

The Canadian Legal Productivity Gap

Market, productivity, talent, and what hyper-specialized legal AI can return to Canada's economy – the research behind Misolla AI's Canada-only pivot

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Abstract

Canada has a productivity problem its own central bank calls an emergency, an economy built on very small firms that spend more on regulation per employee than almost anyone, and a persistent leak of its most capable people to the United States. It also has a legal-services industry that is 74% micro-businesses, that leaves four in five people with a serious legal problem without legal advice, and whose real output has been flat since 2021. This paper assembles the primary evidence on each of those facts, examines the measured effect of AI on legal work, and models what fully automated, Canada-specific legal workflows could return in professional hours and dollars. Under conservative assumptions the gain is about 10 million lawyer-hours a year; under a base case it is roughly 21 million hours, equivalent to 11,000 full-time lawyers, and consistent with what Canadian lawyers themselves expect from AI. Every figure cited was fetched from its source and independently re-fetched; the method is described at the end.

1. Summary of findings

Canada does not have a shortage of good law or of capable lawyers. It has a deployment problem: the work is done by hand, in very small firms, under regulation that costs the smallest businesses seven times more per employee than the largest, while the country's output per hour drifts further from the United States each decade.

- **Productivity.** Canada produced US\$75.3 of GDP per hour worked in 2024, 75% of the US level and below the OECD aggregate ¹. Relative to the United States, Canadian labour productivity has fallen 26% since 1997 ². The Bank of Canada's Senior Deputy Governor called it an emergency: "it's time to break the glass" ³.

- **Investment.** Canadian workers will receive about 55 cents of new business capital in 2025 for every dollar received by US workers; machinery-and-equipment investment per worker is 32 cents on the US dollar, down from 63 cents in 2008 ^{4,5}.
- **Small firms and red tape.** 98.2% of Canada's 1.10 million employer businesses are small ⁶. Regulation cost them \$51.5 billion in 2024 and 768 million hours ⁷; a firm with fewer than five employees pays \$10,208 per employee to comply, versus \$1,374 for a firm with 100 or more ⁸.
- **Talent.** A record 120,640 citizens and permanent residents emigrated in 2025 ⁹; close to 70% of emigrants hold a university degree and 61% of Canadian-born people living abroad are in the United States ¹⁰. Bank of Canada researchers estimate at least 40% of Canadians with top-1% earning ability live outside Canada ¹¹.
- **AI.** Canada ranks second in the world in AI research papers per capita ¹², yet only 19.2% of its businesses use AI to produce goods or deliver services ¹³, only 8% report significant operational use ¹⁴, and only 7% of Canadian law firms have fully implemented AI across practice areas ¹⁵.
- **The legal market.** Real output of legal services was C\$18.1 billion in 2025, flat since 2021 ¹⁶; 74.4% of employer establishments have fewer than five employees ¹⁷; 72% of Ontario's law firms are sole practitioners ¹⁸. Only 19% of Canadians with a serious legal problem obtain legal advice ¹⁹.
- **Evidence on legal AI.** Randomized trials show 12–32% faster completion of realistic legal tasks with GPT-4 and 14–37% with a retrieval-based legal tool, the latter with higher quality ^{20,21} – and commercial legal research tools still hallucinate in one of six to one of three answers ²².
- **The model.** Applying that evidence to 100,000 private-practice lawyers frees 10.1 to 52.6 million hours a year; the base case of 21.1 million hours is worth about C\$8.4 billion at national billing rates and equals 11,000 full-time lawyers. Four fully automatable practice areas alone have a ceiling of 5.14 million professional hours a year.

2. The productivity problem Canada cannot ignore

In March 2024, Carolyn Rogers, Senior Deputy Governor of the Bank of Canada, told an audience in Halifax that Canadian output per hour had fallen from 88% of the US level in 1984

to 71% in 2022, after six straight quarters of decline, and that the business-sector productivity level was unchanged over seven years. She did not soften it: “I’m saying that it’s an emergency – it’s time to break the glass” ^{3,3}.

The most recent data do not contradict her. On the OECD’s measure, Canada produced US\$75.3 per hour worked in 2024 against US\$100.1 in the United States and US\$84.5 for the OECD as a whole ¹. Statistics Canada’s own comparison puts the Canada-to-US labour-productivity ratio at 73.9 in the third quarter of 2025, indexed to 100 in 1997 – a 26% relative decline over a working lifetime ².

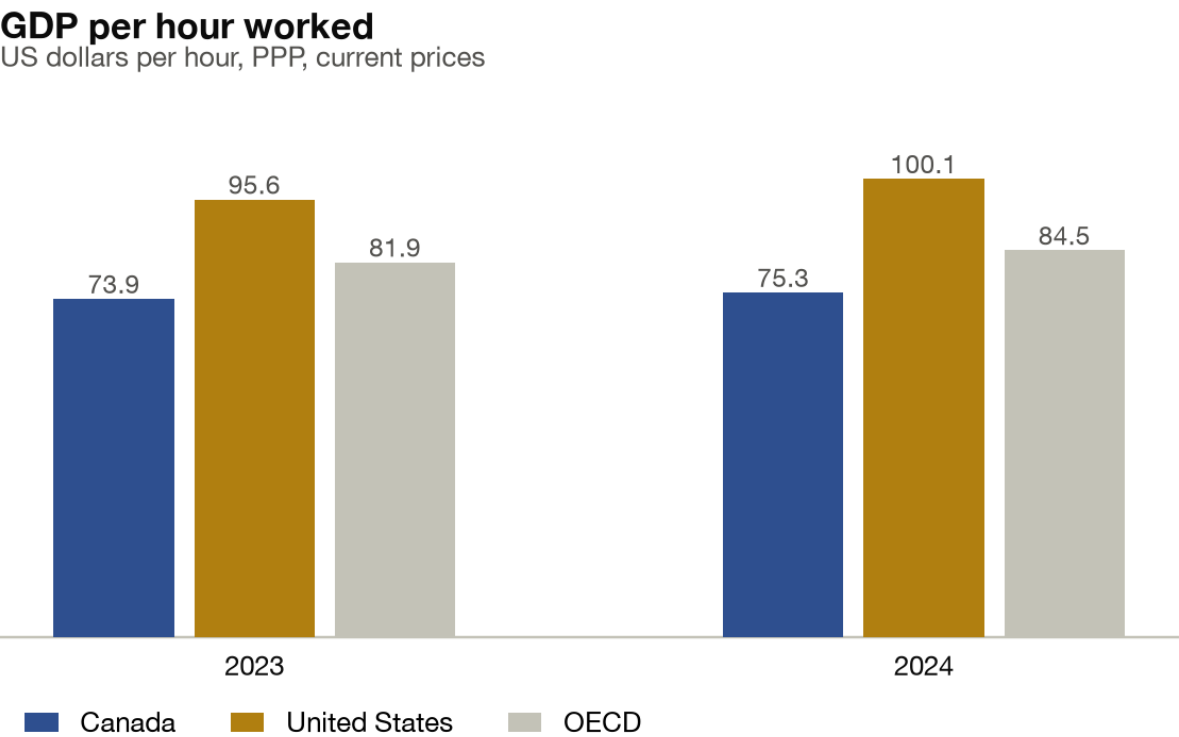


Figure 1. *GDP per hour worked, Canada, United States and OECD aggregate, 2023 and 2024.* Source: OECD Productivity database.¹

Growth has been close to zero for a decade. Statistics Canada’s business-sector labour productivity index averaged 98.3 in 2015 and 104.6 in 2025; strip out the pandemic composition spike of 2020 and its unwind, and the underlying rate is a fraction of a percent a year, with three consecutive annual declines from 2021 to 2023 before gains of 0.7% in 2024 and 1.1% in 2025 ^{23,24}.

