



# Global Entrepreneurship Monitor

Driving wealth creation and  
social development in

**Canada**



# **GEM CANADA NATIONAL REPORT**

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## EXECUTIVE SUMMARY

The Global Entrepreneurship Monitor (GEM) Project is widely recognized as the most comprehensive longitudinal study of entrepreneurship in the world. GEM offers a portrait of the individual entrepreneur in terms of attitudes, activities, and aspirations. It also allows for a more detailed demographic breakdown of how factors like age, education and gender play a role in entrepreneurial activity.

The GEM Canada Report 2021 highlights how Canada measures up regarding its entrepreneurial activity. Comparisons are made between Canada and six other economies (USA, UK, Germany, Italy, France and Japan), referred to throughout the Report as the ‘G7.’

Canada, along with other global economies, has been dramatically affected by the effects of the COVID-19 pandemic. The Report is based on data drawn from the GEM Adult Population Survey (APS), which was collected from May to July 2021, during a pandemic which has caused economic instability and uncertainty for entrepreneurs and businesses across the globe.

The GEM Canada Report 2021 provides insights into what entrepreneurship looked like as Canada responded to and began to recover from the global pandemic. The Report seeks to help inform ideas about how entrepreneurial activity can drive economic recovery. A summary of key findings from the Report are presented below. More discussion of findings and Report recommendations can be found in section 6.

### Key Findings

#### Perceptions of Entrepreneurial Skills

The Canadian population has positive attitudes towards entrepreneurial skills, which are associated with intentions to start a business. Canadians appear much more optimistic about starting a business in 2021 compared to 2020.

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Canada's 'perceived opportunities' score has increased to its highest level since 2016, showing that 7 out of 10 Canadians see good opportunities to start a business in 2021. Canada's 'perceived capabilities' score has also risen to its highest level since 2016, but remains lower than the USA.

Canada has the **highest level of 'intention to start a business'** amongst G7 economies. This result may reflect the significant increase in 'perceived opportunities,' increase in 'perceived capabilities' and lower 'fear of failure' rate. However, Canada's 'fear of failure' is still the highest in the G7, and 3rd highest of 47 GEM economies in 2021.

### Entrepreneurial Activity

Canada maintains its leading position amongst innovation-led economies for its **total early-stage entrepreneurial activity (TEA)**, but is middle-ranked for its **established business activity (EB)**.

Canada's TEA level increased in 2021, placing it 8th among 47 GEM economies. This is the highest TEA level for Canada since it began participating in GEM. Canada's EB level increased slightly from 2020, placing it lower than USA and 16th overall.

Canada's ratio of TEA to EB activity remains the highest in the G7, which suggests that a fewer proportion of Canadian start-ups transitioning into established business.

Canada has a much higher level than the USA for the motivation **'to earn a living because jobs are scarce,'** which may reflect factors such as tighter pandemic restrictions in Canada, the drawing down of some pandemic-related support measures and higher levels of business insolvencies which occurred in the second half of 2021.

Canada's **employee entrepreneurial activity (EEA)** level dropped slightly 2021, following drops in 2020 and 2019. One explanation may be that businesses limited or suspended EEA activities in responding to economic pressures from the pandemic.

Canada has the **highest rate of discontinuance and exits** in the G7, which may be contributing to Canada's low EB rate. The most common reason for 'discontinuing a business in 2021 was **'an opportunity to sell the business.'** This may be the result of improved market conditions in 2021, compared to 2020 that offer more opportunities to sell a business.

The **'Coronavirus pandemic'** was identified as a less prominent discontinuation factor for Canada in 2021. It was a more significant discontinuation factor for the USA compared to Canada, which may reflect Canada's high level of government support for businesses.

Canada ranks 1st amongst G7 countries in identifying **Business Angels as an important source of funds** for new businesses, and was 1st in level of informal investment. Canada also had the highest average level of funds in the G7; a significant increase from 2020.

One explanation for **higher investment in 2021** was the need for Angels to provide follow-on funding to help investee companies survive economic hardship during the height of the pandemic in 2020, with Angels now seeking new investment opportunities.

### Entrepreneurship in the Economy

Canada's **TEA levels by industry sector are similar to 2020**, with slight increases in the transforming and extractive sectors and slight decreases in consumer and business oriented services.

Canada TEA level in the extractive sector has improved in response to economic recovery in the energy sector in 2021. Canada's TEA level in the transforming sector has risen continuously in the last 3 years.

**Increased entrepreneurial activity in these two value-adding sectors** provides further evidence of Canada's economic recovery in 2021.

An increase in both TEA and EB levels in the transforming sector suggests that a higher proportion of entrepreneurs are developing into established businesses. By comparison, a high TEA level and much lower EB level in consumer oriented services suggests that while many entrepreneurs enter this category, a high proportion are not transforming into established businesses.

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Canadian adults have **higher expectations of medium to high growth in 2021**, with increases in both TEA and EB growth aspirations.

Canada has the highest EB level of medium growth aspirations in the G7, three times that of the USA, and the highest TEA level of high growth aspirations.

Canada's TEA and EB rates of **'high export orientation'** both increased in 2021 and led the G7. Canada also had the highest level of export revenue from outside the country. The rate of Canadian entrepreneurs who plan to generate more than 25% of their income from outside the country nearly doubled between 2020 and 2021, making it the **highest exporting country** among GEM Level A economies.

Canada has the **highest level of national scope (for new products or processes)** compared to other G7 economies and the **highest level of international scope**, ranking it 2nd amongst the 47 GEM economies in 2021.

The GEM APS asked those starting up (SU) or owning-managing a new business (OM) if any of their products/services or technologies/procedures are new to people in the area where they live, new to people in the country, or new to the world. Alberta has the highest level of SUs introducing products/services that are new to the area and also new to the country.

**Manitoba** has the highest level of OMs introducing products/services new to the area and 2nd highest level (behind the Canadian average) of introducing 'new to the world,' with Saskatchewan showing the highest level of introducing products/services 'new to the country.' The above ranking order also applies for OMs introducing new technologies/procedures.

### Demographics

Canadians in the 25-34 age group are the most likely to start a business, which is consistent with global GEM data showing that the most prevalent age range for starting a business is 25-44. However, the 18-24 year age group has taken over from the 35-44 age group in 2021 as the 2nd highest age group contributor to Canadian TEA.

While Canada's TEA level in the 25-34 age group increased slightly, TEA levels in the 35-44, 45-54 and 55-64 age groups all dropped from 2020, suggesting a **shift to a younger TEA cohort in 2021**. One explanation may be the rise in the level of 'perceived opportunities' and 'perceived capabilities' and Canada's high ranking in pursuing new opportunities due to the pandemic, which is favoring younger entrepreneurs.

Canada's entrepreneurs possess the **highest educational rates** across three of the four educational levels. Canada's lower rate of 'some high school' may suggest the difficulty in starting a new business during the pandemic without a higher level of education, given that those with lower levels of education and earnings are the least likely to hold jobs that can be done remotely or from home.

Similar to previous years, Canadian men in 2021 are more likely than Canadian women to engage in early-stage entrepreneurial activity and in established business. However, male TEA increased significantly in 2021 compared to female TEA, resulting in an **increase in the relative gender gap**, or ratio between men and women TEA levels. By comparison, the EB rate increased slightly in 2021 for both men and women, with the EB gender gap similar between 2020 and 2021.

Canada has the highest TEA rate for both men and women in the G7. Canadian men show the highest level to 'make a difference,' significantly higher than other G7 economies. However, Canada's highest male TEA motivation in 2021 was to 'earn a living.'

The highest motivation level for Canadian women in 2021 is 'to make a difference,' reinforcing the importance of purpose-led entrepreneurship for both Canadian women and men. Canadian women led the G7 in the motivation 'to earn a living,' and also scored high in the motivation 'to make money.'

Overall, TEA motivation levels for Canadian men and women all increased between 2020 and 2021, with an increase in financial motivations to engage in entrepreneurial activity, particularly for Canadian males.

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### Framework Conditions for Entrepreneurship

Results of the National Expert Survey (NES) raise **concerns over the framework conditions for entrepreneurship in Canada**, with low ratings given to all but a few of the 13 framework components: Overall, Canada placed 15th of 19 Level A economies.

For two of Canada's governance related conditions, '**Government policies: Support and Relevance**' and '**Government Entrepreneurial Programs**', experts' scores placed Canada near the bottom of GEM Level A economies. Canada scored reasonably well on '**Government Policy: Taxes and Bureaucracy**', which may reflect the manageable levels of bureaucracy entrepreneurs had to deal with to receive their wage subsidies.

Canada placed last amongst Level A economies on '**Research and Development Transfers**', which suggests that more needs to be done to encourage intellectual property and other sharing of research resources between firms, particularly between established and new firms. Canada also scored low on '**Physical Infrastructure**', which is critical for boosting market access and export potential of new businesses.

Many of these gaps in Canada's entrepreneurial support framework have been identified as barriers to entrepreneurship and business growth for some time. The state has a responsibility and in the case of Canada, has the ability to create and maintain a supportive environment for entrepreneurship, and not doing so may damage the current and future prosperity made possible through entrepreneurial activity.

### Recommendations

The Report finds generally favorable results on the state of Canadian entrepreneurship in 2021. Evidence from government data and data presented in this Report suggests that Canada's economy is making a strong recovery from the effects of the coronavirus pandemic. However, opportunities exist for improvements and a number of recommendations are drawn from the Report findings for further consideration.

### 1. Address Canada's Weakest Entrepreneurial Framework

**Conditions:** Government should consider addressing particular framework conditions that may limit the full potential of economic contributions from Canada's entrepreneurial activity.

Recommendation include 1) improving, research and development transfer processes; 2) re-assessing and refocusing government entrepreneurial programs and education post-school; and 3) strengthening framework conditions to support export-oriented entrepreneurship.

### 2. Support Infrastructure for 'Post-pandemic' Entrepreneurship:

Many Canadians are working differently as a result of the pandemic. The rise in online business and working from home may be one of the most important and transformative shifts arising from the pandemic. Government could take a lead role in supporting the changing infrastructure necessary for entrepreneurs to take advantage of these shifts.

### 3. Support High Growth and Employment-intensive

**Entrepreneurship:** Policies seeking to support employment-intensive entrepreneurship will require relevant training and other forms of business development support that encourage such growth, including how to build teams and manage a growing workforce.

### 4. Provide policy attention to family business ownership,

**succession and 'transgenerational' entrepreneurship:** Canadian men and women have the highest levels for the motive 'to continue a family tradition.' Government could play a more prominent role in encouraging and supporting family business ownership, business succession and transgenerational entrepreneurship.

### 5. Address under-representation in entrepreneurial activity:

The Report finds that still more needs to be done in Canada to bridge the gender gap for early-stage entrepreneurial activity. Special attention could be paid to under-represented groups in the transforming and extractive sectors, which are closely associated with innovation and growth-oriented businesses. Special attention could also be paid to supporting purpose-driven entrepreneurship, particularly for younger entrepreneurs.

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## Introduction

The GEM Canada Report 2021 is the 9th year of a comprehensive survey of entrepreneurship in Canada. This report is based on data drawn from the Adult Population Survey (APS), which investigates the attitudes toward entrepreneurship of the general population and, more specifically, the perceptions, activities, and aspirations of individual entrepreneurs.

Canada is amongst 50 world economies completing the APS in 2021, which involved in total nearly 150,000 people between the ages of 18 and 64 years.<sup>1</sup> Canada also participated in the National Expert Survey (NES) in 2021, which examines entrepreneurial framework conditions in each country, but did not participate in the NES in 2020. Therefore, comparisons between 2021 and 2020 NES data for Canada is not possible.

A key objective of the GEM Canada Report is to present new insights that can guide efforts aimed at equipping Canadians with the capabilities they need to launch and run their businesses and to create environments in which their ventures can thrive. The GEM method differs from most other sources of information about entrepreneurship which are based on firm level data. GEM probes the individual, focusing on their role as an entrepreneur within the Canadian ‘ecosystem.’<sup>2</sup>

The **COVID-19 pandemic** continued to influence the economic situation in Canada in 2021. To understand the effects of the pandemic on entrepreneurship and on new and established businesses, GEM augmented its APS questionnaire in 2020 with a set of 20 COVID-related questions. This Report does not discuss the COVID-related questions and instead focuses on regular APS questions that offer comparisons with results from previous years. Other reports that focus on the COVID-related questions can be found through the THECIS website.<sup>3</sup>

<sup>1</sup> These 50 economies represent approximately 68% of global Gross Domestic Product (GDP) and 45% of the world's population. GEM 2021/22 Global Report, <https://gemconsortium.org/file/open?fileId=50900>.

<sup>2</sup> One caveat in drawing conclusions from the GEM data is that the GEM APS takes place in summer/early autumn each year, when Canada and other economies involved with GEM 2021 were dealing with the pandemic and at these times. In addition, small variations in entrepreneurial activity rates over time may be simply the product of random sampling from a large population.

<sup>3</sup> <http://thecis.ca/gem-2020/gem-2021/>

However, findings from the GEM Canada Report 2021 will reflect the impact of the pandemic through respondents' perceptions and attitudes, with data for this Report collected from May to July 2021. The next section presents a brief overview of the Canadian economy in 2021 to provide further context for the Report.

### 1.1 Canada in 2021

The COVID-19 pandemic continued to dominate Canada's business landscape in 2021. Economic activity in Canada remained below pre-pandemic levels as recovery slowed during the first half of 2021.<sup>4</sup> Canadian economy-wide output strengthened in June as third-wave restrictions eased. During the summer months, sizable gains in accommodation and food services contributed substantially to output growth as consumers continued to engage in out-of-the-home spending. Economic output edged up slightly in September as gains in services and energy extraction offset declines in manufacturing and construction.

As the Canadian economy continued to recover, employment strengthened as third-wave restrictions lifted. Cumulative gains in employment from May to August were in service industries, particularly accommodation and food services. Over 50% of net employment gains during this period were among young workers, as employment among 15-24 year-olds rebounded to pre-pandemic levels by August.<sup>5</sup>

Total Canadian employment recovered to pre-pandemic levels by September 2021. However, substantial differences persisted across sectors, with cumulative losses in accommodation and food services totalling over 200K workers, while employment in professional, scientific and technical services rose by 190K workers since the start of the pandemic. This sector showed some of the highest levels of job flexibility and telework capacity, and employment rose beyond levels seen since the start of the pandemic.

More than 318K Canadians were experiencing long-term unemployment by November 2021, over three-quarters more than before the pandemic.<sup>6</sup> Over 50% of the net increase in long-term

<sup>4</sup> Statistics Canada (2021) COVID-19 in Canada: An update on social and economic impacts, Fall. <https://www150.statcan.gc.ca/n1/daily-quotidien/211222/dq211222b-eng.htm>

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

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unemployment reflected higher unemployment among core-aged men (25-54 years).

In the fourth quarter 2021, rising costs related to labour, energy, capital or raw materials were identified as a near-term obstacle by over two-fifths of businesses, as disruptions in supply chains continue to affect different sectors of the Canadian economy.<sup>7</sup> During this time, nearly half of businesses owned by members of groups designated as visible minorities stated that the absence of government support programs would have a medium-to-high impact on the survival of their business, compared with one-third of all Canadian businesses.<sup>8</sup> While emergency programs have been a critical lifeline for many businesses during the pandemic, business insolvencies rose 37% in the fourth quarter of 2021.<sup>9</sup> Support measures such as the Canada Emergency Wage Subsidy and Canada Recovery Benefit were withdrawn during the fourth quarter of 2021.<sup>10</sup>

Canada's economic recovery strengthened during the second half of 2021 as output rebounded to pre-COVID levels in the fourth quarter.<sup>11</sup> Business stockpiling, higher export volumes, and increases in real estate investment contributed to stronger economic activity late in the year. Employment rose markedly during the second half while unemployment and labour underutilization trended down toward pre-pandemic levels.

Canadian businesses in 2021 adjusted their hiring strategies, which included lowering educational requirements to attract workers. In late 2021, about 10% of workers who had a high school diploma or less had recently started jobs that typically require university education, up from 4.0% in late 2019.<sup>12</sup>

### Provinces and Territories

GDP rose in every province and territory except Saskatchewan in 2021, as many sectors of the economy continued to emerge from significant

<sup>7</sup> Ibid.

<sup>8</sup> Statistics Canada (2022) COVID-19 in Canada: A Two-year Update on Social and Economic Impacts, <https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2022001-eng.htm>

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2022003/article/00004-eng.htm>

<sup>12</sup> Statistics Canada (2022) Gross domestic product, 2021: An in-depth look at provincial and territorial economies, <https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2022013-eng.htm>

contractions caused by the pandemic in 2020.<sup>13</sup> The economic recovery was primarily driven by services-producing industries, which were up in every jurisdiction, while on the goods-producing side, value-added was far more region-dependent.<sup>14</sup>

Machinery manufacturing and food manufacturing grew in almost all provinces and territories in 2021. Growth in these sectors more than offset the declines in transportation equipment manufacturing and electrical equipment, appliance and component manufacturing, brought about in part by the shortage of available semiconductor chips.

The Maritime Provinces experienced strong economic recovery in 2021, led by Prince Edward Island (6.6%), Nova Scotia (5.8%) and New Brunswick (5.3%). In Newfoundland and Labrador, GDP increased by 1.2% in 2021, but remained well below its 2019 level. Ontario made the largest contribution to Canada's GDP growth in 2021, owing to its relative size and a rebound to near its 2019 level (4.6%), with strong growth in manufacturing output despite a significant drop in motor vehicle manufacturing. Quebec's GDP rose by 5.6%, with recovery in manufacturing, but not up to pre-pandemic levels.

In Manitoba, GDP only increased by 1.2% in 2021, as the economy reacted to both record-setting heat and drought conditions as well as easing of restrictions on in-person services. While growth in services-producing industries was strong, goods-producing industries fell for a third consecutive year. GDP in Saskatchewan dropped by 0.3%, with goods-producing industries falling for a third straight year as the agriculture, forestry, fishing and hunting sector suffered its most significant decline since records started in 1997, impacted by severe drought conditions.

