



Shaping Our Future

Creative Ideas for Transforming
Western Canada's Economy

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A NEXT West Project Discussion Paper



The NEXT West Project

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Foreword

Bocce ball is my kind of game—wonderfully simple to understand and requiring absolutely no special athletic skill. Players lob grapefruit-sized balls across a lawn and try to land their ball closest to the “jack” ball that sits several metres away. Although I’m sure the bocce ball aficionados of the world would be quick to correct me, the game is extremely straight-forward. That’s what makes it so much fun.

Yet simple to understand does not necessarily mean simple to do. The game requires more skill and finesse than it seems.

At a recent Canada West Foundation staff barbeque, a colleague and I stood on a backyard deck and observed the bocce ball game going on below.

“What she should have done is place her ball a little closer to the jack,” I observed from the deck. My colleague nodded in agreement. “She needed just a little more speed on it—she misjudged the slope in the lawn.” We laughed at ourselves and our armchair quarterbacking. We were self-appointed bocce ball experts, commentators who could see without doubt what needed to be done. It seemed so obvious from our positions on the deck.

It is much like governments receiving public input on how to manage the economy. There are a lot of armchair economic advisors out there. Judging from the collective advice generated by special interest groups, think tanks, and everyone else who has recommended changes to economic policy, managing the economy is surprisingly straightforward: all the government has to do is slash taxes and double program spending. Why is that so hard to understand?

I hope we policy wonks can laugh at ourselves for sometimes being armchair policy-makers. In the real world of balancing budgets, managing costs, and making wise public investment decisions, the task of steering the economy is much more subtle than the public sometimes thinks.

In the spring of 2006, the Canada West Foundation pulled together over 100 economists, business and community leaders, and policy-makers to discuss western Canada’s economy at the Shaping Our Future Conference. Participants were challenged to put forward public policy recommendations for how we can position western

Canada’s economy so that it will be thriving 20 years from now. (The conference built on four economic scenario planning meetings held in BC, Alberta, Saskatchewan and Manitoba in the fall of the 2005.)

Dr. David Foot, a University of Toronto economist and demographics expert, kicked off the Shaping Our Future Conference by helping us to think about the long-term—something that economists are not always particularly comfortable doing. Economists like to predict what will happen next month, next quarter or maybe next year. But 20 years down the road?

As you can imagine, the day yielded no shortage of advice and suggestions for our governments. Simply repeating the recommendations suggested at the Shaping Our Future Conference would result in a monster list of demands that would knock the wind out of any elected official who bothered to read them. Two hundred “key priorities” are of no use to anyone.

Instead, this discussion paper boils down the recommendations into a short list of core themes. Of course, not everyone who made a recommendation at the conference will find it in the pages that follow. We are hopeful, however, that the themes capture the spirit of the discussions.

Dr. Roger Gibbins
President and CEO
Canada West Foundation
October 2006



1. Introduction

Western Canada's economy is in good shape in the fall of 2006. Commodity prices are solid, employment opportunities are plentiful, and GDP growth is the envy of the country.

Nonetheless, challenges abound. Labour shortages are a pressing problem and the traditional dry land agriculture sector is struggling. Other key sectors such as forestry and secondary manufacturing are facing a period of tough adjustment.

Despite these and other problems, western Canada is experiencing a golden period of economic prosperity and wealth creation.

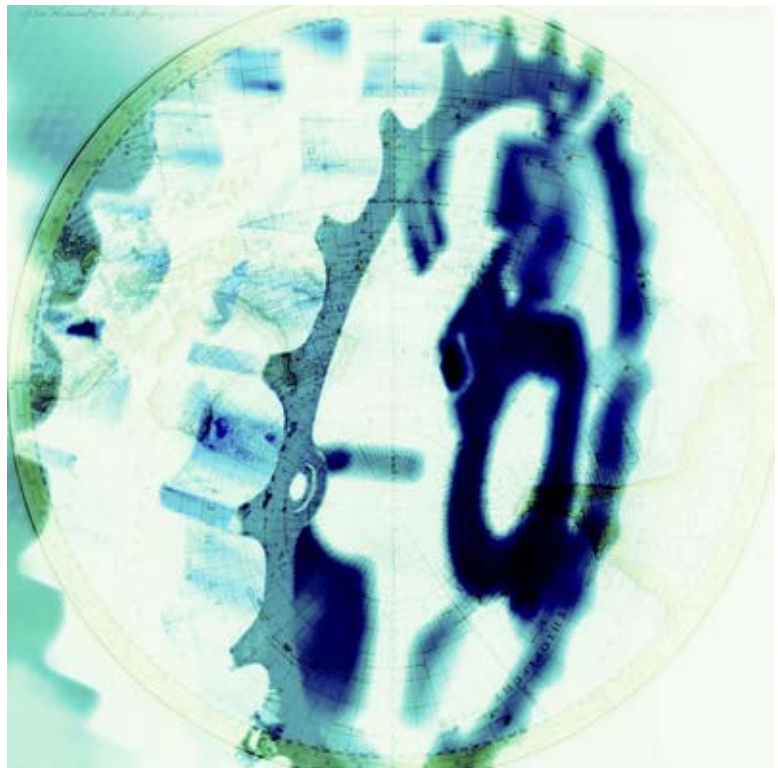
There is no better time to ask ourselves the question: *how can we position our economy today so that it will be prosperous and thriving in the year 2026?*

