

Labour productivity, hourly compensation and unit labour cost, fourth quarter 2015

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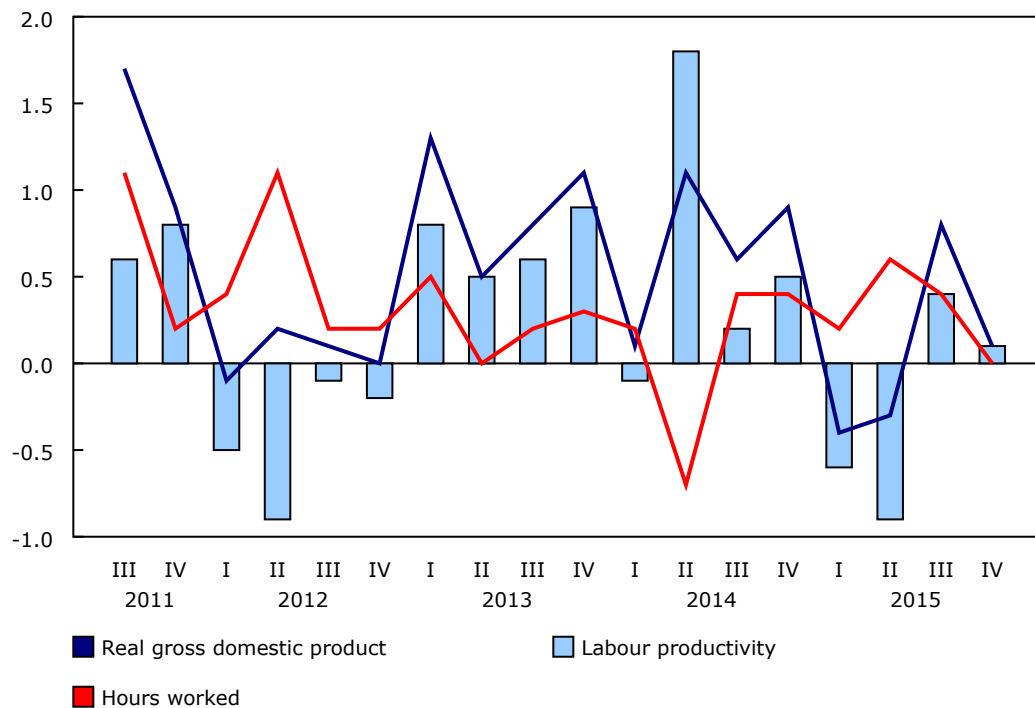
Labour productivity growth slows in fourth quarter

Labour productivity of Canadian businesses edged up 0.1% in the fourth quarter, following a 0.4% gain in the third quarter.

In the fourth quarter, business output and hours worked remained at almost the same levels as in the previous quarter.

Chart 1
Productivity, real output and hours worked in the business sector are virtually unchanged

quarterly % change



Source(s): CANSIM table [383-0008](#).

Similar to productivity, real gross domestic product (GDP) of businesses grew 0.1% in the fourth quarter, after advancing 0.8% in the previous quarter. The increase in the production of service-producing businesses (+0.6%) more than offset the decrease in that of goods-producing businesses (-1.0%).

After increasing for five consecutive quarters, hours worked in the business sector were unchanged in the fourth quarter. The 0.1% increase in service-producing businesses was offset by a 0.3% decline in goods-producing businesses.

The slight productivity gain in the business sector was attributable to service-producing businesses, which posted a 0.4% increase. The rise was mostly offset by a 0.6% decrease in productivity of goods-producing businesses.



The productivity of goods-producing industries fell in the fourth quarter, mainly because of a marked decrease in construction (-1.9%). As well, productivity in the manufacturing sector edged up 0.1%.

Wholesale trade (+3.1%) and administrative services (+2.1%) industries were the largest contributors to productivity gains in service-producing businesses in the fourth quarter.

In the United States, the labour productivity of businesses fell 0.7% in the fourth quarter, following two quarters of growth, the largest decrease since the first quarter of 2014. The decline in American productivity was the result of the increase in business output (+0.2%) being smaller than the increase in hours worked (+0.8%).

Unit labour costs increase

For Canadian businesses, labour cost per unit of output increased 0.8% in the fourth quarter, after decreasing 0.5% in the third quarter.

In the fourth quarter, the increase in unit labour cost mainly reflected the rise in average compensation per hour worked (+0.9%), as productivity was relatively stable. In each of the two previous quarters, hourly compensation in the business sector had decreased.

In American dollars, the unit labour costs of Canadian businesses declined 1.2% in the fourth quarter, after posting a sharp decline of 6.6% in the previous quarter. The average value of the Canadian dollar against the US dollar fell 2.0% during the quarter, one-third the depreciation rate recorded in the previous quarter.

By comparison, the unit labour costs of American businesses rose 1.0%, after advancing 0.4% in the previous quarter.

Year 2015

For the year 2015, labour productivity in Canadian businesses edged down 0.2%, following annual gains of 2.5% in 2014 and 1.3% in 2013. Both the real GDP of businesses (+1.0%) and hours worked (+1.2%) increased at a similar pace in 2015.

Productivity in goods-producing businesses decreased 1.7% in 2015, while productivity in service-producing businesses rose 0.5%.

The productivity decline in the business sector in 2015 was mainly attributable to declines in construction (-5.0%), manufacturing (-0.9%) and real estate services (-2.0%).

By comparison, annual productivity growth in American businesses was 0.5% in 2015, similar to the average growth observed in the previous four years.