Sectors such as mining, quarrying, and oil and gas extraction contributed to national growth as a result of higher oil and gas production from Western producing provinces in 2021. Higher energy prices stimulated a recovery in Alberta's oil and gas sector, led by oil sands extraction as global demand for oil rebounded strongly, contributing to GDP growth of 5.1%.<sup>15</sup> British Columbia saw recovery in its large real estate sector and in manufacturing, with wood product

<sup>13</sup> Statistics Canada (2022) Gross domestic product, 2021: An in-depth look at provincial and territorial economies, <https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2022013-eng.htm>

<sup>14</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/220502/dq220502a-eng.htm>

<sup>15</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/220502/>

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manufacturing up significantly given high demand for residential building construction across North America. BC's GDP grew by 6.2% in 2021. The Canadian north experienced strong economic growth in 2021, with GDP increases in the Yukon (9.1%), Nunavut (6.7%) and NWT (6.3%) driven by mining and construction.

### Summary

Overall, real gross domestic product (GDP) in Canada rose 4.6% in 2021, after contracting by 5.2% in 2020. After recording the second largest one-year decline on record in 2020 (the largest was in 2009), Canada's merchandise exports and imports both posted historical growth in 2021, increasing by 21% and 13%, respectively. As a result, both Canadian exports and imports surpassed their respective pre-pandemic levels and reached new record highs.<sup>16</sup> However, labour shortages and rising input costs continued to challenge Canada's business outlook, particularly for small firms, as 2021 ended.

The GEM Canada Report 2021 seeks to present new insights that can guide efforts aimed at equipping Canadians with the capabilities they need to launch and run their businesses and can inform entrepreneurial practices and policies that contribute to Canada's economic recovery and growth.

### 1.2 Overview of GEM

Entrepreneurship is an essential driver of societal health and wealth, and a key driver of economic growth. It stimulates the innovation required to exploit new opportunities, generates employment, promotes productivity and helps to address society's toughest challenges as stated by the United Nations Sustainable Development Goals (SDGs).<sup>17</sup>

The Global Entrepreneurship Monitor Project (GEM) is widely recognized as the most comprehensive longitudinal study of entrepreneurship in the world. Launched in 1999, GEM has cumulatively surveyed over 3 million adults in 120 economies across the globe.

<sup>16</sup> [https://www.international.gc.ca/trade-commerce/economist-economiste/analysis-analyse/merchandise\\_trade-commerce\\_marchandises-2021.aspx?lang=eng](https://www.international.gc.ca/trade-commerce/economist-economiste/analysis-analyse/merchandise_trade-commerce_marchandises-2021.aspx?lang=eng)

<sup>17</sup> GEM 2021/22 Global Report, <https://gemconsortium.org/file/open?fileId=50900>, p. 9

GEM began as a joint project between London Business School (UK) and Babson College (USA), which included ten developed economies; all members of the Organization for Economic Cooperation and Development (OECD): **Canada**, Denmark, Finland, France, Germany, Israel, Italy, United Kingdom (UK), Japan and United States of America (USA).

The 2021 GEM study represents the 23rd consecutive year in which GEM has tracked rates of entrepreneurship across multiple phases of entrepreneurial activity, assessed the characteristics, motivations and ambitions of entrepreneurs and explored the attitudes societies have towards this activity. GEM conducts research across five world regions: North America, Latin American & Caribbean (LAC), Europe, Africa and Asia & Oceania, as shown in Figure 1.1.

**Figure 1.1: Five World Regions of GEM Participating Economies**



GEM seeks to understand entrepreneurship in national and global context, focusing on two key dimensions: i) the attitudes, activity, and aspirations of individual entrepreneurs; and ii) the national context and how it impacts entrepreneurial activity. In doing so, it hopes to identify policies that may foster the quality and quantity of

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the entrepreneurial activity in each country. More recently, GEM has expanded its mandate to include a range of ‘special topic’ reports on areas like youth, women, and senior entrepreneurship.

A key objective of GEM is to explore differences in national levels and types of entrepreneurship and to link these to job creation and economic growth. GEM brings together hundreds of researchers and policy makers from across the globe and includes more than one hundred academic and government institutions every year.

### 1.3 GEM Model and Methodology

#### GEM Conceptual Framework and Methodology

The Global Entrepreneurship Monitor (GEM) **defines entrepreneurship** broadly as: *“Any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business.”*

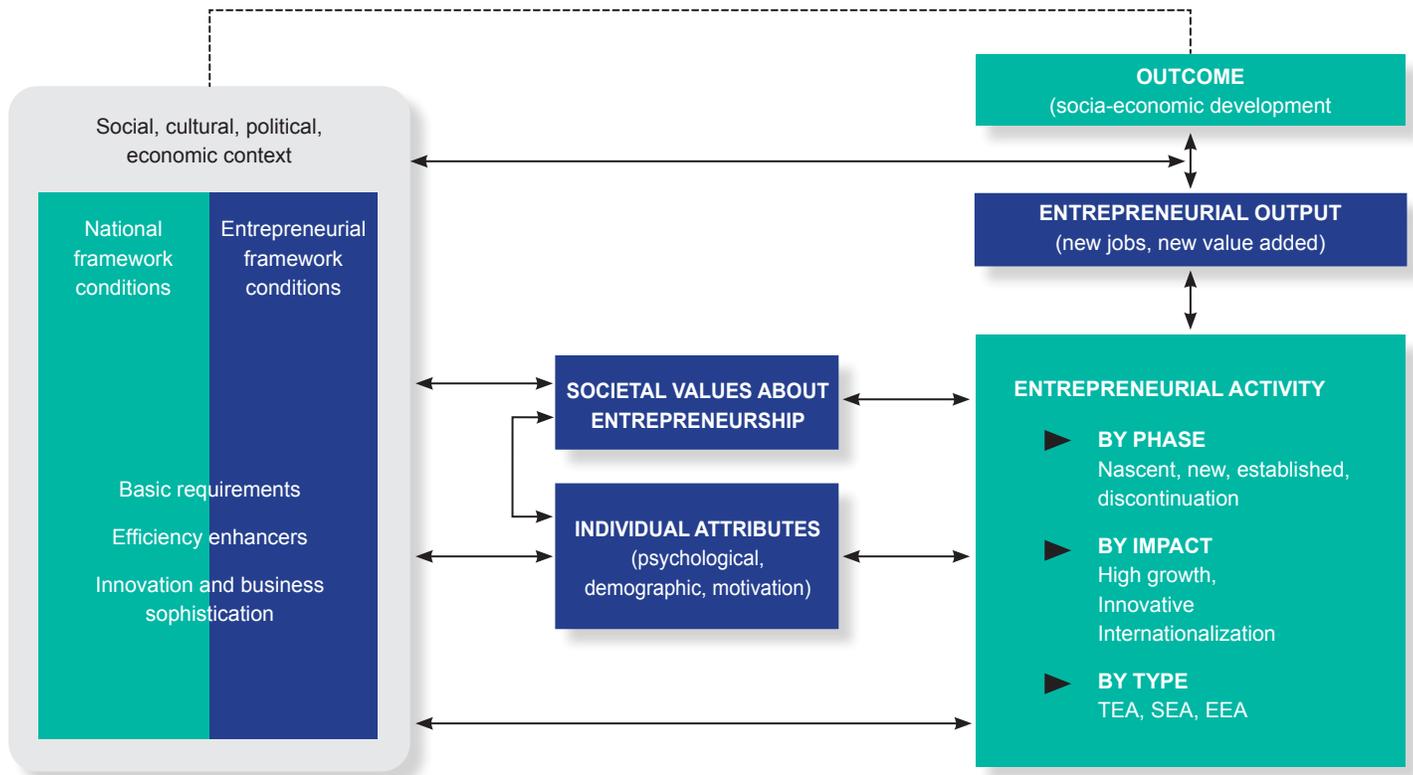
At the heart of the GEM Conceptual Framework is a **focus on individual entrepreneurs**, and their personal aspirations and capabilities, as well as the nature of the entrepreneurial ecosystem. The GEM Conceptual Framework guides data collection activities and research, both of which contribute to GEM’s key aims:

- To uncover factors which encourage or hinder entrepreneurial activity, as related to societal values, individual attributes, and entrepreneurial framework conditions.
- To provide a platform for assessing the extent to which entrepreneurial activity influences socio-economic development (including economic and inclusive growth) within individual economies.
- To uncover policy implications for the purpose of enhancing entrepreneurial capacity and resulting outcomes in an economy.

The GEM Conceptual Framework is show in Figure 1.2.

Figure 1.2: The GEM Conceptual Framework

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Starting on the left-hand side of the framework, the **social, cultural, political and economic context** is represented through National Framework Conditions, which include entrepreneurial finance, government policy, government entrepreneurship programs, entrepreneurship education, R&D transfer, commercial and legal infrastructure, physical infrastructure, internal market dynamics and entry regulation, and cultural and social norms. These are assessed through a survey of selected experts on each of the framework conditions, as part of the National Entrepreneurship Context Index (NECI).

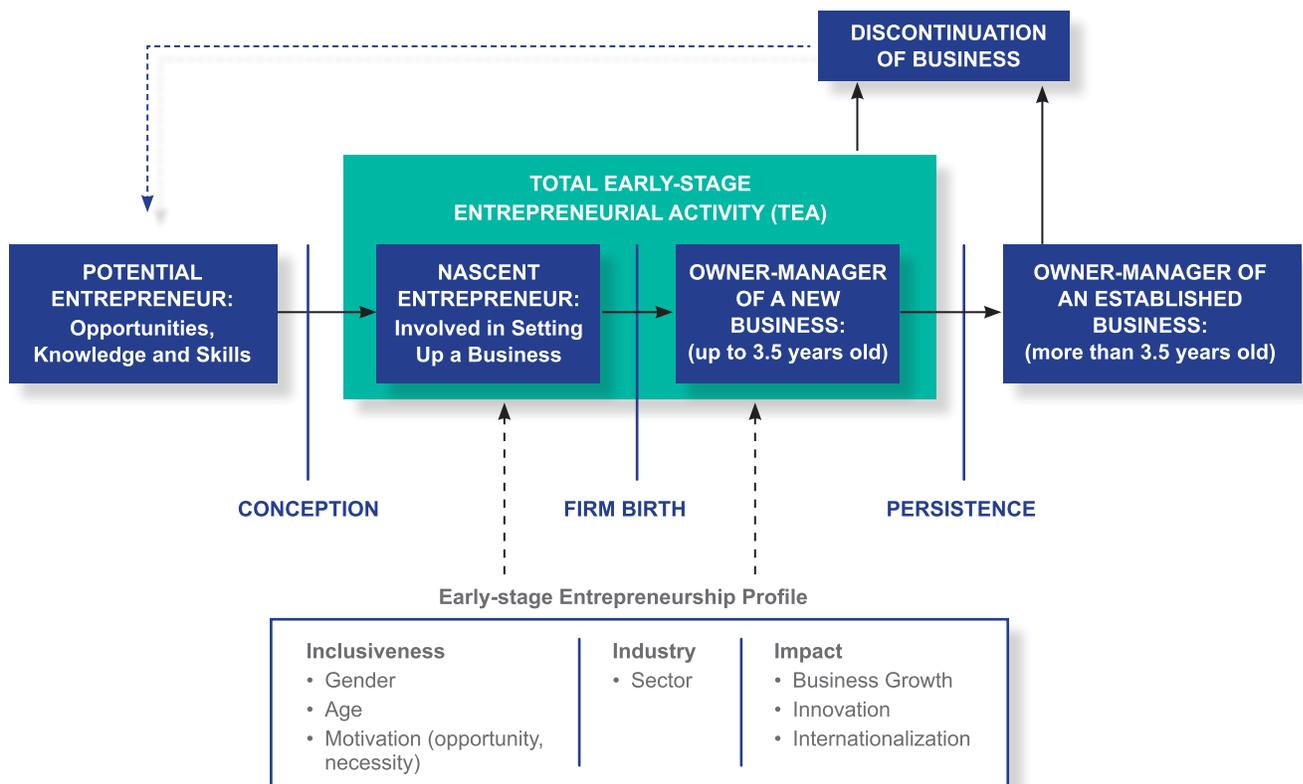
**Societal values** include societal beliefs about entrepreneurship as a good career choice, whether entrepreneurs have high societal status, the extent to which media represents entrepreneurship positively in an economy, and whether it is easy to start a business. Individual attributes include demographic characteristics (i.e., gender, age, etc.), self-perceptions (i.e., perceived capabilities, perceived opportunities, fear of failure), and motives for starting a business (i.e., necessity versus opportunity).

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Entrepreneurial activity encompasses **multiple phases of the business process** (i.e., nascent, new business, established business, discontinuation), potential impact (i.e., job creation, innovation, internationalization), and type of activity (such as total early-stage entrepreneurial activity or TEA, and employee entrepreneurial activity or EEA). Societal values, individual attributes, and entrepreneurial activity are assessed through a broad-based survey of the population called the Adult Population Survey (APS).

Overall, the GEM approach also views entrepreneurship as a process with distinct phases. As depicted in Figure 1.3, this process moves from the intention to start a business, to nascent entrepreneurship involving a new start-up, to owner-managers of a relatively new business, to owner-manager of a more established venture. Following this process approach, business exits (discontinuance) are also tracked.

Figure 1.3: GEM Entrepreneurial Indicators



A central measure of the GEM approach is Total Early-Stage Activity (TEA). This includes those in the process of starting a business (nascent entrepreneurs), and those running a young business (3 - 42 months old) but excludes those in the established business (EB) phase (firms older than 42 months or 3.5 years). By exploring these various phases—and especially the difference between total early-stage (TEA) and established businesses (EB)—the GEM approach offers insights not typically available from standard business statistics or official government measures.

With respect to data collection, GEM uses two main sources:

**The Adult Population Survey (APS)** – Data for the APS is gathered through a telephone survey of randomly selected adults, aged 18-79 years, conducted by an independent polling firm. Using the standard GEM questionnaire protocol, the APS covers a variety of questions on entrepreneurial attitudes, activities, and aspirations. The APS data provides a profile of representative data, weighted for age and gender to standard Canadian or regional demographics.

**The National Expert Survey (NES)** - The NES is a questionnaire completed by a group of experts in each country, using the instrument developed for the global GEM project. The survey presents a series of statements concerning support for entrepreneurship, and experts are asked to assess the degree to which each is true. Areas probed are based upon the framework conditions: entrepreneurial finance, government policy, government entrepreneurship programs, entrepreneurship education, R&D transfer, commercial and legal infrastructure, physical infrastructure, internal market dynamics and entry regulation, and cultural and social norms.

In summary, the two GEM Surveys, APS and NES, give substance to the GEM conceptual framework by identifying those factors that influence entrepreneurial activity; providing important policy implications for policymakers, practitioners and other stakeholders seeking to expand levels of entrepreneurship. As noted earlier, Canada participated in the NES in 2021 but not in 2020.

## **CHAPTER 1** Report Structure

The GEM Canada Report is presented in six chapters. Comparisons are made between Canada and six other economies (USA, UK, Germany, Italy, France and Japan); referred to throughout the Report as ‘G7’.

Chapter 1 introduces the report and describes the GEM model and research method.

Chapter 2 investigates the attitudes and activity of Canadian entrepreneurs. This includes a discussion of: perceptions of entrepreneurial skills, entrepreneurial activity and motivations, and discontinuance, exits and investment.

Chapter 3 examines economic participation by entrepreneurs in the Canadian economy. This includes examining GEM data related to industry sector, job creation and growth aspirations, export orientation and introduction of new products to the market.

Chapter 4 examines the demographic dimensions of entrepreneurship in Canada for 2021, which considers factors such as age, education, and gender.

Chapter 5 examines Canada’s framework conditions to support entrepreneurship, based on results from the national expert survey (NES).

Chapter 6 provides a report summary and recommendations.

## CHAPTER 2

### Entrepreneurial Attitudes and Activities

This chapter investigates perception of entrepreneurial skills, activity, motivations and intentions in Canada in 2021.

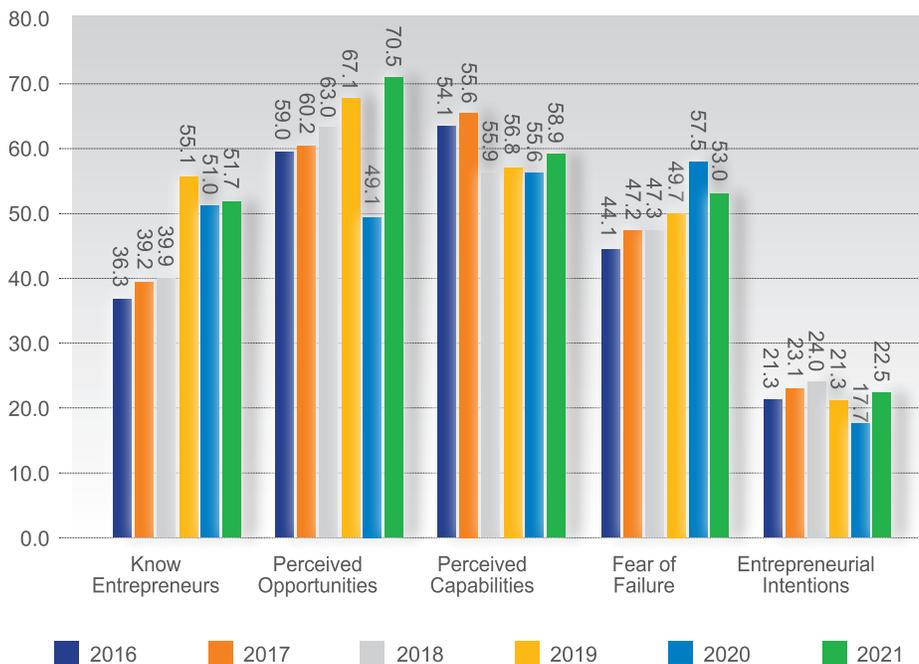
#### 2.1 Perceptions of Entrepreneurial Skills

GEM captures perceptions of entrepreneurial skills to shed light on the intention of Canadians to start a business. Five measures are used: 1) affiliation with/known an entrepreneur; 2) opportunities for entrepreneurship; 3) perceived entrepreneurial capabilities; 4) fear of failure; and 5) intention to start a new business in the next 3 years.

