



# DEFINITIONS AND CONCEPTS USED IN BUSINESS REGISTER



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# Canadian Business Patterns

## Coverage of the Business Register

The Business Register is a repository of information reflecting the Canadian business population and exists primarily for the purpose of supplying frames for all economic surveys in Statistics Canada. It is designed to provide a means of coordinating the coverage of business surveys and of achieving consistent classification of statistical reporting units. It also serves as a data source for the compilation of business demographic information.

The major sources of information for the Business Register are updates from the Statistics Canada survey program and from Canada Revenue Agency's (CRA) Business Number account files. This CRA administrative data source allows for the creation of a universe of all business entities.

Included in the Business Register are all Canadian businesses\* which meet at least one of the three following criteria:

- (1) Have an employee workforce for which they submit payroll remittances to CRA; or
- (2) Have a minimum of \$30,000 in annual sales revenue; or
- (3) Are incorporated under a federal or provincial act and have filed a federal corporate income tax form within the past three years.

The data provided in this product reflects counts of **statistical locations** by industrial activity (**North American Industry Classification System**), **geography codes**, and **employment size ranges** (also includes an “**Indeterminate**” category).

### **Changes in the Canadian Business Patterns:**

For the first time, the December 2010 edition of the Canadian Business Patterns (CBP) includes all unincorporated (T1) businesses with sales of at least \$30,000. This integration of T1 businesses is intended to create a more comprehensive representation of the business population on our Register. In particular, this change has mainly affected the following sectors: NAICS 53 (Real Estate and Rental and Leasing), NAICS 44-45 (Retail Trade) and NAICS 62 (Health Care and Social Assistance). The introduction of these units has not had a significant impact on total CBP counts and represents 1.6% of all locations in December 2010.

The December 2008 CBP publication introduced the use of ‘statistical location’ counts, in addition to the usual establishment counts. Beginning with the December 2009 Canadian

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\* A business has one or more establishments/locations. See sections “Statistical Establishment” and “Statistical Location” for more details.

Business Patterns, only locations are provided. The use of location counts provides a better measurement of actual business units. Definitions of the statistical establishment and location are provided later in this document under the “Statistical Establishment” and “Statistical Location” sections.

Also, beginning with the December 2008 edition of Canadian Business Patterns, census subdivisions (CSD) are no longer provided as a standard geographical area. The decision to remove this variable was based upon the volatility of the counts between the different versions of the CBP (specifically with regards to rural areas). Units would move from one CSD to another, not due to actual changes in physical location, but due to changes in linkages between a specific CSD and postal code.

## Data Quality and Limitations

The Business Register is largely based on the Business Number (BN) registration source as collected by the Canada Revenue Agency (CRA). Therefore, the quality of counts on the Canadian Business Patterns (CBP) is heavily dependent on the quality of the information submitted by Canadian businesses when applying for their Business Number.

### **Location counts:**

### **Creations:**

In general, a location creation on the Business Register occurs shortly after a BN is created for each business registrant by CRA. The BN registrations are used to update the Business Register database on a weekly basis, which results in most new business locations being created only a few weeks after their administrative entry. For a small number of business locations the creation process is delayed by the imprecision or the lack of information concerning the nature of business activity as submitted to CRA. In these cases, the business is contacted to obtain the necessary information for the creation of a location record.

Since the primary trigger of location creation is the CRA administrative source, only businesses with a BN are represented on the CBP. However, all small unincorporated businesses, indicating annual sales of less than \$ 30,000, and without an employee payroll, are excluded from the CBP counts. The population of those small unincorporated businesses is approximately 600,000.

The June 2006 version of the CBP shows an increase in the number of establishments as a result of a methodological change. There is a new way of identifying newcomers on the Business Register. The following sectors have been affected: NAICS 48-49 (Transportation and Warehousing), NAICS 53 (Real Estate and Rental and Leasing) and NAICS 54 (Professional, Scientific and Technical Services).

