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Chair: Mr. Joël Lightbound



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• (1615)

[*Translation*]

The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)): I call this meeting to order.

Good afternoon, everyone.

Welcome to meeting number 29 and the final meeting of the session for the House of Commons Standing Committee on Industry and Technology.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Friday, April 8, 2022, the committee is meeting to study the competitiveness of small and medium-sized enterprises in Canada.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2021. Members and witnesses may attend in person or remotely using the Zoom application. As they are familiar with the health rules that are still in effect here, in Ottawa, those who are attending this meeting in person should conduct themselves accordingly.

Before the introductions, I want to thank the witnesses for their patience. Some speeches and voting had a slight impact on the House schedule. I thank them for remaining here with us.

Without further delay, I'll introduce our witnesses, whom we are honoured to have joining us today.

We will be hearing from Mr. Jean-Guy Couillard, as an individual; Mr. Vincent Rousson, rector of the Université du Québec en Abitibi-Témiscamingue, also as an individual; Mr. David Macdonald, senior economist with the Canadian Centre for Policy Alternatives; Mr. Benjamin Dachis, associate vice-president, public affairs, with the C.D. Howe Institute; Mr. Mathieu Lavigne, director, public and economic affairs, with the Fédération des chambres de commerce du Québec; and Ms. Audrey Langlois, workforce and economic affairs adviser, also with the Fédération des chambres de commerce du Québec.

I thank you for being with us today.

Mr. Couillard, you have five minutes for your presentation. You have the floor.

Mr. Jean-Guy Couillard (As an Individual): Good afternoon.

My name is Jean-Guy Couillard, and I've been retired from the Desjardins Group since 2001. I'm 78 years old. I returned to the labour market in May 2019 to work at a grocery store after seeing

my doctor, who suggested that I take part in an activity that could improve my health.

I began suffering from aches and pains. I chose to return to the labour market to improve my health and help the co-op in my community, which was short of staff. After just three weeks, my physical and mental health began to improve.

At the grocery store where I work, we have a serious staffing shortage. Since I'm retired, I was quickly asked to help recruit new employees from among the retirees I know. Since then, I've approached several retirees to ask them to return to work. Out of 100 contacts, only three agreed to work. Almost all the others, over 75% of them, refused to return to the labour market because they would pay too much income tax.

Personally, I've just filed my income tax returns and had to pay \$2,500 to the two levels of government for the year that just ended. Most people my age would have to pay the same amount if they worked. I had to pay that amount on top of what was deducted from each pay.

During that time, several studies were conducted to find solutions to the staffing shortage. In my opinion, there's one solution that could be quickly effective: not collecting income tax on employment income earned by retirees who remain on or return to the labour market. In addition to addressing the staffing shortage, having retirees on the labour market would keep them healthy longer, saving governments money on health care. Indeed, those savings could be much more significant for the government than the tax revenues it could collect from the incomes of retirees.

According to La Presse, one day in hospital costs \$1,369. A day in intensive care costs \$3,776. Few retirees have remained on or returned to the labour market, and if nothing is done, some of those can be expected to leave the labour market, finding that they pay too much tax. Many people are expected to retire soon, which will increase the labour shortage. Retirees can be a solution: they have experience, they are punctual and they have a strong work ethic.

It's also important that people receiving the old age security pension and the guaranteed income supplement not be penalized. Nor should those who have retirement plans.

In companies, employees who are approaching retirement would stay on after retirement if there were no taxes to pay on their employment income. Time's of the essence, and the solution I'm proposing could be applied quickly and provide access to a skilled workforce. That's why I feel that such an initiative would need to start in 2022. My employer entirely supports my proposal, believing that it would be good for them and for other businesses in Canada.

In closing, I'd add that not collecting taxes on the employment income of people 65 or older would benefit everyone.

Thank you for taking the time to listen. I'm very grateful for having been given this time. My employer supports my proposal and has sent a letter indicating that.

• (1620)

The Chair: Thank you very much, Mr. Couillard, for your comments. We greatly appreciate it.

Mr. Rousson from the Université du Québec en Abitibi-Témiscamingue now has the floor.

Dr. Vincent Rousson (Rector, Université du Québec en Abitibi-Témiscamingue, As an Individual): Good afternoon everyone.

Thank you very much for this opportunity to address your committee this afternoon.

Abitibi-Témiscamingue is a region that has a serious labour shortage, particularly owing to a strong economy in the mining sector. At this time, there are over 4,300 job vacancies in the region, compared with 1,925 in 2019. The unemployment rate is at a historic low of 3.4%, two points below the national average.

In addition, the percentage of the working-age population continues to decline and is not expected to level off until 2030. In the next 10 years, we could lose close to 8,000 workers.

Given that shortage, employers often turn to non-resident fly-in fly-out workers. That practice could become widespread if nothing's done soon, which would limit economic development in the regions of Quebec. Since the labour shortage remains a prevalent national phenomenon, the logical solution is to turn to immigration or international students completing their studies.

Current Canadian and Quebec policies are inconsistent in terms of immigration and the needs of the regions, like Abitibi-Témiscamingue, francophone universities in Quebec and the labour needs of businesses here.

While Quebec universities, like those in the rest of Canada, had similar refusal rates in 2015 of about 30% for applications for study permits, the gap between our universities has continued to increase since then. Currently, 52% of applications for study permits for francophone universities are refused by Immigration, Refugees and Citizenship Canada, or IRCC, compared with 33% for universities elsewhere in Canada. That's a difference of almost 20%.

For example, the refusal rate for Tunisian students, the second-largest recruitment pool for our university, rose from 33% in 2016 to 50% in 2020.

Among all universities in Quebec, those in the Université du Québec network, which includes all universities in the regions, are penalized the most by refusals. Over the last three years, the refusal rate for applications for study permits by foreign students who would attend one of those institutions have often exceeded 60% and even 80% for some countries.

Refusal rates are much lower for anglophone universities. In 2019, McGill University had a refusal rate of only 9%, compared with 23% for Concordia University and 27% for Bishop's University.

In Abitibi-Témiscamingue, the situation is even worse for CEGEPs, where we see a refusal rate of 75%. In vocational education, the refusal rate is 95% for foreign students who are not from France.

We can also see a considerable difference between acceptance rates for students for the Certificat d'acceptation du Québec, or CAQ, and for study permits. For example, in 2019, a total of 12,182 CAQs were issued to Algerian students. Only 2,679 of those received a study permit.

Several factors determine whether a study permit is refused or accepted, but the financial capacity of students is the main reason for refusal cited by IRCC for our student population at the university. As well, over 50% of our students are granted bursaries that cover not only their tuition, but also their living expenses. Despite this, these students are still refused their study permit.

