

## CANADA

- GDP per capita remains above the average of the upper half of OECD countries while labour productivity gap persists. Higher terms of trade have pushed GDI per capita above the average.
- Moderate progress has been made in enhancing efficiency of tertiary education and R&D support. Little or no progress has been made on the other priorities.
- Reforms are needed to increase productivity, notably by reducing barriers to FDI, increasing the quantity and quality of R&D and the supply of tertiary skills in demand.
- Improved access to tertiary education for socially disadvantaged students could reduce income inequality while boosting productivity. Raising tax efficiency by relying more on environmentally-related taxes would help to achieve greener growth.

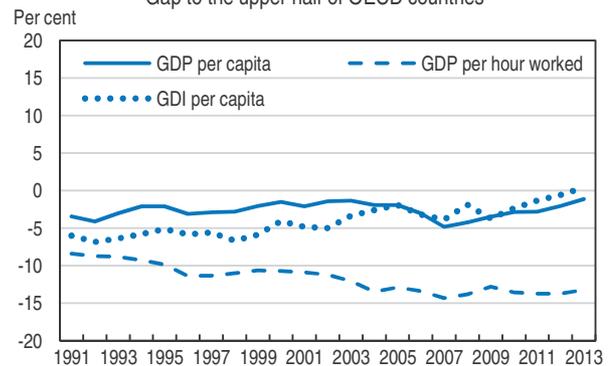
### Growth performance indicators

#### A. Average annual trend growth rates

Per cent

	2003-08	2008-13
Potential GDP per capita	0.9	0.6
Potential labour utilisation	0.2	-0.1
<i>of which:</i> Labour force participation rate	0.2	-0.1
Employment rate <sup>1</sup>	0.1	0.0
Trend employment coefficient <sup>2</sup>	0.0	0.0
Potential labour productivity	0.7	0.7
<i>of which:</i> Capital deepening	0.7	0.7
Labour efficiency	-0.2	-0.2
Human capital	0.2	0.1

#### B. The gap in labour productivity persists

Gap to the upper half of OECD countries<sup>3</sup>

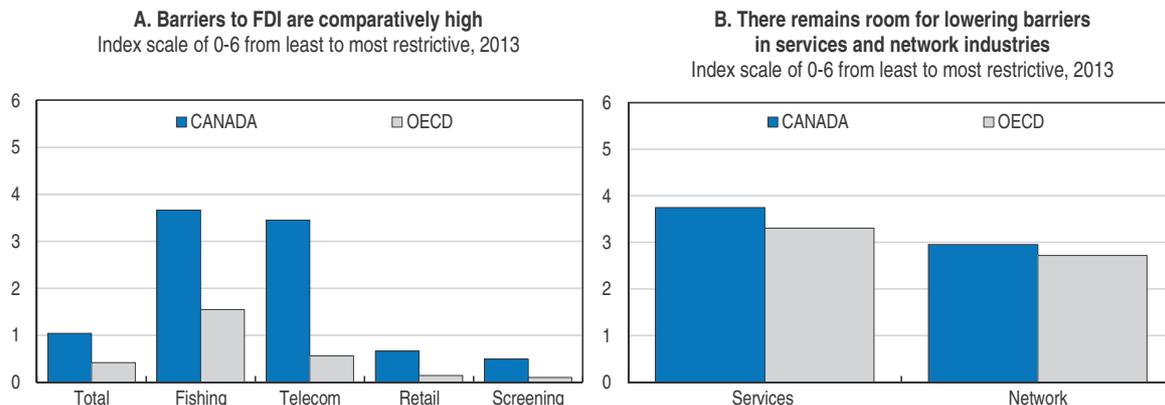
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage 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: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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## Policy indicators



Source: Panel A: OECD, FDI Regulatory Restrictiveness Index Database. Panel B: OECD, Product Market Regulation Database, [www.oecd.org/economy/pmr](http://www.oecd.org/economy/pmr).

StatLink  <http://dx.doi.org/10.1787/888933178147>

## Going for Growth 2015 priorities

**Priorities supported by indicators**

**Reduce barriers to entry and enhance competition in network and service sectors.** Poor regulation in network and service sectors deters investment and innovation.

**Actions taken:** In June 2014, the federal government has capped wireless operators' wholesale roaming rates at the levels charged on average to their retail customers.

**Recommendations:** Move towards more integrated and competitive electricity markets. Privatised Canada Post and eliminate its legally protected monopoly. Ease entry regulations in professional services and licensing requirements in retail trade, and eliminate retail price controls. Make the Agreement on Internal Trade Dispute Resolution Panel more accessible.

