

# St. John's Board of Trade

**Submission to the Department of Human Resources, Labour and Employment  
A Youth Retention and Attraction Strategy for Newfoundland and Labrador**



**December 15, 2008**

## **Introduction**

The St. John's Board of Trade fully supports the initiative of the Government of Newfoundland and Labrador to develop a systematic and comprehensive strategy by which it can play its role in retaining youth in the province and attracting young people to the province. And the Board appreciates that the province has engaged a number of stakeholders in a public consultation process, as many players are responsible for our current situation and building our future.

For 2009, the St. John's Board of Trade has identified labour market and labour supply as one of its very top policy and advocacy issues. The Board will be very active in participating in endeavours that support labour market development, and will be bringing constructive, specific recommendations on these issues forward to all levels of government and other community stakeholders. Our members are already seeing the direct impact of labour market challenges and need to have these issues addressed now.

Attracting a young population is also critical to sustaining a tax base that, coupled with resource revenue, will continue to support the social programs needed to make our province attractive. Strictly attracting a retiring or ageing population would not only affect this tax base but also put even more pressure on social programs like health care.

## **Summary of Recommendations**

*Start at home:* Focus on young people who are already in Newfoundland and Labrador; it is a more cost effective way to produce better results for reaching and appealing to the masses.

*Tax incentives for business:* Allow businesses who hire individuals in the target age range to access tax incentives that grow over a limited time period to encourage longer-term hiring.

*Tax incentives for graduates:* Allow graduates/youth who stay in the province to access tax incentives that grow over a limited time, enabling them to put down roots in the province.

*Business Succession:* Support youth who are interested in leading private sector companies and keeping them locally owned through economic incentives and social programming which increases the chances of success. Tax incentives for angel investors who fund local companies is one way of addressing this issue.

*Creation of a Youth Secretariat:* Look within government to identify key personnel with skill and interest in youth issues to build a team that ensures youth are adequately represented in all policy matters in a timely manner. This Secretariat should be a part of the Department of Human Resources, Labour and Employment.

*Educational/training tax credit:* For targeted groups of highly qualified graduates who are actively recruited elsewhere, provide immediate economic incentive, tied directly to the cost of training they have incurred, for them to stay.

*Incentives for couples:* Take the perspective that decisions to live in any given place are not always made individually and bring forward recommendations, particularly for targeted groups of highly qualified workers, to support their spouses and families in the community.

*Re-creating the psyche:* Within the education system, particularly in the early grades, work to create a sense of value in the province and to counter prevailing views of the need to go elsewhere for work or fulfillment.

*Reaching the young:* Specifically use the education curriculum and partners in entrepreneurship to encourage youth to build businesses and industries here at home.

*Mentoring:* Develop a competitive advantage for being a youth in Newfoundland and Labrador by enabling systematic mentoring that creates value for the next generation of leaders.

*Direct marketing:* Implement a comprehensive marketing campaign to talk about the ‘new’ Newfoundland and Labrador reality to young people who have left the province as well as other young people (non-Newfoundlanders and Labradorians) who are deciding where to establish their lives and careers.

### **Context**

The St. John’s Board of Trade recognizes that youth leave Newfoundland and Labrador for many reasons – employment, adventure, skill development, personal growth – and that some individuals who leave will not return to live here. The Board also recognizes that the province is at a unique point in its existence in that many sectors of society, such as government, business and labour, are reacting to an economy that is short on labour rather than on work. The shift in mind-set among groups with a large say in employment possibilities for youth are going through mirrors a shift in the mind-set of youth themselves.

The mind-set among youth (those ages 15-29) has been created by a lifetime of hearing ‘you need to go away to get a good job’, ‘you can get that experience in Ontario and then bring it back here in 5 or 6 years’, and ‘I hope your job is more steady than mine was.’ It has only been *very* recently in the province’s history that youth have heard: ‘stick around, we need you now’ rather than ‘stop complaining, you’re lucky to have a job here.’ Turning around the collective psyche will take more than a two-year, million dollar strategy.

