

Canada lags Ireland in living standards
'Celtic Tiger' pulls ahead

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Southam News

Friday, December 20, 2002

OTTAWA - Canada has fallen to sixth place in an international ranking of standards of living after being passed by Ireland, whose people once flocked to Canada in search of a better life.

A report by the Centre for the Study of Living Standards says Canada lost its fifth-place rank in 2001 and was falling further behind the top five nations.

"Canada has suffered a relative deterioration in its living standards in the post-war period," said the report, which ranked 23 industrial countries.

Canada was in fourth place through most of the decades after the Second World War, but fell to fifth in the 1990s, according to the study, which drew on figures compiled by the Organization for Economic Co-operation and Development and other sources.

In the latest figures, Ireland leap-frogged ahead of Canada into third place.

The United States was atop the rating, followed by Norway, Ireland, Switzerland and Denmark.

The centre noted that over the past 50 years, Canada has had the third-lowest rate of growth in living standards -- measured as per capita gross domestic product (GDP) -- among industrial countries.

The slip comes despite recent efforts by the federal government to promote turning Canada into a "Northern Tiger," to match the economic performance of Ireland, the so-called "Celtic Tiger."

The Irish economy has enjoyed double-digit growth until last year, fuelled by computer and pharmaceutical industries that set up shop in Ireland at a phenomenal rate.

U.S. investors began arriving en masse in the late 1980s after the Irish government cut corporate taxes and devalued the Irish pound, making exports more competitive. The moves proved wildly successful for Ireland, a country which had been an economic backwater.

Canada has in recent years fallen behind in living standards against the United States, from a peak of 90.7% to 84.7% last year, the report said.

In dollar terms, Canada's per capita GDP was US\$29,870, US\$5,394 less than the Americans' US\$35,264.

The gap is even wider if personal income per capita is used as a measure of living standards and if after-tax incomes per capita are employed.

Using those figures, Canadians on average last year had US\$7,648 less than Americans, and a standard of living only 70.4% of that of Americans.

The report said it is possible for Canada to catch, even to surpass the United States in living standards, offering five methods by which Canadians could catch up to the United States within

15 years.

While the study said such a turnaround would not be easy -- there has been no period in post-war history when Canada has had sustained increases in living standards -- it noted that: "Nothing is impossible."

But most of the solutions offered by the report involved either having more Canadians working or working longer hours or some combination of both.

The first way is to reduce unemployment below that of the United States which would boost income per capita, it said, but said Canada's more generous social welfare system makes that unlikely.

The second approach would be to increase the proportion of working-age Canadians who are working. That could be done with policies to encourage more Baby Boomers to voluntarily work longer before retiring.

A third way would be to get Canadians to work longer hours. However, the hitch is Canadians already work about as many hours as Americans and surveys suggest most do not want to reduce their leisure time.

A fourth way is to have a larger proportion of Canadians of working-age than Americans, the study said, which would be helped by Canada's lower fertility rate,

The study noted that 77.9% of Canadians are of working age, compared with only 74.1% of Americans.

But it recommended that the best way to reduce the gap in living standards is to boost productivity, measured as output per hour worked.

Canada's lagging productivity has been the main reason for its lagging living standards, the study said.

"The elimination of the 17.9 percentage point productivity gap registered in 2001 by 2016 would be more than sufficient to close the income gap," it said.

That would mean productivity here would have to rise by 1.2% a year more than in the United States for 15 years, but there have been 17 years in Canada's post-war history when that has happened, it said.

And other countries have achieved even more impressive catch-ups, it added. "The best example is Ireland," it said.

Ireland's productivity soared from 44.3% of America's in 1973 to 71.7% last year. The country also boosted its living standards to 82.1% of those in the United States from what had been a mere 38.1% in 1950.

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