

Canadian Attitudes Towards Productivity: Balancing Standard of Living and Quality of Life

Frank L. Graves and Richard W. Jenkins

243

INTRODUCTION

During the late 1990s much was made in Canada, especially in elite and media circles, about the slow pace of productivity growth, especially relative to the United States, and this concern and focus are still evident. In government terms the debate about productivity has recently shifted to talk about innovation. A somewhat cynical view might see the shift from productivity to innovation as largely a linguistic manoeuvre on the part of government, since both are part of the government's plans for expanding the economy and ensuring prosperity for Canadians. Ironically the new lexicon of innovation is premised on the empirically suspect assumption that the public was leery of the "p word." In fact the terms innovation and productivity produce roughly comparable levels of public interest. It is important to recognize at the outset that the public is a far different citizenry from what it was just a decade ago when a previous government tried, in vain, to rally public support around another p word — prosperity.

The policy debate about Canada's economic performance and productivity has obvi-

ous implications for the public, not only because the public will face any costs, in terms of lower standard of living, of the failure to address productivity but also because addressing the productivity gap will necessitate some form of state action. Those who bemoan Canada's current levels of productivity do so with an agenda for government in mind. In simplistic terms, the state has two options: to be active in terms of spending (either more or differently) in ways that might improve productivity, or to scale back the state. In the latter case, tax cuts are expected to stimulate investment in new, innovative ways of producing goods and services. In the former case, government spending is expected to address the underlying fundamentals of economic activity through infrastructure development, incentives for innovation and improvements in human capital. The allocation of resources across these different areas raises important questions for government in terms of both its expected return on investment — a largely economic and social calculus — and the public support for this allocation.

The other contributors to this volume have more to say than we do about the nature

Frank L. Graves and Richard W. Jenkins

244

of productivity in Canada and the relative impact of various alternative strategies on the level of productivity. While we do not propose to weigh in on these debates since our attention is focused on the attitudes of Canadians, it is worth setting out some of the key elements of the debate so as to place our survey findings in context. Concern is most often raised that Canada lags behind the United States in terms of productivity growth (the take-up of new technology/innovation and consequently the output per worker). Clearly, productivity is directly linked to the standard of living that the public enjoys. According to Richard Harris, "over long periods of time, productivity is the single most important determinant of a nation's living standard or its level of real income" (1999, 3). Sharpe (2001) makes the link between Canada's lagging productivity growth relative to the US performance and the relative decline in Canadian standard of living over the same period.¹ Though many understand productivity in narrow economic terms, it is clear in much of the debate that productivity is intrinsically linked to social as well as economic progress. In fact, as we argue, one cannot understand Canadian attitudes without acknowledging the link between the components of the debate and social well-being.

There are a number of reasons why it will be crucial to understand the public perspective on economic growth and the role of the state, not the least being that one of the key failures of the earlier prosperity agenda was that it did not ignite a sense of enthusiasm or ownership amongst the Canadian public. Citizens are no longer deferential bystanders to the economic policy process. They are far more sophisticated, cynical and interested in issues of economic policy. Both general education and economic literacy are

rising dramatically in Canadian society, and public attitudes to the economy, globalization, technology and public finances are profoundly different from what they were only 10 years ago. The public will want "in" on the debate about their economic future, which they increasingly see as intricately tied to the ultimate question of their quality of life. Finally, it is the behaviour of the public as consumers, investors and taxpayers that will determine whether we see productivity gains. The policy process, therefore, ignores public attitudes at its peril.

In 1999, EKOS undertook a public opinion study of Canadians' understanding of productivity and public receptivity to a government response. The survey, conducted between May 20 and June 10, 1999, involved a random sample of 2,500 respondents. In this paper we report on some of the findings from this survey along with more recent data drawn from *Rethinking Government*² and an *Innovation survey* (2001).³ Together, these multiple data sources provide a picture of how Canadians approach the debate. The public response to the productivity challenge over the past four years reveals much about how Canadians link social and economic outcomes and how they understand the role of the state in delivering public goods. For a majority, any approach to improving productivity must be aimed not just at economic efficiency and economic benefits but also at other social goods.

A variety of forces have produced a very different public orientation to the economy and public policy. These forces include broad culture shifts in advanced Western societies (Inglehart 1990; Nevitte 1996), burgeoning levels of post-secondary education, unprecedented levels of public participation in the economy (e.g., over half of the public own equities either inside or outside an RRSP,

Canadian Attitudes Towards Productivity: Balancing Standard of Living and Quality of Life

and labour market participation remains high relative to earlier decades⁴), focused public attention on the relationship between the economy and public finances during the fiscal crisis, and mass media (including new media) which provide more intense public exposure to finance, markets and economic policy issues. Not surprisingly, this set of forces has produced a very different economic citizen — one more capable of and interested in playing a role, while at the same time more pragmatic and less ideological. Nowhere is this more evident than in the shifting attitudes to technology and globalization, which were seen as threatening a decade ago and are now seen as presenting more opportunity than risk.

PUBLIC ATTITUDES TOWARDS THE ECONOMY AND THE ROLE OF THE STATE

Perhaps the best starting point for considering public attitudes toward productivity is the state of the economy. Perceptions of poor economic performance should be an indicator of concern about the underlying fundamentals of the economy and may in fact result from a decline in relative productivity in Canada. It would be hard to imagine continued Canadian satisfaction with economic performance in the context of stagnation in the “real” incomes of Canadians. In addition, the economy is perhaps one area where public perceptions are often particularly in tune with the current economic environment, even if there are occasional lags between how the public sees the economy and its true state (Graves 2001).⁵ Since the late 1990s, perceptions of the economy have largely been improv-

ing. Despite considerable talk throughout 2001 about a significant downturn, most Canadians held on to a relatively optimistic view of the economy. Many experienced a decline in their short-term financial situation and outlook but viewed their situation as better now than it was five years ago.

