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# Standing Committee on Industry and Technology

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Chair: Mr. Joël Lightbound





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• (1530)

[Translation]

**The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)):** Good afternoon, everyone.

I want to thank my fellow MPs for joining us today.

I also thank the witnesses who are joining us virtually.

Welcome to meeting No. 18 of 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 Small and Medium-Sized Enterprises.

Today's meeting is taking place in a hybrid format, pursuant to the House Order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application. I think the vast majority of us are participating in person, with the exception of Mr. Fillmore and Mr. Masse—hello, gentlemen. Those who are here in Ottawa are familiar with the health rules in force, so I expect they will conduct themselves accordingly.

Without further delay, I will introduce the witnesses we have with us for the first hour.

First, we welcome two representatives of the Department of Employment and Social Development: Chris Bates, Director General, Apprenticeship and Sectoral Initiatives Directorate, and Helen Smiley, Director General, Strategic Integration and Corporate Affairs Directorate.

We also welcome representatives of the Department of Industry: Sheryl Groeneweg, Director General, Advanced Manufacturing and Industrial Strategy Branch; Etienne-René Massie, Director General, Small Business Branch; and Martin Simard, Senior Director, Corporate, Insolvency and Competition Policy, Marketplace Framework Policy Branch.

I want to thank all of you for what you do as members of the public service.

Thanks also for participating in this exercise today at this parliamentary committee.

Without further delay, I am going to turn the floor over to Mr. Bates or Ms. Smiley, from the Department of Employment and Social Development.

[English]

**Mr. Chris Bates (Director General, Apprenticeship and Sectoral Initiatives Directorate, Department of Employment and Social Development):** Thank you very much. I believe my colleagues said that they were actually going to start, if that's okay.

**The Chair:** That's fine by me.

We'll go with Mr. Massie.

[Translation]

**Mr. Etienne-René Massie (Director General, Small Business Branch, Department of Industry):** Good afternoon.

Thank you for the opportunity for us to participate in your committee's study of Canada's small and medium sized businesses.

Small businesses are key to our communities and main streets. They employ millions of Canadians and help drive economic growth. At the heart of all small businesses are entrepreneurs who work day in and day out to offer services and goods to Canadians and international markets.

Small businesses and entrepreneurs are problem solvers working daily to confront a range of challenges—from those that impact daily operations to those that have medium and longer term implications for their businesses. These include talent shortages, supply chain constraints, inflation pressures, infrastructure challenges and adjusting to climate change. The pandemic brought on a range of new challenges, and further amplified others.

Since the beginning of the pandemic, the government has made essential investments to support Canadian small enterprises to address these ongoing challenges and to provide a bridge to post-pandemic recovery. These emergency supports have enabled many companies to pivot, adapt and keep operating.

• (1535)

[English]

As COVID-19 support measures wind down, the situation across the country has improved in many cases, and the government's recovery plan is shifting from broad-based support to more targeted growth initiatives.

Budget 2022 provides a range of incentives to encourage investments in growing businesses. This includes steps to build more resilient supply chains, to cut taxes for Canada's small businesses, and to drive the creation and ensure the protection of Canadian intellectual property. The budget will also help Canadian businesses make the most of global trade opportunities while better protecting them against unfair competition.

To promote a competitive marketplace for Canadian consumers and businesses, the budget also announced the government's intention to introduce legislative amendments to the Competition Act as a preliminary phase in modernizing the competition regime. This will include fixing loopholes, tackling practices harmful to workers and consumers, modernizing access to justice and penalties, and adapting the law to today's digital reality. The government will continue to consult broadly on the role and functioning of the Competition Act and its enforcement regime.

With respect to supply chains, as one of the world's leading economies and trading nations, Canada relies on strong supply chains to support the competitiveness of Canadian companies and the quality of life of everyday Canadians. However, their global and interlinked nature makes them vulnerable to an array of risks.

As we all know, supply chains around the world have come under unprecedented strain. Firms from across the world are experiencing demand uncertainty, unprecedented supply and logistical delays, and significant operational stoppages due to the unavailability of inputs.

Some of the challenges we now face were present before the onset of the pandemic. More recently, disruptions like the invasion of Ukraine, labour issues in the rail sector, protests at border crossings and natural disasters such as floods and forest fires further illustrate that we must all fully appreciate our heightened vulnerability to a myriad of risks.

The government is committed to strengthening the country's supply chains to enhance the timely movement of goods and materials, while building a more resilient economy.

We understand that the current supply chain issues will have an impact in all sectors of the economy and affect Canadians in their everyday lives.

The government is working closely with the United States and global partners to enhance supply chain security for key commodities. These include industries such as critical minerals, batteries and semiconductors, as well as life sciences, manufacturing, transportation and the defence sectors.

Inflation is another global issue that businesses are confronting in the postpandemic recovery. Initially it was due to global oil shortages, pandemic supply chain problems and the way the virus changed spending habits. However, we also know that the inflation is getting further exacerbated by Russia's war in Ukraine.

In addition to tackling broad-based economic challenges, the government is working to enable all entrepreneurs to advance their ventures.

To address barriers confronted by women, the government invested in the women entrepreneurship strategy. Budget 2021 invest-

ed a further \$146 million to provide greater access for capital for women starting their business ventures and to further support business support organizations that help women entrepreneurs. The women entrepreneurship strategy has already helped thousands of women grow and start their business.

The government is also investing to remove systemic barriers faced by Black entrepreneurs and business owners through the Black entrepreneurship program, which was developed with Black entrepreneurs for Black entrepreneurs to address the systemic inequalities they have faced for far too long.

Indigenous-led businesses also confront a range of challenges, which can be amplified by the rural and remote settings. Through Budget 2021, the government expanded the aboriginal entrepreneurship program with an investment of \$42 million. The National Aboriginal Capital Corporations Association also launched its \$150-million indigenous growth fund alongside BDC and other government partners to help indigenous small businesses attract investment and take on more ambitious programs.

[*Translation*]

Finally, to help all business increase their competitiveness and access new markets, the government recently launched the Canada Digital Adoption Program. This program will contribute to the growth of many businesses, including those in rural Canada. It will help them access new customers in their communities across Canada and reach international markets.

Under this program, Canadian SMEs will be able to assess their digital readiness and apply for grants and loans online. Depending on their size, specific needs, and goals, businesses can apply for funding through the Grow Your Business Online or Boost your Business Technology streams.

Through these initiatives and many more focused on innovation, ISED—Innovation, Science and Economic Development Canada—is working to support small businesses.

Thank you for giving us the opportunity to make our presentation to you today in connection with this study.

● (1540)

**The Chair:** Thank you, Mr. Massie.

I will now turn the floor over to Mr. Bates.

[*English*]

**Mr. Chris Bates:** Thank you, Mr. Chair and committee members.

I am pleased to join you today to provide an overview of labour and skills shortages in the Canadian economy.

Labour market pressures are affecting practically all sectors of the economy and regions of the country. As of January 2022, there were more than 800,000 job vacancies across Canada, which is still significantly higher than pre-pandemic levels.

Sixty-two per cent of current vacancies are in jobs that require high school or less. Many of these vacancies are expected to be cyclical and filled in a post-COVID economy. For instance, the number of vacancies in accommodation and food services is now half of what it was last summer.

Other shortages are a result of structural factors, such as an aging population and rising skill requirements. This is increasing job vacancies in key sectors such as construction; professional, scientific and technical services; and health care. These vacancies will take longer to fill, given the scarcity of highly skilled workers among the unemployed and the need for specialized training.

Small and medium-sized enterprises, SMEs, were severely impacted by the pandemic and recorded the largest decline in the number of employees in spring 2020.

Automation, digital innovation and a transition to a low-carbon economy are also driving key shifts that present opportunities for all Canadians. The need for skills, including digital skills, to support the changing economy has never been so strong. For example, jobs to support the low-carbon economy are expected to increase at three times the rate of total employment.

There are three potential sources of labour supply in Canada: one, new entrants to the labour market, which are primarily youth and immigrants; two, groups under-represented in the labour market; and three, individuals already working who need upskilling and re-skilling to adapt and stay in the labour force.

To address labour shortages facing the Canadian economy, it will be necessary to maximize all three sources of labour.

Youth are the biggest source of new entrants to the labour market, with 4.9 million young jobseekers expected to enter the workforce by 2028.

The next source of labour market supply is from immigration. However, accessing this supply of labour will require addressing barriers many newcomers face to securing jobs, including English or French proficiency, difficulties in obtaining recognition of their credentials and a lack of Canadian work experience.

While temporary foreign workers will play a critical role in filling jobs in the agriculture, food and fish processing sectors—in fact, 80% are working in agriculture—it is important to underscore that they make up only 0.4% of the labour force.

Another source of supply is under-represented groups. Increasing the participation rate of women, indigenous people, persons with

disabilities and visible minorities in the workforce could add over two million new workers to the labour market.

Finally, three-quarters of the labour force of 2028 is already working. This is critical context, as labour shortages are not a purely a numbers issue but also a skills mismatch or a skills shortage issue.

As the skills required for jobs continue to rise with the introduction of new technologies, most workers will need to upgrade their skills. As some jobs disappear, it will be important for workers to have access to training to upskill and re-skill so that they can fill new and emerging opportunities in other sectors. To this end, the Government of Canada has taken concrete measures to help reduce shortages and support SMEs.

To help ensure employers can quickly bring in workers to fill short-term labour market gaps, budget 2022 proposes to introduce a trusted employer model to reduce red tape for employers hiring temporary foreign workers, at \$29.3 million; a new foreign labour program for fish and agriculture, at \$48.2 million; improvements to employer inspections, at \$14.6 million; and increased capacities for processing employer applications, with \$64.6 million.

Budget 2022 also allocates \$115 million over five years, with \$30 million annually, to expand the foreign credential recognition program and help up to 11,000 skilled newcomers per year, including internationally trained health care professionals, get their credentials recognized and find work in their field.

We will continue working collaboratively with our federal partners and counterparts in provincial and territorial governments to help alleviate current and future labour market pressures.

Thank you.

● (1545)

[*Translation*]

**The Chair:** Thank you, Mr. Bates.

We are now ready to start the first round of questions.

Ms. Gray, you have the floor for six minutes.

