

Saskatchewan Election 2024: Small Business Priorities
July 2024

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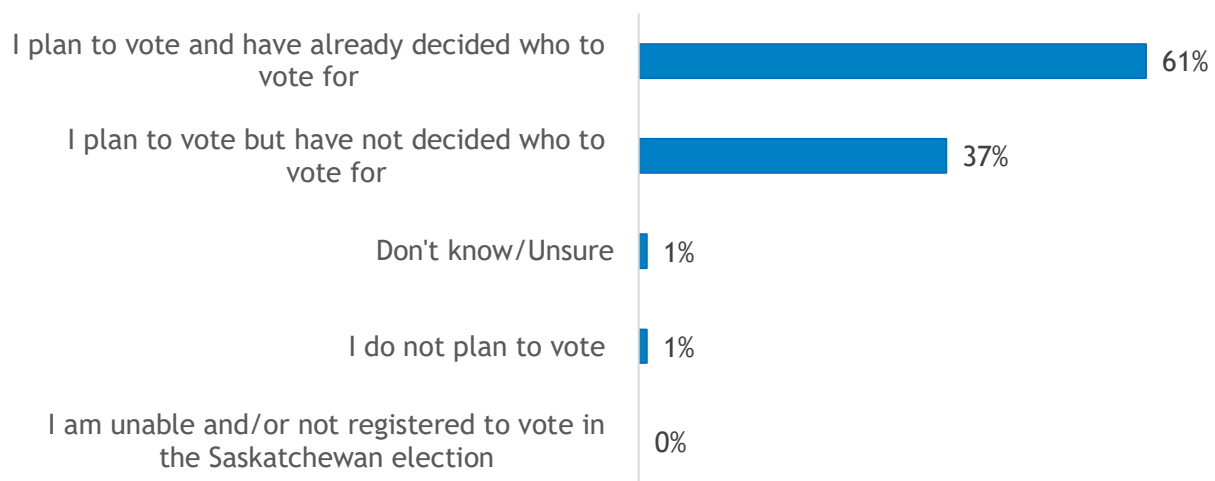
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It is no secret the past few years have been extremely difficult for Saskatchewan small business owners. Many small firms continue to struggle due to inflation, high interest rates, heavy debt loads, and ongoing labour shortages. With the October 28th election looming, CFIB recently surveyed our Saskatchewan membership to learn how the next provincial government can best support small businesses through these challenging times.

In response to our survey, almost all (98%) of small business owners indicated they intend to vote, however 37 per cent said they are still unsure who they will vote for [Figure 1]. Therefore, party leaders must outline their plans to support small firms and encourage economic growth in order to secure the small business vote.

[Figure 1]

Which of the following best describes your plans for the upcoming Saskatchewan provincial election on October 28, 2024? (Select one)



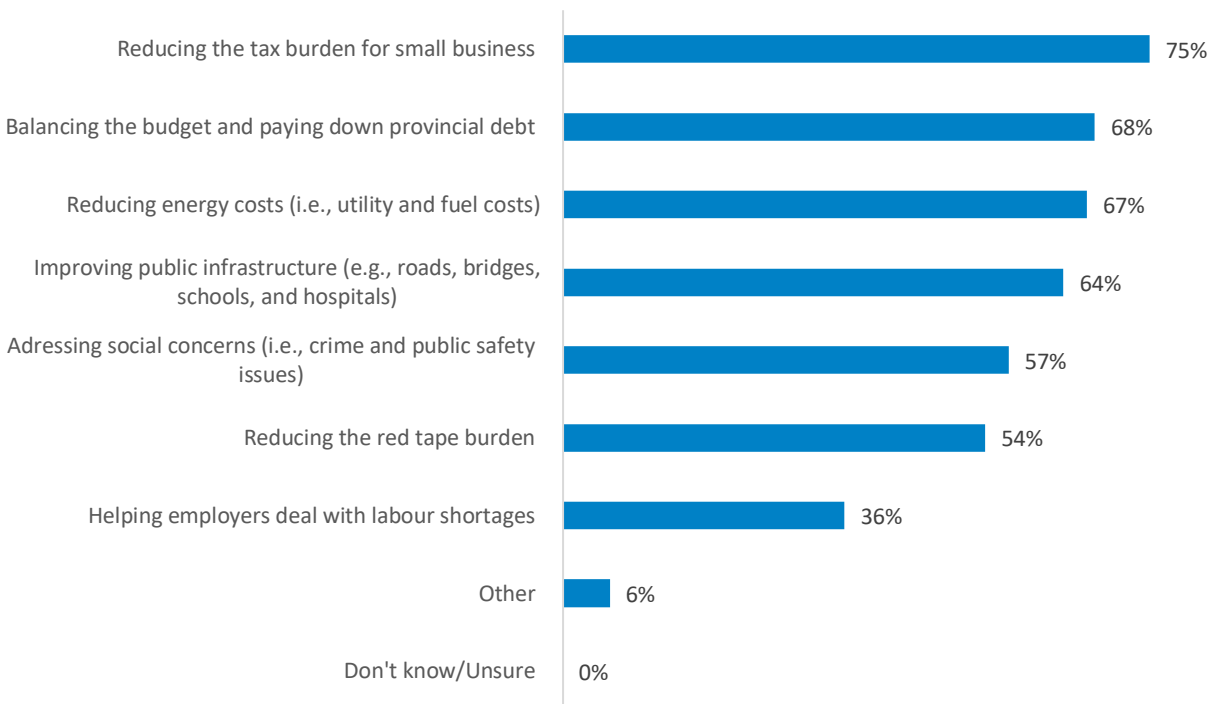
Source: CFIB, Saskatchewan Pre-Election Survey 2024, June 20-July 17, 2024. Final Results, SK n= 120

