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Small Business Owners: Characteristics of Owners of more than 10% of a Canadian Controlled Private Corporation

Brian Murphy, Yan Zhang

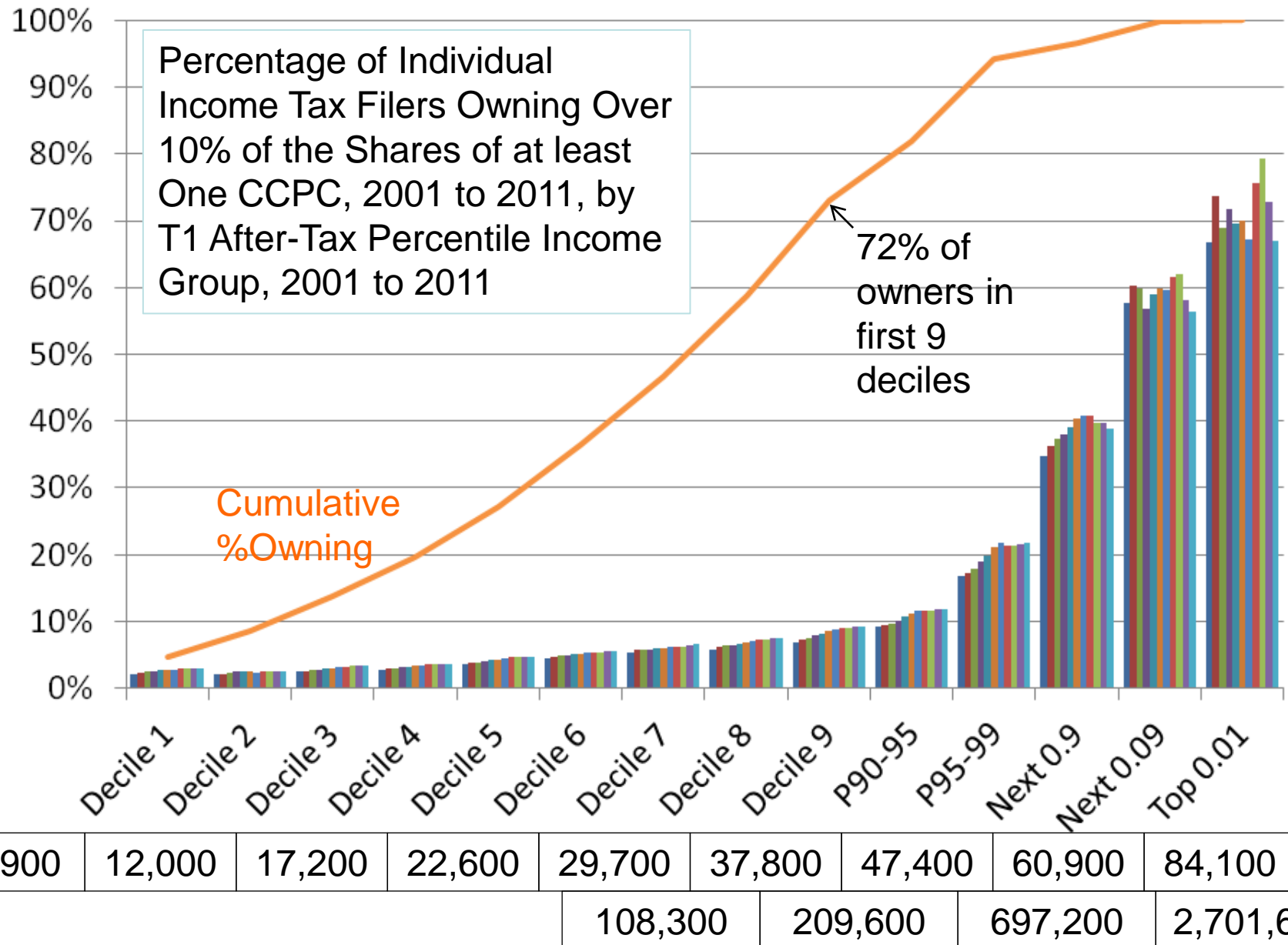
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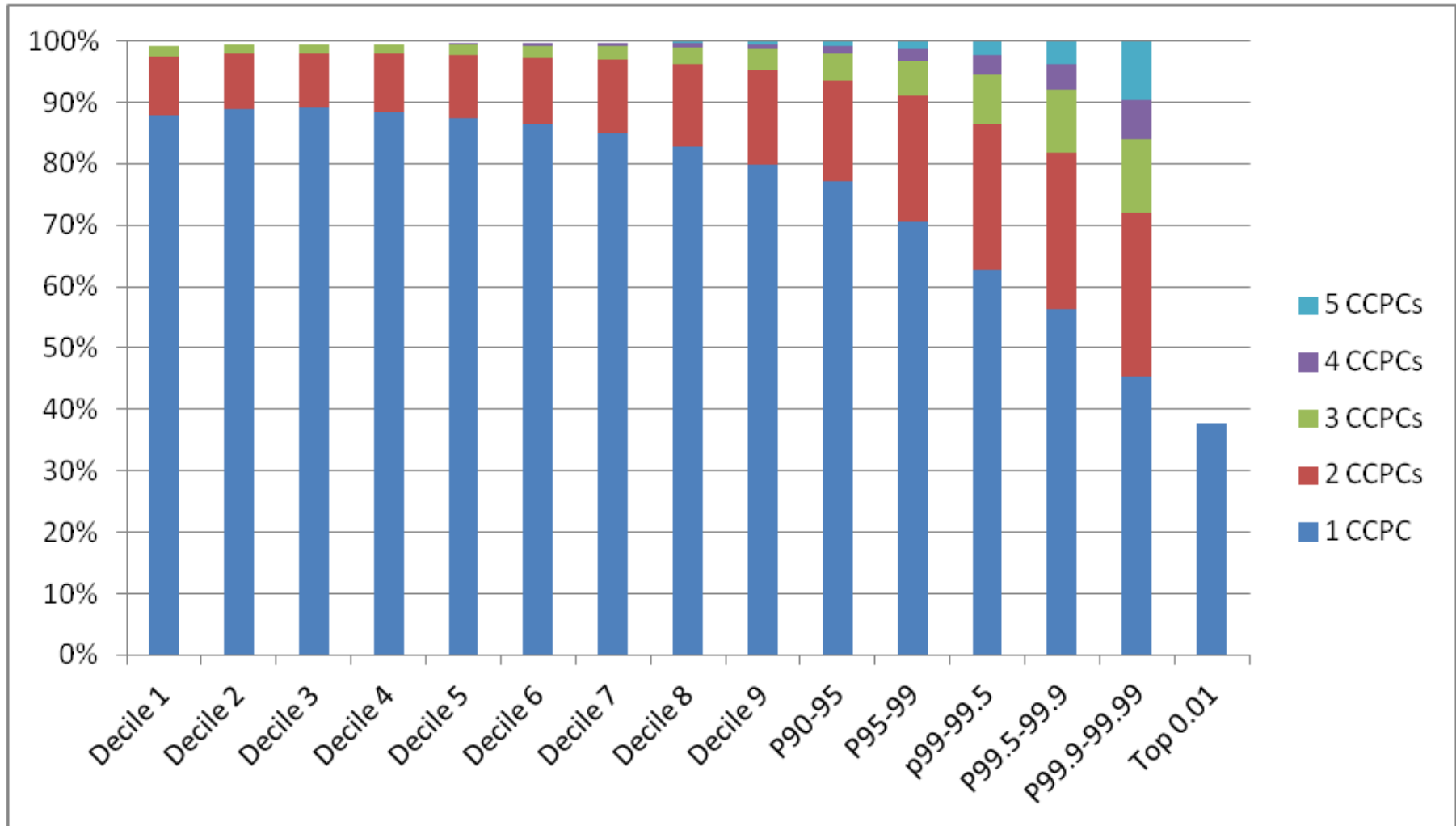
Background/Motivation

- Innovative use of administrative data
- What impact would income retained in CCPCs have on the distribution of individual incomes
- Little is known about the owners of Canadian controlled private corporations
 - CCPC ownership vs. Self-employment
- Provide an initial characterization of CCPC owners





Distribution of Owners by Total Income and # of CCPCs owned, 2011

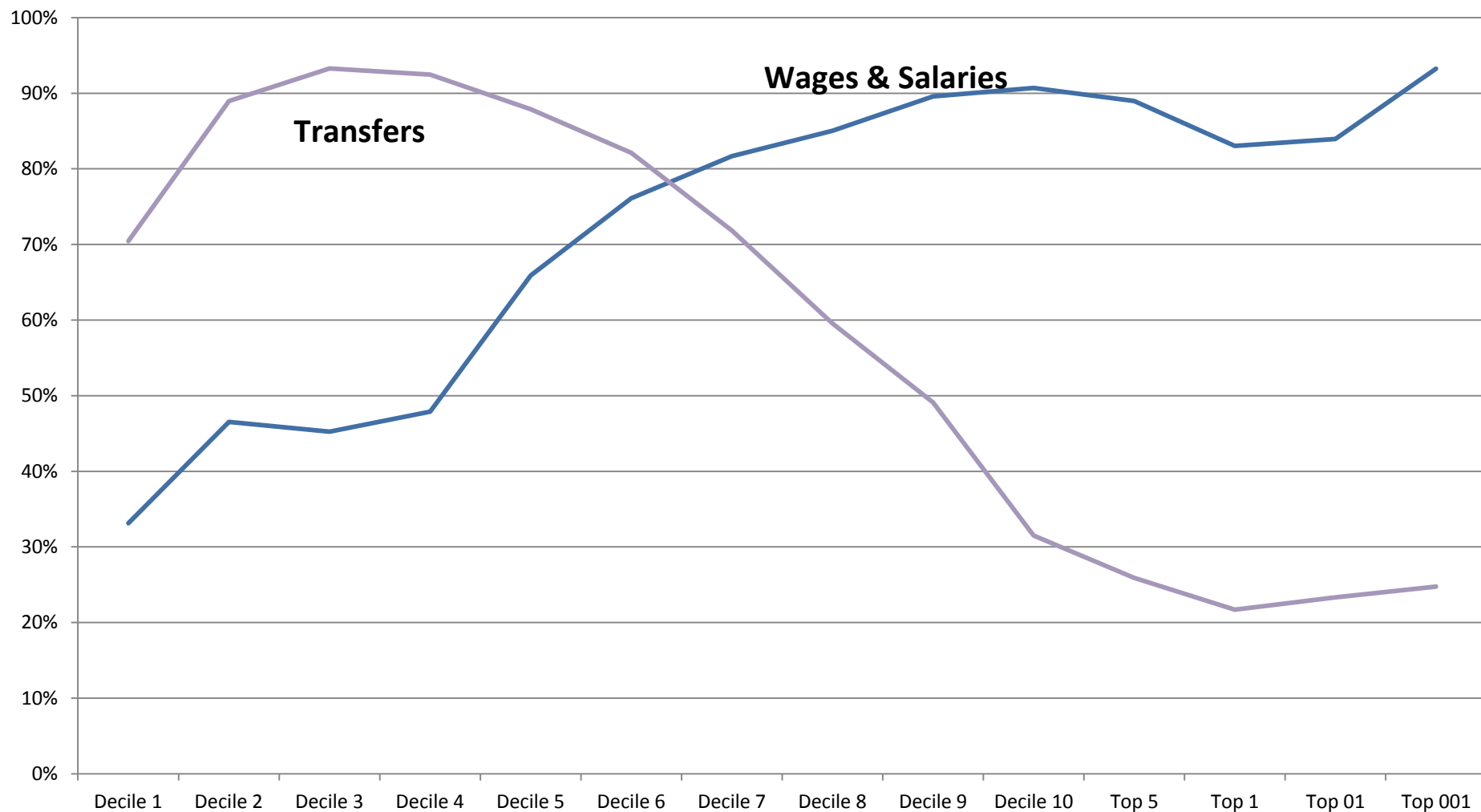


Ownership is spread throughout the income distribution but is more prevalent at the top end

