



S'ALLIER POUR LA PROSPÉRITÉ

# **Standing Committee on Finance pre- budget consultations for the 2014 federal budget**

## **Quebec Employers Council comments**

November 2013

## Quebec Employers Council

The mission of the Quebec Employers Council is to ensure that businesses in Quebec have the best possible conditions – particularly in terms of human capital – in order to prosper in the context of global competition over the long term. The focal point of employer solidarity, the Council, through its leadership, is an essential reference in its fields of intervention and constructively exerts considerable influence toward the attaining of a more prosperous society in which entrepreneurship, productivity, wealth creation and sustainable development are the prerequisite conditions for an enhanced standard of living for all citizens.

Quebec Employers Council –  
November 2013

Legal Deposit  
Bibliothèque et Archives nationales du  
Québec  
National Library of Canada

4th Quarter 2013

# Standing Committee on Finance pre-budget consultations for the 2014 federal budget

## Maximize job creation

### Quebec Employers Council comments

November 2013

#### Introduction

The Quebec Employers Council is pleased to present its recommendations on the theme: Maximize job creation in consideration of the 2014-2015 federal budget preparations.

The maximizing of jobs is predicated on the presence of competitive Canadian companies that have a favourable tax and regulatory environment. It also hinges on market innovation, openness and diversification efforts. Equally important as the maximizing of job creation, matching available job skills and companies' needs is an essential element in creating sustainable and quality jobs that help raise businesses' productivity and contribute to Canada's overall prosperity. And labour costs, including all of the mandatory contributions that add to salaries, have to be competitive. Below, we put forth a series of proposals whereby these objectives can be attained.

#### The tax burden and payroll taxes

After meeting its major objective of reducing corporate tax to 15% in 2012, the federal government absolutely has to address the issue of funding the various programs that are paid for through payroll contributions. Increasing the tax load on payrolls for employers could put the brakes on investments and job creation.

In particular, the Council has serious reservations about the various proposals to enhance the Canada Pension Plan (CPP/QPP). On this topic, it is worth noting that, internationally, Canada ranks quite well in terms of retirement savings. This doesn't obscure the fact there are major challenges that must be met in the coming years, notably in increasing the level of savings. But, as many studies and analyses have suggested, there isn't a generalized need for retirement savings.

A McKinsey<sup>1</sup> study which conducted a detailed analysis of the balance sheet of Canadian households and their implied retirement readiness, based on a survey of more 10,000 households, shows the majority of Canadian households are well prepared and on track to maintain their standard of living in their retirement years. But 23% won't be able to generate an adequate retirement income. It should be noted these estimates don't consider certain types of savings, such as those derived from real-estate assets.

Thus, the proposal to enhance the QPP/CPP doesn't necessarily respond to the need, and, contrarily, it runs the risk of having adverse effects. These effects include, among others, the impact that additional payroll contributions would have on economic activity, and the affect on investments, jobs and salaries, all of which would go against the objective of maximizing job creation. Moreover, such enhancements don't encourage the extending of an active life, an objective on which we should be placing an emphasis in terms of the aging demographic.

### **Employment insurance program**

Access to a skilled and available labour force is a priority for Quebec employers. The Quebec Employers Council believes the employment insurance program continues to be the main lever the federal government has to facilitate such access.

In general, the Quebec Employers Council favourably received the recent changes that were made to the employment insurance program; they were changes aimed at achieving the commendable objectives of fostering a better matching of job-market needs and workers seeking employment, and a more efficient functioning of the job market. The Council is concerned, however, about the potential impact of these changes on employers in certain activity sectors of a seasonal nature, since these employers might be losing access to a motivated and productive labour force.

In this regard, the Employers Council proposes that the federal government conduct a strategic monitoring to measure the impact ensuing from its reform of the employment insurance system, and be prepared to make adjustments if necessary.

