



Institute for
Research on
Public Policy

Institut de
recherche
en politiques
publiques

For immediate distribution – November 22, 2011

NEWS RELEASE

Strong economic growth requires new productivity push

Montreal – Economic growth in Canada will increasingly depend on productivity, and policy-makers will have to look for new measures to boost the demand and supply of innovation if we are to overcome the productivity conundrum, according to a new study published by the Institute for Research on Public Policy (IRPP).

Canada's economic growth in the past decade has been due to the sharp rise in the price of natural resources and strong labour force growth. But they alone will not sustain the growth of the Canadian economy in the future, argues IRPP Research Fellow Someshwar Rao, author of the new IRPP study, *Cracking Canada's Productivity Conundrum*.

"The global economic slowdown highlights the need for new sources of growth looking ahead," says Rao. Policies that create greater incentives to innovate, such as further liberalizing trade and investment and exposing protected industries to more competition, are just as important for boosting productivity as direct support for innovation.

In his study, Rao examines the magnitude and nature of Canada's productivity challenges and offers policy directions to address them.

First and foremost, as a result of insufficient investment in R&D and the equipment that embodies new technologies, Canada remains a laggard in innovation and the adoption of new technologies compared with other industrialized countries.

Canada also has a disproportionately large number of small to medium-sized enterprises, which are often unable to benefit from production techniques that require a certain minimum scale to be profitable.

As recommended by the recent expert panel leading the Review of Federal Support to R&D, Rao argues for increasing direct government support for R&D programs instead of focusing on the scientific research and experimental development tax credit.

"The conundrum is that slow productivity growth has not only been a fact of Canadian life for the past three decades and continues to worsen, but it has also been impervious to numerous policy initiatives intended to improve it."

Cracking Canada's Productivity Conundrum can be downloaded free of charge from the Institute's Web site (www.irpp.org).

-30-

For more details or to schedule an interview, please contact the IRPP.

To receive our monthly bulletin [Thinking Ahead](#) by e-mail, please subscribe to the IRPP e-distribution service by visiting our Web site.

Media contact: Nicola Johnston

Tel: 514-787-0737

Cell: 514-235-8308