

CANADA'S JOBS STRATEGY

In 1993, Canada embarked on a concerted and integrated effort to strengthen the economy in order to stimulate job creation. The Government of Canada recognized that continuing double-digit unemployment was weakening the social fabric of the nation and posed a serious threat to the public's sense of security. The government determined that in a more competitive, global economy, marked by rapid technological change, the best approach to build both a stronger economy and a more secure society was to pursue balanced policies for jobs and growth: to ensure that the optimal conditions for job creation were established and that the policies needed to equip people to take advantage of those job opportunities were in place.

Canada does not believe that the marketplace alone can address all the challenges our society faces. Canadians support a *partnership* approach. They believe that individuals, employers and governments all share responsibility to address unemployment and to ensure that Canadians and their institutions adapt positively to economic change to maintain the high living standards Canadians enjoy.

Canadians look to government to provide the leadership necessary to stimulate job creation and improve access to employment. Canada's Jobs Strategy has focussed on key areas where government leadership can make a difference in promoting adaptation to economic change. These areas are macroeconomic policy, modernizing government regulations and labour market programs, promoting trade expansion and technology development, and human capital investment.

Creating the Right Climate for Economic Growth and Job Creation

In 1993 the Government of Canada recognized that there could be no sustainable net job creation while the nation's public finances remained in disarray. Its first priority was to restore the nation's fiscal health and re-establish confidence in the way the government manages the country's finances. Efforts to cut government spending and put public finances in order are now paying off. Canada will average the fastest job growth rate in the G-8, and enjoys the best fiscal health of any G-8 country in terms of public-sector deficits. In 1996-97, our financial requirements were eliminated and Canada was the only G-8 country to record a financial surplus. Canada's federal government budget will be balanced in 1997-98 for the first time in nearly 30 years. The budgets for 1998-99 and 1999-2000 will also be balanced. This will mark the first time in almost 50 years that the federal government will have balanced its books for three consecutive years.

With annual deficits eliminated, the remaining fiscal challenge is to bring down the debt. Although the debt-to-GDP ratio—what is owed relative to what is produced—has started to fall, it is still too high. In its annual budget announced in February, the Government of Canada

committed itself to put the debt-to-GDP ratio on a permanent downward track by using a two-track strategy: continued investments to support economic growth and a debt repayment plan that will bring down the absolute level of the debt.

Canada's fiscal policies have allowed interest rates to fall, commensurate with Canada's ongoing low inflation rate. This has delivered the lowest sustained interest rates in Canada in decades, making capital more accessible to business and encouraging consumer spending, essential pre-requisites for sustainable job growth.

Getting Government Right

Over the past several years, the Canadian government has initiated a range of reforms to its programs, regulations and services, guided by the need to modernize the role of government itself.

The Government of Canada recognizes that inefficient program delivery and burdensome government regulations dampen job creation and undermine competitiveness. Key reforms have included:

- Transferring programs and services that can be more effectively and efficiently delivered by other levels of government or the private and voluntary sector;
- Introducing new policies to reduce overlap and duplication and promote alternative service delivery;
- Harmonizing government procedures and regulations to reduce the paper burden on business, cut red tape and modernize regulations in order to promote jobs and growth; and
- Reviewing the regulatory process to ensure that Canadian industry can take full advantage of continuing improvements to national and international industry standards.

Progress has been achieved in streamlining standards and regulations between Canada's federal and provincial governments. In 1994, the first Agreement on Internal Trade was concluded among Canada's provinces and territories. This agreement, which provides a framework for further trade liberalization, reduces or eliminates many barriers to the movement of products and labour within the country. It also sets the stage for the streamlining and harmonization of domestic standards and regulations to help reduce the cost of doing business in Canada.

Finally, the Government of Canada has placed a high priority on modernizing programs that affect individual Canadians. In 1996 the government enacted the new Employment Insurance (EI) program, which contains more incentives than its predecessor did to encourage labour

market participation. The EI system provides higher benefits to those with a history of stable attachment to the workforce. EI is based on hours worked so that all part-time work has become insurable. Finally, a portion of the savings achieved from the move to EI are being reinvested in active labour market programming such as wage subsidies, income supplementation, self-employment assistance, community projects, and skills loans and grants, all designed to help the unemployed prepare for, find and keep new jobs.