To be successful at this, we need to do more than just think about extending the current boom because the forces and factors that are powering it will certainly change. We need to think about, and plan for, the long-term—beyond current oil prices and the “HELP WANTED” signs in the windows of fast-food restaurants. These things will come and go.

Planning for the long-term requires a shift in our thinking. We need to think about the big picture, rather than simply react to the events around us. We must also resist the temptation to do a little bit of everything for everybody because that is a recipe for mediocrity. We need to be bold and we need to prioritize.

The public policy recommendations that follow try to do just that. We are hopeful that western Canadians will find inspiration in these recommendations and use them as the basis for an informed debate about how to ensure the region's long-term economic prosperity.

As noted in the Foreword, the recommendations were inspired and informed by a series of economic scenario planning meetings held in the four western provinces and input received at the Shaping Our Future Conference. This should not, however, be considered an endorsement as the ideas that follow are those of the author only.



2. Educate and Train

"We have lots of youth. What we need
is a Fountain of Smart."
—Anonymous

Whoever made this comment probably did so flippantly. Flippant or not, it captures a growing reality in the fiercely competitive global economy: our workers are only as good as they are smart.

If there is one area of public policy that western Canada must get right, it is education. Few things are as important to our future economic success as having a bright, creative, and highly educated workforce.

An immediate concern is reducing high school drop-out rates. Dropping out may look good during an oil boom, but a diploma sure comes in handy when the boom is over.

But addressing high school drop-out rates is only a drop in the Fountain of Smart. To compete in the international knowledge economy, western Canadian workers will need more than a high school diploma. The 21st century imperative is the completion of a post-secondary or trade program. Post-secondary education is what makes the Fountain of Smart really start to flow.

As a provincial responsibility, post-secondary education funding seems to be on the right track across the West. Governments have increased funding and, in some encouraging cases, set goals to increase student spaces in the coming years. This needs to be applauded, yet more should be done. Governments should increase financial support for western Canada's universities, colleges, technical institutes, and trade schools.

When asked how to make western Canada more globally competitive, many economic commentators focus on one thing: taxes. Low tax rates are, in the minds of some, the silver bullet for attracting

industry and building a strong economic base. While there is a case to be made for low taxes, this is not as important as a highly trained workforce.

The recommendations below offer some concrete actions that should be taken today to ensure that western Canadians continue to be among the most highly educated workers in the world.

The implications of "getting it wrong" are troubling. In terms of education and training, India gets it right. China gets it right. The United States—which has some of the best post-secondary institutions in the world—gets it right. And the longer it takes us to get it right, the further western Canada will fall behind in the global "smart" race.

Western Canada has the potential to surpass every other jurisdiction in the world in this area. It is simply a matter of making it a priority. Let's seize the chances we have now, in 2006, to get that Fountain of Smart flowing.



Recommendations

1. Reduce K-12 drop-out rates by 50% by 2026.

- Encourage more creative, flexible high school program options.
- Explore best practices and techniques used in other jurisdictions to reduce the number of drop-outs.

2. *Drastically reduce adult illiteracy by 2026.* (Roughly 40% of Canadians are “illiterate”—that is, they lack the reading ability to meaningfully comprehend complex instructions, manuals, or documents.) Commit resources to raising awareness of adult illiteracy and programs to help combat it.

3. *Increase the total student capacity of post-secondary education institutions in the region such that no qualified student is turned away because of a lack of student spaces.*

4. *Establish specific and large endowments for attracting world-class faculty and graduate students.*

- Recognize that building world-class centres for education and training requires the money to attract the world’s best and brightest.
- Make western Canada the destination of choice for the world’s educators.
- Leave behind the days of incremental, uncertain, and unpredictable funding increases for universities.