At fairly regular intervals over the past three years, we have asked Canadians to indicate whether they think their standard of living *and* quality of life have improved or declined over the preceding 10 years (we have asked half about quality of life and half about standard of living). Chart 1 shows the results of three readings for both indicators. Given that one of the consequences of declining or stagnant productivity is a decline or stagnation in real incomes, it is worth noting that across all three readings we find that a plurality, and a majority in some cases, believe their standard of living and quality of life have improved. The lack of movement in this indicator is a further indication that if productivity is adversely affecting Canadians’ standard of living, then the net effect is being offset by other factors.

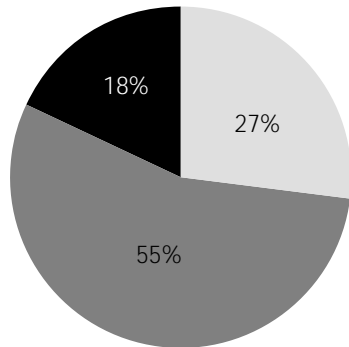
Canadians may think that their financial situation and their quality of life/standard of living have generally improved relative to five years ago, but they are keenly aware of their position in income terms relative to the United States. A plurality (48 percent) — a majority when one sets aside the “don’t knows” — say that Canadian workers and households have lower incomes than their US counterparts (Chart 2). Without comparable data for another time period, we cannot clearly establish whether this perception of lagging income is growing, but it is an indication that the terms of the productivity debate are widely understood.

Frank L. Graves and Richard W. Jenkins

CHART 1
Tracking Personal Quality of Life/Standard of Living

"Thinking about your ..., do you think it has gotten better or worse in the past 10 years?"

(a) Overall Quality of Life

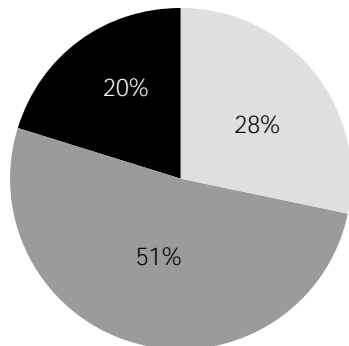


■ worse ■ no change ■ better

	Jan. 01 (n=818)	Dec. 99 (n=1522)	June 99 (n=2500)
Worse	18	23	23
No change	27	24	28
Better	55	53	49

246

(b) Material Standard of Living



■ worse ■ no change ■ better

	Jan. 01 (n=818)	Dec. 99 (n=1522)	June 99 (n=2500)
Worse	20	28	23
No change	28	25	28
Better	51	47	49

Source: Rethinking Government and Productivity Study, June 1999.

That said, Canadians overwhelmingly believe that their quality of life is better than that of Americans. This finding may reflect an optimistic rationalization of the current situation, but it should be kept in mind that the public perceives there are more opportunities to achieve a high standard of living in the United States. The distinction between Canada's advantage on quality of life and disadvantage on income is a central aspect of the productivity debate. While Canadians are positive about their current standard of living and quality of life, they place considerably greater emphasis on quality of life as a goal as compared with a high standard of living when these are traded off. They may, therefore, be willing to sacrifice some standard of living in return for a better quality of life.

THE PRODUCTIVITY DEBATE

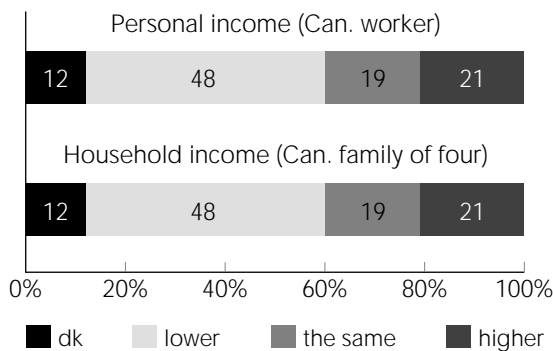
One might have predicted that the productivity debate would go over the heads of a public more concerned about highly salient issues like health care and more concrete issues like the state of their pocketbook. Yet the productivity debate, with its connections to savings, investment, technology and change, provides a test of the degree to which the public is capable of weighing complex public policy matters. How, then, would we expect average Canadians to understand and conceptualize the debate about productivity? As EKOS and others have argued, public assessments of economic performance are fairly closely tied to the macroeconomic indicators of economic performance. This might, then, provide the basis for a reasoned approach, for many members of the public, to assessing the debate.

Canadian Attitudes Towards Productivity: Balancing Standard of Living and Quality of Life

CHART 2

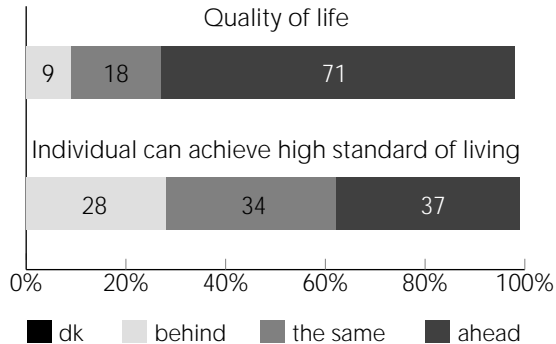
International Comparison

(a) "How do you think the average personal income for a Canadian worker compares to that in the United States?"



Note: Each question asked of 1/2 sample. n=1250.
Source: Productivity Study, June 19.

(b) "How do you think Canada compares with the US in each of the following areas...?"



Source: Innovation Study, June 2001.

