



Statistics
Canada

Statistique
Canada

Canada



Statistics Canada
www.statcan.gc.ca



Business Demographics from Statistics Canada

The Role of the Business Register

UNECE Group of Experts on Business Registers
September 21, 2015



Outline

- A. Statistics Canada's business demographic products
 - Strengths
 - Challenges

- B. The BR as the central frame for business demography

- C. Future directions



Context: The need for demography

1. How many new businesses are being created and what is the associated job creation?
2. Which industries are the ones where firm formation is the strongest? What types of businesses are growing the fastest?
3. To what extent are Small-, Medium-sized Enterprises (SMEs) driving employment growth?
4. What types of businesses exist in my region?
5. In what sectors and regions are businesses closing?



A. Key data products

1. Canadian Business Counts (CBC)
2. Longitudinal Employment Analysis Program (LEAP)
3. Entrepreneurship indicators (EI)
4. Quarterly Employment Dynamics (Experimental)



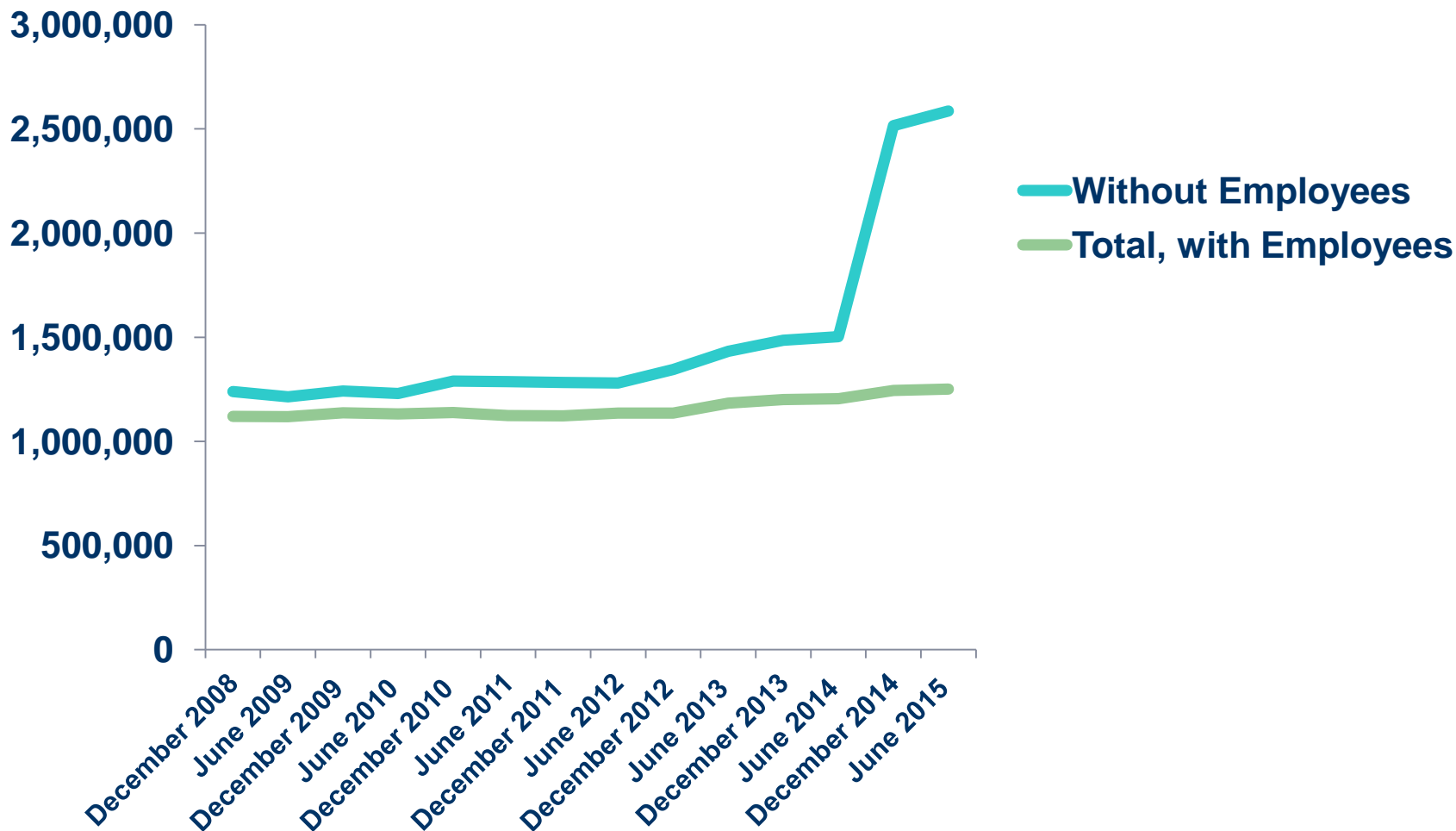
Canadian Business Counts

- Counts of business locations compiled directly from the BR
- Semi-annual: June data published in August; December published in February
- Available for 922 NAICS industry categories at the national level and for each of the 13 provinces