[English]

**Mrs. Tracy Gray (Kelowna—Lake Country, CPC):** Thank you very much, Chair, and thank you to all the witnesses for being here today.

I'd like to go to Mr. Massie at the ISED small business branch first.

In early 2015, the former government passed the Red Tape Reduction Act, the one-for-one law. For accountability, there was an annual scorecard report that was made public to demonstrate results to businesses, with ratings by department, yet the most recent scorecard I can find is from 2016. Where are these ratings now being published?

**Mr. Etienne-René Massie:** The Treasury Board Secretariat has the lead for the red tape reduction exercise across government, and all departments do participate in ongoing work with the Treasury Board to explore regulatory and administrative burden questions.

I don't have the immediate answer on where the next reports are. I would encourage you to, as part of the study, speak with the Treasury Board Secretariat officials on that front.

I do know that for ISED we do have the administrative burden count and we do conduct that on an annual basis. For 2021, the overall count for ISED was 3,582, representing a decrease from the 3,638 that we had in 2020.

**Mrs. Tracy Gray:** Thank you.

I know that this study we're doing today has five different sections, and two of them include competitiveness and regulatory requirements and bureaucracy, so can you table the scorecards from 2016 to 2022 for the committee? Can you report back to the committee on that?

**Mr. Etienne-René Massie:** Unfortunately, ISED does not control the scorecards. Those are controlled by the Treasury Board Secretariat. We can definitely indicate your interest to the Treasury Board Secretariat, but I can't commit to that from ISED's part.

**Mrs. Tracy Gray:** What about your department, then? Would you be able to table strictly for your department? We have five senior government officials here today, all of whom are directors general, representing two departments, so at the minimum we should be able to have those departments' results tabled today or on a future date as soon as possible.

**Mr. Etienne-René Massie:** I can commit for ISED to follow up on where our administrative burden counts are and our regulatory pieces, yes.

**Mrs. Tracy Gray:** Just so that I'm clear, I'm referring to the scorecard. There are different categories—for example, full compliance, significant compliance and adequate compliance. I want to make sure that I'm clear that we're looking for the scorecard that isn't public.

Thank you.

**Mr. Etienne-René Massie:** Sure.

**Mrs. Tracy Gray:** Also, we know that the minister's annual report is tabled. It does have some information in it, but one of the other parts doesn't seem to be online, and that is the regulatory ad-

visory committee. These members are appointed by the government with reps from small and large businesses to review the government's annual work in reducing red tape.

Again, the last membership that I can find is going back to 2015 online. Is this committee still in place?

**Mr. Etienne-René Massie:** I would have to check in with colleagues at Treasury Board Secretariat, which is responsible for the secretariat for that committee, to see if that committee is still in place. We can definitely come back to the committee and report whether that committee's still in place, and if so, its current membership.

**Mrs. Tracy Gray:** The question then is, why would the committee not still be in place? Were you informed that the committee wasn't being formed at some point? I ask because it looks like the former members of the committee would have worked really closely with your department or related departments because of the type of work that they were doing. Did you ever receive notification that the committee wasn't operating any longer?

• (1550)

**Mr. Etienne-René Massie:** I unfortunately can't recall offhand if that was communicated to me. I'd have to go back internally and talk to colleagues in the department who work more closely on this file.

**Mrs. Tracy Gray:** Okay.

As part of that as well, again, because of what we're actually studying here today, do you have any information on the regulations that were exempted as part of this? Were changes made to the act or were there regulations that might have been exempted or changes made at some point to what was made public?

**Mr. Etienne-René Massie:** Unfortunately, I don't have that information. Again, the Treasury Board Secretariat is the lead for the administrative regulatory burden review for the Government of Canada, so we would have to check in with those colleagues, or you may wish to invite them for a future committee appearance as well.

**Mrs. Tracy Gray:** Again, these are two points that are part of this study we are discussing today, and it's unfortunate that we have five officials here who can't answer about this.

I'll go down a different line of questioning. It's regarding removing interprovincial trade.

I know that we have the Canadian Free Trade Agreement, and there is the regulatory reconciliation and co-operation table, which has targets to reduce interprovincial trade barriers. Is that being kept up to date? Can you table with the committee, broken down by year and section in the table, whether trade barriers have been removed and what the progress is? We haven't had an update on that.

**Mr. Etienne-René Massie:** I'm just going to check with Martin to see if he has anything on this one from the competition side. If not, I think we'll have to go back to our colleagues, look at the question and see what we can provide to the committee.

**The Chair:** Thank you, Madam Gray. That's all of your time.

As you know, Mr. Massie, you're always free to table documents for further reference for the committee and to answer questions asked by members.

We will now move to Mr. Gaheer for six minutes.

**Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.):** Thank you, Chair. My first question is for Mr. Bates.

You mentioned language and credential requirements for immigrants and the barriers that they face.

Could you expand a little bit on the foreign credential recognition program and tell us what that entails, what it looks like and possibly how it will protect against fraud? I'm aware of cases that involve online degrees or fake transcripts, so could you expand a little on that?

**Mr. Chris Bates:** Thank you for the question.

As I indicated, there were new investments in the credential recognition program. It a bit more than doubles the program over the next couple of years, ramping up once we fully implement it.

What we focus on with the program are a few things. Number one is getting skilled newcomers work experience right away in their occupation. Number two is looking at regulatory changes and supports to facilitate getting their credentials recognized. Maybe I'll just pause there to also answer your other question with regard to fraud.

Looking after that is a provincial-territorial area of jurisdiction, which is often further delegated down to the regulators. Part of the work that they do is to ensure, through follow-ups and looking at credentials and through tests and so forth, that people actually have the skills that they studied.

The last thing I'll point out on the foreign credential program is that we offer things like loans and support services to help skilled newcomers cover the costs of their credential recognition process.

**Mr. Iqwinder Gaheer:** Great. Thank you so much for that.

My second question is for Mr. Massie.

You talked about addressing the barriers that businesses can often face. We recently had a round table discussion with Minister Tassi and small businesses from Mississauga. One common theme was that businesses have a hard time figuring out what government programs are there and then navigating the applications for those programs.

Could you speak a little bit about whether there's anything more the government can do to make government programs that are already existing more accessible to small businesses? These businesses often don't have the infrastructure to navigate long applications that the big corporations do.

● (1555)

**Mr. Étienne-René Massie:** Thank you for your question.

The government has made a few investments, through a few different approaches, to help businesses get information and then work towards accessing programs.

I would draw your attention to the Canada Business app, which is an application designed for small business owners to help them navigate through the different government programs and services that are in place.

There's also the Canada business benefits finder, which is a website that organizations and businesses can go to and enter some key details about their business and the types of supports they're looking for. Then they will get the roster of supports that will be provided to them. Those supports are not only from ISED but from across the federal government. We also work with provinces and territories to include those services.

I would mention that the Canada Business app consolidates information on licensing and requirements from across jurisdictions in one place, so it's a great tool that anyone opening a new business can access to get information.

The last piece is that in the design of calls for proposals, depending on the target audience and when we go down closer to smaller businesses on our main streets, we look at the criteria and how we develop our guides and our application forms. That's to find ways to make them as common sense and clear as we can and help those small businesses that, as you say, do not have the resources and time to commit to doing that among all of the other challenges and problem-solving that they're doing daily.

**Mr. Iqwinder Gaheer:** Thank you for that answer. It's very informative.

My last question is open to either of you. It's a bit of a pivot.

The government has cited modernization and reform of the Competition Act as a way to promote growth and affordability. What specific measures in the Competition Act are currently being considered?

**Mr. Martin Simard (Senior Director, Corporate, Insolvency and Competition Policy, Marketplace Framework Policy Branch, Department of Industry):** Thank you for the question.

The government has decided to proceed in a kind of two-step process. In the mandate letter, the Minister of Industry was tasked with doing a comprehensive review of competition policy. In the budget that was just released a couple of weeks ago, there was a commitment to do this in two phases.

First, there is a down payment of legislative amendments that Étienne gave a preview of in his opening remarks. These will include fixing loopholes in the law, tackling wage fixing and drip pricing more directly, modernizing access to justice and the act's penalty regime, and better adapting the law to today's digital reality.

The budget says this is to be followed by a broader and more comprehensive review of the act. There I think we will be looking at potentially more structural or fundamental changes.

**Mr. Iqwinder Gaheer:** Great. Thank you.

[Translation]

**The Chair:** Thank you, Mr. Gaheer and Mr. Simard.

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

**Mr. Sébastien Lemire (Abitibi—Témiscamingue, BQ):** Thank you, Mr. Chair.

Thank you for your testimony, Mr. Bates. I also want to thank you for being with us today.

I would like you to tell us about how we can match workers' skills to companies' needs.

Quebec is the only province in Canada that is responsible for its workforce policy. Quebec has put a workforce ecosystem in place that includes the ministère du Travail, de l'Emploi et de la Solidarité sociale, the ministère de l'Éducation, the Conseil du patronat du Québec, Manufacturiers et Exportateurs du Québec, the Fédération des chambres de commerce du Québec, and other organizations.

All these entities work together to analyze labour market needs and organize the implementation of policies. Sectoral committees of the Quebec government and sectoral associations of enterprises meet to identify present and future workforce needs and determine how they are going to fill them. In Quebec, our ecosystem produces all the studies needed for determining workforce needs. As a result, it's my opinion that the labour market impact assessment, or LMIA, is a pointless duplication.

Would Quebec's ecosystem be even more complete if the Temporary Foreign Worker Program, the TFWP, were repatriated? That is actually a question that relates more to labour policy than to immigration policy.

On what grounds can you justify producing an LMIA in Quebec?

[English]

**Mr. Chris Bates:** Thank you very much for the question.

We have recently launched the Sectoral Workforce Solutions Program, which does look at how we support a broader labour market context. The program really tries to be national in scope in looking at how we support economies of scale with small and medium-sized enterprises and how we can develop common tools for curriculum that could be used across jurisdictions to support workers.

We also look at other things. How do we successfully support employers and workers to make the transition to a low-carbon economy? We look at how to equip the workers, through economies of scale, best practices and so forth, so that we're prepared to meet the needs of workers for the low-carbon economy.

• (1600)

[Translation]

**Mr. Sébastien Lemire:** There are glaring needs because of the labour shortage, and this is particularly true in a region like mine, where we have lived with this labour shortage for 15 years. From what I see on your website, the processing time for LMIA applications is 53 business days. That is practically three months.

