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Mr. Joël Lightbound, M.P.
Chair
Standing Committee on Industry and Technology
House of Commons
Ottawa, Ontario K1A 0A6

Dear Colleague:

Pursuant to House of Commons Standing Order 109, I am pleased to submit on behalf of the Government of Canada (the Government) the response to the tenth report by the Standing Committee on Industry and Technology (the Committee) entitled *Small and Medium Enterprises in Canada: Charting a Competitive Future* (the Report), which was presented to the House of Commons on March 9, 2023.

The Government extends its gratitude to the members of the Committee for their work in developing the Report and preparing the recommendations, and to the witnesses who appeared before the Committee to provide evidence and share their advice. The Government supports the efforts of the Committee to examine the challenges experienced by small and medium-sized enterprises (SMEs) in Canada.

The importance of SMEs to Canada's economic growth as well as to local communities' vitality is undeniable. While the Government was working to address challenges faced by SMEs in Canada, the COVID-19 pandemic introduced new barriers and further amplified existing ones.

The Government is also keenly aware of the international context in which the challenges faced by SMEs are influenced. Disruptions like the invasion of Ukraine, and natural disasters have placed unprecedented strain on supply chains around the world and intensified the labour shortage felt throughout Canada.

Given the urgency of these challenges, the Government announced rapid and ambitious investments to bridge Canadian businesses through the post-pandemic recovery. These investments provided a range of supports to help build more resilient supply chains, cut taxes for growing small businesses,

…2

provide relief for rising costs and reduce credit card interchange fees, ensure the protection of intellectual property (IP) and support Canadian businesses against unfair competition in the global trade.

While Budget 2022 provided incentives to encourage investments in growing businesses, the Government's 2023 Budget further provided federal incentives, through Canada's Plan for a Clean Economy, that will attract new investment, create good middle class jobs and build Canada's clean economy. These include an anchor regime of clear and predictable investment tax credits, which will be broadly accessible to eligible organizations in addition to targeted investments and programming to respond to the unique needs of sectors or projects of national economic significance.

With these considerations in mind, please find below the Government's response to the Committee's recommendations. The response is a collaborative effort of all implicated departments including Innovation, Science and Economic Development Canada, Employment and Social Development Canada, Finance Canada, Immigration, Refugees and Citizenship Canada, the Treasury Board Secretariat and the Privy Council Office.

RECOMMENDATION 1: *That the Government of Canada empower SMEs to participate in new supply chains created by the transition to a low-carbon economy, including as part of the government's strategies in important sectors. This should be done in cooperation with Canada's traditional economic partners as part of efforts to promote more resilient and sustainable supply chains for all Canadian businesses.*

The Government agrees with this recommendation. The supply chains of the future are being established now through new investments to catalyze innovation, manufacturing, tech adoption and growth. Empowering Canadian SMEs to participate in these new supply chains is of fundamental importance to ensuring Canada's position in global trade flows, particularly with the U.S. and EU, two of Canada's primary trading partners (representing over 80% of Canada's exports).

The Government is taking significant steps to facilitate this transition including through Innovation, Science and Economic Development Canada's (ISED) Strategic Innovation Fund (SIF) which is building Canada's value-added industrial capacity and providing investments in innovative projects and the newly established Canada Innovation Corporation which will promote business investments in research and development across all sectors and regions of Canada.

Additionally, the Government is currently developing key initiatives tied to the National Supply Chain Strategy announced in Budget 2022, including $27.2 million over five years for Transport Canada to establish a Transportation

…3

Supply Chain Office, which will work with industry and other orders of government to respond and coordinate in the face of supply chain disruptions and inefficiencies. Budget 2023 also allocated $25 million over five years to Transport Canada to develop transportation supply chain data, in partnership with Statistics Canada, with a view to reduce congestion and inform infrastructure planning.

The Government is also making strategic investments in a range of manufacturing sectors to lessen reliance on potentially adversarial suppliers as well as support these sectors during the transition to a low-carbon economy. These sectors include the automotive, critical minerals, and digital technologies, among other sectors. To this end, the Government released the Canadian Critical Minerals Strategy in December 2022 and, through Budget 2023, proposed a clean technology manufacturing investment tax credit to support Canadian companies in the manufacturing and processing of clean technologies, and in the extraction and processing of critical minerals.

As well, as a result of engagement during the 2022 Supply Chain Ministerial Forum, Canada has committed to the principles of transparency, diversification, security and sustainability in its supply chains, in partnership with 19 like-minded economic partners including Australia, Brazil, the EU, the UK and the U.S. This commitment will help ensure supply chain resilience in support of Canadian businesses.

RECOMMENDATION 2: *That the Government of Canada consider introducing targeted supports for SMEs facing persistent supply chain disruptions.*

The Government agrees with this recommendation. While the Canadian economy is very resilient, the Government of Canada committed to further offering supports for SMEs by enhancing the reliability and fluidity of domestic supply chains. For example, Budget 2023 proposes funding to establish a Transportation Supply Chain Office to respond to disruptions and better coordinate action to increase the capacity, efficiency, and reliability of Canada’s transportation supply chain infrastructure.

