OECD ECONOMIC SURVEY OF CANADA

Increasing inclusiveness and enhancing integration of immigrants

www.oecd.org/eco/surveys/economic-survey-canada.htm
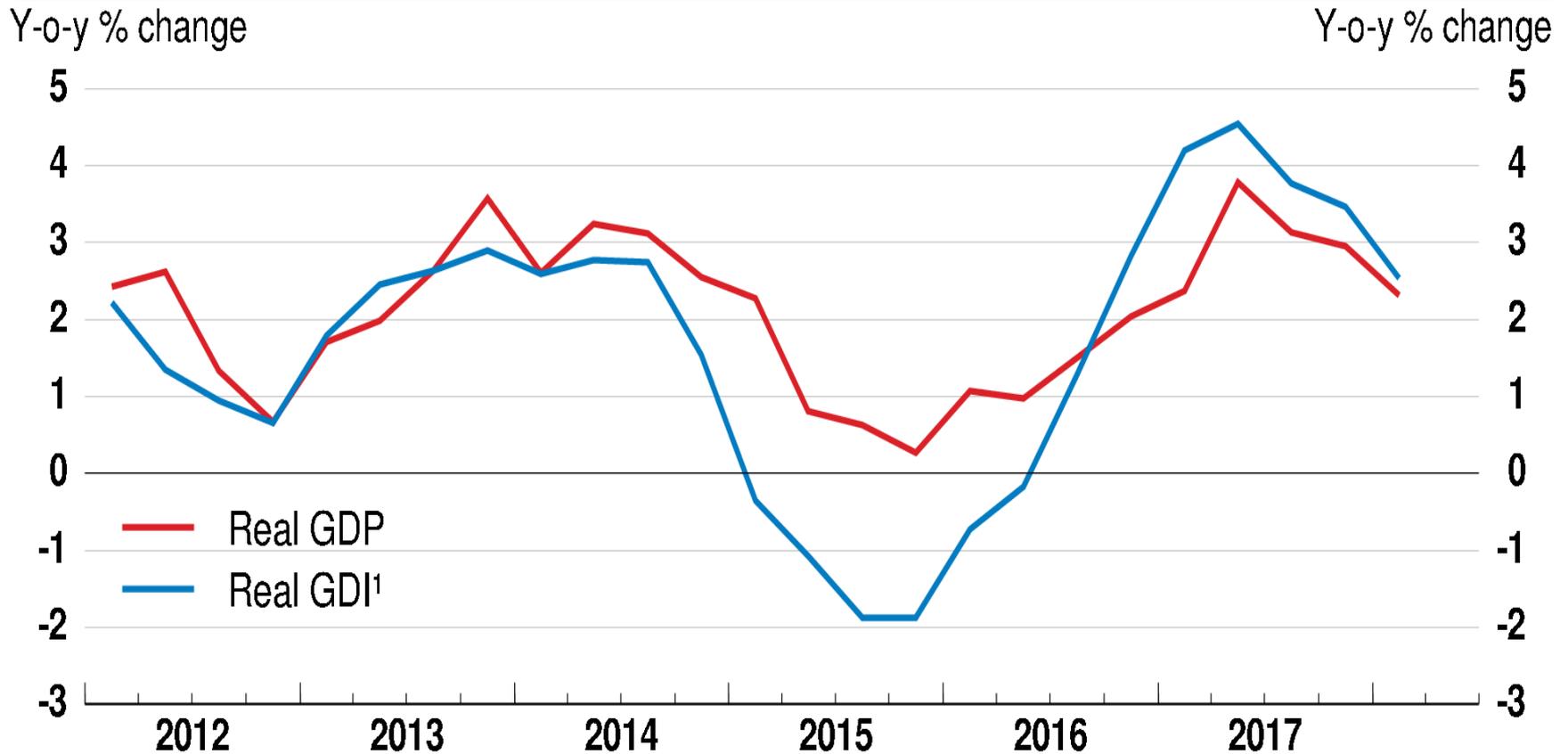
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BETTER POLICIES FOR BETTER LIVES

Making growth stronger and more sustainable and inclusive

Economic growth is strong

Y-o-y % change

Y-o-y % change

Legend:
- Real GDP
- Real GDI[1]

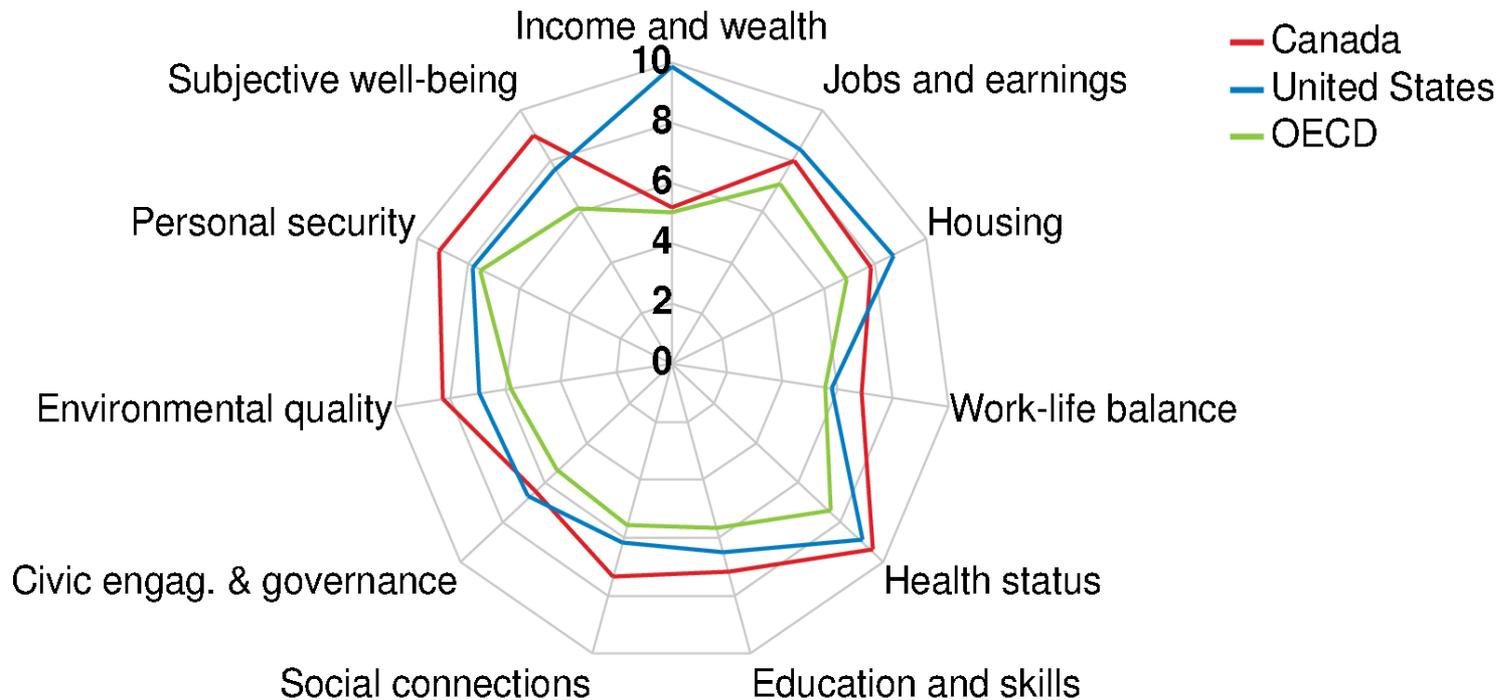X-axis: 2012, 2013, 2014, 2015, 2016, 2017

1. Real Gross Domestic Income (GDI) equals real GDP adjusted for changes in the terms of trade.
Source: Statistics Canada, Table 380-0065.

Well-being is high

Better Life Index,[1] 2017 edition
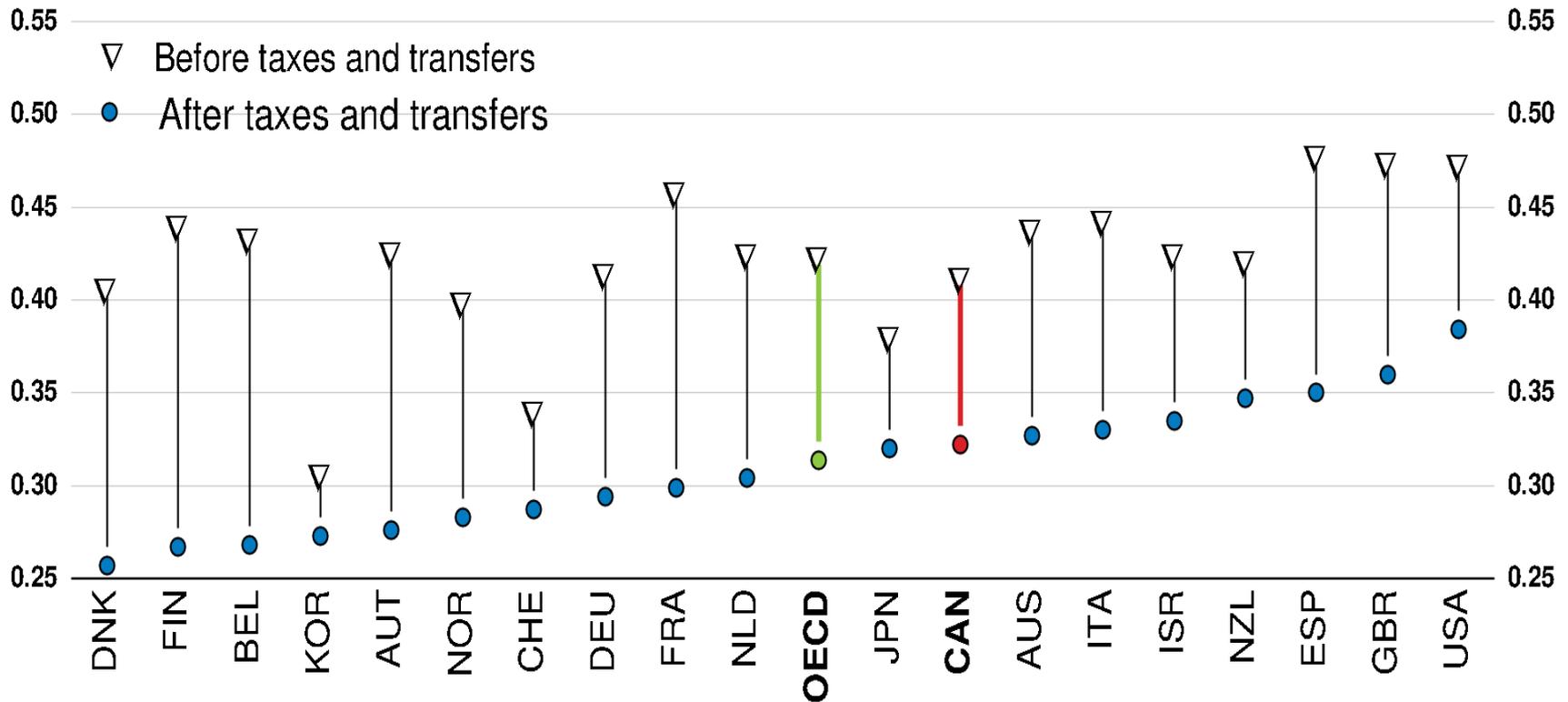

Legend:
- Canada
- United States
- OECD

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.

