An Ontario Immigrant Network Whitepaper

Immigrants and Business Succession

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Prepared by: David Stubbs
Research Analyst, Ontario Immigrant Network

david@oinweb.ca
www.oinweb.ca

Introduction

Many rural economies in Southwestern Ontario are ageing and facing a general socioeconomic decline. These regions have low levels of population growth (most far below the required 2% replacement figure) and high levels of unemployment. Many of these regions were highly dependent on manufacturing jobs - with as much as 20% of the population employed in the manufacturing industry. Today, manufacturing still plays an important, though less dominant role in employment, with sales and service sector employment and agriculture as smaller contributors to the labour pool of these regions.

Agriculture, once the dominant industry in rural areas, is declining as well. The family farm is a dying industry in Canada, as consolidation is increasing and a general contraction is facing the industry. Few children take over the family farm and the tacit knowledge developed over lifetimes is not being passed on to subsequent generations. As an industry, farming has undergone a dramatic technological revolution and automation in the last 25 years, creating an industry that requires increasingly higher education and technical skills. Finally, agriculture is also becoming more and more regulated, with higher barriers to entry for the industry.

The news is not all bad. More young people than ever in rural communities are finishing high school, and there are high numbers of college graduates, and students in vocational and trade schools. These skills are in demand and a general shortage of these skills is projected in the near future. However, if we look at the average age of inhabitants, it is significantly older in our target areas than the Ontario average (particularly in Chatham-Kent and Lambton), which suggests, that young people are not staying in the rural communities they once called home.

One way to diversify a work force, grow populations and bring fresh entrepreneurial spirit is to attract and retain immigrants. Considering that our governments have already invested significant amounts in drawing immigrants here (in 2010, settlement expenditures in Ontario alone exceeded $300 million) it is only logical to draw them to where they are needed most. Immigrants can bring fresh entrepreneurial spirit and breathe new life into their communities. Many opportunities exist for taking over existing businesses or creating new ones, with one such example occurring in the town of Zurich. With Swiss roots and a reputation as a point of interest for tourists, the local economy in Zurich was facing decline. Like many rural communities, its young were moving away, leaving little opportunity for future growth.

Despite this, a Korean family took over the local bakery. This business was a town staple, and one might be inclined to think that an immigrant might find it daunting to take it over. To date they appear to be quite successful, and this opportunity would likely not have been as accessible in a large center. Although Zurich was a traditional rural town with little ethnic diversity, and facing demographic and economic decline, an immigrant family found a business opportunity.

It seems obvious that an incentive is needed to get people, immigrant or not, to move to rural areas. The promise of fulfilling employment or business ownership would be such an incentive. One of recommendations to come out of *Adjusting the Balance: Fixing Canada's Economic Immigration Policies* (Alboim and Maytree, 2009) is the creation of a searchable database of permanent resident applicants that will allow employers to view profiles of future economic immigrants with their permission. A tool like this could be modified as a resource to connect immigrants to business succession opportunities.

Challenges and Opportunities

Many immigrants have historically entered Canada with intentions of one day opening their own business. Immigrant entrepreneurs have contributed immensely to local economies by opening small businesses in sectors that reflect their diverse skill sets. Now more than ever, Southwestern Ontario is experiencing commercial and cultural transformations that are encouraging a further analysis of how immigrant entrepreneurship is fitting into Southwestern Ontario's long-term employment dynamics. As of 2010, almost 81,100 residents who call rural Southwestern Ontario home were born outside of Canada, representing approximately 13% of all Southwestern Ontario citizens.

The majority of immigrants arriving in Ontario settle in Toronto. As Canada's largest city, Toronto is often the gateway city for immigrants to Ontario. From 2001-2006, 67% of Ontario's immigrants settled in the Greater Toronto Area. But not all immigrants become permanent residents of their city of arrival. The preference to settle in large urban centres like Toronto is likely due to the presence of a family member or cultural enclave, and can also be the result of an immigrant's negative perception about rural communities. For many immigrants, "small" or "rural" carries negative connotations such as fewer job opportunities, fewer services, fewer amenities and greater social isolation. Addressing these concerns is a part of the process of attracting more skilled, talented immigrants to small communities. While Aylmer, Ontario has a population of 7,500, it is about a 45 minute drive to London, (a centre of about 400,000) and approximately 3 hours to Toronto or the United States. If rural communities in Southwestern Ontario are viewed as being well connected to larger centres, the issues of isolation, lack of services and diversity become manageable.

One must also consider that not all immigrants lived in urban centres. If an immigrant were from a rural community in their home country, they would likely integrate better into a rural community rather than in an urban centre. By knowing more about immigrants arriving in Canada, we can best match them geographically and according to where they could add the most value.

