

# 2007 PRE-BUDGET SUBMISSION

February 23, 2007



## The Manitoba Chambers of Commerce

Entrepreneurial Spirit • Community Values

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## **INTRODUCTION:**

The Manitoba Chambers of Commerce is the umbrella organization for Manitoba's Chamber movement. With a membership comprised of 74 local chambers and 350 direct corporate members, in total we represent over 10,000 businesses from across Manitoba.

Our membership is not confined to any specific region within Manitoba. Nor do we represent only one size of business. In fact, the Manitoba Chambers represents the entire spectrum of business, from sole proprietorships to some of the largest companies in Manitoba. Nor do we represent only one particular sector of the economy. To cite but a few examples, our membership includes representatives within services, manufacturing, transportation, mining, agriculture and technology.

The Vision of the Manitoba Chambers is as follows:

- Policy development that brings together businesses of all sizes, from all sectors, and communities across Manitoba;
- Non-partisan public debates of integrity, that criticize government where necessary, praise government where warranted, and disdain personal attacks and exaggeration;
- A business community that demonstrates high ethical standards in all it does;
- Businesses dedicated to the vitality of their communities, the prosperity of their employees and the sustainability of the environment;
- A province that understands the nature and value of entrepreneurship and promotes the competitive enterprise system;
- A provincial government with sound, long-term economic strategies that are focused without ignoring opportunity, flexibility and diversity;
- Government policies and spending that are efficient and effective, delivering the programs that Manitobans need and helping the disadvantaged; and
- A Manitoba that promotes the progress of all its citizens toward individual freedom, dignity and prosperity, and opposes any form of negative discrimination or needless control.

The last two years have been profoundly significant in the history of the Manitoba Chambers. Not only did we reach our 75<sup>th</sup> year in 2006-2007, we launched the Great Jobs Agenda and the Making Manitoba a 'Have' Province Initiative.

We also built on those efforts with an attitude survey, a Partners for Prosperity Roundtable and a luncheon on corporate social responsibility.

Information packets have been produced in relation to each of these activities and they will be provided to you during our meeting.

We are honoured to present this, our eight Pre-Budget submission to you.

Last year we outlined a vision for tax relief based on our Great Jobs Agenda. Various media stories and reports (e.g. the Conference Board of Canada's "Mission Possible: Stellar Canadian Performance in the Global Economy" and the Fair Deal Report [the focus of the Partners for Prosperity Roundtable]) seem to suggest that we are on the right track. Accordingly, we offer it again for your further consideration and feedback.

We will also continue our practice of pointing out at an early juncture what our submission is not. It is human nature to tend to see a submission that calls for change as a condemnation of everything you have done, or, at the least, as a failure to fairly appreciate your successes. Nothing could be further from the truth. This government has embarked on a wide range of policies that have made Manitoba stronger.

Nor do we criticize in public and praise in private. For example, each year we produce a web story that is solely devoted to celebrating elements of your Budget (the story is also sent out in our membership e-newsletter). We also developed a 'Government Initiative of the Month' feature in our weekly e-newsletter and added a 'Manitoba Matters' bulletin board to our Focus magazine which often highlights government initiatives. Finally, as you will see, private sector celebration of public sector successes is a major element of the agenda we are proposing.

There are countless initiatives for which you deserve praise. One we particularly wish to highlight is your effort to develop benchmarks to assess the progress of Manitoba. We have been asking you to engage in an effective benchmarking process for quite some time. As such, we applauded your benchmark consultations on our website and in our e-newsletter. We also endorsed it in many media interviews. Unfortunately, due to the complexity of this issue the MCC's submission will be past your deadline, but we continue to work on this important matter and hope to provide it within our State of the Province report. Our attitude survey has also tried to engage Manitobans on this issue.

### **Executive Summary of Recommendations:**

Thomas Friedman warns that we are entering a phase that will see the digitization, virtualization, and automation of virtually everything and "The gains in productivity will be staggering for those countries, companies, and individuals who can absorb the new

technological tools.”<sup>1</sup> Adaptability will be crucial as a faster rate of innovation will push the pace of the ‘churn’ of economic opportunities and jobs.<sup>2</sup>

Many jobs will ride the wave of innovation, cresting to greater specialization and therefore higher value. But there is no denying that other jobs will be crushed by it, becoming permanently replaced by technology or receiving relatively low value in the market (largely manual or commoditized labour). The great divide in so many policy debates is not the existence of this ‘crush’, but an overlaying layer of frustration, animosity and distrust.<sup>3</sup>

The question becomes, ‘How do we provide the environment businesses and employees need to grow the economy while also helping those who do not fully benefit from the economy?’

Recently, the MCC participated in the Federal Labour Code Review. After reviewing the submissions received by the Commission and conducting our own research, we found a considerable degree of consensus among labour and management, between ‘left’ and ‘right’. The areas of agreement are substantial:

“Many years of research have established that, surprisingly, little real conflict exists between the goals of the overwhelming majority of workers and those of their employers.”<sup>4</sup>

This submission reiterates the vision we proposed to the Federal Labour Code Review Committee. It sets forth an agenda - a Great Jobs Agenda - of eight elements. We are suggesting an all-encompassing vision against which all government economic policies, all Budgets, all Speeches from the Throne, will be judged. Individually, each element represents an area of agreement between labour and management. Taken together, they constitute a plan that bridges the goals of economic growth and individual well-being.

This agenda does not subvert either the policies or the principles of the Manitoba Government. Nor does it seek to replace the government’s seven-pronged action strategy for economic growth. In fact, it builds on it.

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<sup>1</sup> The World is Flat: A Brief History of the Twenty-First Century, (New York: Farrar, Straus and Giroux, 2005), p.45.

<sup>2</sup> *Ibid.*, p. 239.

<sup>3</sup> The seemingly small point of consensus regarding the existence of a ‘crush’ is often lost in the more compelling, and heated, debate as to what to do to remedy it. The fact that such discussions invariably occur against the ‘political’ backdrop of a legislative review simply exacerbates the animosity that arises from Business’s fear and distrust of unproductive government meddling and Labour’s fear and distrust of market policies. Marriages by gunpoint, whether loaded with bullets or ballots, rarely work. A major theme of this submission is how best to address this animosity.

<sup>4</sup> David Sirota, Louis Mischkind and Irwin Meltzer, The Enthusiastic Employee, (Wharton School Publishing, New Jersey, 2005) p. xxiii.

## **The Great Jobs Agenda:**

### **1) Mindset (attitude is key)**

Adopt a ‘creative capital mindset’ – one that judges all economic policies against the basic standard of whether they are empowering each individual to obtain employment that fully taps into their creative potential.

### **2) An Environment Where Business Can Thrive**

If the goal of the Great Jobs Agenda is to provide people with jobs that are well-paying, meaningful and tap into their talents, then we need an environment that enables businesses to create/maintain those jobs.

To this end, a long-term tax vision is needed:

#### Step 1:

- In addition to your current plans for tax relief, commit to focused relief for low income Manitobans and make it a priority to eliminate all capital taxes, all sales tax on capital and all profit insensitive taxes.
- While the ‘price tag’ is admittedly fairly heavy, quite simply the payroll tax needs to go. It is profoundly wrong-headed to tax a business for increasing staff and/or their wages. At the very least, you must declare your intent to eliminate this tax and develop a multi-year strategy to do so.
- The specific path of implementation will of course depend on the availability of revenue, what we are simply seeking at this point is a commitment that new tax relief will focus on these items over the near and medium-term.