Saskatchewan Small Business Priorities

Saskatchewan small business owners have indicated the top priorities for the next provincial government should be to reduce the overall tax burden for all SME's, balance the budget, pay down provincial debt, and reduce energy costs (i.e., utility and fuel costs) [Figure 2].

[Figure 2]

Which of the following priorities would you like to see the political party platforms focus on? (Select all that apply)



Source: CFIB, Saskatchewan pre-election survey - June 20- July 17, 2024, Final Results, SK n= 120.

Reducing Costs for Small Businesses

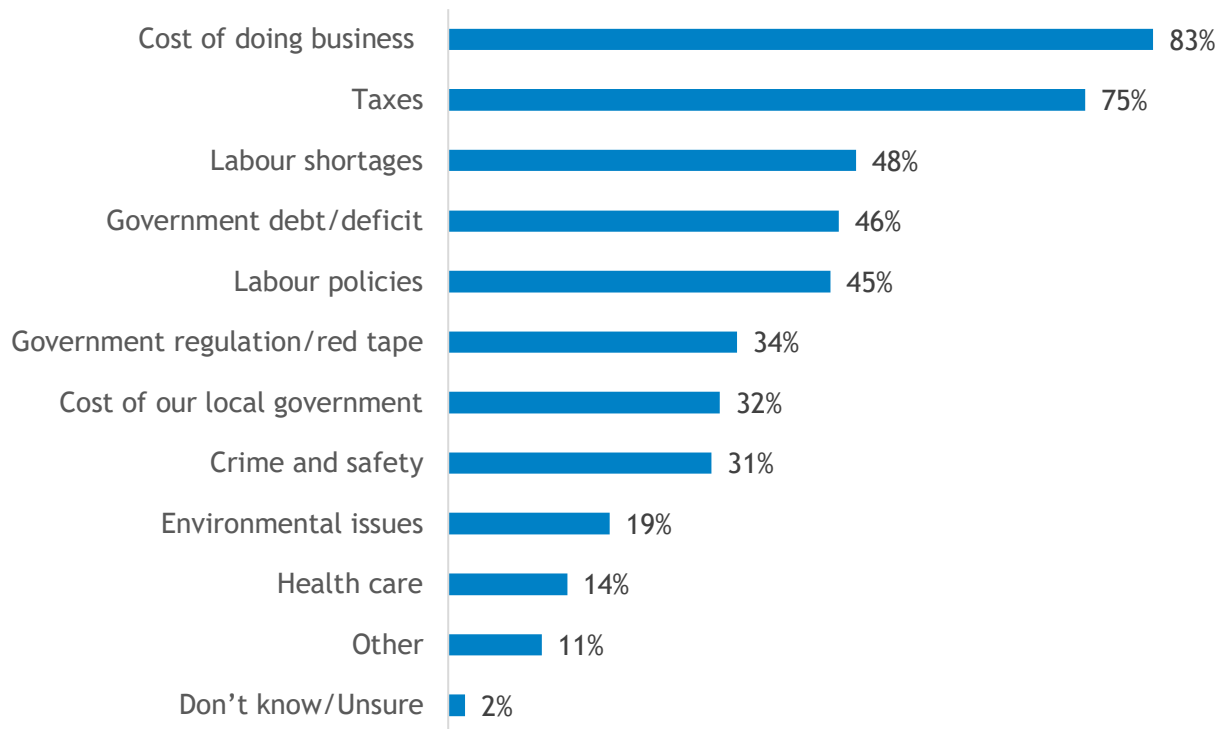
The rising cost of doing business is consistently cited as the top concern for the majority of Saskatchewan small business owners [Figure 3]. Businesses have seen nearly every line item in their budgets increase over the past 12 months, not to mention, many continue to carry pandemic-related loans and are faced with extremely high interest rates.

