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An Agenda for Equitable Growth in Canada

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The objective of this paper is to lay out an agenda for an equitable growth strategy for Canada. First the issues to be addressed in such an agenda are discussed. Second, the landscape for economic policy advice in Canada is surveyed and weaknesses from the perspective of equitable growth identified. Third, an Equitable Growth Institute is proposed as a player to develop an equitable growth agenda for Canadians. An appendix provides estimates of the costs of slower productivity growth in Canada since 2000.

Issues to be Addressed in an Inclusive Growth Agenda

There are many specific issues that an inclusive growth strategy could investigate. They fall broadly under three general areas: first, potential growth issues (productivity and labour force), second, equity issues related to social and economic outcomes and environmental challenges, and third, the linkages between dimensions of growth and equity. Within each research area, discussion can be on the state of the current or future situation and the determining factors, and on what public policies and private sector action can be taken to foster equitable growth.

A comprehensive research agenda for an inclusive growth strategy is well beyond the scope of this paper, but for illustrative purposes three specific research projects or issues are discussed in each of the three general areas.

Potential growth issues

The research agenda on the issue of potential economic growth is limitless. General topics include the reasons for slower labour productivity growth, and negative total factor productivity growth since 2000; the impact of new technologies such as AI on productivity; the relative effectiveness of different public policies as tax policies, industrial subsidies, and training programs on business productivity; the effect of immigration on both economic and productivity growth; and the measurement challenges in public sector productivity. Three specific projects related to potential growth, namely benchmarking Canada's productivity performance, increasing the labour force participation rate of disadvantaged groups, and broadening the concept of output and productivity, are briefly outlined below.

Benchmarking productivity performance

The average level of labour productivity in the Canadian business sector is only around three quarters that of the United States. Indeed, many industries have even lower relative productivity levels compared to their US counterparts (Rao, Tang and Wang, 2004), although there have been no recent studies on this topic. Equally, Canada has few if any industries that are at the global productivity frontier, although we may have a number of firms that are world class.

For the development of an effective strategy to improve productivity it is imperative to know the landscape of our industry productivity performance. We can then build on our strengths and address our weaknesses. Fortunately, Statistics Canada produces excellent productivity statistics,

particularly at the detailed industry level, with provincial disaggregation. Firm-level productivity estimates are also available (Gu, 2019 and Sharpe, 2021). Yet Canadian researchers have underutilized these productivity statistics. What is needed is a project that exploits the existing productivity resources, both domestic and international to the fullest degree possible to shed light on the reasons for our poor productivity performance, to benchmark this industry and firm performance against that of other countries and against international best practices and the world productivity frontier, and to identify policies that could improve this performance.

Increasing the participation rate of disadvantaged groups

Potential economic growth is determined by trend labour productivity or output per hour growth and potential hours growth, which in turn is driven by the underlying source population, the aggregate labour force participation rate and average working hours. The aggregate participation rate in Canada for the benchmark 25-64 age group is fairly high by international standards. In 2019 it was 82.1 per cent, above both the OECD average (78.4 per cent) and the United States (78.2 per cent). Nevertheless, there is still potential to increase labour force participation, as evidenced by higher participation rates in a number of OECD countries, including Sweden (89.1 per cent), Iceland (88.9 per cent), Switzerland (87.6 per cent), New Zealand (85.2 per cent), and Germany (84.4 per cent).

Families with young children often experience difficulties finding child care, forcing a family member, generally the woman, to stay home. The availability of affordable child care in Quebec has led to increased female labour force participation, with the female labour force participation rate of women in the 25-44 age group 3.3 percentage points above the national average (86.7 per cent versus 83.4 per cent) and the highest of any province. In its 2021 budget the federal government announced it plans to work with the provinces to make the Quebec early child learning model available throughout the country.

Indigenous Canadians have significantly lower labour force participation than non-Indigenous Canadians. According to the most recent census in 2016, the Indigenous participation rate was 61.4 per cent, 4 percentage points below the non-Indigenous rate of 65.4 per cent (NIEDB, 2019). The participation rate of First Nations on reserve is particularly low at 48 per cent in 2016 and getting worse, down from 50 per cent in 2006.

