Standing Committee on Finance

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EVIDENCE

Tuesday, September 19, 2017

Chair
The Honourable Wayne Easter
The Chair (Hon. Wayne Easter (Malpeque, Lib.)): I'll call the meeting to order.

Pursuant to Standing Order 106(2), I think we should first elect a vice-chair, because we lost our vice-chair from the Conservative Party. That will be the first order of business.

Before we get to that, I want to welcome all the new committee members to the committee, and the former committee members back again. We have a lot of work to do with pre-budget consultations already scheduled, and there may be the odd other issue coming up along the way.

I would like to deal with the vice-chair. Is that the way you want to go, so we have things organized?

Pierre.

Hon. Pierre Poilievre (Carleton, CPC): Yes, Mr. Chair.

The Chair: Okay.

I'll turn it over to the clerk.

The Clerk of the Committee (Ms. Suzie Cadieux): Pursuant to Standing Order 106(2), the first vice-chair must be a member of the official opposition.

I'm now prepared to receive motions for the first vice-chair.

Mr. Dan Albas (Central Okanagan—Similkameen—Nicola, CPC): In the order of good process, I nominate Mr. Pierre Poilievre. I think he'll do fine.

[Translation]

The Clerk: Mr. Albas moves that Pierre Poilievre be elected vice-chair of the committee.

[English]

Are there any further motions?

Is it the pleasure of the committee to adopt the motion?

(Motion agreed to)

The Chair: Congratulations, Mr. Poilievre, as first vice-chair of the committee.

Seeing as this is the first meeting on pre-budget consultations in advance of the 2018 budget, I would like to explain to all committee members what has been decided to date. I think everyone knows that the finance committee, by legislation, is to do pre-budget consultations prior to the budget in the next fiscal year. In this case, we put out a letter in June inviting submissions. Those submissions came in by early August. Then, in June as well, we agreed to an established set of hearings in Ottawa and at a number of locations in the west and in the east. From that, we will have to prepare a report that has to be tabled in the House sometime in December. That's basically the process, for those who are not aware.

The committee on these pre-budget consultations decided to invite departmental officials, which is a little different than last year, to give an outline of the situation in Canada to help members guide their questions for witnesses in future meetings. Finance officials will start with a brief opening statement to set the stage and explain Canada's current situation. Officials from Innovation, Science and Economic Development Canada, or ISED— I still call it Industry Canada, but I'm old-fashioned—will then provide an overview of programs and initiatives currently available related to the first theme, which is productivity and competitiveness of Canadian businesses. Officials from ISED will then answer members' questions with the support of the finance officials who are here.

In the second panel, officials from Employment and Social Development Canada will provide an overview of the current initiatives and programming related to the second theme, Canada's productivity.

Our strategy was really to set the stage on the main themes we're looking at for the budget. One, what is the fiscal situation? Two, what is happening to make the country more productive and competitive in terms of programming from the departments involved?

It's important to note that if committee members ask questions that are not related to the main themes for this year's pre-budget consultations, the officials present might not be able to answer those questions. I know there are a number of other hot topics. That's why I am raising that point now. It think there will be other opportunities to raise those topics, but I would like us to start with a good foundation to establish the basis on which we hold pre-budget consultations.

Starting with the Department of Finance, we have Mr. Leswick, assistant deputy minister at the economic and fiscal policy branch; Mr. King, director of economic analysis and forecasting; and Mr. Lavoie, director of the economic studies and policy analysis division at the economic and fiscal policy branch.
From ISED, we have Ms. Setlakwe, assistant deputy minister in the strategy and innovation policy sector, and Ms. Campbell, director general of the digital transformation service sector.

Do you have a point you want to raise, Mr. Fergus?

Mr. Greg Fergus (Hull—Aylmer, Lib.): It's not a point of order, but I would seek unanimous consent of all members of the finance committee to lift the table a motion that has been written down but otherwise, if we were to go without unanimous consent, would not be considered until Thursday. The reason why I would lift it off is the time sensitivity of it.

Mr. Chair, the motion would read:

That during the week of September 25 to 29, 2017, the Committee hold two (2) meetings to hear from witnesses on the tax fairness measures proposed by the Minister of Finance on July 18, 2017; the Committee invite the Honourable Bill Morneau, Minister of Finance, to appear during a third meeting on the study; and that the lists of proposed witnesses be submitted to the Clerk no later than Thursday, September 21, 2017 at 4:00 p.m.

The Chair: Okay.

We had a motion from Mr. Deltell as well as a motion from Mr. Fergus. Mr. Deltell's motion was replaced by one from Mr. Poilievre. Both motions are really relating to the same issue.

To the committee, the motions can be dealt with at the next meeting, which will be the 48 hours. To deal with this motion, we need unanimous consent. Is there unanimous consent to deal with it, to debate this motion?

Hon. Pierre Poilievre: Mr. Chair, I wonder why the motion from Mr. Deltell, which I will shepherd forward as his replacement on this committee, is not being dealt with before the one that Mr. Fergus has now moved.

The Chair: They're both on the agenda. A member can lift a motion at any time. We prefer that they not be lifted when we have witnesses, but that's the procedure. A member can lift a motion when they see fit, by moving it, and that's what's happening here. It's not in any order of priority.

I would note that they're substantially the same, with the exception that Mr. Fergus's motion says that there be basically three meetings, one that the Minister of Finance would be at, and the Conservative motion doesn't indicate how many meetings. For either of the two, unanimous consent would be required.

The unanimous consent is to discuss the motion. If there is not unanimous consent, then it will have to be the 48 hours' notice. I think that would happen on Thursday. We can't do it at an irregular meeting. It would have to be a regular meeting—unless there's unanimous consent.

It's been raised. It's been requested. Is there unanimous consent?

Hon. Pierre Poilievre: Mr. Chair, I wonder if the motion that Mr. Deltell submitted might be considered first for unanimous consent, given that it was submitted first.

The Chair: I'll have to ask the clerk for her opinion on that. I don't even know if it was considered first.
It is a privilege to be a member of the Standing Committee on Finance, and I am confident that we are all going to do our part.

(1545) [English]

The Chair: Thank you, Mr. Fergus.

Mr. Poilievre.

Hon. Pierre Poilievre: This is just a point of clarification, Mr. Chair.

The motion calls, does it, for a total of two meetings to hear witnesses with regard to the tax increases that the finance minister has proposed?

The Chair: As I understand it, it's a total of two plus the minister.

Mr. Greg Fergus: That is correct.

Hon. Pierre Poilievre: We have, then, two meetings to hear from witnesses.

Mr. Greg Fergus: That is correct.

Hon. Pierre Poilievre: So there are two meetings to hear from witnesses on the biggest reform in our tax system in 40 years. We're going to have two meetings.

We have had dozens of organizations sign an open letter iterating grave concerns about tax increases as high as 73% on the retirement savings and maternity leave benefits of our entrepreneurs. That's two meetings, to hear from 60 or 70 organizations that represent literally millions of employees on the biggest tax question that may be put before the House, certainly in my career, but maybe in a full generation.

Mr. Chair, this committee is the one that is responsible for the Income Tax Act. That is directly in our jurisdiction. The member and the governing side—the majority here—want to ram this thing through in two meetings.

As you know, Mr. Chair, much smaller issues have been discussed for much longer time periods in committees across this parliamentary precinct. To have the government show up here with a motion that Mr. Deltell put forward was for the committee to return early and dedicate a complete 40-hour workweek to hearing witnesses. That was a proposal that failed to garner the support of the Liberal majority, which therefore rendered the motion incapable of passage.

That was a proposal that failed to garner the support of the Liberal majority, which therefore rendered the motion incapable of passage.

Here we are today, a week and a half later, with the House of Commons in session, interrupting our ability to do all-day hearings, and drastically reduced time periods for consultation. We're told that our small business people, who are worried about a 73% tax rate on their passive investment income, our farmers, who are worried about tax treatment that will force them, in many cases, to sell to foreign investors, will have to ram all of that feedback into a two-day session of, correct me if I'm wrong Mr. Chair, three-hour sessions.