In April 2024, CFIB's Your Business Outlook Survey examined the impacts of interest rate hikes and revealed about four in ten (42%) business owners had to increase their prices, 41% experienced reduced demand for their goods and services, while 39% faced higher long term financing costs.

With these numbers in mind, the provincial government must take a "do no harm" approach to policies that will affect small businesses. This means keeping existing costs and regulatory burdens low and fostering a tax-competitive environment.

[Figure 3]

Which of the following are a serious concern to your business?

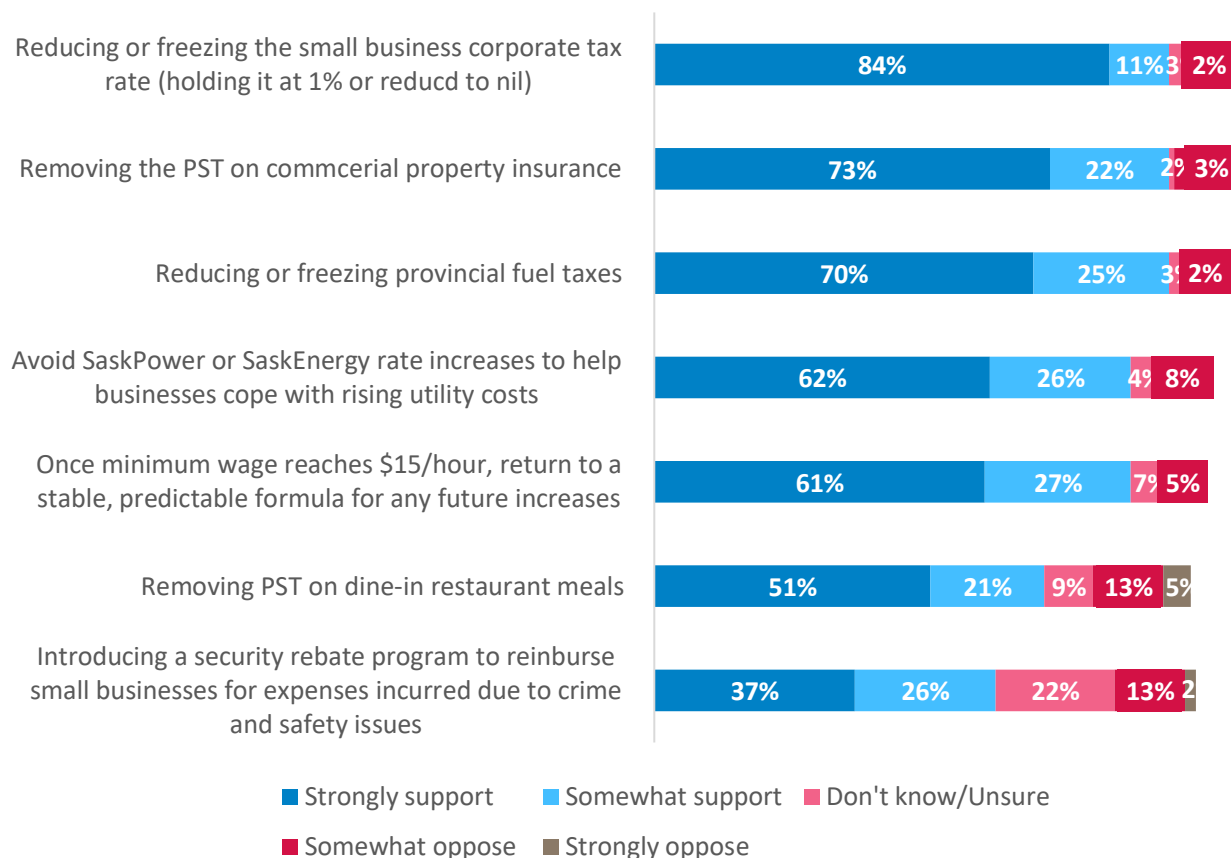


Source: CFIB, Your Voice Survey - September 6-25, 2023, Final Results, SK n=65.

