

TOP 3 OBSTACLES TO SMALL BUSINESS SUCCESS



ABOUT THIS REPORT

In 2016, the Ontario Chamber of Commerce (OCC), in partnership with chambers of commerce and boards of trade from across the province, is embarking on an ambitious campaign, *Small Business: Too Big to Ignore*. This campaign will highlight the important contributions of small business to our economy and communities, along with the challenges faced by small businesses – and identify solutions to overcome those challenges. The campaign will deliver a powerful policy advocacy platform for small businesses at all levels of government, championed by the chamber network.

This draft report, *The Top Three Obstacles to Small Business Success*, is a fundamental part of the *Too Big to Ignore* campaign and identifies a number of underlying challenges that are weighing on small businesses and stifling job creation.

Throughout the spring and summer of 2016, the OCC and chamber network will convene businesses from across the province to provide their input on the report, share their stories, and identify what they believe are the critical barriers to small business growth – and the solutions that will help us overcome those barriers.

THE TOP 3 BARRIERS TO SMALL BUSINESS SUCCESS



3 MILLION
ONTARIANS ARE
EMPLOYED BY
SMALL BUSINESSES

Source: Statistics Canada, Labour Force Survey (LFS), 2012, and calculations by Industry Canada.

Small businesses, firms that have fewer than 100 employees, employ nearly 3 million people in Ontario. Despite the fact that small businesses also operate across all industries in the province, they face unique challenges – challenges that are inhibiting their growth.¹

1. A Lack of Access to the Workers We Need
2. Key Infrastructure Gaps
3. The Rising Cost of Doing Business

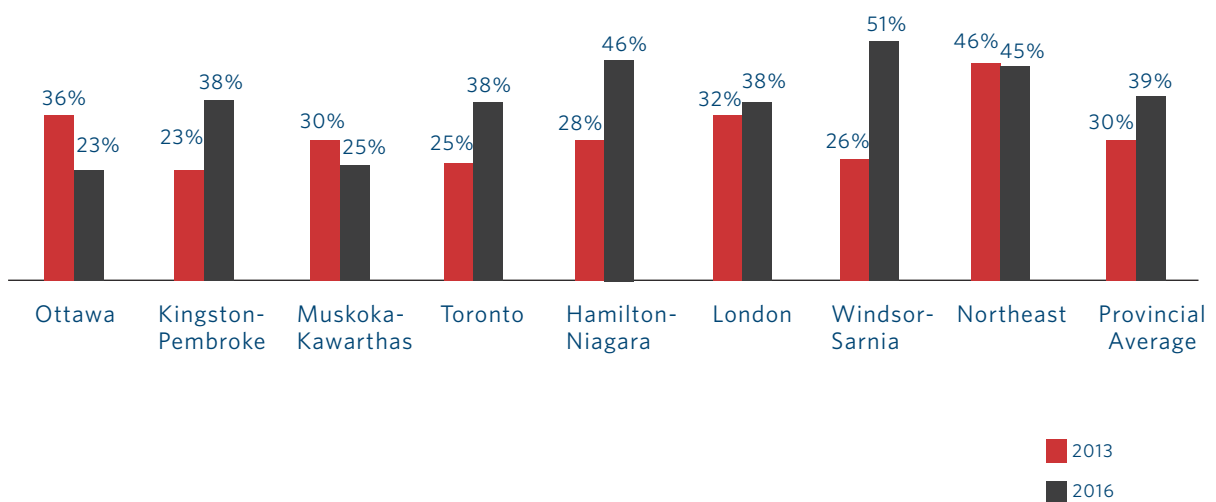
In this report, we examine these three obstacles and outline 10 underlying challenges facing small businesses. This report does not present an exhaustive list of challenges – rather, our aim is to provide governments with the beginning of an answer to the question, “what exactly is ailing small business?”.



39% OF EMPLOYERS CAN'T FILL A JOB, UP FROM 28% in 2014

Source: Ontario Chamber of Commerce pre-budget surveys; January – February 2013, n = 2,059; December 2015 – January 2016, n = 853

HAS YOUR BUSINESS HAD DIFFICULTY FILLING A JOB OPENING IN THE PAST 12-18 MONTHS BECAUSE YOU COULDN'T FIND SOMEONE WITH THE RIGHT QUALIFICATIONS?



Source: Ontario Chamber of Commerce pre-budget surveys; January – February 2013, n = 2,059; December 2015 – January 2016, n = 853

A LACK OF ACCESS TO THE WORKERS WE NEED

Too many employers are unable to find workers to fill jobs. In fact, 39 percent of employers have had difficulty filling a job opening over the past year and a half (an increase of 11 percentage points since 2014), because they could not find someone with the right qualifications.² This gap is felt most strongly in sectors like manufacturing, transportation/infrastructure, and health care and is hurting these businesses' ability to grow. A number of current or pending public policies are contributing to the skills gap.

Ontario's skills gap is exacerbated by the province's disproportionately high journeyman-to-apprentice ratios.³ While the recent recommendations of the Dean Review regarding the Ontario College of Trades are encouraging, more work remains. High ratios are forcing many employers to lay off apprentices and leave apprenticeship positions vacant, since they cannot afford to hire additional journeymen.

Ontario's employment standards are poised for substantial reform – a result of the Government of Ontario's Changing Workplaces Review. Some groups are pushing government to implement structural barriers to contractual employment – including the introduction of a reverse onus classification system where a worker must be presumed to be an employee unless the employer demonstrates otherwise. This kind of change would throw up particular barriers for employers seeking to address short-term labour needs.