The Chair: That's to be determined.

Quite often, we'll have three-hour sessions with two panels of six—every hour and a half.

Hon. Pierre Poilievre: So we'll have two three-hour sessions to hear from Canadians in this committee, the Finance Committee of the Parliament of Canada, to discuss the biggest change to the Income Tax Act in my lifetime.

Is that really the government's position on consulting Parliament with respect to these changes?

The Chair: Mr. Dusseault.
Mr. Pierre-Luc Dusseault (Sherbrooke, NDP): Thank you, Mr. Chair.

I don't want to prolong the discussion for too long because we have witnesses waiting, but I simply want to repeat one thing that was reported to me in my riding.

As was the case with all my colleagues, the lack of consultation was raised by my fellow citizens. A consultation will end on October 2, but this is clearly insufficient given the importance of the changes being considered.

Having said that, the fact that the government wants to hear witnesses on this draft bill is a step in the right direction. My colleague has not quite understood what will happen next. As was said earlier, we are a long way from having a bill before us, which of course will require a detailed study, as this committee is accustomed to doing.

It is still a good initiative. When a final bill is before us, and the Minister of Finance has finished his discussions or consultations, it will be worth a much more thorough study than this one being presented today, which simply covers the Department of Finance consultation period.

I want to support this consultation, although it is insufficient. I repeat that the NDP wants the Minister of Finance to extend his consultation period beyond October 2. This may solve the problem of time and urgency facing this committee.

I would like to reiterate our request to extend the consultation period for the Minister of Finance currently in place so that this committee can make recommendations and give its opinion to the Minister of Finance on his draft bill.

Ms. Jennifer O'Connell: Thank you, Mr. Chair.

I guess this is going to be a session filled with fact-checking, because the reason Mr. Deltell's motion did not move forward actually was that it failed to get four signatures in order to do so, not at the decision of the government members.

In regard to Mr. Deltell's motion, it didn't even specify how many hours. Thankfully, Mr. Fergus put forward a motion that dealt with the details to bring something forward. Mr. Dusseault rightfully pointed out the fact that this is fitting in with the consultation period to hear about the white paper that was released by the Minister of Finance. If legislation should come forward, this committee, at such time, would have the opportunity, like we would for any other piece of legislation that is finance-related, to properly study it, write a report, draft recommendations, and make amendments.

I prefer not to waste the committee's time in dealing with hypotheticals but rather to get to the business of this House. I'm wondering if the Conservative members are actually suggesting that hearing from Canadians on their priorities for the 2018 budget is not important and that we should not be hearing from them, because Conservative members only want to talk about one thing. I think Canadians want to have the consultation process move forward and then have the minister take that information and determine how he wants to move forward in the form of legislation. At that time, it is for this committee to study it.

I think that having two hearings, plus one for the minister to appear, will allow for formal consultation from this committee to be sent to the minister for him to consider, and at such time as legislation comes forward, we'll move along in the normal process. I think hearing from Canadians on their priorities for the budget is quite significant and important. I would be shocked if Conservative members were no longer interested in that.

The Chair: Mr. Albas.

Mr. Dan Albas: Thank you, Mr. Chair, and welcome back, everyone.

I'm obviously respectful of our guests here, who work very hard for Canadians. I do apologize that we've taken this turn, and that instead of focusing on our pre-budget consultation process the Liberals have decided to go this way, but that's democracy, and I'm glad we can have this discussion.

First of all, when someone says “reasonable”, usually it's reasonable to them. It's the same when someone says “fair”. As Raj will know, being a lawyer, the first person to say “fair” in Canada usually gets what they want, because everyone wants to be fair and reasonable.

The problem we have with this is that, first of all, there is limited time and, in this proposal, the majority of the witnesses who would be coming forward would be the Liberal government's suggested witnesses—the majority of them. That's how the system works: we are going to hear from people who, conveniently, side with the government.

If members on this side are concerned that it's not going to be a complete picture, that I think is a legitimate concern. So far, despite using the language of “reasonable” and “fair”, members have not been able to convince this side nor, I would imagine, many people across the country. I would suggest that if members are really serious, and if it is a privilege to be on the finance committee, which I do agree with, then perhaps we should just say, let's have a few more meetings, or let's make sure those meetings are meaningful and that we have as many people come in...and perhaps they shouldn't all from the side of the government. Perhaps the government might say that they'll take 50% of the witnesses, or even 40%, and then allow those voices that are begging to be heard, and believe me—all of you get the same emails and phone calls that I do—people want to be heard on this.

The desire for members on this side to have a good discussion and to do our jobs should not be dismissed, and it should not be simply cast aside by saying that we're not taking things seriously. We are.

The Chair: Just so we're clear as to where we're at here, I understand, Greg, that if we hold these two hearings plus we have the minister here, this motion is not saying there should be a report. This committee would send that evidence from the discussions to the minister and to the department as part of their departmental consultations.
To break it down, there would be roughly 14 witnesses from the government side, seven or eight from the Conservatives, and two or three from the NDP. That's if we go with how it's traditionally done, and at this committee we don't always do that. We try to go to the best witnesses, no matter where they come from.

Mr. Sorbara.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Mr. Chair.

I'd just like to make sure we fully understand the very reasonable motion that Mr. Fergus has put forward. There is a consultation period that has been ongoing since July 18. It's an approximately 75-day consultation period to which Canadians, as individuals or organizations, can submit their views on the consultative paper that was put forward. We don't have a bill in front of us right now that we're examining with regard to the consultative paper and its content.

I think having the minister here to answer some questions from you and from us will be an opportunity for everyone to put their thoughts on the record. That's something I would welcome, and I think that's something the business community and residents I represent would welcome, and I don't see why we wouldn't want to do that. Having three meetings at the outset on this would be something that should be welcomed by all participants.

I hope my Conservative colleagues would welcome that. I think we would welcome that. I'm prepared to sit for an extra nine hours in the mornings next week and then to do the pre-budget consultations in the afternoon. I think that's a moderate suggestion that's reasonable on whichever side of the aisle you're on. I look forward to that and hope we end up doing that with our friends from the ministers here. I hope we can move forward to their testimony and get down to the work we need to do for the pre-budget consultation we are mandated or legislated to do, whichever term you would like to use.

Those are my humble thoughts, and I hope we can move forward with the meetings next week.

[Translation]

Thank you very much.

[English]

The Chair: Is there no further discussion?

Just so we're clear, we are talking about two meetings of three hours with witnesses. The deadline for witnesses is Thursday night. If that's the case, I'd suggest we have a little conference call with the subcommittee on Friday morning to determine those witnesses. Then we'd have the minister and...all next week. That's what I'm hearing.

Dan.

Mr. Dan Albas: Is there any willingness to see where we have a different split as far as witnesses go? Again, this is slanted towards the government's perspective. This is their motion. It's your call as far as the amount of time goes. I'd like to see more, but can we at least make sure there's a broad representation of the concerns and not just people who are going to cheerlead?

● (1605)

The Chair: Ms. O'Connell.

Ms. Jennifer O'Connell: Mr. Chair, usually that's been done at the subcommittee, and it's usually done quite well in the sense that we get out of the way those everyone agrees to and they don't take up a Conservative or NDP spot. As the chair said, that's usually done in such a way to get the best witness. We tend not to go by the breakdown, so whoever comes to the subcommittee can then work that out, depending on whose name is submitted. However, I'm not prepared to get into a debate on numbers here until we know how many witnesses are submitted and where there are duplicates.

The Chair: Mr. Albas.

Mr. Dan Albas: In response to that, you might not be prepared, but obviously Mr. Fergus was prepared to debate this today, because we gave unanimous consent to have this. The question is there: are you willing to allow more people who are not just simply going to be chosen by the Liberal side? Further than that, we should let the subcommittee do its work. It's in camera, it conveniently won't be today, and again it sounds as though Liberal members are trying to deflect away from the suggestion.

You know, the same as I know, that people are either worried or very upset. Can we make sure we have a proper allocation? Can we at least say fifty-fifty? I think that's fair. That's reasonable.

