

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

University of Alberta

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?

Canada was not as hard-hit as other nations by the global financial crisis. However, there are indications that continuing uncertainty in Europe, a sluggish recovery in the United States and signs of a slowdown in emerging economies such as China and India could undermine expectations for even modest economic growth over the next few years. Given these challenges, now is the time, within appropriate fiscal constraints, to position Canada as an open, innovative economy that is second to none worldwide. The Government of Canada has been correct in placing research, innovation and education at the heart of its economic competitiveness agenda. In particular, Budget 2012 made progress on a number of fronts, such as increased resources for venture capital and renewed funding for the Canada Foundation for Innovation, Genome Canada and other S&T organizations. To foster sustainable economic growth in Canada, the University of Alberta recommends:

- Investing in talent at the faculty, student and post-doctoral levels by enhancing Tri-Council funding to internationally competitive levels in a way that fully acknowledges the indirect costs of research borne by universities. With other nations making considerable efforts to build the capacity of their post-secondary education and research sectors, Canada must do the same or risk falling behind in the competition for the world's most talented people
- Supporting for world-class facilities through both the CFI and by integrating knowledge infrastructure into the Long-Term Infrastructure Plan currently under consultation. Advanced infrastructure is foundational to both attracting talented people and international partners, as excellent facilities serve a marketable advantage for Canada as a primary destination for research.
- Providing timely, targeted and flexible resources to universities to form innovative international partnerships through the creation of a Creative Global Partnerships Fund. Access to catalyst funds to form ground-breaking international research partnerships would allow the University of Alberta, as well as Canada's other research-intensive universities, to expand on our successes in Germany, China and India. By making these foundational investments, the federal government can capitalize on a period of restructuring in the global economy to cement Canada's advantage as an innovation leader.

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?

According to Statistics Canada's monthly labour force survey, job creation in Canada is easing after several better-than-expected results earlier in the year. With the unemployment rate holding steady at 7.2 per cent in June, and with young people facing particularly challenging labour market conditions, a multifaceted approach to job creation is essential. Canada is fortunate to have a vibrant resource economy that provides job opportunities for tens of thousands of our citizens. Investing now, however, to create other dynamic industries alongside our oil and gas and mining sectors will position Canada for long-term job growth. Although the future is far from clear, there are tremendous opportunities for

expansion in sectors such as high-tech, bio-science, green technology and advanced manufacturing, among others. To foster growth in these industries, however, Canada will need a large complement of graduates in the science, technology, engineering and mathematics (STEM) fields. The federal government's forthcoming Digital Economy Strategy could provide a platform for boosting enrollment in these areas. In addition, international recruitment can be an effective mechanism for bringing talented minds into Canada who could launch start-up companies and develop new products. A recent report from the Partnership for a New American Economy, a coalition of respected business leaders and mayors from across the United States, found that foreign-born inventors were an overwhelming presence on patent filings from major American universities. By recruiting and retaining these talented individuals, Canadians can benefit from the economic spinoffs that result from their discoveries. The federal government's international education strategy offers an avenue for addressing these issues, as would a national business innovation talent strategy as proposed by the Expert Panel to Review Federal Support to Research and Development (the Jenkins Panel). Further efforts could also be directed at bridging the worlds of academia and industry by expanding access to industrial internships. For example, while such opportunities exist through NSERC, additional investments could see them expanded into CIHR and SSHRC. Businesses consulted by the Jenkins Panel responded positively to these initiatives, considering them useful in adapting graduate students to life in the private sector.

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?