5. *Adopt a market-oriented approach to tuition rates.*

- Do not freeze tuition rates. Free or drastically under-priced tuition (like all things “free” to the consumer) will tend to be over-used and under-valued. Higher tuition rates will implant a truer sense of ownership and investment among students. The increased cash flow to the schools will help them better manage rising expenses and the expansion of programs and student spaces.

6. *At the same time, increase funding directly to students.*

- Both the federal government and the provincial governments should invest much more in terms of scholarships and loans.
- Consider practices and approaches that have been used in other countries.
- Reward students that achieve high standards and complete their programs.

7. *Focus the major research areas within the region’s universities to complement, not duplicate, one another.*

- Think of the major universities in the West as one “system” and coordinate the research activities at each to minimize duplication.
- Concentrate and direct the scarce resource dollars to major research projects at individual schools, rather than have several schools each chasing smaller research areas with less potential.

8. *Triple foreign student enrollment by 2026, and seek to retain these students as immigrants.*

- Offer generous language training.
- Offer work visas to foreign students who complete post-secondary degrees at a western Canadian university.

9. *Match private sector investments in training programs.*

- Vocational colleges and technical training centres should be mandated to achieve specific targets for attracting private sector partners.
- Provinces should strongly encourage this by matching dollars for programs that are established through private sector contributions (over and above the regular funding for the institution).

3. Create and Innovate

"A hunch is creativity trying to tell you something."

—Hollywood film director Frank Capra

"Creativity is thinking up new things. Innovation is doing new things."

*—Theodore Levitt, Professor of Business Administration
Emeritus at the Harvard Business School and former
Editor of the Harvard Business Review*

The words creativity and innovation have probably been overused in describing what is required to grow an economy. Their use is now so common that they fall into the category of jargon—those words and phrases used so often that they tend to lose their meaning. They are right up there with “think outside the box” and “paradigm shift”—phrases that were once useful and interesting images, but have now become clichés that belong only in Dilbert comic strips.

It is really too bad that creativity and innovation have become so overused because their virtues in economic development remain intact.

American economist and writer Richard Florida has been a champion of the concept that great cities and great economies grow up around creative people. It is an idea that seems out of place with the usual cry to simply slash taxes and offer business subsidies. Florida's advice is certainly not without its critics. Nonetheless, the premise of attracting creative people as a means of driving economic development makes sense. After all, economic development starts with someone saying “I have an idea.”

Creativity can be manifest in a number of ways. We often associate creativity with the visual arts, theatre, music, and so on. And in Canada, we often associate these cultural endeavours with their costs to the taxpayer, rather than the benefits they provide. But just as people are attracted to cities because of their climate and job opportunities, they are also attracted by their cultural and social amenities.

Of course, creativity is not limited to the arts. Businesses—from trucking companies to software startup—also need it.

At a recent conference in a western Canadian city, I was asked to comment on how that city could become a centre for “value-added” industry. I told the audience—shocking many—that their city would never be a centre of value-added industry. As long as their idea of “value-added” was focused on secondary manufacturing, they would never achieve their goals.

And why would they want to be a city of factories and assembly lines? Why would they want to be Detroit circa 1950? Don't they know their labour costs are astronomical compared to those in developing countries?

But I had good news for them, too. I told them that if they were willing to consider the other end of the production chain—the idea, research and design end of the production chain—their city has a promising future ahead of it. That is our comparative advantage in western Canada: the grey matter between our ears, not low wages and assembly lines.

Thomas Friedman, in his recent book *The World Is Flat*, sums up why creativity is so essential to our economic success in the 21st Century: “There may be a limit to the number of good factory jobs in the world, but there is no limit to the number of idea-generated jobs in the world.” The point he makes is that new ideas, new research, and new innovations that spring out of creative minds are like an artesian well—they never run out.

Creative and innovative business minds need nurturing and support. Much of what was encouraged in the previous section on education applies here as well. Ensuring world-class K-12 and post-secondary education systems is an obvious first step. But it doesn't end there.

Business ideas often need some financial backing to get going. Venture capital is critical to creative entrepreneurs. Western Canada—and especially Alberta—is well below Ontario, Quebec and the United States when it comes to the availability of venture capital. One recommendation is, then, for provincial governments to find ways to increase the available pool of venture capital in the West. For example, lowering

the inclusion rate on capital gains taxes and expanding the existing venture capital base (e.g., allowing pension funds) would be two possible ways.

If step 1 is education and training, and step 2 is providing the financial support bright new ideas need, then step 3 has to be finding ways to bring these creative business ideas and innovations to market through the successful commercialization of the product—the stage at which the product is marketed, produced, and distributed successfully, and the profits are returned to the company for re-investment. This is perhaps the trickiest step, and from an economic development perspective, the most important step. Yet it continues to elude and frustrate many policy-makers across the West.

