Centre for the Study of Living Standards

Press Release

November 7, 2025

Why Has Canada's Productivity Growth Stagnated?

Over the past half century, Canada's labour productivity growth has slowed dramatically — from 3.7% per year in 1947–73 to less than 1% since 2000.

To put this in perspective:

In the post-war period, it took only 19 years (less than a generation) to double productivity levels in Canada. Now it would take 90 years — more than most lifetimes.

This means considerably slower growth in living standards.

In a new Centre for the Study of Living Standards Research Report entitled "Can a Lack of Pro-Productivity Policies Explain the Secular Decline in Canada's Productivity Growth?", Andrew Sharpe and Stephen Tapp ask whether public policy is to blame for the productivity growth slowdown and whether new "pro-productivity" policies could reverse it.

Using long-run data and a policy typology developed by **The Productivity Institute**, we examine Canada's historical productivity performance and related policies.

Our analysis suggests that successive Canadian governments have generally pursued relatively market-oriented, pro-productivity reforms — from liberalizing trade and targeting inflation, to modernizing and cutting taxes, and investing in human capital — yet productivity growth continued to falter in Canada, as well as across most other advanced economies.

The main culprits appear to be declining technological progress and inadequate business investment — addressing the latter issue was a key focus of Budget 2025.

We conclude that, while policy reforms are both desirable and worthwhile (such as easing interprovincial trade barriers, streamlining regulation and sharpening competition), they are unlikely to spark a rapid revival in Canada's trend productivity growth.

Ultimately, productivity growth depends on innovation, technology adoption, and investment.

Of course we should continue to improve the policy context, but economists should not oversell the likely impact of policy changes.

Unfortunately, there's no silver bullet, but every tenth of a percentage point of productivity growth matters.

This research is part of a major international collaboration led by The Productivity Institute in the U.K., which commissioned 17 country studies from leading experts to review decades of productivity policies, and extract lessons for the future.

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