These targeted supply chain supports are complemented by other concrete investments that further assist SMEs in Canada and ultimately help ensure their competitiveness in today’s global market. CanExport SMEs offer up to $75,000 to cover as much as 75% of costs associated with developing export opportunities for products or services to international markets where companies currently have minimal or no sales. To help SMEs grow their online presence and upgrade or adopt digital technologies, Budget 2021 announced the creation of the Canada

Digital Adoption Program (CDAP) to help businesses thrive in the digital economy and create thousands of jobs for young Canadians. The program, which was launched in March 2022, provides grants and loans to small and medium-sized businesses to support the cost of technology adoption, ultimately helping them meet customers' needs and compete in the online marketplace. Funding for CDAP will help to create training and work opportunities for students and recent graduates to help small and medium-sized businesses across Canada to modernize their operations. As well, the SIF drive innovation, commercialization and SME scale-up and through collaborations and partnerships. In 2019, SIF launched Stream 5: a continuous intake stream for national innovation networks with a mandate to address key lessons learned from the Business-Led Network of Centres of Excellence programs, and further advance commercialization outcomes, pan-Canadian partnerships, and industry leadership.

To further help remove systemic barriers that prevent Black businesses from fully competing, the Government created the first-ever Black Entrepreneurship Program with an investment of up to $265 million. This includes an investment of $130 million from the Business Development Bank of Canada in the Black Entrepreneurship Loan Fund, to support the next generation of Black Canadian entrepreneurs. The Government also launched the Women Entrepreneurship Strategy in 2018, now representing nearly $7 billion in investments and commitments from almost 20 different federal departments, agencies and Crown corporations. For 2021-2022 alone, the Women Entrepreneurship Strategy (Ecosystem Fund) supported a total of 10,449 SMEs majority-owned by women and supported 5,068 women in starting a new business and 5,381 women entrepreneurs in growing an existing business.

RECOMMENDATION 3: *That the Government of Canada engage in broad consultations when proposing amendments to the Competition Act. This consultation should include:*

- *a re-evaluation of the policy objectives underlying competition law and possible amendments to the purpose clause;*
- *technical aspects of the Act, such as the efficiencies defence; and*
- *consideration of making the Competition Bureau a stand-alone office separate from Innovation, Science and Economic Development Canada.*

The Government has fulfilled Recommendation 3 as it has undertaken broad consultations that may potentially lead to updates to Canada's competition law and policy framework. From November 17, 2022, through March 31, 2023, ISED conducted a consultation process that received submissions from over 130 identified professionals and organizations, and over 400 anonymous

…5

members of the public, and held additional roundtables that gathered over 60 participants from a variety of organizations. ISED issued a detailed discussion paper as well as a more condensed scene setter. These materials invited comments on the various ideas presented within, via a dedicated questionnaire form, but did not limit feedback to the specific topics addressed. Rather, ISED welcomed input on all aspects of the *Competition Act*, as well as broader government policy issues affecting competition. The main areas of discussion focused on each of the Act's enforcement areas – merger review, unilateral conduct, competitor collaborations and deceptive marketing – as well as administration and enforcement processes themselves.

The discussion regularly touched on, and much feedback was received on, the objectives of the *Competition Act* and its purpose clause, the scope of issues that the Competition Bureau should consider in its reviews, as well as a great number of comments on technical aspects of the law, including the efficiencies defence. Stakeholder submissions will be published on the ISED website, and input from the consultations will serve as a valuable input in the Government's next steps, including any reform package ultimately brought forward.

The Competition Bureau is an independent law enforcement agency. Led by the Commissioner of Competition, the Bureau is responsible for the administration and enforcement of the *Competition Act*, *Consumer Packaging and Labelling Act*, *Textile Labelling Act and Precious Metals Marking Act*. In the consultation process and discussion paper, comments on the enforcement framework and infrastructure were welcomed.

RECOMMENDATION 4: *That the Government of Canada look to address the power imbalance faced by SMEs participating in digital markets as a priority in its reform of the Competition Act and as part of legislative initiatives.*
The Government is in alignment with this recommendation. While power imbalance, on its own, is not remediable under competition law, efforts by dominant firms to suppress competition or shut out competitors from the market form a critical part of the unilateral conduct provisions and are contrary to the *Competition Act*. In 2022, four important amendments to the Act's principal unilateral conduct provision, which addresses abuse of a dominant position, were adopted through the Budget Implementation Act of 2022 (C-19).

First, the characterization of a practice of acts that may be reviewed as a possible abuse by the Competition Bureau was broadened beyond where case law had placed it, to include conduct aimed at harming competition itself, rather than only specific competitors. Secondly, new forms of competitive effect were added for the Competition Tribunal to consider when deciding whether grounds exist to issue a remedial order, including with regard to network effects and privacy-based competition. Thirdly, the maximum monetary penalties for a first

…6

finding of abuse, previously capped at an arbitrary $10 million, were raised to the greater of $10 million and three times the value of the benefit actually derived from the conduct or, if this amount cannot be reasonably determined, up to 3% of annual worldwide gross revenues. This ensures that anti-competitive conduct would not be absorbed as a cost of doing business by a firm of any size, including large Internet platforms. Finally, private recourse to the Competition Tribunal for substantially affected parties was granted for potential cases of abuse of dominance. These changes all went into effect in June 2022.