In our recent pre-election survey, we asked our members which policy measures they would support to help deal with rising costs. Almost all (95%) of Saskatchewan small businesses indicated they would support freezing the small business corporate tax rate at 1% or reducing it to 0%; removing the PST on commercial property insurance (95%); and reducing or freezing provincial fuel taxes (95%) [Figure 4].

[Figure 4]

Please indicate the extent to which you support the provincial government adopting the following policy measures. (Select one for each line)



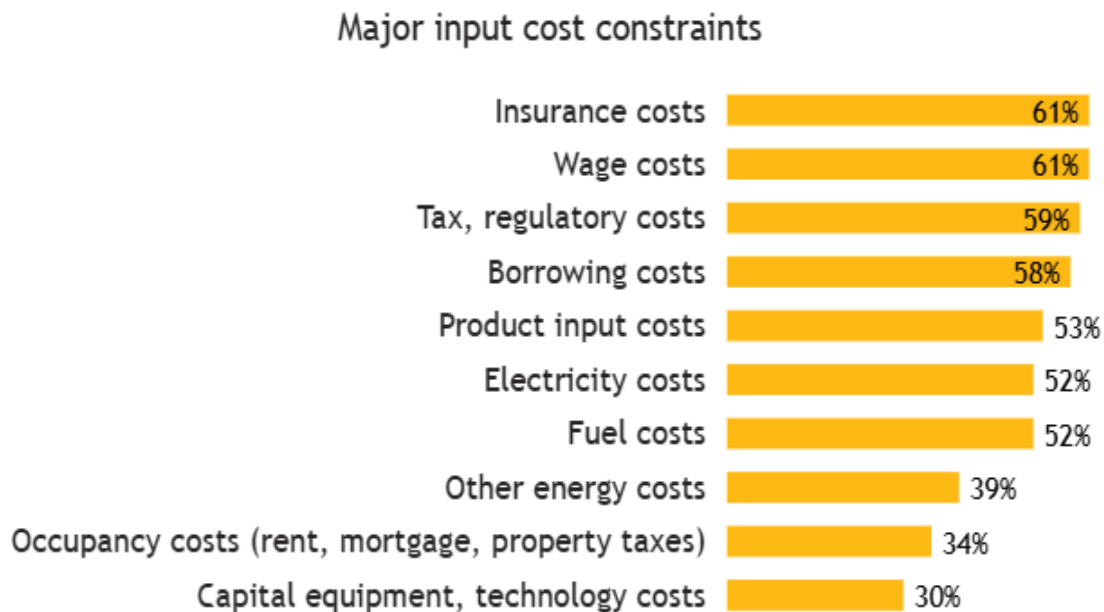
Source: CFIB, Saskatchewan pre-election survey - June 20- July 17, 2024, Final Results, SK n= 120.

With three quarters of Saskatchewan small business owners saying that taxes are a serious concern for their business, lowering the tax burden and reducing other regulatory costs will go a long way to support small businesses [Figure 3].

Many small business owners also expressed concerns about the fact that insurance premiums are double taxed in Saskatchewan. Recently, insurance costs have been cited by 61 per cent of small firms as their biggest cost constraint [Figure 5].

[Figure 5]

What types of input costs are currently causing difficulties for your business?



Source: CFIB. Monthly Business Barometer, July 2024. Saskatchewan, n=120.

The Saskatchewan government’s 4% Insurance Premiums Tax and the 6% provincial sales tax (PST) are both applied to property insurance. Therefore, to help ease the burden of skyrocketing insurance costs, small businesses want the province to do away with this “tax on a tax” and remove the PST on commercial property insurance [Figure 4].

When asked what they would do with any potential tax savings if the government was to reduce the overall burden of taxes and fees Saskatchewan small businesses indicated they would use that money to pay down business debt (65%), increase employee compensation (58%), and/or expand their business (e.g., innovate, increase production, add stores/products) (39%) [Figure 6].

[Figure 6]

If governments were to reduce the overall burden of taxes and fees, what would your business do with the savings generated? (Select all that apply)



Source: CFIB, Your Voice Survey - November 2-16, 2023, Final Results, SK n=107.

Rising Wage Costs

According to CFIB’s latest Monthly Business Barometer, 61 per cent of Saskatchewan small businesses indicate that wage costs are a significant cost constraint [Figure 5].

