Canada: five messages from the latest OECD Economic Survey

Category: Canada
written by oecdecoscope | March 6, 2023

The latest Economic Survey finds Canada needs to tame inflation, further build fiscal buffers, strengthen productivity and prioritise the green transition.

Delivering on the promise of better outcomes for Canadian women

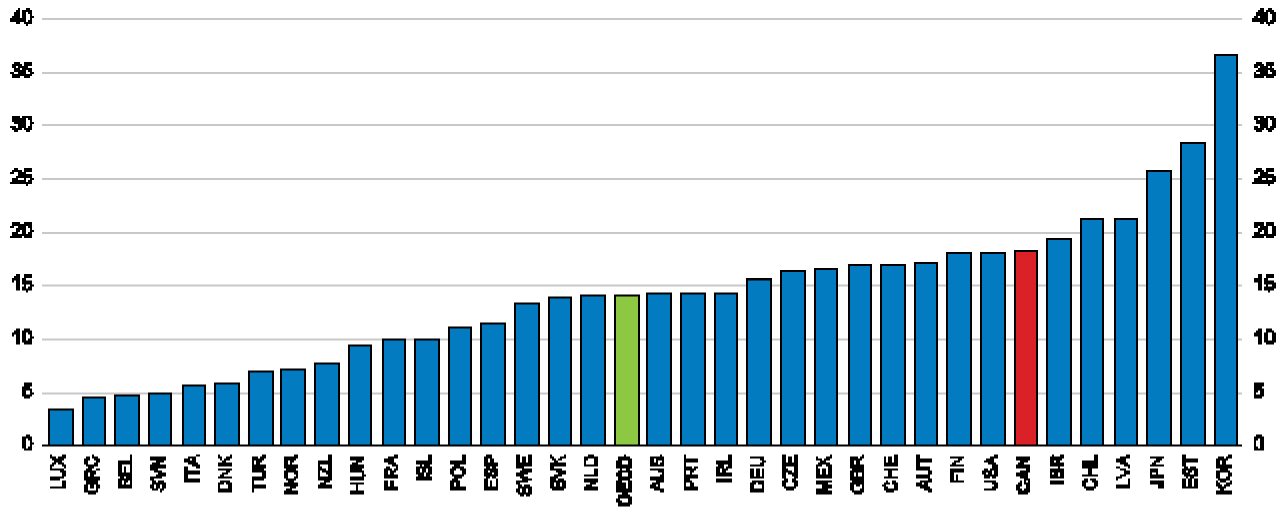
Category: Canada,Gender,Labour markets,Uncategorized
written by oecdecoscope | March 6, 2023
by Andrew Barker, Canada Desk, OECD Economics Department

The current Canadian government has declared itself feminist and has taken a number of steps to improve labour market outcomes for women. This includes increased funding for early learning and child care and improving equality of parental leave by introducing five weeks of leave for the second parent (generally fathers) on a take it or lose it basis. In terms of employment and labour force participation, Canadian women do much better than the OECD average.

However, there remains a sizeable gap in earnings between Canadian men and women (Figure 1).

Figure 1. The gender earnings gap is above average in Canada

2016 or latest year available[1]



