OECD ECONOMIC SURVEY OF CANADA

Increasing inclusiveness and enhancing integration of immigrants

Making growth stronger and more sustainable and inclusive
Economic growth is strong

Real Gross Domestic Income (GDI) equals real GDP adjusted for changes in the terms of trade.

Source: Statistics Canada, Table 380-0065.

1. Real Gross Domestic Income (GDI) equals real GDP adjusted for changes in the terms of trade.
Well-being is high

Better Life Index,¹ 2017 edition

1. Each index dimension is measured by one to four indicators from the OECD Better Life Index (BLI) set. Normalised indicators are averaged with equal weights. Indicators are normalised to range between 10 (best) and 0 according to the following formula: (indicator value - minimum value) / (maximum value - minimum value) x 10. The OECD aggregate is weighted by population. Please note that the OECD does not officially rank countries in terms of their BLI performance.

Income inequality is above average

Gini coefficient, working-age population, 2016 or latest available year¹

The Gini coefficient is a measure of income inequality that ranges between 0 in the case of perfect equality and 1 in the case of perfect inequality. 2014 data for the OECD aggregate.

Relative poverty is well above average

Poverty rate, 50% poverty line, working-age population, 2016 or latest available year¹

1. 2014 data for the OECD aggregate.

The labour market is tightening

Source: OECD, Economic Outlook and Short-Term Labour Market Statistics databases.
Wages and prices have picked up

1. Composite measure of wage pressures. For more information, see Brouillette et al. (2018).
2. Average of the Bank of Canada's 3 preferred core inflation measures (CPI-trim, median and common).

Real house prices have risen sharply

Note: Nominal house prices deflated by the private consumption deflator.
Source: OECD, Economic Outlook database.
House prices have increased a lot in Toronto and Vancouver.

Source: Teranet and National Bank of Canada, House Price Index.
Many new mortgages have high debt-to-income ratios

Note: A high debt-to-income ratio is defined as one over 450%. Mortgage insurance is mandatory for all loans with a down payment of less than 20%, which comprise 15% of new mortgages. 
There are few social rental dwellings

2015 or latest year available

% of housing stock

% of housing stock

JPN | DEU | CAN | USA | NOR | AUS | NZL | SVN | KOR | FIN | GBR | FRA | DNK | AUT | NLD
0   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 5   | 35

Interest rates are on the way up

Revenue increases are needed to stabilise debt in most provinces

Long-term fiscal gap estimates by province/territory and government¹

1. Fiscal gap is the difference between revenue as a share of GDP and what would be required to finance government expenditure while holding the debt-to-GDP ratio unchanged over the long run. Fiscal gaps are for 2016.

Labour productivity lags top performers


Note: Hourly labour productivity relative to the population-weighted average of the top half of OECD countries.
CO₂ emissions per unit of GDP are high but declining.

CO₂ emissions per capita are high and not declining

Key recommendations on making growth stronger and more sustainable and inclusive

- **Gradually withdraw monetary and fiscal stimulus** as capacity constraints tighten and inflation returns to the midpoint of the 1-3% official target band, as foreseen.
- **Monitor the effects of recent macro-prudential tightening, and stand ready to act** should the balance of risks change.
- **Increase the supply of affordable housing** and better maintain the existing social housing stock, as planned. **Improve targeting** of social housing to those with the greatest needs.
- **Ensure projects supported by the Canada Infrastructure Bank meet cost–benefit criteria** through existing infrastructure planning processes.
- **Adjust the Canada Health Transfer** (and other social transfers from the federal government) **for provinces’ and territories’ varying age structures**.
- **Review the tax system to ensure that it remains efficient** – raising sufficient revenues to fund public spending without imposing excessive costs on the economy – **equitable and supports** the **competitiveness** of the Canadian economy.
- **Progressively increase the carbon price** to the extent necessary to meet Canada’s GHG abatement objectives, and eliminate redundant abatement measures.
Increasing inclusiveness for women, youth and seniors
Fathers spend less time on childcare activities than mothers

Difference in time spent on childcare activities, for school-aged children, in minutes per day

Note: Time spent by men less time spent by women. Data are for partnered men and women in couples with a female partner aged 25-45. Pensioners and students excluded. Data restricted to “carers” i.e., mothers and fathers who are engaged in at least one childcare activity during a time-use diary day.

Source: OECD (2017), The Pursuit of Gender Equality: An Uphill Battle, Figure 15.2.
Qualifications mismatch is large

Percentage of mismatched workers,¹ 2012 and 2015

1. Qualifications mismatch occurs when a worker has a higher or lower level of qualification than is required for his/her job.
2. Data indicated as Belgium correspond to Flanders; GBR1 = England and GBR2 = Northern Ireland.
Source: OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills, Annex A, Tables Chapter 5 - Table A5.7
Many people retire at 60 and 65

Source: Finance Canada.
Key recommendations on inclusiveness for women, youth and seniors

- Further **increase federal and provincial funding of childcare** with a goal of making access to affordable high-quality childcare available to all children aged three and under. **Extend kindergarten** so that all four year-old children have access to affordable pre-school education.

- **Support take-up of new parental leave by fathers** through information provision and, if necessary, increasing payment rates.

- **Consolidate** the existing range of **career guidance and education information** into a single national portal to provide a comprehensive one-stop shop.

- **Index the eligibility age for public pensions** to life expectancy, supported by **encouraging flexibility** in working hours and **skills development**.

- Manage growing demand for **long-term care** by **improving targeting** of public payments, wider application of **user charging** and further **encouraging home-care services**.
Improving immigrant labour-market integration
The immigrant share of the population is high

Share of the foreign-born in the total population, 2015\(^1\) or latest year available

1. 2016 for Canada.

Most immigrants to Canada are selected on economic criteria

Per cent of total migration flows excluding free movements and other, 2015

1. Work immigrants, who are selected in Canada and most other countries for their high skills, and accompanying family.
2. Mostly spouses, partners and children of residents.

Economic-class immigrants earn more than other immigrants

Average employment earnings, thousand CAD 2014, 2014 tax year

1. Principal applicants (economic class).

Adjusted male immigrant entry earnings have fallen

Earnings¹ for full-time, full-year male workers,² by years since landing, 1975-2004

<table>
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<th>Years since landing</th>
<th>1-5</th>
<th>6-10</th>
<th>11-15</th>
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1. Predicted values based on a model controlling for education, age and place of residence.
2. Aged 16 to 64.

Key recommendations to improve immigrant labour-market integration

- Increase the weight given to skilled Canadian work experience in selection of economic immigrants. Condition points for post-secondary Canadian education and a relevant job offer on such experience.

- Process Express Entry applications of immigrant candidates with skilled Canadian experience and a relevant job offer before others, and reduce administrative complexity.

- Channel more Provincial Nominee Program candidates through the federal government’s Express Entry system, which selects candidates with high levels of human capital.

- Enhance norms for provinces’ foreign qualifications recognition, and take into account the gap between applicants’ credentials and requirements in regulated professions when awarding points.

- Expand bridge programmes to help bring credentials up to the required level and mentoring programmes to help immigrants into high-quality jobs.

- Assess the extent to which utilisation patterns reflect needs and, insofar as they do not, redirect resources.

- Increase resources for the more effective programmes, such as occupation-specific training, to reduce queuing.
For more information:


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