Step 2: For the long-term you need to look at the elimination of these taxes, then moving on to further corporate and income tax relief. Unfortunately, fiscal restraint and new revenues may not be enough to fund this relief. Of course, deficits would not be a prudent response. Accordingly, you should immediately commit to developing a strategy that will consider how to move our province more from a regime that taxes investment/income to one that taxes consumption. This ‘big picture’ thinking should include an analysis of the following:

- the economic effect of eliminating the corporate tax, “This is an unconventional solution and further research is required to assess

- the long-term impact on tax revenue, patriation of earnings by foreign companies and other issues.”<sup>5</sup>;
- converting the PST into a broad-based value added tax covering goods and services<sup>6</sup>;
  - basing personal taxation on lifetime earnings.<sup>7</sup>; and
  - a consideration of how other jurisdictions tax; what insights may be gained therein; and how, if at all, this could be applied to Manitoba. For example, it has been suggested Denmark and Sweden have high rates of tax but in a way that motivates business investment.<sup>8</sup>

### 3) Nurture Skills/Recognize Skills

None of the items we propose for the skills strategy are new (lifelong learning, the importance of skills acquisition from the most basic to the most sophisticated, skills recognition, etc). Indeed, great strides have been accomplished in relation to many of them. The key call for change is twofold:

- that these strategies receive an even greater focus from government, business, labour and the public as part of a Great Jobs Agenda; and
- as such, every single initiative be evaluated against the standard of whether the skills of the individual involved have been enhanced in a way that leads to engaging and financially rewarding employment.

### 4) Identify & Remove Roadblocks for Those on Low-income

Engage in effective tax relief for low-income tax payers.

As an interim step, the government must immediately follow-up on these items contained in the 2005 Budget Papers:

- “Recent federal-provincial work on Market Basket Measures (Human Resources Development Canada, 2003) may provide a further tool for assessing the breadth and depth of low income in Manitoba.”<sup>9</sup> and “Manitoba is also closely monitoring the development of market-basket measures of low income to determine their usefulness as a

<sup>5</sup> “Rebalancing priorities for prosperity”, Fourth Annual Report, November 2005, p. 45.

<sup>6</sup> Ibid., p. 45.

<sup>7</sup> Ibid., p. 46

<sup>8</sup> Ibid., p. 44.

<sup>9</sup> Budget Paper F, “Addressing Poverty in Manitoba”, p. 3.

policy tool for setting welfare rates and establishing non-refundable income tax credits.”<sup>10</sup>

- “Preliminary results indicate that work is needed on reducing marginal effective tax rates.”<sup>11</sup>
- “In the future, Manitoba will examine whether the broad range of boutique programs that are available can be modified or consolidated to reduce high marginal tax rates that may be a disincentive to participating in the labour force.”<sup>12</sup>
- “... the ability of low-income families to build assets is also a concern.”<sup>13</sup> and “To this end, the Manitoba Government is supporting a pilot project on Individual Development Accounts in Winnipeg.”<sup>14</sup>

As well, if you are going to continue with the Manitoba Advantage analysis you should include a cost comparison of families living on a minimum wage income.

## **5) Trumpet Success (Business & Government)**

Collectively we must do a better job of sharing these success stories in a way that both inspires and instructs.

## **6) Obey the Law**

Laws that are not enforced serve no purpose other than to permit victimization of workers and to penalize law-abiding employers.

## **7) Broaden Knowledge of the Law**

The first step to an effective regulatory system is knowledge as to its existence.

## **8) All Together (Government, Labour, Community Groups and Business Must Work Together)**

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<sup>10</sup> Ibid., p. 21.

<sup>11</sup> Ibid., p. 21.

<sup>12</sup> Ibid., p. 21.

<sup>13</sup> Ibid., p. 21.

<sup>14</sup> Ibid., p. 22.

The most important aspect of the Great Jobs Agenda is that government, business and labour agree to work on it together.

To a significant degree an element of cooperation already exists in Manitoba. To build on this momentum the government should create a Forum on the Great Jobs Agenda;

- The Forum should have two responsibilities: ongoing and timely reporting on, and measurement of, the Great Jobs Agenda; and an assessment of the combined effects of provincial initiatives that influence the Great Jobs Agenda. The Forum should report annually to the Manitoba Legislature and the public on its findings in each of its areas of responsibility;
- The Forum should be established for an initial four-year period. The Forum's mandate should be renewed if a public review concludes that it has been effective in fulfilling its responsibilities;
- The Forum should consider productivity issues, but that analysis will need to occur within the context of the Great Jobs Agenda;
- As part of its reporting the Forum should perform an ongoing and detailed analysis of Manitoba's economy. To lead to truly informed policy decisions this analysis must look at each sector, not just the economy as a whole. This analysis should reveal:
  - The need for specialized training and research institutions on a sector-by-sector basis;
  - Specialized infrastructure needs on a sector-by-sector basis;
  - The need for special regulatory regimes on a sector-by-sector basis; and
  - Any other special needs identified on a on a sector-by-sector basis.
- The Forum should have a website, with regular updates that are both posted and emailed to subscribers. The website and activities of the Council of the Federation are good examples of the type of collaboration and reporting that is envisioned.<sup>15</sup> The Task Force on Competitiveness, Productivity and Economic Progress is another good example.<sup>16</sup>
- Ideally the Premier's Economic Advisory Council should be tasked with the role of the Forum, however, if PEAC cannot accomplish this type of analysis and reporting another entity should be set up to do so.

The Great Jobs Agenda will build bridges - among constituents and towards economic and individual prosperity. It is an agenda for a province that wishes to thrive in an increasingly knowledge-based and global economy.

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<sup>15</sup> See <http://www.councilofthefederation.ca/>.

<sup>16</sup> [www.competeprosper.ca](http://www.competeprosper.ca).

## THE GREAT JOBS AGENDA:

There are nine elements to the agenda that we are proposing. Taken together, they constitute a plan that bridges the goals of economic growth and individual well-being. Separately, each item represents an element of agreement between labour and management.

For too long our worth has been defined by how hard we fought over our differences, it is time we were judged against our efforts to build on that which we agree.

### 1) Mindset (attitude is key)

*"The voyage of discovery is not  
in seeking new landscapes  
but in having new eyes."  
Marcel Proust*

The mindset we are advocating has been suggested by others. Indeed, some already live it. Unfortunately, their numbers are too few. Nor has it been fully embraced by our policy makers. What's more, there is a risk that those who fear change, or are not benefiting from it, will seek to disrupt it.

Although he was talking about the United States, Richard Florida's warning echoes some of the challenges facing Manitoba (the difference being one of degree rather than kind):

“While roughly 30 percent of our national workforce enjoys the ability to use their creativity at work and get paid for it, they leave the remaining 70 percent holding on dearly to far lower-paying service or manufacturing jobs – stalled in place on the ladder of socioeconomic mobility.

Worse still is the growing impression that while, on the one side, a latte-swilling clique of yuppies rocket up that ladder and pour money into gentrifying urban neighborhoods, on the other side, a coffer-draining gang of CEO and Wall Street robber barons rakes in the bonuses and erects immense McMansions in the suburbs. Stuck in the middle are growing numbers of Americans – liberal, conservative, and independent – united only in their growing distaste for this elite. True to reality or not, this impression is poisoning the political air we breathe, setting in motion a politics of anxiety and reaction that retards America's ability to exploit the full economic potential of the creative age.”<sup>17</sup>

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<sup>17</sup> The Flight of the Creative Class: The New Global Competition for Talent, (HarperCollins Publishers Inc., New York, 2005), pp. 17-18. Comparing Canada to the U.S. in any way, to any degree, often rankles many. So it should be noted that we do not mean to suggest that Canada is exactly like the U.S. Indeed, Florida often notes how much higher Canada ranks globally than the U.S. in many 'positive indicators'. Truly,

To begin with, we must let go of the notion that prosperity is a zero sum game, that somehow another's success diminishes the rest of us. Such an attitude is worse than wrong; it is toxic, poisoning a public debate that could otherwise lead to truly positive change.

At its most basic, this change in mindset involves the way we view the challenges of the globalized knowledge-based economy.

And rest assured, the issue of mindset applies to the business community as much as it does to individuals, our communities and our policy makers. While much has changed since Michael Porter and Roger Martin's 2001 report, their admonition is as valid as ever:

“The single most important priority for Canadian prosperity is to bring about a transformation in the way Canada's companies compete.”<sup>18</sup>

For too long Canadian and Manitoba businesses have competed on the basis of a low dollar and smaller pay hikes.<sup>19</sup> Those days are gone, and while many of our companies are competing based on sophisticated processes and products this will continue to be in dribs and drabs until creativity becomes a key agenda item. It is not only the right thing to do, it is the smart thing to do – and like all true wisdom, you can't mandate it through legislation (especially in relation to something as dynamic and demanding as the economy), you create an environment that allows it and inspires it.