In the consultation launched later that year, the Government's review also touched upon amending unilateral conduct provisions further, especially in light of the concentration of power in the digital economy. Feedback solicited through consultations included topics such as reimagining the threshold of when a firm is "dominant"; changing the substantive tests for a remedy to consider either intent or result of actions instead of both; introducing bright-line rules or presumptions for dominant firms; and allowing private parties to seek further recourse for harm suffered, including financial compensation. The question on whether a dedicated legislative scheme for digital giants may be necessary to supplement competition law has also received a great deal of feedback from stakeholders.

RECOMMENDATION 5: *That the Government of Canada prioritize efficiency in its ongoing efforts at regulatory modernization, as well as when it introduces new regulations, to reduce the regulatory burden placed on SMEs. The government should ensure in all cases that regulations serve a genuine public interest, promote competition, and do not unnecessarily hinder the development of new markets.*

The Government agrees with this recommendation, and is committed to prioritizing and improving the efficiency of the regulatory system. Since 2018, the Government of Canada has undertaken a number of initiatives to modernize the Canadian regulatory system. This includes Targeted Regulatory Reviews, a review of the *Red Tape Reduction Act* and the introduction of Bill S-6, the *Annual Regulatory Modernization Bill*, which is currently before the House.

Through the Targeted Regulatory Reviews, the Government of Canada examines existing regulations and regulatory practices across key sectors and themes to support economic growth and innovation, while continuing to protect the health, safety and security of Canadians and the environment. Coordinated by the Treasury Board of Canada Secretariat in partnership with federal departments and agencies, the Regulatory Reviews help identify opportunities for modernization across the full regulatory lifecycle. Stakeholder engagement is central to the Regulatory Reviews. Stakeholders are asked to provide feedback on ways to enable regulations to be more agile, transparent, and responsive, including opportunities to enhance efficiency and reduce unnecessary burden.

…7

The Regulatory Reviews lead to the development of Regulatory Roadmaps, which identify a suite of commitments and deliverables, including regulatory and legislative changes, updates to policies and practices, and novel regulatory approaches. Two rounds of Regulatory Reviews have been completed to date, identifying over 100 initiatives across six Roadmaps. A third round of Regulatory Reviews is now underway, focused on: 1) the blue economy, examining the role of regulations as a driver of ocean innovation; and 2) the supply chain, exploring opportunities to support stronger and more resilient supply chains through the federal regulatory framework.

The *Red Tape Reduction Act*, through the application of the one-for-one rule, aims to control the administrative burden that regulations impose on businesses. In 2020, as required under the Act itself, the Treasury Board of Canada Secretariat reviewed the Act. The review found that the one-for-one rule is working. This rule requires that every increase in administrative burden on business be offset with a corresponding decrease and that a regulation be repealed for every new regulation that imposes a burden on business. The review showed the limits of the rule and identified future areas of focus, which include the review of regulatory stock as a way of making sure regulations are relevant and exploring ways to address cumulative regulatory burdens.

The one-for-one rule, along with the small business lens and regulatory cooperation and alignment, are outlined in the Cabinet Directive on Regulation, which sets out the Government of Canada’s expectations in the development, management and review of federal regulations. The small business lens requires federal regulators to identify and consider the needs of small businesses when designing regulations. The lens requires that regulators identify the direct compliance and administrative costs imposed on small businesses in all new regulations or regulatory amendments. It also encourages regulators to provide alternative compliance or administrative options for small businesses, and to provide an explanation if such options are not appropriate. The regulatory cooperation and alignment component requires examination of the alignment of regulatory approaches and outcomes with key trading partners, in order to reduce the regulatory burden on Canadian business.

The *Annual Regulatory Modernization Bill* (ARMB) initiative allows the Government to address overly complicated, inconsistent or outdated federal requirements, as identified by businesses, Canadians and government bodies. The first ARMB was included in the 2019 *Budget Implementation Act* and made changes to 12 pieces of legislation in the areas of transportation, pest control, electricity and gas inspection. In March 2022, the second ARMB (Bill S-6) was tabled in Parliament and proposes 45 legislative changes to 28 acts in the areas of cross-border trade, bankruptcy, agricultural products, and fisheries. More work is expected to help advance regulatory efficiencies identified from the COVID-19

…8

pandemic. A public consultation was launched in March 2023 to support future ARMBs, which seeks feedback from stakeholders, including SMEs, on potential legislative amendments pertaining to: Barriers to Efficiency, Overly Restrictive Legislation, and Unnecessary Requirements. In addition, the consultation is looking for feedback on two proposals that seek to modernize the regulatory framework and provide additional flexibility by providing system-wide authorities relating to incorporation by reference and regulatory sandboxes.

More recently, in Budget 2023, the Government also committed to outline a concrete plan to improve the efficiency of the impact assessment and permitting processes in the coming year.

RECOMMENDATION 6: *That the Government of Canada renew its efforts to reduce internal barriers to trade and improve labour mobility, including through renegotiating the Canadian Free Trade Agreement.*

The Government is in alignment with this recommendation, and recognizes the importance of strengthening internal trade and labour mobility within Canada. The COVID-19 pandemic demonstrated the need for reliable supply chains and the critical role of internal trade in rebuilding the Canadian economy. High inflation rates across the globe showed the importance of internal trade and labour mobility in making life more affordable for Canadians. Meanwhile, businesses that want to expand and reach new customers can be deterred by having to deal with up to 14 sets of laws and regulations across the country.

