

## The Empire Club Presents



**PEDRO ANTUNES, HARVEY BISCHOF &  
JON ERLICHMAN:**

### **THE ECONOMIC CASE FOR INVESTING IN EDUCATION**

Welcome Address, by Mr. Kent Emerson, Associate Vice President at the Municipal Property Assessment Corporation and President of the Empire Club of Canada

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June 19, 2019

Good afternoon ladies and gentlemen. From the Royal York Hotel in downtown Toronto, welcome, to the Empire Club of Canada. For those of you just joining us through either our webcast or podcast, welcome, to the meeting.

Today, we present “The Economic Case for Investing in Education: A Report by the Conference Board of Canada.”

## **HEAD TABLE**

### **Distinguished Guest Speakers:**

Mr. Pedro Antunes, Chief Economist, Conference Board of Canada

Mr. Harvey Bischof, President, Ontario Secondary School Teachers' Federation (OSSTF/FEESO)

Mr. Jon Erlichman, Senior Anchor, BNN Bloomberg; Correspondent/Anchor, CTV National News

### **Guests:**

Mr. Pierre Côté, General Secretary, Ontario Secondary School Teachers' Federation (OSSTF/FEESO)

Ms. MJ Perry, Vice President & Owner, Mr. Discount Ltd.; PhD Candidate in Theology (University of Toronto); Director, Empire Club of Canada

Mr. Mike Van Soelen, Managing Principal, Navigator Ltd.; Third Vice President, Empire Club of Canada

Mr. Marcel Wieder, President and Chief Advocate, Aurora Strategy Group Inc.

The Empire Club throughout history, has had dozens of speeches focused on education, but very few have focused on the impact of the economy of education. I did find a speech in 1992. The Honourable Pierre Cadieux, the minister of state for youth, addressed the Empire Club in his speech focused on the impact of high school dropouts on the Canadian economy in the 1990s. At the time, it was predicted that many young Canadians were expected to leave school without finishing secondary education.

He said, "Unless we reduce the rate of high school dropouts in Canada, more than one million young Canadians will leave school in this decade without finishing high school.

Think about the economic and social effects of that as

parents and as businesspeople. The economic impact is clear and quantifiable.” He then quoted an organization called the Conference Board of Canada and went on to say, “The Conference Board of Canada estimated that the direct cost to Canadian business on illiteracy at \$4 billion a year and the indirect cost at \$10 billion when industrial accidents and absenteeism are factored in.” What I have learned from this is that the Conference Board of Canada has influenced Canada’s leaders on education for literally decades looking at the impact of secondary school education. That is why we are pleased to welcome this report today. With a new provincial government, Ontario’s education sector is in a transformative moment. Because of that, today’s presentation is timely.

What I observed when I was in government was everyone has an opinion on education. Think about that.

What other sectors touch so many people? With health care, not everyone has an experience in a hospital, but, in education, people are either in school, or they have their own memories of their own education, or they have children or grandchildren going to school, or they are teachers.

That is why so many people are interested in the news coming out of the event today.

What you are going to hear right here at the Empire Club is Pedro Antunes from the Conference Board. He will launch the report and explain this body of work and why it matters to all of us. We are honoured that you chose this stage, Pedro, to come and launch a report today.

Secondly, we have our moderator, Jon Erlichman, from the Business News Network. It is not an accident that we chose Jon. The report cites the role on the economy that education played in 2018. It says, “In 2018 public education accounted for 3.2% of Ontario’s total economic output and supported just over 290,000 jobs or 4.5% of total jobs in the province.” That is a lot of jobs and a lot of economic activity, so it makes sense that Jon is here today to talk about that part and his experience on the Business News Network.

Then, of course, you have Harvey Bischof. He is really the person who has got to look at this report and say, “What does this mean? What does this mean in the future?”

What does this mean for government? What does this mean for how the unions will approach this topic going forward?” This is our event today. Before I get started with the introduction, there are cards on each of your tables; if you write down questions and raise your hand, our Empire Club team are here, and they will bring the questions up for the Q&A portion of the event.

Without further ado, I am going to introduce our guest speaker today. He manages a talented team of economists in producing medium-term and long-term economic forecasts along with economic indicators and reports.

He joined the Conference Board of Canada as an economist in 1991, after working with the Canadian Forecasting Group at the Bank of Canada. He had a stellar career at the Conference Board. He has moved progressively into more senior positions. Prior to his current role, he was Deputy

Chief Economist of the Conference Board's National and Provincial Forecast Team. He was responsible for custom research work and economic analysis.

In addition to the regular forecast publications, he has been researching the impact of demographic change on the fiscal sustainability of health care. He has contributed to several international projects, helping decision-makers in Tunisia, Morocco, Jordan and Ukraine develop appropriate forecasting and policy analysis tools.

