunities not available in the general labour markets.
- New Canadians are highly entrepreneurial:¹
 - In 2010, 7.6 percent of all immigrants were self-employed in comparison to 5.6 percent among the Canadian-born group.
 - After 10 years in Canada, almost 5.8 percent of all immigrants of working age own an incorporated business, compared to the 4.8 percent rate among people born in Canada.
 - The number of jobs created per firm by the relatively younger immigrant-owned business is smaller than those created by the older firms owned by Canadian-born individuals.
 - In 2001, the business class immigrants account for 46 percent of immigrant business owners, but 10 years later, they account for only 11 percent. In contrast, the immigrants in family class and the economic class that together account for just above half of the business owners in 2001, increase their share to 82 percent in 2010.
- China, English-speaking countries and Southeast Asian countries accounted for more than 60 percent of the immigrant business owners in 2001, but 10 years later these groups accounted for only 40 percent. In contrast, immigrants from India that accounted for 7 percent in 2001 increased their levels of business ownership so much that by 2010 they accounted for 23 percent of total immigrant business owners.
- The longer the immigrant entrepreneurs stay in Canada, the more business they create and the more people they employ.
- In the interviews we conducted, new Canadians reported facing a wide range of regulatory, financial, linguistic and cultural barriers to setting their businesses.
- Regarding the most important factors that contributed to the success of their businesses, the interviewees stressed personal drive, seeking value for money, and working with good people as clients, employees and stakeholders.
- In addition to facilitating information provision to immigrant entrepreneurs, having more funding resources available, recognizing foreign credentials, having a streamlined application processes for licensing and permits and a lighter regulatory framework could help them succeed with their business.

INTRODUCTION

Canada is a preferred destination for those seeking a new nation to call home. A key reason for this attraction to Canada is its openness to and acceptance of immigrants. Canada has one of the highest immigrant-to-population ratios of the OECD countries. According to a National Household Survey, in 2011, about 21 percent of Canada's population were immigrants, and 13 different 'ethnic-origin' groups had more than one million members living in Canada.² The Government of Canada plans on admitting a high number of new immigrants to the country in 2016, with a target of 300,000 permanent residents into the country. Most will become new Canadian citizens within five years. This is up from a 2015 target of 279,000. The largest percentage increase in planned immigration comes in the Refugee and Humanitarian category of immigrants, with the target rising from 29,900 in 2015 to 59,400 in 2016.³

According to the 2011 National Household Survey, 85.6 percent of all immigrants eligible to achieve citizenship had done so. People who immigrate to Canada want to stay and put down roots at very high rates. This is in comparison with a rate of 74.0 percent of immigrants in Australia in 2011, and 43.7 percent in the US in 2010.⁴ Throughout this report, we use the terms 'immigrant' and 'new Canadian' interchangeably, as we are interested in all of the people who move to Canada and start businesses, regardless of their stage in the naturalization process.

When it comes to livelihood, new Canadians have a choice of employment options. We chose to look at entrepreneurs - industrious new citizens who choose to establish and operate their own businesses. Nevertheless, why do they come to Canada? Why do they decide to open a business? What are the challenges they face and the factors that explain their success? This report explores these questions by looking at relevant literature, data, and interviews with entrepreneurs in the Vancouver area.

We found that immigrants/new Canadians become entrepreneurs in Canada for a variety of different reasons. While some had businesses or experience in similar industries in their country of origin, others see a new opportunity and decide to take it. While some search for independence and want to take responsibility for their own work, others face barriers in the labour market and see opening a business or being self-employed as an adaptation strategy out of necessity.

Even though the specific factors that contribute to each entrepreneur's success are very diverse, they are more often than not related to each individual's personal drive, educational attainment, work experience, personal and professional networks, access to credit and the competency of the people working with them.

A summary of our interviews showed the following:

Immigrants have varied reasons for setting up their own business:

- To recreate the atmosphere from their home country
- To obtain and maintain independence in their life
- To continue a family business in a new country
- To express their natural talents and skills as an entrepreneur
- To fill a gap or niche that they could see in the market

Challenges and barriers they face span multiple issues:

- Lack of financing (cash flow) and local credit history
- Establishing trust and relationships with Canadians
- Lack of understanding of the business culture and local protocols
- City permits and official processes
- Language skills and knowledge of local culture and customs
- Finding supplier relationships

Access to resources is an important success factor:

- Responsive bankers and other professionals, (i.e. accountants)
- Government services (ie Small Business BC, federal government programs)
- People—quality employees, contacts, supporters and allies

Governments and business associations can provide even greater help:

- Funding resources
- Mentors and guides
- Streamlined application processes
- Lighter regulatory frameworks

Finally, the common thread running through each narrative is the importance of resilience: an incredibly strong personal drive to succeed is ubiquitous among the individuals we spoke with.

This report is the result of reviewing relevant literature and conducting interviews with a number of immigrant entrepreneurs in the Vancouver, BC region. It includes information about why so many people each year immigrate to Canada out of the many countries to choose from, trends in Canadian immigration over time, how entrepreneurs do after they get to Canada, immigrants' feelings of social inclusion in Canada, and what some immigrants feel could be done to further integration and inclusiveness in Canadian society.

WHAT BRINGS IMMIGRANTS TO CANADA?

There are myriad reasons why hundreds of thousands of immigrants move to Canada each year. The number of immigrants who actually make it to Canada understates the actual demand for living in the country.

Safety

People come to Canada to enjoy a peaceful society, characterized by low crime rates, even in large Canadian cities. In 2012 Canada had a homicide rate of 1.56 homicides per 100,000 people, compared to another significant immigrant-receiving country, the US, which more than tripled that rate at 4.7 per 100,000 people.⁵

In 2013, the top 10 countries of origin of Canadian immigrants included the Philippines, Pakistan, Iran and Iraq. These are all countries which unfortunately routinely endure significantly higher rates of murder and other types of crime than Canada.⁶

Many of these source countries are currently, or have recently been involved in significant domestic or international armed conflicts. These sorts of events cause huge numbers of people to leave their home countries and search for more peaceful places to work and raise families. For instance, from 1945 to 1975 there were less than 200 people who immigrated from Iraq to Canada. In contrast, between 1979 and in 1992 the number of people who immigrated to Canada from Iraq rose to 6,472, largely due to Saddam Hussein's presidency and the first Gulf War.⁷ By 2011, after years of sanctions and two US-led invasions of Iraq, StatCan estimated that there were 49,680 people of Iraqi origin in Canada.⁸

Canada, on the other hand, has been a peaceful place for more than a century. There has not been any kind of battle fought on Canadian soil since the conclusion of the North-West Rebellion in 1885.⁹

Low crime is good for business, and entrepreneurs know this. Many entrepreneurs seek out places that allow them to focus on building their businesses instead of worrying about personal safety for themselves and their families.

Jeetu Patel's parents left Fiji for Canada—a country they knew nothing about—in the aftermath of a military coup in the 1980s, bringing with them their family history of

producing and selling Indian sweets and snacks as street vendors. From those necessary and modest beginnings, the family went on to grow Guru Lucky Snacks in Surrey, BC, establishing a multi-generational businesses that now employs 16 people.

