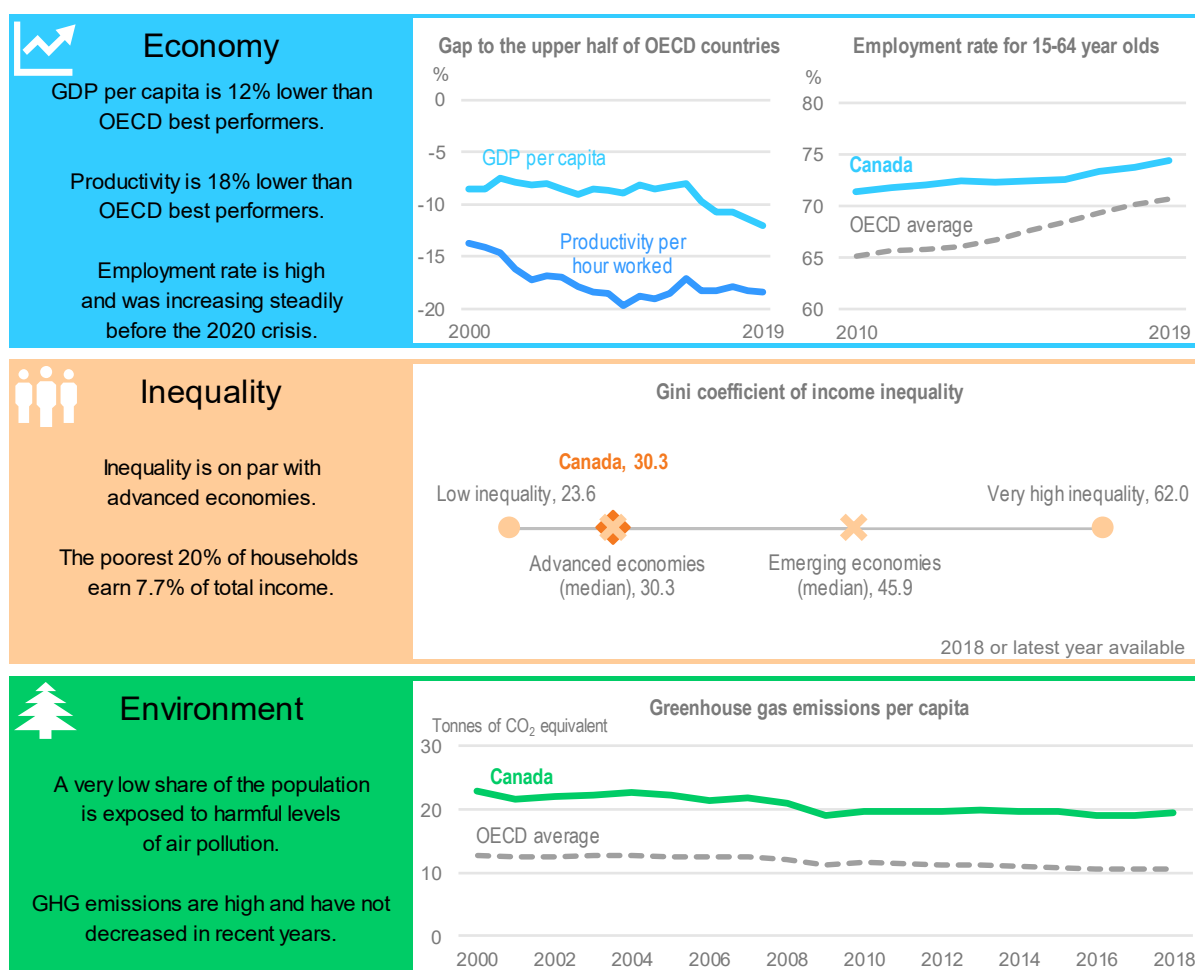


# Canada

Building a more resilient and inclusive economy requires strengthening welfare policy. The pandemic highlighted a general problem of weak backing for those unemployed or experiencing poverty, the gender-wage gap remains large and Indigenous peoples remain under-privileged in most socio-economic dimensions.

