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How Québec Companies View Public Policies

January 2010

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Context, Objectives and Methodology

- Léger Marketing was commissioned by the Conseil du patronat du Québec (CPQ) to conduct a study with high-level executives in order to evaluate their perceptions of Québec public policy and various business-related issues.

- To do so, Léger Marketing carried out a quantitative survey from November 25, 2009 to January 11, 2010 among 352 high-ranking, English or French-speaking business leaders with companies of 25 or more employees, located in Québec. Of this number, 52 were CPQ members and were contacted by e-mail. All other respondents were reached over the phone.

- Results were weighted according to the number of employees and the proportion of CPQ members and non-members in order to obtain a sample that is representative of all companies with 25 or more employees in Québec. In the end, the maximum margin of error for a sample of 352 respondents is ±5.22%, 19 times out of 20.

- When possible, study results were compared to those obtained during another study led by Léger Marketing among the general public in November 2009 (a Web survey with a representative sample of 1,004 Quebeckers).

Notes:

- Since the numbers in this report have been rounded out, the sums in graphs and tables (based on the actual numbers before rounding) may not correspond to the addition of rounded numbers.
- In section 3 of the report, where questions were asked only to members, we obtain a margin of error of ±12.05% for 52 respondents, 19 times out of 20.

Strategic Conclusions

1. On average, at 5.3 on 10, the satisfaction rating provided by companies regarding the current Québec government is fair. Compared to last year at the same date, satisfaction with the current Québec government has **remained stable** for most companies (65%). A negative trend is observed, however, since satisfaction has dropped for 29% of companies and has improved for only 6% of companies.

2. Generally speaking, companies are harsher in their evaluation of dimensions pertaining to **labour** and **public expenses** than they are in their evaluation of regulations and sustainable development.

   Dimensions that received the **lowest evaluation** from companies are as follows:
   - Managing public expenses well (average of 3.9);
   - Establishing rules of ethics for governance in the public sector (average of 4.1);
   - Simplifying and harmonizing legislation to which businesses are subject (average of 4.7);
   - Establishing a tax regime that is competitive for businesses (average of 4.7);
   - Creating productivity and performance incentives for companies (average of 4.9).

   It should be noted that several of these dimensions fall within the CPQ's priority actions.

3. In order to reduce Québec's deficit, around half (48%) of companies think that the government should both **increase its revenues and reduce expenses**, while the other half (48%) is of the opinion that it must **mainly reduce expenses**. Reducing expenses was a solution mentioned by 96% of respondents and only a minority (3%) of companies indicated that the solution lies exclusively in increasing revenues.

4. Almost all (95%) companies **agree** that each time the **government** of Québec announces a new program, a new project or a new policy, it should be **obligated to identify precisely the government expense reductions that will be necessary** elsewhere, to finance these new initiatives.

Strategic Conclusions (continued)

5. In terms of government contributions from wages, only 7% of companies think that the Québec government should **continue to increase contributions to manage the rising costs of these programs**. Nearly one company out of four (39%) is more of the opinion that the government should **stop increasing contributions by reducing certain benefits within these programs**. Half (53%) consider that the government should even **lower contributions by re-examining the structure of these programs**.

6. Québec companies chiefly blame the **control of unions over the workforce in the construction sector** (31%) and **poor procedures for tendering** (24%) as the reasons explaining why construction sites cost more in Québec than elsewhere.

7. Most CPQ members (62%) surveyed about public policies currently in place in Québec think that **Québec needs fundamental reforms**. This results is in line with the CPQ's stance on how a prosperous Québec is conditional on a transformed Québec.

8. Over the next year, CPQ members think that the **government's three priorities** should be **controlling public expenses** (73%), **debt reduction** (35%) and **reforming the health care system** (35%).

9. The **federal government's priorities** are similar and involve **controlling public expenses** (73%) and **debt reduction** (46%). Reducing personal income tax (21%), federal transfers to provinces (21%) and American protectionism (21%) are other priorities to be considered by the federal government.

10. According to CPQ members, the most important factors for their companies in the current context are **the quality of the workforce** (27%), **productivity** (25%), **the cost of the labour force** (23%) and **employee motivation and retention** (23%). Issues related to the labour force seem to be at the heart of Québec company preoccupations.