Figure 2.1 and Table 2.1 present Canadian data on the five measures for the period 2016-2021. A key observation is the significant increase in ‘perceived opportunities’ in 2021, along with increases in ‘perceived capabilities’ and ‘entrepreneurial intentions’ from 2020 levels.

Canada’s fear of failure rate, traditionally high, has also decreased in 2021.

Figure 2.1: Perception towards Entrepreneurial Skills: Canada (2016-21)



## CHAPTER 2

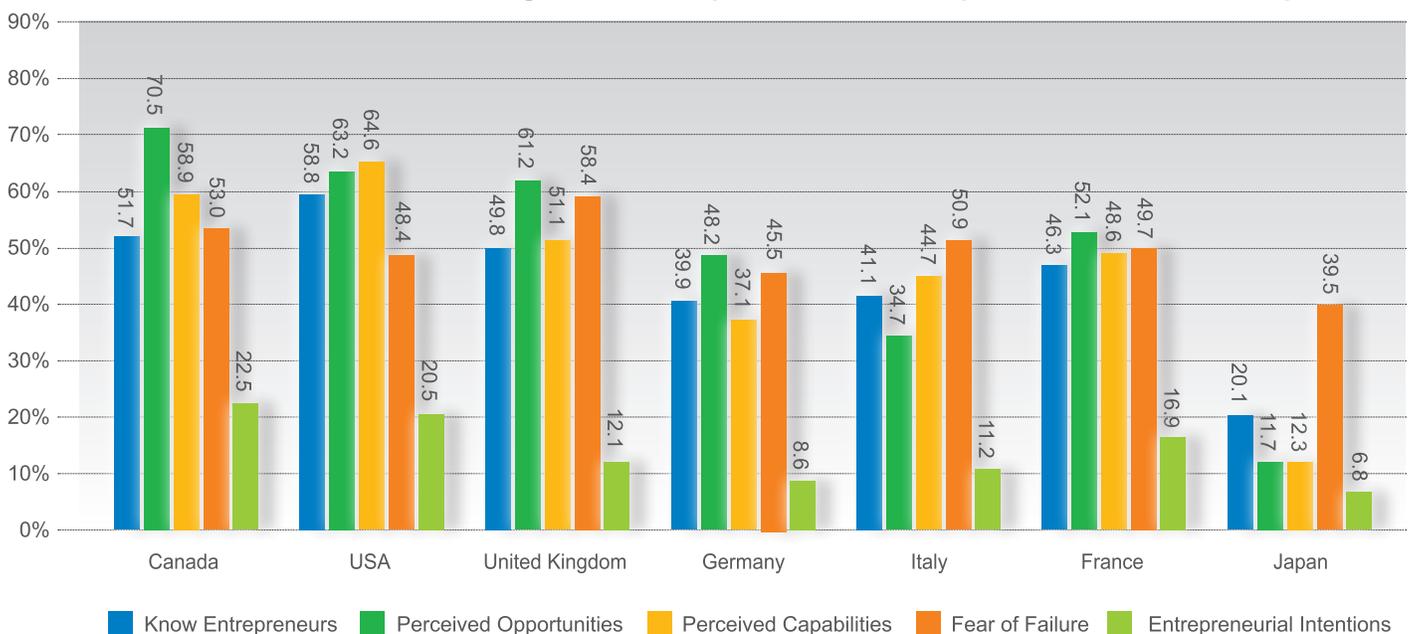
Table 2.1 shows that Canada's 'perceived opportunities' score has increased 21.4% from 2020 to its highest level since 2016, while 'perceived capabilities' has risen 3.3%, also to its highest level since 2016. The 'fear of failure' level decreased 4.5% from 2019, but still remains high, with Canada showing the 3rd highest level amongst 50 economies in 2021.

**Table 2.1: Perceptions towards Entrepreneurial Skills, Canada (2016-21)**

	Know Entrepreneurs	Perceive Opportunities	Perceived Capabilities	Fear of Failure	Entrepreneurial Intentions
2016	36.3	59.0	54.1	44.1	21.3
2017	39.2	60.2	55.6	47.2	23.1
2018	39.9	63.0	55.9	47.3	24.0
2019	55.1	67.1	56.8	49.7	21.3
2020	51.0	49.1	55.6	57.5	17.7
2021	51.7	70.5	58.9	53.0	22.5

Figure 2.2 compares Canada to other G7 economies. Canada continues to have a higher 'fear of failure' rate than the USA (5%), with the 2nd highest level amongst the G7, only behind the UK. While Canada's level of 'perceived capabilities' increased 3% from 2020, Canada continues to show a lower level of 'perceived capabilities' (6%) than the USA, suggesting that USA entrepreneurs are more confident in the abilities to start a business.

**Figure 2.2: Perception towards Entrepreneurial Skills: G7 Comparisons**

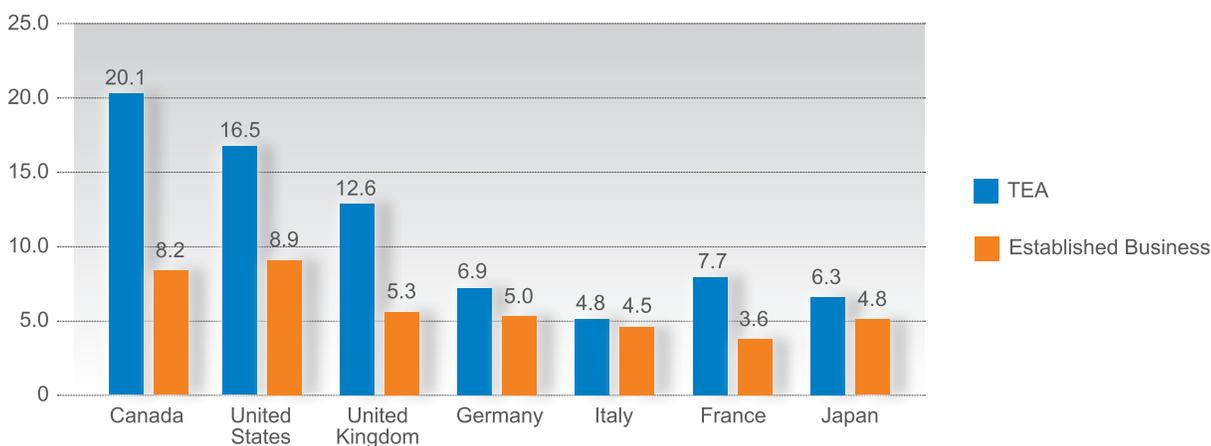


However, GEM data suggests that Canadian entrepreneurs are much more optimistic about starting a business in 2021 compared to one year ago. Canada shows the highest level of ‘perceived opportunities’ amongst the G7 economies, and 7% higher than the USA.<sup>18</sup> Canada has also overtaken the USA in ‘entrepreneurial intentions’ in 2021, with Canada, USA, UK and Italy all showing an increase from 2020.

### 2.2 Entrepreneurial Activity and Motivations

Figure 2.3 shows Canada’s total early-stage entrepreneurial activity (TEA)<sup>19</sup> and established business (EB)<sup>20</sup> rates compared to other G7 economies. Canada’s TEA level increased by 4.5% in 2021, leading the G7 and Level A economies<sup>21</sup> and placing it 8th among 47 economies.<sup>22</sup> This is the highest TEA level for Canada since it began participating in GEM.

**Figure 2.3: TEA and EB Rates: G7 Comparisons**



<sup>18</sup> Canada was one of 15 economies in 2021 (out of 47) where more than half of those starting or running a new business agreed that the pandemic had led to new business opportunities. GEM 2021/22 Global Report, <https://gemconsortium.org/file/open?fileId=50900>.

<sup>19</sup> **Total early-stage Entrepreneurial Activity (TEA)** describes entrepreneurial activity during the period preceding and immediately after the actual start of a firm. TEA includes ‘nascent entrepreneurs’ (those actively establishing a new business who have not paid salaries for more than 3 months) and entrepreneurs (owner-managers) of a new firm which is less than 42 months old but more than 3 months.

<sup>20</sup> **Established business (EB)** indicator describes a business in existence for over 42 months (3.5 years).

<sup>21</sup> Level A economies are those with a Gross Domestic Product (GDP) per capita of more than \$40,000. There are 19 Level A countries in the GEM 2021 survey, which includes all countries of the G7.

<sup>22</sup> TEA levels for most economies have fallen between 2019 (pre-pandemic) and 2021, but some economies, like Canada, have seen an increase in TEA levels. A characteristic common in these economies is the availability of relatively generous support packages for new businesses. GEM 2021/22 Global Report, <https://gemconsortium.org/file/open?fileId=50900>.

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Canada's EB level recovered to 8.2%, closer to its long-term average, from 7.3% in 2020, which placed Canada slightly lower than the USA amongst the G7 and 16th amongst the 47 GEM economies. Canada shows a higher ratio of TEA to EB activity once again in 2021, which has been explained by the country's challenge in transitioning start-ups into established business.

Figure 2.4 sheds further light on TEA rates by examining entrepreneurial motivations based on responses to four questions: 1) to make a difference in the world; 2) to build great wealth or very high income; 3) to continue a family tradition; and 4) to earn a living because jobs are scarce. Figure 2.4 identifies high variation in response levels across the G7 in 2021.

Figure 2.4: TEA Motivations: G7 Comparisons

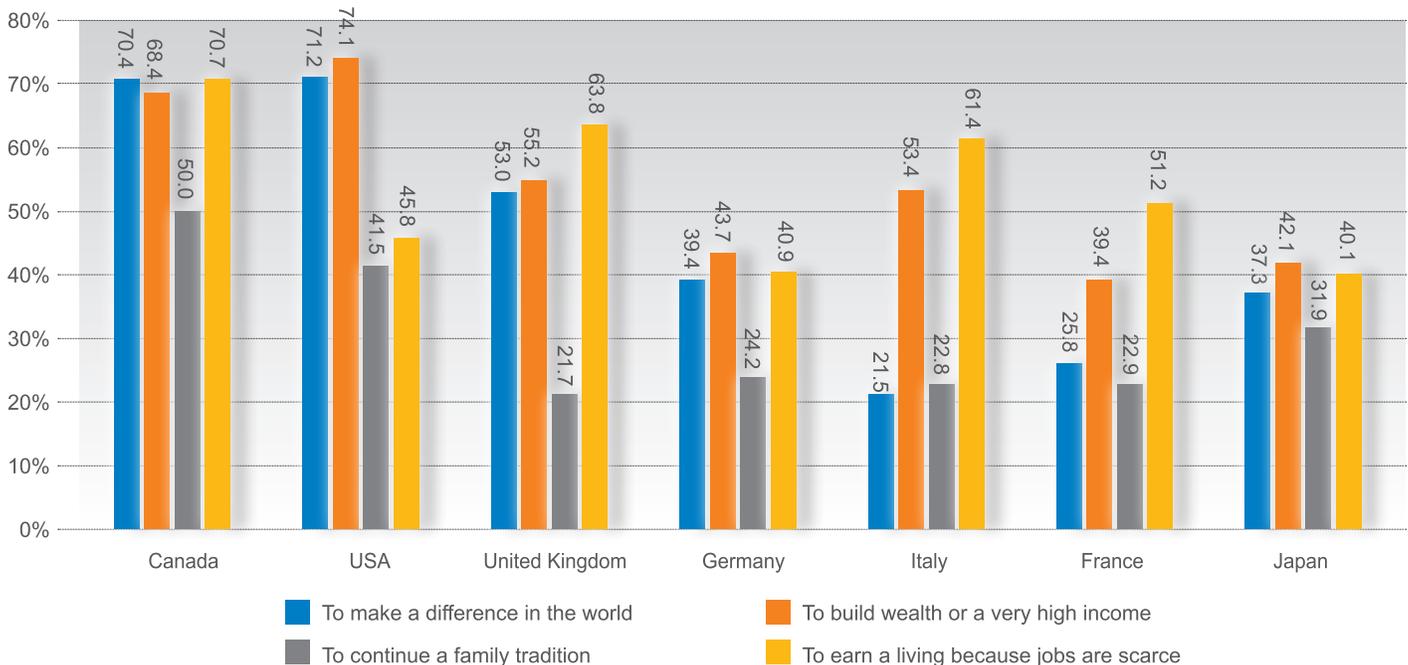


Figure 2.4 shows the leading motivation for Canadian entrepreneurs in 2021 is 'to earn a living because jobs are scarce' (71%), followed closely by 'to make a difference in the world' (70%) and 'to build great wealth or very high income' (68%).<sup>23</sup> GEM data shows increases across all four motivations, with 'to continue a family business' showing the greatest increase (11%).

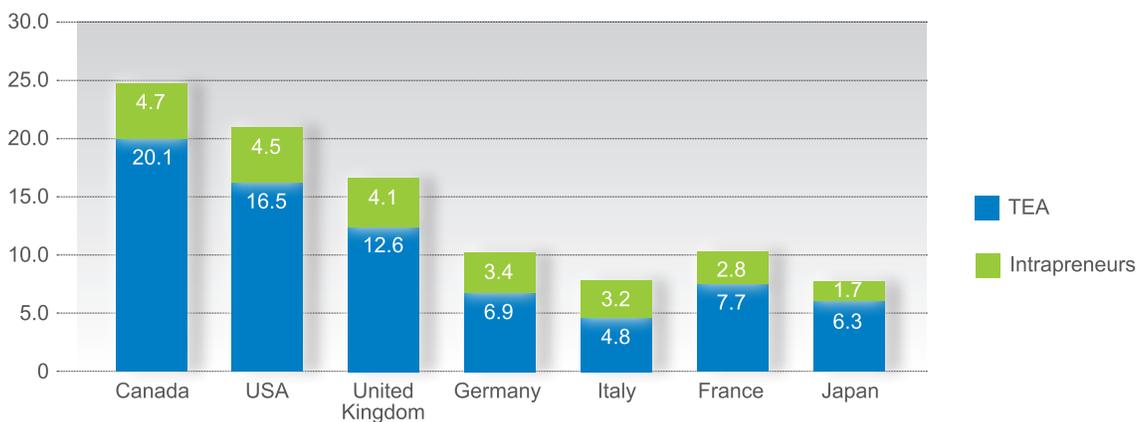
<sup>23</sup> Canada ranks 7th out of the 47 countries participating in GEM 2021 in the motivation 'to make a difference in the world;' 17th in the motivation 'to build great wealth;' and 20th in the motivation 'to earn a living because jobs are scarce.' GEM 2021/22 Global Report, p. 96. <https://gemconsortium.org/file/open?fileId=50900>.

Figure 2.4 shows Canada with a much higher level than the USA for the motivation ‘to earn a living because jobs are scarce’ (71% vs 46%). This result may reflect factors such as tighter pandemic restrictions in Canada compared to the USA, cessation of pandemic-related support measures by September and high levels of business insolvencies, which rose 37% in the fourth quarter of 2021.<sup>24</sup>

Figure 2.4 also shows Canada and the USA with significantly higher scores on the motivation ‘to make a difference in the world.’ Of the four listed motivations, this is the most challenging to interpret, since making a difference in the world may mean different things in different places or to different income groups.<sup>25</sup> The interpretation here is evidence of the emergence of purpose-driven businesses.

Figure 2.5 compares entrepreneurial employee activity (EEA)<sup>26</sup>, or ‘intrapreneurship’ with TEA activity for the G7 economies. Canada’s EEA level dropped slightly in 2021 (from 5.3% in 2020), but remains the highest amongst G7 economies. Italy was the only G7 country that showed an increase in EEA from 2020 to 2021.

**Figure 2.5: EEA (Intrapreneurship) versus TEA: G7 Comparisons**



EEA rates are generally higher in Canada and the USA, as well-paid employees have a large opportunity cost in starting a business, and therefore express their entrepreneurial inclinations within someone else’s business. Other reasons include opportunities to work in rapidly changing technology-oriented businesses that can provide rewarding opportunities for entrepreneurial employees.<sup>27</sup>

<sup>24</sup> <https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2022001-eng.htm>

<sup>25</sup> GEM 2021/22 Global Report, p. 72. <https://gemconsortium.org/file/open?fileId=50900>.

<sup>26</sup> GEM identifies the proportion of adults involved in Entrepreneurial Employee Activity (EEA) by asking questions about a leading role in new business activity inside an existing organization over the last 3 years.

<sup>27</sup> GEM 2021/22 Global Report, p. 64. <https://gemconsortium.org/file/open?fileId=50900>.

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EEA declined both from 2019 to 2020 and from 2020 to 2021 for Canada, USA and UK. This result may reflect the effects of the COVID-19 pandemic, which required businesses to respond to challenging economic and limit or suspend their intrapreneurial activities.

### 2.3 Discontinuance and Exits<sup>28</sup>

Figure 2.6 shows Canada with the highest rate of discontinuance and of exits in the G7, similar to 2020 and 2019. However, Canada's rate of business continuation as a proportion of exits decreased in 2021, with exits increasing by 2.9% and discontinuations remaining at the 2020 level. Variations in the level of established business exits are rather lower than those in TEA.