Diversity, Acceptance, and Legal Protections

Aside from physical safety, people who have made the difficult decision to relocate from their home countries are often seeking a place that is accepting of their lifestyle, ethnic background, and religion. Canadians are known for adopting multiculturalism and acceptance of foreign citizens, ideas, and lifestyles. In terms of probable destination countries for immigrants, Canada is as diverse if not more so than most European countries and the US by various measures.^{10,11}

One advantage of starting a business in Canada as an immigrant is that there already exist many established populations of different races, nationalities, ethnicities, and religions here. This means that receptive and informed groups of consumers can already exist for entrepreneurs who sell goods and services brought from their homelands. For instance, starting a Persian food business is a much safer bet when there exist people who are already familiar with Persian food. Not only are other immigrants fond of imported products, but Canadian-born people have for decades been exposed to, and become fond of, foreign products. This also makes finding funding and/or professional collaborators easier for new firms. Food is a great example in both Vancouver and Toronto, places where one can sample cuisine from almost every region of the globe with relative ease.

"The amount of collaboration among micro-businesses in Vancouver is great," noted Federico Stucchi, a recent immigrant from Italy who established a microbrewery, Luppolo Brewing Company, in Vancouver in 2014. Stucchi said that while the community was very accepting of his business, he'd like to see the regulatory sector "lighten up" processes for entrepreneurs.

Importantly, Canadian laws reflect the celebration of multiculturalism, and the protection of vulnerable groups, something which is largely missing from the legal regimes in many parts of the world.

“Entrepreneurs come with dreams--they are great dreamers,” said Jeetu Patel, noting that his family’s business Guru Lucky Snacks doesn’t only serve the Indian diaspora, but has crossed boundaries into other customer segments due to the popularity of Indian cuisine in Canada’s food culture.

Importantly, Canadian laws reflect the celebration of multiculturalism, and the protection of vulnerable groups, something which is largely missing from the legal regimes in many parts of the world. The Canadian Constitution explicitly bans the discrimination of people based on many enumerated grounds including race, national or ethnic origin, colour, religion, sex, age or mental or physical disability.¹² These laws provide an important signal to potential immigrants regarding the values Canadians hold as paramount.

Government Transparency and Low Levels of Corruption

One crucial part of deciding where to open a business is to analyze the level of transparency in government processes. Transparency International defines transparency in the following way:

Transparency is about shedding light on rules, plans, processes and actions. It is knowing why, how, what, and how much. Transparency ensures that public officials, civil servants, managers, board members and businessmen act visibly and understandably, and report on their activities. And it means that the general public can hold them to account. It is the surest way of guarding against corruption, and helps increase trust in the people and institutions on which our futures depend.¹³

Opening up a business generally means applying for licenses, the incorporation of a commercial entity, learning laws and policies of the jurisdiction(s) in which one operates, and a host of other interactions with bureaucrats and the rules that they create. Lack of knowledge of the laws, or an absence of punishments for breaking them can introduce intolerable levels of risk into the entrepreneurial process. Business owners in some parts of the world can often successfully use bribes and personal connections with the government in order to gain unfair advantages over competitors. This is due to a lack of government and corporate transparency which can allow the perpetrators of these actions to do so with little-to-no consequences. These issues are much less prevalent in Canada, due to governmental anti-corruption procedures, and cultural norms which prevent the uneven application of the rules.

Efforts to create a strong business environment in Canada have, to a large extent, been successful. In 2015 Transparency International ranked Canada as one of the least corrupt countries of the world based on the perception of corruption in

political processes, which puts us in the company of countries like Singapore, Finland and Denmark. This measure has been shown to be a very accurate predictor of actual corruption, and so is used in economic analyses of its effects.

Recent research suggests that skilled workers tend to prefer living in places with low corruption where employment is meritocratic and labour markets are not characterized by widespread corruption. Having access to high-paying and prestigious jobs that are not determined by political affiliations or nepotism is attractive.¹⁴

Stable Economy

The societal and regulatory makeup of Canada is central to its economic strength and stability, as well as its relatively balanced income distribution.¹⁵ Canada has a very reasonable and relatively stable unemployment rate of around 7 percent.¹⁶ In a country where most people who want to work are able to find work, there are millions of customers with disposable income who create the demand for products and services. In poorer countries with high inequality, where the middle class is not a significant proportion of the population, it is more difficult to attract people to patronize businesses.

A stable economy helps constitute a favourable environment for business. Individuals often see the opportunity to open a business and are able to save money from their wages in order to finance their ventures.

Tracy Huang, who moved from China to Vancouver in the early 2000s with few English language skills, no business experience and little money, used the city's hot real estate market to establish herself. She saved money for two years in order to purchase a one-bedroom apartment which she flipped, starting a cycle of real estate acquisitions and sales, leading her to purchase a commercial property in which she started the Red Burrito restaurant company and the Cassia Cupcakery. "I was very young, I was a professional athlete (in China) ... not someone who went to work every day."

A crucial part of business creation, especially in developed countries like Canada, is financing, savings and chequing accounts, and other financial products provided by banks and the financial sector. In order to reliably provide quality financial products, stability in the financial sector is very important. Canadian banks and financial institutions are remarkably stable. Canada's financial system is arguably more stable than that of the US, which is characterized by higher growth in times of prosperity, but with the greatly increased possibility of catastrophic failures as in the 2008 financial crisis.¹⁷

A stable financial sector often means that starting a business in Canada is less risky than in countries of origin of immigrants. Keeping money in Canadian banks is very secure, as they are

unlikely to fail and eliminate wealth stored there. Canadian businesses can secure loans to invest in growth from a wide array of different stable banks.

"I was pretty surprised at how reactive the bank was," said Federico Stucchi. "The bank was happy to help us; in Italy, it is more challenging." However, for Matt Farrell, who came to Canada from England in 2009, it was a different story. Having no net worth or collateral in Canada initially put barriers in his way with the first bank he approached. However, another financial institution stepped forward and offered him more than he asked for in a loan to set up his Nitro Pipe Freeze business. "That was a major turning point," he said.

This healthy financial sector makes starting a business in Canada more accessible and less risky, with financing available, and limited liability legislation in place, which provides some protection for individuals starting corporations under such a legislative scheme. This allows entrepreneurs to take on risks which often result in financial gains for themselves, and economic growth for the economy.

Education

The prevalence and accessibility of exceptionally high-quality public educational opportunities are national points of pride for Canadians and a huge motivator for people to move here. Canada is one of the most educated countries in the world with some of the highest rates of literacy, secondary school completion, and post-secondary school diploma attainment. The OECD ranked Canada third in the world in terms of the percentage of 25-34 year-olds having completed post-secondary education, at 57.7 percent.¹⁸ Canada is sixth in the world in terms of spending per student on primary-through-secondary school education, and fifth in the world in terms of spending per student on post-secondary education.¹⁹

Having a highly educated pool of labour from which to choose highly skilled people helps to run businesses successfully. Business owners can easily find people with specialized degrees in fields like engineering, human resources, economics, computer science, medicine and more. Canada is one of the places into which the global brain drain pours.

Not only are Canada's numerous educational opportunities good for finding skilled labour, but they encourage people who want their children to receive great educations to settle in Canada, where public education is mandatory, and free until completion of high school. The average cost of attending one of Canada's many universities, colleges, community colleges or trade schools is a fraction of that of countries like the US, which has seen post-secondary education become ever more prohibitively expensive. The average yearly tuition in Canada in 2013 and 2014 was about \$5,772 CAD (about \$4,400 USD).²⁰

In the US the 2014/2015 averages for in-state public, out-of-state public, and private universities were \$9,139 USD, \$22,958 USD, and \$31,231 USD respectively.²¹

Not only are immigrants taking advantage of accessible Canadian education, their children are doing so with great success. Children of immigrants are graduating high school at a rate of 91.6 percent as opposed to 88.8 percent among Canadian-born children.