Immigration officers can also refuse an application, without any appeal, if they question the applicant's good faith. We feel that this practice is totally discriminatory, since the decision is based not on objective evidence, but on perceptions.

In addition to this, there's the new application processing system called Chinook, which was created without any legal oversight, according to documents filed with the Federal Court. The system lacks transparency, because it doesn't keep any written notes following decisions by immigration officers and doesn't require them to consider evidence submitted by the candidates applying for temporary residence.

In response to our questions, authorities told us that francophone candidates in general or African candidates in particular are not being refused, but rather that candidates from economically or politically unstable countries were being refused because of the problems that raises. However, permits are granted to foreign students attending an anglophone university, but are refused for students from the same country who are supposed to attend francophone universities in the regions.

Canada cannot and must not deprive itself of highly skilled people if they wish to stay in this country and be actively involved in its economic, social and cultural development once their education is complete.

The Université du Québec en Abitibi-Témiscamingue, or UQAT, is seeing a significant increase in the number of international students, like all universities in Canada. We are therefore important players in the success of the Government of Canada's international education strategy for 2019-24.

We're also a real solution to the labour shortage in this country: we train highly skilled workers for businesses; our students offer an important workforce for service businesses during their time in university; our foreign students are integrated culturally and linguistically into their host community; our students help address the demographic decline in the regions; and our students are actively involved in Canada's economic development.

• (1625)

It's therefore essential that the Government of Canada, in seeking solutions to the labour shortage and economic development of all regions, include universities among its immigration tools. The process for issuing study permits needs to be streamlined and accelerated so foreign students can play a decisive role in this country's economic development.

Thank you very much for your attention.

I would be happy to answer your questions.

The Chair: Thank you very much, Mr. Rousson.

We will now hear from Mr. Macdonald, from the Canadian Centre for Policy Alternatives.

Mr. Macdonald, thank you very much for being with us. You have the floor.

[English]

Mr. David Macdonald (Senior Economist, Canadian Centre for Policy Alternatives): I'd like to thank the committee for the invitation to speak today on its study of small and medium-sized businesses.

The last two years have been a difficult time for small businesses in Canada. Our businesses across this country received unprecedented government support through the wage subsidy, rental subsidies and the Canada emergency business account—or CEBA—loans. Business supports, in fact, represented the largest government spending category during the pandemic, with worker supports coming in second and health care expenses coming in a distant third.

Now the problem for businesses isn't applying for government supports but rather finding employees to help customers who are lined up out the door. It is important to point out, though, that there remains a very clear relationship between the wages offered for new jobs and the job vacancy rates. That is to say that a business offering higher wages for positions will have fewer of those positions remain open.

Furthermore, workers in hard-hit sectors like food and accommodation, who were laid off in the initial months of the pandemic, weren't idle. Instead, they used CERB benefits to move into other sectors that remained open and needed workers. The net result is that when the economic reopening happened in earnest in the fall of 2021, those workers were no longer available to fill previous posi-

tions, because they were already employed elsewhere, likely for higher wages.

Expansion of the temporary foreign worker program has been the most recent federal government answer to high job vacancy rates. Specifically, the government allocated new funding to process more applications faster; workplaces can now have 20% of their workforce composed of temporary foreign workers, up from 10%; workers can be kept much longer, up to 270 days; and temporary foreign workers will be allowed in areas with unemployment rates that exceed 6%.

The danger of this expansion is that we will suppress workers' wages, which would otherwise have risen to attract new workers. Workers' wages have risen 3.9% in the past year, well behind inflation, which has stood at 6.8% over the same period. More temporary foreign workers will work to suppress those wage gains, particularly for low-wage workers.

For temporary foreign workers who come to Canada to work, the program as structured creates dangerous power imbalances between the employer and the employee, favouring the employer. The basic workers' rights that Canadians enjoy are either explicitly or effectively denied to temporary foreign workers. For example, the basic right to change a job in order to obtain better wages or better conditions is denied, and complaints about workplace treatment can easily be met with extradition. Keeping wages low by importing workers who have been stripped of basic workplace rights is inconsistent with the government's strategy for an inclusive labour market.

For Canada, as a country that welcomes a diversity of immigrants, a better approach to obtaining new workers would be to accelerate the process of accepting new Canadians. These new Canadians could and should be drawn from the pool of temporary foreign workers who would prefer to live in Canada permanently. Without the rights suppression inherent in the temporary foreign worker program, new Canadians are freer to bargain for higher wages and better working conditions, and generally do.

There is no doubt that higher wages will render some low-margin employers incapable of competing in a postpandemic world. Higher business debt following the pandemic will further pressure some businesses as interest rates rise, but the reality is that business bankruptcy rates were far lower during the pandemic than they were prior to the pandemic, entirely due to federal supports.

A well-functioning economy is one that experiences the renewal of businesses, such that some close and new ones take their place. The closure of one business frees up resources in the form of space, workers and equipment for new businesses that may be more viable. This is a desirable and necessary feature of our economy.

For some businesses, there may not be a viable path forward, and for those businesses we need to accelerate and not delay bankruptcies to settle obligations and hopefully allow entrepreneurs to go on to start new businesses in the future. We should encourage an off-ramp, as it were, for businesses that are no longer viable as wages rise.

Thank you. I look forward to your questions.

• (1630)

[*Translation*]

The Chair: Thank you very much, Mr. Macdonald.

I now give the floor to Mr. Dachis, from the C.D. Howe Institute.

[*English*]

Mr. Benjamin Dachis (Associate Vice-President, Public Affairs, C.D. Howe Institute): Thank you very much for the invitation to speak to this committee today.

Your study contains many issues the C.D. Howe Institute has covered over recent years. There are many topics I can cover in the Q and A, such as tangible steps to solve interprovincial trade and support Canadian supply chains, what can be done on regulatory requirements, as well as labour shortages and inflationary pressure.

It's no surprise that these limitations on the productive capacity of the Canadian economy are all tied together, so your study linking these themes and how they affect SMEs in particular will be really important, and I look forward to that.

However, I want to focus my remarks today on an element of your study on the Competition Act that is particularly on the federal agenda. The last time I was here, I discussed the issues with proposed amendments to the Competition Act via the budget implementation act or BIA. The BIA appears to be rushing towards passage, so my comments on that a month ago stand for your study.

Now, though, I want to look forward. The government has committed to bringing in more Competition Act reforms, so here's what I suggest it do and your study can and should advocate for with respect to how competition reform can help small business.

First of all, with respect to process, we need a proper panel and publicly discussed paper, unlike the reforms to the Competition Act and the BIA, which just landed on people at the last second. We need to fix that process.