Canada's business-sector labour productivity

Annual % change, computed from annual averages of the quarterly index (2017 = 100)

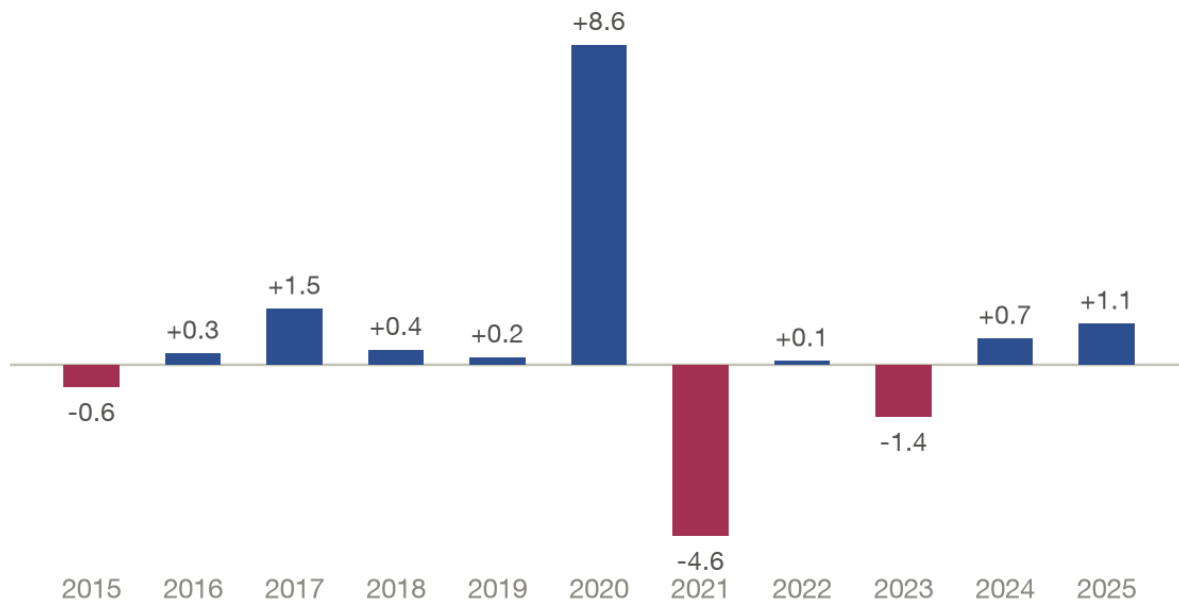


Figure 2. Annual change in Canada's business-sector labour productivity, 2015–2025. Source: Statistics Canada Table 36-10-0206-01; annual averages of the quarterly seasonally adjusted index.²³

Two features of the gap matter for this paper. First, it is concentrated in small firms. Statistics Canada finds that Canadian business-sector productivity was 73% of the US level in 2019 (down from 83% in 2002); small Canadian firms operate at 70% of their US counterparts while large firms operate at 87%, and small firms account for 58% of Canada's business-sector GDP against 45% in the United States²⁵. Whatever closes the gap has to work for firms with a handful of employees.

Second, it is an investment gap. The C.D. Howe Institute estimates that in 2025 Canadian workers will receive about 55 cents of new business capital for every dollar received by US workers, and 70 cents per OECD dollar; investment per available worker is almost a quarter below its 2014 peak⁴. Machinery-and-equipment investment per worker has fallen from 63 cents on the US dollar in 2008 to 32 cents in mid-2025: roughly US\$12,800 per worker in the United States against \$4,100 in Canada⁵.

Machinery and equipment investment per worker

Dollars per worker per year; 2025 = Q2 annual rate

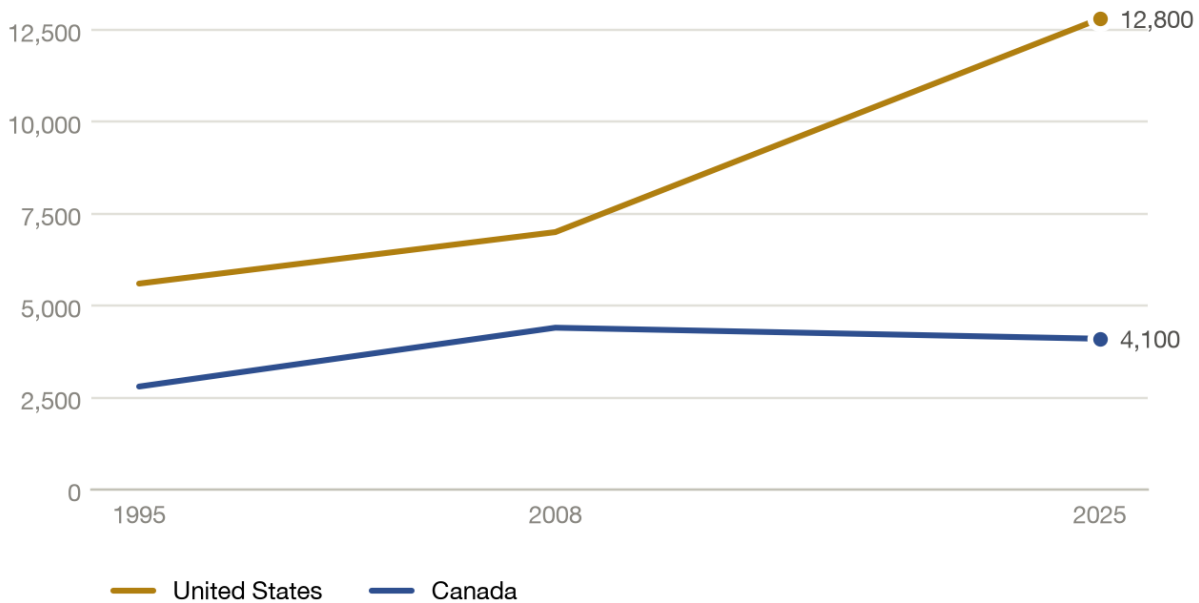


Figure 3. *Machinery and equipment investment per worker, Canada and United States, 1995, 2008 and 2025.* Source: C.D. Howe Institute.⁵

Dynamism is fading too. The business entry rate roughly halved from 24.5% in 1983 to 13.1% in 2012 ²⁶; in 2023 it fell again, to 12.3%, while the exit rate rose to 11.9% and the stock of active businesses grew just 0.5%, the weakest non-pandemic growth since 2009 ²⁷. Since early 2024, more businesses have exited than entered each quarter, and 55% of small-business owners say they would not recommend starting a business now ²⁸. A country whose firms are not forming, not investing, and not growing more productive is a country whose professional-services layer has to do more with less.