The Chair: We will have to discuss that at the subcommittee, if we can. You are right. There are people who are worried and concerned. We need to have witnesses who can outline, from a fairly expert opinion, the scope of what the issues are that would add to the minister's consultation process. There will be some in favour and some opposed. I don't even expect that all the witnesses from the government side would be entirely in favour of the consultation.

Mr. Dan Albas: To be fair, since we're having this debate, Liberals have asked for this debate. I put forward a motion asking that the witnesses be split fifty-fifty, and I ask for a recorded vote.

The Chair: We have a motion on the table at the moment.

Mr. Dan Albas: It's an amendment.

The Chair: Is there any discussion on that amendment?

Pierre.

Mr. Pierre-Luc Dusseault: Where am I in this?

The Chair: Where are you in this debate? Mr. Albas has put a motion that the witness list be split fifty-fifty.

You are a third party.

Mr. Pierre-Luc Dusseault: I guess I'm in the opposition fifty.

The Chair: Your numbers would have to go up somewhat as well. What I'm hearing Mr. Albas say is that if we get 24 witnesses, 12 should come from that side of the table and 12 should come from the other side of the table.

Hon. Pierre Poilievre: You can give us that.

Mr. Pierre-Luc Dusseault: Okay, I'm with the fifty from this table's side.

The Chair: If the motion carries, you're all by yourself. You will have to get in gear to take on three others.
Mr. Pierre-Luc Dusseault: All right.

The Chair: The amendment is that the witness list be split fifty-fifty between the opposition parties and the government. It will be a recorded vote.

(Amendment negatived: nays 5; yeas 4)

Mr. Dan Albas: Fifty-fifty obviously isn't fair.

Mr. Greg Fergus: Mr. Chair, I would like a recorded vote on the motion, please.

The Chair: Okay.

Mr. Tom Kmiec (Calgary Shepard, CPC): Thank you, Mr. Chair.

As a new member of the committee, replacing Ron Liepert, who I'm sure you will all miss for his sunny personality

Ms. Jennifer O’Connell: I actually miss Ron a lot.

Mr. Raj Grewal (Brampton East, Lib.): Ron was a great guy. We do miss Ron.

Mr. Francesco Sorbara: Tom, you have big shoes to fill.

Mr. Tom Kmiec: I have a question about the second bullet on the motion. The committee I was on before, the foreign affairs committee, didn't have as many motions, because we were more collegial, it seems, than here and we didn't surprise each other....

On the study, does this imply that we'll be providing recommendations to the Minister of Finance by next week? This reads “the week of September 25 to 29, 2017”. Therefore, we'd hold those two meetings, have a third meeting, and thereafter we would draft a report with recommendations in it. What's implied on this study?

Mr. Greg Fergus: I did not mean to imply that the report would be written by the end of next week.

The Chair: It was my understanding, Mr. Kmiec, when I asked the question earlier, that the record of the hearings we hold here, with 24 witnesses, would be provided to the minister as part of those consultations, without recommendations; they would just be part of the consultations that end on October 2. That's my understanding.

We would also have the minister next week after the witnesses, so it would have to be Thursday or Friday, I gather. Then, committee members can go at it in terms of the minister and where's he at and what we've heard from some of the people who appeared before this committee, and your own personal feelings as well. That's my understanding.

Is that the way it is?

Mr. Greg Fergus: That would be it.

Mr. Tom Kmiec: I should obviously give the same concerns of my colleagues on this side.

We'll basically be also providing the minister with his own comments from the committee transcript, his own viewpoints back to him. Obviously he agrees with his own proposals, I would assume; otherwise, he wouldn't have made them in the dead of summer to surprise everybody.

Mr. Chair, I see that you sort of agree to that point.

I have very serious concerns about just the process. Six hours is really insufficient for this type of review or study, a study with no recommendations, which we're supposed to go through in such a rushed way, and not to go over the witness issue again.

The committees I've been on don't do it quite this way. We don't rush a study, especially on an issue that is taking up a significant amount of the public interest. I have Okotoks dental... One of the dentists there has told me that they have concerns. He wrote me a letter. I have it with me. I have clippings of just today's emails to me.

We know there's a lot of interest from people, and it shouldn't just be associations and groups who represent others. We should be talking to actual business owners, who can bring their spreadsheets and show the type of damage that this might do to their individual businesses.

It will not be possible to rush someone like that at the last minute, giving them a four-day opening next week when they could speak to the committee and present their own balance sheets, their own retirement plans...to demonstrate a physical example of a bakery, Canadian Dent in my riding, or whoever else that may be.

It is not just about associations speaking at a 30,000-foot level, but down to the actual person, the mother running her store, the siblings who come together to form a business. That type of example will not be possible, because small business owners can't just leave their business at the last minute.

The Chair: Okay, I have one more person on the list.

Mr. Fergus, do you want to close the gate and we'll go to the question, and then we'll go to the witnesses?

Mr. Greg Fergus: I have limited experience on the finance committee.

As we have done on other short studies that we've had where an issue has come up, such as the marketing practices of our schedule I banks, witnesses came and testified here. This was very important for them.

[Translation]

We have also accepted written submissions from several Canadians who wanted to testify but did not have the privilege of appearing before the committee. I think it's perfectly acceptable that we keep that.

In fact, we know that individuals, groups or key stakeholders represent associations, but there are also individuals. Several people, who are in favour of or opposed to the proposals, have contacted me in this regard. In my view, it is only natural that we proceed in accordance with the tradition of the committee.

[English]

The Chair: Mr. Albas, and hopefully that's the final one.

Mr. Dan Albas: I'd like to make another amendment, Mr. Chair.
Mr. Kmiec has rightfully raised the question of whether the minister should be providing his own consultation. I would hate to put your minister in that kind of position, so perhaps we should exclude his testimony to himself just out of practicality and fairness.

Many people, I think, would be extremely aggrieved to find out that we would be sending testimony presented by the finance minister to himself. I'm sure they would take issue with some of the statements, but it also does not run a clean consultation process. I know members of Parliament want to do right by the Canadian people.

**The Chair:** Is there any problem with that? Do we need an amendment, or can we do this by agreement? Are we okay with sending the witnesses' testimony to the Department of Finance consultations and not including the minister's testimony?

**Mr. Greg Fergus:** That's fine.

**The Chair:** We're okay on that.

Mr. Kmiec, and then can we go to a vote?

**Mr. Tom Kmiec:** Mr. Chair. Mr. Fergus had an interesting idea, which was to allow for written submissions from people who don't have the time, due to running a business, to provide their input to the committee.

Who will be receiving that? Is there an email address? Should it be directed to the clerk or to you, Mr. Chair?

**The Chair:** It would be the clerk, but I think we're probably all getting some copies of submissions that are going into the Department of Finance on the views that already out there. Is that adequate or not?

**Mr. Dan Albas:** I would say that if this is anything more than just a PR move by the government side, they should be quite open and we should be open.

**The Chair:** We can put that button on the website, if that's your wish to do so. Okay.

Then the button will go up on the website to do that, and that will be transferred to the consultations as well.

On the question on the original motion....

Dan.

**Mr. Dan Albas:** I just want to thank people for being reasonable and somewhat fair on some of these extra provisions.

**The Chair:** All right. What a great way to start.

Did somebody say they wanted a recorded vote on this?

**Ms. Jennifer O’Connell:** Yes.

**The Chair:** Okay. We'll have a recorded vote.

(Motion agreed to: yeas 6; nays 3 [See Minutes of Proceedings])

**The Chair:** We now have the Department of Finance. We said that we would adjourn at 5:30. I've already told some people that we would, so we will go 40 minutes with the first panel and 40 minutes with the second, if that is okay. All right.

Mr. Leswick from the Department of Finance, please go ahead.

**Mr. Nicholas Leswick (Assistant Deputy Minister, Economic and Fiscal Policy Branch, Department of Finance):** Good afternoon, Mr. Chairman, honourable members.