Moving on to substance, here are a few ideas that you should be thinking about.

As authors David Rosner and Julie Rosenthal have argued in a C.D. Howe memo, we need to further develop case law to improve enforcement of the Competition Act against abuse of dominance. This underdevelopment stems from two restrictions in the act. First is that the act gives the commissioner of competition a near

monopoly on enforcing action against monopolies. The BIA expands private access as a way of fixing this irony.

However, much further action is going to be needed in regard to a few things to make this change work, in particular for small businesses. What this committee should be recommending is to remove the competition tribunal's exclusive jurisdiction to hear cases on abuse of dominance.

There are many reasons that I can briefly list here or that I can get to, if we have time in the Q and A, if you are interested. One is to speed up the courts, which will especially improve access for small firms and make competition law more inclusive of other voices.

The BIA also gave a new power, such that, if a claimant business successfully establishes the elements of abuse of dominance, the competition tribunal can order the firm abusing its competition to cease its unlawful behaviour but also to pay an administrative money penalty, or AMP.

As I mentioned in the last meeting, the new AMP amount, as created by the BIA, is potentially unconstitutional. On top of that, in a very perverse set-up, the AMP would go to the government and not the business that successfully demonstrated that it had suffered competitive injury. There is no provision for the government to transfer any of that AMP to the damaged business as compensation.

What's important is that, especially for small businesses, this may not be sufficient incentive to commence proceedings, and without the ability to obtain damages, a victimized firm is left less than whole.

In a memo to the competition law community released today by the C.D. Howe Institute, author Peter Glossop argues that we need to adopt the practice of damages going right to plaintiffs. We need to have a balance between including safeguards to protect small firms so they can afford the litigation they need to take against dominant competitors, and preventing vexatious litigation. Australia has a model in section 82 of its Competition and Consumer Act, which I can elaborate on if that would be of interest.

Finally, notably absent from reform discussions so far, as the former head of the Competition Bureau George Addy has argued in a C.D. Howe Institute memo, is any mention of a major unaddressed legislative gap—the absence of oversight, accountability and transparency with respect to the use of resources provided to the commissioner of competition.

Police forces across Canada are subject to some form of civilian oversight, such as by non-serving members of police commissions, who review budgetary decisions and priorities. There is no equivalent body for the Competition Bureau.

It's time for such a body, with more input from Parliament on the bureau's priorities but, importantly, not on specific enforcement decisions. Again, I can go into detail if there's interest.

I could go much further into Competition Act reforms that are needed and that this committee could be looking at, such as middle-ground suggestions on amendments to the efficiencies defence, why Canada should consider adopting something akin to the U.K.'s Digital Regulation Cooperation Forum as its approach to digital economy regulation, and what the right purpose of competition policy is.

• (1635)

I'll stop there. I look forward to questions, if we have time.

[*Translation*]

The Chair: Thank you very much.

I now give the floor to Mr. Lavigne, from the Fédération des chambres de commerce du Québec.

Mr. Mathieu Lavigne (Director, Public and Economic Affairs, Fédération des chambres de commerce du Québec): Mr. Chair, members of the committee, good afternoon.

My name is Mathieu Lavigne, and I am the director of public and economic affairs with the Fédération des chambres de commerce du Québec, or FCCQ. I'm here today with my colleague, Ms. Audrey Langlois, adviser, workforce and economic affairs.

Thank you for the opportunity to appear today by video conference from Montreal.

The FCCQ, which some of you know well, is an organization that comprises 125 chambers of commerce and 1,200 member businesses, for a total of over 50,000 businesses. Our members operate in all sectors of the economy in every region of Quebec. As the largest network of business people and businesses in Quebec, the FCCQ is also a provincial chamber of commerce and defends the interests of its members with respect to public policy.

We thank you for inviting us to take part in this study on the labour shortage and the productivity of our small and medium-sized enterprises, or SMEs. It's a topic that is obviously at the heart of our work at the FCCQ.

I'll quickly share a few observations and, above all, some recommendations on the various elements included in the study, but rest assured that we can discuss other topics in response to your questions, if time permits.

First and foremost, I'll begin with the labour shortage. It's clearly the main concern in the economic sector in Quebec. For example, in March, there were 259,170 job vacancies in Quebec, double the number there were at the end of 2019, before the pandemic.

There are many causes for the shortage, hence the importance of deploying a wide range of measures. I'd like to draw your attention to some of those, beginning with attracting foreign skilled workers.

Our members are very concerned about the slow processing of applications of would-be immigrants. While the processing time for a skilled worker is 32 months in Quebec, the wait time for a similar program in another province in Canada will soon be set at six months. Accelerating the processing of immigration applications and the issuing of work permits should be a top priority for the federal government. I want to take this opportunity to second what the rector of the Université du Québec en Abitibi-Témiscamingue said earlier. We're on the same page.

Obviously, immigration is not the only answer to the labour shortage. There's also a need to better train current and future workers on an ongoing basis, and encourage the unemployed to quickly return to work and experienced workers to remain on the labour market longer if they wish to do so.

That's why we are proposing that the federal government create a voluntary lifelong learning savings plan, based somewhat on the registered education savings plan model. We also suggest that the government undertake a real overall review of the employment insurance system to refocus it on its primary mission, temporary income support with support measures to promote a quick return to work. Finally, we recommend that the government increase the income threshold at which guaranteed income supplement benefits are reduced.

The regulatory and administrative tax burden is another major obstacle to growth for our SMEs. Here again, the federal government can and must act, beginning by bringing former Bill C-208 into force quickly. The bill promotes the transfer of business ownership within a family. The current tax rules make things difficult for SME owners and hinder the transfer of family businesses to the next generation. The bill must come into effect.

Another source of obstacles for business owners is the duplication of reporting requirements under similar federal and Quebec laws. We've been asking the federal government for several years to undertake discussions with the Quebec government to come to an agreement regarding a single income tax return; we recommend the pragmatic and innovative approach of focusing the process solely on the interests of taxpayers.

We then suggest that the federal government learn from its Quebec counterparts, who have brought forward an omnibus bill on regulatory relief measures for the second year in a row. There's no doubt that, every year, some of the many federal laws and regulations could be eliminated, and others, streamlined, to make life easier for business owners.

In closing, I thank you for taking a serious look at the productivity and labour challenges that our SMEs face.

We would be glad to answer your questions.

• (1640)

The Chair: Thank you very much, Mr. Lavigne.

We're ready to begin the rounds of questions.

Before proceeding, I simply want to advise my members that our meeting must end at 5:30 p.m. if we want to have 30 minutes to look at the report on quantum computing. I'll need to reduce the time allotted for questions. There will be only one full round and, probably, part of a second round.