Respondent Profile

	Total (n=352)
Position	
Owner	27%
Managing director	26%
Senior manager	20%
President	17%
Executive director	5%
Vice-president	5%
Number of Employees	
25 to 49 employees	61%
50 to 99 employees	21%
100 to 249 employees	13%
250 to 499 employees	2%
500 employees or more	2%
Location	
Montréal	25%
Québec City	14%
Other	61%

	Total (n=352)
Business Sector	
Retail	24%
Manufacturers	23%
Personal and business services	12%
Transport, communication and public services	8%
Finance, insurance and real estate	6%
Construction	6%
Health services	5%
Distribution/Wholesale	5%
Engineering, accounting, research & mgmt	4%
Education and social services	3%
Agriculture, fisheries, forests and mines	2%
Other	1%

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1. Overall Evaluation of the Québec Government

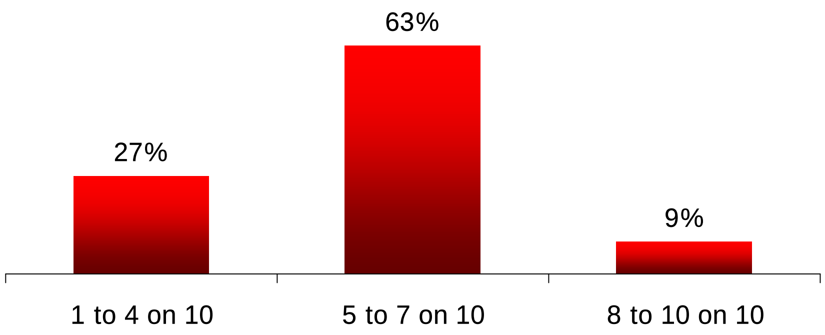
1.1. Level of Satisfaction with the Current Government

- On average, companies have awarded a fair satisfaction rating of 5.3 on 10 regarding the current Québec government.
- Compared to last year at the same date, Québec companies' overall satisfaction has remained generally stable (65%). A negative trend is observed, however, since satisfaction has dropped for 29% of companies, and has improved for only 6% of companies.

Q4. What is your level of overall satisfaction with the current government of Québec? Please use a scale from 1 to 10, where 1 means very dissatisfied and 10 means very satisfied.

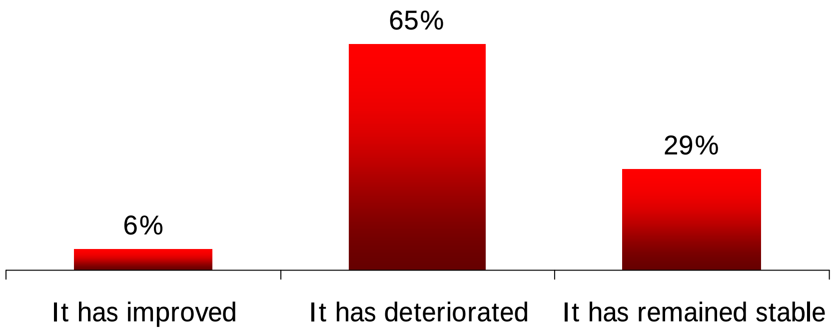
Base: All Respondents (n=352)

Average: 5.3 on 10



Q5. Compared to last year at this time, has your level of overall satisfaction with the current Québec government improved, deteriorated or remained stable?

Base: All Respondents (n=352)



1.2. Evaluation of the Current Government on Various Dimensions

- The table on the next page presents an assessment of the current government based on various dimensions relative to the labour force, public finance, regulations and sustainable development.

- Overall, companies were more harsh in their evaluation of dimensions relative to the labour force and public finance than those pertaining to regulations and sustainable development.

