



Economic Development in 2023

Presentation to OBIAA Conference
Wednesday, April 19th, 2023



MATTHEW FISCHER
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Economic Development Consulting

The Evolution of Economic Development



Economic Development has evolved dramatically in the last few decades

The Evolution of Economic Development



**Industrial
Development**

The Evolution of Economic Development



**Industrial
Development**

**Business
Retention &
Expansion**

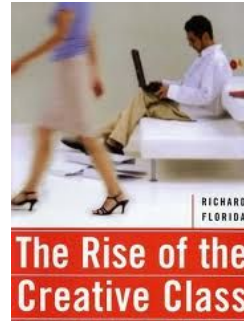
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**Industrial
Development**



**Business
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**Creative
Economy**

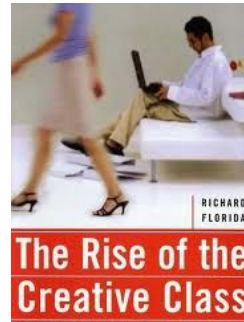
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**Age of the
Entrepreneur**

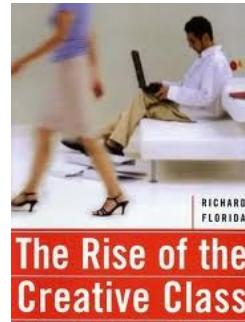
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**Age of the
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**Economic
Gardening**

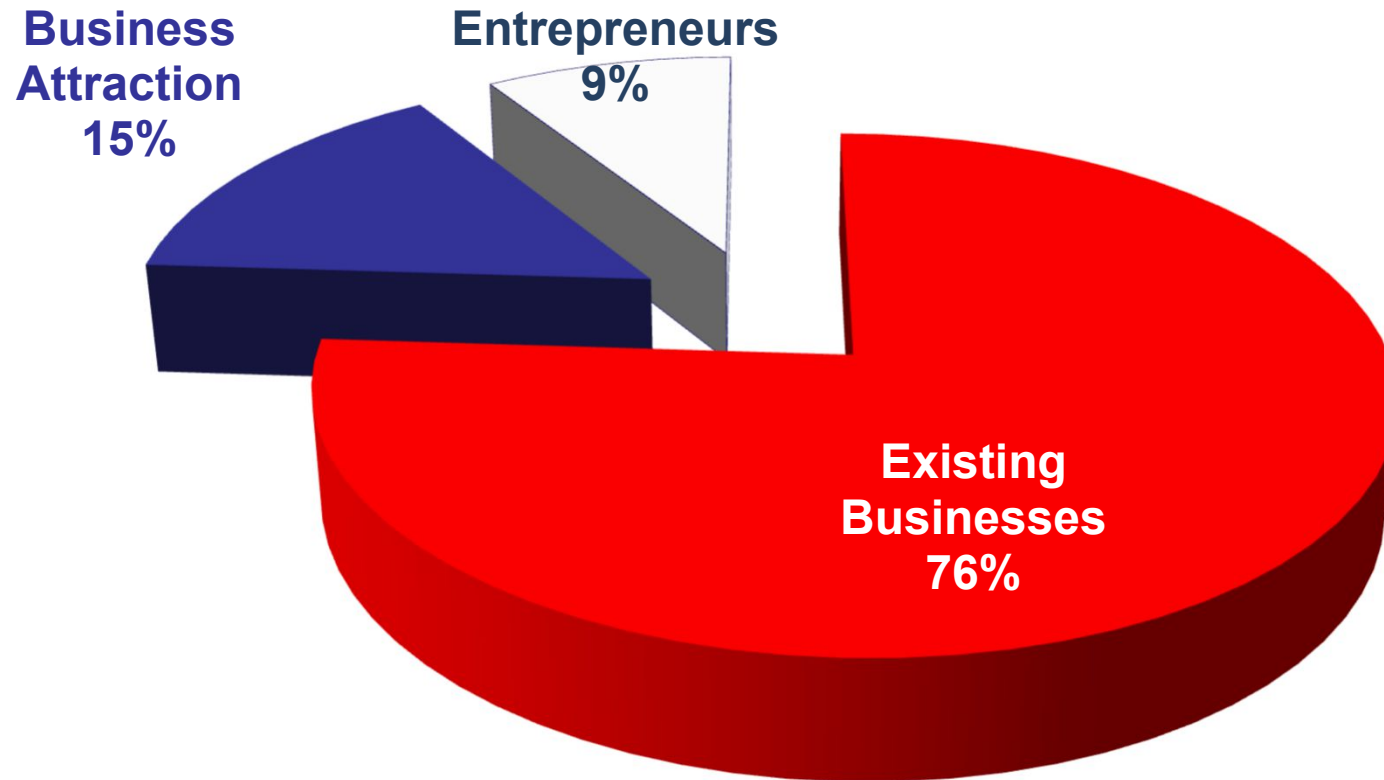
Shift to a Post Industrial Economy 2002 - 2022



