

Agenda for Canada's Prosperity ▶▶

Canadian Attitudes Towards Prosperity



Prepared for:

Maclean's | Institute for Competitiveness and Prosperity

March 8, 2007

Innovative Research Group, Inc. | www.innovativeresearch.ca

Toronto Office

350 Bay Street, 3rd Floor
Toronto ON | M5H 2S6

Main: 416.642.6340
Fax: 416.640.5988

Vancouver Office

1055 West Hastings, 3rd Floor
Vancouver BC | V6E 2E9

Main: 604.662.4022
Fax: 604.684.6024

Agenda

Methodology and Approach

Canadian Views on Prosperity

Economic Identity

Business Taxation

Government Spending

Free Trade

Marginal Taxation

Summary

Methodology & Approach



Methodology and Approach

- This online survey was conducted among current members of INNOVATIVE's Canada 20/20 panel between March 1st and March 4th, 2007.
- The study included 3,285 responses eligible for inclusion in our analysis. After weighting a sample of this size the aggregated results are considered accurate to within ± 1.71 percentage points, 19 times out of 20, of what they would have been had a representative cross-section of Canadians eligible to vote been polled.
- The margin of error will be larger within each sub-grouping of the sample.

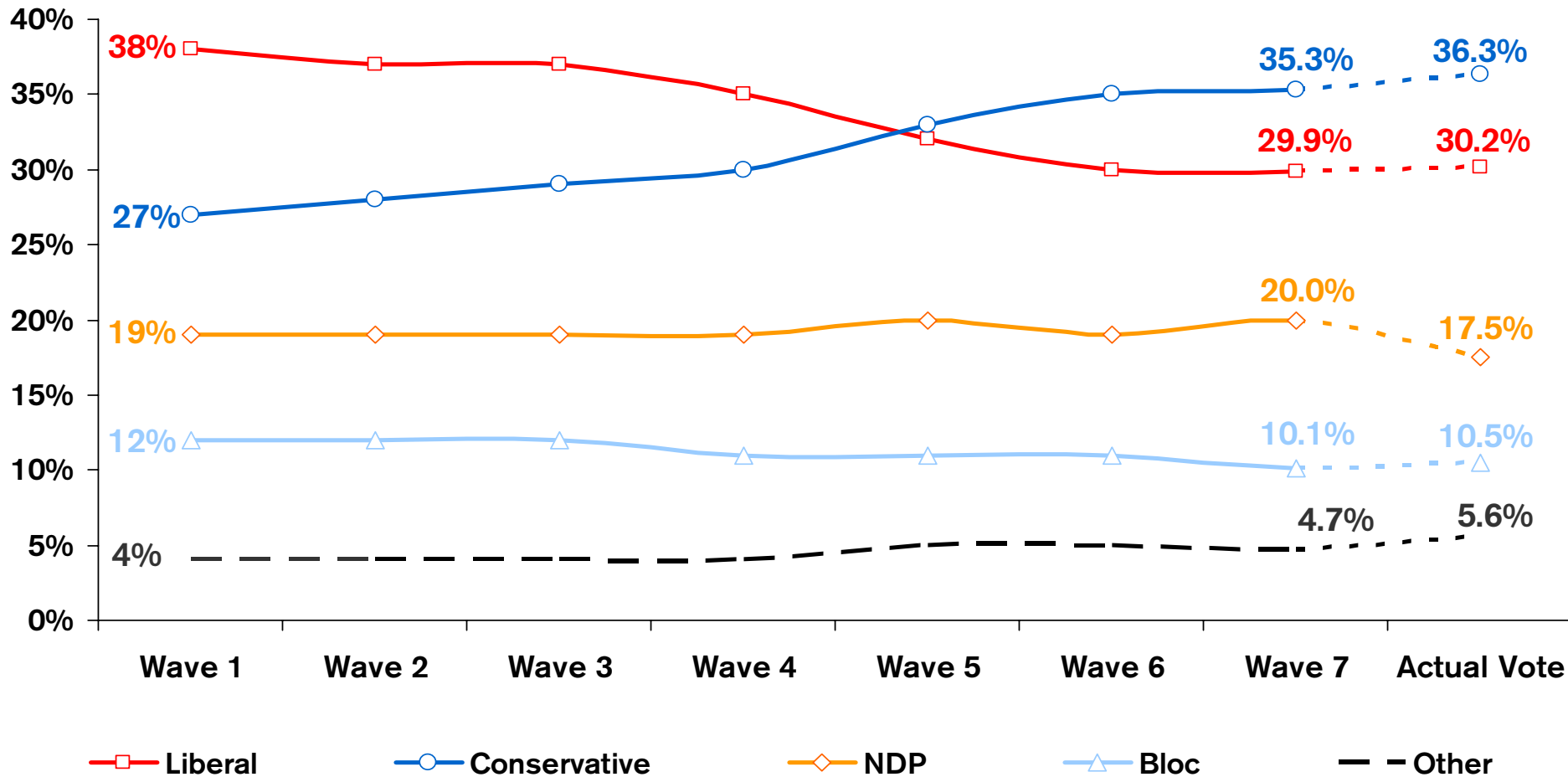
Note:

Graphs may not always total 100% due to rounding values rather than any error in data.

Sums are added before rounding numbers.



Why Trust Online?

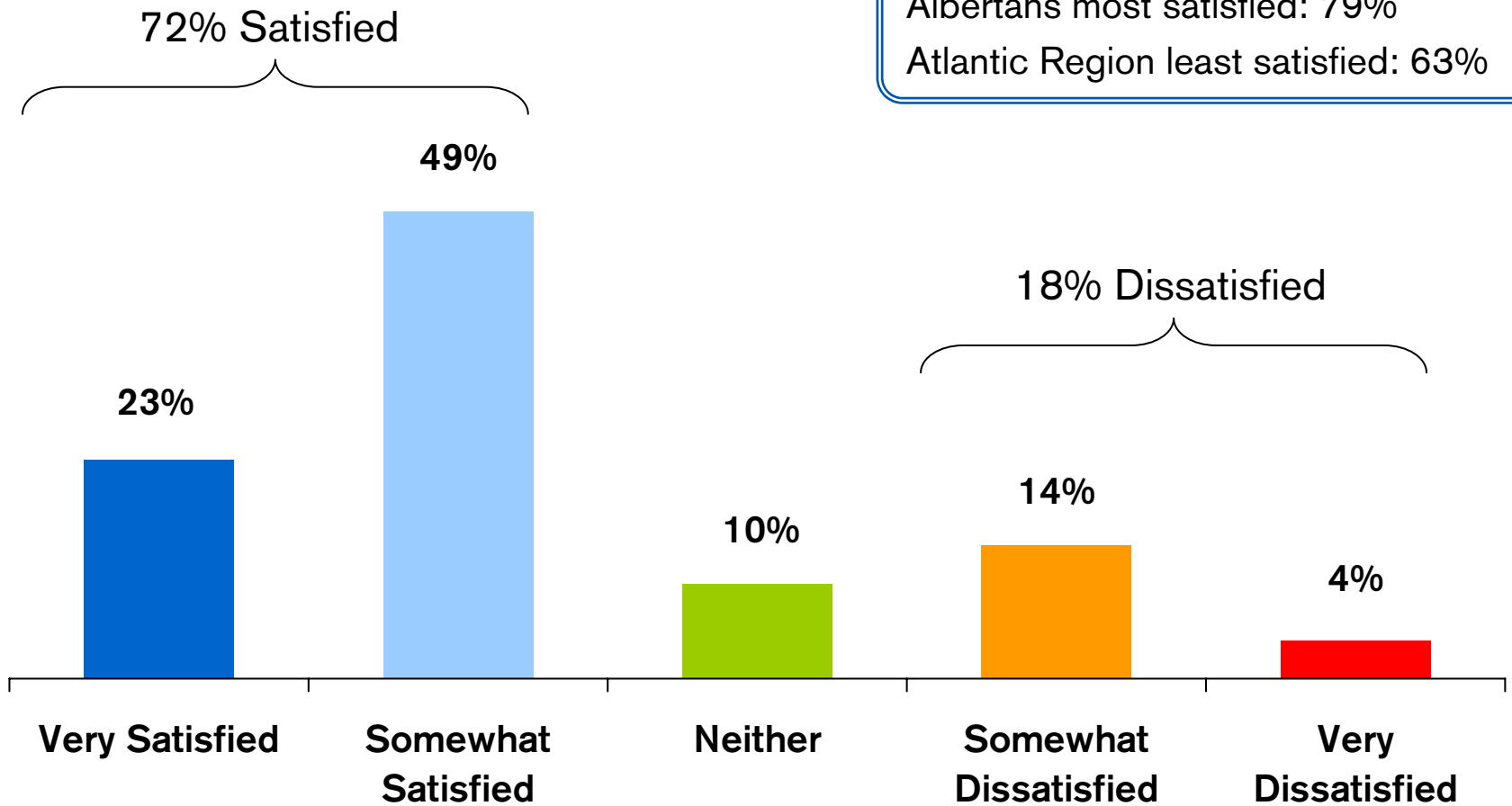


Canadian views on Prosperity



Majority of Canadians satisfied with their standard of living

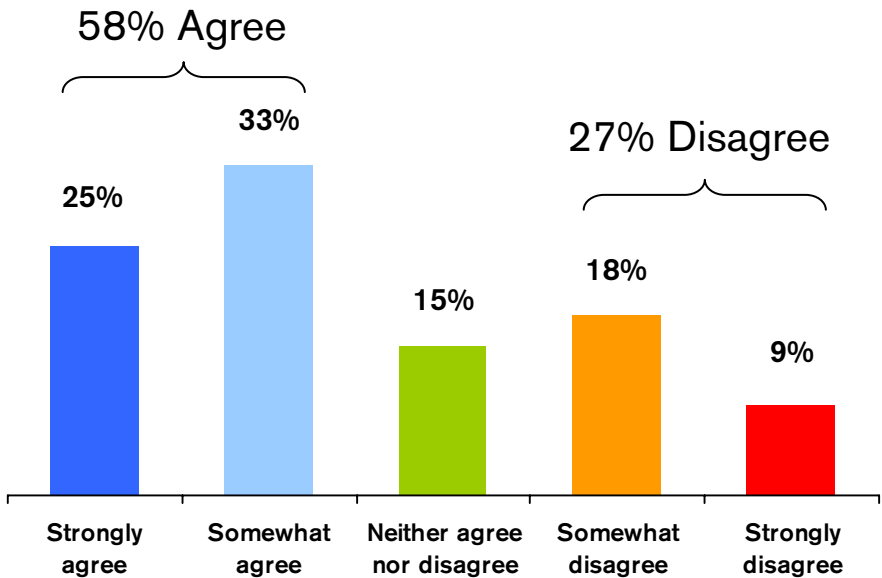
Q How satisfied are you with your current standard of living?



