

## **Association of Canadian Search, Employment and Staffing Services**

### **Responses**

#### **1. Economic Recovery and Growth**

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

The Association of Canadian Search, Employment and Staffing Services (ACSESS) is a well-respected national association representing members in the staffing industry. The staffing services industry total operating revenues reached 9 billion dollars in 2011. We have a combined membership of 400 corporate entities and represent over 1000 branches across Canada. Our purpose is to foster the growth of the industry by promoting quality services, dignity and respect among workers, adherence to all relevant legislation and employee rights as well as on-going liaison with governments and the public to ensure a full understanding of our industry and its practices. Staffing companies provide a valuable service to the Canadian economy. The source of a flexible, available and multi-skilled work force has considerable benefits to the economy. Over the past two decades, the staffing industry is one of the fastest growing industries in the world. STATISTICS ON THE BENEFITS OF FLEXIBLE LABOUR The advantages of temporary work are recognized by workers, businesses, economists and policymakers. It affords flexibility, training, supplemental income - and a bridge to permanent employment for those who are out of work or changing jobs. The growing number of temporary employees are highly paid and highly skilled technical, computer and health care workers who choose temporary and contract work as a preferred employment option because of the flexibility, independence, and in some cases, higher pay. Staffing firms supply employees in every industry in every job category, from unskilled industrial labour, assembly and production work, office and clerical support, to technical, scientific, professional and managerial positions. Staffing firms provide a wide range of human resource services such as recruiting, skills assessment, skills training and upgrading, risk management, and payroll and benefits administration – allowing customers to concentrate on their core businesses. We encourage the federal government to continue to recognize the tremendous value of the staffing services industry in Canada and consult with ACSESS on ways in which we can partner to ensure enhanced economic growth.

#### **2. Job Creation**

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

Maintaining and creating jobs should remain Government's top priority. Several elements of Canada's Economic Action Plan contribute to this overall goal. However, the most effective means of raising employment through public expenditure is through infrastructure spending. Every dollar in infrastructure spending generates \$1.60 in economic activity. For this reason, the investment of close to 40 per cent of the total stimulus funding to infrastructure spending must continue.

### **3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

Many of our members have told us that skills and training top their list of priorities. Having the right people is critical to competitiveness and productivity. Canada has a skills shortage problem (notably in the oil and gas sector in Alberta) which is well on its way to becoming a crisis. We welcome any initiative by the government to address skills-related challenges and opportunities. Meeting these challenges and improving the competitiveness of our nation is vital for both our businesses and Canadian workers. Canadian businesses work very closely with staffing industry employers due to our members unique ability to source talent quickly and efficiently. The Canadian Staffing index (released by the Association of Canadian search, Employment and Staffing Services) continues to reveal that temporary and contract employment is on the rise. Latest numbers from the American Staffing Association indicates that the need for contract workers has jumped almost 25% since the start of the year. The Staffing Industry is one of the greatest contributors to the Canadian economy with over 9 billion dollars in revenues. Proposed federal initiative: Over the course of 2008-2010, ACSESS had been meeting regularly with the Director General of the Temporary Foreign Worker Program and senior policy staff to discuss general improvements to the foreign recruitment program including our request for staffing industry employers to be recognized as the employer of record and Labour Market Opinion (LMO) holders from the application stage until the conclusion of the employment relationship. Based on our early meetings, we were encouraged to see the willingness of the Federal Government to work with us to explore ways we could work in collaboration to improve worker protections and program integrity, by ensuring that staffing industry employers remain accountable for the foreign workers they had helped bring to Canada. Currently client firms are recognized as the employer for the purposes of this process resulting in increased delays, procedural challenges, and unclear lines of communication for the foreign workers. We strongly encourage Government to work closely with ACSESS to ensure that staffing firms are recognized as the employer of record in order to expedite the LMO process (avoid lengthy procedural delays) and contribute to program integrity and accountability.

### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

ACSESS continues to look at innovative ways to address labour shortages such as exploring pilot projects at the federal level to attract skilled workers and expedite the LMO process. Labour shortages in Alberta's oil and gas sector are particularly acute. To prevent economic growth from being impeded, immediate action is required. We would encourage the federal government to work closely with the staffing services industry to explore ways in which we can work together to increase productivity in Canada. Some general considerations: The demographic crunch of a declining working-age population is looming. So is the shifting of demand away from our traditional markets, as the global economy adjusts to the rise of Asia, the financial crisis. All these developments underscore the need for urgency in tackling our productivity underperformance. Innovation is a driver of productivity growth, creating the new products and processes that will allow Canadian business and workers to move up the value-added chain and compete on quality, service and uniqueness, not merely on cost. Canadian business spending on research cannot remain below the middle of the OECD pack if we are to spur innovation on the scale needed. Our public research capacity has improved greatly, but we need to focus on building global centres of research excellence, better commercialization of our research efforts

to create jobs and wealth, better models of business-university partnerships, and better market-based means of financing the application of innovation, particularly a stronger venture-capital market in Canada. Innovation and a highly skilled work force go hand-in-hand in driving productivity in a knowledge-intensive, global economy. Immigration can offset our demographic trends, but its labour-market effectiveness depends on attracting skilled immigrants. A significant impediment to productivity is red tape. It remains (as per the Canadian Federation of Independent Business) the second most important issue for small businesses (after the total tax burden), and it costs Canadian businesses over \$30 billion per year. Each individual requirement added on to the pile is time taken away from business owners ability to manage his or her business. Work in the red tape field was mostly focused on a simple reduction of old requirements, yet the situation requires much more than this. Earlier in 2012, the government announced its plans to implement the Red Tape Reduction Commission's dozens of recommendations, yet no official action has been taken since.

## **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

The staffing services industry, and its contribution to Canada's recovery, is currently threatened by CRA efforts to apply Section 125(7) of The Income Tax Act to Small Services Businesses (SSBs). Personal Services Businesses tax is an attack on small businesses that places these organizations at a disadvantage relative to their large business and international competitors. This policy will effectively destroy the small services business sector in Canada and could potentially send jobs overseas as it will be easier for client organizations to access these services through off shore providers. In the limited space available, we wish to highlight that the report tabled by CRA to the Standing Committee on Finance in 2010 ("Servant or Master? Differing Interpretations of a Personal Services Business") contains material misrepresentations that likely compromised the Government's ability to understand and form effective policy on this issue. Specifically, the CRA made a comparison of small business tax and personal income tax. This is inaccurate as it neglects two key points: 1) Small businesses and their owners contribute Sales Tax, Corporate Tax and Personal Tax. CRA's failure to include the Owner's Personal tax obligation in its presentation to the Standing Committee on Finance is an important omission. As such, all tax comparisons provided in the CRA document materially misrepresent the relative tax contribution made by these small businesses. 2) Personal Services Businesses earn a business premium of roughly 40% vs. their 'employment' value. This reflects compensation for risk, flexibility and value capture for untaxed employee benefits (pension, paid vacation, etc). As currently designed the PSB legislation goes well beyond catching 'incorporated employees' and will serve to destroy a vibrant and competitive part of Canada's economy. Revisions are needed in order to provide tax fairness for Canadian Small Canadian Businesses operating in the services sector and this is a critical issue for Canada's economic growth and prosperity.