SUPPORTING IMMIGRANT AND NEWCOMER ENTREPRENEURS IN CANADA DURING THE COVID-19 PANDEMIC

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INTRODUCTION

COVID-19 has affected all Canadians, but some far more than others. Women, immigrants, racialized people, Indigenous peoples, persons with disabilities, and people in remote areas are more negatively affected by the physical, psychological, and social impacts of the virus, as well as the economic havoc that has brought with it. While small and medium enterprises (SMEs) and self-employed entrepreneurs face catastrophic challenges (e.g. layoffs and closures), immigrant and racialized entrepreneurs face an even greater burden due to structural inequality, discrimination, and access to supports. Furthermore, the effects on women immigrants and racialized entrepreneurs are greatly compounded by the closure of schools and day-cares, the burden of unpaid work, and lack of access to basic infrastructure.

IMMIGRANT ENTREPRENEURS

The contributions of immigrants to entrepreneurship and innovation are well documented worldwide. For instance,

52% of startups in Silicon Valley were founded by immigrants (Becker & Lee LLP, n.d.). Immigrants to Canada, regardless of the class under which they entered, are more likely to be entrepreneurs than those born in Canada. For example, in 2018, 251,600 newcomers were entrepreneurs in Canada (Bouchard & Bédard-Maltais, 2019). Some are driven by necessity and exclusion from traditional employment; others are entrepreneurs by choice. In fact, research shows that many immigrants would choose entrepreneurship over traditional employment (Bauder, 2003; Hou & Wang, 2011; Dimitratos et al., 2016). There is even evidence that indicates that immigrant entrepreneurs are better educated, and more likely to innovate and to export (Public Policy Forum, 2019).

Businesses owned by immigrants have certain structural characteristics: they tend to be smaller than those owned by Canadian-born entrepreneurs, and long-term immigrants are more likely to be self-employed than those who are Canadian-born (10.8% vs. 7.5% Statistics Canada, 2018). Moreover, immigrant entrepreneurs are less likely to be connected to mainstream organizations (e.g. the Canadian Chamber of Commerce, Entrepreneurs' Organization, and Futurpreneur Canada) and financial institutions that are stewarding the distribution of resources and supports.

We also know from other research that immigrant entrepreneurs face different challenges than Canadian-born entrepreneurs. For example, they are slightly more likely to be necessity driven, and less likely to seek financing. Newcomer and immigrant entrepreneurs face more difficulties accessing finances than Canadian-born entrepreneurs (Cukier et al., 2017; Lo & Teixeira, 2015). For instance, credit constraints are greater for immigrant entrepreneurs than for Canadian-born entrepreneurs, because immigrant entrepreneurs typically have shorter credit histories and financial institutions are unfamiliar with immigrant borrowers (Desiderio, 2014). Since they have less credit history, many have relied more heavily on financing from friends and family than loans from financial institutions or VC investments. Immigrant entrepreneurs have limited knowledge of the Canadian legal system, compared to non-immigrant entrepreneurs, and lack information about rules and registration (Diversity Institute, 2017).

There are significant differences among different ethnic groups. While not all immigrants are racialized and not all racialized Canadians are immigrants, there is considerable overlap, often increasing barriers and levels of stress (Mo, et al., 2020). The 2011 census data indicate that about one out of every five people living in Canada is a visible minority and 7 in 10 visible minorities are foreign-born (Statistics Canada, 2011). Within, group differences are very significant. For example, Black entrepreneurs operate primarily in the service industry rather than in the technology and manufacturing sectors, which have fared better during the crisis. They are smaller and self-financed, and consequently have less access to support, increasing their vulnerability (Cukier, 2020).

Although immigrant women are slightly less likely to be self-employed (7.9%) than Canadian-born women (11.6%), women from some ethnic groups are more likely to be self-employed than men. For instance, according to Statistics Canada's data, there are 10,148 self-employed Black women and 4,222 self-employed Black men; Chinese and Filipino self-employed women also outnumber men of the same ethnicity (Statistics Canada, 2016).

