

Roadmap
towards a
**RESILIENT AND SUSTAINABLE
ECONOMIC RECOVERY**

2021-2022



Conseil du patronat du Québec

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The observations made in this publication are based on conditions as they were on April 13, 2021.

FOREWORD

For over 50 years now, the CPQ has spearheaded a federation of employers and sectoral associations from every industry across every region in Quebec. We actively work to achieve the best possible conditions for their prosperity and the prosperity of Quebec as a whole.

Our mission is to work alongside public authorities, economic actors, and public opinion leaders in an effort to foster business environments that are conducive to a form of economic development that is responsible, sustainable, and inclusive.

This roadmap document pursues this same goal. Times such as these call for careful reflection, and this is even more true in the context of the COVID-19 pandemic, now over a year old. The social impacts of this crisis have been harrowing but it has also transformed the way we do business. Entire sectors of the economy have been disrupted. Meanwhile, our appreciation of the tools offered to us through technology has grown tremendously.

These conditions necessarily compel us to revise our vision of things. The landscape has evolved since the publication of our first roadmap over a year ago, and so too must our understandings about the new challenges and opportunities presented to us with every passing day.

This roadmap offers economic analyses and a working guide to all those intent on taking part in the economic recovery. The overarching issues of human capital, innovation investment, the strategic role of government, and the green shift must be closely examined, and recommendations brought forward.

In response to the crisis, the CPQ leveraged and stepped up its long-standing proactive stance and has readied itself to intensify its contributions over the months and years ahead. Recognized for the credibility and effectiveness of our interventions and armed with an approach that promotes useful social dialogue and the growth and success of our members, we aspire to see Quebec achieve an enviable economic prosperity. And the roadmap presented here aims to help us move precisely in this direction.

We hope you find it useful and compelling.



Karl Blackburn

President and CEO
CPQ

INTRODUCTION

Since March 2020, the COVID-19 pandemic has shaken both society and the economy. It exposed our weaknesses but also showed us our ability to adapt. The crisis compelled us to adopt strict health measures and to put unprecedented restrictions on the world economy which ultimately fast-tracked a number of changes, like the technology shift and changes to work organization.

Without dismissing the social, human, and public health impacts of the pandemic, the economic impacts are for their part formidable. Data from the International Monetary Fund (IMF) tells us that we should see world GDP for 2020 drop by 3.3% but that 6% growth is expected in 2021. The contraction of the 2020 world economy was extraordinarily rapid and sweeping. Canada's GDP fell by 5.4%, and should rise again in 2021 by 5%.¹ In Quebec, the GDP fell by 5.3% but is also expected to rise by around 5% in 2021.²

The pandemic impacted economic sectors in a number of ways, particularly where activities had to be redefined by physical distancing measures and even more specific restrictions (border closures, government-imposed quarantine rules, etc.). Some of these COVID-19 effects are likely to be with us for the long run, such as those impacting sectors like tourism, business travel, and commercial and residential real estate (due to the new ways we now define the workplace).

In the short term, keeping Quebec's economy in good sorts needs to stay the primary focus. In the same breath, the pandemic has presented us with sizable risks, most notably health and social ones, and their management will keep our hands busy.

Since the onset, both the federal and provincial governments have been quite responsive in an effort to avoid socioeconomic fallout, but also to instate (and later adjust) income support measures and mechanisms to help relaunch business activity.³ It was these measures that helped the main economic indicators to recover following 2020's second quarter shockwave. Yet this reassuring boost is ultimately being funded by public debt, notably at the federal level.

1 <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update> and <https://www150.statcan.gc.ca/n1/daily-quotidien/210302/dq210302a-eng.htm?HPA=1&indid=3278-1&indgeo=0>

2 <https://statistique.quebec.ca/en/produit/tableau/gross-domestic-product-by-expenditure-seasonally-adjusted-data-at-annual-rates-chained-dollars-2012-quebec>. The Desjardins Group's March 2021 *Economic Studies* publication foresees 6% growth for 2021 <https://www.desjardins.com/ressources/pdf/pft2103-e.pdf?resVer=1616159214000>. The Quebec Finance Ministry's projections as presented in its 2021-22 budget see the province's GDP growing by 4.2% in 2021 and 4% in 2022 while a group of eleven private sector institutions project an average 5.1% growth rate for 2021 and 3.8% for 2022. Not surprisingly, 2021 projections vary more than usual, and change monthly, based on how the vaccination effort progresses, among other factors.

3 A summary of these governmental measures is available (in French) at: https://www.cpq.qc.ca/workspace/uploads/files/cpq_resume_des_mesures_gouvernementales_en_date_du_19_fevrier_2021.pdf

Interestingly enough, household savings rose in 2020 (despite the drop in GDP), attributable to citizen income support measures and the drop in household expenses, if perhaps only due to the drop in spending in terms of leisure, entertainment, travel, and transport. That being so, we could see a kind of “unrealized” demand emerge to fuel economic activity if the conditions (public health conditions, namely) are right and allow for a boost in consumer spending.

Financial markets showed signs of optimism with the arrival of vaccines.⁴ Yet, vaccination efforts take time and, admittedly, though we will see population-wide immunization happen in advanced economies in 2021, this may only come later in other places around the world. Meanwhile, uncertainty continues to steal much of the spotlight as virus variants spread and as several public health experts suggest that the virus will become endemic. There are simply too many unknowns for the moment to allow us to predict

what this illness will bring in the long run, from its long-term effects on those who became infected to its subsequent socioeconomic costs and impacts.

As such, governments and organizations must take the enduring presence of the coronavirus as a given as they plan for the months and years to come. Following the publication of its *Roadmap Towards an Economic Recovery*⁵ published in April 2020, the Conseil du patronat du Québec (CPQ) now releases this new *Roadmap towards a Resilient and Sustainable Economic Recovery* to assist policymakers and other economic actors in their discussions and decision-making. We also wish to recognize the agility and the flexibility of a number of the Quebec’s ministries during this crisis. This must be maintained. Sidestepping bureaucratic entanglements is also a must.

On March 25, the Quebec government presented its 2021–22 budget which rightly put health among its top priorities but also prioritized education, innovation, and infrastructure projects. Funds were earmarked to bring high-speed internet access to the province’s non-urban centres, speed up new technology acquisitions, support the digital shift, and lend support to strategic sectors of the economy, including tourism and culture. These investments are good news and steer us in the right direction, but there is still a lot to do. For one, there are glaring and desperate workforce shortages in all of Quebec’s regions, and without the necessary workers, some projects will have no choice but to stay on paper.

4 For instance, financial markets were ebullient after Pfizer/BioNTech’s November 9 announcement about a COVID-19 vaccine; the S&P 500 jumped 1.2% that day and the MSCI World index hit a record high the following day
<https://www.rbcwealthmanagement.com/ca/en/research-insights/covid-19-vaccine-is-a-game-changer-for-economies-markets-and-investors/detail/>

5 https://www.cpq.qc.ca/workspace/uploads/author-uploads/a_roadmap_towards_economic_recovery.pdf

SOURCES OF RISK, PRIORITIES, AND NEEDS

The recovery hangs in the balance of how health risks evolve, how human capital is leveraged, what a K-shaped recovery might hold in store, and how restricted international markets will behave. The level of uncertainty tied to these risks makes a resilient and sustainable recovery all the more difficult.

Succeeding with the Recovery: Key Risks

I Uncertainties on the Health Front

Despite the arrival of vaccines and new potential treatments, it is not realistically feasible to make projections about when we might reach the end of this health crisis; the emergence of variants, each with their own level of contagiousness, and the time needed to complete population-wide immunization remain incalculable variables. Hospital capacity is another important risk variable as is the possibility of successive waves of infection. Barrier measures may be needed until 2022. What we now know is that a virus can paralyze the economy. Finding a way to avoid another such stoppage is critical as a new virus can appear at any time. All this impedes productivity and restricts the room businesses and governments have to manoeuvre. It also impedes Quebec's economic potential. Seeing our economy re-paralyzed from lack of preparedness would be much too costly.

According to the World Economic Forum, the threat with the biggest impact on the world economy is the one posed by pandemics.⁶

The cadence and strength of the recovery will be a function of the strength of our testing and vaccination capacities, and this is especially true in specific sectors. When the pandemic began, we quickly saw the extent to which the availability of testing and protective equipment determined whether activities could resume or not. Recovery is now also contingent on how rapidly we can protect citizens through the vaccination rollout and on our capacity to mobilize these efforts on both public and private fronts.

⁶ See, for example, the World Economic Forum's *Global Risks Report 2021 (16th edition)*, http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf. Among other high-impact risks are those related to climate change, which represents the greatest risk to the world economy.



Recovery hinges on the widening availability and optimal use of vaccines and rapid testing. The capacity and expertise available in the private sector must be recruited to accelerate both testing and vaccination efforts.

Maintaining economic activity while also respecting health measures is indeed possible so long as outbreak sites are properly pinpointed, contact tracing is performed, strategies to limit contagion are deployed, and health directives are made both clear and consistent.

Meanwhile, and over a longer time horizon, local biomedical supply chains must continue to be put in place. Increasing production capacity and securing strategic reserves will help increase our autonomy on this front.

II Labour Shortages

Quebec had more than its fair share of labour force challenges before the pandemic, and this issue certainly hasn't improved. L'Institut du Québec reported a new high in the number of job vacancies during 2020's last quarter, totalling nearly 150,000.

Data published in March 2021 by the Institut de la statistique du Québec (ISQ) revealed that population numbers in Quebec only rose by 19,300 in 2020 compared to 110,000 in 2019.

This is due primarily to the drop in the number of immigrants and non-permanent residents. Quebec became home to 25,200 immigrants last year, compared to 40,600 the year prior. The balance of non-permanent residents last year (that was over 60,700 in 2019) fell to negative 9,000, explained by the fact that there were 9,000 fewer non-permanent residents in Quebec in December compared to the start of the year.

Compounding these challenges were those relating to HR management and in matching job skills with labour needs as well as other challenges brought on by the pandemic such as mental health, absenteeism, work organization, and telecommuting, just to name a few.

That businesses are having trouble hiring and finding the necessary human resources to support their business model will likely hold back the recovery.

Results of a survey led by the CPQ in April 2021 among its members and its provincial network revealed that 94% of respondents were struggling in terms of recruitment to the point where they were turning down contracts and delaying investments, or cancelling them outright. The success of the recovery requires that these labour shortage issues be handled appropriately. Productivity and competitiveness are also at stake.

SEE APPENDIX FOR SURVEY

III Value Chains and Commercial Trade

The pandemic exposed the complex links that exist between different economies and world value chains. Somewhere between the benefits of international trade and the risks of excessive interdependence, trade relations will need to be strategically reconfigured to strike a balance between client and supplier diversification, competitive production at home, and the need for healthy reserves.

Protectionist behaviours accentuated by the pandemic, particularly in the US, remain an important concern, notably as the new US administration foresees stepping up its *Buy American* policy.

