cce | The Centre for Civic Engagement

THE HUNTER PRIZE FOR PUBLIC POLICY

Fixing the Machinery: A Canadian Productivity Commission for a More Prosperous Future

Shane Joy

This study was commissioned by the Centre for Civic Engagement. The CCE is a non-partisan Canadian charity dedicated to conducting original research on public policy issues related to Canadian prosperity, productivity, and national flourishing. The CCE's research informs an active program of policy seminars, events, conferences, and lectures all aimed at providing the policy making community with actionable insights that encourage informed decision making on issues that matter to Canadians.

cce | The Centre for Civic Engagement

Canada's Productivity Crisis

For much of the postwar era, Canada's prosperity rested on rising productivity. Each generation could expect to live better than the one before as economic growth translated into higher wages, new opportunities, and improved public services. That expectation no longer holds. Over the past decade, productivity growth has slowed to a crawl. Real GDP per capita has fallen below its 2019 level, and the gap between Canada and the United States continues to widen.

The implications are broad and enduring. Slower productivity growth limits wage increases, reduces tax revenues, and constrains the government's ability to invest in priority policy areas. While the federal government has recognized the challenge of "weak productivity" and has introduced ambitious measures to accelerate growth, policy initiatives risk losing momentum once political focus shifts. Canada's existing institutional architecture lacks the mechanisms required to measure progress, propose cross-jurisdictional reform, and sustain long-term attention to productivity.

The central question, then, is not simply whether Canada understands its productivity problem, but whether it can design a durable solution. The missing element in Canada's governance framework is a permanent, independent institution devoted to reporting on the variables influencing productivity, proposing and evaluating reforms, and raising public awareness of productivity as a policy issue.

Issue Overview

A Persistent Decline in Productivity Growth

Canada's productivity performance has weakened steadily since the mid-2010s. Between 2015 and 2024, real GDP per capita grew by just 1.7 percent, compared to 18 percent in the United States. Labour productivity – measured as output per hour worked – has seen no growth in recent years, with Canadian productivity decline coming second amongst G7 countries. Following a period of growth at the turn of the century, business investment per worker has generally declined since 2014, reflecting years of underinvestment in equipping Canadians with better technologies. The consequences of this decline impact all Canadians, creating an increasingly unattractive, lower-wage economy for people to live and work in.

The Structural Drivers of Weak Productivity

Several structural features have compounded Canada's stagnating productivity:

- **Low business investment:** Firms spend less on capital and research than competitors abroad, widening the gap in efficiency and innovation.
- **Limited competition:** Concentration in key sectors, from telecommunications to air travel, reduces incentives to innovate and adopt new technologies.
- **Regulatory inefficiency:** Overlapping and overly restrictive federal and provincial regulations raise costs and slow the pace of project approvals.
- **Slow technology diffusion:** Canada performs well in early-stage innovation but poorly in scaling and adoption.
- **Skills mismatches and mobility barriers:** Credential recognition, interprovincial labour mobility, and retraining programs lag behind changing economic needs.

These issues intersect and reinforce one another, and the result is an economy that works hard but underperforms.

Fragmentation in Policy Design and Canada's Institutional Gap

Responsibility for productivity in Canada is currently divided across multiple agencies with limited coordination. Statistics Canada boasts world-class analytical capacity and published measures of Canada's productivity for a decade, but they were discontinued after 2015. The Department of Finance conducts some research on productivity, but its focus is not on the structural determinants of long-term growth. Innovation, Science and Economic Development Canada manages industrial and innovation policy, yet its programs are often dispersed with limited evaluation of their cumulative impact. The Parliamentary Budget Officer (PBO) provides independent fiscal analysis and could, in theory, be tasked to focus on productivity, but its core mandate is to support federal parliamentarians. The Competition Bureau enforces market fairness but has limited capacity to assess economy-wide effects of regulatory barriers. Employment and Social Development Canada and Infrastructure Canada influence productivity indirectly through programs that shape skills, labour mobility, and public investment, while Natural Resources Canada, Transport Canada, and Agriculture and Agri-Food Canada play specific roles in ensuring Canada's resource, trade, and agricultural sectors contribute efficiently to the economy.