It is very frustrating for policy-makers (and taxpayers) to witness the education of a bright young mind at a western Canadian university, see that student spawn a terrific idea or scientific development, provide seed money and university-funded support to bring the idea to maturation, and then watch helplessly as both the student and the idea leave for San Francisco, Boston or Kuala Lumpur to be commercialized on a massive scale.

It is a story that has been repeated across the West. Our universities are top-notch in terms of nurturing ideas and providing the facilities to do the supporting research. Biotechnology, medical sciences, ag-biotech, nanotechnology, pharmaceutical research—we excel at the research and development within our university system. But we often fall short at vaulting that research to the commercialization stage.

At the end of the day, generating creativity and innovation is more art than science, but both are vitally important in the global economy where ideas, not muscle-power, generate wealth. Creativity cannot be generated by lowering taxes or streamlining regulations (as helpful as those actions may also be). Nor can innovation be purchased like an imported commodity, regardless of the value of the soaring Canadian dollar.

Creativity and innovation grow out of the human spirit—born out of education, fostered by the arts, manifest in research, and nurtured by supportive public policy. Policy-makers in western Canada have a responsibility for helping to ensure that these fragile yet essential elements of our economy find a place to blossom.

Recommendations

1. Expand funding for the arts in western Canada.

- Strive to attract private participation in the establishment of several world-class, iconic arts centres based in the West. Why can't the West have its own Guggenheim, or Tate Modern, or Getty Centre—destinations and attractions in their own rights—to enrich and inspire creativity in the West?

2. Emphasize the creative arts in the K-12 system.

- We should be careful not to overlook the contribution of the creative arts—music, drama, fine arts, and languages—in developing a student's mind. Provincial governments should guard against cuts to the creative arts in school curriculum and increase funding where appropriate.

3. Find new ways to make business start-up funds available to creative and innovative entrepreneurs in the West.

- Expand the pool of existing funding for venture capital by lowering capital gains taxes, and by increasing the pool of eligible funds (for example, by including pension funds).

4. Create new ways for companies to successfully reach the commercialization stage of their development.

- Identify the barriers to commercialization and help companies overcome them.
- Provide assistance for companies that need to attract the skilled management expertise to commercialize their product.

4. Move and Communicate

"640K ought to be enough for anybody."
- Microsoft Chairman Bill Gates, 1981

It has been said that Canada is a country with more geography than history. This is nowhere more so the case than in western Canada.

On a recent road trip between Calgary, Alberta and Prince Albert, Saskatchewan, I was reminded of the enormity of the Canadian Prairies. Passing mile after mile of the flat, dry landscape—the temperature in the high 30s—I thought about the experiences of the earlier European settlers when they first arrived in the West. They traveled for weeks by ship and train to an unknown destination on the other side of the planet. Glimpses of people, towns, and even trees would have become fewer and fewer as the train traveled west. Finally, when it appeared that all signs of life had completely vanished, the train slowed down, and someone hollered at them, "OK, here is your stop! Get off the train." The train would pull away and leave them standing in the middle of nowhere. There was nothing but the dusty wind, the beating sun, and the dream of starting a new life.

In 2006, the hardships of the early pioneers are ancient history. Even on a long road trip through the Prairies, we travel on paved highways in air-conditioned cars, listen to satellite radio, stop along the way for pop and chips, and chat on mobile phones to friends and family around the world.

For the pioneers, transportation and communication made life possible. For us, they make life in western Canada not only possible, but rather enjoyable .

With the railway, the world for western Canadians went from XXL to XL. With the advent of telephones, radio,

and television, it shrunk further from L to M. And with the Internet, email, cell phones, and satellites, it went from S to XS. New technologies and developments in transportation and communications continue to open up all sorts of social and economic possibilities for western Canadians.

With the advances in global transportation, it is possible to trade with China, India, and all parts of the world. The flow of natural resources and finished goods will be increasing over the next 20 years. But our seaports and rail facilities need to be capable of handling the increasing loads.

With the Internet and email, it is possible for a software developer to work from her office in Brandon with colleagues in Bangalore, or for a furniture designer to create in his



studio in Vernon and send the designs to Vietnam. New software can actually enable both locations to be working on the same application at the same time. But broad-band IT access is essential for this to happen.

With the new techniques being developed in the oil sands, bitumen is being boiled and steamed out of soil in Fort McMurray. But in order for the massive equipment and machinery required for these processes to get to remote

northern Alberta, oil sand companies need modern and adequate-sized transportation corridors. They also need new pipeline capacity to get the bitumen and/or refined products to market.