The participation rate of persons with disabilities in Canada is well below that of the overall population. In 2012, the participation rate of the 25-64 age group was 55 per cent, compared to 84 per cent for persons without disabilities (Turcotte, 2014). A total of 11 per cent of the population in this age group reported a disability, 2.1 million persons. If these individuals had the same participation rate as persons without disabilities, the labour force would increase by 609 thousand. The size of the 25-64 age group in 2012 was 16.8 million so such a situation would boost the aggregate participation rate of this age group by 3.6 per centage points. This is of course unrealistic as certain severe disabilities may represent an insurmountable barrier to labour force participation. Nevertheless, there is undoubtedly much potential to increase the overall participation rate through increased participation of persons with disabilities.

While not a disadvantaged group, there may be still considerable potential for voluntary increases (that is those not forced upon older people by economic necessity) in the labour force participation of older Canadians, given better health and longer life expectancy. The participation rate of Canadians 65 and over at 14.9 per cent in 2019 was slightly below the OECD average (16.0 per cent), and well below that of New Zealand (24.2 per cent), Japan (22.2 per cent) and the United States (20.2 per cent).¹

The participation rate of the 55 and over age group has progressed significantly in Canada in recent years. From 23.8 per cent in 1996 it rose to 36.7 per cent in 2013. Further gains have been much smaller and by 2019 the rate was 37.9 per cent. Much of the post-1996 increase was fuelled by the increasing importance of the 55-64 age sub-group in the 55 and over age group as the former has a much higher participation rate, around five times, that the 65 and over age group. The stabilization of the relative importance of the 55-64 group in the older population in the early 2010s accounts for the much slower increase in the 55 and over participation rate since then. Yet a more granular look shows that the participation rate for five-year age groups exhibits continued upward movement after 2013.² This trend is expected to continue and could potentially be boosted by appropriate policy measures promoting the labour attachment of older Canadians.

The labour market performance of recent immigrants, especially those in Canada for less than five years, is below average with, higher unemployment rates and lower hourly wages than the Canadian-born in comparable education groups. However, the participation rate of recent immigrants, which has been below that of the Canadian-born, had equalled or surpassed that of the Canadian-born by 2019 (Kim, 2020)

A project is needed to better understand the participation rate dynamics of the groups identified above, as well as other groups facing labour market challenges,. This knowledge can then be used to identify and develop measures to foster labour force participation and, except for older workers, move participation rates as close to the national average as possible.³

¹ See OECD Labour Market Statistics at https://stats.oecd.org/Index.aspx?DataSetCode=LFS_SEXAGE_I_R

² The participation rate of the 55-59 age group rose from 73.7 per cent in 2013 to 75.8 per cent in 2019, that of the 60-64 age group from 53.3 per cent to 56.9 per cent, that of the 65-69 age group from 26.5 per cent to 26.6 per cent, that of the 70-74 age group from 12.2 per cent to 14.1 per cent and that of the 75 and over age group from 3.4 per cent to 4.3 per cent.

³ For a discussion of these policies see Drummond, Capeluck and Calver (2015)

Broadening the concept of GDP and productivity

Recent decades have seen an active debate on the adequacy (or inadequacy) of GDP as a metric to track changes in living standards and well-being over time or between jurisdictions with important implications for how we measure, interpret and analyze productivity. Not only the numerator (output or GDP) may be affected by our changing views on what should be measured, whether it is health or well-being outcomes or environmental values. The denominator (inputs) may also be affected as some inputs, e.g. various intangibles, will matter more for creating those broader or more fundamental outcomes compared to GDP and productivity as traditionally measured.

An important strand of this narrative has focused on the need for broader measures that more fully capture well-being or social welfare than GDP currently does. At one end of that debate, some have argued that GDP is an outdated measure that should be scrapped and replaced, while at the other end some have defended GDP as a valuable measure and suggested improvements or extensions.

Possible extensions include better measurement of prices (both shadow prices of “free” goods and prices of difficult-to-measure products), shifts in the production boundary, or satellite accounts that connect specific economic, social or welfare domains (such as health, human capital or environment) to the core GDP concepts as permitted in the SNA.

