

# TOWARDS A RESILIENT DIGITAL-LED ECONOMIC RECOVERY

WRITTEN SUBMISSION FOR THE PRE-BUDGET  
CONSULTATIONS IN ADVANCE OF THE UPCOMING  
FEDERAL BUDGET

Written Submission for the Pre-Budget  
Consultations in Advance of the Upcoming Federal Budget

Information and Communications Technology Council  
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**TOWARDS A RESILIENT DIGITAL-LED  
ECONOMIC RECOVERY**

# LIST OF RECOMMENDATIONS

1. Enact tax incentives (e.g., accelerated depreciation of digital technology purchases) to spur digitization by SMEs. This can result in offsetting the upfront cost of critical digital infrastructure like cloud or cybersecurity, making such purchases more financially feasible.
2. Develop a one-time grant for SMEs to obtain consulting or advisory services in order to aid and/or supplement their digital transformation.
3. Create programs that match SMEs with high-school-aged “Digital Natives” to help SMEs digitize their businesses and processes, while providing youth with valuable work experience early on.
4. Double the Canada Training Benefit from \$250 to \$500 per year for those engaged in digital training, and increase the EI amount receivable and duration, especially for underrepresented groups.
5. Provide ongoing support for adult workers through robust vocational counselling programs. This includes comprehensive and affordable skill assessments, subsidized employment and job-finding services, and workforce-integrated-learning programs for adults in career transition. To reap maximum value, these services must be based on timely labour market intelligence that identifies industry demand for jobs and skills.
6. Develop a supply chain digitization and automation strategy that prioritizes the attraction of FDI, while mitigating national labour market and security consequences.
7. Carefully consider which industries are of national interest and vulnerable to unexpected surges in demand (e.g., PPE), and enact policies to support domestic production in these areas.
8. Continue to incentivize interprovincial free trade, and build frameworks and guidelines that assist Canadian SMEs in best leveraging existing free trade agreements.
9. At the federal level, take active steps to incentivize provinces to normalize and accelerate telemedicine services.
10. Develop a wage subsidy to help Canadian SMEs hire skilled cybersecurity professionals, and collaborate with industry to create free resources (e.g., toolkits) for SMEs on cyber-hygiene.

11. Develop a national standard that prohibits the rolling back of existing environmental standards to aid recovery.
12. Develop requirements to invest in carbon-neutral processes, as part of any stimulus package.
13. Utilize infrastructure spending to accelerate the Canada-wide development of resilient and “green” infrastructure, such as living buildings.
14. Support consumers and homeowners to make climate-friendly choices. E.g., extending the reach and public awareness of interest-free loans for Canadians wishing to install clean energy products and technologies in their homes.
15. Incentivize private investment in green innovation. E.g., develop investor tax credits for carbon-neutral innovations, or extend the reach of flow-through shares in the cleantech sector.
16. Incentivize the adoption of connected, autonomous, shared, and electric (CASE) vehicles across Canada, as well as active or “micro” transport alternatives, namely in cities.
17. Introduce meaningful competition in the upcoming 5G spectrum auction to allow for enhanced pricing, affordability, and innovations in wireless data services to support the growing needs of a data economy (IoT, smart cities, telemedicine, FinTech, eCommerce, etc.).
18. Introduce a Green Recovery Bond.

# INTRODUCTION

Over the last few months, we have seen the devastating human toll of the novel coronavirus (COVID-19) as well as its impact on Canadian and global financial markets. Along with the colossal economic slowdown, international supply chain crunches persist, and the global economy is likely to feel the reverberating effects of this pandemic for some time. With global output projections shifting rapidly, uncertainty about the broad and lasting impacts of the health crisis continue to fuel volatility in financial markets and upend corporate decision-making.

Such jolts to our global economy test our resolve, responsiveness, and ingenuity in the face of adversity. Larger questions about the efficacy and preparedness of our communication systems, health systems, education institutions, and trade and transportation networks will come to light, as will our ability to shape sustainable communities and a truly eco-friendly future. The coming year will require an exceptional policy response that will enable a robust economic recovery in Canada. The Government of Canada's aid and stimulus packages have been a welcome relief for many businesses and workers, and they are needed to weather the storm in the short-term. Supporting long-term goals requires a reflection on lessons learned from the past months and a focus on a recovery strategy that can help Canada emerge from COVID-19 in a clear and resilient direction.

This submission provides policy recommendations, anchored in ICTC's recently published whitepaper *Economic Resiliency in the Face of Adversity*.<sup>1</sup> In particular, it highlights following topics as key pillars of Canada's post-COVID future.