Note: Don't Know (<1%) not shown

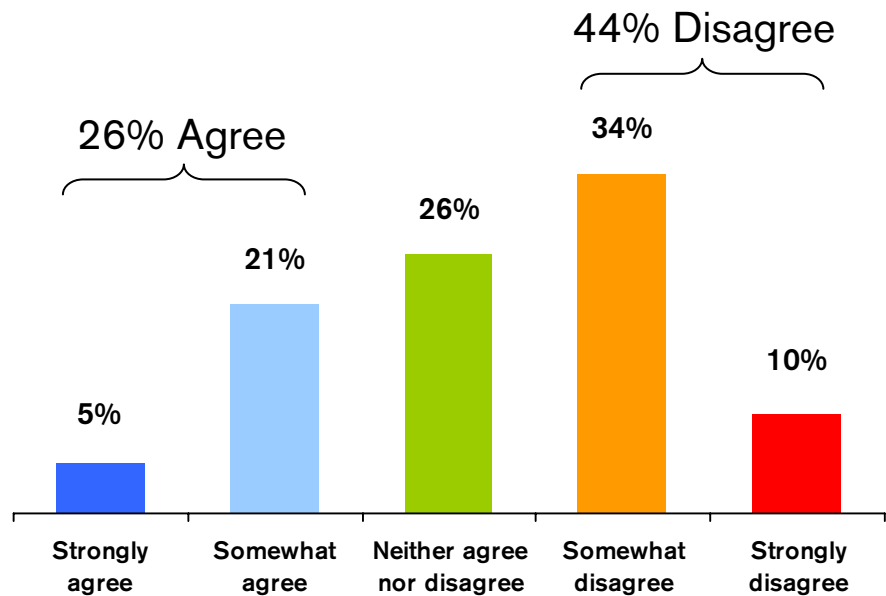
Only 1-in-4 think the next generation will enjoy a better standard of living

Q I am able to afford a better standard of living than my parents.



Note: Don't Know (1%) not shown

Q The next generation will be able to afford a better standard of living than we do.



Note: Don't Know (3%) not shown

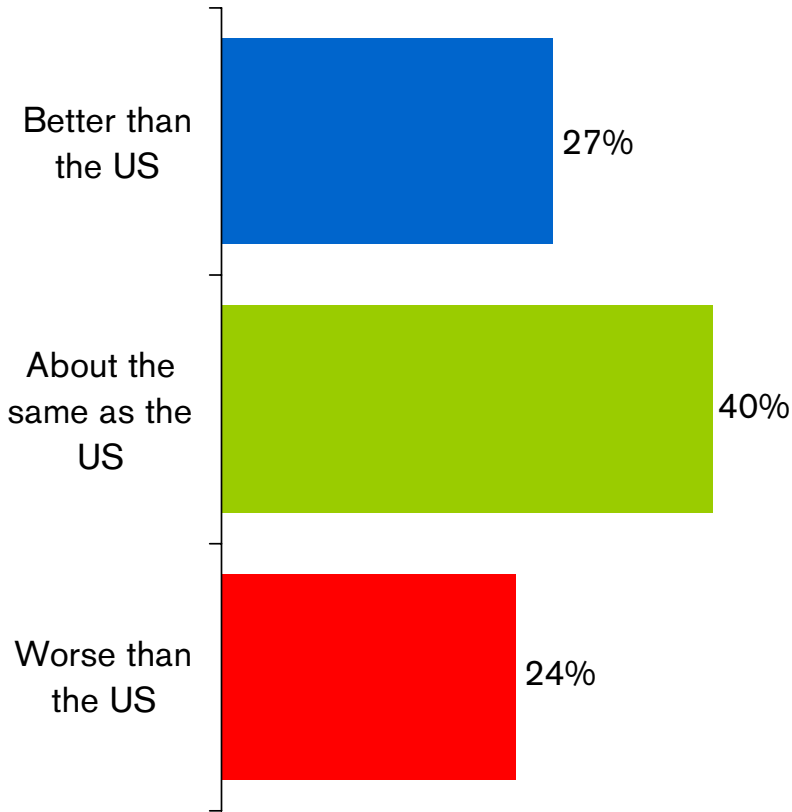
High: 71% of Prairie residents agree
Low: 49% of British Columbians agree

High: 53% of British Columbians disagree
Low: 36% of Prairies residents disagree



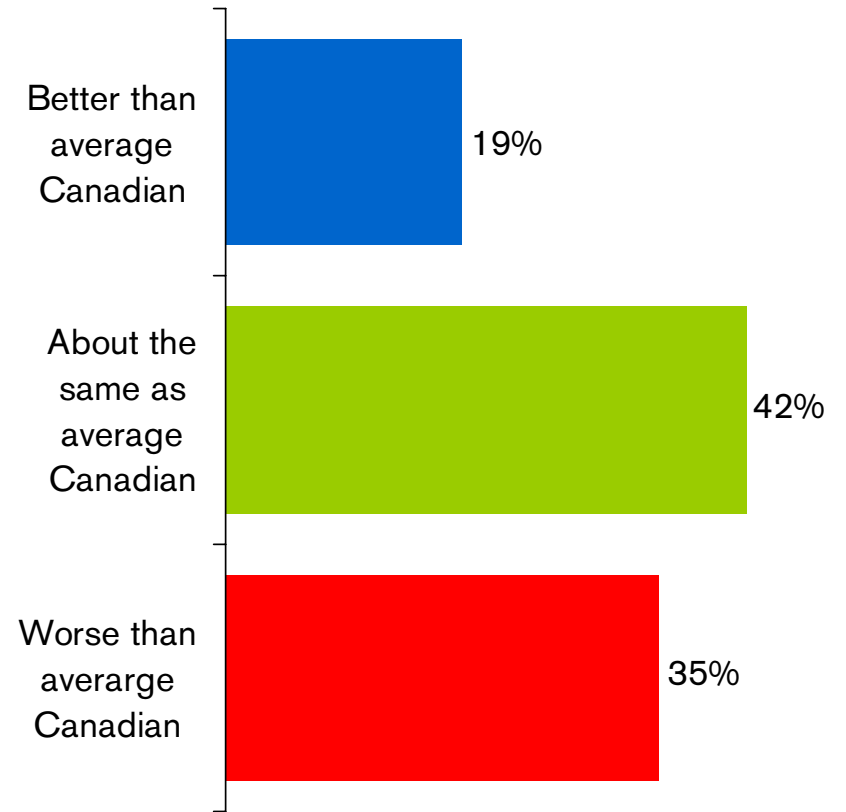
Plurality of Canadians view our economic performance and standard of living on par with US

Q When we assess how well Canada's economy has performed over the past 20 years, would you say that Canada's economy has performed...



Note: Don't Know (8%) not shown

Q Do you think the average American has a better, worse or about the same standard of living than the average Canadian?



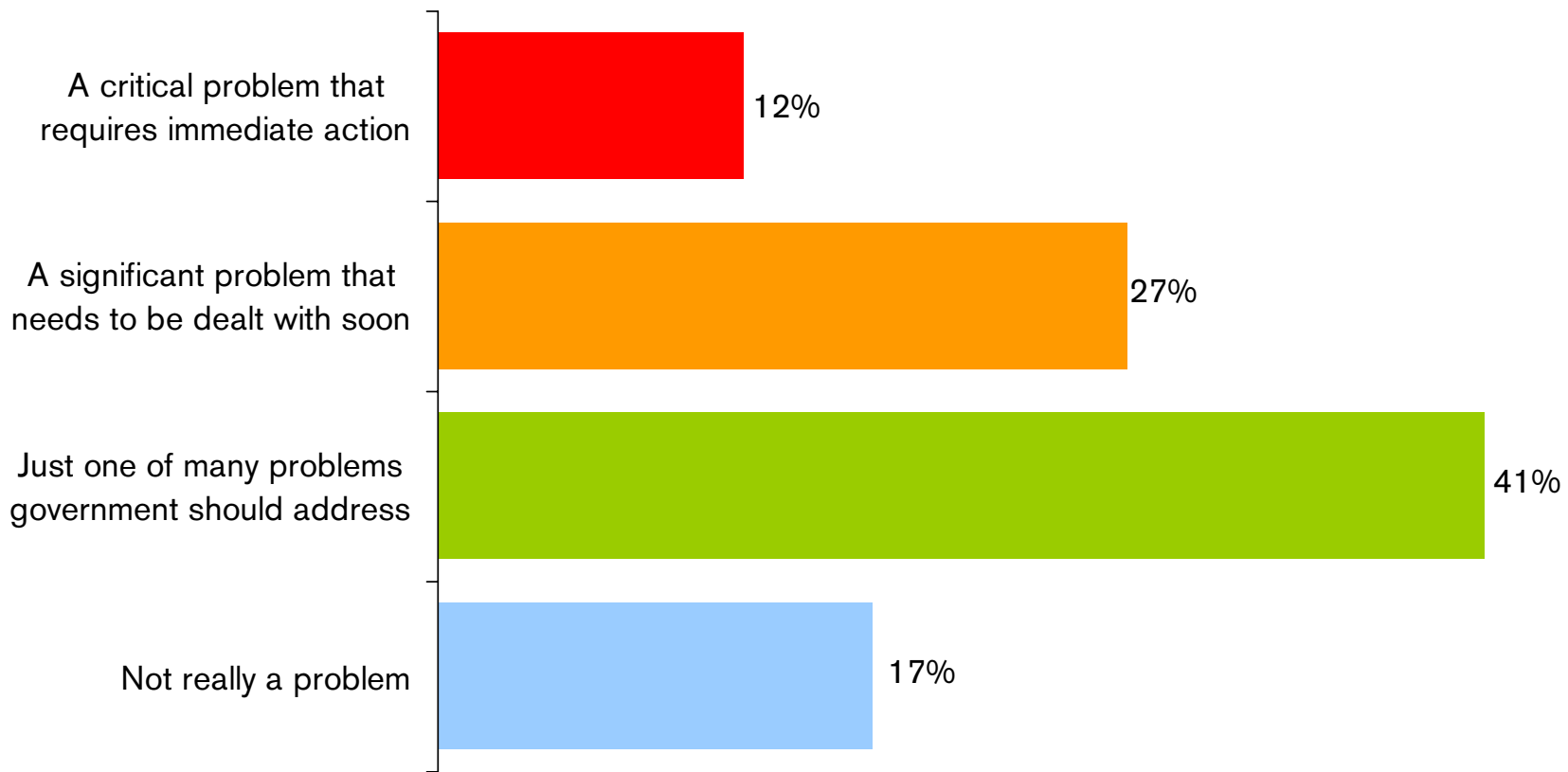
Note: Don't Know (4%) not shown



Just 1-in-8 see '*prosperity gap*' with US as a critical problem requiring immediate action