Source: OECD (2017), *OECD Better Life Index*, www.oecdbetterlifeindex.org.

Income inequality is above average

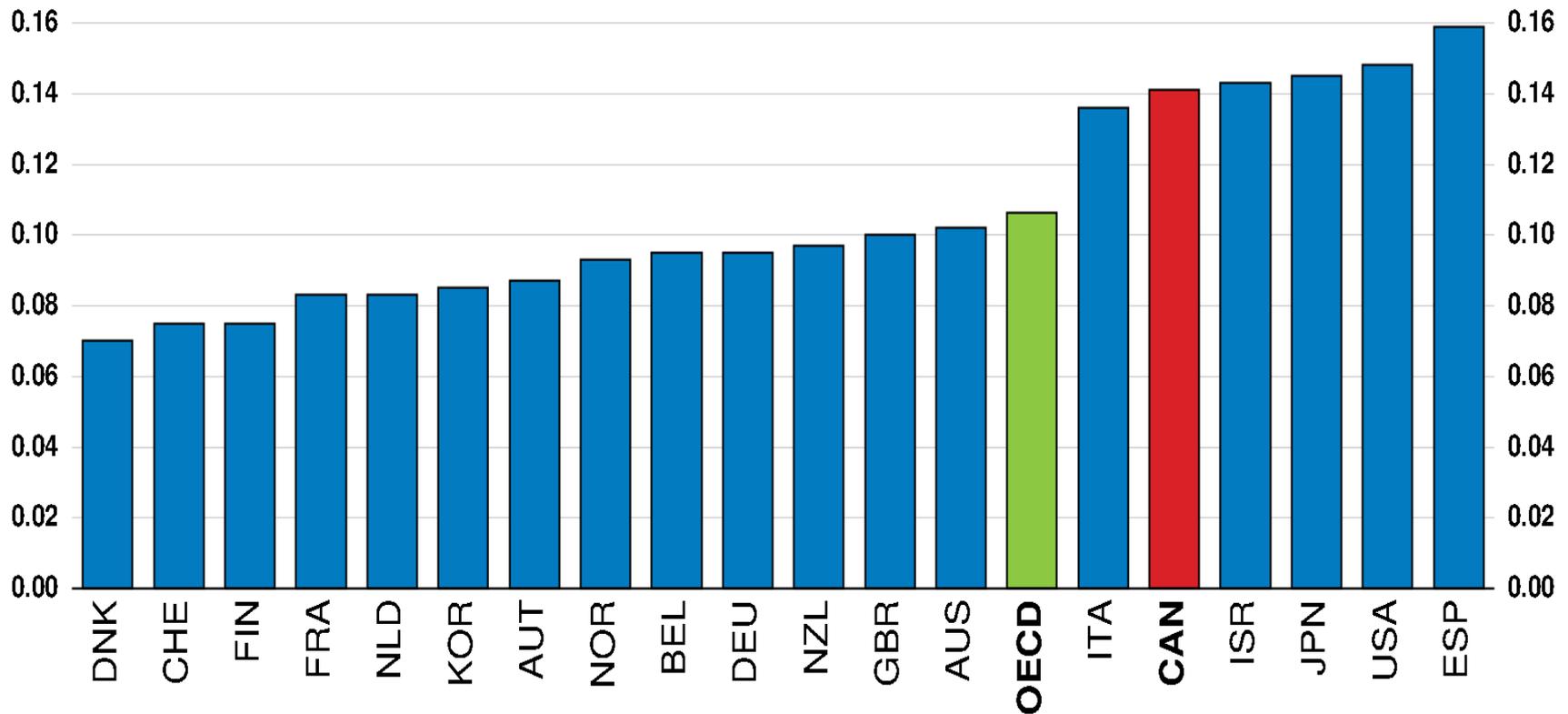## Gini coefficient, working-age population, 2016 or latest available year[1]

Legend:
- ▽ Before taxes and transfers
- ● After taxes and transfers

Countries (left to right): DNK, FIN, BEL, KOR, AUT, NOR, CHE, DEU, FRA, NLD, **OECD**, JPN, **CAN**, AUS, ITA, ISR, NZL, ESP, GBR, USA

Relative poverty is well above average

Poverty rate, 50% poverty line, working-age population, 2016 or latest available year[1]

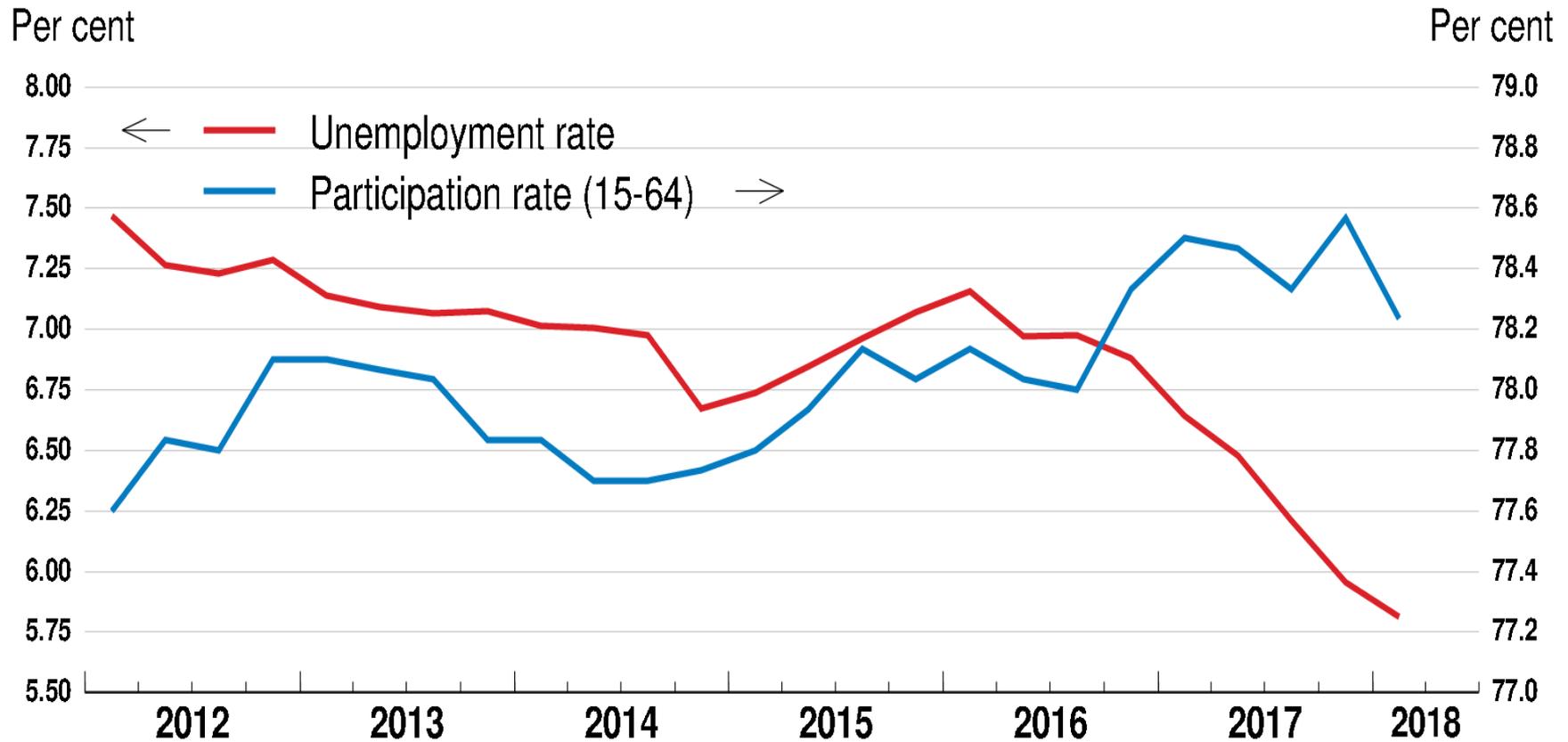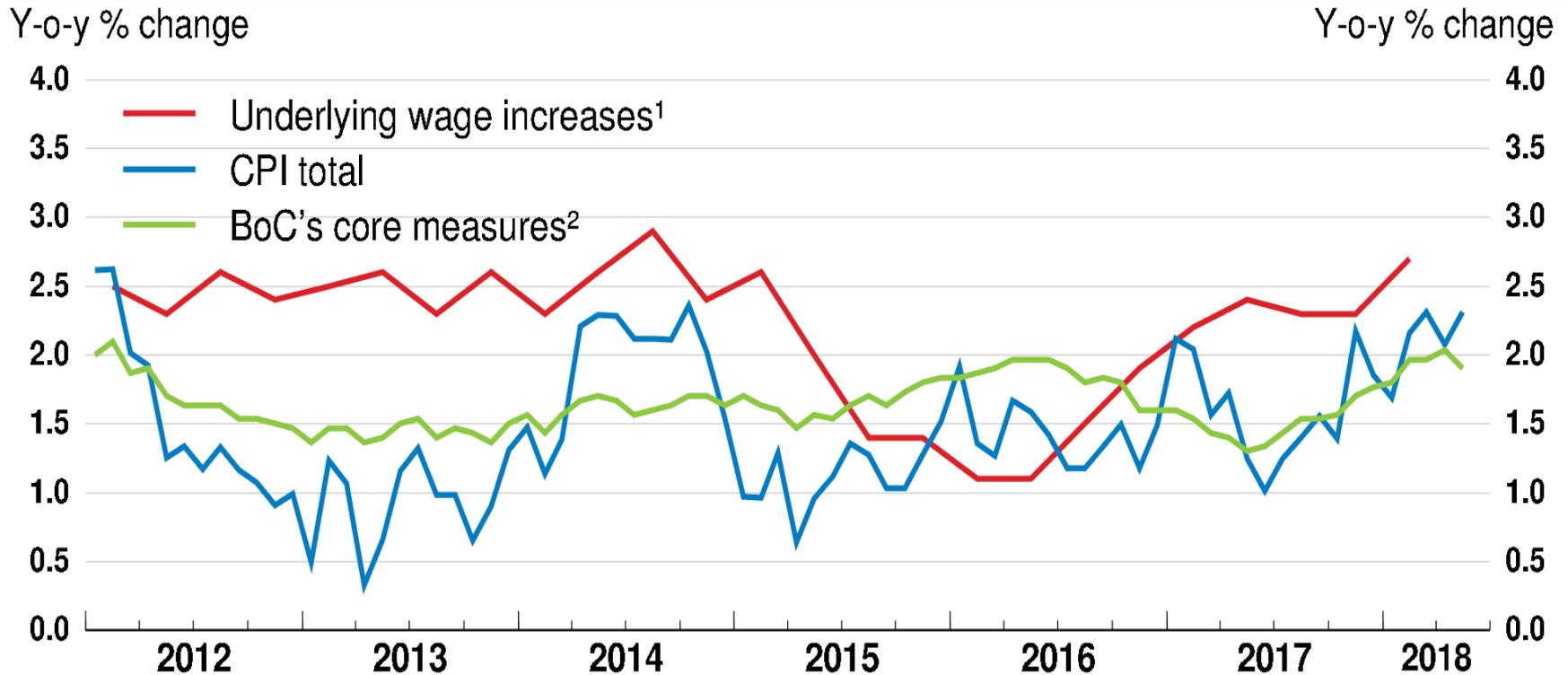# The labour market is tightening

