

## WEEKEND WORKOUT » SELF-EMPLOYMENT

Tavia Grant dissects the latest workplace and career trends

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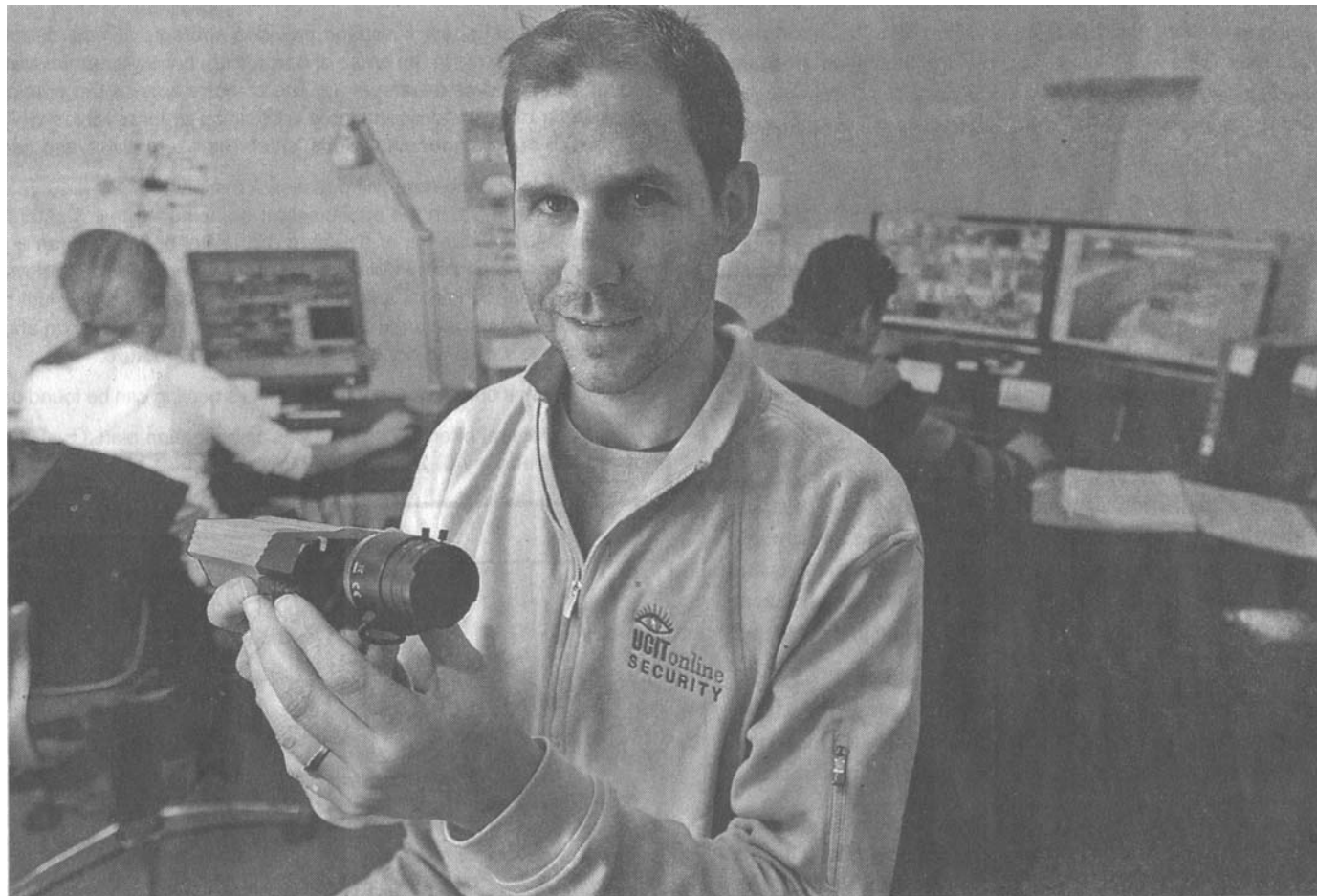
## From wager earner ... to wage payer

Sidney Sommer was knocked flat when the aerospace company he worked for laid him off amid industry turbulence in 2002. He looked for work at similar firms but ran into hiring freezes. The sector was slumping after the Sept. 11, 2001, attacks. So he moved from San-Antonio, Tex., to his mom's home in Toronto, and glumly began contemplating a new career – in self-employment. His unwanted free time sparked an idea, though. Cooper theft from construction sites was rampant as prices for the commodity soared. Marry that problem with his knowledge of surveillance cameras (his former employer designed airplane black boxes with video) and what began as a small venture built on borrowed money from friends and family is now a thriving business that uses online cameras to monitor sticky fingers.