My name is Nick Leswick, I am the assistant deputy minister of the economic and fiscal policy branch at the Department of Finance with overall responsibility for economic and fiscal forecasting and the production of the federal budget.

As requested by the committee, in my opening remarks this afternoon, I will briefly speak about recent economic developments in Canada as a background to your overall theme of productivity and competitiveness that you'll be exploring through the course of your pre-budget consultations.

From the beginning of 2015 until mid-2016, Canadian economic developments were dominated by the large, rapid, and sustained drop in global crude oil prices. Those prices, measured in West Texas Intermediate U.S. dollars per barrel, fell from over $100 in late 2014 to lows of under $30 in early 2016.

The impact of this drop on Canada's economy was significant. The dollar value of Canadian oil exports fell by nearly $70 billion. This was a significant hit to national income, equivalent to about 3.5% of national GDP.

As a result, investment in the oil sector plummeted, falling by an estimated 60% or more than $50 billion. Along with it, employment in oil-producing provinces, particularly Alberta, but also Saskatchewan and Newfoundland and Labrador, fell by a combined 150,000 jobs. While these three provinces bore the brunt of the shock, its impacts were felt across the country. Real GDP in Canada contracted during the first and second quarters of 2015, and for that year as a whole, expanded by less than 1%.

Since mid-2016 however, economic developments have turned around markedly. Real GDP has expanded by an average rate of 3.7% per quarter for the last four quarters. Alongside this much stronger output growth has come very strong employment growth. It is estimated that employment has risen by over 350,000 jobs since mid-2016, and the unemployment rate has fallen from about 7% to just above 6% over the same period.

What caused this turnaround? Several factors have been at play.

First and probably most importantly, has been the stabilization and rebound in economic activity in energy-producing provinces, particularly Alberta.

This has been facilitated by the bottoming out, rise, and evident stabilization of oil prices at somewhere between $45 and $53 U.S. per barrel since the beginning of February last year.

The pick-up also reflects the fact that cuts to investment have largely run their course; during the first quarter of this year, oil sector investment was up on a year-over-year basis for the first time since the end of 2014. It was up again compared to the same period last year in the second quarter of 2017.
A stabilization in investment has also meant a stabilization in the job cuts associated with that investment. The fall in employment in Alberta, for example, halted in mid-2016, and job levels in the province have shown slow but steady gains since then.

The Canadian dollar has also depreciated relative to its U.S. counterpart over this period. The dollar averaged about 90 cents in U.S. dollar terms in late 2014 before falling to just over 70 cents in early 2016. This depreciation has provided important support to our export sector.

Altogether, these developments are what has been described as the slow and complex adjustment to lower oil prices. This simply means the reallocation of labour and capital to other areas of the economy, facilitated by monetary policy, fiscal policy, and a flexible exchange rate. For the large part, and at the macro level, these adjustments appear to be over. However, on a more individual level, there are certainly families, communities, and firms that continue to feel the impacts of the oil price decline.

Beyond the stabilization in the energy sector, a number of other factors have helped to affect the sharp turnaround in Canada's economic performance.

We have seen very robust housing market activity over the last year in Vancouver, Toronto, and surrounding regions. This has helped to support regional and national GDP growth.

Also, there has been a stabilization and pick-up in the global economy. The U.S. economy is meeting expectations. Conditions in the Eurozone have also firmed, as has growth in China. This more positive global environment has undoubtedly helped to support our exports, but equally importantly, business confidence and prospects about future sales.

The expectation of future sales growth, both domestic and abroad, is encouraging firms to invest in productive capacity to meet this increased demand. This can be seen in survey data on business expectations, as well as actual data on investment spending. While not strong yet, investment in Canada has shown signs over the last two quarters of responding positively to these domestic and international developments.

Monetary policy in Canada has also been providing, to use the specific words of the Bank of Canada, considerable stimulus. As well, in conjunction with monetary policy, a number of fiscal measures have been introduced by the federal government over the last two years, which have helped to support income growth and general economic growth. These include middle-class tax cuts, incremental infrastructure spending, and the enhanced Canada child benefit.

Combined, all of these factors are resulting in stronger and more broad-based economic growth across the country. For example, the unemployment rate in the province of Quebec is at its lowest level since 1976. Ontario has posted its longest back-to-back stretch of 2% or above real GDP growth since the mid-1980s, and in British Columbia the economy has created almost 150,000 new jobs since the beginning of last year.

This is all very positive and good news. Stronger, broader-based growth means that more solid economic momentum will likely continue over the coming quarters. Higher growth has generated higher employment and income gains, which have led to higher demand and thus higher output growth and so on, in a so-called virtuous circle.

However, the very strong rates of growth that we have seen over the last four quarters are highly unlikely to continue. There are a number of structural reasons for this. The bounceback in the energy-producing regions is just that, a bounceback. Growth rates will eventually plateau and ease. As well, we have seen a notable cooling in the Toronto and Golden Horseshoe housing markets recently. This will also take some strength out of recent GDP growth rates. The Canadian economy still also faces uncertainty relating to policy developments and direction in the United States.

Over the medium term, we also face a number of well-known structural challenges. These include demographic pressures brought on by population aging and, more specific to today's session, a relatively weak productivity performance in Canada.

On that, I hope both my colleagues from Finance Canada and my colleagues from ISED and ESDC will be able to respond to your questions. Thank you for the opportunity to make the opening remarks.

The Chair: Thank you very much, Mr. Leswick.

Go ahead, Ms. Setlakwe.

Ms. Lisa Setlakwe (Acting Assistant Deputy Minister, Strategy and Innovation Policy Sector, Department of Industry): Krista Campbell and I would like to thank you for having us here to discuss Canadian productivity and competitiveness, something that we live and breathe every day at ISED.

We know that Canada is operating in a slow-growth economic environment. While the economy has grown strongly in recent quarters, as indicated by my colleague at Finance, significant expansion remains uncertain. Even though Canada's economy is performing better than expected, the Bank of Canada still projects modest growth of 2% for 2018 and 1.6% in 2019. This speaks to the ongoing need to look beyond the more traditional policy prescriptions of the past. Monetary policy, sound macro fundamentals, and competitive tax rates are critical, but no longer sufficient.

The current structure of our support for business innovation requires modernization to generate greater impact and allow for the flexibility needed to succeed in these uncertain times. If we want to see transformative results, we need to move beyond funding. We need to rethink and modernize our policy tool kit with one that provides the tools that business needs to succeed.

Budget 2017 put a focus on innovation. What I want to focus on today is how we see building growth through innovation. It is key to Canadian competitiveness, better jobs, and greater prosperity for all Canadians.
We have a significant long-term growth problem caused by slowing productivity performance and an aging population. The main driver for building growth is innovation. It builds opportunities and increases Canada's growth potential. In a higher-cost, higher-wage economy, innovation is crucial for inclusive growth, so let me highlight several core areas in our approach to innovation as set out in budget 2017, beginning with attracting global talent.

To grow Canadian businesses, create more Canadian jobs, and compete among the best in the world, we must also attract the best minds. The government's global skills strategy does just that. It will make it easier for Canadian businesses to attract the talent they need to succeed. It provides an ambitious two-week standard for processing visas and work permits for low-risk, high-skilled talent for companies doing business in Canada. This will ensure that high-growth Canadian companies that need to access global talent can do so to facilitate and accelerate investments that create jobs and growth.

We also need to develop talent at home. We need to equip Canadians with the skills and tools they need to succeed in a changing economy. It is important that Canadians have the right mix of tools and experiences to not only participate in the economy but to lead it.

For example, ISED launched the CanCode initiative, which will ensure that Canadian youth have the digital and coding skills necessary to succeed in this digital economy.

We are also looking to enable an organization by the name of Mitacs to create 10,000 work-integrated learning placements for Canadian post-secondary students and graduates to ensure they have the skills needed to thrive when they enter the workforce. It will grow the number of Canadians equipped with STEM though initiatives such as PromoScience. It provides new funding to attract and retain top researchers through a pan-Canadian artificial intelligence strategy to promote deep learning in new and groundbreaking areas in Canada. Combined, this skills plan will encourage continuous learning, increase experiential learning opportunities, and encourage business investment in the upscaling of their employees.