The federal government has pledged to cap the amount that employees can claim through stock option deductions. This would negatively impact Canada's startup ecosystem, as startup companies would face more difficulty recruiting employees. This is particularly worrying for startups in the Information and Communications Technology sectors, 56 percent of whom say they are facing difficulty filling a job because they cannot find someone with the right qualifications.⁴

Onerous rules in Canada's immigration programs deter small businesses from using them. Nowhere is this more apparent than the Temporary Foreign Worker Program, whose current rules create costs, delays, and red tape for businesses. The Labour Market Impact Assessment mechanism of the Temporary Foreign Worker program, which imposes restrictions on employers' ability to access international talent, are badly in need of reform.



ONTARIO HAS A \$60 BILLION INFRASTRUCTURE GAP

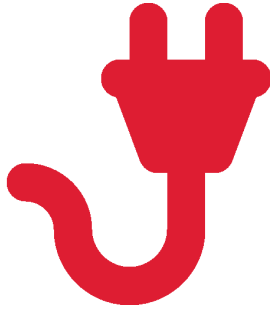
Source: Rural Ontario Municipal Association, 2015. <http://www.roma.on.ca/ROMA-Docs/Reports/2015/A-Voice-for-Rural-andNorthern-Ontario-2015-RPT.aspx>

KEY INFRASTRUCTURE GAPS

Ontario's estimated \$60 billion infrastructure funding gap is delaying economic recovery in all parts of the province. Approximately half of the infrastructure gap is accounted for by road and bridge assets, the repair of which is particularly costly for rural and northern communities in particular.⁵ Insufficient infrastructure congests our roads, creates delays, and impacts quality of life – addressing the infrastructure gap is a top priority for small businesses.

Inadequate access to high-speed, broadband internet is compromising the ability of communities across Ontario to attract and retain businesses. Broadband is internet service that is always on (as opposed to dial-up, where a connection must be made each time) and offers higher speeds than dial-up service. Canada ranks 33rd in the world when it comes to available speed, and its broadband shortcomings are weighing on the ability of suburban and rural small businesses to compete.⁶

Far too great a proportion of public infrastructure funds are spent inefficiently. It is critical that the government invest in trade-enabling infrastructure, including roads, bridges, rail and ports. Further, Ontario businesses are underserved by federal infrastructure funds. The previous federal government allocated only \$2.72 billion worth of New Building Canada funds, and just over \$3.874 billion in federal gas tax funding, to Ontario municipalities from 2014 to 2019.⁷ While the new government has committed to increasing total infrastructure spending, it is not clear that these funds will be spent in a manner that will benefit Ontario businesses.



383% HIKE IN ELECTRICITY RATES

Source: Ontario Energy Board, OEB Sets New Summer Electricity Prices for Households and Small Businesses, 2016.

\$9500/
Year

THE COST OF THE ORPP TO A REPRESENTATIVE SMALL BUSINESS OF 10 EMPLOYEES

Source: Ontario Chamber of Commerce, 2016. <http://www.occ.ca/media-release/ontario-chamber-of-commerce-calls-on-government-to-support-employer-transition-to-the-orpp/>

THE RISING COST OF DOING BUSINESS

Rising input costs and new public policy initiatives are contributing to the cost of doing business in Ontario.

Since 2004, electricity prices in Ontario have grown from a flat rate of 4.7 cents a kilowatt hour, to the 18 cents a kwh at peak times.⁸ That is an increase of 383 percent. OCC survey results show that one in twenty businesses in the province expect to close their doors in the next five years due to rising electricity prices. In addition, 38 percent will see their bottom line shrink, with the cost of electricity delaying or canceling investment in the years to come.⁹

The Ontario Retirement Pension Plan (ORPP), which will see some businesses begin to make contributions in 2018, will require employers to contribute 1.9 percent of their employees' salary to the plan. OCC analysis indicates that small business owners with 10 employees will see their costs rise by \$9500 under the plan.¹⁰

The new cap and trade system, while laudable in its aim to reduce greenhouse gas emissions, will impose new costs on consumers and businesses. The system is expected to raise the costs of gasoline prices by 4.3 cents a litre and increase home heating costs by \$5 a month.¹¹

Ontario has the highest property taxes in the country.¹² This is in part driven by dramatic increases in municipal emergency costs (partially the result of a broken interest arbitration system), including police and firefighter costs. In fact, in 2011, Ontarians spent \$320 per capita on policing, \$35 more than Albertans, \$56 more than British Columbians, and \$24 more than Quebecers.¹³

CONCLUSION

We ask you the reader, having now read this draft report, to consider the following questions:

- Are the challenges identified in this report the most significant to small businesses?
- What are the solutions to these challenges?
- How do we work together, as a business community, to ensure government responds to these challenges?

Over the course of the coming months, chambers of commerce and boards of trade will engage their members in discussions and pose these same questions in an effort to align on priorities for the small business community.

During Small Business Week 2016, set to occur from October 16 – 22, 2016, the OCC will release a final report that incorporates the feedback from local businesses across the province. The report will present a series of recommendations designed to address barriers to small business growth.

WORK CITED

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- 3 CD Howe Institute, 2014 https://www.cdhowe.org/pdf/Commentary_380.pdf
- 4 Ontario Chamber of Commerce pre-budget survey, January/February 2016, n=853
- 5 Rural Ontario Municipal Association, 2015. <http://www.roma.on.ca/ROMA-Docs/Reports/2015/A-Voice-for-Rural-andNorthern-Ontario-2015-RPT.aspx>
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- 13 Ibid.