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MAJOR RELEASES

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MAJOR RELEASES

Labour productivity, hourly compensation and unit labour cost

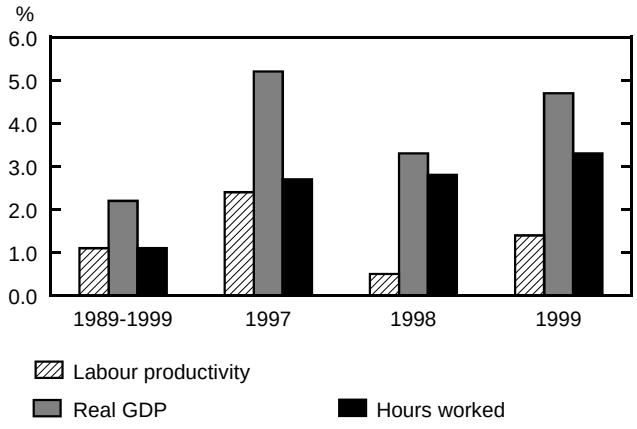
1999 (preliminary)

Labour productivity in the Canadian business sector grew in 1999 at almost three times the 1998 pace, following strong economic growth and a rapid increase in the number of hours worked. Productivity advanced 1.4% in 1999, compared with 0.5% in 1998.

During the preceding three years, productivity performance fluctuated significantly, from a slight decrease of 0.1% in 1996 to a strong rise of 2.4% in 1997 and back to 0.5% in 1998. Productivity rose 2.4% in 1999 in manufacturing, an important segment of the business sector, following a decline of 0.3% the year before.

Productivity growth is an essential element affecting the long-term performance of businesses. During the last decade, the average annual increase in productivity (+1.1%) was virtually the same as in the 1980s and in the 1973–81 period (+1.2%). However, these growth rates were well below the annual growth of 3.7% from 1966 to 1973.

Productivity growth in 1999 was close to the annual average for the previous 10 years



Note to readers

This release incorporates the results of the comprehensive revision of the Labour Force Survey (LFS) published in January. To learn more about this revision, consult the paper "Improvement to the LFS in 2000" on Statistics Canada's Web site (www.statcan.ca). This release also incorporates a Fisher chained index for real GDP growth — the same index that has been used in the multifactor productivity program. Because of these revisions, the database on labour productivity and related variables was revised back to 1961.

Labour productivity, *or real gross domestic product (GDP) per hour worked, is the ratio between output and labour input, or hours worked. Economic performance as measured by labour productivity must be interpreted carefully, since these estimates reflect changes in the other factors of production (e.g., capital) in addition to growth in productive efficiency. In this release, the term productivity refers to labour productivity.*

Unit labour cost *is the labour cost per unit of output. It is calculated as labour compensation divided by real GDP. It is also equal to the ratio of labour compensation per hour worked and labour productivity. Unit labour cost increases when labour compensation per hour worked increases more rapidly than labour productivity. It is widely used to measure inflation pressures arising from wage growth.*

Real GDP per capita *is often used as an indicator of the evolution of a population's standard of living. It is calculated as the real value of production of goods and services divided by the overall population.*

The ***job–population ratio*** *is measured as the ratio of the total number of jobs to the overall population.*

Total labour compensation *includes all payments in cash or in kind made by domestic producers to persons at work as compensation for work. This includes the salaries and supplementary labour income of paid workers, plus an imputed labour income for self-employed workers.*

The definition of ***business sector*** *used for productivity measures excludes all non-commercial activities as well as the rental value of owner-occupied dwellings. Corresponding exclusions are also made to labour inputs. Business GDP as defined in this release accounted for about 71% of GDP in 1992.*

Business sector goods *industries consist of agriculture, fishing, forestry, mining activities, manufacturing, construction and public utilities.* ***Business sector services*** *comprise transportation and storage, communications, wholesale and retail trade, finance, insurance and real estate and the group of community, business and personal services.*

Productivity is a measure of production efficiency that most economists regard as the foundation of a country's standard of living. Labour productivity is a measure of the output per hour worked, and is closely related to the remuneration paid to employees. It grows both when businesses become more efficient and when businesses increase the amount of machinery and equipment and advanced technologies used by each worker.

Labour productivity gains in 1999 were associated with strong growth in gross domestic product (GDP) and in hours worked. In 1999, real GDP in the business sector grew 4.7%. This was the second-highest rate of growth in the last four years, and considerably above

the annual growth rate of 2.2% between 1989 and 1999. However, despite the higher GDP growth rates in recent years, its annual average for the last decade is still below the 3.2% average from 1981 to 1989.

