

Deloitte.



Bold bets for our country
It's time for deliberate action

CANADA
— AT —
175

Over the past 150 years,
Canadian leaders have
accomplished great things
for this country through
vision, boldness, courage,
and determination.

Executive summary

Canada's 150th anniversary is an opportunity to think about our journey as a country and what it means to be Canadian, now and in the future. In 1867, 80 percent of Canada's 3.5 million inhabitants lived in rural areas,¹ Montreal was Canada's largest city—nearly twice the size of Toronto—and Canada's per capita GDP stood at an estimated \$2,100.²

Fast-forward 150 years and Canada is an urban, highly educated, technology-savvy, multicultural society with a diversified economy. Bold Canadian leaders built a railroad that united a country, established a universal healthcare system, forged global trading relationships, and created an international reputation for fiscal prudence and responsibility. And along the way, we invented insulin, the electric wheelchair, the world's first smartphone, Superman, and peanut butter.

Since Confederation, Canadians' wealth and prosperity have increased exponentially. Today, Canada is one of the best countries in the world in which to live and work.

Our country and the world face increasing challenges to and uncertainty for our prosperity, culture, and our progress.

Being one of the best will not ensure we maintain the quality of life we enjoy and expect. Complacency will mean falling behind.

Deloitte believes that by our 175th anniversary, Canada can be in a class by itself—not one of the best, but *the* best place in the world to live and work. This goal reflects our true potential—and the imperative to strive higher and go further as a nation. We will achieve this goal together, but only if we take action to produce the future we want—now. It's time to be bolder.

Canada's history provides some inspiration—and lessons—on how to move forward. We've faced tough challenges before and our visionary leaders responded with bold and courageous action. From Confederation to universal healthcare, Canada is a country that has—in fact—been shaped by boldness. But history lessons can only take us so far; bold bets in tomorrow's world are shaped by forces that can cloud a crystal ball. Our past shows us what it means to be Canadian—how we have found success not by following others, but by pursuing our own distinct path. It is up to Canadians to own our future through hard, big decisions—not reaction.

We believe that business has a responsibility to “up its game” in charting our course. Deloitte recently launched a series of roundtable discussions with Canadian business and government leaders about their vision for the future of our country and the difficult choices we need to make as we look to our 175th anniversary. The leaders we spoke to agreed that the time for action is now. Deliberate, thoughtful action that breaks through complacency and uncertainty.

This report lays out three crucial areas that emerged from those conversations and our own research—three areas where we believe we must take bold action to build the Canada we want over the next 25 years.

Back Canada's current and future global champions

We need to concentrate our investments in areas of sustainable competitive advantage rather than spread our investments too thinly. The global economy does not give participation awards.

Canada has a productivity gap to close. To accelerate growth, our efforts and spending must be more targeted and deliberate. We must focus on those industries, sectors, and technologies that we believe will be global champions—dominant sources of competitive advantage for our country. Markets—not governments or political necessity—need to identify those champions. Governments at all levels must step up as active co-investors and work harder to create the right conditions for champions to emerge and thrive (e.g., a competitive tax environment, enabling infrastructure, smart policy, and regulations). And businesses need to collaborate to compete internationally—to come together to build strong industries and sectors where global champions can flourish. Together, government and business, as equals, must unite their vast resources to determine where and how Canada can succeed.

Take the world by storm: We are open for business—Canadian style

We need scale to compete at a global level. Entrepreneurs and businesses need access to the best global talent and the fastest-growing markets—with a focus and speed that outpaces global competition. Canada has a unique opportunity to leverage its brand as an open and diverse nation. As other countries restrict entry, Canada must accelerate our attraction, entry, and even poaching of top global talent while remaining strategic and targeting the specialized skills needed to grow global champions. Countries that retrench are giving Canada the opportunity to forge ahead aggressively on trade with fast-growing markets. And we need to do the same by eliminating trade barriers within our own borders. We must look beyond our largest trading partner if we are to build truly global companies and citizens.

They don't teach Latin in schools anymore—status quo now means left behind

With a rapidly aging workforce and technological change shrinking the shelf life of skills, doubling down on traditional education systems and outdated approaches to learning will not prepare Canadians for the jobs of tomorrow. Working together, government, academia, and business have to create new models and approaches that focus on lifelong learning, diversity of learning, and direct links to the business world outside the classroom. We can help get Canadians back to work faster by putting retraining dollars in the hands of employers who know first-hand the skills and training needed to succeed. And we must consider new pathways to accreditation that better reflect the multitude of ways knowledge and skills are acquired today—in classrooms, online, in other countries, and on the job.



These are not the only bets we could make. But Deloitte believes they are three of the most critical. These ideas are meant to spark debate—and act as a catalyst for action. These bold actions carry risks, but they are outweighed by those of inaction. We can't preserve who we are and our standard of living without growing our economy.

But Canada must avoid the divisive sentiments we've seen rise elsewhere in the world by ensuring growth is shared by all Canadians. Anxiety about technology-driven unemployment is growing, but rather than fear technology, governments and businesses must continue to drive innovation while doing more to help those affected by disruption. Business has a responsibility in building an inclusive Canadian economy and must re-imagine its role in an age of unprecedented disruption.

Bold action requires courageous leadership. It's time for Canada's current and future leaders to step up. We need new levels of collaboration and decision-making among our governments, our business communities, our educational institutions, and our citizens if we are to unleash our potential to make Canada the true world leader.

Over the past 150 years, Canadian leaders have accomplished great things for this country through vision, boldness, courage, and determination. Let's show the world what we can do in the next 25.

Exhibit 1: Leading with courage is the key to Deloitte's three bold bets



Source: Deloitte analysis

Bold bets for our country: It's time for deliberate action | It's time to be bolder



It's time to be bolder

At Deloitte, we believe it is time to consider the type of country we want to be in the decades to come—and lay the foundations now. Even if it involves uncomfortable conversations.

Our *Canada at 175* multi-year initiative is a platform to spark thought and action around the challenges we face and the future we want.

