

Improving the Well-Being of Canadians

By Peter Jarrett, Consultant to the OECD Economics Department

Version française: Améliorer le bien-être des Canadiens

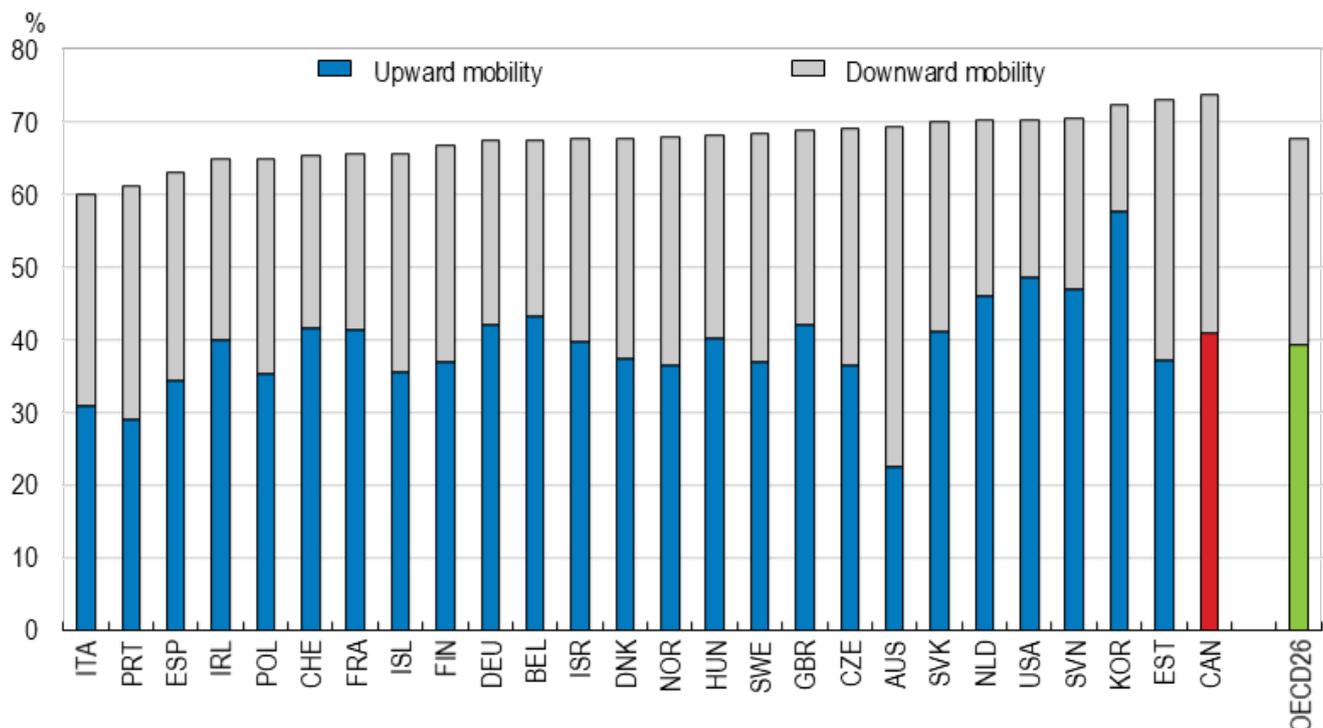
For many years now, a growing number of economists, policy makers and civil society groups have pointed to the limits of using only GDP to measure national economic progress. Accordingly, a progressively greater focus is being placed on the concept of well-being and its optimal measurement, as well as its appropriate use in budgeting and other aspects of policymaking. In principle, well-being can be used at all the stages of policy-making: agenda and priority setting, ex ante policy formulation, implementation, monitoring and ex post evaluation. Canada has had a long history of measuring subjective well-being and a good pre-COVID 19 record on many of its determinants but has not yet decided on an official government-wide framework.

In general, Canada ranked well in international comparisons of well-being indicators measured prior to the COVID-19 pandemic. For instance, the OECD's *How's Life?* measure shows Canada as having strong well-being scores on many fronts, including average life satisfaction, prevalence of exposure to air pollution and share of students with low skills. Most prominently social mobility is among the highest in the OECD (Figure 1). But there are some weaknesses in current well-being, resources for the future and persistently inferior First Nations outcomes as well as consistent trend deterioration as regards household debt and housing affordability, threatened species, students' science skills and aggregate social connections.

Figure 1. Social mobility is high

Absolute social class mobility

Percentage of 25-64 years old whose social class is higher or lower than that of their parents, 2002-14



Note: Social class is based on the nine European Socio-Economic Classification (ESEC) categories constructed based on occupation.

Source: OECD (2018), A Broken Social Elevator? How to Promote Social Mobility, <http://dx.doi.org/10.1787/9789264301085-en>.

Evidence shows that the COVID-19 pandemic is exacerbating a number of existing well-being problems. For example, the data show that Canada's minorities have been harmed to a greater extent than those of the white majority; neighbourhoods with greater numbers of visible minorities have suffered COVID-19 mortality rates about double those in other localities; and Indigenous peoples have had less of a recovery in employment outcomes.

