

Press Release, November 28, 2013

“Task Force charts a new road map to close Ontario’s prosperity gap”

Ontario needs to correct its economic course with substantial investments and major productivity gains if it is to accelerate its stagnant growth

Toronto – Ontario is a long way off from closing the prosperity gap with its North American peers. In 2012, Ontario’s GDP per capita ranked a dismal 14th out of 16 North American peers. This ranking is unchanged from when the Task Force first began measuring Ontario’s economic progress more than a decade ago. To achieve the Task Force’s goal of ranking at the median North American peers, Ontario will have to increase its GDP per capita by nearly \$8,000. This is a tall order given the province’s poor growth performance since 2001.

In Course correction: Charting a new road map for Ontario, the Task Force identifies a number of key measures needed in both the private sector and government to get Ontario’s economy on the right track. Some recommendations are not new; lack of business investment in innovation and productivity enhancing equipment, for example, continues to be a stubborn problem among Canadian businesses. Labour productivity, particularly in Ontario’s important manufacturing sector, continues to be a leading drag on the province’s competitiveness. Without substantial change in these areas, Ontario will continue to miss its target of eliminating the prosperity gap.

Ontario also needs to do more to ensure those entering the labour force have the right skills to become entrepreneurial and innovative economic agents. Students today need a combination of job preparation and a well-rounded skillset that will help them succeed in the ever-changing workplace. Ontario should also reform its training routes for skilled trades to help increase both the quantity and quality of skilled tradespeople. Ontario’s high youth unemployment – 16.9 percent in 2012 - and lagging labour productivity are prime signals that better human capital development is strongly needed to build the province’s future prosperity.

This year’s Annual Report analyzes other potential areas for growth in Ontario. The province’s agriculture and agri-food sectors have garnered tremendous attention over the past year with impressive employment and production growth figures. By scaling up operations and investing in machinery and equipment, Ontario’s agri-food businesses can help boost exports and expand economic opportunities across the province. Northwestern Ontario is also on the cusp of major development as the discovery of new mineral deposits promises to bring significant job and business growth to the region. Yet government must work decisively and quickly to ensure the region has the labour supply and infrastructure necessary to proceed with planned projects.

Ontario has solid economic foundations but must adapt in order to remain competitive. Business leaders can no longer be complacent with the province’s current levels of investment and productivity. Likewise, government must implement the policies necessary to create the tools necessary for growth. This Annual Report offers a comprehensive guide to achieving these goals.

“The Task Force urges the province to follow our road map to close the prosperity gap,” said Roger L. Martin, Chairman of the Task Force on Competitiveness, Productivity & Economic Progress. “Without improvements to productivity and investments in future prosperity, the province will continue to fall behind its peers. Ontario cannot afford another missed decade of economic potential; the time to act is now.”

Prosperity Agenda 2020		
Goal	Current	Target 2020
Close the prosperity gap	14 th in peer group in 2012	At the median – 8 th by 2020
Attitudes	Business leaders are more confident in their business than the overall economy	Business leaders will drive spending in prosperity-enhancing investments
Investment	Recent investments in education have not been sufficiently focused on workplace preparation	Target education spending toward better preparing students to enter the labour market through systematic innovation and vocational education
	Northwestern Ontario is under prepared to capture the benefits of planned mining activities	Invest in tools needed to enhance skills development and economic growth in northern Ontario
	Business investment in innovative technologies and R&D lags US peers	Implement more ambitious plans for investment in innovation
Motivations	Improvements have been made to business taxation making Ontario more competitive	Continue to address issues with the tax system to encourage business investment and make it smarter
	Several tax credits disproportionately benefit high and middle income earners at the expense of low income earners	Fund WITB reform by eliminating unwise tax credits to increase labour force participation
	Negative externalities of pollution are not captured	Introduce revenue-neutral carbon tax
Structures	Global factors have greatly challenged manufacturing in Ontario	Direct policy toward supporting high value-added manufacturing
	Clusters receive little policy support	Develop cluster policy to increase collaborative economic policy
	Ontario is a net importer of agri-food, and lacks scale and M&E investment in the sector	Develop the food and beverage processing sector and reach out to global markets to expand economy
	Free trade agreement with Europe negotiated	Use CETA as a platform for further trade diversification
	Transportation is severely underfunded	Dedicate funding for infrastructure

About the Task Force

The creation of the Task Force on Competitiveness, Productivity & Economic Progress was announced in Ontario’s 2001 Speech from the Throne. Its mandate is to measure and monitor Ontario’s competitiveness, productivity, and economic progress compared to other provinces and US states. The Institute for Competitiveness & Prosperity is an independent not-for-profit organization established to serve as the research arm of Ontario’s Task Force on Competitiveness, Productivity and Economic Progress. The Institute is supported by the Ontario Ministry of Economic Development, Trade and Employment.

The complete report can be downloaded directly at:

http://www.competeprosper.ca/work/annual_reports/annual_report_course_correction

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