



**Pre-Budget Submission to the House of Commons
Standing Committee on Finance**

August 2018



Summary

NAIT has focused its submission on the role of post-secondary in improving Canada's global competitiveness. Specifically, we make four recommendations related to: strengthening pathways to skills development through technology-focused career discovery centres, increase investment in technology for skilled trades training, increasing investment in industry-driven applied research; and exploring the creation of a productivity tax credit.

NAIT's Role in Building Global Competitiveness

For Canada and our people to participate and benefit fully in our emerging world, we will need to become more competitive. This is critical to our future, and the welfare of all our people.

What are the roles for NAIT in supporting competitiveness? NAIT has an important historic role, but also a transformative emerging role.

From our founding, NAIT has helped develop incredible human capital – this is our historic role. We produce exceptional graduates that meet Alberta's and Canada's current and emerging polytechnic labour market needs. Our education is relevant, and aligned to emerging best practice. That is, our graduates enable and are foundational to the success and competitiveness of our enterprises.

While human capital is critical to competitiveness, there is much more. Globally competitive companies embrace business innovation – particularly related to productivity. They adopt new technologies. And through applied research and product innovation they ensure their products have a market.

NAIT works directly with industry and businesses to adopt solutions to improve competitiveness. Whether it is through our productivity and leadership training, or our applied research and technology adoption, we partner with companies to increase their efficiency and effectiveness.

The Challenge

A primary economic challenge Canada continues to face is the competitiveness of Canadian industry and business, including the productivity of their labour and capital. This challenge affects the welfare of all Canadians.

The Government of Canada has made important investments in workforce training and technology adoption – these investments are having a positive impact. Recent budgets have invested both in workforce development (adult skills upgrading, labour market agreements with the provinces, training benefits for Canadians on EI, etc.) and in innovation (tri-council funding, Canadian Foundation for Innovation, College and Community Innovation Fund, etc.).



Recommendations

Our recommendations are consistent with, and build upon, these recent initiatives. We believe that they will further improve Canada's global competitiveness. As a member of Polytechnics Canada, NAIT also supports their recommendations provided in their 2019 Pre-Budget Submission to the Standing Committee on Finance.

NAIT is proposing the following to the Standing Committee on Finance:

Recommendation 1: Strengthen Pathways to Skills Development through Technology-Focused Career Discovery Centres

Recommendation 2: Increase Investment in Technology for Skilled Trades Training

Recommendation 3: Increase Investment in Applied Research

Recommendation 4: Explore the Creation of a Productivity Tax Credit

Recommendation 1: Strengthen Pathways to Skills Development through Technology-Focused Career Discovery Centres

It is important that there be seamless pathways into technology-based programs aligned with labour market demand and career opportunity. As a recent report from McKinsey asserts "just as the transition from an agrarian economy to an industrialized one resulted in universal high school, today's increasingly tech-driven economy calls for new skills, a new educational approach, and a new learning lifespan."¹

It is important that we build awareness and understanding of careers in technology-based fields. An important component of this is an explicit focus on career opportunity. Technology-focused career discovery centres – located in post-secondary institutions – allow perspective students to gather first-hand knowledge and understanding of programs that are in high-demand fields. These centres are particularly important for underrepresented groups and those who are re-entering the workforce. As an illustration, in Alberta only 12% of those in the skilled trades and technologies were women in 2014-2015 while women represented 53% across all post-secondary disciplines in the same year.²

Technology-focused career discovery centres would focus on individuals in high school or considering career changes. They would explore hands on learning aligned to their interests and skills and allowing them to experience a variety of career pathways. The centres would use a range of technologies, such as virtual reality and simulation, to provide the students with a realistic glimpse of potential careers.

¹ <https://www.mckinsey.com/industries/public-sector/our-insights/creating-an-effective-workforce-system-for-the-new-economy>

² <http://www.atb.com/learn/economics/Documents/perch-post-secondary.pdf>



This would help with both the accessibility and quality of educational experience a student would get, while focussing on the specific needs of the individual.

Recommendation 2: Increase Investment in Technology for Skilled Trades Training

Much of the western world, including Canada, struggles to attract qualified candidates to the skilled trades. According to Jodi Kasten, managing director at Indeed Canada, “The job market is good and we are seeing a growth in demand from employers for trades jobs. Demand in general contractors on Indeed, for example, increased 111 per cent since 2016. This could be attributed to the strong housing and condo boom in major cities across Canada.”³ Kasten also notes that as a society we need skilled tradespeople.

