

Canada at a Turning Point

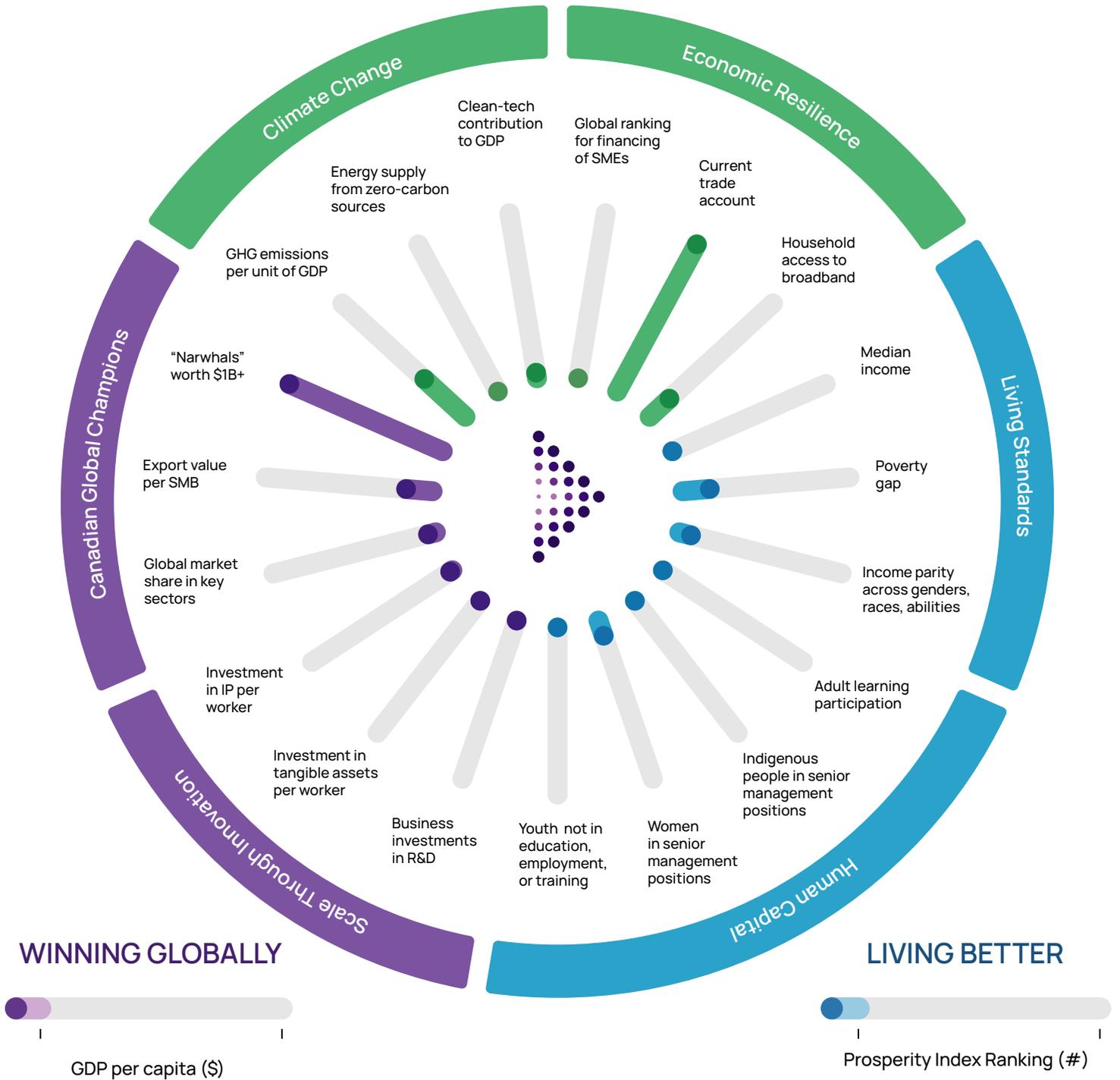
Coalition for a Better Future
Scorecard Report Update

March 2023

Keeping Score

Tracking Canada's progress towards sustainable, inclusive, economic growth

GROWING SUSTAINABLY



A message from our co-chairs

Measuring progress to build one of the most competitive, inclusive and sustainable economies in the world

Now that Canada has emerged from the COVID-19 pandemic, it's time to be ambitious and reimagine what we're capable of achieving as a country. It's time to raise our sights and embrace a bold vision for inclusive, sustainable economic growth and opportunity for all.

The first step toward building a more prosperous, inclusive and sustainable future for all Canadians is to embrace a much higher level of economic ambition for our country.

The Coalition for a Better Future represents a diverse and growing community of business leaders, community and civic organizations, social policy advocates, youth, Indigenous groups, environmental NGOs and concerned citizens. We each bring to the table a unique perspective, but we are united in our belief that economic growth is a necessary precondition for job creation, rising incomes, a cleaner environment and a better quality of life.

We are keenly aware Canada's economy faces many headwinds, including an aging population, weak business investment and poor productivity. We recognize too that Canada's average annual rate of economic growth has been slowing for decades. The pandemic created new challenges, disproportionately impacting lower-income Canadians and driving up public debt levels.

Nevertheless, we refuse to accept that slow growth and stagnation are inevitable. Canadians have choices. By choosing as a country to make economic growth a policy priority, we can strengthen the foundations of Canadian society and create the wealth necessary to fund and enhance the social programs and public services on which we all depend.

The decisions that policymakers, businesses and individuals make now will determine our country's path for years to come. The first step toward building a more prosperous, inclusive and sustainable future for all Canadians is to embrace a much higher level of economic ambition for our country. We must ask ourselves where we want Canada to be a decade or more from now in terms of standard of living, equality of opportunity, poverty reduction, environmental performance and other measures of a healthy society. We must then work together to transform that vision into reality.