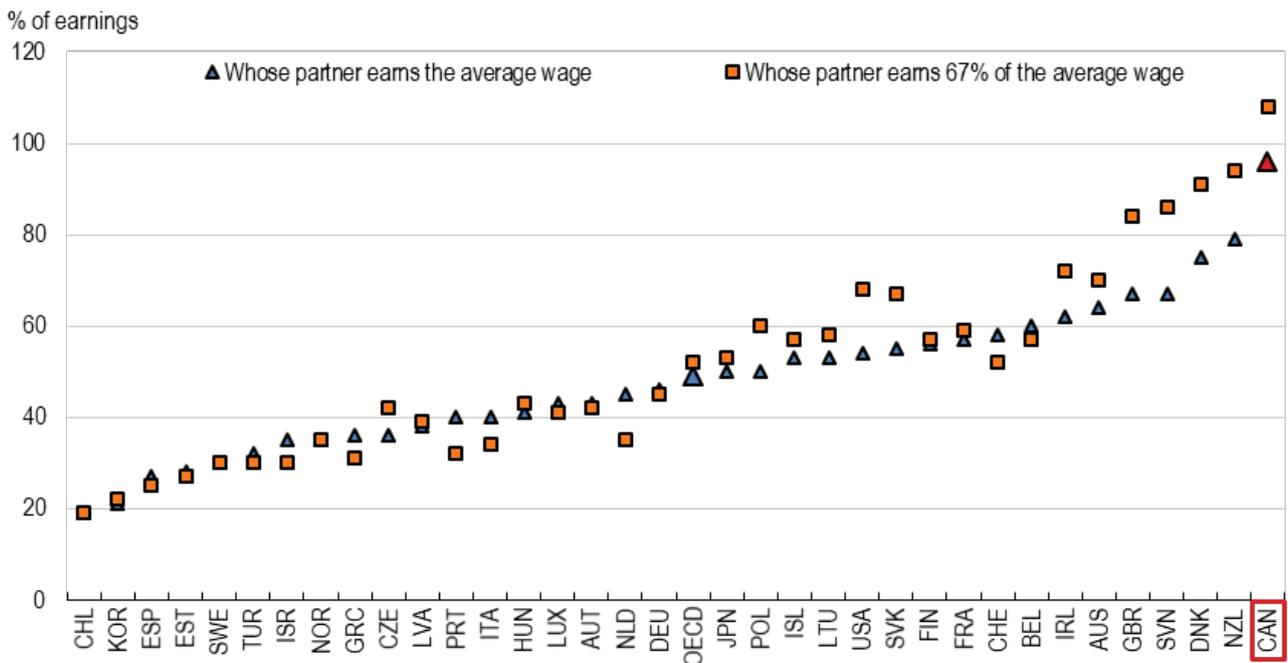
Research has also looked at well-being for different demographic groups, including children. The Public Health Agency of Canada is now developing a Positive Mental Health Surveillance Indicator Framework for children. Indicators show a worrying picture of child well-being in Canada, particularly

for Indigenous children whose disadvantages include greater ill health and a poverty rate more than five times as great as among non-Indigenous children, twice as much infant mortality and various other disadvantages.

The quintessential aspect of well-being that GDP neglects is arguably income inequality. Policymaking needs to recognise that there is no sharp over-arching trade-off between income inequality and average income. Eleven OECD countries have both higher per capita GDP and less income inequality than Canada, demonstrating that improvement along both dimensions is eminently possible.

There are a number of policy changes that could improve both average well-being and reduce gaps among Canadians. One is along gender lines, where lowering the cost of childcare would encourage more second earners (mainly women) to enter the labour market and contribute to their own well-being as well as their family's and to society as a whole. Currently the set-up in provinces other than Québec is the most dissuasive in the OECD (Figure 2). Another is public health insurance: too many people lack drug coverage and thus suffer financial hardships, especially during a pandemic, while the lack of grouped buying power boosts the cost of drugs for all Canadians.

Figure 2. Combining work and family life continues to be challenging
Financial disincentive to enter employment with childcare costs, 2019 or latest available



Note: Calculations refer to a couple with two children where the other parent works full-time at 67% of the average wage. Source: OECD (2020), Financial disincentive to enter employment with childcare costs (indicator).

Well-being involves a multitude of aspects of life over which governments have important influence. These include: social mobility, poverty, food insecurity, housing adequacy and homelessness, gender inequality, health and longevity, social relations, and environmental quality and sustainability. Thus, Canada’s policymakers have many levers to improve well-being outcomes for their citizens.

References:

Jarrett, P. (2021), “Improving the well-being of Canadians”, *OECD Economics Department Working Papers*, No. 1669, OECD Publishing, Paris, <https://doi.org/10.1787/6ab6b718-en>.

OECD (2021), *OECD Economic Surveys: Canada 2021*, OECD Publishing, Paris, <https://doi.org/10.1787/16e4abc0-en>.