Strengths	Limitations
<ul style="list-style-type: none">• Highly detailed• Timely	<ul style="list-style-type: none">• Time continuity affected by changes in processing rules and challenges in identifying the precise moment of an enterprise's creation or cessation• Not longitudinal; cannot be used to compile births and deaths.



Canadian Business Counts, Published Statistics



Business and Employment Dynamics

- Annual statistics showing the distribution of enterprises and employment according to:
 - By business life status (entrants, incumbents, exits)
 - By high-level NAICS sector (20 groupings)
 - By the 13 provinces

- Compiled from the Longitudinal Employment Analysis Program (LEAP), which uses the BR as a central frame, with augmented longitudinality

Strengths	Limitations
<ul style="list-style-type: none"> •Longitudinality: LEAP Searches newly-identified and no-longer identified enterprises on the BR against outer-year records to identify false enterprise births and deaths •Comparisons based on enterprise names addresses and other attributes. •KEY FEATURE: clusters of employees are followed through time to identify false births and deaths 	<ul style="list-style-type: none"> •Two-year availability lag (processing time and availability of employee pay cheque deduction data) •Limited industry detail •Does not detail types of false births and deaths

Entrepreneurship Indicators

- National enterprise and employment counts for entries, exits, survivors and “gazelles”
- Also uses BR as central frame
- Slightly different conceptual and procedural framework from that of the LEAP

Strengths	Limitations
<ul style="list-style-type: none">• Compiled using OECD-EUROSTAT standards• Mergers, acquisitions and split-offs identified through manual review and various BR info (ex successor/predecessor flags)	Similar limitations to the LEAP

Quarterly Business Dynamics (Experimental)

- **The Objective:** Provide more current estimates of business demographics and inform how firm creation and loss are impacting more recent employment trends
- **The Challenge:** Remove false births and deaths on a current basis
- **The approach:**
 - Use current BR enterprise records and tax-based employment data
 - Life status changes based on past patterns shown by the LEAP