To support this vision, the Coalition for a Better Future has created a scorecard to track and monitor Canada's performance toward long-term targets. The scorecard incorporates 21 key metrics across six themes and three central goals:

WINNING GLOBALLY

LIVING BETTER

GROWING SUSTAINABLY

Different people may choose to measure progress in different ways, but each of these 21 metrics is an internationally accepted indicator of a country's economic or social development, for which data is readily available.

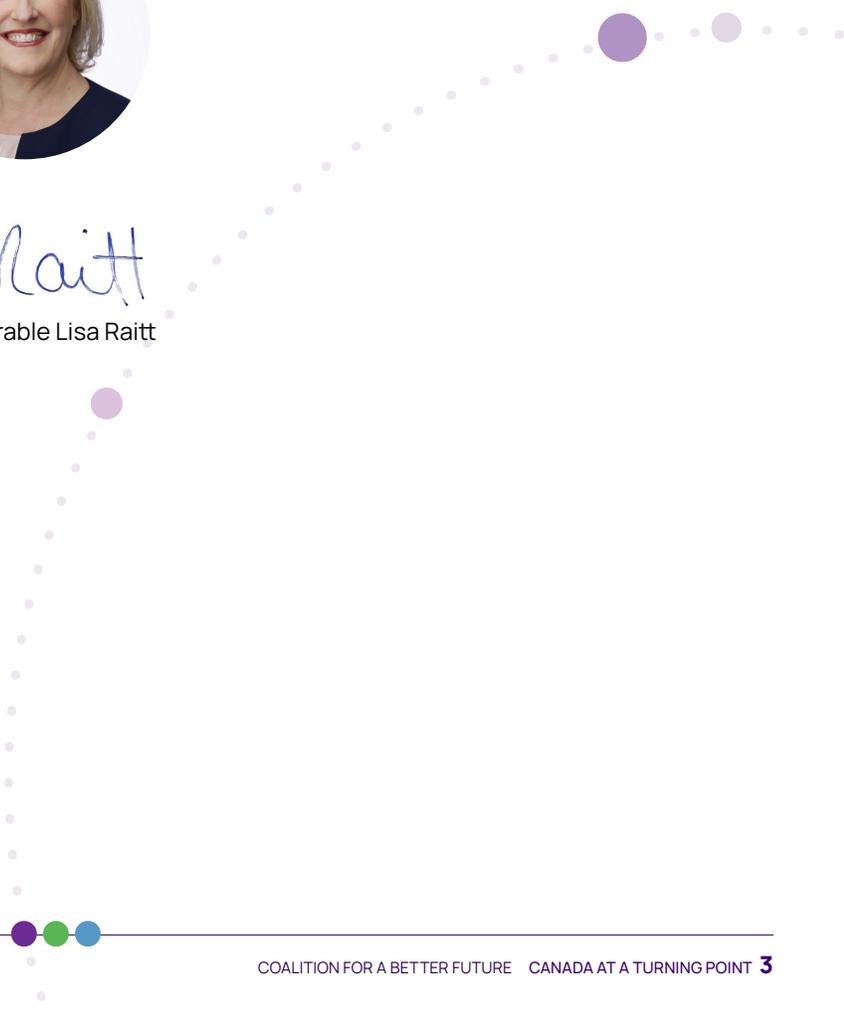
For each metric in the scorecard, an aspirational target has been set for 2030. We believe that if Canada commits to achieving these targets, that we can build one of the most competitive, inclusive and sustainable economies in the world.



Honourable Anne McLellan



Honourable Lisa Raitt



Executive summary

The challenges ahead for Canada

Over the past year, Canada's economic performance has been a mixed bag. On the one hand, we see many signs of resiliency; but on the other, we see indications of persistent weakness that make us concerned about our future economic prosperity.

Our economy has more than made up production and employment losses from the pandemic.

But labour productivity, an uncertain climate transition, risks around fiscal sustainability and a lack of global competitiveness are challenges for the Canadian economy.

The big revelation of 2022 is just how challenging it will be to break out of our slow growth cycle. The inflation crisis, geopolitical upheaval, a structural trend away from globalization and higher debt levels suggest there are no easy solutions.

And while Canada has plenty of advantages – particularly our ability to attract immigrants and benefit from higher commodity prices – we are also laggards when it comes to growth and competitiveness.

This report uses the latest publicly available data on each metric, one year after the Scorecard was launched. We gauge the strength of three critical pillars by applying the following tests:

- Whether the indicators are moving in the right direction
- Whether they are on track to hit targets
- How vulnerable they are to a sudden reversal or shock



The data shows we're moving in the right direction on some fronts, but not fast enough. Growth in GDP per capita is paramount to our future well-being and needs to grow faster to attain the prosperity we know is necessary for future generations.

Canada is vulnerable to future shocks, lacking much of a buffer should the economic environment change quickly.

As Canada charts a better economic future, there's no doubt our efforts to spark stronger growth and an improved quality of life will fall short if the benefits are not shared among all Canadians. That includes closing gaps in conditions that divide rural and urban Canada.

That's why Canada needs a long-term plan for economic growth that is inclusive and sustainable, now more than ever.

Aspirational 2030 targets have been set across the three pillars for a long term, inclusive, and sustainable growth.