The children of skilled worker (49 percent), business (58.9 percent), and refugee-class (29.9 percent) immigrants all have average educational attainment levels higher than that of third-generation Canadians (24 percent).²²

Entrepreneur Russell Zishiri arrived in Canada in 2002 from Zimbabwe at age 18 with \$60 in his wallet, soon immersing himself in graduate school at the University of British Columbia while working full time. Now running an award-winning collection and organics processing business, Recycle-Now! Organics Enterprises Ltd., he chose not pursue a traditional business degree, but rather gained two post-graduate arts degrees in theatre and writing. "Education is important," Russell said, noting that his arts degrees have taught him a lot about how to act in the business arena. "It's all performance every day," he noted wryly.

Family Ties

Aside from business and educational aspirations, many people move to Canada in order to connect with family members who have migrated ahead of them. In 2014 Citizenship and Immigration Canada (CIC) anticipated 68,000 people would be sponsored to move to Canada by citizens or permanent residents. The CIC explicitly states that it has a commitment to prioritizing family applications for permanent residency, and furthering the goal of family reunification.²³

Such a high number of people sponsor relatives to move to Canada in part because the country allows any citizen, or even any permanent resident, to apply to sponsor their spouse, partner, children, parents, grandparents, and adopted children.²⁴ With some of the most pro-immigration policies in the world, it is no wonder that so many people choose to settle in Canada.

Social Inclusion

The World Bank defines social inclusion as "the process of improving the ability, opportunity and dignity of people, disadvantaged on the basis of their identity, to take part in society" and cites it as being "central to ending extreme poverty and fostering shared prosperity" around the world. They describe its goals as follows; "Social inclusion aims to empower poor and marginalized people to take advantage of burgeoning global opportunities. It ensures that people have a voice in decisions which affect their lives and that they enjoy equal access to markets, services and political, social and physical spaces."²⁵ While material poverty is often associated with socially excluded groups of people, it does not necessarily mean that relatively wealthy people are not at risk of being excluded. For instance a person's sexuality, no matter their socioeconomic status in many societies, can be a reason for their exclusion from society's various spheres.²⁶

Peggy Taillon, the then-President and CEO of the Canadian Council on Social Development said this about social inclusion in 2012:

It is about inclusion, opportunity, participation, shared values and shared prosperity, building on the successes and innovation in local communities. These are the things that tie us together. It can be as simple as having a library to walk to in your community or as complex as ensuring that all buildings in it are accessible to people living with disabilities, having programs that support new Canadians, creating good quality jobs and meaningful opportunities that lift people out of poverty. It is about ensuring the best start for kids and creating meaningful opportunities for the full participation of every Canadian, regardless of postal code, privilege or circumstance.

In a 2013 report by the Standing Senate Committee on Social Affairs, Science and Technology called "In From the Margins, Part II: Reducing Barriers to Social Inclusion and Social Cohesion", the government describes its efforts to "examine and report on social inclusion and cohesion in Canada."²⁷ They list particularly vulnerable groups including "recent immigrants, visible minorities, religious minorities, sexual minorities, urban Aboriginal peoples, and individuals with disabilities." These groups all face various, often widely varying barriers to social inclusion.

Honore Gbedze considers his business, The Afro News, to be successful, but not because it is especially prosperous. "I do not make a lot of money; it is a tool to do other things. You cannot have a democracy if people come and don't have anywhere to tell their story." Honore says life as a newcomer is stressful. "It is not easy to be an immigrant. You have to reinvent yourself every day."

IMMIGRANTS IN THE LABOUR MARKET

Another reason why immigrants move to different countries is to maximize their wealth by achieving a greater return to their human capital—their education and work experience.²⁸

However, education and work experience acquired in less-developed countries can be significantly less valued than human capital obtained in more-developed countries. Canadian employers often experience difficulties evaluating foreign educational credentials and using their corresponding skills to improve business performance, even though the newcomers are frequently selected to immigrate to Canada based on those skills and credentials. As a result of these credential constraints, newcomers can experience a period of unemployment, choose a job below their qualification, or decide to be self-employed. Such decisions explain part of the wage gap between native-born workers and immigrants with similar human capital characteristics.²⁹ The longer immigrants live in Canada and assimilate into the labour market, the narrower the wage gap becomes.³⁰

Part of the wage gap between immigrants and native-born individuals is attributed to differences in human capital. However, networks, knowledge of employers about education credentials, economic discrimination is also present in the Canadian labour market. Simply, individuals are sometimes differentially evaluated based on characteristics such as linguistic and racial features.³¹ Such forms of discrimination create barriers for immigrants to compete with Canadian-born workers.

Is race a barrier for Russell Zishiri? "I am African. I wear a tie. They have to see me (present myself) seriously. Is it racism? Not sure."

Even though immigrants often come to Canada searching for employment that would maximize their returns given their acquired education and skills, the challenges of competing in the mainstream labour market can lead immigrants to choose secondary positions that native-born workers do not desire in the labour market, or to carve out specific niches for themselves through self-employment.

Regarding the choice of secondary positions when facing barriers in the labour market, evidence indicates that this phenomenon is present in Canada. Research has shown that recent male immigrants, particularly visible minorities, face a sticky floor and non-recent male immigrants face a glass ceiling. In other words, recent newcomers initially work in low

wage jobs and, as they integrate over time and move up in the wage distribution, reach a glass ceiling that prevents career progression to positions such as management.³²

Dr. Roy Raming, a medical doctor from Indonesia by way of the USA, took a different approach. "I chose to become a business owner because I needed more free time; it was a personal preference." Raming has business interests in a beauty salon (run by his wife), health care products, and is developing a health care services business.

Some of the secondary positions can represent opportunities to gain the skills and market knowledge, which can be very useful to start a new business. Hiebert (2012) argues that immigrant and minority entrepreneurship arises out of the experiences of those individuals as employees. Thus, the types of occupations and industries in which immigrants work as employees help shape the distribution of industries of business that immigrants own. In other words, disadvantages that immigrants face in the labour market are later on manifested in their experience in self-employment. This argument can explain why immigrant self-employment is often associated with poor economic returns.

The movement from the blocked labour market towards self-employment is a way to adapt to the opportunities available. This can cause immigrants to focus on their ethnic group, building upon their social networks to create their own business.

Immigrants in Canada often concentrate in residential neighbourhoods with high percentages of their co-ethnics, known as enclaves.^{33,34} Living in enclaves may ease social integration and yield job opportunities not available in the general labour markets³⁵, but possibly at the expense of occupational mobility and wages.^{36,37} Different forms of ethnic entrepreneurship can be present in this environment. This phenomenon can have positive consequences such as i) creating job opportunities for the self-employed and for ethnic workers who would otherwise be excluded by mainstream labour markets; ii) serving as a buffer in relieving sources of potential competition with native-born workers in the mainstream labour market; iii) fostering an entrepreneurial spirit and training prospective entrepreneurs.³⁸

WHO ARE IMMIGRANT/NEW CANADIAN ENTREPRENEURS IN CANADA?

