

Maintaining our Competitive Edge

Saskatchewan small business pre-election priorities

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In advance of the April 4, 2016 provincial election, the Canadian Federation of Independent Business (CFIB) is putting forward constructive solutions that will help Saskatchewan businesses continue to do what they do best – create jobs, grow the economy and support local communities throughout the province.

Introduction

Small businesses are not just the backbone of our economy, they are the heart and soul of our communities. More than 98 per cent of all businesses in Saskatchewan are small (1-49 employees) or medium-sized (50-499) enterprises (SMEs). This translates to more than 107,000 businesses that employ nearly 150,000 people, and produces a third of the province's annual economic output. In fact, Saskatchewan has the highest concentration of small businesses in the nation, with 97 small businesses per thousand people.

The 2016 Saskatchewan election is an opportunity for political parties to present their vision for a strong Saskatchewan. As the voice for entrepreneurs that keeps Saskatchewan growing, CFIB would like to see its members' priorities reflected in party platforms. We plan to present our platform to all of Saskatchewan's political party leaders. Once the election is called, CFIB will also survey all political leaders on key small business issues.

The Canadian Federation of Independent Business (CFIB)

CFIB is a non-partisan, non-profit, political action organization with a membership comprised of over 109,000 small- and medium-sized enterprises (SMEs), with 5,250 members based in Saskatchewan. Our members are located in every region of the province, and with diversity in activity that closely parallels that of the province's economy.

CFIB was formed on the following philosophical foundations:

- ▶ To promote and protect a system of free competitive enterprise and to strengthen the entrepreneurial culture in Canada
- ▶ To give independent business a greater voice in determining laws that govern business and the nation

- To identify and eliminate obstacles by all levels of government that unnecessarily inhibit the viability and growth of independent business

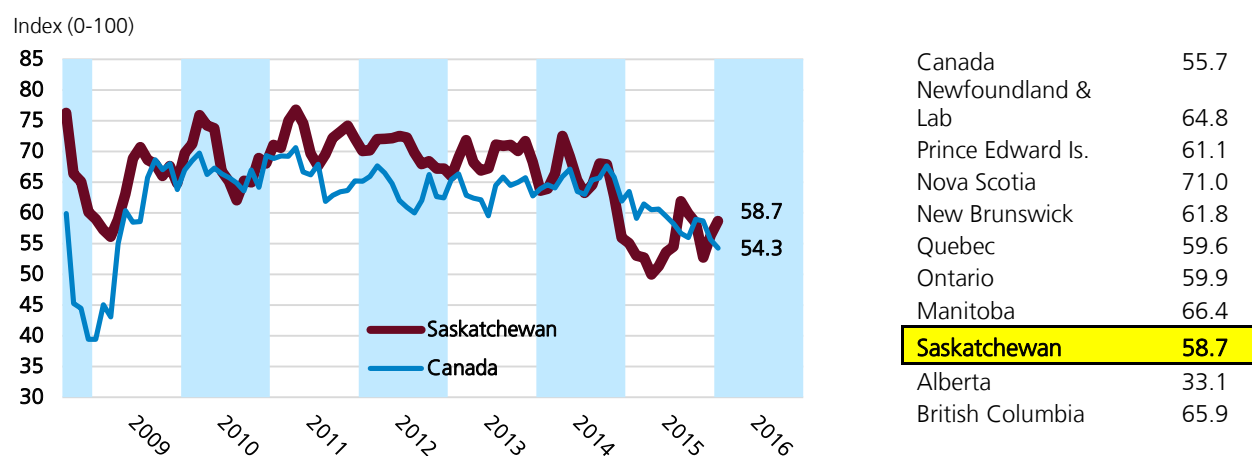
CFIB Monthly Business Barometer® – A look ahead for 2016

CFIB's Monthly Business Barometer® has shown to be an extremely accurate indicator of economic growth and is utilized by a number of financial institutions in Canada including Bloomberg, the Bank of Canada and Scotiabank. Tracked against GDP, the Barometer index closely reflects what is currently happening in the economy. Measured on a scale between 0 and 100, an index level above 50 means owners expecting their businesses' performance to be stronger in the next year outnumber those expecting weaker performance. Index levels normally range between 65-75 when the economy is growing.

According to CFIB's latest monthly Business Barometer®, optimism among small business owners in Saskatchewan increased again in January to an index of 58.7, up from 56.3 in December, remaining above the the national average index of 54.3. CFIB's index gauges business owners' level of confidence about the year ahead.

Figure 1:

Saskatchewan small business optimism up again in January



Source: CFIB, Business Barometer, January 2016

Full-time hiring plans continue to be weak with 15 per cent of owners planning to cut back over the next months, while only 13 per cent expecting to add staff. However, 48 per cent of Saskatchewan business owners report their businesses are in good shape—still good compared to the rest of the country.

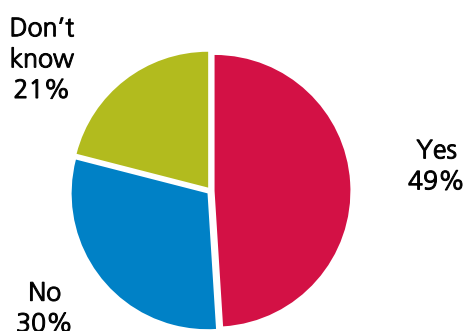
A free-falling dollar and the decline of oil have driven Canadian small business confidence levels to new post-recession lows in January as CFIB's national Business Barometer® Index dropped to 54.3, about 10 points below the level associated with normal economic growth.

It is clear the effects of declining commodity prices continue to dampen small business optimism levels. Given the economic uncertainty, the worst thing the next government could do is to introduce tax hikes to fund the province's fiscal challenges. We fear tax hikes will only further erode business confidence.

Will small business concerns & priorities get the attention they deserve during the election?

Figure 2:

Are you confident that small business concerns and priorities will receive attention during the provincial election? (% response)



Source: CFIB Saskatchewan Pre-election Survey, January 2016

CFIB asked whether Saskatchewan small business owners were confident that their concerns and priorities will receive attention during the election. Nearly half (49%) of respondents said they were confident, with another 30 per cent of respondents not confident that their views would receive attention. One-in-five respondents (21%) said they did not know.

