

The challenge of sustainable prosperity

SUMMARY

For a better future in Québec

**The challenges to overcome and opportunities to grasp:
Identifying, prioritizing and selecting fulcrums**

A study by Desjardins Group's Economic Studies
in collaboration with the
Centre for Interuniversity Research and Analysis
on Organizations (CIRANO) 

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NOTE TO READERS:

In the text and tables, the symbols **k**, **M** and **B** are used respectively to refer to thousands, millions and billions.

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PREFACE

The past decade has been conducive to thinking about the economic challenges of the 21st century for most industrialized countries. A host of studies have been published and solutions put forward in many places. And Québec is no exception.

The awareness of the issues in Québec has become clearer, as countless articles, position papers and reports have been published since 2005. A sense of urgency in finding solutions to the numerous challenges has become apparent. Demographic shock, difficulties in balancing Québec's budget and fierce competition from abroad have made many people realize that new approaches had to be introduced, as quickly as possible.

The Québec government has taken action in the past two years, with the implementation of developmental measures. But much remains to be done. That's why Desjardins Group Economic Studies, in cooperation with CIRANO (Centre for Interuniversity Research and Analysis on Organizations), thought it would be fitting to produce a document on the issues to be tackled and opportunities to be seized in the pursuit of sustainable prosperity in Québec.

This article provides a summary of the main papers written on the topic and suggests potential solutions. It identifies the primary issues and challenges, and discusses the order of priorities in time. It pinpoints the major levers that should be given greater emphasis because of their impact in the short and medium term.

These fulcrums, however, remain at a high level, as we believe it is up to government authorities to make choices for most measures and take action. Nonetheless, Desjardins Group Economic Studies encourages everyone to take part in the brainstorming and the debate. With everyone's cooperation, we will succeed in ensuring sustainable prosperity in Québec.

François Dupuis
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SUMMARY

In recent years, a lot of ink has been spilled on the many sizeable challenges Québec must tackle if it wants to maintain its ground and prosper. Lucien Bouchard's "Lucides" sounded the alarm, partisans of Québec Solidaire responded and the union and employer organizations added their two cents. The debate then changed into a reflection process with the participation of various stakeholders. That is well and good because, in a democracy, it is the challenge and clash of ideas that generates change and allows society to progress.

As a financial cooperative that is very much involved in Québec society, Desjardins Group feels involved in this debate. Desjardins Group's Economic Studies has published many documents about the challenges Québec is currently facing or will have to tackle in the years to come, several of which have dealt with productivity, the public debt, and the demographic shock and its consequences for the province's economy.

At this point in the thinking process, it seemed appropriate to summarize all of the challenges facing Québec, study the literature which could fuel reflection on how to tackle these challenges, and identify the primary fulcrums that could be used to do so.

1. Part one: the major challenges and underlying issues

1.1. The aging of the population

The major challenge Québec will soon face involves adjusting to the demographic shock. The primary consequence of a population aging is, without a doubt, the decline in the number of people of working age, i.e. 20 to 64 years old. According to the latest projections from the Institut de la statistique du Québec (ISQ), the pool of potential labour represented by this age group will start to dwindle as of 2016. Efforts to **increase the fertility rate** of Québec women and **expand immigration** could, in the long run, mitigate the demographic shock's impact on the work force, but it will not prevent it altogether.

1.1.1. Impact on the employment market

The decrease in the number of people of workforce age will initially have a direct impact on the employment market: the shrinking pool of potential workers will forcibly lead to a drop in labour demand. This effect could be limited—or delayed—if the labour force were to increase. Currently,

Québec's participation rate is 65.3% (March 2011), meaning that 34.7% of Québécois over 15 years of age are not participating in the labour force. Getting some of these people into the labour force would help to mitigate the impact of the decrease in the labour pool on the employment market. This means that **increasing the participation rate** is a major issue.

1.1.2. Impact on potential output

An economy's potential output is what it could produce using the human and physical resources at its disposal efficiently, but not to excess. The evolution of potential output therefore depends on the pace at which human and physical resources, as well as productivity, grow. The more resources a society has and the more efficiently it uses them, the more wealth it generates. The wealthier a society is, the more means it has at its disposal to meet its population's current and future needs.

To maintain or speed up the current pace of growth, we have to increase our capital investments or produce more efficiently. These are two big challenges, especially since they are connected. Québec's poor productivity performance is largely due to weak private investment, particularly in machinery and equipment.

