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QUESTION

Economic Growth: Ensuring Canada's Competitiveness. What steps can the federal government take to support and/or encourage Canadians and their businesses to grow the economy in the face of a changing economic landscape?

RESPONSE

Good morning and thank you for the invitation to make this representation to the committee. I am here on behalf of the Canada West Foundation, a non-partisan think tank based here in the West. Much of our recent work has direct impact for Canadians and businesses in the changing economic landscape. Specifically, we have:

- Made recommendations about removing the barriers to building the infrastructure that is much needed for economic diversification and success.
- Published guides for businesses about how they can participate in CETA, CPTPP and the new USMCA trade agreement. The trade commissioner service partnered with us on the CPTPP. And,
- Offered recommendations for bringing private sector supply chain intelligence into national trade infrastructure planning and prioritization.
- We did the foundational research for the plant protein supercluster, with support from WED.
- Have been working on a multi-year project to document some of the economically successful partnerships between natural resource firms and Indigenous communities across the West. And,
- We will soon release a paper on how to achieve an integrated western electricity grid.

My focus in being here today is to stress to you all the critical importance of increasing productivity and economic growth through improving the basic cognitive skills of the workforce. Much is being made about the importance of having a skilled workforce – with an emphasis on the STEM skills that we believe will help us become more innovative and enable the diversification of the economy. However, advanced technical skills are impossible to build without basic cognitive skills and 40 per cent of the workforce does not have adequate levels of these basic skills. These working-aged adults must be assisted to improve their basic skills now.

I present three compelling reasons:

1. 42 per cent of young people aged 16-25, including recent graduates of education systems across the country, do not have the literacy and numeracy skills to continue to learn effectively and efficiently or to function fully and productively in 97 per cent of the jobs in the Canadian economy.
2. In today's workplace, jobs are changing quickly, and machines or algorithms are replacing some tasks. This makes the ability to adapt the most important skill of all. Adapting is about learning and applying new skills quickly and this takes adequate levels of literacy, numeracy and language skills. Without this capacity, many people currently in the workforce will not be able to keep their jobs – or find new ones.

And here's an even more compelling reason:

3. Recent analysis of international adult skills data has found that increasing the literacy skills in the workforce by an average of 1 per cent would, over time, lead to both:
 - A 3 per cent increase in GDP, and
 - A 5 per cent increase in productivity

What's more, this research also shows that improving the skills of people at the lower end of the scale (Levels 1 and 2 on the five-level scale for literacy) will have more impact than improving the skills of people who are already at Level 3 or higher. As the people most at risk of losing their entire job to automation are the people employed in low-skilled jobs, this would have the added advantage of assisting them to find a new higher-skilled job.

There is no doubt that increasing the basic cognitive skills – literacy and numeracy – of the Canadian workforce would help to grow the economy.

A three per cent increase in GDP over time would amount to \$54 billion per year – every year. This would not happen overnight – it would take years to reach steady state on this investment, but some ROI would be available immediately.

So, how do we upskill up to 40 per cent of the workforce?

There are four main ways to do this:

First, obviously, we must stop allowing our youth to graduate from high school and post-secondary programs without adequate levels of cognitive skills. I realize this is not the purview of the federal government.

However, this government can:

Require that literacy skills are embedded in all federally supported workforce education and training initiatives for both youth and working aged adults.

It can also,

Encourage, or even incentivize employers to improve the skills of their workforce by:

- i) Changing work processes to increase the knowledge and skill demands of current jobs

which will help them to keep up with foreign competitors and assist their employees to be prepared for the on-going automation of jobs.

- ii) Assessing the skills of job applicants with tools that reliably certify skills and competencies so they can make better hiring decisions. This should reduce the skill mismatches and avoid the skill loss that happens when people work in jobs that do not use all their skills.
- iii) Investing in literacy, numeracy and problem solving skill upgrading for current employees, by embedding it into other training.

And then,

- iv) Adjusting work processes to ensure that skills gained through upgrading are put to use and do not stagnate or deteriorate.

And lastly,

1. The new federal government funded Future Skills Centre should be mandated to incorporate basic cognitive skills into its research program.

I close by saying that there is an urgent need to prepare today's workforce for the increasing skill demands of the new economy. The more urgent necessary prerequisite for this is an investment in increasing literacy and other basic cognitive skills for the people who most need it. Fortunately, this investment will have the added benefit of dramatically increasing productivity and, ultimately, GDP.

Thank you.