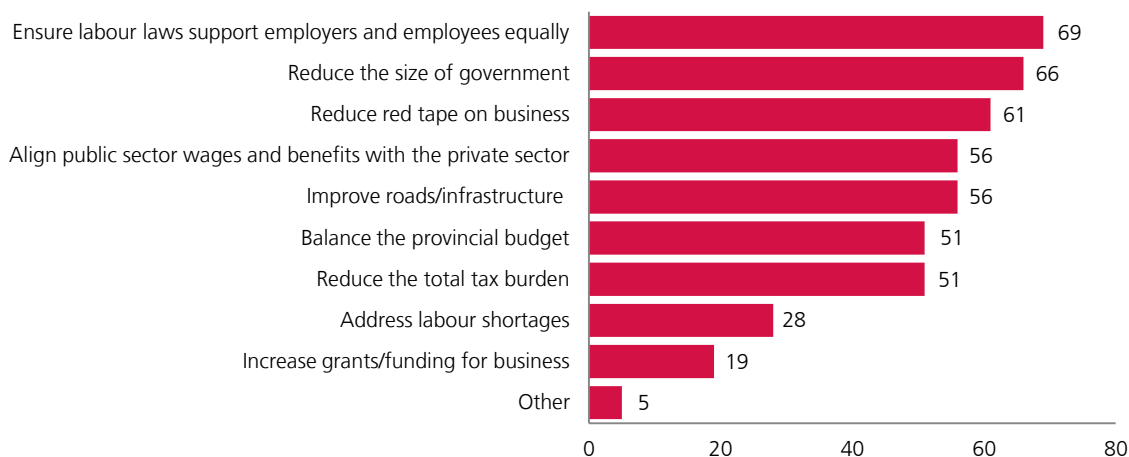
Over the coming weeks we will hear a lot of commitments from all parties about things like infrastructure, health care, education and the economy. But what about addressing small business priorities? The 2016 provincial election is an opportunity for political parties to present their vision for Saskatchewan's small business community, the economy and the province's future.

Small business development priorities

When asked what policies Saskatchewan political parties should adopt as part of their election platform commitments to address small business owners' concerns, a majority (69%) of Saskatchewan business owners said ensuring labour laws support employers and employees equally should be adopted (see Figure 3).

Figure 3 :

Which of the following should political parties adopt as part of their election platform commitments to address your concerns as a business owner? (% response)



Source: CFIB Saskatchewan Pre-election Survey, January 2016

Another 66 per cent favoured the provincial government reducing the size of government and a further 61 per cent cited reducing red tape on businesses. Aligning public sector wages and benefits with the private sector and continuing to improve Saskatchewan's roads/infrastructure was supported by 56 per cent. Fifty-one per cent supported a balanced provincial budget as well as reducing the total tax burden. Twenty-eight per cent of respondents supported additional measures to address labour shortages in the province. Only 19 per cent supported an increase in grants/funding for Saskatchewan businesses.

Priority #1: Ensure labour laws support employers & employees equally

CFIB welcomed the majority of changes in *The Saskatchewan Employment Act*, proclaimed on April 29, 2014. This restructuring and re-organization of labour legislation to make rules easier to understand and eliminate inconsistencies were long overdue.

We were pleased the government listened to small business owners and eliminated the averaging permit – a move supported by 96 per cent of Saskatchewan CFIB members. One small business owner said it best: *“The ability to add flexible work options to the workplace will give employers improved opportunities to recruit and retain employees, plus give employees the greater flexibility they demand. It’s win-win!”*

Business owners were also pleased time banks are now allowed – a practice that the majority of other provinces already allow. However, currently for every hour of overtime worked, 1.5 hours must be banked. CFIB recommends changes be made to allow employers to offer time off in-lieu of overtime on a one-to-one basis – an option supported by 91 per cent of Saskatchewan CFIB members.

While progress has been made, Saskatchewan entrepreneurs believe more improvements are required. In

Table 1 – CFIB Saskatchewan Members’ Views on Need to Further Balance Saskatchewan Labour Laws

“The Employment Standards Act is one-sided in favour of the employee. It’s overly complicated!”

“Any regulation that has to do with labour. The new Employment Act should have been expanded to include more suggestions from business. Changes to WCB need to be done (listen to the Committee of Review). Continue with few restrictions.”

“Employers and employees should be able to reach an agreement on flexible working hours and observation of statutory holidays on alternate days without having to get a government permit.”

“Bank time should be hour for hour.”

fact, 69 per cent of small business owners want political parties to introduce further changes that ensure Saskatchewan labour laws are fair and balanced.

Eliminate permit to swap a statutory holiday

An overwhelming majority (84%) of entrepreneurs also believe that employers and employees should be able to observe a public holiday on a different day without requiring a government permit. The Saskatchewan Ministry of Labour Relations and Workplace Safety still requires employers to apply for a special

permit from the Ministry if an employee wants to observe a public holiday on a different day. In other provinces, the employee and manager can simply agree to swap days. CFIB believe it's time for the Ministry to use common sense and scrap this dumb rule.

Fairer notice provisions

When asked whether Saskatchewan employers should have the right to withhold or recover employee's wages if an employee fails to provide proper notice of their intention to leave, an overwhelming 82 per cent of respondents supported such a move.

Minimum wage policy

Improving the lives of low-income earners and their families is a laudable goal that we all agree on. However, the real question is: what are the best ways to assist low-income earners? Increasing the minimum wage is only one of the many tools policy makers have at their disposal.

Saskatchewan's minimum wage is automatically indexed each year based on a formula that gives equal weight to the annual change in the average hourly wage and the Consumer Price Index. CFIB opposed automatically tying Saskatchewan's minimum wage to any economic indicator, as it assumes affordability every year and does not reflect current market conditions. For example, we now have automatic wage increases where many business owners who are already struggling to deal with the slowdown in the economy, have to face yet another added cost associated with the automatic indexing of the minimum wage.

On October 1, 2015, Saskatchewan's minimum wage increased by 30 cents to \$10.50 per hour. This increase translates into two things – more taxes for the government and fewer hours for low-income earners.

Most businesses already pay well above minimum wage: We know the majority of small business owners already pay well above the minimum wage, as they weigh the education, experience and skills of their employees against the ability of their firm to pay. Saskatchewan is home to among the highest average weekly earnings in Canada. This fact is further proof that the market is working and it is not because of legislation that Saskatchewan small business owners pay competitive wages.

Retail & Hospitality sectors hardest hit: We know these sectors will be hardest hit by an annual minimum wage increase. Consider a restaurant owner in Estevan with 25 employees who will now see their labour costs increase by approximately \$15,600.

Disappointed no measures introduced to mitigate impact: We had hoped the provincial government would have at least introduced a few measures to mitigate the impact of the annually indexed minimum wage by introducing a training wage (for inexperienced workers, similar to Nova Scotia) or a gratuity wage (for workers who earn tips, similar to BC and Ontario).

Better ways to help low-income earners: Minimum wage is a blunt tool to address poverty and help low-income earners. We have always advocated for the government to focus on more practical and effective ways to help low-income earners such as providing additional income tax relief and training opportunities. While Saskatchewan has made good progress on increasing the basic personal exemption to \$15,843, why not ensure minimum wage earners pay no income tax at all?

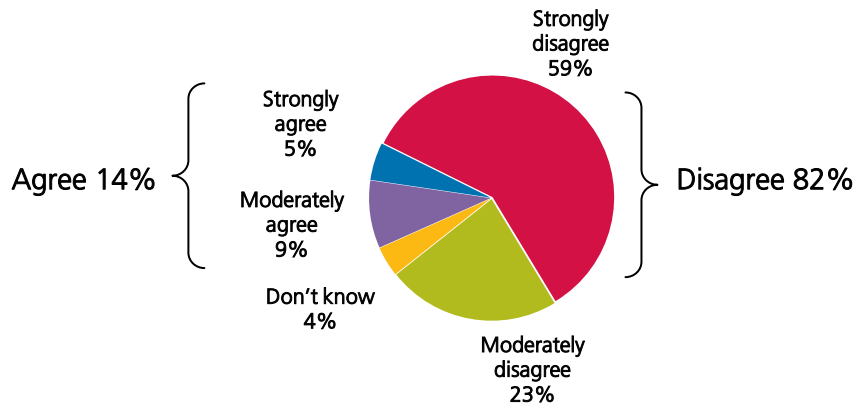
No support for \$15 minimum wage

The Alberta government's reckless plan to increase the minimum wage to \$15 per hour could cost the economy at least 50,000 jobs, and will force employers to cut back on hours, re-think hiring plans, and will definitely mean less opportunity for young Albertans.