These processing times are in addition to the risk an entrepreneur takes by looking for international solutions. From what I have learned from meetings with several of these entrepreneurs, it is sometimes necessary to invest \$10,000 or \$15,000 to hire a single foreign worker. As well, there are a lot of risks involved. There is obviously no guarantee, and the need to produce an LMIA causes additional delays.

It is no longer necessary to prove that when you post a help wanted notice in a restaurant, in agriculture, in mining or in numerous other fields, there are no applicants. This is really a major problem and we are realizing that in many cases, the waiting times pile up.

I will add that for francophones, there seems to be a labour shortage even within the department responsible for producing the LMIA's. Waiting times are significant.

Mr. Bates, if you are not able to produce LMIA's within the times published on your website and in your publications, what alternative do companies have?

There are even cases in my riding where applications have been rejected because the LMIA was not received on time.

What is the situation regarding the service given to businesses at present? Are there backlogs?

[English]

**Mr. Chris Bates:** We would have to get back to you with more information from our colleagues. Part of the reason we made new investments is to facilitate and expedite some of these processes so that there are reduced times for employers and for workers as well.

[Translation]

**Mr. Sébastien Lemire:** I'm happy to hear you say that.

Does the TFWP meet the current needs of businesses?

Would you be prepared to adjust, and to modify the program?

[English]

**Mr. Chris Bates:** Again, we would have to get back to you with some additional information on the temporary foreign worker program. Part of what we're doing through the other suite of skill investments we're doing is to prepare Canadians to the extent possible to meet the employment skills demands that we have in the labour market in order to support employers to be more productive and fully meet their goals as well.

[Translation]

**Mr. Sébastien Lemire:** I have concerns about the ecosystem I was talking about earlier. What we need to aim for is a better presence of all government services outside urban centres.

How can we offer coverage that is likely to benefit businesses and meet regional economic development needs?



What complementary and useful role can you play in the circumstances?

At present, are there at least discussions happening with the various bodies, in connection with the labour market in Quebec.

[English]

**Mr. Chris Bates:** We are meeting with our colleagues in Quebec. We are meeting with, in fact, all of our federal-provincial-territorial colleagues to discuss new measures that were in the budget and how to make sure that we're as complementary as possible. As we roll these out, we're trying to look at best practices in different jurisdictions so as to not reinvent the wheel and to allow those to be utilized in other jurisdictions as well. We are communicating and we are making sure, to the extent possible, that we don't duplicate and that we complement existing programs.

[Translation]

**Mr. Sébastien Lemire:** Thank you, Mr. Bates.

[English]

**The Chair:** Thank you, Mr. Bates.

We'll move now to Mr. Masse for six minutes.

**Mr. Brian Masse (Windsor West, NDP):** Thank you, Mr. Chair.

Thank you to the witnesses for being here.

The first question I would like to ask is with regard to border communities. What special programs are there—or are there any—for border communities?

The pandemic was obviously... It continues to plague border communities. Now we have passport delays, for example, for the exodus of business and with respect to tourism, but it's not returning for us in many sectors here.

What can you say or highlight? What are the plans to deal with that? Clearly there are winners and losers, depending on what industry you are in, but tourism has really been hit hard and will have another difficult summer. What can you provide for small and medium-sized businesses in the tourism sector and other border communities?

Mine, for example, is on a peninsula. We just had to basically grin and bear it all those years. Now it's a little bit open, but it's still a challenge to get those people back.

• (1605)

**Mr. Etienne-René Massie:** You are right that the tourism industry was the first impacted, and it will probably have one of the longest recoveries as we come out of the pandemic. The government has invested to sort of help the tourism industry through the tourism relief fund, and through the pandemic, the regional development agencies implemented the regional relief and recovery fund, the RRF. That was able to be there to help industries.

We all hope that this summer will be better. I think the government will continue to sort of engage with the tourism sector. I know that the tourism sector officials in the department have regular engagement with the tourism sector to better understand their needs, demands and pressures and to look at and explore what government programs can be there to help.

**Mr. Brian Masse:** Has there been any work done with regard to advertising to Americans in outreach for ArriveCAN and new border processes? When the western hemisphere travel initiative was brought in, requiring Americans and Canadians to have passports to go back and forth, it created a change in the border culture, and it took a lot of advertising. Businesses were doing it to educate the other sides, back and forth. Is that going to happen here? I haven't seen anything whatsoever, and that's a bit of a concern of mine.

Even when we brought in marijuana in Canada, a riding like mine got at least an educational flyer. We did public awareness to make sure that people weren't going to be accidentally bringing it across the border and clogging the border up by accident and creating all kinds of problems. What's being done, especially for senior snowbirds and so forth, to educate and get people ready to use the new app system that's been put in place? Is there anything being planned for this summer? Reaching out is something we can actually control.

**Mr. Etienne-René Massie:** Thank you for the question.

The tourism industry has relayed the concern to us about the ArriveCAN app and the need to make sure that people understand and are aware of it. We are working with our tourism partners to see how we can get that message out more broadly.

I do know that Destination Canada, which is the Crown corporation responsible for destination marketing to Canada, has a range of advertising. They do campaigns. We can follow up with them to see if they are planning to do anything more targeted with regard to arrival and border crossings.

I do know that our colleagues at CBSA are also doing information, communication and awareness-raising on that front as well.

**Mr. Brian Masse:** That's good to hear.

I was just at the Windsor-Detroit border again. It's close to where I'm at. My poor colleagues at committee have heard many times about that.

I was just there with the minister. The CBSA officers have had so many changes, and new things are happening. Are we able to educate our citizens—seniors in particular, or persons with disabilities? The officers are having more trouble with that. I'm just not sure if we're reaching out enough to snowbirds or associations and so forth. We have Americans who are having a little bit of trouble with this. If we're doing better on it, that means fewer border back-ups and more efficiencies.

I just ask for a review of that, because it's really worthwhile. When we advertised for WHTI into the United States, it really helped a lot. It just unplugs things.

Mr. Chair, do I have any time left?

**The Chair:** You have about a minute, Mr. Masse.

**Mr. Brian Masse:** I'll go quickly to Mr. Bates.

With regard to fraud, this committee actually did a study on fraud. The effects on small business was one aspect. Is there anything new happening with regard to that in protecting small and medium-sized businesses from fraud? There's a lot of targeting, especially of new Canadians and new Canadians with English as a second language. I'm just wondering if there's anything in there for that. I know it's a little bit more specific, but it is an interest of mine.

• (1610)

**Mr. Chris Bates:** I'm unable to answer that question. Fraud and SMEs are a bit outside of the scope of ESDC's responsibilities.

**Mr. Brian Masse:** All right. I'll leave it at that.

Thank you, Mr. Chair.

**The Chair:** Thank you very much.

We'll move to Mr. Williams for five minutes.

**Mr. Ryan Williams (Bay of Quinte, CPC):** Thank you very much, Mr. Chair.

My questions will be for Mr. Bates on Canada's skilled labour shortage.

Are you aware of a number for what the labour shortage is costing the economy right now? Have you seen reports on that or is your department aware of that?

**Mr. Chris Bates:** Yes, there are many reports out there on the cost of it.

**Mr. Ryan Williams:** Do you have or are you aware of any numbers?

**Mr. Chris Bates:** I do not have numbers in front of me.

We've looked at a number of studies with some pretty significant numbers that have been released by different groups, such as the Chamber of Commerce and so forth.

**Mr. Ryan Williams:** As with any other questions I'll ask today, can you please submit them to committee, if you can?

You talked about some barriers to language training to being one of the holdbacks for immigration and skilled immigrants to the country. Do you have a number of how many skilled immigrants are waiting to do language training or testing at this point?

**Mr. Chris Bates:** Thank you for the question.

From an ESDC perspective, we're more on the credential recognition side. Those types of questions would have to be directed at IRCC, as they take care of the language training component.

**Mr. Ryan Williams:** That's no problem. I'm just going to stick to where you see barriers, then.

Are there streamlining processes that you could recommend that would help to alleviate that? I know you've talked about some other barriers, but I've heard a number as high as 1.8 million people who are waiting for language training. Are there recommendations you could submit to the committee on how we can streamline that and make that quicker?

**Mr. Chris Bates:** Yes, we are looking at barriers as a whole. We know there are systemic, work experience and language barriers. We could submit to the committee some of the key barriers that we have.

That's why we're investing over \$100 million of new money in the foreign credential recognition program: It's to help alleviate those barriers and make sure that we utilize skilled newcomers to their full potential.

**Mr. Ryan Williams:** You talked about youth, which was 4.9 million by 2028. Seniors account for 18% of Canada's population now and will be one-fifth of Canada's population by 2025. Seniors are going to be the biggest.... They call it the "grey resignation". Have you heard of that? How many seniors are you seeing come out of the workforce by 2028, as much as we have youth going into it?

**Mr. Chris Bates:** I don't have details on the numbers. I know that we are looking at all areas of potential to contribute to the skills and talent and the labour market shortages that we have. Especially when you look at the potential for part-time work, how do we leverage all the knowledge and expertise that a more experienced worker has? How do we leverage that to train the younger generation? We have different initiatives in place, such as mentorship, which is more project-based. As a whole, we need to look at all areas of participants in the economy.

**Mr. Ryan Williams:** I agree. I think you had youth and the ones who aren't participating, but on the seniors, there will be 7.6 million people retiring by 2028, from the reports I've read. Does that sound in the ballpark when we have about 4.9 million youth coming in? Is there going to be a gap from seniors to youth coming in, from the first part that you identified for labour?

**Mr. Chris Bates:** Yes. As we have an aging society, we know that as they leave, there will be gaps in the labour market as a result of just pure demographics.

**Mr. Ryan Williams:** Okay. Do you have any data on the participation rate? Is the participation rate in Canada dropping for the labour market?

**Mr. Chris Bates:** I'm sorry. Is that in particular to seniors or in general?

**Mr. Ryan Williams:** We see unemployment rates drop, but it's about the participation rate. In terms of those who are willing to look for a job, are we aware of those statistics? Are they dropping as well, or are they increasing?

**Mr. Chris Bates:** I'm sorry, but I don't have those stats on me.

**Mr. Ryan Williams:** You can send those to the committee. That would be fantastic, sir.

I have one last question.