- 6.5% of Filers own > 10% of a CCPC
 - 40% of top 1, 65% of top 0.01 own CCPCs
 - 28% of all owners are in the top decile
- 85% of owners own shares in only 1 CCPC
 - 1.1% of all owners have ownership in 4+ CCPCs
 - 43% of the top 1 own two+ CCPCs, 65% of top 0.01
 - 25% of the top 0.01 have direct ownership in 4+ CCPCs
- Owners' reported shares average 65% ownership of a CCPC

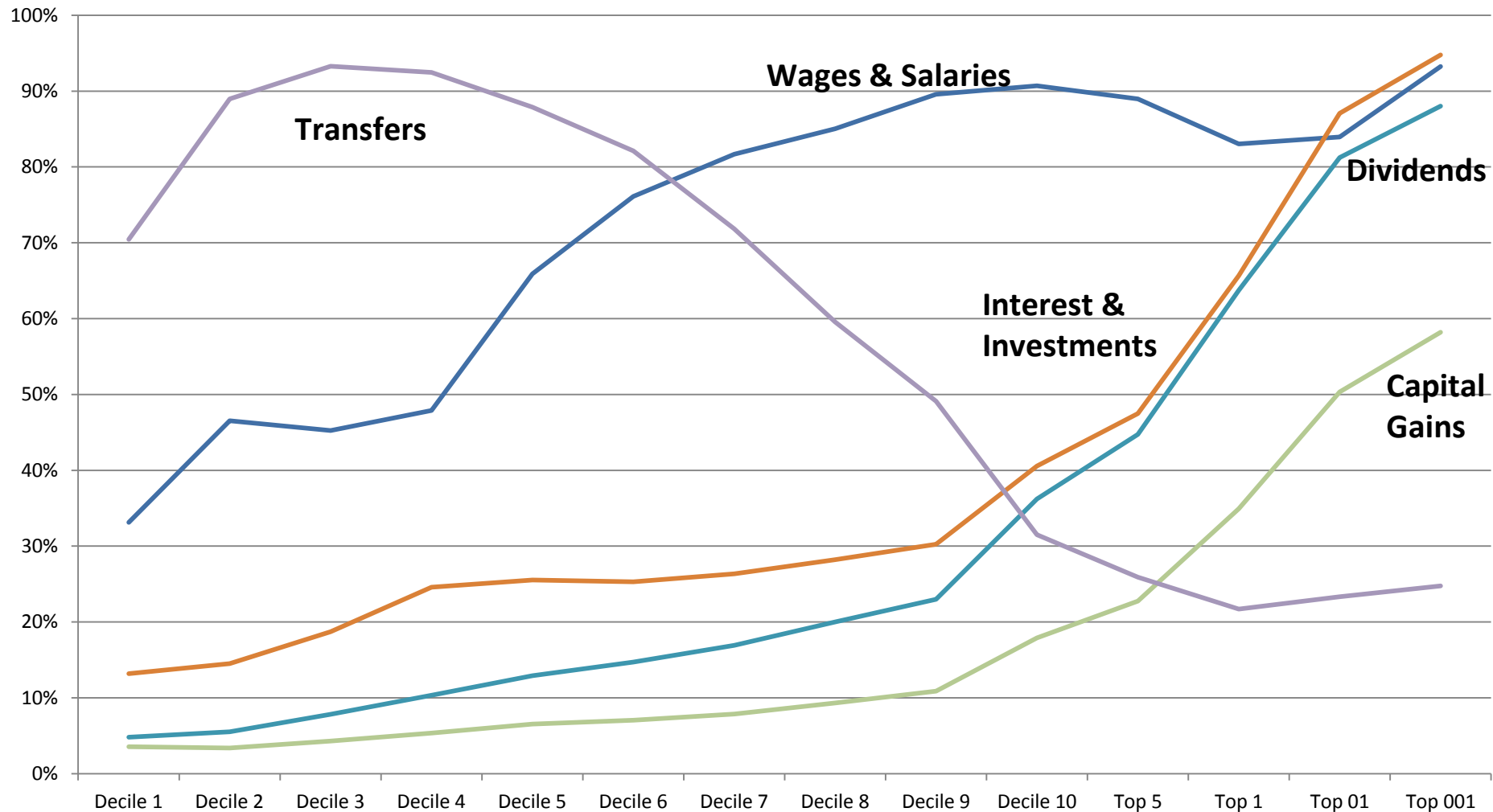


Percentage reporting income by source, LAD 2011



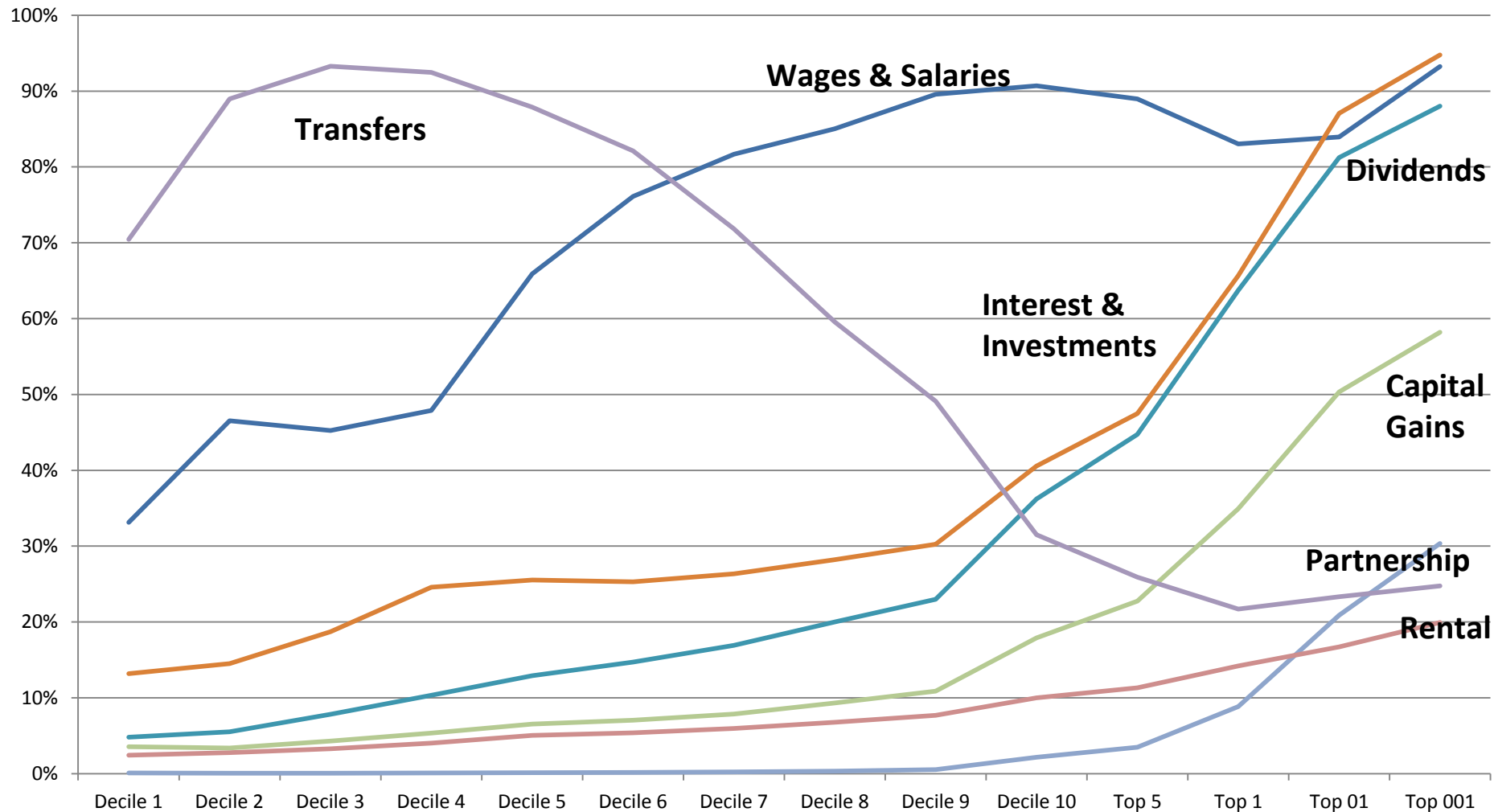


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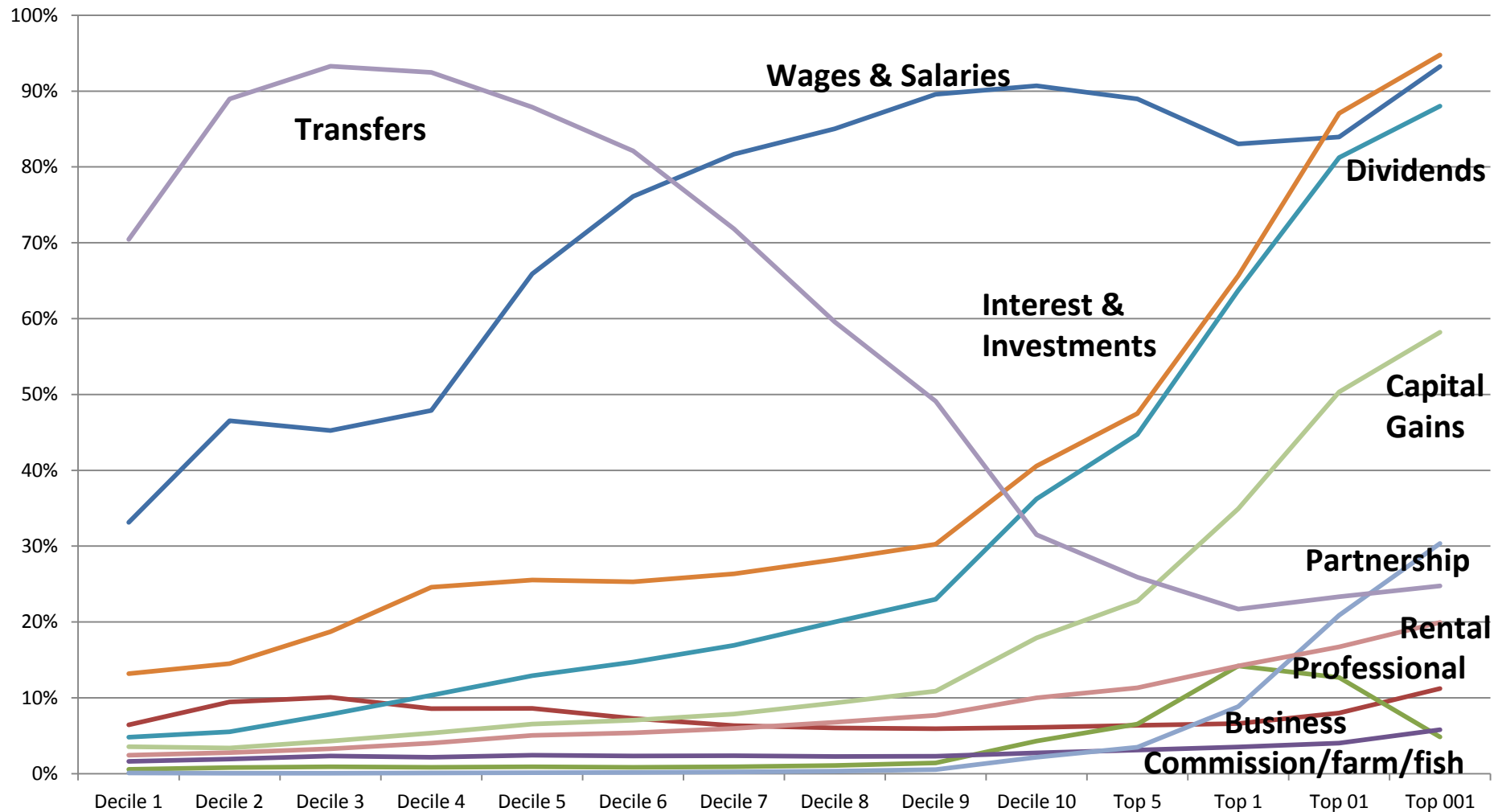