New data from the CFIB provides fresh insight into the misguided \$15 plan and minimum wage policies in general. CFIB's Vice-President for Alberta said: "There are better ways to help low-income Albertans. The government should explore other avenues – like reducing taxes on low-income workers and helping them upgrade their skills – before they price employees out of jobs, and entrepreneurs out of business."

Figure 4 :

Do you agree or disagree with the following statement: *Sask's minimum wage should be increased from \$10.50 to \$15.00 per hour*



Source: CFIB Saskatchewan Pre-election Survey, January 2016

A recent CFIB survey found there is no support for increasing Saskatchewan's minimum wage to \$15 per hour. When asked whether they agree or disagree if Saskatchewan's minimum wage should be increased from \$10.50 to \$15.00 per hour, a strong majority of Saskatchewan small business owners (82%) disagreed. Only 14 per cent agree (see Figure 4).

We must remember minimum wage is a stepping stone – often the first one – in a career. Half of minimum wage earners are under 25 years old with many still living at home, and 47 per cent have been in the job for less than a year.

The myth-busting also extends to employers. Despite some suggesting employers are wealthy and can afford to pay more, Statistics Canada data shows that for every Canadian employer that earns more than \$250,000, there are five who earn less than \$40,000 – less than the average teacher's salary.

We're not talking about billion-dollar multi-nationals that can absorb the cost. This is about your local hardware store and your favourite restaurant. This is about your florist, your local grocer and your hair dresser. These are the kinds of businesses who will be hurt by a \$15 minimum wage.

The next government must adopt a "common sense" approach to minimum wage policy as part of a strategy that will truly assist low-income earners.

Priority #2 – Ensure sustainable spending

Just like families and small business owners, it is essential the provincial government live within its means. We commended the 2015 provincial budget for being balanced, controlling spending and containing no tax hikes. Entrepreneurs breathed a big sigh of relief to know the budget did not raise education property taxes to pay for infrastructure. We were also pleased the province limited its annual core spending to 1.2 per cent, which is in line with the rate of GDP growth forecast of 0.8 per cent in 2015.

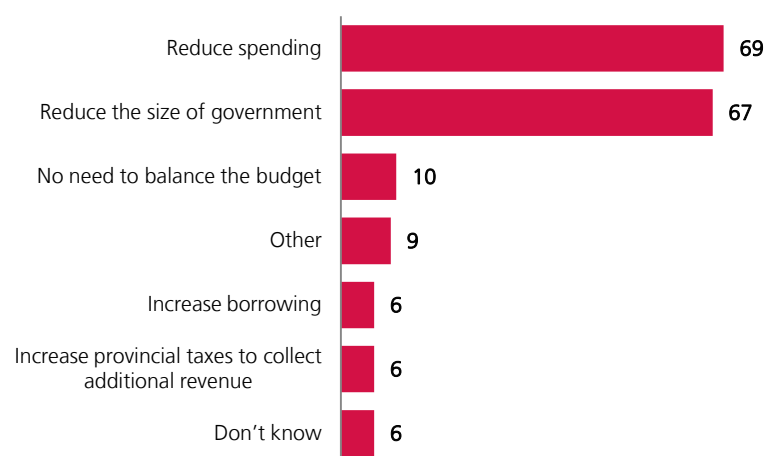
Saskatchewan's 2015-16 Mid-year Report released on November 30, 2015 projects a year-end deficit of \$262 million on a more than \$14 billion budget. We understand more than \$107 million in spending restraint has been undertaken by ministries, agencies and Crown corporations since the province's first quarter forecast. The province says deficits will be temporary, but there are no firm goals set.

Expenses at mid-year are down \$62 million from first quarter, but up \$99 million from budget, reflecting primarily the forest fire costs. It was also reported revenue was down \$32 million from first quarter and \$270 million from budget. This Mid-year report cited significant decreases in non-renewable resource revenue and consumption taxes – which are partially offset by increases in Government Business Enterprises Net Income and transfers from the federal government.

A CFIB survey revealed a strong majority of entrepreneurs (97 per cent) agree that balancing the provincial budget should continue to be a top priority for the Saskatchewan government.

Figure 5:

What should the Saskatchewan government do to balance its budget? (% response)



Source: CFIB, Saskatchewan Pre-Budget Survey, January 2016

When recently asked what the Saskatchewan government should do to balance its budget, 69 per cent of respondents said reducing spending should be a priority, followed by 67 per cent who support reducing the size of the government. Only 10 per cent said there is no need to balance the budget.

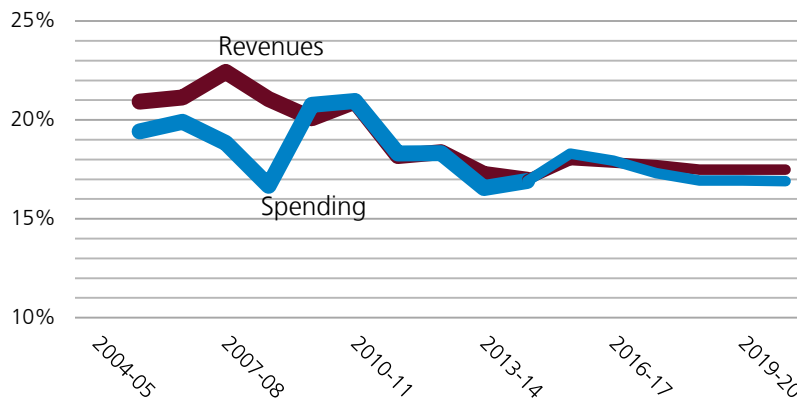
Clearly there is no appetite for tax hikes with only 6 per cent of Saskatchewan respondents that would support increasing provincial taxes to collect additional revenue (see Figure 5). (Refer to Table 2: CFIB members suggest ways to further reduce spending).

CFIB is recommending the provincial government limit annual spending increases to the rate of GDP growth (see Figure 6).

Figure 6:

Saskatchewan fiscal projections: Program spending kept to rate of GDP growth (fiscal years commencing)

Saskatchewan revenues and expenditures (% of GDP)



Sources: Budget documents, fiscal updates and CFIB projections

Size and cost of civil service

With 67 per cent of Saskatchewan small business owners supporting further reductions to the size of government, we urge the Saskatchewan government to continue to focus on the spending side of the ledger (Refer to CFIB Members' Comments in Table 2).

CFIB outlines a number of options for consideration:

Further reducing the footprint of Government: Important

steps were taken over the past years to reduce the size and cost of Executive Government. Now complete, the plan resulted in the elimination of 1,900 positions with annualized cumulative savings of \$198 million.