To launch his report, please, welcome the chief economist of the Conference Board of Canada, Pedro Antunes.

## **Mr. Pedro Antunes**

Thank you, Kent. It is a real pleasure for me to be here. I would say that the Empire Club should probably do a little bit more on economics a little more often. It is an important part of certainly what I look at. It is my bias.

It was, obviously, a very interesting report that we wanted to investigate, especially, in times when we are fiscally challenged across this country, especially, at the provincial level when the burden of social programs and health care is important. We need to understand what the implications are of cuts to certain programs or one program versus another and what the broader economic implications are.

When we did this study, or as you will see in the report,

there are essentially three themes that we touch on.

The first is just what is the weight of public education in Ontario—what does it represent in terms of spending, and if you increase or decrease spending in this area, what does it contribute or take away from the economy? I will talk a little bit about that.

We also, as a second piece, looked carefully at what are the implications or can we, in a sense, reduce or increase spending without affecting educational outcomes, especially, with respect to the K-12, that is, to the kindergarten to grade 12 group. We looked very carefully at the evidence out there. We built empirical models that really look at the causality around spending on education and the impacts on high school graduation, specifically. We looked at the literature, and we tried to establish a very clear, causal link between these pieces, and, essentially, what we find is that it does have an impact, and it does have an impact or tends to have a bigger impact on the groups that are more susceptible or less well off. That is an important piece.

I will talk very quickly about the size of the economic contribution of the public education system. If we think about Ontario's total government spending, about 18% of it is in public education. That represents, essentially, \$29 billion a year that the government spends, and it has huge ramifications in terms of the support it generates in economic activity, in employment across this province. In fact, that represents about 3.2% of GDP. GDP, by the way—sometimes people forget—is just income. GDP is income.

It represents 3.2% of GDP in this province and it supports 290,000 jobs when we consider the full repercussions across not just the educational sector, but across the broader economy.

If we increase or decrease spending in public education—so we took a look at a 1% increase or decrease, and at this level the impacts are pretty much symmetrical—what we find is that we have a multiplier of about 1.3. For every dollar that you add to public education, you add about 1.3 to the economy. What is important around that is, of course, that governments take a fair portion of anything generated in the economy, as you all know. A 1% increase represents about \$290 million, but it also represents a fiscal, how shall I say, a fiscal comeback to the government that is about \$54 million at the federal level and \$36 million at the provincial level. You do spend more, but you get a portion of that back, and, conversely, if you take away, you lose a portion of that income as well. Most of the focus of the study, however, is on something that we have not done in a fair bit and that is look at the broader social impacts of cuts to or increases in spending in education. This is essentially how the analysis works. We are first trying to establish what the private benefits are. We know that if we increase public spending on education, we can get better outcomes in terms of high school graduation, and we know that if we get better outcomes on high school graduation—in fact, we did another empirical analysis looking at what the causal effect is considering and accounting for other factors of having

a high school diploma versus not and what that means in terms of your income. What we found is essentially you are seeing income up about 26% for high school completers versus high school dropouts. That lends to the private benefits that you see there. Of course, the private benefits mean higher income across the province, and it does also mean that you will have higher tax revenues over on this end in terms of the fiscal benefit.

When we start thinking about higher income, we know that this has repercussions in terms of the social benefits.

We looked very specifically at three components, which are what are the impacts of having higher high school graduation rates on not just poverty reduction, but essentially, on social programs, on health care and on crime reduction?

Those are the three pieces that I am going to focus on. Of course, if you are able to have better outcomes in those areas, you also have fiscal benefits that show up here in terms of cost savings on the health, social insurance and on the criminal justice system. The scenarios—well, I have got to say I was surprised to see this, but high school graduation rates in Ontario have come up in just a few years, just 14 years, I guess, from 68% in 2004 to 86.3% in 2017.

We have seen an 18 percentage point increase in high school graduation rates in just a 13-year period. What we are looking for in terms of the scenarios that we built is something that I think is very achievable, and it is essential to bring the current level of high school graduation rates, which are at 86.3% to 90%—90% being what we see in the



top performing province, which is Nova Scotia.

We compare that, of course, to a scenario where we keep high school graduation rates as they are today, and we also looked at a scenario where if we disinvest, we would have essentially a lower high school graduation rate. Those are the scenarios. What does it all mean? How does it look?

Let me say that the first piece is around the social assistance piece. We used some very detailed data that we can get around individuals that we aggregate, of course, into our data sets, and that allows us to compare incomes, to labour market statistics, to other socio-economic factors that those individuals are living in. We can essentially build models that control for pretty much all of those socio-economic factors, but this also allows us to isolate the impact of if a person has a high school graduation versus if a person does not and compare those two pieces.