We offer two hypotheses about how Canadians may come to terms with the productivity challenge:

- > Productivity may be understood as an element of the macroeconomy. Those who understand economic realities may be more engaged in the debate, leaving those who lack such an understanding unable to fully participate. We would also expect that those who are worried

or concerned about either current or future economic performance would identify productivity as a critical issue.

- > Productivity may be understood in ideological terms. In particular, those who see an active role for the state may be more likely to want government to act but are also more suspicious of the motivations underlying the debate and unwilling to see the solution in terms of less government.

It is possible, then, to consider these two different perspectives — productivity as an element of a strong economy and productivity as a political project with winners and losers — as lenses through which to examine the public's understanding of the meaning and nature of productivity in Canada and the arguments surrounding it. As we shall see, there are elements of both these perspectives in the views of Canadians.

The evidence from the 1999 EKOS survey indicates that many features of the productivity debate resonate with the public — with most Canadians able to offer a top-of-the-mind image of what it means for them (Chart 3), while about 26 percent were unable or unwilling to respond. In addition, the general public defines productivity in terms that resemble those used by economists. The most frequent response terms were grouped under the label "production, effort and efficiency," followed by general references to work and employment.⁶ These and other data indicate that, for most people, productivity does not engender fear but rather a connection to, or a sense of, hard work, effort, results and security.⁷

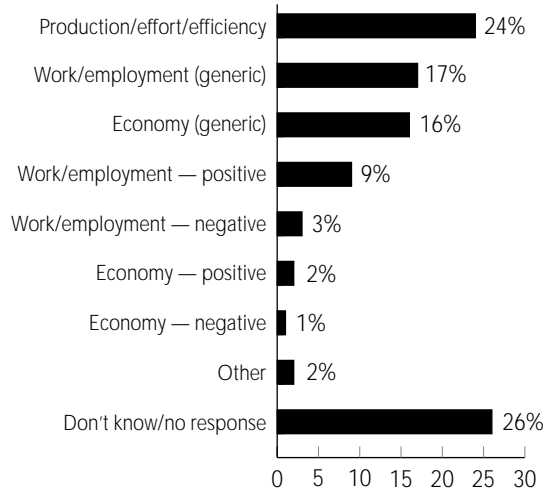
Improving economic productivity is also a priority for the public. It is a lower priority than health, education, environment and crime, but a higher priority than taxation, immigra-

Frank L. Graves and Richard W. Jenkins

CHART 3

Top-of-Mind Images

"What is the first thing that comes to mind when you hear the term 'productivity'?"



248

Note: n=2500
Source: Productivity Study, June 1999.

tion and social assistance (not shown). An overwhelming majority (82 percent) believe that improving productivity is *essential* to improving our standard of living (Table 1). Substantial majorities, 70 and 67 percent respectively, also claim to be worried that if we don't improve our productivity there will be a decline in both our quality of life and standard of living. This is an initial indication that for the public productivity is linked not only to economic concerns (standard of living) but also to broader, quality-of-life issues. Concern with productivity is, however, fairly universally shared among Canadians. For example, 67 percent of university-educated people are concerned about the impact on standard of living, compared with 66 percent of those with high school or less education. Concern is also unrelated to individuals' perceptions of future economic performance.

However, the public is not without some scepticism about the motivation underlying

some of the debate about productivity and some of the potential costs. A slim majority (53 percent) agree with the statement that large business and wealthy Canadians have manufactured recent concern about productivity.⁸ Chart 4 shows that scepticism is highest among lower-income, less-educated Canadians, and is also high among people who do not recall hearing about productivity⁹ and people who rate Canada's level of productivity as good. As we will show, most Canadians do think that productivity is good in Canada but this is an indication that thinking things are good produces a resistance to the arguments about the need for a productivity agenda.

In an earlier survey we also found the public divided about whether talk of productivity was code for job losses and longer hours for the same pay. While increasing productivity would affect jobs — especially for those in less productive sectors — as fewer people produce a larger amount of product, both of these indicators suggest that talk of productivity,

TABLE 1
Perceptions of Productivity/Innovation

	Agree	Neither	Disagree
Increasing Canada's economic productivity is essential to improving our standard of living. ¹	82	11	6
I really worry that if we don't improve the productivity of the economy, the QUALITY OF LIFE will suffer. ²	70	16	13
I really worry that if we don't improve the productivity of the economy, the STANDARD OF LIVING will suffer. ²	67	19	14
Much of the recent concern about our level of productivity has been manufactured by large business and wealthy Canadians. ¹	53	10	23
Talk of economic productivity is just code for job losses and longer hours for the same pay. ²	36	27	33

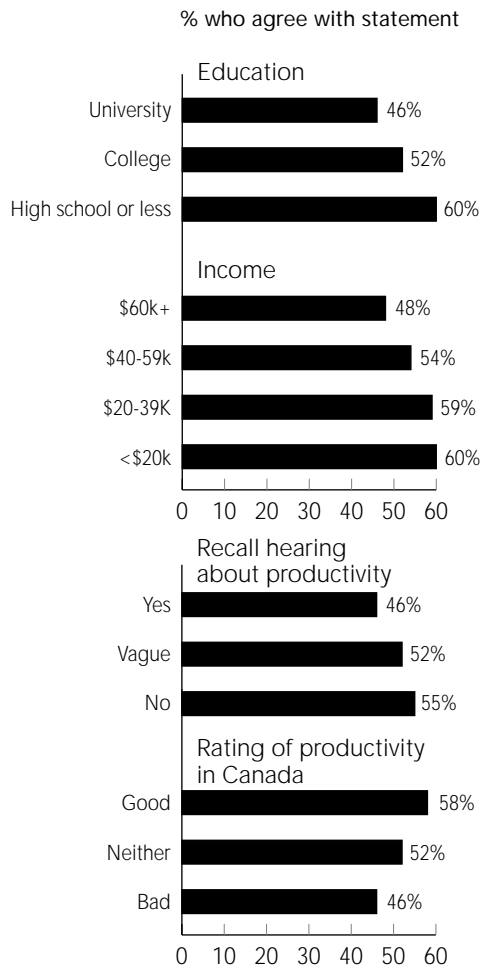
¹ Rethinking Government, Nov-Dec. 1998.