With the move to summary budget reporting, we believe Crown Corporations and Third Party entities should receive the same degree of scrutiny as Executive Government. To that end, the workforce reduction strategy implemented as part of the 2010 budget should be revisited and expanded as outlined below.

- Continue to further reduce the size/cost of Executive government through attrition by another 5 per cent over next 4 years.
- Require Crown Corporations and non front-line components of Third Party entities to implement a 10 per cent reduction in their size and cost through attrition over the next four years.

The most recent Crown Investments Corporation report titled *Managing the Bubble 2013 Report*, states that 44 per cent of permanent Crown staff will be eligible to retire before 2017. With record retirement levels on the horizon, we believe this is a once in a generation opportunity for the provincial government to further reduce the footprint of Executive government and the Crown sector. A 10 per cent reduction of approximately 12,000 Crown employees and a 5 per cent reduction of approximately 11,000 Executive government employees, would result in the potential elimination of 1,750 positions, through attrition, and a potential cumulative savings of approximately \$125.7 million annually by the fourth year.

This would result in a smaller, more effective and more efficient government and would free up revenue for the government to use towards other initiatives (e.g. health care, education and natural disaster relief).

- **Addressing the wages/benefits disparity (20.4%) between public and private sector employees.** In a CFIB report entitled, *Wage Watch: A Comparison of Public-sector and Private-sector Wages*, detailed analysis of the 2011 National Household Survey data on full-time earnings by occupation shows that Saskatchewan public sector employees are already paid eight per cent more than similarly employed individuals in the private sector. Factor in non-wage benefits – like pensions – and provincial employees in Saskatchewan make 20.4 per cent more than their counterparts in the private sector. The provincial government must take steps to narrow the wages/benefits disparity between public and private sector employees.

- **Reduce cumulative sick leave provisions.** When asked whether public sector employers should eliminate cumulative sick leave provisions, an overwhelming 71 per cent of Saskatchewan small business owners agree as it would reduce the cost of government, save taxpayers' money and help align sick leave provisions in the public and private sectors. Currently, provincial government employees in BC, Alberta, Ontario and Nova Scotia cannot bank sick days.
- **Reduce accrued employee leave entitlements and reduce the provisions of compensated absences in employment agreements and collective bargaining agreements in the future.** As of March 31, 2015 the Accrued Employee Leave Entitlements totaled \$31.9 million. This figure includes Vacation Leave, Scheduled Days Off (Out of Scope Employees), Earned Days Off (EDOs for in-scope staff), Special Northern Leave, Time in Lieu as well as Banked Vacation Dollars for temporary employees who have a carryover of vacation leave.

Table 2: CFIB Saskatchewan Members' Views on Need to Further Reduce Size/Cost of Civil Service – Please suggest one or two ways the provincial government can reduce its spending:

*"We have way too much government...I think you could likely reduce the civil service by 35% without noticing a decrease in services. **Start by forcing each department to get rid of 10% of its employees.** We can't go the way of Ontario, Alberta or the Canadian government for that matter."*

"Continue to downsize the number of employees through retirements, elimination of filling vacancies, etc. Focus on cutting Ministry budgets and learn how to say no and stick with it."

"Run government finances like a business."

"Prioritize, prioritize, prioritize."

*"Find savings through **reduction of the number of government employees.** Reduce duplication of jobs within the government."*

*"Reduce the number of people working in the government and **reduce unnecessary expenses in government** (e.g. days off, programs that are not working)."*

*"Look for efficiencies in infrastructure spending. **Contract out the highway maintenance.** We would save millions and they would do a way better job!"*

"If we look at the government as we do our household or our business it is simply a matter of cutting unneeded expenditures. For example, I won't buy a new car, or take a nice holiday to the US personally. On the business side I cannot give my employees a big raise this year and in fact, if business gets too slow I may have to lay some of my staff off. I am sure the government knows where the fat is in their bureaucracy."

Priority #3: Continue to cut red tape



Small business owners in Saskatchewan deal with piles of red tape. In fact, they are tied up in everything from assessments, employment standards, PST, GST regulations, income tax filings, municipal by-laws, privacy rules, payroll taxes, WCB paperwork, the list goes on and on (refer to Table 2 for examples of red tape).

For governments, red tape accountability means having the courage to measure the total impact of government regulation on business, and report the results. CFIB is asking all governments to take the first step and get on a scale. Without knowing the size of the problem, it's impossible to tackle it – like trying to lose weight without weighing yourself. It doesn't work.

The Saskatchewan government has continued to make regulatory accountability a priority. In fact, CFIB released its sixth *Annual Red Tape Report Card* on January 19, 2016, which revealed Saskatchewan maintained its grade of 'B' in 2016. The report card grades the provinces and territories on their commitment to red tape accountability and looks at measurement, public reporting and political leadership.

A few examples of making it easier to do business and reducing red tape for Saskatchewan entrepreneurs have included: Streamlining the Saskatchewan Immigrant Nominee Program (SINP), which resulted in reducing the employer application processing times from eight months to 10 days and the standardizing of 'wide-load' signs on trucks to match neighbouring Alberta. (See Table 3 for specific examples of additional regulations that should be changed).

In 2013, Saskatchewan became the second province to pass legislation on publishing annual red tape reduction initiatives. The government is currently building its baseline measure, using the Regulatory Cost Model (RCM), which aims to estimate compliance costs for businesses. The model is slated to be implemented by 2023.

The RCM has identified \$12.4 million in costs savings, exceeding the \$5 million target for the 2015-16 fiscal year. While we like the plan to reduce red tape by 25 per cent by 2020, the baseline count should be completed before 2023, so relief can be provided to Saskatchewan business owners sooner.

Push for a new Agreement on Internal Trade (AIT) to foster trade within Canada

Canada is set to embrace new international trade, yet its provinces and territories still maintain artificial barriers that prevent the free movement of goods, services and labour within the country. It's more important than ever for the provinces to move quickly to remove internal barriers within Canada through the creation of a new trade deal. As things stand, there may be instances where European companies have better access to Canadian opportunities than a business in a neighbouring province.

The Agreement on Internal Trade, or AIT is Canada's primary national agreement on the movement of goods, services and labour across the country. However, small businesses are seeking a new deal that makes internal free trade a priority: according to a recent CFIB report released in June 2015, 87 per cent of small business owners said premiers need to reduce trade barriers between provinces.

Despite efforts over the years by governments to overcome Canada's internal trade barriers, there are still too many restrictions from province to province. It's time for provincial trade ministers to take the existing

momentum on trading issues to seal a national deal that reflects the 21st century trading needs of Canadian small businesses.

CFIB's report: *Transforming Trade: Reforming our Economic Union to Remove Barriers to Internal Trade*, recommends a new approach to internal free trade that features vital guiding principles:

- Mutual recognition: where a product or service complies with rules in one province, it will be acceptable to all provinces.
- Negative listing: an assumption that cross-border trade is permitted unless stated otherwise.
- Dispute resolution: a faster and more direct approach to solving disputes.

BizPal

Talk to any entrepreneur and you'll soon learn starting a business is a lot of work – often they are frustrated and overwhelmed with not knowing who to talk to or where to go to find the required list of permits and licenses to conduct their business. That's where BizPal becomes part of the solution as an online service that provides Canadian businesses with one-stop access to permit and licence information for all levels of government.