The Government recognizes reducing barriers to internal trade and labour mobility as a key opportunity to address these key economic issues. The Government is continually looking at new and innovative ways to address obstacles to trade and to show leadership and is encouraging provinces and territories do the same.

As identified in the Committee’s Report, the Canadian Free Trade Agreement (CFTA) is an important tool to reduce barriers to internal trade and labour mobility. The conclusion of the CFTA in 2017 was a landmark achievement for the federal, provincial and territorial governments that reduced and eliminated barriers to strengthen the domestic market. However, the CFTA is a consensus-based agreement and its success is driven collaboratively by all fourteen federal, provincial and territorial governments.

Since the conclusion of the CFTA, the Government of Canada and provincial and territorial governments have worked cooperatively to further strengthen it. The Government of Canada has built on its success by taking steps to accelerate action to strengthen internal trade both unilaterally and collaboratively with provincial and territorial partners.

…9

Federal Action Plan to Strengthen Internal Trade

At the Committee on Internal Trade Ministers in December 2022, the Government released the *Federal Action Plan to Strengthen Internal Trade*, an ambitious plan for more federal leadership to remove barriers to trade and labour mobility across Canada. The Action Plan builds on $21 million from Budget 2021 dedicated to removing internal trade barriers and includes five key elements.

To date, the Privy Council Office (PCO) has taken action to implement these elements, including funding for the Internal Trade Secretariat to advance the work of the FPT Regulatory Reconciliation and Cooperation Table (RCT) and launching the Internal Trade Advisory Series and stakeholder portal to directly engage with businesses and industries on barriers and innovations to internal trade. PCO is also concluding a comprehensive review of the Government's exceptions under the CFTA to reduce as many as possible, with a view to ensuring any remaining exceptions serve legitimate national interests and do not unnecessarily impede internal trade.

The *Federal Action Plan to Strengthen Internal Trade* clearly demonstrates the Government of Canada's intention to strengthen internal trade and labour mobility. Provinces and territories also need to address barriers in their jurisdiction. The Action Plan invites them to match federal ambition and deepen their efforts to remove barriers.

Federal Mutual Recognition Framework

Budget 2023 reiterates federal ambition to reduce barriers to interprovincial and territorial trade and labour mobility by committing to the development of a Federal Framework on Mutual Recognition, which will set out the federal government's coordinated policy approach towards mutual recognition. This will help to advance engagement with provinces and territories on this issue, notably on work underway through the Regulatory Reconciliation and Cooperation Table towards the identification and mutual recognition of regulatory measures on the sale of goods or services.

Key Federal Actions to Strengthen Internal Trade and Labour Mobility

Since 2017, the Government has taken steps across departments to strengthen internal trade in key sectors. These initiatives include introducing the new Labour Mobility Deduction for Tradespeople; expanding the Foreign Credential Recognition Program; removing federal restrictions on the interprovincial trade of alcohol; making national Building Codes available for free; removing regulatory barriers to trade; expanding student loan forgiveness for doctors and nurses who work in underserved rural or remote communities; and, facilitating interprovincial movement of service rigs.

…10

Moving forward, the Government will continue to act and show leadership to renew efforts to reduce barriers to trade and labour mobility. The Government will continue to strengthen the domestic market to create more opportunities for Canadian businesses to grow and decrease costs for Canadians through increased competition and consumer choice. The Government will work towards these objectives in collaboration with provinces and territories, while driving greater action through federal ambition.

RECOMMENDATION 7: *That the Government of Canada undertake as soon as possible a full review of the Temporary Foreign Worker Program to adapt it to better meet the needs of SMEs, while eliminating any negative impact on the wages and conditions of Canadian workers. The federal government must consult other levels of government to ensure better cooperation and less duplication of effort. The government must also expand the opportunities for temporary foreign workers to immigrate permanently to Canada.*

The Government is in alignment with this recommendation. The Temporary Foreign Worker (TFW) Program is designed to be responsive to changes in the labour market, and continuously reviews its program policies to ensure they reflect the latest economic conditions, and that the needs of Canadian employers, Canadian workers, and temporary foreign workers (TFWs) are met. The Government also agrees with the importance of permanent residence pathways for TFWs with in-demand skills or experience to transition to permanent residency. Helping temporary residents transition to permanent residence is already an important feature of the Canadian immigration system, and a number of existing programs provide a pathway to permanent residence for TFWs and international student graduates across various sectors and skill levels.

The Government acknowledges the important role that the TFW Program plays in meeting the needs of SMEs. Canadian SMEs make up the vast majority of TFW Program employers. In fact, SMEs accounted for over 98% of employers under the TFW Program in 2022, while large businesses made up less than 2%. TFW Program policy is designed to address the needs of SMEs, who have collectively voiced concerns over mounting labour shortages across various sectors.

Recent measures have been introduced to address stakeholder concerns. On April 4, 2022, the Minister of Employment, Workforce Development and Disability Inclusion announced the TFW Program Workforce Solution Roadmap; a suite of measures introduced to address labour shortages, enhance worker protections, and build a stronger workforce. On March 27, 2023, in response to continued critical labour shortages and high demand for workers in key sectors, temporary measures of the Workforce Solutions Roadmap were extended by an additional six months.