² Productivity Study, June 1999.

Canadian Attitudes Towards Productivity: Balancing Standard of Living and Quality of Life

CHART 4
Skepticism by Key Demographic and Attitudinal Groups

"Much of the recent concern about our level of productivity has been manufactured by large business and wealthy Canadians."



as a zero-sum game but as a source of improvement in the overall number of jobs. Similarly, when probed further about what kinds of jobs they expected to be produced, three in four thought high-skill jobs were more likely to emerge. Thus, productivity is seen as an important goal, but the pursuit of a productivity agenda is not seen in purely optimistic terms. Although the public leans toward the positive, it has a healthy dose of scepticism about the motivations behind and the consequences of an emphasis on productivity.

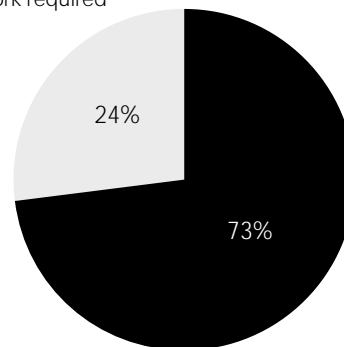
How, then, does the public see Canada measuring up in terms of the level of productivity? Does the scepticism indicate a naïve belief that Canada has a high level of productivity? Or, alternatively, does the high priority accorded to productivity indicate a belief that Canada is in a troublesome position? As

249

CHART 5
Net Impact on Jobs

"Which of the following two statements is closest to your point of view?"

Improving productivity will improve efficiency in the economy and LEAD TO JOB LOSSES as fewer people are needed to do the work required



Improving productivity will stimulate the economy and CREATE MORE JOBS for Canadians

Note: n=2500
Source: Productivity Study, June 1999.

despite its importance on the agenda, is partially an ideological signal for some Canadians.

Nevertheless, when forced to make a choice between productivity as a job destroyer and productivity as a job creator, three in four respondents choose the latter (Chart 5). So, although a minority sees improving productivity as a job destroyer, a focus on productivity is one of the few areas that most people do not see

Frank L. Graves and Richard W. Jenkins

Chart 6 indicates, the public does lean toward the positive in assessing Canadian productivity in the abstract but tends to be more negative when comparing our level of productivity to that in the United States. Few people (18 percent) rate Canadian productivity as poor, and a plurality (44 percent) rate it as good overall. The distribution leans in the positive direction, but few give Canada high marks. On the seven-point scale, 32 percent give a five, the weakest positive assessment, and only 3 percent give a seven, the strongest positive

assessment. No wonder there is concern about the quality-of-life and standard-of-living ramifications of failing to address productivity.

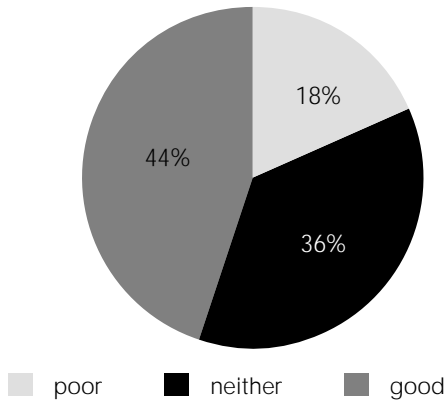
Ratings of Canada's level of productivity are generally unrelated to general socio-demographic indicators (Chart 7). Men are marginally more positive, but there are no substantive differences across education and income. The only age group to differ significantly is youth, those under 25 who tend on average to express greater levels of optimism on many indicators despite their tendency to be less engaged in

250

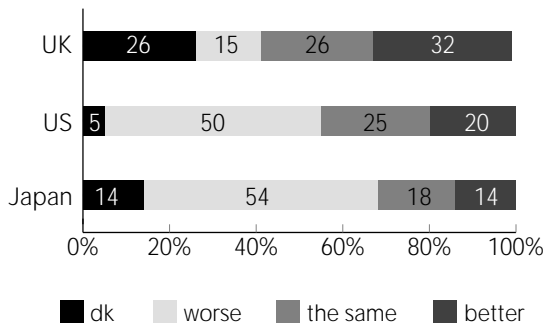
CHART 6

Rating Productivity

(a) "How would you rate Canada's current level of productivity?"



(b) "And how do you think Canada's level of productivity compares to that of ...?"

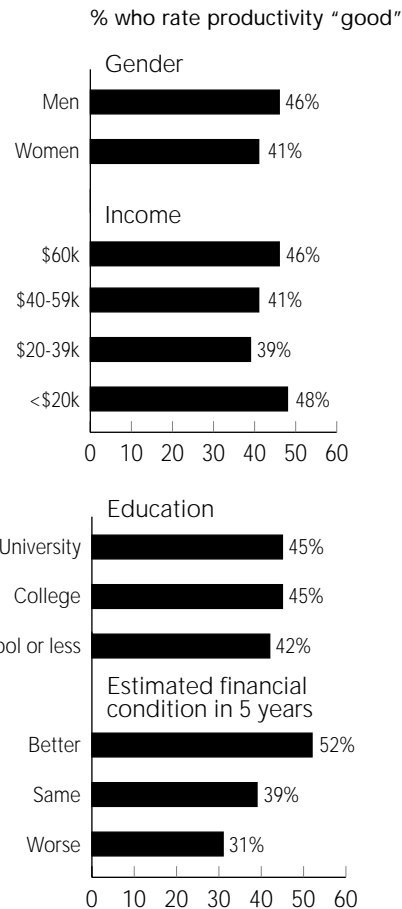


Note: Each option asked of 1/3 sample. n=2500
Source: Productivity Study, June 1999.

