

Agenda for Canada's Prosperity ▶▶

Canadian Attitudes Towards Prosperity

March 8, 2007

Innovative Research Group, Inc.
350 Bay Street, 3rd Floor
Toronto, ON
M5H 2S6



Introduction

Innovative Research Group, Inc. (INNOVATIVE) provided new polling results today on Canadian attitudes towards competitiveness and productivity at the *Canada's Prosperity Challenge Conference* in Toronto, hosted by Maclean's Magazine and the Institute for Competitiveness and Prosperity (ICP).

INNOVATIVE's *Agenda for Canada's Prosperity Survey* polled 3,285 Canadians online using their Canada 20/20 online panel.

The study reveals that elements of the ICP's prosperity agenda, presented at today's conference, have greater support than the overall agenda itself:

- General public is alarmed over existing welfare policies
- Support for investments in human capital and infrastructure
- Acceptance of the need to reduce business taxation of payroll and investment taxes

The study also reveals Canadians are *not* prepared to sacrifice personally in order to close the prosperity gap with US. Furthermore, Canadians are not prepared to delay social spending in the short run for fiscal sustainability in the long run.

However, Canadians with strong business literacy and who identify themselves with the business community are more likely than the average Canadian to support the ICP's economic policy options designed to close Canada's prosperity gap with the US.

A. The Big Picture

The survey began by exploring whether Canadians were complacent about the prosperity gap or not. We started by looking at Canadians view of their personal standard of living and then looked at Canada versus the US.

Canadians content with present but concerned about the future

Most Canadians (72%) are satisfied with their current standard of living and a majority (58%) say they are better off than their parents. However, when Canadians look ahead, just 26% say the next generation will be able to afford a better standard of living than we do now; while 45% disagree.

Canadians are not well informed about the prosperity gap with the US and not particularly concerned, but believe there is a moral imperative to make the most of what we have.

Canadians don't see a prosperity gap with the US and, when informed of it, many are prepared to ignore it.

Most Canadians think Canada's economy has done better (27%) or the same (41%) as the American economy. Most Canadians feel the average American has a standard of living that is worse (35%) or the same (42%) as the average Canadian.

Canadians are not particularly worried about the prosperity gap when informed of it. Just 39% say it is a critical problem that requires immediate action (12%) or a significant problem that needs to be dealt with soon (27%).

The problem is Canadians don't connect with the prosperity gap and don't see any consequences. 53% say the prosperity gap doesn't make much difference to people like me. More Canadians agree (47%) that Canada's economy is just fine and it doesn't matter whether we are doing better or worse than the US than disagree (36%). Just over half (51%) say a lower standard of living is the price we pay for a better quality of life.

Consistent with the quality of life finding, Canadians think they are more likely than Americans to work fewer hours a week (52%) and take more vacations (50%) while they see Americans as more likely to be workaholics (57%). Moreover, Canadians are not willing to work longer hours (65%) or take fewer vacation days (72%) to close the prosperity gap.

However, Canadians do see a moral imperative to making the most of what we have. Three quarters (75%) agree it is a terrible waste for Canadians to fail to make the most of the tremendous resources and opportunities we enjoy in this country.

Concern grows when Canadians learn about the lost opportunities due to the prosperity gap

After the initial questions assessing Canadians views regarding their standard of living and the prosperity gap, the survey quickly reviewed a summary prepared by the ICP of benefits Canadians were losing out on because of the gap. Those benefits included the potential to fund the Romanow Report, the Mustard/McCain early childhood learning agenda, David Suzuki's Kyoto plan, a major investment in infrastructure with enough left over for major tax break.

If the ICP could sit Canadians down and make their case, they would have some success. The number who say the prosperity gap is a critical or significant problem grows from 39% at the beginning of the survey to 57% after hearing the ICP argument. The challenge is getting Canadians' attention.

B. The Agenda

The ICP has developed a comprehensive agenda. This survey focused on the issues that were most accessible to the public:

- Business taxation
- Focusing government spending on investment rather than consumption
- Free trade
- Marginal tax rates on low income Canadians

Canadians are more likely to support government policies that help business or change structural incentives than to make more of an individual effort.

As noted in Section A, Canadians are unlikely to work longer hours or reduce their vacations to increase productivity. However, they are prepared to support initiatives like more funding for

education and infrastructure, reduced marginal taxation of low income Canadians and reduced taxes on business investment and payrolls.

While the idea of wiping out all business taxes is a non-starter, there is strong support for reducing or eliminating taxes payroll and investment taxes.

Canadians have a strong belief (83% agree) that businesses should pay their fair share. However, some taxes are seen as more fair than others.

The public sees taxes on payroll (65% discourages job creation) and investment (59% discourages investment) as strong disincentives to business. Not surprisingly, the public is more likely to oppose payroll taxes (45%), which directly discourage job creation than taxes on investment (33%).

Canadians understand that increasing taxes on business means Canadian companies are less able to compete (59%). Canadians also strongly agree (79%) when government increases taxes on business, its consumers who pay more in the end.

The public likes the idea of taxing profits. While 42% acknowledge that profit taxes discourage investment, only 29% agree profit taxes just punish companies that have been successful. Overall, 82% support taxing profits.