**Reduce barriers to foreign direct investment.** High barriers to FDI hold back trade and FDI.

**Actions taken:** No action taken.

**Recommendations:** Lift FDI restrictions in key sectors, such as telecommunications, airlines and broadcasting. Reduce the administrative burden of environmental regulation and discrimination against foreign suppliers in professional services, air and road transport.

**Reform the tax system.** Economic distortions from taxation could be reduced, including by shifting towards indirect taxes.

**Actions taken:** In 2013, Prince Edward Island replaced its provincial sales tax (PST) with the Harmonised Sales Tax (HST). The Québec Sales Tax was further harmonised with the HST but British Columbia exited the HST and returned to a PST.

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

**CANADA****Other key priorities**

**Enhance access and efficiency in tertiary education.** Strengthened tertiary outcomes would boost innovation and respond to future labour-market needs.

**Actions taken:** A government website providing easily accessible information linking fields of study to labour-market outcomes became operational in 2014. The immigration application management system was reformed in 2014 (with effect from 2015) to give priority to qualified potential immigrants with skills in demand. In 2014, Ontario entered into contracts with its tertiary institutions that encourage them to specialise.

**Recommendations:** Complement income-contingent loans with need-based grants to improve access for students from disadvantaged backgrounds. Promote quality and efficiency by encouraging institutions to specialise in areas where they have a comparative advantage.

**Improve R&D support policies.** Greater and more targeted R&D investments could enhance innovation outcomes.

**Actions taken:** The government introduced in 2013 the Venture Capital Action Plan, which will strengthen the venture capital market and increase risk financing available to innovative firms. In 2014, the government established the Canada First Research Excellence Fund, which will support research in post-secondary institutions in strategic fields for Canada.

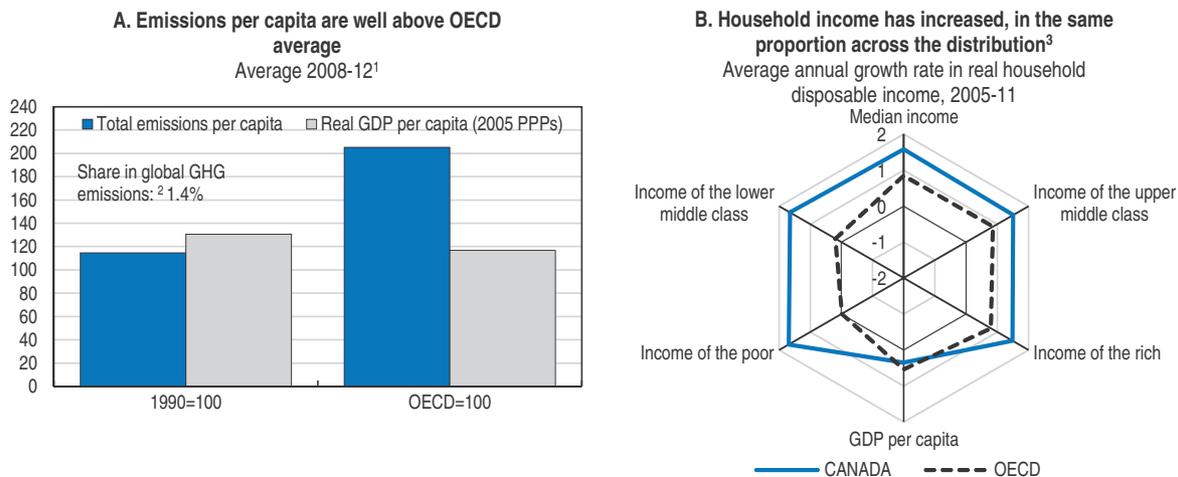
**Recommendations:** Lower the refundable small-firm Scientific Research and Experimental Development (SR&ED) rate toward the large firm rate and use the savings to reinstate capital costs in the eligible base as well as to increase grants. Allocate grants competitively.

**Reform areas no longer considered a priority in *Going for Growth***

For Canada, all priority areas from the 2013 issue of *Going for Growth* are maintained.

## CANADA

## Beyond GDP per capita: Other policy objectives



1. Total GHG emissions including LULUCF in CO<sub>2</sub> 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.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and United Nations Framework Convention on Climate Change (UNFCCC) Database. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink  <http://dx.doi.org/10.1787/888933178579>