Possible changes in the concept of GDP—whether that be improving measures within the current framework, extending the current framework, or completely scrapping GDP—raise fundamental questions about how productivity should be measured.

A case can be made that the concept of “productivity” can be broadened to the idea of outcomes and resources needed to achieve those outcomes. This broad concept can be operationalized in terms of a numerator which measure outcomes that go beyond the conventional measure of output as expressed by GDP and, similarly, a denominator which includes a wider range of inputs, leading to a potentially quite broad definition of productivity. This framework connects to the literature on well-being and social welfare given that those measures can be the outcome measure.

Even with a focus on a broad measure of well-being as the appropriate outcome, it still is important to consider the resources necessary to achieve that outcome. Ultimately, whatever type of outcomes we aspire to, we should aim to optimize the usage of scarce resources (human, physical or natural capital), to reduce waste, and to increase the scale at which those resources can be employed. From a policy perspective, this latter step is crucial. An alternative to broadening the outputs and inputs is to retain the more traditional view of GDP as the preferred measure of economic performance. From this perspective, one would tend toward more conventional (or perhaps extended) measures of GDP in the numerator and labour (and perhaps capital) inputs in the denominator, and develop complementary and possibly broader measures reflecting non-economic outcomes and better understand how they can be achieved through economic means.

A project that broadens the productivity debate from its narrow economic focus on GDP and labour and capital to a broader social focus on societal outcomes, and the resources needed to achieve these outcomes, is needed.

Equity issues

The research agenda on the issue of equity issues is also massive. Three specific research projects that would add to our knowledge base on equity issues are explaining inequality trends, assessing the equality of opportunity available to Canadians, and broadening the concept of inequality beyond income and wealth. They are briefly outlined below.

Explaining inequality trends

It is widely recognized that income inequality has increased in Canada. Yet the timing of this development and the reasons for it are poorly understood by the public. There are numerous measures of income inequality, but the broadest and most commonly used metric is the Gini coefficient, which can be measured for market income and for post-tax and transfer income.

Statistics Canada publishes estimates of the Gini coefficient for the 1976-2019 period. One observes very different trends within this period. In the last quarter of the 20th century inequality increased, with the market Gini coefficient rising 5.5 points from 38.9 in 1976 to 43.9 in 2000. The after-tax Gini coefficient also increased from 30.0 to 31.7, one third the rise of market inequality. After 2000 inequality actually fell, with both the market and after-tax measures falling 1.7-1.8 points to 42.1 and 29.9 respectively by 2019. While it is correct to say that market income inequality has increased in Canada over the last 43 years, all the increased took place before 2000. On the other hand, there has been no long-term change in after-tax income inequality, as evidenced by the Gini coefficient.

The income share of the top one per cent of the income distribution is another widely cited metric of rising income inequality (Osberg, 2018). This measure has indeed risen over time, but again all the increase took place in the 1980s and 1990s. The share of income (including capital gains) of the top 1 per cent of tax filers rose from 6.3 per cent in 1982 to 10.6 per cent in 2000 and then has fallen, reaching 9.8 per cent in 2019.

Consequently, both the rise in inequality in the last quarter of the 20th century and the stability, at a higher level, or slight fall, in inequality in the first two decades of the 21st century need explanation. Our understanding of these developments is still imperfect. The two main factors that have been put forward to account for rising inequality before 2000 include skill-biased technical change favoring well-educated workers, and globalization hurting workers vulnerable to competition from low-wage countries. The key factors identified by Green, Riddell and St-Hilaire, (2017) as preventing additional increases in inequality after 2000 were the resource boom from 2000 to 2014 and the increase in the real minimum wage from around \$9 (2018 dollars) per hour in the early 2000s to \$13 in 2018 (Government of Canada, 2019:Figure 7).

