

Canada

Canada enjoys relatively high GDP per capita and employment but its productivity performance is average. Productivity, measured by GDP per hour worked, is only just above the OECD average and has stagnated in recent years. On the other hand, the employment rate and labour force participation rate remain high even if they have been declining slightly due to the aging of the Canadian population.

A high income country with strong employment but average productivity performance

CANADA	Pre-crisis 2003-08	Post-crisis 2011-16
<i>Levels</i>		
GDP per capita**	39920 (33712)*	41815 (35776)*
GDP per hour worked**	44.7 (41.6)*	48.0 (45.6)*
Employment rate, %	72.8 (66.4)*	72.3 (66.8)*
<i>Average annual growth rate</i>		
GDP per capita	1.4 (2.8)*	0.8 (1.4)*
GDP per hour worked	0.8 (2.0)*	0.8 (1.1)*
Employment	1.5 (1.6)*	0.8 (1.0)*
Median household disposable income***		1.2 (1.4)*

Notes: * Unweighted OECD average in brackets.

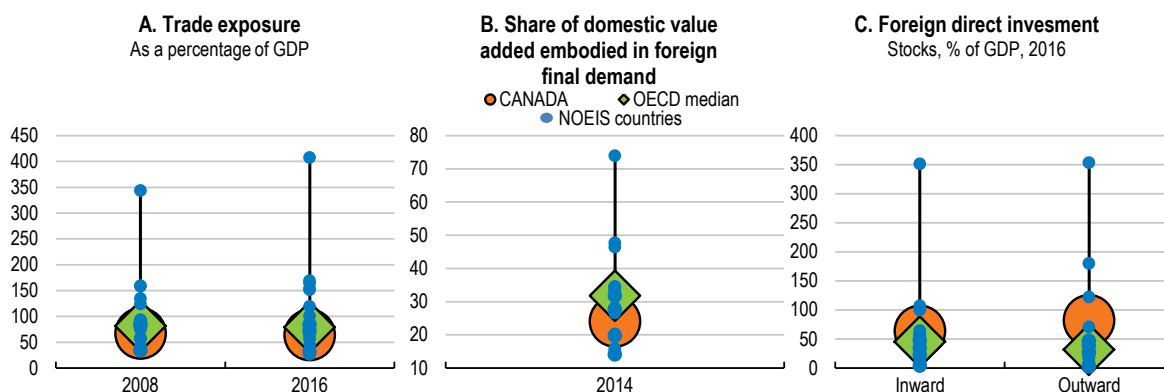
** USD, constant 2010 PPPs and constant prices.

*** Data refer to 2011-15 and are deflated by the consumer price index.

Source: OECD, National Accounts, Productivity and Labour Force Statistics and Income Distribution Databases.

