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- GDP per capita continues to trail just below that of the average of the upper half of the OECD member countries. This performance is entirely related to the gap in productivity.
- Revisions to the Employment Insurance programme should help to raise labour mobility. Less progress has been achieved to reduce barriers to entry for domestic and foreign firms.
- Policies must be initiated to raise productivity by, most notably, reducing barriers to foreign direct investment, enhancing business research and development (R&D) expenditures and strengthening tertiary education attainment rates.
- Improved access to tertiary education for disadvantaged students and immigrants could raise their employment and wage prospects while boosting labour utilisation and productivity. Shifting the tax structure towards environmentally related taxation could improve incentives for greener growth.

Growth performance indicators

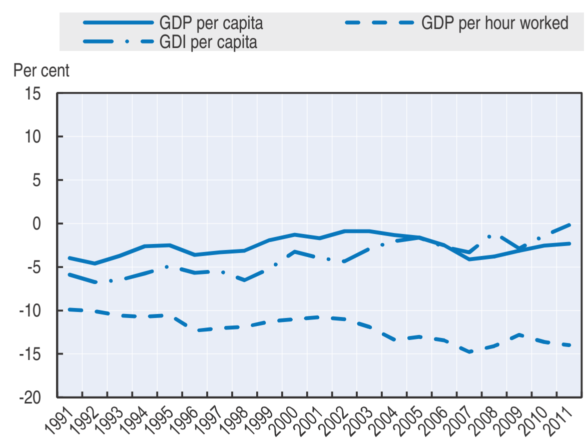
A. Average annual trend growth rates

Per cent

		2001-06	2006-11
Potential GDP per capita		1.2	0.5
Potential labour utilisation		0.4	0.0
of which:	Labour force participation rate	0.3	0.0
	Employment rate[1]	0.1	-0.1
Potential labour productivity		0.8	0.6
of which:	Capital intensity	0.7	0.9
	Labour efficiency	-0.1	-0.4
	Human capital	0.2	0.1

B. The small gap in living standards persists

Gap to the upper half of OECD countries[2]



1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, *National Accounts* and *OECD Economic Outlook 92 Databases*.

StatLink http://dx.doi.org/10.1787/888932776067

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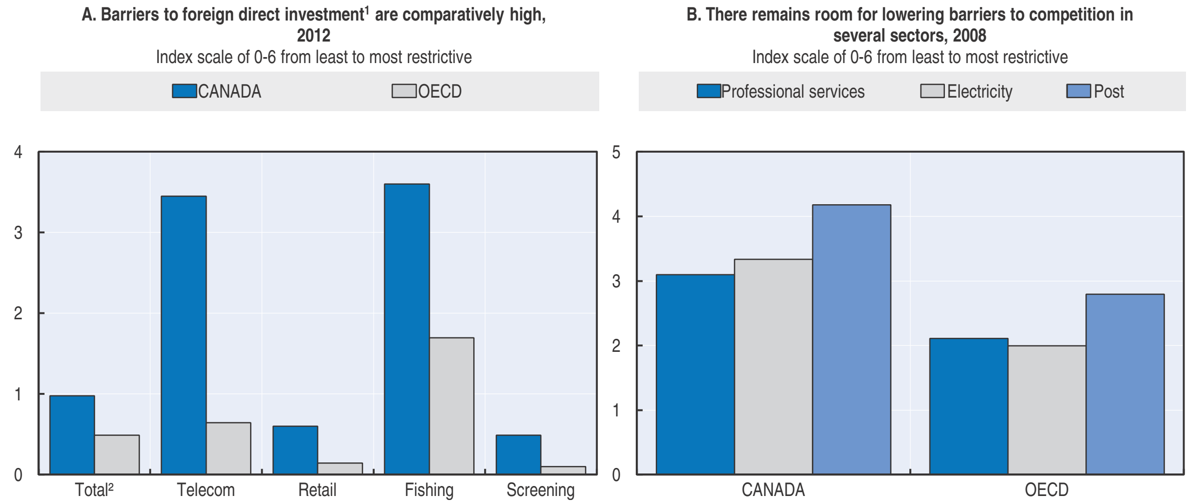
Policy indicators



1. The OECD FDI regulatory restrictiveness index looks only at statutory restrictions and does not assess the manner in which they are implemented.
2. "Total" FDI restrictiveness includes the "screening" sub-component.

Source: OECD, *www.oecd.org/social/inequality.htm* and *Product Market Regulation Database*.

StatLink http://dx.doi.org/10.1787/888932776086

Identifying *Going for Growth 2013* priorities

Priorities supported by indicators

Reduce barriers to entry and enhance capacity in network sectors and professional services. Poor regulation in network sectors and professional services deters investment and innovation.

Actions taken: No significant action taken.

Recommendations: Move towards more integrated and competitive electricity markets. Eliminate Canada Post's legally protected monopoly. Take steps to apply the renegotiated Labour Mobility Chapter of the Agreement on Internal Trade as broadly as possible, and review aspects of the regulation of professions and skilled trades that continue to hinder interprovincial mobility and competition.