1.2. Productivity and investment

Québec must absolutely improve its productivity to maintain its current standard of living. It can do so in three ways: **by improving the quality of its human and physical capital and by promoting innovation.**

As the quality of human capital and innovation are based on knowledge and skill, **increasing Québécois' educational levels and investing in corporate training** would help improve productivity. Moreover, to maintain its performance, businesses must invest in machinery and equipment. An additional challenge in improving productivity therefore involves **stimulating investment.**

Once it has an educated, competent workforce and high-performance machinery, a company can still make productivity gains through innovation. For innovation that is associated with technological progress, whether it involves an invention or putting an invention to use, the results generally depend on **investment in research and development.**

In short, increasing productivity involves four challenges: increasing Québécois' average level of education, investing in corporate training, increasing capital investments, and investing in research and development.

Achieving these four goals, however, depends on a number of factors pertaining to the environment surrounding people and companies. To be efficient, they must, first and foremost, be able to count on good **public infrastructures**: roads, bridges, telecommunications networks, schools, hospitals, public transit.

To stimulate efficiency efforts, businesses must also evolve in a **competitive environment**. There are two ways to stimulate competition: locally, by **fostering entrepreneurship**, and internationally, by opening our borders wider to **foreign competition**.

To ensure healthy competition, the society must have a sound regulatory framework. Ideally, businesses should be subject to **regulations** that ensure the protection of individuals and foster competition without hampering innovation and investment.

Lastly, productivity also depends on the **tax system** that applies to people and businesses. A system that stimulates productivity must encourage people to get an education and work and encourage businesses to invest more.

1.3. Public finances

An aging population will have two major consequences on public finances. The first is the increase in health care spending; the second is the decline in the government's income. Fewer workers mean less tax revenue. Simply speaking, less revenue and more expenses mean recurrent budget deficits, a greater debt load, higher debt service that eats into the government's revenue and a growing dependence on the federal government due to the expanding need for transfer payments.

Over the next few years, the government's main challenge in terms of public finances will involve **limiting growth** in terms of budgetary expenditures, insofar as all of the public services offered to the population will be maintained. The government will therefore have to **manage its programs more efficiently**.

Getting the budget into balance by 2013-2014 is a sizeable challenge, but it will be even tougher to keep it in balance in subsequent years, as population aging makes itself increasingly felt, and even more painful to find budget surpluses to **pay back the debt**. That is the real challenge. The govern-

ment could then have to choose from among an array of budget cutting measures which ones it sees as the most effective and fairest for increasing its revenue and reducing its expenses, including the option of **reviewing the range of public services available to the population**.

1.4. Regional development

The new information and communications technologies are essential tools for developing remote regions, because they facilitate the interchange of knowledge among the regions themselves, and with the major cities, where the knowledge is usually focused. One essential issue in regional development therefore involves **reinforcing public infrastructures, particularly with respect to telecommunications**. Moreover, the outlying regions also need to have a good highway infrastructure to handle intercity transport and facilitate trade.

In an increasingly knowledge-based economy, education will be more important than ever. To allow those who live in remote areas to benefit from the new economy's advantages, we have to improve their **access to higher education** in key fields.

Given the high unemployment rates in a number of remote regions, keeping young people at home is often a challenge. One of the best ways to **attract and retain young people** is to stimulate entrepreneurship in Québec's regions. Creating businesses leads to job opportunities and stimulates innovation.

In Québec, **exploiting natural resources** provides economic development potential for the regions that need it, but also raises both environmental and economic issues. The challenge for the province will be to develop natural resources gradually and make balanced trade-offs between the development of resource-rich regions and those where the economy is more extensively based on industry, while making sure to protect citizens' quality of life.

To fully capitalize on the demand for its natural resources, the province needs to **strive to process its raw materials rather than simply selling them**. Turning commodities into value-added products creates wealth, offers spin-offs in terms of well-paying jobs, attracts foreign investment and can potentially reduce the trade deficit of Québec.

Even though regional development is a constant concern for Québec, the fact remains that the province's economy is largely based on the performance of its metropolis. **Developing the metropolis** is therefore a critical issue for regional development, and that of the province as a whole.

1.5. The fight against poverty

Seniors' financial situation has improved considerably since the early 1980s, thanks to the growth of the Canada Pension Plan (CPP) and Québec Pension Plan (QPP), on one hand, and expanded coverage by registered pension plans, on the other. The percentage of low-income seniors has been cut in half, a trend that should continue for future generations of seniors.