Mr. Deltell, you have the floor for six minutes.

Mr. Gérard Deltell (Louis-Saint-Laurent, CPC): Thank you very much, Mr. Chair.

Good afternoon, honourable members.

Good afternoon to those taking part in this meeting. Your comments are very interesting.

I'll begin with Mr. Lavigne from the Fédération des chambres de commerce du Québec.

Mr. Lavigne, I'd like to address several points with you. First, I want to point out that Bill C-208 was passed and is ready to come into effect. It just hasn't yet.

In your opinion, what would be the benefits of the legislation coming into effect immediately?

Mr. Mathieu Lavigne: Indeed, it shouldn't be referred to anymore as Bill C-208, since it's now an act.

In our opinion, it's a matter of fairness for business owners who want to transfer their business to family members. This is a very important issue because there are a lot of owners in Quebec who are nearing the end of their careers. There's a pool of young people, often within the same family, who are ready to take over. However, the current tax rules penalize people in this situation, both those transferring the business and those taking over.

It's essential to relax the tax rules immediately. We're pleased that the government at least mentioned it in its last budget, but we'd have liked for it to move much faster on this issue and make that relief a reality.

Mr. Gérard Deltell: I don't need to tell you that we also want that.

Earlier, you mentioned the situation of foreign workers. Their applications take six months to process if the workers are going outside Quebec, and 32 months if they're coming to Quebec. Quebec has a say over immigration and wants to have more authority in that area. We'll probably have a political debate in the next three months in Quebec on that issue.

I'd like to hear your comments on the fact that, for some 40 years, Quebec has worked with the two approaches, federal and provincial. They are combined, but it clearly takes a lot of time.

In your opinion, why does it take longer to process files in Quebec? Is the reason that Quebec is working with the approaches of two governments in its efforts to move things forward?

Conversely, is the reason that Quebec is much more thorough in choosing immigrants so they can properly integrate, which delays the review and analysis of their cases?

• (1645)

Ms. Audrey Langlois (Advisor, Workforce and Economic Affairs, Fédération des chambres de commerce du Québec): Good afternoon, Mr. Deltell, If I may, I'll speak on that.

My name's Audrey Langlois and I'm a workforce and economic affairs adviser with the Fédération des chambres de commerce du Québec.

To answer your question, I would say there's definitely shared jurisdiction between the federal and Quebec governments. That has become a sensitive and difficult issue that has led to a lot of debate. I'd even say that it's a societal debate. When things become challenging, it's important to discuss the situation and find solutions.

At this time, it's hard to say why exactly processing times are longer in Quebec. Some would say that it is due to the fact that the files are still paper-based. Others would say it has to do with the immigration thresholds, which are limited in Quebec. Regardless, there's certainly a problem.

The federal government currently has an important role, ensuring the same processing times as in the rest of Canada. Some businesses are feeling the effects of those processing times. For 90% of them, immigration is needed if they want to ensure their productivity and not limit their production activities. We're therefore asking that the federal government reduce those processing times and bring them in line with those in the rest of Canada, and eliminate any delays.

Mr. Gérard Deltell: Processing times are nonetheless five times longer in Quebec.

Ms. Audrey Langlois: That's right.

Mr. Gérard Deltell: I understand that some files may require more attention than others, but we're currently talking about processing times being five times longer in Quebec. If it was a month longer, that might be fine, but processing times that are five times longer make no sense.

The risk is that people will immigrate to Ontario and then come to Quebec, because it's a lot faster to do it that way.

Ms. Audrey Langlois: Unfortunately, it's a reality that we're already seeing. A lot of businesses have told us about it, particularly in Abitibi-Témiscamingue and the Outaouais, where workers have been able to obtain residency much faster in Ontario or elsewhere in Canada before finally coming to Quebec.

It's important to understand that the situation is awful—difficult for everyone. Businesses are paying an economic price as a result. They're the big losers, as are immigrants who want to live in Quebec. They're at a disadvantage compared with other people outside Canada.

Mr. Gérard Deltell: Ms. Langlois, you referred to experienced workers, who should remain on the labour market longer. That ties in with a point made by our first speaker, Mr. Couillard, whom I'm going to turn to now.

First, Mr. Couillard, I thank you very much for sharing your personal experience. At 78 years old, you're an inspiration to all of us. It's true that you're part of a generation that worked very hard, and we understand that you would like to continue working.

You mentioned the possibility of retirees who return to the labour market not paying income tax.

I'd like you to explain your line of thought. In your opinion, should they pay no taxes or only low taxes?

The Chair: Mr. Couillard seems to be having a technical issue.

We'll come back to you, Mr. Couillard, once the technical issue is resolved.

I now give the floor to Ms. Lapointe.

Ms. Viviane Lapointe (Sudbury, Lib.): Thank you, Mr. Chair.

I'm sharing my time today with my fellow member, Mr. Erskine-Smith.

[*English*]

Mr. Macdonald, you recently published a report entitled "Truth bomb: Corporate sector winning the economic recovery lottery". You state that the corporate profit-to-GDP ratio is the highest of any recovery in the past 50 years in Canada. Can you tell us what this means for small and medium enterprises trying to compete with large corporations?

Mr. David Macdonald: The study looked at all the recessions and recoveries that occurred in Canada at any point in the last 50 years, of which there were six. After each one, it gauged how much benefit workers versus corporate profits had attained following that recession and recovery. In some cases workers were up, and in some cases corporations were up.

What was quite unique about this recovery was how much more corporate profits were up—three times more than in any previous recovery in Canada. It's unprecedented in Canadian history to see this kind of concentration of the recovery of GDP going to the corporate profit side. Workers are actually slightly worse off than they were in 2019, in large part because wages haven't kept pace with rising inflation.

The implications for small and medium-sized businesses are unclear. The way the GDP accounts work is that corporate profits are for larger or medium-sized enterprises. Smaller enterprises, where it's more difficult to determine what is profit and what is revenue, are put into a category called "mixed income". That's not represented in this particular study.

I'm not sure what it says about small businesses. It might tell us something about medium-sized businesses, but it's mostly about large businesses.

• (1650)

Ms. Viviane Lapointe: Thank you.

The floor is yours, Mr. Erskine-Smith.

Mr. Nathaniel Erskine-Smith (Beaches—East York, Lib.): Thanks very much.

I want to stay with you, Mr. Macdonald. You are contradicting Service Canada, and I didn't get a clear answer from IRCC with respect to the TFW program and the impact of the TFW program in suppressing low-income wage growth. It seems obvious, though, that it would suppress wage growth, so I appreciate your answer.

