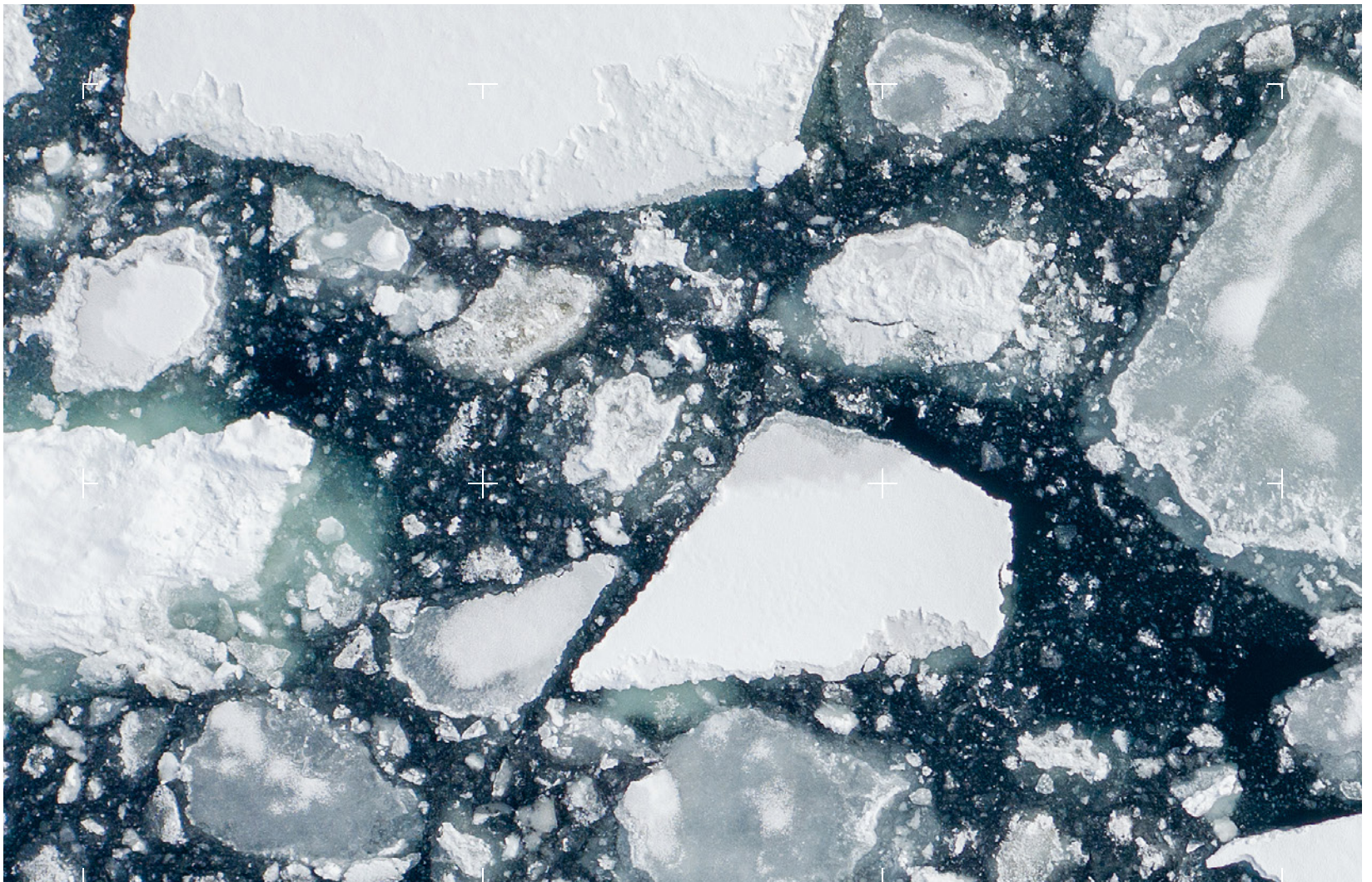


CATALYST

FUTURE OF CANADA CENTRE —————> CANADA AT 2030

A vision for a thriving Canada in 2030





The Future of Canada Centre facilitates an exploration of new ideas, viewpoints, and insights about our country's most important national issues, with the aim of helping propel Canada into a new age of growth and competitiveness. It houses a team of Deloitte's most innovative thinkers and experienced leaders, who are valued influencers in their respective fields. →



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Step back for a moment to the beginning of the year and remember the excitement and promise of the new decade that lay just ahead of us. In those few short minutes before ringing in the New Year, we had no idea how profoundly our world was about to change.

But change it did.

Seemingly overnight, a deadly virus swept the globe, taking lives, destroying economies, disrupting governments and businesses, and dramatically changing—perhaps forever—how we work and the way we live.

The way in which we reacted tested our resiliency as a nation and as individuals. We rallied to protect each other by physical distancing and wearing a mask, helped businesses recover by buying local, and supported each other, showing the world our ingenuity, creativity and, perhaps most importantly, our genuine care for one another.

It's no different at Deloitte. Our 12,000-person strong team has always been guided by a higher purpose: we exist to help and inspire our people, organizations, communities, and country to thrive. It's baked into the Deloitte Purpose—to *make an impact that matters*.

How we do that is by accelerating and expanding access to knowledge and opportunities for all Canadians. So when the world changed, we got to work. The results are reflected, in part, in the pages of this report.

We set our sights on the decade ahead—knowing that as our collective recovery begins, what we do now will echo for generations.

Before the pandemic, our country was on a path that threatened our standard of living. Despite the tremendous opportunities that come with living in Canada, we were on a course that would see life become more difficult over time. It doesn't have to be this way.

Instead, let's envision a new future. A better future. Let's use this once-in-a-generation opportunity to be bold and creative. Let's use it as a catalyst to fundamentally reshape our economy and society, and set us on a better path.

Lasting solutions are neither quick nor easy. So if we are to realize this brighter future by 2030, we must start now by making the decisions that will have a real impact on our economy, environment, and community.

Although everything still seems so unpredictable, and we can't know what the remainder of 2020 will bring, we must set our sights on the big picture—face up to the challenges, not turn away.

This *Catalyst* report is prescriptive. It raises the right questions and offers solutions; it provides recommendations to set Canada on a different path and alter the trajectory of our future. It's the first step in how we will advocate for a better country.

As we have done throughout this pandemic, all of us must continue to work together, to respect and trust each other—at no time has trust been more tested or more valued. We must decide whether we will take this opportunity to alter our course, or whether we will stand by as our influence for a better world wanes, or in Canada, our quality of life slips away. The sheer scale of the challenge requires government, business, and all individuals to do their part, to collaborate for a higher purpose—the opportunity is too important to miss if we try to go it alone or do nothing differently.

At Deloitte, we're marching deliberately forward because we know Canada and Canadians can show the world what is possible. History has asked a lot of this country and we have always responded with grit and determination.

When the world needs us most, we roll up our sleeves. We've done it before; there are no limits to what we can achieve.

Please read this report. Open your mind to the possible and let it inspire you to act and do your part to build a bigger, brighter, and stronger Canada.



ANTHONY VIEL

Managing Partner and Chief Executive



GEORGINA BLACK

Managing Partner, Government and Public Services

INTRODUCTION

2020 will be a year remembered for unprecedented uncertainties and challenges for many countries, and Canada is no exception. The COVID-19 pandemic is taking a devastating human and economic toll. Rising tensions between the United States and China are upending a world order that has long supported Canadian values and interests, and volatility in energy prices has battered industries, provinces, and the economy at large that depend heavily on energy to drive growth. We've entered the new decade challenged by the worst recession in modern history, low business confidence, and deep levels of public and private debt. →



Yet these headline crises cloak a deeper and more uncomfortable truth: even prior to the COVID-19 pandemic, Canada was not on a path to a promising future where all Canadians have the opportunity to participate and thrive.

Over the past several years, Deloitte has examined the core issues impeding Canada's path to becoming a more thriving nation. We made the business case for greater productivity in *The future of productivity* series, for equity and inclusion in *Outcomes over optics*, for global competitiveness in *Bold bets for our country*, for innovation in our series on *Canada's AI imperative*, and for infrastructure in *Canada's competitiveness scorecard*. Yet, despite these calls to action from Deloitte and other business leaders, Canada's path remains largely unchanged. And time is running out.

In this report, Deloitte uses macroeconomic modelling to project Canada's future if our country returns to its pre-COVID-19 path. The results are in line with the government's own projections, and they paint an alarming picture of our way of life at risk: an aging population, poor productivity growth, and low investment will lead to stagnated standards of living and stalled progress on national priorities and growth in an increasingly competitive global economy.¹ But we still believe that Canada is the best place in the world to live and work, and that our future is definitely still in our hands.

Discussions we held with business leaders and youth across the country has contributed to a vision of a better Canada in 2030—and our modelling shows this future is achievable if Canadians take action today. Those conversations identified three areas we should focus on supporting in the recovery from COVID-19 and help Canadians create a better country to live in. Leaders describe a nation in 2030 that is prepared for shifts in the workforce, economy, and society. But resetting Canada's path requires bold action and innovative collaboration between all levels of government, businesses, and communities.

This report begins by making the case that Canada must not return to its pre-pandemic path. We then lay out the key elements of a better future in 2030, the challenges that must be overcome to deliver this future, and the actions needed to set us on the right path.

Research approach

This report used a mixed-methods approach to conduct, collect, and analyze primary research. This consisted of economic forecast modelling, a business survey, a youth symposium, and in-depth interviews with Canadian business leaders and Deloitte subject-matter specialists.

- ♦ **Economic forecast:** Deloitte's proprietary model of the Canadian economy integrates more than 1,000 endogenous variables to model two contrasting futures: one where macroeconomic trends continue along Canada's pre-pandemic path (that we're calling *Stuck in neutral*), and one where we take measures to improve our economy (*Thrive 2030*).
- ♦ The model is made up of six key blocks: a potential economic output block, a price block, an interest rate block, a final demand block, an industry block, and an income block. The model is founded in economic growth accounting, which allows us to distinguish the contributions of both increases in the amount of capital and labour, and the rate

of technological progress to the growth rate of an economy's total output. We also used a proprietary demographic model to assess population and labour force trends, and a computable general equilibrium model to estimate the impact of carbon pricing on the Canadian economy.

The modelling approach is anchored in macroeconomic theory, and the models used for the forecast are similar to those used by Canadian bank forecasting teams, the Bank of Canada, and international bodies such as the International Monetary Fund.