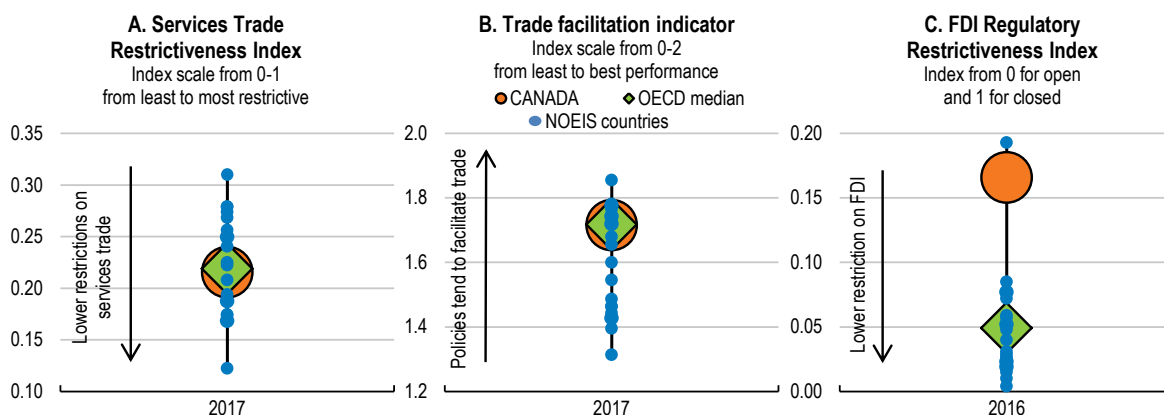
Canada is an open economy. Canada’s trade policy is dominated by reciprocal free trade agreements, including the North American Free Trade Agreement (NAFTA) and more recently the Canada-EU Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP), which provide Canada with market access to Asia, North America, South America, and Europe. Canada’s tariffs are generally low, and its performance on the trade facilitation indicators is close to the OECD median. Exposure to foreign trade has declined in the 2000s and together with the participation in global value chains is less pronounced than in other, usually smaller OECD countries. The limited participation in global value chains is typical for an economy with a large share of its exports composed of primary goods (i.e. agriculture, forestry, minerals, and petroleum products). Trade in services is lower compared to other OECD countries, representing 15% of Canada’s gross exports, 45% of value added exports and half of outward FDI. Trade in services still faces restrictions, especially in air transport, postal and courier services, telecommunication and broadcasting as well as distribution services. Both inward and outward FDIs represent a larger share of GDP than other OECD economies but regulatory barriers to FDI are higher than other NOEIS members, with foreign ownership restrictions in telecoms and broadcasting and air transport.

Canada trades somewhat less than most OECD and NOEIS countries



Source: Panel A: OECD, [Economic Outlook Database](#) and World Bank, World Integrated Trade Solution; Panel B: OECD, [TIVA Nowcast estimates Database](#); Panel C: OECD, [Foreign Direct Investment Database](#) and UNCTAD.

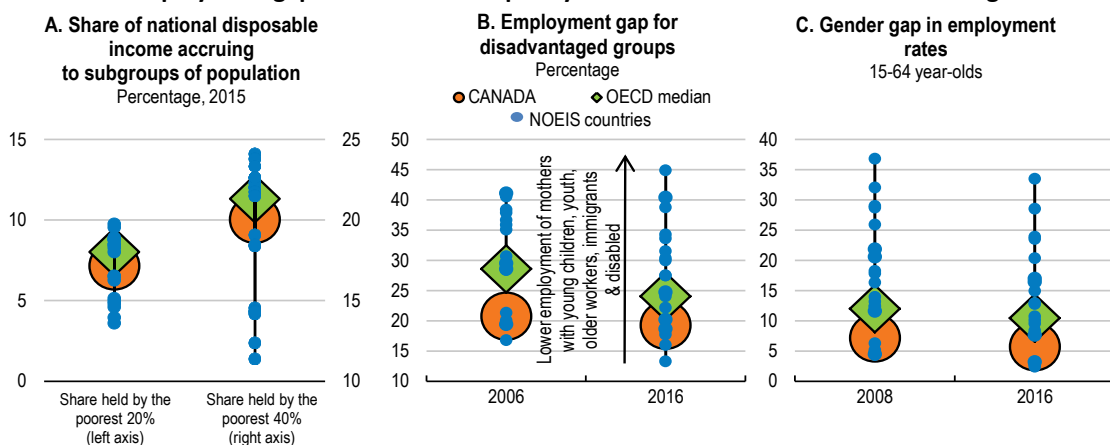
Obstacles to trade and investment are important



Source: Panel A: [OECD, Services Trade Restrictiveness Index Database](#); Panel B: OECD, [OECD, Trade Facilitation Indicators Database](#); Panel C: [OECD, FDI Regulatory Restrictiveness index database](#).