In exchange, studies based on actuarial estimates—and the decline in personal savings rates and increase in consumer debt rates—suggest that Canadians are not saving enough for their retirement. Many Québec households could end up destitute when they reach retirement age. One way of preventing this is to **promote saving**. For people who do not have the means to save enough, the challenge would involve helping them **stay in the job market longer**.

If we do not respond to the demographic shock, our society could become poorer. As a result, fewer resources would be available to assist the least fortunate. We therefore have to continue to **create wealth** and determine the most effective and most equitable ways to **redistribute wealth**, as transfers or social measures, in order to reduce income gaps.

Providing an entry into the labour market for those who currently cannot access it and **extending the duration of workers' working lives** are also measures for combating poverty that would increase the participation rate to offset some of the impact of the demographic shock.

Also, education is especially important in the fight against poverty and reducing inequalities. As a result, **combating the dropout problem** becomes a key issue here.

1.6. Protecting the environment

Québec has several challenges to tackle with respect to environmental protection. One of the leading issues clearly involves **raising public awareness**, long-range work that involves informing and educating. To protect the environment, governments cannot solely rely on the good intentions of citizens and businesses. They must put forward **compulsory measures** or resort to **incentives**.

Taxation could also be an effective way to protect the environment. In 2007, Québec was the first government in North America to impose a carbon tax in the form of royalties collected from those distributing natural gas and fuels that produce GHG emissions. The amounts raised by the “green tax” must go into financing the province's action plan on reducing GHG emissions.

Protecting the environment also means not wasting resources. In many cases, **fairer pricing** that reflects the resource's real costs would be needed.

The environment question could raise another issue for Québec: grasping the **opportunities** it creates. The development of new clean manufacturing technologies, organic farming, energy efficiency and recycling, for example, are fields in which Québec businesses could develop expertise.

2. Part two: The means to meet these challenges

The diagram on page 8 shows the major challenges Québec must tackle, and the many issues they raise. For each of the challenges and issues identified, the literature presents potential solutions. Here is an overview.