Figure 2.6: Life Cycle of Entrepreneurship: G7 Comparisons

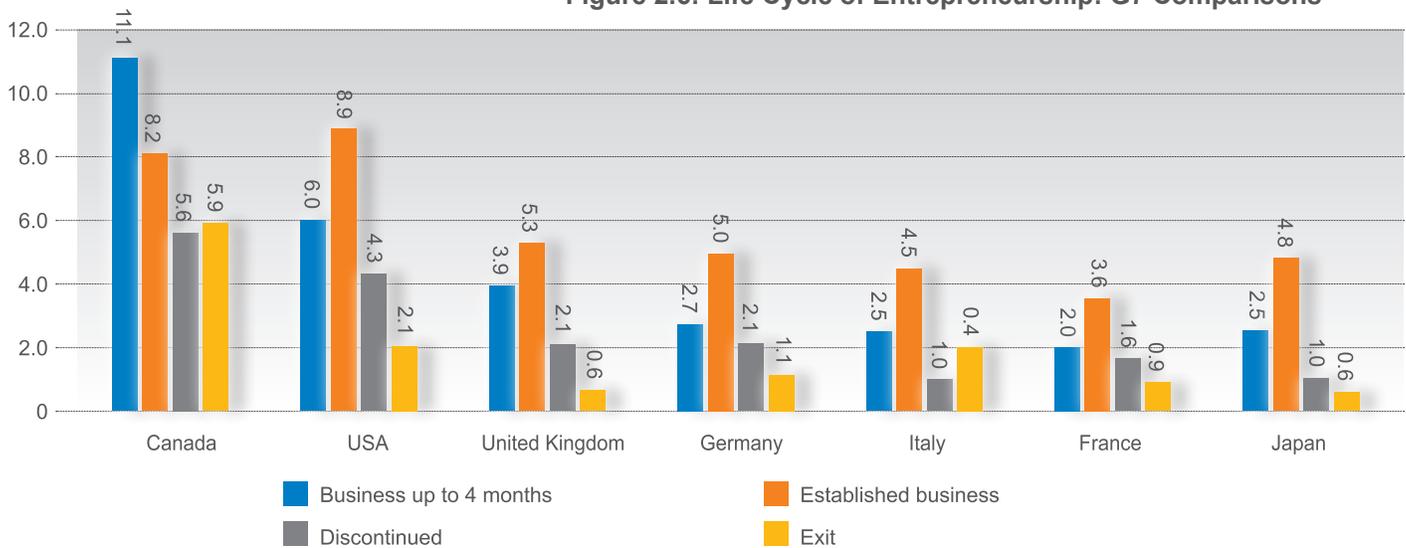
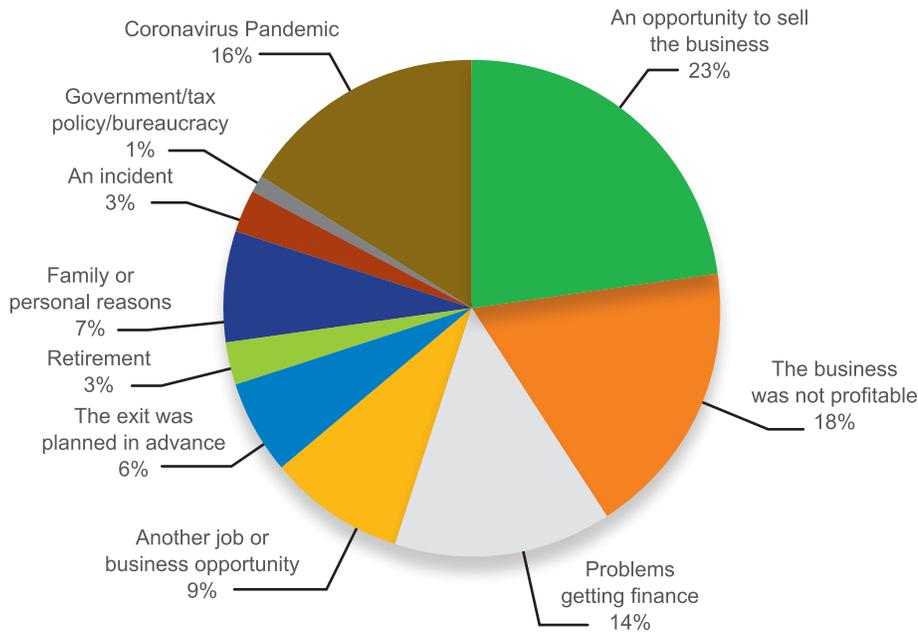


Figure 2.7 shows a breakdown of discontinuance factors for Canadian entrepreneurs. The most common reason for discontinuing a business in 2021 was 'an opportunity to sell the business,' which increased by 13% from 2020. Financial-related discontinuous factors are not prominent in 2021, with 'problems getting financing' remaining the same as 2020, and 'business not profitable' decreasing by 4% from 2020.

<sup>28</sup> The GEM Adult Population Survey (APS) asks whether the individual has, within the past 12 months, sold, shut down or quit a business they owned and managed. Subsequent APS questions asks those individuals who reported exiting a business whether that business continued after they left, or not.

Figure 2.7: Discontinuance Factors for Canadian Entrepreneurs



The ‘Coronavirus pandemic’ is also a less prominent discontinuous factor in 2021, decreasing by 7% from 2020. Other discontinuous factors are similar to 2020 levels.

The significant increase in ‘an opportunity to sell the business’ could have a number of explanations. One is that less challenging market conditions in 2021, compared to 2020, provided more opportunities to sell a business. Another explanation is that finance-related discontinuous factors, while lower than 2020, still represent 32% of responses.

A related factor may be that a proportion of business owners, having experienced the challenges of running a business during the pandemic, chose to exist their business as economic conditions improved and the opportunity to make an exit became available.

Table 2.2 presents discontinuous factors for the G7 economies. Canada has the highest level for ‘problems getting finance’ and ‘opportunity to sell the business,’ and the lowest level of discontinuance for ‘family or personal reasons.’ The pandemic is identified as a more significant discontinuous factor in the USA compared to Canada, which may reflect Canada’s high level of government support for businesses in response to the pandemic.

## CHAPTER 2

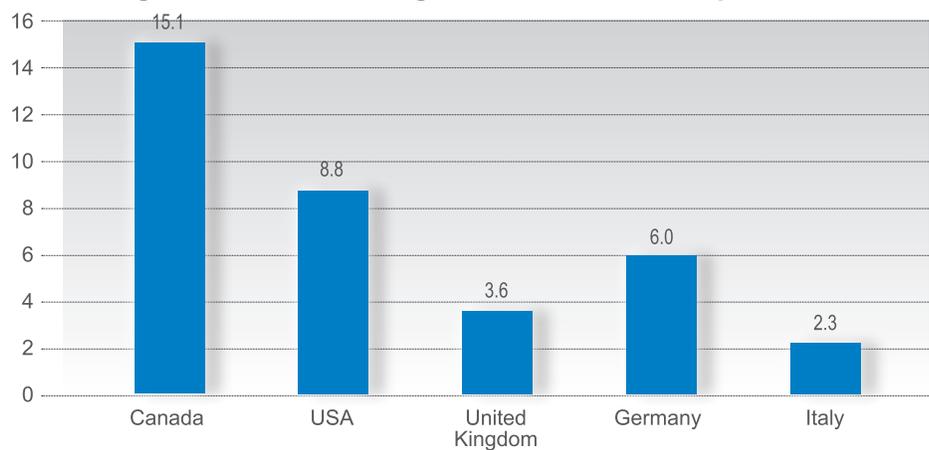
Table 2.2: Discontinuance Factors: G7 Comparisons

	Opportunity to sell business	Business not profitable	Problems getting finance	Another job or opportunity	Planned exit	Retirement	Family or personal reasons	An incident	Gov't policy	COVID-19 Pandemic
Canada	22.7	17.6	14.3	9.0	5.6	3.4	7.3	2.7	1.0	16.5
USA	1.2	16.6	2.2	16.6	5.3	1.9	19.9	2.2	7.0	27.3
U.K.	2.3	21.6	2.6	9.5	11.2	0	26.8	7.2	2.7	16.2
Germany	15.8	21.9	9.6	8.7	4.9	3.0	15.1	5.8	3.4	11.9
Italy	0	34.3	4.4	7.2	3.7	12.2	16.8	8.4	3.7	9.4
France	6.7	17.7	6.6	16.4	4.3	7.8	15.7	1.4	4.2	19.3
Japan	6.7	7.6	12.0	12.7	4.9	5.7	16.4	7.5	2.2	24.4

### 2.4 Business Angel and Informal Investment<sup>29</sup>

Figure 2.8 identifies Business Angels as an important source of funds for new businesses, particularly in Canada and the USA. Rates of business angel activity for Canada increased by 4.3% in 2021, and for the other four economies (data was not available for France and Japan).

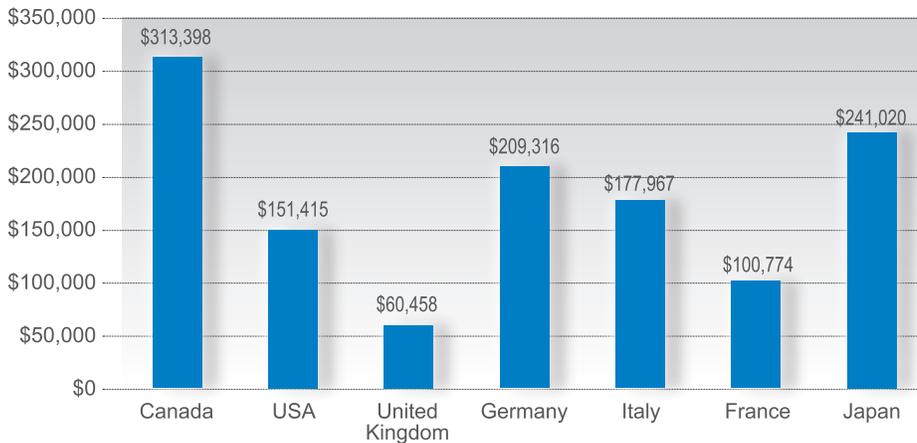
Figure 2.8: Business Angel Investment: G7 Comparisons



<sup>29</sup> Informal investment in entrepreneurship is defined as the percent of respondents who provided funds to an entrepreneur. GEM reports this percentage alongside data on average level of funds provided (in USD).

Figure 2.9 shows Canada with the highest average level of funds in the G7; a significant increase from 2020 (\$40,159). Germany also saw a significant increase, with the USA, UK and Italy also showing increases from 2020.<sup>30</sup> Pandemic-related factors may explain the higher average fund level in 2021.<sup>31</sup>

**Figure 2.9: Informal Investment: G7 Comparisons**



In summarizing Canada’s entrepreneurial attitudes and motivations in 2021, the GEM data shows encouraging signs. Higher TEA and EB levels reverse a decline in entrepreneurial activity that occurred during 2020, with higher levels in 2021 primarily driven by opportunity-seeking entrepreneurship.

This recovery in entrepreneurial activity has been influenced by Canada’s improved business conditions in 2021. A growing economy and strong government policy support, including hiring and wage subsidies for new businesses, appears to have encouraged more Canadians to start new businesses after 2020 proved too difficult.<sup>32</sup>

<sup>30</sup> According to the National Angel Capital Association (NACO), the number of investments in 2021 was 39% higher than in 2020 with the amount invested more than double the 2020 figure (+110%). The mean size of investment was \$346K compared with \$290K in 2020. 2022 Annual Report on Angel Investing in Canada, p. 48, <https://nacocanada.com/>

<sup>31</sup> Ibid. Follow-on investments accounted for 23% of investments and 20% of the total amount invested, which is significantly lower than in 2020. This may reflect a pandemic effect, as in 2020 angels focused more on supporting existing investee companies to ensure that they had sufficient financial resources to survive the resultant economic downturn and appeared less interested in making new investments.

<sup>32</sup> GEM 2021/22 Global Report, p. 97, <https://gemconsortium.org/file/open?fileId=50900>.

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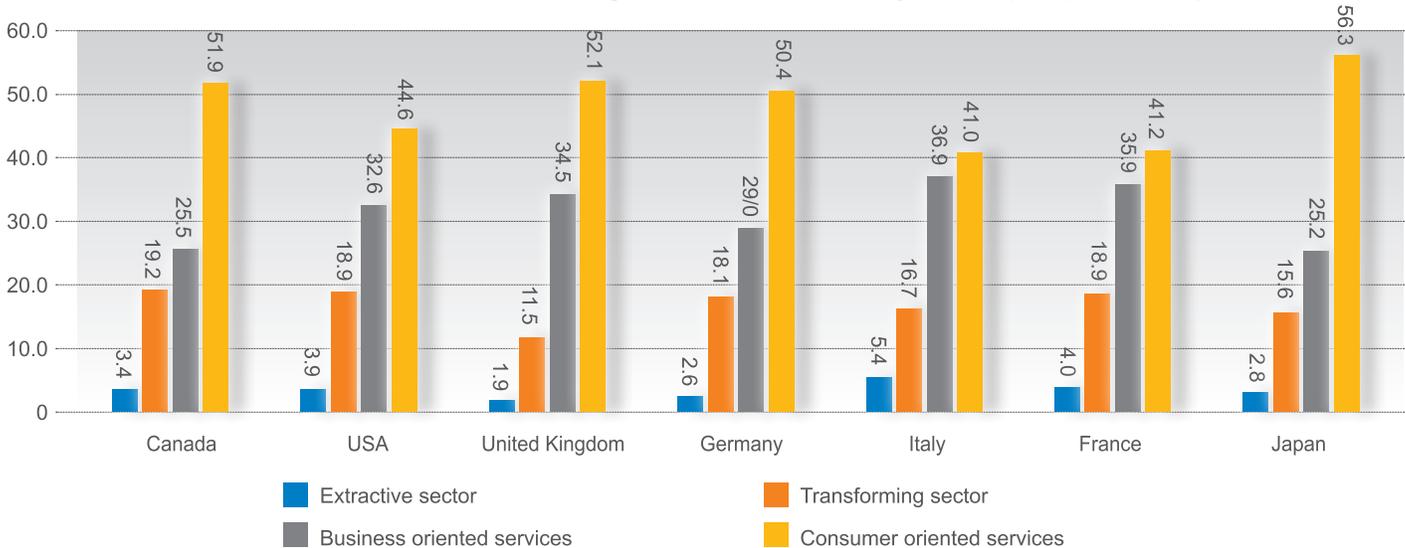
### Entrepreneurship in the Economy

This chapter examines economic participation by entrepreneurs in the Canadian economy in 2021, using GEM data to assess industry sector, job creation and growth aspirations, export orientation and introduction of new products to the market.

#### 3.1 Industry Sectors<sup>33</sup>

Figure 3.1 shows consumer-oriented services having the highest TEA rate for all G7 economies, followed by business-oriented services and the transformative sector. Canada's TEA levels by industry sector are similar to 2020, with slight increases in the transformative and extractive sectors and slight decreases in consumer and business oriented services. Canada TEA level in the transforming sector is the highest in the G7.

Figure 3.1: Distribution by sector (TEA): G7 Comparisons



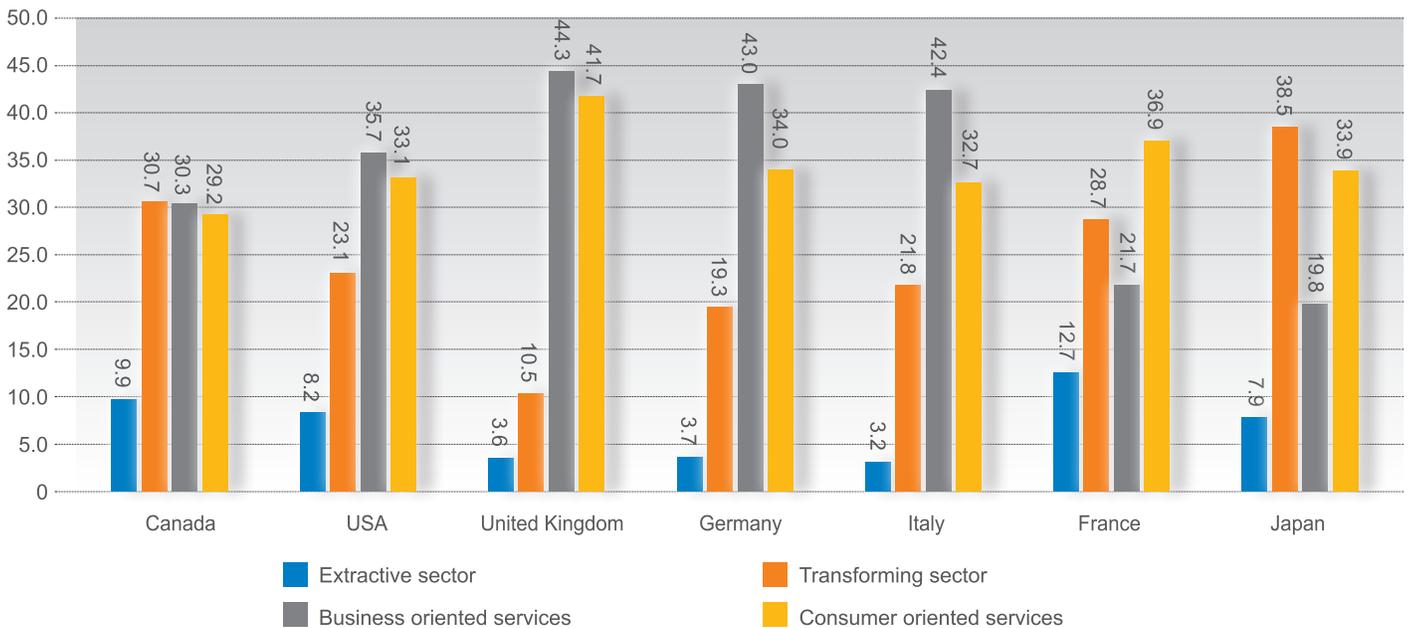
Canada's slight increase in TEA in the extractive sector (0.6%), which showed a decrease of 3.3% between 2019 and 2020, can be partially attributed to higher energy prices in 2021, as the global economy began recovering from the pandemic. Canada's TEA level in the transforming

<sup>33</sup> GEM respondents were asked to describe the nature of their new businesses, which were classified using four digit codes from the International System of Industry Codes (ISIC). The businesses were then assigned to one of four broad categories: 1) Extractive (e.g. mining, agriculture); 2) Transforming (e.g. manufacturing, logistics); 3) Business oriented services (ICT, professional services, etc.); and 4) Consumer oriented services (including retailing, restaurants and personal services).

sector has seen continuous growth in the last 3 years, after decreasing by 3% between 2018 and 2019. Increased entrepreneurial activity in these two value-adding sectors is a positive sign of economic recovery for Canada in 2021.

Figure 3.2 shows Canada’s EB rates are significantly higher than its TEA rates for the extractive and transformative sectors, and to a lesser extent for business oriented services. Canada is the only G7 economy with similar EB rates across 3 of the 4 sectors (business and consumer-oriented services and transforming sector). Canada’s EB rate in the transforming sector increased by 5.7% from 2020, with the other three sectors showing slight decreases from 2020.