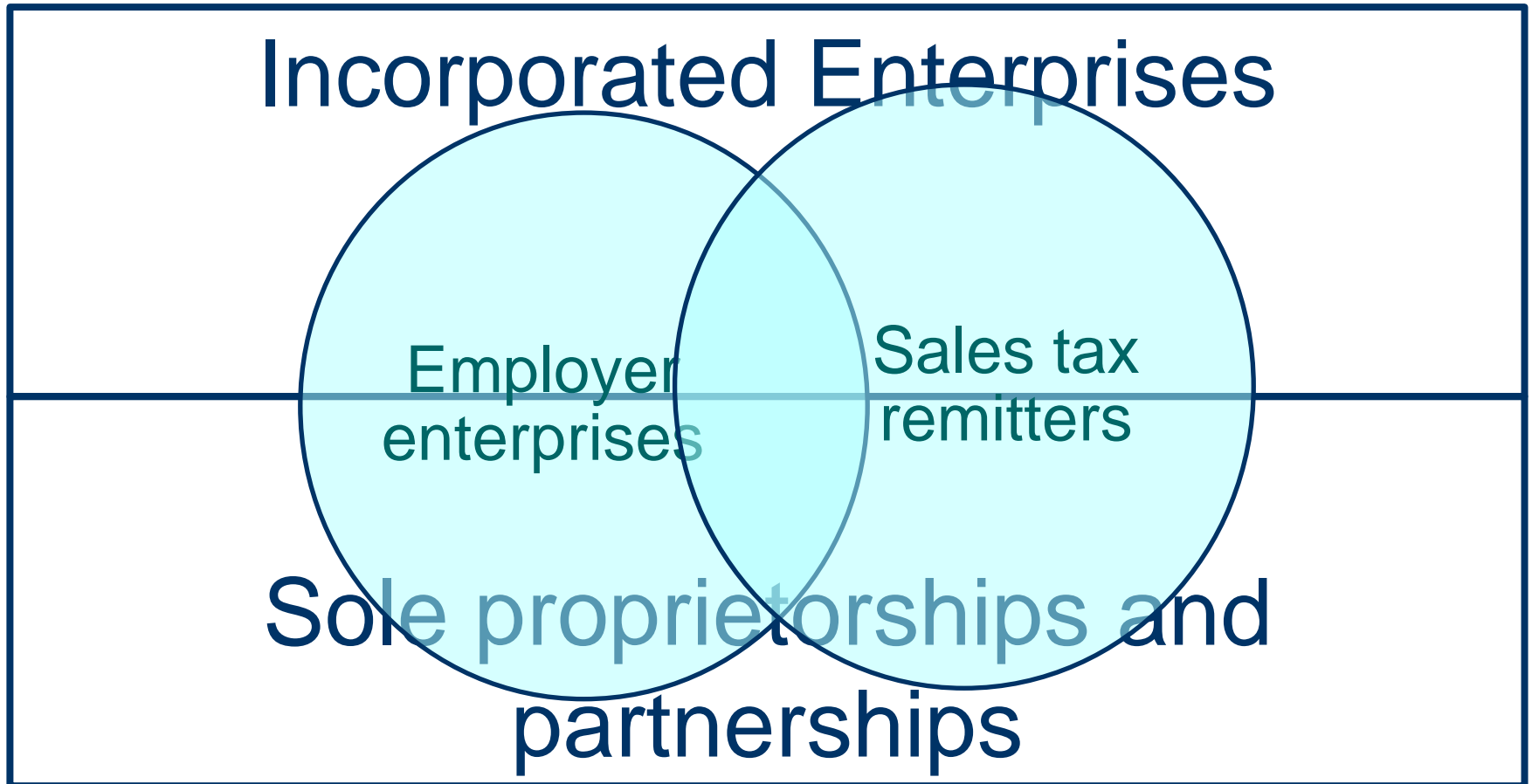


B. The BR as a Central Frame for Demography

- **Our coverage is very complete**
- **6 million enterprises, identified and tracked using data from the federal tax agency**
- **60% have a unique Business Number (BN) assigned by the tax agency**
 - Used for 3 key sources for the BR:
 1. corporate taxes,
 2. employee payroll remittance deductions or
 3. goods and services sales taxes
- **The remaining 40% are non-employer unincorporated sole proprietors and partners with no sales tax requirements**
 - Some goods are exempt from sales taxes; businesses with revenues < \$30,000K are also exempt



The BR enterprise population*



*Conceptual diagram only. Not proportional to actual population structure.

To what extent is the BR enterprise identifier longitudinal?

- **For enterprises based on BNs:**
 - Businesses generally keep their BNs from one year to the next; enterprise identifiers on the BR are preserved accordingly
 - ‘False’ births and deaths on the BR can be triggered by:
 - Changes in the legal type of a business (ex: a decision to incorporate)
 - Amalgamations
 - A change in ownership
 - Complex enterprise restructuring
- **For enterprises not based on BNs:**
 - The BR enterprise identifiers associated with personal income tax filers (sole proprietors and partners) are generally consistent from year to year.
- Typically, the labour-tracking and other procedures of the LEAP find some 6,000-7,000 records for a given year that are false births or deaths



Using tax data monitor activity status and update critical variables

	Required Reporting Schedule	Transmission to BR	BR Data elements
Payroll deduction remittance	At least once per month for most employers	+ 3 months	Total payroll amount # of employees included
Goods and Service Tax remittance	< \$1.5 M=Annual \$1.5M - \$6M=Quarterly > \$6M=Monthly	+ 1 to 4 months	Total dollar value of sales
Corporate tax form*	Within 6 months of corporation's fiscal year end*	+ 1 month	Total revenues Total value of assets
Personal income tax form*	Calendar year reporting; due by end of April*	December	Total business-related revenues

*Higher susceptibility to late filing.