Source: OECD, *Economic Outlook and Short-Term Labour Market Statistics databases.*

Wages and prices have picked up

Y-o-y % change

Y-o-y % change

- Underlying wage increases[1]
- CPI total
- BoC's core measures[2]

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).
Source: D. Brouillette et al. (2018), "Wages: Measurement and Key Drivers", *Staff Analytical Note 2018-2*, Bank of Canada, charts 3 and B-3; Bank of Canada (2018), *Monetary Policy Report*, April; Statistics Canada, Tables 326-0022 and 326-0023.
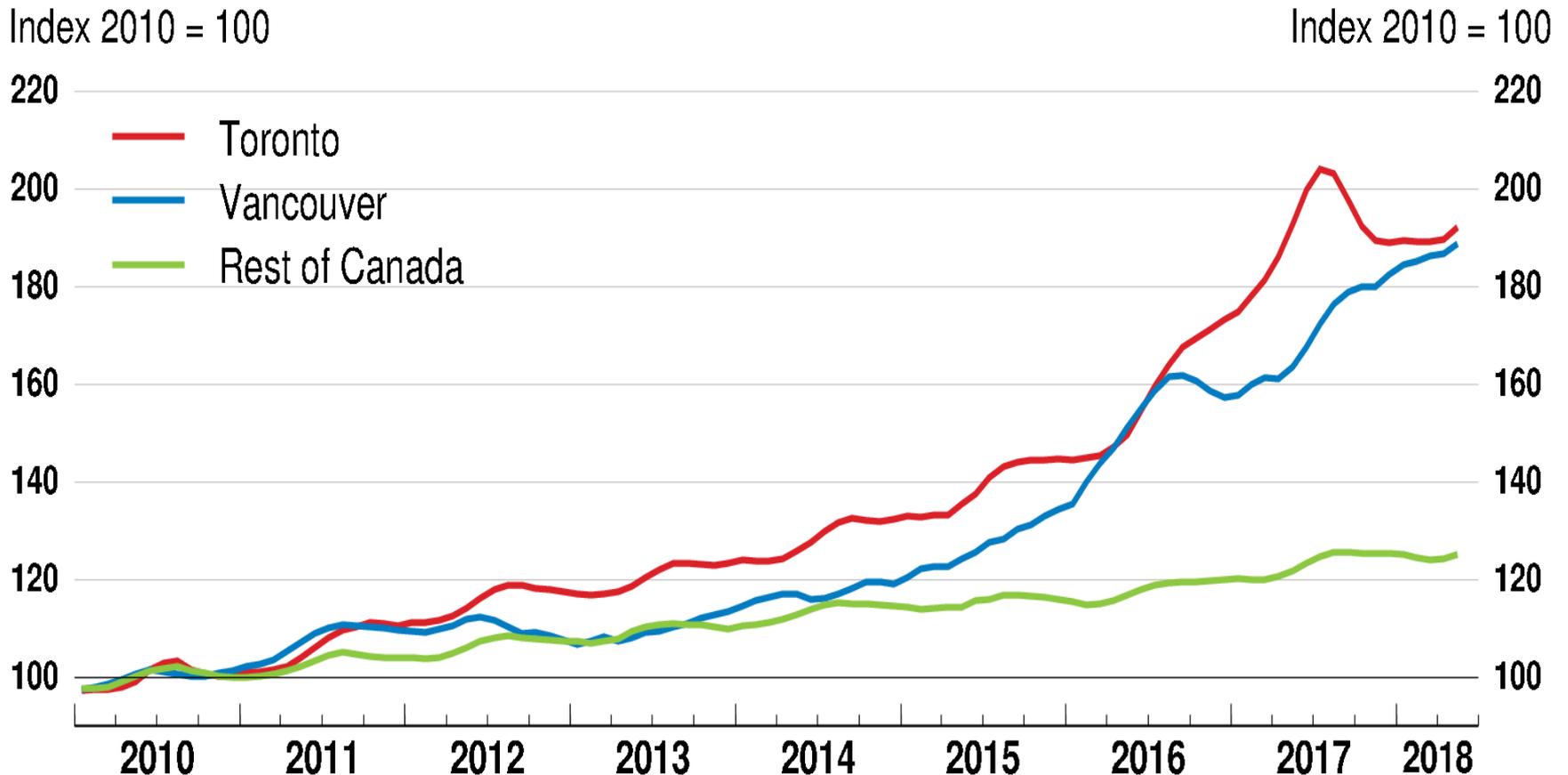
Real house prices have risen sharply

Index 2000 = 100

- Canada
- Australia
- United States
- OECD average
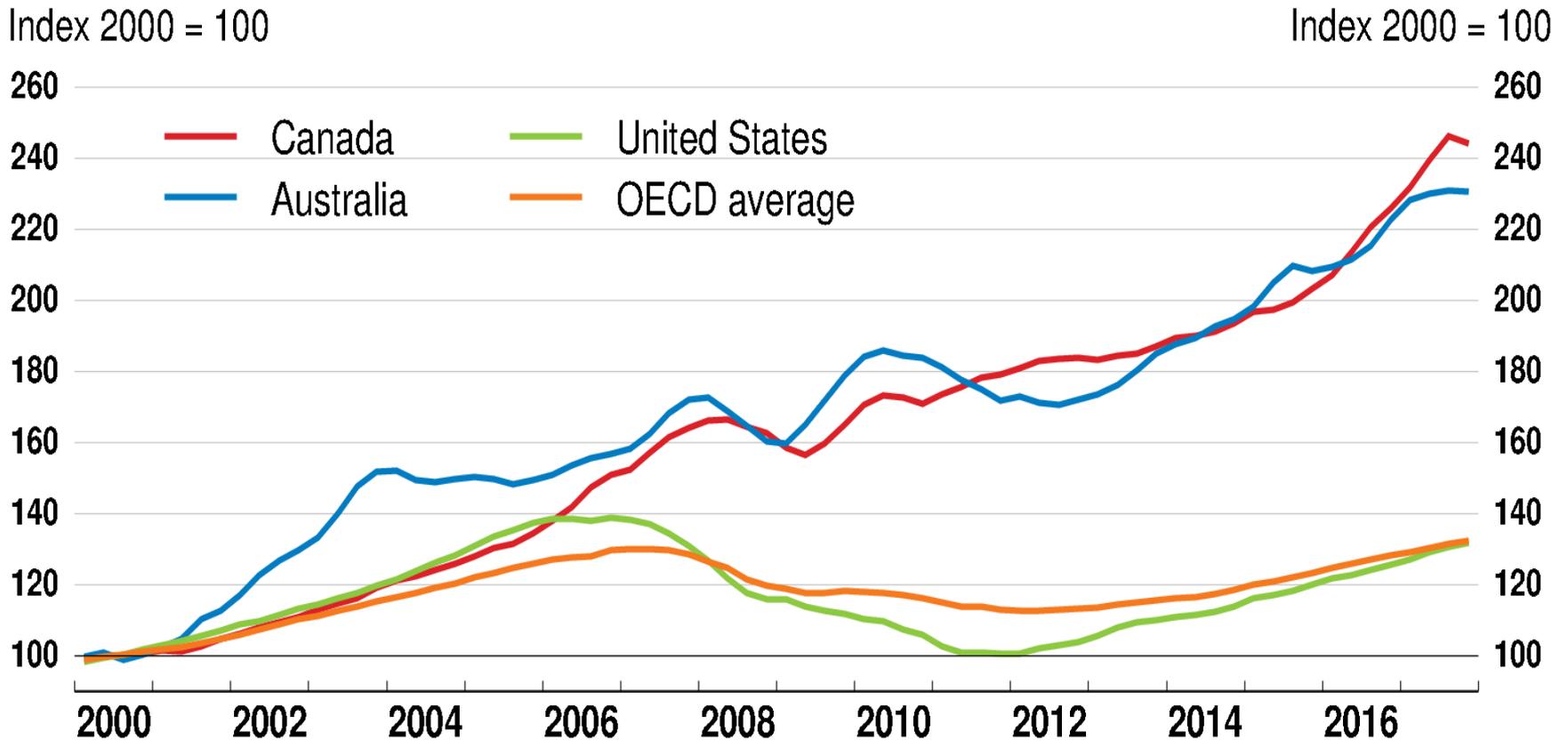
Note: Nominal house prices deflated by the private consumption deflator.
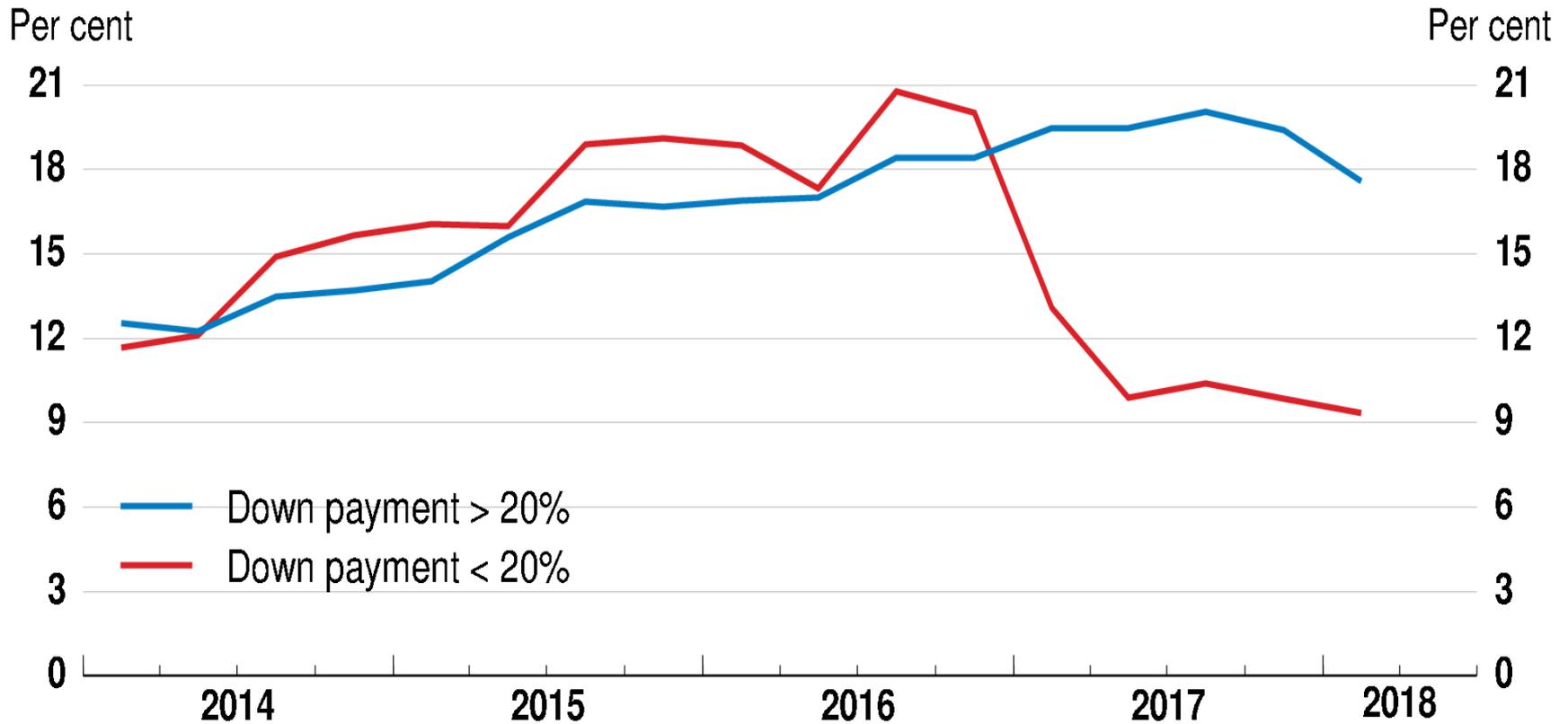*Source:* OECD, *Economic Outlook database.*

