Centre for the Study of Living Standards

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Standing Committee on Industry and Technology: Study on Canada's Underlying Productivity Gaps

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Thank you, Chair and Committee Members, for the opportunity to appear today. I'm Stephen Tapp, CEO of the Centre for the Study of Living Standards. The CSLS is a Canadian non-profit research organization founded in 1995.

Canada's Stagnating Productivity Growth

Canada's productivity performance has been a long-standing concern, but it's now widely acknowledged we face a productivity "emergency."

Over the past 50 years, our labour productivity growth has slowed dramatically. In the post-war period (1947–73), productivity grew at nearly 4% a year. Since 2000, it has grown by less than 1% a year.

To put this in perspective: Before the slowdown, productivity doubled in 19 years. Now it takes 90 years. This means that economic progress that each *generation* previously enjoyed, now takes longer than most *lifetimes*.

If we don't reverse these trends, growth in living standards will remain too sluggish, and it will be harder to fund the essential public services that Canadians rely on.

In CSLS research — as part of an international collaboration led by the U.K. Productivity Institute — Andrew Sharpe and I examined Canada's historical productivity performance.

While far from perfect, we find that Canadian governments have pursued several "pro-productivity" policies over the years: from liberalizing trade to targeting inflation, modernizing taxes, and investing in human capital.

Despite these actions, productivity growth stagnated in Canada — and across most advanced economies.

Why Has Productivity Growth Slowed?

Many factors have contributed to the slow down, including:

- Canada has a small domestic market that represents a shrinking share of global economic activity.
- Most of our firms are small and have had limited success scaling up.
- Competitive pressures and business dynamism have weakened.
- Regulations have increased, becoming more complex and costlier to navigate.
- And our international trade position was lagging well before recent U.S. protectionism.

Ultimately, however, we think the biggest drivers of Canada's poor productivity are slowing technological progress and chronically weak business investment.

It's encouraging, then, that Budget 2025 seeks to raise investment, as this correctly diagnoses a key part of the problem.

A Difficult Economic Juncture

That said, we must acknowledge that Canada's economy is at its most challenging juncture in decades.

U.S. tariffs and threats have created massive uncertainty and the Canada–U.S.–Mexico Agreement (CUSMA) will soon come under existential pressure in the 2026 review. This makes efforts to spur investment even more important, but also more difficult.

A Policy Agenda Focused on What We Control

Given these external challenges, Canada should focus on what we control, with a policy agenda that aims to:

- incentivize technological adoption and investment,
- support international trade participation and diversification,
- improve internal market efficiency,
- modernize the tax system, and
- enhance skills and workforce training.

Artificial Intelligence — AI, a technology that Canada helped pioneer — represents a major opportunity. That's why, in June, the CSLS launched the Canadian AI Adoption Initiative in partnership with CIGI and the University of Waterloo to support and track progress on broad-based AI adoption across the economy.

In all areas, we should reach for every basis point of growth we can get. Gradual, sustained progress can meaningfully improve living standards when compounded over time.

Looking Beyond GDP and Productivity

Before closing, I want to highlight that, while national GDP and productivity indicators provide essential signals, they don't capture the full picture. Broader measurement that digs below the national numbers — like the CSLS Indexes of Economic Well-Being and Human Development — reveal large disparities across Canada.

On human development, for example, we estimate that Canada's top-ranking jurisdictions of Ontario, Quebec, and Alberta would place 15th to 17th globally. By contrast, Nunavut ranks around 70th. This effectively represents the difference between living in a place like the U.K. versus Albania.

Such disparities underscore enduring challenges — particularly in Canada's North, and in Indigenous and remote communities — as well as the need for place-based policy approaches.

CSLS research also suggests that traditional economic indicators — as disappointing as they've been — may overstate Canada's progress, because looking beyond aggregate results, we also face more inequality and risk than decades ago.

Conclusions

In conclusion, Canada's productivity performance has been disappointing, and the outlook is challenging. It will take time to address these complex and long-standing problems.

By correctly diagnosing the root causes, leveraging new technologies, and implementing policy reforms, we can strengthen productivity — slowly but surely — to make a meaningful difference over the long run.

To guide that progress, traditional indicators should be complemented with "beyond GDP" measures to support more inclusive and resilient prosperity for all Canadians.

Thank you for your time. I look forward to your questions.

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Annex: References and Selected Research Reports

***International Productivity Monitor* Symposium on Canada's Productivity Performance, Issue 45, Fall 2023**

- Decomposing Canada's Post-2000 Productivity Performance and Pandemic-Era Productivity Slowdown, by Chris Haun and Tim Sargent
- The Post-2001 Productivity Growth Divergence between Canada and the United States, by Wulong Gu and Michael Willox
- A Critical Juncture: Assessing Canada's Productivity Performance and Future Prospects by Carlos Rosell, Kaleigh Dowsett and Nelson Paterson
- Recent Productivity Trends in Canada: Navigating the Twin Transitions of Green and Digitalization by Jonathan Barr, Peter Foltin and Jianmin Tang
- Canada's Patent Productivity Paradox: Recent Trends and Implications for Future Productivity Growth by Iain Cockburn, Megan MacGarvie and John McKeon

Relevant Recent CSLS Research Reports

- "Trends in Well-Being in Canada and the Provinces Through the Lens of the Index of Economic Well-Being" by Andrew Sharpe and Paul Pietraru, CSLS Research Report 2025-05, November 2025

- "Can a Lack of Pro-Productivity Policies Explain the Secular Decline in Canada's Productivity Growth?" by Andrew Sharpe and Stephen Tapp, CSLS Research Report 2025-04, November 2025

- "The Human Development Index in Canada: Ranking the Provinces and Territories Internationally" by Alisaleh Shariati, CSLS Research Report 2025-03, October 2025