IMPACTS OF COVID-19 ON ENTREPRENEURS

The COVID-19 pandemic has had wide-ranging impacts in Canada, and research shows that SMEs are most impacted. Indeed, 77% of small businesses were partially or fully closed (CFIB, 2020a) and 57% of small businesses reported losses of 55% or more in sales (CFIB, 2020b). The Government of Canada has offered multiple programs to help, including the Emergency Wage Subsidy (CEWS), the Canada Emergency Response Benefit (CERB), the Canadian Emergency Commercial Rent Assistance (CECRA), and the Canadian Emergency Business Account (CEBA). However, many SMEs or self-employed Canadians were ineligible or past the point of recovery (CFIB, 2020a). The evidence was clear that micro businesses (<5 employees) suffered the most regarding job losses and closures (Statistics Canada, 2020). Additionally, SMEs in some sectors, notably services, were more affected (OECD, 2020), and self-employed entrepreneurs, often operating the newest and smallest ventures, were acutely impacted. They also have much less access to support services which are designed to target SMEs with employees. Immigrant and racialized entrepreneurs are particularly impacted due to their overrepresentation in these affected sectors.

A recent survey by the Canadian Women's Chamber of Commerce (CWCC) and The Dream Foundation (2020) identifies immigrant entrepreneurs' biggest challenges, which are the loss of contracts and sales (79%), delay of payments (43%), and negative mental health impacts during the pandemic. Pre-COVID-19 research has already shown that immigrant entrepreneurs, compared to Canadian-born entrepreneurs, face more challenges in accessing support services and financing and have difficulty navigating Canadian regulatory requirements (e.g. health and safety) as well as Canadian norms and markets (Cukier et al., 2017). For example, immigrant entrepreneurs face additional challenges to creating, developing and sustaining businesses due to language barriers and a lack of networks (Lo & Teixeira, 2015). Many immigrants also lack the language skills and knowledge needed to navigate the complexity of new programs (Grossman, 2020). Thus, with the disruption of the pandemic, immigrant-owned businesses are among the most damaged. Additionally, a higher percentage of immigrants-owned businesses (59.1%) reported declines in

revenue of 20% or more, as compared to businesses overall (53.5%) (Mo, et al., 2020). Additionally, immigrant entrepreneurs are traditionally more likely to export and import than Canadian-born entrepreneurs and have suffered more damage with the disruption of travel and global supply chains (Baer, 2020).

Most of the resources and support provided by the government consist of wage subsidies or loan programs, which are less likely to benefit immigrant entrepreneurs given that they are less likely to have access to financing and government programs and also have challenges navigating systems (Diversity Institute, 2017).

BROADER SOCIAL IMPACTS

While there is little research focusing specifically on immigrant entrepreneurs, it is not difficult to see how other dimensions of the immigrant experience interact with their experience as entrepreneurs. For example, a survey of 1,508 Canadians conducted by Leger and the Association for Canadian Studies between March 27th to 29th, 2020 found that due to COVID-19, 55% of newcomers faced risks to their capacities to meet their financial obligations (e.g. the timely payment of their bills) compared to 31% of less recent immigrants (i.e. immigrated to Canada more than 5 years ago) and 26% of non-immigrants (Jedwab, 2020). This is because the process of settlement, which includes finding a job, enrolling in school, and even accessing basic services (e.g. banking and ESL classes) have been delayed (CBC, 2020).

The increase in discrimination, particularly of some ethnic groups, affects immigrant entrepreneurs disproportionately; many operating services in ethnic enclaves like Toronto's Chinatown were unduly affected (CBC News, 2020).

The effects of the social distancing and isolation measures on immigrants exacerbates the pandemic's effects. For example, those with few familial connections and a language barrier are led to experience a "double isolation" (La Grassa, 2020). School closures and loss of childcare are additional challenges, because many immigrants are ill-equipped to support their children's remote learning due to language, educational, and technological barriers (Oliver Chronicle, 2020). This added familial stress potentially heightens the risk of domestic abuse (Bogart, 2020).

Because of the intersection between immigrant status, racialization and lower income status, many other dimensions of poverty, such as poorer living conditions, fewer alternatives to private transportation, less access to technology infrastructure, inadequate language skills, and lack of knowledge of Canadian systems, exacerbate the challenges faced by entrepreneurs forced to work at home. This is particularly true of women who are being crushed by the burden of unpaid work, childcare, elder care and homeschooling.