All of these projects—modern and efficient port facilities, railway expansions, broad-band IT access, widened highways, and pipelines—are the new “must haves” for the western Canadian economy to thrive in the 21st century. And while the private sector has a significant role to play, there is also a role for the public sector.

Projects may be public, public-private partnerships, or private sector initiatives. Regardless of the method, our governments have a responsibility to help ensure that the West has a world-class transportation and communications system capable of meeting the needs of its people and businesses. We can educate our youth, we can inspire their creativity and innovation, but if we don't give them the physical infrastructure to get their ideas to market, we have failed in providing that last link of the wealth-creation chain.

Recommendations

1. Connect virtually all western Canadians with broad-band fibre optic cable.

- The ability to communicate easily, quickly, and seamlessly around the world is going to be the key to being globally competitive.
- Western Canada should have the highest rate of broad-band usage and connectivity in the world.

2. Continue to invest in expanding sea port capacity.

- The federal government and western provincial governments have made some great headway in their investments in west coast ports, especially under the Gateway program. The Port of Churchill should not be overlooked, particularly as the opening of Canada's arctic seems to have an increased probability over the next few decades. The goal should be expansion able to handle the forecast freight volume in 2026 (both incoming and outgoing cargo).

3. Expand major highway routes throughout the West.

- Explore ways to expand and improve the major highways, possibly with P3s and toll highways.
- Focus on key transportation corridors. Chief among them are the TransCanada Highway from Thunder Bay to Vancouver (twinning the entire highway as a minimum requirement within 5 years), and Highway 63 in Alberta linking Edmonton to Fort McMurray.

4. Reduce locomotive fuel taxes and capital taxes on railways.

- Railways are a key component in western Canada's freight transportation system, but are often overlooked. The railways should be offered a break on provincial fuel and capital taxes as a quid-pro-quo for specific investments in container transportation facilities across the Prairies and at the ports (west coast and Churchill).
- Recognize the contribution that railways can make in reducing wear-and-tear on highways and reducing carbon emissions.

5. Harmonize all trucking regulations across western Canada.

- The system of ports, railways, and highways from Vancouver to Churchill, and from Prince Rupert to Winnipeg, should be thought of as one seamless and coordinated unit.
- Create a trucking corridor across all four western provinces.
- Follow the example set by the Alberta and BC Trade, Investment, and Labour Mobility Agreement (TILMA), which has called for complete coordination of regulations on highway trucks and buses between the provinces. The TILMA represents some long overdue interprovincial cooperation, and Saskatchewan and Manitoba should be urged to sign on.

5. Flexible and Adaptable Workforce

“Pleasure in the job puts perfection in the work.”

- Aristotle

“Change your thoughts and you change your world.”

- Norman Vincent Peale

It wasn't that long ago that fighting unemployment seemed to be the top priority of our governments. Jean Chrétien won the 1993 federal election with his promise of “jobs, jobs, jobs.” For some of us, that election campaign feels like just yesterday, but that economy is a world away now.

Today, with the western Canadian unemployment rate hovering in the low 4% range—the lowest level in a generation—the call for “jobs, jobs, jobs” seems alien. Labour shortages are the current problem, not job shortages. Yet federal and provincial labour market policies are still geared towards helping an economy marked by high unemployment.

What we need is a more flexible and adaptable labour force—one that is able to change with the ever-changing circumstances of our economy.

Take, for example, the federal Employment Insurance program (EI). Unemployed workers in high unemployment regions of the country are eligible for more weeks of benefits than those workers in low unemployment regions of the country. At first blush, this seems to make sense—and perhaps even did make sense in an era of stubbornly high unemployment rates everywhere. It recognizes that workers may take longer to find work in those regions, so they should receive more weeks of benefits.

But the perverse effect this has is to actually hinder labour mobility within the Canadian economy. It encourages unemployed workers to stay in those high unemployment regions, rather than move to other parts of the country where jobs are more plentiful.

Is it heartless to force a worker to leave behind a hometown, possibly uproot a family and home, and move across the country to find work? Possibly. But the EI program is not about forcing anybody to do anything. It is about (or should be about) helping workers who find themselves without a job to transition into a new position—and that position may be in a new part of the country.

One of the main barriers facing interprovincial migrants is the costs involved in finding a new home, selling their home in the economically depressed region, and buying (or renting) a home in the economically active region.

The EI program should be altered to both encourage more rapid labour mobility, and to mitigate the costs associated with moving. For example, instead of an unemployed worker in a region of high unemployment being eligible for 42 weeks of EI benefits, why not 14 weeks (the entitlement in low unemployment regions) and money for relocating?