I'm going to talk about one issue specifically: skilled labour for small business. An example would be home builders. We know that right now we need to build 1.8 million new homes to start to solve the housing crisis.

In my region, we have an incredible skilled labour shortage. Is there an emphasis for the government to look at skilled labour shortages in homebuilding, such as plumbers, electricians and framers? Is there an emphasis on starting to fill those skilled trades?

• (1615)

**Mr. Chris Bates:** Yes, there is an emphasis, as I mentioned previously. In budget 2021, there was \$470 million that was invested over three years in a new apprenticeship service to help SMEs on-board and hire first-year apprentices. They can receive up to \$5,000 for the first apprentice they hire and then an additional \$5,000 if they hire from an equity-deserving group.

There was also a doubling of the union training and innovation program to \$50 million annually. Looking at that, it's all about apprenticeship in the construction trades: plumbers, welders, pipefitters, carpenters, etc.

All those initiatives are aimed at supporting more apprentices to help do things like build homes.

**Mr. Ryan Williams:** Thank you, Mr. Bates. Thank you, Mr. Chair.

[Translation]

**The Chair:** Thank you very much.

Mr. Erskine-Smith, you have the floor for five minutes.

[English]

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

I want to start with Mr. Bates.

You indicated there are hundreds of thousands of job vacancies. I also understand, though, that there are over one million jobless workers who say they want to work. When you identify the job vacancies, you have different categories, but the largest category is low-wage work.

Are you familiar with the April 4 announcement from Employment and Social Development Canada related to the expansion of the TFW program? I assume you're familiar with it.

**Mr. Chris Bates:** Yes.

**Mr. Nathaniel Erskine-Smith:** There is a Professor Skuterud from the University of Waterloo. He would ask this question, which I would echo:

We expect workers to compete for scarce jobs when labour markets are slack.  
Why don't we expect businesses to compete for scarce workers when markets are tight?

**Mr. Chris Bates:** I think that's part of what we're trying to do through programs like the sectoral workforce solutions program. It is to empower and enable employers to do more.

Again, there is a concrete example. If we're making a transition to a low-carbon economy, do employers know all the details of what the changes are and how it's going to happen? Part of what we're trying to do there is to develop tools, curriculum and other supports that can actually facilitate these investments by employers so that we can actually be leaders in the areas of the new economy.

**Mr. Nathaniel Erskine-Smith:** Can I ask this with reference to the United States? In the U.S., they're struggling with inflation, as we are in Canada, but they've also seen a marked increase in wages for low-income workers, and we haven't seen that same increase.

Don't you think an expansion of the TFW program in particular...? I'm not talking about the global skills strategy or about addressing specific high-skills gaps, but when you have over one million unemployed Canadians who say they want to work, why are we expanding the TFW program? To put it bluntly, isn't that going to suppress low-income wage growth, contrary to what's happening in the U.S.?

**Mr. Chris Bates:** We would have to get our TFW colleagues to answer that.

**Mr. Nathaniel Erskine-Smith:** I appreciate that. Actually, that's probably the fairest. If you can have your colleagues with greater knowledge and expertise in that space provide an answer to that question in writing, that would be appreciated.

As a related question, you mentioned a couple of times an emphasis on the recognition of foreign credentials. It's incredibly important, and I'm glad to see the government address that particular problem. I've engaged in the past with the National Dental Examining Board of Canada. Due to the pandemic, as an example, there's been a backlog of tests. Tests have been cancelled and have had to be rescheduled. There's a backlog, not of recognizing foreign credentials per se, but of ensuring that the tests are in place. There's a whole swath of people who are ready to work in Canada, and it's the testing system that is getting in the way.

As a result, when you look at that \$100 million and how it can be best allocated, are you in conversations specifically relating to testing capacity and ensuring that once people get through those tests and are ready to enter the workforce, we're expediting that process?

**Mr. Chris Bates:** The short answer is yes, we are looking at that. That's one of the key areas we are looking at, because it's a barrier to getting new entrants into the field, and in an expeditious manner. We're looking at structural initiatives. How do we simplify some of these testing procedures? How do we expedite it? How do we make it more seamless for the client?

**Mr. Nathaniel Erskine-Smith:** I'll move to ISED for a second. There's a list of programs that were identified, such as the indigenous growth fund and the women entrepreneurship fund. There's a growth metric, and you were describing it as investments, that we ought to be concerned about, but there's also an equity metric that we ought to be concerned about. In relation to these programs, how do we measure success?

• (1620)

**Mr. Etienne-René Massie:** We are actively investing in a range of programs. We measure success by looking at the number of entrepreneurs who have been supported. We look at the longevity of the businesses that were supported, and how much employment they created.

That's sort of the economic spinoff—

**Mr. Nathaniel Erskine-Smith:** Every MP loves the Canada summer jobs program, because money comes directly into our ridings. However, I always worry about it, because we count jobs at eight weeks, and I prefer one job for 16 weeks versus two jobs for eight weeks, but the government likes to count more jobs, so it prefers jobs at eight weeks.

When you say measuring jobs, are we careful about the way we measure them?

**Mr. Etienne-René Massie:** When we support a business, we look to see how long, and how many jobs have been created on that front, or how many employees they have. We sometimes have metrics to measure the tenure of the job. Sometimes we look for... If we invest in 2020, we look down the road two years, three years, and see if there have been jobs that have been created and maintained over the course of that period.

**Mr. Nathaniel Erskine-Smith:** I'm out of time, so in writing, could you provide examples of how we're addressing supply chain issues in the sectors you specified in your opening remarks? Just a list of some examples would be very helpful for this committee.

Thanks for your time. I really appreciate it.

[Translation]

**The Chair:** Thank you.

Mr. Lemire, you have the floor for two and a half minutes.

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

In my riding, if a government promised jobs in an election campaign, it wouldn't be very credible. Our need isn't so much to create jobs as to have employees in our businesses to make our economy run.

With that said, I now want to talk about the Employment and Social Development Canada news release published on April 4, 2022.

In the Workforce Solutions Road Map, part of the Temporary Foreign Worker Program, the government announces that it wants to respond to labour shortages in Canada. It says that the government "will carefully monitor implementation and continually review the policies to ensure they are addressing real labour shortages without displacing Canadian workers."

Mr. Bates, what is a false labour shortage, in this context?

[English]

**Mr. Chris Bates:** We're looking at all kinds of solutions. There's no one solution to the skills and labour shortages that we have. That's why we need a suite of programs, programs that not only support those who are in the labour market now but also look at the next generation and also look outside the country for talent and skills and bring them into the labour market.

[Translation]

**Mr. Sébastien Lemire:** That news release also says: "Service Canada recently implemented a series of measures to increase capacity and expedite the processing of LMIA applications." It seems to me that the way to expedite the processing of applications might be to abolish the LMIA step, especially in the Quebec context, where studies have already been done.

What obstacles do you want to eliminate, on your side, to expedite the processing of temporary foreign worker applications?

[English]

**Mr. Chris Bates:** We'll have to get a written communication to follow up on that question.

[Translation]

**Mr. Sébastien Lemire:** The period for which an LMIA is valid will be raised from nine to 18 months. Before the pandemic, it was six months. Does that mean you will still need more time to process it?

How do LMIA analyses differ from the ones done by Quebec's sectoral workforce committees?

[English]

**Mr. Chris Bates:** Again, unfortunately, we'll have to get somebody to follow up on that answer.

[Translation]

**Mr. Sébastien Lemire:** That's fine.

Thank you very much, Mr. Bates.

**The Chair:** Thank you, Mr. Lemire.

Mr. Masse, you have the floor for two and a half minutes.

[English]

**Mr. Brian Masse:** Thank you, Mr. Chair.

One of the things about the temporary foreign workers that gives me concern at times is when there has been some outreach to other Canadians to do some of the work, there hasn't been transportation provided and there hasn't been the wage for it to be worthwhile to commute.

What type of studies have we done for individuals? For example, there's mention of students recovering from student education debt in small and medium-sized businesses. Have we done any work on that?

I represent a university and college, and I have some people who are opting out of doing some of that, because by the time they get their education in college and university and they have that debt, the market doesn't pay it back for decades. Some people are leaving skilled trades and other types of positions behind.

What types of studies are we doing on getting into student debt and paying it back if you go into the small and medium-sized business workforce?

• (1625)

**Mr. Chris Bates:** We'll have to get back to you on the studies themselves, as I'm not familiar with any currently within my portfolio.

We are offering loans and grants to apprentices. We have the Canada apprentice loan and we have numerous grants available to support apprentices. They are grants, so they don't have to be repaid. The other thing we offer through most of our programs is wraparound supports by removing barriers to those who want to participate, whether they are transportation costs or child care costs, etc.

Those are some of complementary things we do through some of our programming.

**Mr. Brian Masse:** Maybe this would be good for an example. I know I have to be really quick here.

Could we get back on whether there are some metrics for either the loans or the grants and how long it's taking people who have gone through those processes and taken advantage of them to pay them back and get into the positive? I want to see whether they're effective or not.

My background is as an employment specialist for persons with disabilities. Sometimes what we used to do was measure how long it took to pay off the educational component, because that often decides why somebody would even go into the market. Perhaps we can follow up on that, Mr. Chair.

Thank you for your time.

**The Chair:** Thank you, Mr. Masse.

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

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

Thank you to all the witnesses for joining us today.

Mr. Massie, in one of the earlier lines of questioning, you were asked about the tourism sector, particularly with respect to border communities. Can you elaborate on what the main challenges are facing the tourism sector, particularly near the border?

**Mr. Etienne-René Massie:** The challenges that tourism operators in border communities are facing are similar to many of the challenges that tourism operators are facing. The most pressing concern we hear these days is about the access to people, employees and a workforce to be able to fulfill and respond to the demand that they're starting to see increase.

The other element that we are hearing from tourism operators is that for the past two years, revenues have been much lower. They have ongoing carrying costs with regard to investments that they made in the years going into the pandemic and they are continuing to carry those costs.

With regard to border communities more specifically, Mr. Masse mentioned the app earlier and making sure there is awareness of the app for people before they arrive. That's another big concern—making sure that there's awareness of that app for the visitors when

they come to the border, in order to smooth the process through the border.