Meanwhile, allocating more funds to active measures in the program in terms of extended learning and helping in the employment search would be a tangible and effective way for the federal government to support the development of manpower and employment in the country.

The introduction of an employment insurance credit for training expenses, notably structured training expenses linked to the implementing of new investments, is also a way in which the employment insurance system can help in maintaining and creating jobs. Another

---

<sup>1</sup> McKinsey, *Are Canadians ready for retirement?*, 2010

way, among others, to improve the efficiency of the money invested would be to allow the use of funds to recognize skills and training in the workplace.

And, we are again asking the government to gradually restore its contribution, in order to keep employers' contributions under control (40% employer, 40% worker, 20% government). Such a contribution is totally justified if we refer to past surpluses, put into consolidated funds, which were used by governments. Moreover, as we have often stated, the employment insurance program covers benefits which have nothing to do with insurance and are more of a social nature.

### **Canada Job Grant**

In terms of the Canada Job Grant, the Employers Council again hails the intention of the federal government to have more employer input, notably by striving to have a better matching of skills training to their needs. But the Council has issues with the government's desire to be directly involved in the area of manpower training. A more favourable course of action would be to negotiate a new agreement with the provinces, Quebec in particular, so that each province remains in charge of their respective programs. The federal government could still set national guidelines and objectives for job training while refraining from getting involved in implementing the measures to attain these objectives.

According to the information we have, Quebec has proven to be a reliable partner, both in how the money is spent and in accountability. The province of Quebec shouldn't be penalized by a new formula.

Incidentally, there is currently a federal tax credit for structured training expenses for apprentices in conjunction with the "Red Seal" program. Employers which the Council represents would like to see this measure extended to other apprenticeships managed by the Commission des partenaires du marché du travail au Québec.

### **Regulation**

Businesses would like to see the continued implementation of measures designed to simplify and reduce the administrative and regulatory burden. We can only applaud the desire expressed by the government during its throne speech to establish the One-for-One rule in terms of regulation.

In this area, the new regulations the government plans to implement in the transportation industry should adhere to the same one-for-one principle so that it doesn't unduly increase the regulatory and administrative burden of the affected companies.

Although we subscribe to the government's objective of consumer protection in the area of telecommunications and financial services, we believe the following principles should be taken into account: the one-for-one principle in terms of regulation, the consideration to

preserving companies' competitiveness and a genuine competitive growth without providing advantages to foreign players that haven't had to invest in the existing infrastructures.

It would also be an appropriate time to address the issue of taxation of corporate groups, an area in which Canada lags behind compared to the G7 countries and most of the OECD countries. There have been consultations between the federal government, the provinces and private-sector participants since 2010. We urge the government to continue working toward developing tangible solutions to resolve this issue. The overall complexity of the taxation system and the high costs of compliance are other areas that need to be addressed.

While on the subject of taxation, we continue to encourage the government to collect the tax money owed to it (tax evasion), using an approach that is effective without resorting to unacceptable harassment. And, in matters pertaining to inappropriate international tax avoidance schemes, we believe Canada could exert leadership in this area. But such a measure would still have to be undertaken in an overall international solution perspective. To achieve this, it would be better for the government to get to know more about these schemes and limit them while making sure it doesn't scare off investors and investments in the process.

### **Market openness and diversification**

Market innovation, openness and diversification are the catalysts for job creation. In this regard, the Quebec employers we represent are elated by the signing of the agreement in principle to complete a global economic and trade agreement between Canada and the European Union. This agreement should come into effect in about two years' time. To maximize the benefits, we suggest taking advantage of this two-year interim to better prepare our businesses through training and information, so that they are able to effectively seize the new opportunities that will arise. The Quebec Employers Council offers its collaboration in this regard.

We are also optimistic about Canada's participation in discussions surrounding other future agreements. Greater mobility of goods and people is an essential condition for employers in terms of job creation in the country. In addition to natural resources, which we need to continue to intelligently and responsibly exploit, other sectors in which we already enjoy a certain advantage and expertise could derive benefit from this mobility. The sectors that come to mind, for instance, are in the areas of agri-food, green technologies, machinery and equipment and the transportation sector, notably the aerospace industry.