Manitoba's Just Income Coalition released a report entitled 'Paid to be Poor'. Consider some of the characteristics the report identified in relation to low paying jobs:

- Insecurity is prevalent<sup>20</sup>;
- Little or no hope of advancement<sup>21</sup>; and
- “The fear of unemployment makes people wary about complaining about their wages and working conditions.” and “In our economy, when a worker loses his job it's like capital punishment.”<sup>22</sup>

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Canada has much to be proud of, but we are deluding ourselves if we think Florida's warning in no way echoes some of our country's challenges. Those seeking proof of this have but to read through the submissions the Commission has received.

<sup>18</sup> Canadian Competitiveness: A Decade after the Crossroads”, (CD Howe Institute, 2001), p. 20.

<sup>19</sup> Thomas D'Aquino and David Stewart-Patterson, Northern Edge: How Canada Can Triumph in the Global Economy, (Stoddart Publishing Co. Limited, Toronto, 2001), p. 59.

<sup>20</sup> “Paid to be Poor: Report of the 2005 Manitoba Low Wage Community Inquiry”, [www.just-income.ca](http://www.just-income.ca), p. x.

<sup>21</sup> Ibid., p. 2.

<sup>22</sup> Ibid., p. 14, quoting testimonial arising from a consultation.

Consider what would happen if we developed a ‘creative capital’ mindset – one that judges all policies against the basic standard of whether they are empowering each individual to obtain employment that fully taps into their creative potential.<sup>23</sup> As Florida notes, if pursued properly, such a mindset would inspire entrepreneurial drive while extending the benefits of the creative economy to a broader segment of the population.<sup>24</sup> The point is crucial, so we will quote Florida at length:

“The creative class concept should therefore be understood as neither elitist nor exclusionary. In fact, I coined this term largely as a result of a personal and intellectual frustration with the snobbery of such concepts as ‘knowledge workers,’ ‘the information society,’ ‘high-tech economy,’ and the like. I chose ‘creative class’ because I found it to be both more accurate in defining the real source of economic value creation and also more useful in highlighting who of our fellow workers is or is not rewarded monetarily and professionally for making use of their own inherent creativity. The real challenge of our time is to extend its membership beyond the 30 per cent or so who are currently allowed in – to make the creative class a much broader and inclusive group that taps the great reservoirs of creative human energy that are already in our midst.”<sup>25</sup>

A Great Jobs Agenda will enhance the demand for a worker’s value by growing, recognizing and tapping into their talents – potential employers will want it and the current employer will fight to keep from losing it. That means better pay and working conditions. As more low paid employees move up to higher value jobs the supply of those willing to have lower paying jobs will shrink. This reduced supply will push employers to increase wages and benefits so as to keep those who are willing to work at lower paying jobs. Competition for workers is the ultimate source of pressure for best practices.<sup>26</sup>

We need an agenda that is primarily judged against its ability to give individuals the creative skills that are valued in the economy. Valued skills empower employees to say ‘no’ when encountering working conditions they do not like and move on to an employer that is willing to make a higher ‘bid’ for their talent. Without that option, a worker will always be vulnerable to the crush of the economy - they will not complain for fear of losing what little they have, or the regulations that seek to protect them won’t be enforced, or somehow, somehow the gains they were legislated will be sacrificed by losing their job, losing their benefits or in other ways. As to this latter point, consider the following from The Working Poor: Invisible in America:

“When the state raises the minimum wage, the employer usually raises the required speed of production and leaves the rate per piece unchanged, workers’

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<sup>23</sup> The idea for a ‘creative capital’ mindset arises from Richard Florida’s The Rise of the Creative Class and is discussed further in The Flight of the Creative Class.

<sup>24</sup> The Flight of the Creative Class, p. 244.

<sup>25</sup> Ibid., p. 35.

<sup>26</sup> The World is Flat, p. 321.

advocates report. That circumvents the law, of course – the law enacted by government that is. More potent is the law of economics.”<sup>27</sup>

If this sounds awfully socialist coming from a business organization consider that this is exactly what the business community means when it warns about the detrimental employment effects of introducing market rigidities.

The ‘creative capital mindset’ is neither ‘left’ nor ‘right’ - it bridges the needs of labour and business. It is the type of solution that addresses the concern noted by the Canadian Restaurant and Food Services Association:

"When faced with a policy problem it is often tempting to design policy responses that deal with the symptoms rather than the cause of the problem. This is fostered by the fact that policy makers and politicians are often legally trained, in which case legislated and regulatory solutions come naturally as appropriate responses. Little attention is paid to the incentives that give rise to the problem in the first place, and hence how policy may alter those incentive structures to yield more socially acceptable outcomes. Furthermore, ignoring market mechanisms runs the risk that policy initiatives may ‘get undone’ by private responses, as the parties adjust other margins in response to the policy initiatives.”<sup>28</sup>

The ‘creative capital’ mindset is the high-growth, high-value, high-wage, and high productivity strategy urged by Business Council on National Issues.<sup>29</sup> And it is the mindset called for when Wayne Helgason, Executive Director of the Social Planning Council of Winnipeg, said “There are simply not enough good jobs with good wages being created in Manitoba.”<sup>30</sup>

There is considerable similarity between championing productivity and a creative capital mindset. This may invite the question, ‘Why not simply pursue an agenda of enhancing productivity’?

For all of its considerable benefits, a productivity agenda has two fatal flaws. For one thing, workers often equate productivity with fewer jobs.<sup>31</sup> Such fears are hardly the stuff of unifying agendas. Further, we are simply deluding ourselves if we do not see an

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<sup>27</sup> David K. Shipler, (Alfred A. Knopf, New York, 2004), p. 79.

<sup>28</sup> “Advancing Competitiveness and Productivity Through Flexible Labour Policy”, submission to the Federal Labour Standards Review Commission, p. 5, in turn quoting Gunderson, Morley; and Riddell, W. Craig, (1999), “The Changing Nature of Work: Implications for Public Policy.”

<sup>29</sup> Thomas D’Aquino and David Stewart-Patterson, Northern Edge: How Canada Can Triumph in the Global Economy, (Stoddart Publishing Co. Limited, Toronto, 2001). The Business Council on National Issues is now known as the Canadian Council of Chief Executives.

<sup>30</sup> “Paid to Be Poor”, p. 9.

<sup>31</sup> The Enthusiastic Employee, p. 106.

element of truth to workers' concerns in this regard. A significant element of productivity is mechanization and technological innovation, and most international economists agree that "The vast majority of job reductions...are traceable not to outsourcing or globalization but are the consequence of labor-saving technology."<sup>32</sup>

Even the Senate Standing Committee on Banking, Trade and Commerce agreed that productivity can have 'short-term' negative employment consequences.<sup>33</sup> And therein lies the second fatal flaw to a productivity standard – it may increase living standards but it takes an awfully long time (decades) to do so.<sup>34</sup>

During its hearings on productivity the Senate Standing Committee on Banking, Trade and Commerce was told that that we need to understand issues beyond just productivity, "... including the extent to which wealth is being created, the amount of leisure time that is available, and the health and well-being of citizens."<sup>35</sup>

The creative capital mindset answers all these concerns. It serves the business community by nurturing the talent, the environment, and the technological advances that are crucial to thriving in today's dynamic value-added markets. It creates what the Centre for the Study of Living Standards calls 'full employment', where "... there is no slack in the [economic] system, or unused potential. Such a situation results in increasing returns through economies of scale, learning by doing, and elimination of operating inefficiencies."<sup>36</sup> The 'creative capital' mindset serves each and every worker by harnessing their full creative potential in a way that provides access to satisfying jobs (desired pay and engaging work). It serves every citizen by enhancing the capacity of the economy to fund the programs expected of government.

Let us now 'flesh out' an agenda to go with our 'creative capital' mindset.

## **2) An Environment Where Business Can Thrive**

If the goal of the Great Jobs Agenda is to provide people with jobs that are well-paying, meaningful and tap into their talents, then we need an environment that enables businesses to create/maintain those jobs.