EI benefits for seasonal workers should also be curtailed, if not eliminated. It shouldn't come as a surprise that many seasonal workers see their EI entitlements during the “off season” as an attractive



benefit of the seasonal job. No one has ever explained to me why it is so ruthless to expect seasonal workers to find some means of generating income during the “off season.”

A challenge that is heading straight towards the Canadian economy like a tsunami is the aging work force. This is something we’ve known about for a long time, yet policy-makers seem to be doing little more than twiddling their thumbs. With the bulge of baby-boomers heading for retirement, the Canadian labour market is in for a shock.

We need policies that promote later retirement and encourage longer participation in the labour market, while at the same time offering more flexible work arrangements.

The current Income Tax Act penalizes mature workers who are eligible to draw from their pensions by discouraging them from working and contributing to private pensions. The financial incentive is to drop out of the labour force entirely, so why are we surprised when this happens? Elements of the Canadian Pension Plan (CPP) and Old Age Security (OAS) also penalize mature workers who would like to keep working. The Income Tax Act, the CPP and the OAS programs all need to be reviewed and revised so they do not discourage mature workers from working.

Immigration is another often mentioned—albeit controversial—means by which to address the current labour shortages.

The world is full of bright, talented, highly educated people who would love a chance to live and work in Canada. The downside, as critics point out, is that new immigrants have had a less-than-stellar record in terms of job success once they arrive. Language and cultural barriers, lack of Canadian work experience, and lack of personal connections often conspire against immigrants and leave them under-employed. Who hasn’t heard about the immigrant with a PhD driving a taxi?

But this need not be so. Rather than emphasizing family reunification, our immigration policy needs to be smarter in

targeting young immigrants with the skills, education, and language requirements that will minimize the problems once they arrive. Furthermore, there needs to be more willingness on the part of industry and professional associations to recognize credentials and foreign experience. Some progress on this front is happening already, but more effort is needed.

We also need to target more international students (see section 2), and encourage them to work in Canada while in school and after graduation. Currently, several restrictions on foreign students prevent them from working off-campus, despite the “Help Wanted” signs in almost every service sector job. Aside from additional cash income, working off-campus offers foreign students some practical English-language work environment experience, something that will be critical to their future success in the Canadian labour market. It would also help service sector employers find workers.

Aboriginal young people are also underutilized in the labour market. It is a longstanding concern, but we must keep working at addressing the education and social barriers to increased labour market success among Aboriginals.

As policy-makers seek to address current labour shortages, they must avoid assuming that the reality of today will be the reality of tomorrow. This is especially true in Alberta and British Columbia where labour shortages are reaching serious proportions.

I have avoided making specific economic predictions in this paper, but here is one that I’m not afraid to make: Alberta’s unemployment rate will, at some point over the next 20 years, rise above 5%. Sometime in the future, labour shortages will not be our biggest problem—it will once again be an uncomfortably high rate of unemployment.

The point is that, instead of directing public policy towards solving unemployment, or solving labour shortages, the goal should be a labour market that is as flexible and reactive as possible. This means encouraging more interprovincial migration. It means encouraging mature workers to decide

how—and for how long—they wish to remain in the workforce. It also means finding ways to increase the levels of education and training of Aboriginal young people, and giving them the tools they need to meaningfully engage in the workforce.

Flexibility, agility, adaptability—these are the adjectives that should describe workers in the dynamic economy of western Canada in 2026. We need to make some changes in order to get there. Our old policies around EI, CPP, provincial human resource departments, and immigration are geared towards helping workers maintain the status quo. We need to turn these policies on their heads and foster a workforce that can handle constantly changing conditions.

Recommendations

1. Reform the Employment Insurance program.

- Equalize the number of weeks of entitlement across the country.
- Recognize the costs involved in labour mobility by offering cash incentives for migrating workers and their families. The cash benefits could be increased for those families moving out of high unemployment regions, but would only be available once a year, and only if the worker moves to take on employment in the new region.
- Eliminate EI provisions for seasonal workers.
- Make the Canadian workforce as mobile and flexible as possible.

2. Review the Income Tax Act, CPP, and the OAS programs.

- Make it easier and more financially attractive for mature workers to remain in the work force.
- Identify ways in which these programs discourage mature workers from remaining in the workforce, and then reform them accordingly.

3. Increase immigration through targeted Provincial Nominee Programs.

- Target specific skills and identify those immigrants with the greatest chances of economic success.

- Ensure proper settlement programs are funded and in place.
- Place relatively less emphasis on family reunification, and more on attracting those immigrants who will be best able to fully participate in the economy in a meaningful way.