Q

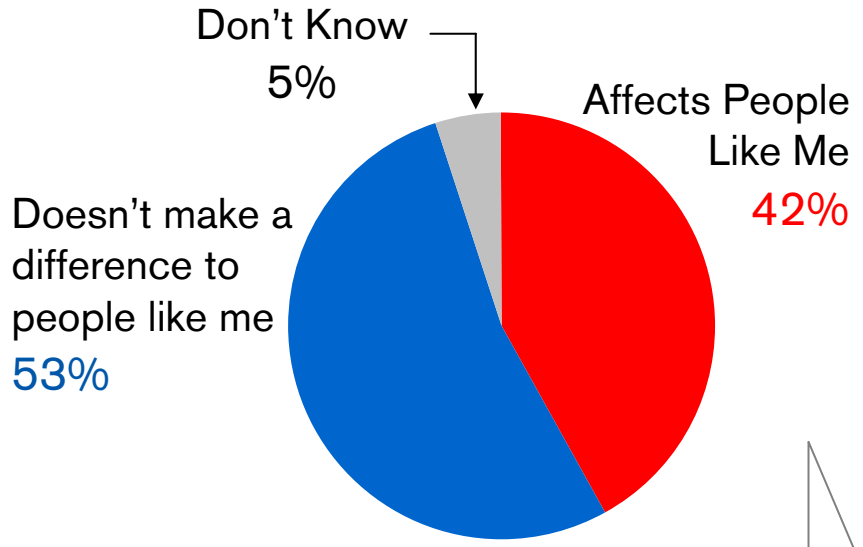
In fact, Canada has fallen behind the US. According to the Institute for Competitiveness and Prosperity, in 1981 the US generated \$3,300 more prosperity per person than Canada. By 2005, using constant dollars, the US increased its lead to \$9,200 more per person than Canada. **Do you think the fact that Canada has fallen behind the US in terms of economic growth is...**



Note: Don't Know (2%) not shown

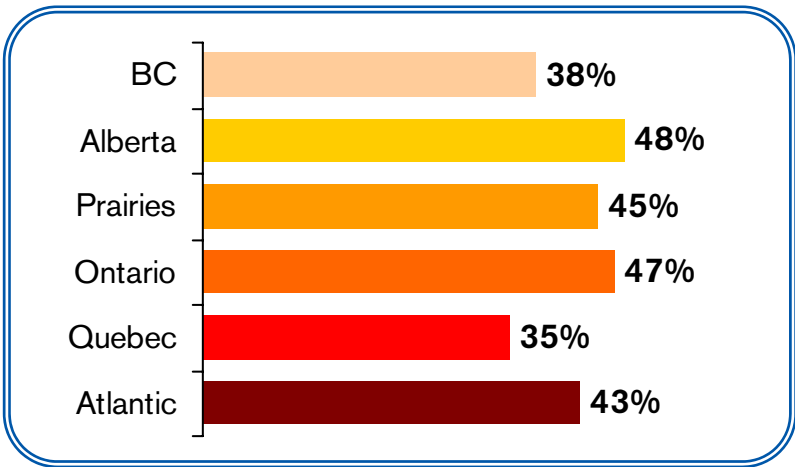
Majority don't feel the 'prosperity gap' with the US make much of a difference in their lives

Q Do you think the increasing prosperity gap between Canada and the US is something that affects people like you, or do you think it doesn't make much of a difference to people like you?

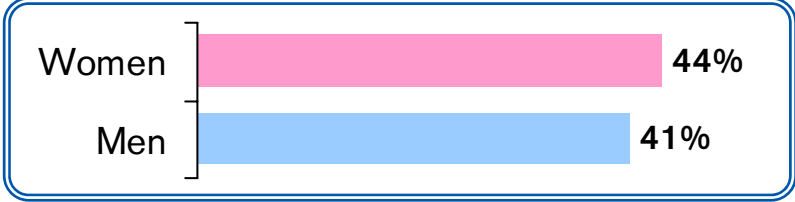


Sample Breakdown
"Affects People Like Me"

Region ▶



Gender ▶

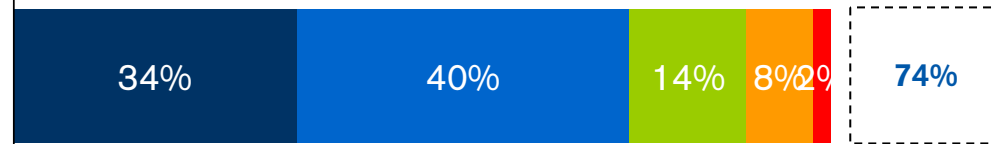


Majority feel it is a terrible waste to fail to make the¹² most of our resources and opportunity

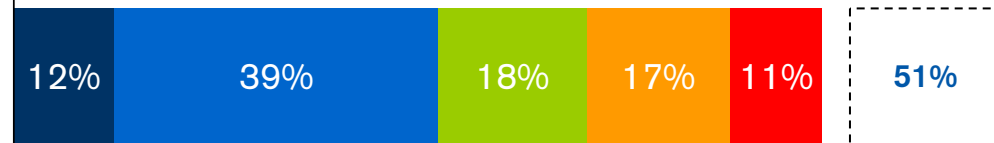
Q Do you agree or disagree with the following statements?

Total Agree ▶▶

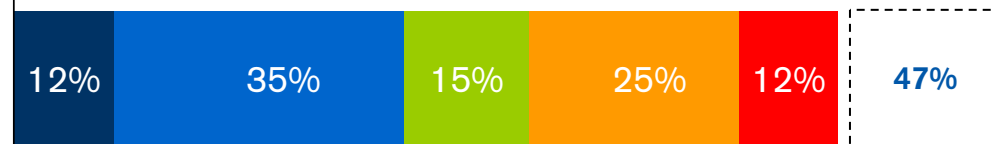
It is a terrible waste for Canadians to fail to make the most of the tremendous resources and opportunities we enjoy in this country.



Our lower standard of living, compared to the United States, is the price we pay for a better quality of life.



Canada's economy is doing just fine; it doesn't matter whether we are doing better or worse than the United States.



■ Strongly agree
 ■ Somewhat agree
 ■ Neither agree nor disagree
 ■ Somewhat disagree
 ■ Strongly disagree



Note: Don't Know not shown

Closing the “prosperity gap” with America

The Institute for Competitiveness and Prosperity has calculated that if each Canadian did as well as the average American economically, in **addition to generating \$11,900** more in disposable income per household, Canada’s economy would generate an additional **\$108 billion in government tax revenue** every year. According to experts, this is enough money to fund all of the following:

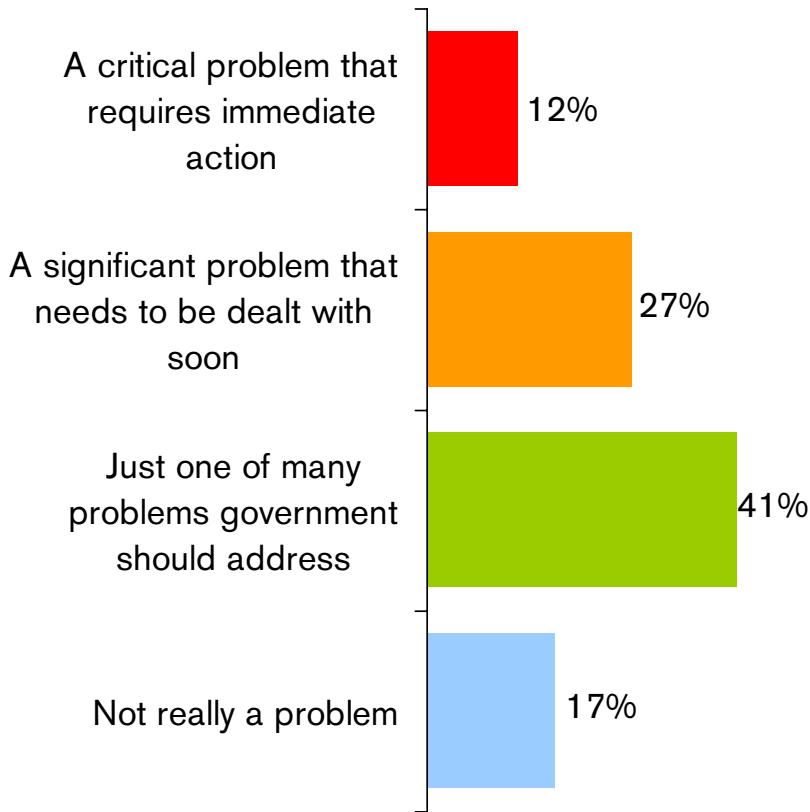
- The Romanow Commission on the Future of Health Care proposal to **improve Canada’s health care system** (\$5 billion per year).
- The Fraser Mustard and Margaret McCain recommendations to **improve Canada’s early childhood education** (\$4 billion per year).
- Close the ‘**infrastructure deficit**’ and provide better roads, improved water systems and modern hospitals, schools and other public facilities across Canada (\$6 billion per year).
- David Suzuki’s proposed plan to **meet Canada’s Kyoto commitments** to reduce greenhouse gases (\$6 billion per year).

Even after all of that increased government spending, there would still be enough **money left over to cut Canadian taxes by 18% or \$87 billion annually.**

Canadians do respond to the case for closing the *'Prosperity Gap'* ¹⁴

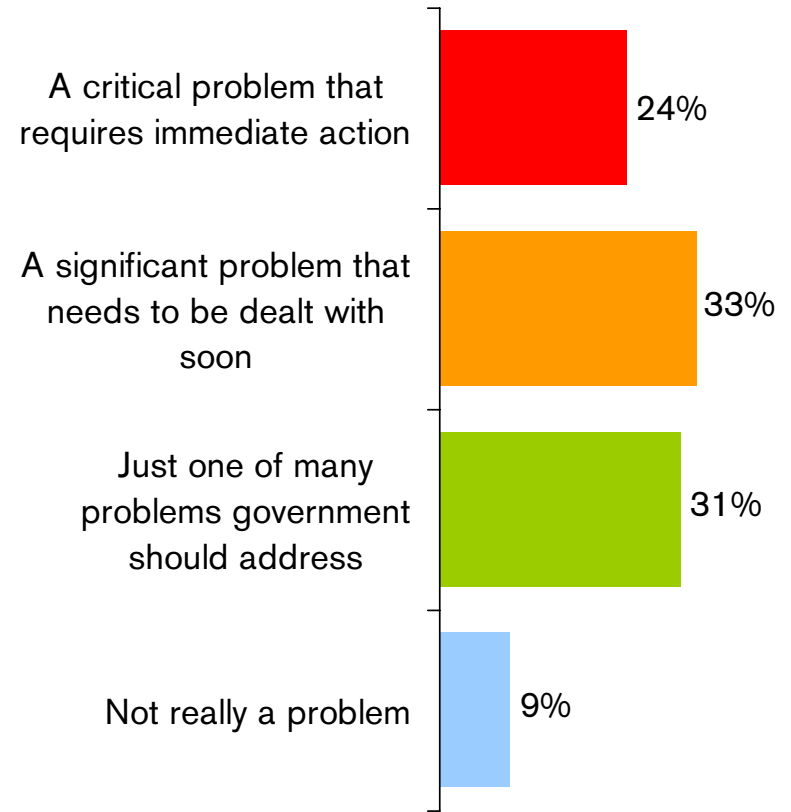
Q Given the information above, do you think the fact that Canada has fallen behind the U.S. in terms of economic growth is...