What we found essentially is that with respect to high school, those that did not complete schooling tend to use the social safety net at a rate of 11.6% versus high school completers or high school graduates, which use those social safety nets at 8.5%. We can just take a look at what that difference means in the first year where you have a graduation rate that is higher. There are so many people that come into the workforce or graduate from high school, and that stock of people that first year is worth about \$5.1 million to the Ontario government in terms of cost savings. In the next year, of course, you have more graduates that come in, and then, the next year, you have more and so forth.

We looked over essentially a 20-year period here and how those costs build. On an annual basis, by the time you get to the end, you are essentially looking at cost savings that are over \$100 million a year to the government with the cumulative impact overall of that period. One thing I did not mention earlier but must absolutely mention is that we did not assess the potential knock-on effects because, as you get more graduates from high school, you are getting a portion of those people that are also going to continue into bachelor degree programs, colleges and universities, so we did not consider the potential impacts of those further knock-on effects. This is conservative in a sense; it is only looking at high school graduates versus dropouts.

On the health care side: similar analysis. Again, we find a significant difference. In the first year, we know that high school grads tend to use health services less. In fact, about high school dropouts tend to use health care services 71% higher than grads. That is worth \$5.1 million in the first year. It starts, and it grows as the stock of high school graduates grows over time. Sorry, I have got the wrong number. It is \$5.1 for the social programs and \$6.3 million in the first year for health care, and that grows cumulatively over time.

Last is the criminal justice system. Economists, the way they analyze everything is the cost of crime versus—so if you have a higher income, a higher salary, the cost of crime is greater, and you tend not to embark in that or the cost of getting caught in crime. We—again, there is not as much data or evidence on this for Canada—looked at studies that

were done in the U.S. around higher incomes and the effect on criminal rates or rates of crime, and we adjusted, of course, for Canada's market where crime rates are much, much lower than in the U.S. Nonetheless, we do get an impact here that you can see, which is essentially \$4.9 million in savings in the first year and which grows cumulatively over time. In summary, here is what you are seeing: \$5.1 in social assistance, growing over time, and, if we sum all of that up over the 20-year period, we are talking about \$1.1 billion there; \$1.4 billion in health care; and another billion in criminal justice, so \$3.5 billion from the benefits of getting our high school graduation rates from 86% to 90%.

It is really nothing in comparison to where we have come over the last 13 years. If you want to look at it that way of increasing your investments in education versus decreasing your investments in education, the cost per student is about \$3,128. We are very precise in economics. We will give you the details. If I were a scientist, I would have to round out to significant digits, which would probably be 3.1, but there you go. Just some final thoughts around what we talked about. Essentially, public education, a big sector, of course, in the province supports lots of jobs and, of course, as you cut or increase spending in this segment, you get these kind of very well-known direct impacts on the economy, plus the supply chain impacts. We know there is a multiplier impact that is about 1.3 on the economy. More importantly are the social benefits that we need to consider when we think about what we are investing in when we invest in public ed-

ucation. On that note, I think we are going to be introducing the panel. Thank you.

KE: Thank you Pedro. Our next panelist is an English teacher from Durham, who grew up in Pickering, Ontario where he attended elementary and high school.

He earned a Bachelor of Arts degree from Trent University and a Master's from Queen's University.

He returned to the Durham area to teach English at Henry Street High School and then at Exeter High School. Harvey served as the local OSSTF/FEESO District 13 Durham Chief Negotiator and President before his election to the Provincial Executive in 2007 as an executive officer. In 2011 he was elected as a provincial vice-president and then as President in 2017.

He believes strongly in evidence-informed practice in education and evidence-based decision-making in public policy—and having launched this report, that makes sense. He is a vocal advocate for a strong publicly funded education system with inclusive, full-service schools that offer robust and accessible supports for all students. An accomplished labour negotiator, he is also a coalition builder who has forged strong alliances within the labour movement at the provincial, national and international levels. He is often sought out by the media as an articulate and authoritative voice on education issues in Ontario.

Please, welcome the President of the OSSTF, Harvey Bischof. Our moderator—if I read his whole bio—we would be here for weeks. He anchors BNN Bloomberg’s morning program, *The Open*, which airs between 8:30 a.m. and 11 a.m. on weekdays. Jon Erlichman is also a correspondent and fill-in anchor for CTV National News, as well as a fill-in anchor for Bloomberg’s global program *Bloomberg Markets* and a contributor to CTV’s *Your Morning*. Additionally, he hosts *Sidelines* on BNN Bloomberg and CTV.