While each agency performs critical work, Canada's policy system has no permanent institution dedicated to understanding, measuring, and improving productivity. The Economic Council of Canada, a Crown corporation that once provided quasi-independent economic analysis, was abolished in 1993, leaving a void that successive governments have failed to fill. Since then, Canada's approach to productivity has been reactive, relying on temporary initiatives such as the Working Group on Public Service Productivity or the now-dormant Economic Strategy Tables, which produce useful insights but lack institutional continuity. Existing public institutions move too slowly, constrained by opaque processes, risk aversion, and path dependency, while other potential models fall short: a Crown corporation or agency like the Competition Bureau would remain under ministerial oversight; a royal commission would be costly and temporary; and a body like the CRTC would be too involved in policymaking. Nor would a think tank model suffice, as it would operate too far from the policymaking process. Canada needs to find the right balance for a permanent, independent institution capable of conducting transparent analysis, coordinating reform, and sustaining attention to productivity over the long term.

Jurisdictional Scan: International Models and Lessons for Canada

Australia

Established in 1998, Australia's Productivity Commission (PC) represents the benchmark for a potential productivity reform institution. Created through legislation and reporting directly to Parliament, it conducts public inquiries on topics with submissions, hearings, and interim reports available for scrutiny. Its open process not only ensures reporting is informed by a breadth of perspectives but also builds credibility with the government and the public. While governments are not obliged to adopt the PC's recommendations, successive administrations have done so, recognizing its value in supporting complex policy choices. The PC's research has guided key policy announcements and government deliberations in agriculture, healthcare, AI, and early childhood education.

The PC has been recognized internationally for its evidence-based analysis. According to its 2023-2024 annual report, the PC reported meetings with the IMF, OECD, and 17 countries across Europe, Asia, Africa, and North America, including Canada. The Australian model demonstrates the power of such an institution, producing analysis that is both technically sound and politically durable.

New Zealand

The New Zealand Productivity Commission (NZPC) was established in 2011 as an independent Crown entity, modelled closely on Australia's commission. In February 2024, it was disbanded and replaced by the Ministry for Regulation. During its tenure, the NZPC contributed to national debates on regulation, immigration, housing, technological change, and the future of work. The annual report from its final full year of operation (2022-2023) shows that the NZPC improved the public's understanding of the issues it studied and attracted extensive third-party coverage.

While some of its analyses were influential, however, few of its recommendations were formally adopted by the government. Following 2020, critics within the governing ACT Party argued the Commission was overly politicized, leading to its dissolution.

United Kingdom

Established as an independent executive agency in 2015, the United Kingdom's National Infrastructure Commission (NIC) undertook national infrastructure assessments during each Parliament as well as studies in specific areas. While it was made an agency of the Cabinet and merged with another department in April 2025, the NIC's 2023-2024 annual report alone demonstrates its success in translating five recommendations into major policy announcements. Though narrower in mandate, the UK example underscores the potential for a productivity commission to improve the policymaking process.

The experiences of these countries reveal key design criteria: independence to ensure credibility, transparency and consultation to build trust, stable funding and clear, closely followed mandates to sustain continuity, and integrated analysis to enhance policy relevance. Canada has the analytical capacity to meet these standards but lacks the institutional framework to sustain them. A Canadian Productivity Commission should therefore be built on these same principles.

Policy Proposal - The Canadian Productivity Commission

Purpose and Mandate

The Canadian Productivity Commission would serve as an independent institution dedicated to advancing long-term productivity growth. Its overarching purpose would be to raise Canada's standard of living by identifying structural barriers to improved economic performance and recommending practical, evidence-based reforms.

The CPC's mandate would rest on four core functions:

- **Monitor and report:** Produce annual *State of Productivity* reports tracking national and sectoral trends in labour, capital, and multi-factor productivity, benchmarked against leading OECD economies.
- **Analyze and advise:** Conduct independent inquiries into key productivity variables such as taxation, regulation, competition, education, and innovation and propose actionable policy reforms.
- **Coordinate and evaluate:** Assess the productivity impacts of major federal and provincial initiatives, reducing duplication and ensuring consistent evaluation.
- **Engage and educate:** Promote public understanding of productivity and its link to wages, affordability, and quality of life through open data tools, public hearings, and collaboration with academic and industry partners.

Through these functions, the CPC would bridge the gap between data and decision-making, providing a continuous, non-partisan mechanism for diagnosing Canada's economic challenges and tracking progress over time.

Institutional Design and Governance

To be effective, the CPC must combine independence, transparency, and integration within Canada's federal system. Its proposed structure draws on independent domestic examples that have successfully informed national policymaking, such as the Canadian Climate Institute and the Ecofiscal Commission, as well the Australian Productivity Commission to ensure high-quality, transparent analysis is informed by diverse perspectives and effectively shared with the public and parliamentarians. Within the Canadian context, the PBO provides a proven institutional precedent for embedding independent forward-looking analysis within parliamentary governance. Ranked by the OECD in 2024 as the world's top independent fiscal institution, the PBO exemplifies how analytical rigour and accessible communication can be successfully combined in Canada. By integrating these domestic design features with international best practices, the CPC would be enabled to provide evidence-based productivity policy analysis in accordance with its design criteria.