Pre-Issue Salience



Note: Don't Know (2%) not shown

Post-Issue Salience



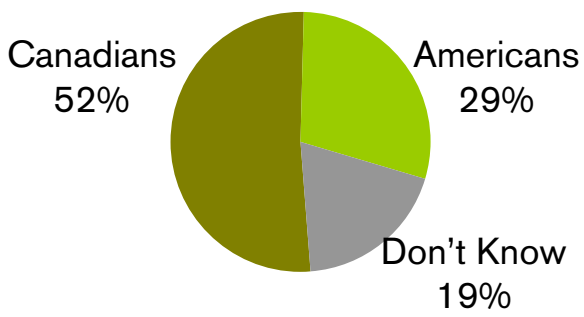
Note: Don't Know (2%) not shown



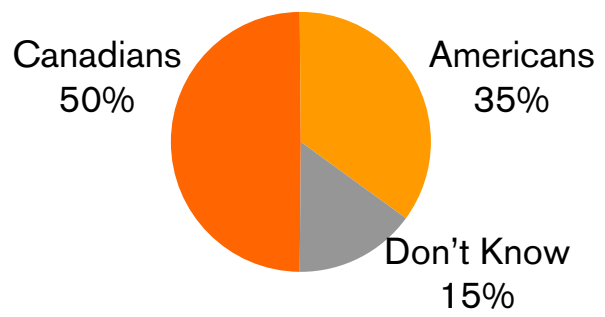
Majority is correct in saying they take work fewer hours and take more vacation than Americans



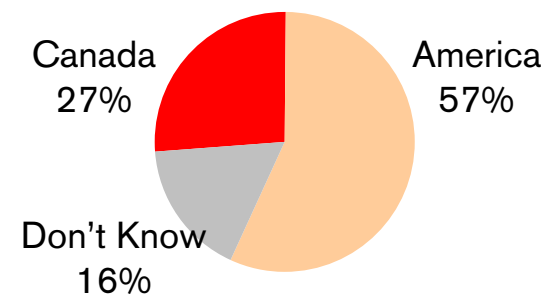
Who do you think ...



Works fewer hours per week



Takes more vacation days per year



Has proportionately more "workaholics"



Between 1997-2004, the average employed Canadian worked 157 hours less annually than his American counterpart.

The average employed Canadian takes 3.9 weeks off work compared to 2.0 weeks in the U.S. (*70-hour difference per year*)

When at work, the average employed Canadian works 37.4 hours per week compared to his U.S. counterpart who works 39.2 hours per week (*87-hour difference per year*)

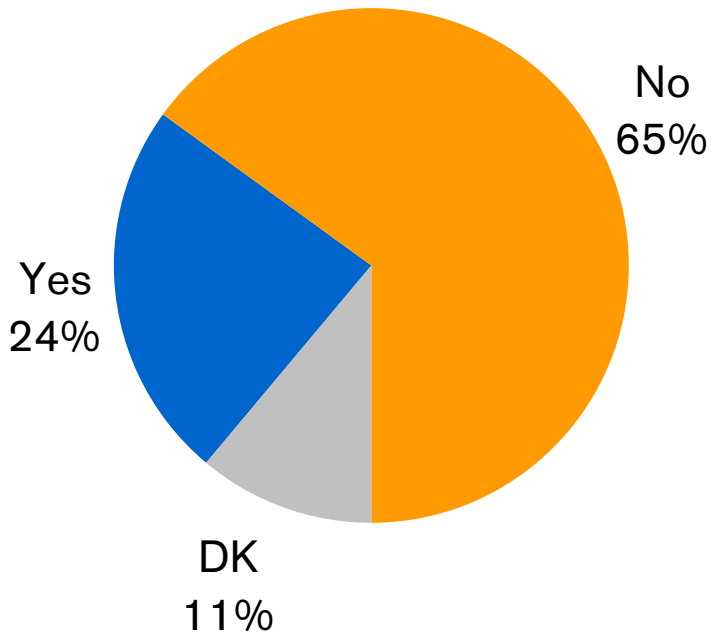


Source: Institute for Competitiveness & Prosperity, *Agenda for Canada's Prosperity*, March 2007, p. 21

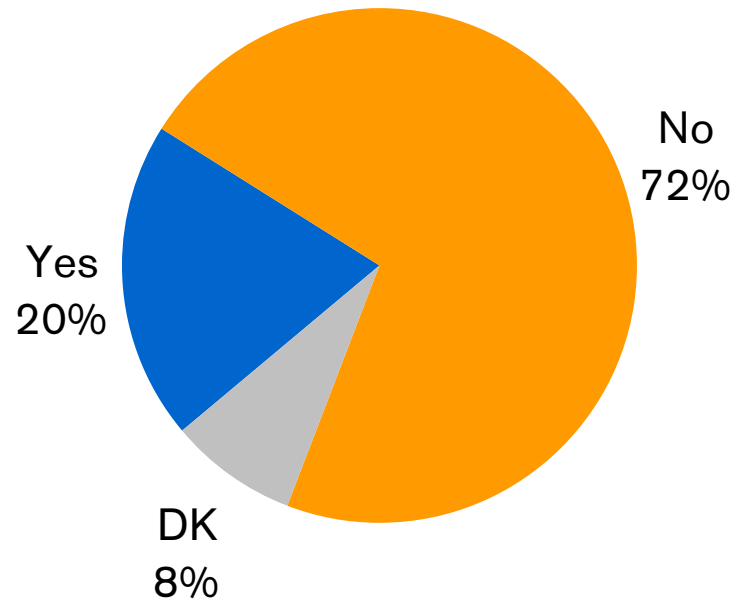


Majority would not work longer hours or take fewer vacation days to help close prosperity gap

Q Would you be willing to **work longer hours** to close the prosperity gap with Americans?



Q Would you be willing to **take fewer vacation days** to close the prosperity gap with Americans?



Economic Identity

How Canadians see themselves ▶▶



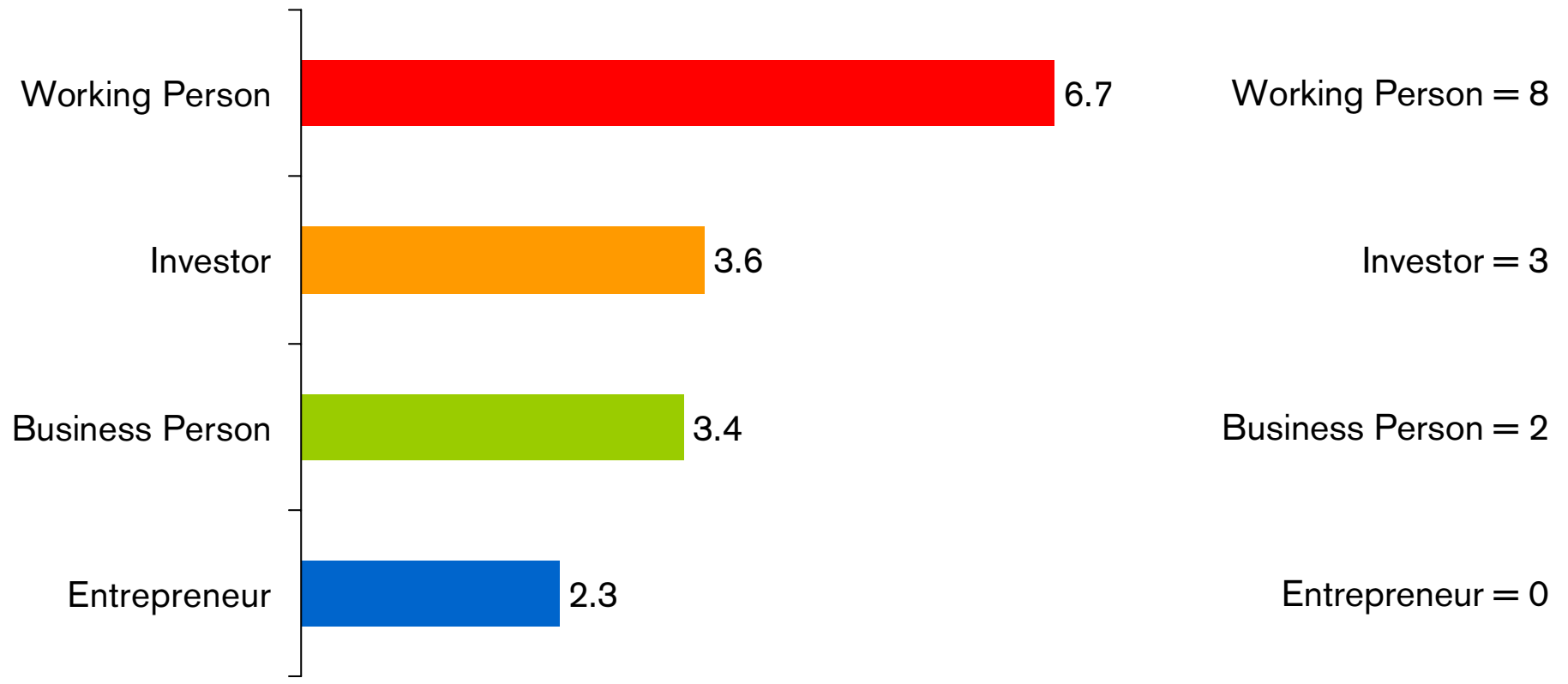
Canadian less likely to identify themselves as an 'entrepreneur' as opposed to 'working person'

Q How well do the following words describe you? Please use a scale between zero to ten where ten is describes you exactly and zero is does not describe you at all.