Reduce barriers to foreign direct investment. Barriers to competition in key industries can be reduced to facilitate a rise in inward foreign direct investment (FDI).

Actions taken: The government announced that it would lift foreign investment restrictions for telecommunications companies that hold less than 10% of the market.

Recommendations: Continue to lift FDI restrictions in key sectors, such as telecommunications, airlines and broadcasting. Clarify the net benefit test for FDI, and apply it strictly.

Reform the tax system. The tax structure could be made more growth-friendly by shifting the burden from direct to indirect taxes.

Actions taken: The Harmonized Sales Tax has by now been implemented in half of the ten provinces. The federal government has gradually reduced the general corporate income tax

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rate to 15% by early 2012. Also, the 2012 federal budget extends the capital cost allowance, among others, to a broader range of bio-energy equipment.

Recommendations: Increase environmental and value-added taxes, and reduce regressive and distortive income tax expenditures, to further lower corporate and/or personal income tax rates.

Other key priorities

Enhance tertiary education outcomes.[1] Strengthened tertiary outcomes would boost innovation and respond to future labour-market needs.

Recommendations: Improve access for disadvantaged groups by increased need-based financial assistance and better information provision. Allow a greater share of immigrants to enter *via* the tertiary system as foreign students. Promote quality and efficiency through greater differentiation in terms of the comparative advantages between institutions that excel in research and those more dedicated to teaching.

Improve R&D support policies. Greater and more targeted investments in R&D may effectively raise the ability of firms to innovate and commercialise their products.

Actions taken: Following the 2011 report of the Expert Panel on federal support to R&D, the 2012 budget streamlined R&D tax credits and used part of the savings to increase direct grants.

Recommendations: Further improve targeting of government support for business R&D by shifting funding at the margin away from the Scientific Research and Experimental Development (SR&ED) tax subsidies *via* a lowering of the refundable small-firm SR&ED rate toward the large-firm rate. Use savings to reinstate capital costs in the eligible base and scale up direct grants. Ensure that grants are competitively allocated.

Previous *Going for Growth* recommendation no longer considered a priority

Reform the Employment Insurance programme. In order to reduce unemployment persistence and foster labour mobility, it was recommended to introduce experience rating into Employment Insurance or to scale back access for seasonal or temporary workers in high-unemployment regions.

Actions taken: The 2012 federal budget introduced significant tightening of Employment Insurance (EI) rules based on a worker's history of use of EI benefits: the longer and more frequently workers have previously claimed employment insurance, the broader their job search will have to be and the lower the wages they must be willing to accept.

1. New policy priorities identified in *Going for Growth 2013* (with respect to *Going for Growth 2011*) are preceded and followed by an "*".

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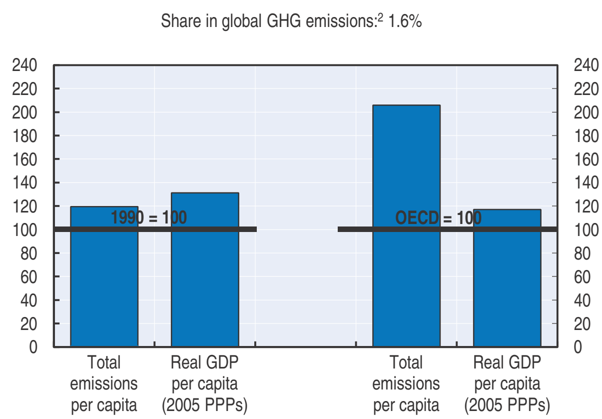
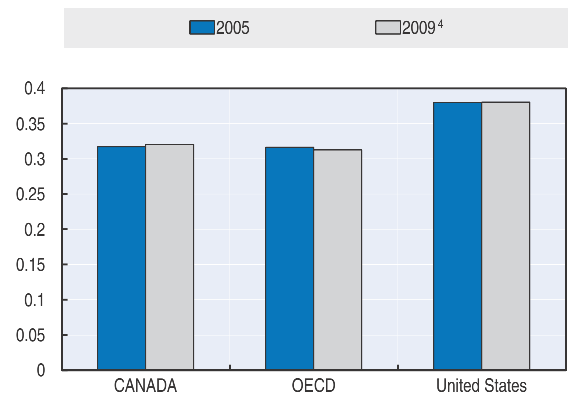
Other dimensions of well-being: Performance indicators

A. Emissions per capita are well above OECD average
Average 2006-10[1]



B. Income inequality[3] is still moderate, but has been increasing
Gini coefficient



1. Total GHG emissions including LULUCF in CO_2 equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equivalised household disposable income for total population.
4. Data refer to 2010 for Canada and the United States.

Source: *United Nations Framework Convention on Climate Change (UNFCCC) Database*; *OECD, Energy (IEA) Database* and *OECD Income Distribution Database*, provisional data (*www.oecd.org/social/inequality.htm*).

StatLink http://dx.doi.org/10.1787/888932776105