

# PARLIAMENTARY STANDING COMMITTEE ON HUMAN RESOURCES

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Good afternoon. Thank you for inviting me to participate in today's discussion. It is my pleasure to be here on behalf of Canada's 90,000 manufacturers and exporters, and our association's 2,500 direct members to discuss COVID-19 and Canada's manufacturing sector. Today, I will stress the importance of the existing wage subsidy program, the need for expanded programs to support the full restart of industry, and the requirement for a national manufacturing strategy that contains a skills strategy.

CME's membership covers all sizes of companies, all regions of the country, and all industrial sectors. From the early days of this crisis we have been working with our members and governments to increase the manufacture and supply of critical PPE and health care technologies needed in the response. We also have been educating and informing manufacturers on the latest developments in the crisis, including on how to access government supports, and how to protect their employees and their supply chains. And we have been working to understand the impact on our sector and advocating for policy, regulatory, and program supports for our sector from all levels of government.

Throughout this crisis the role and importance of Canada's manufacturing sector has never been clearer or as much discussed. Hundreds, if not thousands, of manufacturers have switched their production to support the making critical PPE such as masks and ventilators to face shields and gowns. And many in our sector are aggressively working on developing better tests and a vaccine for COVID-19.

Despite the current challenging climate, unlike other sectors, most segments of manufacturing have been able to continue to operate throughout, albeit at much lower production levels. Through the first 6 weeks of the crisis – through to the end of April – output had dropped by nearly 10 per cent and actual hours worked declined by nearly 30 per cent. Worse, roughly 300,000 Canadians of the 1.7 million directly employed in the sector lost their jobs. These job losses were heavily concentrated in sectors where consumer demand plummeted – namely automotive, aerospace and energy related areas. However, if it were not for the actions of the federal government those numbers would have been much worse, and because of those actions, the numbers are now getting better.

The most important action taken has been the wage subsidy program. When CME first began calling for the CEWS, we had in mind that companies could maintain operations and their payrolls so that they were in a stronger position from which to recover coming out of this crisis. We believe it is achieving these results.

In a recent survey of our members nearly 85 per cent fully supported government actions with nearly 55 per cent stating they were using CEWS specifically. Far and away the most used program, with tax deferral programs coming in second

with roughly 30 per cent use. The heavy use of the program can be linked back to the reality that manufacturing can continue to operate, but they are operating with significantly reduced volumes and sales. Sustaining their workforce would have been impossible without the wage subsidy given the high overhead costs of maintaining manufacturing operations. Today, we are hearing from our members who are rehiring thousands of Canadians as they look to restart their production. By our count, CEWS has been a massive success.

This does not mean that the program is without flaws. There are two big challenges that our members have noted that I want to raise. First, companies who sell to inter-related parties – such as a subsidiary selling to a parent company – and second companies who acquired a second company, are restricted from using the program. We are working with Finance officials on these restrictions and hope a solution will come soon.

Outside of existing program design challenges, it is important to note how eager companies are to get off the subsidy program and return to normal operations. Many companies are planning for an exit off the support as soon as the original June program elimination date. These companies should be applauded. Unfortunately, many other companies will be reliant on the program beyond this date due to depressed economic conditions. The extension of the program to the end of August was welcome news, but more will need to be done.

It is likely that the program will need another extend beyond this date however this time with a timed and revenue-based phase-out plan. More specifically, we believe the program should be extended to January 2021 and that the amount of the subsidy should be reduced in lock-step with an expected improvement in company revenues and that the government should lower the revenue loss threshold for qualification from the current 30 per cent back toward the original 15 per cent before being eliminated all together. This extended and smoother transition will allow companies time to adjust and not push them off a revenue support cliff which could cause further harm to them and their employees.

There are two other areas I want to touch on in closing – the need for additional support for industry in dealing with the new health and safety guidelines and the importance of skills development as part of a manufacturing strategy.

The first, as industry begins to fully ramp-up production there is significant additional cost that will be born by companies yet revenues and output will not match historical normal. Companies will be investing in training staff on new operational requirements, providing PPE in much greater quantities to staff, and installing protective barriers and other physical distancing tools. Government should introduce some direct support program to help offset these costs.

The second, as governments look to answer the call to create a national industrial strategy that focuses on growth, investment, and innovation in manufacturing, a critical component of that strategy must be human capital. While people are amongst Canada's greatest assets, the lack of the right skilled workers and labour in general has become a major obstacle to the growth of our sector in Canada. The shortages are widespread across the country, across all types of jobs, and across types and sizes of companies. If companies cannot get the right skills, they cannot leverage the latest technologies, they cannot innovate, they cannot invest and grow. Governments need to include as part of their industrial strategy a skills strategy that looks to get more youth into the sector, to help companies upskill their existing workforce, and to allow companies to attract the best and brightest from around the world.

Thank you again for inviting CME to participate today. I look forward to the discussion.