House prices have increased a lot in Toronto and Vancouver

Source: Teranet and National Bank of Canada, House Price Index.

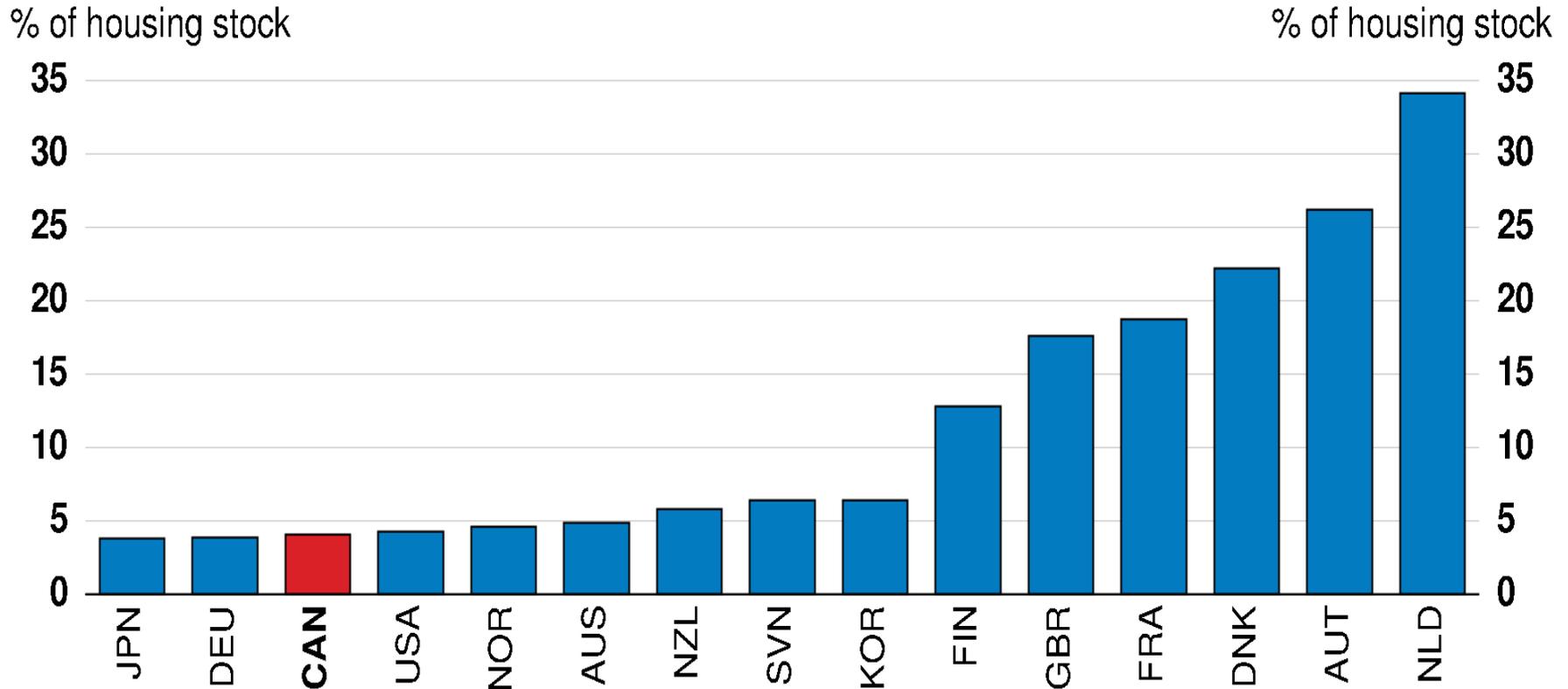# Many new mortgages have high debt-to-income ratios

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.
Source: Bank of Canada (2018), *Financial System Review*, June ,Chart 4.
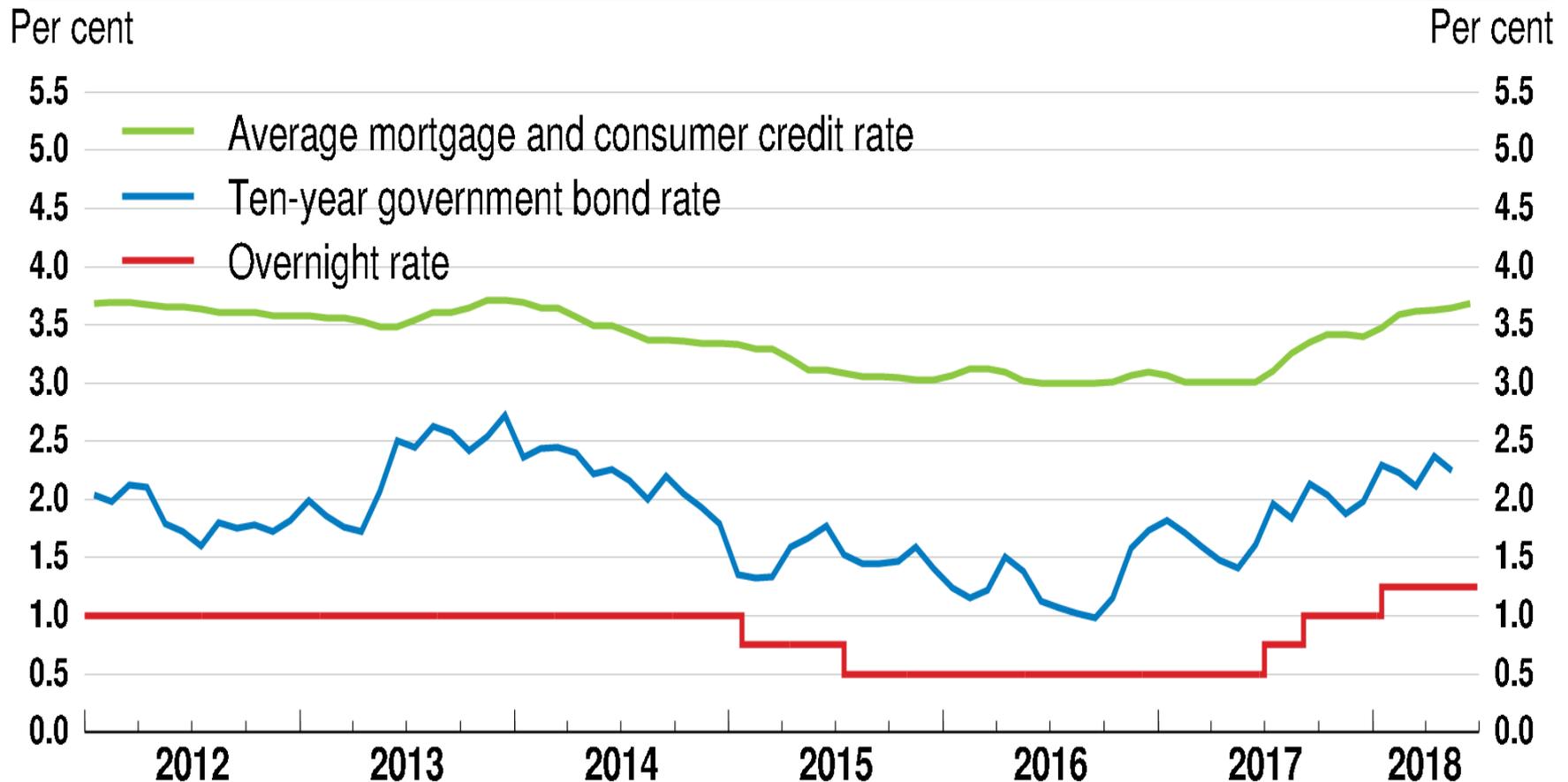
There are few social rental dwellings

2015 or latest year available

% of housing stock — (chart with countries JPN, DEU, CAN, USA, NOR, AUS, NZL, SVN, KOR, FIN, GBR, FRA, DNK, AUT, NLD)