3. A conservative economy of small firms

Canada's private sector is structurally small. As of December 2024 there were 1.10 million employer businesses; 98.2% were small (1–99 employees), 1.5% medium, 0.3% large, and small firms employed 5.8 million people, 46.6% of the private labour force ⁶. About 105,000 small businesses are created every year and 93,000 exit; 91% of new firms start with one to four employees ⁶. Roughly two-thirds survive five years and fewer than half survive ten ⁶.

These firms carry a compliance load that scales the wrong way. The Canadian Federation of Independent Business puts the cost of regulation at \$51.5 billion in 2024, up 13.5% from 2020, of which \$17.9 billion is red tape; businesses spent 768 million hours complying, the equivalent of nearly 394,000 full-time jobs ⁷. The average small business owner spent 735 hours on compliance in 2024, 256 of them on avoidable red tape. Per employee, the smallest firms pay \$10,208 and spend 198 hours; firms with 100 or more employees pay \$1,374 and spend 8 ⁸.

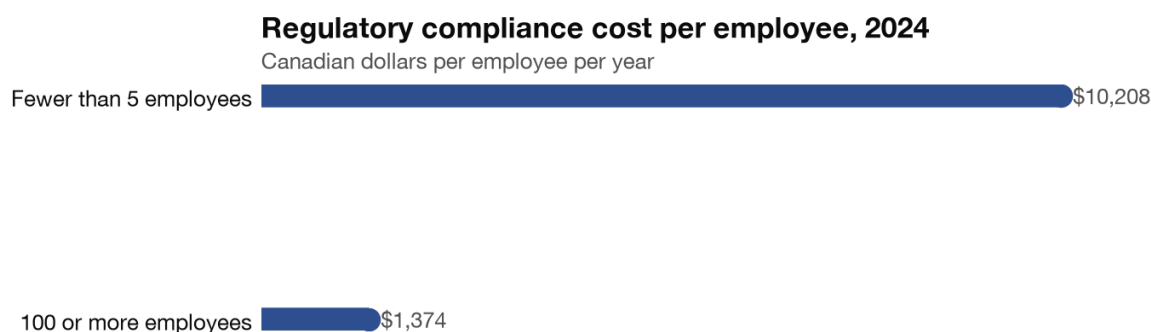


Figure 4. *Regulatory compliance cost per employee by firm size, 2024.* Source: CFIB, Canada’s Red Tape Report, 7th edition.⁸

The relationship with the state that administers this is not a warm one: 66% of small-business owners report feeling intimidated by the Canada Revenue Agency, 48% say they were not given the tax guidance they needed, and only 23% are confident in call-centre answers ²⁹. For a federal corporation, the recurring obligations are concrete: an annual return within 60 days of the anniversary date, and since January 22, 2024 an annual filing of the register of individuals with significant control, plus a filing within 15 days of any change ³⁰. Miss the return for two years and the corporation is administratively dissolved after a 120-day notice; the law permits dissolution after one ³¹. In 2019, administrative dissolutions of federal corporations (15,066) outnumbered voluntary ones (9,954) ³² – the most common way a Canadian corporation dies is a missed \$12 filing.

Technology adoption follows the same shape. BDC finds that 96% of SMEs invested in digital technologies in 2025, but only 23% reach high digital maturity and only 30% use generative AI; it estimates closing the maturity gap could lift SME productivity by up to 38% and GDP by about \$350 billion ³³. Statistics Canada’s business survey puts the share of all businesses using AI to produce goods or deliver services at 19.2% in the second quarter of 2026 – triple the 6.1% of 2024, but still one firm in five ¹³.

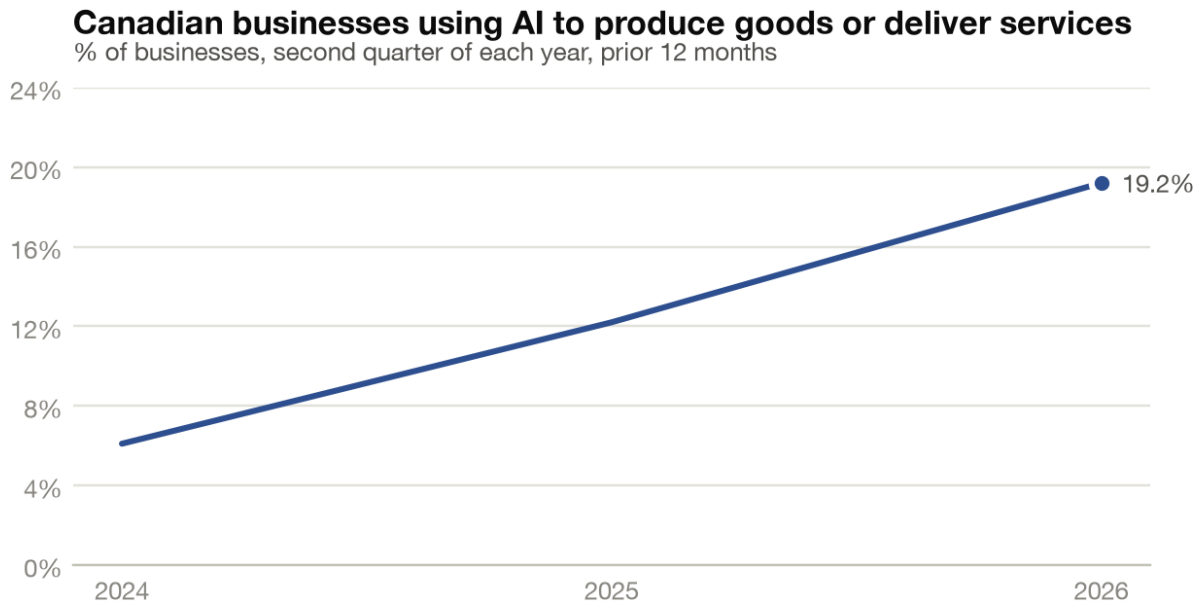


Figure 5. *Share of Canadian businesses using AI to produce goods or deliver services, second quarter of 2024, 2025 and 2026.* Source: Statistics Canada, Canadian Survey on Business Conditions.¹³

One finding from Statistics Canada should shape any product built for this economy. AI-adopting firms appear 16.8% more productive than non-adopters, but that premium shrinks to 10.2% once pre-existing productivity is controlled for and to a statistically insignificant 5.1% once complementary investments – R&D, cloud, data analytics, training – are accounted for³⁴. Adoption alone does not raise productivity; capability does. For a firm of three people, the capability has to arrive inside the product, already integrated with the law it applies, not as a tool the firm is expected to configure.

