



# **Let's Make Canada A *State Of Minds***

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# Importance of Skills & Human Capital



- **If capital is borrowable, raw materials are buyable and technology is copyable, what are you left with if you want to run a high wage economy?**

**Only skills! There isn't anything else.**

Lester Thurow (MIT)

- **Human Capital will be to the Knowledge Revolution what physical capital was to the Industrial Revolution**
- **Therefore, Canada needs a skills and human-capital mission statement for Century 21 .....**

# Toward a Human Capital Mission Statement: Economic Competitiveness and Social Cohesion



- **Canada and Canadians have always attempted to have the best of both worlds:**
  - The dynamism of the U.S. economic model
  - The social cohesion of Continental Europe
- **Indeed, preserving and promoting *economic competitiveness* and *social cohesion* are the proximate goals for societal success in the new global order**
- **Moreover:**
  - With knowledge progressively at the cutting edge of competitiveness
  - With enhancing skills and education as the key to living standards, and
  - With equality of access to knowledge, skills and human capital as the key to addressing income inequality and social solidarity

**It therefore follows that a commitment to a human capital future for all Canadians is emerging as the principal avenue by which to promote *both cohesion and competitiveness***

# A Human Capital Mission Statement



**To take advantage of this historic window of opportunity to address both cohesion and competitiveness, the following “mission statement” for 21st century Canada would seem imperative, and integral to what Canadian citizenship should be all about in a knowledge era:**

**Design a sustainable, socially inclusive and internationally competitive infrastructure that ensures equality of opportunity for all Canadians to develop, to enhance, and to employ in Canada their skills and human capital, thereby enabling them to become full citizens in information-era Canadian and global societies**

**So, how does Canada become a *State of Minds*?**

**..... we have to begin with our children, indeed earlier**

# Creating a State of Minds: Generating Equality Of Opportunity



- **We ought to have a Children's Charter of Rights**
- **This would include access to pre-natal care**
  - Nutrition, life-style issues (fetal-alcohol-syndrome/drug-abuse)
- **Children's human capital rights should be part of Charter**
  - As much about symbolism as about dollars
  - Essential for equality of access if we are to close inequality gaps
  - Why not address day care issue by attaching vouchers directly to the children? Would be important for disadvantaged communities
- **In later life, access also matters:**
- In terms of PSE access, keep first year tuition low
- Then can have higher tuition with some version of a contingent-loan-repayment program
- Since human capital is an asset, investment in human capital at the PSE level should qualify for depreciation for tax purposes, in the same way that physical capital investment is depreciable for businesses



- Health is emerging as a leading-edge sector for high-level human capital, technology, R&D, innovation and exports.
- This will require a massive infusion of physical, financial and human capital to enable it to deliver state-of-the-art health care and to become a dynamic growth engine.
- It will not receive this requisite investment if we continue to view Medicare wholly or even largely as a social program
- The Senate Committee (under former Senator Kirby) has pointed the way toward a much more dynamic and efficient health sector within the principles of the CHA.
- The knowledge/Information era represents a paradigm shift, and we must rethink all our policies and institutions to ensure that they are consistent with the KBE dictates.  
... this is especially true for our Global City Regions (GCRs)

# Creating a State of Minds: Global City Regions as Dynamic Motors of KBE



- **GCRs are the international gateways where one finds dense and integrated concentrations of human capital, IT, R and D, high-value added services.**
- **As such, the collective economic future of Canadians will depend on how our GCRs (Toronto, Montreal, Vancouver, Calgary-Edmonton...) will fare against US and other GCRs.**
- **In terms of Richard Florida's "3 Ts" (Technology, Talent and Tolerance), Canadian GCRs do well in terms of third T, but are lagging in the other two. This is problematical since firms tend to congregate in CGRs that score well in all 3 of the Ts.**
- **Evidence from Ontario's Institute of Competitiveness suggests that the gap between Ontario's per capita GDP and that of the average US state is an urban gap**
- **Yet recent data indicate that only 22% of unemployed Torontonians are eligible for EI compared with the national average of over 40%. This is especially problematical because EI eligibility is a platform or a requirement for obtaining other benefits, such as training.**

# Yet Creating a State of Minds: Global City Regions as Dynamic Motors of KBE: 2



- **By way of an important aside:**
  - in the US many social benefits are employment based. In Canada our tradition is to have citizen-based policies (Medicare, OAS, etc). To link cohesion with competitiveness, we should avoid having employment-based or EI eligibility for training. This should be a citizen-based program, especially since EI is not a pure insurance program.
- **However, the key point at issue here is that we have to privilege our GCRs as part of succeeding in the KBE.**
- **Since this is a hard sell politically, the time has come to make the cities more autonomous fiscally.**
- **Apart from the fact that our GCRs are constitutionless, they lag well behind GCRs in most of the rest of the developed world in terms of powers and finances**
- **Greater fiscal room would facilitate the ability of GCRs to attract and to retain in Canada our human capital/talent.**