**Mr. Michael Kram:** All right. Very good.

Mr. Bates, you mentioned foreign credentials in your opening statement, and it's come up a couple of times. I wonder if you could elaborate a bit on my colleague Mr. Gaheer's question about loans to immigrants to get their foreign credentials recognized.

How expensive is it for new immigrants to get their foreign credentials recognized? How long a process is it?

**Mr. Chris Bates:** Thank you very much for the question.

That question is hard to answer, because it really depends on the occupation. For something like a physician, it might take longer and be more expensive to get their credentials recognized. It depends on so many factors, such as whether they have the right paperwork, how quickly the person wants to process it, how responsive they are, and then all the other administrative barriers.

The loans we offer are up to \$15,000 to help offset some of those costs. There are costs associated with things like taking exams. As well, they're often new to Canada, and they might not have the revenue or they might feel very forced to try to get any job to help offset some of these costs. That's part of why we offer the loans. It's so that we can support them to get their credentials recognized and work in their field of study.

• (1630)

**Mr. Michael Kram:** Are most or all of these credentials recognized at the provincial level, or are there federal certifications as well that apply to the program?

**Mr. Chris Bates:** The vast majority are at the provincial level. They often further delegate that responsibility to regulators in their province. There are a few exceptions that are federal.

**Mr. Michael Kram:** Does the department coordinate at all with foreign countries in terms of post-secondary education, standardizing curriculum and that sort of thing?

**Mr. Chris Bates:** Yes, we do. For example, in the trades it's something that we do look at. However, systems are often very different, depending on the country of origin.

Our colleagues at immigration also look at things before people come to Canada. Are there ways to facilitate them in gathering the information that they will need to get their credentials recognized, and to be aware of the time it takes and the processes that might be involved as well?

**Mr. Michael Kram:** All right.

Mr. Chair, how much time do I have?

**The Chair:** You have 30 seconds.

**Mr. Michael Kram:** I will be very quick.

Recently the nursing school at the University of Saskatchewan signed a partnership with another university in the Philippines to standardize the curriculum. As soon as the immigrant arrives in Canada, his or her credentials are recognized. The person can start working right away.

Can you provide some insight as to how widespread these partnerships are and what we can do to have more of them?

**Mr. Chris Bates:** I can't speak to that particular example, but that is exactly what we're trying to do at a federal level—look at some of these best practices, make sure they work, replicate them more on a national level and encourage other PTs to take on similar practices.

**The Chair:** Thank you, Mr. Kram.

We will now move to Mr. Fillmore for this third round of questioning. You have five minutes.

**Mr. Andy Fillmore (Halifax, Lib.):** Thank you, Mr. Chair.

Thanks to all of the officials for joining us here today.

Chair, forgive me. Is it five minutes? How much time do I have?

**The Chair:** You have five minutes.

**Mr. Andy Fillmore:** Okay.

I'm wondering if we could go to each of you and ask you what you would like us to know. What is the message that you would like us to take away from you today that will help us in our deliberations as we work on this report?

I will just go across the row on the screen as I see it, so we'll start with Mr. Massie.

**Mr. Etienne-René Massie:** Thanks for the question.

As part of the study, I think going into the recovery it will be making sure that Canadian businesses have the supports, the workforce and the capacity to succeed and be able to continue to grow in scale. I think we need to pay particular attention as well to our innovation companies that drive new job creation in the country.

**Mr. Andy Fillmore:** Thank you.

Go ahead, Mr. Bates.

**Mr. Chris Bates:** It's a great question. Thank you.

I would just say this: How do we best onboard everybody? I think this will require everybody's participation, whether it's colleges, employers or workers. How do we convince them that it is in everybody's interest to make sure that we have a strong and resilient economy?

**Mr. Andy Fillmore:** Thank you.

Go ahead, Mr. Simard.

**Mr. Martin Simard:** I'm from the marketplace framework policy branch, so of course I'm going to talk about the importance of not forgetting visible, sound rules for the market, but also making sure that it's a level playing field so small businesses can compete on the merits and not be faced with abuse, for example, from large players.

As I said, the government is really committed to looking at this. We've been following with interest the work that INDU has been doing in this sphere, and we'll continue to do so.

**Mr. Andy Fillmore:** Thank you

I would like to come back and maybe give a bit more time to a question that my colleague Nathaniel Erskine-Smith asked, which was the quote—and, Nate, I don't remember whose quote it was—“We expect workers to compete for scarce jobs when labour markets are slack.” What about employers when times are different and there aren't that many employees around?

We are hearing about wage inflation. To give you an example, here in Halifax most restaurants have gone from minimum wage up to \$15, \$16 and even \$20 an hour to pay restaurant staff. We are seeing that. Is there an industry perspective on an answer to that question that you have come across or that you're hearing in any of your work?

• (1635)

**Mr. Etienne-René Massie:** I will say we are hearing from employers about the need to compete, including wages and benefits, and work arrangements as well. I think a lot of people have questioned their work arrangements. Some people can work from home. Some people are in the service industry and have to interact with clients, and that is more difficult sometimes, as some clients do not share the views of the business or the employer.

I think being able to provide more support to the employees, being able to accommodate different schedules, is important. We are seeing an increase in wages in different sectors. It's a bit too early to have definitive views on the increases, from my perspective at least, from the numbers I've seen.

**Mr. Andy Fillmore:** One perspective that MPs will hear from their constituents is there could be a role for government to help employers, especially small businesses, SMEs, close the gap and help them compete. I wonder if there is a message from government that would be helpful to employers, to SMEs, to do what you just said, to reconsider working arrangements. Is there a way to encourage employers to acknowledge the responsibility they might have in helping to solve the problem, and not merely leaving it to government?

**Mr. Etienne-René Massie:** I think it's important. Just the market dynamics of competing for a workforce are bringing employers to realize they need to provide more attractive pay packages, and “packages” could be many different things. I think the government has a role in making sure the marketplace is fair, and that's done through the labour codes, federally and provincially. The associations and trade associations are helping and providing supports and resources to their members to help them find talent to help them staff their businesses.

**Mr. Andy Fillmore:** Okay.

Chair, can I have just another 30 seconds?

**The Chair:** Yes, but be quick, Mr. Fillmore.

**Mr. Andy Fillmore:** Thank you.

I just wonder if there's any discussion happening in your department on having an immigration stream that would help Canada meet its skilled trades shortage as we try to address this housing shortage. Is there anything about trades?

**Mr. Chris Bates:** Again, that would be a question best answered by IRCC. We do have a number of apprenticeship programs we are looking at to get youth more engaged in the trades and to get marginalized equity-deserving groups more engaged in the trades. It is predominantly a white male-driven occupation, and we need to make sure that it diversifies so that we actually have the labour we need to work in that field. They're good-quality jobs. We need to do more to support and encourage others and create an environment where everybody can work in that industry.

**Mr. Andy Fillmore:** Okay. Thanks.

**The Chair:** Thank you, Mr. Bates, and thank you to all of our witnesses for being here with us today.

I'll suspend for a minute to allow for our second panel to join us.

Thanks to all of you. Have a great rest of the afternoon.

I'll suspend for a minute.

• (1635) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1640)

**The Chair:** Thank you very much to the MPs for their co-operation on resuming this meeting, and to the witnesses.

[*Translation*]

Today we have Mr. Cl  roux, Vice-President, Research and Chief Economist, from the BDC, and Ms. Kastner, Vice-President, Partnerships and Government Relations, from the BDC.

We are very pleased to have you here.

Mr. Cl  roux, you have the floor for six minutes.

**Mr. Pierre Cl  roux (Vice-President, Research and Chief Economist, Business Development Bank of Canada):** Thank you very much, Mr. Chair.

[*English*]

Thank you for the opportunity to be here.

[*Translation*]

The BDC doesn't need a lengthy introduction, with its 75 years of experience and the heightened visibility it has enjoyed since the start of the pandemic. However, I would like to note that the BDC is the only bank dedicated exclusively to entrepreneurs.

We are a Crown corporation that reports to Parliament, through the Minister of International Trade, Export Promotion, Small Business and Economic Development.

We carry on business as a lender and investor at arm's length from the government. We therefore complement, rather than compete with, private sector lenders.

That means that we take more risks than other financial institutions and that when the economic slows, we step in.

During the pandemic, we provided \$2.8 billion in direct financial support and over \$4.5 billion indirectly, in collaboration with financial institutions across Canada.

We also offer venture capital and advisory services.

[*English*]

I'm here in that latter context. My economic research team supports not only internal planning within BDC but also our clients, through regular publication of free reports and analysis to help them understand the economic context in which SMEs operate.

Here are some key recent observations of relevance to this committee's study, including those based on a recent trip I made to meet entrepreneurs from coast to coast in order to discuss these current realities.

Demand for products and services will remain strong for most businesses in Canada, which is excellent news. In relation to the committee's interest in supply chains and inflation, supply chain disruptions continue to be a major challenge for Canadian businesses. In our latest BDC survey, 63% of SMEs reported experiencing longer delivery times, and 61% said they are facing price or cost difficulties. Supply chains will continue to be disrupted for at least another 12 months.

The situation is more difficult for businesses that cannot pass on cost increases to consumers. This is the situation, for example, for a client I recently met in the meat packaging industry. His input costs for meat and plastic are increasing, but his clients—in this case, big-box retailers—are refusing price increases. As a result, this mid-sized company's profits are down despite higher sales volumes.

Labour shortages also continue to be a key issue for many businesses. We recently released a labour shortage study that builds on similar work we did in 2018. The proportion of people in Canada aged 65 or more has increased from 13% in 2000 to 19% in 2021. Baby boomers are leaving the workplace, while the working-age population is growing at a slower pace.

From 2000 to 2012, the labour force increased by 12%, but it's only expected to grow by 3.8 % or even less in the current decade. Today, 21% of Canadian workers are over 55, which means that about four million Canadians are going to retire in the next decade. In other words, labour shortages are here to stay, especially in light of expected demand for workers.

The pandemic amplified or added a layer to these long-term trends. Without COVID, there would be 440,000 more people in Canada. Immigration declined by half because of COVID restrictions. Immigration levels should return to normal in 2022. Furthermore, 20% of workers who lost their jobs at the beginning of the pandemic changed fields of employment. As a result, the number of job vacancies more than doubled since 2015, with the gap particularly felt in accommodation, food services and manufacturing.