4. Encourage foreign students to remain in western Canada after graduation.

- Loosen the restrictions on foreign students working off-campus.
- After foreign students successfully complete their degrees at a western Canadian university, offer assistance in granting work visas (temporary or permanent) if they remain in the West.
- They also need to be fast-tracked as immigrants. It is not a matter of work visas, it is a matter of landed immigrant papers. Every international student should be treated as a soon-to-be citizen of Canada. These are the world's best and brightest workers—we can't afford to lose them.

5. Invest more heavily in training and education for Aboriginal workers.

- While there has been much debate and disparate viewpoints on how to do this, it behooves policy-makers to find appropriate methods to get the proper educational and training tools into the hands of Aboriginal workers—both on-reserve and off-reserve.

6. Protect and Respect

“I would feel more optimistic about a bright future for man if he spent less time proving that he can outwit Nature and more time tasting her sweetness and respecting her seniority.”

– E. B. White

“You protect what you love. It is time for today’s stewards to ensure that future generations have the opportunity to know the power and beauty of our landscapes.”

– Jim Hume, President and CEO, The Kahanoff Foundation

Westerners place a high value on protecting the region’s land and water. The Canada West Foundation’s Looking West 2006 Survey found that almost all western Canadians rate protecting the environment as a high or medium priority, with less than 4% of respondents rating it as a low priority or not a priority. Clearly, western Canadians see environmental protection as a top policy issue.

A constant challenge to this is the reality that the western Canadian economy was built on—and continues to depend on—the extraction of natural resources. From intensive livestock operations and logging to gas extraction and oil sands mining, the natural resource sector has a massive impact on the West’s land and water.

At the same time, the tension between environmental protection and resource extraction has been a creative tension. Whole industries in the West have sprung up as researchers work to find less intrusive and disruptive ways to extract these resources. Scientists across the West are researching ways to harvest trees, grow grain, and steam oil out of the sand—all with a reduced impact on the environment.

We don’t need a ban on resource extraction. What we need is more research and development in areas of resource extraction and better environmental stewardship. We need educated and creative minds to think of new ways to harvest, mine, drill, and extract our resources with greater respect for the land.

Recommendations

1. Become the world leader in alternative and sustainable energy research.

- The West—particularly Alberta—needs to prepare for a time when hydrocarbons are not the fuel of choice of the world. The Alberta government should invest heavily (i.e., billions—not millions—of dollars) in placing Alberta on the world stage in energy conservation research and alternative energy development. The work started by the Institute for Sustainable Energy, Environment and Economy (ISEEE) at the University of Calgary is an excellent first step.
- This should be done in partnership with the other western provinces as each has energy resources and a major stake in the region’s energy future.



2. *Develop a unified, coordinated strategy and fund for energy development.*

- All four provinces are blessed with an abundance of energy resources, both renewable (hydro, wind), and non-renewable (hydrocarbons, uranium). But these resources are spread unevenly among the four western provinces. The four provincial governments should develop a unified, coordinated approach to energy production and alternative energy research in western Canada (see #1 above).
- A portion of the royalties collected from these resources should be set aside into a pan-Western energy development fund to be used for further resource development, conservation, and research.
- There is far greater strength and stability if we think of our energy resources as “western” resources, rather than as four silos. Long-term thinking strongly suggests that the hydrocarbon rich provinces should consider how other sources of energy (hydro, nuclear, hydrogen cell, etc.) can complement and help sustain their energy demands for a day and age when hydrocarbons as important to the global supply of energy.

3. *Establish a pan-western centre of excellence to address water issues.*

- After years of being taken for granted in the West, water is finally being regarded as the limited resource it is. Many believe that water will become the single most important natural resource for Canada and the West over the next few decades. The implications of how our water resources are managed—or mismanaged—are both environmental and economic.
- A regional centre of excellence with a clear mandate to develop proactive strategies for improving the management of the West's water resources and strong buy-in from all four western provincial governments and the federal government should be created and provide with sufficient resources to make the West the world leader in water conservation and management.



7. Final Thoughts

Many economic challenges have been identified and many policy recommendations have been put forth to help address them. However, numerous problems raised at the Shaping Our Future Conference have not been specifically addressed in this discussion paper including the economic implications of:

- sustainable and responsible land development practices in major urban areas;
- Aboriginal living conditions and unemployment;
- homelessness in urban centres;
- child poverty;
- gambling and substance addictions;
- rural decline;
- climate change;
- possible epidemics and pandemics (such as SARS);
- waste management; and
- sustainable options for health care delivery.

