

# WORLD CLASS:

The process of global economic integration already has had a huge impact on the way Canadians live and work. As consumers, investors, employees and citizens, Canadians have gained access not just to global goods and services, but to vast new sources of information and to new tools for working together to influence companies and governments alike.

---

**In** what has become known as the knowledge-based economy, investment is increasingly drawn not toward countries with cheap low-skill labour, but toward those with a plentiful supply of people who are highly skilled, well paid and productive. Canada's past success in public education has been a major reason for the benefits it has reaped to date from the trend toward more open borders. Its tolerant multicultural society suggests the potential for even greater success in the global economy of tomorrow – but to realize that success, Canada must effectively ensure universal access to and participation in some form of post-secondary education.

The rapid pace of change that characterizes global integration makes such a goal both essential and difficult to achieve. It certainly poses some daunting challenges to the country's education sector on several levels. On the demand side, students simply need to know more in order to function and succeed as global citizens. What is more, the content they need to learn evolves rapidly and must be delivered to an increasingly diverse student body at many stages in their lives. On the supply side, meanwhile, the education workforce is aging along with the rest of Canada's population. This is setting the stage for a costly battle for scarce talent even as governments face a growing squeeze on their fiscal capacity.

# The Global Challenge to Canadian Education

David Stewart-Patterson

---

Investing in human capital has a demonstrably high return both for individuals and societies. Increased public investment in education should be an easily defended priority (always assuming, of course, that resources are deployed efficiently). But compelling economic logic will not be sufficient to ensure optimal public investment in schools, colleges and universities in the years ahead. Governments face constraints both in collecting revenue and in allocating expenditures.

On the revenue side, globalization does not mean that all countries must have the same tax policies or rates. There are many pathways to success within the global economy, and Canada need not move toward American tax rates in order to compete effectively for capital. However, if Canada wants to sustain a relatively large public sector, it will have to pay much greater attention to what – as well as how much – it taxes.

In particular, the economic evidence suggests that Canada should tilt its tax mix more heavily toward consumption than income. This approach would lead to more rapid economic growth at any given level of tax revenue, increasing the future tax base without the need for governments to give up any revenue in the short term. Such a shift could be accomplished through greater reliance on the unpopular Goods and Services Tax, but could also be achieved within a progressive income tax system. The key is to give bigger tax breaks to savings (the difference between what people earn and what they spend).

Such an approach would directly improve access to education as well as economic growth. When Canadians

save more, they tend to invest some of their savings in human capital – education either for themselves or for their children. In the global knowledge-based economy, more skilled people are the key to pulling in more business investment, because they are able to make the most effective use of new technologies and equipment. And as innovative companies deploy new technologies, their competitors are forced to follow suit, creating even more demand for skilled people. This mutual reinforcement between human capital and physical capital is the key to a healthy upward spiral in productivity and incomes.

Even smart tax policy, however, will not be enough to ensure that public education gets the money it needs in the years ahead. Government budgets, especially at the provincial level, will be squeezed relentlessly by the seemingly limitless demands of public health care. As the Conference Board of Canada pointed out recently, health care spending ran neck and neck with education just four years ago. Already it is \$8 billion a

year larger, and most projections show health care costs continuing to rise as a share of the economy and of provincial budgets.

The ability to sustain public health care depends in the long run on a well-educated population with rising productivity and incomes. But as the population ages, more voters will demand increased health care funding than will have an immediate interest in better education. The resulting fiscal battles will force all parts of the public education sector to show that they are making the best possible use of the money they do get in equipping all Canadians for global success.

Canada's post-secondary institutions, which must compete for students and their hard-earned tuition fees, are better prepared than primary and secondary schools for this more competitive environment. As a result, they are also more advanced in adapting to the changing needs of Canadian students. In part, this reflects their level of global engagement, from multinational

INVESTING IN HUMAN CAPITAL HAS A DEMONSTRABLY HIGH RETURN BOTH FOR INDIVIDUALS AND SOCIETIES... BUT COMPELLING ECONOMIC LOGIC WILL NOT BE SUFFICIENT TO ENSURE OPTIMAL PUBLIC INVESTMENT IN SCHOOLS, COLLEGES AND UNIVERSITIES.

