

## Standing Committee on Finance (FINA)

### Pre-budget consultations 2012

## Université de Montréal

### Responses

#### 1. Economic Recovery and Growth

*Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?*

Since SMEs are the warp and woof of Canada's industrial fabric, and a majority of them tend not to invest in R&D, Canada has historically relied on the research and creative capacities of universities and government research centres for innovation. Although the capacity of those organizations has recently been significantly reduced, one priority has emerged: the need to increase support for the best university researchers in order to consolidate our collective knowledge base, continue training a creative labour force and support the development of innovative organizations and businesses that will constitute growth vectors. However, budget cuts of \$37 million have been made to federal granting councils for the 2012-2013 fiscal year. Although the funding thus saved has been reinvested in programs promoting partnerships, those cuts have nevertheless had a significant impact on the research capability of our most productive teams and networks. Equivalent cuts, the terms and conditions of reinvestment of which we know nothing, have been announced for 2013-2014. Recommendation: We recommend that the government reinvest all funds corresponding to the cuts announced for the councils in their student scholarship programs, research grant programs and partnership programs (encouraged by both the private and public sectors) to an extent that promotes free research. Since the partial funding of research costs reduces the universities' contribution to economic growth, we also recommend that the government pay all indirect costs, which are estimated at 40% of direct funding. Universities, colleges, businesses and governments are increasingly joining forces to create synergies that will help structure collective efforts and make more efficient use of resources. The Innovative Communities Fund (ICF) facilitates access to equipment that, in many cases, can no longer be installed in buildings that have become antiquated and obsolete from the standpoint of health and safety and space configuration. Recommendation: We recommend that the government invest in a new knowledge infrastructure program for the construction of mixed research infrastructure (university and college, private and public partners).

#### 2. Job Creation

*As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?*

Canadian jobs will increasingly be based on the creative, innovative and entrepreneurial capital of individuals, while sustainably maximizing the added value of the natural resources available to Canada. If not, competition from other nations will make it difficult for Canada to stand as an economic force, to maintain and even increase its scientific status and to assert its influence in other fields. In these circumstances, investments in the development and commercialization of Canadian innovation must be pursued in a technological innovation market that is, by definition, international. The universities can and must play a role in this area, in addition to their basic responsibility for post-secondary training. At their level, they must support partnership initiatives with businesses. A few years ago, the federal

granting councils offered university institutions support to hire key individuals dedicated to establishing innovative projects and to technology transfer. That program resulted in lasting relations with user groups and produced many benefits. In its new form, the National Research Council of Canada cannot perform this brokering function because it lacks knowledge of the university capabilities deployed across the country. At another level, pro-innovation public procurement policies not only have the power to stimulate innovation, but also serve as a showcase for Canadian achievements and innovative Canadian businesses, and have the anticipated spillover effects. Lastly, it should be noted that a highly skilled workforce is an innovation driver in our businesses and a powerful factor in attracting subsidiaries of foreign corporations. Recommendation: We recommend that the government continue its capital investments in innovative businesses, as it provided for in the last budget, and reinvest in programs designed to build bridges between businesses and universities and colleges. We also recommend the creation of a program along the lines of the Canadian Innovation and Commercialization Program enabling universities to bring forward innovative projects in cooperation with SMEs.

### **3. Demographic Change**

*What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?*

Businesses, public organizations and politicians have everything to gain by acquiring a clearer understanding of the most advanced scientific knowledge and integrating social innovations. Quebec's child care services policy sets the standard as the factor that has made the greatest contribution to women's high level of involvement in the labour market, more so than in Ontario, for example. Human resources, which are an issue at the organizational and national levels, are becoming a growth-limiting factor. In a context in which the government's endogenous capacity is declining, this is an ideal opportunity to generate a new dynamic in the design of public policies that can address the labour shortage that prevails at the sectoral level and is already being felt more generally. Recommendation: We recommend that the government set aside new budgets that can be managed by the Humanities and Social Sciences Research Council of Canada, in cooperation with the sectoral departments, to explore innovative economic and social approaches to responding to demographic and labour force challenges. Immigration currently represents nearly 70% of Canada's population growth and, based on recent Statistics Canada projections, could account for all population growth within 50 years. Immigration is a major source of labour, and its positive economic impact is all the greater since our policies rely on a skilled immigrant population that can contribute quickly and efficiently to productivity. One of the immigrant classes includes researchers and their families as well as highly skilled students recruited by our institutions. However, constraints and delays in granting visas impede or prevent these highly qualified immigrants from taking part in Canada's economic and social development. Recommendation: We recommend that the government make every effort to remove the administrative constraints and delays that our future professors, researchers and students must deal with in obtaining their visas.

### **4. Productivity**

*With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?*

First of all, a significant positive relationship has often been demonstrated between basic research and economic growth that contributes to both social and human prosperity. More specifically, and apart from regulatory, fiscal and commercial issues, a productivity policy must focus on fundamental issues that never go out of fashion: improving and optimizing human capital and reinforcing industrial

innovation. Education, particularly post-secondary education, and immigration designed to achieve successful economic integration, are pillars of human capital. The ongoing improvement of labour skills (through apprenticeships and workplace training, for example) must not be overlooked. As for industry, investment and organization are two central factors supporting productivity gains. Among other things, Canada's private sector must strengthen its focus on training and R&D and accelerate technology integration. Despite the fundamental importance of R&D for innovation, businesses are increasingly creating value – in addition to that resulting from R&D – through a range of complementary technological and organizational innovations. All support for the aforementioned factors will provide the impetus for innovation and productivity, promote the growth if not the very survival of Canadian businesses and support their international expansion through enhanced competitiveness. The universities are ideal partners in certain areas, not only for the immediate solutions they are able to provide, but also for those they are preparing for the future through the basic studies they can conduct, with their intensity and diversity, and through the advanced training they alone can provide in that area. Recommendation: We recommend that the government increase its dedicated funding for initial partnerships between businesses and universities (funding currently provided by NSERC) and ensure that it covers all sectors of the economy, particularly service businesses that have received no innovation assistance to date. Those partnerships should not be limited to technological innovation and should include training and social and organizational innovation.

## **5. Other Challenges**

*With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?*

Various classes of individuals (young and old alike), businesses (for various reasons and to varying degrees, regardless of size or activity sector) and communities are experiencing problems. Rather than single out those currently suffering the most, we would like to develop a universal asset that is available and has widespread effects: scientific knowledge and expertise. Generally speaking, the universities' many capabilities and the knowledge they have developed and are currently developing are underused in analyzing the complex problems Canada is facing and in public policy development. There should be improved efficiencies in public spending and innovation in the delivery of public services, particularly in a context of smaller government; the contribution of Canadian universities through social and organizational innovation would be of great assistance in this area. The federal initiative under which certain departments have been provided with knowledge brokering and research liaison units shows enormous potential, although the actual results are slow in coming. Lastly, apart from the period of fiscal restraint that we are experiencing, and all the more so as a result of the uncertainty surrounding it, we believe we must continue to invest in recognized and sustainable sources of progress for all, that is to say in education and research. Recommendation: We recommend that federal departments take concrete steps to: (a) rely on more university researchers in developing their policies and programs; (b) provide researchers with more information on the needs of government players; (c) develop and fund joint projects; (d) identify sectors and services that could benefit most from the impact of research; and (e) assist the individuals concerned so that they can more readily adopt new knowledge based on conclusive data.