Entrepreneurship, and self-employment in particular, has observed to be higher among the foreign-born than among the native-born in the United States, the United Kingdom, Canada, and Australia.^{39 40}

A recent report by Statistics Canada⁴¹ analyses novel data regarding immigrant entrepreneurship in Canada. The report makes the distinction between ownership and employment creation by two groups of immigrant entrepreneurs in Canada: owners of private incorporated business and unincorporated self-employed workers. The former group is typically small and medium-sized enterprises owned by one or few individuals who file corporate tax returns. The latter is the group of unincorporated self-employed individuals, with or without employees, who file individual tax returns reporting self-employed business activity. Around half of the self-employed immigrants are supplementing their earnings from salary through self-employment. The authors compiled individual and corporate tax and firm data⁴² and immigration data from Statistics Canada to be able to analyze entrepreneurship patterns and job creation for the first time in the literature. Immigrants aged 18 to 69 are included in the analysis, which corresponds to 75 percent of all immigrants in Canada in 2011. As a benchmark, the authors compare immigrant entrepreneurs with Canadian-born people.⁴³

In 2010, 7.6 percent of all immigrants were self-employed in comparison to 5.6 percent among the Canadian-born group. Regarding ownership of incorporated companies, 4.6 percent of immigrants were owners compared to 4.8 percent in the comparison group. Understandably, immigrants have low rates of business ownership in the first years in Canada, so it would make sense to consider the group of immigrants that have been in Canada for more than 10 years for comparison purposes. If this group is considered, the ownership rate is 5.8 percent, which is larger than the 4.8 percent in the Canadian-born group. Immigrants are indeed entrepreneurial in Canada.⁴⁴

However, the average size of immigrant-owned business is smaller than those in the comparison group, when considering number of employees. One reason for the smaller size is the fact that businesses take time to grow and attain significant size. By looking at the businesses owned by immigrants, they

are generally younger than those owned by Canadian-born individuals. Thus, when comparing the businesses of different ages, the older ones are more likely to have more employees.

The job creation by self-employment is higher among immigrants than the comparison group, but the job creation of incorporated businesses is higher among the comparison group. Even though jobs are created by self-employed individuals by providing employment for themselves or by hiring employees, the vast majority of the self-employed do not have employees (97.5 percent). Since a higher share of immigrants are self-employed, they create more jobs for themselves that way, in comparison to the Canadian-born group. As mentioned earlier, almost half (46 percent), of the immigrant self-employed use this sort of activity as secondary to paid work and therefore it is not the primary source of earnings or employment to these individuals.

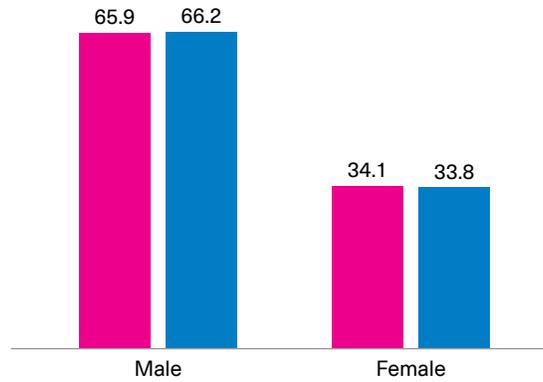
Research on self-employment among all Canadian immigrants indicates that Canadian immigrants can sometimes be pushed into self-employment due to poor labour market opportunities in the wage sector⁴⁵ and disadvantages associated with immigrant status, such as depreciation of human capital and often-poor English proficiency.⁴⁶ In addition, immigrants as a whole are more likely to be self-employed than native Canadians, but exhibit lower earnings than native self-employed Canadians.⁴⁷

Even though the self-employed individuals represent a greater share of the immigrant and non-immigrant population, the number of jobs created by all incorporated businesses in Canada is much greater than those created by self-employment. We focus on the self-employed group specifically and so all of our interviews were with entrepreneurs who own private incorporated businesses.

The two graphs on the right report that both immigrant and non-immigrant owners of businesses are more likely to be 35 to 54 years of age and male.

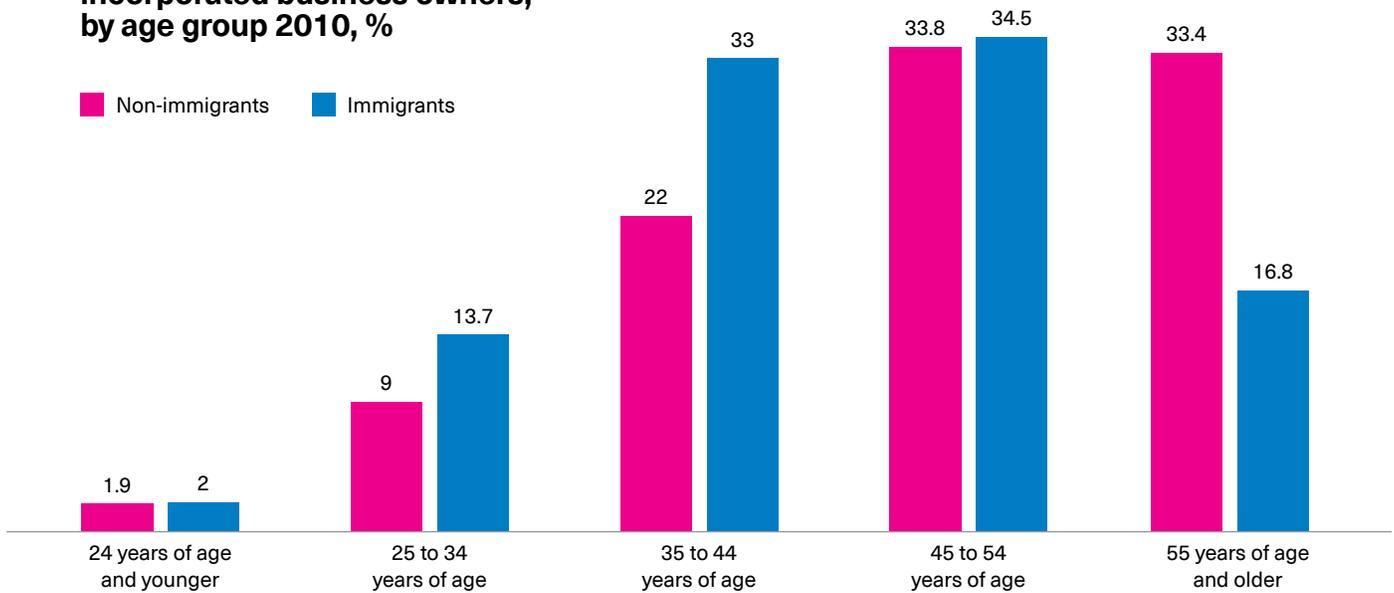
Distribution of private incorporated business owners, by gender 2010, %

■ Non-immigrants ■ Immigrants



Distribution of private incorporated business owners, by age group 2010, %

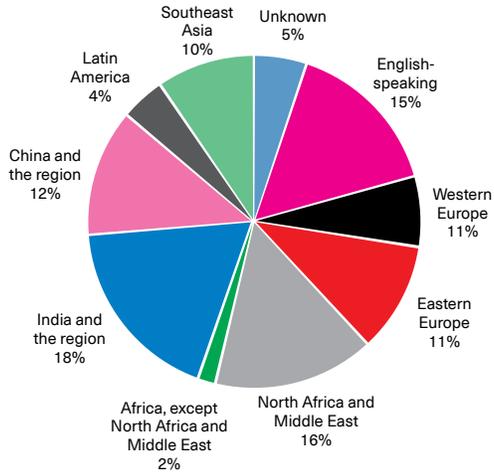
■ Non-immigrants ■ Immigrants



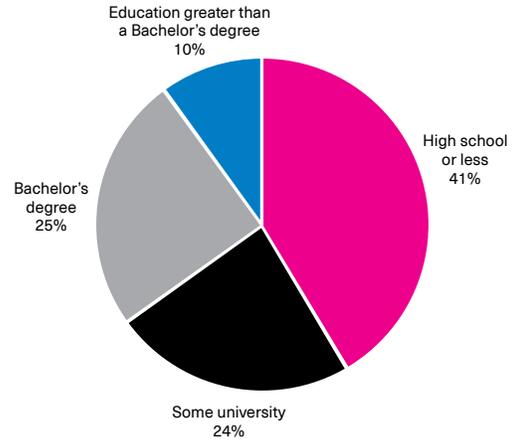
Source: Statistics Canada, Canadian Employer-Employee Dynamics Database. Adapted from table in Green et al. (2016)

Notes: Immigrant group consist of people who entered Canada since 1980; non-immigrant group consists of Canadian-born population plus immigrants who entered Canada prior to 1980.

