

Labour productivity, hourly compensation and unit labour cost, second quarter 2019

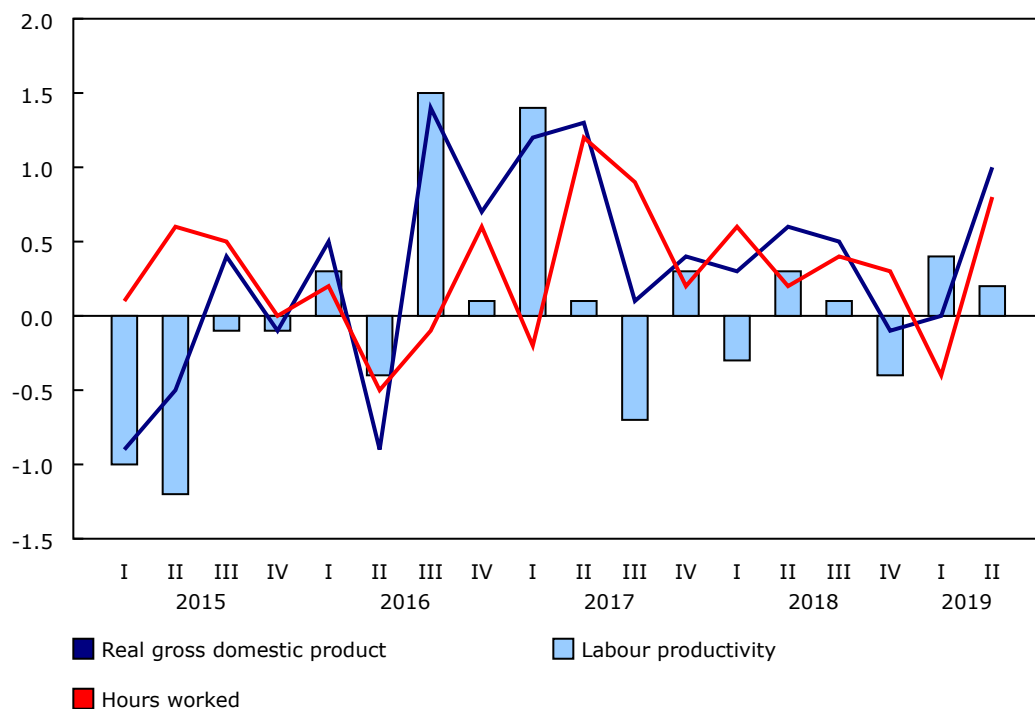
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Productivity grows at a slower rate

Labour productivity of Canadian businesses increased 0.2% in the second quarter, after posting a 0.4% gain in the previous quarter.

Chart 1
Productivity of Canadian businesses increases in the second quarter

quarterly % change



Source(s): Table 36-10-0206-01.

Hours worked rebounded in the second quarter after a quarter of decline, while growth in business output also accelerated, surpassing the gain in hours worked.

Real gross domestic product (GDP) of businesses, essentially unchanged in each of the two previous quarters, rose 1.0% in the second quarter. This was the highest growth rate in two years. Real GDP of businesses accelerated for both goods-producing and service-producing businesses. The mining, quarrying, and oil and gas extraction sector was the main source of the overall increase, with wholesale trade, transportation and warehousing services, real estate services, and the finance and insurance sector also contributing.

GDP growth of businesses in the second quarter was accompanied by the largest increase in hours worked (+0.8%) since the third quarter of 2017 (+0.9%). Hours worked were up 0.9% in service-producing businesses and up 0.5% in goods-producing businesses. Hours worked rose in all the main industrial sectors, except agriculture

and forestry (-1.1%), wholesale trade (-0.2%) and administrative services (-0.1%). The finance and insurance sector (+2.6%), mining, quarrying, and oil and gas extraction (+2.3%), and real estate services (+2.1%) posted the largest increases.