It is encouraging to see the province and over 102 Saskatchewan municipalities working together with the federal government to streamline and simplify business permits and licenses. It is our hope other Saskatchewan municipalities will soon adopt BizPal – and by doing so help their local entrepreneurs save valuable time and money.

Table 3: CFIB Saskatchewan Members Provide Red Tape Examples - *Please provide a specific example(s) of a government regulation or service that should be changed at the provincial level and explain how it impacts your business.*

*"Increased support and **shorter waits for technical schools** to put people through trades. We are always in need of trained people."*

*"The **WCB Act** should allow Directors the flexibility to purchase optional coverage, if they so choose, as in Alberta and Manitoba."*

*"The **government** should find ways to reduce the paperwork and allow small business to get on with it we would be better off. Right now we have to fill out a form for PST, GST, EHF, payroll and soon packing materials (MMSW)."*

"Saskatchewan is one of the few jurisdictions that still have unionized government workers maintaining our road system. This is an inefficient and expensive way to maintain roads. If road maintenance was privatized it would mean a more efficient allocation of the dollars spent through the current system."

*"The **environmental stewardship program**. For the organization that will be running the program, it will give them a license to print money. There is no one to rein in the costs of administration to keep it affordable for business. It is a poorly designed program with little thought for checks and balances to keep costs affordable. We all know that the expense of this program to business will be another cost that will be added to the end price of the goods and consumers will be paying the bill."*

Priority #4: Improving Saskatchewan's roads and infrastructure

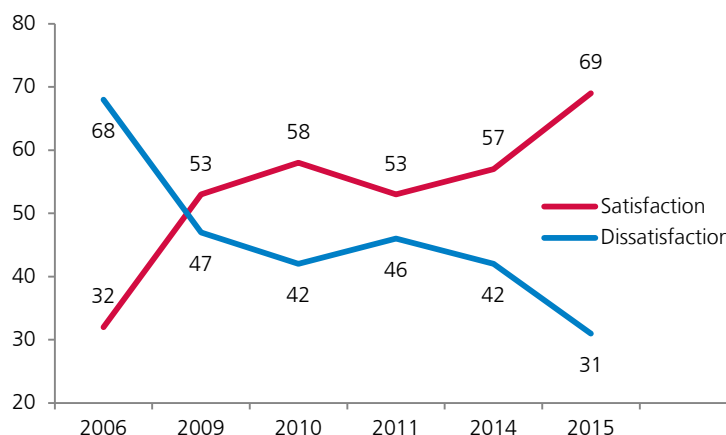
Recent data reveals progress has been made in improving Saskatchewan's roads and infrastructure.

CFIB's survey revealed 69 per cent of Saskatchewan small business owners were satisfied (12% very satisfied; 57% somewhat satisfied) with the conditions of highways in the area where their business is located. Thirty one per cent were dissatisfied (21% somewhat dissatisfied; 10% very dissatisfied) (see Figure 7).

However, 56 per cent of Saskatchewan small business owners still believe further improvements should be made to our roads/infrastructure. It is important for investments in roads and infrastructure to continue to support our growing province.

Figure 7:

Level of satisfaction on the conditions of highways in the area where your business is located (% response)

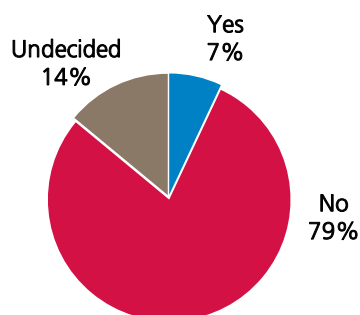


Source: CFIB, Saskatchewan Pre-Budget Survey, January 2016

No support for a provincial property tax levy to fund infrastructure

Figure 8:

Should the Government of Saskatchewan introduce a new province wide property tax levy on business and residential properties to fund infrastructure? (% response)



Source: CFIB, Saskatchewan Pre-Budget Survey, November 2014

We understand the province is facing increasing demands to fix roads, bridges, sewer and water facilities. However, small business owners do not support an increase in education taxes to fund infrastructure. CFIB's survey reveals a strong majority (79 per cent) of Saskatchewan small business owners oppose a province-wide property tax levy on business and residential properties to fund infrastructure. Only seven per cent of respondents support such a policy (see Figure 8).

Entrepreneurs view an additional tax as unnecessary and instead believe government should use existing funds more efficiently and effectively to pay for infrastructure expenses.

Priority #5 – Keep Saskatchewan taxes competitive

The following CFIB research reports provide an overview of tax and regulation issues:

Top Entrepreneurial Cities Report

Entrepreneurial Communities: City of Saskatoon & Regina slip in rankings

CFIB's annual report *Entrepreneurial Communities 2015* takes an in-depth look at how 121 Canadian Cities/Economic regions support and promote entrepreneurship. It scores each of them out of 100, by looking at 14 indicators across three main categories – Presence, Perspective and Policy.

We're pleased both Saskatoon and Regina maintained their top 10 rankings for the most entrepreneurial cities in Canada, with scores of 67.7 and 60.9 respectively (see Figure 9).

But even the most entrepreneurial cities scored well below a perfect 100 which demonstrates that there is still room for significant improvement even for those municipalities in the top 10.

However, CFIB is concerned both City rankings dropped from 2014. In fact, the City of Regina dropped to 9th spot from last year's 4th ranking. We fear 2016 property tax hikes and unsustainable spending will further jeopardize these rankings in the future. It's unfair for Saskatchewan's entrepreneurs to shoulder such an unfair proportion of the property tax load, while only receiving a fraction of municipal services in return.

Figure 9:

Entrepreneurial Communities 2015:

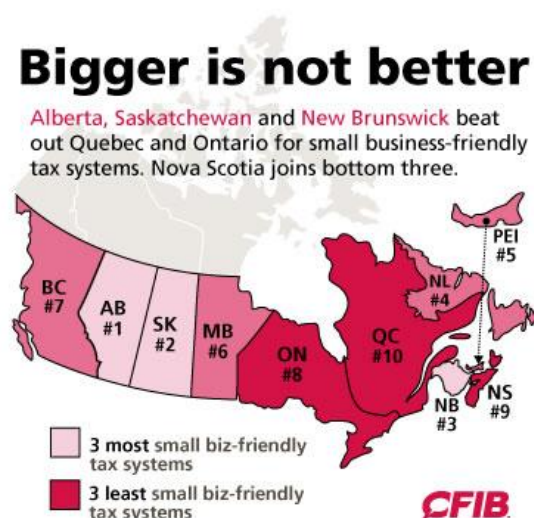
Top 10 overall scores, major cities (population >150,000)

	Score: (/100)	Rank in 2014
1. Calgary periphery	73.0	1
2. Kelowna	71.4	5
3. Edmonton periphery	69.5	2
4. Saskatoon	67.7	3
5. Toronto periphery	67.3	7
6. Guelph	63.8	8
7. Barrie	61.8	12
8. Vancouver periphery	61.2	18
9. Regina	60.9	4
10. Moncton	60.5	21

Source: CFIB, *Entrepreneurial Cities*, October 2015

Figure 10:

Comparison of Provincial Tax Systems, 2013



Source: CFIB, *Provincial Tax Index Report*, October 2013

Small Business Provincial Tax Index

CFIB's *Small Business Provincial Tax Index* compares provinces on 53 indicators in five major areas of tax policy: premiums and payroll taxes, sales and excise taxes, corporate incomes taxes, personal income taxes, and property taxes.