# Creating a State of Minds: Immigration



- **Canada is a nation of immigrants. However, recent cohorts of immigrants are not experiencing the same economic success as earlier cohorts.**
- **We are working toward recognition of credentials for immigrants ( the trade/investment/ labour agreement between BC and AB may provide the needed breakthrough domestically). Mobility of people and credentials enhances the productivity of investments in human capital.**
- **We are also reworking the “points system” to ensure greater employment and labour market integration**
- **Since we spend so much effort on ensuring the employability of immigrants, why not allow employers to play a much more important role in their selection?**

**Nonetheless, immigrants fare very well relative to our aboriginal peoples .....**

# Creating a State of Minds: First Peoples



- While one can point to some successes, for the most part our policies toward aboriginal peoples are clearly failing them. Shame on us.
- First Nations citizens already account for a large portion of the entering labour force in several provinces, and their numbers will increase. The Constitution says that Ottawa's responsibility is "Indians, and Lands Reserved for the Indians." But Ottawa interprets this as "Indians on Lands Reserved for Indians," thereby making urban Indians pawns in a federal-provincial tug-of-war. This must end.
- Education and skills development have to be key part of any solution. Granting day-care vouchers to all First Nations' children might play a valuable role, since it would give families choice, wherever they live.
- Perhaps we should call a temporary halt to the time and money expended by bureaucrats, chiefs and lawyers on collective rights, and direct attention to the rights of First Peoples themselves to receive the same access to public goods and services as other Canadians.
- Why not fund a First Peoples national aboriginal-citizens assembly to inform our and their leaders of their needs and desires on the skills/human capital front? My guess is they want the same things we do.
- We need to make the Mission Statement a reality for First Peoples!

# Creating a State of Minds: What Can We Learn From Others?



- **While Canadians seem happy with their marrying of the US economic model and the continental Europe social model, there are valuable lessons to be learned from both of them.**
- **From the Germans, we need to appreciate the importance and status of the technologist/craftsman/ skilled-tradesperson and their pervasive apprenticeship system.**
- **Earlier entry into apprenticeship programs might be part of the solution to our problems relating to the transition from school to work**
- **From the US we need to learn about entrepreneurship**
  - Americans celebrate their entrepreneurs and their successes
  - They view business as a true profession, and an honourable one
  - And they work hard at it, and proportionally many more do it.
- **We need to tilt our policies in these directions, since both hold the promise of greater competitiveness/productivity and we undervalue both.**

# Creating a State of Minds: Implications for Universities



- **A strange thing happened en route to the KBE: With the democratization of technology and information Universities have lost their former monopoly over knowledge!**
- **Their new role in the KBE is to become key nodes in knowledge networks (business, government, civil society)**
  - E.g., the number of MPA programs in Ontario doubled this year
- **At the PSE level, there must be more open and transparent linkages between colleges and universities so students can combine training with a liberal education**
- **At the top level, Canada needs a few research-intensive universities which can afford the costly inputs that will allow them to be national centres of excellence and knowledge-intensive clusters that will drive innovation**
- **At the other end we need to encourage experimentation and diversity in order to facilitate PSE access from sectors of society that have hitherto avoided university/college**

# Creating a State of Minds: Retaining Talent and Human Capital in Canada



- **Since human capital is highly mobile internationally, we must ensure it does not become one of our main exports.**
- **Therefore, our tax rates on all mobile factors must be competitive.**
- **Because we desire a larger public sector than does the US, we need to rely on export/import neutral taxes like the GST.**
- **Overall policy must make Canada an attractive place to grow small companies into large ones, with the attendant supply of high-value-added jobs in business, legal, design, research, accounting, technology and advertising areas.**
- **To become an attractive location for enterprises it is important for Canada to foster an innovative and entrepreneurial culture. One aspect of this would be to adopt, as a principle, the presumption that any private sector initiative is permissible unless it can be demonstrated to run counter to the public interest. This puts the burden of proof where it ought to be – on the status quo, not on the innovators.**
- **Retaining our talent benefits all Canadians, since higher levels of capital (physical or human) will raise wages (and gov't revenues).**

# Creating a State of Minds: Conclusion



- **None of the above is intended to underplay the needed and valuable reforms and initiatives to enhance skills and learning across a myriad of related sectors.**
- **Rather, the role of the foregoing analysis is to provide an overarching framework within which these initiatives will bear more fruit.**
- **Phrased differently, we need the appropriate “mind of state” to create a “state of minds”**
  
- **Sir Wilfrid Laurier justifiably proclaimed just over 100 years ago that the 20<sup>th</sup> century would belong to Canada.**
- **Were Canada to embrace the Human Capital Mission Statement, then I believe we can be quite confident that the 21<sup>st</sup> century will belong to Canadians**



**For more information on this issue, consult**

**Thomas J Courchene (2001) *A State of Minds:  
Toward A Human Capital Future for Canadians*  
(Montreal: Institute for Research on Public Policy)**

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