



Emerging Stronger 2014

A transformative agenda for
Ontario's economic future



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Contents

Letter to Ontarians	1
Emerging Stronger Together.	2
Ontario Business Confidence Index.	4
Regional Economic Outlook	7
1 Fostering a culture of innovation and smart risk-taking in order to become a productivity leader.	9
2 Building a 21 st century workforce.	19
3 Restoring fiscal balance by improving the way government works.	33
4 Taking advantage of new opportunities in the global economy	43
5 Identifying, championing, and strategically investing in our competitive advantages in the global economy.	53
Conclusion.	61
Summary of Recommendations.	62
Acknowledgements.	67

What the Party Leaders are Saying



KATHLEEN WYNNE

Premier of Ontario

“Emerging Stronger lays out a clear vision for Ontario’s economy. Like our government, its authors understand that we must invest in people to build a successful, 21st century workforce, while supporting a dynamic and innovative business climate that increases our productivity and ability to compete. I want to make sure Ontario remains the best place in the world to live, work and invest. Emerging Stronger speaks to that goal.”



TIM HUDAK

Leader of the Progressive Conservative Party of Ontario

“The Ontario PC Party applauds Emerging Stronger’s strong advocacy for public policies focused on creating jobs and attracting more employers to Ontario. In particular, we support the emphasis Emerging Stronger places on apprenticeship reform, advanced manufacturing, a simplified tax system, and allowing colleges to play a bigger role in driving innovation.”



ANDREA HORWATH

Leader of Ontario’s New Democrats

“People are the economy. New Democrats believe that Ontario’s economy can only emerge stronger if hard-working families are doing well. Like the authors of Emerging Stronger, New Democrats believe that by investing in people, and by putting a strategic focus on research and innovation, we can lay the groundwork for a sound economic future. By targeting tax incentives, government can help business across sectors to create and protect good-paying jobs here at home in Ontario.”

Letter to Ontarians

This is the third annual iteration of *Emerging Stronger*.

Emerging Stronger is a five-year agenda aimed at facilitating Ontario's growth and prosperity. It identifies clear and tangible actions required to ensure that Ontario remains the best place in the world to live, invest, and build a business.

Ontario faces a number of challenges. Government debt and deficit remain high. Economic growth is likely to be sluggish for the foreseeable future. We do not trade enough with the world's fastest growing economies. Core industries that were once essential to our prosperity are in transition. In some sectors, there is a mismatch between the skills that we have and those that we need to compete.

Despite these challenges, Ontario is well-positioned to succeed.

Ontario has made considerable progress across many fronts. The deficit is coming down. Health care expenditures are no longer outpacing GDP growth. Governments have made some key policy changes designed to help businesses grow, including the creation of a more competitive tax environment. Business and the postsecondary sector are collaborating more closely on the skills agenda.

However, as this document shows, there is much left to do across all five key priorities that we identified in *Emerging Stronger 2012* and *2013*. Further progress will require action from all players—including governments, business, labour, the postsecondary sector, civil society. This document is firmly grounded in the belief that we cannot look to governments exclusively to respond to our economic and social challenges.

In this spirit, *Emerging Stronger 2014* identifies actions that all players must take in order to help the province emerge stronger from this period of economic transformation.

Last year's edition of this document had 44 recommendations. Those recommendations are not forgotten; we provide progress reports on many of them throughout this document. Meanwhile, *Emerging Stronger 2014* identifies immediate steps that need to be taken in the year ahead.

The recommendations for 2014 reflect consultations with numerous actors across most sectors in the economy. The input we have received, some of which was collected at the 2013 *Ontario Economic Summit*, forms much of the basis for the recommendations in this report.

As a final point, it is worth noting that Ontarians will likely be voting frequently over the next two years – federally, provincially, and municipally. Although we cannot be certain when all of these elections will occur, we can be sure that their consequences will be enormous. We hope that the next two years will be a time when Ontario politicians from all three levels of government will demonstrate a laser-like focus on economic issues and on the business climate.

Let the debate continue—may it be frank, spirited, and respectful. And may it stay focused on what we are all trying to achieve: a healthy, diverse Ontario economy, with widely distributed prosperity and opportunity across the province.

Thank you.



Allan O'Dette | President & CEO, Ontario Chamber of Commerce



Matthew Mendelsohn | Director, The Mowat Centre

Emerging Stronger Together

Emerging Stronger is the product of a year's worth of consultation conducted by the Ontario Chamber of Commerce (OCC), the Mowat Centre, and Leger Marketing. Its contents and recommendations reflect what we have heard from Ontario's business and civic leaders, including thousands of businesses and not-for-profit organizations from across the province.

As in past editions of *Emerging Stronger*, this report assesses Ontario's key assets and challenges, and identifies the strategic priorities for the province.

We remain confident that Ontario has all the assets it needs to prosper in the global economy. We also believe that Ontario truly is beginning to emerge stronger from the economic downturn, thanks in part to the hard work of Ontario business. However, there is still much more work to be done.

As in previous iterations of this document, our recommendations are organized around five key priority areas:

- 1** Fostering a culture of innovation and smart risk-taking in order to become a productivity leader.
- 2** Building a 21st century workforce.
- 3** Restoring fiscal balance by improving the way government works.
- 4** Taking advantage of new opportunities in the global economy.
- 5** Identifying, championing, and strategically investing in our competitive advantages in the global economy.

In *Emerging Stronger 2014*, we highlight the progress that has been made across many of our recommendations to date. Three new elements are included in this year's update.

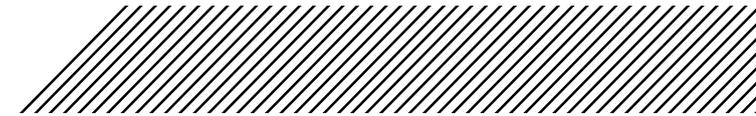
- » **First**, it focuses on our priorities for 2014. It answers the question, *what are the immediate steps required to help the province compete and thrive in the global economy?*
- » **Second**, it identifies who should lead—business, government, the OCC, and other key players (e.g. the postsecondary sector, not-for-profits, professional associations)—across each of the key deliverables for 2014.
- » **Third**, we have included a regional economic outlook for 2014 based on the analyses provided by the Credit Unions of Ontario and Central 1 Credit Union. This is in addition to the regional breakdown provided in the 2014 *Ontario Business Confidence Index*.

The regional results across the index and the economic outlooks speak to the diverse challenges faced by each region of the province. Our results and outlooks indicate that economic growth is uneven, and some regions are hurting more than others.

The 2014 *Ontario Business Confidence Index* also shows that small businesses are less confident than their larger peers, while key sectors, including retail, hospitality and leisure, and manufacturing are much less likely to expand over the next five years.

Meanwhile, public sector respondents to our 2014 *Ontario Business Confidence Index* were 75 percent more likely than last year to believe their organization will expand in the near future. This may signal a belief in the public sector that austerity is easing.

Emerging Stronger 2014 represents an aggregation of what we propose are practical solutions to Ontario's key economic problems. Our report acknowledges that no single actor can hope to solve these problems alone. Rather, it is through our collective efforts that Ontario will emerge stronger.



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2014 Ontario Business Confidence Index

Overall Confidence



IN A GLOBAL ECONOMIC CONTEXT,
in what direction do you believe Ontario's economy is headed?

	2012	2013
right direction	41%	42%
wrong direction	33%	38%
neutral	26%	20%



LOOKING AT THE PROVINCE,
are you confident in Ontario's economy?

	2012	2013
confident	44%	48%
not confident	34%	32%
neutral	22%	19%



LOOKING INWARD,
how confident are you in your organization's economic outlook?

	2012	2013
confident	72%	74%
not confident	14%	11%
neutral	14%	14%

n=2,217 | Survey taken in November 2013

How does your sector stack up?

Legend  % CONFIDENCE IN OWN ORGANIZATION'S ECONOMIC OUTLOOK
 % THAT HAVE PLANS TO EXPAND IN THE NEXT 5-7 YEARS



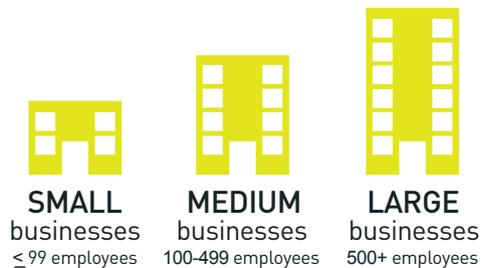
Small Business Confidence

Confidence in own organization's ECONOMIC OUTLOOK

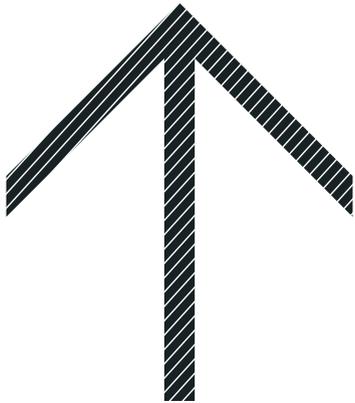
72% 82% 85%

% that have plans to EXPAND in the next 5-7 years

57% 60% 66%



2014 Regional Confidence Index



THE 2014 REGIONAL CONFIDENCE INDEX IS A REFLECTION OF HOW CONFIDENT BUSINESSES ARE IN THE ECONOMY.

The score is calculated based on respondents' answers to three questions:

- 1 In a global economic context, do you believe the Ontario economy is headed in the right direction or the wrong direction?
- 2 How confident are you in the Ontario economy right now?
- 3 How confident are you in your own organization's economic outlook as of right now?