All of you will have heard of the superclusters initiative. Evidence around the world points to the disproportionate impact—a positive impact—of innovation superclusters. We don't need to look further than Silicon Valley to see the huge effect they can have on growth. They create jobs, encourage knowledge sharing, drive business specialization, and help to attract anchor companies from around the world. Canada has no innovation supercluster in the top global innovation ecosystem, but budget 2017 laid out a plan to change this.

ISED is providing up to $950 million, launched in May, to support up to five business-led innovation superclusters that have the greatest potential to accelerate economic growth. We are focused on superclusters that will enhance Canada's global competitiveness, by looking at highly innovative industries. It is to help companies succeed in the global marketplace with new products, processes, and opportunities to grow, and to connect Canadian companies with globally integrated supply chains.

On government as a first buyer, what is also evident from other models, like that of the U.S., is that the government as a first customer is crucial for innovation start-ups and the development of innovative products. The plan is to launch a new procurement program, innovative solutions Canada, to encourage innovation and to support early-stage research and development and late-stage prototypes from Canadian innovators and entrepreneurs. Government-tested and validated Canadian technologies will help Canadian businesses to scale and find new customers around the world.

Next is capital. The future of the Canadian economy will be significantly impacted by the capacity of Canadian firms to grow domestically and compete internationally. High-growth firms account for a disproportionate number of new jobs and tend to invest more in technology development and generate knowledge spillovers that other firms can harvest. To support the growth of innovative companies, the budget announced a venture capital catalyst initiative to continue to increase the availability of VC in technology.

The innovation and skills plan also included nearly $1.4 billion in new financing through BDC and EDC to boost the growth of Canada's clean technology sector. This will not only foster the growth of Canadian technologies and companies, but also help us meet our climate change goals.

Scale requires global markets, access to global supply chains, and integration into global investment networks. Through our approach and associated measures, the government is enhancing global markets through trade agreements: rolling out CETA, which occurs this week, and looking at trade agreements with other partners, such as Asia.

Earlier this year, the government announced the Canadian Free Trade Agreement, which will increase opportunities for all Canadian businesses to innovate and expand at home.

A big part of the innovation and skills plan is innovation within government. We are too large a part of the economy not to have an innovation focus. We recognize this, and through this budget we are doing our part through the creation of innovation Canada. This new platform within ISED will coordinate and simplify the support available to Canada's innovators, making it easier and faster for them to find and access government programs and services.
As part of this, in collaboration with the Treasury Board Secretariat, we have also initiated a whole-of-government review of business innovation programs, reviewing dozens of innovation programs across government to see how they can be consolidated and simplified. This will reduce the amount of legwork required and give entrepreneurs more timely access to innovation services. A key first step was the creation of the strategic innovation fund, a new, streamlined approach to support existing sectors like auto and aerospace, but at the same time expanding support to dynamic and emerging sectors like clean technology and agrifood.

We are also in the process of developing economic strategy tables in six key areas for Canada. These tables will examine sector challenges and bottlenecks to innovation, and lay out strategies to overcome them. While it will take time to implement, our ultimate goal is to modernize what we offer and how we deliver business innovation programming to Canadians.

We also know that we need to enhance IP education, improve clarity in IP laws, and improve incentives for firms to protect their IP. We are working on a national strategy that will provide firms with the certainty and freedom they need to operate in international markets.

In conclusion, Canada has real innovation strengths, yet we continue to lag behind key competitors. Canada needs to continue to modernize its policy tool kit to better support and encourage innovation and inclusive growth.

- (1635)

We need to put in place a new framework for doing business, recognizing the importance of talented people's access to risk capital, innovation ecosystems, the need for government as a first customer, and increase access to global markets. We need to put in place the right measures today that will ensure Canada remains a player on the world stage, able to compete and keep pace with global leaders.

Budget 2018 presents an opportunity to continue to build off the gains made from the innovation and skills plan, and leverage partnerships through a whole-of-government approach to further implement the government's agenda of innovation-led economic growth.

My colleagues and I look forward to taking any questions you may have to further discussion on Canadian competitiveness and productivity.

Thank you.

The Chair: Thank you very much, Lisa.

We'll now go to questions. We'll take six questions for four minutes each.

Mr. Fergus, you're first.

[Translation]

Mr. Greg Fergus: Mr. Leswick, Ms. Setlakwe, I'd like to thank you and your colleagues for your presentations.

Each government has a number of tools available to revive the economy, but it is very rare that the time is right. There is almost always a lag between the time a new program is implemented or a measure is adopted, and the time it takes effect.

Mr. Leswick, you mentioned that our situation was very enviable, because there was a stabilization of prices and economic activity in our provinces, which are in the middle of the energy sector.

There is also evidence presented by Innovation, Science and Economic Development Canada. Employment and Social Development Canada will soon take a position on these elements.

Given that the economic momentum is strong, employment is on the rise, and growth is widespread and strengthened, are you hopeful that the programs and measures we are adopting for the future will support this good economic performance? The growth rate may not be 4.5% per year, but at least it will be higher than in the past 10 years, when economic growth was anemic.

[English]

The Chair: I don't know who is going to answer first but I do not want this question in terms of the economy to get into whether what the other guy did was good or bad, or vice versa. We're sticking to the basis of the economy, where it's at, and we're not getting into policy.

Do you all understand that?

Mr. Leswick and then Ms. Setlakwe.

- (1640)

Mr. Nicholas Leswick: I think it's clear that there is this policy tool kit in terms of the monetary and policy responses to weakness in the economy.

The Bank of Canada has responded, to quote them, with what they would characterize as considerable stimulus with respect to their policy rate and how that flows through to ultimate residential and commercial lending rates.

Likewise, from a fiscal policy perspective, if we rewind the clock, in early 2016 we were facing what seemed like pretty extreme economic weakness both domestically—growth was lagging—and internationally. We saw some signs, whether it be south of the border in the United States—where people were speculating about the United States teetering into recession—and beyond the borders of the United States, such as in China where they were going through this extreme financial market volatility. So fiscal measures in that context were helpful.

You talked about the fiscal policy tool kit. There was the Canada child benefit, which effectively contributed about $4 million or $5 million into the Canadian economy, so more of a kind of raw injection, like a raw income support. There was also a suite of infrastructure measures, some shovel-ready infrastructure measures, where there were some plans in hiring that were able to be deployed fairly quickly. Getting to the core of your question, there were some longer-term infrastructure measures that were designed to enhance the longer-term productive capacity of the Canadian economy.
However, infrastructure isn't going to do all the heavy lifting here. We're still facing these demographic challenges. We're facing these productivity challenges. There are a lot of indications that tell us we're already... In comparative terms, our capital-labour ratio, like our capital stock, is pretty good. Maybe we're over-invested in kind of engineering structures in the energy sector, and less invested in Canada's productivity enhancing machinery and equipment, but yes, it's not just infrastructure. It's going to be a combo platter of a lot of other things—including skills development, which I think we'll hear about from ESDC in the later half of the testimony—doubling down on some of our sector strategies and innovation strategies, to really boost the long-term growth potential of the Canadian economy.

The Chair: Ms. Setakwe.

Ms. Lisa Setakwe: I think I'd add a couple of points building off that. One is that when our minister undertook a number of consultations to support the work we've done on innovation, we clearly heard from companies that skills and talent were one of their major concerns, and it continues to be so. Are we making the right investments for the long term? I think, yes, especially in that regard. There are a number of other areas that I outlined in my opening remarks as well.

The other thing I would say is that the work that we're doing now is really engaging all Canadians, all stakeholders, because we can't do this alone. We really need to mobilize the business community, citizens, the not-for-profit sector. Everybody needs to be contributing to the agenda. I think this is another area in which we've done quite a bit of work. Those are the kinds of partnerships and relationships that sustain the momentum that we are seeing now and that we think are really important in continuing the progress we're making. I also mentioned that we're undertaking a horizontal review, which will likely reveal some changes that would make things even better in terms of the business innovation programming ecosystem.