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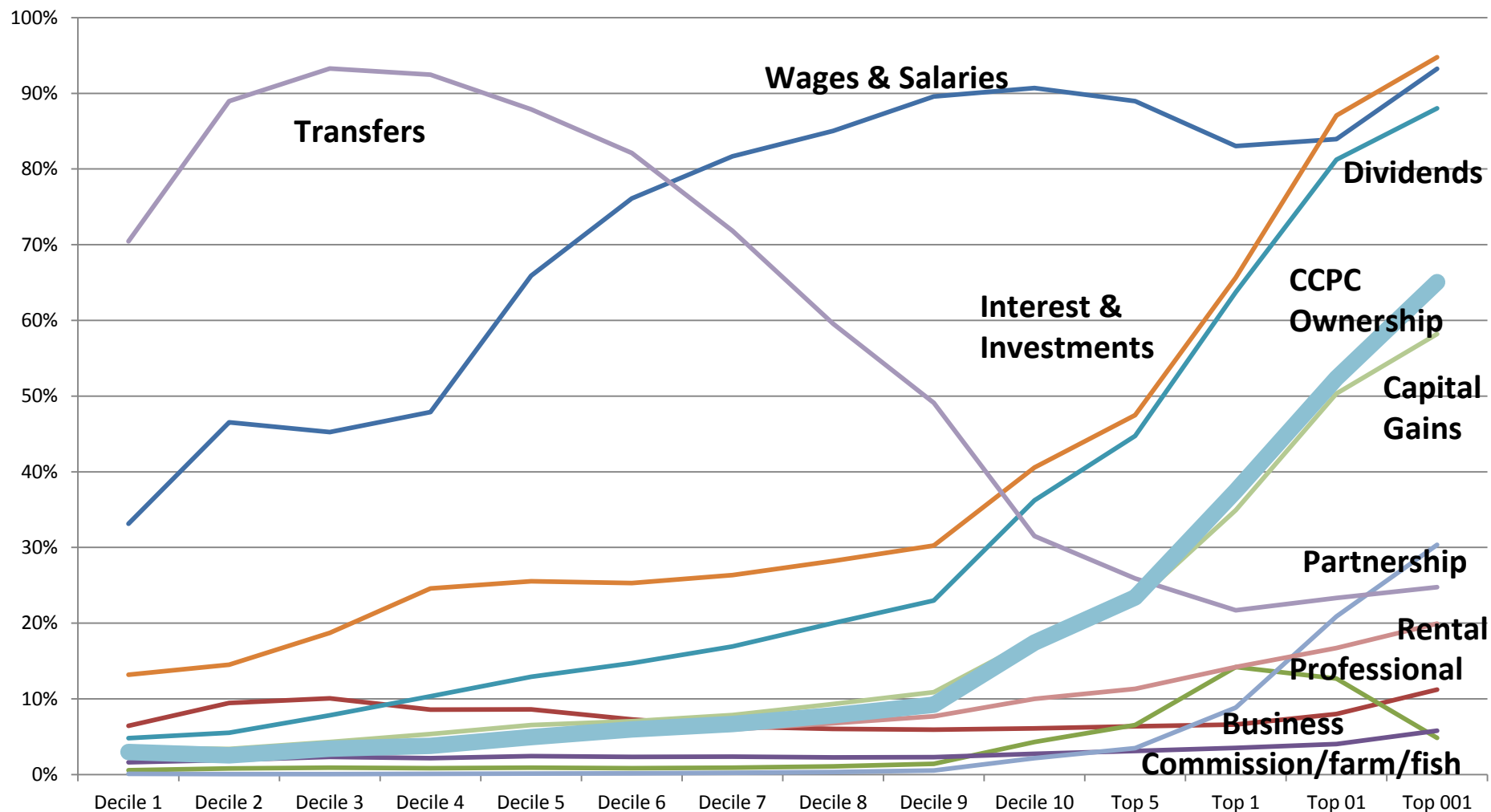


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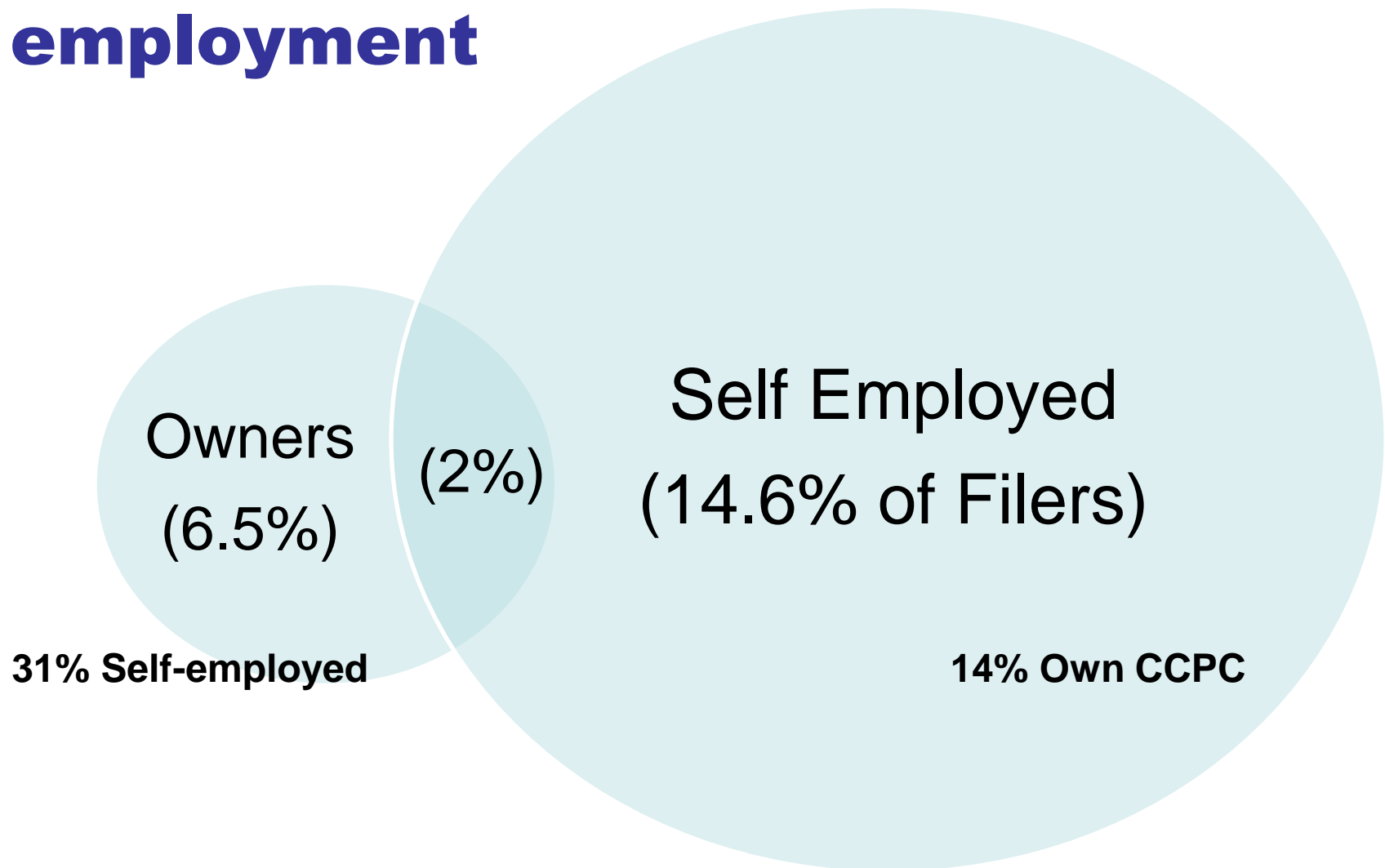


Use of CCPC by top income recipients

- Wealth related income (dividends, interest, capital gains) like CCPC ownership, shows a sharp increase in percentage reporting at higher levels of income
- For the self employed, the proportion of filers in partnerships or having rental income rises sharply at high end while professional and business activity increases to a lesser degree

