



Standards Council of Canada
Conseil canadien des normes

Canada

The Economics of Standardization

Armchair Session
NSS Conference 2008
St. John's, NL

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How do Standardization Activities Affect Canada's Economy?



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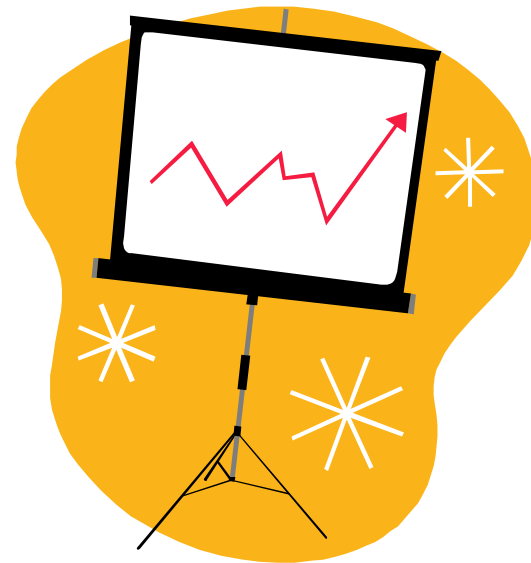
Research Needed to Answer Question

- Standards Council of Canada commissioned study
 - into economic impact of standards on the national economy
- Performed by the Conference Board of Canada
- Published in July, 2007
- Similar results in Germany and U.K.
- Makes sense – quantification is the challenge



Overarching Results

- Standards have significant and positive impact on Canada's economy
 - **Enhanced productivity**
- Quantifying effect remains the challenge





Standards Enhance Productivity

- A 10 per cent increase in the number of standards leads to a 3.6% increase in the level of labour productivity (output per hour worked)
- Growth in the number of standards accounted for 17% of the growth rate in labour productivity growth between 1981 and 2004



Standards Increase Economic Output

- Growth in the number of standards between 1981 and 2004 accounted for 9% of growth rate in real GDP in that period
- In 2004, expected economic output would have been lower by \$62 billion (5.5%) if not for growth in number of standards over preceding years



Canadian Results Similar to Other Studies

1999, German study

by Jungmittag, Blind and Grupp:

- Collection of standards affected long-run movements in economic output
- Standards have a positive impact on business sector output in the long-run



Canadian Results Similar to Other Studies

2005, U.K. study

by British Department of Trade and Industry (DTI):

- Collection of standards played important role in explaining long-run movements in British labour productivity
- Growth in the number of standards accounted for about 13 per cent of all labour productivity growth between 1948 and 2002



Optimizing Pace of Change in Standards

- Keeping standards up-to-date
 - important for productivity gains
 - but so is: ensuring pace of introduction allows timely adaptation
- Rapidly changing standards problematic because
 - innovators can be still learning what the standards require, and what impact they have
- Old standards constrain innovation because
 - they can lock innovators into outdated systems



Minimizing Barriers to Trade

- When national standards not aligned with international standards may hinder trade
- Standards can be a form of non-price competition in trade
- If international standards reduce product variety may reduce cross-border trade



Benefits to Canadian Business

- Continued ability to ship to international customers
- Improved capacity to enter supply chains
- Better product quality and less waste
- Easier inventory control
- Increased credibility with customers and regulators
- Safer products and less risk
- Reduced regulatory burden



Cost to Canadian Business

- Compliance is seen to cost money
- Inconsistent standards can inhibit trade
- Standards development takes time and money





Summary

- Standards have strong positive effect on
 - Productivity, and therefore on
 - the income and quality of life of Canadians
- Challenge
 - make the system better
 - enhance benefits of standards to all



Increased Effectiveness

Making the Canadian standards community more effective by:

- Involving more companies in standards development
- Celebrating their successes
- Recognizing and responding to international trends that affect standardization



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