Many people choose to live in rural communities because they *are* smaller centres and possess attributes that are appealing for higher quality of life. The challenge for rural economic developers is often how to reach the human capital needed to maintain prosperity.

In the knowledge economy, a community's most valuable resource is its people: specifically their skills, knowledge, experience and ability to innovate. This is what drives economic growth, sustains jobs, creates successful businesses and supports the services that contribute to quality of life. Economists call this resource human capital, and it is the fuel that allows companies to become globally competitive.

Many rural communities across Ontario are facing a number of challenges related to their changing human capital needs. Fertility rates are below replacement levels, the population is ageing and youth are leaving to urban centres to find opportunities. These shortages in human capital could hamper the economic growth or even the viability of some communities. There may not be the human capital needed to retain and grow existing businesses, especially small-and medium-sized enterprises (SMEs).

Attracting motivated immigrant entrepreneurs can help communities meet changing human capital requirements and create win/win scenarios for immigrants, local business owners, their employees and communities as a whole. As a result, the attraction and retention of skilled immigrants has increasingly become a recognized and essential component in economic development planning. Some communities are working actively to attract and retain immigrants as a key component of their economic development strategy - for example, Sarnia-Lambton's Local Immigrant Portal, http://www.liveinlambton.ca/newcomers/.

This requires a very different approach than the one taken by larger centres, and could be a challenge for any rural community looking to attract immigrants. A greater emphasis needs to be placed on developing a vision of what the community wants to become and defining the resources it needs to get there. Many smaller centres lack the resources to attract new residents directly from other parts of the world. It is often much more efficient to target new arrivals from a gateway city. While it may be beyond the reach of a community of 10,000 or less to bring immigrants directly from abroad, it would be significantly less challenging (and costly) to bring them from Toronto. This approach can be mutually beneficial, given that a recent article (Globe and Mail, November 29, 2010) showed Toronto as Canada's most miserable city, due largely in part to the immigrant experience. Opportunities exist to create partnerships with organizations in gateway cities to promote smaller centres and communities as a way of achieving higher standards of living for our disenchanted immigrants. We can then move to connect these immigrants to business succession opportunities. This allows immigrants to find meaningful activities that best employ their human capital, and helps to prevent mass business closure.

Business Location Analysis

Business locations were plotted across Southwestern Ontario Counties. The map below shows the locations of these business, we well as their estimated yearly sales.