- ♦ **Business survey:** We surveyed 845 senior business executives across Canada from May 28 to June 21, 2020. The data presented

in this report has a margin of error of +/- 3.4 percent at a 95 percent level of confidence. The survey data has been weighted to Statistics Canada population data for Canadian enterprises by size and region.

- ♦ **Youth symposium:** We hosted a virtual symposium with students and young leaders of diverse backgrounds from across Canada. Participants shared their perspectives on the major trends shaping the next decade and their vision of Canada in 2030.
- ♦ **Interviews:** Interviewees included CEOs and senior leaders in large, medium-sized, and fast-growing companies, with representation from every region and major industry.



THE CASE FOR NOT RETURNING TO NORMAL

*A nation stuck
in neutral*



The current economic crisis is the worst in Canada's modern history. Volatility in energy prices and the decline in economic activity due to health risks have required aggressive action to avoid worst-case outcomes. Although diligent actions by Canadians have so far prevented the outcomes seen elsewhere, the health risk and the economic impact of the pandemic will persist until a safe and effective vaccine or treatment is widely deployed.

Canadian population aged over 65

Share of the population, percent

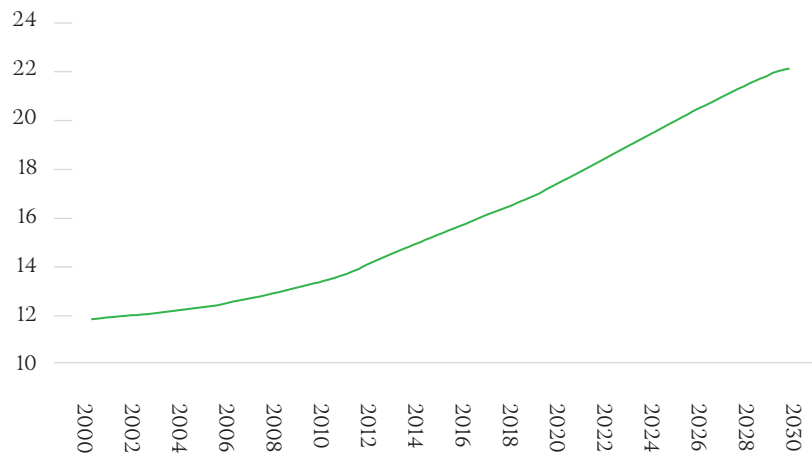


FIGURE 1: NOT ENOUGH WORKERS

By 2030, the share of Canadians over age 65 is expected to nearly double. Combined with a low fertility rate, Canada's labour force growth will stagnate. The number of available workers will be the limiting factor of our nation's economic growth potential.

Private sector business investment, 2019

Share of GDP, percent

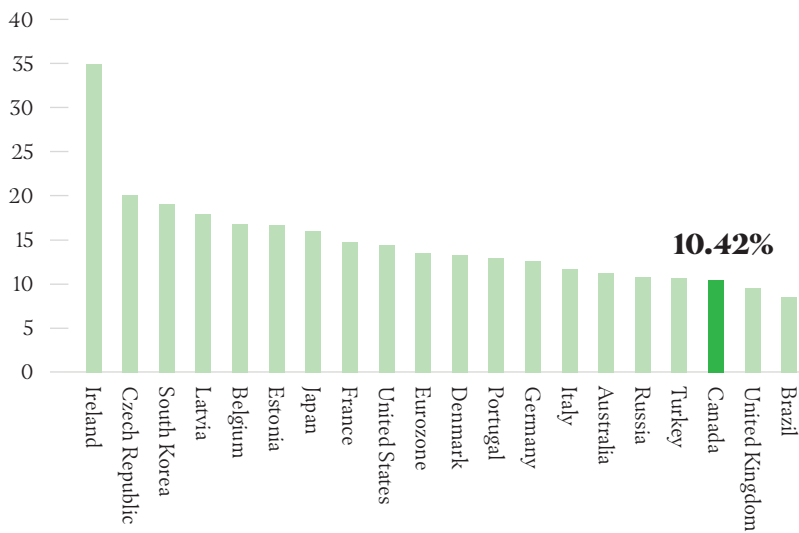


FIGURE 2: NOT ENOUGH CAPITAL

Business investment in Canada is nearing record lows not seen since the Great Recession. Investment in machinery and equipment continues to decline. Businesses are not replenishing capital stock and are continuing to fall behind globally. Low business investment has been one of the main reasons for poor economic growth in Canada.

In the face of today's uncertainty, one thing is clear: just as in past crises, Canada will recover. But how and to what degree is another matter. Based on our analysis, if Canada returns to our pre-pandemic path, GDP growth will slow to an average of just 1.7 percent per year (in real terms), much lower than average annual growth over the past decade (2.2 percent) and in the decade leading up to the Great Recession of 2008-09 (3.2 percent). In this *Stuck in neutral* forecast, which serves as our base case, the sluggish growth rate is driven by long-standing trends limiting Canadian productivity: slowing labour force growth, weak additions to the capital stock, and insufficient innovation (see Figures 1-3).

Productivity growth
GDP per employee, percent

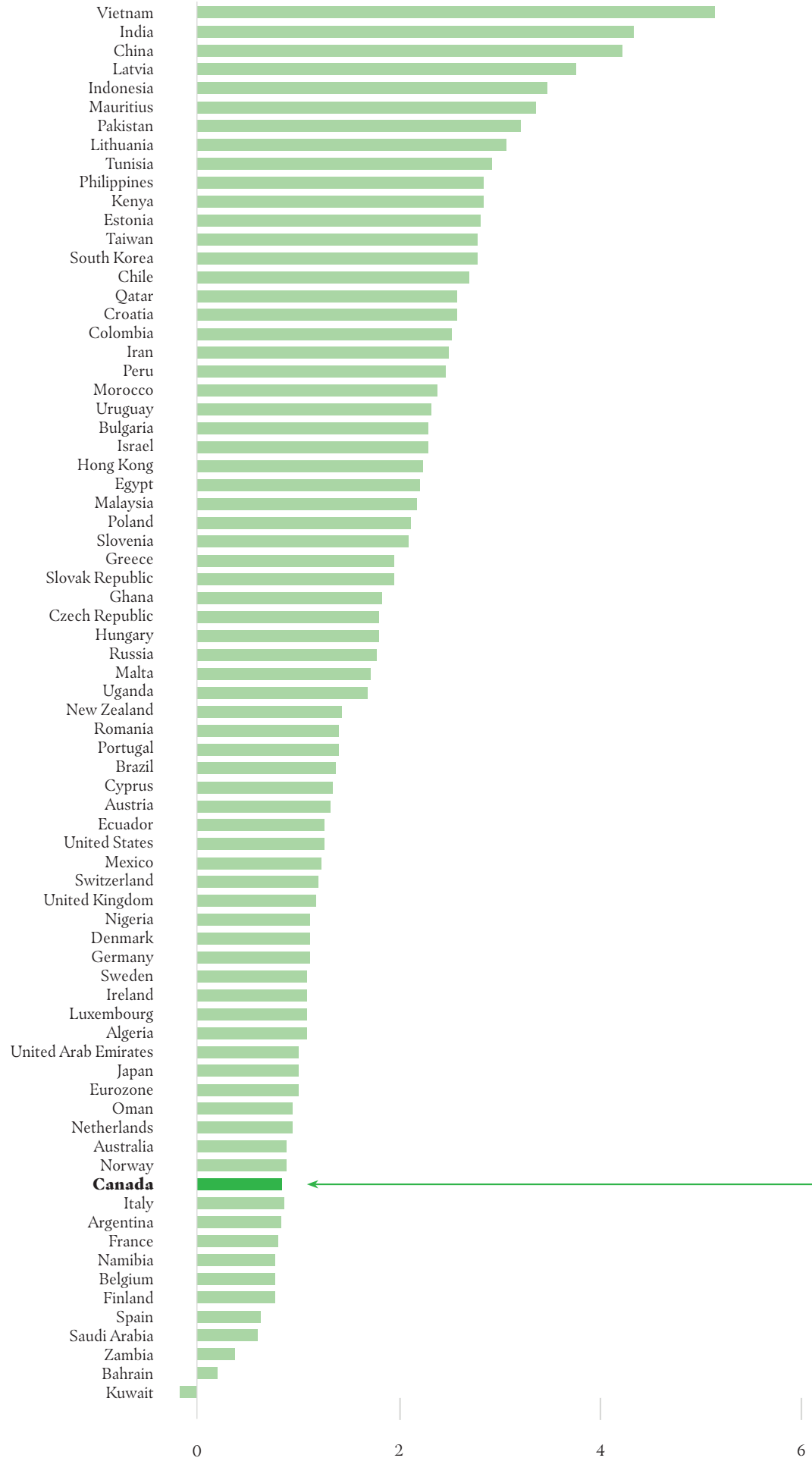


FIGURE 3: MISSING THE SECRET SAUCE

Although productivity growth has slowed throughout the developed world, Canada's particularly sluggish growth puts us behind our global counterparts—meaning our economy is less competitive and generates less income. Canadian businesses find it harder to grow.

The low growth projected in the *Stuck in neutral* forecast should make business and government leaders—and all Canadians—very concerned for the future. Increases in our collective standards of living are made possible by productivity gains. If GDP grows slowly, so do incomes, profits, and government revenues. Slow growth also makes it harder to pay for the things Canadians value in society—for example, health care costs will become increasingly unaffordable (see Figure 4). In response to the pandemic, governments are taking on large debts, and slowing growth means they will find it more difficult to service those debts (see Figure 5). Provincial governments, in particular, will struggle to pay for rising costs in the years to come without faster growth.

In short, if Canada's GDP doesn't grow more rapidly than predicted, Canadians will no longer feel they are getting ahead, and will likely experience a reduction in their standard of living. There's a real chance they will not see a brighter future ahead for their families, and will demand change. Rising populism, nationalism, and protectionism around the world show us that a diminished belief in a better future can lead to social unrest and significant economic risk.

At the same time, GDP isn't the only thing that matters. Economic growth doesn't guarantee that wealth will be equitably distributed, and it won't prevent the unintended consequences that growth has on people (such as uneven wealth distribution), on the environment (accelerating climate change), or on our nation's resilience. To capture these objectives, we need a broader idea of what makes a thriving future.