Living Better

Pillars	KPI	2030 aspiration	Rationale	Best-in-class
Living better	A1 Median income from wages, salaries and commissions (\$)	39,100 → 48,000	Achieve ~2% annual income growth rate over the next 10 years (vs. 0.8% since 2012) – similar to the growth achieved in the U.S. over last 10 years	3% growth of average annual wages since 2012 – among highest in OECD
	A2 Average poverty gap (%)	33 → 25	Reduce average shortfall by ~30% to achieve similar poverty gaps as leading G7 countries (e.g., France, Germany)	24% poverty gap – lowest among G7 countries
	A3 Racial wage gap (%)	81 → 95	Achieve equal employment outcomes for all racialized and non-racialized Canadian workforce	Limited data availability for comparison by country
	B1 Participation in adult learning (%)	47 → 60	Achieve best-in-class participation in adult learning among peer countries (similar to Scandinavian economies)	58% participation in adult job-related learning
	B2 Share of Indigenous population in executive positions (%)	2 → 5	Ensure proportional participation of Indigenous population in the labour force, but most importantly, in executive positions	Limited data availability for comparison by country
	B3 Share of women in senior mgmt. positions (%)	29 → 50	Achieve similar women representation in senior management positions as their male counterparts	43% of women in senior and middle management positions
	B4 Share of Youth Not in Education, Employment, or Training (%)	12 → 6	Achieve similar youth integration as peer countries such as Germany and Japan	3.1% share of Youth Not in Education, Employment, or Training
	LB1 Prosperity Index ranking ¹ (#)	14 → 5	Be in the top 5 of the most prosperous nations globally	#1 in overall Prosperity Index ranking

1. As per the Legatum Prosperity Index

■ Current value ■ 2030 target

Winning Globally

Pillars	KPI	2030 aspiration	Rationale	Best-in-class
Winning globally	C2 BERD financed by business sector (% GDP)	1 → 2	Triple business R&D investments relative to GDP to achieve similar innovation D levels as Israel or the U.S.	2.6% BERD financed by business enterprise sector – highest among G7 countries
	C3 Investment in productive tangible assets per worker (\$)	3,212 → 9,000	Increase investment on machinery and equipment per worker by 8.1% annually to reach OECD levels	~\$9,000 per worker in 2019 – highest among G7 countries
	C4 Investment in intellectual property per worker (\$)	2,391 → 7,000	Align IP investment to comparable economies to build Canada's stock if intangible assets	~\$7,500 per worker in 2019 – highest among G7 countries
	D1 Global Canadian leaders (#)	19 → 40	Double the number of Canadian leaders by achieving global scale in key sectors ¹ poised for growth	~280 global leaders across various industries
	D2 Average export value per SME(\$)	4,767 → 8,000	Achieve ~5% annual growth of SMEs' average export value, similar to the target growth set by Canada to achieve \$284 billion of overseas exports by 2025	Highest average export value by industrial SME among OECD countries
	D3 Number of "narwhals" (#)	4 → 17	Support the scaling of Canadian startups to achieve 10 Canadian-grown "narwhals" by trillion of GDP	288 unicorns in 2021
	WG1 GDP per capita (\$)	49,007 → 60,000	Achieve ~1.8% growth over the next 10 years to align with the target growth of median household income set by the Growth Council	1.6% average growth over the last decade – highest among G7 countries

■ Current value ■ 2030 target

Growing Sustainably

Pillars	KPI	2030 aspiration	Rationale	Best-in-class
Growing sustainably	E1 GHG emissions by \$Bn of GDP (Mt CO2 eq)	0.47 → 0.32	Attain Canada's committed reduction of GHG emissions under the 2015 Paris Agreement (30% below 2005 levels by 2030)	10% reduction of GHG emissions reduction since 2015
	E2 Share of renewable energy from final energy consumption (%)	22% → 40%	Reaffirm Canada's leadership among G7 countries and support progress towards commitment to Paris Agreement by closing the gap to leading Scandinavian countries	61% of energy supply from zero-carbon sources
	E3 Clean-tech contribution to GDP (\$Bn)	27 → 100	Exceed the target from Canada's Economic Strategy Tables: for cleantech sector to reach \$80B in 2025; reaching \$100B will require 5% CAGR from 2026-2030	#1 in clean tech innovation rankings
	F1 Ranking for SMEs financing (#)	27 → 10	Achieve a top 10 ranking in the World Bank's Global Competitiveness Index (SME access to financing) and close the gap to the U.S. as #2	#1 in SME access to financing
	F2 Current account (% GDP)	-2% → 0%	Reverse the trend and have a neutral current account balance by 2030. In 2019, Canada had the 7 th largest Current Account deficit (equivalent to ~1.9% of GDP)	#1 among G7 countries with 7% of GDP
	F3 Rural access to high-speed broadband (%)	46 → 90	Achieve similar access to high-speed broadband as urban communities	Avg. fixed broadband download speed is 260+ mbps

Living better:

Increasing prosperity for all

Introduction

Our first critical pillar is about key drivers that will boost living standards. The aim is to promote policies and practices that will lead to better lives for all of us, partly by building the world's smartest, most-diverse and best-connected workforce.

To gauge progress on this front, we monitor eight indicators – from how quickly incomes are growing to the share of women in senior management positions.

The results of the past year show that we remain very far from our targets.

DIRECTION: **POSITIVE**

VULNERABILITY: **MEDIUM**

ON-TRACK: **LAGGING**

Raising living standards

There is only one way to produce higher wages and incomes in the long run for Canadian workers, and that's to make our economy more productive. Yet, we continue to fail on this front.