Then last, but certainly not least, we've put a really big focus on tracking results. This is really intended to guide any future changes that need to be made and gives a degree of ambition not only for the work that we do and the policies that we put in place, but also for the stakeholders with whom we are partnering on all of these.

The Chair: Thank you both.

Mr. Poilievre.

Hon. Pierre Poilievre: Thank you very much, Mr. Chair.

Are the Finance Canada officials able to answer questions about the proposed tax changes Minister Morneau announced in July?

Mr. Nicholas Leswick: Very respectfully, Mr. Chair, no, we're not the right people to talk to about that.


The Chair: We did invite them just on the basis of the economy, Pierre.

Hon. Pierre Poilievre: Enough said.

Debt management strategy.

Mr. Nicholas Leswick: Yes.

Hon. Pierre Poilievre: Correct me if I'm wrong, but in 2016, there was a very large volume of bond auction because of the number of bonds that were coming up for maturity and the return to deficit. The government auctioned off over $100 billion of bonds in that year.

Is that your recollection of that year?

Mr. Nicholas Leswick: I don't know those numbers off the top of my head, but I would agree that our financial service requirement with respect to funding the government operations and because of the budgetary outlook would have increased, I believe, in that year.

Hon. Pierre Poilievre: I understand that your department consulted with the market to ascertain its desire for the terms of those bonds. As a result of those consultations, it indicated that the market was looking to purchase two-, three-, and five-year maturities. Is that your recollection of the consultations? It's what it says in the debt management section of the 2016 budget documents.

Mr. Nicholas Leswick: Again, very respectfully, I wasn't responsible for those consultations. We'd have to bring my counterpart from the financial sector policy branch who's responsible for the debt management strategy to answer your line of questioning.

Hon. Pierre Poilievre: Do you have any knowledge of what term periods the Department of Finance concluded in general on the debt that it issued in the last two years?

Mr. Nicholas Leswick: I can't speak to the specifics of the term structure of our debt.

Hon. Pierre Poilievre: All right.

The government released a document today in which it talked about the financial situation of the country, and it demonstrated that there is projected to be an increase in the 10-year government bond, roughly one-third to double, and that means that Canadians over time will be paying more interest on the debt we hold, even if that debt were to stay constant.

Is the government making a decision to sell 30- and 10-year bonds to lock in today's low interest rates before rates begin to rise?

Mr. Nicholas Leswick: I think with respect to debt management strategy, it's a balancing act between the cost/risk dynamics of the maturity of our debt, likewise, the price discovery need in capital markets for each of our debt issuances.

Again, I'd advise, to make sure that you're well informed and your questions are properly answered, to invite my counterpart from the financial sector policy branch. Sorry, Mr. Member.

The Chair: We can do that at some point.

Go ahead, Pierre.

Hon. Pierre Poilievre: What are the long-term projections for interest rates that the finance department is relying on?

Mr. Nicholas Leswick: We surveyed a group of 14 private-sector economists across a variety of economic indicators, long-term interest rates being one of those indicators. In our last published survey in budget 2017, the 10-year government bond rate was expected to be 1.8% in 2017, rising to some 3.3% by 2021, effectively over our forecast period.
We take those forecasted interest rates and bring them into long-term liabilities, the debt strategy and our non-market debt, as you reference, Mr. Member, so things like public sector pensions or benefits.

Hon. Pierre Poilievre: That is a very large increase. It might sound like only a few percentage points, but really it's double, so the cost of borrowing is expected to double by 2021.

Mr. Nicholas Leswick: Roughly. Just as a commentary to the honourable member, we've gotten interest rate projections wrong over the last 20 years. Yes, this projection is reflective of an expectation of growth—

Hon. Pierre Poilievre: Right.

● (1650)

Mr. Nicholas Leswick: —and a neutral rate of interest.

Hon. Pierre Poilievre: I appreciate that, and we don't expect you to have a crystal ball. I prefer always to predict the past versus the future, but I think it's fair to say things ain't going to get any better for people borrowing than right now. Interest rates are going nowhere but up, and would you not agree that means the cost of servicing debt is going to go up with them?

The Chair: That's your last question.

Mr. Nicholas Leswick: I would agree with the member. I mean, 80% of people in the residential mortgage market choose fixed-rate mortgages these days. The average term structure of their debt is around four years, so they're deciding to lock in.

That being said, we had the same debate seven years ago with other ministers and other deputy ministers. It really is about managing those cost-risk dynamics and also answering to the liquidity requirements of the market.

The Chair: Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

I would also like to thank the witnesses for taking the time to stay with the committee today, even though we started a little late.

My first question is for Mr. Leswick, who will no doubt be in the best position to answer.

I enjoyed the comments on inclusive growth. It's an expression I use often. We hope that there will be growth, but also that it will benefit as many people as possible. It's always one of the indicators we take into account.

Do you have any indicators on economic inequality? Does the Department of Finance have any statistics on that? What is the current picture of economic inequality in Canada? What is the trend in this regard? What measures have been taken to improve the situation?

[English]

Mr. Nicholas Leswick: Mr. Chair, I would like to ask my colleague Claude Lavoie to answer the question. He's the closest to the research with respect to this particular issue.

[Translation]

Mr. Claude Lavoie (Director, Economic Studies and Policy Analysis Division, Economic and Fiscal Policy Branch, Department of Finance): Thank you very much for your question.

Obviously, we follow the issue of inequality very closely. There are different ways to do this, such as by looking at the distribution of income among different income groups in Canada.

Over the past 40 years, there has been an increase in inequality in the income that people earn in the labour market. The rich get richer than the poor. Revenues increase much more at the top than at the bottom of the income distribution. We're talking about pre-tax income.

Taking into account taxes and transfers, income growth was more even and somewhat higher on the higher income side, especially when we're talking about the 0.1%. The federal system of taxes and transfers is effective in redistributing revenues. Will it continue to be? That is one of the concerns of the present government, and we are looking at it.

The Gini coefficient is one of the indicators of inequality often used. It can also be illustrated as the ratio of the richest 40% to the poorest 45%; it has pretty much the same function. This coefficient increased significantly during the recession of the mid-1990s and of the 1980s. This coefficient has been stable since the 2000s and has not increased significantly recently.

Compared to other countries, based on the same measures, Canada is in the middle of the pack with respect to inequality. We are not among the best, and there is room for improvement.

I hope I've answered your question.

Mr. Pierre-Luc Dusseault: Absolutely. I understood that the main solution seems to be the federal system of taxes and transfers or social programs.

I would now like to ask a question about the transition toward a greener, more environmentally friendly and more technological economy, of course. That's what we're looking at.

Is the available workforce sufficient to make this transition? If we don't have the labour force required to achieve the new economy we are creating, what will the main challenge be for the government?

● (1655)

Ms. Lisa Setlakwe: I will ask my colleague, Krista Campbell, to answer your question, and some of our colleagues who will come later will be able to give you additional answers.

Ms. Krista Campbell (Director General, Digital Transformation Sector, Department of Industry): Thank you for your question.
The Chair: I call back members to the committee, please. We will start the second panel.

We have from the skills and employment branch of the Department of Employment and Social Development, Ms. Wernick, who is the associate assistant deputy minister; Ms. Demers, the director general of strategy and partnerships; and Mr. Brown, acting director general of employment insurance policy.

From the federal-provincial and social policy branch of the Department of Finance, we have Glenn Purves, the general director —welcome, again, Glenn, and Mr. MacMinn, senior economist.

Thank you for coming. The floor is yours for an opening statement. I will admit that we’re under a pretty tight time frame; sorry for making you wait.

Ms. Rachel Wernick (Associate Assistant Deputy Minister, Skills and Employment, Department of Employment and Social Development): Good afternoon, Mr. Chair and distinguished members of the committee. Thank you for the opportunity to describe Employment and Social Development Canada skills and training programs.