He can be heard on iHeartRadio’s BNN Bloomberg Radio and Montreal’s No. 1 morning show, *The Andrew Carter Morning Show*, as well as *Newstalk’s 1010 Moore in the Morning*. He has a background as a scoop-oriented reporter, an accomplished interviewer of top global CEOs and a digital innovator. He has helped BNN break multiple stories for BNN Bloomberg and CTV. In February of 2017, he was the first to report exclusive details of the planned meeting between U.S. President Donald Trump, Canadian Prime Minister Justin Trudeau and leading women executives at the White House. He also authored an in-depth piece on the fast growing artificial intelligence industry, called “Better than humans: Vanguard of the AI arms race.” Erlichman previously served as a correspondent for ABC News in Los Angeles.

Beginning in September 2014, he covered the

high-profile stories for the network, such as the cyber-attack at Sony Pictures, Harrison Ford's plane crash, and the Ebola crisis in Dallas. He spent more than six years working for Bloomberg Television.

He has written columns and articles for Fortune Magazine and so many other magazines. Beyond his traditional news experience, he is interested in and passionate about digital media. He served as a news advisor to Disney-owned Maker Studios, helping to launch partnerships with ABC News. He is based in Toronto.

He lives with his two daughters and his wife, who is an actor and entrepreneur, Caroline Lesley. Please, welcome the senior anchor for BNN Bloomberg and correspondent and anchor for CTV National News, Jon Erlichman.

## **Mr. Pedro Antunes and Mr. Harvey Bischof in Conversation with Mr. Jon Erlichman**

JE: Thanks a lot. Good afternoon everybody, and good afternoon to you guys. Pedro, that was insightful.

It was great. As Kent alluded to, I work a lot with numbers. We do a lot of interviews with business leaders. I do a lot of interviews with economists—too many interviews with economists, I think, sometimes.

This has been such a big story that my job is to ask

questions and to speak with a lot of teachers as well.

Before we launch in, do you remember something about high school, something that sits with you today?

PA: Absolutely.

JE: What is it?

PA: It is probably outside of the classroom itself, but more around the soccer teams and all that sports stuff that we used to—

JE: It is funny he says that because, as I have spoken to high school teachers for the last few weeks, so many of them have said, on the issue of education and on the issue of graduation, yes, they are working with students to make sure that they are up to speed in math, that they are up to speed in English, but the things that are most important to a lot of the teachers include where that person is in their journey, in their life.

How are their relationships with the other students, with their friends? That is what I think a lot about with high school is the friendships that I formed. I think that feeds into what you were trying to get at with the social issues, because school is a place where you go to learn about life, I would assume. Can I take that away from the numbers you were showing us today?

PA: Oh, absolutely. I think one of the things that I did not mention, which we have in the report, is the increase in

social engagement, civic engagement from people that have a higher educational attainment.

JE: Obviously, a timely report. What prompted putting this report out now?

PA: There was a request for us to look into this issue from OSSTF, so we started on the research in partnership with them. This is a question, of course, for the Conference Board and that this is primary and important for us. When I was introduced, we talked about looking at the fiscal situation for Canada. This is something that we have been doing for a long, long time. It is part and parcel of our sustainability in the long term. How we can grow revenues is one part of the equation, looking at how we can be fiscally sustainable over the long term because of the big challenge of an aging demography and the pressures on health care, et cetera. We also need to be very aware of what the full costs of either investing or cutting in certain areas in public services are. This is really an important piece for us to do, and we were really pleased to kind of dig into the numbers.

PA: What was your reaction, Harvey, just seeing those numbers now?

HB: I guess they more than reinforce, or they gave us some empirical data to support. I think educators, support staff, teachers, students, parents have a kind of intuitive sense of the value of education and have an intuitive



sense of the value of investment, but now we can draw the lines to that empirical data and to the figures that if you are not part of those cohorts of students and parents and so forth, why should you care about investment in education? Now, we have a very clear answer.

You should care because of the increased economic activity, so, if you are engaged in business in Ontario, if you are involved in the economy, which the vast majority of people are, obviously, and if you want to see improvements in health outcomes and other social outcomes. Fewer criminals obviously means fewer victims of crime. These are all social goods, and we can now draw a solid line to those things.

JE: I do not want to get too far into the weeds of how the economics comes together, but how do you quantify that the health cost of someone who graduates high school is going to be lower than someone who does not?

PA: That piece is very much income-based. We know that cohorts or households that have higher incomes tend to have better health outcomes and are less costly on the system. We looked very, very carefully at the data linking, as I mentioned, the causal factors and controlling for other factors between high school graduation and completion.

This is what allows us to say, first of all, that there is a significant increase.

By the way, it is a 26% increase for a high school grad in income versus non-graduate. If we go on to university or college, as I said, those increments get even higher. It is very important, obviously, in the knowledge economy. Just looking at the difference between high school grads and dropouts, that 26% increase, we know that there are repercussions on the cost of health care, just because you are at a higher income quantile. We looked very carefully, as well, on that piece adjusting for, I mean, obviously we need to adjust for a number of other factors that different cohorts would have on health care, but we did take into consideration as many factors as we could from that very deep database.