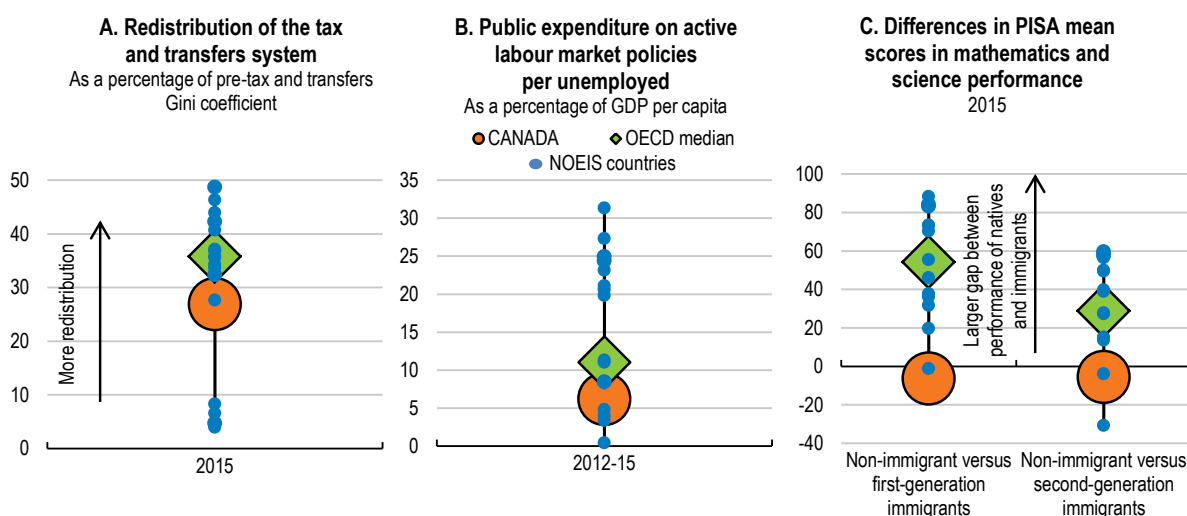
Canada has high employment rates, including for disadvantaged groups. Women employment rates are similar to those of men – a gap among the lowest in the NOEIS countries. Canada is among the OECD countries with the highest share of immigrants in its population, who benefit from a strong and inclusive education system as well as high employment rates. However, poor education and labour performance of the indigenous population remains a challenge and women continue to be paid less than men, with the gender gap in wages for full time employees wider than the OECD average. On the other hand, income inequality in Canada is higher than in most OECD countries. The share of national income accruing to low income groups is slightly lower than in most OECD and NOEIS countries and the redistribution provided by the tax and benefit system is lower than in most NOEIS and OECD countries. Since 2015, a number of redistribution measures – child benefits, tax cuts and a guaranteed income top-up – have been introduced. While public spending on active labour market policies appears low, the measure used does not fully account for the provinces’ funding of these programmes and overall the Canadian share of long-term unemployed is among the lowest in the OECD.

Employment gaps are low but inequality in household incomes is above average



Source: Panel A: [OECD, Income Distribution Database](#) and World Bank, World Development Indicators Database; Panel B: OECD (2018), OECD Jobs Strategy Analytical Volume, forthcoming; Panel C: OECD, Labour Force Statistics Database and ILO, Key Indicators of the Labour Market.

Redistribution policies are limited but immigrants have good education performance



Source: Panel A: [OECD, Income Distribution Database](#) and World Bank, World Development Indicators Database; Panel B: [OECD, Public expenditure and participants stocks on Labour Market Programmes](#) and Economic Outlook Databases; Panel C: [OECD, PISA 2015 Results \(Volume I\): Excellence and Equity in Education](#), Annex B1.7 Results (tables): Immigrant background, student performance and students' attitudes towards science.