His bright idea has blossomed from his mother's basement into a debt-free, \$5-million-a-year Mississauga-based company that employs 55 people. Because it helps companies reduce costs, business is still strong and he is in hiring mode. "I definitely don't have any financial worries about providing for my family or losing my job." Self-employment tends to swell when an economy sours and people are thrown out of work. Yet, as Mr. Sommer's experience as well as academic research shows, people forced into self-employment after a layoff tend to make the most successful entrepreneurs.

**ROUGH ROAD TO EASY STREET**

The transition from wage earner to entrepreneur wasn't easy. In the beginning, the 33-year-old worked around the clock. It required self-motivation, business planning and the knowledge that he wouldn't earn much money for several years. "If I hadn't been laid off, I would never have started my own company. It forced me to think outside the box and make riskier decisions – and that's what running a small business really is."



The rise of entrepreneurs such as Sidney Sommer can spark new ideas, hiring and economic activity.

**By the numbers****14.7**

**Percentage of Canadians aged 15 and over in the labor force who were self-employed in their main job in December.**

**60**

**Estimated percentage share that small and medium-sized businesses contribute to total Canadian employment.**

**33**

**Percentage of Canadian business startups that are created through a "negative" event.**

**43**

**The percentage of Canada's gross domestic product that is driven by newer entrepreneurial businesses.**

» Sources: Canadian Federation of Independent Business, Statistics Canada, Queen's Centre for Business Venturing

**SELF-EMPLOYED = LOUSY JOBS?**

Self-employment is often equated with poorer quality jobs. Benefits tend to be absent and wages meagre – on average, about 13 per cent less than for employees, according to Statistics Canada. However, the self-employed are also almost twice as likely to be bigger earners, garnering more than \$100,000 a year, Statscan's 2003 data show. As layoffs ripple through Canada, self-employment will be "the fastest-growing segment of the labor market in the next year or two," predicts Benjamin Tal, senior economist at CIBC World Markets. In the 2001 slowdown, for example, such employment rose faster than any other segment, at one point representing about 60 per cent of all new job creation, he said.

Canada's self-employed sector has ballooned in recent decades. Statscan says 2.66 million people, or 14.7 per cent of the labor force, said they were self-employed in their main job in December – up from about 8 per cent two decades ago. Over the past

year, self-employment has grown faster than either private or public sector employment.

**PREVIOUS CYCLES**

In previous recessions, downsizing at large employers, such as Nortel Networks or IBM Canada, has spawned waves of small-business startups. Some laidoff workers create companies from ashes of unwanted assets. For example, when IBM cut workers in the 1980s, a group of them formed electronics maker Celestica Inc., said Elspeth Murray, strategy professor and director of the Queen's Centre for Business Venturing. Others start companies that end up serving their former firm when it decides to outsource work. In the early 1990s, for example, auto makers realized they could save on overhead by contracting work to former employees. At that time, more than 14 per cent of new businesses were a result of large companies outsourcing to former employees, estimates Dr. Bakr Ibrahim, director of the Centre for Small Business and Entrepreneurial Studies at Concordia University.

Indeed, businesses created during recessions have a better survival rate than startups created in rosier economic times, said Ted Mallett, chief economist at the Canadian Federation of Independent Business. New businesses started in poor economic times tend to be better planned and are run by more-motivated entrepreneurs, he said.

**IT'S NOT ALL BAD NEWS**

"Often during a recession, downsizing is just the nudge people need," Prof. Murray said. "People have to survive. So if they have ever thought about taking the entrepreneurial, calculated risk, now will be the time to do it." As well, laid-off workers who start a business also tend to fare better than other entrepreneurs, according to Dr. Ibrahim. The recently downsized entrepreneur likely has more experience, networks and some seed money from severance pay, he said. Two-thirds of startups never make it to the fifth year and the high failure rate is usually due to lack of experience, he said. "So when we get a good

**THE DOWNSIDE**

**You have to believe in what you're doing and not just think that you're going to get rich fast. Because you're really not. You can't get rich overnight.**

Sidney Sommer, entrepreneur

**THE UPSIDE**

**We are a very inventive nation, but we often fail in the implementation. This [downturn] will force or encourage people to take good ideas and run with it.**

Elspeth Murray, Queen's Centre for Business Venturing

group like this with the experience that have the seed money to start, it's good for the economy" because the success rates tend to be higher. The rise of new entrepreneurs such as Mr. Sommer can also spark a new wave of ideas, hiring and economic activity among Canada's small businesses – and that could eventually help pull the country out of recession, Mr. Mallett contends. The caveat though, is lending, he adds. Small businesses are already finding access to credit is tightening and any thriving small business sector depends on the readiness of banks to lend. As for Mr. Sommer, he's not worried about the deepening economic crisis because his firm – Ucit Online Security – helps companies reduce security costs. As for transition from employee to employer, "I love it. I don't think I could ever work for someone again."