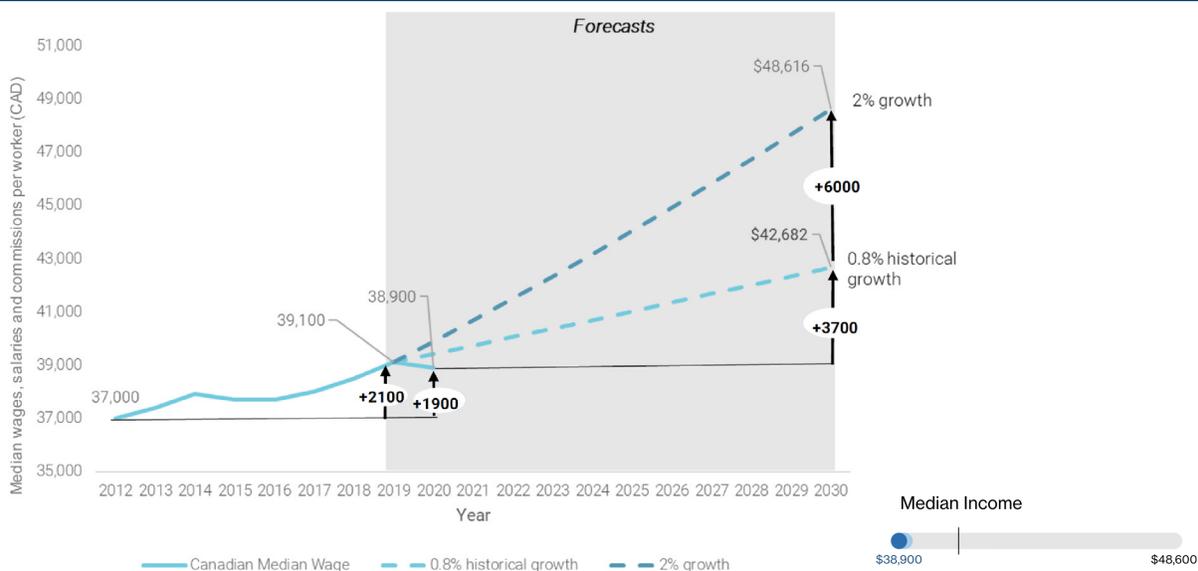
It's worth noting that GDP per capita – perhaps the most important metric of economic success – remains below pre-pandemic levels. We're generating more output, but only because we're working more hours, not producing more from every hour worked.

Over the past decade, Canada's real output per person has increased by just four per cent, which is half Australia's growth rate and one-third that of the U.S.

In short, we're failing our workers at a time when higher inflation is eroding their purchasing power.

The evidence is sobering.

Canadian median wages have slightly decreased from 2019.





Canadian median income from wages – in real terms – fell during the 2020 pandemic year as large swaths of the economy were shut down. That put us further away from our target to increase real incomes from employment by one-quarter in the current decade.

To be sure, workers scored higher wage gains over the past year as the economy recovered, the labour market tightened and the cost of living surged. But pay has failed to keep pace with inflation.

Adjusted for cost of living increases, 2022 may have been the worst year in decades for worker purchasing power – a big reason weak consumer spending is now expected to be a major drag on growth this year.

Last year will go down as one of the worst on record in terms of the share of national income that went to labour.

Poverty

Low-income families were the most likely to work in sectors that faced significant shutdowns during the pandemic. But generous support from the federal government – which surpassed by a wide margin lost employment income – helped stave off the worst of the crisis for many. Some families even saw their financial situations improve, at least temporarily.

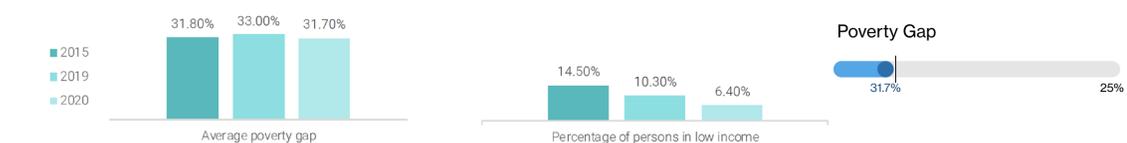
As a result, the share of Canadians living in poverty fell to the lowest in decades during the pandemic.

Still, the outlook for low-income Canadians is uncertain. Surging inflation and higher interest rates over the past year are having a disproportionate impact on the poorest workers.

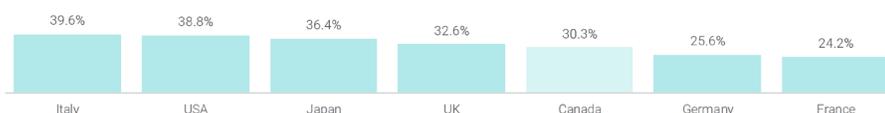
Preliminary data show low-income Canadians saw a sharp decline in their net worth last year, even though they remain better off than they were before the pandemic.

Both the average poverty gap and the share of low-income population have been reduced since 2019.

Average poverty gap and share of population in low income in Canada Based on The Market Basket Measure (MBM)



Average poverty gap Based on low income measures (LIMs) (% 2019 or latest available data)



Average poverty gap Based on low income measures (LIMs) (% 2020 or latest available data)



Source: StatCan



Inclusivity

Canada is seeing some gains around economic inclusivity, but there's a lot of ground still to be covered and we remain well short of our diversity targets.

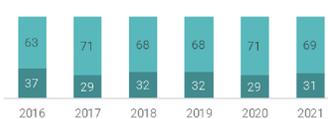
The share of women in senior management occupations increased by two percentage points to 31 per cent in 2021 but that number has been relatively flat since 2017 and well below parity – our target for this decade. Since 2016, the share of men in senior management occupations has

consistently remained twice as high as the share of women.

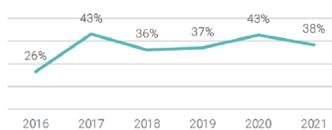
Still, there is some evidence women are seeing better representation on the boards of the country's largest companies. According to Osler's diversity practices report for 2022, about one-quarter of board seats are held by women, much higher than the 10 per cent recorded in 2015. That number rises to one-third among companies listed on the S&P/TSX Composite Index.

The share of women in senior management occupations roughly remained two times less than men's share since 2016.