4. The talent leak

Emigration of Canadian citizens and permanent residents reached a record 120,640 in 2025, with a record 41,203 leaving in the third quarter alone and a record first quarter of 30,092 in 2026; net emigration was 65,706 for the year, up from 35,791 in 2019⁹. The people leaving are disproportionately young and educated: close to 70% hold a university degree, two-thirds are aged 20 to 44, nearly a quarter work in natural and applied sciences, and the United States hosts 61% of Canadian-born people living abroad¹⁰.

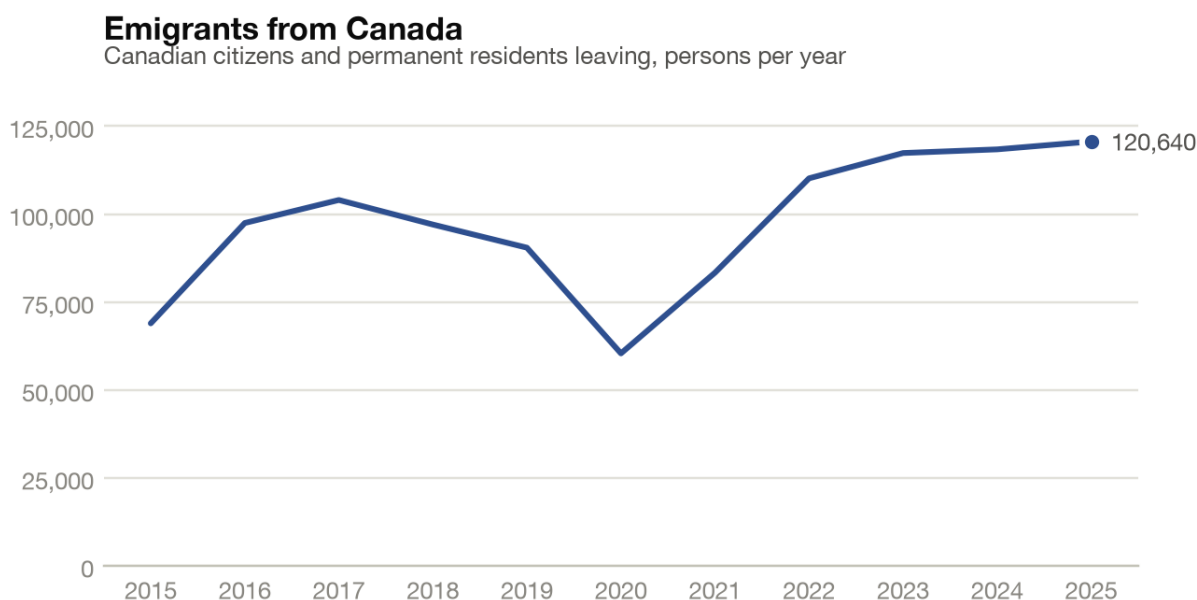


Figure 6. *Emigrants from Canada, 2015–2025.* Source: Statistics Canada Table 17-10-0040-01.⁹

The best-known estimate of the technical leak is the 2018 Brock University study for Delvinia and Mitacs, which found one in four recent STEM graduates of Waterloo, UBC and the University of Toronto working in the United States, rising to two-thirds of software-engineering graduates³⁵. Statistics Canada’s 2025 tax-filing study gives a lower national figure – about 11% of Canadian STEM graduates were no longer filing Canadian returns three years after graduation, 16% for graduates of high-ranking universities – but the direction is the same: the more selective the institution and the more computational the field, the higher the outflow³⁶.

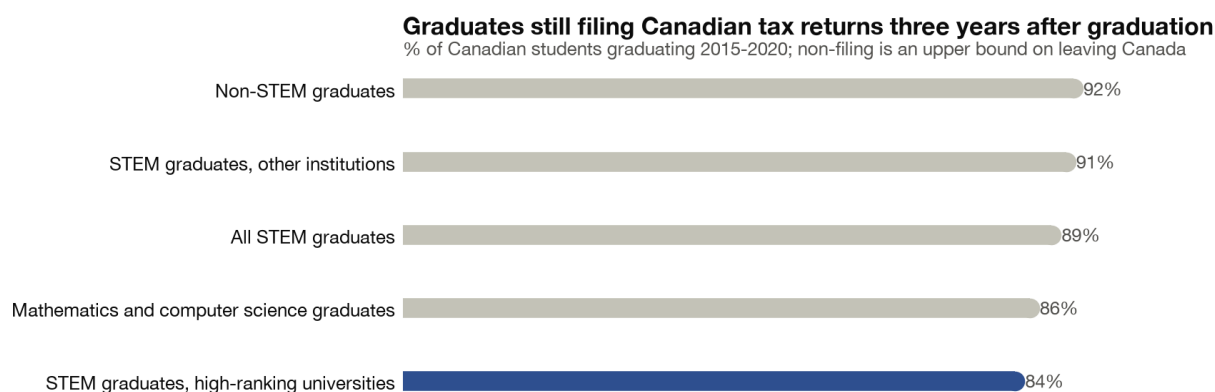


Figure 7. *Share of graduates still filing a Canadian tax return three years after graduation, Canadian students graduating 2015–2020.* Source: Statistics Canada, Economic and Social Reports, July 2025.³⁶

The economic weight of the leak is larger than its headcount. Bank of Canada researchers estimate that at least 40% of Canadians whose ability would place them in the top income percentile reside outside Canada, and that the top 10% of earners account for three-quarters of the Canada–US gap in GDP per adult and up to two-thirds of the labour-productivity gap ¹¹. TD Economics puts the median pre-tax wage premium for US tech workers at 46% over Canada before exchange rates or equity, and finds exit rates roughly double at the top of the skill distribution ³⁷. Founders follow the same gradient: nearly half of Canadian founders who raised \$1 million or more in 2024 were based in the United States, and the US went from producing 11 times more high-potential startups than Canada in 2015 to 45 times more in 2024 ³⁸. Skilled immigrants leak too: one in five immigrants leaves within 25 years, high-skilled immigrants at twice the rate of low-skilled ones in the first five ³⁹.

The counter-evidence deserves equal weight. Formal channels for Canadians moving south have narrowed: Canadian applications for US labour certification fell 26% from 2015 to 2024, and Canadian-born admissions to US permanent residence run about 30% below late-2000s levels ³⁶. Canada added more tech jobs in 2024 (66,600, +5.9%) than the entire United States (64,140, +1.1%) ⁴⁰; in the year to March 2023 it gained 32,115 tech workers from abroad against a net loss of 1,672 to the United States ⁴¹; Canadian students who study in the US now return at a 65% rate, up from 50% in 2011 ⁴²; and 91% of graduates of Vector Institute-recognized AI programs remain in Ontario ⁴³. The honest reading is that Canada is not being emptied – it is being skimmed. It keeps volume and loses the top of the distribution, which is exactly where productivity is made.