2.1. Offsetting the impact of the demographic shock on the labour pool

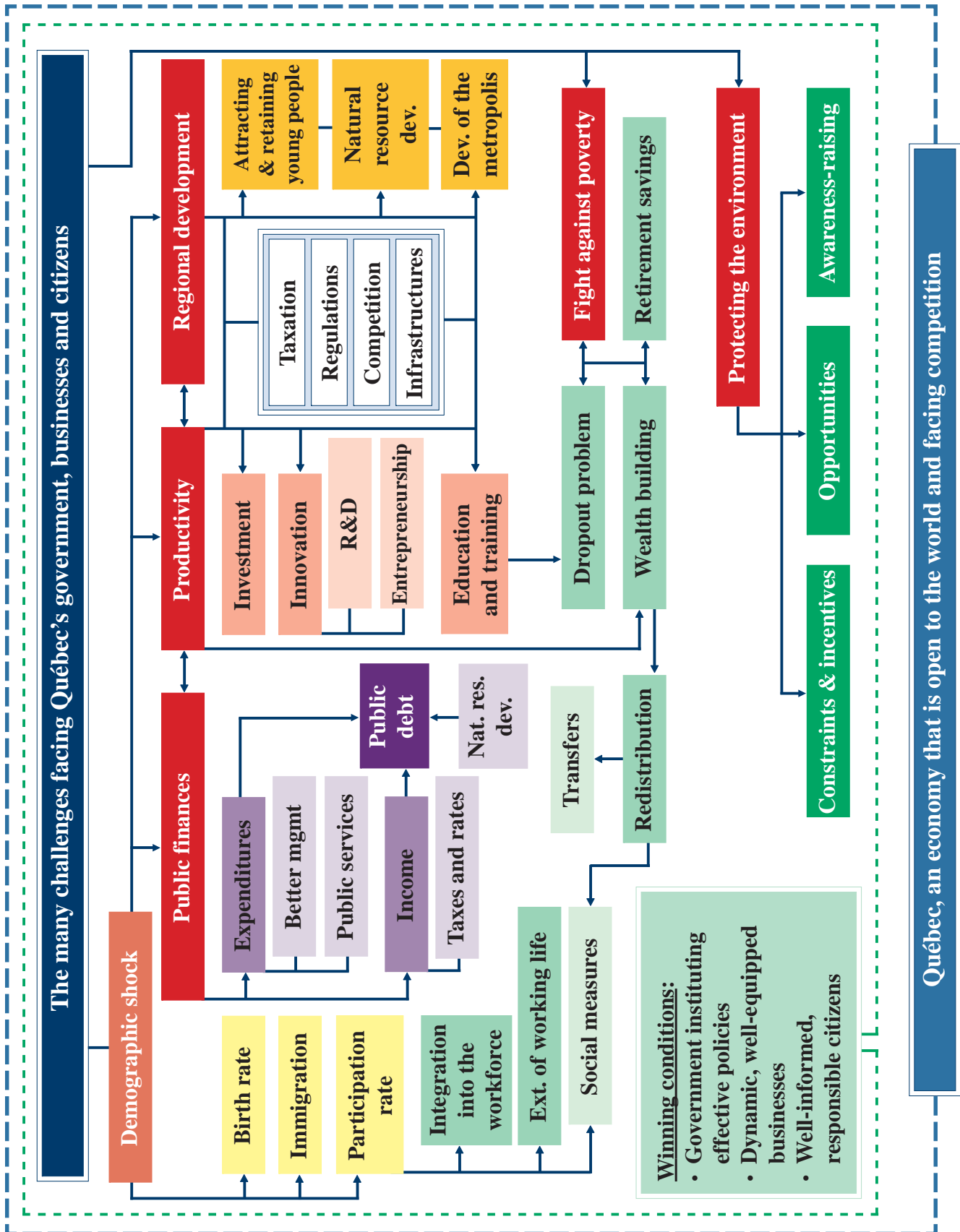
2.1.1. Birth rate

Can we influence increasing the fertility rate and if so, how? In a modern society like Québec, where both people in a couple usually work, a birth rate policy is more akin to a family policy. The literature pinpoints four types of measures that constitute policies that encourage families and, as a result, the birth rate: measures that pertain to employment and work; measures pertaining to work-life balance; measures that provide financial compensation for the costs of a child; support measures to sensitize workplaces to the work-family condition and encourage society to adopt a more positive attitude towards children and parenting.

With respect to work-life balance measures, Québec has done a lot in recent years, extending maternity leave and introducing paternity leave, as well as setting up subsidized daycare services. Efforts could be put into other, less expensive but equally effective family policy measures, such as support measures. And since getting a stable job is essential to starting a family, fostering access to employment for young adults would be an effective way of increasing the fertility rate.

2.1.2. Immigration

As for immigration, some think that efforts should be made not only to increase net international migration but to limit Québécois' emigration to other provinces in Canada as well. The best way to retain immigrants is to integrate them into the employment market. To do so, in addition to giving them the opportunity to acquire work experience in Québec, through corporate internships, for example, we have to value their work experience in their country of origin, recognize their qualifications, and give them more support in learning French.



Source: Desjardins, Economic Studies

2.1.3. Participation rate

To increase the participation rate, the suggestion has been made to not only get immigrants into the employment market, but to encourage the handicapped and social assistance recipients, who are available to work, and young dropouts to join the job market as well.

Another way to increase the participation rate would be to encourage people to stay on the job longer. This could be done by instituting conditions that are tailored to the abilities and aspirations of older workers, such as pension plans that allow for progressive retirement, for example, and by changing pension plans to keep from penalizing those who want to keep working.

It is not yet a matter of delaying the official retirement age, but in reality, this approach would be in keeping with our longer life spans. It would be normal to have the retirement age and pension income reflect the longer lifespan so that workers can retire with the assurance that they will have a decent income.

2.2. Improving productivity

2.2.1. Fostering innovation

Canada's weak multifactor productivity¹ primarily reflects the low level of innovation in Canadian business. It is business strategy that powers innovative behaviour. Several factors influence a business's choice of an innovation strategy: the structural features of the sector it operates in, the intensity of competition, the climate for new business, public policy and the company's ambition.

The Council of Canadian Academies has made some recommendations to public decision makers on how to foster business innovation: promote investment in machinery and equipment, in information and communications technology (ICT) in particular; have a greater exposure to competition; develop an environment that allows excellence in university research to translate into business viability and growth; and support fields in which businesses stand out or show some potential.

The Ministère du Développement économique, de l'Innovation et de l'Exportation also identified a series of challenges Québec must tackle to encourage innovation and set specific goals in this regard. The goals are primarily intended to improve the return on investment in research and development (R&D): increase marketing of business inno-

ventions, ensure more extensive use of the results of our research, stimulate industrial research and foster greater collaboration between SMEs and intermediation organizations.