The research reveals Alberta, Saskatchewan and New Brunswick have the most favourable overall tax systems in the country for small business (see Figure 10). Quebec's tax system is easily the worst. Saskatchewan had the second most small business-friendly tax system in the country, with an index of 7.01. In fact, Saskatchewan's provincial tax ranking improved, moving just behind #1 ranked Alberta.

Of the five sub-index areas examined, Saskatchewan scored near the top on corporate income taxes (#2), property taxes (#2), personal income taxes (#3) and premium and payroll tax (#3). However, Saskatchewan scored only 9th on sales and excise taxes.

Small business tax cut priorities

Progress has been made with personal income tax relief, education property tax relief and small business corporate tax relief. While these steps are certainly welcomed, we know being competitive is a moving target.

In order to maintain our competitive edge, it will be important for the next government to continue to control its spending by making some tough decisions and not increasing taxes to make up its revenue shortfall.

While we recognize there will be limited fiscal capacity in the upcoming 2016-17 Budget to provide substantial tax relief, we believe it is important to outline the province's long-term tax reduction plan to ensure we keep Saskatchewan's taxes competitive.

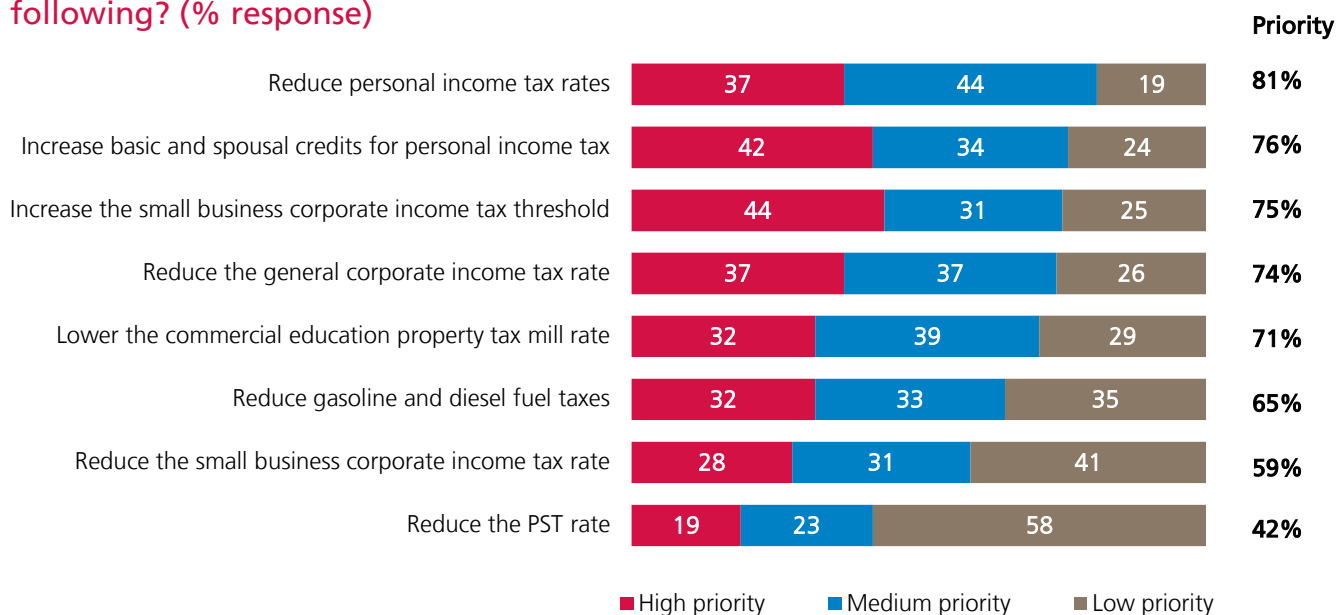
Since it is not realistic to call for tax cuts on every tax measure, CFIB asked its members to rank their tax cut priorities (see Figure 11). Reducing Saskatchewan's personal income tax rates was cited as the highest priority by 81 per cent of respondents (37 per cent high priority/44 per cent medium priority).

Increasing Saskatchewan's basic personal exemptions was favoured by 76 per cent of respondents (42 per cent high priority/34 per cent medium priority), followed by 75 per cent of respondents supporting an increase to Saskatchewan's small business corporate income tax threshold (44 per cent high priority/31 per cent medium priority). Seventy-four per cent of respondents would like to see reductions to the general corporate income tax rate (37 per cent high priority/37 per cent medium priority).

Following closely behind was lowering the commercial education property tax mill rate at 71 per cent of respondents (32 per cent high priority/39 per cent medium priority). Sixty-five per cent favoured reducing gasoline and diesel fuel taxes (32 per cent high priority/33 per cent medium priority). Fifty-nine per cent

Figure 11:

If the provincial government were to offer additional tax relief, how would you rank the following? (% response)



Source: CFIB, Saskatchewan Pre-Budget Survey, January 2016

supported reducing the small business corporate income tax rate (28 per cent high priority/31 per cent medium priority). Finally, forty-two per cent cited reducing the PST rate as a priority (19 per cent high priority/23 per cent medium priority) (see Figure 11).

Oppose mandatory pension payroll tax increases

While we believe the goal of enhancing retirement incomes is a laudable one, we have serious concerns about proposals made in the past few years for mandatory expansion of CPP/QPP. Those proposing expansion often fail to communicate that it will take 40 years for the full benefits to be realized, meaning little to no difference for those who are nearing retirement, or that such increases come at a cost.

CFIB supports the objective of ensuring Canadians have adequate retirement savings. In fact, we continue to lobby in favour of introducing voluntary Pooled Registered Pension Plans (PRPPs) as an improved retirement savings option for small businesses and their employees. We are certainly pleased Saskatchewan is one of few provinces to introduce PRPPs. However, the issue of insufficient retirement savings for Canadians has resulted not from a lack of motivation, but from a lack of disposable income.

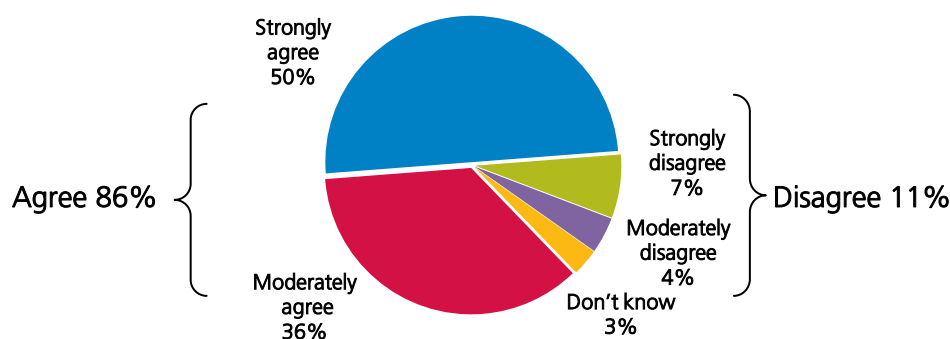
Political leaders must state their position on CPP hikes

When asked if political leaders must clearly state their position on a mandatory increase to CPP premiums to increase future benefits, 86 per cent of Saskatchewan respondents agreed. Only 11 per cent disagreed (see Figure 12). It is clear this is an important issue to Saskatchewan entrepreneurs.