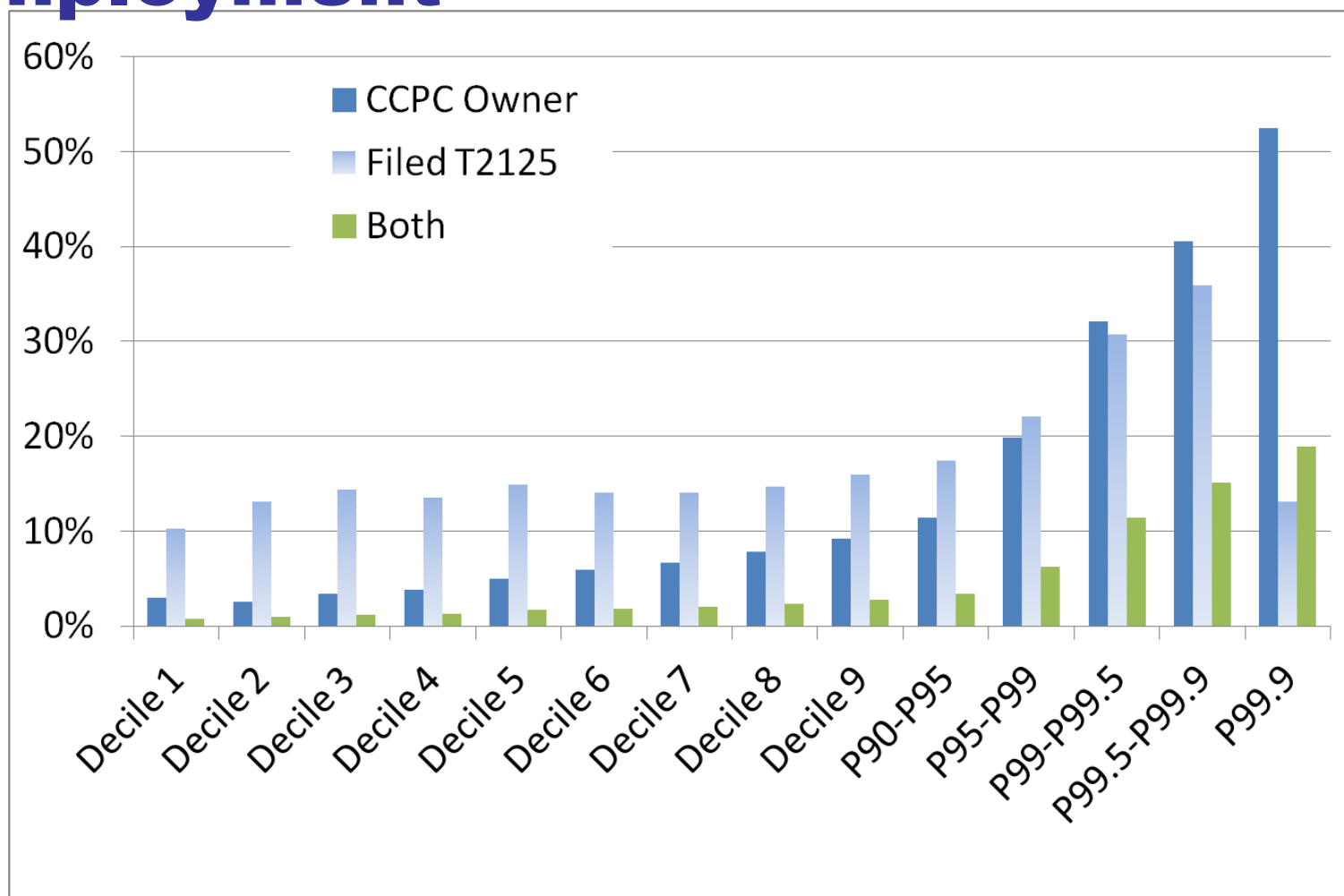


Incidence of Ownership and Self-employment





Incidence of Ownership and Self-employment



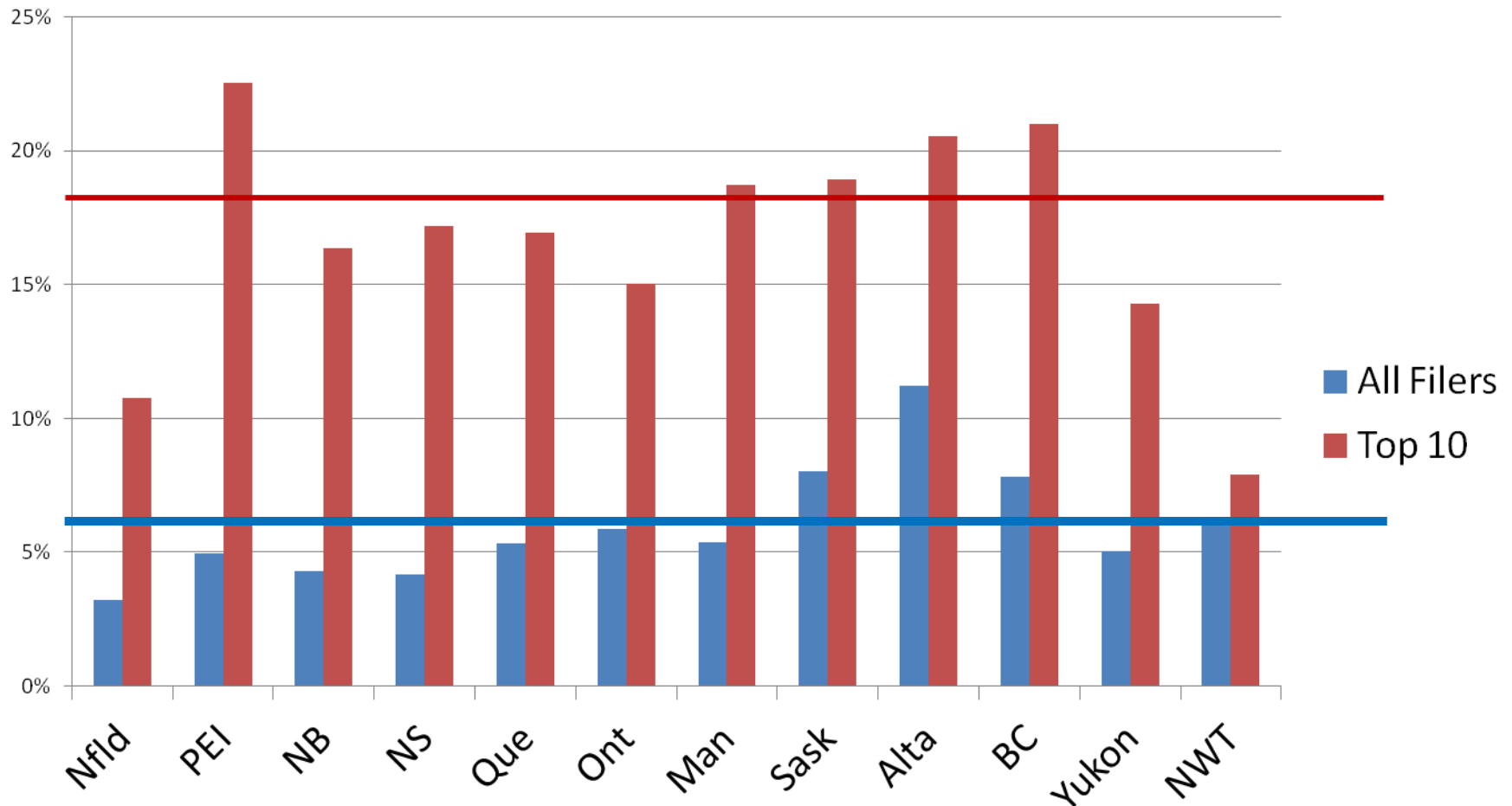
Self-employed

- Self-employment is more prevalent than CCPC ownership at all but the highest incomes
 - 3.8M self-employed vs. 1.7M CCPC owners
- 2% of all filers have both self-employment and CCPC ownership
 - 31% of CCPC owners report self-employment



