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Canadian businesses rely more on the higher education sector than businesses in other major OECD countries for R&D, but government policies can be strengthened to extract more economic and social value

The Centre for the Study of Living Standards (CSLS) released today a major report examining public policies to encourage university-business (U-B) research collaboration in Canada and three reference countries: the United States, the United Kingdom, and Australia.

The report, by CSLS Senior Research Associate Ian Currie, finds that Canadian businesses rely more on the higher education sector than businesses in other major OECD countries for R&D. Based on data for the most recent years available (2007 and 2008):

- The Canadian higher education sector performs 6.2 per cent of total business sector R&D, compared to 2.5 per cent in the United Kingdom, 2.1 per cent in Australia and 1.1 per cent in the United States.
- When measured as a share of GDP, business investment in university research is 0.06 per cent of GDP in Canada, compared to 0.03 per cent of GDP in Australia and 0.02 per cent of GDP in the United States and the United Kingdom.
- Canada leads many OECD countries in terms of the share of total higher education expenditures on R&D (HERD) financed by business: 8.5 per cent in Canada compared to 5.7 per cent in the United States, 4.6 per cent in the United Kingdom and 4.9 per cent in Australia.

However, the report finds no evidence that Canada is outperforming comparator countries in deriving economic and social value from business spending on university-based research.

The report documents that governments in the United States, the United Kingdom and Australia are directing increasing attention to U-B research collaboration. The UK government has announced a new Technology Blueprint that ties U-B research collaboration more closely to its innovation policy goals. A vigorous debate is taking place in the United States on how to strengthen intellectual property rules and processes within university settings. The Australian Commonwealth Government is negotiating “mission-based compacts” with its universities, including how Australian universities propose to use Commonwealth funding to collaborate with industry.

The report concludes that Canadian governments at all levels should strengthen their role as advocates, enablers,

funders and rule-makers to encourage U-B research collaboration. It contains five main recommendations for the Canadian federal government.

1. The federal government should continue to provide direct funding to encourage U-B research collaboration at least up to current levels (estimated in the report as being over C\$ 370 million annually) rather than enriching the existing Scientific Research and Experiment Development (SR&ED) tax credit specifically to incent businesses to allocate a higher proportion of their R&D spending to university research.
2. The federal government should examine the option of moving lead responsibility for many existing funding programs for U-B research collaboration and related commercialization activities to a single organization operating at arms-length from government. Such an organization could pursue tangible and unambiguous objectives that are grounded on real market circumstances and opportunities. It does not have to be “business-led” but must have business and university participation and support.
3. The federal government should review the role and effectiveness of intermediary organizations that sit between universities and business and which are increasingly important conduits for federal funding of U-B research and related commercialization activities.
4. The federal government should lead a structured national discussion involving businesses, universities, and provincial governments on how to improve processes for the negotiation and management of intellectual property within university settings.
5. The federal government should issue a clear statement of its objectives and expectations for the future of U-B research collaboration in Canada that can both inspire and serve as a touchstone for measuring progress. However, the federal government should resist the temptation to take a leadership role in establishing or funding a new forum that brings together university and business leaders. Even though such forums exist today in the United States, the United Kingdom and Australia, and have existed in Canada in the past, Canadian university and business leaders themselves must decide if such a forum is required and what useful functions it could serve.

The [Centre for the Study of Living Standards](#) (CSLS) is a national, independent, not-for-profit research organization which began operations in August 1995. Its objectives are twofold. First, the goal is to contribute to a better understanding of trends and determinants of productivity, living standards, and economic well-being in Canada through research, and second to contribute to public debate by developing and advocating specific policies to improve the living standard of Canadians.

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