## **Inactivation:**

Businesses are assigned an inactive status on the Business Register when neither a tax payment nor payroll remittance has been made by these businesses for some time. Therefore, the possibility exists that a business may have ceased operation within this time period but remains recorded within the CBP counts.

Failure to make contact with a business during the conduct of Statistics Canada survey activities may also lead to the inactivation of Business Register units.

On an annual basis, about 100,000 units are inactivated on the Business Register based on the above-mentioned signals.

In the December 2000 CBP, you will note a drop in the number of establishments. As well in the June 2005 CBP, the number of smaller establishments significantly declined. These decreases should be attributed, not to economic factors, but to the change in methodology. During the last few years, the Business Register Division has analyzed new administrative sources in order to detect more rapidly and accurately business closures. This has resulted in the use of new signals that are now part of the processes to update the Business Register.

The December 2007 version of the CBP is based on the redesigned Business Register. The statistical structure (including establishments) has been simplified to better reflect the operating structure of the business. The decrease in the number of establishments is the result of our continuous efforts to detect inactive business as early as possible.

The December 2008 and June 2009 versions of the CBP show a decrease in the number of establishments/locations. This can be attributed to the introduction of new ‘inactivation rules’ that expanded the ability to identify units that are not reporting any economic activity.

## **The geography:**

The December 2010 CBP data showed a marked decrease in counts for the Brockville census agglomeration. This can be attributed to a shift in some of the units which were previously associated with census agglomeration 512 (Brockville) to other census agglomerations.

As of December 2007, the 2006 Standard Geographical Classification is used in the CBP. The spatial coding of locations is based on the Standard Geographical Classification (SGC-2006) maintained by Statistics Canada. The link between a specific business and its geographical code is made using the postal code.

Since the postal code is designed by Canada Post and targets the efficient delivery of the mail, there are many situations where one postal code does not align exactly to the boundaries of a single SGC geographic unit. The smaller and rural geographic units are more subject to this possibility. These situations are more prevalent in rural areas, where the addresses are defined by a single rural route, box or post office within the postal code.

Where a single postal code crosses different SGC geographical units, the Business Register assigns all the locations claiming the same postal code to a single geographical unit, which in general, is the major geographic unit in the surrounding area. There are some situations where locations are counted in geographical units (particularly at the census subdivision level) slightly askew to their true physical locality.

The number of establishments in the census agglomeration 865 – Wetaskiwin increased significantly in the June 2006 version of the CBP because of geographic changes. Additional postal codes now contribute to the census agglomeration.

Starting with the December 2007 CBP version, the number of establishments coded as “residue” (see description below) has increased with the change to the 2006 Standard Geographical Classification (SGC). Since the new geography is based on a more recent version of postal codes, a number of existing postal codes no longer find a matching geography code.

### **The employment size ranges:**

As of December 2007, for most establishments/locations, the employment estimate is based on a Canada Revenue Agency form (PD7) filled by the employer where the number of employees over the last pay period (full time or not) is reported. This variable is updated on a monthly basis.

Prior to December 2007, for most establishments, the employment estimates were derived using, as a primary input, the amount of payroll deduction remittances made by employers on behalf of their employees. These were estimates and should not be confused with estimates produced by the Labour Force Survey or the Survey of Employment, Payroll and Hours. They are used by Statistics Canada for survey stratification purposes.

Some businesses do not have a payroll deduction account with CRA, but may still have a workforce of contracted workers, family members or business owners. The Business Register does not have this information available and assigns these locations to an “Indeterminate” category within the CBP counts.

### **The industrial classification code:**

Locations are coded based on the concept of major business activity in a manner consistent with the approach outlined by the North American Industry Classification System (NAICS-2007).

For newly created businesses, the primary industrial coding is initially processed using automated coding software. This software evaluates the activity description indicated by the business and assigns the appropriate industry classification coding (about 50% of new business records). Activity descriptions lacking precision are subjected to a manual coding

process (about 50%<sup>1</sup> of new business records). Subsequent to this initial classification process, the industry code may be further updated if:

- the Business Register is notified of a change of activity as a result of a survey contact;<sup>2</sup>
- a subsequent update from the CRA administrative source which mentions a change in the business activities; or
- a business profile is conducted by the Business Register.

