

THE CANADIAN PRIORITIES AGENDA

Jeremy Leonard, Christopher Ragan and France St-Hilaire

In January the IRPP brought together 12 prominent public policy analysts from diverse fields to identify the principal priorities for Canada in the medium term. Here Jeremy Leonard, France St-Hilaire and Chris Ragan outline the motivations behind this project, explain how the day unfolded and sum up each participants' priorities.



Since the work of the Macdonald Royal Commission 20 years ago, there have been few occasions for Canadians to engage in a comprehensive discussion of the country's economic and social prospects. Even the most recent federal election campaign, while identifying some clear differences between the parties on a few specific policy proposals, offered little in the way of competing views regarding the major policy challenges facing Canada in the years ahead.

The IRPP has created the Canadian Priorities Agenda to contribute to a broad-based and informed public debate on policy choices and priorities for Canada. The central theme of the project is scarcity and the need for choice: as unpleasant a fact as it may be to face, governments have limited resources and must choose carefully which policies to pursue and which to leave behind. In addition to weighing the political considerations, governments should consider the overall costs, benefits and distributional effects of the various policies. Moreover, timing matters: the full benefits of a specific policy initiative may appear well after the up-front costs have been incurred.

In the first phase of the CPA, a group of distinguished policy thinkers was asked to identify the most important broad policy challenges facing Canada over the medium term. The results of that exercise are the subject of this article and the texts that follow. In the second phase, the IRPP will commission several research papers to examine in detail the effects of specific policies designed to achieve each of those broad challenges. In the final phase we will convene a panel of judges, each with recognized expertise in public policy analysis, to compare the overall effects of the various policies and establish a set of preferred policy proposals to enhance the economic and social well-being of Canadians.

To identify the broad policy challenges facing Canada, the IRPP brought together 12 "agenda-setters," a group of academics, analysts and practitioners with a

broad range of expertise in public policy. In choosing this group, we strove to strike a balance among academia, government, and independent research institutions, and to include participants representing different political and regional perspectives.

On January 27, the agenda-setters met at a day-long workshop at IRPP headquarters in Montreal to decide on the eight most important policy challenges facing Canada. These were selected on the basis of their relative importance with respect to Canada's economic and social well-being and the likelihood that they can be addressed through specific policy initiatives. The workshop began with each participant making the case for the top three challenges he or she believed were of most critical importance.

Their choices are shown in table 1, and as the reader can see, there is considerable overlap among the 36 challenges put forward. In some cases, multiple participants identified nearly identical challenges, such as addressing the implications of the aging population. In other cases, several challenges had common themes (such as improving human capital) but were articulated in different contexts and with different emphases. The remainder of the workshop was thus devoted to identifying overlaps in the proposed challenges in order to agree on a synthesized list that fully reflected the ideas presented by the participants.

At the end of the workshop, each participant was asked to vote for 8 of the 14 synthesized challenges that he or she felt were the most important. The results (summarized in table 2) will form the basis of the research papers that will be commissioned for the next phase of the project.

Given the breadth and diversity of expertise around the table, we were not surprised that our agenda-setters each had strong and distinct views of the top policy priorities for Canada. Despite these differences, a number of overarching themes did emerge. The importance of developing

Canada's human and natural capital was clear, as was enhancing productivity performance to improve our economic prospects over the long term. Equity was also foremost on their minds — in terms of young and old, rich and poor, or current and future generations — as indicated by widely shared concerns over the impact on social cohesion of economic insecurity and the aging population.

Several participants also reminded us of the importance of institutions. As Tom Kent and Janice MacKinnon noted in their preliminary remarks, there is little sense in setting policy priorities if our system of governance — the instruments for deciding and implementing policy — is in disrepair. They highlighted a number of issues to be addressed in this regard, including the role of parliament,

electoral representation and the functioning of the federation. This last element, which features prominently in several essays in different guises — national unity, sense of common citizenship, federal-provincial cooperation and fiscal relations — is quite rightly identified as one of the fundamentals that needs to be in place in order for policy-makers to work effectively on other Canadian priorities. At the end of

TABLE 1. MAJOR POLICY CHALLENGES IDENTIFIED BY EACH AGENDA-SETTER

Ken Battle	<ol style="list-style-type: none"> 1. Reform adult benefits to improve assistance to the unemployed and the working poor 2. Enhance the economic security of families with children 3. Increase the availability and quality of early learning and child care
Pierre Fortin	<ol style="list-style-type: none"> 1. Improve education by focusing on the acquisition of basic skills (literacy and numeracy) 2. Address the intergenerational and fiscal implications of the aging population 3. Reconstruct national cohesion and strengthen Canadians' sense of national identity
Anne Golden	<ol style="list-style-type: none"> 1. Improve Canada's global competitiveness 2. Address the labour force and fiscal implications of the aging population 3. Develop an effective climate-change strategy and improve management of natural resources
Jane Jenson	<ol style="list-style-type: none"> 1. Increase the availability of good quality non-parental child care 2. Enable parents with young children to make full use of their education and skills in the labour market 3. Enhance intergovernmental cooperation to better address policy challenges
Tom Kent	<ol style="list-style-type: none"> 1. Establish a youth charter to improve the health, education and living standards of children 2. Encourage smarter work to improve Canadian productivity 3. Enhance equality of opportunities and ensure fairer rewards
Robert Lacroix	<ol style="list-style-type: none"> 1. Increase investment in post-secondary education and university research 2. Redesign the equalization system and review other aspects of fiscal federalism 3. Fulfill our Kyoto commitments while minimizing the associated distributional effects
Kevin Lynch	<ol style="list-style-type: none"> 1. Increase Canadian productivity growth to close the gap vis-à-vis the US 2. Improve human capital through education and training 3. Improve Canada's global reach (attract FDI, deepen key trade links, create stronger "Canada brand")
Janice MacKinnon	<ol style="list-style-type: none"> 1. Reduce the rate of growth of health-care spending and invest in the long-term determinants of health 2. Promote innovation and increase productivity 3. Address the labour-force and fiscal implications of the aging population
Judith Maxwell	<ol style="list-style-type: none"> 1. Establish a social care system for elders 2. Improve services and child care choices for families with young children 3. Provide alternative pathways from school to work for young adults
Nancy Olewiler	<ol style="list-style-type: none"> 1. Assure the sustainability of Canada's natural capital stock 2. Address insufficient and ineffective education and skills development 3. Improve Canada/US relations and economic cooperation
Lars Osberg	<ol style="list-style-type: none"> 1. Reduce poverty and social exclusion to maintain social cohesion 2. Improve Canadians' sense of personal security over their economic futures 3. Enhance sense of common citizenship among all Canadians
Jim Stanford	<ol style="list-style-type: none"> 1. Reduce the concentration and depth of poverty to prevent social exclusion 2. Reduce greenhouse-gas emissions from current economic activities to stabilize global climate change 3. Manage trade liberalization with emerging markets to sustain Canadian jobs

the day the vast majority of our participants agreed with that argument.

The economic concept of capital is one that has been extended from physical investment to other spheres

also put forward by Pierre Fortin and Robert Lacroix. But while Lacroix's focus is on our capacity to innovate in the knowledge economy and therefore the need for more investment in

that "our most pressing task...is to foster basic skills such as literacy and numeracy." This is where, he argues, the biggest public investment payoff can be found.

The central theme of the project is scarcity and the need for choice: as unpleasant a fact as it may be to face, governments have limited resources and must choose carefully which policies to pursue and which to leave behind. In addition to weighing political considerations, governments should consider the overall costs, benefits, and distributional effects of alternative policies. Moreover, timing matters: the full benefits of a specific policy initiative may appear well after up-front costs have been incurred.

Others tended to agree, pointing to the ongoing problems of high school dropouts, the growing and unmet demand for skilled trades, the lack of adequate language training for immigrants, and the poor educational outcomes of Aboriginal people. This suggests that perhaps the biggest human capital challenge may be achieving the

in recent years and it provides, as Nancy Olewiler shows, a useful lens through which to consider Canada's policy challenges. As she points out, our country is generously endowed with human capital (a healthy and educated population), natural capital (our stock of natural resources), physical capital (private and public infrastructure) and social capital (a stable democracy and civil society). She uses the term "public capital" to refer to the public-good components of all these forms of capital where governments have a role to play, and argues that "we have been living off our public capital and under-investing in it or investing ineffectively." Several other agenda-setters shared this view, particularly with respect to human capital and natural capital.

post-secondary education and university research, Fortin is quite adamant

right mix by better allocating resources. These issues, of course,

TABLE 2. RESULTS OF VOTE AT AGENDA-SETTERS WORKSHOP

Policy challenge	Number of votes
Enhance learning in Canada and the conditions under which investment in skills and learning pays off, from early childhood through adulthood	12
Improve the economic and environmental sustainability of Canada's natural capital in the global environment	10
Achieve effective intergovernmental relations within the federation	10
Address the economic and social implications of the aging population	8
Improve labour market opportunity and economic security for working-age adults	7
Improve economic security for families with children	7
Improve health outcomes of the Canadian population	7
Enhance the capacity of Canada to create, transfer, commercialize and use knowledge	6
Improve Canada's absolute and relative productivity performance	6
Maximize the net benefits of Canada's active engagement in the global economy	6
Improve the performance and sustainability of the health-care system	5
Reduce poverty and social exclusion	5
Reduce economic disruptions caused by growing trade imbalances with emerging economies	4
Enhance Canadians' sense of common citizenship	3

The central importance of education, learning and skills development is undisputed. Indeed, this was the only broad policy challenge to receive unanimous support in the top-eight list. Again, the underlying arguments and rationales differ among participants, as do their views on where the policy emphasis should lie. For Janice MacKinnon, Kevin Lynch and Anne Golden, who identified productivity and innovation as key challenges, ensuring that we have a well-educated and skilled workforce is a prerequisite. This argument was

#1

Medical/Doctoral University in Canada*– Maclean's University Rankings 2005, tied***Medical/Doctoral Research University of the Year***– Research Infosource Inc., 2005***Canadian University overall among the world's top 25***– Times Higher Education Supplement World University Rankings, 2005*

Congratulations and thanks to McGill's outstanding students, professors and staff for their excellence, and to our alumni, governments and other partners whose support strengthens the quality of our contributions to Quebec, Canada and the global community.



Principal Heather Munroe-Blum (centre) shares a laugh with distinguished students on the Arts Building steps. Clockwise from left foreground: Aya Ito, David Faillie, Mark Donovan, Frédéric Lambert, Pambea Lee, Michael Penny, Kate Strison, Marco Carone, Clive Chang, Amelia Clarke, and Sarah Ali-Khan.

underscore the broader rationale for education not only as a labour market issue but also as an instrument for improving quality of life, social mobility and social capital. Such considerations in turn explain several of our human capital proponents' emphasis on youth and early childhood. For instance, Tom Kent argues that calling for more and better post-secondary education "does not deal with the chief need." His first priority is that we see to children and their developmental needs (health, education and living standards). This issue is also top of mind for Jane Jenson, Judith Maxwell and Ken Battle, who stress the importance of early learning as a determinant of school success, preparation for lifelong learning and a prevention tool in dealing with vulnerable children and those at risk. All four strongly support greater access to high quality non-parental child care, not just as good human capital policy but also as good social policy for families and communities.

Nancy Olewiler makes a forceful case for protecting and nurturing Canada's natural capital, a view that is echoed in Anne Golden's article. Canada is blessed with an abundance of minerals, forests, water, wildlife and other natural resources that are, in one way or another, essential to almost everything we produce. But inadequate resource management (to the point of not knowing how much natural capital we have, let alone how fast it is depleting) has resulted in troubling declines.

Olewiler also points out the irony that non-renewable resources such as fossil fuels and minerals, whose prices more or less reflect their scarcity, are actually better managed than renewable resources such as forests and fish stocks. She also points out that our management of resources has profound implications for the many parts of rural Canada that depend on them for their economic livelihood.

Anne Golden echoes the call for better resource management, particularly of forests, water, oil and natural gas. She sees the current period of high demand for many natural resources as a "window of opportunity to develop a natural resource strategy to maximize economic benefits while ensuring the long-term sustainability of our environmental resources."

Golden argues further that addressing global warming should in fact be the centrepiece of an overall strategy to improve natural resource management, and cites the need to have an honest and creative debate

A country's level of productivity — a measure of output per unit of input — is an important determinant of its per capita income. And rising average incomes lie at the heart of long-run improvements in living standards. Obviously many other things matter too, but most people would agree that income is an important driver of economic well-being. As arcane as productivity may sound to many people, its importance should not be underestimated.

on climate change, including development of emissions trading systems and clearer emissions targets for large polluters.

Robert Lacroix and Jim Stanford also identify climate change as a top challenge for Canada, but do not perceive the issue as integrated with the management of natural resources; indeed, one could argue that, while not entirely unrelated, the issues of climate change and natural resource management are distinct challenges that demand different policy responses.

Both Lacroix and Stanford urge Canada to respect its Kyoto engagements, but from slightly different perspectives. Lacroix calls on Ottawa to

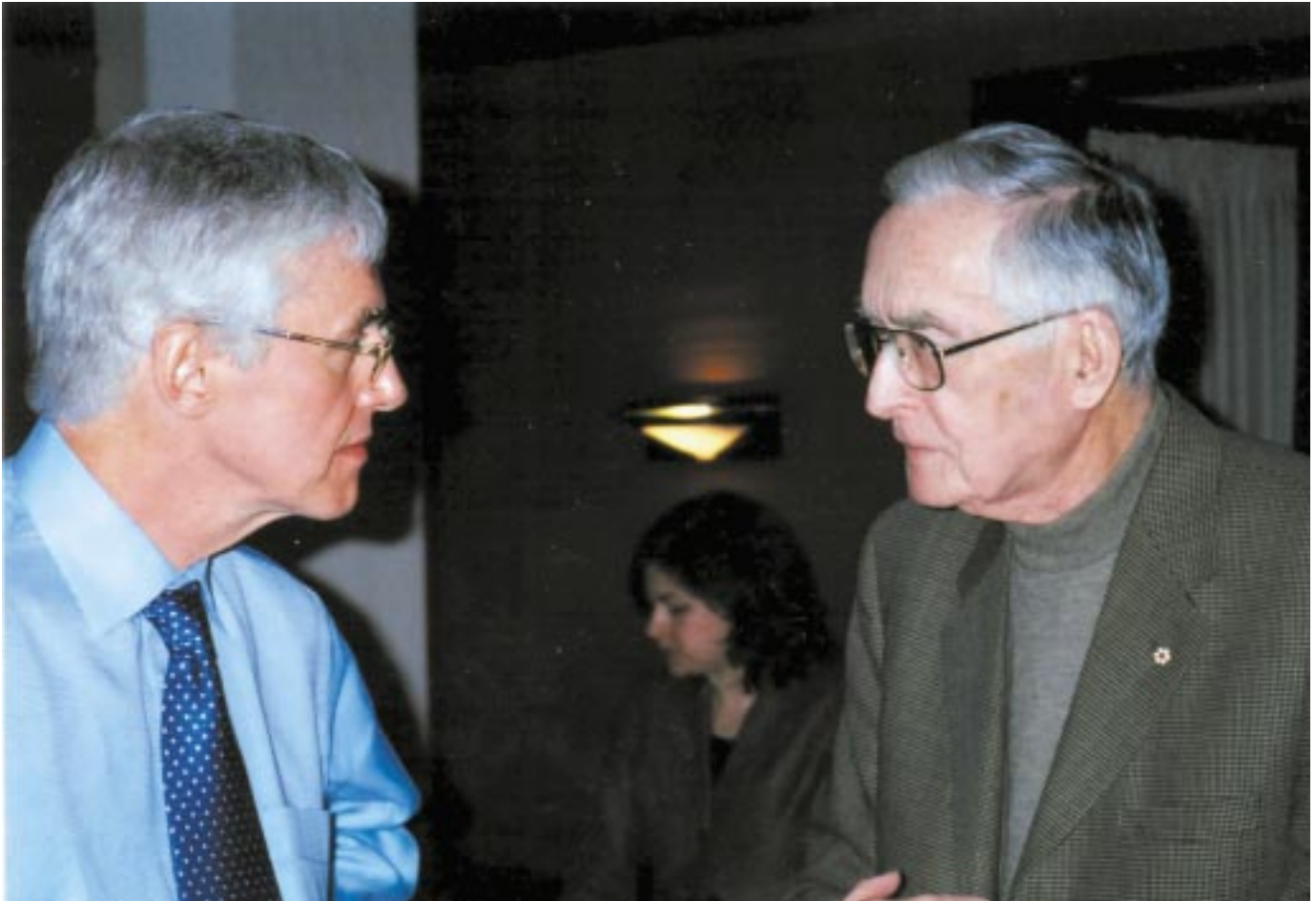
respect the "polluter pays" principle, to address the fact that Alberta, with only 10 percent of Canada's population, has accounted for 46 percent of its increase in greenhouse gas emissions since 1990. Stanford's approach is much more focused on conservation. He argues that significant investments in cleaner technologies, public transit, and more fuel-efficient vehicles could put Canada on the road to meeting the Kyoto targets without sacrificing economic growth.

Even though only four participants initially raised natural capital and the environment among their top three, they succeeded in convincing others of its importance, and it ultimately earned the votes of 10 of the 12 agenda-setters.

A country's level of productivity — a measure of output per unit of input — is an important determinant of its per capita income. And rising average incomes lie at the heart of long-run improvements in living standards. Obviously many other things matter too (as Lars Osberg points out in his paper), but most people would agree that income is an important driver of economic well-being. As arcane as productivity may sound to many people, its importance should not be underestimated.

The challenge of improving Canada's productivity level and rate of growth receives main billing from Kevin Lynch, Anne Golden, Tom Kent, and Janice MacKinnon; and it appears less directly in the articles of at least five others, who emphasize the importance of improving Canada's performance in human-capital acquisition. The connection, of course, is that more skilled and better trained workers can generally produce more output for each hour worked.

Janice MacKinnon emphasizes the importance of innovation to Canada's lagging productivity, whereas



LPAL photo

Kevin Lynch and Tom Kent chat during a break in the Canadian Priorities Agenda session at the IRPP in late January. They represent continuity in two generations of Canadian public-policy thinkers. Lynch, then Canada's delegate to the IMF in Washington, is now Clerk of the Privy Council. Kent, as Prime Minister Pearson's senior adviser, shaped the social policy agenda of the 1960s.

Tom Kent's concerns are expressed by the need for Canadians to "work smarter." MacKinnon identifies the key role of R&D investment, but she places the onus on governments to do more — to fund more research themselves and also to encourage Canadian companies to do more R&D in Canada. Kent devotes attention to reforming tax and regulatory systems in ways that encourage individuals and companies to save and invest more, and to be more adventurous and enterprising.

Canadian incomes will rise if our productivity rises, independent of trends in other countries. But this doesn't mean we should close our eyes to what is happening elsewhere. In

this light, Kevin Lynch notes that Canada's average level of productivity is below those of our major trading partners, especially the United States, and that with our growth rates also lagging, the productivity gap appears to be getting larger. He notes that private-sector spending on R&D and machinery and equipment, long believed to be key drivers of productivity, is well below the levels in other developed countries. Lynch leaves no doubt that increasing these rates of investment is a central part of Canada's productivity challenge.

Anne Golden is concerned about Canada's flagging "competitiveness" (which she uses as an umbrella term for a number of factors that influence productivity and economic growth)

in a rapidly changing global economy. In addition to arguing the importance of boosting productivity and innovation, she emphasizes the need to increase both outward and inward flows of foreign direct investment, noting that the latter is an important source of technology transfer from foreign firms to Canada. This theme also appears prominently in Kevin Lynch's paper.

Golden also stresses the importance of policies that reduce the costs of moving goods across the Canada-US border; given the immense trade flows that occur every day, potential gains here could be very large indeed. Nancy Olewiler elaborates on this point, arguing that improving economic relations and cooperation with our southern

neighbour is essential in and of itself, but also in facing growing competition from emerging markets.

Productivity growth as a distinct policy challenge earned the support of only half the group, which seems somewhat surprising given its role as a determinant of growth in material living standards. But enhancing the creation and commercialization of knowledge and human capital (which received 6 and 12 votes, respectively) are closely related challenges, so the general support for facing Canada's productivity challenge is probably broader than the vote tally suggests.

The opening paragraphs of Robert Lacroix's paper sketch an increasingly common view of Canada in the world economy. As communication and transportation technologies continue to improve and as the flows of international trade and finance continue to grow, an inevitable result is that countries like Canada become ever more exposed to economic shocks originating in other countries. These in turn lead to the movement of labour and capital across jobs, industries, and geographic regions, and though these adjustments tend to happen relatively quickly in countries like Canada and the United States, they generally involve temporary hardship, such as layoffs. For those who are less skilled and perhaps less mobile, such costs can be longer lasting and thus much more significant.

Policies that provide economic security to individuals by constructing a "social safety net" can be defended on several grounds. One obvious argument is moral: helping individuals who are in need, even if that need is likely to be long-lasting, is simply the right thing to do. But Lars Osberg focuses on a more subtle argument that recognizes the need for economic adjustments to disruptions: individu-

als are more willing to participate in an economy exposed to such disruptions when they know that a safety net exists to catch them if they should stumble. This "risk management" aspect of the safety net recognizes how economic uncertainty affects individual well-being.

The theme of improved economic security figures prominently in the papers by Ken Battle and Judith Maxwell, but also appears less directly in other papers. Battle observes that Canada lacks a coherent system of "adult benefits"; instead, we have a patchwork of programs, from

Canadian incomes will rise if our productivity rises, independent of trends in other countries. But this doesn't mean we should close our eyes to what is happening elsewhere. In this light, Kevin Lynch notes that Canada's average level of productivity is below those of our major trading partners, especially the United States, and that with our growth rates also lagging, the productivity gap appears to be getting larger.

employment insurance and welfare to child benefits and disability pension benefits. Not only are there problems within each of these, including poverty traps and effective discrimination, but the various programs sometimes work at cross purposes. Battle's top policy priority for Canada over the medium term is the comprehensive re-design of our system of adult benefits.

Judith Maxwell is concerned about the prospects for working-age adults who find themselves in low-wage and precarious jobs. For some people such jobs are just a stepping-stone to better, more secure employment; for too many, they are long-lasting. Moreover, their situation makes it difficult for them to access affordable child care and improve their skills. As a result some workers get stuck in low-skill, low-wage, low-security jobs, with long-run implications for their families, children and neighbourhoods. Not surprisingly, a

second theme of Maxwell's is the need to design better pathways for Canada's youth to follow from school to the workforce.

Like Maxwell, Jim Stanford points to the incidence of low-paid work. But he is more alarmed by the increasing concentration and depth of poverty in Canada, and the consequences of social exclusion. While noting that the incidence of poverty does not appear to have increased in recent years, he presents evidence that its depth and concentration — both geographically and among certain identifiable groups such as

immigrants and visible minorities — have increased markedly. Canada now has more neighbourhoods that can be described as "poor," whereas in the past it was more likely that lower-income families were scattered across a larger number of mixed-income neighbourhoods. Stanford's concern is for what this "poverty by postal code" does to family and community well-being.

Lars Osberg focuses his attention on the change at both ends of the income distribution, noting that Canadian incomes have become more unequal. Especially alarming is the absolute decline in real incomes among households in the lower end of the distribution. The simultaneous rise of the "monster home" and increasing homelessness captures the sense of the aggregate data. He argues that such increases in income inequality tear at the social fabric of a nation, damage our social institutions and lead to an overall decline in civility among citizens — a reference to the

notion of “social capital” often used in public discourse.

The discussion of economic security and social exclusion led the

As communication and transportation technologies continue to improve and as the flows of international trade and finance continue to grow, an inevitable result is that countries like Canada become ever more exposed to economic shocks originating in other countries.

group to identify three distinct policy challenges: increasing labour-market opportunities for working-age adults, increasing economic security for families with children, and reducing poverty and social exclusion. None of the three garnered more than seven votes individually, but nine participants voted for at least one of them.

Not surprisingly, the need to address the implications of the aging population (the “demographic storm,” as Pierre Fortin describes it) was on four participants’ lists of top priorities and received two-thirds’ support in the final vote. The health-care debate and concerns about the fiscal sustainability of the public system is very much based on the inevitable twin pressures on the horizon — ensuring the health-care needs of the fast-growing population of seniors and the dwindling tax base of workers to pay for health care and other age-related programs. For Janice MacKinnon there is no question that we need to find ways to finance health care that better reflect individuals’ use of services, provide the right incentives, and prevent health care from crowding out public spending in areas that actually have more of an impact on health outcomes, such as education, poverty and the environment.

There was strong agreement that health is a high priority, notwithstanding the fact that improving the

sustainability of the health-care system received only five votes. During the workshop many participants argued that focusing on health out-

comes, rather than inputs, is more important, and this broader challenge received seven votes. Taken together, 11 of the 12 participants voted for at least one of these two health-related challenges.

Both MacKinnon and Golden agree that we also need to have better policies in place to encourage greater labour market participation in order to face the coming demographic shift. Whereas Golden argues that focusing on older workers is the more promising strategy, MacKinnon favours “developing the potential of the current and future labour force,” and focuses in particular on the Aboriginal population. Attracting and retaining young, highly educated and mobile workers is of crucial concern for Fortin and

Lars Osberg focuses on a more subtle argument that recognizes the need for economic adjustments to disruptions: individuals are more willing to participate in an economy exposed to such disruptions when they know that a safety net exists to catch them if they should stumble. This “risk management” aspect of the safety net recognizes how economic uncertainty affects individual well-being.

MacKinnon, who stress the need for greater fiscal equity between young and old in terms of who bears the burden of taxes and who benefits from public spending. For Fortin this fairness issue extends to future generations and requires tackling the level of public debt.

The aging population and the linkages across generations are

also among Judith Maxwell’s priority considerations, but she approaches the issue differently. What is most urgent in her view is better meeting the needs of the extended family at all stages of the lifecycle to allow them to sustain the caring and sharing that naturally takes place. This means putting in place care systems for the very young and the very old and better preparation and “pathways to the workforce” for young adults.

Seen as a whole, the themes that emerged from the workshop found fairly broad support from the group and illustrated the willingness and ability of the participants to find common ground on issues such as human and natural capital, productivity and economic growth, changing demographics and economic security. At the same time, individual participants approached these themes from different perspectives, leaving open the question of what specific policy instruments are most effective in addressing the broader challenges — questions that the IRPP hopes will be answered as the Canadian Priorities Agenda project moves forward. We

want to thank all the participants for agreeing to take part in this exercise and for sharing their valuable insights and expertise.

Jeremy Leonard is senior fellow for policy outreach at the IRPP, Christopher Ragan is an associate professor of economics at McGill University and France St-Hilaire is vice president of research at the IRPP.