With respect to R&D investments, Québec is doing well thanks to substantial investments in the pharmaceutical and aerospace sectors. However, there is reason to increase the sector diversification of R&D investments.

2.2.2. Stimulating capital investment

Québec invests less in physical capital as a proportion of GDP than Canada does, which invests less than the United States. The gap between Canada and the United States is primarily due to ICT investments and partially explains the differences between the two nations' industrial structures, particularly the fact that Canada has a higher proportion of SMEs, which tend to invest less in ICTs. Managers' attitude towards the use of ICTs is associated with the fact that U.S. managers have a higher level of education than their Canadian counterparts; the lower level of competition in Canada could also play a role.

Two factors influence businesses' investment decisions: return on investment and cost. In identifying the factors that could have impacts on return and those that could affect costs, the Task Force on Business Investment formulated twenty recommendations, including eliminating the tax on capital and lowering the general corporate tax rate, along with others which, if applied, would have indirect effects on productivity through the regulatory context and improving the quality of human capital.

Furthermore, a number of studies show that foreign direct investment (FDI) has positive impacts on productivity in beneficiary nations due to the transfer of skills and technology they generate, as well as the increase in competition and access to new markets they provide. However, Canada is one of the Organisation for Economic Co-operation and Development (OECD) nations with the strongest FDI restrictions; they are particularly harsh in the telecommunications industry, a key sector in terms of productivity for all Canadian businesses. Reducing or dropping FDI restrictions could, as a result, be essential to improving productivity.

Moreover, Québec is not the province that attracts the most foreign investment. It would be worthwhile for the province to stimulate such investment and develop a strategy accordingly.

2.2.3. Encouraging entrepreneurship

Québec's entrepreneurial culture is not as developed as it is elsewhere in Canada. There are some hypotheses about the factors that could be cooling entrepreneurial enthusiasm in

¹ Multifactor productivity is defined as production growth that is not explained by growth in labour and capital.

Québec, such as the cumbersome regulations that SMEs are subject to, as well as taxation.

In addition to regulations and taxation, there are many other obstacles to starting up a business, such as the difficulty of getting financing and the lack of expertise and support.

2.2.4. Improving the quality of human capital

Until the mid 1990s, Québécois' participation in adult education was low compared with the Canadian average. This was what prompted the provincial government to create the Act to foster the development of manpower training, which requires businesses to invest at least 1% of their payroll in training their employees. Québec has done some substantial catching up since then: in Québec, overall participation in formal training was three times higher than it was in Canada from 1997 to 2002, allowing the province to match the national average.

Businesses that are not subject to the 1% law, mainly small and mid-sized businesses, are the ones facing the biggest challenges for employee training. However, SME investment in training appears to be underestimated due to the fact that the training offered by such firms tends to be informal.

There are incentives for encouraging training investments, such as the tax credits for on-the-job training and subsidy programs. These are interesting alternatives for encouraging SMEs to invest in employee training.

2.3. Increasing Québécois' education levels

In and of itself, education is an asset that benefits both the individual (in terms of income and standard of living) and society in general. As a result, raising its population's education level lies at the heart of the major challenges facing Québec. The province's main educational shortfalls involve the dropout problem and the university graduation rate.

2.3.1. Combating the dropout problem

A few years ago, Jacques Ménard formed a task force comprising various public and private sector stakeholders to examine the dropout problem in Québec and propose solutions.

The task force suggested several actions to combat the dropout problem. Most of the initiatives target parents and children from disadvantaged areas; several of them deal with young children. In fact, the dropout problem is not necessarily the result of the education system. Often, it has to do with the family and the family's socioeconomic environment.

The task force also recommended getting the private sector involved to create a better balance between education and work. Studies show that the number of hours worked while

at school correlates positively with the decision to drop out. The legal working age and minimum wage could also have an impact on a student's decision to drop out.

2.3.2. Raising the university graduation rate

How do we encourage Québécois to get university degrees? For students to get into university, they first have to make the decision to pursue a postsecondary education. Many factors then come into play in terms of access to postsecondary education and school retention, such as belonging to an ethnic minority, family income, having a parent who went to university, the student's financial situation, the influence of parents or friends and school experiences. Several of the socioeconomic factors that are behind the problem of access to postsecondary education and staying in school are similar to those behind students dropping out before they finish high school. The actions taken to deal with the dropout problem could therefore help to raise the university graduation rate.