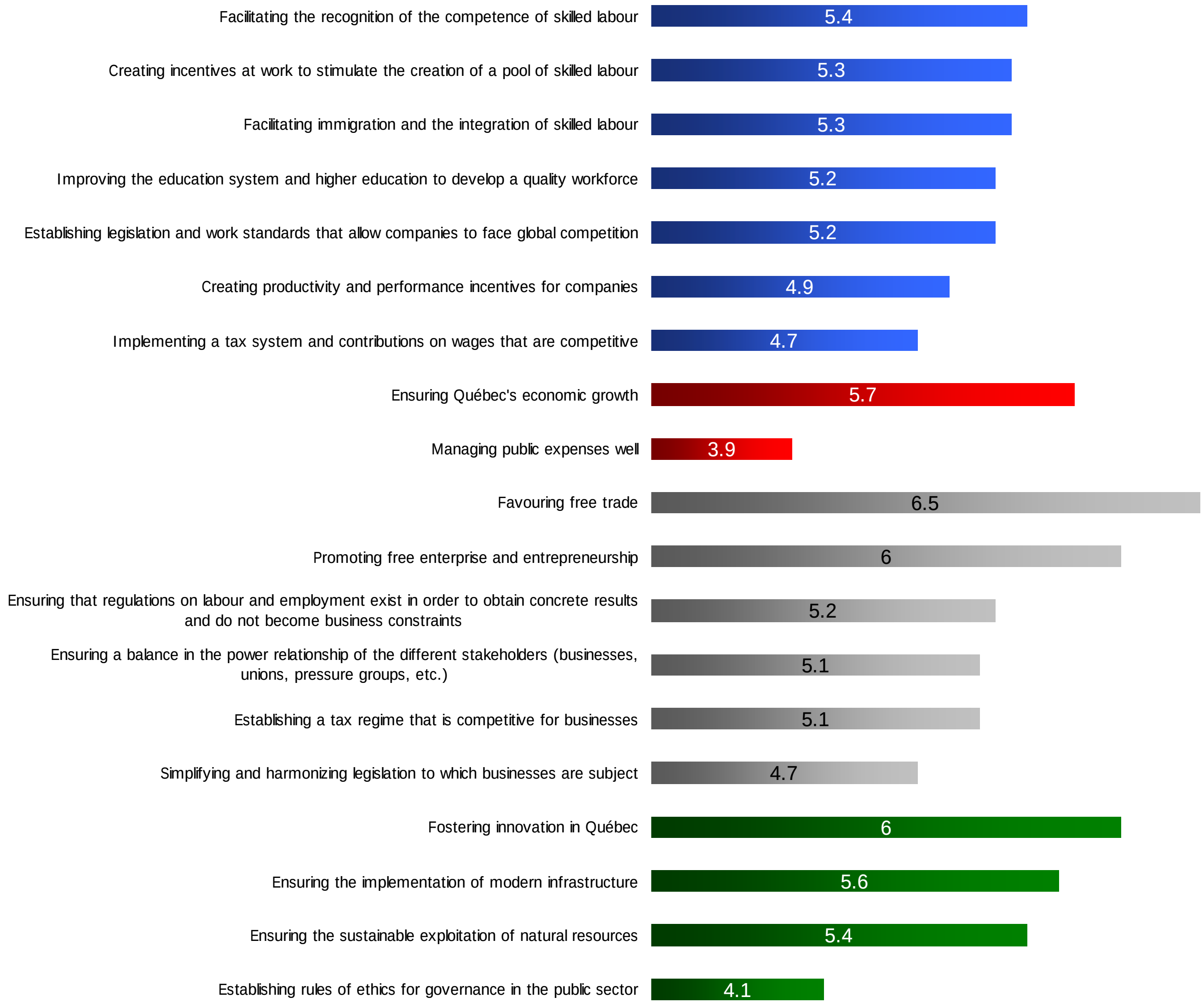
- More specifically, the dimensions that received **lower evaluation scores** from companies are as follows:
  - Managing public expenses (3.9/10)
  - Establishing rules of ethics for governance in the public sector (average of 4.1/10)
  - Simplifying and harmonizing legislation to which businesses are subject (average of 4.7/10)
  - Establishing a tax regime that is competitive for businesses (average of 4.7/10);
  - Creating productivity and performance incentives for companies (average of 4.9/10).

- It should be noted that several of these dimensions fall within the scope of the Conseil du patronat's priority actions and therefore are a good illustration of the urgent need for reform.

