

July 29, 2016

Hon. Kelly Regan  
Department of Labour and Advanced Education  
6th Floor, 5151 Terminal Road P.O. Box 697  
Halifax, Nova Scotia B3J 2T8

RE: Labour Market Transfer Agreements

Dear Minister Regan:

As you know, the Canadian Federation of Independent Business (CFIB) is a non-profit, non-partisan association that seeks to give independent businesses a greater voice in determining the laws that govern business and the country. In Nova Scotia, we proudly represent more than 5,200 local businesses. We are pleased to provide input from our members to help government better align their programs with the reality of small business through the Labour Market Transfer Agreement Consultation hosted by LAE on July 27<sup>th</sup> in Halifax.

To fill job vacancies, small business owners often hire under-skilled workers and provide them with the required training. Small business owners invest billions every year providing training for their employees. In CFIB's recent report, *Small Business, Big Investment: Improving training for tomorrow's workforce*, we found that SMEs invested \$14 billion to train employees in 2014. Of that total, \$9 billion was spent on informal, "on the job" training. This may involve, for instance, pulling another employee or owner from his or her regular duties to train a new employee. A small business owner spends an average of \$2,700 per employee per year on training and, for new employees with no experience; this cost rises to \$5,400 per employee.<sup>1</sup>

Despite the fact that informal training is of greater importance and provided more frequently among smaller businesses, this type of training is currently not well recognized by government, and small businesses do not receive much credit for the time and expense associated with this investment. The cost of training a new employee with no experience is higher than training those with work experience. Combine this with the fact that smaller firms are more often a source of employment for those entering the workforce for the first time, and it underscores the reasons why workplace training is so costly in the small business sector.

More can be done to recognize the time and money associated with training to incent small businesses to train employees. Most small firms feel that special training incentives tend to be designed for larger firms with formal systems in place to process the paperwork associated with many training programs. In addition, most current training programs provide very few incentives to employers who hire and train outside of the formal education system (i.e. private training

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<sup>1</sup> CFIB, *Small Business, Big Investment: Improving training for tomorrow's workforce*, 2015.

institutions, technical and career colleges) which is often a reality for smaller firms. While small business owners recognize the central role educational institutions play in preparing workers for employment, often times small firms end up training employees primarily through informal means because educational institutions do not provide the kind of training that business owners are looking for in employees.

Due to the cost and complexity of applying for training incentives, they tend to have a very limited take-up among SMEs. In order to reflect the realities of many business owners, it is important that programs and incentives be as administratively simple as possible. CFIB research has found that when asked how they could be supported to provide even more training, 68 per cent of small business owners identified a training tax credit. The second most preferred incentive was for a general tax reduction, which would allow firms to free up resources that could then be used to support training. Nearly 40 per cent of businesses also indicated that an EI holiday during the training period would help offset the higher training costs associated with new hires. Whatever incentives governments choose to implement, there is a clear preference by SMEs for tax credits which are more easily accessible to the small business owner, and generally associated with a limited amount of red tape.

Our model, which has been viewed favourably by SMEs, is the EI Hiring Credit. By implementing the EI Hiring Credit or a similarly designed training credit, employers who provide informal, on-the-job training will see their training efforts rewarded. An employer who is increasing their payroll is hiring and training new employees or training and promoting existing employees. With minimal paperwork, and a simple process that recognizes the efforts of small business, the EI Hiring Credit was viewed favourably by small business. Unfortunately, The EI Training Credit was discontinued in the 2014 Federal Budget.

Thank you for the opportunity to provide feedback on the Labour Market Transfer Agreements. CFIB would be pleased to offer further advice to the government on designing programs and policies that would benefit small business owners. If you have any further questions, please do not hesitate to contact us at (902) 420-1997.

Sincerely,

A handwritten signature in black ink that reads "K Allen". The signature is written in a cursive, flowing style.

Kate Allen  
Policy Analyst, Nova Scotia

Encl. *Small Business, Big Investment: Improving training for tomorrow's workforce*