CHART 7

Rating Productivity by Key Groups

"How would you rate Canada's current level of productivity?"



Canadian Attitudes Towards Productivity: Balancing Standard of Living and Quality of Life

day-to-day politics. This is a broad indication that productivity is understood to be an element of the macroeconomy in the same way, perhaps, as unemployment or inflation.

Those who are cynical about the motivations underlying a productivity agenda, as indicated by their agreement with the statement that the recent concern has been manufactured, are considerably more likely to rate Canada's productivity as good. However, when we consider attitudes about the likely impact of improving productivity on jobs, those who think there will be job improvements and those who think there will be job losses rate productivity the same. There is, therefore, only modest evidence that attitudes toward productivity are symbolic of ideological positioning. The most important drivers are expected economic performance and perceived changes in quality of life and standard of living in Canada. Chart 7 shows that those who are pessimistic about their financial situation (expect it to get worse) are more likely to rate Canada's level of productivity as poor. Though only a minority in 1999 thought things were getting worse, those who said things were getting worse for either quality of life or standard of living were twice as likely to rate Canada's productivity as poor (Table 2).

While the overall evaluation may be positive, Canadians are aware of Canada's compar-

ative disadvantage on this measure vis-à-vis the United States (Chart 6b). Each respondent was asked to compare Canada to one of three possible countries (the United States, Japan and the United Kingdom).¹⁰ The only country they perceive Canada as having a productivity advantage over is the United Kingdom (though one in four are unable to say how Canada would fare in such a comparison). Roughly one in two believe that Canada's level of productivity is worse than that of the United States¹¹ and Japan, while few believe that it is higher (20 and 14 percent respectively). Recall that the public also believes that Canada has an income gap with the United States. Though not shown, those who believe Canada's quality of life or standard of living have deteriorated are more likely to say that Canada has a productivity deficit with the United States.

When we asked senior Canadian decision-makers and elites¹² to compare Canada's productivity to that of the United States in the 2000 iteration of Rethinking Government, a majority gave Canada a lower rating (Chart 8). Assessments of the future are somewhat more optimistic, but negative expectations continue to outweigh positive ones by a margin of almost two to one. The public appears to be more positive than elites but not so much more as to be out of touch with the debate or to be unlikely to support a policy response. In fact, the Canadian

251

TABLE 2
Impact of Quality-of-Life/Standard-of-Living Assessment on Rating Productivity

Rating of Canada's productivity	Quality of Life			Standard of Living		
	Worse	Same	Better	Worse	Same	Better
Poor	31	21	12	29	17	14
Neither	41	42	33	40	42	32
Good	28	38	54	31	41	54

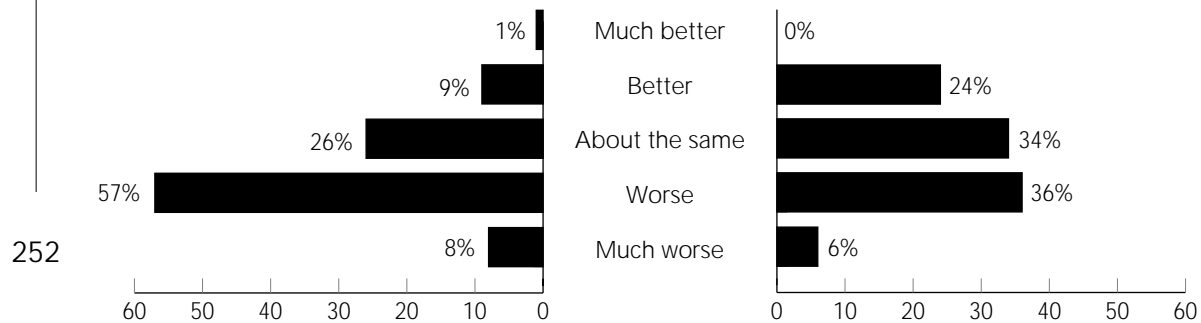
Source: Productivity Study, June 1999.

Frank L. Graves and Richard W. Jenkins

CHART 8

Elite Views of Canadian/US Economy

"How would you rate Canada's economic productivity compared to that of the United States? Do you think Canada's economic productivity is comparatively ...?"



Note: n=488

Source: Rethinking Government, Elite Survey 2000.

public appears to favour a policy response, as evidenced by its concern about the potential cost, to quality of life and standard of living, of failing to improve productivity.

In general the public has an appetite for improving productivity, the consequence of both a general view that Canada is under-performing relative to the United States and a lukewarm overall rating of Canadian productivity. Perceptions of Canada's level of productivity are also firmly rooted in current assessments of our standard of living and quality of life and expectations of future economic prosperity. This is not to say that there are not points of dispute. Elites in particular are more likely to rate Canada poorly, and some reject the need for a productivity agenda.

THE ROLE OF GOVERNMENT

It is clear that the public has a reasonable understanding of the essential components of

the productivity debate and appreciates the benefits of a productivity agenda. But does the public see the need for a state-driven productivity agenda? The answer is clearly yes, but the preferred toolkit is mixed and at odds with some of the main prescriptions (e.g., tax cuts, R&D investment) offered by key voices in the debate.