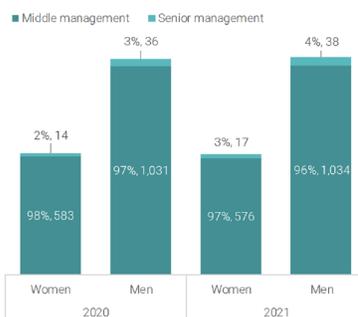
Gender breakdown of employed senior management occupations¹
(2016-21, %)



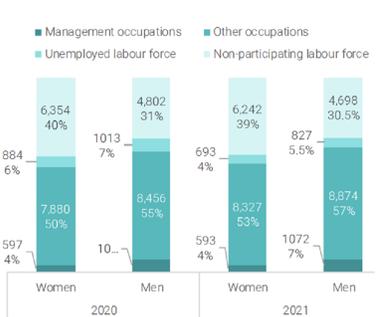
Gender gap of employed senior management occupations¹
(2016-21, %)



Gender breakdown of employed management occupations²
(2020-21, '000, %)



Canadian labour participation and employment by sex and occupation
(2020-21, '000, %)



Women in Senior Management



Source: StatCan, McKinsey Global Institute

1. Senior management occupations are at the top of a management hierarchy and denoted by terms such as President, Chief Executive Officer, etc.
2. Management occupations are considered to be at the top of the organizational hierarchy of workplaces or businesses where decision-making affects the organization, or departments within organizations.

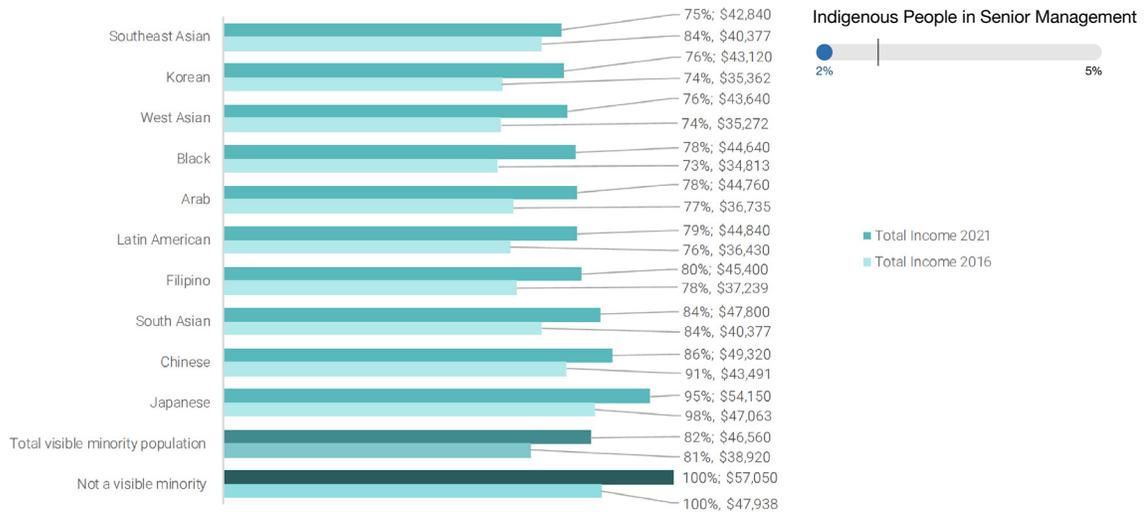
Indigenous Canadians are also seeing better labour market outcomes, quickly closing gaps with non-Indigenous workers. The labour participation rate for the Indigenous population has surpassed the non-Indigenous rate for the first time ever. The share of senior management positions held by Indigenous Canadians rose to 2.7 per cent, also the highest on record but still, just half our target of five per cent.

The earnings gap for racialized Canadians has narrowed slightly over the past five years, but remains wide. Racialized Canadians earn 82 cents for every dollar made by white Canadians. Black Canadians had the highest growth in average income among racialized Canadians and rose in ranking.



Racialized Canadians earn 82 cents for every dollar that non-racialized Canadians earn.

Earning gap vs. non-visible minority %, average employment income \$



Source: StatCan

Global ranking

The Legatum Institute, a London-based think tank, produces a prosperity index based on 300 indicators for 167 countries to help guide global policy makers.

Canada ranks 15th on the index, down four places in the past decade. This is because its international ranking fell the most in the 'economic quality' category, which looks at indicators like fiscal and macroeconomic stability. In this category, Canada ranks 40th, down 13 spots over the past decade.

Winning globally:

Achieving scale through innovation

Introduction

A second key pillar in our scorecard is the extent to which our companies are achieving global scale through innovation and sustained investment, and how well we are doing in creating Canadian-grown global champions.

DIRECTION:

STALLED

VULNERABILITY:

MEDIUM

ON-TRACK:

SLOW

Investment

Business spending on research and development continues to stagnate and lag behind our peers.

As a share of GDP, business R&D has hovered at just under 0.7 per cent over the past 15 years and is showing no signs of hitting our target of 1.8 per cent by 2030. That's well below peers like the

U.S. and suggests Canada's weak private sector contribution to innovation is threatening our ability to build a competitive advantage.

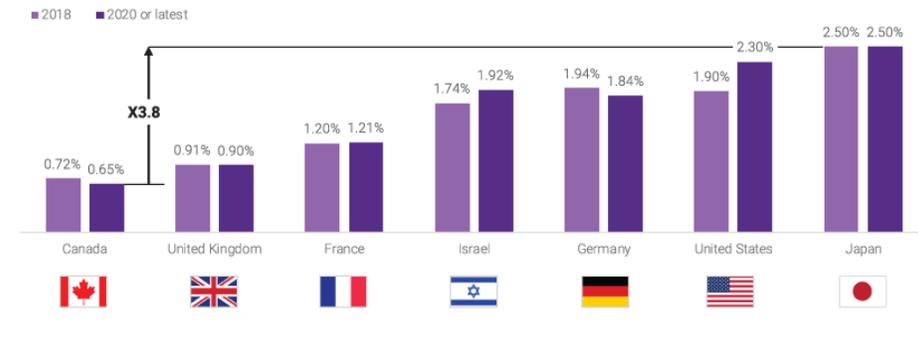
It's the same story for Investment in intellectual property, which has struggled to break much beyond the two per cent of GDP threshold, little changed from where it was two decades ago.