- I. Digital adoption and acceleration for Canadian SMEs
- II. Workforce development and preparedness
- III. Building resilient supply chains and focusing on trade
- IV. Enabling a connected health system
- V. Building cyber resiliency
- VI. Supporting a sustainable and carbon-neutral economy

For more detailed discussion on these topics, access the full [whitepaper](#).

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<sup>1</sup> "Economic Resiliency in the Face of Adversity", ICTC, June 2020, <https://www.ictc-ctic.ca/wp-content/uploads/2020/06/Resilient-Economy-Whitepaper-Eng-FINAL.pdf>

# 1. DIGITAL ADOPTION & ACCELERATION FOR CANADIAN SMEs

Small businesses are a cornerstone of the Canadian economy. As of 2019, nearly 98% of businesses in Canada were small<sup>2</sup> (employing under 100 people). Yet, Canadian small businesses, on average, have roughly eight weeks of cash on hand in case of business slowdown or interruption. Already in 2017, 64% of Canadian small businesses admitted to facing challenges around cash flow.<sup>3</sup> In light of these realities, it is clear that small businesses are more vulnerable to exogenous shocks like COVID-19. In early 2020, a survey by CIBC already found that over 50% Canadian small businesses saw a drop in sales, and 32% worried about their ability to stay solvent over the next year.<sup>4</sup>

Digital adoption, now more than ever, is a key part of business resilience. However, as COVID-19 has outlined, not all small businesses are prepared or have access to the resources they need to make this shift. Equipping Canadian SMEs with the tools and advice they need to fully enter the digital realm is mission critical.

**Recommendations: 1, 2, and 3.**

# 2. WORKFORCE DEVELOPMENT & PREPAREDNESS

Digital adoption and acceleration across the economy can cause job loss in some traditional industries like retail and public administration. At the same time, the transformation generates labour demand in other areas of the economy (such as ICT), while also redefining skill needs for those very “traditional” sectors. Automation and digital adoption must be paired with programs to retrain and/or upskill workers who may need to transition into new roles, or develop digital skills relevant to their current roles. This must include a renewed focus on adult and ongoing education, and addressing barriers that add to “innovative hazard” (risk, stress, and expense) for adults seeking to upskill and retrain.<sup>5</sup>

Extending the reach of Personal Training Accounts, and providing other support services, can help workers access the training they need to thrive

<sup>2</sup> “Key Small Business Statistics – January 2019”, *Government of Canada*, December 6, 2019, [https://www.ic.gc.ca/eic/site/061.nsf/eng/h\\_03090.html#point1-1](https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03090.html#point1-1)

<sup>3</sup> “Canadian small business owners have one thing in common when it comes to cash-flow: uncertainty”, *Quickbooks*, <https://quickbooks.intuit.com/ca/resources/cash-flow/cash-flow-uncertainty/>

<sup>4</sup> CIBC, “COVID-19 impact felt by 81 per cent of Canadian small business owners: CIBC Poll”, *Cision*, May 4, 2020, <https://www.newswire.ca/newsreleases/covid-19-impact-felt-by-81-per-cent-of-canadian-small-business-owners-cibc-poll-856493539.html>

<sup>5</sup> The OECD recently noted that Canada’s share of workers who did not participate in training because it was too expensive was slightly above the OECD average in 2018 (18.8% vs. 15.4%): “OECD Skills Strategy Flanders,” OECD, 2019. <https://doi.org/10.1787/888933892003>.

in a shifting economy, while ensuring that even the most vulnerable workers most in-need of additional training are not missed. Doubling the Canada Training Benefit (from \$250 to \$500 per year) would enable workers to take at least one training/continued learning course per year at most public post-secondary institutions. Services rooted in timely labour market information—like skill mapping, job matching, and work-integrated learning opportunities—can support workers on this journey.

**Recommendations: 4 and 5.**

### 3. BUILDING RESILIENT SUPPLY CHAINS & FOCUSING ON TRADE

It is estimated that currently, manufacturing labour in China—the global hub for manufacturing—costs roughly \$8 per hour<sup>6</sup>; in Canada, average hourly wages in manufacturing are more than three times that figure.<sup>7</sup> The onshoring of manufacturing aligned with national interests (e.g., food manufacturing, PPE manufacturing, etc.) in Canada will require automation, capital investment, and digitization to be feasible in the long-term, and create attractive industries that propel investment.

COVID-19 has also revealed the need to create distinctions between supply chains or national interest, vs. supply chains that can—and should—be bolstered by leveraging existing free trade agreements. Maintaining domestic PPE industries, and by logical extension, domestic production of other medical supplies likely to unexpectedly surge in demand during any kind of crisis. Onshoring such industries is critical to Canadian national industries, where other industries can continue to be supported via engagement with international partners.