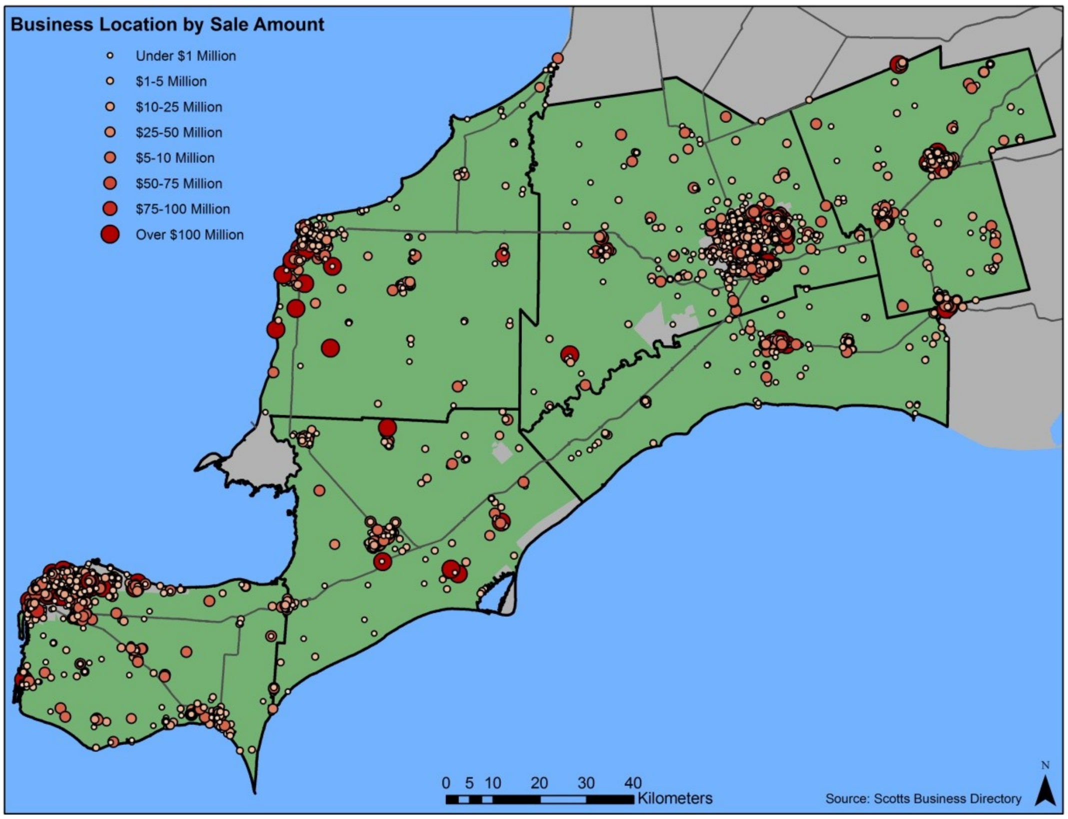

Figure 1 – Business Locations across Southwestern Ontario by Estimated Yearly Sales

In the next map, sale amounts were aggregated to Rural Areas and the most prevalent sales amount displayed. For example, if a Rural Area has 10 business and 6 of them make between 1 and 5 Million, that area would show 'Between 1 and 5 Million'. This allows us to see areas the distribution of businesses with high incomes and low incomes as compared with the rest of the region.

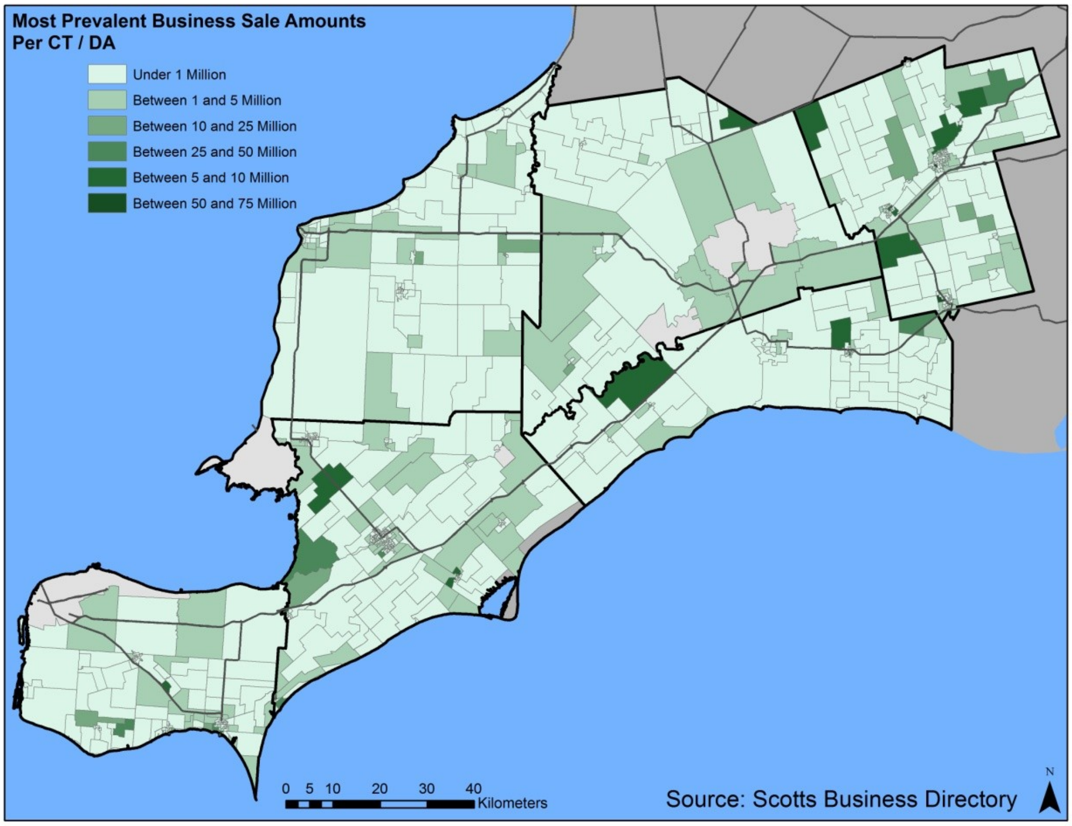

Figure 2– Most Prevalent Business Sales Amounts in Rural Southwestern Ontario

Finally, the average number of employees per business are mapped across Southwestern Ontario. This shows areas the distribution of businesses by number of employees.