The government has pursued changes to labour market program delivery, recognizing that many decisions affecting individuals are best made at a level closer to the community and local employment conditions. Canada has put in place a broad strategic framework to have labour market training programs delivered by provinces. To date, the federal government has successfully negotiated Labour Market Development Agreements (LMDAs) with nine of the 10 provinces.

At the same time, the government is playing a significant and growing role in the provision of labour market information to help Canadians to make sound career choices for themselves. Initiatives are underway to improve the breadth and quality of national labour market and career information. In addition, new information technologies such as the Internet are being utilized to make this information more timely and more widely accessible.

International Trade: New Markets, New Jobs

Canada is one of the world's most successful trading nations. Our success as a nation and our future employment prospects depend heavily on our ability to attract foreign investment and expand our exports.

In 1997, exports of goods and services represented 40.2 per cent of Canada's GDP. Every \$1 billion in new exports is estimated to create or sustain 11,000 Canadian jobs. Approximately one in three jobs in Canada is dependent on trade. Pursuing and enhancing an open, rules-based international trading system is therefore essential to securing Canada's continued economic prosperity.

Trade development—enhancing our attractiveness to investors and stimulating export growth—is a priority of Canada's Jobs Strategy. The Canadian government offers a range of programs and services to encourage trade expansion by helping Canadian firms, particularly small- and medium-sized enterprises, develop new export markets. In partnership with the private sector, the government has invested in a more sophisticated trade-training infrastructure; in market information and intelligence gathering and distribution networks; and in improved access to loans and risk-management services for small businesses seeking to enter higher-risk, emerging markets.

Canada's goal, set in 1995, is to double the number of Canadian exporters by the year 2000. Key trade development initiatives include:

- Annual Team Canada trade missions led by Prime Minister Jean Chrétien involving provincial and municipal governments and the private sector. These missions have helped raise Canada's trading profile and have brought home nearly \$24 billion in business deals since 1994.
- Single-window access for Canadian business to the full range of government export programs and services.
- Improved access to emerging markets for Canadian exporters. Free trade agreements have been signed with Israel and Chile. Canada will continue its active role in building a Free Trade Area of the Americas (FTAA), and will be the first Chair of the FTAA negotiations from the beginning of May through to the end of October 1999. Trade and investment liberalization also continues to be a key priority for the Asia-Pacific Economic Cooperation (APEC) group and in trade relations with the European Union. Canada is also actively working for expanded market access based on clear and equitable rules at the World Trade Organization (WTO) and through negotiations to expand the organization's membership.
- Continued pursuit of customs tariff reductions for businesses and consumers, worth an estimated \$600 million in 1996.

Technology and Innovation: Keys to Job Creation

Jobs and growth increasingly depend on a country's capacity to innovate. Innovation is essential to strengthen productivity and enhance the competitiveness of goods and services in the global marketplace. Businesses that can apply new technologies and business processes to produce higher quality goods and services expand market share and create new jobs. Making technology work for Canadians is a key element of Canada's Jobs Strategy.

The Canadian government invests some \$5 billion annually on science and technology-related activities. It promotes research and development (R&D), technology diffusion and innovation through a number of initiatives, including:

- Technology Partnerships Canada – the government invests up to \$250 million a year in technology development projects on a risk-sharing, revenue sharing basis with private sector partners. Investments are made in key growth sectors such as aerospace and environmental technologies.

- Foregoing revenues of about \$1.3 billion from the Scientific Research and Experimental Design Tax Credit, making Canada one of the world's most favourable tax regimes for private sector R&D.
- The Canada Foundation for Innovation - With an investment of \$800 million, the Government of Canada aims to leverage a total of \$2 billion through partnerships with the private sector, other levels of government, and research institutions to strengthen and upgrade research infrastructure facilities and equipment at Canadian post-secondary educational institutions and research hospitals in the areas of science, engineering, health and environment.
- The Industrial Research Assistance Program (IRAP) - The government provides direct technical advice to more than 10 000 small- and medium-sized companies and financial assistance to more than 3,000 companies every year to help them capitalize on new technologies. The IRAP budget has also been increased to provide grants and repayable contributions to help foster strategic innovation and implement state-of-the-art technologies and approaches for using energy, water and natural resources more efficiently and for preventing pollution.
- Granting Councils and the Networks of Centres of Excellence - Through direct funding for research, the government strengthens Canada's basic research capacity and creates opportunities for Canada's youth to develop into highly skilled workers and researchers. Government policies also contribute to the commercialization of university research and the diffusion of research output from the academic world to business and industry.