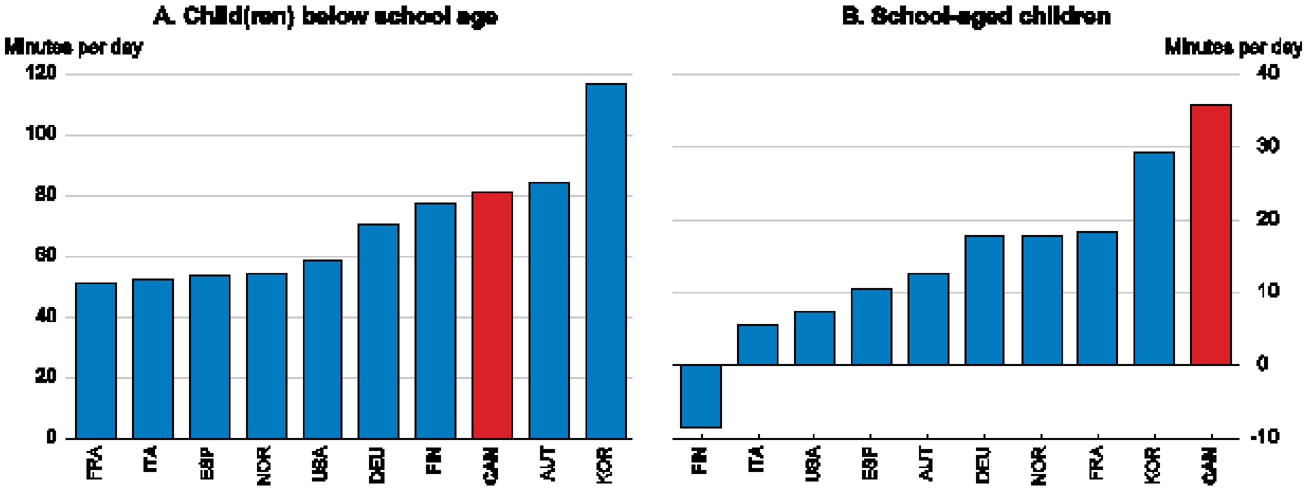
1. The gender wage gap is defined as the difference between median earnings of men and women relative to median earnings of men. Data refer to full-time employees and to self-employed. For Canada data are based on weekly earnings.

Source: OECD (2018), *Gender Database*, https://data.oecd.org/earnwage/gender-wage-gap.htm.

The earnings gap is particularly large for women with children, in part explained by fewer years of work experience and more hours devoted to unpaid work (Figure 2). This might be fine if it was the result of personal choices on how to split paid and unpaid work between couples, but international survey evidence indicates that women would like to work more and, within Canada, comparison with Quebec – where women have for many years enjoyed affordable child care and more equitable division of parental leave – indicates that Canadian women would choose to work more if given access to more family-friendly policy support.

Figure 2. Canadian fathers spend less time on childcare activities than mothers[1]

Time spent on childcare activities by women less time spent by men, by youngest child's age



1. Data for partnered men and women (those who live in the same household as a spouse or cohabitating partner, married or not) in couples with a female partner aged 25-45, only. 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.

An important step in this regard is to make sure that new fathers use the additional leave that they are now entitled to. Governments need to work with businesses and lead by example to create a culture where men are encouraged to take leave to look after their young children. Payment rates for parental leave may need to be adjusted if take-up remains low, as it has in some other OECD countries with low payment rates.

Improving access to high-quality, affordable early childhood education and care (ECEC) is the best way to improve labour market outcomes for Canadian women. Canada stands out among OECD countries for the high cost of childcare (in the comparison province of Ontario, at least) and the low share of Canadian youth who have attended ECEC for two years or more. Affordable and high quality ECEC can address barriers to mothers’ labour force participation, reduce the motherhood wage penalty and support child development, particularly for disadvantaged children. While there are upfront fiscal costs, these are offset over a longer period through women’s higher participation and productivity. Women’s productivity, and thus incomes, would also be assisted by further steps to promote female entrepreneurship and to boost women's representation in senior management, computing and engineering.

References:

OECD (2018), OECD Economic Surveys: Canada 2018, OECD Publishing, Paris.