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<sup>32</sup> The Flight of the Creative Class, p. 96.

<sup>33</sup> Report of the Standing Senate Committee on Banking, Trade and Commerce, "Falling Behind: Answering the Wake-Up Call, What Can be Done to Improve Canada's Productivity Performance?", June 2005, p. 4.

<sup>34</sup> Tarek M. Harchaoui and Faouza Tarkhani, "Four Decades of Productivity Performance in Canada", The Canadian Productivity Review, Statistics Canada, (October 2005), p. 5.

<sup>35</sup> Report of the Standing Senate Committee on Banking, Trade and Commerce, "Falling Behind: Answering the Wake-Up Call, What Can be Done to Improve Canada's Productivity Performance?", June 2005, p. 5.

<sup>36</sup> Andrew Sharpe, Executive Director of the Centre for the Study of Living Standards, Edited Testimony given to the Senate Standing Committee on Banking, Trade and Commerce, May 11, 2005.

This is the most contentious aspect of the Great Jobs Agenda as there is little consensus between the left and the right as to how much corporate tax relief is warranted as opposed to increases in program spending. It is an important debate and the Manitoba government will have to make decisions in this regard as it prepares the 2006 Budget.

The Great Jobs Agenda simply seeks to move the province forward in two key aspects. Firstly, it seeks to build on our points of agreement - and here it is important to acknowledge that all agree we need an environment that fosters the growth of businesses that offer high-paying and engaging jobs that tap into their employees' talents. Secondly, it seeks to judge all initiatives against the fundamental goal of providing people with jobs that are well-paying, meaningful and tap into their talents. Whatever corporate tax relief or fiscal policies this government may choose, they must be designed and ultimately evaluated in this context.

Jim Stanford of the Canadian Auto Workers has 'thrown down the gauntlet' to the business community by asking what recent corporate tax changes have gained our nation in terms of investment. He states:

“Ironically, business investment has weakened significantly in Canada since the federal corporate tax reductions – not strengthened. Real business investment has declined by 2 points of GDP since 1999, and the proportion of available after-tax cash flow which firms reinvest in Canadian capital projects has fallen from close to 100 percent in 2001 to just 66 percent in 2004. Business investment spending has weakened despite all-time record corporate profits (which reached 14% percent of GDP in 2004) and a declining tax burden.”<sup>37</sup>

We would dispute the force of Mr. Stanford's conclusions on a number of grounds:

- recent business investment is occurring in technology rather than capital,<sup>38</sup>
- we are coming out of a period of heightened economic insecurity where business solidified its position by, for example, paying off debts, and is now looking at a period of greater investment;<sup>39</sup> and
- the growth in government program spending suggested the time was right for tax relief (to cite but a few examples)<sup>40</sup>.

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<sup>37</sup> “Protesting Too Much: The Rhetoric and Reality of Corporate Tax Cuts”, p.1.

<sup>38</sup> Tarek M. Harchaoui and Faouza Tarkhani, “Four Decades of Productivity Performance in Canada”, The Canadian Productivity Review, Statistics Canada, (October 2005), p. 13.

<sup>39</sup> TD Financial Group, “Canadian Corporations are Riding the Profit Surge”, TD Economics Topic Paper, April 28, 2005.

<sup>40</sup> Canadian Chamber of Commerce 2005 Pre-Budget Submission, “Enhancing Productivity Growth in Canada”.

However, for the purposes of our submission the key is not so much to debate Mr. Stanford's conclusions. The important point is to endorse his call for judging a tax relief strategy against its capacity to spur the type of investment and activities that will serve the Great Jobs Agenda.

It should also be noted that Mr. Stanford's main point doesn't appear to be an indictment of corporate tax relief per se, but a criticism of across-the-board corporate tax cuts as an extremely weak and ineffective policy tool (i.e. an instrument that is too blunt) for stimulating new investment spending. He does endorse faster capital cost allowance write-offs, an investment tax credit and targeted investment subsidies<sup>41</sup> – many initiatives that have been called for by the business community. In short, we suggest that there is indeed room for agreement between labour and business, even when it comes to corporate tax reform.

It is also important to mention at this point that the Great Jobs Agenda is not about an economic snobbery that seeks to squeeze out low-skilled and/or low wage employment. Low-skilled, low paid work is unavoidable in any economy. But to simply acknowledge that such work is a necessity is to under-value its importance to our society and our citizens. Often low-paid work is voluntary.<sup>42</sup> It suits the needs of those employees in terms of finances, skill demands and life goals. Many use it as a transition to better employment.

The ill, from an individual, social and business community perspective is where someone wants more financially rewarding and/or challenging work and cannot obtain it. It is the goal of the Great Jobs Agenda to help those individuals and to help the businesses that can offer those high-end jobs, but to do so in a way that does not unduly hamper the low-skilled, low paid jobs that continue to play an important role in our province<sup>43</sup>.

In terms of a specific plan for tax relief, we are aware that, since 2000, personal income taxes have been reduced by \$249 million, property taxes have been reduced by \$142 million and business taxes have been reduced by \$129 million.

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<sup>41</sup> Ibid., p. 5.

<sup>42</sup> For example, part-time work has a higher incidence of 'low pay' (however defined) than full-time work, yet only 25% of Canadians who worked part-time said they would prefer full-time. "Paid to Be Poor", p. 35.

<sup>43</sup> The qualification of 'unduly' is necessary because the Great Jobs Agenda will exert pressure on low-skilled, low-wage jobs. First, it will lead to more innovation which may well reduce the number of low-skilled jobs. Secondly, by growing the number of high-skilled jobs and enhancing individual access to those jobs it will create an upward pressure on low-skilled wages by reducing the number of workers available or willing to take low-skilled jobs. Thirdly, it gives workers the chance to move to more rewarding jobs if they feel their current employment is undervaluing them.

The Research and Development Tax Credit, the Manufacturing Tax Credit, the Film and Video Production Tax Credit, and the retail sales tax exemption on farm slurry tanks and lagoon liners are but a few examples of the specific initiatives you have undertaken to spur investment through tax relief.

We are also aware of your commitment to eliminate the residential Education Support Levy by 2007, reduce the general corporate rate to 14.0% effective July 1, 2007, and reduce the small business rate to 4.0% by the same date.

For a number of years we have been calling on the Manitoba Government to develop "... a long-term plan for tax reform that is specifically designed to enhance our economic strengths."

Putting aside our debate as to whether you have ever developed such a vision, your remaining tax reform commitments will be complete within a year from now. The time is right for a new multi-year strategy. Accordingly, as part of the Great Jobs Agenda we suggest that, in addition to focused relief for low income Manitobans, you make it a priority to eliminate all capital taxes, all sales tax on capital and all profit insensitive taxes. We do so for the following reasons:

- you have already moved on corporate income taxes and have a short-range plan for further relief in this regard;
- income taxes require profitability, as such these reforms do not help businesses that have yet to attain that threshold;
- your economic strategy correctly emphasizes growth and investment, as such, and particularly in this day and age, it makes no sense to tax investments in capital or employment;
- from a fairness perspective, it is simply wrong to have profit insensitive taxation;
- income tax relief is very expensive. Relatively speaking, capital tax relief is less so;
- it is the prevailing wisdom that capital tax relief can have one best 'bangs for the buck' when it comes to spurring economic growth;
- the funds that Manitoba has available for tax relief is limited, accordingly, we must be very strategic in the choices we make.

While the 'price tag' is admittedly fairly heavy, quite simply the payroll tax needs to go. It is profoundly wrong-headed to tax a business for increasing staff and/or their wages. At the very least, you must declare your intent to eliminate this tax and develop a multi-year strategy to do so.

The specific path of implementation will of course depend on the availability of revenue, what we are simply seeking at this point is a commitment that new tax relief will focus on these items over the near and medium-term.