The productivity increase in the second quarter was mainly attributable to goods-producing businesses, up 0.6%. Productivity declines in utilities (-1.7%), manufacturing (-0.5%) and construction (-0.6%) were offset by strong gains in agriculture and forestry (+3.9%) and mining, quarrying, and oil and gas extraction (+3.5%).

In service-producing businesses, productivity declined by 0.2%, following an increase of 0.8% in the previous quarter. Wholesale trade (+1.8%), transportation and warehousing services (+0.8%), accommodation and food services (+0.5%), as well as professional services (+0.4%) increased, while other service industries declined. In particular, the finance and insurance sector (-1.8%) posted the largest decline.

In the United States, labour productivity of businesses rose 0.6% in the second quarter, following a 0.9% gain in the first quarter. Real GDP of American businesses grew 0.5% in the second quarter, half the pace of the previous quarter. Meanwhile, hours worked were relatively unchanged for a second consecutive quarter, edging down 0.1%, compared with a slight increase (+0.1%) in the first quarter.

Slower growth in unit labour costs than in the first quarter

Labour costs per unit of output in Canadian businesses were up 0.7% in the second quarter, after increasing 1.0% in the first quarter.

This reflects growth in average compensation per hour worked (+0.9%), combined with a slight increase in productivity (+0.2%) during the second quarter.

Average hourly compensation grew at a similar pace in both goods-producing (+1.0%) and service-producing businesses (+0.9%) in the second quarter. Hourly compensation was up in all the main industrial sectors, except professional services (-0.7%).

The average value of the Canadian dollar relative to the US dollar declined for a fifth consecutive quarter, falling 0.5%. As a result, unit labour costs expressed in US dollars for Canadian businesses edged up 0.1%, after posting a 0.4% increase in the first quarter.

In comparison, unit labour costs of American businesses rose 0.6% in the second quarter, following a rise of 1.4% in the previous quarter.

Sustainable Development Goals

On January 1, 2016, the world officially began implementation of the [2030 Agenda for Sustainable Development](#)—the United Nations' transformative plan of action that addresses urgent global challenges over the next 15 years. The plan is based on 17 specific sustainable development goals.

The release "Labour productivity, hourly compensation and unit labour cost" is an example of how Statistics Canada supports the reporting on the Global Goals for Sustainable Development. This release will be used in helping to measure the following goal:



Note to readers

Revisions

With this release on labour productivity and related measures, data were revised back to the first quarter of 2018 at the aggregate and industry levels. 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 August 30, 2019.

Productivity measures

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.

The approach to measuring the real output in the business sector differs from the one that is used in the estimates by industry. For the business sector, output is measured using the expenditure-based GDP approach at market prices. This approach is similar to that used for the quarterly measures of productivity in the United States. However, output by industry is based on the value added at basic prices.

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 in data tables.

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 third quarter will be released on December 4.