Few Canadians see the federal government as taking a leadership role in improving productivity (Chart 9). A majority would prefer that the government act as an equal partner with the provinces, the private sector and the public. A similar role is envisioned for government when it comes to improving quality of life, which suggests that there is nothing unique, when it comes to productivity, in the leadership role attributed to the federal government.¹³ It also suggests that the public would prefer that government be strategic about things so as to ensure that the public gets the collective goods it wants.

The public toolkit for addressing productivity through state action is heavily

Canadian Attitudes Towards Productivity: Balancing Standard of Living and Quality of Life

CHART 9

Preferred Federal Role

"Overall, thinking about a national goal of improving ..., which of the following is the most appropriate role for the Government of Canada?"



Note: n=2500. Each question asked of 1/2 sample.
Source: Productivity Study, June 1999.

weighted toward human and social investment priorities. Chart 10 shows the results of a trade-off analysis in which the reported score is the percentage of time that each option is selected over another randomly drawn option.¹⁴ Health care is seen as the best allocation of money aimed at improving productivity, followed by a fund to help workers improve their skills and incentives to steer students toward science and technology. An early childhood development initiative also scores high. All of these options address productivity by improving human capital. These types of government investment are part of an agenda aimed at improving the standard of living of Canadians (Sulzenko and Kalwarowsky 2000).

Corporate tax cuts as an option fares the worst, with personal income tax cuts and debt reduction faring better in the tradeoffs. The public appears to reject the idea that cutting corporate tax would lead to increased

investments in new, innovative and more productive approaches. Both tax-reduction options are more strongly supported by those at the top of the income scale and by those who rate Canada's current level of productivity as low. An infrastructure, "roads and potholes" approach is also rejected compared with the other options.

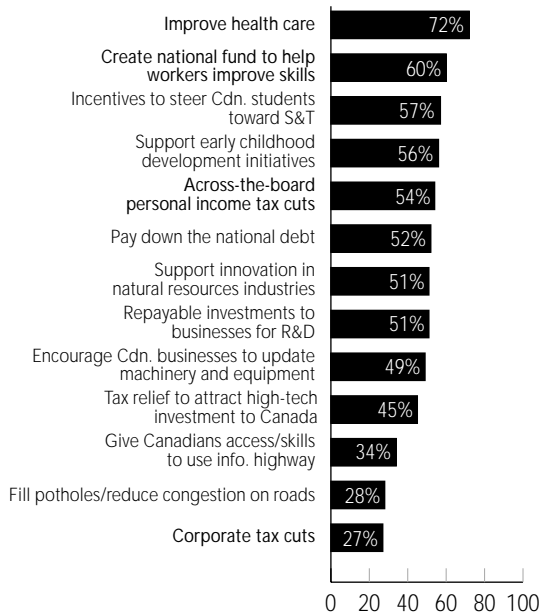
A range of more specific policy approaches to productivity has a reasonable level of support. These include supporting innovation in natural resources, incentives for business R&D and updating of machinery, and tax relief to attract high-tech investment. In forced tradeoffs with other options, these options are chosen one time out of two.

In a separate study, *Rethinking Government*, conducted at roughly the same time, we posed a number of questions to both members of the general public and a sample of senior decision-makers and elites in Canada

Frank L. Graves and Richard W. Jenkins

CHART 10
Productivity Tradeoffs

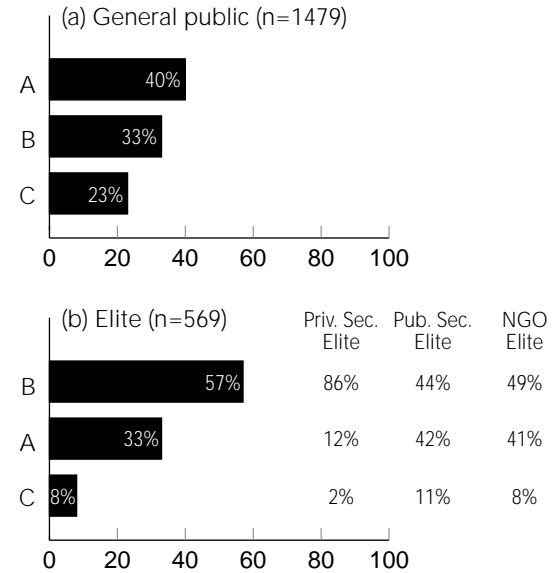
"If you were Prime Minister for one day and you had to choose how to allocate \$1 billion to improve Canada's productivity, which of the following two would you choose in the best public interest?"



Note: Presented in series of random paired choices
Percent indicates average number of times option is selected over all others. n=2500
Source: Productivity Study, June 1999.

CHART 11
Best Way to Improve Productivity

"On the issue of productivity, which one of the following three choices would be the best way for governments to help improve Canada's overall economic productivity?"



A - A national learning strategy to help Canadian workers.
B - A corporate and personal tax-cut strategy to reduce costs and stimulate the economy.
C - A national technology and "connectiveness" strategy to help business and citizens access the latest high-tech processes and equipment.
Source: Productivity Study, June 1999.

(Chart 11). To both groups, we offered three alternative ways that the government could improve the level of Canada's overall economic productivity: a national learning strategy, a corporate and personal tax-cut strategy, and a technology strategy. The alternatives are not exhaustive, but they cover the three basic elements of what productivity is often understood to be about: highly skilled workers, a positive investment climate, and a focus on innovation and technology.