Our first report, 2016's *The Future belongs to the bold: Canada needs more courage*, examined the state of business courage in Canada and found we can do better, much better, and we include ourselves in that assessment. Earlier this year, *Canada at a new crossroads: 25 years later* took stock of Canada's current state, laid out four scenarios for the future, and challenged business and government to think about the big, vexing questions we need to tackle in the years to come. This report builds on these earlier works.

We celebrate how far we've come as a country and explore the pivotal role bold decisions and actions will play in deciding our future.

Since early 2017, Deloitte has spoken with business and government leaders across the country about their vision for a future Canada. These conversations have convinced us that while Canada has made great strides in achieving a high quality of life over the last 150 years, Canada at 175 can and should be the best place to live and work in the world—if we act now with boldness and courage.

We must ask—and answer—uncomfortable questions

Are we prepared to do what it takes to achieve the future we want? Today, the answer is mixed at best—in large part because of uncertainty, blended with a dose of complacency. Technology is radically reshaping the nature and structure of work over the next 25 years, potentially undercutting social stability in the process. The pace of future global growth and geopolitics is also unknown. But what is known is that the world will become even more competitive and uncertain than it is today. We are sure that complacency will not sustain our high quality of life.

Leaders often deal with uncertainty in one of three ways. Some deny it and plan accordingly, ignoring a host of contingencies. Others become confused or paralyzed and remain unprepared for disruption. That is not what leaders are paid to do. The only logical choice is to confront the really difficult choices we face directly. This is the path we must take as leaders and as Canadians. We need to have blunt conversations about which strategic actions to take in order to create a strong and prosperous Canada. And we need to shine a light on the risks and potential consequences of those actions.

In our roundtable discussions across the country, we asked leaders in business and government about the choices—and actions—Canada needs to make as we look ahead to the next 25 years. The discussion centred on five vexing questions, outlined in *Canada at a new crossroads: 25 years later*:

- **Support for competitive advantage:**

Is Canada prepared to take deliberate and extraordinary action to support areas of true competitive advantage in our country? And if so, on what basis?

- **Sustainable and inclusive growth:**

How will we harness advanced technologies and automation to create tomorrow's jobs, securing ongoing wealth for our country that includes people from every economic level?

- **Innovation:** What must we do better to support sustained innovation in Canadian businesses, governments, and society?

- **Country size, growth, and**

immigration: As labour grows less relevant in driving prosperity, what is the optimum size and composition of Canada's labour force, and what is the best combination of skills to support long-term growth?

- **Responsible, responsive, and**

courageous leadership: What will it mean to be a responsible, responsive, and courageous business leader in the Canada of the future?

These questions raised two specific challenges that might affect our future—and what we can do to give ourselves the best odds at prosperity. We must address the problem of persistently slow economic growth. But at the same time, we must enable our country to cope with the massive, inevitable impact of technological disruption and ensure economic inclusion for all Canadians.

Facing complex challenges and tremendous uncertainty

Canada cannot be the best place in the world in which to live and work without accelerating strong, sustained economic growth.



Canada's own history illustrates the transformative potential of economic growth. In 1966, on the eve of our country's centennial, annual economic growth was nearly 6.6 percent, compared to the 5.8 percent global average.³ Between 1967 and 1977, per capita incomes grew 34 percent. At the time, Canada was still a young country and seemed a land of unlimited possibility.

But in 2016 the Canadian economy grew by only 1.4 percent while global GDP growth reached 3.1 percent.⁴ Early forecasts for 2017 project an uptick to 2 percent, but Canada's outlook over the long term is tepid at best and ultimately uncertain.⁵ We can do better. We must do better.

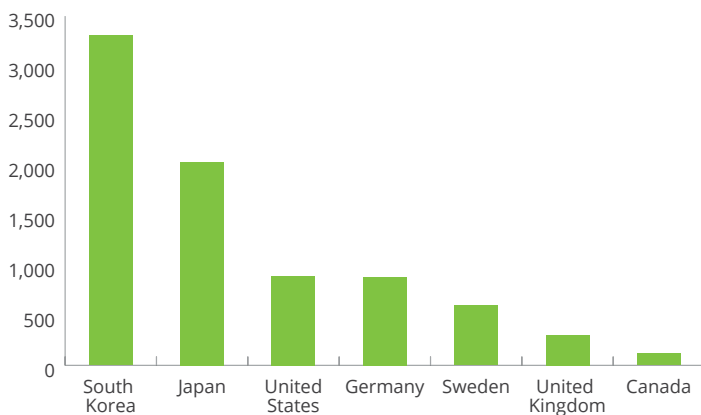
In part, our slow growth reflects our struggle to build a truly competitive economy based on continuous innovation and robust productivity performance.

Despite investing more than \$8 billion annually in innovation programming and tax support to over 80 programs at the federal level alone, Canada remains stuck in a low innovation mode with significant risks for the country's future prosperity.^{6,7} Business, on the whole, has not responded to government incentives to invest: Canada still relies on government for a disproportionately high share of its research and development (R&D) spending, at 35 percent compared to its OECD peers at 27 percent.⁸ Business expenditure on R&D and patent applications per capita (proxies for innovation and diffusion) in Canada, meanwhile, remain low [Exhibit 2]. Canada's productivity growth has failed to keep pace with that of key competitors, most notably the US.