The differential between 'right direction' versus 'wrong direction' answers in question 1 and the differentials between 'confident' versus 'not confident' answers in questions 2 and 3 are added together, and translated into a score between 1-100.

Confidence
SCORE
out of 100

Hamilton-Niagara Peninsula	70
Northeast	68
Muskoka-Kawarthas	66
Toronto	66
Kingston-Pembroke	65
Stratford-Bruce Peninsula	64
Northwest	63
Kitchener-Waterloo-Barrie	61
London	61
Ottawa	58
Windsor-Sarnia	54

Regional Economic Outlook 2014

- Legend**
- PROJECTED UNEMPLOYMENT RATE 2014
 - FORECASTED HOUSING PRICES 2014 (AVERAGE)
 - PROJECTED BUILDING PERMITS 2014 (TOTAL)
- (PROJECTED % CHANGE 2013 - 2014)

6.3% \$199,100 730
 (-0.2%) (2.9%) (-1.4%)

7.8% \$302,000 1,870
 (-0.5%) (1%) (-1.6%)

7% \$249,000 2,030
 (0.4%) (0.8%) (-9%)

6.5% \$339,000 8,400
 (0%) (0.9%) (5.8%)

6.9% \$223,500 1,980
 (-0.1%) (4.2%) (2.1%)

6.8% \$320,000 8,400
 (-0.1%) (1.3%) (5.7%)

5.8% \$236,660 1,390
 (0%) (4.5%) (2.2%)

7.9% \$251,000 3,430
 (-0.2%) (2.6%) (1.0%)

7.5% \$554,500 44,070
 (-0.4%) (4.6%) (1.6%)

8.8% \$180,500 1,800
 (0%) (1.8%) (-5.8%)

7.1% \$338,000 5,650
 (0%) (2%) (-1.3%)

presented by



**Credit Unions
of Ontario**



FOSTERING A CULTURE OF INNOVATION & SMART RISK-TAKING IN ORDER TO BECOME A PRODUCTIVITY LEADER

Ontario suffers from a productivity problem. In an era of near parity with and fluctuations against the U.S. dollar, rising energy prices, and intensifying global competition, productivity gains are more important than ever. Yet Ontario businesses continue to underinvest in the determinants of their productivity.

Ontario businesses seem to recognize the problem. Only 8 percent of them believe their sectors are productivity leaders, including only 5 percent of the manufacturing sector. While firms recognize their sectors' poor productivity performance, they overestimate their own productivity performance vis-à-vis their global peers.

Where should we focus our collective efforts in 2014? Benchmarking productivity performance would be a good first step.

The Good News

Ontario continues to have a strong reputation as a hub for global business.

- » Ontario ranks third in North America, after New York and California, for the number of foreign direct investment projects.
- » *Forbes* magazine recently named Ontario a top destination for foreign direct investment in North America and gave the province top rankings in various areas including job creation, tax reform, and health care.
- » *Site Selection* magazine recently ranked Ontario as Canada's most competitive province in an annual review of the best places for investment and business development.
- » Government has taken many steps to foster research and development (R&D) and incentivize productivity investments. The Government of Ontario, for example, has matched the federal capital cost allowance, enabling manufacturers to write down their investments more quickly.

Survey Results:

-1%

differential
vs. 2012 beliefs

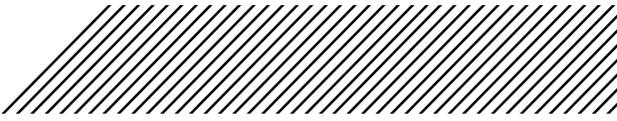


Compared to last year, 1 percent fewer respondents believe Ontario is going in the right direction in terms of fostering a culture of innovation and smart-risk taking.

The Challenges

Despite government incentives and investments, Canada and Ontario's productivity has been growing much more slowly than that of the U.S. and most other OECD countries.

- » Firms in Ontario have long underinvested in machinery and equipment. According to the Jobs and Prosperity Council, private sector labour productivity growth averaged only 0.5 percent annually since 2001. As a result, Ontario's productivity gap with key U.S. competitors has increased from approximately \$6 GDP per hour in 2010, to approximately \$13 GDP per hour in 2012.
- » Canada fell two places in the World Bank's annual *Ease of Doing Business Index*. Canada now ranks 19th in the world, behind the U.S., the U.K., Australia, New Zealand, and Sweden, among others. Canada ranks a woeful 145th in "getting electricity" and 116th in "dealing with construction permits."
- » Many businesses feel that Ontario's business climate is increasingly characterized by uncertainty, partially as a result of several simultaneous and significant policy changes that the Government of Ontario is considering. These policy changes include, but are not limited to, increases in energy prices, and potential increases in the minimum wage, employer pension contributions, and corporate income tax rates. Combined, these moves would substantially raise the cost of doing business in Ontario.



Many businesses feel that Ontario's business climate is increasingly characterized by uncertainty, partially as a result of several simultaneous and significant policy changes that the Government of Ontario is considering.

Progress on 2012 & 2013 Recommendations



Foster entrepreneurship in the classroom.

The Council of Ontario Universities has released a joint Entrepreneurship Strategy. It highlights an exciting trend of booming start-up communities in Ontario's university campuses.

A CIBC survey found that 46 percent of postsecondary students see themselves starting a business after graduation.

Make commercialization part of university mandates.

Research by the C.D. Howe Institute has found that Canadian universities spend more than \$11 billion a year on R&D but are lagging when it comes to commercializing their research. The report calls on businesses to spend more on R&D and recommends that the National Research Council Institutes be converted into agencies devoted to fostering university-industry cooperation.

Leverage public sector procurement to spur innovation.

The Government of Ontario has announced a new approach to procurement which will favour local construction bids. This procurement revamp has been touted by some as a way to spur job creation.

Establish a crowdfunding regime in Ontario.

The Ontario Securities Commission (OSC) is reviewing a proposal to allow equity crowdfunding in the province. In 2013, the OSC consulted with businesses, investors, and government officials on a crowdfunding exemption that would let companies raise capital online. The Ontario Government has not introduced any equity crowdfunding legislation at the time of this publication.

Open up public data.

The Government of Ontario launched its *Open Government Initiative* in October 2013, which is intended to make it easier for Ontarians to access public information. The Province has also launched an open data commons licence to allow data users to collaborate and combine data from participating jurisdictions under common rules.

Improve transparency in regulation and address the cumulative regulatory burden on businesses.

Ontario made progress in 2013 by expanding the Regulatory Registry to allow businesses and the public the opportunity to provide feedback on regulations.

In December 2012, Ontario proposed to implement a new regulatory burden reduction strategy to measure and regularly report on regulatory requirements. Business concurs that a new approach to regulation is required.

Ontario should continue to push for a common securities regulator.

In September 2013, the governments of Canada, Ontario, and B.C. announced that they are establishing a cooperative capital markets regulatory system—a voluntary system that will oversee Canada's investment industry. The new body will tap into provincial and federal expertise and will be charged with supporting efficient capital markets and managing systemic risk. The new body will lower costs for businesses seeking to raise capital, improve enforcement, increase protection for investors, and enhance the international reputation of Canada's financial services sector.

Recommendations for 2014

BUSINESSES

Businesses need to increase their R&D spending relative to their peers.

The previous editions of *Emerging Stronger* have called upon business to invest more in the levers of productivity. Numerous studies have empirically demonstrated that many Canadian businesses invest less in R&D and machinery and equipment (including ICT) than their U.S. and OECD counterparts. Part of the problem may be overconfidence at the firm level. According to Deloitte, a full 36 percent of Canadian businesses do not know they are underinvesting. See page 16 for more on business overconfidence.

GOVERNMENT

Ontario requires a new approach to regulation, and regulatory burden reduction is required.

Regulations increase the cost of doing business. Many regulations that made sense 20 years ago are no longer relevant, and they now inhibit investments in productivity-enhancing processes and technologies. The Province is reconsidering its *Open for Business* strategy with an aim to reduce the regulatory burden. Business is looking for a regulatory environment that encourages innovation and is outcome-focused. Further, all regulations, new and existing, must be subject to a rigorous (and public) cost-benefit analysis.

The Government of Ontario should continue progress on establishing the regulatory frameworks that will enable businesses to raise capital.

The Government of Ontario's new \$50 million venture capital fund is a step in the right direction; however, it should also focus on removing barriers that prevent the private sector from raising capital. Regulatory changes, including more progress on a truly national securities regulator and the adoption of an equity crowdfunding framework, are important steps for 2014.

The Government of Ontario should leverage public sector procurement to spur innovation.

The Government of Ontario should follow the lead of many jurisdictions around the world that use public sector procurement to drive the development of innovative products.

OTHERS

Sector-based organizations need to benchmark relative investments in R&D and other productivity measures.

See Case Study on page 16.

WHAT THE ONTARIO CHAMBER OF COMMERCE WILL DO IN 2014

The OCC will undertake a major project aimed at improving public sector productivity.

Our overarching goal is to help government produce more and better services but at the same or lower cost. We agree with *The Economist*—improved public sector productivity will generate considerable multiplier effects: “Even if government were to cost the same but produce more (better educated workers, decent health care, roads without holes, simpler regulation), the effect on private sector productivity would be electric.”