Protectionist tendencies can increasingly disrupt value chains, alter the economic gains offered by globalization and trade agreements, and reduce international cooperation overall. They can also reshuffle competition across different markets as well as in certain sectors.⁷

While the pandemic will neither put the breaks on globalization nor have us reassess the advantages of international trade, it will encourage value chains to get more regional, particularly in the biomedical and agri-food sectors, but also certainly in others. Rather than seeing this as a protectionist move, repatriating certain supply chains can in fact help identify market segments in which keeping production more local has now become economically efficient, especially in terms of resource use and GHG emissions across all stages of production and distribution –ultimately a net advantage for Quebec.

A “more local” approach should also be deployed to increase trade and economic collaboration between Quebec and other provinces. This will give better footing to local production but will imply removing a number of obstacles that impede interprovincial trade. Ultimately, the challenge will be to find a balance between our need for a certain level of autonomy and how we strategically position ourselves on international markets.

Finally, shutdowns, border closures, and breaks in certain supply chains in various countries, courtesy of the pandemic, all imply added costs and worldwide impacts on which we need to keep a watchful eye.

IV K-shaped recovery

Business models and entire sectors were disrupted by the pandemic. Analysts qualify the recovery as being **K-shaped**, with some businesses prospering and bouncing back as others

⁷ Case in point, McKinsey estimates that between a sixth and a quarter of world exports could be relocated, representing \$2,900B to \$4,600B USD. As for the *Buy American* policy, EDC (Export Development Canada)’s analysis suggests that only a small number of Canadian businesses are impacted (fewer than 3,000 contracts yearly), putting only a modest portion of Canada’s commercial trade at risk (4% of our imports to the US) should Canadian suppliers not be granted exemptions. That being said, more talks and legislative announcements about the *Buy American* policy are bound happen during President Biden’s term.

tread water and, for some, to the point of fighting for their survival depending on their sector, their technological profile, and their region.

Some businesses are in a position where they can invest in their transformation. They have the financial reserves to weather the storm. Others that lost some of their footing have seen their growth strategies postponed or their business continuity threatened by factors well beyond their control. As such, a number of businesses will have to remain focused on their financial health, if not their survival, while others will have to approach investing cautiously while uncertainty on economic and health fronts keep shuffling the cards of profitability and project quality. Some, however, will be launched into new frontiers of opportunity.

The **K**-shaped recovery will also impact citizens. Careful attention must be paid to those who were more severely impacted by the crisis, such as women, youth and immigrants.

How well the recovery will unfold will be determined by the level of cohesion with which different sectors and regions readjust to these new economic conditions.

Sectors that will be asked to wade through deeper waters due to the nature of their activities (namely tourism, arts and culture, sports and recreation, events, business tourism, aeronautics, transportation, retail, and urban downtown districts) will need to keep relying on funding and support to keep their assets, skills, and expertise above water as they find their way back to the shores of profitability.

In terms of Quebec's strategic sectors –the heavy hitters in terms of jobs, innovation, investment, or exports– it is the way they reposition themselves over the next year that will set the stage for the province's overall economic vitality because competition will be fierce. Success here will be fuelled by a business environment that can enable businesses to develop human capital, grow investments, and bolster their competitive capacity.



The notion of a K-shaped recovery essentially explains how different segments of the economy will take separate roads, with some sectors and groups experiencing great growth and others losing ground or staying at a standstill. However temporary this K-shape push should be, some of its effects could be here to stay.

Succeeding with the Recovery: Priorities and Issues to Watch

THE PRIORITIES WE MUST RALLY AROUND IN SUPPORT OF THE RECOVERY ARE:

1

Human capital, the keystone of economic performance and financial and social stability.

Without a workforce in sufficient quantity and with sufficient skills, there can be no economic recovery.

The government has a strategic role to play in the recovery, and economic relaunch efforts should be made to lend a hand to Quebec's environmental and social objectives. We need to pay special attention to how the pandemic has impacted young people of *the COVID generation* whose bearings and life paths were upset by the crisis. We must also keep an eye on the sustainability of public finances, particularly in terms of the load on the healthcare sector and the challenges of population aging.

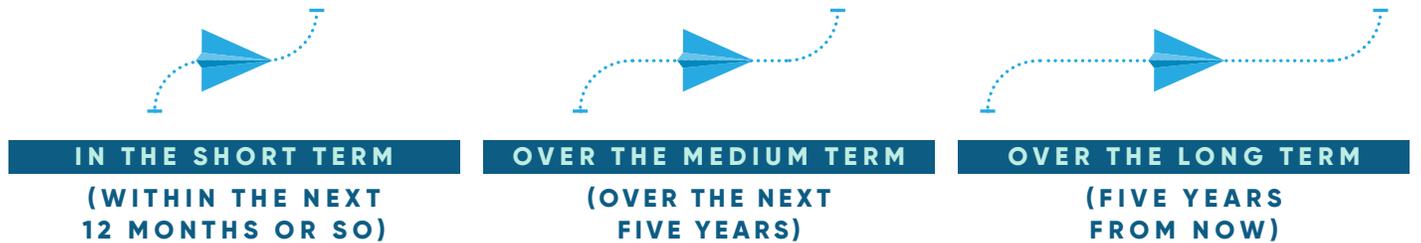
2

The ability of businesses to operate, invest, and grow, while also expediting the digital shift as well as technological integration.

As with any other crisis, despite the challenges, the pandemic also presents us with new opportunities. A number of changes took place rapidly, like the digital and technological shifts, both in the private sector and the public sector (such as telemedicine in healthcare). The recovery must therefore keep in step with these shifts and preserve the agility, flexibility, and innovation that have all proven so invaluable. The crisis also underlined the importance of developing our resilience as to better manage potential risks on the horizon, be they tied to the environment, technology, or public health.

Succeeding with the Recovery: Different Needs Over Different Time Horizons

Looking forward, there is no mincing the fact that implementing new ways of managing risks in the short-, medium-, and long-term must happen immediately. These new ways must include judicious initiatives and measures that are flexible enough to support the necessary changes that lie ahead:



Businesses will need to adapt their business models and their ways of operating to keep in step with the digital shift, the psychological well-being of their employees, telecommuting, and newly needed managerial skills but also with border slowdowns, protectionism, and the reintegration of global value chains. As mentioned above, some sectors have been hit harder than others and their strategic needs may prove particularly tricky to meet. Coordination across entire chains of activity may be required. The CPQ also believes that the role and importance of information must be brought further into the spotlight, allowing communications about economic and public health planning to be clear, realistic and consistent as to better enable predictability and actively encourage the buy-in of socioeconomic actors.

Needs will hinge on balancing government budgets, accelerating the digital economy, and integrating technology which should allow Quebec’s overall economic performance to secure its footing. Though the labour shortage is already an acute problem, data tells us that shortages will in fact worsen. Longer-term solutions are needed. These could involve revising immigration policies, more efforts in upgrading job skills, and ensuring that all those who want to work can work.

Recovery actions will also need to productively address population aging and climate change with an economy that is at once greener, more resilient, and more innovative. Forthcoming measures and initiatives in this respect should support principles of sustainable development and be geared towards managing the challenges of climate change. For a number of years now, the CPQ has acknowledged that collective efforts are required on these fronts. Not heeding to these realities will come with its own set of economic and environmental risks. The CPQ considers that the time has come to go “all in” on an inclusive and sustainable recovery effort.⁸

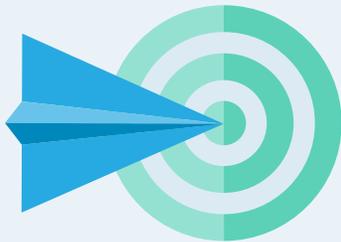
It should be noted that the public sector faces and will face the same challenges as the private sector, particularly in terms of manpower, technology and financial needs.

⁸ Aside from its direct contributions to various policies and strategies, as well as its interventions in the media, the CPQ has contributed in various ways to this central issue and continues to do so through a number of initiatives with other social and environmental actors, including Quebec’s SWITCH Alliance for a Green Economy, the Quebec Sustainable Mobility Policy’s follow-up committee (CSPMD), and Quebec’s G15+ collective.

First Priority: Stabilize and Supplement Specific Measures for the Most Affected Sectors

In the very short term, we need a plan to help restart the hardest-hit sectors, such as those that were forced to shut or slow down and whose reopening is entirely contingent on the state of public health (such as tourism, arts and culture, sports and recreation, events, food and beverage, hotels and lodging, business tourism, aviation and transportation, retail, and urban downtown districts).

After more than a year in, the availability of liquidities is central to an important number of businesses. Financial solutions must respond to the specific pandemic realities they face. This is in fact precisely why the federally mandated Industry Strategy Council proposed the development of mechanisms, in tandem with financial institutions and financial crown corporations, to facilitate the restructuring and refinancing of otherwise profitable businesses that suffered from the long-winded nature of the pandemic.



Priority Government Actions:

- Implement** a robust financial program to support the revival of the strategic aeronautics and travel sectors, as has been done in the US and Europe.
- Continue** direct assistance measures over the short term for fixed expenses and also provide complementary funding.
- Increase** the non-refundable portion of loans made to small businesses as well as to businesses hit hardest by pandemic measures, and also push back repayment schedules.
- Monitor** Quebec's urban downtown districts, particularly Montreal's, in an effort to preserve their vitality and their contributions to the province's prosperity. The role of urban downtown districts could shift as we move towards more telecommuting, among others, yet their vitality remains critical. Consolidating activity within the centre of cities and towns offers advantages in terms of things like mobility and logistics which can be optimized to generate economic, social, and environmental benefits, including a better quality of life for citizens.
- Support** the digital shift for the hardest-hit businesses and also support their competitive standing and strategic positioning, which is relevant across all business sectors, as we discuss further on.

The aviation and aeronautical sectors are strategically central and involve hundreds of highly specialized businesses with a significant economic footprint. Canada's aerospace sector exports 75% of its production, invests more than 20% of its activities in R&D, and employs 215,000 people. In Quebec, sales from the aerospace sector in 2019 totalled \$17.8 billion which represents about half of Canada's aerospace activity. This sector is also a major economic development lever, supporting thousands of SMEs throughout its business ecosystem. The air transportation sector, on the other hand, has suffered from a set of structural problems that are well known and have long been subject of discussion which have now been exacerbated by the pandemic, making it more costly and less competitive, not least due to rental payments to airports and other taxes and fees. Indeed, this sector's GDP fell by 89% between February and September 2020.

AREAS OF INTERVENTION AND PRIORITY ACTIONS FOR THE RECOVERY

I Human Capital – Now and into the Future

ISSUES AT HAND

Quebec had more of its fair share of labour force problems before the pandemic and this overarching problem is gaining ground. Availability of workers, matching competencies with labour needs, and HR management all remain formidable challenges for Quebec businesses. Though the unemployment rate dropped below 6% in February 2021 in some of the province's regions, there are still at this time nearly 150,000 vacant positions across Quebec. That's more than before the pandemic. The issue of human capital has become paramount, along with the ability of businesses to find workers that can specifically meet their needs.

The situation is worsened by the number of sick leaves, the need for workers to take care of loved ones, and their obligation to stay isolated in keeping with health measures.