Average Score out of 10 ▶▶

[0 does not at all describe themselves – 10 completely describes themselves]

Median Score



Business Taxation

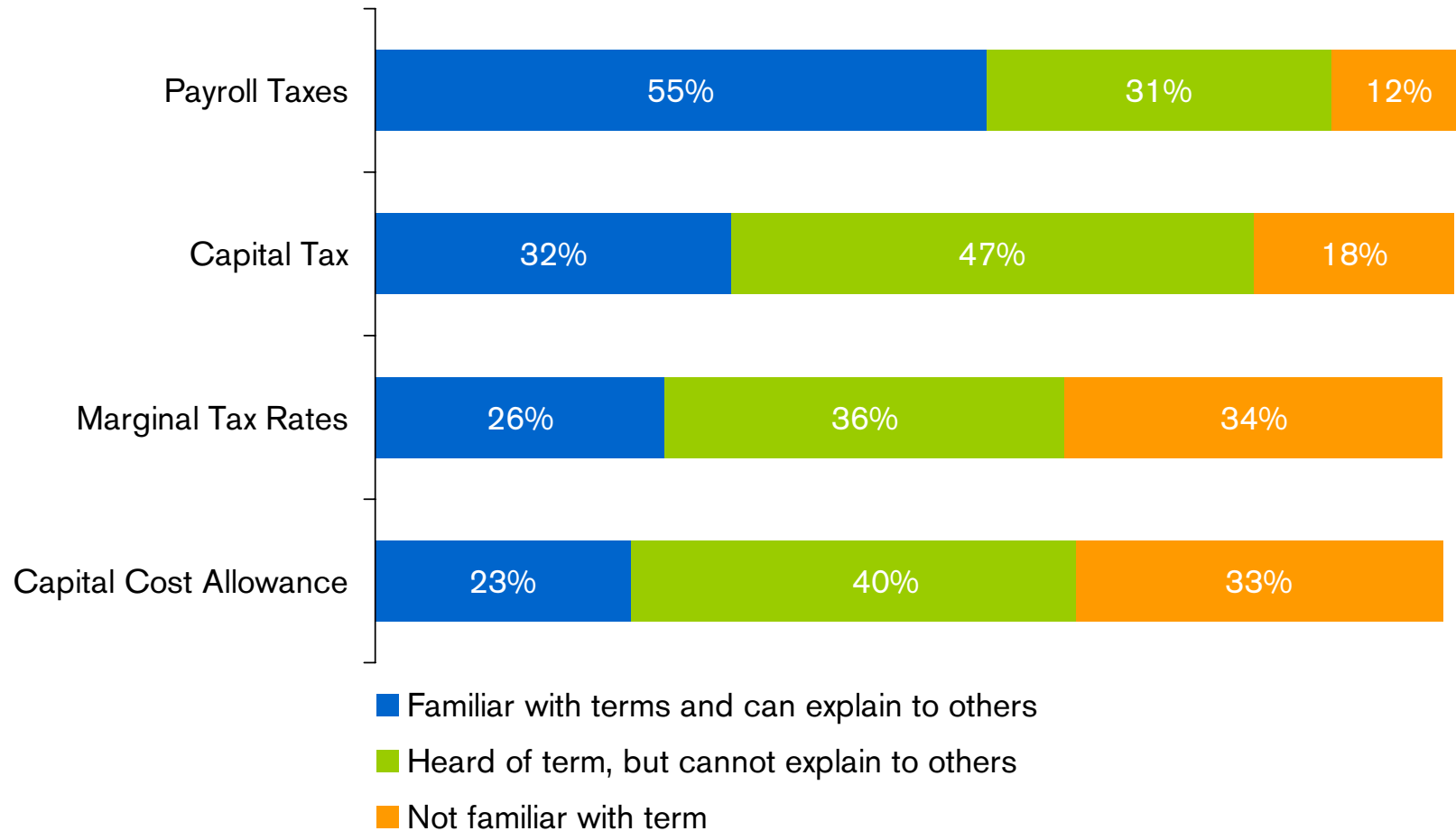
Canadian attitudes towards business taxes ▶▶



Payroll taxes best known to Canadians

Q

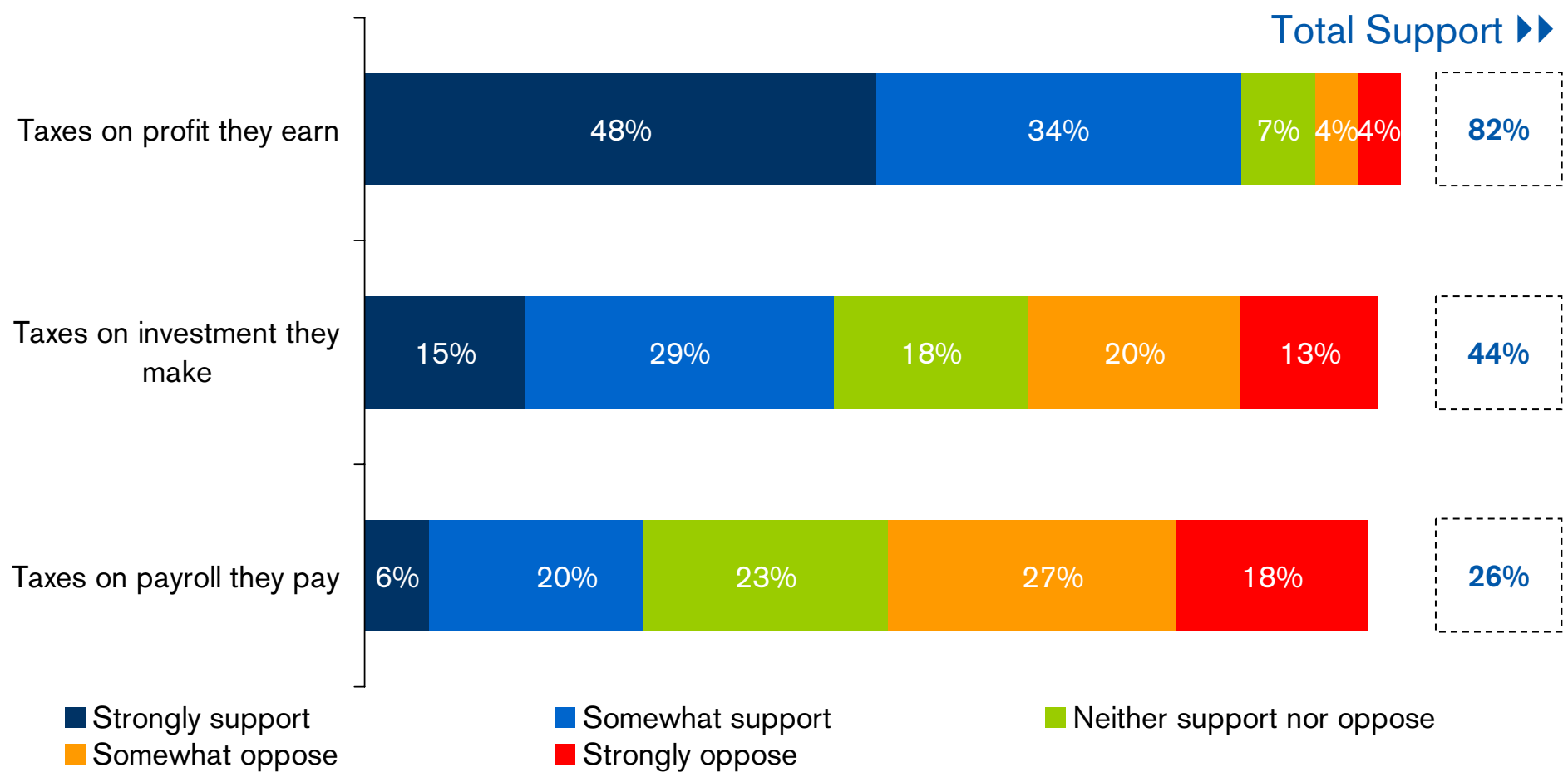
How familiar are you with the following terms?



Note: Don't Know not shown

Majority support taxing business profits – least support for payroll tax

Q There are several ways government can tax business. Do you support or oppose each of the following types of business taxes?



Note: Don't Know not shown

Majority recognize taxes affect competitiveness of ²² business, but still important they pay their fair share

Q Do you agree or disagree with the following statements?

Total Support ▶▶

It is important for government to tax businesses so that they pay their fair share.



84%

When government increases taxes on business, it's consumers who end up paying more in the end.



79%

If we increase taxes on business, Canadian companies will be less able to compete with companies from other countries.



58%

When governments tax profits, they just punish companies that have been successful.



29%

■ Strongly agree ■ Somewhat agree
■ Neither agree nor disagree ■ Somewhat disagree
■ Strongly disagree

Note: Don't Know not shown

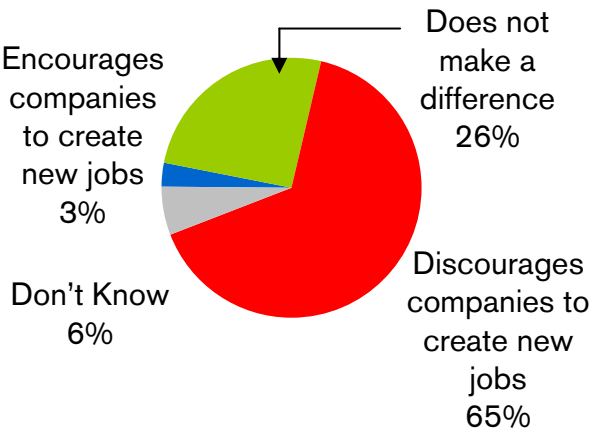


2-in-3 Canadians recognize taxes on investment discourage future business investments

Q Now we would like you to read some comments some economists have made about these taxes and ask what you think about them.

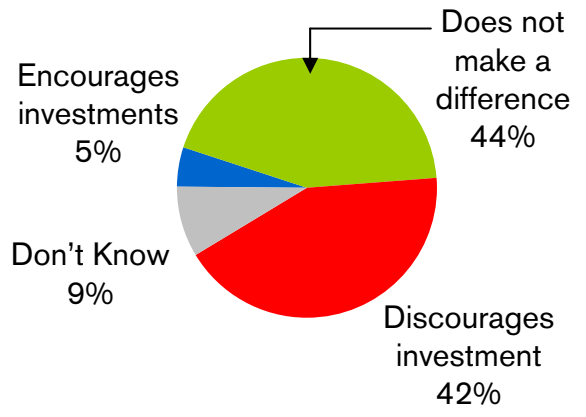
Payroll taxes are taxes that companies pay on the size of their payroll. The more people a company hires, and the more a company pays each person, the more tax a company pays.

Do you think that payroll taxes encourage or discourage companies to create new jobs?



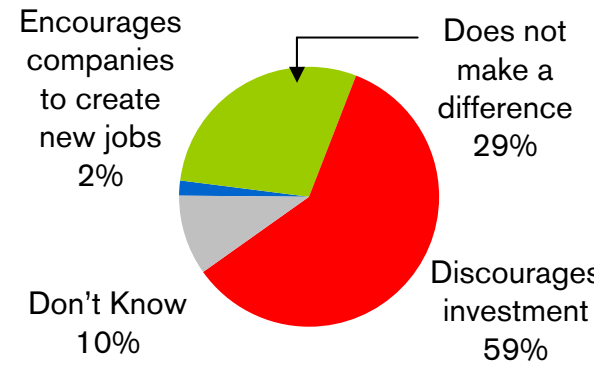
Profit taxes are taxes companies pay on the return they make from their investments here in Canada.

Do you think profit taxes encourage or discourage companies from making new investments in Canada?



Taxes on investments are taxes companies pay on assets like buildings and machines. These are taxes companies pay on investments whether they make any money or not.

Do you think investment taxes encourage or discourage companies from making new investments?



At the end of the day ...

Canadians split on business taxation

Q

Thinking about the last three questions, which statement is closest to your point of view?