1.2. Evaluation of the Current Government on Various Dimensions (continued)

Q3A-S. How would you evaluate the performance of the current Québec government on each of the following dimensions. By government, we are referring to the premier, but also to the ministers involved in the files. In each case, please evaluate the performance on a scale of 1 to 10, where 1 means very dissatisfied and 10 means very satisfied and where 5 is a passing score.

Base: All Respondents (n=352)



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Public finance

Regulation

Sustainable development

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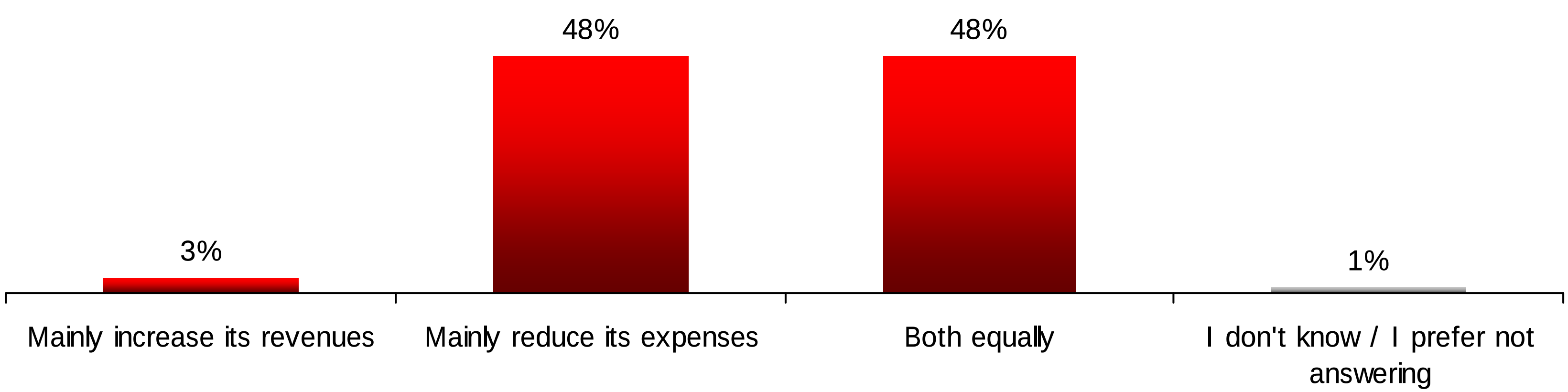
2. Perceptions of Specific Issues

2.1. Perception of Public Finance Management - Reducing the Deficit

- In order to reduce Québec's deficit, around half (48%) of companies surveyed think that the government should both increase its revenues and reduce expenses, while the other half (48%) think that the government must mainly reduce expenses. Companies favour reducing expenses: only 3% of companies think that the solution to the deficit lies exclusively in increasing revenues.
- The opinion of companies is not very different from that of the general public. In fact, similar results were obtained during a survey conducted among the general public in November 2009. More than half of Quebeckers (54%) were of the opinion that the government should mainly reduce expenses, while 39% thought that it should both increase revenues and reduce expenses, and 4% said it should mainly increase revenues.

Q8. To reduce Québec's deficit, should the government...

Base: All Respondents (n=352)