Figure 3.2: Distribution by sector (EB): G7 Comparisons



The increase in both TEA and EB levels in the transforming sector suggests that a higher proportion of entrepreneurs are developing into established businesses. Similar to 2020, Canada’s EB rate in consumer oriented services is much lower than the TEA rate (by 39% in 2021 compared to 20% in 2020). The high TEA and low EB levels suggest that while many entrepreneurs enter this category, a high proportion are not transforming into established businesses.<sup>34</sup> This suggests that

<sup>34</sup> GEM 2021/22 Global Report, p. 97. Durable new businesses tend to be in niche markets, requiring high levels of human and financial capital to produce and sell differentiated products that reap the benefits of premium pricing. Many of these businesses are in business services rather than in consumer services.

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the consumer services sector in 2021 is still feeling the effects of the pandemic, as this sector is recognized as being one of the hardest hit in 2020, particular retailing, personal services and hospitality.<sup>35</sup>

Overall, GEM data on Canada's industry sectors suggests generally positive results, given the continued effects of the pandemic on business in 2021 and Canada's historic EB and TEA patterns. As shown in Figure 3.2, Canada's EB levels amongst G7 economies are high in the extractive and transforming sectors, but lower in the business and consumer oriented sectors.

### 3.2 Job Creation<sup>36</sup>

Table 3.1 presents 5-year TEA and EB growth aspiration rates for Canada, comparing 2021, 2020 and 2019. Growth aspirations have increased across all categories in 2021 compared to 2020. High job expectations and high growth have increased in 2021, 3.0% for TEA and 7.8% for EB. While GEM measures growth aspirations rather than actual growth, it nevertheless provides the best available indication of growth expectations by entrepreneurs and established businesses.<sup>37</sup>

**Table 3.1: Five Year Growth Aspirations: Canada, 2019-21**

	TEA any jobs now or in 5 years	TEA expects more than 19 jobs in 5 years	% within TEA: High job expectation (10+ jobs & over 50% in 5 years)	% within EB: High job expectation (10+ jobs & over 50% in 5 years)	% within TEA: Active in technology sectors (high or medium)	% within EB: Active in technology sectors (high or medium)
2019	12.2	3.0	18.2	8.8	4.6	5.9
2020	9.8	2.1	12.9	4.4	5.5	4.4
2021	12.7	2.6	15.9	12.2	8.4	9.5
Difference: 2020 vs. 2021	+2.9%	+0.5%	+3.0%	+7.8%	+2.9%	+5.1%

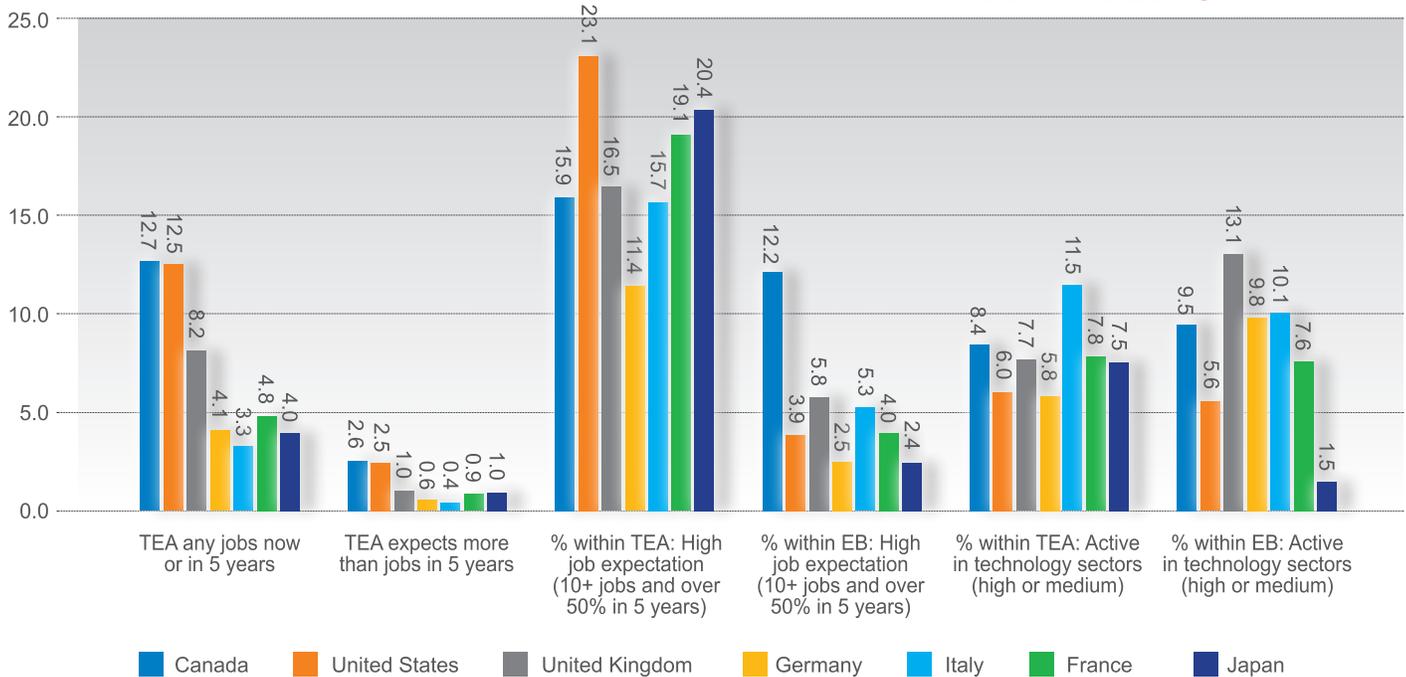
Figure 3.3 presents TEA and EB medium job growth aspirations (10+ jobs) for Canada and other G7 economies. Canada has the highest EB level of medium growth aspirations in the G7, three times that of the USA, and highest TEA level of high growth aspirations.

<sup>35</sup> GEM 2020/2021 Global Report, p. 47; OECD, p. 23, <https://www.oecd.org/industry/smes/SME-Outlook-2021-Country-profiles.pdf>.

<sup>36</sup> Job creation is an expected outcome of entrepreneurial activity and an important measure of growth that contributes to national wealth. GEM asks early-stage entrepreneurs and established businesses how many employees (other than the owners) they have now and expect to have in the next five years. The difference between current and expected employees indicates growth expectations.

<sup>37</sup> In Canada, 56% of SMEs employ 1-4 people, 32% of SMEs employ 5-19, 10% of SMEs employ 20-99 and 2% of SMEs employ 100-499 people. ISEDC (2022) SME Profile: Ownership Demographics Statistics 2022. Government of Canada. [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03166.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03166.html)

Figure 3.3: Five-Year Growth Aspirations: G7 Comparisons



Overall, GEM data suggests that there are much higher expectations of growth amongst entrepreneurs and established businesses for Canada and other G7 economies in 2021 compared to 2020. Expectations of growth from GEM respondents is encouraging, as other Canadian data identified uncertainties by small firms regarding future growth.<sup>38</sup>

### 3.3 Export Orientation<sup>39</sup>

Figure 3.4 shows that Canada’s TEA level of ‘high export orientation’ is significantly higher than the other G7 economies. Canada’s EB level is also highest in the G7. Compared to 2020, Canada’s TEA level increased by 1.9% and its EB level by 0.4% in 2021, with TEA and EB levels of the other G7 economies either increasing slightly or at the same level as 2020. High export orientation is vital to Canada’s economy, so it is not surprising that Canada has the highest level of export revenue from outside the country in the G7.<sup>40</sup>

<sup>38</sup> Statistics Canada (2022) Impact of COVID-19 on small businesses in Canada, fourth quarter of 2021. A survey completed in Oct/Nov. 2021 found that over one-third (35%) of businesses with 1 to 19 employees expected to see a decrease in profitability in the next 3 months. <https://www150.statcan.gc.ca/n1/pub/45-28-0001/2021001/article/00043-eng.htm>

<sup>39</sup> Export orientation is recognized as an indicator of productive entrepreneurship and innovation in an economy. GEM data captures three measures to assess the level of export orientation for entrepreneurs: 1) percentage of revenues from outside Canada; and 2) level of export orientation, defined as more than 50% of revenue from outside the country.

<sup>40</sup> In 27 of the 47 economies in the 2021 GEM APS, less than 1% of adults were starting or running a new business and anticipating 25% of revenue or more from outside their country. The highest levels were in the Dominican Republic, Canada and the United Arab Emirates, while the lowest were India, the Slovak Republic and Poland. GEM 2021/22 Global Report, <https://gemconsortium.org/file/open?fileid=50900>.

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Figure 3.4: High Export Orientation: G7 Comparison

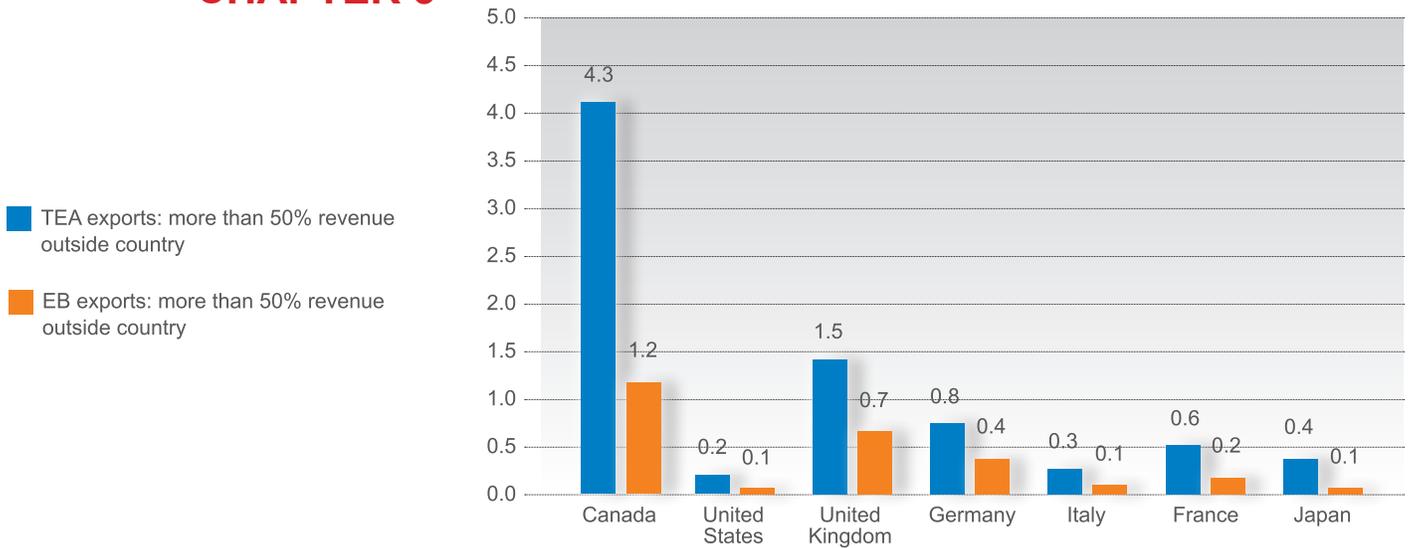


Figure 3.5 compares high export exportation results for the G7 economies by sector, showing domination of the extractive sector across the G7 economies. Canada's TEA level decreased 11.8% in 2021, while its EB level remained the same as in 2020 (71.4%). Canada shows the lowest TEA high export orientation level amongst the G7 economies in the extractive sector, even though Canada's overall TEA level in the extractive sector increased slightly in 2021.

One possible explanation is that TEA activity in the sector was focused more on serving the domestic market as the energy sector recovered in 2021. Canada also scored highly in export orientation in business and consumer oriented services.

Figure 3.5: High Export Orientation by Sector: G7 Comparisons

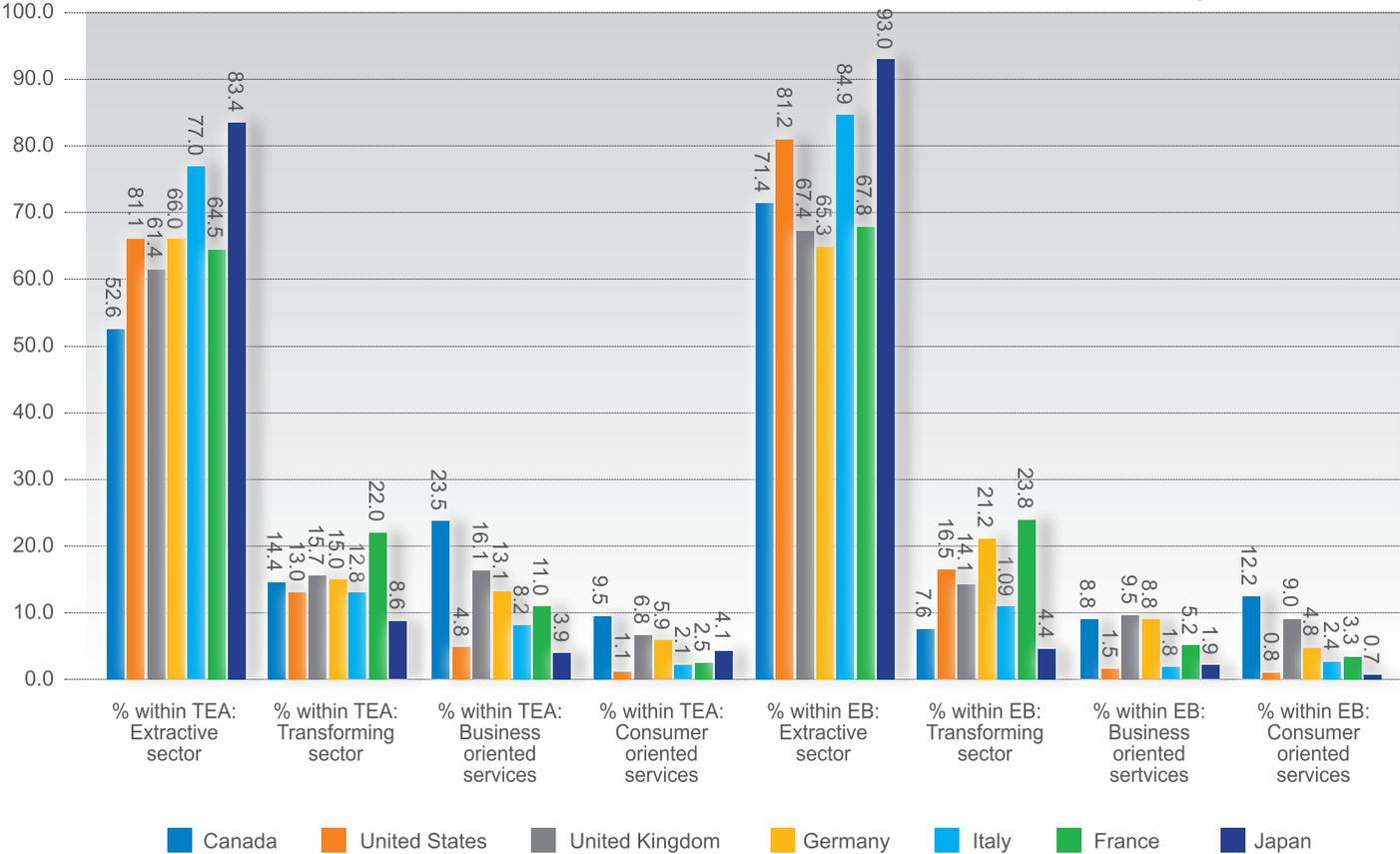


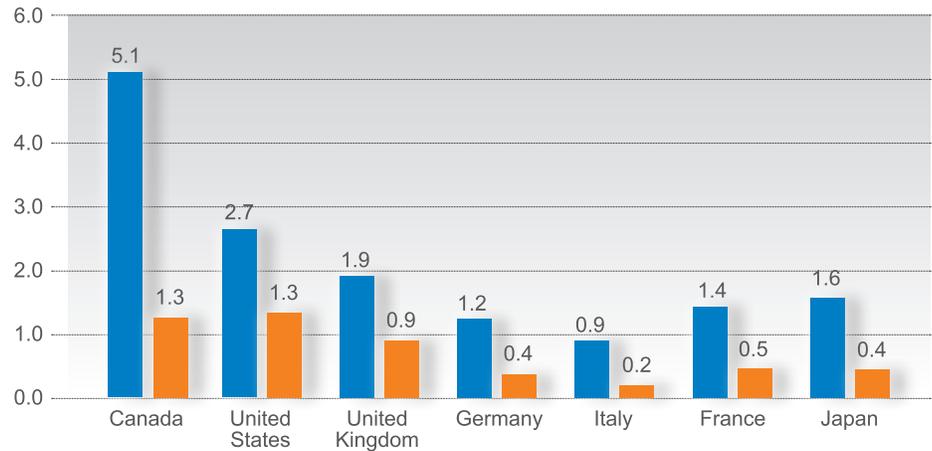
Figure 3.6 shows Canada has the highest level of national scope (for new products or processes) compared to other G7 economies.<sup>41</sup> Canada also has the highest level of international scope amongst the G7 economies, ranking it 2nd amongst 47 economies in 2021. All G7 countries, excepted Italy, saw both national and international levels rise from 2020 to 2021.

<sup>41</sup> GEM questions inquire on the scope of the new business (whether they had local, national or global customers); the scope of their new products/services (whether they were new to customers locally, nationally or globally); and whether technologies/procedures were new locally, nationally or globally.

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- TEA at least national scope for market and at least national scope for new product or new process
- TEA at least international scope for market and at least international scope for new product or new process

Figure 3.6: New Product Market Combination % of TEA: G7 Comparisons



GEM data confirm Canada as a strongly ‘export-oriented’ economy. The rate of Canadian entrepreneurs who plan to generate more than 25% of their income from outside the country nearly doubled between 2020 and 2021, making it the highest exporting country among GEM Level A economies. Many new entrepreneurial opportunities have been generated in 2021 by exporting goods and services, particularly to a recovering US market. Export-based businesses tend to generate high revenues and employ more people than businesses only focused on local markets.