Furthermore, both working Canadians (18%) and small business owners (4%) cite increasing mandatory pension payroll taxes as the least preferred method to save more for retirement (see Figure 13). In fact, 39 per cent of working Canadians and 62 per cent of Saskatchewan small business owners believe the best way to increase savings is for governments to control their spending and reduce taxes.

Figure 12:

Do you agree or disagree with the following statement:
Political leaders must clearly state their position on a mandatory increase to CPP premiums to increase future benefits



A CPP/QPP hike is the biggest concern for our small business members navigating a fragile economy. However, a payroll tax hike would be devastating for them and would certainly affect their employees.

In Saskatchewan, 62 per cent of small business owners reported a CPP hike would force them to freeze or cut salaries and 27 per cent said they would have to lay off staff.

Source: CFIB Saskatchewan Pre-election Survey, January 2016

Finance ministers tap brakes on CPP expansion

On December 22, 2015, Canada's top job creators breathed a bit easier after the country's finance ministers emerged from their meeting on December 21st to report that no decision had been reached to expand the Canada Pension Plan (CPP) and Quebec Pension Plan (QPP). Federal Finance Minister Bill Morneau, and his provincial and territorial counterparts, reported they would engage in further study and consultation, without committing to any particular "end game."

The CFIB said small business owners should be relieved by the announcement, but also expressed a desire to see a shift in this conversation. Revisiting a bad idea over and over is not going to suddenly make it a good idea. While small firms can take some comfort that finance ministers did not jeopardize the fragile economy by signing onto a giant payroll tax hike, the threat remains. This idea needs to be taken off the table for good.

CFIB sent a letter to all finance ministers in advance of their meeting, asking them to reject plans to force additional CPP/QPP premiums on business owners and working Canadians, citing new economic data showing a CPP/QPP hike would do sizeable damage to the economy over the next seven years.

According to econometric modeling by CFIB and University of Toronto researchers, an Ontario-style expansion to CPP/QPP would slow job growth by 110,000 positions by 2020 and swell combined federal and provincial deficits by \$10 billion.

We believe it is high time to change the retirement savings channel and focus on fully implementing voluntary Pooled Registered Pension Plans (PRPPs) in all provinces, as has happened in Quebec. Also, there is a pressing need for Ontario to abandon its ill-advised Ontario Retirement Pension Plan (ORPP) in order to protect Ontario jobs and the economy.

Ontario pension plan delayed until 2018; positive sign for wages & jobs

On February 16, 2016, the Ontario government decided to delay the introduction of the Ontario Retirement Pension Plan (ORPP) by one year, but has not signaled if it will push back the 2019 implementation date for small businesses.

CFIB is pleased to see that the government is taking a more cautious approach to implementing the ORPP in a difficult economy. We hope it is a signal that government is beginning to recognize the economic harm this ill-advised policy would create and urge them to implement a similar delay for the small- and medium-sized businesses that drive the province's job market.

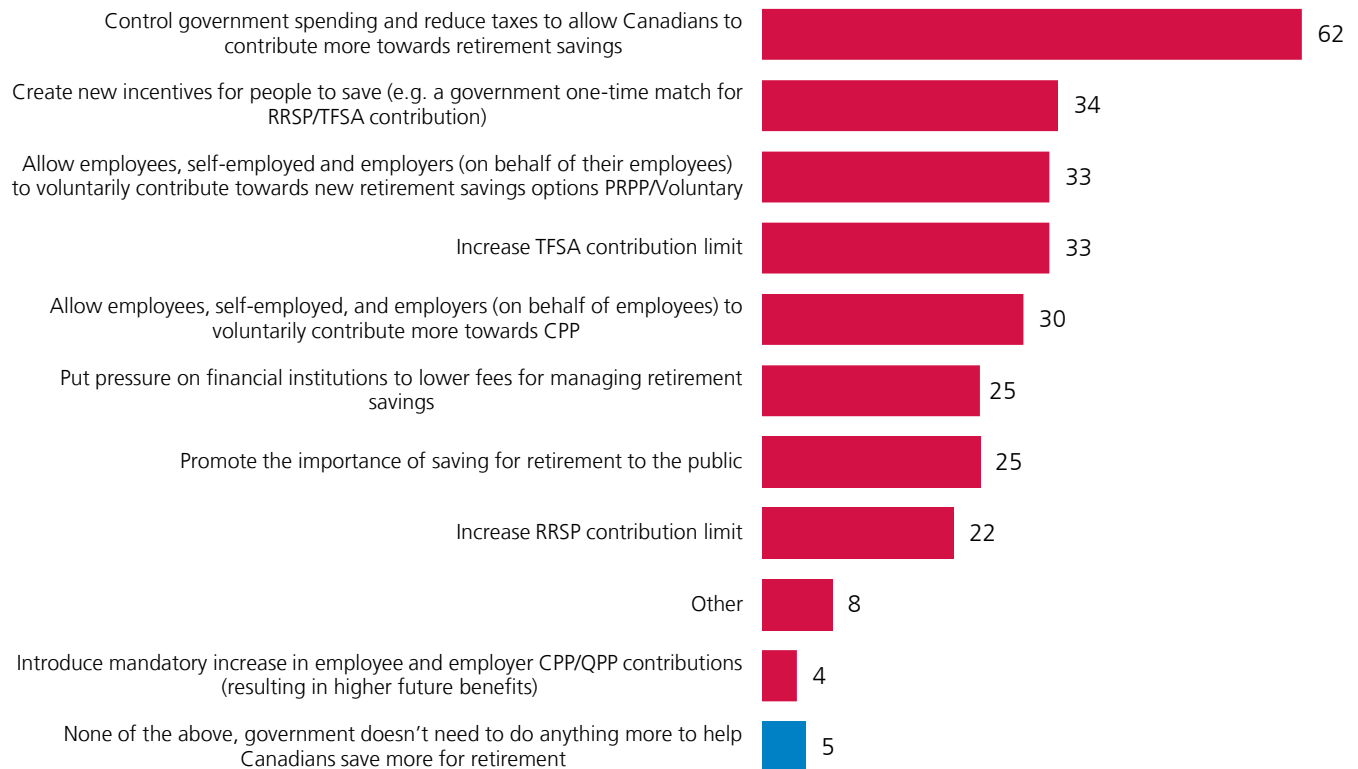
Newly exposed government data from March 2015 shows that 57 per cent of the business community are opposed to the ORPP and nearly six in ten expect to be negatively affected. Additionally, 59 per cent expect to cut or freeze wages, and two-thirds expect to make other operating cuts.

CFIB has been sharing similar data collected from our members with the Ontario government for the last two years. We hope this delay is a sign that the government is finally taking seriously the impact the ORPP will have on wages and jobs.

