

**Submission to House of Commons Standing Committee on Finance
2012-2013 Pre-Budget Consultations**

**Step by Step Innovation and Skilled Labour Development –
Driving Canada's Long-term Prosperity in Manitoba**

Red River College

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Red River College

Red River College is Manitoba's second largest post-secondary institution, and its largest centre of applied learning. Each year, RRC services over 32,000 enrolments in our full-time, part-time, apprenticeship and corporate training programs.

Our programs are designed in concert with industry, to ensure we are addressing real demand in the labour market, and to ensure students are trained to use the most current technology and processes available.

According to our most recent graduate surveys, 97% of our students find employment shortly after completing their studies, with 95% of those people remaining in Manitoba, contributing to the economic and social growth of our province.

While RRC appreciates the Federal Government's continued support, it has identified several opportunities that could help fuel future growth of both the College and the Canadian economy.

Colleges are the advanced skills educators of choice. At Red River College, we are aligned with the needs of employers, and operating on the leading edge of skills identification, economic trends, and market shifts.

Red River College supports business growth and sustainability by supplying graduates with advanced skills, re-skilling displaced employees, offering customized education, and providing applied research and development support. We are a key player in Manitoba to increasing access of the disadvantaged to post-secondary education and supporting the credentialing of immigrants.

Step by Step Innovation and Skilled Labour Development – Driving Canada’s Long-term Prosperity in Manitoba

Skilled Labour Action Plan for Manitoba

Skills shortages are a reality in Canada and if current trends aren’t addressed the shortages will become greater and puts our economy at risk. This skills shortage coupled with a fragile economic recovery increases the need for direct investment from the federal government into PSE. In Manitoba, linked closely with the college participation rate is the matter of ongoing and pending skilled labour shortages. Within the construction sector alone, industry estimates Manitoba will require approximately 6,000 new workers and 4,500 workers to replace retiring employees by 2016 (Construction Sector Council of Canada figures)

In less than a generation, the percentage of Canadians who do not participate in the labour force (largely due to increasing numbers of retirees) will rise from 44% to 61%. HRSDC and Statistics Canada predict a labour shortage of 1.5 million within a decade. Increasingly young people will need post-secondary education to enter the labour market. Currently, 70% of employment opportunities require post-secondary education. Within a generation, the figure will approach 80%. Right now, only 60% of Canadians between the ages of 25 and 64 meet this standard. Unless something changes soon, by 2016, over a half-million Canadians without a post-secondary credential will not qualify for positions that will be available.

While all Manitoba colleges have experienced growth in recent years, our province's participation rate in college-based education still remains well below the Canadian average and RRC continues to experience significant waiting lists. According to the Commission on Tuition Fees and Accessibility to Post-Secondary Education in Manitoba (Levin Report), the participation rate at colleges is only 7.3%, compared to the national average of 11.2%.

This disparity, and the resulting lack of a strong base of skilled labour, leaves Manitoba with an untapped economic resource. This could have a long-term impact on our ability to grow Canadian industry, recruit new business operations from other jurisdictions, and foster a culture of innovation in out of province.

At Red River College, we produce the graduates with advanced skills required by employers. We upgrade skills of current employees and the unemployed, and provide access to post-secondary education to under-represented groups, in particular Aboriginal people, immigrants and people with disabilities.

The Government of Canada has implemented several measures to mitigate the problem including reformed immigration policies, essential skills training, tax credits, apprenticeship incentive grants and a new partnership with the Assembly of First Nations to improve K-12 education.

The magnitude of the challenge requires a holistic – even global –approach. This is the direction recommended by the OECD which calls for a global skills strategy that includes increased investment in education and skills development and a cross-government approach to share effective policies.