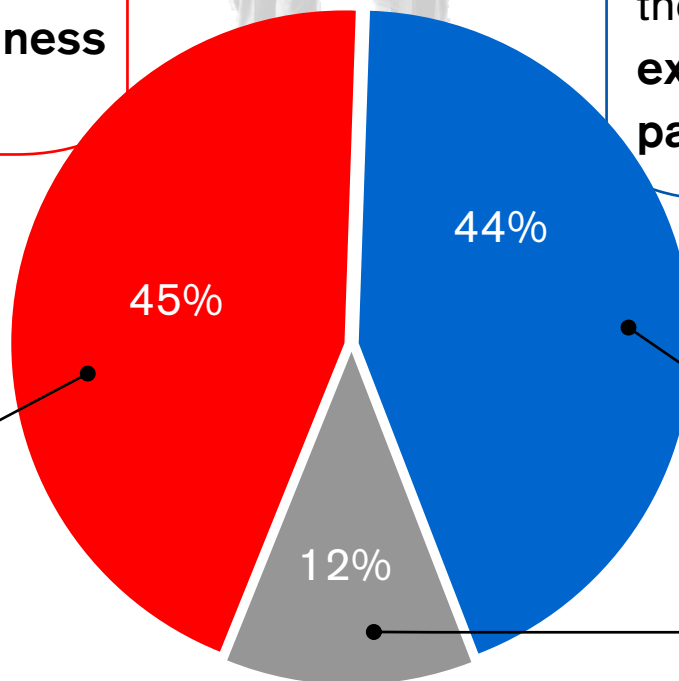
Smith says:

I think those questions raise some real concerns about the **negative impact of business taxes.**

Jones says:

I think the concerns raised in those questions are just **excuses for business to avoid paying their fair share of taxes.**

45% Agree with Smith



44% Agree with Jones

Don't know: 12%

...But Business Literacy and Identity makes a difference

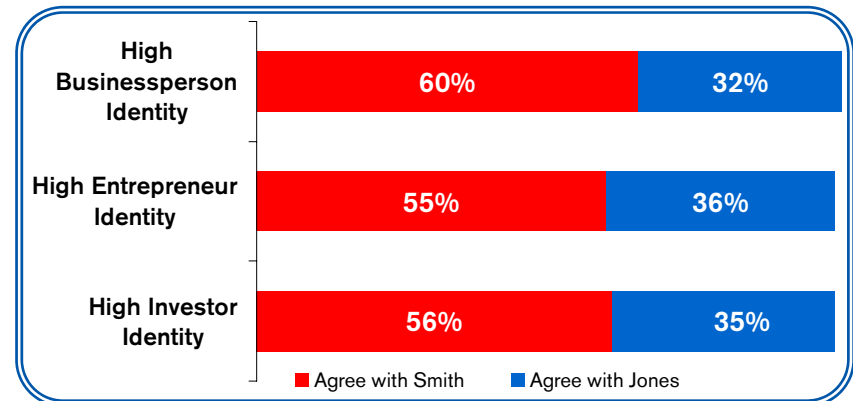
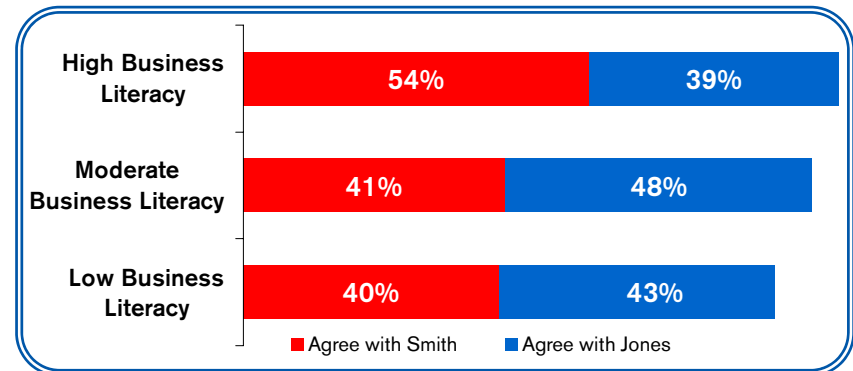
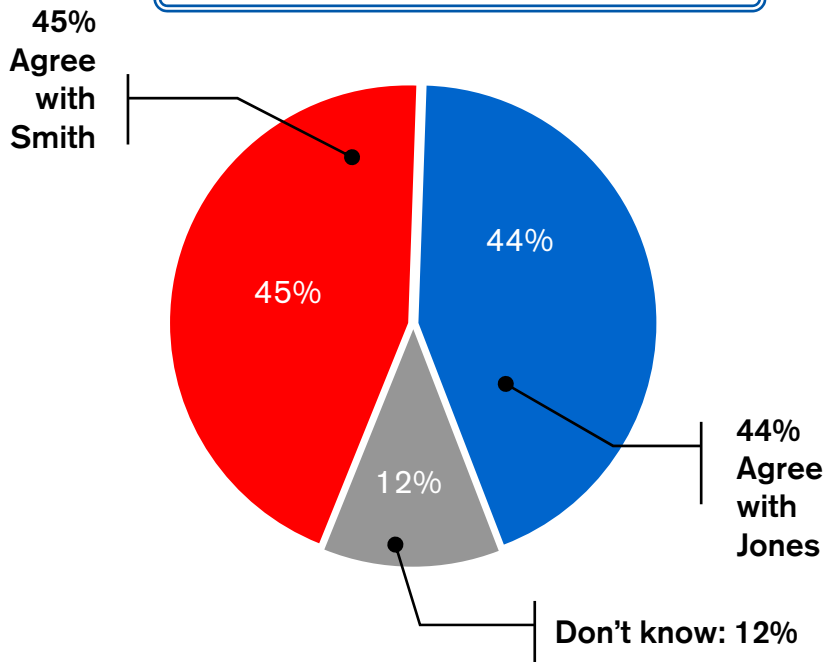
Q

Thinking about the last three questions, which statement is closest to your point of view?

Smith says: I think those questions raise some real concerns about the negative impact of business taxes

Jones says: I think the concerns raised in those questions are just excuses for business to avoid paying their fair share of taxes.

Overall Result



Government Spending

Canadian attitudes towards fiscal policy ▶▶



Only 36% of Canadian support deferring government spending

Q Do you agree or disagree with the following statements?

Total Agree ▶▶

Government investment in infrastructure such as water systems and highways is a critical requirement for a strong economy.



88%

Government spending on education helps to generate additional economic growth in the long run.



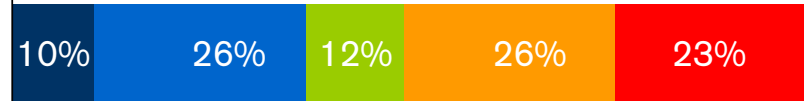
87%

When the economy grows, governments receive more money without increasing taxes.



85%

Government spending on social services such as health care and social assistance is a lot like consumer spending, it makes life better today but it doesn't provide a long term benefit to the economy.



36%

■ Strongly agree ■ Somewhat agree
■ Neither agree nor disagree ■ Somewhat disagree
■ Strongly disagree

Note: Don't Know not shown



Majority of Canadians would put off long-term economic investments in exchange for government spending today

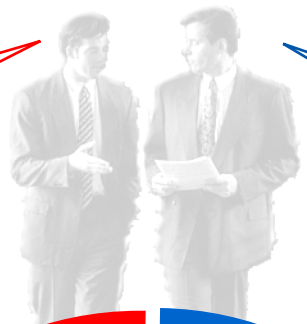
Q Which statement is closest to your point of view?

Smith says:

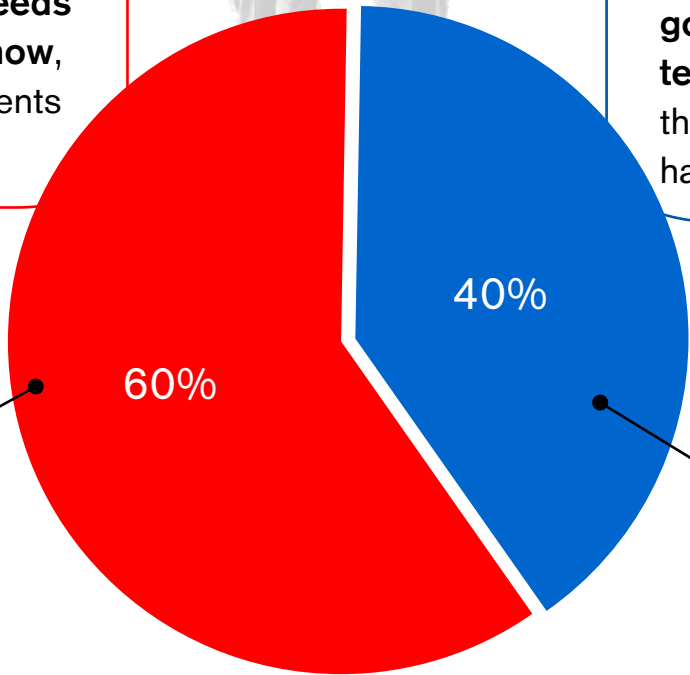
When it comes to social issues like health care, poverty and homelessness, **government needs to increase social spending now**, even if other important investments have to wait.

Jones says:

When it comes to social issues like health care, poverty and homelessness, **government needs to focus on long term economic growth first**, even if that means some social spending will have to wait.



60% Agree with Smith



40% Agree with Jones



Women even more in favour of increased social spending now

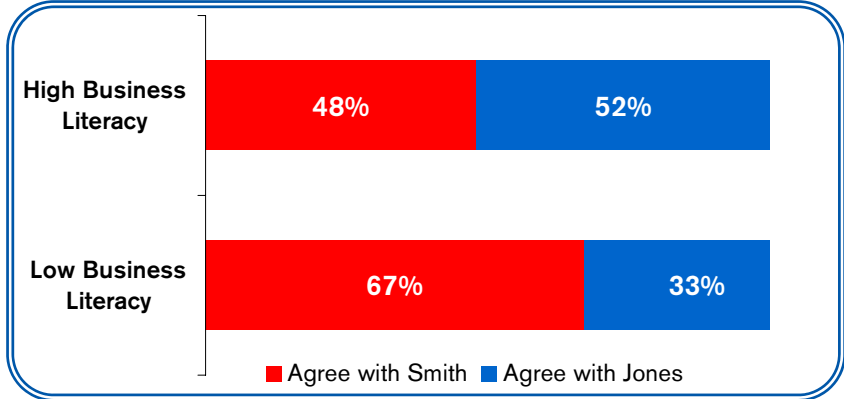
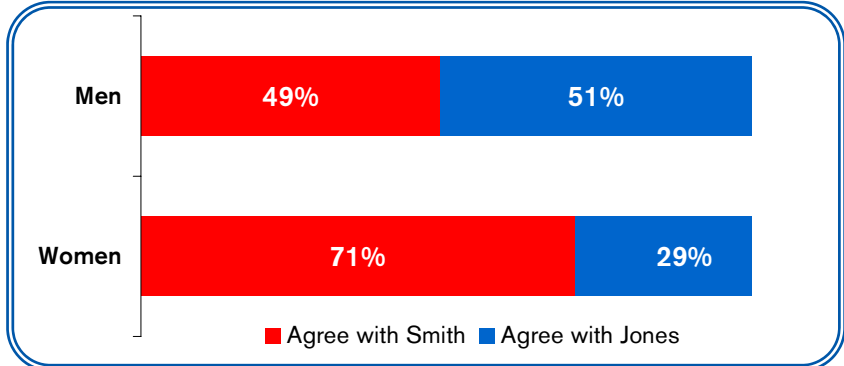
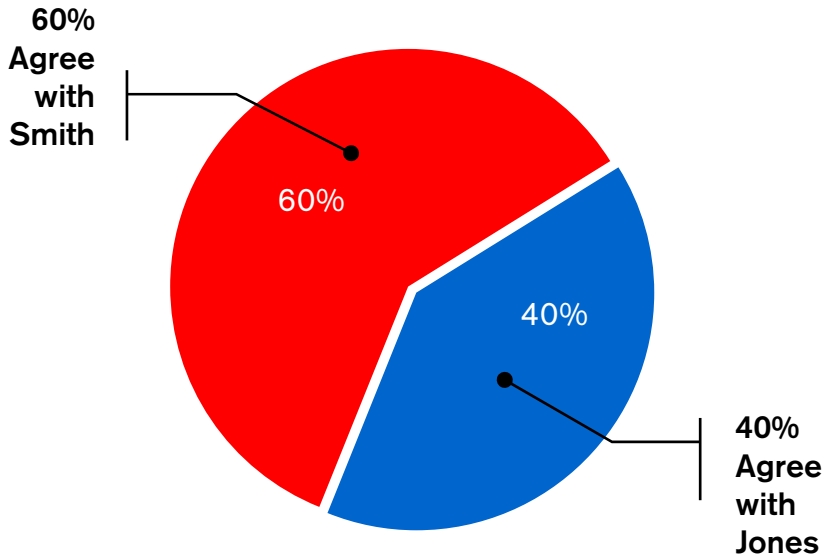


Which statement is closest to your point of view?