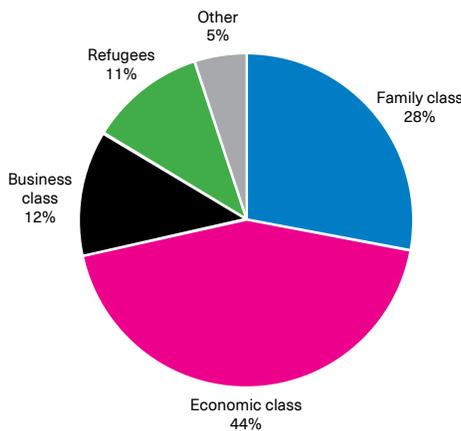
Distribution of private incorporated business owners who are immigrants, by source region, 2010



Distribution of private incorporated business owners who are immigrants, by education level at arrival, 2010



Distribution of private incorporated business owners who are immigrants, by immigrant class, 2010



Source: Statistics Canada, Canadian Employer-Employee Dynamics Database. Adapted from table in Green et al. (2016)

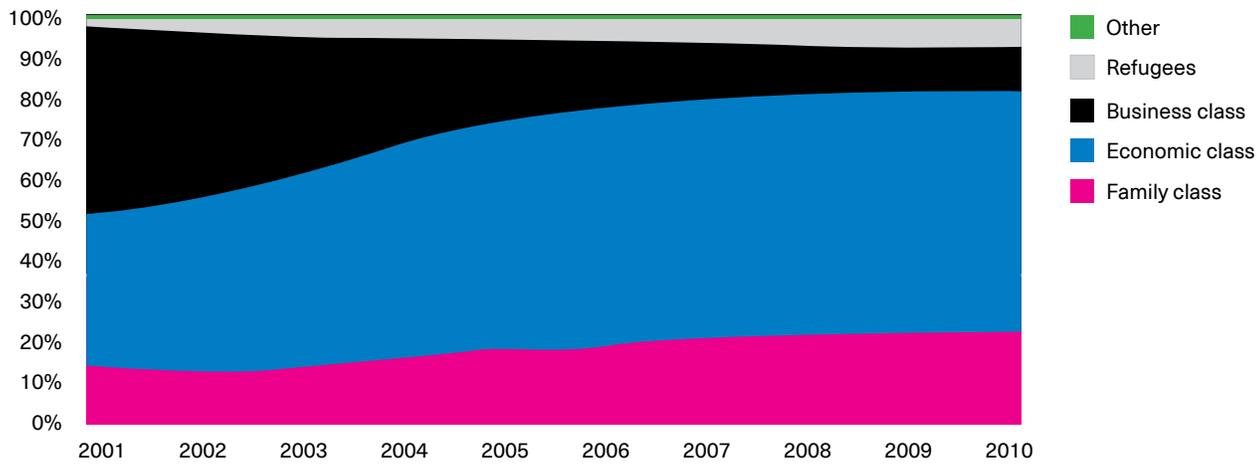
Notes: Immigrant group consist of people who entered Canada since 1980; non-immigrant group consists of Canadian-born population plus immigrants who entered Canada prior to 1980.

We observe that there is not a particular region that concentrates most of the immigrant business owners. The distribution of business ownership by source regions is as diverse as the pool of immigrants who live in Canada.

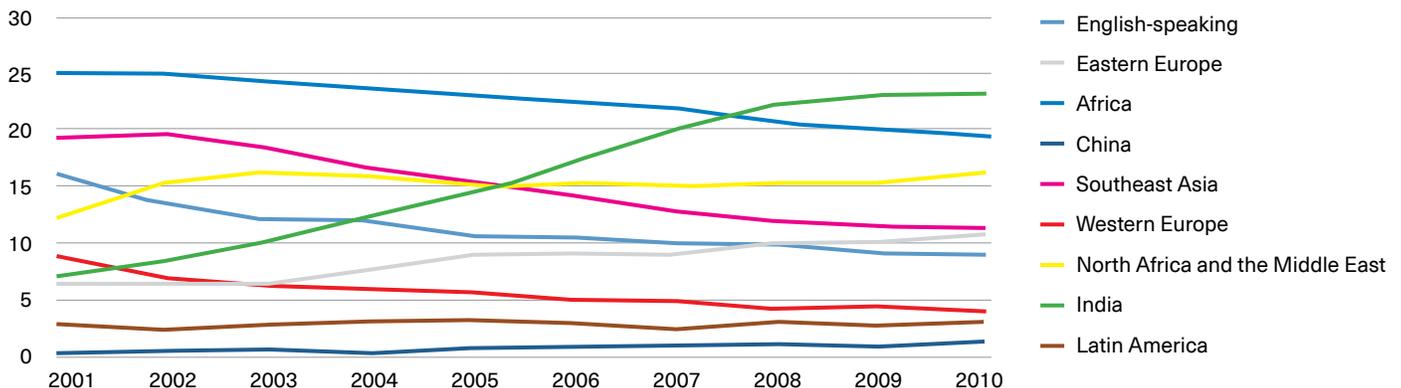
In terms of education upon arrival in Canada, among the immigrant business owners, 41 percent have high school or less, just below one quarter have some university, one quarter have bachelor's degrees and, finally, 10 percent have an education level greater than a bachelor's degree.

The graph on the right page at the top reports the evolution of the year 2000 cohort of immigrants until 2010. In 2001, the business class accounts for 46 percent of immigrant business owners, but accounts for only 11 percent in 2010. In contrast, the family class and the economic class that together account for just above half of the business owners in 2001, increase their share to 82 percent in 2010.

Distribution of private incorporated business owners, by immigrant class and year, 2000 immigrant cohort



Distribution of private incorporated business owners, by source region and year, 2000 immigrant cohort



Source: Statistics Canada, Canadian Employer-Employee Dynamics Database. Adapted from table in Green et al. (2016)