CASE STUDY 1



Filling the R&D Information Void

As noted in Deloitte's report, *The Future of Productivity: A wake-up call for Canadian Companies*, Canadian firms are not making the innovation and productivity investments needed to thrive in a 21st century economy. The report finds that American businesses invest more than twice as much in R&D as their Canadian peers and that American labour productivity growth has outpaced Canada's by 170 percent over the last decade.

Equally worrying are the findings of Ontario's Jobs and Prosperity Council: Ontario businesses invest 38 percent less on machinery and equipment (on a per employee basis) than their American counterparts.

It should come as no surprise, then, that Canada's output per worker was 78 percent that of the U.S. in 2011 and that the average U.S. worker generates \$13 more per hour than the average Canadian worker. An average Norwegian worker generates \$29 more per hour.

The underperformance persists despite comparatively generous federal and provincial incentives. While government has some levers at its disposal, the onus for resolving the productivity problem resides at the firm-level. As Deloitte notes, "36 percent of Canadian companies are overconfident: they think they're investing more than their peers—but they're not. They're actually investing below the median for their size and sector."



CASE STUDY 2

ING Direct's Network Orange

The Problem

Since the recession, Ontarians have been the least likely Canadians to launch new enterprises.

The Solution

In 2011, ING Direct opened *Network Orange*, an innovation space in downtown Toronto. ING Direct created the space with the intention of providing entrepreneurs and business owners an inexpensive space to spark new ideas, and work with others in their community.

The Results

Since its opening, Network Orange has provided a working space for some 300 entrepreneurs and has helped launch dozens of small businesses, including the social enterprise Wedge15 that now employs five people. All of the proceeds collected at Network Orange go to a charity of the staff's choosing each month.

2

BUILDING A 21ST CENTURY WORKFORCE

Ontario continues to suffer from a skills gap. According to OCC survey results, roughly 30 percent of businesses cannot fill a job because they could not find someone with the right qualifications. Unfortunately, the skills gap is more acute in those sectors that are otherwise set for massive growth.

The skills gap continues to be a significant barrier to Ontario's economic transformation.

The Good News

Ontario's labour force is one of the most highly educated in the world. Meanwhile, governments at all levels have made closing the skills gap a priority.

- » Ontarians boast the highest levels of postsecondary education attainment in the world.
- » Ontario's \$195 million *Youth Employment Fund* is intended to help expand employment opportunities for 25,000 youth across the province. Through the Fund, eligible employers can receive up to \$6,800 to help cover the cost of wages and training for new hires when they provide a job placement of four to six months.
- » There is growing recognition that employers must play a bigger role in workforce training.
- » The federal government is reforming the immigration system to allow for a greater employer role in the selection of economic immigrants. The devil, however, will be in the details. See Case Study on page 31.

Survey Results:

-1%

differential
vs. 2012 beliefs



Compared to last year, 1 percent fewer respondents believe Ontario is going in the right direction in terms of building a 21st century workforce.

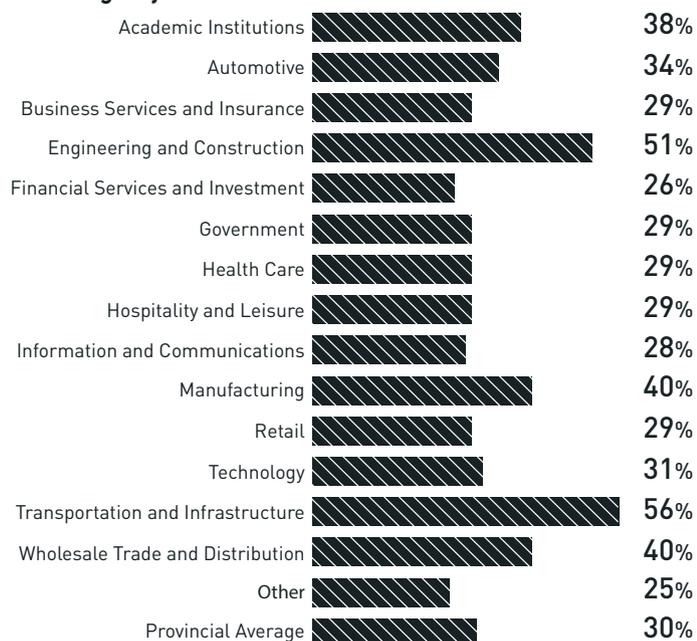
The Challenges

There are signs of recovery in the job market, but the recovery is uneven. There are clear signs that some groups are being left behind, and that our training and education systems could do more to create a workforce suited for the 21st century.

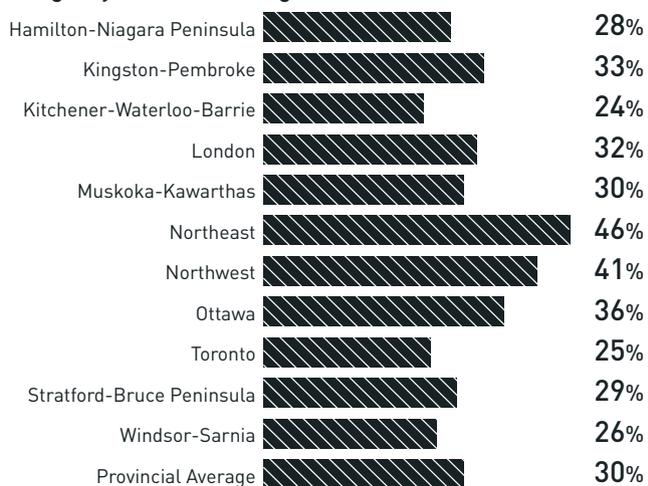
- » As of January 2014, Ontario's unemployment rate sits at 7.9 percent, 0.7 percent higher than the national average.
- » According to OCC data, 30 percent of Ontario businesses have had difficulty filling a job opening over the last 12-18 months due to the fact they could not find someone with the right qualifications. The shortages tend to be sector and region specific. The most affected sectors include transportation and infrastructure (56 percent of businesses could not fill a job), engineering and construction (51 percent), wholesale trade and distribution (40 percent), and manufacturing (40 percent). Meanwhile, 46 percent of employers in northeast Ontario and 41 percent in northwest Ontario say that they are having trouble filling vacancies. See charts on page 22.
- » The federal government's biggest investment in training comes through Employment Insurance (EI). Given that most unemployed Ontarians do not qualify for the program, EI premiums from Ontario employers and employees are much more likely to support training for workers outside of Ontario.
- » The federal and provincial governments do not agree on a path forward on skills training and the renewal of Labour Market Agreements.

Many businesses have difficulty filling jobs

Percentage by Economic Sector



Percentage by Economic Region



N = 2,059 | Survey Date: January-February 2013

Q | Has your business/organization had difficulty filling a job opening over the last 12-18 months due to the fact that you could not find someone with the right qualifications?

“Flying in a fog without instruments”

Does Ontario have a skills shortage?

Some have disputed the existence of a widespread skills shortage. According to TD Economics in their report *Jobs in Canada: Where, What, and For Whom*, “at least from an economy-wide perspective, it is hard to make the case that widespread labour shortages currently exist.” The bank does find evidence, however, of geographic and occupation-specific shortages.

The incoherence in the expert discourse reflects information gaps. According to the report, “when it comes to labour market information, we are currently operating in a data vacuum and flying in the fog without instruments.”

Governments need better data to inform their labour market policies. Employers need better labour market data to steer their investments and labour force strategies. Workers and students need better data to plan their careers.

As TD Economics puts it, “until better information becomes readily available in Canada, public policy, business and postsecondary education administrator decisions will be driven more by perceptions than hard evidence.”

We need a common, credible version of the truth. The federal and provincial governments, with the input of business and the postsecondary sector, must land on an definitive set of data about the labour market and employer needs.

Progress on 2012 & 2013 Recommendations

The federal government should implement the recommendations of the Mowat Centre Employment Insurance Task Force.

The federal government has frozen EI rates and introduced some modest reforms to the EI system. A recent report from the federal watchdog reveals that the federal government is using high EI rates to pad the federal surplus. Visit mowateitaskforce.ca for more information on how to make the EI system work for Ontario.

Emerging Stronger 2013 called for progress on immigration reform.

The provincial government is currently examining areas for potential legislative action.

The OCC, in partnership with the Ministry of Citizenship and Immigration, has engaged employers across the province in a discussion on how the Expression of Interest (EOI) system can be designed to better fill labour and skills shortages in Ontario. See our recommendations on page 31.

Ontario businesses must capitalize on the untapped potential of Ontario's Aboriginal population.

While there is evidence of greater employer engagement with Aboriginal communities (see Case Study on page 30), more needs to be done.



The federal government must close the funding gap for on-reserve Aboriginal education.

The federal government has a new proposed legislative framework for Aboriginal education.

Employers need to recognize the potential of people with disabilities.

The Accessibility Directorate of Ontario has been moved to the Ontario Ministry of Economic Development, Trade, and Employment, recognizing the underutilized labour market potential of this expanding population.

Ontario needs to reinvent its employment and training services.

2013 marked a watershed year in government-funded training services. The federal and provincial governments began negotiations on a renewed Labour Market Agreement framework, the spirit of which signalled a new approach that encourages greater employer engagement.

Ontario's apprenticeship system needs to be more flexible.

The OCC has made six specific recommendations to improve the Ontario College of Trades and the apprenticeship system.

Recommendations for 2014

BUSINESSES

Businesses need to play a greater role in the training space.

Too many Ontario employers view skilled workers as a public good. In fact, Canadian employers invest comparatively less in employee training than their American counterparts. If Ontario is going to bridge its skills gap, employers must play a more prominent role. For examples of companies that invest in the skills of their employees, see Case Studies on pages 28 and 29.

