



The Daily

Statistics Canada

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Labour productivity in Canadian businesses jumped 0.7% in the first quarter, more than three times the pace in the previous three months and its best performance in more than a year. At the same time, unit labour costs, a key measure of inflationary pressures on wages, slowed substantially.	
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Releases

Labour productivity, hourly compensation and unit labour cost

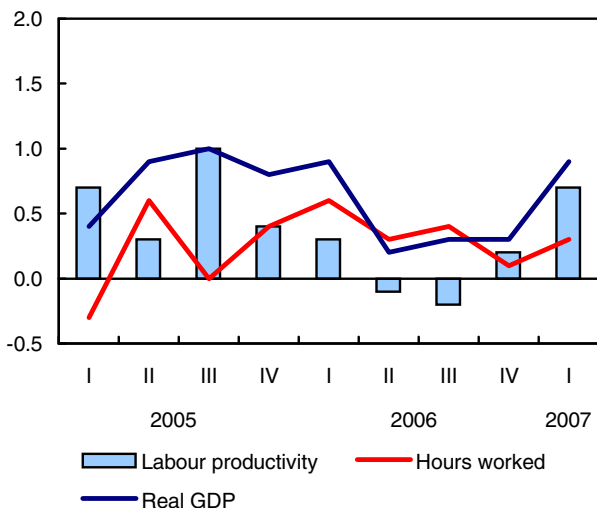
First quarter 2007

The year 2007 opened on a solid note for productivity in the Canadian business sector. Between January and March, quarterly labour productivity growth accelerated to 0.7%, more than three times the pace in the previous quarter (+0.2%).

Canadian businesses managed to triple their production rate from the previous quarter, while hours worked increased at a more moderate pace. This surge in productivity in the first quarter of 2007 was the largest gain since the 1.0% recorded in the third quarter of 2005.

Productivity growth in Canada's business sector accelerates

Quarterly % change



Both the services-producing and the goods-producing industries made positive contributions to the overall productivity performance in the first quarter. Gains were observed in manufacturing, construction, agriculture, forestry, fishing and hunting as well as in wholesale and retail trade, and finance and insurance services.

Labour productivity, as measured by real gross domestic product (GDP) per hour worked, is a key factor

Note to readers

This release contains a brief analysis of detailed data on labour productivity growth and other related variables. A more thorough analysis, including additional charts and tables, is available in the Canadian Economic Accounts Quarterly Review.

The term "productivity" herein refers to labour productivity. Calculations of the productivity growth rate and its related variables are based on index numbers rounded to one decimal place.

For more information about the productivity program, see the new National Economic Accounts module accessible from the home page of our website. You can also order a copy of a technical note on the quarterly estimates of productivity by contacting Client Services (productivity.measures@statcan.ca).

Revisions

The first quarter 2007 labour productivity estimates released today include revisions to aggregate labour productivity and underlying series (gross domestic product, hours worked, unit labour costs, etc.) from 2003 to 2006. These updates are consistent with the four-year annual revision to the National Income and Expenditure Accounts released May 31, 2007. However, the national accounts' estimates of gross domestic product (GDP) by industry will not be revised until the end of September 2007 (the usual revision release date for GDP by industry), and, therefore, will be not incorporated in the productivity estimates until the release of the third quarter data in December 2007. As a result, revised estimates of labour productivity by industry (including revisions to industry estimates of GDP, hours worked, labour compensation and unit labour costs) will only be available with the third quarter release.

in higher economic growth and long-term improvement in the standard of living.

In the United States, quarterly productivity growth in the American business sector remained lacklustre. With a slowdown in economic activity, American productivity increased only 0.1% between January and March, a slower growth than in the fourth quarter of 2006.

Best performance in productivity in Canada in more than a year

Productivity increased at a faster pace in Canadian businesses than in American businesses in the first three months of 2007, as a result of a much stronger output growth in Canada.

The gap in productivity growth between the two countries stems primarily from the difference in business sector real GDP growth. For the first time in over a year, the United States experienced a significantly weaker GDP growth than Canada in the first quarter.