### **Why do people leave?**

As alluded to earlier, there are many reasons why individuals would leave the province. The provincial government, private sector, labour, academia, etc cannot address all of these reasons at the individual level, nor should they. Some people in the 15-29 age category will leave because they want to see what happens beyond the borders of Newfoundland and Labrador and the Board of Trade accepts that. It is the systemic reasons for leaving that the Board does not accept as status quo – a lack of career opportunities (not just ‘jobs’), a desire for more variety in social and cultural offerings, and a need to jump-start earnings.

### **Why do we stay?**

Superficial analysis might indicate that there are a number of reasons why Newfoundlanders and Labradorians stay in the province – economic, social, environmental, etc. But having a job, your family being from here or liking the outdoors or safe environment are examples of the larger reasons for staying in the province: either the person chooses to live here because they believe on some level that they are better off staying, or the person believes that this is the only option they have. People stay because they either have no compelling reason to leave, or think they can’t.

Those who weigh their options and decide the province is more appealing than other places can be appealed to through public policy initiatives such as the ones the Board outlines below. It is possible to add economic or social incentives that make the decision even clearer for this group. Those who stay because they feel they lack options are at a higher risk of leaving because there are in fact other options available, and when those options become more available or clearer they may be more likely to jump at those opportunities.

### **Why do we come back?**

After hearing the ‘you need experience for this job’ and thinking ‘I need a job for experience’, many youth have headed away to work. The reasons they come back can be numerous – the place they lived didn’t suit their lifestyle or interests, their new home was no better or worse than their homeland, or they may have wanted to become a bigger fish in a smaller pond. The decision of a youth to move back is largely personal and individual rather than strictly rational based on real or perceived economic opportunity. But, fundamentally, there has to be a real economic opportunity to do so for the province to systemically and substantially get people back.

### **Why would people move here?**

Some reasons why non-residents may consider moving, or not moving, to the province are more actionable: a vibrant cultural experience, industry clusters in specific areas such as ocean technology, and lifestyle considerations such as environment and a low crime rate. These cannot be discounted as positives for any recruitment or social marketing campaigns.

Unfortunately, there are a number of reasons why people would not move to Newfoundland and Labrador, despite all it has to offer. The most obvious of these is psychological rather than economic; anyone who moves here is labeled ‘CFA’ and the label is permanent. No matter how good humoured the moniker is, it is a constant reminder to individuals that they don’t belong. Putting down roots in a place where you are noted in social and professional circles as an outsider can be quite difficult. Government action, or that of the business community or any other stakeholder, will not change this but any entity taking action to bring people from outside the province to Newfoundland and Labrador must be cognizant of the sentiment.

## **Recommendations**

### **Start at home**

The Board of Trade recommends that the province begin its efforts on retaining youth that are already in the province. The private sector understands that saving an existing customer from leaving is a much better use of resources than attracting a new customer. That is not to say that there is no flexibility for attracting new people to the province, many of whom could bring needed skills and experiences. But overall, keeping Newfoundlanders and Labradorians in the province is the most effective way to build the economy, keep wealth in the province, and support rural communities.

### **Tax incentives for businesses**

Businesses in the province should be able to access tax incentives of some kind for creating not just jobs but careers. The Board recommends a system in place, operated in collaboration with the Canada Revenue Agency, in which businesses can retroactively claim tax benefits against the salaries of youth either in a certain age group (i.e. 19-29) or within a certain period of graduation from a recognized post-secondary institute (i.e. within 2 years of graduation).

To promote the creation of sustainable careers, and the chances that youth will be attracted to working in the province and bringing their expertise and knowledge to the local economy, these incentives should be graduated over three years; that is, a 2% incentive in year one becomes a

4% incentive in year two and a 7% incentive in year three. These incentives should be directly correlated with the salary the young person is earning.