1. Governance Structure

The CPC would be overseen by a Board of Commissioners composed of seven to nine members making collective decisions on its workplan and reports. Commissioners would be formally appointed by the Governor-in-Council following an open recruitment process led by an independent, non-partisan selection panel and, modelled on section 79.1 of the *Parliament of Canada Act*, require consultations with leaders of the government, opposition, and parties in both Houses before appointments are approved by resolution. This process would ensure cross-party legitimacy, parliamentary oversight, and protection from executive influence, essential safeguards for maintaining the CPC's credibility.

Commissioners would serve staggered, non-renewable six-year terms to ensure continuity and independence. Membership would include leading experts with backgrounds in labour economics, environmental and resource economics, regional and urban development, Indigenous economic development, and related disciplines. The Chief Commissioner, appointed from among the members, would serve as the organization's head and be responsible for ensuring transparent public reporting before Parliament.

A Council of Advisors, composed of representatives from industry, labour, Indigenous organizations, academia, and civil society, would also provide advice to the commissioners on research priorities and emerging economic issues. The Advisors would be appointed by the Commission following an open call for nominations and meet regularly to share insights and feedback, ensuring the CPC's work remains relevant, balanced, and informed by diverse perspectives. To safeguard impartiality, all members would be subject to a conflict-of-interest policy, with membership structured to prevent dominance by any single sector.

2. Reporting Relationship

The CPC could be designated an Officer of Parliament under statute with the authority to publish reports, data, and recommendations without prior approval. Its principal accountability would be to both Houses of Parliament through the tabling of its reports. While the PBO's mandate is confined to federal analysis, the CPC's enabling legislation should also provide for joint inquiries commissioned alongside provincial governments. These studies could be launched through intergovernmental agreements, allowing the Commission to address cross-jurisdictional issues such as interprovincial trade, labour mobility, and regulatory harmonization. This flexibility would respect Canada's federal structure while maintaining the Commission's analytical independence.

3. Independence and Funding

The CPC could be financed through a process modelled on sections 79.11(7)-(8) of the *Parliament of Canada Act*. The CPC's budget estimate would be proposed by the Commission, reviewed by the Speakers of both Houses, and submitted to the Treasury Board each fiscal year. While this ensures accountability to Parliament, it also means the commission's independence could be affected by budget decisions. Maintaining independence is essential for credible, unbiased policy research and advice, which must be done by ensuring the commission operates strictly within its defined mandate and avoids the political scrutiny that accompanies stepping outside its remit. Mitigating this limitation will allow the CPC to build a strong reputation of rigour, transparency, and credibility so politics is less likely to influence its work.

An annual operating budget of approximately $15 million would support about fifty staff including economists, policy analysts, statisticians, and communications specialists in addition to remuneration for the Commissioners. This funding level is roughly double that of the PBO, whose operating budget is $8.5 million, but lower than that of the Australian Productivity Commission, at roughly CAD $36 million annually. This reflects a deliberate design choice: the CPC would leverage existing analytical capacity rather than duplicate it, while retaining the flexibility to expand as its value becomes established. The CPC's budget would represent a negligible share of federal expenditures, and the successful implementation of its recommendations would yield significant dividends. By spurring policy reform, even a modest sustained increase in annual productivity growth could generate billions in additional GDP within a decade.

4. **Organizational Structure and Operations**

The CPC could operate through three interconnected research, engagement, and communications divisions, overseen by a Chief Executive Officer appointed by the Commissioners and supported by a small human resources team. The Research Division would conduct analyses using data provided in partnership with Statistics Canada, developing reports and policy options on structural issues affecting productivity. The Engagement Division would design consultations with stakeholders, governments, and the public to ensure that the Commission's work is informed by diverse perspectives. The Communications Division would ensure the CPC's findings are clearly communicated to Parliament and the public through publications, data visualizations, and the media.

Reporting and Accountability

Public legitimacy depends on openness and credibility. All CPC inquiries would be conducted through a transparent, participatory process with a terms of reference and issues paper made public to invite submissions, followed by hearings and roundtables with stakeholders, the publication of an interim report, and a final report tabled in Parliament and released online.