Do you have a comparison in any way between the low-income wage growth we've seen in the United States versus the low-income wage growth we've seen recently in Canada, and the impact of inflation specifically? Are we seeing much lower low-income wage growth in the Canadian context, and certainly being outpaced, and to a significant degree, by inflation?

Mr. David Macdonald: Well, low-income wage growth in the Canadian context, or in the American context, for that matter, is largely driven by minimum wage policy. That's often what drives up low wages in Canada. With respect to that, most provincial minimum wages are at this point indexed to inflation. Workers at the bottom end of the spectrum should see, at year's end or when the indexation kicks in, an increase in those wages at roughly the rate of inflation.

Minimum wages in the U.S. tend to be much lower to begin with. I haven't done a direct comparison to the U.S., but in terms of Canada, we will likely see at the low end, at some point, probably in 2023, a rough indexation whereby low-wage workers are made whole, in a sense, versus rising inflation.

Mr. Nathaniel Erskine-Smith: It will eventually catch up where it's indexed. That makes sense.

With respect to the TFW program, if not using the TFW program to address labour shortage issues, what would be your answer to labour shortage issues that doesn't have that impact on suppressing wage growth?

Mr. David Macdonald: It's higher wages for workers. This is a labour market. Sometimes employers are the ones on the winning side and sometimes workers are the ones on the winning side. Right now workers are the ones on the winning side. The unemployment rate is low. That provides more bargaining power to workers. At present, they frankly haven't used it. Wage rates have not grown at the rate of inflation, so real wages for workers are down for the majority of Canadians. They have not kept pace with inflation. Therefore, they have less purchasing power now than they did at this point last year.

In terms of—

Mr. Nathaniel Erskine-Smith: Sorry. The premise that makes a great deal of sense to me is that workers have to compete for jobs in a labour market where there aren't so very many opportunities, and where we see a situation as we do today, then it's companies that should be competing for workers.

Mr. David Macdonald: That's exactly right. If they compete for workers, then this is a way we would see workers' wages rise and corporate profits fall. The higher expense for labour requires lower profits and more money towards the labour line, as it were, on the income statement, and—

Mr. Nathaniel Erskine-Smith: On that issue of corporate profits, it's confusing for my constituents, certainly—and I have to admit that I don't have a great answer for them—when we see increased prices in grocery stores and increased prices at the gas pump, and then Canadians see record profits from grocery stores and from oil companies. In terms of how to square the impact of inflation on Canadians who are struggling to get by while we see record profits from companies that seem to be profiting from this inflationary environment, how would you answer my constituents?

• (1655)

Mr. David Macdonald: I think that's exactly what this study says.

We're in a unique circumstance whereby corporate profits have very much benefited from inflation, whereas workers' wages are far behind inflation in this initial inflationary drive that we've seen in the last year and a half. Companies are capable of increasing prices, not only to make up for higher input costs, which they are absolutely facing, but then some, and using that additional amount, which would result in profits. Workers are, I think, now realizing how much higher the costs of goods are and, hopefully, over time will bargain up their wages, but it hasn't happened yet. It's certainly nowhere near the rate of inflation.

Workers aren't driving inflation. Corporate profits are playing a role in inflation.

The bigger role, frankly, is that of input prices. This has everything to do with the war in Ukraine, the price of oil and the gasoline refining shortfalls in the U.S., in addition to other key inputs like fertilizer, for instance, and wheat. This is what's driving inflation. Corporate profits are playing a role in that. Particularly in concentrated industries, we're seeing pricing power. Workers are not playing a role. They're way behind when it comes to inflation.

Mr. Nathaniel Erskine-Smith: Thanks very much.

[Translation]

The Chair: Thank you.

Mr. Lemire, you have the floor for six minutes.

Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ): Mr. Chair, do you not want to end the previous round?

The Chair: Certainly. My apologies.

Mr. Couillard, the technical problem seems to be resolved.

Would you like to answer Mr. Deltell's question? I'd ask that you answer it briefly.

Mr. Jean-Guy Couillard: Yes, Mr. Chair.

It's only about the work that the retiree does after retiring. The taxes collected before retirement remain the same.

To attract retirees, they wouldn't be required to pay income tax on the income earned when they return to the labour market.

The Chair: Thank you, Mr. Couillard.

Mr. Deltell says that your common sense does you credit.

Mr. Jean-Guy Couillard: Thank you very much.

The Chair: Mr. Lemire, you have the floor.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

I thank all the witnesses here with us today.

First, I'd like to speak to Mr. Rousson, rector of the Université du Québec en Abitibi-Témiscamingue.

Mr. Rousson, I must admit that I'm guilty of plagiarism, and I'd like to apologize. I used some of your statistical data last week when we heard from officials from the Department of Citizenship and Immigration.

I asked them a question based on your statistics and received the following answer:

[O]ur department is always reviewing ways to address Quebec's concerns about approval rates for international students. In 2021, of all students who declared English or French as an official language, 50% of those destined to Quebec declared French. When comparing the approval rates for students with French as a declared language, they're very similar: 41% to Quebec and 40% to the rest of Canada. This also holds true for the approval rate between the declared language for French and English students destined to Quebec. The overall approval rate for students destined to Quebec is 41%, and it's about 62% for the rest of Canada.

My question is simple. How do you react to that response, to those statistics, which clearly show a major difference between Quebec and Canada, between francophones and anglophones?

In particular, what are the consequences for UQAT in terms of attendance rates, planning and profitability?

Dr. Vincent Rousson: I'll begin by answering the last element of your question.

As for profitability, it's not necessarily foreign students that allow us to make ends meet at our universities. We're not motivated by the lure of money. Those students play an important role not only in the development of knowledge and research, but also for businesses in our communities.

However, the difference in approval rates has major consequences on our student population. That doesn't only affect UQAT. It's also happening for my colleagues, whether in Rimouski or Chicoutimi, where several hundred foreign students are admitted to our programs each year. Those potential students have letters. They obtain bursaries from our professors and required authorizations from the Government of Quebec, but IRCC refuses their applications for a study permit. This problem has enormous repercussions.

The processing times for applications are extremely long. These students have plans in life. They plan to be educated by the best universities in the world. They come to Canada for that, and their applications are often refused because an immigration officer isn't certain the students will return home or have the necessary funds for their education. That happens even though we submit all the necessary documents and indicate that they have full-time bursaries for the duration of their education that will cover tuition and living expenses. There's a real gap in understanding between reality, what's happening on the ground at our universities, and what's perceived in the backrooms of government, if I can use that expression.