Exhibit 2:
Canada's performance on innovation metrics is lower than that of peer countries

Patent applications per capita

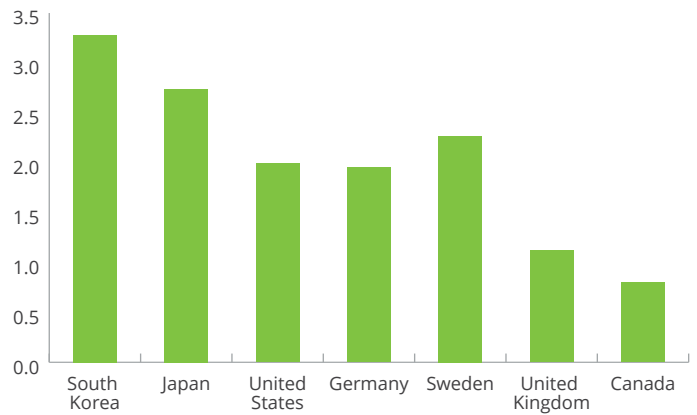
Selected countries, 2015



Source: Deloitte analysis based on data from the World Intellectual Property Organization

Business expenditure on research and development as a percentage of GDP

Selected countries, 2015



Source: Deloitte analysis based on data from the Organization for Economic Cooperation and Development⁹

The benefits of economic growth can bypass the poorest members of society, contributing to inequality

We need to think about prosperity beyond economic growth and as the overall well-being or happiness of a country's population. Since 1990, Canada has consistently ranked as one of the best places to live in the world. Yet over the same period, our ranking on the United Nations Human Development Index (HDI), an important measure of a population's well-being, has declined relative to other countries (from third in 1990 to tenth in 2015) [Exhibit 3].¹⁰ While Canada still scores highly in quality-of-life measures relative to much of the world and has increased in

absolute HDI value over the past 25 years, slow progress in areas such as education and gender equality have allowed other nations to overtake us.

We face the prospect of societal instability caused by rapid, widespread technological disruption. According to some studies, 42 percent of Canada's workforce faces substantial risk from automation in the coming years.¹¹ Without providing a way to ensure economic benefits for all Canadians, inequality will rise and the overall well-being of our country will decline. It's clear we need to embrace a more inclusive understanding of prosperity to resist the increasing divisiveness elsewhere in the world.

We have said it before: The time for deliberate action is now

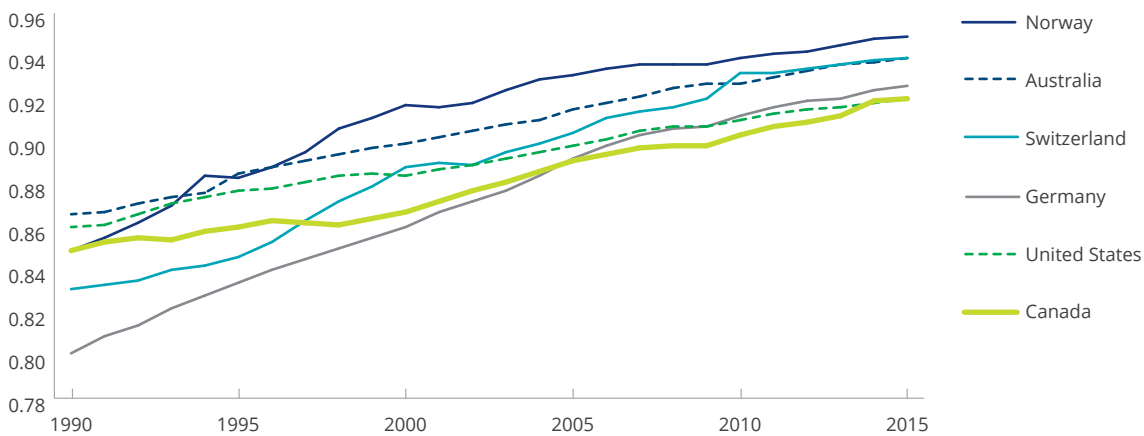
As Canadians, we must find the right balance between growth and widespread benefit—and make strategic choices that help us achieve both. Can we make those difficult choices and follow through with determined, deliberate action?

Yes. What makes us so sure? Because Canada has done it before.

Exhibit 3:
Canada's prosperity has failed to keep up with the progress of its peers

UN Human Development Index Score

Selected countries, 1990-2015



Source: Deloitte analysis based on data from the United Nations Development Programme



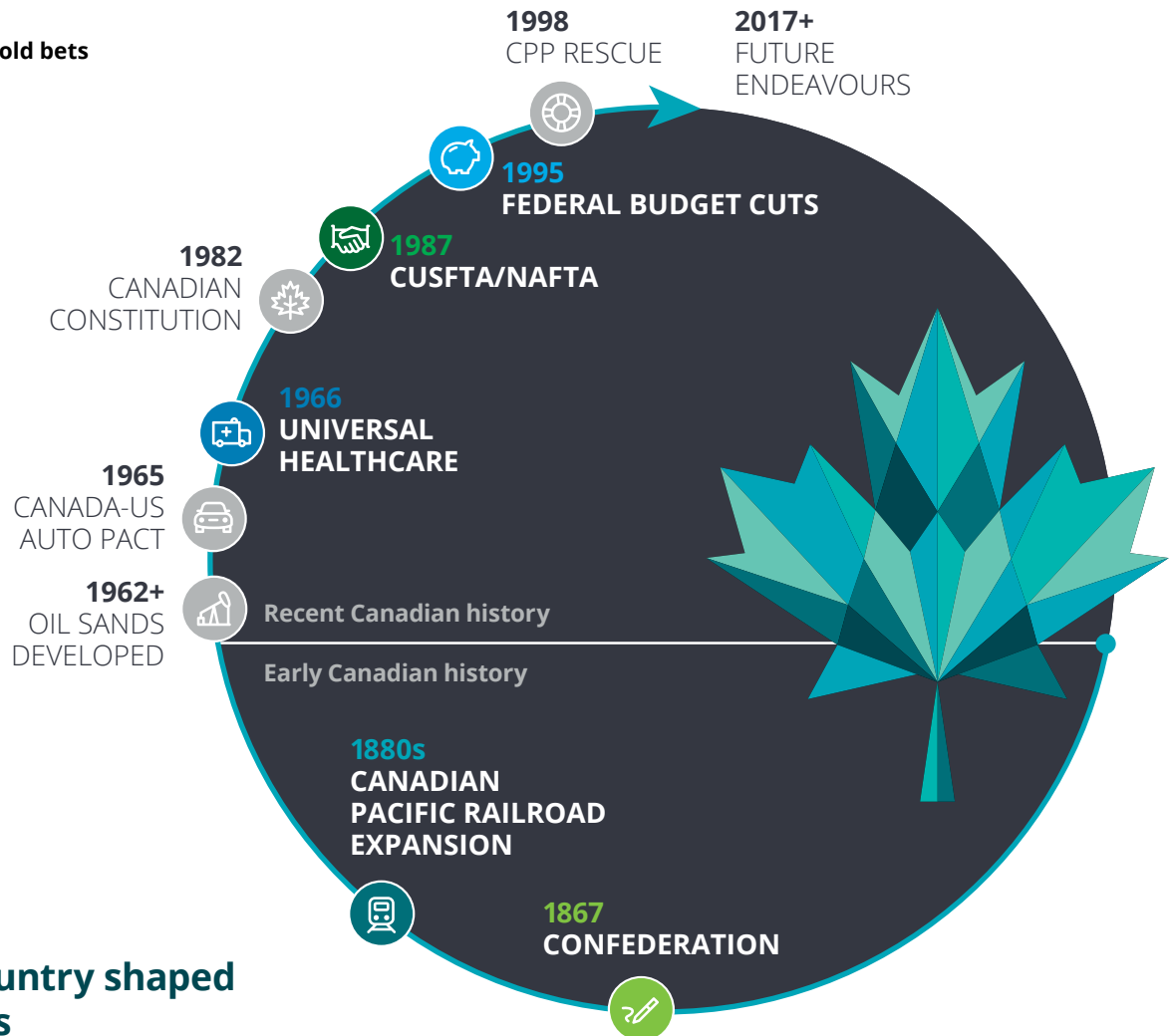
Canada's bold history shows us the way forward