There is still much we do not know related to trends in inequality in Canada so a project on this topic is needed. Recent research for the United States by Mishel and Bivens (2021) make the case that there has been a “rigging of the system” that empowered employers over workers due

to policy changes and changes in business practices that systematically undercut workers' ability to obtain higher pay—which generated wage suppression and wage inequality. The authors identify excessive unemployment, eroded collective bargaining, and corporate globalization as factors that explain why median wages have failed to keep pace with productivity growth.⁴ Research is needed on whether these factors played a similar role in the increase in wage inequality in this country. Work is also needed on the impact of social programs, such as more generous child benefits, on the increase in income inequality during the last quarter of the 20th century and on the stabilization of inequality trends during the last two decades.

Going forward, it will be important to identify, to the degree that this is possible in a very uncertain world, factors impacting inequality, such as Artificial Intelligence and to develop policies and programs to address these potential developments. For example, some have put forward the idea of a basic income program as a means to guarantee a minimum standard of living and reduce income inequality in response to the changing nature of the labour market while others see better ways forward (Green, Kesselman and Tedds, 2021)

Assessing equality of opportunity

The concept of equality has different dimensions, The most common notion is equality of outcome as measured by metrics of income and wealth inequality such Gini coefficients. A second concept is equality of opportunity and which relates to the opportunities for a child in accessing opportunities to better his situation in life, These life chances are related to the circumstances in which the child finds itself at birth, and the social and financial barriers faced to obtain an education or to start a business, and the supports put in place to assist the disadvantaged overcome these barriers.

Canada appears to do fairly well in terms of equality of opportunity. For example, social mobility appears to be high in Canada. Corak (2006) finds that the generational earnings elasticity, that is the likelihood that a son will remain in the same income quintile of his father, is much lower in Canada (0.19), compared to 0.47 in the United States and 0.50 in the UK, and even compared to France (0.41), Germany (0.32) and Sweden (0.27). Out of the nine countries in the study, only three had greater intergenerational mobility than Canada: Denmark (0.15), Norway (0.17) and Finland (0.18).

⁴ Mishel and Bivens (2021) assess the wage impact of: **weaker labor standards** (including a declining minimum wage, eroded overtime protections, misclassification, nonenforcement against instances of “wage theft,” or discrimination based on gender, race, and/or ethnicity); **new employer-imposed contract terms** (noncompetes, forced private, individualized arbitration, anti-poaching agreements); and **shifts in corporate structures** such as fissuring (or domestic outsourcing), industry deregulation, privatization, buyer dominance affecting entire supply chains, and increases in the concentration of employers. See Scheiber (2021) for discussion on this an

In addition, the impact of social background on educational achievement appears relatively low in Canada. Not only does Canada fare well on the student achievement scores of 15 years as reported on the 2018 OECD PISA survey (Council of Ministers of Education and Government of Canada, 2019), but the strength of the relationship between reading performance and socioeconomic status is weaker than the OECD average. This means that socioeconomic disadvantage plays a relatively minor role in explaining variation in student reading performance in this country. To be sure, socioeconomically advantaged students still outperform socioeconomically disadvantaged students, but by less than in other countries.

A third indication of a relatively high level of equality of opportunity in Canada is the high proportion of the population with post-secondary education. In 2019, 63 per cent of Canadians in the 25-34 age group had a post-secondary or tertiary education, well above the OECD average of 45 per cent and the second highest in the OECD after Korea. (OECD, 2020: Table A1.2). Canada also had the third lowest share of persons in the 25-34 age group with below lower secondary education at 6 per cent (only Korea and Slovenia were lower), well below the OECD average of 15 per cent. Widespread recognition of the importance of education for economic success, well developed financial assistance programs for students, and an extensive system of accessible community colleges account for Canada success in making a post-secondary education readily available to the overall population.

Canada thus appears to be a country where a certain degree of equality in opportunities is a reality for most citizens. However, no comprehensive study has documented this situation. A project is needed to examine the state of inequality of opportunity in Canada and identify groups that do not equally benefit from these opportunities and areas or fields where opportunities are still unequal. The project can also lay out how to best address the remaining inequalities of opportunity that exist in this country.

