



# The Daily

Statistics Canada

**Monday, June 25, 2001**

For release at 8:30 a.m.

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## MAJOR RELEASES

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- **Labour productivity, hourly compensation and unit labour cost, first quarter 2001** 2  
Labour productivity in the business sector declined a marginal 0.2% in the first quarter of 2001 from the first quarter of 2000, as the economy slowed. Despite this drop, the year-over-year increase in unit labour costs in the first quarter of 2001 slowed to 1.9% from 3.2% in the fourth quarter of 2000.

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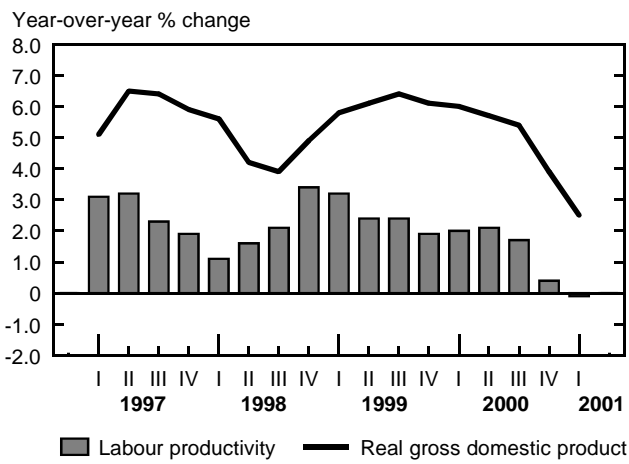
## MAJOR RELEASES

### Labour productivity, hourly compensation and unit labour cost

First quarter 2001

Labour productivity in the business sector declined marginally in the first three months of 2001 as the economy slowed down. The year-over-year annual growth rate of labour productivity in the first quarter was -0.2%; this rate has been gradually slowing since the second quarter of 2000, when it was 2.1%. The first quarter's decline in productivity growth occurred at a time of falling exports and investments in machinery and equipment and a slowdown in the growth of hours worked. It was the first year-over-year drop in quarterly productivity growth since the second quarter of 1996.

#### Labour productivity declined for the first time since the second quarter of 1996



In the short run, productivity is pro-cyclical. Productivity grows more slowly when economic growth is low and it often declines during a recession. It rises during a recovery and the subsequent period of expansion.

On a quarter-to-quarter basis, labour productivity in the business sector declined 0.1% in the first quarter of 2001 compared with the fourth quarter of 2000. This follows a 0.6% decline in the fourth quarter of 2000, and a rise of 0.8% in the third quarter of 2000.

#### Note to readers

The output measure used to calculate the growth in labour productivity is the gross domestic product (GDP), or value-added, of the business sector. For the period up to 1996, Fisher chained volume indices of business sector output are constructed using a bottom-up method based on benchmark value-added-by-industry data. From 1997 onward, quarterly output growth rates are calculated using a top-down method. Starting from the estimates of GDP at market prices, released on May 31, business sector GDP is calculated after removing the value-added of the government sector, non-profit institutions and the rental on owner-occupied dwellings. This approach is similar to that used for the quarterly productivity measures in the United States.

Corresponding exclusions are also made to labour compensation and hours worked to make output and labour input data consistent with one another. This release also incorporates the revisions to the annual benchmarks on labour productivity variables that were released in The Daily on May 22. Because of these revisions, the quarterly database was slightly revised back to the first quarter of 1987.

Because of a change in the treatment of business and government software purchases taking effect in the quarterly Income and Expenditure Accounts released May 31, the new labour productivity series for 1997 and following years is not fully compatible with the previously released historical series prior to 1997. Software will be capitalized in the benchmark input-output value-added-by-industry measures for the historical period to 1998 by this fall; at that time the historical estimates of labour productivity will be revised. In future, the historical estimates will continue to be derived in a bottom-up fashion from the benchmark input-output tables, using their full articulation of GDP for the business sector at basic prices. Quarterly estimates for the most recent four years will be projected using the top-down approach.

**Labour productivity**, or real GDP per hour worked, is the ratio of output to labour input (hours worked). Economic performance as measured by labour productivity must be interpreted carefully, especially in the short run. These estimates reflect changes in capacity utilization, changes in other factors of production such as capital, and growth in productive efficiency.

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

**Unit labour cost** is the labour cost per unit of output. It is calculated as the ratio of labour compensation to real GDP.