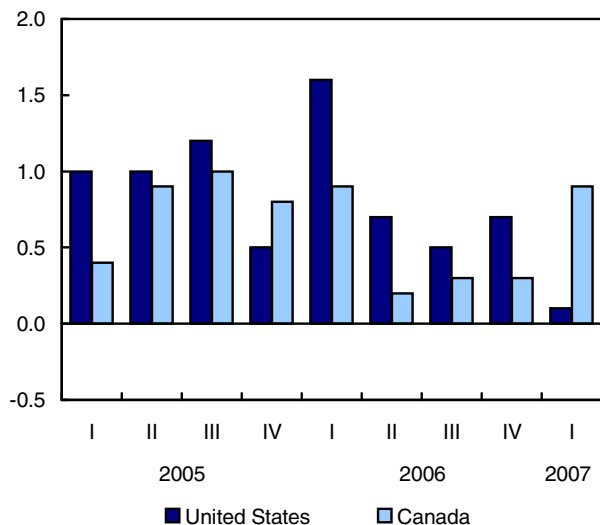
In Canada, real GDP in the business sector grew 0.9% in the first quarter of 2007, three times what

it was in the previous quarter (+0.3%). It was the highest quarterly growth in a year.

Consumer spending on goods and services, which edged up to 1.0% from 0.9% the previous quarter, continued to drive the economy. The accumulation of business inventories, due to increased output, also made a positive contribution to Canada's quarterly GDP growth.

GDP growth in the business sector accelerates in Canada while it slows dramatically in the US

Quarterly % change



American business sector GDP rose only 0.1% in the first quarter, substantially lower than the 0.7% increase observed in the last three months of 2006. In fact, it was the smallest advance since the fourth quarter of 2002 (+0.1%), just before the Iraq war.

Hours worked devoted to production in Canadian companies grew 0.3% in the first quarter, up slightly from the increase of 0.1% in the previous quarter. Most of the increase in hours worked between January and March was in part-time work.

There was a sharp contrast between the United States and Canada in hours worked over the last two quarters. Specifically, hours worked in American businesses edged down in the first quarter, after advancing 0.3% in the fourth quarter of 2006. Hours worked has been slowing gradually since the third quarter of 2006.

Unit labour costs slows in both countries

Unit labour costs slowed significantly in both Canada and the United States in the first quarter of 2007. Nevertheless, when measured in their

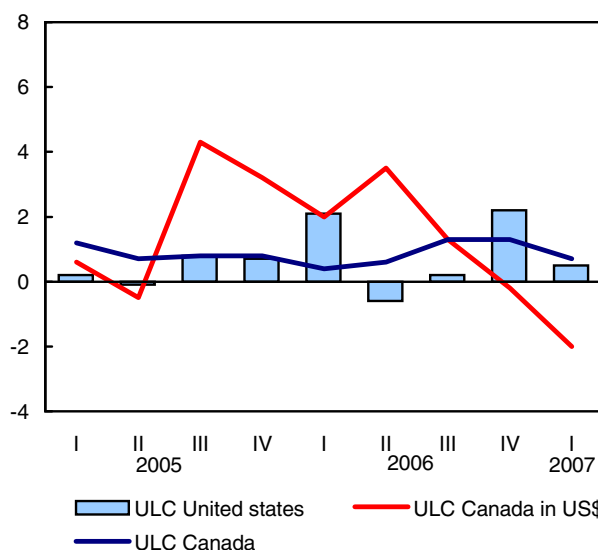
respective national currencies, unit labour costs rose slightly faster in Canada than in the US.

Unit labour costs, as measured by the cost of wages and benefits of workers per unit of economic output, are an indicator of inflationary pressures on wages.

Labour costs per unit of output in Canadian businesses climbed 0.7% in the first quarter, compared with 1.3% in the previous quarter. This substantial improvement was attributable to higher productivity as well as to slower growth in hourly compensation, which decelerated from 1.7% in the fourth quarter of 2006 to 1.4% in the first quarter. For American businesses, unit labour costs were up only 0.5% in the first quarter, a sharp deceleration from the 2.2% increase recorded in the previous three months.

Canadian unit labour costs (ULC) in US\$ declines sharply

Quarterly % change



However, Canadian businesses had a more favourable competitive position when the unit cost of labour was adjusted for the exchange rate. In the first quarter, the Canadian dollar depreciated by 2.8% against the US dollar, which resulted in a 2.0% decline in Canadian unit labour costs, expressed in American dollars. This was the second consecutive quarterly decline in this indicator.