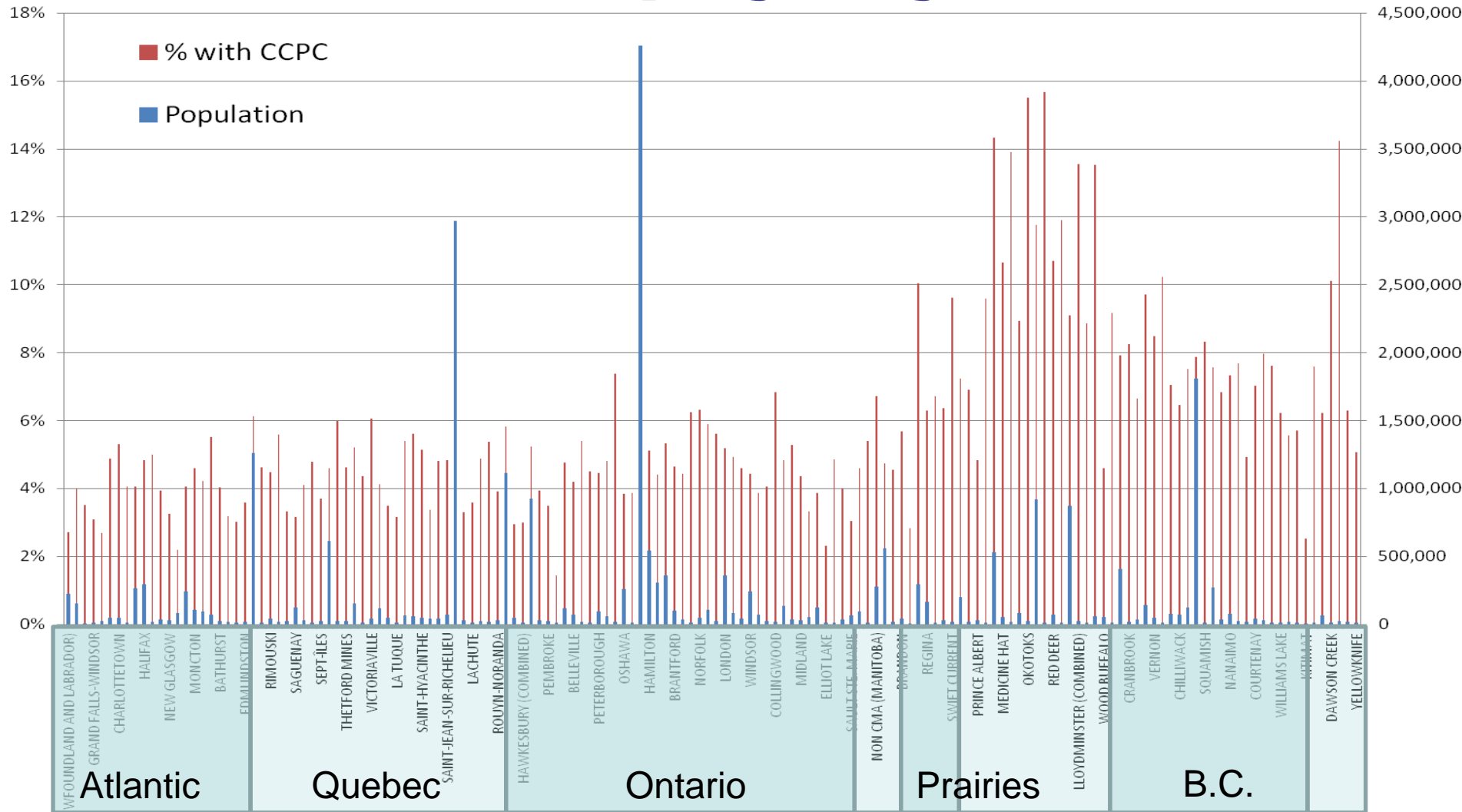
CCPC Ownership by Province

Percentage of Filers Directly owning at least one CCPC, 2010



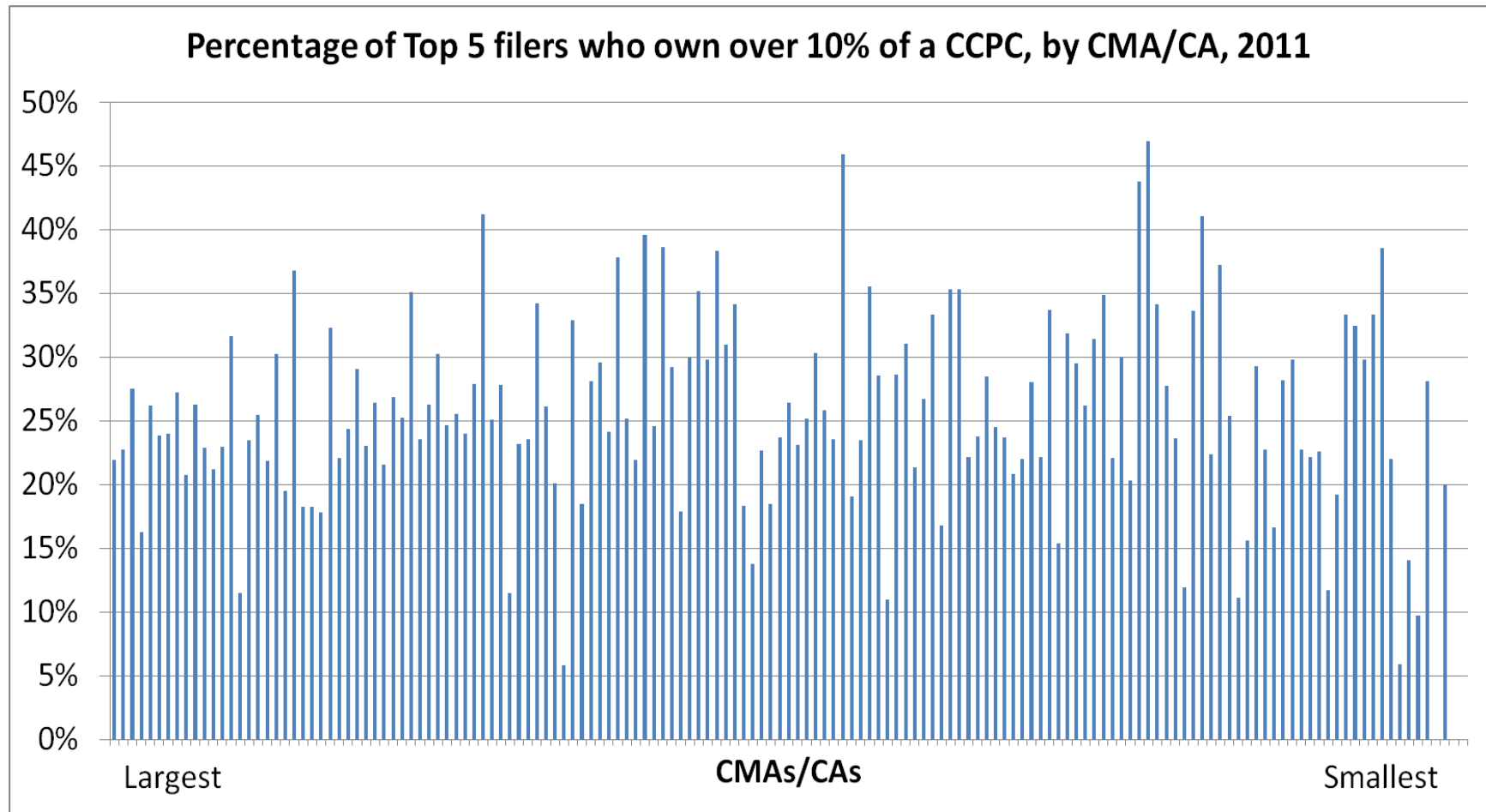


CCPC Ownership by City



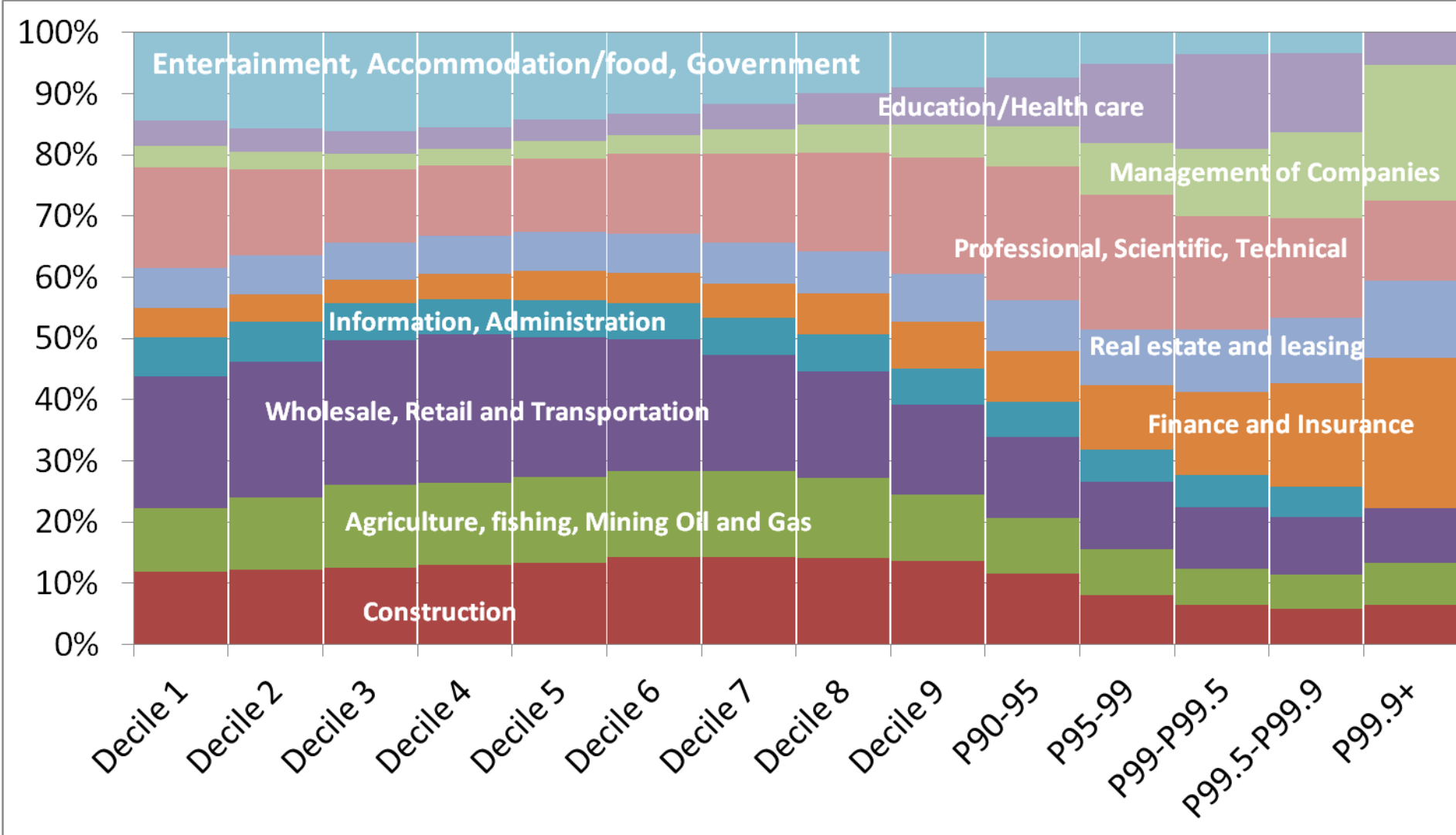


CCPC Ownership by City: Top 5%



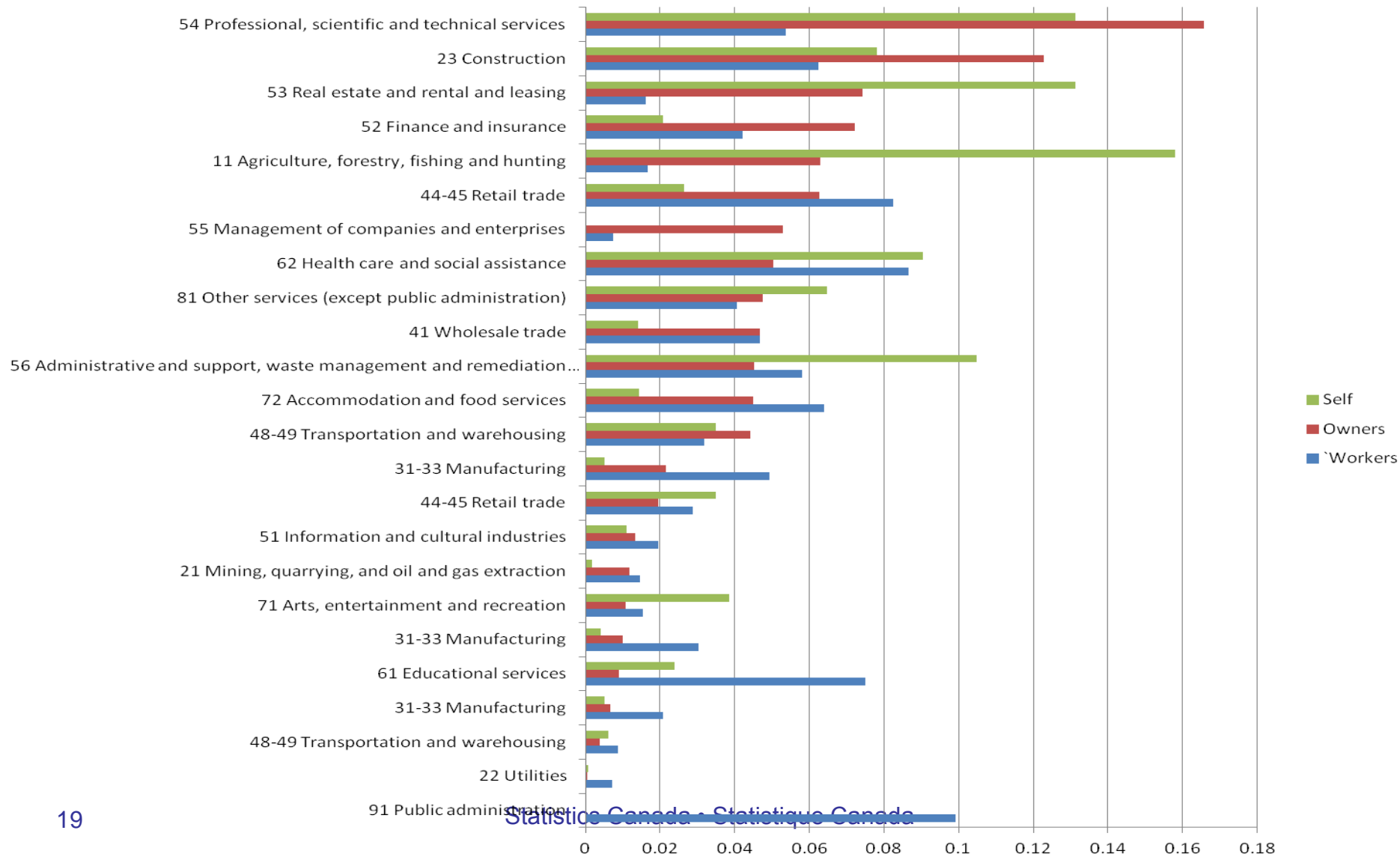


CCPC Ownership by T2 Industry





Distributions by 2-digit Industry





Distributions by 6-digit Industry

Distribution of owners within income group
NAICS(6) Industries with > 1% of filers

	All	Top 10	Top 1
Holding Companies	5.3%	9.0%	13.8%
Offices of Physicians	2.7%	6.4%	8.5%
Miscellaneous intermediation (Financial)		5.6%	
Lessors of non-residential buildings	2.6%	3.7%	4.8%
Computer systems design	3.6%	4.3%	1.6%
Management and management consulting		3.6%	
Financial Intermediation	3.4%		
Residential building Construction	3.3%	2.0%	1.3%
Portfolio Management	1.2%	1.8%	2.8%
Management Consulting	2.8%		



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Distributions by 6-digit Industry

Owners only, distribution of filers within income group
T2 6 Digit NAICS Industries with more than 1% of filers

	All	Top 10	Top 1
Offices of Lawyers	0.7%	1.7%	2.6%
Offices of Dentists	0.9%	2.0%	2.3%
Engineering Services	1.6%	2.1%	1.7%
Office Administrative Services	1.2%	1.8%	2.1%
Lessors of residential buildings	1.3%	1.5%	1.8%
Full-Service Restaurants	1.7%		
Dairy Cattle and Milk Production			1.6%
Other Scientific and Technical Consulting	1.2%	1.5%	1.1%
Real Estate Property Managers	0.9%	1.2%	1.4%
Limited-Service Eating Places	1.3%		
Land Subdivision	0.9%	1.0%	1.3%
All other financial investment activities			1.3%



