
Change in number of businesses by sector in rural Ontario Vol. 7, No. 13, 2020

Highlights

- From 2014 to 2019 in non-metro census divisions, the sector with the largest increase in the number of businesses was the speciality trades contractor sector (i.e., enterprises providing electrical, plumbing, heating, roofing, drywall, etc., services).
- The sector with the second-largest growth in the number of businesses was the telecommunications sector with enterprises providing telephone, wireless, satellite, internet, etc., services.
- The third-largest growth in the number of businesses was the sector providing professional, scientific and technical services such as legal, architectural, engineering and other consulting services.

Why look at the change in number of business enterprises by industry sector?

About 75% of Ontario workers are employed in sectors that are not government, education or health care. A change in the number of private-sector enterprises indicates entrepreneurial activity (or the lack thereof) which is a key input to local economic development strategies. Knowing the change in the number of enterprises in each sector, in addition to the change in the number employed in each sector¹, will provide a baseline for local development initiatives. For example, business succession planning needs to know the actual (and the expected) change in small, locally owned enterprises. For supply-chain analysis, one needs to know the change in the number of businesses in particular stages in these chains to find new diversification and market development opportunities. Business Retention and Expansion programs want to minimize exits (i.e., a negative change) and to foster new and expanding enterprises (i.e., a positive change). Moreover, since most employment growth is generated by small businesses adding incremental employees rather than from growth in the largest businesses, it is important to have data not just on the number of employees in a sector¹ but also the numbers and size of the enterprises².

Perhaps obviously, the number of businesses in a sector depends on how businesses are grouped into sectors. This Fact Sheet looks at the sectors with the

largest increase in the number of businesses in rural Ontario. Our focus is the change³ in the count of businesses (with employees) within each sector defined at the 3-digit level of the NAICS classification⁴.

Findings

From 2014 to 2019 in non-metro⁵ census divisions (CDs), the sector with the largest increase in the number of business enterprises (with employees) was speciality trade contractors⁶ (NAICS 238) (Table 1). This sector ranked as one of the top three sectors in terms of the increase in the number of businesses in 15 of the 24 non-metro CDs.

The sector with the second-largest increase in the number of businesses was telecommunications⁷ (NAICS 517).

³ Statistics Canada warns users that changes over time are due to two factors: 1) an actual change in the number of businesses with a given specialty and / or 2) a change / improvement in the classification of a business to a given code. For example, over time, many gas stations have become convenience stores that also sell gasoline. At some point, the NAICS code assigned for these businesses will change from "gas stations" to "convenience stores." Hence, caution is required in placing undue emphasis on a change in the count of businesses with a given NAICS classification

⁴ See Statistics Canada. (2017) **North American Industry Classification System: 2017** (Ottawa: Statistics Canada, Catalogue no. 12-501) (<http://www5.statcan.gc.ca/olc-cel/olc.action?objId=12-501-X&objType=2&lang=en&limit=0>).

⁵ Defined in "Rural Ontario's Demography: Census Update 2016." **Focus on Rural Ontario** (Guelph: Rural Ontario Institute, March) (<http://www.ruralontarioinstitute.ca/focus-on-rural-ontario.aspx>).

⁶ NAICS 238 includes enterprises providing masonry, roofing, siding, electrical, plumbing, heating, painting, etc. for new buildings and for repairing older buildings.

⁷ NAICS 517 includes enterprises providing telephone, cable, satellite, wireless and Internet services, etc.

¹ For employment levels and trends by industry sector, see earlier issues of **Focus on Rural Ontario** (Vol. 1, No. 15; Vol. 3, No. 8-15; Vol. 6, No. 10-22; Vol. 7, No. 1-7).

² Details for each census division are shown in the accompanying document "**Number of businesses by industry sector and by size of business (in terms of number of employees) for each census division, Ontario.**"

The sector with the third-largest increase in the number of businesses was the sector providing professional, scientific and technical services⁸ (NAICS 541). This sector ranked as one of the top three sectors in 9 of the 24 non-metro CDs. Note that we are ranking sectors by the change⁹ in the count of enterprises with employees.

Two of the top sectors in terms of growth of businesses would be focussed on the local market but the sector providing professional, scientific and technical services provides services that are “exportable” (i.e. could be provided to customers outside the non-metro CD).

Summary

In 2019 in non-metro census divisions, the sector with the largest absolute increase¹⁰ in the number of businesses involved contractors providing speciality services for building construction and maintenance.

An understanding of these patterns, and the patterns for each census division, are a complement to other forms of community and regional economic analysis. A supplementary set of tables provides detailed data for each census division².

⁸ NAICS 541 includes enterprises providing legal, accounting, architectural, engineering, design, management consulting and public relations services, etc.

⁹ Statistics Canada warns users that changes over time are due to two factors: 1) an actual change in the number of businesses with a given specialty; and / or 2) a change / improvement in the classification of a business to a given code. For example, over time, many gas stations have become convenience stores that also sell gasoline. At some point, the NAICS code assigned for these businesses will change from “gas stations” to “convenience stores.” Hence, caution is required in placing undue emphasis on a change in the count of businesses with a given NAICS code.

¹⁰ A ranking by the change in absolute numbers is more likely to show sectors with a large(r) number of enterprises which could then generate a large(r) absolute change in the number of enterprises. An accompanying fact sheet ranks sectors by the percent change which would be more likely to identify sectors with small(er) absolute numbers and where a given absolute change would show a large(r) percent change.