## EN BREF

La mondialisation suscite une concurrence accrue pour le recrutement de travailleurs spécialisés et ce, dans tous les secteurs de l'économie. Cela oblige les gouvernements à améliorer tant la qualité que l'accessibilité de l'éducation pour les citoyens et citoyennes de tous les âges. Même si le système d'éducation canadien fonctionne assez bien, il a néanmoins besoin de devenir plus efficace pour que tous les Canadiens et Canadiennes puissent avoir une chance égale de prospérer dans l'économie mondiale. Pour atteindre cet objectif, le Canada doit garantir l'accès universel aux études postsecondaires et prendre les mesures nécessaires pour répondre aux besoins éducationnels croissants de tous ses citoyens et citoyennes, et ce, par l'entremise du système scolaire public et, le cas échéant, en faisant appel aux services d'établissements privés.

research ventures to the 100,000 foreign students that Canada welcomes every year. Even at the post-secondary level, however, institutional strategies and government policy are just beginning to reflect the full dimensions of the global challenge.

The world's great universities are built on their reputation for advancing the state of human knowledge. Leading-edge research also plays a key role in the evolution of new clusters of industrial investment and innovation. In research, like attracts like with frightening speed. Leading minds want to work with others like themselves, wherever in the world they can be found. To aspire to excellence in research therefore implies the building of critical mass in competition with the best in the world.

Canada can hope to create universities in the same league as a Cambridge or a Harvard, but only if governments reinforce centres of excellence, rather than just redistributing resources. An emphasis on rewarding excellence has been adopted by the Canada Foundation for Innovation, and while its focus has bred resentment at many

colleges and universities, this is part of a necessary response to the challenge of globalization.

In contrast to research, excellence in teaching can and must be widely available across the country. Canadian universities can boast of many successful innovations in program offerings that rank with the best in the world, especially at the graduate level. On the whole, though, they have been slower to adapt to changing student needs at the undergraduate level. Their basic programs still work well, but they have not been quick enough to adapt offerings to the needs and schedules of working adults, or to seize the opportunities for use of technology in transmitting knowledge to students in remote locations.

Here, Canada's community colleges have been more successful in anticipating and meeting changing needs. They have been leaders in working with local business communities to adapt programs to meet evolving needs in the labour market and to provide education and training to adults in the workplace. They have been important sources of applied research and of advice to small and medium-sized enterprises. And they have been leaders in exploiting the potential for improving access through distance learning technologies. Community colleges may not be the centres of global research clusters, but they will play a vital role in local economic development and in ensuring broader access to post-secondary education and lifelong learning.

Both federal and provincial governments have important roles to play in improving access to post-secondary education. While the provinces will be

responsible for investing in the necessary infrastructure, the federal government has a clear responsibility to ensure equality of opportunity by helping individual Canadians to invest in learning. The federal government already provides considerable support through loans, scholarships and tax breaks, but these incentives will have to expand as part of the broader shift in Canada's tax structure.

For instance, the Business Council on National Issues has recommended a second-tier savings account similar to, but broader than, the Registered Education Savings Account. There would be no deductions for contributions, but income could be withdrawn tax-free for education as well as in retirement. As with RESPs, governments could provide matching contributions to help lower-income Canadians to save, and might also allow employers to do the same. BCNI President and Chief Executive Thomas d'Aquino and I make another suggestion in our book, *Northern Edge: How Canadians Can Triumph in the Global Economy*:<sup>1</sup> the federal government could reduce the financial risk of education while helping the country to hang on to its talented young people by forgiving student loans over time for graduates who remain Canadian taxpayers.

Such measures would help to tear down the financial barriers to access at the post-secondary level. But we cannot hope to achieve universal access to post-secondary education unless we are able to ensure that all children finish high school and with sufficient knowledge and motivation to add to that base. Achieving this goal will require more than just increased funding. It will require fundamental and controversial

CANADA CAN HOPE TO CREATE UNIVERSITIES IN THE SAME LEAGUE AS A CAMBRIDGE OR A HARVARD, BUT ONLY IF GOVERNMENTS REINFORCE CENTRES OF EXCELLENCE, RATHER THAN JUST REDESTRIBUTING RESOURCES

changes to the way Canada runs its schools.