Between March 29 and April 5, 2021, the CPQ led a survey among its members and its network in Quebec that exposed the scope of the labour shortage problem. Nearly 94% of businesses surveyed indicated they were struggling with labour recruitment. This appears to be true in all economic sectors across the entire province. The impacts of this are many and damaging.



Every other survey respondent reported that they turned down contracts due to labour shortages.

According to demographic projections, the burden of labour shortages is likely to be felt until at least 2030, namely due to Quebec's greater population aging compared to the rest of Canada's non-Atlantic provinces.

The pandemic gave rise to an important breach in the job market where we have a higher unemployment rate than what we've seen since 2016 combined with a high number of jobs to be filled. Meanwhile, there is also a need to develop new job skills to meet the demands of the precipitated digital shift. This is compounded by the difficulties of the job training ecosystem to respond to the changing training needs of the province's businesses as they struggle to offer them and their workers responsive solutions.

Indeed, 43% of those responding to the CPQ's survey on the labour shortage stated that the positions to be filled in their organization included as many requiring specialized skills as those that did not. Essentially the same number of respondents (42%) indicated that their needs involved qualified workers whereas only 14% had trouble recruiting non-specialized workers.

Employers are now more than ever expected to contribute actively to employee training. It is now on them to make proposals to learning institutions about how best to address business training needs to improve productivity and support wealth creation through multidisciplinary and specialized training. Skills development can not only improve employee productivity but can also help attract and retain talent. Thanks to the digital shift, a variety of talent pool segments can now be offered new opportunities to develop their knowledge and skills.

The pandemic has also underscored the gaps in the workforce's literacy, numeracy, and digital skills which directly conflicts with the direction technological change is headed. The ongoing green shift also calls for a whole new set of competencies and expertise to be developed.

Immigration – Economic immigration has been disadvantaged despite it presenting employers with a substantial solution, and this was true even before the onset of the crisis. The CPQ learned from its labour shortage survey that, from among the solutions most embraced, 43% of respondents stated they hoped to take further advantage of what immigration has to offer. This option far outweighed other proposed solutions including more support to in-house training (30%), greater reliance on robotization and automation (15%), and additional support for non-traditional talent pools such as workers with disabilities, workers with criminal records, or senior experienced workers (12%).

A total of 25,200 of immigrants were received by Quebec in 2020 whereas the province's immigration plan had projected between 43,000 and 44,500. For 2021, its immigration plan projects receiving between 44,500 and 47,500 immigrants. Canada should receive 350,000 in 2021 and the federal government is even talking about increasing that number to 401,000, with Quebec's portion estimated to be about 12 to 13%, which is far from equivalent to its demographic weight in comparison with the rest of the country.

Youth – The labour shortage issue could sting even more in the short term as the pandemic may delay getting student cohorts out on the job market, not to mention the red flags being raised across the board about student success and the risk of higher dropout rates. For a number of young people, such as those who graduated high school in June 2020, any fallback may leave a permanent mark, both economically and socially.

Workplace Changes – The health crisis put telecommuting into high gear which truly helped keep businesses above water by allowing them to maintain their business activities as the pandemic stretched on. Employers have risen to the challenge thanks to this new organizational strategy. It would appear that a mix of on-site and off-site work will be the new way of doing business after the pandemic. That being so, internal policies and various operating rules and procedures will be needed to ensure that organizations can function efficiently overall. This will also involve focusing on key aspects of this new way to working, such as mobilizing employee engagement, productivity, work-life balance, occupational health and safety, legal considerations, digital security, work equipment, rental costs, use of office space, reduced commuting, etc.

Of note, the CPQ quickly engaged with these issues and created an online platform on the topic of telecommuting.⁹ It seeks to offer as close a holistic approach as possible to this new way of working by touching on all its principal aspects.

Managerial Competencies – Employers and managers are now faced with an immense *change management* challenge either due to new tech (or other types of) investments, but also in terms of managing things such as telecommuting, mental health (such as anxiety or isolation which have been part and parcel of managing the pandemic), among others. That being the case, the managerial skills and abilities of entrepreneurs and managers become greatly important. Developing these competencies therefore becomes important to the health, profitability, and growth of an organization and its business activities. Training programs for managers as well as change management training programs will need to delve deeper into these competencies.

⁹ <https://www.cpq.qc.ca/fr/publications/memoires-et-etudes/guide-pratique-pour-l-implantation-du-teletravail-en-entreprise/> (in French)

PRIORITY ACTIONS

The challenges relating to human capital require us to work on a series of fronts, from the number to the skill levels of workers, both from a present-day standpoint to a future-oriented one. Most notably, we must:

1

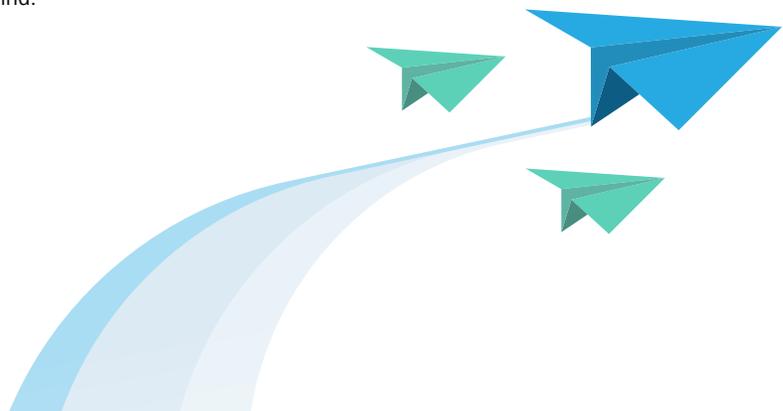
Take stock of Quebec’s demographic situation, including the potential contributions of temporary and permanent immigration and international students. In this regard, a definitive shift will be needed from how these options are currently regarded. Furthermore, far too great a number of people are having trouble integrating the job market (workers with disabilities, Indigenous workers, immigrant workers, not to mention women workers without proper access to daycare). To this are added those without enough incentive to continue working (such as senior experienced workers). We will need to facilitate ways for this latent labour force to integrate the workplace.

2

Offer additional support to in-house training initiatives and to continuing education as a way to better match job skills to the job market’s needs as well as support investments in upgrading and learning new occupational skills, and, within the education system, put added focus on student success. Digital skills, managerial skills, and science-based skills must stay top of mind.

3

Ensure that income support and income replacement programs (such as employment insurance and occupational health and safety benefits) generate positive impacts on the job market over a longer term and that their costs remain well managed.



FURTHER STRENGTHEN in-house employee training initiatives, particularly in terms of digital and managerial skills development.

STEP UP training for unemployed workers and workers underrepresented on the job market who need new skills, skill development training (including basic skills) or to be reskilled.

ENSURE that training initiatives are complementary (and not in conflict) with income support measures as to engage a greater number of workers in training and more generally increase the value of training in the minds of Quebecers.

FACILITATE the entry of temporary foreign workers (TFW) to help meet the needs of employers, at all levels of qualification, by reducing red tape and speeding up how TFW program requests are processed.

INCREASE permanent economic immigration by making selections that meet job market needs, by reducing request processing times, and by focusing on attracting and retaining international students.

ENABLE the integration of new immigrants into the labour market as well as workers furthest from it (such as Indigenous workers, workers with criminal records, and workers with disabilities).

PROMOTE recognition of skills and experience, particularly for immigrant workers, and allow for partial recognition of prior job skills to enable forms of restricted practice.

CONTINUE to encourage senior experienced workers to stay employed, including specifically reducing payroll taxes for organizations employing them, as well as enabling these workers to upgrade their skills.

SECURE daycare service availability across the province to allow women hoping to join/rejoin the job market to do so, particularly those raising their children on their own.

FURTHER PROMOTE, among young people and workers, the job fields most in demand (including professional and technical programs) in science and tech and construction trade jobs (and for the latter, facilitate access to this pool of jobs). It will also be important to learn to identify the trades and professions most in demand.

ENSURE that all provisions of Quebec’s occupational health and safety plan (SST) encourage a prompt and enduring return to work, deter chronic reliance, and encourage and facilitate temporary placement of workers as well as enable rehabilitation in positions considered suitable for this. To achieve this, all parties will need to rally together to generate novel ideas and leverage as much flexibility as possible, all towards enabling greater productivity.

INCREASE the number of ways dialogue and collaboration can take place between education and business as to engage in a proactive, strategic approach around how trades and competencies evolve thereby allowing skilled labour needs to be met specifically in each region.

PAY special attention to youth, particularly those at critical moments in their student career (such as June 2020 high school graduates) and rally all necessary efforts and investments to help them succeed and develop.

FOSTER the contributions of all parties –from public and private schools and community organizations to CEGEPs and universities– to meet the needs of different regions both demographically and in terms of student success. Special attention will be needed in STEM fields without forgetting the importance of multidisciplinary education.

IMPROVE access to postsecondary education in all of Quebec’s regions and for all types of students, particularly adults already on the job market and those underrepresented in the postsecondary system (such as youths with disabilities as well as those from families without a university background, from low-income families, and from Indigenous communities).

FURTHER STRENGTHEN continuing education services in higher education institutions as well as short-term programs that can allow workers to upgrade their skills or learn new ones.

FURTHER ENCOURAGE the hiring of students (especially during the summer) as well as encourage internships and work-integrated learning (WIL) as to prepare the next generation of workers and job skills, and encourage hands-on work experience that allows youth to explore their career options.

MODERNIZE employment insurance in an effort to better orient it towards active measures (training and job-seeking assistance) as to generate a longer-term positive impact on the job market and keep its costs well managed without compromising its primary objective.

II Businesses' Capacity to Operate, Invest, Increase Productivity, and Grow

Businesses must constantly adapt to their business environment, and despite uncertainty, must invest to grow and remain agile and competitive. This is even more true in the context of the pandemic. Productivity gains can also be achieved through human capital development, innovation, moving products upmarket, integrating technologies across the board, or even cost restructuring. For its part, the economic recovery will also need to boost business confidence.

The financial standing of businesses is, in many cases, weakened by this unprecedented crisis. Innovative financing tools must be put in place, as well as measures that can improve business environments and increase the ability of businesses of all sizes to take part in the recovery effort.

a) Encouraging private investment, competitiveness, and business growth

ISSUES AT HAND

There can be no recovery without private investment. These exceptional circumstances remind us of the key strategic role played by government, enhanced partnerships, as well as adapted, complementary, and innovative financing tools. **The recovery will also need business, fiscal, and regulatory environments that will help foster risk taking, innovation, and business investments.** The availability of human capital will, for its part, be indispensable. The CPQ's labour shortage survey (led among its members and its network in April 2021) showed that 40% of respondents delayed their investments due to labour shortages.

In such a context, where important changes are in progress with still more to come and where there is instability due in part to an increase in protectionism as well as an increasingly digitized economy, the CPQ acknowledges the importance of an entrepreneurial approach that embraces change and sees economic prosperity favourably. We also acknowledge the importance of large businesses maintaining a strong presence in order to buttress the foundations of Quebec's economy.