Interest rates are on the way up

Per cent

5.5
5.0 — Average mortgage and consumer credit rate
4.5 — Ten-year government bond rate
4.0
3.5 — Overnight rate
3.0
2.5
2.0
1.5
1.0
0.5
0.0

2012 2013 2014 2015 2016 2017 2018

Per cent

5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0

Revenue increases are needed to stabilise debt in most provinces

Long-term fiscal gap estimates by province/territory and government[1]
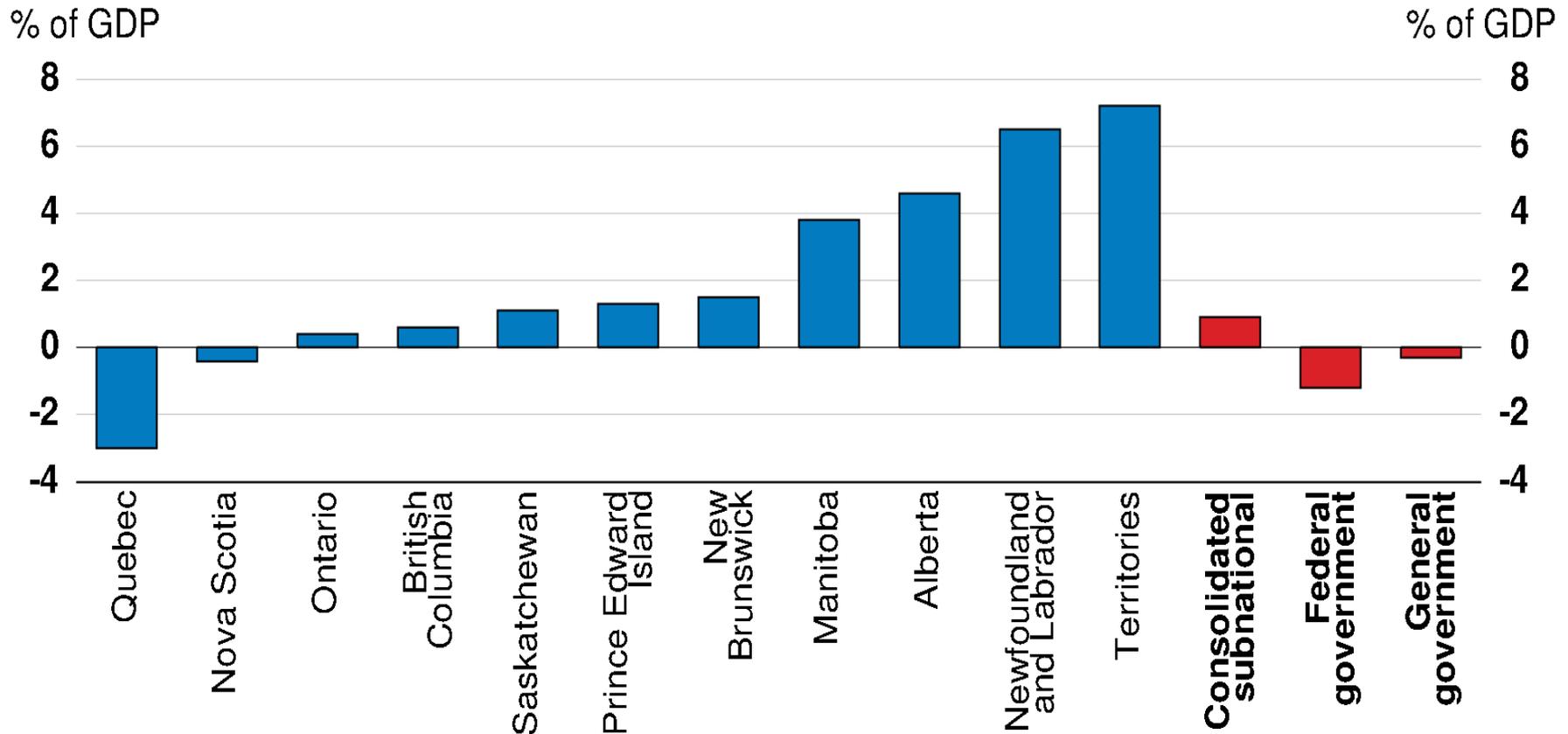
1. Fiscal gap is the difference between revenue as a share of GDP and what would be required to finance government expenditure while holding the debt-to-GDP ratio unchanged over the long run. Fiscal gaps are for 2016.
Source: Office of the Parliamentary Budget Officer (2017), *Fiscal Sustainability Report 2017*, Summary Figures 1 & 2.

Labour productivity lags top performers
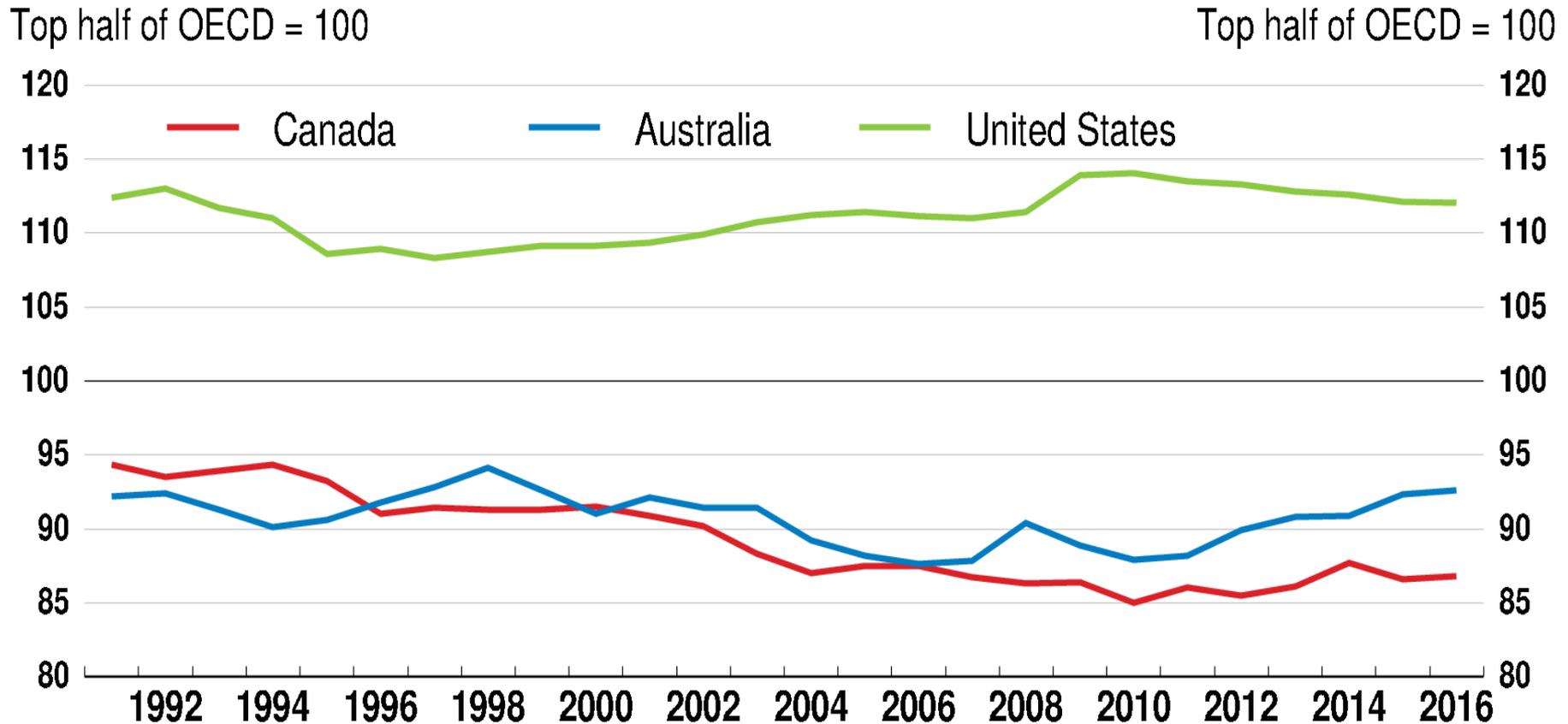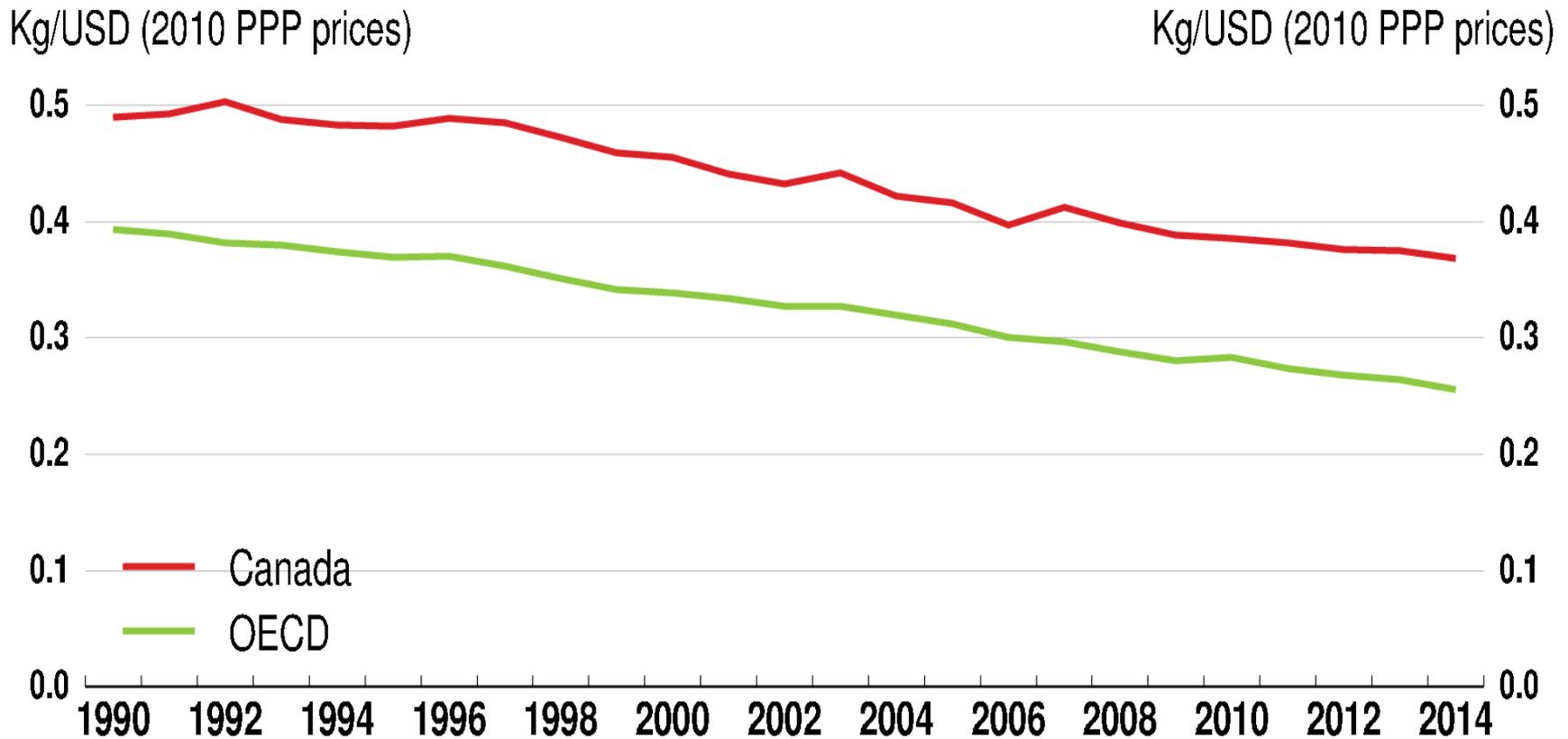

Note: Hourly labour productivity relative to the population-weighted average of the top half of OECD countries.

