



THE PRODUCTIVITY PUZZLE

Launch Highlights and Reflections

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On April 3rd, Halifax Partnership launched ***The Productivity Puzzle*** initiative—a series of discussions, events, and research aimed at tackling one of Canada's most pressing economic challenges.

Kevin McCann, Managing Partner at NATIONAL Public Relations and Gold Sponsor of the event, spoke to the importance of being thoughtful in how we communicate a complex topic like productivity – emphasizing that clarity, context, and creativity are key to mobilizing change. More on this in a moment.

Unpacking the Productivity Emergency

The event wrapped with a dynamic panel discussion featuring Ken Cartmill, Co-CEO at LED Roadway Lighting, Randy MacMillan, President & CEO at Scotia Investments, and Julia Rivard Dexter, Co-founder and CEO at Shoelace Learning, who expertly grounded the conversation in real-world insights and solutions.

In between these bookends, the main event of the day was a keynote address by Canadian political journalist, Andrew Coyne, who offered excellent – but sobering – analysis and compelling advice to improve Canadian productivity. Here are a few broad summary points.

- Canada's metrics for productivity, economic growth, and our standard of living in recent years have been stagnant, if not in actual decline. Gaps with our international peers have been widening. While many have applied the term “crisis” to the situation, he offered that “emergency” may be a more apt description.
- These trends are all the more alarming in light of other current or impending calamities. We are now under economic assault from our largest trading partner and heretofore best friend and ally. Despite rapid population growth in recent years, we remain on track for a massive surge in the share of our population composed of the elderly. With this increase in our elderly population, health care costs are projected to skyrocket, presenting a grave fiscal risk.

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- The only way to climb out of this economic quicksand is through increasing our rate of economic growth, which in turn will depend on improving our productivity performance. Here he advises action on a broad range of issues: rethinking approaches to industrial policy, infrastructure spending, and the promotion of innovation; reforming tax and regulatory regimes to spur capital investment; and placing a central focus on the interests of consumers through the promotion of competition.

A Nova Scotia Lens on Productivity

The Partnership's [background paper](#) for this event addressed similar themes and cited other works by Andrew Coyne and by economist Dr. Trevor Tombe, who will provide a keynote address at the [next event in our Productivity Puzzle series on June 5th](#).

In my presentation on April 3rd, I put a Nova Scotia lens on some of the facts and findings discussed in the keynote address and announced that we will be “digging deeper” on topics like trade, competition, regulation, labour, immigration, investment, and taxation at future events. The goal of these discussions will be to build understanding and consensus towards the bold moves required to address the major challenges confronting us.

Rather than drilling deeper here and now into the economics of these subjects, let me follow [Kevin McCann's wise counsel](#) and address a different overarching question: how can we most effectively talk about productivity?

Productivity: Everyone Agrees... But Do They Understand It?

In the Partnership's recent City Matters Survey of Halifax residents, carried out by MQO Research, we asked:

“To what extent do you agree or disagree that the need for productivity improvement is a major issue in our economy?”

The split between those who agreed and those who disagreed was four-to-one, so that provides some very good news in terms of pushing a productivity-improvement agenda. However, 20% of respondents neither agreed nor disagreed, but rather chose the “I'm uncertain what economic productivity means” response.

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If bold changes will require some groundswell of public support - à la the swing in public opinion regarding demographic issues in the wake of the Ivany report a decade ago - additional work in communicating what productivity is and why it matters may be required.

There may be a silver lining in the dark Trumpian cloud hanging over us. Across Canada there has been sudden and broad agreement that we need to get our economic house in order tout de suite. Look at interprovincial trade barriers: we may see more progress in three or four months than we have in the past three or four decades.

However, *The Productivity Puzzle* initiative is grounded in the premise that generating widespread recognition that productivity is important and simply agreeing that we ought to “do something” is insufficient. The point is to convene deeper and more detailed conversations on the topics that matter and to spark action on solutions.

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Connecting Productivity to Real-World Impacts

Most people, even most business leaders, do not spend the bulk of their days contemplating the pros and cons of different approaches to economy-wide productivity improvement. By convening conversations with subject matter experts and leaders from business, government, academia, and elsewhere who have practical experience and wisdom regarding the issue at hand, this project is designed to provide information for those seeking to know more, including lessons learned from other jurisdictions that have achieved greater success in driving productivity improvement and generating better economic outcomes.

Another goal of these discussions is to address misapprehensions and misunderstandings. Kevin Carmichael, writing in *The Logic*, [recently described](#) some of these communications challenges.

“Too often, the champions of productivity assume the worthiness of their cause is self-evident. They launch an impressive array of charts and graphs, make some declarations, and then lament the fact that nobody listens.

In fact, the economics profession is part of the problem. It consistently fails to develop a

convincing story for why productivity matters. Former Bank of Canada governor David Dodge, who also served as deputy minister of Finance and Health, said in an interview late last year that the ‘political guys’ always resisted making productivity a central issue because it was too hard to sell to the electorate; people tend to react negatively. Many feel like they are being asked to work harder. Others equate productivity with automation, so they feel threatened. ‘We truly have a communication problem,’ Dodge said.”

Building on this point of how we make productivity issues more tangible to a broad audience, Julia Rivard Dexter, a panellist at our April 3rd event, provided useful feedback afterwards.

“Instead of abstract economic metrics, link productivity directly to opportunity statements people understand and can work toward and then start building actions around them. For example: *If we closed the productivity gap with the national average, the average Nova Scotian would be earning \$X more per year.*”

This is all wise advice, and we as economic developers and economists will do our best to take it to heart as we continue with our *Productivity Puzzle* initiative.

Tackling the Tough Stuff—Together

Future discussions necessarily will from time to time involve technical details. For example, taxes impact investment, investment impacts productivity, and productivity impacts our standard of living. Building momentum for tax changes that could improve our well-being will require discussing and understanding the varying impacts of different types of taxes.

We also will need to think clearly and thoughtfully about first principles. Beyond the basic indignation we feel about how the current American administration has been acting towards Canada, we are upset about their *de facto* abrogation of our free trade agreement because we understand the mutual



benefits that arise from free trade. Retaliatory measures *against the United States specifically* with the goal of having them come to their senses, remove their tariffs, and re-embrace free trade are a reasonable response. Retreating behind protectionist measures that would sour our trading relationships with the rest of the world, however, would run counter to the very principles we are trying to protect in our relationship with the Americans.

Finally, conversations about bold changes will inevitably entail strong opinions and differing points of view. Changes that generate benefits in the aggregate and over the long term may have negative impacts on specific groups or sectors in the short run. Simplifying our tax regime, for example, might catalyze investment and productivity improvement across the economy, but it also could have negative consequences for those in the tax accounting and legal business. Progress will require nuanced discussions on the trade-offs present across policy options and sensitivities to the consequences of various actions.

We hope that our audience on April 3rd found the event useful and informative and we look forward to continuing engagement with all partners, beginning with our next *Productivity Puzzle* event on June 5th – please [click here](#) to learn more and register.