## Performance prior to the COVID-19 crisis



**Economy:** Percentage gap with respect to the population-weighted average of the highest 18 OECD countries in terms of GDP per capita (in constant 2015 PPPs).

**Inequality:** The Gini coefficient for disposable income measures the extent to which the distribution of disposable income among households deviates from perfect equal distribution. A value of zero represents perfect equality and a value of 100 extreme inequality.

**Environment:** Greenhouse gas (GHG) emissions include emissions or removals from land-use, land-use change and forestry (LULUCF). A high exposure to air pollution refers to above 10 µg/m<sup>3</sup> of PM<sub>2.5</sub>.

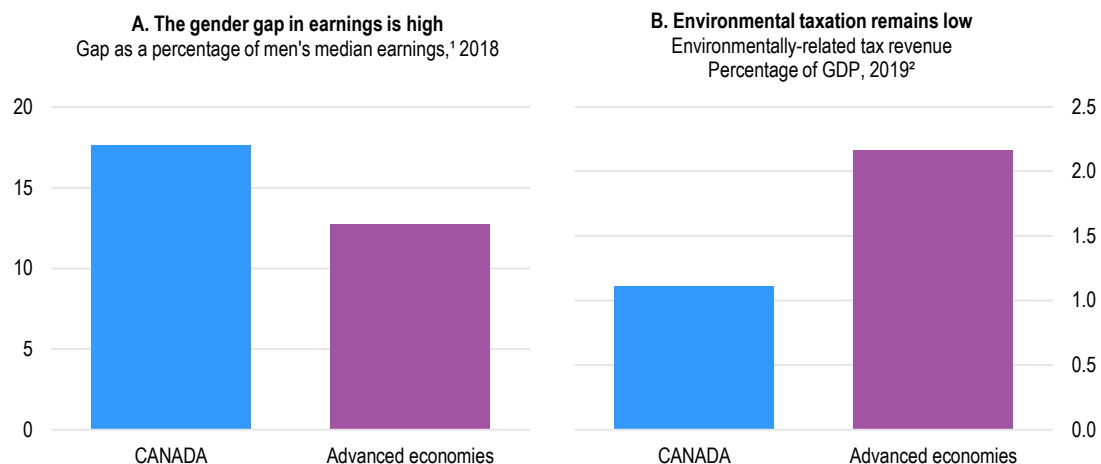
Source: Economy: OECD, National Accounts, Productivity and Labour Force Statistics Databases; Inequality: OECD, Income Distribution Database and World Bank, World Development Indicators Database; Environment: OECD, Environment Database and United Nations Framework Convention on Climate Change (UNFCCC) Database.

## Bolstering safety nets and competition

The concentration of layoffs in low-wage jobs has underscored that this downturn has widened economic inequalities. **Shortfalls in support for those losing jobs and income need addressing.** Policy should continue to include special measures that help workers find or retain jobs in the wake of the crisis. In addition, a permanent change to income support may be required to make social safety nets more reliable and effective for the longer term. One route would be for provinces and territories to upgrade safety net welfare provisions, possibly with financial assistance from federal government. Greater self-determination needs to be part of the solution to reducing under-privilege among Indigenous peoples. In addition, **enabling more women to work full time** with fewer child-care breaks would also reduce inequalities while making the most of skills, talent and experience. Canada's gender gap in earnings is large (Panel A). Increasing subsidies to childcare provision as well as tougher quality control could help more mothers to return to work, as would more support for fathers taking up paternal leave. In healthcare, the pandemic has shone a light on shortfalls in the quality of long-term residential care homes, prompting welcome policy attention on how to improve services for the future. Where possible, social and health policy improvements should be financed through efficiency savings elsewhere in public expenditure, so as to avoid increasing fiscal deficit and debt or need for tax hikes.