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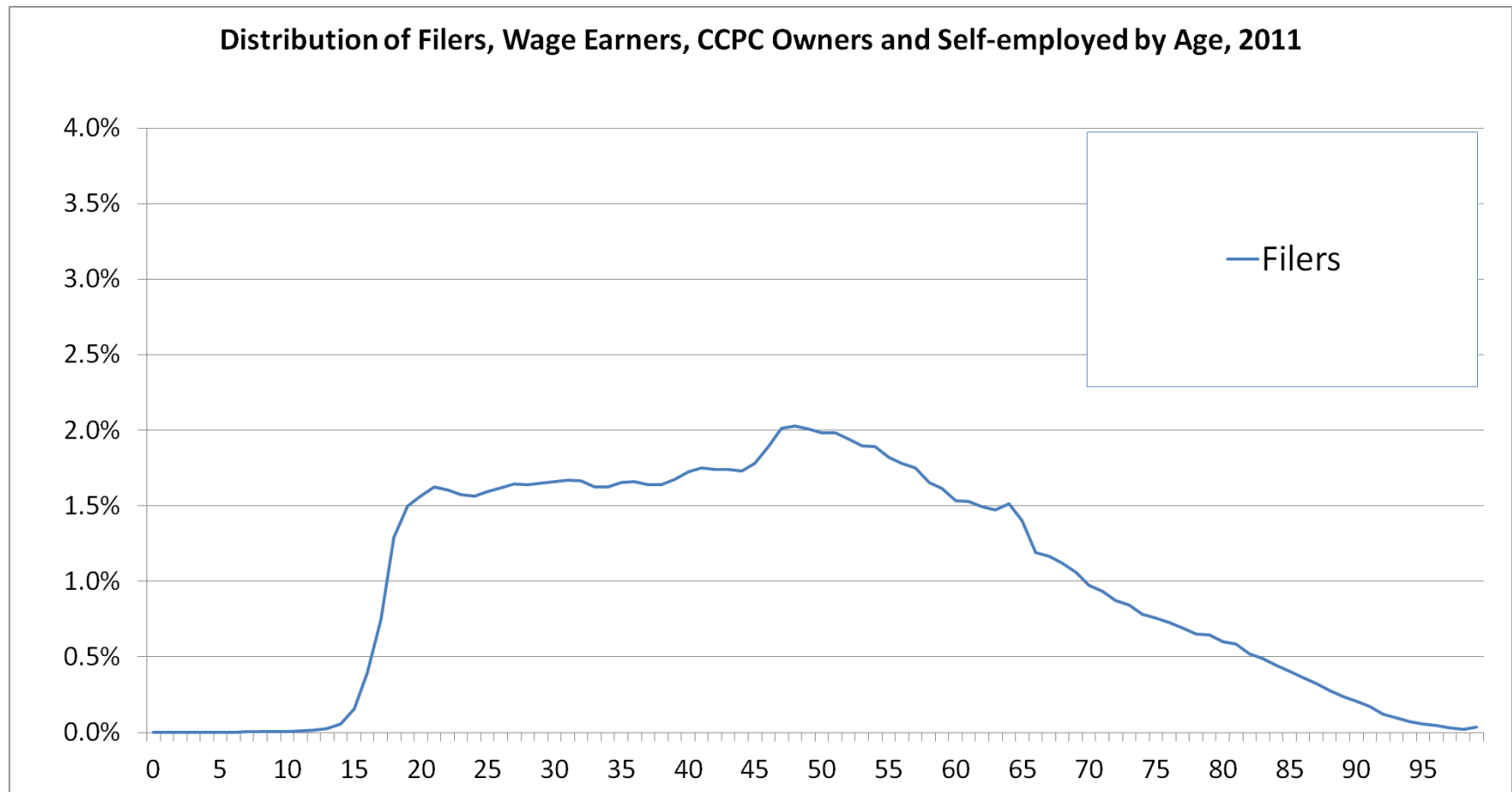
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Industry: CCPC vs. workplace

- 61% of CCPC Owners who also receive wages have the same 2-Digit NAICS for both their CCPC and wage source
 - Highest rates of congruence
 - Manufacturing (76%)
 - Health Care and Social Assistance (76%)
 - Retail Trade (75%)
 - Lowest rates of congruence
 - Finance and Insurance (32%)
 - Real estate, renting and leasing (31%)
 - Management of Companies (16%)