For the long-term you need to look at the elimination of these taxes, and then moving on to further corporate and income tax relief. Unfortunately, fiscal restraint and new revenues may not be enough to fund this relief. Of course, deficits would not be a prudent response. Accordingly, you should immediately commit to developing a strategy that will consider how to move our province more from a regime that taxes investment/income to one that taxes consumption. As suggested by the recent report of the Task Force on Competitiveness, Productivity and Economic Progress, this ‘big picture’ thinking should include an analysis of the following:

- the economic effect of eliminating the corporate tax, “This is an unconventional solution and further research is required to assess the long-term impact on tax revenue, repatriation of earnings by foreign companies and other issues.”<sup>44</sup>;
- converting the PST into a broad-based value added tax covering goods and services<sup>45</sup>;
- basing personal taxation on lifetime earnings.<sup>46</sup>; and
- a consideration of how other jurisdictions tax; what insights may be gained therein; and how, if at all, this could be applied to Manitoba. For example, it has been suggested Denmark and Sweden have high rates of tax but in a way that motivates business investment.<sup>47</sup>

### 3) Nurture Skills/Recognize Skills

The view that ‘skills’ is the key to economic betterment is perhaps the greatest common denominator between ‘left’ and ‘right’, labour and management. In the words of The Working Poor: The Invisible In America:

“... the best way to improve a worker’s wage is through promotion and upward mobility; new laborers will flow in beneath to take the low-wage positions, and ideally, most of them will eventually climb into decent pay scales.

We know at least two effective methods to help someone starting in the \$5- to \$8-an-hour range to move to \$15 or more: One is through sophisticated job training of the kind that rescued Peaches and Leary Brock from the ravages of low skills and disbelief in themselves; the skill is there, now the will has to be mustered to fund such efforts adequately. The second is through a revival of vocational education in high school and a network of apprenticeships for those who don’t go to college. There, too, the issue is not one of skill but of will.”<sup>48</sup>

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<sup>44</sup> “Rebalancing priorities for prosperity”, Fourth Annual Report, November 2005, p. 45.

<sup>45</sup> Ibid., p. 45.

<sup>46</sup> Ibid., p. 46

<sup>47</sup> Ibid., p. 44.

<sup>48</sup> At p. 292. Peaches and Leary Brock are two of the individuals Shieler chronicles as they make their way through welfare, training and/or work.

Andrew Jackson of the Canadian Labour Congress writes:

“Training for the unemployed and workers in precarious employment helps equalize access to job opportunities and also creates a base for higher paying jobs.”<sup>49</sup>

Michael Porter, Professor of the Harvard Business School, and Roger Martin, Dean of the Rothman School of Management, University of Toronto, state:

“Investments in education, training and specialized skills upgrading have among the highest payoff of any investment government can make in improving the microeconomic environment for business.”<sup>50</sup>

These quotes also demonstrate a key symmetry of skills enhancement – skills enhancement serves the agendas of both the business community and employees.

Further, as the knowledge economy evolves the importance of skills acquisition will grow. It is commonly reported that by 2004, 70% or more of the new jobs created will require some form of post-secondary education (university, college or trades).<sup>51</sup>

And it is important to note that a skills strategy for the Great Jobs Agenda cannot be satisfied by simply generating a growing number of degrees. If those degrees do not provide people with the tools to prosper with their talents, our efforts are failing. For example, Canada does have very high rates of post-secondary education, but high rates are not observed in important, engaging, and in-demand areas such as engineering science or technical trades.<sup>52</sup>

Nor should we be lulled into automatically equating years in school with ability. As the C.D. Howe Institute notes, skills matter more than years of schooling.<sup>53</sup> A skills strategy that is true to the Great Jobs Agenda must make recognizing abilities as important as increasing them. The great strides our federal and provincial governments have been making in the development and utilization of the essential skills framework and prior learning assessments must be built upon.

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<sup>49</sup> Work and Labour in Canada, p. 219.

<sup>50</sup> “Canadian Competitiveness: A Decade after the Crossroads”, p. 19.

<sup>51</sup> Northern Edge, p. 114. and the Standing Committee on Human Resources Development and the Status of Persons with Disabilities, “Raising Adult Literacy Skills: The Need For A Pan-Canadian Response”, (June 2003), p. 1.

<sup>52</sup> Report of the Standing Senate Committee on Banking, Trade and Commerce, “Falling Behind: Answering the Wake-Up Call, What Can be Done to Improve Canada’s Productivity Performance?”, June 2005, p. 25.

<sup>53</sup> Serge Coulombe and Jean-François Tremblay, “Public Investment in Skills: Are Canadian Governments Doing Enough?”, (October 2005), p. 14.

As well, the Great Jobs Agenda demands that our skills strategy target the entire spectrum of education/training, from the most basic to the most sophisticated. As Andrew Jackson writes:

“Research by the OECD [Organization for Economic Co-operation and Development] suggests that it is particularly important for governments to invest in basic skills of unemployed and low-wage workers, such as literacy and numeracy.”<sup>54</sup>

That is why it is important to ensure that welfare and employment insurance programs also facilitate the acquisition of basic education, including the completion of high school.<sup>55</sup>

Again (and this point cannot be stressed enough), a Great Jobs Agenda that nurtures and taps into the talents of all will serve every individual as well as the economy. In the words of the C.D. Howe Institute:

“... our study has shown that the returns of human capital in terms of higher economic growth are more sensitive to the average skills of the entire population, as opposed to the share of individuals who acquire high levels of skills, and that the proportion of individuals who have very low levels of literacy act as a drag on growth.”<sup>56</sup>

Nor is it enough that the skills strategy accesses everyone, it must do so in a manner that actually serves the Great Jobs Agenda. It is not hard to find grounds for questioning whether programs designed to enhance skills and/or employment are truly doing so. Consider this testimony given to the Manitoba Community Low Wage Inquiry by an advocate for those on social assistance:

“Government policies are creating job ghettos by encouraging people to experiment with forms of self-employment. In some cases, self-employment means taking work as a sub-contractor and being paid less than the minimum wage. For example, many people, supposedly self-employed, are working for a janitorial service contractor, making less than minimum wage, and putting in far more than the standard eight-hour day.”<sup>57</sup>

The Inquiry also heard these comments from an adult upgrading coordinator:

“People who are involved in high school upgrading are not getting the training they need for the workforce. They are simply getting a piece of paper that will convince an employer to look at them. Given the jobs that are mostly available,

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<sup>54</sup> Work and Labour in Canada, p. 51.

<sup>55</sup> Ibid., p. 15.

<sup>56</sup> “Public Investment in Skills: Are Canadian Governments Doing Enough?”, p. 14.

<sup>57</sup> “Paid to be Poor”, pp. 19-20.

they think they are employable now, without completing Grade 12, and they may well be.

Some people who could benefit from more training and education are told that they have to stop their training and go to work now. This can simply force them into dead-end jobs. On the other hand, there are cases where education may not make a person's working future any brighter. I have met many people with a university education who are struggling to find well-paid work."<sup>58</sup>

The Saskatchewan Chamber of Commerce noted similar concerns in a recent submission:

"According to the Canadian Policy Research Network (CPRN), governments, whether provincial or federal, have difficulty in skills training initiatives, because of the perceived impetus to move people back into the labour force quickly from periods of unemployment, as opposed to providing the skills necessary for advancement in the workforce."<sup>59</sup>

This is not meant to 'bash' government. There are countless success stories where programs for skills upgrading have led to engaging and financially rewarding employment. The key point is that we need to ensure that the barometer against which such programs are judged is whether the skills upgrading led to engaging and financially rewarding employment.

It is impossible to speak of skills enhancement without speaking of workplace training. Here a variety of initiatives have been suggested, such as a 'super-deduction' of relevant expenses or allowing employers to make matching contributions to employee learning accounts as a non-taxable benefit.<sup>60</sup> However, one must be careful that such solutions actually foster workplace training that wouldn't otherwise occur. Certainly, large businesses would access these initiatives, but large businesses already lead the way in workplace training. For example, in 1996 members of the Canadian Council of Chief Executives made an average investment of \$1,074 per employee in formal training, and an additional \$757 per employee in other human resource spending (4.6% of payroll).<sup>61</sup> In contrast, the average expenditure for all Canadian businesses (i.e. large and small) was \$842 per employee (1.6% of payroll).<sup>62</sup>

Of course, we do need policies that enhance the capacity of large corporations to upgrade the skills of their workforce, but we must not lose sight of the need for initiatives that enhance training for those who work in small and medium businesses.