To chart our uniquely Canadian path forward, we must first look back.

How did Canada evolve from a rural, agrarian collection of British and French colonies with a per capita GDP of \$2,100 to today's highly urban, educated, technology-savvy, multicultural society? By making bold bets—courageous decisions and actions—aimed at accelerating and sustaining prosperity for all Canadians.

This may come as a surprise: after all, Canada's history isn't readily associated with boldness. The British North America Act (now the Constitution Act) gave Canada law-making power under the auspices of "peace, order and good government," and the nation emerged not out of revolution and war, but negotiation and compromise. Yet throughout our history, there are clear examples where bold actions have propelled the country forward and positively shaped Canada's history (see *What makes a bet bold?*). Five specific actions are outstanding examples of bold bets that had a truly dramatic and overall positive impact on the course of this country **[Exhibit 4]**.

Exhibit 4:
A history of Canadian bold bets



Canada is a country shaped by bold actions

Many bold bets have shaped Canada over the past 150 years, but five have had the greatest positive impact.

Source: Deloitte analysis

Canada's boldest bets to date

- **Confederation.** The decision to sign onto Confederation and unite Nova Scotia, New Brunswick, Ontario, and Quebec into a country separate from both the British Empire and the US laid the groundwork for our distinct Canadian culture, values, and society. Trade disputes with the US and Britain had led to a harsh recession and a growing desire for new trading partners. The staggering costs of building railroads and an emerging threat of US invasion created further impetus for union. Sir John A. Macdonald's courageous decision to join forces with his political rival at the time, George Brown, before pleading his case at the Charlottetown Conference in 1864 was an important turning point in a journey that would take over a century, culminating in the repatriation of our constitution in 1982.¹²

- **The Canadian Pacific Railroad expansion.** The decision to expand the Canadian Pacific Railroad (CPR) to the West Coast was expensive, contentious, and ambitious—and it enabled Canada to flourish. The CPR created an integrated economic and communications system that moved people and goods to where they were most needed, and it helped forge our distinct national identity. Macdonald's political leadership created the vision; William Van Horne's courageous business leadership made it a reality. The railroad sparked much debate and criticism, yet the benefits of making this significant bet are still being felt today.¹³

- **Universal healthcare.** The Medical Care Act of 1966 created universally accessible, high-quality public health services that dramatically improved Canadians' health and created a vital social safety net for those in need. It built on lessons from Saskatchewan's pioneering attempts to create public healthcare and the wide-ranging national public debate initiated by the Royal Commission on Health Services of 1961. This bold bet was born from adversity and championed inclusion. It was driven by Tommy Douglas, a Baptist minister who grew up in Depression-era Saskatchewan, and it crystallized our society's belief that individuals or families shouldn't fail economically because of poor health.¹⁴

- **The Canada-US Free Trade Agreement/North American Free Trade Agreement (CUSFTA/NAFTA).** NAFTA and its predecessor, the Canada-US Free Trade Agreement, dramatically expanded Canada's opportunities for international trade, created new industries, and expanded our influence to a global scale.¹⁵ Brian Mulroney won the 1984 federal election on a promise to oppose any free-trade initiatives. However, after 1985's Macdonald Commission—made up of business, government, labour, and academic leaders from across industry and regions—declared that “Canadians should be prepared to take a leap of faith” with regards to free trade, Mulroney agreed to pursue negotiations with the US and, later, Mexico. These negotiations required effort across political lines, as well as a recognition by key leaders that difficult choices in the present would lead to good things in the future.¹⁶

- **The 1995 federal budget cuts.**

The federal government's decision to implement steep spending cuts in the 1995 budget was a dramatic shift in focus from government to business as the key driver of growth. This decision is credited with establishing the financial stability Canada needed to weather the 2008 financial crisis and our international reputation for fiscal responsibility, a key competitive advantage to this day. The government's 1994 budget projected spending increases despite the country's 67 percent debt-to-GDP ratio. The immediate market reaction was sharply negative and Canada's debt rating dropped below AAA. It was clear the 1995 budget had to be tough: spending cuts outweighed increases by seven to one, and over 25,000 federal jobs were eliminated. By 1997, Canada had eliminated its deficit and outperformed the rest of the G7 on growth, job creation, and inward investment for the next decade. According to economist Brian Lee Crowley, Budget 1995 was the point at which “the entire political class decided to stop treating this as a matter of political contention and started treating it as a matter of national interest.”¹⁷

History lesson

These bold bets were based on people coming together across sectoral, political, and economic lines to move our country forward. The decisions were always ambitious and complex—and often unpopular. Yet each of these bets had a deep, lasting, and positive impact on the future quality of life of Canadians.