A number of other elements could influence the decision to get a university education: variables pertaining to students' social and educational integration, paid internships, the need for support and information on the educational decisions to be made, the availability of work and study opportunities, the quality of higher education, the match between training programs at teaching establishments and the needs of the employment market.

Studies on the impact of students' financial situation on access to school and school retention have divergent results. Some studies conclude that debt and inadequate income have an impact on access to postsecondary education and staying in school; other studies say this is not so, however. This question is critical for Québec, where the unfreezing of university tuition fees is a highly controversial topic.

2.4. Renewing and maintaining infrastructures

Business productivity is highly dependent on public infrastructures. In particular, regional development depends hugely on transportation infrastructures. For example, the savings in time and money provided by a better road network helps improve business productivity by improving trade and distribution. Better access to a region has an impact on the size of the region's potential market, tourism and labour. This generates new business opportunities and heightened competition.

Investments in the health care and social services network are needed; they will be needed even more as the population ages. For its part, the education sector has been underfinanced for a long time. To provide quality education, teaching establishments need well-maintained buildings and modern equipment. Finally, universities in the outlying regions—

possibly affiliated with universities in the major cities—would be a key factor in regional development insofar as the offering meets the community's needs.

Investment in public infrastructures should be the focus of a long-term vision. It is much better to make regular investments in maintaining infrastructures than to wait until they deteriorate, thereby creating substantial repair or replacement costs.

2.5. Cleaning up public finances

In its two most recent budgets, the government adopted several recommendations made by the committee mandated to propose solutions to get the budget back into balance. Most of these recommendations were in line with the recommendations Desjardins Group made several years ago. The measures taken, though austere, are needed to ensure Québec's prosperity over the long term. The government's main challenge in the next few years will no doubt involve achieving the ambitious targets it has set for public spending growth, and then keeping the budget in balance or achieving surpluses.

The government should consider turning to other means to balance its budget while ensuring it offers Québec's population quality services. As it has done for electricity and tuition fees, it could resort to fairer pricing for some public services, such as pricing for water and daycare services. Rates that are too low encourage overconsumption of goods and services, as well as waste. Moreover, they are often more beneficial to those with more wealth than to the poor. Finally, pricing should not be used as a way to redistribute wealth. There are other more effective, fairer ways to do that.

2.6. Protecting the environment

A number of measures have already been put forward to encourage businesses and individuals to protect the environment: raising awareness, incentives, taxation and regulation. To varying degrees, all of these methods have impacts on environmental behaviour. Some encourage economic agents to incorporate into their own costs the expenses they generate in terms of environmental deterioration. Others encourage agents not to waste resources or to adopt and develop cleaner production techniques. In any event, along with health care and the economy, the environment has become one of Québecers' main concerns, as it is for other Canadians. From now on, governments and business must take this into consideration in their decisions.

3. Part three: prioritizing the challenges

3.1. Short-term results vs. long-term results

It is important to acknowledge that some objectives may be reached in the short term, while others will only be reached

in the long-term. The table on page 12 indicates the horizon over which the issues in the diagram on page 8 are likely to have their impact. For example, reducing the dropout rate and increasing corporate training are two objectives that would help improve productivity. However, it is very likely that the first of these will be tougher to achieve and take longer than the second; it will take more time for it to have an impact on our productivity.

Tackling several issues simultaneously would help yield short- and long-term results. Nonetheless, since costs are associated with tackling these challenges, decisions must be made. Prioritizing the challenges that would have major short-term benefits could be a logical choice. However, this does not mean dropping the challenges that will only have results over the longer term—these challenges often have fewer short-term costs.

3.2. What fulcrums to use?

The challenges and issues raised in this document are many and interrelated. To meet them, we must use the best fulcrums, the ones with the greatest reach. Here, improving productivity appears to be the most important goal to aim for, as it is the one that will have the biggest impact on most of the challenges Québec faces, particularly in terms of creating wealth.

Among the different means of increasing productivity, in our opinion we must first and foremost exercise all means that pertain to **human capital: training and education**. By relying on our human resources that we will also be able to **encourage innovation, stimulate entrepreneurship and capitalize on research and development**.

Québec businesses must innovate and invest more; the government must encourage them to do so by setting up the conditions that will make their investments pay off: **more effective, fairer regulations and tax system, a competitive environment and, of course, high-quality public infrastructures**.

For prosperity to last, we also have to consider future generations. In the spirit of this, two objectives are essential: **cleaning up the public finances and protecting the environment**.

