



## **Written Submission for the Pre-Budget Consultations in Advance of the 2021 Federal Budget**

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**Recommendations:**

1. *The Government of Canada create and support a comprehensive reskilling strategy that accelerates economic recovery by targeting the highest potential economic sectors in each region of the country and transitioning Canadians into high-quality, well-paid jobs.*
2. *The Government of Canada make an initial \$250 million four-year investment into this reskilling strategy.*

## Budget Justification

The COVID-19 pandemic has caused widespread economic disruption on a scale not seen in generations. It is the defining event of our time, unsettling markets, impacting much of the economy, and in the process triggering mass unemployment. While the pandemic will pass, it will leave behind daunting public policy challenges. Governments must tread carefully in the post-COVID recovery period. Bold action is required on a level only seen during the Great Depression and there is little room for error. Adopting the right approach to economic recovery will position Canada to emerge even stronger.

Even before the pandemic it was clear that a significant economic transformation was occurring. Advanced technologies such as Artificial Intelligence (AI), Internet Of Things (IOT), robotics, and automation were creating new fast-growing sectors and changing the skills needs of traditional sectors. Firms in retail and hospitality, manufacturing, and agriculture, for example, faced the challenge of either adopting new technologies or becoming obsolete. Collectively, this new “knowledge economy” was growing at twice the rate of the overall economy. As a result, Canada witnessed significant labour market demand in new knowledge-driven sectors while labour needs in traditional sectors began to shrink.

The pandemic is accelerating this process, and given its structure, it should not be surprising that much of the knowledge economy is displaying a greater resilience to COVID-19 disruptions than traditional sectors. Knowledge firms rely on labour to a much greater extent than on fixed capital assets. This has allowed them to quickly redeploy their workforces within the “new normal” created by the pandemic.

The current crisis is also accelerating the speed at which traditional sectors are becoming more knowledge-intensive:

- Advanced manufacturing firms can more quickly continue existing production or shift to producing new goods needed during the pandemic;
- Technology induced food and agricultural practices, or ‘Agri-Tech’, requires far fewer traditional migrant workers and thus was more resilient to the effects of the pandemic; and
- While traditional entertainment mediums were disrupted, recent booms in digital games and entertainment are now showing potential in sectors as far afield as tourism.

In these and other industries, such as tourism, relying on new technologies and increased knowledge intensity has been shown to create enhanced economic resilience, significantly better performance at the firm level, more stable employment, and new export opportunities.

The shift towards a knowledge-driven economy also presents enormous potential benefits in terms of increased prosperity, citizen engagement, and social enhancement. Because talent fuels the growth of knowledge-driven sectors, ensuring that our highest potential knowledge firms are able to regain access to talent during and after the current crisis will position them to lead the charge in re-invigorating Canada’s economy.

The time is now to build pathways for transitioning the Canadian workforce to better align with the economy of the future. Doing so within the current crisis will ensure that:

- Our highest potential firms are a source of stable and consistent economic activity during the current crisis;

- As we emerge from the pandemic, these same companies will help Canada quickly recover its economic footing; and
- Strengthening these companies now will ensure their international success post-COVID-19.

Interestingly, even during the pandemic, there are acute labour shortages in critical areas of the knowledge economy. According to the Council of Canadian Innovators, 77% of Ontario knowledge firms in the tech space cite recruiting and retaining talent as their top concern. From a pressing need for technical talent in cybersecurity and data science, to a burgeoning demand for business skills such as B2B sales, this mismatch in the labour market between talent supply and demand is resulting in an underutilization of existing skills, despite Canada having one of the most highly educated and skilled workforces in the world. We must build on Canada's existing educational strengths to create a platform that supports the horizontal, cross-sector job transitions that are increasingly required for workers to transition into new careers as existing ones are disrupted.

As we emerge from the current crisis, the need for an effective labour-market transitioning platform will become ever more acute. Those jurisdictions that ensure workers from disrupted industries such as retail, tourism, and manufacturing, can be rapidly retooled to translate their invaluable skills and experience into new careers in growing sectors will see immense benefits. The road to a successful economic recovery leads directly through harnessing the power of Canada's knowledge economy to create new employment, support the growth of our highest potential firms and improve the economic well-being of Canadians.

***Recommendation 1:*** *The Government of Canada create and support a comprehensive reskilling strategy that accelerates economic recovery by targeting the highest potential economic sectors in each region of the country and transitioning Canadians into high-quality, well-paid jobs.*

Recognizing that the transition of the economy towards becoming increasingly knowledge-driven is tied to the need for a broader talent transition strategy is key to helping accelerate the process of economic recovery during the crisis. This strategy must go far beyond the traditional considerations around investing in STEM education for youth or creating Work-Integrated Learning (WIL) programs for post-secondary students, though both initiatives are worthwhile and must continue to be strengthened. A robust and effective talent transition strategy of this nature must involve:

- Identifying critical skills gaps amongst those firms poised for rapid growth;
- Understanding skills availability in sectors where labour-market participation is declining;
- Creating transition pathways for workers with the foundational skills needed to be well-suited to in-demand roles; and
- Creating and supporting rapid reskilling programs that support the transition of these workers to new careers.

Done right, this will create a “third pillar” of workforce development, designed specifically to address the training needs of workers experiencing job displacement and disruption, and the talent needs of fast-growing employers in the knowledge economy. This new platform would leverage existing stakeholders and weave them together to identify and respond to the talent demands of knowledge sector. As such, it would build on existing infrastructure, including organizations focused on education and training, workforce development, employment and immigration, and industry support and association.

This model requires an intermediary to bring these organizations together to define and address specific talent shortages. For example, Palette Inc. has shown this model can be highly successful in its pilot programming within the tech sector in the Greater Toronto Area even during the COVID-19 crisis. Its *SalesCamp* and *Women in Tech Sales* programs, have successfully transitioned new and diverse talent pools of skilled workers from outside the technology sector into new and in-demand areas of employment in Toronto’s growing ICT sector.

***Recommendation 2:*** *The Government of Canada make an initial \$250 million four-year investment into this reskilling strategy.*

We envision a series of regional programs that speak to local labour market needs. By engaging and transitioning a growing number of Canadians into the highest potential sectors in each region, this talent strategy ensures alignment with an inclusive innovation agenda where both workers and companies can thrive in Canada’s rapidly evolving knowledge economy. This investment will ensure that the envisioned upskilling platform is capable of supporting Canadians from coast to coast to coast in developing the 21st century skills they need to adapt and prosper in the innovation economy. Furthermore, it will spur economic growth by enabling firms to access a desperately needed pipeline of new talent that will help Canada become a competitive global leader in the knowledge space.

This will also allow our highest potential knowledge-centric firms, some of which don't even exist today, to quickly adopt a model that ensures that Canadians are the primary source of much of their future labour needs. A nimble just-in-time platform that is responsive to the needs of high potential firms in growing sectors of the economy along with Canadian workers, can ensure that both groups experience the benefits of the growing innovation economy. In the process, we will engender social and political cohesion, and enhance our opportunities for creating a better Canada for future generations.

The post-pandemic recovery period will be unique in that the strongest firms will have the opportunity to rapidly capitalize on new market opportunities. The platform envisioned requires bold thinking akin to the investments we made in the 1930s. During this time, we built the necessary infrastructure to support the burgeoning manufacturing sector. Today, we call on the government to build the talent infrastructure that will allow all Canadians to be the architects of the future knowledge economy.