Together and in concert with other historical bets (e.g., the Auto Pact and the rescue of the Canada Pension Plan), they also clearly showcase what it means to be Canadian—that we can make tough, strategic choices to both grow our economy and ensure that the benefits of that growth are shared. We can find success not by copying others but in our own unique way. The Canadian way.

What makes a bet bold?

Today, we face a vast range of choices that will impact our future as individuals, as businesses, and as governments. How do we recognize which actions have the potential impact and influence needed to launch Canada in a new direction toward prosperity? The choices we face can be evaluated along two lines: their impact on our quality of life, and the complexity of their adoption and implementation [Exhibit 5].

Exhibit 5:
A bold bet has a high impact on Canadian quality of life and high complexity



Jackpots (e.g., the Montreal Protocol) are reasonably simple actions that significantly impact quality of life. These choices are easy, high-impact—and rare. Jackpot choices often appear at singular historical moments, especially when new technologies create simple solutions to longstanding challenges. Jackpots are hard to create deliberately—so when they appear, they should be seized.

Simple wins (e.g., creating tax-free savings accounts, establishing the long-form census) tend to be plentiful, relatively uncomplicated, and have a small but positive impact. These choices are often wise, but they're unlikely to transform a business, country, or society.

Bold bets (e.g., Confederation, CPR expansion, universal healthcare) are high-risk—and have the potential to deliver significant rewards over the long term and make a highly positive impact on quality of life. A bold bet's success ultimately depends on courageous leaders who are able and willing to make the difficult choices needed and to take deliberate action. They most often comprise the three Cs: they are complex, they are contentious, and they are courageous.

Long shots (e.g., reforming the Senate) are actions that are complex, difficult, and offer a small potential payoff. They can often be avoided—but, sometimes, they're necessary.

Source: Deloitte analysis

Canada's big, bold bets: For the sake of our country

Based on our conversations with leaders across the country and our own research, Deloitte believes that there are three crucial areas where bold bets can be made to ensure broadly shared prosperity for the future of our country.

Back Canada's current and future global champions

Deloitte believes Canada at 175 should be a country that boasts world-leading innovation and productivity performance in addition to economic growth above the global average. This can be achieved by focusing efforts on our sources of competitive advantage to build organizations that are true global champions.

Most people would agree that Canadians won the geographic lottery: we have a country blessed with vast natural resources, including abundant freshwater sources, fertile land, minerals, oil and gas, and access to three oceans. Resource-based industries directly and indirectly account for a significant share of Canada's GDP.¹⁸ They are our traditional areas of strength and will continue to be so for the foreseeable

future. But we are also blessed with an important people advantage. Driven by our highly educated workforce, knowledge-based areas of competitive advantage—artificial intelligence, quantum computing, cybersecurity, biotechnology, and fintech—are emerging. Canada's future will depend on leveraging both our established and our emerging assets to build global champions.

Despite our tremendous assets, Canada has struggled to close the productivity gap and accelerate growth. It is clear that our current approach of spreading government spending across a wide range of industries, sectors, and geographies is not working. With the global environment growing increasingly competitive, a new approach is needed—one that is more targeted and deliberate, and recognizes there are winners and losers in the global economy.



It's time to unite—as a country—behind our areas of competitive advantage in a much more strategic way. To do so, we need to disproportionately focus our efforts and resources on those industries, sectors, and technologies that are global champions today or have the potential to be champions in the future. No more thinly spread peanut butter approaches. While markets—not governments—must identify champions, both government and business must act in concert to foster their success by aligning not only investment but all our efforts and assets (see *What makes a champion?*). For example, if we want Canada to be a true global energy leader, then we must be prepared to remove the barriers to the energy sector's success. For oil and gas, this means closer collaboration between all levels of government, Indigenous groups, business, and other stakeholders to build the pipeline and transportation infrastructure needed

to get exports to fast-growing markets. The decision-making process must be streamlined and responsive to avoid lost value and delays. If we want Canada to be a global food superpower, we need to ensure our agri-food industry is competitive. This means eliminating supply management to ensure Canadian food processors have access to competitive inputs and streamlining regulations to foster product and process innovation. If we want to build a world-leading fintech industry, we must drive innovation to win against leading financial centres in the United Kingdom, United States, and Singapore.¹⁹ This means achieving a consistent, stable regulatory framework that protects consumers while encouraging new entrants and business models.

Both business and government control different levers in the economy. By pulling the right ones deliberately and in harmony, we can accelerate growth.

Business has a responsibility in building the health and resilience of our industries and sectors. Large corporations must become the all-important first customer, share enabling technology, or provide other financial or in-kind investment to business incubators, accelerators, or early-stage startups.²⁰ Competitors must collaborate to compete globally by joining together to tackle shared problems. For example, facing a shortage of cybersecurity talent and increasing cyber threats, the major professional services firms, the big five Canadian banks, and other industry players should come together in partnership with a post-secondary institution to design a cybersecurity curriculum and commit up front to hire graduates. We see this type of collaboration already in some sectors like mining, where industry leaders are coming together to find long-term solutions to mining waste challenges (see *Collaborating to compete in mining*).

What makes a champion?

Governments have a poor track record of picking winners. We heard across the country that markets—not governments—should identify our current and future global champions. But how? We need to consider a range of criteria for signalling an area where Canada is well-positioned to compete. For example:

- **International recognition** of Canada as a global leader (e.g., international rankings of universities, academics, industries, innovation ecosystems, sectors);

- **Coordination**—the emergence of concentrations of interconnected businesses and institutions in certain regions, sectors, or technologies;
- **Natural advantages** due to geography (e.g., natural resources, climate, etc.); or
- **Skin in the game**—Market validation signalled by business' willingness to invest financial or in-kind resources (e.g., inflows of investment, emergence of business-to-business or business-to-academia partnerships).