5. AI in Canada: research power, deployment lag

Canada's standing in AI research is not in question. It ranks second in the world in AI research papers per capita, third in the share of AI researchers in the top 0.5% by citations, fifth in the number of AI startups, and hosts more than 130 Canada CIFAR AI Chairs ¹². The 2024 Global AI Index places it in the top ten overall, with the third most comprehensive government strategy and the top ranking for public investment in high-end compute ⁴⁴. Budget 2024 committed \$2.4 billion, of which \$2 billion funds the AI Compute Access Fund and a sovereign compute strategy ⁴⁵.

Deployment is another matter. Beyond the 19.2% headline, the Bank of Canada's Business Leaders' Pulse finds that 70% of business leaders use AI personally in a typical week but only

8% of firms report significant operational use, 21% moderate and 29% infrequent ¹⁴. Across the OECD, 40% of large firms use AI against 11.9% of small ones, and half of Canadian SMEs cite lack of knowledge as the barrier ⁴⁶. Public optimism is among the lowest measured: 40% of Canadians see AI as more beneficial than harmful, and Canada does not appear in the 2025 AI Index's league table of private AI investment led by the US at US\$109.1 billion ⁴⁷. There is still no federal AI statute: Bill C-27 and its Artificial Intelligence and Data Act died in committee when Parliament was prorogued in January 2025 ⁴⁸.

The legal profession's rules of engagement

The Canadian legal profession has answered AI with rules rather than bans, and the rules point in one direction: verification. The Federation of Law Societies' Model Code treats technological competence as part of the duty of competence ⁴⁹. The Law Society of British Columbia's October 2023 guidance maps generative AI onto existing duties of competence, confidentiality, fees and supervision ⁵⁰; the Law Society of Ontario's April 2024 white paper encourages experimentation while making clear that "it remains the responsibility of the licensee to ensure that it is their product and reflects their expert legal opinion," naming hallucination, confidentiality leakage and bias as the risks ⁵¹.

The courts went further. The Federal Court requires a first-paragraph declaration whenever filed material contains AI-generated content and adopts a "human in the loop" principle, naming CanLII among trusted sources ⁵². Ontario's Superior Court requires counsel to verify AI-derived citations against authoritative sources, to certify authenticity under Rule 4.06.1(2.1), to hyperlink to CanLII, and warns that "AI-generated references may include incorrect or fictitious legal authorities," with sanctions up to contempt and Law Society referral ⁵³; dedicated AI practice directions followed – for civil and family proceedings in November 2025 and for criminal proceedings in February 2026 ⁵⁴. British Columbia produced the country's first costs ruling over ChatGPT-fabricated cases, *Zhang v. Chen*, 2024 BCSC 285, which noted research showing hallucination rates of 69–88% ⁵⁵.

Against that backdrop, adoption inside firms is real but shallow. A 2024 Thomson Reuters Institute survey put generative-AI use at about 26% of Canadian lawyers with a further 24% planning to adopt ⁵⁶; by December 2025, a survey of 344 firms covering about 11% of the active bar found 46% exploring, 37% piloting and only 7% with AI fully implemented across practice areas, with US firms having automated 32% of administrative tasks against 21% in Canada ¹⁵. A 2026 Thomson Reuters Canadian survey found 89% of firms piloting or integrating AI – and

only 18% of small firms obtaining client consent for its use ⁵⁷. The data commons underneath all of this, CanLII, holds more than 3.5 million works, bars bulk and programmatic downloading, sued Caseway AI in November 2024 over alleged scraping of the collection ⁵⁸, and announced a settlement on confidential terms in March 2026 ⁵⁹; its official API is read-only and metadata-oriented ⁵⁸. Any Canadian legal AI that treats case law as something to crawl rather than to license and verify will not survive contact with either the courts or the commons.

6. The Canadian legal market

Legal services are a C\$18.1 billion industry in real terms – 12% above 2019 but flat since 2021 ¹⁶ – delivered by 52,204 establishments, 30,009 of them with no payroll employees; 74.4% of employer establishments have fewer than five employees, and only eight in the country have 500 or more ¹⁷. The typical firm is small and profitable: among 31,808 businesses with revenue between \$30,000 and \$5 million, average revenue was \$409,200 in 2024 and 86.2% were profitable ⁶⁰. Canada had 117,467 active law-society members in 2025, 46,654 of them in Ontario ¹⁸; 9,148 of Ontario’s 12,651 registered firms (72%) are sole practitioners and 97% have ten or fewer lawyers; in British Columbia the sole-practitioner share is 73% ¹⁸.

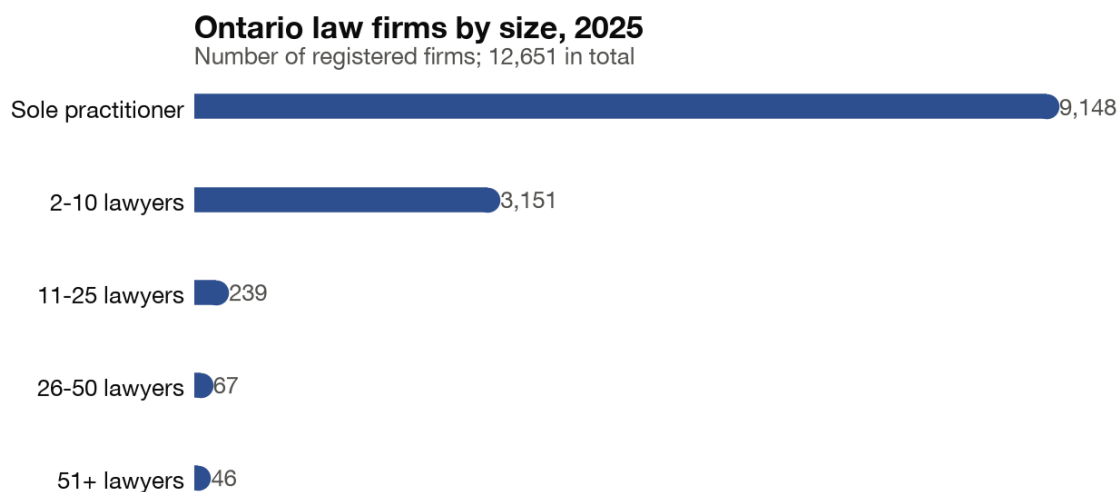


Figure 8. *Ontario law firms by size, 2025.* Source: Federation of Law Societies of Canada, Federation Statistics Report 2025. ¹⁸

This is the same small-firm structure that drives the national productivity gap, and it produces the same result. Clio’s Legal Trends data show the average lawyer bills about a third of an eight-hour day – 37% utilization, 2.9 billable hours – and collects \$910 of every \$1,000 billed ⁶¹. National

average hourly rates run from C\$278 for a 2023 call to C\$507 at twenty years ⁶²; median flat fees are C\$1,297 for a residential purchase, C\$1,000 for a sale and C\$750 for a basic employment-contract review, against C\$70,000 for a seven-day civil trial ⁶².

