

# How Much to be Gained from Structural Reforms in Canada?

Giuseppe Nicoletti (LUISS Lab of European Economics, Libera Università Internazionale degli Studi Sociali), Gilbert Cette (NEOMA Business School), Jimmy Lopez (Université de Bourgogne), and Océane Vernerey (Université de Bourgogne)

Economic theory has highlighted a number of channels through which competitive pressures have a positive influence on growth, most importantly by reducing rents and stimulating the search for efficiency improvements and innovation. The paper estimate the potential aggregate GDP gains that the Canadian economy could obtain by reforming product and labour markets in order to reduce the influence of anticompetitive regulations. Such regulations are measured using the OECD PMR (product market regulations) and EPL (employment protection legislation) indicators. The paper provides updated estimates and assessments of the productivity gains (both total factor productivity and labour productivity) from PMR and EPL reforms. To this end, it provides new estimates of the impact coefficients and new scenario analyses based on these coefficients. These estimates are done on a new dataset that includes intangible assets and covers the period 1998-2020 for a panel of about 15 OECD countries (including Canada) and about 20 manufacturing and market services sectors. Simulations based on these estimates indicate that the potential productivity gains from reforms are large in Canada. The paper also provides detailed policy recommendations by disaggregating the expected gains by type of regulation.