Manufacturing Sector
Net Loss – 504,000 jobs

Service Sector
Net Gain + 794,700 jobs

Existing Businesses are your Greatest Source of Growth



New Jobs & Investment
Source: Blane Canada Ltd.

Small Businesses

Canada's Economic Engine

- 1.21 million “*Employer*” businesses in Canada
 - 97.9% are small businesses
 - 1.9% are medium
 - 0.2% are large corporations

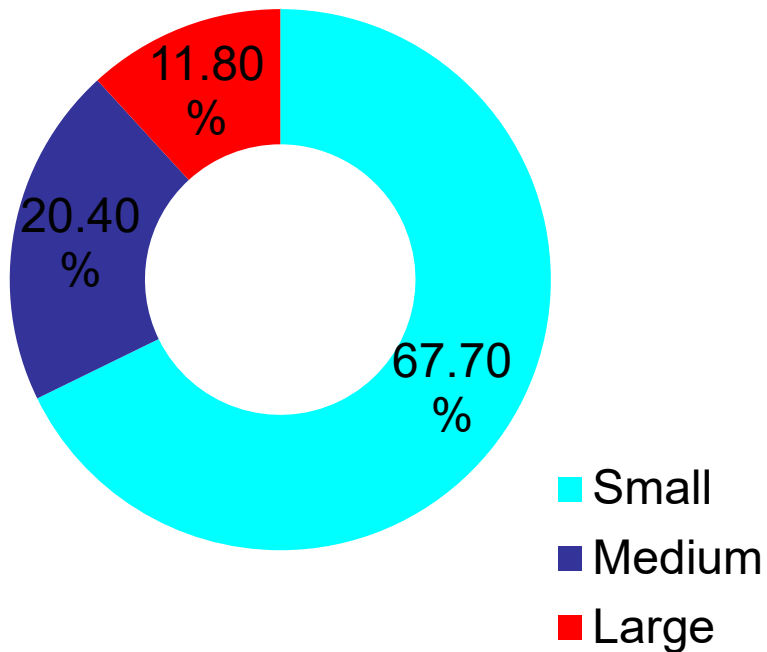
Source: “*Key Small Business Statistics 2022*”: Statistics Canada

- Small businesses employ **8.2 million** people
 - *nearly 6X the total employment of large corporations -1.4 million.*
- Small businesses also account for **70%** of employment growth