Government health care spending as a share of revenues

Percent

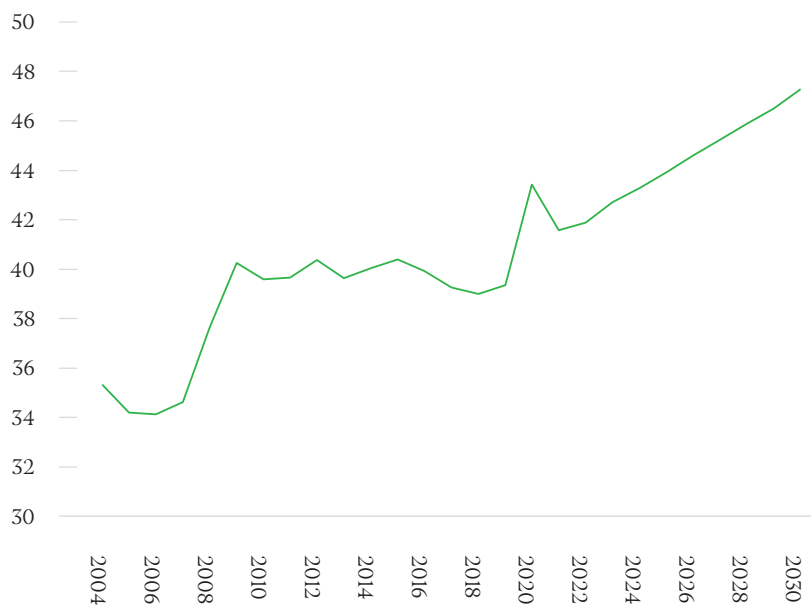


FIGURE 4: HEALTH COSTS BECOMING GREATER BURDEN

As Canada's population ages, an increasing share of government budgets must be devoted to health care. In a 1.7 percent Stuck in neutral forecast, this will force governments to increase taxes or reduce spending.

Net debt as share of GDP

Percent

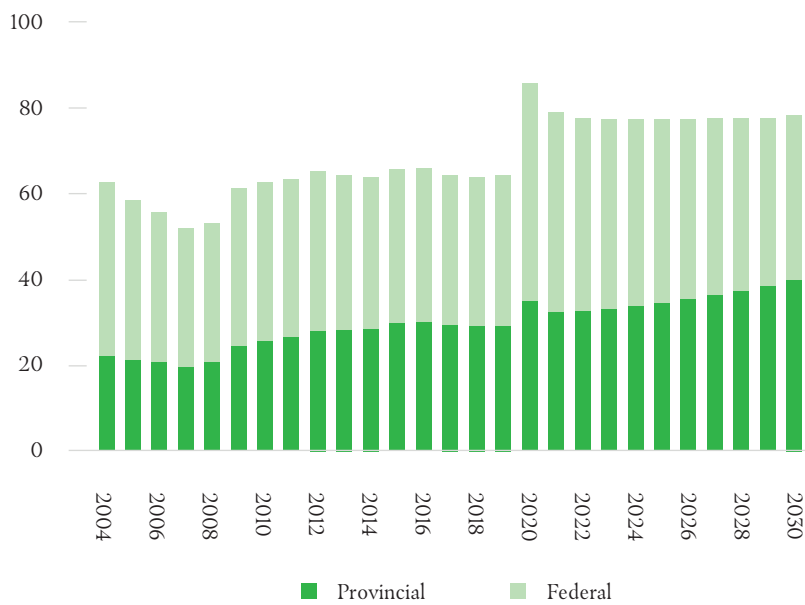


FIGURE 5: SLOWING GROWTH MAKES DEBT-SERVICING COSTLY


The COVID-19 pandemic has forced governments to borrow, but slow growth means they will be saddled with large debts for the foreseeable future. Even in an environment of extremely low interest rates, interest payments will rise, putting additional pressure on budgets. Faster growth is needed to lower debt levels without having to resort to severe austerity measures.

A dense forest of evergreen trees, likely spruce or fir, with a misty atmosphere. The trees are lush green, and the mist is soft and ethereal. In the foreground, a chain-link fence runs diagonally across the bottom right corner. The overall scene is serene and natural.

**A
NEW
OUTLOOK
FOR
CANADA:
THRIVE
2030**



FOUNDATIONS OF THE VISION

To build a vision of what Canada must strive for by 2030, we spoke to leaders, and future leaders, from across the country (see “Research approach” on page 08 and “Collecting the views of Canada’s future leaders” on page 30). It was clear from these conversations that the COVID-19 pandemic has stress-tested our economy and society, revealing both strengths and weaknesses. But it also fundamentally changed views on what success looks like and how best to achieve it. For Canada to thrive in the post-COVID-19 decade and beyond, it must focus on improving resilience in three areas: its people, industries, and societal systems. 



1

People

- ◆ More equitable and inclusive economic outcomes for marginalized groups
- ◆ Future-ready Canadians: workers with the skills and education to lead the future of work



2

Industry

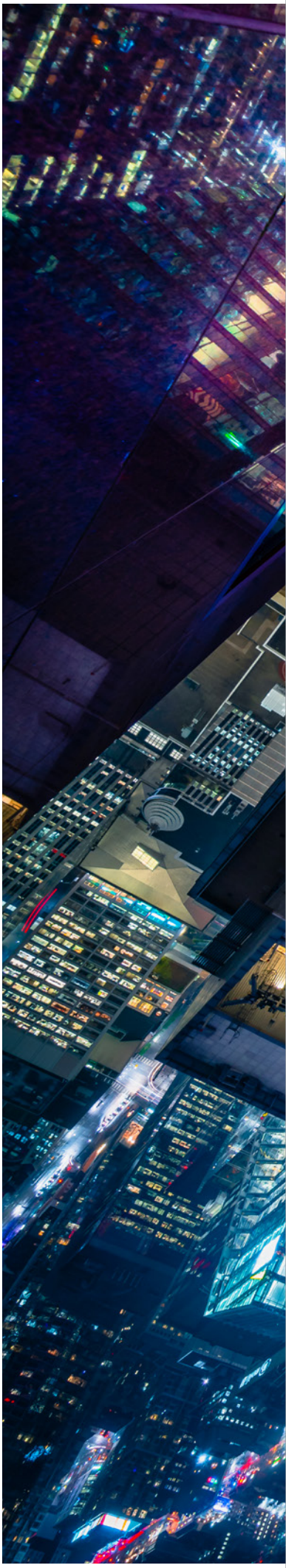
- ◆ More globally competitive businesses and industries
- ◆ Businesses leading in innovation, including digital innovation



3

Societal systems

- ◆ A society that is prepared for the next crisis, whether it be health, economic, or environmental



IMPACT ON THE ECONOMY AND SOCIETY



We integrated these three areas—people, industries, and society—into what we’re calling the Thrive 2030 forecast to demonstrate that investing in resilience pays off and is achievable. Under this forecast, Canada’s average annual GDP growth rate rises from 1.7 percent to 2.7 percent which, relative to the Stuck in neutral forecast, represents an increase of more than \$350 billion (a 10.4 percent increase) in 2030. Per capita, this translates to a \$4,900 increase in annual income, and a notable improvement in quality of life. Unlocking Canada’s potential would also put us at the top of the G7 in economic growth and job creation, making the nation more attractive for both businesses and global talent. This has to be our target. —————>

GDP per capita in 2030

C\$ (2020 prices)

\$66,800

Stuck in neutral forecast

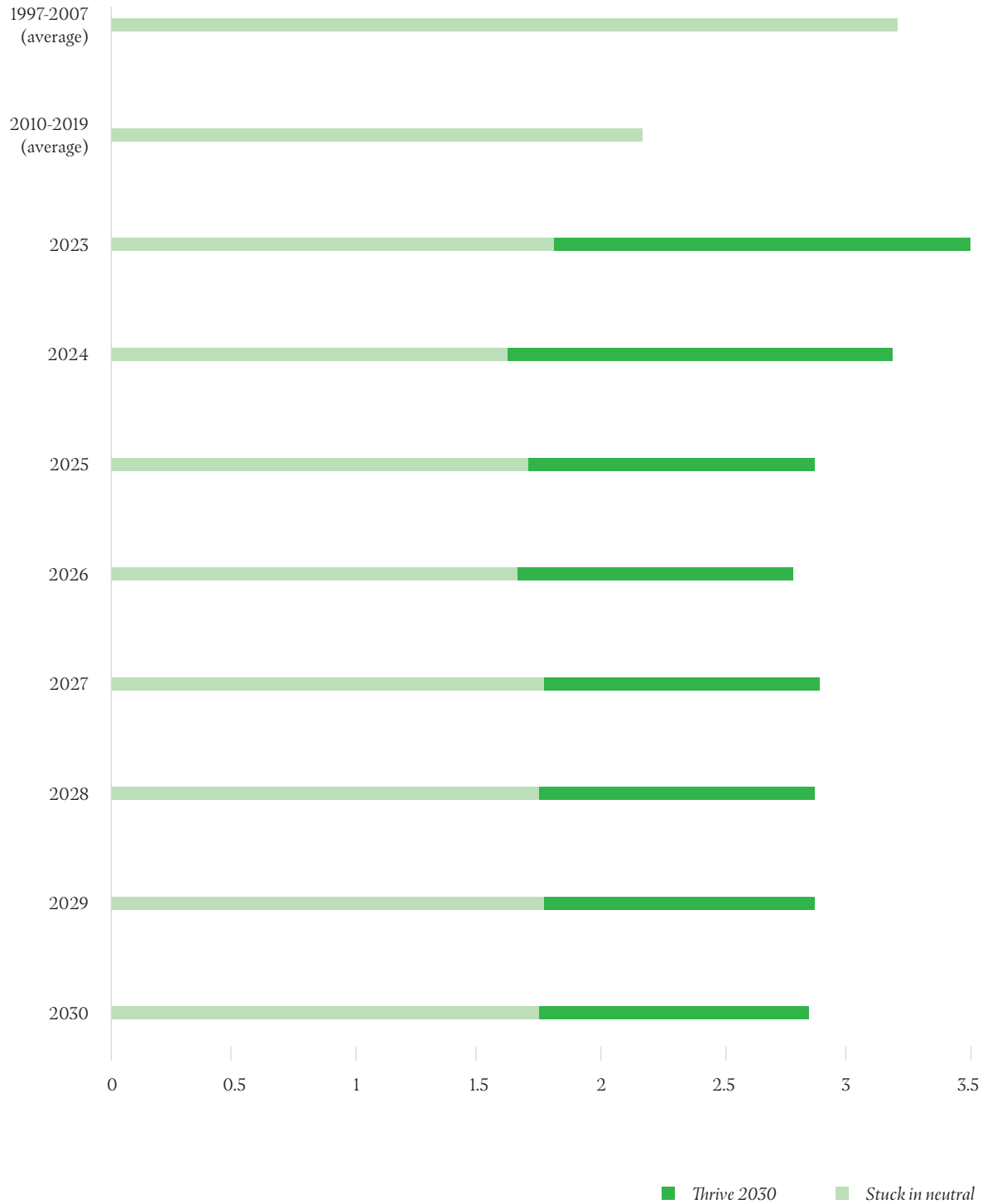
\$71,700

Thrive 2030 forecast

For a detailed breakdown of economic drivers in the Thrive 2030 forecast, see the appendix.

