

Addressing the Challenges of Canada's Largest Economic Sector: Small Business

Issue

The cumulative regulatory burden, constant legislative changes and reporting requirements present a disproportionate impact on small businesses (fewer than 100 employees) and are an obstacle to prosperity, growth and competitiveness. The federal government can reduce the regulatory burden and support small business growth by establishing a concierge service to support small businesses in understanding and complying with multiple levels of regulation.

Background

Small businesses play a central role in the Canadian economy. Small businesses make up 98% of businesses in Canada and employ more than 8.2 million Canadians, more than 70% of the private sector workforce.¹ Small businesses are also responsible for the vast majority of net employment change,² indicating that small business growth is critical to job creation in Canada.

At the same time, small businesses are also more vulnerable to regulatory burden than medium and large businesses. During the Ontario Chamber of Commerce's *Small Business: Too Big to Ignore* campaign, small business owners repeatedly highlighted the cost of regulatory compliance as a barrier to investment and growth. A 2015 report noted that 72% of small business owners identified government regulation and paper burden as one of their top issues.³ The report also found that smaller businesses consistently face greater regulatory costs per employee: businesses with five employees or fewer pay approximately \$6,683 in regulatory costs per employee, more than four times the cost faced by businesses with over 100 employees.⁴ Because small businesses often do not have resources dedicated to researching, understanding and complying with regulatory requirements, frequent and unpredictable regulatory changes at all three levels of government present a prohibitive burden on their growth.

The federal government can help small businesses meet this challenge by introducing a regulatory concierge service. This concierge service would be a single-access point for information, support and expertise on regulatory compliance in Canada. It would offer one-on-one support to small businesses so that they could successfully navigate regulatory frameworks at all three levels of government and achieve compliance. This would allow them to devote more of their limited resources to growing their businesses and the economy and would ensure a higher rate of regulatory compliance.

Such a concierge service is nothing new. The federal government already runs a program called *Concierge*, which is "a single access point to funding, expertise, facilities, and global opportunities for small and medium-sized enterprises (SMEs) seeking to grow through innovation."⁵ *Concierge* does not offer funding itself; it provides customized, one-on-one guidance to innovators so that they can find funding and take advantage of other government programs. *Concierge* leverages the expertise of a team of "innovation advisors" so that business owners can spend their time and energy more effectively.

The federal government has also announced a \$218 million "investment hub," a concierge service aimed at international investors. The investment hub "will provide seamless, single-window client support" to international

¹ Canada. Innovation, Science and Economic Development Canada. Small Business Branch. *Key Small Business Statistics*. June 2016. https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03018.html. Highlights.

² *Ibid.*

³ Canadian Federation of Independent Businesses. *Canada's Red Tape Report*. January 2015. <http://www.cfib-fcei.ca/cfib-documents/rr3344.pdf>. Pg 1.

⁴ *Ibid.* Pg 8.

⁵ Canada. Innovation, Science and Economic Development Canada. Concierge. *About us*. <https://concierge.innovation.gc.ca/en/about-us>

investors.⁶ Then Minister of International Trade, Hon. Chrystia Freeland said this service was necessary because having a multitude of regulations at three different levels of government made investment prohibitively difficult.

In short, the federal government has recognized that small businesses need a concierge service in order to grow, and that regulatory complexity is a serious barrier to investment and compliance that can be overcome by means of a concierge service. The federal government should act on this twofold recognition by creating a concierge service aimed at helping small businesses understand and comply with regulations at all three levels of government.

Recommendations

That the federal government:

1. Create a concierge service, by June 2018, to provide single-window, one-on-one, customized consultations for small business to guide them through the regulatory process and achieve compliance.
2. Integrate the concierge service into an existing government organization, agency or program, such as the Canada Business Network, so that no new agency or bureaucracy is created.
3. Develop interconnectivity between municipal, provincial, and federal concierge services to enable knowledge-sharing and to ensure that each is able to provide the best guidance and expertise to its clients.

⁶ Canada. Global Affairs Canada. News Release. *Canada to create a new investment hub*. December 5, 2016. <http://news.gc.ca/web/article-en.do?nid=1165359>