Small Businesses

Canada's Economic Engine

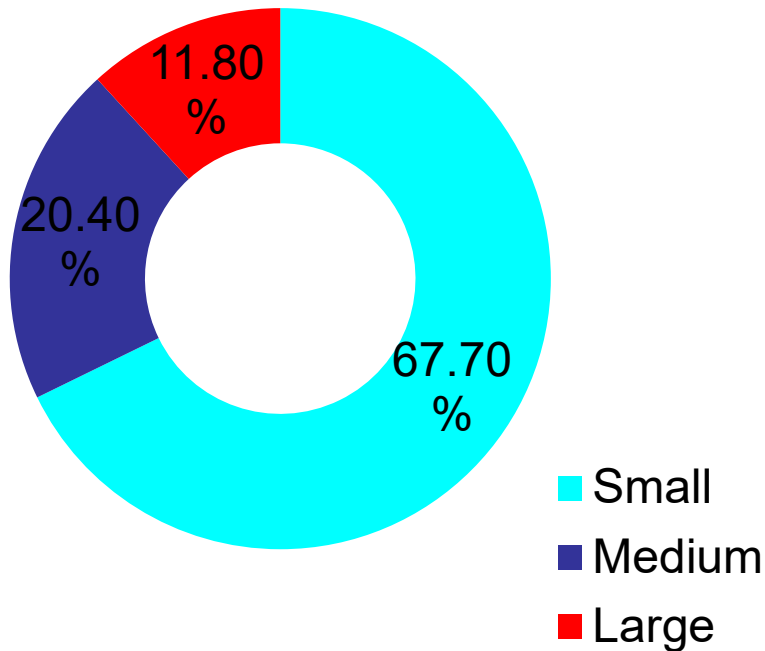
Distribution of Jobs by Business Size in 2021



Small Businesses

Canada's Economic Engine

Distribution of Jobs by Business Size in 2021

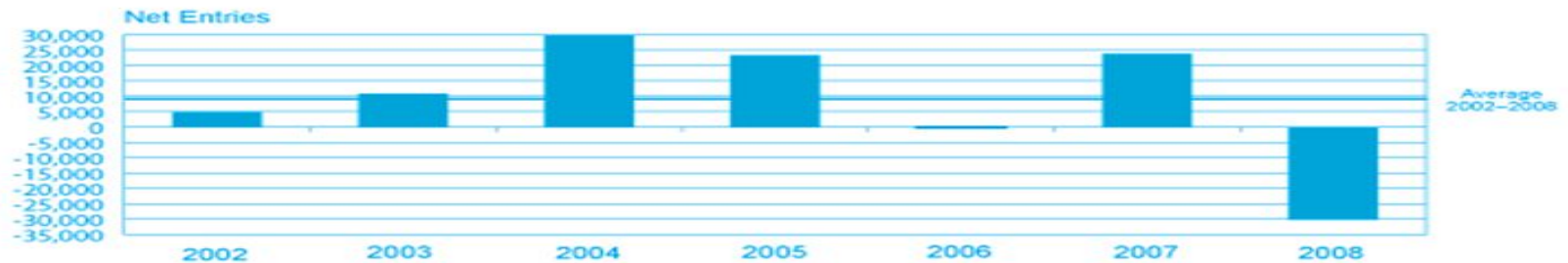
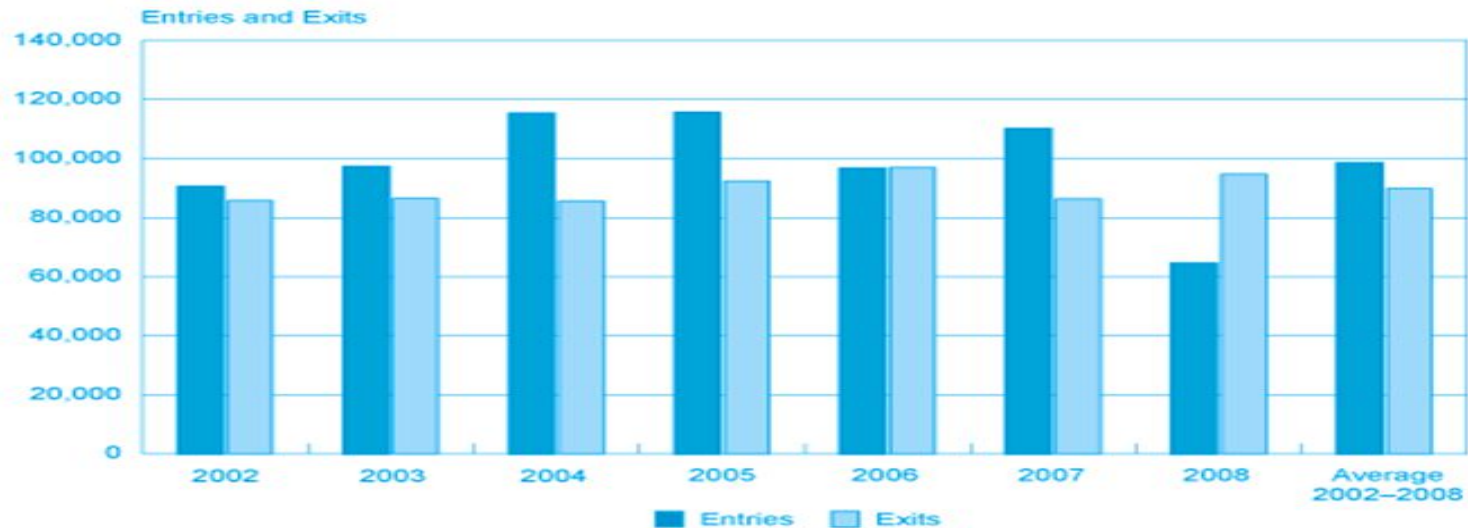