A similar trend is evident when looking at the share of GDP spent on tangible assets like machinery and equipment – another indicator that has been stagnant for years. On a per-worker basis, investment in tangible assets remains near pre-pandemic levels and about one-fifth below record levels 15 years ago.

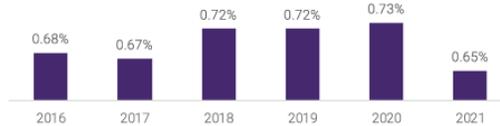
Nor is the outlook particularly rosy, as higher interest rates make capital spending more expensive and a weakening global economy curbs exports.

Business R&D lags behind peer countries suggesting an opportunity for the private sector to further invest in Canada's innovation.

BERD financed by the business enterprise sector (2018 & 2020 or latest available, % GDP)

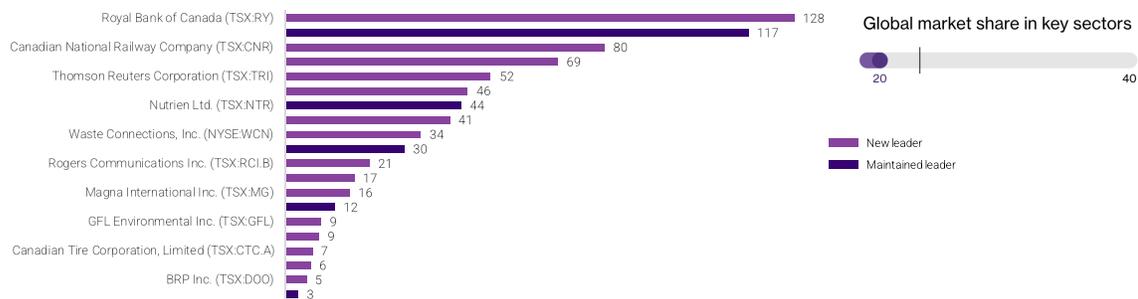


BERD financed by the business enterprise sector in Canada (2016-2021, % GDP)



The number of Canadian leaders increased to 20 by adding five new leaders to the list.

Canadian leaders¹ Based on Market Capitalization (Oct 2022, \$Bn)



Former Leaders (Based on 2021 Market Cap.)					
#	Company	2021 Market Cap (\$M)	2022 Market Cap (\$M)	Rank ¹	Notes
1	Shopify Inc.	187,811	43,493	13	
2	Brookfield Asset Management Inc.	87,648	62,812	40	
3	Lululemon Athletica Inc.	54,614	41,883	7	Changed country of operation to the U.S.
4	Brookfield Renewable Partners L.P.	19,061	13,783	14	Changed country of operation to Bermuda

KPI	From	2020	To
Global Canadian leaders (#)	19	20	40

1. Companies ranked in the top 10 of their industry globally, based on market capitalization (min. \$1Bn)
Source: Capital IQ, Press search



Scale

We've seen some incremental progress in global leadership rankings within some industries, though Canada still struggles broadly to gain market share. The number of companies in the Top 10 of their industries has increased marginally to about 20 on our scorecard, but that's still only half our target of 40 by 2030.

We believe there is scope to double the number of global leaders by scaling up in the areas of bioscience, advanced manufacturing, cleantech, agri-food and digital.

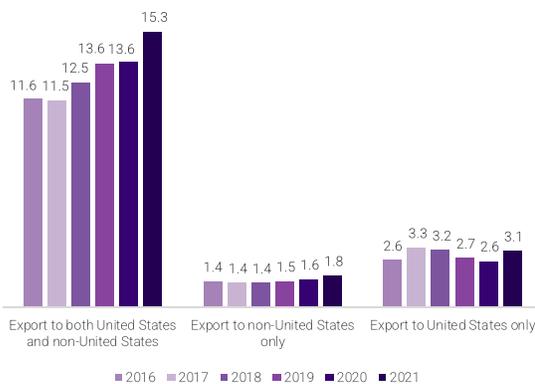
The data do show much better progress when it comes to scaling up our tech companies. The number of private tech startups with billion-dollar valuations has surged to 21 from four – already surpassing our 2030 target of 17.

Another robust indicator is the broad cross-section of Canadian business that's benefiting from exports. The average export value per small- and medium-sized enterprise has grown to about \$5,300, putting it on track for our target of \$8,000 by 2030.

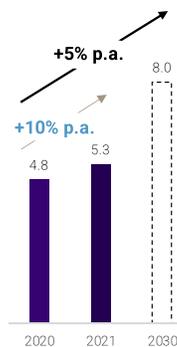
The average value of SME exports has increased since 2020 for all groups of SMEs based on export destinations.

Average export value by SME (\$ in thousands)

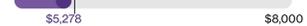
By export destination



All SMEs



Export value per SMB



Growing sustainably:

Putting the environment at the forefront of decision making

Introduction

The environment is one of the key pillars we need to have at the forefront of decision making. Business and governments must ramp up efforts to reduce the nation's carbon footprint as we move toward Net Zero. A greener economy will enhance our economic competitiveness.

The latest reported year for greenhouse gas emissions coincided with the first year of the pandemic, when large parts of the economy were shut down. The end result was a sharp reduction in both absolute and relative levels of emissions in 2020, making it tricky to discern long term trends.