There are actions entrepreneurs can and do take: 37% have adopted flexible work arrangements, 35% are providing more internal training and 26% are recruiting younger workers. Our advice to entrepreneurs is that they should also consider formal hiring processes, having a more competitive total compensation package, expanding their hiring pool and, more importantly perhaps, given the long-term nature of these shortages, investing in technology and automation. Canadian businesses using automation are performing better and growing faster. Technology is now available in all sectors, including services and retail.

● (1645)

In that context I want to highlight that BDC is pleased to contribute our efforts to the Canada digital adoption program that was launched last month. As part of stream 2 of CDAP, budget 2021 announced \$2.6 billion for the Business Development Bank of Canada to help SMEs finance the implementation of their technology adoption plans. BDC will offer zero-interest loans to improve productivity, better serve consumers and become more competitive.

Thank you for your attention, and I hope this lays a framework for a great discussion.

[*Translation*]

**The Chair:** Thank you very much, Mr. Cl  roux.

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

**Mr. G  rard Deltell (Louis-Saint-Laurent, CPC):** Thank you, Mr. Chair.

Good afternoon, colleagues.

Good afternoon, Mr. Cl  roux. Thank you for being with us today.

I'm very happy to hear your remarks, although the labour shortage and the fact that our entrepreneurs may sometimes be missing the recovery train because of the problems we are aware of with the supply chain are still concerning.

You said just now in your presentation that you complement, you don't compete. Can you tell us whether, during the crisis we have been in for the past two years, the BDC managed to take business away from entrepreneurs, in spite of the fact that governments put a lot of effort into helping businesses?

**Mr. Pierre Cl  roux:** We granted a large volume of loans in 2020 and 2021 to help businesses get through the tough time, particularly

in 2020. Private financing fell in Canada, but public financing rose, and the BDC was part of that solution.

**Mr. G  rard Deltell:** What have the results been? Have the businesses repaid the loans that were granted, and if so, in what proportion?

**Mr. Pierre Cl  roux:** I don't have the total proportion, but the percentage of businesses that had trouble is very low. In spite of the tough time in 2020, there was a good economic recovery in 2021 and that enabled businesses to repay their loans. In terms of our portfolio, I don't have the exact figure, but the situation is very good in terms of repayment.

**Mr. G  rard Deltell:** It would be important if you could provide us the precise figures sometime this week. If you could break them down by region, type of business and type of loan, including large loans and smaller loans, that would give us a comprehensive picture.

We know that the government offered an immediate contribution of \$40,000, \$10,000 being non-repayable and \$30,000 repayable.

Was your institution involved in that? If so, I would like to get the details. If not, then, to your knowledge, did it enable businesses to get through the crisis? Have those businesses repaid the loans, which came from taxpayers' money?

● (1650)

**Mr. Pierre Cl  roux:** The BDC was not involved in the project, and so I don't have data about repayment. However, we do a lot of studies on business financing, and they show that the loans granted by the federal government were enormous help for businesses to get through the tough time, particularly in 2020.

**Mr. G  rard Deltell:** It may be because I am now a federal MP, but I pay more attention to BDC advertising and maybe even to economic issues. You do a lot of advertising, which is not wrong in itself. Because my background is in the media, I have nothing against people who buy advertising.

However, I still have to say that it's a lot. I understand that you complement the financial institutions and you don't compete with them, but I also understand that your role is delicate and the line is not always clear at some points.

In your advertising, you put a lot of emphasis on the fact that projects have to be inclusive, they have to reflect the modern world, and so on.



Can you tell us a bit more about how you score the application when a business knocks on your door, given the new face of society today that you promote in your advertising?

**Mr. Pierre Cl  roux:** We have various programs to make sure we are responding properly to the demand from various entrepreneur clientele. In terms of scoring, each business is evaluated based on the risk associated with its investment project. For example, we have a program to finance women entrepreneurs and entrepreneurs from minority groups. So we do it that way, that is, we don't have criteria for all our clients. We have targeted programs for different clientele.

**Mr. G  rard Deltell:** What percentage of the \$2.8 billion that you invested over the last two years in direct aid was devoted to the special programs you just mentioned?

**Mr. Pierre Cl  roux:** I don't have the answer. We could provide you with that information later.

**Mr. G  rard Deltell:** If you don't have the precise answer, that's not a problem, Mr. Cl  roux. This isn't the truth tribunal. You can provide us with the figures when you have them.

What is the percentage of success in terms of repayment for each stratum of programs?

**Mr. Pierre Cl  roux:** Here again, I'll have to provide you with that information later.

**Mr. G  rard Deltell:** Do you have a general idea of it now?

Is it close to the norm, or are there more or fewer successes or problems?

**Mr. Pierre Cl  roux:** I don't have the figures with me, but I can tell you there is not much difference between the various clientele.

We also have to understand that the BDC is a lending organization that also offers advisory services. From experience, I can say that when both advisory services and financing are offered, businesses have more success. Our research confirms this, too. So this is a way of guaranteeing that entrepreneurs will be successful.

**The Chair:** Thank you, Mr. Deltell and Mr. Cl  roux.

Ms. Lapointe, you have the floor for six minutes.

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

I will be splitting my speaking time with my colleague, Mr. Erskine-Smith.

[English]

Last week members of Parliament had the opportunity to reach out to many local organizations that were successful applicants for funding under the Canada summer jobs program, but as my staff and I called organizations—and we called over 200 of them—we often heard from our local SMEs that while they were grateful for the funding to hire summer interns, they were already struggling to find staffing. Many of them were reduced to the owner and one other staff person, and they've been desperately trying to find employees for some time.

What programs does BDC have available to help our SMEs find and hire the labour they need, especially in a postpandemic economy?

**Mr. Pierre Cl  roux:** We really focus on technology adoption. According to our research, one of the best strategies that businesses can take in this difficult period of time of finding people is to invest in technology and automation. We looked at the 1,500 companies across the country and at the different strategies they have been using to face the shortage of labour. What we realized is that the number one strategy, the strategy that has the most success, is to invest in technology and automation.

We have different programs to help businesses to find and invest in the right technology. We don't sell technology, so we are independent and can give some advice about which technology they can use. Also, we finance the investment in technology. We really believe that one of the best strategies for businesses is to invest in technology, and we will help them to do that.

• (1655)

**Ms. Viviane Lapointe:** As we move further into our pandemic economic recovery, it's becoming more and more clear that we are never going back to the way things were. Some have benefited from this change and others have lost their livelihoods, so we need to provide our SMEs with the knowledge and resources to shift their businesses to be successful in our new reality.

We know there is a program that has been designed, the Canadian digital adoption program, to help SMEs. How is BDC helping SMEs through this program?

**Mr. Pierre Cl  roux:** We are helping SMEs in two ways.

First, we are helping them to have a strategic plan to invest in digital technology. Also, we have a loan with a zero interest rate to help them to invest in the technology they need to do it. These are the two ways we are helping SMEs.

We're not the only ones providing support or advice for their strategic planning, but we can do it, and we are also providing financing.

**Mr. Nathaniel Erskine-Smith:** Thank you very much.

BDC's mandate is to help businesses, specifically entrepreneurship, with some special reference to small and medium-sized enterprises. Could you give us a sense of the percentage of floating-rate loans that BDC has with small and medium-sized businesses? Furthermore, with that number in mind, are you concerned about the impact of rising rates on SMEs and the negative impact on growth?

**Mr. Pierre Cl  roux:** That's a good question. I don't have the answer on the percentage of floating rates. We can provide you with that later.

We're not too concerned about the impact of the interest rate increase, because in our research we often ask questions about the ability to repay or the ability to take on more debt, and the percentage of companies saying they have the ability to take on more debt has really increased over the last 12 months. It was a difficult situation in 2020, but 2021 was much better for most businesses. Their financial situation has really improved.

In some sectors it's more difficult. Accommodation and food services is a sector that is still struggling, but in most sectors of the economy the financial situation has really improved.

The fact that interest rates are increasing obviously is not good news when you have a loan with a floating rate, but at the same time we're not too concerned—

**Mr. Nathaniel Erskine-Smith:** For the companies that do have loans, it obviously impacts the amount they have to spend to service the loans. If they have to spend more to service their loans, they have less to invest in their businesses, which seems to me might impact growth, but you aren't concerned about it at the moment.

**Mr. Pierre Cl  roux:** I'm not, according to the numbers we have. As I said, the financial situation of businesses has really improved over the last 12 months.

**Mr. Nathaniel Erskine-Smith:** Thank you very much.

**The Chair:** Thank you.

[Translation]

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

**Mr. S  bastien Lemire:** Thank you, Mr. Chair.

Good afternoon, Mr. Cl  roux. Thank you very much for being here today.

If I may, I will say send greetings through you to the president and CEO of the BDC, whom I recently had the chance to meet. Our discussion took place over Zoom, unfortunately, but it was a very constructive discussion.

In your opening remarks, you mentioned the benefits of decentralizing decision-making, particularly for a strategic development fund like yours. I would like you to tell us more about that.

**Mr. Pierre Cl  roux:** I'm not sure I understood your question. Are you talking about the decision to—

• (1700)

**Mr. S  bastien Lemire:** Actually, I'm talking about the capacity to adapt to the needs of each region, for example. You have regional offices that, to put it simply, enjoy autonomy. Obviously, there are mandate letters to follow and national targets to achieve, but there is still a degree of regional autonomy.

What is the advantage of this decentralization of decision-making authority?

**Mr. Pierre Cl  roux:** As you say, decisions about loans are made in each of the regions of Canada, following a decision-making structure that applies throughout the bank. That enables us to react very quickly to what is happening in each region of Canada. As I said in my remarks, we also react when the economy weakens. The

economy may weaken in a particular region, for a particular reason. For example, fluctuation in the price of primary materials or raw materials might have an impact in only one region of Canada. Our decision-making model enables us to react quickly in order to meet the needs of each region or each sector.

**Mr. S  bastien Lemire:** A year or two ago, at the beginning of the pandemic, I questioned Minister Joly, because I thought it was important for there to be advisory services when money was being disbursed quickly. You talked about that earlier. I very specifically questioned the SADC network, but also the BDC.

As well, I would like to point out that in my opinion, your work has been a success. At a meeting of the Standing Committee on Public Accounts that I recently took part in, the Auditor General voiced criticism regarding the disparity among the regions in the use of funds. In my opinion, the opportunity for each region to have an interpretation to fit its needs is a strength.