Accompanying these output gains was a rapid 3.3% rise in hours worked in 1999. This increase was higher than in any of the previous four years, and three times the annual average growth rate of 1.1% between 1989 and 1999. The growth rate in hours worked in the 1990s is still below the 2.0% annual average recorded in the 1980s. In 1999, the rate of increase in hours worked was identical in both manufacturing and services (+3.8%).

Productivity gains higher in goods sector

Labour productivity grew twice as fast in the goods sector (+2.1%) as it did in services (+1.0%). It was the opposite case in 1998, when productivity in the goods sector declined 0.3%, and increased 1.1% in services.

Between 1989 and 1999, labour productivity in services increased at an annual average of 0.7%, compared with 1.6% in goods, in which the most important sector, manufacturing, gained 1.9%.

From 1997 to 1999, labour productivity in services rose for three straight years, mainly because of strong performances in communications, wholesale and retail trade, finance, insurance and real estate, as well as accommodation, food and beverage services. Productivity in services grew 2.2% in 1997 and 1.1% in 1998. In 1998 and 1999, service industries outpaced goods industries in both output and hours worked.

In the goods sector, the growth in output accelerated from 2.1% in 1998 to 4.5% in 1999. This acceleration was sustained mainly by the manufacturing sector, where output growth rose from 3.9% in 1998 to 6.2% in 1999. The slower growth rate in 1998 was the result of strikes in the construction, paper and automobile industries. Productivity contributed 2.4% to the growth in manufacturing output in 1999, while hours worked rose 3.8%.

Growth in productivity varies by industry

Growth in labour productivity varied widely among industries in 1999, from a decline of 4.7% in fishing and trapping to a rise of 13.4% in agriculture; both of these are relatively small industries in Canada.

Other substantial increases were in forestry (+7.2%), communication and other utility industries (+6.8%), wholesale trade (+5.2%), mining industries (+4.5%), and accommodation and food services (+3.1%).

Productivity declined in private health services (-4.1%), construction (-2.3%), and in transportation and storage (-1.1%).

Wage cost pressures minimal

Hourly compensation increased 1.6% in 1999, almost the same growth rate as labour productivity. As a result, wage cost pressures in the Canadian economy were kept to a minimum.

Unit labour costs for Canadian business, an index of wage pressure in the economy, increased only 0.2%, the lowest growth rate in the past four years. This occurred in virtually all sectors.

The 1.6% growth in hourly compensation in the business sector was less than half the growth rate of 3.8% in 1998. Hourly compensation declined in the business services subsector (-1.0%) and in logging and forestry (-0.9%). Increases were seen in accommodation and food services (+5.2%), finance, insurance and real estate services (+4.3%), and mining (+4.2%).

Declines in unit labour costs were recorded in all primary industries, communication and other utility industries, and wholesale trade. In manufacturing, unit labour costs declined 0.7% in 1999, compared with a 3.1% increase in 1998.

The increase in unit labour costs in 1999 was less than the annual average between 1989 and 1999. Moreover, the average annual increase in unit labour costs during this 10-year period continued to be well below that seen in the two previous decades.

Real GDP per capita posts best gains since 1994

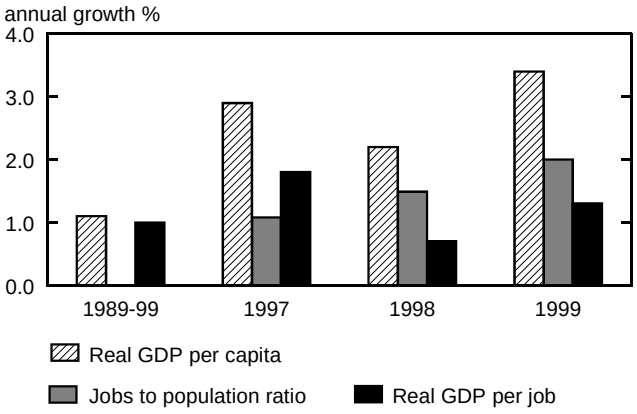
Labour productivity and GDP per capita have diverged over the last two decades. GDP per capita has grown more slowly than labour productivity over most of the 1990s because job growth has not kept up to population growth.