Investing in skilled trades education, through capital and up-grades to technology, will significantly enhance the quality of skilled trades education and the students’ learning experience. To reinvigorate skilled trades’ education across Canada, there needs to be a focus on best practice and emerging best practice, including an increased use of simulation learning. We need to invest in facilities that provide greater access and services for Indigenous learners, recent immigrants, women, and persons of different abilities. Investing in technology for skilled trades training will elevate the relevance of education and advance industry competitiveness.

An additional benefit to this investment comes from industry partners learning and gaining knowledge about emerging technologies in their field. This investment would assist with industry-driven applied research to explore the demonstration and utilization of the best technologies from across the globe. An increased investment in technology for skilled trades training will enhance Canada’s global position in the skilled trades, and support industry to increase competitiveness.

Recommendation 3: Increase Investment in Applied Research

As a leading polytechnic, NAIT has a strong focus on industry-driven applied research. This research is industry-driven, moves at the speed of industry, with industry holding the intellectual property. This polytechnic approach to applied research creates a highly agile environment that directly addresses the problems most important to industry competitiveness.

Even with demonstrated success, funding from the Government of Canada for applied research is not as robust or flexible as funding for basic research, leaving institutions that focus on applied research unable to fully realize their potential to improve the competitiveness of Canadian industry.

We ask that the 2019 federal budget include an initiative to bring consistency to funding mechanisms for applied research, particularly in relation to Tri-Council funding (CIHR, NSERC and SSHRC).

³ <https://globalnews.ca/news/3905609/7-in-demand-trade-jobs-in-canada/>



More specifically, we ask that funding levels for applied research be more balanced with that of basic research, and that grants for applied research be expanded to include the use of funds to help cover the indirect costs of research. Providing more balanced funding, including the ability to use that funding to help offset institutional overhead costs, will unlock tremendous potential for institutions to work with industry to drive competitiveness.

Recommendation 4: Explore the Creation of a Productivity Tax Credit

As previously stated in this submission, productivity is a critical element in competitiveness. Christine Lagarde, Managing Director, International Monetary Fund at the American Enterprise Institute remarks:

“Another decade of weak productivity growth would seriously undermine the rise in global living standards. Slower growth could also jeopardize the financial and social stability of some countries by making it more difficult to reduce excessive inequality and sustain private debt and public obligations. So, leaning back and waiting for artificial intelligence or other technologies to trigger a productivity revival is simply not an option.”⁴

Lagarde also notes that to “encourage investment and risk-taking, governments need to give clear signals about future economic policy. High-quality public investments in education and training, R&D, and infrastructure, including in the United States, could help provide those signals, catalyzing private investment while boosting productivity and economic potential. Similarly, signals about tax policy can enhance predictability for investors.”⁵

Looking globally, there are examples of effective incentives implemented through national tax policy. Canada ranks 14th out of 150 countries according to the World Economic Forum, but there is much room for improvement.⁶ Canada’s ranking on technological readiness, business sophistication and innovation was lower at 23rd.⁷

Singapore Productivity and Innovation Credit

The Singapore government introduced the Productivity and Innovation Credit scheme (PIC) in 2010 to encourage “businesses to get significant tax deductions or payouts for investments in research and development, innovation, automation and training.”⁸ Due to its popularity, this investment by Singapore continued long after its initial expiry date. Just recently, the Singapore government allowed it to expire. However, it is now replacing it with another credit more targeted to productivity and innovation.

⁴ <https://www.imf.org/en/News/Articles/2017/04/03/sp040317-reinvigorating-productivity-growth>

⁵ <https://www.imf.org/en/News/Articles/2017/04/03/sp040317-reinvigorating-productivity-growth>

⁶ http://reports.weforum.org/global-competitiveness-index-2017-2018/competitiveness-rankings/?doing_wp_cron=1533072049.4557099342346191406250

⁷ <https://www.weforum.org/agenda/2017/10/royal-bank-canada-economic-competitiveness/>

⁸ <https://www.singaporecompanyincorporation.sg/how-to/taxation/a-guide-on-singapores-productivity-and-innovation-credit-pic-scheme/>



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We feel that this similar tax measures should be considered and explored by the federal government in consultation with business advocates, tax experts, regional governments, and post-secondary institutions.