

Intelligence MEMOS



From: Robert Asselin

To: François-Philippe Champagne, Minister of Innovation, Science and Industry

Date: January 13, 2021

Re: **A NEW INNOVATION MANDATE FOR A NEW INNOVATION MINISTER**

You are taking on your new role at a challenging time. Coming out of the COVID-19 pandemic, providing a brighter economic future for all Canadians will require a long-term plan and strategic investments in our productive capacity. Greater productivity drives economic growth, business investment and employment, which in turn will generate higher living standards, more sustainable social programs, and greater social mobility. To increase Canada's productive capacity, we need to leverage the country's human, physical and intellectual capital. Here are four ways to achieve that:

1. Re-skilling our workforce for the digital economy

Canada's most important asset is its human capital. The COVID-19 emergency has accelerated a transition that was already underway in Canada's labour market. Rapid technological change, an uncertain and volatile environment for exports, the rise of the gig economy, and ongoing demographic shifts have combined to create a new reality for Canadian employers.

While employers in some fields struggle to find skilled workers, close to a million Canadians are currently unemployed and many others are at risk of being displaced over the next few years as a result of [automation](#), [digitization](#) and other labour market changes. The challenge for Canada is to create the systems and structures necessary to redeploy workers across sectors as supply and demand for talent shifts.

2. Owning our ideas so we can compete in the global economy

Increasingly, our economic success will depend on our ability to innovate and harness our intellectual capital to solve big problems and be more productive. More and more, our intellectual capital includes intangibles such as intellectual property (IP), software, and brand. Our publicly funded R&D is [not well linked](#) to industry, resulting in poor technology transfers or commercialization for Canadian companies. For Canada to reap the benefits of its collective investments in innovation, we must become better at transforming knowledge and intellectual capital into commercial products and services. We need to adopt a [Germany/Fraunhofer approach](#) to R&D commercialization and IP protection.

3. Leveraging a challenge-driven approach to help create new markets

What Canada needs is ambition and institutional capacity to facilitate the public-private partnerships that will shape markets and drive large-scale innovation in the private sector. There are several examples of such institutions in the United States. Challenge-oriented organizations such as NASA, DARPA at the Department of Defense and ARPA-E at the Department of Energy have been at the forefront of the US model for spurring innovation in the private sector. All have a similar organizational mindset; they do not set their own research agenda but draw inspiration from industry experts and academics working on high-risk, cutting-edge technical solutions. This demand-driven approach could be deployed for Canada's climate change plan, and help our economy's transition to a low-carbon future and create good well-paying jobs.

4. Accelerating digital transformation

Technology adoption is key for Canadian businesses going forward. A McKinsey global [survey](#) of business leaders last fall found that COVID-19 has accelerated the adoption of digital tools to interact with suppliers and customers by three years. The longer it will take for our businesses to embrace digitization, the less competitive Canada we will become. A joint effort is needed to accelerate capital investments in this area.

Collaboration between business and government will be key to achieving a successful growth strategy, as outlined in the Business Council of Canada's framework [Powering a Strong Recovery](#) and the Industry Strategy Council's December [report](#).

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