Recent increases to the provinces minimum wage have forced many small businesses to give all of their employees raises - including those who were already earning above the minimum. Not to mention, labour shortages are exacerbating these challenges. Many business owners have had to offer increasingly higher wages to attract and retain staff in this tight labour market.

When it comes to future minimum wage increases, 88 per cent of Saskatchewan small businesses agree that once minimum wage reaches \$15/hour, the government should return to a stable, predictable formula for any future hikes [Figure 4]. This could be achieved by linking minimum wage adjustments to either private sector wage growth or a predetermined percentage of the median wage to better reflect market conditions and overall productivity. The provincial government should also use a predetermined schedule for future minimum wage adjustments.

Fuel/Energy Cost Concerns

Recently, over half of Saskatchewan small businesses have cited electricity costs as a top concern while also saying fuel costs are placing significant financial strain on their business [Figure 5].

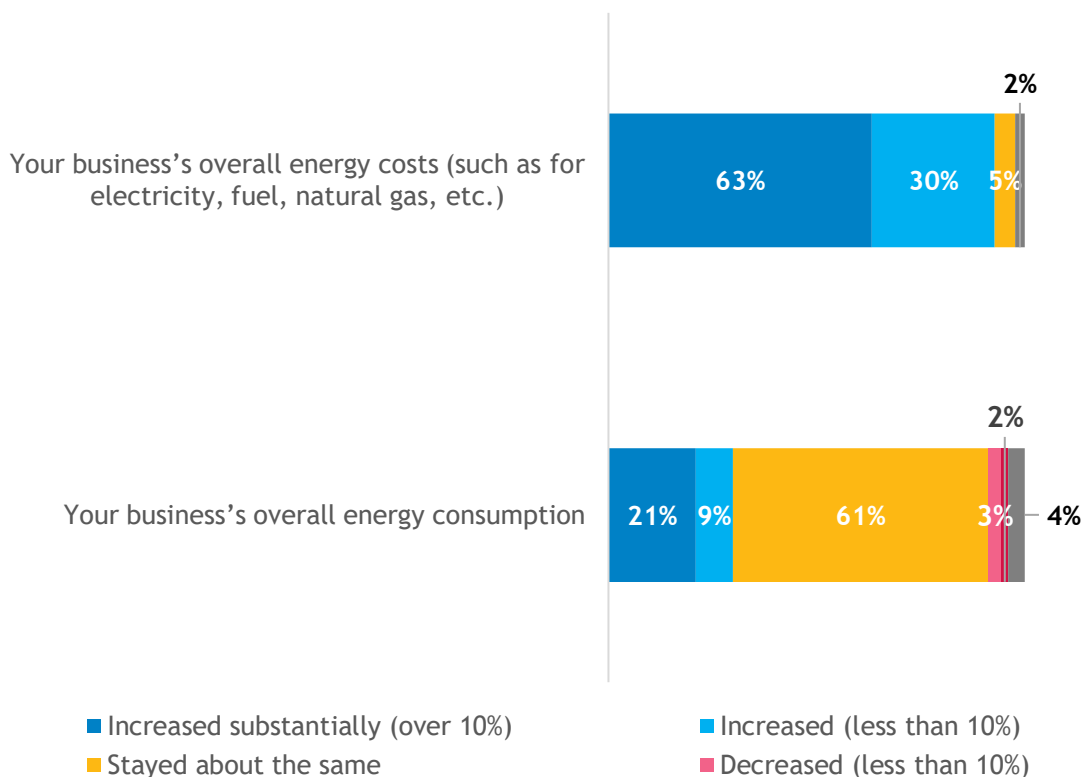
With that in mind, it is no surprise that almost all (95%) of small business owners want to see the Saskatchewan government reduce or freeze the provincial fuel tax (currently 15 cents per litre) [Figure 4]. Alberta, Ontario, Manitoba, Newfoundland, and Labrador have all cut provincial fuel taxes to help with affordability.

In 2023, the large majority (93%) of Saskatchewan small businesses reported their energy costs had increased despite their energy consumption staying about the same or decreasing [Figure 7]. This is even more concerning, given that nearly two-thirds (65%) of Saskatchewan small businesses indicate they cannot pass these increased energy costs onto their customers [Figure 8].

The provincial government must acknowledge that small businesses cannot afford any additional fuel/energy cost increases at this time. Saskatchewan business owners are calling on the next provincial government to avoid any SaskPower or SaskEnergy rate increases to help businesses cope with rising utility costs [Figure 4].