The contributions of large businesses to economic competitiveness, to the vitality of thousands of SMEs, to prosperity, and to the quality of life of citizens is more vital than ever. This is true for a number of sectors (such as aluminum, steel, forestry, energy, electricity, and aerospace) as well as sectors working with interdisciplinary knowledge from science and biomedicine, new technologies, green technologies, including the agriculture and agri-food sectors.

Quebec is a small, open economy so its economic growth (and that of its businesses) significantly depends on export capacity. Whereas an important number of businesses (nearly a quarter) already engage in exports, others have much to gain in taking this on, both internationally and interprovincially. Ensuring the competitiveness of our exports and lending support to businesses wishing to engage in exports is therefore vital.

PRIORITY ACTIONS

REASSURE businesses that governments are intent on maintaining their fiscal competitiveness and maintaining tax credit stability and predictability to allow for investments and exports and favour competitiveness and business growth in the province.

INCREASE access to patient (long-term) capital in order to foster innovation across strategic sectors and to allow businesses with a viable long-term operating model (but that are temporarily struggling to access capital) to get through this slump, particularly in smaller communities where repercussions can be disproportionately felt.

FACILITATE access to various business financing products, such as very low-interest credit as well as loan collateral for capital expenses and tech investments (tools, equipment, digital equipment, robotization, etc.) and facilitate exports through support from Investissement Québec (IQ), the Business Development Bank of Canada (BDC), and Export Development Canada (EDC).

ENSURE that financing requirements are increasingly flexible and strategic and involve minimal red tape and wait times. Rules should also be adapted to the nature of the financing tool used. For example, the cumulative clause (tied to public financing) currently used by the Quebec government limits the scope of the BDC's ability to make investments in Quebec by virtue of it qualifying as a bank.

ENVISAGE measures aimed at boosting the public financing ecosystem to support Quebec businesses that are already publicly traded and to facilitate others to become publicly listed (such as a non-reimbursable tax credit for investors and a revised stock savings plan format for a new kind of Stock Savings Plan (called the RÉA, *régime d'épargne-action*).¹⁰

DEVELOP investment capital matching schemes between government and private investors as a way to leverage and attract private capital, such as for green economy investments.

INSTALL favourable conditions (fiscal measures, mentorship, transition planning, etc.) to support business succession. Specifically, ensure that ownership transfers to family members aren't fiscally disadvantageous compared to ownership transfers to non-family members.

REVISE small business deduction restrictions to allow businesses in the construction and services sectors to benefit from the lowest tax rate, as is currently possible in manufacturing and primary (resource-based) sectors.

PUT A LIMIT on credit card fees, considered much too high, that erode the margins of many businesses particularly in the context of the digital shift and the associated increased use of this payment method (notably in the retail business where profit margins are particularly small but also in a number of other sectors such as tourism, food and beverage, etc.). Such a measure could improve business margins at no cost to the government.

SHORE UP support to Quebec media outlets—including non-print media—across different communities and regions to account for the digital age's inherent level of competition.



¹⁰ Public offerings greatly stimulate business growth, but Quebec has relatively few large publicly traded companies. The RÉA once helped a number of SMEs to become publicly listed which provided for the emergence of a number of Quebec's flagship businesses. While business conditions are different than they were in the 80s, today's low interest rates could make this approach interesting again.

b) Bolstering Economic Productivity Through Innovation and Technological Integration

ISSUES AT HAND

As digital technologies flourished over the last two decades, thereby speeding up the sharing of knowledge and information, we've seen innovation pipelines multiply. Innovation has become more and more incremental over time and fuelled by principles of collaboration and more directly by the needs of markets and communities.

Since then, automation, robotization, and artificial intelligence have become ubiquitous for those wanting to take part in the new economy. This reality is driven as much by demand as it is by global competition.

However, few disagree that Quebec and Canada are a few steps behind other developed economies in terms of technology investment and productivity.¹¹ In 2019, for example, 346 industrial robots per 10,000 employees were in use in Germany compared to 228 in the US, and 165 in Canada that ranks behind France with 177.¹² In terms of ICTs, rallying 2.16% of GDP in investments, Canada ranks 12th in a pool of 15 other countries. Meanwhile, Quebec invests 2.04% of its GDP in ICTs compared to 2.39% in Ontario and 3.4% in Japan and in Sweden.¹³

Digitization has come forward as an important economic and social resilience tool since the onset of the pandemic. Investing more in automation and robotization has more than ever become a necessity for businesses and organizations alike.

New digital technologies allow businesses to drive profit when commercializing new products, enjoy productivity gains offered by artificial intelligence, and participate in the data economy. It also offers a partial fix to labour shortages. To achieve these productivity gains, tech integration must be coupled with investments in training.¹⁴ Although the strategies to achieve this vary from one business to the next, the cost of investment borne by businesses towards digitization may have a greater impact on HR costs (employee training, organizational adjustments, security expertise, etc.) than they do on equipment costs.

11 In 2019, Quebec had one of the lowest levels of work productivity among a group of 30 countries (as did Canada). Comparatively speaking, the average work productivity rate within a group of 20 OECD countries (OECD20) was 30% higher than in Quebec (see <https://cpp.hec.ca/wp-content/uploads/2020/12/PP-2020-01.pdf>, in French).

12 <https://fr.statista.com/infographie/15793/industries-les-plus-automatisees-densite-robots-industriels-par-pays/> (in French)

13 <https://www.conferenceboard.ca/hcp/provincial/innovation/ict.aspx>

14 The CPQ and its [Services-Conseil RH 4.0](#) service offer support and training to help manage organizational tech or digital shifts by focusing on organizations' human capital transformations.



In fact, tech integration and the changes it involves can sometimes be subject to some resistance, which must be properly addressed. Hikes in productivity offered by tech integration cannot be cast aside for fear, for example, of technological unemployment. Fears can be tempered by, for instance, a well-tuned approach to training and the development and upgrading of skills and flexibility.

The fact that the economy must suddenly and significantly rely on technology has also increased its reliance on it. Technology must be well managed with IT security and cybersecurity and by sturdy digital infrastructure or technology governance systems. Further, the robustness of regulations governing the protection of personal data must be able to ensure public confidence while also allow businesses enough flexibility and agility to innovate and remain competitive. That being said, the necessity of playing in the same ballpark and staying in synch with the rest of the country and with our commercial partners is inescapably important.

In the services field, tech integration is still sluggish when it is precisely here that productivity gains are awaited. Digital networks and platforms are present across virtually all economic sectors. Whereas big business has fully climbed on board, smaller businesses need to increasingly embrace this new reality.

Commercializing Innovation: Quebec, much like Ontario, has trouble commercializing its innovations and reaping their rewards.¹⁵ In fact, it would seem that Canadian innovators have a greater tendency to sell their intellectual property than to develop it here in Canada. A study led by the Institute for Research on Public Policy (IRPP) shows that, over a twenty-year period, the proportion of Canadian patents transferred to foreign operations had more than doubled (18% in 1998 compared to 45% in 2018).¹⁶ In doing so, Canadian researchers give up their chance to capitalize on, commercialize, and pursue further research on their patented technologies.¹⁷

¹⁵ The Conference Board of Canada. "Provincial and Territorial Ranking: Innovation" <https://www.conferenceboard.ca/hcp/provincial/innovation.aspx>

¹⁶ Gallini, Nancy and Aidan Hollis, *To Sell or Scale Up: Canada's Patent Strategy in a Knowledge Economy*, Institute for Research on Public Policy, 27 August 2019, <https://irpp.org/wp-content/uploads/2019/08/To-Sell-Or-Scale-Up-Canadas-Patent-Strategy-in-a-Knowledge-Economy.pdf>

¹⁷ *Ibid.*

PRIORITY ACTIONS

DRIVE business R&D and innovation by strengthening risk-taking capacity despite high uncertainty and the shortening of the innovation cycle (by enhancing fiscal incentives, for example). Attention must also be given to commercializing innovation and to R&D in the robotization and digitalization sectors.

GIVE more fuel to the digital shift, automation, robotization, and digital equipment investments (through a 100% asset amortization rate, for example). The Tax Credit for Investments and Innovations, aka C3i, also offers fuel to digitization initiatives. Though temporarily revamped through Quebec’s recent budget, more measures of this kind are undoubtedly needed.

OFFER businesses financing and support facilities for their tech integration processes to make them transactional but also to augment their attractiveness, their productivity, and their collaborative potential (for instance in the retail sector, digital and omnichannel e-commerce, construction through the BIM, tourism business performance in digital environments, agriculture and agri-food, mobility initiatives, professional services, etc.).

INCREASE the use of private-public partnerships for R&D and innovation processes in strategic science and technology fields and for other engaging societal projects.

FURTHER SUPPORT industrial research, industry-education and research partnerships as well as encourage science and tech mentorships.

SPUR international-level commercial ambition and boost scale-up capacity to give Quebec-based innovation its place on world markets.

FINALIZE the deployment of high-speed internet access across the entire province in keeping with the commitments of both provincial and federal governments.

Increasing linkages between economic actors –such as between business and higher education and research but also between large businesses and SMEs– can improve the quality, robustness, and vitality of innovation pipelines and contribute to the success of the ongoing tech shift.

Innovation hubs (*zones d’innovation*) can serve as excellent collaborative models in that they bring together businesses, economic organizations, research and teaching institutions as well as municipalities to further the commercialization of innovation, exports, local and foreign investment, and productivity. These innovation hubs have been highly awaited, and their deployment should be fast-tracked.

III Public Finances and Budget Balancing

ISSUES AT HAND

The COVID-19 pandemic demanded that governments put measures in place and the consequences of partially shutting down the economy inevitably generated large deficits that some would even qualify as gargantuan at the federal level.

Public debt should always be closely watched to avoid governments seeing their credit rating downgraded over time, leading to increased interest payments which then restrain the government's spending capacity to meet the needs of the country.

In Quebec, laws like the one on debt reduction (which gave rise to The Generations Fund, or *Fonds des générations*) and the Balanced Budget Act (*Loi sur l'équilibre budgétaire*) have proven useful as we weather the COVID-19 storm. The principles and mechanisms embedded in these laws remain apt, but the current context calls for the loosening of some of its provisions, particularly in terms of the prescribed timeframe for returning to a balanced budget. Going forward, the federal government would be wise to take inspiration from this type of legislation and should, in the short-term, establish a timeframe for getting the budget back in balance.

The road to a balanced budget (and a return to healthy public finances) will be no walk in the park. Economic growth will be the primary driver. To allow for this, a safe reopening of economic

activities is central. If reopening the economy doesn't get us there, strategic choices will have to be made while also bearing in mind the potential impact of fiscal and budgetary measures on the economy's level of competitiveness.

In this vein, we welcome the federal government's commitment (announced in its November 2020 economic statement) to a new GST registration system for non-resident vendors of products and services. Alongside the new revenues this will generate, this measure ensures a certain fiscal equity between vendors regardless of their residency status. Vigorously following through on the collaborative efforts of OECD countries towards a coordinated solution for taxing the tech giants must also stay on our radar. We need to think about other sources of revenue that won't negatively impact fiscal competitiveness.¹⁸

The Quebec government must also stay engaged with its modernization efforts. There is financial headroom available to us if it can make changes to how it operates and innovates including a concrete overhaul of how the governmental machine is run. Finally, progressively achieving recovery and stabilization of Quebec's public finances will be a hard game without also undertaking reforms to the healthcare system.