Smith says: When it comes to social issues like health care, poverty and homelessness, **government needs to increase social spending now**, even if other important investments have to wait.

Jones says: When it comes to social issues like health care, poverty and homelessness, **government needs to focus on long term economic growth first**, even if that means some social spending will have to wait.

Overall Result



Free Trade

Canadian attitudes towards trade policy ▶▶



A large group of Canadians still see fair trade as a ³¹ threat to jobs (36%)

Q

Which statement is closest to your point of view? Free trade agreements are ...

Smith says:

... a good way to create economic growth in Canada

Jones says:

... a dangerous threat to Canadian jobs

45% Agree with Smith

45%

36%

36% Agree with Jones

18%

Don't know: 18%

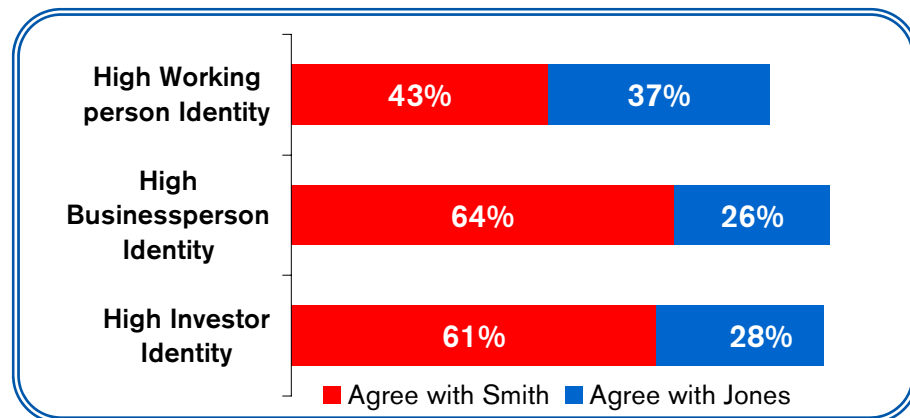
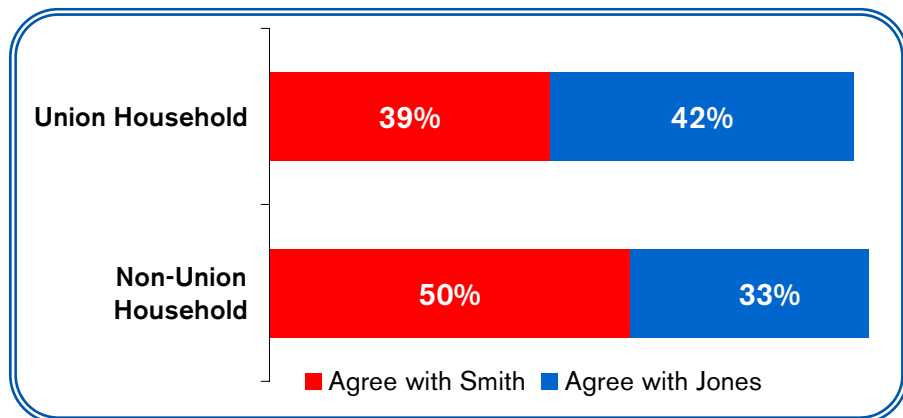
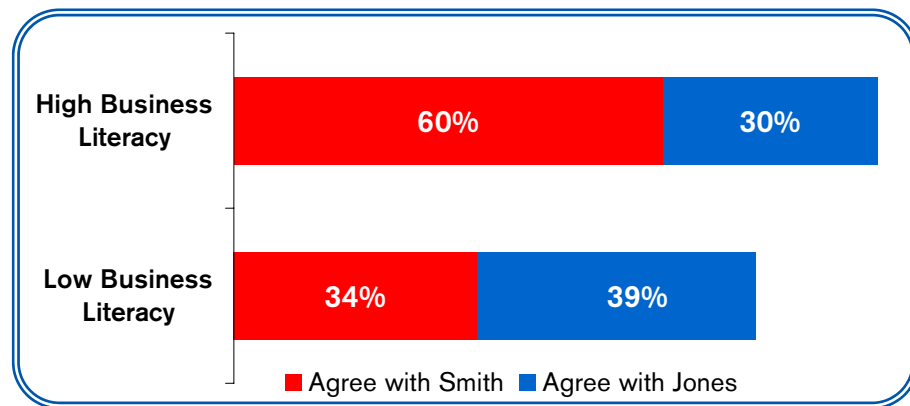
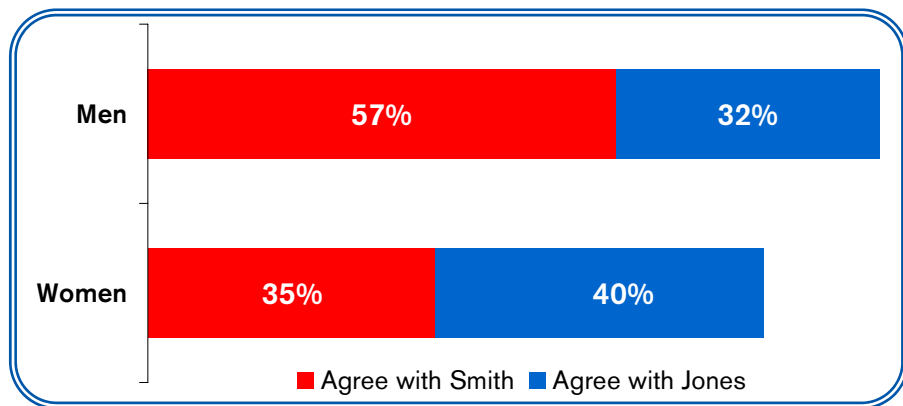
Those with strong business acumen and men view free trade agreements as economic boon

Q

Which statement is closest to your point of view? Free trade agreements are...

Smith says: A good way to create economic growth in Canada.

Jones says: A dangerous threat to Canadian jobs.

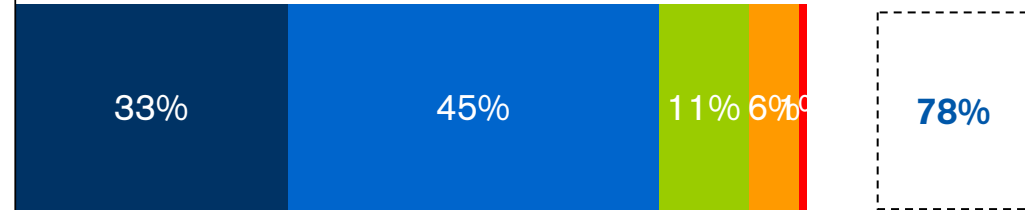


Canadians hold conflicting views on foreign trade

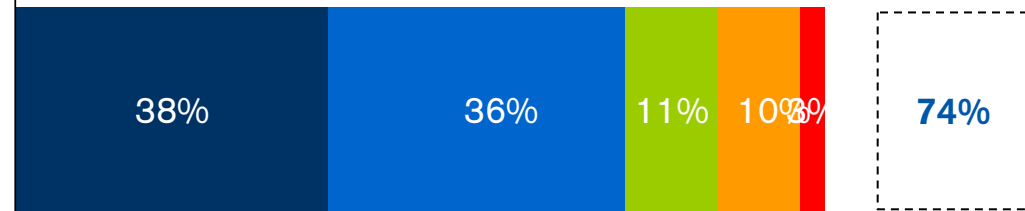
Q Do you agree or disagree with the following statements?

Total Agree ▶▶

If Canadian governments make it harder for Canadian companies to compete with companies from other countries, we will likely lose jobs.



Too many good Canadian jobs are being lost to low wage countries like India and China.



- Strongly agree
- Somewhat agree
- Neither agree nor disagree
- Somewhat disagree
- Strongly disagree

Note: Don't Know not shown

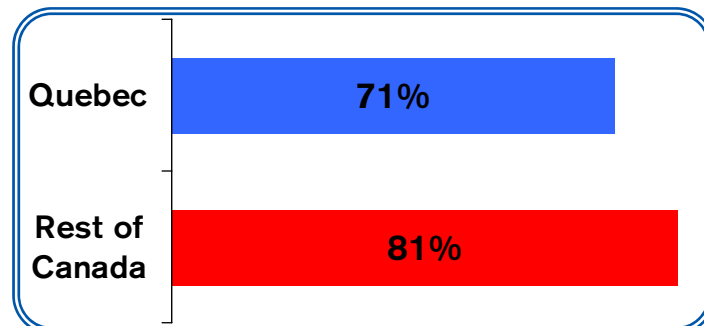
Demographic divides on economic competitiveness...

Q Do you agree or disagree with the following statements?

If Canadian governments make it harder for Canadian companies to compete with companies from other countries, we will likely lose jobs.