Lastly, **developing the metropolis** seems indispensable to the entire province's growth. For Québec's regions to prosper, they need to be able to count on a strong pole of growth. Consequently, Montréal needs to be a metropolis that is worthy of the name.

The diagram on page 14 illustrates the major fulcrums to be used to secure Québec's sustainable prosperity.

Horizon over which overcoming the issues will take effect			
	Short term (under 5 years)	Medium term (5 to 10 years)	Long term (10 to 25 years)
Challenges	Issues		
Combat the impact of demographic shock	Increase the participation rate	Increase immigration	Increase the fertility rate
Clean up public finances	Reduce expenses	Start to bring down the public debt	Exploit the potential of natural resources
	Increase revenue		
Improve productivity	Increase investment in physical capital	Invest in R&D and improving returns	Combat the dropout problem
	Create an environment that fosters productivity improvement	Stimulate entrepreneurship	
	Invest in in-house training	Foster innovation	
Develop the regions	Increase the post-secondary graduation rate	Attract and retain young people	Exploit the potential of natural resources
	Foster the development of the metropolis and collective infrastructures province wide		
Fight poverty	Extend workers' working lives	Reintegrate the marginalized into the labour market	Combat the dropout problem
	Redistribute (social measures, transfers)		Encourage retirement savings
Protect the environment	Set constraints, offer incentives	Capitalize on opportunities	Raise public awareness

Source: Desjardins, Economic Studies

3.3. The government's role

It is the government's responsibility to create an environment that is favourable to improving business productivity through effective regulation and a fair tax system. The government must also make sure that businesses and citizens have the infrastructures they need to prosper.

With respect to investment in human capital, the government must not restrict itself to financing education: it must ensure that a quality education is provided, participate in seeking solutions to combat the dropout problem, and it must encourage young people to pursue a postsecondary education. It is also the government's role to control the management of public educational establishments and decide on students' participation in financing their education.

With respect to the environment, the government must set standards and create the regulations that businesses must follow, and ensure compliance with them. It must ensure that the province's economic development is not to the detriment of its citizens' quality of life.

Clearly, it is the government's responsibility to manage the public finances, a task that will be very difficult as the population ages. In handling its many responsibilities, the government should always take a global, long-term view, identifying priority challenges and developing medium- and long-term plans to tackle them. The use of cost-benefit analysis tools should become common practice when deciding on policies, social programs and major projects.

Moreover, it is the government's duty to manage public funds efficiently in order to give citizens the services they deserve. Here, the government must also take ownership of its philosophy to improve the productivity of its operations. Together with the public and based on the public's ability to pay, it must also select the array of services that should be universally available. The government must also ensure the reasonable and methodical contribution of its natural resources potential.

Lastly, the government has the ultimate responsibility of ensuring a decent standard of living for society's poorest by redistributing revenue, and do everything it can to drive poverty down on a lasting basis.

3.4. The role of business and citizens

In principle, if the government creates the regulatory and tax framework that fosters competition and provides private enterprise and citizens with the public infrastructures they need, this should be able to secure the province's prosperity. However, businesses and citizens also have responsibilities.

Increasing productivity is not only the government's business: companies have a responsibility to invest in physical capital and in their human capital. Like the government, it is in businesses' interest to plan for the long term. If they focus on short-term profits, they will tend to neglect investments in physical capital that are costly but profitable over the long haul.

Businesses also have an important social role to play. They can give back to society a portion of the earnings society has allowed them to make by investing in education and training, for example, and being socially responsible by including in their cost-benefit analyses the negative environmental and social impacts of their projects.

For their part, citizens must be engaged in society, staying informed on the challenges it faces and helping to tackle these challenges, in keeping with their means. With an aging population, the government will also need the public's support in making the required decisions on public services. Finally, while business and citizens can reasonably expect the government to deliver quality services, they must pay their taxes. It is the duty of each and every one of us not to engage in tax evasion.