The GEM APS asks those starting or running a new business **if any of their products or services are new to people in the area where they live, or new to people in their country, or new to the world.** If entrepreneurial innovativeness is measured in terms of the proportion of adults in an economy who are either introducing products or services, or using technologies and procedures, that are new to the area, then the stand-out economies of the GEM 2021 participants are **Canada, Chile and Dominican Republic.**<sup>42</sup>

Figure 3.7 shows the proportion of Canadian entrepreneurs starting up a business (SU) and introducing products or services that are at least new to the area, comparing MB, SK, AB and the Canadian average (CA). AB has the highest SU levels of introducing products/services that are new to the area and also new to the people in your country (e.g. Canada). AB has the 2nd highest SU level of introducing products/services new to the world, below the Canadian average.

Figure 3.7: Startup Products or Services (2021)

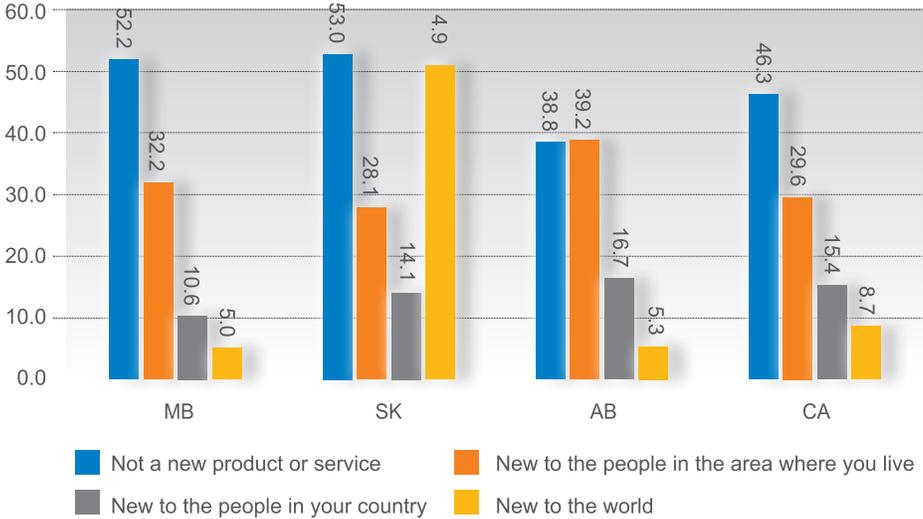
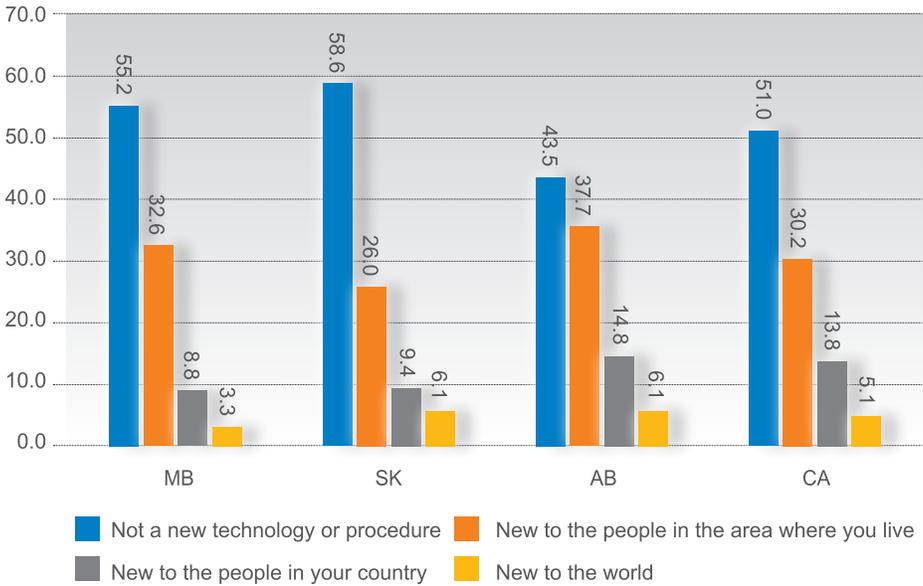


Figure 3.7 shows the proportion of SUs introducing new technologies or procedures. It shows AB with the highest levels across all three categories (e.g. new to people in area, in country and new to the world, with SK tied with AB in the latter category). MB shows the 2nd highest level of new to area.

Figure 3.8: Startup Technologies or Procedures (2021)



## CHAPTER 3

Figure 3.9 shows the proportion of Canadian owner-managers (OMs) who are introducing products or services that are at least new to the area. It shows MB with the highest level of OMs introducing products/services new to the area and 2nd highest level (behind CA) of introducing ‘new to the world,’ with SK showing the highest level of introducing products/services ‘new to people in your country.’

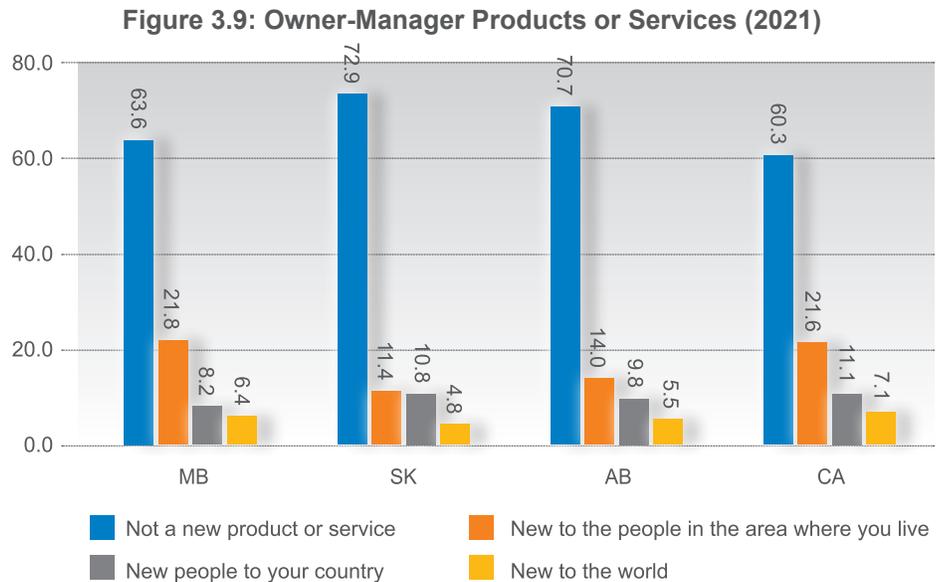
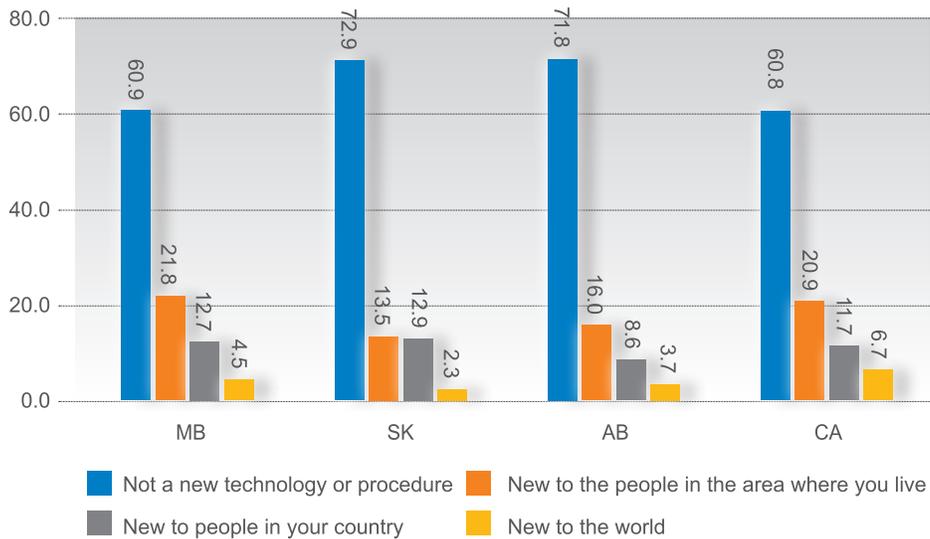


Figure 3.10 shows the proportion of Canadian OMs who are introducing technologies or procedures that are at least new to the area. MB also shows the highest level of OMs introducing technologies or procedures new to the area and 2nd highest level (behind CA) of introducing ‘new to the world,’ with SK showing the highest level of introducing products/services ‘new to people in your country.’

Figure 3.10: Owner-Manager Technologies or Procedures (2021)



In interpreting these findings, products, services, technologies or procedures that are new to the area but not to the country may imply that entrepreneurs are adopting ideas transferred from elsewhere. This may be the case for MB entrepreneurs, with Figure 3.7 showing a high level of ‘not a new product or service,’ high level of ‘new to area’ and proportionally lower levels of ‘new to country’ and ‘new to the world.’

Figure 3.10 suggests that MB OMs are more involved than OMs in SK or AB in developing new technologies and processes, given a low level of ‘not a new technology/procedure and high levels of ‘new to area,’ ‘new to country’ and new to the world.’

Overall, GEM data would suggest that innovation levels seem more apparent with startup entrepreneurs than OMs. Levels of innovation in new businesses may be indicative of their future potential growth trajectory and potential development impact. Incentivizing investment in innovation-driven new startups may therefore yield substantial future return.<sup>43</sup>

<sup>43</sup> GEM 2021/22 Global Report, <https://gemconsortium.org/file/open?fileId=50900>.

## CHAPTER 4

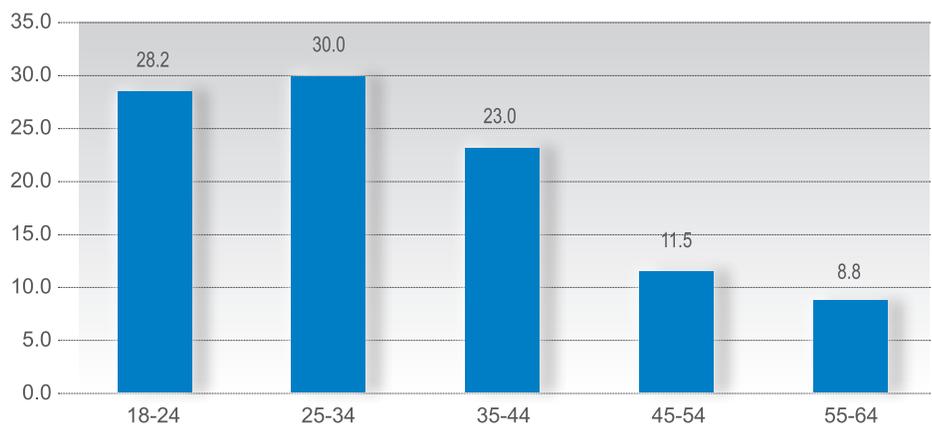
### Demographics of Entrepreneurship

This chapter examines the demographic dimensions of entrepreneurship in Canada for 2021, which considers factors such as age, education and gender.

#### 4.1 Age

Figure 4.1 shows Canadian TEA rates by age category. The highest TEA contribution comes from the 25-34 age group, which is consistent with global GEM data showing that the most prevalent age range for starting a business is 25-44. However, the 18-24 year age group has taken over from the 35-44 age group as the 2nd highest age group contributor to Canadian TEA.

Figure 4.1: TEA Rates for Canadian Entrepreneurs by Age (2021)



There was a significant increase in TEA in the 18-24 age group (by 8.3%), which suggests a shift to a younger cohort of entrepreneurs in 2021 compared to 2020. While the TEA level in the 25-34 age group increased slightly in 2021 (0.8%), the 35-44 age group level decreased slightly (by 0.7%), as did the 45-54 age group (by 4.1%) and 55-64 age group (by 2.8%).<sup>44</sup> Canada has the highest level of TEA in the 18-34 age group amongst the 19 Level A economies.

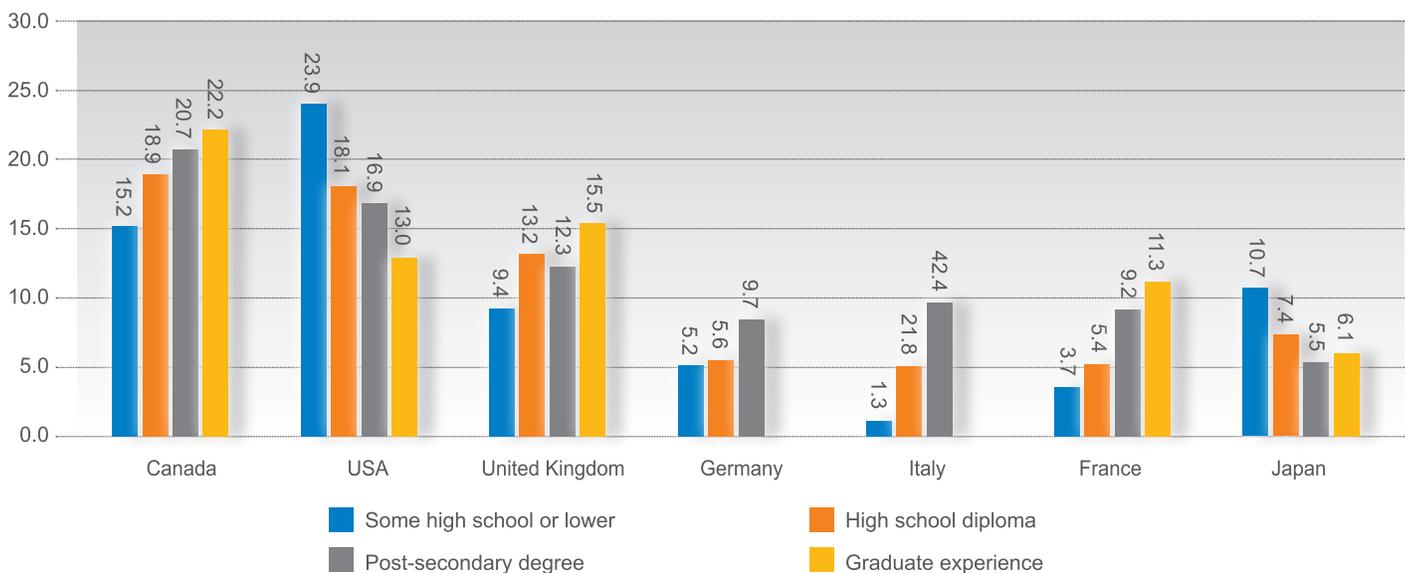
<sup>44</sup> Statistics Canada data shows that in 2020, 14% of SMEs had primary decision makers who were younger than 40 years of age, 24% had primary decision makers between 40 and 49 years, 47% had primary decision makers between 50 and 64 years and of age and 15% had primary decision makers aged 65 years older. [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03166.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03166.html).

In recognizing that the 18-24 age group contributed to the rise in Canada’s TEA level in 2021, one question for further study is how higher TEA levels in this age group might transform into established businesses post-pandemic.

### 4.2 Education

Figure 4.2 compares Canada’s TEA educational levels with other G7 economies. It shows Canada’s entrepreneurs possessing the highest educational rates across three of the four educational levels. The USA is no longer ahead of Canada in post-secondary degree experience, as it was in 2020 and 2019, as Canada’s level increased by 5.8% in 2021, while the USA level was similar to 2020.

Figure 4.2: TEA Educational levels: G7 Comparisons



A notable difference between Canada and the USA in 2021 is Canada’s lower rate of ‘some high school’ (by 3.5%) and the USA’s higher rate in this category (by 12.3%). Canada’s graduate experience in TEA is 9% higher than the USA, twice the level of France and almost four times the level of Japan.<sup>45</sup>

<sup>45</sup> Based on 2020 Government of Canada data, approximately 30% of Canadian SME owners have a high school diploma or less, compared to 55% who have a college/university degree or diploma and 15% who have a Master’s degree or higher. [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03166.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03166.html).

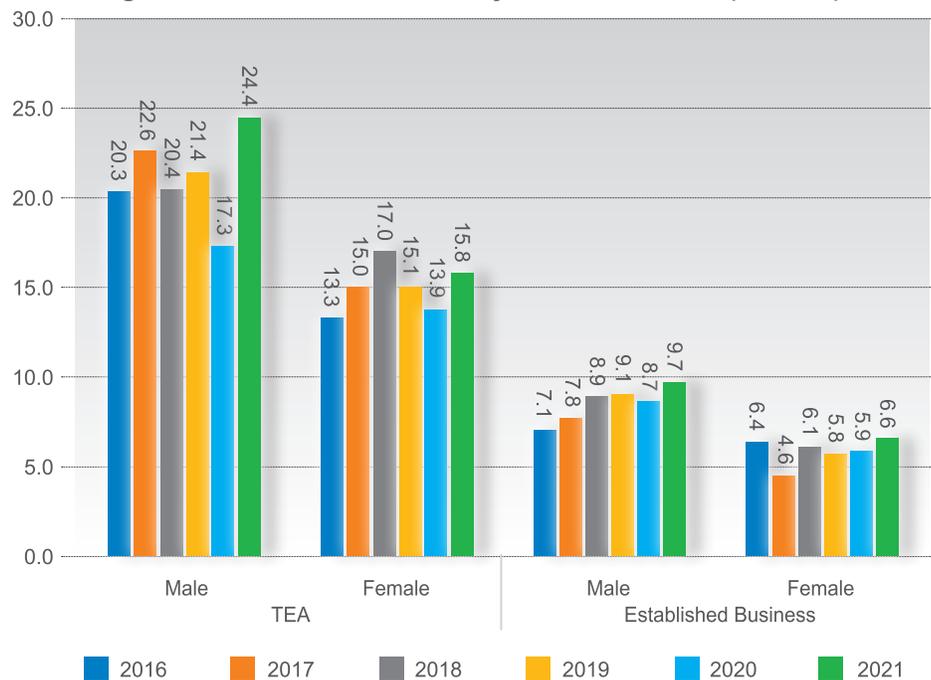
## CHAPTER 4

Canada's drop in the level of 'some high school or lower' in 2021 follows a decrease of 6.8% in this category in 2020. One explanation may be the difficulty in starting a new business during the pandemic without a higher level of education, given that those with lower levels of education and earnings are the least likely to hold jobs that can be done remotely or from home.<sup>46</sup>

### 4.3 Gender

Figure 4.3 shows Canadian TEA and EB rates by gender for the period 2016-21. Similar to previous years, Canadian men in 2021 are more likely than Canadian women to engage in early-stage entrepreneurial activity and in established business.