Broadening the concept of inequality

The debate on inequality generally focuses on inequality in monetary terms. But the concept of inequality goes well beyond income and wealth inequality to include inequality in the availability of services such as health services, educational opportunities, legal services, financial advice, broadband, inequality in access to affordable housing, safe neighborhoods and to political decision makers as well as inequality in many other dimensions of life, such as regional inequalities. To be sure, lack of financial resources is the root cause of many of these broader dimensions of inequality. Persons lower down the income distribution experience much more acutely these inequalities than persons at the top of the income distribution.

Governments take measures to reduce these broader dimensions of inequality, just as they take measures to reduce income inequality through taxes and transfers. The classic example is universal health care which is considered a right of citizenship by Canadians. Indeed, to ensure equal access to health care, the provision of private health care services is not permitted. Student financial assistance programs promote access to post-secondary education, Legal aid programs equalize to some extent access to legal representation. Programs to support the provision of

broadband reduce the digital divide. Restrictions on donations to political parties dampen the influence of money on politics. Despite all these measures, historical and structural realities mean that many manifestations of inequality, in addition to income and wealth inequality, continue to exist in Canada,

A project is needed to document and examine the many dimensions of inequality affecting Canadians, to benchmark progress over time in reducing inequalities, and to compare Canada's performance to that of other countries. The effectiveness of both public and private measures to reduce equality can be assessed and policies developed to address weaknesses where social and economic inequalities are at unacceptable levels.

Linking Growth and Equity

The motivation for twinning the terms “equity” and “growth” is the recognition of their dual importance and interlinkages. Economic growth is the bedrock of an equitable society as it provides the additional resources to raise living standards and fund public services such as health and education and social transfers. But economic growth without a fair or equitable sharing of the benefits of this growth is not in the overall societal interest. Hence the need for inclusive growth. There can also be a positive feedback loop or mechanism between policies that promote societal equity and economic growth.

Three specific issues can be identified on the linkages between growth and equity. First, what are the linkages between economic growth/and its two components, employment and productivity, and equity and well-being? Second, what is the relationship between changes in inequality and economic growth? Third, what is the impact of current government policies to address climate change on traditional productivity and economic growth metrics?

Impact of economic growth on well-being

The traditional view is that that economic growth contributes to well-being and social progress overall even through it is recognized that some aspects of the economic growth process such as congestion, pollution, concentration of economic power and wealth can be detrimental to well-being, Governments are in principle tasked to take action to minimize negative externalities associated with economic growth, but do not always get this right.

Economic growth is determined by both employment growth and productivity growth. Employment is crucial to well-being as it provides a source of income. In addition, work is important as a source of purpose, identity, and social interaction. It is not surprising that the unemployed report much lower levels of life satisfaction than the employed. This means that a low unemployment rate consistent with maximum or full employment is an important economic and societal objective and with a rising source population, jobs must be created to attain this objective.

Productivity growth also contributes significantly to well-being, Increases in output per hour are a necessary, but not sufficient condition, for increases in real wages and hence material well-being. Increased output and income from productivity gains generate additional tax revenues that can be used for public services such as healthcare which improve health outcomes and life

expectancy, and transfers to individuals that potentially reduce poverty and inequality and boosting economic security (Sharpe, 2002).

A project that documents the links directly flowing from employment growth and productivity growth to the various aspects of well-being is needed. It could identify from both a Canadian and international perspective which aspects of well-being and societal equity can in principle be influenced and have in reality been strongly affected by economic growth as well as those aspects of well-being which are less susceptible to positive influence, or not influenced at all, or even negatively affected (environmental quality).

Relationship between inequality and economic growth

Economists have traditionally taken the view that there is a tradeoff between equity and efficiency (Okun, 1975). This means that measures to reduce inequality such as generous social programs were believed to have work disincentive effects which reduce economic growth. On the other hand, policies that spur growth, such as lower taxes on investment were seen as boosting income inequality.

This traditional perspective on the relationship between economic growth and inequality has evolved significantly in recent years, with this view becoming either much more nuanced or even reversed with less inequality having positive effects for economic growth. A number of mechanisms have been identified whereby a lower level of income inequality can have positive implications for economic growth. For example, a more equal distribution of income will reduce liquidity constraints on the accumulation of human capital by those on the bottom half the income distribution. Equally, a more equitable society can reduce political tensions, encouraging investment.