Source: OECD (2018), Economic Policy Reforms: Going for Growth 2018.

CO$_2$ emissions per unit of GDP are high but declining

Kg/USD (2010 PPP prices)

Kg/USD (2010 PPP prices)

Canada
OECD

Source: OECD (2018), *OECD Environment Statistics database.*

CO$_2$ emissions per capita are high and not declining
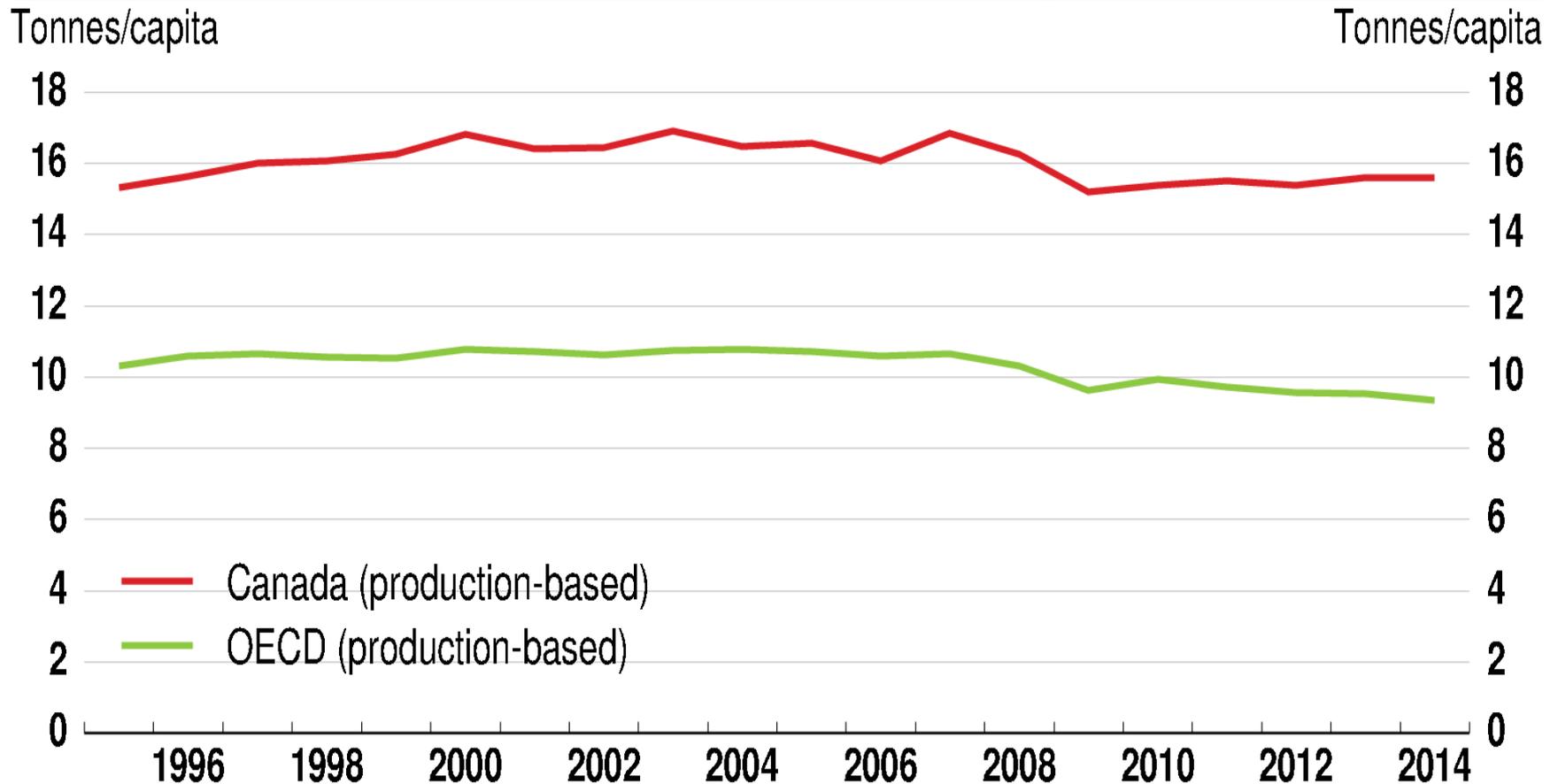
Source: OECD (2018), *OECD Environment Statistics database.*

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.
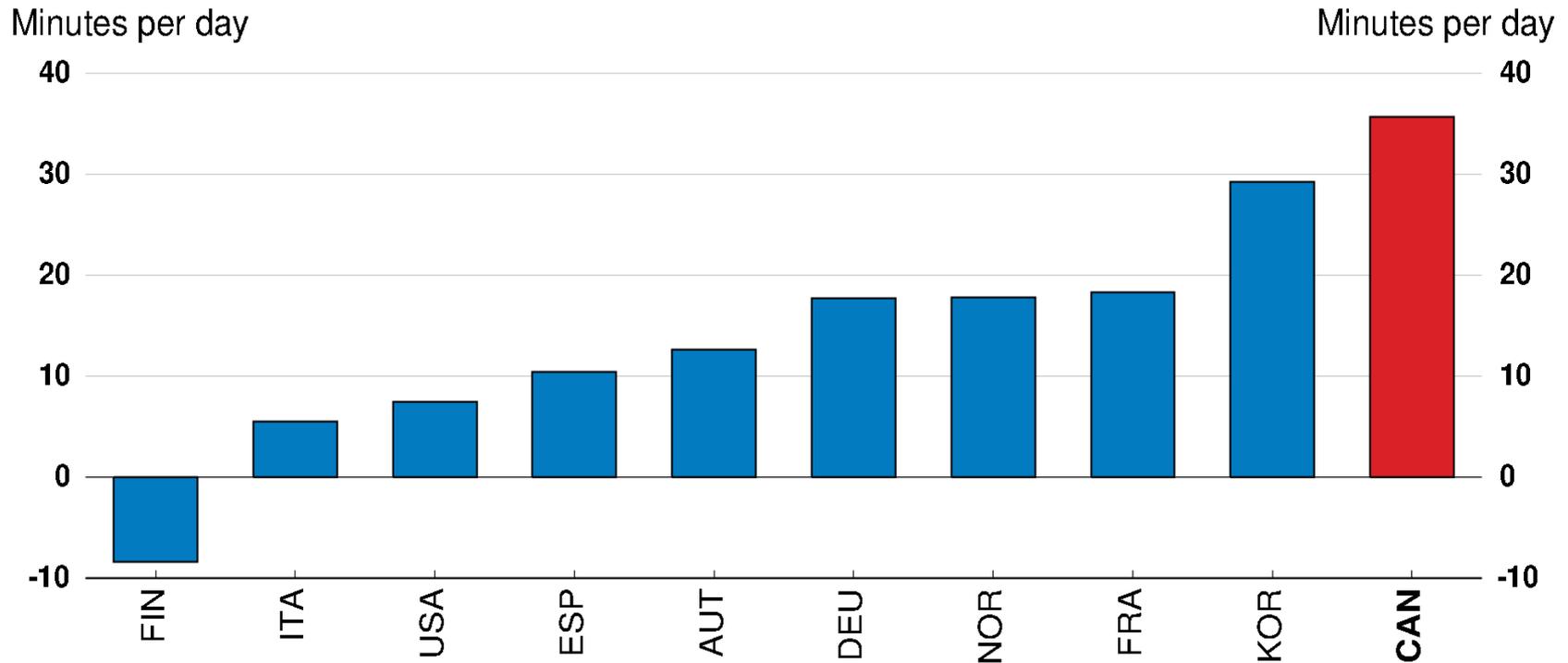
Increasing inclusiveness for women, youth and seniors