Although people generally reject single-focus approaches in favour of mixed strategies, forcing them to choose one of the three does pro-

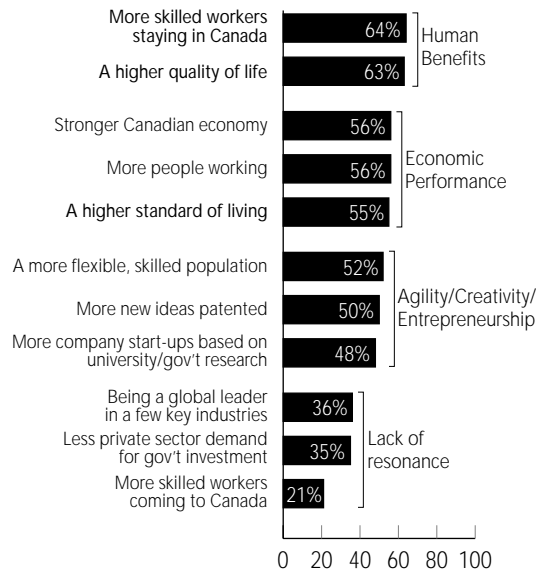
duce significant findings. Among the general public, all three approaches receive some support, with the least preferred approach — a technology strategy — favoured by 23 percent. The most favoured option is the national learning strategy to help Canadian workers (human investment strategy). These results are consistent with the tradeoff analysis. Among the decision-makers and elites, the pattern is strikingly different. A majority of decision-makers (57 percent) choose a strategy of cutting corporate and income taxes as the preferred option followed by a national learning strategy. Surprisingly, elites tend to reject a technology strategy, perhaps

Canadian Attitudes Towards Productivity: Balancing Standard of Living and Quality of Life

because of an ideological perspective on the role of government. However, there are important differences among the elite groups. The tax-cut strategy is the almost unanimous preference (86 percent) of private-sector elites, while public-sector and NGO elites are closer to the general public, although they are even less interested in a technology strategy.

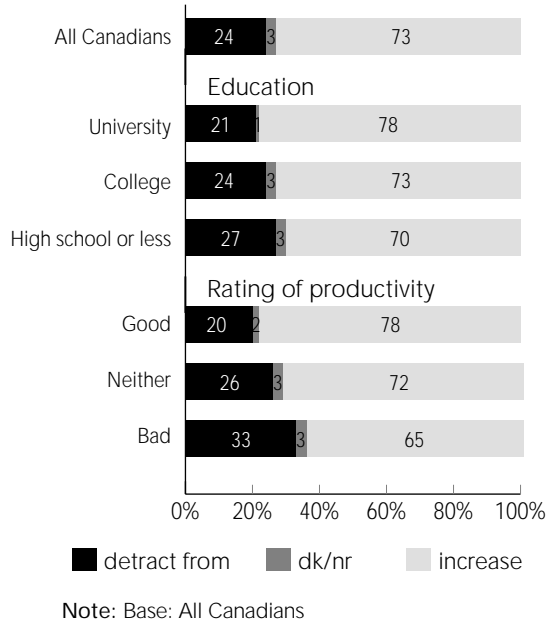
Another way to demonstrate the importance of human investment as a role of government is to look at how Canadians would measure a successful innovation agenda (Chart 12). Again using the tradeoff approach, drawn this time from the Innovation study in 2001, the two options most frequently chosen were both related to human benefits: more skilled workers staying in Canada and a higher quality of life.

CHART 12
Measuring a Successful Innovation Agenda
"What would be the best test of the success of a focus on innovation?"



Note: Randomly selected paired tradeoffs. Percentages represent aggregate wins. Source: Innovation Study, June 2001.

CHART 13
Social Programs/Productivity Linkage
"Which of the following two statements is closest to your point of view? (a) Social programs DETRACT FROM CANADA'S PRODUCTIVITY because they cost so much and keep taxes higher (b) Social programs are important human investments which INCREASE CANADA'S PRODUCTIVITY by ensuring a healthy, secure population"



economy, more people working and a higher standard of living.

Further evidence comes from public rejection of the idea that the current level of social spending is an impediment to improving Canada's current level of productivity (Chart 13). When asked to choose between the view that "social programs detract from Canada's productivity because they cost so much and keep taxes higher" and the view that "social programs are important forms of investment which increase Canada's productivity by ensuring a healthy, secure population," Canadians agree with the pro-productivity proposition by a margin of 75 to 25 percent.

Frank L. Graves and Richard W. Jenkins

Is the support for the benefits of social programs merely wishful thinking? Chart 13 also breaks down the results by the respondent's level of education and perception of current Canadian productivity. Not surprisingly, those who rate Canada's productivity as poor are more likely to say that social programs detract.¹⁵ Indeed, those who think that Canada is faring poorly are more likely to see our social programs as the culprit, though even here 65 percent support the view of social programs as providing important benefits. Significantly, those with higher levels of education, and presumably more knowledge and considered views about the debate, are actually less likely to say that social programs detract. The idea of social spending as an investment does resonate with Canadians.

256

There is clearly a significant gap in the understanding of how productivity should be dealt with between the residents of Canada's family rooms and the residents of its boardrooms: the fairly balanced approach of the general public with its accent first on lifelong learning skills and knowledge compared with the strong preference toward a tax-cut strategy among the elites. There are competing explanations for these different opinions on policy. On the one hand, despite understanding many of the fundamentals of the productivity debate, the policy options favoured by the public may simply reflect the kinds of activities that they prefer to have government undertaking irrespective of their impact on productivity. Certainly the policy options that come out on top are firmly rooted in the priorities and values that the public expresses in general about the role of government. On the other hand, those who rate Canada's productivity as poor are more likely to support the tax-cut strategy and less likely to emphasize

human investment. This suggests that a more negative attitude concerning the current level of productivity might produce a different policy toolkit. It is just that a seriously negative outlook has not emerged.