Demand is not the constraint. The Canadian Forum on Civil Justice’s national survey found that 48.4% of adult Canadians – about 11.4 million people – experience at least one serious, hard-to-resolve civil or family legal problem in any three-year period, spend just over C\$7.7 billion a year dealing with them, and that only about 19% obtain legal advice and about 7% reach a court or tribunal ¹⁹. In 2024/2025, at least one respondent was self-represented in 65% of the roughly 278,500 active family-law cases ⁶³; at least one defendant was self-represented in 56% of general civil cases ⁶⁴.

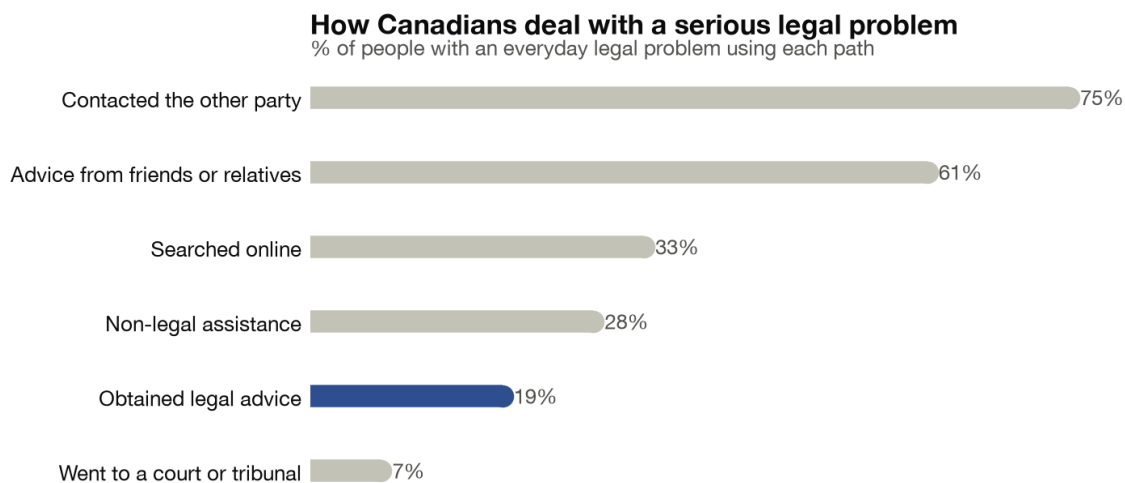


Figure 9. *What Canadians do when they have a serious everyday legal problem.* Source: Canadian Forum on Civil Justice, *Everyday Legal Problems and the Cost of Justice in Canada*.¹⁹

Adoption sentiment is ahead of adoption. Clio reports AI use among North American legal professionals jumping from 19% in 2023 to 79% in 2024, with solo practitioners’ software spending growing 56% a year ⁶⁵, and that two-thirds of Canadian legal professionals say AI has already improved their firm’s revenue ⁶⁶. Thomson Reuters measured organizational generative-AI use in legal nearly doubling from 14% to 26% between 2024 and 2025 in a sample that was 15% Canadian ⁶⁷. Canadian respondents to a six-country LEAP survey reported the largest time savings from AI of any country, yet 42% still spend more than two hours a day on administration ⁶⁸. The market is telling vendors what it wants: not another assistant, but work taken off the desk.

7. What Misolla targets

Misolla’s pivot narrows its operating scope to Canadian law – federal and provincial – and rebuilds the product as a set of practice-area workflows, each of which can be run end to end with a lawyer’s approval as the only human step ⁶⁹. The practice areas were chosen by three tests: the volume of matters, the share of the work that is rule-bound enough to automate fully, and the existence of a public data or filing interface. The table gives the addressable base for each.

Practice area	Annual base	Anchor	Source
Corporate maintenance	≈640,000 active federal corporations (458,780 published at end-2020)	Annual return + ISC filing every year; 15,066 administrative dissolutions in 2019	70 32 32
Residential real estate	470,314 resale transactions (2025), two files each	Median fees C\$1,297 purchase / C\$1,000 sale	71 62
Small claims (Ontario)	>62,000 new proceedings a year; 45% of all civil actions	Limit raised to \$50,000 on Oct. 1, 2025	72
Criminal	228,425 adult cases completed (2023/24)	Legal Aid tariff: 15–17 hours per Indictable-I file	73 74
Founders	≈105,000 new small businesses a year; 68,277 federal incorporations in 2020	735 compliance hours a year per small business; 68% five-year survival	6 32 8 6

Table. Addressable bases for Misolla’s first practice areas. Figures are the latest published; the federal-corporation count is computed from Corporations Canada open data because no statistical report has been published since 2020.

Ontario is the first province because it is the largest market and because its courts have already written the verification rules a product must satisfy: its Superior Court alone intakes more than 200,000 criminal, 110,000 civil and 46,000 family matters a year, plus about 30,000 probate applications ⁷⁵. Corporate maintenance comes first because it is the most rule-bound, has the largest base and the clearest public interface, and because the ISC regime that took effect in January 2024 made every federal corporation a recurring compliance client whether it knows it or not ³⁰.

Founders are a distinct product for the same economy. Online, lawyer-free incorporation is now mainstream – RBC’s Ownr alone has registered or incorporated more than 239,000 businesses since 2017 ⁷⁶ – but the year after incorporation is where firms die: entry rates have fallen to the level of exit rates ⁷⁷, net formation has stalled at roughly zero monthly growth ⁷⁸, and venture capital has been flat at C\$7–8 billion a year with deal counts falling and no IPOs in 2025 ⁷⁹. The Canadian programs that could help are large but underused by the smallest firms: SR&ED

processes about 23,000 claims and allows C\$4.5–4.6 billion a year, yet businesses under \$4 million in revenue file 64% of claims and receive a third of the credits ⁸⁰; NRC IRAP funded 3,136 firms with \$393 million in 2024–25 ⁸¹. A founder product that keeps the corporation compliant, maintains it, and routes it to the programs it qualifies for is aimed at the one gap every other statistic in this paper points to.

8. Evidence that legal AI moves the needle – and its limits

The randomized evidence is recent, small, and consistent. The first controlled trial of generative AI on realistic lawyering tasks (Choi, Monahan and Schwarcz) found GPT-4 cut law students’ completion time by 12–32% with only slight, inconsistent effects on quality ²⁰. A 2025 trial with 127 students found that a retrieval-augmented legal tool and a reasoning model raised productivity by 50–130% on five of six tasks and, unlike GPT-4 two years earlier, improved quality as well – time savings of 14–37% and 12–28%, quality gains of 8–15% and 10–28%, and far fewer hallucinations from the retrieval tool ^{82,21}.