JE: Staying with the numbers—and Harvey I will come back to you, because you fielded this question a lot recently—people will say let us look at the fiscal picture in this province, and they will say that you could make a case for a lot of different parts of the economy that need money. When it comes to that issue that you have had to address, how do you feel about the fact that while this data supports the idea of investing in education, that as a province, there are some who would like to see a lot more fiscal prudence going forward?

HB: I will never argue against the idea of governments being fiscally responsible. These things do not fall into absolutes. They are about choices and decisions that

you make. If you are going to spend money, do you want to forego \$3 billion on a cancelled cap and trade program, for example, or risk \$1 billion on a potential beer store lawsuit or \$150 million on a cancelled hydro contract because you have interfered politically on a board, or do you want to put your money where there is an economic multiplier effect and there are additional social goods that come out of that? I think when you are making choices, if you can turn that dollar into a \$1.30 by investing it in education and have the improvements in health and civic engagement and all of the things that come out of that, then the choices start to become a little more obvious to me at least.

JE: Pedro, let us go a little deeper into the numbers that you shared earlier. When we talk about the expenditure, specifically in public education, you were saying I think about 18%, so \$29 billion. Just seeing that number alone does not tell me too much in terms of the context of what it is like as an expenditure for the nation or the provinces. Is that the kind of number that is normal when you are looking at a whole budget in a fiscal picture?

PA: I think the challenge for provincial governments, in general, is if you take the piece that is education, health care and social programs, you are eating up pretty much the entire budget, with health care eating up another 39%, and 11% on social programs. You are

starting to eat up a big piece of the pie.

Of course, in Ontario and many other provinces, we are running deficits, so there are challenges with respect to that. The \$29 billion is what it is. As I mentioned, it represents, in terms of the labour component, it is about 4.5% with the supply chain effects of total employment in the province. It is about 3.5%, if I am not mistaken, on the GDP side. It gives you a sense of how big that number is relative to the economy.

JE: If we think about some of the headlines we have seen recently—Harvey, just back to you, on the education issue—you start hearing about things like larger class sizes. That has probably been one of the more common that we have heard. If Pedro’s analysis, the Conference Board’s analysis, shows that at the end of the day, lower graduation rates leads to higher costs overall. Is there anything you have seen with larger class sizes and how that impacts things like graduation rates?

HB: Yes, I think the evidence is pretty clear in terms of the negative effect when you increase class sizes on graduation rates and on student achievement rates.

The high-quality studies that have been done have pointed to that for some time. Previous evidence was mixed, but, as the studies improve in quality, we start to see that that line is very clearly drawn. We also see that, maybe even more directly related to the study,

increases in education spending from 2003–2019 have resulted in this 18.5% of improvement in the graduation rate. To paint a really stark picture, if the government goes forward with the intended cuts, so moving from average funding for a class of size of 22:1 to 28:1, we are talking about an almost 20% reduction in what is called the pupil foundation grant, one of the most important grants in education. That would take us back to 2004, 2005 levels for the pupil foundation grant. At that time, the graduation rate from high school was 71%, 15% lower than it is currently.

Take a look at Pedro's study and the knock-on effects of that lower graduation rate, what that would cost us in health care and social welfare costs and so forth. I think, as I say, the picture becomes pretty stark.

JE: Just looking at your analysis, it almost feels like you cannot just look at an education expenditure. Everything seems to bleed into everything else at the end of the day.

PA: I think, unfortunately, that is how complex the economy and society is.

JE: Was this challenging to do just based on some of the analysis? You crunched the numbers on a lot of stuff.

PA: I would say that we crunched numbers on three things,

plus the civic engagement piece, which we did not quantify. There are things that we did not talk about. For example, I mentioned and alluded to it that if you do see more and more the stock of high school graduates growing, you will also see, eventually, some of those folks getting into higher levels of education like college and university. There are knock-on income effects that are much greater than the differential between just high school grads versus non-high school grads. I think there is more to be done. As in economics, you can do as much as you can with the budget and time that you have, but certainly this is an area where we need to continue to deepen our understanding and continue to do research, for sure.

JE: Kent was alluding a little to this earlier, but if we think about the labour force and the jobs that are out there, with respect to productivity, ultimately, if you have fewer people graduating from high school, that is going to impact your people who are available to hire.

PA: We are currently benefiting from a very good labour market in this country. If you look at where the job growth has been, and I keep saying this, certainly there are some very, very good-quality jobs. When we think about the information technology sector, when we think about where the biggest growth has been in the last little while, it has been in other professional scientific technical services jobs. It is a service econ-

omy. It is a knowledge economy. It is an economy where if you do not have a high school diploma, you are not going to do very well at all. This is the reality of a high-income developed economy. Whether we are doing so well on productivity, that is a whole other question, but it is really a much deeper issue to look at, but it is clear. It is a knowledge economy. You need an education.