As you know, Canada is experiencing the effects of an aging population, rapid technological change and globalization that have put a strain on productivity growth and competitiveness. Canadians are experiencing these changes through shifts in the labour market that are reshaping the nature of jobs and raising the level of skills and education required to be successful.

In this context, Canada’s prosperity will increasingly depend on an inclusive labour market, where all Canadians are equipped with the skills that they need for the changing nature of work, and where employers are able to access the skilled labour they need to be innovative and competitive.

I am pleased to share with you some of the work that ESDC is doing to address these priorities. Let me start with youth. We know that Canada’s prosperity will increasingly depend on creating a pathway to success in education and employment for our young Canadians. Helping young people gain the skills, abilities, and work experience they need to find and maintain good employment will be key to laying the foundation for their success in the labour market over their lifetime. To tackle this challenge, ESDC invests approximately $330 million per year in the youth employment strategy.

Budget 2016 made additional investments of over $278 million, bringing the total funding for 2016-17 to more than $606 million. With this investment, we doubled the number of Canada summer jobs available to young Canadians, which was over 60,000 jobs.
Budget 2017 proposed an additional $395.5 million over three years, starting in 2017-18, for additional work and skills development opportunities for youth. Combined with the 2016 measures, these investments will help more than 33,000 vulnerable youth develop the skills they need to find work or go back to school, create 15,000 new green jobs for young Canadians, and provide over 1,600 new employment opportunities for youth in the heritage sector.

While a large part of Canada's success rests on supporting youth in successfully transitioning into the labour market, they still face barriers.

To assess the barriers faced by vulnerable youth in finding and keeping jobs, an expert panel on youth employment was launched in October 2016 and delivered its final report last spring, which will help guide our work on the renewal of the youth employment strategy.

As well, the new youth service initiative, which will be launched later this fall, will help young Canadians gain valuable work and life experience as they contribute through service to communities across Canada. This initiative will provide $105 million over five years and $25 million per year ongoing.

An important way ESDC is supporting successful transitions from studies to the workplace is through the student work-integrated learning program, which was launched in August of this year. The program provides funding support in the form of wage subsidies to employers to create new work placements for students enrolled in post-secondary education during their studies.

Through this program, ESDC is developing stronger linkages and partnerships between industry and post-secondary institutions by creating these new work-integrated learning opportunities, particularly in science, technology, engineering, and math.

There are additional incentives available for placements created for students in under-represented groups, including women in STEM, indigenous students, persons with disabilities, and recent immigrants.

As you know, there is a clear link between education and productivity. The department continues its efforts to facilitate access to post-secondary education by encouraging Canadians to save and by increasing access to, and the availability of, student financial assistance.

I am pleased to report that, further to budget 2016 commitments, enhancements to the Canada student loans program to increase the amount and availability of Canada student grants, as well as the measures to make student debt more manageable, have all been implemented.

In a changing economy, Canadians throughout their life need to embrace continuous learning and upgrade their skills so they can find and keep good jobs.

As part of Canada's innovation and skills plan, the government aims to encourage Canadians to upgrade their skills through several measures: by expanding eligibility for Canada student grants and loans; by making it easier for adult or mature learners to qualify for Canada student grants and loans; and, by making better use of the flexibilities in the EI program that allow EI claimants to pursue full-time, self-funded training while maintaining their EI status. Consultations with provinces and territories on these measures have begun with the view of an implementation date of the end of summer 2018, which will correspond with the start of the school year.

Turning to other areas of importance for improving Canada's overall productivity, the need to generate opportunities for those who are traditionally under-represented in the workplace remains of paramount importance. Maximizing the participation and better utilization of these under-represented groups will be key to addressing anticipated labour force and skills shortages and to supporting long-term growth.

ESDC provides a full continuum of services for indigenous people across the country, from pre-employment training, such as literacy, numeracy, and other essential skills, to more advanced technical training, and to employment for skilled jobs through the aboriginal skills and employment training strategy, or ASETS. Over the past years, ASETS has served over 300,000 clients, with over 100,000 finding employment and close to 50,000 returning to school.

In response to growing demand from indigenous peoples for skills development and job training, budget 2017 announced an additional investment of $50 million for this strategy.
Going forward, indigenous skills and training remains a top mandate priority for Minister Hajdu. In the past year, we have engaged extensively with indigenous partners to see how we can improve and strengthen indigenous labour market programming through a longer-term strategy. Results of all of these consultations will be informing the renewal of the aboriginal skills and employment training strategy post 2018 and will ensure that we are meeting the training needs and improving the labour market outcomes of indigenous people.

To help newcomer immigrants overcome integration barriers and fully participate in the labour market, budget 2017 proposed the creation of a targeted employment strategy for newcomers. The strategy will include improved pre-arrival supports, a loan program to assist with the cost of foreign credential recognition, and targeted measures to help them gain Canadian work experience. It will also complement the work already being done in the department with provinces and territories on foreign credential recognition.

In addition to these federal programs, ESDC makes significant investments in skills and training through the labour market transfer agreements. Each year, the government invests nearly $3 billion through the agreements so that provinces and territories can offer a range of programs, from skills training to career counselling to job search assistance, to help the unemployed and under-employed improve their skills and get their next job.

Budget 2017 included significant additional funding and committed to reforming and consolidating the labour market transfer agreements to ensure that programs become simpler and more flexible to adapt to the changing jobs and skills needs. Key priorities under the new agreements will be to ensure that training and employment supports are more client focused, more responsive to the employer needs, and informed by strong performance measurement and innovation. Negotiations with provinces and territories on the next generation of agreements have begun and are ongoing.

Speaking of skills training, the new organization for skills development and measurement announced in budget 2017 is still at the design stages, but it has the potential to greatly influence future investments in programming. The Advisory Council on Economic Growth and the Forum of Labour Market Ministers have recommended new approaches to tackle skills gaps and support lifelong learning. The new organization will work in partnership with willing provinces and territories, the private sector, educational institutions, and not-for-profits to address these issues by identifying the skills required by employers, exploring new innovative approaches to skills development, and sharing information on best practices and research to help inform future skills investments and programming.

With a better understanding of the in-demand skills, the new organization will support the development, testing, and evaluation of innovative approaches that will help employment training service providers to adapt to better meet employers’ needs and evolving job demands.
The Chair: I know there's a lot of information there, and we can pull that up on the record. I'll tell you, having just sat here for the two previous witnesses as well, I wish there were a way for an MP to be able to pinpoint what programs across government are available, because we're always searching. There has to be a simpler way.

Constituents come in asking whether there are programs, and the staff in our offices... I know you folks know them, but we don't know them all, and I doubt if you folks do either. That's not under just this government; it was under the other government as well. There are programs, but trying to put your finger on the one that may work for a constituent is always a problem.

Mr. McLeod.

Mr. Michael McLeod (Northwest Territories, Lib.): Thank you, Mr. Chair.

Thank you to the presenters today. It was a very good presentation.

I certainly appreciate the work you're doing in the area of youth and the under-represented groups, especially the indigenous populations.

I heard many good things here today, and I think there's a real need to really focus on probably our fastest-growing population in the country, the indigenous people, who have high rates of unemployment. We have large pockets across Canada of unemployed indigenous people. It's estimated that we have well over 150,000 people sitting in aboriginal communities in the west, including the north, who are unemployed.

There are many challenges, of course, including education levels, addictions, and mobility—things you would think of as simple. Receiving a pardon for a criminal record is something that's been raised. We certainly have to rethink and modernize our tool kit, as was mentioned earlier today. We need to focus on healthy people and healthy communities, and that means jobs. That means education for aboriginal people, training, and opportunity. That's for all populations in all parts of Canada.

I'm really encouraged by what you're doing here in terms of developing a long-term strategy. My first question is to try to get a feel for how much involvement and collaboration you're getting from the aboriginal people across Canada, the indigenous people. Are they participating? Are you getting good feedback? How is that going?