Better growth is possible if Canada takes action

GDP percent change, historical and projected



GDP
growth
goes from

1.7%
to 

2.7%



People

Growing the labour force through economic inclusion and immigration

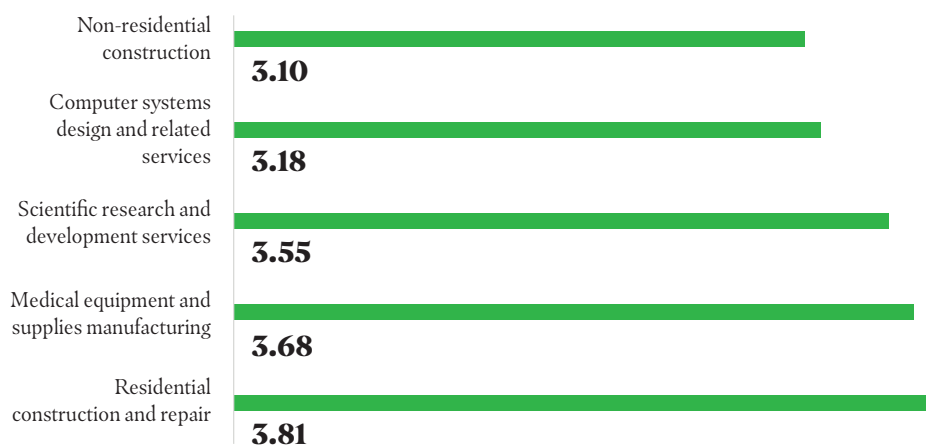
Canada could increase its labour force by an estimated 1.7 million workers by eliminating barriers facing underrepresented groups looking to enter or advance in the workplace. This includes women, older people, people with disabilities, and Indigenous and racialized peoples, as well as—crucially—immigrants, new talent needed to help our workforce grow overall. The resulting boost in hours worked and overall labour force participation would increase average real GDP growth by 0.7-0.8 percent annually, lifting the annual trend pace of economic growth by 50 percent.

Preparing workers for the shift to a knowledge- and service-based economy

The Canadian industrial composition is shifting from an industrial base to higher-value-added services such as life sciences, health care, and technology—but the speed of that shift is accelerated in the *Thrive 2030* forecast. Under this forecast, traditional industries still grow and lead, aided by new technology and investment, but they become a smaller part of the overall economic pie. The key to successfully making these shifts will be ensuring that Canadian workers (especially in traditional industries) have suitable, realistic, and affordable paths to transition to these faster-growing industries.

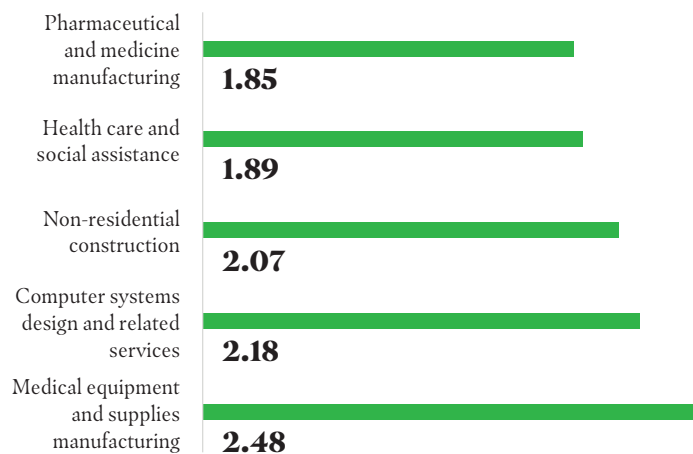
Fastest-growing industries, Thrive 2030 forecast

Percent growth



Fastest-growing industries, Stuck in neutral forecast

Percent growth



Industry

Increased investment in capital and productivity enhancements—with a digital focus

Currently, Canada's level of total business investment at 10.4 percent of GDP is among the lowest in the developed world, and simply catching up with its global peers would have a huge impact. By encouraging investments in innovation, intellectual property, and infrastructure, Canada could raise capital stock by more than \$230 billion compared to the *Stuck in neutral* forecast—ensuring our nation will become more globally competitive. In particular, increased investments in digital infrastructure could allow all individuals and businesses to compete digitally regardless of where they are based, and increased investments in software across all industries would set up Canadian businesses to compete against their global peers.

Building a future-ready workforce will also help Canada increase its productivity performance. Through modelling, we found that the business sector's multi-factor productivity growth rate could increase to an average of 0.8 percent annually—double the average rate of the past 20 years.

Societal systems

Making real progress on emissions

Canada is not currently on track to reduce carbon emissions enough to reach our Paris Agreement targets by 2030. But modelling shows that a carbon-pricing strategy to steadily increase the price of emissions (to \$114 by 2030) could substantially lower emissions, allowing us to meet reductions laid out in the international agreement. It would have to be complemented with other measures (e.g., implementation of ambitious standards and incentives that accelerate the adoption of clean technologies) to achieve positive environmental outcomes across all industries, and allow Canadian industries to lead globally on sustainable innovation.

While increased carbon pricing would lead to a 0.5 percent reduction in Canada's GDP compared with the *Stuck in neutral* forecast, where the carbon price is not increased, in the *Thrive 2030* forecast the recycling of carbon revenues limits the negative economic impact, and the loss is more than offset by economic gains from labour market improvement and increased capital investment. High-carbon-emitting industries, such as the energy sector, are the most affected by the rising carbon price. Nevertheless, the Canadian energy industry would remain a global leader, continuing to grow and to make a material contribution to the national economy, even if its relative share of GDP declines due to faster growth in other industries.

Improved quality of life and fiscal health

Strong, sustainable GDP growth in the *Thrive 2030* forecast allows for increased economic opportunities and improved standards of living for all Canadians. Removing barriers that hold back marginalized groups from participating and advancing in the workforce also has a positive impact on health and education outcomes.

A thriving Canada also leads to improved public- and private-sector fiscal health. In the *Thrive 2030* forecast, increasing capital stock and productivity, as well as shrinking the skills gap, means corporate profit growth is 0.7 percent faster per year while per capita income increases by 7.2 percent, with \$1.6 trillion in additional take-home income over the next decade compared with the *Stuck in neutral* forecast. Governments would also see higher revenues, allowing them to spend more to stimulate growth, bridge the infrastructure gap, and reduce debt.

Collecting the views of Canada's future leaders

Through consultations with young Canadians during a day-long virtual symposium (see “Research approach” on page 08 for more details), we heard bold visions of the future: a future where Canada is the most inclusive place in the world, where the public and private sectors lead together, and where we take a global leadership position on key issues.

Young leaders envision an ambitious future for Canada at 2030, one enabled by future-ready skills such as digital literacy and lifelong learning.

This begins with redesigning early education to focus on data skills, coding, and technology ethics. Young leaders highlighted the role of public-private collaboration in establishing the necessary physical and digital infrastructure (e.g., remote high-speed internet, next-generation learning software) and expanding work/study programs, which build future-ready skills.

Beyond the classroom, young leaders believe private organizations should determine future skill requirements based on customer needs, and tailor their employee learning programs accordingly. Digital platforms democratize knowledge for all employees, regardless of level and tenure, via a cloud-based and AI-enabled hub of customized, experiential learning. Young leaders similarly expect the public sector to incentivize workforce retraining. Together, these actions would establish Canada as a leading digital talent pool, and sustainably mitigate structural unemployment.

Young leaders view innovation as key to securing Canada's future.

Technology must transform to promoting privacy and inclusivity—and Canada, as a trusted middle power, is uniquely positioned to shape global innovation standards and governance in this direction. Young leaders see next-generation technology, such as artificial intelligence (AI), as a way to reducing discriminatory practices more effectively than we can today, backed by strong codes of ethics and policies that fight discrimination.

They envision this journey beginning with creative public-private partnerships, such as crowd-sourced competitions or funding degrees and research in areas of strategic national importance. These partnerships would drive social good and build a strong Canadian innovation brand on the global stage.

Young leaders set a high bar for Canadian sustainability goals.

By 2030, they see Canada as the world leader in clean energy and sustainable agriculture, ranked among the top five Organisation for Economic Co-operation and Development (OECD) countries for sustainability overall. Canada would play a leading role in helping the developing world achieve climate targets, by facilitating international standards and sharing best practices from its own experiences.

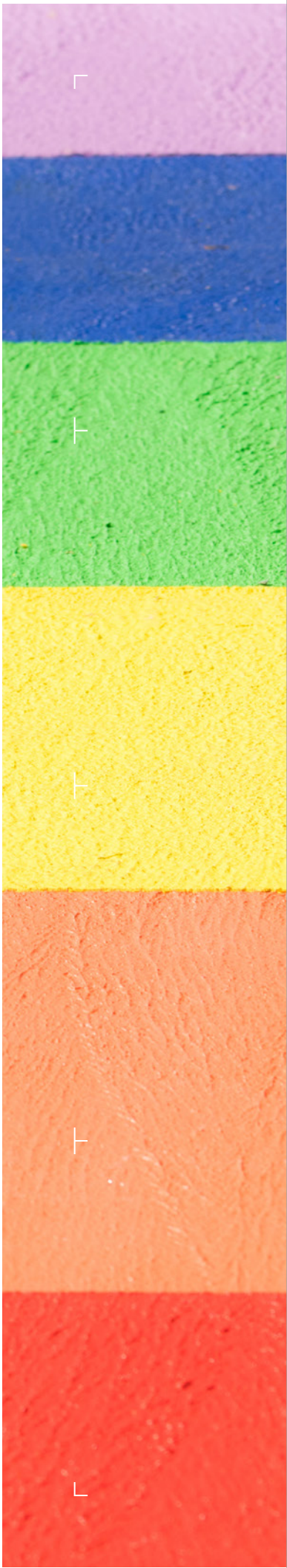
In this future, Canadian governments partner with universities and the private sector to research and scale up renewable energy and clean technology (cleantech). Mandatory public and private environmental audits track progress and enforce tangible, material action. Green initiatives transform city centres into mixed-use spaces. And all of these actions are designed and executed through the lens of intersectionality, such as by incorporating Indigenous practices and perspectives.