…11

Budget 2022 also announced a number of additional measures that include commitments to establishing a Trusted Employer Model to reduce red tape for repeat employers of the TFW Program who meet the highest standards for working and living conditions, protections and wages in high-demand fields, as well as the establishment of a new foreign labour program for agriculture and fish processing.

The Government has taken proactive measures to enhance the client experience and boost the capacity to process Labour Market Impact Assessments (LMIAs) with recent modernization efforts such as streamlining processes and transitioning to a paperless application model resulting in LMIA processing times reduced by over 10 business days in the 2022-23 fiscal year, despite having processed 63.5% more applications than the previous year.

The TFW Program further utilizes the LMIA in the hiring process to ensure that the entry of a TFW will not have an adverse effect on the Canadian labour market, while also ensuring that employers and job offers are legitimate and workers are protected. Wages under the TFW Program are determined through Statistics Canada data and other relevant sources, resulting in employers paying market-based “prevailing” wages, which avoids placing downward pressure on Canadian wage rates.

The LMIA also provides an essential tool to support the protection of TFWs from abuse, exploitation, and poor working conditions. Under the legislative authorities, Employment and Social Development Canada (ESDC) is responsible for conducting onsite inspections, applying administrative monetary penalties and bans, and suspending and revoking LMIAs if employers fail to meet program conditions.

The federal Government collaborates with provinces and territories and other levels of government, on the TFW Program. In March of 2022, ESDC assembled a Federal, Provincial and Territorial (FPT) working group on Accommodations, and held its first TFW Program Ministerial Consultative Roundtable in July 2022, which focused on housing standards for TFWs. The Roundtable provided opportunity to engage a broad group of stakeholders on ESDC’s work to date, and to seek feedback on proposed program changes and next steps.

The TFW Program is reviewing feedback from both the Roundtable and the ongoing FPT Working Group and reviewing proposed changes accordingly, to ensure they are implementable, enforceable and aligned with jurisdictional authorities. These changes are expected to be announced in 2023 and implemented as early as 2024.

…12

Finally, the Government of Canada recently committed to creating enhanced opportunities for TFWs to meet critical labour shortages, regional needs, and other immigration goals. The Government is building on the success of its economic immigration system with new authorities for Express Entry, to be launched in spring 2023, which will allow greater flexibility to invite eligible candidates to apply for permanent residence to address particular labour market and other economic priorities. In addition, the annual Immigration Levels Plan provides opportunities for temporary workers to transition to permanent residency, including to support in-demand labour needs.

RECOMMENDATION 8: *That the Government of Canada simplify the process for employers hiring temporary foreign workers by agreeing to expand certain categories of workers whose tasks and skills are similar, particularly for staff working in food services, agriculture and construction.*

The Government is in alignment with this recommendation and acknowledges the importance of simplifying the process for hiring TFWs for Canadian employers.

As way of example, the Global Talent Stream (GTS) of the TFW Program provides employers across Canada with streamlined, predictable, and timely access to global talent to fill in-demand and highly skilled positions.

The National Occupational Classification (NOC) system, Canada’s national system for describing occupations to administer the program, has been developed as part of a collaborative partnership between ESDC and Statistics Canada. The two departments work together to maintain and update the NOC system regularly. In December 2022, the NOC system and its NOC codes supported an expansion to the Global Talent Occupations List from 12 occupations to 17 occupations.

Every 10 years, the NOC System undergoes a major structural revision to ensure that it reflects the realities of the Canadian labour market, which evolves with the emergence of new industries, products, occupations, and educational programs. As such, the recent revision to the NOC system, which took place in 2021, provides a new framework for how occupations are classified, with a view to creating more consistency in occupational groups within the NOC system.

The TFW Program uses the NOC system in order to classify positions requested by employers on LMIA applications. The NOC system is used as it provides a standardized language for describing the work performed by Canadians in the labour market, including the job duties and professional requirements associated with different occupations.

…13

The appropriate NOC code for a position requested on an LMIA is determined based on the majority of job duties to be undertaken and the employment requirements of the requested position. In instances where a job may involve duties found under multiple NOC codes, the TFW Program requires the use of the NOC code that most closely corresponds to the time spent on performing the majority of duties.

Further, NOC codes are leveraged to ensure that the wage being offered to the TFW is in accordance with the Program’s wage policy, which states that wages offered to TFWs should be consistent with the wages paid to Canadians in the same economic region, for the same occupation with similar skills, education and years of experience.

The new NOC framework represents a meaningful change in how occupations are classified and is more representative of the current labour market. The update has led to new and emerging occupations being captured that were not previously in the NOC system, and the new training, education, experience and responsibilities (TEER) categorization has created more consistency in occupational groups within the NOC system. This should help employers more readily identify the NOC associated with the position they are seeking to fill via the TFW Program.

Through Immigration, Refugees and Citizenship Canada (IRCC), the Government is pursuing ways to streamline the work permit renewal process for workers already in Canada with existing open work permits using technology-based solutions. For instance, it was announced in March 2023 that certain Post-Graduation Work Permit holders in Canada would be eligible to opt into a facilitative process to extend their work permit by up to 18 months without having to submit a work permit application. Such measures allow Canada to retain former international students who completed their post-secondary education in Canada so they can continue to contribute to Canada’s economic priorities.