Businesses need to expand their engagement with Aboriginal communities, particularly in the North, where Aboriginal communities will be crucial in meeting future labour market needs. Noront Resources, a mining company active in the Ring of Fire, is leading the way with several training programs already up and running. See Case Study on page 30 for more.

GOVERNMENT

Ontario and the federal government should collaborate to create an Expression of Interest (EOI) system that works for Ontario.

See Case Study on page 31.

Federal and provincial governments need to agree on a path forward that would involve employers in more training, without threatening provincial projects that work or expecting the Province to pay for federal programs. At the same time, the renewal of federal-provincial agreements on training provide an opportunity to *revaluate the efficacy of training programs* and place more emphasis on meeting the needs of employers.

Ontario should encourage Professional Immigration Networks (PINs) to build stronger connections with internationally recognized certification programs (e.g. Project Management Certification, MBA).

PINs are organizations with mandates to help newcomers settle and obtain employment. This would facilitate faster entry of skilled immigrants into the Canadian job market by providing employment information and contact to those advancing through certification programs, prior to arrival. See the Mowat Centre's *Diaspora Nation* for more.

OTHERS

Colleges, universities, and the private sector should collaborate to create more on-the-job learning opportunities.

Co-op and paid internship opportunities should be expanded across academic programs. This will lower informational barriers and search costs for both employers and employees and provide students with valuable real-life work experience.

Many regulated professions need to provide a clearer pathway for immigrants.

Too often, immigrants are blocked from employment in their chosen occupation by licensing authorities that do not recognize their credentials. As a result, our immigrant system is incongruous: it forces immigrants to invest considerable resources into retraining so they can find employment in the fields for which they were originally selected during the immigration process. The Ontario Regulators for Access Consortium's *Compendium for Best Practices* and The Fairness Commissioner's *Exemplary Practice Database* (launched in 2013) highlight best practices in foreign credential recognition in the regulated professions. More progress is needed.

WHAT THE ONTARIO CHAMBER OF COMMERCE WILL DO IN 2014

The OCC will continue to push for reform of Ontario's apprenticeship system and the College of Trades.

Since its inception, the College has faced harsh criticism from many industry professionals who are concerned about its fees, its compulsory membership in key trades, and its ratio review process. The success of the College will depend on its ability to address the labour shortages in the trades, elevate the standards in the industry, protect consumers, and promote the attractiveness of careers in the skilled trades. In its current form, however, the College is not well positioned to deliver on many of the core elements of its mandate.

The OCC, in collaboration with Essential Skills Ontario, will conduct extensive consultations with employers and make recommendations on the design of programs that encourage employer-sponsored training.

Canadian companies continue to spend comparatively less on workplace training than their OECD counterparts. The OCC, in partnership with Essential Skills Ontario, is undertaking a research project that will provide government with recommendations on how to design training programs that encourage greater employer engagement in training.

CASE STUDY 3



Valiant Machine & Tool's innovative Earn While You Learn program

The Problem

As workers in the skilled trades age and retire, businesses like Windsor's Valiant Machine & Tool are struggling to find employees.

The Plan

In response to their need for more skilled labour, Valiant Machine & Tool launched their *Earn While You Learn* (EWYL) training program in 2008. The program provides a paid training opportunity to a maximum of 30 to 35 candidates, most of whom are unemployed. Those selected are immediately placed to work and learn the skill sets of computer and numerical control machinists, welders, and robot programmers in a real-world environment.

The Results

Over the last five years, the EWYL program has trained 116 underemployed and unemployed young people in the skilled trades, with a 95 percent employment rate for graduating students. The program has also accelerated the traditional apprenticeship training program and supplied much needed labour to the machine, tool, die and mould sector throughout both Windsor-Essex and Canada. The program has been so successful that Valiant is starting to train individuals from other companies in their sector.



Esri Canada's Associate Program

The Problem

Too few employers in Canada and in Ontario are willing to make the investments in their workers' skills. Partially as a result of this underinvestment, Ontario's skills gap remains a major concern.

The Solution

Some companies are refusing to wait for government to create their workforce for them. In 2008, Esri Canada, a provider of geographic information system (GIS) solutions, launched their Associate GIS Professional Program, which recruits post-graduate students from colleges across Canada, and provides them with 18 months of paid cross-functional training in GIS mapping, sales and technical support. Esri Canada equates their training program to three years of on-the-job experience.

The Results

Since the Associate Program was established, roughly 20 students have gone through the program. Significantly, all 20 of them remain employees of Esri Canada. When asked whether they feared investing in an employee only to lose them to a competitor, an Esri Canada representative said, "that's a risk that we have to take. And so far, it has paid off."

CASE STUDY 5



Confederation College, Noront Resources, and Kikenjigewen Employment and Training Services partnership

The Potential

Ontario's Ring of Fire could be a catalyst for economic development and employment in Ontario's First Nations communities. However, many inhabitants of these communities lack the skills that will be needed in the operation phase of the Ring of Fire's mining projects.

The Plan

Confederation College, Noront Resources and Kikenjigewen Employment and Training Services (KKETS) have established a training alliance to create a home-grown Aboriginal mining workforce for the Ring of Fire. The federal government has also contributed funds to the initiative.

The Potential Results

The newly established training alliance is an excellent first step in developing a local workforce that will enable First Nations to fully participate in the development of the Ring of Fire.



Building a 21st Century Immigration System

The Problem

Ontario's employers have historically played a passive role in the immigration system, because they could afford to; Ontario has long been a beacon for immigrants seeking economic opportunity.

However, the number of economic immigrants coming to the province—immigrants selected on the basis of their skills or employment prospects—has declined by 49 percent, from 95,091 in 2001 to 48,930 in 2012. Due to the changes in demographics, all of Ontario's future labour force growth will come from immigration. This decline must be reversed.

The Potential Solution

Pending changes to the federal immigration system represent a huge opportunity for Ontario to reverse the decline. The federal government is moving forward with an Expression of Interest (EOI) application system, which will give employers a more prominent role in the selection of skilled immigrants.

The OCC, in collaboration with the Ministry of Citizenship and Immigration has submitted 13 recommendations to the federal government to make the system work for Ontario employers.

Recommendations include:

1. Benchmark processing times (from selection to arrival) against comparable systems; be the fastest immigration system in the world.
2. Accelerate Labour Market Opinions for 'trusted employers' and specific occupations where skills shortages exist.
3. Provide a clear pathway for newcomers seeking the recognition of their foreign credentials; newcomers should be connected to professional regulatory bodies prior to arriving in Canada.
4. Let employers access the pool of candidates directly.

3

RESTORING FISCAL BALANCE BY IMPROVING THE WAY GOVERNMENT WORKS

The Government of Ontario's debt is growing. As it stands, the Province spends more on interest charges than it does on colleges and universities. Debt service charges will only increase as the debt grows to over \$300 billion in the coming years and interest rates inevitably rise.

Ontario's growing debt is crowding out spending and is deterring investment in the province; several major credit rating agencies have lowered their outlook for Ontario in the past year.

The need for fiscal restraint is greater than ever. Our survey data reveals that more businesses and organizations believe the province is going in the wrong direction when it comes to restoring fiscal balance.

The Good News

Ontario has made some progress in tackling the deficit.

- » Ontario's deficit is decreasing. The 2012-13 deficit was \$9.2 billion, which was \$5.6 billion lower than projected in the 2012 budget.
- » For the first time in more than a decade, total government spending fell from the previous year. At \$122.6 billion, spending was \$3.8 billion less than planned and 0.1 percent lower than in 2011-12.
- » The cost curve in health care is bending to sustainable rates. For three years in a row, health care spending has increased by about 2 percent each year, less than the growth rate of the economy. As a percentage of GDP, Ontario is spending six-tenths of a percentage point less on health care than three years ago.
- » The government has improved accountability and transparency by introducing the Financial Accountability Office, a watchdog organization that will have the authority to estimate the cost of new legislation before the money is spent.

Survey Results:

-7%

differential
vs. 2012 beliefs



Compared to last year, 7 percent fewer respondents believe Ontario is going in the right direction in terms of restoring fiscal balance.

The Challenges

There is still much more work to do. Ontario remains vulnerable to inevitable increases in the cost of borrowing. Greater fiscal restraint is needed if Ontario is to retain capacity to deliver core programs.

- » While the government has stated their commitment to eliminating the deficit by 2017-18, a long-term plan on how to pay down Ontario's growing debt is still pending.
- » Public sector compensation remains the biggest expenditure for the Ontario government, in line ministries and the broader public sector. Despite blanket wage freezes, some broader public sector workers received substantial wage increases in 2013.
- » As baby boomers retire, public sector pensions will consume an even greater portion of the government's budget. The Commission on the Reform of Ontario's Public Services forecast that, minus substantive changes, the cost of public sector pensions could nearly double between 2012 and 2017-18.
- » The federal government still takes more from Ontario than the province receives in programs and services. The most recent estimate of the gap is \$11 billion.
- » The Province's interest arbitration system does not take local fiscal realities into consideration. This is problematic. Replicating the salary and benefits from Toronto, for example, to Haliburton, does not consider the differences in municipalities' capacity to pay.

Progress on 2012 & 2013 Recommendations

The private and not-for-profit sectors should play a bigger role in delivering public services.