Recent revisions to Canadian productivity estimates have little impact on the Canada/US gap

Overall, the 2003 to 2006 revisions lowered the annual rate of growth in Canadian labour productivity

in 2004 and 2006, and increased it in 2003 and 2005. The magnitude of these revisions ranged from a decline of 0.3% to an increase of 0.4%. For example, for 2006, productivity growth in Canadian businesses was revised downward from 1.2% to 1.0%. The 2005 productivity growth in Canada was revised up from 2.1% to 2.5%.

Comparison of annual labour productivity growth in the business sector before and after revision

	Canada		United States ¹
	Before revision	After revision	
	annual % change		
1981 to 2006	1.5	1.5	2.2
1981 to 2000	1.6	1.6	1.9
2000 to 2006	1.0	1.0	2.9
2003	0.0	0.3	3.8
2004	0.3	0.0	3.1
2005	2.1	2.5	2.1
2006	1.2	1.0	1.7

1. US data are from the Bureau of Labor Statistics, Productivity and Costs, first quarter 2007, published in NEWS, June 6.

These revisions tend to cancel each other out. As a result, they had no impact on the average gap in productivity between Canada and the United States during the post-2000 period. With these revisions,

however, productivity growth is now higher in Canada in 2005 than in the US.

Available on CANSIM: tables 383-0008 and 383-0012.

Definitions, data sources and methods: survey number 5042.

A more comprehensive analysis, including additional charts and tables, can be found in the first quarter 2007 issue of *Canadian Economic Accounts Quarterly Review* (13-010-XWE, free), which is now available from the *Publications* module of our website.

Second quarter data for labour productivity, hourly compensation and unit labour cost will be released on September 14.

To order data, or for general information, contact Client Services (productivity.measures@statcan.ca). For more information, or to enquire about the concepts, methods or data quality of this release, contact Jean-Pierre Maynard (613-951-3654; fax: 613-951-3618; maynard@statcan.ca), Income and Expenditure Accounts Division.

□

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

	First quarter 2005	Second quarter 2005	Third quarter 2005	Fourth quarter 2005	First quarter 2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007
	% change from previous quarter, seasonally adjusted								
Canada									
Labour productivity	0.7	0.3	1.0	0.4	0.3	-0.1	-0.2	0.2	0.7
Real GDP	0.4	0.9	1.0	0.8	0.9	0.2	0.3	0.3	0.9
Hours worked	-0.3	0.6	0.0	0.4	0.6	0.3	0.4	0.1	0.3
Hourly compensation	1.8	1.0	1.8	1.2	0.7	0.5	1.0	1.7	1.4
Unit labour cost	1.2	0.7	0.8	0.8	0.4	0.6	1.3	1.3	0.7
Exchange rate ¹	0.5	1.4	-3.3	-2.4	-1.5	-2.8	-0.1	1.6	2.8
Unit labour cost in US\$	0.6	-0.5	4.3	3.2	2.0	3.5	1.3	-0.2	-2.0
United States²									
Labour productivity	0.8	0.1	1.0	-0.1	1.0	0.2	-0.1	0.4	0.1
Real GDP	1.0	1.0	1.2	0.5	1.6	0.7	0.5	0.7	0.1
Hours worked	0.2	0.9	0.2	0.5	0.7	0.4	0.6	0.3	-0.1
Hourly compensation	1.1	0.1	1.8	0.6	3.1	-0.4	0.2	2.5	0.6
Unit labour cost	0.2	-0.1	0.8	0.7	2.1	-0.6	0.2	2.2	0.5
	2002	2003	2004	2005	2006	Second quarter 2006	Third quarter 2006	Fourth quarter 2006	First quarter 2007
	% change from the previous year					% change from same quarter of previous year, seasonally adjusted			
Canada									
Labour productivity	1.3	0.3	0.0	2.5	1.0	1.7	0.4	0.2	0.6
Real GDP	3.0	1.4	3.2	3.2	2.6	3.0	2.2	1.7	1.8
Hours worked	1.6	1.4	3.1	0.7	1.5	1.4	1.8	1.5	1.2
Hourly compensation	1.5	2.6	2.4	5.3	4.1	4.3	3.5	3.9	4.6
Unit labour cost	0.2	2.3	2.5	2.7	3.1	2.6	3.1	3.7	4.0
Exchange rate	1.3	-10.8	-7.1	-6.9	-6.4	-9.7	-6.7	-2.8	1.4
Unit labour cost in US\$	-1.3	15.0	10.2	10.3	10.0	13.7	10.4	6.8	2.6
United States²									
Labour productivity	4.1	3.8	3.1	2.1	1.7	2.2	1.1	1.5	0.7
Real GDP	1.5	3.1	4.4	3.7	3.8	4.0	3.3	3.5	2.0
Hours worked	-2.5	-0.7	1.3	1.6	2.1	1.8	2.2	2.0	1.3
Hourly compensation	3.5	4.1	3.8	4.2	5.0	5.2	3.6	5.5	3.0
Unit labour cost	-0.5	0.2	0.7	2.0	3.2	2.9	2.5	3.9	2.2