JE: I am glad you talk about that because, when it comes to technology, which has factored into this conversation around educational budgets, and the fact that, in theory, kids and students can take online courses, one thing I have heard in terms of some of the feedback from some of the teachers that ultimately have to implement that is what if you do not have a computer at home and you need to now do online courses not at home, but at the school library, and you are then basically hoping that those library hours will fit with your schedule? What would you say about that, about how, today, there is theoretically a lot you can do online as a student versus what actually happens in reality?

HB: Online courses have a value for a certain type of kid and under certain circumstances. You are in a remote, rural area, and you cannot get access to a particular course; you are a particularly highly motivated student. Online courses are great for those kids. We also know that the success rate in online courses is nowhere

near as high as in face-to-face delivery, and we have significant evidence to demonstrate that.

We know that there is not a jurisdiction that we could find, certainly not in North America, and I do not know if it exists anywhere in the world that has a mandatory four-credit online requirement, which is what the current Ontario government is pointing towards. At current success rates, that will mean a significant loss in student achievement, a significantly reduced number of high school graduates. That will have the impacts that Pedro talked about. Ultimately, the idea of forcing online learning, four credits on every student in Ontario, in this time, is flat out discriminatory. There are kids who cannot afford access to the technology they need. There are kids who live in places where there is not broadband. Those are issues that need to be resolved long before we move. A year from now, the government is proposing mandatory four online credits.

JE: We are talking a lot about secondary education here.

I have got kids in elementary school. When you are trying to do the math, the building blocks are going to start at the younger age, I would assume, before we start talking about getting to the point where you are either graduating from high school or not graduating from high school as well.



PA: I think at all levels this is important. We need to build the good foundations early on. No, I think this is absolutely true.

JE: You mentioned when it comes to the country right now, there have been some pretty good economic numbers, a pretty good job market, but there is uncertainty going forward. I think even in your own projections, you are looking at a slowing economy going forward.

PA: This goes to part of that challenge where it is a dual-edged sword. When it comes to the fiscal situation, which is a lot about what this research is focused on, we have a situation where we have an aging demography, and that means that we are slowing the amount of labour and the number of people into the workforce, which slows our economic growth, in general.

At the same time, these folks are going into their higher-cost years in terms of health care spending. It is a dual-edged sword that Canada is challenged with, and we need to better understand those challenges. You are absolutely right in terms of the economy, and, remember, I said GDP is just income, and the government takes its share of income. If that is slowing, your government revenues are slowing, and your health care costs are growing more strongly than that. We need to look at these challenges I think holistically. There are a whole lot of things that government can do.

We are talking about immigration; we are talking about delivering health care more effectively; and we are talking about what we can do around health care. This is why we wanted to do this study.

JE: It is helpful to have a framework built around numbers. At the end of the day, though, a lot of people have a lot of things to say about what is happening right now. How much do you, personally, feel is based on the individual's own experience in school?

HB: In our experience, everybody is an education expert, because everybody went through school. Certainly, that is what we hear. What we want to contribute to, though, is an empirically founded discussion around education. We can have ideological differences about what outcomes we are focused on, but if we do not have this kind of evidence to support what we are doing, we are aiming our rifle without sights. We do not know if we are going to hit the target or not, so we want to promote that effort to say, "Look, if what you want is a higher graduation rate, if what you want is greater equity within a society that gets built—as is very clearly demonstrated in the study—through investments and education, if these things are important to you, how do you achieve that?" This study gives us some solid grounding to say you achieve it through these directions and not others.

JE: Thank you for those who wrote a question. I have a couple here, so I do want to get them into the conversation. I am just going to start with one about—we alluded earlier to the fact that there is fiscal responsibility when it comes to running the province. This one says this report does not talk about the fact that there are only so many resources. To what degree has that been considered in the preparation?

PA: This is not something that was an objective of the research of this piece. Here, we are simply saying these are the implications of a certain percentage amount of cut or increase associated with better outcomes on high school graduation rates. No, we did not look at this and do a projection and take a look at what would be the implications on the fiscal situation. I think that is a deeper question. When we look at that, we are looking at budgets, and we are trying to get a sense of, with all the measures put in place, what that means for the fiscal situation. We can have someone say and comment on that. This is a standalone piece involving looking in isolation at if you change these dropouts, just these dropouts, what the implications are.

JE: To be clear, when we are talking about this investment in education, there is a lot that goes into that. It seems like the simplified version of the story is to look at what a teacher is paid, but that is really only part of the story of what education spending entails. Is that fair to say?