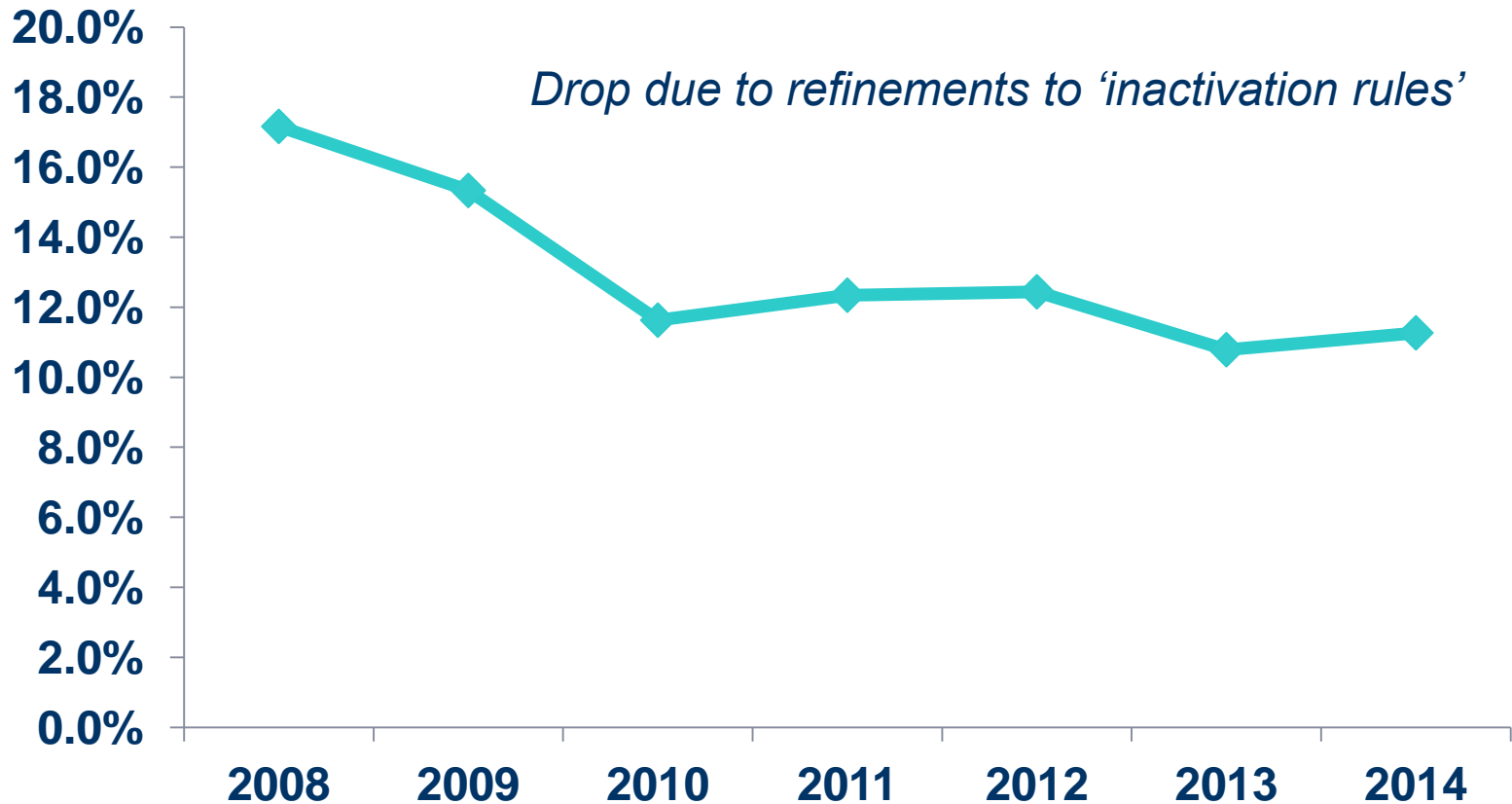


Cessation of business activity

- There is no requirement to close taxation accounts
- Our experience and research indicate revenue or employment can resume after periods of dormancy
- Business Status code on the BR is set to 'inactive' only if:
 - Payrolls deductions remittances have ceased for at least 13 months
 - Sales tax remittances have ceased for at least 16 months for monthly and quarterly reporters and 25 months for annual reporters
 - Personal or corporate tax revenues have ceased for 35 months
- “Survey feedback” processes sometimes determine that an enterprise has been closed; BR status variable is updated accordingly



Error rate BR enterprise status = 'active' (over-coverage)



C. Future directions

- **Internal working group**

- **Review of processes to identify false births and deaths**
 - Are we finding them all?
 - Are we using the full range of BR information (such as the amalgamation data from the tax office) to its fullest potential
 - Can the programs used to compare business names be improved?

- **Key objective: Better integration of processes for creating longitudinal records within the BR systems, procedures and data sets**
 - Options being considered include:
 - creation of expanded 'successor/predecessor links on the frozen frame files
 - create a separate longitudinal enterprise identifier on the BR