Artificial intelligence is considered an example of an emerging global champion. Canada is already home to three globally renowned leaders in the area of machine learning—Geoff Hinton at the University of Toronto, Rich Sutton at the University of Alberta, and Yoshua Bengio at Université de Montréal. As a result, Canadian universities rank among the best in the world in computer science and the Toronto-Waterloo corridor, Edmonton, and Montreal have emerged as important hubs in Canada's burgeoning artificial intelligence ecosystem. Foreign investors have started to take notice.²¹



Only once champions have been identified should governments step in as active co-investors. Government support should be flexible, timely, and targeted to cross-sector partnerships between industry, academic researchers, and public research organizations aimed at positioning Canada as a global leader. The recently announced Vector Institute for artificial intelligence is a good example of what this should look like. Beyond public-private partnerships, governments can foster the development of robust groups in emerging areas of competitive advantage—for example, by building national corridors of leading-edge technology, transportation infrastructure, and talent.²²

While partnering on investment, it's essential that governments also create the right conditions for champions to emerge and thrive. Corporate income tax rates must stay competitive with other jurisdictions because, in a highly globalized world, companies are mobile and look for the best places to do business.²³ Beyond the corporate tax rate, the marginal effective tax rate on businesses' capital investment needs to be aligned to support the country's strategic innovation

priorities.²⁴ Finally, policy-making and governance structures need to evolve to be more responsive to the pace of technology and spur—rather than hinder—innovation.²⁵ The focus should be on streamlining regulations and reducing red tape in key areas of competitive advantage.

Finally, all aspects of how we identify and support our champions need to be part of an ongoing commitment between business and government—not an exercise conducted on an ad-hoc basis or through a lengthy and rigid request for proposal process. Business leaders must be more proactive in collaborating with government and voicing their views on what is needed to win.

Collaborating to compete in mining

Established in 2009, the Canada Mining Innovation Council (CMIC) brings senior executives and industry experts from mineral exploration companies, mining companies, associated service providers, and academia together to define key industry problems and roadmap solutions to help address them over the long term. CMIC's Zero Waste Mining strategy, for example, is bringing members and other stakeholders together to collaborate on, and invest in, a shared vision of reducing mining industry waste to zero in 20 years. Long-term targets include reducing energy use, water use and environmental footprint by 50% by 2027.²⁶

To close Canada's productivity gap and spark growth, we must be more targeted and deliberate in our choices and our actions.



Take the world by storm: We are open for business—Canadian style

In an increasingly globalized world, Canadian business and entrepreneurs need to be able to seamlessly interact with global markets and networks for the people, assets, and knowledge to grow to scale and thrive. For a small, open economy like Canada, the free flow of goods, services, people, and ideas is also a matter of survival.

Canada's aging workforce and nearly stagnant population growth means that businesses in Canada need highly skilled individuals from around the world to meet their labour needs. Despite our strong global brand and high quality of life, Canada has struggled to get the people needed to support emerging and high-growth industries. The Toronto-Waterloo corridor has slipped in the most recent Global Talent Competitiveness Index due to weak talent attraction: early-stage startups struggle to access experienced technical and managerial talent.²⁷

Given a small population and low domestic demand growth, finding customers abroad is crucial to Canadian companies growing to scale. Thanks to access to three oceans, proximity to major markets, and large diasporas with global networks,²⁸ Canada has grown its exports to 65 percent of GDP. Yet only 3.6 percent of Canadian companies export.²⁹ Many companies struggle to navigate foreign markets and integrate themselves into global value chains. In the decade since 2006, real Canadian exports grew by 8.1 percent while real global exports grew by 32.4 percent.³⁰ With increasing protectionism around the world and volatility in our biggest trading partner's approach to global trade, Canada's export performance risks slowing further.

But the rise in populist and protectionist sentiments in other parts of the world is a huge opportunity for Canada. As other countries turn inward, we must continue looking out and heed the call for 'more Canada' in the world.³¹ If we dramatically accelerate our engagement in the global economy, we can further drive competitive advantage to grow truly global champions. By leveraging our reputation as a welcoming, open, and diverse society, Canada can attract the best and the brightest people and open new markets for Canadian goods, services, and ideas. But to do so we must dramatically reduce the barriers to talent and trade that are hindering growth.

On talent, Canada's merit-based immigration system is considered a model for many countries around the world because it emphasizes the potential economic contribution immigrants can make to our country. But if we are to build global champions, we need a more aggressive and targeted approach—not a broad one. This means prioritizing companies and skills gaps in industries that are key to Canada's future competitiveness. And it means doing so by processing entry into the country and the labour market at a speed and scale that outpaces global competition.

Canada must aggressively pursue not only the best and brightest talent, but also the most innovative and fastest-growing companies. To strengthen our areas of competitive advantage and shift global centres of gravity to our shores, we need to find out—through direct engagement—what it would take for leading global companies to shift to Canada. Foreign-based companies in Canada's current and emerging areas of competitive advantage should get white-glove treatment to move their businesses and their lives, including expedited visa processing and seamless credential recognition. Entire companies, including founders, management teams, and their families would be eligible to immigrate. This approach is not completely untested: startup visa programs around the world already use this tactic, allowing co-founders to apply together or even bring their families (see *Accelerated entry*).

Once in Canada, immigrants need to be able to achieve their full potential. They must be able to start working in their field of training as quickly as possible. Business can play a much stronger role in new approaches to recognizing and upgrading foreign credentials in competitive industries and sectors facing specialized-skills gaps. For example, we could create an employer-based system that places the onus on employers to ensure the foreign talent they hire meet Canadian standards (e.g., internal or external training, courses, and exams).

Accelerated entry

Startup visas around the world have become the newest way to attract highly mobile, emerging global talent in an increasingly fierce competition for skills to drive world-class innovation and productivity. Models vary in eligibility criteria and in incentives, each seeking to identify an edge that will draw entrepreneurs to the country and keep them there as they grow their businesses.