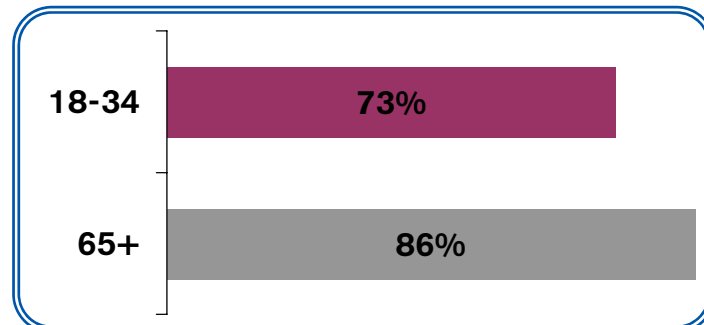
Regional Divide ▶▶

(% Agree)



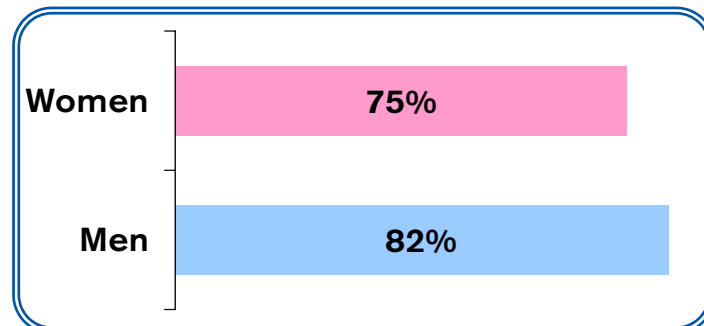
Age Gap ▶▶

(% Agree)



Gender Split ▶▶

(% Agree)



...And also on potential job loss

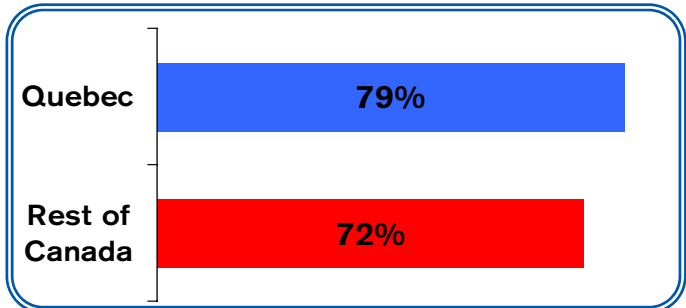
Q

Do you agree or disagree with the following statements?

Too many good Canadian jobs are being lost to low wage countries like India and China.

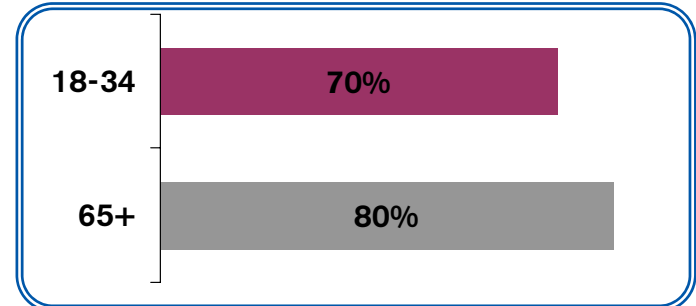
Regional Divide ▶▶

(% Agree)



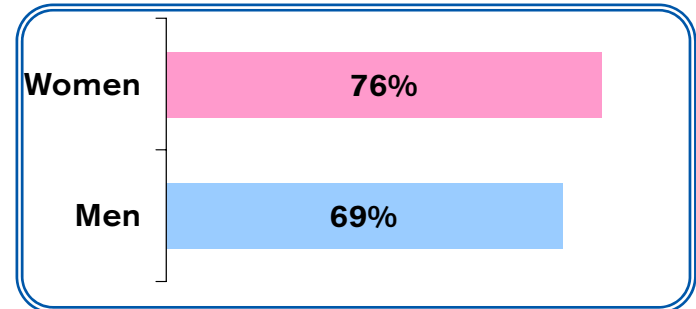
Age Gap ▶▶

(% Agree)



Gender Split ▶▶

(% Agree)



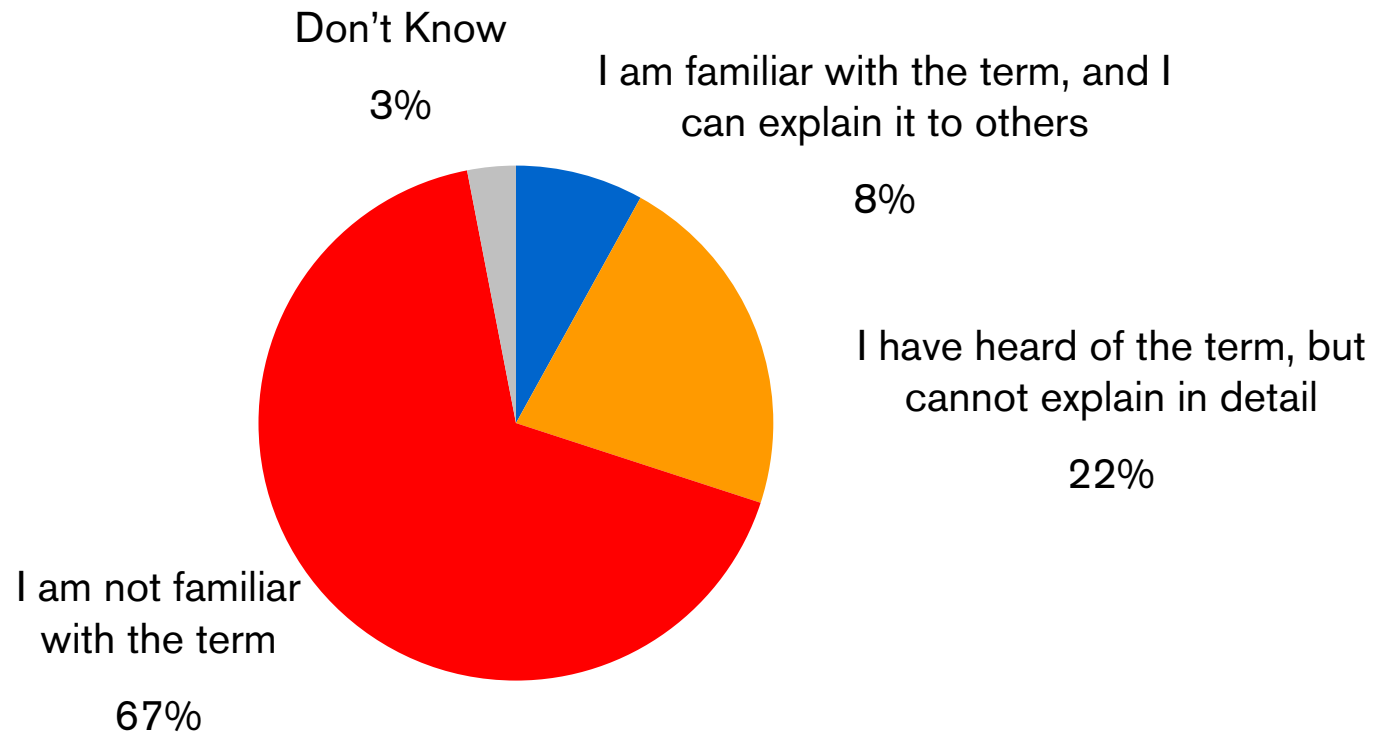
Marginal Taxation

Public reaction to the impact of marginal tax rates on leaving social assistance ▶▶



Majority of Canadians are unfamiliar with term 'welfare wall'

Q How familiar are you with the term 'welfare wall'?

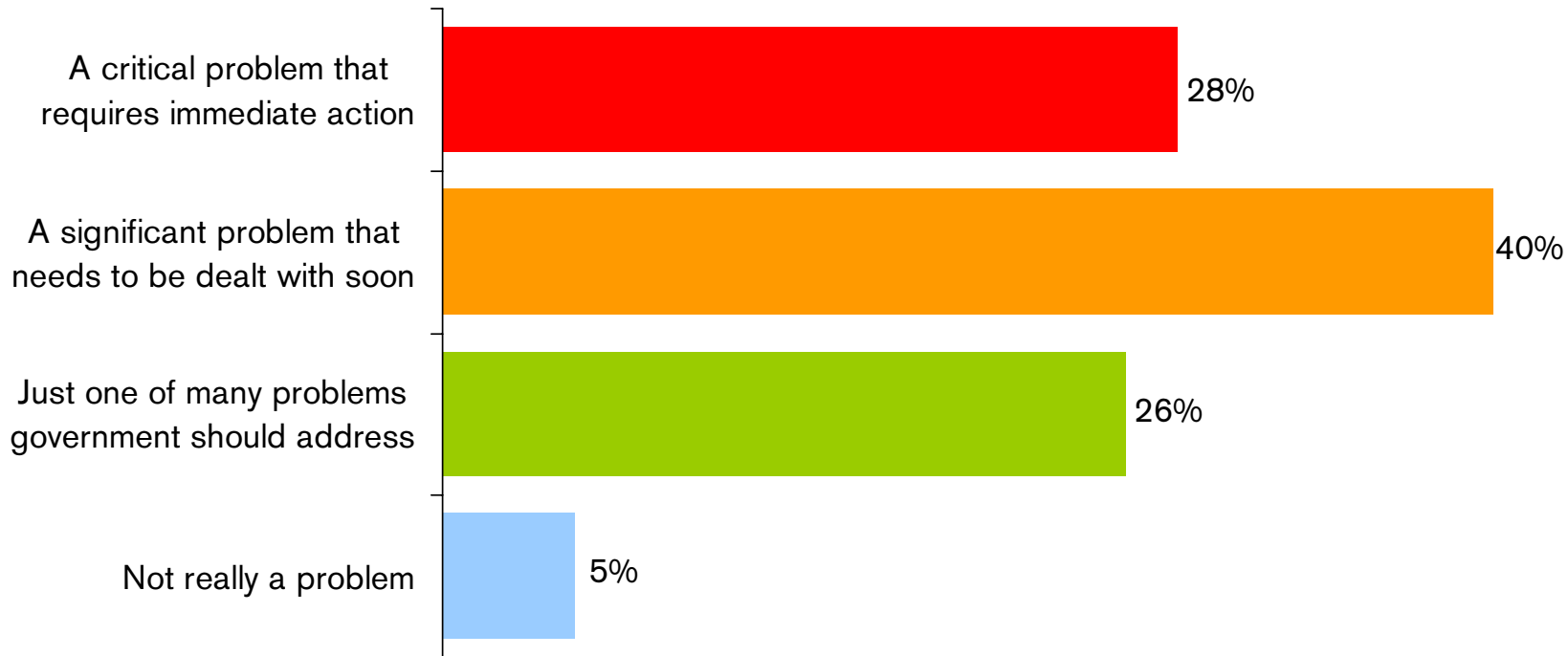


3-in-10 see 'welfare wall' as a critical problem requiring immediate action

Q

The 'welfare wall' refers to the challenge people on social assistance or welfare face when they take a low-paying job and lose access to programs that help with housing, child care, prescription drugs and education and training. When someone leaves welfare to take a job, not only do they lose their welfare cheque, but all the other programs as well.

Do you think this "welfare wall" is ...



Note: Don't Know (2%) not shown

Summary

What needs to happen to promote the agenda ▶▶

- To raise concern about prosperity in Canada, success seems more likely if the focus is around next generation or the moral imperative to make the most of what we have – *not* comparing ourselves to the US.
- Elements of the prosperity agenda have greater support than the overall agenda itself:
 - Alarm over welfare
 - Support for investments in human capital and infrastructure
 - Acceptance of the need to reduce business taxation of payroll and investment taxes
- Canadians are *not* prepared to sacrifice personally in order to fill the prosperity gap.
- While Canadians support lower profit taxes, they still feel business must pay something as a matter of fairness.



Greg Lyle, *Managing Director*

Innovative Research Group, Inc. | www.innovativeresearch.ca

Toronto | Vancouver