Maintaining Switzerland's enviable living standards into the future

Category: Switzerland,Uncategorized
written by oecdecoscope | March 6, 2023
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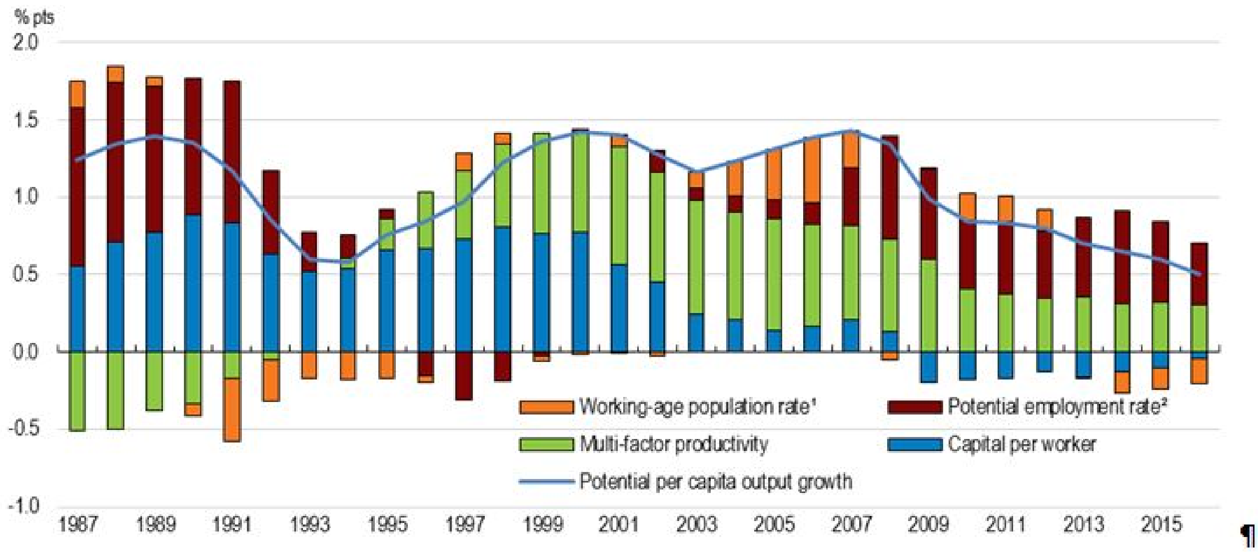
Switzerland's high living standards and quality of life are renowned. It has the third-highest level of GDP per capita in the OECD. Likewise, survey data show Swiss have the OECD's second-highest rate of life satisfaction. Unemployment is low, including for young people. And income inequality (after taxes and transfers) is around the OECD average.

But Switzerland cannot take these enviable outcomes for granted. Indeed, trends are slowly eroding this favourable position. The rate of potential growth in per capita income has slowed to just 0.5%. While Swiss GDP per hour worked was one of was of the highest 40 years ago, growth has stalled due to slow increases in investment and in multi-factor productivity (Figure). Demographics are also playing a role by reducing the share of the population that is of working-age. And immigration, which had helped offset this effect and ease skills shortages, is slowing too. Ageing will add to the fiscal burden: spending on pensions, health and long-term care is projected to increase by 3.5 percentage points of GDP in the next three decades, which risks crowding out other spending and pushing up debt (Federal Department of Finance, 2016).

Decomposition of the slowing in potential per capita income growth



Source: OECD, *OECD Economic Outlook 102 database*, preliminary version.

The OECD's latest *Economic Survey of Switzerland* highlights several win-win policies that can counter these trends by raising labour supply and skills while contributing to the inclusiveness of growth (OECD, 2017):

- **Increasing affordability of childcare** would allow mothers to increase their hours if they so choose and help them to maintain a career path. By better allocating women's skills it would also raise productivity. Likewise, the disincentives in the tax system to take on more hours should be removed by shifting to taxation of individual incomes or undertaking some equivalent measure.
- **Participation in life-long learning should be promoted** more actively to ensure that workers continue to maintain and adapt their skills as the economy changes

at an ever-faster pace. Swiss workers have high levels of participation in continuing education and training overall, but it is not broad-based with a heavy concentration on those with strong educational attainment. To ensure that other workers are not left behind, subsidies should be offered to workers from groups with low participation rates.

- **Incentivising and assisting workers to delay retirement** will help combat the effects of ageing on growth as well as alleviating fiscal pressures. Pension reform is urgently needed to ensure the financial sustainability of the system; reform should raise retirement ages and index them to life expectancy and also include stronger incentives to work longer. Promoting take-up of preventative health programmes, as well as career planning and tailored job-search assistance would lengthen healthy working lives.

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References

Federal Department of Finance (2016), *Report on the Long-term Sustainability of Public Finances in Switzerland*, Federal Department of Finance, Bern.

