

Press Release, November 25, 2014

**“Task Force calls for Ontario to find its own way to a bright economic future”**

**Ontario needs to take a new tack to escape its current downward economic trajectory and get ahead of the competition.**

**Toronto** – Ontario’s prosperity gap with its North American peers is going in the wrong direction. In 2013, Ontario slipped to fifteenth out of sixteen peer jurisdictions on GDP per capita. Furthermore, the prosperity gap widened to \$11,180 in 2013, up \$180 from last year. Now, more than ever, public and private sector leaders in this province need to work together and take a new tack to get the economy moving in the right direction.

In its Thirteenth Annual Report, *Finding its own way: Ontario needs to take a new tack*, the Task Force on Competitiveness, Productivity and Economic Progress highlights four fundamental issues that have played a role in contributing to, and could form a base for a solution for, Ontario’s subpar economic performance: shifts in industrial composition; under performance in key education indicators; lagging business growth; and inadequate levels of innovation. Without substantial change in these areas, Ontario will fail to close the prosperity gap and will continue to trail the competition.

Ontario has made great strides over the years to move forward on some of the factors that increase the province’s competitiveness and prosperity. Ontario now has a competitive corporate tax structure and a marginal effect corporate tax rate that is at the OECD average. Significant investments have been made at all levels of the education system to build a brighter future. And much has been done to reduce social and income inequalities that can hold back progress.

However, in the face of this year’s Report and findings, the province must consider more dramatic courses of action. Ontario needs to “tack away” from policies and programs other jurisdictions pursue. Copying the actions of others will not be enough to revitalize the province’s economy to lead in the coming years.

“The only way a laggard can overtake stronger economies is by being different,” said Roger L. Martin, Chairman of the Task Force on Competitiveness, Productivity and Economic Progress, who is also a Professor and former Dean of the University of Toronto’s Rotman School of Management. “It is our hope that economic leaders, in both the private and public sectors, draw on the findings and recommendations in this Annual Report to chart a unique course that gets Ontario to the finish line from a different angle, but ahead of our competition.”

These new approaches need to address four significant challenges.

**Industrial composition has shifted:** Using extensive data on employment, wages, exports, and clusters for Ontario and the North American peers, the Task Force has unearthed some alarming trends and likely contributors to Ontario’s low productivity.

- Ontario has lost economic activity in important infrastructure industries, such as nonresidential and utility system construction.
- Business support industries, like human resource services and management of companies, have grown more slowly than in US peers.
- Ontario has a smaller advanced manufacturing sector than its peers and the share Ontario has is dominated by the motor vehicle parts industry, leaving Ontario vulnerable to negotiation and global economic forces.

**Education system is under performing:** Ontario must move to ensure that quality education emphasizes quantitative and technical capability. Occupations requiring math and science have the highest wages and most promising projections for growth. Yet Ontario students are falling behind students in peer jurisdictions in these two areas, despite significant government investment. Steps must be taken to ensure that students today have the math and science skills to fill the labour market needs of the future.

- Ontario students' performance in science and math deteriorated in the last decade. Ontario ranked well relative to the OECD average, but performed poorly when compare to its North American peers.
- Math and science knowledge among teachers is significantly lower in Ontario than in its peers. Only 19 percent of students were taught math by a teacher with a major in math, and only 44 percent of Ontario students learned from a teacher who majored in science.
- Some teachers have argued that changes made to the math and science curriculum in 2000 are also proving to be very difficult for students, reducing their performance and understanding of the subjects.

**Business growth lags:** Ontario continues to fail to build globally significant companies, and insists on providing incentives to "stay small." To compete in the economy of the future, the province will have to consider new ways to inspire growth.

- Introduce smart regulations that reduce the cost and time of starting and growing a business.
- Encourage competition by opening industries up to trade, since competition drives innovation and productivity.
- Amend the government's historic view of tax policy, to incentivize growth rather than favour the status quo SMEs.

**Levels of innovation are inadequate:** For years, the Task Force has noted that the province's private sector has failed to make the investments and innovations necessary to compete on a global scale. Now, Ontario must take a new tack to foster a competitive innovation ecosystem.

- Rebalance and consolidate direct and indirect support for R&D.
- Improve intellectual property protection laws so that home grown innovations stay close to home.
- Introduce a patent box to incentivize corporations to retain and repatriate their intellectual property.
- Set up a crown corporation to protect patents abroad.
- Build "innovation infrastructure" such as better benchmarking data and establishing a Productivity Ontario initiative.
- Continue efforts to teach innovation in secondary school.

#### **About the Task Force**

The creation of the Task Force on Competitiveness, Productivity and 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, Employment and Infrastructure.

**The complete report can be downloaded directly at:**

[http://www.competeprosper.ca/work/annual\\_reports/annual\\_report\\_finding\\_its\\_own\\_way](http://www.competeprosper.ca/work/annual_reports/annual_report_finding_its_own_way)

For more information contact Jamison Steeve, Executive Director of the Institute for Competitiveness & Prosperity at 416.946.7585.