**THREE
KEYS
TO
A
THRIVING
NATION**

The Thrive 2030 forecast is clearly a better future for all Canadians. What needs to happen to achieve it? Here, we lay out the three key objectives, the barriers to reaching them, and the steps business and government leaders need to take to position the country for a brighter future. →





1. PEOPLE

*Enable a diverse and
future-ready workforce*



→ Take targeted action to address labour market barriers for underrepresented groups

Marginalized groups in Canada face long-standing economic disparities, including wage gaps, lower labour participation rates, and higher unemployment and underemployment.

- ♦ Immigrants are often underemployed, unable to find work that fully utilizes their skills. This deficiency costs Canada up to \$50 billion annually in unrealized GDP.²
- ♦ Over 600,000 Canadians with disabilities say they would look for work if minor workplace barriers were removed. Today, only 61.5 percent of Canadians with a mild disability are in the workforce.³

- ♦ By 2030, Indigenous workers will make up 7 percent of the labour force, yet they are systematically underrepresented in Canadian businesses.⁴ The gap in employment rates between Indigenous and non-Indigenous workers was 4.6 percentage points in 2019, with Indigenous workers disproportionately concentrated in low-wage sectors.

Many of these inequalities have worsened during the pandemic, with women and underrepresented groups far more likely to become unemployed than men or non-racialized groups.⁵ These disparities are not just a moral failing, but an economic one—the model illustrates that a larger and more inclusive labour force can drive productivity growth.

Every organization should take action to help ensure that all Canadians who want to work can do so, starting with a systematic review of internal practices to seek out unintentional biases and barriers. They should endeavour to:

- ♦ Support immigrant talent in finding mentorship (or, better yet, sponsorship), building community connections, and providing internships or other pathways for specific communities.⁶
- ♦ Empower people with disabilities through (sometimes minor) physical or environmental accommodations, reducing bias through employee training, and ensuring software and hardware is accessible.⁷
- ♦ Welcome Indigenous workers with focused training and upskilling, increased availability of Indigenous cultural competency programs, and by championing Indigenous culture in the workplace.⁸

For businesses, greater equity and inclusion in the workplace is the right thing to do. It also makes business sense. The business case for diversity and inclusion has been supported by research, including by Deloitte.⁹ Inclusive organizations are more innovative, resilient, and likely to win in the marketplace.¹⁰

Governments can help by providing incentives (e.g., for workplace accessibility investments), linking professional accreditation bodies to the immigration process for easier and smoother recognition of credentials, and keeping programs for training and accommodation flexible based on employment demand data. These steps will help ensure government attention and funding is focused on the industries where marginalized groups are most likely to find suitable employment.



Youth unemployment

Young workers have been particularly impacted by the pandemic-related recession, and past recessions show us that the economic scarring caused from entering the workforce during a recession can persist for a lifetime.¹¹ Governments must respond by targeting education toward developing skills that employers demand and by providing opportunities for practical experience and a clear pathway to employment.



“

Canada can't really be prosperous until it confronts reconciliation and the architectural change it requires—not only with Indigenous peoples but also with the Black community and other racialized groups. They are not necessarily the same forms of oppression and responses to colonization, but they are drawing out of the same well.

*Jeffery Hewitt, Assistant Professor,
Osgoode Hall Law School*





→ Provide access to affordable childcare to drive gender equity

Even before the pandemic, childcare was a critical challenge for working parents. Access and affordability vary widely, with parents in Toronto paying up to 10 times more than those in Montreal, for example. Prior to the pandemic, Canada ranked lowest in the OECD in public spending on early childhood education and care, at merely 0.3 percent of GDP.¹² COVID-19 shows that the bulk of childcare duties still disproportionately falls to women, as women's workforce participation dipped to 55 percent for the first time since the mid-1980s, and employment among women with children fell nearly twice as much as among men with children.¹⁵ Our analysis illustrates that providing affordable and high-quality early childhood education will allow more women to participate in the workforce and help close the gender wage gap.


Federal and provincial/territorial governments must work together to make more funding available for subsidized childcare spaces, especially where available jobs outnumber available workers. Experts tell us that funding for social infrastructure (e.g., physical space) and for increasing the number of early childhood educators will expand long-term capacity, and organizations large and small have shown that every dollar invested in childcare pays back multiples to society over time.¹⁴ The federal government has announced increased childcare spending as part of the pandemic recovery process, but this sector needs longer-term support (and increased cooperation between different levels of government) to overcome the nation's existing childcare deficit.

The pandemic has also illustrated the need for flexibility when working from home with children. Especially as an increasing number of jobs can be done at least partially remotely, businesses that codify flexible work policies for employees will have a massive advantage in recruiting talent. In the absence of a governmental solution, businesses should also consider including childcare aid as part of a flexible benefits package.

→ Better align education systems with labour market realities

By 2022, the World Economic Forum predicts 54 percent of employees will need to undertake significant reskilling.¹⁵ In Canada, 41 percent of human resources executives surveyed said their companies are already moderately or severely impacted by skills shortages.¹⁶ Many workers struggle to find the money and time to devote to training: one 2019 survey found that 63 percent of Canadians said lack of funds was a barrier to retraining, while 53 percent said the time commitment was a barrier.¹⁷ For at least the last decade, Canadian employers have spent less than their counterparts in the United States on training employees.¹⁸

The Canadian skills problem starts even before workers step into the workplace. Canada's post-secondary education system largely consists of two- and four-year degrees, based on the assumption that people need to be educated only once, although studies suggest today's workers will hold 15 jobs over the course of their career.¹⁹ Working life is also longer—nearly 20 percent of Canadians aged 65 and older are still in the workforce. Educational curricula, too, are often out of touch with market realities.²⁰ While Canada has no shortage of labour market information, the data is often fragmented and incorporated much too slowly into education decisions. Ontario's computer-science curriculum was last updated in 2008, for example, though the math curriculum was updated in 2020 to include coding.²¹



Labour market information for Indigenous peoples in Canada suffers from a large data gap, hindering efforts to improve outcomes.

Available data shows that Indigenous workers are among the most likely to be employed in jobs that are expected to decrease, and least likely to be in growing occupations, meaning targeted reskilling programs could be particularly valuable.²²

The redesign of education must start with a new level of partnership between educational institutions, especially at the post-secondary level, and employers. Deloitte research has found that involving business in the design of training programs will help ensure in-demand skills are developed. Employer-led training will address labour shortages by retraining and reskilling existing employees, allowing their employees access to high-quality, on-the-job instruction.

In addition, accreditation has to be re-imagined, empowering a wider range of organizations to deliver and accredit, as well as accepting accreditation in lieu of more formal education. This shift must be complemented by enhanced information on employment outcomes for graduates, allowing students to make more informed career choices. Traditional post-secondary institutions must be accountable for graduate outcomes, similar to programs such as Lambda School in the United States. Similarly, Canada needs to double down on experiential learning models. Today's successful models—apprenticeships for the skilled trades, articling for law, residencies for medicine, or practicums in teaching and accounting—must be expanded to a broader range of professions.

PEOPLE

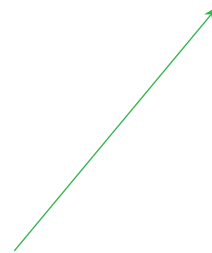
Enable a diverse and future-ready workforce



AVERAGE WAGES

Stuck in neutral

25%
HIGHER
than 2020



Thrive 2030

34%
HIGHER
than 2020

This translates to an extra
→ **\$94/week**
for the average worker in the Thrive 2030 forecast

1.7 MILLION



NEW WORKERS ARE ADDED TO THE WORKFORCE
IN THE *THRIVE 2030* FORECAST. THIS INCLUDES:

500,000

*Canadians with disabilities,
due to modifications to workplaces*

90,000

*women empowered by improved
early childhood education*

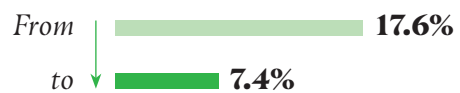
38,000

*additional Indigenous workers
empowered through training
and skilling*

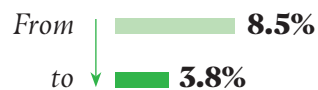


WAGE GAPS CLOSE MORE RAPIDLY FOR:

Women

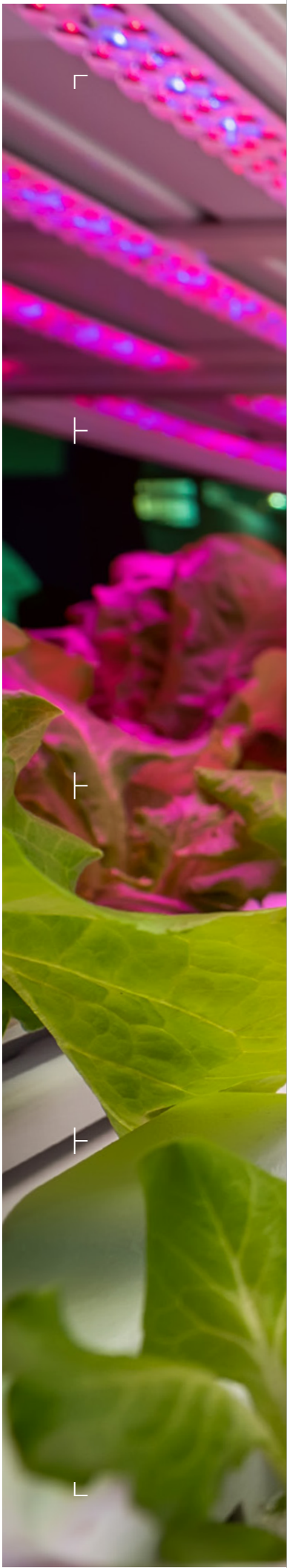


Indigenous peoples



New immigrants





2. INDUSTRY

*Create the conditions
for the emergence of
global champions*





Accelerate investment in digital and physical infrastructure

Strong digital infrastructure is an essential component of an innovative 21st-century economy—and pandemic-related lockdowns have reinforced the need for reliable connectivity. Canada’s mix of public and private investment has been effective, but slow to roll out the next-generation 5G networks.²⁵ Connectivity in Canada is further impeded by the high cost of internet service, and today fewer than half of Canadians living in rural areas and Indigenous communities have access to fast and affordable internet service.²⁴ Government and business need to generate creative solutions and partnerships to build and fund affordable connectivity for all Canadians.