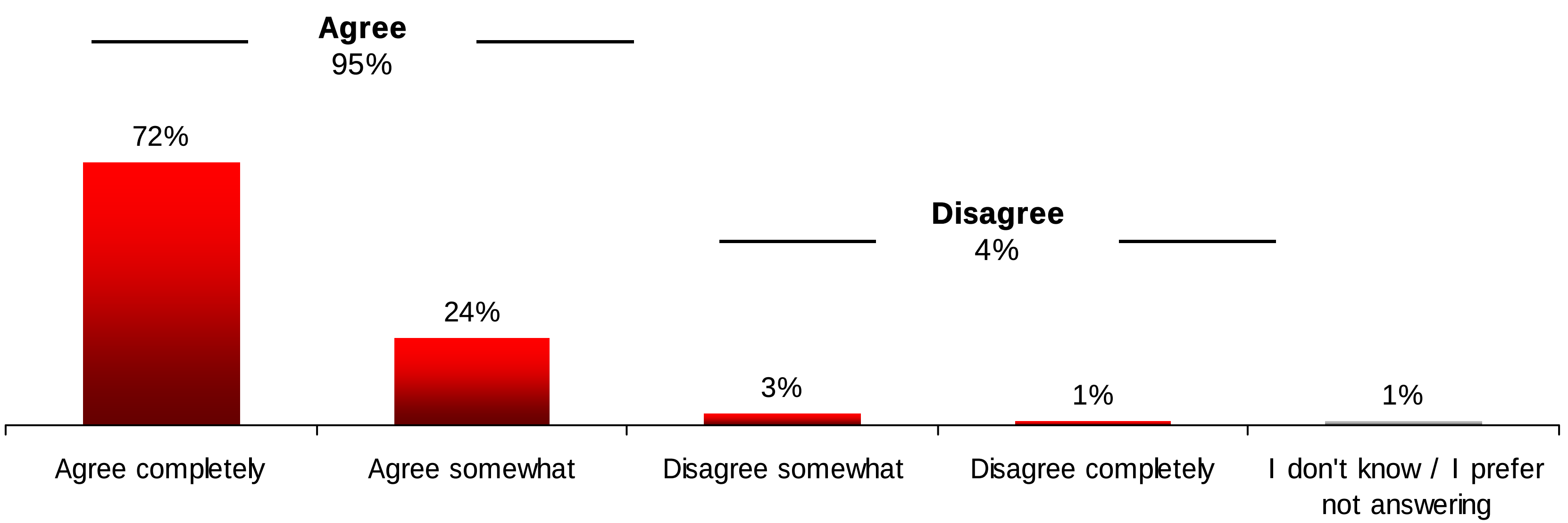


2.1. Perception of Public Finance Management - Announcing New Projects

- The vast majority (95%) of companies agree with the following statement: “Each time the government of Québec announces a new program, a new project, or a new policy, it should be obligated to identify precisely the government expense reductions that will be necessary elsewhere, to finance these new initiatives.”
- This result is similar to the one obtained among the general public (92% agreed with the statement).

Q9. To what extent do you agree with the following statement: Each time the government of Québec announces a new program, a new project, or a new policy, it should be obligated to identify precisely the government expense reductions that will be necessary elsewhere, to finance these new initiatives.

Base: All Respondents (n=352)

