

**House of Commons Standing Committee on Industry and Technology  
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Good afternoon. 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 the state of Canada's small and medium sized enterprises (SMEs).

The manufacturing industry is 10% of Canada's GDP, produces two-thirds of Canada's value-added exports, and employs 1.7 million people in high-paying jobs across the country. Our association's members cover all sizes of companies, but the majority of them are SMEs. Actually, most of Canada's manufacturing companies are SMEs.

Canadian Manufacturers & Exporters (CME) has long been an advocate for addressing SMEs' various challenges. What differentiates CME from other associations, however, is our fundamental belief that the policy of the government should be to grow SMEs into large companies. Current government policy is not designed to achieve this end, but rather, to keep SMEs small.

In fact, 75 percent of Canadian manufacturers are small companies with fewer than 10 employees. In the US, just 58 percent of companies have fewer than 10

employees. While all companies start out small- and there is nothing inherently wrong with being small- size does limit a company's ability to attract workers, invest in automation and green transition, expand production lines, and export.

SME labour shortages and supply chain disruptions are two areas that illustrate how our disproportionately high rate of small companies acts as a drag on Canada's economic competitiveness.

Take labour shortages. Manufacturers big and small are struggling to fill vacancies. And all this is happening even though manufacturing is one of the highest paying sectors in the country. But, the smaller, and more in need of specialized labour your company is, the bigger the recruiting challenge. In such tight labour markets, not being able to pay top dollar limits you even further. My main message here is that an SME manufacturer struggles more than larger manufacturers in getting the workers they need. This, in turn, restricts their business potential and hurts Canada's competitiveness.

The second challenge is supply chain bottlenecks. Manufacturers are still struggling with disruptions, and again, the smaller your company is, the more pain you feel on the supply chain front. According to a CME survey, 9 out of 10 Canadian manufacturers report encountering supply chain issues.

The added challenge for SME manufacturers with supply chains is their lower position in the pecking order for critical components. We currently have the situation in Canada where a company can have an increase in customer orders, a workforce ready to go, but nothing to build because they're waiting on parts. Parts, their larger, global competitors had less trouble securing. Again, because our proportion of SMEs is bigger than other countries, these problems ripple through the entire economy and hold us back.

I am happy to expand on these labour and supply chain challenges in more depth in the Q&A.

But for now, how do we help alleviate these challenges, and grow our SMEs so that they avoid these structural problems in the future?

Number 1: Plug our labour shortage issues through immigration. Pandemic backlogs must be addressed, and we encourage the government to dedicate all the resources required to do that. We also must speed up the introduction of a trusted employer stream to the Temporary Foreign Worker Program. In time, we need to aggressively increase our intake targets to 500,000/year in the economic stream alone. We need workers.

Number 2: Provide financial assistance to manufacturing companies still feeling supply chain disruptions. Because our manufacturing companies are on average smaller than our global peers, we are lower on the priority list when it comes to

getting short supply parts like microchips. We need to correct for this uniquely Canadian problem by bridging our manufacturers through these parts shortages.

Number 3: Make our policy be that we want to grow SMEs into larger firms. Tax reforms that cut costs to business and changes incentives to reward growth, rather than company size is the first step. Implementing a patent box regime to foster commercialization of patents is the next step. And finally, provide more support to help SME manufacturers accelerate the adoption of automation and green technologies.

By increasing the competitiveness and scale of our manufacturing sector, we can better produce needed materials at home and reduce our reliance on foreign suppliers.

CME supports the work of this committee and of the federal government to fix these problems. While in the short term we must address the many challenges facing SMEs, our long-term strategy must be to grow these companies. Thank you again for inviting me, I look forward to the discussion.