While competitive models exist in Ireland, the UK, Australia, and right here in Canada, France's recently announced French Tech Visa is a notable example, available to entrepreneurs, startup employees, and angel investors. Successful applicants—and their spouses, who receive identical treatment, including labour market access—are granted a four-year visa on the condition that they launch their business in France. They receive 45,000 euros for relocation costs and 12 months of mentorship, funding, and office space from one of 41 partner incubators.³²

On trade, the Canadian government is making strides to reduce barriers across and within borders, pursuing a strong international trade agenda, and securing the recent interprovincial trade deal. But to drive competitive advantage, our efforts must be more focused and strategic. We already highlighted the need to align infrastructure investments to help exporters get their ideas, goods, and services to high-demand markets more quickly, easily—and safely. Both government and business can do more to help small and medium-sized firms in areas of competitive advantage navigate the process to 'go global.' Businesses can learn from the experience of other businesses or join as partners in global value chains. There are many examples of Canadian industries and companies—such as mining and institutional investment—that have penetrated and flourished in overseas markets. Governments can use their networks and convening power to bring Canadian sellers and foreign buyers together, while at the same time reducing the regulatory burden and disincentives on exporters.

Finally, Canadian businesses and entrepreneurs need to shift their mindset when it comes to the meaning of global success and scale. As we highlighted in *Canada at a new crossroads: 25 years later*, a shift in economic and political power from West to East is already impacting the Canadian economy. As we look to the future, global success for Canadian business will mean aiming beyond our southern border and establishing a foothold in export markets in the Asia-Pacific region and in Latin America. Globalization is not slowing or reversing—a global mindset will be critical for survival.

They don't teach Latin in schools anymore—status quo means left behind

Canada's highly educated labour force has long been one of the country's most important and longstanding sources of growth, competitiveness, and prosperity. We boast one of the world's highest educational success rates, rank highly on international measures of student success, and possess post-secondary institutions that are among the best in the world.³³ But this knowledge advantage is eroding at precisely the time it is needed to support economic participation and growth. While emerging-market countries in Asia and elsewhere are boosting their secondary and post-secondary completion rates, rapid advances in technology have greatly shortened the expected shelf life of key skills.³⁴ The rise of automation, artificial intelligence, and the Internet of Things threatens a world in which even the most educated workers are unable to compete.

In order to scale and thrive, Canadian companies need access to the best global talent and the fastest-growing markets.



As Canada's workforce ages and technology continues to evolve, workers' skills risk becoming fundamentally misaligned with job market needs, making adaptation increasingly imperative. Despite efforts to address these issues—including roughly \$14 billion in government programs and available tax credits at the federal level alone—the evidence suggests Canada's skills gap is expanding and already acting as a drag on growth.³⁵

To succeed in a more challenging environment marked by rapid and widespread technological disruption, our approach needs to change. Yet our thinking is dominated by an outdated view that education is completed early in life to prepare for one's future career. Companies are not investing enough in training their employees because of cost pressures or fears that competitors will poach better-educated, high-value employees. In fact, business investment in employee training has been trending down.³⁶ And at the same time, Canadians' uptake of continuous learning and other opportunities to upgrade their skills has been uneven and skewed toward those who already have higher levels of education.³⁷

Doubling down on investments in the status quo will not prepare Canadians for the future of work. We need a fundamentally new approach that embraces new education practices and models focused on critical thinking, practical application of skills, and diversity of learning, as well as direct links to the world outside the classroom. We must eliminate the distinction between pre- and post-career training by focusing on lifelong learning; leverage technology and new platforms to forge a new relationship between job seekers, educational organizations, and businesses; and re-imagine apprenticeships and accreditation by blending the traditional ideas of "office" and "classroom." Businesses and governments must forge a new relationship to educate and train Canadians not only for their first job, but throughout their careers.

Ripe for opportunity

Rippen was founded on a mission: to reduce graduate unemployment. The cloud-based platform, started in 2014 by a Vancouver team of technology, academic, corporate, marketing, and customer-service experts, manages connections between post-secondary students and graduates, their institutions, and businesses. Organizations post short-term, skills-specific projects or paid work opportunities for students. Employers provide feedback and skills ratings, so that whether the student is hired more permanently or not, they continue to build their virtual portfolio—the diverse resume that allows them to stand out in the job market. By 2015, the site had over 2,000 student members (and growing by 12.5 percent a month), and was engaging BC's fastest-growing tech firms at hackathons and career fairs as well as their virtual job market. The "LinkedIn for students" is a win-win-win: students get real-world experience honing employable skills, with opportunities responsive to market demand. Educators engage with experiential learning, establish industry involvement in class projects, and build industry connections. Employers get access to top emerging talent, with the assurance that the graduate can and will perform.³⁸

Retraining needs to be in the hands of employers, who can ensure that Canadians have the skills actually needed for the workplace and can get back to work faster. Imagine if workers who have been laid off could be matched, via new platform technologies, with employers looking for talent with the right skills. Job seekers and prospective employers could complete profiles by answering a series of targeted questions. Successful “matches” would result in employment. The funding that would have been paid by the government in employment insurance benefits and training for the job seeker is transferred to the new employer to defray the costs of training, be it on the job or via third parties. It's time to think bigger than job banks and job grants, and support targeted initiatives on a broad scale. In a world where online applications can use psychometrics to inform romantic compatibility, matching those out of work with employers willing to retrain them is certainly possible.

Digital platforms can be leveraged to support this type of model, bringing job seekers, employers, and educators together to re-imagine traditional (typically government-led) retraining programs (see *Ripe for opportunity*). Research suggests that existing, formal retraining programs are often ineffective in helping displaced workers successfully re-enter the job market.³⁹ Prioritizing employer-led training will better link training to job market needs, address skills gaps hindering company growth, and instill a learning-focused culture among employers. Providing employers with the resources needed to retrain workers with in-demand skills would be win-win for workers, companies, and the Canadian economy overall.