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
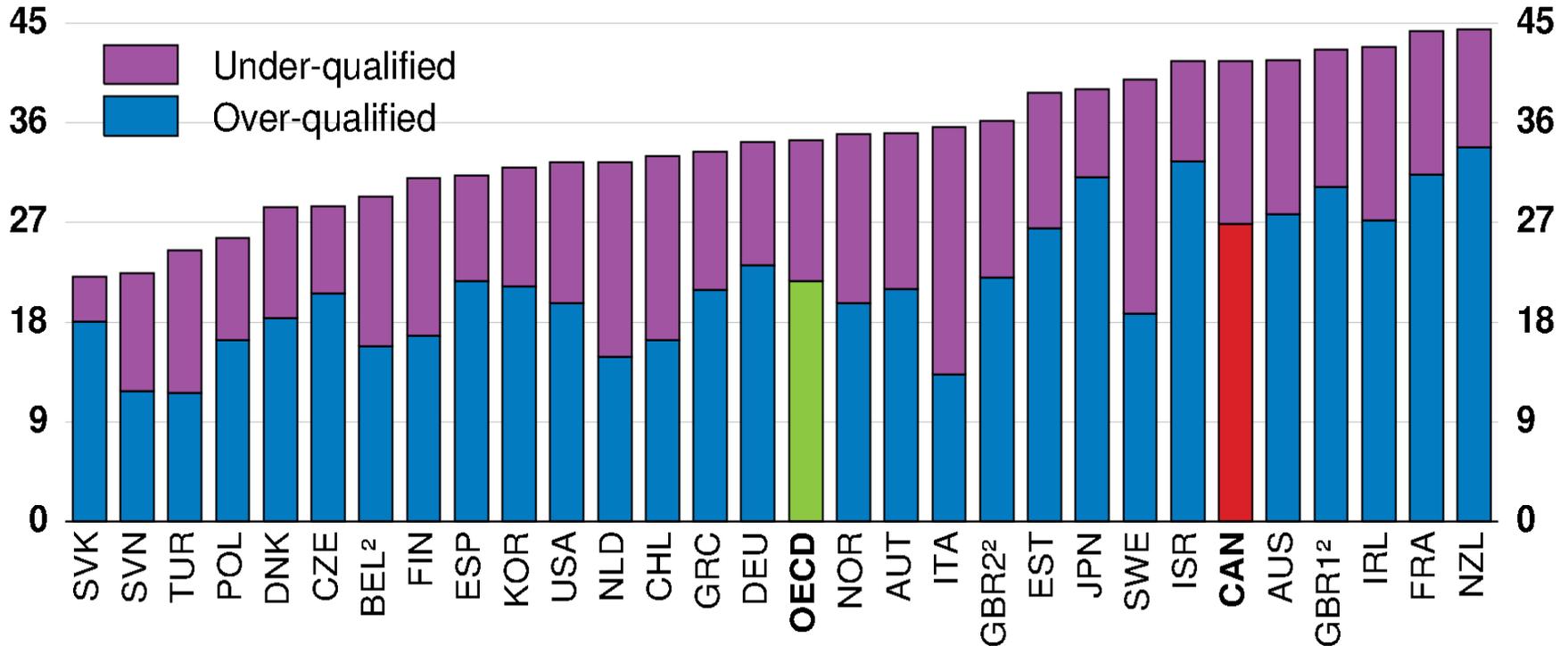
1. Qualifications mismatch occurs when a worker has a higher or lower level of qualification than is required for his/her job.
2. Data indicated as Belgium correspond to Flanders; GBR1 = England and GBR2 = Northern Ireland.

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

Distribution of retirement age, 2014
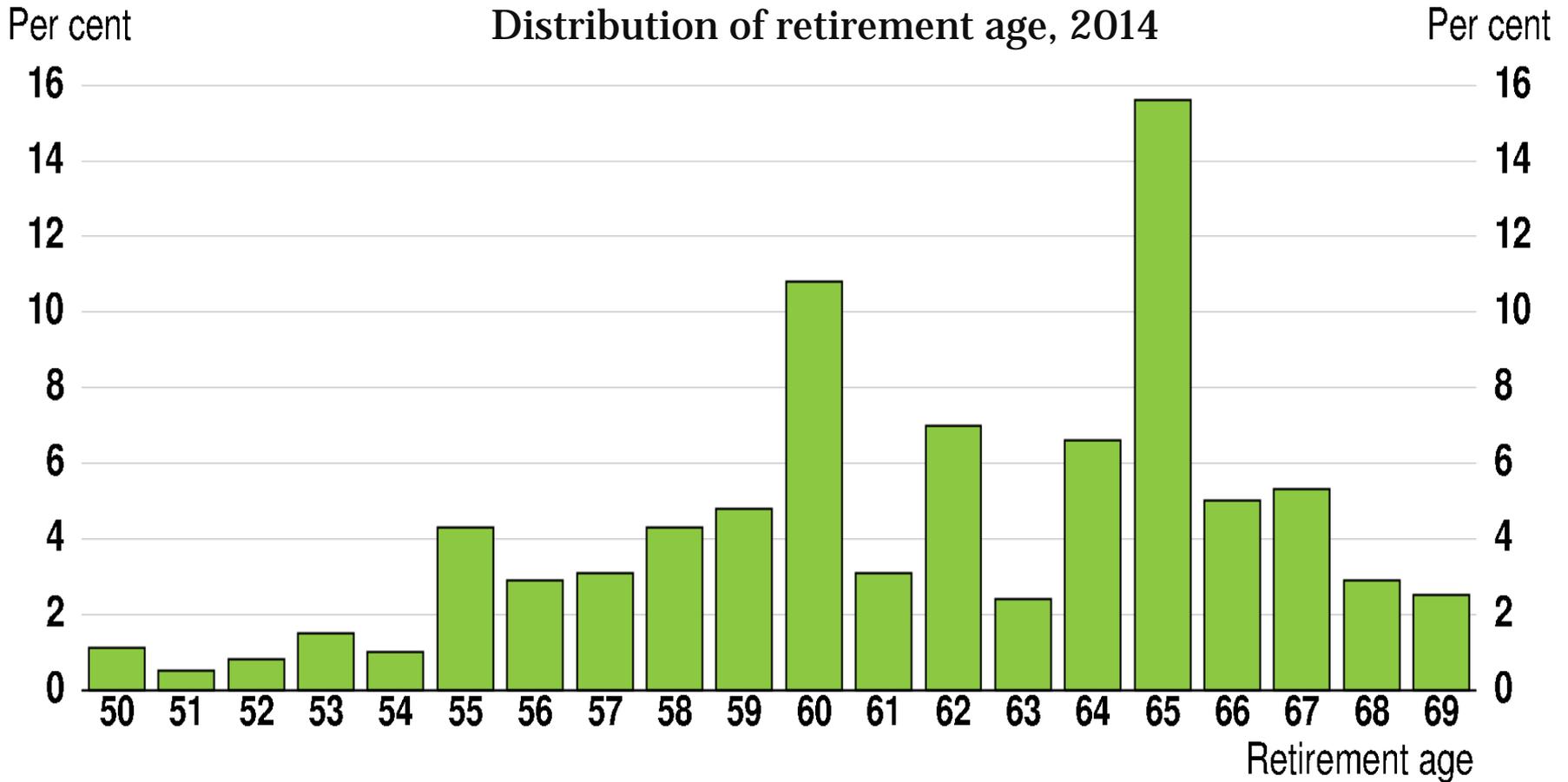
Source: Finance Canada.

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**.
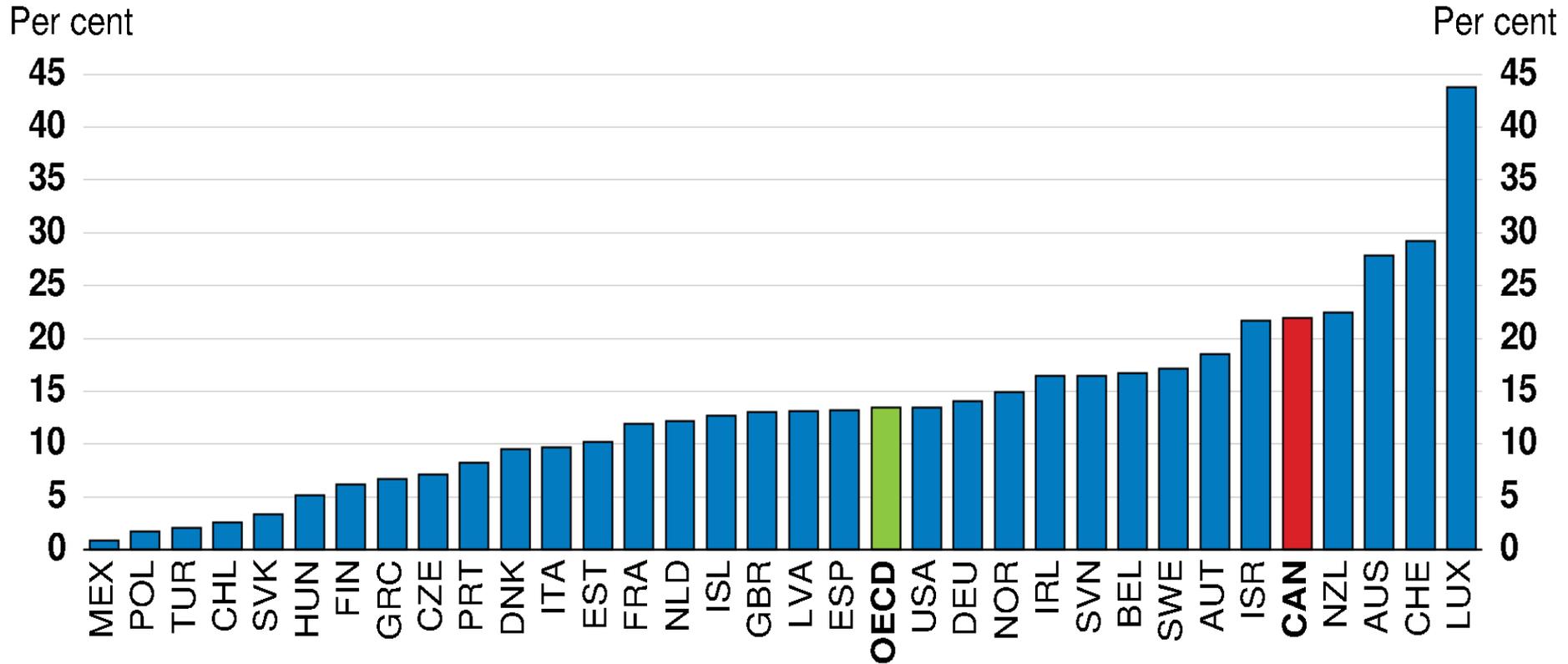
Improving immigrant labour-market integration