To ensure that Canadians from all walks of life benefit from the computer-based information technology that is driving innovation, the federal government is funding the establishment of 10,000 public Internet access sites in urban and rural communities across Canada. Additionally, through SchoolNet, the federal government is working with the provinces and private sector to bring the learning opportunities of the Internet into Canada's schools and libraries so that Canadian students have the information technologies skills they need to succeed in today's economy. Our goal is to move beyond connecting every school in Canada to the Internet, to connecting every classroom.

Creating Opportunities for Canadians

As the capacity to innovate - to develop and exploit new technologies and new processes - becomes an ever more important determinant of success in an increasingly interconnected global economy, Canada recognizes that investment in human capital, particularly youth, is

crucial. A major priority of Canada's Jobs Strategy is to ensure that young Canadians are better equipped for a modern evolving labour market. The Government of Canada has established programs and services that focus on helping young people develop the knowledge, skills and work experience they must have to become full participants in an ever changing, knowledge-based economy. In 1994, the Canadian government introduced a number of youth employment initiatives to help young Canadians break into the job market and acquire relevant work experience. In 1996, the government developed the Youth Employment Strategy, a range of enhanced programs and services to boost the employability of young Canadians.

Total federal spending on youth programs for 1998-99 under Canada's Youth Employment Strategy will exceed \$3 billion. Programming includes:

- Access to learning opportunities, including the Canada Student Loans Program which this year alone, will provide financial assistance to more than 550,000 post-secondary students;
- Work experience and job opportunities, including summer job placements for students and internships to ease the transition from school to work, which will help over 180,000 young people this year; and,
- Career information, which is provided to young Canadians through an Internet Web site, a toll-free telephone service, and through "Youth Infofairs" which are held in communities across Canada.

In addition, new measures were included in the 1998 budget to expand access to knowledge and skills needed in the modern job market. They include:

- The Canada Education Saving Grant, which will encourage families to save for their children's education by providing a grant of 20 per cent on the first \$2,000 of annual contributions that parents make to Registered Education Savings Plans;
- The Canada Millennium Scholarship Foundation--a private foundation endowed by the 1998 budget with \$2.5 billion--which will promote access to higher education by providing more than 100,000 students a year with annual grants averaging \$3,000 starting in the year 2000;
- Enhancements to the Canada Student Loans Program, including grants to students with dependent children, tax relief for interest payments on all student loans and an extended repayment period for former students in financial difficulty; and,
- Measures to promote life-long learning, including tax-free borrowing from Registered Retirement Savings Plans for Canadians who want to upgrade their skills, and an extension of the education tax credit and child care expense deduction to part-time

students.

Realizing the Benefits Now and in the Future

Canada's unemployment rate has dropped from over 11 per cent in 1993 to under 8.5 per cent today. Forecasters expect continued job growth and falling unemployment through 1998. Since October 1993, some 1.3 million net new jobs in the private sector have been created, most of them full-time.

One of the most important indicators of success is the rate at which an economy creates jobs. Canada's job growth rate is accelerating—the Canadian economy created 372,000 new jobs in 1997, almost twice the gain of 1996 and three times greater than the gain in 1995. According to the Organization for Economic Co-operation and Development and the International Monetary Fund, in 1998 Canada will average the fastest job growth rate in the G-8.

The Government of Canada's key priority remains building a strong economy and a secure society for the 21st century. The government believes that these two goals are mutually reinforcing: a strong economy creates the opportunities and generates the resources needed to maintain the programs that contribute to a secure society; and, a secure society provides its members with the means and the confidence necessary to adapt to the changes the modern economy brings.