Centre for Productivity and Prosperity
Walter J. Somers Foundation
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Press Release

Industrial Policy: Let's Stop Repeating the Same Mistakes and Expecting Different Results

Montreal, May 28, 2026 – Seventeen years after the first edition of *Productivity and Prosperity in Quebec – Overview*, the Centre for Productivity and Prosperity – Walter J. Somers Foundation (CPP) at HEC Montréal concludes that Quebec remains trapped in a flawed economic development model.

"Despite mounting warning signs, the Quebec government has stubbornly continued to pursue a strategy whose results did not justify either its scope or its cost," summarizes Robert Gagné, director of the CPP and co-author of the study. Billions of dollars in public funds have thus been poured into fruitless measures, and the province has never managed to foster a critical mass of companies competitive enough to establish themselves in foreign markets. And that is precisely where the crux of the matter lies: without a pool of productive and innovative companies to support sustainable export growth, the growth of the Quebec economy remains largely dependent on domestic demand, which jeopardizes the province's economic prosperity."

The QG100 Experience

In this context, the CPP argues that a complete overhaul of Quebec's industrial policy has become inevitable. Drawing on a partnership with the QG100 Network, which brings together Quebec companies that excel in exports, the report identifies the common traits of the highest-performing companies to guide this overhaul. The findings are unequivocal: led by executives better equipped to recognize the transformations needed and see them through, the companies in the QG100 Network stand out for their significantly more aggressive growth strategies, based on a sustained effort in investment, innovation, process modernization, and the integration of cutting-edge technologies. It is this strategic intensity that enables them to break into foreign markets and maintain a foothold there.

"The QG100 experience proves that a company becomes competitive when it is driven to invest, innovate, and continually renew itself," explains Robert Gagné. The real challenge, therefore, is no longer to add new measures to an already saturated system, but to rebuild an industrial policy capable of activating the true levers of competitiveness in an economy where the low intensity of domestic competition does not sufficiently incentivize companies to transform themselves. In this context, job creation must no longer be the starting point of industrial policy, but the culmination of a strategy focused on a sustainable increase in business competitiveness."

Shifting to a culture of innovation

Based on lessons learned from the QG100 experience, the five policy directions proposed in the report pursue a clear objective: to move Quebec away from an industrial policy that fosters a wait-and-see attitude and toward a culture of innovation. With this in mind, the researchers call on the government to revise its strategy by, on the one hand, reducing the scope and cost of its interventions, and on the other hand, easing the tax burden on all businesses.

Rather than making marginal changes by limiting themselves to tax cuts that periodically benefit only a limited number of companies, researchers recommend abolishing the contribution to the Health Services Fund (HSF), a tax disguised as a social contribution that generated $5.3 billion in revenue for the government in 2021—equivalent to just over half of the revenue derived from corporate income tax. "Because it is collected alongside contributions to the RRQ and RQAP, companies often assume it is a contribution dedicated to funding programs that benefit workers," explains the director. "That is not the case. And since it is a tax on a factor of production, the government is able to generate revenue from the vast majority of businesses that employ workers, regardless of their profitability."

In return, the researchers urge the government to rethink its interventions to reduce their cost and increase their effectiveness. "The findings from the QG100 Network's experience show precisely why the compartmentalization of the current strategy is counterproductive," explains Jonathan Deslauriers, executive director of the CPP and co-author of the study. "Among the most dynamic SMEs, investment, innovation, digitalization, and the adoption of cutting-edge technologies reinforce one another. By treating these behaviors as isolated silos instead—where assistance is granted based on strict eligibility criteria and within specific niches—the tax strategy has clearly failed to foster this synergy among SMEs. It has done more to support trajectories already underway than to encourage more hesitant companies to embark on modernization."

To reach as many businesses as possible while reducing the cost of its strategy, the researchers recommend that the government reserve tax assistance for SMEs. By breaking down silos in its approach and structuring its incentives according to the environment in which SMEs make their investment and innovation decisions, the government will be able to establish a more efficient policy framework, in which smaller but better-targeted budgets will yield better results than those achieved today.

The researchers therefore recommend using only direct aid to support large companies: "This shift will require moving beyond the false dichotomy between the presumed neutrality of tax incentives and the arbitrary selection of winners typically associated with direct aid. The current strategy already involves selection, yet it does not guarantee that public resources are funding the most promising projects. The call for proposals will at least have the advantage of making this selection explicit, competitive, and measurable," concludes the director.

For more information, see: Productivity and Prosperity in Quebec – Overview 2026 Edition

About the Centre on Productivity and Prosperity – Walter J. Somers Foundation

The Centre for Productivity and Prosperity — Walter J. Somers Foundation has a dual mission. It is dedicated to research on productivity and prosperity, with Quebec as its main subject of study. In addition, it works to disseminate the results of its research through transfer and education activities.
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About the Walter J. Somers Foundation

The Somers family established the Walter J. Somers Foundation in tribute to the founder of the Walter Group. Through different donations, the Foundation pursues the family heritage of commitment to the community and contributes to the prosperity of Quebec society, firstly by helping to improve its productivity but also by supporting excellence in youth education.

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