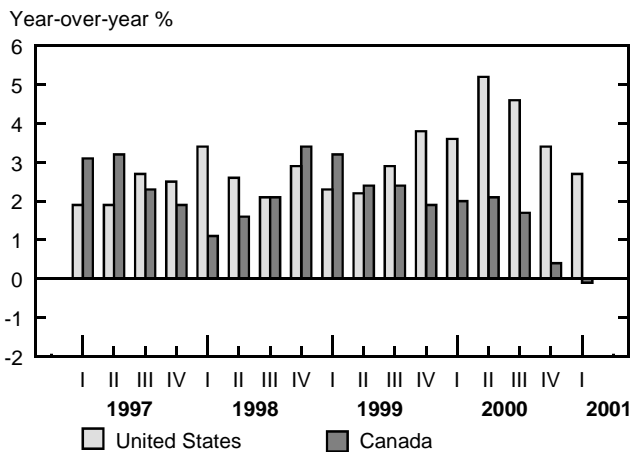
#### Business sector labour productivity shows similar trend in Canada and the United States

On a year-over-year basis, both Canada and the United States have seen slowdowns in productivity growth over the past three quarters. Labour productivity growth in Canadian businesses fell from 2.1% in the

second quarter of 2000 to -0.2% in the first quarter of 2001; U.S. growth slowed from 5.2% to 2.7% over the same period.

While it slowed down in both countries over the previous three quarters, the year-over-year rate of growth in business sector labour productivity has been much higher in the United States than in Canada since 1997. Over this four-year period, productivity growth averaged 3.3% in the United States and 2.0% in Canada.

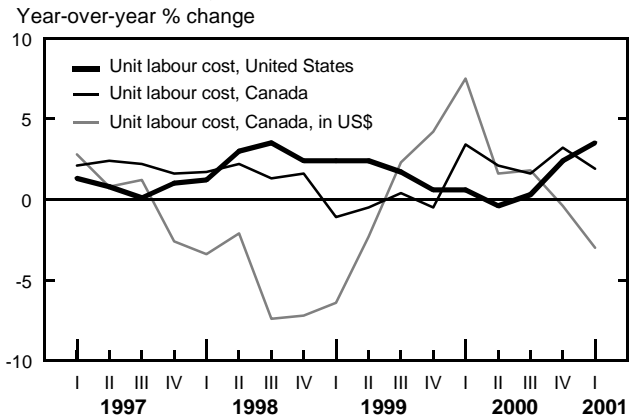
**Business sector labour productivity growth slowed over past three quarters in both countries**



On a year-over-year basis, they rose 1.9% in Canada, and 3.5% in the United States. This was the first time since the fourth quarter of 1999 that unit labour costs increased less for Canadian businesses than for their U.S. counterparts.

The gap between the two countries widens when Canadian unit labour costs are converted to U.S. dollars; Canada's year-over-year growth rate in unit labour cost fell 3.0% in the first quarter, while it rose 3.5% in the United States.

**Business sector unit labour cost growth has been fairly stable in Canada, United States**



Available on CANSIM: table 3830008 and matrix 9484.

**Slowdown in growth of unit labour cost**

The pace of growth in unit labour costs slowed in Canada in the first quarter, despite the slight decrease in labour productivity. On a year-over-year basis, unit labour costs rose 1.9% in the first quarter of 2001, down from 3.2% in the fourth quarter of 2000.

This slowdown was entirely due to a slower pace in the year-over-year growth of hourly compensation to 1.7% in the first quarter of 2001 from 3.6% in the fourth quarter of 2000. This has more than compensated for the slight drop in labour productivity.

**Slower growth in unit labour costs than in the United States**

Unit labour costs in Canadian businesses rose at a slower pace than in the United States in the first quarter.

A technical note concerning the calculation of labour productivity estimates is available on request. To obtain a copy, send an e-mail to [productivity.measures@statcan.ca](mailto:productivity.measures@statcan.ca).

For more information, or to enquire about the concepts, methods or data quality of this release, contact John Baldwin (613-951-8588; [baldjoh@statcan.ca](mailto:baldjoh@statcan.ca)) or Jean-Pierre Maynard, (613-951-3654; fax: 613-951-5403; [maynard@statcan.ca](mailto:maynard@statcan.ca)), Micro-economic Analysis Division. □

**Business sector: Labour productivity and related variables for Canada and the United States**

	First quarter 1999	Second quarter 1999	Third quarter 1999	Fourth quarter 1999	First quarter 2000	Second quarter 2000	Third quarter 2000	Fourth quarter 2000	First quarter 2001
% change from same quarter of previous year, seasonally adjusted									
<b>Canada</b>									
Labour productivity	3.1	2.4	2.3	1.9	2.1	2.1	1.6	0.4	-0.2
Real gross domestic product	5.8	6.1	6.4	6.1	6.0	5.7	5.4	3.9	2.5
Hours worked	2.6	3.5	3.9	4.0	3.8	3.6	3.7	3.5	2.7
Hourly compensation	2.0	1.8	2.8	1.4	5.6	4.3	3.3	3.6	1.7
Unit labour cost	-1.1	-0.5	0.4	-0.5	3.4	2.2	1.6	3.2	1.9
Unit labour cost in US\$	-6.4	-2.3	2.3	4.2	7.5	1.7	1.8	-0.4	-3.0
<b>United States</b>									
Labour productivity	2.1	1.4	3.0	3.8	3.6	5.2	4.6	3.4	2.7
Real gross domestic product	3.6	2.6	5.0	5.7	6.0	7.0	5.9	3.6	2.6
Hours worked	1.5	1.2	2.0	1.8	2.4	1.7	1.2	0.2	-0.1
Hourly compensation	3.9	3.6	4.2	4.5	4.2	4.9	5.0	5.9	6.3
Unit labour cost	1.8	2.1	1.2	0.6	0.6	-0.4	0.3	2.4	3.5