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Mind the gapS: boost early

childcare education and care in Costa Rica

Category: Costa Rica,education,Labour markets,Uncategorized
written by oecdecoscope | March 6, 2023

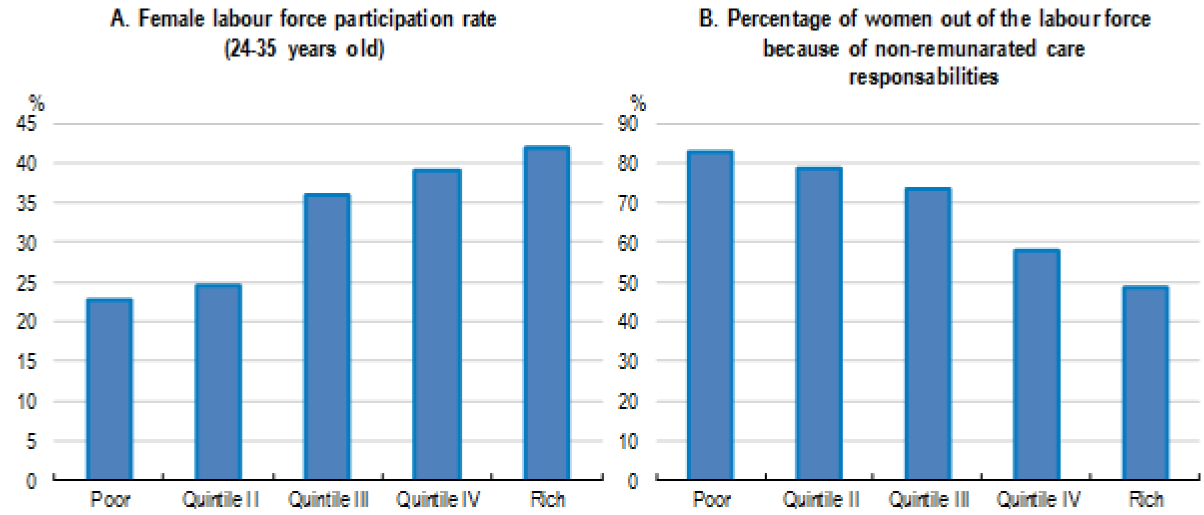
By Alberto González Pandiella, Economist, SDD, OECD Economics Department

Costa Rican well-being indicators are comparable or even above the OECD average in several dimensions (OECD, 2016a). Nevertheless, gaps with OECD countries are large in two dimensions: labour market participation and education. This hampers both long-term growth prospects and equity. Boosting early childcare education and care would help to close both gaps (Gonzalez Pandiella, 2016).

Only slightly over half of the Costa Rican working-age women participate in the labour market. Gaps in participation start at very early ages and remain large thereafter. Women from low socioeconomic background face difficulties to continue in education and tend to drop out of the labour force. Only one out of four women in low income households in the 24-35 age bracket participate in the labour market (Figure 1, Panel A). This low participation is predominantly due to the non-remunerated care responsibilities they have to assume (Figure 1, Panel B). This highlights the need to increase the supply of publicly-funded childcare services, and to target them at women in low income households.

Figure 1. Care responsibilities hinder labour market participation of poor women

By income quintile



Note: Panel A: Female labour force participation rate is the share of women (24-35 years old) working or looking for a job relative to the total population of 24-35 years old. Panel B: Proportion of women (24-35 years old) out of the labour force because of household non-remunarated care responsabilities.
Source: OECD calculations based on ENAHO (Encuesta Nacional de Hogares, National Households Survey).

Costa Rica shows a strong commitment to invest in education. But the average education attainments remain low. Less than half of the 25-29 cohort has completed secondary education, which is well below graduation rates observed in other Latin American countries such as Colombia, Peru and Panama. PISA scores are low in all disciplines, indicating that the quality of education is also comparatively low. Moreover, educational gaps depending on households' income are widening. These inequalities in education outcomes start early. At the end of primary education, the share of students coming from low income households lagging behind is high, and this is aggravated in lower secondary, when many drop out. Attendance to pre-primary education helps to decreases the likelihood of low performance in secondary education, even after controlling for socioeconomic factors (OECD, 2016b). Thus, boosting attendance to early childhood education and care, with an especial focus on children from low-income households, would also contribute to close educational inequalities and gaps in Costa Rica.

References:

Gonzalez Pandiella, Alberto (2016), "Making growth more inclusive in Costa Rica", OECD Economics Department Working Paper no. 1300.

OECD (2016a), OECD Economic Surveys: Costa Rica *2016*, OECD Publishing, Paris.

OECD (2016b), Low-Performing Students: Why They Fall Behind and How to Help Them Succeed, PISA, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264250246-en