The Canada Social Transfer (CST) – Increased and Targeted Investments in Post-Secondary Education

Investment in PSE directly benefits economic recovery, in fact the OECD estimates that “even after subtracting the public revenue that has financed [a tertiary education degree], an average of USD 86 000 remain [in additional income taxes and social contributions], almost three times the amount of public investment per student in tertiary education.” To meet the demand, Red River College requires a sustainable financial foundation. Given strong

demand for college graduates, long waitlists for many programs in high demand occupations prevent many qualified students from pursuing their chosen career. As a result, businesses do not expand and tax revenues are compromised. The Federal Government currently supports PSE through the CST but also through a number of programs. More direct funding mechanisms such as the Federal Government's KIP program can fund the jobs and economic recovery agenda directly. An example of a recently funded project is the Red River College Union Bank Tower project that would not have been possible without \$9,500,000 in KIP Funding.

This project involves renovating and expanding the historic Union Bank Tower in the exchange district of Winnipeg. The expansion provides increased classroom capacity to alleviate overcrowding at the Princess Street facility and new labs with video cameras and production equipment. The expansion also includes construction of a theatre-style kitchen that supports training in hospitality.ⁱⁱ

The government of Canada recognized the skills shortage in 2008-2009 by committing additional dollars but unfortunately, there is no mechanism to demonstrate that these funds were used for their intended purpose.

The expiry of the CST in 2014 provides an opportunity for the separation of the PSE component into a Canada Post-Secondary Transfer with accountability requirements similar to those agreed to with the provinces and territories for the Health Accord. A separate Social Transfer must continue to invest in adult basic education for social assistance recipients.

Recommendation:

Establish a separate Post-Secondary Education Transfer, with accountability requirements to the Parliament of Canada, starting at \$3.8 billion and increasing by a minimum of three percent per year.

Increasing Productivity through Stepped Innovation

At Red River College, we work with several programs across Canada (many in the federal system) which support research, innovation and commercialization. The federal government has supported the productivity agenda with many programs – especially NSERC, WD and KIP.

The productivity and innovation agenda at Red River College has also received federal support from NRC-IRAP and DFAIT (Going Global). As well, our clients are able to access programs such as NRC-IRAP and SRED (Scientific Research & Experimental Development) tax credits. Programs such as those based in CIDA have also supported various social innovation projects involving RRC.

While RRC appreciates the Federal Government's continued and increasing support, federal science and technology investments are overwhelmingly directed to pure or discovery research, with modest support for applied research and development. While investments in pure research *may* contribute to the economy in the long-term, Canada's single-minded support for exploration at the periphery of knowledge has over-shadowed the "here and now". The practical side of business innovation and continuous improvement, the very root of productivity, has been neglected. We commend the Government of Canada for appointing an independent expert panel to provide recommendations on how to maximize the \$7 billion dollars spent annually to encourage business R&D.

The Science, Technology and Innovation Council's second report - State of the Nation 2010: Imagination to Innovation - claims that Canada's main challenges are to increase private sector investment in innovation and to improve Canada's capacity to transfer research into the marketplace. Remarkably, the report overlooks the growing role of colleges and institutes in applied research in partnership with local companies, particularly SMEs which are the source of most new jobs. In 2009-10, 3,795 companies partnered with colleges on applied research projects. While the Government of Canada has made initial investments in this capacity, the potential remains largely untapped.

The Government of Canada has made important investments through the College and Community Innovation (CCI) Program administered by NSERC, the Federal Development and Economic Agency Southern Ontario Commercialization Initiative, and the Canada Foundation for Innovation College-Industry Innovation Program.

The doubling of the CCI Program from \$15 million to \$30 million in 2010-2011 is supporting collaborative activities with SMEs and strengthening their competitiveness through innovation. The CCI Technology Access Centres Program will allow five centres to be established to support business innovation and commercialization. More technology access centres across Manitoba would improve national innovation commercialization outcomes. Several college-related initiatives announced in the most recent federal budget, such as industrial research chairs and support for NRC-IRAP to work with the colleges to support the digital economy will also support the incremental innovation agenda.

We have only begun to recognize the power of Red River-SME partnerships in applied research. Stimulating innovation in Canada's SME sector will do more than any other measure to improve productivity and create jobs.

Current federal research policy and funding must be re-focused to encourage incremental innovation. A 2011 OECD paper on workforce skills and innovation advocates incremental innovations as the principal source of productivity growth in economies.