The Government is also supporting TFWs who, for various reasons, seek to change jobs while in Canada. In May 2020, the *Temporary public policy to exempt foreign nationals in Canada from certain requirements when changing employment during the coronavirus (COVID-19) pandemic* was introduced. It allows employer-specific work permit holders to begin working with a new employer while their application for a new work permit is being processed. This helps employers and workers by allowing foreign nationals to start working with a new employer more quickly if they have found a new job and supports employers in filling their labour needs without delay.

…14

The Government is working to modernize its IT systems as part of its transformation agenda. This will establish a modern digital platform to process applications for citizenship and immigration services. Over the next few years, special focus will be placed on delivering an end-to-end service delivery model that includes improvements to day-to-day operations, streamlined business processes, and leveraging modern technology including digital permit issuance.

The Government is committed to simplifying permit renewals for TFWs, which is why it is administrating tools to triage/group similar applications together to assist processing officers in making faster decisions on permit applications submitted under the Global Skills Strategy. This approach will help inform streamlined processes for other cohorts of workers going forward. IRCC will continue to engage its partners to seek opportunities to enhance client experience for temporary residents.

Lastly, Budget 2022 proposed a number of measures to increase protections for workers, to reduce administrative burdens for trusted repeat employers, and to ensure employers can quickly bring in workers to fill short-term labour market gaps. To address this, IRCC and ESDC are committed to designing and implementing a new foreign labour program for agriculture and fish processing, tailored to the unique needs of these employers and workers. Related to this commitment, IRCC is also working with ESDC to explore the Government's commitment to implement sector-based work permits.

RECOMMENDATION 9: *Taking into account the priorities of educational institutions for foreign students and given the evolving strategic context, particularly the needs of educational institutions in rural and remote regions, that the Government of Canada:*

- *examine and clarify the rationale of the International Student Program, particularly its expected outcomes;*
- *undertake efforts to encourage foreign students to settle permanently in Canada, particularly in rural and remote regions;*
- *review, as needed, the International Student Program's criteria for study permits to ensure that more students from francophone countries can be accepted;*
- *change the conditions for study permits to ensure that foreign students can participate in co-op programs through their education programs without having to obtain a separate work permit.*

The Government is in alignment with this recommendation. The International Student Program has undergone significant changes in recent years, including rapid growth in application volumes. In response, the Government is actively

…15

reviewing all elements of this program, including its expected outcomes, to ensure that the program design remains fit for purpose and responsive to the evolving needs of Canadian society.

While international students are a temporary resident population, many will go on to become permanent residents and are therefore considered a key contributor to the Government's commitments due to their experience in Canada and their high human capital characteristics. International students are transitioning to permanent residents in greater number. In 2022, there were 95,544 permanent resident admissions of prior Student Program holders (204% increase from 2016). This is a result of Government's commitment to creating viable pathways for permanent residency.

The Government has prioritized the creation of a clearer pathway to permanent residence for international students, which is a key commitment in the Minister of IRCC's mandate letter. Work is in the early stages , but a central component to any pathway will be to identify those students who are best placed to transition to permanent residence because they have skills, experience and language levels that will help them succeed in Canada's labour market. The Government is also considering how to better attract and retain international students to help meet regional labour market needs and francophone immigration objectives.

The Rural and Northern Immigration Pilot (RNIP) is part of the Government's efforts to spread the benefits of immigration to 11 rural and remote communities. The community-driven pilot includes facilitation measures that target the retention of international students, with approximately 30% of applicants for permanent residence having graduated from a Designated Learning Institution in their community.

French-speaking International students make immense economic, cultural and social contributions to Canada, including supporting the vitality of Official Language Minority Communities across the country. The demand for study permits in Canada, including for French-speaking international students, is on an upward trend. While the demand for study permits is on the rise, the Government recognizes that there is still work to be done to increase the acceptance of more francophone international students in Quebec and in the rest of Canada. Furthermore, the Government is also exploring ways that French-speaking international students outside Quebec could contribute to future francophone immigration targets and support the vitality of francophone minority communities.

The Government acknowledges the importance of addressing the issue of refusal rates in Africa in order to ensure fair treatment of francophone international students and agreed to examine study permit refusal rates, in order to better support francophone immigration targets. IRCC is working on addressing the

…16

recommendations from the House of Commons Standing Committee on Citizenship and Immigration Report on Differential Treatment in Recruitment and Acceptance Rates of Foreign Students in Quebec and in the Rest of Canada. Monitoring and analysis of refusal grounds on applications from Africa is ongoing. Various initiatives have been implemented to improve programs and application outcomes, including; an expanded footprint in Africa (with officers now located in Addis Ababa and Yaoundé), the expansion of the Student Direct Stream in Senegal and Morocco, targeted engagement and outreach activities online and abroad, and unconscious bias training for employees.

The Government is currently exploring ways to improve outcomes and offer more equitable access to students, including French-speaking international students in a minority language situation. Analysis of barriers to attraction, access, integration and retention of French-speaking international students outside of Quebec is ongoing and the Government will explore options to reduce these barriers, in consultation with provinces, territories and external stakeholders. The challenges and needs of Designated Learning Institutions in francophone minority communities will be taken into consideration.