[Figure 7]

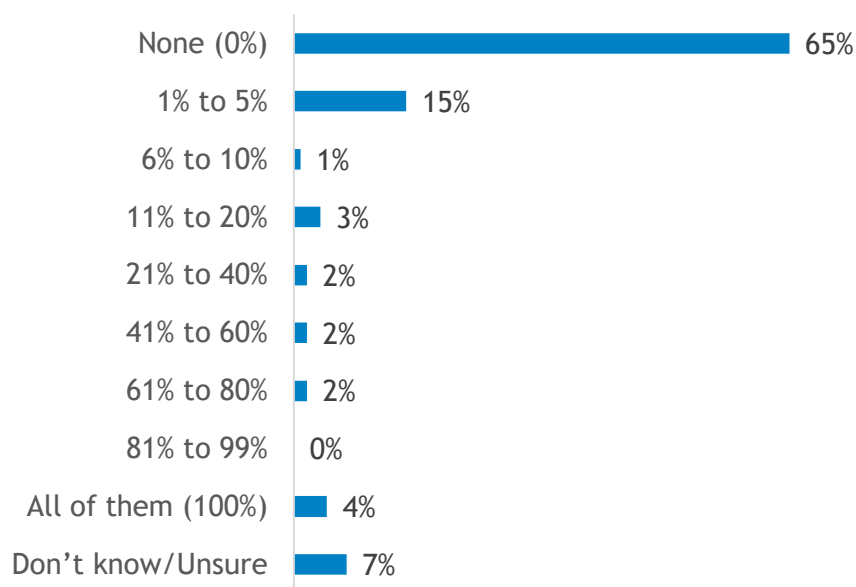
Please indicate how the following have changed in your business in the past 12 months. (Select one for each line)



Source: CFIB, Your Voice Survey - January 18-31, 2023, Final Results. SK n=116

[Figure 8]

How much of your business’s increased energy costs are you able to pass on to your customers? (Select one)



Source: CFIB, Your Voice Survey - January 18-31, 2023, Final Results, SK n=116.

Crime and Safety

CFIB has been hearing from a growing number of concerned business owners about the increased incidence of crime - particularly break-ins, thefts and vandalism.

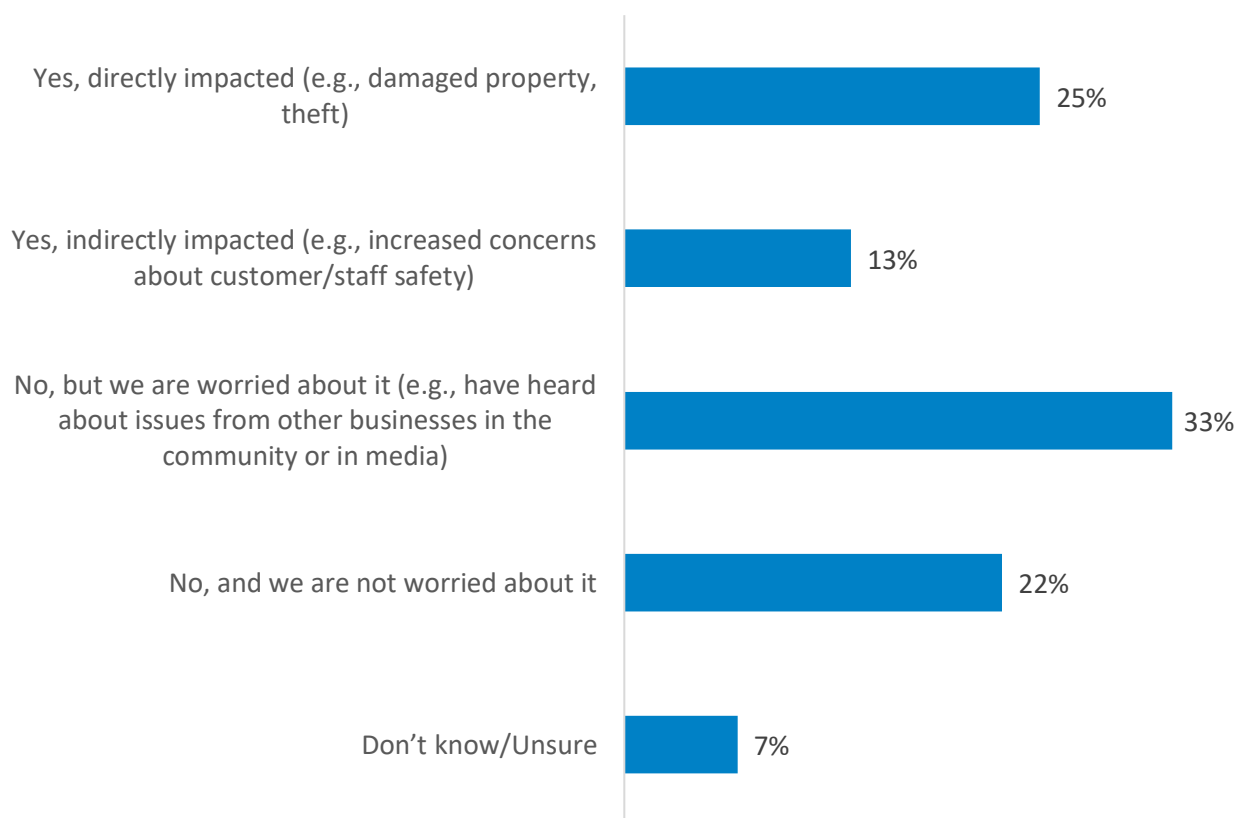
Nearly three quarters (71%) of Saskatchewan small firms say they have been recently impacted or are worried about crime and community safety issues [Figure 9]. Business owners are concerned about the safety of their staff, their customers and themselves. In response to this issue, over half (57%) of Saskatchewan small business owners say they would like to see the next government address crime and community safety challenges [Figure 2].