In short, does the BDC also believe, in policy terms, that each region benefits from this strength in order to adapt to its own geographic needs?

**Mr. Pierre Cl  roux:** In fact, our approach is really to help businesses in Canada that need it the most. Given that economies in Canada vary and are pretty diversified, our approach enables us to react quickly.

For example, in 2014, when the price of oil fell significantly, we set up a program specifically for Canadian businesses in that sector. It enabled us to react very quickly to a very specific event. Even though Canada as a whole was doing relatively well, there were sectors and regions that were not doing as well, because of the significant drop in the price of oil.

**Mr. S  bastien Lemire:** I have told Ms. Hudon about a concern I had regarding the role of the BDC in respect of a situation that is being felt particularly in the agriculture sector, but also in other sectors such as forestry. From what I hear, from a large number of businesses in the Abitibi-T  miscamingue region that are applying for financing, my impression is that when applications relate to secondary or tertiary processing, it's harder, even though they are essential levers of economic development that have an impact on the entire ecosystem of businesses in the region.

I'm thinking, for example, of the creation of a slaughterhouse in Abitibi-T  miscamingue, an essential service that we don't have in the area, apart from a community slaughterhouse. A project was started, but getting financing seems to be a challenge, particularly from the federal government and the BDC.

In a context in which we are looking at the productivity of SMEs and the shortage of labour, do you think the programs should be adapted to help SMEs that focus on secondary and tertiary processing or on automating their processes?

**Mr. Pierre Cl  roux:** We are not involved in the agricultural sector, but we are involved in secondary and tertiary processing, since that relates more to the manufacturing sector. We can consider meat processing, for example, a sector where we have a lot of clients. I don't know the project you are talking about, specifically, but overall, we are involved in processing.

**Mr. S  bastien Lemire:** You can consider my question to be a cry for help and an invitation to think about how the BDC's mandate could be expanded to include agriculture, which, my goodness, could certainly use it where I'm from.

The Bloc Qu  b  cois has proposed regionalizing regional development programs, in particular by transferring money intended for the regions to funds to support territorial innovation. I think programs designed by and for the regions are fundamental.

Would you be open to the idea of creating funds that would be made available to the regions for which there would be local collaboration? In a word, the BDC is certainly involved in this. It would mean having decision-making loci where priorities would be set.

For instance, a region like Abitibi-T  miscamingue could use these funds to finance its slaughterhouse project, which is essential to the development of the region.

• (1705)

**Mr. Pierre Cl  roux:** At the BDC, we don't provide grants. We provide loans, and the cost is based on the risk associated with each of the organizations and each of the projects we finance. So I think that question is more for the Department of Industry, which also has grant programs. In our case, we actually finance businesses, and when they receive a loan, it is actually for a project that is economically viable.

With that said, we are involved in all regions of Canada. We work in partnership with various organizations in each of the regions. However, you do have to remember that we don't offer grants, just loans for the private sector.

**Mr. S  bastien Lemire:** Thank you, Mr. Cl  roux.

**The Chair:** Thank you.

Mr. Masse has the floor for six minutes

[English]

**Mr. Brian Masse:** Thank you, Mr. Chair, and thank you, Mr. Cl  roux, for being here.

One of the things I've always been curious about is why the BDC doesn't have a credit card. Maybe you can provide some information on that. The transaction fees and credit costs that small and medium-sized businesses have to carry, and the interest rates, would make a robber baron blush. This is one of the things that could really help small and medium-sized businesses, because there's an absence of competition there.

I'd like to hear why the BDC does not at least venture into this type of an operation with customers of good standing.

**Mr. Pierre Cl  roux:** Actually, it was studied a long time ago. The result of our analysis was that it was not a product that would be very popular with our clients. The reason was probably the fact

that every single client of BDC is also a client of a bank, because we don't offer operations; we offer loans and advice. Every client of BDC is actually a client of a financial institution, often a major bank or credit union.

We did look at this option in the past. I don't have the details of the analysis, which was done a long time ago, but we decided at that time that it was not worth pursuing. The product was not very popular with our clientele.

**Mr. Brian Masse:** Well, I can only imagine the lobbying of the bank industry about that. I would ask that it perhaps be revisited. I don't know of a store that I can go into now, especially a small or medium-sized business, that feels comfortable with the rate they have to pay for transaction fees and also the amount they have to cover.

During the start of the pandemic, I worked really hard to push for lower interest rates, and some were better than others, but borrowing rates that have been historically low are back up again. Even though they're only going up a little bit right now, they're definitely out of line and they're actually a windfall.

Do you have any idea of when that study took place? Have you ever considered a line of credit as well? Those are products that... You know, the BDC historically has been known as the bank of last resort. It would seem to me that those two items are highly popular among small and medium-sized businesses that also do not enjoy competition among the banks right now. It's almost similar to the oil and gas industry, with very few margin differences among them.

**Mr. Pierre Cl  roux:** I don't have the details of the analysis, but we can provide more detail about it in writing.

**Mr. Brian Masse:** Okay.

Would there be consideration of how we would go about even getting to the point of asking BDC customers that you've been doing business with whether or not they would be surveyed? Has there been anything related to that? Are you familiar with, and has the BDC been following, some of the consumer rights organizations and small business organizations with regard to their advocacy about credit card rates and interest fees? Is it part of your normal operations to listen to those organizations and consult with them?

I'm glad you've toured the country to hear from entrepreneurs, but do you also listen to the third party advocates from associations like small independent business associations?

**Mr. Pierre Cl  roux:** Yes, we definitely meet regularly with the Chamber of Commerce and CFIB. As I said, I'm not fully aware of this research that was done, so we'll make sure that we provide some more detail in writing.

**Mr. Brian Masse:** I'd appreciate that.

Mr. Chair, maybe we can itemize some of these things. I know that at times we don't always get a response. I'm not suggesting that you would do that; it's just that we had a panel with a number of different studies before, and I'd really appreciate hearing about the science behind this one.

I know I'm running close to my time, but while I have you, I noted two items that were different—the women in technology venture fund and the Black innovation fund. How are those performing in a general sense? How are those two items, the women's entrepreneurship venture fund and the Black innovation fund, performing so far?

• (1710)

**Mr. Pierre Cléroux:** I don't have the details. My colleague Karen might have some. Otherwise, we can provide you with more information later.

**Ms. Karen Kastner (Vice-President, Partnerships and Government Relations, Business Development Bank of Canada):** Thank you.

The Black innovation fund was just launched, so we don't have any performance data quite yet. As you know, it is an investment fund, so there will be a period of investment and then a period of harvesting. We're still in the period of investment.

I believe you were also referring to the women in tech fund.

**Mr. Brian Masse:** Yes, the venture fund.

**Ms. Karen Kastner:** On the venture fund, I don't have the exact numbers in front of me. We could definitely get them for you.

There has been a tremendous amount of interest. We've done a number of investments. Again, it has that kind of traditional investment and harvesting horizon. It's not like a loan; in the case of loans, you could see performance over a shorter period of time. We will have to wait a period of time to see how the fund as a whole performs.

We could certainly get you the data on the number of investments made and the value of those.

**Mr. Brian Masse:** Even the application process would be important. I've met with different representatives at different times, and sometimes we don't always get the programs or they get lost. Those are just two things of interest that I'd love to share with constituents.

Thank you very much, Mr. Chair, and thank you to our witnesses.

[*Translation*]

**The Chair:** Thank you, Mr. Masse.

We have time for a second round of questions.

Mr. Généreux, you have the floor for five minutes.

**Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC):** Thank you, Mr. Chair.

I'd like to thank the witnesses for being with us today.

Mr. Cléroux, you said you granted loans totalling \$2.8 billion during the first wave of the pandemic. Regarding the \$4.5 billion in indirect financial support, was that in loan guarantees?

**Mr. Pierre Cléroux:** Yes, it was loan guarantees requested by financial institutions. To make sure we were able to help the biggest possible number of small and medium enterprises, we granted direct and indirect loans to financial institutions.

**Mr. Bernard Généreux:** I've been in business for 30 years, but I have unfortunately never had the pleasure of working with the BDC. However, I have worked with Economic Development Canada, or EDC, and with Investissement Québec, among other organizations. The reason why I have never knocked on your door is very simple: I always thought you were there for big businesses.

I get the impression that there has been a change of direction in the last few years at the BDC and that it is closer to small and medium businesses than it used to be.

Am I mistaken about that?

**Mr. Pierre Cléroux:** You're entirely correct. A large majority of our clients are small and medium enterprises in all economic sectors. For example, 30% of our portfolio is in the manufacturing sector, and the businesses in that sector employ from 50 to 100 employees.

**Mr. Bernard Généreux:** How much is the minimum loan that the BDC can grant?

**Mr. Pierre Cléroux:** The minimum loan is \$100,000. In fact, today it is possible to get a \$100,000 loan directly online.

**Mr. Bernard Généreux:** You also said you didn't make grants. I know the EDC offers non-repayable financing, particularly for community-based projects. For private enterprises, the financing is repayable, but it comes with terms that often include a moratorium on interest or a very low interest rate for the first years.

Is it the same thing at the BDC?

**Mr. Pierre Cléroux:** In fact, we have different forms of financing and there can be all sorts of arrangements. The principle is that the financing always corresponds to the level of risk. Depending on the risk associated with the business's project, the cost of the loan will vary. That is why we say we are complementary in relation to the financial institutions. A business that is in very good financial health and can obtain financing from a private financial institution won't come to us, because our interest rate will be higher because of the risk.

**Mr. Bernard Généreux:** Are your interest rates higher because you don't ask for security? Do you still ask for guarantees?

• (1715)

**Mr. Pierre Cl  roux:** We ask for guarantees in some cases, but we ordinarily ask for them less than the private institutions. Certainly, we have greater flexibility when it comes to the loan, but we try to grant loans to businesses that have riskier projects so that we are complementary to the financial institutions.

With that said, we have granted a lot of loans jointly with a financial institution.

**Mr. Bernard G  n  reux:** Were the loans granted during the pandemic that are part of the \$2.8-billion envelope all interest-free loans?

**Mr. Pierre Cl  roux:** I don't think so.

[English]

I don't know, Karen, if you have more to comment on that. I don't think it was....