New approaches are also needed to provide maximum flexibility in the pathways Canadians can take to obtain accreditation, including degrees, certificates, and professional designations. These must include expanding experiential learning models—such as apprenticeships for the skilled trades, articling for law, residencies for medicine, or practicums in teaching and accounting—to a broader range of professions, allowing accreditation to be achieved in a variety of ways (e.g., course completion, training hours, work placements, standardized testing). It would mean empowering a wider range of organizations to provide education and training for accreditation to meet growing demand, including through online learning platforms and corporate training programs that better reflect the myriad ways knowledge skills and capabilities are acquired today.

By leveraging our existing education and technology assets, Canada can be home to the world's best and most innovative learning organizations—global powerhouses for workforce retraining and reskilling. The world's greatest knowledge-based economies are already moving in this direction—Canada cannot be caught flat-footed (see *The future of skills*).

The future of skills

In recognition of the growing importance of lifelong learning as a component of global competitiveness, Singapore introduced the SkillsFuture Credit in 2015. The program provides all citizens above the age of 25 with a credit of SGD\$500 (CAD\$478) that can be used to access education and training opportunities supplied by a series of approved providers. In 2016, the first year of the program, more than 126,000 people made use of the credit to access 18,000 approved course offerings through more than 700 training providers, including Udemy, Coursera, and the National University of Singapore. Information technology-related skills were the most popular offerings across all age brackets in 2016. While it is too early to evaluate the success of the SkillsFuture Credit in enhancing Singapore's economic competitiveness, it is clear that the incentive has tapped into a deep desire on the part of the country's citizens to take advantage of opportunities for lifelong learning and professional growth.⁴⁰

Complacency is not an option, it is a danger

The bold bets we make for our country have significant implications and carry risks.

But those are outweighed by the implications and risks of doing nothing—of becoming paralyzed by uncertainty and unprepared for disruption. The pace of disruption is putting not just companies at risk but whole countries, ours included.

The issue of how to ensure all Canadians can benefit and participate in our economic prosperity has taken on more urgency with the rise of automation and technological disruption. But it is unclear what the future holds. As we outlined in *Canada at a new crossroads: 25 years later*, critical uncertainties around global economic growth and technological disruption force us to consider many plausible futures for our country. Rather than fear rapid technological change, we should face it head on. Canada is a small economy. Advanced technologies are essential to increase our productivity. By embracing technology, governments, businesses, and Canadians can help to shape it. Taking on disruption will better position our country and its citizens to deal with change.

What's clear is that the spectre of mass technologically driven unemployment—whether it materializes now, later, or never—demands that we find ways to ensure all Canadians benefit from increased productivity and economic growth. In the years since the 2008 global recession, many people in Canada and around the world have felt that the benefits of post-crisis economic growth have not been shared equitably. They're not necessarily wrong. While some measures of inequality have held steady since the late 1990s, the quality of jobs produced by the Canadian economy has declined since 2003.⁴¹ Canada must act to avoid the kind of social instability and divisiveness we've seen rise elsewhere around the world.



Business has a critical role to play in spurring inclusive growth, beginning with themselves and the communities in which they operate. Business leaders must do more today to embed an inclusive approach into the DNA of their organizations, moving from optics and colourful window dressing to outcomes. Adopting forward-looking inclusion practices (e.g., providing benefits such as on-site childcare services and parental leave policy equalization, or making early investments in diverse talent pipelines) can boost workforce participation among disadvantaged groups. Truly inclusive growth requires leaders to take a longer-term perspective and to re-imagine what it means to be a responsible business in Canada today—and what it will mean 25 years from now.



It's time to lead— with courage

We hope this report sparks debate and translates into courageous action by leaders in business, government, and civil society. The bold bets outlined here are not exhaustive. They represent Deloitte's perspective on three of the most pressing areas where action is required. We will continue to explore these issues further over the next year.

In an increasingly complex and fast-paced world, we must think strategically about the challenges and opportunities we face as a country, and the actions we need to take to move us, over the next 25 years, toward our desired future. Twenty-five years from now, the success or failure of our push for growth will depend on whether the benefits have been inclusive and broadly shared.

Canada's ability to balance inclusivity with dynamism has long been a source of strength, as well as pride. While opening Expo 67, Lester B. Pearson said Canada's very existence "has always depended on achieving unity of human purpose within the diversity of our linguistic, cultural, and social backgrounds." Over the next 25 years, that same unity of purpose can help us achieve the growth we need to promote broader well-being and quality of life for all Canadians.

Canada's history also demonstrates that bold action requires courageous leadership. Indeed, courageous leadership is what will make progress possible—or not. So it's time for Canada's current and future leaders to step up. We need new levels of collaborative engagement among our governments, our business communities, our educational institutions, and our citizens to expand our potential and continue to make Canada a true world leader. Over the past 150 years, Canadian leaders have accomplished great things for this country through vision, boldness, courage, and determination. Let's show the world what we can do in the next 25.

To fulfill our country's potential will mean being courageous, innovative, and forward-thinking. It will mean not shying away from hard discussions and big challenges, but facing them head-on. We're confident that Canada at 175 will be a dynamic, growing country, the world's best place to live and work, and a land of opportunity and prosperity for all our people—if we're willing to make the bold, courageous decisions we need to get there.

**Make your first decision
and take action. Join us
on this journey to build
our future.**

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CANADA — AT — 175

Canada at 175 refers to Deloitte's vision for the future of our nation's prosperity by July 1, 2042. With the 150th anniversary of Confederation on the horizon, now is the time for Canada to redefine what it means to be a global leader.

Our ambition as a nation must be bolder—we must aim to not only achieve economic prosperity, but to elevate our quality of life for our vast and diverse population.

Deloitte believes that by our 175th anniversary Canada can be in a class by itself—not one of the best, but *the* best place in the world to live and work. To do this, we must adopt an unrelenting commitment to developing courageous leaders who embody an inclusive way of being.

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