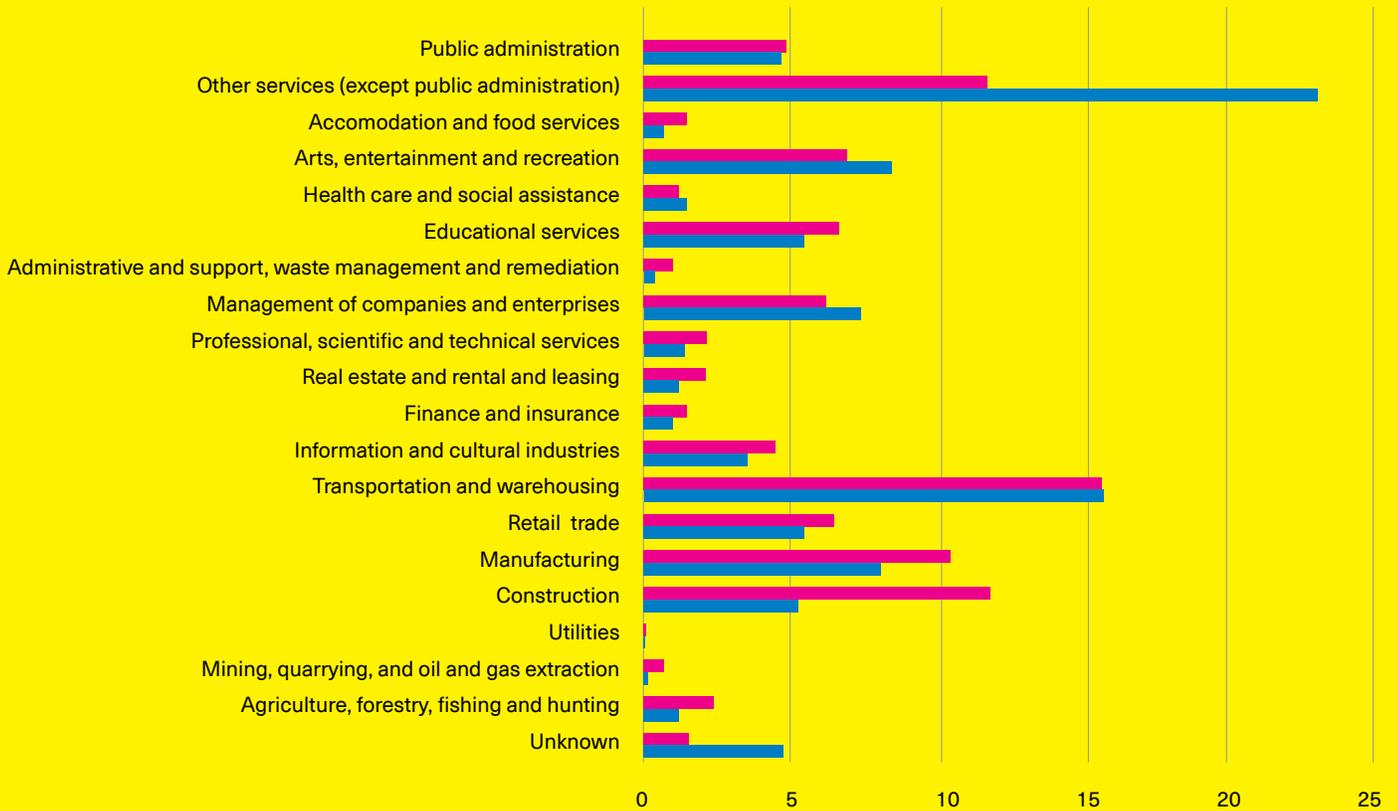
Notes: English-speaking countries include the United States, the United Kingdom, Ireland, Australia, New Zealand and South Africa.

By looking at the evolution of the cohort that arrived in Canada in 2000, the graph above indicates that, as the cohort spends more time in Canada and different source region groups experience various assimilation experiences, the distribution by source region changes significantly. Immigrants from China, English-speaking countries and Southeast Asian countries account for more than 60 percent of the immigrant business owners in 2001, but by 2010 these groups account for 40 percent only. In contrast, immigrants from India that account for 7 percent in 2001, increase their role in business ownership, accounting for 23 percent of total immigrant business owners in 2010.

Academic literature has tried to explain why some cultural groups are more inclined to be more entrepreneurial. Each cultural group has a mix of pre-migration, at migration, and post-migration characteristics that, together with the opportunities of ownership and market conditions, sets the parameters for its entrepreneurial behaviour. For example, some groups can rely on existing business networks in Canada that can help them to set up their business, while some cannot.⁴⁸ The characteristics across the groups in the graph vary significantly among the groups.

Distribution of employment in private incorporated businesses owned by immigrants and non-immigrants, by industry, 2010

- Businesses owned by non-immigrants
- Businesses owned by immigrants

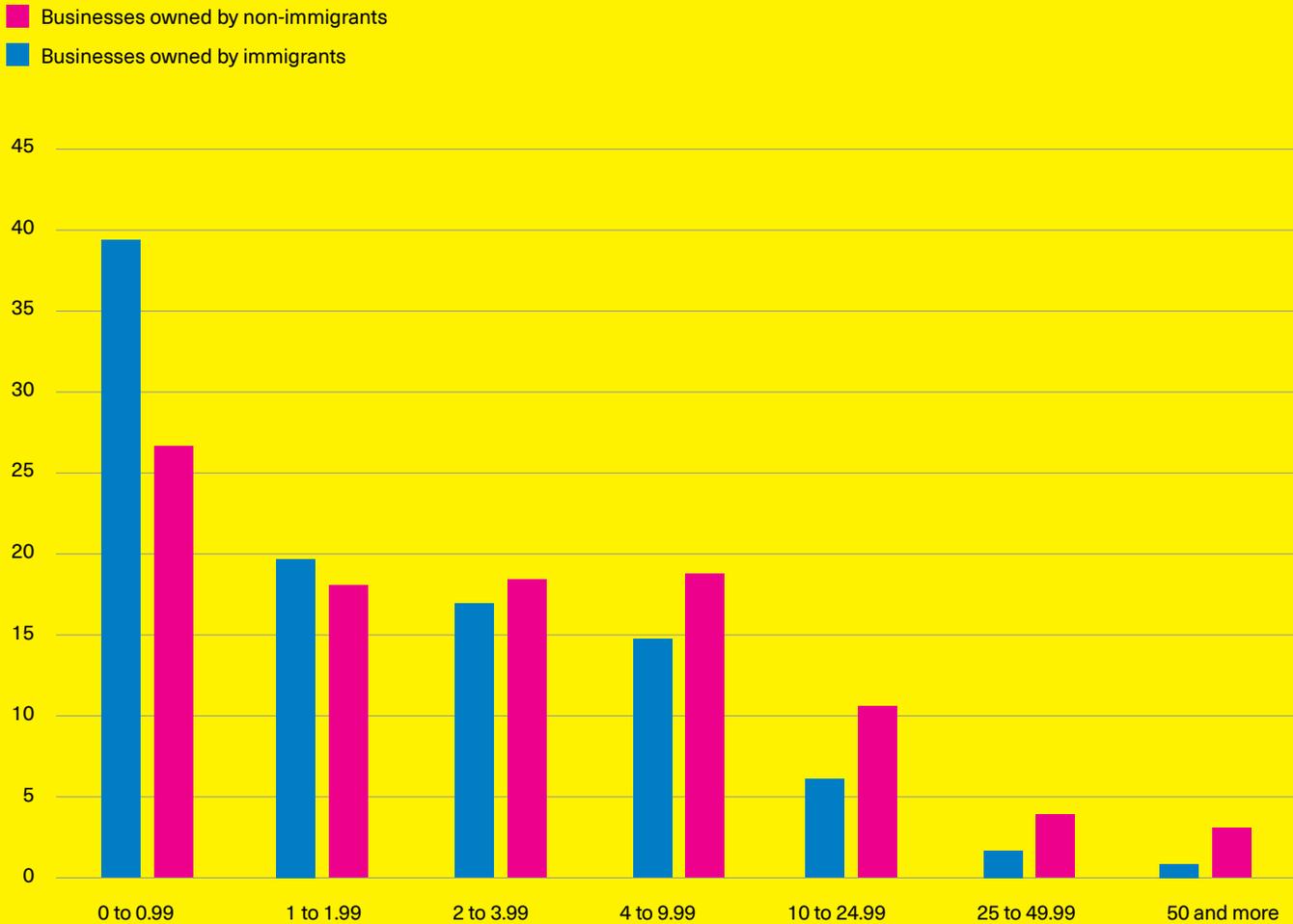


Source: Statistics Canada, Canadian Employer-Employee Dynamics Database. Adapted from table in Green et al. (2016)

Notes: Immigrant group consist of people who entered Canada since 1980; non-immigrant group consists of Canadian-born population plus immigrants who entered Canada prior to 1980.

The graph above shows that almost one quarter of the incorporated businesses owned by immigrants are in the accommodation and food services sector, as opposed to 12 percent in the non-immigrant group. Apart from in construction, manufacturing, accommodation and food services sectors where there are relatively large differences, the distribution of business owners across the industries is similar for the immigrant and non-immigrant groups.