I'm not particularly surprised by the statistics presented by the government. We're currently in a bit of a numbers war between what we're seeing on the ground and what the government is telling us. However, the real data that we're obtaining show that we're right. There really is a major gap between acceptance rates for francophone and anglophone students in this country. There's also a gap that's growing from year to year between francophone and anglophone universities in Quebec.

• (1700)

Mr. Sébastien Lemire: Other data show that UQAT and its campus in Rouyn-Noranda are third in Canada in terms of quality of university life and third in Quebec in terms of graduation rates.

Your institution also has an appeal strategy based on a workforce that integrates into the community. That's part of the strategy for addressing the labour shortage. However, according to the criteria currently used at Immigration, Refugees and Citizenship Canada, that integration factor could hinder the acceptance of foreign students, as is the case for the language issue.

In your opinion, are there elements of the law that we should change to promote the foreign student program?

Dr. Vincent Rousson: Changes should indeed be made to the law. These students are the best ambassadors we could have. They're also the best for integrating into the Canadian community. You listed some wonderful statistics for our university. I'd like to highlight two more.

Among all universities in Canada, we're first in seeking businesses to invest in basic and applied research at UQAT. We're therefore first in Canada. We're also second in Canada for research intensity. Our professors are among the best at obtaining funds from granting agencies in Canada so they can carry out research, which provides considerable support to Canadian businesses. To do that, we specifically need graduate students at the master's and doctoral levels. We have many who are from Quebec and Canada, but we could do better with foreign students.

I'd like to share one final statistic, Mr. Lemire, if I may. Quebec receives half the number of foreign students compared with Ontario and three times fewer foreign students than British Columbia.

There's a growing gap between provinces in Canada. Unfortunately, this is currently hurting the development of knowledge, the development of research and Canada's international competitiveness.

Mr. Sébastien Lemire: Thank you, Mr. Rousson.

Mr. Chair, do I have time to ask a short question to the representatives from the Fédération des chambres de commerce du Québec?

The Chair: Yes, Mr. Lemire.

Mr. Sébastien Lemire: Mr. Lavigne or Ms. Langlois, in terms of labour market impact assessments, or LMIA's, we agree that there's redundancy with what's being done in Quebec.

Do you think we should withdraw or maybe suspend these assessments, since they are only adding more red tape?

Ms. Audrey Langlois: Thank you for the question.

We do in fact recommend that the assessments be suspended. We know that the labour shortage is currently affecting all occupational sectors in Quebec. LMIA's are certainly red tape that hinders the situation and currently serves no purpose given the shortage.

I'd like to note one thing. The unemployment rate is 4.2%. There are about 260,000 job vacancies. We estimate that we'll have 1.4 million job vacancies by 2030. That needs to be considered. The labour shortage will continue to grow until 2030 and then plateau. We'll still need labour, however.

It would be appropriate to remove everything that constitutes red tape and that's not needed at this time.

Mr. Sébastien Lemire: Thank you very much.

The Chair: Thank you.

Mr. Bachrach, you have the floor for six minutes.

[English]

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair. This is a very interesting discussion. I'm pleased to have a chance to sit in for it.

I'd like my questions to be directed to Mr. Macdonald.

To begin with, you mentioned at the outset the unprecedented levels of support that the business sector has received from the government during the pandemic. With the benefit of hindsight, I wonder how you would suggest that the government might have structured those business support programs differently to make them more effective, perhaps in a couple of key ways.

Mr. David Macdonald: Certainly, access to the wage subsidy program itself could have easily been restricted, such that large enterprises in particular could not gain access to it. We wouldn't have had the kinds of news stories that we had throughout the pandemic, when we found big profitable companies accessing this government program and clearly for money they didn't need.

Instead, it should have been more focused on the small and medium-sized businesses, which relied on it and, hopefully, were less likely to abuse the rules, as it were, or play fast and loose with the rules. I think that's probably the major piece. It probably would have saved the government the most money in terms of those programs.

• (1705)

Mr. Taylor Bachrach: You mentioned the dramatic recovery and expansion of corporate profits as we've come out of the worst phase of the pandemic, especially relative to other recessions. You answered this a bit in your previous answer, but what has been the main driver behind that effect that you've witnessed?

Mr. David Macdonald: Well, what's interesting is that if you take a look at previous recessions after which corporate profits came out ahead of workers' wages in terms of the breakdown of GDP, you find the most similar episode in 1981, with the 1981 recession. What is similar between the present recession and that recession is the high rates of inflation, which weren't necessarily there in some of the other recessions.

In the other recessions, workers came out ahead, so they captured more GDP, whereas corporate profits captured less, and there was one recession where it was quite mixed. It may well be that in the initial phases of rapid inflation, the corporate sector is better able to capitalize on that through higher prices, therefore converting that into higher profit margins and higher corporate profits. The danger that economists often look to in inflation is the worker wage spiral, meaning that workers demand higher wages and they drive inflation.

The danger here may well be the corporate price spiral, which is that corporations have expanded profit margins in the initial phases in the recovery. They wish to maintain those margins, so, as a result, they continue to increase prices. If a company decides to increase prices by 10% because they think that's what inflation is going to be, that may well be what they create inflation to be, as they are right there, in fact, raising those prices, particularly in industries where there isn't a lot of competition.

Mr. Taylor Bachrach: Thank you. I have a whole bunch of questions here, but I think I'm going to skip down to one.

You mentioned that, because of the supports, there are businesses that may not have been successful but have managed to survive. We've seen bankruptcy rates actually drop during the pandemic, something that I think many people would find counterintuitive and running counter to the popular narrative out there.

You also said that higher wages hurt low-margin employers and that as we see wage growth in those low-wage sectors there needs to be an off-ramp for businesses that are unable to operate in those low-margin environments. I wonder if there are certain sectors that would be particularly affected by that. I'm thinking of friends I know who own restaurants, a notoriously low-margin area of business with high risk.

Especially given the effect, as you said earlier, of low-wage workers moving to higher-wage positions when they were laid off, how do we ensure that family-owned restaurants, for instance, are able to survive the pressures you mentioned during your presentation?

Mr. David Macdonald: We should see a healthy level of turnover in businesses. It is not the government's responsibility to ensure that businesses never go bankrupt; I think it is the government's responsibility to ensure that those bankruptcies are orderly, so that folks can go on and start other businesses.

We don't want to create businesses that fundamentally are no longer sustainable in this new environment of higher wages, or no longer sustainable due to the postpandemic world. You can imagine that same family restaurant located in downtown Ottawa, for instance, which used to be populated by public sector workers and is no longer. Those workers may well not come back. Again, it's not necessarily, I don't think, the government's responsibility to maintain that business any longer than we realize it's no longer viable. In the end, it is going to be up to business owners to decide it's not viable.