Many policies and programs have been put in place in Canada to create a more equitable society. These include early childhood learning programs, enriched child benefits, higher minimum wages, higher taxes on the rich, earning supplementation schemes, student grant and loan programs, among others. It is very likely that these policies and programs reduced income inequality. What is less certain is their impact on economic growth. A project that tracks and quantifies the effects on economic growth, both expected and unintended, of policies and programs motivated and designed to reduce inequality is needed.

Climate change policies and economic growth

A key global priority is the goal of the net zero emissions by 2050 to reduce the impact of climate change (IEA, 2021). There is consensus within Canada that movement toward net zero emissions is necessary to ensure long-run environmental sustainability, an important component of an equitable growth agenda. The Government of Canada (2020) has developed a strategy to reach the net zero objective. But some worry that policies that make up this strategy, such as higher carbon taxes, strict environmental regulation on pipelines and resource development, policies discouraging the development of the oil and gas sector, and subsidies for renewable energy, will have negative effects on economic growth and hence on societal well-being. But many environmental policies directly support economic growth, although of a less carbon-

intensive nature. In addition, environmental measures that do negatively impact growth in carbon-intensive activities can include adjustment assistance programs to facilitate transitions of resources to more environmentally sustainable activities.

A project on the relationship between climate change policies and economic growth is needed and should have three objectives. The first is to identify the impacts, both positive and negative, that environmental policies can have on economic growth, including both the employment and productivity aspects. The second is to attempt to quantify the impacts of current environmental policies on economic growth. Third, the project can identify and develop measures to mitigate any negative impacts on economic growth.

A Gap in the Landscape for Economic Policy Advice in Canada

The landscape or ecosystem for the supply or provision of external economic policy advice to the economic decision makers in the federal government is both extensive and dynamic. Yet despite its strengths, we believe that there is a significant or serious gap, namely the existence of a well-funded and competently staffed independent research organization whose mission is the development of an equitable growth strategy for Canada.

Sources of economic policy advice to government in Canada currently include universities, especially researchers in departments of economics and schools of public policy, think tanks or economic research organizations (CD Howe Institute, IRPP, Fraser Institute, Conference Board of Canada, CCPA, IFSD, CSLS, etc.), business association, labour unions, the NGO community, and business economists employed largely by financial institutions. Government departments and agencies such as Finance Canada, Bank of Canada, Statistics Canada and ISED also employ large numbers of professionals to undertake economic analysis and research for the purpose of informing senior government officials on economic developments and for the development of economic and social policies. In addition to government departments and agencies, the Parliamentary Budget Office conducts and releases reports on a range of economic topics, most associated with the fiscal issues and many made at the request of Parliamentarians.

Governments also create from time to time ad hoc bodies to address specific matter. The classic examples are Royal Commissions, such as the MacDonal Commission on Canada's Economic Prospects in the 1980s, the Gordon Commission in the 1950s and the Rowell-Sirois Commission on Federal- Provincial Relations in the 1930s, a more recent example is the Advisory Council on Economic Growth created by the Minister of Finance in 2016.

Despite the large supply of both external and internal economic policy advice, we believe that there is a significant or serious gap, namely the existence of a well-funded and competently staffed independent research organization whose mission is the development of an equitable growth strategy or agenda for Canada. Two independent government agencies occupied this policy space in the past. The most important was the Economic Council of Canada, which functioned from 1965 to 1992 and published important work on productivity, potential growth, regulation, the labour market, and many other economic topics. The second was the Roundtable on the Environment and the Economy (1980-2006), which focused on the linkages between environmental and economic variables. Both organizations were part of the federal government,

but at arms length. They were directed by an independent Council or Board of Directors appointed by government.