Source: U.S. data is from Bureau of Labor Statistics, Productivity and costs, First quarter 2001, published in NEWS, Tuesday June 5.

**Business sector: Labour productivity and related variables**

Year	Quarters	Labour productivity	Real output	Hours worked	Average hours	All jobs	Hourly compensation	Unit labour cost
% change from previous year								
1997		2.6	6.0	3.3	0.1	3.2	4.8	2.1
1998		2.2	4.7	2.5	-0.6	3.1	3.8	1.7
1999		2.4	6.1	3.5	0.2	3.3	2.1	-0.4
2000		1.6	5.2	3.7	0.9	2.8	4.1	2.6
% change from previous quarter, seasonally adjusted								
1998	First	0.7	1.1	0.5	-0.4	0.9	1.6	0.9
	Second	0.4	0.4	0.0	-0.5	0.5	1.6	1.1
	Third	1.3	1.4	0.2	-0.2	0.5	0.3	-0.9
	Fourth	1.1	1.9	0.8	-0.1	0.8	1.6	0.5
1999	First	0.3	2.0	1.6	0.3	1.3	-1.5	-1.8
	Second	-0.3	0.6	0.9	0.3	0.7	1.4	1.7
	Third	1.3	1.7	0.6	0.0	0.5	1.2	0.0
	Fourth	0.7	1.6	0.8	-0.2	1.1	0.3	-0.4
2000	First	0.5	1.9	1.5	0.6	0.8	2.5	2.1
	Second	-0.3	0.4	0.6	0.3	0.3	0.2	0.5
	Third	0.8	1.4	0.6	0.3	0.4	0.3	-0.6
	Fourth	-0.6	0.2	0.7	-0.2	0.9	0.6	1.2
2001	First	-0.1	0.5	0.6	-0.2	0.9	0.6	0.9
% change from same quarter of previous year, seasonally adjusted								
1998	First	1.2	5.6	4.4	0.4	4.0	2.9	1.7
	Second	1.6	4.2	2.6	-0.7	3.3	3.9	2.2
	Third	2.3	3.9	1.7	-0.8	2.6	3.6	1.3
	Fourth	3.5	4.9	1.5	-1.2	2.7	5.2	1.6
1999	First	3.1	5.8	2.6	-0.5	3.1	2.0	-1.1
	Second	2.4	6.1	3.5	0.3	3.3	1.8	-0.5
	Third	2.3	6.4	3.9	0.5	3.3	2.8	0.4
	Fourth	1.9	6.1	4.0	0.4	3.7	1.4	-0.5
2000	First	2.1	6.0	3.8	0.7	3.1	5.6	3.4
	Second	2.1	5.7	3.6	0.7	2.7	4.3	2.2
	Third	1.6	5.4	3.7	1.0	2.6	3.3	1.6
	Fourth	0.4	3.9	3.5	1.0	2.4	3.6	3.2
2001	First	-0.2	2.5	2.7	0.2	2.5	1.7	1.9

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## OTHER RELEASES

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### **Deliveries of major grains**

May 2001

Data on May grain deliveries are now available.

**Available on CANSIM: table 10001 and matrices 976-981.**

The May 2001 issue of *Cereals and oilseeds review* (22-007-XIB, \$11/\$112; 22-007-XPB, \$15/\$149) will be available in August. See *How to order products*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Susan Anderson (613-951-3859; [sue.anderson@statcan.ca](mailto:sue.anderson@statcan.ca)), Agriculture Division. ■

## NEW PRODUCTS

Imports by commodity, April 2001  
Catalogue number 65-007-XMB (\$37/\$361).

Imports by commodity, April 2001  
Catalogue number 65-007-XPB (\$78/\$773).

All prices are in Canadian dollars and exclude sales tax. Additional shipping charges apply for delivery outside Canada.

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Statistics Canada

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**MAJOR RELEASES**

- **Urban transit, 1995** 2  
Despite the emphasis on taking urban transit, Canadians are using it less and less. In 1996, each Canadian rode an average of about 40 trips on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1996** 4  
Growth in productivity among Canadian businesses was initially weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

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