



Canadian businesses do poorly in information technology investments compared to the U.S. – new study

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Canadian businesses lag well behind their U.S. counterparts in investment in information and communications technology (ICT).

A new study by the Ottawa-based **Centre for the Study of Living Standards (CSLS)** shows that even when the United States was experiencing a more severe economic downturn than Canada, from 2008 to 2013, its business sector was investing more than the Canadian business sector in ICT.

"Such investments are important," says Andrew Sharpe, Executive Director of the CSLS, "because they reflect how productive and innovative an economy is."

In the United States, nominal ICT investment increased by 1.5 per cent per year from 2008 to 2013, while in Canada during the same period it dropped by 1.0 per cent per year.

Most of the Canadian decline came in the first year of the recession, 2009, when the drop was 9.4 per cent. There were very modest gains over the next three years, but not nearly enough to bring Canada to 2008 levels.

Bigger gap in per-worker ICT investment

The Canadian situation looks even worse when calculated as ICT investment per worker.

Employment in the United States fell during the period of 2008 to 2013, while it rose modestly in Canada.

This means that businesses in the United States increased their investment per worker in ICT by 2.0 per cent. For Canadian businesses there was a per worker **drop** in ICT investment of 1.3 per cent per year.

The investment per worker gap is now 50 per cent. For every dollar Canadian businesses invest in ICT, per worker, United States businesses invest two dollars.

These figures tell a worrisome story about the Canadian economy.

Weak investment by Canadian businesses in ICT probably accounts for much of Canada's poor business sector productivity in recent years.

"Canada's productivity performance compared to the United States has been dismal for more than thirty years," says Sharpe. "These ICT investment figures show that we are not on our way to reversing that trend, which should worry Canadians, especially Canadian policy makers."

The CSLS report concludes that the full reasons for which Canadian business ICT investments have not regained 2008 levels are still poorly understood.

We need more research, the CSLS study says.

To read the full report, please go to: <http://www.csls.ca/reports/csls2015-01.pdf>

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The Centre for the Study of Living Standards (CSLS) is a national, independent, Ottawa-based not-for-profit research organization. Its primary objective is to contribute to a better understanding of trends and determinants of productivity, living standards and economic wellbeing in Canada through research.