The OCC and the Certified General Accountants of Ontario released their report *Public Sector Problems, Private Sector Solutions* that provides the provincial government with advice on how best to adopt alternative service delivery models.

The private and public sectors must do their part to help Ontario get back to fiscal balance.

Ontario businesses have largely come to terms with temporary freezes in the reduction schedules of the Business Education Tax and the Corporate Income Tax. However, businesses and the broader public must overcome their aversion to new public service delivery models.

Close the gap between what Ontarians pay in taxes to the federal government and what they get back in funding and services.

Ontario continues to pay roughly \$11 billion more into the federation than what it gets back in terms of transfers and services. This amount is equal to 1.9 percent of the province's GDP.

Engage Ontarians in a discussion on how we pay for our infrastructure.

The OCC and many Greater Toronto and Hamilton Area (GTHA) chambers of commerce and boards of trade partnered to lead a frank conversation with business on how to pay for the Big Move, Metrolinx's transportation plan for the GTHA. Two thirds of businesses believe that new revenue tools are necessary to fund the plan.

Recommendations for 2014

BUSINESSES

Business should engage the provincial government and participate constructively in a review of business supports, advocating the retention of those that work and showing a willingness to forgo those that do not.

The Commission on the Reform of Ontario's Public Services called for a re-evaluation of Ontario's business supports, which total \$3.6 billion in direct and indirect spending. It is unclear whether Ontario's hodgepodge programs are accomplishing their desired objectives, as the data on outcomes is often poor and inconsistent.

GOVERNMENT

Conduct a system-wide audit for opportunities to transfer public services to the private and not-for-profit sectors through alternative service delivery arrangements.

Ontario should accelerate public service delivery transformation by tackling the 'low-hanging fruit' identified by the audit: those services that are transactional in nature (Information Technology, for example). See Case Study on service transformation on page 41.

Fix federal transfers.

Ontarians continue to see their federal taxes redistributed away from Ontario on a net basis, receiving less than their per capita share of spending and transfers. The current structural gap, in terms of what Ontarians pay to the federal government and what they receive back, is estimated at \$11 billion. As a start, the federal government must reform the Equalization program.

Champion a regulatory environment that enables not-for-profit social enterprise to generate revenue.

New revenue would need to be reinvested in generating social outcomes. Providing not-for-profits with greater flexibility is particularly important in an era where government is increasingly looking to new service delivery models.

Continue and expand efforts to hold the line on overall compensation in the public sector.

Public sector salary growth has outpaced that of the private sector for the last 10 years. In an environment of limited fiscal capacity, salaries and benefits must be held in check. Loopholes that enable some to skirt wage restraint must be closed.

The broader public sector must continue to assess and report on the health of public pensions and pension liabilities.

Although the majority of Ontario's public pensions are financially sound, some broader public sector entities will face challenges meeting their future pension obligations, which may have implications for Ontario's fiscal picture.

Fix interest arbitration at the municipal level.

Interest arbitration is a mechanism used to renew or establish a new collective agreement for parties without the right to strike. Decision criteria should be broadened to include local economic and fiscal environments. Arbitrators should be required to provide clear assessments and reasons for their decisions, and should have one year to complete their work.

OTHERS**The public, not-for-profit, and broader public sectors need to accept new service delivery models, enabling experimentation in non-core services.**

Government needs 'permission to fail' in non-core service areas as it experiments with new models and methods of delivering public services.

Ontarians must embrace open data to help drive program evaluation.

The Government of Ontario has committed to releasing massive troves of data. Open data empowers citizens to analyze and develop solutions for public policy problems, as well as generate new ideas. It also increases the transparency of government.

WHAT THE ONTARIO CHAMBER OF COMMERCE WILL DO IN 2014**The OCC, in partnership with KPMG and MAXIMUS Canada, will provide government with a detailed framework for evaluating the applicability of and implementing alternative service delivery models to existing public services.**

The framework will be based on the successful *Building a Better Tomorrow* initiative that kick started the successful P3 movement in Ontario.

CASE STUDY 7



Service Integration

The Problem

The increasing complexity of client needs, aging populations, and budget constraints are putting pressure on traditional siloed approaches to service delivery. This leads to systematic inefficiencies and underperformance.

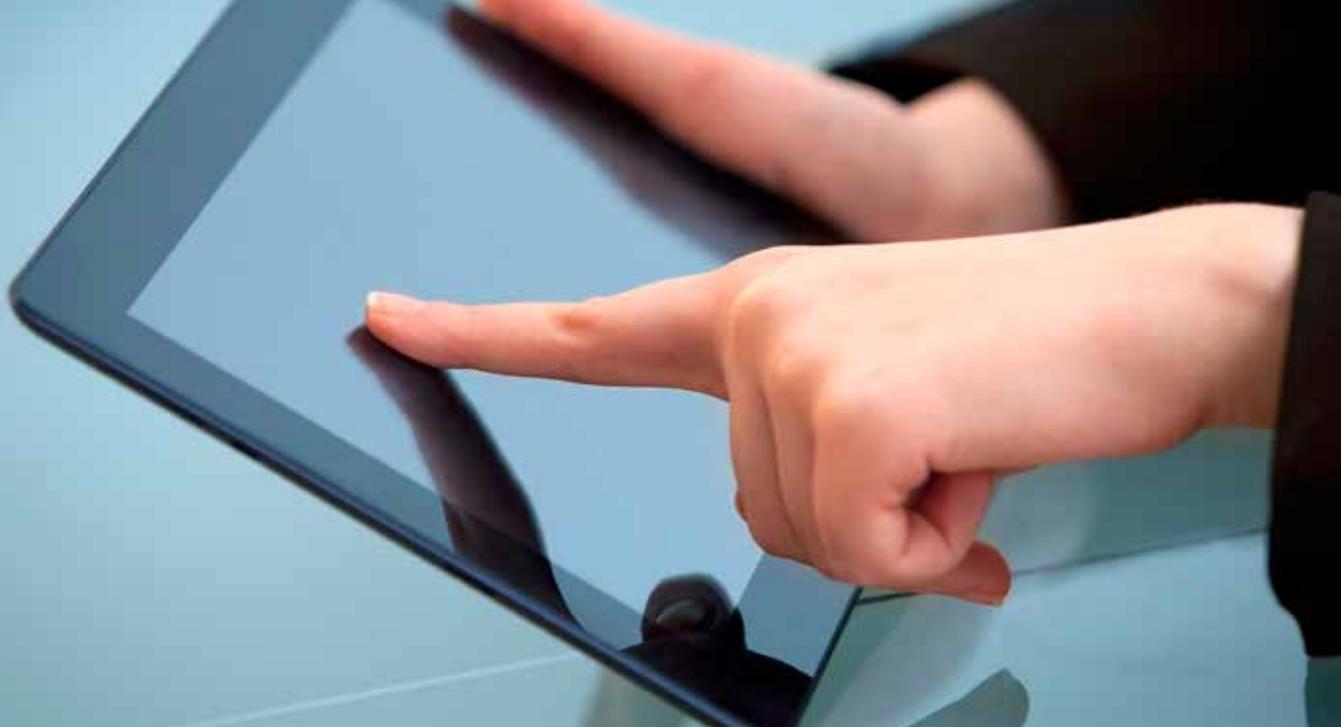
The Solution

Integrated service structures can help optimize investments and improve service quality by eliminating perverse incentives that cause government departments and service providers to work in isolation.

In the U.K., service integration is being piloted at the city-wide level through *Whole Place Community Budgets*, which aim to improve long-term social and human capital outcomes. Community Budgets (currently piloted in four city-regions) bring local and central government officials together to find new ways of coordinating investment and to identify opportunities for reducing administrative duplication and ineffective procurement.

The Results

A recent evaluation report from Ernst & Young demonstrated that the potential five-year net benefit from all four sites amounts to £9-20 billion, representing “the most significant opportunity to achieve wide scale Public Service Reform.” Early results from a randomized control trial in Greater Manchester, one of the pilot sites, are also demonstrating that improved citizen outcomes are being achieved as a result of more collaboration.



Service Transformation

The Problem

The provincial government is cash-strapped. Yet as the population grows and ages, the demand for services is rising. What options does the government have?

The Solution

The Government of Ontario might look to the examples that are being set in the U.K., Australia, the U.S., British Columbia, and Nova Scotia and begin to adopt alternative service delivery models (ASD). ASD is not divestment of government responsibility for the delivery of public goods. Instead, ASD is a partnership where the public sector retains a strong role. As a first step, the Government of Ontario should conduct a public sector wide audit of its services in an effort to determine those that are suitable for a shift to an ASD model.

The Potential Results

The Government of Ontario has already had outstanding success with service delivery transformation. For example, Ontario's Electronic Land and Registration System is now operated and maintained by a private company, Teranet. Under the terms of their contract with Teranet, the provincial government received an initial payment of \$1 billion and a 50 year stream of royalty payments. In exchange, Teranet received exclusive electronic land registration and writ services. The government maintains control over fee increases. As a result of their success in Ontario, Teranet has been contracted to operate Manitoba's land registration system.



4

TAKING ADVANTAGE OF NEW OPPORTUNITIES IN THE GLOBAL ECONOMY

While 50 percent of Ontario businesses view China as one of Ontario's most important trade destinations, only one percent of our exports are destined for that country. Finding new markets for Ontario products and services is vital.

Progress is being made: Canada has signed a significant trade agreement with the European Union and appears intent on joining the Trans Pacific Partnership. However, trade agreements are not a panacea for export diversification. Business and government must do more to grow the number of businesses, particularly SMEs, that are engaged in export activities.