### **Tax incentives for graduates**

While providing tax incentives for businesses would help to systematically improve retention of young people in the province, direct tax incentives for graduates with desired skill sets would work on the attraction side of the equation. Personal income tax is a serious cost for any worker in any jurisdiction in Canada, and the Board encourages the provincial government to continue to take positive action on this issue. However, providing some additional personal income tax incentives to skilled young workers for a limited time after their graduation from a recognized post-secondary institution would provide an economic benefit at a time when economics are likely to play the largest role in decision-making.

This short-term incentive is a long-term inducement as decisions about family, making roots, etc are generally made in the few years following completion of education. Not only would the province reap the labour market rewards and some sales tax or other economic benefits, but the possibility of the individual pulling up stakes would be reduced because of a higher social connection to the province.

### **Business succession**

Business succession has been identified by the business community as a significant concern for the next 5-10 years. Demographics are indicating an ageing population and while the social aspects of this phenomenon (such as health care and pensions) are dominating the public discussion, the private sector is concerned about the turnover of local businesses. The province should introduce in its 2009 Budget tax and funding incentives which facilitate business succession to help keep local businesses locally-owned.

Budget funds should be directed towards creating a clearinghouse of business opportunities with local young people, targeted training, salary incentives for retaining business owners which are selling so that they can continue to be involved in the business through the transition, and tax incentives for buyers based on the percentage of ownership that will remain in resident's control.

### **Creation of Youth Secretariat**

Similar in small, manageable size to the volunteer sector secretariat or the Office of Immigration and Multiculturalism, the province should put in place a specific group to lead cross-departmental policy and programming work for youth. This office should reside in the Department of Human Resources, Labour and Employment and be led by an official at the level of Assistant Deputy Minister.

The Board of Trade recommends that funding for the Youth Secretariat be provided in the 2009 Budget with the expectation that machinery and staffing be in place by mid-2009 with the release of a strategic plan by October 2009 and a specific action plan by the end of 2009. Further, the Board recommends that staffing be done on a merit basis with the Public Service Secretariat conducting a search immediately for potential employees, particularly those with experience in entrepreneurship and youth-centric policy.

The Board's position is not to increase the size of the provincial public service, but rather to look internally for skills and interests of skilled civil servants who could start such a dedicated secretariat in a timely and successful fashion.

### **Educational/training tax credit**

The St. John's Board of Trade recognizes and applauds the steps taken in the past number of years to keep tuition at the province's post-secondary institutes affordable. In particular, the Board is encouraged by the quality of post-secondary education and the ability of individuals to study in advanced degree programs at a very reasonable tuition cost. However, student debt continues to be an issue of concern for young people in this province and a significant reason why they leave for higher gross and net pay in other provinces.

The Board advocates for a system, similar to the tax incentive system for individuals outlined earlier in this submission, that rewards educated youth who stay in the province for at least the medium-term (3-5 years for instance). Through direct intervention, a relatively small government investment should be applied to provide a tax credit which offsets documented, incurred costs for tuition. This could reap skill, knowledge and labour supply dividends while also encouraging long-term growth in income and sales tax through increased economic activity by our youth. The idea is to retroactively support the direct costs of training while keeping those who are trained.

### **Incentives for couples**

The province should recognize that young people may make decisions based on the interests of their significant others or their peer groups. The attraction or retention of a local physician, for example, whose partner is a physician from away is a two-for-one deal; if the province can make the offer good enough for both, it gains two physicians. Should one of the physicians not find the idea of living in Newfoundland and Labrador ideal enough, not only is that physician lost but also the native-born physician as well.

The provincial government should consider highly targeted incentives for only the highest priority skill sets based on projected needs in the labour force for the next 15-25 years. While the Board of Trade supports the use of incentive-based measures to attract or retain individuals with needed skills, measures which allow for greater incentives to couples and families should be implemented. A graduated system in taxation or other economic benefits for couples and young families should be introduced to attract skilled workers in higher numbers. This would be consistent with government actions such as the baby bonus incentive.