Ms. Rachel Wernick: We have been engaging extensively. Over the course of a full year, we engaged with a view to developing the successor program for ASETS, the strategy that expires at the end of this year. We've had extensive engagement across the board in that context. Regional, national, local delivery organizations have fed into that. We also had written submissions from each of the NIOs, the national indigenous organizations, and proposals for what they would like to see in the successor strategy. We even continue to have discussions in the context of the government's new permanent bilateral mechanisms, the nation-to-nation discussions. There are working groups, ADM-level discussions with each of the NIOs, as we explore how to respond to the commitments that are being made in the broader reconciliation agenda. There is complete collaboration and joint priority-setting and working together on the successor strategy right now.

The Chair: You have time for a short one, Michael.

Mr. Michael McLeod: Could you quickly tell us what the impact of the ASETS program has been up until now and what you expect it to grow to in the new successor program?

Ms. Rachel Wernick: To date, the programs have served over 400,000 clients, with close to 133,000 finding work and more than 60,000 returning to school. One of the changes we're exploring with the successor strategy is the potential to measure and capture clients who move up the skills spectrum. You can see from the results measurement that we're doing that it's quite binary. It's either they went back to school or they got a job. Our indigenous partners are telling us, and which makes a lot of sense, is that for a lot of the clients they are serving success is moving from very low literacy to higher literacy and numeracy, and that isn't being captured. As we move people up the skills continuum, we need those longer-term interventions for quite a few of the clients. We need to align the services we offer with their personal aspirations, whether it's to go back to school, to go to a more technical job, etc.

We've had a lot of success with the program, as you can see from the statistics on jobs found and returns to school. Now we want to capture and do more work in the full skills continuum to reach those clients who are starting from the furthest back.

The Chair: Thank you, both.

Mr. Kmiec.

Mr. Tom Kmiec: Thank you, Mr. Chair.

[Translation]

Mrs. Wernick, to start, I would simply like to mention that the French and English versions of your speaking notes aren't the same.

Somewhere on page 13 of the version I received, it reads “CIMT - espace réservé”.

Ms. Rachel Wernick: I apologize. All I can say is that we will look at it and make sure that we provide you with an adequate version of the document.

Mr. Tom Kmiec: That will be for the next time.

Ms. Rachel Wernick: Yes.

[English]

Mr. Tom Kmiec: This council that was being set up, the LMI that was going to be collected, did you consult with the different HR associations from every province before moving ahead with this, and are they involved in the production of this LMI?
Ms. Rachel Wernick: I know there was extensive collaboration and consultation with provinces. I'm just trying to see if I can find you something more specific on that.

The Chair: Ms. Demers.

Ms. Catherine Demers (Director General, Strategy and Partnerships, Skills and Employment Branch, Department of Employment and Social Development): We could probably obtain for you as a follow-up the specific organizations that were consulted, but certainly—

Mr. Tom Kmiec: It's not just for me.

[Translation]

Ms. Catherine Demers: Indeed.

[English]

In terms of the organization, there has been, over a two-year period, discussion and collaboration with stakeholders on the creation of the council. That has been done in partnership with provinces and territories, so, really, broad-based discussions.

Mr. Tom Kmiec: On this LMI information, you have to be aware that in western Canada there is private-sector LMI being collected by the different HR associations.

There is an Alberta HR trends report, a western Canada trends report, and an individual trends report being produced for every single province by associations, which include about 20,000 human resources practitioners under the certified professionals in human resources.

Is this duplicating that effort or is this trying to replace it? Is it competing with it, or is it something new?

Ms. Catherine Demers: It is meant to work in complementarity with all the organizations across Canada that produce various levels of labour market information. It is really an opportunity to bring together the various information sources that are collected by sector organizations, through Statistics Canada, and through various educational institutions as well. For various holders of labour market information, the idea is to provide an opportunity to offer a common platform for access to labour market information for Canadians.

• (1725)

Mr. Tom Kmiec: Who is on this council?

Ms. Catherine Demers: The council is made up of representatives of the federal government, the provinces, and provincial and territorial governments, with the advice of a national stakeholder advisory panel.

Mr. Tom Kmiec: Wouldn't you want to have included in that HR professionals, people who are certified in the profession who make hiring decisions knowing what the labour market is like? This would include the hiring, firing, and skills assessment in the workplaces for large, small, and medium-sized organizations.

Ms. Rachel Wernick: As mentioned, the national stakeholder advisory panel that will be established to support the council could be comprised of HR professionals, experts, students, workers, educational institutions, indigenous organizations, and business organizations. We're trying to make this advisory council cover as broad a spectrum as possible.

The Chair: Thank you.

Last question, Tom, if you could.

Mr. Tom Kmiec: For my last question, it says it's going to start in the fall. Is there a specific time? The fall hasn't really started, so October, November?

Ms. Catherine Demers: The creation of the council is expected to be announced soon, this fall, around the Forum of Labour Market Ministers meetings. It's in the context of an upcoming meeting of labour market ministers. The details of the creation of the council and the members will be made available very soon — this fall.

The Chair: Thank you very much.

Mr. Dusseault.

[Translation]

Mr. Pierre-Luc Dusseault: Thank you, Mr. Chair.

I would like to thank the witnesses for appearing before the committee.

My question is related to what I said earlier about inclusive growth, which means growth that benefits all Canadians, especially those living in the most precarious situations.

My question is in the same vein as my question about the labour market and the skills of Canada's workforce. What is the current picture of the labour market shortage? Actually, I think everyone can agree on this: there is a tremendous need for human resources in several sectors. In Sherbrooke where I'm from, I regularly hear business leaders talk about the lack of skilled labour and the difficulty of filling positions in companies.

Is there a national picture of the labour market shortage? Has an analysis been made of what the labour market will need? What is the shortfall? What is the strategy to address this lack of human resources?

Ms. Catherine Demers: Information on the job market and on job availability in Canada is currently available on the Job Bank site, which is managed by the department and made available to Canadians, employers and educational institutions.

In fact, the site has been extensively redesigned to improve it, to make it easier for workers and job seekers to access it, and to target information on more specific areas. A resident of a given community will be able to know what jobs are available and what the salaries are. The website also contains information on the eligibility requirements and education required. There has been a real increase in the amount of information available to job seekers, as well as easier access to employers who are looking for talent and workers in their own region. We are really trying to make this information easier to access. National information is also available on this site.
As I mentioned earlier, in addition to the Job Bank, the creation of the new Canada Labour Market Information Council is designed to make information more readily available by grouping together on the joint platform data collected in the regions, in the provinces and in different sectors. The site also aims to improve the quality and relevance of available information by proposing better measures and more coherent methodologies. The labour market in Canada will therefore benefit from expert input.

Our goal is to improve the quality and relevance of labour market information in order to better match supply and demand.

Mr. Pierre-Luc Dusseault: Thank you.

Since I still have a little time, I will turn to Mr. Purves.

Mr. Purves, I don't know if you are the one who takes care of this program, but I will still ask you a question in anticipation of our pre-budget consultations. I assume that you are in charge of the equalization program. If so, is the current equalization formula adequate? If not, should it be reviewed?

Mr. Glenn Purves: Thank you for your question.

If you don't mind, I'll answer in English.

Mr. Pierre-Luc Dusseault: That's fine.

Mr. Glenn Purves: As you know, under the act, the Minister of Finance's authority to provide under the equalization program expires on March 31, 2019, so currently we're looking at the current equalization framework and conducting as normal in these instances when there is a sunset.

We're looking at the framework to see if it continues to serve the interests of the federation in the best way possible. We continue to go through that review. Through that, we have had discussions with provinces and territories—at the officials level, of course—and we continue to do our work on that. It would be too early for me to sort of signal at this juncture any indications of any potential changes, if at all.

Mr. Pierre-Luc Dusseault: Thank you.

The Chair: Thank you, Pierre.

We will have to adjourn there.

Some of you were here for the earlier discussion by the finance committee member on a motion. I just couldn't help sitting here and thinking we are pretty good at make-work projects for ourselves. Maybe ESDC could learn something from that. We can make more work and pile it on next week.

Anyway, hopefully that will be all for the better.

I do want to thank you for waiting. Thank you for your presentations.

The meeting is adjourned. We'll meet tomorrow.
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