Time reduction on realistic legal tasks in randomized trials

% faster task completion, range across tasks (law-student participants)

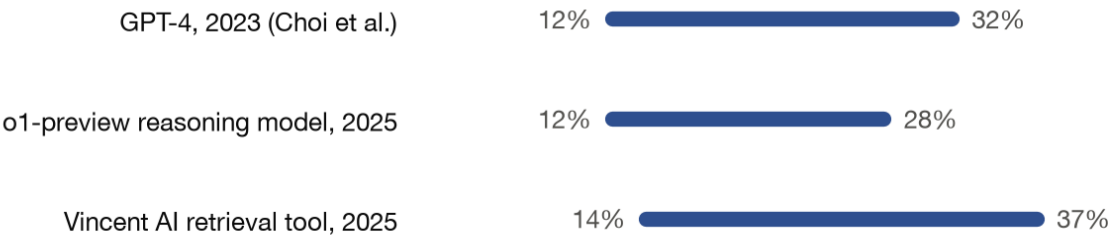


Figure 10. *Measured time reduction on realistic legal tasks in randomized trials, 2023 and 2025.* Source: Choi, Monahan & Schwarcz (2023/24); Schwarcz et al. (2025).^{20,21}

Practitioner expectations line up with the trials. Thomson Reuters’ 2025 Future of Professionals survey projects five hours a week saved within a year, up from four in 2024; legal professionals expect to free nearly 240 hours a year, worth about \$19,000 each ^{83,84}; the 2024 survey projected 4, 8 and 12 hours a week at one, three and five years against a 46-hour work week ⁸⁵. The Canadian figure is the same: five hours a week, about C\$26,200 a year per Canadian legal professional ⁵⁷. Task-exposure studies bracket the ceiling: Goldman Sachs puts 44% of legal

work tasks within reach of automation ⁸⁶; Clio puts 74% of hourly-billed work in that category, and 57% of lawyers' tasks specifically ⁸⁷.

The limit is equally well measured. Stanford's pre-registered benchmark of more than 200 legal queries found the leading commercial research tools answering incorrectly more than 17% of the time, and one more than 34% – against 58–82% for general-purpose chatbots ²². That is the number the Ontario practice direction is written against. It is also why the productivity gains in the 2025 trial came with retrieval, not without it: the tool that grounded its answers in a legal corpus produced three hallucinations where the reasoning model produced eleven ²¹. The design conclusion is not subtle. Speed comes from automation; trust comes from verification; a Canadian product needs both, against Canadian sources, or it produces the case the courts have already sanctioned.

9. What full automation could return: a model

The model below is deliberately simple and every input is either a cited figure or a labelled assumption. It answers two questions: how many professional hours could Canada-specific legal automation free across the private bar, and how many within the practice areas Misolla is building first.

9.1 National lawyer-time model

Base. 100,000 lawyers in private practice – a rounded assumption below the 117,467 active law-society members, to exclude in-house and government counsel and Quebec notaries ¹⁸ – each working 240 days of eight hours (1,920 hours) and billing 2.9 of them, per Clio's utilization data ⁶¹. Exposure. The share of work that automation can touch is 44% (Goldman Sachs, task exposure ⁸⁶) in the conservative and base cases and 74% (Clio, hourly-billed work ⁸⁷) in the ambitious case. Realized saving on exposed work. 12% (the low end of the GPT-4 trial ²⁰), 25% (the midpoint of the two trials), and 37% (the high end of the retrieval-tool trial ²¹). Value. A blended C\$400 an hour, between the national five-year and ten-year call averages ⁶².

Scenario	Exposed × realized	Hours per lawyer-year	National hours	Lawyer-FTE equivalent	Value at C\$400/h
Conservative	44% × 12% = 5.3%	101	10.1 M	5,280	C\$4.1 B
Base	44% × 25% = 11.0%	211	21.1 M	11,000	C\$8.4 B
Ambitious	74% × 37% = 27.4%	526	52.6 M	27,380	C\$21.0 B

Table. National lawyer-time scenarios. $100,000$ private-practice lawyers $\times$ $1,920$ worked hours $\times$ exposure $\times$ realized saving.

Two checks. The base case frees 211 hours per lawyer-year; Canadian lawyers surveyed by Thomson Reuters expect about 240⁵⁷ – the model built from trial data and task-exposure studies lands within 12% of what the profession itself expects, from an independent route. And the base-case value of C\$8.4 billion is about 46% of the industry’s real output of C\$18.1 billion¹⁶: large for the sector, invisible in national GDP. The economic case for legal automation is not the legal industry’s own output. It is what the hours do next.

9.2 Practice-area ceilings

For the four practice areas Misolla builds first, the model multiplies the addressable base by professional hours per file and by the share of those hours that is fully automatable. Hours per file are assumptions where no published figure exists and are stated as such: 2.0 professional hours a year per federal corporation for the annual return, ISC filing, annual resolutions and minute book, 85% automatable; 6.0 hours per residential real-estate file (the median C\$1,297 fee at an effective rate of about C\$215 an hour), 50% automatable because search, registration, trust and undertakings remain licensed human work; 10 hours per represented small-claims file, 60% automatable; and for criminal files the Legal Aid Ontario tariff of 15 hours⁷⁴, of which 25% – disclosure indexing and research – is automatable.

Practice area	Base	Hours per file $\times$ automatable	Ceiling (100% adoption)
Corporate maintenance (federal)	640,000 corporations	2.0 h $\times$ 85%	1.09 M h
Residential real estate	940,628 files (470,314 $\times$ 2)	6.0 h $\times$ 50%	2.82 M h
Small claims (Ontario)	62,000 proceedings	10 h $\times$ 60%	0.37 M h
Criminal (disclosure, research)	228,425 cases	15 h $\times$ 25%	0.86 M h
Total			5.14 M h $\approx$ 2,676 lawyer-FTE

Table. Practice-area automation ceilings at 100% adoption. Provincial corporations, and every province but Ontario for small claims, are excluded, so the ceiling is a floor.

Professional hours freed per year by practice area

Millions of hours; adoption 10% / 25% / 50% of the addressable base by any automated provider