The immigrant share of the population is high

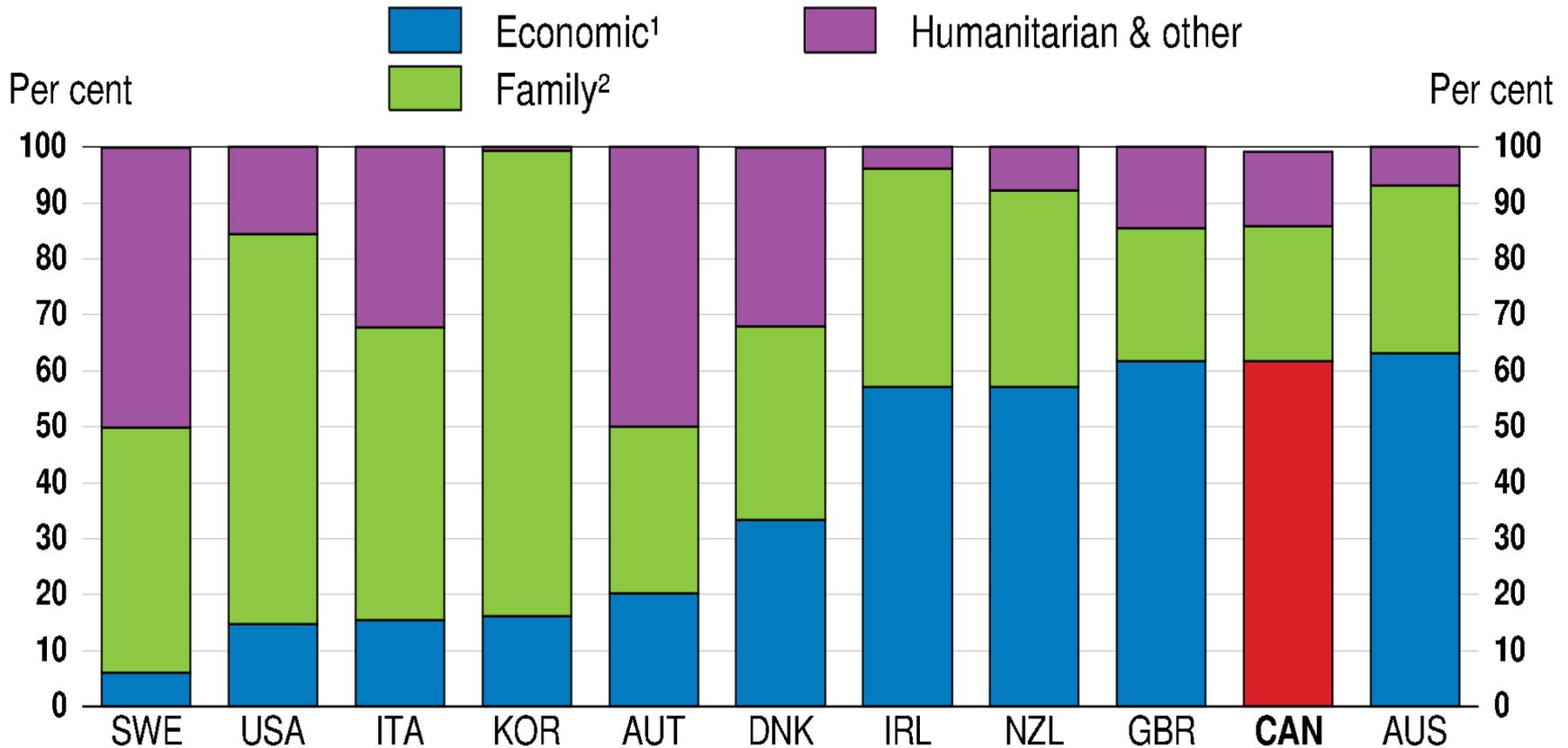Share of the foreign-born in the total population, 2015[1] or latest year available

1. 2016 for Canada.
Source: OECD, *International Migration and Economic Outlook databases*; Statistics Canada, *2016 Census Program* .

Most immigrants to Canada are selected on economic criteria

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

Legend: ■ Economic[1] ■ Family[2] ■ Humanitarian & other

Countries (left to right): SWE, USA, ITA, KOR, AUT, DNK, IRL, NZL, GBR, **CAN**, AUS

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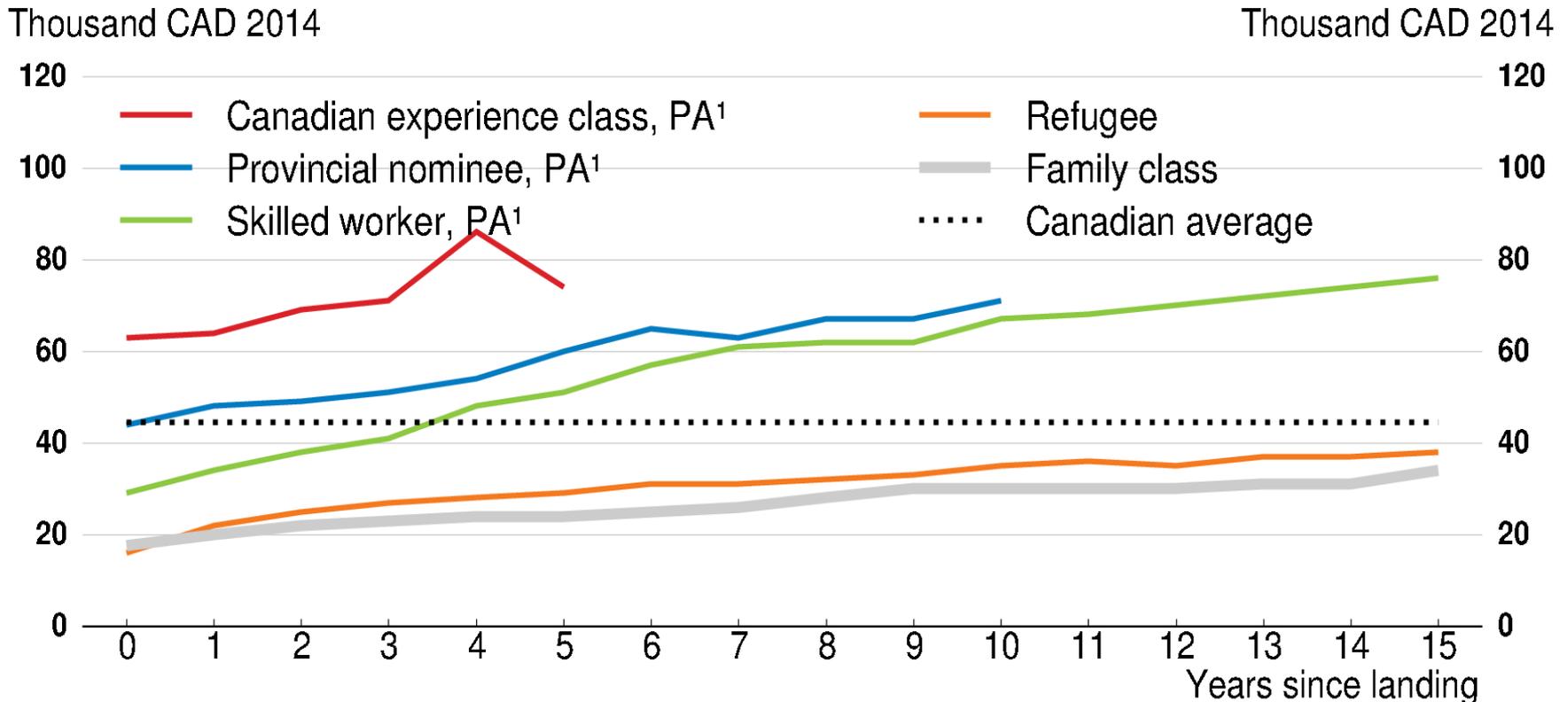2. Mostly spouses, partners and children of residents.

Source: OECD (2017), *International Migration Outlook 2017*, Table 1.A.2.

Economic-class immigrants earn more than other immigrants

**Average employment earnings, thousand CAD 2014, 2014 tax year**

Thousand CAD 2014

Thousand CAD 2014

Legend:
- Canadian experience class, PA[1]
- Provincial nominee, PA[1]
- Skilled worker, PA[1]
- Refugee
- Family class
- Canadian average

Years since landing

Adjusted male immigrant entry earnings have fallen

Earnings[1] for full-time, full-year male workers,[2] by years since landing, 1975-2004
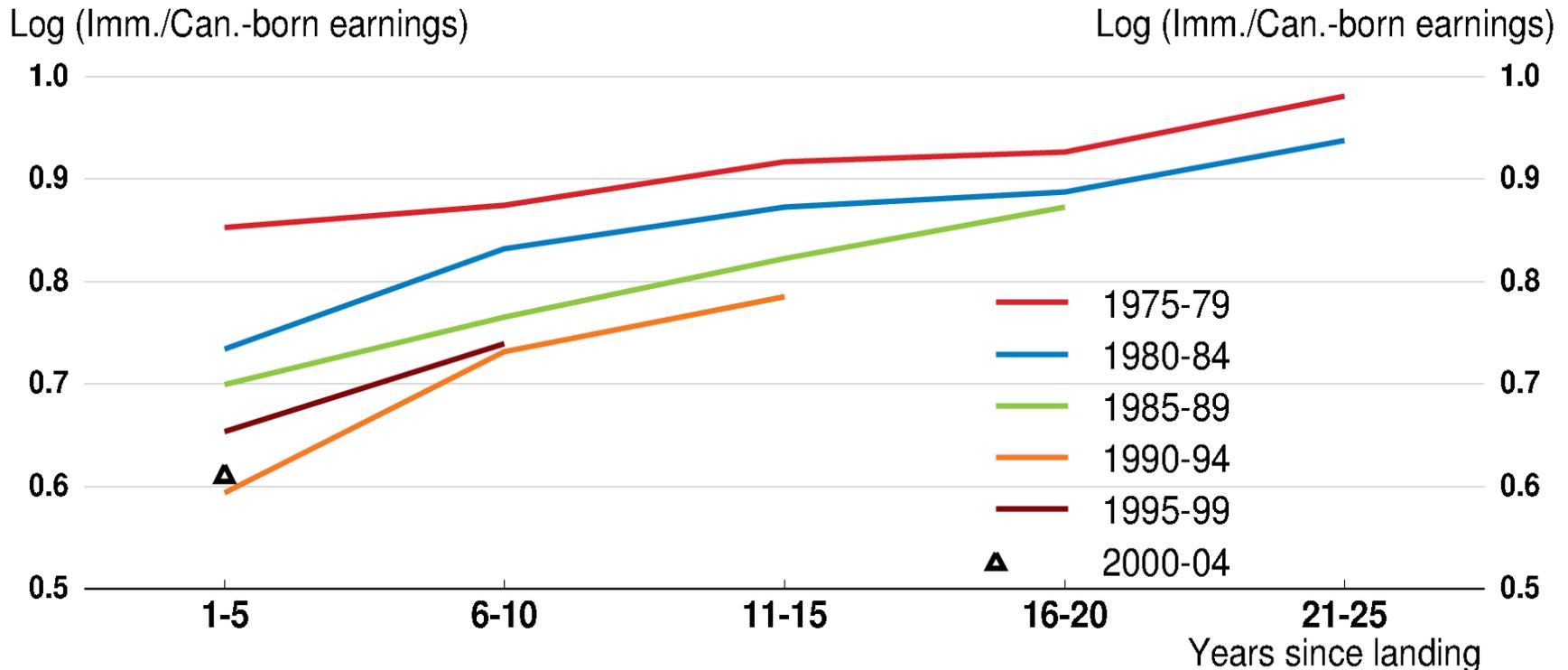
1. Predicted values based on a model controlling for education, age and place of residence.
2. Aged 16 to 64.
Source: G. Picot and A. Sweetman (2012), "Making It in Canada - Immigration Outcomes and Policies", *IRPP Study*, No. 29, April, Figure B1.

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:

http://www.oecd.org/eco/surveys/economic-survey-canada.htm

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