Local businesses agree that it is important for the provincial government to address the underlying social issues that are leading to increased incidences of crime such as increasing the supply of affordable housing and addressing mental health and addictions in the community.

In the meantime, many small businesses are hoping the province will provide support to businesses who incur increased costs in relation to crime. For example, both British Columbia and Manitoba have introduced rebate programs to help reimburse small businesses for preventative costs (security cameras, etc.), and in some cases reparative costs (costs to replace broken windows, etc.).

[Figure 9]

Has your business recently been impacted by community safety issues? (Select one)



Source: CFIB, Your Voice Survey - May 4-25, 2023, Final Results, SK n=89.

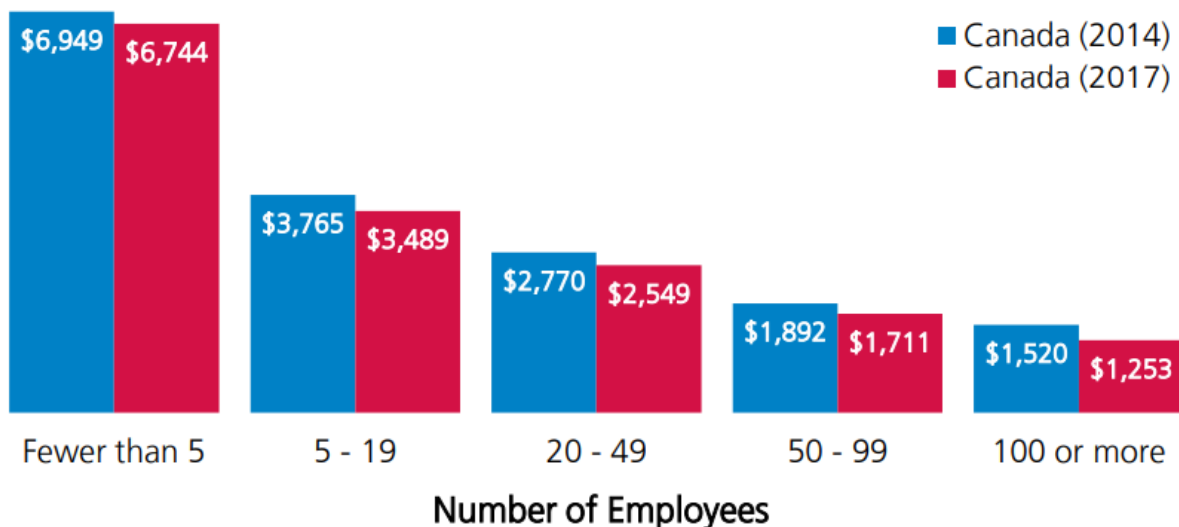
Reducing Red Tape for Small Businesses

Along with taxation, red tape continues to be a top concern for small businesses. It is imperative the next government continue the province's efforts to reduce red tape.