There is no doubt that demographic changes will come to affect every aspect of Canadian life in the decades ahead—from income levels and distribution to the way people work to the state of our public finances. The consequences of Canada's demographic shift could be severe without proper planning on the part of citizens and their governments. As Jean Boiven, a deputy governor of the Bank of Canada, observed in a speech earlier this year: "Ultimately, if we ignore the reality of aging and make no adjustments, the consequences will be a lower standard of living. An aging population implies a smaller proportion of working people relative to people not working. That means a pie growing more slowly than the number of eaters—less for everyone." Albertans are highly aware of the impact of labour shortages on the economy. As the aging of the Canadian population accelerates, labour shortages can be expected to be both deeper and more widespread. While this places a premium on educating our working age population, it also increases the importance of attracting individuals from abroad. Writing in *Canada 2020: The Canada We Want*, former Clerk of the Privy Council and current Vice-Chairman of BMO Financial Group Kevin Lynch notes that "[t]he demographics of aging are creating a global talent hunt." Lynch's observation underscores the importance of federal measures geared towards talent attraction at all levels—from undergraduates to graduates to post-doctoral fellows to faculty members and researchers. Of course, immigration must be an element of the federal government's strategy to maintain Canada's economic vibrancy alongside an aging population. Even now, our country's population growth is already underwritten almost entirely by new arrivals. Looking to the future, the *Globe and Mail* argued in a recent multi-part series that Canada should effectively double its quotas for economic immigrants to 400,000 people annually within four years. Finally, Canada's rapidly approaching demographic shift will place unprecedented strain on health care systems. Although health care is a provincial area of jurisdiction, federal investments in innovative health research will be instrumental in modernizing our health care system for the 21st century.

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?

In a recent opinion piece in the Financial Post, Craig Alexander, TD Bank Group's senior economist, noted that Canada's productivity generally has increased by an annual rate of 1 per cent over the previous decade. "This is one of the slowest rates in the industrialized world," he writes. "In ranking, it puts Canada modestly above Italy and below Spain—not good company." The benefits of enhanced productivity were actually quantified by the Conference Board of Canada in a report last year. The Conference Board estimated that, if Canada had kept pace with U.S.-level productivity growth over the past 20 years, corporate profits would have been 40 per cent higher in 2008. Personal disposable incomes per capita would be \$7,500 higher in the same year – an increase that would translate into \$25 billion more in federal income tax revenue. The federal government has invested significant energy into tackling Canada's innovation and productivity challenges, most recently by forming the Expert Panel to Review Federal Support to Research and Development to explore strategies to spur greater business R&D efforts from the private sector. The Expert Panel's report made a number of worthwhile recommendations, including integrating a business innovation focus into government procurement and increasing the supply of venture capital available to Canadian innovators. As the government implements and responds to the Expert Panel's recommendations in order to boost private sector investment in R&D, it is important that this—admittedly important—aspect not substitute for the entire Canadian productivity problem. In particular, resources with a commercialization or an industry-oriented focus must be paired with a robust and continuing commitment to basic, discovery research, which serves as the pipeline for future commercial applications, a point the Expert Panel also recognized and mentioned in their report. Another key gap identified by the Expert Panel pertained to large-scale collaborations between government, industry and academia. Although the Jenkins report recommends addressing this gap through the restructuring of the National Research Council, a more fitting approach would be along the lines of a Global Partnerships Fund, as outlined elsewhere in this response.

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?

While it may not be advisable to try to make apples-to-oranges comparisons about the scale of the challenges facing very different groups of people or communities, there are some general observations that can be made. We know that Canada, like a number of OECD countries, is facing a protracted period of elevated youth unemployment. The latest Statistics Canada survey of the labour force as of this writing (for June 2012) found youth employment down 4.2 per cent from the year before, with a rate comparable to the height of the economic downturn in 2009. These figures are all the more concerning in that they are early indicators of the summer job market, which is the best avenue for students to supplement loans, bursaries or scholarships to finance their education with their own earnings. We also know that young people, like newcomers to Canada, are frequently among the first people to lose their jobs when workplaces cut back, as they lack the seniority of other employees. The above points are related to the larger issue of underrepresented workers, which is relevant to other questions in this consultation process (such as the previous question on demographics). Increasing the participation of underrepresented groups—such as young people, older individuals, immigrant and minority workers, Aboriginals and those with disabilities—would expand opportunity in Canada while also somewhat easing long-term pressures on labour markets. However, the pathway to the labour market is through Canada's

high-quality post-secondary institutions. Government, businesses and academic institutions have an interest in working together to ensure that under-represented groups are able to access educational and training opportunities prior to entering the workforce.