Strategies to streamline the requirements for those who seek to study and work in Canada through co-op programs are currently being considered. The Government is currently assessing the effects of these potential changes and seeks to balance facilitative measures with program integrity considerations to ensure that Canada remains a top study destination.

RECOMMENDATION 10: *That the Government of Canada add service standards for all its immigration programs, as it does for citizenship applications, by making greater use of the Service Fees Act and Financial Administration Act to make the department more accountable to those from whom they collect service fees.*

The Government is in alignment with this recommendation and recognizes the importance of updating and maintaining service standards for all its immigration programs. The Government established 49 service standards, in accordance with the Policy on Service and Digital, in order to improve existing services, ensure services are accessible and conducted in a timely matter, and maintain program integrity. These service standards apply to Temporary Resident work permits, study permits, and visitor visas as well as Permanent Resident economic class and family sponsorship programs.

The unpredictable processing environment, resulting from the lingering effects of the pandemic, has limited the Government’s ability to review service standards every 3-4 years. However, annual reviews of program performance against service standards are conducted and results are published publicly on the IRCC Service Standards webpage. Additionally, real-time processing information is available to support transparency and help prospective IRCC clients.

…17

The Government has also taken action to reduce the backlog of applications within existing inventories with a goal to process 80% of applications within the service standard expectation. Temporary Residence applications from workers in essential occupations including healthcare, agriculture, and transportation have been prioritized. New measures for foreign nationals with expired or expiring post-graduation work permits and applicants to the temporary resident to permanent resident pathways were also announced in August 2022. Furthermore, an online portal was launched that allowed some permanent residence applicants to apply online and expedite the process without requiring in-person interaction. The Government also opened a one-time pathway to permanent residence for over 90,000 essential temporary workers and international graduates of a Canadian institution.

The Government recognizes the importance of service standards and is committed to reviewing all standards on a priority basis once processing times normalize for an extended period of time.

RECOMMENDATION 11: *That the Government of Canada present its plan with clear timelines to modernize and improve its economic immigration programs to better match immigrants to labour markets needs and attract workers with the most in demand skills. Modernization should include consideration of innovative proposals from the private sector, such as high-potential technology visas that would allow highly skilled workers access to the Canadian labour market without a job offer.*

The Government agrees with this recommendation and is committed to supporting Canada's economic growth and international talent attraction and retention. Since June 2017, the Global Skills Strategy (GSS) has provided companies with access to top global talent by getting highly skilled workers into Canada faster. It aims to provide 2-week work permit processing to highly skilled workers coming to Canada; offer work permit exemptions to highly specialized workers and researchers coming for short periods of time; and, through the Dedicated Service Channel, support high-growth Canadian companies with their immigration needs. The Government is focused on reducing processing times to meet the GSS service standard to better support Canadian businesses in filling existing labour shortages.

Between its launch and the end of March 2023, nearly 102,000 work permits were approved through the GSS for highly skilled workers to work in occupations such as computer programming, information system analysis and software engineering. Spouses and dependents of these workers are also eligible to apply for an open work permit and receive expedited processing so that they may accompany the principal applicant to Canada. Many former work permit holders coming through the GSS are choosing to remain in Canada, accounting for approximately 16,430 permanent residence admissions since the program's launch and the end of March 2023 (principal applicants only).

…18

Furthermore, the Government is committed to supporting Canada's economic growth by finding new innovative ways to modernize and improve economic immigration programs. IRCC plans to accomplish this through a variety of means. Currently, new authorities are being developed for Express Entry. Through Express Entry's category-based selection, expected to be launched in spring 2023, the Government will have greater flexibility in targeting invitations to apply for permanent residence to candidates who demonstrate they can help meet particular labour market and other economic priorities.

In addition, the Federal Business Immigration Class supports Canada's economic growth by facilitating permanent residence for international talent and those with innovative business ideas. Since 1978, the Self-Employed (SE) Program has aimed to attract self-employed people who have the intention and ability to create their own employment in Canada. And since 2013, the Start-Up Visa (SUV) Program has targeted innovative foreign entrepreneurs with the skills to build companies that can compete on a global scale.

As part of ongoing program oversight, IRCC is currently reviewing these two programs to ensure they continue to support Canadian prosperity and the Government of Canada's economic priorities. As part of this review, IRCC will engage partners, stakeholders, and other government departments to explore innovative ways to attract and retain highly skilled talent to meet the needs of Canada's economy.

The Government has also been engaging with international partners to better understand "high-potential technology visas." Modernization of economic immigration programs would consider more facilitation of those with in-demand skills including high-potential science, technology, engineering and math (STEM) fields, similar to the United Kingdom's temporary residency work visa for technology workers.

RECOMMENDATION 12: *That the Government of Canada present its plan with clear timelines to return to processing time service standards, and reduce processing times overall, with a particular focus on economic-stream immigrants.*

The Government agrees with this recommendation and work is already underway to return to processing time service standards, and reduce processing times overall, with a particular focus on economic-stream immigrants. In fact, processing times for two economic programs, namely the Provincial Nominee Express Entry Program and Canadian Experience Class Express Entry Program, have significantly improved compared to last year. Most new clients applying can expect their applications to be processed within the six-month service standard.