Red tape and excessive bureaucracy can limit productivity, lower investment capacity, and leave business owners with less time to manage their business. The smaller the business, the higher the cost [Figure 10]. Red tape not only includes regulatory burdens such as paperwork and rules, but it also refers to the lack of ease experienced by business owners when interacting with governments. Slow responses from a government website or call centre, or not being able to understand forms or guidance documents can cost small businesses time and money.

[Figure 10]

Average annual regulation cost per employee, by size of business (in 2017 dollars)



Source: Calculations based on CFIB’s *Regulation and Paperburden Surveys* (conducted in 2017, n = 7,823; and 2014, n=8,867).

Recommendations

The next provincial government must make economic growth and prosperity the focal point of their plan for Saskatchewan. This means both keeping existing costs and regulatory burdens low, and at the same time, not adding new costs and red tape that could impede the ability of small businesses to succeed.

The following recommendations will help the next provincial government foster an environment where local small businesses can thrive:

Reducing costs for small businesses

- Commit to freezing the small business income tax rate at 1%, or reduce to 0%;
- Remove the PST on commercial property insurance, consider removing the PST on dine-in restaurant meals, and avoid any PST expansions;
- Suspend the provincial fuel tax to help offset increased energy costs (fuel, heating, cooking, carbon tax, etc.) and avoid any further SaskPower and SaskEnergy rate hikes;
- Commit to a “do no harm” approach: no increasing costs or introducing new ones (e.g., no new stat holidays, or paid sick days); and
- Once minimum wage reaches \$15.00, return to a stable predictable formula for future increases.

Crime and Safety

- Introduce a securing small business rebate program (Similar to the programs in BC and Manitoba) to help businesses cope with increased costs due to crime and vandalism;
- Address underlying issues contributing to crime and safety issues, including affordable housing, mental health and addictions; and
- Improve safety in commercial areas and public spaces, including improved outdoor lighting, regular cleaning and maintenance, and increased presence of police and security.

Labour

- Take action to address labour shortages; reduce the complexity, red tape, and cost associated with hiring newcomers;
- Adopt a training tax credit that recognizes the informal “on-the-job” training happening in small businesses;
- Work with the federal government to improve and streamline immigration processes to bring more workers into Saskatchewan faster and ensure a good fit between immigration and positions to fill;
- Workers Compensation Board:
 - Legislate surplus distribution policies and implement mandatory distribution once funding exceeds target, like in Ontario.

Red Tape Reduction

- Continue to annually update the province’s red tape reduction progress by ministry;
- Work to adopt a policy of “mutual recognition” to internal trade, encompassing all federal, provincial, and territorial regulatory measures - meaning goods and services sold in one jurisdiction can be sold in other jurisdictions without meeting further requirements; and
- Make wholesale pricing available to all liquor licensees, for all types of beverage alcohol products.

Government Spending

- Introduce a solid plan to balance the provincial budget and pay down government debt; 68% of small business owners say the Saskatchewan government should prioritize balancing the budget and paying down debt [Figure 2].

Member Comments

- *“Eliminating the PST on commercial insurance and construction labour would encourage and help small businesses to expand.” - Agriculture Business, SK*
- *“PST on insurance amounts to a tax on a tax because there is a premium tax already hidden in the premiums.” - Finance & Insurance Business, SK*
- *“Small businesses are suffering financially due to so many taxes and there is no support from the government to help businesses grow and expand. We feel like we work and earn just to pay the taxes.” - Personal Services Business, SK*
- *“I would like to tell the provincial government not to not add anymore tax and have more accountability for the tax they collect! If I ran my business like they run the provincial budget I would be bankrupt.” - Wholesale Construction Business, SK*
- *“Small business carries a high tax burden in Saskatchewan and does not receive anything close to fair value for this burden.” - Retail Business, SK*
- *“Addictions, homelessness, and crime are significantly impacting our businesses and our ability to keep our assets and our employees safe. There is a real cost associated with lost time, theft, vandalism, and loss of employees and customers. We need the province and the city to help address this.” - Professional Services Business, SK*
- *“The Saskatchewan government has to look at putting Saskatchewan owned and operated business first. Allowing large consortiums to come in from other countries and undercut our own companies is not acceptable.” - Professional Services Business, SK*
- *“PST has expanded on too many things. Remove PST on sales of used vehicles applied every time the same vehicle sells. Insurance should not be taxed.” - Agriculture Business, SK*
- *“My business, and my town are very close to the Alberta border. The PST is the number one thing that is holding my community back from expanding. The communities to the west of me (in Alberta) have a significant tax advantage to attract residents, so it keeps people from settling in my community.” - Retail Business, SK*