The Good News

Ontario's exposure to international markets is on the rise.

- » Canada recently signed on to an agreement in principle with the European Union to remove barriers to trade and investment, which will provide Ontario businesses with access to a market of 500 million consumers and whose value is pegged at \$17 trillion in annual economic activity.
- » Construction of a second bridge between Detroit and Windsor received government approval in the U.S. The bridge is expected to relieve congestion and speed up trade at the busiest Canada-U.S. border crossing. The 2014 federal budget commits \$470 million to this project.
- » The Mowat Centre and the Canada-U.S. Law Institute launched a new bi-national organization, the Council of the Great Lakes Region (CGLR). CGLR efforts will focus on integrating the economic and environmental agendas in the region.
- » The *Global Growth Fund* is an initiative of the OCC, with support and funding from the Government of Ontario and Government of Canada. It has helped over 800 businesses access and expand growth in foreign markets. The fund provides businesses with targeted supports so they can participate in international trade missions.
- » 20 languages are spoken by at least 100,000 people in Canada, which makes Ontario one of the most diverse places in the world. Our population is connected to markets in every corner of the globe.

The Challenges

Nearly 80 percent of Ontario exports are destined for a single market: the U.S. This leaves Ontario's economy highly exposed to the ebbs and flows of the American economy.

- » Only six percent of Ontario's SMEs are engaged in export activities. Traditional barriers, such as trade tariffs, remain. However, systemic issues such as aversion to risk may lie at the root of the problem.
- » Ontario's recent export performance is cause for concern: stagnant even before the recession, the total value of Ontario's exports remains well below its pre-recession peak. The average value of Ontario SMEs' exports ranks below that of 47 of 50 U.S. states.
- » Less than two percent of Ontario's exports are bound for the booming markets of India (0.3 percent) and China (1.4 percent).

Survey Results:



Compared to last year, there is no change in terms of respondents' views on whether Ontario is going in the right direction in terms of taking advantage of new opportunities in the global economy.

Progress on 2012 & 2013 Recommendations

Ontario needs to develop an export growth strategy focused on SMEs.

Ontario's 2013 *Going Global Strategy* is a good start. This comprehensive strategy aims to increase the number of Ontario firms engaged in export activities and to diversify Ontario's trading partners. Key parts of the strategy include opening Ontario's 11th International Marketing Centre in São Paulo, Brazil, and building on the success of the OCC's *Global Growth Fund*.

Create a one-window access point for businesses seeking export assistance.

The Province has made it easier for businesses to export by introducing a single window portal for export assistance and providing access to international trade and market specialists.

The federal government has introduced a new concierge service that will make it easier for businesses to find their way to research support that can help them grow and reach new markets.

Greater federal and provincial coordination across myriad export services is still required.



Ontario must diversify its trade and leverage its diaspora connections to emerging markets.

The Mowat Centre has published a report on Canada's 'diaspora advantage', *Diaspora Nation: An Inquiry Into the Economic Potential of Canada's Diaspora Networks*, which calls for greater mobilization of diverse immigrant talent and their global networks. The report makes a number of specific policy recommendations (see pages 48 and 49 for examples), including the applicability of a consistent 'diaspora lens' in the formulation of economic and social policy.

Remove inter-provincial trade barriers.

Inter-provincial trade barriers remain. A particularly perplexing example is the prohibition on the trade of wine across provincial boundaries.

Recommendations for 2014

BUSINESSES

Ontario businesses need to enhance their exposure to new markets beyond the U.S.

Big business needs to mentor small business, and make improvements in Ontario's export performance a key component in their corporate social responsibility agendas.

GOVERNMENT

The federal government should follow through on the Comprehensive Economic and Trade Agreement with the European Union and renew its focus on the Trans Pacific Partnership as well as agreements with emerging economies.

Boosting access to foreign markets is a strategic response to slow domestic economic growth. Business must prepare for lower barriers to competition as a result of the Comprehensive Economic and Trade Agreement with the European Union and the pending Trans Pacific partnership.

The federal government needs to conduct a review of visa barriers that prohibit global firms and talent from doing business and working in Canada.

Canada's visa policies for foreign nationals are detracting from our ability to attract tourists, conduct business with other countries, and lure talent.

Ontario should provide a coordinating mechanism (or enhance an existing one, such as the Toronto Region Immigrant Employment Council) so that diaspora networks can exchange business intelligence, learn from each other, and improve their capacities.

This will enable diaspora networks to play a larger role in the full economic participation of newcomers to Canada.

OTHERS

Diaspora networks should play a larger role in connecting Ontario businesses to foreign markets.

Big business, business associations, and government should provide supports for ethnic chambers of commerce that want to help their members export and do business abroad.

Businesses, governments, professional associations, colleges, and other civic institutions should collaborate to help student entrepreneurs develop import and export business cases and strategies. This approach would increase the flow of innovative ideas into Ontario, and help promote the province's products and services in key emerging markets.

WHAT THE ONTARIO CHAMBER OF COMMERCE WILL DO IN 2014

The OCC will spearhead the creation of the Ontario Export Partnership.

See Case Study on page 50.



CASE STUDY 9



Building an Ontario Export Partnership

The Problem

Too few SMEs are engaged in export activities. SMEs face high information and search costs with respect to accessing federal, provincial, and local government programs plus market intelligence.

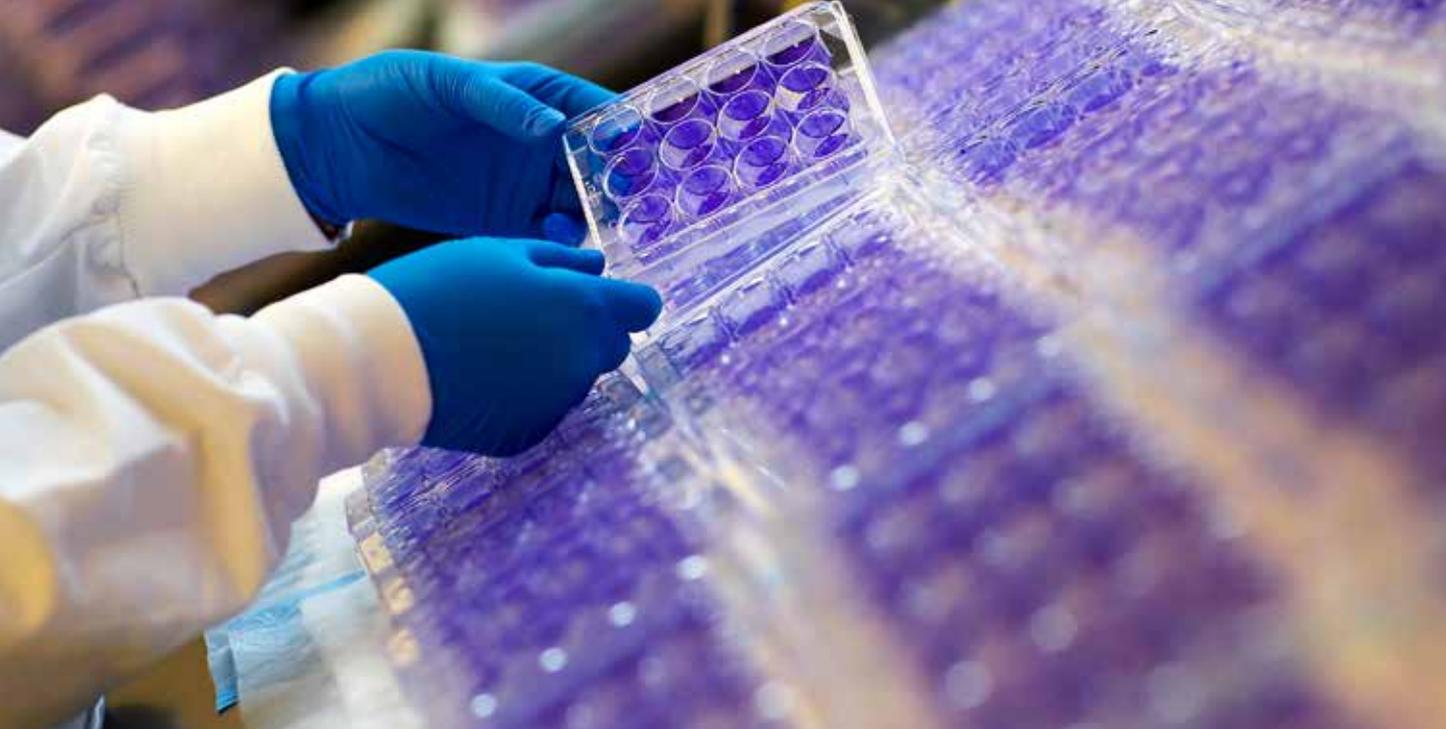
The Solution

The OCC, in partnership with the Governments of Ontario and Canada, runs a very successful *Export Market Access* program through the *Global Growth Fund*. However, the OCC cannot meet demand for other forms of export support, such as B2B and B2G (government) connections, trade missions, and export advice. The problem is a lack of capacity.

The OCC will seek a partnership with big business to create an Ontario Export Partnership, with the explicit mandate to lower search and information barriers for SMEs in Ontario that want to export.

The Potential Results

If Canada had the same level of export penetration as the U.S., its GDP would grow by \$60 billion and Ontario's GDP would grow by \$25 billion. The Ontario Export Partnership is only a small piece of the export puzzle. However, the success of the OCC's *Export Market Access* program plus demonstrated unmet demand for OCC's export services suggests that the potential ROI for the partnership is substantial.