### **Productivity and innovation**

To create employment in the coming years, Canadian companies will have to meet many challenges in terms of their global productivity and, more specifically, their ability to innovate. In this area, the Industrial Technologies Office (ITO) could support the strategic programs of Canadian manufacturing companies in research and development and innovation.

## **Public finances**

The Quebec Employers Council believes that only sound public finances will allow the federal government to maintain competitive tax rates for companies and individuals and thereby encourage investments and the country's prosperity. This is why we urge the federal government to continue its efforts to eliminate the budget deficit by 2015-2016, at the latest, mainly through a better control of public spending while maintaining the transfer payments to the provinces. The Employers Council heartily welcomes the government's plan to table the balanced budget bill and urges the government to move ahead with reductions in taxes and income tax once it has reached a balanced budget.

Our healthcare system, which was highly regarded, is in the process of faltering. Tying healthcare transfers to the growth of the GDP after 2017 is not the best way to go. Such a formula doesn't take into account the needs for new therapies, which might be costlier in the short term but have more of a long-term payoff. Such a formula also ignores the effects of the demographic composition. In fact, as we know, end-of-life healthcare costs are greater, and the population is aging at a faster pace in the province of Quebec than elsewhere in Canada. And the federal government, in collaboration with the provinces, should start giving the *Canada Health Act* some deeper thought. The government cannot impose a regulatory framework and accessibility and universality requirements on the provinces without providing them with the means and flexibility that are needed to implement the required approaches.

## **Investments in infrastructures**

Investment in our transportation infrastructures continues to be a major concern for Quebec employers. The quality of the transportation system and its ability to ensure optimal mobility of goods and people, especially in the large municipal areas, have a direct impact on economic and commercial growth, and on a country's job creation and overall wealth. This is why the Quebec Employers Council urges the federal government to move ahead, without further delay, with its plans to replace the Champlain Bridge, which links Montreal and the South Shore, to meet and ideally, move up the scheduled timetable for putting a new bridge into service by 2020. We encourage the federal government, the Quebec government and the stakeholders in the Greater Montreal area to enter into a constructive dialogue to come up with solutions that will be the focal point of a broad consensus, notably in terms of funding. The Employers Council agrees with the principle of a toll. But clearly, it's important that there be a harmonized approach, taking the other links between Montreal and its surrounding communities into consideration. One should also be mindful of the need to maintain Montreal's attractiveness in drawing economic activity rather than discouraging it. The federal government should also invest more in auspicious public transportation projects, which would help ease traffic congestion on the road network in the Greater Montreal area and would be a tangible initiative to promote sustainable development.

The plight of airports is among the other structural problems that need to be examined. The current situation, especially because of the various charges that are levied, is clearly a

disadvantage for Canadian airports, and strong competition from the U.S. is starting to have an increasingly heavy weight on the Canadian economy. A Senate report in 2012 recommends some promising potential solutions that should be seriously considered in the interest of our economy's competitiveness.

### **Responsible exploitation of our natural resources and energy**

Canada has an abundance of natural resources and a diversity of energy resources, including hydrocarbons, which will continue to have a prominent place in our energy and economic performance in a foreseeable future. We need to ensure optimal development of these resources, including their transportation, in accordance with the environment and people's safety. In doing so, we also need to ensure that there are measures in place to foster a proper balance between the benefits and drawbacks for all parties, structured to encourage economic development, and not the reverse.

### **The fight against contraband tobacco**

The Quebec Employers Council reiterates the importance for the federal government to intensify its efforts to more effectively fight the proliferation of contraband tobacco products in Canada. In addition to depriving the government of significant revenue from taxes on these products, this occurrence penalizes the people who operate their business in compliance with the law by creating an unfair competition in their market.