**Ms. Karen Kastner:** They were low interest, but there was interest, and there was also, as we typically have, a holiday on the principal repayment for the first year.

[Translation]

**Mr. Bernard G  n  reux:** The same was true at EDC.

Mr. Cl  roux, you spoke earlier about the new program announced recently having to do with technologies or the acquisition of new technologies.

What does the BDC consider to be new technologies?

**Mr. Pierre Cl  roux:** I don't have the definition in front of me, but it is pretty broad. The objective is to help businesses adopt new technologies. The projects can be very simple, for example, setting up a website or making it transactional. They can also be complex, for example, automating a process in the manufacturing sector.

**Mr. Bernard G  n  reux:** Mr. Lemire asked you a question earlier about regionalizing your institution. If I'm not mistaken, you have an office in Rimouski.

Is that possible?

**Mr. Pierre Cl  roux:** Yes, we have an office there.

**Mr. Bernard G  n  reux:** I'm going back to what Mr. Deltell said, that he thought you did a lot of advertising. I imagine Ms. Hudon is the one who has brought this breath of fresh air to the BDC. You are much more active than before, that's obvious. I follow economic news, and that's what I've noticed.

To follow up on Mr. Lemire's question, could you provide us with the statistics you have on the amounts of the loans granted by region of Canada, or at least in Quebec?

It would be very worthwhile for us to be able to have them, since I don't get the impression that the BDC is as active in its loans as it is in its advertising. Of course, you have to advertise to make the institution known. It may be because I've never used your services, but I don't get the impression that you are very active in the rural areas of Quebec. I have always had the impression that the BDC was much more oriented toward big businesses than small ones.

Am I mistaken?

**Mr. Pierre Cl  roux:** We'll be happy to provide you with the figures, but I can assure you that we are very active in rural areas. In fact, we are more active in those areas than in the big cities, and we are also very active for small and medium enterprises.

**The Chair:** Thank you very much, Mr. G  n  reux and Mr. Cl  roux.

The bells are starting to ring ahead of a vote. If I have the unanimous consent of the committee, we could finish the second round of questions, which would leave us about 10 minutes to ask questions. We can then go to the chamber.

Do I have everyone's consent?

Since no one seems to object, I will now give Mr. Dong the floor.

Mr. Dong, you have the floor for five minutes.

[English]

**Mr. Han Dong (Don Valley North, Lib.):** Thank you very much, Chair.

I want to thank the witnesses, as did my colleagues. I appreciate your presence here.

To BDC, I read in the briefing prepared by the analyst that in 2021, there were 72,000 new business owners who were included in your total client number. Just out of curiosity, how many clients do you have? What's the number of your clients right now? Do you know?

**Mr. Pierre Cl  roux:** Right now it's 75,000.

**Mr. Han Dong:** Okay. That's pretty good.

Of all of that 75,000, what's the percentage of small and medium-sized enterprises?

**Mr. Pierre Cl  roux:** I would say it's 99%—

**Mr. Han Dong:** Oh, okay. That's great.

**Mr. Pierre Cl  roux:** —for SMEs.

**Mr. Han Dong:** I understand that there was some new programming introduced to help business during COVID. Do you have numbers to share with the committee on default rates prior to the pandemic and during the pandemic?

**Mr. Pierre Cl  roux:** I don't have details on that. We can provide you with more details later.

• (1720)

**Mr. Han Dong:** Okay, please do.

We've been hearing that in Canada the brain drain is a problem. Talent, after they come up with their own IP, tend to move south due to the lack of access to capital. I know that BDC has a role to play in providing capital to small-sized businesses to keep them here.

You have the floor. What would you like to say to people who are thinking about moving their operation to the States because of lack of access to capital?

**Mr. Pierre Cl  roux:** I think, in general, there are not that many who are moving to the States. There are many companies that are opening an operation in the States because it's often easier for a Canadian company to do business in the United States if they have a place of business, so we see that a lot. I would say that we see that much more than businesses that are moving their entire operation to the States.

We often make reference to U.S. companies buying companies in Canada, but every year we have more Canadian entrepreneurs buying operations in the U.S. than the opposite. Canadian entrepreneurs have been very dynamic, and they often make an acquisition south of the border to expand their business. One of the best secrets is that our entrepreneurs are very active. They are very dynamic and they buy companies outside Canada.

**Mr. Han Dong:** Thank you. I hope there are some stats to back that up.

The reason I'm asking this question is that I met with a company that currently hires about 50 people. It's a software management company that helps to maximize productivity for solar panels and whatnot. It's in downtown Toronto, and they are contemplating moving down to the States because they can't get access to capital here.

**Mr. Pierre Cl  roux:** We can provide you with a study that we did, and you will see the numbers of business acquisitions of the two countries.

**Mr. Han Dong:** Thank you.

There's just one small confusion here. I see in the co-lending program, which offers up to \$12.5 million to SMEs, that the financing split is 80% to 20% between BDC and private sectors, and it ends in December 2021. There is another similar program under BCAP, provided by EDC, that ends the same day in December 2021. Is there an overlap of programs, or are they just serving different types of clients?

**Mr. Pierre Cl  roux:** Karen, do you want to take this one? I think you have more knowledge than I do on this one.

**Ms. Karen Kastner:** I believe that the amounts were different.

**Mr. Han Dong:** One is \$12 million and something, and one is \$6 million and something.

**Ms. Karen Kastner:** Yes.

**Mr. Han Dong:** Okay, but for clients who are qualified for one, are they qualified for the other automatically?

**Ms. Karen Kastner:** Not automatically.

**Mr. Han Dong:** But they can apply?

**Ms. Karen Kastner:** I believe so.

**Mr. Han Dong:** Okay. That's good to know.

I sit down with a lot of young entrepreneurs with brilliant ideas, but they're looking for a small amount of start-up funds. What's your general policy or attitude towards start-ups, especially in the tech field?

**The Chair:** That's a very open-ended question.

We will have to have a brief answer, Mr. Cl  roux, please.

**Mr. Pierre Cl  roux:** Okay.

We have a venture capital fund that is one of the largest in the country and we help a lot of new entrepreneurs with creative ideas. It's through our venture capital fund.

**Mr. Han Dong:** Thank you very much.

**The Chair:** Thank you.

[*Translation*]

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

**Mr. S  bastien Lemire:** Thank you, Mr. Chair.

Mr. Cl  roux, I am once again browsing through your September 2021 study entitled "How to Adapt to the Labour Shortage Situation; Hiring Difficulties Are Not Going Away".

Under the heading "Message from the Chief Economist", you say that hiring difficulties are reaching worrying heights, but you propose some potential solutions.

For the committee's benefit, could you tell us what your recommendations are for solving the labour shortage?

**Mr. Pierre Cl  roux:** In the report you mention, we say that the main solution to this shortage is to invest in technology and automation. We also say that businesses have to look at the labour market differently.

The unemployment rate in Canada is 5.3%, but for young people under 25, it is more than double that. Among immigrants and persons with a disability, the rate is also higher.

So in circumstances where it is very difficult to recruit, we encourage businesses to look at the labour market differently. Many very skilled people are having trouble finding a job, because of certain characteristics.

And we encourage small businesses to improve their hiring processes. Often, businesses hire from within their networks. That may have worked in the past, but now they have to wage war in order to recruit talent. So they have to sell themselves on social media to show they are a good employer. We therefore recommend a set of strategies for small and medium businesses that will help them battle this labour shortage.

• (1725)

**Mr. S  bastien Lemire:** You did similar studies in 2018 and reported that the labour shortage was a persistent problem. In 2019, you said the labour shortage would slow investment.

Between 2018 and 2021, what changed, other than the COVID-19 pandemic?

What can we expect, in concrete terms, over the coming months, in an economic recovery context?

**Mr. Pierre Cl  roux:** Unfortunately, the labour shortage is here for good. People over 55 account for 21% of Canadian workers. That means they will be retiring in the next 10 years. So unfortunately, we are having to deal with the problem represented by an aging population.

That is why we encourage businesses, first, to realize that the problem is not going to disappear in three months, because if that's what they believe, they won't take long-term measures. They have to understand that we are dealing with a long-term problem. Second, they have to adopt the best strategy possible. The strategy will differ from one business to another, depending on the economic sector, the size of the business, and the capacity to invest in technologies, for example.

The problem is not going to disappear, and we are making a lot of efforts so that small and medium enterprises will be aware of this and persuaded of it. They have to adopt the right measures and the right strategies in order to continue to grow in a context in which, unfortunately, the labour force will not be growing as rapidly as in the past.

**The Chair:** Thank you very much, Mr. Cl  roux.

We will now start the last round of questions.

Mr. Masse, you have the floor for two and a half minutes.

[*English*]

**Mr. Brian Masse:** Thank you, Mr. Chair.

Very quickly, is there a particular sector that has been harmed even further? I imagine tourism might be up there, but maybe there's another one that's going to require a different level of service to recover—or is it all going to be boilerplate and “this is what you can expect from the BDC”? Are there going to be a couple of sectors that have been hammered hard that might get a little more attention and perhaps some better leverage?

**Mr. Pierre Cl  roux:** The highest level of job vacancies is in the tech industry, and it's not because the industry is not performing well; it's just because there's a very strong demand. The sector has been growing very rapidly. Manufacturing is looking for people in some regions. People can hire thousands of people in manufacturing, because this is a growing sector.

I would like to mention that it's a very difficult problem for food services and accommodation, but this time for a different reason. At the beginning of the pandemic, 20% of the workers who lost their jobs in food services and accommodation moved to another sector because they had opportunities somewhere else. As a result, as the economy is improving in the tourism industries, it's very difficult for them to recruit.

The problem is the same everywhere, but sometimes for different reasons. Some sectors are just growing. Some other sectors were penalized because people decided to move to work somewhere else.

**Mr. Brian Masse:** Thank you, Mr. Chair, and thank you to the witnesses.

[*Translation*]

**The Chair:** Thank you, Mr. Masse.

Thanks to the witnesses in the second group.

I'd like to thank Ms. Kastner and Mr. Cl  roux for giving us clear, concise answers. I think this has been a good start to our study of competitiveness in Canada.

I also want to thank committee members, the clerk, the interpreters, the technical support staff, and the analysts.

The meeting is adjourned.

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