CASE STUDY 10

Sanofi Pasteur Limited

The Problem

Ontario's export performance is stagnant. We continue to lag behind our peers in export diversification. At the same time, Canadian companies consistently fall behind their American peers when it comes to investments in R&D—a key factor in spurring increased exports.

The Solution

Companies like Sanofi Pasteur Limited have earned global R&D and manufacturing mandates, which have made them a leader at home and in new markets. Sanofi Pasteur Limited has developed an innovative whooping cough vaccine and it is the only company in the Americas that manufactures a polio vaccine. Roughly 95 percent of company-wide products made in Ontario are exported.

The Results to Date

Sanofi Pasteur Limited now exports to over 60 countries—and demand is growing. Increased export demand has helped Sanofi Pasteur expand their Ontario operations, and they now employ 1,200 people in the province.

5

IDENTIFYING, CHAMPIONING, AND STRATEGICALLY INVESTING IN OUR COMPETITIVE ADVANTAGES IN THE GLOBAL ECONOMY

Ontario enjoys advantages that are the envy of the world, including a highly educated workforce, abundant natural resources, and a high quality of life.

Several sectors that have played a huge role in Ontario's past economic growth, including agri-food and mining, are once again poised for massive growth thanks to growing global demand. But we cannot rest on our laurels.

Government needs to make several key policy changes in order to create the conditions for economic growth. Only 26 percent of businesses believe Ontario is going in the right direction on this priority.

The Good News

Government strategies are increasingly geared towards new economic opportunities.

- » The Premier of Ontario's role as Minister of Agriculture has brought attention to the importance of the province's agri-food industry. The industry employs 700,000 people and generates \$52 billion in economic activity annually.
- » FedDev Ontario's funding was renewed by the federal government until 2019. Since its creation in 2009, it has had a significant impact on job creation in southern Ontario.
- » Tourism is an increasingly important sector of Ontario's economy. Ontario's tourism industry accounts for 3 percent of provincial GDP and brings jobs to Northern, Aboriginal and rural communities.
- » Ontario energy industries are increasingly finding new markets for their technologies. The nuclear industry, for example, has been successful in exporting Canadian technology to countries including Argentina, South Korea, China, and India.

Survey Results:

-4%

differential
vs. 2012 beliefs



Compared to last year, 4 percent fewer respondents believe Ontario is going in the right direction in terms of identifying, championing, and strategically investing in our competitive advantages in the global economy.

The Challenges

Progress on key economic files has been slow.

- » Progress on the Ring of Fire, the mineral deposit in Northern Ontario, has stalled. While negotiations continue between the involved parties, key decisions on the sites have yet to be made. The lack of transportation and energy infrastructure poses significant barriers. There is still uncertainty about who will pay for the required infrastructure.
- » Energy is a significant cost for some industries. Rising energy prices could undermine Ontario's position as a global manufacturing centre, a situation made worse due to sudden shifts in energy policy that create uncertainty. Improving energy efficiency is also important for key industries, particularly manufacturing.
- » Ontario has an infrastructure deficit. The absence of transportation infrastructure in the GTHA is hurting the provincial economy; congestion in the GTHA costs \$6 billion in lost productivity annually. According to the Conference Board of Canada, each dollar of capital investment in the GTHA's transit plan would boost Ontario's GDP by \$1.19.



Progress on 2012 & 2013 Recommendations

Develop a coherent set of objectives and policies to revitalize Canada's manufacturing sector.

The federal and provincial governments have extended the accelerated capital cost allowance until 2015.

Deploy business supports strategically.

While the Commission on the Reform of Ontario's Public Services and the Jobs and Prosperity Council have urged the Government of Ontario to evaluate the impact of its many business supports, there has been little action on this front.

FedDev Ontario should be made permanent and be adequately funded.

The federal government has provided \$920 million over five years to renew FedDev's mandate.

Make the development of the Ring of Fire a priority.

The Ontario government is creating a development corporation for the Ring of Fire. The corporation will be responsible for developing, constructing, financing, operating and maintaining infrastructure supporting access to the Ring of Fire. There are worrying signs, however, that the federal government may not be willing to play a substantive role in the development of the Ring of Fire.

Aboriginal, government, and industry leaders must accelerate dialogue and aim to build constructive partnerships.

Noront Resources and Confederation College have partnered on a training program with the Matawa First Nations. See Case Study on page 30 to learn more.

Growing Ontario's Global Connectivity

Toronto Pearson is a Strategic Asset

Toronto Pearson is the fourth largest entry point into the U.S. and one of the fastest growing global hub airports. It has the capacity to grow and is strategically located in a thriving national, provincial, and regional economy.

Toronto Pearson supports thousands of jobs, facilitates international trade and investment, and is a strong driver of economic growth:

	Today	2030
Gross Domestic Product (GDP) supported	\$35.4 billion	\$62.1 billion
Percentage of Ontario's GDP supported	5.6%	7%
Jobs*	277,000	478,000
Trade (Imports/Exports) facilitated	\$22.3 billion	\$41 billion
Foreign Direct Investment facilitated	\$40.3 billion	\$71 billion

In response to economic demand, passenger traffic from Toronto Pearson will increase from 36 million today to 62 million passengers in 2032. The airport increasingly acts as the world's front door to North America. It is also a crucial conduit enabling Canada and Ontario to capitalize on growth in emerging global markets.

A thriving Toronto Pearson is crucial if Ontario is to emerge stronger. To ensure its success, the airport requires a supportive public policy environment, including:

- » Modernized and flexible bilateral agreements to support international traffic growth and access to emerging markets;
- » Progressive regulations to improve passenger facilitation and flow; and
- » Groundside and airside capacity for future growth.

*Direct, indirect, induced, and supported.

Recommendations for 2014

BUSINESSES

Business needs to tackle the barriers to collective action and develop global strategies in key sectors, without relying on government. For example:

- » **The Agri-food sector needs to build a plan for growth.** Ontario currently has a \$1.6 billion agri-food trade deficit. With global food demand growing, the export opportunities for Ontario's agri-food sector are huge. The Premier of Ontario has challenged the sector to double its exports by 2020. With business as leader, all sector stakeholders should develop a clear plan that will enable the sector to capitalize on growing global food demand.
- » **The Life Sciences sector needs to come together and develop solutions that address the top barriers impeding the sector's growth.** Ontario's Life Sciences sector is a major economic generator for the province. Together, Ontario and Quebec's Life Sciences cluster employ nearly 70,000 people in over 1,100 companies. The sector is primed for growth, but must develop a province-wide approach to removing the obstacles in its way.
- » **The hospitality and tourism sector needs to work together, with government partners, to develop a strategic plan for growth.** Two-thirds of tourism spending in Ontario is from Ontarians. To grow Ontario's tourism revenues, the sector needs to identify and operationalize a plan to attract more international tourists, particularly those from emerging markets.

GOVERNMENT

Work with all parties and make the necessary infrastructure investments needed to spur development in the Ring of Fire.

The Ring of Fire is Ontario's 100-year mining opportunity. Government needs to play a leading role in ensuring that the infrastructure needed to develop the Ring of Fire is put into place. The creation of a development corporation for infrastructure was a good first step.

The federal government needs to step up to the plate on the Ring of Fire.

Recent announcement by the federal government vis-à-vis their diminishing role in the Ring of Fire are deeply concerning. The federal government must take a central role in the development of the Ring of Fire and should match provincial investments.

Fast-track growth in the health technologies sector by embracing innovation in mobile health care.

See Case Study on page 60.

Several regulatory reviews that impact the rural and agri-food sectors are pending and should be coordinated.

These reviews include, but are not limited to, a review of the Niagara Escarpment Plan, the Green Belt Plan, and the Oak Ridges Moraine Conservation Plan.

OTHERS

Postsecondary institutions must continue to provide training programs aimed at creating more skilled workers in Northern Ontario.

Northern Ontario is bearing the brunt of Ontario's skills gap; over 40 percent of employers in the region are having difficulty filling vacant jobs because they are unable to find someone with the right qualifications. Confederation College has already established several training programs in partnership with First Nations training organizations and the private sector. More training programs are required in order to prepare the labour force. See Case Study on page 30.

Ontarians need to accept the need for new revenue tools to pay for much needed infrastructure.

Any new revenue tools must be dedicated and transparently administered and allocated. Further, the results on the investments must be publicly reported.

New infrastructure investments should be made with an eye to innovative partnerships.

These types of partnerships allow the public sector to leverage the private sector's capital and processes, which in turn will enable Ontario to capitalize on cutting edge technology (e.g. smart grid and intelligent transportation systems).

WHAT THE ONTARIO CHAMBER OF COMMERCE WILL DO IN 2014

The OCC will release a major study on the economic potential of the Ring of Fire in early 2014.

The report will focus on the economic opportunity that the development of the Ring of Fire brings to all of Ontario—not just the North. The report will also highlight the barriers that stand in the way of the development of the Ring of Fire.

CASE STUDY 11



Digitization of Health

The Problem

Ontarians are well aware of the challenges facing their health care system. They are also among the highest users in the world of mobile technologies. Ontario's strengths in health care and digital technology create the potential for virtual and mobile health.