Distribution of private incorporated businesses owned by immigrants and non-immigrants, by firm size, 2010



Source: Statistics Canada, Canadian Employer-Employee Dynamics Database. Adapted from table in Green et al. (2016)

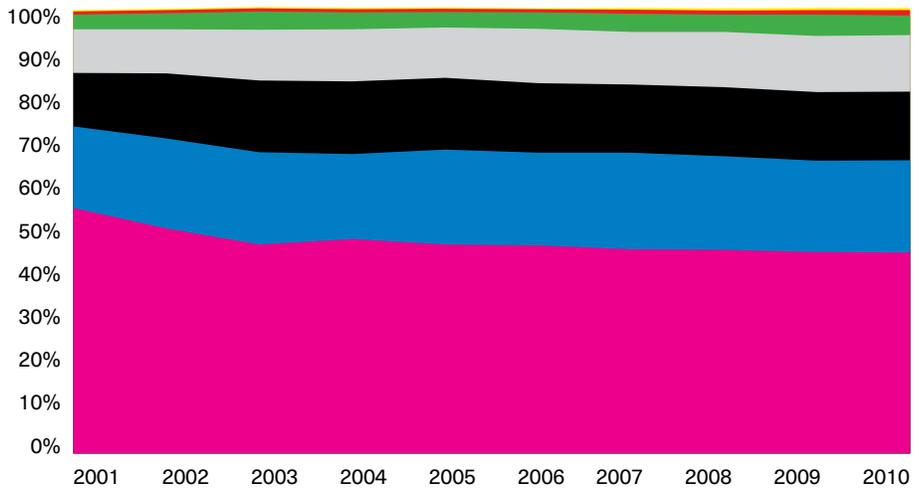
Notes: Immigrant group consist of people who entered Canada since 1980; non-immigrant group consists of Canadian-born population plus immigrants who entered Canada prior to 1980.

The data on the size of immigrant-owned firms shows that businesses owned by immigrants tend to employ fewer people in comparison to the non-immigrant group. Just under 40 percent of immigrant-owned firms employed one employee or fewer. Also, the graph above shows that 9 percent of businesses owned by immigrants employ more than 10 employees. Further, almost a quarter of the firms owned by new Canadians employ four or more employees.

This picture is consistent with research on immigrants in the US. Even though immigrants own 14 percent of the businesses with employees in the US, just 10 percent of all employees in the economy were hired by these businesses.⁴⁹

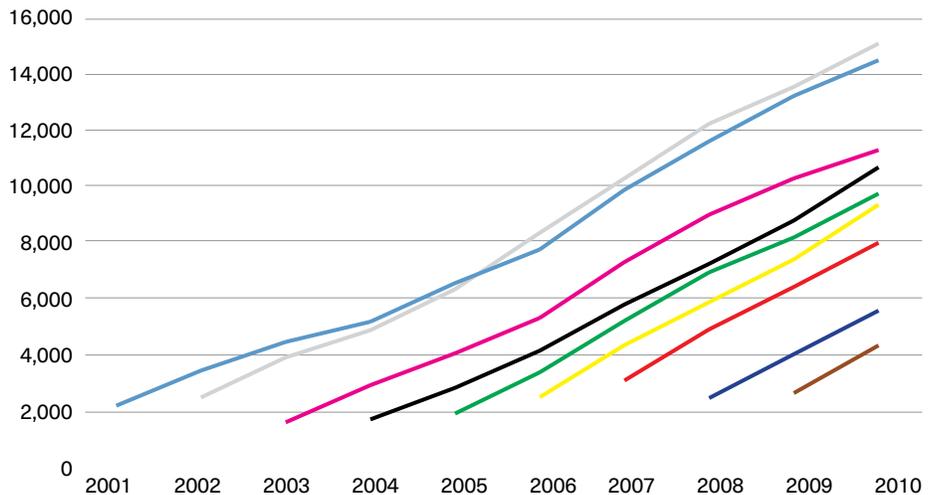
Number of private incorporated businesses owned by immigrants, by firm size and year, 2000 immigrant cohort

- 50 and more
- 25 to 49.99
- 10 to 24.99
- 4 to 9.99
- 2 to 3.99
- 1 to 1.99
- 0 to 0.99



Total employment in private incorporated businesses owned by immigrants, by year, 2000 to 2009 immigrant cohorts

- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008



Source: Statistics Canada, Canadian Employer-Employee Dynamics Database. Adapted from table in Green et al. (2016)
 Notes: Immigrant group consist of people who entered Canada since 1980; non-immigrant group consists of Canadian-born population plus immigrants who entered Canada prior to 1980.

The graph above on top shows how the distribution of immigrant-owned businesses changes over time by firm size. As the 2000 cohort ages, the share of firms with one or fewer employees falls as the shares of groups with more employees increase. For example, three quarters of the firms had less than two employees one year after arriving in Canada and 10 years later, this share reduced to 66 percent.

similar features with later cohorts that landed in Canada from 2001 to 2009. The longer the immigrant entrepreneurs stay in Canada, the more business they create and the more people they employ. The growth and ownership rates seem similar for all those cohorts as the almost parallel slopes of the lines of the graph suggest.

The graph above on the bottom shows the evolution of total employment created by immigrant-owned businesses, indicating that the 2000 cohort previously mentioned shares

In addition to increasing diversity in Canada, new Canadian entrepreneurs increasingly open business and create jobs consistently year after year.

WHAT SHAPES BUSINESS OUTCOMES?

There are multiple factors, and their interactions, that determine the success of new-Canadian-owned businesses. There is great diversity in the literature as noted by the 1,700 publications identified on immigrant entrepreneurship by Kloosterman and Rath (2003).⁵⁰ While there is heterogeneity in the determining factors of success, they can be categorized into a few groups.

Human capital attributes are one of the most important sources of success of businesses, but entrepreneurship skills can vary greatly according to national origin, ethnicity, and group resources. Attributes of immigrant groups such as trust, networking and mutual aid can also play an important role in entrepreneurial success as indicated in research on the development of enterprise among the Cuban population in Miami.⁵¹

In addition, social networks are often paramount to immigrant-owned business success, as they provide sources of labour from one's ethnic group and family, as well as financing from family members and rotating credit associations.⁵²

While there are advantages to focusing on a particular ethnic niche, it might be associated with sectoral imprisonment and high individual failure rates.⁵³ Breakout into non-ethnic and non-local markets in growing sectors of the economy is often very important to the long-term performance of businesses. Even though exploring the regional market might be daunting for entrepreneurs who are unfamiliar with local conditions, exploring the general market usually allows greater growth and returns.⁵⁴

When moving to Greater Vancouver, many entrepreneurs are surprised by the at-first daunting challenges facing business owners, as reported by research with immigrant entrepreneurs from the business class. Some obstacles are faced immediately upon arrival, including the shape of market demand and the state of public regulation, high business costs, taxation levels, varied regulations. In order to adjust, entrepreneurs overcome these and other difficulties in inventive ways; sometimes cutting their planned investment, changing their business plans completely or by turning towards co-ethnic based sectors of the economy. Sectors such as manufacturing, construction and the import/export trade seem to present challenges so great that entrepreneurs in those sectors often move into other sectors with less strict public regulation, such as the retail and food industries.⁵⁵

Interestingly, some of the respondents in another study⁵⁶ maintained their primary income-generating activities offshore, and reported that their move to Canada was motivated by quality of life and educational rather than economic opportunities. In fact, a number of immigrant entrepreneurs sold their Canadian business because options in Asia became more lucrative, as reported in yet another study on the subject.⁵⁷

In the interviews we conducted, we heard about the barriers imposed by unfamiliar environmental and labour codes, licensing, inspections, and permits, which introduce costs and can cause delays. In addition to regulatory barriers, entrepreneurs noted the financial barriers they faced. The difficulties in obtaining financing from banks in the absence of local credit history, and the resulting strained cash flows, were a significant issue in the early days of their businesses when revenues were low.