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<sup>58</sup> Ibid., p. 21.

<sup>59</sup> "Submission to: The Commission on Improving Work Opportunities for Saskatchewan Residents", (October 2005), p. 9.

<sup>60</sup> Northern Edge, p. 313.

<sup>61</sup> Ibid., p. 112.

<sup>62</sup> Ibid., pp. 122-123.

A first step in meeting this challenge is to better understand the types and amount of training (both formal and informal) already occurring in the workplace.

It is also important to understand the wide range of dynamics that vary from workplace to workplace when it comes to employee training. A large number of businesses see the value in employee skills enhancement and work diligently in this regard. The Manitoba Chambers has spoken to companies who feel it takes upwards of two years to train an employee in terms of the skills necessary for the job and the philosophy/spirit of the company. As such, these companies go to great lengths to avoid losing that investment. They will upgrade their employees' skills rather than 'starting from scratch' with a new hire even though that new person may have been trained in the latest techniques. They will cross-train their employees so they can be moved around within the company. Not only does this avoid burnout, it avoids layoffs when market dynamics render certain areas of the company unprofitable.

On the other hand, some businesses that need enhanced skills fear losing employees to 'better offers' once their skills have been upgraded. While options such as 'pay-back' clauses can be utilized to overcome this hurdle, this concern often inhibits workplace skills development. The fear that wages will be renegotiated after the skills have been upgraded also hampers the frequency of skills enhancement – particularly in the absence of a long-term contract.<sup>63</sup>

Some workplaces do not require enhanced skills, so no amount of incentives will persuade them to engage in workplace training.

Suffice to say that skills enhancement will be of mutual benefit, and therefore, an option, for many employee situations. However, programs need to be made available for workers in situations where their employers either cannot or will not support workplace training. In the words of the C.D. Howe Institute:

“... it may be desirable to target the policy measures for adult training towards low-skilled individuals, who tend to receive little employer support for training. In fact, according to the IALS [International Adult Literacy Survey], only 16 percent of individuals aged 16-to-65 who did not achieve upper-secondary education participated in employer-supported training in 1994.”<sup>64</sup>

Skills enhancement strategies also need to be based on a lifelong learning approach. In fact, with the rapid changes introduced by technology and increasingly frequent career changes, a lifelong approach to learning is more important than ever.

As well, these initiatives must be flexible enough to respond to the myriad of time schedules and pressures that learners face. In the words of the Corporate-Higher Education Forum:

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<sup>63</sup> “Public Investment in Skills: Are Canadian Governments Doing Enough?”, p. 13.

<sup>64</sup> *Ibid.*, p. 15.

“Learning needs to occur at any time, in any place and at the pace of the individual’s choosing – not the institution’s or the faculty members”<sup>65</sup>

The use of the internet is growing as a tool to meet the challenge of flexible training. Northern Edge cites the example of the University of Phoenix’s Online Campus.<sup>66</sup> Phoenix targets working adults (the average age is 38). They can start a course in any month of the year and work in virtual classes (with an average size of 8.6 students) for five to six weeks. Similar initiatives are growing in Canada.

Of course, the one downside to virtual learning is the need for computer access. In its work with Literacy Partners of Manitoba, the Manitoba Chambers concluded that TV is an often overlooked vehicle for learning/training. While by no means a silver bullet, TV learning programs can overcome a wide array of barriers to learning (especially for those with limited finances):

- Almost every household has a TV, so access to learning programs wouldn’t be a problem (lack of transportation is a significant barrier to many face-to-face programs);
- Almost every household has a VCR. This means the learner can access the program at their convenience (e.g. when the kids are asleep or in school, or after work. ‘Time constraints’ are another barrier to many face-to-face programs);
- As well, VCRs make repetition of the programs possible – a key to ensuring that learning becomes entrenched. It also avoids discouragement as learners can truly move at their own pace;
- The programs could be accessed when any family members who do not support learning are not around;
- Accessing the programs at home helps those who fear the stigma of being seen going to literacy programs;
- Accessing learning can be an intimidating process, but that is lessened when one remains completely in control (able to turn off the program without the real or perceived judgment of others) and in the comfort of one’s own home; and
- Of course, with TV programming the sky is the limit, the courses can run the spectrum of skill needs.

One cannot mention a skills enhancement/recognition strategy without considering the troubling signs that are emerging regarding the prosperity of our immigrants. Not only does Statistics Canada note that real annual earnings of recent immigrant men have fallen

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<sup>65</sup> As quoted in Northern Edge, p. 117.

<sup>66</sup> Ibid., p. 118.

substantially, it indicates that this is especially the case among "... those with considerable foreign work experience."<sup>67</sup>

Martin Dolan of the Manitoba Interfaith Council put it this way:

"Canada brings people with great experience into the country and then allows them to do nothing more than clean our airports and drive our taxis. For many immigrants, the economic entry point is so low that there are not enough working years left in their lives for them to ever catch up."<sup>68</sup>

In arguing for its six-point plan to enhance settlement and integration programs for immigrants the Canadian Chamber noted that "... 70 per cent of newcomers who tried to enter the Canadian labour force identified at least one problem with the process, such as transferability of foreign qualifications, lack of contacts, and language barriers."<sup>69</sup>

Whether one is looking at the challenge of our aging population, the power of the free flow of ideas that comes from welcoming newcomers, or simply the importance that governments have attributed to immigration, tapping into the talents of our newcomers is crucial.

None of the items listed for the skills strategy are new. Indeed, great strides have been accomplished in relation to many of them, and in many regards Manitoba is leading the way. The key call for change is twofold:

- that these strategies receive an even greater focus from government, business, labour and the public as part of a Great Jobs Agenda; and
- as such, every single initiative be evaluated against the standard of whether the skills of the individual involved have been enhanced in a way that leads to engaging and financially rewarding employment.

As indicated, the Government of Manitoba should be commended for leading the way in a number of areas that touch upon developing and recognizing skills. There are two initiatives in particular that we would like to discuss with you:

- the expansion of the Co-operative Education Tax Credit, and
- the Co-op Graduates Hiring Incentive.

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<sup>67</sup> René Morissette and Garnett Picot, "Low-paid Work and Economically Vulnerable Families over the Last Two Decades", Statistics Canada, Analytical Studies Branch Paper Series, (April 2005), p. 17.

<sup>68</sup> "Paid to be Poor", p. 19.

<sup>69</sup> Canadian Chambers of Commerce, p. 27.

#### 4) Identify & Remove Roadblocks for Those on Low-income

There is no doubt that money matters in overcoming poverty. In its own right, getting enough money means someone is no longer ‘poor’ (however defined) – indeed, that is what the higher wages aspect of the creative capital mindset is all about. But more money also provides access to the resources one needs as one tries to move to higher wages: it means being able to afford a suit for a job interview, a car to go to work, daycare, more training, better food. If all this seems painfully self-evident, how to explain that tax relief for low income individuals is so often overlooked?

Actually, the explanation is all too easy. This opportunity for consensus is too easily lost in the contentious debates about issues such as minimum wage reform, whether business should receive tax relief and the level of government spending. Important policy matters to be sure, but they should not distract us from highlighting - and pressing for - the shared aspects of our agenda.

The Canadian Chamber’s 2005 Pre-Budget submission elaborates on the challenge of marginal and effective marginal tax rates:

“... high marginal tax rates discourage work effort because many of the public transfers they receive (including child tax benefits, the GST and provincial sales tax credits, provincial property tax credits, student financial assistance and social welfare) end up being clawed back as income rises. Indeed, for many low- and modest-income families, the effective marginal tax rate (after factoring in income-tested benefits) is higher than 60 per cent and higher than the rate facing Canada's top income earners. This is not only inequitable, but it sends a strong negative message about the merits of working, saving, and upgrading one’s skills.”<sup>70</sup>

Similar concerns were expressed by the TD Bank Financial Group in “From Welfare to Work in Ontario: Still The Road Less Travelled”<sup>71</sup> and identified in “Paid to Be Poor”<sup>72</sup>.