Employment Growth Net Change in Employment 20/21

- **69.0%** of net new jobs (494,300) were in Small Businesses
- **17.4%** were in Medium Businesses
- **13.7%** were in Large Businesses
 - “Key Small Business Statistics 2022”: Statistics Canada

Turnover of Small Business

(# of Businesses Entering and Exiting the Marketplace)



Stimulate Small Business Development



- The challenge is to ensure there are more businesses starting up than leaving the marketplace each year.
 - *It's like trying to drain the ocean with a spoon.*

Another Trend in Economic Development

“Self-Employment”



The Age of the Entrepreneur

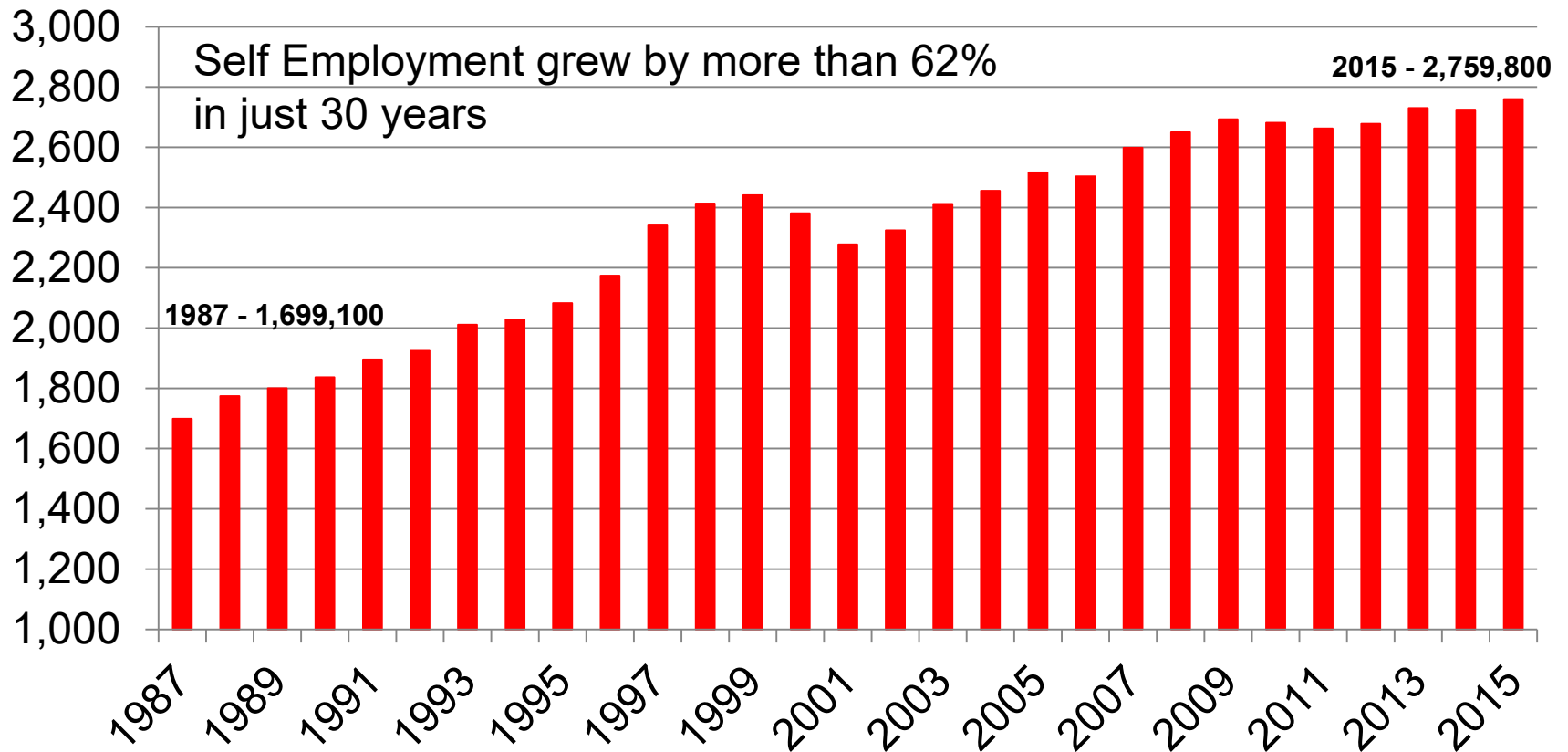
- *Self-Employment* -

- As of June, 2020
 - There are **1,326,321 employer businesses** in Canada and **2,951,629 non-employer businesses** (annual revenues greater than \$30,000)
 - *Companies that annually file corporate tax and GST returns but have no deductions for CPP or Income Tax remittances*

Growth of Self Employment

1987 – 2015 Stats Canada

Self Employment 000s



The Age of the Gazelle

- *“Hot Industries” by David Birch 1995*
 - *Birch studied employment growth by firm size*



The Age of the Gazelle

- *“Hot Industries” by David Birch 1995*
 - *Coined this analogy*



Herds are getting smaller

The Age of the Gazelle

- *“Hot Industries” by David Birch 1995*
 - *Looked at employment growth by firm size*



Number in the millions but most
don't grow and they have high
turnover

The Age of the Gazelle

- *“Hot Industries” by David Birch 1995*
 - *Looked at employment growth by firm size*



2% to 3% of firms
generate all net new jobs

The Age of the Gazelle

“High Impact Firms: Gazelles Revisited”

Acs, Parsons & Tracy - US Small Business Administration, June 2008