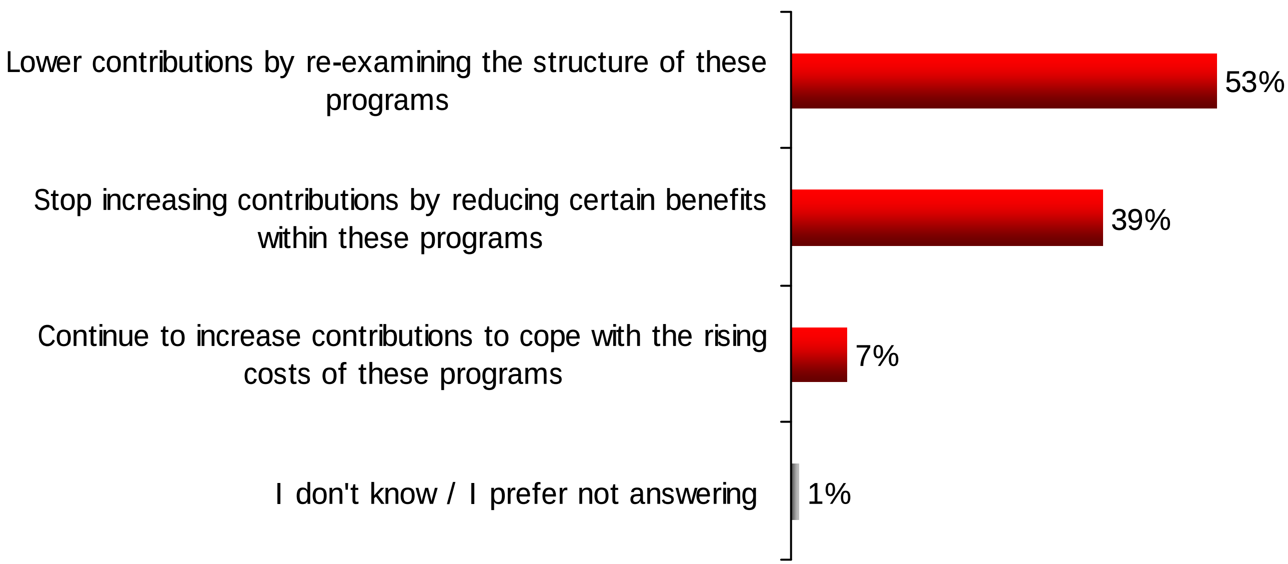


2.1. Perception of Public Finance Management - Contributions from Companies

- In the current context, where contributions paid by Québec employers increase on a regular basis and are estimated at 30% higher than in Ontario, more than half (53%) of companies are of the opinion that the Québec government should lower contributes by re-examining the structure of these programs, while 39% think that the government should stop increasing contributions by reducing certain benefits within these programs.
- In the general public study, 53% were of the opinion that the Québec government should reduce contributions by re-examining the structure of these programs. This result is identical to the one obtained with companies.

Q10. Beyond taxes, from each payroll, governments deduct contributions based on the salaries of workers, particularly to fund the Québec Pension Plan, employment insurance, and the Commission de la santé et de la sécurité du travail (CSST). Contributions paid by Québec employers increase regularly and are estimated at 30% higher than in Ontario. In this context, should the Québec government...

Base: All Respondents (n=352)

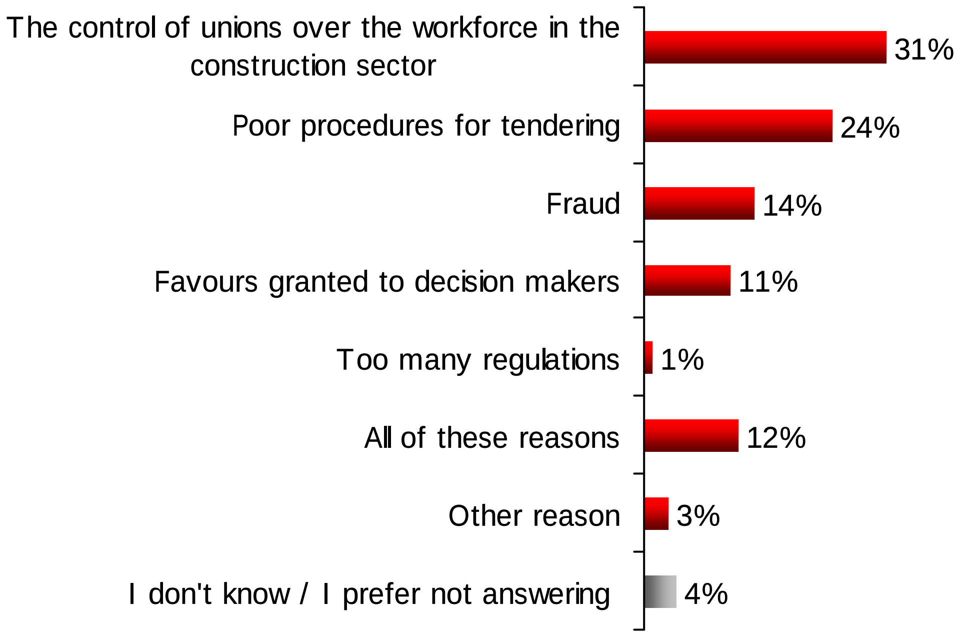


2.2. Perception of the Construction Industry

- Companies are divided on the reasons why constructions sites cost more in Québec than elsewhere. More specifically, they blame the control of unions over the workforce in the construction sector (31%) and poor procedures for tendering (24%).
- In the study conducted with the general public, opinions are even more divided. Quebeckers said it was mainly due to fraud (27%), the control of unions over the workforce in the construction sector (23%) and poor procedures for tendering (22%).

Q11. Some say that construction sites cost more in Québec than elsewhere. In your opinion, is this mainly due to...