…19

RECOMMENDATION 13: *That the Government of Canada work with provincial governments to identify meaningful and timely solutions to persistent problems regarding the recognition of foreign credentials and barriers to the interprovincial mobility of skilled labour as a means of unlocking underutilized skilled labour to address labour shortages.*

The Government agrees with this recommendation. While credential recognition and licensure are primarily provincial and territorial responsibilities, the Government's Foreign Credential Recognition Program provides contribution funding to provinces and territories, regulatory bodies, and other organizations to support skilled newcomers. Funding is provided for projects to improve foreign credential recognition processes (i.e., make the processes faster and more efficient) and to provide loans and Canadian work experience to skilled newcomers to support their labour market integration. Since 2015, the Program has invested nearly $192M in 92 projects. Budget 2022 provided an additional $115 million over five years, with $30 million ongoing, to expand the Program.

The Government also plays an important role in advancing labour mobility through multilateral collaboration. The Forum of Labour Market Ministers (FLMM), comprised of federal, provincial and territorial governments, is responsible for promoting the implementation of, and the ongoing adherence to, the labour mobility chapter (Chapter Seven) of the Canadian Free Trade Agreement and for reporting annually on the effectiveness of Chapter Seven to the Committee on International Trade. The FLMM created the Labour Mobility Working Group to provide an ongoing space for federal, provincial, and territorial governments to work collaboratively to advance labour mobility.

Finally, Budget 2023 committed the Government to the development of a Federal Framework on Mutual Recognition to advance engagement with provinces and territories to reduce barriers to interprovincial and territorial trade and labour mobility. This work will set out the federal government's coordinated policy approach towards mutual recognition.

RECOMMENDATION 14: *That the Government of Canada encourage labour market participation among workers who are approaching retirement age, or who have reached it, by introducing new tax or other incentives.*

The Government is in alignment with this recommendation. With Canada facing the labour shortage outlined in the Report, the Government supports the Committee's conclusions that the tax system should not create undue barriers for seniors who wish to return to or remain in the workforce, and efforts are being undertaken to support retirees.

Due to existing tax relief measures provided to seniors and pensioners, including the Age Credit, the Pension Income Credit, and pension income splitting, a single

…20

senior can have at least $25,396 in taxable income before paying any federal income tax in 2023, and a senior couple can have at least $50,792. As a result, about half of all Canadian seniors do not pay any federal income tax, which in turn incentivizes the participation of seniors in the labour force.

Additionally, the Government introduced the Canada Workers Benefit (CWB) in Budget 2018 and enhanced it in Budget 2021. The CWB supplements the earnings of low- and modest-income workers, including low-income seniors, making work more rewarding and attractive for this group and providing an important source of income support. A single individual without children can receive up to $1,518 through the CWB for 2023, and a family can receive up to $2,616. In Budget 2019, the Government enhanced the Guaranteed Income Supplement (GIS) Earnings Exemption to enable low-income seniors who work to keep more of their earnings. As of July 2020, the enhanced exemption applies to both employment and self-employment income, and provides a full exemption on up to $5,000 of annual earnings, as well as a 50% exemption on the next $10,000 of earnings. This means that low-income seniors who work can keep more of their benefits.

The Government will continue to examine ways to ensure that the tax system does not create barriers to seniors who want to remain in the workforce.

RECOMMENDATION 15: *That the Minister of innovation, Science and Industry explore measures to ease the burden experienced disproportionately by SMEs of excessive credit card transaction fees, including putting a cap on such fees.*

The Government is in alignment with this recommendation. The Government announced on May 18, 2023, that it is delivering on the Budget 2023 commitment to lower credit card transaction fees for small businesses by finalizing new agreements with Visa and Mastercard, while also protecting reward points for Canadian consumers offered by Canada's large banks. These new agreements will help more than 90% of credit card-accepting businesses in Canada qualify for lower rates and see their interchange fees reduced by up to 27% from the existing weighted average rate. These reductions are expected to save Canadian small businesses about $1 billion over five years. Small businesses will also benefit from free access to online fraud and cyber security resources from Visa and Mastercard to help them grow their online sales, while preventing fraud and chargebacks.

RECOMMENDATION 16: *That the Government of Canada examine the difficulties that SMEs in protecting their intellectual property.*

The Government is aligned with the response and has made a number of investments to support Canadian SMEs and other innovators in making strategic decisions to protect and leverage their IP, beginning with the launch of the

National IP Strategy in 2018. The Strategy included amendments to all IP legislation to clarify practices and address abuses, such as provisions on patent trolling letters. It also introduced initiatives to improve knowledge, sophistication and participation, including by building on existing educational offerings, and piloting new tools to support IP decision-making and commercialization. The Strategy also sought to ensure ISED was well positioned to work with and support businesses, through a national survey on IP activities.

National IP Strategy initiatives have been complemented by further investments, such as ElevateIP and IP Assist, both funded through Budget 2021, which provide support for strategic IP decision making. The Strategic Intellectual Property Program Review was first announced in Budget 2021, with further support from Budget 2022. This review is examining ISED's suite of innovation and science programs to ensure they support, and are aligned with, a sound IP approach that is conducive to IP value creation and maximization of benefits for Canada and Canadians. The Government monitors the contributions of these programs, as well as those of innovation programs, to ensure they are meeting businesses' needs.

Sincerely,

The Honourable François-Philippe Champagne, P.C., M.P