**Recommendations: 6, 7, and 8.**

<sup>6</sup> “Manufacturing labor cost per hour in China, Vietnam, Mexico from 2016 to 2020”, Statista, <https://www.statista.com/statistics/744071/manufacturing-labor-costs-per-hour-china-vietnam-mexico/>.

<sup>7</sup> “Wages in manufacturing in Canada decreased to 26.33 CAD/Hour in March from 27.07 CAD/Hour in February of 2020”, Trading Economics, March 2020, <https://tradingeconomics.com/canada/wages-in-manufacturing>.

## 4. ENABLING A CONNECTED HEALTH SYSTEM

In 2019, the World Bank estimates that Canada had fewer doctors per capita than the OECD average and fewer than Commonwealth nations like the United Kingdom and Australia. While Canadians take great pride in their healthcare system relative to the United States, it is the only similar nation with fewer physicians per capita. Demand for medical services is expected to grow as a proportion of GDP as a result of growth in wealth, increased cost of new medical treatments, and aging demographics. Telemedicine is now technologically feasible, cost-effective, safe (during a pandemic), and can help resolve geographic disparities in medical care. The large-scale adoption of telemedicine across Canada is key to equitable and accessible healthcare for all Canadians.

**Recommendation: 7 and 9.**

## 5. BUILDING CYBER RESILIENCY

In 2017, just over one-fifth (21%) of all Canadian businesses were impacted by a cybersecurity incident.<sup>8</sup> The sudden move to remote work has increased vulnerability to cyberattacks—namely for SMEs, often lacking robust cybersecurity infrastructure. Yet, according to the OECD, only 14% of all Canadian SMEs have a formal business policy to manage cybersecurity risks, a figure that is low compared to other OECD countries like Switzerland or South Korea, with percentages of 32% and 63%, respectively.<sup>9</sup> In a future that is digital-first, Canadian SMEs must have the cyber infrastructure, talent, and tools needed to succeed.

**Recommendations: 1 and 10.**

<sup>8</sup> Statistics Canada, Impact of cybercrime on Canadian businesses, 2017. <https://www150.statcan.gc.ca/n1/daily-quotidien/181015/dq181015a-eng.htm>

<sup>9</sup> “ICT Access and Usage by Businesses”, OECD, May 31, 2020, [https://stats.oecd.org/viewhtml.aspx?datasetcode=ICT\\_BUS&lang=en](https://stats.oecd.org/viewhtml.aspx?datasetcode=ICT_BUS&lang=en).



## 6. SUPPORTING A SUSTAINABLE & CARBON-NEUTRAL RECOVERY

Evidence has mounted that climate change is an existential risk for human civilization. It is essential that policymakers take environmental considerations into account when crafting COVID-19 recovery plans. Recommendations with regard to climate-friendly recovery cover three key areas: stimulus policy, environmental protections, and consumer and investor support.

The first “green bond,” defined as securities to raise capital for eco-friendly projects, was issued by the World Bank in 2008.<sup>10</sup> In 2014, Export Development Canada (EDC) issued its first green bond, with the proceeds going to projects that mitigate climate change, invest in clean technology, or spur energy efficiency.<sup>11</sup> Global economic recovery cannot be decoupled from the need to mitigate climate change and support carbon-neutral processes. The development of a Green Recovery Bond—fixed-rate or asset-backed—may be one effective measure to drive sustainable GDP growth in a post-COVID economy. Other developments, like national ecological standards, green infrastructure development, and the incentivization of green choices at the consumer level are key.

**Recommendations: 11-18.**

<sup>10</sup> “Green Bonds: Fact Sheet for Investors”, *Responsible Investment Association*, February 2020, <https://www.riacanada.ca/content/uploads/2019/02/Green-Bonds-Fact-Sheet.pdf>

<sup>11</sup> “Green Bonds”, *Export Development Canada*, <https://www.edc.ca/en/investor-relations/green-bonds.html>

# CONCLUSION

COVID-19 has likely caused the largest shock to Canada's economy in the post-war era. Businesses in the digital economy have remained more resilient to the impacts of COVID-19, leading all Canadian businesses and workers to consider the reality a digital-first future. This document offered a range of policy recommendations aimed at achieving a sustainable recovery not only for Canadian businesses, but also for workers and the environment.

The world of tomorrow is still in the making, and the opportunity to shape it for Canada has never been greater. This is the time for bold and strategic choices to build on the existing fabric of our economy and set the stage for a green, equitable, and robust future.