Federal allocations for college applied research have started to make a difference but represent just 1.25 percent of the \$2.9 billion allotted annually for university- and hospital-based research. The Government of Canada must make further investment in applied research at colleges and institutes if Canada is to substantially increase the number of SMEs raising productivity through innovation.

Recommendation:

Allocate five percent of federal investment in research and development to applied research partnerships between colleges and small- and medium-sized enterprises.

Improving Aboriginal Education Outcomes – A Social and Economic Imperative

Enhancing access and success for Aboriginal students is a strategic priority for Red River College. Presently, about 17% of our student population is of Aboriginal descent. While this is an impressive number for a post-secondary institution, we know that more can and must be done to enhance access, retention and success among this growing demographic. This work is critical given that the formal education attainment rates of Aboriginal people in Manitoba do not match those of the general population and particularly for First Nations people living on reserve.

Over the next decade, 400,000 Aboriginal young people will reach working age, affording an opportunity for Canada to improve the economic success and well-being of this marginalized population.ⁱⁱⁱ

The benefits will be great. The Centre for the Study of Living Standards reports that increasing educational and employment outcomes of Aboriginal people to non-Aboriginal levels would lead to the following results in 2026: income increases of \$36.5 billion; government tax revenue increasing by \$3.5 billion; and government expenditures declining by \$14.2 billion.^{iv}

The Canada-First Nations Joint Action Plan by the Assembly of First Nations and Aboriginal Affairs and Northern Development Canada, and the National Strategy on Inuit Education 2011 are powerful documents. Given the dire

situation of First Nations schools and the low secondary school completion rates of First Nations and Inuit youth, there is an urgent need to improve K-12 systems and outcomes. These investments must be balanced with investments in post-secondary education and adult basic education.

First Nations and Inuit students are supported through Aboriginal Affairs and Northern Development Canada's Post-secondary Student Support Program (PSSSP). The 2011 Auditor General's Report indicates that the PSSSP does not provide eligible students with equitable access to PSE funding.^v The Assembly of First Nations estimates that, as a result of the two percent cap on the program, 13,802 eligible students did not receive financial support.^{vi} Non-Status and Métis people, and many First Nations people living off reserve, also face financial barriers. The Urban Aboriginal Peoples Survey conducted by the Environics Institute found that lack of funding was the number one barrier to participation in post-secondary education.^{vii}

We applaud the Budget 2011 commitment to expand to northern territorial colleges' adult basic education programs. The need for adult basic education cannot be underestimated. The 2006 Census data reported that 44 percent of the Aboriginal population over the age of 15 (360,000 people) did not have a high school diploma. For First Nations people on reserve and the Inuit, the percentages were unacceptable at 59 and 75 respectively. Adult basic education programs are key to enabling this pool of Aboriginal learners make the transition to PSE and employment.

The Province, federal government and RRC should continue to work closely to address the educational needs of Aboriginal people and their communities. Enhancing post-secondary education for Aboriginal people will require sustainable funding for outreach and student supports (including affordable student housing and daycare), increased funding for ACCESS and Bridging programs, community-based programming, and funding for the operation and delivery of programs via our Mobile Training Labs.

Recommendation:

Commit to raising the educational attainment rates of First Nations, Inuit and Métis people to national averages.

ⁱ Education at a Glance, EOCED Indicators. ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. 2010. P. 13 <http://www.oecd.org/dataoecd/45/39/45926093.pdf>

ⁱⁱ Knowledge Infrastructure Program. Government of Canada. <http://www.ic.gc.ca/eic/site/696.nsf/eng/00162.html>

ⁱⁱⁱ Federal Framework for Aboriginal Economic Development. Government of Canada. 2009.

^{iv} The Effect of Increasing Aboriginal Educational Attainment on the Labour Force, Output and the Fiscal Balance. Centre for the Study of Living Standards. May 2009. pg. v.

^v 2011 Status Report of the Auditor General of Canada to the House of Commons, Chapter 4 Programs for First Nations on Reserves. Pg.14.

^{vi} Assembly of First Nations – National Chief's Virtual Summit on Post-Secondary Education. January 2011.

^{vii} Urban Aboriginal Peoples Survey, Environics Institute: <http://uaps.ca/knowledge/keyfindings/>