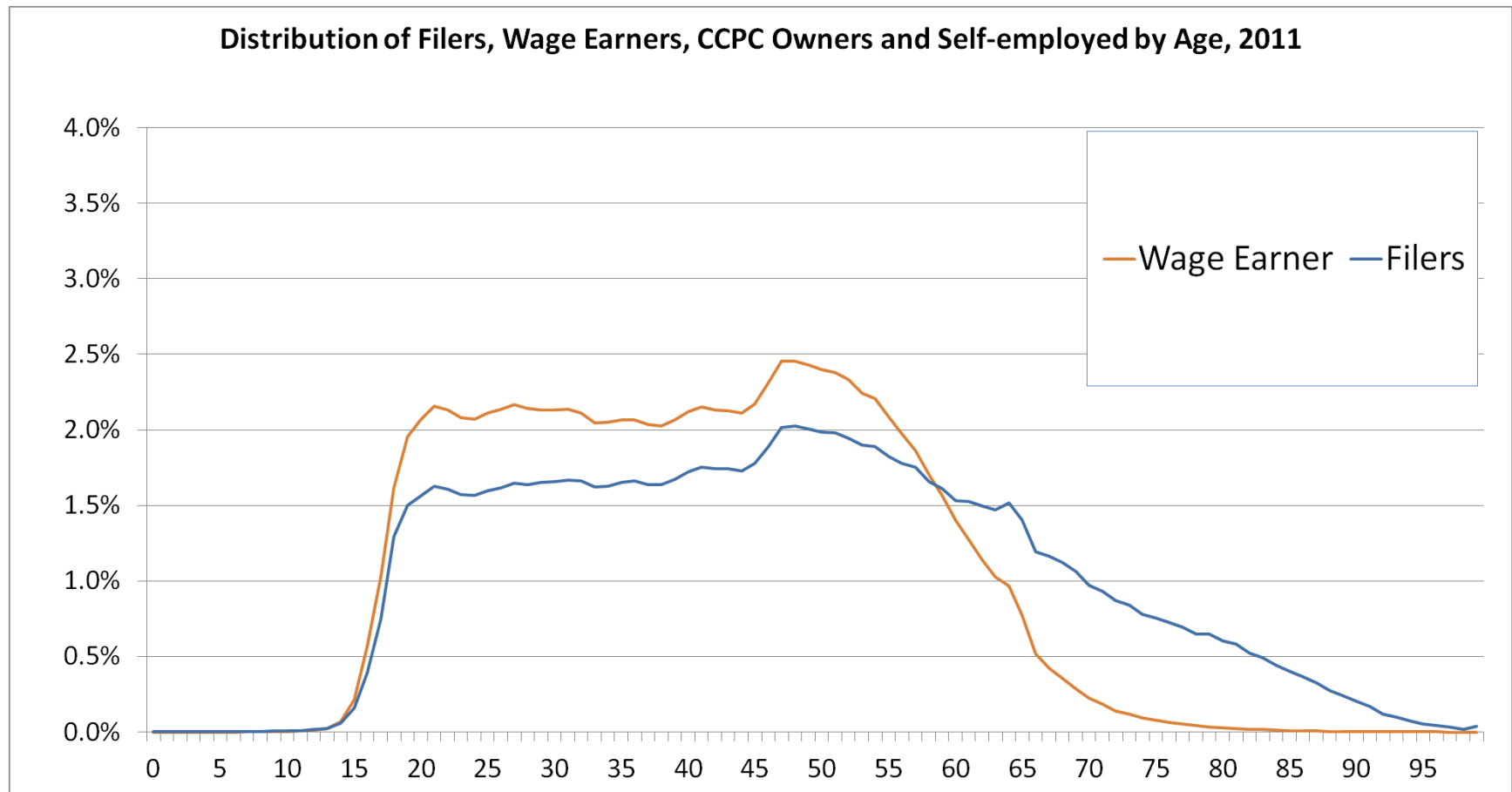


Age Distributions



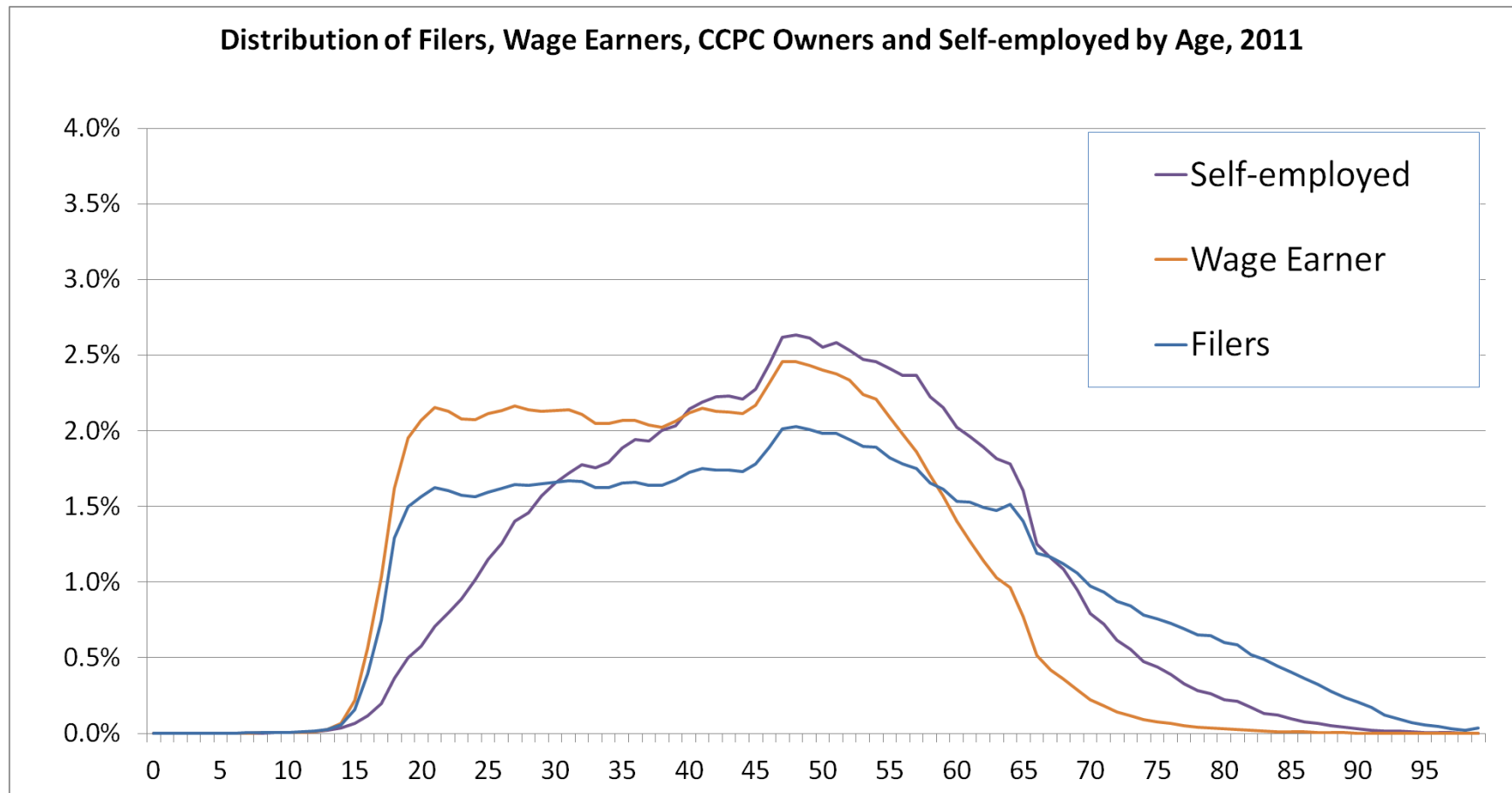


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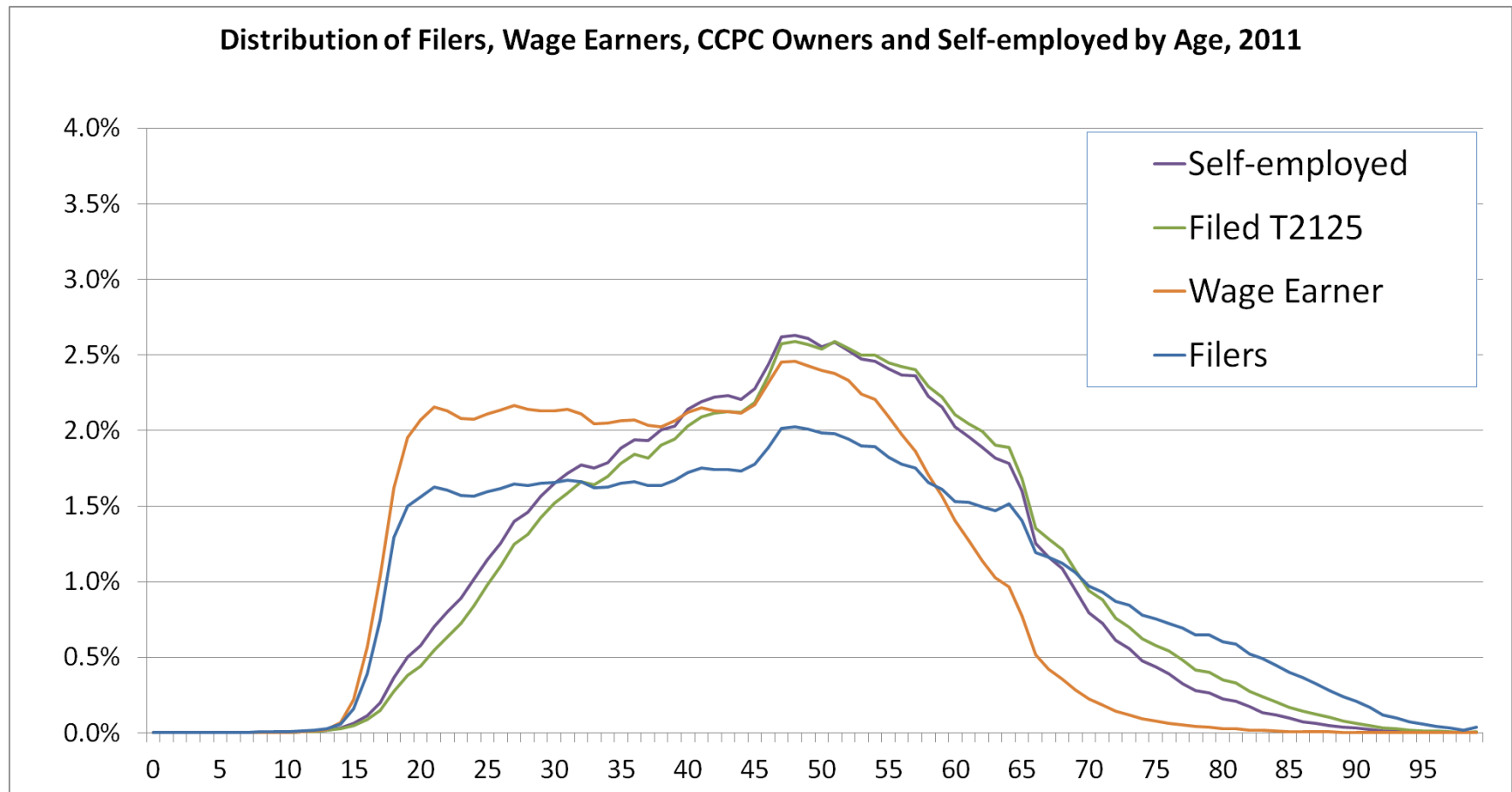


