



Creating Jobs Through Education or Incentives

by Reinhold Kosciuw

Before anyone can recommend or champion "causes" to improve Canada's development, we must determine how to measure the success of "development". Certainly most would agree that if Canada is judged to be competitive in a global economy, then our efforts have been successful.

However, the Organization of Economic Co-operation and Development (OECD) in its recent yearly survey stated:

"The competitiveness of the Canadian economy has deteriorated markedly during the past two decades. The decline in productivity growth has been a major factor behind this result."

EDUCATION AND TRAINING

One key determinant of economic success is a good education and training system. The OECD study indicates that Canada spends 7.12% of GDP on total education, more than the U.S. - 6.44%, Japan - 6.38% or Germany - 4.41%. Yet, it appears we are not getting good value for our money. Statistics Canada, in a recent survey of 18-20 year olds found that 24% of 20 year olds have dropped out of school at some point. In fact, it is 28% for males. Students are graduating from high schools functionally illiterate and innumerate.

When we examine perception and reality, we find that 70% of high school graduates expect to go to college or university. In fact, only 32% continue to post secondary education and 64% enter the workforce. When we are not preparing our youth for productive lives and employment, we are failing the economic future of our country.

The private sector as well is at fault.



RESEARCH AND DEVELOPMENT

A second area that the OECD study identified as restricting productivity improvements is the low level of research and development relative to world standards, particularly in the private sector. Obviously tax incentives for R & D have not been successful. Government support must be redirected to ensure that technology is better diffused. Smaller firms must be made aware of technological breakthroughs which could improve their product and make the firm a world leader,

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Whereas businesses in Britain and Germany spend 2% of GDP on education spending, in Canada it is one-eighth of this amount (.25%)!

The educational system must emphasize basic literacy and mathematical skills at an early age. Educators must be motivators to students in order for the latter to maximize their potential. Vocational training and co-operative programs with business must be expanded. Canadian attitudes towards apprenticeship programs and technically skilled jobs must change so that society values these specialized skills, and the appropriate students enter these fields.

The Council of Provincial Ministers of Education should establish National Standards, especially in the 3 R's. Our goal should be to place consistently in the top five nations in international education competition.

thereby creating jobs and improving Canada's competitiveness.

PROFESSIONALISM IN ECONOMIC DEVELOPMENT

A third priority for all levels of government is co-operation and cross-fertilization in the field of economic development. Our association (EDAC) has established an excellent educational program through the University of Waterloo and other groups. Professionalism and a common understanding of the role of economic development have improved our chances of successfully attracting and assisting world-class businesses.

Many of our economic development professionals have had experience attracting industry from outside the country and working with international trade experts from external affairs throughout the world. However, in many of these cases the

external affairs officials have had little or no exposure to the difficulties of economic development. Many of them are chosen for their roles because they have a background in political science yet do not come with private industry experience. Additionally, very few of them participate or have been allowed to take leaves of absence to be involved in economic development at a local level. I have seen very few people from international trade offices participating in the economic development program at the University of Waterloo. Slowly, some members of the economic development profession are being posted in overseas offices for a temporary period of time in Los Angeles, Bonn and Paris. I believe it is important to have this cross pollination and expand the program, and at the same time have international trade officials participate in our educational programs.

INCENTIVES

I would like to discuss another priority, namely incentives. We are all aware of the numerous incentives offered across the country by both the Federal and Provincial governments to stimulate local development and the creation of jobs. It is interesting to note, however, that economists have concluded that taxes and fiscal inducements have very little, if any, effect on industrial location decisions. At an inter-regional level important considerations are market proximity, transportation, energy costs, labour costs, and quality considerations. Therefore, if public officials are closely following and understanding economic literature, they will conclude that tax differentials are unlikely to make a difference in a firm's location decision between regions of a country, but might make some difference in a smaller geographic scope. Evidence does not strongly support a conclusion that fiscal incentives have an important impact on firm's locational behaviour, yet politicians insist on offering them. Not surprisingly public officials are primarily concerned with the impact of their activity locally. From their point of view it is irrelevant whether fiscal incentives may result in some gain at the national level. They are playing in a local gain. Additional employment attracted from somewhere else represents a positive gain from their perspective so long as the benefits to their community are not exceeded

by the cost.

There is always strong public pressure to do something about the declining economy. Any visible action, even if ineffective, may be politically advantageous, but only policies that foster entrepreneurship in helping firms that otherwise would not have started in business, are positive. So are policies that attract firms by increasing the productivity in an area as a place to do business rather than simply by providing a financial subsidy to the firm. This includes improvements in our infrastructure resulting in efficient airports, roads and harbours. A high speed train corridor would also have employment opportunities and a lasting positive impact on efficient transportation.

CONCLUSION

Coming back to the importance of education, incentives have mostly ignored training and education. Bill Parry, director of community development for the Atlantic Canada Opportunities Agency, was recently quoted in the Toronto Star saying that we don't need any more subsidy programs, chasing after new industries is futile, what we need is education for human development to create escape routes for people so that they can leave if they choose to do so.

We should stop trying to bring jobs to people by throwing money at the business person. We should stop measuring success by the number of people who can be persuaded or subsidized to stay in a region, and should start giving them the power to make their own choices by giving them education.

This paper is based on a presentation by Reinold Kosciuw at EDAC, Ottawa, September 22, 1992



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The Journal is dedicated to disseminating the latest information and ideas in economic development and to advocating critical discussion. The Journal serves as a tool for the exchange of ideas among professionals, concerned citizens, academics, and politicians whose objective is to stimulate economic prosperity for their community, region or country.

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