Table 1. Industry sectors¹ (3-digit level) ranked by the absolute increase² in the number of business enterprises (with employees) from 2014 to 2019, Ontario

Name of census division	Name of industry sector ¹ with:		
	Highest absolute increase ² in the number of businesses enterprises (with employees) from 2014 to 2019	Second highest absolute increase ² in the number of businesses enterprises (with employees) from 2014 to 2019	Third highest absolute increase ² in the number of businesses enterprises (with employees) from 2014 to 2019
Ontario: All census divisions	Professional, scientific & technical services (NAICS 541)	Truck transportation (NAICS 484)	Ambulatory health services (NAICS 621)
Metro CDs (subtotal)	Professional, scientific & technical services (NAICS 541)	Truck transportation (NAICS 484)	Ambulatory health services (NAICS 621)
Partially-non-metro CDs (subtotal)	Specialty trade contractors (NAICS 238)	Professional, scientific & technical services (NAICS 541)	Truck transportation (NAICS 484)
Non-metro CDs (subtotal)	Specialty trade contractors (NAICS 238)	Telecommunications (NAICS 517)	Professional, scientific & technical services (NAICS 541)
CD D	Each non-metro census division ³ :		
3501 Stormont, Dundas & Glengarry	Professional, scientific & technical services (NAICS 541)	Specialty trade contractors (NAICS 238)	Ambulatory health services (NAICS 621)
3509 Lanark	Professional, scientific & technical services (NAICS 541)	Specialty trade contractors (NAICS 238)	Administrative & support services (NAICS 561)
3513 Prince Edward	Specialty trade contractors (NAICS 238)	Beverage & tobacco product manufacturing (NAICS 312)	Real estate (NAICS 531)
3514 Northumberland	Professional, scientific & technical services (NAICS 541)	Administrative & support services (NAICS 561)	Specialty trade contractors (NAICS 238)
3516 Kawartha Lakes	Specialty trade contractors (NAICS 238)	Professional, scientific & technical services (NAICS 541)	Construction of buildings (236)
3528 Haldimand-Norfolk	Specialty trade contractors (NAICS 238)	Professional, scientific & technical services (NAICS 541)	Telecommunications (NAICS 517)
3531 Perth	Miscellaneous store retailers (NAICS 453)	Telecommunications (NAICS 517)	Health & personal care stores (NAICS 446)
3532 Oxford	Truck transportation (NAICS 484)	Rail transportation (NAICS 482)	Specialty trade contractors (NAICS 238)
3536 Chatham-Kent	Specialty trade contractors (NAICS 238)	Support activities for agriculture & forestry (NAICS 115)	Telecommunications (NAICS 517)
3538 Lambton	Telecommunications (NAICS 517)	Securities, commodity contracts, & other financial investments & related activities (NAICS 523)	Farm product merchant wholesalers (NAICS 411)
3540 Huron	Specialty trade contractors (NAICS 238)	Food services & drinking places (NAICS 722)	Farms (NAICS 111-112)
3541 Bruce	Professional, scientific & technical services (NAICS 541)	Educational services (NAICS 611)	Telecommunications (NAICS 517)
3542 Grey	Specialty trade contractors (NAICS 238)	Professional, scientific & technical services (NAICS 541)	Administrative & support services (NAICS 561)
3544 Muskoka	Specialty trade contractors (NAICS 238)	Administrative & support services (NAICS 561)	Personal and laundry services (NAICS 812)
3546 Haliburton	Administrative & support services (NAICS 561)	Construction of buildings (NAICS 236)	Personal and laundry services (NAICS 812)
3547 Renfrew	Ambulatory health services (NAICS 621)	Telecommunications (NAICS 517)	Professional, scientific & technical services (NAICS 541)
3548 Nipissing	Telecommunications (NAICS 517)	Construction of buildings (NAICS 236)	Nursing & residential care facilities (NAICS 623)
3549 Parry Sound	Specialty trade contractors (NAICS 238)	Construction of buildings (NAICS 236)	Administrative & support services (NAICS 561)
3551 Manitoulin	Insurance carriers & related activities (NAICS 524)	Miscellaneous store retailers (NAICS 453)	Administrative & support services (NAICS 561)
3554 Timiskaming	Telecommunications (NAICS 517)	Specialty trade contractors (NAICS 238)	Repair & maintenance (NAICS 811)
3556 Cochrane	Telecommunications (NAICS 517)	Personal & laundry services (NAICS 612)	Construction of buildings (NAICS 236)
3557 Algoma	Telecommunications (NAICS 517)	Health & personal care stores (NAICS 446)	Publishing industries (NAICS 511)
3559 Rainy River	Construction of buildings (236)	Professional, scientific & technical services (NAICS 541)	Specialty trade contractors (NAICS 238)
3560 Kenora	Telecommunications (NAICS 517)	Specialty trade contractors (NAICS 238)	Heavy & civil engineering construction (NAICS 237)

1. For a description of the types of businesses in each NAICS industry group, see Statistics Canada. (2017) **North American Industry Classification System: 2017** (Ottawa: Statistics Canada, Catalogue no. 12-501) (<http://www5.statcan.gc.ca/olc-cel/olc.action?objid=12-501-X&objType=2&lang=en&limit=0>).

2. Part of the change over time may be due to changes / improvements in the classification of enterprises by Statistics Canada.

3.. Detailed data for each census division is in the accompanying document **Number of businesses by industry sector and by size of business (in terms of number of employees) for each census division, Ontario**.

Source: Statistics Canada, Canadian Business Patterns.

The Rural Ontario Institute gratefully acknowledges the work of Ray Bollman in preparing this edition of *Focus on Rural Ontario*. Questions on data sources can be directed to RayD.Bollman@sasktel.net. Any comments or discussions can be directed to NRagettie@RuralOntarioInstitute.ca