Over the course of 1997, the BR implemented the conversion of the 1980 Standard Industry Classification (SIC) coding system to the newly developed North American Industry Classification System (NAICS). The fundamental concepts behind the classification systems (SIC and NAICS) were different: NAICS is based on a production-oriented principle whereas the SIC's basis was the various goods and services produced. While the BR had sufficient information to assign a NAICS code for the majority of business records, over 300,000 businesses were contacted to obtain additional information regarding the nature of their business. Based on this new information a NAICS code was assigned and, where appropriate, the SIC was also updated. The SIC and NAICS 1997<sup>3</sup> coding systems are available on our products as of December 1998 and the SIC is available up until June 2004. Therefore, any data disseminated after October 2004 only have available the North American Industry Classification System (NAICS) code.

The products that are affected are, beginning with the December 2004 issue, the Canadian Business Patterns CD-ROM, and all customized extractions to clients requesting industry breakdowns by SIC.

Over the summer of 2002 we implemented the revised version of the NAICS: NAICS 2002. As of June 2002, NAICS 1997 has been replaced by NAICS 2002. Two sectors were affected: Construction, and Information and Culture industries.

In December 2006, we implemented another revised version of the NAICS: NAICS 2007. It is important to note that the majority of changes occurred within sector boundaries with two exceptions. Real Estate Investment Trusts (REITs) which moved from sector 52, Finance and Insurance to sector 53, Real Estate and Rental and Leasing. Executive Search Consulting Services moved from sector 54, Professional, Scientific and Technical Services to sector 56, Administrative and Support, Waste Management and Remediation Services. The greatest change introduced by this revision is in the area of telecommunications, as was the case in the NAICS 2002 revision. As of December 2006, NAICS 2002 has been replaced, in our products, by NAICS 2007.

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<sup>1</sup> Includes records of businesses that could not be contacted and were returned to CRA.

<sup>2</sup> This will happen only if the business is part of a survey sample.

<sup>3</sup> <http://www.statcan.ca/english/concepts/industry.htm>

The following is a list of *key definitions* found in this product:

### **Employment Size Ranges and the “Indeterminate” Category**

#### **Standard Geographical Classification (2006 SGC)**

- Geographical Description
- Geographical Structure
- Province and Territory
- Census Division
- Census Metropolitan Area and Census Agglomeration
- Residue

#### **North American Industry Classification System (NAICS-2007)**

- Industrial Description
- Sector
- Sub-sector
- Industry Group
- National Industry

## Statistical Establishment

A statistical establishment is the production entity or the smallest grouping of production entities\* which:

- (a) Produces a homogeneous set of goods or services;
- (b) Does not cross provincial boundaries; and
- (c) Provides data on the value of output together with the cost of principal intermediate inputs used along with the cost and quantity of labor resources used to produce the output.

For example, a plant in the manufacturing industry which provides accounting information regarding the value of shipments (sales), direct costs and labor costs is considered a single establishment. However, two stores in the retail industry may be considered one establishment if the accounting information, described in item (c) above, is not available separately, but is combined at a higher level.

## Statistical Location

The location is an operating entity, specifically a production entity which:

- (a) Conducts economic activity at or from a single physical location or group of locations;
- (b) Resides within the smallest standardized geographical area;
- (c) Is able to provide employment data at a minimum.

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\* The production entity is a physical unit where the business operations are carried out. It must have a civic address and dedicated labour.



## Employment Size Ranges and the “Indeterminate” Category

The following are the employment size ranges and the “*Indeterminate*” category available in the Canadian Business Patterns product:

### Indeterminate

1 to 4

5 to 9

10 to 19

20 to 49

50 to 99

100 to 199

200 to 499

500+

The locations in the “Indeterminate” category include the self-employed, i.e. those who do not maintain an employee payroll, but may have a workforce which consists of contracted workers, family members or business owners. However, the Business Register does not have this information available, and has therefore assigned the locations to an “Indeterminate” category. This category also includes employers who did not have employees in the last 12 months.

