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Federal government must build conditions for young entrepreneurs' success*

In response to sluggish growth at home and abroad, the Liberals are seeking recipes to rev up Canada's economic engine. An expert panel has proposed important ingredients: infrastructure financing, more immigration and foreign investment.

Innovation also ranks high on the government's list of objectives, and entrepreneurship is a vital component. Ottawa should pay special attention to young entrepreneurs.

The bad news is many young Canadians are having a hard time entering and remaining in the labour market. Youth unemployment is 13.2 per cent, double the national average. The Finance Minister recently stated that young people face the prospect of "job churn" – high turnover and short-term contracts – for some time.

The good news is many young people are keen to be entrepreneurs. Despite long hours, they like the independence. Entrepreneurship provides a way to express deeply-held values about social and environmental well-being.

For many entrepreneurs, designing and producing goods in Canada means avoiding dangerous and unhealthy sweatshops. It means paying employees a reasonable wage and making payroll contributions on their behalf. It means flexible hours when possible and paid time off. The made-in-Canada moniker carries significant meaning: quality. It has become a global brand.

But before long, many idealistic entrepreneurs seeking to create a brave new work world hit the brick walls of doing business in Canada. Compared with many countries that have become manufacturing hot spots, our wages, benefits and working conditions add substantially to product costs. And higher prices mean fewer customers.

Starting a business is tough at any age, but especially so for young people with limited resources. Expanding is even tougher. Investment capital is a scarce commodity. Most venture capitalists will not invest until a company generates sales of $1-million. It takes money to make money.

This leaves banks as the major source of capital. Yet they are risk-averse and charge high interest on loans. This isn't a new problem; it's endemic to every business and non-profit field. Canada is investment-cash poor.

Seeking global markets is one way to scale up. But high shipping costs put Canadian entrepreneurs at a disadvantage – especially in the burgeoning online shopping world, where free delivery is the norm.

Small operations typically lack the funds to hire expertise, such as social media specialists. Even if companies can buy the advice, they often don't have the resources to follow through.

Tariffs are another challenge. Navigating the North America free-trade agreement is so confusing that companies generally hire customs brokers to figure it out.

Adding insult to injury is Revenue Canada, which employs a take-no-prisoners approach. For example, it charges usurious interest rates from Day 1 of an overdue payroll contribution. There is no grace period, even for companies having paid on time for years. Ottawa should step up.

The federal government can free up more venture capital for start-up and expansion. Through direct assistance or indirect tax measures, it can help compensate for the higher costs of keeping jobs at home.

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Ottawa can establish a resource bank of technical expertise so that young entrepreneurs have access to the specialized advice that larger companies can afford. It can provide grants or loans for social media consultation or promotion. The federal government can assist small businesses by explaining legal requirements and helping sort through the roadblocks embedded in international trade agreements. It can also reduce crippling federal penalties.

To build a dynamic economy, Ottawa must create the conditions young entrepreneurs need in order to start up – and then to go from good to great.

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