

Study: Multifactor productivity measurement at Statistics Canada

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The Multifactor Productivity Program at Statistics Canada was launched about 25 years ago with the aim of identifying the three main determinants of labour productivity and economic growth: increases in capital intensity, in investment in human capital, and in a residual component that captures all factors other than investment in fixed and human capital.

The 'residual component' is referred to as growth in multifactor productivity. It includes the effect on economic growth of technological change and organizational innovation not captured by investment, economies of scale, and short-term changes in capacity utilization.

Labour productivity growth in the Canadian business sector has come mostly from investment in fixed assets and investment in human capital, according to the data published by Statistics Canada's Multifactor Productivity Program.

Labour productivity growth in the Canadian business sector has been lower in Canada than in the United States since 1980, largely as a result of lower multifactor productivity growth in Canada. Investment in fixed assets and human capital has made a similar contribution to aggregate labour productivity growth in the two countries.

Those overall conclusions are not affected by a particular choice of specifications for the measurement framework adopted.

The research paper "Multifactor Productivity Measurement at Statistics Canada" documents major milestones in the development of the Multifactor Productivity Program at Statistics Canada, and summarizes possible future directions to improve the measurement of productivity at Statistics Canada.

Over the years, the Multifactor Productivity Program has implemented changes in keeping with international practices and the recommendation of the Organisation for Economic Co-operation and Development's productivity manual. Those changes were also introduced to respond to the users' need for improved comparability between the multifactor productivity estimates for Canada and those for the United States, produced by the US Bureau of Labor Statistics.

The research paper "Multifactor Productivity Measurement at Statistics Canada," in *The Canadian Productivity Review*, no. 31 (15-206-X), is now available from the *Browse by key resource* module of our website under *Publications*.

Similar studies from the Economic Analysis Division are available online (www.statcan.gc.ca/economicanalysis).

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