HB: Absolutely it is. In fact, what we have been focused on is programming decisions around things like class size, around the fact that if we ultimately end up with this 28:1 funding ratio, four years from now, we are going to lose 30,000 class choices for students in the Ontario education system on an annual basis, 30,000 fewer options to take a course that is going lead a student to their chosen future and into the economy.

This is about much more than the remuneration for education workers. This is about program decisions that are going to benefit students.

JE: Harvey, I am glad you got into that because it actually feeds into another question we got from the audience where that very issue was mentioned. This audience member is saying bigger class sizes are bad, but schools cancelling options in specialized classes like physics programming, et cetera, is also frightening. This audience member wanted to get your comment on the likely economic consequences of that. I guess we are trying to figure out right now that roadmap ahead. Is that something that you can work into the analysis?

PA: I am afraid we are not experts on the delivery piece of education. I think there is probably much more; although, even if the greater population tends to think they are all experts, I will shun away from that and say there are people out here and elsewhere that are much more cognizant of the specific programs and how that

actually affects educational outcomes. We are here to take a broad perspective. What is the data showing us in terms of the general outcomes of when you change these leavers? How does it affect the aggregate results in terms of how many folks are graduating out of high school and what the implications are of that at a very macro level? That is a question that is a little too tough for me.

JE: I have another question here which asks, How do we get parents to see that change to investments in classroom learning impacts future prospects of students?

I am sure this is an issue that a lot of people have been talking about. They have been debating. Maybe you have been to a Sunday dinner with family members, some of whom might be teachers; others have a different view. A lot of people are having interesting conversations around this, but what would you say to that?

HB: I would say we are doing everything we can to have an effect on the kind of public discussion about education and the value of investments. In it, I would include things like today's event, and we will be disseminating as widely as we possibly can the Conference Board report, because it points in those directions. We are engaged as much as we possibly can be in the public discussion in all kinds of ways, through media, through face-to-face conversations, and we hope that under-

standing is going to be of interest amongst a broader segment of the public.

PA: We focused a lot on the fiscal benefits, et cetera, but one thing I mentioned early on is that private benefit, so in terms of the 26% for high school graduation, if you get a college degree, your income is now about 70% above a high school dropout; if you get a bachelor's degree, on average, you are 114% above a non-complete in high school. These are the private benefits to those individuals earning or attaining a higher level of education.

JE: You said yourself you seemed a little surprised, actually, the graduation levels as they currently stand.

PA: I was just surprised at how quickly they came up: 18 percentage points. It is more than 18%. It is just percentage points from 68% to 86.3% of students now graduating from high school.

Ultimately, we need that, I think, to as close to 100% as possible. I think there is still work to be done there, but it has been a very important change in just 13 years.

JE: This has been a dialogue largely around highlighting the value that comes from investment in education.

It comes at a time where we are looking at the books and asking the question, on issues like fiscal responsi-

bility, where you might cut. This other question I have here cites recent news stories suggesting Ontario has a revenue problem, and are we just accepting that cuts are the only way to balance the books, basically?

What would you say about that?

PA: To stay as independent as possible, I think governments are the voice of people and governments need to make the choices that I think are ultimately the best for their constituencies. I would just give you an example, however, of two different provinces that went in two different directions. This was back in the good years, in 2006, 2007, 2008, when we had some good economic growth. Ontario chose not to increase taxes when federal GST, for example, was coming down. Quebec did choose to increase taxes. They put in a health levy. When we compare, now, Ontario and Quebec, Quebec was a mess not that long ago in terms of its fiscal situation, much higher debt level. Quebec has resolved that situation. Once you get to a position where you are in a surplus, it is kind of a virtuous cycle rather than a vicious cycle. Right now, Ontario is still facing a bit of a vicious cycle. Ontario needs to make choices around what they want to do going forward. Certainly, there is a fiscal challenge there, and I think the province needs to consider all of the repercussions, including the repercussions that we tried to understand better in this research.

HB: It is important to understand the context we are in as well. Ontario has the lowest per capita spending on programs of any jurisdiction of any province in Canada. That means, for some reason, you go back to the Don Drummond report and he, himself, pointed out that Ontario was neither a high-tax nor a high-spend jurisdiction—not exactly a noted left-winger, Mr. Drummond. As I said, Ontarians need to make decisions. One of those decisions has to be do we want to compete on the basis of being the cheapest jurisdiction, or do we want to be the highest-skilled, most educated, most productive jurisdiction?

PA: People did not like my comments.

JE: Well, you are an economist. We are almost out of time, but you alluded to the fact that you are planning to use this information, this data, as part of what we are going to be hearing from you. Can you just elaborate on what you are going to be doing over the next few weeks when it comes to that?