Given the impact that mandatory CPP/QPP premium increases would have on small businesses and many working Canadians, we strongly urge the next Government to oppose such increases. We also strongly oppose mandatory provincial pension plans, such as the Ontario Retirement Pension Plan.

Figure 13:

What are the best ways for government to help Canadians save for retirement? (Select a maximum of three answers, per cent response)

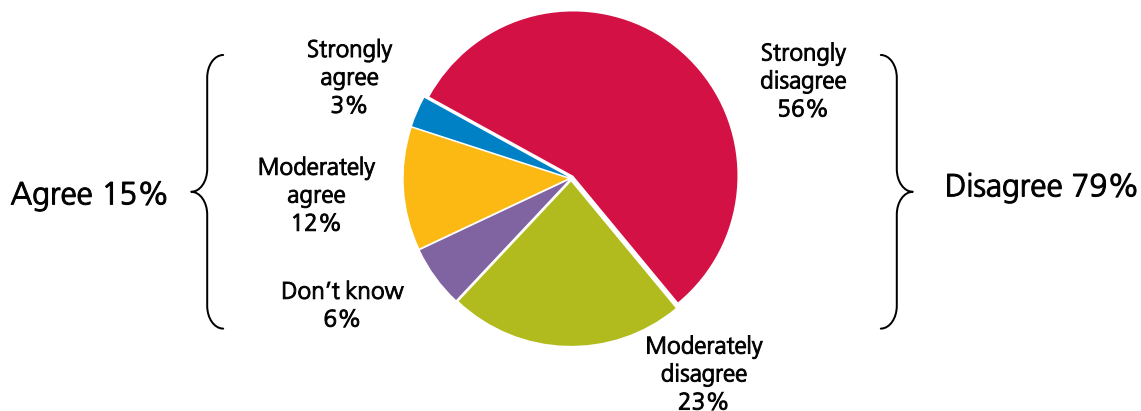


Source: CFIB, Saving more for retirement, July 2015, Sask responses

No support for increased taxation powers to municipalities

Figure 14:

Do you agree or disagree with the following statement: *Municipalities should have the authority to levy new taxes (e.g. fuel, income or sales taxes)*



Source: CFIB Saskatchewan Pre-election Survey, January 2016

While we recognize the fiscal pressures Saskatchewan municipalities face, we are opposed to them gaining authority for new sources of revenue such as municipal fuel or hotel taxes; or even a sales or income tax. In fact, when asked whether municipalities should have authority to levy new taxes (e.g. fuel, income or sales taxes) a majority (79%) of Saskatchewan respondents disagreed. Only 15 per cent agreed.

In the minds of business owners, many local politicians have not been able to use the property tax system fairly, so there is little trust that they could reasonably administer any additional taxes. It must be remembered that while there are three levels of government, there is only one taxpayer.

Recommendations

The CFIB makes the following recommendations to assist the next government in addressing Saskatchewan's outstanding competitive challenges.

Ensure labour laws support employers & employees equally

- Eliminate the requirement for employers to apply for a special permit if an employee wants to observe a public holiday on a different day.
- Allow an employer to withhold and/or recover pay from employees who do not provide adequate notice of their intention to leave.
- Allow overtime hours to be banked and later taken off with pay, hour for hour, during regular work hours. Currently for every hour of overtime worked, 1.5 hours must be banked.
- Encourage the Ministry of Labour Relations & Workplace Safety to provide fact sheets regarding common questions asked about Saskatchewan Employment Standards (similar to BC).
- Further improve web usability and searchability of the Saskatchewan Employment Standards website to help employers find relevant information in a timely manner.
- Reject calls to increase Saskatchewan's minimum wage from \$10.50 to \$15.00 per hour.
- Adopt a "common sense" approach/alternatives to minimum wage policy as part of a strategy that will truly assist low-income earners such as:
 - a. Mitigate the impact of annually indexed minimum wage by introducing a special training wage (similar to Nova Scotia) and a gratuity wage for workers who earn tips (similar to BC and Ontario).
 - b. Provide Income Tax relief – continue to increase the basic personal/spousal exemptions and/or reduce income tax rates. Ensure that low-income workers keep all of their earnings.
 - c. Encourage and reward workplace training
 - *Improve the skill sets of low-income earners:* Low-income earners who want to upgrade to better-paid positions should be given the opportunity to do so. Small businesses should be given more assistance in providing additional workplace training.
 - *Introduce a training tax credit payable to employers:* This would be based on provincial payroll tax or workers' compensation filings. The tax credit would be similar to an EI training credit linked to changes in assessable payroll for EI purposes.

- *Introduce a training tax credit payable to employees:* This would be payable to employees based on achieving an employer's training objectives. This concept could support the creation of short, focused training plans for employees, where employers would outline a few definable training goals.

Ensure sustainable spending

- Commit to limit annual spending increases to rate of GDP growth.
- Continue to further reduce the size/cost of Executive government through attrition by another 5 per cent over next 4 years.
- Require Crown Corporations and non front-line components of Third Party entities to implement a 10 per cent reduction in their size and cost through attrition over the next four years.
- Narrow wages/benefits disparity (20.4%) between public and private sector employees by implementing a wage freeze for Executive government, Crown Corporations and key Third Party entities, until the Budget is balanced.
- Reduce cumulative sick leave provisions. Currently, provincial government employees in BC, Alberta, Ontario and Nova Scotia cannot bank sick days.
- Reduce accrued employee leave entitlements and reduce the provisions of compensated absences in employment agreements and collective bargaining agreements in the future.

Continue to reduce red tape

- Accelerate the timeline for the baseline count of all business related regulations so relief can be provided to Saskatchewan business owners sooner.
- Push for a new Agreement on Internal Trade (AIT) to foster trade within Canada.
- Introduce Service Standards Codes for all provincial ministries/agencies similar to *The TaxPayer Service Commitments and Standards Code*.
- Continue to support expansion of BizPal.
- Commit to Ministerial approval of steward fees annually to ensure proper oversight and accountability of the Multi-Material Recycling Program (MMRP).

Improving Roads and Infrastructure

- Continue to improve Saskatchewan's roads and infrastructure.
- Reject calls for provincial tax increases to finance infrastructure (e.g. province wide property tax levy on business & residential properties).

Keep Saskatchewan taxes competitive

Short-term:

- Reject calls for mandatory increases to CPP/QPP premiums or a mandatory provincial pension plan.

- Reject any proposal that would provide increased taxation powers to municipalities (e.g. fuel, income or sales taxes).
- Change the Workers' Compensation Act to allow directors of corporations to voluntarily purchase WCB coverage, as in Alberta and Manitoba.

Long-term:

- Personal income tax:
 - ▶ Develop a long-term plan to ensure competitiveness of Saskatchewan PIT rates.
 - ▶ Continue to increase the basic personal exemption (currently at \$15,843).
- Corporate tax relief:
 - ▶ **Small business income tax threshold:** Increase the small business threshold from \$500,000 to \$750,000.
 - ▶ **Small business corporate tax rate** – Introduce a plan to eliminate Saskatchewan's small business tax rate.
 - ▶ Reduce the general corporate tax rate from 12 to 10%.
- Education property taxes:
 - ▶ Ensure future property tax reassessments will be revenue neutral.