Updated Birch's original research 13 years later.

- “On average high impact firms are smaller and younger than other firms however **they are not new** and **they are found in every firm-size class.**”



Dr. Zoltan Acs,
George Mason University

High Impact Firms / Gazelles

- » Represent 2% to 3% of all firms
- » Account for almost all private sector job growth
- » Are found in every industrial sector (not just high-tech)



Best Practices in Economic Development

Baskets of Economic Development Programming



“Look to your own backyard for growth”

This simple idea that should be at the core of your community's economic development program





ECONOMIC GARDENING

*An Alternative Approach to Local
Economic Development*



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- **Economic Gardening**

Idea credited to Christian Gibbons, EDO Littleton, Colorado in 1989.

- Suburb of Denver (45,000 pop) - Martin Marietta closed a missile plant in 1985 laying off thousands of workers, many of them highly skilled.
 - Commercial vacancy rates rose to 30%.
- “Gibbons was challenged to find local businesses that already exist and wanted to grow. Figure out what they need and how to help them. Provide them with technical support and tools to help them find customers and to help them manage the challenges of rapid growth. Grow jobs locally, instead of trying to import them from outside.”
 - *Source: National Center for Economic Gardening*

ECONOMIC GARDENING

Three key tasks to create an environment that will stimulate Entrepreneurs

1. Connect entrepreneurs to resources (counselling, mentors, angel investors)
2. Encourage the development of essential infrastructure (incubators, accelerators, broadband, meeting places)
3. Provide entrepreneurs with critical information.