DIRECTION: **POSITIVE**

VULNERABILITY: **HIGH**

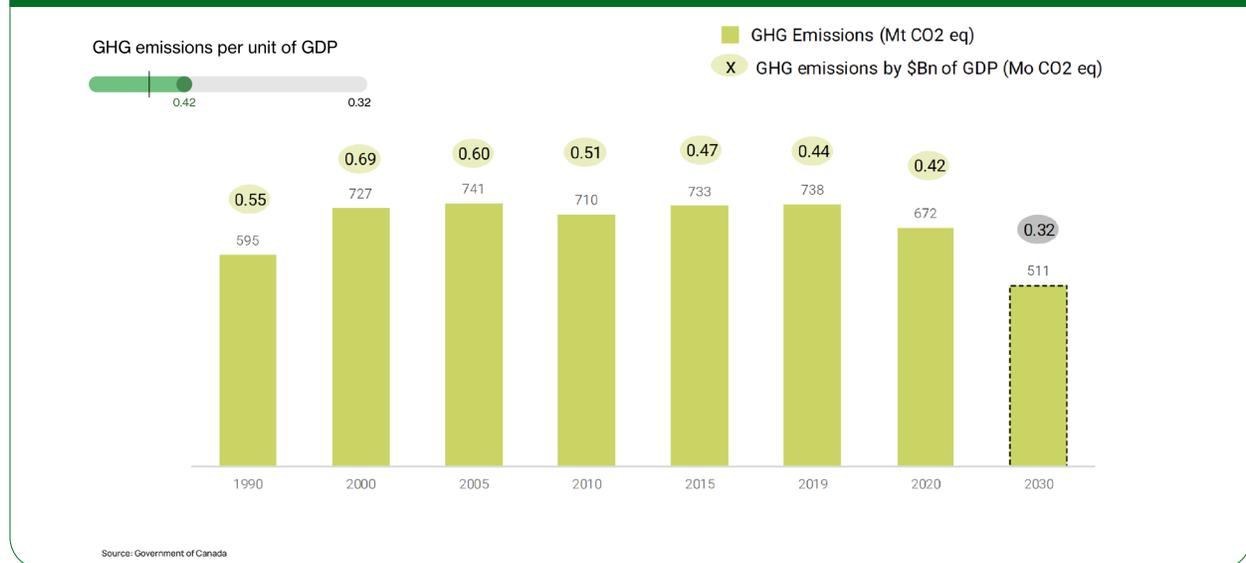
ON-TRACK: **SLOW**

GHG intensity

Canada generated 672 megatonnes of carbon dioxide emissions in 2020, down sharply from 738 megatonnes in 2019. On a per-dollar-of-economic-output basis, emissions were down five

per cent in 2020, which keeps us on track to hit the Coalition's 'intensity' target for a one-quarter decline by 2030.

Canada pledged to reduce its 2005 GHG emissions by 30 per cent by 2030 under the Paris agreement.





Whether that happens, of course, will depend on a finely balanced policy architecture that keeps emissions falling without jeopardizing economic growth. Changes that are too drastic could undermine public support, while not going fast enough isn't an option.

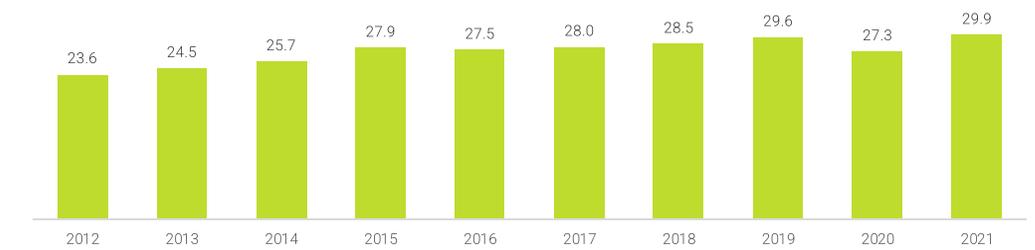
In some areas, we have a strong starting point. Canada's share of electricity production from renewables, for example, is higher than most

peers and rising. But the energy transition will require that we produce about two times more clean electricity than we do now.

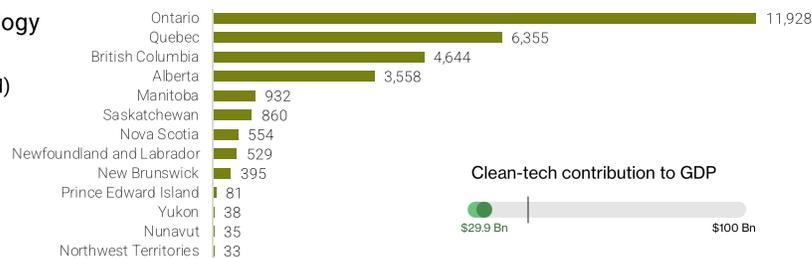
Our resource-based economy makes climate transition an expensive endeavour in the short-term. That's particularly true if we fail to exploit carbon capture and other technologies to facilitate transition for the oil and gas sector.

Canada's clean-tech contribution to GDP has increased since 2020. However, there is a long way to achieve the ambitious targets set by the Economic Strategy Tables.

Total, clean technology products (\$Bn)



Total, clean technology products Based on Province (\$M)



Over the past year, Canada has generated about \$200 billion in export receipts from fossil-fuel sources of energy – making the sector almost impossible to replace, at least in the immediate term, as a source of foreign exchange and economic growth.

An abrupt curtailment of these shipments would mean a sharply weaker currency and much higher trade deficits with the rest of the world. We'd all be poorer.

The data show rising levels of clean-tech production, which was up nearly 10 per cent in 2021 to \$30 billion. We'd like to see this sector grow to \$100 billion by the end of this decade so that a transition to a low-carbon economy can be accomplished while maintaining our shared prosperity.

Addressing Canada's rural-urban divide

As Canada charts a better economic future, there's no doubt our efforts to spark stronger growth and an improved quality of life will fall short if the benefits are not shared among all Canadians. That includes closing enduring gaps in conditions that divide rural and urban Canada.

The Coalition has undertaken a separate analysis that looks more closely at how rural Canada is faring, drawing on some of the same statistical measures we used for the scorecard.

Overall, it's clear that a great deal more must be done to address real impediments to equal opportunity in remote and non-urban regions of the country. While rural economies continue to fare relatively well, remote regions remain underserved – from broadband to education to health care – by governments and companies.

Rural economic trends

Rural and remote regions in Canada punch above their weight in terms of economic activity, thanks to the outsized role of resources, yet aging demographics and the availability of labour continue to have a disproportionately negative effect.