Please note that locations are assigned to employment size ranges based on employment size estimates derived from payroll remittance data. The primary purpose of the employment size data is to improve the efficiency of samples selected to conduct statistical surveys. ***These data should not be used in any manner to compile industry employment estimates.*** Employment size estimates, as grouped in employment size ranges, tend to measure the annual maximum number of employees, full time or not.

## Geography

The Standard Geographical Classification (2006 SGC) is Statistics Canada's official classification for the geographical areas in Canada. It was developed to facilitate the analysis of statistical data using a uniform geographical area definition. It produces a range of geographical areas that are useful for analysis, convenient for data collection and compilation on this basis. It is intended primarily for the classification of statistical units such as locations.

Two criteria were used in the selection of the geographical areas for the Standard Geographical Classification:

- (1) Easily recognized by the respondents who are asked to report geographical detail because they routinely conduct business with administrative units such as a municipality, regional municipality or province; and
- (2) Useful geographical areas for the purpose of statistics.

The Standard Geographical Classification identifies three types of geographical areas:

- (1) Provinces and territories (13 in total)
- (2) Census divisions (288 in total)
- (3) Census subdivisions (5,418 in total)

Starting with the December 2008 edition of Canadian Business Patterns, census subdivisions are no longer used.

## Structure of the Standard Geographical Classification

Each of the three sets of areas cover all of Canada. They are hierarchical: a census subdivision aggregates to a census division, which in turn aggregates to a province or territory.

### **(1) Province and Territory**

Provinces and territories are the major political divisions in Canada. From a statistical point of view they are a basic unit for which data are tabulated and cross-classified. The ten provinces combined with the three territories cover the entire country.

### **(2) Census Division**

This is a general term applying to geographical areas established by provincial law, which are intermediate between the census subdivision and the province. Usually they are created to facilitate regional planning and the provision of services that can be more effectively delivered on a scale larger than a municipality.

Census division boundaries tend to be relatively stable over many years. For this reason the census division has been found useful for analyzing historical data on small geographical areas. There are currently 288 census divisions as per the 2006 Standard Geographical Classification.

A number of different types of census divisions are found in Canada. These are listed below.

- Census division
- Communauté urbaine
- County
- District
- District municipality
- Metropolitan municipality
- Municipalité régionale de comté
- Region
- Regional district
- Regional municipality
- Territory
- United counties

### (3) Census Subdivision

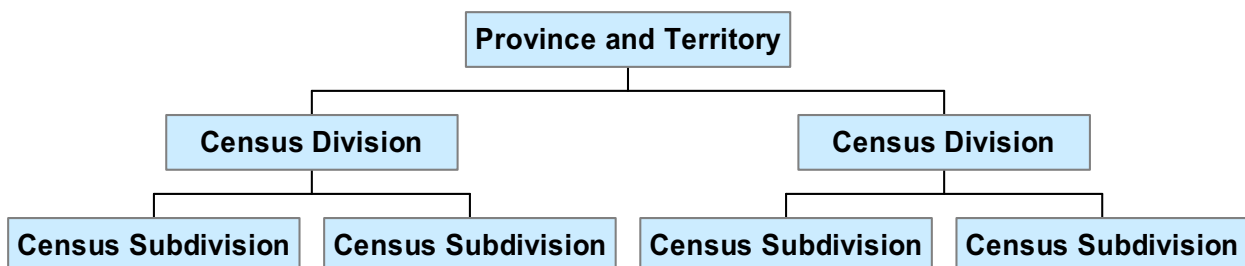
This is a general term applying to municipalities (as determined by provincial legislation) or their equivalent: Indian reserves, Indian settlements and unorganized territories. There are currently 5,418 census subdivisions in Canada as per the 2006 Standard Geographical Classification. You will notice that there is a net reduction of 182 census subdivisions compared to the 2001 Standard Geographical Classification, mainly due to municipal restructuring in many provinces.

It should be noted that each of the parts of a census subdivision that straddles provincial limits is treated as a separate census subdivision.