ECONOMIC GARDENING

- Gibbons' efforts were phenomenally successful, and sparked a new alternative movement in economic development
 - *“Our job growth rate during that period went from 15,000 to 30,000, and we didn't recruit one company during the time that I was there. We didn't spend one penny subsidizing anybody. It was all about working with local businesses to get that local growth.”* Chris Gibbons

Who Needs to be Involved?

- Partners in Economic Gardening
 - Provincial & Municipal Governments
 - Local/Regional ED Organizations
 - BIA's
 - Small Business Enterprise Centres
 - Community Futures Development Corps
 - Local Venture Groups & Angel Investors
 - Technology Associations
 - Chambers of Commerce
 - ... et al

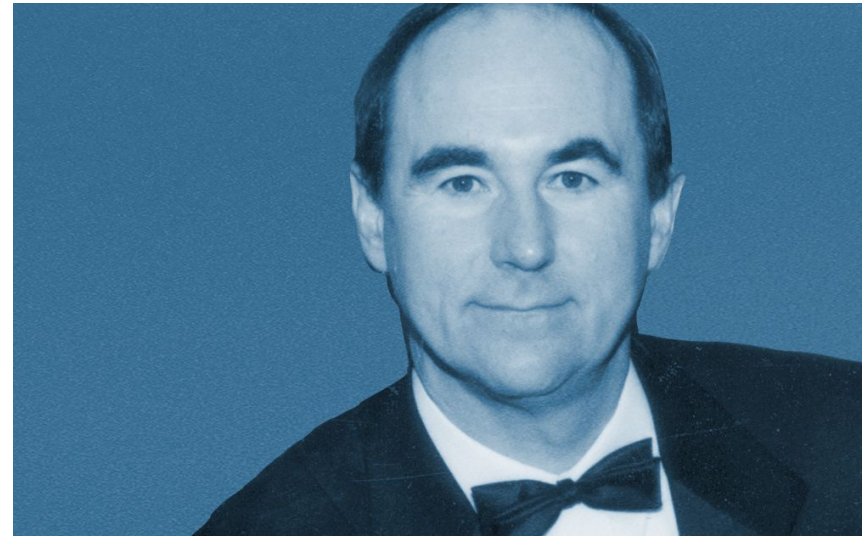
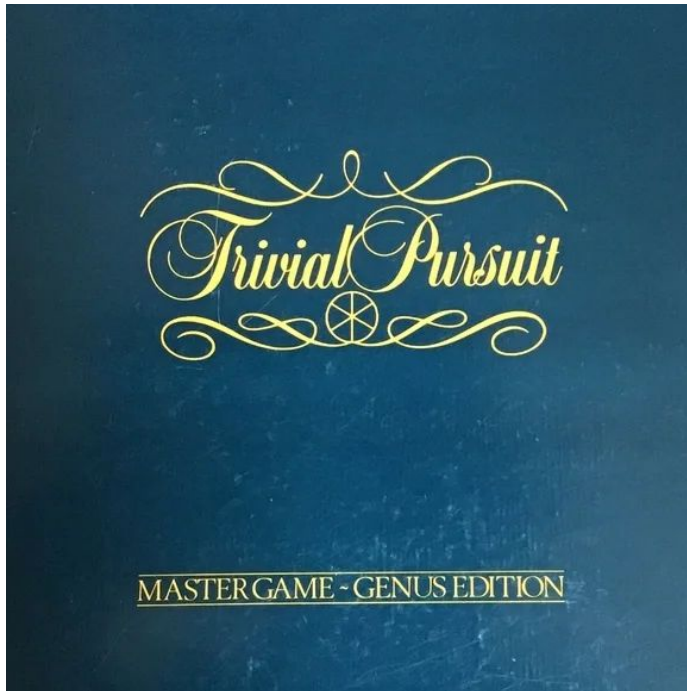
Strive to Achieve the Law of Increasing Returns



Good football
players go to
Notre Dame
because

Notre Dame
has a
winning
football team
because

Closing Anecdote



Ed Werner
Horn Abbot Ltd. **2000**
LIFETIME ACHIEVEMENT
AWARD



Questions?



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