

Intelligence MEMOS



From: Daniel Schwanen and Rosalie Wyonch
To: Innovation Policymakers
Date: March 26, 2018
Re: **AN INNOVATION REPORT CARD FOR CANADA**

Fostering innovation in the Canadian economy requires bringing a pro-innovation lens to a broad suite of policies that go well beyond the mainstay of providing businesses with research and development tax credits.

[Our research supports](#) such a holistic approach, which can help avoid situations in which innovation is promoted through some policies on the one hand, but unwittingly held back by other policies on the other hand.

The current federal government has certainly refocused and expanded its innovation policy toolkit, based on the theme of building a nation of innovators in the 2017 budget. Among many initiatives, it reinforced the mandate of the National Research Council and other initiatives in the 2018 budget, and recently awarded \$950 million to five “superclusters” that will include matching investments by the private sector.

Nevertheless, our recent [innovation policy report card](#) shows that until very recently Canada ranked last among 14 comparator countries on a combination of policy variables that are related to positive innovation outcomes. These positive outcomes include high productivity and standards of living, business research and development activity, and business formation and venture capital activity.

We related these innovation outcomes to policy indicators grouped under these categories:

- Human capital, Excellence and Attractiveness to Knowledge Workers;
- Access to Markets and Competition Regime;
- Efficiency and Transparency in Public Sector and Regulated Infrastructure;
- Fiscal Regime;
- Regulatory Environment;
- Intellectual Property Rules;
- Policies Promoting Social Acceptance of Innovation;
- Government Direct and Indirect Support for Innovation.

Our overarching conclusion is that Canada’s poor overall innovation outcomes ranking stems from a lack of superior performance in any one of these broad policy categories. All other countries, by contrast, rank among the top third in at least one category.

This is important to know because we do not assume in our work that there is a “one-size fits all” approach to innovation that suits all countries. Nevertheless, being at or near the top in at least some of these categories would send a powerful signal that Canada is a great place for innovators to contribute to growth in Canadians’ standards of living, whereas a mediocre ranking across the board sends the opposite signal.

Canada’s strengths – and there are many – seem to be overshadowed by relatively low performance in many policy areas that likely influence innovation, ranging from access to markets and competitive environment, to regulation, taxes, intellectual property rights, and governments’ own often diffuse support for research and development. Canadian governments can do better – notably by removing barriers that turn away innovators, even as we seek to entice them with other policies.

To the extent innovators and those who invest in them are attracted by a unique policy proposition, and in the spirit of what fostered its athletes’ success in recent Olympic Games, Canada’s policy goal should now be to “own the podium” in some of these important policy categories, rather than be middling at best in all of them.

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