Certainly, the debt that has been taken on by plenty of businesses, either through public programs like the CEBA or through private sector loans, will put further pressure on those businesses as interest rates rise and they are forced to make those payments. I think the issue in terms of those businesses is that we need to provide them with an off-ramp: If this business is no longer viable, for whatever reason, it's time to wrap that business up so somebody else can take that place with a new business model that hopefully makes sense in the new world. That is the painful reality, unfortunately.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

The Chair: Thank you very much.

We'll move to Mr. Kram for six minutes.

• (1710)

Mr. Michael Kram (Regina—Wascana, CPC): Thank you very much, Mr. Chair.

Thank you to all the witnesses for joining us today. One of the most enjoyable parts about being a member of Parliament is that you get to hear different perspectives from different parts of the country about how we can solve many of the common problems this country has.

Mr. Couillard, I was particularly interested in your proposal. You said that the government should not impose income tax on retirees who go back to work. That's an idea I hadn't thought of before, to be honest. Could you elaborate a little on your proposal? Is it for all taxes, or just income tax from work? Exactly how would your proposal shape up?

I believe you're on mute, Monsieur Couillard.

[*Translation*]

Mr. Jean-Guy Couillard: What I'm proposing is to stop collecting income tax on income that people earn when they return to the labour market. Taxes would still be collected on income earned before retirement. This measure would only apply to employment income earned after retirement.

Is that clear?

[*English*]

Mr. Michael Kram: Yes. Thank you very much.

Do you have an idea in mind as to how many years one must be away from work before one could qualify for your proposal?

[*Translation*]

Mr. Jean-Guy Couillard: This measure would take effect when the person retires. At that point, any income earned when the person returns to the labour market would be non-taxable.

[*English*]

Mr. Michael Kram: That sounds like a very short retirement, if I can say so. Would there have to be a particular age criteria for one to qualify?

[*Translation*]

Mr. Jean-Guy Couillard: As I said, this measure is only for retirees 65 or older. Once a person retires, at age 65, any employment income earned would not be taxed. If the person returns to work at age 70, the same thing would apply. That person would not pay income tax on their employment income.

[*English*]

Mr. Michael Kram: I see.

Monsieur Couillard, I didn't quite understand from your opening statement what line of work you are in and were in.

[*Translation*]

Mr. Jean-Guy Couillard: I worked for the Desjardins Group. After I retired, I was self-employed for 15 years. I stopped for two years, but found that I wasn't doing well and my doctor said that I

needed to exercise. The co-op where I work now didn't have enough employees, so I began working there to help out. It wasn't about the pay; I just wanted to stay in shape.

Today, we need employees, and we'd like to hire retirees to keep them healthy and, at the same time, address the staffing shortage. Retirees don't want to return to the labour market because they don't want to pay taxes. They feel that there's no point in working if they're going to pay taxes on that income.

[*English*]

Mr. Michael Kram: Understood.

The committee has heard in the past that there's a higher level of job satisfaction when senior workers can mentor younger workers who are just entering the workforce. Can you elaborate on whether you share that view?

[*Translation*]

Mr. Jean-Guy Couillard: I didn't hear the question. Could you repeat it?

• (1715)

[*English*]

The Chair: Please be brief, Mr. Kram.

Mr. Michael Kram: Yes.

Have you had the opportunity to mentor younger workers since you have returned to work?

[*Translation*]

Mr. Jean-Guy Couillard: Yes, I train young employees, but there aren't many who work there or who want to work there, either because they're too young or because they find the pay to be too low. We're trying to recruit retirees, but they don't want to pay income taxes on the work they do.

The Chair: Thank you very much, Mr. Couillard and Mr. Kram.

Mr. Erskine-Smith, you have the floor.

[*English*]

Mr. Nathaniel Erskine-Smith: Thanks very much.

Mr. Dachis, you mentioned interprovincial trade. I've heard some experts speak about the need to incentivize provinces. We've tried to have round tables. We've had discussions. We've had consultations, and still there are many barriers. Has C.D. Howe done any work on what incentives might look like to spur greater interprovincial trade and reduce barriers?

Mr. Benjamin Dachis: Yes. We need to encourage provinces to welcome being sued. Let me explain. If you're the minister of whatever in Ontario, of agriculture or some other line ministry, you have specific regulations that your constituents support. Every regulation is there for a reason. You have no incentive to remove barriers that protect your constituents, your stakeholders, when they block people from other jurisdictions who don't vote for you.

No internal force will take these down, so what we've been recommending is that the federal government introduce a fund that enables private litigants, small businesses from across the country, to have a low-risk way of suing governments that are in contravention of the CFTA, the Canadian Free Trade Agreement.

Mr. Nathaniel Erskine-Smith: Why not just have a fund that would effectively be a transfer fund that says to provinces, "Reduce these barriers and you get federal cash, but the federal cash is an amount that would be less than the total economic benefit you'd see from reducing interprovincial trade"?

Mr. Benjamin Dachis: Yes. The issue, though, is that it's very difficult to enforce this. How is the federal government going to—

Mr. Nathaniel Erskine-Smith: Yes. I got you.

Mr. Benjamin Dachis: You need to create the ability for companies to go out and take down these barriers themselves.

Mr. Nathaniel Erskine-Smith: And litigate it; I understand. Change the rules of the game. The Supreme Court hasn't been so favourable, but I take your point.

With respect to Competition Act reform, when you say we need to remove the tribunal's exclusive jurisdiction and to in some ways speed things up through the courts, my experience litigating is that the courts are not particularly fast to begin with. Is there a sense that the tribunal itself is just overburdened and slow, and therefore additional administrative resources are necessary via the courts? Is there evidence that the timeline is just very slow at the tribunal?

Mr. Benjamin Dachis: My point on speed comes through in "where the puck's going", which is through private litigation, through private action. Now that you're going to have to see private action, you're going to see an increase in litigation, but that private action on competition is going to be joined up with ongoing litigation on patents, on other IP. These are going to be intertwined. Why are you going to have two separate lawsuits, one that's only on abuse of dominance, which only the tribunal has jurisdiction on, and another one that's really the same thing on other things that other courts have jurisdiction on? These should eventually be combined.

It's about where the puck's going, with more private litigation happening anyway.

Mr. Nathaniel Erskine-Smith: Understood. In that light, one of your recommendations is to develop greater case law. Presumably, that's consistent with the BIA amendment, as you mentioned, in terms of that private action that is now going to exist.

When it comes to the oversight of the commissioner, this isn't an independent body. This is a body that exists within ISED and is accountable to us, for example. We've had the commissioner come before us. Parliamentary committees can provide a certain degree of oversight, although we're not always the best at it—speaking personally, at least.