For many of the businesses we spoke to, the pandemic has accelerated their digital investment. But Canadian businesses must also level up investment in their digital infrastructure, including data, AI, and technologies and tools to improve productivity. For example, even prior to the pandemic, Canadian businesses lagged behind their global counterparts in investing in software by a considerable margin (they lag their US peers in particular, by 5.2 percent). Canadian businesses are also more likely than their global counterparts to report slowing down their investment in AI due to risks.²⁵

“

Indigenous communities are losing a lot of talent despite the fact that many of our people who leave to pursue higher education have a desire to return home, but are unable due to the lack of employment opportunities and infrastructure on reserve.

COVID-19 showed that people can work from anywhere in the world as long as you have connectivity, but there's an infrastructure deficit across Indigenous communities of between \$30 billion and \$40 billion. It's imperative that we as a country need to unleash the capacities of Indigenous communities by installing Wi-Fi, high-speed cable, and internet in all our communities.

*JP Gladu, Chief Development and Relations Officer,
Steel River Group
and former President and CEO,
Canadian Council for Aboriginal Business*



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When we emerge from this pandemic, there will be a digital artifact that provides an impetus for a leap forward in the expansion of Canada's digital economy and society.

This is not just about the power of digital technology, but also how we translate it into meaningful services that drive innovation and value for businesses and consumers, and support the transformation of essential social models, such as patient-centred health care, universal education, environmental stewardship, and socio-economic parity.

*Darren Entwistle,
President and CEO, TELUS*



Investment in physical infrastructure must also align with national growth priorities. According to the Global Competitiveness Index from the World Economic Forum, the quality of Canada's infrastructure lags that of competitor countries and has been declining in recent years.²⁶ Based on our labour force and productivity growth projections, Deloitte estimates that over the next 50 years, Canada will need between \$11 trillion and \$22 trillion in investment to meet infrastructure and real estate needs. That deficit, if not fixed, will show up not just on paper, but in roads, airports, and digital access.

Canada requires infrastructure strategies that take a longer view than the 10-year time horizon of this report. They must be divorced from the political cycle, as they require establishing apolitical bodies to develop them, and to monitor and report on their implementation. Closing the infrastructure and real-estate deficit will also require public and private actors to come together to create new funding and operating models.

“

There is always a desire to stimulate the economy through infrastructure, but the outcome is very seldom achieved. In Canada, after 2008, there was a push to stimulate the economy through infrastructure, but the crisis was over before the project became shovel-ready. The reality is there needs to be a shift in the way that infrastructure is both funded and delivered.

*Ian Edwards, CEO,
SNC-Lavalin*

→ Improve commercialization of Canadian innovation

Innovation today is increasingly dependent on the ownership of valuable intellectual property (IP) and data, yet Canada's weakness in filing and strategically using patents, especially in non-digital industries, puts us at a disadvantage.²⁷ For years, Canada has lagged behind other developed countries, such as Germany, France, and South Korea, in patents per capita. This is especially important for small and medium-sized enterprises (SMEs), which are three times more likely to have expanded domestically and 4.3 times more likely to have expanded internationally if they hold formal IP.²⁸

Canada's gross public and private expenditure on research and development (R&D) has steadily declined since 2007, accounting for only 1.5 percent of GDP in 2019.²⁹ At the same time, countries such as France, Germany, Sweden, and South Korea have increased R&D

spending and concentrated their efforts on specific sectors in order to compete with the United States and China, which are able to spread R&D investment across sectors.⁵⁰ These differences in R&D spend is widening the gap that Canada must close to remain competitive.

The Manufacturing USA institutes—in which businesses, post-secondary institutions, and government work together to drive innovations from research to profitability—are a roadmap for Canada to follow, in order to provide funding for universities and colleges to continue their research efforts, and to ensure Canadian companies can access cutting-edge, made-in-Canada technology. The federal government must expand its current IP strategy to provide a centralized resource for universities and colleges, providing researchers with access to IP education initiatives, and helping colleges and universities manage the costs of IP generation, protection, and strategy.⁵¹

In July 2020, Ontario announced the province's first Intellectual Property Action Plan, recommended by the Expert Panel on Intellectual Property. This plan will boost Ontario's competitive advantage by helping entrepreneurs and startups generate, protect, and commercialize their IP.

→ Invest in sectors where Canada can realistically lead

While industries such as manufacturing and oil and gas have traditionally propelled Canada's economic growth and competitiveness, Deloitte's *Stuck in neutral* forecast shows that these industries are expected to see slower growth over the next 10 years compared with the national average. The *Thrive 2030* forecast accelerates this trend, with sectors such as medical manufacturing and technology, and clean energy, growing far faster in the years to come. Canada must generate world-leading companies in these sectors to grow into our potential.

The Canadian CEOs we spoke with emphasized the need for Canada to focus public and private investment in targeted industries and technologies that can stand out on the world stage, such as cleantech, food and agriculture, medical technology and life sciences, and advanced manufacturing. This requires developing a national strategy (not regional initiatives) to promote productive areas of private investment, and sectors that have the potential to grow at scale. But we need to be realistic about the sectors in which Canada can become globally competitive, and not give the same attention and funding to every sector, given our population and the size of our economy. It may seem “un-Canadian,” but our reality will require choices as to where to put our efforts and limited resources. At the same time, the only way this process will go smoothly is if workers in lagging industries are given the opportunity to reskill, reinvent, and relocate—hence the importance of updating education systems and transition programs and support.

Barriers to startup success and growth in priority sectors must also be addressed. Ensuring startup growth is vitally important to Canada's productivity and future economic success, as the gap between the productivity of small and large firms is bigger in Canada than in other countries, such as the United States.⁵² Startups in Canada struggle to secure the late-stage capital required to scale up.⁵³ Lack of financing prevents SMEs from investing in innovation, improving their productivity, and expanding to new markets. Most government innovation programs focused on SMEs fall away as companies gain size and profitability, creating a disincentive to scale further.⁵⁴ And the corporate small-business tax rate, among other tools, still de-incentivizes growth. As governments of all levels re-examine tax policies post-pandemic, they must ensure, at minimum, that the tax code does not create disincentives for growth companies.

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Coming out of the COVID-19 crisis, Canada should focus more on industrial policy. Rather than simply following the examples of other countries, we should evaluate what has worked well in Canada and double down on our own industrial strengths and innovations.

*Iain Klugman,
CEO, Communitech*

INDUSTRY

Create the conditions for the emergence of global champions



COMPANIES' PROFITS

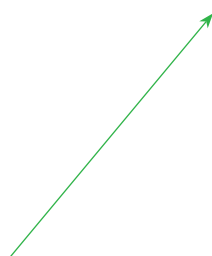
\$18 BILLION HIGHER

Canadian companies' profits are \$18 billion higher in 2030 in the Thrive 2030 forecast as compared to the Stuck in neutral forecast.