Governments would not be required to implement the CPC's recommendations, and, as with any parliamentary agency, its analysis will not be infallible. Even without binding authority, the PBO demonstrates that independent, high-quality research can strongly influence public debate, parliamentary scrutiny, and policy decisions by providing transparent, evidence-based reporting.

Implementation Plan

The CPC could be established within three years through a phased approach:

- **Phase 1 – Legislative Foundation (Year 1):** Introduce and pass the *Canadian Productivity Commission Act*, defining the Commission's powers, reporting structure, and funding mechanism. Recruitment of staff takes place following the appointment of the Commissioners.
- **Phase 2 – Initial Operations (Year 2):** First *State of Productivity* report delivered to Parliament, identifying priority areas for reform. Following the creation of a workplan, initiate inaugural public inquiries.
- **Phase 3 – Expansion and Integration (Years 2-3):** Regular review cycles established with annual reporting. By the third year, the Commission should be fully operational and its analyses embedded into Cabinet decision-making and departmental planning.

Why This Model Fits Canada

The proposed CPC draws on the best features of its international counterparts while adapting them to Canada's system. The CPC's ability to co-sponsor studies with provinces would reflect Canada's tradition of cooperative federalism and ensure productivity reforms respect regional diversity. A Council of Advisors, representing Canadians from across the country, would enhance the Commission's work by ensuring its research is attuned to emerging economic challenges and remains a truly national project, reflecting the fact that productivity is both a public and private responsibility. Its status would make it a permanent feature of Canada's policy architecture, establishing an institution devoted to understanding and improving how Canadians create and share prosperity.

There is no single policy that can solve Canada's productivity crisis. The problem is not a lack of talent or ambition, as Canada's researchers, entrepreneurs, workers, and public servants are among the best in the world, yet the results are not adding up despite their hard work. The CPC would not be a silver bullet, but by institutionalizing long-term productivity thinking into the country's economic policymaking, it would lay the groundwork for transforming a chronic weakness into a sustained national project.

Political and Implementation Considerations

The CPC fits squarely within the legislative priorities of the current government. As identified by Prime Minister Mark Carney's mandate letter, stagnating productivity is "making life less affordable for Canadian families," and his letter's emphasis on regulatory modernization, AI deployment, defense industrial policy, and recalibrating immigration would gain analytical support from the CPC's work. Productivity improvement also remains a rare area of broad political agreement. Investing in a commission would signal Canada's seriousness about tackling the structural causes of stagnation.

Intergovernmental cooperation will be essential. Many of the most significant barriers to productivity lie within provincial and territorial jurisdictions, and the CPC's success will depend on its ability to collaborate closely with sub-national governments. Provincial participation in relevant inquiries would allow governments to fully capitalize on the CPC's insights for designing reform and explaining difficult policy choices to the public.

The international trade environment makes institutional reform even more pressing. The resurgence of economic nationalism, particularly in the United States, has led to the imposition of tariffs affecting thousands of Canadians. These measures have raised costs, disrupted supply chains, and underscored Canada's vulnerability to external economic shocks. A more productive economy would be better equipped to absorb these pressures. By lowering production costs and boosting competitiveness, Canada could shield living standards from the impacts of tariffs and sustain growth as global trade becomes more fragmented.

Conclusion

Canada's productivity crisis is not a mystery. It stems from decades of underinvestment, fragmented governance, and short-term thinking. The country has the data, talent, and ambition to reverse these trends, and a Canadian Productivity Commission would provide the institutional foundation to do so. By integrating evidence, consultation, and evaluation into the policy process, it would transform productivity from a recurring talking point into a continuous national mission, helping Canada build a more dynamic, innovative, and competitive economy. The Commission's modest annual cost of roughly $15 million is negligible compared to the scale of the problem it seeks to address, while potential returns in the form of higher output, stronger wages, and greater fiscal capacity would be transformative. More importantly, the CPC would strengthen democratic governance by ensuring Canada's most important economic decisions are grounded in transparent, evidence-based analysis. Creating the CPC would not be a quick fix but by taking this step, Canada would begin to close the gap between potential and performance, ensuring that the promise of progress is once again within reach.

Shane Joy is a Master of Public Policy candidate at McGill University's Max Bell School of Public Policy, committed to strengthening evidence-based policymaking in Canada.

The Hunter Prize for Public Policy aims to shake up Canadian policymaking by marshalling fresh ideas, energy, and voices to take on a clearly-defined "wicked problem" and improve the economic and social well-being of Canadians.

cce | The Centre for Civic Engagement

centrecivicengagement.ca