Age Distributions



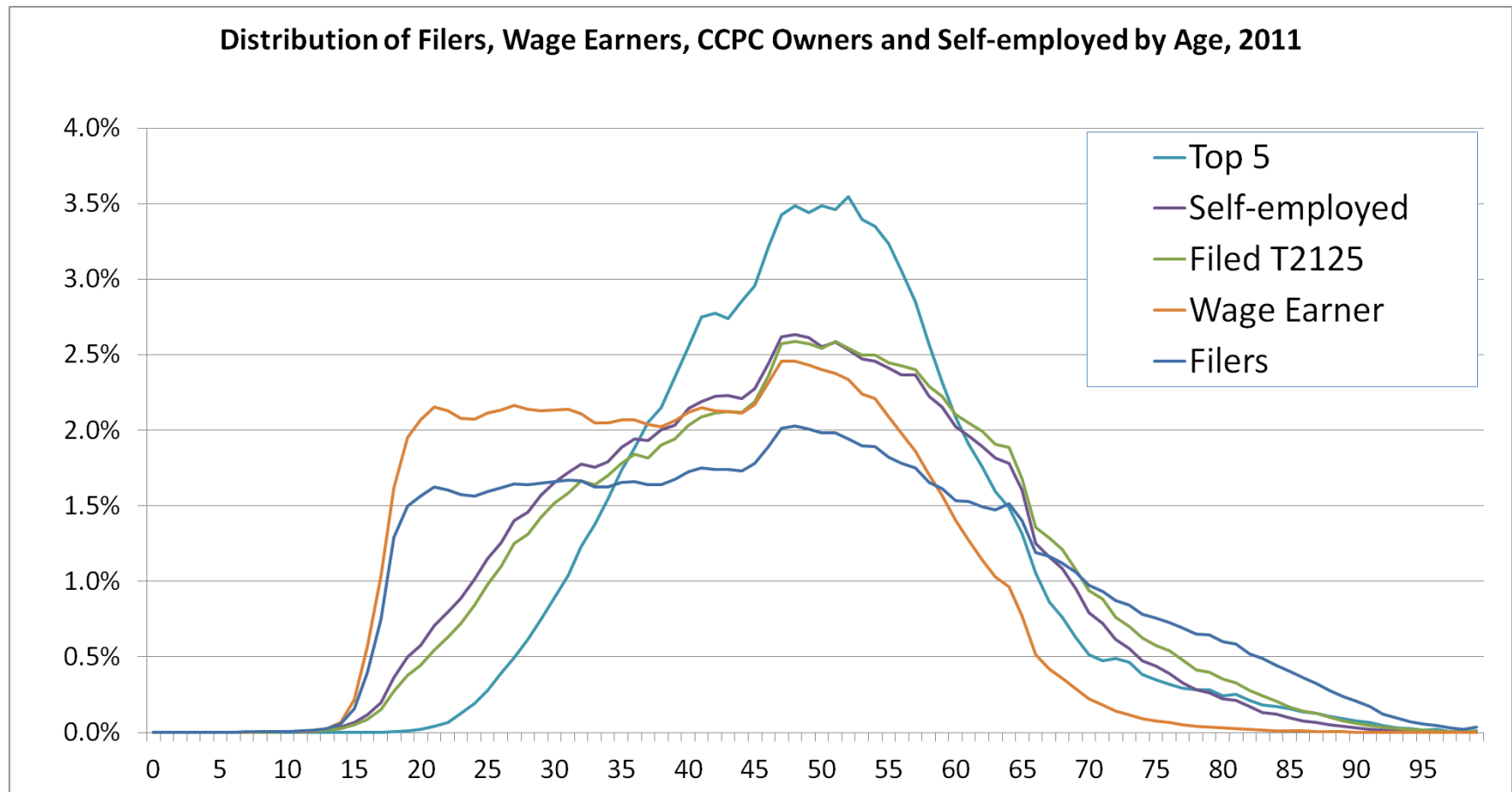


Age Distributions



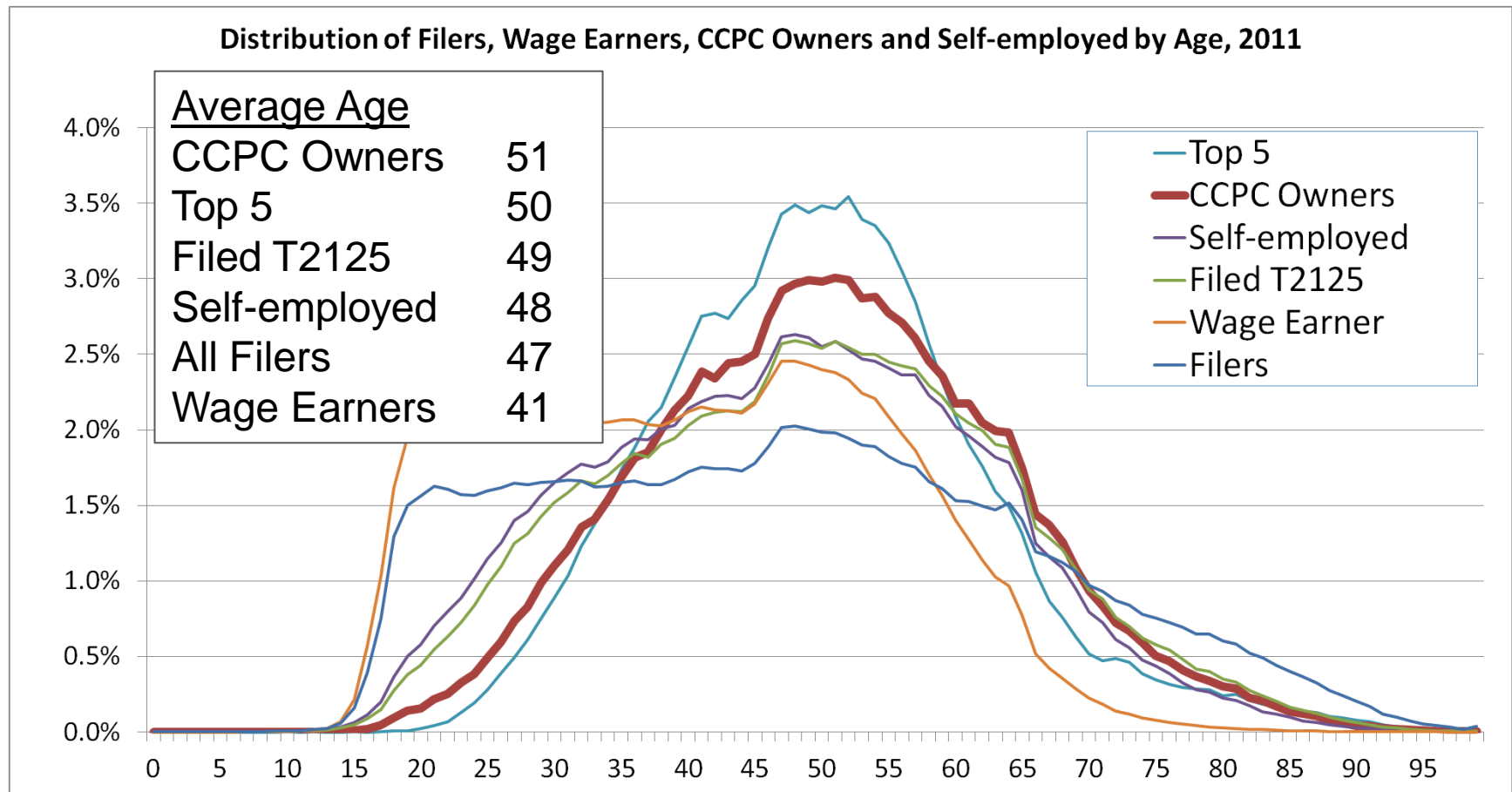


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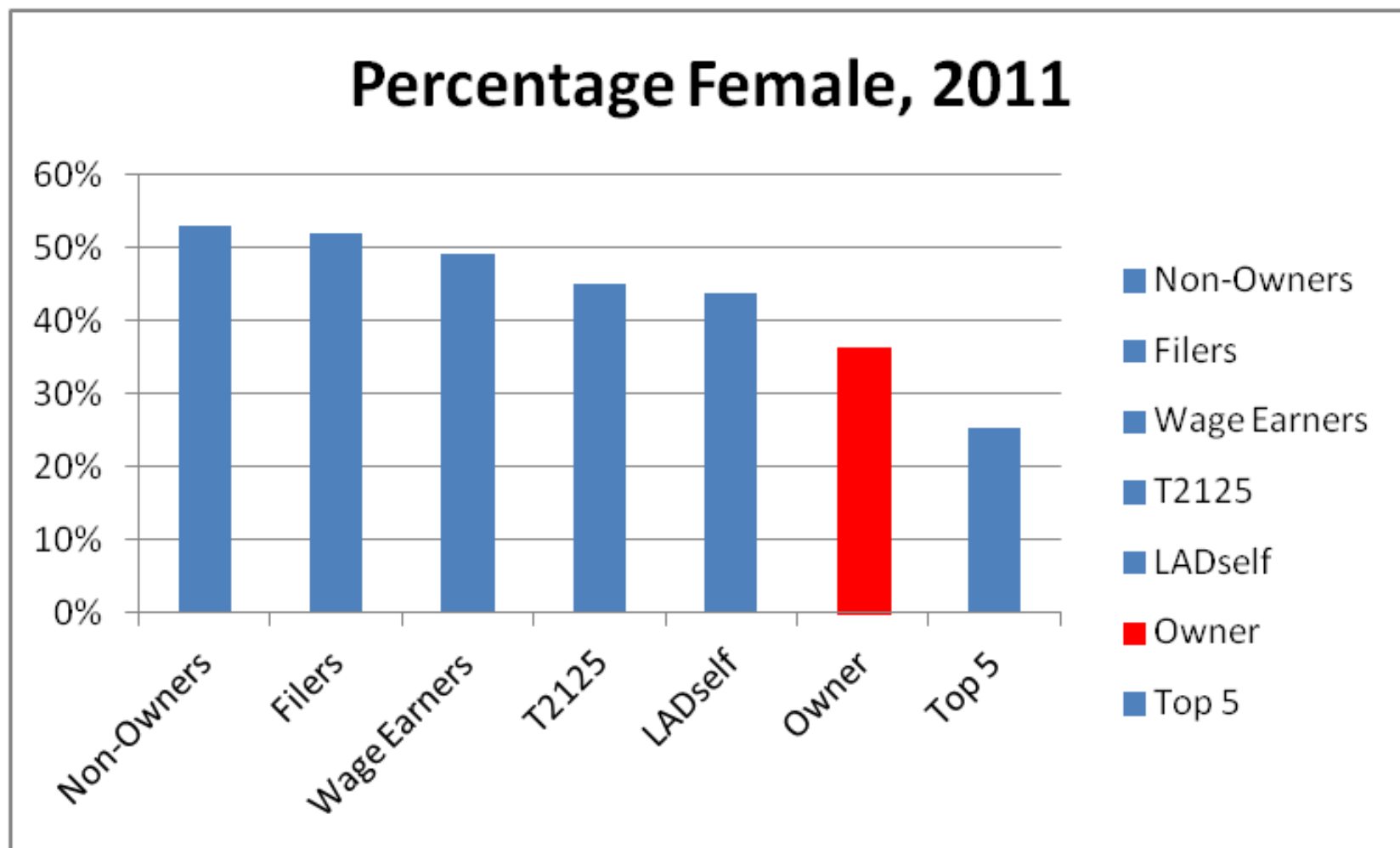




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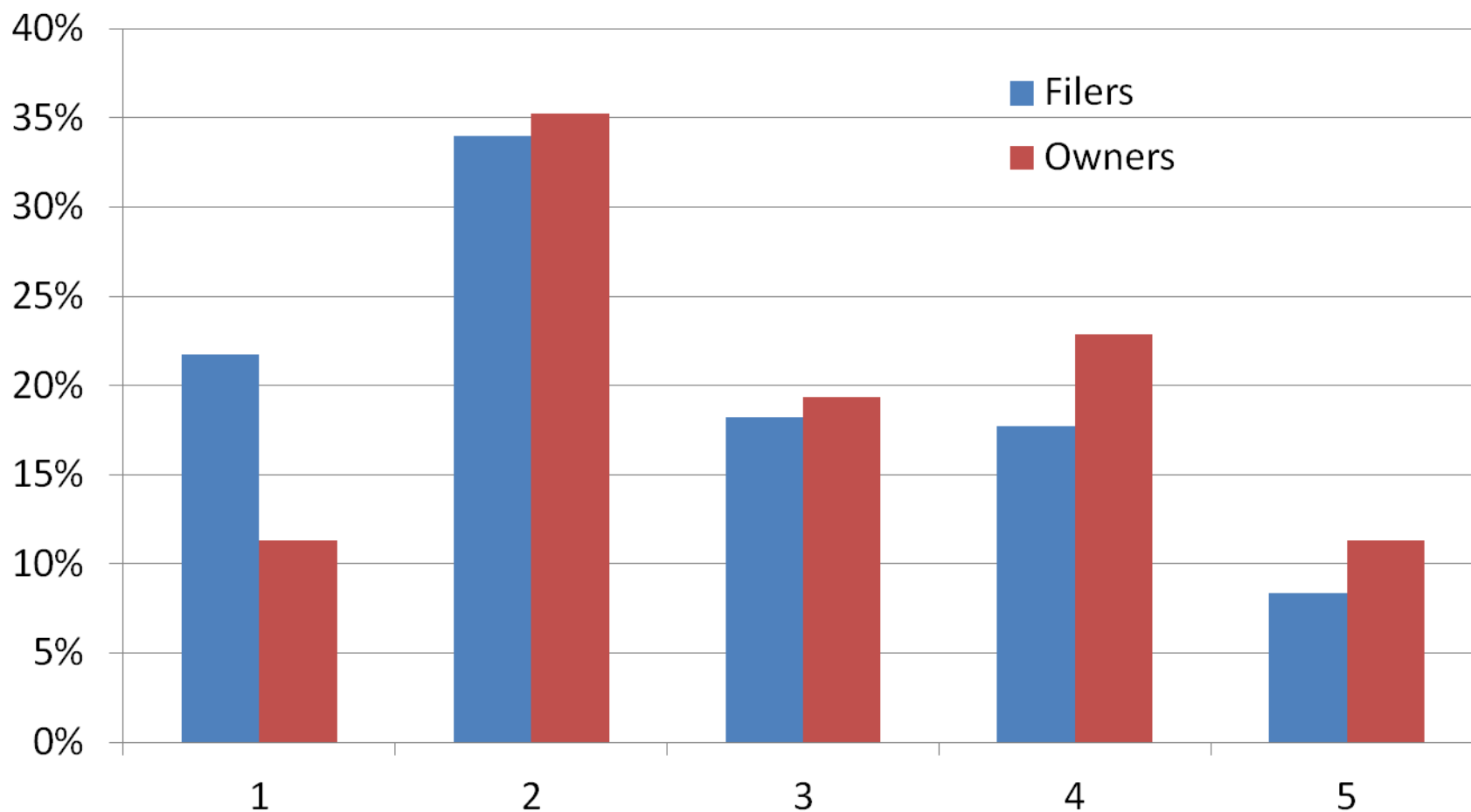


Gender





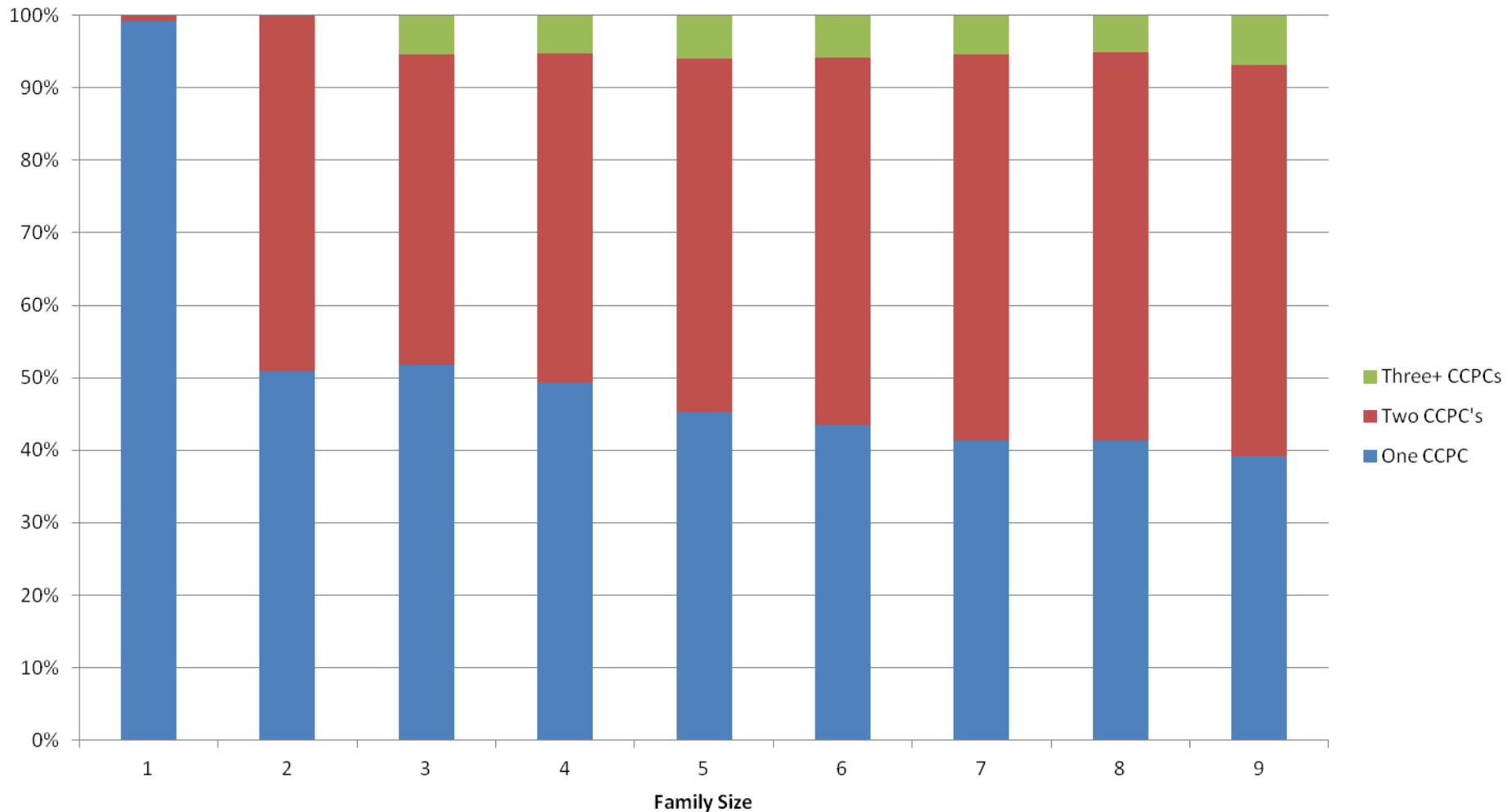
Distribution of Filers and CCPC owners by Family Size





Family size Distributions

Distribution of Owners by Family Size and Number of Firms Owned



Concluding Remarks

- 1.7 Million owners of >10% Share of a CCPC
 - 6.4% of filers
 - 72% owners earn under 61K in 2011
 - Over 70% of Top 0.01 own CCPCs
- Nearly 1/3 of owners have self-employment
 - More overlap at higher incomes
 - Similar industries as owners
- Higher rates of ownership in western provinces
 - Ownership not correlated with city size

Concluding Remarks

- Ownership in the financial management and professional industries is more prevalent at higher incomes
- Owners are on average older and more male than wage earners or self employed but younger and more female than high income Canadians