TECHNOLOGY INVESTMENT

10.8%
*of all investment is
in digital technology
(up from 8.8% today)*



This translates to a
\$6.4 BILLION
*boost in software
investment*

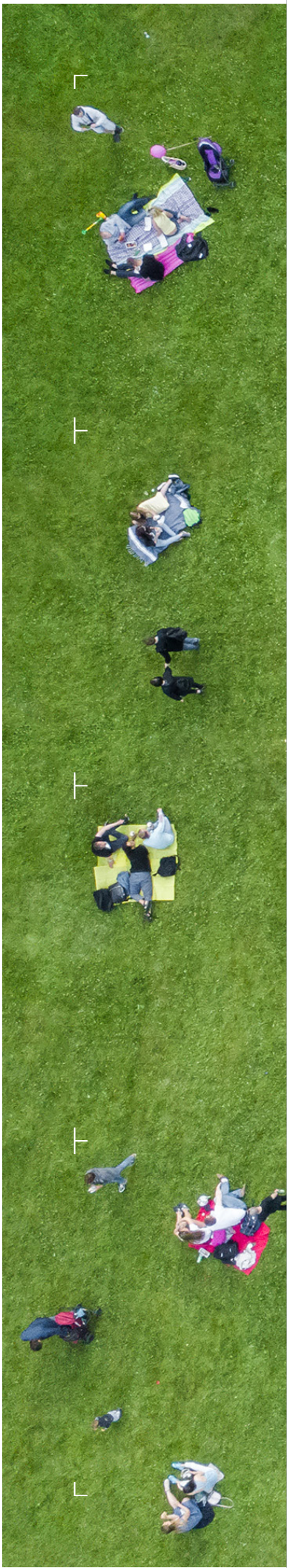
GDP GROWTH

12.8% *Business investment reaches
12.8% of GDP (up from 10.4% today)*

*This puts Canada in the top
quartile of the OECD*

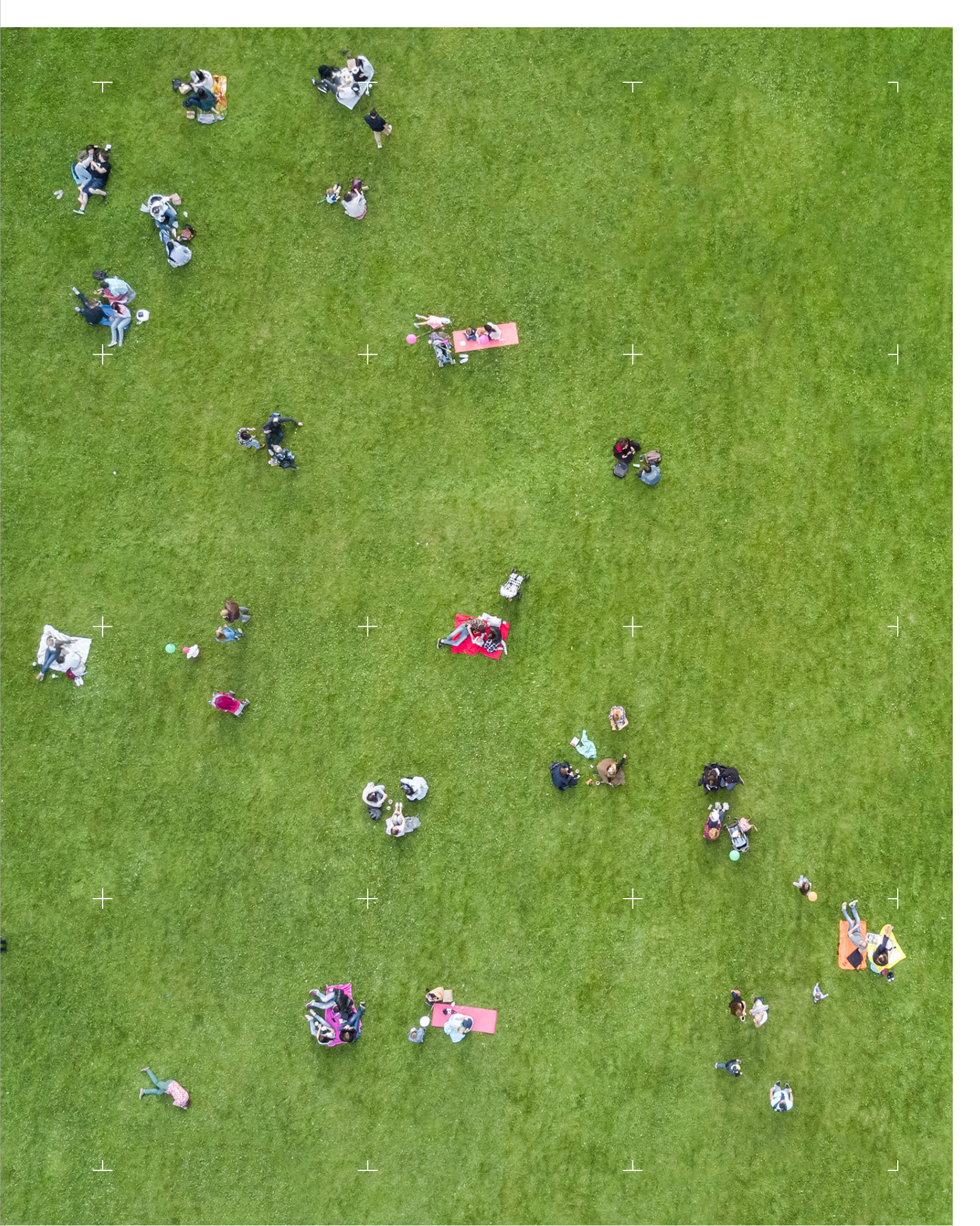


This alone boosts
annual GDP growth by 0.3%



3. SOCIETAL SYSTEMS

*Invest in much-needed
transformation*



→ Build a much more flexible social safety net

More than three million Canadians lost their jobs during the pandemic, putting our nation's social security system to the test. In 2018, only 41.2 percent of employment insurance (EI) contributors were eligible to receive regular EI benefits, but a much larger percentage were paying into them. In April 2020, an estimated 1.4 million jobless Canadians weren't eligible for either EI or the Canadian Emergency Response Benefit (CERB).⁵⁵

Canada's existing EI program must be reformed to cover all Canadians, not only those who meet a narrow set of criteria and work in traditional jobs. This means expanding coverage to include part-time gig workers, self-employed workers, and contract workers. As the CERB winds down, the federal government has promised a wider expansion of EI access, but getting this right will require a different approach, backed by evidence. Here, we can take cues from peer countries such as Australia (whose system is based on residence and need, not on contributions or taxes paid in Australia). Governments must create more portable benefit structures for pensions and health benefits that are less tied to employers.

Improved coordination between governments is necessary to avoid overlap and shortcomings in social security systems, such as disincentives to work.⁵⁶ Governments need to align the social security system with retraining and reskilling supports, such as the Canada Training Benefit and Canada Training Credit, to further incentivize smooth returns to the workforce. These programs should emphasize skills with a known labour market demand, to ensure that Canadians who take advantage of reskilling have a pathway to suitable employment. Additional childcare support will also help boost workforce participation.

→ Close the health data gap

While Canada has had fewer COVID-19 cases and deaths compared with many other developed countries, experts note that both early detection and response capabilities were inadequate.³⁷ Fiscal challenges have meant that pandemic detection and preparedness have been continually underfunded and deprioritized by governments, resulting in our nation's slow reaction.

Canada's response was further hindered by long-standing weaknesses in data collection, analysis, and sharing.³⁸ Outdated legacy systems and inadequate digital infrastructure have impeded provinces' ability to produce real-time feedback and conduct analyses on the spread and impact of COVID-19. For example, early in the pandemic, public officials lacked up-to-date data on the number of positive cases among health care workers in British Columbia, the number of intensive-care beds per hospital in Quebec, and the ethnicity of those who tested positive across the country.³⁹

While some of these data deficits have improved, they persist for testing capacity and COVID-19 hotspots. Provincial governments need to modernize the data platforms that enable real-time data-sharing across Canada, and guide policy responses during a crisis. Ontario's Health Data Platform, developed to replace the outdated integrated Public Health Information System, is a step in the right direction, and provinces must continue to improve their data collection and sharing systems.⁴⁰ This is not a technical issue, but rather a test of intergovernmental cooperation and unity.

→ Develop a national strategy for seniors and aging

The pandemic exposed worrying shortcomings in Canada's approach to health care for older Canadians. By the end of July 2020, deaths in long-term care facilities accounted for over 80 percent of COVID-19 deaths in Canada, compared with half of total deaths in Europe and 40 percent in the United States.⁴¹ This reflects what experts have said for years: Canada's approach to health care for its seniors is in need of a dramatic overhaul. This will be increasingly important as we enter the post-pandemic decade, as Canada faces a rapidly aging population.

Experts are clear that Canada's long-term care system needs reform, from increased virtual care to improved quality of life to better pay and benefits for workers. But it must take a bolder approach to redesigning how it protects and cares for older Canadians. Specifically, policymakers should learn from Nordic countries (which have a greater percentage of seniors in their population) and develop a pan-Canadian strategy that is centred on the well-being, safety, and security of all seniors in Canada. This entails a multifaceted approach to modernizing long-term care systems, designing new funding models, improving community and home care for seniors, and providing better supports for workers.⁴² This strategy will be critical for improving Canada's protection and care of older Canadians, as well as enabling them to extend their working lives. And if we don't spend the money to get an aging strategy right, we'll end up paying for it anyway: per-person health care costs for seniors are more than four times the cost for those aged 15 to 64.⁴⁵

Age UK is the United Kingdom's leading non-profit organization dedicated to providing support for older people at the national and local levels. Age UK helps combat loneliness for older people, empowers them to make decisions about the care they receive, and provides advice to support informed decisions.

→ Create a roadmap to decarbonization

Over the past few decades the energy industry has driven Canada's economic growth.

The industry currently accounts for 10 percent of Canada's GDP, employs 282,000 people, and indirectly supports another 550,500 jobs.⁴⁴ In the coming years, however, demand for crude oil is expected to decline, meaning Canada must embrace, accelerate, and support the sector's transition to using technology to reduce the carbon footprint of current energy production, as well as to lower-carbon sources.

In the *Thrive 2030* forecast, Canada can remain on track with Paris Agreement targets by increasing the carbon tax to \$114/t in 2030 and \$200/t in 2040, together with other government regulations. The success of any carbon tax, however, also depends on how the revenues are recycled into the economy. To limit negative economic impacts, the full amount of funds raised must be put back into the economy through personal- and business-tax cuts, and new investments (including clean-energy investments).

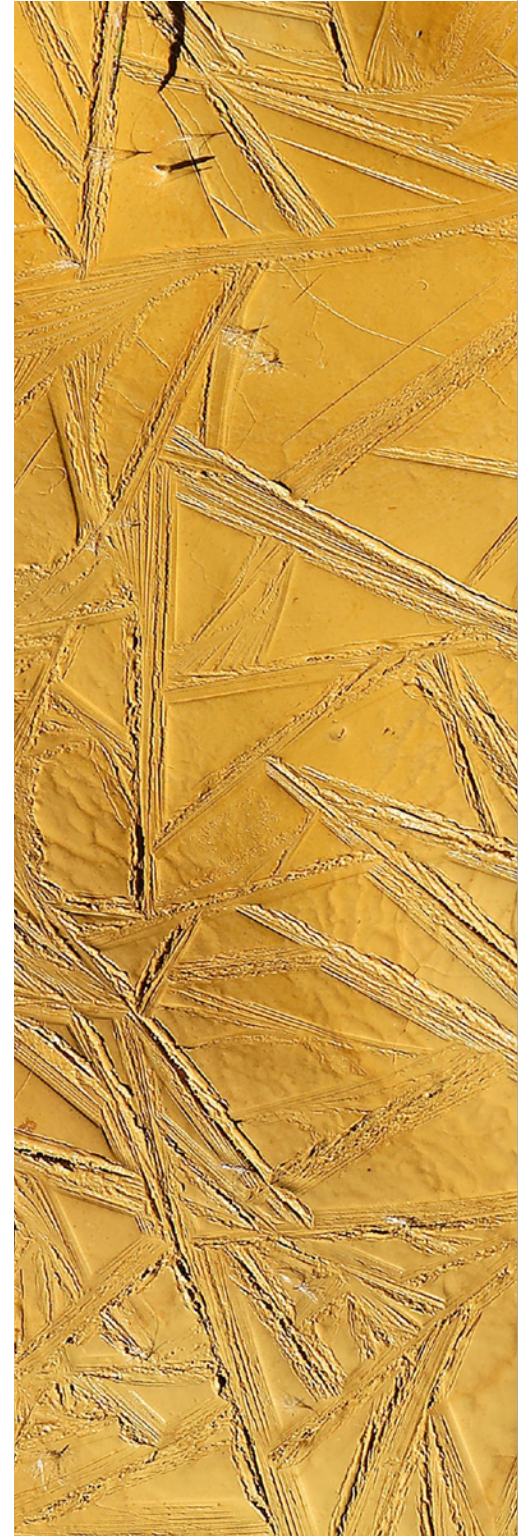
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COVID-19 serves as a warm-up for climate-change crises. The pandemic will increase awareness around sustainability, with a particular emphasis on the need to change the behaviour side of living more sustainably. Governments have an important role to play by continuing to implement green building standards that incent companies to find creative ways to increase energy savings.