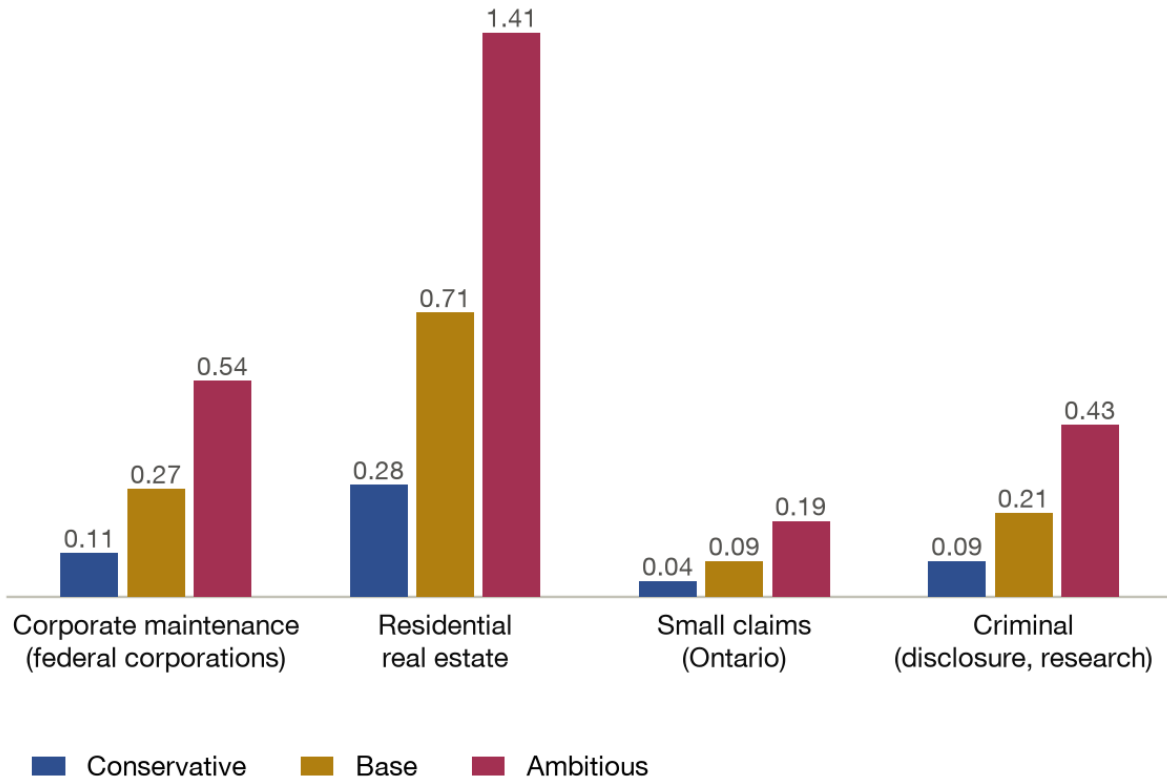


Figure 11. Professional hours freed per year by practice area at 10%, 25% and 50% adoption of the addressable base by any automated provider. Source: Authors' model; inputs as cited in section 9.

Founders are counted in owner-hours rather than lawyer-hours. If the corporate and legal slice of a small business's 735 annual compliance hours⁸ is 5% and 60% of it can be automated, each corporation recovers about 22.1 owner-hours a year; across 640,000 federal corporations that is a ceiling of 14.1 million hours, or 3.5 million at 25% adoption – time returned to people whose firms have a 68% chance of surviving five years⁶.

9.3 What it means for the economy

Three channels carry the hours out of the legal sector and into the rest of the economy. The first is access: four in five Canadians with a serious legal problem never obtain legal advice¹⁹; when a small-claims file or a residential closing costs a fraction of today's hours, the price of advice falls toward what those people will pay, and self-representation rates of 56% to 65%^{63,64} start to move. The second is compliance: the \$51.5 billion that regulation costs Canadian businesses⁷ is

paid mostly in hours, mostly by the smallest firms, and corporate maintenance is the part of it that is entirely rule-bound. The third is capital: the investment gap is a small-firm gap^{25,4}, and a firm that is not spending its founder's week on filings is a firm that can spend it on customers, hiring and the machinery Canada is not buying.

None of this closes the productivity gap by itself. It does something more specific: it takes one of the few professional-services functions that touches every one of Canada's 1.1 million small firms and every one of its 640,000 federal corporations, and makes it exact, automatic, and cheap. That is what a small-firm economy needs, and it is what a product built to be adequate in 26 jurisdictions could never be.

9.4 Limitations

- The randomized evidence is from US law students on discrete tasks, not from practising Canadian lawyers on whole matters²⁰; matter-level savings may be smaller, because unautomated steps then bind.
- Thomson Reuters' hours-saved figures are respondent expectations, not measurements⁸⁴; the model uses them only as a cross-check.
- Hours per file for corporate maintenance, real estate and small claims are stated assumptions; the sensitivity is linear, so halving them halves the ceiling.
- Statistics Canada no longer publishes a legal-services revenue survey; real GDP for NAICS 5411 is used as the size proxy and understates nominal revenue¹⁶. Corporations Canada has published no statistical report since 2020; the 640,000 figure is a record count from its open-data file⁷⁰.
- Adoption shares (10%, 25%, 50%) are scenario parameters for the market as a whole, not a forecast of any single provider's share.

10. Why Canada-only, and why now

A product that serves 26 jurisdictions has to hedge. It cannot know a statute cold, it cannot promise a filing is exact, and it cannot verify a citation against the one common a Canadian court will accept. The evidence in this paper says the market that needs the opposite – exact, automatic, verified – is the one at home: an economy of very small firms, a bar of sole practitioners, courts that have already written the verification rule into their practice directions, and a compliance regime that dissolves corporations for a missed \$12 form.

It also says the timing is not optional. Business AI adoption has tripled in two years ¹³; 89% of Canadian firms are piloting or integrating AI ⁵⁷; the ISC regime has turned every federal corporation into a recurring compliance obligation ³⁰; and the first productivity increases in four years have arrived with the first serious public investment in compute ^{24,45}. The window in which a Canadian product can define what verified, automated legal work looks like in Canada is open now and will not stay open.

Know about other jurisdictions; do not operate in them. Build the law of one country into the product so completely that a lawyer's approval is the only human step – and verify every authority against the source before it reaches anyone.

That is the thesis of Misolla's pivot ⁶⁹. The government horizon follows from it: a platform that keeps Canadian corporations compliant and files against Corporations Canada's own interfaces is, by construction, the kind of infrastructure a public administration can work with. We are building outward from the relationships that exist rather than toward a procurement that does not.

11. Methodology and verification standard

This paper was assembled on August 24, 2026 by six research agents, each assigned one dimension – the Canadian legal market, Canada's productivity and investment problem, emigration of technical talent, AI in Canada, the startup and small-business ecosystem, and the measured productivity effect of legal AI – under three rules: every finding must come from a page the agent fetched in the same session; the exact URL and a verbatim quote of no more than forty words containing the figure must be recorded; and figures may not be supplied from memory. Primary sources were required wherever they exist (Statistics Canada, the Bank of Canada, the OECD, ISED and Corporations Canada, the Federation of Law Societies, the courts, peer-reviewed trials); secondary sources appear only where a primary page could not be reached, and are labelled as such in the references.

A second set of agents then re-opened every cited URL and checked three things – that the page exists, that the figure appears on it, and that the quote is faithful – marking each finding verified, corrected, or unverifiable, with instructions to default to unverifiable when in doubt. Of the 107 findings gathered, 97 were verified exactly as fetched, 5 were corrected – a date, a currency marker, a paraphrased quote or a source that had moved – and 5 were not re-verified and do not appear in this paper; every figure cited here is in the first two groups. Where researchers computed a figure from a downloaded dataset rather than quoting a published number – the

count of active federal corporations, and the annual productivity changes derived from Statistics Canada's quarterly index – the computation is stated in the text and the dataset is cited.

The same standard is the product standard. Misolla's Canadian research layer treats any legal string not mechanically tied to a source as a fabrication risk, whoever produced it, and refuses to present as a citation anything it cannot resolve against the source. This paper is written to the rule it argues for.

This paper is a research and strategy document. It is not legal advice, and none of the figures in it should be relied on for a legal decision without verification against the cited source.

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