As mentioned, the Great Jobs Agenda was originally drafted in the context of the federal regime, where the case for low income tax relief is readily apparent. The MCC is currently researching this issue in the Manitoba context, in particular, through partnership with a number of local poverty groups. In the interim, we would appreciate additional information/updates in regard to the following items contained in the 2005 Budget Papers:

- “Recent federal-provincial work on Market Basket Measures (Human Resources Development Canada, 2003) may provide a further tool for assessing the breadth and depth of low income in Manitoba.”<sup>73</sup> and

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<sup>70</sup> Ibid., p. 18.

<sup>71</sup> TD Economics Special Report, September 8, 2005.

<sup>72</sup> At p. 19.

<sup>73</sup> Budget Paper F, “Addressing Poverty in Manitoba”, p. 3.

“Manitoba is also closely monitoring the development of market-basket measures of low income to determine their usefulness as a policy tool for setting welfare rates and establishing non-refundable income tax credits.”<sup>74</sup>

- “Preliminary results indicate that work is needed on reducing marginal effective tax rates.”<sup>75</sup>
- “In the future, Manitoba will examine whether the broad range of boutique programs that are available can be modified or consolidated to reduce high marginal tax rates that may be a disincentive to participating in the labour force.”<sup>76</sup>
- “... the ability of low-income families to build assets is also a concern.”<sup>77</sup> and “To this end, the Manitoba Government is supporting a pilot project on Individual Development Accounts in Winnipeg.”<sup>78</sup>

We would like to suggest a small but important measure that is relatively inexpensive and can be undertaken immediately. If you are going to continue with the Manitoba Advantage analysis you should include a cost comparison of families living on a minimum wage income. Not only will this provide some basis for rationale analysis of Manitoba’s Minimum Wage, it will help ensure that the issue of low-income Manitobans is raised not only annually, but in the context of the Budget.

At our last meeting you doubted the merit of this idea on the grounds that much of the Manitoba Advantage analysis looks at the impact of various taxes/provincial levies and those taxes/levies typically do not exist in a low-income context.

Given your comments we reviewed the Manitoba Advantage and found that a significant part of it does not relate to taxes/provincial levies:

- *For a family of five at \$75,000*: six of the 13 expense items relate to expenses other than taxes and provincial levies. Sixty-eight percent of the total dollar value of expenses do not relate to taxes/provincial levies.
- *For a single parent with child at \$30,000*: five of the 11 expense items relate to expenses other than taxes and provincial levies. Ninety-three percent of the total dollar value of expenses do not relate to taxes/provincial levies.
- *For a single person at \$30,000*: four out of the seven expense items relate to expenses other than taxes and provincial levies. Seventy-eight percent of the total dollar value of expenses do not relate to taxes/provincial levies.

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<sup>74</sup> Ibid., p. 21.

<sup>75</sup> Ibid., p. 21.

<sup>76</sup> Ibid., p. 21.

<sup>77</sup> Ibid., p. 21.

<sup>78</sup> Ibid., p. 22.

Finally, please elaborate on the following quote ( on the one hand it seems to suggest that the impact of low income tax relief is more symbolic than substantive, but your subsequent proposals suggest useful work can be done in this regard):

“While tax reductions for the poor have limited direct benefits, they are important because they build faith in the future. Too often low income families view tax reductions as a benefit for the well-off. By extending tax reductions to low-income families, governments demonstrate their commitment to progressivity.”<sup>79</sup>

## 5) Trumpet Success (Business & Government)

Collectively we must do a better job of sharing business success stories in a way that both inspires and instructs. In the words of Porter and Martin:

“Canadian firms that succeed competing globally should receive enthusiastic public support. Success models should be given high public profile and successful pioneers conspicuously. Canada could create an award for Canadian global competitive success with a prestige equivalent to the Baldrige Award for Quality, which has catalyzed a huge and beneficial quality movement in the U.S.”<sup>80</sup>

And we shouldn’t simply discuss the good ideas that are created within our own borders:

“Businesses in Canada should be aware of what is best practice throughout the world. They already have an incentive to do this, but may lack the means to keep abreast of technological developments, particularly small businesses. Government can facilitate adoption of best practice technologies by business through the provision of information. The Industrial Research Assistance Program (IRAP) run by the National Research Council is an example of a successful program that promotes the adoption of new technologies by small and medium sized businesses in Canada.”<sup>81</sup>

We need to have an insatiable appetite for business success stories. In the words of Stanley Fischer, former deputy director of the International Monetary Fund, “One good example is worth a thousand theories.”<sup>82</sup> As well, the business community is more open to trying ideas that their peers have embraced.

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<sup>79</sup> Ibid., p. 12.

<sup>80</sup> “Canadian Competitiveness: A Decade after the Crossroads”, p. 20.

<sup>81</sup> Andrew Sharpe, Executive Director of the Centre for the Study of Living Standards, Edited Testimony given to the Senate Standing Committee on Banking, Trade and Commerce, May 11, 2005, p. 3.

<sup>82</sup> The World is Flat, p. 462.

Government can play a role in this regard, but the key is the business association. Associations need to do a better job of sharing business success stories and best practices, with their members and with other associations. Too often the government produces glossy brochures of success stories only to have them gather dust or be ignored. Any organization that endorses a Great Jobs Agenda or a productivity agenda has a duty to share business success stories.

We need to explore ways to enhance the sharing of these stories. For example, sometimes a story isn't shared because one association doesn't want to refer to another, or to suggest the story came from government, or there may be proprietary issues over the article that inhibit sharing. One response to this could be an 'ideas inventory' website, where the government and each association contributes business success stories. Any other association would be able to copy the story as long as it credited the 'idea inventory' website. The goals of the author association would be served as they are helping to promote the creative capital agenda and its corporate member (the subject of the story) would gain profile.

However, this effort must go beyond the business associations. Indeed, the willingness to celebrate success must enter the provincial psyche. This harkens back to our call for shedding the zero-sum game attitude that someone else's prosperity must be at our expense. We need the attitude described by the authors of "For A Cleared-Eyed Vision of Quebec":

"Freedom is predicated on respect for those who dare, who choose the road less travelled, who take risks. It also requires – and this is an essential corollary – respect for those who succeed, instead of envy, unfounded accusations and suspicion."<sup>83</sup>

The degree to which these stories are shared and celebrated needs to be part of our agenda. Further, it should be tracked and enhanced as progress is made, momentum is generated and insights are gained.

The same considerations apply to sharing government success stories. If a program enhances the Great Jobs Agenda it is the duty of every business and labour association to share it. This happens in pockets and some organizations do it better than others. But fostering this information sharing must be put on the agenda. The thirst for - and celebration of - good ideas must become a cornerstone of the Great Jobs Agenda.

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<sup>83</sup> Lucien Bouchard, Joseph Facal, Pierre Fortin, Robert Lacroix, Sylvie Lalande, Claude Montmarquette, André Pratte, Denise Robert, Jean-Claude Robert, Guy Saint-Pierre, Marie Saint Pierre and Denise Verreault, at [www.pourunquebeclucide.com](http://www.pourunquebeclucide.com), p. 6.

## 6) Obey the Law

Critics representing labour and/or social groups often complain that there is little enforcement of labour/employment laws. For example, the Manitoba Federation of Labour's brief to this Commission states as follows:

“Government funded evaluation studies in 1997 and 1998 found massive non-compliance with Part III by employers. Only 25% were in full compliance; 25% were in widespread non-compliance and the remaining 50% were scattered between those positions. Non-compliance was found to be greatest when it came to maximum hours, no payment or provision for statutory holidays; no provision of severance pay, sick leave, maternity and parental leaves and lack of a sexual harassment policy.”<sup>84</sup>

Laws that are not enforced serve no purpose other than to permit victimization of workers and to penalize law-abiding employers. Enforcement needs to be part of the creative capital agenda.