Role of an Equitable Growth Institute

An equitable growth strategy for Canada needs a credible organization that can champion the objective of equitable (and sustainable) growth.⁵ We see that new organization as the Equitable Growth Institute (EGI) or possibly the Canadian Equitable Growth Institute (CEGI). Through a three-step process, it would:

- undertake rigorous and original research on key aspects of an equitable growth agenda, including the drivers or determinants of potential growth, namely productivity growth and labour force growth; the strengths and weaknesses of the social safety net; and the state of risks facing the environmental landscape;
- identify and develop specific policy proposals to boost potential growth in an equitable and environmentally sustainable manner address, address the deficiencies in the social safety net to ensure that no Canadians are left behind; and ensure that Canada’s environmental target are met; and

⁵ The term “equitable growth” is gaining in popularity as the names of equity-minded research organizations. The Washington Center for Equitable Growth established in 2015 is a non-profit research and grant-making organization dedicated to advancing evidence-backed ideas and policies that promote strong, stable, and broad-based economic growth. It works to build a strong bridge between academics and policymakers to ensure that research on equitable growth and inequality is relevant, accessible, and informative to the policymaking process. The Centre for Equitable Growth (CEG) at the University of California, Berkley established in 2017 promotes research that explores ideas for achieving economic growth that is fairly distributed. Its objectives are to encourage research in equitable growth and to help develop public policy that can simultaneously improve the distribution of economic well-being and economic growth. Therefore, the Center is primarily interested in research that can inform policy decisions in promoting equitable growth. According to the CEG website: “The concept of growth, in addition to measures of GDP growth, can also incorporate aspects of education, health, and environmental sustainability. Equitable growth projects include research on economic equality and the determinants of economic growth. The Center is particularly interested in research regarding the links between inequality and economic growth, the effects of government policies on both the distribution of economic well-being and economic growth, and the way public views on equity and fairness affect policy making.”

- develop board-based support and obtain buy-in for its equitable growth agenda and strategy by consulting with a wide range of stakeholder groups.

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Appendix: The Cost of Slower Productivity Growth to Canadians

Canada would now be a considerably richer country if labour productivity growth after 2000 had not fallen off. The magnitude of the costs of this post-2000 productivity slowdown can be illustrated by a simple calculation of what would have happened to GDP and GDP per capita if labour productivity growth had continued at the pre-2000 rate.

From 1973 to 2000 labour productivity growth in Canada, defined as total economy real GDP per hour worked, rose at a 1.32 per cent average annual rate, already down from 2.78 per cent per year in the pre-1973 period. Between 2000 and 2019 labour productivity advanced at 0.96 per cent average annual rate, a difference of 0.36 percentage points per year. In other words, real GDP growth, which is the summation of labour productivity and growth in hour worked, would have been 0.36 percentage points per year faster after 2000, that is 2.32 per cent instead of 1.96 per cent,

Real GDP in 2000 was \$1,448 billion expressed in 2012 dollars and rose to \$2,092 billion by 2019. Had the 1973-2000 labour productivity growth rate continued after 2000, and all the productivity growth translated into additional output, real GDP in 2019 would have been \$2,239 billion, 7.0 per cent or \$147 billion above the actual level.

Over the 2000-2019 period the summation of the additional annual gains to output from higher productivity growth total \$1,047 billion that is over \$1 trillion dollar. This represents around one half the level of actual GDP in 2019.⁶

Both nominal and real GDP per capita would have 7.0 per cent higher in 2019 had there been no post-2000 slowdown in labour productivity growth, Nominal GDP per capita would have been \$65,691, \$4,298 above the actual level. Real GDP per capita, expressed in 2012 dollars, would have been \$59,644, \$3,902 above the actual level.

Productivity gains can be taken in the form of greater leisure time as well as more goods and services. Productivity growth can also be used to decrease working time if the amount of output remains unchanged. If the labour productivity growth had not suffered a 0.36 percentage point slowdown after 2000 and output in 2019 remained unchanged, 7.0 per cent fewer hours would have been needed to produce that amount of output. In other words, for the same standard of living, the average worker would have had to labour 117 fewer hours over the year, 1,553 hours per year, instead of the actual 1670. This translates into 2.25 fewer work hours per week.

⁶ Sprague (2021) made a similar calculation for the United States. He found a cumulative shortfall of \$10.9 trillion had labour productivity growth in the non-farm business sector continued at the pre-2005 rate of 2.3 per cent over the 2005-2018 period instead of the actual 1.4 per cent,