1. The exchange rate corresponds to the US dollar value expressed in Canadian dollars.

2. US data are from Bureau of Labor Statistics, Productivity and costs: First quarter 2007 published in NEWS, June 6.



Study: Rising education of women and the gender earnings gap

1981 to 2001

The earnings gap between young women and men only declined moderately during the 1990s, despite a dramatic increase in the proportion of young women holding a university degree, according to a new study.

From 1991 to 2001, the proportion of 25- to 29-year-old women holding a university degree went from 21% to 34%. In contrast, the proportion of 25- to 29-year-old men holding a university degree only rose moderately over the period, from 16% in 1991 to 21% in 2001.

Despite the sharp increase in the proportion of young women with a university degree and the fact that university degree-holders generally earn more than other workers, the gender earnings gap only declined slightly over the period.

Specifically, women aged 25 to 29 earned 20% less than men in 1991. By 2001, the gap had narrowed slightly to 18%. Virtually all of this decline was related to the rising educational attainment of young women.

One reason why the earnings gap only declined slightly in the 1990s, despite the rapidly rising educational attainment among young women, is that the gap among university graduates actually increased over the period. It went from 12% in 1991 to 18% in 2001.

This was largely the result of real wage declines in female-dominated disciplines, such as health and education, and real wage increases in male-dominated disciplines, such as engineering, mathematics, computer sciences and physical sciences.

The study also found that the earnings gap between young women and men declined more rapidly in the 1980s, going from 26% in 1981 to 20% in 1991. However, the rising educational attainment of young women played only a small role during this period.

The study, which used Census of Population data from 1981 to 2001, examined the role of rising educational attainment among young women in reducing the gender earnings gap. Other factors examined included discipline, region, city size, marital status,

number of children, and weeks worked. Only workers aged 25 to 29 who worked an average of 30 hours or more per week for at least 40 weeks in the year prior to the census were included in the analysis. Although earnings are collected for the year prior to the census, the study refers to the census year throughout.

The research paper "Has higher education among young women substantially reduced the gender gap in employment and earnings?", as part of the *Analytical Studies Branch Research Paper Series* (11F0019MIE2007301, free), is now available from the *Analytical Studies* module of our website.

Related studies from the Business and Labour Market Analysis Division can be found in the publication *Update on Analytical Studies Research* (11-015-XIE, free), available from the *Publications* module of our website.

For more information, or to enquire about the concepts, methods or data quality of this release, contact Marc Frenette (613-951-4228; marc.frenette@statcan.ca), Business and Labour Market Analysis Division. ■

Pipeline transportation of crude oil and refined petroleum products

February 2007

Data on the net receipts of crude oil and equivalent hydrocarbons, liquefied petroleum gases and refined petroleum products, pipeline exports of crude oil and deliveries of crude oil by pipeline to Canadian refineries are now available for February.

Available on CANSIM: tables 133-0001 to 133-0005.

Definitions, data sources and methods: survey numbers, including related surveys, 2148 and 2191.

For more information, or to enquire about the concepts, methods or data quality of this release, contact the dissemination officer (toll-free 1-866-873-8789; 613-951-9497; energ@statcan.ca), Manufacturing, Construction and Energy Division. ■

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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, 65% of Canadian cities in a sample of about 45 cities on some form of urban transit, the lowest level in the past 25 years.
- **Productivity, hourly compensation and unit labour cost, 1995** 4
Growth in productivity among Canadian businesses also noticeably weak again in 1996, accompanied by sluggish gains in employment and slow economic growth during the year.

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