Conclusion

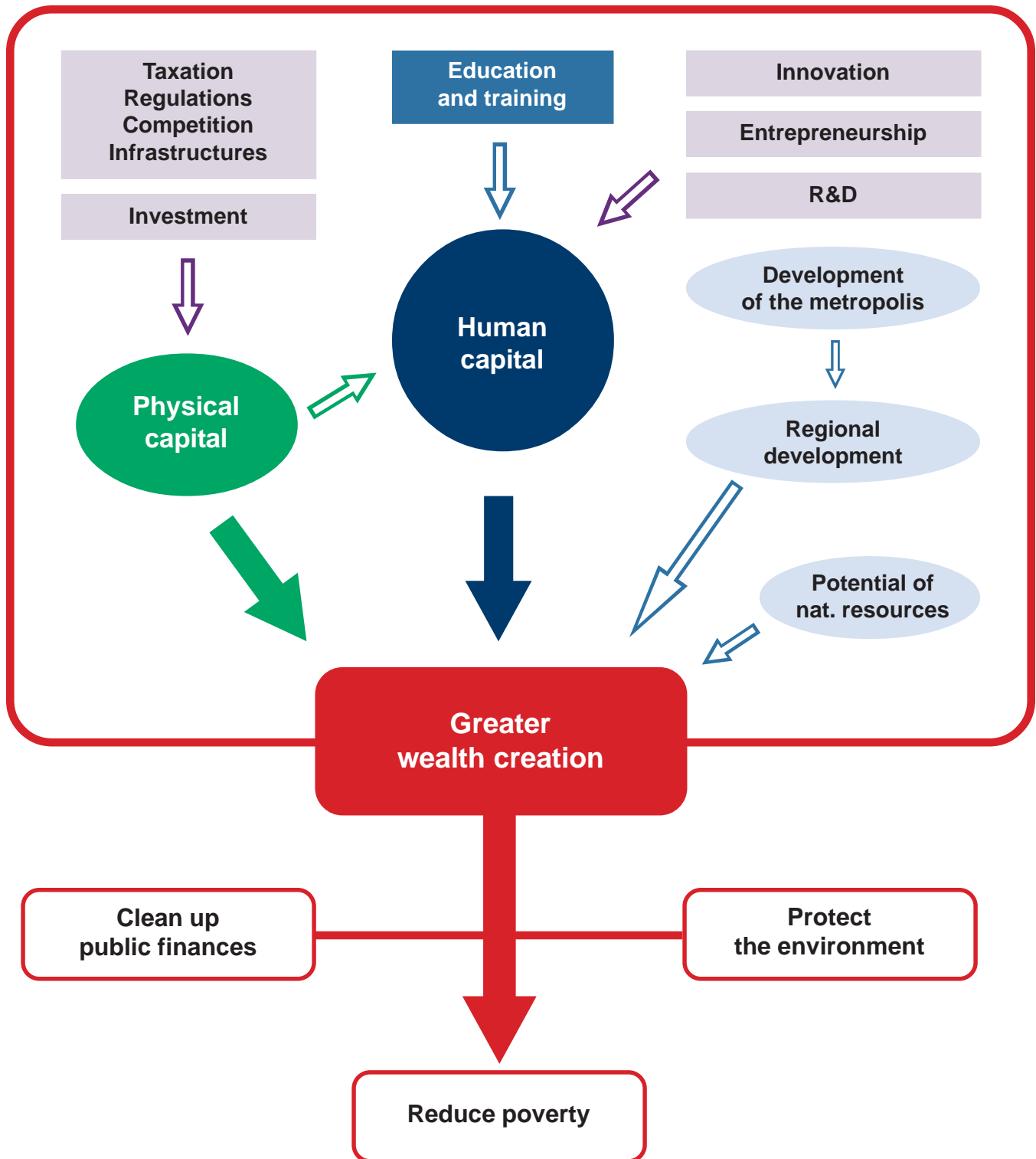
Now that we have established the challenges and priorities, and discussed each participant's role, we must listen to those who have examined these issues in depth. This document shows that there are many studies that can be used to try to deal with each of the challenges raised. Most of the recommendations made in the studies and reports cited in this document are presented in the appendix. We can use draw inspiration from these.

However, for the purposes of this study, we leave it to the government authorities to decide on actions that will eventually have to be put forth to maximize the impacts of the priority fulcrums identified herein to ensure Québec's prosperity over the long term.

The challenges and issues are many. Dealing with them may seem like a herculean task, but Québec society has all the resources it needs to do so, and to seize many new opportunities. We were poorer before the Quiet Revolution, yet Québec has managed to become one of the world's modern societies.

In addition to taking part in the debate and thinking process, everyone has a role to play in helping the province meet all these challenges. With everyone working together, it is time to take action to secure sustainable prosperity for Québec.

Major fulcrums to be used to secure Québec's sustainable prosperity



Source: Desjardins, Economic Studies



Desjardins
Economic Studies

www.desjardins.com/economics