That these issues were not tackled directly in this paper is not meant to minimize their importance. They are not mentioned simply because it is not possible to adequately address all of these issues in a brief paper of this sort. An attempt has been made—in the interest of stimulating meaningful debate—to focus on a short list of priorities rather than suggest action across a seemingly endless number of policy fronts. In addition, success in the areas of education and training, creativity and innovation, transportation and communications, labour force policy, and the environment will have a ripple effect that will help address other issues. There is lots to do, but you need to start somewhere. This discussion paper suggests one set of options and I encourage western Canadians, indeed all Canadians, to think through what they think policy-makers should focus on.

As well, many readers may notice that the recommendations presented here make no mention of tax reductions. This is not meant to suggest that lowering taxes—especially those that impede capital investment—is not an important element in a plan designed to help ensure long-term economic prosperity. But tax reductions, as beneficial as they are to spurring immediate economic growth, are not “big thinking”

ideas. They are house-keeping issues, not house-building dreams. And for that reason alone, the recommendations for appropriate tax cuts are left for consideration elsewhere.

Two Choices

Western Canada is at a critical point in its economic development. Before us are two choices.

We can continue to plod along with the safe, familiar course that served us well throughout the 20th century, but one that is insufficient for today’s rapidly changing and intensifying competitive global economy.

Or, we can choose to follow a new course that will bring with it a greater standard of living and prosperity in the 21st century. The new course is brave, forward looking, and assertive. It will position western Canada to succeed in a global environment that looks nothing like it did even ten years ago.

This new course will seek to develop the brightest, most highly educated, and most productive workforce in the world.

It will facilitate creativity and innovation among our scientists, our entrepreneurs, our artists, and everyone who contributes to the western Canadian economy.

It will possess a flexible, adaptable, and agile workforce.

It will facilitate the movement of ideas, goods, services, and people through enhanced transportation and communication systems. Geography will be less of an obstacle for our economy, and more of an asset contributing to an outstanding quality of life.

It will respect the physical environment of the West, and at the same time it will find new, responsible and sustainable ways to create wealth out of the bounty of natural resources with which we’ve been blessed.

How we wish to Shape Our Future is up to us. ■

APPENDIX: Shaping Our Future Conference Participants.

Please note: the recommendations contained in this discussion paper were inspired by the discussions that took place at the conference. However, none of the specific recommendation or comments should be attributed to any individual listed below.

Pierre Alvarez Canadian Association of Petroleum Producers	Jock Finlayson Business Council of British Columbia	Tim McEwan BC Progress Board	Marguerite Simard Conseil de développement économique des municipalités bilingues du Manitoba (CDEM)
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Rita Bourgeois	R. D. Guthrie Apprenticeship Works Saskatchewan	Ruben Nelson Foresite Canada	Eugene Stickland Alberta Playwrights' Network
Dayna Boutang Industry Canada	Tim Hibbard Western Economic Diversification Canada	William Norris Sirron Ltd.	Louis T'etrault Conseil de développement économique des municipalités bilingues du Manitoba (CDEM)
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Christopher Bruce University of Calgary	Diana Ireland Moose Jaw Regional Economic Dev. Assoc.	Larry Pana Alberta Economic Development	Peter Wallis The Van Horne Institute
Kent Campbell Crown Investments Corporation	Dave Kaiser Alberta Hotel and Lodging Assoc	Graham Parsons OWEC - Organisation for Western Economic Cooperation	Patrick Walters City of Calgary
Ken Cheveldayoff Saskatchewan MLA	Ron Kneebone University of Calgary	Ardath Paxton Mann Western Economic Diversification	Jared Wesley University of Calgary
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Bill Downing BC Wood Specialties Group	Helmut Mach University of Alberta	Duane Pyear Alberta Economic Development	
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Allan Evans Prairie Centre Policy Institute			
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About the Canada West Foundation

Our Vision

A dynamic and prosperous West in a strong Canada.

Our Mission

A leading source of strategic insight, conducting and communicating non-partisan economic and public policy research of importance to the four western provinces, the territories, and all Canadians.

Canada West Foundation is a registered Canadian charitable organization incorporated under federal charter (#11882 8698 RR 0001).

In 1970, the One Prairie Province Conference was held in Lethbridge, Alberta. Sponsored by the University of Lethbridge and the Lethbridge Herald, the conference received considerable attention from concerned citizens and community leaders. The consensus at the time was that research on the West (including BC and the Canadian North) should be expanded by a new organization. To fill this need, the Canada West Foundation was created under letters patent on December 31, 1970. Since that time, the Canada West Foundation has established itself as one of Canada's premier research institutes. Non-partisan, accessible research and active citizen engagement are hallmarks of the Foundation's past, present and future endeavours. These efforts are rooted in the belief that a strong West makes for a strong Canada.

More information can be found at www.cwf.ca.



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