This has now changed. From 1997 to 1999, the growth in real GDP per capita has exceeded the growth in real GDP per job — a less-precise measure for labour productivity. Although real output per job advanced by just 1.3% in 1999 in the overall economy, real GDP per capita rose by 3.3% in 1999. This follows gains of 2.2% in 1998 and 2.9% in 1997 — all years when real GDP per capita grew faster than real GDP per job.

This difference occurred as a result of a recovery in the jobs–population ratio; the largest gain in this ratio occurred in 1999. The increase in the jobs–population ratio in 1999 was the largest since 1988 (+2.2%), and

it was only the second time since the start of the 1990s that it increased by more than 1.0%.

In 1999, the employment–population ratio was the main contributor to the growth of real GDP per capita



Canada/United States comparisons

Comparisons of labour productivity between Canada and United States have been affected by recent changes in the definitions and the statistical methods that were incorporated into the United States National Accounts with the completion of their 1999 historical revisions.

In the United States, two changes have been made. First, the method used to calculate consumer prices changes has changed. Second, the way in which items are included in output has changed — all software is now counted as an investment. These changes have increased the annual rate of U.S. GDP growth between 1978 and 1998 from 2.8% to 3.3% annually. In turn, this has increased the U.S. estimates of labour productivity over the same period from 1.2% to 1.7% annually. The 18% revision in U.S. GDP growth rates translates into a 42% increase in productivity growth. A little less than half of the increase arises from the inclusion of software investments.

To learn more about this revision, see R. Parker and B. Grimm, "Software and Real Output: Recent Developments at the Bureau of Economic Analysis," Bureau of Economic Analysis, April 7, 2000.

Both the old and the new estimates of U.S. labour productivity growth are presented in the table below. Prior to the U.S. revisions, Canada did slightly better than the United States over the period 1961 to 1978 (3.2% versus 2.8% annually, respectively) and slightly worse than the United States over the period 1978 to 1998 (1.0% versus 1.2%, respectively). After the U.S. revisions to its productivity estimates — no corresponding revisions were made in Canada — productivity growth in Canada is about one-half that of the United States over the period 1978 to 1999 (1.0% versus 1.8%, respectively).

Preliminary estimates of Canadian and U.S. productivity for recent years suggest a widening gap between the two countries. Though subject to revision, these estimates show that Canadian labour productivity over the last four years has grown at a cumulative rate of 4.2%, while the United States has seen a cumulative growth in labour productivity of 11.5%. Even before the U.S. historical revisions, U.S. labour productivity growth during these years was above Canadian growth.

In 1999, labour productivity in Canada grew by 1.4%, which was slightly above its average over the 1990s; the new U.S. estimates yield a labour productivity growth rate of 3.2%, which is considerably above its long-run average.

Comparison of labour productivity in Canada and the United States (annual growth rates)

	Previous U.S.	New U.S.	Canada
1961-78	2.8	2.8	3.2
1978-98	1.2	1.7	1.0
1978-99	..	1.8	1.0
1996	2.7	2.9	-0.1
1997[p]	1.4	2.2	2.4
1998[p]	2.4	2.8	0.5
1999[p]	..	3.2	1.4

.. *Figures not available.*
[p] *preliminary*

Available on CANSIM: matrices 9460-9483.

For more information, or to enquire about the concepts, methods or data quality of this release, contact John Baldwin (613-951-8588; fax: 613-951-5403; *baldjoh@statcan.ca*) or Tarek M. Harchaoui (613-951-9856; fax: 613-951-5403; *harctar@statcan.ca*), Micro-economic Studies and Analysis Division. □