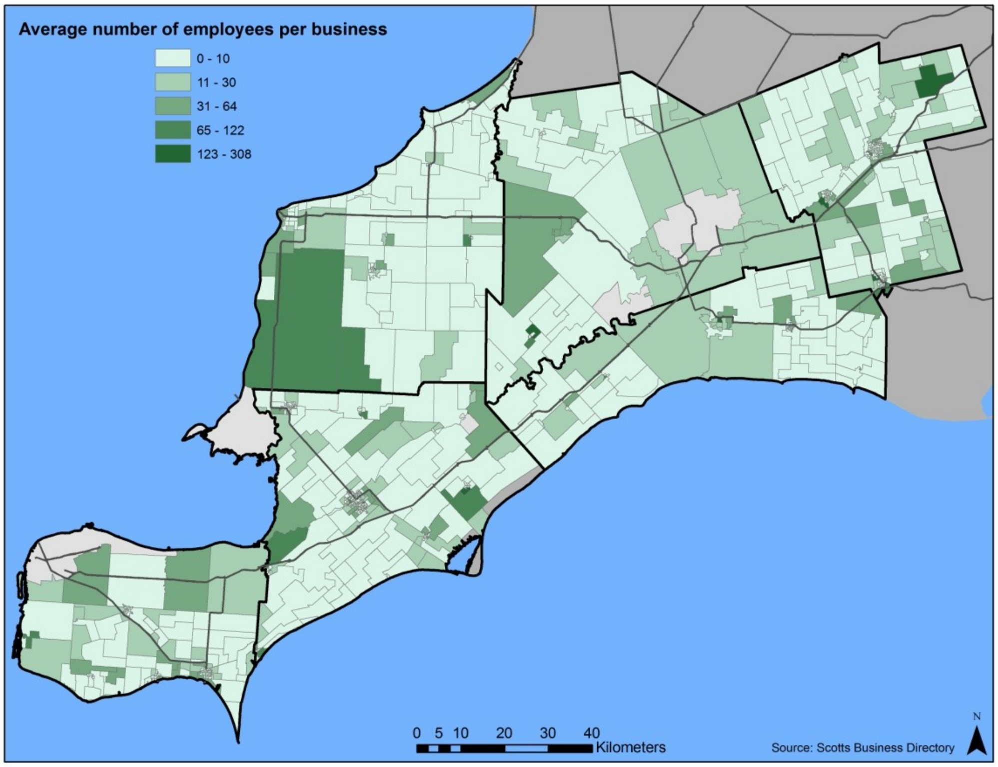

Figure 3– Average Number of Employees per Business in Rural Southwestern Ontario

This short analysis shows that over the region, the number of business, their yearly sales, and their average number of employees are not consistent. Each county has areas of high business concentration (usually in or around larger centers) as well as areas where there are a large number of businesses with a high amount of sales, and areas with businesses that have a high number of employees.

Immigrants and Business Succession

The attraction of human capital is emerging as a primary focus in many Canadian economic development strategy plans. This direction is a result of significant shifts in our national demographic profile, and the need to seek innovative directions to meet the needs of our communities.

Several options exist to grow the human capital in our rural communities. Campaigns aimed at drawing youth back to their rural hometowns can be created. Employers can be targeted with strong economic incentives to locate within smaller centres. Institutions can relocate offices and facilities to rural communities (such as the shift of some government offices to Thunder Bay) in order to draw in human capital through their employees.

While these strategies could draw people back to rural communities, we must consider that Canadians can often find opportunity quite easily in urban centres. The same does not always hold true for immigrants. Immigrants, and particularly recent immigrants, must struggle with language issues, credential recognition and cultural issues in order to catch up to their Canadian born counterparts. While urban centres can offer immigrants services, and ethnic enclaves where they may feel comfortable, this does little to better their economic situations or help the integration process. All too often, educated immigrants end up in low skill or survival jobs, perpetuating a problem of underemployment and wasting their valuable human capital.

A strategy to enhance human capital through an immigration recruitment initiative is gaining traction and is well supported by key think tanks, such as the Institute for Intellectual Capital Research. However, an approach that simply seeks mass attraction of educated individuals in itself will not lead to long term growth and success; quite the opposite, it can lead to dissatisfaction and unmet expectations should immigrants not be connected to compatible opportunities. Given the limited employment opportunities found in many rural areas, we propose that this wealth of human capital be directed to solving a long running and potentially catastrophic issue: business succession.

Attracting immigrant entrepreneurs to rural communities increases human capital and can stimulate economic growth. Along with their skills and talents, immigrants can bring investment capital of their own and connections to new markets. In today's economy, it has become increasingly important (and accessible) to sell products and services to globally. While these global opportunities are now within reach of many SMEs, one must have the skills, resources and cultural knowledge to tap these valuable markets. If an entrepreneur wishes to enter the Chinese market, this could be substantially difficult without a Chinese partner. This same channel could be facilitated if the owner themselves spoke Chinese and was familiar with Chinese culture and business. Clearly, a Chinese immigrant possesses an advantage here over the typical Canadian.

Attracting and retaining immigrant entrepreneurs can bring long-term sustainability and growth through a dynamic business landscape.

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