### **Re-creating the psyche**

The provincial government has considerable ability to influence a new generation of youth through outreach in the classroom. Messages such as 'you will be lucky to find a job here' and 'you might want to consider something else' need to come out of the classroom. Collaboration with educators, in particular guidance councilors, needs to occur and the province may need to consider curriculum modifications or enhanced training for educators.

It took generations to create a climate where youth almost automatically considered other provinces on par with their home province. It will take a concerted effort in the educational system to counter these still-held but diminishing perceptions. The province should consider its

ability to affect curriculum and the programs which are allowed in schools across Newfoundland and Labrador to positively change the outlook of the next generation of youth. Specifically, the province should bring educational and social stakeholders together for a summit to develop an in-school social marketing campaign to this effect.

### **Reaching the young**

The principle was touched on earlier – marketing a place can only go so far to encouraging individuals to live in that place; there has to be an economic reality that backs up the marketing. Entrepreneurship classes in younger grades may help to achieve that. Education about the possibilities that currently exist in Newfoundland and Labrador and, more importantly, those that could exist if people decide to stay and build a better province, is necessary.

The Board of Trade recommends enhanced curriculum that specifically promotes the interests of students in the area of entrepreneurship and encourages the province to support related activities by groups such as Junior Achievement, Students in Free Enterprise or Allied Youth. Bringing entrepreneurship into the classroom can help achieve business succession for existing businesses, particularly in rural areas, and develop new and sustainable companies in growth industries such as technology.

### **Mentoring**

While economic incentives and articulating the value of the province in education will work to increase the number of youth who stay in Newfoundland and Labrador, some youth require more than numbers and education to be residents. For the long-term good of the province, and the private sector in particular, youth need to be involved in decision-making and be given the tools to lead through the next generations. The Board recognizes the value of mentoring and encourages policy and program initiatives to enhance engagement of the ageing population as a means to develop a larger young population. This would be consistent with the province's on-going social marketing campaign directed at getting seniors to volunteer.

The Board specifically recommends that the province's Youth Secretariat convene a multi-stakeholder summit on mentoring as a tool to retain youth and to encourage young people from other places to come to the province. It is the Board's view that participation in this summit would be strong as all sectors – community, political, volunteer, business, labour – are experiencing a downturn in the number of youth coming up through the ranks and developing into the leaders of tomorrow. For bright and ambitious young people, the ones we want to retain and attract, a wide-spread focus on mentoring across the province in all sectors and areas of interest would be a significant competitive advantage that could counter more money in other jurisdictions. The Board recommends that this summit be held in the fall of 2009.

### **Direct marketing**

The Board recommends implementation of a comprehensive marketing campaign to present the 'new' Newfoundland and Labrador reality to young people who have left the province as well as non-Newfoundlanders and Labradorians who are making decisions on where to establish themselves. Government should take the ideas provided through this consultation process and engage marketing professionals to put together a very targeted campaign; without making suggestions about the details of this campaign, in general it should target high value areas such

as facilities of medicine and engineering and applied sciences at top Canadian schools, and areas with high density of expatriate populations to encourage former residents to move home and their social circles to follow them.

### **Next Steps and Partnerships**

The St. John's Board of Trade is pleased to be a part of the dialogue on youth attraction and retention issues in the province. Our federal-provincial affairs policy committee has identified three priority policy and advocacy areas for 2009, two of which are directly related to this type of initiative: labour market supply and provincial competitiveness. The Board will be working to support its members by ensuring that policy decisions and programs offered by governments at all levels enhance the labour pool locally. As well, the Board will work to ensure that a climate continues to be created to move up the list of provinces where investment is welcome and competitiveness is part of our culture.

The St. John's Board of Trade encourages the Government of Newfoundland and Labrador to continue to not only consult stakeholders but to take immediate and meaningful action on the issue of youth attraction and retention. The Board is pleased to offer, on an on-going basis, the expertise and efforts of its members to improve the environment in which our youth live and work. We look forward to partnering with government on this and many other related initiatives which support the business community and our province as a whole.