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The Conference Board of Canada

How Canada Performs

Methodology

Prepared by
The Conference Board of Canada

Objective

How Canada Performs assesses how well Canada and its provinces and territories are meeting the goal of ensuring a high quality of life and sustainable long-term economic growth.

Areas of focus

Through How Canada Performs, The Conference Board of Canada will help leaders and policy-makers address current issues in Canada that hinder its future prosperity in six focus areas:

- economy
- innovation
- health
- education and skills
- inclusion
- sustainability

Peer country selection

We begin with member countries of the Organisation for Economic Co-operation and Development (OECD); these countries are likely to serve as a worthy peer group. We then apply three criteria to determine which of these countries remain in our peer group:

- Income (gross domestic product) per capita: We rank the countries using a five-year average of real income per capita and include only countries that rank above the average.
- Population: We eliminate countries with populations of less than 1 million.
- Geographic land mass: We eliminate countries with an area of less than 10,000 square kilometres to restrict our analysis to countries that are more than city-states.

Given these criteria, our peer group consists of 16 countries, including Canada:

- Australia
- Austria
- Belgium
- Canada
- Denmark
- Finland
- France
- Germany
- Ireland
- Japan
- Netherlands
- Norway
- Sweden
- Switzerland
- United Kingdom
- United States

Indicator selection

How Canada Performs applies the following criteria to choose indicators:

- The indicator should be an outcome indicator that tell us what Canada is achieving, rather than what efforts it's making. In some cases, however, input indicators act as proxies for outcomes.
- The indicator should provide valuable information on the performance or status of a particular focus area.
- The indicator should be able to be directly or indirectly influenced by policy—by influencing inputs, which in turn affect output. Some indicators emphasize a gap in performance (i.e., differences in levels among countries); others emphasize progress toward closing a gap (i.e., differences in growth rates among countries).
- The indicator should be reliable and have timely availability.
- The indicators should be sufficiently consistent to permit benchmarking over time and across countries/provinces.
- There should be a general agreement that movement in the indicator in one direction is better than movement in the other direction.

Data sources

Most of the data used for the international benchmarking report are supplied by the OECD. The rest come from other reliable sources, such as the United Nations and the World Bank.

Statistics Canada is the source of almost all provincial data. For the complete list of data sources, please see the "Data Definitions and Sources" page.

The most recent year of data is used for each indicator.

Indicator grades

We use a report card–style ranking of A, B, C, or D.

We first convert the individual indicator data to a common unit by normalizing each data point using one of two formulas.

If a higher value is better:

$$\text{Normalized value} = \frac{\text{(indicator value – minimum value)}}{\text{(maximum value – minimum value)}} \times 100$$

If a lower value is better:

$$\text{Normalized value} = \frac{\text{(maximum value – indicator value)}}{\text{(maximum value – minimum value)}} \times 100$$

Using these formulas results in a data series in which the best-performing country receives a score of 100 and the worst-performing country receives a score of 0.

The inflation indicator is not graded using the standard methodology. Instead, we use the following formula to signify that inflation performance weakens the further away from the target range.

Table 1

Grade levels and inflation ranges

Grade	Inflation ranges
A	1 to 3 per cent
B	0.5 to 1 per cent or 3 to 4 per cent
C	0 to 0.5 per cent or 4 to 5 per cent
D	Less than 0 per cent or greater than 5 per cent

Source: The Conference Board of Canada

Composite grades

We then calculate a composite index for each focus area for each country by averaging all the normalized indicator values. No attempt is made to give explicit differential weights to indicators according to importance; we implicitly give equal weight to each indicator. This approach is standard among most organizations in the absence of any compelling reason to apply different weights.

Because the average of the normalized values of all indicators would not necessarily have a range of 0 to 100, the average is renormalized and grades are assigned.

We follow a similar process if the area of focus has dimensions. The average of the normalized values of all the indicators in the individual dimension is calculated and then renormalized. The overall composite is the average of the dimensions. For example, the economy area of focus has three dimensions: economic prosperity, distribution of economic prosperity, and global integration. The normalized values of the indicators in economic prosperity are averaged and then renormalized to obtain a range of 0 to 100. We treat the other two dimensions the same and then calculate the average of the three dimensions to obtain the overall score.

Forecasts and research often involve numerous assumptions and data sources, and are subject to inherent risks and uncertainties. This information is not intended as specific investment, accounting, legal, or tax advice. The responsibility for the findings and conclusions of this research rests entirely with The Conference Board of Canada.

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