Figure 4.3: TEA and EB Rates by Gender: Canada (2016-21)



However, male TEA increased significantly in 2021 compared to female TEA (7% vs. 2%).<sup>47</sup> The relative gender gap, or ratio between men and women TEA levels, increased from 0.65 in 2020 to 0.8 in 2021. By comparison, the EB rate increased slightly in 2021 for both men and women (1% and 0.7% respectively), with the EB gender gap similar between 2020 and 2021 (0.68).

<sup>46</sup> <https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2021001-eng.htm>

<sup>47</sup> The 2021 GEM Special Report on Women's Entrepreneurship found that women entrepreneurs were most affected as a result of lockdowns and restrictions, since they were mostly the ones managing both the absence of childcare and school closures. <https://www.gemconsortium.org/report/gem-202021-womens-entrepreneurship-report-thriving-through-crisis>.

Figure 4.4 compares TEA rates by gender for the G7 economies, showing Canada with the highest TEA rate for men. Canada's TEA level for men increased by 7.1% in 2021, while the USA TEA level for men dropped by 0.5%. Canada's female TEA level, the highest in the G7, increased by 1.9% in 2020, while the USA female TEA level increased 1.6%. The UK, Germany and Italy all showed an increase in female TEA rates in 2021.

**Figure 4.4: TEA Rate by Gender: G7 Comparisons**

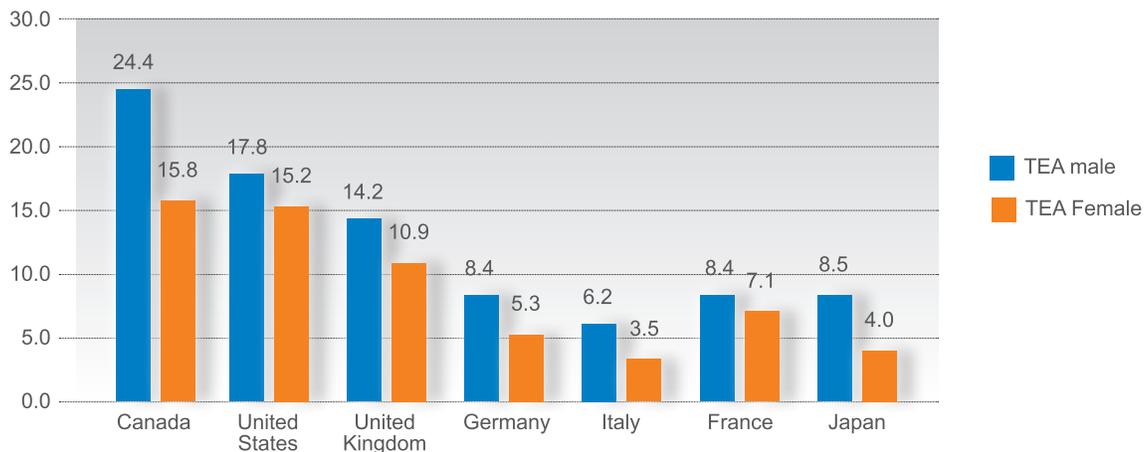
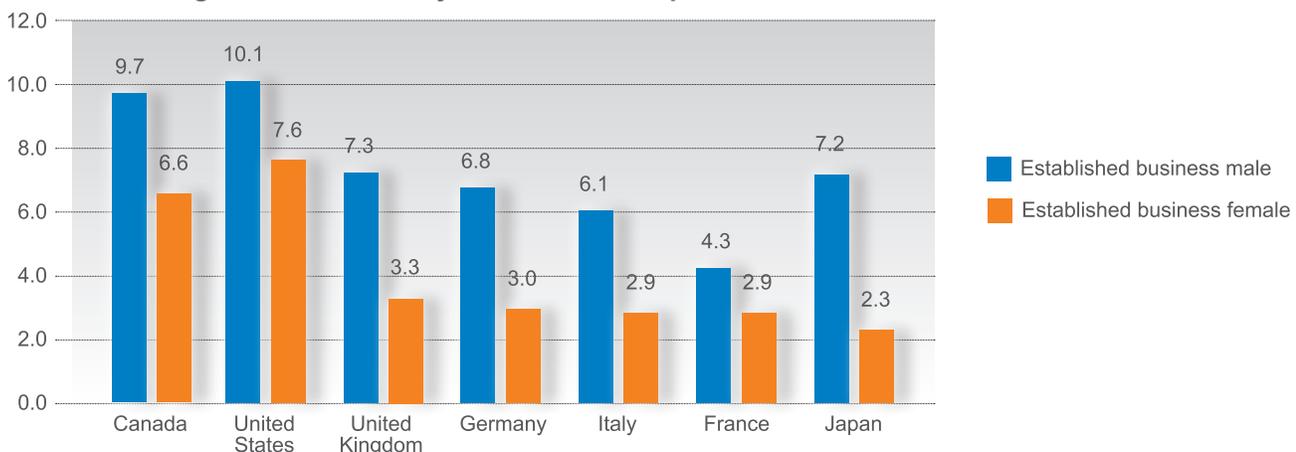


Figure 4.5 compares EB rates by gender for the G7 economies. It shows Canada's male EB rate slightly lower than the USA, even though the EB rate for males increased by 1% while the USA rate decreased by 2.5% in 2021. Canada's female EB rate is highest in the G7 and increased slightly in 2021 (0.7%) as did the USA female EB rate (0.3%). Figure 4.5 shows significant gender gaps in the ratio between men and women EB rates in other G7 countries, particularly Japan.

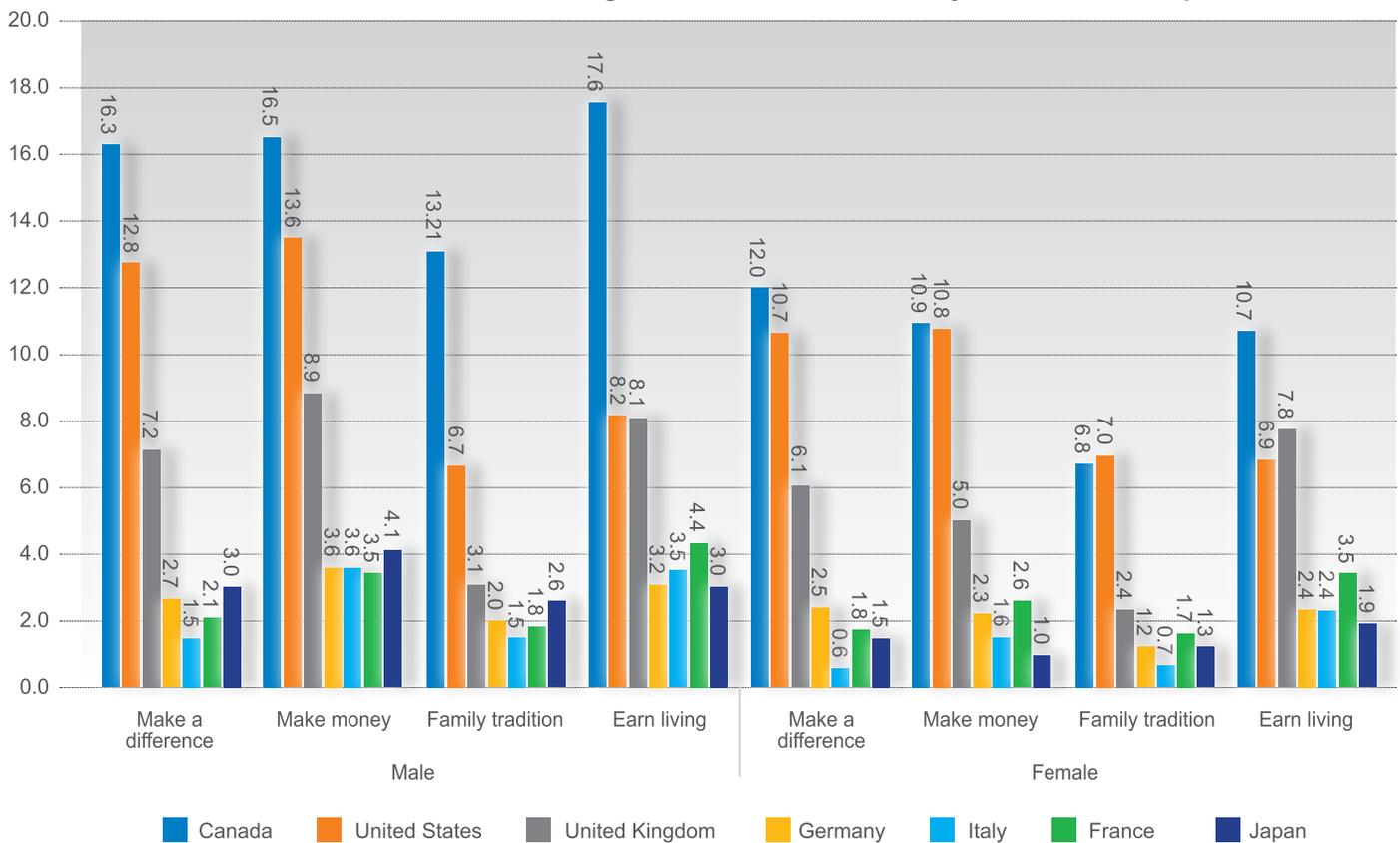
**Figure 4.5: EB Rate by Gender: G7 Comparisons**



## CHAPTER 4 Gender: Motivations

Figure 4.6 shows TEA motivations by gender amongst G7 economies. It shows Canadian men (followed by USA men) with the highest level to ‘make a difference,’ significantly higher than other G7 economies. This motivation level increased by 5.3% for Canadian entrepreneurs in 2020. However, Canada’s highest male TEA motivation in 2021 was to ‘earn a living’ which increased by 5.7% from 2020. The motivation ‘to make money’ and ‘to carry on a family tradition’ also increased for Canadian males in 2021, by 4.6% and 5.7% respectively.

Figure 4.6: TEA Motivations by Gender: G7 Comparisons



The highest motivation level for Canadian females in 2021 is ‘to make a difference,’ which increased by 2.4% from 2020. Canadian females also led the G7 in the motivation ‘to earn a living,’ which increased by 2% from 2020. Canadian female entrepreneurs also scored high in the motivation ‘to make money’ which increased by 1.3% in 2021. Canadian men and women have the highest levels for ‘to continue a family tradition,’ with Canada ranking 5th out of 47 economies in the GEM APS survey in 2021.

Overall, TEA motivation levels for Canadian men and women all increased between 2020 and 2021. While GEM data confirms Canada as a leading country for mission-driven and social entrepreneurship, findings also identify an increase in financial motivations to engage in entrepreneurial activity in 2021, particularly for Canadian males. Global GEM data suggests that younger entrepreneurs (aged 18–34) are more likely to agree with the aspirational motive ‘to make a difference in the world,’ while older entrepreneurs favour ‘earning a living because jobs are scarce.’<sup>48</sup>

<sup>48</sup> GEM 2021/22 Global Report, <https://gemconsortium.org/file/open?fileId=50900>.

## CHAPTER 5

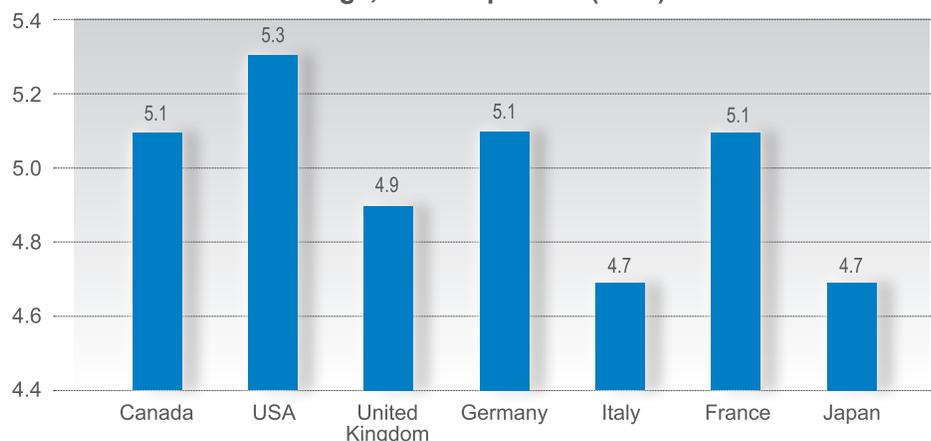
### Framework Conditions for Entrepreneurship

This chapter summarizes findings from GEM's National Expert Survey (NES) and considers how Canada measures up regarding its entrepreneurial framework. Thirty-six experts were asked to express their views about 13 framework conditions that can either foster or constrain entrepreneurial activity. The economies completing the NES were then ranked using the National Entrepreneurship Context Index (NECI).

The practical application of the NECI is to identify areas where there are gaps between the ratings on the framework conditions in relation to the importance placed on them. An examination of top-ranked economies identifies the importance of having healthy conditions across all aspects of the environment affecting entrepreneurship.<sup>49</sup> The NECI is the average of the pooled expert scores across the 13 framework conditions.

Figure 5.1 presents NECI scores for Canada and the other G7 economies. The USA ranks first, followed by Canada, Germany and France, which are tied for second. Canada's NECI score shows a decline from 2019 (5.2) and 2018 (5.5). Canada did not participate in the NES in 2020.

**Figure 5.1: National Entrepreneurial Conditions Framework (NECI) Ratings, G7 Comparison (2021)**



<sup>49</sup> See GEM 2021/22 Global Report, <https://gemconsortium.org/file/open?fileId=50900>. (p. 86).

Table 5.1 compares average scores for each of the 13 framework conditions assessed by national experts for each of the G7 economies. Canada and the USA are not among the top 10 economies in the NECI index, with Canada placing 15th and the USA placing 11th. For comparison, Canada differs the most with the USA in ‘social and cultural norms,’ ‘sufficient financing for entrepreneurship’ and ‘internal market dynamics.’

**Table 5.1: Entrepreneurial Framework Conditions:  
G7 Average Score Comparisons**

Entrepreneurial Framework Conditions (EFC)	USA	France	Italy	UK	Germany	Japan	Canada
Sufficiency of financing for entrepreneurs	6.1	5.6	4.8	5.2	5.3	4.6	5.1
Easiness to get financing for entrepreneurs	5.1	5.2	4.3	4.4	5.1	4.7	4.9
Government concrete policies, priority and support	4.2	6.3	5.0	4.3	4.4	4.7	4.6
Government policies bureaucracy, taxes	5.2	5.3	3.8	5.5	4.7	4.6	5.9
Government programs	4.2	5.9	4.7	4.4	6.3	4.9	4.7
Entrepreneurial level of education at Primary and Secondary	3.3	3.0	3.2	3.3	3.0	2.3	4.0
Entrepreneurial level of education at Vocational, Professional, College and University	5.0	5.7	4.6	5.0	5.1	4.9	4.7
R&D level of transference	4.7	4.7	4.9	4.2	4.9	4.5	4.2
infrastructure access							
Internal market dynamics	5.6	3.4	4.7	4.9	5.3	6.9	4.6
Internal market burdens	4.7	4.7	4.7	5.5	5.0	4.6	5.1
General physical infrastructures and services access	7.2	7.1	6.0	6.5	6.0	6.9	6.6
Cultural, social norms and society support	6.9	4.3	5.1	5.3	4.6	3.8	5.7

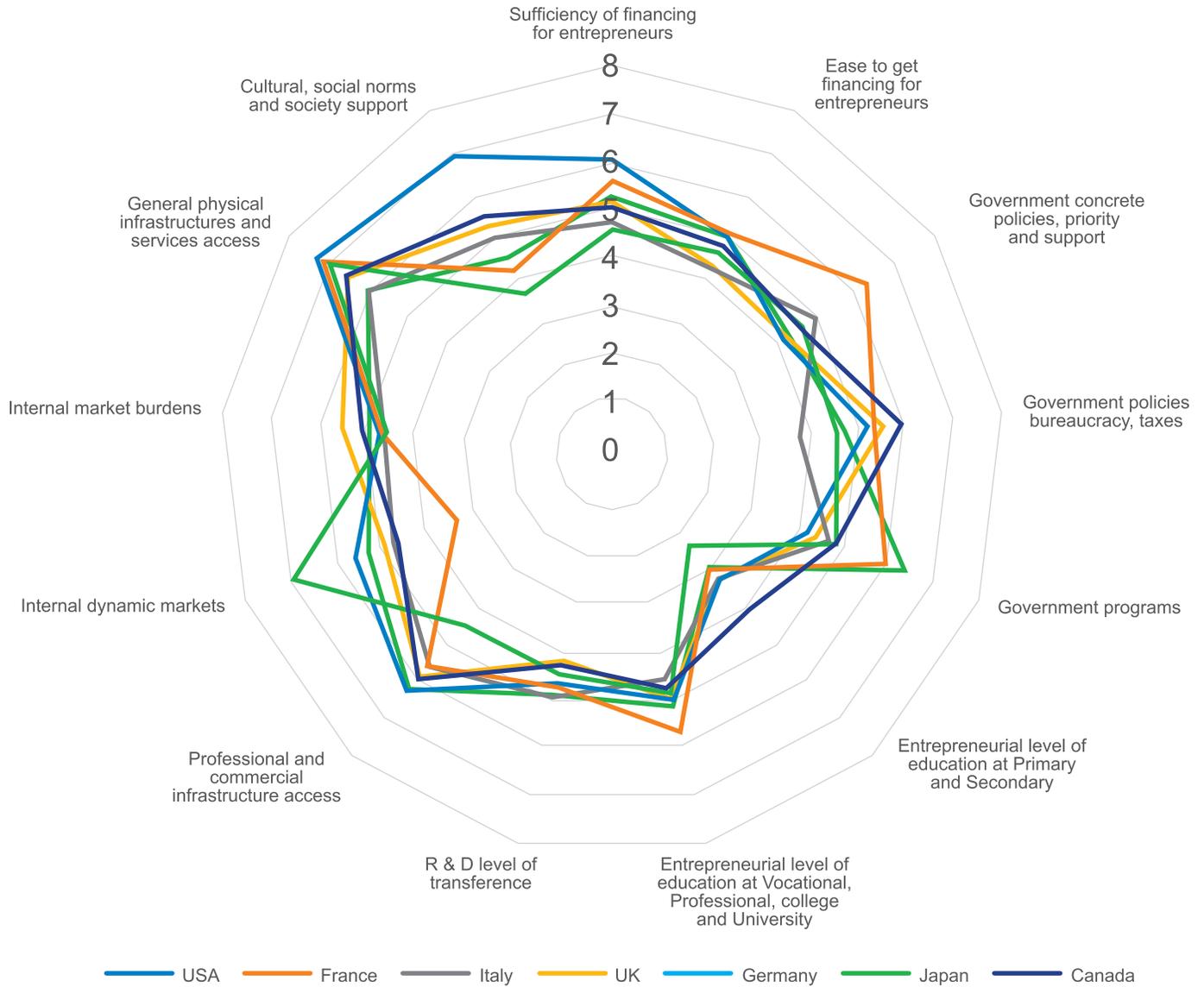
At least four of 13 Entrepreneurial Framework Conditions (EFCs) shown in Table 5.1 are the direct responsibility of the national government, and these are not the EFCs typically rated highest by national experts.<sup>50</sup> Each government has the ability to create and maintain a supportive environment for entrepreneurship: not doing so may damage the current and future prosperity made possible through entrepreneurial activity.