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

| | Second quarter 2017 | Third quarter 2017 | Fourth quarter 2017 | First quarter 2018 | Second quarter 2018 | Third quarter 2018 | Fourth quarter 2018 | First quarter 2019 | Second quarter 2019 |
|------------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---|--------------------------|---------------------------|--------------------------|---------------------------|
| % change from the previous quarter | | | | | | | | | |
| Canada | | | | | | | | | |
| Labour productivity | 0.1 | -0.7 | 0.3 | -0.3 | 0.3 | 0.1 | -0.4 | 0.4 | 0.2 |
| Real gross domestic product (GDP) | 1.3 | 0.1 | 0.4 | 0.3 | 0.6 | 0.5 | -0.1 | 0.0 | 1.0 |
| Hours worked | 1.2 | 0.9 | 0.2 | 0.6 | 0.2 | 0.4 | 0.3 | -0.4 | 0.8 |
| Hourly compensation | -0.4 | 1.3 | 1.8 | 0.0 | -0.2 | -0.1 | 0.8 | 1.4 | 0.9 |
| Unit labour cost | -0.5 | 2.0 | 1.6 | 0.4 | -0.5 | -0.2 | 1.2 | 1.0 | 0.7 |
| Exchange rate ² | -1.6 | 7.3 | -1.5 | 0.6 | -2.1 | -1.2 | -1.0 | -0.7 | -0.5 |
| Unit labour cost in US dollars | -2.2 | 9.5 | 0.1 | 0.9 | -2.5 | -1.4 | 0.1 | 0.4 | 0.1 |
| United States³ | | | | | | | | | |
| Labour productivity | 0.1 | 0.8 | 0.0 | 0.3 | 0.6 | 0.2 | -0.0 | 0.9 | 0.6 |
| Real GDP | 0.6 | 1.0 | 1.0 | 0.7 | 1.0 | 0.8 | 0.3 | 1.0 | 0.5 |
| Hours worked | 0.5 | 0.1 | 1.0 | 0.4 | 0.4 | 0.6 | 0.3 | 0.1 | -0.1 |
| Hourly compensation | 0.5 | 1.2 | 1.1 | 1.2 | 0.2 | 0.6 | 0.1 | 2.3 | 1.2 |
| Unit labour cost | 0.4 | 0.4 | 1.1 | 0.8 | -0.4 | 0.4 | 0.1 | 1.4 | 0.6 |
| | 2014 | 2015 | 2016 | 2017 | 2018 | Third quarter 2018 | Fourth quarter 2018 | First quarter 2019 | Second quarter 2019 |
| % change from the previous year | | | | | % change from the same quarter of the previous year | | | | |
| Canada | | | | | | | | | |
| Labour productivity | 3.2 | -0.7 | 0.3 | 1.9 | -0.3 | 0.3 | -0.4 | 0.4 | 0.3 |
| Real GDP | 3.4 | 0.3 | 0.7 | 3.4 | 1.6 | 1.8 | 1.3 | 1.0 | 1.4 |
| Hours worked | 0.2 | 1.0 | 0.4 | 1.5 | 2.0 | 1.4 | 1.6 | 0.6 | 1.1 |
| Hourly compensation | 3.9 | 2.0 | -1.3 | 2.7 | 1.9 | 1.5 | 0.5 | 2.0 | 3.1 |
| Unit labour cost | 0.7 | 2.7 | -1.6 | 0.8 | 2.3 | 1.2 | 0.9 | 1.6 | 2.8 |
| Exchange rate ² | -6.7 | -13.6 | -3.6 | 2.1 | 0.1 | -4.1 | -3.7 | -4.9 | -3.4 |
| Unit labour cost in US dollars | -6.1 | -11.2 | -5.1 | 3.0 | 2.3 | -3.0 | -2.9 | -3.3 | -0.8 |
| United States³ | | | | | | | | | |
| Labour productivity | 0.7 | 1.2 | 0.3 | 1.3 | 1.3 | 1.2 | 1.1 | 1.7 | 1.8 |
| Real GDP | 3.1 | 3.5 | 1.8 | 2.8 | 3.4 | 3.6 | 2.9 | 3.1 | 2.7 |
| Hours worked | 2.4 | 2.3 | 1.5 | 1.5 | 2.0 | 2.4 | 1.7 | 1.4 | 0.9 |
| Hourly compensation | 2.6 | 2.9 | 1.1 | 3.5 | 3.2 | 3.1 | 2.1 | 3.2 | 4.3 |
| Unit labour cost | 1.9 | 1.6 | 0.8 | 2.1 | 1.9 | 1.9 | 1.0 | 1.5 | 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 Bureau of Labor Statistics (BLS), Productivity and Costs: Second Quarter 2019, Preliminary — published in news release, August 15. Due to rounding, the annual growth rates presented in this table can sometimes differ slightly from the annual rates published by the BLS.

Source(s): Table 36-10-0206-01.

Available tables: [36-10-0206-01](#) and [36-10-0207-01](#).

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

The *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)) is available.

The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is available.

The *Methodological Guide: Canadian System of Macroeconomic Accounts* ([13-607-X](#)) is available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca) or Media Relations (613-951-4636; STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca).