

# SUPPORTING ECONOMIC GROWTH IN UNCERTAIN TIMES

Governments across Canada moved swiftly to respond to the COVID-19 pandemic. Since then, much of the urgency that spurred [collective action and collaboration](#) among governments has dissipated. Against the backdrop of rising interest rates and inflation, [constrained supply chains](#), workforce woes, and concerns of a recession, governments need to be agile and [develop a coherent and coordinated strategy](#) for long-term economic growth. This means reducing barriers to growth and investment in the foundational factors that promote prosperity. Quick and effective action will be critical to support Ontario's future economic resilience and prosperity.



## WHAT HAVE WE LEARNED FROM THE PANDEMIC?

- There have been **WINNERS AND LOSERS** - sectorally, regionally, and socioeconomically - and any strategy for economic growth must account for that.
- EFFECTIVE, AGILE REGULATION** is more important than ever to keep us safe.
- Decades of underinvestment in strategically important areas, including healthcare and infrastructure, **IMPACTED OUR ABILITY TO RESPOND AND RECOVER** from the crisis.
- A PREDICTABLE AND STABLE** policy environment underpins business confidence, prosperity and economic growth.
- Ontario needs **A MORE RESILIENT WORKFORCE** that includes everyone, supported by nimble and coordinated training options from the post secondary education sector, employers, unions, and government.
- BACKLOGS AND PROCESSING DELAYS IN IMMIGRATION** have resulted in a wait list of over 2.4 million applications, making it harder to bring people to Ontario, worsening labour shortages and threatening our competitive advantage in talent.
- The **INNOVATION ECOSYSTEM CONTINUES TO EVOLVE** quickly. Data is increasingly a source of both economic growth and public health intelligence that must be strategically and responsibly harnessed.



## WHAT ARE THE LEVERS OF GROWTH?



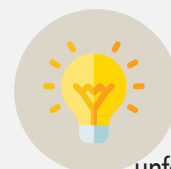
### REGULATION

Within Ontario, regulatory modernization is not merely critical to improved public health, but also consumer confidence and employee attraction and retention - which translates to growth. We know Ontario applies outdated and duplicative regulations across its economy, but there is also a broader problem: goods in Canada cost seven percent more than they would if we removed interprovincial trade barriers, many of which are regulatory in nature. Why don't regulations achieve the objectives we desire, or the ones they were designed to achieve? **ONTARIO REQUIRES PROCESS IMPROVEMENTS SO THAT REGULATIONS ARE EFFECTIVE AND GROWTH IS NOT UNNECESSARILY HINDERED.**



### TAXATION

**FISCAL POLICY NEEDS TO STRUCTURE ITSELF AROUND PRO-GROWTH POLICIES; TAXATION MUST INCENTIVIZE GROWTH, NOT PENALIZE IT.** Ontario has the third highest tax burden on entrepreneurs in the G7, which is harmful to economic development. Meanwhile, Canada's tax competitiveness for IP has fallen significantly behind the US. Tax administration is a critical part of reform - if the process of engaging with government is slow, complex, and unfair, then resources are wasted and we are less competitive.



### INNOVATION

Innovation has become a buzzword, which is unfortunate given its central role in economic growth and development. **BOTH PRIVATE AND PUBLIC SECTOR INNOVATION ARE PARAMOUNT AND MUST BE UNSHACKLED.** Digital infrastructure, IP strategies, support for entrepreneurship, improved privacy standards, R&D investments, and more are all essential public sector initiatives.