<sup>50</sup> See GEM 2021/22 Global Report, <https://gemconsortium.org/file/open?fileId=50900>. (p. 91).

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Figure 5.2 illustrates Canada's framework condition scores in relation to other G7 economies. Despite the stronger government policy support in 2021 in response to the COVID-19 pandemic, Canadian experts were less enthusiastic in their assessment of Canada's framework conditions.

**Figure 5.2: Entrepreneurial Framework Conditions: G7 Comparisons**



For two of Canada's governance related conditions, 'Government policies: Support and Relevance' and 'Government Entrepreneurial Programs,' experts scored Canada below 5.0, placing Canada near the bottom of GEM Level A economies.

However, on the condition 'Government Policy: Taxes and Bureaucracy,' experts were more generous, giving a 5.9 score, placing Canada 6th amongst the 19 Level A economies. This may reflect the manageable levels of bureaucracy entrepreneurs had to deal with to receive their wage subsidies and other pandemic-related supports to business in 2021.

On the condition 'Research and Development Transfers,' Canada received a 4.2 score, which was lowest among GEM Level A economies. This suggests that the government needs to do more to encourage intellectual property and other sharing of research resources between firms, particularly between established and new firms. Otherwise, new firms will be lacking the necessary technology and procedures to effectively innovate and scale their operations.

The condition 'Physical Infrastructure' received a 6.6 score, which, while considered sufficient to enable entrepreneurship, was still 15th among GEM Level A economies. Improving infrastructure is an expensive and longer-term process; however, doing so would boost in particular the export potential of new businesses. This is a significant growth area for Canadian entrepreneurs, and an opportunity with high return on investment potential, both for entrepreneurs and the economy generally.

In summarizing these findings, many of the gaps in Canada's support framework have been identified as barriers to entrepreneurship and business growth for some time.<sup>51</sup> These gaps may be affecting Canada's ability to grow businesses to scale in addition to effectively transferring knowledge and technology. Canada's high TEA rate and low EB rate suggest that Canada does well in starting new businesses but less well in transitioning into established and sustainable businesses.

<sup>51</sup> Government of Canada (2015) Determinants of Entrepreneurship in Canada: State of Knowledge, Government of Canada. [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_02852.html](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_02852.html)

## CHAPTER 6

### Summary and Recommendations

This chapter summarises findings of the Report under the following headings: perceptions of entrepreneurial skills; entrepreneurial activity; economic participation and growth ambitions and demographics. This is followed by recommendations based on the Report findings.

#### Perceptions of Entrepreneurial Skills

The Canadian population has **positive attitudes towards entrepreneurial skills**, which are associated with intentions to start a business. Canadians appear much more optimistic about starting a business in 2021 compared to 2020.

- Canada's 'perceived opportunities' score has increased 21% from 2020, its highest level since 2016, showing that 7 out of 10 Canadians see good opportunities to start a business in 2021. 'Perceived capabilities' has risen 3%, to its highest level since 2016, but remains lower than the USA.
- Canada has overtaken the USA with the highest level of 'intention to start a business' amongst G7 economies. This result may reflect the significant increase in 'perceived opportunities,' increase in perceived capabilities and lower fear of failure rate.
- While Canada's 'fear of failure' level decreased by 5% from 2020, it remains the highest amongst G7 economies, and 3rd highest amongst 47 economies participating in the GEM 2021 study.

#### Entrepreneurial Activity

Canada maintains its **leading position amongst innovation-led economies for its total early-stage entrepreneurial activity (TEA)**, but is middle-ranked for its **established business activity (EB)**.

- Canada's TEA level increased by 5% in 2021, leading the G7 and Level A economies and placing it 8th among 47 economies. This is the highest TEA level for Canada since it began participating in GEM.

- Canada's EB level increased slightly in 2021, closer to its long-term average; placing it slightly lower than the USA and 16th amongst 47 GEM economies.
- Canada's ratio of TEA to EB activity remains the highest in the G7, which suggests that a fewer proportion of Canadian start-ups transitioning into established business.
- The leading motivation for Canadian adults to start a business in 2021 is 'to earn a living because jobs are scarce,' followed closely by 'to make a difference in the world' and 'to build great wealth or very high income.' The largest increase from 2020 was the motivation 'to continue a family business.'
- Canada has a much higher level than the USA for the motivation '**to earn a living because jobs are scarce**', which may reflect factors such as tighter pandemic restrictions in Canada vs. USA and cessation of pandemic-related support measures and higher levels of business insolvencies which occurred in the second half of 2021.

Canada's **employee entrepreneurial activity (EEA)** level dropped slightly in 2021 but remains the highest amongst G7 economies. EEA declined from 2019 to 2020 and from 2020 to 2021 for Canada, USA and UK. One explanation may be that businesses limited or suspended EEA activities in responding to economic pressures from the pandemic.

Canada has the **highest rate of discontinuance and of exits** in the G7, which may be contributing to Canada's low EB rate.

- Canada's rate of business continuation as a proportion of exits decreased in 2021, with exits increasing and discontinuations remaining at the 2020 level.
- The most common reason for 'discontinuing a business in 2021 was '**an opportunity to sell the business**'. This may be the result of improved market conditions in 2021, compared to 2020 that offer more opportunities to sell a business, particularly for business owners who were waiting until economic conditions improved to sell.

## CHAPTER 6

- The ‘**Coronavirus pandemic**’ was also a less prominent discontinuous factor in 2021, but was a more significant discontinuous factor for the USA compared to Canada, which may reflect Canada’s high level of government support for businesses.

Canada ranks 1st amongst G7 countries in identifying **Business Angels as an important source of funds** for new businesses, and 1st in level of informal investment. Canada also had the highest average level of funds in the G7; a significant increase from 2020.

- One explanation for **higher investment in 2021** is that Angels in 2020 focused more on funding existing investee companies to ensure that they had sufficient financial resources to survive the economic downturn and were less interested in making new investments.

### Entrepreneurship in the Economy

Canada’s **TEA levels by industry sector are similar to 2020**, with slight increases in the transforming and extractive sectors and slight decreases in consumer and business oriented services.

- Canada TEA level in the extractive sector has improved in response to economic recovery in the energy sector in 2021. Canada’s TEA level in the transforming sector has risen continuously in the last 3 years. Increased entrepreneurial activity in these two value-adding sectors is further evidence of economic recovery in 2021.
- An increase in both TEA and EB levels in the transforming sector suggests that a higher proportion of entrepreneurs are developing into established businesses. By comparison, a high TEA level and much lower EB level in consumer oriented services suggests that while many entrepreneurs enter this category, a high proportion are not transforming into established businesses.

Canadian adults have **higher expectations of medium to high growth** in 2021 compared to 2020. TEA and EB growth aspiration rates have increased across all categories. Canada has the highest EB level of medium growth aspirations in the G7, three times that of the USA, and highest TEA level of high growth aspirations.

Canada's TEA and EB rates of **'high export orientation'** both increased in 2021 and led the G7. Canada also had the highest level of export revenue from outside the country.

- Canada had the **lowest TEA level of high export orientation in the extractive sector**, even though Canada's overall TEA level in the extractive sector increased slightly in 2021. One possible explanation is that TEA activity in the sector was focused more on serving the domestic market as the energy sector recovered in 2021.

Canada has the **highest level of national scope (for new products or processes)** compared to other G7 economies and the **highest level of international scope**, ranking it 2nd amongst the 47 GEM economies in 2021.

- The rate of Canadian entrepreneurs who plan to generate more than 5% of their income from outside the country nearly doubled between 2020 and 2021, making it the **highest exporting country among GEM Level A economies**. It appears that many new entrepreneurial opportunities have been generated in 2021 by exporting goods and services, particularly to a recovering US market.

The GEM APS asked those starting (start-up - SU) or running a new business (owner-manager - OM) if any of their **products/services or technologies/procedures** are new to people in the area where they live, new to people in the country, or new to the world. This report compared Manitoba (MB), Saskatchewan (SK), Alberta (AB) and the Canadian average (CA).

- AB has the highest level of SUs introducing products/services that are new to the area and also new to the country. AB has the 2nd highest level of introducing products/services new to the world, below CA. AB also has the highest level of SUs introducing new technologies/procedures for all three categories (e.g. new to people in area, in country and new to the world).
- MB has the highest level of OMs introducing products/services new to the area and 2nd highest level (behind CA) of introducing 'new to the world,' with SK showing the highest level of introducing products/services 'new to the country.' The above ranking order also applies for OMs introducing new technologies/procedures.

## CHAPTER 6 Demographics

Canadians in the **25-34 age group** are the most likely to start a **business**, which is consistent with global GEM data showing that the most prevalent age range for starting a business is 25-44. However, the **18-24 year age group** has taken over from the 35-44 age group in 2021 as the 2nd highest age group contributor to Canadian TEA.

- While Canada's TEA level in the 25-34 age group increased slightly, TEA levels in the 35-44, 45-54 and 55-64 age groups all dropped from 2020, suggesting a shift to a younger TEA cohort in 2021. One explanation may be the rise in the level of 'perceived opportunities' and 'perceived capabilities' (Table 2.1), and Canada's high ranking in pursuing new opportunities due to the pandemic (2nd among 47 economies).<sup>52</sup>, which is favoring younger entrepreneurs.

Canada's entrepreneurs possess the **highest educational rates** across three of the four educational levels. A notable difference between Canada and the USA in 2021 is Canada's lower rate of 'some high school' and the USA's higher rate in this category. One explanation may be the difficulty in starting a new business during the pandemic without a higher level of education, given that those with lower levels of education and earnings are the least likely to hold jobs that can be done remotely or from home.

Similar to previous years, Canadian men in 2021 are more likely than Canadian women to engage in early-stage entrepreneurial activity and in established business. However, **male TEA increased significantly in 2021 compared to female TEA.**

- The **relative gender gap**, or ratio between men and women TEA levels, increased in 2021. By comparison, the EB rate increased slightly in 2021 for both men and women, with the EB gender gap similar between 2020 and 2021.
- Canada has the **highest TEA rate for both men and women** in the G7. Canadian men (followed by USA men) show the highest level to 'make a difference;' significantly higher than other G7 economies. However, Canada's highest male TEA motivation in 2021 was to 'earn a living.'

- The highest motivation level for Canadian women in 2021 is ‘to make a difference,’ reinforcing the importance of purpose-led entrepreneurship for both Canadian women and men. Canadian women led the G7 in the motivation ‘to earn a living,’ and also scored high in the motivation ‘to make money.’
- Canadian men and women have the highest G7 levels for ‘to continue a family tradition,’ with Canada ranking 5th out of 47 economies.

Overall, TEA motivation levels for Canadian men and women all increased between 2020 and 2021, with an increase in financial motivations to engage in entrepreneurial activity, particularly for Canadian males.

### Framework Conditions for Entrepreneurship

Results of the National Expert Survey (NES) raise **concerns over the framework conditions for entrepreneurship in Canada**, with low ratings given to all but a few of the 13 framework components in 2021:

- For two of Canada’s governance related conditions, ‘**Government policies: Support and Relevance**’ and ‘**Government Entrepreneurial Programs**’, experts’ scores placed Canada near the bottom of GEM Level A economies.
- On the condition ‘**Government Policy: Taxes and Bureaucracy**’, Canada placed 6th amongst the 19 Level A economies. This may reflect the manageable levels of bureaucracy entrepreneurs had to deal with to receive their wage subsidies.
- On the condition ‘**Research and Development Transfers**’, Canada placed 19th or last among GEM Level A economies. This suggests that the government needs to do more to encourage intellectual property and other sharing of research resources between firms, particularly between established and new firms. Otherwise, new firms will be lacking the necessary technology and procedures to effectively scale their operations.

## CHAPTER 6

- On the condition ‘**Physical Infrastructure**’ Canada received a low score from experts, placing it 15th among GEM Level A economies. While improving infrastructure is acknowledged as an expensive and longer-term process, it is critical for boosting market access and export potential of new businesses. This is a significant growth area for entrepreneurs, and an opportunity with high return on investment potential, both for entrepreneurs and the economy generally.

In summarizing these findings, many of the gaps in Canada’s entrepreneurial support framework have been identified as barriers to entrepreneurship and business growth for some time. Canada and the USA are not among the top 10 economies in the NECI index, with Canada placing 15th and the USA placing 11th. Canada ‘differs the most with the USA in ‘social and cultural norms,’ ‘sufficient financing for entrepreneurship’ and ‘internal market dynamics.’

### Recommendations

The Report finds generally favorable results on the state of Canadian entrepreneurship in 2021. Evidence from government data and data presented in this Report suggests that Canada’s economy is making a strong recovery from the effects of the coronavirus pandemic. A number of recommendations are drawn from the Report findings for further consideration.

#### 1. Address Canada’s Weakest Entrepreneurial Framework Conditions

Government should consider addressing particular framework conditions that may limit the full potential of economic contributions from Canada’s entrepreneurial activity.

##### a) **Improve Research and development transfer processes:**

Canada received the lowest rating by its experts amongst the Level A economies. This suggests that the government could do more to encourage co-development, sharing and transfer of intellectual property and R&D outcomes between research centres and amongst firms, particularly between established and new firms.

Otherwise, firms will be lacking the technologies and procedures that can help them innovate and scale their operations.

- b) **Re-assess and refocus government entrepreneurial programs and education post-school:** Recurrent low ratings suggest the need to assess the quality and impact of entrepreneurial education in Canada's post-secondary institutions (e.g. low rating despite multiple programs). Entrepreneurship training should address Canada's high 'fear of failure' rate, which prevents Canadians from starting a new business despite high self-perception levels related to entrepreneurial opportunities and capabilities. The government is prominent in establishing the nature of the business environment which influences how individuals perceive risks and opportunities to start a business.
- c) **Strengthen Framework Conditions to Support Export-oriented Entrepreneurship:** Many new entrepreneurial opportunities have been generated in 2021 by exporting goods and services, particularly to a recovering US market. Export-based businesses tend to generate high revenues and employ more people than businesses only focused on local markets. Infrastructure improvements in physical infrastructure might include programs to showcase Canadian growth companies as potential suppliers to large firms and government procurement, making national logistics faster and more efficient and supporting entrepreneurs in rural and outlying communities become more interconnected with large population hubs.

## 2. Support Infrastructure for 'post-pandemic' Entrepreneurship

Canadians are working differently as a result of the pandemic. The rise in online business and working from home may be one of the most important and transformative shifts arising from the pandemic. Government could take a lead role in supporting the changing infrastructure necessary for entrepreneurs to take advantage of these shifts. The digital nature of new opportunities and development of remote and hybrid teams may also be an opportunity to encourage and support younger entrepreneurs who are embracing these shifts and seeking new career and opportunity pathways.

## **CHAPTER 6**

### **3. Support High Growth and Employment-intensive Entrepreneurship**

While Canada shows high levels of early-stage entrepreneurial activity, this may not equate with high job creation ambitions and hence may not easily translate into employment-intensive established businesses often expected from government support programs. Policies seeking to support employment-intensive entrepreneurship will require relevant training and other forms of business development support that encourage such growth, including how to build teams, manage a growing workforce, etc.

### **4. Provide policy attention to family business ownership, succession and ‘transgenerational’ entrepreneurship**

Canadian men and women have the highest levels for the motive ‘to continue a family tradition,’ yet business discontinuance levels are high for Canada, suggesting the need for more attention to business succession planning. Government could consider playing a more prominent role in encouraging and supporting family business ownership and transgenerational entrepreneurship. This could include more peer mentoring on succession planning and identifying and recruiting entrepreneurial talent (within and beyond the family). Mentoring from experienced entrepreneurs, along with well-designed support programs, could greatly benefit new entrepreneurs with growth ambitions and attract others who see entrepreneurial opportunity in transitioning an existing businesses.

### **5. Address under-representation in entrepreneurial activity**

Measures to support under-represented groups could make a significant contribution in increasing the level and variety of Canada’s entrepreneurial activity and further boost the process of economic recovery from the pandemic.

## CHAPTER 6

The Report finds that still more needs to be done in Canada to bridge the gender gap for early-stage entrepreneurial activity. Special attention could be paid to under-represented groups in the transforming and extractive sectors, which are closely associated with innovation and growth-oriented businesses.

Special attention could also be paid to supporting purpose-driven entrepreneurship. The motive “to make a difference in the world” were high for both Canadian men and women and particularly for younger entrepreneurs. This motive is particularly important as innovative solutions are required to tackle the multiple national and global challenges, such as the pandemic, climate change, loss of biodiversity and pollution, with Canada well positioned to make major contributions.

GEM data show that younger Canadians (aged 18–34), as well as graduates, are more likely than non-graduates to start their own businesses. This underscores the need for inculcating skills and abilities in academic syllabi around the identification and generation of value-adding and purpose-drive opportunities through creativity and innovation.

In recognizing contribution of the 18-24 age group to the rise in Canada’s TEA level in 2021, one question for policy makers and for further study is how higher TEA levels in this age group might transform into established businesses post-pandemic.

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