*Andrea DelZotto,
EVP Community Development, Tridel*

The leaders we interviewed highlighted the need to take transitional steps toward two objectives: first, to support and accelerate the adoption of low-carbon technologies in the existing oil and gas sector; and second, to stimulate the shift to low-carbon and cleantech solutions for transportation, construction, electricity, and heating and cooling.⁴⁵ This transition should encompass a wide range of solutions, dependent on the location and application, as there is no single solution that will enable Canada to transition to low-carbon energy. These steps have support within the energy industry, and would allow Canada to move forward without abandoning existing sectors.⁴⁶

To accelerate the adoption of low-carbon technology, businesses should use cleaner fuels whenever possible, blending them with the existing supply, as well as increasing their availability. Many Canadian energy companies are already moving fast: in 2019, Suncor committed \$1.4 billion to build cogeneration units at its oil-sands facility in Alberta.⁴⁷ Businesses must also expand their use of electricity and convert power grids to non-emitting electricity sources, while governments must support innovation and secure leadership in the clean-power sector through research and development, thereby reducing risk for companies.





“

Canada should move toward a cleaner economy. In Ontario, for example, we can leverage the advantages of the clean electricity system as the foundation to help further decarbonize other sectors such as transportation, mining, or industrial through electrification. Environmental goals and economic prosperity can go hand in hand.

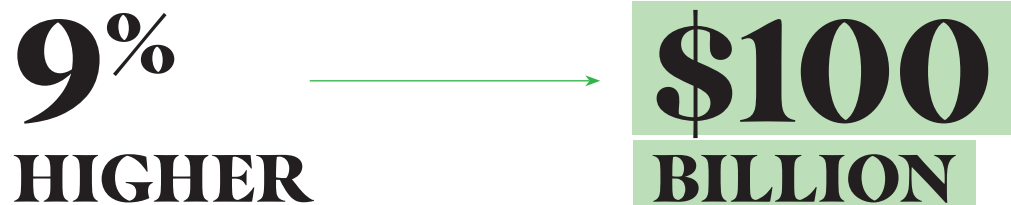
*Mike Rencheck,
CEO, Bruce Power*

SOCIETAL SYSTEMS

Invest in much-needed transformation



GOVERNMENT REVENUES



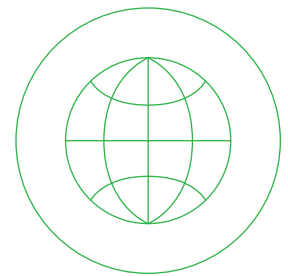
*Government revenues are 9% higher in the Thrive 2030 scenario, translating to more than \$100 billion in additional funds every year that can be used for priorities like **education, health care, and reducing debt.***



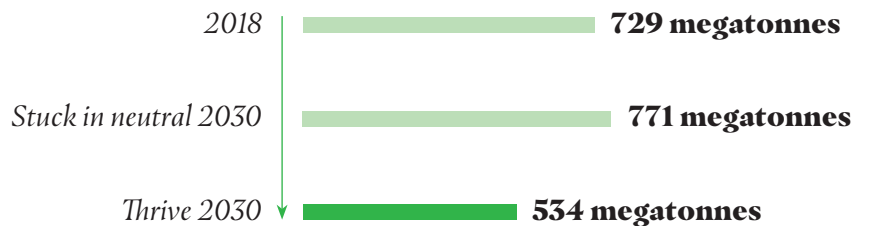
PUBLIC INVESTMENT

4%
of GDP

Governments are able to invest more in critical infrastructure, with public investment reaching 4% of GDP.



CO₂ EMISSIONS



CO₂ emissions fall from 729 megatonnes in 2018 to 534 megatonnes in 2030, keeping Canada on track to meet our climate targets.

This is compared to a rise in emissions to 771 megatonnes in the Stuck in neutral forecast.

An aerial photograph of a large, rectangular ice floe floating in the ocean. The ice is white and textured, with some shadows indicating its uneven surface. The surrounding water is a deep blue. The text is overlaid on the left side of the image.

**UNPRECEDENTED TIMES
CALL FOR UNPRECEDENTED
APPROACHES**

In this report, we argue that our nation must strive for more than a return to normal. Even before the COVID-19 crisis, Canada was struggling with declining global competitiveness, productivity, and business investment. Ordinary people were struggling with record-high debt levels and anemic real-wage growth. Our nation is also facing rising inequality, skills shortages, and carbon emissions. And the pandemic revealed yet another weakness: Canada was not prepared for this crisis and remains unprepared for the next one. —————→



We believe that if Canada takes unconventional, bold action for its people, industries, and society, it can address these challenges and achieve a thriving Canada by 2030. Given the dire fiscal situation stemming from the pandemic at all levels of government, we offer a platform for change. While many of the proposed actions come at a tangible cost to government and business, justifying inaction based on cost leads to a worse outcome: the *Stuck in neutral* forecast projects an even more difficult financial situation for governments, largely due to growing health care costs and lower business profits. It will result in a lower standard of living and quality of life, and make Canada a less attractive place for global companies to invest in or top talent to move to.

If Canada wants to make measurable progress on the challenges laid out here, we collectively must do things differently than we have up until now.

First and foremost, governments, businesses, and communities will have to cooperate in new ways to pay for the rebuild. Canada's pandemic response shows that collaboration toward a collective good is possible. This creative collaboration must continue, as governments and businesses alike face strong fiscal headwinds resulting from pandemic-related borrowing. We will need to turn orthodoxies on their heads, including looking for new partnerships to fund and deliver services. We'll also have to look at how other countries are financing large projects under even more difficult financial conditions, and import the best ideas to Canada. Most importantly, Canadian governments and businesses must find ways to spend money differently, which means shifting strategies, priorities, and funds from nice-to-haves to must-haves for a thriving future.

Second, Canadians need to take a long-term view, divorced from the political cycle. Many necessary investments will have a considerable lag between investment and return: for infrastructure, this lag may be close to a lifetime. Canada's current political system isn't designed to solve problems or pay for solutions at this timescale, so we must bring together all levels of government and stakeholder groups with different timelines to create new solutions, and set up the frameworks needed to sustain those solutions.

These are difficult but not impossible problems to solve. But we must solve them if we are to build a nation where our people and labour force are prepared for a fast-changing economy, where our businesses have global, world-leading ambitions, and where our society is inclusive, healthy, and more resilient to future challenges. This is the challenge and the opportunity we have in front of us as we seek to build a thriving future for all Canadians. Actions, not words, are needed today.

APPENDIX

*Breakdown of economic
growth levers*

	Goal	Challenge	Change	Impact	Impact on the economy from 2020 to 2030
Improve Canada's labour market	Increase labour market participation of women.	The participation rate of women with young children is significantly lower than those with school-age children or in Quebec, where childcare is more available.	Ensuring access to affordable childcare can boost the labour market participation of women with children aged 2 to 4 from an average of 74.3 percent to 85.1 percent.	This measure has the potential to add 88,500 women to the job market annually.	These measures add 1.7 million workers to the labour force and have the potential to boost GDP by 0.4 percent a year: from 1.7 in 2020 to 2.0 in 2030
	Boost participation rate of older Canadians.	Participation rates for Canadians aged 65 or older sits below the G20 average.	Through retraining programs, remote work, and technological assistance, we believe we can boost the participation rate of those over the age of 65 by 5 percent, reaching 20.8 percent by 2030.	These measures have the potential to add 377,500 workers to the job market.	
	Boost participation of Canadians with disabilities.	Disabled Canadians have a labour participation rate well below the Canadian average, but 644,640 individuals said they could work in the next 12 months with some modifications.	By making workplace accommodations, we believe 75 percent of Canadian with disabilities could find employment, boosting the employment rate to 68.5 percent compared with the Canadian average of 77 percent.	These measures have the potential to add 517,657 workers to the job market.	
	Improve immigrant participation in the workforce.	Increase the number of immigrants coming to Canada.	In the <i>Thrive 2030</i> forecast, there are more than one million additional Canadians of core working age in 2030.	This has the potential to boost Canada's labour force by 700,000.	
	Improve labour market outcomes for the Indigenous populations.	Indigenous populations in Canada have below-average labour market participation rates. Furthermore, those that are in the labour force have a higher-than-average unemployment rate.	Robust inclusion policies help reduce the unemployment rate gap and create more employment opportunities for Indigenous workers.	The Indigenous labour force is boosted by 58,000 and Indigenous employment by 59,000 by 2030.	
Improve Canada's business investment level	Improve business investment in Canada.	As a share of GDP, Canada's investment lags behind its international peers significantly. Low business investment has also been one of the main reasons for poor economic growth.	Changes in policy and business action allow Canada's investment as a share of GDP to rise from 10.3 percent to 12.8 percent.	Increases investment by \$40 billion, or 17.5 percent.	Boosts average GDP growth from 2.0 to 2.4
	Invest in Canada's digital economy.	As a share of the economy, Canada's investment in software is very low compared with its international peers.	A greater focus on digital technology results in an increase in investment in software, from 8.8 percent of investment to 10.8 percent.	Boosts software investment by \$6.4 billion.	
Invest in infrastructure	Invest in government infrastructure.	It is well documented that Canada underinvests in its public infrastructure. As the economy improves, governments have more room to invest in infrastructure and improve economic potential.	There are lasting economic impacts of infrastructure spending, with broad consensus that public-sector infrastructure boosts the economy's productivity performance. In fact, research has shown that public infrastructure is behind half of Canada's multi-factor productivity growth.	Boosts government infrastructure spending by \$19.6 billion.	Boosts GDP from 2.4 to 2.5
Improve Canada's productivity	Boost Canada's productivity growth.	Multi-factor productivity has grown by just 0.5 percent per year over the past 20 years. Canada's performance has fallen well short of that of the United States, which has averaged 0.9 percent per year over the past 20 years.	In <i>Thrive 2030</i> , there is significant progress in reducing wage gaps for women, immigrants, and Indigenous populations. Education and reskilling also contribute to productivity growth.	Boosts productivity growth from 0.6 percent to 0.9 percent.	Boosts GDP from 2.5 to 2.7


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