SUPPORTING IMMIGRANT ENTREPRENEURS

While entrepreneurship is recognized as an important way to enhance our economy, immigrant and newcomer entrepreneurs are facing differential impacts from COVID-19 due to their identities as members of diverse groups. Their needs for support and services to propel their businesses should be customized based on their current social location. There needs to be additional outreach and support, for example, to ensure that government programs reach the people who are most in need and to ensure that the financial institutions, charged with the distribution of many of the financial support, are not just reinforcing historic practices and approaches which exclude and further marginalize immigrant and newcomer entrepreneurs.

The value of programs specifically designed for immigrant and newcomer entrepreneurs is particularly clear during this time. Considerable research, for example, has shown the value of targeted approaches designed to address gaps in the systems and to provide wrap-around services to deal with the reality of their conditions. Specific services focused on navigating financing, transitioning to the digital realm, accessing government support, advisors and sponsors are particularly important. For women, additional recognition of the need for support for homeschooling and childcare is critical. At the same time, transitioning to online environments is challenging for some entrepreneurs because of the lack of access to infrastructure, social isolation, and language barriers.

A number of programs have emerged in recent years targeting immigrant entrepreneurs, and the lessons they provide are particularly important at this time. For example, Ryerson University's Diversity Institute has partnered with a number of organizations – including Scadding Court in Toronto, Halifax Partnership in Halifax and Immigrant Employment Council of British Columbia (IECBC) – to design and deliver targeted programs. For instance, the Newcomer Entrepreneurship Hub (NEH) requires that participants take 40+ hours of entrepreneurship training provided by industry professionals. It is delivered primarily by newcomers and has shown strong results – over 80% of participants found they had learned and improved on many skills, including knowledge about finance and regulations, marketing and promotion, personal skills, and networking (Newcomer Entrepreneurship Hub, 2019). Focused mentoring and coaching was a critical factor of the success of the program, along with comprehensive services like language training and finding ways to transition the business to an online environment. Similarly, the Immigrant Women Startup Challenge in Halifax focuses on entrepreneurship training for women and is unique in providing a platform

for participants to pitch their business ideas for a chance to win $5,000 to develop their business. In addition to providing wrap-around services such as childcare, the Startup Challenge has created demand for continued one-on-one mentoring and support. The Women Entrepreneurship Knowledge Hub's new community platform provides women entrepreneurs an opportunity to ask for or give support; this is another example of an initiative aimed specifically at diverse women. For some women entrepreneurs, the Study Buddy free tutoring service offered to racialized families has been very important in ensuring that their children are not left behind. Education, after all, is the strongest predictor of social mobility. This program helps segments of the population who struggle to support their children due to their circumstances.

RECOMMENDATIONS

Ensuring that a diversity and inclusion lens is brought to bear on examining the impacts of COVID-19 on immigrants and racialized entrepreneurs is critical, along with applying the same perspective to the delivery of programs and services to help with their survival. Measures that can help ameliorate the compound effects of structural barriers include the following:

- Awareness and Navigation: working with ethnic chambers and community organizations to provide tailored supports in multiple languages;
- Financing: ensuring that pre-existing barriers, such as credit and corporate, are not amplified;
- Skills development: targeted supports that develop skills that immigrant entrepreneurs need for capacity building, digitization, marketing, and strategy;
- Mentorship and sponsorship: building networks across organizations (e.g. linking mainstream business organizations to ethnic organizations will help mutual understanding);
- Preferential Procurement: ensuring a diversity and inclusion lens is applied to recovery programs;
- Wrap-around services: providing services that will help access to space, to transportation, to services and support for childcare and homeschooling in one place.

CONCLUSION

The evidence is clear: immigrant entrepreneurs are an essential part of Canada's economic recovery and prosperity. It is critically important to ensure that we apply a gender and diversity lens to the impact of COVID-19 and to the programs and strategies intended to aid the recovery. Otherwise, we risk reifying and exacerbating the structural inequalities and barriers that continue to exist. A focus on inclusive innovation will ensure no one is left behind and will create greater collective benefits.

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