Each census subdivision has been assigned a type code. Usually “type” indicates municipal status, as given in the provincial acts of incorporation for each municipality. It provides important information about the nature of each census subdivision and helps to distinguish those with similar names.

The description of these types is found by clicking on the icon “Display active dimension”. Then, click on “Summary” under “Dimension” to find the complete list of abbreviations and their descriptions.

Below is a depiction of the relationship between the geographical areas.



## Census Metropolitan Area and Census Agglomeration

Census metropolitan areas and census agglomerations are other standard units created to present statistics for the largest urban centers in Canada.

A census metropolitan area is delineated around an urban area (urban core having populations of at least 50,000, and area have a population of at least 100,000, based on the last census). Across Canada, 33 census metropolitan areas (CMA) have been defined according to the SGC 2006. (This is 6 additional CMAs when compared to the SGC 2001.) Once an area becomes a census metropolitan area, it is retained as a census metropolitan area even if its population subsequently declines.

A census agglomeration is a smaller urban area with a population of at least 10,000. However, if the population of the urban core of a census agglomeration declines below 10,000, the census agglomeration is retired. There are 111 census agglomerations in Canada.

## '000' Residue

Please note that codes have been created in the Canadian Business Patterns (CBP) for residues. They consist of the province/territory code followed by zeroes. This residual category reflects statistical locations in Canada where there is insufficient information to precisely locate the locations within a census division/census subdivision as determined by the 2006 Standard Geographical Classification. The information does, however, indicate within which province/territory the location resides.

Starting with the December 2007 CBP version, the number of establishments coded as "residue" (see description below) has increased with the change to the 2006 Standard Geographical Classification (SGC). Since the new geography is based on a more recent version of postal codes, a number of existing postal codes no longer find a matching geography code.

Note that for the census metropolitan areas and census agglomeration geography, the code for the residue has been set to 'blank'. This was implemented to counter the geography change from SGC96 to SGC2001 where the code 000 represents the territories.

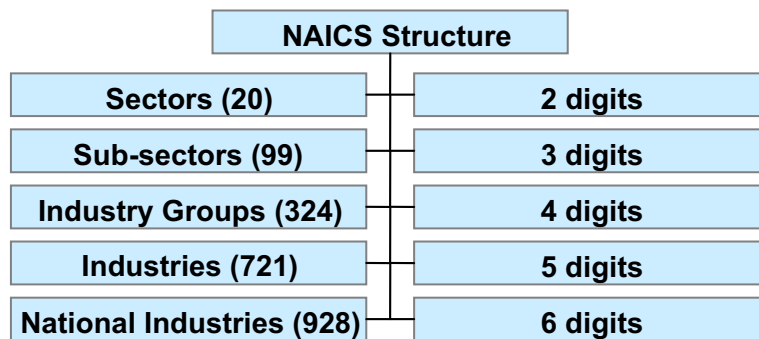
## Industry Codes

### North American Industry Classification System

The North American Industry Classification System (NAICS) has been developed in 1997 and revised to the 2002, then the 2007 standard, by the three North American Free Trade Agreement (NAFTA) trading partners (Mexico, the United States and Canada) to classify businesses throughout the three countries according to their activity (ies). NAICS 1997 appears in our products from December 1998 to December 2001; NAICS 2002 appears from June 2002 to June 2006; and NAICS 2007 appears as of December 2006.

NAICS is not intended to classify an enterprise, which may be very diverse, but rather the various components of an enterprise, at the establishment/location level.

The NAICS structure consists of a hierarchical listing of all industries with descriptions/definitions:



The first four levels of NAICS (2 to 5-digit codes) are designed for the production of comparable economic statistics by the three countries. At the fifth level (i.e. 6-digit code), each country can elaborate the national detail it requires for its own statistical purposes.

Please note that the 5-digit codes are not included in the Canadian Business Patterns (CBP) tables.

For a description of the NAICS 2002 and NAICS 2007 codes, please click on the “NAICS” button of the CBP – Canadian Business Pattern.

## For More Information

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### Or

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