**Non-tariff barriers arising from interprovincial differences in product, service and labour regulation continue to hamper the efficiency and productivity of Canada's business sector.** For instance, differences in regulation and standards in the legal profession and accounting limit inter-provincial trade. In an increasingly digitalised economic environment, the pandemic highlights the importance of good access to high-speed and competitively priced broadband for both households and businesses. There is **scope to make key sectors, including the telecoms, more competitive.** Improving broadband access in remote areas will require continued government support, such as that being provided by the Universal Broadband Fund. Reducing restrictions on foreign ownership in telecoms can help increase the competition. Similar opportunities to strengthen competition exist in retail, professional services, electricity and air transport.

## Vulnerabilities and areas for reform



1. 2019 or latest year available. The gender wage gap is unadjusted and is defined as the difference between median earnings of men and women relative to median earnings of men. Data refer to full-time employees and to self-employed.

2. Data refer to 2014 for Canada.

Source: Panel A: OECD, Gender and Labour Force Statistics Databases; Panel B: OECD, Environment Database.

Canada's per capita greenhouse gas emissions are substantial and have decreased only marginally since 2000. Environmental tax revenues relative to GDP are smaller compared with many countries (Figure 1B). **The carbon price floor needs to steepen if Canada is to meet its official commitments.** This will raise the bar on the provinces and territories' greenhouse gas reduction mechanisms. Recent federal government proposals for carbon-price increases, announced as part of a strengthened climate plan, are encouraging.

## Canada: Summary of *Going for Growth* priorities and recommendations

2019-2020 Reforms	Recommendations
<b>*Social protection: Strengthen support for vulnerable households*</b>	
*New priority *	<input type="checkbox"/> Strengthen policies that help vulnerable households. This should include special measures that help workers find or retain jobs. Consideration should also be given to a permanent change to income support to make social safety nets more reliable and effective for the longer term. Such policy could include an upgrade in provinces and territories' safety net welfare provisions.
<b>Labour market: Increase the labour-market inclusion of women</b>	
No action taken.	<input type="checkbox"/> Improve childcare provision through increased subsidies and tougher quality control. <input type="checkbox"/> Support take up of paid parental leave by fathers (introduced in 2018) through information provision and, if necessary, increasing payment rates. <input type="checkbox"/> Encourage female entrepreneurship, including through a national strategy for women's enterprises.
<b>Competition and regulation: Reduce barriers to internal trade</b>	
<input checked="" type="checkbox"/> No substantive development since the replacement of the Agreement on Internal Trade with the Canadian Free Trade Agreement (CFTA) in 2017.	<input type="checkbox"/> Take the (CFTA) further by prohibiting agricultural supply management regimes, reconciling remaining regulatory differences and expediting dispute resolution while raising penalties for non-compliance.
<b>Competition and regulation: Reduce barriers to entry for both domestic and foreign suppliers and enhance competition in network and service sectors</b>	
No action taken.	<input type="checkbox"/> Reduce foreign ownership restrictions in telecoms and broadcasting and on a reciprocal basis in air transportation. <input type="checkbox"/> Ease entry regulations and reduce discrimination against foreign suppliers in professional services and air and road transport. <input type="checkbox"/> Make electricity markets more integrated and competitive, privatise Canada Post and eliminate its legal monopoly. <input type="checkbox"/> Reduce retail-trade licencing requirements.
<b>Tax system: Eliminate inefficient tax expenditures and increasing carbon prices</b>	
<input checked="" type="checkbox"/> The Pan-Canadian Framework's (PCF) carbon pricing came into force in 2019 and annual price increases are underway (due to end in 2022).	<input type="checkbox"/> Schedule further increases in the PCFs carbon price. <input type="checkbox"/> Eliminate tax expenditures not warranted by clear market failures or clear equity objectives, such as lower tax rates for small businesses.

## Recent progress on structural reforms

Structural reforms across federal, provincial and territorial governments are generally moving in the directions recommended in *Going for Growth*. However, progress in reform has been slowed in 2020 because governments have been busy dealing with the COVID-19 crisis. More generally, Canada's highly decentralised system of government means that progress on structural reform often requires co-ordinated action across governments. Consequently, building consensus and reaching agreement on actions can be slow.