What kind of oversight are you looking at? The comparators that I think you identified are independent bodies. These are independent law agencies that require civilian oversight. Here it is not an independent body in quite the same way. What did you have in mind?

Mr. Benjamin Dachis: A board of directors would be an example—a board of directors with a clear mandate from Parliament, so that you can talk to management about this, on its priorities and on how it's spending, but not on individual decisions, not on individual enforcement decisions. Creating a board of directors would be a very tangible step that you could take.

• (1720)

Mr. Nathaniel Erskine-Smith: My last question.... By the way, could you submit a list of these more specific proposals and changes? I know that you had a submission in relation to the BIA amendments, but as we get to a broader consultation, which I expect to take place in the coming months—and my expectation is that it will be a longer process—any submission you can make to this committee would be appreciated.

I wanted to return to some of Mr. Macdonald's testimony, but stay with Mr. Dachis. I actually agree with Mr. Macdonald. I think we wasted unnecessary money via the wage subsidy, in a really inefficient way, but I specifically want to talk about the TFW program.

Do you agree with the premise that businesses should be competing for workers, that that may well mean higher wage growth, and that we shouldn't be turning to programs like the TFW program, which is important in some ways to address labour shortages but has this negative consequence of suppressing wage growth here in Canada?

Mr. Benjamin Dachis: Yes, and frankly, the TFW is only the tip of the iceberg, and we have no information about how far or how extensive this is. Students, foreign students, are coming from around the world, and they are treated, effectively, like regular workers. They're coming to the country for education purposes—as students—but they are treated like they are almost like temporary foreign workers. We have no information about where these people are going and what their wages are. We need to do more on this.

You'll see that tomorrow. Again, I'll follow up on this. We're putting out a report, either tomorrow or Thursday, that's laying out exactly this problem.

Mr. Nathaniel Erskine-Smith: Okay. That's great. I look forward to reading it.

Thanks very much.

[Translation]

The Chair: Thank you very much.

Mr. Lemire, you have the floor.

Mr. Sébastien Lemire: Thank you, Mr. Chair.

Mr. Couillard, first, I want to thank you for being here today. I also thank you for your energy and your commitment to your peers.

What I understood from your presentation is that seniors can have several sources of income, including the Quebec pension plan, the guaranteed income supplement and employment income. When seniors have employment income, their guaranteed income supplement benefits are reduced, leaving them working for nothing.

You say that the employment income of seniors should not be taxed. However, could we set a ceiling for the income seniors could earn or the hours they could work without being taxed?

Mr. Jean-Guy Couillard: Only the employment income should be taxed for seniors who return to work after retiring. If they only receive old age security and the guaranteed income supplement, those amounts should not be affected by their employment income. The person's pay should not affect their other sources of retirement income, such as their pension plan. Only employment income after retirement should be taxed.

Such a measure could apply as long as there's a labour shortage, whether for two years, four years, whatever. When the labour market recovers, the measure would end. At that time, if seniors wanted to continue working, they would be like everyone else and would pay taxes on their income.

Mr. Sébastien Lemire: There are a lot of elements in what you're saying, particularly pension income that's affected by employment income. These elements seem to be taken from the report entitled "Older Workers: Exploring and Addressing the Stereotypes," which was prepared for federal and provincial ministers responsible for seniors.

The recommendations in that report date back several months, even several years. Do you find that the federal government is taking too much time adopting real measures to encourage seniors to be more active on the labour market?

I'll quote my fellow member, who was quoting Félix Leclerc: "The best way to kill a man is to pay him to do nothing". Seniors should be encouraged to work more.

Isn't that right?

Mr. Jean-Guy Couillard: Yes, because when seniors work, they stay healthier. That generates savings for the government. For example, if a senior spends three days in the hospital, it costs \$1,369 per day. It would therefore cost the government over \$4,000 for the hospital care. If seniors work, probably 10 to 20 hours per week, they'll earn \$12,000 per year—they won't be paid \$25 per hour, they'll be paid minimum wage. On that, they pay about \$3,000 in taxes. Conversely, if that \$12,000 isn't taxed and the government saves \$4,000 in medical costs, the government sees a profit.

• (1725)

Mr. Sébastien Lemire: Thank you very much for being with us today, Mr. Couillard.

Mr. Jean-Guy Couillard: Thank you.

The Chair: We'll now begin the second round of questions.

Mr. Bachrach, you have the floor.

[English]

Mr. Taylor Bachrach: Thank you, Chair.

Mr. Macdonald, you spoke about how many low-wage workers who were laid off earlier in the pandemic found higher-wage opportunities and were therefore not available for rehire. I've heard about this effect as well. Is there data that supports that assertion?

Mr. David Macdonald: There is in the food and accommodation sector. Some work that I did in the fall looked at the number of workers who either were employed in the food and accommodation sector or were unemployed but most recently worked in the food and accommodation sector. I defined this as the size of the workforce. In the initial months of the pandemic, the workforce size didn't change. In large part, people lost their jobs, but they didn't get another job and therefore get their sector, in essence, reassigned to another sector.

However, that change started in the fall and was really complete by the end of 2020, and you do see a legitimate shrinking of that sector as people get other jobs and in essence get reassigned to another sector in the labour force survey data. This didn't become evident to employers, really, until the fall of 2021, when the rehiring happened in earnest. There, you were looking for these workers who used to work for you, and you couldn't find them anymore or they had another job.

This certainly happened in that sector. It would be interesting to see how much this happened in other sectors. There are some limitations with respect to the labour force survey and how well you can track employees over time.

Mr. Taylor Bachrach: Thanks.

Maybe I can ask a really quick question.

You mentioned that a better alternative to the reliance on the temporary foreign worker program is to accelerate the acceptance of new Canadians. Why do you think the government hasn't employed this approach to a greater extent?

Mr. David Macdonald: It's certainly faster to employ temporary foreign workers and to bring them in under accelerated criteria and so on, and it's what employers want. Employers are going to push for access to this program, because it's simpler and easier. They won't face the same kind of constraints they'd face if Canadian workers or new Canadians were attempting to get that same job, because those folks would be much more likely to bid up wages, as opposed to accepting low wages as just a condition of employment.

Mr. Taylor Bachrach: Thank you.

[Translation]

The Chair: Thank you very much.

I want to thank all the witnesses for their patience and their insight as we near the end of our final meeting of this parliamentary session. I wish them an excellent evening.

We'll now go in camera to consider the report on quantum computing.

The meeting is suspended.

I now invite the members who are attending virtually to reconnect using the code provided for the in camera meeting.

[Proceedings continue in camera]

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