For example, unlike most urban areas of Canada, many remote and rural parts of the country haven't seen a full rebound in employment, even as joblessness in these areas remains near historic lows. Demographics are likely at play.

Poverty rates are lower in much of rural Canada in part because of cheaper housing costs. At the same time, paradoxically, some of Canada's poorest places are in remote regions.

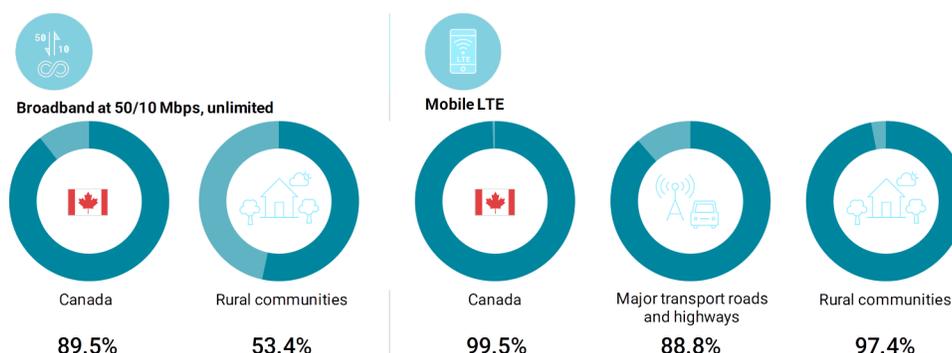
Complicating the picture further, there are differences between rural regions near metropolitan areas that have seen strong population and labour force growth, while in more remote regions, the long-term trend is toward falling employment levels.

Closing the digital divide in Canada (August 2022)

Only 53.4 per cent of rural and remote areas have access to broadband.

The access to mobile LTE is relatively balanced and equitable between rural and urban areas.

% of population using the Internet (2022)



Source: Canadian Radio-television and Telecommunications Commission

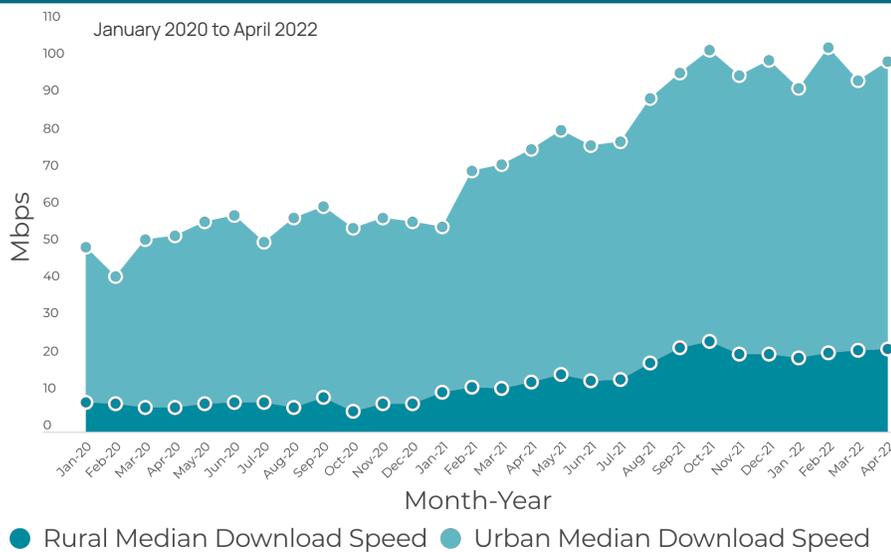


Services

While the economic picture in rural Canada is mixed, there is more uniformity around the challenges facing those who must access services in remote parts of the country. The

further one gets from a city centre, the more likely one is to encounter deteriorating quality in everyday services such as internet connectivity, education and transportation.

The urban -rural digital divide



One long-standing problem is the sharply differing access in rural and remote regions to broadband. Although the accessibility gap has narrowed somewhat, the internet available to most rural users still falls well short of the federal government's definition of 'high-speed.'

Only 53 per cent of rural and remote areas have access to broadband internet speeds, versus 90 per cent for Canada as a whole. However, access to mobile LTE – a 4G technology – is relatively balanced and equitable between rural and urban areas.

Another challenge for rural Canada is lower female educational achievement, particularly among Indigenous women.

There's also evidence that rural businesses are less likely to adopt automation, even though they bring in higher average revenue than their urban counterparts.

Rural Canada will also need more help transitioning to Net Zero, given the vast majority of remote communities – some 73 per cent – that rely on environmentally harmful diesel as their main power source.

The capacity for generating renewable energy, meanwhile, is limited in rural areas, especially for Indigenous communities.

Conclusion

In this first update of the Coalition's scorecard, the numbers show our economy does have fundamental strengths and weaknesses.

We are a human resource powerhouse, with an openness to immigration that gives us a big competitive advantage. While still far from our diversity targets, we are making strides around inclusivity, including important progress for Indigenous peoples in the labour force. Our poverty rates have fallen, thanks to generous income support for low-income families and a tight labour market.

Canada also has an aggressive plan to move to a low-carbon economy, but this will take time and significant public and private investments.

The numbers also show we are falling short on some of the most important metrics such as GDP per capita and investment. Without economic prosperity, Canadians' living standards and real incomes will be affected going forward.

That's why the Coalition for a Better Future is calling for a long-term plan for economic growth that is inclusive and sustainable, to build a better future for all Canadians.

Without economic prosperity, Canadians' living standards and real incomes will be affected going forward.

Thank you to our partners

The Coalition for a Better Future would not be where it is today without the support of more than 142 organizations across the country, representing both civil society and the private sector.

We are grateful to our founding sponsor, the **Business Council of Canada**, as well as our Scorecard Reporting Event sponsor, **Power Corporation of Canada**, for believing that data makes a difference.

Our research partner, the **University of Ottawa's Telfer School of Management**, produced our first year of analysis.

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