PRIORITY ACTIONS

IMMEDIATELY INITIATE discussion on controlling deficits and the public debt load at the federal level, which could take inspiration from Quebec.

MAKE USE of strategic economic growth initiatives as a way to shrink public deficits.

¹⁸ For instance, the permanent reinstatement of the Quebec Immigrant Investor Program (QIIP) will allow for foreign capital injections into Quebec's economy which can support the prosperity and financing of SMEs. The program's federal counterpart could also be reinstated.

IV Healthcare

ISSUES AT HAND

Health and social service expenditures represent the Quebec budget's largest line item (44% of its total expenditures). Their growth outweighs the growth in public revenues. They are expected to maintain this trend over the coming years due to population aging¹⁹, the associated need for long-term care, the pressing need for more healthcare workers as well as the growth in the cost of medications, equipment, and additional human and material resources. And these without taking into account the short-term impacts of COVID-19 in terms of testing, care, and recovery for those infected as well as PPE and medical supplies, just to name a few. There are also the impacts of COVID-19 on surgery wait times and diagnostic procedures.

The sustainability of the healthcare system's financing will inevitably be a function of its overall efficiency. Improvements here will have to be a group effort involving the strengths of public, private, and social stakeholders and using innovation as leverage.

The pandemic also shed light on the restricted capacity and weaknesses of the healthcare system, and this despite the important investments it receives. The pandemic also devastatingly exposed the relationship between public health and socioeconomic stability.

The virus showed us the limits of Quebec's public health capacity, and its spread became the primary cause of the economy's shutdown. Should we progressively relearn how to interact within safe distances, this will be wasted effort if the healthcare system is unable to stay ahead of how the waves of this pandemic roll in and out.

The CPQ believes that a concerted and structured effort must immediately be launched to look into strengthening the healthcare system, the long-term care system, and the sustainability of their financing. This implies confronting short-term questions but also developing a long-term vision. This major project will take on every dimension: human, social, economic, and public finance. Recovery and the subsequent lasting stability of Quebec's public finances cannot be achieved without reforms to the healthcare system. Such reforms must allow us to control the load of healthcare expenditures while at the same time meet the needs of citizens and improve the services they receive. To this end:



¹⁹ A few numbers: It is projected that every year 37,500 more people will fall into the 75 years and older group. By 2023, those over 65 will outnumber those under 20 in Quebec. The proportion of those over 65 in 2017 was 18.5%. This will rise to 35% in 2031.

PRIORITY ACTIONS

IMMEDIATELY INITIATE a concerted and structured discussion on the strengthening of the healthcare system and the sustainability of its funding.

CONVENE an expert committee to investigate the future long-term care needs for those coping with a loss of autonomy and properly identify, more generally, the increasing points of pressure on the healthcare system, understand their impacts on taxpayers, and, most importantly, implement the necessary solutions.

STRIKE a Partners Roundtable (*Table des partenaires*) that can propose appropriate measures and models to support the quality of life of our elders.

IMPLEMENT mechanisms and policies that support decentralization and accountability.

OPTIMIZE the contributions of all public, private, and social actors and of all professions.

LEVERAGE new medical technologies to cut costs and expedite efficiency of care. New technologies can help us optimize the government’s IT assets and increase the quality of public services. They can also offer environmental advantages by reducing the need to commute. Telemedicine is an example of how technological solutions flourished during the pandemic and it should be maintained. Employers could also be encouraged to offer telemedicine services to their employees and their families as a way to increase productivity and relieve some of the pressure on the healthcare system.

ADOPT a quicker and simpler strategy to integrate health innovations (through pilot projects, regulatory “sandbox” testing environments, etc.).

LEVEL UP on prevention and rally the contributions of all stakeholders, including employers, through a reward system and through reduced remittances to the Health Services Fund (*Fonds des services de santé*, or FSS in French) for workplace initiatives geared towards general preventive health and health behaviours.

FOSTER the development of a local biomedical supply chain and the strengthening of the life sciences sector (through R&D projects, for instance).

SUPPORT strategies proven effective in improving the recruitment, retention, and availability of a qualified workforce.



THE STRATEGIC ROLE AND THE MODERNIZATION OF THE STATE

In light of the scope of the pandemic's shockwave, the government's role in the recovery is to use all of its leverage, from public infrastructure investments to spearheading major collective projects, from public procurement power to public-private partnership opportunities, and from regulatory efficiency to economic policies and strategies that support SME growth and productivity gains.

Serving in this role, every cog in the government machine must serve to facilitate economic development. They must limit any barriers stemming from isolationist views and limit costs and inefficiencies stemming from counterproductive overlaps and inconsistencies.

Public Procurement – Compared to other jurisdictions (such as our US neighbours), neither Quebec nor Canada profit substantially enough from using public procurement as a driver of economic development or as technology showcase.

Infrastructure Investments – By virtue of their ability to generate short-term and long-term spin-off effects, infrastructure investments play a central role in the recovery, while their quality will play decisively in the successful shift towards a low-carbon economy. Quality infrastructure will also help support sustainable mobility and the local and international fluidity of freight transport. It will strengthen our logistical hubs as well as their interoperability and intermodality and will raise Quebec's standing as a pivot point for international trade.

Public Capital Investments – These types of investments must also allow us to improve social housing and digital infrastructure (notably in regions where this is still lacking) as well

as education and healthcare infrastructure. The upkeep of these assets also plays a priority role in reducing infrastructure deficits. The government's strategic role also means it must establish strategies that improve how air transport and airports support the prosperity of Quebec's non-urban regions, particularly in terms of improving infrastructure and service areas and reducing passenger costs.

Use of project financing and fulfilment models that enlist public and private support – Such models ensure that needs are met without increasing public debt and can leverage the support of organizations such as the CDPQ (Caisse de dépôt et placement du Québec) and the Canada Infrastructure Bank (CIB). Such an approach should be put to greater use.

Awarding government contracts in a way that adequately accounts for the quality, value, and durability of works as well as their environmental performance – Such a model would allow short-term objectives to be synchronized with development in support of the province's long-term resilience.

Regulatory Efficiency and Predictability

Increasingly efficient, streamlined, and predictable regulations pave the way for the increased productivity and vitality of investments, with no additional costs to the state. The exacting nature of a regulatory system also shapes the economic impact of major projects, if only in terms of shortening their timeframe. Whereas administrative streamlining has always been well advised, it is even more true today. Admittedly, though the goals of regulations are laudable, their effects occasionally go against the very thing they were drawn up to do.²⁰ Governments must keep themselves from unduly proposing new regulations unless they are truly necessary.

One way to go could be to gradually adopt a customer-based approach. Government could devise a way to help lead businesses through the maze of regulations as a way to identify—and correct—any unruly obstacles while at the same time support the determination of entrepreneurs and organizations to deploy their business activities. Additionally, performing an economic impact analysis of regulatory systems, which is not always done, ought to become a given.

Modernization of the State

A number of the government's ministries demonstrated significant agility throughout the pandemic.

This should be preserved. An overall and concrete modernization effort on the cogs of government must be fuelled by the same will that prompted the adoption of Bill 66 whose goal is to expedite certain infrastructure projects.

Modernization will be a function of the public administration's culture of performance and of an ongoing review of programs and priorities. It also hinges on the government's digital shift, its integration of digital applications that help cut costs, the expeditiousness of services, and better management of information resources. Dismantling ministerial silos will also benefit the overall efficiency of government.

²⁰ For example, telecommunication regulations that were designed to keep a cap on rates can discourage investment in digital infrastructure and ultimately cripple service access, particularly in non-urban centres. The same can be said about Patented Medicine Prices Review Board (PMPRB) regulations that laudably seek to control the price of medications but run the risk of hampering research and innovation as well as Canadians' access to new medications.

PRIORITY ACTIONS

FOCUS on awarding government contracts in a way that appropriately considers the work to be done in relation to its quality, environmental performance, value, and sustainability and in a way that avoids using formulas that nearly systematically favour the lowest bidder (that is, include environmental requirements, full life cycle assessments, total costs of ownership, etc.).

ENSURE proper planning of work to allow for better productivity of the contracted activities, notably in the construction ecosystem (including professional services, manufacturing, logistics, human capital, etc.).

MAKE USE of all state-level purchasing power (including crown/public corporations, healthcare and educational institutions, etc.) to buy green and buy local and to bolster innovation across the province as well as the contributions of SMEs, while staying in line with commerce and free-trade regulations and making healthy use of public monies.²¹

ENCOURAGE “buy local” initiatives among consumers and businesses by promoting local products and services offered by Quebec entrepreneurs and facilitating ties between buyers and suppliers, which can help bring chains of production back to Quebec if doing so proves profitable.

Propose a practice where independently generated, unsolicited bids can be submitted as a way to promote innovation and greater involvement from the private sector, be it for infrastructure projects or initiatives from other fields.

FOSTER innovation and how it can be scaled and commercialized by giving public procurement the role of testing ground and technological showcase, notably in terms of green and health science innovations.

TAKE ON major public-private partnership R&D and innovation process projects in strategic science and technology fields.

UPGRADE public policy design processes to thereby upgrade their effectiveness by choosing a co-creatorship model that involves independent experts.

PURSUE with more vigour efforts aimed at streamlining the regulatory system and make it more competitive, predictable, and free of overlaps and inconsistencies between different levels of government.

CONTINUE with the deployment of a results-based public management approach with increased coaching of public servant performance.

ENCOURAGE the civil service to embrace new expertise and novel initiatives.

²¹ See for instance a report from the CIRANO interuniversity organizational analysis research group which notes that, from a budget standpoint, procurement from Quebec-based producers can be advantageous insofar as the percentage difference between their product price compared to the price of an imported product stays under 17%. http://consultations.finances.gouv.qc.ca/RelanceEconomique/propositions/RelanceEconomique_CIRANO_Richelle_Thibaudin.pdf (in French).

THE GREEN SHIFT: CHALLENGES AND OPPORTUNITIES

The pandemic transformed the workplace as well as a notable number of business sectors. This gives us an opportunity to review how we do things overall and look ahead to new ways of doing things. The pressing fight against climate change can therefore serve a springboard for the recovery effort and as an economic focal point around which to spur innovation and business growth. In short, it opens up a new playing field ready to be explored.

An environmentally oriented recovery is possible if it can find footing in meaningful public and private investment that can fuel a shift towards achieving a lower-carbon economy and our GHG emission targets. This green and sustainable shift must be strategic and maximize the returns and profitability of these investments. Quebec already has a number of assets it can use in this sense, such as renewable, green, and abundant natural resources like water power, wood, and minerals as well as its know-how in these areas as well as in others.

For businesses, the green shift can become a competitive edge helping them stand out from the crowd, as many have already shown is possible. Developing new sectors goes hand in hand with developing new business opportunities. A number of different initiatives have already shown how resource use can be optimized at every stage of a product or service's life cycle while at the same time reducing its environmental footprint. But the right financial and regulatory conditions must be in place and meet the needs and realities of different sectors, such as industry, transport, and construction. Such conditions include regulations that are at once effective, well targeted, and harmonized across the various levels of government and internally between different ministries and organizations. Having the necessary human capital and skills is also an essential part of the winning formula.