Finally, it is important to note that Canadians approach the discussion of business taxation with a strong degree of scepticism. While 45% agree these questions raise some real concerns about the negative impact of business taxes, almost as many (44%) say these are just excuses for business to avoid paying their fair share of taxes. However, this degree of scepticism isn't true of all Canadians.

Business Literacy and Identifying with Business

It should also be noted that the majority of Canadians with high business literacy rates (60%) AND those who identify themselves strongly with business persons (60%), investors (56%), and entrepreneurs (55%) all believe the questions surrounding taxation raise some real concerns about the negative impact of business taxes.

In contrast only 40% of Canadians with a low business literacy rate, 39% of those who do not consider themselves investors and 38% of those who do not identify with business persons suggest the tax questions raise real concerns about the negative impact of business taxes.

Canadians are not prepared to delay social spending to make those long term investment.

Canadians accept the basic arguments behind the ICP's focus on government investment, but they are not swayed by them.

The vast majority (84%) of the public understands that when the economy grows, the government receives more revenue without increasing taxes. They also agree (86%) that government spending on education creates long term economic growth AND that investment in infrastructure is critical to a strong economy (88%) agree.

They are less likely to agree that spending on social services like health and social assistance is like consumer spending, it makes life better today but doesn't provide a long term benefit to the economy (36% agree, 49% disagree)

When it comes time to choose between government spending on investment or other programs, the social programs win among the average Canadian. Six-in-ten say we need to increase social spending now, even if important investment have to wait while just 40% say government should spend on investments in long term growth, even if social spending has to wait.

However, in terms of spending on social programs now as opposed to investing in Canada's future at the expense of social spending today, there exist a major gender divide. Majority of men (51%) support investing in long terms growth, while only 29% of women support the same statement where current social programs suffer.

A majority of those who have a high business literacy rates (52%) also support investing in long term growth, while only 33% with low business literacy rates support investing in long term growth at the expense of current social spending. Furthermore, the majority of those who describe themselves as investors, entrepreneurs or business persons support investments in long term growth, even if social spending has to wait.

Free trade receives support from many groups, but support isn't uniform across the board and there remains strong concern about the job impacts of foreign competition.

While 45% see free trade agreements as a good way to create economic growth, 36% believe it is a dangerous threat to Canadian jobs.

Men are more likely than women to suggest free trade agreements are a good way to create economic growth with a majority (57%) supporting the statement. In contrast, only 35% of women support the idea that free trade creates economic growth.

There is also a level of scepticism surrounding the benefits of free trade among households of varying income. Individuals from households with lower incomes OR from union households are far less likely to support free trade as way to create economic growth as individuals from higher income households OR non-union households.

Again, majority of individuals with high business literacy rates and those who describe themselves as business people, entrepreneurs or investors support the ICP agenda as it relates to free trade agreements.

As noted above, many Canadians hold both negative and positive views about trade. This is again illustrated with 78% of Canadians agreeing that if Canadian governments make it harder for companies to compete we will lose jobs. However, over seven-in-ten (74%) also agree too many good Canadian jobs are being lost to low wage countries like India and China.

Canadians concerned about 'welfare wall' when they hear about it.

Just under one in ten Canadians say they can explain the term welfare wall – the challenges people on welfare face when they take a job and lose access to government programs for housing, child care, prescription drugs and education and training.

However, when they learn about the wall, 28% say it is a critical problem and 40% say it is a significant problem, a much higher level of initial concern than we saw for the prosperity gap.

C. What Needs to Happen to Promote the Agenda?

When it comes to raising concern about prosperity in Canada, proponents should focus on the next generation, not the US. They should highlight the moral imperative of making the most of our good fortune and talk about the lost opportunities, and what Canada could realize if there was no prosperity gap.

Looking at the prosperity agenda itself, it appears the parts are greater than the whole.

Many elements of the prosperity agenda appear to have greater appeal than the overall problem itself. For instance, there is a great deal of alarm over the welfare, strong support for investments in education and infrastructure and good acceptance of the need to reduce business taxation when it comes to payroll and investment taxes.

However, there are real challenges to the agenda as a whole. Canadians are not prepared to make personal sacrifices to deal with the gap; they are not prepared to delay social spending in the short run for fiscal sustainability in the long run. And while they agree with many of the facts in the business case for lower profit taxes, they feel business needs to pay something as a matter of fairness.

Those who support the ICP Agenda may find it more productive to focus on specific initiatives rather than the broader agenda if they are looking for public support.

D. About This Survey

Innovative Research Group, Inc. (www.innovativeresearch.ca), a research and strategy firm with offices in Toronto and Vancouver, surveyed 3,285 Canadians from its online Canada 20/20 panel. The survey was conducted between Thursday, March 1st and Sunday, March 4th, 2007 and has a margin of error of $\pm 1.7\%$, 19 times out of 20. The data was weighted in accordance to the 2001 census.

Anyone interested in participating in these surveys can join the Canada 20/20 panel by going to Canada2020.com

E. Attribution

In the first instance of mentioning the poll results, the survey should be identified as an “*Agenda for Canada’s Prosperity Survey* conducted by Innovative Research Group using their Canada 20/20 online panel”.

All subsequent mentions can use the convention “the INNOVATIVE poll”.

For more information please contact:

Greg Lyle
Innovative Research Group Inc.
gyle@innovativeresearch.ca
Office Direct 416-642-6429