## 7) Broaden Knowledge of the Law

The first step to an effective regulatory system is knowledge as to its existence. Many businesses are aware of the rights and duties of workers, but some don't and that is too many. During the Manitoba Chambers Labour Code Roundtable it was clear that knowledge of the law was uneven from employer to employer. This isn't simply a matter of employer indifference, finding out about these laws isn't as easy as it could be. Westjet's submission to this Commission noted “Inconsistent information and a lack of accountability of information provided to employers is a huge obstacle for companies wishing to be in compliance with the Code.”<sup>85</sup>

Undoubtedly workers have similar concerns as to their ability to access and understand the law.

Although they need to be placed in the context of Manitoba, the following recommendations from Westjet may prove to be an excellent ‘first step’:

- “The federal government must commit to and supply education and training on Part III of the Code to employers both in a classroom and online format.”
- “The federal government must be diligent in maintaining the information provided on its websites by providing explanations for changes in addition to effective dates.”

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<sup>84</sup> “Brief to the House of Commons Federal Labour Standards Review Commission”.

<sup>85</sup> “Flexible Labour Standards for the Modern, Sophisticated Workforce” (September 15, 2005), [http://www.fl-s-ntf.gc.ca/en/sub\\_fb\\_22.asp](http://www.fl-s-ntf.gc.ca/en/sub_fb_22.asp).

- “When changes to an interpretation and/or requirement of the Code are made, employers should not suffer repercussions for previously implemented standards.”
- “The federal government must provide consistent interpretations and applications of Code provisions, and must provide responses in writing.”
- “HRSDC - Labour Program must be accountable for the information that it provides to businesses and individuals pertaining to the interpretation and application of provisions and regulations for Part III of the Code.”
- “HRSDC – Labour Program must become more visible to both employers and employees.”
- “HRSDC- Labour Program must implement and commit to complaint response time standards.”<sup>86</sup>

However, it is time to formally put on the agenda the shared goal (government, business and labour – and the associations) that legal rights and obligations are clear to everyone in the workplace.

## **8) All Together (Government, Labour, Community Groups and Business Must Work Together)**

It is ironic that while some hold up Denmark as a shining example of a jurisdiction whose policies serve both employees and employers and almost all cite Ireland as a great example, few note that both jurisdictions relied on a genuine and enlightened partnership between government, business and labour.

Such a partnership is absolutely crucial. In the words of Thomas Freidman:

“In a flattening world, where worker security can no longer be guaranteed by Fortune 500 corporations with top-down pension and health plans, we need more collaborative solutions – among government, labor, and business – that promote self-reliant workers but not just leave them to fend for themselves.”<sup>87</sup>

We laid out the Great Jobs Agenda to highlight how much our nation’s seemingly diverse constituents have in common. Recognizing that commonality is the key cornerstone to the key partnership:

“... before we can build more effective partnerships across sectors, we first must recognize that people as diverse as social activists, business leaders, and public servants do, in fact, have shared goals. In particular, we need to develop a better

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<sup>86</sup> Ibid.,

<sup>87</sup> The World is Flat, p. 288.

understanding of the convergent interests within our society, the vital links between economic and social success.”<sup>88</sup>

Consider this from The Working Poor: Invisible in America:

“Political argument is vital for democracy, but solutions must finally transcend the familiar disagreements. The political opponents have to cross into each other’s territory to pick up solutions from the opposite side.”<sup>89</sup>

Throughout this submission we have deliberately quoted a wide-range of sources - from popular pundits to unions, social organizations, chambers, government and other business associations - to demonstrate that a common agenda does indeed exist. We also wished to show the vast array of wisdom and insight that is out there if we are just willing to listen to one another. The most important aspect of the Great Jobs Agenda is that we agree to work on it together.

For a number of years we have applauded the formation of the Premier’s Economic Advisory Council (PEAC). However, we have also called for more effective reporting and efforts to both inform and engage an ever broader section of Manitobans in PEAC’s deliberations. We are aware that PEAC has expanded its efforts to utilize wider ranges of Manitobans in its various committees and the Budget documents do provide some form of reporting. But it is still hard determine what exactly PEAC recommends and what the government does in response to these recommendations. What is disclosed is piecemeal at best and there is little that suggests anything in the way of an annual report from PEAC in the form of specific targets, ideas and results/progress.

We do not expect PEAC to reveal every conversation with the Premier, but more transparency is in order.

PEAC should have a website, with regular updates that are both posted and emailed to subscribers. The website and activities of the Council of the Federation are good examples of the type of collaboration and reporting that is envisioned.<sup>90</sup> The Task Force on Competitiveness, Productivity and Economic Progress is another good example.<sup>91</sup>

As a starting point, the government should substitute ‘the Great Jobs Agenda’ for ‘productivity’ and have PEAC function along the lines of the forum recommended by the Standing Senate Committee on Banking, Trade and Commerce:

The federal government create a Forum on Productivity. The Forum should be comprised of no more than twelve representatives of business, organized labour, the academic community, privately funded public policy organizations, Industry

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<sup>88</sup> Northern Edge, pp. 208-209.

<sup>89</sup> At p. 299.

<sup>90</sup> See <http://www.councilofthefederation.ca/>.

<sup>91</sup> [www.competeprosper.ca](http://www.competeprosper.ca).

Canada, the Department of Finance Canada, the Bank of Canada and Statistics Canada. Each representative should be appointed for a four-year term. The Forum should be supported by a small coordinating secretariat.

The Forum should have two responsibilities: ongoing and timely reporting on, and measurement of, productivity performance; and an assessment of the combined productivity effects of federal initiatives that influence productivity performance. The Forum should report to Parliament annually on its findings in each of its areas of responsibility.

The Forum should be established for an initial four-year period. The Forum's mandate should be renewed if a Parliamentary review concludes that it has been effective in fulfilling its responsibilities.<sup>92</sup>

To be sure, the group will need to consider productivity issues, but that analysis will need to occur within the context of the Great Jobs Agenda.

The group would also need to engage in a more detailed analysis of Manitoba's economy. For a numbers of years we have asked you to:

in partnership with the business community, the education system, and labour, facilitate an economic vision that includes Cluster strategies for each of Manitoba's economic strengths. This partnership must be meaningful and get 'beneath the surface' to truly understand what our economic strengths need in order to truly thrive.

To lead to truly informed policy decisions this analysis must look at each sector, not just the economy as a whole:

"An evaluation of economic performance requires an analysis at the level of individual industries, such as automotive, steel, banking, and retailing. This is the "sector" level. You must also look at the sector level for causal factors for economic performance."<sup>93</sup>

This approach is also endorsed by Porter and Martin.<sup>94</sup>

Here are some examples of the types of issues this analysis should reveal:

- The need for specialized training and research institutions on a sector-by-sector basis;
- Specialized infrastructure needs on a sector-by-sector basis;

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<sup>92</sup> At p. v.

<sup>93</sup> William Lewis, The Power of Productivity, (University of Chicago Press, Chicago, 2004) p. ix.

<sup>94</sup> See for example, "Canadian Competitiveness: A Decade after the Crossroads".

- The need for special regulatory regimes on a sector-by-sector basis; and
- Any other special needs identified on a on a sector-by-sector basis.

This is not to suggest that the government hasn't embarked on developing specialized training, research and infrastructure. In fact, the Advance Manufacturing Initiative is a great example in this regard.<sup>95</sup> What we are seeking is a more formal and yearly report on the efforts, understanding, needs and progress relating to each of our sectors. As you say, your efforts are "... not a record to rest on, but a record to build on."

If PEAC cannot accomplish this type of analysis and reporting another entity should be set up to do so.

The proposed Forum could ensure that these issues are discussed on an ongoing basis, with progress made, monitored and improved as the sophistication of our understanding of these matters increases.

By placing these issues in the context of the Forum's wide-ranging membership we can ensure that progress will not be disrupted by government changes or cabinet shuffles. But it cannot stop there. Sub-groups of each constituency should feel obliged to monitor, evaluate and spur on the Forum to productive work.

### **Final Remarks**

Again, thank you for giving us the opportunity to present the MCC's views on the best ways to build on your record.

We look forward to working with you in relation to the Great Jobs Agenda.

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<sup>95</sup> The MCC was pleased to champion this initiative in the Summer 2005 edition of its Focus magazine.