The Plan

Virtual health (vHealth) allows health care professionals to collaborate with each other and deliver care remotely. Mobile health (mHealth) is the use of wireless tools to deliver and access virtual care and health information. A recent study by PWC, *Making Care Mobile: Shifting Perspectives on the Virtualization of Care*, found that Canadians are in favour of adopting vHealth and mHealth solutions. Nearly two-thirds of Canadians would consider using vHealth options in their own care or for someone they care for.

The Potential Results

These technologies have the potential to cut down on health care costs and improve service delivery. There is also the opportunity for Ontario to export its expertise elsewhere.

Conclusion

In 2012, the OCC, the Mowat Centre, and Leger Marketing launched the first edition of *Emerging Stronger*.

Two years later, Ontario has made significant progress across many priority areas. The Province has played an important part in the development of a new securities regulator. It has adopted and expanded key export growth programs. It is making substantial investments in infrastructure.

However, across other areas, Ontario has made little to no progress. Significantly, Ontario's deficit is actually projected to grow in 2014, and the Province appears to be backing away from the deficit reduction measures that are necessary to return to fiscal balance.

There is much more work to do. The global economic downturn continues to have a profound effect on the province. Economic growth will remain slow for the foreseeable future—we will not be able to 'grow' our way out of deficit in the near-term.

This report highlights those steps that we believe will spur economic growth. Our organizations will work to operationalize this vision over the course of 2014.

We invite government, business, civic leaders, and all Ontarians to join us.

Summary of Recommendations

Fostering a culture of innovation and smart risk-taking in order to become a productivity leader

Emerging Stronger

- » Clarify Canada's innovation policy space.
- » Business needs to transition from R&D laggard to leader.
- » Government needs to help bridge the commercialization gap.
- » Support business investment in R&D.
- » Continue progress on tax reform.

Emerging Stronger 2013

- » Direct and indirect supports for R&D should be coordinated at the provincial and federal levels.
- » Governments need to better coordinate their activities and resources to attract large-scale investments in Ontario.
- » Foster entrepreneurship in the classroom.
- » Make commercialization part of university mandates.
- » Leverage public sector procurement to spur innovation.
- » Establish a crowdfunding regime in Ontario.
- » Ontario businesses need to invest in the levers of productivity.
- » Open up public data.
- » Allow colleges to play a bigger role in driving innovation.
- » Improve transparency in regulation.
- » Address the cumulative regulatory burden on businesses.
- » Ontario should pursue a simplified tax system.
- » Ontario should continue to push for a common securities regulator.

Emerging Stronger 2014

- » Businesses need to increase their R&D spending relative to their international peers.
- » Ontario requires a new approach to regulation, and regulatory burden reduction is required.
- » The Government of Ontario should continue progress on establishing the regulatory frameworks that will enable businesses to raise capital.
- » The Government of Ontario should leverage public sector procurement to spur innovation.
- » Sector-based organizations need to benchmark relative investments in R&D and other productivity measures.
- » The OCC will undertake a major project aimed at improving public sector productivity.

Building a 21st century workforce

Emerging Stronger

- » Reform Employment Insurance.
- » Improve workforce training.
- » Improve newcomers' employment prospects.
- » Bridge the increasing skilled trades gap.
- » Invest in transit.
- » Respond to the needs of Ontario's urban Aboriginal population.
- » Reform undergraduate education.

Emerging Stronger 2013

- » The federal government should implement the recommendations of the Mowat Centre EI Task Force.
- » Implement the recommendations of Ontario's Expert Roundtable on Immigration.
- » Businesses need to take better advantage of existing opportunities, such as the Provincial Nominee Program, to win the 'global war for talent'.
- » Ontario and the federal government should collaborate in the design and implementation of an Expression of Interest (EOI) immigration model.
- » Ontario's universities and colleges should expand recruitment initiatives aimed at international students.
- » Ontario businesses must capitalize on the untapped potential of Ontario's Aboriginal population.
- » The federal government must close the funding gap for on-reserve Aboriginal education.

- » Ontario needs to reinvent its employment and training services.
- » Employers need to recognize the potential of people with disabilities.
- » Ontario's apprenticeship system needs to become more flexible.

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- » Businesses need to play a greater role in the training space.
- » Businesses need to expand their engagement with Aboriginal communities.
- » Ontario and the federal government should collaborate to create an Expression of Interest system that works for Ontario.
- » Federal and provincial governments need to agree on a path forward that would involve employers in more training.
- » Ontario should encourage Professional Immigration Networks (PINs, organizations with mandates to help new arrivals settle and obtain employment) to build stronger connections with internationally recognized certification programs.
- » Colleges, universities and the private sector should collaborate to create more on-the-job learning opportunities.
- » Many regulated professions need to provide a clearer pathway for immigrants.
- » The OCC will continue to push for reform of Ontario's apprenticeship system and the College of Trades.
- » The OCC, in collaboration with Essential Skills Ontario, will conduct extensive consultations with employers and make recommendations on the design of programs that encourage employer-sponsored training.

Restoring fiscal balance by improving the way government works

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- » Share responsibility for public service delivery; make government smarter.
- » Find health care efficiencies.
- » Develop a long-term strategy for public sector compensation restraint.
- » Improve results in the broader public sector.
- » Secure a better deal with the federal government.

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- » The private and not-for-profit sectors should play a bigger role in delivering public services.
- » The private and public sectors must do their part to help Ontario get back to fiscal balance.
- » Streamline public sector procurement.
- » Close the \$12.3 billion gap.
- » Tackle the underground economy to increase revenue.
- » Develop an asset management framework.
- » Engage Ontarians in a discussion on how we pay for our infrastructure.
- » Unleash private capital for public good.

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- » Business should engage the provincial government and participate constructively in a review of business supports, advocating the retention of those that work and showing willingness to forgo those that do not.
- » Conduct a system-wide audit for opportunities to transfer public services to the private and not-for-profit sectors through Alternative Service Delivery arrangements.
- » Fix federal transfers.
- » Champion a regulatory environment that enables not-for-profit social enterprise to generate revenue.
- » Continue and expand efforts to hold the line on overall compensation in the public sector.
- » The broader public sector must continue to assess and report on the health of public pensions and pension liabilities.
- » Fix arbitration at the municipal level.
- » The public, not-for-profit, and broader public sector need to accept new service delivery models, enabling experimentation in non-core services.
- » Ontarians must embrace open data to help drive program evaluation.
- » The OCC will provide government a detailed framework for evaluating the applicability of alternative service delivery models to existing public services.

Taking advantage of new opportunities in the global economy

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- » Ensure export policy is focused and strategic.
- » Building the Detroit River International Crossing.
- » Diversity trade partnerships.
- » Invest in multi-modal transportation infrastructure.
- » Leverage immigrant networks.

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- » Ontario needs to develop an export growth strategy focused on SMEs.
- » Create a one-window access point for businesses seeking export assistance.
- » Ontario must diversify its trade and leverage its diaspora connections to emerging markets.
- » Remove inter-provincial trade barriers.

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- » Ontario businesses need to enhance their exposure to new markets beyond the U.S.
- » The federal government should follow through on the Comprehensive Economic and Trade Agreement and renew its focus on the Trans Pacific Partnership as well as agreements with emerging economies.
- » The federal government needs to conduct a review of visa barriers that prohibit global firms and talent from doing business and working in Canada.
- » Ontario should provide a coordinating mechanism (or enhance an existing one, such as the Toronto Region Immigrant Employment Council) so that diaspora networks can exchange business intelligence, learn from each other, and improve their capacities.
- » Diaspora networks should play a larger role in connecting Ontario businesses to foreign markets.
- » Businesses, governments, professional associations, colleges, and other civic institutions should collaborate to help student entrepreneurs develop import and export business cases and strategies.
- » The OCC will spearhead the creation of the Ontario Export Partnership.

Identifying, championing, and strategically investing in our competitive advantages in the global economy

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- » Reorient public policy and public investment to promote strategic sectors.
- » Maximize resource development.
- » Facilitate sustainable development of natural resources.
- » Maximize the blue economy.

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- » Develop a coherent set of objectives and policies to revitalize Canada's manufacturing sector.
- » Deploy business supports strategically.
- » FedDev Ontario should be made permanent and be adequately funded.
- » Make the development of the Ring of Fire a priority.
- » Aboriginal, government, and industry leaders must accelerate dialogue and aim to build constructive partnerships.
- » Establish a coordinated approach to energy technology investments.
- » The private sector must collaborate in order to fully leverage Ontario's competitive advantages.
- » Leverage Ontario's innovation advantage.

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- » Business needs to tackle the barriers to collective action and develop global strategies in key sectors without relying on government.
- » Work with all parties and make the necessary infrastructure investments needed to spur development in the Ring of Fire. The federal government also needs to step up to the plate on the Ring of Fire.
- » Fast-track growth in the health technologies sector by embracing innovation in mobile health care.
- » Several regulatory reviews that impact the rural and agri-food sectors are pending and should be coordinated.
- » Postsecondary institutions must continue to provide training programs aimed at creating more skilled workers in Northern Ontario.
- » Ontarians need to accept the need for new revenue tools to pay for much needed infrastructure.
- » New infrastructure investments should be made with an eye to innovative partnerships.
- » The OCC will release a major study on the economic potential of the Ring of Fire in early 2014.

Acknowledgements

Sincere thanks to business, government, and civic leaders, the OCC's 160 local chamber members and their 60,000 members, and participants of the 2013 *Ontario Economic Summit* who lent their voice to the shaping of this economic vision for Ontario, *Emerging Stronger 2014*.

Photo Acknowledgements

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Pages 18, 19	Bombardier
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