## WHAT CAN GOVERNMENT DO NOW?

- Government is the architect of the **'INDUSTRIAL COMMONS,'** that ecosystem of public goods in which citizens, communities, and businesses can thrive. Therefore, any strategy for long-term economic growth must be rooted in continually and robustly funding the commons' components, those key determinants of growth: health care, education and training, R&D and innovation, and infrastructure (particularly digital and climate-resilient infrastructure).
- Critical to note, however, is that **IMPROVED VALUE FOR MONEY IN GOVERNMENT** is paramount - spending must be effective in meeting outcomes and stimulating desired activities, otherwise growth stagnates.
- At the same time, government must protect its investments by **REDUCING THE BARRIERS TO GROWTH** - outdated legislation, policy and regulation, an inefficient and overly complex tax system, and obstacles to interprovincial trade and labour mobility.
- ESTABLISHING ACTIVE AND PRODUCTIVE COLLABORATION WITH STAKEHOLDERS IS A PRECONDITION TO ECONOMIC GROWTH.** Government should endeavour to always have a robust, two-way communication with the business community. It should not be up to industry to push the government into the future rather, both should be equally invested and united in the pursuit of growth and prosperity.
- Fundamentally, government activity must be **PREDICTABLE, ACCOUNTABLE, STRATEGIC, MEASURABLE, OUTCOMES-FOCUSED, AND CO-ORDINATED.**



# A ROADMAP FOR ECONOMIC GROWTH

Following a brief period of short-term economic growth driven by pent-up demand and government stimulus, Ontario's economy is facing a number of headwinds, including softening consumer and business confidence. Now more than ever, Ontario needs a vision for long-term, sustained economic growth driven by investments in greater productive capacity.

The OCC has identified critical areas that must inform the Government's strategy for economic growth. It is important to note that the list is not exhaustive or sequenced by priority; all of these actions are critical to a pro-growth reorientation of government. Some can be activated immediately, while others are long-term projects that require collaboration across orders of government. None should be left out of Ontario's growth strategy.



## SUPPORT SMALL BUSINESS AND ONTARIO'S ENTREPRENEURIAL SPIRIT



Develop policies to support small businesses and entrepreneurs. [Enhance access to capital, develop and scale inclusive training programs to improve digital literacy and skills](#) and invest in [reliable broadband connectivity](#). Support regulatory change to allow industry to pivot and transform.

## MODERNIZE REGULATION TO SUPPORT RECOVERY EFFORTS



Modernize regulation with an outcomes-based approach and investment in process improvement. The government should create an independent panel to regularly run evidence-based evaluation of outcomes and unintended consequences of new regulation (including how it may intersect with existing regulations).

## INVEST IN GROWTH-ENABLING INFRASTRUCTURE



From roads to housing, Ontario's built environment needs to be climate resilient, energy efficient, and informed by smart planning principles to ensure population and economic growth can be supported for decades to come.

## DEVELOP LONG-TERM ENERGY AND CLIMATE PLANS TO ATTRACT INVESTMENTS IN THE GREEN ECONOMY



Ontario's competitiveness will depend on a reliable, sustainable, and [affordable energy supply](#), particularly as [businesses set increasingly ambitious net-zero targets](#). This requires predictable and transparent policy frameworks as well as strong public-private partnerships.



## BE BOLD ON INTERPROVINCIAL TRADE

The existing Canadian Free Trade Agreement and its poor implementation does nothing to curb the rent-seeking behaviour of provinces. Furthermore, the situation is a hindrance to labour mobility: free movement of people and ability of employers to hire from anywhere is critical to growth. [Ontario needs to take a radical leadership role on interprovincial trade](#) and support labour mobility; we cannot wait for the federal government.



## FOSTER AN INCLUSIVE WORKFORCE

Ontario's diversity is an economic advantage, yet many [equity-deserving groups face outsized challenges](#) to access training and jobs. Barriers to joining the workforce must be eroded. Government must prioritize economic reconciliation by supporting Indigenous partnerships, procurement, education, employment and entrepreneurship. Work with the federal government to expand immigration intakes and regional immigration programs will be critical to reverse regional population declines and seize the opportunity for regional economic development.



## PRIORITIZE INNOVATION

Government has incredible power to support local innovation through procurement, not just funding, which helps Ontario innovators grow at home. Focus policy action on technology transfer and adoption, commercialization, and capitalization - the neglected parts of the innovation ecosystem, particularly the publicly-funded innovation ecosystem. But do not neglect private sector innovation: it requires the industrial commons to be strong in order to thrive. [Encourage data-driven innovation](#) while protecting against the potential risks. Support a Canadian IP strategy and embark on a massive update of relevant legislation.



## SUPPORT A CANADIAN TAX REVOLUTION

Align fiscal and tax policy with Ontario's growth agenda, and pressure the federal government to modernize the tax system.