As banks are often reluctant to give loans to individuals without credit history or collateral in Canada, the assets the immigrants bring can be a great help in permitting business start-ups and corporate activity.

Matt Farrell came to Canada in 2006 with a goal of trying it out for a year on a plumber's ticket. His credentials afforded him many job offers, but his personal preference was to start his own business, which, after some courses and certification, he established. A lack of collateral in Canada (although a homeowner in England) initially stymied his efforts to get bank financing. But seven years later he has a one-of-a-kind growing business (Nitro Pipe Freeze) in Vancouver with four employees and great prospects. "Your own belief in your own business is what gets you through," Matt said.

The entrepreneurs also highlighted the importance as newcomers in establishing trust and relationships with Canadians as clients, suppliers or stakeholders. Proficiency in the English language was

PROFILE:

Vikram Vij, Chef, Restaurateur, Cookbook Author

Vikram Vij has put an indelible stamp on the Vancouver restaurant scene with the highly successful Indian restaurants he created and co-owns with his wife.

The Indian-born Canadian chef and cookbook author is such a successful entrepreneur he has served on the reality TV show *Dragon's Den*, where he advises would-be entrepreneurs and if they're lucky, gives them startup capital.

He's well-suited to give such advice, having won accolades and awards for his restaurants. He also hails from a business family: His father and grandfather both ran shops.

Vij grew up in India in Amritsar, Delhi, and Mumbai. In 1983, he left India for Salzburg, Austria, where he trained as a chef. He came to Canada in 1989 where he worked at the Banff Springs Hotel in Alberta, then later, at well-known upscale Vancouver restaurant Bishop's, under renowned chef John Bishop.

He opened his first restaurant in Vancouver in 1994. It seated 16 and he did almost everything. Now a Vij's restaurant is the go-to place for diners.

His advice for immigrant entrepreneurs: Capitalize on what you know from your home country. Embrace your culture, and in his case the focal point of that culture was cuisine. Adapt it if necessary to your new homeland. Vij wanted to bring to Canadian palates something a bit modern and beyond the typical fare but still true enough to his homeland to raise awareness of his Indian heritage. His vision paid off and his restaurants are now hugely popular.

PROFILE:

Alice Chung, CEO and Founder, Alive Health Centre

Alice Chung is a dynamic 69-year-old Vancouver-based entrepreneur and philanthropist.

Born in Malaysia, she came to Canada in 1968 via England. She stumbled into entrepreneurship after she failed to find a job in social work or psychology—she'd earned a degree in social work at McMaster University in Hamilton Ontario. So she turned to volunteering, working for the Vancouver Crisis Centre and other organizations she felt could apply her education.

Then in 1983, after working as an administrative assistant for a health food company, she opened her own store—the first Alive Health Centre boutique health supplements and vitamins store in Richmond, BC. She did not require any financing for the store. "I am very frugal and good with money," says the mother and grandmother. She has never financed any acquisition and her chain is profitable.

Since then, she has expanded the chain to include 29 stores across Canada under the Alive, Supplements Plus (Ontario), and Morning Sun (Alberta) banners.

Her main piece of advice to immigrant entrepreneurs is to immerse themselves in the language and culture of their adopted home. "It makes you a better person by integrating. I don't think of myself as Chinese. I'm Canadian. It's so important to be part of the society you're in."

Another tip she has, for any business owner, is to work the front lines, too, especially in retail where trends can change rapidly. Several days a week she works on the managerial side, while she spends three other days in one of her Vancouver stores. "You must know what the customer needs. Working in the store helps me get the best selection of products and respond to client demand well."

And finally, she believes passionately in giving back to her community. She chaired the VGH/UBC Hospital Foundation's Time to Shine Gala in early 2016, which raised \$1.7 million. She is also a major donor.

Of her experience and life in Canada, she says: "We're very lucky."

also reported to be a barrier for some entrepreneurs, along with the feeling that they needed to work harder to be perceived well by the professional/business community.

The barriers that new Canadians face do not stop them from aspiring to business growth and success. When asked about the most important factors that contributed to the success of their businesses, the interviewees stressed that personal drive and seeking value for money are paramount, but they also stressed the importance of having a responsive banker and a great accountant to keep finances on track. Some also highlighted the key role of working with good people as clients, employees, and stakeholders. The government was also mentioned as being one of their contributing factors for success, specifically mentioning Small Business BC services and a federal program for the self-employed. In the face of a lack of familiarity with the business and regulatory environment, the entrepreneurs made clear the importance of learning every day.

Research into firm behaviour in economics typically attributes business failure to two factors. The first comes from individuals not having the necessary information to succeed. The second arises from the idea that individuals might not want to act in an organization's best interests. In the case of immigrant entrepreneurs, it seems the first factor is the most significant for them, given their lack of familiarity with, and information about, the new environment they enter when starting businesses in Canada. The relatively small firm size of most immigrant-owned firms can help to prevent the misalignment of individual and firm incentives. Our interviewees seem to agree with this assessment by expressing that having mentors and guides available to them when facing the trials of entrepreneurship would have been very useful. They also lamented that even though there are some very helpful resources available, many immigrant entrepreneurs do not have knowledge of their existence.

"The resources are there but people do not realize that." says Matt Farrell. "Every problem in business is a 'wisdom problem,'" adds Roy Raming. "Wisdom is how to recognize the difference in people, in business opportunity, in timing, and everything in between."

There is still much that governments and business associations can do to help immigrant entrepreneurs that go beyond providing information. Interviewees suggested that having more funding resources available to them, recognition of foreign credentials, a streamlined application process for licensing and permits and a lighter regulatory framework would be a great help to starting their businesses.

CONCLUSION

This report explores different dimensions of the new Canadian entrepreneur population in Canada. These individuals migrate with big dreams and a strong drive which allows them to endure multiple trials in the face of many barriers in an unfamiliar environment.

The pool of immigrants in general represents a selection of people with high levels of motivation and determination. These are qualities that anyone must possess in order to move their lives to a new and often very unfamiliar place. Our exploration of the data reveals that these qualities help to cause very entrepreneurial behaviour in Canadian immigrants. After 10 years in Canada, almost 5.8 percent of all immigrants of working age own an incorporated business, compared to the 4.8 percent rate among people born in Canada. In terms of self-employment the difference is even greater. Not surprisingly, the number of jobs created per firm by the relatively younger immigrant-owned business is smaller than those created by the older firms owned by Canadian-born individuals.

The contribution of immigrant entrepreneurs to this country goes beyond increasing the diversity of the mosaic of Canadian multiculturalism. It also represents more business, jobs and dynamism for the economy.

We have attempted to document why people come to Canada, what motivates them to open a business, the barriers they face, and the key factors contributing to their success. Such research and reporting helps us to more deeply understand this valuable group of entrepreneurs and the paths that they follow to succeed in their ventures.

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ABOUT

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6 DEGREES REPORTS

1. New Canadian Entrepreneurs: An Underappreciated Contribution to Canadian Prosperity? Bessma Momani, 6 Degrees-CIGI, 2016.
2. Open for Business: Immigrant/New Canadian Entrepreneurs in Canada Ricardo Meilman Lomaz Cohn and Eric Adebayo, 6 Degrees-Vancity, 2016.



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