No matter how good our schools are today, globalization is pushing us to make every school even better. Global experience also points to some central themes for public school reform.

The first step toward improving student outcomes is clearly more effective assessment and accountability. There are many objections to standardized tests, but in one way or another we can and

flexibility and autonomy at the school level, but must be willing to demonstrate that greater freedom leads to more graduates with a better base of skills.

Fourth, we cannot expect to improve both quality and access without recognizing the power of choice. Globalization is empowering consumers of education as much as of any other product or service. The power and reach of the Internet, for instance, can enrich the learning experience within public schools, but can also give

Canada's public schools altogether. Such fears are vastly overblown. Canada's borders are already open to flows of education for the simple reason that our minds are open. The only issue is how to take advantage of the opportunities that such openness makes possible. If Canada's public schools collapse under the challenge of preparing Canadian children for a global future, domestic conflicts rather than foreign competition will be the cause.

To conclude, the process of globalization is changing what children and adults alike need to learn. It is changing the tools that are available to help them learn. It is creating a growing competition for skilled people, in education and in every sector of the economy. And it is therefore challenging governments to improve both the quality of and access to education at all ages even as it limits their ability to raise revenue.

Canada's education system works well, but the demands of a global economy mean that students of all ages need it to work better. For the health of our society, all Canadians must have an equal opportunity to thrive in the global economy. To ensure Canada's prosperity, the country must work toward universal participation in post-secondary learning. Driven by these twin imperatives, governments will, in the end, do whatever they must to meet the growing educational needs of Canadians, within the public system if possible and beyond it if necessary. 🌐

1 Thomas d'Aquino and David Stewart-Patterson, *Northern Edge: How Canadians Can Triumph in the Global Economy* (Toronto: Stoddart, 2001).

**David Stewart-Patterson** is Senior Vice President, Policy and Communications at the Business Council on National Issues (BCNI), which represents the chief executive officers of major Canadian companies. A former journalist with *The Globe and Mail* and CTV's *Canada AM*, he is co-author with BCNI President and Chief Executive Thomas d'Aquino of the recently published book *Northern Edge: How Canadians Can Triumph in the Global Economy*, which includes two chapters on the importance of education and developing human capital.

## IF CANADA'S PUBLIC SCHOOLS COLLAPSE UNDER THE CHALLENGE OF PREPARING CANADIAN CHILDREN FOR A GLOBAL FUTURE, DOMESTIC CONFLICTS RATHER THAN FOREIGN COMPETITION WILL BE THE CAUSE.

must measure how well our children are learning. It is fair to argue that current attempts at assessment are inadequate, but this is only defensible as an argument for better testing, not for no testing. Educators are preparing children for a world of change; they must themselves embrace a culture of continuous improvement.

Second, like employers in any sector dependent on skilled people, schools will have to work harder to attract, develop and retain good teachers and administrators. They will have to raise salaries and invest more in professional development. They also will have to identify and reward strong performers and weed out those less suited to the work – another argument for more effective assessment.

Third, governments must unleash the creativity and initiative of those on the front lines. Governments should establish what students need to learn and then measure, encourage, enable and reward successful outcomes, but they should not tell educators how to do their jobs. Educators and administrators, for their part, need greater

new choices to parents and students, as the rapid growth in home schooling demonstrates clearly. Similarly, charter schools may not be necessary to reform, but they do provide outlets within the public system for enterprising educators and parental energy and ingenuity.

To the extent that parents become convinced that public schools are not capable of preparing their children adequately for the challenges of life as global citizens, they will seek whatever alternatives they can afford. Private schools have always existed as an alternative, but not for all. Voucher systems and tax credits can reduce but not eliminate the inequalities in access to private schools. Nonetheless, tax credits for private school fees have come to be seen in some quarters as a viable policy response because they enable governments to deal simply and directly with parents instead of pursuing the more effective but much more difficult path of negotiating fundamental change within the public school system.

Some commentators have expressed fear that the expansion of free trade agreements to cover services could enable private competition from abroad to destroy