Labour productivity, hourly compensation and unit labour cost

	1966 to 1973	1973 to 1981	1981 to 1989	1989 to 1999[p]	1996[r]	1997[p]	1998[p]	1999[p]
Business sector								
Labour productivity	3.7	1.2	1.2	1.1	-0.1	2.4	0.5	1.4
Real GDP	4.9	3.3	3.2	2.2	2.4	5.2	3.3	4.7
Hours	1.2	2.1	2.0	1.1	2.5	2.7	2.8	3.3
Labour compensation	9.7	13.4	7.7	4.0	3.9	8.4	6.6	5.0
Hourly compensation	8.4	11.1	5.5	2.8	1.4	5.5	3.8	1.6
Unit labour cost	4.6	9.8	4.3	1.7	1.6	3.0	3.3	0.2
Business sector — services								
Labour productivity	2.9	1.0	0.9	0.7	-0.5	2.2	1.1	1.0
Real GDP	5.6	4.6	3.7	2.2	2.3	4.9	4.1	4.9
Hours	2.6	3.6	2.7	1.5	2.9	2.6	3.0	3.8
Labour compensation	11.1	14.2	8.8	4.3	5.0	9.6	7.3	5.4
Hourly compensation	8.3	10.2	5.9	2.7	2.1	6.8	4.2	1.5
Unit labour cost	5.2	9.1	4.9	2.0	2.6	4.5	3.1	0.4
Business sector — goods								
Labour productivity	4.3	1.8	1.7	1.6	0.5	2.7	-0.3	2.1
Real GDP	4.2	2.1	2.8	1.2	2.4	5.7	2.1	4.5
Hours	-0.1	0.3	1.0	-0.4	1.8	2.9	2.4	2.4
Labour compensation	8.4	12.5	6.3	2.3	2.4	6.5	5.7	4.4
Hourly compensation	8.5	12.2	5.2	2.7	0.5	3.4	3.3	2.0
Unit labour cost	4.0	10.2	3.4	1.1	0.0	0.8	3.6	0.0
Manufacturing industries								
Labour productivity	3.8	2.2	2.2	1.9	-1.3	3.0	-0.3	2.4
Real GDP	4.9	1.9	3.1	1.7	1.4	6.9	3.9	6.2
Hours	1.0	-0.3	0.9	-0.2	2.8	3.8	4.2	3.8
Labour compensation	8.3	12.1	6.3	2.8	1.9	7.0	7.1	5.5
Hourly compensation	7.1	12.4	5.4	3.0	-0.9	3.1	2.8	1.7
Unit labour cost	3.2	10.0	3.1	1.1	0.4	0.0	3.1	-0.7

[p] *preliminary*
[r] *revised*
Note: *Due to rounding, productivity estimates are not exactly equal to the differences between the rate of growth of output and of hours worked.*

■

OTHER RELEASES

Railway carloadings

Seven-day period ending April 7, 2000

Non-intermodal traffic loaded during the seven-day period ending March 31 increased 11.7% to 5.0 million tonnes compared with the same period in 1999. The number of cars loaded increased 9.4%.

Intermodal traffic tonnage totalled 457 000 tonnes, a 38.6% increase from the same period of 1999. The year-to-date figures increased 20.6%.

Total traffic increased 13.6% during the period. This brought the year-to-date total to 74.0 million tonnes, an increase of 12.7% from the same period of 1999.

All year-to-date figures have been revised.

For more information, or to enquire about the concepts, methods and data quality of this release, contact Robert Larocque (613-951-2486; fax: 613-951-0009; *laroque@statcan.ca*), Transportation Division. ■

Coal and coke statistics — revision

February 2000

The following is a revised first paragraph from the April 28 release on coal and coke statistics. It adds two sentences not included in the original release:

Increased production for export markets compensated for a decline in production for electric power generation in February. Coal production totalled 5 877 kilotonnes, up 0.2% from February 1999. Year-to-date production was 11 968 kilotonnes, up 0.2%. Production in British Columbia, which is destined for export markets, rose 14.1% to 2 256 kilotonnes. Production in the rest of the country, which is used mainly for domestic electric power generation, declined 6.9% to 3 621 kilotonnes.

For more information, or to enquire about the concepts, methods or data quality of this release, contact André Lefebvre (613-951-3560; alefeba@statcan.ca), Energy Section, Manufacturing, Construction and Energy Division. ■

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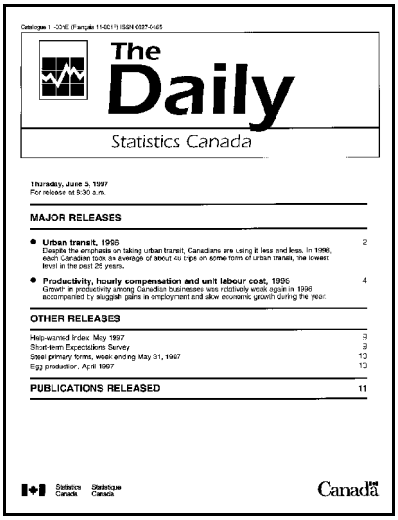

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- **Productivity, hourly compensation and unit labour cost, 1996** 4
  Growth in productivity among Canadian businesses was relatively weak again in 1996 accompanied by sluggish gains in employment and slow economic growth during the year.

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