PRIORITY ACTIONS

STRENGTHEN the innovative nature and profitability of green-oriented investments by focusing on the commercialization of innovative products and the integration of green technologies within business operations. Particular attention should be paid to strategic sectors like the aviation industry (green aviation), the aluminum and natural resource sectors (forests and mines), and green technology development.

CULTIVATE circular economy initiatives geared towards optimizing resource use at every stage of a product or service's life cycle²² in an effort to foster 1) the support to innovative businesses, 2) an increasingly efficient recycling industry, 3) a greater industrial symbiosis within individual sectors or regions, and 4) collaborative (or share) economy initiatives that optimize resource use and can offer attractive economic and environmental returns.

SECURE an efficient waste and residual material management approach and make it a driver of innovation and entrepreneurship.

STRENGTHEN incentives in the building industry towards energy efficiency and carbon footprint reduction (thermal shells for buildings, support measures for energy-saving renovations including for rental housing, use of environmentally friendly materials, etc.).

CONTINUE using Quebec's hydroelectricity as an economic development driver and competitive edge for Quebec businesses and leverage the province's other natural resources, such as wood and minerals.

ENSURE other renewable sources of energy are developed (including in particular renewable natural gas, biomass and biomethanization, and wind and solar power) while supporting sectors tied to electrifying the economy in pursuit of complementarity and diversification. In this regard, the CPQ firmly believes in the right use of the right kind of energy at the right time and at the right price.

ENCOURAGE public corporations and private enterprises to develop a hydrogen sector, which has great potential to reduce GHG emissions particularly in the heavy hauling sector and for certain industrial processes, though not without intense research and investment. We welcome the \$20M in investments announced in Quebec's 2021-22 budget but underscore that more investments will inevitably be needed.

STAY THE COURSE in terms of targets set by Quebec's sustainable mobility policy (*Politique de mobilité durable*), strengthen funding for public transit including interregional public transit, and promote public transit expansion projects like those for the REM (*Réseau express métropolitain*).

HELP PURSUE the REM expansion project between the Dorval train station and Montréal-Trudeau international airport to offer a more complete interconnection, which responds to sustainable mobility objectives and supports the vitality of Montreal and the province.

UPGRADE intermodal transport and energy efficiency programs in the freight transport sector and establish short supply circuits to support sustainable development and buy-local approaches.

ENSURE that Quebec's carbon market (*Système québécois de plafonnement et d'échange de droits d'émission*, or SPEDE) maintains federal recognition to enable businesses to make reliable projections.

IMPROVE the accessibility and effectiveness of measures related to Quebec's electrification and climate change fund (or FECC, *Fonds d'électrification et de changements climatiques*) particularly to support investments tied to reducing the carbon footprint of Quebec businesses.

EXPEDITE the establishment of compensatory credit assessment protocols currently under review and develop new compensatory credit protocols to facilitate project planning and to allow Quebec businesses to step up to their environmental responsibilities at minimum cost.

ALLOW voluntary enrolment into the carbon market for smaller emitters (by bringing the current 10,000-ton requirement to 5,000) thereby allowing them to contribute to reducing GHG emissions under the same conditions and with the same advantages enjoyed by large emitters.

SYNCHRONIZE and harmonize as much as possible provincial and federal GHG reduction policies (such as for clean fuel and carbon cost regulations) to make it easier and to avoid double billing of industries and their clients.

ENSURE, namely through social dialogue, that the green shift is just as it relates to the impacts of climate change measures and the impacts of the green shift on workplaces and communities.

22 There are a number of ways to define a circular economy (CE). It is essentially a "production, exchange and consumption system aiming to optimize resource use in every stage in the life cycle of a product or service through a circular approach, reduce the environmental footprint and contribute to the well-being of individuals and communities." Recycling is probably the most recognizable form of this type of economy, but there is also industrial symbiosis, functional economies, reconditioning, remanufacturing and repair, collaborative economies, etc. The refillable beer bottle approach is a type of CE. A number of existing standalone strategies and modelling (among other) tools can become part of a working CE. In March 2019, along with its partners, the CPQ published a report on the economic impacts and opportunities of circular economies in Quebec: <https://www.cpq.qc.ca/workspace/uploads/files/circular-economy-in-quebec-study.pdf>

CONCLUSION

Quebec is able to take the road to a sturdy, inclusive, and sustainable prosperity if it succeeds in making human capital availability and development its top priorities. Private investment must also, generally speaking, get a fresh kickstart. The province must also demonstrate the ability of its businesses to be innovative and to fully engage with the digital and tech shifts. Exporting must be an integral part of the game plan and entrepreneurs must be encouraged to pursue it. The green shift presents us with a mosaic of new opportunities that are becoming more and more definite and promising, equally on economic and environmental fronts. Efforts will need to be poured specifically into strategic sectors. Value creation will need to be viewed through the lens of security of supply and durability of growth.

The pandemic is an unprecedented global crisis. It pushed the various weaknesses and strengths of our systems into the spotlight, from healthcare and the economy to education and supply chains, in both our smallest communities and our larger collectives. The impacts are considerable. When weathering any storm, our ability to navigate the waves and choose our course is what allows us to carry on. This crisis has pushed us to demonstrate this very thing: that we can turn sizable challenges into opportunities as to better charter our decision-making and transform crisis into fuel to drive us forward.

This roadmap brings together relevant actions and considerations that we believe can well help guide public policymakers and major socioeconomic players onto a path to an economic recovery that is as resilient and lasting as Quebecers hope for.

APPENDIX

IMPACTS OF THE LABOUR SHORTAGE

Report on a Survey of CPQ Members and the CPQ Network

Background

The long-standing labour shortage has become a major issue for most Quebec employers and has impacted every industry. The problem may in fact hold back the much-awaited economic recovery. We must rapidly find solutions. To better understand how its business and organizational members are being affected, the CPQ led a survey about the labour shortage issue.

The survey took place between March 29 and April 5. Respondents included businesses of all sizes:

1 to 24 employees (22% of respondents)

25 to 99 employees (31%)

100 to 249 employees (15%)

250 employees or more (32%)

The pool of 430 respondents was made up of businesses from every region of the province operating in all recognized industries (NAICS codes), from manufacturing and construction to retail and educational services.

Results

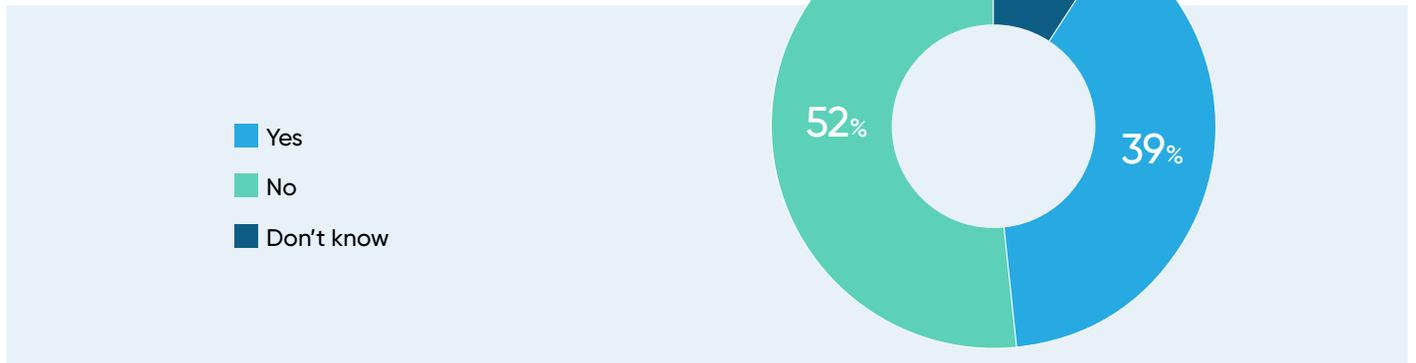
Is your business currently facing problems in terms of hiring and recruitment?



Do the empty positions you are recruiting for need specialized or non-specialized workers?

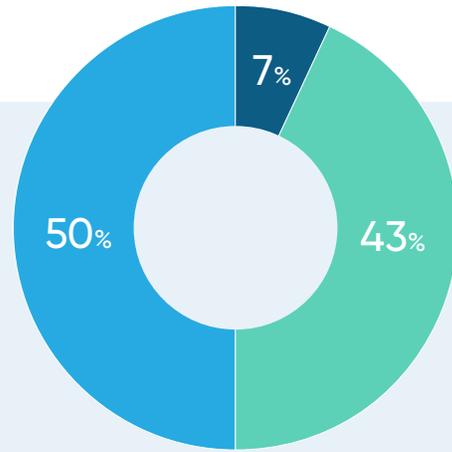


Have you postponed making investments due to labour shortage issues?



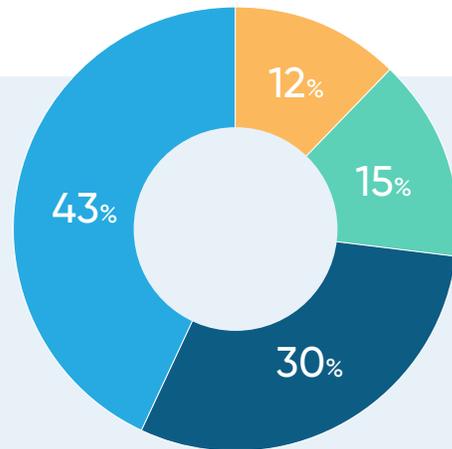
Have you turned down contracts due to labour shortage issues?

- Yes
- No
- Don't know



What solution would you like to see the government prioritize to address the labour shortage?

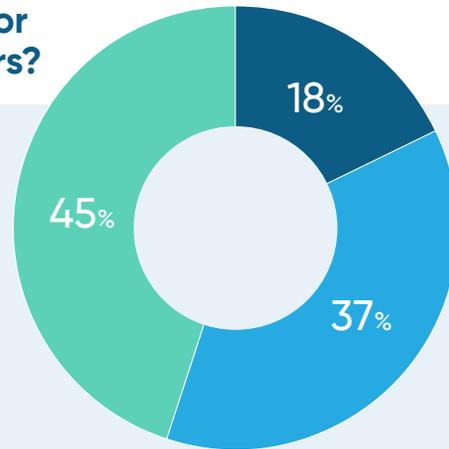
- Increased use of the immigrant labour force
- Increased support to in-house training
- Increased support to innovation and robotization
- Increased support for integrating non-traditional workers (workers with disabilities, workers with criminal records, senior experienced workers, etc.)



Complementary results from a subset of responses from businesses with 250 or more employees

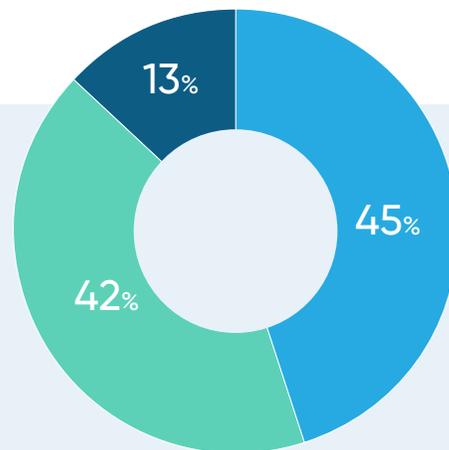
Do the empty positions you are recruiting for need specialized or non-specialized workers?