HB: We are in the process, as we speak, of disseminating the report to actually tens of thousands of people who have identified themselves as supporters of public education and investment in education. We will be engaging with the media through paid and earned media in order to disseminate the findings of the report.

We will hope that more of the debate happens on



the basis of evidence-informed approaches than we sometimes find right now.

JE: One more for the road. Thanks, Kent. This question says there is data suggesting that, in the coming years, there will be an influx of skilled workers in the labour sector in order to reconcile the aging population.

You did talk a little bit about the population issue earlier. What are the implications, economically, if there are not enough students who select this career path?

PA: Sorry, I am not quite sure about this influx of skilled workers. I would suggest there is research that we are doing on immigration. In fact, we have a fair bit of research on immigration that talks about the labour force challenges. What we have in Canada is a situation where, with the baby boom cohort, which is retiring, we are going to see an exodus of about 11 million people out of the workforce. When you look at the school leavers coming into the workforce, that is, in fact, 9.5 million people. We are actually short in the coming years of replacing just the workers from the school dropouts. Immigration is a big part of filling that gap. I think perhaps that is what we are talking about, because we have seen, essentially, the federal government and provincial governments look to immigration to start to fill that gap.

The issues around skilled migrants, skilled workers and those streams, those are obviously very important in terms of filling the requirements of a workforce.

JE: Parents might move here and be skilled workers, but they have children as well.

PA: Absolutely. In fact, immigrants come in, in that 30-something cohort, which is also a cohort that tends to have children and need...

HB: I think the Chamber of Commerce would agree with me on this, if perhaps nothing else, that they are looking for workers in skilled trades, for example.

If we do not get them through graduation, through grade 12 successfully, they do not have even the option of moving to that next step of apprenticeship in a skilled trade. That is a growing and a deep need in Ontario, and reducing the high school graduation rate will take us in the opposite direction of where we need to go.

JE: It is a conversation, no doubt, that will continue.

Our thanks to both Harvey and Pedro for their time today.

KE: Ladies and gentlemen, I want to welcome the Chief Advocate for Aurora Strategy, Marcel Wieder, to come up here.

**Note of Appreciation, by Mr. Marcel Wieder, President and Chief Advocate, Aurora Strategy Group, Inc.**

Thank you, Kent. It is a great pleasure to be here.

On behalf of the Aurora Strategy Group, we are pleased to sponsor today's Empire luncheon. At Aurora, our focus is getting your message delivered. Events like this are excellent opportunities to do that.

On behalf of the Empire Club, I would like to thank Pedro Antunes, Chief Economist of the Conference Board of Canada, Harvey Bischof, the President of the Ontario Secondary School Teachers' Federation, for sharing their keen insights on this important study.

I also want to extend a special thanks to Jon Erlichman for hosting and moderating this discussion.

As we get ready to leave, I want to leave one last thought with you. Public education has a bigger impact on the Ontario economy than most people think. According to the Ontario government report *Driving Prosperity*, the future of the automotive sector, the auto industry, accounted for 2.4% of Ontario's GDP and employed 100,000 people. Public education, however, has a 3.2% impact on Ontario's GDP, making it 33% greater than the auto sector.

With over 290,000 people employed in the education sector, it is almost three times as large as the auto industry.

Education workers are found in every corner of this province, compared to certain concentrations for autoworkers.

Education plays an important role in Ontario, not only

for ensuring that we have a well-trained workforce, but also as an economic driver.

In a competitive global market, we need to have students who will continue the economic success of this province.

This report demonstrates the importance of investment in education, which saves money for governments and produces economic benefits that are greater than the original investment.

For those who are watching live stream, if you want to get a copy of this report, it is available at [betterschoolsstrongereconomy.ca](http://betterschoolsstrongereconomy.ca), so, please, visit the website, and you can download the full report there. Thank you and have a good day.

### **Concluding Remarks, by Kent Emerson**

Today is our 38th event at the Empire Club of Canada. We have one more event next week, and that will be with the federal minister of health. That is going to be a fantastic event. For those of you who have not bought tickets yet, it is on Monday. A couple of points. Pedro, you mentioned that you wanted an economist. We have the Governor of the Bank of Canada coming in December for Mike's season. I guess you just volunteered to buy the first table. We really appreciate that. Another point is that you talked about immigration.

For the first event this season, Victor Dodig spoke about how if we do not increase immigration exponentially, the economy is going to be in trouble. That is the CEO of a major bank, so you guys have something in common.

You should give him a call. Thank you guys for coming today. It has been a great event looking at how education and the economy are tied. I think this is an important topic, and it will continue.

It is going to continue in the media. We have launched this global report today, and we are very pleased that you guys came to the Empire Club of Canada to do this.

Meeting adjourned. Thank you.