 METADATA ANNEX

Economic openness

- **Trade exposure** is defined as exports and imports over GDP.
- **The share of domestic value added embodied in foreign final demand** is defined as domestic value added, from industry, meeting foreign final demand, as a percentage of industry value added. It can be considered as a measure of an industry's reliance on foreign final demand. Here, the denominator is value added adjusted to be consistent with final demand (both domestic and foreign).
- **Foreign Direct Investment stocks** are defined as the total level of direct investment at a given point in time, usually the end of a quarter or of a year. The outward FDI stock is the value of the resident investors' equity in and net loans to enterprises in foreign economies. The inward FDI stock is the value of foreign investors' equity in and net loans to enterprises resident in the reporting economy. For the Netherlands, FDI stock data exclude positions to and from resident Special Purpose Entities (SPEs); SPEs are entities whose role is to facilitate the internal financing of the MNE but that have little or no physical presence in an economy. Excluding such entities from the FDI statistics provides a better measure of the FDI of the country that is having a real impact on its economy.

Trade and FDI

- **The Services Trade Restrictiveness Index (STRI)** identifies which policy measures restrict trade. It provides policy makers information and measurement tools to improve domestic policy environment, negotiate international agreements and open up international trade in services. It can also help governments identify best practice and then focus their domestic reform efforts on priority sectors and measures. The index presented is a geometric average of all sectors and takes value from 0 to 1, where 0 is completely open and 1 is completely closed.
Data are missing for Argentina and Peru.
- **Trade facilitation indicators (TFIs)** identify areas for action and enable the potential impact of reforms to be assessed and help governments to improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade. The index takes values from 0-2 (least to best performance). The index presented is a simple average over 11 dimensions of the TFI.
Data are missing for Iceland.
- **The FDI regulatory Restrictiveness Index** is gauging the restrictiveness of a country's foreign direct investment rules by looking at four main types of restrictions: foreign equity restrictions, discriminatory screening or approval mechanisms, restrictions on key foreign personnel and operational restrictions. Implementation issues are not addressed and factors such as the degree of transparency or discretion in granting approvals are not taken into account. The index takes values between 0 for open and 1 for closed.

Inequality

- **The share of national disposable income held by the poorest 20% and 40%** is defined as the share of income that accrues to subgroups of population indicated by deciles or quintiles.
For the poorest 20%, data refer to 2014 for Argentina, Germany, Hungary, Luxembourg; 2012 for Japan.
- **The employment gap for disadvantaged groups** is expressed as a percentage of the benchmark group (prime-age male workers). Disadvantaged groups include mothers with young children, youth (15-19 years old) excluding those in full-time education or training, older workers (55-64 years old), non-natives and people with disabilities.
Data are missing for Colombia and Costa Rica in 2006 and for Peru in 2006 and 2016.
- **The gender gap in employment rates** is defined as the difference between employment to population ratios of men and women aged 15-64.
Data refer to 2010 and 2014 for Argentina.

Redistribution, activation and inequality of opportunities

- **The redistribution of the tax and transfers system** is measured as the difference between pre-tax and transfer and post-tax and transfers Gini coefficients, relative to the pre-tax and transfer Gini coefficient. The Gini coefficient measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. The coefficient takes the value of 0 in the case of perfect equality and 100 for perfect inequality.
Data refer to 2014 for Germany, Hungary, Luxembourg and Peru; 2012 for Japan. Data are missing for Argentina and Colombia.
- **Public expenditure on active labour market policies per unemployed** are measured by all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. It includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. Data are expressed as a percentage of GDP per capita. Original data can be accessed under: <http://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP>. *Data are missing for Argentina, Colombia, Costa Rica and Peru. For Canada, data include federal expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces' and territories' additional or complementary funding of these programmes.*
- **Differences in PISA mean scores (average of mathematics and science) between natives and first and second generations of immigrants.** PISA assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies
Data are missing for Japan, Poland and Peru. For Argentina, data refer to the region of the capital city of Buenos Aires.
- **The variance of educational achievement** is measured as the total variance in PISA scores in reading, mathematics and science, compared to the OECD (OECD=100). The Programme for International Student Assessment (PISA) assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis.
For France, average of PISA scores in mathematics and reading only in 2015. For Argentina, data refer to the region of the capital city of Buenos Aires.