In 2015, the productivity performance gap between Canada and the United States was attributable to the difference in the growth of both real GDP and hours worked. Real GDP growth in Canadian businesses (+1.0%) was lower than in American businesses (+2.9%) in 2015, after growing at a similar pace in 2014. Hours worked in Canada (+1.2%) increased at a slower pace than in the United States (+2.4%) for a third consecutive year.

For Canadian businesses, unit labour costs rose 1.6% in 2015, following a 1.1% increase the previous year. The rise in hourly compensation was greater than the gain in productivity for a fifth consecutive year, at 1.4% in 2015.

Unit labour costs of Canadian businesses, expressed in American dollars, using the average exchange rate, fell sharply by 12.1% in 2015. By contrast, the unit labour costs of American businesses rose 2.3%, the largest annual increase since 2007 (+2.9%).

Note to readers

Revisions

Data on labour productivity and related measures for the fourth quarter were released along with revised data for the first, second, and third quarters of 2015.

These revisions are consistent with those incorporated in the quarterly gross domestic product (GDP) by income and expenditure and monthly GDP by industry, published on March 1, 2016.

Productivity measure

The term **productivity** in this release refers to labour productivity. For the purposes of this analysis, labour productivity and related variables cover the business sector only.

Labour productivity is a measure of real GDP per hour worked.

Unit labour cost is defined as the cost of workers' wages and benefits per unit of real GDP.

All the growth rates reported in this release are rounded to one decimal place. They are calculated with index numbers rounded to three decimal places, which are now available on CANSIM.

All necessary basic variables for productivity analyses (such as hours worked, employment, output, and compensation) are seasonally adjusted. For information on seasonal adjustment, see [Seasonally adjusted data – Frequently asked questions](#).

Next release

Labour productivity, hourly compensation and unit labour cost data for the first quarter will be released on June 3.

Table 1
Business sector: Labour productivity and related variables for Canada and the United States¹ –
Seasonally adjusted

	Fourth quarter 2013	First quarter 2014	Second quarter 2014	Third quarter 2014	Fourth quarter 2014	First quarter 2015	Second quarter 2015	Third quarter 2015	Fourth quarter 2015
	% change from the previous quarter								
Canada									
Labour productivity	0.9	-0.1	1.8	0.2	0.5	-0.6	-0.9	0.4	0.1
Real gross domestic product (GDP)	1.1	0.1	1.1	0.6	0.9	-0.4	-0.3	0.8	0.1
Hours worked	0.3	0.2	-0.7	0.4	0.4	0.2	0.6	0.4	0.0
Hourly compensation	1.0	0.4	1.9	0.8	0.0	0.7	-0.4	-0.1	0.9
Unit labour cost	0.2	0.5	0.1	0.6	-0.5	1.3	0.5	-0.5	0.8
Exchange rate ²	-1.0	-4.9	1.2	0.1	-4.0	-8.5	0.9	-6.0	-2.0
Unit labour cost in US dollars	-0.9	-4.4	1.3	0.7	-4.5	-7.3	1.5	-6.6	-1.2
United States³									
Labour productivity	0.8	-0.9	0.7	0.6	-0.6	-0.3	0.9	0.6	-0.7
Real GDP	1.3	-0.4	1.4	1.3	0.7	0.1	1.2	0.5	0.2
Hours worked	0.4	0.5	0.7	0.7	1.3	0.5	0.3	-0.1	0.8
Hourly compensation	0.5	1.4	-0.2	0.6	0.8	0.3	1.4	1.0	0.3
Unit labour cost	-0.3	2.4	-0.9	-0.0	1.4	0.6	0.5	0.4	1.0
	2011	2012	2013	2014	2015	First quarter 2015	Second quarter 2015	Third quarter 2015	Fourth quarter 2015
	% change from the previous year					% change from the same quarter of the previous year			
Canada									
Labour productivity	1.8	-0.4	1.3	2.5	-0.2	1.9	-0.9	-0.7	-1.1
Real GDP	3.5	1.7	2.5	2.8	1.0	2.2	0.8	0.9	0.1
Hours worked	1.7	2.2	1.2	0.3	1.2	0.3	1.7	1.6	1.2
Hourly compensation	3.6	2.7	3.0	3.7	1.4	3.4	1.1	0.1	1.0
Unit labour cost	1.7	3.2	1.7	1.1	1.6	1.5	2.0	0.8	2.1
Exchange rate ²	4.1	-1.0	-3.0	-6.7	-13.6	-11.0	-11.3	-16.8	-15.0
Unit labour cost in US dollars	6.0	2.1	-1.4	-5.7	-12.1	-9.7	-9.6	-16.1	-13.1
United States³									
Labour productivity	0.1	0.7	0.4	0.6	0.5	0.4	0.6	0.6	0.5
Real GDP	2.1	2.9	2.0	3.0	2.9	3.6	3.4	2.6	2.1
Hours worked	2.0	2.2	1.6	2.4	2.4	3.2	2.8	2.0	1.5
Hourly compensation	2.2	2.8	1.2	2.6	2.8	1.5	3.2	3.6	3.1
Unit labour cost	2.1	2.0	0.8	2.0	2.3	1.1	2.5	2.9	2.5

1. Calculations of growth rates are based on index numbers rounded to three decimal places.

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

3. US data are from the Bureau of Labor Statistics, Productivity and costs: fourth quarter 2015 published in NEWS, February 4. As a result of rounding, the annual growth rates presented in this table can sometimes differ slightly from the annual rates published by the Bureau of Labor Statistics.

Source(s): CANSIM table [383-0008](#).

Available in CANSIM: tables [383-0008](#) and [383-0012](#).

Definitions, data sources and methods: survey number [5042](#).

The [System of macroeconomic accounts](#) module, accessible from the *Browse by key resource* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

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