CONCLUSIONS

Many features of the debate on the need to improve productivity had filtered down to the public as early as 1999, even though at that time a majority could not recall hearing much about it and those who could were divided about whether they were hearing positive or negative things. That said, most people believe that Canada is in a relatively weaker position than our major trading partner in terms of both productivity and income. The perceived gap is partially related to the view that improving productivity is central to the long-term economic well-being (standard of living) and social well-being (quality of life) of Canadians. Importantly, those who think that Canada's situation has worsened in terms of either quality of life or standard of living are more pessimistic about Canadian productivity.

Ultimately, the degree to which Canadians are able to consider the key elements of the debate is symptomatic of a public that is more in tune with contemporary economic developments and more capable of taking part than might be expected. Certainly the argument can be made that discussions about productivity, innovation and other aspects of economic performance should not be left solely to the purview of the private sector, economists, politicians and other experts. The Canadian public today, like that in most other advanced Western countries, is much less deferential than in the past — much less willing to see such decisions

Canadian Attitudes Towards Productivity: Balancing Standard of Living and Quality of Life

made on their behalf by others, behind closed doors. Many members of the public recognize the key components of the debate and have a position on the kinds of responses government should undertake.

In part, public attitudes derive from the fact that the public understands the issues and looks to the state to provide public goods, and a strong vibrant, productive economy is clearly one such good. The desire to establish a link between economic and social progress is clear in the public mind and could be identified under the rubric of *humanomics* (Graves 2000). People want to understand productivity as something associated with having a healthy economy, which requires human investment, and which is ultimately sought for the purpose of having a higher quality of life. Productivity for a higher *standard of living* might be characterized as a Bay Street model focused primarily on tax cuts and minimal government. This model does have a constituency — about one in four Canadians — who, not surprisingly, tend to be male, affluent and economically secure. The Bay Street model, however, does not resonate with most Canadians who want more of a Main Street productivity agenda. An agenda focused primarily on achieving a higher quality of life. The choice of policy instruments and approaches is related to perceptions about the state of the productivity problem, with those whose assessment is most negative being most supportive of the Bay Street model.

In moving forward, the public believes there are some clear winners and losers among the various strategies. Some elements are seen as more important than others. For example, the clear winners were human capital and innovation. The clear losers, relatively speaking, were corporate tax cuts, minimal government

and the old passive redistribution tools for dealing with inequality. Governments and others interested in advancing a productivity agenda would do best to frame it as a means for achieving a higher quality of life. There is a growing desire to explicitly link and coordinate social and economic policy, and not to see them as tradeoffs. Canadians are evidently not in the dark about the current state of the economy, so it is not simply a matter of overcoming an information deficiency. In fact, the Canadian public preference for a human investment approach to productivity is consistent with Heath's argument, in this volume, that an emphasis on productivity should not come at the expense of other priorities, many of which are not inconsistent with productivity growth.

257

NOTES

The authors would like to thank Keith Banting, Andrew Sharpe and the anonymous reviewer for their helpful comments on earlier versions of this paper. All errors remain, of course, those of the authors.

- 1 There is some debate about these conclusions. Trefler (1999) cautions that productivity levels vary considerably by type of output, with low-end manufacturing performing well.
- 2 *Rethinking Government* is a syndicated research program that began in 1994 and is continued on an annual basis. Each year approximately 6,000 Canadians are interviewed as part of a three-wave survey program that tracks Canadian attitudes on a range of government issues.
- 3 The Innovation survey was conducted between June 13 and 22, 2001 with a nationally representative random sample of 1,955 Canadians.
- 4 Between 1976 and 1989, aggregate labour market participation rose rapidly to an all-time high in 1989 fuelled largely by the entry of women into the labour force (Ip 1998).
- 5 By lags we mean that the public may be slow to fully appreciate an improvement in the economy or slow to recognize the depth of a downturn. The lags are, of course, evident at the macro level and should not

Frank L. Graves and Richard W. Jenkins

- be read as indicating irrationality in public assessments of the economy.
- 6 All responses were transcribed by the interviewers and then grouped by common theme by trained coders.
- 7 We also presented respondents with a set of paired terms (damaging vs. rewarding for Canada; pessimistic vs. optimistic; insecure vs. secure) and asked them to select the one that best described their attitude to productivity. Majorities for all pairs chose the positive response.
- 8 Of course, this is a reflection of the broader resonance for the public of the idea that big business has too much influence on government policy.
- 9 The wording of the question was, "Do you recall reading, hearing or seeing anything recently about the state of Canada's productivity?" Whereas 67 percent said no, 19 percent said, "yes, vaguely" and 13 percent said, "yes, clearly."
- 10 Perceptions of a productivity gap are highly related to educational attainment, with more education associated with a greater likelihood of seeing Canada as behind.
- 11 Beliefs about Canada's productivity are highly related to assessments of its position relative to the United States. Those who are positive about Canada's productivity are considerably less negative about the comparison with the United States. A respondent who thinks Canada is doing poorly is twice as likely to think that the United States has a higher level, which suggests that the comparison with the United States is factored into the overall assessment of our own level.
- 12 These elites are drawn from among the CEOs of the largest companies, the deputy minister cadre in senior governments, elected officials and the largest NGOs.
- 13 This is a critical element of the public's current understanding of the role of government in the process of achieving collective goods. The public wants the government to extend its role across many policy areas and adopt a long-term vision, but it also sees government in a less paternalistic light.

258

- 14 Each respondent was given four sets of pairs, randomly assigned, so the results here aggregate across all respondents and all pair selections.
- 15 Though not shown, one would find similar results if one looked at ratings of Canada in comparison with the United States.

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