Base: All Respondents (n=352)



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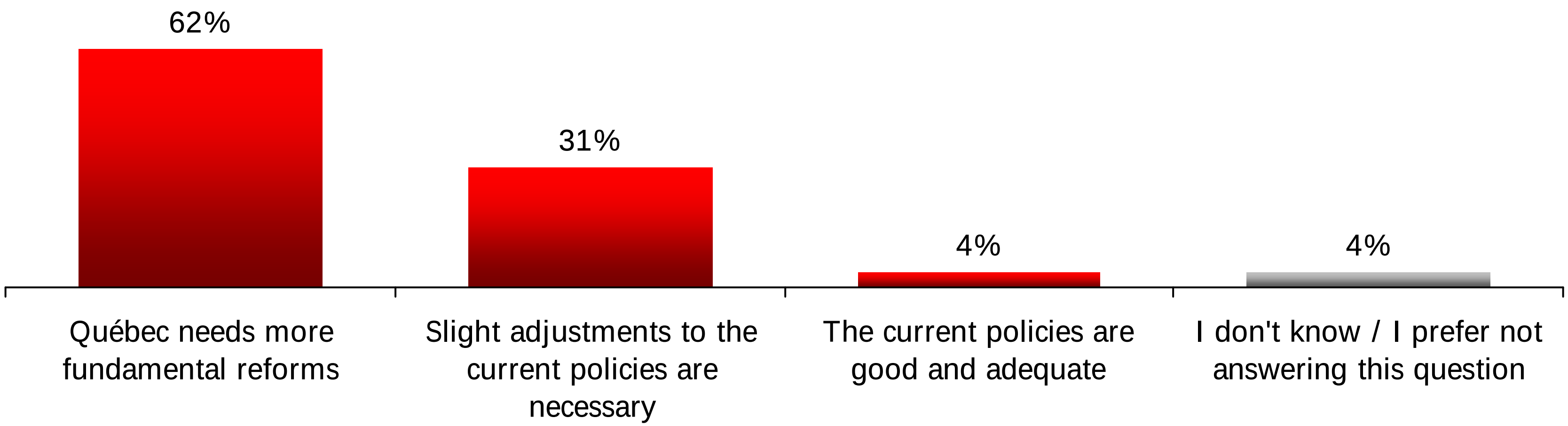
3. Government Priorities

3.1. Evaluation of Public Policies

- According to CPQ members, public policies currently in place in Québec require changes. In fact, the majority (62%) of members surveyed think that **Québec's public policies need more fundamental reforms** to ensure the future prosperity of Québec. Fewer than a third of (31%) members are of the opinion that slight political adjustments are necessary, while only 4% are satisfied with current policies, which they consider to be good and adequate.

Q17. Overall, how would you assess the public policies currently in place in Québec when it comes to their effects on the future prosperity of Québec?

Base: CPQ Members (n=52)



3.2. Most Important Factors for Companies

- According to CPQ members, the **most important factors** for their companies within the current context **are related to labour**: the quality of the workforce (27%), productivity (25%), the cost of labour (23%) and employee motivation and retention (23%).

Q14. Among the following list of factors, which one has the greatest importance for your business in the current context? The second most important? The third most important?

Base: CPQ Members (n=52)