- Mainly specialized
- Mainly non-specialized
- Both



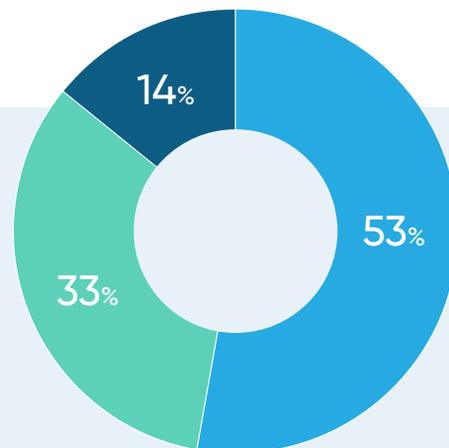
Have you postponed making investments due to labour shortage issues?

- Yes
- No
- Don't know

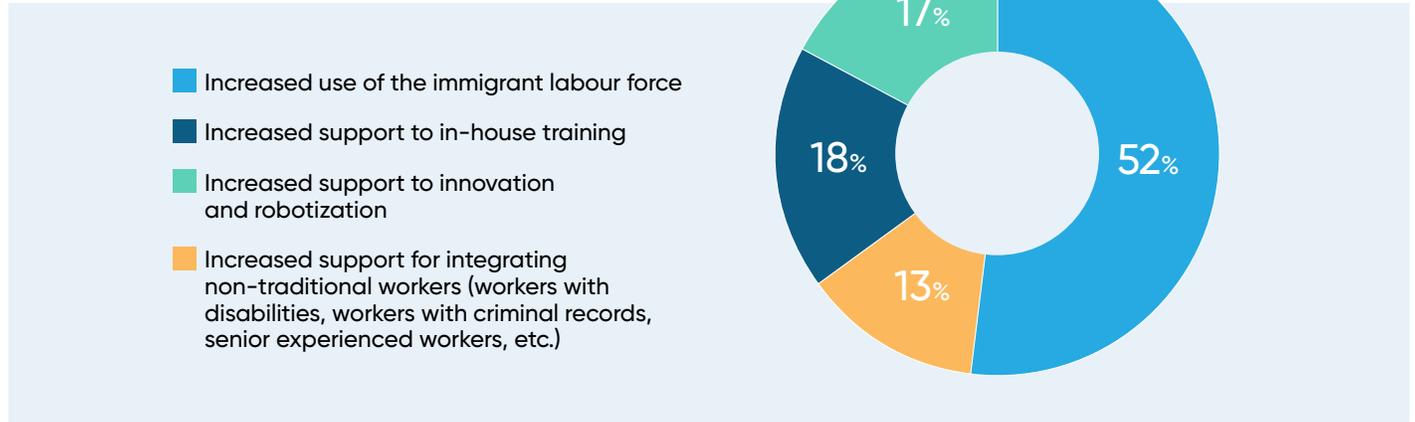


Have you turned down contracts due to labour shortage issues?

- Yes
- No
- Don't know

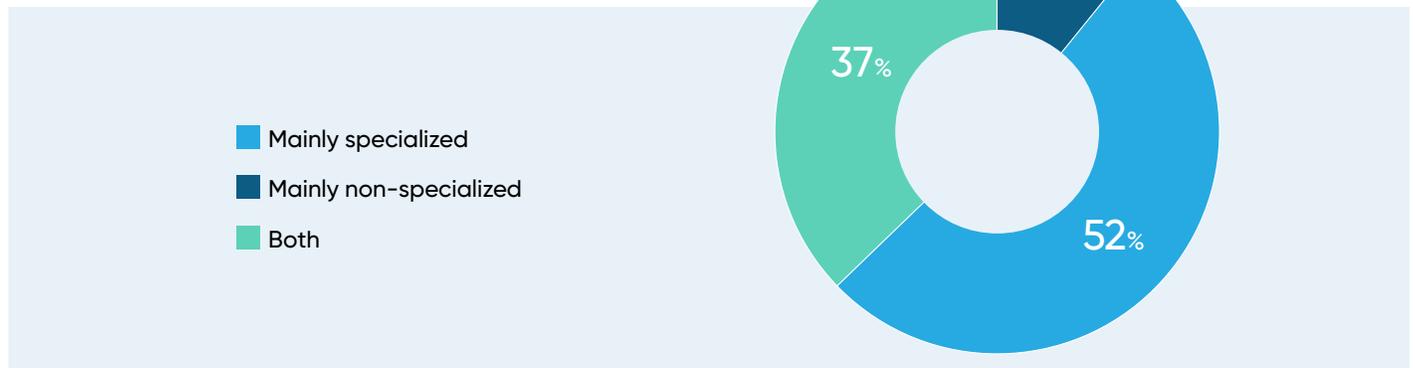


What solution would you like to see the government prioritize to address the labour shortage?



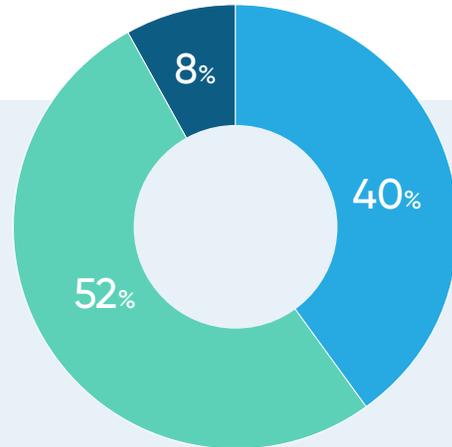
Complementary results from a subset of responses from businesses in the Greater Montreal Area (Montreal, Laval, and the Montérégie)

Do the empty positions you are recruiting for need specialized or non-specialized workers?



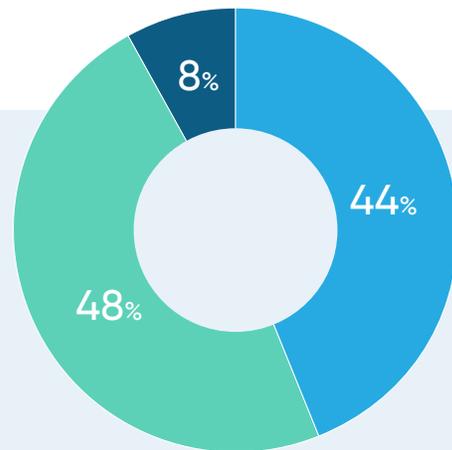
Have you postponed making investments due to labour shortage issues?

- Yes
- No
- Don't know



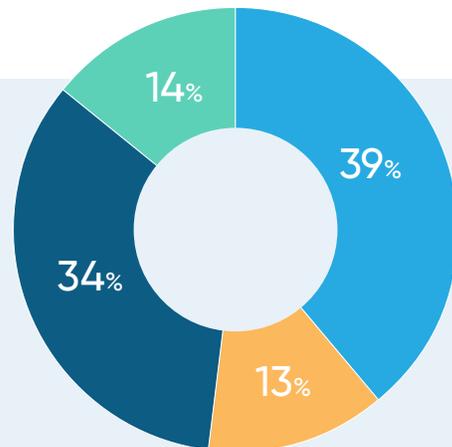
Have you turned down contracts due to labour shortage issues?

- Yes
- No
- Don't know



What solution would you like to see the government prioritize to address the labour shortage?

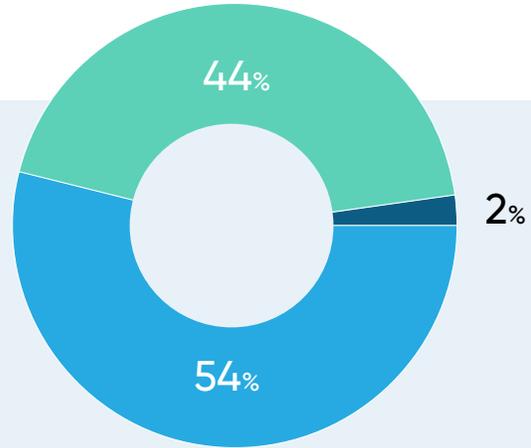
- Increased use of the immigrant labour force
- Increased support to in-house training
- Increased support to innovation and robotization
- Increased support for integrating non-traditional workers (workers with disabilities, workers with criminal records, senior experienced workers, etc.)



Complementary results from a subset of responses from businesses in the Quebec City region

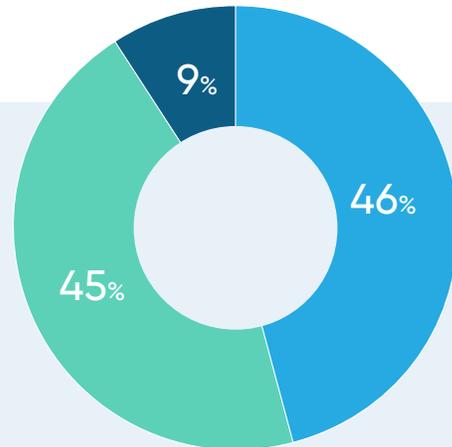
Have you turned down contracts due to labour shortage issues?

- Yes
- No
- Don't know



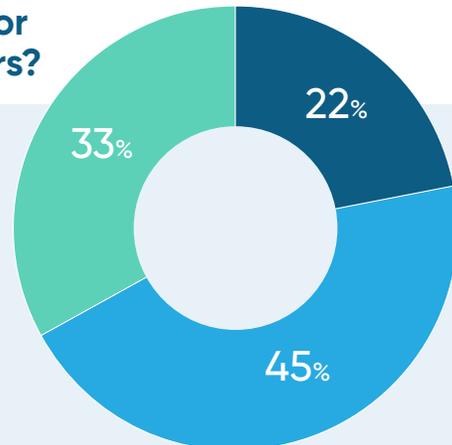
Have you postponed making investments due to labour shortage issues?

- Yes
- No
- Don't know

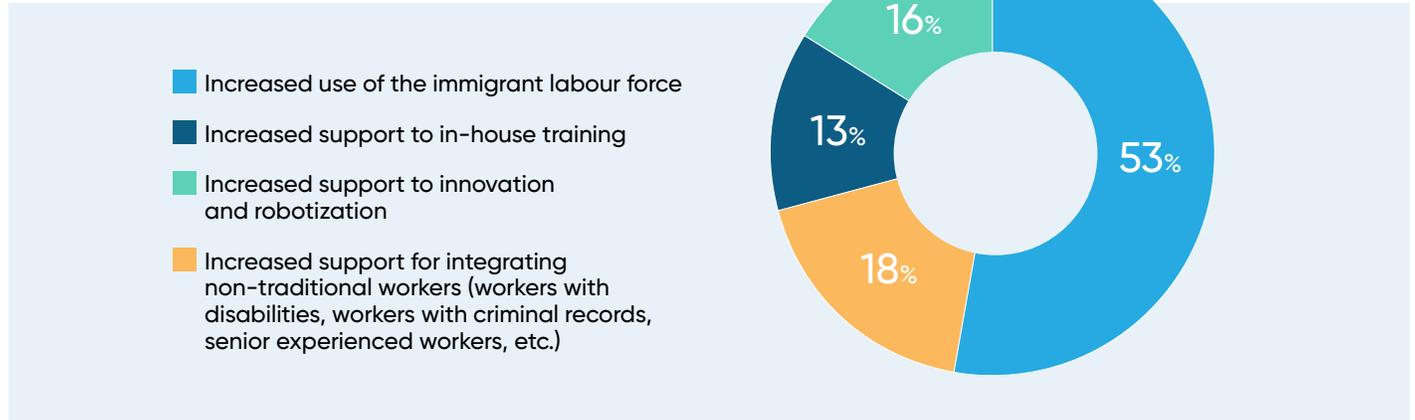


Do the empty positions you are recruiting for need specialized or non-specialized workers?

- Mainly specialized
- Mainly non-specialized
- Both

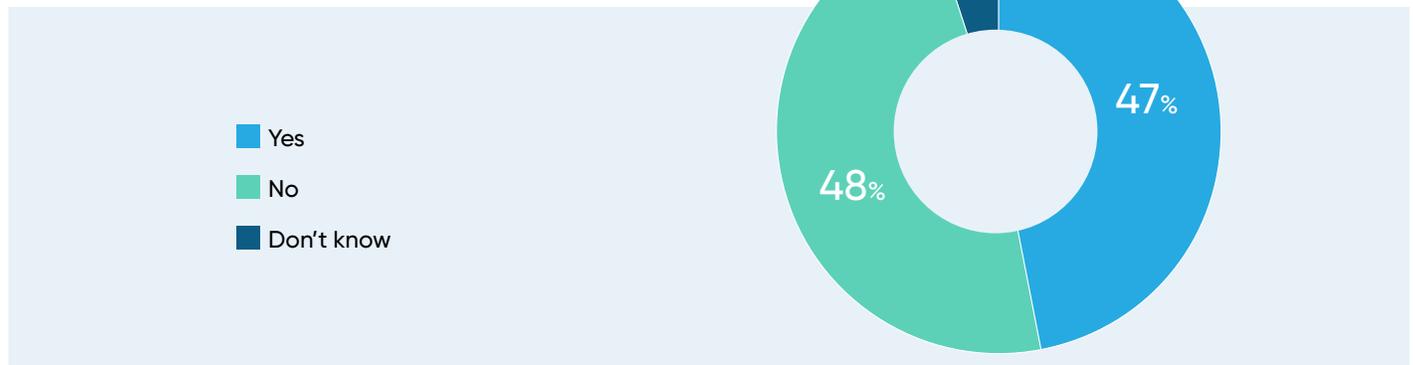


What solution would you like to see the government prioritize to address the labour shortage?



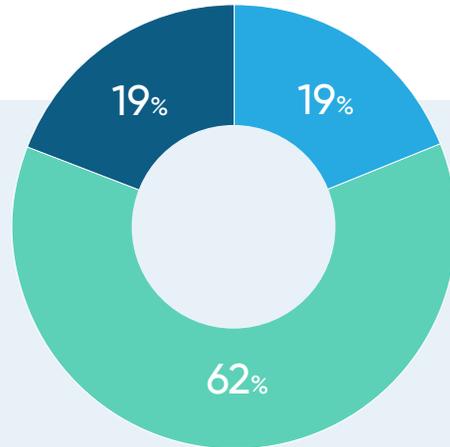
Complementary results from a subset of responses from businesses in the Eastern Townships

Have you turned down contracts due to labour shortage issues?



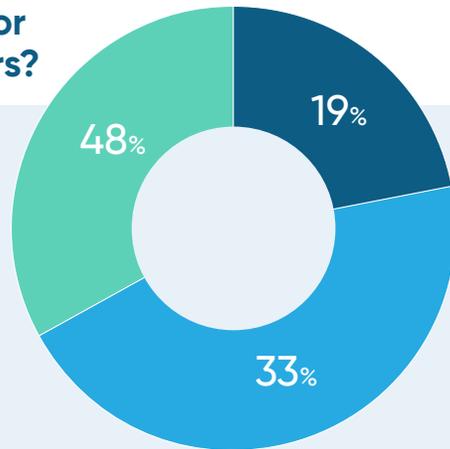
Have you postponed making investments due to labour shortage issues?

- Yes
- No
- Don't know



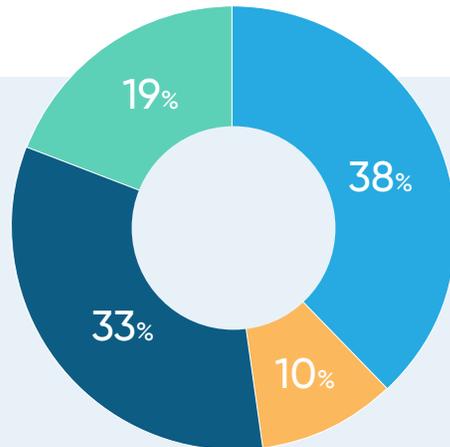
Do the empty positions you are recruiting for need specialized or non-specialized workers?

- Mainly specialized
- Mainly non-specialized
- Both



What solution would you like to see the government prioritize to address the labour shortage?

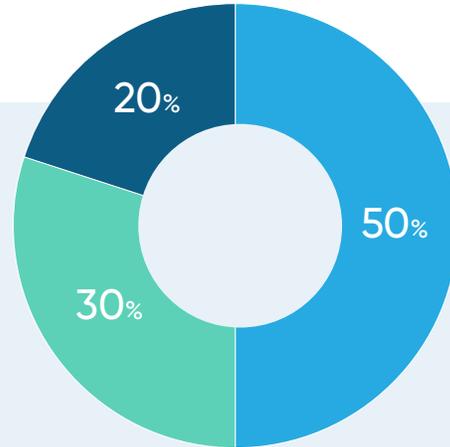
- Increased use of the immigrant labour force
- Increased support to in-house training
- Increased support to innovation and robotization
- Increased support for integrating non-traditional workers (workers with disabilities, workers with criminal records, senior experienced workers, etc.)



Complementary results from a subset of responses from businesses in the Mauricie region

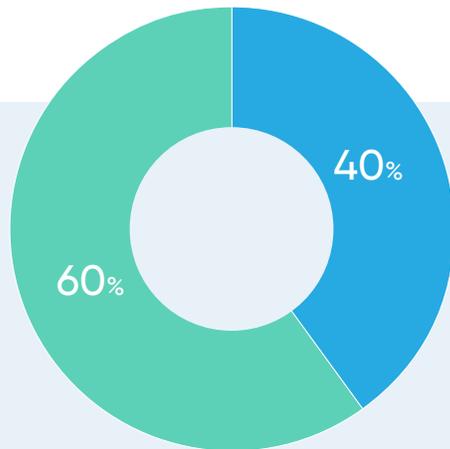
Have you turned down contracts due to labour shortage issues?

- Yes
- No
- Don't know



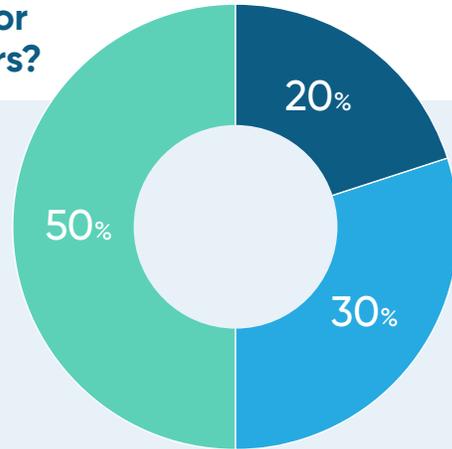
Have you postponed making investments due to labour shortage issues?

- Yes
- No



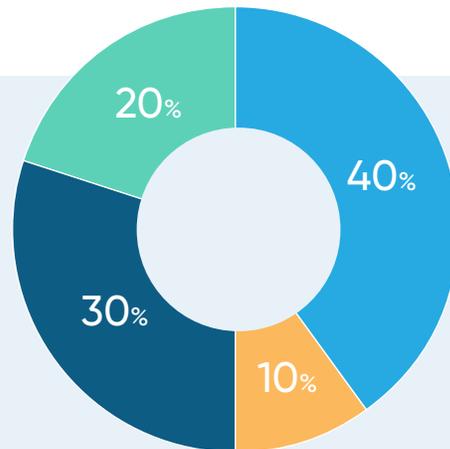
Do the empty positions you are recruiting for need specialized or non-specialized workers?

- Mainly specialized
- Mainly non-specialized
- Both



What solution would you like to see the government prioritize to address the labour shortage?

- Increased use of the immigrant labour force
- Increased support to in-house training
- Increased support to innovation and robotization
- Increased support for integrating non-traditional workers (workers with disabilities, workers with criminal records, senior experienced workers, etc.)



Complementary results from a subset of responses from businesses in the Saguenay–Lac-Saint-Jean region

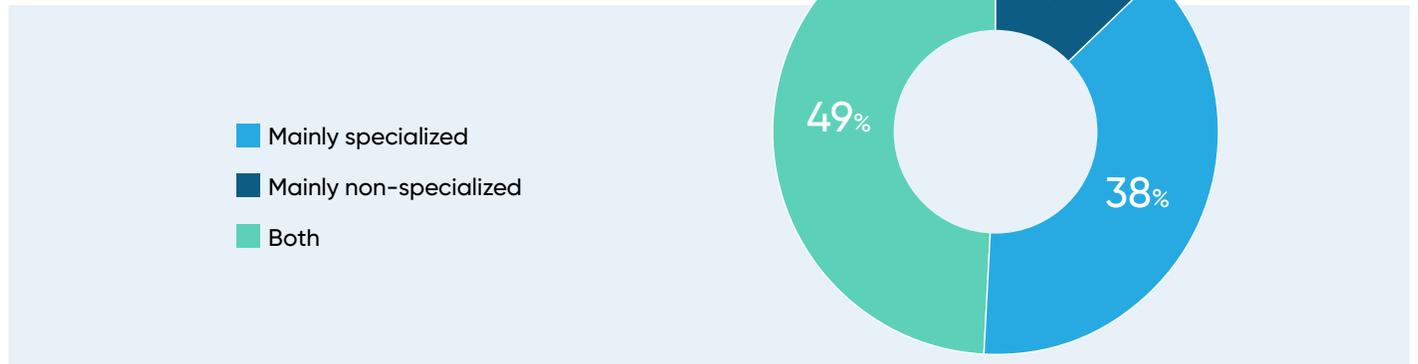
Have you turned down contracts due to labour shortage issues?



Have you postponed making investments due to labour shortage issues?



Do the empty positions you are recruiting for need specialized or non-specialized workers?



“ Let’s be resilient and confident,
let’s be creative and pragmatic,
let’s be determined and open-minded,
and above all,

LET’S BE AGILE and PROACTIVE ”

– Karl Blackburn



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