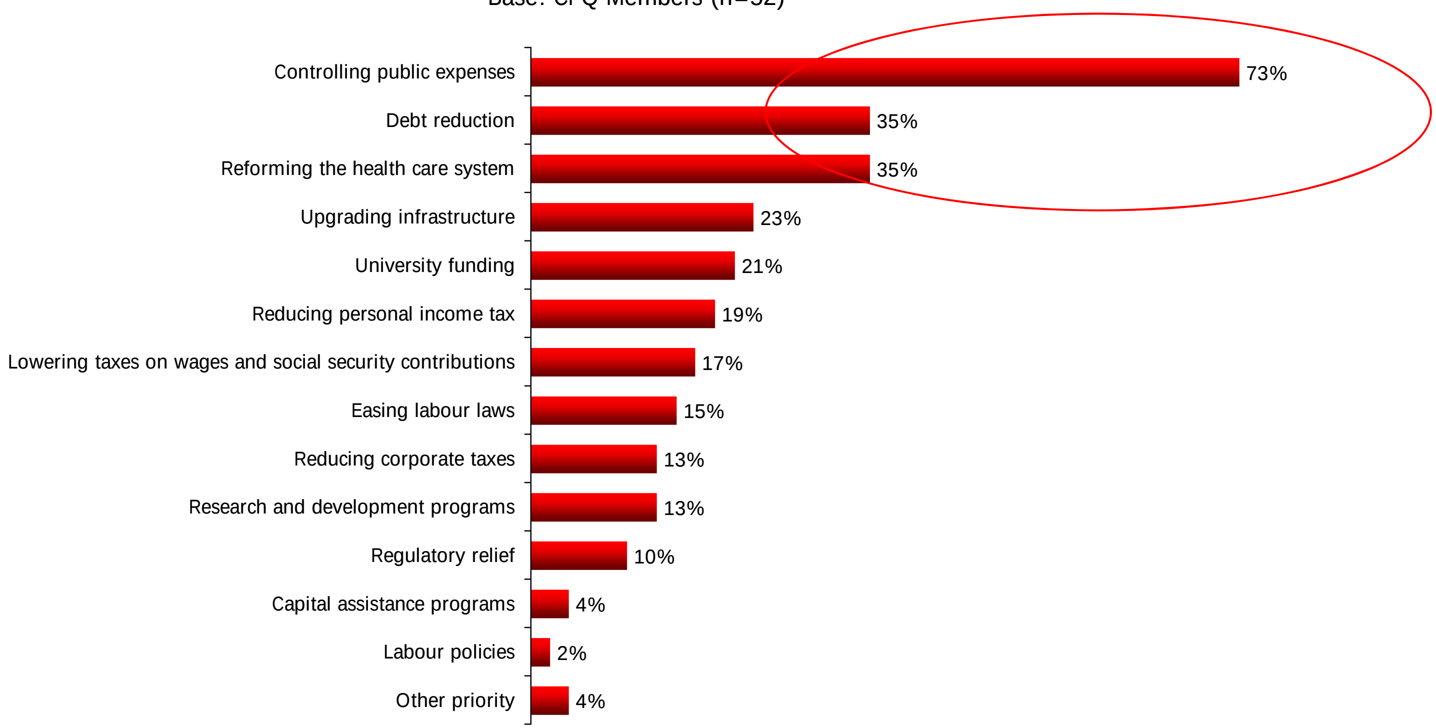
	Total Mentions (n=52)
The quality of the workforce	27%
Productivity	25%
The cost of the labour force	23%
Employee motivation and retention	23%
The availability of the workforce	19%
Research and development	17%
Labour laws	13%
The exchange rate	13%
International competition	13%
Business taxation	13%
The provincial government's public policy	13%
Local competition	12%
The government's environmental policies	10%
The federal government's public policy	10%
Access to new technologies	8%
The price of oil	8%
Personal taxation	6%
Interest rates	6%
International trade agreements	6%
Cultural and linguistic diversity	4%
The price of public services	4%
The language policy	2%
Work-life balance and the demand for flexible schedules	2%
The company's social involvement	2%
Other factor	6%
I don't know / I prefer not answering this question	4%

3.3. Provincial Government Priorities

- CPQ members are of the opinion that the provincial government should mainly prioritize public finances and health care over the next year.
- The three provincial government priorities should be: **controlling public expenses** (73%), **debt reduction** (35%) and **reforming the health care system** (35%).

Q15. In your opinion, what should the provincial government's three priorities be over the next year?
You may select up to three elements.

Base: CPQ Members (n=52)



3.4. Federal Government Priorities

- According to CPQ members, the federal government for its part, should prioritize public finance over the next year, and more specifically, **control public expenses** (73%) and **reduce debt** (46%). Reducing personal income tax (21%), federal transfers to provinces (21%) and American protectionism (21%) are also elements that were often mentioned.

Q16. In your opinion, what should the federal government's three priorities be over the next year?
You may select up to three elements.

Base: CPQ Members (n=52)